

BIKAJI FOODS INTERNATIONAL LIMITED

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Strategic Positioning

Bikaji Foods International Limited (BFIL) is the third largest ethnic snacks company with an international footprint, selling Indian snacks and sweets. Bikaji is well established brand and it is the second fastest growing company with CAGR of 21.3% from FY 2019 to FY 2022 in Indian organized snacks market. Bikaji founder and promoter Mr. Shiv Ratan Agarwal is the pioneer in the Indian Snack Industry and has more than three decades of experience in this industry. To ensure production of superior quality products in snacks and sweets segment, the company has given paramount importance by significantly investing in strengthening the brand recall and consumer goodwill over the years. The company has given a novel twist to classic Indian snacks with a contemporary taste along with maintaining the regional flavors to address the evolving consumer preferences in India and internationally.

Diversified product portfolio focused on various consumer segments and markets

The company has a growing domestic and global presence with a well-diversified product basket of more than 250 products that ranges from wholesome bites to indulgent treats, such as namkeen, sweets, papads, western snacks, chips and cookies. Namkeen is the highest selling category followed by Bhujia, Sweets, Papad and Others contributing to 35.6%, 34.9%, 12.7%, 6.7% and 10% of the total sales in Fiscal 2022. The diversified products basket comprises of the following:

- **Largest producer of Bikaneri Bhujia**

In Fiscal 2022, Bikaji was the largest manufacturer of Bikaneri Bhujia with annual production of 29,380 tonnes. The facility of manufacturing Bikaneri Bhujia is largely automated one ensuring the consistency in quality and taste.

- **One of the largest manufacturer of packaged sweets**

Bikaji is third largest player in organized sweets market with annual capacity of 24,000 tonnes for packaged Rasgulla 23,040 tonnes and 12,000 tonnes for Soan Papdi and Gulab Jamun respectively.

- **Second largest manufacturer of Handmade Papad**

Majority of the papad produced by the company is handmade and is well-known as their specialty product with focus on unmatched taste. However, they also manufacture machine made Papads. The company is the second largest manufacturer of handmade papad with an annual production capacity of 9,000 tonnes in 2022. The company produces diverse range of papads ranging in size from small disco papads of 1.5 inch to big 9-inch papads and popular variants such as Baat Cheet Papad, Aas Pass Papad and Dil Khush Papad.

Strong presence in Family Pack segment sales

Among their competitors, the company is the market leader in family pack segment and recorded highest share of 60.5% amongst its other SKUs of ₹ 5 and ₹ 10 packs during Fiscal 2022. This reflects their brand resilience, driven by taste and the brand preference. The products in the family pack segment are considered trustworthy with consumption at multiple occasions by families who believe in superior quality and consistency.

Issue Details

Offer for sale of 29,373,984 Equity shares

Issue Highlights

Issue Size:	₹ 837 – 881 Cr
No. of Shares:	29,373,984 Shares
Face Value:	₹ 1/-
Price Band:	₹ 285 - 300
Bid Lot:	50 Shares and in multiple thereof
Employee Reservation:	250,000 Shares
Employee Discount:	₹ 15/- per share
Post Issue Implied MCap:	₹ 7,111 – 7,485 Cr
Issue Opens On:	Thursday, 3rd Nov'2022
Issue Closes On:	Monday, 7th Nov'2022
BRLMs:	Axis Capital, JM Financial, IIFL Securities, Intensive Fiscal, Kotak Mahindra Capital
Registrar:	Link Intime India Pvt. Ltd.
Listing :	BSE & NSE

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	11-11-2022
Refunds/Unblocking ASBA Fund	11-11-2022
Credit of equity shares to DP A/c	14-11-2022
Trading commences	16-11-2022

Issue break-up

	₹ In Cr		No. of Shares	% of Issue
	@Lower	@upper		
QIB	415.02	436.86	14,561,991	50%
NIB	124.51	131.06	4,368,598	15%
*NIB 1	41.50	43.69	1,456,199	
*NIB 2	83.00	87.37	2,912,399	
RET	290.51	305.80	10,193,395	35%
EMP	6.75	7.13	250,000	
Total	836.78	880.84	29,373,984	100%

*NIB 1=NII Bid between ₹ 2 to 10 Lakhs

*NIB 2 =NII Bid Above ₹ 10 Lakhs

Shareholding (No. of Shares)

Pre-Offer and Post-Offer Equity Shares	249,509,880
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Shareholding (%)	Pre issue	Post issue
Promoters	76.50%	74.49%
Promoters Group	1.47%	1.47%
Public – Selling S/h	15.42%	5.65%
Public –Other	6.61%	18.39%
Total	100.00%	100.00%

Family Pack segment dominates the SKU Wise Sales, 2022



Source: Company RHP

Enhancing brand equity by roping celebrity as brand ambassador

To further enhance its brand equity, the company has chosen Amitabh Bachchan as its brand ambassador who is one of the most popular celebrities across all age, socio economic groups, gender, rural and urban regions with tag line “Amitji Loves Bikaji” since 2019. Bikaji’s advertisement expenses percentage to sales are the highest across the Indian traditional snacks product category. Bikaji reported approximately 2.34% of advertisement expenses in Fiscal 2021 which is by far the highest amongst its competitors in traditional snacks product category.

Strengthening presence in e-commerce, new generation and institutional channels

The importance of consuming packaged snacks and sweets with focus on quality and hygiene assumed paramount significance during covid-19 pandemic. Changes in consumption behaviours benefited Bikaji who undertook various initiatives in strengthening their presence across e-commerce, new generation and institutional channels by way of upgrading their already existing website to a one-of-a-kind online shopping portal www.bikaji.com. The company also created their own shopping app that is available on both Android and iOS platforms, collaborated with leading e-commerce giants such as Amazon, Grofers, Swiggy, Milkbasket, Big Basket etc to sell their products, and actively made sales across other e-commerce platforms such as Udaan, Shop Kirana, Store King, Deal Share etc which are primarily B2B platforms to help the company increase their reach and penetration deeper in the market. Bikaji has a strong presence in Railway stations across India which gives immense visibility and major purchase space. The company is also under process of getting listed in Canteen Stores Department (“CSD”), having more than 30,000 stores

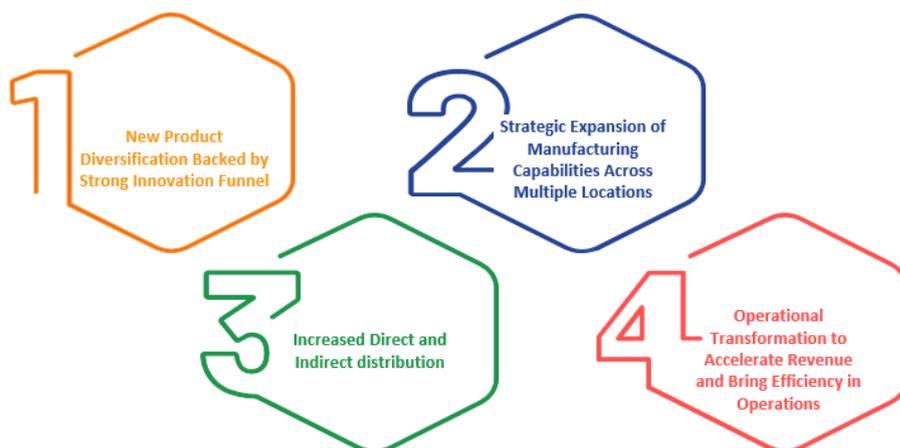
From concentrated player to becoming pan India dominant player

The company’s vision is to expand across geographies and emerge as a dominant pan- India player. Apart from its home turf of Rajasthan, the company has a very strong presence in the states such as Bihar and Assam. The company has operations across 23 states and 4 union territories serviced through 2,416 distributors. In their core markets Rajasthan, Assam and Bihar, the company has established deep penetration in Fiscal 2022 and enjoys approximately 45%, approximately 58% and approximately 29% respectively, of the market share of total organized Indian ethnic snack category in such states.

