Edelweiss Professional Investor Research
Insightful. Independent. Decisive.

Zydus Wellness Ltd

Edelweiss PROFESSIONAL INVESTOR RESEARCH
PMS • AIF • Prop Funds • Family offices

Praveen Sahay
Research Analyst
praveen.sahay@edelweissfin.com

Kapil Jagasia, CFA
Research Analyst
kapil.jagasia@edelweissfin.com

Date: 17th September 2020

Long Term Recommendation
Zydus Wellness Ltd

Edelweiss PROFESSIONAL INVESTOR RESEARCH
PMS • AIF • Prop Funds • Family offices

Attractive valuation, consolidation synergy benefit

Praveen Sahay
Research Analyst
Praveen.sahay@edelweissfin.com

Kapil Jagasia, CFA
Research Analyst
Kapil.jagasia@edelweissfin.com

CMP INR: 1,868
Rating: BUY
Target Price INR: 2,270
Upside: 22%

Bloomberg:	ZYWL IN
52-week range (INR):	1,100 / 1,919
Share in issue (cr):	6
M cap (INR cr):	10,876
Avg. Daily Vol. BSE/NSE :('000):	21
Promoter Holding (%)	67.85

Date: 17 September 2020

Zydus Wellness Ltd (ZWL) is one of the leading Indian consumer wellness players with a strong presence in its niche markets. ZWL's revenues/EBITDA have grown at a CAGR of ~14%/17% over FY16-18 post appointment of new management under leadership of Mr Tarun Arora (appointed as WTD in May 2015) led by successful launch of innovative products across segments and improving distribution network. We believe ZWL to clock EBITDA/PAT CAGR of 14.2%/47.2% over FY20-23E riding potent catalysts like: a) Acquisition Synergy benefits; b) superior execution of management; c) Products launch - several new & innovative variants; d) deepening distribution reach & aggressive A&P strategy. ZWL is trading at an attractive valuation of 32x/27x FY22E/FY23E earnings. We initiate coverage with 'BUY' and target price of INR 2,270 (22% upside).

Heinz's acquisition provides for larger addressable, low penetrated market

In FY19, ZWL had acquired the entire portfolio of Heinz India Pvt. Ltd. for a consideration of INR 4,595cr in return for the domestic & International rights for the three brands(except Complan which is only for India) under the Heinz India's umbrella. The acquisition has increased the addressable market size from ~INR 3,500cr to ~INR 12,000cr. Post the acquisition, the profile of the company has changed from a season-neutral, average customer age of 25+ years to a summer oriented, average customer age of 15+ year and the average penetration level of the combined portfolio brands now stands at ~17%, which presents a high visibility for volume growth in the foreseeable future.

ZWL's innovation focus shall help increase market share of Heinz's portfolio

Over the last two to three years, ZWL has upped its game in its existing portfolio with new launches such as Sugar free Green & SugarLite in the artificial sweeteners segment, entry into tan removal & face wash in the facial care segment and launch of mayonnaise in the Nutralite segment. Backed by strong R&D, we believe that there are a lot of white spaces for innovation in the Heinz portfolio - especially in Complan and Nycil.

Widening distribution network & merger synergies to drive topline & margins

With the consolidation, ZWL is expected to widen its distribution network with the pharmacy oriented distribution of ZWL (pre-acquisition) and strong general trade distribution of Heinz. Zydus/Heinz, both can push all its brands through each other channels in a bid to boost sales. Also, ZWL being agreessive in terms of A&P spend (~18% sales), Heinz's products will benefit from higher A&P. The company expects to gain synergies of at least INR 40cr due to rationalization of distributors and warehouse networks and higher bargaining power with suppliers.

Outlook & valuation: attractive valuation & strong earnings growth; initiate with 'BUY'

ZWL is expected to post a revenue CAGR of 9.2% over FY20-23E, led by the larger verticals of Glucon-D, Complan, Sugar Free primarily driven by the new innovative products launches specially in the acquired brands. The margins are expected to improve with merger synergy and operational efficiency. With faster than earlier revenue growth, merger synergies improving margins and gradual debt payoff to aid financial leverage over the next few years for ZWL. Also, the equity infusion of INR 1,100 crore would be utilize to reduce the gross debt. Given a lean balance sheet and negative WC days with strong brands, we believe that ZWL is trading at an attractive valuation of 27x FY23E EPS. We initiate with 'BUY' rating and target price of INR 2,270 based on 32x FY22E EPS.

Year to March (INR crore)	FY19	FY20	FY21E	FY22E	FY23E
Net revenue	843	1,767	1,883	2,086	2,299
EBITDA	185	321	375	426	479
Adjusted PAT	171	142	251	375	452
EBITDA margin (%)	21.9	18.2	19.9	20.4	20.8
PAT margin (%)	20.3	8.0	13.3	18.0	19.7
EPS basic (INR)	29.7	24.6	39.0	58.2	70.3
Diluted P/E (x)	63.5	76.7	48.4	32.4	26.8
EV/EBITDA (x)	66.4	38.4	33.2	28.5	24.7
RoCE (%)	6.3	6.1	7.0	7.9	8.8
RoAE (%)	8.9	5.4	6.1	7.7	8.8

Edelweiss PROFESSIONAL INVESTOR RESEARCH
PMS • AIF • Prop Funds • Family offices

Table of Contents

Structure

We estimate ZWL to clock 9.2% revenue CAGR over FY20-23E. The growth shall be led by the larger verticals of Glucon-D, Complan, Sugar Free primarily driven by new innovative product launches and distribution synergies. We expect to revive growth in the acquired brands which were on a declining market share trend in past few years. We expect a PAT CAGR of 47.2% over FY20-23E, led by the merger synergies which we except to play out from FY21 onwards and also debt pay off shall aid financial leverage. Given a lean balance sheet and negative WC days with strong brands, we believe the stock should trade at 32x FY23E, thereby giving a fair value of INR2,270.

ZWL is expected to post a decent revenue growth CAGR of 9.2% led by product innovation and distribution expansion. focus of the Management. Margin is also expected to improve led by merger synergies and operational efficiency.

(INR cr)	FY20	FY21E	FY22E	FY23E
Revenue	1,767	1,883	2,086	2,299
EBITDA	321	375	426	479
EBITDA margins	18.2	19.9	20.4	20.8
PAT margins	8.0	13.3	18.0	19.7

The return ratios contracted post acquisition. However, healthy cash accrual, limited capex and lower taxes in coming years to improve return ratios.

	FY20	FY21E	FY22E	FY23E
RoE (%)	5.4	6.1	7.7	8.8
RoCE (%)	6.1	7.0	7.9	8.8
Debt Equity (x)	0.4	0.1	0.0	0.0

We recommend a 'BUY' with target price of INR 2,270/share, valuing the stock at 30x on FY22 EPS estimates.

P/E multiple	FY20E EPS	CMP/Target
32x	INR 70.3	INR 2,270

EPS growth of 47.2% over FY20-FY23E + **FY20-23E RoE of (5.4-8.8)%** + **At 32x FY23E P/E**

Upside of [22%]

Zydus Wellness Ltd

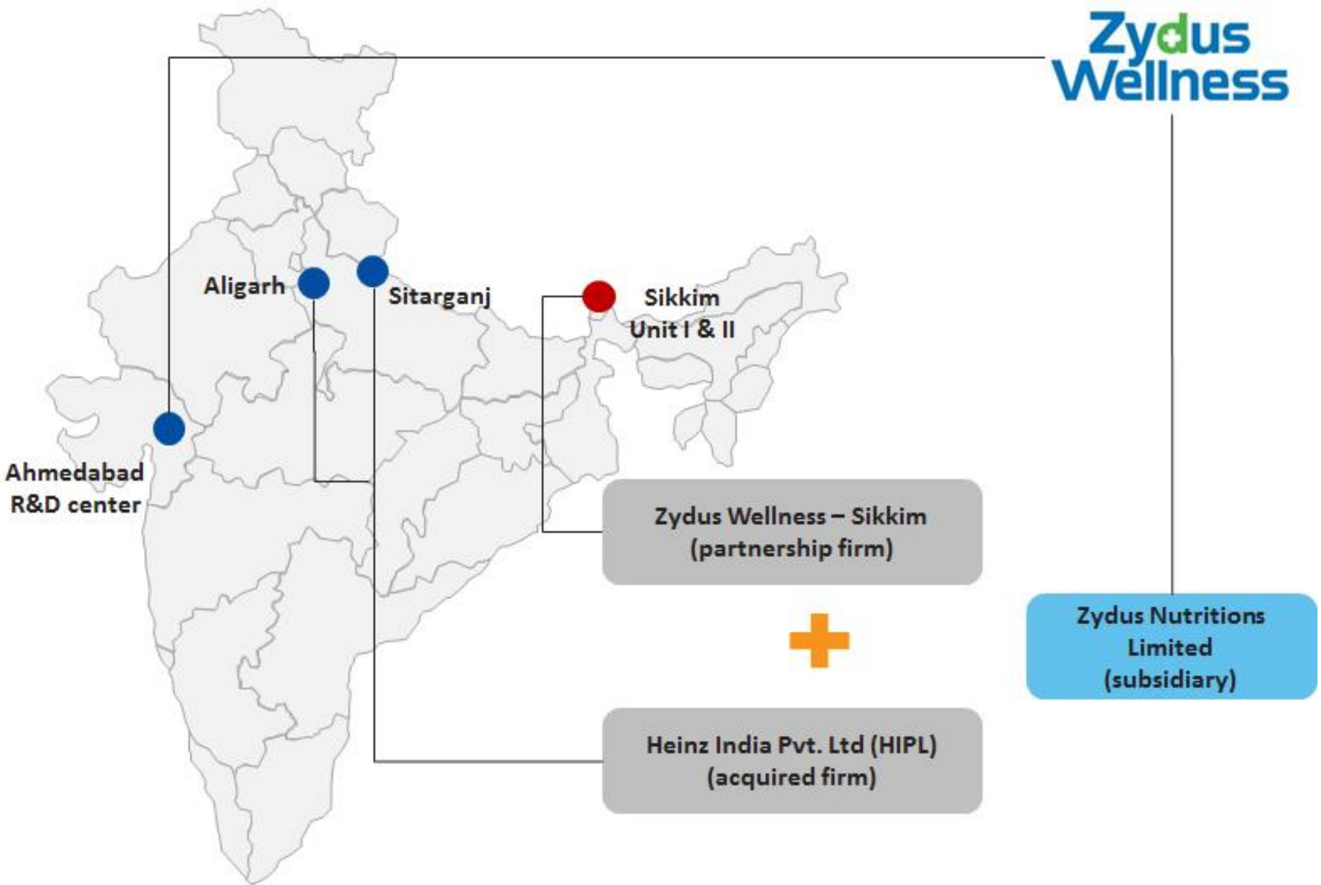
Structure

Average Daily Turnover (INR lakhs)			Stock Price (CAGR)				Relativity to Sensex CAGR (%)			
3 months	6 months	1 year	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years
78.3	59.4	41.2	8%	29%	19%	12%	6%	21%	11%	5%

Business Value Drivers

Nature of Industry	FMCG is a competitive industry but the penetration in India is very low resulting in an ever growing opportunity size
Opportunity Size	In the domestic markets, Zydus is present in categories with a total opportunity size of ~INR 12,000 Cr. However they can always enter new product categories in the future.
Capital Allocation	The leveraged buyout for the acquisition of Heinz India's portfolio will result in INR 1500 cr. of debt which will reduce with equity raising. Also, a high intangible number will strain the return ratios. However no incremental capex and negative working capital should improve financials
Predictability	While growth and margins have been steady over the last few years, the near-term after effects of merger along with higher seasonality may lead to volatility in earnings. However, the Management's focus on reducing seasonality through product innovation is commendable.
Sustainability	Although near term could be volatile, we believe all the brands are strong and hence we believe that with higher innovation and widening distribution reach, long term sustainability is intact
Disproportionate Future	As the product portfolio has expanded from 3 brands to 7 brands along with lot of room for innovation in the 3 acquired brands, we believe that the future can be disproportionate as compared to the past
Business Strategy & Planned Initiatives	The business strategy would be to use their strong R&D center to innovate more products in the acquired brands and restore the lost market share of these brands. The company would also leverage the strength across 2 different distribution channels to drive growth
Near-Term Visibility	Near term visibility is slightly hazy given the acquisition and seasonality in the acquired portfolio. However, the after merger plans are on track
Long-Term Visibility	As established FMCG brands generally have a long life cycle, we believe there is strong long term visibility given that ZWL is the market leader in 5 of its 7 brands
Near Term Risk	Delay in synergy benefits, Disruption in distribution
Long Term Risk	Competition from other brands, Merger not panning out as planned

Exhibit 1: Zydus Wellness's plant locations post acquisition:



