

Margin guidance for FY24E upped one more time

Marico's 3Q revenue was inline but gross margin progression again turned out much better than expected. Volume trajectory remained soft (+2%) - a function of rural weakness, and stock-corrections taken in general trade (c.2% impact). The company has upped its FY24E margin guidance again - now looking at a potential gross margin gain of 450-500bps (vs 200-250bps back in May) and EBITDA margin expansion of c.250bps (vs >100bps in May). With inventory corrections done and price-cuts getting into the base, management is hopeful of value growth turning positive from 4Q, and is targeting double-digit sales growth and at least low-teens growth in profits for FY25E - the maths being a function of pick-up in core brands' volume growth, possible price-hikes (Parachute) due to anticipated uptick in copra prices, improved mix, and improved strength in international business. We believe the stock, and indeed the sector, could stay subdued in the near-term given a way slower-than-desired demand trajectory; valuation of c.42x NTM EPS, however, places it better on a relative basis.

- Operating profitability tad above expectations:** Marico's 3QFY24 consolidated revenue fell 1.9% to INR24.2bn, but EBITDA and net profit grew well by 12.5% and 16.8% to INR5.1bn and INR3.8bn. Revenue performance was inline with what management stated in its pre-result operational update. Domestic volumes grew 2% after cognizing for the channel-inventory corrections taken in the core categories (possible impact of c.2%) given persistent demand weakness. Operating profit was c.2% better than our estimates helped by a sharper-than-expected expansion in GPM (+634bps vs JMFe +516bps), which along with lower tax rate (22% vs 24.8% LY) drove a c.7% beat in bottomline forecast.
- Domestic volumes remained soft; some moderation in international growth too:**
 - Parachute** volumes grew 3% - an improvement vs recent quarters helped by loose-to-branded conversion picking up pace with copra prices slowly firming up. However, price-cuts in the segment resulted in flat value-sales for the quarter. Management expects trajectory to turn +ve from 4Q.
 - Saffola** edible-oils' volumes declined in mid-single digit - high base plus lower primary offtake due to weak trade sentiments. Value-sales fell 26% including the impact of the steep price-corrections taken in recent past.
 - VAHO** grew 3% with premium-portfolio growth in mid-to-high single-digit but bottom-of-pyramid range continued to be impacted by weak rural demand and high competitive intensity.
 - Newer businesses'** performance is seeing some moderation as well - Foods grew in mid-single-digit like-to-like (18% including M&A) - some moderation seen in urban demand plus the business took a decision to trade off some growth for improved profitability. The Premium Personal Care portfolio was also weak and declined vs LY.
 - International** growth moderated to 6% CC - mainly due to macro headwinds in the key market of Bangladesh (-6% CC) and slower HPC demand in Vietnam. MENA and South Africa delivered strong growth.
- Gross margin progression surprised positively once again:** Gross margin expanded 634bps yoy (+80bps qoq) to 51.3% (vs JMFe: 50.1%), aided by continued benefits from lower input costs. Staff costs grew 18% but Other Expenses were just 7% higher. A&P spends grew 11.8% overall but standalone A&P was 11.7% lower (cut-down in spends on Saffola, rationalised ATL on VAHO and spends in alternate channels). Resultant scale-deleverage, however, led to lower flowthrough to operating margin (+272bps to 21.2%).

Recommendation and Price Target

| | |
|----------------------------|-------|
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Current Price Target (12M) | 615 |
| Upside/(Downside) | 19.0% |
| Previous Price Target | 620 |
| Change | -0.8% |

Key Data – MRCO IN

| | |
|--------------------------|------------------|
| Current Market Price | INR517 |
| Market cap (bn) | INR668.4/US\$8.0 |
| Free Float | 37% |
| Shares in issue (mn) | 1,290.0 |
| Diluted share (mn) | 1,290.0 |
| 3-mon avg daily val (mn) | INR764.0/US\$9.2 |
| 52-week range | 595/463 |
| Sensex/Nifty | 71,942/21,738 |
| INR/US\$ | 83.1 |

