

November 3, 2022

Q2FY23 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

| | Current | | Previous | |
|--------------|------------|--------|----------|--------|
| | FY24E | FY25E | FY24E | FY25E |
| Rating | ACCUMULATE | | BUY | |
| Target Price | 410 | | 450 | |
| NII (Rs.) | 66,793 | 73,589 | 68,433 | 74,221 |
| % Chng. | (2.4) | (0.9) | | |
| PPoP (Rs.) | 57,764 | 63,768 | 60,208 | 65,263 |
| % Chng. | (4.1) | (2.3) | | |
| EPS (Rs.) | 67.6 | 76.7 | 69.3 | 79.4 |
| % Chng. | (2.5) | (3.4) | | |

Key Financials - Standalone

| Y/e Mar | FY22 | FY23E | FY24E | FY25E |
|---------------------|--------|--------|--------|--------|
| Net Int.Inc. (Rs m) | 55,206 | 58,371 | 66,793 | 73,589 |
| Growth (%) | 5.6 | 5.7 | 14.4 | 10.2 |
| Op. Profit (Rs m) | 47,664 | 50,241 | 57,764 | 63,768 |
| PAT (Rs m) | 22,873 | 28,795 | 37,187 | 42,230 |
| EPS (Rs.) | 41.6 | 52.3 | 67.6 | 76.7 |
| Gr. (%) | (23.3) | 25.9 | 29.1 | 13.6 |
| DPS (Rs.) | 8.5 | 9.4 | 13.5 | 15.3 |
| Yield (%) | 2.3 | 2.6 | 3.7 | 4.2 |
| Margin (%) | 2.3 | 2.2 | 2.3 | 2.3 |
| RoAE (%) | 10.1 | 11.1 | 13.1 | 13.3 |
| RoAA (%) | 0.9 | 1.1 | 1.3 | 1.3 |
| PE (x) | 8.8 | 7.0 | 5.4 | 4.8 |
| P/BV (x) | 0.8 | 0.7 | 0.7 | 0.6 |
| P/ABV (x) | 1.1 | 1.0 | 0.9 | 0.8 |

Key Data

LICH.BO | LICHF IN

| | |
|---------------------|---------------------|
| 52-W High / Low | Rs.444 / Rs.292 |
| Sensex / Nifty | 60,906 / 18,083 |
| Market Cap | Rs.202bn/ \$ 2,436m |
| Shares Outstanding | 550m |
| 3M Avg. Daily Value | Rs.994.91m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 45.24 |
| Foreign | 20.67 |
| Domestic Institution | 19.22 |
| Public & Others | 14.87 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|--------|--------|--------|
| Absolute | (11.4) | (5.8) | (13.8) |
| Relative | (16.5) | (11.9) | (15.0) |

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Palak Shah

palakshah@plindia.com | 91-22-66322257

LIC Housing Finance (LICHF IN)

Rating: ACCUMULATE | CMP: Rs367 | TP: Rs410

Earnings volatility hindering upside

Quick Pointers:

- NII drag led by one-time impact drove PAT miss; outlook for H2FY23 better.
- Loan growth continuous to be led by individual housing.

LICHF saw a weak quarter with earnings miss led by steep QoQ decline in NII due to one-time interest income impact of Rs2.75bn. Retail loans of Rs90bn were converted from fixed to floating although yield increase of 150bps was borne by LICHF which led to sharp NIM decline QoQ. NIM outlook for H2FY23 is much better as PLR is hiked by 115bps w.e.f. from 1st Oct'22 and NII could normalize to ~Rs15bn per quarter in H2FY23. Housing demand remains healthy indicating retail credit momentum could sustain while builder loans could uptick. Earnings remain volatile which has weighed on the stock and we trim our multiple from 1.1x to 0.9x. Due to cut in NII we reduce FY23/24/25 earnings by 15%/5%/3%. As we roll forward to Sep'24 ABV our TP is lowered from Rs450 to Rs410. Change rating from BUY to ACCUMULATE.

