

February 7, 2019

Q3FY19 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	362		371	
Sales (Rs. m)	137,531	145,244	137,531	145,244
% Chng.	-	-	-	-
EBITDA (Rs. m)	29,638	31,591	27,589	29,063
% Chng.	7.4	8.7	-	-
EPS (Rs.)	21.1	22.7	19.5	20.7
% Chng.	8.1	9.4	-	-

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. m)	116,308	126,831	137,531	145,244
EBITDA (Rs. m)	25,419	26,888	29,638	31,591
Margin (%)	21.9	21.2	21.6	21.8
PAT (Rs. m)	17,758	19,023	21,635	23,194
EPS (Rs.)	17.3	18.6	21.1	22.7
Gr. (%)	19.4	7.1	13.7	7.2
DPS (Rs.)	1.5	1.5	1.5	1.5
Yield (%)	0.5	0.5	0.5	0.5
RoE (%)	22.6	20.9	20.8	18.7
RoCE (%)	15.4	15.2	16.2	15.9
EV/Sales (x)	3.1	2.8	2.5	2.3
EV/EBITDA (x)	14.4	13.4	11.8	10.7
PE (x)	18.6	17.3	15.2	14.2
P/BV (x)	3.8	3.5	2.9	2.5

Key Data

CADI.BO | CDH IN

52-W High / Low	Rs.434 / Rs.311
Sensex / Nifty	36,971 / 11,069
Market Cap	Rs.330bn / \$ 4,618m
Shares Outstanding	1,024m
3M Avg. Daily Value	Rs.682.07m

Shareholding Pattern (%)

Promoter's	74.91
Foreign	8.19
Domestic Institution	9.02
Public & Others	7.88
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.7)	(13.9)	(18.8)
Relative	(10.5)	(12.3)	(25.1)

Surajit Pal

surajitpal@plindia.com | 91-22-66322259

Q3 beats: US raises hope, M&A raises debt

With the launches of 15 generics and authorized generics (AG) of gAndroGel in US, the sales, EBITDA and PAT grew by 21%, 22% and 22% QoQ respectively. The major contribution of AG products in the incremental sales however decreased adj. gross margin by 360bps QoQ, while control over overhead costs increased adj. EBITDA margin by 200bps QoQ. A major revamp in India formulation business including rationalized product portfolio, reallocation of assets/ reps and re-allotment of sales territory helped to control employee costs and SGA expenses. Also R&D cost was lower and may go up with more number of clinical trials of complex drugs in FY20E.

While US business grew 46% (at local currency) QoQ with booster effect of AgAndroGel, gToprol XL, gPRevacid ODT, gTamiflu and gAsacol HD, its other key business in India formulations declined by 8% YoY. Management guided for large revamp in India formulations business and expect to match industry average growth in FY20E. CDH expects Zydus wellness contribution to increase to 10% of sales from 4% currently post integration of its acquired brands from Heinz.

There could be possibility of higher charge backs that could lead to reduce net realisation of core US sales in Q4FY19E mainly from competitive products such as Levorphanol and gLialda. There are however a potent pipeline of generics waiting to be approved in FY20E and FY21E such as gExelon transdermal patch and guidance of 40-60 ANDA launches. CDH trades at PER of 15.2x (FY20E) and 14.2x (FY21E) post price correction by 13% in last 90 days. While there remain to have hangover in valuation due to large debt obligations (Rs80bn) post Heinz acquisition, we maintain 'Accumulate' due to valuable product pipeline in US and lower base benefits in India formulations. We roll forward our base to FY21E with new TP of Rs362 (on PE 16x of FY21E earnings).

Key Conference call takeaways: a) US business growth guided to be robust in FY20E-21E. US sales were US\$276m in Q3FY19. b) New ANDA launches in Transdermal patches, nasal sprays, injectable and other complex products to be key growth drivers of US generics. c) CDH expects approval of Albendazole along with guidance of launch of 50 generics in US in FY20E. d) India formulations to grow at double-digit in FY20E. We estimate 10% and 8% YoY growth in India formulations sales for CDH in FY20E and FY21E respectively.

