

Hindustan Unilever | BUY

Looking tougher

On a like-to-like basis, HUL's Sep-Q earnings were inline with our expectations though with a somewhat different construct (detailed below). Volume growth of 2% is a further step-down vs earlier levels and rural recovery remains gradual with market volumes still lower vs two-year ago level. Gross margin progression was much better, but flowthrough to EBITDA was curtailed by higher A&P (+65% yoy) - management expects intensity of spends to sustain, given the step-up seen in competitive activities. The hope for a gradual volume recovery in rural remains, given reversal of inflation, higher infrastructure spends by government, and expectation of tailwinds from a good festive season. On the other hand, the consequence of a weaker monsoon and the volatility in crude-oil prices are the key watch-outs at this stage. We expect HUL's stock to be under some pressure on the back of the weak Sep-Q report, and absence of clear volume-trigger at this juncture.

- Operationally inline performance; volume trajectory was weaker than expected, though:** HUL reported 3.5%, 9.4% and 12% growth in sales, EBITDA and pre-exceptional net profit to INR150.3bn, INR36.9bn and INR26.7bn. Ex one-off benefit (favourable resolution of past indirect tax litigation) in BPC revenue, overall sales, EBITDA and bottoline growth were 3%, 5% and 7% respectively - exactly inline with our forecasts though with a slightly different construct: **1)** On revenue, volume growth was softer at 2% (vs our expectation of 4%) but was made-up through better pricing which was still tad positive vs JMFe -1%. **2)** On profitability front, gross margin build-back was much better (GPM +650bps like-to-like) but a very significant portion was used to grow A&P spends (+65% yoy and >400bps higher as a % of sales).
- Volumes grew better in Home-care, BPC but pulled down by decline in F&R:** Segmentally: **1) Home-care** growth moderated further to 3.3%. Volumes grew in mid-single digit but price reductions led to lower value growth. A&P spends were stepped up given resurgence of smaller and regional players in the current deflationary environment. Interestingly, small Detergents Bars players are growing at 6x the rate of larger players. **2) BPC** growth remained low at just 4.5% (sub-4% excluding one-off) - entirely volume-driven. Skin and Cosmetics grew double digit but Soaps declined due to price-cuts. Hair-care grew in high single-digit and Oral-care growth was in mid single-digit. Management highlighted that interventions are being taken to transform skin-care and deal with on-trend demand spaces. **3) F&R** remained disappointing. HFD volumes continued to decline despite the focus on lower-priced packs. High milk prices continued to have its impact. Coffee volumes were also impacted due to high commodity inflation. Tea growth was modest as well as category remained impacted by consumers downgrading.
- Positive surprise on gross margin almost entirely offset by higher SG&A expenses:** On a like-to-like basis, HUL's GPM expanded c.650bps yoy, c.230bps qoq to 51.5% (vs JMFe 49.5%) helped by reduction in costs of key inputs. Management cited volatile crude-oil prices as a watch-out, though. A&P spends rose 65% - much higher vs our forecast - a function of high competitive intensity as visible through the uptick in media intensity (GRP +33% yoy) and continued aggression of smaller players in select categories. Other Expenses also grew at a much higher pace (+19% including c.4% due to higher royalty to Unilever) - these had a c.170bps impact on margin.



Richard Liu
richard.liu@jmfl.com | Tel: (91 22) 66303064

Mehul Desai
mehul.desai@jmfl.com | Tel: (91 22) 66303065

Sumanyu Saraf
sumanyu.saraf@jmfl.com | Tel: (91 22) 66303077

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,880
Upside/(Downside)	13.0%
Previous Price Target	2,905
Change	-0.9%

Key Data – HUVR IN

Current Market Price	INR2,548
Market cap (bn)	INR5,987.0/US\$71.9
Free Float	33%
Shares in issue (mn)	2,350.0
Diluted share (mn)	2,350.0
3-mon avg daily val (mn)	INR4,050.2/US\$48.7
52-week range	2,770/2,393
Sensex/Nifty	65,629/19,625
INR/US\$	83.2

Price Performance

%	1M	6M	12M
Absolute	2.4	0.7	-1.4
Relative*	4.2	-8.5	-11.0

* To the BSE Sensex

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

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

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	514,720	594,430	625,855	694,143	764,542
Sales Growth (%)	11.2	15.5	5.3	10.9	10.1
EBITDA	128,570	141,490	152,815	172,056	191,432
EBITDA Margin (%)	24.5	23.4	24.0	24.5	24.8
Adjusted Net Profit	87,911	98,807	106,882	120,672	134,675
Diluted EPS (INR)	37.4	42.0	45.5	51.3	57.3
Diluted EPS Growth (%)	9.7	12.4	8.2	12.9	11.6
ROIC (%)	21.4	23.4	24.4	27.7	31.2
ROE (%)	18.2	19.9	21.0	23.0	24.9
P/E (x)	68.1	60.6	56.0	49.6	44.5
P/B (x)	12.2	11.9	11.6	11.3	10.9
EV/EBITDA (x)	46.0	41.8	38.6	34.2	30.6
Dividend Yield (%)	1.3	1.5	1.6	1.9	2.1

