

July 23, 2024

RESULT REPORT Q1 FY25 | Sector: Consumer Staples

Hindustan Unilever

1Q in-line; Price run-up leads to rating downgrade

Hindustan Unilever's (HUVR) 1QFY24 operating performance was in-line with our estimate. Underlying Volume Growth (UVG) came in slightly better at 4% (2-year CAGR at ~3.5%) versus our est. of 2.5%. Miss on Food & Refreshments (F&R) segment was offset by better growth in Home Care which saw strong UVG. Skin cleansing is seeing early green shoots in bars indicating positive results from recent actions (pricing, innovation, promotion). Management believes it has gained market share in its key segments of mass detergent, tea and skin care. While we expect UVG to improve through the course of the fiscal, flattish pricing (negative pricing in 1H offset by low single digit pricing in 2H) and no major improvement in EBITDA margins from current levels of 23-24% (even while RM remains benign) does not build into strong earnings growth for FY25. We roll-forward our target price to Sep'26E EPS, giving us a revised target price (TP) of Rs2,845. Recent run-up makes us downgrade our rating a notch to NEUTRAL.

Result Highlights

- **Headline performance:** 1QFY25 standalone turnover (including other operating income-OOI) for 1QFY25 grew by 1.3% YoY to Rs153.4bn (vs our est. Rs152.7bn). EBITDA grew by 2.4% YoY to Rs36.1bn (vs our est Rs35.7bn). Recurring PAT (PAT bei) grew by 2.9% YoY to Rs25.7bn. Reported PAT grew by 2.7% YoY to Rs25.4bn.
- **UVG** for 1QFY25 came at 4% YoY, above our est. of 2.5%.
- **Margins** (Please note, our margins calculated with revenue (Sales+OOI) in denominator and not sales.): Gross margin surprised us negatively and came in at 51.4%, up ~150bps YoY (-40bps QoQ). While EBITDA margin was up 30bps YoY to 23.5%. A&SP was up 90bps YoY to 10.7%, other expenses was up 70bps YoY while staff costs was down 40bps YoY.

Key near-term outlook: (1) FMCG and rural demand are gradually improving. (2) Commodity prices remain benign on a deflationary base. (3) Excluding the one-off indirect tax impact in base: Near zero pricing growth if commodity prices remain where they are & EBITDA margins to remain at current levels.

View & Valuation

We have made no change to our FY25E/FY26E earnings. We expect HUL to deliver 7.6% revenue CAGR over FY24-26E as volume is recovering gradually in the very near-term and overall pricing remains negligible. With strong gross margin recovery in FY24, we believe EBITDA margin will now see a modest improvement of ~40bps over the next two years driven largely led by benign commodity inflation and mix improvement. In the very near term, while we expect UVG to improve through the year, flattish pricing (negative pricing in 1H offset by low single digit pricing in 2H) and no major improvement in EBITDA margins from current levels of 23-24% (even while RM remains benign), does not really offer levers for strong earnings growth. HUVR is now currently trading at ~58x/53x on our FY25E/FY26E EPS as we continue to build revenue/EBITDA/APAT CAGR of 7.6%/8.5%/10% over FY24-26E. We roll-forward our target price to Sep'26E EPS, giving us a revised target price (TP) of Rs2,845. Recent run-up makes us downgrade our rating a notch to NEUTRAL.

Exhibit 1: Actual vs estimate

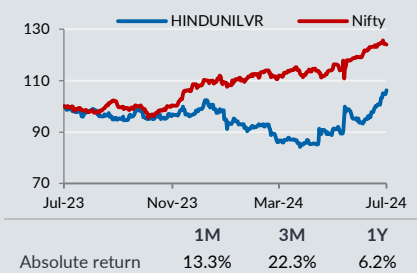
Rsmn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Revenue	153,390	152,720	153,233	0.4	0.1
EBITDA	36,060	35,736	36,205	0.9	(0.4)
EBITDA Margin (%)	23.5	23.4	23.6	0.1	(0.1)
Recurring PAT	25,720	25,196	25,642	2.1	0.3

RECO	: NEUTRAL
CMP	: Rs 2,766
Target Price	: Rs 2,845
Potential Return	: +2.8%

Stock data (as on July 23, 2024)

