

Consumer Goods

Refer to important disclosures at the end of this report

Alcobeve: ENA inflation likely to be moderate; volume growth can surprise

- We remain bullish on the alcobeve space and expect margin outlook for IMFL to be positive. In our view, increased ethanol blending targets should not result in inflationary pressures as historical trends indicate crop prices are key drivers of ENA/Ethanol prices. Given high grain production and steady prices of sugarcane/maize/rice, ENA inflation should be low.
- Companies have worked on initiatives that would secure adequate supplies of ENA and mitigate inflationary pressures, if any. UNSP and RDK have secured ~50% of their ENA requirement with captive distillation or exclusive third-party tie-ups (no capex required).
- Similar to H1FY21, IMFL has done better than beer during the lockdown. Volume data in key states such as Karnataka and Telangana indicate IMFL volumes in Apr-May'21 being close to pre-Covid FY20 levels which can drive upsides to our estimates.
- We expect a strong earnings recovery; improved balance sheets and cash flows from lower WC in FY21 are big positives. Raise UNSP's TP to Rs750 from Rs680, with rollover to Sept-23E EPS and factoring in the value of treasury stock/IPL franchise. We increase RDCK's TP to Rs830 from Rs720, valuing it at 28x Sept-23E EPS (25x Jun-23E earlier).

- **ENA inflation concerns should moderate; crop prices are key drivers not EBP:** Historical analysis indicate that prices of key crops, sugarcane/rice/maize, are key drivers of ENA/ethanol prices than the increase in ethanol blending. Government's increased ethanol blending target of 20% by 2025 from ~8% currently would require doubling of production capacities, but surplus foodgrain production will likely meet this requirement without resulting in much inflation. Ethanol blending has increased from 2% in 2015 to close to 8% now. Against this, ENA/Ethanol prices have increased by 2.8%/2.2% (5-year CAGR). Crop prices have been stable with moderate FRP/MSP increases. Except for the ENA spike of 25% in FY20 driven by 30% rise in maize prices, inflation has been low.
- **Captive distillation and long-term exclusive contracts to secure ENA supplies:** Our interactions indicate that UNSP/RDCK are securing ENA through captive distillation / third party tie-ups which will limit inflationary pressures ahead, if any. RDCK has captive capacity that meets ~50% of its ENA requirement. UNSP does not have captive capacities and has worked on securing ENA supplies through exclusive arrangements with third-party distillers (no capex required). Grain ENA is key RM for both and contributes 65-75% of ENA requirement. India's high foodgrain production with modest inflation (rice/maize – 5-year CAGR of 0-3%) should absorb the increase in ethanol production.
- **Q1 volume impact to be lesser than expected; drive upsides to estimates:** Similar to H1FY21, IMFL has done better than beer across states during the lockdown. Volume data in some key markets, particularly Karnataka and Telangana, indicate IMFL volumes in April-May'21 to be closer to FY20 levels despite the lockdowns as against the beer category which witnessed a ~30%+ decline. This could result in better-than-forecasted Q1 performance by UNSP/RDCK with possible upsides to our FY22/23 estimates.
- **Raise UNP/RDCK TPs by 10-15%; maintain Buy:** We expect a strong earnings recovery with possible upsides from higher volumes and margins. Improved balance sheets and cash flows from lower WC in FY21 are big positives. We raise UNSP's TP to Rs750 from Rs680, rolling forward to Sept-23E EPS and including the value of treasury stock (Rs15/share) and IPL franchise (Rs30/share). We also raise RDCK's TP to Rs830, now valuing it at 28x Sept-23E EPS (25x Jun-23E earlier). Consistent outperformance, market share gains and improving balance sheet and cash flows justify higher multiples.
- **Upside triggers:** Benefits of Delhi policy change; online sales across states are yet to play out; reversal of steep tax increase in WB/AP/Telangana could be positive.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(Page 7\)](#)

| | |
|-----------------------|--------------|
| Radico Khaitan | BUY |
| CMP | Target Price |
| 711 | 830 |
| United Spirits | BUY |
| CMP | Target Price |
| 644 | 750 |

