

 Edelweiss

PROUD SPONSOR

2016 INDIAN OLYMPIC TEAM



Conference Call Transcript

Sharda Cropchem

Q1FY17 Results

August 05, 2016 | 12 p.m. IST

Corporate Participants

Mr. Ramprakash V. Bubna

Chairman & Managing Director

Mr. Conrad Fernandes

CFO

Mr. Sylpesh Dedhia

General Manager (Finance)



Questions and Answers

Moderator: Ladies and Gentlemen, good day and welcome to Sharda Cropchem Q1 FY2017 Earnings Conference Call, hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nihal Jham from Edelweiss Securities. Thank you and over to you Sir!

Nihal Jham: Thank you. On behalf of Edelweiss Securities, I would like to welcome all the participants for the Q1FY2017 earning call of Sharda Cropchem. From the management, we have Mr. Bubna – Chairman and Managing Director, Mr. Conrad Fernandes – CFO and Mr. Sylpesh Dedhia – GM, Finance. Now I would like to handover the call to Mr. Bubna for his opening remarks. Over to your Sir!

Ramprakash V. Bubna: Thank you Sir. Good day ladies and gentlemen. A very warm welcome to everyone present here for the earning call for Sharda Cropchem Limited for the first quarter of financial year 2016-2017. Sharda Cropchem is represented by me, Ramprakash Bubna Chairman and Managing Director, Mr. Conrad Fernandes, Chief Financial Officer and Mr. Sylpesh Dedhia – General Manager (Finance).

Talking briefly about our first quarter results, the revenues grew by 13.20 % driven by good performance across all the regions and markets. Gross profits increased by 26.30 % and gross margin expanded by 373 basis points from 32.1% to 35.8%.

EBITDA excluding foreign exchange impact increased by 41 % and EBITDA margin increased by 448 BPS from 18.3% to 22.7 %. EBITDA including foreign exchange impact increased by 30.2% and EBITDA margin increased by 274 BPS from 18.3% to 21%.

Net profit increased by 12.5% and net profit margin was stable at 13.1%. The total number of registrations increased to 1830 as on June 30, 2016 compared to 1765 as on March 31, 2016. We have another 831 registrations in the pipeline across geographies.

The overall performance during the first quarter was as per expectations. We shall continue to drive growth in our business by consistently investing in new registrations and expanding into new geographies, and new market segments.

With this, I would now like to hand over the call to our CFO, Mr. Conrad Fernandes, for discussing our financial performance in brief. Mr. Fernandes!

Conrad Fernandes: Thank You Mr. Bubna. Good afternoon to all. This is the first reporting period under the new Ind-AS Accounting Standards that have



become applicable effective April 1, 2016. The date of transition to Ind AS is April 1, 2015. You would have noticed that the June 2015 quarter number has been restated to conform to the new accounting standard.

The impact of the new standards on the company is minimal. As regards revenues, revenue growth of 13.2% came on the back of 22.4% growth in EU and 24.6% growth in Latam. The NAFTA and the rest of the world region were flat.

In Q1 of FY 2017, the EU market share grew by 4% to 48%. NAFTA share was 27.8%, Latam was 14.9% and Rest of the World was 9.3%.

As mentioned by Mr. Bubna, gross margin significantly improved from 32.1% to 35.8% on account of favourable product price mix.

On the cost side, depreciation and amortization expense for the quarter was 12.71 Crores as against 9.16 Crores for the corresponding period of last year.

Our cash flows have been very strong. Working capital cycle has reduced from 73 days in Q1 of last year to 56 days in Q1 of FY 2017. As at June 30, 2016, the overall cash position of the company was at Rs.216 Crores.

Thank You. I am now leaving the floor open for question and discussion.

Moderator: Thank You. We will now begin with the question and answer session. We take the first question from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

Chirag Dagli: Thank you for the opportunity. The depreciation is meaningfully higher. Should we pencil in this quarterly run date for the rest of the year?

Conrad Fernandes: Yes. This is in line with our expectations on the back of capitalization of new registrations.

Chirag Dagli: So this is not one off. There is no one-off write off?