Exhibit 1: Q3FY19 Result Overview (Rs m)

Y/e March	Q3FY19	Q3FY18	YoY gr. (%)	Q2FY19	9MFY19	9MFY18	YoY gr. (%)
Net Sales	35,779	32,599	9.8	29,612	94,328	87,287	8.1
Raw Material	13,522	11,183	20.9	9,919	33,307	30,437	9.4
<i>% of Net Sales</i>	<i>37.8</i>	<i>34.3</i>		<i>33.5</i>	<i>35.3</i>	<i>34.9</i>	
Personnel Cost	5,240	4,655	12.6	5,212	15,718	13,586	15.7
<i>% of Net Sales</i>	<i>14.6</i>	<i>14.3</i>		<i>17.6</i>	<i>16.7</i>	<i>15.6</i>	
Others	8,618	8,175	5.4	7,603	23,576	23,340	1.0
<i>% of Net Sales</i>	<i>24.1</i>	<i>25.1</i>		<i>25.7</i>	<i>25.0</i>	<i>26.7</i>	
Total Expenditure	27,380	24,013	14.0	22,734	72,601	67,363	7.8
EBITDA	8,399	8,586	(2.2)	6,878	21,727	19,924	9.0
<i>Margin (%)</i>	<i>23.5</i>	<i>26.3</i>		<i>23.2</i>	<i>23.0</i>	<i>22.8</i>	
Depreciation	1,537	1,469	4.6	1,475	4,430	3,952	12.1
EBIT	6,862	7,117	(3.6)	5,403	17,297	15,972	8.3
Other Income	310	257	20.6	304	1,627	692	135.1
Interest	455	134	239.6	357	1,162	758	53.3
PBT	6,717	7,240	(7.2)	5,350	17,762	15,906	11.7
Extra-Ord. Inc./Exps.	24	21	14.3	(72)	(161)	(145)	11.0
Total Taxes	1,586	1,786	(11.2)	1,247	4,036	4,202	(4.0)
<i>ETR (%)</i>	<i>23.6</i>	<i>24.7</i>		<i>23.3</i>	<i>22.7</i>	<i>26.4</i>	
Reported PAT	5,107	5,433	(6.0)	4,175	13,887	11,849	17.2