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Ashit Desai
ashit.desai@emkayglobal.com
+91 22 6612 1340

ENA inflation concerns should moderate; benign crop prices likely to be favorable

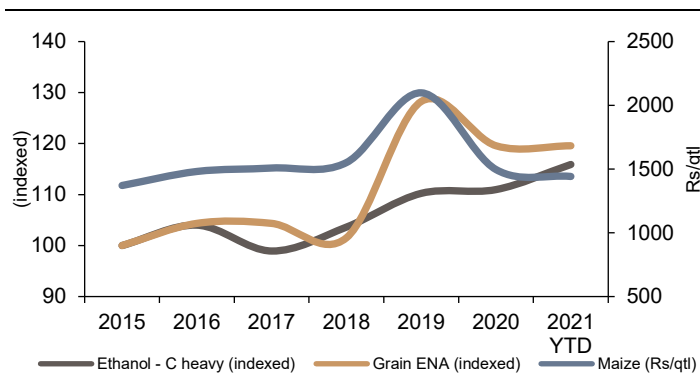
Clarity on ethanol blending target of 20% by 2025 (and not 2023) and higher sugarcane/grain production may result in only moderate inflation in ENA (extra neutral alcohol) and ease inflation concerns, in our view. Historical analysis indicates that prices of key crops sugarcane/rice/maize are key drives of ENA prices than the increase in ethanol blending targets. The government of India has targeted 20% ethanol blending by 2025 (not 2023 as per some reports). Ethanol blending has increased from 2% in 2015 to close to 8% now. Against this, over last five years, ethanol prices have increased by 10-12% (2.2% CAGR) vs. ENA price increase of 2.8% CAGR. Except for FY20, which saw a 25% increase in ENA prices driven by a weak maize crop and 30% inflation in maize prices, ENA prices have been largely steady. Current maize/rice prices have been benign, and given higher supply on account of lockdown in Q1, ENA prices are likely to remain stable in the near term.

Higher ethanol blending requires increased distillation capacity with more sugarcane and foodgrain being diverted for ethanol production. Given the higher production of sugarcane and other foodgrains, higher ethanol production would address the excess production and may not lead to inflation. Production of sugarcane/rice/maize is expected to be higher by 2-6% in FY21, which along with moderate FRP/MSP increases, should result in a moderate ENA inflation, in our view. We estimate 20% ethanol blending would require additional ethanol capacity of 5-6bn litres (current capacity: 5-6bn litres). Most of this is likely to come from grain which would require a foodgrain requirement of ~12-15mn tonnes.

Ethanol/ENA key facts:

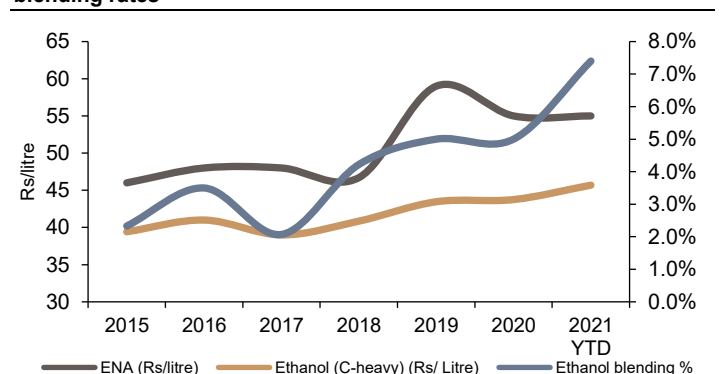
- India distillation capacity = ~5-6bn litres
- IMFL ENA requirement = 1.3bn litres
- IMFL + country liquor = ~2.3bn litres
- Ethanol current blending at 8% in FY21E = 3bn litres
- Ethanol required for 20% blending is 2025 = ~8bn litres
- Including IMFL and other industries overall ethanol/ENA requirement = ~12bn litres in 2025. Will require capacities to double.
- Ethanol/ENA availability from Molasses/Sugarcane juice is ~6-7bn litres
- Balance Ethanol/ENA to be manufactured from grain – 5-6bn litres.
- Total grain required would be 15mn tonnes (1tonne gives 400litres of ENA/Ethanol).

