

March 20, 2023

Company Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,660		1,660	
Sales (Rs. m)	25,731	29,873	25,275	29,157
% Chng.	1.8	2.5		
EBITDA (Rs. m)	7,070	8,196	7,185	8,331
% Chng.	(1.6)	(1.6)		
EPS (Rs.)	45.5	53.9	47.8	57.1
% Chng.	(4.7)	(5.5)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	16,508	22,264	25,731	29,873
EBITDA (Rs. m)	5,158	6,053	7,070	8,196
Margin (%)	31.2	27.2	27.5	27.4
PAT (Rs. m)	3,327	3,137	3,643	4,317
EPS (Rs.)	41.6	39.2	45.5	53.9
Gr. (%)	60.3	(5.7)	16.2	18.5
DPS (Rs.)	-	3.5	5.8	8.1
Yield (%)	-	0.3	0.4	0.6
RoE (%)	29.6	20.5	19.9	19.9
RoCE (%)	33.4	27.0	26.3	26.4
EV/Sales (x)	6.5	4.9	4.3	3.6
EV/EBITDA (x)	20.9	18.1	15.6	13.2
PE (x)	32.4	34.4	29.6	25.0
P/BV (x)	7.8	6.5	5.4	4.6

Key Data

KRII.BO | KIMS IN

52-W High / Low	Rs.1,669 / Rs.1,113
Sensex / Nifty	57,990 / 17,100
Market Cap	Rs.108bn / \$ 1,308m
Shares Outstanding	80m
3M Avg. Daily Value	Rs.62.15m

Shareholding Pattern (%)

Promoter's	38.84
Foreign	11.89
Domestic Institution	25.83
Public & Others	23.44
Promoter Pledge (Rs bn)	8.08

Stock Performance (%)

	1M	6M	12M
Absolute	(3.7)	10.3	2.4
Relative	1.3	11.9	2.2

Param Desai

paramdesai@plindia.com | 91-22-66322259

Sanketa Kohale

sanketakohale@plindia.com | 91-22-66322426

Sunshine and Nagpur units scalability on track

We remain positive on Krishna Institute of Medical Sciences (KIMS)'s occupancy, profitability and scalability post our recent hospital visits across Nagpur and Sunshine units. KIMS will continue to focus on creating a strong cluster based investment approach and likely expand operations across Maharashtra and Karnataka region by adding more units. Overall, we expect Nagpur + Sunshine units EBITDA contribution to go up by 2x (Rs2.2bn in FY25E vs Rs1bn in FY23) over FY23-25E. We also expect ~17% consolidated EBITDA CAGR and best in class return ratios with RoE/RoCE of ~20%/26% over the same period. Our FY24 and FY25E EBITDA marginally stands reduced by ~2%. Maintain 'Buy' rating with TP of Rs1,660/share (unchanged) based on 20x FY25E EV/EBITDA. At CMP, stock is trading at valuations of 16x EV/EBITDA (adj for IND AS and partner's stake) and 25x P/E on FY25E.

- Strong visibility of operational turnaround in Kingsway unit:** Kingsway Hospital in Nagpur (currently in transition mode) was commissioned in Dec-19 with 334 beds capacity, expandable to 510 beds. KIMS intends to further add more clinical talent within next 3-6 months and fill in therapeutic gaps like oncology radiation. This should aid occupancy from current level of 55% (based on capacity) to 60-65% in FY24. Further KIMS is also under process to integrate consumables procurement, which should improve margins by 200 bps on immediate basis. Kingsway unit is likely to act as CoE (centre of excellence) for KIMS Maharashtra cluster region. Overall, we factor in revenues of Rs2.3bn and EBITDA of Rs496m (22% OPM) in FY25E from current level of 10-11% OPM.
- Occupancy improvement in Sunshine units to drive growth:** Sunshine's current occupancy stands at 40% with ~70% revenue coming from Ortho + Cardiac specialty. The new unit for Sunshine Secunderabad will move to a new state-of-art facility in more prime location by end of Q1FY24 which would result in attracting clinical talent across other therapies. Further company would save on rentals and aid to divert access inpatient volumes across specialties at its flagship hospital to Sunshine unit. Company has already got commitments of doctors to join Sunshine unit. On Gachibowli unit, company has already replaced many high cost consultant and hired new clinical talents. Overall we see occupancy improvement to +60% from current level of 40% by FY25E. Resultant we have factored in revenue of Rs 6.7bn and EBITDA of Rs1.7bn in FY25E; implying 40% CAGR growth.
- Base business to grow in high single digit:** KIMS's EBITDA ex of Sunshine has decline by 10% YoY for 9MFY23 given high COVID base and certain one offs at its Telangana units. Kondapur unit is running at optimum utilization and thereby growth will be driven as new capacity (500 beds) comes up in FY25. KIMS has identified few departments such as vascular surgery, pulmonology where there is vacuum in flagship unit and also onboard the talent which will aid footfalls. Additionally, 50 bed addition will be commercialized in its Vizag unit and 150 bed addition in Ananthpur by FY25. Company also expects margin trajectory to improve in its AP acquired units to 25% from current level of 20%.

