

Aurobindo Pharma

BUY

Regulatory concerns misplaced

We upgrade ARBP to BUY owing to attractive valuations after the recent fall in stock price. Our TP at Rs 800 is unchanged (15x FY21E EPS).

HIGHLIGHTS OF THE QUARTER

- The strong YoY performance in revenue, EBITDA and PAT for 4QFY19 and FY19 was supported by a 6-7% fall in the currency, continued launch momentum in the US and new business opportunities arising out of product withdrawals by bigger players like Teva/Mylan.
- At US\$ 353mn, US sales grew 31% YoY. It was largely aided by an 86% YoY growth in injectable revenues in the US and new business opportunities. With 40+ product approvals, ramp up in injectable revenues and integration of Sandoz portfolio, we expect US segment to achieve US\$ 2.3bn sales by FY21E (~33% CAGR)
- Europe and RoW segments continued the momentum with 14% and 38% YoY growth respectively. However, Ex-Apotex, European segment remained flat YoY. We expect both these segments to grow at 8-10%YoY over the next two years.
- EBITDA at Rs 10.6bn, up 32/-3% YoY/QoQ, was boosted by a ramp up in the US and currency depreciation. The

margin was at 20.0%, up 18/-56bps YoY/QoQ. With acquisition cost of Rs 362mn, reported PAT at Rs 5.8bn, grew only 10% YoY (Adj PAT was up 17% YoY).

- Net debt jumped 49% YoY to Rs 48bn in FY19. The increase was attributed to two acquisitions – Spectrum in the US and Apotex portfolio in Europe. The increase in working capital on account of higher inventory is intentional (to capture new business opportunities in the US). We expect a gradual moderation.
- Near-term outlook:** New product launches to drive the stock price in the near term.

STANCE

Having fallen 18-20% over the trailing month on regulatory concerns related to three API/intermediate plants, the stock is now available at 14x FY20E EPS, a ~15% discount to its five-year historical average. We believe the concerns are misplaced as only 5-6 products (out of 100+ pending) are dependent on these plants. With high visibility on FY21E EPS of Rs 53.2 driven by the Sandoz acquisition, we see this as a good entry point for investors and expect at least ~15% upside in the near term as this acquisition materializes. Upgrade to BUY.

Financial Summary (Consolidated)

(Rs bn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY18	FY19P	FY20E	FY21E
Net Sales	52.92	40.49	30.7	52.70	0.4	165.00	195.64	239.04	279.87
EBITDA	10.60	8.04	31.9	10.86	(2.4)	37.89	39.52	49.00	58.77
APAT	6.22	5.29	17.6	7.37	(15.7)	24.43	25.16	28.87	31.17
Diluted EPS (Rs)	10.6	9.0	17.6	12.6	(15.7)	41.7	42.9	49.3	53.2
P/E (x)						16.5	16.0	13.9	12.9
RoE (%)						23.2	19.7	18.9	17.2
RoCE (%)						17.5	14.2	12.2	11.3

Source: Company, HDFC sec Inst Research

INDUSTRY	PHARMA
CMP (as on 29 May 2019)	Rs 687
Target Price	Rs 800
Nifty	11,861
Sensex	39,502

KEY STOCK DATA	
Bloomberg	ARBP IN
No. of Shares (mn)	586
MCap (Rs bn) / (\$ mn)	402/5,762
6m avg traded value (Rs mn)	1,979

STOCK PERFORMANCE (%)			
52 Week high / low	Rs 838/527		
	3M	6M	12M
Absolute (%)	(3.6)	(13.3)	18.7
Relative (%)	(13.7)	(22.5)	5.6

SHAREHOLDING PATTERN (%)		
	Dec-18	Mar-19
Promoters	51.87	51.87
FIs & Local MFs	14.44	13.69
FPIs	20.07	21.47
Public & Others	13.62	12.97
Pledged Shares*	1.20	1.81