Source: Company, Edelweiss Professional Investor Research

Story in a Nutshell

Exhibit 2: Leadership expected to continue…

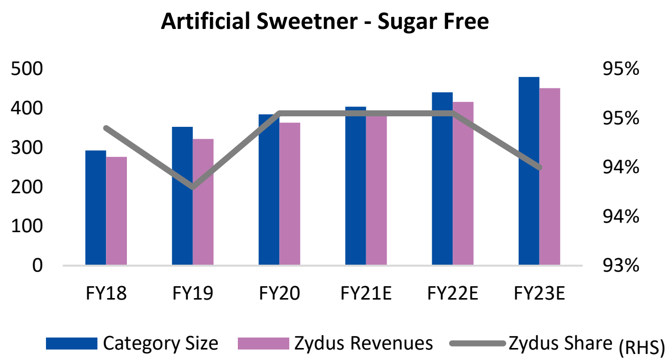


Exhibit 3: New launches to lead the growth…

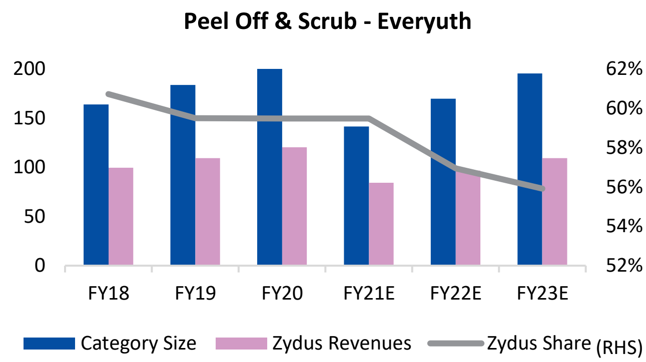


Exhibit 4: New launches to lead market share gain…

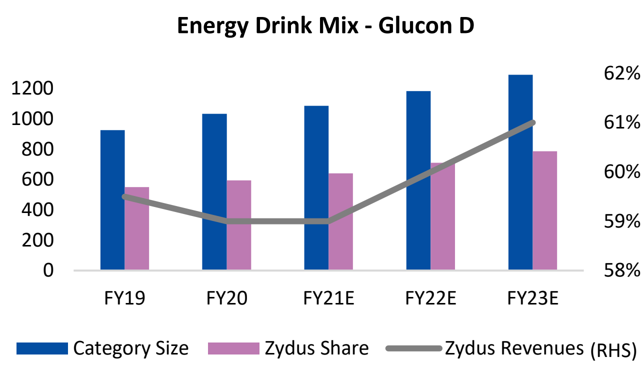


Exhibit 5: Nutralite to replace butter steadily…

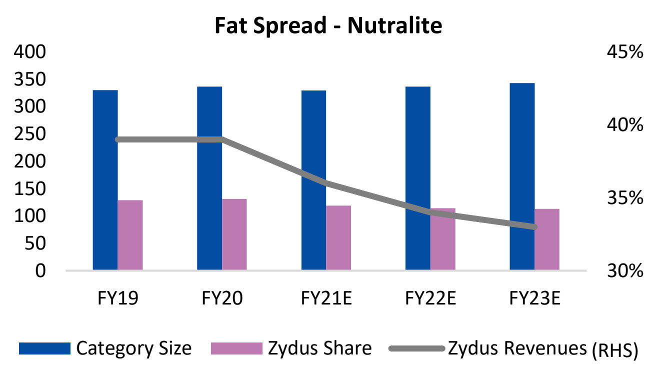


Exhibit 6: Innovation to lead growth…

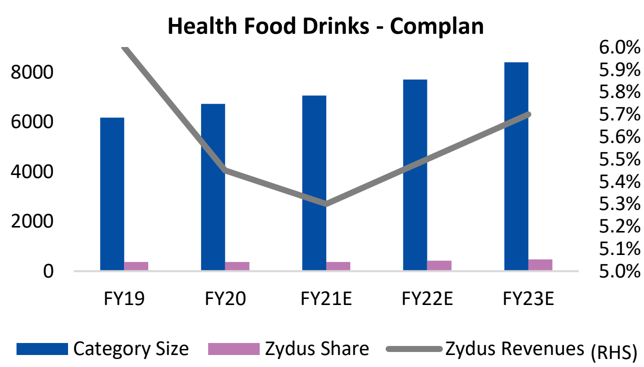
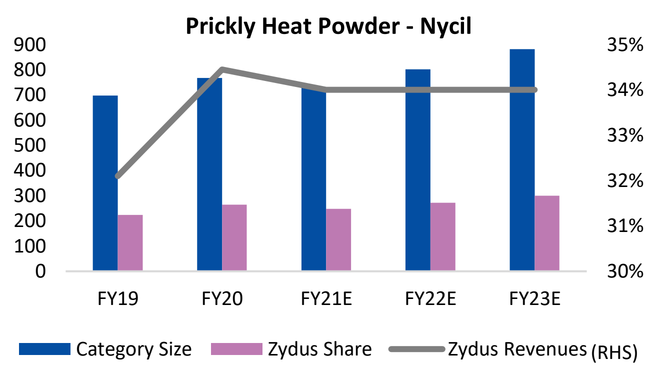


Exhibit 7: New launches to lead market share gain…



Source: Company, Edelweiss Professional Investor Research

Story in a Nutshell

Exhibit 8: Virtually being the category, growth is similar to category

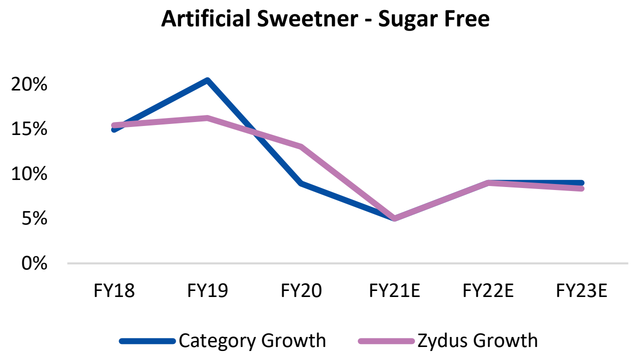


Exhibit 9: Expected to grow at category level

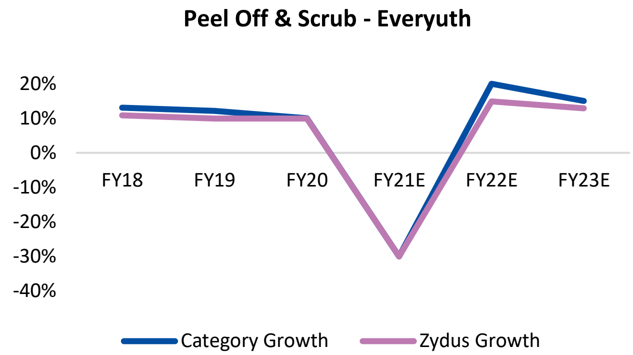


Exhibit 10: Market share to reduce; impacted by competition

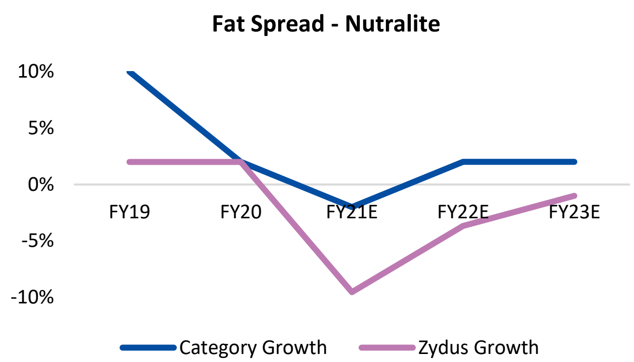


Exhibit 11: Expected to outperform category growth

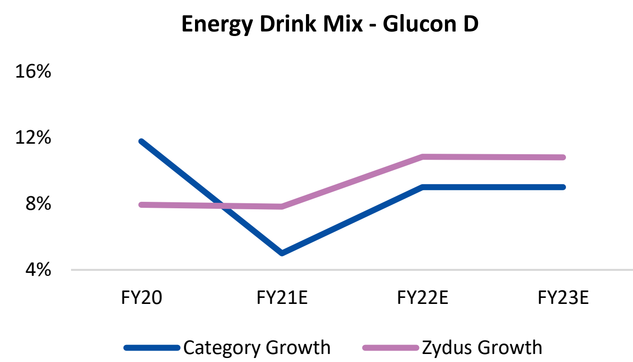


Exhibit 12: Expected to spring back to growth

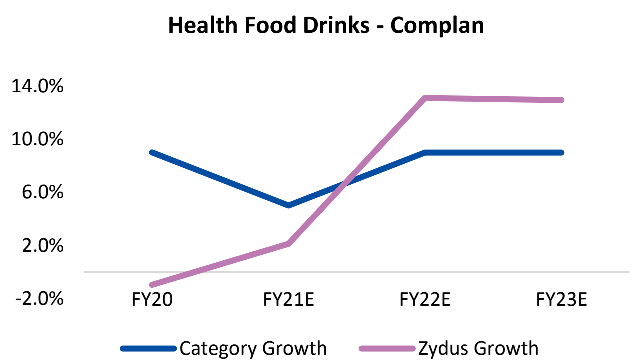
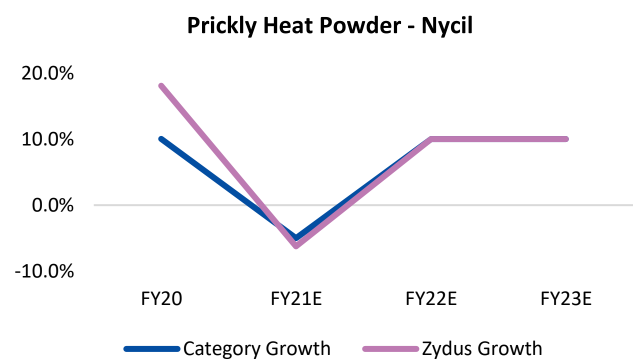


Exhibit 13: Expected to grow at category level



Source: Company, Edelweiss Professional Investor Research

I. Heinz acquisition provides for larger addressable, low penetrated market

In FY19, ZWL had acquired the entire portfolio of Heinz India Pvt. Ltd. for a consideration of INR 4,595cr in return for the domestic & International rights for the three brands(except Complan which is only for India) under the Heinz India's umbrella. The acquition has increased the addressable market size from ~INR 3,500cr to ~INR 12,000cr. Post the acquisition, the profile of the company has changed from a season-neutral, Pan India distribution, pharmacy oriented network and average customer age of 25+ years, to a summer oriented, high concentration in East India, general trade & pharmacy both network and average customer age of 15+ year and the average peneteration level of the combined portfolio brands now stands at ~17% (ZWL – 15% and HIPL – 19%), which presents a high visibility for volume growth in the foreseable future. The larger size of the combined entity provides for economies of scale, higher bargaining power with suppliers, distributors and this along with the transfer of best practices of the individual companies to the combined entity should help in improving the margin trajectory. The profile of the company has changed from a season-neutral, to a summer oriented. But, with the innovation focus, R&D capabilities, we expect the company to turn season neutral soon.

Exhibit 14: Post-acquisition positioning of Zydus Wellness:

	Of Brands	Category Size	Market Leadership Brands	Distribution Touchpoints	Direct Reach	FY20 Revenue	FY20 EBITDA (Margin)
Zydus Wellness	3	INR ~29bn	3	0.8mn	~0.25mn	INR~6.2bn	INR 1.0bn (~16.5%)
Acquired Portfolio From HIPL	4	INR ~96bn	2	1.7mn	~0.25mn	INR~11.5bn	INR 2.2bn (~20.0%)
Zydus Wellness	7	INR ~125bn	5	2-2.2mn	~0.4mn	INR~17.7bn	INR 3.2bn (~18.2%)

Source: Company, Edelweiss Professional Investor Research

Exhibit 15: Category Size & Market-share of the portfolio brands

		Category Size	Category Growth	Market Share
 Glucon D	**Category leader** growing with category	INR 1034 Cr	12%	59%
 Complan	**Legacy brand** in a low penetrated HFD category	INR 6726 Cr	9%	5.5%
 Nycil	**Category leader** growing faster than category	INR 767 Cr	10%	34.5%
 SugarFree	**Category creator** led by innovation	INR 385 Cr	9%	94.6%
 Everyuth	**Market leader** in Scrub and Peel Off, growing faster than skin Cleansers category	INR 2968 Cr	10%	6.1%
 Nutralite	**Market leader** in Butter Substitute			

Source: Industry, Company, Edelweiss Professional Investor Research

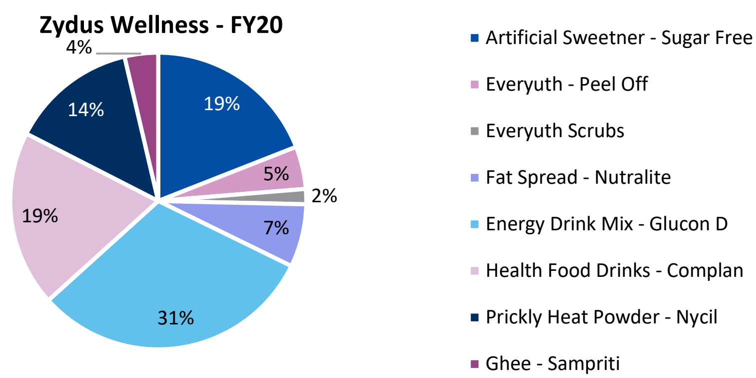
Exhibit 16: Revenue of the brands:

Zydus	Sugar Free Natura	everyuth naturals	Nutralite
(616 Cr)	INR 364 Cr #1	INR 120 Cr #1	INR 131 Cr #1

Heinz	Glucon-D Instant Energy	Complan	nycil	
(1,295 Cr)	INR 594 Cr #1	INR 367 Cr #5	INR 264 Cr #1	INR 70 Cr

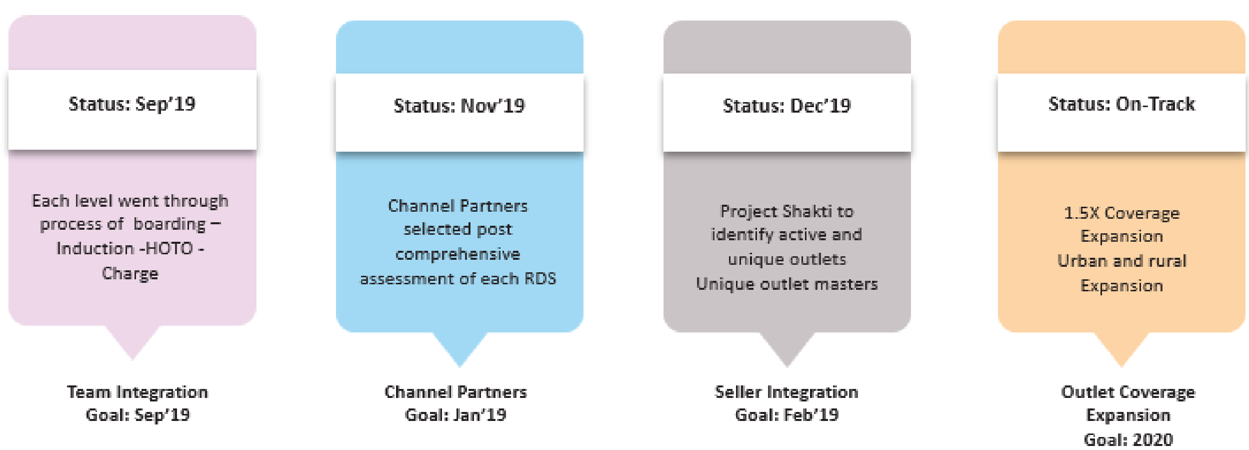
Source: Company, Edelweiss Professional Investor Research

Exhibit 17: Revenue split across brands post acquisition:



Source: Company, Edelweiss Professional Investor Research

Exhibit 18: Acquisition details – Status



Source: Company, Edelweiss Professional Investor Research

II. ZWL' innovation focus can help increase market share of Heinz's portfolio

Over the last two to three years, ZWL has upped its game in its existing portfolio with new launches such as Sugar free Green & SugarLite in the artificial sweeteners segment, entry into tan removal & face wash in the facial care segment and launch of mayonnaise in the Nutralite segment. Backed by strong R&D, we believe that there are a lot of white spaces for innovation in the Heinz portfolio - especially in Complan and Nycil.

The company has a very strong R&D team led by Mr Govindarajan Raghavan, who had previously worked in reputed organisations like The Himalaya Drug Company, Dabur International as head of R&D, product development. Further, the backing of a strong R&D team of the pharmaceutical parent Cadila Healthcare Ltd., & recent partnering with a 3rd party for product development give us strong conviction in the R&D capability & delivery. Currently, the company spends around 1.7% of its revenues in R&D, which is a healthy number. Backed by strong R&D, we believe that there are lot of white spaces for innovation in the Heinz portfolio - especially in Complan, Nycil.

