Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

August 7, 2023

Q1FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	365		365	
Sales (Rs. m)	69,073	77,428	68,880	76,342
% Chng.	*0.3*	*1.4*		
EBITDA (Rs. m)	12,766	15,143	13,010	15,247
% Chng.	*(1.9)*	*(0.7)*		
EPS (Rs.)	8.7	11.0	9.0	11.1
% Chng.	*(2.7)*	*(0.9)*		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	57,176	62,976	69,073	77,428
EBITDA (Rs. m)	10,690	11,013	12,766	15,143
Margin (%)	*18.7*	*17.5*	*18.5*	*19.6*
PAT (Rs. m)	2,401	5,151	6,584	8,331
EPS (Rs.)	7.4	6.8	8.7	11.0
Gr. (%)	*(605.8)*	*(7.2)*	*27.8*	*26.5*
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	*3.9*	*7.7*	*8.7*	*10.0*
RoCE (%)	*10.6*	*10.4*	*11.5*	*13.2*
EV/Sales (x)	4.4	3.9	3.6	3.1
EV/EBITDA (x)	23.4	22.5	19.2	15.8
PE (x)	44.1	47.5	37.1	29.4
P/BV (x)	4.0	3.4	3.1	2.8

Key Data	FOHE.BO | FORH IN
52-W High / Low	Rs.353 / Rs.245
Sensex / Nifty	65,953 / 19,597
Market Cap	Rs.245bn/ $ 2,955m
Shares Outstanding	755m
3M Avg. Daily Value	Rs.522.91m

Shareholding Pattern (%)

Promoter's	31.17
Foreign	30.03
Domestic Institution	19.06
Public & Others	19.74
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.6)	16.5	22.5
Relative	(1.6)	6.5	8.5

Param Desai
paramdesai@plindia.com | 91-22-66322259

Sanketa Kohale
sanketakohale@plindia.com | 91-22-66322426

Fortis Healthcare (FORH IN)

Rating: BUY | CMP: Rs324 | TP: Rs365

Hospital EBIDTA miss; occupancy to improve

Quick Pointers:

- Received approval for Agilus (SRL) to initiate OFS.
- Overall demand environment remains healthy; occupancy to pick up.

Fortis Healthcare (FORH) Q1FY24 hospital EBIDTA was 6% below our estimate, led by certain one offs (Rs70mn) and lower margins. Though hospital margins were lower in Q1, we remain positive on margin improvement in hospital segment aided by 1) improving case and payor mix 2) cost rationalization initiatives and 3) divestment of non-profitable assets. Our FY24E and FY25E EBIDTA broadly remain unchanged. We expect 18% Pre IND AS EBIDTA CAGR over FY23-25E. At CMP, stock is trading at 19x EV/EBIDTA on FY25E, adjusted for ADL (SRL). Maintain 'Buy' rating and TP of Rs.365; valuing hospital segment at 20x and Diagnostic business at 18x EV/EBIDTA on FY25E. Resolution of legal issues and further monetization of non-profitable assets would be a key additional trigger for re-rating.

- **Occupancy dropped on seasonality; Healthy ARPOB:** Hospital business revenue was flat QoQ (up 14% YoY) to Rs.13.5bn in line with our estimates. Diagnostic business saw net revenue growth of 3% YoY (4% QoQ) to Rs. 3.03bn. Non-Covid revenues grew by 9% YoY. Hospital occupancy declined to 64% vs 67% QoQ; impacted due to seasonality and operationalization of additional 90 beds during the quarter. ARPOB further improved by 12% YoY and 5% QoQ to Rs.60.1K aided by higher surgical mix and price hike. Net debt increased by Rs630mn QoQ to Rs 3.9bn.

- **EBIDTA largely in line; Adj. hospital margin at 15.7%:** FORH's consolidated EBIDTA increased 9% YoY and 1% QoQ to Rs 2.7bn; Adjusted for one offs, EBITDA came in at Rs2.8bn; largely in line with our estimate. Hospital business EBIDTA came in at Rs 2.06bn (6% below our estimates), up by 7% YoY (down 7% QoQ). Overall hospital OPM came in at 15.2% (down 120 bps QoQ). Adjusted for one offs, hospital EBIDTA and OPM came in at Rs2.12bn and 15.7%; respectively. International patients contributed 8.5% to total hospital revenues while surgical mix was at 61% vs 59% in FY23. Diagnostic business EBIDTA came in at Rs 664mn (up 15% YoY) with OPM of 22%.

