

December 7, 2020

Analyst Meet Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	614		520	
NII (Rs. m)	4,39,904	5,11,684	4,38,180	5,09,658
% Chng.	0.4	0.4		
Op. Profit (Rs. m)	3,83,098	4,32,127	3,81,374	4,30,101
% Chng.	0.5	0.5		
EPS (Rs.)	27.0	33.0	26.9	32.8
% Chng.	0.7	0.7		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
NII (Rs bn)	333	382	440	512
Op. Profit (Rs bn)	281	352	383	432
PAT (Rs bn)	79	150	187	228
EPS (Rs.)	12.3	22.5	27.0	33.0
Gr. (%)	135.0	83.1	20.4	22.1
DPS (Rs.)	1.0	-	2.6	3.2
Yield (%)	0.2	-	0.5	0.6
NIM (%)	3.5	3.5	3.5	3.6
RoAE (%)	7.1	11.4	12.0	13.1
RoAA (%)	0.8	1.3	1.4	1.5
P/BV (x)	2.9	2.4	2.2	1.9
P/ABV (x)	3.4	2.7	2.4	2.1
PE (x)	40.9	22.3	18.6	15.2
CAR (%)	16.1	17.6	18.6	19.2

Key Data

ICBK.BO | ICICIBC IN

52-W High / Low	Rs.552 / Rs.268
Sensex / Nifty	45,080 / 13,259
Market Cap	Rs.3,464bn/ \$ 46,949m
Shares Outstanding	6,900m
3M Avg. Daily Value	Rs.25791.42m

Shareholding Pattern (%)

Promoter's	-
Foreign	45.66
Domestic Institution	43.73
Public & Others	10.61
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	14.9	44.3	(5.1)
Relative	3.5	8.8	(14.0)

Pritesh Bumb

priteshbumb@plindia.com | 91-22-66322232

Anmol Das

anmolDas@plindia.com |

Back with digital 2.0 much better than FY20

ICICIBC's analyst day showcased version digital 2.0 (1.0 was held last year) which moved one step ahead with COVID-19 pandemic accelerating some initiatives, tweaking a few and simultaneously embarking some new ones. Based on presentations the bank continues to embrace on "One Bank One ROE" principle with retained focus on core operating profitability by either improving revenue lines or by reducing cost/improving efficiency via digital. The bank has immensely benefitted from this despite some hiccups, but then for next few years we see these initiatives clearly supporting business growth and enhancing operating profitability. With strong capital base and relatively large COVID related issues moving behind, bank will continue to invest heavily in technology. We believe these initiatives will gradually help towards sustained doubled digit return ratios of 14-15% by FY23. We maintain BUY with largely unchanged earnings and revise our TP to Rs614 (from Rs520) as we increase multiple to 2.0x from 1.8x and roll over to Mar-23 ABV.

- Tech & digital adoption already providing results:** In retail banking, (i) secured loans disbursements has surpassed 133% of pre-COVID Feb'20 levels with Auto loans 164%, mortgage loans 139% & 2W 118% (ii) Digital initiatives of FY20 improved insta & mobility personal loans delivery to 62% from 32% in FY19 and in H1FY21 jumped to 88%, while in credit cards non-digital origination is 23% v/s 66% in FY20 and 80% in FY21. **In Business banking**, digitizing with integrated APIs, 3x YoY increase in customer acquisition, 19% contribution to digital payments through corporate internet banking and 54% growth in CA average balance YTD Oct'20 for active API customers. **In Corporate banking**, liability growth has been 2x and asset growth of 1.3x over FY18-1H21 and PPOP growth of 1.6x over FY18-FY20 by leveraging digital propositions.
- Couple of initiatives struck us:** None of initiatives presented to us are game changers OR first of kind, but some are already adopted by peer banks working in background. First initiative we liked was moving to STACK approach which was moving from save/invest, borrow & spend to 360-degree hyper personalized approach, catering beyond banking instantaneously contextual to customer lifecycle. Another initiative we liked was Instant account activation for business banking and integrated with various partners which were introduced last year and lastly bank guarantee solution which has repository for notifications, authentication and management, express bank guarantee and BG on the go wherein 90% of BGs can be issued in 3 hours, BG on the go TAT at 1 hour. Insta loans launched last year was a solid success with 1mn+ active customers, 4.6x in non-financial transactions and 2.4x growth in financial transactions.
- COVID hiccups move back; digital should help sustain return ratios:** With COVID-19 issues moving behind appropriately mitigating risks through provisioning and lower risk on asset quality than feared, the renewed digital journey adopted last year and enhanced version 2.0 with 360-degree customer focus will help gradually reflect in business growth and profitability which should lead to a sustained return ratios path. It will continue to have heavy upfront investments in technology but that should fructify over next few years. We retain ICICIBC as our preferred pick in the sector.

