Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

YES Bank (YES IN)

Rating: BUY | CMP: Rs370 | TP: Rs438

July 25, 2018

Q1FY19 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY19E	FY20E	FY19E	FY20E
Rating	**BUY**		**BUY**	
Target Price	**438**		**438**	
NII (Rs. m)	99,671	129,157	100,164	127,800
% Chng.			*(0.5)*	*1.1*
Op. Profit (Rs. m)	102,463	128,593	100,504	124,661
% Chng.			*1.9*	*3.2*
EPS (Rs.)	23.6	30.5	24.1	30.2
% Chng.			*(2.2)*	*1.1*

Key Financials

	FY17	FY18	FY19E	FY20E
NII (Rs m)	57,973	77,371	99,671	129,157
Op. Profit (Rs m)	58,375	77,481	102,463	128,593
PAT (Rs m)	33,301	42,246	54,253	70,271
EPS (Rs.)	15.2	18.4	23.6	30.5
Gr. (%)	*25.3*	*21.3*	*27.9*	*29.5*
DPS (Rs.)	-	2.4	2.7	5.0
Yield (%)	-	*0.6*	*0.7*	*1.4*
NIM (%)	*3.2*	*3.1*	*2.9*	*3.0*
RoAE (%)	*18.6*	*17.7*	*19.3*	*21.1*
RoAA (%)	*1.8*	*1.6*	*1.5*	*1.5*
P/BV (x)	3.8	3.3	2.8	2.4
P/ABV (x)	4.0	3.4	2.9	2.4
PE (x)	24.3	20.1	15.7	12.1

Key Data — YESB.BO | YES IN

52-W High / Low	Rs.394 / Rs.285
Sensex / Nifty	36,985 / 11,167
Market Cap	Rs.852bn/ $ 12,408m
Shares Outstanding	2,306m
3M Avg. Daily Value	Rs.8626.99m

Shareholding Pattern (%)

Promoter's	19.98
Foreign	42.52
Domestic Institution	25.15
Public & Others	12.35
Promoter Pledge (Rs bn)	

Stock Performance (%)

	1M	6M	12M
Absolute	10.0	2.2	7.9
Relative	5.6	(0.4)	(5.5)

R Sreesankar
rsreesankar@plindia.com | 91-22-66322214

Pritesh Bumb
priteshbumb@plindia.com | 91-22-66322232

Vidhi Shah
vidhishah@plindia.com | 91-22-66322242

Some gains, some misses

Quick Pointers

- Loan growth continue to be strong at 53% YoY led by both corporate & retail. Retail mix improved by ~180bps QoQ
- Slippages of Rs5.6bn was higher than trends but saw decent recoveries mainly from the NCLT exposure.

Yes Bank's earnings were in-line with expectations at Rs12.6bn (PLe: Rs12.7bn) but was on back of strong other income (Fx/Debt market led/SR redemption) and control on opex. NII grew slower on pressure from cost of funds and interest reversals on slippages. Bank used higher other income to enhance provisions on GNPAs, while also had hit of MTM on investments but has chosen to make provisions over 4 quarters. We believe corporate book growth to continue for some time ahead, but retail mix should improve faster, while concerns on margins should start abating from H1FY19 end onwards and slippages of this quarter should see recovery keeping asset quality steady by FY19 end with improved PCR towards 60%. Valuations discount to large peers remains high and should narrow going ahead. We maintain BUY with TP of Rs438 based on 2.9x Mar-20 ABV.