Recently, they have changed the brand image of Nycil and launched two new variants which has already increased its share from 32% to 34.5%. We believe they can regain the lost share in Complan too.

Exhibit 19: White Spaces which can be explored under different brands

Complan	Glucon-D	Nycil
Women's Health	Energy Capsules	Baby prickly heat powder
Mother's Health	Sports Drinks (Gatorade)	Anti-rash creams
Protein	Oral Rehydration Salt (Electral)	Lotions and moisturizer
Lite (Less Sugar)	Ready to Drink	
Ready to Drink		

Source: Company, Edelweiss Professional Investor Research

Exhibit 20: HFD segment opportunity

	GSK CH	COMPLAN	MONDELEZ	ABBOTT	DANONE
Children (0-2) years	Junior Horlicks	NutriGro	Bournvita Li'l Champs	Similac, PediaSure	Protinex
Children (2-7) years	Horlicks	Complan	Bournvita		Protinex
Brown Malt	Boost, Maltova, Horlicks	Complan	Bournvita	PediaSure	Protinex
Taste Focussed	Horlicks	Complan	Bournvita	PediaSure	
Immunity	Horlicks	NutriGro			Protinex
Protein (0-18) years	Horlicks Growth+	White Space Opportunity			Protinex grow
Protein Specific (18+) years	Horlicks Cardia+				Protinex
Health (Women)	Women's Horlicks			Ensure	
Weight Loss/Metabolic	Horlicks			PediaSure	Protinex diabetes care
Health (Mother's)	Horlicks			PediaSure	Protinex
Ready To Drink	Junior Horlicks			PediaSure	

Source: Company, Edelweiss Professional Investor Research

III. Market leader in five of seven portfolio brands, expect to cover lost ground in others

Pre-acquisition, ZWL was the market leader across all the brands in its portfolio. Sugarfree, Everyuth and Nutralite were leaders in their segment with their share varying between 40% to 90% for these brands, signifying the successful focussed strategy of the company which resulted in market leadership across the brands. In the acquired portfolio as well, ZWL is the market leader in the Energy drink mix category and prickly heat powder category via the brands of Glucon-D and Nycil, whereas it is at a distant fifth position in the Health Food Drinks category via Complan brand.

Exhibit 21: ZWL Five market leader brands

Source: Company, Edelweiss Professional Investor Research

Heinz brands had lost market share due to lack of focus over the last few years

Due to the lack of the parent company's focus on Indian operations as it is not a part of their core business, Heinz India Pvt. Ltd (HIPL)has reported subdued sales and margins over past 5-6 years. HIPL reported a loss of market share for its products, Complan's share in the HFD (Health food drinks) segment dropped from 10% to 5.5% over the last five years. Even Nycil's market share went down from 45% in early 2000's to 32% in FY19. This was primarily due to the lack of innovation and sticking to the legacy brand positioning and not changing as per the customer's needs as globally, Kraft Heinz is trying to make portfolio leaner and focus only on core categories of ketchup and ready to eat breakfast etc and hence have sold/in the process of selling many of non core global brands. Some of the non-core businesses which Kraft Heinz sold/in the process of selling globally: a) Possible sale of Breakstone, the cottage cheese, sour cream and butter brand. b) Considered selling the Maxwell House coffee brand. c) Sold its Canadian natural cheese business to Parmalat for USD1.23 bn last year (CY19).

Exhibit 22: Heinz India Pvt. Ltd.'s Growth Metrics (%)

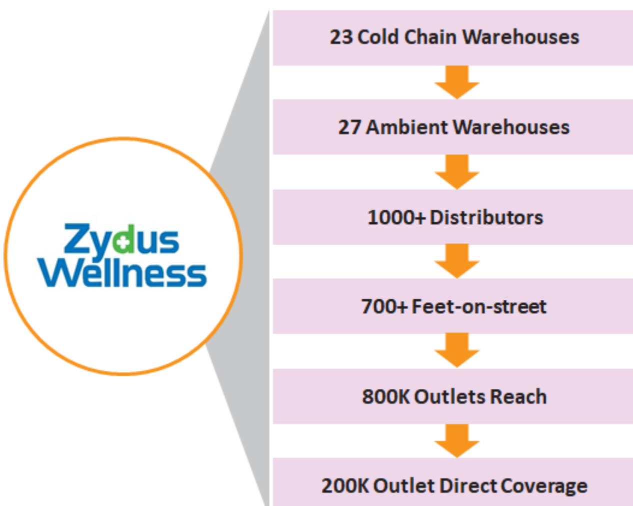
Year to March	FY14	FY15	FY16	FY17	FY18
Revenues	(6.6)	9.6	(10.0)	1.7	(7.3)
EBITDA	(44.3)	79.7	18.7	(24.2)	(47.0)
PBT	(27.3)	50.7	18.7	(22.7)	(45.0)
Net profit	(26.8)	30.2	10.4	(20.2)	(47.9)
EPS	(26.8)	30.2	10.4	(21.6)	(50.0)

Source: Company, Edelweiss Professional Investor Research

IV. Widening distribution network & merger synergies to drive topline and margins

With the consolidation, ZWL is expected to widen its distribution network with the pharmacy oriented distribution of Zydus (pre-acquisition) and strong general trade distribution of Heinz. Zydus/Heinz, both can push all its brands through each other channels in a bid to boost sales. Also, ZWL being agreessive in terms of A&P spend (~18% sales), Heinz's products will benefit from higher A&P. The company expects to gain synergies of at least INR 40cr due to rationalization of distributors and warehouse networks and higher bargaining power with suppliers.

As a result of this acquisition, the number of distributors decreased from ~1800+ of the individual companies combined to ~800+ of the merged entity while at the same time expanding the footprint. Because of the larger size of the combined entity and adoption of the best practices of the individual companies, we expect manufacturing efficiencies to kick in across multiple processes. Also, economies of scale at the combined entity level should aid the margin going ahead. The company expects to gain synergies of at least INR 40 Cr due to rationalization of distributors and warehouse networks and hire bargaining power from suppliers.



Source: Company, Edelweiss Professional Investor Research

Exhibit 23: ZWL looking to build the distribution reach to 3.5mn outlets in next few quarters

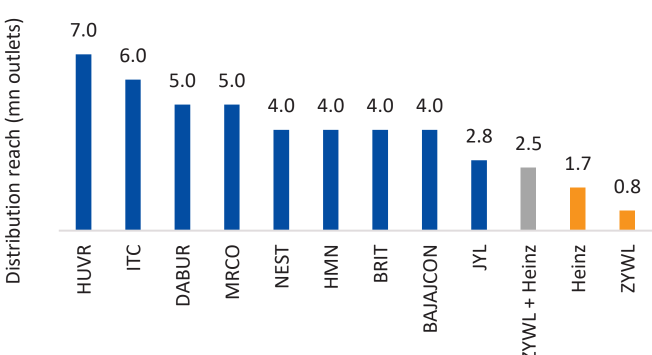
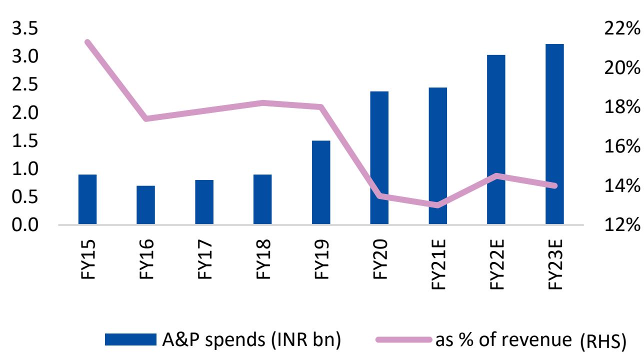


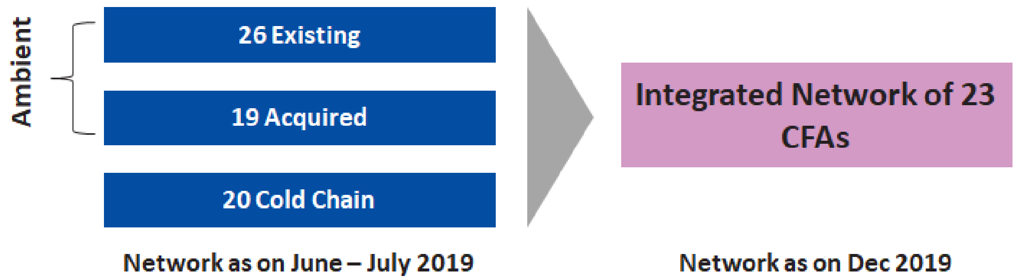
Exhibit 24: A&P spends to remain at elevated levels to support brand building



Source: Company, Edelweiss Professional Investor Research

V. ZWL: Focus on supply chain efficiency

Post consolidation, the company is working on supply chain synergies to reduce expenses related to inventory and simultaneously loss in sales through procurement synergy and start of integrated planning and fulfillment process. Further, ZWL is focus on reducing logistics cost through warehouse and CFAs optimization and revision in incentive structure with significant savings and improved in customer service.



Source: Company, Edelweiss Professional Investor Research

The post consolidation, ZWL is building stronger IT backbone to migrate all major applications and infrastructures from Kraft Heinz Global Systems to equivalent Zydus Wellness systems e.g. Critical applications like Distributor Management Systems (DMS), vendor management and reverse auction platform (ARIBA) etc. to stream line the business processes and supply chain.

VI. New management initiatives to revamp the growth

ZWL's revenues/EBITDA have grown at a CAGR of ~14%/17% over FY16-18 post appointment of new management under leadership of **Mr Tarun Arora** (appointed as Additional Director and Whole Time Director in May 2015) led by successful launch of innovative products across segments and improving distribution & branding. In his tenure over the last four years, he has been instrumental in turnaround of the company performance by accelerating the topline and bottomline growth on back of innovations, laying the foundation for international business and building high performing leadership team. Each of the market leading brands of the ZWL have seen improvement in growth as well as in market shares under post his appointment led by launches such as three new variants under the Sugar Free brand, taking the total number of variants to five. Further, he has also led the re-launch of Nycil with a new clinically proven formula which gives visible results against prickly heat in three days along with the change in packaging which highlights the coolness factor. Two new variants of Cool Aloe and Cool Lime have been launched and have received favorable initial response from the consumer. Further, he also led the launch of Everyuth tan-removal and Nutralite Mayonnaise. These initiatives have resulted in strong market share gain especially a strong recovery in the key market in South.

The revenue of the company under post his appointment has grown by **8.5%/19.1%/64.4%** in **FY17/FY18/FY19**, which are superior numbers compared to the recent past performance of the company. Further, the PAT growth for the three years under his leadership were **5.7%/22.7%/25.4%,** respectively**.**

Previously, he was Chief Executive, India business at Danone Waters prior to joining ZWL. He has also worked with various FMCG and retail companies like Wipro, Bharti Walmart, Godrej and Sara Lee. Mr.Arora has expertise in the areas of Brand Development, Go-to-Market strategy and Innovation, which he is implementing in ZWL.

Exhibit 25: New product launched

Source: Company, Edelweiss Professional Investor Research

Segment details

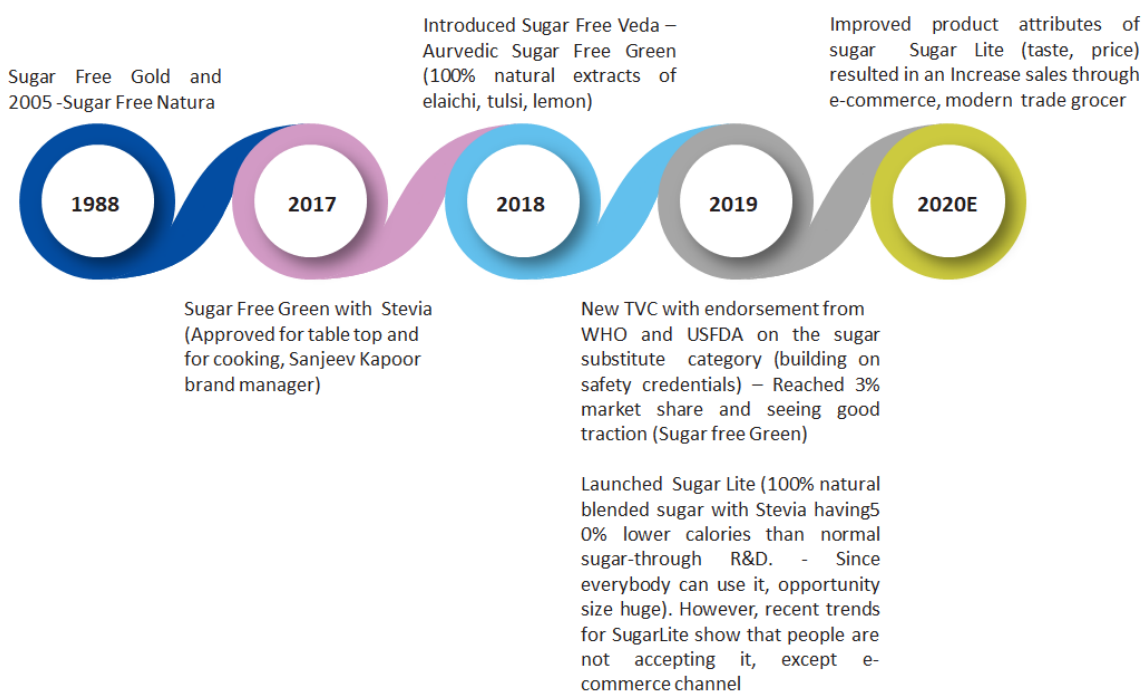
Pre-merger, ZWL offered only 3 brands - Sugar Free, Nutralite and Everyuth. Post-acquisition of Heinz India's consumer wellness business, helped it to expand its product portfolio by adding brands like Complan, Nycil, Glucon-D and Sampriti Ghee. Pre-acquisition, Sugar Free was the flagship brand of the company contributing over 65% of revenues. However, post-acquisition of Heinz portfolio, Sugar Free contribution to overall sales has come down to 19% with Glucon-D and Complan contributing the highest in terms of sales at 31%+ and 19%, respectively. Its offerings in the Personal care portfolio: Nycil and Everyuth contribute 14%+ and 7% of the overall sales.

Brands	Revenue contribution %
Glucon-D	31%
Complan	19%
Sugar Free	19%
Nycil	14%
Everyuth	7%
Nutralite	7%
Sampriti Ghee	4%

Source: Company, Edelweiss Professional Investor Research

I. **Sugar Free:** The sales are mostly (~80%) pharmacy driven but with the changing brand positioning from being mainly for the diabetic patients to the current narrative of being for both diabetic patients as well for anyone aspiring for a healthy lifestyle, the company is now pushing sales via modern trade and also approaching general trade through the Heinz distribution channels which we believe could spur growth.

