



SMC Ranking

★ ★ (1.5/5)

Issue Highlights

Industry	Logistic
Total Issue (Shares) - Offer for sale	25,359,343
Total Issue (Shares) - Fresh Issue	82,135,524
Net Offer to the Public	107,494,867
Employee Discount	Rs.25 per share
Issue Size (Rs. Cr.)	4966-5235
Price Band (Rs.)	462-487
Offer Date	11-May-22
Close Date	13-May-22
Face Value	5
Lot Size	30

Issue Composition

	In shares
Total Issue for Sale	107,494,867
QIB	80,621,150
NIB	16,124,230
RETAIL	10,749,487

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	0.00%	0.00%
QIB	85.09%	83.07%
NIB	14.91%	15.44%
Retail	0.00%	1.48%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The net proceeds from the IPO will be used for below purposes;

1. Funding organic growth.
2. Funding inorganic growth through acquisition and strategic initiatives
3. General corporate purposes.

Book Running Lead Manager

- Kotak Mahindra Capital Limited
- Morgan Stanley India Company Pvt Limited
- BofA Securities India Limited
- Citigroup Global Markets India Private Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Delhivery provides a full range of Logistics services, including delivery of express parcel and heavy goods, PTL freight, TL freight, warehousing, supply chain solutions, cross-border Express, freight services, and supply chain software. Express parcel is the largest individual service offering, contributing 71% of the total revenue in FY21. The company also offers value-added services such as e-commerce return services, payment collection and processing, installation & assembly services, and fraud detection. The company has proprietary technology systems that enable it to offer integrated Logistics services to a wide variety of customers while remaining asset light. Its technology stack consists of over 80 applications for all supply chain processes.

The company has built a nationwide network, servicing 17,488 PIN codes in the nine months ended December 31, 2021, or 90.61% of the 19,300 PIN codes in India. Its network includes 122 gateways, 21 automated sort centres, 93 fulfilment centers, 35 collection points, 31 returns processing centers, 244 service centres, 132 intermediate processing centers and 2,521 direct delivery centres as of December 31, 2021, including Spoton's 40 gateways and 138 service centres. Together with Spoton, it operated 4,179 delivery points, as of December 31, 2021. Its self-delivery network is augmented by 1,209 partner locations that expand its reach, provide critical flexible capacity and redundancy and Spoton's service centres are augmented by 205 additional locations operated by business associates.

As on December 31, 2021, it operates with over 17.12 million square feet of leased infrastructure (including Spoton) and partnered with over 11,000 contractors and network partners who provide pickup and delivery services and truckload capacity. It has also expanded internationally by establishing a reciprocal partnership with Aramex and a strategic alliance with FedEx, both global express leaders, for customs clearance, pickup and delivery services. The company served a diverse base of 23,113 active Customers across e-commerce, consumer durables, electronics, lifestyle, FMCG, industrial goods, automotive, healthcare, and retail as at December 31, 2021.

Strength

Rapid growth, extensive scale and improvement in unit economics: The Company was the largest and fastest growing fully-integrated logistics services player in India by revenue as of Fiscal 2021, according to the RedSeer Report, its revenue from contracts with customers has grown from Rs 1653.89 crore in Fiscal 2019 to Rs. 3646.52 Crore in Fiscal 2021, or a CAGR of 48.49%. Further its revenue from contracts with customers has improved from Rs. 2643.86 crore for the nine months period ended December 31, 2020 to Rs. 4810.53 Crore for the nine months period ended

December 31, 2021, or an increase of 81.95%. For the 9 months period ended December 31, 2021, excluding Spoton, it fulfilled over 40.65 crore express parcel orders, carried 438,795 tonnes of PTL freight, processed 3.58 crore orders through its fulfilment centers and completed more than 30,000 truckload movements. In August 2021, Delhivery acquired Spoton which delivered 758,730 tonnes and 683,999 tonnes of PTL freight in Fiscal 2021 and the 9 months period ended December 31, 2021, respectively. The Company's network structure, quality of engineering and technology and data intelligence capabilities has helped the company establish scale in all of its business lines and ensure synergies across them. This has driven higher network utilization, resulting in cost efficiencies, while maintaining service speed and reliability.

