Edelweiss
Ideas create, values protect

Conference Call Transcript

VIP Industries

Q1FY14 Results

August 1, 2013 | 4 p.m. IST

Corporate Participants

Ms Radhika Piramal
Managing Director

Mr Jogendra Sethi
CFO

Questions and Answers

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY'14 results conference call of VIP Industries, hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you need assistance during this conference call, please signal the operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would like to hand over the conference to Ms. Shraddha Sheth of Edelweiss Securities. Thank you and over to you.

Shraddha Sheth: Thanks , on behalf of Edelweiss let me welcome you all to the Q1 FY'14 Earnings call of VIP Industries. From the management, we have Radhika Piramal, Managing Director and Jogendra Sethi, CFO of VIP Industries. Without further ado, I will handover the call to Ms. Radhika for her initial comments. Thank you and over to you Radhika.

Radhika Piramal: Thank you very much Shraddha. Good afternoon everybody and thank you for dialing into our earnings call. I will take about ten to fifteen minutes to go through performance for the quarter with all the major initiatives and activities we have done and then hand over for Q&A.

So, let us start with our results. We achieved around Rs. 327 Crores in total income as against Rs. 302.6 Crores in the same quarter of previous year, which is a growth of about 8%. Within channels, hypermarket, CSD and traditional distribution channel have grown more as compared to other channels. Our own stores did not grow which is an indicative of little bit of down trading by the consumer because hypermarket, CSD and distributor channels are at slightly lower price points as compared to other channels. It is not very surprising due to prevailing economic environment. So overall, in terms of sales growth, I think our performance is quite respected due to the current economic environment. Further within this 8% growth, 4% is due to volume growth which means 4% is due to the price increases.

Moving on to expenses, our COGS was 51.4% as compared to 50.6% in the same quarter of the previous year. So COGS increased more than our sales growth. So we lost about 1% in EBITDA margin due to this. Main reason for this, as you all know is the exchange rate of the rupee to the US dollar. So our average realization of the rupee against the dollar for Q1FY14 was Rs.55.24 against the dollar. If we compare that to what it was in the same quarter of the previous year, it was around Rs.53 that time. So, although we took 4%-5% price increase in Q1FY14, it was not enough to medicate this. Secondly, there is one channel, CSD, which is an important part of our sales where we were not be able to take the same amount of price increases as we were able to take in trade and retail channels due to the process of approvals in that channel. However, we did get a price increase in CSD in the month of June 2013, effective June 15th so that should help us in the current quarter. Although having said that, the rupee has now reached Rs. 60 so, we do foresee continued pressure on our margins in the quarters going ahead. In terms of other expenses, employee benefits which are basically our manpower cost is very much controlled at Rs. 24 Crores over Rs. 23 Crores in the same period of the previous year that is just a 4% growth. Discounts and commissions grew by 10% again that is higher than our rate of sales growth, which means as a percentage of sales they have increased. There is continued competitive pressure. The other expenses growth is quite significant i.e. from Rs. 56.5 Crores in the same period in the previous year to Rs. 66.7 Crores in Q1FY'14. There is an increase of almost just over 10 Crores (18% growth). Most of the increase is in the costs of selling. So, there is an increase in cost of company run store including rents, store staff cost, increase in the cost of freight and advertising. As you may have noticed that we have promoted three main brands, that is VIP, Skybags and Caprese (ladies handbag brand) on television. So, there was a significant increase in our sales expense as well. All these expenses increased faster than the rate of sales growth, overall leaving us with an EBITDA margin of 12.1% of sales as compared to 14.5% in the same quarter of the previous year. To summarize, out of 2.5% EBITDA decline, 1% is due to increase in cost of goods sold and 1.5% increase is due to other expenses, which are primarily selling expenses.

