

**BUY**

TP: Rs 1,130 | ▲ 18%

**SUN PHARMA**

| Pharmaceuticals

| 30 May 2023

**gRevlimid yields margin surprise; raise to BUY post correction**

- Q4 revenue in line but adj. PAT 9% above consensus at Rs 21.8bn (+46% YoY) on account of strong margins
- Better product mix and gRevlimid launch led to a beat on gross/EBITDA margins which expanded 630bps/280bps YoY
- TP revised to Rs 1,130 (vs. Rs 1,100) on rollover; upgrade to BUY from HOLD given 8% stock correction over the last 6M

Saad Shaikh

research@bobcaps.in

**Broad-based growth:** SUNP posted a strong topline performance in Q4FY23 with growth across geographies, further supported by specialty ramp-up and the gRevlimid launch. Consolidated revenue increased 16% YoY (-3% QoQ) to Rs 109bn led by the US (+21% YoY), India (+9%), EM (+18%), and ROW (+17%).

**Ilumya now accounts for over half of global specialty business:** Specialty business revenue grew 32% YoY to US\$ 244mn (including milestone payment of US\$ 6.8mn), led by Ilumya, Cequa and Winlevi. For the full year, global Ilumya sales climbed 51% YoY to US\$ 477mn, accounting for 55% of global specialty business in FY23 (vs. 47% in FY22). The company launched gRevlimid in the US during the quarter and saw a meaningful revenue contribution. Total US sales grew 10% YoY CC to US\$ 430mn (+15% YoY and flat QoQ ex-Taro). Taro sales increased 7% QoQ to US\$ 147mn.

**India business continues to beat the market:** India revenue grew 9% YoY (10% ex-Covid sales in the base quarter). On account of recent field force addition and new launches (24 in India during Q4), management expects India business to continue to grow above the market.

**Better product mix and gRevlimid launch buoy margins:** Gross/EBITDA margin expanded 630bps/280bps YoY to 79.4%/25.9%, supported by a better product mix from higher specialty sales and the gRevlimid launch. Management expects gross margin to normalise in Q1FY24.

**Valuations attractive; raise to BUY:** Management has guided for higher single digit growth in revenue for FY24 and normalization in gross margin down from Q4FY23 levels. On tweaking our estimates considering management guidance, our FY24 EPS estimate is lowered by 9%. On rolling valuations forward to FY25E, our TP stands revised to Rs 1,130 (vs. Rs. 1,100), based on an unchanged 18.5x FY25E EV/EBITDA multiple – a 20% premium to the 5Y average. The stock has corrected ~8% over the past six months and is currently trading at attractive levels of 17.9x/15.5x FY24E/FY25E EV/EBITDA. Thus, upgrade from HOLD to BUY.

**Key changes**

Target	Rating
▲	▲

Ticker/Price	SUNP IN/Rs 960
Market cap	US\$ 28.0bn
Free float	45%
3M ADV	US\$ 27.0mn
52wk high/low	Rs 1,072/Rs 790
Promoter/FPI/DII	54%/12%/22%

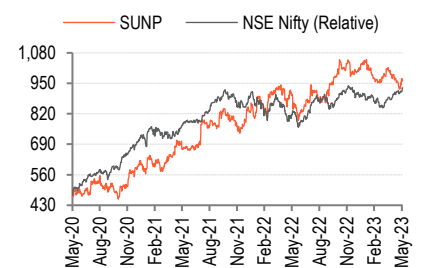
Source: NSE | Price as of 30 May 2023

**Key financials**

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	4,32,789	4,83,062	5,32,693
EBITDA (Rs mn)	1,16,468	1,21,416	1,39,218
Adj. net profit (Rs mn)	86,451	93,113	1,08,130
Adj. EPS (Rs)	36.0	38.8	45.1
Consensus EPS (Rs)	36.0	38.2	44.5
Adj. ROAE (%)	15.7	14.7	15.1
Adj. P/E (x)	26.6	24.7	21.3
EV/EBITDA (x)	18.5	17.7	15.3
Adj. EPS growth (%)	12.5	7.7	16.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