Source: Company data, JM Financial. Note: Valuations as of 19/Oct/2023

Exhibit 1. 2QFY24 snapshot (Parent): Mostly on expected lines; reported profits boosted by 4-5% on account of favourable resolution of past indirect tax litigation

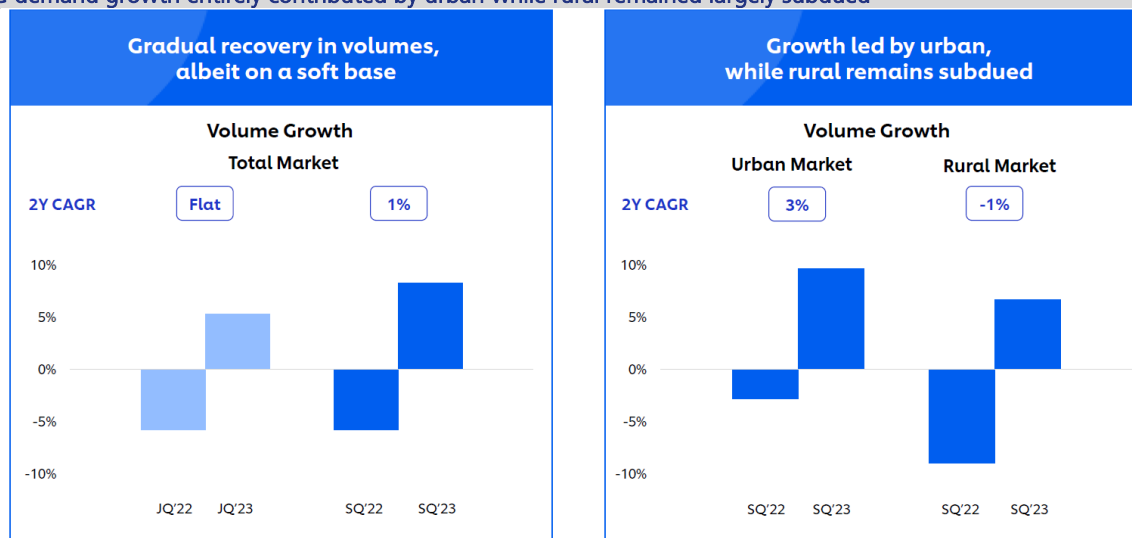
	2QFY24	2QFY23	YoY chg %	2QFY24E	% Var	1HFY24	1HFY23	YoY chg %
Net Sales	150,270	145,140	3.5%	149,436	0.6%	299,580	285,300	5.0%
Other Operating Income	2,490	2,370	5.1%	2,252	10.6%	4,660	4,930	-5.5%
Total Revenue	152,760	147,510	3.6%	151,688	0.7%	304,240	290,230	4.8%
Gross Profit	78,060	65,200	19.7%	73,989	5.5%	151,490	130,220	16.3%
Gross Profit Margin %	51.9%	44.9%	702 bps	49.5%	243 bps	50.6%	45.6%	492 bps
Staff Cost	7,080	7,090	-0.1%	6,575	7.7%	13,590	13,060	4.1%
Advertisement & Sales Promotion	17,200	10,410	65.2%	15,392	11.7%	32,010	23,690	35.1%
Other Expenses	19,330	16,300	18.6%	18,792	2.9%	38,400	32,160	19.4%
EBITDA	36,940	33,770	9.4%	35,482	4.1%	72,150	66,240	8.9%
EBITDA margin - % of net sales	24.6%	23.3%	132 bps	23.7%	84 bps	24.1%	23.2%	87 bps
Depreciation	2,690	2,480	8.5%	2,600	3.5%	5,260	5,080	3.5%
EBIT	34,250	31,290	9.5%	32,882	4.2%	66,890	61,160	9.4%
Interest Expense	720	250		250		1,190	510	133.3%
Financial Other Income	2,830	1,150	146.1%	1,868	51.5%	4,680	2,520	85.7%
PBT (before exceptionals)	36,360	32,190	13.0%	34,500	5.4%	70,380	63,170	11.4%
PBT (incl exceptionals)	36,310	31,910	13.8%	34,500	5.2%	69,960	62,770	11.5%
Reported Net Profit	27,170	26,160	3.9%	25,530	6.4%	51,890	49,050	5.8%
Adjusted Net Profit	26,680	23,790	12.1%	25,530	4.5%	51,680	46,679	10.7%

