

August 06, 2024

**RESULT REPORT Q1 FY25** | Sector: Consumer Durables

# IFB Industries Ltd

## Margin challenges persist; downgrade to REDUCE

### Result Synopsis

IFBI revenue grew 16.9% yoy (1.5% higher than estimates). Its home Appliances business registered muted revenue growth of 18.6%, while engineering services registered strong growth of 9.4%. Company's overall gross margin contracted by 145bps yoy on product mix moving towards AC which has lower margins. Muted revenue growth in engineering segment is on back of slowdown in four wheelers and commercial vehicles. Its key category of washers has been facing demand challenges as industry has experienced negative growth. RAC sales were impacted on back of supply constraints resulting in the revenue loss. Refrigeration production is ramping up swiftly and Q1 sales have been encouraging. The company's target is to reach sales of 50,000 units of refrigerator by September/October and aim to achieve significant OEM sales. Company's aspiration of 10% margins in home appliances division continues to meet challenges and now management hopes margins will start improving from Q3 vs earlier expectation improvement in Q2. On the engineering front company is looking for acquisition which will push up the growth. Considering the new launches in washers, refrigerators, and strong growth in RAC we believe the company can grow in double digits in FY25. We however believe that achieve 10% margin would be challenge as company is facing demand challenges in key category of washers which has higher margins. Considering margin challenges and renewed competition from WHIRL in washers and aggressive stance adopted by BSH home appliances will rein in margins. We downgrade the stock to Reduce with revised PT of Rs1,811

We now expect IFB to pose revenue/EBITDA CAGR of 13%/30% over FY24- 26E. We build in EBITDA margins of 6.5% in FY26, which is lower than management aspiration of 10% as competition continues to remain intense and IFBI is yet to demonstrate double digit margins. Despite scale benefits and increased efficiencies, IFB's margins are lower than peers. We value company at 35x as company is working on the cost reduction initiatives to improve the margins. We downgrade the stock to REDUCE PT of Rs1,811 as stock price has runup ahead of expectation. IFBI will deserve higher multiple once we see company delivering on margin front.

### Result Highlights

- Revenue** – Revenue grew 17% yoy led by home appliances division which grew by 18.6% yoy. Engineering segment was subdued growing 9.4% on yoy basis as there has been slowdown in four-wheeler and commercial vehicles.
- Margins** – Gross margins stood at 38% has contracted by 145bps, while EBITDA margin stood at 6.4% expanding by 323bps. Product mix change has resulted in lower gross margins, control over fixed expenditures has boosted EBITDA.
- AC Segment** – AC Sales were impacted in month of June as due to supply constraints, which has impacted AC revenue growth.
- IFB Refrigeration** – In Q1FY25 total refrigerator production stood at 87,000 units as compared to 18,000 units in 1QFY24. The company's target is to reach volume of 50,000 refrigerators by September/October 2024 vs earlier target of Aug 24.

### Exhibit 1: Actual vs estimates

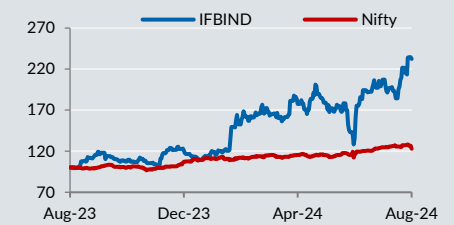
Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	12,692	12,503	NA	1.5	NA	Lower fixed costs has resulted in higher than expected EBITDA margin
EBITDA	817	663	NA	23.3	NA	
EBITDA Margin (%)	6.4	5.3	NA	110 bps	NA bps	
Adjusted PAT	375	268	NA	38.0	NA	

Reco	: <b>REDUCE</b>
CMP	: Rs 1,930
Target Price	: Rs 1,811
Potential Return	: -5.9%

### Stock data (as on Aug 06, 2024)

Nifty	23993
52 Week h/l (Rs)	2020 /820
Market cap (Rs/USD mn)	76050 /906
Outstanding Shares (mn)	41
6m Avg t/o (Rs mn):	152
Div yield (%):	NA
Bloomberg code:	IFBI IN
NSE code:	IFBIND