- **Key con-call takeaways: (1)** Margins compression in hospital segment was due to higher share of scheme patients, certain one offs and lower occupancy. One offs to tune of Rs70mn related to approval for building regulation cost at its Kolkata unit and higher legal cost. **(2)** Benefit of Arcot road monetization will be reflected from Q2. **(3)** Mgmt guided international biz to contribute to double digit soon; currently at 9%. **(4)** ARPOB growth guidance of 4-5% in FY24 (2-3% hike taken in Q1) and occupancy target of 68-70% in 2-3 years on extended bed capacity. **(5)** The new unit at Manesar will take a year to get commission with plans to start 30% capacity (125 beds) and post 2 years' full capacity will be commission. The facility to take 18 months to breakeven. **(6)** Staff cost increased due to annual increment of 7-8% and recruitment of additional clinical talent. **(7)** Mgmt cited that July month has been good in terms of overall occupancy and see no slowdown in demand environment. **(8) Diagnostics biz** - SRL added +165 new customer touch-point centers in Q1. B2C: B2B mix stood at 53:47 in Q1. **(9)** Overall reporting of hospital wise margins have been changed which now includes corporate overhead cost.

Exhibit 1: Q1FY24 Result Overview (Rs mn)– Adj for one offs consolidated EBIDTA largely in line

Y/e March	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Net Sales	**16,574**	**14,879**	***11.4***	**16,427**	***0.9***	**69,073**	**62,976**	***9.7***
COGS	3,985	3,492	*14.1*	3,824	*4.2*	16,232	14,547	*11.6*
% of Net Sales	*24.0*	*23.5*		*23.3*		*23.5*	*23.1*	
Employee Cost	2,845	2,553	*11.5*	2,608	*9.1*	13,124	10,469	*25.4*
% of Net Sales	*17.2*	*17.2*		*15.9*		*23.0*	*18.3*	
Other Expenses	7,019	6,323	*11.0*	7,286	*(3.7)*	26,951	26,947	*0.0*
% of Net Sales	*42.4*	*42.5*		*44.4*		*47.1*	*47.1*	
Total	13,850	12,368	*12.0*	13,718	*1.0*	56,307	51,963	*8.4*
EBITDA	**2,725**	**2,511**	***8.5***	**2,709**	***0.6***	**12,766**	**11,013**	***15.9***
Margins (%)	*16.4*	*16.9*		*16.5*		*18.5*	*17.5*	
Other Income	81	207	*(60.7)*	138	*(41.0)*	750	617	*21.5*
Interest	315	312	*0.9*	317	*(0.7)*	996	1,291	*(22.9)*
Depreciation	792	743	*6.7*	818	*(3.1)*	3,352	3,157	*6.2*
PBT	**1,699**	**1,663**	***2.1***	**1,712**	***(0.8)***	**9,168**	**7,182**	***27.6***
Tax	468	420	*11.3*	451	*3.7*	2,384	1,807	*31.9*
Tax rate %	*27.5*	*25.3*		*26.4*		*26.0*	*25.2*	
PAT	**1,231**	**1,243**	***(1.0)***	**1,261**	***(2.3)***	**6,784**	**5,375**	***26.2***
Share in (loss)/profit of associate	(6)	100	*(106.2)*	17		300	218	*37.4*
Minority Interest	122	121	*1.1*	58		500	443	*13.0*
EO items	(15)	-	*NA*	(105)		-	(736)	*(100.0)*
Reported PAT	**1,118**	**1,223**	***(8.6)***	**1,326**	***(15.7)***	**6,584**	**5,887**	***11.8***

Source: Company, PL

Exhibit 2: Diagnostic revenues increased ~4% QoQ while hospital revenue was flat QoQ

Revenues	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Hospital	13,541	11,924	*13.6*	13,505	*0.3*	55,978	51,073	*9.6*
% of Total Sales	*81.7*	*80.1*		*82.2*		*81.0*	*81.1*	
Diagnostic	3,033	2,955	*2.6*	2,920	*3.8*	13,094	11,898	*10.1*
% of Total Sales	*18.3*	*19.9*		*17.8*		*19.0*	*18.9*	
Total Revenues	**16,574**	**14,879**	***11.4***	**16,425**	***0.9***	**69,073**	**62,971**	***9.7***

