

July 30, 2024

RESULT REPORT Q1 FY25 | Sector: Consumer Durables

Dixon Technologies Ltd

Strong growth prospects, valuations high: downgrade to SELL

Result Synopsis

Dixon has delivered 8% revenue beat on strong performance of mobile phones and EMS division. Mobile phones and EMS business has seen continued growth of 189% as there has strong demand from new as well as existing customers. Increased order from Motorola and ramping up of Xiaomi has resulted in strong growth. The company expects onboarding of a large global brand in mobile phones and with this company will have all the brands in the android ecosystem as their customer. Apart from mobile phones only home appliances have registered double digit growth while consumer electronics has registered 3.1% decline and lighting products has seen muted 2% growth. Management is confident of strong showing in mobile phones and expect smart phones to register volume of 28mn units in FY25. We believe Dixon will continue to deliver strong growth in the medium term as it has been 1) able to add new customers on consistent basis; 2) New product category like refrigerator has seen strong performance and management is looking to expand capacity and make further investments in frost-free refrigerators; 3) IT hardware like laptops and tablets will be next growth driver as company has already started manufacturing for Acer and contract has been finalized with Lenovo to start mass manufacturing. Apart from that two new global brand are likely to be onboarded and company has finalized Chennai as location for new facility for IT hardware; and 4) Investing in backward integration to improve efficiency. On the margin front, company is looking to improve its margin by increasing scale, backward integration, and cost optimization initiatives. The company is also prudent in employing its capital and constantly endeavoring to improve its return ratios. We have increased our target multiple to 60x considering increased revenue from new categories, increasing of manufacturing capacity and entry into new categories. We however downgrade the stock to SELL as stock has run up ahead of expectation.

Dixon is expected to deliver strong revenue performance given the ramp up in its existing customer base and company is expected to on-board new customers in FY25. We now build-in FY24-26E Revenue/EBITDA/PAT CAGR of 54%/54%/67%, we value the stock at 60x FY26 EPS. We however downgrade the stock to SELL as CMP captures most of the positives and we will wait for better entry point.

Result Highlights

- Quarter summary** – Dixon delivered better than expected growth as Mobile phones (+189%) has seen strong growth, while consumer electronics segment has seen decline, Home Appliances has seen 28% growth while lighting grew at 2%.
- Margin** – EBITDA margin have contracted on yoy basis, as business mix has been more towards on the mobile phones side which has lower margins.
- Guidance** – The company has refrained from giving any guidance; however, it is confident of strong growth rates continuing in coming fiscal and EBITDA margin is expected to be ~4%.
- Investments** -Company will continue to invest in adding capacities and will be increase backward integration. Capex requirement for FY25 would be ~Rs6bn.

Exhibit 1: Actual vs estimates

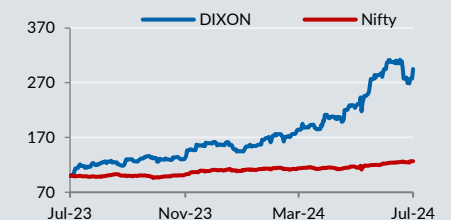
Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	65,789	60,940	54,890	8.0	19.8	Strong performance of Mobile phone and EMS division has resulted in revenue beat
EBITDA	2,479	2,438	2,130	1.7	16.3	
EBITDA Margin (%)	3.8	4.0	3.9	-20 bps	-10 bps	
Adjusted PAT	1,397	1,293	1,090	8.1	28.1	

Reco	: SELL
CMP	: Rs 11,977
Target Price	: Rs 10,444
Potential Return	: -12.8%

Stock data (as on July 30, 2024)

Nifty	24857
52 Week h/l (Rs)	12879/4020
Market cap (Rs/USD mn)	695742/8312
Outstanding Shares (mn)	60
6m Avg t/o (Rs mn):	3449
Div yield (%):	0.0
Bloomberg code:	DIXON IN
NSE code:	DIXON

Stock performance



	1M	3M	1Y
Absolute return	0.1%	43.6%	194.7%

Shareholding pattern (As of Mar'24 end)