- **Miss on NII; PPOP helped by other income:** PPOP grew by strong 44% YoY mainly led from good opex control and other income which was mainly from large Security Receipt redemption & investments reshuffle. NII growth slowed to 23% YoY compared to stronger B/s growth as pressure on cost of funds was high, pulling down NIMs by 10bps QoQ to 3.3%. NIMs have dropped ~40bps from peak of 3.7% in Q1FY18 with earlier strategy of growing in to AAA rated assets (lower yields) and now with higher TDs to balance loan growth momentum. Although bank has undertaken MCLR increases, margins are expected to see improvement gradually from H1FY19 end/H2FY19 only onwards helping better FY19 exit NIMs.
- **Strong business growth continues**: Loans grew 53% YoY on continued strategy to penetrate into better corporates & rated exposures, but core retail loans continued to grow at +1x YoY helping improve mix to 14% of loans. 47% of incremental growth has been from retail, while bank has seen fair share of growth improvement in SME segment. Bank expects to grow loans at 30% with retail momentum remaining strong with corporate opportunities reducing tapering down some growth.
- **Slippages higher than trends but improves PCR:** GNPAs moved up by 3bps to 1.31% on back of Rs5.6bn of slippages but had Rs2.3bn recovery/upgrades (Rs1.84bn from NCLT a/c) and bank enhanced provisions to improve PCR as well by 500bps QoQ to 55% helping lower NNPAs by 5bps QoQ to 0.59%. Bank expects Rs3.2bn of the Rs5.6bn slippage to be fully recovered by Q2FY19 (likely to be from Hospital sector) which should see asset quality improving and PCR improve towards 60% with credit cost maintained at 50-70bps for FY19.

NII growth slowed down on strong pressure from cost of funds and higher mix of term deposits

Other income was strong on very higher Fx & debt market gains, while fee income was slower on back of 3rd party sales & trade fees

Provisions were much higher on back of MTM provisions (amortized over 4 quarters) and Rs1.5bn to enhance PCR to towards 60%

Strong loan growth & deposit growth

Margin saw decline by 10bps QoQ on back of sharp increase in Cost

Asset quality saw slight deterioration as slippages were at higher end but as PCR was enhanced Net NPAs saw small improvement sequentially

Bank's CASA mix came off as TD growth was much high and saw decline in CA portfolio sequentially

Capital consumption was high with CET-I now at 9.5%

Exhibit 1: Operations driven by strong other income but provisions lead to in-line earnings

P&L (Rs million)	**Q1FY19**	**Q1FY18**	***YoY chg.***	**Q4FY18**	***QoQ chg.***
Interest Income	65,780	46,538	*41.3*	57,430	*14.5*
Interest Expense	43,589	28,449	*53.2*	35,887	*21.5*
Net interest income (NII)	**22,191**	**18,089**	***22.7***	**21,542**	***3.0***
Other income	16,941	11,322	*49.6*	14,210	*19.2*
Total income	**39,133**	**29,411**	***33.1***	**35,752**	***9.5***
Operating expenses	14,586	12,369	*17.9*	14,398	*1.3*
-Staff expenses	5,906	5,461	*8.2*	5,467	*8.0*
-Other expenses	8,680	6,908	*25.6*	8,931	*(2.8)*
Operating profit	**24,547**	**17,042**	***44.0***	**21,354**	***15.0***
Core operating profit	19,944	13,821	*44.3*	19,573	*1.9*
Total provisions	6,257	2,858	*118.9*	3,996	*56.6*
Profit before tax	**18,291**	**14,184**	***29.0***	**17,358**	***5.4***
Tax	5,687	4,529	*25.6*	5,564	*2.2*
Profit after tax	**12,604**	**9,655**	***30.5***	**11,794**	***6.9***
Balance Sheet					
Deposits	2,133,945	1,502,409	*42.0*	2,007,382	*6.3*
Advances	2,147,201	1,399,718	*53.4*	2,035,339	*5.5*
Profitability ratios					
Yield on Advances	10.0	10.4	*(40)*	9.9	*10*
Cost of Funds	6.3	6.2	*10*	6.0	*30*
NIM	**3.3**	**3.7**	***(40)***	**3.4**	***(10)***
RoAA	1.6	1.8	*(20)*	1.6	-
RoAE	19.4	17.4	*200*	18.8	*60*
Asset Quality					
Gross NPL (Rs m)	28,245	13,644	*107.0*	26,268	*7.5*
Net NPL (Rs m)	12,626	5,453	*131.5*	13,128	*(3.8)*
Gross NPL ratio	1.3	1.0	*34*	1.3	*3*
Net NPL ratio	0.6	0.4	*20*	0.6	*(5)*
Coverage ratio	55.3	60.0	*(473)*	50.0	*527*
Business & Other Ratios					
CASA mix	35.1	36.8	*(170)*	36.5	*(140)*
Cost-income ratio	37.3	42.1	*(478)*	40.3	*(300)*
Non int. inc / total income	43.3	38.5	*480*	39.7	*355*
Credit deposit ratio	100.6	93.2	*746*	101.4	*(77)*
CAR	17.3	17.1	*20*	18.4	*(110)*
Tier-I	12.8	13.8	*(100)*	13.2	*(40)*

