

19 October 2020

## Federal Bank

*Strong quarter, collection efficiency at pre-Covid levels; Buy*

Rating: **Buy**

Target Price: Rs60

Share Price: Rs50

**NIM expansion, higher fee income and lower opex led to a strong 40% y/y increase in Federal Bank's Q2 operating profits. Rs4bn standard asset provisions made during the quarter led to a ~26% y/y decline in earnings. With a standstill on NPA recognition, asset quality and PCR improved. Collection efficiency for the bank reached 95% in Sep'20 (pre-covid levels). We maintain our positive view on the bank at a TP of Rs60 valuing it at 0.7x P/ABV on its FY22e book.**

**Collection numbers positively surprise.** The bank's overall collection efficiency for Sep'20 was 95% (same as in Feb'20). Collection was above 90% for each segment. The bank's collection efficiency was significantly higher than what its peer regional banks reported. GNPA sequentially improved 12bps as slippages were negligible given the standstill on NPA recognition. Consequently, Rs2.4bn could not be recognised as NPA during the quarter. The bank expects 2-3% of the overall loans to be restructured, and slippages to be 40-50% higher than the Rs3bn-3.5bn per quarter for 2-3 quarters.

**Placed better than its peers.** Given the bank's strong capitalisation, coverage and liquidity than its regional peers, it is better placed to withstand Covid'19-related stresses. However, with expected higher slippages, higher credit costs would keep the bank's earnings weak in the medium term. We estimate a 0.4% RoA for FY21, and 0.9% for FY22.

**Valuation.** Our Oct'21 sum-of-parts target price (0.7x FY22e book value, Rs8 a share for Fedfina and IDBI-Federal Life) works out to Rs60 a share.

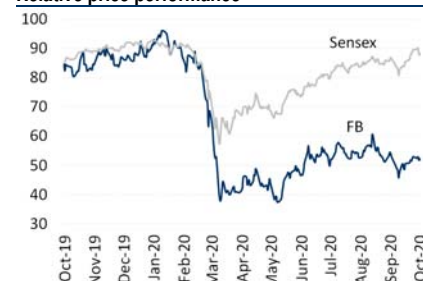
**Risk:** Lumpy slippages from the corporate book.

Key data	FB IN / FED.BO
52-week high / low	Rs97 / 36
Sensex / Nifty	39983 / 11762
3-m average volume	\$28m
Market cap	Rs104bn / \$1418.9m
Shares outstanding	1994m

Shareholding pattern (%)	Sep '20	Jun '19	Mar '20
Promoters	-	-	-
- of which, Pledged	-	-	-
Free float	100.0	100.0	100.0
- Foreign institutions	31.0	33.3	32.5
- Domestic institutions	37.2	37.1	38.0
- Public	31.9	29.6	29.5

Estimates revision (%)	FY21e	FY22e
NII	0.0	0.0
RoE	33.2	(0.8)
RoA	34.5	5.0

### Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY18	FY19	FY20	FY21e	FY22e
Net interest income (Rs m)	35,828	41,763	46,489	49,374	54,750
Pre-provisioning profit (Rs m)	22,910	27,631	32,047	33,107	37,061
Provisions (Rs m)	9,472	8,559	11,722	23,025	11,216
PAT (Rs m)	8,788	12,439	15,428	7,541	19,332
EPS (Rs)	4.5	6.3	7.8	3.8	9.8
NIM (%)	3.1	3.1	2.9	2.8	2.8
Cost-Income (%)	51.7	50.0	51.3	50.9	50.4
RoE (%)	8.3	9.8	11.1	5.1	11.9
RoA (%)	0.7	0.8	0.9	0.4	0.9
Advances growth (%)	25.4	19.9	10.9	6.0	13.0
GNPA (%)	3.0	2.9	2.8	4.1	4.0
CAR (%)	14.7	14.1	14.4	14.5	14.6
P / E (x)	11.7	8.3	6.7	13.7	5.3
P / BV (x)	0.8	0.8	0.7	0.7	0.6
P / ABV (x)	0.9	0.8	0.8	0.7	0.7

Source: Company, Anand Rath Research

**Yuvraj Choudhary, CFA**  
Research Analyst

Anand Rath Share and Stock Brokers Limited (hereinafter "ARSSBL") is a full-service brokerage and equities-research firm and the views expressed therein are solely of ARSSBL and not of the companies which have been covered in the Research Report. This report is intended for the sole use of the Recipient. Disclosures and analyst certifications are present in the Appendix.

## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (Rs m)**

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Net interest income	35,828	41,763	46,489	49,374	54,750
NII growth (%)	17.4	16.6	11.3	6.2	10.9
Non-interest income	11,591	13,510	19,314	17,991	19,982
Income	47,419	55,274	65,803	67,366	74,732
Income growth (%)	14.7	16.6	19.0	2.4	10.9
Operating expenses	24,509	27,643	33,756	34,259	37,671
PPOP	22,910	27,631	32,047	33,107	37,061
PPOP growth (%)	19.0	20.6	16.0	3.3	11.9
Provisions	9,472	8,559	11,722	23,025	11,216
PBT	13,439	19,073	20,325	10,081	25,845
Tax	4,650	6,634	4,898	2,541	6,513
PAT	8,788	12,439	15,428	7,541	19,332
PAT growth (%)	5.8	41.5	24.0	-51.1	156.4
FDEPS (Rs / sh)	4.5	6.3	7.8	3.8	9.8
DPS (Rs / sh)	0.9	1.0	0.0	0.0	0.0

Source: Company, Anand Rathi Research

**Fig 2 – Balance sheet (Rs m)**

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Share capital	3,944	3,970	3,985	3,989	3,989
Reserves & surplus	118,158	128,760	141,191	148,732	168,064
Deposits	1,119,925	1,349,543	1,522,901	1,644,733	1,842,101
Borrowings	115,335	77,813	103,724	93,352	95,219
	0	0	0	0	0
<b>Total liabilities</b>	<b>1,383,140</b>	<b>1,593,400</b>	<b>1,806,381</b>	<b>1,932,459</b>	<b>2,159,784</b>
Advances	919,575	1,102,230	1,222,679	1,296,040	1,464,525
Investments	307,811	318,245	358,927	394,819	434,301
Cash & bank bal	51,328	64,192	61,749	74,099	88,919
Fixed & other assets	4,574	4,720	4,800	4,920	5,043
<b>Total assets</b>	<b>1,383,140</b>	<b>1,593,400</b>	<b>1,806,381</b>	<b>1,932,459</b>	<b>2,159,784</b>
No. of shares (m)	1,972	1,972	1,972	1,972	1,972
Deposits growth (%)	14.7	20.5	12.8	8.0	12.0
Advances growth (%)	25.4	19.9	10.9	6.0	13.0

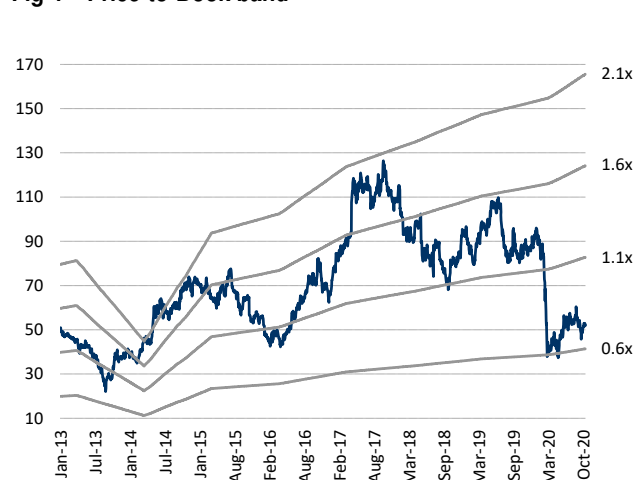
Source: Company, Anand Rathi Research

**Fig 3 – Ratio analysis**

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
NIM	3.1	3.1	2.9	2.8	2.8
Other inc. / total inc.	24.4	24.4	29.4	26.7	26.7
Cost-income	51.7	50.0	51.3	50.9	50.4
Provision coverage	43.5	50.1	54.5	64.3	65.1
Dividend payout	19.9	15.9	0.0	0.0	0.0
Credit-deposit	82.1	81.7	80.3	78.8	79.5
Investment-deposit	27.5	23.6	23.6	24.0	23.6
Gross NPA	3.0	2.9	2.8	4.1	4.0
Net NPA	1.7	1.5	1.3	1.5	1.4
BV (₹)	61.9	67.3	73.6	77.4	87.2
Adj. BV (₹)	56.4	61.5	67.9	70.6	79.8
CAR	14.7	14.1	14.4	14.5	14.6
- Tier 1	14.2	13.4	13.3	13.4	13.5
RoE	8.3	9.8	11.1	5.1	11.9
RoA	0.7	0.8	0.9	0.4	0.9