Conrad Fernandes: This is a regular depreciation.

Chirag Dagli: Thank You.

Moderator: Thank You. We take the next question from the line of Balwinder Singh from B&K Securities. Please go ahead.

Balwinder Singh: Thanks for the opportunity. Sir firstly, bookkeeping question, if you can give the FX impact if any, is there in other income or other expense, as we give out on a quarterly basis?

Ramprakash V. Bubna: Mr. Fernandes will answer this question.

Conrad Fernandes: The current quarter has an FX loss of about 5 Crores as against an FX gain of 7.5 Crores in the corresponding quarter of last year.

Balwinder Singh: So, net-net, there is an FX loss of 5 Crores as against FX gain of 7.5 Crores. This is in other expense?

Conrad Fernandes: That is right. That accounting norm sits in other expense when there is a loss, and when there is a net gain, it sits in other income.

Balwinder Singh: Secondly, if you can give the volume growth in



Agrochemical business geography-wise?

Ramprakash V. Bubna: In the geography of European Union, the volume has grown by 25.8 %. In Latin America, the volume has grown by 16.8%, In NAFTA Region, there is a reduction of 12.9 % and Rest of the World, there is a reduction of 46.2% in Agrochemicals.

Balwinder Singh: This is purely agrochemical volume growth?

Ramprakash V. Bubna: Yes please.

Balwinder Singh: If you can give the break-up of registration pipeline, current registrations geography-wise?

Ramprakash V. Bubna: You are asking for the registrations in pipeline?

Balwinder Singh: Both the current number of registrations breakup geography wise as well as the pipeline breakup?

Ramprakash V. Bubna: In current registration, the total number is 1830 out of which, 903 registrations are in European Union, and 101 registrations are in NAFTA Region, 487 registrations are in Latin America and 339 in Rest of the World. Now we come to registrations in pipeline, The total number is 831, out of this, the registrations in pipeline for European Union is about 460, NAFTA region 127, Latam 188 and Rest of the World 56.

Balwinder Singh: Coming to the business as such, how do you see FY 2017 or the next one-year going forward in different geographies or whatever, if you can give the overall colour whatever you are comfortable and previously we had been talking of tough environmental conditions in Latin America? So are things gradually improving or we are still at the same position?

Ramprakash V. Bubna: There is a change in the environmental conditions to the positive side. And to answer your question overall, I feel we should grow in the range of 15 to 20 % for the year 2017.

Balwinder Singh: So FY 2017 guidance is 15% to 20 % of topline growth?

Ramprakash V. Bubna: Yes, please. Assuming there is not big change in foreign exchange and cross-currency exchange rates.

Balwinder Singh: So this is purely the volume and pricing that we are talking of?

Ramprakash V. Bubna: Yes Sir.

Balwinder Singh: As it stands today and Sir, any colour on the margins because I think margins have improved like gross margins are now at 36% kind of level. So if you can give overall for FY2017 what kind of margin improvement or decline, whatever you see as of now?

Ramprakash V. Bubna: Mr. Balwinder, I think we should stay in the range of about 33% to 36% margin.

Balwinder Singh: Thanks. I am done.

Moderator: Thank You. We take the next question from the line of Dimple Kotak from SKS Capital. Please go ahead.



Dimple Kotak: Thank you for taking my question. Sir, I just want to understand that you said that the volume growth in the Rest of the World has declined by 46 % and there is a growth in EU and LATAM by 26 % and 17 %. What has been your working capital?

Conrad Fernandes: My working capital has reduced from 73 days to 56 days.

Dimple Kotak: From where has the main efficiency come from?

Conrad Fernandes: It has actually come from creditors.

Dimple Kotak: Thank you so much.

Moderator: Thank You. We take the next question from the line of Shekar Singh from Excelsior. Please go ahead.

Shekar Singh: Want to know the increase in depreciation, which has happened. We have followed asset light model for very long. Is it possible to continue like this or at some stage we have to start putting assets in place for the registrations?

Ramprakash V. Bubna: For the time being, the model will stay like this, asset light.

Shekar Singh: But at what stage you are looking at or what will be the trigger for you to actually set up assets of your own?