**Stock performance**



Source: NSE



**Fig 1 – Quarterly performance**

(Rs mn)	Q4FY23	Q3FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
<b>Net Sales</b>	<b>1,09,307</b>	<b>94,468</b>	<b>15.7</b>	<b>1,12,410</b>	<b>(2.8)</b>	<b>4,38,857</b>	<b>3,86,545</b>	<b>13.5</b>
<b>EBITDA</b>	<b>28,293</b>	<b>21,794</b>	<b>29.8</b>	<b>30,069</b>	<b>(5.9)</b>	<b>1,17,729</b>	<b>1,02,438</b>	<b>14.9</b>
Depreciation	6,715	5,565	20.7	6,600	1.8	25,294	21,437	-
EBIT	21,578	16,229	33.0	23,469	(8.1)	92,435	81,000	14.1
Interest	927	373	148.4	462	100.8	1,720	1,274	-
Other Income	3,733	1,136	228.6	1,739	11468%	6,345	9,215	-
<b>PBT</b>	<b>24,383</b>	<b>16,991</b>	<b>43.5</b>	<b>24,746</b>	<b>(1.5)</b>	<b>97,060</b>	<b>88,942</b>	<b>9.1</b>
Less: Taxation	2,229	1,468	-	2,834	-	8,476	10,755	-
Less: Minority Interest	323	549	-	220	-	873	1,331	-
<b>Recurring PAT</b>	<b>21,831</b>	<b>14,975</b>	<b>45.8</b>	<b>21,691</b>	<b>0.6</b>	<b>87,711</b>	<b>76,856</b>	<b>14.1</b>
Exceptional items	(1,986)	(37,747)	-	(31)	-	(2,976)	(44,129)	-
<b>Reported PAT</b>	<b>19,845</b>	<b>(22,773)</b>	<b>(187.1)</b>	<b>21,660</b>	<b>(8.4)</b>	<b>84,736</b>	<b>32,727</b>	<b>158.9</b>
<b>Key Ratios (%)</b>			<b>(bps)</b>		<b>(bps)</b>			<b>(bps)</b>
Gross Margin	79.4	73.1	630	75.1	436	75.7	73.2	248
EBITDA Margin	25.9	23.1	281	26.7	(86)	26.8	26.5	33
Tax / PBT	9.1	8.6	-	11.5	-	8.7	12.1	-
NPM	20.0	15.9	-	19.3	-	20.0	19.9	-
EPS (Rs)	9.1	6.2	-	9.0	-	36.6	32.0	-