Source: Company, Anand Rathi Research

**Fig 4 – Price-to-Book band**



Source: Bloomberg

**Fig 5 – One-year-forward price-to-book value**



Source: Company, Anand Rathi Research

**Fig 6 – Price movement**



Source: Bloomberg

## Key Highlights

### Conference-call takeaways

#### Collection

- Overall collection efficiency for the bank was 95%. Management said collection was ~95%.
  - Retail – 91%
  - Commercial banking – 93%
  - Business banking – 95%
  - Corporate – 99.1%
- Collection efficiency for the bank's subsidiary Fedfina was 90%+.

#### Asset quality

- Slippages were negligible during the quarter given the SC order of not classifying accounts as NPA till further notification. Were there no SC order, accounts amounting to Rs2.37bn would have slipped into NPA. The bank has made a provision of 15% on these accounts and adjusted Rs300m interest reversals during the quarter.
- It expects slippage to be 40-50% higher than the normal Rs3bn-3.5bn a quarter for the next 2-3 quarters
- It expects 2-3% of loans to be restructured.
- It made Rs4bn standard asset provisions during the quarter.
- As per IND-AS reporting, LDG figures for the bank pre-covid were 38%-40%.
- SMA 1 & 2 books are now below 1% of loans.
- It aims to maintain PCR at 60%.

#### Other highlights

- It aims to maintain C/I ratio at 48%.
- Gold loan portfolio was 10.2% of loans for the bank. There is an internal cap of 15% for this portfolio.
- The bank now holds 17.2% share of the remittance market.

**Fig 7 – GNPA**

(Rs m)	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3FY20	Q4FY20	Q1 FY21	Q2 FY21
Opening balance	19,490	21,612	27,956	28,688	31,845	33,612	32,607	33,947	36,121	36,187	35,308	36,556
Slippages	4,120	8,720	4,600	4,770	4,270	2,560	4,150	5,410	5,930	2,840	1,840	30
Retail	1,500	700	1,090	1,200	1,080	670	1,410	1,240	1,010	970	10	10
Agri	420	560	540	650	710	920	670	720	500	360	10	10
SME	1,220	1,420	900	1,690	1,920	970	1,190	1,460	1,210	1,220	80	10
Wholesale	980	6,040	2,070	1,230	560	-	880	1,990	3,210	290	1,740	-
Recovery	1,998	2,376	3,868	1,613	2,503	3,566	2,810	3,236	5,864	3,719	592	1,064
Closing balance	21,612	27,956	28,688	31,845	33,612	32,607	33,947	36,121	36,187	35,308	36,556	35,522
GNPA (%)	2.52	3.00	3.00	3.11	3.14	2.92	2.99	3.07	2.99	2.84	2.96	2.84
Gross slippage ratio (%)	1.85	3.74	1.93	1.86	1.59	0.92	1.46	1.84	1.96	0.92	0.60	0.01

Source: Company, Anand Rathi Research

Fig 8 – Loan book

(%)	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3FY20	Q4FY20	Q1 FY21	Q2 FY22
Corporate (large & mid)	42.2	42.4	42.9	43.8	43.5	42.5	42.4	41.3	40.8	40.9	40.1	37.6
SME	20.7	20.2	19.5	19.1	18.8	18.8	18.4	18.5	18.6	18.3	18.1	18.8
Retail	27.2	27.6	27.4	27.2	27.8	28.4	28.8	29.6	30.2	30.5	30.7	31.7
Housing Loans	12.1	12.5	12.8	13.3	13.6	13.8	14.1	14.3	14.5	14.7	14.7	14.8
Gold loans	2.1	2.1	1.9	1.7	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Mortgages	5.0	5.1	5.1	5.0	5.0	5.4	5.4	5.6	5.7	5.7	5.7	5.8
Others	8.1	7.8	7.6	7.2	7.6	7.7	9.4	9.7	10.0	10.1	10.3	11.1
Agriculture	9.8	9.8	10.2	9.9	9.9	10.2	10.4	10.5	10.3	10.4	11.1	11.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, Anand Rathi Research

