

12 August 2020

IPCA Labs

Dual engines shoot margins to record levels; maintaining a Buy

Rating: **Buy**

Target Price: ₹2,300

Share Price: ₹1,995

Ipca's Q1 FY21 result was boosted by strong momentum in its of business and supplies of Covid'19-related drugs (sales of ₹2.6-3bn). Sales grew 42.3% y/y to ₹15.3bn. Gross and EBITDA margins were a record 71.9%/38%, expanding 952/2037bps on one-time supplies of drugs with lofty margins and higher operating leverage. Adj. PAT grew a stunning 259% to ₹4.4bn. We increase our FY21e/22e/23e 28.6%/12.8%/14.1%. Strong traction in India formulations and exports and investment in raising API capacity and backward integration are likely to boost earnings 26.5% over FY20-23. We retain our Buy rating on the stock, with a higher target of ₹2,300.

Pace of domestic formulations unhurt by the slowdown. Domestic formulations had the highest quarterly sales (₹4.9bn, rising 8% y/y). Q1 sales were boosted by Covid'19-related drug supplies. Adjusting for this growth was 2%. We believe a domestic business 12% CAGR over FY20-23 is possible aided by momentum in the base portfolio and launches of products in newer therapies.

Momentum in APIs continue strong. API sales grew 72% to ₹5.1bn. Of this, domestic API sales doubled (up 209%) to ₹2bn. The company is also investing ₹2.5-3bn on setting up a plant at Dewas, which will boost overall API capacity 20%. It expects this segment to grow faster and contribute 30% to sales (27% in FY20) in the next few years. We expect the API business to register a 16% CAGR over FY20-23.

Valuation. Ipca has grown robustly due to a pickup in its businesses and from opportunities in supplying Covid-19 drugs. We expect benefits from such supplies to come in Q2 FY21, after which growth will be driven by exports, pain management and launches in India. The stock trades at 22x and 19x FY22e and FY23e EPS. We retain our Buy with a higher target of ₹2,300.

Risks: Price cuts in the domestic portfolio, currency fluctuations, increase in remediation costs for US plants.

Key financials (YE Mar)	FY19	FY20	FY21e	FY22e	FY23e
Sales (₹ m)	37,732	46,487	55,299	62,557	69,561
Net profit (₹ m)	4,635	6,416	11,071	11,477	13,074
EPS (₹)	36.7	50.8	87.6	90.8	103.5
PE (x)	26.8	39.3	22.8	22.0	19.3
EV / EBITDA (x)	17.6	26.6	16.2	15.2	12.9
PBV (x)	4.0	6.9	5.5	4.5	3.7
RoE (%)	16.0	19.0	26.9	22.4	21.0
RoCE (%)	12.7	16.2	23.7	20.6	19.7
R&D	0.3	0.3	0.4	0.4	0.5
Net debt / equity (x)	0.0	0.0	-0.1	-0.2	-0.3

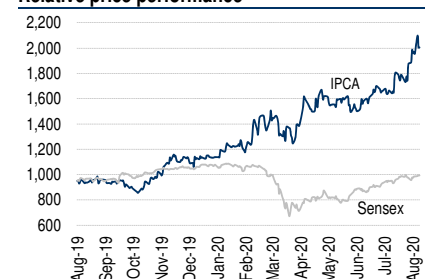
Source: Company, Anand Rathi Research

Key data	IPCA IN / IPCA BO
52-week high / low	₹2175 / 844
Sensex / Nifty	38370 / 11308
3-m average volume	\$9m
Market cap	₹253bn / \$3387.1m
Shares outstanding	126m

Shareholding pattern (%)	Jun '20	Mar '20	Dec '19
Promoters	46.1	46.1	46.1
- of which, Pledged	-	-	-
Free float	53.9	53.9	53.9
- Foreign institutions	12.4	12.6	14.0
- Domestic institutions	28.2	26.7	25.9
- Public	13.3	14.6	14.0

Estimates revision (%)	FY21e	FY22e	FY23e
Revenue	2.7	2.2	1.5
EBITDA	25.3	12.3	13.9
EPS	28.6	12.8	14.1

Relative price performance



Source: Bloomberg

Abdulkader Puranwala

Research Analyst

Shikha Jain

Research Analyst

Anand Rathi Share and Stock Brokers Limited (hereinafter "ARSSBL") is a full-service brokerage and equities-research firm and the views expressed therein are solely of ARSSBL and not of the companies which have been covered in the Research Report. This report is intended for the sole use of the Recipient. Disclosures and analyst certifications are present in the Appendix.

