

June 13, 2017

## Eris Lifesciences Ltd

**Price band ₹ 600-603**

### Rating matrix

**Rating : Subscribe**

### Issue Details

Issue Details	
Issue Opens	16-Jun-17
Issue Closes	20-Jun-17
Issue Size (₹ crore)	1733-1741
Price Band (₹)	600-603
No. of Shares on Offer (crore)	2.9
QIB (%)	75.0
Non-Institutional (%)	15.0
Retail (%)	10.0

### Objects of the Issue

The offer for sale is essentially to enhance company's brand name and provide liquidity to the existing shareholders. The company will not receive any proceeds from the Offer.

### Shareholding Pattern

	Pre-Offer	Post-Offer
Promoters & Promoters Group	59.2	55.9
Others	40.8	44.1

### Financial Summary

(₹ crore)	FY13	FY14	FY15	FY16	FY17
Total Revenues	393.1	508.8	545.6	597.0	725.0
EBITDA	85.9	98.9	121.5	171.5	268.6
EBITDA Margins	21.9	19.4	22.3	28.7	37.1
PAT	58.2	70.4	89.2	133.6	242.1
EPS	4.2	5.1	6.5	9.7	17.6

### Research Analyst

Siddhant Khandekar  
 siddhant.khandekar@icicisecurities.com  
 Mitesh Shah  
 mitesh.shah@icicisecurities.com  
 Harshal Mehta  
 harshal.mehta@icicisecurities.com

## Banking on domestic branded formulations...

Ahmedabad based Eris Lifesciences (Eris) is a domestic branded formulations focused pharmaceutical company with emphasis on lifestyle related specialised therapeutic areas. The company was promoted by first generation entrepreneur Amit Bakshi in 2007. As on FY17, its product portfolio comprised 80 mother brand groups and is primarily focused on therapies that require the intervention of specialists and super specialists. The acute: chronic ratio was at 34:66 pertaining to FY17 revenues. The company derived ~77% of revenues from metro cities and class-1 towns. It is ranked 20th out of 377 companies present in the chronic category of the IPM (IMS MAT March 2017). It owns a manufacturing facility in Guwahati, Assam, which is currently operating at ~30% capacity utilisation. The company reported a revenue CAGR of 17% in FY13-17 to ₹ 725 crore and PAT CAGR of 43% to ₹ 242 crore during the same period.

### Investment Rationale

#### Focus on branded prescription based lifestyle related segments

The company focuses on lifestyle related disorders, which are chronic in nature. Hence, the main target of the company is specialist and super specialist doctors. Revenues grew at a CAGR of 17% in FY13-17. However, growth in the chronic category was higher at 29% in FY13-17. As per IPM, it was the fastest growing company among top 25 companies in terms of revenues (IMS MAT March 2017). Even in the acute segment (34% of total revenues) the company focuses on categories that are connected to lifestyle disorders and are required to be prescribed over an extended period.

#### Top company by prescription rank

Eris is among the top five companies in India by prescription share. Doctors prescribing in metro cities and class 1 towns in India of Eris products have increased from 37,842 (constituting 13.8% of total doctors) in FY13 to 50,282 (constituting 15.7% of total doctors) in FY17.

#### Significant margin expansion and strong return ratios

EBITDA margins have improved to 37.1% in FY17 from 21.9% in FY13 on the back of a change in product mix, strong growth in chronic segment and lower outsourcing post commercialisation of the Guwahati facility. Share of the chronic segment has gone up from 52% in FY13 to 66% in FY17. RoCEs and RoEs were at 44.8% and 46.7%, respectively, in FY17.

#### Key concerns

1) High product concentration, 2) looming threat of product conversion from brands to generics, 3) uncertainty associated with pharma pricing, 4) reduction or termination of tax incentives and 5) single plant dependence

#### Priced at 34x FY17 EPS of ₹ 17.6; expensive but compelling

At the upper band of ₹ 603, the stock is available at 34.3x FY17 EPS of ₹ 17.6. We have assigned **SUBSCRIBE** recommendation to the issue based on management dynamism, robust financial performance, healthy return ratios, leverage free balance sheet and strong free cash flows. A superior business and financial matrix justify the premium valuation.

**Exhibit 1: Key Financials**

	FY13	FY14	FY15	FY16	FY17
Total Revenues (₹ crore)	393.1	508.8	545.6	597.0	725.0
EBITDA (₹ crore)	85.9	98.9	121.5	171.5	268.6
EBITDA Margins (%)	21.9	19.4	22.3	28.7	37.1
PAT (₹ crore)	58.2	70.4	89.2	133.6	242.1
EPS (₹)	4.2	5.1	6.5	9.7	17.6
RoE (%)	54.9	39.8	33.5	44.6	44.8
RoCE (%)	65.4	49.5	37.5	47.1	46.7
EBITDA Conversion (%)	44.3	90.6	74.1	76.6	74.4

Source: RHP, ICICIdirect.com Research

## Company Background

Eris Lifesciences was incorporated on January, 2007 and currently owns three subsidiaries 1) Eris Therapeutics Pvt Ltd (incorporated in FY10) 2) Aprica Health (acquired in FY17) and 3) Kinedex (acquired in FY17). The company develops, manufactures and commercialises branded pharmaceutical products in specialised therapeutic areas within the chronic and acute categories such as cardiovascular (CVS), anti-diabetics, vitamins, gastroenterology, and anti-infectives. Its focus has been on developing products in the chronic and acute category that are linked to lifestyle related disorders. The acute: chronic ratio was at 34:66 for FY17. It ranked twentieth out of 377 domestic and multinational companies present in the chronic category of the IPM, in terms of revenues for FY17. Eris has been the fastest growing company, in the chronic category, among top 25 companies in revenues, with FY13-17 CAGR of 29% to ₹ 549 crore whereas its revenues from the acute category grew at a CAGR of 12% in FY13-17 to ₹ 289 crore. Overall, for FY17, the company reported revenue growth of 17% to ₹ 725 crore and PAT growth of 43% to ₹ 242 crore.

