

HSIE Results Daily

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Results Reviews

- **Asian Paints:** APNT's topline delivery (91% YoY) exceeded expectations (HSIE: 64%). Growth was all-round. The decorative business clocked 106/96% volume/value growth, underpinned by (1) strong pent-up demand in paints and adjacencies (waterproofing/adhesives) and (2) stronger pick-up in metros/tier 1/2 cities and projects & large institutional sales (vis-à-vis the previous year). Despite a meaningful revenue beat, EBITDA (INR 9.1bn) missed expectations (HSIE: INR 9.3bn) as RM inflation dragged it down. Note: price hikes (3% in Q1/1% in Jul-21) remain incommensurate vis-à-vis the steep RM inflation (21-25% in the past six months). Our FY23/24 EPS estimates largely remain unchanged. Maintain SELL with a DCF-based TP of INR 2,460/sh, implying 54x Jun-23 P/E.
- **Jubilant FoodWorks:** Jubilant's Q1FY22 was in line and it posted revenue growth of 131% YoY (HSIE 131%, -3% two-year CAGR). SSG was at +114% (-61% in Q1FY21) vs. HSIE +129%. System recovery was at 94% vs. 41% in Q1FY21 and 115% in Q4FY21, reflecting less impact of the second wave of COVID on the business. While Jubilant continued to capitalise on its delivery expertise, delivery recovery was at 149% vs. 67% in Q1FY21 and 129% in Q4FY21. EBITDA margin was robust at 24% (HSIE 23%), driven by tight cost control. We expect the margin to remain strong in FY22/FY23. The company is committed to aggressive store expansion across brands for the remaining FY22. Investments in technology and digital marketing will further empower the brands and operations. Jubilant is a strong franchise among QSR peers, and its success on new initiatives and capital allocation will remain the key monitorables for the stock. We maintain our EPS estimates. We value Jubilant at 55x P/E on Jun-23E EPS and derive a target price of INR 2,650. We believe a large part of the recovery is priced in (trading at 68x/57x P/E on FY23/24). Maintain REDUCE.
- **Supreme Industries:** We maintain our ADD rating on Supreme Industries (SIL), keeping the target price unchanged at INR 2,320/share (SOTP based). In Q1FY22, the countrywide lockdown hit sales across all of the company's four segments, with the agri-pipes and plastic furniture segments witnessing a sharper impact than the others. Lower utilisation and inventory loss pulled profits down. Thus, consolidated volume/net sales/EBITDA/ APAT fell 36/36/56/62% QoQ respectively. Despite the Q1 loss, SIL expects to deliver growth in FY22E, as demand has been picking up late-June onwards.
- **ICICI Securities:** Pure broking revenue was in line (+4% QoQ), as a higher share of delivery in the volume mix protected blended yields. ISEC has been able to stabilise its retail market share both in the cash and derivatives segments, despite the implementation of the third phase of peak margin norms. We are comforted by (1) the company's focus on gaining client share through diversified channels and (2) increasing focus on building digital prowess. However, we remain wary of the impact of successive phases of peak margin regulations on trading volumes and discount brokers' acquiring a higher client share. Given the positive macro lead indicators (rising retail participation and list of potential IPOs in the pipeline), we maintain our positive bias on the broking industry and ISEC. We raise our target multiple on ISEC to 25x Mar'23 EPS (from 23x earlier) and maintain ADD with a target price of INR 800.

HSIE Research Team

hdfcsec-research@hdfcsec.com

Asian Paints

Demand rebound strong; profitability, not so much!

APNT's topline delivery (91% YoY) exceeded expectations (HSIE: 64%). Growth was all-round. The decorative business clocked 106/96% volume/value growth, underpinned by (1) strong pent-up demand in paints and adjacencies (waterproofing/adhesives) and (2) stronger pick-up in metros/tier 1/2 cities and projects & large institutional sales (vis-à-vis the previous year). Despite a meaningful revenue beat, EBITDA (INR 9.1bn) missed expectations (HSIE: INR 9.3bn) as RM inflation dragged it down. Note: price hikes (3% in Q1/1% in Jul-21) remain incommensurate vis-à-vis the steep RM inflation (21-25% in the past six months). Our FY23/24 EPS estimates largely remain unchanged. Maintain SELL with a DCF-based TP of INR 2,460/sh, implying 54x Jun-23 P/E.