Nifty	24,479
52 Week h/l (Rs)	2811 / 2172
Market cap (Rs/USD mn)	6426837 / 76806
Outstanding Shares (mn)	2,350
6m Avg t/o (Rs mn):	4,789
Div yield (%):	1.7
Bloomberg code:	HUVR IN
NSE code:	HINDUNILVR

Stock performance



Shareholding pattern (As of Mar'24 end)

Promoter	61.9%
FII+DII	26.0%
Others	12.2%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	ADD
Target Price	2,845	2,600

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	47.5	52.1
EPS (Old)	47.6	52.1
% change	-0.1%	0.0%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenue	604,690	647,204	700,162
YoY Growth (%)	2.2	7.0	8.2
EBIDTA	141,900	152,501	167,125
Margins (%)	23.5	23.6	23.9
APAT	101,050	111,669	122,349
EPS	43.0	47.5	52.1
YoY Growth (%)	4.0	10.5	9.6
Pre-tax RoCE (%)	27.8	29.7	32.4
ROE (%)	20.0	21.9	23.9
P/E (x)	64.3	58.2	53.1
EV/EBITDA (x)	45.2	42.1	38.4

VISHAL PUNMIYA

Lead Analyst

vishal.punmiya@ysil.in



MANAS RASTOGI, Associate

Segmental performance:

(1) Home care (HC) grew by 4.6% YoY (~3.1% above our est.) with high-single digit UVG; segment EBIT margin up 130bps YoY to 19.5%.

(2) Beauty & Wellbeing grew by 3.1% YoY with mid- single digit UVG while Personal care de-grew by 4.5% YoY with low-single digit UVG; Overall BPC de-grew by 0.3% YoY (in-line with our est.); segment EBIT margin was down 80bps YoY to 25.5%.

(3) Foods & Refreshments (F&R) grew just 1.4% YoY (~2.5% below our est.) with flat UVG, impacted by severe summer season; segment EBIT margin was up 120bps YoY to 19.1%.

Exhibit 2: Quarterly snapshot (Standalone)

Particulars (Rs mn)	1QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Revenue	151,480	148,570	153,390	1.3	3.2
COGS	75,880	71,510	74,480	-1.8	4.2
Gross margin %	49.9%	51.9%	51.4%	1.5%	-0.4%
Employee costs	6,510	7,740	6,020	-7.5	-22.2
% of sales	4.3%	5.2%	3.9%	-0.4%	-1.3%
Advertising costs	14,810	15,860	16,440	11.0	3.7
% of sales	9.8%	10.7%	10.7%	0.9%	0.0%
Other expenses	19,070	19,110	20,390	6.9	6.7
% of sales	12.6%	12.9%	13.3%	0.7%	0.4%
EBITDA	35,210	34,350	36,060	2.4	5.0
EBITDA margin %	23.2%	23.1%	23.5%	0.3%	0.4%
Depreciation	2,570	2,890	2,980	16.0	3.1
EBIT	32,640	31,460	33,080	1.3	5.1
Interest expense	470	1,020	850	80.9	-16.7
Other income	1,850	2,200	2,570	38.9	16.8
PBT	33,650	32,470	34,320	2.0	5.7
Tax	8,930	8,410	8,940	0.1	6.3
Effective tax rate %	27%	26%	26%	-0.5%	0.1%
PAT	24,720	24,060	25,380	2.7	5.5
Adjusted PAT	25,000	23,960	25,720	2.9	7.3
Adj PAT margin %	16.5%	16.1%	16.8%	0.3%	0.6%
EPS	10.6	10.2	10.9	2.9	7.3