Exhibit 1: ENA price rise in 2019-20 driven by maize price increase



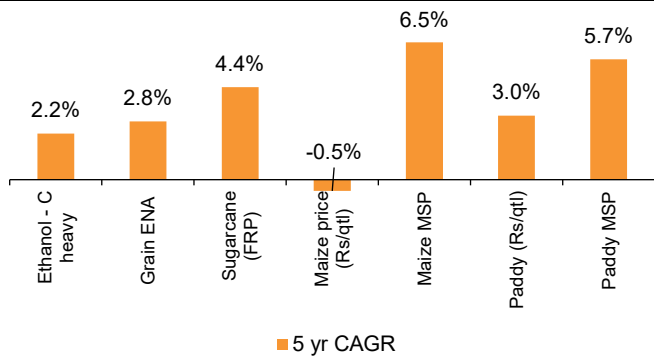
Source: ISMA, AGMARKNET, Emkay Research

Exhibit 2: ENA/Ethanol prices haven't changed w.r.t increase in blending rates



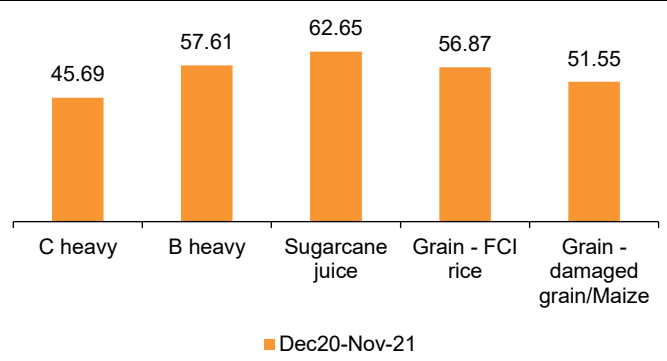
Source: ISMA, Emkay Research

Exhibit 3: 5-year price trends and MSP increases have been moderate; ENA/Ethanol price trend largely linked to crop prices



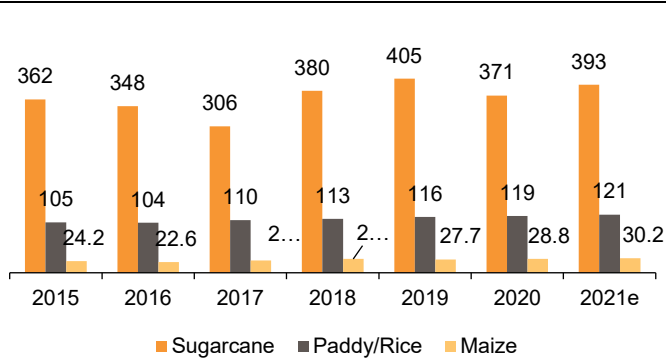
Source: CACP, AGMARKNET, Emkay Research

Exhibit 4: Government has widened Ethanol procurement by having different rates for ethanol converted from different crops



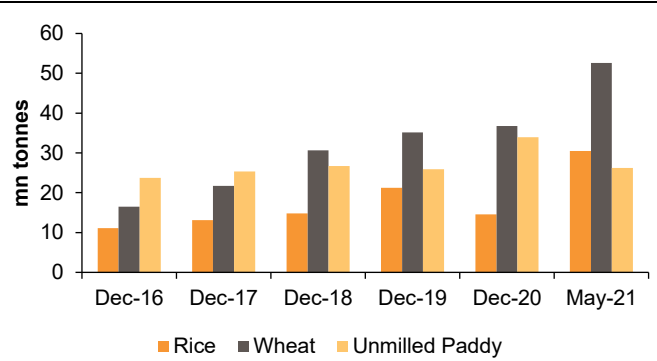
Source: ISMA, Emkay Research; Different rates for molasses / sugarcane juice are to offset lower sugar output in ethanol conversion from B-heavy and sugarcane juice

