

August 3, 2021

Q1FY22 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		UNDER REVIEW	
Target Price	3,363		-	
Sales (Rs. m)	59,090	80,757	55,454	65,436
% Chng.	6.6	23.4		
EBITDA (Rs. m)	13,874	19,117	13,059	15,541
% Chng.	6.2	23.0		
EPS (Rs.)	61.5	84.1	61.0	71.6
% Chng.	0.8	17.4		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	33,665	45,770	59,090	80,757
EBITDA (Rs. m)	7,178	10,122	13,874	19,117
Margin (%)	21.3	22.1	23.5	23.7
PAT (Rs. m)	4,566	7,511	9,352	12,779
EPS (Rs.)	33.1	49.4	61.5	84.1
Gr. (%)	11.3	49.2	24.5	36.6
DPS (Rs.)	4.5	7.4	9.1	12.4
Yield (%)	0.1	0.2	0.3	0.4
RoE (%)	18.6	18.9	16.3	19.2
RoCE (%)	21.3	19.2	19.1	24.1
EV/Sales (x)	13.7	10.6	8.3	6.0
EV/EBITDA (x)	64.1	47.8	35.3	25.4
PE (x)	100.2	67.1	53.9	39.4
P/BV (x)	17.5	9.4	8.2	7.0

Key Data

PIIL.BO | PI IN

52-W High / Low	Rs.3,357 / Rs.1,770
Sensex / Nifty	52,951 / 15,885
Market Cap	Rs.503bn/ \$ 6,768m
Shares Outstanding	152m
3M Avg. Daily Value	Rs.2310.27m

Shareholding Pattern (%)

Promoter's	46.80
Foreign	19.64
Domestic Institution	21.98
Public & Others	11.58
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.6	60.7	88.4
Relative	8.6	51.1	33.8

Prashant Biyani

prashantbiyani@plindia.com | 91-22-66322260

Time to replicate proven capabilities of agchem in Pharma

Quick Pointers:

- Acquisition of API Biz of ISLL for Rs 15.3 bn
- 13% decline in domestic business due to weak demand and higher base

PI reported lower than expected results due to weak demand in domestic market, lower than anticipated CSM exports and cost overruns. The company entered into an agreement to acquire API and intermediate business unit of Ind-Swift Labs (ISLL) on slump sale basis for Rs 15.3 bn. Further, management highlighted scope of improvement from (a) existing ISLL portfolio (b) combining portfolio pipeline of both companies and (c) implementing best commercial practices at ISLL. While we await more clarity from the management regarding value accretion and financial benefits from their transaction, the deal looks inexpensive in our view given regulatory approvals of plants, quality of facilities and scope of throughput improvement. We increase topline/EBITDA/APAT estimates by 7%/6%/1% for FY22 and 23%/23%/17% for FY23. We assign ACCUMULATE (from UR) despite TP being just 1% away from CMP as we feel there may be upside risk to our estimates. TP stands at Rs 3363 based on 40x FY23E EPS of Rs 84.1 (Peer Comparison in Exhibit-2).

Acquisition of API business of Ind-swift labs (ISLL) for Rs 15.3 bn: PI board approved the acquisition of API & Intermediates business of Ind-Swift Labs on a slump sale basis for Rs 15.3 bn. Regulatory approvals, quality, product portfolio and R&D pipeline was the major criteria while finalising this target acquisition.

The management highlighted that (a) they are able to assess the kind of value they can create by bringing in technology and process capabilities to expedite product pipeline of both the cos (b) there are many unexploited opportunities even within the existing product portfolio of Ind-swift which can be capitalised upon by achieving commercial excellence (c) PI will strengthen ISLL's product portfolio by combining its own product pipeline with them (d) Investing in talent (both inhouse and outside) has become one of the top priorities for management (e) The company plans to significantly scale up Pharma CRAMS business in the next 3-4 years, before eyeing a bigger space in Pharmaceuticals. Management may share in-depth details of the benefits from transaction, as we move closer to its completion.

