HERITAGE FOODS

Edelweiss
Ideas create, values protect

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	490
12 month price target (INR)	615
Market cap (INR bn/USD bn)	23/0.3
Free float/Foreign ownership (%)	60.1/4.6

What's Changed

Target Price	↑
Rating/Risk Rating	–

QUICK TAKE

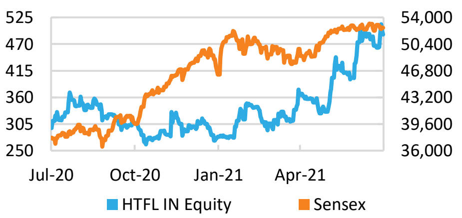
	Above	In line	Below
Profit			•
Margins			•
Revenue Growth		•	
Overall			•

FINANCIALS

(INR mn)

Year to March	FY21A	FY22E	FY23E	FY24E
Revenue	24,731	26,866	29,859	32,819
EBITDA	2,711	2,288	2,664	3,015
Adjusted profit	1,569	1,322	1,608	1,874
Diluted EPS (INR)	33.8	28.5	34.6	40.4
EPS growth (%)	171.9	(15.7)	21.6	16.5
RoAE (%)	28.8	20.4	21.0	20.9
P/E (x)	14.5	17.2	14.1	12.1
EV/EBITDA (x)	8.4	9.4	7.5	6.1
Dividend yield (%)	1.0	1.5	1.8	2.5

PRICE PERFORMANCE



Explore:

Financial model

Podcast

Corporate access

Video

Strong strategic moves

Heritage Foods (HTFL) reported largely in line sales with 1% YoY and 5% QoQ growth. Dairy sales grew 3% YoY led by value-added dairy products (VADP) sales growth of 11% YoY as curd sales also jumped 12% YoY. EBITDA dipped 8% YoY and missed estimate by 10% as staff costs and other expenses increased 11% and 10% YoY, respectively.

HTFL is targeting 20% sales growth and share of value-added sales to jump to 45% from 27% of the mix over the next 4-5 years driven by spate of top management additions and VADP introductions. Hence, we revise up multiple to 18x (from 13x) and roll over to Dec 2022E EPS. It's still at a deep discount to peers for a strong franchisee. Maintain 'BUY' with revised TP of INR615 (INR410 earlier).

Value-added sales gain traction during a stable quarter

Q1FY22 sales came in line--up 1% YoY--with 3% YoY volume growth and flat realisation. However, dairy business grew 3% YoY led by growth of 11% in VADP. Curd sales remained the mainstay of VADP growth, with growth of 15% YoY in average volumes. Despite procurement prices inching up (3% YoY), gross margin grew 36bps YoY to 22.9%. EBITDA margin, however, dipped 84bps YoY as staff costs and other expenses rose 11% and 10% YoY, respectively. The dip in interest cost of 77% YoY was a result of management efforts on debt reduction.

Deepening VADP and strong top management additions

Management is focused on product portfolio and geographical expansion. It is enriching VADP portfolio and has made several launches in recent past via its JV with French major Novandie. Under the brand *Mamie Yova*, the company has launched a range of stirred and drinkable yogurt products. Further, it entered the Ready-to-Eat segment with *Heritage Tikka Paneer*. To be a formidable player in dairy & dairy value-added products, HTFL has appointed Mr. Srideep Nair Kesavan as the company's CEO, who has held leadership positions at Coca-cola (14 years). Further, it appointed Mr. Viney Vatal (ex-Godrej Agrovet) as CEO of Heritage Nutrivet. HTFL is targeting revenue growth of 20% and increasing the share of VADP sales to 45-50% of mix.

Outlook and valuations: Well poised; maintain 'BUY'

HTFL is strongly positioned led by its B2C nature. We see improvement in revenue traction post covid normalisation. Post a high base of FY21 EPS, leading to decline in FY22, we expect 19% PAT CAGR over FY22-24. We raise our multiple to 18x from 13x and roll over to Q3FY23E EPS. We maintain **'BUY'** with revised TP of INR615.