Exhibit 5: Production of key crops used for ethanol continues to be high



Source: Department of Economic & Statistics, Emkay Research

Exhibit 6: FCI has substantial stock to divert for ethanol production

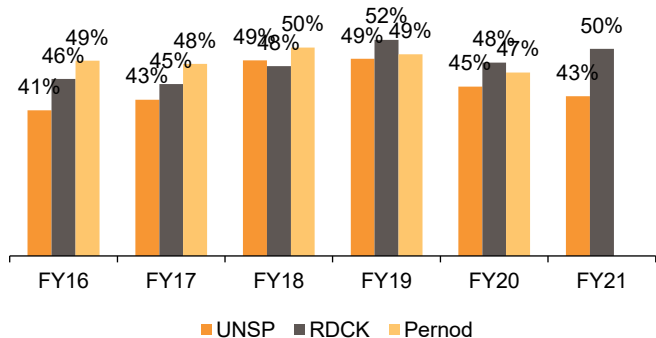


Source: FCI, Emkay Research

Captive distillation and long-term exclusive contracts to secure ENA supplies for UNSP/RDCK

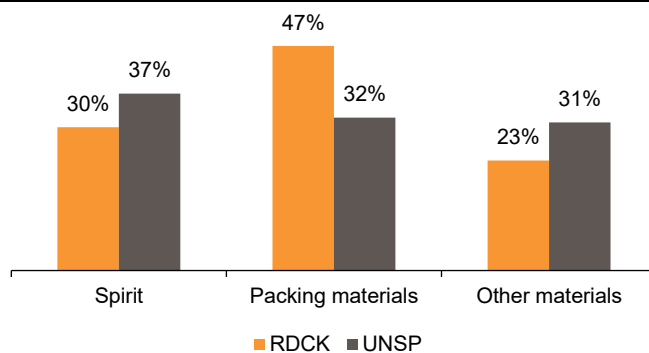
Our interaction with companies indicates that UNSP and RDCK are working on securing ~50% of their ENA requirement through captive distillation or third-party tie-ups which will limit inflationary pressure, if any, going ahead. RDCK already has captive distillation capacities that meet ~50% of its ENA requirements and provide a pricing/margin advantage, making it less vulnerable to ENA price movements. UNSP does not have any meaningful captive distillation but is currently working on securing ENA supplies by entering into exclusive arrangements with third-party distillers (no capex requirement) and working on initiatives to mitigate impact on margins due to ENA inflation. Grain ENA remains key RM for both, contributing 65-75% of total ENA requirement. Higher grain prices would be a risk but given the higher production of foodgrains in India, increase in ethanol production from grain does not seem to be a concern as it would divert the surplus production towards ethanol.

Exhibit 7: RDCK’s margins have been largely stable; UNSP’s more impacted by increase in ENA prices in FY20



Source: Company, Emkay Research

Exhibit 8: ENA/Spirits and other materials contribution to COGS (Emkay estimates)

