

QUARTERLY UPDATE Q4FY20

Prataap Snacks

Revenue, margin below expectations; outlook strong
Loses a bit of crunch, still a worthy bite

Prataap Snacks' (PSL) Q4FY20 result was impacted by 10 days of lockdown in March owing to the novel coronavirus, or COVID-19, pandemic. The 2.5% YoY growth in revenue was below our estimate due to slower growth in standalone revenue (up 3.4% YoY). On a full-year basis, it reported a sales growth of 19%, benefitting from the Avadh acquisition and robust performance by the Rings portfolio (40% of overall sales). The company has been facing challenges on the margin front owing to sharp rise in palm oil prices (up 33% YoY), which is a key raw material for savoury products. With an increase in Avadh snacks capacity (up 50%), start of a new line of sweet snacks, rising share of contract manufacturing revenue (to 18% in FY20 from 11% in FY19), PSL is poised to report healthy double-digit growth in FY22E. We maintain our 'BUY' rating.

Revenue growth to return to healthy double digits by FY22E

Revenue grew 2.5% to INR 314 crore in Q4FY20 on lower growth in standalone revenue (up 3.4%) and de-growth in subsidiary business (Avadh snacks) by 3.7% YoY. For FY20, revenue grew by 19.1% to INR 1,394 crore. We expect a much slower revenue growth of 3.9% in FY21E due to the lockdown effect resulting in lower capacity utilisation throughout Q1 and even beyond. However, we expect strong FY22E revenue growth of 18% led by increase in Avadh snacks capacity, start of a new line of sweet snacks and rising share of contract manufacturing revenue.

Consolidated margin impacted by inflation in raw material prices and higher employee costs

Gross margin contracted 240bps YoY to 26.6% due to shrinking of subsidiary and standalone gross margin by 430bps and 40bps, respectively. This can be attributed to elevated palm oil prices (up 33% YoY). EBITDA margin shrunk 290bps due to a sharp increase in employee expense (up 33% YoY on the back of a salary revision), in line with employee expense in the last three quarters. However, the company managed to partially offset the decline in EBITDA margin as overhead expenses declined 60bps. Going forward, the company would be able to enhance its operating margin to over 7% by FY22E led by favourable change in product-mix due to rising share of high margin sweet snacks, reduction in freight cost on products near to end-consumers, gradual change in distribution structure to 2-tier (distributor-retailer) from 3-tier (super stockist-distributor-retailer), which would result in margin savings to super-stockists and cost optimisation initiatives like reducing packaging dimensions.

RoCE to improve to 11-12% over the next five years from 4.8% in FY20

PSL has a strong Balance Sheet with net cash of ~INR 54 crore as on March 31. Despite liquidity issues at the wholesaler level and disruption in the supply chain on account of the COVID-19 lockdown in March, the company has managed to maintain its operating cycle at similar levels (19 days) in FY20. Consolidated return on capital employed (RoCE) fell to 4.8% in FY20 from 8% in FY19 due to contraction in consolidated EBIT margin (2.3% in FY20 versus 4% in FY19) with change in accounting, increase in employee expense and under-utilisation of new sweet snacks facility (generated revenue of around INR 36 crore in FY20 as against capex cost of around INR 48 crore). RoCE is expected to gradually improve to over 11% over the next five years from 4.8% in FY20 on completion of its capex cycle (would only incur maintenance capex over the medium term), improvement in operating margin, increase in the share of contract manufacturing revenue, better sweating of sweet snacks facility (annualised revenue to rise to around INR 50 crore in FY21E from INR 36 crore in FY20 and higher contribution from high margin Avadh business).

Valuation & outlook: Positive outlook; maintain 'BUY' rating

We expect PSL to report slower (up 4%) growth in FY21 as capacity utilisation has been much lower in Q1 due to the lockdown. It operated at 25% and 50% capacity on an overall basis in April and May, respectively. However, we expect a bounce back in FY22 with 18% topline growth driven by an increase in Avadh snacks capacity (up 50%), start of a new line of sweet snacks, rising share of contract manufacturing revenue (to 18% in FY20 from 11% in FY19) and management's increasing focus on deeper penetration across the country. Elevated raw material (RM) prices, mainly palm oil prices witnessed sharp inflation (up ~33% YoY), impacted gross margin. However, palm oil prices have cooled off to INR 79/kg from its peak of INR 92/kg in January 2020, which should support near term margin. We maintain our 'BUY' rating on the stock as we believe PSL is one of the best plays to ride the high growth snacks category in India, given the huge opportunity size, its strong execution track record and high quality of earnings. We have revised downward our FY21/FY22 earnings estimates by 50/32%, respectively, to account for the slowdown. The company is currently trading at 45/27x its FY21/FY22E earnings, respectively. We maintain our BUY rating with a revised target price of INR 801 per share.