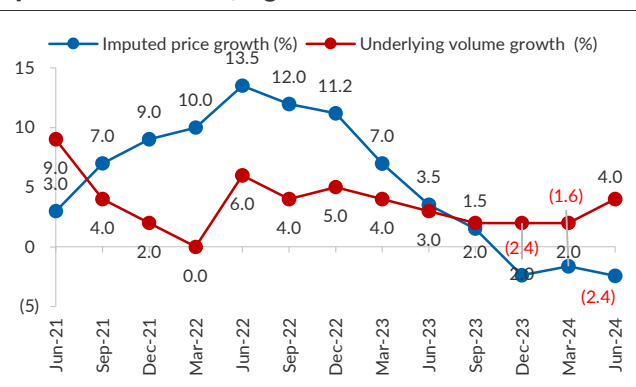
Source: Company, YES Sec

HUVR 1QFY25 CONFERENCE CALL & PRESENTATION TAKEAWAYS

- **Demand Environment:** Gradual recovery in rural demand continued in 1QFY25. In the last few months rural growth outpaced urban growth. However, 2yr CAGR of rural is still behind the urban. FMCG and rural demand are gradually improving.
- **Commodity:** Commodity prices remain benign on a deflationary base. Crude Oil, Soda Ash, Palm Oil, SMP and Tea contribute to ~70% of commodity price for HUL.
- **Premiumization:** Premium portfolio contribution up by ~300bps over the last 3 years.
- **Margins:** In the short term the margins are expected to remain at current levels. However, there are three levers of expansion in the medium-term, mix improvement, re-calibration of Horlicks portfolio and operating leverage.
- **Channel:** E-commerce is growing at 3x the Modern Trade (MT).
- **Pricing:** The company expects low single digit growth in the second half of FY25.

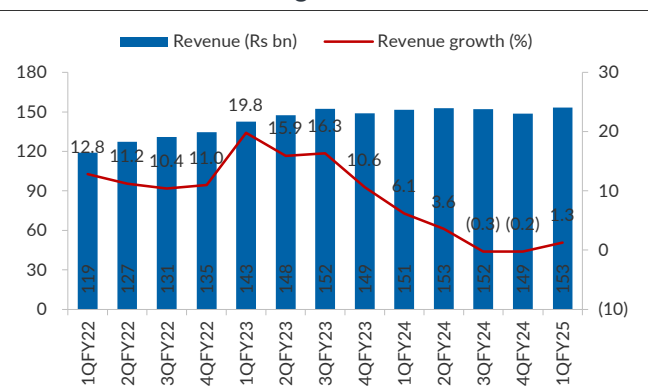
- Stratos (Skin Cleansing):** HUVR has developed new proprietary tech to non-soluble matter in soaps. It is re-formulated with added plant derived polysaccharides, vitamin blends, skin care actives and enhanced fragrance. Company's biggest soap brands - Lux and Lifebuoy have gone live with this change. India is the first market in the Unilever universe for the technology to be made live. This tech has been tested in India across thousands of customers. With Polysaccharide and vitamin blends, the formulation also becomes better but no trigger to reduce soap prices. This would help the company from palm oil prices volatility by reducing dependence on palm oil. The grammage and size of the new soap would be same. Pears and Dove brands have different formulations, therefore, similar Stratos implementation in those brands isn't expected at this point in time.
- Home Care:** Growth was largely led by high single digit volume growth in fabric care. In the fabric care, there was pricing interventions across the portfolio. In the last 12 weeks, mass detergent bar has been gaining market share after the end of inflation-deflation cycle. The company has launched Rin liquid detergent for the mass segment. Household care saw mid-single volume growth owing to strong premium dishwash portfolio.
- Food and Refreshments:** Harsh summer season has impacted the category. Coffee delivered double digit growth driven by pricing while the Nutrition drinks (HFD) remain subdued, but the company is gaining market share on the back of sustained market development actions. For HFD, the management remains bullish in the medium to long term. HUL has gained market share in Tea in both volume and value terms. Tea crops has been affected by summer and hence the company expects prices to inch up. Market growth of tea has declined due to downgrading.
- Beauty and Wellbeing:** Segment grew by mid-single digit growth led by double digit growth across hair care brands. The competition stays intense in this category. The key priority of the company is to focus on high growth categories. Over the last quarter, hair care is doing well across all price points.
- Personal Care:** Mass skin portfolio declined since it is over-indexed to rural while premium is doing well. The mass market is coming back strongly. The focus is to enter high growing segments like face moisturizer. Premium skincare segment is growing ahead of the market. As rural recovers the company expects Glow & Lovely to see recovery in demand. Innovation intensity has gone up in skin cleansing. In oral care, the growth was led by pricing actions.
- Others:** Sun care portfolio grown by 60% in MT channel. Tax rate is expected to be marginally above 26%. Due to ESOP expenses, there was sequential impact in employee costs. Employee and Other costs put together will remain at 13-13.5%. Future of ice-cream business will be decided by the board. It is ~3% of company's business.

