

Glenmark Pharma

Refer to important disclosures at the end of this report

Q4 beats estimates; debt reduction, US sales key monitorables

CMP: Rs 468
as of (June 29, 2020)

TP: Rs 526 (▲)
12 months

Rating: BUY (■)

Upside: 12.4 %



We appreciate your support in the [Asiamoney Brokers Poll 2020](#)

- Q4 operating performance beat estimates led by tight cost controls, though the sales trend was mixed, with strong growth in India and weak in US. India business posted over 15% growth for the third straight quarter, partly led by pre-buying.
- US continues to disappoint, owing to price erosion in the derma segment, fall in sales of key products and Ranitidine impurity issue. With a thin pipeline (44 pending approvals) and low filings (8 in FY20), we expect US growth to remain moderate in the next few years.
- Net debt remains high at Rs37.6bn (vs. Rs36.5bn qoq) and up almost Rs3bn yoy. This is much higher than management guidance of Rs7-8bn reduction in FY20. Debt reduction remains key to the stock's re-rating, in our view.
- We changed FY21/22E EPS marginally by +2%/-1%. We retain Buy with a revised TP of Rs526, valuing the stock at 15x June'22 EPS (vs 8x Mar'22EPS earlier), given the recent Favipiravir approval. Clarity on debt reduction is the key trigger. GNP is an EW in EAP.

India delivers strongly but US disappoints: Revenues at Rs27.7b (+8% yoy) were in line with our estimates, driven by strong growth in India (+14.5% yoy), partly due to pre-buying. GNP has launched Favipiravir as a potential treatment for Covid-19, and that should help India sales. US sales continue to disappoint at USD105mn (expected USD113mn) with ongoing pricing pressure in the Derma segment, declining sales in key products (Mupirocin Cream, Atomoxetine hydrochloride & Calcipotriene cream) and impurity issues in Ranitidine. LATAM was up 47% yoy, aided by the launch of three in-licensed products from Novartis, while EU was up 29.3% yoy as a competitor was unable to supply due to covid-19.

Operationally strong quarter; further levers for margin expansion in place: EBITDA margin at 16.8% beat our estimates by 285bps even though gross margin were down 170bps/140bps yoy/qoq. GNP exhibited strong controls on costs, with staff costs down almost 150bpsqoq and opex down 60bpsqoq. GNP has guided for more calibrated R&D spend and employee cost as % of sales also to fall. The Monroe facility is now commercialized and this is an important development as most of the pending 44 ANDAs are filed from this facility.

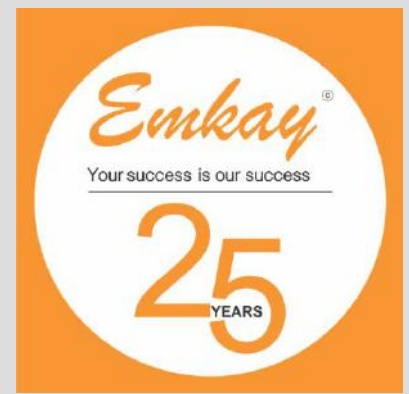
Maintain Buy: We make marginal changes to FY21/22 EPS by +2%/-1% and roll over our TP to 15x June'22 EPS (vs 8x Mar'22 EPS earlier). Retain Buy with a revised TP of Rs526 (earlier: Rs270). While GNP has outperformed in recent times, we note that any meaningful upside from hereon would depend on a pick-up in US business as well as clarity of debt reduction. Valuations of 14x are at a 45-50% discount to large-cap peers. GNP is an EW in EAP.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Pharmaceuticals \(page 9\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	98,654	1,06,409	1,14,780	1,23,278	1,34,535
EBITDA	15,857	16,980	17,965	19,523	22,021
EBITDA Margin (%)	16.1	16.0	15.7	15.8	16.4
APAT	7,524	7,496	8,277	9,459	11,250
EPS (Rs)	27.8	26.6	29.3	33.5	39.9
EPS (% chg)	(2.2)	(4.6)	10.4	14.3	18.9
ROE (%)	14.0	12.5	12.4	12.6	13.3
P/E (x)	16.8	17.6	15.9	14.0	11.7
EV/EBITDA (x)	10.5	9.7	9.0	8.1	6.9
P/BV (x)	2.4	2.1	1.9	1.7	1.5