Kapil Jagasia, CFA
Research Analyst
kapil.jagasia@edelweissfin.com

Praveen Sahay
Research Analyst
praveen.sahay@edelweissfin.com

CMP: INR 593

Rating: BUY

Target price: INR 801

Upside: 35%

Bloomberg:	DIAMOND:IN
52-week range (INR):	435/989
Shares in issue (crore):	2.3
M-cap (INR crore):	1,401
Average daily volume BSE/NSE ('000):	2/101
Promoter holding (%)	71.44

Year to March	Q4FY20	Q4FY19	% change	Q3FY20	% change	FY20	FY21E	FY22E
Revenue (INR crore)	314	307	2.5	361	(12.9)	1,394	1,448	1,709
Revenue growth (%)						19.1	3.9	18
EBITDA (INR crore)	14	22	(38.4)	22	(36.3)	94	96	122
EBITDA margin (%)	4.4	7.3		6		6.7	6.6	7.2
Net profit (INR crore)	20	14	44.4	5	261.1	47	32	52
Net profit margin (%)	6.3	4.5		1.5		3.4	2.2	3.1
EPS (INR)						20	13.5	22.3
EPS growth (%)						5.1	(32.8)	65.4
P/E (x)						30	44.6	27
EV/EBITDA (x)						14.5	12.8	9.5
RoACE (%)						4.8	4.6	7.4

Date: 20th June, 2020

Prataap Snacks

Q4FY20 result highlights

Particulars (INR crore)	Q4FY20	Q4FY19	% change	Q3FY20	% change	FY20	FY19	% change
Net revenue	314	307	2.5	361	(12.9)	1,394	1,171	19.1
Cost of goods sold	231	218	5.9	259	(10.9)	995	879	13.1
Gross profit	84	89	(5.9)	102	(17.8)	399	291	37
Employee expense	14	11	33.5	16	(7.8)	58	42	38.9
Other expenses	55	56	(0.6)	65	(14.1)	248	165	49.8
Total operating expenses	70	67	4.9	80	(12.9)	305	207	47.6
EBITDA	14	22	(38.4)	22	(36.3)	94	84	11
EBITDA margin	4.4	7.3	(290)	6	(161)	6.7	7.2	(49)
Depreciation and amortisation	15	11	39.5	15	0.8	62	38	64
EBIT	(2)	11		6		32	47	(31.7)
Interest expense	2	1	198	2	(11.9)	7	1	769.8
Other income	2	2	28.7	3	(11.9)	9	11	(15.8)
PBT	(1)	12		7		34	56	(39.5)
Provision for tax	(21)	(1)		2		(13)	11	
Core profit	20	14	44.4	5	261.1	47	45	5.1
As a % of net revenue								
COGS	73.4	71		71.8		71.4	75.1	
Operating expenses	22.2	21.7		22.2		21.9	17.7	
EBITDA	4.4	7.3		6		6.7	7.2	
Reported net profit	6.3	4.5		1.5		3.4	3.8	
Tax rate (%)	(2,161.5)	(9.8)		22.5		(39.3)	19.8	

Change in estimates

(INR crore)	FY21E			FY22E		
	Old	Revised	Change (%)	Old	Revised	Change (%)
Net sales	1,718	1,448	(15.7)	2,024	1,709	(15.6)
Other income	14	14		18	20	
Total income	1,732	1,462		2,042	1,729	
EBITDA	143	96	(32.7)	167	122	(27)
EBITDA margin (%)	8.3	6.6		8.3	7.2	
PBT	81	38	(53.1)	103	64	(38.2)
PBT margin	4.7	2.6		5	3.7	
Net profit	64	32	(50.8)	77	52	(32.4)
Adjusted EPS (Rs)	27.4	13.5	(50.8)	32.9	22.3	(32.4)