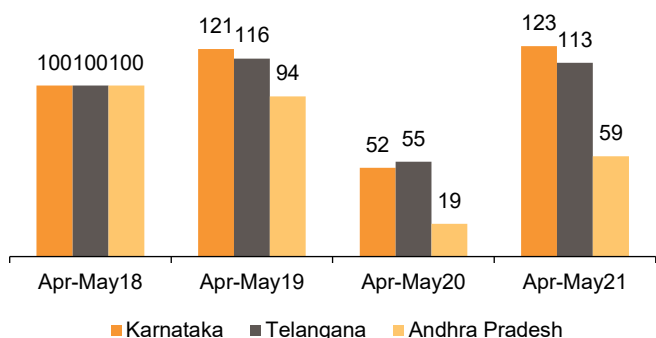


Source: Company, Emkay Research

Q1 performance may surprise positively; impact seems lesser on IMFL players

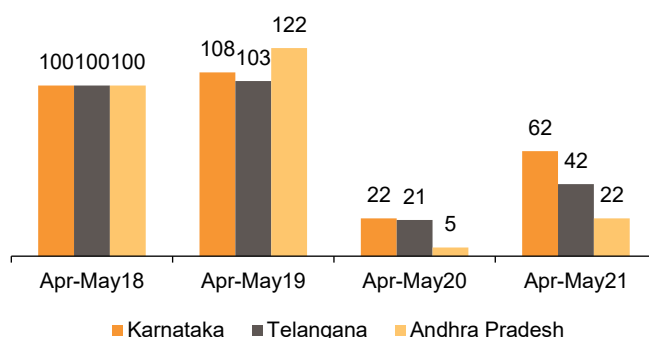
Due to reasons similar to last year, IMFL sales have been better than beer across states. Sales data in some key markets, particularly Karnataka and Telangana, indicate IMFL volumes in April-May 21 to be closer to FY20 levels despite the lockdowns as against the beer category which witnessed a ~30%+ decline. This may lead to better Q1 performance with possible upsides to our FY22/23 estimates. Lower ad spends due to lockdowns and other cost savings may result in better-than-forecasted operating margins as well.

Exhibit 9: IMFL volumes less impacted; almost similar to FY20 in some key markets (indexed)



Source: Emkay Research, State beverage corporations

Exhibit 10: Beer volumes better than Q1FY21 but sharply lower than Q1FY20 (indexed)



Source: Emkay Research, State beverage corporations

Increase UNSP and RDCK TPs by 10-15%; maintain Buy

We expect a strong earnings recovery with possible upsides from higher volumes and margins. Improvement in balance sheet with significant debt reduction and turning net cash positive in FY22 and increase in cash generation led by working capital reduction in FY21 are big positives. We raise UNSP's TP to Rs750 from Rs680, rolling forward to 40x Sept-23E EPS. Our fair value of Rs750 includes core business value of Rs705, Rs15 for treasury stock (at CMP) and Rs30/share as NPV of its IPL franchise. While review of popular portfolio may have a marginal short-term impact on our forecasts, we believe potential upsides exist from the Delhi policy change and a possible tax reduction in some states.

We also raise our TP for RDCK to Rs830 from Rs720, now valuing it at 28x Sept-23E EPS (25x Jun'23E earlier). In our view, consistent outperformance, greater success in new launches and stronger balance sheet and cash flows, along with steady improvement in ROCE's to 20%+, justify a lower valuation gap for RDCK vs. UNSP.

Upside/Downside triggers

While benefits of the Delhi excise policy changes are yet to play out; reversal of taxes in WB, Telangana and resumption of supplies to AP (for UNSP) could be upside triggers. Key risks: tax increases and change in UP government post elections may result in adverse changes.

Exhibit 11: UNSP valuation

| | Valuation/Multiple | Value (Rs/share) |
|-----------------------|---------------------------|------------------|
| Core business | 40x Sept-23 EPS of Rs17.6 | 705 |
| Treasury stock | 17.3mn shares at CMP | 15 |
| IPL Franchise | NPV | 30 |
| Fair value (Rs/share) | | 750 |