Key Analyst Day Highlights

Retail Banking

Presenters –

Mr. Anup Bagchi – ED

Mr. Pranav Mishra – Head Liabilities

Mr Vyom Upadhyay – Head Data Science & Analytics,

Mr. Goutam Sanyal, Head Retail Operational Risk & Credit Monitoring

Mr. Ravi Narayanan – Head Secured Assets, DSMG and Construction Funding

Mr. Sudipto Roy – Head Unsecured Assets

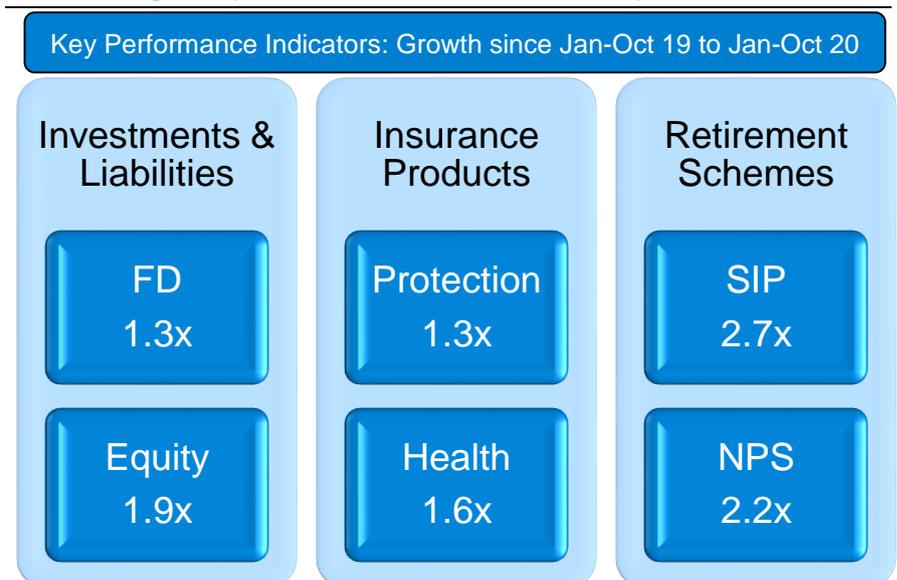
Mr. Atul Arora – Head Retail Business North

Mr. Bijith Bhaskar – Head Digital Channels & Partnership

Mr. Shriram Hariharan – Head IBG, Global Remittances & NRI services

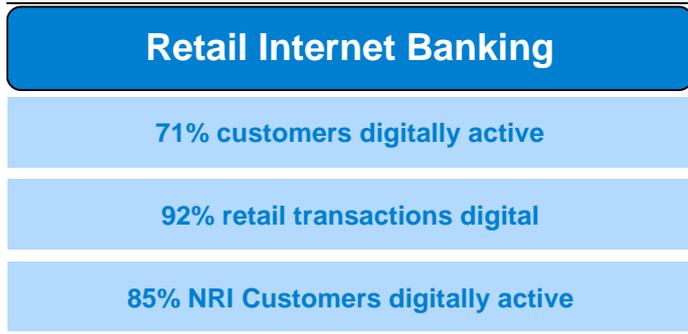
- Unsecured loan enquiries have been improving for industry and moves to record high for ICICIBC for most product lines.
- Focus on Do It Yourself (DIY) continues with 92% retail transactions done digitally as per customer preference.
- Tracking existing & potential new customers on Credit Bureau, external data from UPI, Fastag, etc., and affluence markers like Educational Qualifications for persona/preference based product offerings.
- Grow ecosystem around customers with cross selling offerings like Insurance Protection: Life/Health, investments towards Equity, MF, SIPs, etc., and retirement products like NPS & PPF which were identified as big initiatives last year are paying off well with multiplied growth.
- Branch Expansion in a calibrated manner for small format branches of approx.300 sq. ft. providing customers a touchpoint to onboard, with a gamut of digital services.
- Enhanced strategy in micro markets to divide as per categories and then curating relevant solutions for every market, since each micro market in a particular geography is quite different.
- Online/App Platform has benefitted (i) seamless onboarding & delivery enhancing TATs and capturing affluent minds (ii) cross sell and (iii) enabling automated rule based underwriting & risk management through large data analytics, e.g. secured loans disbursement at 133% of Feb 2020.

