

October 31, 2020

Q2FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	606		606	
Sales (Rs. m)	4,13,584	4,46,671	4,13,584	4,46,671
% Chng.	-	-	-	-
EBITDA (Rs. m)	89,334	99,384	89,334	99,384
% Chng.	-	-	-	-
EPS (Rs.)	48.7	58.0	48.4	57.8
% Chng.	0.7	0.3	-	-

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	3,57,560	3,84,297	4,13,584	4,46,671
EBITDA (Rs. m)	67,730	79,549	89,334	99,384
Margin (%)	18.9	20.7	21.6	22.3
PAT (Rs. m)	23,990	30,625	37,213	44,291
EPS (Rs.)	31.4	40.1	48.7	58.0
Gr. (%)	(17.5)	27.7	21.5	19.0
DPS (Rs.)	6.0	9.1	9.9	11.8
Yield (%)	1.3	2.0	2.2	2.6
RoE (%)	14.1	15.5	18.0	20.2
RoCE (%)	10.4	12.3	14.6	17.2
EV/Sales (x)	1.6	1.4	1.3	1.1
EV/EBITDA (x)	8.3	6.8	5.9	5.1
PE (x)	14.4	11.3	9.3	7.8
P/BV (x)	1.8	1.7	1.6	1.5

Key Data

[UPLL.BO](#) | [UPLL IN](#)

52-W High / Low	Rs.618 / Rs.240
Sensex / Nifty	39,614 / 11,642
Market Cap	Rs.346bn/ \$ 4,673m
Shares Outstanding	764m
3M Avg. Daily Value	Rs.5477.24m

Shareholding Pattern (%)

Promoter's	27.88
Foreign	37.15
Domestic Institution	15.93
Public & Others	19.04
Promoter Pledge (Rs bn)	1.86

Stock Performance (%)

	1M	6M	12M
Absolute	(9.9)	7.9	(22.4)
Relative	(13.4)	(8.2)	(21.6)

Prashant Biyani

prashantbiyani@plindia.com | 91-22-66322260

On track to beat guidance

Quick Pointers:

- All geographies contributing to growth
- Gross margin expansion partly draged by LatAM currency risks

UPLL's 14% topline growth (PLe 13%) & 15% EBITDA growth (PLe 15%) was in line with our estimates. APAT @ Rs6.7bn (PLe @ Rs 4.7 bn) up 43% came in better due to lower than expected depreciation (due to restatement) & tax rate and higher than expected other income. Q2 saw broad-based growth in all geographies driven by market share gains, improved supply chain and robust agronomic conditions. UPLL's strong business momentum indicates its solid competitive positioning and successful integration of Arysta. Its rich product pipeline, bio solutions portfolio, focus on higher value branded products and cross selling opportunities will drive volume growth while margin expansion will be driven by expanding cost leadership status across product lines and integrated related synergy benefits. In the short term, LatAM's forex volatility may eat into the gross margin expansion seen in other geographies. While the management has maintained 6-8% topline growth and 10-12% EBITDA growth guidance, we expect UPL to beat the same on the EBITDA front (PLe FY21 EBITDA growth @ 17.5%). Maintain BUY with target price of Rs606 based on 7x Sep'22 EV/EBITDA (Implied P/E- 11.5x).

Comments on change in auditors at UPL Corp: The management along with the audit committee head of UPL Corp i.e. Mr Stephen Dyer, reiterated that they had to let go of KPMG Mauritius to bring in efficiencies in audit process. Mr Dyer (previously associated with Nutrien) was impressed with UPL's ability to bring the two organisation together post acquisition, drive efficiency as well as implement discipline and bring the accounting functions of both the entities on a single platform quickly.