Source: Company, JM Financial

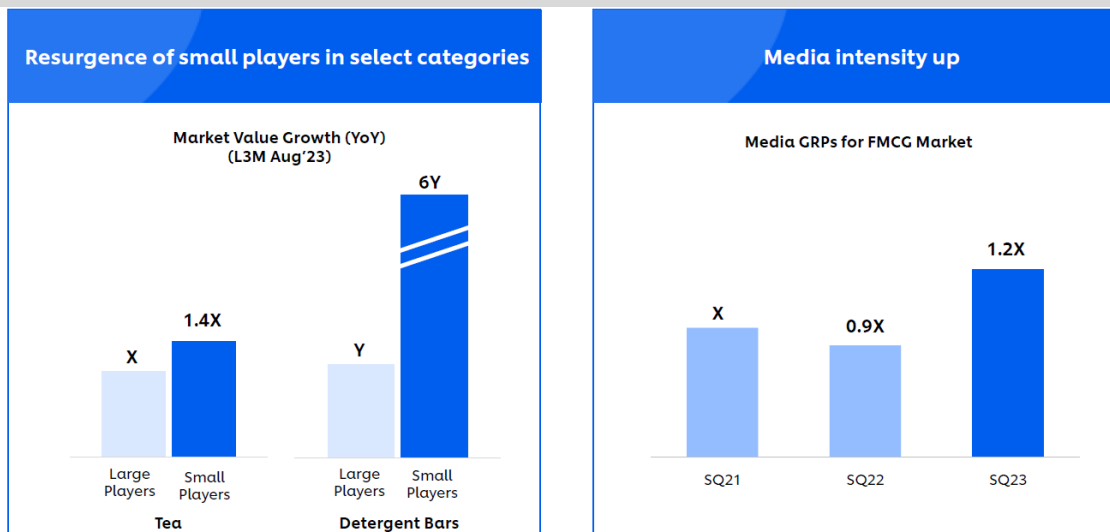
Exhibit 2. Estimated like-to-like 2QFY24 financials vs 2Q LY - adjusted for one-off indirect tax credit to turnover in 2QFY24

	2QFY24 like-to-like	2QFY23	yoy	2QFY24E	% variance
Sales	148,819	145,140	3%	149,436	0%
Gross Profit	76,609	65,200	17%	73,989	4%
% gross margin (excl op other income)	51.5%	44.9%	656 bps	49.5%	197 bps
EBITDA	35,489	33,770	5%	35,482	0%
% margin	23.8%	23.3%	58 bps	23.7%	10 bps
PBT before exceptionals	34,909	32,190	8%	34,500	1%
Adjusted Net Profit	25,455	23,790	7%	25,530	0%

Source: Company, JM Financial

Exhibit 3. FMCG demand growth entirely contributed by urban while rural remained largely subdued


Source: HUL Presentation, JM Financial

Exhibit 4. Competitive intensity remained high in the market – smaller players continue to be aggressive in certain commodity-sensitive categories


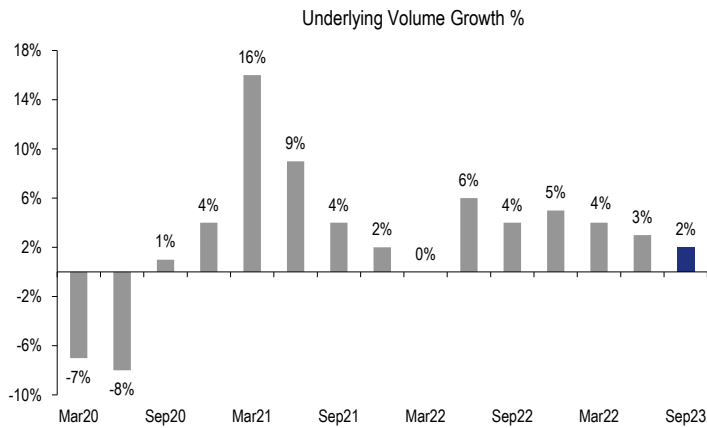
Source: HUL Presentation, JM Financial

Exhibit 5. 2QFY24 segment-wise snapshot (Parent): Performance remained fairly muted due to sluggish rural demand; Personal Care grew in mid single-digit driving growth (INR mn)