Exhibit 26: Timeline:



Source: Company, Edelweiss Professional Investor Research

Exhibit 27: Sugar Free driving the category growth

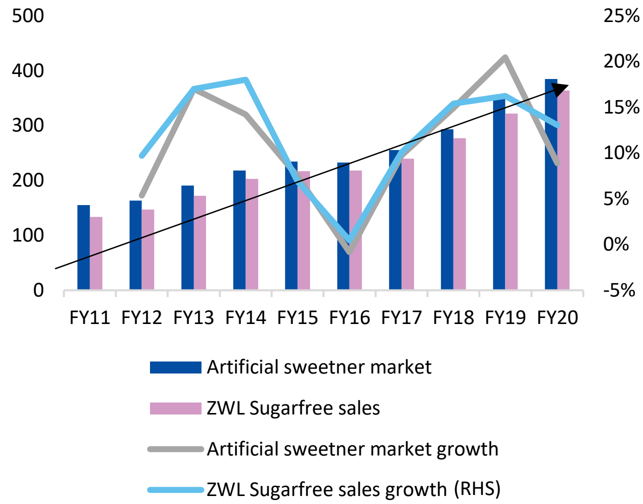
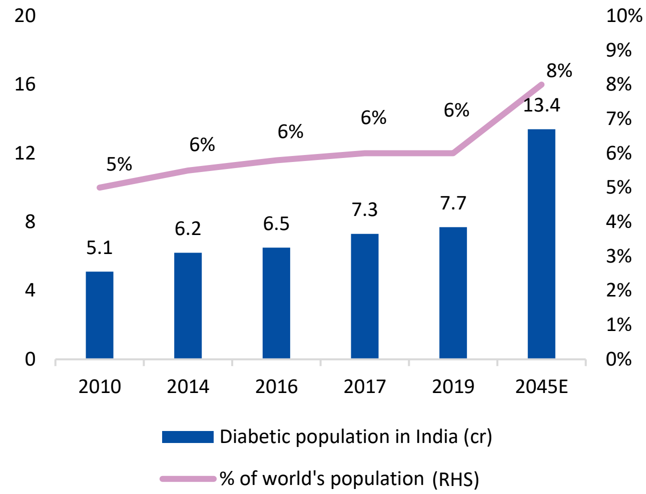
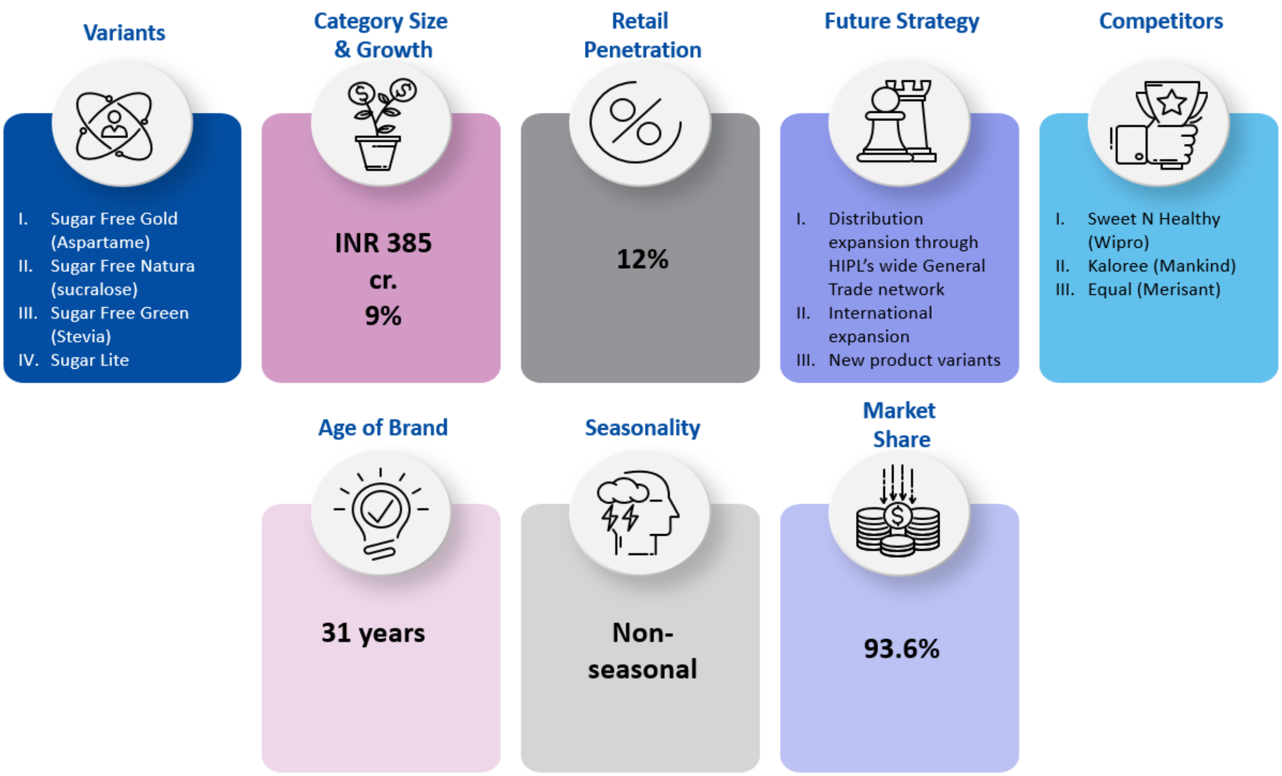


Exhibit 28: …primarly led by diabetic population



Source: Company, Edelweiss Professional Investor Research

Exhibit 29: Business Model Canvas for Sugar Free



Source: Company, Edelweiss Professional Investor Research

Exhibit 30: Peer Comparison

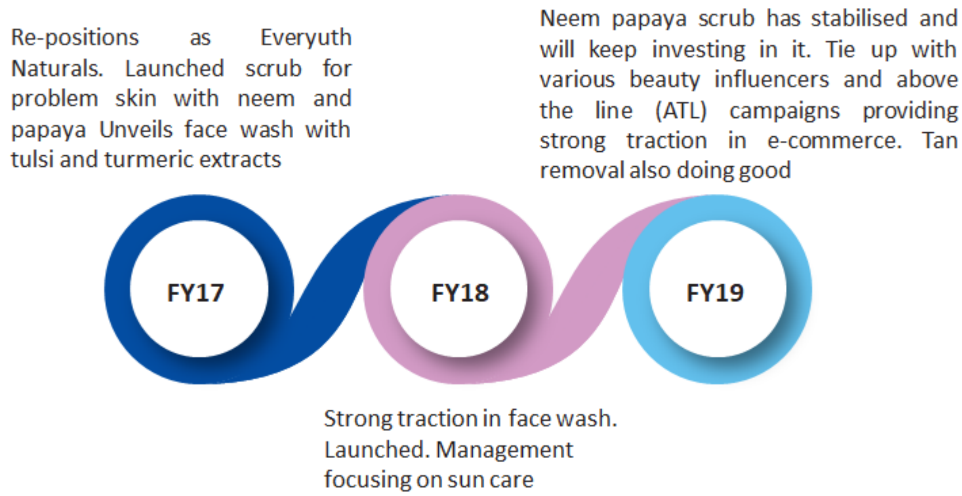
Parameter	Sugar free Gold	Sweet n Healthy
MRP	235	260
No. of tablets	500	300
Cost/tablet	0.5	0.9
Manufacturer	ZWL	Wipro

Parameter	Sugar free Natural	Kaloree
MRP	300	225
No. of tablets	500	400
Cost/tablet	0.6	0.6
Manufacturer	ZWL	Mankind

Source: Company, Edelweiss Professional Investor Research

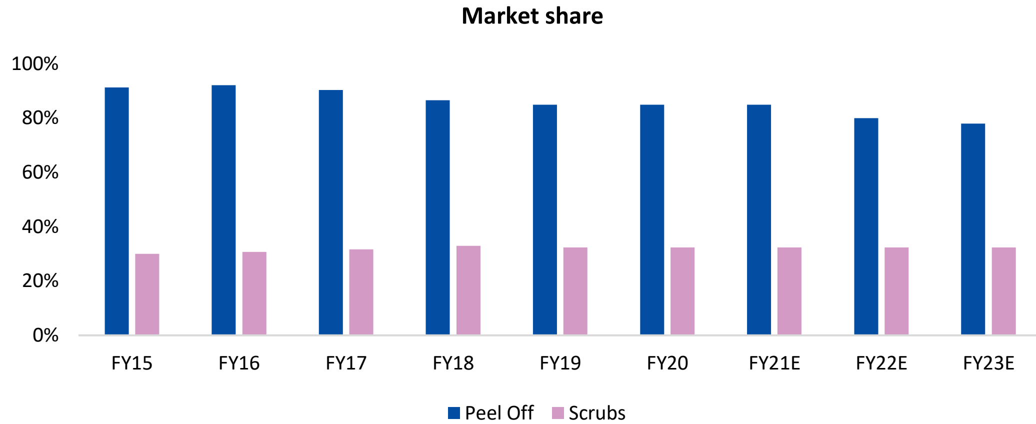
II. **Everyuth:** The brand has been present in the facial care domain since the last 28 years, with presence in the scrub & peel off. However, recently ZWL has entered the INR 2700 cr. facewash segment and currently has a less than 1% share. They have also entered the tan removal range segment which is a new segment. **So now it has presence in 4 categories.**

Exhibit 31: Timeline (recent):



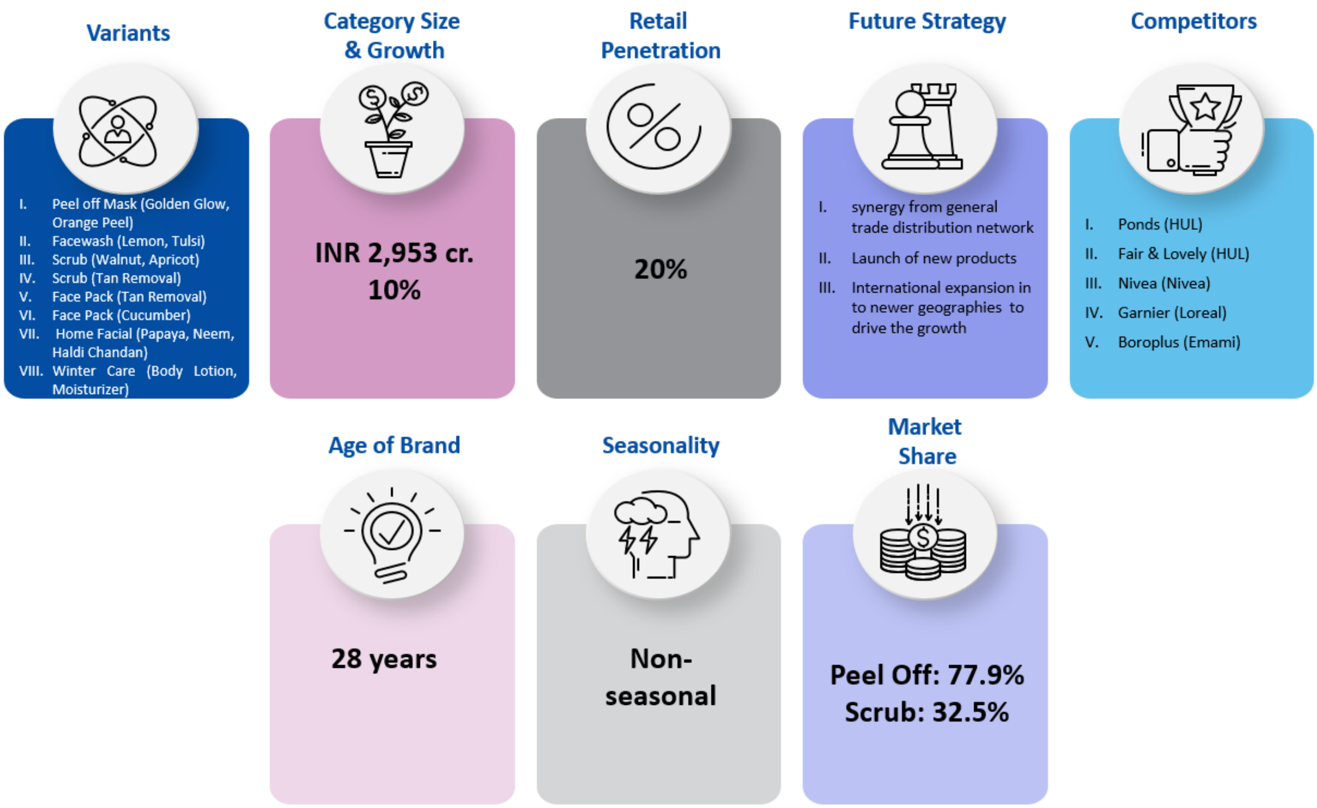
Source: Company, Edelweiss Professional Investor Research

Exhibit 32: Market leader in niche categories that are backed by a strong R&D



Source: Company, Edelweiss Professional Investor Research

Exhibit 33: Business Model Canvas for Everyuth



Source: Company, Edelweiss Professional Investor Research

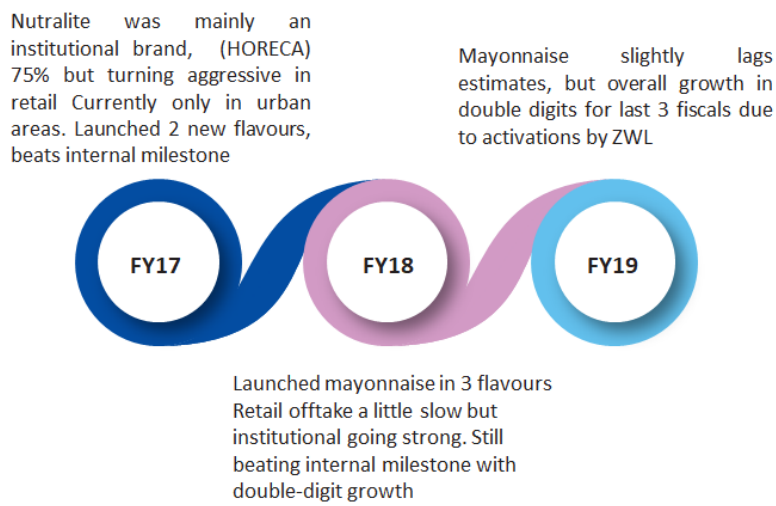
Exhibit 34: Peer Comparison

Parameter	Walnut Scrub	Walnut Scrub	Bio Walnut Scrub	Walnut Scrub
MRP	199	130	140	180
No. of tablets	200	100	100	80
Cost/tablet	1.0	1.3	1.4	2.25
Manufacturer	ZWL	Himalaya	Biotique	VLCC

Source: Company, Edelweiss Professional Investor Research

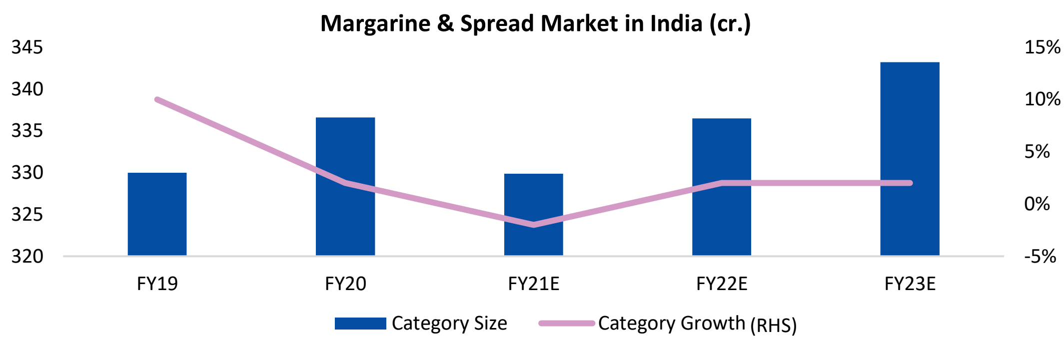
III. **Nutralite:** The brand operates in two segments of table spread & margarine. Table spread is an alternative for butter & is armed with cholesterol fighters like PUFA (poly unsaturated fatty acids) and MUFA (mono unsaturated fatty acids) and thus is a blend of taste and health. Margarine is a processed food that is designed to taste and look similar to butter. It is often recommended as a heart-healthy replacement and the modern types of margarine are made from vegetable oils.