Promoter	33.2%
FII+DII	45.4%
Others	21.4%

Δ in stance

(1-Yr)	New	Old
Rating	SELL	REDUCE
Target Price	10,444	7,787

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	128.5	174.1
EPS (Old)	115.2	141.6
% change	11.5%	22.9%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenue	176,909	321,239	421,733
YoY Growth	45%	82%	31%
EBIDTA	6,976	12,704	16,630
YoY Growth	36.1	82.1	30.9
PAT	3,749	7,687	10,409
YoY Growth	47%	105%	35%
ROE	24.6	36.5	35.4
EPS	62.7	128.5	174.1
P/E	191.0	93.2	68.8
BV	288.0	406.3	566.5
EV/EBITDA	102.6	55.9	42.2

AAKASH FADIA

Analyst

aakash.fadia@ysil.in



Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q1FY24	Q2FY24	Q3FY23	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Sales	32,715	49,432	48,183	46,580	65,798	101.1	41.3	176,909	121,920	45.1
EBITDA	1319	1989	1844	1825	2479	88.0	35.9	6,976	5,127	36.1
EBITDA Margin %	4.0	4.0	3.8	3.9	3.8			3.9	4.2	
Depreciation	337.1	364.4	407.0	510.3	545.1	61.7	6.8	1,619	1,146	41.2
EBIT	982	1625	1437	1314	1934	97.0	47.2	5,357	3,981	34.6
EBIT Margin %	3.0	3.3	3.0	2.8	2.9			3.0	3.3	
Interest charges	140	171	222	214	293	109.2	36.9	747	606	23.4
Other Income	28.5	7.2	23.2	166.8	81.8	187.0	(51.0)	226	56	302.3
PBT	870	1461	1238	1267	1723	98.0	36.0	4,836	3,431	40.9
Tax	229	352	287	322	400	75.1	24.2	1,189	897	32.6
Effective Tax Rate (%)	26.3	24.1	23.2	25.4	23.2			24.6	26.3	
PAT	672	1084	971	917	1397	107.9	52.4	3,644	2,520	44.6
PAT Margin %	2.1	2.2	2.0	2.0	2.1			2.1	2.1	
EPS (Rs)	11.3	18.3	16.4	15.4	23.5	107.9	52.4	61.4	42.5	44.6

Source: Company, YES Sec

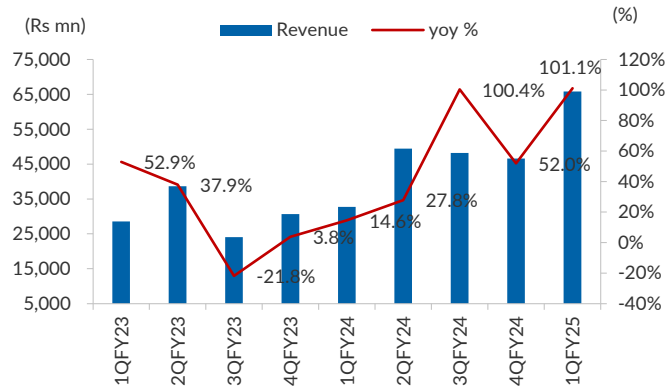
Exhibit 3: Segmental Performance

Rs mn	Q1FY24	Q2FY24	Q3FY23	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Consumer Electronics	8,820	14,400	9,290	8,970	8,550	(3.1)	(4.7)	41,480	42,779	(3.0)
Lighting Products	2,220	1,810	1,870	1,970	2,270	2.3	15.2	7,870	10,546	(25.4)
Home Appliances	2,590	3,640	2,880	2,940	3,050	17.8	3.7	12,050	11,435	5.4
Mobile Phones	17,950	28,190	32,140	30,910	51,920	189.2	68.0	109,190	52,243	109.0
Security Systems	1,140	1,400	2,000	1,790	0	(100.0)	(100.0)	6,330	4,918	28.7
Total Sales	32,720	49,440	48,180	46,580	65,790	101.1	41.2	176,920	121,922	45.1
EBITDA										
Consumer Electronics	300	490	320	300	290	(3.3)	(3.3)	1,410	1,306	300
EBITDA %	3.4	3.4	3.4	3.3	3.4			0.8	1.1	3.4
Lighting Products	190	130	130	142	150	(21.1)	5.6	592	904	190
EBITDA %	8.6	7.2	7.0	7.2	6.6			0.3	0.7	8.6
Home Appliances	280	420	300	301	320	14.3	6.3	1,301	1,094	280
EBITDA %	10.8	11.5	10.4	10.2	10.5			0.7	0.9	10.8
Mobile Phones	530	930	1040	1050	1710	222.6	62.9	3,550	1,671	530
EBITDA %	3.0	3.3	3.2	3.4	3.3			2.0	1.4	3.0
Security Systems	15	20	50	34	0	(100.0)	(100.0)	119	144	15
EBITDA %	1.3	1.4	2.5	1.9	-			0.1	0.1	1.3
Total EBITDA	1,315	1,990	1,840	1,827	2,470	87.8	35.2	6,972	5,118	1,315
EBITDA %	4.0	4.0	3.8	3.9	3.8			3.9	4.2	4.0