31% growth in CSM segment: The company clocked 31% growth in exports driven by strong volume growth in key products. PI commercialised 3 new molecules for exports in Q1. Future growth visibility stems from the fact that it (a) has currently more than 30 active enquiries at different stages of scale up (b) is currently in the midst of scaling up Flow chemistry and Enzyme mediated synthesis (both in different stages of pilot phase) (c) Initiated relationships with new customers in agrochemicals, electronic chemicals & other specialty chemicals. PI plans to commercialise 6 molecules in FY22, of which, commissioning of 3 is under progress. It also plans to commence a new MPP in Q2.

13% decline in domestic due to weak demand and higher base: Domestic business impacted due to higher base and delayed monsoon. The company launched 1 new fungicide in Q1 for control of sheath blight. PI has aggressively placed rice herbicide (Nominee Gold) and expanded herbicide business in Corn. It plans to launch 3 new products in Q2 for rice, cotton and horticulture crops.

Other Highlights:

- The company maintains 15% topline growth guidance
- Overheads up by 26% due to one-time expenses pertaining to Covid management, consulting fee and other costs pertaining to several strategic projects.

About the API business of ISLL:

- ISLL boasts itself of being one of the top API manufacturers of India catering markets across the globe.
- The company has 2 plants comprising of 25 dedicated and multipurpose cGMP manufacturing plants, pilot plants and other facilities required to comply with stringent USFDA and other regulatory standards of approval.
- More than 30 APIs relevant to 18 therapeutic segments (Cardiovascular, Macrolide Antibiotic, Antidiabetic, Antimigraine, Parkinson Disease, ADHD, etc.). Plans to launch Atorvastatin in FY22.
- Successful US FDA audit (6th successful audit) of the Derabasi facility in FY20 opens new growth avenue.
- **Reaction capabilities:** Cyclization, Grignard, Hydrolysis, Hydrogenation, Condensation, Oxidation, etc.
- Brief Financials in Exhibit-7

Exhibit 1: All round disappointment

Y/e March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	QoQ gr. (%)
Net Sales	11,938	10,601	12.6	11,971	(0.3)
Expenditure					
Raw Materials	6,714	6,146	9.2	6,930	(3.1)
% of Net Sales	56.2	58.0		57.9	
Employee Cost	1,190	991	20.1	1,096	8.6
% of Net Sales	10.0	9.3		9.2	
Other Expenses	1,545	1,172	31.8	1,671	(7.5)
% of Net Sales	12.9	11.1		14.0	
Total Expenditure	9,449	8,309	13.7	9,697	(2.6)
EBITDA	2,489	2,292	8.6	2,274	9.5
Margin (%)	20.8	21.6		19.0	
Depreciation	487	427	14.1	448	8.7
EBIT	2,002	1,865	7.3	1,826	9.6
Interest	34	96	(64.6)	44	(22.7)
Other Income	277	82	237.8	442	(37.3)
PBT	2,245	1,851	21.3	2,224	0.9
Tax	405	444	(8.8)	411	(1.5)
Tax Rate (%)	18.0	24.0		18.5	
RPAT	1,840	1,407	30.8	1,813	1.5
APAT	1,872	1,455	28.7	1,812	3.3
Adj EPS	12.3	10.6	16.7	11.9	3.3