Source: Company Data, PL Research

Q1FY19 Concall Highlights:

Balance Sheet outlook:

- **Advances –** Loan growth has been strong with corporate book growing in Iron & Steel (1 a/c refinancing buyout of NCLT asset), telecom, travel/tourism and growth in International Banking Unit (IBU). In retail, growth was strong on Auto loans, CV/CE, LAP & personal loans. 47% of new book growth is from retail, but business banking segment has also started to grow well. **Outlook:** Bank expects loan growth likely at 30% YoY on base effect of growth, receding corporate opportunities and lower risk taking.

- **Liabilities –** CASA growth was 36% YoY led by SA with CASA facing headwinds for the industry, but bank has grown slightly higher in the wholesale deposit book to balance the increase in loan growth, while incremental borrowing has been higher on capital issuance, borrowing on lending to IBU and refinancing of loans from institutions. **Outlook:** Bank expects CASA growth of 30-40% to continue and aim at 40% by FY20.

Margins:

- Margins fell by 10bps QoQ to 3.3% as cost of funds increased by 30bps QoQ. Margins in the IBU is at 2% and domestic margins at 3.3-3.4%. **Outlook:** Bank expects yields could improve by 4bps would increase in Q2, another 11bps in Q3 and another 16bps in Q4 if MCLR were to remain stable and expects cost of funds to rise by 10-12bps further helping margin accretion of 20-25bps over next 9 months.

Fees/Other income:

- Bank saw strong growth in other income on back of higher Fx/Debt market fees as bank shuffled investment portfolio (can do at start of year) and booked one large redemption in security receipt.

- Fee income from corporate was strong 66% YoY from syndication, structuring and facility, while retail fees was slight slower at 29% YoY mainly from trade and TPP distribution.

Asset quality:

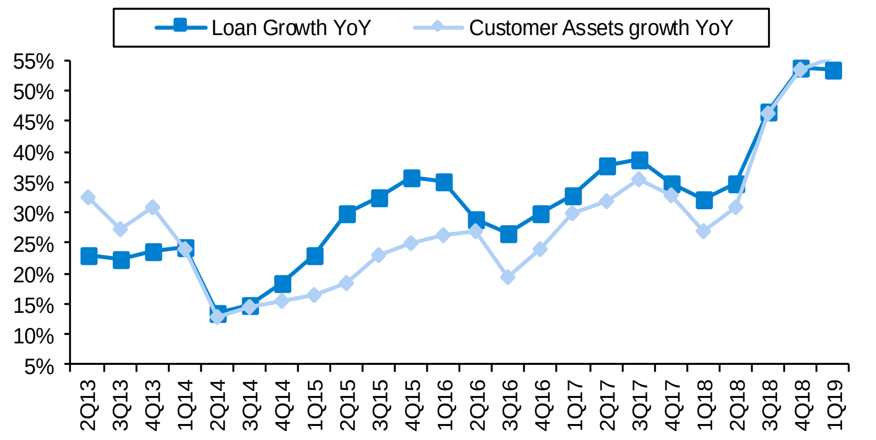
- **Slippages and Recoveries –** Bank witnessed gross slippages of Rs5.6bn of which Rs3.2bn was from 1 a/c which could be recovered in Q2FY19 and has collaterals in the form marketable securities. Bank recovered Rs1.8bn from NCLT List I and large redemption of Rs1.7bn in SRs helping lower the Net stressed assets ratio to 1.5%.

- **Credit Cost** – Credit cost was slightly higher as the Bank provided Rs1.49bn towards increasing the PCR by 500bps to 55%. Also Bank has taken amortization dispensation of Rs927mn/quarter on MTM losses spread over FY19. **Outlook:** As normalized credit cost was at 15bps (60bps annualized), bank maintains the credit cost guidance of 50-70bps in FY19.

Capital Efficiency:

- RWAs grew by 46% YoY but 6% QoQ (higher than loan growth) mainly on increase in operational risk leading to 20bps reduction in CET-I to 9.5%. Bank expects RWA consumptions loans to be lower going ahead helping Tier-I.