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	2/(1)
Target Price change (%)	95
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	29.3	33.5
Consensus	28.2	32.8
Mean Consensus TP (12M)	Rs 395	

Stock Details

Bloomberg Code	GNP IN
Face Value (Rs)	1
Shares outstanding (mn)	282
52 Week H/L	573 / 162
M Cap (Rs bn/USD bn)	132 / 1.75
Daily Avg Volume (nos.)	91,93,666
Daily Avg Turnover (US\$ mn)	48.9

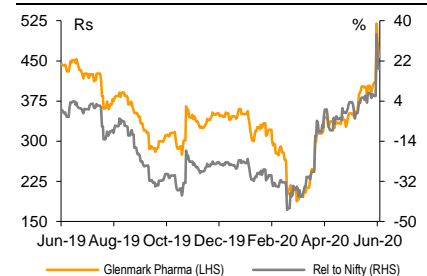
Shareholding Pattern Mar '20

Promoters	46.6%
FIIs	28.5%
DIIIs	6.8%
Public and Others	18.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	32	135	34	6
Rel. to Nifty	22	97	60	21

Relative price chart



This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

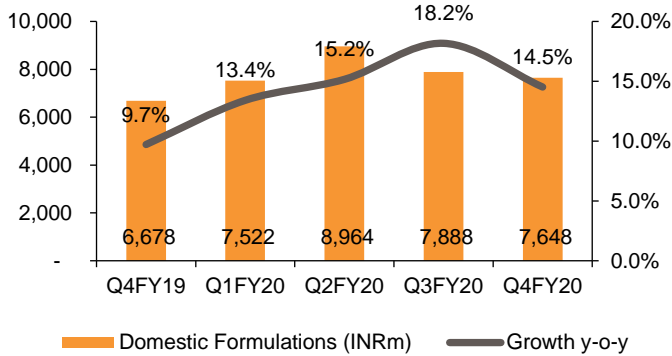
Praful Bohra

praful.bohra@emkayglobal.com

+91 22 6612 1254

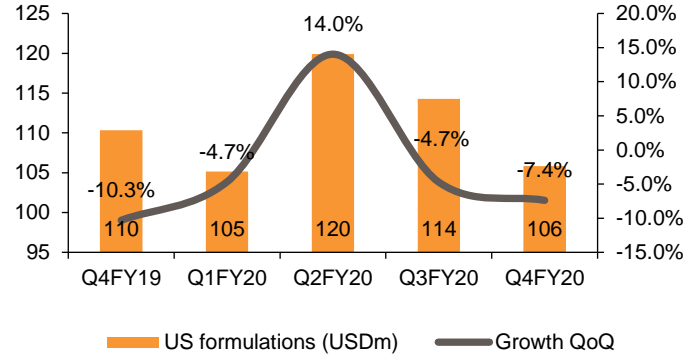
Story in Charts

Exhibit 1: Domestic business was up 14.5% yoy



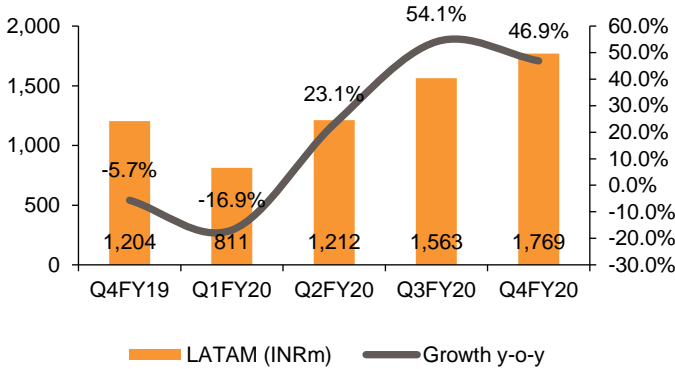
Source: Company

Exhibit 2: US under pressure as derma continues to see pricing pressure



