

November 4, 2022

Q2FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	3,000		2,900	
NII (Rs.)	2,29,388	2,60,099	2,23,520	2,52,416
% Chng.	2.6	3.0		
PPoP (Rs.)	2,51,248	2,83,486	2,46,380	2,76,529
% Chng.	2.0	2.5		
EPS (Rs.)	100.7	114.5	98.7	111.7
% Chng.	2.0	2.5		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Int.Inc. (Rs m)	1,71,194	1,96,041	2,29,388	2,60,099
Growth (%)	14.4	14.5	17.0	13.4
Op. Profit (Rs m)	1,91,783	2,17,185	2,51,248	2,83,486
PAT (Rs m)	1,37,422	1,60,233	1,82,495	2,07,677
EPS (Rs.)	75.8	88.4	100.7	114.5
Gr. (%)	13.7	16.6	13.9	13.8
DPS (Rs.)	22.9	22.1	25.2	28.6
Yield (%)	0.9	0.9	1.0	1.2
Margin (%)	3.1	3.1	3.1	3.1
RoAE (%)	12.0	12.5	12.7	13.0
RoAA (%)	2.3	2.3	2.3	2.4
PE (x)	32.8	28.2	24.7	21.7
P/BV (x)	3.8	3.3	3.0	2.7
P/ABV (x)	3.9	3.5	3.1	2.8

Key Data

HDFC.BO | HDFC IN

52-W High / Low	Rs.3,101 / Rs.2,026
Sensex / Nifty	60,836 / 18,053
Market Cap	Rs.4,524bn/ \$ 54,580m
Shares Outstanding	1,817m
3M Avg. Daily Value	Rs.7042.08m

Shareholding Pattern (%)

Promoter's	45.24
Foreign	23.46
Domestic Institution	14.92
Public & Others	16.38
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.0	10.0	(14.0)
Relative	1.8	3.0	(15.5)

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Palak Shah

palakshah@plindia.com | 91-22-66322257

HDFC (HDFC IN)

Rating: BUY | CMP: Rs2,489 | TP: Rs3,000

Strong core metrics; credit demand to sustain

Quick Pointers:

- Individual loans saw strong growth of +20% YoY led by demand across metros.
- Margin outlook better while asset quality continuous to improve.

HDFC saw a good quarter with core metrics being in-line along with better margins, strong individual loan growth and improved asset quality. NII was a tad better (+12.9% YoY) led by higher NIM at 3.3% (PLe 3.2%). Loan accretion (+14.5% YoY) was driven by individual loans (+20% YoY) due to faster growth in metros that too in higher value home loans. Company expects this credit momentum to sustain while share of construction finance could enhance. NIM may improve in H2FY23 as asset repricing would catch up with that of liabilities. GNPL reduced by 19bps QoQ to 1.6% while OTR/stage-2 pools also declined. We retain our multiple at 2.3x and rolling forward to Sep'24 core ABV we increase TP from Rs2,900 to Rs3,000. Retain BUY.

- Q2FY23 – Better NII with core PPoP being in-line:** NII was 2.8% higher at Rs46.4bn (+30% YoY) mainly led by better NIM at 3.3% (PLe 3.2%) while AuM growth was a tad lower at 14.5% (PLe 15.2%); net individual loans saw a ~20% growth YoY (share was 81%). Other income was a bit lower at Rs3.26bn (PLe 3.97bn) due to lower assignment income. Opex was flat QoQ at Rs5.9bn (PLe Rs5.35bn) due to higher other opex. Hence core PPoP came in exactly as expected at Rs43.76bn. Asset quality (GNPL) improved QoQ from 1.78% to 1.59% (PLe 1.67%) and stock of GNPL reduced by 9% QoQ. Provisions were a bit lower at Rs4.73bn (PLe Rs5.0bn) while provision cover (ECL) improved QoQ from 52.75% to 55.3%. Core PAT was Rs31.2bn (PLe Rs31.0bn).
- Momentum in individual housing loans continue:** Loan growth was broad based and led by individual (disbursals +35% YoY) due to faster growth in metros. This is being driven by robust demand in higher value home loans (ATS Rs30-50mn). Hence average loan amount increased YoY from Rs3.3mn to Rs3.6mn. Management expects this home loan demand to sustain while demand in affordable and middle income group continues to do well. AUM mix is: individual-81% (79% in Q1FY23), construction-9%, LRD-6%, corporate-4%. Non-individual segment is seeing better collections resulting in better resolutions. Construction finance (pre-COVID share 13-14%) has a good pipeline but disbursals are reflected with a lag of 3-5 years and hence in coming quarters its share could enhance which may provide some fillip to margins.
- NIM outlook stable to positive; asset quality further improves:** Margins increased by 4bps QoQ and commentary suggests that NII could see better QoQ accretion as asset repricing would catch up with liabilities. However, further rate hikes could dampen the pace of NIM increase. Collection efficiency was strong at >99% and individual GNPL reduced by 8bps QoQ to 0.9% while and non-individual GNPL fell by 45bps QoQ to 4.0%. With better asset quality, balance sheet was stronger as PCR improved QoQ from 52.7% to 55.3%. OTR pool reduced QoQ from 0.8% to 0.7% while stage-2 exposure continues to decline at 3.1% (vs 3.6% in Mar'22).