Exhibit 2: Continued strong loan growth



Source Company, PL

Corporate banking book continued to expand but retail continued to see improvement in mix on strong growth

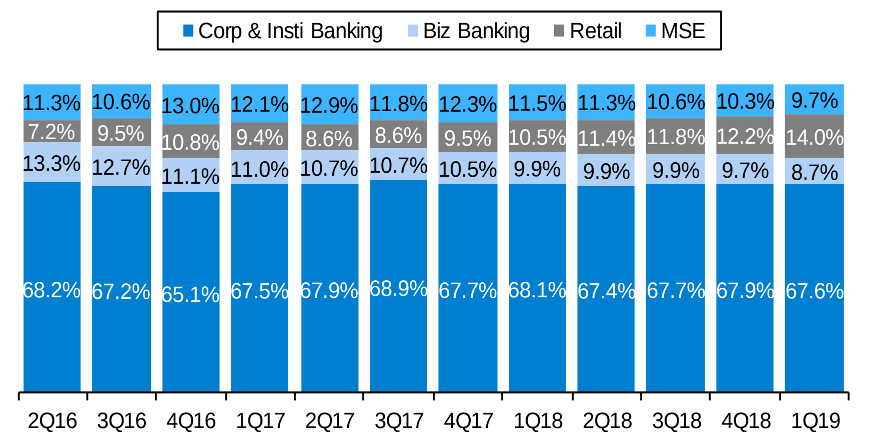
Exhibit 3: Segmental Mix of Loans

Advances Break-up	Q1FY19	Q1FY18	*YoY chg.*	Q4FY18	*QoQ chg.*
Corporate Banking	1,451,508	953,208	*52.3*	1,381,995	*5.0*
Commercial Banking	695,693	446,510	*55.8*	653,344	*6.5*
Business Banking (SME)	186,806	138,572	*34.8*	197,428	*(5.4)*
Retail	300,608	146,970	*104.5*	248,311	*21.1*
MSE	208,278	160,968	*29.4*	209,640	*(0.6)*
Total	**2,147,201**	**1,399,718**	***53.4***	**2,035,339**	***5.5***

Source: Company, PL

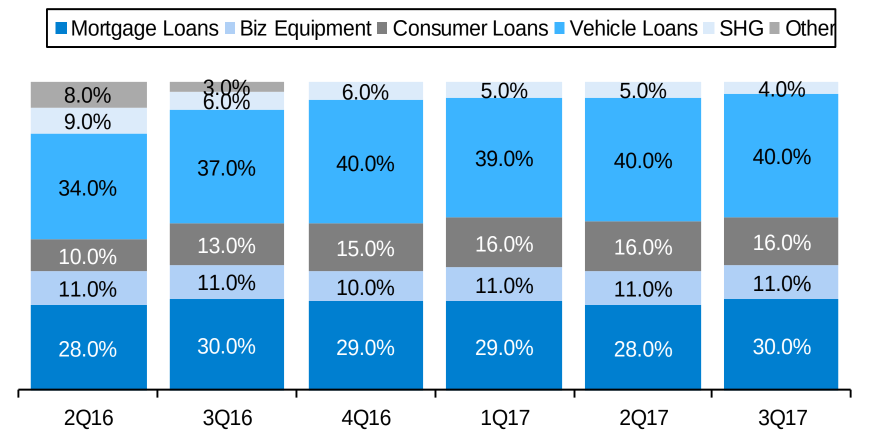
Corporate mix stable and dominating, while retail mix see ~180bps jump

Exhibit 4: Corporate and Core retail book mix improves



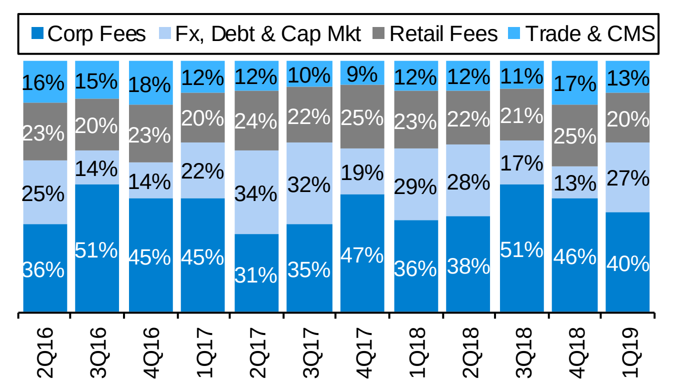
Source: Company, PL

Exhibit 5: Retail loans – Mortgage continue to drive, consumer loan growth also seeing strong growth