Exhibit 35: Timeline (recent):



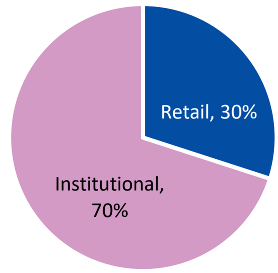
Source: Company, Edelweiss Professional Investor Research

Exhibit 36: Butter & Margarine market is growing rapidly led by Institutional Sales



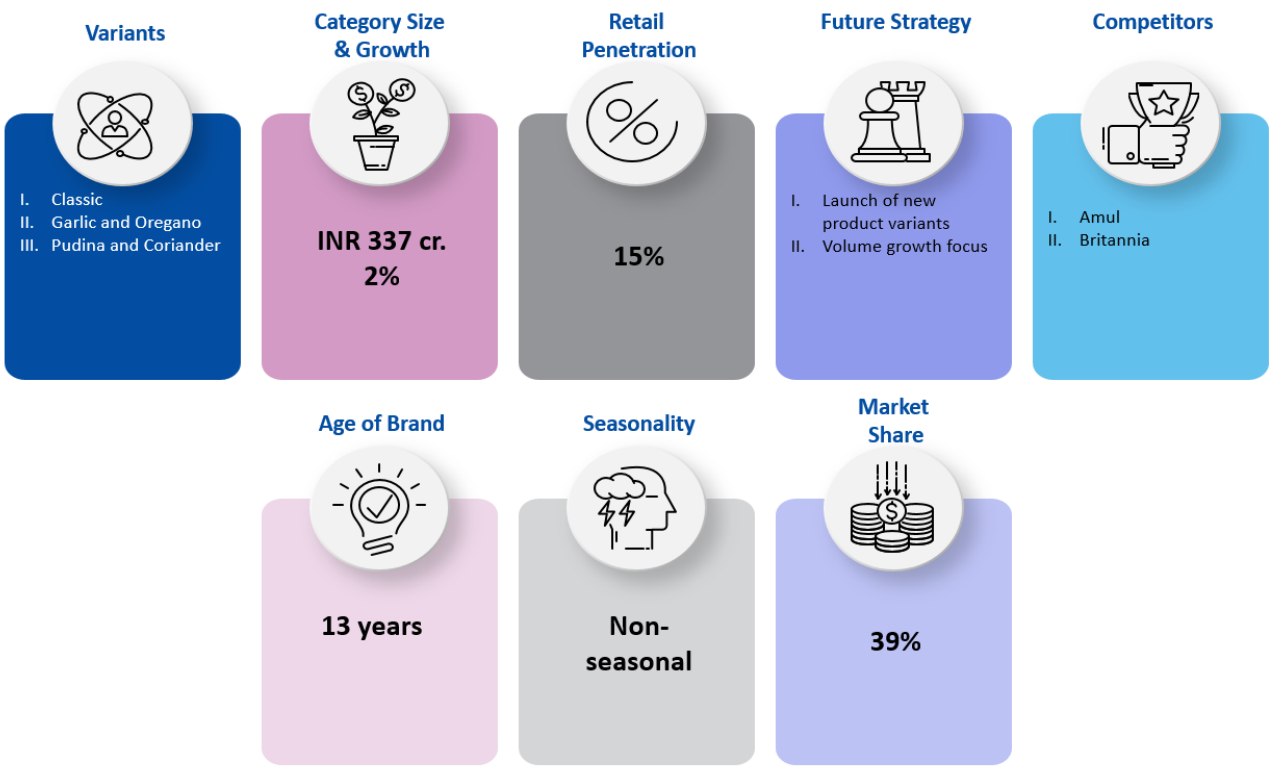
Source: Company, Edelweiss Professional Investor Research

Exhibit 37: Institutional vs Retail Sales



Source: Company, Edelweiss Professional Investor Research

Exhibit 38: Business Model Canvas for Nutralite



Source: Company, Edelweiss Professional Investor Research

Exhibit 39: Peer Comparison

Parameter	Classic	Bread Spread Lite
MRP	180	52
No. of tablets	500	200
Cost/tablet	0.36	0.26
Manufacturer	ZWL	Amul

Parameter	Garlic & Oregano	Garlic & herbs
MRP	85	49
No. of tablets	200	100
Cost/tablet	0.425	0.49
Manufacturer	ZWL	Amul

Source: Company, Edelweiss Professional Investor Research

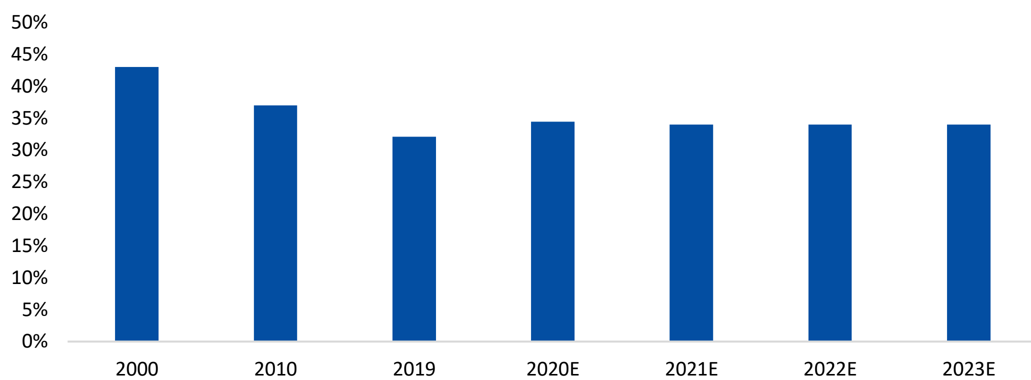
IV. Nycil: The prickly heat powder is an INR 761cr category expected to grow at ~10% CAGR over the next 3-4 years. It is a seasonal product with around ~85% to ~90% of the sales coming in during the summer season. The brand has consistently maintained its leadership in the markets but the market share had reduced over the years from ~40% in early 2000s to ~32% in FY19.

Recently, the company has changed its positioning of the product post re-launch of new variant which are based on clinically proven formula and new packaging that received positive response from market. The company has also launched two new variants of Cool Aloe and Cool Lime, which has already increased its share from 32% to 34.4% in FY20. Also, ZWL has changed communication from earlier cactus images (solution driven) to displaying that it has a coolness factor (in line with competitors). Higher A&P spends and new campaigns will aid growth. ZWL can push through the Nycil products through the pharma channel for better visibility. Nycil has relatively strong presence in North & East India, further company has plan to expand Pan India.

Improvement in Market Share

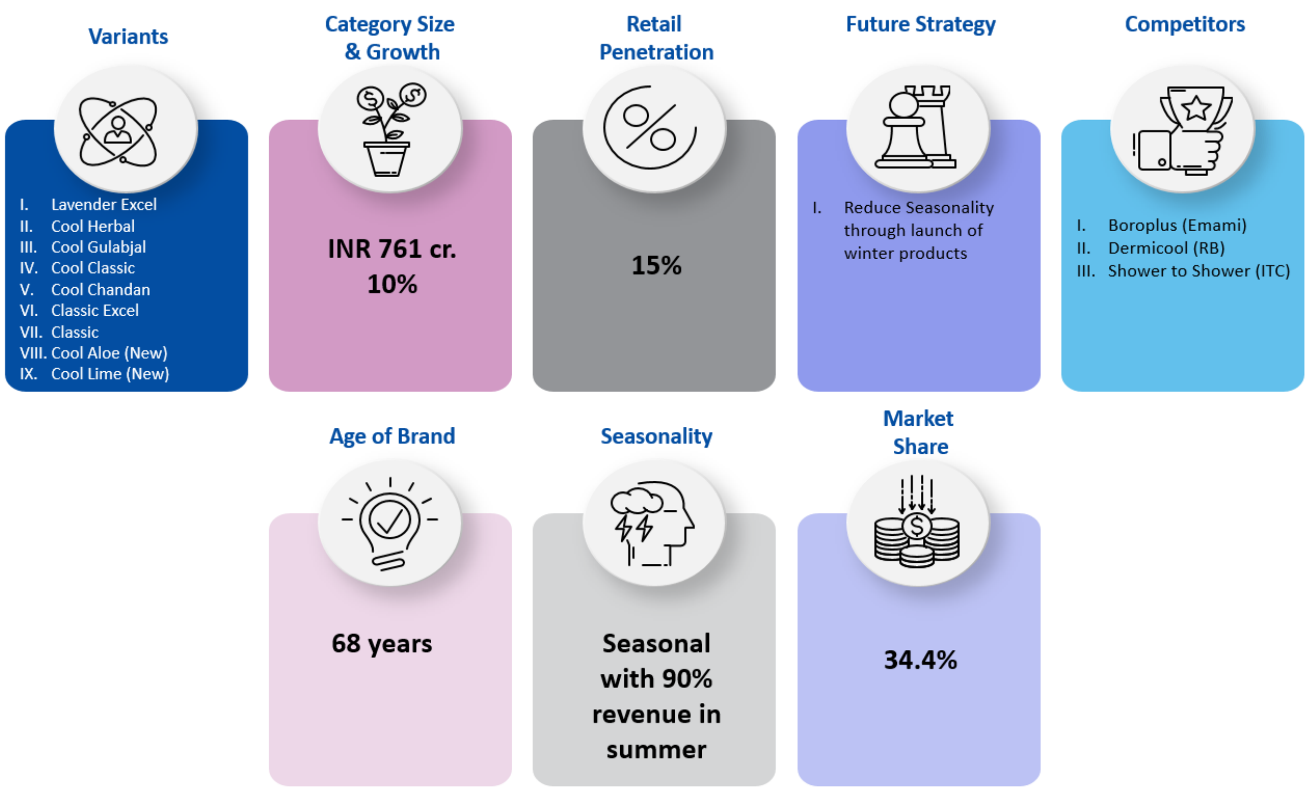
Nycil has reversed the trend of market share decline as the positioning is getting changed & launch of new products.

Exhibit 40: Nycil Market Share %



Source: Company, Edelweiss Professional Investor Research

Exhibit 41: Business Model Canvas for Nycil



Source: Company, Edelweiss Professional Investor Research

Exhibit 42: Peer Comparison

Parameter	Nycil Cool	Dermicool Prickly heat	Shower to Shower	Boroplus Prickly heat powder
MRP	105	105	105	100
No. of tablets	150	150	150	150
Cost/tablet	0.7	0.7	0.7	0.67
Manufacturer	ZWL	Paras Pharmaceuticals	ITC	Emami

Source: Company, Edelweiss Professional Investor Research

V. Glucon D: The energy drink mix is an INR 980cr category & is expected to grow at ~11% CAGR over the next 3-4 years. The brand has consistently maintained its leadership in the markets with around ~60% market share. It is a seasonal product with around ~80% of the sales coming in during the summer season, but Glucon D aims to reduce costs during off seasons and can move to a season neutral brand by launching ready to drink (RTD) sports drinks like Gatorade or tetra packs. Glucon D can now sell through the pharma channel and with higher ad spends (which Zydus follows) can gain momentum. Market share gains are slightly visible already.

