

Cadila Healthcare

22 June 2020

Reuters: CADI.NS; Bloomberg: CDH IN

US performance drives margin improvement

Cadila Healthcare (Cadila) reported 4QFY20 revenue of Rs37,521mn, which was below our/consensus estimates by 4.6%/0.3%, respectively. Revenue was up 2.6% QoQ and flat YoY. QoQ growth was led by the US (favorable currency movement, Tamiflu suspension and HCQ) and a seasonally strong quarter for Zydus Wellness. Domestic formulation sales were flat on a YoY basis and were affected by the COVID-19 pandemic. The uncertainty around domestic sales revival persists in the near term as the COVID-19 pandemic continues to affect demand. During the quarter, sales to the tune of Rs2000mn were affected on account of COVID-19 pandemic.

EBITDA for the quarter stood at Rs7,912mn, down 1.1% YoY and up 14% QoQ. EBITDA margin expanded by 200bps QoQ and was led by higher revenue, lower cost of sales and lower operational costs. The expansion in gross margin was led by higher value sales in the US and potential decline in trade generics as a component of domestic sales mix.

Net profit stood at Rs3,919mn post an exceptional charge of Rs525mn pertaining to the impairment of goodwill associated with Windlas Healthcare and Levorphanol. The company has divested its stake in Windlas Healthcare and we estimate the same should be accretive to margins going ahead.

Outlook and valuation: We expect the US business to exhibit a flattish trend as new approvals will only offset the erosion in existing large assets. Launch of injectable drugs (general and oncology injectable) and transdermal patches is the future building blocks for the US business. Transdermal patches are expected to reach the market in FY22 and may be able to offset erosion expected in Asacol HD. Domestic and Wellness businesses should grow in low-mid teens and high single-digits, respectively. The rest of the business, which includes API, Joint Ventures and LATAM markets, will grow in high single-digit. Ramp-up in Vaccine & Biologics and NCE assets can be a source of larger upside in the earnings, but is contingent on execution. We currently do not assume material earnings contribution as these should materialize only FY23 onwards. Among the NCE assets, Desidustat and Lipaglyn hold very large potential but are about 5 years away from launch. We tweak our forecasts on CDH to arrive at a new target price of Rs331, which is based on 20x FY22 EPS.

NBIE Values your patronage- Vote for The Team in the Asia Money poll 2020. [Click Here](#)

SELL

Sector: Pharmaceuticals

CMP: Rs362

Target Price: Rs331

Downside: 8%

Vishal Manchanda

Research Analyst
 vishal.manchanda@nirmalbang.com
 +91-97374-37148

Gaurang Sakare

Research Associate
 gaurang.sakare@nirmalbang.com
 +9122 6273 8093

Key Data

| | |
|--------------------------|-----------|
| Current Shares O/S (mn) | 1,023.7 |
| Mkt Cap (Rsbn/US\$bn) | 370.6/4.9 |
| 52 Wk H / L (Rs) | 384/202 |
| Daily Vol. (3M NSE Avg.) | 6,751,733 |

Price Performance (%)

| | 1 M | 6 M | 1 Yr |
|-------------------|------|--------|--------|
| Cadila Healthcare | 7.2 | 36.0 | 49.3 |
| Nifty Index | 13.3 | (16.5) | (12.6) |