Exhibit 1: Digital capabilities have enhanced business performance



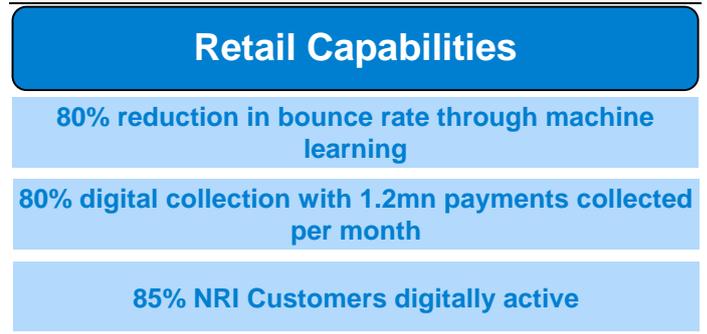
Source: Company, PL

Exhibit 2: Action in retail banking is up quite significantly



Source: Company, PL

Exhibit 3: Much improved service capabilities



Source: Company, PL

Presenters –

Mr. Anup Bagchi – ED

Mr. Ajay Gupta – Head Transaction banking and SMEG

Mr. Pankaj Gadgil – Head Self Employed Segment,

Business Banking

- Bank focused on acquiring more customers and granularizing portfolio with smaller accounts to keep minimum risk.
- Instant Opening of Current Account digitally has led to QoQ increase in CA aiding low cost of funds. 250+ APIs for various businesses and 52 Partners across accounting, payroll, expense & billing, etc. 115,000 loans disbursed towards business banking clients.
- EazyPay Platform providing payment, supply, store solutions, billing solutions through several verticals like EazySupply, EazyStore, EazyBilling, respectively. As per the bank, **more than 1 million customers** are already using the platform.
- BizCircle Network of more than 65,000 businessmen across the nation for better operations and expansion of business.
- InstaBiz platform offering business related management, sales accounting, invoice collections, multi-bank transactions, etc.

Exhibit 4: ICICIBC has seen strong adoption of tech by Mid-sized firms



Source: Company, PL

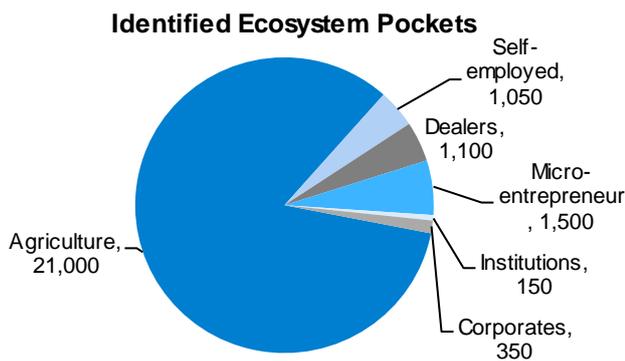
Presenters –

Mr. Anup Bagchi – ED,
Mr. Avijit Saha – Head Rural & Inclusive Banking

Rural Banking

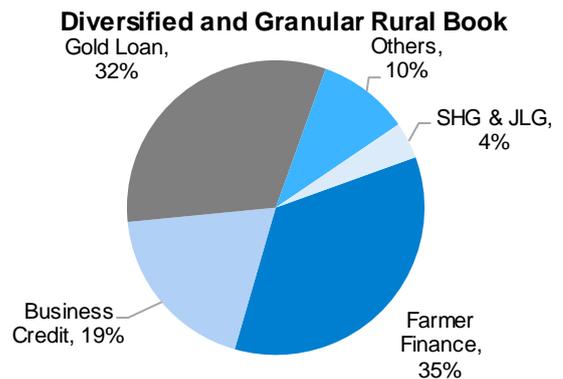
- Rural banking business consists of Rs1.06 trillion operated through 1,741 branches diversified across 26 states. **Highlights** – 1.8x in portfolio over 3 years, 10.1% of domestic portfolio, 96% secured portfolio diversified across 26 states.
- 96% of the rural portfolio is secured of which 35% is secured by liquid collateral & 61% is secured by movable & immovable collateral. Only 4% is unsecured from Self Help Group and Joint Liability Group.
- Agriculture is 47% of business, self-employed 29% with 2.2mn customers, 1700 dealers with 4% contribution, 7% micro entrepreneurs with 1.8mn customers, institutions 7% of business with 60k customers and corporates 7% of business with 0.9mn of customer base.
- Strong diversity in portfolio with few states contributing 10-15% & above business and diversity in product ecosystem.
- 66,000 ecosystem specific micro-markets, including 62,000 affluent villages identified using geospatial technology for Agriculture.
- Mobile app available in 13 different vernacular languages simplified for its 1.2 million farmers, 3.0 million micro-entrepreneurs and 7,500 corporates in Rural India.
- The bank also services rural customers with its iBizz & Eazypay platform/apps from 4,140 customer touchpoints.

