

January 26, 2023

Q3FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,280		1,300	
Sales (Rs. m)	2,51,617	2,79,058	2,55,943	2,83,221
% Chng.	(1.7)	(1.5)		
EBITDA (Rs. m)	57,955	66,438	60,521	69,001
% Chng.	(4.2)	(3.7)		
EPS (Rs.)	45.2	52.8	47.5	55.1
% Chng.	(4.7)	(4.1)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	2,17,634	2,27,685	2,51,617	2,79,058
EBITDA (Rs. m)	45,528	50,437	57,955	66,438
Margin (%)	20.9	22.2	23.0	23.8
PAT (Rs. m)	25,168	30,396	36,507	42,630
EPS (Rs.)	31.2	37.7	45.2	52.8
Gr. (%)	4.7	20.8	20.1	16.8
DPS (Rs.)	5.3	6.3	7.6	9.1
Yield (%)	0.5	0.6	0.7	0.9
RoE (%)	12.9	13.8	14.7	15.3
RoCE (%)	16.7	17.2	18.3	19.2
EV/Sales (x)	3.8	3.5	3.1	2.8
EV/EBITDA (x)	18.2	16.0	13.6	11.6
PE (x)	33.2	27.5	22.9	19.6
P/BV (x)	4.0	3.6	3.2	2.8

Key Data

CIPLA.BO | CIPLA IN

52-W High / Low	Rs.1,185 / Rs.880
Sensex / Nifty	60,205 / 17,892
Market Cap	Rs.836bn/ \$ 10,242m
Shares Outstanding	807m
3M Avg. Daily Value	Rs.1625.24m

Shareholding Pattern (%)

Promoter's	33.61
Foreign	28.39
Domestic Institution	18.94
Public & Others	19.06
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.5)	7.9	14.3
Relative	(8.0)	(0.1)	9.9

Param Desai

paramdesai@plindia.com | 91-22-66322259

Akshaya Shinde

akshayashinde@plndia.com | 91-22-66322490

In line quarter aided by higher GMs and US sales

Quick Pointers:

- Ramp up in Lanreotide and strong flu season aided US sales.
- Adjusted for COVID; domestic formulation growth was 11% YoY

We reduce our FY24/FY25 earnings by ~4% factoring in delay in key US launches and lower margins. Cipla's Q3FY23 EBITDA was largely in-line with our estimates (24%) aided by higher GMs and strong US sales. We continue to remain positive on CIPLA's growth across key segments including India and US given 1) strong traction in respiratory and other portfolio, 2) Ex-COVID, domestic formulation to potentially grow +10% going forward and 3) sustainability of current US revs, backed by potential key launches. We expect 18% EPS CAGR over FY23-25E given resilient earnings, improving US visibility and strong free cash flow generation. Maintain 'Buy' rating with revised TP of Rs1,280/share (Rs 1,300 earlier) based on 25x Dec FY24E P/E.

- Mix bag; Higher US negated by lower SAGA sales:** Cipla's Q3FY23 sales increased 6% YoY (flat QoQ) to Rs58bn. Domestic formulation sales grew by 2% YoY. Adjusted for COVID, growth was 11% YoY led by momentum across portfolio of One-India business, increased traction across therapies, trade generics and consumer health business. US sales came in at USD 195mn, up 8.9% QoQ above our estimates aided by ramp-up in new launches and strong flu season. International markets grew by 3% YoY while SAGA reported 24% decline much lower than our estimates given supply challenges. API saw decline of 2% YoY.
- EBITDA of Rs14.1bn (up 14% YoY) largely in line with our estimate:** GMs were up by 250bp QoQ and 450bp YoY to 65%. OPM of 24.2% was largely in line with our estimate led by higher GMs. Other expenses increased by 3.2% QoQ and 17.6% YoY. R&D cost came in higher at Rs3.63bn; 6.2% of sales; up 39% YoY and 8% QoQ. Tax came in higher at 34% led by deferred Tax. Resultant PAT came in at Rs8bn up 10% YoY vs our estimate of Rs 9bn. Adjusted for deferred tax, PAT was largely in line with our estimate.
- Key concall takeaways: (1) US business:** Cipla's US sales grew QoQ aided by ramp up in lanreotide and seasonality aiding strong flu season. Currently Cipla enjoys 14.1% market share in Lanreotide vs 9.6% in Q2FY23. Mgmt cited that gRevlimid sales were down QoQ and guided that it will be able to maintain its quarterly run-rate of \$185mn-190mn. **(2) gAdvair:** Got new CRLs and now TAD is in April first week of 2023. Further company is in process of site transfer for gAbraxane from its Goa facility and guided for H2FY24 launch **(3) R&D cost** was higher given increasing clinical trials for its respiratory portfolio and towards its biosimilar JV **(4) SAGA market:** Supply issues now being addressed and business should recover from Q1FY24 onwards **(5) GMs** were aided by better product mix and forex component. Q4FY23 margins to moderate due to seasonality, however should be better than its historical Q4 run-rate. Reiterated its 21-22% margin guidance for FY23.