Source: Bloomberg

| Y/E March (Rsmn) | 4QFY19 | 3QFY20 | 4QFY20 | YoY (%) | QoQ (%) | FY19 | FY20 | YoY (%) |
|---------------------------------------|---------------|---------------|---------------|------------------|----------------|-----------------|-----------------|------------------|
| Net revenue | 36,195 | 35,345 | 36,272 | 0.2 | 2.6 | 1,27,484 | 1,38,121 | 8 |
| Other operating income | 1,133 | 1,036 | 1,249 | 10.2 | 20.6 | 4,172 | 4,410 | 6 |
| Total income | 37,328 | 36,381 | 37,521 | 0.5 | 3.1 | 1,31,656 | 1,42,531 | 8 |
| Total material costs | 13,857 | 12,443 | 12,597 | (9.1) | 1.2 | 47,164 | 49,200 | 4 |
| % of revenue | 38 | 35 | 35 | (356) bps | (48) bps | 37 | 36 | (138) bps |
| Staff costs | 5,523 | 6,190 | 6,090 | 10.3 | (1.6) | 21,241 | 24,145 | 14 |
| % of revenue | 15 | 18 | 17 | 153 bps | (72) bps | 17 | 17 | 82 bps |
| R&D expenses | 2,238 | 2,984 | 2,834 | 26.6 | (5.0) | 9,422 | 10,973 | 16 |
| % of revenue | 6 | 8 | 8 | 156 bps | (65) bps | 7 | 8 | 54 bps |
| Other expenses | 7,706 | 7,832 | 8,088 | 5.0 | 3.3 | 24,098 | 30,793 | 28 |
| % of revenue | 21 | 22 | 22 | 101 bps | 14 bps | 19 | 22 | 339 bps |
| EBITDA | 8,004 | 6,932 | 7,912 | (1.1) | 14.1 | 29,731 | 27,420 | -8 |
| EBITDA margin (%) | 21 | 19 | 21 | (36) bps | 203 bps | 23 | 19 | (334) bps |
| Other income | 384 | 201 | 443 | 15.4 | 120.4 | 2,011 | 1,139 | -43 |
| Interest costs | 773 | 805 | 825 | 6.7 | 2.5 | 1,935 | 3,418 | 77 |
| Depreciation | 1,556 | 1,741 | 1,785 | 14.7 | 2.5 | 5,986 | 6,965 | 16 |
| PBT (before exceptional items) | 6,059 | 4,587 | 5,745 | (5.2) | 25.2 | 23,821 | 18,176 | -24 |
| Exceptional items | 0 | -16 | -525 | 0.0 | 0.0 | 0 | -3,222 | 0 |
| Share of profit in JV | 25 | 70 | 2 | - | (97.1) | 469 | 288 | -39 |
| Tax | 1,267 | 927 | 1,085 | (14.4) | 17.0 | 5,303 | 3,198 | -40 |
| Tax rate (%) | 21 | 20 | 19 | (203) bps | (132) bps | 22 | 18 | (467) bps |
| Minority Interest | -216 | 25 | -218 | 0.9 | (972.0) | -499 | -278 | -44 |
| Reported PAT post MI | 4,601 | 3,739 | 3,919 | (14.8) | 4.8 | 18,488 | 11,766 | -36 |
| PAT Margin | 12 | 10 | 10 | (188) bps | 17 bps | 14 | 8 | (579) bps |

Source: Company, Nirmal Bang Institutional Equities Research

Earnings conference-call summary

Covid-19 Update: The company has partnered with Gilead Sciences to manufacture Remdesivir in India and will be ready with the product by the end of July with approval coming in mid July. Simultaneously, development of a vaccine for COVID-19 and trials on Pegylated Interferon Alpha for the treatment of COVID-19 are also in progress.

India Business: The India business lost revenue of Rs2.2bn due to logistics disruptions in the aftermath of the Covid-19 outbreak. The specialty segment sales in the domestic formulation business are currently 45% of total domestic formulation sales. The formulation business grew by 11.9% during the year against IPM growth of 9.8%.

Therapy Growth: The Gynaecology portfolio grew by 12.5% against market growth of 6.1%. The Gastrointestinal portfolio grew by 8.6% vs the market growth of 7.9%. The Pain Management portfolio grew by 12.4% vs the market growth of 9.3%. Large brands (32% of the branded formulation business) showed growth of 9% while medium brands (24% of branded formulation business) showed a growth of 14%.

Animal Health Business: The company transferred its Animal Health business to a subsidiary - Zydus Animal Health and Investments Ltd on a slump sale basis.

US Business: The company launched 30 new products in the US in FY20, including Rivastigmine Transdermal patch. The company also filed 30 ANDAs and received 28 approvals.

Emerging Markets: The company filed 21 product dossiers in the APAC region. The business lost revenue of Rs470mn due to Covid-19 led disruptions. The company has filed 5 new dossiers of biosimilars in the Emerging Markets. The company is expected to receive 2 key product approvals in Russia by 2020 end.

Biologics revenue: Revenue from Biologics stood at Rs2779mn in FY20 and was up 19% in the year. DCGI has approved the Pegylated Interferon Alfa 2b clinical trial for moderate Covid-19 patients. The company has also received approval for Rabimab and will be launched in June for the treatment of Rabies. Rabimab has also received orphan drug designation by USFDA and the company is in discussion with a Chinese player for launch in China. The company also has 7 biosimilars under development.

Saroglitazar: In addition to receiving approval from DCGI for NASH and Type-2 Diabetes, the drug has initiated enrolment in the US and Mexico for phase 2 clinical trials for NAFLD in women with PCOS. The company is finalising the protocols for Phase III trials in the US by 2QFY21.

Desidustat: The company initiated phase III trials in India, targeting anaemia both in dialysis and non-dialysis CKD patients. The drug is also being filed in the US for myelodysplastic anaemia. The drug is also being tested for Covid-19 patients.

