

Heritage Foods Ltd- Q4FY17 Result Update

CMP INR 1083 Target INR 1460

Rating: BUY Upside: 35%

Weak performance marred by high milk prices

Heritage Foods posted weak performance for Q4FY17 with consolidated revenue growth of 11%, led by strong growth in retail (+28% yoy), while the Dairy business performance was muted. The Dairy business posted a 6% revenue growth (on account of relatively lower growth from the value added segment +10% yoy). Soft revenue performance coupled with increased milk procurement price (+11% yoy), resulted in margin erosion for the company. The EBIT margin contracted by 100 bps from 6.4% in Q4FY16 to 5.4% in Q4FY17. Weak operational performance resulted in 19% decline in earnings for the quarter. Weak earnings which was led by high milk prices, that is likely to stabilize in coming few months, along with price increase undertaken by the company, we believe margins should stabilize ahead. Improving organized dairy dynamics coupled with Heritage's aggression on expanding its procurement and distribution reach and changing the DNA of the company from traditional milk player to a leading consumer brand makes us positive on the company. We reiterate our Buy rating on the stock with a price target of Rs 1460

Q4FY17 – Weak dairy performance, high milk prices led to margin decline

The consolidated revenue grew by 10.7% led by stellar revenue growth of 28% yoy in retail. Muted revenue performance coupled with increase in fixed expenses resulted in a EBITDA decline of 10% yoy and 19% yoy decline in the net earnings. On the core dairy business the topline grew by mere 6.1% yoy, the soft performance was on account of lower than expected growth in the value added segment, largely curd (the growth was 10% yoy, as against the consistent growth of 23-25% yoy). During the quarter the milk procurement price increased by 10%, while owing to competitive pressure, the company was able to increase the prices by only 5%, which led to dairy margin contraction for the quarter (The dairy EBIT margins were at 5.4% in Q4FY17 as against 6.4% in Q4FY16).

Strong focus on Dairy

In FY17, the company undertook various strategic decision viz (a) Acquisition of the Reliance Retail's Dairy business – this would enhance its procurement and distribution capability by around 20% (b) Sale of the loss making Retail business to Future Retail on a share swap deal- The retail business was loss making uptill 10 years, the divestment of retail frees up the management bandwidth, improves distribution reach across future group stores, and bring focus to the dairy business (c) Joint venture agreement with a European subsidiary for Yoghurt. The first two deals have already been announced and the effective date has also decided, thus now focus turns towards enhancing the dairy vertical, while on the third phase of JV venture, barring few regulatory hurdles, in principle deal is undertaken. We believe that focus on dairy, improvement in the distribution and procurement leg, coupled with management's clear focus on high ROCE generating fresh dairy product segment – Yoghurt, Dahi makes us positive on the stock.

Outlook and valuations: Attractive; Re-iterate – BUY

Heritage is a strong brand in a high growth pouch milk segment, which is gaining salience and momentum with the shift of business from unorganised to organised players. We believe, improving product mix (targeting 40% value-added products), expanding reach in new markets and enhanced focus on the dairy segment will propel its earnings to clock 30% CAGR over FY16-20. We value the company at 28x FY19E (25% discount to FMCG) to arrive at a target price of INR 1,460 and re-iterate our Buy call.

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net sales	700	633	10.7%	667	5.0%	2,643	2,189	2,530
EBITDA	33.9	37.5	-9.6%	38.8	-12.6%	141.3	188.3	222.1
PAT	14.7	18	-18.6%	20	-26.3%	67	101	122
Dil. EPS (INR)						28.8	43.7	52.7
Diluted P/E (x)						37.7	24.8	20.6
EV/EBITDA (x)						19	13	11
ROACE (%)						23	20	21