The company's product portfolio comprises 80 mother brand groups and is primarily focused on therapeutic areas, which require the intervention of specialists and super specialists such as cardiologists, diabetologists, endocrinologists and gastroenterologists. Sales in metro cities and class 1 towns together accounted for 77% of its revenues in FY17, as a majority of specialists and super specialists are based in these metro cities and class 1 towns. Between FY13 and FY17, there was an increase in the number of doctors prescribing the company's products from 37842 to 50282 with a prescription share of 1.3% for FY17.

In the chronic category the company cater to the following therapeutic areas:

1) **Cardiovascular (CVS):** It has a portfolio of 63 brands in the CVS therapeutic area, including 44 brands in the hypertension subgroup; 27 of the CVS brands were ranked in the top 10 in their respective subgroup of the IPM. For FY17 it registered revenues of ₹ 274 crore and was ranked 18th in the CVS therapeutic area (IMS MAT March 2017).

2) **Anti-diabetics:** It has a portfolio of 26 brands in the anti-diabetics therapeutic area, of which seven brands were ranked in the top 10 in their respective subgroup of the IPM. For FY17 it registered revenues of ₹ 242 crore and was ranked 10th in the anti-diabetes therapeutic area (IMS MAT March 2017).

3) **Others:** Its revenues from other therapeutic areas in the chronic category, viz. neurology, chronic respiratory and chronic pain (analgesics), were ₹ 33 crore in FY17 (IMS MAT March 2017).

The company's acute portfolio primarily caters to the following therapeutic areas:

1) **Vitamins:** It has grown to become the seventh largest company in cholecalciferol oral solids (including combinations) subgroup, in terms of revenues with a market share of 4.6% in FY17. It has the largest brand in Vitamin D and mecobalamin subgroup. For FY17, revenues from the vitamins therapeutic area were ₹ 115 crore (FY13-17 growth CAGR of 7%) (IMS MAT March 2017).

2) **Gastroenterology:** It has a portfolio of 46 brands in the gastro-intestinal therapeutic area, of which five brands were ranked in the top 10 in their respective subgroup of the IPM. For FY17 revenues from the gastroenterology therapeutic area were ₹ 78 crore (FY13-17 CAGR of 8%) (IMS MAT March 2017).

3) **Acute pain-analgesics:** For FY17, revenues from the acute pain-analgesics therapeutic area were ₹ 27.5 crore (IMS MAT March 2017).

4) **Anti-infectives:** For FY17, revenues from the anti-infectives therapeutic area was at ₹ 22 crore (FY13-17 growth CAGR of 6%) (IMS MAT March 2017).

5) **Gynaecology:** The company has developed its portfolio of products in the gynaecology therapeutic area with a focus on products catering to women's health. For FY17, revenues from the gynaecology therapeutic area was at ₹ 22.5 crore (FY13-17 growth CAGR of 37%) (IMS MAT March 2017).

6) **Others:** Revenues from other therapeutic areas in the acute category, viz. acute respiratory, hepatoprotectives, hormones, haematology, dermatology, anti-obesity products and products for injury healing, was at ₹ 24.2 crore (IMS MAT March 2017).

Eris has acquired trademarks in relation to 40 brands in FY17, from Amay Pharma for an aggregate consideration of ₹ 33 crore, in order to grow its product portfolio in the CVS and anti-diabetics therapeutic areas. Amay Pharma's FY17 revenues, from the brands acquired stood at ₹ 19 crore. Further, it has entered into a share purchase agreement to acquire an overall 75.5% in Kinedex for a consideration of ₹ 77 crore. Kinedex primarily focuses on products catering to mobility related disorders in the musculoskeletal therapeutic area, within the acute pain-analgesics therapeutic area while its revenues for FY17 were at ₹ 83 crore.

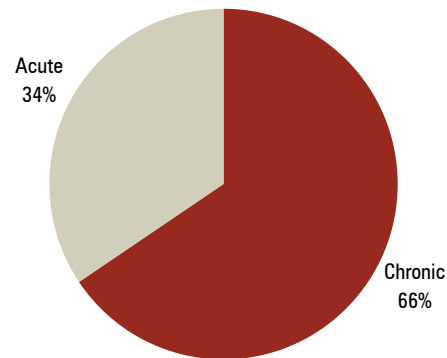
The company owns and operates a manufacturing facility in Guwahati, Assam, which is currently operating at ~30% capacity utilisation. It also outsources manufacture of certain products from ~20 third party manufacturers. It has seven sales divisions, which together comprise 1500 marketing representatives (March 31 2017).