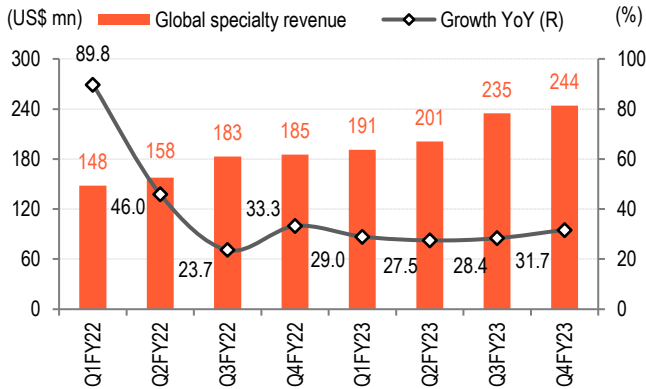
Source: Company, BOBCAPS Research

**Fig 2 – Revenue mix**

(Rs mn)	Q4FY23	Q3FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
<b>Formulation</b>	<b>1,02,932</b>	<b>89,083</b>	<b>15.5</b>	<b>1,05,299</b>	<b>(2.2)</b>	<b>4,10,786</b>	<b>3,63,306</b>	<b>13.1</b>
Domestic	33,641	30,956	8.7	33,919	(0.8)	1,36,031	1,27,593	6.6
Exports	69,291	58,127	19.2	71,380	(2.9)	2,74,755	2,35,712	16.6
US	35,343	29,246	20.8	34,660	2.0	1,35,353	1,13,737	19.0
EM	18,204	15,475	17.6	21,158	(14.0)	78,977	67,432	17.1
ROW	15,744	13,407	17.4	15,563	1.2	60,426	54,545	10.8
<b>APIs and others</b>	<b>4,324</b>	<b>4,777</b>	<b>(9.5)</b>	<b>5,703</b>	<b>(24.2)</b>	<b>22,003</b>	<b>20,958</b>	<b>5.0</b>
<b>Net Sales</b>	<b>1,07,256</b>	<b>93,860</b>	<b>14.3</b>	<b>1,11,001</b>	<b>(3.4)</b>	<b>4,32,789</b>	<b>3,84,264</b>	<b>12.6</b>
Other operating income	2,051	607	237.7	1,408	45.6	6,068	2,281	166.0
<b>Revenue</b>	<b>1,09,307</b>	<b>94,468</b>	<b>15.7</b>	<b>1,12,410</b>	<b>(2.8)</b>	<b>4,38,857</b>	<b>3,86,545</b>	<b>13.5</b>
USDINR	82.3	75.2	9.4	82.2	0.1	80	74.5	7.9
US revenue (US\$ mn)	430	389	10.5	422	1.9	1,684	1,527	10.3