### Stock performance



	1M	3M	1Y
Absolute return	12.2%	31.8%	132.3%

### Shareholding pattern (As of Mar'24 end)

Promoter	75.0%
FII+DII	7.6%
Others	17.5%

### Δ in stance

(1-Yr)	New	Old
Rating	REDUCE	ADD
Target Price	1,811	1,182

### Δ in earnings estimates

	FY25e	FY26e
EPS (New)	38.5	51.7
EPS (Old)	37.5	50.5
% change	2.7%	2.4%

### Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenue	44,378	51,093	56,866
YoY Growth	5.8	15.1	11.3
EBIDTA	2,171	3,219	3,696
YoY Growth	33.4	48.3	14.8
PAT	504	1590	2136
YoY Growth	237.1	215.6	34.4
ROE	10.8	22.4	23.3
EPS	12.2	38.5	51.7
P/E	157.8	50.0	37.2
BV	173.8	212.3	264.1
EV/EBITDA	36.4	24.2	20.3

**AAKASH FADIA**  
Analyst

aakash.fadia@ysil.in



## Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Sales	10,859	11,009	11,608	10,902	12,692	16.9	16.4	44,378	41,950	5.8
EBITDA	348	704	653	465	817	134.8	75.5	2,171	1,628	33.4
EBITDA Margin %	3.2	6.4	5.6	4.3	6.4			4.9	3.9	
Depreciation	302.4	303.5	318.0	320.0	298.7	(1.2)	(6.7)	1,244	1,215	2.4
EBIT	46	401	335	145	518	1,039.1	256.5	927	413	124.6
EBIT Margin %	0.4	3.6	2.9	1.3	4.1			2.1	1.0	
Interest charges	75	69	68	67	48	(35.6)	(28.6)	279	294	(5.2)
Other Income	78	61	71	114	71	(8.9)	(38.0)	324	228	42.3
PBT	6	314	263	148	514	9,075.0	247.9	730	322	126.9
Tax	12	99	88	28	138	1,072.9	399.6	226	172	31.3
Effective Tax Rate (%)	210.7	31.4	33.6	18.8	26.9			31.0	53.6	
PAT	-6	215	174	120	375	(6,154.8)	212.8	504	149	237.3
PAT Margin %	-0.1	2.0	1.5	1.1	3.0			1.1	0.4	
EPS (Rs)	-0.2	5.2	4.2	2.9	9.1	(6,154.8)	212.8	12.2	3.6	237.3

Source: Company, YES Sec

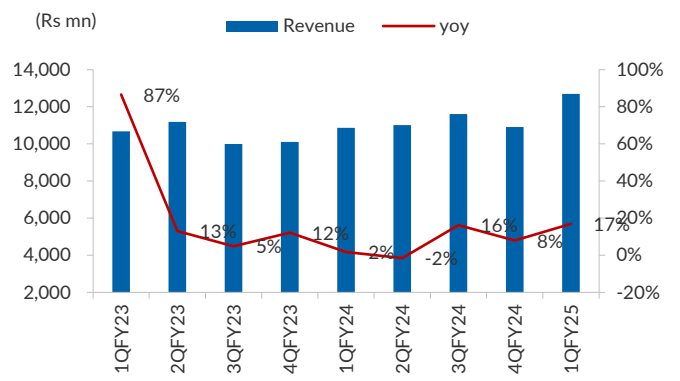
## Exhibit 3: Segmental Performance

Rs mn	Q1FY24	Q2FY24	Q3FY23	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Home Appliances	8,633	8,636	9,139	8,310	10,236	18.6	23.2	34,719	33,147	4.7
Engineering	1,922	2,056	2,145	2,247	2,102	9.4	(6.4)	8,370	7,541	11.0
Others	376	377	380	441	456	21.2	3.4	1,574	1,424	10.5
Motors	163	155	166	185	165	1.5	(10.8)	668	709	(5.8)
Less: Intersegment	235	215	222	281	268	14.1	(4.6)	952	872	9.2
Total Sales	10,859	11,009	11,608	10,902	12,692	16.9	16.4	44,378	41,950	5.8
<b>PBIT</b>										
Home Appliances	72.2	333.7	358.6	46.0	405.9	462.2	782.4	811	402	101.9
PBIT %	0.8	3.9	3.9	0.6	4.0			2.3	1.2	
Engineering	143.3	210.0	216.2	314.7	238.2	66.2	(24.3)	884	543	62.7
PBIT %	7.5	10.2	10.1	14.0	11.3			10.6	7.2	
Motors	0.9	-4.5	1.6	3.8	-2.5	(377.8)	(165.8)	2	22	
PBIT %	0.6	-2.9	1.0	2.1	-1.5			0.3	3.0	
Others	-8.5	-6.9	-4.4	7.4	2.6	(130.6)	(64.9)	-12	16	(180.0)
PBIT %	-2.3	-1.8	-1.2	1.7	0.6			-0.8	1.1	
Total PBIT	208	532	572	372	644	209.9	73.2	1,684	982	72
Finance Costs	74.7	69.2	67.7	67.4	48.1	(35.6)	(28.6)	279	294	(5.2)
Eliminations	5.8	-4.5	3.4	-2.4	-3.3	(156.9)	37.5	2	-3	
Unallocable expense	122	154	238	159	86	(29.7)	(46.2)	673	369	82.5
as % of sales	1.1	1.4	2.1	1.5	0.7			1.5	0.9	
PBT	6	314	263	148	514	9,075.0	247.9	730	322	126.8