Exhibit 1: Q2FY23 Result Overview

P&L (Rs mn)	Q2FY23	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)
Interest on advances	131,429	105,790	24.2	119,636	9.9
Other interest income	560	1,041	(46.2)	394	42.0
Total interest income	131,989	106,831	23.6	120,030	10.0
Interest expense	85,597	65,735	30.2	75,561	13.3
Net Interest Income	46,392	41,096	12.9	44,469	4.3
Other Income	18,371	15,433	19.0	12,457	47.5
Total income	64,763	56,529	14.6	56,926	13.8
Operating expenses	5,892	5,299	11.2	5,888	0.1
-Staff expenses	2,670	2,801	(4.7)	2,832	(5.7)
-Other expenses	3,223	2,497	29.0	3,056	5.5
Operating profit	58,871	51,231	14.9	51,038	15.3
Total provisions	4,730	4,520	4.6	5,140	(8.0)
Profit before tax	54,141	46,711	15.9	45,898	18.0
Tax	9,598	8,906	7.8	9,210	4.2
Profit after tax	44,542	37,805	17.8	36,688	21.4
Balance Sheet (Rs mn)					
Loan composition	6,902,840	5,973,390	15.6	6,713,640	2.8
-Individual loans (%)	81.0	78.3	2.7	79.0	2.0
-Non-Individual loans (%)	19.0	21.7	(2.7)	21.0	(2.0)
Borrowings composition	5,290,336	4,627,370	14.3	5,174,520	2.2
-Term loans (%)	27.0	21.0	6.0	26.0	1.0
-Bonds/ Deb./ CPs (%)	42.0	44.0	(2.0)	41.0	1.0
-Deposits (%)	31.0	35.0	(4.0)	33.0	(2.0)
NIMs	3.32	3.30	2	3.28	4
Asset quality (%)					
Gross NPL	1.44	2.24	(80)	1.91	(47)
Others / Ratios (%)					
Cost-income ratio	11.9	12.2	(0.4)	12.3	(0.4)
Int. expense/Int. income	64.9	61.5	3.3	63.0	1.9
Tier-I	21.9	21.6	-	21.4	(21)

Source: Company, PL

NII stood at Rs 44bn and registered a growth of 12.9% YoY.

Operating expenses grew led by higher retail volumes, distribution network and legal expenses

PAT at Rs 44bn (grew 17.8% YoY) was beat to our est. led by better NII and other income.

Loan book at Rs6902bn grew 2.8% QoQ / 15.6% YoY, mainly led by individual loan book

GNPA stood at 1.44% vs 1.91% in the previous quarter standing lower than our estimates

Key Concall Takeaways:

Business Update:

- In Q2FY23, there was an increase in repo rate which led in increase interest rates, consequent to which corporation increased deposit rates as well as retail prime lending rate. Margins are expected to improve as asset repricing would catch up with liabilities.
- Total AUM mix – Individual HL: 81%, Construction Finance: 9%, LRD: 6%, Corporate Loans: 4%. The incremental loan growth was driven by individual loans while non-individual loans saw repayments and resolutions. Construction Finance has good pipeline however the disbursement rates are slower.
- Individual approvals and disbursements grew by 35% and 36% YoY respective. The growth was seen across segments, however offtake from higher income group has seen sharp uptick due to metros, other segments like affordable housing and middle income group remains good.
- Q2FY23 saw growth of 10.3% YoY due to repayments/prepayments and resolution of stressed accounts. Healthy pipeline in construction finance segment and lease rental discounting; expect growth in this segment. Interest rate differential in HL & LAP is about 1.5-2%.
- Customer profile has remained same, disbursements through newer locations have been of lower ticket size.
- Deposit would continue at old rates post the merger, on maturity they would be at newer rates. Incremental CoF has been 7%.
- Management guided that C/I would remain in single digits for FY23. The costs have increased due to ramping up distribution network, retail business and legal expenses.