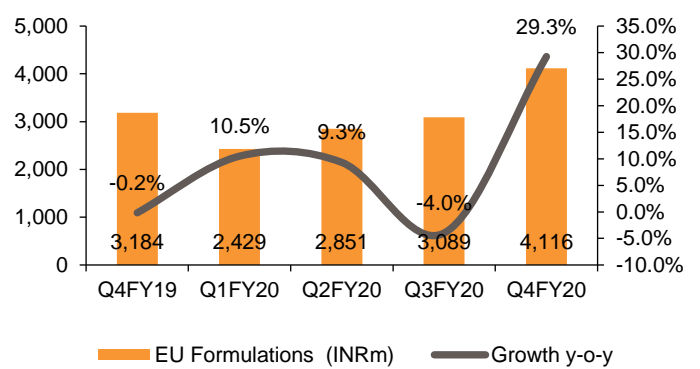
Source: Company

Exhibit 3: LATAM saw strong 47% yoy growth



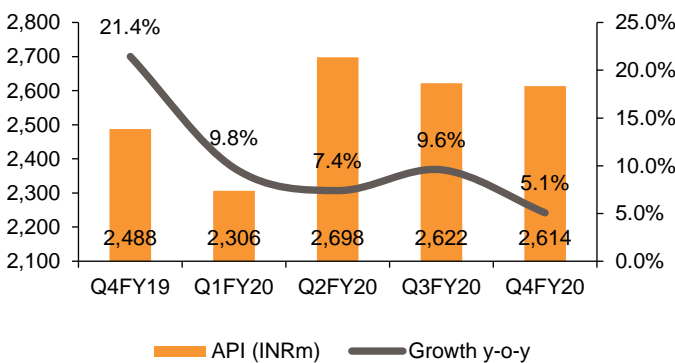
Source: Company

Exhibit 4: EU sales were up 29% yoy



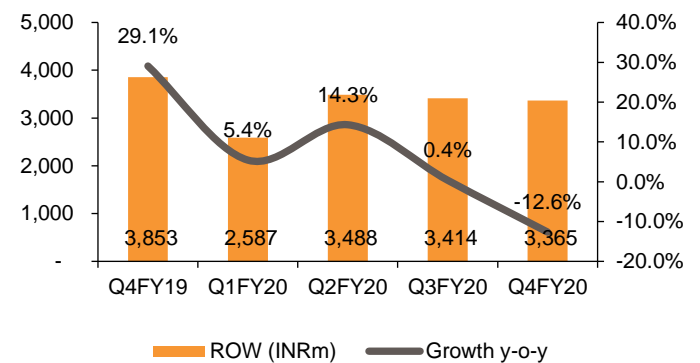
Source: Company

Exhibit 5: API business grew moderately at 5% yoy



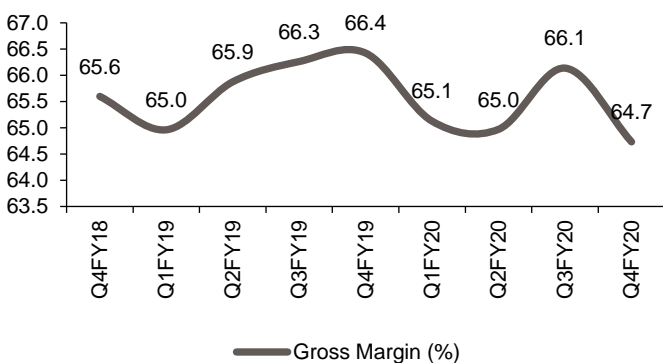
Source: Company

Exhibit 6: RoW business declined 13% yoy



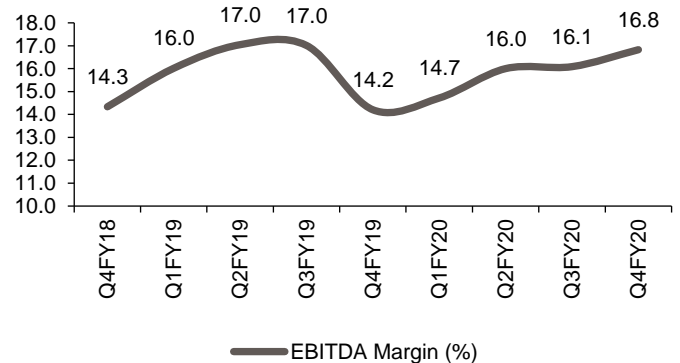
Source: Company

Exhibit 7: Gross Margin contracted 140bps qoq



Source: Company

Exhibit 8: Lower staff cost aided EBITDA margin expansion



Source: Company

Exhibit 9: Quarterly Snapshot

(Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)
Revenue	25,635	23,229	28,150	27,356	27,675	8.0	1.2
Consumption of RM	8,607	8,101	9,861	9,263	9,761	13.4	5.4
as % of sales	33.6	34.9	35.0	33.9	35.3		
Employee costs	4,946	4,867	6,866	5,572	5,242	6.0	-5.9
as % of sales	19.3	21.0	24.4	20.4	18.9		
R&D expense	4,030	2,950	3,550	3,520	3,500		
as % of sales	15.7	12.7	12.6	12.9	12.6		