- Earnings miss led by NII, PCR improved:** NII was lower at Rs11.7bn (PLe Rs16.4bn) as NIM was a miss at 1.9% (PLe 2.6%). While loan growth was mainly in-line at 10.4% YoY (PLe 10%), lower disbursements at Rs167bn (PLe Rs182bn) were offset by controlled repayments at Rs101bn (PLe Rs125bn). Other income was in-line at Rs0.36bn. Opex was a miss at Rs2.6bn (PLe Rs2.1bn) led by both, higher employee cost and other opex. Hence, PPoP was lower at Rs9.45bn (PLe Rs14.6bn) led by a miss on NII and opex. Provisions were higher at Rs5.7bn (PLe Rs3.3bn) mainly led by an increase in PCR from 40.4% to 43.6% while absolute stage-3 also increased slightly QoQ. Thus, PAT was below estimates at Rs3bn (PLe Rs9.2bn).
- NII decline led by one-time impact:** Retail loans totaling to Rs90bn were converted from fixed rate to floating rate (presently 98% of assets are floating) although yield increase of 150bps following recent repo hike was borne by LICHF to retain these quality customers. Present value of this was Rs2.75bn which was reversed from interest income leading to a sharp QoQ decline in NII. Management outlook on H2FY23 margins is much better as company raised PLR by 115bps w.e.f. 1st Oct'22 while benefit of rising yields would outpace that of funding cost rise. On asset quality, absolute stage-3 increased due to slippages from project loans. OTR reduced from Rs37bn to Rs35bn (classified as stage-2). Segmental GNPA is: Individual housing-1.7%, NI commercial-22% and project loans-42%, non-housing individual-6.9%.
- Credit momentum may sustain:** ~98% of disbursements were attributable to individual, and retail home now contributes 82.6% to loans (vs 79% a year ago). Credit flow in retail housing is sustaining owing to stable housing demand, and with the festive season in Qct'22 and seasonally stronger H2FY23, disbursements are expected to improve. Project loans dipped by 5.8% QoQ, however, management expects disbursements to outpace repayments in H2FY23. Company is targeting a 10%+ loan growth and with current leverage at 9.6x, management suggested that capital position is comfortable to fund growth.