We spent more on our brand promoters which is required to have an effective sale of our product from our exclusive stores, CSD stores, Departmental stores and Hyper stores. As our sales go up for brands, I think, as a percentage of sales, it should come down but we are in the transition stage of the channel mix. Our ladies hand bag has done very well. It has got a really tremendous response from the market. The product and the price points are working well. The advertising has been well appreciated and we hope to cross sales within the first four or five months of this year what we did in the six months of the previous year (FY'12 – 13). So, I think we may become market leader in this segment very quickly. I think that we are very much on the track to achieve sales of Rs. 50 Crore by the end of next year and we are targeting about 25 Crores of sales from the ladies hand bags this year and we seem to be on the target with our projections. Secondly, contributions in ladies hand bags segment has improved in Q1FY14 as compared to Q4FY13. As we have little more experience in this business, our buying prices are getting better. Our product mix and merchandising is better which means that the cost of obsolescence is low and overall that is leading to a healthy financial picture for the hand bag business. Overall as a business, unit is obviously still loss making because we are investing so much in advertising. We have achieved PBT of Rs. 33.6 Crores, which is practically the same as last year and tax expenses also on similar lines. So, that is my coverage on the P&L account. Regarding Balance Sheet, there are not too many changes. Inventories are very much in control, trade receivables have increased a little bit. Most of that is due to the higher sales in CSD that we had in Q1FY14 as compared to last year and in CSD receivable cycle is bit longer than traditional trade. We consider all these receivable to be good and very much recoverable. So, no major observation on the balance sheet side. With that I would like to turn it over to you Shraddha for Q&A.

Shraddha Sheth: Yes sure. We can open the floor for questions.

Moderator: Absolutely. Participants we will now begin the question and answer session. We have the first question from the line of Rahul Bhangadia from Lucky Investment Advisors, please go ahead.

Ashish Kapoor: Good evening, this is Ashish Kapoor here. I just wanted to understand from Radhika at what level of the Indian rupee does the manufacturing eco system that is existent in China, which would be tempted to set a base in India.

Radhika Piramal: Actually, Rs. 60 is pretty much their but we are looking seriously at the value Indian vendors, as opposed to setting up our own factory in India. There are no significant advantages of scale in this business, whether you manufacture one million pieces in one plant or in five units. The cost of each piece is almost the same. So, given the regulatory environment in India, we would prefer to buy from Indian vendors and continue this outsourcing model as opposed to putting up factories. Now the challenge with getting Indian vendors is that the raw material eco system; actually the polyesters nylons, trolley, wheels, locks, handles, zips etc, that is not fully developed in India and the quality which VIP brand uses. So, those vendors would have to import these raw materials from china thus not entirely alleviating the problem. So, in short there are some vendors in India from whom, we can source some models when rupee is at 60. It is cost neutral as compared to importing from china but the ability to scale up with that kind of outsource production in India, is not possible to move entirely. We are aiming for 25% of our soft luggage volumes to come from India and Bangladesh within the next 18 –24 months.

Ashish Kapoor: Okay, and what can VIP do to facilitate this more and more relocation of the components in to India?

Radhika Piramal: We are working with local vendors and the raw material supplier on this aspect.

Ashish Kapoor: Okay, and any reason why you are mentioning a target of say 25%, why cannot it be 50% or 75%?

Radhika Piramal: Well, that is what I am saying. That 25% is based on what I believe is a realistic target for the volumes that our Indian vendors can achieve given the current scale and size.

Ashish Kapoor: Thank you very much and all the very best.

Moderator: Thank you. The next question is from the line of Srinath Krishna from Sundaram Mutual Fund, please go ahead.

Srinath Krishna: Thanks for the opportunity. As you mentioned the average currency was around 55 at the end of last quarter we had depreciated. So, in terms of pricing have you taken any price fix to counter the depreciation of the rupee, the second question is on cost; you mentioned it is 25% of stocks would be from India and Bangladesh in next 18 months. So, in terms of cost benefit, how does that translate to by utilizing sources from these two markets?