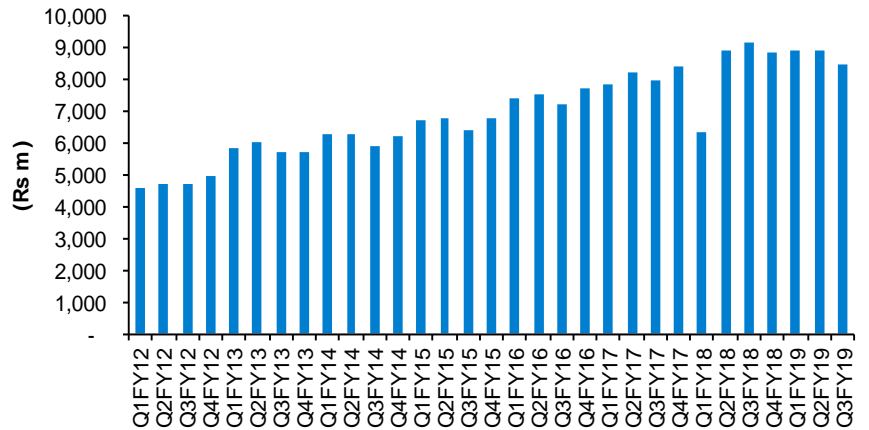
Source: Company, PL

Exhibit 2: Major Sources of Revenues

Major Sources of Revenues	Q3FY19	Q3FY18	YoY gr. (%)	Q2FY19	9MFY19	9MFY18	YoY gr. (%)
Domestic	12,457	12,818	(2.8)	12,516	37,531	34,195	9.8
<i>% of Net Sales</i>	<i>35.4</i>	<i>40.3</i>		<i>44.0</i>	<i>41.1</i>	<i>40.3</i>	
Formulation	8,457	9,168	(7.8)	8,932	26,315	24,487	7.5
<i>% of Net Sales</i>	<i>24.1</i>	<i>28.8</i>		<i>31.4</i>	<i>28.8</i>	<i>28.9</i>	
API	1,300	1,137	14.3	890	3,285	2,756	19.2
<i>% of Net Sales</i>	<i>3.7</i>	<i>3.6</i>		<i>3.1</i>	<i>3.6</i>	<i>3.3</i>	
Consumer HC & Others	1,419	1,291	9.9	1,348	4,055	3,636	11.5
<i>% of Net Sales</i>	<i>4.0</i>	<i>4.1</i>		<i>4.7</i>	<i>4.4</i>	<i>4.3</i>	
Animal Healthcare	1,281	1,222	4.8	1,346	3,876	3,316	16.9
<i>% of Net Sales</i>	<i>3.6</i>	<i>3.8</i>		<i>4.7</i>	<i>4.2</i>	<i>3.9</i>	
Exports	22,704	18,981	19.6	15,925	53,759	50,586	6.3
<i>% of Net Sales</i>	<i>64.6</i>	<i>59.7</i>		<i>56.0</i>	<i>58.9</i>	<i>59.7</i>	
Formulation	22,179	18,451	20.2	15,758	52,814	49,409	6.9
<i>% of Net Sales</i>	<i>63.1</i>	<i>58.0</i>		<i>55.4</i>	<i>57.9</i>	<i>58.3</i>	
North America	19,341	15,838	22.1	13,204	44,841	41,924	7.0
EU	595	649	(8.3)	520	1,733	1,801	(3.8)
LatAM	836	758	10.3	719	2,312	2,079	11.2
Emerging markets	1,407	1,206	16.7	1,315	3,928	3,605	8.9
Income from JVs							
<i>% of Net Sales</i>	<i>525</i>	<i>530</i>	<i>(0.9)</i>	<i>167</i>	<i>945</i>	<i>1,177</i>	<i>(19.7)</i>
Total Sales	1.5	1.7		0.6	1.0	1.4	

