

February 16, 2023

Q3FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	5,400		5,400	
Sales (Rs. m)	1,92,838	2,22,452	1,98,437	2,27,090
% Chng.	(2.8)	(2.0)		
EBITDA (Rs. m)	27,486	35,093	29,184	36,757
% Chng.	(5.8)	(4.5)		
EPS (Rs.)	81.4	116.9	88.5	125.3
% Chng.	(8.0)	(6.7)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	1,46,626	1,66,983	1,92,838	2,22,452
EBITDA (Rs. m)	21,851	21,234	27,486	35,093
Margin (%)	14.9	12.7	14.3	15.8
PAT (Rs. m)	10,556	8,723	11,706	16,816
EPS (Rs.)	53.0	60.7	81.4	116.9
Gr. (%)	748.6	14.6	34.2	43.6
DPS (Rs.)	11.4	13.7	17.1	13.7
Yield (%)	0.3	0.3	0.4	0.3
RoE (%)	14.9	12.1	17.4	21.3
RoCE (%)	20.2	17.8	23.6	29.1
EV/Sales (x)	4.5	3.9	3.4	2.9
EV/EBITDA (x)	30.0	31.0	23.9	18.6
PE (x)	84.7	74.0	55.1	38.4
P/BV (x)	11.5	10.3	9.0	7.5

Key Data

APLH.BO | APHS IN

52-W High / Low	Rs.5,017 / Rs.3,362
Sensex / Nifty	61,275 / 18,016
Market Cap	Rs.645bn/ \$ 7,793m
Shares Outstanding	144m
3M Avg. Daily Value	Rs.2217.49m

Shareholding Pattern (%)

Promoter's	29.33
Foreign	47.94
Domestic Institution	15.73
Public & Others	7.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.5	4.1	(3.8)
Relative	1.8	1.0	(8.7)

Param Desai

paramdesai@plindia.com | 91-22-66322259

Sanketa Kohale

sanketakohale@plindia.com | 91-22-66322426

Apollo Hospitals Enterprise (APHS IN)

Rating: BUY | CMP: Rs4,488 | TP: Rs5,400

Strong show in hospital and SAP segment

Quick Pointers:

- Hospital occupancy to be closer to 70% in Q4.
- Guided PAT level break-even for entire Apollo Health Co from Q3/Q4FY24.

Apollo hospitals enterprise's (APHS) consolidated EBITDA of Rs5.1bn (down 4% QoQ) was in-line with our estimate. Adjusted for 24x7 losses (Rs2bn), EBITDA was at Rs 7.1bn, up 10% YoY and down 4% QoQ vs our est of Rs6.85bn. We believe APHS has created a solid growth platform across segments and digital foraying has further made it a strong Omni channel play. The company also has good presence in offline format, making it more of a formidable player than just pure play online company. Though stake sale in Apollo HealthCo has been delayed, scale up in business is on track. Our FY24 and FY25E EBITDA stands reduced by ~5%, as we factor in higher losses from 24x7 and lower profitability in Apollo Health & Lifestyle Limited (AHLL). Overall we estimate 17% EBITDA CAGR over FY23-25E (ex 24x7). We maintain our 'BUY' rating with unchanged TP of Rs5,400/share as we roll forward to FY25. We ascribe 22x EV/EBITDA multiple to hospital segment, 20x EV/EBITDA to offline pharmacy and to AHLL and assign zero value to the 24/7 business.

