

23 May 2019

## IndusInd Bank

*Credit cost drags on earnings, core trends intact; retaining a Buy*

Higher provisioning due to the IL&FS account led to a steep decline in IndusInd's Q4 earnings. Besides, SMA disclosures and the stressed pool suggest the risk is not high as perceived by the Street. We are sanguine about the bank's loan-growth prospects and expect the BHAFIN deal to be synergistic in the medium term. We retain our Buy recommendation.

**Further disclosures on asset quality.** Two new disclosures were made in the quarter: 1) exposure to three stressed groups (media/diversified/housing finance) is 1.9%; 2) SMA 1 and 2 are 0.66% of the loan book. These provide comfort, suggesting that the stress in the book is not as high as perceived by the investors. Management guided for 60bps credit cost for FY20; we have modelled it at 75bps since we have built higher slippages due to the exposures toward the three stressed groups.

**Robust growth in credit book maintained.** The loan book grew 29% y/y, driven by high growth in both the corporate book (up 30% y/y) and retail (up 27% y/y). We expect mid-20s loan growth to continue in the medium term. Management intends to focus on the retail portfolio to drive growth. Its tier-1 capital ratio of 12.1% suffices to support its medium-term loan-growth plans.

**NIM to remain under pressure.** Though management expects FY20 NIM of 3.85–3.9%, we expect it to be 10-20bps lower than the guidance. The stretched C/D ratio and given the high loan-growth appetite, cost of deposits could be high, which could not necessarily be passed through the loans, thus keeping NIM under pressure.

**Valuation.** Our May'20 ₹1,914 target is based on the two-stage DDM model. This implies a ~3.2x P/ABV multiple on its FY21e book. **Risks:** Lumpy slippages from the corporate book; volatility in asset quality, post-merger.

Key financials (YE Mar)	FY17	FY18	FY19	FY20e	FY21e
Net interest income (₹ m)	60,626	74,974	88,462	1,08,966	1,36,621
Pre-provisioning profit (₹ m)	54,510	66,561	80,882	94,438	1,17,884
Provisions (₹ m)	10,913	11,754	31,077	17,775	22,041
PAT (₹ m)	28,679	36,060	33,011	50,214	62,777
EPS (₹)	48	60	55	83	104
NIM (%)	4.1	4.0	3.8	3.6	3.6
Cost-income (%)	47	46	44	48	47
RoE (%)	15.0	16.2	13.1	17.4	18.6
RoA (%)	1.8	1.8	1.3	1.6	1.7
Advances growth (%)	27.9	28.2	28.6	26.0	24.0
GNPA (%)	0.9	1.2	2.1	1.8	1.5
CAR (%)	15.3	15.0	14.2	12.5	12.1
P / E (x)	33.4	26.6	29.2	19.2	15.4
P / BV (x)	4.6	4.0	3.6	3.1	2.6
P / ABV (x)	4.7	4.1	3.8	3.3	2.7

Source: Company, Anand Rathi Research

Anand Rathi Share and Stock Brokers Limited (hereinafter "ARSSBL") is a full-service brokerage and equities-research firm and the views expressed therein are solely of ARSSBL and not of the companies which have been covered in the Research Report. This report is intended for the sole use of the Recipient. Disclosures and analyst certifications are present in the Appendix.

Rating: **Buy**

Target Price: ₹1,914

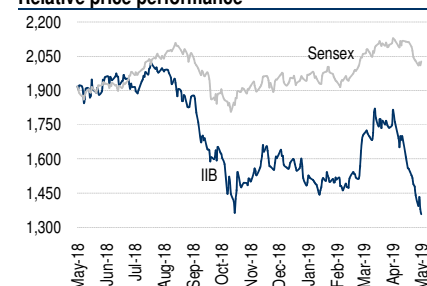
Share Price: ₹1,599

Key data	IIB IN / INBK.BO
52-week high / low	₹2038 / 1333
Sensex / Nifty	38811 / 11657
3-m average volume	\$72.2m
Market cap	₹964bn / \$13767.9m
Shares outstanding	603m

Shareholding pattern (%)	Mar'19	Dec'18	Sep'18
Promoters	16.8	16.8	16.7
- of which, Pledged	-	26.4	26.5
Free float	83.2	83.2	83.3
- Foreign institutions	53.5	53.7	52.2
- Domestic institutions	9.8	10.0	10.2
- Public	19.9	19.5	20.9

