Textiles

Muted demand behind revenue dip; higher input costs sink margin

Aggregate Home Textiles	Change YoY (%)	Change QoQ (%)
Revenue	-4	-7
EBITDA	-50	-24
Margin (bp)	-1,049	-254
Adj. PAT	-68	-36

Macro headwinds to keep near-term demand muted for Home textiles

We have analyzed the performance of key Textile players in 1QFY23 and highlighted the key trends in the sector.

- **Sluggish demand, destocking, a higher inflationary environment, and supply-chain issues continue to hamper margin.**
- **Cotton prices touched a record high in 1QFY23, but have cooled significantly since then. Companies expect prices to stabilize with the onset of the new cotton season in Oct'22.**
- **USDA's cotton report in Aug'22 has predicted a global production for the upcoming season at 117m bales (down by 3.1m bales from its Jul'22 estimate). It has raised its cotton season 2022-23 average farm price forecast to 97 cents per pound in Aug'22 from 95 cents per pound in Jul'22.**
- **KPR/VTEX has outperformed among other Textile players, with an EBIDTA growth of 64%/10% YoY.**
- **The mid to long-term outlook remains intact due to various government initiatives and higher export opportunities with the signing of Free Trade Agreements (FTA) between India and the UK and a few more in the pipeline.**

Lower volumes and rising input cost further hamper industry margin

- The Home Textile industry continues to face several headwinds in the form of sluggish demand, destocking, higher inflationary environment, supply-chain issues, and geopolitical concerns resulting in margin pressures.
- Aggregate Textile margin declined by 720bp YoY to ~16% on account of an increase in cotton prices and lower volumes in 1QFY23.
- While there are significant headwinds in the near term, a downward trend in cotton prices, easing of the supply chain, and measures taken by government to tackle inflation suggests a much better 2HFY23 for the industry. Further, companies expect to reduce their inventory backlog in the forthcoming holiday season.
- Managements remain positive on the demand scenario in the mid to long run, given the government's strong focus on the industry, as reflected by its various initiatives, coupled with export opportunities on account of the FTA signed by India with nations such as Australia and the UAE. An FTA with the UK is expected to be finalized by the end of Dec'22. Discussions on a FTA with the EU began in Jun'22. Such FTAs, along with the government's steps to boost India's Textile exports, reflects positively on the long-term outlook for the industry.

Global Textile market dynamics

- As per data from OTEXA, **India's market share in US** Cotton Sheets imports fell to 56% in 1QFY23 from 63% in 1QFY22, whereas China/Pakistan gained a market share of ~1%/~5%. In the Terry Towels segment, India's share has fallen to 39% in 1QFY23 (v/s 45% in 1QFY22), China's share has remained constant at 20%, while that of Pakistan has improved by 200bp (*refer Exhibit 14 and 15*).

Sumant Kumar - Research Analyst (Sumant.Kumar@motilaloswal.com)
Meet Jain - Research Analyst (Meet.jain@MotilalOswal.com)

- Depreciation in the USD:PKR (*refer Exhibit 11*) helped Pakistan gain market share in the US and Europe as buyers see better pricing for its products. The USD:PKR depreciated by 47% as against a 7% depreciation in the USD:INR from Jul'21 to Jul'22.
- International players are looking for a stable supply source as the economy of other supplier nations seems weak. India will be the prime beneficiary of this, as it is the largest producer of cotton and a few other fibers.
- **Cooling down of cotton prices:** As per World Bank, the international price of cotton grew 80% YoY to touch a peak of USD3.6/kg in May'22. However, it declined by 20% from its peak to USD2.9/kg in Jul'22. Similarly, Indian wholesale cotton prices doubled on a YoY basis to INR11,359 per quintal in May'22, but fell 43% to INR6,428 per quintal in Aug'22. (*refer Exhibit 18 and 19*).
- At present, cotton prices remain volatile. However, managements expect it to stabilize after the upcoming cotton season starting from Oct'22.
- As per the USDA report on cotton in Aug'22, global production is lower by 3.1m bales to 117m bales, with the decline attributed to the US. India's cotton production in the upcoming season is expected to grow by 12% YoY to 27.5m bales. The USDA has increased its cotton season 2022-23 average farm price forecast to 97 cents per pound in Aug'22 from 95 cents per pound in Jul'22.