Ramprakash V. Bubna: In case we get a good proposal for acquisition, then we may go in for acquiring some fixed assets.

Shekar Singh: Secondly, the reorganization or restructuring which is happening in the global Agrochemical companies. We gather that many of them might be looking at outsourcing some of their products. There is a possibility of that. Will that be of interest to you or that is an area, which you are not interested in?

Ramprakash V. Bubna: We are getting an indication that all these mergers are working in our favour. We are getting some enquiries from good reputed customers and as far as we are concerned, it was to our benefit.

Shekar Singh: Can you state how it will be to your benefit? Is it because some of the market players are vacating?

Ramprakash V. Bubna: Big companies will start being a little selective in their businesses. Some of the customers of the existing companies will find it interesting in companies like us.

Shear Singh: Great Sir.

Ramprakash V. Bubna: Thank You.

Moderator: Thank You. We take the next question from Nihal Jham. Please go ahead.

Nihal Jham: Sir, you mentioned that there is a drop in your creditor base from 73 to 56. Can you elaborate with reasons for that and is it sustainable going forward?



Ramprakash V. Bubna: There are two reasons. First of all, we are getting more respect from our suppliers. Suppliers are willing to give us very cheap credit. Secondly, our ratings have also improved in the minds of all our suppliers.

Nihal Jham: Sir, this time should continue going forward. This can be our expected working capital days going forward?

Ramprakash V. Bubna: I think so.

Nihal Jham: Sir, on margin, you mentioned will be in the 33 to 36 % range, right?

Ramprakash V. Bubna: Yes please.

Nihal Jham: Sure Sir. That will be it from my side. Thank You.

Moderator: Thank You. We take the next question from Balwinder Singh from B&K Securities. Please go ahead.

Balwinder Singh: Thanks for the followup. Is it possible for you to highlight how the environmental conditions in your key market, says Europe, NAFTA as of now? Basically I want to understand more on the region specific thing, how agrochem market is performing?

Ramprakash V. Bubna: As far as Europe is concerned, the market is steady and we are able to get a better share of the market by deeper penetration into the market. Also increasing the number of registrations. So is the case in NAFTA region, we are getting more registrations which will open up more market for us.

Balwinder Singh: Has the proportion of the top 10 molecules changed?

Ramprakash V. Bubna: Not really. The top 10-molecule still continues to provide about 60% of our total revenue.

Balwinder Singh: Would it be possible to give the names of these top 10 molecules?

Ramprakash V. Bubna: I think it is there in our presentation. We can provide you later on.

Balwinder Singh: No problem Sir. Thank you. I am done.

Moderator: Thank You. We take the next question from the line of Vinit Sambre from DSP Blackrock. Please go ahead.

Vini Sambre: Good afternoon Sir. Part of my question got answered in the last one. This is about the market actually. So one thought earlier, I think four or five quarters back, the problem there was in terms of the financial position of the customers there, because of Euro depreciation and all of that, which was also hurting us. So now, one is the overall industry environment, which is linked to the weather condition, the other is the financial aspect. How do you see both of them Sir, you mentioned that we are gaining market share, but has the financial position improved or is the acceptability much better now?

Ramprakash V. Bubna: As far as the overall financial conditions are



concerned, I think there was never a big concern. The main concern was for Greece because of political and economical developments there, but our business in Greece has also increased and we have not had any default or significant delay in the payment. So I think overall conditions are good. They have already passed through the crisis of Greece, and they are in the steady phase.

Vinit Sambre: Are you sensing more competition increasing not from the innovators but from the companies like ours, in the geographies where we are present?

Ramprakash V. Bubna: Yes. Competition is always there. We are facing force from innovators as well as generic registrants.

Vinit Sambre: What are our strategies in terms of this environment where competition increases plus we have the pressure of Euro not working in our favour, how do we look at the realizations, are we able to pass on, let us say, if there is some impact of the currency, how do we look at that?

Ramprakash V. Bubna: Our strategy is to move forward. The competition is always there, but our stress is on more registrations, greater penetration into the market, and better share of the market.