All regions contributing to growth: Solid agronomic conditions, cross selling opportunities and growth in leading brands (Lifeline, Sperto, Acramite) led to double digit growth in all geographies. LatAM business growth of 12% was driven by strong business growth in Chile, Argentina and Paraguay. NAFTA growth of 9% was driven by market share gains, growth in differentiated & sustainable solutions and strong miticides demand. 6% growth in Europe was driven by strong herbicide demand in Northern Europe and growth in high value differentiated products in Southern Europe. 27% growth in RoW was driven by strengthening B2C marketing chain in China, new product launches in Vietnam and strong demand in South Africa & Australia due to normal weather. India business growth of 18% was driven by robust growth in pre-emergence herbicide segment.

Currency volatility causing near term uncertainty in Brazil: Sharp BRL depreciation vis-à-vis USD impacted gross margins for UPL despite taking price hikes but the management is confident of closing the gap in 2H. With lucrative crop prices, profitability is expected to improve if the local currency does not depreciate further. UPL plans to launch several products in Brazil in the next few years.

Other highlights:

- UPL shutting one of its oldest plant in Netherlands as it requires significant repairs and maintenance. The product will now be supplied from plants in India and Columbia. It has made a provision of Rs2bn for restructuring and severance cost provisions for the plant as an exceptional item.
- Net debt has increased marginally by Rs17bn QoQ in Q2 due to higher working capital requirements
- Rs9.5bn invested in capex till date in FY21
- **On track to achieve targeted synergies:** Cost synergies achieved till date stands at USD153 mn v/s target of USD200mn by the end of FY21. Revenue synergy stood at USD299mn v/s target of USD350mn by FY23.

Exhibit 1: Portfolio and geographical mix driving profitability (Rs mn)

Y/e March	Q2FY21	Q2FY20	YoY gr. (%)	Q1FY21	QoQ gr. (%)	H1FY21	H1FY20	YoY gr. (%)
Net Sales	89,390	78,170	14.4	78,330	14.4	1,67,720	1,57,230	6.7
Expenditure								
Raw Materials	45,090	38,650	16.7	35,490	16.7	80,580	80,680	(0.1)
<i>% of Net Sales</i>	<i>50.4</i>	<i>49.4</i>		<i>45.3</i>		<i>48.0</i>	<i>51.3</i>	
Employee Cost	9,240	8,310	11.2	8,700	11.2	17,940	16,920	6.0
<i>% of Net Sales</i>	<i>10.3</i>	<i>10.6</i>		<i>11.1</i>		<i>10.7</i>	<i>10.8</i>	
Other Expenses	18,390	16,740	9.9	15,820	9.9	34,210	32,040	6.8
<i>% of Net Sales</i>	<i>20.6</i>	<i>21.4</i>		<i>20.2</i>		<i>20.4</i>	<i>20.4</i>	
Total Expenditure	72,720	63,700	14.2	60,010	14.2	1,32,730	1,29,640	2.4
EBITDA	16,670	14,470	15.2	18,320	15.2	34,990	27,590	26.8
<i>Margin (%)</i>	<i>18.6</i>	<i>18.5</i>		<i>23.4</i>		<i>20.9</i>	<i>17.5</i>	
Depreciation	5,330	4,760	12.0	5,220	12.0	10,550	9,220	14.4
EBIT	11,340	9,710	16.8	13,100	16.8	24,440	18,370	33.0
Interest	3,430	3,810	(10.0)	5,510	(10.0)	8,940	7,790	14.8
Other Income	750	240	212.5	670	212.5	1,420	630	125.4
PBT before EOI	8,660	6,140	41.0	8,260	41.0	16,920	11,210	50.9
EOI Gain/(Loss)	(2,110)	(3,050)	(30.8)	(250)	(30.8)	(2,360)	(3,770)	(37.4)
PBT after EOI	6,550	3,090	112.0	8,010	112.0	14,560	7,440	95.7
Tax	1,120	990	13.1	1,430	13.1	2,550	1,760	44.9
<i>Tax Rate (%)</i>	<i>12.9</i>	<i>16.1</i>		<i>17.3</i>		<i>15.1</i>	<i>15.7</i>	
RPAT	5,430	2,100	158.6	6,580	158.6	12,010	5,680	111.4
Minority interest	740	350	111.4	1,020	111.4	1,760	1,040	69.2
Profit from Associate	(60)	(80)	(25.0)	(50)	(25.0)	(110)	(120)	(8.3)
APAT	6,740	4,720	42.8	5,760	42.8	12,500	8,290	50.8
EPS	8.8	6.2	42.8	7.5	42.8	16.4	10.9	50.8

