

IndusInd Bank (IIB IN)

Rating: BUY | CMP: Rs586 | TP: Rs720

October 31, 2020

Q2FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	720		680	
NII (Rs. m)	1,44,585	1,62,159	1,49,200	1,61,991
% Chng.	(3.1)	0.1		
Op. Profit (Rs. m)	1,14,813	1,21,337	1,13,709	1,15,535
% Chng.	1.0	5.0		
EPS (Rs.)	68.0	89.2	72.8	93.4
% Chng.	(6.6)	(4.5)		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
NII (Rs m)	1,20,587	1,31,880	1,44,585	1,62,159
Op. Profit (Rs m)	1,07,727	1,12,358	1,14,813	1,21,337
PAT (Rs m)	44,179	36,015	51,463	67,483
EPS (Rs.)	63.8	49.7	68.0	89.2
Gr. (%)	1.6	(22.1)	36.9	31.1
DPS (Rs.)	7.5	-	12.0	15.0
Yield (%)	1.3	-	2.0	2.6
NIM (%)	4.4	4.4	4.4	4.4
RoAE (%)	13.5	9.4	11.8	13.9
RoAA (%)	1.5	1.1	1.4	1.7
P/BV (x)	1.2	1.1	1.0	0.9
P/ABV (x)	1.3	1.1	1.0	0.9
PE (x)	9.2	11.8	8.6	6.6
CAR (%)	15.0	16.3	17.1	17.4

Key Data

INBK.BO | IIB IN

52-W High / Low	Rs.1,597 / Rs.236
Sensex / Nifty	39,614 / 11,642
Market Cap	Rs.443bn/ \$ 5,978m
Shares Outstanding	756m
3M Avg. Daily Value	Rs.22661.63m

Shareholding Pattern (%)

Promoter's	14.68
Foreign	51.81
Domestic Institution	17.24
Public & Others	16.27
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.1	25.1	(54.8)
Relative	6.7	6.5	(54.3)

Pritesh Bumb

priteshbumb@plindia.com | 91-22-66322232

Riddhi Mehta

riddhimehta@plindia.com | 91-22-66322258

Good provisioning buffer; watch on asset quality

Quick Pointers:

- Higher provision of Rs9.5bn made for COVID-19 related much higher than last two quarter and holds Rs21.5bn of provision for any COVID-19 related hit.
- Collection efficiency at 94.7% in Sep'20 improving but still lower than average in riskier segments

IIB reported a PAT of Rs6.63bn better than Q1FY20 but slightly lower than expectations (PLe: Rs8.5bn) as it continued to keep provisions on higher side related to COVID-19 (Rs9.5 bn). Few positives were (i) Deposits accretion was quite good with CASA growth of 8% QoQ (ii) PCR at 77% (pro-forma at 73%) and (iii) bank holds 118bps of loans as additional provisions (without standard assets). We get incremental comfort on improving collection efficiency with 94-95% in Sep and higher in Oct'20, though lagging in both MFI & some segments of VF. While, restructuring also is expected to be in single digits. We have tweaked our estimates on credit cost to 300bps from 220bps frontloading provisions in FY21 and continued uncertainty impact. We see lower case of conversion of warrants to promoter and incorporate recent capital raising in our estimates having net impact to BV by Rs50. We maintain BUY with revised TP of Rs720 (from Rs680) based on 1.2x Sep-22 ABV from 1.1x Mar-22 ABV.

- Operationally steady:** NII grew by 13% YoY/1% QoQ with both lending yields improving 12bps QoQ & funding cost reducing by 16bps QoQ, although access liquidity impacted NIMs by 12bps QoQ to 4.16% as loan growth remained slower. Management expects, going ahead liquidity deployment will help improve NIMs as business traction in retail business is improving which is higher yielding in mix, while continuing to calibrate in the whole sale segment. Fees pick up was better than expected mainly from delta in TPD, banking fees and sequential recovery in loan processing and Fx/trade, while opex remained under control, helping PPOP growth of 10% YoY/flat QoQ.
- Asset quality holding up; H2 will show better picture:** GNPA/NNPA reduced by 32/34bps QoQ to 2.21%/0.52% and on pro-forma without SC interim order would have been down by 21/25bps QoQ or 15/16bps higher than reported. Slippages were low at Rs3.9bn mainly from retail book as corporate slippages were negligible, although, in Q3FY21 should see higher flow of slippages with some spill over in Q4FY21, hence it remains a key monitorable. Further to strengthen b/s, it made a higher provision of Rs9.5bn and bank holds a 77% PCR and another 165bps of provisions incl. 100-110bps for COVID-19 related will help tide over issues on asset quality.
- Collection efficiency improving; Restructuring expected in single digit:** Bank mentioned an overall collection efficiency of 94-95% in Sep'20 and should be improving to 97-98% in Oct'20, although certain segments of auto book like SCV/2W/tractors are lagging behind and MFI is at 93% (new loans are at 99.8% efficiency) which has to be closely seen. Bank expects with initial assessment restructuring to be in single digits as engagement with customers improve and SMA1 & 2 is at 43bps but has to be seen as higher dpd passes post morat ending in Aug'20.

