




Cipla Limited

Industry	Pharmaceuticals
Bloomberg	CIPLA IN
BSE CODE	500087

US sales growth offset by weak domestic, South Africa and Emerging market.

RATING	NEUTRAL
CMP	503
Price Target	587
Potential Upside	17%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	678/481
Mkt Capital (Rs Cr)	39102
Free float (%)	63%
Avg. Vol 1M (,000)	1853
No. of Shares (Crs)	81
Promoters Pledged %	0%

Research Analyst

J Madhavi
j.madhavi@narnolia.com
+91-22-62701222

1QFY20 Result update

- ❑ Overall revenue was flat YoY at Rs. 3989 crs (vs. our estimate of Rs. 4366 crs). Steady US revenue growth was offset by weak domestic, South Africa and Emerging market.
- ❑ US sales improved by 61% YoY to US\$ 161 mn on account of g-Sensipar contribution and growth in the base business. On a sequential basis, sales are almost flat due to lack of any meaningful products.
- ❑ India sales declined by 12% YoY to Rs. 1355 crs on account of realignment of distributors in the trade generics and dispatch deferrals.
- ❑ Emerging market sales declined by 43% to US\$ 40 mn, impacted by dispatch deferrals to July by US\$14.5mn and challenges in the Middle-East.
- ❑ South Africa business declined by 19% YoY to US\$ 101 mn, though the private market grew at 14% compared to the market growth of 7.3% but was offset by weak tender business.
- ❑ Gross margin expanded by 616 bps YoY to 70% on account of contribution from the high margin product in US i.e., g-Sensipar in this quarter.

View and Valuation

Overall revenue for the quarter was flat YoY at Rs. 3989 crs. US remained the major driver for the revenue growth offset by weak domestic, South Africa and Emerging market. US sales grew by 60% to US\$ 161 mn led by sales from at-risk launch of g-Sensipar. Domestic sales de-grew by 12% YoY to Rs.1355 crs, impacted majorly due to Distributors churn in trade generics and deferral of prescription sales. In South Africa, though Mirren delivered 10% YoY growth, the tender business is continuing to face the pressure. Emerging market sales was impacted by US\$ 14.5 mn due to deferral of dispatches.

Going forward, the management expects the domestic business to normalize in Q3FY20. US business will see some meaningful limited competition launches post Q2FY20. South Africa tender business will continue to see challenges due to rebasing which will be offset by the growth in the private market. R&D expenditure for the quarter was at 6.5% of sales this quarter. We believe R&D will ramp up in the coming quarters limiting the margin expansion as the company is foraying in the specialty segments with assets such as Tramadol, Zemdri, Pulmazole and gAdvair. Therefore, we remain cautious and value the stock at 23x FY21e EPS to arrive at a target price of Rs.587 and recommend NEUTRAL.

Key Risks to our rating and target

- ❑ USFDA inspection.
- ❑ R&D expenditure.
- ❑ Ramp up of new distributors in the Domestic space.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	14630	15219	16362	16257	18326
EBITDA	2476	2826	3097	3215	3665
EBIT	1153	1504	1771	2143	2564
PAT	1035	1417	1528	1709	2052
EPS (Rs)	15	18	19	21	25.51
EPS growth (%)	-16%	21%	8%	12%	20%
ROE (%)	8.3%	10.0%	10.2%	10.4%	11.3%
ROCE (%)	7.1%	8.4%	9.4%	11.0%	12.9%
BV	156	177	187	204	226
P/B (X)	3.8	3.1	2.8	2.5	2.2
P/E (x)	40.8	31.0	27.9	23.7	19.7