Quick Glance – Financials and Valuations

Fig 1 – Income statement (₹ m)

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
Net revenues	37,732	46,487	55,299	62,557	69,561
Growth (%)	14.9	23.2	19.0	13.1	11.2
Direct costs	12,397	16,441	17,716	20,681	22,942
SG&A	18,229	20,552	22,451	26,149	28,868
EBITDA	7,105	9,494	15,132	15,727	17,752
EBITDA margins (%)	18.8	20.4	27.4	25.1	25.5
- Depreciation	1,824	2,105	2,295	2,504	2,713
Other income	390	519	696	789	895
Interest expenses	189	165	125	111	97
PBT	5,483	7,467	13,408	13,900	15,836
Effective tax rate (%)	19.0	17.5	17.5	17.5	17.5
+ Associates / (Minorities)	-18	-78	-18	-18	-18
Net income	4,448	6,063	11,071	11,477	13,074
Adjusted income	4,635	6,416	11,071	11,477	13,074
WANS	126	126	126	126	126
FDEPS (₹ / sh)	36.7	50.8	87.6	90.8	103.5
R&D (% of sales)	2.5	2.5	2.5	2.5	2.5

Fig 3 – Cash-flow statement (₹ m)

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
PBT (adj. other inc. / int.)	5,281	7,113	12,837	13,223	15,038
+ Non-cash items	1,824	2,105	2,295	2,504	2,713
Oper. prof. before WC	7,105	9,218	15,132	15,727	17,752
- Incr. / (decr.) in WC	1,285	2,876	1,500	2,530	2,616
Others incl. taxes	1,164	1,411	2,346	2,433	2,771
Operating cash-flow	4,657	4,930	11,285	10,765	12,364
- Capex (tang. + intang.)	1,632	3,958	3,500	3,000	3,000
Free cash-flow	3,025	972	7,785	7,765	9,364
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	457	762	1,206	1,250	1,424
+ Equity raised	0	-	-	-	-
+ Debt raised	-1,626	634	-1,700	-400	-400
- Fin investments	336	1,891	-	-	-
- Misc. (CFI + CFF)	(711)	(33)	(580)	(687)	(807)
Net cash-flow	1,318	-1,014	5,460	6,802	8,348

Source: Company, Anand Rathi Research

Fig 5 – Price movement


Source: Bloomberg

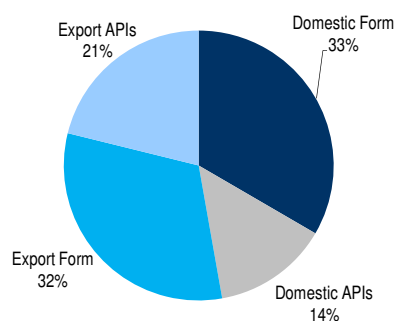
Fig 2 – Balance sheet (₹ m)