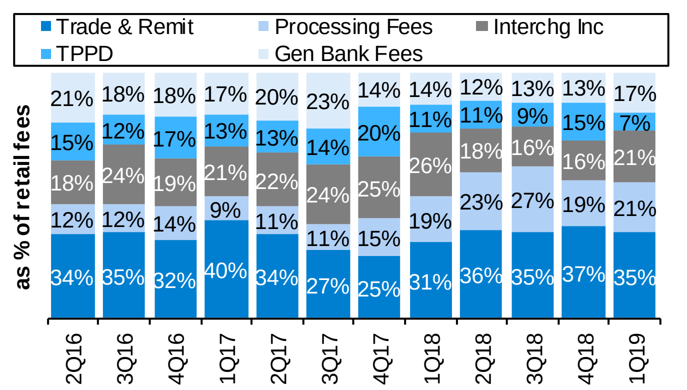
Source: Company, PL

Exhibit 6: Fx/Debt market income leads other income



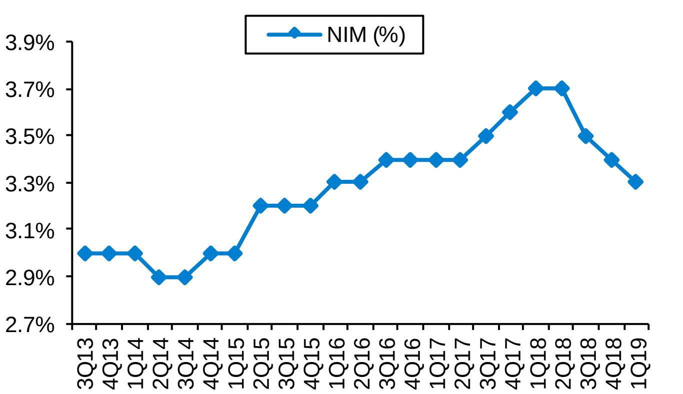
Source: Company, PL

Exhibit 7: Retail fees was slower on 3rd party & trade fees



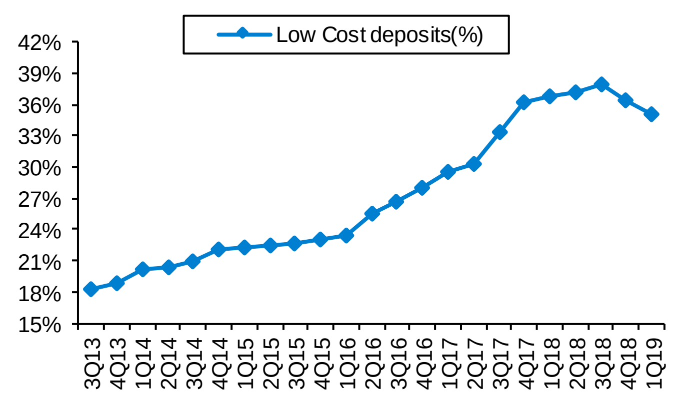
Source: Company, PL

Exhibit 8: Margins continue to be under pressure



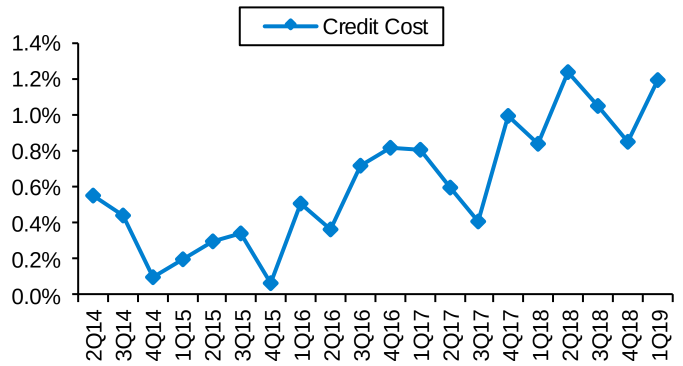
Source: Company, PL

Exhibit 9: CASA mix slightly declined on strong TD growth



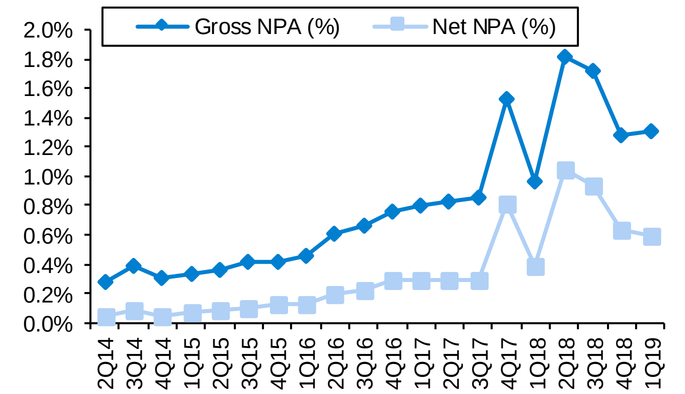
Source: Company, PL

Exhibit 10: Credit cost was high as bank did higher provisioning to enhance PCR…



Source: Company, PL

Exhibit 11: ...but asset quality slightly deteriorated on slightly higher than trend slippages



Source: Company, PL

Exhibit 12: RoAE tree - Return ratios on strong trajectory

RoAE decomposition (%)	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Interest income	9.60	9.59	9.44	8.98	8.64	7.68	7.80	8.02
Interest expenses	7.03	6.98	6.59	5.95	5.59	4.75	5.04	5.17
Net interest income	**2.57**	**2.61**	**2.85**	**3.03**	**3.05**	**2.93**	**2.76**	**2.84**
Treasury income	0.26	0.35	0.06	0.22	0.43	0.28	0.25	0.20