## Quarterly snapshot

Fig 9 – Income statement

(Rs m)	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3FY20	Q4FY20	Q1 FY21	Q2 FY22
Interest income	25,012	25,480	26,674	27,649	29,544	30,323	32,293	32,543	33,304	33,968	34,442	34,879
Interest expense	15,512	16,148	16,873	17,425	18,771	19,358	20,751	21,305	21,754	21,808	21,477	21,081
<b>NII</b>	<b>9,500</b>	<b>9,332</b>	<b>9,801</b>	<b>10,225</b>	<b>10,773</b>	<b>10,965</b>	<b>11,542</b>	<b>11,238</b>	<b>11,549</b>	<b>12,160</b>	<b>12,964</b>	<b>13,799</b>
Y/Y growth (%)	20.0	10.8	22.4	13.7	13.4	17.5	17.8	9.9	7.2	10.9	12.3	22.8
Non-interest income	2,286	3,142	2,709	3,229	3,456	4,117	3,915	4,209	4,079	7,111	4,884	5,093
Trading profits	290	220	490	510	550	740	910	820	650	3,690	3,040	1,410
<b>Income</b>	<b>11,786</b>	<b>12,474</b>	<b>12,509</b>	<b>13,454</b>	<b>14,228</b>	<b>15,083</b>	<b>15,457</b>	<b>15,447</b>	<b>15,628</b>	<b>19,271</b>	<b>17,848</b>	<b>18,892</b>
Y/Y growth (%)	11.7	10.9	10.7	13.4	20.7	20.9	23.6	14.8	9.8	27.8	15.5	22.3
Operating expenses	6,172	6,588	6,480	6,478	7,150	7,535	7,629	8,259	8,190	9,678	8,524	8,827
Of which, staff cost	3,005	3,308	3,450	3,089	3,537	3,702	3,978	4,407	4,148	5,191	4,959	4,875
<b>PPOP</b>	<b>5,614</b>	<b>5,886</b>	<b>6,029</b>	<b>6,976</b>	<b>7,078</b>	<b>7,548</b>	<b>7,828</b>	<b>7,188</b>	<b>7,438</b>	<b>9,593</b>	<b>9,324</b>	<b>10,065</b>
Y/Y growth (%)	18.2	7.2	8.1	19.6	26.1	28.2	29.8	3.0	5.1	27.1	19.1	40.0
Total provisions	1,624	3,715	1,992	2,888	1,901	1,778	1,920	2,518	1,609	5,675	3,946	5,921
<b>PBT</b>	<b>3,990</b>	<b>2,170</b>	<b>4,038</b>	<b>4,088</b>	<b>5,177</b>	<b>5,770</b>	<b>5,907</b>	<b>4,670</b>	<b>5,830</b>	<b>3,918</b>	<b>5,378</b>	<b>4,145</b>
Tax	1,390	721	1,411	1,427	1,841	1,955	2,065	503	1,423	906	1,370	1,069
<b>PAT</b>	<b>2,600</b>	<b>1,450</b>	<b>2,627</b>	<b>2,660</b>	<b>3,336</b>	<b>3,815</b>	<b>3,842</b>	<b>4,167</b>	<b>4,406</b>	<b>3,012</b>	<b>4,008</b>	<b>3,076</b>
Y/Y growth (%)	26.4	(43.5)	25.0	0.9	28.3	163.1	46.2	56.6	32.1	(21.0)	4.3	(26.2)