Source: Company, YES Sec

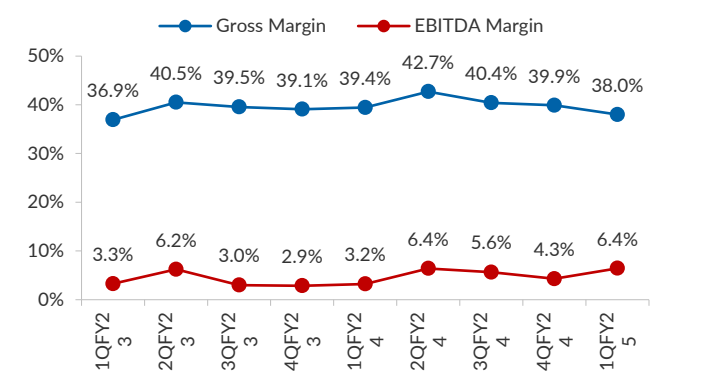
**CHARTS**

**Exhibit 4: Revenue growth has been in line with the estimates driven by home appliances**



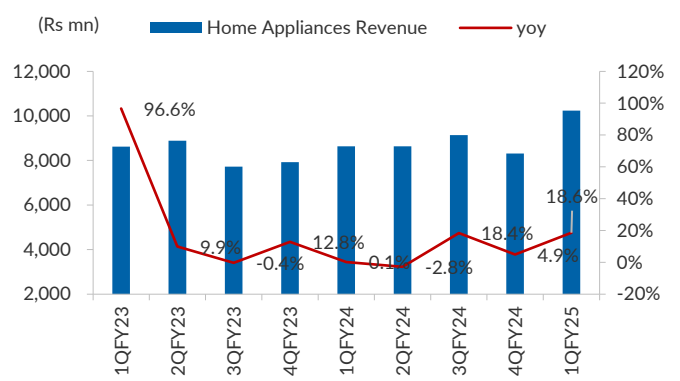
Source: Company, YES Sec

**Exhibit 5: Fixed cost reduction has resulted in EBITDA margin expansion**



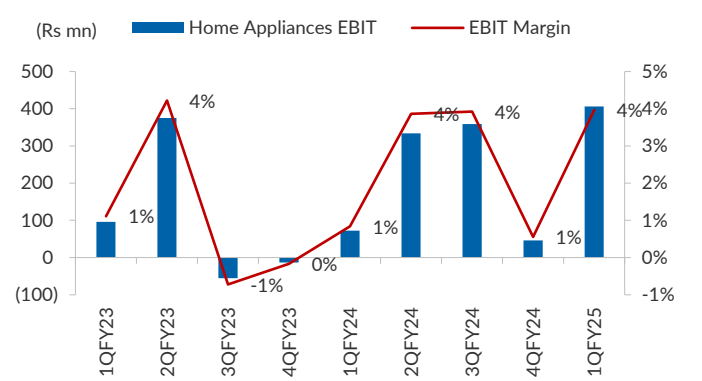
Source: Company, YES Sec

**Exhibit 6: Home Appliances revenue has been driven by strong sales of RAC and refrigerators**



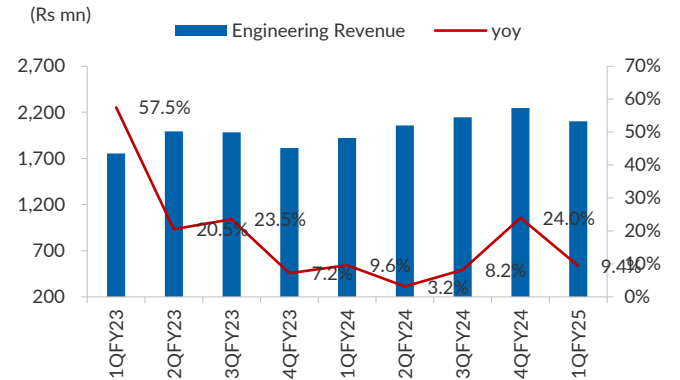
Source: Company, YES Sec

**Exhibit 7: Costs reduction as well as operating leverage has resulted in margin expansion**



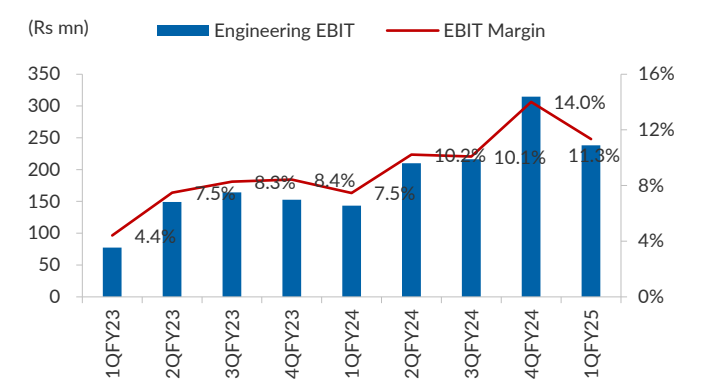
Source: Company, YES Sec

**Exhibit 8: Slowdown in four wheelers and commercial vehicles has resulted in muted revenue growth**



Source: Company, YES Sec

**Exhibit 9: Material costs reduction and higher operating leverage boost margins on yoy basis**



Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- **Margins-** The goal is to achieve double-digit margins sooner, although they have not reached that point yet. In the engineering division, margin are currently at approximately 15%, and aim to increase further. In the appliance business, the company needs to first reach double-digit margins. Management hopes that by Q3 they will be at a better position.
- **Washers-** The washer industry has experienced flat or negative growth, even with the introduction of new products. There has been a noticeable decline in volume growth. Management acknowledges this decline in the washer category, expressing dissatisfaction with performance in key accounts and distribution channels.
- **Washers Demand-** Although there was no specific uptick in July, e-commerce indicators suggest an improvement from August onwards. Looking ahead to FY25, management anticipates significant growth in the washer category through increased e-commerce activity, consumer purchases, and customer visits. IFBI is optimistic about the impact on sales with the introduction of new range, which features several enhancements.