Exhibit 3: Underlying Volume Growth (UVG) for the quarter stood at 4%, higher than our estimate



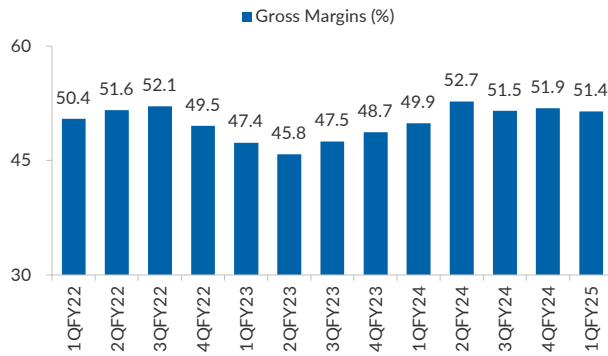
Source: Company, YES Sec

Exhibit 4: This along with ~2.4% imputed price decline led to 1.3% YoY revenue growth



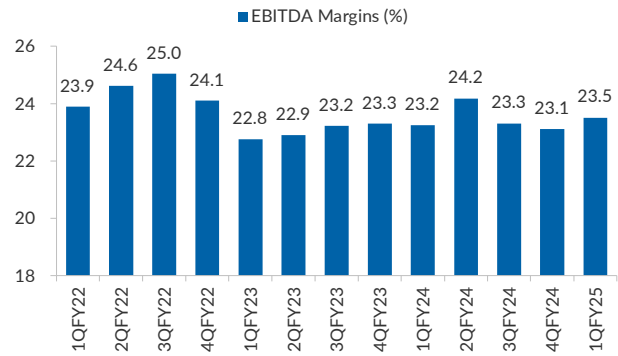
Source: Company, YES Sec

Exhibit 5: Gross margin came 90bps below our estimate at 51.4% (+150bps YoY but down 40bps QoQ)



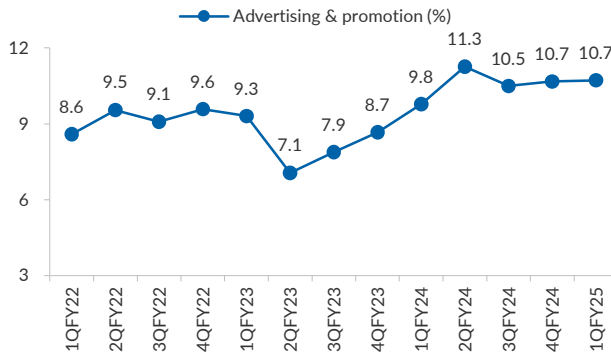
Source: Company, YES Sec; *Margins calculated on revenues not sales

Exhibit 6: EBITDA margin was up ~30bps YoY to 23.5%



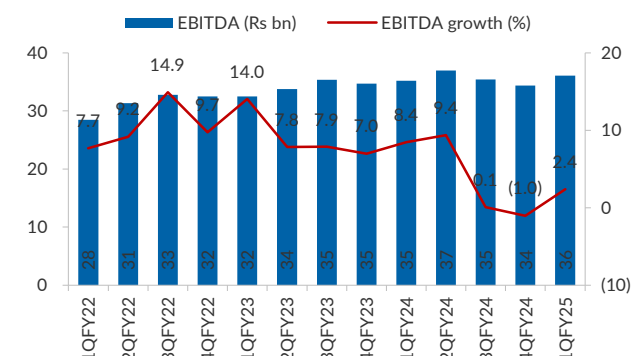
Source: Company, YES Sec; *Margins calculated on revenues not sales

