

April 25, 2019

Q1FY20 Result Update

Key Financials

Y/e March	FY18	FY19	FY20E	FY21E
Net Premiums (Rs m)	268,107	318,651	363,336	411,424
- Growth (%)	21.0	18.9	14.0	13.2
Surplus / Deficit (Rs m)	14,832	15,060	16,460	17,044
PAT (Rs m)	16,198	17,283	19,339	24,297
- Growth (%)	(3.7)	6.7	11.9	25.6
EPS (Rs)	11.3	12.0	13.5	16.9
Emb. Value (Rs bn)	187.9	216.2	250.2	288.2
NBP Margin (%) post overrun	16.5	17.0	20.1	21.9
RoE (%)	24.4	23.1	22.0	23.4
Operating RoEV (%)	22.7	20.2	18.2	17.7
RoEV (%)	16.1	15.1	15.7	15.2
Dividend yield (%)	1.8	0.8	0.9	1.0
Price/EV (x)	2.0	1.8	1.5	1.3
Ap. Value/EV (x)	3.9	3.4	2.9	2.5

Key Data

ICIR.BO | IPRULIFE IN

52-W High / Low	Rs.428 / Rs.278
Sensex / Nifty	37,848 / 11,271
Market Cap	Rs.550.2bn/ \$ 7,973.8m
Shares Outstanding	1,435.8m
3M Avg. Daily Value	Rs.685.4m

Shareholding Pattern (%)

Promoter's	74.98
Foreign	10.08
Domestic Institution	6.54
Public & Others	8.40
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.1	26.5	(0.5)
Relative	5.3	22.1	(2.2)

Pritesh Bumb

priteshbumb@plindia.com | 91-22-66322232

Prabal Gandhi

prabalgandhi@plindia.com | 91-22-66322258

Strong protection growth

Quick Pointers

- Strong margin improvement of +300bps YoY/QoQ to 21.0% on back of change in mix of business towards protection
- Protection business grew by 80% YoY while annuity grew by 67% YoY taking share to 14% & 1.4% in overall APE respectively.

ICICI Pru Life's business was slow with APE growing at 5.3% YoY led by de-growth in savings business as ULIP slowed. Protection has remained key area of focus which has grown strong at 88% YoY taking share up by +600bps YoY to 14%. Company expects APE to pick up mainly led by savings and continued traction on protection. Important highlight was sharp improvement in margins by ~400bps QoQ to 21.0% which is mainly due to mix changing and drag of opex ratios getting into base, but overall VNB growth was slower (even compared to peers). We expect growth is likely to be lower than industry but retail protection growth should be better but margin sustainability will remain key as saving business improves. We retain BUY with TP of Rs511 (unchanged) based on 2.5x Mar-21 EV and 22x NB multiple.

- Protection business holding growth:** Overall GWP were led by single premium, while regular & renewal premiums were slower. APE growth was subdued at 5% (lower than industry rate) mainly led by slower ULIP sales driving down savings segment growth, although protection business growth of 88% YoY led to mix strong mix change by +600bps & 400bps of mix change in protection to 14%. Company expects protection business has been particularly working well from agency/broker channel but banca also has done decent, which we believe should have cannibalized some of the ULIP sales along with tough market conditions. Annuity business also has seen strong growth of 67% YoY with mix improving to 1.4% of APE and remains another important growth driver and mix change from ULIP.
- Strong VNB margin improvement surpassed expectations:** Given the slower growth, 27% YoY VNB growth led by protection growth and sharp margins improvement of +300bps YoY & QoQ to 21.0%, was a surprise. Margin assumptions have been factored in with similar opex ratios of FY19 as savings business opex was drag on margins but seemingly opex ratios are now steady and in line with growth hence should not see troubling margins. IPRULIFE targets to double VNB in next five years, while we expect strong 25% VNB growth with conservative 9% CAGR in APE growth over FY20-FY21E.
- Persistency see marginal gains:** Persistency has likely improved on the margin in the 13th & 61st month bucket led by protection, product changes like limited pay option. Though growth has been slower in ULIP we are yet to see any persistency stress due to adverse capital market conditions. Company's strategy from last year H2 was clearly to move to lower ticket size business hence focusing on both volume driven & mix change.

