

Godrej Consumer (GCPL IN)

Consumer: On the Road (Vol II)

The increasing popularity of mosquito repellent incense sticks will keep HI business under check

25 February 2019

INDIA | CONSUMER & RETAIL UPDATE

GCPL's household insecticides business (c.50% of domestic sales) is likely to face headwinds in the medium term due to: (1) increasing popularity of mosquito repellent incense sticks, (2) higher probability of unfavourable weather conditions, (3) government campaign on improving cleanliness reducing the incidence of mosquito-borne diseases, and (4) consumers shifting to traditional methods/natural products for repelling mosquitoes as they perceive existing products to have ill-effects on their health (although these products are fully compliant with norms and regulations). We highly acknowledge GCPL's R&D capabilities in the HI space, but the efficacy of its recently launched mosquito repellent incense sticks (vs. the unorganized sector's products) remains to be seen.

GCPL remains a high-conviction SELL (target of Rs 645 – 35x FY21 EPS) because apart from seasonality in the HI business, there are too many moving parts in the low-margin international business (c.50% of overall sales) and it has lower ROCEs vs. other FMCG players.

We visited Mumbai's leading mosquito repellent stick manufacturer and came back convinced that this format is here to stay due to high customer convenience, reach, and affordability. The business has been seeing very strong growth in the last couple of years. The manufacturer we met said that his products do not contain any harmful chemicals because the sticks only repel mosquitos and do not kill them. Our check with an erstwhile leading incense stick manufacturer from Bangalore who had shut down manufacturing due to low profitability and increased competition corroborated this statement.

Why have customers shifted to mosquito-repellent incense sticks from coil/cards?

- **Product efficacy:** These sticks burn for about 25-30 minutes and remain effective for 5-6 hours. Conversely, coils burn for much longer (2-3 hours) and generate a lot of acrid smoke that causes suffocation. Customers are already familiar with the incense-stick format (many Indians use the scented variety for religious functions), which is also driving conversion from coils. GCPL and Jyothy Labs have recently forayed into incense sticks, but we are yet to receive a final verdict from customers on their efficacy. **The player that we met claimed that products of organized players were not as effective as his products – their products were at risk of catching moisture if they were kept in the open for long, reducing their effectiveness.**
- **Good availability:** Many incense stick manufacturers (Knock out, Relax, Get Out) are openly selling on online platforms (claiming to be natural products), which leads us to believe that they could be compliant with GST/other regulations (otherwise these platforms would not allow the sale of these products). With unorganized manufacturers adopting the wholesale distribution model, these products are now available in every nook and corner of the country.
- **Incense sticks are far more effective than fast cards:** Fast cards are priced at Rs 1 per card and burn for only 30-60 seconds and their impact lasts for 1-2 hours. The effect of repellent sticks last for 5-6 hours and they are priced at almost similar levels, proving more effective.

What can curtail the solid growth rate of incense sticks?

- **Many fake/counterfeit and ineffective repellent sticks** have sprung up across the country. First-time consumers of these sticks could switch to other formats, or go back to their original formats forever, if their first experience proves ineffective.

The sample size of our channel checks provides only a small part of the bigger picture and our observations may not hold true at the national level. Nevertheless, we believe such exercises enable us to acquire a better feel of what is happening on the ground



Some large incense stick manufacturers in India

Vishal Gutka (+ 9122 6246 4118)
vgutka@phillipcapital.in

Preeyam Tolia (+ 9122 6246 4129)
ptolia@phillipcapital.in

- **Stringent action by regulatory agencies:** We believe growth in mosquito-repellent incense sticks could slow down if regulatory agencies take strict action against non-compliant manufacturers and if big HI companies organise a mega ad campaign highlighting the ill effects of harmful chemicals. It is going to be a challenging task for regulatory agencies to check the activities of non-compliant players (as seen in the case of illegal/contra band cigarettes, which continues to flourish) due to difficult terrain. Media reports indicate that regulatory agencies have taken some action in Orissa and AP, but we are very far away from total compliance.

Is it difficult to manufacture incense sticks?

