

April 28, 2023

Q4FY23 Result Update

■ Change in Estimates | ■ Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		BUY	
Target Price	1,486		1,486	
NII (Rs.)	1,86,342	2,06,582	1,86,342	2,06,582
% Chng.	-	-	-	-
PPoP (Rs.)	1,47,311	1,60,508	1,47,311	1,60,508
% Chng.	-	-	-	-
EPS (Rs.)	211.1	220.8	211.1	220.8
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Int.Inc. (Rs m)	1,35,151	1,60,616	1,86,342	2,06,582
Growth (%)	50.5	27.5	16.0	10.9
Op. Profit (Rs m)	97,573	1,11,793	1,47,311	1,60,508
PAT (Rs m)	37,924	59,793	79,017	82,649
EPS (Rs.)	110.0	183.5	211.1	220.8
Gr. (%)	6.1	66.8	15.0	4.6
DPS (Rs.)	15.5	15.5	15.5	15.5
Yield (%)	1.1	1.1	1.1	1.1
Margin (%)	8.1	9.3	9.2	9.0
RoAE (%)	11.5	17.2	17.5	17.6
RoAA (%)	2.1	3.4	3.5	3.5
PE (x)	12.8	7.7	6.7	6.4
P/BV (x)	1.4	1.3	1.1	0.9
P/ABV (x)	1.4	1.3	1.1	0.9

Key Data

SRTR.BO | SHFL IN

52-W High / Low	Rs.1,509 / Rs.1,047
Sensex / Nifty	60,649 / 17,915
Market Cap	Rs.526bn / \$ 6,428m
Shares Outstanding	374m
3M Avg. Daily Value	Rs.1098.16m

Shareholding Pattern (%)

Promoter's	25.51
Foreign	49.78
Domestic Institution	11.75
Public & Others	12.96
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	16.2	12.7	23.1
Relative	10.4	11.0	15.3

Akshay Ashok

akshayashok@plindia.com | 91-22-66322245

Raj Mange

rajmange@plindia.com | 91-22-66322258

Decent AUM Growth, Asset Quality Stable

Quick Pointers:

- Stable Asset Quality- GNPA at 6.2% vs 6.3% in Q3'23

Shriram Finance (SHFL) reported good AUM growth in Q4 (4.6%QoQ/15.9% YoY), led by robust growth in Personal/MSME loans (+6.9%QoQ) The company missed our estimates on profitability and PAT came in at Rs13.08bn(PLe: Rs 17.2bn) on account of one time provision of Rs2.95bn and Rs3bn additional opex due to amortization of intangibles. We continue with our 16% AUM CAGR for FY23-25E but revise our rating to 'HOLD' from 'BUY' rating as stock has seen a strong rally recently and the results were miss on our estimates with TP of Rs1,486 (unchanged) at 1.3x on Sep'24E PABV. Re-rating can happen if SHFL can keep credit costs under check, while retaining growth momentum in loan book

- Momentum in MSME/personal loans leads to stable AUM growth:** AUM at Rs 1,856bn grew 4.6% QoQ/15.9% YoY and was marginally below our estimates of Rs 1864bn. CV/CE and PV saw softness growing by 3%/5.9% on a QoQ basis. MSME and others saw robust 6.9% QoQ growth. PAT at Rs 13.08bn came below our estimates (PLe: Rs 17.2bn) de-growing 26.4% QoQ on account of higher provisions and opex. NII at Rs 41.8bn came in line with our estimates (PLe: Rs42.6bn) de-growing .3%QoQ due to lower yields(16.35% vs 18.70% in Q3'23). NIM came in at 9.21% vs 9.67% in Q3'23. Operating costs at Rs 14.4bn stood above our estimates (PLe: Rs 12.3bn) increasing 21.2% on a QoQ basis, additional 3.02bn included in opex due to amortization of intangibles
- Asset quality stable; Rs 2.95bn of one time provisioning taken:**PCR on stage 3 reduced to 50.1% from 50.7% in Q3'23. Asset quality was stable with GNPA at 6.2% vs 6.3% in Q3'23 and NNPA at 3.2% vs 3.2% in Q3'23. Provisions at Rs11.8bn stood above our estimates (PLe:Rs9.3bn) up 29.2% on a QoQ basis, one time provision of Rs2.95bn taken after stress testing by the company
- Highlights from management commentary:** AUM growth guidance is maintained at 15% with 3% RoA growth for the combined entity for FY24. Merger synergies will be accretive for erstwhile SCUF portfolio as retail loans will grow much faster than CV loans. The company is focussed on improving the bottomline rather than topline growth. Credit cost increased to 2.01% in Q4 as company had performed stress testing on the portfolio which led to change in PD assumptions. As a result, additional one time provisions to the tune of Rs2.95bn was made in Q4. Cost to Income ratio increased sharply to 28.29% vs 22.23% in Q3FY23. This was mainly due to amortization of intangible assets on account of merger to the tune of Rs 3bn. Going forward, amortization charge will be around Rs.750mn on a quarterly basis (Total Rs 3bn) for the next four years.