Source: Company, PL

Exhibit 2: UPL, among its peers in both innovators and generics, continues to trade at attractive levels

Peer Comparison	Currency	CY2020/FY21			CY2021/FY22			CY2022/FY23			
		Sales	EBITDA	PAT	Sales	EBITDA	PAT	Sales	EBITDA	PAT	
INNOVATORS											
BAYER AG	EUR	42,699	11,539	6,160	42,923	11,379	6,170	44,245	12,874	6,837	
CORTEVA INC	USD	13,999	1,947	957	14,519	2,227	1,194	15,169	2,528	1,418	
BASF SE	EUR	57,105	6,667	2,183	60,140	8,019	3,028	62,605	8,879	3,645	
GENERICS											
FMC CORP	USD	4,742	1,297	845	5,045	1,415	944	5,310	1,511	1,022	
NUFARM LTD	AUS \$	2,914	326	39	3,040	388	76	3,130	400	79	
UPLL	INR	3,84,297	79,549	30,625	4,13,584	89,334	37,213	4,46,671	99,384	44,291	
	Revenue	CY20-22 CAGR			CY2020/FY21		CY2021/FY22		CY2022/FY23		CY2020/FY21
		EBITDA	PAT	P/E	EV/EBITDA	P/E	EV/EBITDA	P/E	EV/EBITDA	Net Debt: Equity	
INNOVATORS											
BAYER AG	2%	6%	5%	6.3	6.6	6.4	6.6	6.0	5.6	0.8	
CORTEVA INC	4%	14%	22%	24.0	12.7	19.9	11.1	17.5	9.1	-0.0	
BASF SE	5%	15%	29%	18.4	9.0	13.6	7.4	11.6	6.8	0.5	
GENERICS											
FMC CORP	6%	8%	10%	15.9	12.7	14.1	11.8	12.8	10.7	1.2	
NUFARM LTD	4%	11%	43%	36.2	6.1	17.2	5.1	16.8	4.7	0.2	
UPLL	8%	12%	20%	11.3	6.8	9.3	5.9	7.8	5.1	1.0	

Source: Bloomberg, PL

Exhibit 3: Sharp volume growth of 19% in 2Q

Revenue growth Break up	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Volume growth	8%	8%	6%	7%	5%	15%	10%	29%	0%	19%
Price Increase	1%	4%	7%	5%	1%	-1%	-1%	-2%	-1%	-1%
Exchange Impact	3%	2%	5%	3%	1%	-3%	-2%	-2%	0%	-4%

Source: Company, PL

Exhibit 4: Growth in all geographies

Revenue growth across geographies	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
India	15.6%	12.8%	-13.7%	10.2%	-8.2%	6.2%	41.5%	36.0%	26.7%	17.9%
LAAtAM	160.4%	118.8%	91.7%	50.8%	23.6%	24.3%	21.4%	27.0%	-18.0%	12.4%
Europe	187.7%	147.4%	182.4%	115.2%	-1.4%	1.0%	-27.4%	-2.0%	0.9%	6.2%
Rest of World	129.9%	118.5%	155.7%	55.6%	-14.3%	-3.8%	7.2%	33.0%	10.3%	27.2%
North America	65.6%	60.3%	105.9%	34.3%	33.2%	-1.4%	-12.3%	45.0%	-14.1%	8.7%