KPR and VTEX clock EBITDA growth, while others lag

- In 1QFY23, major Home Textile companies (WLSI, ICNT, TRID, and HSS) reported a cumulative revenue decline of 8% each YoY and QoQ in the Textile business. TRID led the pack with a growth of 5% YoY and a decline of 14% QoQ in Textile revenue. ICNT reported a marginal growth (1% YoY), but jumped 27% QoQ.
- Revenue for WLSI/HSS fell 13%/22% YoY and 11%/17% QoQ in 1QFY23.
- Gross margin of TRID/WLSI/HSS contracted by 1460bp/920bp/930bp YoY to 44.9%/41.5%/39.4% in 1QFY23, while margin for INCT grew 300bp YoY to 56.6%. On a sequential basis, gross margin for TRID/HSS contracted by 80bp/740bp, but expanded by 40bp/290bp for WLSI/INCT. The operating margin for TRID/WLSI/ INCT/HSS contracted by1,010bp/1240bp/260bp/1,780bp YoY to 15.2%/7.8%/ 19.7%/ 1.7% in 1QFY23.
- Home Textile players (aggregate) reported an EBITDA margin contraction of 1,050bp YoY and 250bp QoQ to 11.3% in 1QFY23. EBITDA for aggregate Home Textiles players decline by 50% YoY and 24% QoQ.
- Other Textile players (Garment, Yarn, and Fabric) such as KPR (textile division), VTEX, and NSPL reported an aggregate revenue growth of 47% YoY and 2% QoQ in 1QFY23.
- KPR/VTEX/NSPL reported a 63%/46%/28% YoY revenue growth. On a sequential basis, revenue for KPR/VTEX grew 6%/4%, while the same for NSPL fell 8%.
- Gross margin for KPR/VTEX/NSPL contacted by 650bp/850bp/1,400bp YoY and 40bp/210bp/650bp QoQ to 40.5%/46.3%/34.3%. The operating margin for KPR/ VTEX/NSPL contracted by 160bp/620bp/790bp YoY to 23.2%/18.7%/15.4%.
- Other Textile players (Garments, Yarn, and Fabric) reported an EBITDA margin decline of 500bp YoY and 70bp QoQ to 19.6%.

Key takeaways from the management interaction

- **WLSI** witnessed a slowdown in orders as discretionary spends reduced (due to higher prices) globally, and primarily in the US, which is a major market. Raw material prices are coming off their highs, but companies are not stocking up on inventories as raw material prices still remain volatile.
- The company is increasing its capacity across segments: Towels to 90,000MT by 2QFY23 from 85,400MT in FY22, and Rugs and Carpets to 18m sq. ft. by 1QFY24 from 12m sq. ft. in FY22.
- It expects to incur a capex of INR1.2b by the end of FY23. Of this, it has already spent INR850m in 1QFY23.
- **ICNT:** Challenging conditions such as the inflationary environment in the US, sluggish customer offtake, and a rise in overall input prices impacted its performance in 1QFY23. However, the management expects a normalized 2HFY23 on account of a downward trend in cotton prices, resolution of supply chain issues, and favorable government measures.
- INCT's focus on value-added products and customer services will provide a strategic advantage to sustain future growth. The management aims to double its revenue over the next three-to-five years and maintain healthy margin.
- It will incur a capex of INR2.7b on installing 70,000 spindles in FY23 (INR1.75b by way of debt and the rest via internal accruals). The first phase of capex, consisting of 25,000 spindles, is on track and is expected to be operationalized by 3QFY23.
- **HSS:** Utilization rate in the Towels/Sheet/Spinning division stood at 54%/55%/ 78% in 1QFY23, down from 74%/79%/101% in 4QFY22. 1QFY23 performance was adversely impacted by higher RM prices and destocking of inventory. As markets are currently volatile, it has put on hold further capacity additions, via debottlenecking. However, the management sees progressive improvement in demand from 3QFY23.
- Destocking at some retailers have been completed, which is a positive sign. Signing of the FTA with the UK will be another positive development as the management expects the UK to change its sourcing activities. It expects a tame inflation due to a better new crop season, which starts from Oct'22.
- **VTEX** has put all upcoming capex plans on hold as the current cost of machinery is very high due to disruption in its availability. However, its ongoing expansion plan will be completed on time.
- The management is confident of its long-term growth story on acceleration in FTA signings, China+1 policy, and the government's focus on mega Textile parks. The company's current product composition of 70% cotton and 30% synthetic has a favorable outlook in the upcoming environment.
- **KPR** has completed its expansion project for its Garments and Sugar division. Capex incurred overshot by INR1b on account of the modernization of its plants. The management is trying to ramp up capacities at new facilities over the next six months and is expecting 15-20% growth in the production of garments on account of the additional capacity.
- For FY23, the management expects a capex of INR1.5b for modernization of its existing mills.
- Management expects good traction from Australia after the signing of the FTA. Australia accounts for ~15% of its consolidated revenue.