Source: Company, PL

Exhibit 2: Pee Comparison

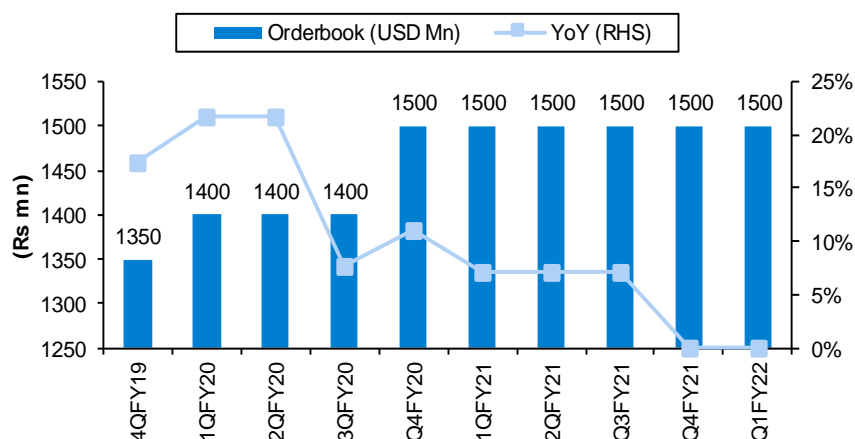
Company	CMP (Rs)	M.Cap (Rs Mn)	FY22 (Rs Mn)						FY23 (Rs Mn)					
			Revenue	EBITDA	PAT	EPS	P/E(x)	EV/EBITDA(x)	Revenue	EBITDA	PAT	EPS	P/E(x)	EV/EBITDA(x)
PI	3317	5,04,108	59,090	13,874	9,202	61.5	53.9	35.3	80,757	19,117	12,599	84.1	39.4	25.4
Navin Flourine	3689	1,82,647	13,986	3,804	2,796	56.5	59.9	42.4	20,300	5,746	4,185	84.5	40.0	28.1
SRF	8998	5,33,091	99,801	24,278	13,727	231.2	30.3	18.1	1,18,452	29,126	16,752	281.8	24.9	15.1
Divis Lab	4928	1,30,823	83,950	34,468	24,282	92.8	47.3	33.2	99,981	41,528	29,572	113.6	38.6	30.6

Source: Company, PL, Bloomberg

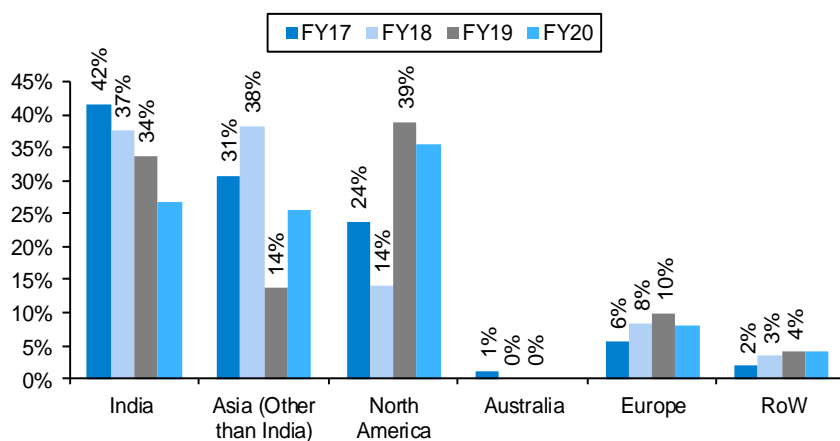
Exhibit 3: CSM business will continue to dominate the overall revenue pie

Rs Mn	1QFY20	2QFY20	3QFY20	Q4FY20	1QFY21	2QFY21	Q3FY21	Q4FY21	Q1FY22
CSM Segment	5,010	6,390	6,440	6,830	6,140	7,990	9,020	10,060	8,070
YoY%	59.4%	52.5%	19.0%	12.0%	22.6%	25.0%	40.1%	47.3%	31.4%
Sales Mix	66.4%	70.4%	75.8%	79.9%	57.9%	69.0%	77.6%	84.0%	67.6%
Domestic Segment	2,531	2,690	2,060	1,720	4,460	3,590	2,600	1,910	3,870
YoY%	-13.1%	-11.5%	23.4%	-11.7%	76.2%	33.5%	26.2%	11.0%	-13.2%
Sales Mix	33.6%	29.6%	24.2%	20.1%	42.1%	31.0%	22.4%	16.0%	32.4%