	2QFY24	2QFY23	YoY % Comments
Segment Revenue			
Home Care	53,120	51,430	3.3% Mid single-digit vol growth in Fabric Wash; high single-digit vol growth in Household Care.
Personal Care	58,090	55,610	4.5% Mid single-digit vol growth in BPC. Soaps vols grew low single-digit vol growth but offset by price cuts. Skin Care and Cosmetics grew in double-digit.
Foods & Refreshments	38,510	37,550	2.6% F&R had mid single-digit vol decline. Tea delivered a modest growth due to continued consumers downgrading. HFD delivered price led mid single-digit growth.
Others	3,040	2,920	4.1%
Total Seg Revenue - Gross	152,760	147,510	3.6%
Segment EBIT			
Home Care	9,950	8,890	11.9% Crude prices remain volatile, Soda-ash prices off highs but still much higher vs 2020 levels.
Personal Care	15,810	13,960	13.3% Palm oil prices continued to be at reasonable levels but offset by step up in A&P-spends
Foods & Refreshments	7,200	7,440	-3.2%
Others	1,290	1,000	29.0%
Total Seg EBIT	34,250	31,290	9.5%
Net Unalloc Exp	50	280	-82.1%
Net Financial Income	2,110	900	134.4%
PBT before exceptional items	36,360	32,190	13.0%
Reported PBT	36,310	31,910	13.8%
Adjusted Net Profit	26,680	23,790	12.1%
Segment Margin %			
Home Care	18.7%	17.3%	145 bps
Personal Care	27.2%	25.1%	211 bps
Foods & Refreshments	18.7%	19.8%	-112 bps
Others	42.4%	34.2%	819 bps
Total Seg Margin %	22.4%	21.2%	121 bps

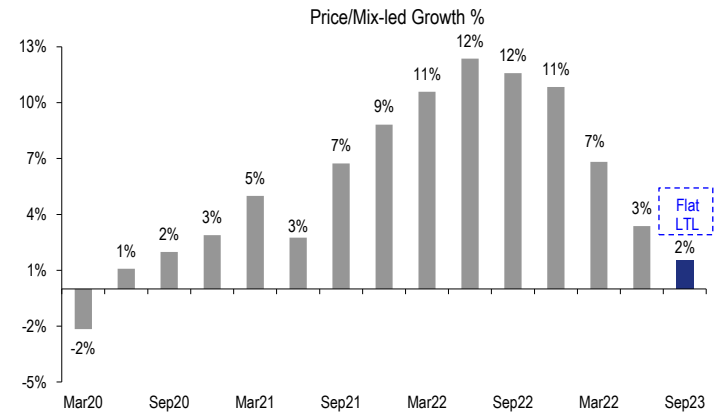
Source: Company, JM Financial

Exhibit 6. Volumes grew 2% during Sep-Q



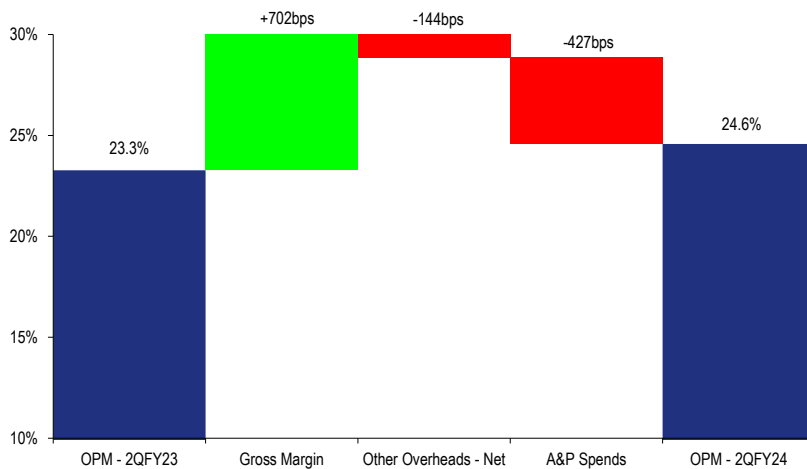
Source: Company, JM Financial

Exhibit 7. Price-growth continued to taper off



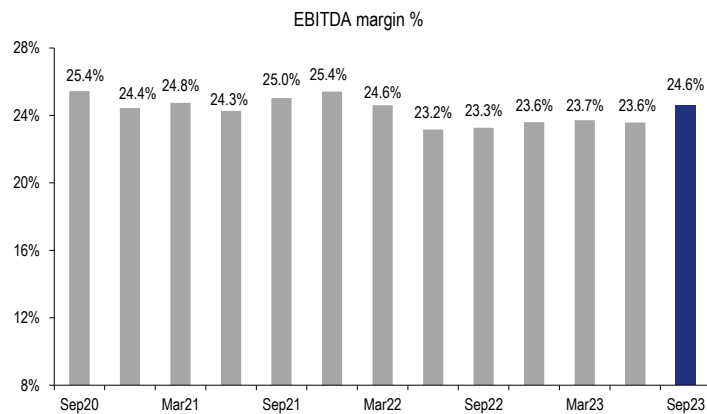
Source: Company, JM Financial

Exhibit 8. GPM expansion was partially offset by higher A&P-spend and Other Expenses