Exhibit 1: Q2FY21 Results – In line performance; provision higher for COVID

NII grew by 13% YoY in spite of slower loan growth

Other income de-grew 10% YoY as fee income remains weak

Provisions zoomed as higher PCR was created with COVID Provision of Rs9.52bn

Deposits grew 10% while advances saw only a 2% growth

NIMs impacted by excess liquidity

Slippages fell sharply to Rs4bn and PCR rose sharply by 2710bps YoY/ 1011bps QoQ

CASA ratio declined by 113bps YoY on tepid overall deposits growth

P&L	Q2FY21	Q2FY20	YoY gr. (%)	Q1FY21	QoQ gr. (%)
Interest Income	71,772	71,504	0.4	71,617	0.2
Interest Expense	38,992	42,408	(8.1)	38,525	1.2
Net interest income (NII)	32,780	29,095	12.7	33,092	(0.9)
Treasury income	4,930	2,590	90.3	8,380	(41.2)
Fee income	10,610	14,680	(27.7)	6,820	55.6
Other income	15,543	17,267	(10.0)	15,192	2.3
Total income	48,323	46,362	4.2	48,284	0.1
Operating expenses	19,803	20,363	(2.7)	19,671	0.7
-Staff expenses	7,248	5,155	40.6	5,516	31.4
-Other expenses	12,555	15,208	(17.4)	14,154	(11.3)
Operating profit	28,520	25,999	9.7	28,613	(0.3)
Core operating profit	23,590	23,409	0.8	20,233	16.6
Total provisions	19,644	7,377	166.3	22,589	(13.0)
Profit before tax	8,875	18,622	(52.3)	6,025	47.3
Tax	2,245	4,789	(53.1)	1,418	58.3
Profit after tax	6,631	13,834	(52.1)	4,606	43.9
Deposits	22,78,842	20,71,934	10.0	21,12,650	7.9
Advances	20,12,468	19,71,126	2.1	19,80,690	1.6
Profitability ratios					
RoAA	0.9	2.0	(110)	0.7	16
RoAE	7.3	17.3	(1,001)	5.9	139
NIM	4.2	4.1	6	4.3	(12)
Yield on Advances	12.0	12.0	(7)	11.9	12
Cost of Deposits	5.6	6.7	(112)	5.7	(15)
Asset Quality ratios					
Gross NPL (Rs m)	45,322	43,702	3.7	50,990	(11.1)
Net NPL (Rs m)	10,558	22,026	(52.1)	17,034	(38.0)
Gross NPL ratio	2.21	2.19	2.0	2.53	(32.0)
Net NPL ratio	0.52	1.12	(60.0)	0.86	(34.0)
Coverage ratio	76.7	49.6	2,710	66.6	1,011
Business & Other Ratios					
Low-cost deposit mix	40.3	41.4	(113)	40.0	32
Cost-income ratio	41.0	43.9	(294)	40.7	24
Non int. inc / total income	32.2	37.2	(508)	31.5	70
Credit deposit ratio	88.3	95.1	(682)	93.8	(544)
CAR	16.6	14.7	185	15.2	139
Tier-I	15.8	14.3	156	14.5	134

Source: Company, PL

Q2FY21 Concall Highlights

Balance Sheet growth & outlook

- **Lending** - Bank expects all ground growth in 2H21 though led by Auto, Microfinance and Secured retail lending. During 2Q21, bank has seen normalcy returning to 2W, Cars and Tractor segments. SME segment is also expected to be one of the key focus areas with growth expected to return in secured. Under ECLGS scheme, Bank's exposure is now at Rs16bn.
- **Liabilities** – 3Q21 onwards, Bank plans to reduce interest rates on TDs though still hoping to improve the growth traction. In CASA also account addition has moved back to pre-COVID levels so comfort coming up, while some adverse impact of new RBI norms is expected to come in CA deposits.