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

1QFY20 Results

<i>Financials</i>	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %	QoQ%	Fig in Rs Cr		
								FY18	FY19	YoY %
<i>Net Sales</i>	3,939	4,012	4,008	4,404	3,989	1.3%	-9.4%	15,219	16,362	7.5%
<i>Other Income</i>	170	133	79	95	78	-53.9%	-17.8%	358	477	33.3%
<i>COGS</i>	1,424	1,412	1,463	1,486	1,196	-16.0%	-19.5%	5,438	5,784	6.4%
<i>Gross Margin</i>	63.9%	64.8%	63.5%	66.3%	70.0%	6.2%	3.7%	64.3%	64.6%	0.4%
<i>Employee Cost</i>	714	712	718	712	756	5.9%	6.1%	2,690	2,857	6.2%
<i>Other Expen.</i>	1,075	1,185	1,119	1,245	1,132	5.3%	-9.1%	4,264	4,624	8.4%
<i>EBITDA</i>	726	702	708	961	905	24.5%	-5.9%	2,826	3,097	9.6%
<i>EBITDA Mar.</i>	18.4%	17.5%	17.7%	21.8%	22.7%	4.2%	0.9%	18.6%	18.9%	0.4%
<i>Depreciation</i>	241	282	293	510	268	11.2%	-47.5%	1,323	1,326	0.3%
<i>EBIT</i>	485	420	415	451	637	31%	41.2%	1,504	1,771	17.8%
<i>Interest</i>	35	44	44	45	52	49%	16.4%	114	168	47.4%
<i>PBT</i>	620	509	449	501	663	6.9%	32.2%	1,747	2,079	19%
<i>Exceptional</i>	-	-	-	-	-					
<i>Tax</i>	174	142	126	128	192	10.7%	50.4%	250	570	128%
<i>PAT</i>	451	377	332	367	478	6.0%	30.2%	1,417	1,528	8%
<i>PAT Margin</i>	11.5%	9.4%	8.3%	8.3%	12.0%	0.5%	3.7%	9.3%	9.3%	0%

Decline in domestic, South Africa and Emerging market offset the US sales growth.

US sales remained the major growth driver this quarter growing 60% YoY to US\$ 161 mn driven by contribution from g-Sensipar and base business expansion. Domestic sales declined by 12% YoY to Rs. 1355 crs; there has been impact of Rs. 200 crs in trade generic segment due to churning of around 100 distributors. Further, deferral of prescription business to July was Rs. 60 crs. Adjusting for these impacts, the YoY growth would have been 5% for the quarter. Emerging market sales was impacted by US\$ 14.5 mn due to deferral of dispatches and challenges in the Middle-East. South Africa business declined by 19% YoY to US\$ 101 mn, though the private market grew at 14% compared to the market growth of 7.3% but was offset by weak tender business.

Going forward, we expect recovery in the second half of the year based on the management commentary regarding normalization of Domestic sales post Q3FY20 and launch of limited competition products post Q2FY20.

Increased investment in specialty products to impact margin expansion

The company is progressing well in its initiative to build a strong specialty pipeline. During the last two year, The Company has added new assets to the Specialty pipeline:

- CTP-254 (CNS): In-licensed from Concert
- Pulmazole (Respiratory): Partnership with Pulmatrix
- Zemdri: Acquisition from Achaogen Inc.
- IV Tramadol (Pain Management): Proposed acquisition of Avenue Therapeutic

Going forward, we believe clinical trials for such specialty products will add to the costs and would put pressures in the margins.

Concall Highlights

- For the India sales, the business is expected to be back on track by Q2FY20 as the new distributors will take time to ramp up.
- Trade generics from the last 4-5 quarters were in the range of 22%. This quarter, it was somewhere around 16%.
- Total MR for the India Business is around 6500.
- R&D expenditure for the quarter were Rs. 261 crs (6.5% of sales), for the full year R&D spend is expected to be 7-8% of sales as respiratory trials for generic Advair is on track.
- Cipla has acquired worldwide rights of ZEMDRI™ excluding Greater China with its allied assets and limited liabilities from Achaogen Inc.
- The company sees China to contribute meaningfully in the next 3-5 years; the focus of the company will be to manufacture Respiratory and Oncology products in China.
- The company expects to file 2 Respiratory products in US this year.
- IND-AS 116 impact - The EBITDA gone up by 25 crs and PAT down by 5 crs.
- Tax: 29–30%; increased from the earlier guidance of 27–29%.

Exhibit: Sales and Sales Growth

Sales for the quarter was flat YoY at Rs.3989 crores (vs our expectation of Rs.4366 crores)

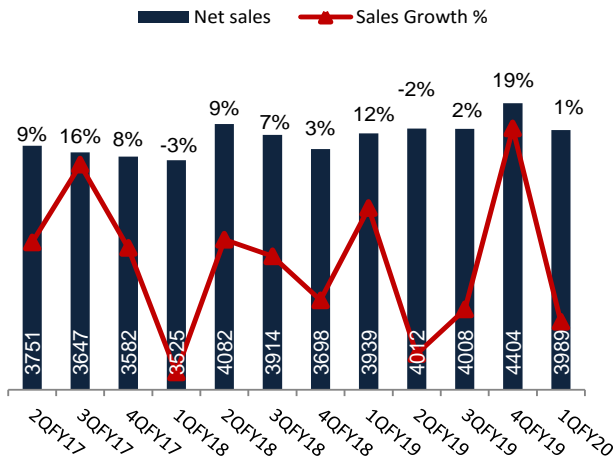


Exhibit: Gross and EBITDA margin

Gross margin grew by 616 bps YoY to 70% .EBITDA margin grew by 424 bps YoY to 22.7%.