Vaccine: The annual revenue contribution of vaccines is less than Rs500mn.

Moraiya facility: The company submitted 5th CAPA update to USFDA and requested for a call to discuss the way forward and a desktop audit. The company has also initiated site transfer of injectables to liva and launched first site transferred product in May.

Net debt position: The net debt reduced by Rs4,000mn in FY20. The management has guided for net debt reduction Rs8,000mn to Rs10,000mn in FY21.

R&D: The management has guided for an 8% R&D spend out of which half would go for US generics and half would be for Biologics, Vaccines, NCEs etc.

Capex: The management has guided for around Rs7,000mn capex in FY21. In the past years, 80% of capex was usually spent on capacity expansion in the US and the rest would be spent on maintenance.

Hydroxychloroquine: The company has 40% market share in the US, but the product is not big, value wise. The company has also done sales of Rs80mn in India to government authorities.

Exhibit 1: Key financials

| Y/E March (Rsmn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|-------------------|----------|----------|----------|----------|----------|
| Net sales | 1,19,364 | 1,31,656 | 1,42,531 | 1,54,256 | 1,62,449 |
| EBITDA | 28,475 | 29,731 | 27,834 | 31,751 | 31,930 |
| Net profit | 17,664 | 18,518 | 11,756 | 17,400 | 17,456 |
| EPS (Rs) | 17 | 18 | 11.5 | 16.6 | 16.6 |
| EPS growth (%) | 19.4 | 4.1 | (36.4) | 44.7 | (0.4) |
| EBITDA margin (%) | 23.9 | 22.6 | 19.5 | 20.6 | 19.7 |
| PER (x) | 21.8 | 12.7 | 31.5 | 21.8 | 21.9 |
| P/BV (x) | 4.4 | 2.3 | 3.6 | 3.2 | 2.9 |
| EV/EBITDA (x) | 14.9 | 10.1 | 15.5 | 13.2 | 12.9 |
| RoCE (%) | 20.8 | 15.6 | 10.1 | 16.1 | 15.9 |
| RoE (%) | 20.2 | 17.8 | 11.3 | 14.9 | 13.5 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Actual performance versus our estimate

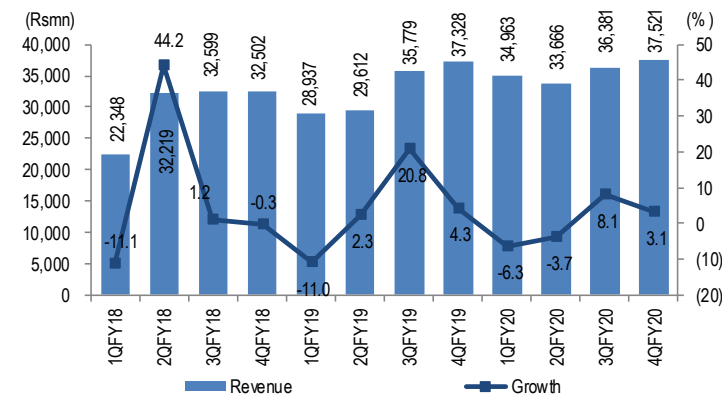
| (Rsmn) | Actuals | NBIE | Var (%) | Cons. | Var (%) |
|-------------------|---------|--------|---------|--------|---------|
| Sales | 37,521 | 39,325 | (4.6) | 37,618 | (0.3) |
| EBITDA | 7,912 | 7,202 | 9.9 | 7,401 | 6.9 |
| EBITDA margin (%) | 21.1 | 18.3 | 277 bps | 19.7 | 139 bps |
| Reported PAT | 3,919 | 3,866 | 1.4 | 3,756 | 4.3 |