Margins/Profitability

- Improved yields owing to fixed rate book and lower cost of funds helped Bank increase their spreads
- NIMs were adversely impacted by 10bps on account of the excess liquidity maintained. Going ahead NMs are expected to normalize and remain in the range of 4.15%-4.25%

Asset Quality

- Bank expects **restructuring to remain in low single digits**. Pro-forma ratios if taken without the SC order on NPA recognition were still down 21bps/16bps QoQ for GNPA/NNPA to 2.32%/0.61%
- Slippages fell to Rs4bn though benefitted to the extent of Rs2.19bn on account of the standstill. Bank has mentioned that Corporate slippages remain negligible even without the SC instructions. Stress in 2 real estate projects were the main contributors though both remain very well collateralized.
- Bank has aggregate Rs22bn COVID provisions on book. Higher provisions are due to the conservative stance maintained by the bank especially to lower balance sheet risk. Bank plans to do another round of provisioning to strengthen buffer.
- Collection efficiency for the Bank stood at 94.7% which is further expected to cross 96%-97% in 3Q21. For the Microfinance segment too efficiency is expected to improve in 3Q21 and the same for the new microfinance loans is 99%+.

Others

- **Merger with Kotak**- Bank denies any claims of merger with Kotak Mahindra Bank and calls them purely speculative

Vehicle finance portfolio growth was flattish driven by Tractor/UVs/small CV and cards

Credit card see rebound

MFI remains subdued sequentially

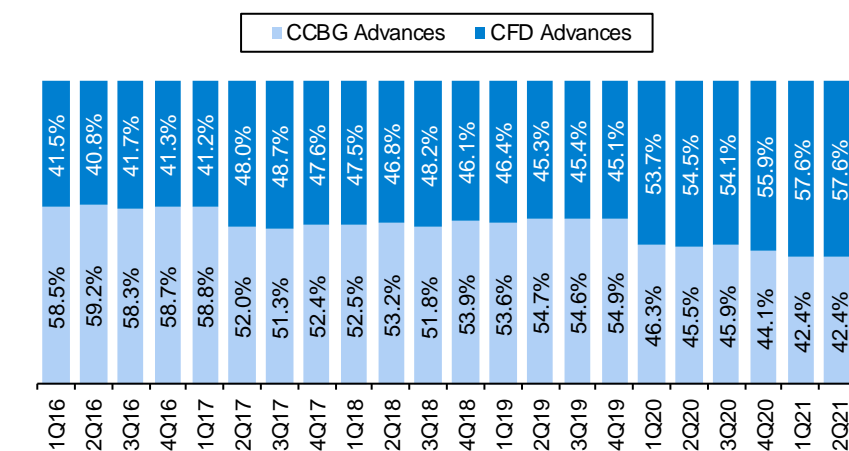
BBG sees strong growth QoQ, while corporate book consolidating

Exhibit 2: Selective growth with pick up in disbursement sequentially

Loan Book mix	Q2FY21	Q2FY20	YoY gr. (%)	Q1FY21	QoQ gr. (%)
CV Loans / Tractors	2,39,320	2,50,920	(4.6)	2,37,370	0.8
UV Loans	45,390	40,090	13.2	43,600	4.1
3W/Small CV	36,910	33,860	9.0	36,060	2.4
2W Loans	57,390	47,990	19.6	57,740	(0.6)
Car Loans	74,600	70,130	6.4	72,450	3.0
Tractors	54,840	41,320	32.7	46,730	17.4
Equipment Financing	83,690	80,410	4.1	81,110	3.2
Credit Card	48,530	42,030	15.5	47,750	1.6
LAP	95,400	87,850	8.6	94,690	0.7
Others	82,990	77,480	7.1	79,710	4.1
MFI	2,23,830	1,88,840	18.5	2,34,660	(4.6)
BBG	1,15,310	1,13,600	1.5	1,08,960	5.8
Consumer Finance incl BBG	11,58,200	10,74,520	7.8	11,40,830	1.5
Corporate Finance	8,54,268	8,96,606	(4.7)	8,39,860	1.7
Loan Mix					
Vehicle Finance	29.4%	28.6%	0.8	29.0%	0.4
Non-Vehicle Consumer	28.1%	25.9%	2.3	28.6%	(0.4)
Consumer Finance	57.6%	54.5%	3.0	57.6%	(0.0)
Corporate Finance	42.4%	45.5%	(3.0)	42.4%	0.0