The proprietary logistics operating system: The Company's team of 505 engineering, data sciences and product professionals, as on December 31, 2021. It has built proprietary technology systems that enable it to offer integrated logistics services to a wide variety of customers. Its technology stack consists of more than 80 applications that encompass all supply chain processes including order management, warehouse management, transportation management, financial transactions such as billing and remittance, tracking and supply chain analytics, and that integrate with its customers' systems. Its robust, scalable and service-agnostic architecture enables them to:

- Configure new workflows; define rules and business logic in applications, facilitating rapid launch of new service offerings (e.g., repurposing e-commerce parcel applications to support BFSI).
- Support interoperability with any physical or software services in a plug-and-play manner (e.g., easily onboard any sortation systems, handheld devices or new hardware, independent of underlying firmware).
- Enable partners like franchisees, retail partners and delivery agents to on-board their physical assets and resources on their platform, allowing them to seamlessly scale network capacity up or down.
- Drive cross-utilisation of resources and assets across business lines to improve service quality and reduce costs (e.g., sharing mid-mile operations between their parcel and PTL freight operations).
- Launch and scale complex, integrated products like Fulfilled by Delhivery (FBD) - an E2E fast- fulfilment offering targeted at D2C e-commerce companies and brands.
- Collect and analyse data from all their applications, allowing them to build visibility tools and provide near realtime data decision support systems to their operational teams.
- Make operations precise with real time tracking and more efficient with data insights on operations.

Vast data intelligence capabilities: As the company has expanded operations and business lines, it has grown access to new sources of data and, simultaneously, its

ability to draw insights from these data. This is one of its most valuable assets. It uses machine learning, artificial intelligence and operations research to build institutional intelligence, automation and dynamic optimization capabilities that enable it to solve several complex operational problems, some of which are described below.

- Expected path algorithms dynamically modify shipment routes to maximize trip utilization while simultaneously ensuring prioritized loading of shipments vulnerable to service breaches.
- Network simulation tools enable forecasting of service and cost impact of changes due to new network routes or changes in capacities of existing routes.
- Its automated network planner constantly alerts its network and operations teams to alter the network structure in response to changing demand patterns.
- It is able to forecast delays and expected loads across its network, allowing its control tower teams to deploy service recovery interventions.
- Location intelligence has allowed it to bypass unstructured addresses and unpredictable travel/service times.
- It identifies potential fraud and high-risk orders based on shipper and consignee information collected on over a billion delivered orders.
- Product intelligence tools enable it to identify items like air-restricted or HAZMAT goods, select appropriate delivery vehicles and reduce revenue loss through weight and volume predictions.
- It uses machine-vision to provide inputs to its gateway teams to improve the quality of loading of trucks and overall truck utilization levels.

Network design and engineering: Its network operates as a dense, dynamic mesh, making it efficient, fast and agile in responding to changes in volumes, shipment profiles and environmental conditions. The mesh structure allows it to reduce overall touch points in the journey of shipments through the network, reducing handling and improving precision, while also allowing it to utilize multiple feasible trans-shipment paths in periods of volatility. The company has designed and developed in-house capabilities in hardware design (for example, in packaging), automation and integration for shipment sortation, box/bag sortation, and weighing and dimensioning. These automated systems are fully integrated with its logistics operating system, thereby reducing human intervention.

Integrated portfolio of logistics services: The Company's aim is to meet its customers' requirements for overall, rather than mono-line, supply chain reliability and efficiency. The company provides a full-range of logistics services, including express parcel delivery, heavy goods delivery, PTL freight, TL freight, warehousing, supply chain solutions, cross border express and freight services and supply chain software, along with value added services such as e-commerce return services, payment collection and processing, installation and assembly services and fraud detection. In addition, the integrated approach allows it to exploit network and infrastructure synergies, reduces its dependence on any single business line and also reduces the effect of cyclicity in its customers' businesses on its operations

Strong relationships with a diverse customer base: The company served a diverse base of 23,113 Active Customers (excluding those serviced by Spoton) across e-commerce, consumer durables, electronics, lifestyle, FMCG, industrial goods, automotives, healthcare and retail, for the nine months period ended December 31, 2021. As of December 31, 2021, this customer base included most of the key e-commerce players in India and over 750 D2C brands. In addition, Spoton offers PTL freight services to 5,533 Active Customers across industry verticals. Several of its customers use more than one of its service offerings, with 58.13% of its revenue for the nine months period ended December 31, 2021 coming from customers who had used at least two of its services. In the first half of Fiscal 2022, 64.97% of its revenues were from customers who have been transacting with it for over three years. Its customers have also steadily increased the volume of business they undertake with the company over time.