Exhibit 5: Rural Banking is not just Agriculture



Source: Company, PL

Exhibit 6: Rural book is diversified to mitigate risks



Source: Company, PL

Presenters –

Ms. Vishakha Mulye – ED

Mr. Anuj Bhargava – Head Global Client Group, MNC, PSU Advisory

Mr. Hetish Sethia – Head Transaction Banking

Mr. Vijay Deshwal – Head Services Sector Group

Mr. Vyom Upadhyay – Head Data Science and Analytics

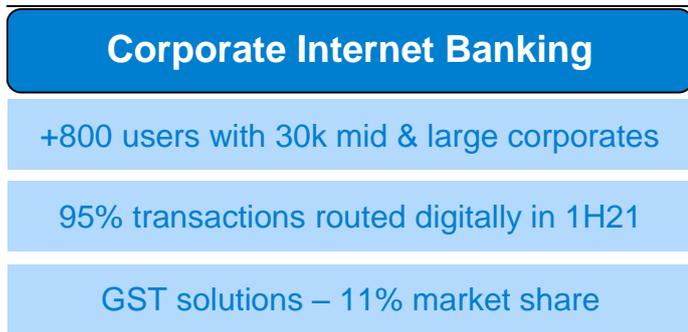
Mr. Sumit Sanghai – Head Large Clients Group, Capital Markets, Custody & Financial Sponsor

Mr. Prasanna Balachander – Group Head Global Markets, Sales, Trading & Research

Corporate Banking

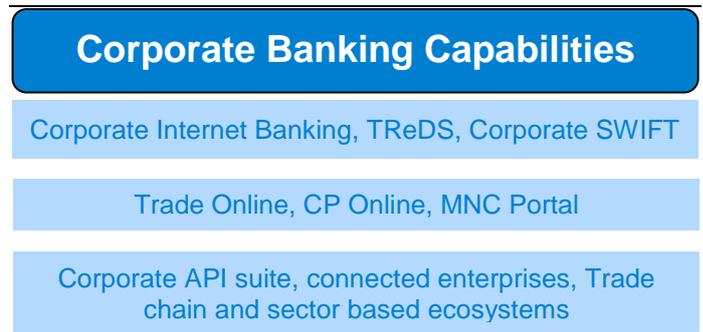
- Strong focus on portfolio quality thus return of capital has high relevance and strong focus on earning quality. Hence return on capital becomes second pillar.
- New normal emerging and recovery is fast & strong with robust portfolio quality, improved market share in Fx & trade and tech adoption has increased.
- Bank has developed stacks for different industries, e.g. Oil, Coal, Fintech, Pharma, Education, IT/ITES, NBFC & FIIs. It's Corporate Internet Banking provides 140+ digital solutions for 8,72,000+ business users with 30,000+ mid & large corporates.
- CP Online developed over last 1 year with Rs160bn flows seen yet. ICICI Bank intends to make it a recurring loan trading platform generating healthy fee income.
- FX Online Foreign Exchange services product with already 800 customers since its launch, over last 4 months.
- Launch of MNC Portal saw 2,000 hits in just 4 weeks. The bank is targeting PE Investee Companies/Unicorns backed by large PE funds.
- Block Chain Technology to capture Coal Flows, already seen Rs87bn flows till date in FY21.
- 'MARVEL' Digital Credit Underwriting focused towards lending to middle sized corporates with faster TAT and increased efficiency.
- E discounting system for W.C., Letter of Credit, ERP for corporate clients.
- 90% of disbursements were towards A- & above rated corporates with less than 1% of corporate Portfolio requiring restructuring.