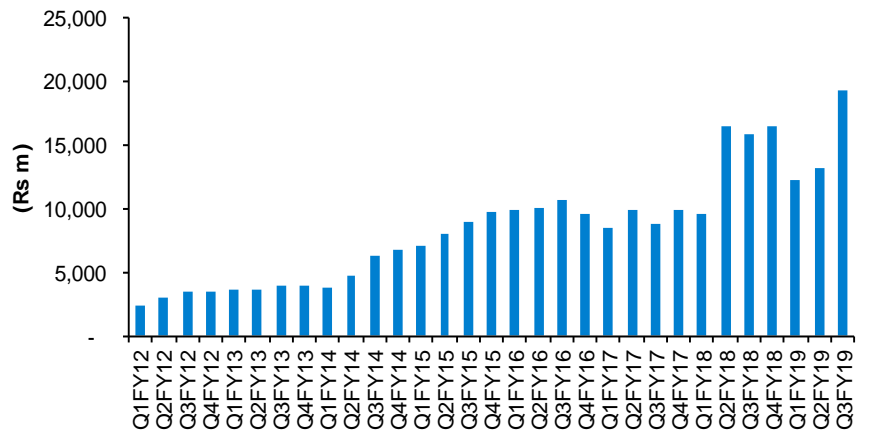
Source: Company, PL

Exhibit 3: India formulations



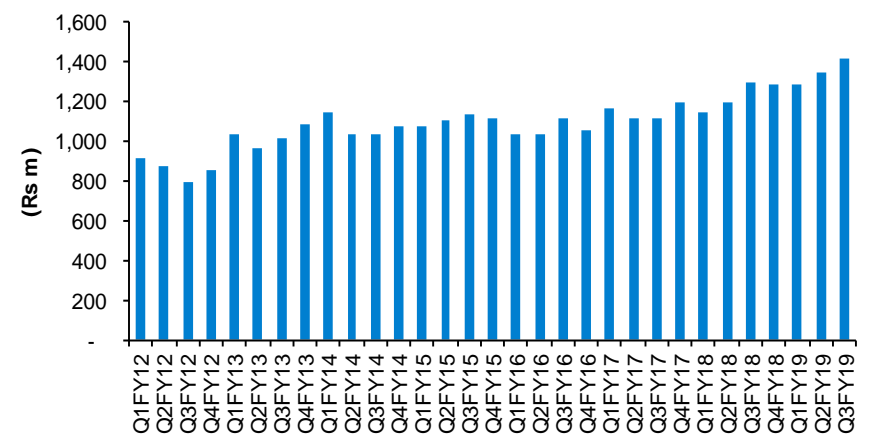
Source: Company, PL

Exhibit 4: US Generics



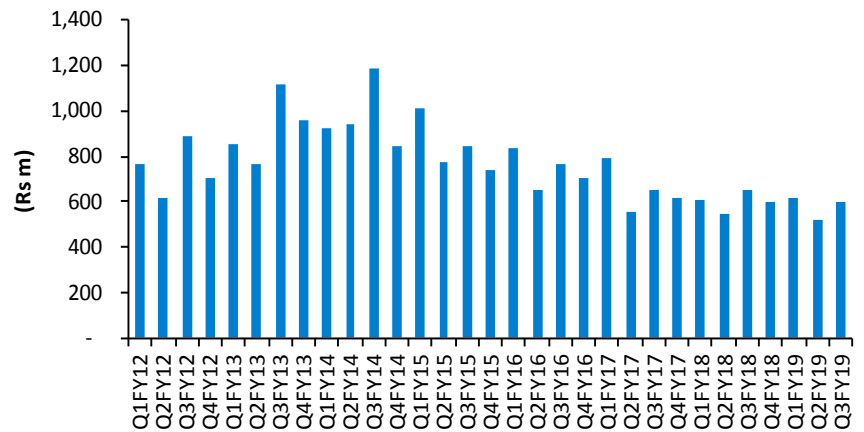
Source: Company, PL

Exhibit 5: Consumer Healthcare business remains steady QoQ in Q1FY19



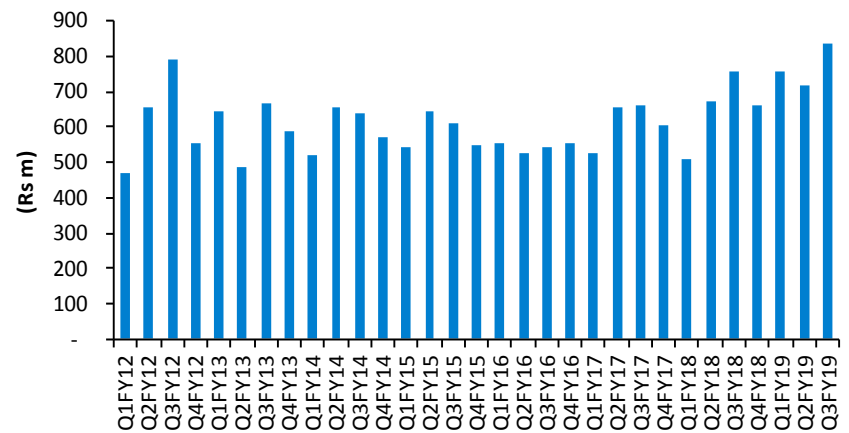
Source: Company, PL

Exhibit 6: EU sales



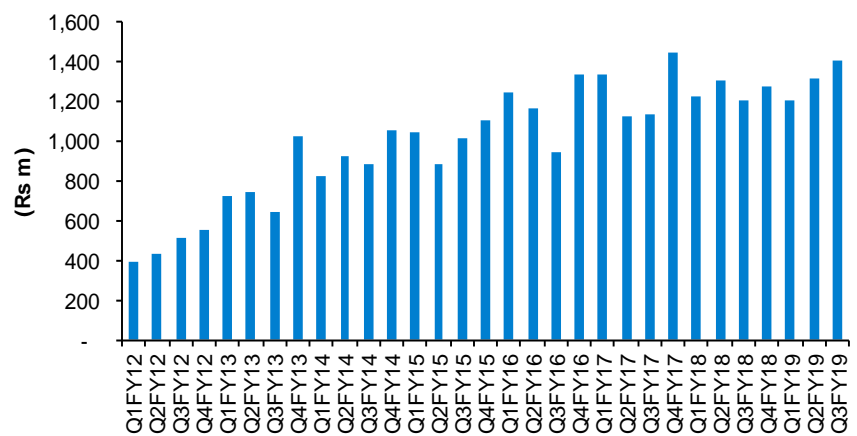
Source: Company, PL

Exhibit 7: LatAm sales



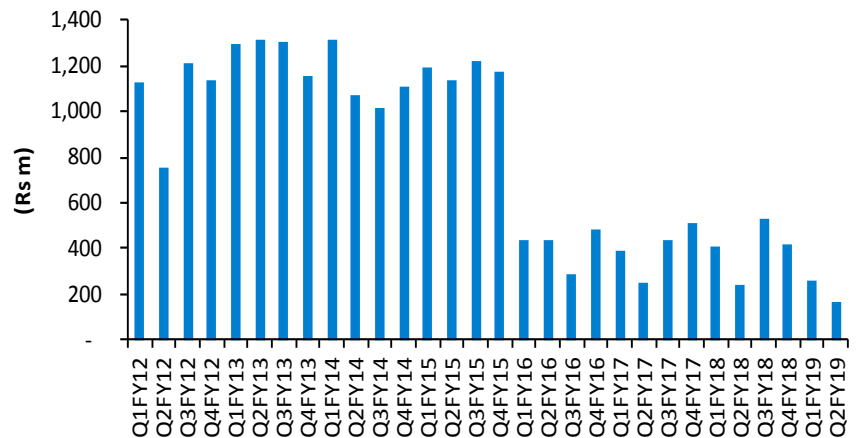
Source: Company, PL

Exhibit 8: Emerging market sales



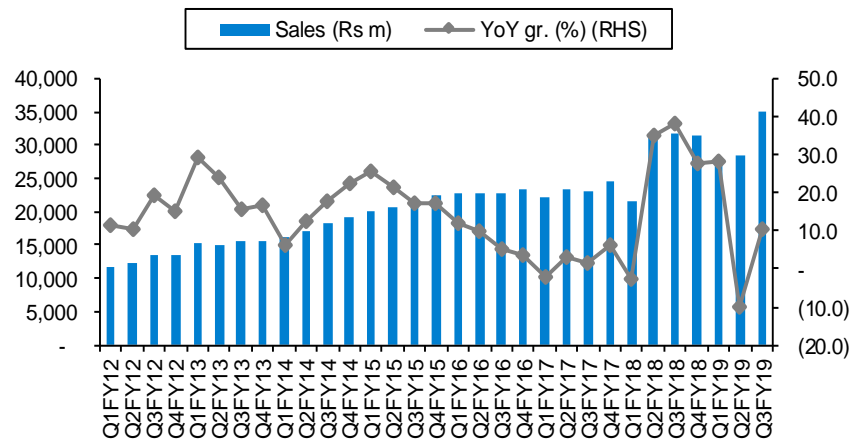
Source: Company, PL

Exhibit 9: Income from JVs



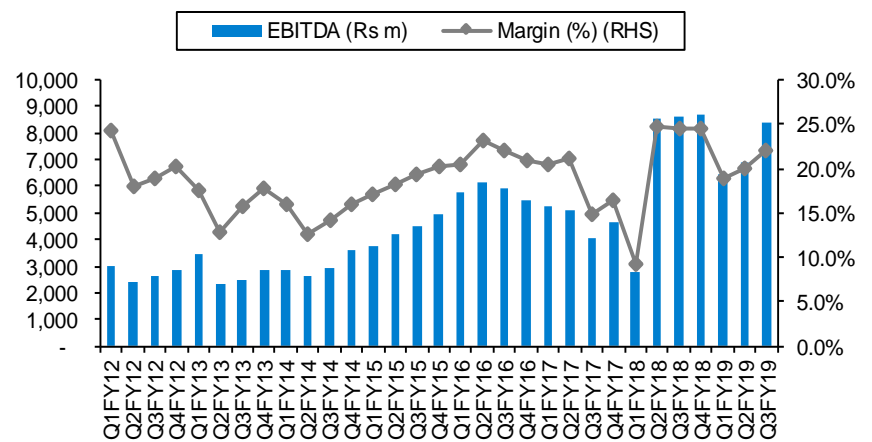
Source: Company, PL

Exhibit 10: Overall sales and growth



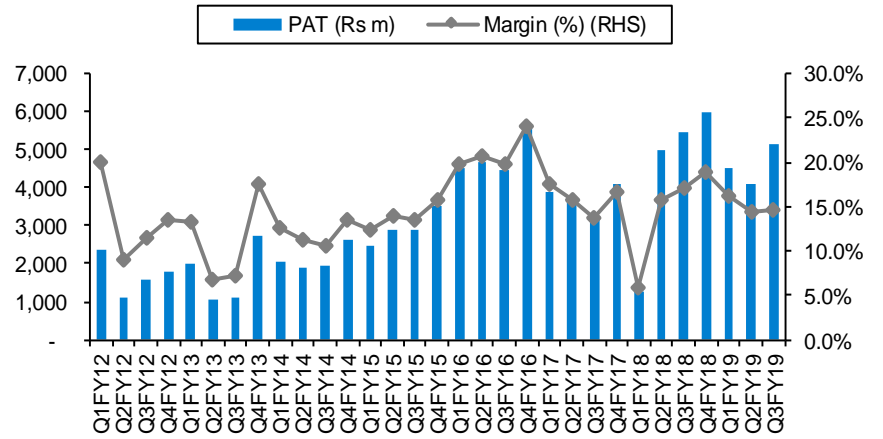
Source: Company, PL

Exhibit 11: EBITDA



Source: Company, PL

Exhibit 12: PAT and PAT margin



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	116,308	126,831	137,531	145,244
YoY gr. (%)	23.5	9.0	8.4	5.6
Cost of Goods Sold	41,535	42,235	45,729	49,020
Gross Profit	74,773	84,596	91,802	96,224
Margin (%)	64.3	66.7	66.8	66.3
Employee Cost	18,545	20,293	21,730	22,658