Other key highlights of our Kingsway unit visit:

- KIMS had acquired 51% stake in Kingsway Hospitals, Nagpur. They paid Rs800mn upfront as equity for 51% stake and another Rs700mn debt got consolidated. Acquisition cost worked out to be Rs9mn/bed.
- Currently there are 250 beds (of 334 capacity beds) and remaining should be commercialized in FY24. Further company intends to add additional 2 floors and also have space which can take total capacity of beds to 510.
- Payor mix- 50% cash + 30% Insurance and 20% Corporates; Case mix- well spread out across cardiac, onco, neuro, nephro, gastro etc. Company is also scaling up its transplant business which has huge potential.
- Nagpur is an attractive micro healthcare market with access to good clinical talents given reputed medical colleges in vicinity. Further Nagpur gets good influx of patients from peripherals like Jabalpur, Raipur, Bilaspur, Bhopal and Orissa.
- Price revision is expected in June 2023. Currently charges are 5-7% discount to competitors.
- Sancheti family owns 33% in Kingsway unit and 16% is owned by doctors. They will likely consider selling the remaining stake in Kingsway to KIMS only after 5 years, as per mutual understanding.

Other key highlights on Sunshine units:

- Gachibowli unit – Most of clinical talents have been on boarded and some therapies like gastro, neuro etc. have been scaling up. Guided for Rs180mn per month revenue (Currently at Rs. 110mn/130mn per month) with 25% margin.
- Secunderabad unit- It is a 325 bed capacity hospital with current occupancy at 50%. Potential to scale up revenues to Rs. 300mn /month from current levels of Rs220-240 mn/month with healthy margins.
- KIMS is in process of shifting existing Secunderabad facility to owned land & building which will be a new state-of-art facility. This would save on rentals and aid to divert access inpatient volumes across specialties at its flagship hospital.

Exhibit 1: Top hospitals across Nagpur

Hospital Name	Type	Bed capacity
Kingsway Hospitals	Private	334
Alexis	Private	200
Wockhardt	Private	160
Sevenstar	Private	135
Care Hospital	Private	110
Viveka Hospital	Private	100
New Era	Private	100
Aureus	Private	110
Neuron	Private	100
NCI	Trust	150

Source: Company, PL

Exhibit 2: Key Parameters of Kingsway Hospitals

Particulars	FY 22-23E (YTD Dec)
Total no of beds	334
Operational beds: census (195) and non-census (55)	250
Occupied beds (midnight occupancy)	137
Occupancy % (on operational census beds)	70%
Revenue (in mn.)	515
ARPOB (in Rs.)	29,410
ALOS	3.01
ARPP (in Rs.)	88,538
EBITDA before on off (on operational income) (in mn.)	42.6
EBITDA %	11.4%

Source: Company, PL (Note: ARPOB includes only Inpatients revenues)

Exhibit 3: Break-up of beds (Kingsway Hospitals)

Bed type	No. of beds
ICU Beds	92
Multi Bed	32
Single Room	30
Semi Private	117
Others	63
Total	334