Exhibit 1: 3QFY23 Result Overview (Rs m) – In-line EBITDA; GMs improve sharply YoY and QoQ

Y/e March	Q3FY23	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Net Sales	58,101	54,789	6.0	58,285	(0.3)	170,138	165,030	3.1
Raw Material	20,043	21,434	(6.5)	21,602	(7.2)	61,889	63,489	(2.5)
<i>% of Net Sales</i>	<i>34.5</i>	<i>39.1</i>		<i>37.1</i>		<i>36.4</i>	<i>38.5</i>	
Personnel Cost	9,487	8,724	8.7	9,608	(1.3)	28,652	26,375	8.6
<i>% of Net Sales</i>	<i>16.3</i>	<i>15.9</i>		<i>16.5</i>		<i>16.8</i>	<i>16.0</i>	
Others	14,496	12,321	17.6	14,052	3.2	41,064	37,136	10.6
<i>% of Net Sales</i>	<i>24.9</i>	<i>22.5</i>		<i>24.1</i>		<i>24.1</i>	<i>22.5</i>	
Total Expenditure	44,025	42,479	3.6	45,262	(2.7)	131,606	127,000	3.6
EBITDA	14,076	12,310	14.3	13,023	8.1	38,532	38,031	1.3
<i>Margin (%)</i>	<i>24.2</i>	<i>22.5</i>		<i>22.3</i>		<i>22.6</i>	<i>23.0</i>	
Depreciation	2,721	2,475	10.0	2,994	(9.1)	8,259	7,616	8.4
EBIT	11,354	9,835	15.4	10,030	13.2	30,273	30,414	(0.5)
Other Income	1,144	913	25.4	1,230	(6.9)	3,408	2,169	57.1
Interest	318	207	53.9	256	24.5	752	883	(14.8)
PBT	12,181	10,541	15.6	11,004	10.7	32,930	31,701	3.9
Extra-Ord. Inc./Exps.	-	-		-		-	(1,246)	
Total Taxes	4,100	2,952	38.9	3,026	35.5	9,806	8,627	13.7
<i>ETR (%)</i>	<i>33.7</i>	<i>28.0</i>		<i>27.5</i>		<i>29.8</i>	<i>27.2</i>	
Minority interest	(71)	(304)		(89)		(361)	(281)	
Reported PAT	8,010	7,286	9.9	7,889	1.5	22,763	21,547	5.6