Other Expenses	8,634	9,766	10,727	11,184
EBITDA	25,419	26,888	29,638	31,591
YoY gr. (%)	50.1	5.8	10.2	6.6
Margin (%)	21.9	21.2	21.6	21.8
Depreciation and Amortization	5,388	5,912	6,367	6,716
EBIT	20,031	20,977	23,271	24,875
Margin (%)	17.2	16.5	16.9	17.1
Net Interest	911	1,603	1,229	939
Other Income	4,188	4,946	4,951	5,011
Profit Before Tax	23,308	24,320	26,993	28,946
Margin (%)	20.0	19.2	19.6	19.9
Total Tax	5,644	5,594	5,668	6,079
Effective tax rate (%)	24.2	23.0	21.0	21.0
Profit after tax	17,664	18,727	21,324	22,868
Minority interest	(282)	(296)	(311)	(326)
Share Profit from Associate	-	-	-	-
Adjusted PAT	17,758	19,023	21,635	23,194
YoY gr. (%)	19.4	7.1	13.7	7.2
Margin (%)	15.3	15.0	15.7	16.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	17,758	19,023	21,635	23,194
YoY gr. (%)	19.4	7.1	13.7	7.2
Margin (%)	15.3	15.0	15.7	16.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	17,758	19,023	21,635	23,194
Equity Shares O/s (m)	1,024	1,024	1,024	1,024
EPS (Rs)	17.3	18.6	21.1	22.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block	79,690	89,690	99,690	109,690
Tangibles	59,807	67,107	74,407	81,707
Intangibles	19,883	22,583	25,283	27,983
Acc: Dep / Amortization	28,717	34,629	40,996	47,712