Exhibit 1: Weak set of numbers

| P&L (Rs m) | Q2FY23 | Q2FY22 | YoY gr. (%) | Q1FY23 | QoQ gr. (%) |
|------------------------------------|------------------|------------------|----------------|------------------|----------------|
| Interest Income | 50,562 | 46,761 | 8.1 | 52,609 | (3.9) |
| Interest Expense | 40,784 | 35,198 | 15.9 | 36,401 | 12.0 |
| Net Interest Income | 9,778 | 11,563 | (15.4) | 16,209 | (39.7) |
| Other operating Inc. | 120 | 225 | (46.4) | 139 | (13.1) |
| Other Income | 238 | 164 | 44.5 | 162 | 46.6 |
| Total income | 10,136 | 11,952 | (15.2) | 16,509 | (38.6) |
| Employee Expense | 1,117 | 1,471 | (24.1) | 974 | 14.6 |
| Other Expenses | 1,493 | 1,138 | 31.2 | 1,054 | 41.6 |
| Operating Profit | 7,527 | 9,343 | (19.4) | 14,481 | (48.0) |
| Provisions | 3,738 | 6,253 | (40.2) | 3,077 | 21.5 |
| Tax | 739 | 611 | 20.9 | 2,149 | (65.6) |
| Net Profit excl exceptional | 3,050 | 2,479 | 23.0 | 9,255 | (67.0) |
| Reported PAT | 3,050 | 2,479 | 23.0 | 9,255 | (67.0) |
| Balance Sheet (Rs m) | | | | | |
| O/S Loans | 2,623,360 | 2,376,600 | 10.4 | 2,557,120 | 2.6 |
| -Individual loans | 2,506,170 | 2,223,650 | 12.7 | 2,432,690 | 3.0 |
| Retail Home Loans | 2,166,895 | 1,883,456 | 15.0 | 2,096,838 | 3.3 |
| Retail LAP / Non Core | 338,413 | 339,854 | (0.4) | 337,540 | 0.3 |
| -Corporate loans | 117,190 | 152,950 | (23.4) | 124,430 | (5.8) |
| -Individual loans (%) | 95.5 | 93.6 | 2.0 | 95.1 | 0.4 |
| Retail Home Loans | 82.6 | 79.3 | 3.3 | 82.0 | 0.6 |
| Retail LAP / Non Core | 12.9 | 14.3 | (1.4) | 13.2 | (0.3) |
| -Corporate loans (%) | 4.5 | 6.4 | (2.0) | 4.9 | (0.4) |
| Incr. Disbursements | 167,860 | 161,100 | 4.2 | 152,010 | 10.4 |
| -Individual loans (%) | 97.6 | 97.8 | (0.2) | 98.0 | (0.4) |
| -Developer loans (%) | 2.4 | 2.2 | 0.2 | 2.0 | 0.4 |
| Asset quality | | | | | |
| Gross NPL | 128,807 | 122,157 | 5.4 | 126,833 | 1.6 |
| Gross NPL (%) | 4.91 | 5.14 | (23.0) | 4.96 | (5.0) |
| Others / Ratios (%) | | | | | |
| Yield on Loans - Calc | 8.1 | 8.3 | (0.2) | 8.6 | (0.5) |
| Cost of Borrowings - Calc | 7.4 | 7.1 | 0.3 | 6.4 | 0.6 |
| Spread | 0.71 | 1.24 | (0.5) | 2.18 | (1.2) |
| NIMs | 1.56 | 2.05 | (48.7) | 2.66 | NA |
| Cost/ Income Ratio | 25.75 | 21.83 | 3.9 | 12.29 | 13.5 |

Source: Company, PL

NII growth was lower owing to lower margins

PPoP de-grew 19.4% YoY, led by lower NII and higher opex.

Provisions at Rs3.7bn was higher owing to higher Stage 3 assets.

PAT was lower to estimates owing to lower core earnings.

Loans at Rs 2,623bn stood up 10%YoY/3.2% QoQ led by I

GNPA at 4.91% decreased 5bps QoQ.

KTAs of LICHF Q2FY23 Earnings Con call

Assets & Liabilities:

- Economic environment during the quarter has been stable leading to improvement in disbursements. Housing demand has been fairly stable. Demand is expected to be stable across the year as seasonally better second half and festive season.
- For individual loans, disbursements would be in-line with overall growth of 12-15% as demand persists. During the quarter, disbursements via Homi app improved leading to sanctions of Rs91.5bn.
- Project loans book shrunk further owing to slippages of Rs5bn. Going forward, to prevent shrinkage the company would offer competitive rates to retain good assets and expect disbursements to pick up pace.

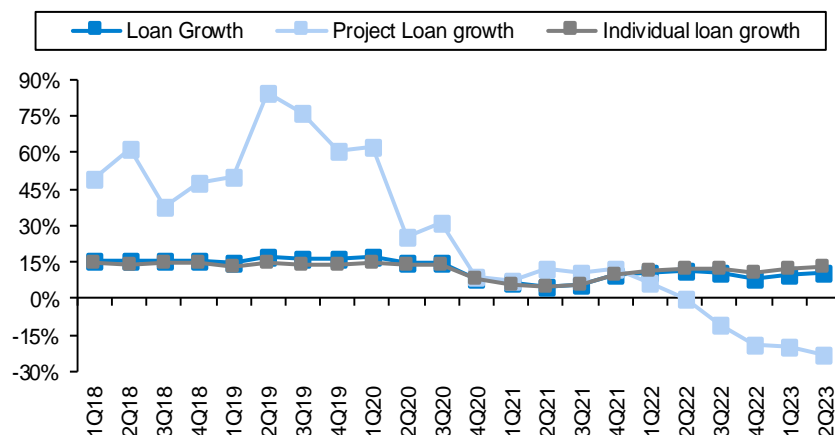
NIM:

- 97% of the loan book is linked to floating rate which should help cushion NIM. Management guided overall NIM for FY23 would be higher than FY22. During the quarter, company offered discount rates to retain retail customers and convert them from fixed to floating rate which impacted Interest Income by Rs2.8bn. Also, there was reversal of interest income of Rs.0.9bn on slippages from project loans, which led to margin compression.
- PLR has been raised by 115bps w.e.f from October 1, 2022. With rate hike would lead to 80-90bps improvement in yields, CoF is expected to ho up 15-18bps, leading to spreads increase by 60bps

Asset Quality:

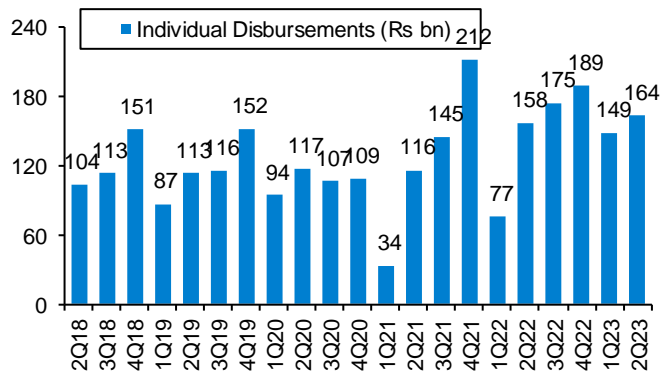
- Stage 3 book stood at 4.91% vs 4.96% in Q1FY23. PCR for Stage 3 was 43.6% which improved from 40% in Q1FY23.
- **Segmental GNPA:** Individual Home Loans stood at 1.68%, Project Loans was 42%, Non-Individual Home Loans – 22%, Non-housing individual – 6.85%.
- O/S restructured book stood at Rs. 35bn, against which 10% provisioning has been made. Of which, Project Loans – Rs. 20bn and Retail Loans –Rs.14bn. Of the O/s pool, entire has been stage 2. The entire restructured pool is currently in moratorium. No significant slippages are expected from this pool