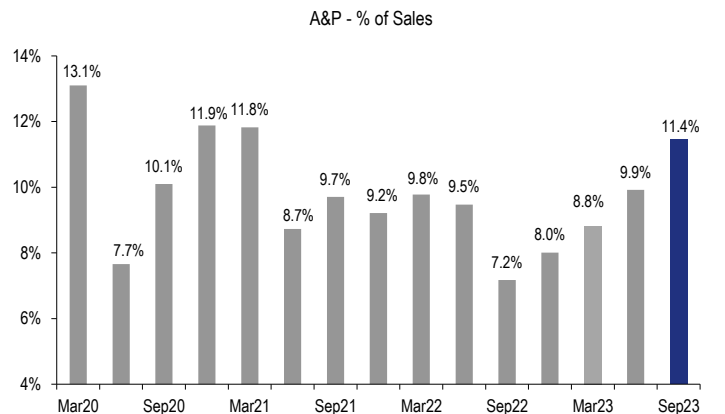
Source: Company, JM Financial

Exhibit 9. EBITDA margin expanded by 132bps yoy and 100bps qoq



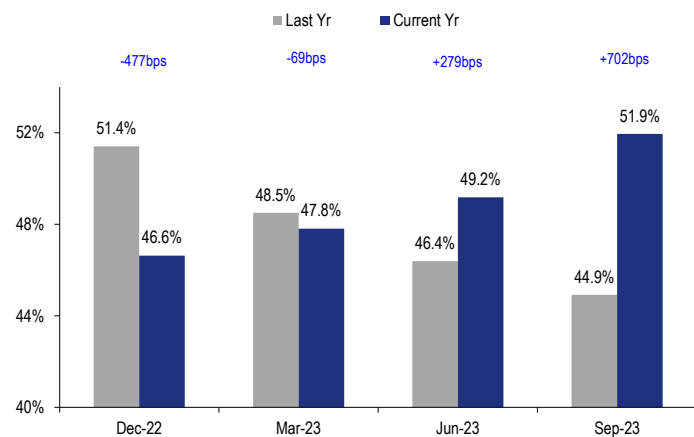
Source: Company, JM Financial

Exhibit 10. A&P spend increased by 65% yoy and also 16% up qoq



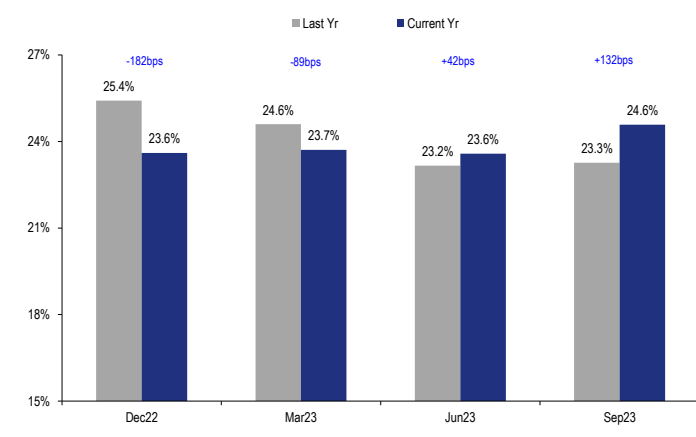
Source: Company, JM Financial

Exhibit 11. GPM up by 702bps yoy



Source: Company, JM Financial

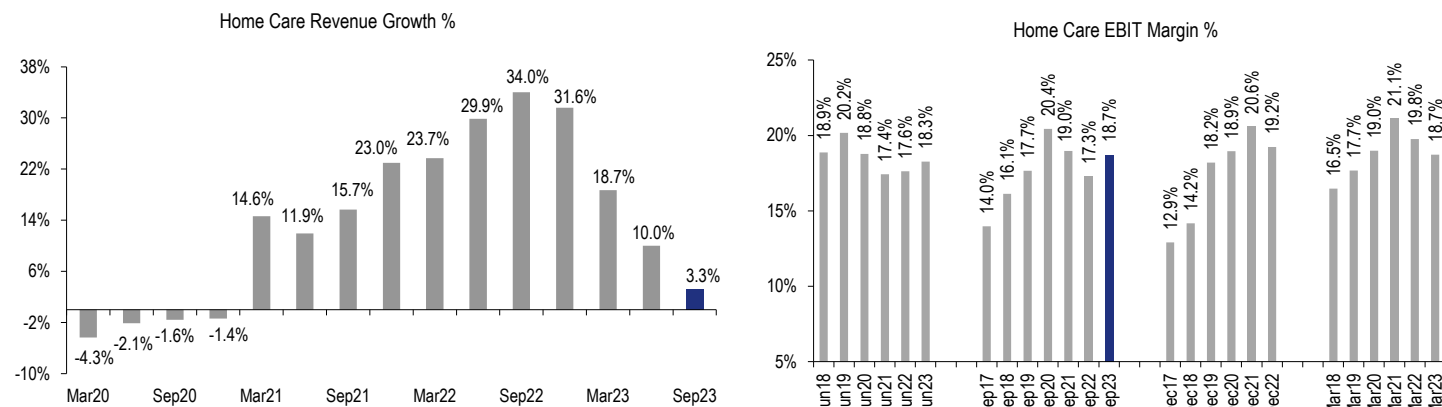
Exhibit 12. EBITDA margin expanded by 132bps yoy and 100bps qoq