Source: Company, PL

Exhibit 4: Healthy orderbook despite superior execution


Source: Company, PL

Exhibit 5: Revenue share from Asia has shot up in FY20


Source: Company, PL

Exhibit 6: Timeline of CSM molecule commercialisation count

FY14	FY15	FY16	FY17	FY18	FY19	FY20
3	3	3	4	4	3	4

Source: Company, PL

Exhibit 7: Brief Financials of Ind Swift Labs

Y/e March	FY18	FY19	FY20	FY21
Income Statement				
Revenue	7,313	7,244	7,518	8,566
COGS	3,751	3,793	3,788	4,250
<i>% of Sales</i>	<i>51.3%</i>	<i>52.4%</i>	<i>50.4%</i>	<i>49.6%</i>
Gross Margins	48.7%	47.6%	49.6%	50.4%
Employees Benefit Expenses	893	956	1,004	1,042
Other Expenses	1,399	1,243	1,307	1,469
Total Expenditure	6,042	5,992	6,099	6,761
EBITDA	1,271	1,252	1,420	1,805
<i>YoY gr.</i>	<i>0.0%</i>	<i>-1.4%</i>	<i>13.3%</i>	<i>27.1%</i>
<i>EBITDA Margin %</i>	<i>17.4%</i>	<i>17.3%</i>	<i>18.9%</i>	<i>21.1%</i>
Depreciation	866	1,040	901	873
Finance costs	283	922	1,075	1,002
Other Income	184	470	360	231
Exceptional Gain/(Loss)	19	(829)	-	-
PBT After Exceptional Items	286	589	(196)	161
Tax Exp	110	203	12	205
PAT	176	386	(208)	(44)
APAT	157	1,215	(208)	(44)
<i>YoY gr.</i>	<i>0.0%</i>	<i>674.6%</i>	<i>-117.1%</i>	<i>-78.8%</i>
Balance Sheet				
Share Capital	460	483	598	598
Reserves & Surplus	4,931	5,420	5,848	5,789
Borrowings	8,318	11,482	10,308	9,960
Trade Payables	1,166	1,157	1,271	1,240
Other Liabilities	4,562	(202)	(203)	(3)
Total	19,438	18,340	17,822	17,584
Fixed Assets	9,409	9,207	8,506	7,605
CWIP	617	126	38	107
Inventories	3,100	3,166	3,428	3,544
Trade Receivables	3,828	3,335	3,847	4,001
Other Assets	2,483	2,505	2,004	2,325
Total	19,438	18,340	17,822	17,584