PAT at Rs 13.08bn came below our estimates (PLe: Rs 17.2bn) de-growing 26.4% QoQ on account of higher provisions and opex.

NII at Rs 41.8bn came in line with our estimates (PLe: Rs42.6bn) de-growing .3%QoQ due to lower yields(16.35% vs 18.70% in Q3'23). NIM came in at 9.21% vs 9.67% in Q3'23.

AUM at Rs 1856bn grew 4.6% QoQ/15.9% YoY and was marginally below our estimates of Rs 1864bn. CV/CE and PV saw softness growing by 3%/5.9% on a QoQ basis. MSME and others saw robust 6.9% QoQ growth.

Provisions at Rs11.8bn stood above our estimates (PLe:Rs9.3bn) up 29.2% on a QoQ basis, one time provision of Rs2.95bn taken after stress testing by the company.

Operating profit at Rs30.8bn stood below our estimates (PLe:Rs32.9bn) de-growing 6.7%QoQ basis due to lower than expected NII growth and higher opex.

GNPA/stage 3 stood at 6.21%, and NNPA at 3.19%

Exhibit 1: SHTF Q4FY23: Higher provisions/PAT leads to PAT miss by 4.12bn

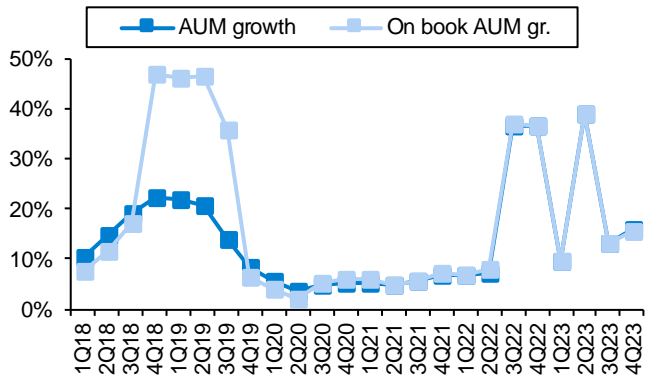
Y/e March (Rs mn)	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)
Interest income	74,232	49,282	50.6	73,099	1.5
Interest expenses	32,422	24,037	34.9	31,178	4.0
Net Interest Income	41,810	25,244	65.6	41,921	(0.3)
Total Net Interest Income	41,810	25,244	65.6	41,921	(0.3)
Operating & Other Income	3,460	1,594	117.0	3,022	14.5
Net revenue	45,270	26,839	68.7	44,944	0.7
Operating expenses	14,459	5,725	152.6	11,928	21.2
Staff Cost	6,907	2,749	151.3	6,391	8.1
Operating profit	30,810	21,114	45.9	33,016	(6.7)
Provisions	11,846	7,608	55.7	9,173	29.2
Profit before tax	18,964	13,506	40.4	23,844	(20.5)
Tax	5,881	2,645	122.3	6,074	(3.2)
Profit after tax	13,083	10,861	20.5	17,770	(26.4)
Biz Details					
Total AUM	18,56,829	16,02,266	15.9	17,74,982	4.6
on book	18,33,384	15,88,026	15.5	17,58,412	4.3
off book	23,444	14,240	64.6	16,568	41.5
on book %	99%	99%	(37.4)	99%	(32.9)
CV/CE	9,47,577	9,57,980	(1.1)	9,19,824	3.0
PV	4,42,419	3,58,088	23.6	4,17,700	5.9
Farm Equipments	34,788	33,103	5.1	33,297	4.5
MSME&Others	4,32,045	2,53,095	70.7	4,04,161	6.9
Asset quality					
Gross NPA (mn)	1,13,822	88,875	28.1	1,10,586	2.9
Net NPA (mn)	56,749	44,460	27.6	54,506	4.1
Gross NPA (%)	6.21%	7.1%	(86.0)	6.3%	(8.0)
Net NPA (%)	3.19%	3.7%	(48.0)	3.2%	(1.0)
Coverage ratio(%)	50.1%	50.0%	16.8	50.7%	(57.0)
Credit Cost (%)	2.6%	1.9%	69.0	2.1%	49.4
Ratios					
Gross Spread (on book)	8.0%	7.2%	82	9.8%	(174)
NIM/AUM	9.21%	6.4%	284	9.67%	(46)
NIM/AUM - Reported	8.55%	6.7%	190	8.3%	29
CRAR	22.6%	23.3%	(70)	23.2%	(59)
Asset quality under IND-AS					
Gross Stage 3	1,13,822	88,875	28.1	1,10,586	2.9
Gross Stage 3 (%)	6.2%	7.1%	(86.0)	6.3%	(8)
Net Stage 3	56,749	44,460	27.6	54,506	4.1
Net Stage 3 (%)	3.2%	3.7%	(48.0)	3.2%	(1)
ECL Provision on Gross Stage 3	57,073	44,415	28.5	56,081	1.8
Coverage Ratio Stage 3	50.1%	50.0%	17.0	50.7%	(57)
Gross Stage 1 & 2	17,19,562	11,68,115	47.2	16,47,836	4.4
Net Stage 1 & 2	16,63,096	11,22,191	48.2	15,95,938	4.2
ECL Provision on Gross Stage 1 & 2	56,466	45,924	23.0	51,899	8.8
ECL Provision (%) Stage 1 & 2	3.3%	3.9%	(64.8)	3.1%	13

Source: Company, PL

Conference Call Highlights:

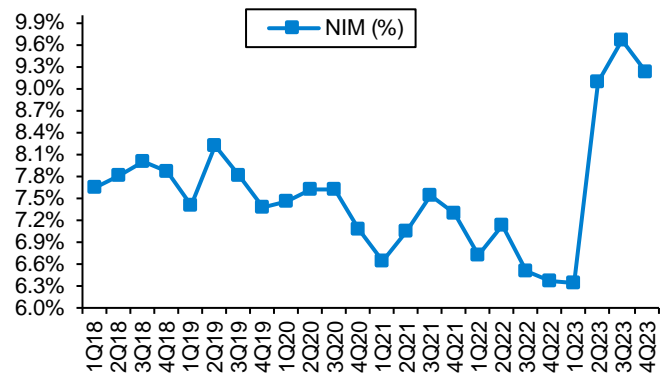
- **Overall CV sales have gone up by 11.6% QoQ** with healthy growth in HCVs, LCVs, 3W and Construction Equipment segments. Government's reiteration on importance of infrastructure and healthy investment plan on last mile connectivity projects augurs well for the company
- **Disbursements for Q4 stood at Rs. 310.5bn vs Rs. 292.4bn** in Q3FY23 largely led by CV segment, PV segment, 2W and MSME loans. The company disbursed 1.2mn two-wheeler loans in FY23 and targets 10-12% growth in this segment.
- **Cost to Income ratio increased sharply to 28.29% vs 22.23% in Q3FY23.** This was mainly due to amortization of intangible assets on account of merger to the tune of Rs 3bn. Going forward, amortization charge will be around Rs.750mn on a quarterly basis (Total Rs 3bn) for the next four years.
- **Cost of Funds increased marginally by 5bps sequentially to 8.82%.** The company expects CoF to go up by around 10bps in Q1FY24 post 25bps interest rate hike by RBI in Feb'23. As of now, company is not envisaging any offshore dollar bond issue as landed cost is still higher than existing loans.
- **AUM growth guidance is maintained at 15%** with 3% RoA growth for the combined entity for FY24. Merger synergies will be accretive for erstwhile SCUF portfolio as retail loans will grow much faster than CV loans. The company is focussed on improving the bottomline rather than topline growth.
- **Credit cost increased to 2.01% in Q4** as company had performed stress testing on the portfolio which led to change in PD assumptions. As a result, additional one time provisions to the tune of Rs2.95bn was made in Q4.