Q1FY22 highlights: Revenue grew 91% YoY (two-year CAGR: 5%) to INR 55.85bn (HSIE: INR 47.85bn) as all business vectors rebounded strongly. Decorative volume/value grew 106/96% YoY, underpinned by (1) strong pent-up demand in paints and adjacencies (waterproofing/adhesives) and (2) stronger pick-up in metros/tier 1/2 cities and projects & large institutional sales. Industrial subsidiaries (PPG-AP and AP-PPG) too staged a strong recovery. Within non-auto, both industrial liquid and protecting coatings recovered well in 1Q.

On profitability: The overall trade-off between growth-profitability was starker than expected. Despite a meaningful revenue beat, EBITDA (INR 9.1bn) missed expectations (HSIE: INR 9.3bn) as RM inflation dragged GM/EBITDAM down (-480/-350bp resp) to 38.4/16.4%. Note: price hikes (3% in Q1/1% in Jul-21) were incommensurate vis-à-vis the steep RM inflation (21-25% in the past six months). More rounds of prices hikes are expected in the ensuing quarters.

- **Outlook:** APNT's wide distribution arbitrage has helped it recoup most of its lost demand YoY. However, margin pressures remain, given the steep RM price spikes. Our FY23/24 EPS estimates largely remain unchanged. Maintain SELL with a DCF-based TP of INR 2,460/sh, implying 54x Jun-23 P/E.

Quarterly financial summary

(Rs mn)	1QFY22	1QFY21	YoY (%)	4QFY21	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenue	55,854	29,227	91.1	66,514	(16.0)	2,02,113	2,17,128	2,50,019	2,80,293	3,17,451
EBITDA	9,136	4,843	88.7	13,183	(30.7)	41,618	48,556	53,226	61,328	69,458
APAT	5,743	2,196	161.5	8,699	(34.0)	27,101	31,393	35,602	42,192	48,503
EPS (Rs)	6.0	2.3	161.5	9.1	(34.0)	28.3	32.7	37.1	44.0	50.6
P/E (x)						106.3	91.7	80.9	68.2	59.4
EV/EBITDA (x)						69.1	59.3	53.8	46.4	40.7
Core RoCE(%)						27.7	30.3	31.9	35.5	39.6

Source: Company, HSIE Research

Change in estimates

(Rs mn)	FY22E			FY23E			FY24E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	2,50,019	2,44,565	2.2	2,80,293	2,76,066	1.5	3,17,451	3,12,660	1.5
Gross Profit	1,06,833	1,06,776	0.1	1,23,696	1,21,830	1.5	1,39,285	1,37,044	1.6
Gross Profit Margin (%)	42.7	43.7	(93 bps)	44.1	44.1	0 bps	43.9	43.8	4 bps
EBITDA	53,226	53,458	(0.4)	61,328	60,540	1.3	69,458	68,428	1.5
EBITDA margin (%)	21.3	21.9	(57 bps)	21.9	21.9	(5 bps)	21.9	21.9	(1 bps)
APAT	35,602	35,828	(0.6)	42,192	41,721	1.1	48,503	47,834	1.4
APAT margin (%)	14.2	14.6	(41 bps)	15.1	15.1	(6 bps)	15.3	15.3	(2 bps)
EPS (Rs)	37.1	37.4	(0.6)	44.0	43.5	1.1	50.6	49.9	1.4

Source: Company, HSIE Research

SELL

CMP (as on 20 Jul 2021)	INR 3,159
Target Price	INR 2,460
NIFTY	15,632

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 2,460	INR 2,460
EPS %	FY23E +1.1	FY24E +1.4

KEY STOCK DATA

Bloomberg code	APNT IN
No. of Shares (mn)	959
MCap (INR bn) / (\$ mn)	3,030/40,719
6m avg traded value (INR mn)	5,295
52 Week high / low	INR 3,180/1,682

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	23.7	17.1	80.4
Relative (%)	14.3	12.3	40.9

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	52.79	52.79
FIs & Local MFs	2.98	2.65
FPIs	20.38	20.72
Public & Others	23.85	23.84
Pledged Shares	4.98	4.77

Source : BSE

Pledged shares as % of total shares

Jay Gandhi

jay.gandhi@hdfcsec.com

+91-22-6171-7320

Jubilant FoodWorks

No fireworks to sustain expensive valuation

Jubilant's Q1FY22 was in line and it posted revenue growth of 131% YoY (HSIE 131%, -3% two-year CAGR). SSG was at +114% (-61% in Q1FY21) vs. HSIE +129%. System recovery was at 94% vs. 41% in Q1FY21 and 115% in Q4FY21, reflecting less impact of the second wave of COVID on the business. While Jubilant continued to capitalise on its delivery expertise, delivery recovery was at 149% vs. 67% in Q1FY21 and 129% in Q4FY21. EBITDA margin was robust at 24% (HSIE 23%), driven by tight cost control. We expect the margin to remain strong in FY22/FY23. The company is committed to aggressive store expansion across brands for the remaining FY22. Investments in technology and digital marketing will further empower the brands and operations. Jubilant is a strong franchise among QSR peers, and its success on new initiatives and capital allocation will remain the key monitorables for the stock. We maintain our EPS estimates. We value Jubilant at 55x P/E on Jun-23E EPS and derive a target price of INR 2,650. We believe a large part of the recovery is priced in (trading at 68x/57x P/E on FY23/24). Maintain REDUCE.