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
Share capital	253	253	253	253	253
Net worth	31,224	36,275	46,140	56,367	68,018
Debt	4,650	5,283	3,583	3,183	2,783
Minority interest	155	136	136	136	136
DTL / (Assets)	1,457	1,398	1,398	1,398	1,398
Capital employed	37,486	43,092	51,258	61,085	72,335
Net tangible assets	17,465	19,225	19,981	20,441	20,706
Net intangible assets	1,770	1,363	1,812	1,849	1,870
Goodwill	472	624	624	624	624
CWIP (tang. & intang.)	361	708	708	708	708
Investments (strategic)	301	337	337	337	337
Investments (financial)	904	2,759	2,759	2,759	2,759
Current assets (ex cash)	21,394	25,753	27,396	31,532	34,499
Cash	2,823	1,809	7,269	14,071	22,419
Current liabilities	8,002	9,486	9,629	11,235	11,587
Working capital	13,392	16,268	17,768	20,297	22,913
Capital deployed	37,486	43,092	51,258	61,085	72,335
Contingent liabilities	404	-	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
P/E (x)	26.8	39.3	22.8	22.0	19.3
EV / EBITDA (x)	17.6	26.6	16.2	15.2	12.9
EV / Sales (x)	3.3	5.4	4.4	3.8	3.3
P/B (x)	4.0	6.9	5.5	4.5	3.7
RoE (%)	16.0	19.0	26.9	22.4	21.0
RoCE (%) - after tax	12.7	16.2	23.7	20.6	19.7
ANDA filings	48.0	48			
DPS (₹ / sh)	3.0	5.0	7.9	8.2	9.3
Dividend yield (%)	0.3	0.3	0.4	0.4	0.5
Dividend payout (%) - incl. DDT	10.3	12.6	10.9	10.9	10.9
Net debt / equity (x)	0.0	0.0	-0.1	-0.2	-0.3
Receivables (days)	66	70	64	64	64
Inventory (days)	104	104	89	92	89
Payables (days)	62	60	56	60	56
CFO : PAT%	100.5	76.9	101.9	93.8	94.6

Source: Company, Anand Rathi Research

Fig 6 – Revenue break-up (Q1 FY21)


Source: Company

Result highlights

Fig 7 – Quarterly financials (₹ m)

(₹ m)	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	% Y/Y	% Q/Q
Sales	7,816	8,754	10,120	10,061	8,796	10,782	12,839	12,129	10,738	15,344	42.3	42.9
Gross profit	5,256	5,940	6,993	6,673	5,729	6,722	8,342	7,891	7,092	11,028	64.1	55.5
<i>Gross margins (%)</i>	67.2	67.8	69.1	66.3	65.1	62.3	65.0	65.1	66.0	71.9	952bps	582bps
EBITDA	1,160	1,433	2,046	1,979	1,645	1,896	2,682	2,719	2,197	5,823	207.2	165.0
<i>EBITDA margins (%)</i>	14.8	16.4	20.2	19.7	18.7	17.6	20.9	22.4	20.5	38.0	2037bps	1749bps
Interest	65	49	24	51	64	46	42	40	37	27	(40.3)	(25.3)
Depreciation	432	466	454	457	448	461	496	508	639	510	10.7	(20.2)
Other income	53	(105)	(156)	499	153	295	125	199	(99)	181	(38.6)	(282.8)
PBT	717	816	1,406	1,965	1,277	1,668	2,254	2,344	1,123	5,456	227.1	386.0
Tax	204	131	221	374	317	374	319	369	292	999	167.4	242.1
<i>Effective tax rate (%)</i>	28.4	16.0	15.7	19.0	24.8	22.4	14.1	15.7	26.0	18.3	-409bps	-770bps
Reported PAT	513	685	1,185	1,591	960	1,294	1,935	1,975	830	4,457	244.3	436.6
Adj. PAT	586	894	1,441	1,295	960	1,225	1,951	1,961	1,239	4,403	259.3	255.3

Source: Company, Anand Rathi Research, consolidated

Fig 8 – Revenue break-up

(₹ m)	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	% Y/Y	% Q/Q
Domestic	3,584	4,610	5,200	4,661	4,017	5,185	6,104	5,388	4,958	6,925	33.5	39.7
<i>% of sales</i>	46.8	54.7	53.0	49.9	48.9	52.1	50.9	47.9	50.2	47.2	(9.3)	(5.9)
Formulations	3,228	4,009	4,686	4,216	3,557	4,528	5,432	4,856	4,310	4,894	8.1	13.6
<i>% of domestic sales</i>	90.1	87.0	90.1	90.5	88.5	87.3	89.0	90.1	86.9	70.7	(19.1)	(18.7)
API	357	600	514	445	460	657	672	532	649	2,030	209.0	212.9
<i>% of domestic sales</i>	9.9	13.0	9.9	9.5	11.5	12.7	11.0	9.9	13.1	29.3	131.4	124.1
Exports	4,075	3,817	4,620	4,680	4,192	4,775	5,880	5,856	4,927	7,739	62.1	57.1
<i>% of sales</i>	53.2	45.3	47.0	50.1	51.1	47.9	49.1	52.1	49.8	52.8	10.1	5.9
Formulations	2,512	2,240	2,883	2,824	2,536	2,448	3,408	3,534	2,825	4,636	89.4	64.1
<i>% of exports</i>	61.6	58.7	62.4	60.3	60.5	51.3	58.0	60.4	57.3	59.9	16.8	4.5
API	1,563	1,577	1,737	1,856	1,656	2,326	2,472	2,322	2,102	3,103	33.4	47.6
<i>% of exports</i>	38.4	41.3	37.6	39.7	39.5	48.7	42.0	39.6	42.7	40.1	(17.7)	(6.0)
Total	7,659	8,427	9,820	9,340	8,209	9,960	11,984	11,244	9,885	14,663	47.2	48.3