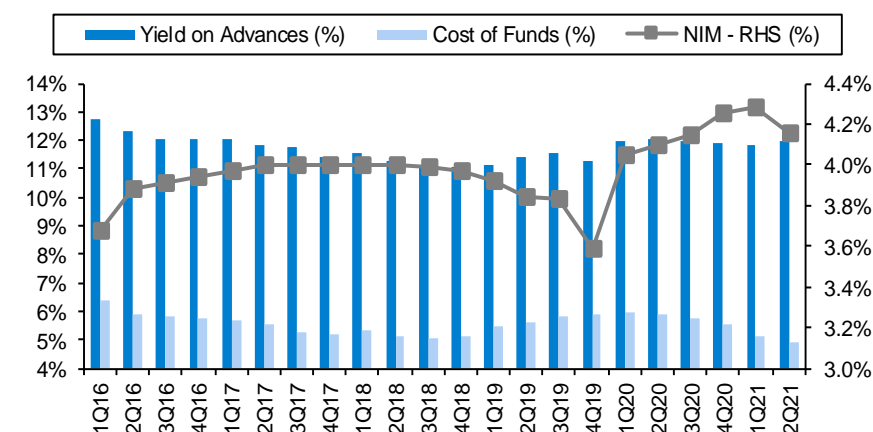
Source: Company, PL Research; Note – BBG reclassified in Consumer Fin

Exhibit 3: Consumer book growth continues as corporate book shrinks

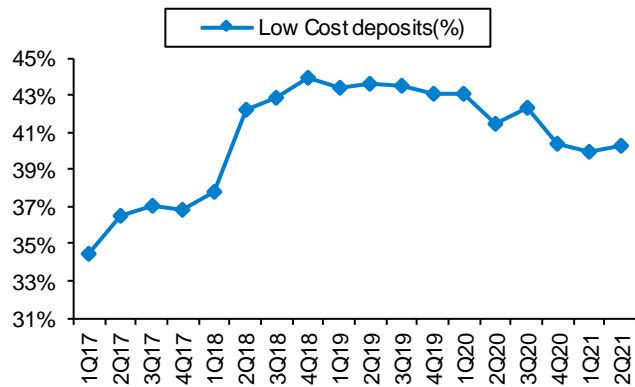


Source: Company, PL

Exhibit 4: Yields see improvement and CoF sees further reduction



Source: Company, PL

Exhibit 5: CASA building up again on steadier pace


Source: Company, PL

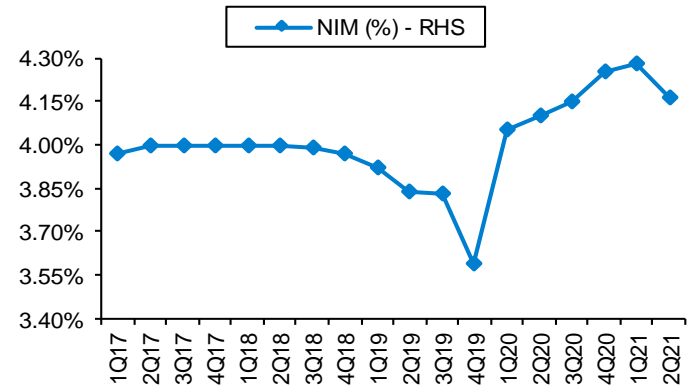
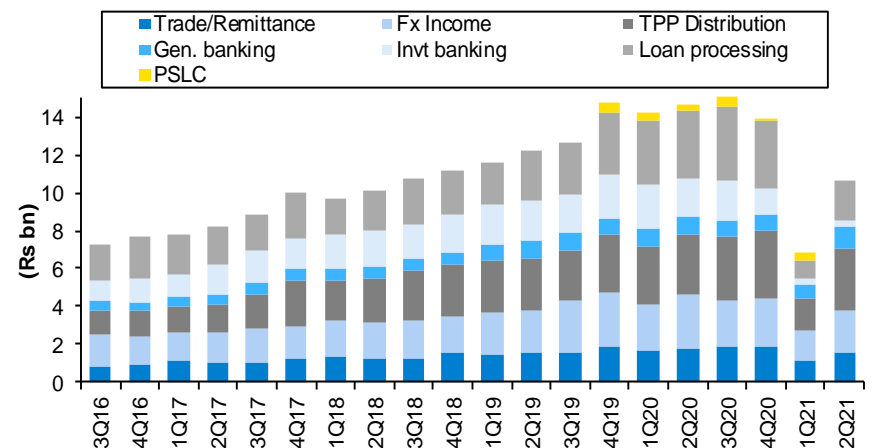
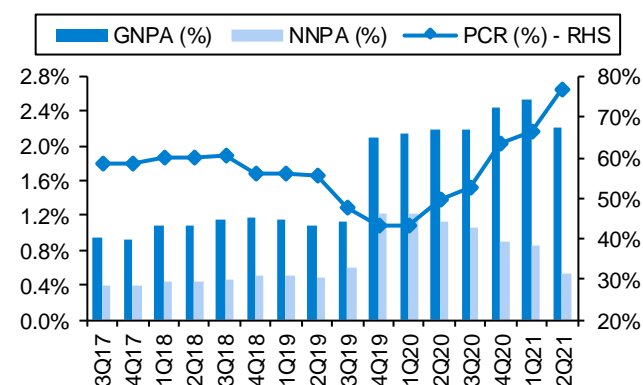
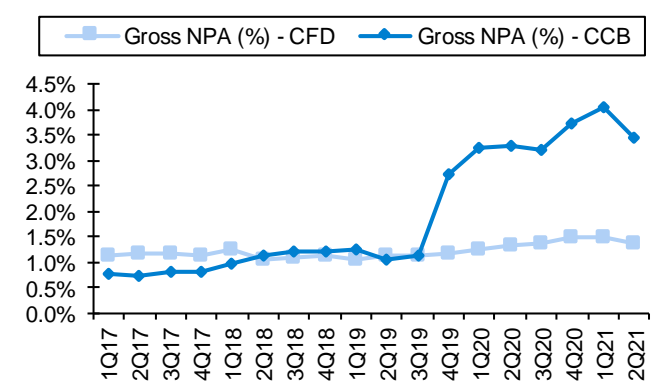
Exhibit 6: Margins adversely impacted on excess liquidity