Price Performance

| % | 1M | 6M | 12M |
|-----------|------|-------|-------|
| Absolute | -5.8 | -10.1 | 2.5 |
| Relative* | -6.6 | -16.6 | -14.2 |

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

| Financial Summary | | | | | (INR mn) |
|------------------------|--------|--------|--------|---------|----------|
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E |
| Net Sales | 94,520 | 96,890 | 96,568 | 108,373 | 120,657 |
| Sales Growth (%) | 18.3% | 2.5% | -0.3% | 12.2% | 11.3% |
| EBITDA | 16,810 | 18,100 | 20,411 | 22,400 | 24,710 |
| EBITDA Margin (%) | 17.8% | 18.7% | 21.1% | 20.7% | 20.5% |
| Adjusted Net Profit | 12,250 | 13,020 | 14,771 | 16,212 | 17,721 |
| Diluted EPS (INR) | 9.5 | 10.1 | 11.5 | 12.6 | 13.7 |
| Diluted EPS Growth (%) | 5.4% | 6.3% | 13.5% | 9.8% | 9.3% |
| ROIC (%) | 59.8% | 53.3% | 57.4% | 59.4% | 62.0% |
| ROE (%) | 37.2% | 36.4% | 36.7% | 36.1% | 35.8% |
| P/E (x) | 54.4 | 51.2 | 45.1 | 41.1 | 37.6 |
| P/B (x) | 19.9 | 17.5 | 15.7 | 14.1 | 12.9 |
| EV/EBITDA (x) | 39.0 | 36.1 | 31.8 | 28.8 | 26.0 |
| Dividend Yield (%) | 1.8% | 0.9% | 1.6% | 1.7% | 2.0% |

Source: Company data, JM Financial. Note: Valuations as of 29/Jan/2024

Exhibit 1. 3Q & 9MFY24 consolidated snapshot: Much stronger-than-expected gross margin expansion offset by higher growth in Staff Costs and scale deleverage (INR mn)

| | 3QFY24 | 3QFY23 | YoY chg | 3QFY24E | % Var | 9MFY24 | 9MFY23 | YoY chg |
|-----------------------------|---------------|---------------|--------------|---------------|-------------|---------------|---------------|--------------|
| Net Sales | 24,220 | 24,700 | -1.9% | 24,224 | 0.0% | 73,750 | 75,240 | -2.0% |
| Gross Profit | 12,420 | 11,100 | 11.9% | 12,137 | 2.3% | 37,300 | 33,510 | 11.3% |
| Gross Profit Margin % | 51.3% | 44.9% | 634 bps | 50.1% | 118 bps | 50.6% | 44.5% | 604 bps |
| Staff Cost | 1,890 | 1,600 | 18.1% | 1,793 | 5.4% | 5,570 | 4,820 | 15.6% |
| Ad & Sales Promotion | 2,460 | 2,200 | 11.8% | 2,422 | 1.6% | 7,260 | 6,320 | 14.9% |
| Other Expenses | 2,940 | 2,740 | 7.3% | 2,874 | 2.3% | 8,630 | 8,200 | 5.2% |
| EBITDA | 5,130 | 4,560 | 12.5% | 5,048 | 1.6% | 15,840 | 14,170 | 11.8% |
| EBITDA margin % | 21.2% | 18.5% | 272 bps | 20.8% | 34 bps | 21.5% | 18.8% | 264 bps |
| Depreciation | 420 | 390 | 7.7% | 412 | 2.0% | 1,170 | 1,120 | 4.5% |
| EBIT | 4,710 | 4,170 | 12.9% | 4,636 | 1.6% | 14,670 | 13,050 | 12.4% |
| Interest Expense | 190 | 140 | 35.7% | 200 | -5.0% | 560 | 390 | 43.6% |
| Financial Other Income | 430 | 400 | 7.5% | 388 | 10.9% | 1,130 | 760 | 48.7% |
| PBT pre-exceptionals | 4,950 | 4,430 | 11.7% | 4,824 | 2.6% | 15,240 | 13,420 | 13.6% |
| PBT post exceptionals | 4,950 | 4,430 | 11.7% | 4,824 | 2.6% | 15,380 | 13,420 | 14.6% |
| Taxes | 1,090 | 1,100 | -0.9% | 1,182 | -7.8% | 3,560 | 3,250 | 9.5% |
| Minority Interest | 30 | 50 | | 60 | | 190 | 170 | |
| Reported Net Profit | 3,830 | 3,280 | 16.8% | 3,582 | 6.9% | 11,630 | 10,000 | 16.3% |
| Adjusted Net Profit | 3,830 | 3,280 | 16.8% | 3,582 | 6.9% | 11,522 | 10,000 | 15.2% |