Other Inc. from operations	1.20	1.30	1.61	1.58	1.76	1.70	1.56	1.50
Total income	**4.02**	**4.26**	**4.51**	**4.83**	**5.23**	**4.91**	**4.57**	**4.54**
Employee expenses	0.76	0.75	0.80	0.86	0.95	0.83	0.68	0.64
Other operating expenses	0.79	0.93	1.06	1.11	1.22	1.15	1.05	1.07
Operating profit	**2.48**	**2.58**	**2.65**	**2.85**	**3.07**	**2.94**	**2.84**	**2.83**
Tax	0.72	0.68	0.74	0.81	0.42	0.59	0.61	0.54
Loan loss provisions	0.25	0.35	0.28	0.36	0.90	0.75	0.72	0.75
RoAA	**1.51**	**1.55**	**1.64**	**1.68**	**1.75**	**1.60**	**1.50**	**1.55**
RoAE	**24.81**	**25.02**	**21.33**	**19.94**	**18.58**	**17.67**	**19.31**	**21.13**

Source: Company, PL

We slightly tweak on margins, other income and increase credit cost

Exhibit 13: Estimates change table

(Rs mn)	Old		Revised		% Change	
	FY19E	FY20E	FY19E	FY20E	*FY19E*	*FY20E*
NII	99,385	128,629	99,671	129,157	*0.3*	*0.4*
Operating profit	98,898	124,424	102,463	128,593	*3.6*	*3.4*
Net profit	54,602	69,464	54,253	70,271	*(0.6)*	*1.2*
EPS (Rs)	23.7	30.2	23.6	30.5	*(0.6)*	*1.0*
ABVPS (Rs)	126.6	150.1	128.4	152.5	*1.5*	*1.6*
Price target (Rs)	***438***		***438***		***-***	
Recommendation	***BUY***		***BUY***			