Source: Company, PL **Note** – Not comparable due to merger

Exhibit 7: Fee book recovers but still lower than COVID levels


Source: Company, PL

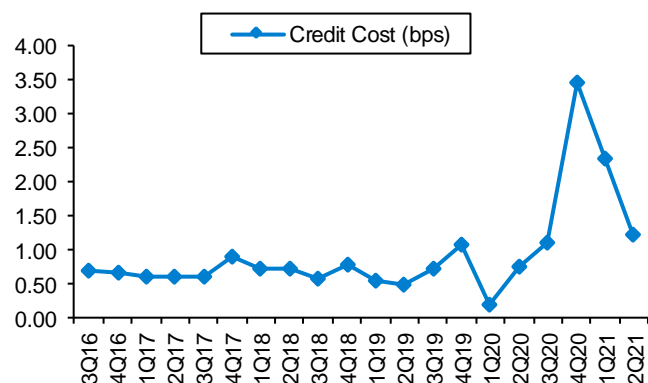
Exhibit 8: Asset quality improves and PCR rises


Source: Company, PL

Exhibit 9: CFD steady and Corporate NPA has declined


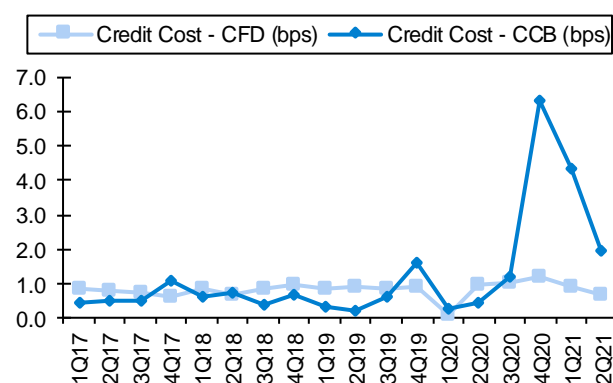
Source: Company, PL

Exhibit 10: Credit Costs on NPAs are coming off although bank has made contingent COVID related provisions