## Key strengths

### Focus on branded prescription based lifestyle related segments

The company focuses on lifestyle related disorders, which are chronic in nature. Hence, the main target of the company is specialist and super specialist doctors. It is mainly in to select therapeutic areas, such as, CVS, anti-diabetics, vitamins, gastroenterology, anti-infectives and gynaecology. In FY17, chronic segment generated 66% of total revenues (IMS TSA MAT, March 2017). Even in the acute segment (34% of total revenues), the company focuses on categories that are connected to lifestyle disorders, and required to be prescribed over an extended period.

**Exhibit 2: Chronic: Acute (FY17)**

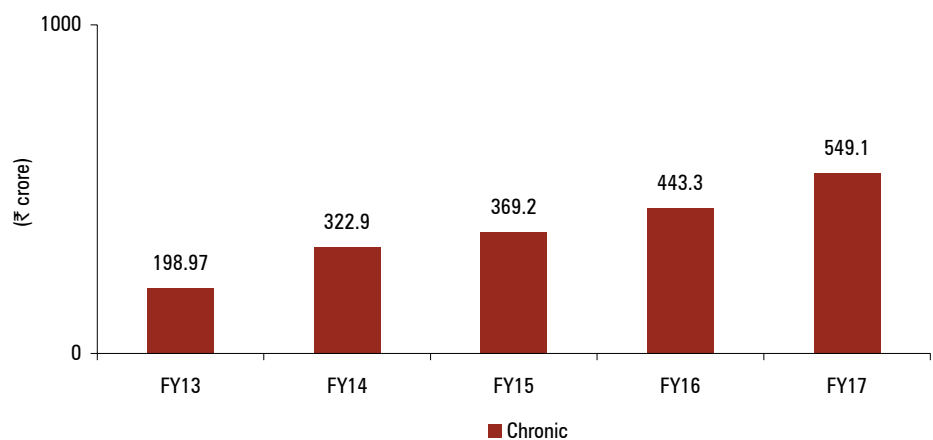


Source: RHP, ICICIdirect.com Research

### One of the fastest growing companies in chronic segment

Revenues grew at a CAGR of 17% over FY13-17. However, growth in the chronic category was higher at 29% over FY13-17. As per IPM, it was the fastest growing company among top 25 companies in terms of revenues (IMS MAT March 2017). The company ranked has also improved to twentieth out of 377 companies in the chronic category in FY17, from twenty-sixth in FY13.