- Mosquito repellent incense sticks can be manufactured within just 15 minutes and involve a single machine that costs only Rs 75,000. Our contact said that raw sticks are imported from China (available 25% cheaper than in India), and incense manufacturers apply the dough (a mixture of charcoal, gum powder, and other fragrance-related ingredients) onto the raw stick. Once these sticks dry, they are immediately packed.
- The manufacturer claimed that due to the easy manufacturing process and limited capital requirements, margins in this business are pretty low and one has to be pretty nimble in managing RM volatility because it is very difficult to pass input cost inflation to trade partners

Distribution for unorganised players in the mosquito-repellent business

Unorganized players sell directly to large wholesalers based in Masjid Bunder in Mumbai for cash, who in turn sell to smaller wholesalers. Large/small wholesalers are very keen on stocking this product because: (1) They do not have to maintain books of accounts and comply with GST requirements, and (2) apart from being lightweight and occupying less space, these sticks fetch higher margins vs. other products that they sell. Moreover, retailers also like to push products of unorganized players (upwards of 50%+) vs. organized players (maximum 25%) since they get higher margins.

Masjid Bunder is a key wholesale market in Mumbai

	Unorganized players	Organized players (GCPL)
MRP (Rs per pack of incense sticks)	15	15
Distribution margin	9	3-4*
Net sales realizations	6	11-12

Macro factors impacting HI demand

Retain negative view on GCPL

We continue to maintain our high conviction SELL on GCPL (target of Rs 645 – 35x FY21 EPS) as HI (50% of domestic business) is likely to see muted growth in the medium term due to: (1) increasing competition from unorganised incense stick players (hurting GCPL in its coils business) (2), the government’s campaign on cleanliness is reducing the prevalence of mosquitoes. Moreover, unfavourable weather conditions (intense rainfall/heat and cold) also lead to volatility in sales, affecting operating performance.

GCPL is also losing share in the hair colours market in urban India: Recent Nielsen data indicates that L’Oréal has become the market leader (25.8% share) overtaking GCPL (24%) in value terms in urban India due to higher salience from its salon channel and its positioning as an aspirational premium brand.

International business (50% of overall sales) has remained erratic due to geopolitical risks and macro-economic instability in key geographies. We do not expect meaningful improvement in the macro situation in the medium term. We believe GCPL shall get a lower valuation multiple vs. the FMCG pack because of these risks: (1) the seasonality in its HI business, geopolitical risks, and macro-economic challenges in its international business, and (2) lower ROCE (at 17-18% vs. mid-cap peers’ c.25 %+).

Health factor – also impacting demand of HI

Our ground checks revealed that some customers have stopped using household insecticides since they perceive these products to be carcinogenic, harming their health in the long term. We believe existing HI companies should run advertising campaigns to create awareness among customers that these products are free from harmful chemicals and are 100% fit for human consumption.

With a shift towards natural products across the globe, customers have started using traditional / old methods for repelling mosquitoes. Some have gone back to mosquito nets, even in urban areas.

Mosquito trap machines: We believe some customers have started installing mosquito trap machines, which although expensive (Rs 4,000-5,000), could prove quite effective with no health-related issues.

Alternative products that customers are using

Product	Price (Rs)	Comments
Mosquito net	800-1,000	Pros: It is effective, even in an outdoor environment and even when windows are open; no suffocation issues. Cons: Time consuming to set up, affects aesthetics of the room
Mosquito killer machine	5,000	Pros: Gets rid of mosquitoes without the use of pesticides and chemicals; odour and maintenance free Cons: Though it is a one-time cost, it is an expensive product unless companies try to tie up with NBFCs

Source: Company, PhillipCapital India Research

[A consultant pulmonologist and director of Getwell Hospital, Dr Rajesh Sawarnakar, said that one mosquito coil used per night in a household has the same effect on lungs as smoking 100 cigarettes a day](#)

How does the mosquito trap machine work?

1. It has six UV A LEDs; 3 back-to-back give maximum exposure to UV radiation with a precise radiation of 365nm +/- 5 nm. This radiation is extremely effective in luring mosquitoes and not harmful to human eyes.
2. These machines have a coating of titanium dioxide just underneath the canopy, which generates very minute CO₂ (carbon dioxide), simulating mammal body conditions, which attracts mosquitoes. Mosquitoes come close to the machine and are sucked into the draft of air caused by the rotation of a fan inside the machine.
3. The trapped mosquitoes are then deposited into a meshed can at the bottom of the machine and eventually dehydrate and die. Dead mosquitoes are caught inside the can making the operation very clean.
4. Other advantages: It does not contain any vaporizer/chemicals/pesticides, making it clean as human do not inhale anything. Moreover, since it functions on portable power, it does not require any electricity.



Extreme weather conditions

Mosquitoes find it difficult to survive in extreme weather conditions (heat/cold and rainfall) and we believe extreme weather condition acts as a deterrent for household insecticides. Since the past 4-5 years, extreme weather conditions (extended and extreme winter and summer seasons) have started affecting India too, and the HI business. Demand for these products declines if mosquitoes do not germinate due to extreme weather or fluctuations.