Source: Company, PL

Exhibit 3: Hospital EBIDTA declined ~7% QoQ while diagnostic EBIDTA improved +34% QoQ

EBITDA	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Hospital	2,064	1,933	*6.8*	2,212	*(6.7)*	10,016	8,622	*16.2*
% OPM	15.2%	16.2%		*16.4*		17.9%	16.9%	
Diagnostic	664	578	*14.9*	495	*34.1*	2,750	2,390	*15.1*
% OPM	21.9%	19.6%		*17.0*		21.0%	20.1%	
Total Revenues	**2,728**	**2,511**	***8.6***	**2,707**	***0.8***	**12,766**	**11,012**	***15.9***

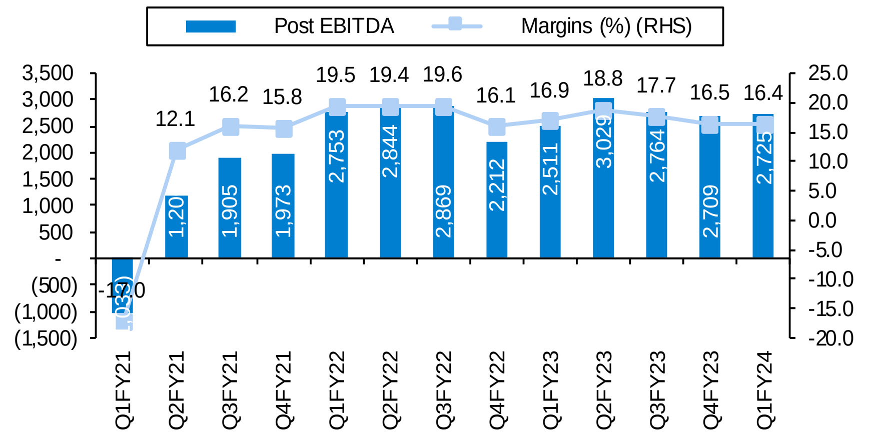
Source: Company, PL

Exhibit 4: Eight hospitals below 10% margins

EBITDA for Q1FY24	No. Of facilities (#)	*Revenue contribution (%)*	Beds (#)	ARPOB (INR mn)	*Occupancy (%)*
20-25%	3	36	968	28.7	73
15-20%	7	33	1,367	20.9	64
10-15%	4	10	552	15.3	68
<10%	8	21	1,184	19.3	54
Total/Average	**22**	***100***	**4,071**	**20.6**	***65***

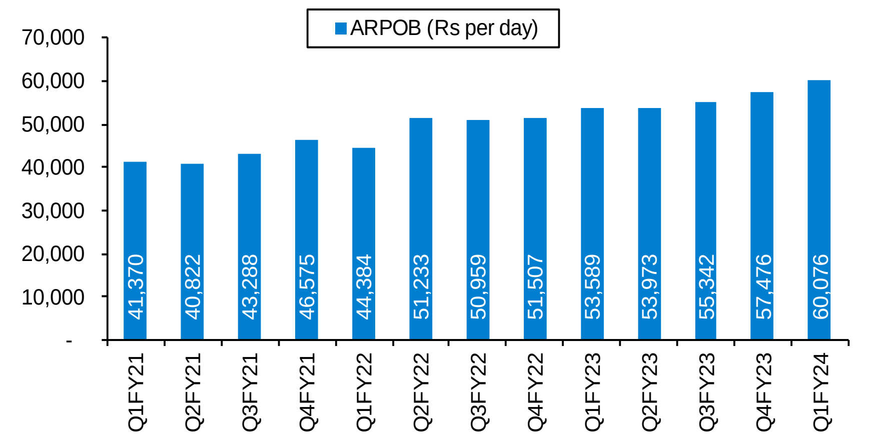
Source: Company, PL Note company has changed reporting structure as it now includes corporate overheads also