The current annual production capacity for ethnic and western snacks, sweets and papad in Rajasthan is 2,150,000 tonnes and 12,000 tonnes for western snacks in Karnataka. A contract manufacturing unit has been set up in Kolkata for manufacturing chips, corn rings and fingers. New facilities are also being planned in the states including Bihar, Uttar Pradesh and Rajasthan.

Apart from strong domestic presence, the company is a leading exporter of Indian ethnic snacks, sweets, frozen food besides savouries from India with exports in 35 countries of North America, Asia Pacific, Middle East, EU, Africa and UK regions. Exports contributed approximately 4% of the total sales predominantly in North America and Asia Pacific regions during Fiscal 2021.

Strategic initiatives to ensure company's future readiness



Source: Company RHP

Strategically located, large scale sophisticated manufacturing facilities with stringent quality standards

Company's existing manufacturing facilities are built for large scale operations and are strategically located in proximity to (i) their key raw ingredient supplies; and (ii) improve their distribution and supply of finished products, which results in reduced freight and logistics related time and cost.

Consistent Financial Performance

The company has registered good revenue growth over the recent years (5-year CAGR of 19.8% over Fiscal 2018 – Fiscal 2022) and a growth of 9.08% in EBITDA over the same period. Despite the price of palm oil increasing significantly in Fiscal 2022 and increase in inflation resulting in increase in raw material prices in the 3 months ended June 30, 2022, they have managed to maintain consistent EBITDA margins by passing on the increase in raw ingredients cost to their consumers. The sales of food products had grown at a CAGR of 22.25% from ₹ 1,0721.8 mn in Fiscal 2020 to ₹ 1,6022.9 mn in Fiscal 2022 and was ₹ 3320.7 mn and ₹ 4168.9 mn in the 3 months ended June 30, 2021 and June 30, 2022 despite the impact of the covid-19 pandemic since the beginning of Fiscal 2021.

Outlook and Valuation

BFIL, with its strong market position across its diversified product portfolio, strong distribution, strategically manufacturing facilities, strong brand visibility and consistent financial performance is in a good position with healthy visibility going ahead. We recommend investors to **SUBSCRIBE** to the IPO of BFIL.

Key Managerial position

Shiv Ratan Agarwal is the **Promoter, Chairman and Whole-time Director** of the company. He has been a director of the company since its incorporation. He has over 30 years of experience in the food industry, including ethnic snacks and sweets.

Deepak Agarwal is the **Promoter, Managing Director** of the company. He has been a director of the company since January 25, 2002. He has approximately 20 years of experience in the food industry, including ethnic snacks and sweets.

Rishabh Jain is the **Chief Financial Officer** of the company. He has been associated with the company since February 1, 2015. He has previously worked with Intensive Fiscal Services Pvt Ltd in the capacity of manager of the investment banking department. He has over 14 years of experience in the field of finance.

Divya Navani is the **Company Secretary and Compliance Officer** of the company. She has been associated with the company since September 1, 2011. She has approximately 12 years of experience in secretarial work.

Shambhu Dayal Gupta is the **General Manager – Corporate Affairs and Finance** of the company. He has been associated with the company since April 1992. He has over 26 years of experience in handling the corporate and financial affairs of the company.

Manoj Verma is the **Chief Operating Officer** of the company. He has been associated with the company since June 1, 2021. He has over 24 years of experience in sales and marketing.

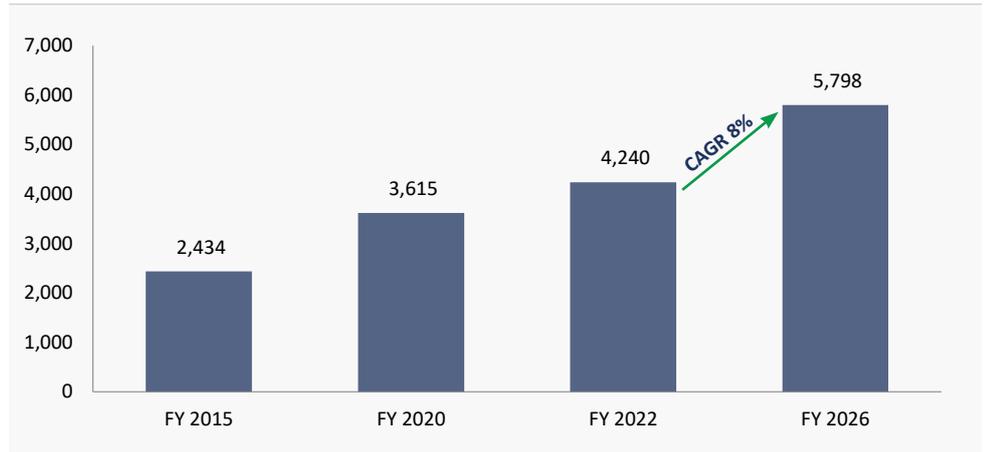
Rahul Joshi is the **Head - Legal and Compliance** of the company. He has been associated with the company since April 2, 2022. He has over 9 years of experience in secretarial matters.

Industry overview of the Packaged Foods in India

Packaged Foods

India's packaged food business is currently valued at ₹ 4,240 billion. It has grown significantly in last five years on account of changing lifestyles, rising incomes and urbanization. In Fiscal 2015, the packaged food retail revenue was worth ₹ 2,434 billion and has registered a CAGR of approximately 8.3% from Fiscal 2015 to Fiscal 2022. It is estimated to grow at CAGR of 8% in next five years to reach at ₹ 5,798 billion.

Packaged food market, India, ₹ Billion, 2015-2025

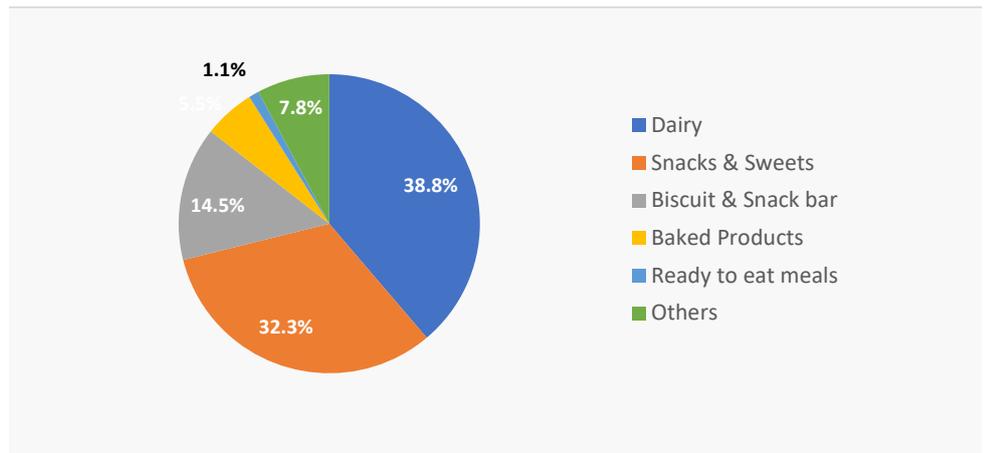


Source: Retailers association, Frost & Sullivan Analysis

Category-wise Packaged Food Market

In 2022, the packaged food industry was valued at approximately ₹ 4.24 trillion. Dairy products contribute to 38.8% i.e., ₹ 1.64 trillion followed by snacks and sweets and biscuits segments at 32.3% and 14.5% respectively. Increasing product and packaging innovation, emphasis on healthy foods and increasing demand for convenience foods will continue to drive the demand for packaged foods at over 31% over the next few years, as well.

