

February 1, 2022

Q3FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23EE	FY24EE
Rating	BUY		BUY	
Target Price	1,050		1,000	
Sales (Rs. m)	425,431	472,229	421,707	468,893
% Chng.	0.9	0.7		
EBITDA (Rs. m)	118,810	136,936	117,757	137,350
% Chng.	0.9	(0.3)		
EPS (Rs.)	36.1	41.7	35.4	41.7
% Chng.	1.9	-		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	335	387	425	472
EBITDA (Rs. bn)	85	105	119	137
Margin (%)	25.3	27.2	27.9	29.0
PAT (Rs. bn)	29	73	87	100
EPS (Rs.)	12.1	30.6	36.1	41.7
Gr. (%)	(22.9)	152.5	18.2	15.5
DPS (Rs.)	5.9	7.0	8.2	9.4
Yield (%)	0.7	0.8	1.0	1.1
RoE (%)	6.3	14.9	15.6	16.0
RoCE (%)	12.4	15.9	16.3	17.1
EV/Sales (x)	5.9	5.0	4.4	3.8
EV/EBITDA (x)	23.3	18.5	15.8	13.2
PE (x)	69.0	27.3	23.1	20.0
P/BV (x)	4.3	3.8	3.4	3.0

Key Data

SUN.BO | SUNP IN

52-W High / Low	Rs.871 / Rs.562
Sensex / Nifty	58,014 / 17,340
Market Cap	Rs.2,002bn/ \$ 26,831m
Shares Outstanding	2,399m
3M Avg. Daily Value	Rs.3299.94m

Shareholding Pattern (%)

Promoter's	54.48
Foreign	13.00
Domestic Institution	20.47
Public & Others	12.05
Promoter Pledge (Rs bn)	52.20

Stock Performance (%)

	1M	6M	12M
Absolute	(1.3)	7.8	42.4
Relative	(0.9)	(2.3)	13.6

Param Desai

paramdesai@plndia.com | 91-22-66322259

Akshaya Shinde

akshayashinde@plndia.com | 91-22-66322490

In-line EBITDA; Specialty ramp-up continues

Quick Pointers:

- Global specialty revenue further scaled up to USD183m, up 17% QoQ; Strong response for Winlevi launch
- Other expenses inch up QoQ and YoY led by normalization of expenses.

Sun Pharma (SUNP) reported strong growth across markets with EBITDA growth of +12% YoY aided by 1) specialty ramp-up across the globe, 2) focus on domestic market and 3) steady growth across ROW market. Company's significant investments and efforts in specialty business has started paying off in upward trajectory of revenue. Sustained momentum in specialty will help in improving operating leverage and margins. Also, domestic formulations (32% of total revenue) continue to outperform IPM. We broadly maintain our estimates at 'Buy' rating with TP of Rs 1050 (Rs 1000 earlier) based on 26x Dec 2023E earnings as we roll forward. SUNP remains our top pick in large cap space.

- Strong revenue growth across India and US:** Revenue grew 12% YoY at Rs98.6bn, ahead of our estimates at Rs 96bn. Domestic business grew 15% YoY on account of increased market share and number of new launches. US sales grew 6% YoY and 10% QoQ, mainly driven by specialty products. SUNP global specialty portfolio stood at USD 183mn; up 17% QoQ. EM sales grew by 18.8% YoY while ROW grew by 6.1%. API sales grew by 4.6% YoY.
- In line EBITDA; Higher other expenses:** SUNP reported OPM of 26.5%, down 160bps QoQ. Gross margins came in at 73.1%; down 30bps YoY. R&D cost came in Rs5.5bn; 5.5% of sales; down 2% YoY. Ex R&D other expenses were up 7% QoQ and 17% YoY, led by normalization of expenses. Other income came in higher at Rs4.3bn which included one - time settlement income (Rs 1.8bn) and income tax refund. PAT stood at Rs20.7bn; up 16% YoY vs estimate of Rs19.6bn. There was forex loss of Rs106mn.
- Key concall takeaways: (1)** During the quarter company launched Ilumya in Canada and Winlevi in US, also announced launch of Cequa in Canada. **(2)** Better than expected response received for the product of Winlevi since its launch in the US market (with 80% of doctors' acceptance) **(3) Specialty R&D** accounted for 23% of total R&D spend in Q3. **(4)** Up-tick in Non-COVID treatment has resulted in higher growth of chronic and sub-chronic segments amongst domestic formulation; CNS, CVD & Gastro therapies outperformed the market growth along with 25 new launches in Q3. **(4)** Steady growth from Emerging market with strong double digit growth from largest markets like Romania, Russia, South Africa and Brazil. **(5)** Ex Taro US generics business have been stabilized led by better supply chain and new launches; Clearance of Halol facility is key for growth. **(6)** Slower patient's recruitments resulted in lower trails and thereby R&D cost. Expect R&D cost to inch up. **(7)** Repaid debt of about USD 254mn in 9MFY22. Ex Taro company remains net cash to tune of USD 767mn.