Previous result outlooks

In Q3FY20: PSL reported in line earnings. The only major deviation was in a subsidiary and that too due to higher RM costs. Elevated RM prices, mainly palm oil prices -- which witnessed sharp (up ~50%) inflation since October 2019 -- impacted gross margin. PSL has also reduced contribution of chips in the quarter due to unavailability of potato mainly in central India (usually a new crop is available by December 15, but heavy rain impacted potato production). The situation has now normalised. As per management, the unusual spike in palm oil will also cool off in the near term, which should restore profitability going forward. The company is one of the best plays to ride the high growth snacks category in India, given its huge opportunity size, strong execution track record and high quality of earnings. At the CMP, the stock is trading at 40/30x its FY20/FY21 EPS estimates.

In Q2FY20: We maintain our 'BUY' rating on the stock as we believe PSL is one of the best plays to ride the high growth snacks category in India, given the huge opportunity size, its strong execution track record and high quality of earnings. With an increase in Avadh snacks capacity (up 50%), start of a new line of sweet snacks, rising share of contract manufacturing revenue (to 16-17% in Q2FY20 from 11-12% in Q2FY19) and weak H2FY20 base effect, it is poised to report healthy double-digit growth over the medium term. At the CMP, the stock is trading at 45.5/34.8x its FY20/FY21 EPS estimates.

In Q1FY20: We have revised down our estimates to account for slower-than-anticipated ramp-up in sweet snacks, larger employee costs, greater capital charge due to adjustment to Indian Accounting Standard (Ind-AS) and lower tax outgo. While earnings growth looks weak for FY20 (mainly due to Ind-AS adjustments), it is likely to substantially improve from FY21 onwards. We have revised down our target price to INR 1,050 per share (from INR 1,250 earlier) due to downward revision in earnings estimates. We have also changed our valuation methodology to price-to-earnings (P/E) from discounted cash flow (DCF). Our target price is valued at 40x FY21 EPS estimates. We maintain our 'BUY' rating on the stock as we believe PSL is one of the best plays to ride the high growth snacks category in India, given the huge opportunity size, its strong execution track record and high quality of earnings.

Q3FY20

Particulars	Q3FY20	Q3FY19	Q3FY18
Revenue	1,000	950	900
Operating Profit	150	140	130
Net Profit	100	95	90
EPS	10	9.5	9

Q2FY20

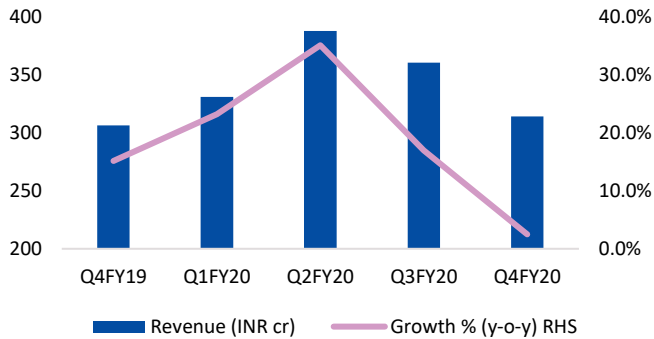
Particulars	Q2FY20	Q2FY19	Q2FY18
Revenue	1,050	1,000	950
Operating Profit	160	150	140
Net Profit	110	105	100
EPS	11	10.5	10

Q1FY20

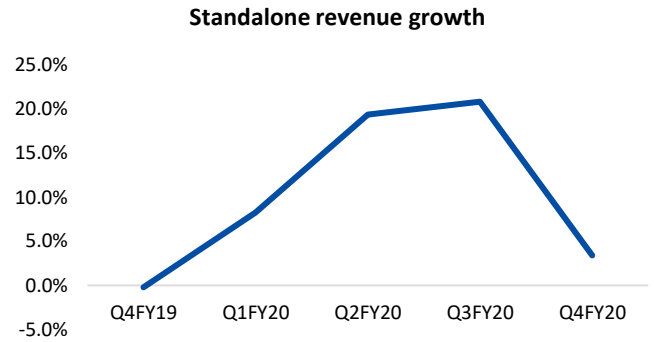
Particulars	Q1FY20	Q1FY19	Q1FY18
Revenue	1,000	950	900
Operating Profit	140	130	120
Net Profit	90	85	80
EPS	9	8.5	8