- **Acquisition in the engineering division-** The acquisition is expected to double the revenue, with an internal rate of return (IRR) expectation of 15%. Initially, the company they plan to acquire may not achieve these margins, as they would otherwise be paying a premium.
- **CEO Search-**The board is currently formulating a strategy to appoint CEO. Current CEO Mr Rajshankar Ray term will by the end of September. The board is evaluating candidates and aims to find a well-rounded individual for the role.
- **Cost Reduction-** The first is material cost, which have been helpful towards the margin improvement, but the more critical area is fixed cost reduction. Efforts are being focused on reducing fixed costs, which is considered more significant than material cost reduction. The company has identified several cost heads for reduction, including employee costs, e-waste compliance, office expenses, and travel costs. They have set a target to achieve cost savings of Rs100-120mn per month.
- **Channel Mix-** The channel mix includes various segments. E-commerce and IFB points contribute 15-16% of sales, with e-commerce sometimes accounting for a higher percentage. MBO (multi-brand outlets), and distribution together constitute around 15-20%. The remaining sales are distributed across general trade key accounts and large format retail (LFR) stores.
- **In store Investments-** The company is focusing on enhancing their in-store branding for IFB. Second, they are investing in product displays at exhibitions, where dealers from specific regions can view offerings and engage in discussions with their company representatives. Third, they are allocating funds towards digital marketing to reach existing consumers and those searching for their products.
- **Internal Risk-**The BIS Processes that the government has introduced where there is an active discouragement in the imports could be at a finished goods level and the industry is not completely ready to source within India or outside China
- **Growth Guidance-** With the kind of product range that the company has the management is guiding to grow over their earlier guidance of 20% with strong backing on the RAC, refrigerators and the washers segment