Exhibit 1: 3Q22 Result Overview (Rs mn): Specialty products drive the growth across markets in 3QFY22

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Net Sales	98,631	88,368	11.6	96,259	292,077	249,752	19.9
Raw Material	26,406	23,334	13.2	25,219	78,119	64,493	25.6
<i>% of Net Sales</i>	<i>26.8</i>	<i>26.4</i>		<i>26.2</i>	<i>26.7</i>	<i>25.8</i>	
Personnel Cost	18,509	17,205	7.6	18,063	54,159	51,848	2.9
<i>% of Net Sales</i>	<i>18.8</i>	<i>19.5</i>		<i>18.8</i>	<i>18.5</i>	<i>20.8</i>	
Others	27,546	24,484	12.5	25,915	79,155	69,326	15.1
<i>% of Net Sales</i>	<i>27.9</i>	<i>27.7</i>		<i>26.9</i>	<i>27.1</i>	<i>27.8</i>	
Total Expenditure	72,461	65,023	11.4	69,196	211,433	185,667	15.2
EBITDA	26,169	23,345	12.1	27,063	80,644	64,085	33.7
<i>Margin (%)</i>	<i>26.5</i>	<i>26.4</i>		<i>28.1</i>	<i>27.6</i>	<i>25.7</i>	
Depreciation	5,537	5,319	4.1	5,304	15,873	15,265	3.9
EBIT	20,632	18,026	14.5	21,759	64,771	48,820	43.3
Other Income	4,325	3,150	37.3	2,229	8,079	7,245	(8.3)
Interest	190	261	(27.3)	360	900	1,113	(16.6)
PBT	24,768	20,914	18.4	23,629	71,951	54,952	38.6
Total Taxes	3,354	2,449	36.9	1,978	9,287	4,597	176.3
<i>ETR (%)</i>	<i>13.5</i>	<i>11.7</i>		<i>8.4</i>	<i>12.9</i>	<i>8.4</i>	
PAT	21,414	18,465	16.0	21,651	62,663	50,356	29.3
Minority Interest	720	656		417	782	(5,730)	
Exceptional items	106	(716)		764	6,381	35,989	
Adj Pat	20,588	18,525	11.1	20,470	55,500	20,097	2,121.0