Radhika Piramal: Sure, we are taking another price increase in August. We had hoped that we had taken a price increase in April and next price increase would not be until October that is just before Diwali, because the current demand scenario remains weak. I mentioned that sales from our exclusive company runs stores which is the higher end of the market is not growing. Everybody today understands price increases is necessary. It is certainly far from ideal but having said that, we are taking one in August. When the rupee remains at Rs. 60, we will not have to take the October one but if the rupee depreciates further then in October we will have to take a third price increase. So, that is on the price increase. On the cost savings from the Indian suppliers and Bangladesh suppliers, it is not going to be an improvement on our current buying. What it will be is, at least it will stop the increase, because it is at Rs.60. For the first time, Indian vendors are approaching to be competitive. It is common in terms of the competitiveness for the Indian manufacturing sector.

Srinath Krishna: It is pretty encouraging to see your Caprese business doing well. The turnaround seems to be much good than anticipated. So, earlier you had guided that and three years time was your target to achieve break even but considering the performance in the last couple of quarters, do you think our break even could be much faster than anticipated.

Radhika Piramal: Yes, we could be looking at two to two-and-a-half years but on the other hand, on a company level, there have been so many adverse effects of the currency that whatever gains are being made in Caprese has been offset by those. So, if you ask me on an overall EBITDA level, I do not see it has been able to improve our EBITDA.

Srinath Krishna: See, gross contribution level for the company is at around 50% average. For the Caprese business at this point of time, I guess it is early stage at this point of time but would be at least 25% of gross margins would be making to those levels?

Radhika Piramal: If you take it on an annual basis, and you think of us as a Rs. 1,000 Crore company, it is Rs. 25 Crores versus Rs. 50 Crores.

Srinath Krishna: Sorry, 25% of your gross margins, at least would you be making that for your Caprese business?

Radhika Piramal: Yes, but the sales turnover is still too small.

Srinath Krishna: Yes, understand that and what would be the – is there any allocation of ad expenses for Caprese business, you had plan to spend about 15 Crores per year.

Radhika Piramal: We are doing that and continue to do that because ad has responded well. We have not cut ad budgets. Overall as a quarter what I feel, it is not a very exciting performance but it is a respectable performance and there are some areas where we are doing well and I would like to keep the momentum and so we are not pulling back on advertising despite the reduction of growth margins due to the rupee depreciation. I continue to believe that even in low times that is when the market leader continues to spend and we will reap the long term benefits.

Srinath Krishna: And in terms of store additions for this year and next year, what are the plans?

Radhika Piramal: That is one area where we are slowing down. So, let us say, in the last three years, we have added 60 – 75 stores per year, this year it is going to be only in the region of 25 – 50 stores.

Moderator: The next question is from the line of Mark Asquith from Somerset, please go ahead.

Mark Asquith: Hello, three questions. One is on the receivables taking up again on the CSDs but you consider these recoverable, how they compare to the last trend in the CSD receivables because I would say that was quite extended and then secondly on your dividends, quite a few cash pulls and as you said adverse impacts on the company, so could you let me know if you are planning to maintain the same dividend pattern for two, three years or cut it.

Radhika Piramal: For the CSD, the cycle has not been great this quarter but I do not think it is a permanent problem, but the receivables are absolutely recoverable and it is safe money.

Mark Asquith: Can you again maybe go through again exactly what happened in the last cycle with CSD receivable bills, because they I see that ultimately it came back but I think there was some change in management and disputes within the government, so anything which you could tell me which could throw some light on that.

Radhika Piramal: Yes, it is very simple actually. There has been a change of management in CSD. It takes some time for the new management to figure out their internal processes, policies, checks, etc., and in the process of doing that work slows down, bills are not processed. Most of their vendors like VIP, have been dealing with the channel for a long time and we have confidence that it is good. So it just takes longer, it is not a risk. It is a cost of capital but it is not a risk.

The second question was on dividend policy. It is early in the year yet to comment on that but definitely as a company we would try maintain our payout as we have been. In the last three years there have been some increases and decreases depending on our performance. So, we would like to follow the policy as far as it does not negatively affect the company.

Mark Asquith: cash pay statement which is ultimately where the dividend is coming from.

Radhika Piramal: But our debt levels are pretty low, so it is okay. I do not see too many risks on that side.