**Exhibit 3: Chronic segment revenue growth**

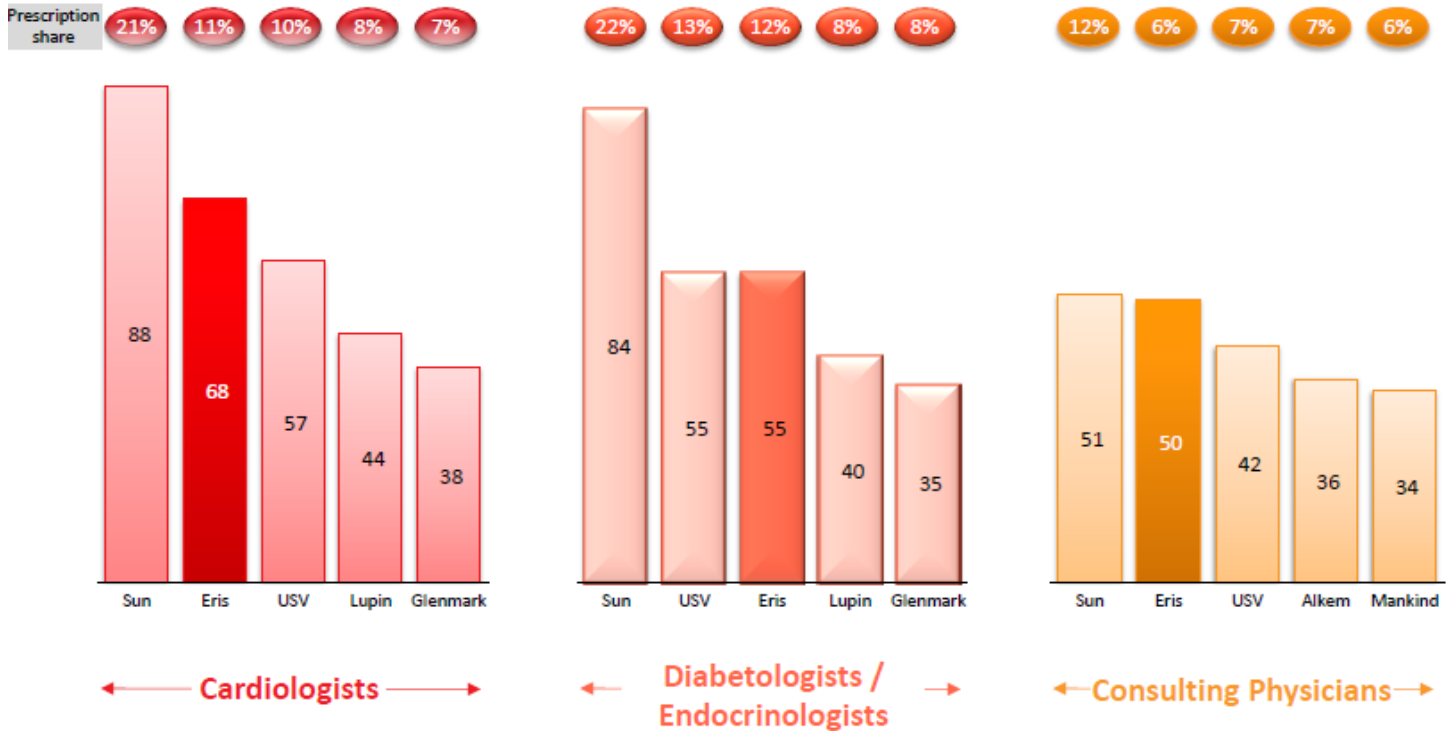


Source: RHP, ICICIdirect.com Research

### Top company by prescription rank

India is a prescriptions driven pharmaceuticals market. Most drugs are sold through prescriptions from specialist and super specialist doctors which account for ~62% of all prescriptions in IPM for FY17. A growing contribution of specialty therapies is expected to further enhance the importance of specialists and super specialists in the pharmaceuticals value chain. Eris is among the top five companies in India by prescription share. Doctors prescribing Eris products has increased to 50,282 (from 37,842 in FY13) with a prescription share of 1.3% in FY17.

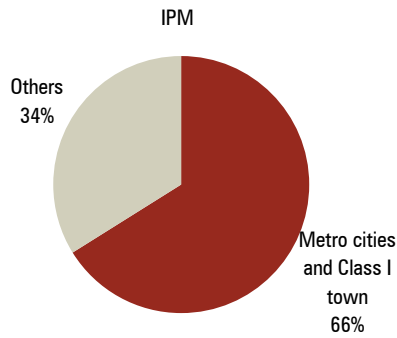
**Exhibit 4: Average prescription per doctor per month (based on MAT Mar 31<sup>st</sup>, 2017)**



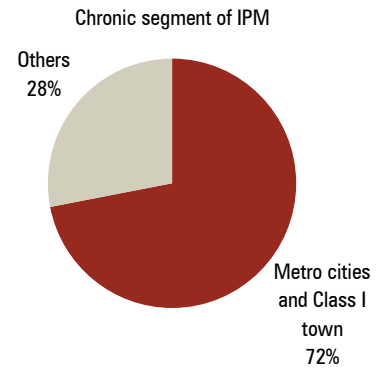
Source: Company presentation, ICICIdirect.com Research

### Focus on metro cities and class-1 towns in India

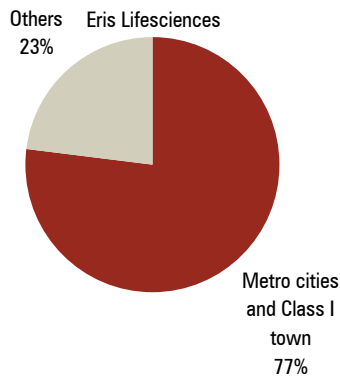
According to IMS, metro cities and class 1 towns in India accounted for 66% of the IPM market in FY17. The contribution of these geographies in the chronic category was at 72%. Further, the chronic category has grown at a faster pace in metro cities and class 1 towns at 13.1% and 18.2%, respectively, over FY13-17. Eris derived ~77% of revenues from metro cities and class-1 towns. Majority of specialists and super specialists are based in these metro cities and class-1 towns.