Exhibit 43: Business Model Canvas for Glucon D

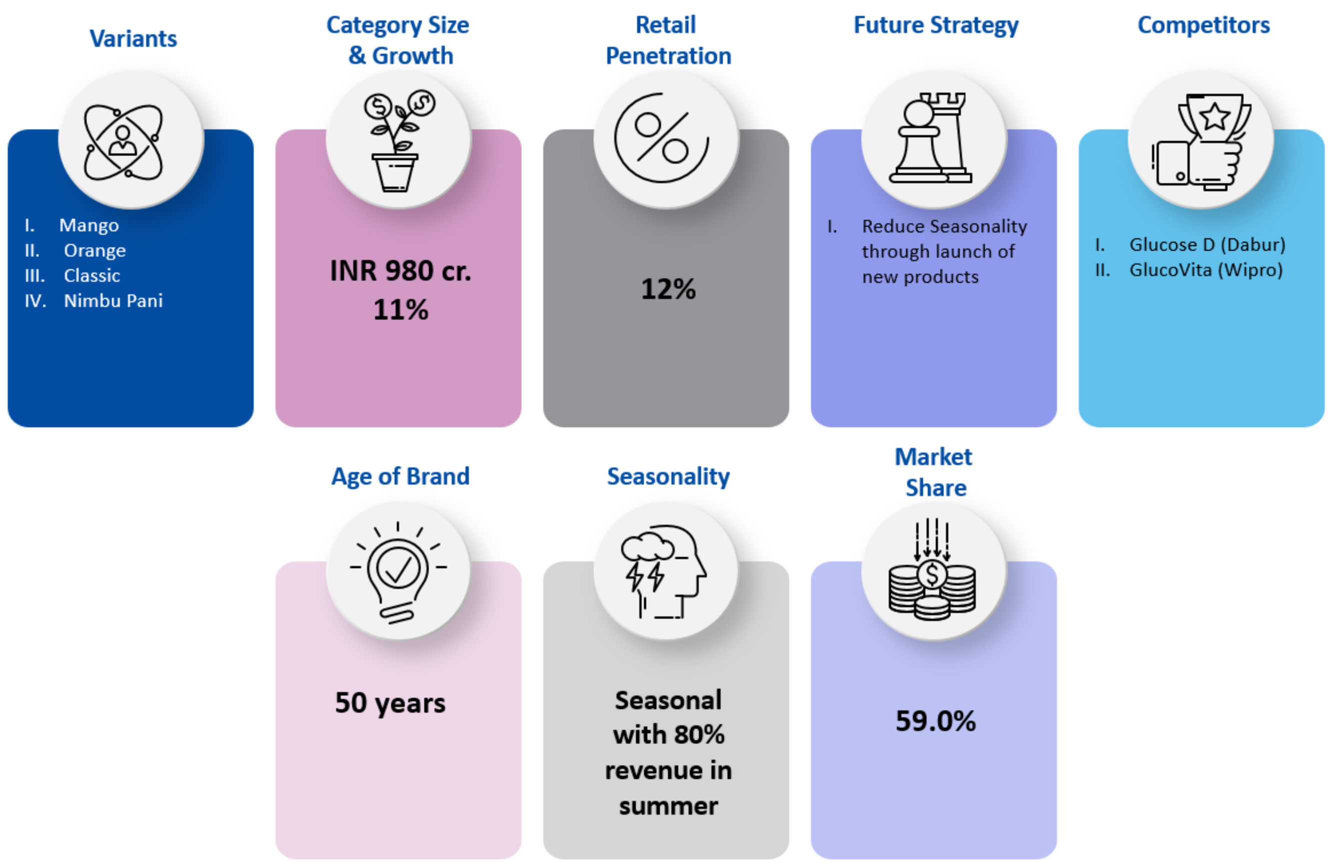


Exhibit 44: Comparison

Parameter	Glucon D	Glucose-D
MRP	36	30
No. of tablets	200	20
Cost/gm	18	15
Manufacturer	ZWL	Dabur

Source: Company, Edelweiss Professional Investor Research

vi. Complan: The HFD market in India is an INR 7300cr category and is expected to grow at ~6% for the next 3-4 years. The brand has been under pressure and has been losing market share which has come down to ~5.4% from around ~10% at the peak. The main reason for the decline in the market share was the lack of focus of the parent Kraft Heinz, which led to hardly any innovation and the brand failed to keep up with the changing preference of the end consumers. Thus, we believe that there is a big potential for turnaround as legacy has been pharma and strong solution oriented products developed by GSK has been succesful in the market, so with a strong R&D team delivering in SugarFree & Nycil, we expect it to innovate even in Complan. Also the strength of ZWL in pharma channel can be leveraged to increase distribution & hence the market share.

Exhibit 45: Fact Sheet - Complan

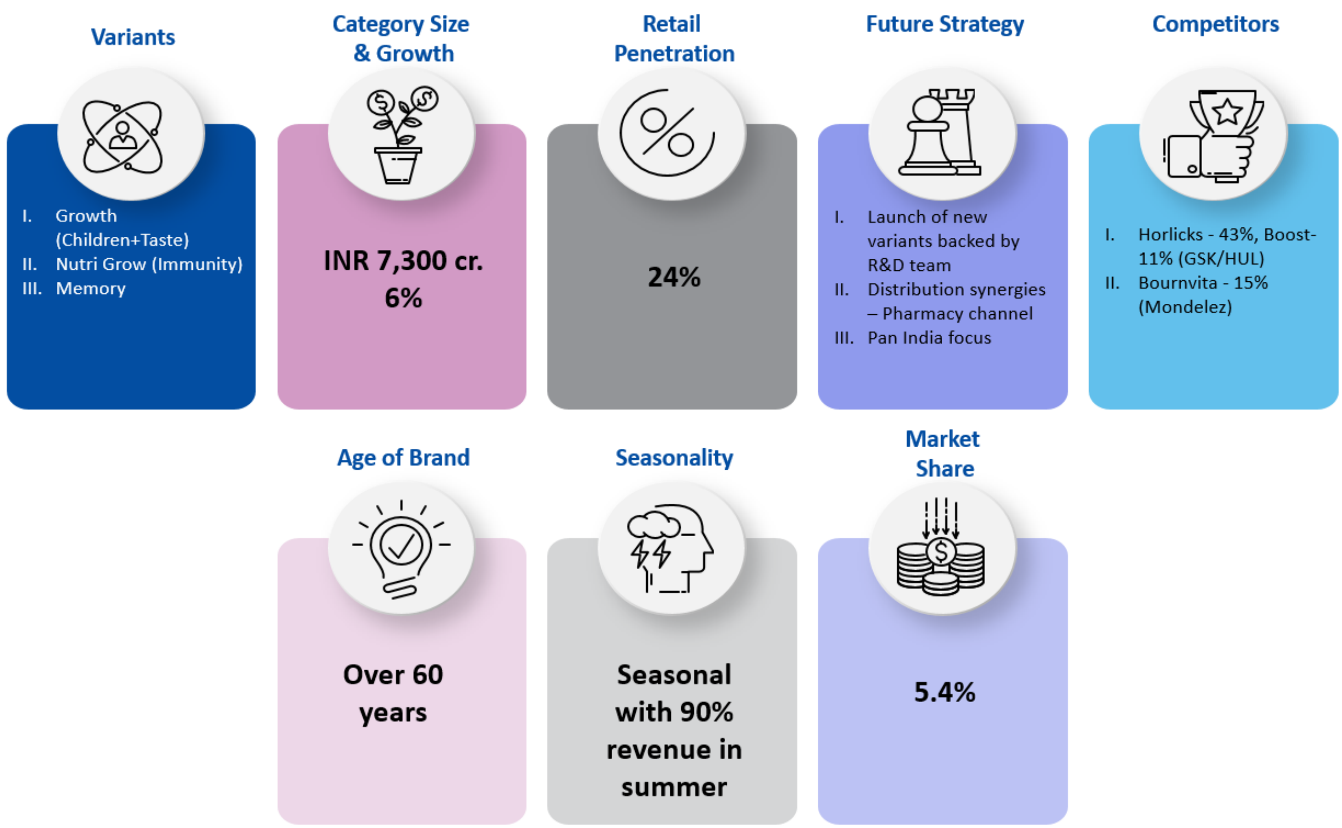


Exhibit 46: Peer Comparison

Parameter	Complan	Horlicks	Boost	Pediasure
MRP	245	204	230	520
No. of tablets	500	500	450	400
Cost/tablet	0.5	0.4	0.5	1.3
Manufacturer	ZWL	HUL	HUL	ABBOTT

Source: Company, Edelweiss Professional Investor Research

Key Risks

i. Failure to meet the expected merger benefits

A key hypothesis for our bullish stance on the stock is the expectation of the synergy benefits such as economies of scale, higher bargaining power with suppliers, distributors and transfer of best practices of the individual companies to the combined entity should help in improving the margin trajectory. The merger plans not playing out as per expectation can have negative impact on the revenue growth & margins.

ii. Failure of the new launches

Zydus' portfolio pre-acquisition used to non-seasonal, but with the acquisition of Heinz India's brands, the portfolio has turned seasonal. But, the management has guided for plans to reduce the seasonality going ahead by launching new products under these brands. Failure of these brands to take off can prove deterimental to the revenue and margin projections.

iii. Scaling of the acquired brands

Scaling of the acquired brands has not been an easy task for the incumbent company in te Indian FMCG space. This remains a key risk to our hypothesis of the innovation capability of Zydus to scale up the business of the acquired brands of Heinz India. The table below shows the performance of some of the past acquisitions in the Indian FMCG space.

Exhibit 47: Performance of some of the past acquisitions in Indian FMCG space

Year Of Acquisition	Acquirer	Company/Brand Acquired	Consideration (INR cr)	Revenue (acquisition time) (INR cr)	Revenue (FY19) (INR cr)	CAGR	Acquisition valuation (x Sales)
2006	Marico	Nihar from HUL	240	120	550	12.4%	2.0x
2009	Dabur	FEM	282	NA	NA	NA	NA
2012	Wipro	Yardley	215	185	NA	NA	1.2x
2013	Bajaj Cons	Nomarks	150	34	10	-18.5%	4.4x
2015	Emami	Kesh King	1650	300	275	-2.2%	5.5x

Source: Company, Edelweiss Professional Investor Research

Outlook & Valuation

ZWL is expected to post a revenue CAGR of 9.2% over FY20-23E, led by the larger verticals of Glucon-D, Complan, Sugar Free primarily driven by the new innovative products launches specially in the acquired brands. The margins are expected to improve with merger synergy and operational efficiency. With faster than earlier revenue growth, merger synergies improving margins and gradual debt payoff to aid financial leverage over the next few years for ZWL. Given a lean balance sheet and negative WC days with strong brands, we believe that ZWL is trading at an attractive valuation of 27x FY23E EPS. We initiate with 'BUY' rating and target price of INR 2,270 based on 32x FY23E EPS.

Exhibit 48: EV/EBITDA

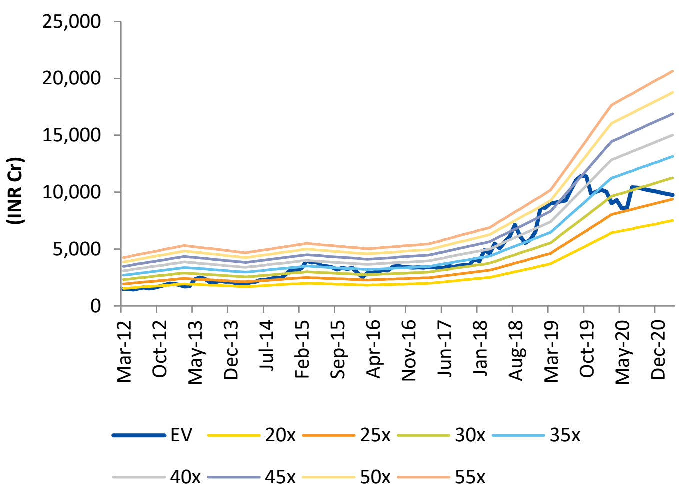
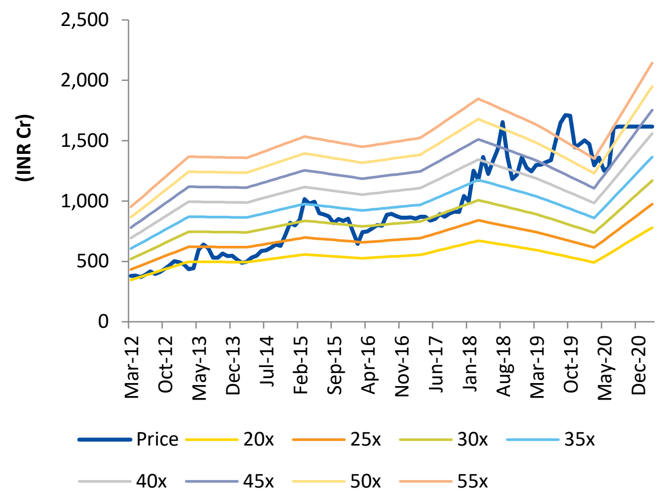


Exhibit 49: PE bands



Source: Company, Edelweiss Professional Investor Research

Peers comparison

Exhibit 50: Revenue Growth

(%)	FY18	FY19	FY20	FY21E	FY22E	CAGR FY18-22E
ZWL	19%	64%	110%	7%	11%	42%
GSK	-1%	9%	2%	NA	NA	NA
Abbott	11%	12%	11%	7%	12%	10%
Emami	2%	6%	-1%	-3%	10%	3%
Marico	7%	16%	0%	9%	9%	8%

Exhibit 51: EBITDA Margin

EBITDA Margin (%)	FY18	FY19	FY20	FY21E	FY22E	Average
ZWL	24.4	23.8	18.2	19.9	20.4	21.4
GSK	20.5	23.9	23.1	NA	NA	22.5
Abbott	16.1	16.6	18.0	18.9	19.2	17.8
Emami	31.0	27.0	25.0	28.5	28.7	28.0
Marico	18.0	17.5	20.1	20.4	20.2	19.2

Exhibit 52: Returns

RoE (%)	FY18	FY19	FY20E	FY21E	FY22E	Average
ZWL	21.5	8.9	5.4	6.1	7.7	9.9
GSK	20.1	24.0	24.8	NA	NA	23.0
Abbott	26.3	24.7	27.1	23.8	23.3	25.0
Emami	16.3	14.9	15.8	20.1	22.2	17.9
Marico	32.5	31.6	34.5	37.3	37.4	34.7

RoCE (%)	FY18	FY19	FY20E	FY21E	FY22E	Average
ZWL	19.5	6.3	6.1	7.0	7.9	9.3
GSK	29.8	36.1	32.6	NA	NA	32.8
Abbott	40.6	37.9	36.5	46.0	45.2	41.2
Emami	18.7	18.9	19.0	24.0	26.8	21.5
Marico	38.9	38.0	41.0	43.9	44.3	41.2

Source: Company, Edelweiss Professional Investor Research

Exhibit 53: Cash-conversion cycle

Inventory days	FY18	FY19	FY20E	FY21E	FY22E	Average
ZWL	25	101	60	70	60	63
GSK	34	36	41	NA	NA	37
Abbott	60	59	51	55	54	56
Emami	27	28	32	35	34	31
Marico	87	70	69	66	66	72

Receiveable days	FY18	FY19	FY20E	FY21E	FY22E	Average
ZWL	6	42	24	30	28	26
GSK	23	29	27	NA	NA	27
Abbott	24	27	27	25	23	25
Emami	18	25	36	35	33	29
Marico	20	26	27	16	16	21

Payable days	FY18	FY19	FY20E	FY21E	FY22E	Average
ZWL	67	204	117	110	115	123
GSK	86	73	66	NA	NA	75
Abbott	67	77	79	99	96	84
Emami	39	44	51	55	56	49
Marico	47	47	49	32	32	41

Source: Company, Edelweiss Professional Investor Research

Exhibit 54: Valuation comparison

P/E (x)	FY18	FY19	FY20E	FY21E	FY22E	Average
ZWL	34	44	53	44	33	41
GSK	54	38	33	NA	NA	42
Abbott	29	34	55	51	45	43
Emami	79	60	25	30	24	44
Marico	55	40	43	38	36	42

EV/EBITDA (x)	FY18	FY19	FY20E	FY21E	FY22E	Average
ZWL	33	48	28	30	29	34
GSK	39	29	28	NA	NA	32
Abbott	16	19	35	39	34	29
Emami	33	24	10	15	14	19
Marico	40	35	31	28	25	32

Price/Sales (x)	FY18	FY19	FY20E	FY21E	FY22E	Average
ZWL	14.4	13.0	6.2	6.5	5.8	9
GSK	8.6	7.9	7.3	NA	NA	8
Abbott	3.5	4.2	8.0	3.8	3.4	5
Emami	9.6	6.7	2.9	6.2	5.6	6
Marico	7.1	6.2	6.2	5.7	5.2	6

Source: Company, Edelweiss Professional Investor Research

ZWL - Fund raising

ZWL has announced fund raising of INR 1,100 crore (INR 350 crore infusion by promoter – Zydus Family Trust (4.29% stock holding) and INR 750 crore to be raised via QIP issue]. We believe equity infusion of INR 1,100 crore would be utilize to reduce the gross debt of INR 1,500 debt (raised at the time of Heinz business acquisition). The company would be able to repay most of the debt, resulting in net debt free position for the company by FY22, as ZWL have cash & cash equivalents of ~INR 200 crore in the books. This would result in saving of INR 140 crore interest cost thereby increasing FY22E EPS estimate by 29%. Assuming equity infusion at average stock price of INR 1640/share (given promoters have infused INR 350 crore at INR 1643/share), equity dilution would be ~12%. However, with equity infusion, the return ratios (especially ROE) would remain in single digits for the next three to four years.