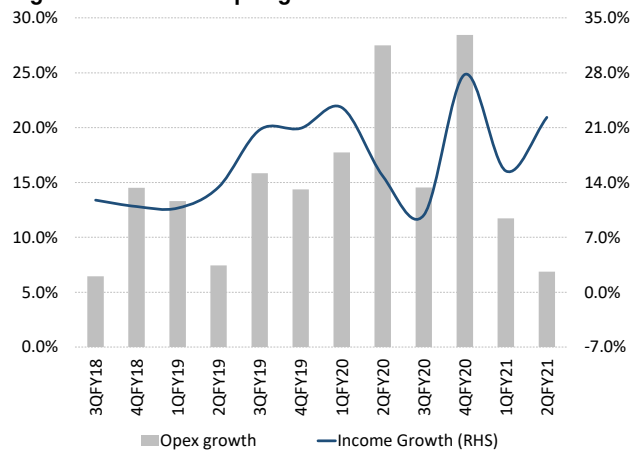
Source: Company, Anand Rathi Research

Fig 10 – Balance Sheet

(Rs m)	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3FY20	Q4FY20	Q1 FY21	Q2 FY22
Equity capital	3,930	3,944	3,960	3,961	3,970	3,970	3,970	3,976	3,980	3,985	3,990	3,989
Reserves & Surplus	116,480	118,158	121,030	121,452	124,900	128,760	132,640	133,567	138,130	141,191	145,240	148,363
Deposits	1,005,370	1,119,925	1,112,420	1,181,824	1,234,570	1,349,543	1,325,370	1,395,465	1,445,920	1,522,901	1,549,380	1,567,474
Borrowings	108,400	115,335	94,700	88,735	84,090	77,813	99,510	77,638	81,000	103,724	112,370	110,431
Other Liabilities	48,030	25,777	34,700	48,117	50,260	33,313	41,880	53,598	58,880	34,579	47,230	60,009
<b>Equity and Liabilities</b>	<b>1,282,210</b>	<b>1,383,140</b>	<b>1,366,810</b>	<b>1,444,090</b>	<b>1,497,790</b>	<b>1,593,400</b>	<b>1,603,370</b>	<b>1,664,245</b>	<b>1,727,910</b>	<b>1,806,381</b>	<b>1,858,210</b>	<b>1,890,267</b>
Deposits y/y growth (%)	9.0	14.7	16.1	21.6	22.8	20.5	19.1	18.1	17.1	12.8	16.9	12.3
Deposits q/q growth (%)	3.4	11.4	-0.7	6.2	4.5	9.3	-1.8	5.3	3.6	5.3	1.7	1.2
<b>Assets</b>												
Cash and cash balance	72,060	92,034	75,480	81,477	77,760	100,668	92,400	114,076	137,740	125,746	199,410	196,486
Advances	849,530	919,575	942,970	1,009,409	1,055,500	1,102,230	1,120,320	1,158,932	1,192,220	1,222,679	1,212,970	1,229,120
Investments	297,750	307,811	283,120	282,139	292,000	318,245	318,100	310,944	310,260	358,927	347,490	362,526
Other assets	62,870	63,720	65,240	71,065	72,530	72,258	72,560	80,293	87,700	99,029	98,340	102,135
<b>Total Assets</b>	<b>1,282,210</b>	<b>1,383,140</b>	<b>1,366,810</b>	<b>1,444,090</b>	<b>1,497,790</b>	<b>1,593,400</b>	<b>1,603,380</b>	<b>1,664,245</b>	<b>1,727,920</b>	<b>1,806,381</b>	<b>1,858,210</b>	<b>1,890,267</b>
Advances y/y growth (%)	22.0	25.4	23.6	25.2	24.2	19.9	18.8	14.8	13.0	10.9	8.3	6.1
Advances q/q growth (%)	5.3	8.2	2.5	7.0	4.6	4.4	1.6	3.4	2.9	2.6	-0.8	1.3