Financials in charts

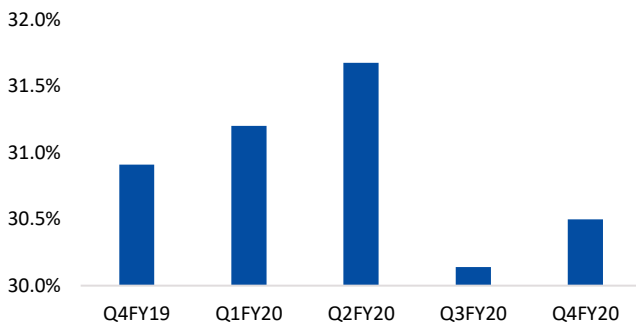
Consolidated revenue grew 2.5% YoY in Q4FY20 due to...



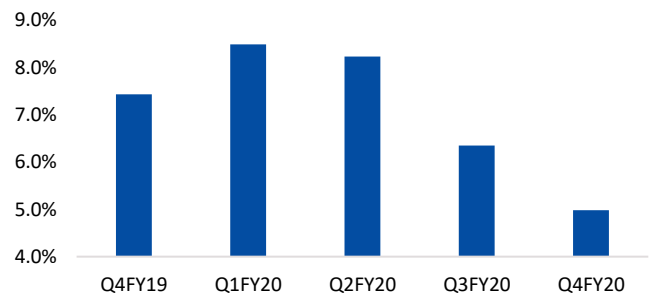
...slowdown in standalone operations



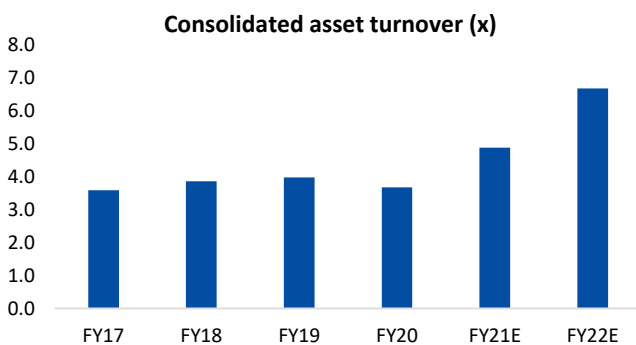
Standalone gross margin contracted due to increase in palm oil prices



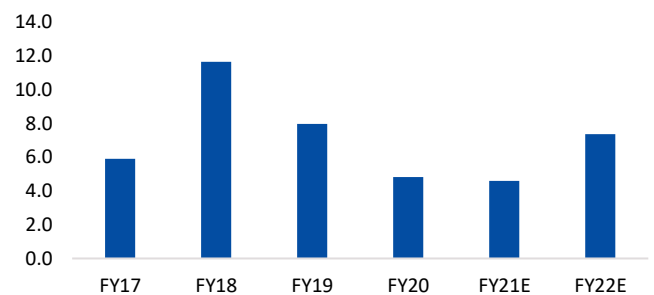
Standalone EBITDA margin contracted on higher input cost and employee expense



Fixed asset turnover continues to improve



RoCE to improve in the long term (%)



Source: Edelweiss Professional Investor Research

Prataap Snacks

Financials

Income statement					(INR crore)
Year to March	FY18	FY19	FY20	FY21E	FY22E
Income from operations	1,029	1,171	1,394	1,448	1,709
Direct cost	735	879	995	1,072	1,265
Employee cost	37	42	58	72	80
Other expenses	214	207	248	208	242
Total operating expenses	949	1,086	1,300	1,352	1,587
EBITDA	80	84	94	96	122
Depreciation and amortisation	30	38	62	64	69
EBIT	49	47	32	32	53
Interest expense	3	1	7	8	9
Other income	15	10	9	14	20
Profit before tax	62	56	34	38	64
Provision for tax	17	11	(13)	6	11
Core profit	44	45	47	32	52
Extraordinary items	0	0	0	0	0
Profit after tax	44	45	47	32	52
Minority interest	0	0	0	0	0
Share from associates	0	0	0	0	0
Adjusted net profit	44	45	47	32	52
Equity shares outstanding (mn)	2.3	2.3	2.3	2.3	2.3
EPS basic (INR)	18.8	19	20	13.5	22.3
Diluted shares (crore)	2.3	2.3	2.3	2.3	2.3
EPS fully diluted (INR)	18.8	19	20	13.5	22.3
Dividend per share	0	1	2	2	4.5
Dividend payout (%)	0	5	10	15	20