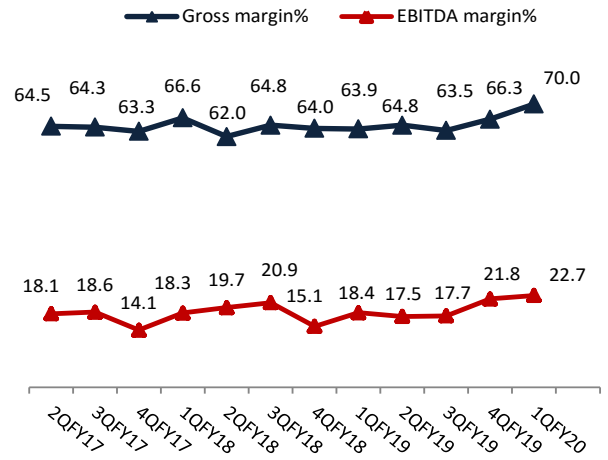


Exhibit: PAT and PAT margin

PAT for the year grew by 12% YoY to Rs. 478 crs.

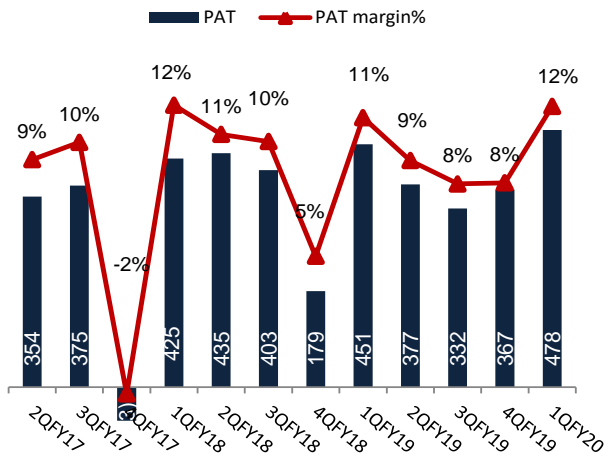


Exhibit: R&D cost and R&D as a % of sales

R&D expenditure for the quarter was at Rs. 261 crs (6.5% of sales)

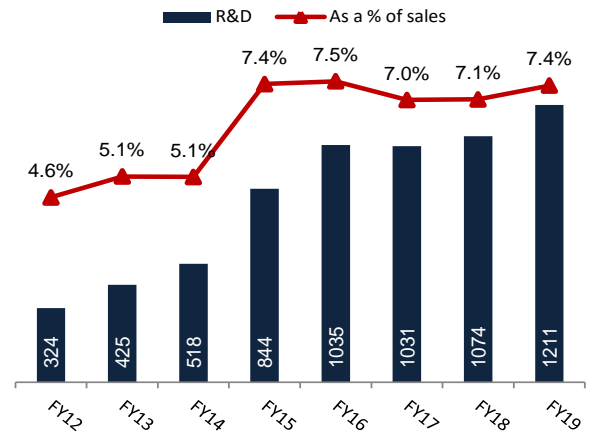


Exhibit: Domestic Sales and YoY growth

India sales declined by 12% YoY on account of realignment of distributors in the trade generics and dispatch deferrals.

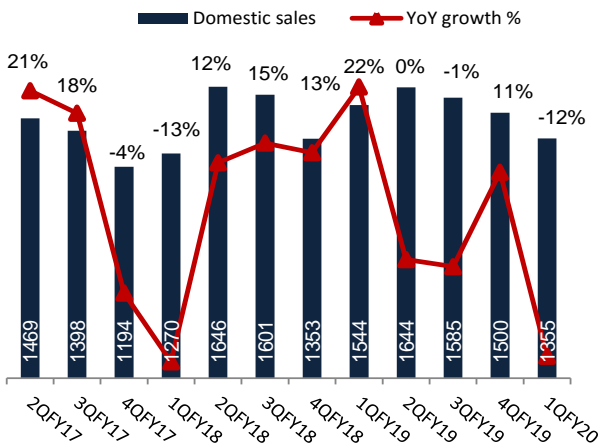
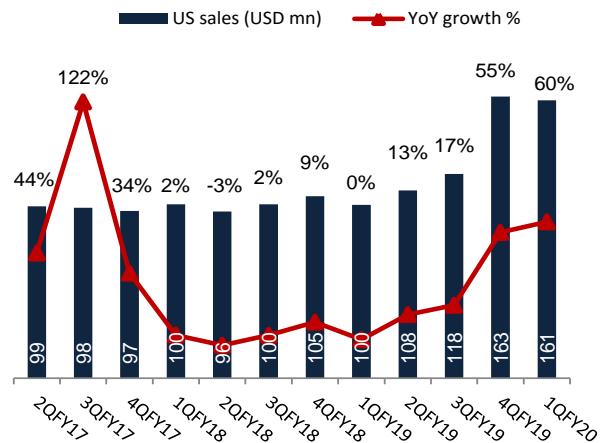