Provisions:

- As at September 30, 2022, the Corporation carried a total provision of Rs.131bn. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.2%.
- Credit cost during the quarter reduced by 31bps (annualised). As the AQ issues ease, credit cost is expected to come down to pre-covid levels, which should improve the ROEs.

Asset quality & Collection efficiency:

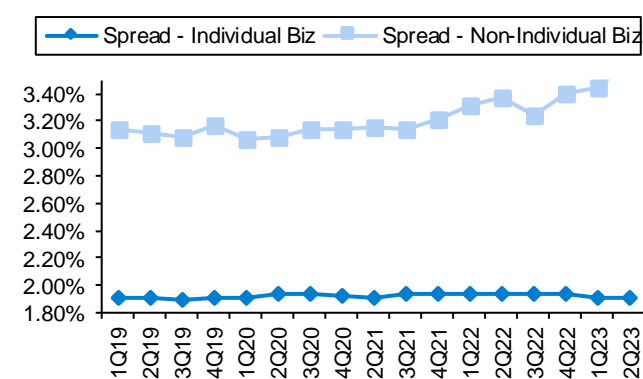
- The overall GNPA's declined to 1.59% (vs 1.78% in Q4FY22). GNPA in individual segment stood at 0.73% (0.98% in Q1FY23) and non-individual segment stood at 3.99% (4.44% in Q1FY23).
- Stage 1 is 94.2%, Stage 2 is 3.9%, and Stage 3 is 1.9%. there has been 55bps reduction in the aggregate of Stage 2 and Stage 3 assets
- Average collection efficiency in individual loan segment on cumulative basis continued to be strong during Q2 over 99%.

- As at September 30, 2022, loans **restructured** under the RBI's Resolution Framework for COVID-19 Related Stress (OTR 1.0 & 2.0) was Rs.42bn or 0.7% or of the loan book.

Others:

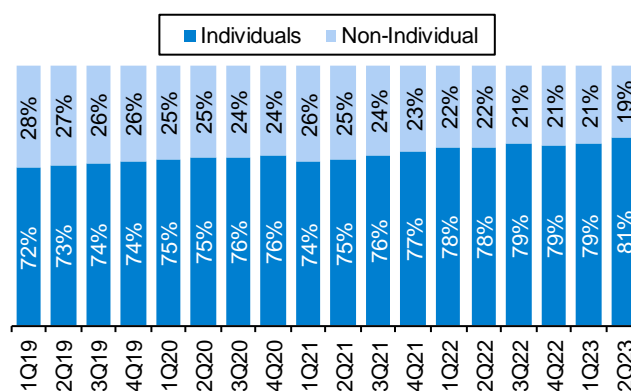
- The average level of liquidity during this quarter has been about Rs.400bn from Current liquidity is higher than requirement and management believes there won't be further need to build up liquidity
- On the merger**, Corporation has received approvals from BSE, NSE, RBI, PFRDA, CCI and NCLT.