Globally, countries are seeing dramatic shifts in climate. Australia recently faced a heat wave in which temperatures crossed 40°C, which was a multi-year high for the country. Recently in the US, temperature dropped significantly due to the Polar Vortex, according to National Pest Management Association. As per studies, Earth's global average temperature is likely to rise every year and recently researchers have predicted that the average global temperature could increase between 1.4° and 5.8° Celsius by 2100.

Improved cleanliness and better sanitation might lead to lesser use of HI products

Swachh Bharat Abhiyan (Clean India Mission), introduced in 2014 to drive cleanliness and build public toilets through Open Defection Free (ODF) mission, is creating awareness among citizens to keep their surroundings clean – which is reducing mosquito breeding.

Government allocation towards cleanliness programme Swachh Bharat

Swachh Bharat Mission (SBM) (Rs bn)	FY16	FY17	FY18
Rural	67	105	169
Urban	8	21	25
Total Allocation	75	126	194

Google is trying some interesting experiment to eliminate mosquitoes

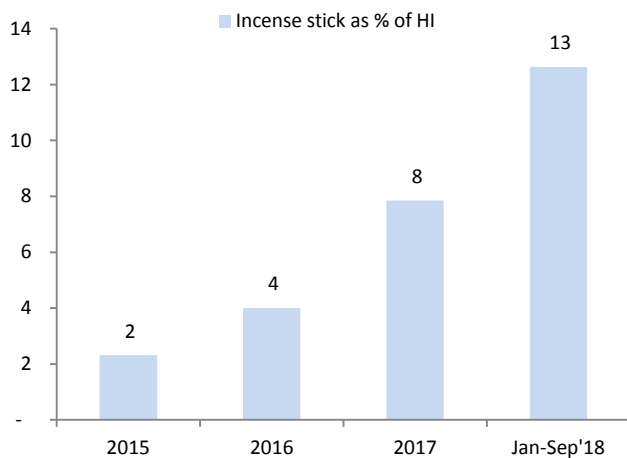
- Alphabet, Google’s parent company, plans to eradicate mosquitoes all over the world through laboratory-bred wolbachia (a common bacterium) infecting male Aedes Aegypti mosquitoes, which are originally African. These are responsible for spreading dengue, chikungunya, zika fever, and yellow fever and are found in tropical regions in more than 120 countries including India.
- Wolbachia-infected male mosquitoes don’t bite humans, but when they mate with females, the eggs laid from such a union do not hatch.
- Recent tests were conducted in California’s Fresno County.

HI segment mix

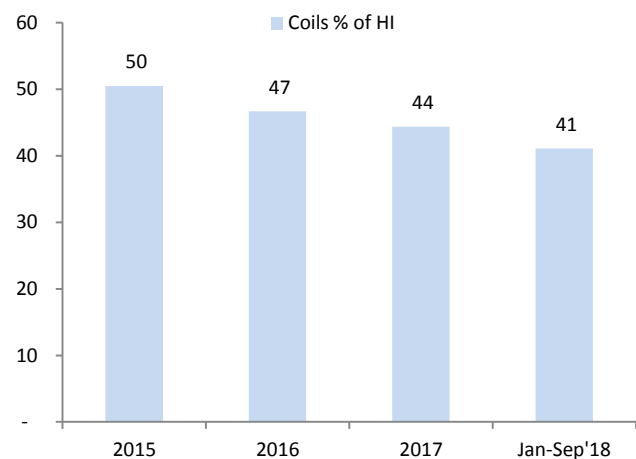
Segment (Rs mn)	2015	2016	2017	Jan-Sep'18
LV - Refill	11,800	13,140	14,200	11,530
Coils	15,920	16,000	16,660	12,530
Cards	3,090	3,760	3,740	2,570
Incense Sticks	730	1,370	2,950	3,850
Total	31,540	34,270	37,550	30,480

Source: Company, PhillipCapital India Research

Incense sticks now constitutes 13% of HI business



Customers have started switching from coils to incense sticks based on the latter’s performance



Source: Company, PhillipCapital India Research

Organised players claim that the sticks of unorganised players contains the insecticide Fenobucarb, which incumbents say drives growth for these players. It is used as an insecticide for rice and cotton and is derived from methylcarbamic acid and a 2-sec-butylphenol. Fenobucarb is moderately toxic for humans and prohibited by law. Inhaling the chemical can cause various health complications, such as eye and skin irritation, dizziness, excessive sweating, central nervous system depression, and abdominal pain. Overexposure can also lead to nausea, diarrhoea, vomiting, headache, runny nose, watery eyes, pinpoint pupils, muscle weakness, bronchospasm, and difficulty in breathing, wheezing, a slower or faster heart rate, and seizures.