Financials

Year to March	Q1FY22	Q1FY21	% Change	Q4FY21	% Change
Net Revenue	6,481	6,388	1.4	6,194	4.6
EBITDA	534	579	(7.9)	478	11.6
Adjusted Profit	291	961	(69.8)	242	20.0
Diluted EPS (INR)	6.3	20.7	(69.8)	5.2	20.0

Shradha Sheth
+91 (22) 6623 3308
Shradha.Sheth@edelweissfin.com

Meera Midha
+91 (22) 4088 5804
Meera.Midha@edelweissfin.com

Financial Statements

Income Statement (INR mn)

Year to March	FY21A	FY22E	FY23E	FY24E
Total operating income	24,731	26,866	29,859	32,819
Gross profit	6,357	6,272	7,045	7,791
Employee costs	1,779	1,907	2,036	2,199
Other expenses	1,867	2,077	2,345	2,577
EBITDA	2,711	2,288	2,664	3,015
Depreciation	505	546	581	616
Less: Interest expense	192	30	30	30
Add: Other income	80	55	97	136
Profit before tax	2,047	1,767	2,149	2,505
Prov for tax	535	445	542	631
Less: Other adjustment	0	0	0	0
Reported profit	1,521	1,322	1,608	1,874
Less: Excp.item (net)	48	0	0	0
Adjusted profit	1,569	1,322	1,608	1,874
Diluted shares o/s	46	46	46	46
Adjusted diluted EPS	34	28	35	40
DPS (INR)	5.0	7.1	8.7	12.1
Tax rate (%)	26.1	25.2	25.2	25.2

Balance Sheet (INR mn)

Year to March	FY21A	FY22E	FY23E	FY24E
Share capital	232	232	232	232
Reserves	5,726	6,793	8,036	9,467
Shareholders funds	5,958	7,025	8,268	9,699
Minority interest	5	5	5	5
Borrowings	360	360	360	360
Trade payables	355	508	563	617
Other liabs & prov	1,946	2,093	2,299	2,504
Total liabilities	8,785	10,160	11,673	13,372
Net block	5,759	5,713	5,632	5,515
Intangible assets	65	65	65	65
Capital WIP	157	157	157	157
Total fixed assets	5,981	5,935	5,854	5,738
Non current inv	132	132	132	132
Cash/cash equivalent	236	1,577	3,219	4,801
Sundry debtors	152	221	245	270
Loans & advances	91	95	99	104
Other assets	2,170	2,178	2,101	2,306
Total assets	8,785	10,160	11,673	13,372

Important Ratios (%)

Year to March	FY21A	FY22E	FY23E	FY24E
Milk (% of revenue)	70.6	69.8	69.3	68.3
VAP (% of revenue)	25.6	26.3	26.9	27.9
Gross margin (%)	25.7	23.3	23.6	23.7
EBITDA margin (%)	11.0	8.5	8.9	9.2
Net profit margin (%)	6.3	4.9	5.4	5.7
Revenue growth (% YoY)	(9.3)	8.5	11.3	9.9
EBITDA growth (% YoY)	109.7	(15.6)	16.4	13.2
Adj. profit growth (%)	171.9	(15.7)	21.6	16.5

Free Cash Flow (INR mn)

Year to March	FY21A	FY22E	FY23E	FY24E
Reported profit	1,521	1,322	1,608	1,874
Add: Depreciation	505	546	581	616
Interest (net of tax)	142	22	22	22
Others	47	8	8	8
Less: Changes in WC	(475)	228	318	34
Operating cash flow	1,739	2,127	2,536	2,554
Less: Capex	(926)	(500)	(500)	(500)
Free cash flow	813	1,627	2,036	2,054

Assumptions (%)