- **In-line EBITDA at Rs4.6bn aided by hospital & offline pharmacy segment:** Consolidated pre IND AS EBITDA reported at Rs4.6bn was in-line with our estimate. 24x7 digital app expenses were at Rs1.75bn (Rs1.52bn in Q2) and additional Rs280mn ESOP related non-cash expenses in Q3. Pharmacy OPM adjusted for 24x7 app exps expanded 40 bps YoY at 7.8%. Mature hospital EBITDA was down 5% QoQ, while EBITDA from new hospitals including proton was down 4% QoQ led by seasonality. Overall hospital OPM including proton declined 50bps QoQ to 24.7%. AHLL reported EBITDA of Rs255mn (down 32%QoQ) with 8.2% OPM vs 11.8% in Q2.
- **Strong show in hospital segment:** Overall occupancy stood at 65% vs 68% in Q2 given seasonality. ARPOB remained healthy at Rs.51.5K, up 2% QoQ and 12% YoY. Overall hospital revenues and EBITDA grew by 6% YoY and 15% YoY for 9MFY23. Net debt increased by Rs 890mn QoQ to Rs 13.2bn.
- **Key con-call takeaways:** (1) **Hospitals** - APHS guided occupancy closer to 70% in Q4 and aims for 70-75% occupancy level over next 12-18 months 2) **Bed Expansion** - Addition of 2000 beds over 3-4 years at a capex of Rs30bn across Mumbai, Gurgaon, Bangalore and Chennai markets. 500-550 beds in Gurgaon, 500 beds in Chennai, 400-450 beds in Bangalore (3) Sees ARPOB growth of 7-8% annually, aided by better case mix and price hike in line with its historical trends (4) **Apollo 24x7** - GMV guidance increased to Rs16bn from Rs15bn in FY23. During Q3, GMV to revenue conversion was 32%. Guided PAT level break- even for entire Apollo Health Q3/Q4FY24 onwards and EBITDA break-even in 24x7 from FY26. APHS indicated current quarter losses in 24x7 have peaked out and should moderate going forward (5) **Pharmacy** net store expansion of 667 for 9MFY23. Guided for strong revenue growth in FY24 given new store addition (6) **AHLL** - Diagnostic margins remain muted in Q3 on account of one off adjustments (7) **Apollo Health's** fundraising plan delayed and unlikely to happen in near term given current market conditions.

Exhibit 1: Q3FY23 Result Overview (Rs mn) – In line EBITDA at Rs5.04bn

Y/e March	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Net Sales	42,636	36,389	17.2	42,511	0.3	1,23,103	1,11,162	10.7
COGS	22,161	18,235	21.5	21,719	2.0	63,400	57,578	10.1
<i>% of Net Sales</i>	<i>52.0</i>	<i>50.1</i>		<i>51.1</i>		<i>51.5</i>	<i>51.8</i>	
Employee Expenses	5,648	4,396	28.5	5,408	4.4	15,530	13,399	15.9
<i>% of Net Sales</i>	<i>13.2</i>	<i>12.1</i>		<i>12.7</i>		<i>36.4</i>	<i>31.4</i>	
Other Expenses	9,774	7,888	23.9	9,730	0.5	28,557	22,966	24.3
<i>% of Net Sales</i>	<i>22.9</i>	<i>21.7</i>		<i>22.9</i>		<i>67.0</i>	<i>53.9</i>	
Total Expenses	37,582	30,519	23.1	36,857	2.0	1,07,488	93,943	14.4
EBITDA	5,054	5,870	(13.9)	5,654	(10.6)	15,615	17,219	(9.3)
<i>Margins (%)</i>	<i>11.9</i>	<i>16.1</i>		<i>13.3</i>		<i>12.7</i>	<i>15.5</i>	
Other Income	354	172	106.2	226	56.7	740	474	56.0
Interest	1,000	937	6.7	927	7.8	2,854	2,837	0.6
Depreciation	1,534	1,490	3.0	1,550	(1.0)	4,562	4,343	5.0
PBT	2,874	3,615	(20.5)	3,402	(15.5)	8,939	10,513	(15.0)
Total tax	1,035	1,242	(16.7)	1,142	(9.4)	3,031	3,384	(10.4)
<i>Tax rate (%)</i>	<i>36.0</i>	<i>34.4</i>		<i>33.6</i>		<i>33.9</i>	<i>32.2</i>	
Reported PAT	1,839	2,373	(22.5)	2,260	(18.7)	5,908	7,129	(17.1)
Share of profit from associates	(215)	60	(461.4)	(132)	63.7	(467)	43	(1,179.0)
Minority interest	89	149		89	-	244	459	
Consol PAT	1,535	2,284	(32.8)	2,040	(24.8)	6,746	9,655	(30.1)
Extra-ordinary Items	-	-		-		1,548	2,941	
Adj. PAT	1,535	2,284	(32.8)	2,040	(24.8)	5,197	6,714	(22.6)