Source: Company, PL

Exhibit 4: Revenue growth ahead across regions

Cluster wise revenues (Rs mn)	FY23E	FY24E	FY25E
Telangana (KIMS)	11,114	11,990	12,829
% total	49%	46%	43%
AP- Mature	2,475	2,613	2,950
% total	11%	10%	10%
AP-Acquired	3,586	3,884	4,231
% total	16%	15%	14%
Sunshine	4,520	5,537	6,685
% total	20%	21%	22%
Nagpur	910	1,807	2,255
% total	4%	7%	7%
Nashik + Bangalore			1,123
% total			4%
Total	22,604	25,831	30,073

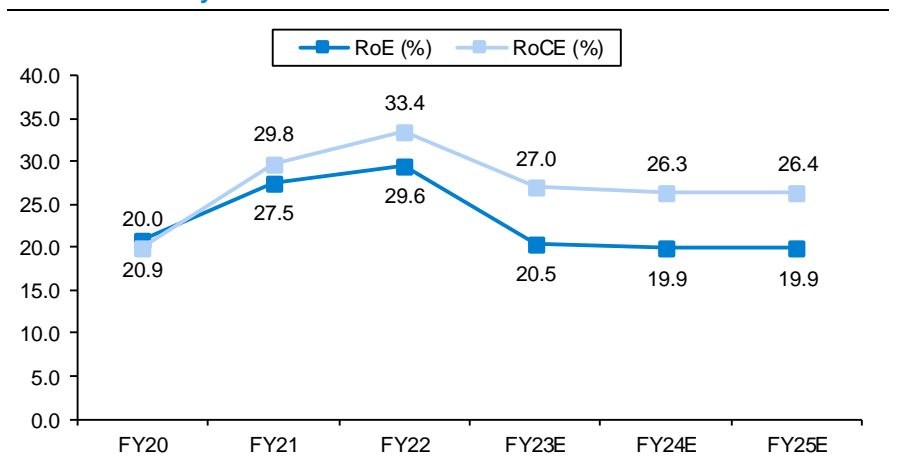
Source: Company, PL

Exhibit 5: EBITDA and margin growth ahead across regions

Cluster wise Pre IND AS EBITDA (Rs mn)	FY23E	FY24E	FY25E
Telangana (KIMS)	3,323	3,720	4,076
OPM (%)	29.9%	31.0%	31.8%
AP- Mature	792	836	944
OPM (%)	32.0%	32.0%	32.0%
AP-Acquired	717	855	994
OPM (%)	20.0%	22.0%	23.5%
Sunshine	881	1,218	1,738
OPM (%)	20%	22%	26%
Nagpur	70	271	496
OPM (%)	7.6%	15.0%	22.0%
Nashik + Bangalore			-222
OPM (%)			-19.8%
Total	5,783	6,900	8,026
OPM (%)	25.6%	26.7%	26.7%