Category wise packaged food retail market, India, 2020: ₹ 4.2 Trillion



Source: Retailers association, Frost & Sullivan Analysis

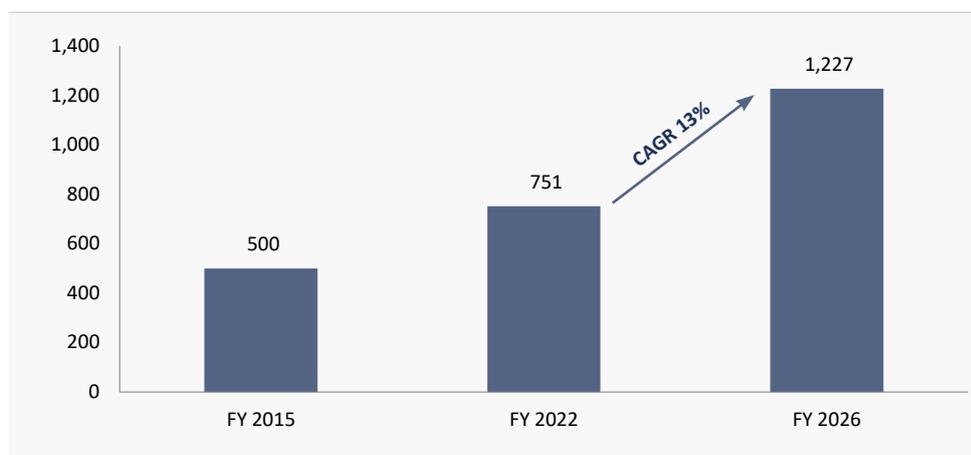
Key Drivers of Packaged Food Industry



Savoury Snacks and Sweets Market in India

Indian Savoury Snacks Market in India, ₹ Billion

Indian Savoury Snacks market is valued at ₹ 751 billion in 2022 and is expected to reach ₹ 1,227 billion by 2026 at CAGR 13%. The Indian savoury snacks market is estimated to reach ₹ 1,227 billion (as per above) by 2026 with the organized players capturing major market share due to increased concerns of hygiene and safety.



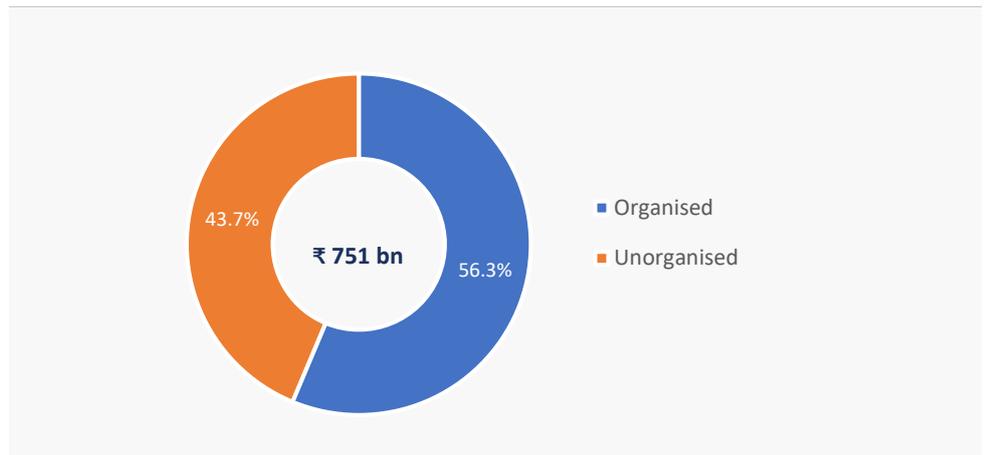
Source: Frost & Sullivan Analysis

Packaged Savoury Snacks Market in India

The ₹ 751 billion Indian savoury and snacks market is characterized by a large number of unorganized players across the product segments. Despite 43.87% of packaged savoury snacks market being unorganized, organized players such as Haldiram, Pepsico- Lays, Balaji, Bikaji have strong foothold across the country and major market share in regional pockets.

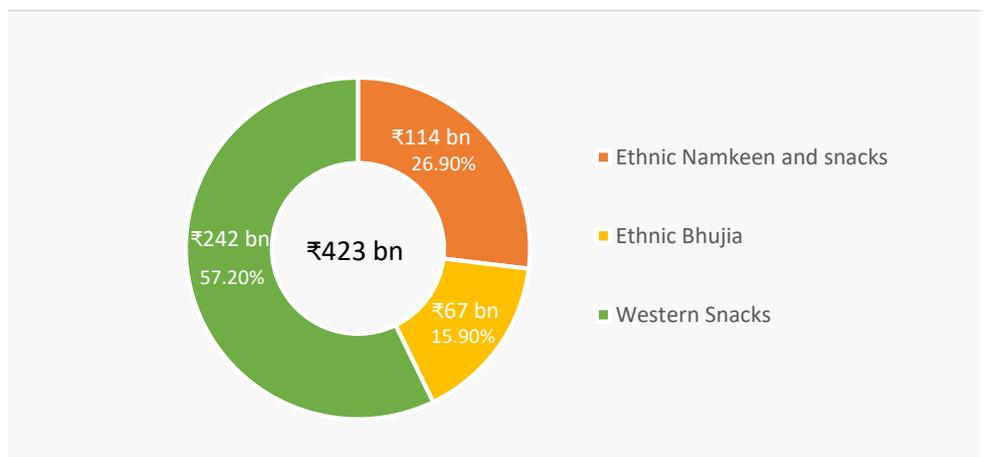
The organized segment has been strengthening its position in the market over the last few years, with new product launches and product innovations that have been largely targeted at the urban as well as rural consumer. The organized savoury snacks market was valued at ₹ 196 billion in 2015 and is estimated at ₹ 410 billion in 2021. It is further expected to grow at CAGR 15% till 2025.

India Overall Snacks Market – Market Share by Type, 2022



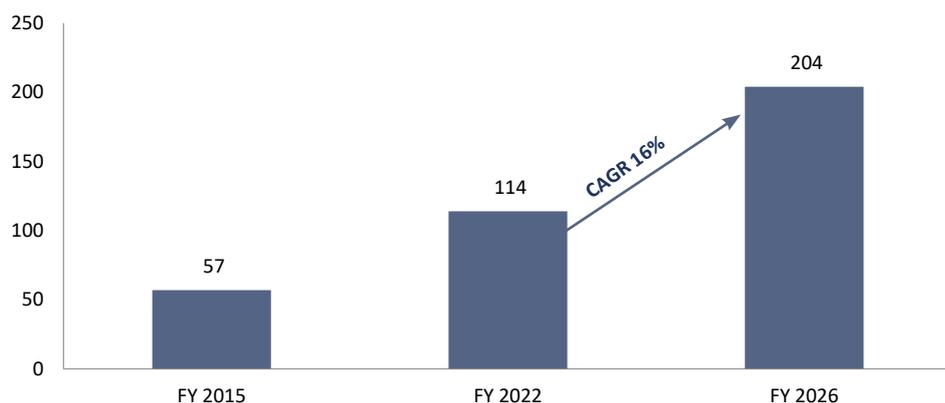
Source: Frost & Sullivan Analysis, Industry experts

Organized Indian Savoury Snacks market- Market size by Type, 2022



Source: Frost & Sullivan Analysis, Industry experts

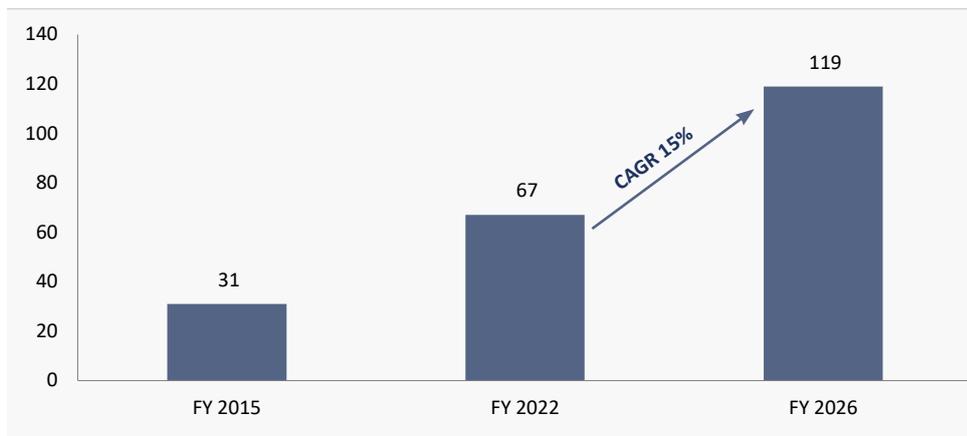
Western snacks still dominate the organized market with 57.2% of market share in the Indian savoury snacks segment. Ethnic namkeen and snacks contribute to 26.9% of the organized savoury market followed by Ethnic Bhujia which is at 15.9% in overall savoury snacks market in 2021.