Source : BSE, *% of total

Amey Chalke
amey.chalke@hdfcsec.com
+91-22-6171-7321

Eshan Desai
eshan.desai@hdfcsec.com
+91-22-6639-2476

Strong revenue growth of 31% YoY was driven by growth across geographies as well as improvement in business mix

Gross margin was impacted by Valsartan recalls, provisions for claims, integration of Apotex, and serialization in the EU. Adjusting for this

R&D spend was at ~Rs 2.3bn (4.4% of revenue). Owing to clinical trials for biosimilars, mgmt expects R&D to increase to 5-5.5% of sales in FY20E

The company incurred expenses amounting to Rs 362mn during the quarter on account of costs related to acquisitions

Net debt stood at Rs 48bn growing 49% YoY owing to acquisition costs and dividend payout

Quarterly Financials Snapshot (Consolidated)

Particulars (Rs mn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)
Net Sales	52,922	40,491	30.7	52,697	0.4
Material Expenses	23,726	16,695	42.1	23,899	(0.7)
Employee Expenses	7,135	5,813	22.7	6,498	9.8
Other Expenses	11,458	9,943	15.2	11,436	0.2
EBITDA	10,603	8,041	31.9	10,864	(2.4)
Depreciation	1,866	1,566		1,631	
EBIT	8,737	6,474	34.9	9,233	(5.4)
Other Income	323	438		134	
Interest Cost	501	247		477	
FX Gains / (Loss)	(28)	(159)		505	
Exceptional Items	(362)	-		(250)	
PBT	8,169	6,506	25.6	9,144	(10.7)
Tax	2,311	1,223		2,048	
Minority Interest	(4)	3		26	
RPAT	5,854	5,286	10.7	7,122	(17.8)
EO Items (Adj For Tax)	362	-		250	
APAT	6,216	5,286	17.6	7,373	(15.7)

Source: Company, HDFC sec Inst Research

Margin Analysis

	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)
Material Expenses % Net Sales	44.8	41.2	360	45.4	(52)
Employee Expenses % Net Sales	13.5	14.4	(87)	12.3	115
Other Expenses % Net Sales	21.7	24.6	(291)	21.7	(5)
EBITDA Margin (%)	20.0	19.9	18	20.6	(58)
Tax Rate (%)	28.3	18.8	949	22.4	590
APAT Margin (%)	11.7	13.1	(131)	14.0	(225)

Source: Company, HDFC sec Inst Research

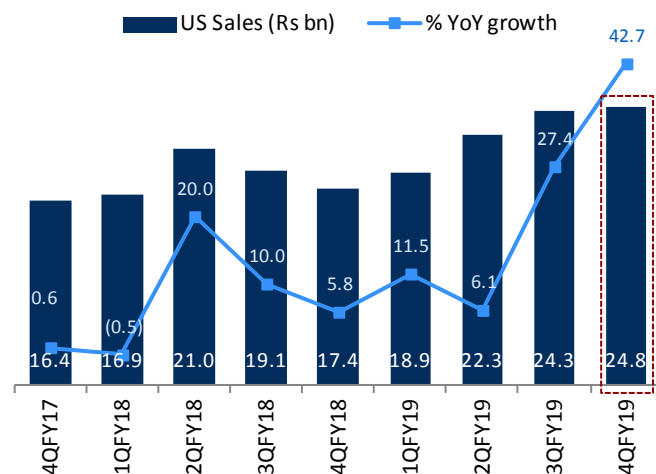
Strong growth in the US was driven by new product launches and volume growth in existing products. In constant currency, sales grew 30.4% YoY to US\$ 353mn

Growth in the EU was aided by acquisition of Apotex biz which generated Rs 1.4bn revenue during the quarter. Constant currency growth was at 12.7% for the quarter