Source: Company, Nirmal Bang Institutional Equities Research

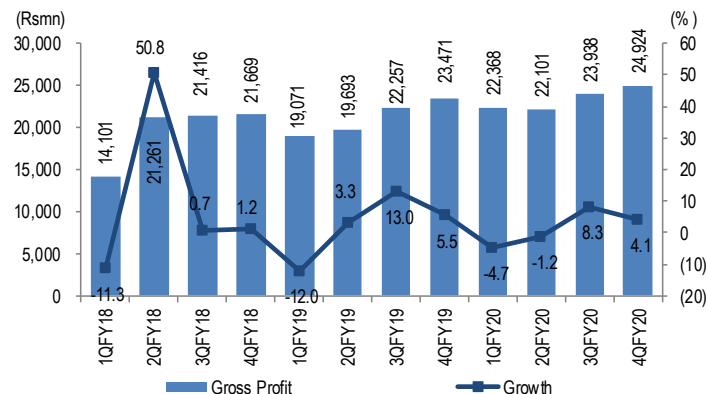
Exhibit 3: Change in Estimates

| (Rsmn) | New estimates | | Old estimates | | Change (%) | |
|------------|---------------|----------|---------------|----------|------------|---------|
| | FY20E | FY21E | FY20E | FY21E | FY20E | FY21E |
| Net sales | 1,54,256 | 1,62,449 | 1,53,053 | 1,61,244 | 0.8 | 0.7 |
| EBITDA | 31,751 | 31,930 | 30,282 | 29,915 | 4.9 | 6.7 |
| Margin (%) | 20.6 | 19.7 | 19.8 | 18.6 | 80 bps | 110 bps |
| PAT | 17,400 | 17,456 | 16,531 | 16,289 | 5.3 | 7.2 |
| Margin (%) | 11.3 | 10.7 | 10.8 | 10.1 | 48 bps | 64 bps |
| EPS | 16.6 | 16.6 | 15.9 | 15.5 | 4.6 | 6.6 |

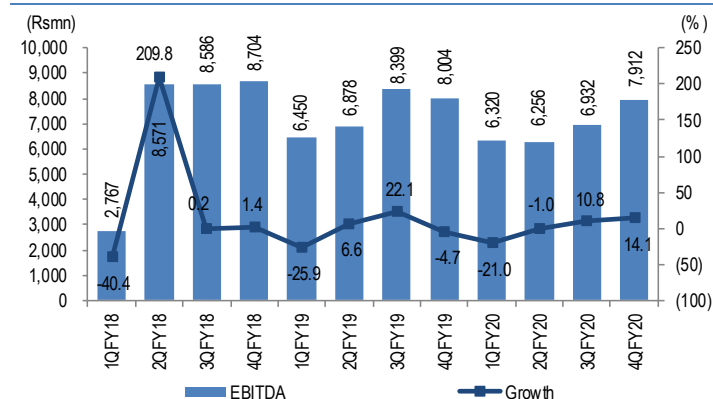
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Revenue and growth trend


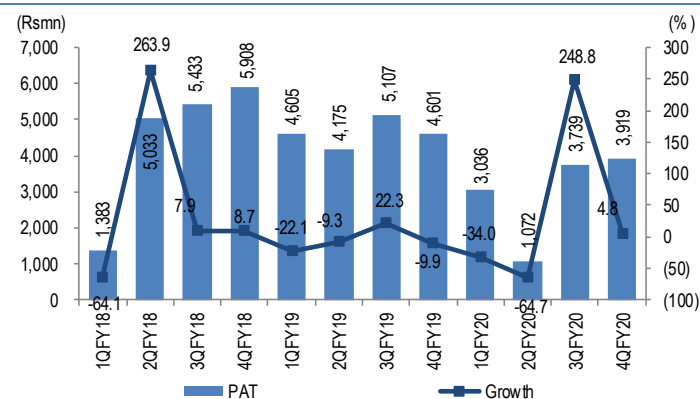
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Gross profit and growth trend


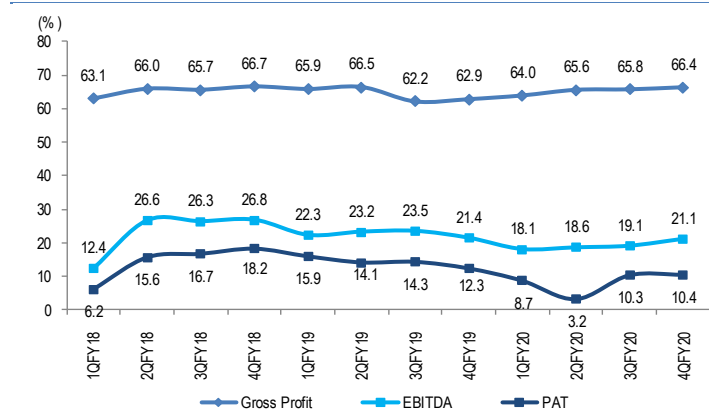
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: EBITDA and growth trend


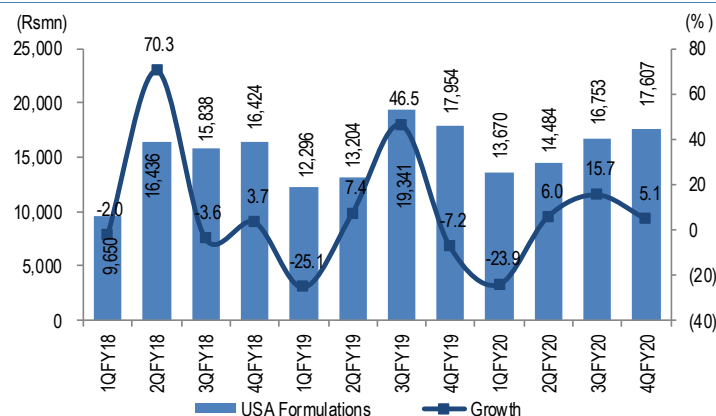
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: PAT and growth trend