Organized Indian Ethnic Namkeen and Snacks market - Market growth-2015, 2022, 2026, (₹ bn)

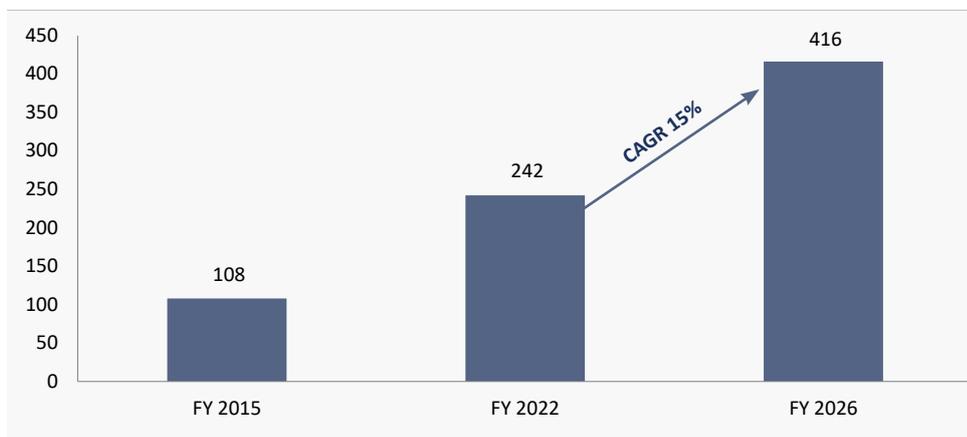
Source: Frost & Sullivan Analysis

Currently the ethnic namkeen and snacks market is valued at ₹ 114 billion. This segment has grown immensely since last few years and majorly since pandemic because of increase in number of consumers buying branded namkeen instead of loose products from local stores due to the hygiene issues.

While the overall snacks market is witnessing healthy growth, the ethnic namkeen and snacks market stands out. The growth in this segment is the highest across the segments, offering higher margins resulting in

Organized Indian Ethnic Bhujia market - Market growth-2015, 2022, 2026, (₹ bn)

Source: Frost & Sullivan Analysis

Organized Indian Western Snacks market - Market growth-2015, 2022, 2026, (₹ bn)

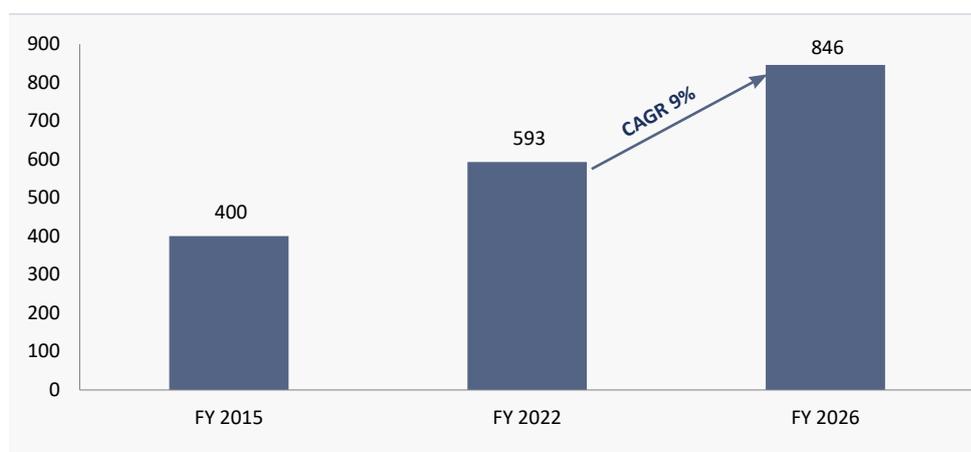
Source: Frost & Sullivan Analysis

Organized western snacks with ₹ 242 billion market value, is expected to grow at 15% CAGR till 2026. Within western snacks we have chips, extruders and bridges-others which contribute to 52%, 33% and 15% respectively in 2022. Companies such as PepsiCo with Lay's chips and Kurkure, ITC with Bingo, Prataap snack's Yellow Diamond and DFM food's Crax are the major players in this segment with a variety of snacks offering, easy accessibility, and a variety of SKUs.

Sweets Market in India

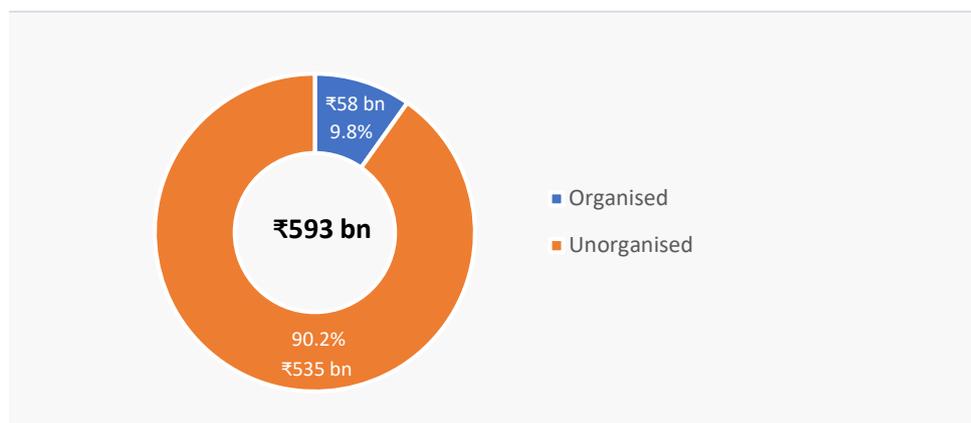
The Indian sweet market is valued at ₹ 593 Billion with major share coming from unorganized players. The market is predicted to reach ₹ 846 billion by 2026 owing to the sweet tooth Indians. Based on fruits, dairy, pulses and cereals or different combinations of different ingredients, the traditional Indian sweets, boast of a nearly inconceivable range. Adding to this diversity, majority of the sweets have been nurtured and relished for ages in different regions of the country signifying regional specialties and tastes.