- **Sequential recovery continues:** Net revenue was in line at 131% YoY (-60% in Q1FY21, +14% in Q4FY21). SSG stood at +114% YoY (-61% in Q1FY21, +12% in Q4FY21). OLO contribution to delivery stood at 99% while app downloads rose by >70% YoY to 64mn. Revenue/SSG in FY21 were weak at -16/-18% despite the support from delivery charges. Delivery charge has increased by INR 3 to INR 35, the benefit of which will reflect from Q2FY22.
- **Store expansion aggressive, execution a concern:** Jubilant remained committed to store expansion, opening 29 new stores (20 Domino's and 3 each of Hong's, Dunkin' and Ekdum!). The store expansion spree will continue across brands. Popeyes is the new brand to particularly target the non-veg consumers. With rapid store expansion in India, Bangladesh, and Sri Lanka (along with managing DP Euro Asia), the company needs to manage around twice the number of stores over the next three years. It would test its execution skills, particularly with rising competition in India.
- **Delivery charge led margin expansion:** GM contracted by 80bps YoY to 77.2% (+257bps in Q1FY21 and +304bps in Q4FY21). Delivery charge expanded the gross margin by >300bps YoY in FY21, which is expected to be muted in FY22. Employee expenses continued to tighten, down by 17% QoQ and 10% vs. Q1FY20. EBITDA margin was at 24% vs. 6% in Q1FY21 and 23% in Q1FY20. EBITDA two-year CAGR was at -2%.
- **Call takeaways:** (1) H2FY21 recovery has been interrupted by the second wave in April and May, while June saw recovery up to 99.5% of the pre-COVID level; (2) store opening in Q1FY22 was slow but the company has guided 150-170 new stores for the next three quarters; (3) it expects strong growth momentum from tier-2 and tier-3 cities; (4) investment in technology and digital marketing will be high in the coming years; (5) increased delivery charges by INR 3 to INR 35; (5) EBITDA margin will remain strong.

Quarterly/Annual Financial summary

(INR mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21P	FY22E	FY23E	FY24E
Net Sales	8,790	3,803	131.1	10,258	(14.3)	33,119	44,303	52,569	60,109
EBITDA	2,114	241	778.1	2,491	(15.2)	7,712	10,619	12,937	14,971
APAT	760	(647)	(217.5)	1,116	(31.8)	2,598	4,634	5,911	7,137
EPS (INR)	5.76	(4.90)	(217.5)	8.45	(31.8)	19.7	35.1	44.8	54.1
P/E (x)						155.6	87.2	68.4	56.6
EV / EBITDA (x)						83.6	52.6	41.4	34.7
RoCE (%)						19.8	27.3	33.4	41.9

Source: Company, HSIE Research

REDUCE

CMP (as on 20 July 2021) INR 3,063

Target Price INR 2,650

NIFTY 15,632

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,650	INR 2,650
EPS %	FY22E	FY23E
	0%	0%

KEY STOCK DATA

Bloomberg code	JUBI IN
No. of Shares (mn)	132
MCap (INR bn) / (\$ mn)	404/5,434
6m avg traded value (INR mn)	2,079
52 Week high / low	INR 3,333/1,655

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.3	9.0	74.9
Relative (%)	(1.1)	4.2	35.4

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	41.94	41.94
FIs & Local MFs	11.35	11.62
FPIs	40.87	40.87
Public & Others	5.84	6.57
Pledged Shares	0.91	0.91

Source : BSE

Pledged shares as % of total shares

Naveen Trivedi

naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Varun Lohchab

varun.lohchab@hdfcsec.com
+91-22-6171-7334

Saras Singh

saras.singh@hdfcsec.com
+91-22-6171-7336

Supreme Industries

Demand recovery to make up for Q1 loss

We maintain our ADD rating on Supreme Industries (SIL), keeping the target price unchanged at INR 2,320/share (SOTP based). In Q1FY22, the countrywide lockdown hit sales across all of the company's four segments, with the agri-pipes and plastic furniture segments witnessing a sharper impact than the others. Lower utilisation and inventory loss pulled profits down. Thus, consolidated volume/net sales/EBITDA/ APAT fell 36/36/56/62% QoQ respectively. Despite the Q1 loss, SIL expects to deliver growth in FY22E, as demand has been picking up late-June onwards.