Exhibit 7: Action in retail banking is up quite significantly



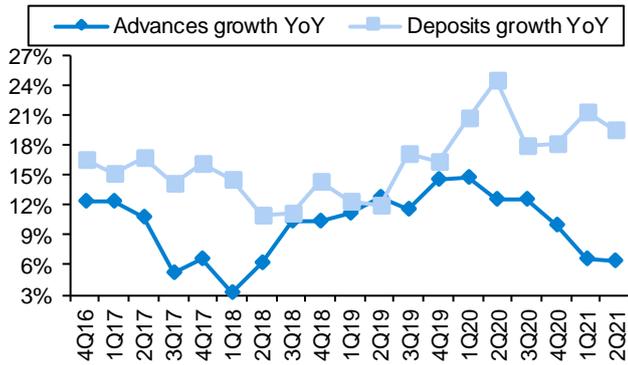
Source: Company, PL

Exhibit 8: Much improved service capabilities



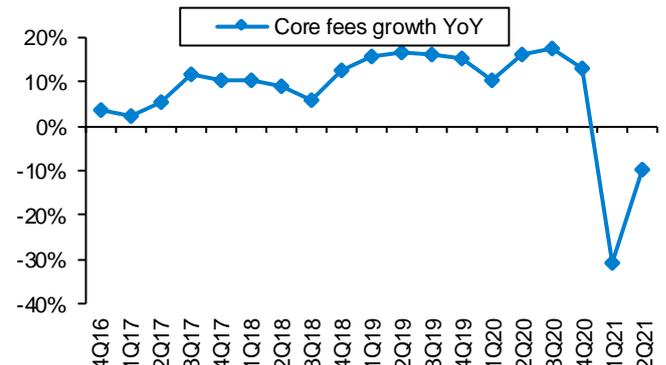
Source: Company, PL

Exhibit 9: Deposit growth strong, Loan growth steady



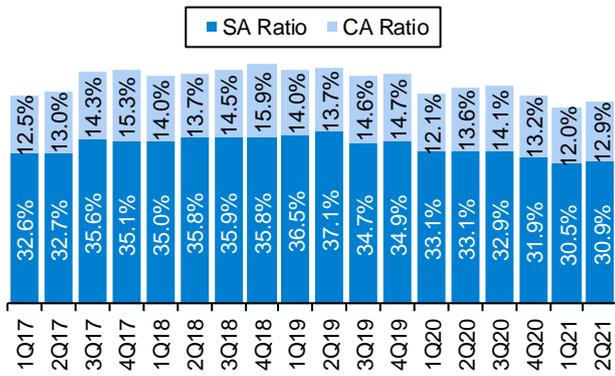
Source: Company, PL

Exhibit 10: Core fees still recovering



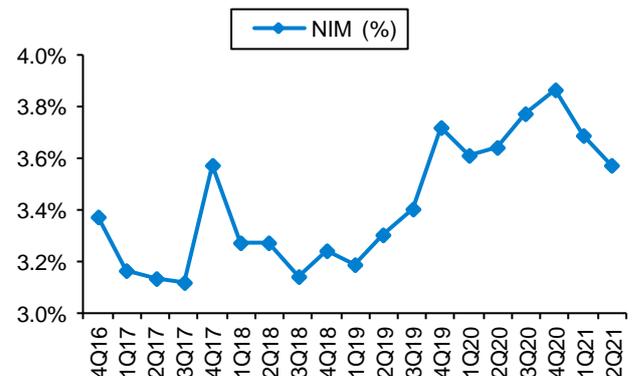
Source: Company, PL

Exhibit 11: SA has seen decline but as TDs have dominated



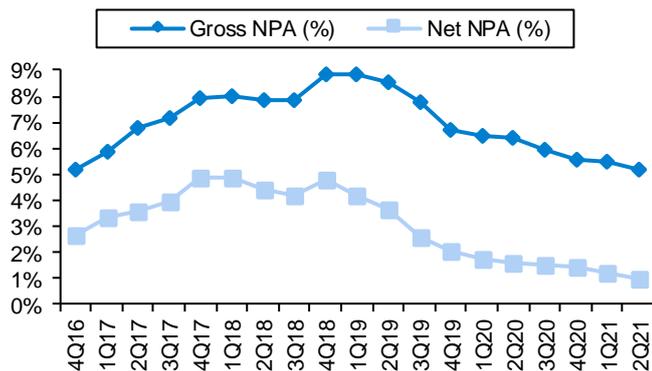
Source: Company, PL

Exhibit 12: Spreads have been better, liquidity impact on NIM



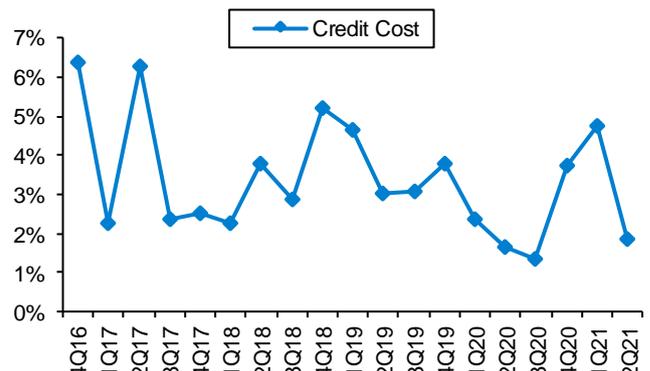
Source: Company, PL

Exhibit 13: NPA Ratios continue to improve



Source: Company, PL

Exhibit 14: Credit cost moving towards normalized levels



Source: Company, PL

Exhibit 15: Strong PPOP and normalized provisioning will lead improvement in return ratios