Exhibit 7: A&P investments upped by 90bps YoY



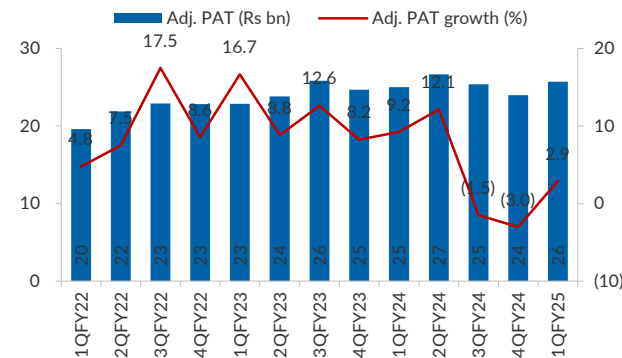
Source: Company, YES Sec

Exhibit 8: EBITDA was up 2.4% YoY in 1QFY25



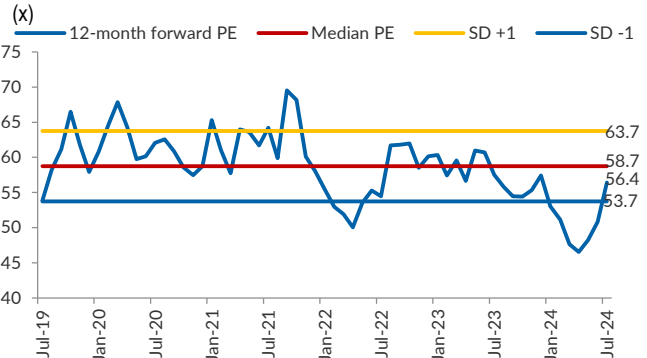
Source: Company, YES Sec

Exhibit 9: Recurring PAT up 2.9% YoY in 1QFY25



Source: Company, YES Sec

Exhibit 10: Currently trading at ~56x on 1-yr fwd. earnings



Source: Company, YES Sec

ANNUAL FINANCIALS

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	2,350	2,350	2,350	2,350	2,350
Reserves	485,250	499,860	507,380	509,744	511,068
Net worth	487,600	502,210	509,730	576,634	577,958
Deferred charges	61,410	63,250	64,540	64,540	64,540
Total liabilities	549,010	565,460	574,270	576,634	577,958
Gross block	123,487	137,547	158,407	166,407	174,407
Depreciation	(65,357)	(75,657)	(86,627)	(98,645)	(111,255)
Net block	58,130	61,890	71,780	67,762	63,152
CWIP	9,010	10,200	9,150	9,650	10,150
Goodwill & other intangibles	452,210	452,160	452,010	452,010	452,010
Investments	41,220	37,940	54,930	61,930	68,930
Inventories	38,900	40,310	38,120	41,289	44,682
Debtors	19,320	27,350	26,900	28,054	30,360
Cash	36,180	44,220	72,160	72,403	73,669
Other current assets	42,400	44,180	45,710	48,918	52,471
Total current assets	136,800	156,060	182,890	190,664	201,182
Creditors	88,640	93,910	101,480	106,589	114,419
Other current liabilities & provisions	59,720	58,880	95,010	98,793	103,047
Total current liabilities	148,360	152,790	196,490	205,382	217,466
Net current assets	(11,560)	3,270	(13,600)	(14,718)	(16,284)
Total assets	549,010	565,460	574,270	576,634	577,958

Source: Company, YES Sec

Exhibit 12: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	511,930	591,440	604,690	647,204	700,162
% Growth	11.3	15.5	2.2	7.0	8.2
COGS	251,240	311,440	293,270	310,917	333,147
Staff costs	23,990	26,650	27,820	28,121	31,448
Advertising costs	47,180	48,590	63,800	69,758	75,491
Other expenses	64,490	68,440	77,900	85,908	92,951
Total expenses	386,900	455,120	462,790	494,703	533,038
EBITDA	125,030	136,320	141,900	152,501	167,125
% growth	10.4	9.0	4.1	7.5	9.6
EBITDA margin (%)	24.4	23.0	23.5	23.6	23.9
Other income	3,930	6,400	9,730	11,495	11,605
Interest costs	980	1,010	3,020	2,687	2,552
Depreciation	10,250	10,300	10,970	12,018	12,610
Profit before tax	117,730	131,410	137,640	149,290	163,568
Exceptional items	-340	-620	-890	0	0

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax	27,780	29,220	34,460	37,621	41,219
Reported PAT	88,180	96,580	100,160	111,669	122,349
Adj. PAT	87,240	97,200	101,050	111,669	122,349
PAT margin (%)	17.0	16.4	16.7	17.3	17.5
% Growth	9.6	11.4	4.0	10.5	9.6

Source: Company, YES Sec; *Margins calculated on revenues, not sales

Exhibit 13: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Operating profit (before Tax)	117,390	130,790	137,640	149,290	163,568
Depreciation	10,400	10,450	10,970	12,018	12,610
Other income	3,930	6,400	9,730	11,495	11,605
(Inc.)/dec. in working capital	(7,890)	(8,630)	44,810	1,361	2,832
Cash flow from operations	89,640	96,260	152,250	116,241	128,738
Capital expenditure (-)	(7,440)	(8,610)	(19,810)	(8,500)	(8,500)
Net cash after capex	82,200	87,650	132,440	107,741	120,238
Dividends paid (-)	(75,190)	(84,590)	(98,700)	(109,275)	(121,025)
Inc./(dec.) in investments	(7,550)	7,320	(16,990)	(7,000)	(7,000)
Cash from financial activities	(79,840)	(89,660)	(95,702)	(109,212)	(120,939)
Opening cash balance	43,210	36,180	44,220	72,160	72,403
Closing cash balance	36,180	44,220	72,160	72,403	73,668
Change in cash balance	(7,030)	8,040	27,940	243	1,266