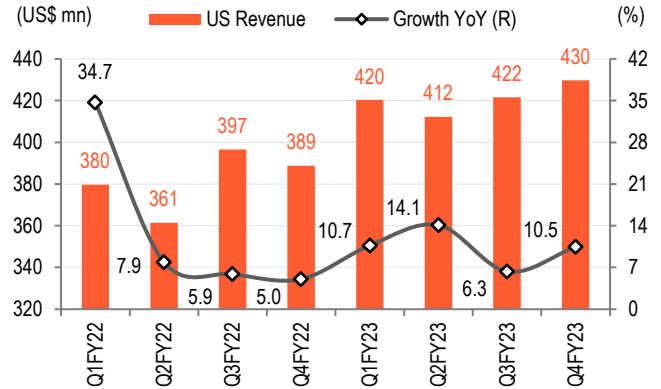
Source: Company, BOBCAPS Research

**Fig 3 – Global specialty revenue**



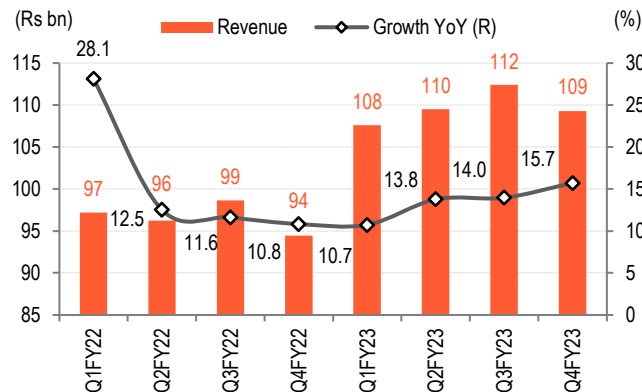
Source: Company, BOBCAPS Research

**Fig 4 – US revenue**



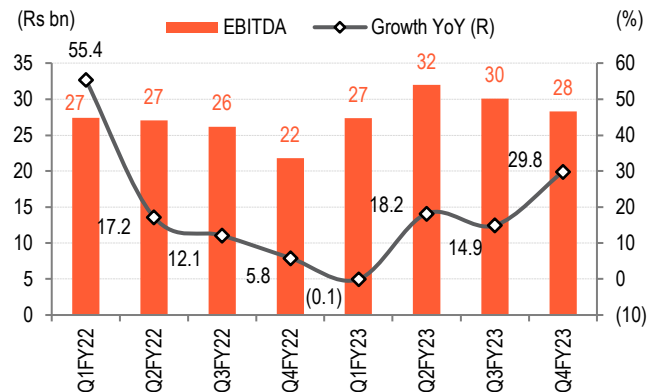
Source: Company, BOBCAPS Research

**Fig 5 – Revenue growth**



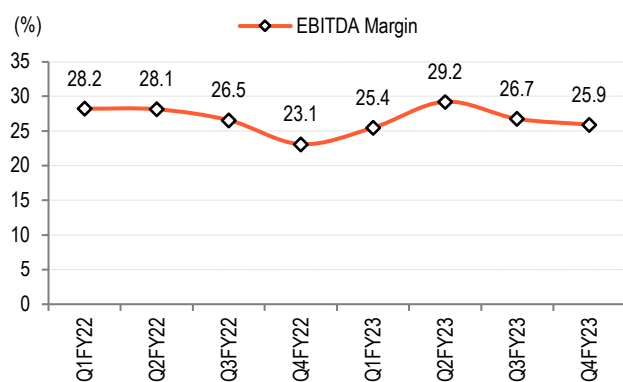
Source: Company, BOBCAPS Research

**Fig 6 – EBITDA growth**



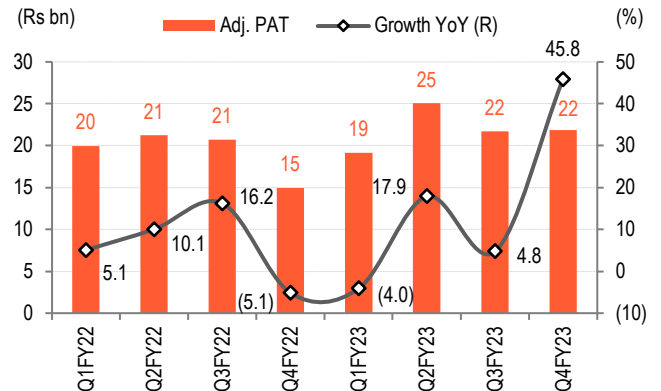
Source: Company, BOBCAPS Research

**Fig 7 – EBITDA margin**



Source: Company, BOBCAPS Research

**Fig 8 – Adj. PAT growth**



Source: Company, BOBCAPS Research

## Earnings call highlights

- **Guidance:** Consolidated Q4FY23 revenue increased a strong 16% YoY (-3% QoQ) to Rs 109bn backed by broad-based growth across geographies. FY23 revenue came in at Rs 439bn (+14% YoY), and SUNP has conservatively guided for high-single-digit growth for FY24, to be led by specialty business from Ilumya, Cequa and Winlevi.
- **Global specialty business:** Global specialty revenue saw a ramp-up to US\$ 244mn (+32% YoY) in Q4FY23 and US\$ 871mn (+29%) in FY23. Excluding a milestone payment of US\$ 6.8mn received in Q4, growth for the quarter was at 28% YoY.
  - **Ilumya:** Global Ilumya sales stood at US\$ 477mn in FY23, growing 51% YoY.
  - **Sezaby:** Unlike Ilumya, Sezaby addresses a niche market and hence will not match Ilumya's scale. The company is reaching out to hospitals and formularies to increase coverage.
  - **Deuruxolitinib:** Despite the setback on Deuruxolitinib (acquired from Concert Pharma) due to a partial hold for the 12mg dose by the USFDA, the company believes that the 8mg dosage is still better than competition in terms of efficacy.
- **US formulations:** US revenue grew 2% QoQ and 10% YoY to US\$ 430mn in Q4FY23 on the back of specialty business (Ilumya, Cequa and Winlevi) and the launch of gRevlimid and Sezaby during the quarter. Market share gains in certain products were offset by the full-quarter impact of the Halol plant import alert. SUNP ended the year at US revenue of US\$ 1.7bn, up 10% YoY.
- **ANDA:** SUNP's portfolio consists of 519 approved ANDAs (abbreviated new drug applications) and 97 that are awaiting USFDA approval, including 28 that have tentative approvals. Additionally, the portfolio includes 54 approved NDAs and 13 that are awaiting approval.
- **US generics market:** SUNP does not foresee any stabilisation of pricing for itself or peers in the US market and anticipates low-to-negative growth ahead.
- **Other operating income:** Benefits from the PLI (production-linked incentive) scheme aided higher other operating income of Rs 2bn in Q4.
- **Concert Pharma acquisition:** The acquisition will be amortised over 8-15 years. Goodwill increased primarily on account of this deal while debt rose as the company sought bridge funding for the same.
- **R&D spend:** R&D investment in Q4 was at 6.1% of revenue (Rs 6.6bn) compared to 5.8%/5.8% in Q3FY23/Q4FY22. SUNP intends to raise R&D investment for specialty as well as generics business and plans for a range of 7-8% of sales considering Ilumya trials, GLP-1 as well as the acquired drugs from Concert Pharma.
- **Mohali plant:** SUNP has already received the establishment inspection report (EIR) and will gradually be able to reintroduce products from Mohali (Punjab).