Source: Company, JM Financial

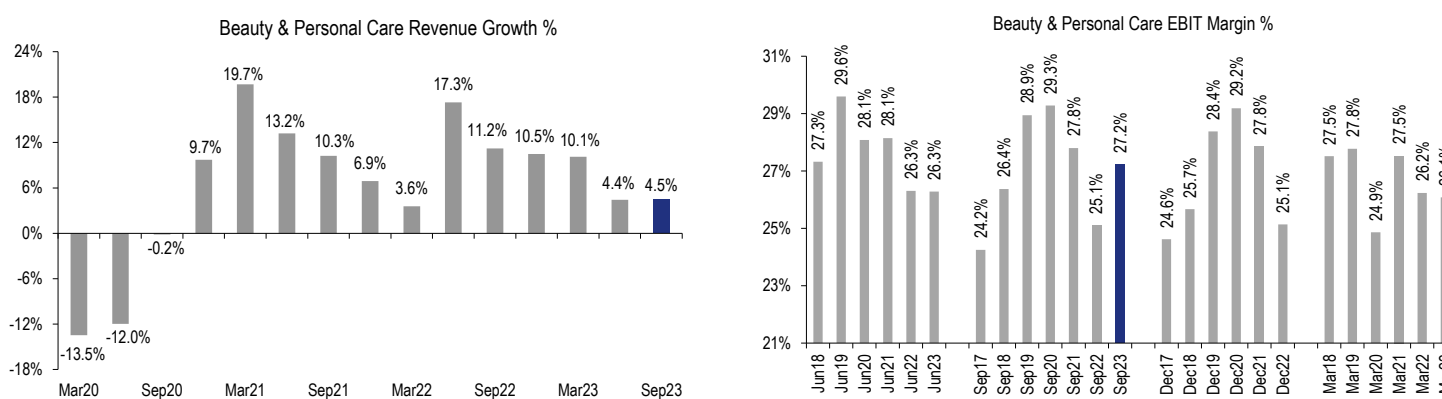
Segment-wise revenue growth and margin trends

Exhibit 13. Home Care grew by just c.3%- lowest seen in the last 11 quarters due to price reductions undertaken in the segment and step up in competitive intensity in the space



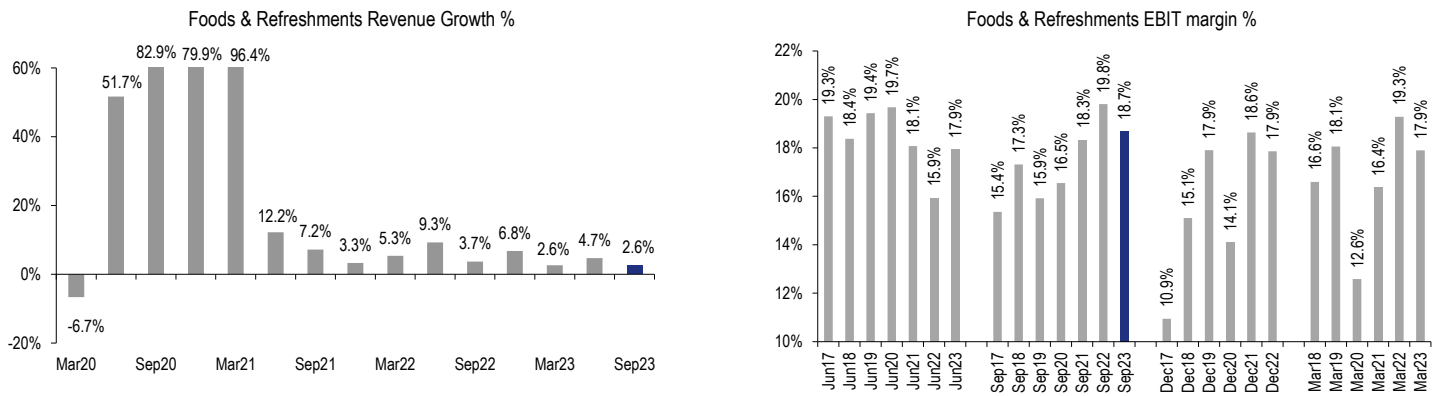
Source: Company, JM Financial

Exhibit 14. BPC: Double-digit growth in Skin Care & Colour Cosmetics; Skin-cleaning declined due to price-cuts