Exhibit 1: Profitability has been slower

(Rs m)	Q1FY20	Q1FY19	YoY gr. (%)	Q4FY19	QoQ gr. (%)
Policyholders' Account					
Gross Premium Income	63,293	55,179	14.7	101,636	(37.7)
Net Premium Income	62,081	54,378	14.2	100,563	(38.3)
Inc. from Investments (Net)	19,916	23,212	(14.2)	56,176	(64.5)
Total (A)	84,321	78,712	7.1	160,539	(47.5)
Net Commission	2,648	2,796	(5.3)	5,095	(48.0)
Opex related to Insurance	6,458	5,952	8.5	7,732	(16.5)
Benefits Paid (Net)	36,446	29,395	24.0	44,937	(18.9)
Change in actuarial liability	32,314	35,801	(9.7)	96,734	(66.6)
Total (B)	80,100	75,703	5.8	156,472	(48.8)
Surplus / (Deficit)	4,221	3,009	40.3	4,067	3.8
Shareholders' Account					
Trf from Policyholders A/c	3,689	2,464	49.7	4,166	(11.4)
Investment Income	1,433	1,396	2.6	2,214	(35.3)
Total	5,122	3,864	32.6	6,459	-20.7
Expenses other than related to insurance	93	99	(6.2)	104	(10.1)
Trf to Policyholders A/c	2,159	925	133.4	3,574	(39.6)
Profit/(Loss) before Tax	2,870	2,840	1.1	2,782	3.2
Provision for Taxation	21	24	(12.8)	168	(87.8)
Profit/(Loss) after Tax	2,849	2,816	1.2	2,614	9.0
Ratios					
Expense Ratio	12.2	12.0	16	8.5	363
Commission Ratio	5.0	5.5	(54)	5.6	(63)
Cost / TWRP	17.1	17.5	(39)	14.1	299

Source: Company, PL

Exhibit 2: Protection growth continued to be robust

	Q1FY20	Q1FY19	YoY Chg.	Q4FY19	QoQ Chg.	FY19	FY18	YoY Chg.
APE	14,700	13,960	5.3	24,560	(40.1)	77,990	77,920	0.1
Savings	12,550	12,820	(2.1)	21,950	(42.8)	70,770	73,450	(3.6)
Protection	2,150	1,140	88.6	2,610	(17.6)	7,220	4,470	61.5
%								
Savings	85.4	91.8	(646)	89.4	(400)	90.7	94.3	(352)
Protection	14.6	8.2	646	10.6	400	9.3	5.7	352
VNB	3,090	2,440	26.6	4,190	(26.3)	13,290	12,860	3.3
VNB Margin (%)	21.0	17.5	354.2	17.1	396.0	17.0	16.5	49.6

Source: Company, PL

Exhibit 3: Group premium pulls up growth

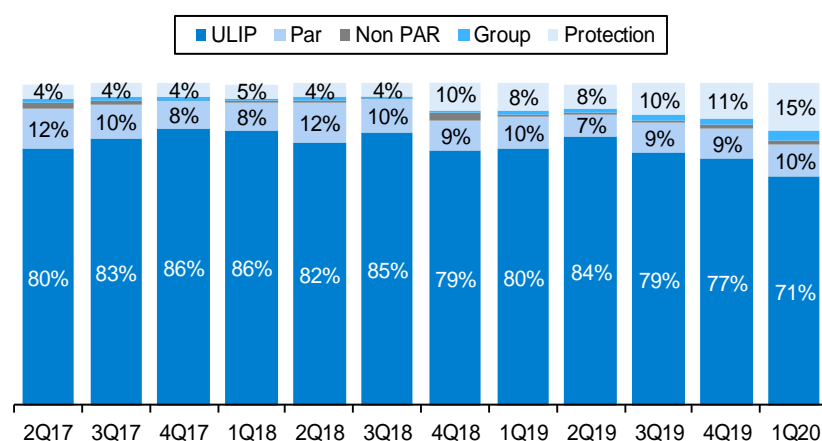
	Q1FY20	Q1FY19	YoY Chg.	Q4FY20	QoQ Chg.	FY19	FY18	YoY Chg.
Retail renewal premium	39,760	36,250	9.7	66,160	(39.9)	202,250	174,970	15.6
Retail new business premium	15,330	14,920	2.7	26,630	(42.4)	81,400	84,020	(3.1)
Group Premium	8,200	4,010	104.5	8,850	(7.3)	25,650	11,700	119.2
Total	63,290	55,180	14.7	101,640	(37.7)	309,300	270,690	14.3