Source: Company, YES Sec

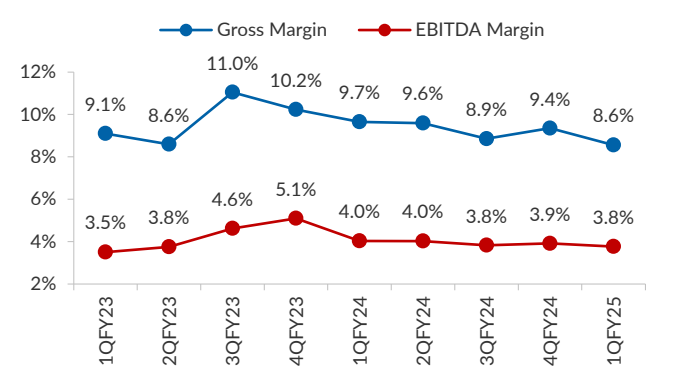
CHARTS

Exhibit 4: Revenue growth is on back of strong performance of mobile phones



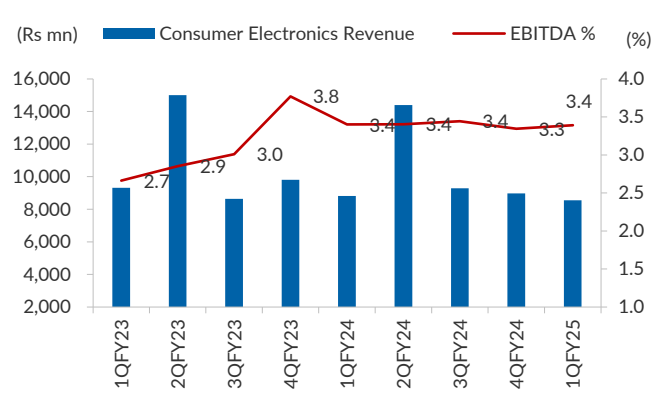
Source: Company, YES Sec

Exhibit 5: Margins have been lower on change in revenue mix towards mobile phones