Common size metrics as a % of net revenue

Year to March	FY18	FY19	FY20	FY21E	FY22E
Operating expenses	92.3	92.8	93.3	93.4	92.8
Depreciation	3	3.2	4.4	4.4	4
Interest expenditure	0.3	0.1	0.5	0.6	0.6
EBITDA margin	7.7	7.2	6.7	6.6	7.2
Net profit margin	4.3	3.8	3.4	2.2	3.1

Growth metrics (%)

Year to March	FY18	FY19	FY20	FY21E	FY22E
Revenue	15.1	13.8	19.1	3.9	18
EBITDA	87.1	6	11	2.4	27.5
PBT	315	(9.7)	(39.5)	12.8	67.5
Net profit	114.7	1.1	5.1	(32.8)	65.4
EPS	(81.9)	1.1	5.1	(32.8)	65.4

Prataap Snacks

Financials

Balance Sheet

(INR crore)

As on March 31	FY18	FY19	FY20	FY21E	FY22E
Equity share capital	12	12	12	12	12
Preference share capital	0	0	0	0	0
Reserves and surplus	508	550	596	622	662
Shareholders' funds	520	561	608	634	673
Secured loans	7	18	3	3	4
Unsecured loans	0	69	69	69	69
Borrowings	7	86	72	72	72
Minority interest	0	0	0	0	0
Net deferred tax	0	62	40	40	40
Sources of funds	527	710	720	746	786
Gross block	313	367	472	502	530
Depreciation	48	80	142	206	275
Net block	265	287	359	296	255
Capital work in progress	2	7	20	0	0
Intangible assets	4	239	229	229	229
Total fixed assets	271	533	607	525	484
Investments	0	0	0	0	0
Other non-current assets	26	34	71	71	71
Inventories	90	119	132	131	154
Sundry debtors	20	31	33	32	38
Cash and equivalents	214	82	54	179	252
Loans and advances	1	1	1	1	1
Other current assets	35	25	22	24	36
Total current assets	360	258	242	367	481
Sundry creditors and others	100	86	87	87	102
Provisions	3	3	63	78	86
Other liabilities	33	27	51	53	62
Total current liabilities	136	115	201	218	251
Net current assets	225	143	41	149	230
Deferred tax assets	6	0	0	0	0
Miscellaneous expenditure					
Uses of funds	527	710	720	746	786
Book value per share (INR)	226	245	249	262	281

Cash flow statement

Year to March	FY18	FY19	FY20	FY21E	FY22E
Net profit	44	45	47	32	52
Add: Depreciation	30	38	62	64	69
Add: Deferred tax	2	(3)	(22)	0	0
Add: Others					
Gross cash flow	77	79	86	96	121
Less: Change in working capital	(11)	(77)	(15)	(16)	8
Operating cash flow	88	157	101	112	113
Less: Capex	40	26	117	15	20
Free cash flow	47	131	(16)	97	93

Prataap Snacks

Financials

Ratios

Year to March	FY18	FY19	FY20	FY21E	FY22E
RoAE (%)	11.7	8.3	8	5.1	8
RoACE (%)	11.6	8	4.8	4.6	7.4
Debtors (days)	7	9	8	8	8
Inventory (days)	32	35	33	33	33
Payable (days)	35	25	22	22	22
Cash conversion cycle (days)	4	19	19	19	19
Current ratio	2.5	1.9	1.2	1.7	1.9
Debt-to-equity	0	0	0	0	0
Debt-to-EBITDA	0.1	0.2	0	0	0