Source: Company, PL

Exhibit 4: Protection continues to improve; Savings driven by strong Annuity growth

Product Mix	Q4FY19	Q4FY18	YoY Chg.	Q3FY19	QoQ Chg.	FY19	FY18	YoY Chg.
Rs Mn								
Savings	12,560	12,820	(2.0)	21,960	(42.8)	70,780	73,830	(4.1)
ULIP	10,460	11,140	(6.1)	18,850	(44.5)	62,100	63,810	(2.7)
Par	1,420	1,360	4.4	2,290	(38.0)	6,720	8,460	(20.6)
Non PAR	200	120	66.7	280	(28.6)	690	690	-
Group	480	200	140.0	540	(11.1)	1,270	870	46.0
Protection	2,140	1,140	87.7	2,610	(18.0)	7,220	4,460	61.9
(%)								
Savings	85.4	91.8	(639.2)	89.4	(397.2)	90.8	94.8	(399.6)
ULIP	71.2	79.8	(864.3)	76.8	(559.4)	79.6	81.9	(226.6)
Par	9.7	9.7	(8.2)	9.3	33.6	8.6	10.9	(224.1)
Non PAR	1.4	0.9	50.1	1.1	22.0	0.9	0.9	(0.1)
Group	3.3	1.4	183.3	2.2	106.7	1.6	1.1	51.2
Protection	14.6	8.2	639.2	10.6	393.1	9.3	5.7	353.4

Source: Company, PL

Exhibit 5: ULIP's share slips futher while Protection continues to see improvement


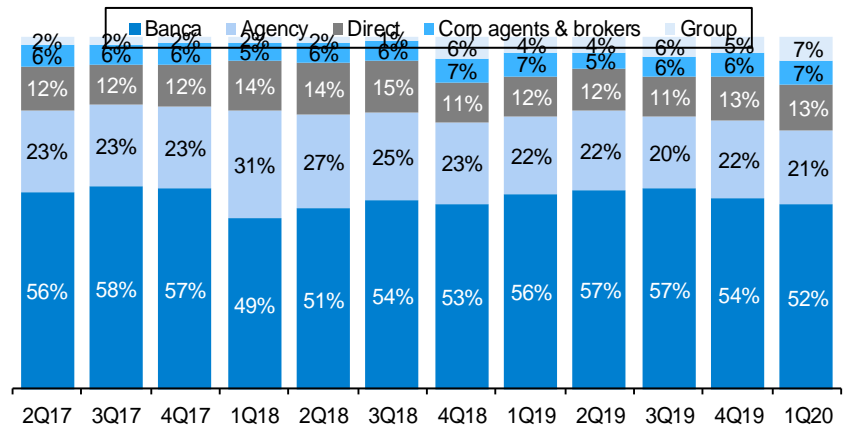
Source: Company, PL

Exhibit 6: Direct & Agency driving growth

Sourcing Mix	Q1FY20	Q1FY19	YoY Chg.	Q4FY19	QoQ Chg.	FY19	FY18	YoY Chg.
Rs Mn								
Banca	7,700	7,760	(1)	13,330	(42)	43,530	40,750	7
Agency	3,110	3,040	2	5,410	(43)	16,890	19,790	(15)
Direct	1,880	1,640	15	3,140	(40)	9,340	10,540	(11)
Corp Agent & Brokers	1,000	910	10	1,580	(37)	4,590	4,700	(2)
Group	1,000	610	64	1,110	(10)	3,650	2,130	71
(%)								
Banca	52.4	55.6	(321)	54.3	(189)	55.8	52.3	352
Agency	21.2	21.8	(62)	22.0	(87)	21.7	25.4	(374)
Direct	12.8	11.7	104	12.8	0	12.0	13.5	(155)
Corp Agent & Brokers	6.8	6.5	28	6.4	37	5.9	6.0	(15)
Group	6.8	4.4	243	4.5	228	4.7	2.7	195