Sangeeta Tripathi
Research Analyst
sangeeta.tripathii@edelweissfin.com

Bloomberg: HTFL IN

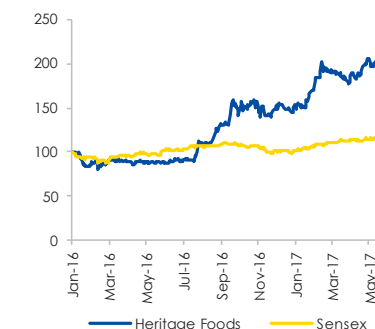
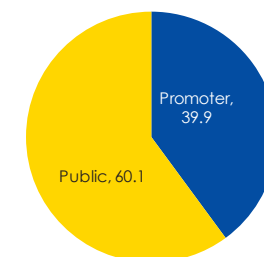
52-week range (INR): 1,218 / 498

Share in issue (cr): 2

M cap (INR cr): 2,522

Avg. Daily Vol. 32

BSE/NSE : ('000):

Date: 1st June 2017

GWM/Edelweiss Investment Research

Q4FY17 Result Highlights

INR cr	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY16	% change
Net Revenues	700.3	632.7	11%	667.1	5%	2,643	2,381	11%
Operating Expenses	666.4	595.3	12%	628.3	6%	2,502	2,250	11%
EBITDA	33.9	37.5	-10%	38.8	-13%	141	131	8%
Depreciation	9.8	9.0	9%	9.6	2%	38	35	10%
EBIT	24.1	28.5	-15%	29.2	-17%	104	96	7%
Interest expenses	3.7	3.8	-3%	2.4	51%	11	17	-34%
Other income	3.0	2.7	11%	0.9	231%	6	7	-8%
PBT	23.4	27.4	-14%	27.6	-15%	98	86	14%
Provision for tax	8.7	9.3	-6%	7.7	14%	31	31	3%
PAT Before Minority & Associate Share	14.7	18.0	-19%	19.9	-26%	67	55	21%
Share of Associates	-	-		-	NA	0	0	NA
Reported PAT	14.7	18.0	-19%	19.9	-26%	67	55	21%
Equity Capital	23.2	23.2		23.2		23.2	0	
No of Shares	2.32	2.32		2.32		2.32	0	
EPS	6.33	7.78		8.60		28.80	#DIV/0!	
EBITDA Margin	5%	6%		6%		5%	6%	
PAT Margin	2%	3%		3%		3%	2%	
Tax Rate	37%	34%		28%		32%	36%	

Segmental Performance

Revenue	Q4FY17	Q4FY16	% yoy	Q3FY17	% qoq	FY17	FY16	% yoy
Dairy	488	460	6.1	460	6.2	1,870	1,769	5.7
Retail	212	166	27.9	191	11.2	760	583	30.4
Others	31	29	6.5	32	- 2.6	124	107	16.4

EBIT	Q4FY17	Q4FY16	% yoy	Q3FY17	% qoq	FY17	FY16	% yoy
Dairy	26.2	29.3	- 10.5	30.5	- 13.9	121.7	115.3	5.5
Retail	3.4	1.6	119.2	- 6.2	- 154.6	- 10.1	- 10.1	- 0.1
Others	0.1	0.1	46.5	- 0.1	- 354.4	- 0.3	- 0.7	- 58.2

EBIT margin	Q4FY17	Q4FY16	Yoy bps	Q3FY17	qoq bps	FY17	FY16	Yoy bps
Dairy	5.4	6.4	(100)	6.6	- 658	6.5	6.5	- 1.2
Retail	1.6	0.9	67	- 3.3	328	- 1.3	- 1.7	40.8
Others	0.5	0.3	13	- 0.2	18	- 0.2	- 0.6	39.3

Company Description

Heritage was set up by Mr. Chandrababu Naidu as a dairy company in 1992 with a vision to provide remunerative prices to dairy farmers for milk. It was involved in dairy, retail, agri, and bakery businesses in India; however, with slump sale of loss-making retail, agri and bakery businesses, it is now a pure dairy play. The company's dairy division procures, manufactures, packs, and distributes milk & milk products. Heritage operates via 1,457 Heritage Parlours. Over the years, it has become a formidable private dairy player in South India with a dominant presence in Andhra Pradesh and Telangana.