Source: Company, JM Financial

Exhibit 2. 3Q & 9MFY24 costs breakdown

| % of revenue | 3QFY24 | 3QFY23 | 3QFY24E | 9MFY24 | 9MFY23 |
|----------------------|--------|--------|---------|--------|--------|
| Cost of Goods Sold | 48.7% | 55.1% | 49.9% | 49.4% | 55.5% |
| Staff Cost | 7.8% | 6.5% | 7.4% | 7.6% | 6.4% |
| Ad & Sales Promotion | 10.2% | 8.9% | 10.0% | 9.8% | 8.4% |
| Other Expenses | 12.1% | 11.1% | 11.9% | 11.7% | 10.9% |

Source: Company, JM Financial

Exhibit 3. Volumes across categories stayed largely muted

| | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Domestic Consumer Vol Growth | 8% | 0% | 1% | -6% | 3% | 4% | 5% | 3% | 3% | 2% |
| Parachute Volume growth - Rigid Packs | 7% | 1% | -1% | -2% | -3% | 2% | 9% | -2% | 1% | 3% |
| Saffola Volume Growth | 1% | -5% | 0% | -23% | 7% | 13% | -5% | 11% | 3% | -5% |
| Value Added Hair Oil Volume Growth | 16% | 0% | -4% | 0% | -3% | -5% | 9% | -3% | 1% | 3% |
| International Revenue growth % | 14% | 19% | 16% | 20% | 9% | 5% | 10% | 2% | 7% | 2% |

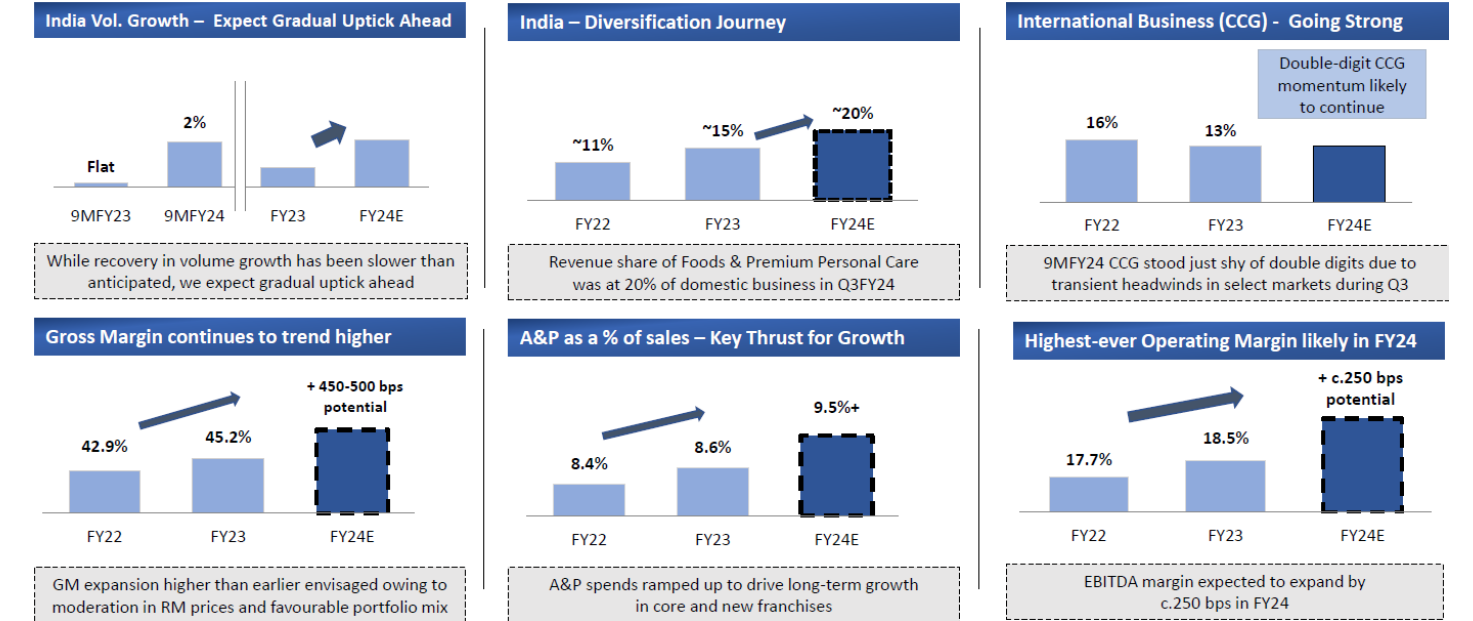
Source: Marico, JM Financial. *Represents reported growth including the impact of currency translation. Note: Saffola volume growth and VAHO volume growth are based on our estimates due to discontinuation of disclosures for the same.