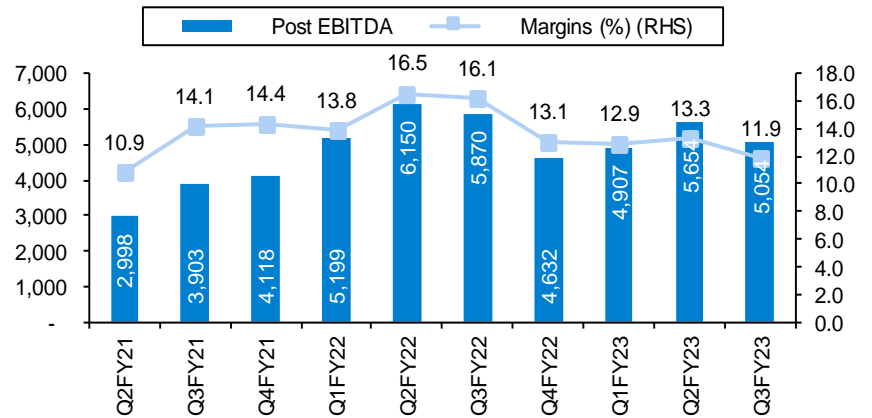
Source: Company, PL

Exhibit 2: Hospital and SAP segment remain healthy

Revenues (Rs mn)	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Mature Hospitals	15,422	14,123	9.2	15,920	(3.1)	45,808	41,375	10.7
<i>% of Net Sales</i>	<i>36.2</i>	<i>38.8</i>		<i>37.4</i>		<i>37.2</i>	<i>37.2</i>	
New Hospitals	6,522	6,060	7.6	6,725	(3.0)	19,015	19,886	(4.4)
<i>% of Net Sales</i>	<i>15.3</i>	<i>16.7</i>		<i>15.8</i>		<i>15.4</i>	<i>17.9</i>	
SAP	17,578	13,074	34.5	16,683	5.4	49,053	39,865	23.0
<i>% of Net Sales</i>	<i>41.2</i>	<i>35.9</i>		<i>39.2</i>		<i>39.8</i>	<i>35.9</i>	
AHLL	3,114	3,132	(0.6)	3,183	(2.2)	9,227	10,036	(8.1)
<i>% of Net Sales</i>	<i>7.3</i>	<i>8.6</i>		<i>7.5</i>		<i>7.5</i>	<i>9.0</i>	
Total Sales	42,636	36,389	17.2	42,511	0.3	1,23,103	1,11,162	10.7