Exhibit 5: Margins declined led by hospital profitability and one offs



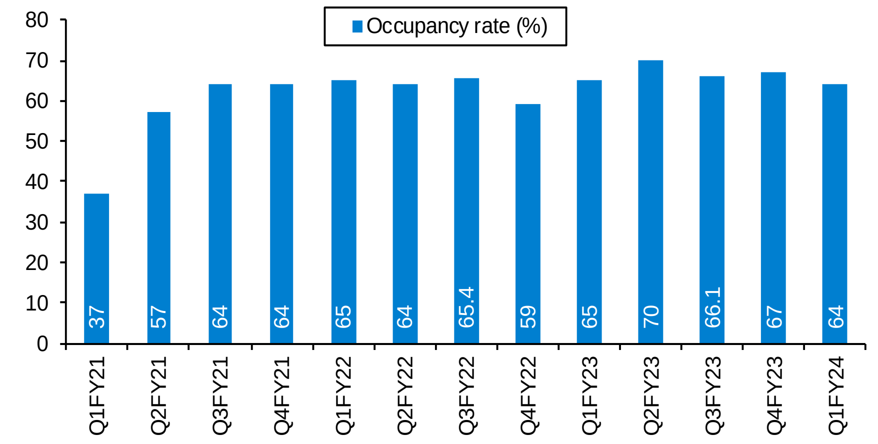
Source: Company, PL

Exhibit 6: Healthy ARPOB aided by price hike and higher surgical mix



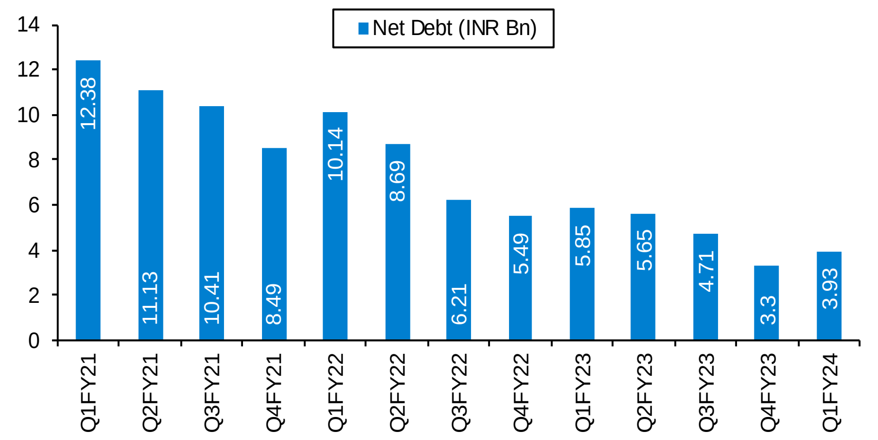
Source: Company, PL

Exhibit 7: Occupancy declined QoQ to 64% on seasonality



Source: Company, PL

Exhibit 8: Net debt increased QoQ by Rs. 630mn



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	**57,176**	**62,976**	**69,073**	**77,428**
YoY gr. (%)	*41.9*	*10.1*	*9.7*	*12.1*
Cost of Goods Sold	13,572	14,547	16,232	18,195
Gross Profit	43,604	48,429	52,841	59,232
Margin (%)	*76.3*	*76.9*	*76.5*	*76.5*
Employee Cost	9,729	10,469	13,124	14,711
Other Expenses	23,185	26,947	26,951	29,378
EBITDA	**10,690**	**11,013**	**12,766**	**15,143**
YoY gr. (%)	*164.3*	*3.0*	*15.9*	*18.6*
Margin (%)	*18.7*	*17.5*	*18.5*	*19.6*
Depreciation and Amortization	3,008	3,157	3,352	3,560
EBIT	**7,681**	**7,856**	**9,414**	**11,584**
Margin (%)	*13.4*	*12.5*	*13.6*	*15.0*
Net Interest	1,469	1,291	996	685
Other Income	273	617	750	900
Profit Before Tax	**6,486**	**7,182**	**9,168**	**11,798**
Margin (%)	*11.3*	*11.4*	*13.3*	*15.2*
Total Tax	1,978	1,807	2,384	3,068
Effective tax rate (%)	*30.5*	*25.2*	*26.0*	*26.0*
Profit after tax	**4,508**	**5,375**	**6,784**	**8,731**
Minority interest	2,348	443	500	700
Share Profit from Associate	242	218	300	300
Adjusted PAT	**2,401**	**5,151**	**6,584**	**8,331**
YoY gr. (%)	*(318.7)*	*114.6*	*27.8*	*26.5*
Margin (%)	*4.2*	*8.2*	*9.5*	*10.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,401**	**5,151**	**6,584**	**8,331**
YoY gr. (%)	*(318.7)*	*114.6*	*27.8*	*26.5*
Margin (%)	*4.2*	*8.2*	*9.5*	*10.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,401	5,151	6,584	8,331
Equity Shares O/s (m)	**755**	**755**	**755**	**755**
EPS (Rs)	**7.4**	**6.8**	**8.7**	**11.0**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	**83,632**	**86,719**	**91,419**	**96,419**
Tangibles	83,632	86,719	91,419	96,419
Intangibles	-	-	-	-
Acc: Dep / Amortization	**30,707**	**33,865**	**37,217**	**40,777**