Extensive ecosystem of partners, enabling an asset-light business model and extended reach: The company has built an asset-light business model that has enabled it to scale up volumes rapidly, with lower fixed costs and greater flexibility. While it designs, operates and control its most critical network nodes (fulfilment centers and gateways), partners play a significant role in all its other operations - pickup, mid-mile (trucking and air) and last-mile delivery. This enables it to maintain control over operational quality metrics and improve overall network performance. The company has lease a majority of its network infrastructure and a majority of the vehicles operating in its network. As of December 31, 2021, excluding Spoton, it operated 14.27 million square ft. of leased infrastructure and partnered with over 11,000 vendors and network partners who provide pickup, delivery services and truckload capacity. Its network partners are supported by its technology systems, empowering them to grow their business by offering multiple Delhivery services in their catchment areas. Its ability to develop mutually beneficial partnerships and strategic alliances with large international players such as Aramex and FedEx has enabled it to further expand its reach outside India by leveraging their global networks without having to incur additional fixed costs.

Strategy

Expand investments in infrastructure and network: The company will continue to expand its operational capabilities and expand network infrastructure and capacity across business lines. It has commissioned mega-gateways that will go live in Tauru (Haryana), Bhiwandi (Maharashtra) and Bengaluru (Karnataka). It expects to build new integrated facilities and mega-gateways in major cities, further expand capacity at existing automated sort centers, commission new sorters at strategic locations and invest in portable automation to enhance capacity at collection and return centers and intermediate processing centers. It will also continue to expand its network of fulfilment centers and in-city micro-fulfilment centers to expand its “Fulfilled by Delhivery” and “Delhivery Flash” offerings to vertical e-commerce, D2C and brand customers.

Continue to build scale in existing business lines: The company is in the process of integrating the Spoton and Delhivery infrastructure and technology systems, in order

to enable the company to deepen synergies between its part truckload and express parcel businesses, while also creating larger base volumes for its truckload freight exchange. This will allow the company to further expand critical infrastructure nodes and further expand tractor-trailer operations and truck utilization across its network. It also expects to continue to improve operational productivity through automation and technology systems. In addition, partnerships such as the ones with Aramex and its strategic alliance with FedEx offer the company the opportunity to combine the strength of its global partners' extensive network with its domestic leadership and rapidly scale up its new cross border business. As these initiatives deliver cost savings, in keeping with its overall aim of reducing its customers' total supply chain spending, it will continue to pass on efficiency gains to its partners and customers, which in turn will help it to increase share of wallet and volumes, leading to further cost savings.

To deepen its customer relationships: The company will continue to expand wallet share with existing customers by designing customized and integrated supply chain solutions for their specific needs and industries and introducing practices from its experiences with other customers. In addition, it intends to increase its penetration of new industries like healthcare, distribution and agriculture, among others. Acquisition of Spoton has further expanded its customer base. It will also intend to launch new services and capabilities such as traditional non-express PTL freight, domestic air-freight, intra-city distribution, and temperature-controlled logistics to expand its value proposition to existing and new customers.

Enhance the technology (software and hardware) capabilities: Delhivery is in the process of deploying automatic guided vehicles, automatic storage and retrieval systems and unmanned aerial vehicles for parcel sortation, material conveyance or last mile delivery, and customized "soft robotics" or "exoskeleton" products to reduce fatigue for workers engaged in repetitive, labour-intensive tasks such as loading and unloading. It has also begun to transition more of its cargo and two-wheeler fleet to electric vehicles. In addition, it is also testing UAV operations for specialized delivery use-cases and scaling up its capabilities in machine vision. The company has set up technology development centres in Gurugram (Haryana), Hyderabad (Telangana), Goa and Bengaluru (Karnataka) and intend to add new centers in India, as well as in Europe, Middle East and Southeast Asia.

Externalise the logistics operating system: The Company's logistics OS has enabled it to set up an interoperable and flexible network by establishing common standards for data governance and information exchange, and allowing multiple product teams to create generic, as well as custom/ purpose-built applications across its various business lines. The common standards and guidelines enabled by its OS drive efficiency within the Delhivery network and can also reduce high inefficiency costs across traditional siloed supply chain and logistics systems globally.

Create new adjacent growth vectors: Delhivery will continue to develop large, new growth adjacencies that enhance its interlocking flywheel strategy, leveraging on its

operational scale, rapid growth, large ecosystem of engaged partners, network design, sophisticated technology systems and access to vast amounts of data. Additionally, it plans to offer value added services, such as highway assistance and routing and tracking software for fleet owners and suppliers of truckload capacity.

Expand into high-growth international markets similar to India: Several emerging markets share operational and structural market challenges that are similar enough to India to benefit from their set of technology and network optimization tools. In Fiscal 2021, the company successfully introduced part of its fulfilment and transportation technology stack in Bangladesh and Sri Lanka, in collaboration with local partners. The company will continue to expand its presence in other such international markets selectively and through capital-efficient, partnership-driven models.