Indian Sweets Market in (₹ Bn)



Source: Frost & Sullivan Analysis

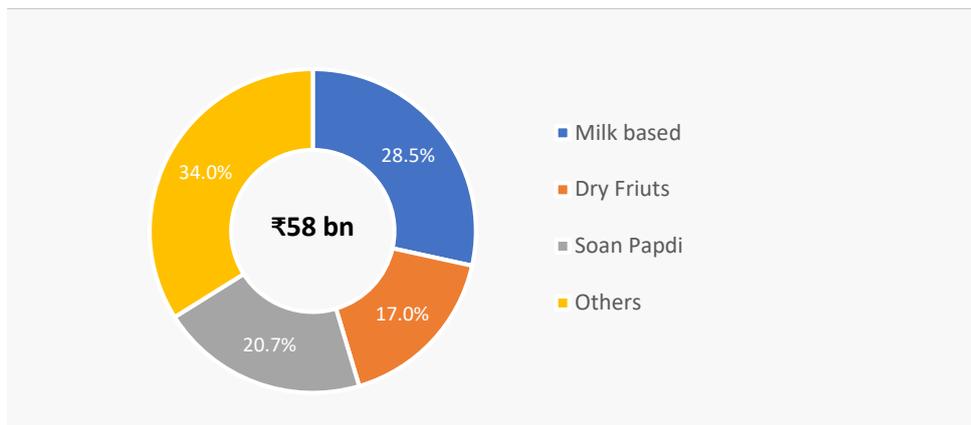
India Sweets Market – Market Share by Type, 2022



Source: Frost & Sullivan Analysis

Indian sweets market is largely unorganized with ₹ 535 Billion market value and share of almost 90%. Standalone mithai shops are spread across the geography in India which sale regional as well as traditional sweets such as Gulab Jamun, Rasgulla and plethora of Barfis. Organized players in sweet market have product offerings such as tinned Gulab Jamun, Rasgulla, Bengali mithai etc. Gradually there has been increase in demand of packed sweets owing to issues of hygiene and safety because of covid-19 pandemic

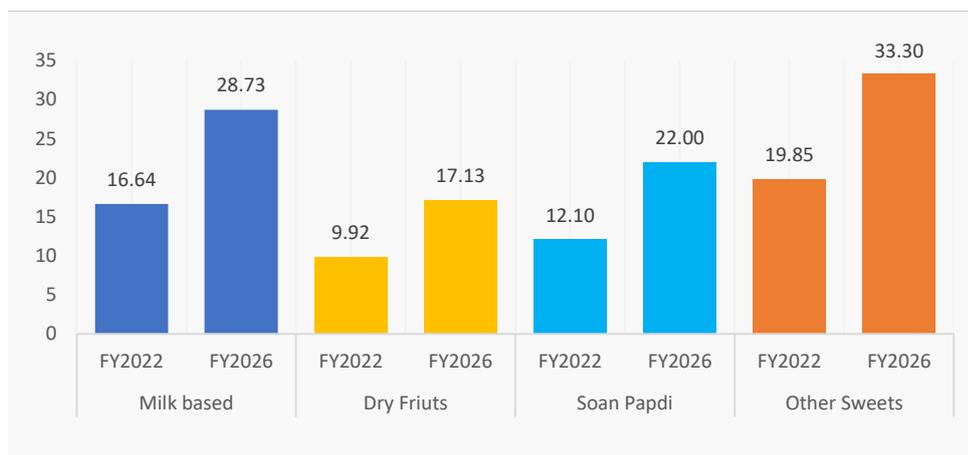
Organized Indian Sweet - Market size by Type, 2022



Source: Frost & Sullivan Analysis

The ₹ 58 billion organized sweet market is segmented into milk-based sweets, Soan Papdi, dry fruit sweets and other sweets such as ladoos, etc. Haldiram, Bikaji, Bikano are the major players in organized sweet industry which offer a wide range of packed sweets.

Organized Indian Sweet - Market Growth by Type, ₹ billion



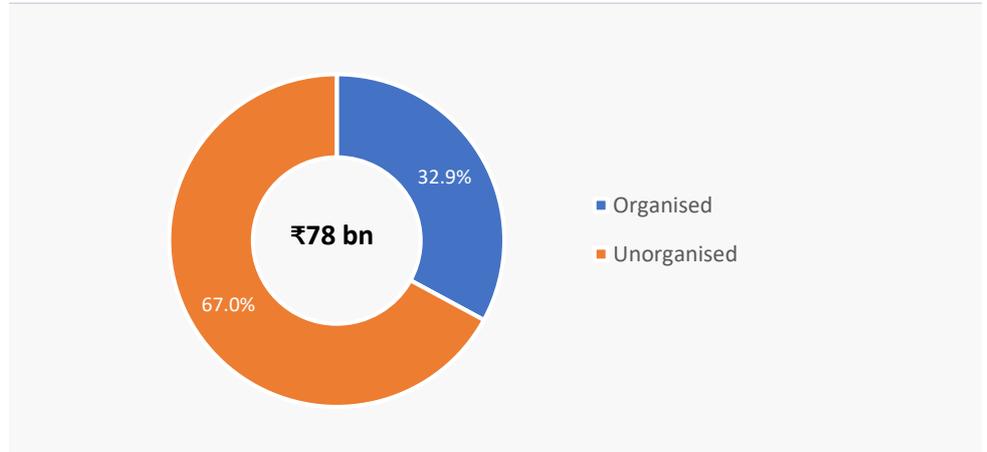
Source: Frost & Sullivan Analysis

Milk based sweets is growing at CAGR of 15% and is expected to reach at ₹ 29 billion by 2026. Similarly, Soan Papdi and Dry fruits sweet segments are growing at CAGR of 16% and 15% respectively.

Papad Market in India

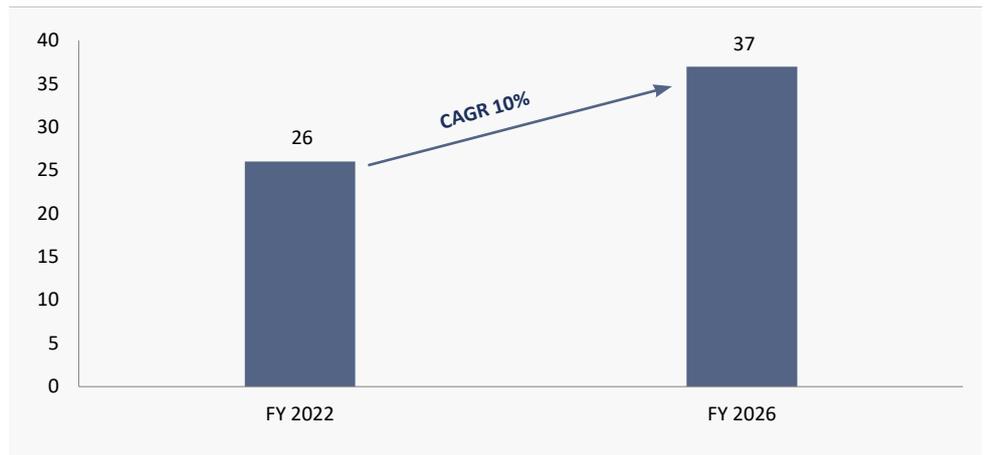
The overall market is expected to reach ₹ 103 billion by 2026 with a CAGR of 7%. The organized market in papad segment is valued at ₹ 26 billion and is growing at CAGR of 10%.

Indian Papad Market 2022



Source: Frost & Sullivan Analysis

Organized Indian Papad market growth, ₹ billion

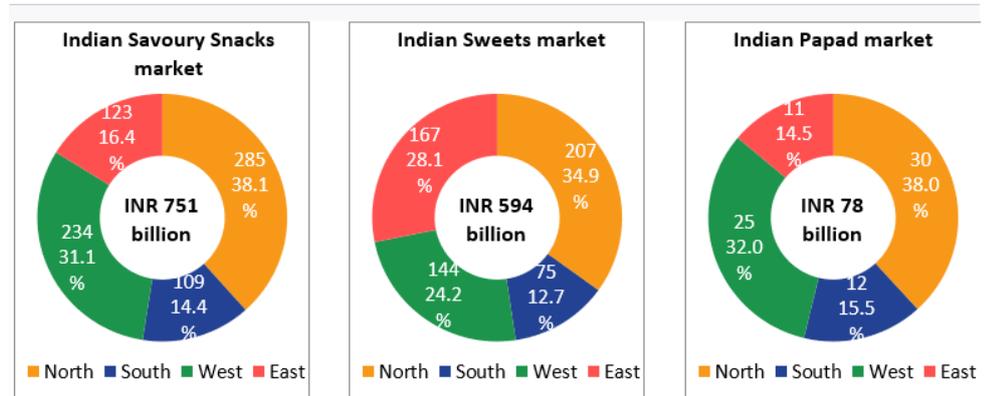


Source: Frost & Sullivan Analysis

Industry split by Region

Demand for savoury snacks is high in North India followed by West India. These regions are the major consumers of namkeen, especially in Rajasthan and Gujarat where namkeen forms an integral part of food habits. Hence, majority of the namkeen varieties originate from these regions. Further, increasing popularity and availability of numerous options in ethnic namkeen and bhujia segments are driving the growth across the regions for this segment. Consumption of savoury snacks is considerable in East India along with street food in between the meals, travels, etc. Trend shows that consumption of ethnic savouries is about to increase gradually as companies such as Bikaji & Haldiram are looking to penetrate the market with their wide product offerings.