Year to March	FY21A	FY22E	FY23E	FY24E
GDP (YoY %)	(8.0)	0	7.0	7.0
Repo rate (%)	4.0	4.0	4.3	5.3
USD/INR (average)	75.0	73.0	72.0	71.0
Procurement (INR/l)	34.0	35.0	35.4	35.7
Procurement (mn l/day)	1.2	1.3	2.8	0.4
Milk Vols (mn l/day)	1.0	1.0	1.1	1.2
Milk Realisation (INR/l)	46.3	45.8	46.0	46.1
VAP Sales (% YoY)	(19.4)	11.2	13.8	13.8
Ad Spends (% of sales)	0.4	0.6	0.6	0.6

Key Ratios

Year to March	FY21A	FY22E	FY23E	FY24E
RoE (%)	28.8	20.4	21.0	20.9
RoCE (%)	33.8	26.2	27.2	27.1
Inventory days	34	35	31	29
Receivable days	3	3	3	3
Payable days	9	8	9	9
Working cap (% sales)	1.4	0.5	(0.6)	(0.6)
Gross debt/equity (x)	6.0	5.1	4.3	3.7
Net debt/equity (x)	2.1	(17.3)	(34.6)	(45.8)
Interest coverage (x)	11.5	58.3	69.7	80.3

Valuation Metrics

Year to March	FY21A	FY22E	FY23E	FY24E
Diluted P/E (x)	14.5	17.2	14.1	12.1
Price/BV (x)	3.8	3.2	2.8	2.3
EV/EBITDA (x)	8.4	9.4	7.5	6.1
Dividend yield (%)	1.0	1.5	1.8	2.5

Source: Company and Edelweiss estimates

Valuation Drivers

Year to March	FY21A	FY22E	FY23E	FY24E
EPS growth (%)	171.9	(15.7)	21.6	16.5
RoE (%)	28.8	20.4	21.0	20.9
EBITDA growth (%)	109.7	(15.6)	16.4	13.2
Payout ratio (%)	15.3	25.0	25.0	30.0

Q1FY22 conference call: Key highlights

Operating and Financial:

- Revenue rose 1% YoY as the cattle feed business saw a decline of 30% YoY, largely offset by the 3% YoY gain in the dairy business. Dairy sales improved 5% QoQ.

- Milk procurement contracted 17%YoY in Q1FY22 to 1.2 million litre per day (MLPD) as management had stepped up procurement of skimmed milk in the base quarter owing to the lockdowns. At present, there is no major inventory of SMP left.

- Average milk sales were up 3% YoY during Q1 FY22 was 0.95 MLPD as compared to 0.92 MLPD in Q1 FY21.

- VADP sales higher: VADP grew ~11% YoY (on a 34% decline in the base quarter) owing to higher curd sales. Curd volumes were up 15% during Q1 FY22 at 291.7 metric tonnes per day (MTPD) as compared to 253.4 MTPD in Q1 FY21. VADP contribution stands at ~26.9% in Q1FY22 (Q1FY21: 24.6% of sales).

- Despite procurement prices rising 3% YoY to INR34.49/litre, gross margin grew 36bps YoY to 22.8%. EBITDA margin however dipped 84bps YoY to 8.2% led by higher other expenses led by freight costs. As a result spreads narrowed to INR10.4/litre, down 9% YoY.

- Heritage Nutrivet reported a 30% dip in revenues, while EBIT de-grew 64% YoY, and margin declined 659bps to 7% owing to high soya prices. Margins should normalise in H2FY22 with new crops.

- Management is focused on product portfolio & geographic expansion. It is enriching VADP portfolio and has made several launches in recent past in its JV with French major Novandie. Under the brand Mamie Yova, the company has launched a range of stirred and drinkable yogurt products. The JV with the French player Novandie seems to be progressing well, as management launched the 8SKUs in Hyderabad, post the launch of the yogurt and YoPop in Maharashtra in February. The opportunity remains attractive and is a natural extension of its curd portfolio.

- Further it entered Ready to Eat segment with Heritage Tikka Paneer. Volumes of the RTE Tikka Paneer launched should be 25-30t per month as estimated by the management.