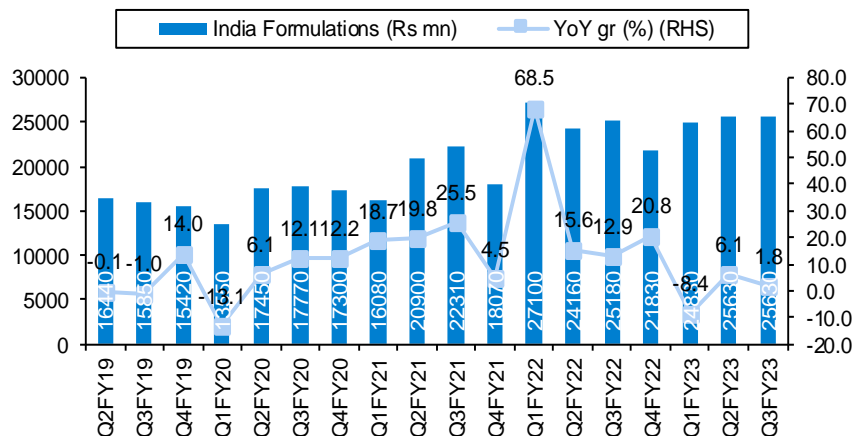
Source: Company, PL

Exhibit 2: Sources of Revenue - strong revenue aided by higher US sales

Geographic break up of revenues	Q3FY23	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Domestic market	25,630	25,180	1.8	25,630	-	76,090	76,440	(0.5)
<i>% of Sales</i>	<i>44.1</i>	<i>46.0</i>		<i>44.0</i>		<i>44.7</i>	<i>46.3</i>	
Export market	32,470	29,600	9.7	32,660	(0.6)	94,060	88,640	6.1
<i>% of Sales</i>	<i>55.9</i>	<i>54.0</i>		<i>56.0</i>		<i>55.3</i>	<i>53.7</i>	
North America	16,000	11,240	42.3	14,320	11.7	42,310	32,220	31.3
<i>% of Sales</i>	<i>27.5</i>	<i>20.5</i>		<i>24.6</i>		<i>24.9</i>	<i>19.5</i>	
SAGA	6,800	8,920	(23.8)	8,670	(21.6)	23,350	27,230	(14.2)
<i>% of Sales</i>	<i>11.7</i>	<i>16.3</i>		<i>14.9</i>		<i>13.7</i>	<i>16.5</i>	
International Markets	7,620	7,380	3.3	7,630	(0.1)	22,450	21,410	4.9
<i>% of Sales</i>	<i>13.1</i>	<i>13.5</i>		<i>13.1</i>		<i>13.2</i>	<i>13.0</i>	
APIs	1,470	1,500	(2.0)	1,530	(3.9)	4,350	6,240	(30.3)
<i>% of Sales</i>	<i>2.5</i>	<i>2.7</i>		<i>2.6</i>		<i>2.6</i>	<i>3.8</i>	
Others	580	560	3.6	510	13.7	1,600	1,540	3.9
<i>% of Sales</i>	<i>1.0</i>	<i>1.0</i>		<i>0.9</i>		<i>0.9</i>	<i>0.9</i>	
Total	58,100	54,780	6.1	58,290	(0.3)	170,150	165,080	3.1