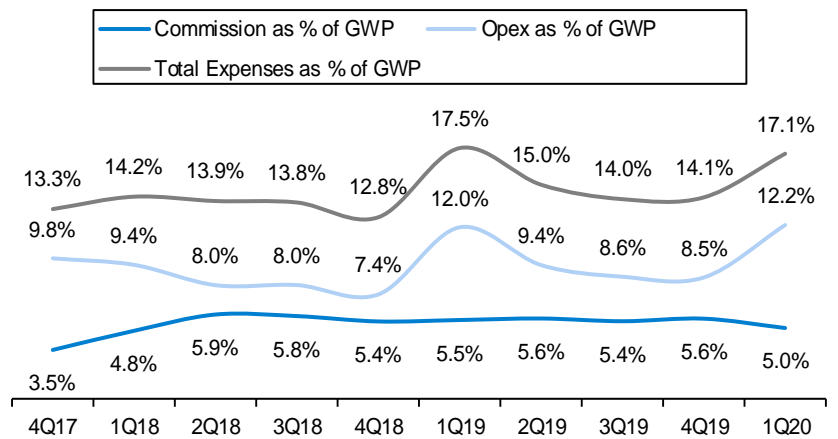
Source: Company, PL

Exhibit 7: Sourcing channel mix has been broadly steady



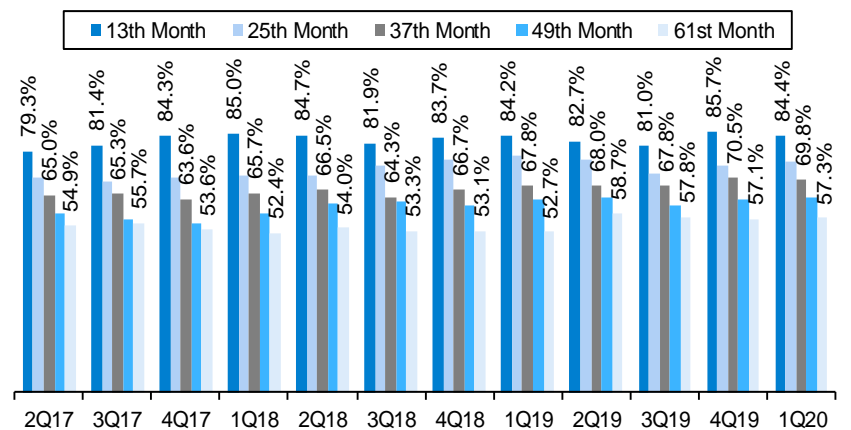
Source: Company, PL

Exhibit 8: Opex higher on advertisement expenses

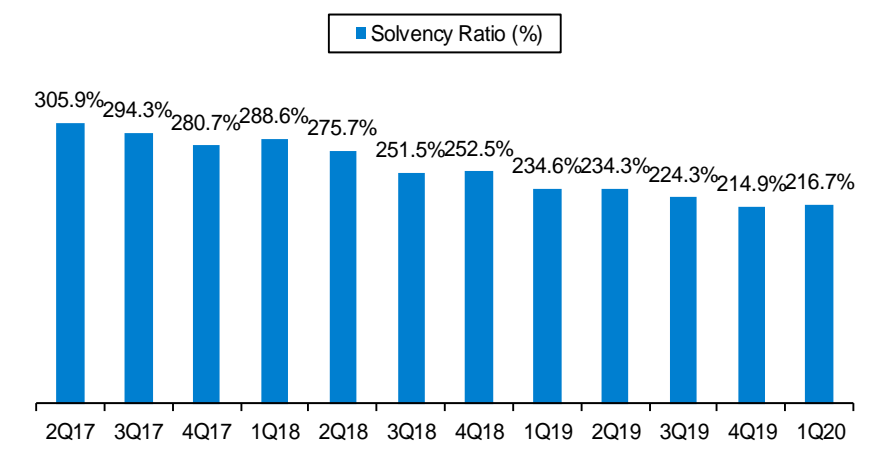


Source: Company, PL

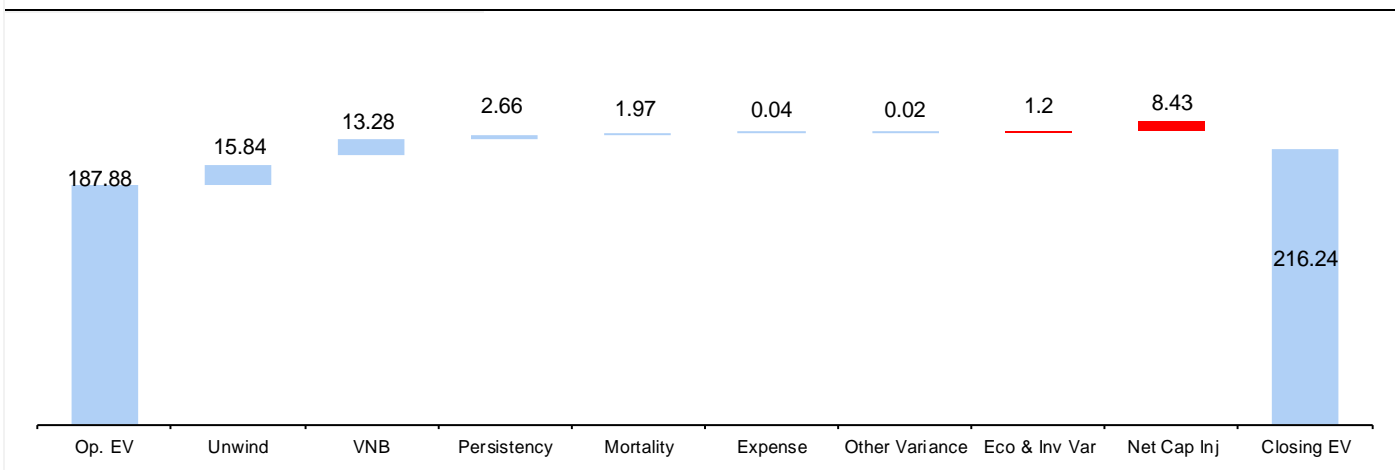
Exhibit 9: 13th Month & 16th month improve on persistency



Source: Company, PL

Exhibit 10: Solvency improves on no dividend payout during quarter


Source: Company, PL

Exhibit 11: Movement of Embedded Value – FY19


Source: Company, PL

Exhibit 12: Key Metrics and EV movement

Rs bn	FY16	FY17	FY18	FY19E	FY20E	FY21E
APE	51.7	66.3	77.9	78.0	82.2	93.3
YoY growth (%)	9.0	28.1	17.6	0.1	5.4	13.4
NBV	4.1	6.7	12.9	13.3	16.5	20.4
YoY growth (%)	52.7	61.5	93.1	3.3	24.5	23.6
EV Movement						
Opening IEV	137.2	139.4	161.8	187.9	216.2	250.2
New Business Value	22.2	23.0	36.8	38.0	39.4	44.2
EVOP	4.1	6.7	12.9	13.3	16.5	20.4
Dividend payout	14.4	6.3	11.9	8.4	5.9	6.7
Closing EV	139.4	161.8	187.9	216.2	250.2	288.2
Adjusted Net worth	55.1	67.6	70.2	73.5	94.6	112.6
Value in force (VIF)	84.2	94.3	117.6	142.7	155.6	175.6
Ratios (%)						
NBAP margins	8.0	10.1	16.5	17.0	20.1	21.9
RoEV	1.6	16.1	16.1	15.1	15.7	15.2
Operating RoEV	16.2	16.5	22.7	20.2	18.2	17.7

Source: Company, PL

Exhibit 13: Change in Estimates – We adjust to higher VNB margins but lower APE growth assumptions