Exhibit 2: Spreads have been stable QoQ



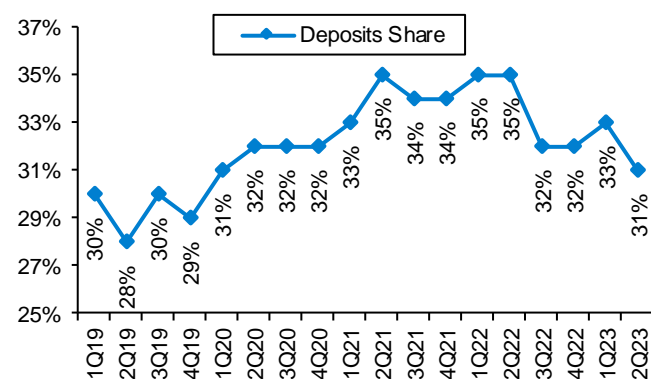
Source: Company, PL

Exhibit 3: Loan mix skewed towards Individuals



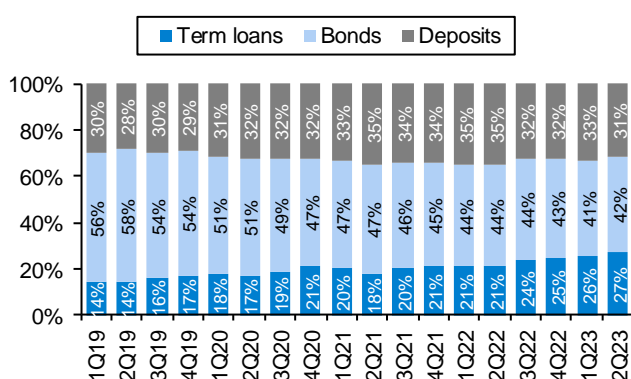
Source: Company, PL

Exhibit 4: Deposit share shrunk slightly



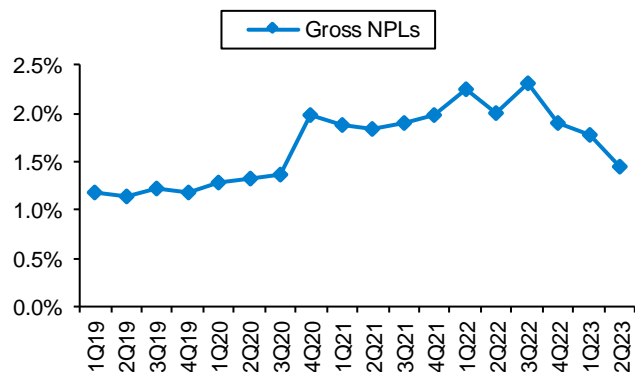
Source: Company, PL

Exhibit 5: Borrowing mix stable



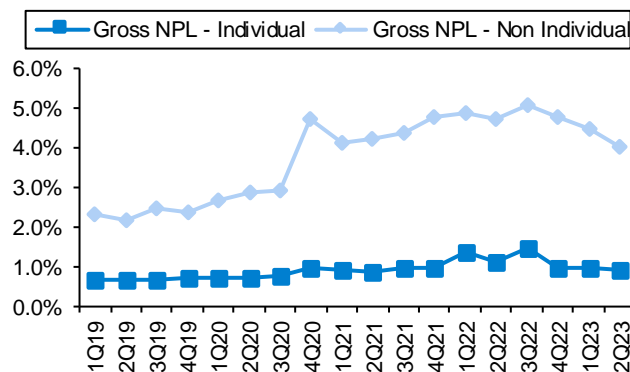
Source: Company, PL

Exhibit 6: GNPA's have come off....



Source: Company, PL

Exhibit 7: ...across segments



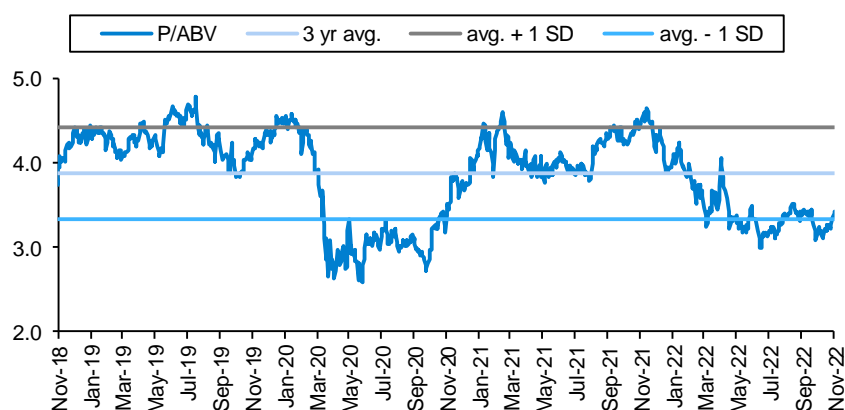
Source: Company, PL

Exhibit 8: SOTP Metrics: Core valued at 2.3x PABV Sep'24E, subsidiaries ~50% of SOTP

HDFC SOTP valuation	Stake (%)	Value per share (Rs)	Basis
HDFC Parent (A)		1,544	2.3x P/ABV Sep'24E
Subsidiaries / Associates			
HDFC Bank	21.0	1,111	Value of stake in HDFC Bank as per our fair value
Life insurance	48.7	309	M-Cap
AMC	52.6	120	M-Cap
Ergo	50.0	57	41x of FY22 earnings
Bandhan Bank	5.0	12	M-cap
HDFC CREDILA	100.0	7	1x of FY-22 earnings
Total subs/associates (B) @10% discount		1,617	
Fair value (A+B)		3,000	
Current market price		2,489	
Upside (%)		20	
Contribution of subs to total (%)		51.2	