ARV biz remained steady (QoQ) during the quarter

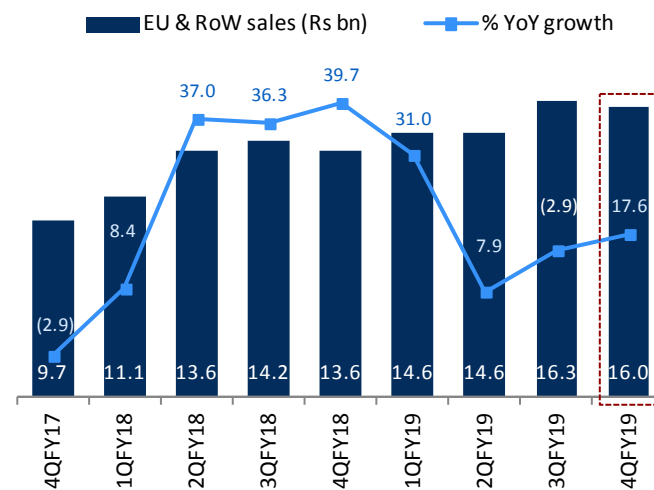
Adjusted for the one-off costs during the quarter, gross margin would be at 56.5%, up 185bps QoQ

US Formulations: Strong Growth In Base Business



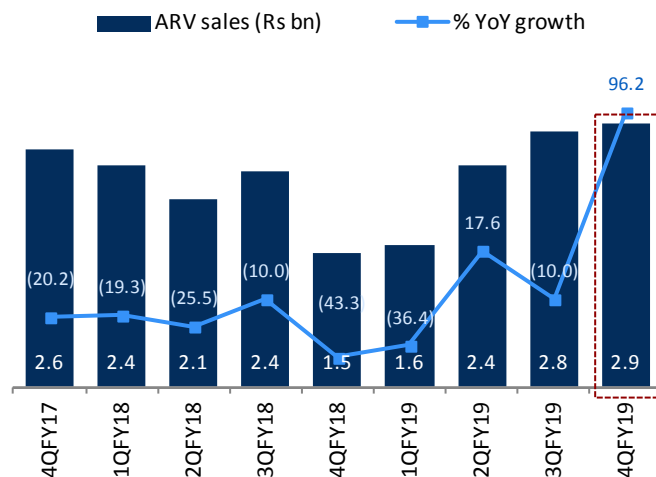
Source: Company, HDFC sec Inst Research

EU & ROW: Boosted By Ramp Up In Injectables



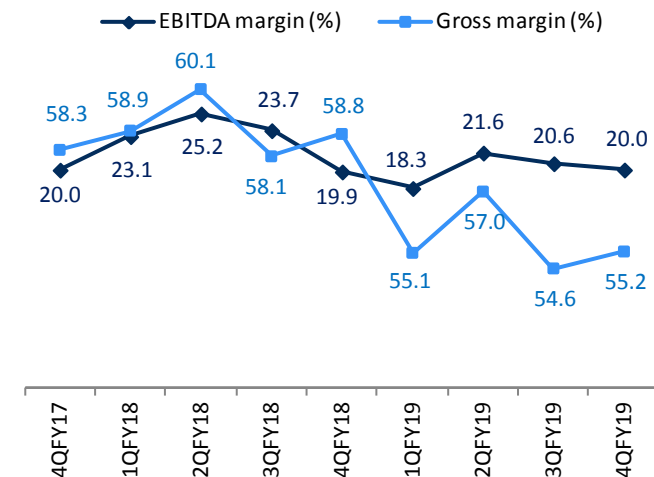
Source: Company, HDFC sec Inst Research

API Revenues: Multi-quarter High



Source: Company, HDFC sec Inst Research

Margins Expected To Remain Stressed



Source: Company, HDFC sec Inst Research

During the quarter in the US, Auro Pharma grew 45% YoY. Injectables at US\$ 66mn grew 86%. Aurohealth (OTC) grew 25% YoY, while Natrol saw further improvement QoQ. Spectrum portfolio reported sales of US\$ 8mn. The co expects injectables lines to commission in CY19, and Sandoz acquisition to complete in 8-12 weeks

New business opportunities continue to exist. They accounted for US\$ 90-100mn of revenue over the last 4-5 quarters