Source: Company, PL

Exhibit 6: Healthy return ratios



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	16,508	22,264	25,731	29,873
YoY gr. (%)	24.1	34.9	15.6	16.1
Cost of Goods Sold	3,552	4,973	5,683	6,616
Gross Profit	12,957	17,291	20,048	23,257
Margin (%)	78.5	77.7	77.9	77.9
Employee Cost	2,619	3,143	3,457	3,803
Other Expenses	5,180	8,095	9,521	11,257
EBITDA	5,158	6,053	7,070	8,196
YoY gr. (%)	39.1	17.4	16.8	15.9
Margin (%)	31.2	27.2	27.5	27.4
Depreciation and Amortization	727	1,275	1,406	1,605
EBIT	4,431	4,778	5,664	6,591
Margin (%)	26.8	21.5	22.0	22.1
Net Interest	160	370	350	300
Other Income	203	275	250	350
Profit Before Tax	4,473	4,683	5,564	6,641
Margin (%)	27.1	21.0	21.6	22.2
Total Tax	1,131	1,218	1,447	1,660
Effective tax rate (%)	25.3	26.0	26.0	25.0
Profit after tax	3,343	3,466	4,118	4,981
Minority interest	111	329	474	664
Share Profit from Associate	95	-	-	-
Adjusted PAT	3,327	3,137	3,643	4,317
YoY gr. (%)	65.3	(5.7)	16.2	18.5
Margin (%)	20.2	14.1	14.2	14.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,327	3,137	3,643	4,317
YoY gr. (%)	65.3	(5.7)	16.2	18.5
Margin (%)	20.2	14.1	14.2	14.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,327	3,137	3,643	4,317
Equity Shares O/s (m)	80	80	80	80
EPS (Rs)	41.6	39.2	45.5	53.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	11,316	17,316	22,316	26,316
Tangibles	11,316	17,316	22,316	26,316
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,293	4,568	5,974	7,580
Tangibles	3,293	4,568	5,974	7,580
Intangibles	-	-	-	-
Net fixed assets	8,023	12,748	16,342	18,737
Tangibles	8,023	12,748	16,342	18,737
Intangibles	-	-	-	-
Capital Work In Progress	1,389	1,389	1,389	1,389
Goodwill	848	848	848	848
Non-Current Investments	3,325	3,325	3,325	3,325
Net Deferred tax assets	(347)	(347)	(347)	(347)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	364	495	566	659
Trade receivables	1,286	1,858	2,265	2,637
Cash & Bank Balance	1,901	1,462	1,156	2,807
Other Current Assets	1,625	2,031	2,234	2,457
Total Assets	19,073	24,468	28,437	33,171
Equity				
Equity Share Capital	800	800	800	800
Other Equity	13,073	15,931	19,110	22,777
Total Networkth	13,873	16,731	19,910	23,577
Non-Current Liabilities				
Long Term borrowings	1,377	2,977	2,977	2,977
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	234	234	234	234
Trade payables	1,295	1,858	2,123	2,472
Other current liabilities	727	772	822	877
Total Equity & Liabilities	19,073	24,468	28,437	33,171

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	4,473	4,683	5,564	6,641
Add. Depreciation	727	1,275	1,406	1,605
Add. Interest	160	370	350	300
Less Financial Other Income	203	275	250	350
Add. Other	(107)	-	-	-
Op. profit before WC changes	5,254	6,328	7,320	8,546
Net Changes-WC	(745)	(501)	(365)	(285)
Direct tax	(1,269)	(1,218)	(1,447)	(1,660)
Net cash from Op. activities	3,240	4,610	5,508	6,601
Capital expenditures	(4,930)	(6,000)	(5,000)	(4,000)
Interest / Dividend Income	-	-	-	-
Others	814	-	-	-
Net Cash from Invt. activities	(4,115)	(6,000)	(5,000)	(4,000)
Issue of share cap. / premium	1,917	-	-	-
Debt changes	(1,094)	1,600	-	-
Dividend paid	-	(278)	(464)	(650)
Interest paid	(160)	(370)	(350)	(300)
Others	(52)	-	300	-
Net cash from Fin. activities	610	952	(514)	(950)
Net change in cash	(265)	(439)	(6)	1,651
Free Cash Flow	(1,690)	(1,390)	508	2,601