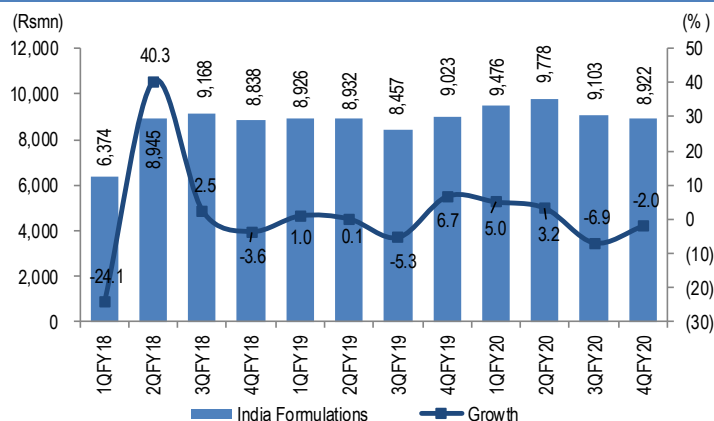
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Margin trend


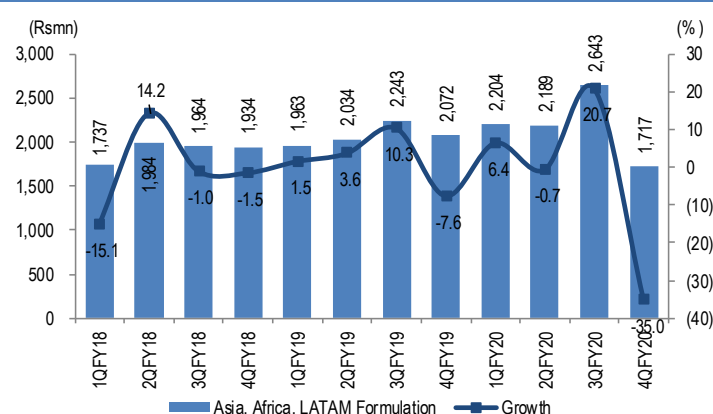
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: USA formulations revenue and growth trend


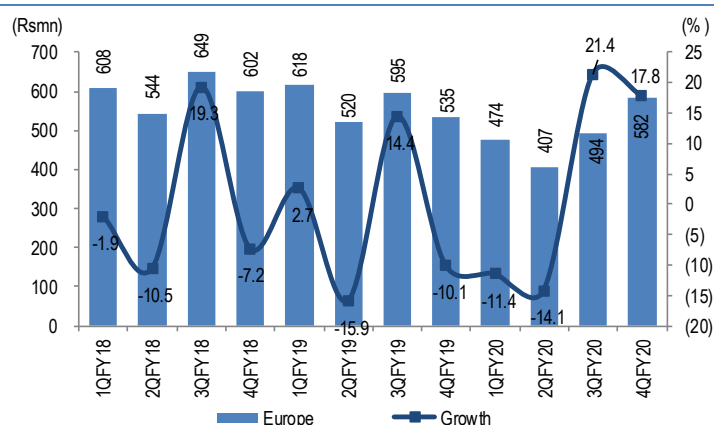
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: India formulations revenue and growth trend


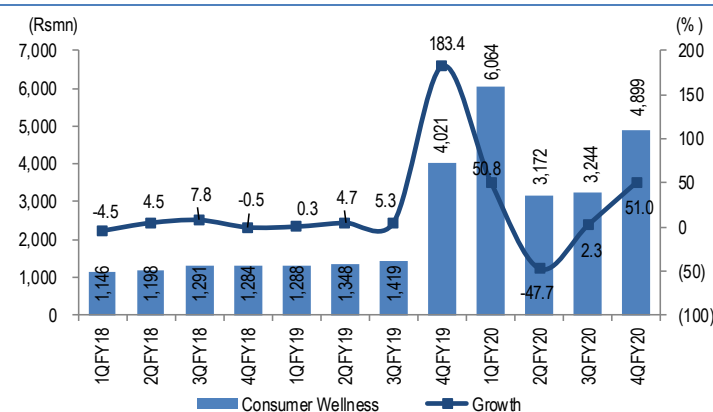
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Asia, Africa and LATAM revenue and growth trend