Estimates revision (%)	FY20e	FY21e
NII	(2.1)	(1.5)
EPS	(7.4)	(6.2)
RoE	(5.0)	(2.3)

### Relative price performance



Source: Bloomberg

**Yuvraj Choudhary, CFA**  
Research Analyst

**Mayank Agarwal**  
Research Associate

## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (₹ m)**

Year-end: Mar	FY17	FY18	FY19	FY20e	FY21e
Net interest income	60,626	74,974	88,462	1,08,966	1,36,621
<i>NII growth (%)</i>	34.2	23.7	18.0	23.2	25.4
Non-interest income	41,715	47,501	56,467	71,546	86,218
Income	1,02,341	1,22,475	1,44,929	1,80,512	2,22,839
<i>Income growth (%)</i>	31.0	19.7	18.3	24.6	23.4
Operating expenses	47,831	55,914	64,047	86,074	1,04,955
PPOP	54,510	66,561	80,882	94,438	1,17,884
<i>PPOP growth (%)</i>	31.6	22.1	21.5	16.8	24.8
Provisions	10,913	11,754	31,077	17,775	22,041
PBT	43,597	54,807	49,806	76,663	95,843
Tax	14,918	18,747	16,795	26,449	33,066
PAT	28,679	36,060	33,011	50,214	62,777
<i>PAT growth (%)</i>	25.4	25.7	-8.5	52.1	25.0
FDEPS (₹ / sh)	47.9	60.1	54.8	83.3	104.2
DPS (₹ / sh)	6.0	7.5	0.0	10.4	13.0

Source: Company, Anand Rathi Research

**Fig 2 – Balance sheet (₹ m)**

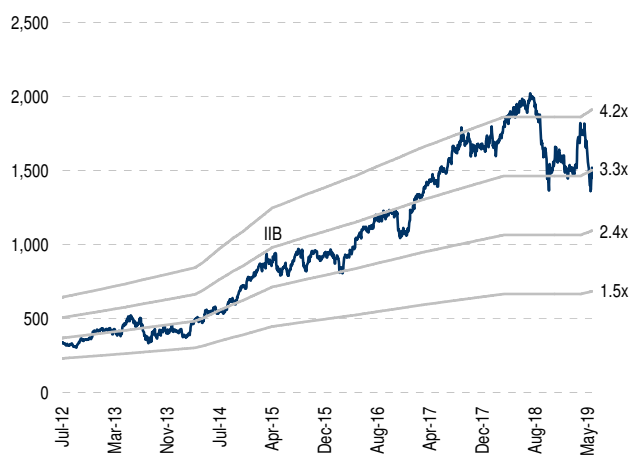
Year-end: Mar	FY17	FY18	FY19	FY20e	FY21e
Share capital	5,981	6,002	6,027	6,027	6,027
Reserves & surplus	2,00,328	2,32,268	2,60,833	3,04,770	3,59,701
Deposits	12,65,722	15,16,392	19,48,679	23,96,875	29,24,188
Borrowings	2,24,537	3,82,891	4,73,211	5,56,023	6,53,327
Minority interests	0	0	0	0	0
Total liabilities	17,86,484	22,16,262	27,78,194	33,83,769	41,12,172
Advances	11,30,805	14,49,537	18,63,935	23,48,558	29,12,212
Investments	3,67,021	5,00,767	5,92,662	7,11,194	8,53,433
Cash & bank bal	77,487	1,09,624	99,612	1,11,565	1,24,953
Fixed & other assets	13,352	13,398	17,100	17,955	18,853
Total assets	17,86,484	22,16,272	27,78,195	33,83,769	41,12,172
No. of shares (m)	598	600	603	603	603
<i>Deposits growth (%)</i>	36.1	19.8	28.5	23.0	22.0
<i>Advances growth (%)</i>	27.9	28.2	28.6	26.0	24.0