Source: Company Data, PL Research

Key Financial Metrics

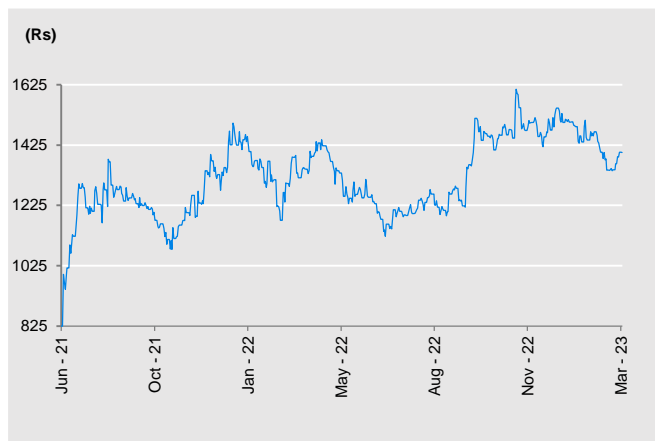
Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	41.6	39.2	45.5	53.9
CEPS	50.7	55.1	63.1	74.0
BVPS	173.4	209.1	248.8	294.6
FCF	(21.1)	(17.4)	6.3	32.5
DPS	-	3.5	5.8	8.1
Return Ratio(%)				
RoCE	33.4	27.0	26.3	26.4
ROIC	25.8	20.8	20.8	21.7
RoE	29.6	20.5	19.9	19.9
Balance Sheet				
Net Debt : Equity (x)	0.0	0.1	0.1	0.0
Net Working Capital (Days)	8	8	10	10
Valuation(x)				
PER	32.4	34.4	29.6	25.0
P/B	7.8	6.5	5.4	4.6
P/CEPS	26.6	24.5	21.4	18.2
EV/EBITDA	20.9	18.1	15.6	13.2
EV/Sales	6.5	4.9	4.3	3.6
Dividend Yield (%)	-	0.3	0.4	0.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	3,723	4,955	5,641	5,622
YoY gr. (%)	3.8	4.7	37.0	42.8
Raw Material Expenses	751	1,098	1,253	1,235
Gross Profit	2,972	3,857	4,388	4,387
Margin (%)	79.8	77.8	77.8	78.0
EBITDA	1,136	1,372	1,524	1,512
YoY gr. (%)	12.6	(4.5)	18.4	16.5
Margin (%)	30.5	27.7	27.0	26.9
Depreciation / Depletion	186	294	311	333
EBIT	949	1,077	1,213	1,179
Margin (%)	25.5	21.7	21.5	21.0
Net Interest	39	57	79	115
Other Income	82	53	92	65
Profit before Tax	993	1,074	1,226	1,128
Margin (%)	26.7	21.7	21.7	20.1
Total Tax	235	281	314	310
Effective tax rate (%)	23.7	26.2	25.6	27.5
Profit after Tax	758	792	912	818
Minority interest	(49)	93	90	58
Share Profit from Associates	-	-	-	-
Adjusted PAT	807	700	823	760
YoY gr. (%)	39.6	(21.6)	0.7	(6.3)
Margin (%)	21.7	14.1	14.6	13.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	807	700	823	760
YoY gr. (%)	39.6	(21.6)	0.7	(6.3)
Margin (%)	21.7	14.1	14.6	13.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	807	700	823	760
Avg. Shares O/s (m)	80	80	80	80
EPS (Rs)	10.1	8.7	12.1	9.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Feb-23	BUY	1,660	1,469
2	06-Jan-23	BUY	1,660	1,505
3	14-Nov-22	BUY	1,660	1,448
4	06-Oct-22	BUY	1,550	1,467
5	30-Aug-22	BUY	1,550	1,204
6	13-Aug-22	BUY	1,550	1,262
7	07-Jul-22	BUY	1,600	1,220
8	05-Jun-22	BUY	1,600	1,250
9	22-May-22	BUY	1,638	1,262
10	08-Apr-22	BUY	1,638	1,405

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,400	4,488
2	Aster DM Healthcare	BUY	265	228
3	Aurobindo Pharma	BUY	565	469
4	Cipla	BUY	1,070	906
5	Divi's Laboratories	Hold	2,700	2,884
6	Dr. Reddy's Laboratories	BUY	4,900	4,201
7	Eris Lifesciences	BUY	780	586
8	Fortis Healthcare	BUY	360	272
9	Glenmark Pharmaceuticals	Accumulate	460	423
10	HealthCare Global Enterprises	BUY	375	282
11	Indoco Remedies	BUY	430	363
12	Ipca Laboratories	Hold	865	863
13	J.B. Chemicals & Pharmaceuticals	BUY	2,350	1,965
14	Krishna Institute of Medical Sciences	BUY	1,660	1,469
15	Lupin	Hold	675	737
16	Max Healthcare Institute	BUY	500	436
17	Narayana Hrudayalaya	BUY	965	719
18	Sun Pharmaceutical Industries	BUY	1,175	1,035
19	Torrent Pharmaceuticals	BUY	1,820	1,557
20	Zydus Lifesciences	Accumulate	480	435

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. Sanketa Kohale- 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 a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

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. Sanketa Kohale- 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