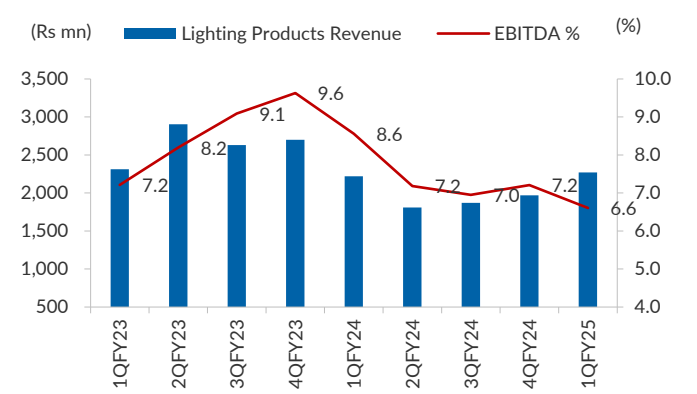
Source: Company, YES Sec

Exhibit 6: Subdued consumer demand has resulted in muted performance



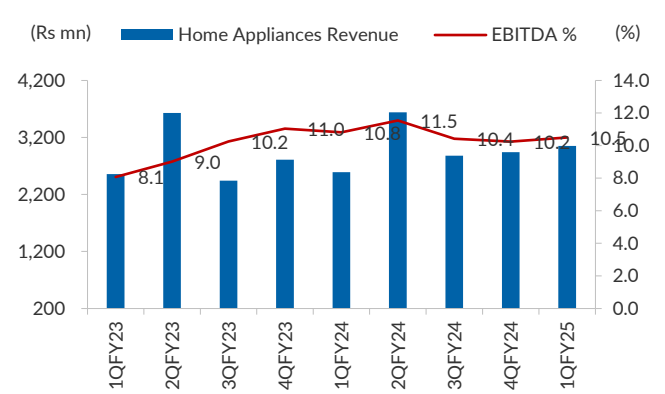
Source: Company, YES Sec

Exhibit 7: Realization decline has impacted revenue



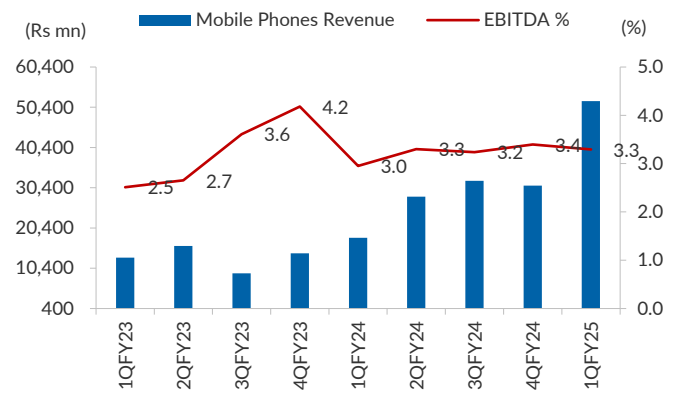
Source: Company, YES Sec

Exhibit 8: Washing machine revenue has seen growth on back of ramping up of volumes in fully automatic top load category



Source: Company, YES Sec

Exhibit 9: Mobile phones business has seen strong growth on back of ramping up volumes from new customers



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Management commentary** – Effective working capital management and cash conversion of -7days has resulted in increase in return ratios. Focus is on new category and expanding capacity.
- **Mobile phones** – The company is making incremental investments to cater increased order-book. Dixon has capacity of 45mn smart phones and incremental 10mn units of capacity is added through ismart acquisition. The company is clocking 9-10 lakhs unit per month for Motorola and 7lakhs/month for Xiaomi and around 4.5 lakh/unit for other global brand. The company is expecting to add another global brand in next one month and with that the company will have top 5 to 6 customers playing in the Indian mobile phone market. Next phase for the company would be deepening of manufacturing. Technology partner for display module has been finalized and this would be margin accretive. With this the company will have all the brand in the android eco-system.
- **Mobile phone Volume** – The Company is currently clocking volume of 1.5-1.6mn on monthly basis. Another 0.7-0.8mn units for ismart, this is excluding Samsung volumes. The company expects to reach 45-50mn units in next couple of years.
- **Consumer Electronics** – The company has rolled out ODM solutions in partnership with Samsung ranging from 32-100 inches with Taizen operating system. The company has added flat panel display. The company is looking to manufacture of industrial and automobile display. The company has strong order-book of 400k units in month of August and another 450k units for September.
- **Home Appliances** – The company started to manufacture tools in-house and company is targeting double-digit growth in washing machine
- **Lighting** – The company has Dob range of flood light and street light. The company has now invested in injection moulding for battens and downlighters.
- **Telecom/networking products** – The company is adding capacity in Noida. The company has also started manufacturing for fixed wireless 5G router both indoor and outdoor units. Dixon has signed contract with Nokia for 5G equipment.
- **Lap-top** – The company has already finalized contract with Lenovo and commercial production for Acer. Lenovo production is expected to start from Q3. The company is expected to add two new customers which are large global customers. Post that the company will have top 4 global customers. The company is planning new campus in Chennai and this facility is expected to start in next 8-10 months. Manufacturing opportunity would be around Rs455bn and Dixon is looking for revenue of Rs40bn revenue from laptop.
- **Security systems** – The company has sold its stake in JV to Aditya infotech and has got 6.5% stake in Aditya infotech and this company is looking for an IPO and partnership will continue to remain strong.
- **Refrigerators** –The company has done commendable job in refrigerator and company is clocking 80k refrigerator/month. The company is planning capacity expansion and also looking to invest in frost-free investment and company is looking add 100lts refrigerator in its product portfolio
- **Rexon JV**- JV has achieved revenue of Rs1.14bn with strong RoCE. The company is planning more investments in revamped consumer durables PLI scheme.
- **Capex** – The company is looking to incur capex in the range of Rs5.5-6bn.
- **Guidance** – Company is expected to see extremely strong growth in FY25 and margins could be in the range of 4%.
- **Chennai facility** – Chennai facility is expected to operational by Q4 of the current fiscal or Q1 of the next fiscal. The company will start with the capacity of 1.5mn lap tops and will increase in future. The capex for the Chennai facility would be Rs1.5bn.
- **Incentives** – Company has booked mobile PLI incentives Rs400mn of PLI in Q1FY25 vs Rs40mn in Q1FY24.