Pursue strategic alliances and select acquisition and investment opportunities: Delhivery will seek strategic alliances with global and domestic leaders in various segments of the logistics industry that bring synergies to its business. It will also continue to look for high-quality acquisition and investment opportunities within and outside India that are complementary to its business.

Risk Factor

- The company has a history of losses and negative cash flows from operating and it may continue to experience losses and negative cash flows in the future.
- The company relies on a scaled, automated and unified network infrastructure, largely comprising its logistics and transportation facilities, for its business operations.
- Any disruptions to its logistics and transportation facilities could have a material adverse effect on its business, financial condition, cash flows and results of operations.
- The company relies on network partners and other third parties for certain aspects of its business, which poses additional risks.

Peer comparison

Company Name	Net Sales	PAT	EPS	P/E	P/BV	B/V	FV	CMP	MCAP
Blue Dart Express	4410.49	382.21	172.15	39.22	18.37	367.45	10	6751.05	16020.24
TCI Express	1063.08	135.50	35.2	48.31	13.46	126.39	2	1700.55	6546.29
Mahindra Logis.	4083.03	37.07	5.15	91.44	5.74	82.08	10	470.9	3387.45
Delhivery Limited	6414.04	Loss	-ve	-ve	3.54	137.75	5	487.00	35283.22

**Financials are TTM based

*Financials are estimated Annualised FY22

Valuation:

On the operating and net profit margin front, the company is in the loss. Valuations of Tech Based logistic platforms i.e. digitally operating logistics and parcel servicing company which have been burning cash to scale up business across the globe has always been debatable. In the absence of profit in these type tech platforms, The company has to be valued on the basis of Market Cap/ Revenue. On the basis of Market Cap/ Revenue the scrip is offered at a value of 5.50x of its FY22 Revenues i.e. Post Market Cap/Revenue FY22 = $35283.22/6414.04 = 5.50$ times. Further,

considering the valuation at upper price band of Rs.487 , book value and P/B of Annualised FY22 are Rs.137.75 and 3.54 multiple respectively and at a lower price band of Rs. 462, P/B multiple is 3.35.

Sector Over view

The Indian logistics sector is one of the largest in the world and presents a large addressable opportunity, with a direct spend of US\$216 billion in Fiscal 2020. The sector is expected to grow to US\$365 billion by Fiscal 2026 at a CAGR of 9%. The logistics market is primarily comprised of transportation and warehousing, of which transportation accounted for 70%, or US\$151 billion in Fiscal 2020. Organized players accounted for only ~3.5% of the logistics market (road transportation, warehousing & supplychain services only) in Fiscal 2020. Organized players are expected to grow at a CAGR of 35% between Fiscal 2020 and Fiscal 2026, taking their share to 12.5-15% by Fiscal 2026 of the logistics market (road transportation, warehousing & supply-chain services only). This shift is expected to be driven by the ability of organized players to offer integrated services, network and scale-driven efficiencies and larger investments in technology and engineering, resulting in higher share of wallet with customers. Further, the Indian logistics industry is characterized by high indirect spends on account of high inventory carrying costs, pilferage, damage and wastage. Indirect spends were estimated at US\$174 billion in Fiscal 2020 and are expected to marginally decline to US\$166 billion by Fiscal 2026. This reduction will be led by organized players through superior logistics infrastructure that reduces pilferage and damages, efficient operations that reduce turnaround time and better utilize the logistics network capacity and through scale which drives consolidation and eliminates redundancies.

INDIAN LOGISTICS SECTOR: OVERVIEW OF KEY SEGMENTS

Structure of the Indian logistics market

FUTURE TRENDS AND OPPORTUNITIES IN THE SECTOR

Supply Chain Technology Systems: Global logistics, despite decades of development, continues to be plagued with inefficiencies due to unavailability or lack of inter-operability of systems used by shippers, operators and other entities across the supply chain. Offering standardized supply chain technology in the form of flexible, configurable transportation and warehouse management systems (TMS/WMS) and creating unified information standards would address many of these inefficiencies. The total logistics Software as a Service (SaaS) opportunity, including operations technology and associated products, is estimated to be ~US\$18 – 25 billion as of Fiscal 2020.

Supply Chain Financing: Scaled-up, organized players have gained proprietary access to large sets of customer, product and geographic data which are valuable to lenders or to these organized players themselves to provide financing to various participants in the supply chain. This could include working capital or asset financing to partners in the logistics value chain or even to counterparties trading with each other via the supply chain platform.