Exhibit 2: Loan growth remained flat; project loans continue to come off



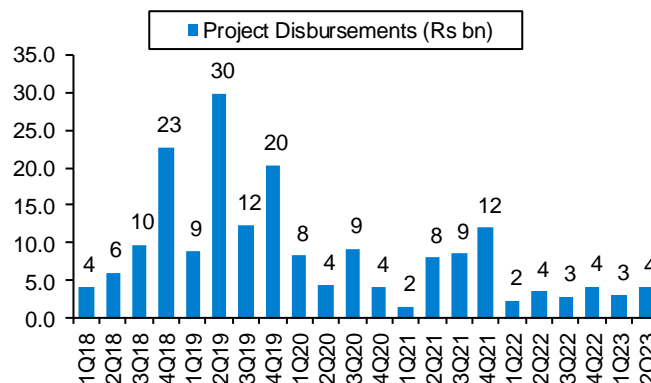
Source: Company, PL

Exhibit 3: Disbursement growth led by Individual segment



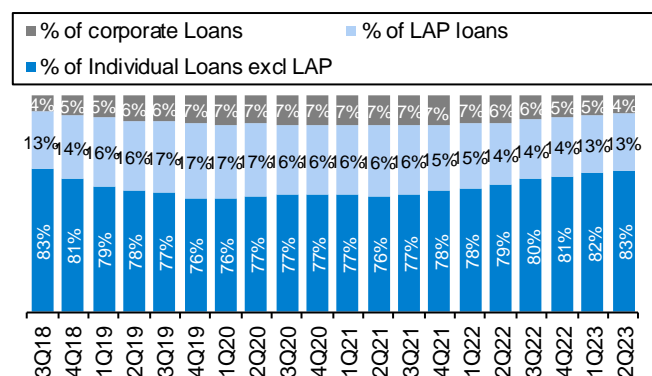
Source: Company, PL

Exhibit 4: Project loan disbursements stable QoQ



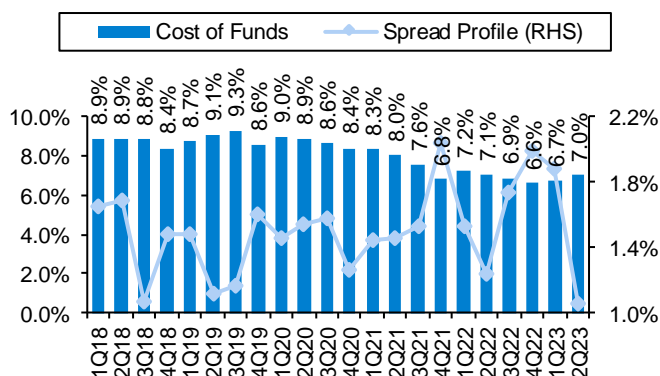
Source: Company, PL

Exhibit 5: Individual Loan mix continue to gain share

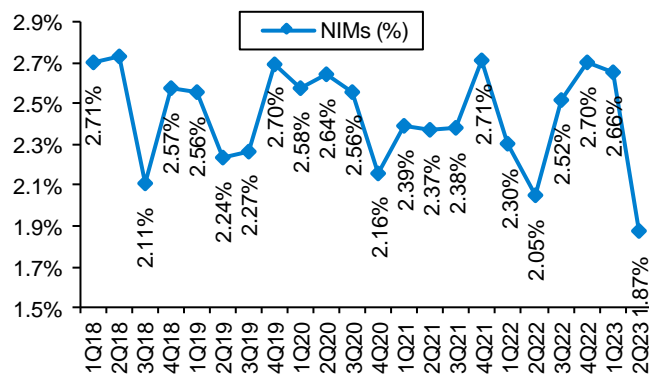


Source: Company, PL

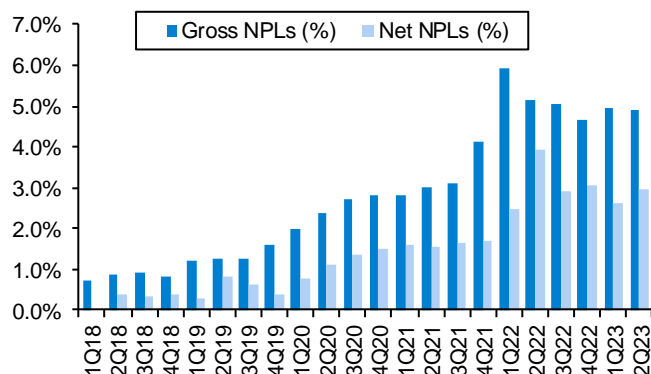
Exhibit 6: CoF spikes leading to margin compression