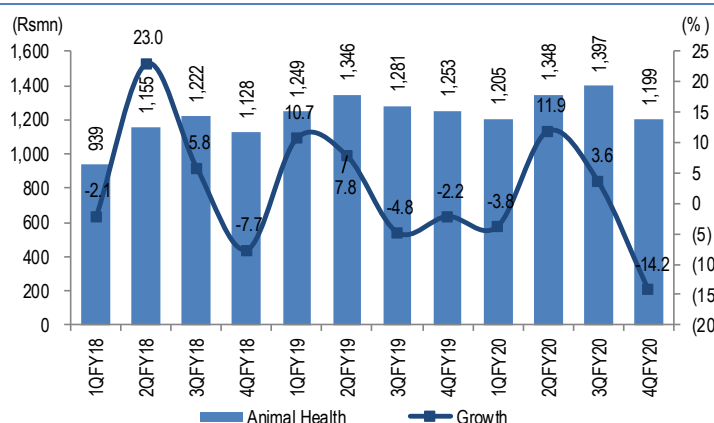
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Europe formulations revenue and growth trend


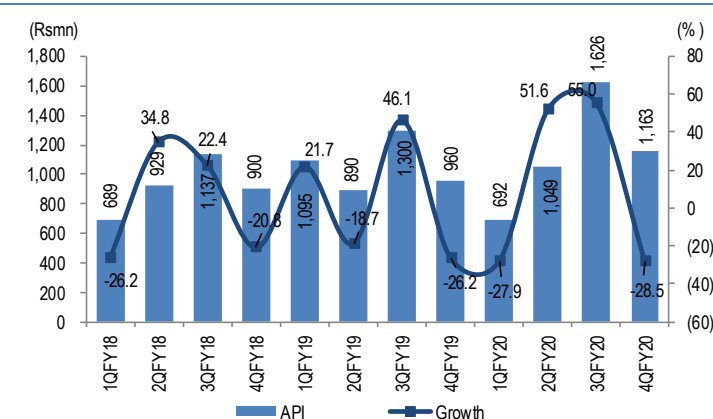
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Zydus Wellness revenue and growth


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Animal Health revenue and growth trend


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: API revenue and growth trend


Source: Company, Nirmal Bang Institutional Equities Research

Financials

Exhibit 16: Income statement

| Y/E March (Rsmn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|--------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales | 1,19,364 | 1,31,656 | 1,42,531 | 1,54,256 | 1,62,449 |
| % growth | 24.7 | 10.3 | 8.3 | 8.2 | 5.3 |
| Raw material costs | 41,220 | 47,164 | 49,200 | 52,978 | 57,332 |
| Staff costs | 18,545 | 21,241 | 24,145 | 25,835 | 27,902 |
| R&D expenses | 6,828 | 9,422 | 10,974 | 8,092 | 8,534 |
| Other expenditure | 31,124 | 33,520 | 41,352 | 43,692 | 45,285 |
| Total expenditure | 90,889 | 1,01,925 | 1,14,697 | 1,22,505 | 1,30,518 |
| EBITDA | 28,475 | 29,731 | 27,834 | 31,751 | 31,930 |
| % growth | 49.5 | 4.4 | -6.4 | 14.1 | 0.6 |
| EBITDA margin (%) | 23.9 | 22.6 | 19.5 | 20.6 | 19.7 |
| Other income | 1,132 | 2,011 | 1,139 | 1,447 | 1,409 |
| Interest costs | 911 | 1,935 | 3,418 | 2,926 | 2,545 |
| Gross profit | 78,144 | 84,492 | 93,331 | 1,01,278 | 1,05,117 |
| % growth | 27.0 | 8.1 | 10.5 | 8.5 | 3.8 |
| Depreciation | 5,388 | 5,986 | 6,965 | 7,264 | 7,714 |
| Profit before tax & Exceptional Items | 23,308 | 23,821 | 18,590 | 23,008 | 23,081 |
| Exceptional Items | 0 | 0 | -3,636 | 0 | 0 |
| Profit before tax | 23,308 | 23,821 | 14,954 | 23,008 | 23,081 |
| % growth | 44.3 | 2.2 | -22.0 | 23.8 | 0.3 |
| Tax | 5,644 | 5,303 | 3,198 | 5,607 | 5,625 |
| Effective tax rate (%) | 24 | 22 | 17 | 24 | 24 |
| PAT before Minority Interest | 17,664 | 18,518 | 11,756 | 17,400 | 17,456 |
| Share of JV | 440 | 469 | 288 | 356 | 356 |
| Share of MI and Associates | -346 | -499 | -278 | -729 | -836 |
| PAT after Minority Interest | 17,758 | 18,488 | 11,766 | 17,028 | 16,975 |
| % growth | 18.9 | 4.8 | -36.5 | 48.0 | 0.3 |
| EPS (Rs) | 17.3 | 18.1 | 11.5 | 16.6 | 16.6 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Balance sheet