- **NSPL's** capex plan of INR9.6b is on track (INR7b/INR2.6b for the Spinning/Knitting business). The majority of the capex (~INR6.6b) is being funded through long-term debt and the rest via internal accruals. The management expects new capacity to be commissioned in phases. Knitting and Weaving and value-added capacities are expected to be operationalized in FY23, while Spinning capacity will be added in 1HFY24.

Valuation and view

- We expect demand in the Home Textile segment to stay muted in the near term due to multiple headwinds. However, it is expected to improve progressively from 2HFY23 due to stabilization of cotton prices and normalization of demand.
- We expect gross margin pressures to sustain till the onset of the new cotton season. The long-term outlook for the Home Textile business remains positive, despite the persistence of short-term risk to margin.
- The outlook for the Textile industry remain positive, with a favorable demand scenario in the mid- to long-run due to various government initiatives, coupled with the signing of FTAs with key countries.

Exhibit 1: Revenue for TRID grew YoY; pressure on margin continues

(INR m)	1QFY22	4QFY22	1QFY23	Change YoY	Change QoQ
Revenue	14,770	18,471	16,671	13%	-10%
EBITDA	3,734	3,163	2,530	-32%	-20%
Margin	25.3%	17.1%	15.2%	-1,010	-195
Adj. PAT	1,973	1,623	1,227	-38%	-24%

Source: Company, MOFSL

Exhibit 2: WLSI's 1QFY23 performance was severely hampered by a decline in margin

(INR m)	1QFY22	4QFY22	1QFY23	Change YoY	Change QoQ
Revenue	22,145	22,271	19,573	-12%	-12%
EBITDA	4,471	2,265	1,518	-66%	-33%
Margin	20.2%	10.2%	7.8%	-1,243	-241
Adj. PAT	2,175	522	224	-90%	-57%

Source: Company, MOFSL

Exhibit 3: INCT witnesses better performance on a sequential basis

(INR m)	1QFY22	4QFY22	1QFY23	Change YoY	Change QoQ
Revenue	7,837	6,243	7,943	1%	27%
EBITDA	1,749	1,139	1,568	-10%	38%
Margin	22.3%	18.2%	19.7%	-257	150
Adj. PAT	1,160	701	957	-18%	36%

Source: Company, MOFSL

Exhibit 4: Lower margin hampers profitability for HSS

(INR m)	1QFY22	4QFY22	1QFY23	Change YoY	Change QoQ
Revenue	8,154	7,648	6,378	-22%	-17%
EBITDA	1,587	1,004	108	-93%	-89%
Margin	19.5%	13.1%	1.7%	-1,776	-1,144
Adj. PAT	577	80	-547	NA	NA

Source: Company, MOFSL

Exhibit 5: Aggregate Performance for the Home Textile companies remain under pressure on higher RM cost

(INR m)	1QFY22	4QFY22	1QFY23	Change YoY	Change QoQ
Revenue	52,907	54,633	50,564	-4%	-7%
EBITDA	11,541	7,571	5,725	-50%	-24%
Margin	21.8%	13.9%	11.3%	-1,049	-254
Adj. PAT	5,885	2,926	1,860	-68%	-36%