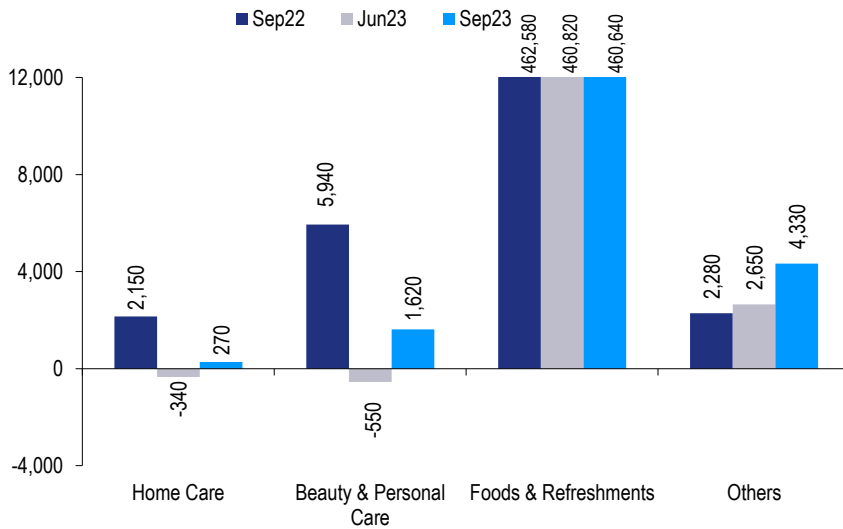
Source: Company, JM Financial

Exhibit 15. F&R remained mostly muted led by mid single-digit value growth in HFD, Foods & Ice Cream; Tea continued to witness consumers downgrading



Source: Company, JM Financial

Exhibit 16. Details of Segment Capital Employed (INR mn)



Source: Company, JM Financial

Exhibit 17. HUL one-year forward PE band



Source: Company, Bloomberg, JM Financial

Financial Tables (Consolidated)

Profit & Loss Statement						(INR mn)
Year-ended March	FY22A	FY23A	FY24E	FY25E	FY26E	
Sales excl Excise	514,720	594,430	625,855	694,143	764,542	
Growth (%)	11.2%	15.5%	5.3%	10.9%	10.1%	
Other operational income	9,740	11,370	9,798	7,660	8,280	
Total Revenue	524,460	605,800	635,654	701,803	772,823	
Cost of Goods Sold/Op. Exp.	257,350	317,160	310,459	341,667	375,602	
Personnel cost	25,450	28,540	29,682	31,880	34,349	
Other expenses	113,090	118,610	142,697	156,200	171,440	
EBITDA	128,570	141,490	152,815	172,056	191,432	
EBITDA (%)	24.5%	23.4%	24.0%	24.5%	24.8%	
Growth (%)	10.6%	10.0%	8.0%	12.6%	11.3%	
Depn & Amort	10,910	11,370	12,048	13,181	14,419	
EBIT	117,660	130,120	140,766	158,875	177,013	
Other Income	2,580	5,120	6,738	7,370	8,262	
Finance Cost	1,060	1,140	2,250	2,250	2,250	
PBT before Excep & Forex	119,180	134,100	145,254	163,995	183,025	
Excep & forex Inc/Loss(-)	-440	-640	0	0	0	
PBT	118,740	133,460	145,254	163,995	183,025	
Taxes	29,870	32,010	38,129	43,049	48,044	
Extraordinary Inc/Loss(-)	50	-10	0	0	0	
Assoc. Profit/Min. Int.(-)	-130	-240	-243	-274	-306	
Reported Net profit	88,790	101,200	106,882	120,672	134,675	
Adjusted Net Profit	87,911	98,807	106,882	120,672	134,675	
Net Margin (%)	17.1%	16.6%	17.1%	17.4%	17.6%	
Diluted share capital (mn)	2,350.0	2,350.0	2,350.0	2,350.0	2,350.0	
Diluted EPS (Rs)	37.4	42.0	45.5	51.3	57.3	
Diluted EPS Growth	9.7%	12.4%	8.2%	12.9%	11.6%	
Total Dividend + Tax	79,890	91,640	98,332	111,019	123,901	
Dividend Per Share (Rs)	34	39	42	47	53	