Tangibles	21,650	25,855	30,224	34,858
Intangibles	7,067	8,774	10,771	12,854
Net fixed assets	50,973	55,061	58,694	61,978
Tangibles	38,157	41,252	44,183	46,849
Intangibles	12,816	13,809	14,512	15,129
Capital Work In Progress	15,272	15,272	15,272	15,272
Goodwill	13,853	13,853	13,853	13,853
Non-Current Investments	6,238	6,009	5,814	5,648
Net Deferred tax assets	6,425	7,596	7,056	6,477
Other Non-Current Assets	2,774	2,358	2,004	1,704
Current Assets				
Investments	2,748	2,748	2,748	2,748
Inventories	23,853	24,671	26,753	28,253
Trade receivables	32,063	28,841	31,274	33,028
Cash & Bank Balance	13,149	9,734	12,780	16,623
Other Current Assets	6,744	5,732	6,592	7,581
Total Assets	180,543	177,694	190,288	202,812
Equity				
Equity Share Capital	1,024	1,024	1,024	1,024
Other Equity	86,421	93,533	112,747	133,521
Total Network	87,445	94,557	113,771	134,545
Non-Current Liabilities				
Long Term borrowings	25,551	20,441	16,353	13,082
Provisions	1,559	1,091	764	535
Other non current liabilities	13	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	25,575	21,739	19,565	15,652
Trade payables	18,884	22,239	24,115	25,468
Other current liabilities	16,261	14,430	12,917	11,122
Total Equity & Liabilities	180,543	177,694	190,288	202,812