Exhibit: US sales and YoY growth

US business grew by 60% YoY to US\$ 161 million on account of phased launch of gSensipar.



Operational Details

Geography	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
<i>India</i>	1270	1646	1601	1353	1544	1644	1585	1500	1355
<i>North America</i>	646	618	650	675	670	758	849	1143	1119
<i>SAGA</i>	729	921	870	819	831	754	775	823	691
<i>Emerging Mkts</i>	463	454	371	394	469	472	393	406	279
<i>Europe</i>	165	151	171	136	134	141	189	236	201
<i>Global API</i>	130	213	148	135	200	171	154	174	182
<i>Others</i>	122	80	103	186	91	72	64	122	160

Revenue gr. %	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
<i>India</i>	-13%	12%	15%	13%	22%	0%	-1%	11%	-12%
<i>North America</i>	-2%	-7%	-2%	4%	4%	23%	31%	69%	67%
<i>SAGA</i>	81%	5%	6%	0%	14%	-18%	-11%	0%	-17%
<i>Emerging Mkts</i>	-39%	10%	-12%	-3%	1%	4%	6%	3%	-40%
<i>Europe</i>	40%	14%	31%	-33%	-19%	-7%	11%	74%	50%
<i>Global API</i>	-1%	85%	23%	-17%	54%	-20%	4%	29%	-9%
<i>Others</i>	-1%	-1%	6%	24%	-25%	-10%	-38%	-34%	76%

Revenue mix%	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
<i>India</i>	36%	40%	41%	37%	39%	41%	40%	34%	34%
<i>North America</i>	18%	15%	17%	18%	17%	19%	21%	26%	28%
<i>SAGA</i>	21%	23%	22%	22%	21%	19%	19%	19%	17%
<i>Emerging Mkts</i>	13%	11%	9%	11%	12%	12%	10%	9%	7%
<i>Europe</i>	5%	4%	4%	4%	3%	4%	5%	5%	5%
<i>Global API</i>	4%	5%	4%	4%	5%	4%	4%	4%	5%
<i>Others</i>	3%	2%	3%	5%	2%	2%	2%	3%	4%

Financial Details
Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	161	161	161	161	161	161	161	161
Reserves	9,890	10,629	11,356	12,383	14,068	14,851	16,278	18,048
Networth	10,050	10,789	11,516	12,544	14,229	15,012	16,439	18,209
Debt	1,278	1,894	5,542	4,551	4,450	4,648	3,920	2,463
Other Non Current Liab	422	545	1,264	1,036	785	1,017	1,065	1,142
Total Capital Employed	11,328	12,684	17,058	17,094	18,680	19,660	20,359	20,672
Net Fixed Assets (incl CWIP)	6,938	7,411	11,430	11,175	10,932	10,285	10,532	10,730
Non Current Investments	397	250	175	136	157	428	550	550
Other Non Current Assets	416	466	681	922	958	824	822	857
Non Current Assets	7,752	8,126	12,287	12,232	12,046	11,537	11,904	12,137
Inventory	2,895	3,781	3,808	3,485	4,045	3,965	3,939	4,441
Debtors	1,639	1,998	2,356	2,563	3,102	4,151	4,124	4,649
Cash & Bank	175	564	871	624	966	619	1,035	380
Other Current Assets	942	1,249	1,806	2,063	2,701	3,690	3,680	3,877
Current Assets	5,651	7,591	8,841	8,736	10,814	12,425	12,778	13,347
Creditors	980	1,452	1,476	1,571	2,119	1,948	1,935	2,182
Provisions	265	382	311	402	627	736	727	824
Other Current Liabilities	409	655	1,020	933	650	601	597	666
Curr Liabilities	1,653	2,489	2,806	2,906	3,396	3,285	3,260	3,672
Net Current Assets	3,998	5,103	6,035	5,829	7,418	9,140	9,519	9,675
Total Assets	13,403	15,718	21,128	21,037	22,861	23,963	24,684	25,486