FINANCIALS

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	119	119	120	120	120
Reserves	9,855	12,312	17,105	24,179	33,757
Net worth	9,973	12,431	17,225	24,298	33,877
Debt	4,580	6,080	1,550	1,550	1,550
Deferred tax liab (net)	201	201	259	259	259
Other non current liabilities	2,265	2,325	3,989	4,298	4,514
Total liabilities	17,020	21,037	23,023	30,406	40,200
Fixed Asset	8,298	10,567	17,661	20,446	22,639
Investments	1,350	1,350	200	200	200
Other Non-current Assets	3,004	3,747	3,690	4,644	5,394
Net Working Capital	2,603	3,622	(534)	(2,681)	(3,533)
Inventories	11,557	14,296	16,950	30,779	40,407
Sundry debtors	13,564	16,835	23,179	42,089	55,256
Loans and Advances	0	0	0	0	0
Sundry creditors	23,137	28,217	40,598	75,425	99,033
Other current liabilities	2,542	2,885	6,231	11,228	14,707
Cash & equivalents	1,765	1,751	2,005	7,795	15,500
Total Assets	17,019	21,037	23,023	30,406	40,200

Source: Company, YES Sec

Exhibit 11: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	106,971	121,920	176,909	321,239	421,733
Operating profit	3,791	5,128	6,976	12,704	16,630
Depreciation	840	1,146	1,619	1,980	2,322
Interest expense	442	606	747	747	747
Other income	38	56	226	188	236
Profit before tax	2,548	3,432	4,836	10,164	13,797
Taxes	644	897	1,189	2,585	3,501
Minorities and other	-	-	-	-	-
Adj. profit	1,904	2,535	3,647	7,579	10,296
Exceptional items	1	(16)	(102)	(108)	(113)
Net profit	1,903	2,551	3,749	7,687	10,409

Source: Company, YES Sec

Exhibit 12: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	2,990	4,037	5,583	10,912	14,544
Depreciation	840	1,146	1,619	1,980	2,322
Tax paid	(644)	(897)	(1,189)	(2,585)	(3,501)
Working capital Δ	(675)	(1,019)	5,506	2,147	853
Other operating items					
Operating cashflow	2,510	3,267	11,519	12,453	14,218
Capital expenditure	(4,233)	(3,415)	(8,713)	(4,765)	(4,515)
Free cash flow	(1,723)	(148)	2,806	7,688	9,703
Equity raised	767	(0)	1,344	0	0
Investments	-	-	(200)	-	-
Debt financing/disposal	3,067	1,500	(4,530)	-	-
Interest paid	(442)	(606)	(747)	(747)	(747)
Dividends paid	(70)	(93)	(299)	(613)	(830)
Net Δ in cash	1,126	(14)	254	5,791	7,704