Food for thought

Can ITC make a big entry into the mosquito-repellent incense sticks business?

With its brand *Mangaldeep*, ITC is a leading player (second-largest after Cycle Agarbatti) in the regular incense sticks market which has a total market size of Rs 50bn, equally split between organized and unorganized players. ITC is a market leader in the *dhoop* segment – these thicker sticks emit more smoke and better fragrance than *agarbattis* (incense sticks).

We believe there is a good probability of ITC making a big entry into mosquito repellent incense stick leveraging its ‘hole in the wall’ distribution network and its deep expertise in incense sticks. The mosquito repellent incense sticks market has now reached quite a meaningful size (Rs 6bn) for ITC to make a dent. The key challenge will be to make its product efficacious (vs. unorganized players who could be using harmful chemicals) and receiving timely product approvals from regulators. Jyothy Labs had said in its 2QFY19 concall that incense sticks do not require regulatory approval (from the Central Insecticides Board) if the product contains only natural ingredients.

We believe that if ITC tastes success in the mosquito-repellent incense stick segment, it might foray into other sub-segments (aerosols, liquid vaporizers) of the HI market. Existing players will keep saying that receiving product approvals + brand building is time consuming. However, we believe that R&D capabilities play an important role in this category since customers are ultimately looking for solutions to their problems and are less bothered about the brand. ITC has a decent track record of creating differentiated products. We believe some kind of collaboration/acquisition is possible between Global Consumer Products (run and owned by A Mahendran – a veteran in household insecticides), since its brand (DND) has not been able to make much headway after its launch two years ago.

Mumbai's largest incense sticks manufacturer – pictures from office and factory visit



Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year.

Rating	Criteria	Definition
BUY	>= +15%	Target price is equal to or more than 15% of current market price
NEUTRAL	-15% > to < +15%	Target price is less than +15% but more than -15%
SELL	<= -15%	Target price is less than or equal to -15%.

Disclosures and Disclaimers

PhillipCapital (India) Pvt. Ltd. has three independent equity research groups: Institutional Equities, Institutional Equity Derivatives, and Private Client Group. This report has been prepared by Institutional Equities Group. The views and opinions expressed in this document may, may not match, or may be contrary at times with the views, estimates, rating, and target price of the other equity research groups of PhillipCapital (India) Pvt. Ltd.

This report is issued by PhillipCapital (India) Pvt. Ltd., which is regulated by the SEBI. PhillipCapital (India) Pvt. Ltd. is a subsidiary of Phillip (Mauritius) Pvt. Ltd. References to "PCIPL" in this report shall mean PhillipCapital (India) Pvt. Ltd unless otherwise stated. This report is prepared and distributed by PCIPL for information purposes only, and neither the information contained herein, nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment, or derivatives. The information and opinions contained in the report were considered by PCIPL to be valid when published. The report also contains information provided to PCIPL by third parties. The source of such information will usually be disclosed in the report. Whilst PCIPL has taken all reasonable steps to ensure that this information is correct, PCIPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and PCIPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

This report does not regard the specific investment objectives, financial situation, and the particular needs of any specific person who may receive this report. Investors must undertake independent analysis with their own legal, tax, and financial advisors and reach their own conclusions regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Under no circumstances can it be used or considered as an offer to sell or as a solicitation of any offer to buy or sell the securities mentioned within it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which PCIL believe is reliable. PhillipCapital (India) Pvt. Ltd. or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments at this date and are subject to change without notice.

Important: These disclosures and disclaimers must be read in conjunction with the research report of which it forms part. Receipt and use of the research report is subject to all aspects of these disclosures and disclaimers. Additional information about the issuers and securities discussed in this research report is available on request.

Certifications: The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst(s) have no known conflict of interest and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific views or recommendations contained in this research report.