Source: Company, PL

Exhibit 7: NIM remain flattish sequentially


Source: Company, PL

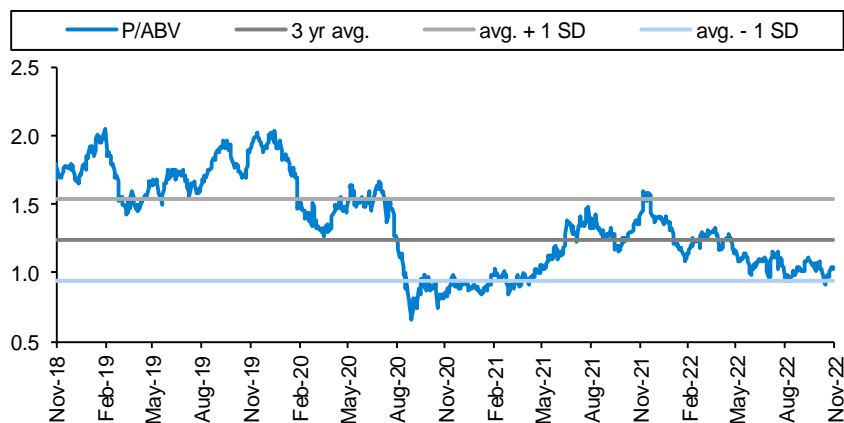
Exhibit 8: Asset quality stable


Source: Company, PL

Exhibit 9: We lower our estimates and Target Price

| (Rs mn) | Old | | Revised | | % change | |
|---------------------|------------|--------|-------------------|---------------|----------------|--------|
| | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| Net interest income | 62,352 | 68,433 | 66,793 | 73,589 | (6.4%) | (2.4%) |
| Operating profit | 54,794 | 60,208 | 50,241 | 57,764 | (8.3%) | (4.1%) |
| Net profit | 33,906 | 39,220 | 37,187 | 42,230 | (15.1%) | (5.2%) |
| EPS, Rs. | 62 | 71 | 52.3 | 67.6 | (15.6%) | (1.4%) |
| Price target, Rs. | 450 | | 410 | | (8.89%) | |
| Recommendation | BUY | | ACCUMULATE | | | |

Source: PL

Exhibit 10: 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. | 1,97,079 | 2,17,910 | 2,67,029 | 3,08,209 |
| Interest Expenses | 1,41,872 | 1,59,539 | 2,00,236 | 2,34,620 |
| Net interest income | 55,206 | 58,371 | 66,793 | 73,589 |
| Growth(%) | 5.6 | 5.7 | 14.4 | 10.2 |
| Non-interest income | 2,452 | 2,348 | 2,407 | 2,652 |
| Growth(%) | 73.8 | (4.2) | 2.5 | 10.2 |
| Net operating income | 57,658 | 60,720 | 69,200 | 76,241 |
| Expenditures | | | | |
| Employees | 5,633 | 4,625 | 5,097 | 5,617 |
| Other Expenses | 3,836 | 5,223 | 5,655 | 6,117 |
| Depreciation | 524 | 632 | 684 | 740 |
| Operating Expenses | 9,994 | 10,479 | 11,435 | 12,474 |
| PPP | 47,664 | 50,241 | 57,764 | 63,768 |
| Growth(%) | 2.1 | 5.4 | 15.0 | 10.4 |
| Provisions | 19,882 | 14,435 | 10,693 | 10,312 |
| Profit Before Tax | 27,782 | 35,805 | 47,072 | 53,456 |
| Tax | 4,909 | 7,010 | 9,885 | 11,226 |
| Effective Tax rate(%) | 17.7 | 19.6 | 21.0 | 21.0 |
| PAT | 22,873 | 28,795 | 37,187 | 42,230 |
| Growth(%) | (16.3) | 25.9 | 29.1 | 13.6 |

Balance Sheet (Rs. m)