Company Description

Carnation Health Foods Ltd was incorporated on November 1, 1994. In 2006, Cadila Healthcare Ltd took over the company through market purchase and an open offer. In 2009, the consumer division of Cadila Healthcare Ltd, was transferred to Carnation Health Foods Ltd and the company was renamed as Zydus Wellness Ltd.

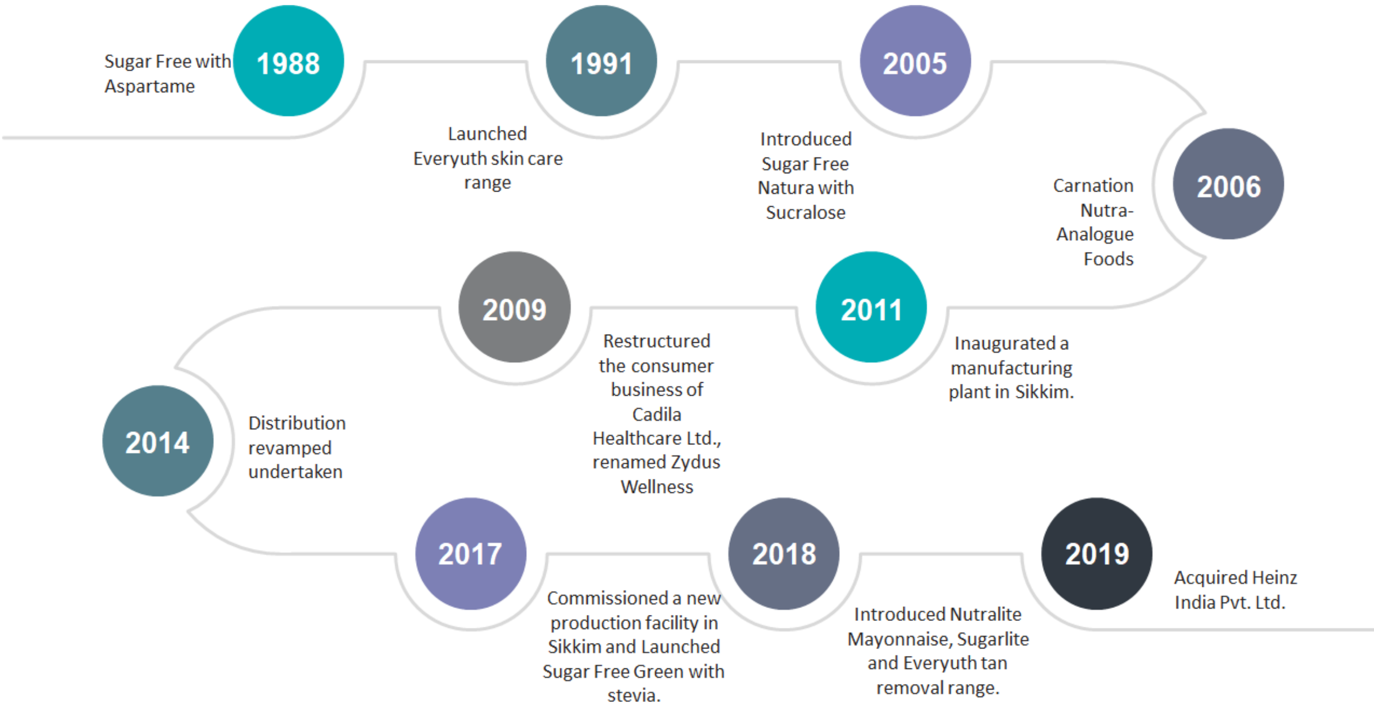
Business Model	The company is an FMCG company with more than 95% revenues from India and the balance from exports. The company was earlier a 3 brand company but has recently acquired Kraft Heinz's India portfolio of 4 additional brands
Strategic Positioning	The company has positioned itself in the wellness category with products aimed at a healthier lifestyle. Zydus Wellness aims to combine healthcare, nutrition and cosmeceuticals to bring wellness products to enrich life.
Competitive Edge	The company boasts of leadership position in 5 of its 7 brands – SugarFree, Everyuth Scrubs and Peels, Nutralite, Glucon D and Nycil. Its other brands include Complan and Sampriti Ghee
Financial Structure	The company had strong free cash flow generation prior to the acquisition. However post the acquisition, the company has INR 1500 Cr debt which will be repaid through equity raising. We believe that no incremental capex and negative Working Capital day cycle will result in strong free cash flows over the next few years.
Key Competitors	GSK Consumer, Abbott, Emami
Industry Revenue Drivers	Industry revenue drivers are increasing penetration, rising affluence and disposable incomes, demand for premium products, new distribution channels like modern trade and e-commerce and increasing focus on rural markets
Shareholder Value Proposition	We believe that post the acquisition, substantial synergies can accrue in terms of sourcing, distribution and overheads. With increasing innovation and focus on the acquired brands along with access to a new distribution channel, we feel that growth can be higher if the company can take advantage of low hanging fruits. At the current valuation, we believe that these synergies are not factored in

Management Profile

Name	Designation	Profile
Mr. Sharvil Patel	*Chairman*	Dr. Sharvil Pankajbhai Patel has been Managing Director of, Indian pharma company, Cadila Healthcare Limited since April 2017. Sharvil is the third generation Patel to lead Cadila. He has a specialisation in Chemical and Pharma Sciences and a Doctorate from the University of Sunderland, U.K. for his research work in Breast Cancer at John Hopkins, Bayview Medical Centre, USA
Mr. Tarun Arora	*CEO*	Mr. Tarun Arora was Chief Executive, India business at Danone Waters prior to joining Zydus. He has also worked with various FMCG and retail companies like Wipro, Bharti Walmart, Godrej and Sara Lee. He has a 24 years' experience in Business Transformation and post-merger integration projects. In his 4 years, he has accelerated the topline and bottomline growth on back of innovations for Zydus
Mr. Umesh Parikh	*CFO*	Mr. Umesh Parikh is a qualified Cost and Management Accountant and a Company Secretary. He has also done an Advanced Business Leadership program from IIM (A) and is a qualified Six Sigma Green Belt. Prior to joining the Zydus group in 2005, he has worked with GE and Rapicut Carbides. He was appointed as CFO of Zydus Wellness in 2018.

Source: Company, Edelweiss Professional Investor Research

Exhibit 55: Major Milestone

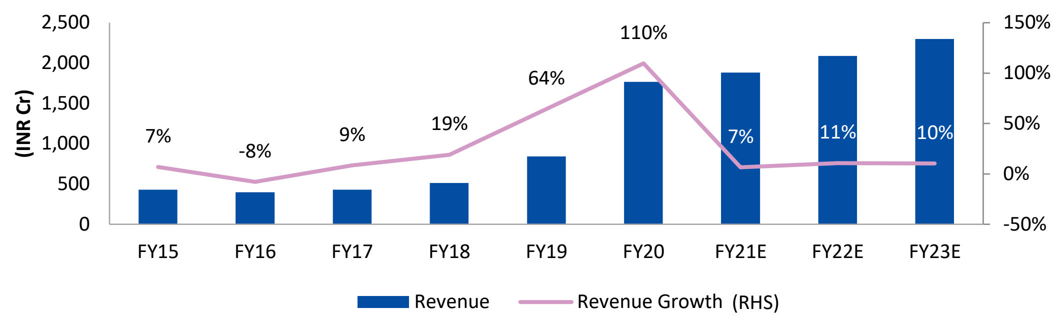


Source: Company, Edelweiss Professional Investor Research

Financial Analysis

We estimate ZWL to clock 9.2% revenue CAGR over FY20-23E. The growth shall be led by the larger verticals of Glucon-D, Complan, Sugar Free primarily driven by the innovation focus of the leadership.

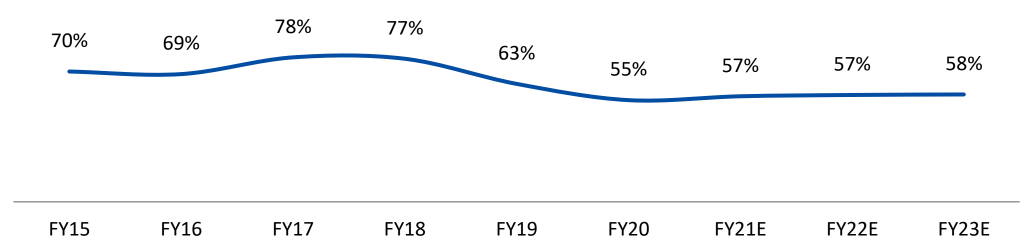
Exhibit 56: Consolidated revenue



Source: Company, Edelweiss Professional Investor Research

Though gross margins have contracted post acquisition, we believe company would be able to expand gross margins from current levels of FY20 driven by synergies and cost efficiency.

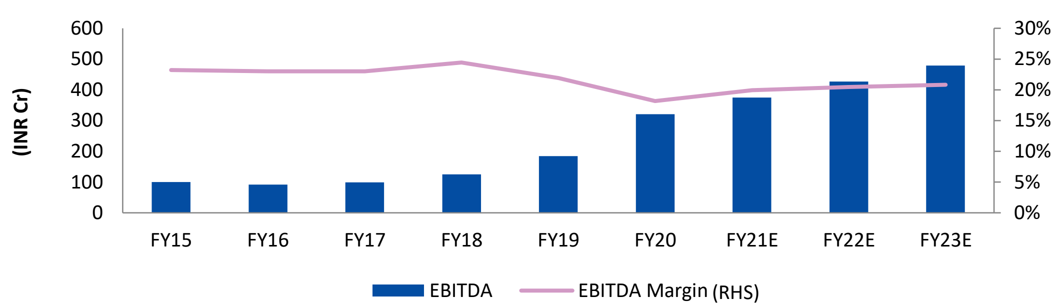
Exhibit 57: Gross margin



Source: Company, Edelweiss Professional Investor Research

EBITDA margin is expected to improve from FY21 onwards as synergy benefits kick in and management expects to achieve historical level of margins few years down the line

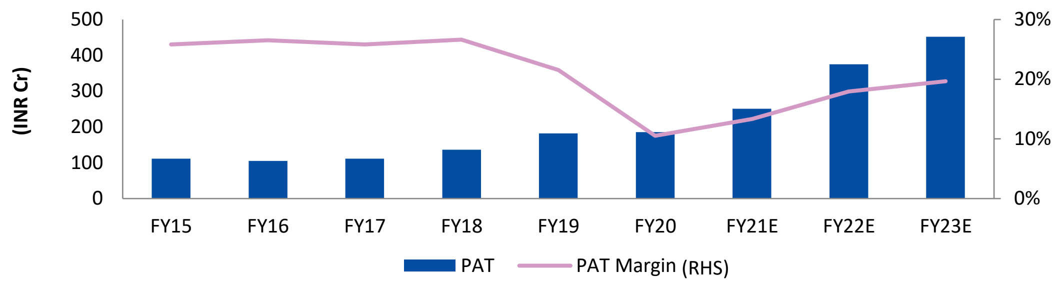
Exhibit 58: EBITDA and EBITDA margin



Source: Company, Edelweiss Professional Investor Research

With faster than earlier revenue growth, merger synergies improving margins and gradual debt payoff to aid financial leverage, we expect PAT margins to improve from FY21 onwards.

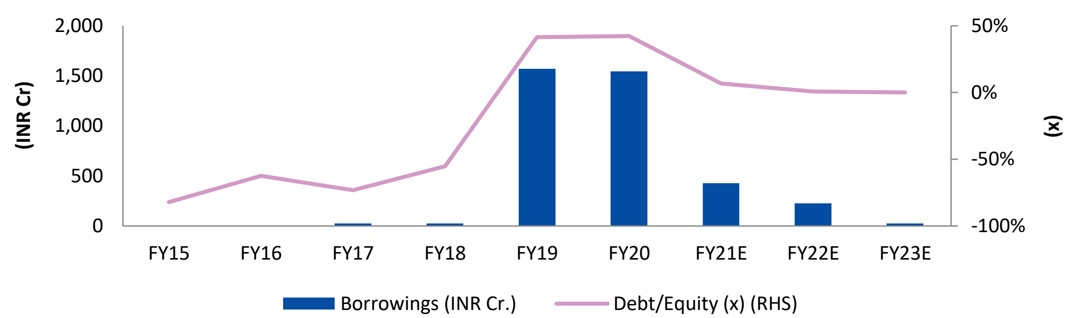
Exhibit 59: PAT and PAT margin



Source: Company, Edelweiss Professional Investor Research

The debt re-payment plan with equity raising and we believe equity infusion of INR 1,100 crore would be utilize to reduce the gross debt of INR 1,500 debt (raised at the time of Heinz business acquisition).