- **Taro Acquisition:** Sun Pharma has announced its intention to acquire all the remaining shares of Taro Pharmaceuticals Industries. The acquisition will be at a price of USD 38 per share, representing a premium of 31.2% over the closing price on May 25. The total cost for acquiring the remaining 8.1 million shares is estimated to be around USD 307 million.
- The proposed transaction will involve an all-cash deal and will be structured as a reverse triangular merger under Israeli law. Sun Pharma plans to create a wholly owned subsidiary (SPV) and merge it with Taro, resulting in Taro becoming a wholly owned subsidiary of Sun Pharma and being delisted from the New York Stock Exchange. Sun Pharma aims to complete the transaction quickly.

## Valuation methodology

On tweaking our estimates considering management guidance, our FY24 EPS estimate is lowered by 9%. On rolling valuations forward to FY25E, our TP stands revised to Rs 1,130 (vs. Rs. 1,100), based on an unchanged 18.5x FY25E EV/EBITDA multiple – a 20% premium to the five-year average. The stock has corrected ~8% over the past six months and is currently trading at attractive levels of 17.9x/15.5x FY24E/FY25E EV/EBITDA. We thus upgrade our rating from HOLD to BUY.

**Fig 9 – Revised estimates**

(Rs bn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	483.1	532.7	482.0	NA	0.2	-
EBITDA	121.4	139.2	131.6	NA	(7.8)	-
EBITDA margin (%)	25.1	26.1	27.3	NA	(218bps)	-
EPS (Rs)	38.8	45.1	42.8	NA	(9.3)	-

Source: BOBCAPS Research

**Fig 10 – Key assumptions**

Parameter	FY23A	FY24E	FY25E
<b>Formulation</b>	<b>410.8</b>	<b>459.3</b>	<b>506.4</b>
Domestic	136.0	150.1	165.9
Export	274.8	309.1	340.5
US	135.4	155.2	172.9
EM	79.0	86.9	95.6
ROW	60.4	67.0	72.1
<b>API</b>	<b>19.7</b>	<b>21.3</b>	<b>23.4</b>
Others	2.3	2.5	2.9

Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- continued regulatory hindrances of plants under USFDA scrutiny,
- further deterioration in generic pricing environment in the US, and
- lower share and heightened competition for gRevlimid

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Ajanta Pharma	AJP IN	2.0	1,299	1,520	BUY
Alembic Pharma	ALPM IN	1.3	555	615	HOLD
Alkem Labs	ALKEM IN	4.9	3,359	3,000	SELL
Cipla	CIPLA IN	9.4	960	1,170	BUY
Divi's Labs	DIVI IN	11.2	3,458	3,200	HOLD
Dr Reddy's Labs	DRRD IN	9.2	4,519	4,900	HOLD
Eris Lifesciences	ERIS IN	1.0	631	800	BUY
Glenmark Life Sciences	GLS IN	0.8	537	600	BUY
Laurus Labs	LAURUS IN	2.2	332	340	HOLD
Lupin	LPC IN	4.4	804	700	HOLD
Sun Pharma	SUNP IN	28.0	960	1,130	BUY