RoE decomposition	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	3.1	2.9	2.8	2.9	3.2	3.2	3.3	3.4
Treasury income	0.9	1.3	0.9	0.3	0.3	0.6	0.3	0.3
Other Inc. from operations	1.4	1.3	1.2	1.2	1.3	1.0	1.1	1.1
Total income	5.3	5.5	4.9	4.5	4.8	4.8	4.7	4.7
Employee expenses	0.7	0.8	0.7	0.7	0.8	0.7	0.7	0.7
Other operating expenses	1.1	1.2	1.2	1.2	1.3	1.1	1.1	1.1
Operating profit	3.5	3.5	3.0	2.5	2.7	3.0	2.9	2.8
Loan loss provisions	1.7	2.0	2.1	2.1	1.4	1.4	1.0	0.9
Tax	0.4	0.2	0.1	0.0	0.6	0.3	0.4	0.5
RoAA	1.4	1.3	0.8	0.4	0.8	1.3	1.4	1.5
RoAE	11.4	10.3	6.6	3.2	7.1	12.4	12.9	14.0

Source: Company, PL

Exhibit 16: Change in earnings estimates – We slightly adjust NIMs for FY22/FY23 and marginally lower tax rate for FY21

(Rs mn)	Old			Revised			% Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net interest income	381,348	438,180	509,658	381,789	439,904	511,684	0.1	0.4	0.4
Operating profit	351,278	381,374	430,101	351,718	383,098	432,127	0.1	0.5	0.5
Net profit	146,110	185,252	226,263	150,253	186,562	227,803	2.8	0.7	0.7
Loan Growth (%)	9.3	12.5	14.1	9.3	12.5	14.1	-	-	-
Credit Cost (bps)	130.0	160.0	130.0	130.0	160.0	130.0	-	-	-
EPS (Rs)	21.9	26.9	32.8	22.5	27.0	33.0	2.6	0.4	0.7
ABVPS (Rs)	182.1	204.9	234.0	182.7	206.5	237.6	0.3	0.8	1.6
Price target (Rs)	520			614			18.1		
Recommendation	BUY			BUY					

Source: Company Data, PL

Exhibit 17: We revise our TP to Rs614 (from Rs520) based on 2.0x (from 1.8x) and SOTP of Rs144 (from Rs118) based on Mar-23 ABV (rolled over from Sep)

PT calculation and upside	
Terminal Growth	5.0%
Market-risk Premium	7.0%
Risk-free Rate	6.3%
Adjusted Beta	1.05
Cost of Equity	13.6%
Fair price - P/ABV	470
Target P/ABV	2.0
Target P/E	14.2
Value of subs/other businesses	144
Price target (Rs)	614
Current price, Rs	502
Upside (%)	22%

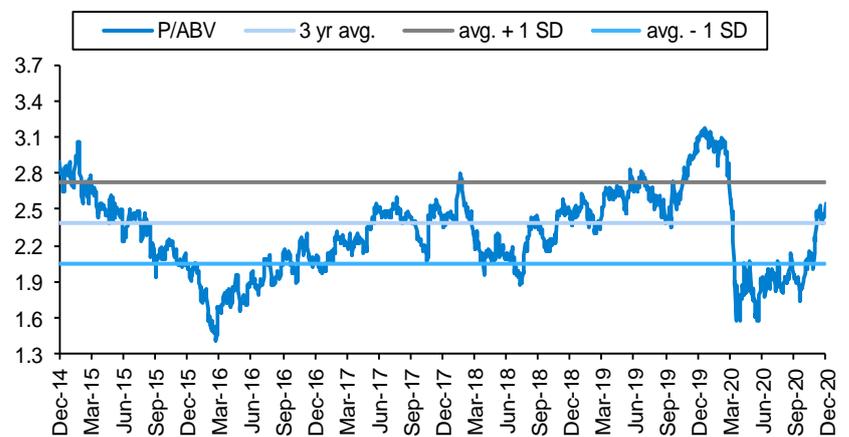
Source: Company, PL

Exhibit 18: Bank continues to drive valuation for consolidated entity

Value per share (Rs)	Holding (%)	Multiple	Basis	Mar FY23E
ICICI Standalone		2.0x		470
Subsidiaries / Others				
Life insurance	51.0	1.9x EV & 15x NBV	IEV	47
General insurance	51.9		Mcap	48
Asset management	51.0	0.07	AUM	25
Broking & IB	77.2	15x	PAT	16
Others				8
Total subsidiaries' value				144
% contribution of Subsidiaries / Others				23
Total fair value per share				614