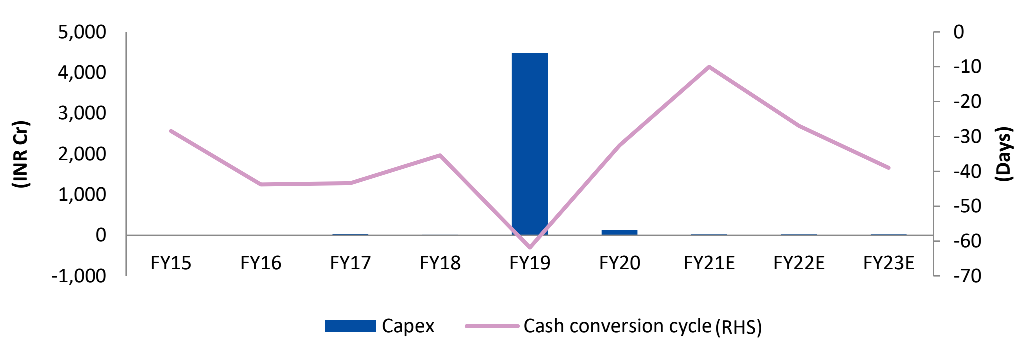
Exhibit 60: Debt/Equity



Source: Company, Edelweiss Professional Investor Research

The company has negative working capital days because of a high creditor days

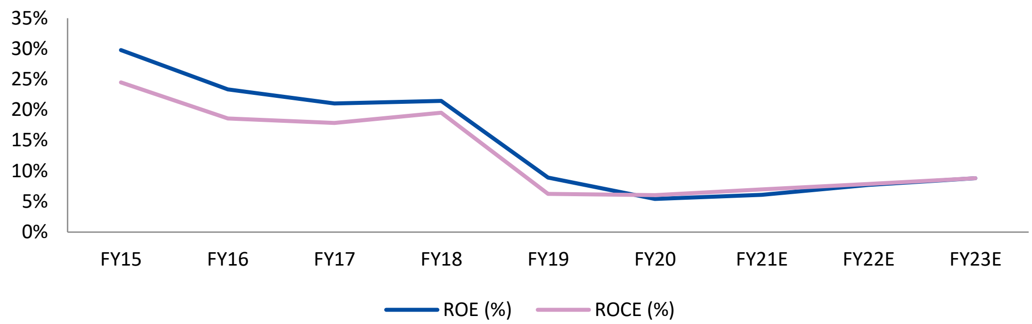
Exhibit 61: Capex and cash conversion cycle



Source: Company, Edelweiss Professional Investor Research

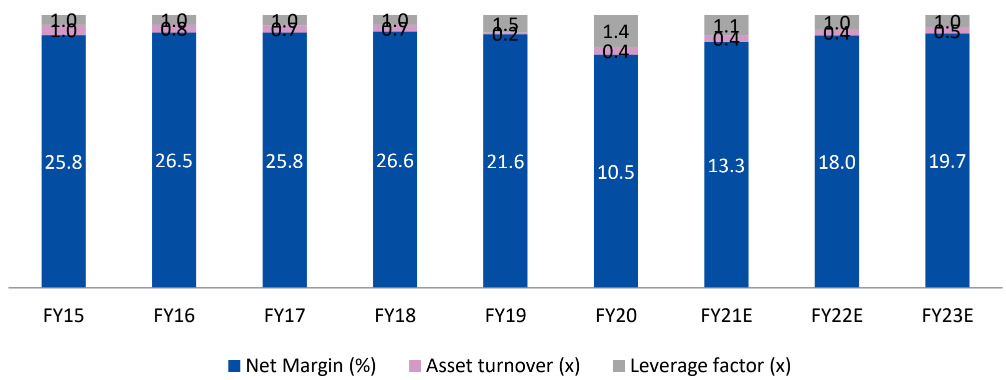
Optically the return ratios look depressed because of a high goodwill amount, ex of which RoCE is ~40% for FY20 and ~38% for FY23E.

Exhibit 62: RoAE and RoACE



Source: Company, Edelweiss Professional Investor Research

Exhibit 63: DuPont Analysis



Source: Company, Edelweiss Professional Investor Research

Income statement (INR crs)

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Income from operations	843	1,767	1,883	2,086	2,299
Direct costs	308	800	814	887	971
Employee costs	86	175	192	209	228
Other expenses	264	471	502	563	621
Total operating expenses	658	1,446	1,508	1,660	1,821
EBITDA	185	321	375	426	479
Depreciation and amortisation	13	26	28	29	28
EBIT	172	295	347	398	451
Interest expenses	30	140	108	36	14
Other income	39	11	12	13	15
Profit before tax	181	165	251	375	452
Provision for tax	-1	-20	0	0	0
Core profit	182	186	251	375	452
Extraordinary items	-10	-44	0	0	0
Profit after tax	171	142	251	375	452
Minority Interest	0	0	0	0	0
Share from associates	0	0	0	0	0
Adjusted net profit	171	142	251	375	452
Equity shares outstanding (Cr)	5.8	5.8	6.4	6.4	6.4
EPS (INR) basic	30	25	39.0	58.2	70.3
Diluted shares (Cr)	5.8	5.8	6.4	6.4	6.4
EPS (INR) fully diluted	29.7	24.6	39.0	58.2	70.3
Dividend per share	5	10	14	21	25
Dividend payout (%)	17	31	36	36	36

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Operating expenses	78.1	81.8	80.1	79.6	79.2
Depreciation	1.5	1.5	1.5	1.4	1.2
Interest expenditure	3.6	7.9	5.8	1.7	0.6
EBITDA margins	21.9	18.2	19.9	20.4	20.8
Net profit margins	20.3	8.0	13.3	18.0	19.7

Growth metrics (%)

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Revenues	64.4	109.6	6.6	10.8	10.2
EBITDA	47.5	73.7	16.9	13.6	12.3
PBT	20.9	(8.6)	51.5	49.4	20.7
Net profit	33.1	2.3	34.9	49.4	20.7
EPS	(11.6)	(17.2)	58.5	49.4	20.7

Balance sheet (INR cr)

As on 31st March	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	58	58	64	64	64
Preference Share Capital	0	0	0	0	0
Reserves & surplus	3,329	3,403	4,664	4,903	5,193
Shareholders funds	3,386	3,461	4,728	4,968	5,257
Secured loans	1,522	1,500	400	200	0
Unsecured loans	48	46	26	26	26
Borrowings	1,569	1,546	426	226	26
Minority interest	0	0	0	0	0
Sources of funds	**4,956**	**5,007**	**5,154**	**5,194**	**5,284**
Gross block	352	918	943	968	993
Depreciation	144	165	193	221	249
Net block	207	754	750	747	744
Capital work in progress	10	4	4	4	4
Intangible Assets	4,360	3,920	3,920	3,920	3,920
Total fixed assets	4,578	4,677	4,674	4,670	4,668
Unrealised profit	0	0	0	0	0
Investments	46	110	150	200	225
Inventories	233	292	361	343	346
Sundry debtors	96	118	155	160	164
Cash and equivalents	164	82	102	194	348
Loans and advances	158	172	175	180	185
Other current assets	0	16	0	0	0
Total current assets	652	681	792	877	1,043
Sundry creditors and others	472	568	567	657	756
Provisions	5	15	16	16	17
Total CL & provisions	477	583	583	674	773
Net current assets	175	99	209	203	270
Net Deferred tax	103	121	121	121	121
Misc expenditure	54	0	0	0	0
Uses of funds	**4,956**	**5,007**	**5,154**	**5,194**	**5,284**
Book value per share (INR)	587	600	735	772	817

Cash flow statement

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Net profit	192	230	251	375	452
Add: Depreciation	13	26	28	29	28
Add: Misc expenses written off/Other Assets	-53	54	0	0	0
Add: Deferred tax	-29	-18	0	0	0
Add: Others	0	0	0	0	0
Gross cash flow	123	293	279	403	480
Less: Changes in W. C.	22	6	92	-99	-87
Operating cash flow	101	287	187	502	567
Less: Capex	4,486	126	25	25	25
Free cash flow	**-4,385**	**161**	**162**	**477**	**542**

Ratios

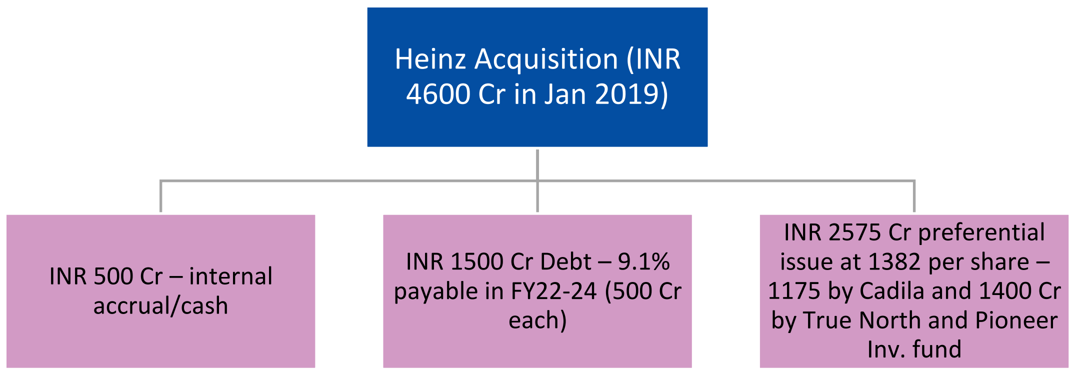
Year to March	FY19	FY20	FY21E	FY22E	FY23E
ROAE (%)	8.9	5.4	6.1	7.7	9
ROACE (%)	6.3	6.1	7.0	7.9	9
Debtors (days)	42	24	30	28	26
Current ratio	1	1	1	1	1
Debt/Equity	0.5	0.4	0.1	0.0	0.0
Inventory (days)	101	60	70	60	55
Payable (days)	204	117	110	115	120
Cash conversion cycle (days)	-62	-33	-10	-27	-39
Debt/EBITDA	8	5	1	1	0
Adjusted debt/Equity	0.4	0.4	0.1	0.0	(0.1)

Valuation parameters

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Diluted EPS (INR)	29.7	24.6	39.0	58.2	70.3
Y-o-Y growth (%)	(11.6)	(17.2)	58.5	49.4	20.7
CEPS (INR)	33.7	36.8	43.3	62.7	74.6
Diluted P/E (x)	63.5	76.7	48.4	32.4	26.8
Price/BV(x)	3.2	3.1	2.6	2.4	2.3
EV/Sales (x)	14.6	7.0	6.6	5.8	5.1
EV/EBITDA (x)	66.4	38.4	33.2	28.5	24.7
Diluted shares O/S	5.8	5.8	6.4	6.4	6.4
Basic EPS	29.7	24.6	39.0	58.2	70.3
Basic PE (x)	63.5	76.7	48.4	32.4	26.8
Dividend yield (%)	0.3	0.5	0.6	1.0	1.2

Annexure

Acquisition Details:



Cadila's stake post acquisition fell from 72.5% to 67.6%

Reason for Kraft Heinz' Exit – Globally, the company is trying to make its portfolio leaner and focus only on core categories of ketchup and ready to eat breakfast etc. and hence has sold/in the process of selling many of non-core global brands. The company is seeking "to re-establish commercial growth of iconic brands," as well as "turn around consumption trends in several key categories" and "expand into new categories." Hence sold brands and trimmed debt

Some of the sales/probable sales:

Possible sale of Breakstone, the cottage cheese, sour cream and butter brand. Considered selling the Maxwell House coffee brand. Sold its Canadian natural cheese business to Parmalat for $1.23 billion last year.

Due to their lack of focus on brands they were looking to divest, Heinz has lost market share in the last few years to competitors

Product variants of the brands under Zydus's portfolio:

Sugar Free

Everyuth:

Nutralite

Nycil

Complan

Glucon-D


Glucon-D
Glucon-D
Mango Punch
Glucon-D
Nimbu Pani
Glucon-D
Glucon-D
INSTANT ENERGY

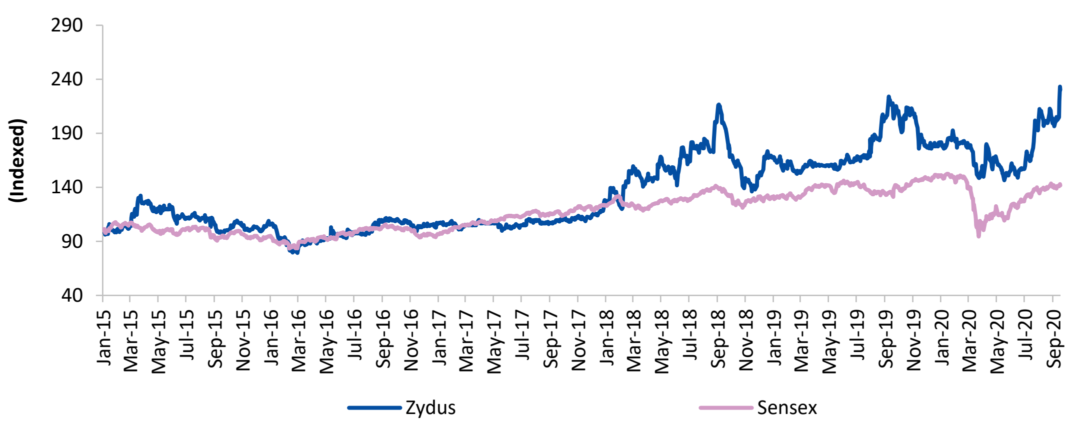
Edelweiss Broking Limited, 1st Floor, Tower 3, Wing B, Kohinoor City Mall, Kohinoor City, Kirol Road, Kurla(W)
Board: (91-22) 4272 2200

Vinay Khattar
Head Research
vinay.khattar@edelweissfin.com

VINAY KHATTAR

Digitally signed by VINAY KHATTAR
DN: c=IN, o=Personal, postalCode=400072, st=MAHARASHTRA, serialNumber=cd5737057831c416d2a5f7064cb693183887e7ff342c50bd877e00c00e2e82a1, cn=VINAY KHATTAR
Date: 2020.09.18 11:03:00 +05'30'

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



Disclaimer

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

Broking services offered by Edelweiss Broking Limited under SEBI Registration No.: INZ000005231; Name of the Compliance Officer: Mr. Brijmohan Bohra, Email ID: complianceofficer.ebl@edelweissfin.com Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel. 18001023335/022-42722200/022-40094279

This Report has been prepared by Edelweiss Broking Limited in the capacity of a Research Analyst having SEBI Registration No.INH000000172 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject EBL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. EBL reserves the right to make modifications and alterations to this statement as may be required from time to time. EBL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. EBL is committed to providing independent and transparent recommendation to its clients. Neither EBL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance .The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of EBL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of EBL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

EBL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the EBL to present the data. In no event shall EBL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the EBL through this report.
We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

EBL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. EBL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with EBL.

EBL or its associates may have received compensation from the subject company in the past 12 months. EBL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. EBL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or EBL's associates may have financial interest in the subject company. EBL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.
Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No
EBL has financial interest in the subject companies: No

EBL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.
Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

EBL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No
Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.
A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:
The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimer for U.S. Persons
Edelweiss is not a registered broker – dealer under the U.S. Securities Exchange Act of 1934, as amended (the“1934 act”) and under applicable state laws in the United States. In addition Edelweiss is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Edelweiss, including the products and services described herein are not available to or intended for U.S. persons.

This report does not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. "U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.

Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Additional Disclaimer for U.K. Persons
The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").
In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the “Order”); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”).

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

Additional Disclaimer for Canadian Persons
Edelweiss is not a registered adviser or dealer under applicable Canadian securities laws nor has it obtained an exemption from the adviser and/or dealer registration requirements under such law. Accordingly, any brokerage and investment services provided by Edelweiss, including the products and services described herein, are not available to or intended for Canadian persons.
This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services.

Disclosures under the provisions of SEBI (Research Analysts) Regulations 2014 (Regulations)
Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited ("Edelweiss") in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No.INH000000172