Mark Asquith: Okay, so no cut expected in couple of years.

Radhika Piramal: When you say cut, you do see that there has been some variation in the last three years.

Mark Asquith: Yes, the last was 1.6 rupees and so far we have had 1 rupee as rise in 2013, would it mean 1.6 again?

Radhika Piramal: No, it would be too early to comment in this financial year, this is the first quarter.

Moderator: Thank you. The next question is from the line of Nilesh Surana from Mirae Asset, please go ahead.

Nilesh Surana: If you could give an idea about the industry growth for the quarter and you said volume growth of around 4% in the first quarter, just to get a medium term scenario, let us say FY'14 or FY'15, what sort of volume growth given the current environment the industry could do or you could do?

Radhika Piramal: May be 5% - 10% depending on how the economy goes. We have kept our market share. I do not have figures for any other companies in the industry yet. Safari is a public company but they have not declared the results. When did they declare?

Nilesh Surana: Day before yesterday.

Radhika Piramal: Okay, I will just check then. I think that American Tourister and Samsonite had a difficult quarter but I do not know for sure. So industry growth is 5% right now and then may be 10% for the next year.

Nilesh Surana: Right now the volume growth is it not low at 4% because probably tier II tier III towns would be doing better.

Radhika Piramal: I think that is what it is luggage industry and travel is somewhat discretionary. If you feel that your cost of living is going up and you are not very sure about increments and no chance of moving to another job with better prospects, definitely a holiday with family or friends is something that one can cut back and then within that the choice would be branded and unbranded luggage. You can always choose to borrow a luggage or continue with your same luggage for next three to six months. It is a discretional item. When the discretionary spend were high, our company had done well.

Nilesh Surana: You are contemplating a price increase in August or would that take care of the current level of the exchange rate or ….

Radhika Piramal: Not entirely but it would obviate it to some extent.

Nilesh Surana: And this previous question on the dividend, as you rightly said that the business does not need money to grow the topline. Would you also evaluate options like buy back?

Radhika Piramal: No, not at this time.

Moderator: Thank you. The next question from the line of Niket Shah from Motilal Oswal, please go ahead.

Niket Shah: Hi Radhika. Just wanted to know any particular guidance that we have in terms of our ad spends, are we planning to cut them or we will continue to maintain that as a percentage of sales this year?

Radhika Piramal: We will continue to maintain that.

Niket Shah: And the second thing, in terms of growth, when you mentioned close to 4% volume growth, would that largely be coming from CSD or partly from trade and partly from CSD?

Radhika Piramal: Partly from trade and partly from CSD but higher growth rate in CSD.

Moderator: Thank you. The next question is a follow up from the line of Rahul Bhangadia from Lucky Investment, please go ahead.

Ashish Kapoor: Madam, Ashish here again. I just wanted to understand from you as to why VIP would not consider investing in a plant on your own basis, you could always go for contract workers as how the automobile manufacturers are doing, so.

Radhika Piramal: We do not see a significant benefit of having our own plant as opposed to having finished goods from Indian vendors.

Ashish Kapoor: Why from the investors' side is that if the rupee goes to 65 or whatever the futures markets are indicating over the next 12 months, then it kind of deals another blow to our sales and …

Radhika Piramal: I know and I can understand the risks. But at the same time, I have seen, VIP industry with six factories in the last 20 years making hard luggage and then the absolute decline of hard luggage as a segment and our inability to cut down on those fixed costs even though the market demand really changed. So, having flexibility on manufacturing cost is really important for the company. So the risk for the Rs.65/USD is there but we can medicate it by getting finished goods product from Indian vendors as opposed to an Indian factory. For me, the Indian vendor is a more flexible option for the company while addressing the same issue.

Ashish Kapoor: Right, and how does the sourcing work on the Caprese side

Radhika Piramal: Right now it is a mixture of China and India but it is about 75:25. In case of hand bag, India already has a better mix than the luggage mix. So, there is good potential partly because there is quite a thriving local market of hand bags in India and they do not require the same components as luggage like trolley, handle, wheels, etc. So, I think we can work out in a lesser period of time to make the Caprese mix 50:50 that is 50% from China and 50% from India.