The company's dairy products are sold under the *Heritage* brand across 10 states in India, wherein it enjoys leadership in Andhra Pradesh & Telangana and holds sizeable market shares in Tamil Nadu and Karnataka. 80% of the company's dairy revenue comes from South India and hereon growth in these markets will be spearheaded by Tier II & III towns. The company is trying to make inroads in North and West India markets by entering NCR Delhi & Maharashtra, wherein it is setting up milk procurement infrastructure and capacities.



Milk Procurement	Processing	Distribution	Branding & Trust
<ul style="list-style-type: none"> Operates 144 Bulk Coolers and Chilling Plants. Currently procures 10,54,806 Liters Per Day Witnessing growth in Mumbai and Delhi markets Procures in 8 States: Andhra Pradesh; Delhi ; Haryana; Karnataka; Maharashtra; Rajasthan; Telangana & TamilNadu Milk Procurement from 3 Lakh Dairy Farmers 	<ul style="list-style-type: none"> Operates 14 Processing Plants Installed milk processing capacity of 15,45,000 Liters Per Day. 	<ul style="list-style-type: none"> Products available in 10 States: Andhra Pradesh; Delhi; Haryana; Karnataka; Kerala; Maharashtra; Odisha; Rajasthan; Telangana & TamilNadu Delivery through 1,723 outsourced vehicles. Enjoys Loyalty of 11,50,000 Households 	<ul style="list-style-type: none"> Robust Heritage brand in: Milk; Curd; Buttermilk; Ice - Cream/Frozen Dessert; Paneer; & others Winning Trust of Farmers through: Facilitating bank loans; high quality feed; cattle insurance, farmers' welfare fund; mobile veterinary clinics; certificate course in dairy farming

Investment Theme

Key Investment arguments

- **Leading B2C milk player in Southern pouch milk segment; expanding presence in the non southern markets** - Heritage Food is a leading private dairy player with 11-12% organized market share in south. The company is the second largest player in the Andhra Pradesh Telangana market. Over the years the company's dairy revenue have grown at a CAGR of 17.6% over FY08-16, while the EBITDA has grown at a CAGR of 21.2% . Going forward (a) led by increasing penetration from the current region (b) Expanding reach from the newer geographies (c) and strong 20% CAGR growth in value added category, we expect Heritage's dairy business to grow at a CAGR of 13.4% over FY16-20 to reach Rs 2,927 crore revenue
- **Burgeoning share of value-added products to spur growth and margin** - Heritage, in its quest to become a full fledged dairy company, is aggressively transitioning from a plain vanilla milk to value-added products' player. We expect the company to enhance the share of value-added products from current 22% to 30% in FY20 and to this end it is deepening reach in the category via introduction of new varieties of curd and ice creams. Along with organic growth potential, Heritage is also scouting for partnerships in the value-added segment and is in discussions with international players for medium shelf life products like curd and yogurt. The company is smartly straddling the high-returns pouch milk segment and high-growth & margin accretive medium shelf life curd and yogurt segment. Unlike high shelf life products like cheese, branded ghee & flavoured milk, Curd and yogurt entail higher margins—1.7-2x liquid milk—but do not involve high working capital and hence returns are much better. Ergo, we estimate the value-added portfolio to post 23% CAGR over FY16-20—2.3x FY16 sales.
- **Divestment of loss making retail business to bring focus & improve company level profitability and returns ratio ahead** – The Retail business that was started in 2006, that been continuously reeling under losses and has accumulated a EBITDA loss of Rs 200 crore, and the net accumulated loss of Rs 300 crore in the balance sheet. Now the company has divested its stake in the retail business, which will free the management in terms of time and resources to focus on the core dairy business. We expect the sale of loss making retail to be earnings accretive and returns accretive (ex the investment)
- **Strong brand, superior and efficient returns ratio makes it a compelling buy**- Heritage Foods is a strong brand in the secular growing pouch milk segment that is gaining fast acceptance and growth via transition from unorganized to organized play. We believe Heritage's improving product portfolio (targeting 40% value added product), expanding reach into new markets and enhanced focus on dairy is expected to propel its earnings by 30% CAGR over FY16-20. We value the company at 25x FY19 (25% discount to FMCG) to arrive at a price target of Rs 1460.