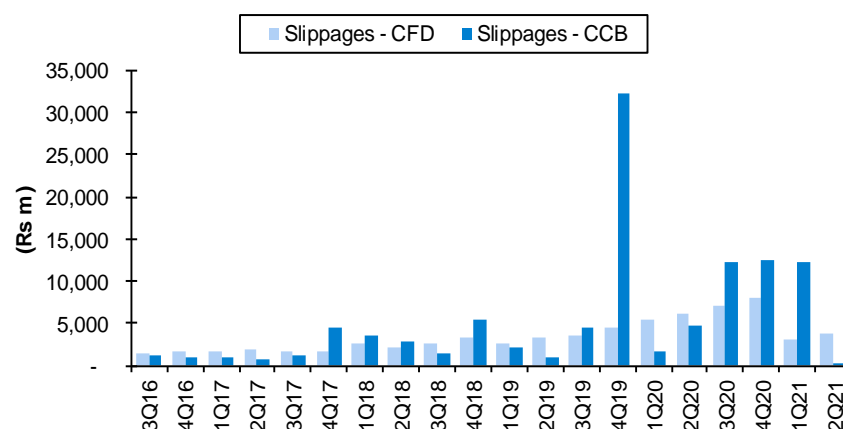
Source: Company, PL

Exhibit 11: Credit cost coming off post high provisions in last two quarters



Source: Company, PL

Exhibit 12: Lower slippages in both corporate & consumer



Source: Company, PL

Exhibit 13: Return ratio should improve post frontloading provisions in FY21

RoE decomposition (%)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest income	8.96	8.63	9.56	9.67	8.99	8.89	8.91
Interest expenses	5.19	4.89	5.48	5.62	4.91	4.84	4.84
Net interest income	3.77	3.75	4.08	4.05	4.08	4.04	4.08
Treasury income	0.74	0.65	0.58	0.54	0.79	0.45	0.42
Other Inc. from operations	1.85	1.73	1.75	1.80	1.21	1.41	1.33
Total income	6.37	6.12	6.41	6.39	6.08	5.90	5.84
Employee expenses	0.95	0.89	0.90	0.74	0.82	0.81	0.82
Other operating expenses	2.03	1.90	1.86	2.03	1.78	1.88	1.96
Operating profit	3.39	3.33	3.65	3.62	3.48	3.21	3.05
Tax	0.93	0.94	0.82	0.57	0.39	0.51	0.60
Loan loss provisions	0.68	0.59	1.24	1.56	1.97	1.27	0.76
RoAA	1.78	1.80	1.59	1.48	1.11	1.44	1.70
RoAE	14.96	16.21	14.81	13.47	9.44	11.77	13.88

Source: Company, PL

Exhibit 14: Change in earnings estimates – We tweak topline & raise provisioning, while adjust capital raising & warrants

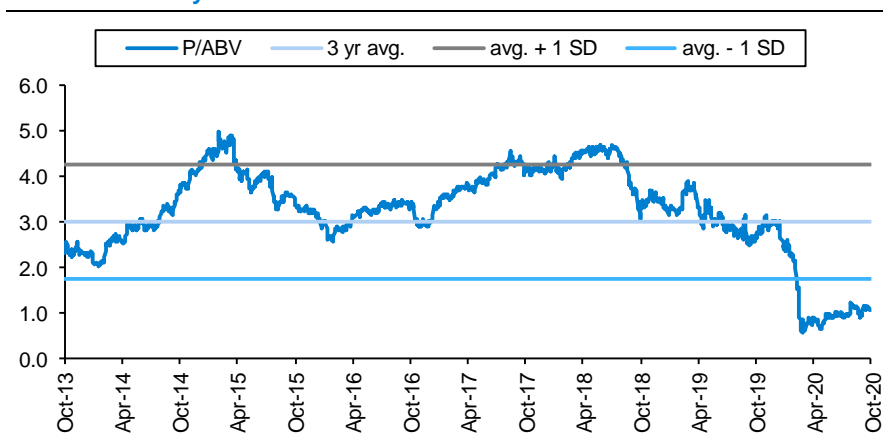
(Rs mn)	Old			Revised			% Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net interest income	137,744	149,267	161,994	131,880	144,585	162,159	(4.3)	(3.1)	0.1
Operating profit	110,439	113,712	115,470	112,358	114,813	121,337	1.7	1.0	5.1
Net profit	47,081	50,648	64,929	36,015	51,463	67,483	(23.5)	1.6	3.9
Loan Growth (%)	4.1	7.3	9.9	4.1	7.5	10.1	(0.0)	0.2	0.2
Credit Cost (bps)	220.0	200.0	110.0	300.0	200.0	120.0	80.0	-	10.0
EPS (Rs)	67.8	72.8	93.4	49.7	68.0	89.2	(26.7)	(6.6)	(4.5)
ABVPS (Rs)	572.3	634.8	730.1	520.5	578.0	657.4	(9.0)	(8.9)	(10.0)
Price target (Rs)	680			720			5.9		
Recommendation	BUY			BUY					

Source: Company Data, PL

Exhibit 15: Valuation Table – We revise our TP to Rs720 (from Rs680) based on 1.2x Sep-22 ABV rolled from 1.1x Mar-22 ABV