Source: Company, PL

Exhibit 19: ICICIBC One year forward P/ABV trends



Source: Company, PL

Recent re-rating has moved valuations towards three year mean levels, some more room for expansion

Income Statement (Rs. m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Int. Earned from Adv.	5,75,511	5,78,573	6,44,916	7,33,335
Int. Earned from invt.	1,46,732	1,73,169	2,35,563	2,96,561
Others	25,740	46,646	34,001	27,067
Total Interest Income	7,47,983	7,98,388	9,14,480	10,56,963
Interest Expenses	4,15,313	4,16,600	4,74,577	5,45,279
Net Interest Income	3,32,671	3,81,789	4,39,904	5,11,684
<i>Growth(%)</i>	23.1	14.8	15.2	16.3
Non Interest Income	1,64,486	1,84,225	1,89,751	2,03,034
Net Total Income	4,97,157	5,66,013	6,29,655	7,14,718
<i>Growth(%)</i>	17.1	7.7	12.4	14.1
Employee Expenses	82,712	83,540	95,235	1,09,520
Other Expenses	1,23,946	1,20,228	1,39,464	1,60,384
Operating Expenses	2,16,144	2,14,295	2,46,557	2,82,592
Operating Profit	2,81,013	3,51,718	3,83,098	4,32,127
<i>Growth(%)</i>	19.9	25.2	8.9	12.8
NPA Provision	88,144	87,663	1,19,291	1,09,579
Total Provisions	1,40,532	1,61,524	1,37,622	1,32,386
PBT	1,40,480	1,90,194	2,45,476	2,99,741
Tax Provision	61,172	39,941	58,914	71,938
<i>Effective tax rate (%)</i>	43.5	21.0	24.0	24.0
PAT	79,308	1,50,253	1,86,562	2,27,803
<i>Growth(%)</i>	135.8	89.5	24.2	22.1

Balance Sheet (Rs. m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Face value	2	2	2	2
No. of equity shares	6,474	6,897	6,897	6,897
Equity	12,948	13,795	13,795	13,795
Networth	11,65,009	14,67,959	16,36,588	18,42,320
<i>Growth(%)</i>	7.5	26.0	11.5	12.6
Adj. Networth to NNPA's	99,233	1,06,199	1,06,308	85,958
Deposits	77,09,690	90,20,337	1,03,73,388	1,20,33,130
<i>Growth(%)</i>	18.1	17.0	15.0	16.0
CASA Deposits	34,78,185	40,32,091	46,99,145	55,71,339
<i>% of total deposits</i>	45.1	44.7	45.3	46.3
Total Liabilities	1,09,83,617	1,25,57,118	1,42,26,155	1,61,62,758
Net Advances	64,52,900	70,33,661	78,77,700	89,80,578
<i>Growth(%)</i>	10.0	9.0	12.0	14.0
Investments	24,95,315	31,72,597	43,03,413	49,93,954
Total Assets	1,09,83,651	1,25,57,118	1,42,26,155	1,61,62,758
<i>Growth (%)</i>	13.9	14.3	13.3	13.6

Asset Quality

Y/e Mar	FY20	FY21E	FY22E	FY23E
Gross NPAs (Rs m)	4,08,291	3,94,749	4,13,156	3,94,989
Net NPAs (Rs m)	99,233	1,06,199	1,06,308	85,958
<i>Gr. NPAs to Gross Adv.(%)</i>	6.3	5.6	5.2	4.4
<i>Net NPAs to Net Adv. (%)</i>	1.5	1.5	1.3	1.0
<i>NPA Coverage %</i>	75.7	73.1	74.3	78.2

Profitability (%)

Y/e Mar	FY20	FY21E	FY22E	FY23E
NIM	3.5	3.5	3.5	3.6
RoAA	0.8	1.3	1.4	1.5
RoAE	7.1	11.4	12.0	13.1
Tier I	14.7	16.4	17.5	18.3
CRAR	16.1	17.6	18.6	19.2