Exhibit 4. 3Q & 9MFY24 Segment Break-up: Domestic and International margins each expanded by >250-300bps (INR mn)

| | 3QFY24 | 3QFY23 | YoY chg | 9MFY24 | 9MFY23 | YoY chg |
|--|--------|--------|---------|--------|--------|---------|
| Domestic & International Break-up | | | | | | |
| Domestic Consumer Business | | | | | | |
| Revenue | 17,930 | 18,510 | -3.1% | 54,520 | 56,680 | -3.8% |
| EBIT (Before unallocable exp) | 3,800 | 3,440 | 10.5% | 11,840 | 10,710 | 10.6% |
| Margin % | 21.2% | 18.6% | 261 bps | 21.7% | 18.9% | 282 bps |
| International Business | | | | | | |
| Revenue | 6,290 | 6,190 | 1.6% | 19,230 | 18,560 | 3.6% |
| EBIT (Before unallocable exp) | 1,560 | 1,340 | 16.4% | 4,870 | 4,170 | 16.8% |
| Margin % | 24.8% | 21.6% | 315 bps | 25.3% | 22.5% | 286 bps |

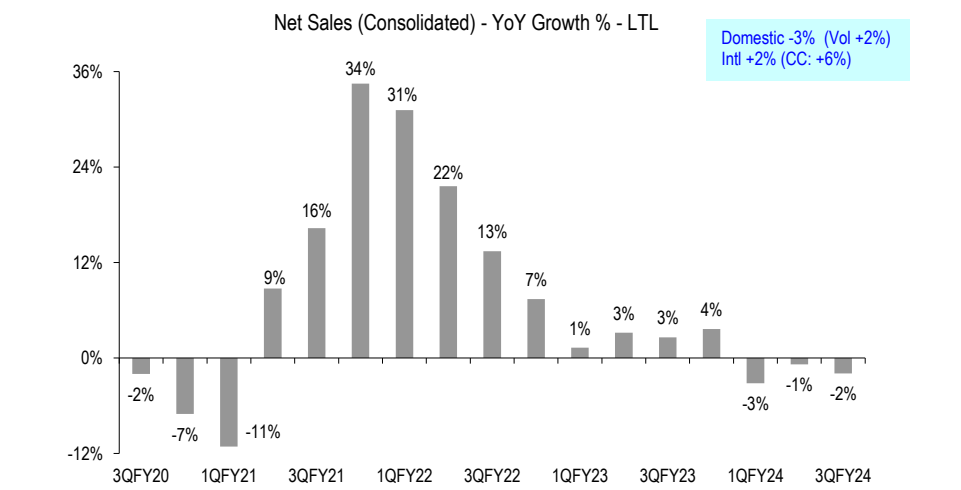
Source: Company, JM Financial

Exhibit 5. Management expects all-round improvement in FY24; gross margin and operating margin guidance upped once again – by 100bps and 50bps respectively