Source: Company, Anand Rathi

Concall highlights, Key takeaways

Result highlights

- Sales of ₹260m spilled over from Q4 FY20.
- Further sales contribution from supplies of Covid-19 drugs was ₹2.6bn. Sales of these products were spread across most segments
- Incremental Covid-19 drug sales had very high gross margins (over 80%)
- Management expects some benefit from supplies of these drugs to come Q2 FY21, after which supplies might be normal.

Domestic

- India formulations accounted for 50% of sales in Q1 FY21.
- The lockdown had a 12% impact on its India business growth. Key therapies impacted were anti-bacterials, dermatologicals and ophthalmologicals.
- Adjusted for institutional sales and the added sales of HCQS, India branded sales growth was 2%.
- Management talked of 12% growth in India formulations in the next 2-3 quarters.
- Plants catering to domestic formulation have 75% utilization.

The API business

- The company plans to add 300 tons of API at Dewas, which will boost its overall capacity by 20%.
- In the short term, further API sales will be driven by de-bottlenecking, which would also enhance profitability in this line of business.
- 70% of API sales are generated from three therapies: cardio, anti-malarials and pain management.
- API capacity operating at optimal levels.
- The company will be applying for certain products in the PLI scheme.
- It plans to invest ₹2.5bn-3bn on the new Dewas plant and may take 15 months to set it up.
- It has identified a basket of 5-6 KSMs (intermediates) which it would like to manufacture at the new Dewas site.

UK

- In the UK it is setting up a direct front-end (likely by Q3 FY21) as its partner is facing some problems in making timely payments.

US remediation

- It has completed remediation for three US-centric plants and is now awaiting the US FDA to come forward with timelines for re-inspection.

Guidance

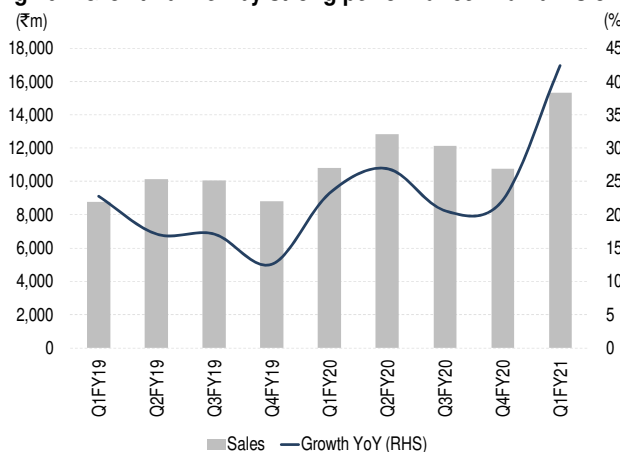
- Management talked of 18-19% sales growth in FY21 if the domestic formulations market recovers.
- APIs are expected to grow 20% in FY21.
- Institutional business may have sales of ₹2bn in FY21. The business can achieve peak sales of ₹4 bn.
- The gross margin may improve to 68-69% in FY21 due to lower material costs.
- Overall other expense to grow 5-6% in FY21

Fig 9 – Sales break-up assumptions

(₹ m)	FY21e	FY22e	FY23e
Formulations	25,436	28,542	31,508
% of sales	49.2	48.6	48.1
% y/y	17.6	12.2	10.4
Domestic	21,421	24,206	26,869
% of formulations	84.2	84.8	85.3
% y/y	12.0	13.0	11.0
Exports	4,015	4,336	4,640
% of formulations	15.8	15.2	14.7
% y/y	60.0	8.0	7.0
APIs	26,248	30,186	33,997
% of sales	50.8	51.4	51.9
% y/y	22.4	15.0	12.6
Total	15,919	18,205	20,338