| Y/E March (Rsmn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity | 1,024 | 1,024 | 1,024 | 1,024 | 1,024 |
| Reserves | 86,421 | 1,02,839 | 1,02,733 | 1,15,669 | 1,28,552 |
| Net worth | 87,445 | 1,03,863 | 1,03,757 | 1,16,693 | 1,29,576 |
| Minority Interest | 1,910 | 12,929 | 13,347 | 13,347 | 13,347 |
| Net deferred tax liabilities | 3,341 | 3,060 | 2,390 | 2,390 | 2,390 |
| Total Loans | 51,650 | 71,466 | 70,411 | 58,528 | 50,900 |
| Other Long Term Liabilities | 1,682 | 2,594 | 2,823 | 2,823 | 2,823 |
| Liabilities | 1,46,028 | 1,93,912 | 1,92,728 | 1,93,781 | 1,99,036 |
| Net Block | 38,157 | 51,059 | 54,522 | 61,059 | 66,059 |
| CWIP | 15,272 | 8,372 | 7,415 | 0 | 0 |
| Intangible Assets & Goodwill | 26,669 | 70,578 | 67,783 | 68,541 | 68,541 |
| Other Non Current Assets | 12,020 | 13,166 | 11,610 | 11,610 | 11,610 |
| Non-Current Investments | 6,238 | 6,675 | 8,382 | 8,382 | 8,382 |
| Inventories | 23,853 | 26,880 | 27,890 | 30,727 | 33,252 |
| Debtors | 32,063 | 39,508 | 36,632 | 39,742 | 41,915 |
| Cash | 13,149 | 5,489 | 9,649 | 9,395 | 8,092 |
| Other current assets | 13,232 | 13,104 | 12,983 | 12,983 | 12,983 |
| Total current assets | 82,297 | 84,981 | 87,154 | 92,847 | 96,242 |
| Creditors | 18,884 | 19,226 | 20,310 | 22,251 | 24,079 |
| Other current liabilities | 15,741 | 21,693 | 23,828 | 26,407 | 27,718 |
| Total current liabilities | 34,625 | 40,919 | 44,138 | 48,658 | 51,797 |
| Net current assets | 47,672 | 44,062 | 43,016 | 44,189 | 44,444 |
| Total Assets | 1,46,028 | 1,93,912 | 1,92,728 | 1,93,781 | 1,99,036 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Cash flow

| Y/E March (Rsmn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|---------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| PBT | 23,120 | 23,821 | 14,954 | 23,364 | 23,437 |
| (Inc.)/dec. in working capital | (13,839) | (9,717) | 1,294 | (1,427) | (1,559) |
| Cash flow from operations | 9,281 | 14,104 | 16,248 | 21,937 | 21,878 |
| Other income | (616) | (1,664) | (591) | (1,447) | (1,409) |
| Other Expenses | 1,454 | 1,069 | 5,453 | 3,282 | 2,901 |
| Depreciation | 5,405 | 5,986 | 6,965 | 7,264 | 7,714 |
| Tax paid (-) | (6,023) | (6,754) | (3,025) | (5,607) | (5,625) |
| Net cash from operations | 9,193 | 12,819 | 25,054 | 25,429 | 25,459 |
| Capital expenditure (-) | (10,353) | (10,464) | (8,888) | (7,144) | (12,714) |
| Net cash after capex | (1,160) | 2,355 | 16,166 | 18,285 | 12,745 |
| Other Investing activities | 616 | (31,923) | (1,235) | 1,447 | 1,409 |
| Cash from Financial Activities | 515 | 18,846 | (10,942) | (19,986) | (15,458) |
| Opening cash | 15,926 | 15,897 | 7,788 | 9,649 | 9,395 |
| Closing cash | 15,897 | 7,788 | 11,777 | 9,395 | 8,092 |
| Change in cash | (29) | (10,722) | 3,989 | (254) | (1,303) |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Key ratios