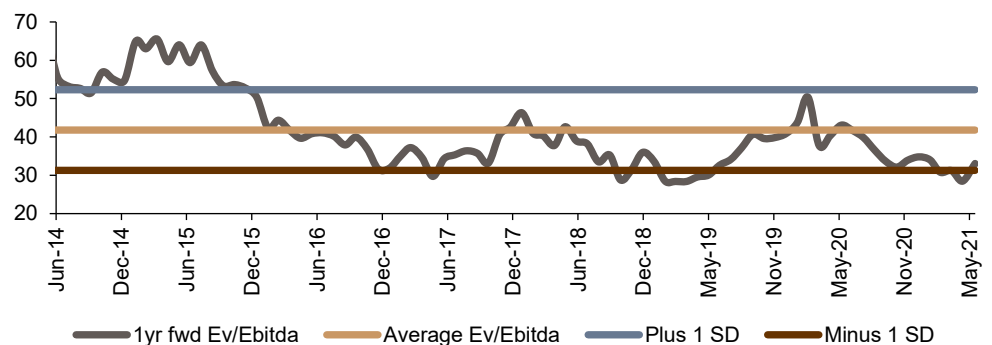
Source: Company, Emkay Research

Exhibit 12: UNSP IPL franchise - Royal Challengers financials

| Rs mn | FY17 | FY18 | FY19 | FY20 |
|---------------|-------|-------|-------|-------|
| Revenue | 1,614 | 1,459 | 3,074 | 2,046 |
| EBITDA | 387 | 266 | 1,400 | 833 |
| EBITDA Margin | 24.0% | 18.2% | 45.5% | 40.7% |
| PBT | 32 | -181 | 1,101 | 533 |
| Tax | 0 | -563 | 253 | 495 |
| Net profit | 32 | 382 | 848 | 38 |