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	33,665	45,770	59,090	80,757
YoY gr. (%)	18.5	36.0	29.1	36.7
Cost of Goods Sold	18,474	25,712	31,917	42,996
Gross Profit	15,191	20,058	27,174	37,760
Margin (%)	45.1	43.8	46.0	46.8
Employee Cost	3,209	4,169	5,568	7,755
Other Expenses	4,804	5,767	7,732	10,888
EBITDA	7,178	10,122	13,874	19,117
YoY gr. (%)	24.5	41.0	37.1	37.8
Margin (%)	21.3	22.1	23.5	23.7
Depreciation and Amortization	1,367	1,748	2,668	3,090
EBIT	5,811	8,374	11,205	16,027
Margin (%)	17.3	18.3	19.0	19.8
Net Interest	170	282	100	100
Other Income	489	1,249	1,198	917
Profit Before Tax	6,130	9,341	12,303	16,844
Margin (%)	18.2	20.4	20.8	20.9
Total Tax	1,572	1,874	3,100	4,245
Effective tax rate (%)	25.6	20.1	25.2	25.2
Profit after tax	4,558	7,467	9,202	12,599
Minority interest	-	-	-	-
Share Profit from Associate	8	44	150	180
Adjusted PAT	4,566	7,511	9,352	12,779
YoY gr. (%)	11.3	64.5	24.5	36.6
Margin (%)	13.6	16.4	15.8	15.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,566	7,511	9,352	12,779
YoY gr. (%)	11.3	64.5	24.5	36.6
Margin (%)	13.6	16.4	15.8	15.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,566	7,511	9,352	12,779
Equity Shares O/s (m)	138	152	152	152
EPS (Rs)	33.1	49.4	61.5	84.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	22,088	26,676	39,671	46,171
Tangibles	21,578	26,131	38,755	45,105
Intangibles	510	545	916	1,066
Acc: Dep / Amortization	4,374	6,122	8,791	11,881
Tangibles	4,240	5,934	8,521	11,517
Intangibles	134	188	269	364
Net fixed assets	17,714	20,554	30,880	34,290
Tangibles	17,338	20,197	30,234	33,588
Intangibles	376	357	647	702
Capital Work In Progress	2,707	2,875	2,775	2,775
Goodwill	828	828	828	828
Non-Current Investments	322	553	543	630
Net Deferred tax assets	(102)	(796)	(796)	(796)
Other Non-Current Assets	444	146	591	808
Current Assets				
Investments	1,325	7,079	7,079	7,079
Inventories	7,989	10,528	13,275	18,143
Trade receivables	6,465	7,035	10,037	13,718
Cash & Bank Balance	1,342	16,195	7,970	11,066
Other Current Assets	2,715	3,694	4,377	5,439
Total Assets	42,247	70,019	79,006	95,663
Equity				
Equity Share Capital	138	152	152	152
Other Equity	26,053	53,272	61,017	71,747
Total Network	26,191	53,424	61,169	71,899
Non-Current Liabilities				
Long Term borrowings	3,994	2,574	-	-
Provisions	124	96	177	242
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,083	-	-	-
Trade payables	5,909	7,960	10,199	13,939
Other current liabilities	4,013	4,610	6,105	8,229
Total Equity & Liabilities	42,247	70,019	79,006	95,663

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	6,138	9,385	12,303	16,844
Add. Depreciation	1,367	1,748	2,668	3,090
Add. Interest	170	282	100	100
Less Financial Other Income	489	1,249	1,198	917
Add. Other	99	(1,216)	(1,198)	(917)
Op. profit before WC changes	7,774	10,199	13,874	19,117
Net Changes-WC	255	(1,303)	(3,209)	(4,288)
Direct tax	(1,048)	(1,647)	(3,038)	(4,160)
Net cash from Op. activities	6,981	7,249	7,626	10,669
Capital expenditures	(11,040)	(4,375)	(12,995)	(6,500)
Interest / Dividend Income	175	230	1,198	917
Others	1,014	(20,158)	14,654	-
Net Cash from Invst. activities	(9,851)	(24,303)	2,857	(5,583)
Issue of share cap. / premium	80	19,789	-	-
Debt changes	4,562	(2,034)	(2,574)	-
Dividend paid	(748)	(607)	(1,380)	(1,890)
Interest paid	(179)	(244)	(100)	(100)
Others	(215)	-	-	-
Net cash from Fin. activities	3,500	16,904	(4,054)	(1,990)
Net change in cash	630	(150)	6,429	3,096
Free Cash Flow	238	2,859	(5,369)	4,169

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	33.1	49.4	61.5	84.1
CEPS	43.0	60.9	79.1	104.4
BVPS	189.9	351.5	402.4	473.0
FCF	1.7	18.8	(35.3)	27.4
DPS	4.5	7.4	9.1	12.4
Return Ratio(%)				
RoCE	21.3	19.2	19.1	24.1
ROIC	17.5	32.9	19.3	24.8
RoE	18.6	18.9	16.3	19.2
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.4)	(0.2)	(0.3)
Net Working Capital (Days)	93	77	81	81
Valuation(x)				
PER	100.2	67.1	53.9	39.4
P/B	17.5	9.4	8.2	7.0
P/CEPS	77.1	54.4	41.9	31.8
EV/EBITDA	64.1	47.8	35.3	25.4
EV/Sales	13.7	10.6	8.3	6.0
Dividend Yield (%)	0.1	0.2	0.3	0.4