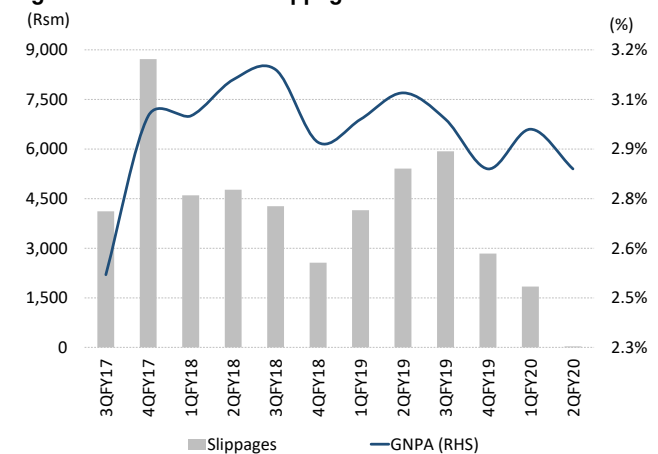
Source: Company, Anand Rathi Research

Fig 11 – Income vs. Opex growth



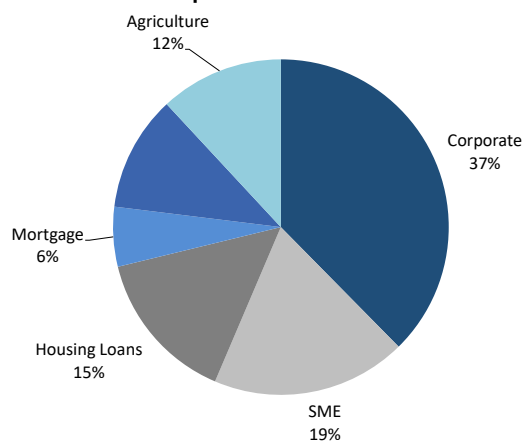
Source: Company, Anand Rathi Research

Fig 12 – Gross NPA and slippages



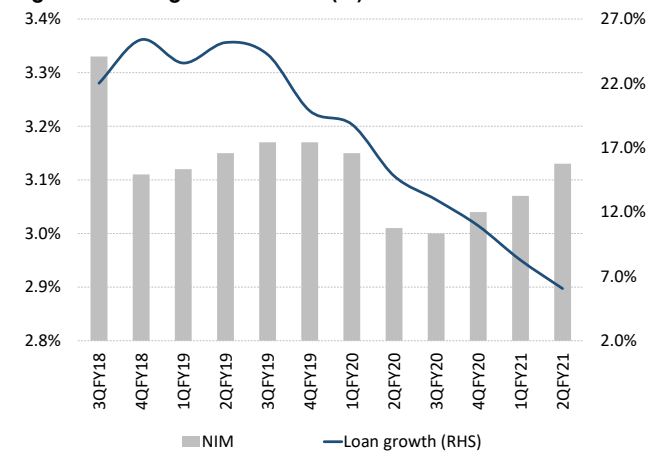
Source: Company, Anand Rathi Research

Fig 13 – Loan break-up



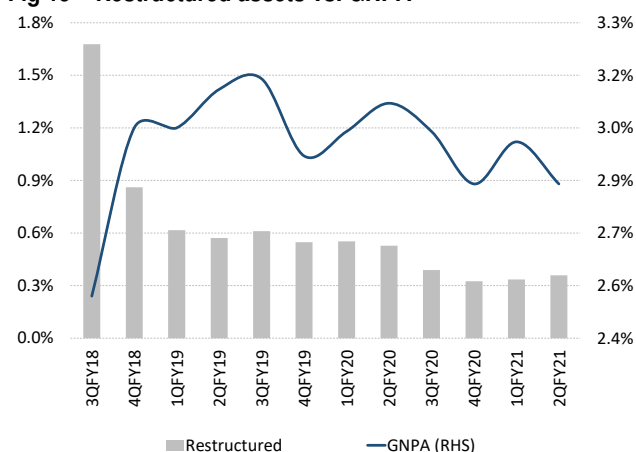
Source: Company, Anand Rathi Research

Fig 14 – Credit growth vs. NIM (%)



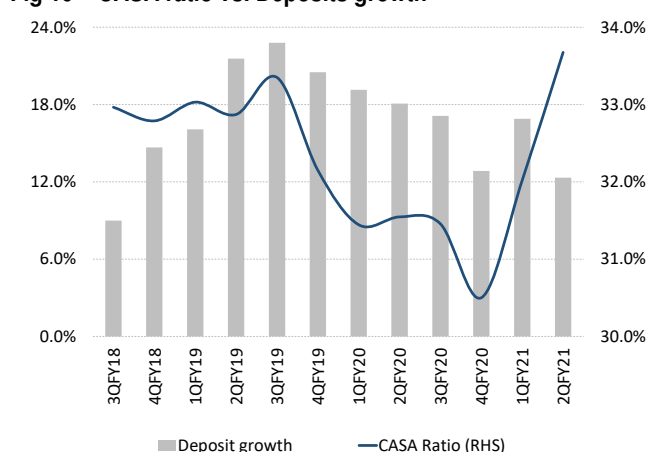
Source: Company, Anand Rathi Research

Fig 15 – Restructured assets vs. GNPA



Source: Company, Anand Rathi Research

Fig 16 – CASA ratio vs. Deposits growth



Source: Company, Anand Rathi Research

## Valuation

- Our Oct'21 sum-of-parts target price (0.7x FY22e book value, Rs8 a share for Fedfina and IDBI-Federal Life) works out to Rs60 a share.