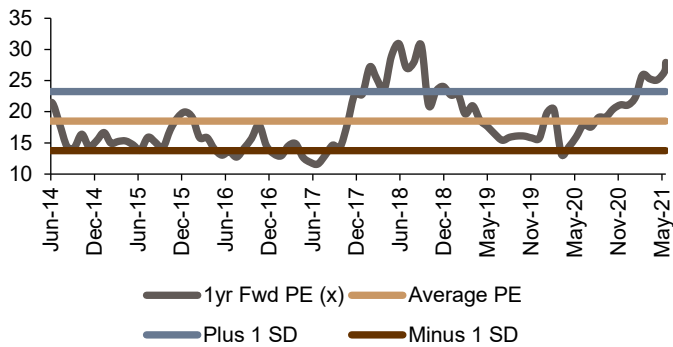
Source: Company

Exhibit 13: UNSP 1-year forward EV/EBITDA



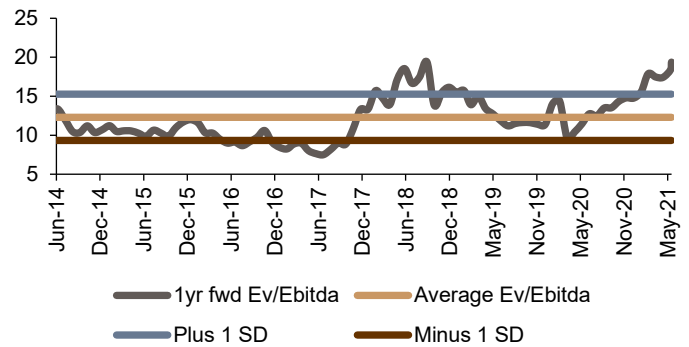
Source: Emkay Research, bloomberg

Exhibit 14: RDCK 1-year forward PE band



Source: Bloomberg, Emkay Research

Exhibit 15: RDCK 1-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

Exhibit 16: Relative valuation

| | Price (Rs) | Mcap (Rs bn) | Reco | Target Price (Rs) | EPS (Rs) | | | P/E (x) | | | EV / EBITDA (x) | | |
|-----------------------|------------|--------------|------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|-------------|-------------|
| | | | | | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E |
| Asian Paints | 2,951 | 2,830 | Hold | 2,530 | 37.9 | 48.1 | 56.8 | 77.8 | 61.4 | 51.9 | 50.9 | 41.0 | 34.9 |
| Berger Paints | 809 | 786 | Sell | 585 | 10.4 | 12.1 | 14.4 | 77.5 | 66.6 | 56.0 | 48.3 | 41.9 | 36.0 |
| Britannia | 3,576 | 861 | Buy | 4,250 | 76.3 | 87.2 | 98.1 | 46.9 | 41.0 | 36.5 | 34.6 | 30.8 | 27.6 |
| Colgate | 1,704 | 463 | Buy | 1,820 | 39.0 | 44.2 | 48.9 | 43.7 | 38.5 | 34.8 | 28.6 | 25.4 | 23.0 |
| Dabur | 560 | 990 | Hold | 530 | 10.8 | 12.6 | 14.4 | 51.9 | 44.4 | 38.8 | 41.3 | 35.3 | 30.6 |
| Emami | 556 | 247 | Buy | 620 | 15.9 | 17.9 | 20.2 | 35.0 | 31.0 | 27.5 | 25.2 | 22.3 | 19.7 |
| GCPL | 886 | 906 | Hold | 780 | 18.3 | 21.3 | 24.3 | 48.4 | 41.6 | 36.4 | 34.3 | 29.9 | 26.0 |
| HUL | 2,381 | 5,593 | Hold | 2,350 | 40.8 | 47.4 | 54.2 | 58.3 | 50.2 | 44.0 | 38.8 | 33.5 | 30.9 |
| ITC | 209 | 2,576 | Buy | 265 | 11.9 | 13.9 | 15.3 | 17.6 | 15.0 | 13.6 | 13.2 | 11.3 | 10.2 |
| Marico | 496 | 640 | Hold | 430 | 10.6 | 11.8 | 13.5 | 46.6 | 41.9 | 36.8 | 33.6 | 30.3 | 26.7 |
| Nestle* | 17,556 | 1,693 | Hold | 16,800 | 266.9 | 307.4 | 351.0 | 65.8 | 57.1 | 50.0 | 45.8 | 40.1 | 35.2 |
| Pidilite | 2,132 | 1,084 | Sell | 1,360 | 24.4 | 32.0 | 36.4 | 87.4 | 66.7 | 58.6 | 60.2 | 46.6 | 41.2 |
| Radico Khaitan | 711 | 95 | Buy | 830 | 22.2 | 27.4 | 31.4 | 32.1 | 26.0 | 22.6 | 20.9 | 17.2 | 15.0 |
| United Breweries | 1,391 | 368 | Buy | 1,450 | 15.7 | 29.5 | 34.2 | 88.3 | 47.2 | 40.7 | 43.8 | 27.4 | 24.7 |
| United Spirits | 644 | 468 | Buy | 750 | 11.2 | 16.3 | 19.0 | 57.3 | 39.6 | 34.0 | 34.6 | 25.8 | 21.8 |

Source: Emkay Research, Bloomberg, *Estimate for CY21/22/23

Emkay Alpha Portfolio – Consumer Goods & Retail



Analyst: Ashit Desai

Contact Details

ashit.desai@emkayglobal.com
+91 22 6612 1340

Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 13 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

EAP sector portfolio

| Company Name | BSE200 Weight | EAP Weight | OW/UW (%) | OW/UW (bps) | EAP Weight (Normalised) |
|------------------------------------|---------------|--------------|-----------|-------------|-------------------------|
| Consumer Goods & Retail | 10.55 | 10.55 | 0% | 0 | 100.00 |
| Asian Paints | 1.48 | 0.61 | -59% | -87 | 5.81 |
| Berger Paints | 0.22 | 0.00 | -100% | -22 | 0.00 |
| Britannia Industries | 0.47 | 0.53 | 12% | 6 | 5.00 |
| Colgate-Palmolive | 0.25 | 0.30 | 19% | 5 | 2.87 |
| Dabur India | 0.35 | 0.33 | -8% | -3 | 3.09 |
| Emami | 0.13 | 0.16 | 24% | 3 | 1.51 |
| Godrej Consumer Products | 0.36 | 0.31 | -15% | -5 | 2.90 |
| Hindustan Unilever | 2.35 | 1.98 | -16% | -38 | 18.72 |
| ITC | 2.07 | 2.13 | 3% | 6 | 20.20 |
| Marico | 0.28 | 0.28 | 0% | 0 | 2.67 |
| Nestle India | 0.70 | 0.58 | -18% | -12 | 5.47 |
| Pidilite Industries | 0.35 | 0.00 | -100% | -35 | 0.00 |
| Radico Khaitan | 0.00 | 0.35 | NA | 35 | 3.28 |
| United Breweries | 0.11 | 0.51 | 382% | 40 | 4.83 |
| United Spirits | 0.00 | 0.36 | NA | 36 | 3.40 |
| Varun Beverages | 0.12 | 0.16 | 29% | 4 | 1.50 |
| ABFRL | 0.07 | 0.16 | 128% | 9 | 1.50 |
| Jubilant FoodWorks | 0.22 | 0.25 | 15% | 3 | 2.39 |
| Page Industries | 0.19 | 0.24 | 26% | 5 | 2.29 |
| Shoppers Stop | 0.00 | 0.00 | NA | 0 | 0.00 |
| Titan Company | 0.81 | 1.05 | 31% | 25 | 10.00 |
| Westlife Development | 0.00 | 0.27 | NA | 27 | 2.55 |
| Cash | 0.00 | 0.00 | NA | 0 | 0.00 |