- It also entered new segments like Mozzarella and processed cheese, fresh cream, cool café drink, spiced butter and cupped curd. Management is planning for launches of Shrikhand and Amarkhand in the current quarter. The focus remains on deepening penetration in existing geographies.

- Moving on the direction to be a formidable player in dairy & dairy value-added products, HTFL appointed Mr. Srideep Nair Kesavan as its CEO w.e.f 28th July 2021. Mr. Kesavan has over 20 years of experience in business leadership roles with 14 years at Coca Cola (in value added dairy and juices division) and 6 years at Olam International.

- Management aims to grow the revenues at 20% CAGR, with contribution from value-added products at 45-50% of the mix with a consumer-centric focus.

Others

- Current milk cycle has been impacted by climate change, global price trends, diplomatic decisions and fiscal policies. The volatility was aggravated by the pandemic last year as artificial insemination reduced due to travel restrictions.
- Management has seen core markets normalise post the second wave led localised lockdowns, however performance should revert to previous years once people return to urban centres, where HTFL is strongest.
- Gross long-term debt stood at INR480mn. Net long-term debt stands at INR364mn as on June 30, 2021. Debt-Equity at 0.04:1 & Cash and Cash Equivalents at INR700mn as on Q1FY22 end.
- HTFL added curd capacity of 125MT in FY21 and does not see need for additional capacity expansion at present.
- On an annualised basis, the mix between cow milk and buffalo milk was 60:40% of the mix. However, the same fluctuates quarter-to-quarter owing to seasonality.
- Capacity stands currently at 2.1mn litres of milk chilling capacity, 2.37mn litres of processing capacity and 1.7mn litres of packing capacity and 742ktpd curd packaging capacity. HFL expects to cross 3.0–3.5mn litres over the next five years, which will be funded.

Exhibit 1: Quarterly financial snapshot

Year to March	Q1FY22	Q1FY21	% change	Q4FY21	% change	FY21	FY22E	FY23E
Revenues	6,481	6,388	1.4	6,194	4.6	24,731	26,866	29,859
Raw material	4,998	4,950	1.0	4,756	5.1	18,374	20,594	22,813
Staff costs	462	416	11.0	445	3.8	1,779	1,907	2,036
Others	487	442	10.0	515	(5.4)	1,867	2,077	2,345
Total expenditure	5,947	5,809	2.4	5,715	4.1	22,020	24,578	27,195
EBITDA	534	579	-7.9	478	11.6	2,711	2,288	2,664
Depreciation	128	138	-7.4	143	(10.7)	505	546	581
EBIT	406	442	-8.1	335	21.1	2,206	1,742	2,083
Interest	14	63	-77.3	30		192	30	30
Other income	16	16	0.0	35	(54.6)	80	55	97
Add: Prior period items	0	0		0		0	0	0
Add: Exceptional items	0	669		0		-48	0	0
Profit Before Tax	408	1,064	-61.7	340	20.0	2,095	1,767	2,149
Less: Provision for Tax	104	101	3.1	86	21.4	535	445	542
Less: Minority Interest	0	-3		1		-9	0	0
Add: Share of profit from associates	-13	-2		-12		-22	0	0
Less: Profit from Discontinued Operations	0	0		0		0	0	0
Reported Profit	291	964	-69.8	241	20.7	1,499	1,322	1,608
Adjusted Profit	291	295	-1.5	242	20.5	1,538	1,322	1,608
Equity capital (FV INR 5)	232	232		232		232	232	232
No. of Diluted shares outstanding (mn)	46	46		46		46	46	46
Adjusted Diluted EPS	6.3	6.4	-1.5	5.2	20.5	33.1	28.5	34.6
P/E (x)						14.8	17.2	14.1
EV/EBITDA (x)						8.4	9.3	7.4
ROAE(%)						28.9	20.4	21.0
As % of net revenues								
Raw material	77.1	77.5		76.8		74.3	76.7	76.4
Staff expenses	7.1	6.5		7.2		7.2	7.1	6.8
Other expenses	7.5	6.9		8.3		7.5	7.7	7.9
EBITDA	8.23	9.1		7.7		11.0	8.5	8.9
Net profit	4.5	4.6		3.9		6.2	4.9	5.4