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	23,120	24,320	26,993	28,946
Add. Depreciation	5,388	5,912	6,367	6,716
Add. Interest	911	1,603	1,229	939
Less Financial Other Income	4,188	4,946	4,951	5,011
Add. Other	(9,985)	(976)	630	741
Op. profit before WC changes	19,434	30,858	35,219	37,343
Net Changes-WC	(12,336)	3,733	(6,640)	(6,885)
Direct tax	(6,436)	(6,080)	(6,208)	(6,658)
Net cash from Op. activities	662	28,511	22,371	23,800
Capital expenditures	(10,143)	(10,000)	(10,000)	(10,000)
Interest / Dividend Income	22	22	22	22
Others	852	-	-	-
Net Cash from Inv. activities	(9,269)	(9,978)	(9,978)	(9,978)
Issue of share cap. / premium	-	-	-	-
Debt changes	(946)	(8,946)	(6,262)	(7,184)
Dividend paid	(1,855)	(1,855)	(1,855)	(1,855)
Interest paid	(911)	(1,603)	(1,229)	(939)
Others	-	-	-	-
Net cash from Fin. activities	(3,712)	(12,405)	(9,347)	(9,978)
Net change in cash	(12,320)	6,128	3,046	3,843
Free Cash Flow	(9,481)	18,511	12,371	13,800

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Net Revenue	32,502	28,937	29,612	35,779
YoY gr. (%)	28.7	29.5	(8.4)	9.8
Raw Material Expenses	10,833	9,866	9,919	13,522
Gross Profit	21,669	19,071	19,693	22,257
Margin (%)	66.7	65.9	66.5	62.2
EBITDA	8,704	6,450	6,878	8,399
YoY gr. (%)	1.4	(25.9)	6.6	22.1
Margin (%)	26.8	22.3	23.2	23.5
Depreciation / Depletion	1,440	1,418	1,475	1,537
EBIT	7,264	5,032	5,403	6,862
Margin (%)	22.3	17.4	18.2	19.2
Net Interest	154	350	357	455
Other Income	287	1,013	304	310
Profit before Tax	7,397	5,695	5,350	6,717
Margin (%)	22.8	19.7	18.1	18.8
Total Tax	1,442	1,203	1,247	1,586
Effective tax rate (%)	19.5	21.1	23.3	23.6
Profit after Tax	5,955	4,492	4,103	5,131
Minority interest	(112)	(113)	(72)	24
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,908	4,605	4,175	5,107
YoY gr. (%)	53.3	233.0	(17.0)	(6.0)
Margin (%)	18.2	15.9	14.1	14.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,908	4,605	4,175	5,107
YoY gr. (%)	53.3	233.0	(17.0)	(6.0)
Margin (%)	18.2	15.9	14.1	14.3
Other Comprehensive Income	(316)	(1,176)	(1,625)	842
Total Comprehensive Income	5,592	3,429	2,550	5,949
Avg. Shares O/s (m)	1,024	1,024	1,024	1,024
EPS (Rs)	5.8	4.5	4.1	5.0