Additional Disclosures of Interest:

Unless specifically mentioned in Point No. 9 below:

- The Research Analyst(s), PCIL, or its associates or relatives of the Research Analyst does not have any financial interest in the company(ies) covered in this report.
- The Research Analyst, PCIL or its associates or relatives of the Research Analyst affiliates collectively do not hold more than 1% of the securities of the company (ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
- The Research Analyst, his/her associate, his/her relative, and PCIL, do not have any other material conflict of interest at the time of publication of this research report.
- The Research Analyst, PCIL, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in this report, in the past twelve months.
- The Research Analyst, PCIL or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report.
- PCIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.
- The Research Analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Research report.
- The Research Analyst and PCIL has not been engaged in market making activity for the company(ies) covered in the Research report.
- Details of PCIL, Research Analyst and its associates pertaining to the companies covered in the Research report:

Sr. no.	Particulars	Yes/No
1	Whether compensation has been received from the company(ies) covered in the Research report in the past 12 months for investment banking transaction by PCIL	No
2	Whether Research Analyst, PCIL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1% of the company(ies) covered in the Research report	No
3	Whether compensation has been received by PCIL or its associates from the company(ies) covered in the Research report	No
4	PCIL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company(ies) covered in the Research report	No
5	Research Analyst, his associate, PCIL or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in the Research report, in the last twelve months	No

Independence: PhillipCapital (India) Pvt. Ltd. has not had an investment banking relationship with, and has not received any compensation for investment banking services from, the subject issuers in the past twelve (12) months, and PhillipCapital (India) Pvt. Ltd does not anticipate receiving or intend to seek compensation for investment banking services from the subject issuers in the next three (3) months. PhillipCapital (India) Pvt. Ltd is not a market maker in the securities mentioned in this research report, although it, or its affiliates/employees, may have positions in, purchase or sell, or be materially interested in any of the securities covered in the report.

Suitability and Risks: This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any securities referred to in this research report based upon the legal, tax and accounting considerations applicable to such investor and its own investment objectives or strategy, its financial situation and its investing experience. The value of any security may be positively or adversely affected by changes in foreign exchange or interest rates, as well as by other financial, economic, or political factors. Past performance is not necessarily indicative of future performance or results.

Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that PCIPL and the research analyst believe to be reliable, but neither PCIPL nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material, and are subject to change without notice. Furthermore, PCIPL is under no obligation to update or keep the information current. Without limiting any of the foregoing, in no event shall PCIPL, any of its affiliates/employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind including but not limited to any direct or consequential loss or damage, however arising, from the use of this document.

Copyright: The copyright in this research report belongs exclusively to PCIPL. All rights are reserved. Any unauthorised use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the PCIPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

Caution: Risk of loss in trading/investment can be substantial and even more than the amount / margin given by you. Investment in securities market are subject to market risks, you are requested to read all the related documents carefully before investing. You should carefully consider whether trading/investment is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. PhillipCapital and any of its employees, directors, associates, group entities, or affiliates shall not be liable for losses, if any, incurred by you. You are further cautioned that trading/investments in financial markets are subject to market risks and are advised to seek independent third party trading/investment advice outside PhillipCapital/group/associates/affiliates/directors/employees before and during your trading/investment. There is no guarantee/assurance as to returns or profits or capital protection or appreciation. PhillipCapital and any of its employees, directors, associates, and/or employees, directors, associates of PhillipCapital's group entities or affiliates is not inducing you for trading/investing in the financial market(s). Trading/Investment decision is your sole responsibility. You must also read the Risk Disclosure Document and Do's and Don'ts before investing.

Kindly note that past performance is not necessarily a guide to future performance.

For Detailed Disclaimer: Please visit our website www.phillipcapital.in

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report is a product of PhillipCapital (India) Pvt. Ltd. which is the employer of the research analyst(s) who has prepared the research report. PhillipCapital (India) Pvt Ltd. is authorized to engage in securities activities in India. PHILLIPCAP is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. 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"). 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 a Major Institutional Investor.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc, 40 Wall Street 59th Floor, New York NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through PHILLIPCAP. Rosenblatt Securities Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Rosenblatt Securities Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ownership and Material Conflicts of Interest

Rosenblatt Securities Inc. or its affiliates does not 'beneficially own,' as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. Rosenblatt Securities Inc, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Rosenblatt Securities Inc. is not aware of any material conflict of interest as of the date of this publication

Compensation and Investment Banking Activities

Rosenblatt Securities Inc. or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither PHILLIPCAP nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

PHILLIPCAP may rely on information barriers, such as “Chinese Walls” to control the flow of information within the areas, units, divisions, groups, or affiliates of PHILLIPCAP.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by PHILLIPCAP with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of PHILLIPCAP and PHILLIPCAP accepts no liability whatsoever for the actions of third parties in this respect.

PhillipCapital (India) Pvt. Ltd.

Registered office: 18th floor, Urmi Estate, Ganpatrao Kadam Marg, Lower Parel (West), Mumbai – 400013, India.