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	10,100	11,345	13,790	14,630	15,219	16,362	16,257	18,326
Change (%)	22%	12%	22%	6%	4%	8%	-1%	13%
EBITDA	2133	2162	2480	2476	2826	3097	3215	3665
Change (%)	-3%	1%	15%	0%	14%	10%	4%	14%
Margin (%)	21.1%	19.1%	18.0%	16.9%	18.6%	18.9%	19.8%	20.0%
Depr & Amor.	373	505	754	1323	1323	1326	1072	1102
EBIT	1760	1657	1725	1153	1504	1771	2143	2564
Int. & other fin. Cost	146	168	207	159	114	168	161	96
Other Income	265	166	208	229	358	477	415	423
EBT	1,880	1,654	1,727	1,222	1,747	2,079	2,396	2,891
Exp Item	-	-	-	-	78	-	-	-
Tax	463	400	332	180	250	570	695	838
Minority Int & P/L share of Ass.	4	23	(12)	(7)	(3)	(52)	(55)	-
Reported PAT	1,417	1,254	1,395	1,042	1,419	1,510	1,701	2,052
Adjusted PAT	1,388	1,181	1,383	1,035	1,417	1,528	1,709	2,052
Change (%)	-10%	-15%	17%	-25%	37%	8%	12%	20%
Margin(%)	18.7%	13.7%	10.4%	10.0%	7.1%	9.3%	9.3%	10.5%

Financial Details
Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	13.8%	10.9%	12.0%	8.3%	10.0%	10.2%	10.4%	11.3%
ROCE	17.0%	14.9%	14.7%	7.1%	8.4%	9.4%	11.0%	12.9%
Asset Turnover	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Debtor Days	59	64	62	64	74	93	93	93
Inv Days	105	122	101	87	97	88	88	88
Payable Days	35	47	39	39	51	43	43	43
Int Coverage	55	12	10	8	7	13	11	13
P/E	22.1	48.4	29.7	40.8	31.0	27.9	23.7	19.7
Price / Book Value	3.1	5.3	3.6	3.8	3.1	2.8	2.5	2.2
EV/EBITDA	14	26	16	20	17	15	13	11
FCF per Share	12	7	8	16	8	14	21	15
Div Yield	0.5%	0.3%	0.4%	0.3%	0.4%	0.6%	0.6%	0.6%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	1,880	1,654	1,727	1,222	1,669	2,079	2,396	2,891
(inc)/Dec in Working Capital	(562)	(719)	(429)	235	(783)	(1,064)	87	(769)
Non Cash Op Exp	373	505	754	1,323	1,323	1,326	1,072	1,102
Int Paid (+)	146	168	180	159	114	168	161	96
Tax Paid	(308)	(392)	(508)	(450)	(722)	(593)	(695)	(838)
others	34	(43)	17	(108)	(138)	(226)	8	-
CF from Op. Activities	1,562	1,173	1,741	2,382	1,463	1,691	3,029	2,480
(inc)/Dec in FA & CWIP	(567)	(626)	(1,053)	(1,098)	(739)	(504)	(1,319)	(1,300)
Free Cashflow	996	548	688	1,284	723	1,187	1,710	1,180
(Pur)/Sale of Inv	1,803	61	(3)	(43)	(37)	(1,068)	(122)	-
others	(2,486)	(376)	(3,467)	(169)	(78)	(97)	-	-
CF from Inv. Activities	(1,250)	(941)	(4,523)	(1,310)	(854)	(1,669)	(1,441)	(1,300)
inc/(dec) in NW	-	0	3	12	0	0	-	-
inc/(dec) in Debt	43	508	3,442	(1,080)	(34)	(60)	(729)	(1,457)
Int. Paid	(121)	(167)	(161)	(159)	(118)	(159)	(161)	(96)
Div Paid (inc tax)	(188)	(188)	(181)	(194)	(189)	(284)	(282)	(282)
others	-	12	1	96	(44)	154	-	-
CF from Fin. Activities	(266)	165	3,104	(1,326)	(385)	(349)	(1,172)	(1,835)
Inc(Dec) in Cash	47	397	322	(254)	223	(326)	416	(655)
Add: Opening Balance	128	167	536	864	630	835	619	1,035
Closing Balance	175	564	858	610	853	508	1,035	380

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (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 company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.