OAI in 3 plants won't impact pending approvals significantly. The co expects 12-15 injectables approvals and 40+ overall approvals in the US during FY20E

The acquired Apotex business in EU is loss-making as of now. Mgmt expects a turnaround in profitability within 1.5 years

Segmental Quarterly Performance

(Rs mn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)
US	24,811	17,388	42.7	24,332	2.0
Europe	13,118	11,516	13.9	12,928	1.5
ROW	2,891	2,096	37.9	3,405	(15.1)
ARVs	2,915	1,486	96.2	2,813	3.6
Formulation (sub-total)	43,735	32,486	34.6	43,478	0.6
Betalactum	5,830	5,327	9.4	5,577	4.5
Non Betalactum	3,337	2,669	25.0	3,641	(8.3)
APIs (sub-total)	9,167	7,996	14.6	9,218	(0.6)
Dossier Income	19	8	137.5	1	1,800.0
Total	52,921	40,490	30.7	52,697	0.4

Source: HDFC sec Inst Research

Assumptions

Key segments (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
US	68,272	74,421	90,307	123,452	154,607
Growth (%)	12.3	9.0	21.3	36.7	25.2
Europe	32,771	43,544	49,602	55,554	61,110
Growth (%)	4.7	32.9	13.9	12.0	10.0
ARV	11,854	8,396	9,725	10,698	11,767
Growth (%)	(2.0)	(29.2)	15.8	10.0	10.0
RoW	7,556	8,971	11,937	13,548	15,378
Growth (%)	16.9	18.7	33.1	13.5	13.5
API	30,420	29,622	34,030	35,790	37,009
Growth (%)	5.5	(2.6)	14.9	5.2	3.4
Total	150,873	164,954	195,601	239,042	279,870
Growth (%)	8.2	9.3	18.6	22.2	17.1

Source: HDFC sec Inst Research

Peer Set Comparison

	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP/FV	Adj EPS (Rs/sh)				P/E (x)				RoE (%)			
					FY18	FY19P	FY20E	FY21E	FY18	FY19P	FY20E	FY21E	FY18	FY19P	FY20E	FY21E
Sun Pharma	1,017	424	BUY	600	13.0	15.4	20.9	27.4	32.7	27.5	20.3	15.5	8.3	9.4	11.8	13.8
Cipla	454	564	BUY	625	18.6	19.1	21.1	28.4	30.4	29.6	26.7	19.9	11.2	10.5	10.7	12.9
Dr Reddy's Labs	434	2,611	BUY	3,320	59.2	104.9	125.8	147.0	44.1	24.9	20.7	17.8	7.8	13.1	13.9	14.1
Divi's Labs	422	1,589	SELL	1,445	32.4	48.8	56.7	65.6	49.1	32.6	28.0	24.2	15.2	20.1	20.4	20.8
Aurobindo Pharma	402	687	BUY	800	41.7	42.9	49.3	53.2	16.5	16.0	13.9	12.9	23.2	19.7	18.9	17.2
Lupin	331	733	BUY	930	38.2	16.4	27.3	42.1	19.2	44.6	26.9	17.4	12.8	5.4	8.7	12.3
Cadila Healthcare	270	264	NEU	285	12.7	11.1	12.0	15.7	20.8	23.7	22.1	16.8	16.5	11.9	11.2	13.2
Torrent Pharma	256	1,511	NEU	1,745	37.0	40.1	52.9	72.8	40.8	37.7	28.5	20.8	14.0	14.5	17.7	20.9
Alkem Laboratories	207	1,729	BUY	2,240	57.6	63.4	80.9	101.9	30.0	27.3	21.4	17.0	14.8	14.7	16.6	18.3
Abbott India	166	7,806	NR	8,990	188.8	211.9	248.6	299.6	41.3	36.8	31.4	26.1	26.1	24.3	24.1	24.5
Glenmark	154	545	BUY	835	17.5	27.0	33.9	43.7	31.2	20.2	16.0	12.5	9.4	12.7	14.0	15.7
Alembic Pharma	98	522	NEU	570	21.9	25.8	25.1	31.6	23.8	20.2	20.7	16.5	20.0	19.7	16.4	18.1
Jubilant Life Sciences	80	502	BUY	1,005	45.5	53.8	60.2	76.2	11.0	9.3	8.3	6.6	19.3	19.3	18.3	19.6
Dishman Carbogen Amcis	39	239	BUY	400	13.2	16.7	20.5	26.5	18.1	14.3	11.7	9.0	14.6	15.4	15.7	17.2
Strides Pharma	38	428	BUY	570	13.2	6.9	29.3	35.7	32.5	62.3	14.6	12.0	2.9	2.3	9.5	10.7
Laurus Labs	39	362	BUY	535	15.8	10.7	17.0	29.4	22.9	33.9	21.3	12.3	11.9	6.2	10.8	16.7
Suven Life Sciences	34	269	NR	455	9.7	6.8	9.1	10.7	27.6	39.3	29.6	25.0	17.2	10.9	13.2	13.9
J B Chemicals & Pharmaceuticals	30	373	NR	470	16.6	24.1	28.8	34.6	22.5	15.4	12.9	10.8	9.9	13.3	14.7	15.6
Granules India	29	113	BUY	170	5.2	9.3	11.4	13.9	21.7	12.2	10.0	8.1	12.0	16.7	17.5	18.5
Neuland Labs	8	614	BUY	920	10.8	12.8	32.1	65.8	56.8	47.9	19.2	9.3	2.2	2.6	5.7	10.9