Ashish Kapoor: And are you covering your foreign exchange requirements for the next 6 to 12 months whatever you can cover on the forward markets.

Jogendra Sethi: Yes, we are covering our payables regularly but naturally we cannot cover the future purchases.

Ashish Kapoor: Current purchases everybody have to cover. My question is on the next 12-month basis, I was just trying to understand.

Jogendra Sethi: No, future purchases, because if rupee goes other way, we will be at wrong foot in that case.

Moderator: Thank you. The next question is from the line of Amit Narekar from

Alchemy Capital, please go ahead.

Hiren: Hi Radhika, this is Hiren here from Alchemy. Two questions, one is that when you say down trading are you seeing that there is a possibility that unbranded luggage is growing at the cost of branded luggage in India because of what is happening in terms of pricing?

Radhika Piramal: Yes and no. Yes, people might be looking for cheaper alternatives of the same thing. So if you can buy a local luggage instead of ALFA luggage or you can buy an ALFA luggage as opposed to VIP luggage as down trading. No, in terms of, actually Chinese imports under a label or no label has really slowed down in the last two months because there margins are not enough to compensate for rupee decline from 55–60/USD. So, actually there is very less Chinese unbranded luggage in the market right now.

Amit Narekar: Then if that be the case, why would we not consider fully passing on the cost increase in terms of prices because if you really at, and considering the fact that the competition is also rational, we would probably have to let go off some volume growth but if you look at some companies like Nestle or even 3M which faces the same kind of problem, they have a similar problems. They have all gone and taken price hikes because they just feel that if the alternatives are not that great it is better to protect profitability than to just grow volumes at the cost of profits.

Radhika Piramal: We took 4% price increase in April, going to take another price increase in August. We will see how it goes.

Amit Narekar: No, I am saying more as a matter of principle, so let us say if the rupee goes to 65, I am not saying it will or it will not, but I am saying that assuming that it goes to 65, if we have a principle that whatever is the increase in cost, we take it. Anyway, Samsonite would face the same problem, right, because they are not sourcing from India. They are also imported, right?

Radhika Piramal: It is fine to have. Obviously that is sensitive like this and you have to be in the realities of the market and see what happens every month. So, there is no point in me sitting here telling you that if rupee goes to 65, I will take a 5% increase. At Rs. 53/USD, I took a price increase. When rupee became 60, I have taken a price increase. Why do not we see what happens instead of saying that I will do this or I will not do this in such a dynamic market. Do you get what I am saying?

Amit Narekar: No, I understand. I am just saying that for investors who want to basically may want to take a call of whether what will the company do if the currency moves either way. I am not saying that you are buying yourself to something but a general principle…

Radhika Piramal: If you look at our track record in the last two years regarding our degree and frequency of price increases, you have seen that management is taking price increases in a moderate manner in response to the currency depreciation. There have not been 10- 15% price increases at a single shot, I personally do not believe that is very successful in the market but taking 5% price increase every three to four months has happened consistently in the last 18 months.

Moderator: The next question is a followup from the line of Niket Shah from Motilal Oswal, please go ahead.

Niket Shah: Radhika could you just tell me what would have been the soft luggage and the hard luggage growth in the quarter YOY?

Radhika Piramal: We are looking at an overall growth of 8%, hard luggage is flat and soft luggage was growing at about 11or 12%.

Niket Shah: So, the entire growth actually comes from soft luggage and when you mentioned about price increase, I just wanted to know any price increase we have also taken in the CSD part of it and how easy it is to actually take price increase on a regular basis in CSD?

Radhika Piramal: It is a bit of a process just like it is to recover the money. It is to do just with following the process, which takes some time. It is happening. We took one price increase on some products in June and we are hoping to take the next price increase in August/September and we have already submitted our proposal and they have to review it and then they will approve it.

Niket Shah: Sure and the price increase that we are likely to take for the trade segment going forward, would that be across all categories or only for soft luggage?