Source: Company presentation, JM Financial

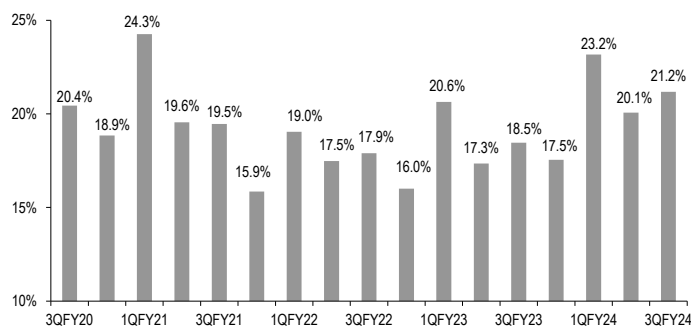
Exhibit 6. Consolidated revenue growth trend



Source: Company, JM Financial

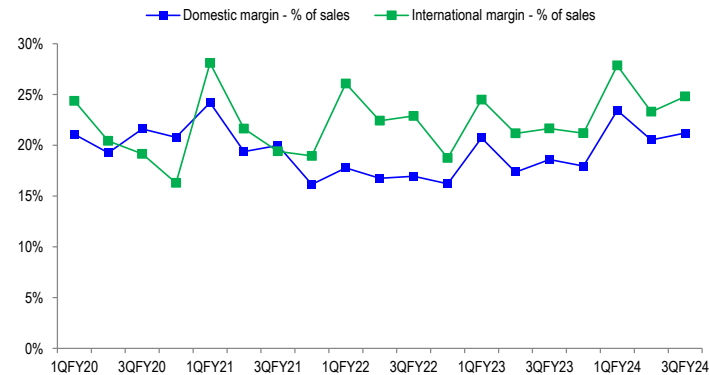
Exhibit 7. Consolidated EBITDA margin expanded 272bps yoy

Consolidated EBITDA Margin %



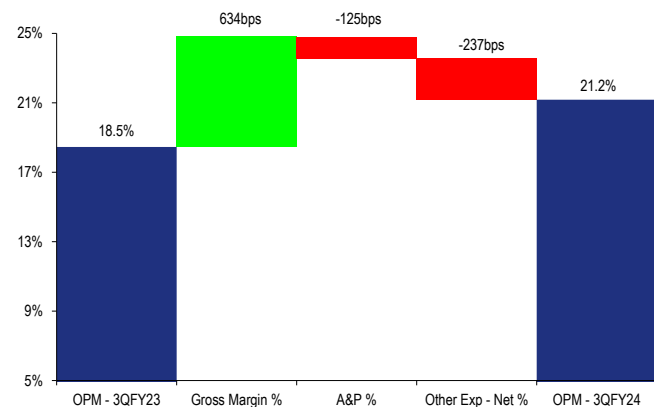
Source: Company, JM Financial

Exhibit 8. Domestic margin expanded 261bps yoy and International margin expanded 315bps yoy



Source: Company, JM Financial

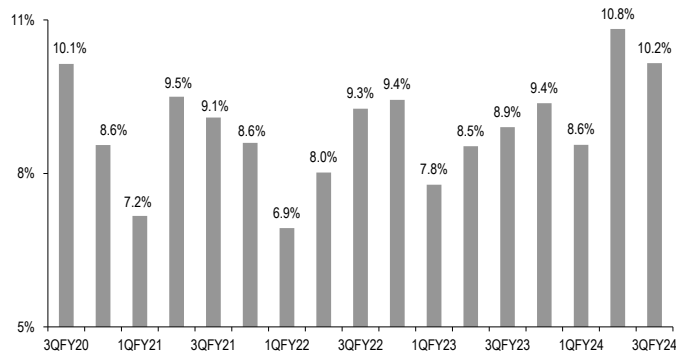
Exhibit 9. Strong GPM expansion was partially offset by higher Staff Costs and A&P and overall scale-deleverage