Source: HDFC sec Inst Research

The decline in our FY20E EPS is on account of delay in Sandoz portfolio integration, which is now expected by 1HFY20-end (as against earlier expectation of 1QFY20E)

Change In Estimates (Consolidated)

Rs mn	Previous			New			% Chg		
	FY19P	FY20E	FY21E	FY19P	FY20E	FY21E	FY19P	FY20E	FY21E
Net Sales	193,179	265,448	276,027	195,636	239,042	279,870	1.3	(9.9)	1.4
EBITDA	39,215	57,071	57,966	39,519	49,004	58,773	0.8	(14.1)	1.4
APAT	24,716	31,722	31,143	25,160	28,866	31,167	1.8	(9.0)	0.1

Source: HDFC sec Inst Research

Income Statement (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
Net Revenues	149,295	164,998	195,636	239,042	279,870
Growth (%)	8.1	10.5	18.6	22.2	17.1
Material Expenses	64,343	67,527	87,126	105,179	120,344
Employee Expenses	17,678	21,308	25,849	31,315	36,663
SG&A Expenses	11,190	12,638	13,796	14,821	18,751
Other Operating Expenses	21,742	25,640	29,345	38,725	45,339
EBITDA	34,343	37,885	39,519	49,004	58,773
EBITDA Margin (%)	23.0	23.0	20.2	20.5	21.0
EBITDA Growth (%)	7.7	10.3	4.3	24.0	19.9
Depreciation	4,276	5,580	6,680	8,982	14,052
EBIT	30,067	32,306	32,840	40,022	44,720
Other Income (Including EO Items)	538	886	(298)	400	550
Interest	667	777	1,627	2,449	4,268
PBT	29,938	32,415	30,916	37,973	41,002
Tax (Incl Deferred)	7,596	8,183	7,269	9,114	9,841
RPAT	22,341	24,232	23,647	28,860	31,162
Minority Interest	(55)	(34)	(29)	(6)	(5)
EO (Loss) / Profit (Net Of Tax)	(621)	(168)	(1,483)	-	-
APAT	23,017	24,433	25,160	28,866	31,167
APAT Growth (%)	13.7	6.2	3.0	14.7	8.0
Adjusted EPS (Rs)	39.3	41.7	42.9	49.3	53.2