- **Covid-19 related provisions reduced to Rs11bn in Q4FY23** from Rs16.5bn in Q3FY23 which was mainly utilised for providing waivers to existing customers who were impacted during covid times. Write-offs for current quarter were Rs85mn and for the full year it was Rs26.15bn.
- The company believes that MSME and Personal Loans growth will come at a faster pace due to 1) availability of network of SHTF and 2) availability of people with vintage in the group. MSME is the focused product of the organisation in the near future
- **Average ticket size of Personal loans is Rs.55,000** with an average tenor of 20months. The customer profile is entirely from existing set who have either completed the cycle or completed 75% of their loans. The company has already mined about close to 5%, 4.5% of the eligible database of its customers so far and plans to go aggressive.
- **Effective tax rate to be elevated at 30%** for the next couple of years due to timing difference in ECL provisions as benefits were already taken in prior years.
- **Liquidity is maintained at Rs. 176bn** which is 3 months of liabilities. Liabilities for next 3 months amounts to appx Rs.160bn.

Exhibit 2: AUM shows strong 16% YoY growth



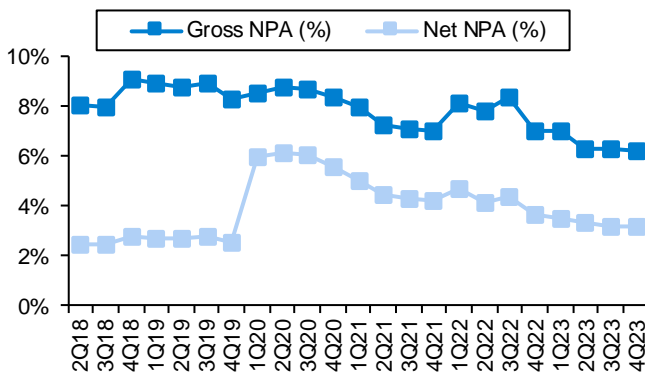
Source: Company, PL

Exhibit 3: NIMs fall by 42bps to 9.2% in Q4FY23



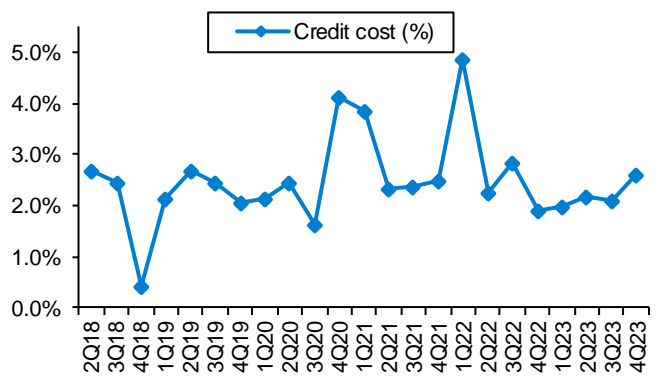
Source: Company, PL

Exhibit 4: Asset quality largely stable with GNPA at 6.2%



Source: Company, PL

Exhibit 5: Credit Cost rose to 2.6% due to one-off provision



Source: Company, PL

Exhibit 6: Maintain 1.3x PABV; Rating changed to 'HOLD' from 'BUY'