Tangibles	30,707	33,865	37,217	40,777
Intangibles	-	-	-	-
Net fixed assets	**52,925**	**52,854**	**54,202**	**55,642**
Tangibles	52,925	52,854	54,202	55,642
Intangibles	-	-	-	-
Capital Work In Progress	1,935	2,278	2,278	2,278
Goodwill	41,232	41,410	41,410	41,410
Non-Current Investments	1,036	2,103	2,103	2,103
Net Deferred tax assets	(121)	(665)	(665)	(665)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,229	1,228	1,346	1,516
Trade receivables	5,122	5,816	6,997	7,878
Cash & Bank Balance	4,127	3,627	4,732	9,433
Other Current Assets	7,533	11,551	12,706	13,977
Total Assets	**1,18,848**	**1,24,336**	**1,29,243**	**1,37,705**
Equity				
Equity Share Capital	7,550	7,550	7,550	7,550
Other Equity	54,233	64,873	71,457	79,788
Total Networth	**61,782**	**72,423**	**79,007**	**87,338**
Non-Current Liabilities				
Long Term borrowings	7,791	5,722	5,722	5,722
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,866	1,309	(191)	(1,691)
Trade payables	6,609	7,143	8,397	9,454
Other current liabilities	25,794	22,825	20,893	20,768
Total Equity & Liabilities	**1,18,848**	**1,24,336**	**1,29,243**	**1,37,705**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	6,486	7,182	9,168	11,798
Add. Depreciation	3,008	3,157	3,352	3,560
Add. Interest	1,469	1,291	996	685
Less Financial Other Income	273	617	750	900
Add. Other	(4,835)	736	-	-
Op. profit before WC changes	6,128	12,367	13,516	16,043
Net Changes-WC	4,505	(2,337)	(3,132)	(1,389)
Direct tax	(1,978)	(1,807)	(2,384)	(3,068)
Net cash from Op. activities	**8,654**	**8,223**	**8,000**	**11,586**
Capital expenditures	(2,155)	(4,472)	(4,700)	(5,000)
Interest / Dividend Income	-	-	-	-
Others	(2,989)	735	300	300
Net Cash from Invt. activities	**(5,144)**	**(3,737)**	**(4,400)**	**(4,700)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(3,051)	(2,625)	(1,500)	(1,500)
Dividend paid	-	-	-	-
Interest paid	(1,469)	(1,291)	(996)	(685)
Others	970	(1,069)	-	-
Net cash from Fin. activities	**(3,549)**	**(4,985)**	**(2,496)**	**(2,185)**
Net change in cash	**(39)**	**(500)**	**1,105**	**4,701**
Free Cash Flow	6,499	3,750	3,300	6,586