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

As at March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital - Equity	586	586	586	586	586
Reserves	93,133	116,218	138,322	165,723	195,425
Total Shareholders Funds	93,719	116,804	138,908	166,309	196,011
Minority Interest	21	18	16	16	17
Long Term Debt	1,814	4,512	1,800	69,199	62,279
Short Term Debt	29,027	40,313	65,732	59,159	53,243
Total Debt	30,841	44,825	67,532	128,358	115,522
Net Deferred Taxes	(1,185)	765	980	1,000	1,020
Other Non-Current Liabilities & Provns	224	450	550	550	550
TOTAL SOURCES OF FUNDS	123,621	162,863	207,986	296,233	313,119
APPLICATION OF FUNDS					
Net Block	44,275	57,041	76,423	120,441	128,389
CWIP	15,596	15,830	16,685	9,500	6,500
Goodwill	4,063	8,165	8,325	43,325	43,325
Investments	2,459	3,115	3,602	3,602	3,602
Other Non-current Assets	2,363	2,995	5,706	7,250	7,075
Total Non-current Assets	68,755	87,148	110,741	184,119	188,891
Cash & Equivalents	5,135	12,616	19,572	19,437	17,827
Inventories	43,305	58,584	72,456	89,330	100,562
Debtors	27,653	30,844	34,138	45,844	57,508
Other Current Assets	15,968	20,272	25,804	20,500	19,175
Total Current Assets	86,927	109,700	132,398	155,674	177,244
Creditors	24,883	26,274	26,771	39,406	45,293
Other Current Liabilities & Provns	12,313	20,327	27,954	23,590	25,550
Total Current Liabilities	37,196	46,601	54,725	62,996	70,843
Net Current Assets	49,731	63,099	77,673	92,678	106,401
TOTAL APPLICATION OF FUNDS	123,621	162,863	207,986	296,233	313,119

Source: Company, HDFC sec Inst Research

Cash Flow

Year ending March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
Reported PBT	30,608	32,412	31,213	37,573	40,452
Non-operating & EO items	(732)	(858)	186	14	15
Interest expenses	545	629	1,627	2,449	4,268
Depreciation	4,276	5,580	6,680	8,982	14,052
Working Capital Change	5,825	(10,690)	(17,184)	(16,549)	(13,549)
Tax Paid	(7,737)	(7,524)	(7,053)	(9,094)	(9,823)
OPERATING CASH FLOW (a)	32,786	19,548	15,468	23,374	35,417
Capex	(16,846)	(12,406)	(21,106)	(17,815)	(19,000)
Free cash flow (FCF)	15,940	7,142	(5,638)	5,559	16,417
Investments	(1,179)	(7,442)	(5,970)	(63,000)	-
Non-operating Income	155	279	1,157	400	550
INVESTING CASH FLOW (b)	(17,870)	(19,570)	(25,919)	(80,415)	(18,450)
Debt Issuance/(Repaid)	(17,279)	12,022	22,706	60,827	(12,836)
Interest Expenses	(568)	(742)	(1,627)	(2,449)	(4,268)
FCFE	(1,908)	18,422	15,442	63,937	(687)
Share Capital Issuance	67	2	-	-	-
Dividend	(1,372)	(2,641)	(1,465)	(1,465)	(1,465)
Others	9,326	(650)	(568)	(7)	(8)
FINANCING CASH FLOW (c)	(9,827)	7,992	19,047	56,906	(18,576)
NET CASH FLOW (a+b+c)	5,088	7,970	8,596	(135)	(1,610)
Closing Cash & Equivalents	12,523	13,105	21,212	19,437	17,827