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

| | Base | | | | | Latest |
|---|----------|-----------|----------|-----------|-----------|----------|
| | 1-Apr-19 | 10-Jun-20 | 9-Dec-20 | 10-Mar-21 | 10-May-21 | 9-Jun-21 |
| EAP - Consumer Goods & Retail | 100.0 | 102.1 | 116.3 | 118.9 | 120.3 | 129.7 |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0 | 96.1 | 112.1 | 112.7 | 115.8 | 123.1 |

*Performance measurement base date 1st April 2019

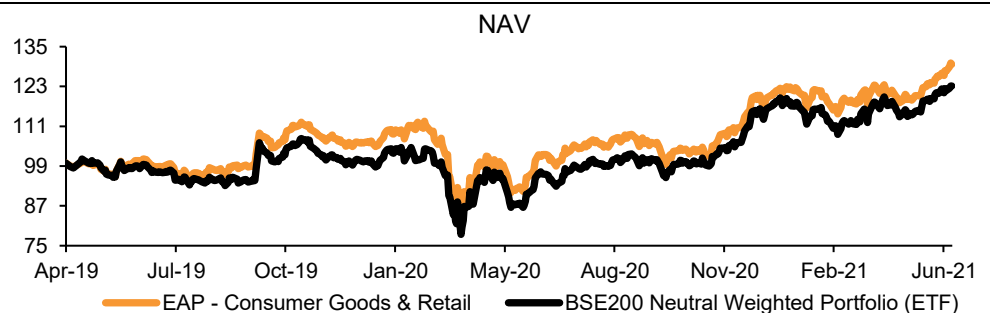
Source: Emkay Research

Price Performance (%)

| | 1m | 3m | 6m | 12m |
|---|------|------|-------|-------|
| EAP - Consumer Goods & Retail | 7.8% | 9.1% | 11.5% | 27.0% |
| BSE200 Neutral Weighted Portfolio (ETF) | 6.4% | 9.3% | 9.8% | 28.1% |

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

Completed Date: 10 Jun 2021 21:58:47 (SGT)

Dissemination Date: 10 Jun 2021 21:59:47 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. 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.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), 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 Financial Institutions Regulatory Authority (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 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.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of June 10, 2021
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of June 10, 2021.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the June 10, 2021
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the June 10, 2021

RESTRICTIONS ON DISTRIBUTION

| | |
|--------------------------------------|--|
| General | This report is not directed to, 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 or regulation. |
| Australia | This report is not for distribution into Australia. |
| Hong Kong | This report is not for distribution into Hong Kong. |
| Indonesia | This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia. |
| Malaysia | This report is not for distribution into Malaysia. |
| Singapore | This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report. |
| Thailand | This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. |
| United Kingdom | This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication. |
| Dubai International Financial Centre | This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it. |
| United Arab Emirates | This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent. |
| United States | DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate. |
| Other jurisdictions | In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. |

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com