| Y/E March | FY18 | FY19 | FY20 | FY21E | FY22E |
|-----------------------------------------------|------|------|------|-------|-------|
| Profitability & return ratios | | | | | |
| EBITDA margin (%) | 23.9 | 22.6 | 19.5 | 20.6 | 19.7 |
| EBIT margin (%) | 20.3 | 19.6 | 15.4 | 16.8 | 15.8 |
| Net profit margin (%) | 14.8 | 14.1 | 8.2 | 11.3 | 10.7 |
| RoE (%) | 20.2 | 17.8 | 11.3 | 14.9 | 13.5 |
| RoCE (%) | 20.8 | 15.6 | 10.1 | 16.1 | 15.9 |
| Working capital & liquidity ratios | | | | | |
| Receivables (days) | 84 | 99 | 97 | 90 | 92 |
| Inventory (days) | 185 | 196 | 203 | 202 | 204 |
| Payables (days) | 152 | 147 | 147 | 147 | 147 |
| Current ratio (x) | 2.4 | 2.1 | 2.0 | 1.9 | 1.9 |
| Quick ratio (x) | 1.7 | 1.4 | 1.3 | 1.3 | 1.2 |
| Valuation ratios | | | | | |
| EV/sales (x) | 3.6 | 2.3 | 3.0 | 2.7 | 2.5 |
| EV/EBITDA (x) | 14.9 | 10.1 | 15.5 | 13.2 | 12.9 |
| P/E (x) | 21.8 | 12.7 | 31.5 | 21.8 | 21.9 |
| P/BV (x) | 4.4 | 2.3 | 3.6 | 3.2 | 2.9 |

Source: Company, Nirmal Bang Institutional Equities Research

P/E Chart

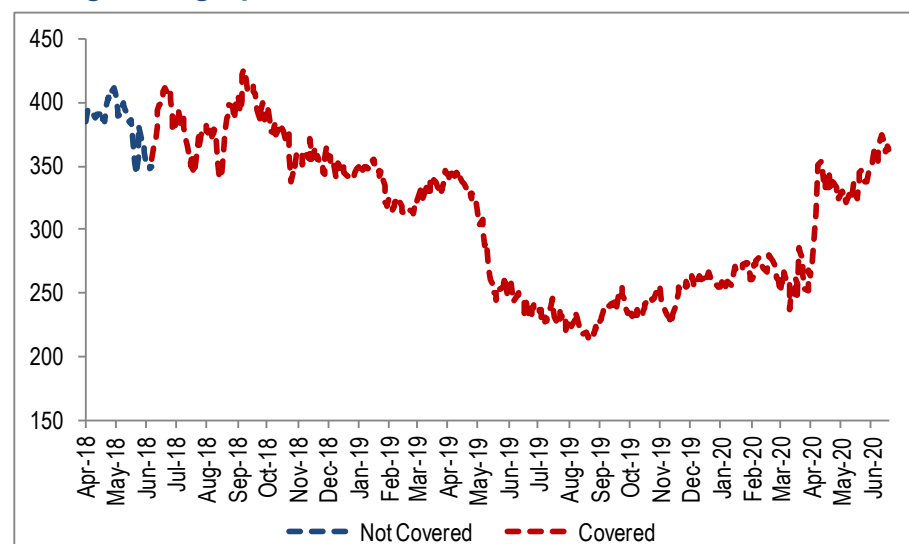


Source: BSE, Bloomberg, Company, Nirmal Bang Institutional Equities Research

Rating track

| Date | Rating | Market price (Rs) | Target price (Rs) |
|-------------------|--------|-------------------|-------------------|
| 7 June 2019 | Buy | 247 | 315 |
| 13 August 2019 | Buy | 230 | 315 |
| 23 September 2019 | Buy | 247 | 314 |
| 14 November 2019 | Buy | 225 | 314 |
| 3 February 2020 | Buy | 260 | 314 |
| 6 February 2020 | Buy | 272 | 314 |
| 27 March 2020 | Buy | 257 | 311 |
| 23 April 2020 | Sell | 331 | 311 |
| 22 June 2020 | Sell | 362 | 331 |

Rating track graph



DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, Vishal Manchanda, research analyst and Gaurang Sakare, Research Associate the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

| Team Details: | | | |
|----------------|------------------|-------------------------------|-----------------------------------------|
| Name | | Email Id | Direct Line |
| Rahul Arora | CEO | rahul.arora@nirmalbang.com | - |
| Girish Pai | Head of Research | girish.pai@nirmalbang.com | +91 22 6273 8017 / 18 |
| Dealing | | | |
| Ravi Jagtiani | Dealing Desk | ravi.jagtiani@nirmalbang.com | +91 22 6273 8230, +91 22 6636 8833 |
| Michael Pillai | Dealing Desk | michael.pillai@nirmalbang.com | +91 22 6273 8102/8103, +91 22 6636 8830 |

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
Nr. Peninsula Corporate Park,
Lower Parel (W), Mumbai-400013.
Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010