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Interest Income	1,90,643	1,91,887	1,99,244	1,96,225
Interest Expenses	1,05,190	1,02,618	1,06,446	1,02,564
Net Interest Income	85,453	89,269	92,798	93,661
<i>YoY growth (%)</i>	24.3	17.1	19.9	16.2
CEB	35,960	35,980	21,040	31,390
Treasury	-	-	-	-
Non Interest Income	45,740	42,550	61,426	40,283
Total Income	2,36,383	2,34,437	2,60,670	2,36,508
Employee Expenses	19,421	22,345	21,661	19,673
Other expenses	36,286	35,573	24,798	31,660
Operating Expenses	55,707	57,918	46,459	51,333
Operating Profit	75,486	73,901	1,07,765	82,611
<i>YoY growth (%)</i>	22.8	18.6	71.4	20.2
Core Operating Profits	70,176	71,481	70,135	77,191
NPA Provision	-	-	-	-
Others Provisions	20,832	59,674	75,940	29,953
Total Provisions	20,832	59,674	75,940	29,953
Profit Before Tax	54,654	14,227	31,825	52,658
Tax	13,190	2,013	5,834	10,145
PAT	41,465	12,214	25,992	42,513
<i>YoY growth (%)</i>	158.4	26.0	36.2	549.1
Deposits	71,63,451	77,09,690	80,16,223	83,29,356
<i>YoY growth (%)</i>	18.1	18.1	21.3	19.6
Advances	63,56,543	64,52,900	63,12,146	65,26,080
<i>YoY growth (%)</i>	12.6	10.0	6.5	6.4

Key Ratios

Y/e Mar	FY20	FY21E	FY22E	FY23E
CMP (Rs)	502	502	502	502
EPS (Rs)	12.3	22.5	27.0	33.0
Book Value (Rs)	175	208	233	263
Adj. BV (70%)(Rs)	149	183	206	238
P/E (x)	40.9	22.3	18.6	15.2
P/BV (x)	2.9	2.4	2.2	1.9
P/ABV (x)	3.4	2.7	2.4	2.1
DPS (Rs)	1.0	-	2.6	3.2
<i>Dividend Payout Ratio (%)</i>	8.1	-	9.6	9.7
<i>Dividend Yield (%)</i>	0.2	-	0.5	0.6

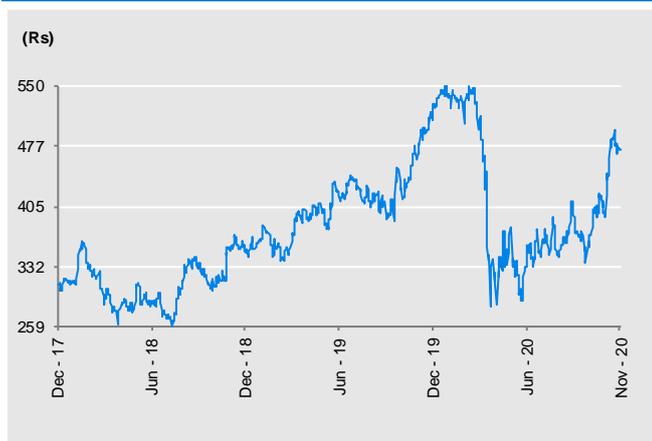
Efficiency

Y/e Mar	FY20	FY21E	FY22E	FY23E
<i>Cost-Income Ratio (%)</i>	43.5	37.9	39.2	39.5
<i>C-D Ratio (%)</i>	83.7	78.0	75.9	74.6
Business per Emp. (Rs m)	143	160	180	205
Profit per Emp. (Rs lacs)	8	15	18	22
Business per Branch (Rs m)	2,660	2,986	3,361	3,831
Profit per Branch (Rs m)	15	28	34	42

Du-Pont

Y/e Mar	FY20	FY21E	FY22E	FY23E
NII	3.23	3.24	3.28	3.37
Total Income	4.82	4.81	4.70	4.70
Operating Expenses	2.10	1.82	1.84	1.86
PPoP	2.72	2.99	2.86	2.84
Total provisions	1.36	1.37	1.03	0.87
RoAA	0.77	1.28	1.39	1.50
RoAE	7.05	11.41	12.02	13.10

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Nov-20	BUY	520	393
2	09-Oct-20	BUY	462	402
3	26-Jul-20	BUY	462	383
4	08-Jul-20	BUY	436	369
5	10-May-20	BUY	436	338
6	14-Apr-20	BUY	509	331
7	25-Jan-20	BUY	612	534
8	03-Jan-20	BUY	605	538

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	520	393
7	ICICI Prudential Life Insurance Company	Hold	438	412
8	IDFC First Bank	Sell	21	32
9	IndusInd Bank	BUY	720	586
10	Kotak Mahindra Bank	Accumulate	1,503	1,417
11	Max Financial Services	Accumulate	680	591
12	Punjab National Bank	Hold	30	28
13	SBI Life Insurance Company	BUY	920	779
14	South Indian Bank	BUY	10	7
15	State Bank of India	BUY	290	205

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

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

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