Source: Company, Edelweiss Research

Company Description

Heritage was founded by Mr. Chandrababu Naidu in 1992 as a dairy company. Over the years, Heritage has operated in dairy, retail, agri, bakery and veterinary care. However, it has now demerged its loss making retail, agri and bakery businesses, selling them off to Future Retail for a consideration of 17.85mn shares (3.6% stake), rendering the company a pure dairy play. Heritage sells milk and milk products such as curd (largest share), ice cream, paneer, flavoured milk, ghee, butter and milk powders. Entire dairy sales are B2C and are sold under the Heritage brand. Of FY20 dairy revenues, milk constituted ~66%, VADP 24% and fat products 9% share. Curd's contribution within VADP is 77% and ~18% to Heritage's manufactured dairy sales.

Investment Theme

Heritage Foods (HFL), a strong private dairy player in south (AP) and a strong franchisee in liquid milk. It is focussing on deepening penetration in current markets and expanding reach in new geographies by inorganic acquisition. It is targeting 20% sales growth and share of value-added sales rising to 45-50% from 27% of the mix over next 4-5 years, driven by spate of top management additions and value added product introductions.

HTFL is well placed led by B2C nature of its business (90% plus), and strong return ratios (30% pre-tax ROCE). We see improvement in revenue traction post covid normalisation. Post a high base of FY21 EPS due to lower procurement prices, leading to decline in FY22, we expect 19% PAT CAGR over FY22-24.

Key Risks

High dependency on low margin milk business

Pouch milk business, wherein margins are low, contributes a sizeable 65% to Heritage's sales. Hence, an increasing milk price scenario impacts the company's margin adversely as the increase in procurement price is passed on with a lag.

Increasing competition

Increase in competition from co-operatives (Amul having entered strongly in Andhra Pradesh with tie up with co-operatives) or private players, either in form of procurement (by increasing prices to farmers) or selling price (via lower prices), can impact Heritage's performance.

Additional Data

Management

Chairperson	D. Seetharamaiah
Vice-Chairperson & MD	Bhuvaneswari Nara
Executive Director	Brahmani Nara
President	Sambasiva Rao
Auditor	Walker Chandiok & Co

Holdings – Top 10*

	% Holding		% Holding
Sundaram AMC	4.29	Kedia Securities	1.13
UTI AMC	3.53	ABSL AMC	0.98
L&T MF	2.54	IDFC MF	0.71
Kotak Mahindra MF	1.69	Tata MF	0.65
Dorlic Asia Pacific SM	1.60	Dimensional Fund	0.36

**Latest public data*

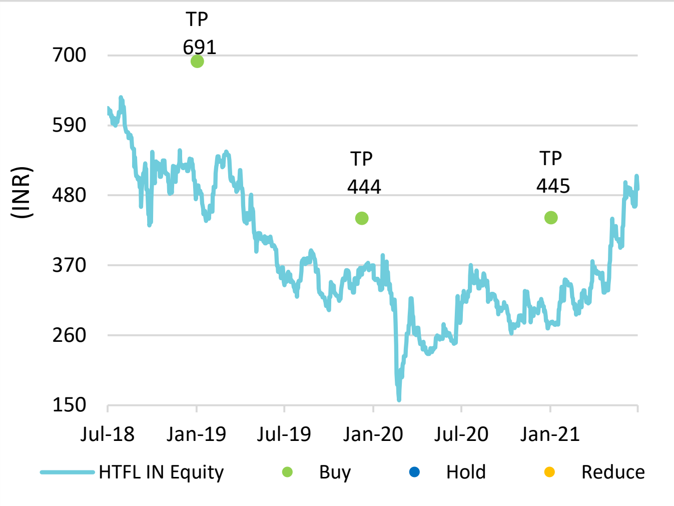
Recent Company Research

Date	Title	Price	Reco
21-May-21	Spreads dip sequentially; *Result Update*	327	Buy
01-Feb-21	Strong spreads sustain; *Result Update*	280.75	Buy
10-Dec-20	Future stake sale: Overhang eliminated; *Company Update*	307.7	Buy