## FINANCIALS

### Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	413	413	413	413	413
Reserves	6,070	6,262	6,763	8,353	10,489
Net worth	6,483	6,675	7,176	8,766	10,902
Debt	2,386	2,041	694	767	829
Deferred tax liab (net)	0	156	196	196	196
Other non current liabilities	1,881	2,211	1,722	1,875	2,013
Total liabilities	10,750	11,083	9,789	11,603	13,940
Fixed Asset	5,820	5,645	5,459	5,259	4,998
Investments	2,296	1,861	2,631	2,631	2,631
Other Non-current Assets	1,819	2,011	1,455	1,021	606
Net Working Capital	112	806	(795)	250	308
Inventories	5,768	5,731	5,392	7,531	8,382
Sundry debtors	3,103	4,134	4,631	4,759	5,297
Loans and Advances	6	6	5	6	6
Sundry creditors	8,120	8,303	9,832	10,947	12,183
Other current liabilities	1,345	1,584	2,041	2,300	2,523
Cash & equivalents	704	760	1,039	2,442	5,397
Total Assets	10,750	11,083	9,789	11,603	13,940

Source: Company, YES Sec

### Exhibit 11: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	34,154	41,950	44,378	51,093	56,866
Operating profit	555	1,628	2,171	3,219	3,696
Depreciation	1,155	1,215	1,244	1,279	1,313
Interest expense	318	294	279	149	144
Other income	181	228	324	526	770
Profit before tax	(737)	346	972	2,317	3,009
Taxes	(255)	172	226	535	719
Minorities and other	-	-	-	-	-
Adj. profit	(482)	173	745	1,783	2,291
Exceptional items	-	24	242	193	155
Net profit	(482)	149	504	1,590	2,136

Source: Company, YES Sec

## Exhibit 12: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	(419)	640	1,251	2,466	3,153
Depreciation	1,155	1,215	1,244	1,279	1,313
Tax paid	255	(172)	(226)	(535)	(719)
Working capital Δ	(58)	687	571	(1,045)	(58)
Other operating items					
Operating cashflow	932	2,370	2,839	2,165	3,690
Capital expenditure	(910)	(1,040)	(1,058)	(1,079)	(1,052)
Free cash flow	22	1,329	1,781	1,086	2,638
Equity raised	5	43	(2)	-	(0)
Investments	-	(946)	260	-	-
Debt financing/disposal	404	(345)	(1,347)	73	62
Interest paid	(318)	(294)	(279)	(149)	(144)
Dividends paid	-	-	-	-	-
Net Δ in cash	(279)	57	279	1,403	2,956

Source: Company, YES Sec

## Exhibit 13: Du-pont analysis

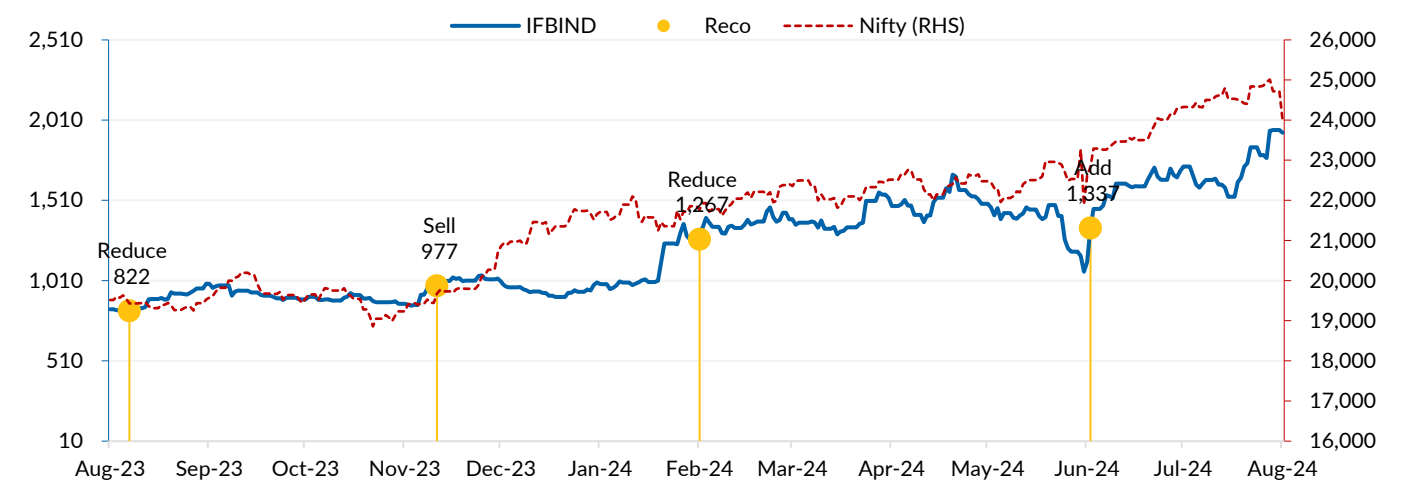
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.65	0.50	0.77	0.77	0.76
Interest burden (x)	1.76	0.54	0.78	0.94	0.95
EBIT margin (x)	(0.01)	0.02	0.03	0.05	0.06
Asset turnover (x)	1.74	2.03	2.07	2.18	2.11
Financial leverage (x)	2.92	3.14	3.09	2.94	2.74
RoE (%)	(7.2)	2.6	10.8	22.4	23.3