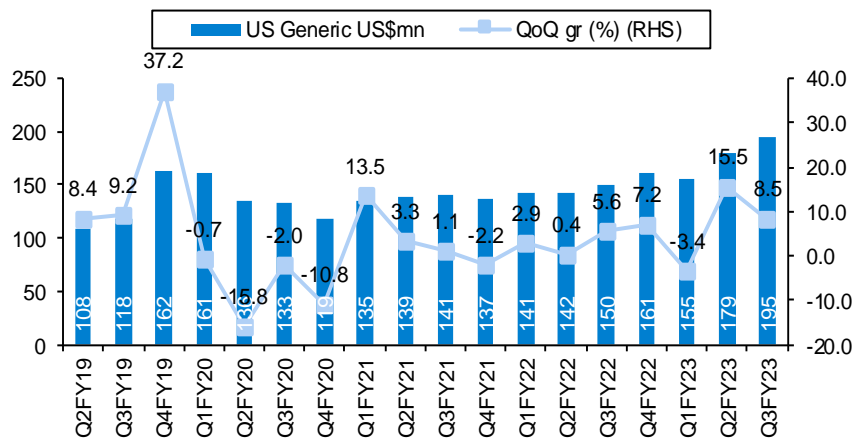
Source: Company, PL

Exhibit 3: India Formulations (Rx+Gx+CHL): Adj for COVID growth was 11%



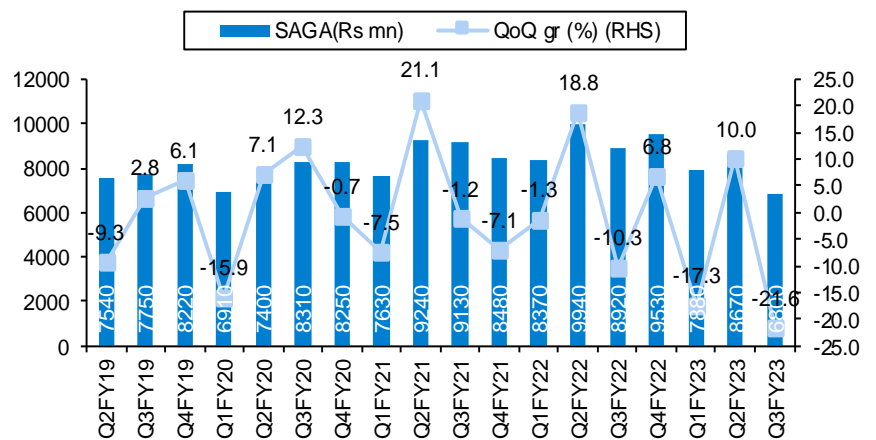
Source: Company, PL

Exhibit 4: Respiratory portfolio + seasonality continues to drive US growth



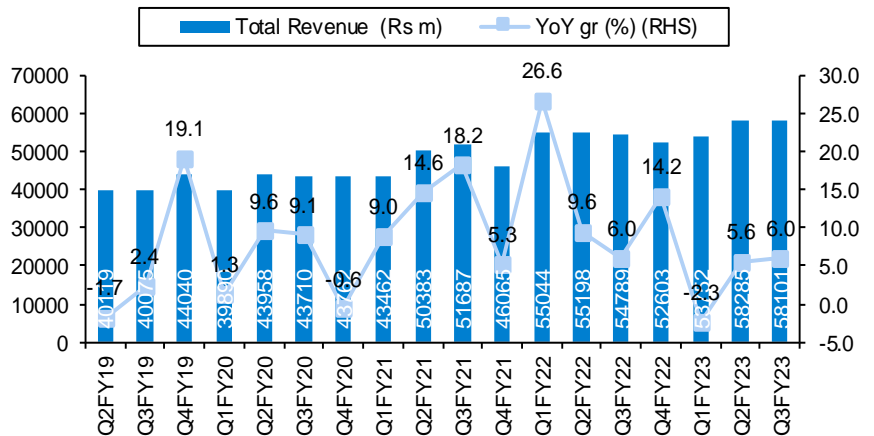
Source: Company, PL

Exhibit 5: Supply challenges impacts SAGA growth



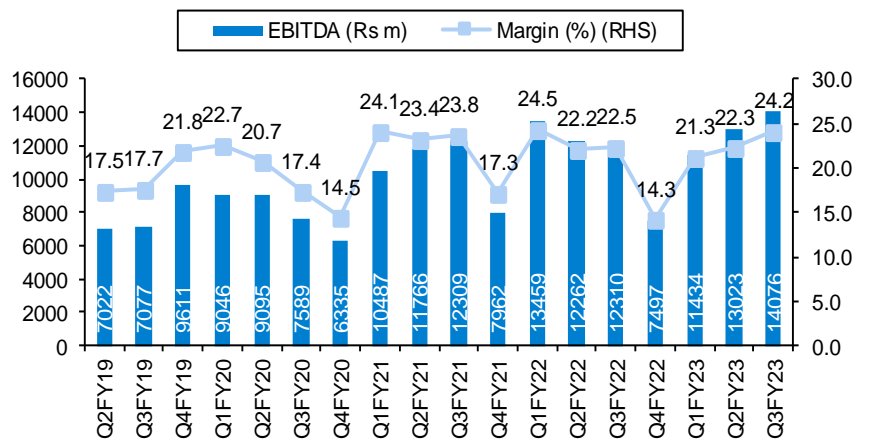
Source: Company, PL

Exhibit 6: Overall growth driven by US and India formulations business



Source: Company, PL

Exhibit 7: EBITDA margins driven by higher gross margins



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	2,17,634	2,27,685	2,51,617	2,79,058
YoY gr. (%)	13.6	4.6	10.5	10.9
Cost of Goods Sold	96,309	95,228	1,04,694	1,15,666
Gross Profit	1,21,325	1,32,457	1,46,923	1,63,391
Margin (%)	55.7	58.2	58.4	58.6
Employee Cost	32,194	34,396	36,701	39,100
Other Expenses	43,603	47,624	52,267	57,853
EBITDA	45,528	50,437	57,955	66,438
YoY gr. (%)	7.1	10.8	14.9	14.6
Margin (%)	20.9	22.2	23.0	23.8
Depreciation and Amortization	10,520	11,045	11,598	12,294
EBIT	35,009	39,392	46,357	54,145
Margin (%)	16.1	17.3	18.4	19.4
Net Interest	1,064	1,050	900	800
Other Income	2,809	4,500	5,100	5,600
Profit Before Tax	36,754	42,842	50,557	58,945
Margin (%)	16.9	18.8	20.1	21.1
Total Tax	9,338	11,996	13,651	15,915
Effective tax rate (%)	25.4	28.0	27.0	27.0
Profit after tax	27,416	30,846	36,907	43,030
Minority interest	-	-	-	-
Share Profit from Associate	(427)	(450)	(400)	(400)
Adjusted PAT	25,168	30,396	36,507	42,630
YoY gr. (%)	4.7	20.8	20.1	16.8
Margin (%)	11.6	13.3	14.5	15.3
Extra Ord. Income / (Exp)	1,821	-	-	-
Reported PAT	26,989	30,396	36,507	42,630
YoY gr. (%)	12.2	12.6	20.1	16.8
Margin (%)	12.4	13.3	14.5	15.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26,989	30,396	36,507	42,630
Equity Shares O/s (m)	807	807	807	807
EPS (Rs)	31.2	37.7	45.2	52.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	1,37,892	1,49,892	1,63,892	1,78,892
Tangibles	93,703	1,01,857	1,11,371	1,21,564
Intangibles	44,189	48,034	52,521	57,328