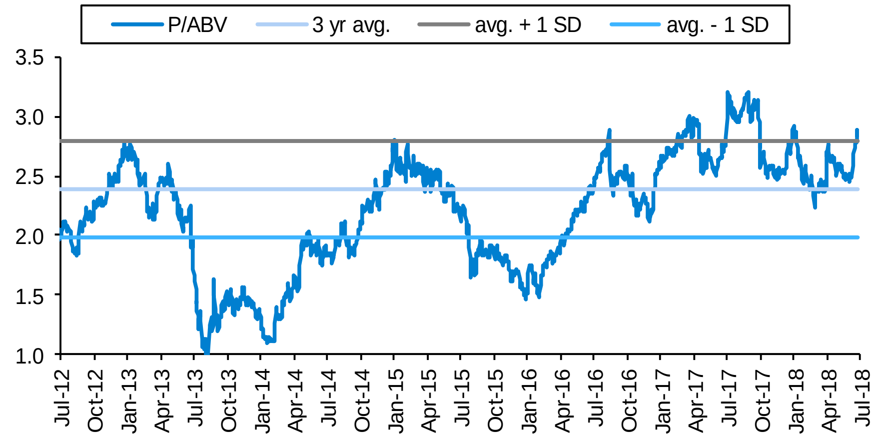
Source: Company, PL

Exhibit 14: We retain our TP at Rs438 based on 2.9x Mar-20 ABV

PT calculation and upside	
Fair price - EVA, Rs	436
Fair price - P/ABV, Rs	441
Average of the two, Rs	**438**
Target P/ABV (x)	**2.9**
Target P/E (x)	**14.4**
Current price, Rs	370
Upside (%)	**18.4%**
Dividend yield (%)	0.7%
Total return (%)	**19.1%**

Source: Company, PL

Exhibit 15: Yes Bank – One year forward P/ABV trends



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY17	FY18	FY19E	FY20E
Int. Earned from Adv.	122,098	154,782	220,020	293,867
Int. Earned from invt.	37,968	41,025	57,350	65,776
Others	4,180	6,867	4,240	4,480
Total Interest Income	164,246	202,674	281,611	364,123
Interest Expenses	106,273	125,304	181,939	234,966
Net Interest Income	**57,973**	**77,371**	**99,671**	**129,157**
Growth(%)	*36.8*	*30.2*	*27.3*	*25.0*
Non Interest Income	41,568	52,238	65,298	77,052
Net Total Income	99,541	129,609	164,969	206,208
Growth(%)	*26.7*	*23.9*	*36.1*	*27.2*
Employee Expenses	18,050	21,889	24,516	28,929
Other Expenses	21,402	27,929	35,470	45,401
Operating Expenses	41,165	52,128	62,506	77,615
Operating Profit	**58,375**	**77,481**	**102,463**	**128,593**
Growth(%)	*35.7*	*32.7*	*32.2*	*25.5*
NPA Provision	6,634	10,788	17,219	21,487
Total Provisions	7,934	15,538	22,088	24,488
PBT	**50,441**	**61,943**	**80,375**	**104,105**
Tax Provision	17,140	19,697	26,122	33,834
Effective tax rate (%)	*34.0*	*31.8*	*32.5*	*32.5*
PAT	**33,301**	**42,246**	**54,253**	**70,271**
Growth(%)	*31.1*	*26.9*	*28.4*	*29.5*

Balance Sheet (Rs. m)

Y/e Mar	FY17	FY18	FY19E	FY20E
Face value	2	2	2	2
No. of equity shares	2,282	2,303	2,303	2,303
Equity	4,565	4,606	4,606	4,606
Networth	220,541	257,583	304,341	360,752
Growth(%)	*60.0*	*16.8*	*18.2*	*18.5*
Adj. Networth to NNPAs	10,723	13,127	14,249	15,519
Deposits	1,428,739	2,007,381	2,750,113	3,437,641
Growth(%)	*27.9*	*40.5*	*37.0*	*25.0*
CASA Deposits	518,697	731,762	1,045,043	1,316,616
% of total deposits	*36.3*	*36.5*	*38.0*	*38.3*
Total Liabilities	**2,150,599**	**3,124,456**	**4,091,907**	**4,988,981**
Net Advances	1,322,627	2,035,339	2,747,707	3,572,019
Growth(%)	*34.7*	*53.9*	*35.0*	*30.0*
Investments	500,318	683,989	924,209	920,247
Total Assets	**2,150,599**	**3,124,456**	**4,091,907**	**4,988,981**
Growth (%)	*30.1*	*45.3*	*31.0*	*21.9*

Asset Quality

Y/e Mar	FY17	FY18	FY19E	FY20E
Gross NPAs (Rs m)	20,186	26,268	35,148	44,948
Net NPAs (Rs m)	10,723	13,127	14,249	15,519
Gr. NPAs to Gross Adv.(%)	*1.5*	*1.3*	*1.3*	*1.3*
Net NPAs to Net Adv. (%)	*0.8*	*0.6*	*0.5*	*0.4*
NPA Coverage %	*46.9*	*50.0*	*59.5*	*65.5*