Source: BOBCAPS Research, NSE | Price as of 30 May 2023

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
<b>Total revenue</b>	<b>3,32,331</b>	<b>3,84,265</b>	<b>4,32,789</b>	<b>4,83,062</b>	<b>5,32,693</b>
EBITDA	84,913	1,02,438	1,16,468	1,21,416	1,39,218
Depreciation	20,800	21,437	25,294	26,663	28,032
EBIT	64,113	81,001	91,174	94,753	1,11,186
Net interest inc./(exp.)	(1,414)	(1,274)	(1,720)	(1,641)	(1,566)
Other inc./(exp.)	8,355	9,215	6,345	15,220	16,783
Exceptional items	0	0	0	0	0
EBT	71,054	88,942	95,799	1,08,332	1,26,403
Income taxes	5,147	10,755	8,476	13,541	16,432
Extraordinary items	(43,061)	(44,129)	(1,715)	0	0
Min. int./Inc. from assoc.	(6,191)	1,331	873	1,678	1,841
<b>Reported net profit</b>	<b>29,038</b>	<b>32,728</b>	<b>84,736</b>	<b>93,113</b>	<b>1,08,130</b>
Adjustments	43,061	44,129	1,715	0	0
<b>Adjusted net profit</b>	<b>72,099</b>	<b>76,856</b>	<b>86,451</b>	<b>93,113</b>	<b>1,08,130</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Accounts payables	39,737	44,793	56,815	50,562	53,582
Other current liabilities	54,349	34,479	31,628	31,660	31,695
Provisions	49,098	95,169	56,973	62,327	68,217
Debt funds	38,666	12,903	68,859	65,696	62,691
Other liabilities	0	0	0	0	0
Equity capital	2,399	2,399	2,399	2,399	2,399
Reserves & surplus	4,92,399	5,08,263	5,90,755	6,68,289	7,58,298
Shareholders' fund	4,94,798	5,10,662	5,93,154	6,70,688	7,60,697
<b>Total liab. and equities</b>	<b>6,76,667</b>	<b>6,98,005</b>	<b>8,07,429</b>	<b>8,80,934</b>	<b>9,76,882</b>
Cash and cash eq.	64,455	50,333	57,930	1,17,951	1,94,595
Accounts receivables	90,614	1,05,929	1,14,385	1,23,538	1,36,230
Inventories	89,970	89,968	1,05,131	1,13,101	1,24,721
Other current assets	1,04,305	85,817	87,984	87,984	87,984
Investments	96,125	1,28,486	1,48,301	1,48,301	1,48,301
Net fixed assets	1,02,350	1,03,721	1,03,670	1,00,030	95,023
CWIP	15,668	12,868	49,732	49,732	49,732
Intangible assets	1,13,180	1,20,884	1,40,297	1,40,297	1,40,297
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>6,76,667</b>	<b>6,98,005</b>	<b>8,07,429</b>	<b>8,80,934</b>	<b>9,76,882</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
<b>Cash flow from operations</b>	<b>73,544</b>	<b>83,401</b>	<b>59,617</b>	<b>1,03,395</b>	<b>1,22,325</b>
Capital expenditures	(12,192)	(27,712)	(81,520)	(23,024)	(23,024)
Change in investments	5,307	(32,361)	(19,815)	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(6,885)</b>	<b>(60,073)</b>	<b>(1,01,335)</b>	<b>(23,024)</b>	<b>(23,024)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(37,097)	(25,783)	55,956	(3,163)	(3,005)
Interest expenses	(1,414)	(1,274)	(1,720)	(1,641)	(1,566)
Dividends paid	(15,595)	(23,990)	(15,268)	(16,777)	(19,483)
Other financing cash flows	(17,535)	13,597	10,347	1,231	1,397
<b>Cash flow from financing</b>	<b>(71,641)</b>	<b>(37,450)</b>	<b>49,315</b>	<b>(20,351)</b>	<b>(22,657)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(4,983)</b>	<b>(14,122)</b>	<b>7,597</b>	<b>60,021</b>	<b>76,644</b>
<b>Closing cash &amp; cash eq.</b>	<b>64,455</b>	<b>50,333</b>	<b>57,930</b>	<b>1,17,951</b>	<b>1,94,595</b>

### Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23P	FY24E	FY25E
Reported EPS	12.1	13.6	35.3	38.8	45.1
Adjusted EPS	30.1	32.0	36.0	38.8	45.1
Dividend per share	6.5	10.0	6.4	7.0	8.1
Book value per share	193.7	200.1	233.4	265.2	302.2

### Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23P	FY24E	FY25E
EV/Sales	6.7	5.7	5.0	4.5	4.0
EV/EBITDA	26.2	21.4	18.5	17.7	15.3
Adjusted P/E	31.9	30.0	26.6	24.7	21.3
P/BV	5.0	4.8	4.1	3.6	3.2

### DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23P	FY24E	FY25E
Tax burden (Net profit/PBT)	101.5	86.4	90.2	86.0	85.5
Interest burden (PBT/EBIT)	110.8	109.8	105.1	114.3	113.7
EBIT margin (EBIT/Revenue)	19.3	21.1	21.1	19.6	20.9
Asset turnover (Rev./Avg TA)	12.2	14.0	14.4	14.3	14.3
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.3	1.3
<b>Adjusted ROAE</b>	<b>14.6</b>	<b>15.3</b>	<b>15.7</b>	<b>14.7</b>	<b>15.1</b>

### Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23P	FY24E	FY25E
<b>YoY growth (%)</b>					
Revenue	2.8	15.6	12.6	11.6	10.3
EBITDA	15.9	20.6	13.7	4.2	14.7
Adjusted EPS	65.3	6.6	12.5	7.7	16.1
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	25.6	26.7	26.9	25.1	26.1
EBIT margin	19.3	21.1	21.1	19.6	20.9
Adjusted profit margin	21.7	20.0	20.0	19.3	20.3
Adjusted ROAE	14.6	15.3	15.7	14.7	15.1
ROCE	13.2	14.6	14.8	13.5	14.0
<b>Working capital days (days)</b>					
Receivables	101	93	93	93	93
Inventory	93	85	85	85	85
Payables	169	149	149	149	149
<b>Ratios (x)</b>					
Gross asset turnover	1.2	1.3	1.3	1.4	1.4
Current ratio	2.4	1.9	2.5	3.1	3.5
Net interest coverage ratio	45.3	63.6	53.0	57.7	71.0
<b>Adjusted debt/equity</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.4)</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets



NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

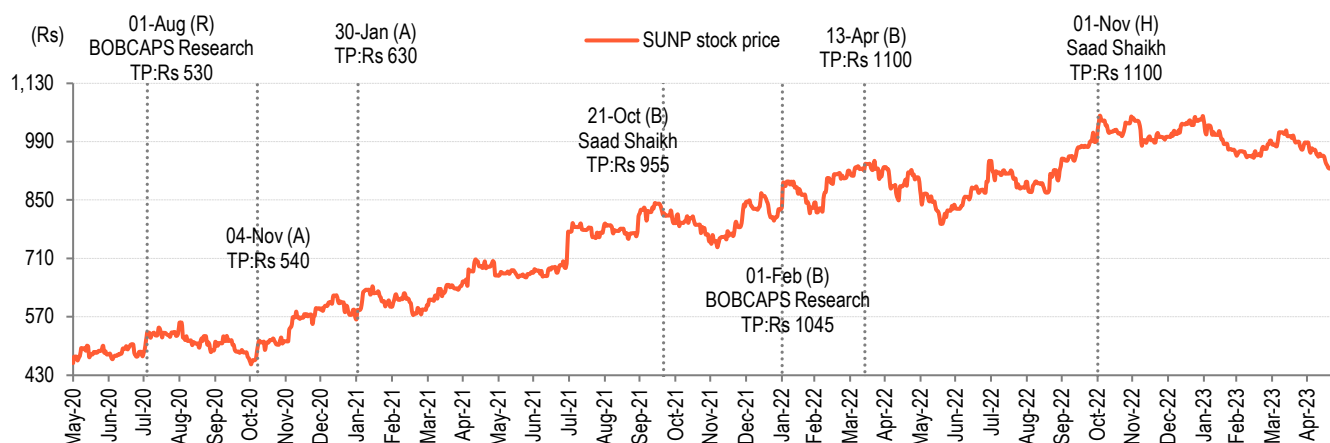
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): SUN PHARMA (SUNP IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

### General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions 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. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

#### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

#### **Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

#### **Distribution into the United Kingdom (“UK”):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

#### **No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

#### **Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.