Source: Company, PL

Exhibit 5: Gross margin contraction due to currency volatility in Brazil

Sales Mix	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
India	17%	16%	6%	6%	15%	15%	8%	6%	19%	16%
LAAtAM	26%	43%	42%	30%	30%	48%	47%	30%	26%	47%
Europe	23%	13%	13%	24%	21%	12%	9%	19%	22%	11%
Rest of World	19%	20%	21%	21%	15%	17%	21%	22%	20%	17%
North America	15%	9%	18%	20%	19%	8%	14%	23%	13%	9%

Source: Company, PL

Exhibit 6: Downward trajectory in Net Working Capital days to continue

Working Capital	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Inventory Days	114	111	111	106	107	109	111	81	106	105
Receivables days	112	141	124	135	122	121	139	118	116	124
Payable days	134	132	109	123	113	114	124	119	138	123
Net working Capital	92	120	126	118	116	116	126	80	84	106

Source: Company, PL

Exhibit 7: Sales Mix largely same YoY in Q2

Geography	Q2FY21		Q2FY20		Q1FY21	
	Revenue	Sales Mix	Revenue	Sales Mix	Revenue	Sales Mix
India	14,090	16%	11,950	15%	15,110	19%
Latin America	42,330	47%	37,670	48%	20,150	26%
Europe	10,220	11%	9,620	12%	17,030	22%
North America	15,030	17%	11,820	15%	15,780	20%
Rest of World	7,730	9%	7,110	9%	10,270	13%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	3,57,560	3,84,297	4,13,584	4,46,671
YoY gr. (%)	63.7	7.5	7.6	8.0
Cost of Goods Sold	1,87,430	1,96,760	2,09,687	2,24,899
Gross Profit	1,70,130	1,87,537	2,03,897	2,21,772
Margin (%)	47.6	48.8	49.3	49.7
Employee Cost	33,910	36,124	38,877	41,987
Other Expenses	68,490	71,863	75,686	80,401
EBITDA	67,730	79,549	89,334	99,384
YoY gr. (%)	77.6	17.5	12.3	11.3
Margin (%)	18.9	20.7	21.6	22.3
Depreciation and Amortization	20,120	22,148	23,926	25,486
EBIT	47,610	57,402	65,409	73,899
Margin (%)	13.3	14.9	15.8	16.5
Net Interest	14,810	15,354	13,773	12,192
Other Income	1,040	1,872	2,022	2,184
Profit Before Tax	33,840	43,920	53,658	63,891
Margin (%)	9.5	11.4	13.0	14.3
Total Tax	5,860	7,194	8,886	10,580
Effective tax rate (%)	17.3	16.4	16.6	16.6
Profit after tax	27,980	36,726	44,772	53,310
Minority interest	4,020	6,201	7,659	9,119
Share Profit from Associate	30	100	100	100
Adjusted PAT	23,990	30,625	37,213	44,291
YoY gr. (%)	23.5	27.7	21.5	19.0
Margin (%)	6.7	8.0	9.0	9.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	23,990	30,625	37,213	44,291
YoY gr. (%)	23.5	27.7	21.5	19.0
Margin (%)	6.7	8.0	9.0	9.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	23,990	30,625	37,213	44,291
Equity Shares O/s (m)	764	764	764	764
EPS (Rs)	31.4	40.1	48.7	58.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	2,77,570	3,03,160	3,23,160	3,43,160
Tangibles	1,12,760	1,16,118	1,30,640	1,30,905
Intangibles	1,64,810	1,87,042	1,92,520	2,12,255
Acc: Dep / Amortization	1,06,770	1,28,918	1,52,843	1,78,329
Tangibles	50,390	62,735	72,134	86,780
Intangibles	56,380	66,183	80,709	91,549
Net fixed assets	1,70,800	1,74,242	1,70,317	1,64,831
Tangibles	62,370	53,383	58,505	44,125
Intangibles	1,08,430	1,20,859	1,11,811	1,20,705
Capital Work In Progress	20,730	15,140	15,140	15,141
Goodwill	1,82,410	1,82,410	1,82,410	1,82,410
Non-Current Investments	8,380	9,423	9,716	10,047
Net Deferred tax assets	(11,220)	(11,220)	(11,220)	(11,220)
Other Non-Current Assets	7,650	7,440	8,579	9,757
Current Assets				
Investments	-	-	-	-
Inventories	78,500	84,229	90,649	99,124
Trade receivables	1,20,570	1,21,080	1,26,908	1,38,284
Cash & Bank Balance	67,520	57,994	47,441	36,659
Other Current Assets	18,800	32,665	35,155	37,967
Total Assets	7,00,828	7,08,791	7,11,022	7,19,542
Equity				
Equity Share Capital	1,528	1,528	1,528	1,528
Other Equity	1,91,290	1,99,792	2,11,009	2,25,343
Total Networkth	1,92,818	2,01,320	2,12,537	2,26,871
Non-Current Liabilities				
Long Term borrowings	2,73,710	2,43,710	2,13,710	1,83,710
Provisions	240	258	278	300
Other non current liabilities	5,860	5,860	5,860	5,860
Current Liabilities				
ST Debt / Current of LT Debt	12,980	11,980	10,980	9,980
Trade payables	1,02,330	1,21,080	1,30,307	1,40,732
Other current liabilities	51,550	57,107	62,187	67,773
Total Equity & Liabilities	7,00,828	7,08,790	7,11,022	7,19,542