Fair price – EVA	1,160
Fair price - P/ABV	1,812
Average of the two	1,486
Target P/ABV	1.3
Target P/E	10.1
Current price, Rs	1405
Upside (%)	6%
Dividend yield (%)	0%
Total return (%)	6%

Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Int. Inc. / Opt. Inc.	2,57,819	2,97,722	3,46,828	3,99,165
Interest Expenses	1,22,668	1,25,458	1,47,218	1,76,662
Net interest income	1,35,151	1,60,616	1,86,342	2,06,582
Growth(%)	61.5	18.8	16.0	10.9
Non-interest income	227	307	285	319
Growth(%)	42.3	35.4	(7.3)	12.0
Net operating income	1,35,378	1,60,923	1,86,627	2,06,901
Expenditures				
Employees	19,695	25,061	20,091	23,707
Other Expenses	18,110	24,070	19,225	22,686
Depreciation	2,137	-	-	-
Operating Expenses	37,805	49,131	39,316	46,393
PPP	97,573	1,11,793	1,47,311	1,60,508
Growth(%)	52.5	14.6	31.8	9.0
Provisions	47,485	41,592	41,715	50,059
Profit Before Tax	50,088	81,849	1,05,596	1,10,450
Tax	12,164	22,056	26,578	27,800
Effective Tax rate(%)	24.3	26.9	25.2	25.2
PAT	37,924	59,793	79,017	82,649
Growth(%)	52.5	57.7	32.2	4.6

Balance Sheet (Rs. m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Source of funds				
Equity	3,371	3,744	3,744	3,744
Reserves and Surplus	3,43,760	4,09,043	4,88,060	5,70,709
Networth	3,47,131	4,12,787	4,91,804	5,74,453
Growth (%)	60.9	18.9	19.1	16.8
Loan funds	14,51,285	15,81,901	17,87,548	20,29,728
Growth (%)	36.7	9.0	13.0	13.5
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	23,338	23,338	23,338	23,338
Other Liabilities	-	-	-	-
Total Liabilities	18,21,754	20,18,026	23,02,690	26,27,520
Application of funds				
Net fixed assets	6,487	7,005	7,215	7,431
Advances	14,76,890	16,98,424	19,53,187	22,46,165
Growth (%)	36.4	15.0	15.0	15.0
Investments	86,455	92,507	82,846	89,775
Current Assets	2,34,188	1,70,368	2,04,298	2,44,815
Net current assets	2,10,849	1,47,029	1,80,959	2,21,476
Other Assets	17,735	49,722	55,144	39,334
Total Assets	18,21,754	20,18,025	23,02,690	26,27,520
Growth (%)	40.5	10.8	14.1	14.1
Business Mix				
AUM	16,02,266	18,42,606	21,37,423	24,79,411
Growth (%)	36.7	15.0	16.0	16.0
On Balance Sheet	15,88,026	17,78,589	20,27,592	22,50,627
% of AUM	99.11	96.53	94.86	90.77
Off Balance Sheet	14,240	14,809	15,402	16,018
% of AUM	0.89	0.80	0.72	0.65

Profitability & Capital (%)

Y/e Mar	FY22	FY23	FY24E	FY25E
NIM	8.1	9.3	9.2	9.0
ROAA	2.1	3.4	3.5	3.5
ROAE	11.5	17.2	17.5	17.6

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Int. Inc. / Operating Inc.	50,197	70,024	73,099	74,232
Income from securitization	-	-	-	-
Interest Expenses	24,579	32,249	31,178	32,422
Net Interest Income	25,618	37,775	41,921	41,810
Growth (%)	29.3	76.3	85.2	65.6
Non-Interest Income	1,296	4,162	3,022	3,460
Net Operating Income	26,913	41,937	44,944	45,270
Growth (%)	25.0	84.9	84.6	68.7
Operating expenditure	5,793	11,999	11,928	14,459
PPP	21,120	29,938	33,016	30,810
Growth (%)	-	-	-	-
Provision	8,052	8,976	9,173	11,846
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	13,069	20,962	23,844	18,964
Tax	3,416	5,411	6,074	5,881
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	26.1	25.8	25.5	31.0
PAT	9,653	15,551	17,770	13,083
Growth	468	102	161	20
AUM	16,29,701	16,93,582	17,74,982	18,56,829
YoY growth (%)	36.6	39.2	13.2	15.9
Borrowing	-	-	-	-
YoY growth (%)	-	-	-	-