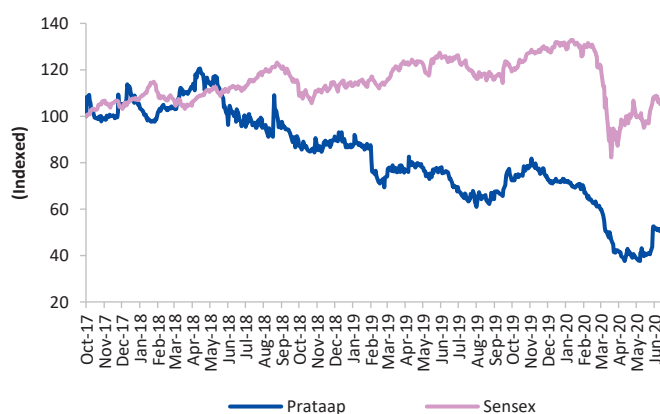
Valuation parameters

Year to March	FY18	FY19	FY20	FY21E	FY22E
Diluted EPS (INR)	18.8	19	20	13.5	22.3
YoY growth (%)	<i>NM</i>	1.1	5.1	(32.8)	65.4
Cash EPS (INR)	31.8	35.1	46.3	40.8	51.6
Diluted P/E (x)	31.9	31.5	30	44.6	27
Price-to-book value (x)	2.7	2.5	2.3	2.2	2.1
Enterprise value-to-sales (x)	1.2	1.1	1	0.9	0.7
EV-to-EBITDA (x)	15.1	15.9	14.5	12.8	9.5
Diluted shares O/S	2.3	2.3	2.3	2.3	2.3
Basic EPS	18.8	19	20	13.5	22.3
Basic P/E (x)	31.9	31.5	30	44.6	27
Dividend yield (%)	0	0.2	0.2	0.3	0.7

Edelweiss Broking Limited, 1st Floor, Tower 3, Wing B, Kohinoor City Mall, Kohinoor City, Kirool Road, Kurla(W)
 Board: (91-22) 4272 2200

Vinay Khattar
 Head Research
 vinay.khattar@edelweissfin.com

Rating	Expected to
BUY	appreciate more than 15% over a 12-month period
HOLD	appreciate between 5-15% over a 12-month period
REDUCE	Return below 5% over a 12-month period



Disclaimer

Edelweiss Broking Limited (“EBL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

Broking services offered by Edelweiss Broking Limited under SEBI Registration No.: INZ000005231; Name of the Compliance Officer: Mr. Brijmohan Bohra, Email ID: complianceofficer.ebl@edelweissfin.com Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel. 18001023335/022-4272200/022-40094279

This Report has been prepared by Edelweiss Broking Limited in the capacity of a Research Analyst having SEBI Registration No. INH000000172 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. 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 EBL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. EBL reserves the right to make modifications and alterations to this statement as may be required from time to time. EBL or any of its associates / group companies shall 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. EBL is committed to providing independent and transparent recommendation to its clients. Neither EBL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of EBL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of EBL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

EBL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the EBL to present the data. In no event shall EBL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the EBL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

EBL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of 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 subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. EBL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with EBL.

EBL or its associates may have received compensation from the subject company in the past 12 months. EBL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. EBL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or EBL's associates may have financial interest in the subject company. EBL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No
EBL has financial interest in the subject companies: No

EBL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

EBL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No
Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Disclaimer

Additional Disclaimer for U.S. Persons

Edelweiss is not a registered broker – dealer under the U.S. Securities Exchange Act of 1934, as amended (the “1934 act”) and under applicable state laws in the United States. In addition Edelweiss is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act” and together with the 1934 Act, the “Acts”), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Edelweiss, including the products and services described herein are not available to or intended for U.S. persons.

This report does not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. “U.S. Persons” are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed “US Persons” under certain rules.

Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Additional Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 (“FSMA”).

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the “Order”); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”).

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Additional Disclaimer for Canadian Persons

Edelweiss is not a registered adviser or dealer under applicable Canadian securities laws nor has it obtained an exemption from the adviser and/or dealer registration requirements under such law. Accordingly, any brokerage and investment services provided by Edelweiss, including the products and services described herein, are not available to or intended for Canadian persons.

This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services.

Disclosures under the provisions of SEBI (Research Analysts) Regulations 2014 (Regulations)

Edelweiss Broking Limited (“EBL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited (“Edelweiss”) in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No.INH000000172.