Source: Company, JM Financial

Exhibit 10. Ad-spends grew 11.8% yoy but down 8.2% qoq

A&P - % of Sales (Consolidated)



Source: Company, JM Financial

Exhibit 11. Marico: one-year forward PE Band



Source: Company, Bloomberg, JM Financial

Financial Tables (Consolidated)

| Profit & Loss statement | | | | | (INR mn) |
|--|---------------|---------------|---------------|----------------|----------------|
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E |
| Net sales (Net of excise) - IGAAI | 94,520 | 96,890 | 96,568 | 108,373 | 120,657 |
| Sales Growth | 18.3% | 2.5% | -0.3% | 12.2% | 11.3% |
| Other Operating Income | 600 | 750 | 748 | 839 | 934 |
| Total Revenue | 95,120 | 97,640 | 97,315 | 109,212 | 121,591 |
| Cost of Goods Sold/Op. Exp. | 54,360 | 53,510 | 48,237 | 55,063 | 61,691 |
| Personnel cost | 5,860 | 6,530 | 7,387 | 8,204 | 9,098 |
| Other expenses | 18,090 | 19,500 | 21,279 | 23,545 | 26,093 |
| EBITDA | 16,810 | 18,100 | 20,411 | 22,400 | 24,710 |
| EBITDA (%) | 17.7% | 18.5% | 21.0% | 20.5% | 20.3% |
| Growth (%) | 5.7% | 7.7% | 12.8% | 9.7% | 10.3% |
| Depreciation and amort. | 1,390 | 1,550 | 1,684 | 1,924 | 2,186 |
| EBIT | 15,420 | 16,550 | 18,727 | 20,476 | 22,524 |
| Other Income | 980 | 1,440 | 1,380 | 1,546 | 1,719 |
| Finance Cost | 390 | 560 | 527 | 499 | 473 |
| Pre tax profit | 16,010 | 17,430 | 19,580 | 21,523 | 23,771 |
| Excep & forex Inc/Loss(-) | 0 | 0 | 0 | 0 | 0 |
| PBT | 16,010 | 17,430 | 19,580 | 21,523 | 23,771 |
| Taxes | 3,460 | 4,210 | 4,582 | 5,062 | 5,777 |
| Extraordinary Inc/Loss(-) | 0 | 0 | 0 | 0 | 0 |
| Assoc. Profit/Min. Int.(-) | -300 | -200 | -227 | -249 | -272 |
| Reported net profit | 12,250 | 13,020 | 14,771 | 16,212 | 17,721 |
| Adjusted net profit | 12,250 | 13,020 | 14,771 | 16,212 | 17,721 |
| Net Margin (%) | 12.9% | 13.3% | 15.2% | 14.8% | 14.6% |
| Diluted share capital (mn) | 1,290 | 1,290 | 1,290 | 1,290 | 1,290 |
| Diluted EPS (INR) | 9.5 | 10.1 | 11.5 | 12.6 | 13.7 |
| Growth (%) | 5.4% | 6.3% | 13.5% | 9.8% | 9.3% |
| Total Dividend + Tax | 11,953 | 5,805 | 10,340 | 11,348 | 13,291 |
| Dividend Per Share (Rs) | 9.3 | 4.5 | 8.0 | 8.8 | 10.3 |