(Rs mn)	Old		Revised		%Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
APE	88.9	103.2	82.2	93.3	(7.5)	(9.6)
VNB	15.7	19.2	16.5	20.4	5.3	6.4
VNB Margin (%)	17.7	18.6	20.1	21.9	2.4	3.3
EV	251.2	290.3	250.2	288.2	(0.4)	(0.7)
Price target (Rs)	471		511		0.0	
Recommendation	BUY		BUY			

Source: Company

Exhibit 14: We retain our TP of Rs511 (unchanged) based on 2.5x P/EV Mar FY21E

PT calculation and upside	
Op RoEV	17.7%
CoE	13.7%
Terminal Growth	5.0%
Embedded value	288
Price / Embedded value	2.5
Appraisal Value	734
Number of shares, mn	1,435
Valuation per share	511
CMP	383
<i>Upside (%)</i>	33%

Source: Company, PL



Technical account (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Gross Premiums	270,688	321,726	367,111	415,837
Reinsurance Ceded	(2,581)	(3,076)	(3,775)	(4,413)
Net Premiums	268,107	318,651	363,336	411,424
Other Income	594	665	762	873
Total income	382,174	457,552	550,698	639,519
Commission	14,033	16,710	18,876	21,445
Operating expenses	20,299	23,712	26,083	29,914
Prov for doubtful debts	82	94	106	121
Operating Profit	347,760	417,036	505,633	588,040
Prov for Tax	5,645	7,056	8,821	11,026
Benefits Paid (Net)	172,259	174,526	184,973	194,524
Chg in reserves	154,475	220,393	295,380	365,447
Surplus / Deficit	14,832	15,060	16,460	17,044

Shareholder's a/c (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Transfer from technical a/c	10,892	11,827	13,052	13,351
Income From Investments	7,395	7,853	9,107	14,184
Total Income	18,336	19,733	22,219	27,602
Other expenses	388	504	680	918
Contribution to technical a/c	753	843	966	1,107
Total Expenses	1,140	1,347	1,646	2,025
PBT	17,196	18,386	20,573	25,576
Prov for Tax	(997)	(1,103)	1,234	1,279
PAT	16,198	17,283	19,339	24,297

Premium (Rs m) & growth (%)

Y/e Mar	FY18	FY19	FY20E	FY21E
New business prem - unwtd	92,118	103,632	113,995	128,815
New business prem - APE	75,417	78,966	82,232	93,273
Renewal premium	178,570	218,094	253,115	287,023
Total premium - unwtd	270,688	321,726	367,111	415,837
New bus. growth - unwtd	17.1	12.5	10.0	13.0
New business growth - APE	16.1	4.7	4.1	13.4
Renewal premium growth	23.2	22.1	16.1	13.4
Total prem growth - unwtd	21.1	18.9	14.1	13.3

Premium mix (%)

Y/e Mar	FY18	FY19	FY20E	FY21E
New business - unwtd				
- Individual mix	91.2	94.0	93.0	92.0
- Group mix	8.8	6.0	7.0	8.0
New business mix - APE				
- Participating	10.6	13.1	12.5	12.4
- Non-participating	5.1	6.5	12.3	16.3
- ULIPs	84.4	80.4	75.2	71.3
Total premium mix - unwtd				
- Participating	11.9	11.4	11.8	11.8
- Non-participating	12.8	16.6	18.7	19.6
- ULIPs	75.3	72.0	69.6	68.7

Individual prem sourcing mix (%)

Y/e Mar	FY18	FY19	FY20E	FY21E
Individual agents	25.6	18.0	19.0	19.0
Corporate agents-Banks	52.6	65.0	62.0	62.0
Direct business	16.0	10.0	11.0	11.0
Others	5.8	7.0	8.0	8.0