PT calculation and upside	
Terminal growth	5.0%
Market risk premium	7.3%
Risk-free rate	6.5%
Adjusted beta	1.13
Cost of equity	14.7%
Fair price - P/ABV, Rs	720
Target P/ABV (x)	1.2
Target P/E (x)	9.2
Current price, Rs	586
Upside (%)	23%

Source: Company, PL

Exhibit 16: One year forward valuation chart


Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Int. Earned from Adv.	2,40,082	2,43,189	2,55,969	2,80,272
Int. Earned from invt.	42,822	39,853	52,568	68,092
Others	4,924	7,561	9,324	6,048
Total Interest Income	2,87,828	2,90,603	3,17,861	3,54,412
Interest Expenses	1,67,241	1,58,724	1,73,276	1,92,253
Net Interest Income	1,20,587	1,31,880	1,44,585	1,62,159
Growth(%)	16.0	9.4	9.6	12.2
Non Interest Income	69,513	64,647	66,587	69,916
Net Total Income	1,90,100	1,96,527	2,11,171	2,32,075
Growth(%)	17.9	(0.6)	8.2	10.4
Employee Expenses	22,085	26,502	29,152	32,650
Other Expenses	57,509	54,634	63,921	74,788
Operating Expenses	82,373	84,168	96,358	1,10,738
Operating Profit	1,07,727	1,12,358	1,14,813	1,21,337
Growth(%)	15.8	4.3	2.2	5.7
NPA Provision	36,353	63,276	44,516	28,994
Total Provisions	46,521	63,689	45,269	30,144
PBT	61,206	48,669	69,544	91,193
Tax Provision	17,027	12,654	18,081	23,710
Effective tax rate (%)	27.8	26.0	26.0	26.0
PAT	44,179	36,015	51,463	67,483
Growth(%)	9.0	(18.5)	42.9	31.1

Balance Sheet (Rs. m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Face value	10	10	10	10
No. of equity shares	694	756	756	756
Equity	6,935	7,565	7,565	7,565
Networth	3,46,970	4,15,867	4,58,252	5,14,388
Growth(%)	12.3	19.9	10.2	12.2
Adj. Networth to NNPA's	18,866	18,410	17,113	13,076
Deposits	20,20,398	23,03,254	25,79,644	28,89,202
Growth(%)	3.7	14.0	12.0	12.0
CASA Deposits	8,15,698	9,51,244	10,67,973	12,04,797
% of total deposits	40.4	41.3	41.4	41.7
Total Liabilities	30,70,481	33,95,597	37,59,238	41,91,871
Net Advances	20,67,832	21,50,545	23,01,083	25,31,191
Growth(%)	6.5	4.0	7.0	10.0
Investments	5,99,362	6,68,927	9,65,395	11,19,488
Total Assets	30,70,138	33,95,109	37,58,534	41,91,054
Growth (%)	6.6	10.6	10.7	11.5

Asset Quality

Y/e Mar	FY20	FY21E	FY22E	FY23E
Gross NPAs (Rs m)	51,467	65,385	57,871	44,923
Net NPAs (Rs m)	18,866	18,410	17,113	13,076
Gr. NPAs to Gross Adv.(%)	2.5	3.0	2.5	1.8
Net NPAs to Net Adv. (%)	0.9	0.9	0.7	0.5
NPA Coverage %	63.3	71.8	70.4	70.9

Profitability (%)

Y/e Mar	FY20	FY21E	FY22E	FY23E
NIM	4.4	4.4	4.4	4.4
RoAA	1.5	1.1	1.4	1.7
RoAE	13.5	9.4	11.8	13.9
Tier I	14.6	15.5	16.3	16.6
CRAR	15.0	16.3	17.1	17.4

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Interest Income	72,845	73,866	71,617	71,772
Interest Expenses	42,105	41,554	38,525	38,992
Net Interest Income	30,740	32,312	33,092	32,780
YoY growth (%)	34.3	44.7	16.4	12.7
CEB	15,060	13,900	6,820	10,610
Treasury	-	-	-	-
Non Interest Income	17,894	17,720	15,192	15,543
Total Income	90,739	91,586	86,809	87,315
Employee Expenses	5,501	4,957	5,516	7,248
Other expenses	15,677	16,713	14,154	12,555
Operating Expenses	21,178	21,670	19,671	19,803
Operating Profit	27,456	28,362	28,613	28,520
YoY growth (%)	29.7	37.2	10.4	9.7
Core Operating Profits	24,616	24,532	20,233	23,590
NPA Provision	5,760	17,860	11,660	6,200
Others Provisions	10,435	24,403	22,589	19,644
Total Provisions	10,435	24,403	22,589	19,644
Profit Before Tax	17,022	3,959	6,025	8,875
Tax	4,020	940	1,418	2,245
PAT	13,002	3,018	4,606	6,631
YoY growth (%)	32.0	(16.2)	(67.8)	(52.1)
Deposits	21,67,130	20,20,398	21,12,650	22,78,842
YoY growth (%)	23.3	3.7	5.3	10.0
Advances	20,74,130	20,67,832	19,80,690	20,12,468
YoY growth (%)	19.8	10.9	2.4	2.1