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	33,840	43,920	53,658	63,891
Add. Depreciation	20,120	22,148	23,926	25,486
Add. Interest	14,810	15,354	13,773	12,192
Less Financial Other Income	1,040	1,872	2,022	2,184
Add. Other	(3,690)	(5,891)	(6,285)	(7,262)
Op. profit before WC changes	65,080	75,531	85,071	94,306
Net Changes-WC	30,500	2,805	(2,956)	(9,356)
Direct tax	(8,190)	(10,791)	(13,329)	(15,870)
Net cash from Op. activities	87,390	67,545	68,786	69,080
Capital expenditures	(19,350)	(20,000)	(20,000)	(20,001)
Interest / Dividend Income	-	-	-	-
Others	(7,080)	(158)	1,285	1,270
Net Cash from Inv. activities	(26,430)	(20,158)	(18,715)	(18,731)
Issue of share cap. / premium	379	-	-	-
Debt changes	1,170	(31,000)	(31,000)	(31,000)
Dividend paid	(4,570)	(5,084)	(7,435)	(8,072)
Interest paid	(16,460)	(15,354)	(13,773)	(12,192)
Others	(2,120)	(5,855)	(8,417)	(9,867)
Net cash from Fin. activities	(21,601)	(57,292)	(60,624)	(61,131)
Net change in cash	39,359	(9,906)	(10,553)	(10,781)
Free Cash Flow	67,590	47,545	48,786	49,079

Source: Company Data, PL Research

Quarterly Financials (Rs m)