Source: Company, JM Financial

| Cash Flow Statement | | | | | (INR mn) |
|------------------------------|----------------|---------------|----------------|----------------|----------------|
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E |
| Profit before Tax | 16,010 | 17,430 | 19,580 | 21,523 | 23,771 |
| Deprn. & Amort. | 1,390 | 1,550 | 1,684 | 1,924 | 2,186 |
| Net Interest Exp. / Inc. (-) | -590 | -880 | -853 | -1,047 | -1,247 |
| Inc (-) / Dec in WCap. | -3,420 | -590 | -1,280 | -728 | -803 |
| Others | 280 | 370 | 0 | 0 | 0 |
| Taxes Paid | -3,510 | -3,690 | -3,882 | -4,380 | -5,011 |
| Operating Cash Flow | 10,160 | 14,190 | 15,249 | 17,292 | 18,896 |
| Capex | -1,290 | -1,570 | -2,897 | -3,230 | -3,584 |
| Free Cash Flow | 8,870 | 12,620 | 12,352 | 14,063 | 15,312 |
| -Inc/dec in investments | 4,970 | -8,200 | -2,192 | -2,630 | -3,156 |
| Other current assets | 600 | 480 | 1,380 | 1,546 | 1,719 |
| Investing Cash Flow | 4,280 | -9,290 | -3,709 | -4,314 | -5,021 |
| Inc/(dec) in capital | 410 | 90 | 0 | 0 | 0 |
| Dividend+Tax Thereon | -11,950 | -5,820 | -10,340 | -11,348 | -13,291 |
| Inc/dec in loans | -250 | 1,030 | -475 | -428 | -385 |
| Other assets | -1,110 | -900 | -536 | -507 | -481 |
| Financing Cash Flow | -12,900 | -5,600 | -11,351 | -12,283 | -14,157 |
| Inc / Dec (-) in Cash | 1,540 | -700 | 188 | 695 | -282 |
| Opening cash balance | 4,250 | 8,260 | 7,560 | 7,748 | 8,443 |
| Closing cash balance | 5,790 | 7,560 | 7,748 | 8,443 | 8,162 |

Source: Company, JM Financial

| Balance Sheet | | | | | (INR mn) |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E |
| Shareholders' Fund | 33,480 | 37,990 | 42,421 | 47,285 | 51,715 |
| Share capital | 1,290 | 1,290 | 1,290 | 1,290 | 1,290 |
| Reserves & Surplus | 32,190 | 36,700 | 41,131 | 45,995 | 50,425 |
| Preference Share Capital | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 570 | 1,570 | 1,797 | 2,046 | 2,318 |
| Total Loans | 3,450 | 4,750 | 4,275 | 3,848 | 3,463 |
| Def. Tax Liab / Assets (-) | -780 | 320 | 986 | 1,528 | 2,147 |
| Sources of Funds | 36,720 | 44,630 | 49,479 | 54,706 | 59,643 |
| Net Fixed Assets | 16,650 | 21,800 | 23,022 | 24,336 | 25,742 |
| Gross Fixed Assets | 15,240 | 18,000 | 20,897 | 24,127 | 27,710 |
| Intangible Assets | 6,540 | 8,620 | 8,620 | 8,620 | 8,620 |
| Less: Deprn. & Amort. | 5,960 | 5,910 | 7,594 | 9,518 | 11,704 |
| Capital WIP & Net Lease Asset | 830 | 1,090 | 1,099 | 1,108 | 1,116 |
| Investments | 8,280 | 10,960 | 13,152 | 15,782 | 18,939 |
| Current Assets | 29,720 | 33,910 | 32,632 | 36,368 | 39,252 |
| Inventories | 14,120 | 12,250 | 13,228 | 14,846 | 16,528 |
| Sundry Debtors | 6,520 | 10,150 | 7,937 | 8,907 | 9,917 |
| Cash & Bank Balances | 5,790 | 7,560 | 7,748 | 8,443 | 8,162 |
| Loans & Advances | 860 | 1,130 | 1,062 | 1,192 | 1,327 |
| Other Current Assets | 2,430 | 2,820 | 2,656 | 2,980 | 3,318 |
| Current Liab. & Prov. | 17,930 | 22,040 | 19,327 | 21,780 | 24,290 |
| Current Liabilities | 16,130 | 19,750 | 16,856 | 19,027 | 21,234 |
| Provisions & Others | 1,800 | 2,290 | 2,471 | 2,753 | 3,056 |
| Net Current Assets | 11,790 | 11,870 | 13,305 | 14,588 | 14,962 |
| Application of Funds | 36,720 | 44,630 | 49,479 | 54,706 | 59,643 |