**Fig 17 – Change in estimates**

	Original Estimates		Revised Estimates		Change (%)	
	FY21e	FY22e	FY21e	FY22e	FY21e	FY22e
Net interest income (Rs m)	49,374	54,750	49,374	54,750	0.0	0.0
RoE (%)	3.8	12.0	5.1	11.9	33.2	(0.8)
RoA (%)	0.3	0.9	0.4	0.9	34.5	5.0

Source: Anand Rathi Research

## Risks

- Any lumpy delinquencies from the corporate loan book could harden our credit-cost estimates, manifesting in lower return ratios.
- Lower-than-expected loan growth could distort our estimates.

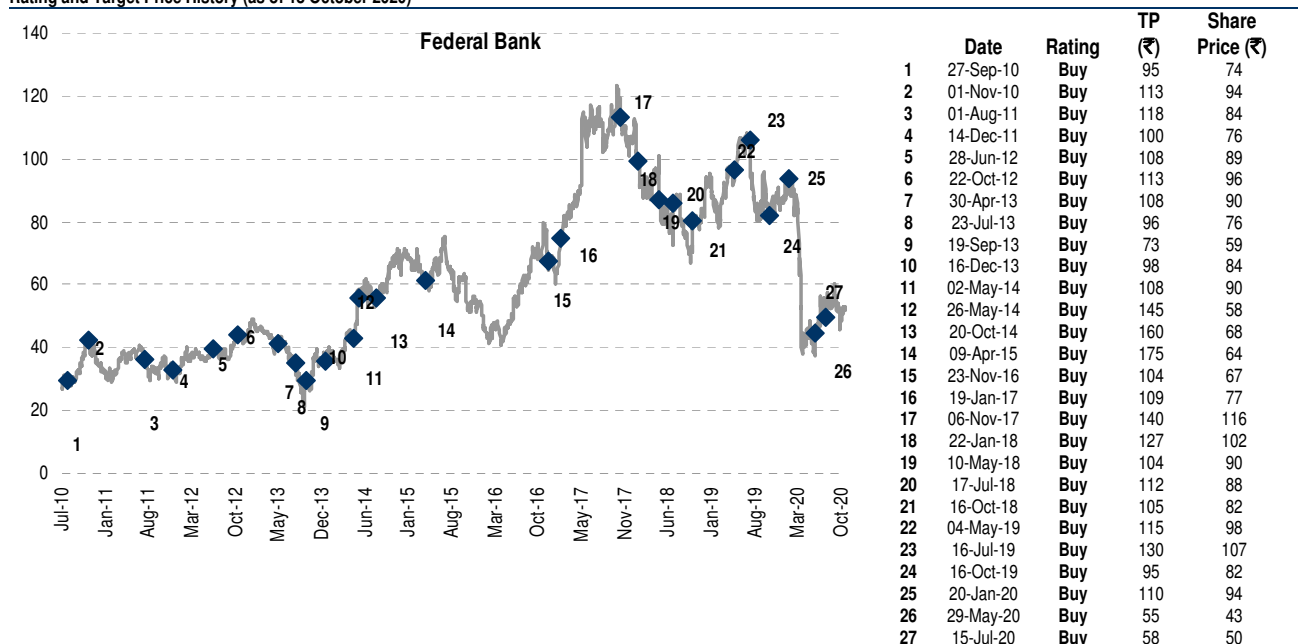
## Appendix

### Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

### Important Disclosures on subject companies

#### Rating and Target Price History (as of 18 October 2020)



### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below:

#### Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US\$1bn)	>25%	5-25%	<5%

### Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity) is a subsidiary of Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged in the business of Stock Broking, Depository Participant and Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

**General Disclaimer:** This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.



ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. [www.rathionline.com](http://www.rathionline.com)

**Disclaimers in respect of jurisdiction:** This report is not directed to, 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 or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

#### Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

##### Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative 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?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative 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	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No

#### Other Disclosures pertaining to distribution of research in the United States of America

This research report is a product of ARSSBL, 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 ARSSBL 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, ARSSBL has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.
5. As of the publication of this report, ARSSBL does not make a market in the subject securities.
6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

© 2019. This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Additional information on recommended securities/instruments is available on request.

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.  
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.