Source: Company, YES Sec

Exhibit 13: Du-pont analysis

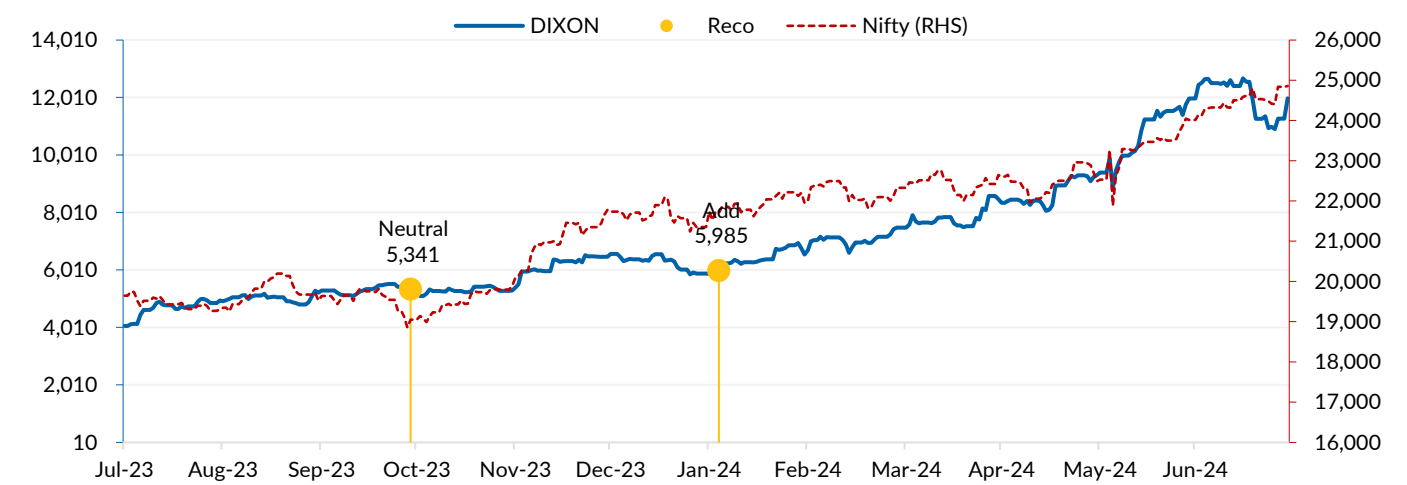
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.75	0.74	0.75	0.75	0.75
Interest burden (x)	0.85	0.85	0.87	0.93	0.95
EBIT margin (x)	0.03	0.03	0.03	0.03	0.03
Asset turnover (x)	3.00	2.57	2.90	3.43	3.11
Financial leverage (x)	4.11	4.24	4.12	4.51	4.66
RoE (%)	22.0	22.6	24.6	36.5	35.4

Exhibit 14: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	65.9	14.0	45.1	81.6	31.3
Op profit growth	32.3	35.3	36.1	82.1	30.9
EBIT growth	22.3	35.0	38.3	95.4	33.3
Net profit growth	19.1	33.1	43.9	107.8	35.8
Profitability ratios (%)					
OPM	3.5	4.2	3.9	4.0	3.9
EBIT margin	2.8	3.3	3.2	3.4	3.4
Net profit margin	1.8	2.1	2.1	2.4	2.4
RoCE	25.5	24.4	29.9	48.9	47.5
RoNW	22.0	22.6	24.6	36.5	35.4

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
RoA	5.3	5.3	6.0	8.1	7.6
Per share ratios					
EPS	32.1	43.0	62.7	128.5	174.1
Dividend per share	1.2	1.6	5.0	10.3	13.9
Cash EPS	46.2	62.0	88.1	159.8	211.0
Book value per share	168.0	209.4	288.0	406.3	566.5
Valuation ratios					
P/E	373.5	278.7	191.0	93.2	68.8
P/CEPS	259.2	192.3	133.4	74.1	56.3
P/B	71.3	57.2	42.3	29.8	21.3
EV/EBIDTA	188.2	139.5	102.6	55.9	42.2
Payout (%)					
Dividend payout	3.7	3.7	8.2	8.1	8.1
Tax payout	25.3	26.1	24.6	25.4	25.4
Liquidity ratios					
Debtor days	46.3	50.4	47.8	47.8	47.8
Inventory days	39.4	42.8	35.0	35.0	35.0
Creditor days	78.9	84.5	83.8	85.7	85.7

Recommendation Tracker



STANDARD DISCLAIMER:

YES Securities (India) Limited, Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400055. Maharashtra, India | **Correspondence Add:** 7th Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai - 400 013, Maharashtra, India. | Website: www.yesinvest.in | Email: 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 / Contact No.: 022-65078127 | **Grievances Redressal Cell:** customer.service@ysil.in / 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

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")^[1] 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.

^[1] 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, banks³ 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

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.