Source: Company, YES Sec

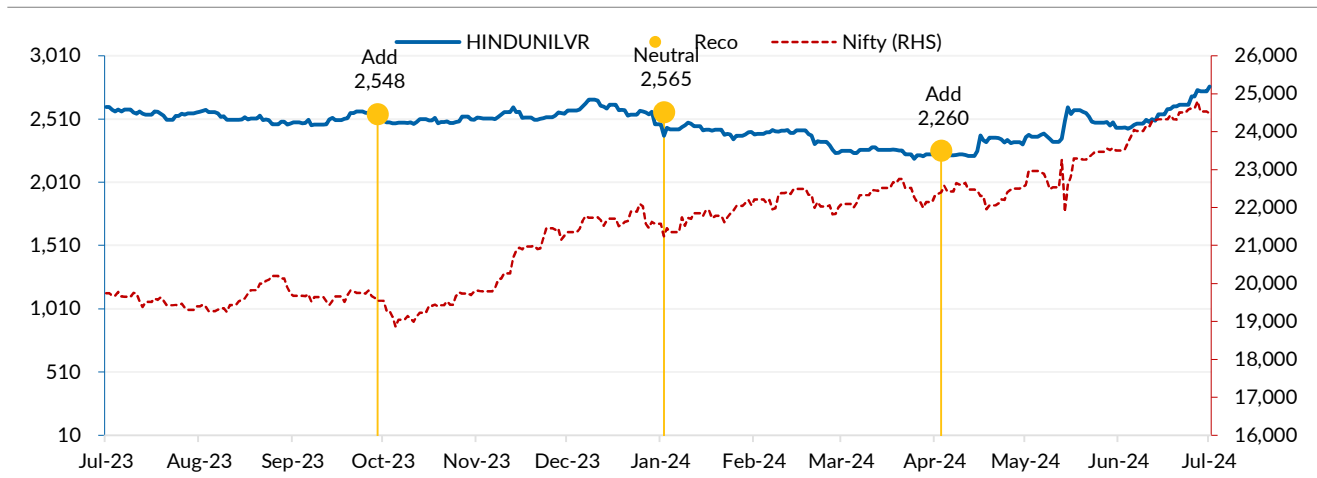
Exhibit 14: Ratio

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Per share (Rs)					
EPS	37.1	41.4	43.0	47.5	52.1
Book value	207.5	213.7	216.9	217.9	218.5
DPS	34.0	39.0	42.0	46.5	51.5
Valuation (x)					
EV/sales	12.8	11.1	10.8	10.0	9.3
EV/EBITDA	51.7	47.3	45.2	42.1	38.4
P/E	74.5	66.9	64.3	58.2	53.1
P/BV	13.3	12.9	12.8	12.7	12.7
Return ratios (%)					
RoCE*	24.7	26.8	27.8	29.7	32.4
RoE	18.1	19.6	20.0	21.9	23.9
RoIC*	24.2	26.5	28.6	31.4	34.3
Profitability ratios (%)					
Gross margin	50.9	47.3	51.5	52.0	52.4
EBITDA margin	24.4	23.0	23.5	23.6	23.9
EBIT margin	22.4	21.3	21.7	21.7	22.1

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
PAT margin	17.0	16.4	16.7	17.3	17.5
Liquidity ratios (%)					
Current ratio	0.9	1.0	0.9	0.9	0.9
Quick ratio	0.7	0.8	0.7	0.7	0.7
Turnover ratios					
Total asset turnover ratio (x)	0.9	1.0	1.1	1.1	1.2
Fixed asset turnover ratio (x)	8.8	9.6	8.4	9.6	11.1
Debtor days	13	14	16	15	15
Inventory days	53	46	49	47	47
Creditor days	127	107	122	122	121

Source: Company, YES Sec; Note: *Pre-tax and on average basis

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 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: Vishal Punmiya, Manas Rastogi

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.