## Exhibit 14: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>					
Revenue growth	21.9	22.8	5.8	15.1	11.3
Op profit growth	(73.6)	193.5	33.4	48.3	14.8
EBIT growth	(132.3)	(252.8)	95.3	97.2	27.8
Net profit growth	(175.1)	(136.0)	329.5	139.2	28.5
<b>Profitability ratios (%)</b>					
OPM	1.6	3.9	4.9	6.3	6.5
EBIT margin	(1.2)	1.5	2.8	4.8	5.5
Net profit margin	(1.4)	0.4	1.7	3.5	4.0
RoCE	(4.7)	7.3	15.1	28.3	29.7
RoNW	(7.2)	2.6	10.8	22.4	23.3

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
RoA	(2.5)	0.8	3.5	7.6	8.5
<b>Per share ratios</b>					
EPS	(11.7)	3.6	12.2	38.5	51.7
Dividend per share	-	-	-	-	-
Cash EPS	16.3	33.6	48.2	74.2	87.3
Book value per share	157.0	161.7	173.8	212.3	264.1
<b>Valuation ratios</b>					
P/E	(165.0)	531.9	157.8	50.0	37.2
P/CEPS	118.1	58.2	45.5	27.7	23.0
P/B	12.3	11.9	11.1	9.1	7.3
EV/EBIDTA	146.3	49.6	36.4	24.2	20.3
<b>Payout (%)</b>					
Dividend payout	-	-	-	-	-
Tax payout	34.6	49.8	23.3	23.1	23.9
<b>Liquidity ratios</b>					
Debtor days	33.2	36.0	38.1	34.0	34.0
Inventory days	61.6	49.9	44.3	53.8	53.8
Creditor days	86.8	72.2	80.9	78.2	78.2

## Recommendation Tracker



## STANDARD DISCLAIMER:

**YES Securities (India) Limited, Registered Address:** 2<sup>nd</sup> Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400055. Maharashtra, India | **Correspondence Add:** 7<sup>th</sup> Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai - 400 013, Maharashtra, India. | Website: [www.yesinvest.in](http://www.yesinvest.in) | Email: [customer.service@ysil.in](mailto:customer.service@ysil.in)

**Registration Nos.:** CIN: U74992MH2013PLC240971 | SEBI Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL & NSDL: IN-DP-653-2021 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) and YES Wealth Maximiser AIF (Cat III AIF) SEBI Registration No.: IN/AIF3/20- 21/0818 | AMFI ARN Code - 94338

**Details of Compliance Officer:** Aditya Goenka | Email: [compliance@ysil.in](mailto:compliance@ysil.in) / Contact No.: 022-65078127 | **Grievances Redressal Cell:** [customer.service@ysil.in](mailto:customer.service@ysil.in) / [igc@ysil.in](mailto:igc@ysil.in)

**Standard Disclaimer:** Investment in securities market are subject to market risks; read all the related documents carefully before investing. Above representation provides an overview related to our past performance neither does it provide any guarantee of future performance, nor we are ensuring any guaranteed returns. Actual Client returns may vary depending upon time premium, volatility Index, intrinsic value of the script, open interest, other geopolitical conditions and choice of the customer to execute the recommendation in full or part. All recommendations are published under Research Analyst License of YES Securities (India) Limited (YSIL); execution of the recommendation is at complete discretion of customer without any intervention by the research publisher.