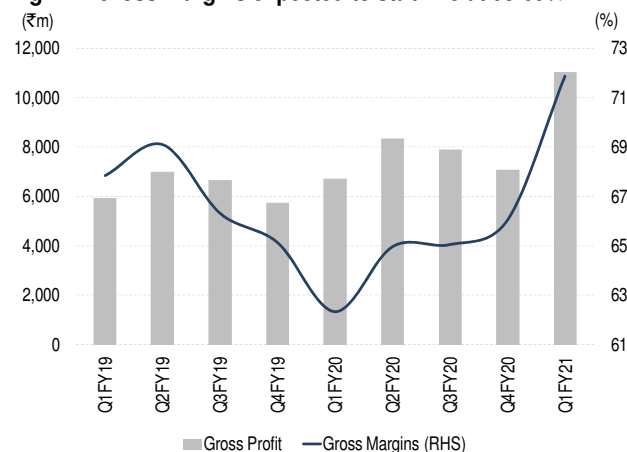
Source: Company, Anand Rathi Research

Fig 10 – Growth driven by strong performance in all divisions



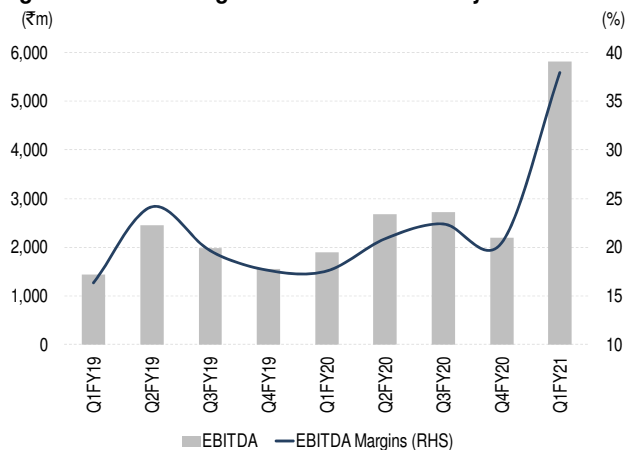
Source: Company, Anand Rathi Research

Fig 11 – Gross margins expected to stabilize at 68-69%



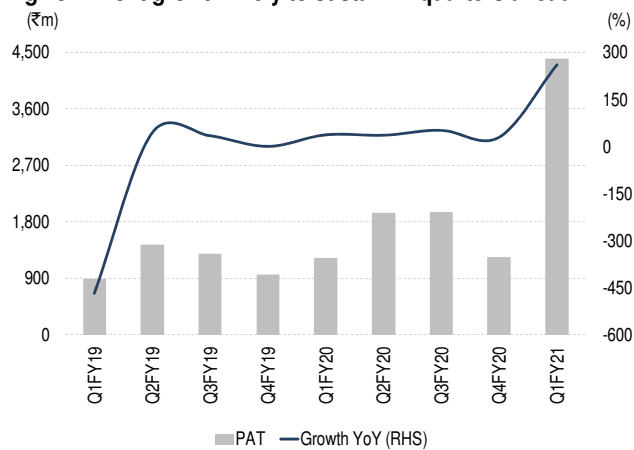
Source: Company, Anand Rathi Research

Fig 12 – EBITDA margins at current levels may not sustain



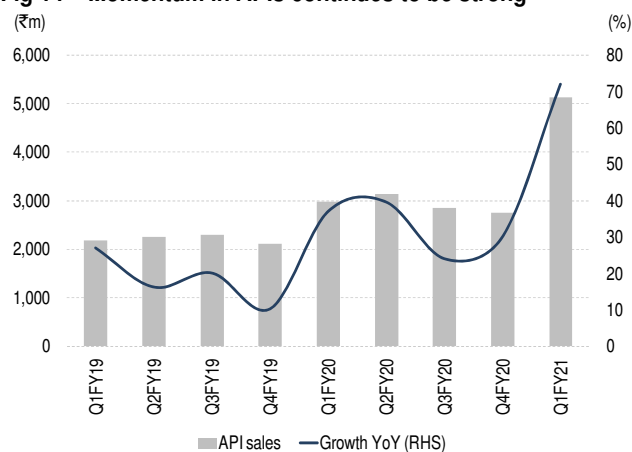
Source: Company, Anand Rathi Research

Fig 13 – Profit growth likely to sustain in quarters ahead



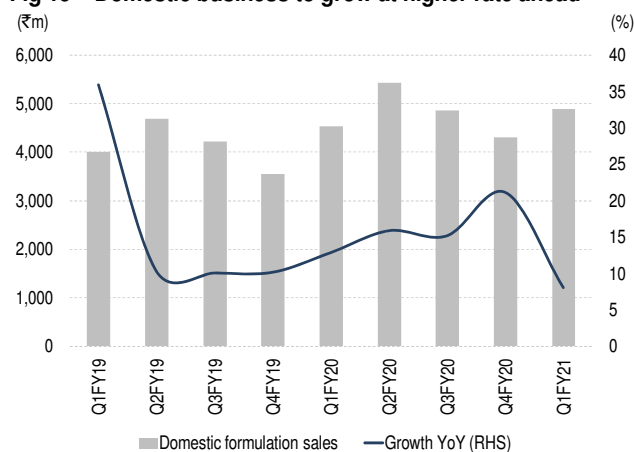
Source: Company, Anand Rathi Research

Fig 14 – Momentum in APIs continues to be strong



Source: Company, Anand Rathi Research

Fig 15 – Domestic business to grow at higher rate ahead



Source: Company, Anand Rathi Research

Fig 16 – Key therapeutic growth in Q1 FY21

Key therapies (₹ m)	Q1 FY20	Q1 FY21	Y/Y (%)	Q4 FY20	Q/Q (%)
Pain / Analgesics	1,327	1,481	11.6	1,478	0.2
Anti Malarials	584	815	39.5	735	10.9
Cardiac	790	870	10.2	919	-5.3
Anti-infectives	286	219	-23.3	393	-44.1
Gastro-intestinals	334	317	-5.2	320	-0.8
Anti-neoplastics	251	315	25.7	292	8.0
Anti-diabetes	240	255	6.4	259	-1.6