Key Ratios

Y/e Mar	FY22	FY23	FY24E	FY25E
CMP (Rs)	1,405	1,405	1,405	1,405
EPS (Rs)	110.0	183.5	211.1	220.8
Book value (Rs)	1,029.8	1,102.5	1,313.6	1,490.4
Adj. BV(Rs)	1,029.8	1,102.5	1,313.6	1,534.3
P/E(x)	12.8	7.7	6.7	6.4
P/BV(x)	1.4	1.3	1.1	0.9
P/ABV(x)	1.4	1.3	1.1	0.9
DPS (Rs)	15.5	15.5	15.5	15.5
Dividend Payout Ratio(%)	11.1	7.0	5.3	5.1
Dividend Yield(%)	1.1	1.1	1.1	1.1

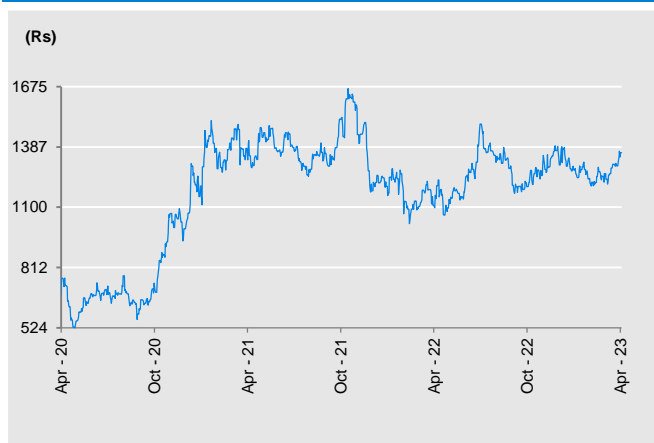
Asset Quality

Y/e Mar	FY22	FY23	FY24E	FY25E
Gross NPAs(Rs m)	93,051	1,09,365	1,27,506	1,40,257
Net NPA(Rs m)	15,461	21,504	28,677	30,971
Gross NPAs to Gross Adv.(%)	7.1	6.2	6.0	-
Net NPAs to net Adv.(%)	3.7	3.2	3.0	2.8
NPA coverage(%)	83.4	80.3	77.5	77.9

Du-Pont as a % of AUM

Y/e Mar	FY22	FY23	FY24E	FY25E
NII	8.1	8.2	8.6	6.7
NII INCl. Securitization	8.7	8.8	9.2	6.7
Total income	8.7	8.8	9.3	6.8
Operating Expenses	2.4	1.9	1.8	1.6
PPOP	6.3	6.9	7.4	5.2
Total Provisions	3.0	1.8	1.9	1.7
RoAA	2.1	3.4	3.5	3.5
Avg. Assets/Avg. net worth	5.5	5.1	4.8	4.6
RoAE	11.5	17.2	17.5	17.6

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	BUY	1,486	1,295
2	02-Feb-23	BUY	1,486	1,270
3	06-Jan-23	BUY	1,521	1,294

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	BUY	7,835	6,056
2	Cholamandalam Investment and Finance Company	Hold	820	841
3	L&T Finance Holdings	BUY	109	87
4	Mahindra & Mahindra Financial Services	Hold	260	251
5	Manappuram Finance	BUY	144	129
6	Muthoot Finance	BUY	1,315	1,028
7	SBI Cards and Payment Services	Accumulate	935	738
8	Shriram Finance	BUY	1,486	1,295

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. Akshay Ashok- BTech, IT, Mr. Raj Mange- 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. Akshay Ashok- BTech, IT, Mr. Raj Mange- CA 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