India Savoury Snacks, Sweets and Papad Market – Split by Region, 2021



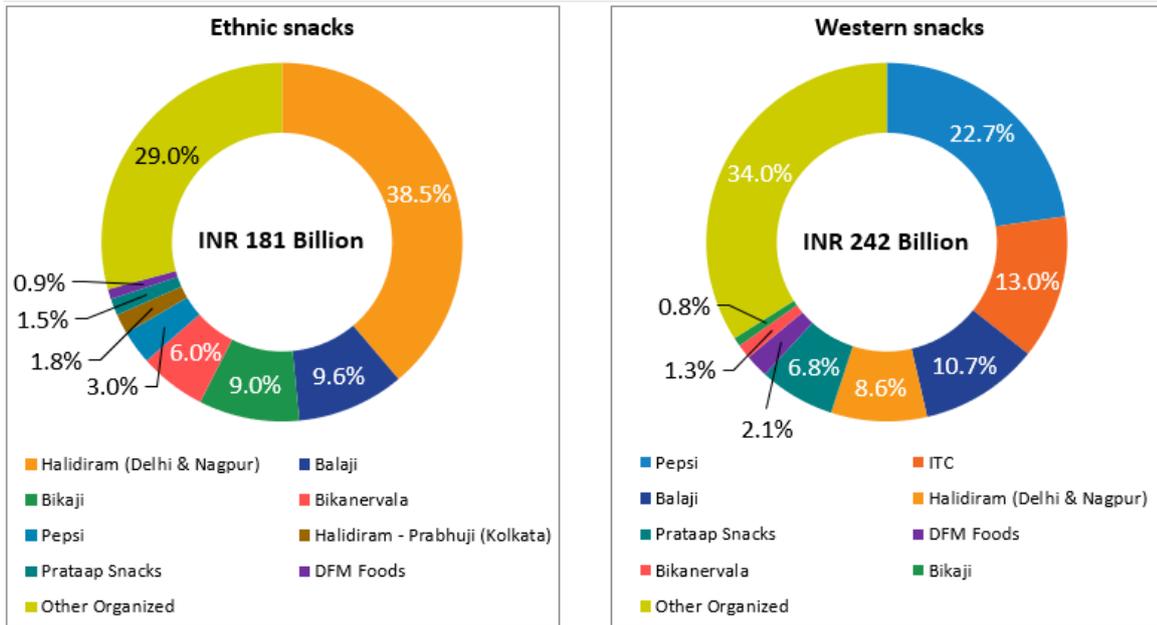
Source: Frost & Sullivan Analysis

Sweets market is driven by North India with 34.9% share owing to Uttar Pradesh, Delhi NCR, Punjab and Haryana. It is followed by East India with Bengali mithais dominating the market. South India and West India contribute around 12.7% and 24.2% to sweets industry.

Papad is eaten with every meal and as snacks in states like Rajasthan, Gujarat and Madhya Pradesh. North contributes to around 38%, followed by West and South India at 32% and 15.5% (as per exhibit above) respectively.