Source: Company, MOFSL

Exhibit 6: Revenue for the Home Textile division declines on a sequential basis

Home Textile - Revenue (INR m)	1QFY22	4QFY22	1QFY23	Change YoY	Change QoQ
TRID	12,821	15,699	13,436	5%	-14%
WLSI	21,284	20,730	18,521	-13%	-11%
INCT	7,837	6,243	7,943	1%	27%
HSS	8,154	7,648	6,378	-22%	-17%
Total	50,096	50,319	46,278	-8%	-8%

Source: Company, MOFSL

Exhibit 7: Margin for VTEX stabilizes on a sequential basis

(INR m)	1QFY22	4QFY22	1QFY23	Change YoY	Change QoQ
Revenue	19,270	27,071	28,118	46%	4%
EBITDA	4,788	4,992	5,256	10%	5%
Margin	24.8%	18.4%	18.7%	-616	25
Adj. PAT	3,147	3,221	3,291	5%	2%

Source: Company, MOFSL

Exhibit 8: KPR's records strong revenue growth amid an uncertain environment

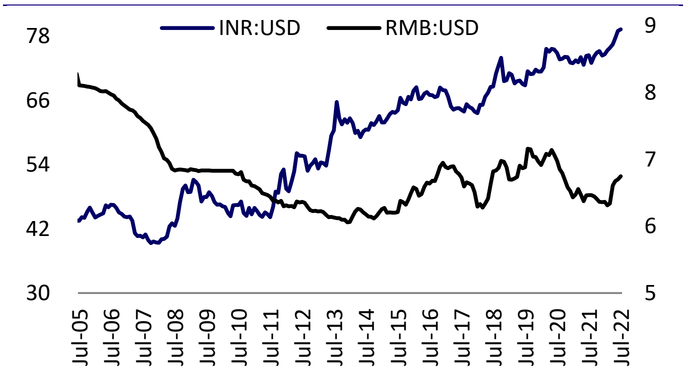
(INR m)	1QFY22	4QFY22	1QFY23	Change YoY	Change QoQ
Revenue	9,037	14,498	15,848	75%	9%
EBITDA	2,247	3,363	3,681	64%	9%
Margin	24.9%	23.2%	23.2%	-164	3
Adj. PAT	1,681	2,198	2,267	35%	3%

Exhibit 9: Sharp impact on margin for NSPL

(INR m)	1QFY22	4QFY22	1QFY23	Change YoY	Change QoQ
Revenue	5,536	7,691	7,088	28%	-8%
EBITDA	1,286	1,674	1,089	-15%	-35%
Margin	23.2%	21.8%	15.4%	-786	-640
Adj. PAT	600	855	656	9%	-23%