**Exhibit 5: IPM geographical bifurcation**


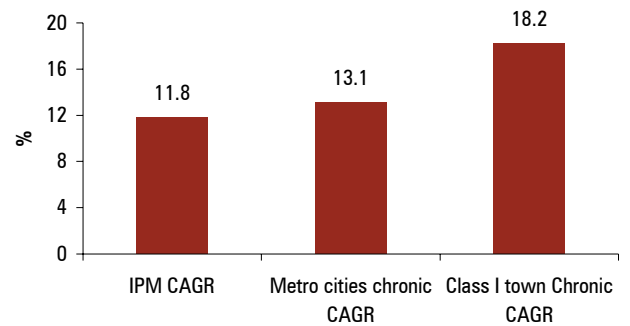
Source: RHP, ICICIdirect.com, Research

**Exhibit 6: IPM chronic category**


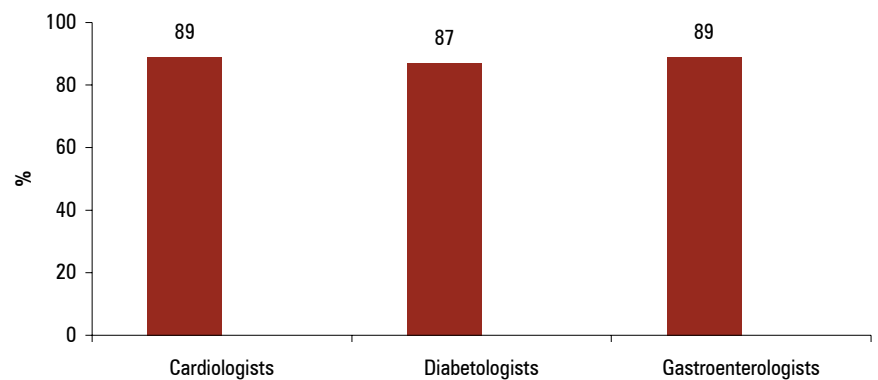
Source: RHP, ICICIdirect.com, Research

**Exhibit 7: Eris chronic geographical sales**


Source: RHP, ICICIdirect.com, Research

**Exhibit 8: FY17 chronic segment growth rates**


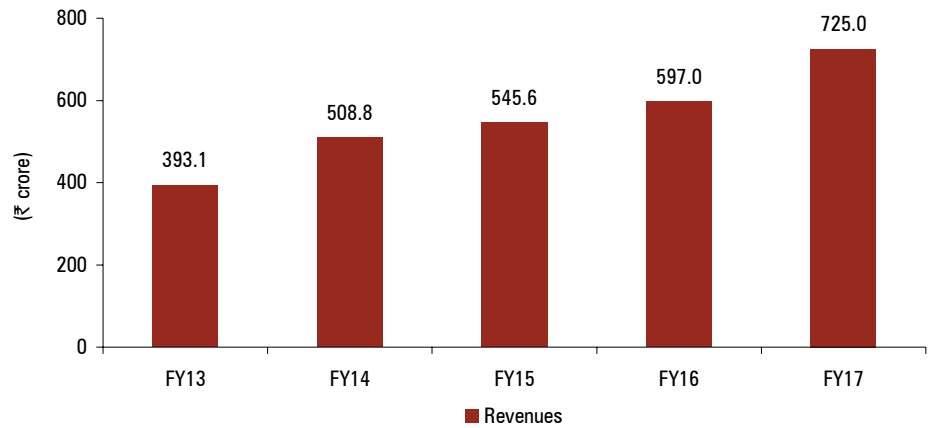
Source: RHP, ICICIdirect.com, Research

**Exhibit 9: Percentage of specialists and super specialists in Metro and Class I town**


Source: RHP, ICICIdirect.com Research

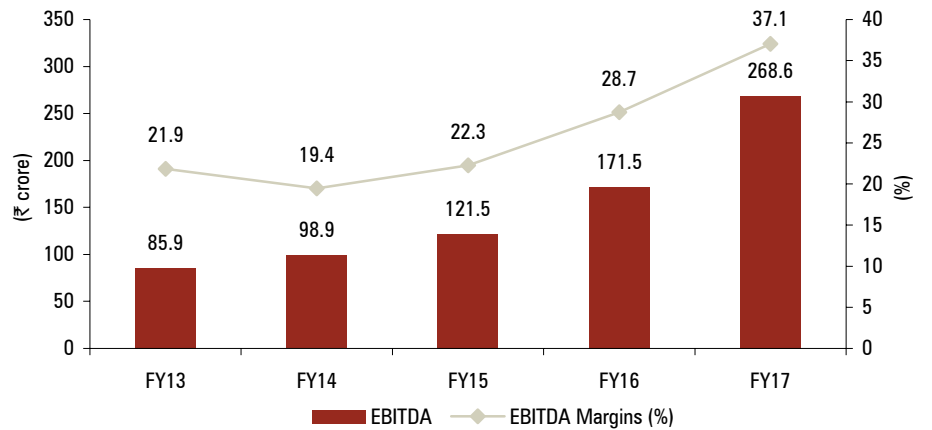
## Financials:

**Exhibit 10: Revenues (₹ crore)**



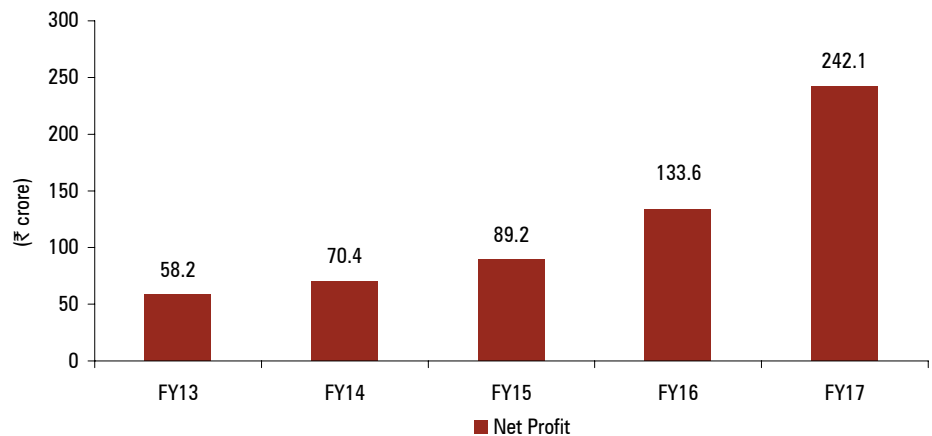
Source: RHP, ICICIdirect.com Research

**Exhibit 11: EBITDA & EBITDA margins (%)**



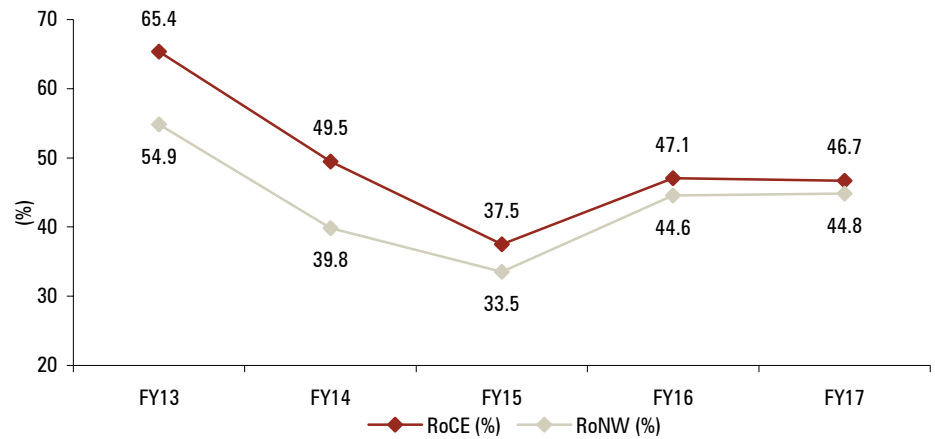
Source: RHP, ICICIdirect.com Research

**Exhibit 12: Net profit trend (₹ crore)**

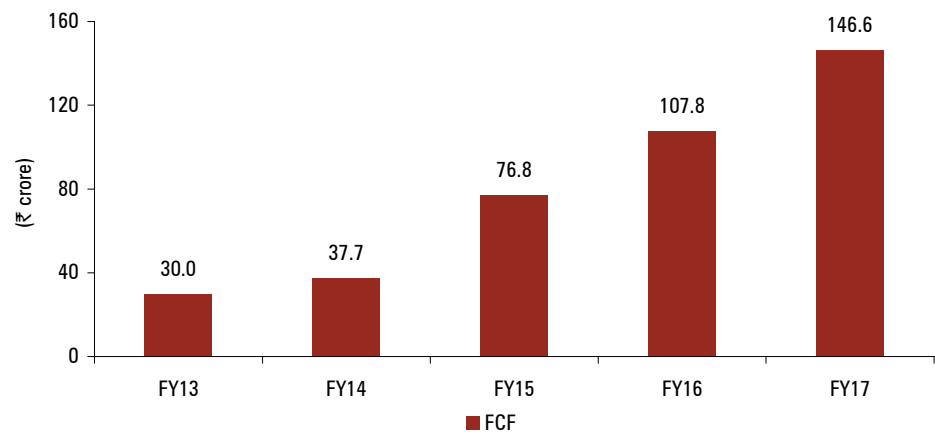


Source: RHP, ICICIdirect.com Research

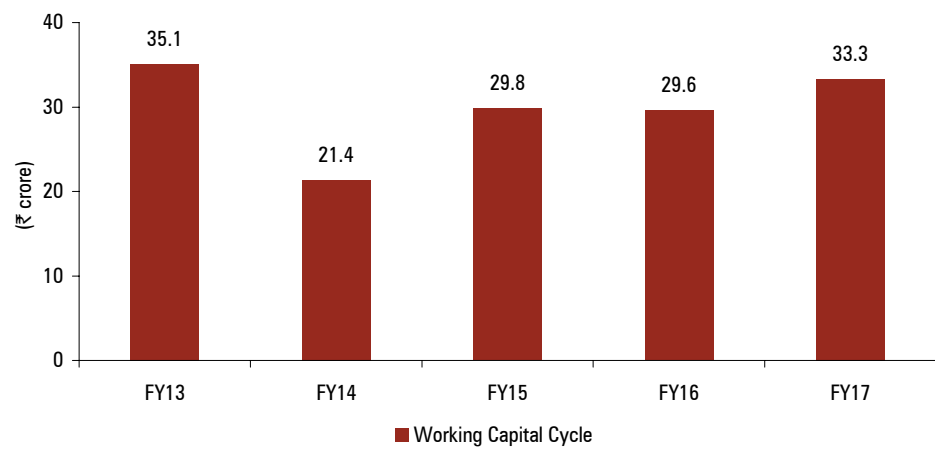


**Exhibit 13: Return ratios (%)**


Source: RHP, ICICIdirect.com Research

**Exhibit 14: Free cash flows (₹ crore)**


Source: RHP, ICICIdirect.com Research

**Exhibit 15: Working capital cycle (days)**


Source: RHP, ICICIdirect.com Research

## Key concerns

### High Product concentration

The company's top 10 brands generated 72.5% of total revenues in FY17 as per IMS. Sale of products in CVS, anti-diabetics, vitamins and gastro-intestinal therapeutic areas contributed 32.7%, 28.9%, 13.7% and 9.3%, respectively. Any adverse developments with respect to products in these therapeutic areas, and failure to successfully introduce new products in other therapeutic areas to compensate for any losses in these therapeutic areas, could have an adverse effect on results of operations and financial condition.

### Looming threat of product conversion from brands to generics

Pursuant to a notification dated October 8, 2016, the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 were amended and a letter dated April 21, 2017, to require that doctors in India are required to provide prescriptions to patients in terms of generic pharmaceutical names instead of particular brand or trade names of medicines. The company's business relies, in part, on doctors, including specialists and super specialists, who prescribe products identified by their brand names. In the event that doctors, including specialists and super specialists, are unable to or are restricted from prescribing brands, the demand for, and volume of sales of, the company's products may decline. This may have an adverse effect on the business, results of operations and financial condition.

### Uncertainty associated with pharma pricing

In India, pharmaceutical prices are subject to regulation. The government has been actively reviewing prices of pharmaceuticals and margins offered to trade. The existence of price controls can limit the revenues it earns. Also, 12% of Eris' revenues are within the list of scheduled formulations whose prices are regulated by DPCO 2013.