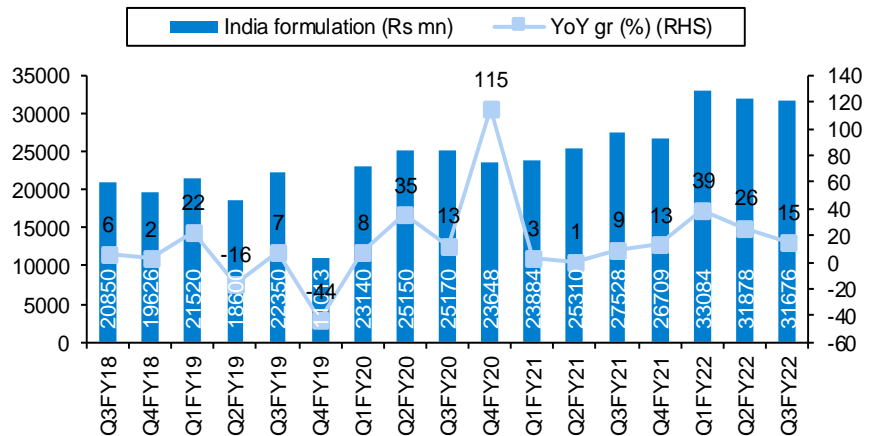
Source: Company, PL

Exhibit 2: Major Sources of Revenues

Major sources of income	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
API	4,710	4,505	4.6	4,358	14,218	15,147	(10.7)
<i>% of Net Sales</i>	<i>4.8</i>	<i>5.1</i>		<i>4.6</i>	<i>4.9</i>	<i>6.1</i>	
Formulation	92,824	82,966	11.9	90,582	274,222	230,712	22.8
<i>% of Net Sales</i>	<i>94.6</i>	<i>94.5</i>		<i>94.8</i>	<i>94.4</i>	<i>93.4</i>	
India	31,676	27,528	15.1	31,878	96,637	76,722	32.1
<i>% of Net Sales</i>	<i>32.3</i>	<i>31.3</i>		<i>33.4</i>	<i>33.3</i>	<i>31.1</i>	
International	61,148	55,438	10.3	58,704	177,585	153,989	18.1
<i>% of Net Sales</i>	<i>62.3</i>	<i>63.1</i>		<i>61.4</i>	<i>61.2</i>	<i>62.3</i>	
US formulations	29,718	27,609	7.6	26,773	84,491	73,893	18.3
<i>% of Net Sales</i>	<i>30.3</i>	<i>31.4</i>		<i>28.0</i>	<i>29.1</i>	<i>29.9</i>	
ROW formulations	31,431	27,829	12.9	31,931	93,095	80,097	18.0
<i>% of Net Sales</i>	<i>32.0</i>	<i>31.7</i>		<i>33.4</i>	<i>32.1</i>	<i>32.4</i>	
Others	608	348	74.7	627	1,963	1,218	55.7
Total Sales	98,142	87,818	11.8	95,567	290,403	247,077	20.7

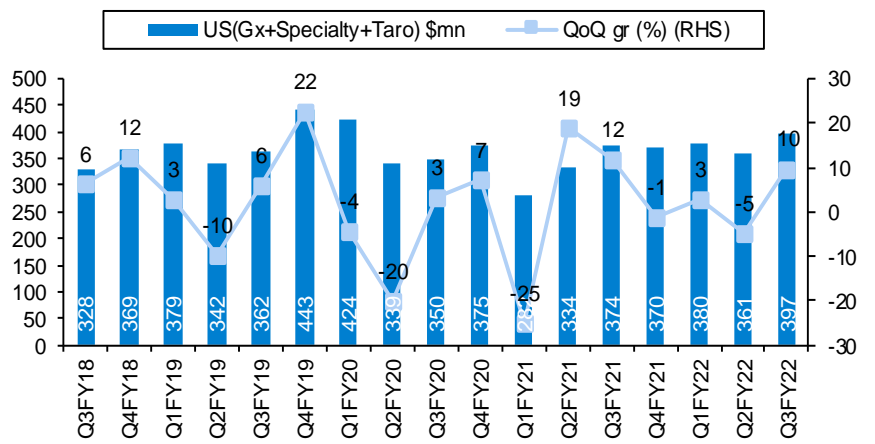
Source: Company, PL

Exhibit 3: India Formulations (Rs m): Outperform the market growth



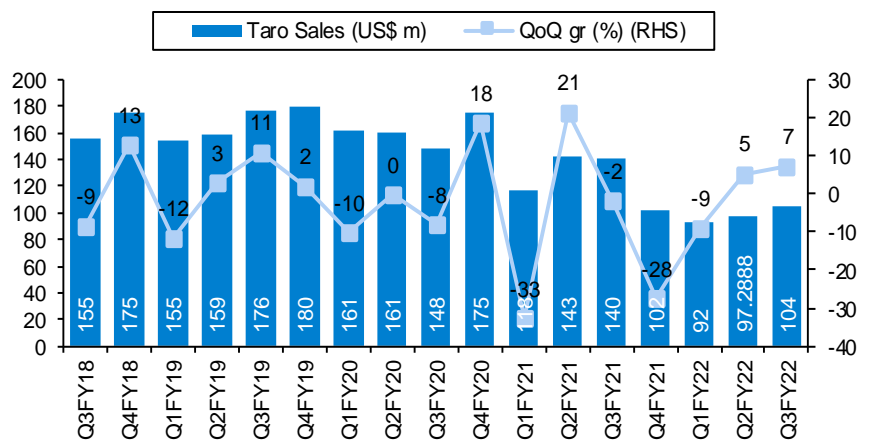
Source: Company, PL

Exhibit 4: US Gx (US\$ m): recovery observed in US Gx business (ex Taro)