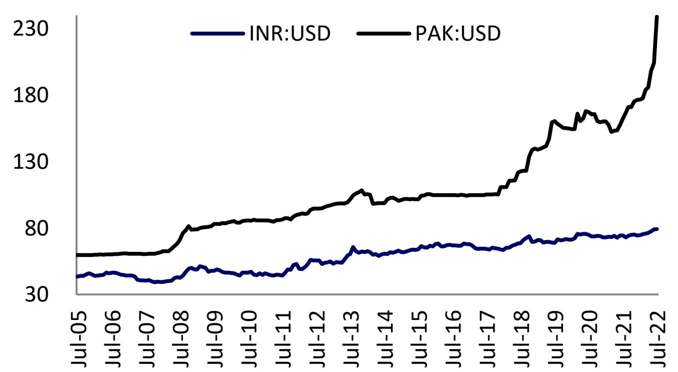
Source: MOFSL, Company

Exhibit 10: Gap between the USD:INR and USD:RMB expands



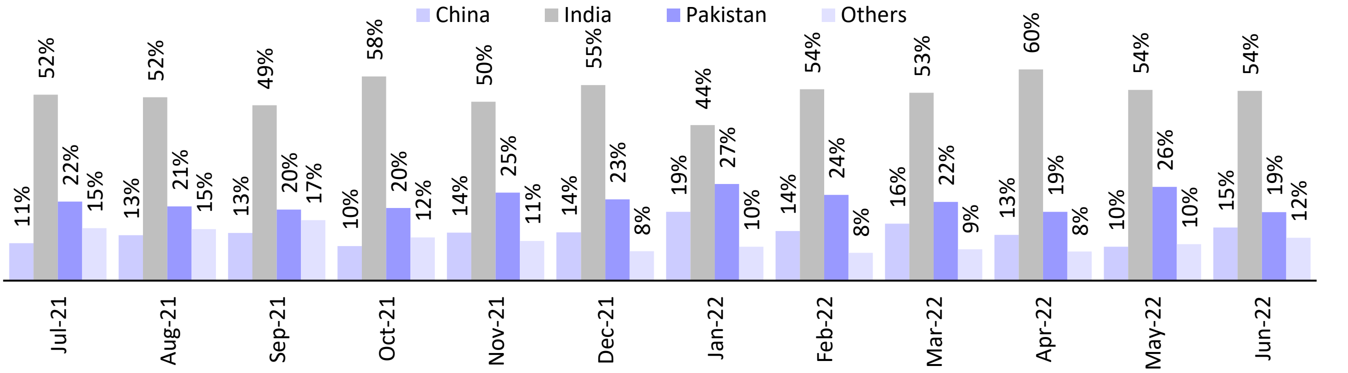
Source: MOFSL, Company

Exhibit 11: Gap between the USD:INR and USD:PKR expands



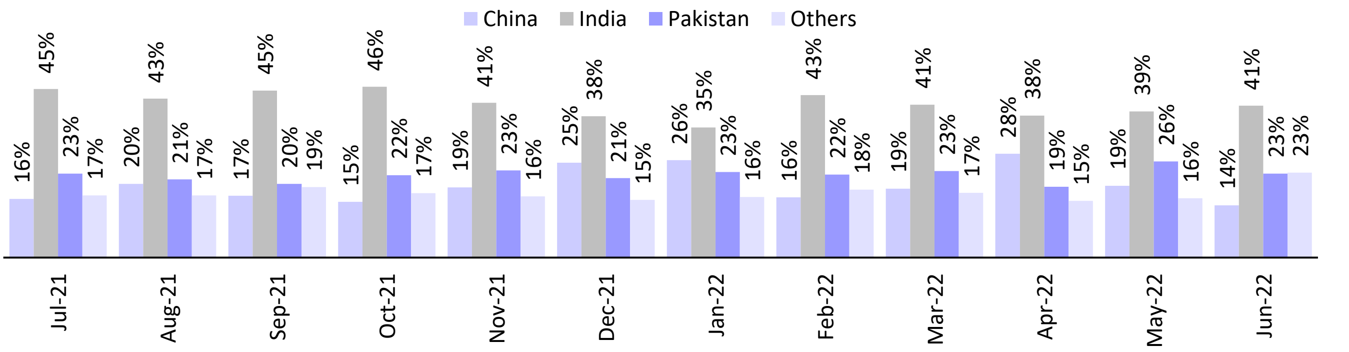
Source: MOFSL, Company

Exhibit 12: Monthly market share in US Bed Sheet imports



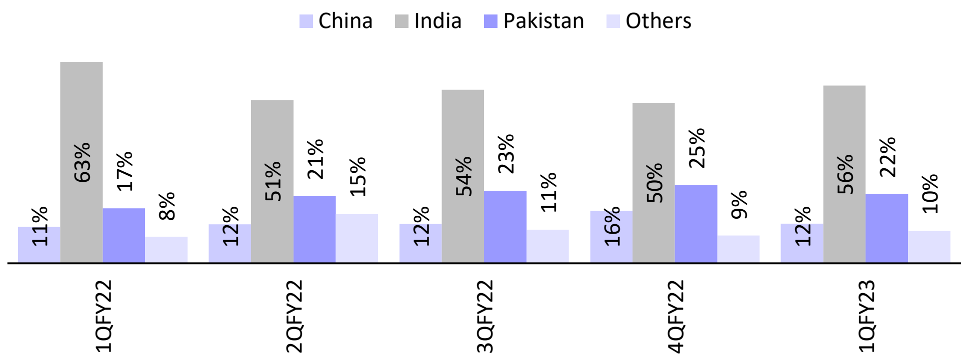
Source: MOFSL, Company

Exhibit 13: Monthly market share in US Terry Towel imports



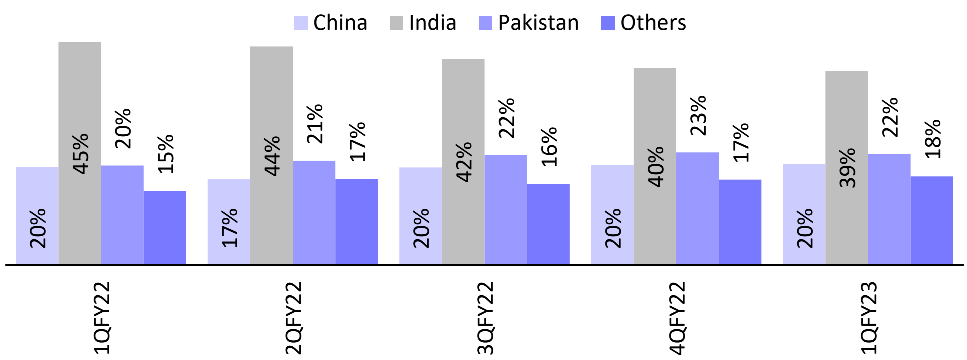
Source: Otexa, MOFSL

Exhibit 14: Quarterly market share in US Bed Sheet imports



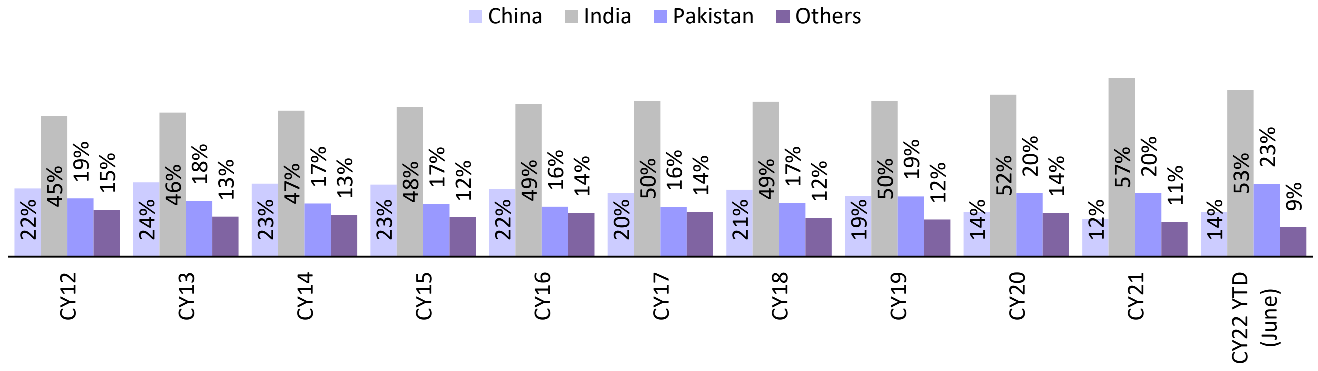
Source: Otexa, MOFSL

Exhibit 15: Quarterly market share in US Terry Towel imports



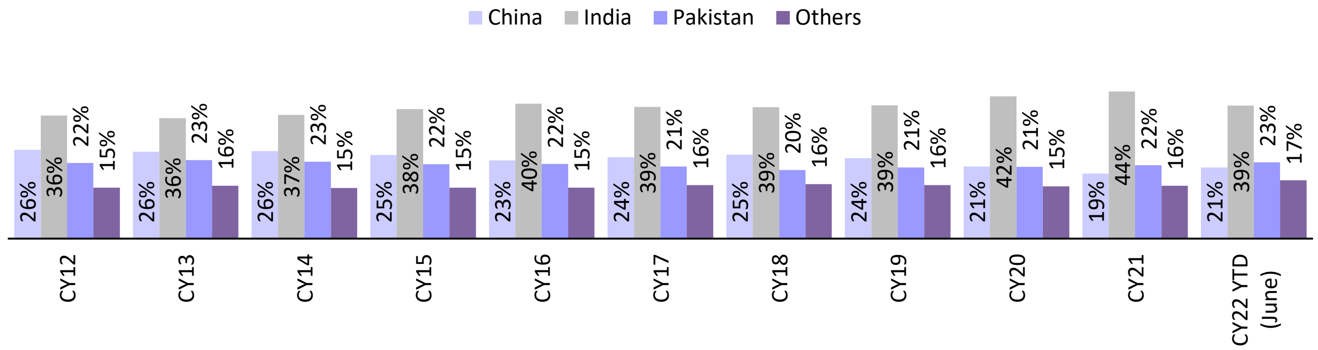