### Reduction or termination of tax incentives

The North East Industrial and Investment Promotion Policy, 2007 is applicable to the company's Assam Facility, pursuant to which, Eris is eligible to avail of certain tax incentives including income tax and excise duty exemption for 10 years (until FY24 and FY25, respectively), in addition to certain capital investment and trade subsidies. The reduction or termination of tax incentives, or non-compliance with conditions under which such tax incentives are made available, are expected to increase the company's tax liability.

### Disruption in production at manufacturing facility (single facility)

It owns and operates one manufacturing facility in Guwahati, Assam. In FY17, products manufactured at the Assam Facility, contributed to 59.3% of total revenues. Any disruptions in its Assam facility could delay production or require the company to shut down manufacturing facility.

## Valuations

At the upper band of ₹ 603, the stock is available at 34.3x FY17 EPS of ₹ 17.6. We have assigned **SUBSCRIBE** recommendation to the issue based on the management dynamism, robust financial performance, healthy return ratios, leverage free balance sheet and strong free cash flows. Superior business and financial matrix justify premium valuation.

**Exhibit 16: Peer compression**

₹ crore	Mcap	Revenue	FY17/CY16					
			OPM (%)	NPM (%)	ROE (%)	ROCE (%)	P/S (x)	PE (x)
GSK Pharma	20,886.9	2,926.5	14.3	11.5	18.2	26.8	7.1	62.1
Pfizer	7,621.8	1,966.3	22.9	17.1	14.8	28.6	3.9	22.7
Abbott	8,948.1	2,902.6	13.7	9.5	22.2	22.7	3.1	32.4
Sanofi	9,327.3	2,368.6	22.5	12.5	17.7	22.1	3.9	31.4
Novartis	1,851.7	656.2	14.6	8.7	5.5	6.3	2.8	34.5
Merck	1,812.7	968.3	11.7	7.8	12.3	13.6	1.9	23.9
Ajanta Pharma	13,825.1	1,932.6	35.7	26.2	37.0	37.4	7.2	27.5
FDC	3,327.3	1,051.0	23.4	17.9	15.2	22.5	3.2	17.8
<b>Eris</b>	<b>8291.25*</b>	<b>725.0</b>	<b>37.1</b>	<b>33.4</b>	<b>44.8</b>	<b>46.7</b>	<b>11.4</b>	<b>34.3</b>

Source: Bloomberg, RHP, ICICIdirect.com Research; \* at the upper band

## Objects of issue

The offer for sale is essentially to enhance company's brand name and provide liquidity to the existing shareholders. The company will not receive any proceeds from the offer.

## Financial summary

Profit and loss statement ₹ Crore					
(Year-end March)	FY13	FY14	FY15	FY16	FY17
Revenues	393.1	508.8	545.6	597.0	725.0
Growth (%)	43.5	29.5	7.2	9.4	21.4
Raw Material Expenses	73.7	98.7	94.2	97.7	104.3
Employee Expenses	67.3	90.5	125.6	124.7	132.0
Other Manufacturing Expenses	166.1	220.6	204.2	203.1	220.0
Total Operating Expenditure	307.2	409.9	424.1	425.5	456.3
EBITDA	85.9	98.9	121.5	171.5	268.6
Growth (%)	46.9	15.2	22.8	41.2	56.6
Interest	0.7	0.2	0.0	0.1	0.2
Depreciation	3.5	4.8	15.5	20.4	23.7
Other Income	1.4	4.4	3.5	3.4	19.1
PBT before Exceptional Items	83.1	98.3	109.4	154.4	263.8
Less: Forex & Exceptional Items	0.0	0.0	0.0	0.0	0.0
PBT	83.1	98.3	109.4	154.4	263.8
Total Tax	24.7	27.8	20.2	19.6	21.9
PAT before MI	58.4	70.5	89.3	134.9	241.9
Minority Interest	0.2	0.1	0.0	1.3	-0.2
PAT	58.2	70.4	89.2	133.6	242.1
Adjusted PAT	58.2	70.4	89.2	133.6	242.1
Growth (%)	57.5	21.0	26.7	49.7	81.2
EPS	4.2	5.1	6.5	9.7	17.6
EPS (Adjusted)	4.2	5.1	6.5	9.7	17.6

Source: Company RHP, ICICIdirect.com Research

Balance sheet ₹ Crore					
(Year-end March)	FY13	FY14	FY15	FY16	FY17
Equity Capital	0.1	0.1	0.1	0.1	13.8
Reserve and Surplus	106.0	176.7	265.9	299.5	526.2
Total Shareholders funds	106.1	176.9	266.0	299.6	539.9
Total Debt	0.6	0.0	0.5	0.0	0.5
Deferred Tax Liability	0.0	0.0	0.0	0.0	0.0
Minority Interest	4.7	4.4	3.9	3.2	0.0
Other Non Current Liabilities	16.9	18.1	21.3	25.6	24.8
Source of Funds	128.3	199.3	291.8	328.4	565.2
Gross Block - Fixed Assets	35.3	87.4	99.0	121.9	117.3
Accumulated Depreciation	11.8	16.3	31.5	51.2	62.0
Net Block	23.5	71.1	67.5	70.7	55.3
Capital WIP	0.0	0.0	0.0	0.0	0.1
Net Fixed Assets	23.5	71.1	67.5	70.7	55.4
Total Intangible Assets	3.4	3.9	4.2	0.7	115.6
Investments	46.5	84.0	166.5	190.0	268.6
Inventory	43.2	44.8	57.6	47.6	55.8
Cash	4.9	7.3	5.7	9.7	2.4
Debtors	16.6	22.3	23.7	25.4	48.9
Loans & Advances & Other CA	15.2	14.1	7.2	12.1	18.9
Total Current Assets	79.9	88.5	94.2	94.8	126.0
Creditors	22.0	37.4	36.7	24.6	38.5
Provisions & Other CL	43.6	71.3	65.5	69.0	75.8
Total Current Liabilities	43.6	71.3	65.5	69.0	75.8
Net Current Assets	36.3	17.2	28.7	25.8	50.2
LT L&A, Other Assets	18.3	23.0	21.5	35.4	65.9
Deferred Tax Assets	0.3	0.2	3.3	5.7	9.5
Application of Funds	128.3	199.3	291.8	328.4	565.2