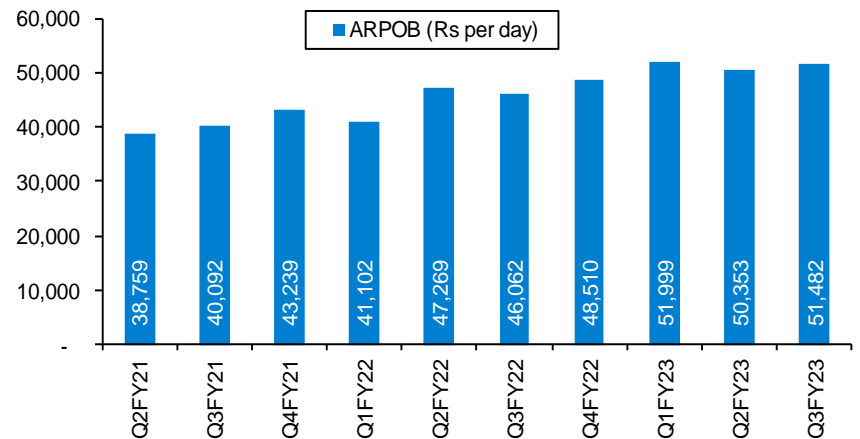
Source: Company, PL

Exhibit 3: Margin decline QoQ given elevated losses in 24x7



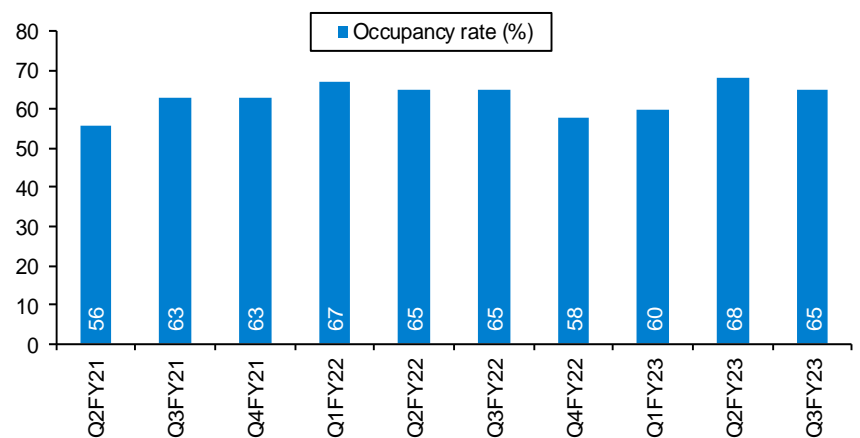
Source: Company, PL

Exhibit 4: ARPOB remains healthy; sequentially improved due to case mix



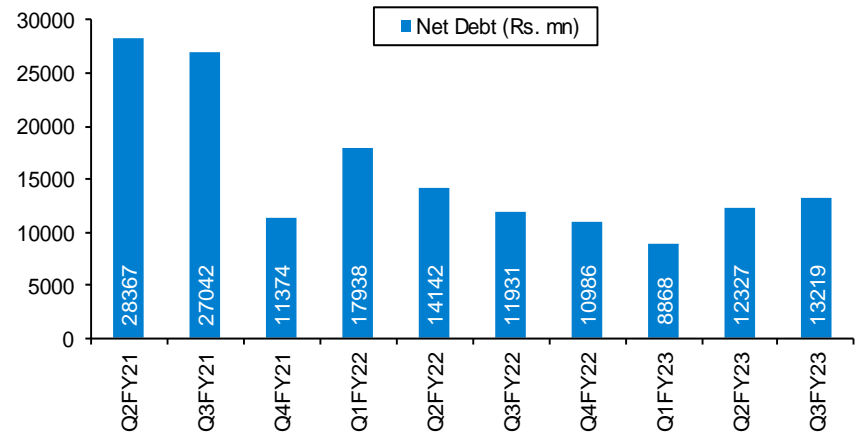
Source: Company, PL

Exhibit 5: Occupancy decline QoQ on seasonality



Source: Company, PL

Exhibit 6: Net debt increased by Rs 890mn



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	1,46,626	1,66,983	1,92,838	2,22,452
YoY gr. (%)	38.9	13.9	15.5	15.4
Cost of Goods Sold	75,735	83,491	96,419	1,11,226
Gross Profit	70,892	83,491	96,419	1,11,226
Margin (%)	48.3	50.0	50.0	50.0
Employee Cost	17,865	20,902	24,456	28,613
Other Expenses	31,175	41,355	44,477	47,520
EBITDA	21,851	21,234	27,486	35,093
YoY gr. (%)	92.1	(2.8)	29.4	27.7
Margin (%)	14.9	12.7	14.3	15.8
Depreciation and Amortization	6,007	6,200	6,500	6,700
EBIT	15,844	15,034	20,986	28,393
Margin (%)	10.8	9.0	10.9	12.8
Net Interest	3,786	3,800	3,400	3,000
Other Income	782	1,000	1,100	1,100
Profit Before Tax	12,840	12,234	18,686	26,493
Margin (%)	8.8	7.3	9.7	11.9
Total Tax	4,770	4,160	5,979	8,478
Effective tax rate (%)	37.2	34.0	32.0	32.0
Profit after tax	8,070	8,075	12,706	18,016
Minority interest	528	900	1,000	1,200
Share Profit from Associate	73	-	-	-
Adjusted PAT	10,556	8,723	11,706	16,816
YoY gr. (%)	602.0	(17.4)	34.2	43.6
Margin (%)	7.2	5.2	6.1	7.6
Extra Ord. Income / (Exp)	(2,941)	(1,548)	-	-
Reported PAT	7,615	7,175	11,706	16,816
YoY gr. (%)	748.7	(5.8)	63.2	43.6
Margin (%)	5.2	4.3	6.1	7.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,615	7,175	11,706	16,816
Equity Shares O/s (m)	144	144	144	144
EPS (Rs)	53.0	60.7	81.4	116.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	96,876	1,07,876	1,18,876	1,29,876
Tangibles	96,876	1,07,876	1,18,876	1,29,876
Intangibles	-	-	-	-
Acc: Dep / Amortization	34,194	40,394	46,894	53,594
Tangibles	34,194	40,394	46,894	53,594
Intangibles	-	-	-	-