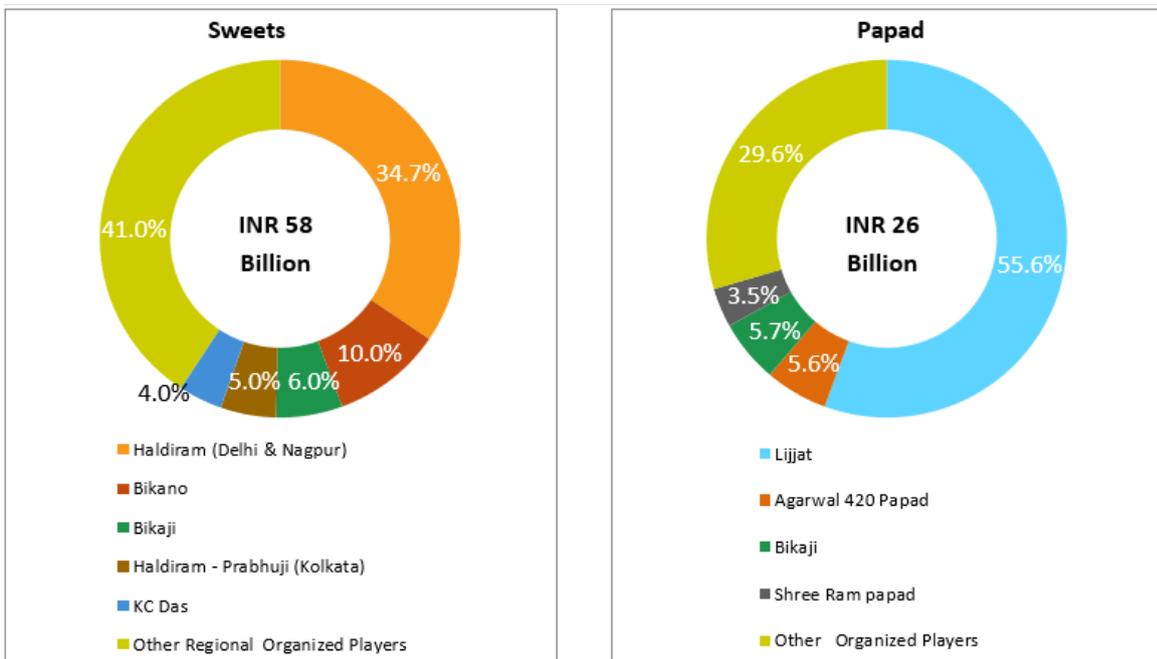
Estimated Market share Pan India

India Ethnic Snacks, Western snacks Market – Market Share, 2022



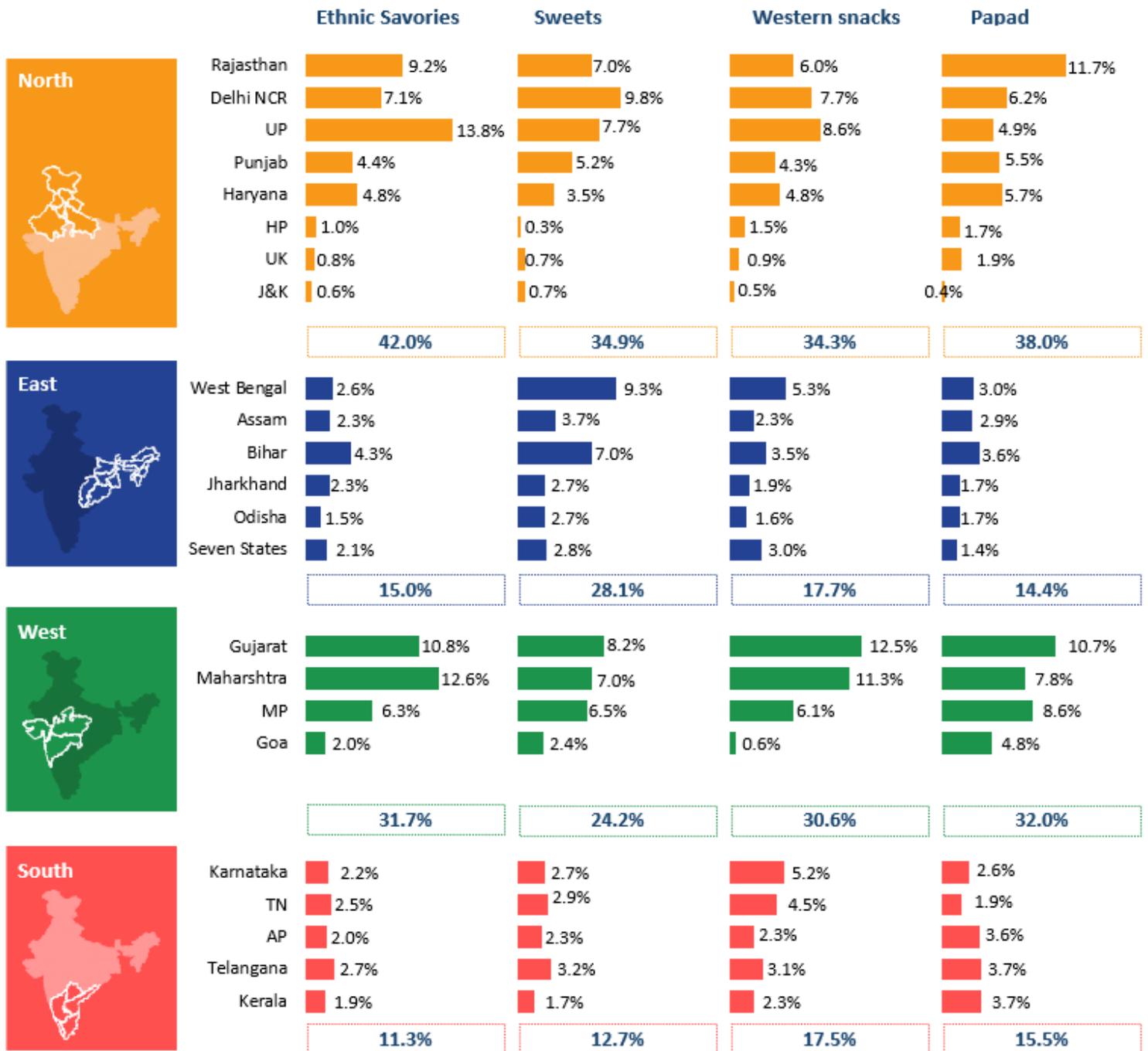
Source: Frost & Sullivan Analysis

India Sweet market and Papad Organised Market – Market Share, 2022



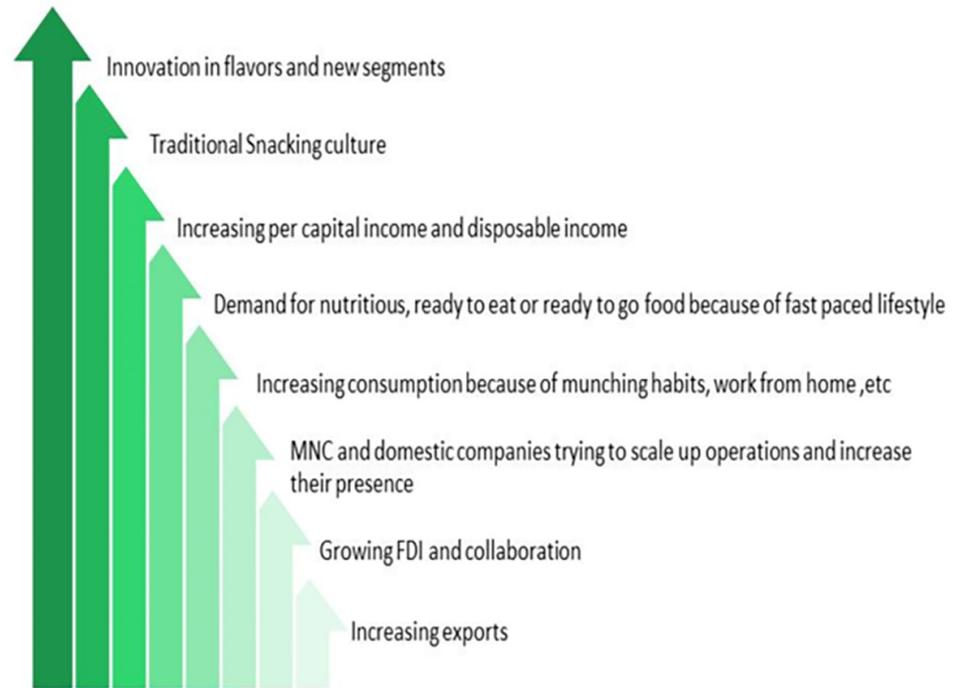
Source: Frost & Sullivan Analysis

Region wise split of industry

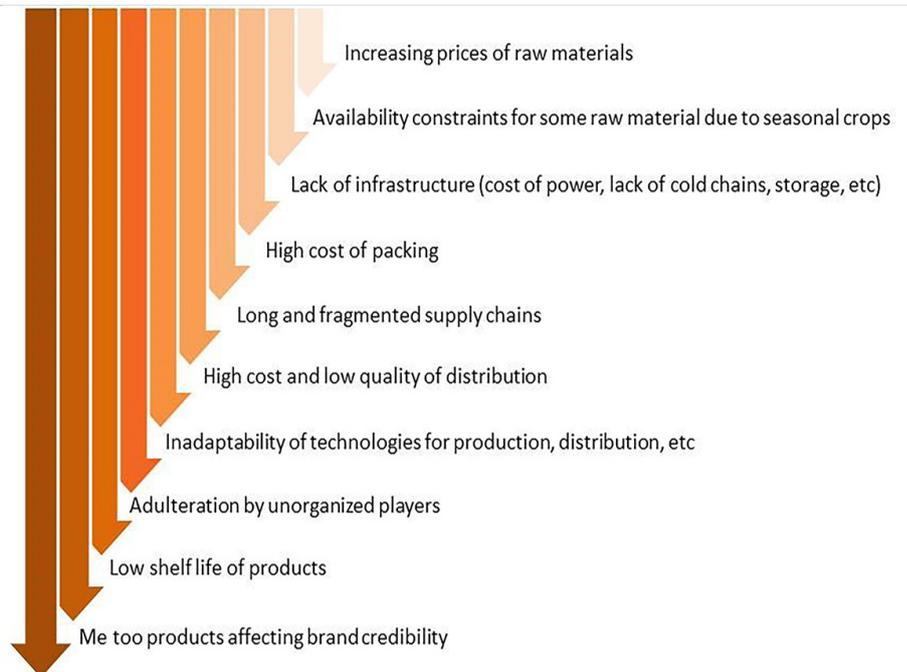


Source: Frost & Sullivan Analysis

Key growth drivers for the industry



Key restraints for Indian Savoury Snacks and sweets industry



Company Background

Bikaji Foods is one of India’s largest fast-moving consumer goods (“FMCG”) brands with an international footprint, selling Indian snacks and sweets, and are among the fastest growing companies in the Indian organised snacks market. The product range includes six principal categories such as bhujia, namkeen, packaged sweets, papad, western snacks as well as other snacks which primarily includes gift packs (assortment), frozen food, mathri range and cookies. The company is the largest manufacturer of Bikaneri Bhujia with annual production of 26,690 tonnes, and is the second largest manufacturer of handmade papad with an annual production capacity of 9,000 tonnes in Fiscal 2021. The company is also one of the largest manufacturers of packaged rasgulla with an annual capacity of 24,000 tonnes along with that of soan papdi and gulab jamun with annual capacity of 23,040 tonnes and 12,000 tonnes, respectively. The Rajasthan-based snack major is backed by investors like Aventus, Axis Asset Management, Lighthouse Funds, Intensive Fiscal and IIFL Asset Management among others.