Source: Company RHP, ICICIdirect.com Research

Cash flow statement ₹ Crore					
(Year-end March)	FY13	FY14	FY15	FY16	FY17
Profit/(Loss) before taxation	83.1	98.3	109.4	154.4	263.8
Add: Depreciation	3.5	4.8	15.5	20.4	23.7
Add: Net Interest expense	0.7	0.2	0.0	0.1	0.2
Add: Net income taxes paid	-36.0	-30.1	-23.4	-34.7	-53.1
Add: Others	2.7	-4.3	-3.4	-0.6	-18.4
Net Increase in Current Assets	17.0	27.7	-0.5	-10.0	9.2
Net Increase in Current Liabilities	-33.1	-6.9	-7.5	1.8	-25.5
CF from operating activities	38.0	89.6	90.1	131.5	199.9
Purchase of Fixed Assets	-7.8	-51.9	-13.1	-23.6	-49.7
Sale of Fixed Assets	0.1	0.0	0.2	0.0	3.5
(Inc)/Dec in Investments	-28.0	-30.9	-79.2	-20.3	-137.9
CF from investing activities	-35.7	-82.7	-92.1	-43.9	-184.1
Inc/(Dec) in Loan Funds	-2.4	-2.1	0.5	-0.5	-6.5
Sub: Interest Expense	0.7	0.2	0.0	0.1	0.2
Less: Dividend Paid	0.0	0.0	0.0	83.1	16.9
CF from financing activities	-3.1	-2.3	0.5	-83.7	-23.7
Net Cash flow	-0.8	4.6	-1.6	3.9	-7.9
Adjustments	0.0	0.0	0.0	0.0	1.4
Opening Cash	2.8	2.0	6.6	5.0	8.9
Closing Cash	2.0	6.6	5.0	8.9	2.3
Free Cashflow	30.0	37.7	76.8	107.8	146.6

Source: Company RHP, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY13	FY14	FY15	FY16	FY17
Per share data (₹)					
EPS	4.2	5.1	6.5	9.7	17.6
Cash EPS	4.2	5.1	6.5	2.4	17.6
BV per share	7.7	12.9	19.3	21.8	39.3
Dividend per share	0.0	0.0	0.0	7.3	0.0
Cash Per Share	0.9	1.2	2.3	3.7	4.5
Operating Ratios (%)					
Gross Profit Margins	81.2	80.6	82.7	83.6	85.6
EBITDA margins	21.9	19.4	22.3	28.7	37.1
PAT Margins	14.8	13.8	16.4	22.4	33.4
Inventory days	40.1	32.1	38.5	29.1	28.1
Debtor days	15.4	16.0	15.8	15.5	24.6
Creditor days	20.4	26.8	24.6	15.0	19.4
Asset Turnover	3.1	2.6	1.9	1.8	1.3
EBITDA conversion	44.3	90.6	74.1	76.6	74.4
Return Ratios (%)					
RoE	54.9	39.8	33.5	44.6	44.8
RoCE	65.4	49.5	37.5	47.1	46.7
RoIC	NA	120.6	74.7	129.1	1,387.0
Valuation Ratios (x)					
P/E	142.5	117.7	92.9	62.1	34.3
EV / EBITDA	43.5	37.5	30.6	21.3	13.1
EV / Revenues	9.5	7.3	6.8	6.1	4.9
Market Cap / Revenues	9.6	7.4	6.9	6.3	5.2
Price to Book Value	78.2	46.9	31.2	27.7	15.4
Solvency Ratios					
Debt / Equity	0.0	0.0	0.0	0.0	0.0
Debt / EBITDA	0.0	0.0	0.0	0.0	0.0
Current Ratio	1.7	1.1	1.4	1.2	1.6

Source: Company, ICICIdirect.com Research

**RATING RATIONALE**

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICIdirect.com Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
**research@icicidirect.com****

## ANALYST CERTIFICATION

We /I, Siddhant Khandekar CA-INTER, Mitesh Shah MS (Finance) Harshal Mehta MTech (Biotechnology) Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, *inter alia*, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that *Siddhant Khandekar CA-INTER, Mitesh Shah MS (Finance) Harshal Mehta MTech (Biotechnology)* Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that *Siddhant Khandekar CA-INTER, Mitesh Shah MS (Finance) Harshal Mehta MTech (Biotechnology)* Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

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 ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that *Siddhant Khandekar CA-INTER Mitesh Shah MS (Finance), Harshal Mehta MTech (Biotechnology)* Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.