Radhika Piramal: It is actually going to be across categories because even the PP prices are high.

Niket Shah: So, when you actually mention across categories, it will be across all product categories within soft and hard individually and not on selective products within soft and hard.

Radhika Piramal: Yes, this time we are going for a more across the board category than ever before.

Moderator: Thank you. The next question is from Srinath Krishna from Sundaram Mutual Fund, please go ahead.

Srinath Krishna: Just one quick question. What would be our net import exposure as a percentage of sales?

Radhika Piramal: As a percentage of sales, soft luggage sales are 70% of our company sales.

Srinath Krishna: Net imports, like for example, 50% are RM to sales, of which how much would be imported, 85% would be imported?

Radhika Piramal: I am not commenting on that.

Shraddha Sheth: Radhika, just wanted understanding of your guidance on 5% growth for this year. Basically just wanted to understand this should be purely CSD led, because last year as I understand CSD degrew by almost about 20% right or…

Radhika Piramal: When did I give a guidance of 5% for year ahead?

Shraddha Sheth: You said volume growth of 5%.

Radhika Piramal: No, that was the industry growth. Somebody asked what do you think is the industry growth and my answer was 5% - 10% and there will be a value and volume total and then for Q1FY14, I said that we had 8% growth of which 4% is volume. I have not given any guidance.

Shraddha Sheth: And secondly, on the gross margin. Just wanted to know at the current currency level, with the price increases that we have taken, what should be the gross margin we should be maintaining because

Radhika Piramal: Jogendra, do you want to comment on that or is it too early to say?

Jogendra Sethi: It is too early to say. It has been an extremely volatile quarter and without knowing what the rupee is going to be tomorrow and two weeks from now, we cannot give any gross margin guidance for even the current quarter that is Q2FY14.

Shraddha Sheth: Sure, we can take the next question.

Moderator: Thank you. Currently there are no further questions. I would now like to hand the floor over to Ms. Shraddha Sheth for closing comments.

Shraddha Sheth: Yes Radhika, any closing comments from your side?

Radhika Piramal: So, thank you everybody for dialing in. for those of you who have been following the stock and our performances in the last two years, I can say that our continued exposure to the depreciating rupee is somewhat challenging but I take quite a lot of satisfaction in the fact the CSD sales is back on track. Overall, we are showing a volume growth for the company. Our gross margins have declined to some degree. The sharp decline that we saw in the last two years has stopped and I feel quite confident that with our pricing policies going forward as well as all our marketing campaigns, we should be able to maintain these margins at current rupee level. If the rupee will further depreciate, we have plans in order to mitigate that. Those plans may take 12 months or 18 months or 24 months but we have a clear plan ahead on that and obviously there is a huge scope for margin expansion in case the rupee appreciate. Our overall competitive position remains strong and the launch of Caprese handbags has been very well received. So, I think our company is in a reasonable footing for the challenges ahead. With that thank you for your time and we will conclude this call.

Shraddha Sheth: Thank you so much Radhika and Jogendra.

Moderator: Thank you. On behalf of Edelweiss Securities limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

DISCLAIMER

General Disclaimer:

This report has been prepared by Edelweiss Securities Limited (Edelweiss). Edelweiss, its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. 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, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates/ 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. 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 report (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. We and our affiliates, group companies, officers, directors, and employees 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 advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. 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 Edelweiss and affiliates/ 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 inform themselves about and 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. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. 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. Edelweiss Securities Limited generally prohibits its analysts, persons reporting to analysts and their dependents from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The information provided in these reports remains, unless otherwise stated, the copyright of Edelweiss. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright Edelweiss 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.

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.

Analyst holding in the stock: No.

Edelweiss 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 Edelweiss to present the data. In no event shall the Edelweiss 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 Edelweiss through this presentation.

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Enclave Capital, LLC ("Enclave").

Transactions in securities discussed in this research report should be effected through Enclave Capital, LLC.

Disclaimer for U.K. Persons

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

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

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

Disclaimer for Canadian Persons

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

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

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