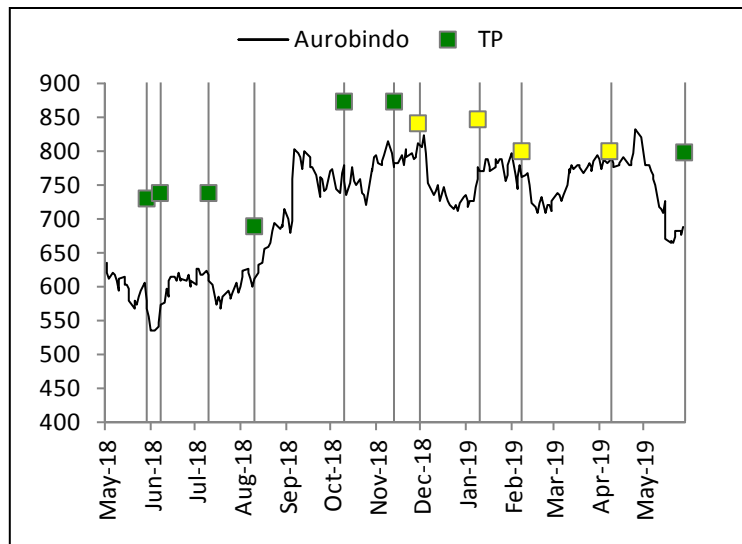
Source: Company, HDFC sec Inst Research

Key Ratios

	FY17	FY18	FY19P	FY20E	FY21E
PROFITABILITY (%)					
GPM	56.9	59.1	55.5	56.0	57.0
EBITDA Margin	23.0	23.0	20.2	20.5	21.0
APAT Margin	15.4	14.8	12.9	12.1	11.1
RoE	27.6	23.2	19.7	18.9	17.2
RoIC (or Core RoCE)	20.5	18.7	15.5	13.7	12.3
RoCE	19.7	17.5	14.2	12.2	11.3
EFFICIENCY					
Tax Rate (%)	25.4	25.2	23.5	24.0	24.0
Fixed Asset Turnover (x)	2.9	2.3	2.0	1.6	1.6
Inventory (days)	105.9	129.6	135.2	136.4	131.2
Debtors (days)	67.6	68.2	63.7	70.0	75.0
Other Current Assets (days)	39.0	44.8	48.1	31.3	25.0
Payables (days)	60.8	58.1	49.9	60.2	59.1
Other Current Liab & Provns (days)	30.1	45.0	52.2	36.0	33.3
Cash Conversion Cycle (days)	121.6	139.6	144.9	141.5	138.8
Debt/EBITDA (x)	0.9	1.2	1.7	2.6	2.0
Net D/E (x)	0.3	0.3	0.3	0.7	0.5
Interest Coverage (x)	45.1	41.6	20.2	16.3	10.5
PER SHARE DATA (Rs)					
EPS	39.3	41.7	42.9	49.3	53.2
Dividend	2.0	2.5	2.5	2.5	2.5
Book Value	160.0	199.4	237.1	283.9	334.5
VALUATION					
P/E (x)	17.5	16.5	16.0	13.9	12.9
P/BV (x)	4.3	3.4	2.9	2.4	2.1
EV/EBITDA (x)	12.5	11.5	11.4	10.4	8.5
EV/Revenues (x)	2.9	2.6	2.3	2.1	1.8
OCF/EV (%)	7.7	4.5	3.4	4.6	7.1
FCF/EV (%)	3.7	1.6	(1.3)	1.1	3.3
FCFE/Mkt Cap (%)	(0.5)	4.6	3.8	15.9	(0.2)
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.4

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
29-May-18	579	BUY	732
13-Jun-18	596	BUY	740
10-Jul-18	623	BUY	740
11-Aug-18	610	BUY	691
10-Oct-18	736	BUY	875
14-Nov-18	775	BUY	875
30-Nov-18	811	NEU	840
10-Jan-19	777	NEU	845
9-Feb-19	761	NEU	800
9-Apr-19	786	NEU	800
29-May-19	687	BUY	800

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:

We, **Amey Chalke, MBA & Eshan Desai, MBA**, 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. HSL has no material adverse disciplinary history as on the date of publication of this report. 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.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock –No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HSL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL 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.

HSL 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 in the normal course of business.

HSL 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 HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

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

HDFC Securities Limited, SEBI Reg. No.: NSE-INB/F/E 231109431, BSE-INB/F 011109437, AMFI Reg. No. ARN: 13549, PFRDA Reg. No. POP: 04102015, IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657, SEBI Research Analyst Reg. No.: INH000002475, CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