Derma	192	170	-11.5	250	-32.0
Neuro / CNS	202	218	7.5	233	-6.5
Total domestic sales	4,540	4,989	9.9	5,349	-6.7

Source: AIOCD

Fig 17 – Performance of key brands in Q1 FY21 (₹ m)

Brands	Molecule	Therapy	Chronic/Acute	Q1 FY20	Q1 FY21	Y/Y (%)	Q4 FY20	Q/Q (%)
Zerodol Sp	Aceclofenac + paracetamol + serratiopeptidase	Pain Management	Chronic	455	525	15.4	513	2.3
Hcqs	Hydroxychloroquine	Rheumatology	Chronic	282	495	75.5	381	29.9
Zerodol P	Aceclofenac + paracetamol	Pain Management	Chronic	293	337	15.0	311	8.4
Folitrax	Methotrexate	Rheumatology	Chronic	159	190	19.5	179	6.1
Zerodol Th	Thiocolchicoside + aceclofenac	Pain Management	Chronic	121	155	28.1	144	7.6
Lariago	Chloroquine	Anti-Malarial	Acute	74	109	47.3	114	-4.4
Larinate	Artesunate	Anti-Malarial	Acute	78	63	-19.2	87	-27.6
Ctd	Chlorthalidone	Cardio	Chronic	121	125	3.3	142	-12.0
Glycinorm M	Gliclazide	Anti-Diabetic	Chronic	126	129	2.4	133	-3.0
Ctd-T	Telmisartan + chlorthalidone	Cardio	Chronic	103	133	29.1	135	-1.5
Domestic sales				4,540	4,989	9.9	5,349	-6.7

Source: AIOCD

Valuations

Factoring in the better-than-expected operating efficiency, we raise our FY21e/FY22e/FY23e; EBITDA by 25.3%/12.3%/13.9% and PAT by 28.6%/12.8%/14%.