Source: Otexa, MOFSL

Exhibit 16: India's market share in US Bed Sheet imports fell 400bp to 53% in 1HCY22...



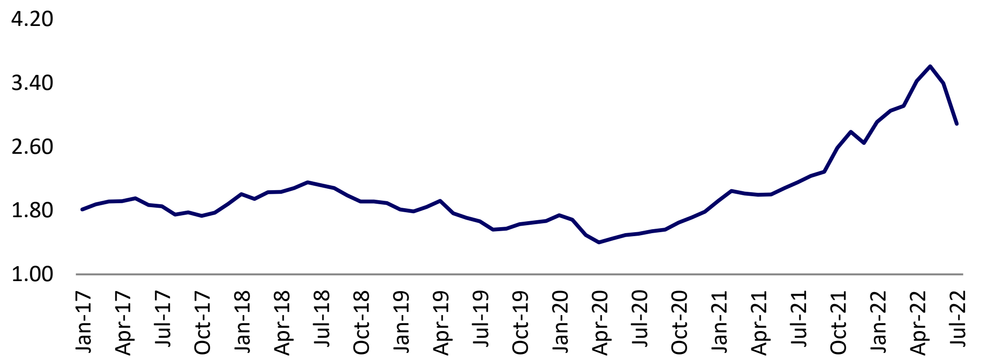
Source: Otexa, MOFSL

Exhibit 17: ...whereas the same in US Terry Towel imports fell 500bp to 39%



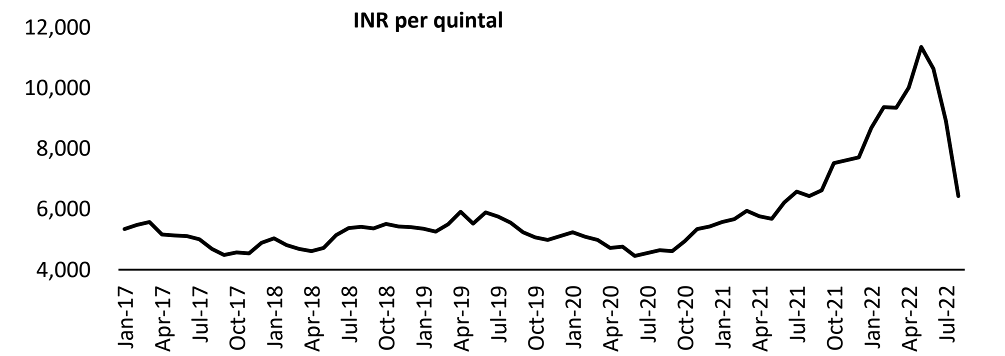
Source: Otexa, MOFSL

Exhibit 18: Cool down in international cotton prices (USD/kg)



Source: World Bank, MOFSL

Exhibit 19: Indian wholesale cotton prices fall significantly from their peak



Source: Indexmundi, MOFSL

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. 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 Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) 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 MOFSL 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 MOFSL , including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore.As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
5 Research Analyst has not served as director/officer/employee in the subject company
6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:
- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report
Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations 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 its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, 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 MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.CIN no.: L67190MH2005PLC153397.Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs,Insurance Products and IPOs.Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.