Source: Company Data, PL Research

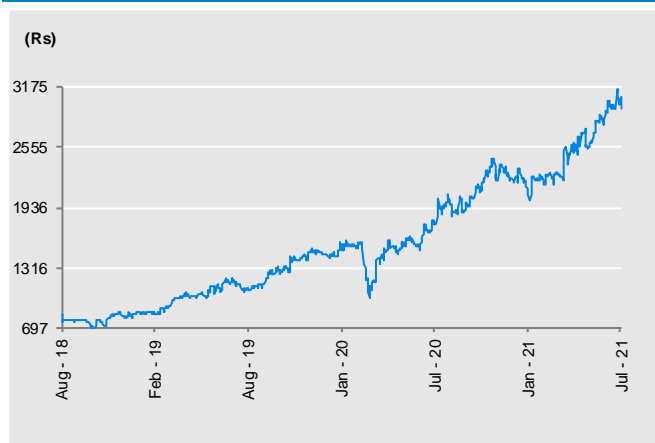
Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	11,577	11,621	11,971	11,938
YoY gr. (%)	27.6	36.7	40.0	12.6
Raw Material Expenses	6,466	6,170	6,930	6,714
Gross Profit	5,111	5,451	5,041	5,224
Margin (%)	44.1	46.9	42.1	43.8
EBITDA	2,801	2,755	2,274	2,489
YoY gr. (%)	46.0	47.7	22.1	8.6
Margin (%)	24.2	23.7	19.0	20.8
Depreciation / Depletion	433	440	448	487
EBIT	2,368	2,315	1,826	2,002
Margin (%)	20.5	19.9	15.3	16.8
Net Interest	76	66	44	34
Other Income	336	389	442	277
Profit before Tax	2,628	2,638	2,224	2,245
Margin (%)	22.7	22.7	18.6	18.8
Total Tax	451	682	411	405
Effective tax rate (%)	17.2	25.9	18.5	18.0
Profit after Tax	2,177	1,956	1,813	1,840
Minority interest	-	-	-	-
Share Profit from Associates	(1)	(2)	(1)	32
Adjusted PAT	2,176	1,954	1,812	1,872
YoY gr. (%)	77.2	61.4	63.7	28.7
Margin (%)	18.8	16.8	15.1	15.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,176	1,954	1,812	1,872
YoY gr. (%)	77.2	61.4	63.7	28.7
Margin (%)	18.8	16.8	15.1	15.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,176	1,954	1,812	1,872
Avg. Shares O/s (m)	152	152	152	152
EPS (Rs)	14.3	12.9	11.9	12.3

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-21	UR	-	2,976
2	08-Apr-21	Hold	2,119	2,418
3	03-Feb-21	Hold	2,119	2,250
4	11-Jan-21	Hold	2,026	2,332
5	30-Oct-20	Hold	2,026	2,161
6	10-Oct-20	Hold	2,000	2,021
7	25-Aug-20	Hold	2,000	2,046
8	06-Aug-20	Hold	2,000	2,036

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	6,506	5,650
2	Coromandel International	Accumulate	991	887
3	Dhanuka Agritech	Hold	1,008	949
4	Godrej Agrovet	Hold	638	655
5	Insecticides India	Accumulate	817	737
6	P.I. Industries	UR	-	2,976
7	Rallis India	Hold	321	326
8	Sharda Cropchem	BUY	457	350
9	Sumitomo Chemical India	Hold	369	423
10	UPL	Hold	740	809

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. Prashant Biyani- CA 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. Prashant Biyani- CA 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