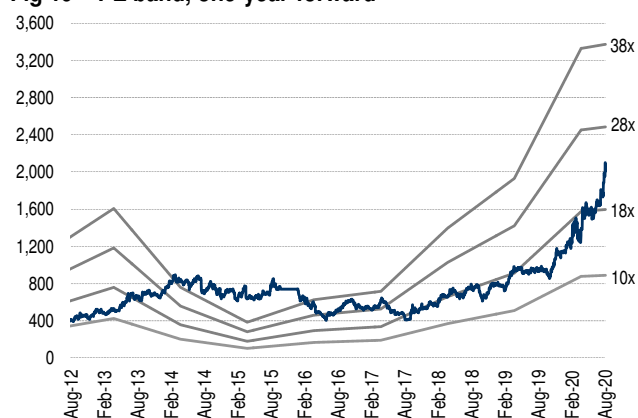
Fig 18 – Change in estimates

₹ m	Old estimates			New estimates			Change (%)		
	FY21e	FY22e	FY23e	FY20e	FY21e	FY23e	FY21e	FY22e	FY23e
Revenue	2.7	2.2	1.5	2.7	2.2	1.5	2.7	2.2	1.5
EBITDA	25.3	12.3	13.9	25.3	12.3	13.9	25.3	12.3	13.9
PAT	28.6	12.8	14.1	28.6	12.8	14.1	28.6	12.8	14.1

Source: Anand Rathi Research

Ipca has grown robustly due to a pickup in its businesses and from opportunities in supplying Covid-19 drugs. We expect benefits from such supplies to come in Q2 FY21, after which growth will be driven by exports, pain management and launches in India. The stock trades at 22x and 19x FY22e and FY23e EPS. We retain our Buy with a higher target of ₹2,300.

Fig 19 – PE band, one-year-forward



Source: Company, Anand Rathi Research

Fig 20 – Standard deviation, one-year-forward



Source: Company, Anand Rathi Research

Risks

- Price cuts in the domestic portfolio.
- Delay in product approvals/launches.
- Currency fluctuations.
- Increase in remediation costs for the US plants.

Fig 21 – Key data

	RATING	CMP (₹)	TP (₹)	M Cap (₹bn)	EPS (₹)			PE			EV/EBITDA			RoE (%)		
					FY21e	FY22e	FY23e	FY21e	FY22e	FY23e	FY21e	FY22e	FY23e	FY21e	FY22e	FY23e
Aarti Drugs	Buy	2098	2090	48.9	101.9	112.4	144.0	20.6	18.7	14.6	10.9	9.8	7.5	31.0	26.1	26.0
Ajanta	Hold	1631	1614	142.3	57.8	73.2	87.8	28.2	22.3	18.6	14.4	12.3	13.3	18.8	19.1	20.1
Alembic	Hold	1079	985	212.2	45.6	46.6	53.0	23.7	23.1	20.4	15.8	14.8	12.9	24.3	21.0	20.4
Alkem	Hold	2877	3145	344.0	106.0	123.9	136.8	27.1	23.2	21.0	21.2	17.9	15.9	19.2	19.6	18.9
Zydus Cadila	Hold	384	431	393.2	15.1	17.5	19.6	25.5	22.0	19.6	15.9	14.0	12.4	14.3	15.3	15.5
Eris	Hold	564	565	77.5	24.2	26.0	27.9	23.3	21.6	20.2	17.7	15.8	14.0	23.0	20.9	19.2
Granules India	Buy	317	330	78.4	17.5	21.8	27.2	18.1	14.6	11.6	9.9	7.9	6.1	21.8	22.4	23.0
Indoco Remedies	Sell	253	190	23.3	7.5	10.3	12.5	33.5	24.5	20.3	13.7	11.1	9.5	9.7	12.0	12.9
Ipca Labs.	Buy	1995	2300	253.1	87.6	90.8	103.5	22.8	22.0	19.3	16.2	15.2	12.9	26.9	22.4	21.0
JB Chemicals	Sell	774	720	62.2	37.5	43.7	49.8	20.6	17.7	15.6	12.4	10.3	8.6	18.9	19.2	19.2
Natco Pharma	Hold	827	712	150.5	27.3	29.3	33.4	30.3	28.2	24.8	18.8	16.8	14.8	12.5	12.1	12.4
Neuland	Hold	798	795	10.2	36.7	44.5	53.0	21.8	17.9	15.0	7.6	6.0	7.0	4.1	6.1	7.1
Pfizer	Hold	4552	4449	208.2	110.3	122.9	132.0	41.3	37.0	34.5	27.1	24.1	21.8	14.1	14.1	13.7
Suven Pharma	Buy	691	695	87.9	28.9	34.9	41.3	23.9	19.8	16.7	15.9	12.8	10.1	37.3	34.3	31.7
Torrent Pharma	Buy	2823	2995	477.7	66.0	82.0	100.6	42.8	34.4	28.1	19.7	16.4	16.4	20.2	23.4	24.4