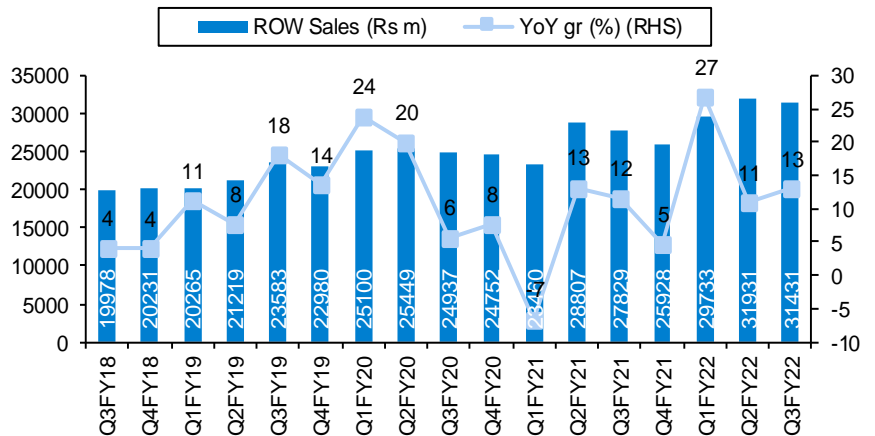
Source: Company, PL

Exhibit 5: Taro Sales (Rs m): Continues to be muted with flat growth in Q3



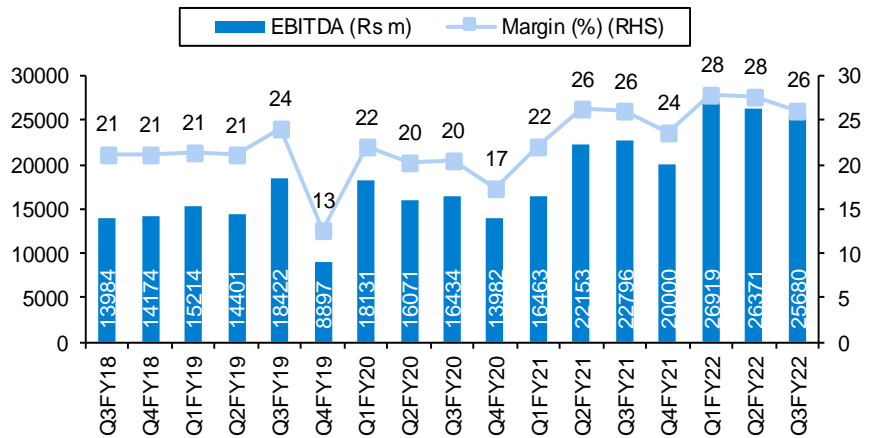
Source: Company, PL

Exhibit 6: ROW Sales (Rs m): growth backed by branded generics



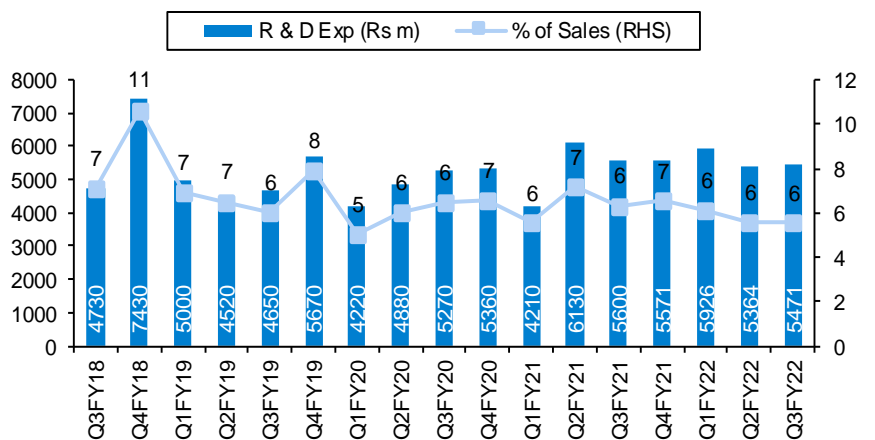
Source: Company, PL

Exhibit 7: EBITDA (Rs m) and EBITDA Margin (%): Core margin improves



Source: Company, PL

Exhibit 8: R&D Expense (Rs m): ~23% of R%D spend is towards Specialty



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	334,982	387,211	425,431	472,229
YoY gr. (%)	2.0	15.6	9.9	11.0
Cost of Goods Sold	86,901	103,635	111,942	123,379
Gross Profit	248,081	283,576	313,489	348,850
Margin (%)	74.1	73.2	73.7	73.9
Employee Cost	68,622	72,716	79,258	86,448
Other Expenses	94,781	105,595	115,420	125,466
EBITDA	84,677	105,265	118,810	136,936
YoY gr. (%)	21.4	24.3	12.9	15.3
Margin (%)	25.3	27.2	27.9	29.0
Depreciation and Amortization	20,800	21,486	22,710	24,164
EBIT	63,878	83,779	96,100	112,772
Margin (%)	19.1	21.6	22.6	23.9
Net Interest	1,414	1,264	1,364	1,364
Other Income	8,355	10,056	8,582	9,331
Profit Before Tax	70,819	92,571	103,318	120,739
Margin (%)	21.1	23.9	24.3	25.6
Total Tax	5,147	11,536	14,232	18,462
Effective tax rate (%)	7.3	12.5	13.8	15.3
Profit after tax	65,672	81,035	89,086	102,277
Minority interest	(6,315)	1,330	1,920	1,890
Share Profit from Associate	(123)	(100)	(500)	(300)
Adjusted PAT	29,038	73,330	86,666	100,087
YoY gr. (%)	(22.9)	152.5	18.2	15.5
Margin (%)	8.7	18.9	20.4	21.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	29,038	73,330	86,666	100,087