Greening of the Industry: The Indian government is increasingly encouraging adoption of electric vehicles in logistics operations to reduce emissions. Organized players are well-positioned to lead the transition to electric vehicles in cargo as well as pick-up and delivery operations

Outlook

The company operates as supply chain solution with asset light model catering to various sectors. Over the years the company has developed robust network with advance technology. The company has wide range of coverage. As on December 2021 it has serviced 90.61% of PIN code in India to approx. 23,113 active Customers across different sectors. Going forward the company plans to invest in building scale in existing business lines and developing new adjacent business lines, expanding network infrastructure and upgrading and improving proprietary logistics operating system, this will further help the business growth of the company. However, the biggest concern is that the company has been incurring losses year after year. The company aim to provide its customers with competitively priced service offerings that help drive the growth of their business, and in turn, the volume of their business with the company. As it continues to improve cost efficiencies, it may pass on such cost reductions to its customers in the form of lower prices. As such, it may continue to experience limited profit margins on its service offerings, which may contribute to losses and negative cash flows.

EVENT	INDICATIVE DATE (On or about)
IPO Opening Date	11-May-22
IPO Closing Date	13-May-22
Basis of Allotment	19-May-22
Initiation of Refunds	20-May-22
Credit of Shares to Demat	23-May-22
Listing Date	24-May-22

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	31-Dec-21 (9 Months)	31-Mar-21 (12 Months)	31-Mar-20 (12 Months)
Revenue from operations	4810.53	3646.53	2780.58
Total expenditure	5345.75	3769.46	2952.62
Operating Profit	-535.22	-122.93	-172.05
OPM%	-11.13	-3.37	-6.19
Other Income	100.88	191.76	208.05
PBDIT	-434.34	68.83	36.01
Depreciation	388.18	354.62	255.59
PBIT	-822.52	-285.79	-219.58
Interest	76.23	88.63	49.22
PBT	-898.75	-374.41	-268.80
Tax	-7.61	0.00	0.12
Profit After Tax	-891.14	-374.41	-268.93

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Dec-21	As on 31-Mar-21	As on 31-Mar-20
Non-current assets			
Non Current tax assets	138.86	123.17	105.02
Other non current assets	23.71	4.75	1.36
Property, plant and equipment	551.66	237.97	235.89
Capital Work in progress	64.77	76.76	26.72
GoodWill	1386.15	18.65	18.64
Right of use assets	848.73	782.80	478.11
Intangible assets	407.41	13.96	11.38
Intangible assets under development	2.07	0.00	4.81
Other Financials Assets	262.68	88.66	525.38
Investments	407.36	420.59	377.24
Total Non- Current Assets	4093.40	1767.30	1784.55
Current assets			
Inventories	31.78	25.95	17.83
Loans	9.00	26.42	2.68
Investments	1737.47	707.56	810.44
Cash and Cash equivalents	360.98	275.86	120.04
Bank Balances other than cash and cash equivalents	0.00	1.58	288.69
Other current assets	274.06	117.02	87.36
Other Financials Assets	1031.00	1081.53	644.41
Trade receivable	891.80	594.58	601.33
Total current assets	4336.09	2830.50	2572.79
Total Assets	8429.49	4597.80	4357.34
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	100.53	131.61	99.80
Lease Liabilities	691.30	653.84	387.07
Provisions	40.66	21.92	16.61
trade s payable	0.00	0.00	0.11
Deferred tax liabilities	73.50	0.00	0.00
Total non-current liabilities	905.98	807.37	503.59
Current liabilities			
Financial liabilities			
Borrowings	270.25	169.73	157.01
Lease Liabilities	221.12	161.72	110.77
Trade payables	0.00	0.00	0.00
-total outstanding dues of micro enterprises and small enterprises	3.84	2.05	0.80
-total outstanding dues of creditors other than micro enterprises and small enterprises	779.95	440.18	272.55
OtherFinancialLiabilities	145.00	130.58	109.69
Provisions	19.25	12.17	10.36
Other Current Liabilites	104.25	37.09	22.01
Current Tax liabilities (Net)	0.00	0.12	0.12
Total current liabilities	1543.66	953.63	683.31
Total liabilities	2449.64	1761.00	1186.90
Net worth represented by:			
Equity share capital	21.67	1.63	0.98
instrument entirely equity in nature	42.50	35.40	39.17
Other equity	5915.68	2799.77	3130.26
Total Equity	5979.85	2836.80	3170.41

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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