Net fixed assets	62,682	67,482	71,982	76,282
Tangibles	62,682	67,482	71,982	76,282
Intangibles	-	-	-	-
Capital Work In Progress	455	455	455	455
Goodwill	9,235	9,235	9,235	9,235
Non-Current Investments	2,830	2,037	2,037	2,037
Net Deferred tax assets	(5,215)	(5,215)	(5,215)	(5,215)
Other Non-Current Assets	10,730	10,730	10,730	10,730
Current Assets				
Investments	5,013	5,806	5,806	5,806
Inventories	4,319	5,844	6,749	7,786
Trade receivables	17,676	20,038	23,141	26,694
Cash & Bank Balance	10,359	4,916	2,332	5,446
Other Current Assets	-	-	-	-
Total Assets	1,31,841	1,35,940	1,42,803	1,55,841
Equity				
Equity Share Capital	719	719	719	719
Other Equity	55,514	61,984	70,874	85,437
Total Networth	56,233	62,703	71,593	86,156
Non-Current Liabilities				
Long Term borrowings	24,272	21,272	18,272	15,272
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,085	2,085	2,085	2,085
Trade payables	16,318	16,687	17,414	18,999
Other current liabilities	25,174	25,434	25,680	25,570
Total Equity & Liabilities	1,31,841	1,35,940	1,42,803	1,55,841

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	11,084	12,234	18,686	26,493
Add. Depreciation	6,007	6,200	6,500	6,700
Add. Interest	3,786	3,800	3,400	3,000
Less Financial Other Income	782	1,000	1,100	1,100
Add. Other	1,953	(900)	(1,000)	(1,200)
Op. profit before WC changes	22,830	21,334	27,586	34,993
Net Changes-WC	(4,507)	(2,564)	(3,974)	(4,149)
Direct tax	(2,043)	(4,160)	(5,979)	(8,478)
Net cash from Op. activities	16,280	14,610	17,632	22,367
Capital expenditures	(6,518)	(11,000)	(11,000)	(11,000)
Interest / Dividend Income	-	-	-	-
Others	(264)	-	-	-
Net Cash from Invt. activities	(6,782)	(11,000)	(11,000)	(11,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(2,866)	(3,000)	(3,000)	(3,000)
Dividend paid	(433)	(2,253)	(2,816)	(2,253)
Interest paid	(3,786)	(3,800)	(3,400)	(3,000)
Others	1,701	-	-	-
Net cash from Fin. activities	(5,384)	(9,053)	(9,216)	(8,253)
Net change in cash	4,115	(5,443)	(2,584)	3,114
Free Cash Flow	9,762	3,610	6,632	11,367