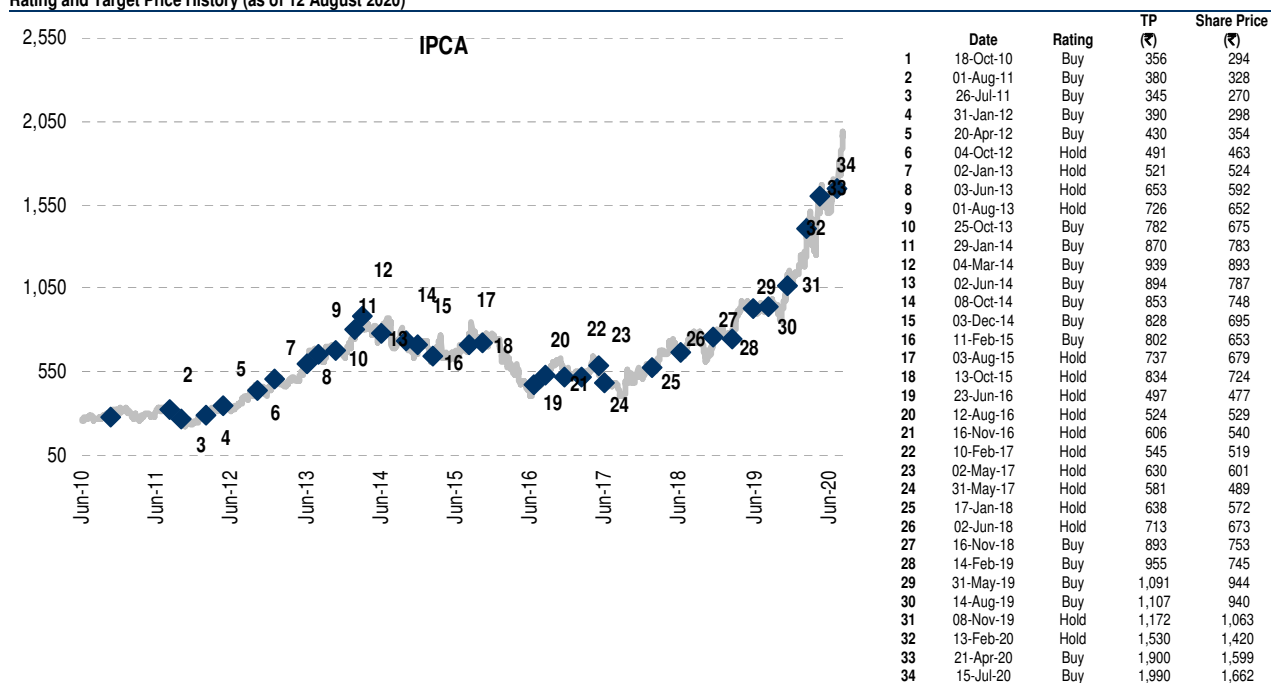
Source: Company, Anand Rathi Research

Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies Rating and Target Price History (as of 12 August 2020)



Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US\$1bn)	>25%	5-25%	<5%

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity) is a subsidiary of Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged in the business of Stock Broking, Depository Participant and Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

General Disclaimer: This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

Disclaimers in respect of jurisdiction: 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 ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No

Other Disclosures pertaining to distribution of research in the United States of America

This research report is a product of ARSSBL, 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 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 by ARSSBL only 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, ARSSBL has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.
5. As of the publication of this report, ARSSBL does not make a market in the subject securities.
6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

© 2019. This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Additional information on recommended securities/instruments is available on request.

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.