The company has six operating manufacturing facilities, four of which are located in Bikaner, Rajasthan and one each in Assam and Karnataka. It also has a contract manufacturing unit in West Bengal and a small facility in Mumbai catering to restaurant sales. Bikaji intends to establish and operationalise five more manufacturing facilities, one in Rajasthan catering to frozen snacks and sweet products owned and operated by the company besides others across Rajasthan, Bihar and Uttar Pradesh, where it will produce namkeen and western snacks.

Product Portfolio

The company, which boasts around 250 varieties of products, was launched in 1993 and has operations in 22 states and three union territories in India. Further, it exports products to 35 countries, including those in North America, Europe, the Middle East, Africa, and Asia Pacific region.

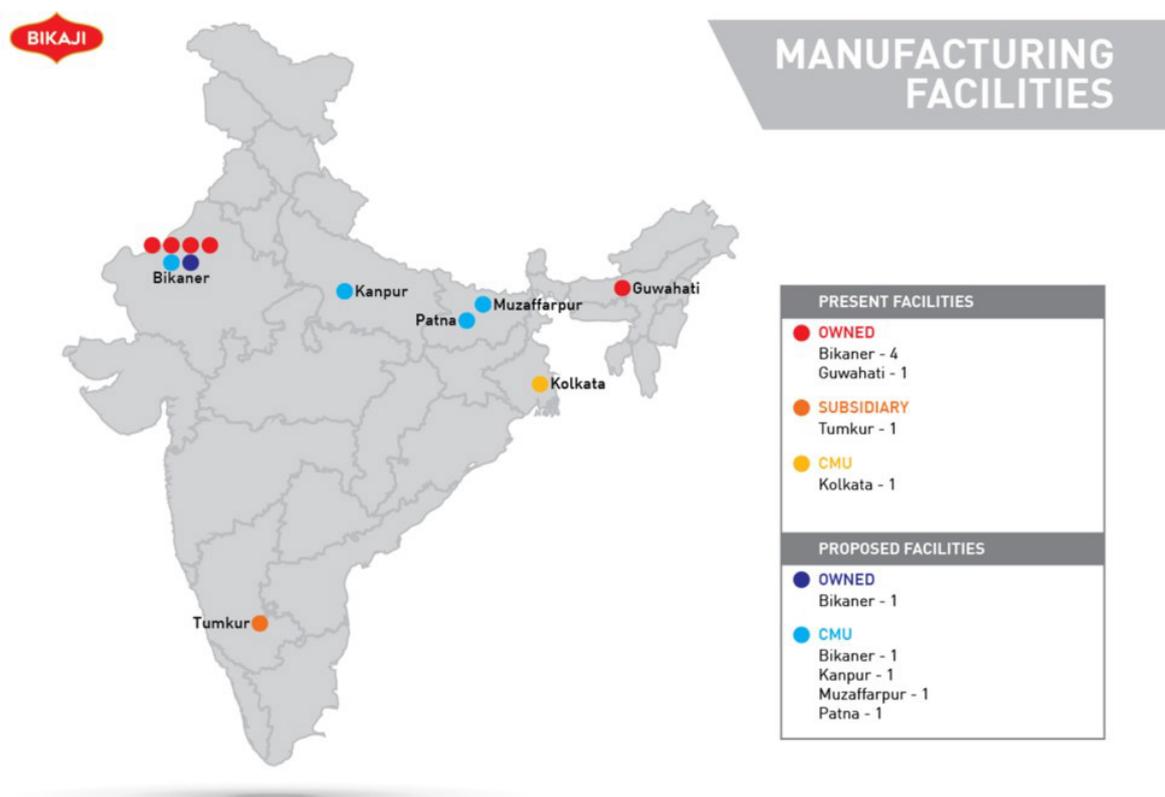
The infographic sets forth the principal product categories with respective sales contribution as at June 30, 2022



Source: Company RHP

Manufacturing Facilities

The company has six operating manufacturing facilities, four of which are located in Bikaner, Rajasthan and one each in Assam and Karnataka. It also has a contract manufacturing unit in West Bengal and a small facility in Mumbai catering to restaurant sales. Bikaji intends to establish and operationalise five more manufacturing facilities, one in Rajasthan catering to frozen snacks and sweet products owned and operated by the company besides others across Rajasthan, Bihar and Uttar Pradesh, where it will produce namkeen and western snacks



Intellectual Property

As of June 30, 2022, Bikaji has 261 registered trademarks in India. These includes registrations in respect of certain of their key brands, including 'Bikaji', their logo. Further, Bikaji has also obtained registrations for 22 trademarks across several jurisdictions including Australia, Germany, Japan, South Africa, Nepal, Canada, Malaysia, USA, Singapore, UK, UAE, and China, for trademark registrations in respect of their logo 'Bikaji'. Further, as of June 30, 2022, Bikaji has made applications for an additional 52 trademarks in India. Also, as of June 30, 2022, Bikaji has about 25 registered "artistic works" in India.

Offer Summary

For listing benefits and providing exit to some of its stakeholders, BFIL is coming out with a pure secondary issue i.e. Offer for Sale (OFS) of 29,373,984 equity shares of Re. 1 each via book building route. It has announced a price band of Rs. 285 - Rs. 300 per share and mulls mobilizing Rs. 8812.2 mn. at the upper cap. The issue opens for subscription on November 03, 2022, and will close on November 07, 2022. A minimum application is to be made for 50 shares and in multiples thereon, thereafter. The issue constitutes 11.77% of the post-issue paid-up capital of the company. Post issue implied market cap will range between ₹71.11-74.85 bn.

Profit & Loss

(₹ mn)	FY20	FY21	FY22	Q1FY22	Q1FY23
Total income	10,746	13,107	16,110	3,341	4,192
% Growth		22.0	22.9		25.5
EBITDA	947	1,448	1,395	260	308
% Margins	8.8	11.0	8.7	7.8	7.3
PBT	636	1,201	1,050	184	218
PAT	564	903	760	124	157
% Margins	5.2	6.9	4.7	3.7	3.7
EPS (₹)	2.3	3.7	3.2	0.5	0.7
RoNW	10.7	14.9	9.5		
ROCE(%)	12.8	20.9	13.9		
Debt/Equity	0.1	0.1	0.2		

Source: Company RHP

Balance Sheet

(₹ mn)	FY20	FY21	FY22	Q1FY22	Q1FY23
Equity & Liabilities					
Total equity	5,291.69	6,075.07	8,206.84	6,213.63	8,356.92
Non current liabilities	549.07	475.31	912.24	646.48	1,033.22
Total current liabilities	925.67	1,621.10	1,902.23	1,859.46	2,072.70
Total liabilities	1,474.74	2,096.41	2,814.47	2,505.94	3,105.92
Assets					
Total Non current assets	4,740.37	5,813.63	7,596.10	6,206.10	7,785.70
Total current assets	2,026.06	2,357.85	3,425.21	2,513.47	3,677.14
Total assets	6,766.43	8,171.48	11,021.31	8,719.57	11,462.84

Source: Company RHP

Cash flow Statement Summary

(₹ mn)	FY20	FY21	FY22	Q1FY22	Q1FY23
Cash flow from operations	606.74	1,171.94	574.76	259.24	375.1
Cash flow from investment	-635.3	-1,140.77	-2,316.16	-337.35	-290.7
Cash flow from financing	-314.59	-90.64	1,688.09	69.7	-16.94
Cash at beginning of the period	172.42	-170.73	-229.26	-229.26	-282.57
Cash at end of the period	-170.73	-229.26	-282.57	-237.36	-215.11

Source: Company RHP

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