Other expenditure	4,410	3,892	3,369	4,599	4,515	2.4	-1.8
as % of sales	17.2	16.8	12.0	16.8	16.3		
EBITDA	3,641	3,419	4,505	4,401	4,657	27.9	5.8
Margins (%)	14.2	14.7	16.0	16.1	16.8		
Depreciation	871	907	942	1,060	1,263		
Other Income	391	17	808	330	441		
Interest	819	930	898	961	985		
PBT	2,342	1,598	3,474	2,710	2,851	21.8	5.2
Total Tax	779	506	918	801	977		
Tax rate (%)	33.3	31.6	26.4	29.6	34.3		
PAT before MI	1,563	1,093	2,556	1,908	1,874	19.9	-1.8
Minority interest (MI)	-	-	-	-	-		
Adj. PAT before extraordinary	1,563	1,093	2,556	1,908	1,874	19.9	-1.8
Extraordinary expenses	-	-	-	-	-329		
Reported PAT	1,563	1,093	2,556	1,908	2,203	41.0	15.4
No. of shrs	282	282	282	282	282		
EPS	5.5	3.9	9.1	6.8	6.6	19.9	-1.8
Core EPS	5.5	3.9	9.1	6.8	6.6	19.9	-1.8
Margins (%)						bps	bps
Gross	66.4	65.1	65.0	66.1	64.7	-169	-141
EBIDTA	14.2	14.7	16.0	16.1	16.8	262	74
EBIT	12.3	10.9	15.5	13.4	13.9	153	44
PBT	9.1	6.9	12.3	9.9	10.3	117	40
Adj. PAT	6.1	4.7	9.1	7.0	6.8	68	-20
Effective Tax rate	33.3	31.6	26.4	29.6	34.3	100	468