- **Q1FY22 performance:** SIL's total volume fell 22/36% YoY/QoQ, mainly hit by loss in agri-sales, which pulled down the pipes division by 36/37% YoY. SIL noted that agri volumes fell 60% YoY, the impact of which was moderated by a ~42% rise in CPVC volume (on a low base, though). The pandemic also hit the furniture business hard (down 64% QoQ and >50% down vs a normal Jun-quarter). Even the industrial and packaging segment suffered, leading to consolidated net sales falling by 36% QoQ (up 27% YoY on a low base). Lower sales led negative op-lev, and inventory loss amidst the fall in resin prices QoQ, drove down EBITDA/APAT by 56/62% QoQ (up 90/320% YoY) respectively. On a YoY basis, strong performance by SIL's associate company Supreme Petrochem accelerated the APAT surge.
- **Outlook:** SIL guided that demand has picked up late-June onwards across all markets and, hence, it is hopeful of delivering growth in FY22 despite a bad start. PVC prices, which were reversing in Q1 and, hence, led to channel destocking, have stabilised. SIL is undertaking capacity expansion by 8% to 751K MT in FY22, through a Capex of INR 5.2bn. These can potentially add ~INR 9.5bn to its revenues (FY23 onwards). It is mainly expanding its pipes capacity to 550K MT (from 509K MT in FY21) and industrial product capacity to 80K MT (from 71K MT). We remain positive on the company's growth prospects, owing to healthy demand and margin outlook. Robust balance sheet and cash flow should support its accelerated Capex spend. We maintain our ADD rating on the stock while keeping the target price unchanged at INR 2,320/sh (SOTP based). We value the company at 19x its Jun'23E consolidated EBITDA and value its 30.8% holding in its associate Supreme Petrochem at a 30% discount to its current market cap.

Consolidated Quarterly/Annual Financial summary

YE Mar (INR mn)	Q1 FY22	Q1 FY21	YoY (%)	Q4 FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Sales (KT)	71.3	91.5	(22.1)	111.2	(35.9)	411.5	409.1	456.9	495.6	551.7
NSR (INR/Kg)	188	115	63.4	187	0.5	133	153	147	148	150
Opex (INR/Kg)	157	102	53.0	142	9.9	112	121	119	120	122
EBITDA (INR/Kg)	32	13	145.4	45	(29.4)	21	31	28	27	28
Net Sales	13,421	10,539	27.3	20,846	(35.6)	55,115	63,571	68,308	74,425	84,177
EBITDA	2,220	1,171	89.6	5,097	(56.4)	8,346	12,843	12,831	13,558	15,423
EBITDAM (%)	16.5	11.1	543bps	24.5	(791)bps	15.1	20.2	18.8	18.2	18.3
APAT	1,702	405	319.8	4,504	(62.2)	4,674	9,781	8,019	8,207	9,283
Diluted EPS (INR)	67.0	16.0	319.8	177.2	(62.2)	36.8	77.0	63.1	64.6	73.1
EV/EBITDA (x)						32.4	20.3	20.2	18.9	16.4
P/E (x)						57.5	27.5	33.5	32.7	28.9
RoE (%)						21.2	36.0	23.6	21.2	21.1

Source: Company, HSIE Research, Consolidated financials

ADD

CMP (as on 20 July 2021) INR 2,104

Target Price INR 2,320

NIFTY 15,632

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,245	INR 2,320
	FY22E	FY23E
EBITDA %	0.0	0.0

KEY STOCK DATA

Bloomberg code	SI IN
No. of Shares (mn)	127
MCap (INR bn) / (\$ mn)	267/3,592
6m avg traded value (INR mn)	217
52 Week high / low	INR 2,340/1,128

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.7	24.2	82.1
Relative (%)	(3.7)	19.4	42.6

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	48.85	48.85
FIs & Local MFs	24.78	24.66
FPIs	8.95	10.82
Public & Others	17.42	15.67
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Saurabh Dugar

saurabh.dugar@hdfcsec.com
+91-22-6171-7353

ICICI Securities

Strong franchise in a rising tide

Pure broking revenue was in line (+4% QoQ), as a higher share of delivery in the volume mix protected blended yields. ISEC has been able to stabilise its retail market share both in the cash and derivatives segments, despite the implementation of the third phase of peak margin norms. We are comforted by (1) the company's focus on gaining client share through diversified channels and (2) increasing focus on building digital prowess. However, we remain wary of the impact of successive phases of peak margin regulations on trading volumes and discount brokers' acquiring a higher client share. Given the positive macro lead indicators (rising retail participation and list of potential IPOs in the pipeline), we maintain our positive bias on the broking industry and ISEC. We raise our target multiple on ISEC to 25x Mar'23 EPS (from 23x earlier) and maintain ADD with a target price of INR 800.