Key Risks

Volatility in the milk prices to impact margins- Heritage has a sizeable milk contribution from the pouch milk business, wherein the spread is limited, ranging between 18-20%, thus any small increase in the procurement price without commensurate rise in the price of the end product, results in hit in the margins.

Increase in the competitive intensity – The increase in the competitive intensity by the co-operatives or the private players either in terms of procurement (by increasing prices to the farmers), or selling price (via lower prices) to impact the performance

Financials

Income statement						(INR cr) Balance sheet						(INR cr) Ratios						
Year to March	FY15	FY16	FY17	FY18E	FY19E	As on 31st March	FY15	FY16	FY17	FY18E	FY19E	Year to March	FY15	FY16	FY17	FY18E	FY19E	
Income from operations	2,073	2,381	2,643	2,189	2,530	Equity share capital	23	23	23	23	23	ROAE (%)	15.2	25.6	24.7	20.2	16.0	
EBITDA	84	131	141	188	222	Preference Share Capital	0	0	0	0	0	ROACE (%)	14.0	25.6	24.2	23.3	19.8	
Depreciation and amortisation	34	35	38	29	33	Reserves & surplus	170	217	277	679	801	Current ratio	1.5	1.3	1.1	5.7	6.1	
EBIT	50	96	104	159	189	Shareholders funds	193	240	301	702	824	Debt/Equity	0.8	0.5	0.5	0.2	0.2	
Interest expenses	18	17	11	21	21	Secured loans	157	125	74	94	94	Debtors (days)	4	4	2	5	5	
Other income	7	7	6	6	6	Unsecured loans	0	1	77	77	77	Inventory (days)	25	22	17	15	15	
Profit before tax	39	86	98	145	175	Borrowings	157	126	152	172	172	Payable (days)	23	24	24	10	10	
Provision for tax	11	31	31	43	52	Minority interest	0	0	0	0	0	Cash conversion cycle (days)	6	2	-5	10	10	
Core profit	28	55	67	101	122	Sources of funds	350	366	452	874	996	Debt/EBITDA	1.9	1.0	1.1	0.9	0.8	
Extraordinary items	-0	1	0	0	0	Gross block	462	518	598	429	509	Adjusted debt/Equity	0.6	0.3	0.3	(0.1)	(0.2)	
Profit after tax	28	56	67	101	122	Depreciation	182	206	244	151	184							
Minority Interest	0	0	0	0	0	Net block	281	312	305	278	326	Valuation parameters						
Share from associates	0	0	0	0	0	Capital work in progress	9	10	10	10	10	Year to March	FY15	FY16	FY17	FY18E	FY19E	
Adjusted net profit	28	56	67	101	122	Total fixed assets	290	322	305	288	335	Diluted EPS (INR)	12.2	23.9	28.8	43.7	52.7	
Equity shares outstanding (mn)	2	2	2	2	2	Unrealised profit	0	0	0	0	0	Y-o-Y growth (%)	(37.8)	96.5	20.5	51.7	20.6	
EPS (INR) basic	12.2	23.9	28.8	43.7	52.7	Investments	1	1	149	268	268	CEPS (INR)	26.8	38.8	45.1	56.1	66.9	
Diluted shares (Cr)	2.3	2.3	2.3	2.3	2.3	Inventories	139	145	123	90	104	Diluted P/E (x)	89.2	45.4	37.7	24.8	20.6	
EPS (INR) fully diluted	12.2	23.9	28.8	43.7	52.7	Sundry debtors	24	29	16	30	35	Price/BV(x)	13.0	10.5	8.4	3.6	3.1	
Dividend per share	0.0	0.0	0.0	0.0	0.0	Cash and equivalents	41	45	49	274	340	EV/Sales (x)	1.3	1.1	1.0	1.1	0.9	
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0	Loans and advances	9	9	16	16	16	EV/EBITDA (x)	31.5	19.8	18.5	12.8	10.6	
						Other current assets	0	0	0	0	0	Diluted shares O/S	2.3	2.3	2.3	2.3	2.3	
						Total current assets	214	228	203	410	494	Basic EPS	12.2	23.9	28.8	43.7	52.7	
Common size metrics- as % of net revenues						Sundry creditors and others	130	158	173	60	69	Basic PE (x)	89.2	45.4	37.7	24.8	20.6	
Year to March	FY15	FY16	FY17	FY18E	FY19E	Provisions	15	16	12	12	12	Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	
Operating expenses	96.0	94.5	16.6	91.4	91.2	Total CL & provisions	145	174	185	72	81							
Depreciation	1.6	1.4	1.4	1.3	1.3	Net current assets	69	54	18	338	413							
Interest expenditure	0.8	0.7	0.4	0.9	0.8	Net Deferred tax	-19	-19	-20	-20	-20							
EBITDA margins	4.0	5.5	5.3	8.6	8.8	Misc expenditure	10	8	0	0	0							
Net profit margins	1.3	2.4	2.5	4.6	4.8	Uses of funds	350	366	452	874	996							
						Book value per share (INR)	83	103	130	303	355							
							0	0	0	0	0							
Growth metrics (%)						Cash flow statement												
Year to March	FY15	FY16	FY17	FY18E	FY19E	Year to March	FY15	FY16	FY17	FY18E	FY19E							
Revenues	20.4	14.8	11.0	(17.2)	15.6	Net profit	29	55	67	101	122							
EBITDA	(13.4)	56.5	7.9	33.3	17.9	Add: Depreciation	34	35	38	29	33							
PBT	(36.1)	119.7	14.3	47.4	20.6	Add: Misc expenses written off	1	2	8	0	0							
Net profit	(37.8)	96.5	20.5	51.7	20.6	Add: Deferred tax	-4	-0	1	0	0							
EPS	(37.8)	96.5	20.5	51.7	20.6	Add: Others	0	0	0	0	0							
						Gross cash flow	60	91	114	130	155							
						Less: Changes in W. C.	24	-19	-39	94	9							
						Operating cash flow	36	110	153	36	146							
						Less: Capex	41	66	21	12	80							
						Free cash flow	-5	44	132	24	66							