Source: Company

Exhibit 10: Segmental Breakdown

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)
Specialty	14,919	13,349	16,515	15,955	16,897	13.3	5.9
Domestic Formulations (Rs mn)	6,678	7,522	8,964	7,888	7,648	14.5	-3.1
<i>Growth y-o-y</i>	9.7%	13.4%	15.2%	18.2%	14.5%		
ROW (Rs mn)	3,853	2,587	3,488	3,414	3,365	-12.6	-1.4
<i>Growth y-o-y</i>	29.1%	5.4%	14.3%	0.4%	-12.6%		
LATAM (Rs mn)	1,204	811	1,212	1,563	1,769	46.9	13.1
<i>Growth y-o-y</i>	-5.7%	-16.9%	23.1%	54.1%	46.9%		
EU Formulations (Rs mn)	3,184	2,429	2,851	3,089	4,116	29.3	33.2
<i>Growth y-o-y</i>	-0.2%	10.5%	9.3%	-4.0%	29.3%		
Generic	7,696	7,309	8,478	7,998	7,619	-1.0	-4.7
US formulations (Rs mn)	7,696	7,309	8,478	7,998	7,619	-1.0	-4.7
<i>Growth y-o-y</i>	10.0%	3.9%	4.6%	-6.5%	-1.0%		
US formulations (Rs mn)	110	105	120	114	106	-4.1	-7.4
<i>Growth QoQ</i>	-10.3%	-4.7%	14.0%	-4.7%	-7.4%		
API	2,488	2,306	2,698	2,622	2,614	5.1	-0.3
API (Rs mn)	2,488	2,306	2,698	2,622	2,614		
<i>Growth y-o-y</i>	21.4%	9.8%	7.4%	9.6%	5.1%		
Other Revenue (Rs mn)	532	265	459	781	545		
Total Sales (Rs mn)	25,635	23,229	28,150	27,356	27,675	8.0	1.2
<i>Growth y-o-y</i>	12.4%	7.3%	9.1%	7.1%	8.0%		

Source: Company

Exhibit 11: Actual vs Estimates

Figures in Rs mn	Actual	Estimate		% Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Revenue	27,675	27,263	27,012	2%	2%	In-line revenues
EBITDA	4,657	3,809	4,148	22%	12%	
EBITDA margin (%)	16.8%	14.0%	15.4%	285	147	Beat due to lower staff cost
APAT	1,874	1,625	1556	15%	20%	

Source: Emkay Research

Exhibit 12: Changes in estimates

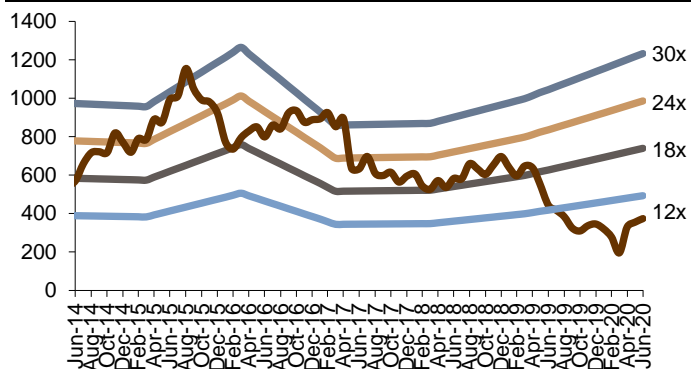
Rs mn	FY21			FY22			FY23
	Old	New	Chng (%)	Old	New	Chng (%)	Introduce
Revenue	1,16,451	1,14,780	-1.4%	1,25,626	1,23,278	-1.9%	1,34,535
EBITDA	18,130	17,965	-0.9%	20,062	19,523	-2.7%	22,021
Margin (%)	15.6	15.7		16.0	15.8		16.4
PAT	8,156	8,277	1.5%	9,548	9,459	-0.9%	11,250
EPS (Rs)	28.9	29.3	1.5%	33.8	33.5	-0.9%	39.9