Source: Company Data, PL Research

Balance sheet (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Sources of Fund				
Share Capital	14,355	14,355	14,355	14,355
Reserves And Surplus	51,409	63,249	76,714	94,273
Policy Liabilities	309,934	392,117	495,223	635,709
Prov. for Linked Liab.	923,124	1,131,023	1,323,297	1,548,257
Funds For Future App.	8,782	9,659	10,624	11,686
Current liabilities & prov.	34,476	36,536	40,927	36,899
Total	1,418,213	1,669,339	1,984,722	2,366,154
Application of Funds				
Shareholders' inv	77,493	97,019	130,665	191,696
Policyholders' inv	332,889	406,259	491,899	585,773
Assets to cover linked liab.	975,020	1,131,023	1,323,297	1,548,257
Loans	1,451	1,712	1,968	2,165
Fixed Assets	4,221	4,727	5,389	5,928
Current assets	27,140	28,599	31,504	32,334
Total	1,418,213	1,669,339	1,984,722	2,366,154

Operating ratios

Y/e Mar	FY18	FY19	FY20E	FY21E
Investment yield (%)	8.6	8.9	10.0	10.0
Commissions / GWP	5.2	5.2	5.1	5.2
- first year premiums	13.9	15.7	16.9	16.9
- renewal premiums	1.9	2.0	2.0	2.0
- single premiums	1.9	1.5	1.5	1.5
Operating expenses / GWP	7.5	7.4	7.1	7.2
Total expense ratio	12.7	12.6	12.2	12.4
Claims / NWP	64.3	54.8	50.9	47.3
Solvency margin	252.5	-	-	-

Persistence ratios (%)

Y/e Mar	FY18	FY19	FY20E	FY21E
13th Month	87.0	87.3	87.3	87.3
25th Month	76.5	77.6	77.8	77.8
37th Month	68.4	70.0	70.6	70.8
49th Month	61.4	62.0	62.7	62.9
61st Month	55.6	56.0	56.2	56.3

Profitability ratios (%)

Y/e Mar	FY18	FY19	FY20E	FY21E
NBP margin (%) pre overrun	-	-	-	-
NBP margin (%) post overrun	16.5	17.0	20.1	21.9
RoE (%)	24.4	23.1	22.0	23.4
RoIC (%)	33.4	35.6	39.8	50.0

Valuation ratios

Y/e Mar	FY18	FY19	FY20E	FY21E
Total AUMs, Rs bn	1,385	1,634	1,946	2,326
- of which equity AUMs (%)	47.0	48.3	46.0	46.0
EVOP as % of MCEV	22.7	20.2	18.2	17.7
RoEV (%)	16.1	15.1	15.7	15.2
Dividend %	1.8	0.8	0.9	1.0
Dividend payout ratio (%)	73.6	31.5	30.4	27.7
EPS, Rs	11.3	12.0	13.5	16.9
Embedded Value, Rs bn	187.9	216.2	250.2	288.2
Appraisal value/EV (x)	3.9	3.4	2.9	2.5
Appraisal value/Net profit (x)	45.31	42.46	37.95	30.20

Source: Company Data, PL Research

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	Accumulate	837	809
2	Bank of Baroda	BUY	161	129
3	Bank of India	Reduce	90	95
4	Federal Bank	BUY	121	105
5	HDFC	BUY	2,700	2,376
6	HDFC Bank	BUY	2,700	2,484
7	HDFC Standard Life Insurance Company	BUY	585	509
8	ICICI Bank	BUY	475	436
9	ICICI Prudential Life Insurance Company	BUY	511	394
10	IDFC First Bank	BUY	55	45
11	IndusInd Bank	BUY	1,800	1,510
12	Jammu & Kashmir Bank	BUY	80	41
13	Kotak Mahindra Bank	Hold	1,385	1,454
14	Max Financial Services	BUY	629	414
15	Punjab National Bank	Reduce	75	82
16	SBI Life Insurance Company	BUY	787	757
17	South Indian Bank	BUY	18	13
18	State Bank of India	BUY	427	367
19	Union Bank of India	Reduce	71	85
20	YES Bank	Hold	101	98

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, Ms. Pritesh Bumb- MBA, M.com, Mr. Prabal Gandhi- BTech, CFA Level II 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 Ms. Pritesh Bumb- MBA, M.com, Mr. Prabal Gandhi- BTech, CFA Level II Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

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

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

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

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

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

US Clients

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

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

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

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

Prabhudas Lilladher Pvt. Ltd.

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

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