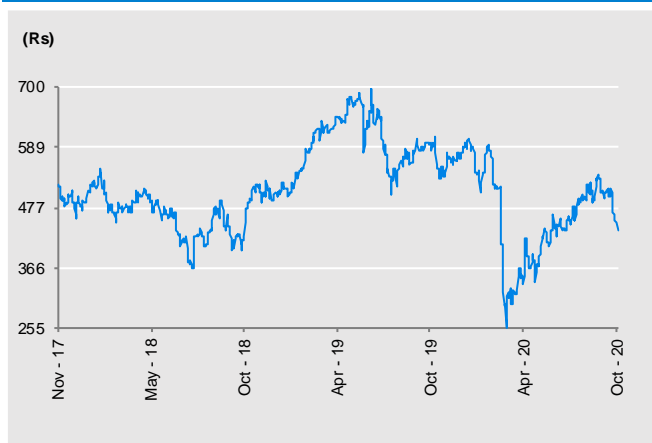
Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	88,920	1,11,410	78,330	89,390
YoY gr. (%)	80.7	30.7	(0.9)	14.4
Raw Material Expenses	44,270	62,480	35,490	45,090
Gross Profit	44,650	48,930	42,840	44,300
Margin (%)	50.2	43.9	54.7	49.6
EBITDA	21,020	19,040	18,320	16,670
YoY gr. (%)	124.1	47.5	39.6	15.2
Margin (%)	23.6	17.1	23.4	18.6
Depreciation / Depletion	4,950	5,950	5,220	5,330
EBIT	16,070	13,090	13,100	11,340
Margin (%)	18.1	11.7	16.7	12.7
Net Interest	5,150	1,870	5,510	3,430
Other Income	200	210	670	750
Profit before Tax	10,370	9,720	8,010	6,550
Margin (%)	11.7	8.7	10.2	7.3
Total Tax	1,990	2,110	1,430	1,120
Effective tax rate (%)	19.2	21.7	17.9	17.1
Profit after Tax	8,380	7,610	6,580	5,430
Minority interest	1,290	1,670	1,020	740
Share Profit from Associates	(80)	230	(50)	(60)
Adjusted PAT	7,760	7,880	5,760	6,740
YoY gr. (%)	40.6	43.5	61.3	42.8
Margin (%)	8.7	7.1	7.4	7.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,760	7,880	5,760	6,740
YoY gr. (%)	40.6	43.5	61.3	42.8
Margin (%)	8.7	7.1	7.4	7.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,760	7,880	5,760	6,740
Avg. Shares O/s (m)	764	764	764	764
EPS (Rs)	10.2	10.3	7.5	8.8

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	31.4	40.1	48.7	58.0
CEPS	57.7	69.1	80.0	91.3
BVPS	252.4	263.5	278.2	296.9
FCF	88.5	62.2	63.9	64.2
DPS	6.0	9.1	9.9	11.8
Return Ratio(%)				
RoCE	10.4	12.3	14.6	17.2
ROIC	10.1	11.7	13.7	15.7
RoE	14.1	15.5	18.0	20.2
Balance Sheet				
Net Debt : Equity (x)	1.1	1.0	0.8	0.7
Net Working Capital (Days)	99	80	77	79
Valuation(x)				
PER	14.4	11.3	9.3	7.8
P/B	1.8	1.7	1.6	1.5
P/CEPS	7.9	6.6	5.7	5.0
EV/EBITDA	8.3	6.8	5.9	5.1
EV/Sales	1.6	1.4	1.3	1.1
Dividend Yield (%)	1.3	2.0	2.2	2.6

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Oct-20	BUY	606	497
2	25-Aug-20	BUY	606	492
3	02-Aug-20	BUY	606	478
4	07-Jul-20	BUY	498	451
5	23-May-20	BUY	497	371
6	16-Apr-20	BUY	542	363
7	07-Feb-20	BUY	740	543
8	03-Jan-20	BUY	740	591
9	07-Nov-19	BUY	740	578

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	6,421	5,707
2	Coromandel International	Reduce	676	723
3	Dhanuka Agritech	Accumulate	868	735
4	Godrej Agrovet	Accumulate	513	533
5	Insecticides India	BUY	612	458
6	P.I. Industries	Hold	2,026	2,161
7	Rallis India	Hold	275	262
8	Sharda Cropchem	BUY	358	270
9	Sumitomo Chemical India	Hold	295	283
10	UPL	BUY	606	497

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Prashant Biyani- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not 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.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

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

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might 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

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Prashant Biyani- CA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

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

The Research analysts 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.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates 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 are 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.

PL and its associates, 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 subject company 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 subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., 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 Prabhudas Lilladher Pvt. Ltd. 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, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com