Source: Emkay Research

Con-call Highlights

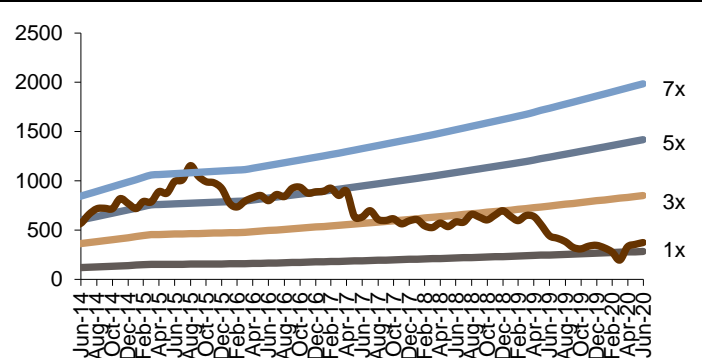
- Q4 R&D expense stood at Rs3.50bn (12.6% of sales), while for the full year, it was Rs12.5bn (12.7% of sales); Innovation products - Rs8.2bn and Generic Products- Rs5.3bn.
- Forex gain and other income stood at Rs350mn in Q4 and Rs1,040mn for full year.
- Net debt stood at Rs37.6b vs. Rs36.5b qoq. GNP has guided to reduce net debt going ahead on account of divestment of non-core businesses, calibrated R&D spend, decrease in employee cost as % of sales and reduction in capex. Gross debt at the end of the year stood at Rs48.7bn. Blended cost of debt is ~5%-6%.
- India business benefitted from the pent-up demand in the last two weeks of March due to the lockdown. EU saw strong growth as one of the key competitors was not able to supply in Italy due to Covid-19.
- GNP drug – Favipiravir, approved by DGCA for treatment of mild Covid-19, has been approved for the emergency situation with the permission from doctors. The drug is also approved in other countries like – Russia, China, Japan, Italy, Saudi Arabia & Bangladesh. Thus, there can be export opportunities as well. ~5000 patients have been treated successfully with the drug.
- The company has guided for FY21 capex to be ~Rs8bn (lower than FY20). Of this ~Rs2bn will be towards in-licensing opportunities, while the rest will be growth and routine capex.
- Monroe will bring exciting opportunities for GNP, with some injectable due for launch this year and nebulizer launches early next year. Overall, the company is expecting 10 launches in US this year.
- Derma portfolio is now contributing only 25%-30% to the total US sales vs. ~40%-45% last year.

Exhibit 13: P/E chart



Source: Bloomberg

Exhibit 14: P/B chart



Source: Bloomberg

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	98,654	1,06,409	1,14,780	1,23,278	1,34,535
Expenditure	82,797	89,429	96,815	1,03,755	1,12,514
EBITDA	15,857	16,980	17,965	19,523	22,021
Depreciation	647	647	647	647	647
EBIT	12,537	12,809	13,219	14,413	16,547
Other Income	2,081	1,596	1,722	1,849	1,883
Interest expenses	3,346	3,773	3,445	3,125	2,805
PBT	11,272	10,632	11,496	13,137	15,625
Tax	3,748	3,201	3,219	3,678	4,375
Extraordinary Items	1,673	329	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	9,197	7,759	8,277	9,459	11,250
Adjusted PAT	7,524	7,496	8,277	9,459	11,250

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	282	282	282	282	282
Reserves & surplus	55,770	62,850	70,448	79,228	89,799
Net worth	56,052	63,132	70,730	79,510	90,081
Minority Interest	(4)	(4)	(4)	(4)	(4)
Loan Funds	44,487	45,061	43,061	39,061	35,061
Net deferred tax liability	(13,830)	(13,830)	(13,830)	(13,830)	(13,830)
Total Liabilities	87,597	98,648	1,04,246	1,09,026	1,15,597
Net block	36,703	50,531	53,785	55,675	57,200
Investment	1,398	1,348	1,349	1,349	1,349
Current Assets	66,968	69,215	73,469	78,299	85,914
Cash & bank balance	9,378	12,900	12,724	13,056	14,714
Other Current Assets	2,566	1,633	1,762	1,892	2,065
Current liabilities & Provision	31,462	33,352	35,263	37,203	39,773
Net current assets	35,506	35,863	38,206	41,096	46,141
Misc. exp	0	0	0	0	0
Total Assets	87,597	98,648	1,04,246	1,09,026	1,15,597