YoY gr. (%)	(22.9)	152.5	18.2	15.5
Margin (%)	8.7	18.9	20.4	21.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,038	73,330	86,666	100,087
Equity Shares O/s (m)	2,399	2,399	2,399	2,399
EPS (Rs)	12.1	30.6	36.1	41.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	298,789	313,789	333,789	353,789
Tangibles	194,563	204,330	217,354	230,377
Intangibles	104,226	109,458	116,435	123,412
Acc: Dep / Amortization	139,832	161,318	184,028	208,192
Tangibles	95,508	110,183	125,694	142,199
Intangibles	44,325	51,135	58,334	65,994
Net fixed assets	158,957	152,471	149,761	145,597
Tangibles	99,055	94,148	91,660	88,179
Intangibles	59,901	58,323	58,101	57,418
Capital Work In Progress	9,365	9,365	9,365	9,365
Goodwill	62,876	62,876	62,876	62,876
Non-Current Investments	96,125	96,125	96,125	96,125
Net Deferred tax assets	35,119	35,119	35,119	35,119
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	89,970	112,254	117,481	130,397
Trade receivables	90,614	115,461	123,355	136,917
Cash & Bank Balance	64,455	90,859	159,820	226,327
Other Current Assets	68,174	68,174	68,174	68,174
Total Assets	641,103	708,209	787,642	876,532
Equity				
Equity Share Capital	2,399	2,399	2,399	2,399
Other Equity	462,229	518,712	585,725	663,351
Total Networkth	464,628	521,111	588,124	665,750
Non-Current Liabilities				
Long Term borrowings	8,981	8,981	8,981	8,981
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	24,449	24,449	24,449	24,449
Trade payables	39,737	45,971	52,866	58,679
Other current liabilities	108,257	111,215	114,321	117,582
Total Equity & Liabilities	641,103	708,209	787,642	876,532