Acc: Dep / Amortization	73,052	84,098	95,696	1,07,989
Tangibles	41,985	48,333	54,999	62,064
Intangibles	31,067	35,764	40,697	45,925
Net fixed assets	64,839	65,794	68,196	70,903
Tangibles	51,718	53,524	56,372	59,500
Intangibles	13,122	12,270	11,824	11,403
Capital Work In Progress	7,662	7,662	7,662	7,662
Goodwill	31,379	31,379	31,379	31,379
Non-Current Investments	26,120	26,120	26,120	26,120
Net Deferred tax assets	2,049	2,049	2,049	2,029
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	53,502	56,142	62,043	68,809
Trade receivables	34,244	36,180	39,983	44,343
Cash & Bank Balance	19,285	34,921	50,460	69,309
Other Current Assets	29,287	30,751	32,289	33,903
Total Assets	2,66,523	2,89,152	3,18,335	3,52,632
Equity				
Equity Share Capital	1,614	1,614	1,614	1,614
Other Equity	2,06,803	2,31,229	2,60,571	2,94,604
Total Networkth	2,08,417	2,32,842	2,62,185	2,96,217
Non-Current Liabilities				
Long Term borrowings	5,745	2,745	(255)	(3,255)
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,813	4,813	4,813	4,813
Trade payables	25,081	26,199	28,953	32,111
Other current liabilities	21,759	21,844	21,931	22,018
Total Equity & Liabilities	2,66,523	2,89,152	3,18,335	3,52,632

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	33,945	38,342	45,457	53,345
Add. Depreciation	10,520	11,045	11,598	12,294
Add. Interest	1,064	1,050	900	800
Less Financial Other Income	2,809	4,500	5,100	5,600
Add. Other	901	-	-	-
Op. profit before WC changes	46,429	50,437	57,955	66,438
Net Changes-WC	(1,775)	(4,835)	(8,401)	(9,496)
Direct tax	(11,395)	(11,996)	(13,651)	(15,915)
Net cash from Op. activities	33,260	33,606	35,903	41,027
Capital expenditures	(7,012)	(12,000)	(14,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(7,012)	(12,000)	(14,000)	(15,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(10,062)	(3,000)	(3,000)	(3,000)
Dividend paid	(4,034)	(5,970)	(7,165)	(8,597)
Interest paid	(1,064)	(1,050)	(900)	(800)
Others	(5,816)	4,050	4,700	5,220
Net cash from Fin. activities	(20,976)	(5,970)	(6,365)	(7,177)
Net change in cash	5,272	15,636	15,539	18,850
Free Cash Flow	26,248	21,606	21,903	26,027