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	9,191	9,036	9,774	11,288	13,742
Other Non-Cash items	0	0	0	0	0
Chg in working cap	2,882	3,166	(2,519)	(2,557)	(3,388)
Operating Cashflow	13,241	17,274	12,227	13,287	14,258
Capital expenditure	(12,498)	(14,917)	(8,000)	(7,000)	(7,000)
Free Cash Flow	743	2,357	4,227	6,287	7,258
Investments	(48)	51	(1)	0	0
Other Investing Cash Flow	1,640	0	0	0	0
Investing Cashflow	(8,825)	(13,270)	(6,279)	(5,151)	(5,117)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(1,907)	574	(2,000)	(4,000)	(4,000)
Dividend paid (incl tax)	(679)	(679)	(679)	(679)	(679)
Other Financing Cash Flow	(1,456)	3,397	0	0	0
Financing Cashflow	(7,387)	(481)	(6,124)	(7,804)	(7,484)
Net chg in cash	(2,971)	3,523	(176)	332	1,658
Opening cash position	12,334	9,362	12,900	12,724	13,056
Closing cash position	9,363	12,900	12,724	13,056	14,714

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	16.1	16.0	15.7	15.8	16.4
EBIT Margin	12.7	12.0	11.5	11.7	12.3
Effective Tax Rate	33.3	30.1	28.0	28.0	28.0
Net Margin	7.6	7.0	7.2	7.7	8.4
ROCE	17.0	15.9	15.4	15.9	17.1
ROE	14.0	12.5	12.4	12.6	13.3
RoIC	20.4	18.8	17.3	17.7	19.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	27.8	26.6	29.3	33.5	39.9
CEPS	38.4	41.1	46.1	51.6	59.3
BVPS	198.6	223.7	250.6	281.8	319.2
DPS	2.4	2.4	2.4	2.4	2.4

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	16.8	17.6	15.9	14.0	11.7
P/CEPS	12.2	11.4	10.1	9.1	7.9
P/BV	2.4	2.1	1.9	1.7	1.5
EV / Sales	1.7	1.5	1.4	1.3	1.1
EV / EBITDA	10.5	9.7	9.0	8.1	6.9
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.6	0.5	0.4	0.3	0.2
Net Debt/EBIDTA	2.2	1.9	1.7	1.3	0.9
Working Cap Cycle (days)	96.7	78.8	81.0	83.0	85.3

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	8.4	7.9	7.9	7.4	9.1
EBITDA	(1.8)	7.1	5.8	8.7	12.8
EBIT	(4.6)	2.2	3.2	9.0	14.8
PAT	14.4	(15.6)	6.7	14.3	18.9

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	25,635	23,229	28,150	27,356	27,675
EBITDA	3,641	3,419	4,505	4,401	4,657
EBITDA Margin (%)	14.2	14.7	16.0	16.1	16.8
PAT	1,563	1,093	2,556	1,908	2,203
EPS (Rs)	5.5	3.9	9.1	6.8	7.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	46.6	46.6	46.6	46.6	46.6
FIs	32.6	31.0	31.4	30.2	28.5
DIs	6.9	7.7	7.4	7.0	6.8
Public and Others	13.9	14.7	14.6	16.2	18.1

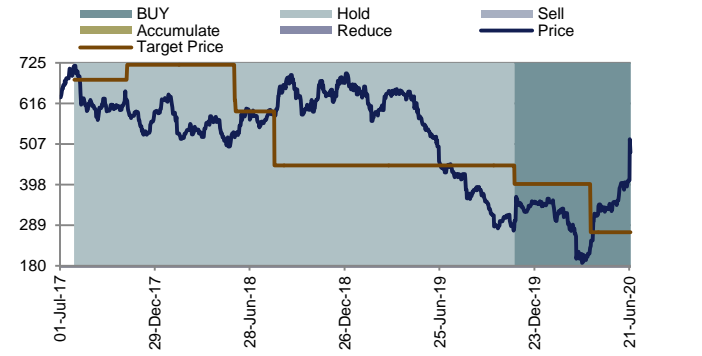
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
08-Apr-20	234	270	12m	Buy	Praful Bohra
17-Feb-20	310	400	12m	Buy	Praful Bohra
16-Dec-19	344	400	12m	Buy	Praful Bohra
15-Nov-19	301	400	12m	Buy	Praful Bohra
14-Nov-19	282	450	12m	Hold	Praful Bohra
19-Aug-18	600	450	12m	Hold	Praful Bohra
14-Aug-18	585	450	12m	Hold	Praful Bohra
11-Jul-18	582	595	12m	Hold	Jatin Kotian
10-Jul-18	583	595	12m	Hold	Jatin Kotian
01-Jun-18	536	595	12m	Hold	Jatin Kotian
30-May-18	525	625	12m	Hold	Praful Bohra
10-May-18	516	720	12m	Hold	Jatin Kotian
26-Apr-18	567	720	12m	Hold	Jatin Kotian
06-Nov-17	623	720	12m	Hold	Jatin Kotian
11-Sep-17	571	680	12m	Hold	Jatin Kotian
29-Aug-17	615	680	12m	Hold	Jatin Kotian
28-Jul-17	717	680	12m	Hold	Jatin Kotian