Vinit Sambre: Even my question was more to understand the pricing strategy here. Are we able to pass on the currency related changes, which keep happening? Is it easier to do that in term of the enhanced competition?

Ramprakash V. Bubna: No Sir, it is not easy to pass on or move up the prices. We always have to follow the innovators and we are not able to pass on the increase in the cost or depreciation of Europe currency to the customer. Innovators are not doing anything in this direction and we cannot go out of the line.

Vinit Sambre: That is it from my side.

Moderator: Thank you. We take the next question is from the line of Chetan Thakkar from ASK Investment Managers. Please go ahead.

Chetan Thakkar: Good afternoon Sir. Sir, just wanted to ask you how much money would we be spending this year on new registrations?

Ramprakash V. Bubna: Well last year we spent about \$15 to \$16 million, I think we will spend in the same range may be \$15 to \$18 million.

Chetan Thakkar: Sir, also have we seen some benefit because of that Yuan depreciation in the first quarter and how is that playing out?

Ramprakash V. Bubna: See Yuan has not really depreciated so significantly may be about 2% to 3% at the most. So we have some part of this benefit, if it is depreciated to 2% may be we get benefit up to extend of 1%.

Chetan Thakkar: Thank you so much. All the best.

Moderator: Thank you. We take the next question is from the line of Afshan Sayyed from Dolat Capital. Please go ahead.



Afshan Sayyed: Sir, I just wanted to understand there was a substantial decline in volumes in NAFTA and ROW?

Ramprakash V. Bubna: NAFTA constitutes Mexico and in Mexico, there is considerable pressure on the pricing and margins, so our turnover in Mexico has gone down whereas the other countries like United States and Canada we have been able to maintain our growth and it is steady. As far as Rest of the World is concerned it is not of so much of a focus area for us and again the market has become very competitive, the registrations are not so difficult so more competition less margins and that is why reduced interest from our side.

Afshan Sayyed: So, it is like more of our strategic change, reducing share from the Rest of the World and moving to more of Europe. Is that a right understanding?

Ramprakash V. Bubna: I would not say it is a strategy. We are not putting so much of stress in Rest of the world and it is more driven by the competition and margins and economic situation of Rest of the World. We are not doing anything deliberately. Our only efforts are to increase the sales of our Europe and NAFTA region.

Afshan Sayyed: Thank you.

Moderator: Thank you. We will take the next question is from the line of Sameer Rachh from Reliance Mutual Fund. Please go ahead.

Sameer Rachh: Good afternoon Sir. Sir just wanted clarify in a reply to earlier question you guided for gross margins of around 32% to 33% for the current year. Whereas in last financial year itself we had made gross margins around 35% so do you think gross margins declining this year?

Ramprakash V. Bubna: Sir, I had said 33% to 36%.

Sameer Rachh: Sorry, so I heard it wrong, I just want to clear it. Thanks.

Moderator: Thank you. We will take the next question is from the line of Manish Mahawar from Edelweiss. Please go ahead.

Manish Mahawar: Good afternoon Bubna Ji. Sir, I just wanted to now for the quarter what is the overall volume growth realization and currency impact for the quarter?

Ramprakash V. Bubna: Overall volume growth.

Manish Mahawar: You have given geography wise. Just wanted to know, what is overall growth in volumes?

Ramprakash V. Bubna: Overall growth in the volume see is about 6% in volumes.

Manish Mahawar: 6% and what is a realization and currency impact for the quarter?

Ramprakash V. Bubna: Our realization and currency impact we have not determined so much, but I think currency impact could be about 5%.

Manish Mahawar: 5% positive right?



Ramprakash V. Bubna: 5% positive.

Manish Mahawar: Yes, realization would be stable. What I want to say your realization should be 2% to 3% or it is stable for the quarter on Y-o-Y basis?

Ramprakash V. Bubna: Exactly, yes you are right.

Manish Mahawar: Okay and Sir, just I think is mentioned that capex number, registration expenditure during the quarter, could you repeat that number?

Ramprakash V. Bubna: See the registration capex in the year ending March 2016 was about \$17 million if I remember and we are expecting it will be in the same range of may be \$15 to 18 million for the year ending 2017.