Contents which are exclusively for Non-Broking Products/Services e.g. Mutual Fund, Mutual Fund-SIP, Research reports, Insurance, etc. where the YSIL is just a distributor. These are not Exchange traded product and the YSIL is just acting as distributor. Kindly note that all disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.

YSIL is a wholly owned subsidiary of YES Bank Limited. Savings, Current, PIS and Demat Account are offered by YES Bank Limited. Please note Brokerage would not exceed the SEBI prescribed limit. YSIL also acts in the capacity of distributor for Products such as IPOs, Mutual Funds, Mutual Fund-SIPs, NCD/Bonds, etc., All disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.

Margin Trading Funding (MTF) is an exchange approved product offered to YSIL trading account holders, as per the regulation and guideline of SEBI Circular: CIR/MRD/DP/54/2017 dated June 13, 2017. For product specification, T&C, rights and obligations statement issued by the YSIL visit [https://yesinvest.in/standard\\_documents\\_policies](https://yesinvest.in/standard_documents_policies)

## DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSIL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSIL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that Price of each of the securities or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. YES Securities (India) Limited conforms with the rules and regulations enumerated in the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 as amended from time to time.

Technical analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSIL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. 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 YSIL and associates 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 certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.



YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through Rule 15a-6 under the Securities Exchange Act of 1934 (the "Exchange Act")<sup>[1]</sup> and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This research report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s), the authors of this research report. YES Securities (India) Limited is the concerned representatives (employees) of YES Securities (India) Limited, are responsible for the content of this research report including but not limited to any material conflict of interest of YES Securities (India) Limited in relation to the issuer(s) or securities as listed in this research report. This YES Securities (India) Limited research report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. As per SEC Rule 15a-6, the U.S. broker-dealer must accompany any third party research report it distributes with, or provide a web address that directs a recipient to, disclosure of any material conflict of interest that can reasonably be expected to have influenced the choice of a third-party research report provider or the subject company of a third-party research.

FINRA Rules 2241 and 2242, which govern the conduct of research analysts and the content of equity and debt research reports, respectively, apply to all research distributed by a FINRA member firm, including research prepared by a foreign broker-dealer under Rule 15a-6.

- Research reports prepared by a foreign broker-dealer and distributed by a U.S. broker-dealer are deemed to be third party research reports, as reports produced by a person other than a FINRA member.
- Prior to distributing any third party research, a U.S. broker-dealer must assure that such report contains the required disclosures under FINRA Rule 2241(h) or 2242(g)(3), as applicable.

This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). As per Rule 15a-6(b)(4) of the Exchange Act, 1934, "Major U.S. institutional investor" means a U.S. institutional investor with assets, or assets under management, in excess of US\$100 million, or a registered investment adviser with assets under management in excess of US\$100 million. If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

---

<sup>[1]</sup> Rule 15a-6 under the Securities Exchange Act of 1934 provides conditional exemptions from broker-dealer registration for foreign broker-dealers that engage in certain specified activities involving U.S. investors. These activities include:

- (a) Effecting unsolicited securities transactions;
- (b) Providing research reports to major U.S. institutional investors, and effecting transactions in the subject securities with or for those investors;
- (c) Soliciting and effecting transactions with or for U.S. institutional investors or major U.S. institutional investors through a "chaperoning broker-dealer"; and
- (d) Soliciting and effecting transactions with or for registered broker-dealers, banks<sup>3</sup> acting in a broker or dealer capacity, certain international organizations, foreign persons temporarily present in the U.S., U.S. citizens resident abroad, and foreign branches and agencies of U.S. persons.

In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

## DISCLOSURE OF INTEREST

Name of the Research Analyst : Aakash Fadia

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSIL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSIL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the research report	No
3	Research Analyst or his/her relative or YSIL has any other material conflict of interest at the time of publication of the research report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSIL has received any compensation from the subject company in the past twelve months	No
6	YSIL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSIL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSIL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSIL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSIL has been engaged in market making activity for the subject company(ies)	No

Since YSIL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSIL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSIL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

## RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

Analyst signature

Analyst signature

## ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSIL") is a wholly owned subsidiary of YES BANK LIMITED. YSIL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSIL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSIL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSIL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSIL by SEBI/Stock Exchanges.