Key Ratios

Y/e Mar	FY20	FY21E	FY22E	FY23E
CMP (Rs)	586	586	586	586
EPS (Rs)	63.8	49.7	68.0	89.2
Book Value (Rs)	496	546	602	676
Adj. BV (70%)(Rs)	468	521	578	657
P/E (x)	9.2	11.8	8.6	6.6
P/BV (x)	1.2	1.1	1.0	0.9
P/ABV (x)	1.3	1.1	1.0	0.9
DPS (Rs)	7.5	-	12.0	15.0
Dividend Payout Ratio (%)	11.8	-	17.6	16.8
Dividend Yield (%)	1.3	-	2.0	2.6

Efficiency

Y/e Mar	FY20	FY21E	FY22E	FY23E
Cost-Income Ratio (%)	43.3	42.8	45.6	47.7
C-D Ratio (%)	102.3	93.4	89.2	87.6
Business per Emp. (Rs m)	133	134	136	140
Profit per Emp. (Rs lacs)	14	11	14	17
Business per Branch (Rs m)	2,139	1,942	1,774	1,641
Profit per Branch (Rs m)	23	16	19	20

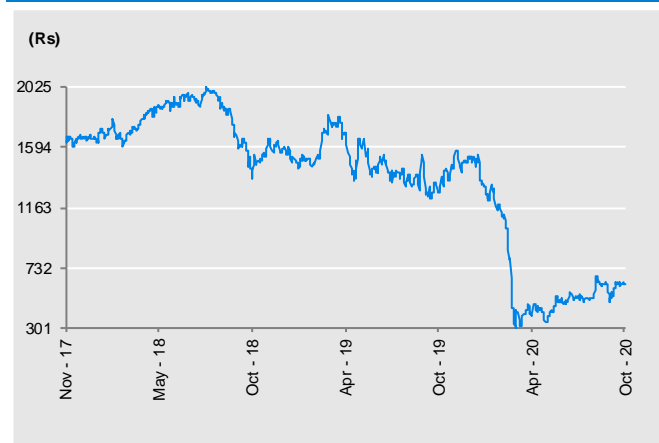
Du-Pont

Y/e Mar	FY20	FY21E	FY22E	FY23E
NII	4.05	4.08	4.04	4.08
Total Income	6.39	6.08	5.90	5.84
Operating Expenses	2.77	2.60	2.69	2.79
PPoP	3.62	3.48	3.21	3.05
Total provisions	1.56	1.97	1.27	0.76
RoAA	1.48	1.11	1.44	1.70
RoAE	13.47	9.44	11.77	13.88

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-20	BUY	680	623
2	29-Jul-20	BUY	680	527
3	08-Jul-20	BUY	720	553
4	28-Apr-20	BUY	720	407
5	14-Apr-20	BUY	785	410
6	31-Mar-20	BUY	785	413
7	14-Jan-20	Accumulate	1,640	1,478
8	03-Jan-20	BUY	1,640	1,519
9	15-Dec-19	BUY	1,640	1,485

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	Accumulate	570	505
2	Bank of Baroda	BUY	65	44
3	Federal Bank	BUY	69	52
4	HDFC Bank	BUY	1,385	1,203
5	HDFC Life Insurance Company	Reduce	533	571
6	ICICI Bank	BUY	462	402
7	ICICI Prudential Life Insurance Company	Hold	438	412
8	IDFC First Bank	Sell	21	32
9	IndusInd Bank	BUY	680	623
10	Kotak Mahindra Bank	Accumulate	1,503	1,417
11	Max Financial Services	Accumulate	651	610
12	Punjab National Bank	BUY	40	29
13	SBI Life Insurance Company	BUY	920	779
14	South Indian Bank	BUY	10	7
15	State Bank of India	BUY	276	198

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. Pritesh Bumb- MBA, M.com, Ms. Riddhi Mehta- 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. Pritesh Bumb- MBA, M.com, Ms. Riddhi Mehta- CA Research Analysts of this report have not received any compensation from the companies mentioned 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