| Y/e Mar | FY22 | FY23E | FY24E | FY25E |
|-----------------------------|------------------|------------------|------------------|------------------|
| Source of funds | | | | |
| Equity | 1,101 | 1,101 | 1,101 | 1,101 |
| Reserves and Surplus | 2,45,617 | 2,69,188 | 2,98,487 | 3,32,271 |
| Networth | 2,46,718 | 2,70,289 | 2,99,587 | 3,33,371 |
| Growth (%) | 20.2 | 9.6 | 10.8 | 11.3 |
| Loan funds | 22,36,582 | 24,85,147 | 27,42,941 | 30,14,600 |
| Growth (%) | 7.6 | 11.1 | 10.4 | 9.9 |
| Deferred Tax Liability | - | - | - | - |
| Other Current Liabilities | 59,244 | 66,623 | 73,467 | 80,680 |
| Other Liabilities | 3,131 | 1,865 | 2,058 | 2,262 |
| Total Liabilities | 25,45,674 | 28,23,924 | 31,18,054 | 34,30,913 |
| Application of funds | | | | |
| Net fixed assets | 2,876 | 3,321 | 3,611 | 3,973 |
| Advances | 24,52,963 | 27,21,832 | 30,03,078 | 33,04,448 |
| Growth (%) | 7.5 | 11.0 | 10.3 | 10.0 |
| Investments | 61,986 | 63,496 | 72,820 | 80,079 |
| Current Assets | 9,540 | 14,110 | 15,523 | 17,080 |
| Net current assets | (49,704) | (52,513) | (57,945) | (63,599) |
| Other Assets | 18,310 | 21,165 | 23,023 | 25,333 |
| Total Assets | 25,45,675 | 28,23,924 | 31,18,054 | 34,30,913 |
| Growth (%) | 8.0 | 10.9 | 10.4 | 10.0 |
| Business Mix | | | | |
| AUM | 25,11,200 | 27,61,205 | 30,37,685 | 33,42,523 |
| Growth (%) | 8.2 | 10.0 | 10.0 | 10.0 |
| On Balance Sheet | 25,11,200 | 27,61,205 | 30,37,685 | 33,42,523 |
| % 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 | 2.3 | 2.2 | 2.3 | 2.3 |
| ROAA | 0.9 | 1.1 | 1.3 | 1.3 |
| ROAE | 10.1 | 11.1 | 13.1 | 13.3 |

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

| Y/e Mar | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 |
|----------------------------------|---------------|---------------|---------------|---------------|
| Int. Inc. / Operating Inc. | 50,064 | 51,985 | 52,609 | 50,562 |
| Income from securitization | - | - | - | - |
| Interest Expenses | 35,460 | 35,673 | 36,401 | 38,864 |
| Net Interest Income | 14,604 | 16,312 | 16,209 | 11,698 |
| Growth (%) | 14.7 | 8.6 | 27.4 | 1.2 |
| Non-Interest Income | 640 | 1,101 | 301 | 358 |
| Net Operating Income | 15,244 | 17,413 | 16,509 | 12,056 |
| Growth (%) | 15.6 | 11.3 | 26.5 | 0.9 |
| Operating expenditure | 2,070 | 2,500 | 2,029 | 2,610 |
| PPP | 13,174 | 14,913 | 14,481 | 9,447 |
| Growth (%) | - | - | - | - |
| Provision | 3,556 | 1,769 | 3,077 | 5,658 |
| Exchange Gain / (Loss) | - | - | - | - |
| Profit before tax | 9,619 | 13,144 | 11,404 | 3,789 |
| Tax | 1,945 | 1,958 | 2,149 | 739 |
| Prov. for deferred tax liability | - | - | - | - |
| Effective Tax Rate | 20.2 | 14.9 | 18.8 | 19.5 |
| PAT | 7,673 | 11,186 | 9,255 | 3,050 |
| Growth | 6 | 180 | 503 | 23 |
| AUM | 24,34,120 | 25,11,200 | 25,57,120 | 26,23,360 |
| YoY growth (%) | 10.5 | 8.2 | 10.0 | 10.4 |
| Borrowing | 21,57,700 | 22,38,440 | 22,59,650 | 23,29,430 |
| YoY growth (%) | 10.3 | 7.8 | 9.5 | 11.4 |