Manish Mahawar: Lastly, in the Europe market, earlier participant was asking about the scenario in Europe market so just wanted to understand, what type of growth you are looking in Europe market during this year and over the next three years perspective what could be your contribution for Europe as an overall revenue?

Ramprakash V. Bubna: Europe is already accounting for a good part of our total revenue. It was around 52% to 53%. Hopefully, it can go up may be 52% to 58% in the year 2017.

Manish Mahawar: How is the business environment, As we have seen a lot of issues, so how the scenario is, is the scenario improving because some of the other competitor are seeing the market is a little subdued and though it is improving on a marginal basis, what is your take on this?

Ramprakash V. Bubna: If you are referring to economic environment then we do not foresee, we do not see any challenge. It is fairly stable and the currency impact is, I think anybody's guess, it may go up to some extent or it may also go down. People say to the Euro Dollar exchange rate could vary from 1.05 to 1.15. This is what the expert's opinion says.

Manish Mahawar: Thank you and all the best Sir.

Moderator: Thank you. We take the next question is from the line of Amit Kadam from LIC Mutual Fund. Please go ahead.

Amit Kadam: Good afternoon Sir. Sir, my question is regarding our networking capital days where we have seen a significant improvement and that swing has come basically from the payable, which has now increased to 141 days which is almost equivalent to our receivable days. So I just wanted more insight about this on the sustainability of these particular payable days in upcoming quarter?

Ramprakash V. Bubna: I think we should stay in the same range for the rest of the year except in the fourth quarter when we have significantly higher amount of sales so there the receivable will increase, but that is a temporary phenomena as on March 31 of every year, the receivables are in the peak then they start going down and payables remain more or less in the same range. This year the payables have also increased considerably in the first quarter.

Amit Kadam: Sir any special agreements where we have reached with our suppliers in terms of maintaining these 140 days in the future kind of thing,



some efforts we have put in this particular segment?

Ramprakash V. Bubna: No, there is no specific agreement or understanding with one or any supplier. We are not having any long-term agreement or understanding or contract with any other suppliers. We are doing all the time spot purchases and that is the best thing for our business, because the prices are under pressure and the number of days of payable have increased because to some extent of competition among the suppliers, little bit of pressure on the uplifting and the production is increasing more than the demand and we see that this will probably continue at least for the next one year.

Amit Kadam: On the basis of that current 56 days of working capital how do we look like for FY2017 basis it will be somewhere closing will be at 65 days marginally if you look for the entire year?

Ramprakash V. Bubna: See it can go up as I told you because in the fourth quarter we have a lot of sales and we have to always give some credit may be even 90 days or 180 days to our customers so receivables will go up in the fourth quarter and payables will remain in steady in the current range so the number of days of working capital cycle is likely to go up from 80 to 100 days.

Amit Kadam: Okay got it and the second is on the NAFTA part, so how do we look at like you mentioned Mexico was one of the country, which actually led to that kind of a degrowth significantly, but then how do we build this because I assume may be it is because of the currency what it got impacted that is why may be the pricing and everything has gone for some toss, but on a sustainable level if the base changes from the next year onwards all the things, the inherent demand out the how does it case out?

Ramprakash V. Bubna: I think demand is steady and the currency has been consistently depreciating. So the affordability of the customers is also reducing, but also there is more competition, there are players there, so margins on under pressure for us.

Amit Kadam: How much Mexico contributes can you share some details on it?

Ramprakash V. Bubna: Yes one minute.

Amit Kadam: I can take it offline.

Ramprakash V. Bubna: You can take it later on. I am not able to lay my hands on the Mexico right now.

Amit Kadam: Thanks a lot Sir.

Moderator: Thank you. We take the next question is from the line of Ashish Kacholia from Lucky Investment. Please go ahead.

Ashish Kacholia: Good afternoon Sir. My question pertains to the quotation that you get some your Chinese suppliers for supplying to Europe. Do you get quotations in Euro for supplying into Europe and how do you match up the currencies on the demand in supply side?