Recent Sector Research

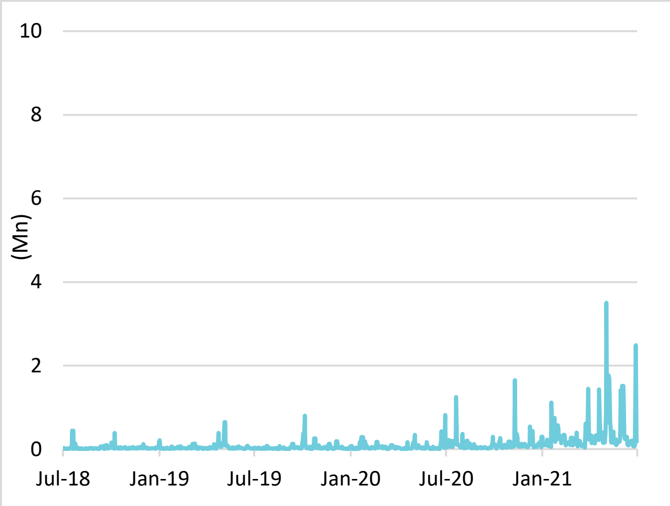
Date	Name of Co./Sector	Title
15-Jun-21	Parag Milk Foods	Recovery lagging peers; *Result Update*
11-Feb-21	Parag Milk Foods	Recovery still distant; *Result Update*
10-Nov-20	Parag Milk Foods	Modern trade, HORECA sour recovery; *Result Update*

Rating Interpretation



Source: Bloomberg, Edelweiss research

Daily Volume



Source: Bloomberg

Rating Distribution: Edelweiss Research Coverage

	Buy	Hold	Reduce	Total
Rating Distribution*	172	54	19	246
	>50bn	**>10bn and <50bn**	**<10bn**	**Total**
Market Cap (INR)	215	39	5	259

**1 stocks under review*

Rating Rationale

Rating	Expected absolute returns over 12 months
Buy:	>15%
Hold:	>15% and <-5%
Reduce:	<-5%

DISCLAIMER

Edelweiss Securities Limited ("ESL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, Investment Adviser, Research Analyst and related activities.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No.INH200000121 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. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. 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 Securities 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 ESL 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. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL 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. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL 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 ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL 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.

ESL 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 ESL to present the data. In no event shall ESL 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 ESL 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.

ESL 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, 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. ESL 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 ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL 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. ESL 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. ESL 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 ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, 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

ESL has financial interest in the subject companies: No

ESL'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

ESL 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 ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

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.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and 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.

This report is intended for distribution by Edelweiss Securities 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). 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, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

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.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Disclaimer for Hong Kong persons

This report is distributed in Hong Kong by Edelweiss Securities (Hong Kong) Private Limited (ESHK), a licensed corporation (BOM -874) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to Section 116(1) of the Securities and Futures Ordinance "SFO". This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The report also does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of any individual recipients. The Indian Analyst(s) who compile this report is/are not located in Hong Kong and is/are not licensed to carry on regulated activities in Hong Kong and does not / do not hold themselves out as being able to do so.

Aditya Narain
Head of Research
Aditya.Narain@edelweissfin.com

ADITYA NARAIN

Digitally signed by ADITYA NARAIN
DN: c=IN, o=Personal, pseudonym=7f6bf1f19fd694c483c06e733b50938654dc1a674849a933dfed95766c0ca3fa, postalCode=400011, st=MAHARASHTRA, serialNumber=e0576796072ad1a3266c27990f20bf0213f69235fc3f1bcd0fa1c30092792c20, cn=ADITYA NARAIN
Date: 2021.07.30 23:03:13 +05'30'