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	63,878	83,779	96,100	112,772
Add. Depreciation	20,800	21,486	22,710	24,164
Add. Interest	1,414	1,264	1,364	1,364
Less Financial Other Income	8,355	10,056	8,582	9,331
Add. Other	(42,825)	-	-	-
Op. profit before WC changes	43,267	106,529	120,174	138,300
Net Changes-WC	25,641	(37,996)	(3,181)	(17,473)
Direct tax	(10,029)	(11,536)	(14,232)	(18,462)
Net cash from Op. activities	58,878	56,998	102,761	102,365
Capital expenditures	(11,701)	(15,000)	(20,000)	(20,000)
Interest / Dividend Income	6,941	8,792	7,218	7,967
Others	-	-	-	-
Net Cash from Inv. activities	(4,760)	(6,208)	(12,782)	(12,033)
Issue of share cap. / premium	(1,854)	-	-	-
Debt changes	(44,896)	-	-	-
Dividend paid	(15,595)	(16,846)	(19,653)	(22,461)
Interest paid	(1,414)	(1,264)	(1,364)	(1,364)
Others	9,222	(6,275)	-	-
Net cash from Fin. activities	(54,538)	(24,386)	(21,018)	(23,825)
Net change in cash	(420)	26,404	68,961	66,507
Free Cash Flow	47,177	41,998	82,761	82,365

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	85,230	97,187	96,259	98,631
YoY gr. (%)	4.1	28.1	12.5	11.6
Raw Material Expenses	22,408	26,494	25,219	26,406
Gross Profit	62,822	70,693	71,041	72,224
Margin (%)	73.7	72.7	73.8	73.2
EBITDA	20,592	27,412	27,063	26,169
YoY gr. (%)	36.8	55.4	17.2	12.1
Margin (%)	24.2	28.2	28.1	26.5
Depreciation / Depletion	5,535	5,032	5,304	5,537
EBIT	15,057	22,380	21,759	20,632
Margin (%)	17.7	23.0	22.6	20.9
Net Interest	301	351	360	190
Other Income	1,110	1,525	2,229	4,325
Profit before Tax	15,866	23,554	23,629	24,768
Margin (%)	18.6	24.2	24.5	25.1
Total Tax	550	3,956	1,978	3,354
Effective tax rate (%)	3.5	16.8	8.4	13.5
Profit after Tax	15,316	19,598	21,651	21,414
Minority interest	(462)	(355)	417	720
Share Profit from Associates	-	-	-	-
Adjusted PAT	8,941	14,442	20,470	20,588
YoY gr. (%)	123.6	(187.2)	12.9	11.1
Margin (%)	10.5	14.9	21.3	20.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,941	14,442	20,470	20,588
YoY gr. (%)	123.6	(187.2)	12.9	11.1
Margin (%)	10.5	14.9	21.3	20.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,941	14,442	20,470	20,588
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	6.6	8.3	8.8	8.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	12.1	30.6	36.1	41.7
CEPS	20.8	39.5	45.6	51.8
BVPS	193.7	217.2	245.1	277.5
FCF	19.7	17.5	34.5	34.3
DPS	5.9	7.0	8.2	9.4
Return Ratio(%)				
RoCE	12.4	15.9	16.3	17.1
ROIC	11.1	13.6	15.3	17.3
RoE	6.3	14.9	15.6	16.0
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	153	171	161	161
Valuation(x)				
PER	69.0	27.3	23.1	20.0
P/B	4.3	3.8	3.4	3.0
P/CEPS	20.8	39.5	45.6	51.8
EV/EBITDA	23.3	18.5	15.8	13.2
EV/Sales	5.9	5.0	4.4	3.8
Dividend Yield (%)	0.7	0.8	1.0	1.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
India Formulations	103,432	126,849	141,191	157,159
US Formulations	127,455	145,019	157,498	175,627
ROW Formulations	79,409	91,484	101,209	111,976
APIs	21,097	21,519	23,032	24,667

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Jan-22	BUY	1,000	829
2	3-Nov-21	BUY	1,000	815

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aurobindo Pharma	Accumulate	780	710
2	Cadila Healthcare	BUY	590	451
3	Cipla	BUY	1,100	906
4	Divi's Laboratories	Accumulate	4,750	4,517
5	Dr. Reddy's Laboratories	BUY	5,200	4,219
6	Eris Lifesciences	BUY	880	695
7	Glenmark Pharmaceuticals	Accumulate	600	511
8	Indoco Remedies	Accumulate	480	438
9	Ipca Laboratories	BUY	2,450	2,200
10	Lupin	Accumulate	1,004	916
11	Sun Pharmaceutical Industries	BUY	1,000	829
12	Torrent Pharmaceuticals	BUY	3,560	3,161

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. Param Desai- MBA Finance, Ms. Akshaya Shinde- MBA Finance 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. Param Desai- MBA Finance, Ms. Akshaya Shinde- MBA Finance 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