Source: Company, JM Financial

Cash Flow Statement						(INR mn)
Year-ended March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	119,180	134,100	145,254	163,995	183,025	
Depn. & Amort.	11,060	11,520	12,048	13,181	14,419	
Net Interest Exp. / Inc. (-)	-1,520	-3,980	-4,488	-5,120	-6,012	
Inc (-) / Dec in WCap.	-10,000	-9,580	3,533	-267	591	
Others	-400	-770	-243	-274	-306	
Taxes Paid	-27,840	-31,380	-37,017	-41,504	-46,476	
Operating Cash Flow	90,480	99,910	119,088	130,011	145,242	
Capex	-10,820	-10,710	-12,000	-12,000	-12,000	
Free Cash Flow	79,660	89,200	107,088	118,011	133,242	
(Inc)/dec in investments	-7,920	-7,010	-2,853	-3,136	-3,447	
Other current assets	1,460	2,780	6,483	7,096	7,967	
Cash flow used in invest (b)	-17,280	-14,940	-8,369	-8,040	-7,480	
Inc/(dec) in capital	0	0	0	0	0	
Dividend+Tax Thereon	-75,260	-84,740	-94,557	-103,862	-116,635	
Inc/dec in loans	0	780	0	0	0	
Other assets	-4,890	-5,570	-2,007	-1,976	-1,944	
Financial cash flow (c)	-80,150	-89,530	-96,564	-105,838	-118,579	
Net inc/dec in cash (a+b+c)	-6,950	-4,560	14,154	16,133	19,183	
Opening cash balance	45,410	51,340	46,780	60,934	77,067	
Closing cash balance	38,460	46,780	60,934	77,067	96,250	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Year-ended March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	490,610	503,040	515,365	532,175	550,215	
Share capital	2,350	2,350	2,350	2,350	2,350	
Reserves & Surplus	488,260	500,690	513,015	529,825	547,865	
Preference Share Capital	0	0	0	0	0	
Minority Interest	260	2,180	2,423	2,697	3,003	
Total Loans	0	980	980	980	980	
Def. Tax Liab / Assets (-)	61,300	64,110	62,294	60,244	57,957	
Total - Equity & Liab	552,170	570,310	581,062	596,096	612,155	
Net Fixed Assets	517,430	526,890	527,096	526,190	524,066	
Gross Fixed Assets	84,020	96,630	108,630	120,630	132,630	
Intangible Assets	453,040	457,290	457,290	457,290	457,290	
Less: Depn. & Amort.	33,010	38,960	51,008	64,189	78,608	
Net Lease Assets & Capital WIP	13,380	11,930	12,185	12,459	12,754	
Investments	35,340	28,940	31,793	34,928	38,375	
Current Assets	141,860	163,730	180,842	208,675	239,795	
Inventories	40,960	42,510	43,900	48,595	53,419	
Sundry Debtors	22,360	30,790	30,703	34,053	37,507	
Cash & Bank Balances	38,460	46,780	60,934	77,067	96,250	
Loans & Advances	31,260	34,090	35,266	38,420	41,552	
Other Current Assets	8,820	9,560	10,038	10,540	11,067	
Current Liab. & Prov.	142,460	149,250	158,668	173,697	190,081	
Current Liabilities	109,890	120,870	128,339	140,807	154,534	
Provisions & Others	32,570	28,380	30,329	32,890	35,546	
Net Current Assets	-600	14,480	22,173	34,979	49,714	
Application of Funds	552,170	570,310	581,062	596,096	612,155	

Source: Company, JM Financial

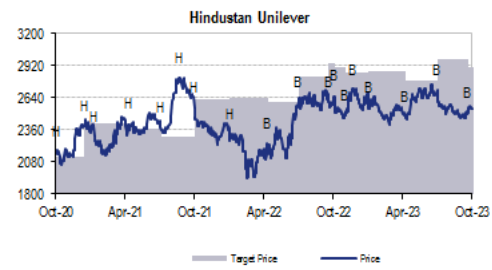
Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	17.1%	16.6%	17.1%	17.4%	17.6%
Asset Turnover (x)	0.9	1.1	1.1	1.2	1.3
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.1
RoE	18.2%	19.9%	21.0%	23.0%	24.9%
Key Ratios					
Year-ended March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	208.8	214.1	219.3	226.5	234.1
ROIC (%)	21.4%	23.4%	24.4%	27.7%	31.2%
ROE (%)	18.2%	19.9%	21.0%	23.0%	24.9%
Net Debt-equity ratio (x)	-0.2	-0.1	-0.2	-0.2	-0.2
PER	68.1	60.6	56.0	49.6	44.5
PBV	12.2	11.9	11.6	11.3	10.9
EV/EBITDA	46.0	41.8	38.6	34.2	30.6
EV/Net Sales	11.5	9.9	9.4	8.5	7.7
Debtor days	16	19	18	18	18
Inventory days	29	26	26	26	26
Creditor days	101	95	97	97	97

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
22-Jul-20	Hold	2,050	
8-Oct-20	Hold	2,050	0.0
21-Oct-20	Hold	2,125	3.7
1-Jan-21	Hold	2,430	14.4
28-Jan-21	Hold	2,420	-0.4
29-Apr-21	Hold	2,375	-1.9
22-Jul-21	Hold	2,300	-3.2
10-Sep-21	Hold	2,300	0.0
19-Oct-21	Hold	2,620	13.9
21-Jan-22	Hold	2,635	0.6
28-Apr-22	Buy	2,600	-1.3
20-Jul-22	Buy	2,820	8.5
7-Oct-22	Buy	2,935	4.1
21-Oct-22	Buy	2,900	-1.2
19-Nov-22	Buy	2,855	-1.6
8-Dec-22	Buy	2,855	0.0
20-Jan-23	Buy	2,875	0.7
27-Apr-23	Buy	2,790	-3.0
20-Jul-23	Buy	2,980	6.8
9-Oct-23	Buy	2,905	-2.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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

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

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

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

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

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

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

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

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

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

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

Important Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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