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

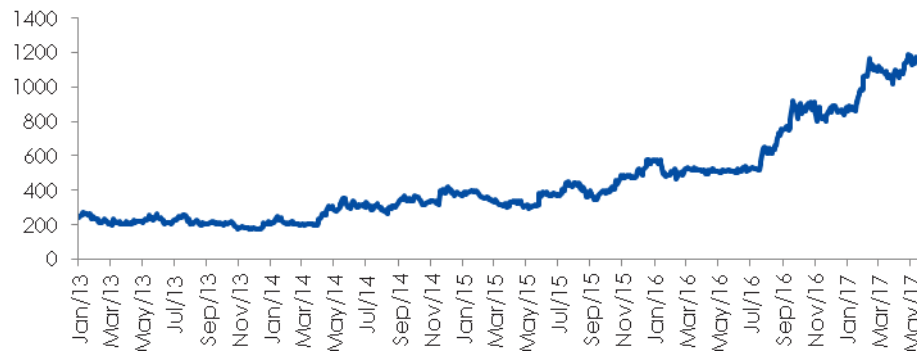
Vinay Khattar

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

Heritage 5 years price chart



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. Dharendra Rautela, Email ID: complianceofficer.ebl@edelweissfin.com
Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel. (022) 4009 4400/ 4088 5757/4088 6278

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.

Disclaimer

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.

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.