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	52,603	53,752	58,285	58,101
YoY gr. (%)	14.2	(2.3)	5.6	6.0
Raw Material Expenses	21,467	20,244	21,602	20,043
Gross Profit	31,136	33,508	36,684	38,058
Margin (%)	59.2	62.3	62.9	65.5
EBITDA	7,497	11,434	13,023	14,076
YoY gr. (%)	(5.8)	(15.0)	6.2	14.3
Margin (%)	14.3	21.3	22.3	24.2
Depreciation / Depletion	2,903	2,544	2,994	2,721
EBIT	4,594	8,889	10,030	11,354
Margin (%)	8.7	16.5	17.2	19.5
Net Interest	181	178	256	318
Other Income	640	1,034	1,230	1,144
Profit before Tax	5,053	9,746	11,004	12,181
Margin (%)	9.6	18.1	18.9	21.0
Total Tax	711	2,680	3,026	4,100
Effective tax rate (%)	14.1	27.5	27.5	33.7
Profit after Tax	4,342	7,066	7,978	8,081
Minority interest	147	202	89	71
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,621	6,864	7,889	8,010
YoY gr. (%)	(12.4)	(18.2)	10.9	9.9
Margin (%)	6.9	12.8	13.5	13.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,621	6,864	7,889	8,010
YoY gr. (%)	(12.4)	(18.2)	10.9	9.9
Margin (%)	6.9	12.8	13.5	13.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,621	6,864	7,889	8,010
Avg. Shares O/s (m)	804	804	804	804
EPS (Rs)	5.2	8.5	9.8	10.0

Source: Company Data, PL Research

Key Financial Metrics

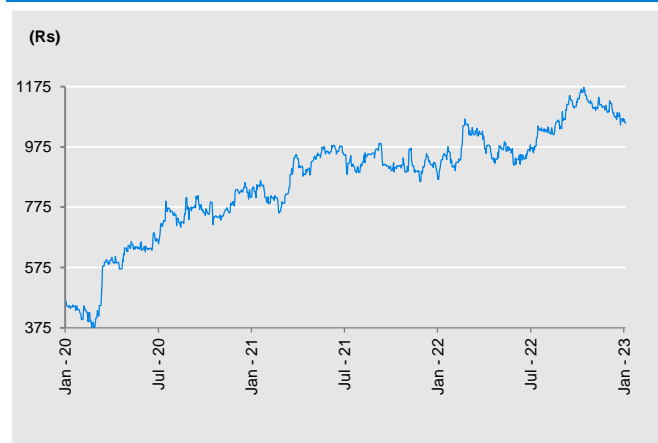
Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	31.2	37.7	45.2	52.8
CEPS	44.2	51.4	59.6	68.1
BVPS	258.3	288.6	325.0	367.2
FCF	32.5	26.8	27.1	32.3
DPS	5.3	6.3	7.6	9.1
Return Ratio(%)				
RoCE	16.7	17.2	18.3	19.2
ROIC	14.2	15.5	17.3	19.1
RoE	12.9	13.8	14.7	15.3
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	105	106	106	106
Valuation(x)				
PER	33.2	27.5	22.9	19.6
P/B	4.0	3.6	3.2	2.8
P/CEPS	23.4	20.2	17.4	15.2
EV/EBITDA	18.2	16.0	13.6	11.6
EV/Sales	3.8	3.5	3.1	2.8
Dividend Yield (%)	0.5	0.6	0.7	0.9

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
India Formulations	98,280	1,00,282	1,11,935	1,25,546
Exports	1,11,729	1,20,903	1,33,310	1,46,502
APIs	7,600	6,500	6,372	7,009

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	BUY	1,300	1,088
2	06-Nov-22	BUY	1,300	1,146
3	06-Oct-22	BUY	1,110	1,131
4	01-Aug-22	BUY	1,110	977
5	07-Jul-22	BUY	1,085	946
6	11-May-22	BUY	1,085	926
7	08-Apr-22	BUY	1,100	1,037

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,400	4,387
2	Aster DM Healthcare	BUY	265	228
3	Aurobindo Pharma	Accumulate	550	444
4	Cipla	BUY	1,300	1,088
5	Divi's Laboratories	Hold	3,300	3,462
6	Dr. Reddy's Laboratories	BUY	4,900	4,295
7	Eris Lifesciences	BUY	850	652
8	Fortis Healthcare	BUY	360	285
9	Glenmark Pharmaceuticals	Accumulate	460	434
10	HealthCare Global Enterprises	BUY	375	285
11	Indoco Remedies	BUY	430	363
12	Ipca Laboratories	Accumulate	950	858
13	J.B. Chemicals & Pharmaceuticals	BUY	2,350	1,992
14	Krishna Institute of Medical Sciences	BUY	1,660	1,505
15	Lupin	Hold	650	742
16	Max Healthcare Institute	BUY	500	433
17	Narayana Hrudayalaya	BUY	920	712
18	Sun Pharmaceutical Industries	BUY	1,175	1,015
19	Torrent Pharmaceuticals	BUY	1,850	1,561
20	Zydus Lifesciences	Accumulate	465	433

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