Profitability (%)

Y/e Mar	FY17	FY18	FY19E	FY20E
NIM	3.2	3.1	2.9	3.0
RoAA	1.8	1.6	1.5	1.5
RoAE	18.6	17.7	19.3	21.1
Tier I	13.3	13.2	11.2	9.9
CRAR	17.0	18.4	16.3	14.0

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Interest Income	48,003	50,703	57,430	65,780
Interest Expenses	29,153	31,815	35,887	43,589
Net Interest Income	**18,851**	**18,888**	**21,542**	**22,191**
YoY growth (%)	*10.1*	*16.8*	*32.5*	*53.2*
CEB	7,486	10,131	9,913	10,156
Treasury	3,518	2,428	1,781	4,603
Non Interest Income	12,484	14,223	14,210	16,941
Total Income	**60,488**	**64,926**	**71,640**	**82,722**
Employee Expenses	5,628	5,334	5,467	5,906
Other expenses	6,641	7,759	8,931	8,680
Operating Expenses	12,269	13,093	14,398	14,586
Operating Profit	**19,067**	**20,018**	**21,354**	**24,547**
YoY growth (%)	*37.6*	*37.7*	*26.3*	*44.0*
Core Operating Profits	15,549	17,590	19,573	19,944
NPA Provision	-	-	-	-
Others Provisions	4,471	4,213	3,996	6,257
Total Provisions	4,471	4,213	3,996	6,257
Profit Before Tax	**14,596**	**15,805**	**17,358**	**18,291**
Tax	4,569	5,036	5,564	5,687
PAT	**10,027**	**10,769**	**11,794**	**12,604**
YoY growth (%)	*25.1*	*22.0*	*29.0*	*30.5*
Deposits	**1,579,898**	**1,717,314**	**2,007,382**	**2,133,945**
YoY growth (%)	*23.4*	*29.7*	*40.5*	*42.0*
Advances	**1,486,753**	**1,715,149**	**2,035,339**	**2,147,201**
YoY growth (%)	*34.9*	*46.5*	*53.9*	*53.4*

Key Ratios

Y/e Mar	FY17	FY18	FY19E	FY20E
CMP (Rs)	370	370	370	370
EPS (Rs)	15.2	18.4	23.6	30.5
Book Value (Rs)	97	112	132	157
Adj. BV (70%)(Rs)	94	108	128	153
P/E (x)	24.3	20.1	15.7	12.1
P/BV (x)	3.8	3.3	2.8	2.4
P/ABV (x)	4.0	3.4	2.9	2.4
DPS (Rs)	-	2.4	2.7	5.0
Dividend Payout Ratio (%)	*0.0*	*15.6*	*13.8*	*19.7*
Dividend Yield (%)	*-*	*0.6*	*0.7*	*1.4*

Efficiency

Y/e Mar	FY17	FY18	FY19E	FY20E
Cost-Income Ratio (%)	*41.4*	*40.2*	*37.9*	*37.6*
C-D Ratio (%)	*92.6*	*101.4*	*99.9*	*103.9*
Business per Emp. (Rs m)	137	222	251	267
Profit per Emp. (Rs lacs)	17	23	25	27
Business per Branch (Rs m)	2,751	3,675	4,072	4,381
Profit per Branch (Rs m)	33	38	40	44

Du-Pont

Y/e Mar	FY17	FY18	FY19E	FY20E
NII	3.05	2.93	2.76	2.84
Total Income	5.23	4.91	4.57	4.54
Operating Expenses	2.16	1.98	1.73	1.71
PPoP	3.07	2.94	2.84	2.83
Total provisions	0.42	0.59	0.61	0.54
RoAA	1.75	1.60	1.50	1.55
RoAE	18.58	17.67	19.31	21.13

Source: Company Data, PL Research

PL's Recommendation Nomenclature (Absolute Performance)

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. R Sreesankar- B.Sc , Ms. Pritesh Bumb- MBA, M.com, Ms. Vidhi Shah- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as “PL”) is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. R Sreesankar- B.Sc , Ms. Pritesh Bumb- MBA, M.com, Ms. Vidhi Shah- CA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all o the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com | Bloomberg Research Page: PRLD <GO>

SREESANKAR RADHAKRISHNAN