- **Q1FY22 highlights:** Total broking revenue, at INR 5.24bn (+4% sequentially), was broadly in line, as the share of high-yielding cash delivery volumes improved in the overall mix. Growth in the average MTF + ESOP book was impressive (+41% QoQ), cushioning the cyclicity in the broking revenues. The implementation of the third phase of peak margin requirements resulted in the cash market share falling further 20bps QoQ (primarily in the institutional segment); however, the share of derivative improved to 3.2% (+30bps). Client acquisition run-rate picked up significantly to 389k (+354k in 4QFY21), predominantly through the digital channel. With a greater number of customers routing digitally, activation rates have dipped to 71% from 84% in 4QFY21. Although the MF distribution revenue grew 11% sequentially to INR 736mn, the other distribution revenues were soft (-17% QoQ), as a result of lockdown and cyclicity driving the overall distribution revenue down by 15%.
- Employee expenses were higher than our estimates but dipped 43% YoY, benefiting from the base effect (frontloading of performance pay in the previous year). Adjusted PAT, at INR 3.1bn (+61% YoY), missed our estimates, on account of lower distribution revenues and higher employee expenses.

Quarterly financial summary

(INR mn)	1Q FY22	1Q FY21	YoY (%)	4Q FY21	QoQ (%)	FY19	FY20	FY21P	FY22E	FY23E
Adj. revenues	7,453	5,460	36.5	7,393	0.8	16,456	16,116	24,304	24,499	24,284
EBITDA	4,705	2,954	59.3	4,858	-3.1	7,358	7,873	14,364	14,068	13,678
EBITDA Margin (%)	63.1	54.1	904bps	65.7	-258bps	44.7	48.9	59.1	57.4	56.3
APAT	3,107	1,931	60.9	3,295	-5.7	4,773	5,622	10,677	10,311	10,235
AEPS	9.6	6.0	60.9	10.2	-5.7	14.8	17.5	33.1	32.0	31.8
EV/EBITDA (x)						33.8	33.3	19.7	19.5	19.5
P/E (x)						51.3	43.6	22.9	23.7	23.9
ROE (%)						50.4	49.8	70.4	52.5	45.9

Source: Company, HSIE Research

Change in estimates

(INR mn)	FY22E			FY23E		
	Revised	Old	Change % / bps	Revised	Old	Change % / bps
Revenues	24,499	24,178	1.3	24,284	24,112	0.7
EBITDA	14,068	13,864	1.5	13,678	13,629	0.4
EBITDA margin (%)	57.4	57.3	9bps	56.3	56.5	-20bps
APAT	10,311	10,098	2.1	10,235	10,046	1.9
RoE (%)	32.0	31.3	2.1	31.8	31.2	1.9

Source: Company, HSIE Research

ADD

CMP (as on 20 Jul 2021)	INR 760
Target Price	INR 800
NIFTY	15,632

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 720	INR 800
EPS %	FY21E	FY22E
	+2.1%	+1.9

KEY STOCK DATA

Bloomberg code	ISEC IN
No. of Shares (mn)	323
MCap (INR bn) / (\$ mn)	245/3,295
6m avg traded value (INR mn)	556
52 Week high / low	INR 803/357

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	79.0	69.9	43.4
Relative (%)	69.6	65.1	3.9

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	75.0	74.9
FIs & Local MFs	9.0	7.3
FPIs	3.7	5.7
Public & Others	12.2	12.1
Pledged Shares	Nil	Nil

Source : BSE

Krishnan ASV

venkata.krishnan@hdfcsec.com
+91-22-6171-7328

Sahej Mittal

sahej.mittal@hdfcsec.com
+91-22-6171-7325

Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Asian Paints	MBA	NO
Naveen Trivedi	Jubilant Foodworks	MBA	NO
Varun Lohchab	Jubilant Foodworks	PGDM	NO
Saras Singh	Jubilant Foodworks	PGDM	NO
Rajesh Ravi	Supreme Industries	MBA	NO
Saurabh Dugar	Supreme Industries	MBA	NO
Krishnan ASV	ICICI Securities	PGDM	NO
Sahej Mittal	ICICI Securities	ACA	NO

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com