Source: PL

Exhibit 9: HDFC one year forward P/ABV Chart



Source: Company, Bloomberg, PL

Income Statement (Rs. m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Int. Inc. / Opt. Inc.	4,38,586	5,60,664	7,06,863	8,26,905
Interest Expenses	2,67,392	3,64,624	4,77,475	5,66,806
Net interest income	1,71,194	1,96,041	2,29,388	2,60,099
Growth(%)	14.4	14.5	17.0	13.4
Non-interest income	41,316	45,201	50,674	57,082
Growth(%)	(10.0)	9.4	12.1	12.6
Net operating income	2,12,510	2,41,241	2,80,062	3,17,181
Expenditures				
Employees	10,608	10,842	13,422	15,792
Other Expenses	8,396	10,852	12,641	14,702
Depreciation	1,723	2,362	2,752	3,200
Operating Expenses	20,727	24,057	28,814	33,694
PPP	1,91,783	2,17,185	2,51,248	2,83,486
Growth(%)	8.0	13.2	15.7	12.8
Provisions	19,320	18,270	17,280	17,233
Profit Before Tax	1,72,463	1,98,915	2,33,968	2,66,253
Tax	35,041	38,682	51,473	58,576
Effective Tax rate(%)	20.3	19.4	22.0	22.0
PAT	1,37,422	1,60,233	1,82,495	2,07,677
Growth(%)	14.3	16.6	13.9	13.8

Balance Sheet (Rs. m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Source of funds				
Equity	3,626	3,626	3,626	3,626
Reserves and Surplus	11,98,884	13,49,953	15,08,717	16,87,457
Networth	12,02,510	13,53,579	15,12,343	16,91,084
Growth (%)	10.5	12.6	11.7	11.8
Loan funds	49,96,811	57,40,162	65,02,791	73,21,744
Growth (%)	13.2	14.9	13.3	12.6
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	2,02,190	2,23,576	2,44,384	2,74,571
Other Liabilities	7,113	7,310	7,868	8,859
Total Liabilities	64,08,625	73,24,628	82,67,385	92,96,257
Application of funds				
Net fixed assets	14,439	14,657	15,370	17,223
Advances	55,48,625	63,15,568	71,16,201	79,73,799
Growth (%)	14.3	13.8	12.7	12.1
Investments	6,85,922	8,26,357	9,57,507	11,05,435
Current Assets	65,451	69,724	73,989	82,908
Net current assets	(1,36,739)	(1,53,852)	(1,70,395)	(1,91,663)
Other Assets	94,188	98,322	1,04,318	1,16,892
Total Assets	64,08,625	73,24,628	82,67,385	92,96,257
Growth (%)	12.9	14.3	12.9	12.4
Business Mix				
AUM	65,39,020	74,20,536	83,43,862	93,59,922
Growth (%)	14.7	13.5	12.4	12.2
On Balance Sheet	65,39,020	74,20,536	83,43,862	93,59,922
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY22	FY23E	FY24E	FY25E
NIM	3.1	3.1	3.1	3.1
ROAA	2.3	2.3	2.3	2.4
ROAE	12.0	12.5	12.7	13.0

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Int. Inc. / Operating Inc.	1,11,569	1,13,716	1,20,030	1,31,989
Income from securitization	-	-	-	-
Interest Expenses	68,731	67,708	75,561	85,597
Net Interest Income	42,838	46,009	44,469	46,392
Growth (%)	7.0	14.2	7.8	12.9
Non-Interest Income	6,354	9,368	12,457	18,371
Net Operating Income	49,192	55,377	56,926	64,763
Growth (%)	0.7	7.7	10.7	14.6
Operating expenditure	4,780	5,142	5,888	5,892
PPP	44,412	50,235	51,038	58,871
Growth (%)	-	-	-	-
Provision	3,930	4,010	5,140	4,730
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	40,482	46,225	45,898	54,141
Tax	7,875	9,222	9,210	9,598
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	19.5	19.9	20.1	17.7
PAT	32,607	37,003	36,688	44,542
Growth	11	16	22	18
AUM	61,89,170	65,39,020	67,13,640	69,02,840
YoY growth (%)	12.1	14.7	16.9	15.6
Borrowing	48,90,020	49,96,810	51,74,520	52,90,336
YoY growth (%)	12.7	13.2	18.0	14.3