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	7.4	6.8	8.7	11.0
CEPS	7.2	11.0	13.2	15.7
BVPS	81.8	95.9	104.7	115.7
FCF	8.6	5.0	4.4	8.7
DPS	-	-	-	-
Return Ratio(%)				
RoCE	10.6	10.4	11.5	13.2
ROIC	6.7	6.5	7.6	9.0
RoE	3.9	7.7	8.7	10.0
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	0.0	(0.1)
Net Working Capital (Days)	(2)	(1)	0	0
Valuation(x)				
PER	44.1	47.5	37.1	29.4
P/B	4.0	3.4	3.1	2.8
P/CEPS	45.2	29.4	24.6	20.6
EV/EBITDA	23.4	22.5	19.2	15.8
EV/Sales	4.4	3.9	3.6	3.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	**16,072**	**15,599**	**16,427**	**16,574**
YoY gr. (%)	*9.9*	*6.4*	*19.2*	*11.4*
Raw Material Expenses	3,649	3,583	3,824	3,985
Gross Profit	12,423	12,016	12,603	12,589
Margin (%)	*77.3*	*77.0*	*76.7*	*76.0*
EBITDA	**3,029**	**2,764**	**2,709**	**2,725**
YoY gr. (%)	*6.5*	*(3.7)*	*22.4*	*8.5*
Margin (%)	*18.8*	*17.7*	*16.5*	*16.4*
Depreciation / Depletion	769	828	818	792
EBIT	**2,260**	**1,937**	**1,891**	**1,932**
Margin (%)	*14.1*	*12.4*	*11.5*	*11.7*
Net Interest	328	334	317	315
Other Income	155	117	138	81
Profit before Tax	**2,603**	**1,835**	**1,817**	**1,714**
Margin (%)	*16.2*	*11.8*	*11.1*	*10.3*
Total Tax	496	440	451	468
Effective tax rate (%)	*19.1*	*24.0*	*24.8*	*27.3*
Profit after Tax	**2,107**	**1,395**	**1,366**	**1,246**
Minority interest	139	126	58	122
Share Profit from Associates	75	26	17	(6)
Adjusted PAT	**2,044**	**1,296**	**1,326**	**1,118**
YoY gr. (%)	*91.3*	*11.0*	*95.0*	*(8.6)*
Margin (%)	*12.7*	*8.3*	*8.1*	*6.7*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,044**	**1,296**	**1,326**	**1,118**
YoY gr. (%)	*91.3*	*11.0*	*95.0*	*(8.6)*
Margin (%)	*12.7*	*8.3*	*8.1*	*6.7*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**2,044**	**1,296**	**1,326**	**1,118**
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	**2.7**	**1.7**	**1.8**	**1.5**

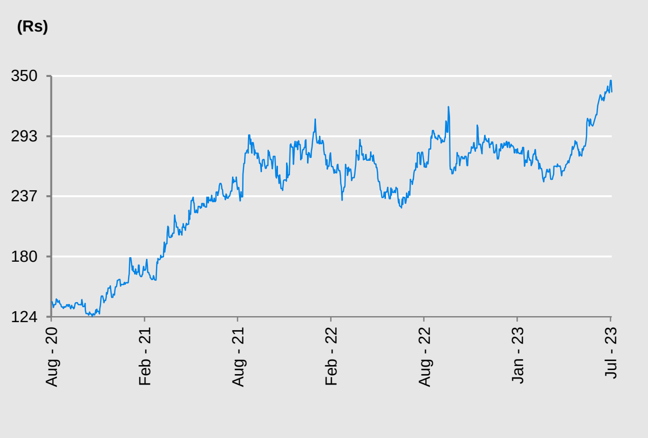
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Hospital	42,642	51,072	55,978	63,024
Diagnostic	14,535	11,904	13,094	14,404

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	BUY	365	322
2	22-Jun-23	BUY	365	309
3	24-May-23	BUY	330	288
4	06-Apr-23	BUY	360	256
5	13-Feb-23	BUY	360	272
6	06-Jan-23	BUY	360	285
7	14-Nov-22	BUY	360	304
8	06-Oct-22	BUY	330	266
9	09-Aug-22	BUY	330	269

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,300	5,283
2	Aster DM Healthcare	BUY	335	311
3	Aurobindo Pharma	BUY	660	761
4	Cipla	BUY	1,220	1,069
5	Divi's Laboratories	Hold	2,700	3,737
6	Dr. Reddy's Laboratories	Reduce	5,150	5,476
7	Eris Lifesciences	BUY	780	706
8	Fortis Healthcare	BUY	365	322
9	Glenmark Pharmaceuticals	Reduce	570	668
10	HealthCare Global Enterprises	BUY	375	326
11	Indoco Remedies	BUY	380	324
12	Ipca Laboratories	Hold	750	760
13	J.B. Chemicals & Pharmaceuticals	BUY	2,450	2,314
14	Krishna Institute of Medical Sciences	BUY	1,660	1,782
15	Lupin	Hold	730	905
16	Max Healthcare Institute	BUY	565	614
17	Narayana Hrudayalaya	BUY	1,100	1,013
18	Sun Pharmaceutical Industries	BUY	1,265	1,141
19	Torrent Pharmaceuticals	BUY	1,900	1,899
20	Zydus Lifesciences	Accumulate	520	588

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

Amnish Aggarwal