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	35,464	37,956	42,511	42,636
YoY gr. (%)	23.7	0.9	14.4	17.2
Raw Material Expenses	18,157	19,521	21,719	22,161
Gross Profit	17,308	18,435	20,792	20,475
Margin (%)	48.8	48.6	48.9	48.0
EBITDA	4,632	4,907	5,654	5,054
YoY gr. (%)	12.5	(5.6)	(8.1)	(13.9)
Margin (%)	13.1	12.9	13.3	11.9
Depreciation / Depletion	1,664	1,478	1,550	1,534
EBIT	2,968	3,430	4,104	3,520
Margin (%)	8.4	9.0	9.7	8.3
Net Interest	949	927	927	1,000
Other Income	307	161	226	354
Profit before Tax	2,327	2,663	3,402	2,874
Margin (%)	6.6	7.0	8.0	6.7
Total Tax	1,387	853	1,142	1,035
Effective tax rate (%)	59.6	32.0	33.6	36.0
Profit after Tax	940	1,810	2,260	1,839
Minority interest	69	67	89	89
Share Profit from Associates	30	(120)	(132)	(215)
Adjusted PAT	901	1,623	2,040	1,535
YoY gr. (%)	(36.8)	(16.8)	(17.7)	(32.8)
Margin (%)	2.5	4.3	4.8	3.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	901	1,623	2,040	1,535
YoY gr. (%)	(36.8)	(16.8)	(17.7)	(32.8)
Margin (%)	2.5	4.3	4.8	3.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	901	1,623	2,040	1,535
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	6.3	22.1	14.2	10.7

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	53.0	60.7	81.4	116.9
CEPS	115.2	103.8	126.6	163.5
BVPS	391.1	436.0	497.9	599.1
FCF	67.9	25.1	46.1	79.0
DPS	11.4	13.7	17.1	13.7
Return Ratio(%)				
RoCE	20.2	17.8	23.6	29.1
ROIC	13.6	12.0	15.6	19.6
RoE	14.9	12.1	17.4	21.3
Balance Sheet				
Net Debt : Equity (x)	0.2	0.2	0.2	0.1
Net Working Capital (Days)	14	20	24	25
Valuation(x)				
PER	84.7	74.0	55.1	38.4
P/B	11.5	10.3	9.0	7.5
P/CEPS	39.0	43.2	35.4	27.4
EV/EBITDA	30.0	31.0	23.9	18.6
EV/Sales	4.5	3.9	3.4	2.9
Dividend Yield (%)	0.3	0.3	0.4	0.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Pharmacy	53,610	66,476	79,772	94,131
AHLL	13,125	12,600	14,112	15,805
Healthcare services	79,892	87,906	98,954	1,12,516

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	BUY	5,400	4,387
2	14-Nov-22	BUY	5,400	4,421
3	06-Oct-22	BUY	5,000	4,391
4	15-Aug-22	BUY	5,000	4,313
5	07-Jul-22	BUY	5,000	3,884
6	29-May-22	BUY	5,000	3,862
7	08-Apr-22	BUY	5,772	4,537
8	03-Mar-22	BUY	5,772	4,918

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,400	4,387
2	Aster DM Healthcare	BUY	265	228
3	Aurobindo Pharma	BUY	565	469
4	Cipla	BUY	1,280	1,035
5	Divi's Laboratories	Hold	2,700	2,884
6	Dr. Reddy's Laboratories	BUY	4,900	4,201
7	Eris Lifesciences	BUY	850	652
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	Accumulate	950	858
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