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Pharmaceuticals



Analyst: Praful Bohra

Contact Details

praful.bohra@emkayglobal.com
+91 22 6612 1254

Sector

Pharmaceuticals

Analyst bio

Praful Bohra holds an MBA in Finance and has more than 11 years of experience in equity research. His team currently covers 12 stocks in the Pharmaceuticals space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Pharmaceuticals	4.39	4.39	0%	0	100.00
Aurobindo Pharma	0.39	0.55	42%	16	12.63
Cadila Healthcare	0.17	0.16	-2%	0	3.71
Cipla	0.57	0.60	5%	3	13.71
Divi's Lab	0.53	0.41	-23%	-12	9.40
Dr. Reddy's Lab	0.86	0.84	-3%	-2	19.11
Glenmark Pharma	0.12	0.12	-2%	0	2.76
Granules India	0.00	0.35	NA	35	7.90
Ipca Lab	0.21	0.28	34%	7	6.32
Lupin	0.40	0.53	33%	13	11.99
Sun Pharma	0.92	0.55	-41%	-38	12.47
Suven Life Sciences*	0.00	0.00	NA	0	0.00
Torrent Pharma	0.22	0.00	-100%	-22	0.00
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

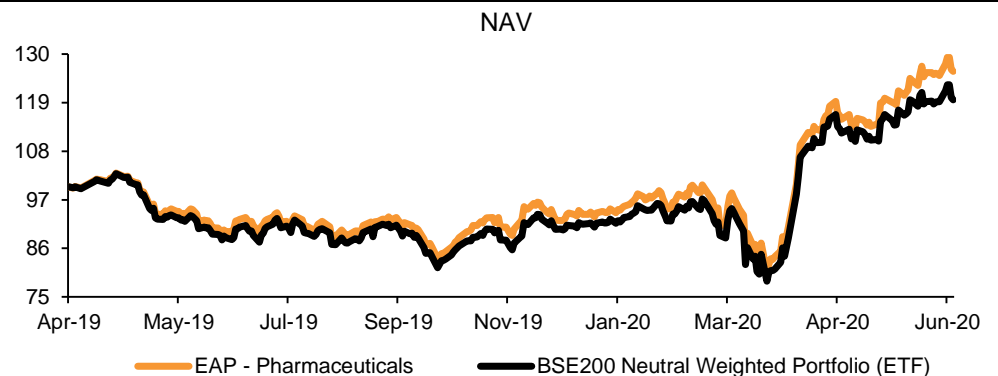
Sector portfolio NAV

	Base					Latest
	1-Apr-19	25-Sep-19	27-Dec-19	27-Mar-20	28-May-20	26-Jun-20
EAP - Pharmaceuticals	100.0	90.1	94.0	84.1	118.6	126.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	88.5	91.7	81.3	114.0	119.7

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 30 Jun 2020 02:40:24 (SGT)

Dissemination Date: 30 Jun 2020 02:41:24 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of June 29, 2020
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of June 29, 2020.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the June 29, 2020
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the June 29, 2020

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, 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 or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com