Key Ratios

| Y/e Mar | FY22 | FY23E | FY24E | FY25E |
|--------------------------|-------|-------|-------|-------|
| CMP (Rs) | 367 | 367 | 367 | 367 |
| EPS (Rs) | 41.6 | 52.3 | 67.6 | 76.7 |
| Book value (Rs) | 448.3 | 491.1 | 544.3 | 605.7 |
| Adj. BV(Rs) | 328.4 | 361.0 | 419.0 | 479.3 |
| P/E(x) | 8.8 | 7.0 | 5.4 | 4.8 |
| P/BV(x) | 0.8 | 0.7 | 0.7 | 0.6 |
| P/ABV(x) | 1.1 | 1.0 | 0.9 | 0.8 |
| DPS (Rs) | 8.5 | 9.4 | 13.5 | 15.3 |
| Dividend Payout Ratio(%) | 20.4 | 18.0 | 20.0 | 20.0 |
| Dividend Yield(%) | 2.3 | 2.6 | 3.7 | 4.2 |

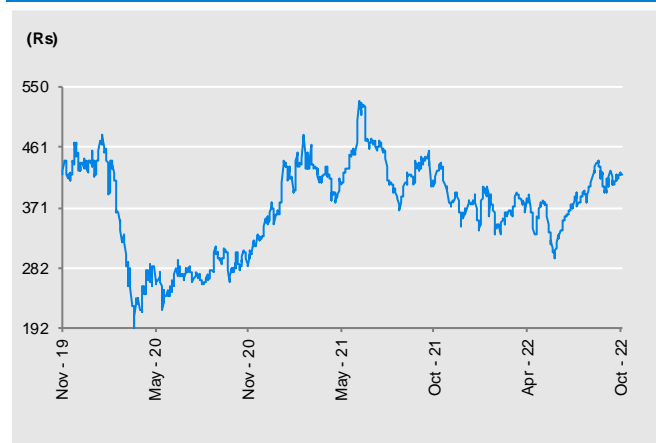
Asset Quality

| Y/e Mar | FY22 | FY23E | FY24E | FY25E |
|-----------------------------|----------|----------|----------|----------|
| Gross NPAs(Rs m) | 1,16,164 | 1,24,566 | 1,19,090 | 1,18,454 |
| Net NPA(Rs m) | 65,967 | 71,576 | 68,974 | 69,588 |
| Gross NPAs to Gross Adv.(%) | 4.6 | 4.5 | 3.9 | 3.5 |
| Net NPAs to net Adv.(%) | 2.6 | 2.6 | 2.3 | 2.1 |
| NPA coverage(%) | 43.2 | 42.5 | 42.1 | 41.3 |

Du-Pont as a % of AUM

| Y/e Mar | FY22 | FY23E | FY24E | FY25E |
|----------------------------|------|-------|-------|-------|
| NII | 2.3 | 2.2 | 2.2 | 2.2 |
| NII INCL. Securitization | 2.3 | 2.2 | 2.2 | 2.2 |
| Total income | 2.4 | 2.3 | 2.3 | 2.3 |
| Operating Expenses | 0.4 | 0.4 | 0.4 | 0.4 |
| PPOP | 1.9 | 1.9 | 1.9 | 1.9 |
| Total Provisions | 0.8 | 0.5 | 0.4 | 0.3 |
| RoAA | 0.9 | 1.1 | 1.3 | 1.3 |
| Avg. Assets/Avg. net worth | 10.8 | 10.4 | 10.4 | 10.3 |
| RoAE | 10.1 | 11.1 | 13.1 | 13.3 |

Source: Company Data, PL Research

Price Chart

Recommendation History

| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1 | 05-Oct-22 | BUY | 450 | 418 |
| 2 | 05-Aug-22 | BUY | 450 | 379 |
| 3 | 08-Jul-22 | Accumulate | 435 | 351 |
| 4 | 19-May-22 | BUY | 435 | 354 |
| 5 | 09-Apr-22 | Accumulate | 420 | 393 |
| 6 | 28-Jan-22 | Reduce | 364 | 383 |
| 7 | 11-Jan-22 | Reduce | 359 | 380 |

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