Source: Company, JM Financial

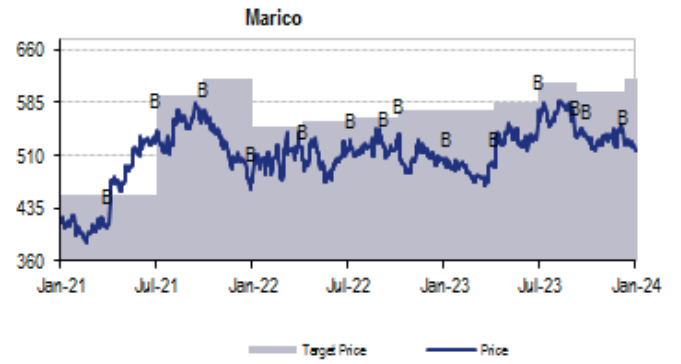
| Dupont Analysis | | | | | |
|---------------------|-------|-------|-------|-------|-------|
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E |
| Net Margin | 12.9% | 13.3% | 15.2% | 14.8% | 14.6% |
| Asset Turnover (x) | 2.6 | 2.4 | 2.1 | 2.1 | 2.1 |
| Leverage Factor (x) | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 |
| RoE | 37.2% | 36.4% | 36.7% | 36.1% | 35.8% |
| Key Ratios | | | | | |
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E |
| BV/Share (INR) | 26.0 | 29.4 | 32.9 | 36.7 | 40.1 |
| ROIC | 59.8% | 53.3% | 57.4% | 59.4% | 62.0% |
| ROE | 37.2% | 36.4% | 36.7% | 36.1% | 35.8% |
| Net Debt/Equity (x) | -0.3 | -0.4 | -0.4 | -0.4 | -0.5 |
| P/E (x) | 54.4 | 51.2 | 45.1 | 41.1 | 37.6 |
| P/B (x) | 19.9 | 17.5 | 15.7 | 14.1 | 12.9 |
| EV/EBITDA (x) | 39.0 | 36.1 | 31.8 | 28.8 | 26.0 |
| EV/Sales (x) | 6.9 | 6.7 | 6.7 | 6.0 | 5.3 |
| Debtor days | 25 | 38 | 30 | 30 | 30 |
| Inventory days | 55 | 46 | 50 | 50 | 50 |
| Creditor days | 75 | 91 | 80 | 80 | 80 |

Source: Company, JM Financial

History of Recommendation and Target Price

| Date | Recommendation | Target Price | % Chg. |
|-----------|----------------|--------------|--------|
| 8-Jul-20 | Buy | 375 | |
| 27-Jul-20 | Buy | 390 | 4.0 |
| 8-Oct-20 | Buy | 390 | 0.0 |
| 29-Oct-20 | Buy | 410 | 5.1 |
| 1-Jan-21 | Buy | 440 | 7.3 |
| 28-Jan-21 | Buy | 455 | 3.4 |
| 30-Apr-21 | Buy | 455 | 0.0 |
| 30-Jul-21 | Buy | 595 | 30.8 |
| 28-Oct-21 | Buy | 620 | 4.2 |
| 28-Jan-22 | Buy | 550 | -11.3 |
| 6-May-22 | Buy | 560 | 1.8 |
| 6-Aug-22 | Buy | 565 | 0.9 |
| 7-Oct-22 | Buy | 565 | 0.0 |
| 5-Nov-22 | Buy | 575 | 1.8 |
| 3-Feb-23 | Buy | 575 | 0.0 |
| 5-May-23 | Buy | 585 | 1.7 |
| 28-Jul-23 | Buy | 615 | 5.1 |
| 9-Oct-23 | Buy | 600 | -2.4 |
| 30-Oct-23 | Buy | 600 | 0.0 |
| 8-Jan-24 | Buy | 620 | 3.3 |

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

| Definition of ratings | |
|-----------------------|---|
| Rating | Meaning |
| Buy | Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields. |
| Hold | Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months. |
| Sell | Price expected to move downwards by more than 10% from the current market price over the next twelve months. |

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 28th Floor, Office No. 2821, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.