Ramprakash V. Bubna: Normally the Chinese supplies always quote in US



dollar, but sometimes when we find if our exposure is too much in Europe Union for a particular product, then on our request they quote in Euros and the big suppliers there does not have problems quoting in Euros. However, any currency. Smaller supplies always prefer to quote in US Dollars. So it is our choice we can always have a contract with them or a purchase with them in Euros or in Dollars.

Ashish Kacholia: What you do our side suppose you get a quotation in US Dollars and you are selling in Euro do you hedge of that immediately or you keep it open your currency exposure?

Ramprakash V. Bubna: Our currency exposure we slowly hedge by way of forward contracts and we take views of experts. If the exports believe that the Euro is going to be stronger then we keep it open and when it is going to go down then we start hedging it. That is all.

Ashish Kacholia: Thank you so much Sir.

Moderator: Thank you. We take the next question is from the line of Damodaran Kutty from Birla Sun Life Insurance. Please go ahead.

Damodaran Kutty: Sir, one question so your margins have consistently improved so even in FY2016 you had achieved about 22% EBITDA margins so do you think this is sustainable going forward?

Ramprakash V. Bubna: The way forward going to be more tougher, but I think it is sustainable, growth is going to be more tougher, but is sustainability I see we should able to do it.

Damodaran Kutty: Sir, I was to say 22% margins in short of possible is what you are saying?

Ramprakash V. Bubna: I would say 18% to 22%, the overall factors which affect the margins, which is very difficult forecast and predict.

Damodaran Kutty: Right Sir and Sir, one thing I wanted to understand is what are opportunity do you see out of molecules which are coming off patented in the next three or four years so could you give a number?

Ramprakash V. Bubna: Mr. Damodaran your voice is very faint can you speak little loudly and repeat your question please?

Damodaran Kutty: Sir, I just wanted to understand what sort of opportunity do you see in terms of molecules going off-patent in the next three of four years, so does that represent a significant opportunity for Sharda Cropchem?

Ramprakash V. Bubna: Yes we do see. That is an opportunity for our business model. Definitely a few more molecules, which will go off patent, but then we do not get an immediate benefit because after the molecule goes off patent we must get the registration and then registration is the long-term process. So there are no pleasant surprises that we look forward to.

Damodaran Kutty: So do you have a number like how much is expected to go off patent for the industry and what you would be looking at something like that?

Ramprakash V. Bubna: I do not have those numbers right now.

Damodaran Kutty: Okay no issue Sir.

Ramprakash V. Bubna: Thank you.

Moderator: Thank you. We take the next question is from the line of Pritesh Vora from Incedo. Please go ahead.

Pritesh Vora: Sir, all my questions are answer. Thank you very much.

Ramprakash V. Bubna: Thank you Sir.

Moderator: Thank you. We take the next question is from the line of Siddharth Bhattacharya from Suyash Advisors. Please go ahead.

Siddharth Bhattacharya: Hello Sir. Sir I just wanted to know what is our sourcing currency mix in terms of the raw materials that you source, how much of that is in Dollar and how much of that is in Euro as of now and how has this trend been in the last lets three to four quarters?

Ramprakash V. Bubna: See, historically the sourcing currency has been always Dollars. In the last year or two, when Euro has been going down, we have try to source some molecules of some products in Euros otherwise normal and standard currency is US dollar.

Siddharth Bhattacharya: Okay to just put a number to it would be 90% in Dollar and let us a 10% in Euro as of now?

Ramprakash V. Bubna: I would say on the 85% to 90% in dollars.

Siddharth Bhattacharya: Thank you so much Sir.

Moderator: Thank you. Sir, that was the last question, I now hand the conference over to the management for your closing comments. Over to you now!

Ramprakash V. Bubna: Thank you to everybody. It has been a pleasure answering your questions and thank you once again.

Moderator: Thank you. On behalf of Edelweiss Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

**DISCLAIMER**

Edelweiss Securities Limited ("ESL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance .The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein 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/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may 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 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst 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.

Additional Disclaimers**Disclaimer for U.S. Persons**

This research report is a product of Edelweiss Securities Limited, 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 Edelweiss Securities Limited 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, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR). Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.