Source: Company Data, PL Research

Key Financial Metrics

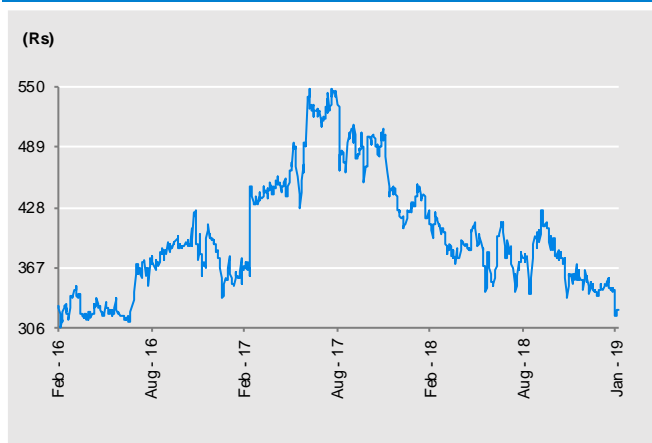
Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	17.3	18.6	21.1	22.7
CEPS	22.6	24.3	27.3	29.2
BVPS	85.4	92.3	111.1	131.4
FCF	(9.3)	18.1	12.1	13.5
DPS	1.5	1.5	1.5	1.5
Return Ratio(%)				
RoCE	15.4	15.2	16.2	15.9
ROIC	13.3	12.9	14.4	14.3
RoE	22.6	20.9	20.8	18.7
Balance Sheet				
Net Debt : Equity (x)	0.4	0.3	0.2	0.1
Net Working Capital (Days)	116	90	90	90
Valuation(x)				
PER	18.6	17.3	15.2	14.2
P/B	3.8	3.5	2.9	2.5
P/CEPS	14.2	13.2	11.8	11.0
EV/EBITDA	14.4	13.4	11.8	10.7
EV/Sales	3.1	2.8	2.5	2.3
Dividend Yield (%)	0.5	0.5	0.5	0.5

Source: Company Data, PL Research

Key Operating Metrics (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
US Formulations	36,603	56,462	63,140	68,191
Domestic Formulations	32,650	33,727	37,437	41,181
Consumer Healthcare	4,643	4,980	5,174	5,376
Income from JVs	1,600	1,792	986	1,055

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	9-Feb-18	Accumulate	476	405
2	13-Apr-18	Accumulate	476	391
3	26-May-18	Accumulate	438	383
4	10-Jul-18	Accumulate	437	387
5	13-Aug-18	Accumulate	437	354
6	5-Oct-18	Accumulate	437	383
7	5-Nov-18	Accumulate	371	359
8	7-Jan-19	Accumulate	371	349

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aurobindo Pharma	BUY	994	770
2	Cadila Healthcare	Accumulate	371	349
3	Cipla	Reduce	475	535
4	Dr. Lal PathLabs	Accumulate	1,009	948
5	Dr. Reddy's Laboratories	Reduce	2,558	821
6	Eris Lifesciences	Accumulate	695	678
7	Glenmark Pharmaceuticals	Reduce	528	654
8	Indoco Remedies	Reduce	111	186
9	Ipca Laboratories	BUY	899	784
10	Jubilant Life Sciences	Accumulate	822	714
11	Lupin	Reduce	820	842
12	Sun Pharmaceutical Industries	Reduce	464	431
13	Thyrocare Technologies	BUY	795	541

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. Surajit Pal- PGDBA, CFA, M.Com 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. Surajit Pal- PGDBA, CFA, M.Com 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 | Bloomberg Research Page: PRLD <GO>