Key Ratios

Y/e Mar	FY22	FY23E	FY24E	FY25E
CMP (Rs)	2,489	2,489	2,489	2,489
EPS (Rs)	75.8	88.4	100.7	114.5
Book value (Rs)	663.3	746.6	834.1	932.7
Adj. BV(Rs)	630.8	711.6	796.3	895.7
P/E(x)	32.8	28.2	24.7	21.7
P/BV(x)	3.8	3.3	3.0	2.7
P/ABV(x)	3.9	3.5	3.1	2.8
DPS (Rs)	22.9	22.1	25.2	28.6
Dividend Payout Ratio(%)	30.2	25.0	25.0	25.0
Dividend Yield(%)	0.9	0.9	1.0	1.2

Asset Quality

Y/e Mar	FY22	FY23E	FY24E	FY25E
Gross NPAs(Rs m)	1,28,750	1,38,031	1,45,893	1,42,832
Net NPA(Rs m)	58,840	63,482	68,604	67,092
Gross NPAs to Gross Adv.(%)	2.3	2.1	2.0	1.8
Net NPAs to net Adv.(%)	0.9	0.9	0.8	0.7
NPA coverage(%)	54.3	54.0	53.0	53.0

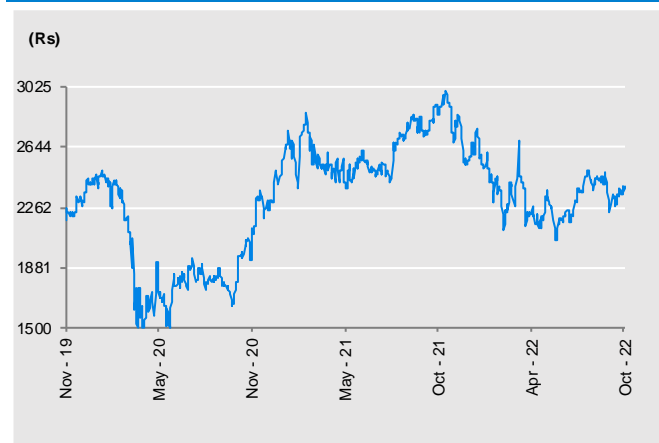
Du-Pont as a % of AUM

Y/e Mar	FY22	FY23E	FY24E	FY25E
NII	2.6	2.6	2.7	2.7
NII INCI. Securitization	2.6	2.6	2.7	2.7
Total income	2.8	3.2	3.2	3.3
Operating Expenses	0.3	0.3	0.3	0.3
PPOP	2.5	2.9	2.9	2.9
Total Provisions	0.3	0.2	0.2	0.2
RoAA	1.8	2.1	2.1	2.1
Avg. Assets/Avg. net worth	6.8	5.9	6.0	6.1
RoAE	12.0	12.5	12.7	13.0

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-22	BUY	2,900	2,349
2	29-Jul-22	BUY	2,900	2,378
3	08-Jul-22	BUY	2,908	2,246
4	03-May-22	BUY	2,900	2,264
5	09-Apr-22	BUY	3,272	2,445
6	03-Feb-22	BUY	3,228	2,528
7	11-Jan-22	BUY	3,322	2,660

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,250	1,990
2	Axis Bank	BUY	1,080	826
3	Bank of Baroda	Accumulate	130	133
4	Can Fin Homes	BUY	700	524
5	City Union Bank	BUY	190	173
6	DCB Bank	BUY	120	103
7	Federal Bank	BUY	165	130
8	HDFC	BUY	2,900	2,349
9	HDFC Bank	BUY	1,800	1,439
10	ICICI Bank	BUY	1,090	907
11	IDFC First Bank	UR	-	53
12	IndusInd Bank	BUY	1,450	1,218
13	Kotak Mahindra Bank	Accumulate	2,100	1,903
14	LIC Housing Finance	BUY	450	418
15	Punjab National Bank	BUY	50	36
16	State Bank of India	BUY	650	533

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. Gaurav Jani- CA, CFA Level 2, Ms. Palak Shah- CA, B.Com 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. Gaurav Jani- CA, CFA Level 2, Ms. Palak Shah- CA, B.Com 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