Source: Company, Anand Rathi Research

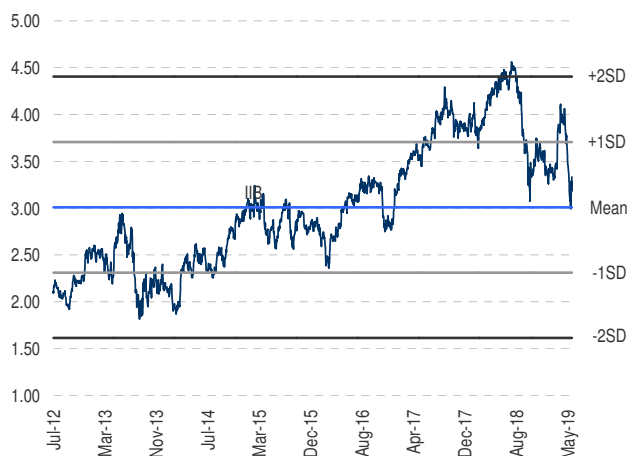
**Fig 3 – Ratio analysis**

Year-end: Mar	FY17	FY18	FY19	FY20e	FY21e
NIM	4.1	4.0	3.8	3.6	3.6
Other income / Total income	40.8	38.8	39.0	39.6	38.7
Cost-Income	46.7	45.7	44.2	47.7	47.1
Provision coverage	58.4	56.3	43.0	50.6	58.7
Dividend payout	12.5	12.5	0.0	12.5	12.5
Credit-deposit	89.3	95.6	95.7	98.0	99.6
Investment-deposit	29.0	33.0	30.4	29.7	29.2
Gross NPA	0.9	1.2	2.1	1.8	1.5
Net NPA	0.4	0.5	1.2	0.9	0.6
BV (₹)	344.9	397.0	442.8	515.7	606.8
Adj. BV (₹)	339.8	388.3	416.7	491.7	585.3
CAR	15.3	15.0	14.2	12.5	12.1
- Tier 1	14.7	14.6	13.7	11.9	11.5
RoE	15.0	16.2	13.1	17.4	18.6
RoA	1.8	1.8	1.3	1.6	1.7

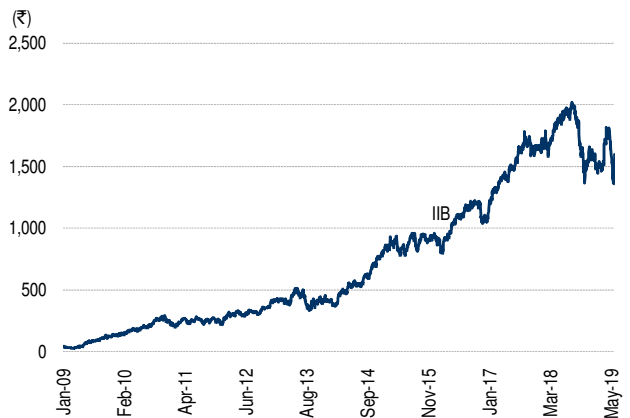
Source: Company, Anand Rathi Research

**Fig 4 – Price-to-Book band**


Source: Bloomberg

**Fig 5 – One-year-forward price-to-book value**


Source: Company, Anand Rathi Research

**Fig 6 – Price movement**


Source: Bloomberg

## Key Highlights

### Key analyst-meet takeaways

- Key guidance for FY20
  - Loan book and fee income growth: mid-20s
  - Credit cost: 60bps
  - NIM: 3.85-3.9%
  - C/I: 42%
  - Maintains a long-term target of 60% PCR.
- IL&FS exposure
  - Exposure: ₹30bn, of which, holding company ₹20bn, SPVs ₹10bn
  - Provisions: ₹16.5bn, of which, holding company ₹14bn, SPVs ₹2.5bn
  - Written off: ₹10bn
  - Management confident of current provisions sufficing.
- Stressed exposures
  - Include three groups, one each in Media/Diversified/Housing Finance currently in the news, deemed stressed
  - 1.9% of the loan book (funded and non-funded)
  - Has 140% security cover over the exposure, of which ~60% in liquid assets

**Fig 7 – Segment-wise results**

Break-up of GNPA (₹ m)	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
Opening balance	13,460	14,990	17,050	17,410	17,810	19,680
Slippages	4,080	8,600	4,750	4,190	8,060	36,880
Gross-slippage ratio (%)	1.27	2.37	1.26	1.03	1.86	7.91
Reductions	2,550	6,540	4,390	3,790	6,190	17,090
Closing balance	14,990	17,050	17,410	17,810	19,680	39,470
<b>Total GNPA</b>	<b>14,987</b>	<b>17,049</b>	<b>17,406</b>	<b>17,814</b>	<b>19,682</b>	<b>39,474</b>
GNPA (%)	1.16	1.17	1.15	1.09	1.13	2.10
NNPA (%)	0.46	0.51	0.51	0.48	0.59	1.21

Source: Company, Anand Rathi Research

**Fig 8 – Gross NPA – segment-wise - consumer finance, %**

	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
Commercial vehicles	0.93	0.99	0.91	0.93	1.05	1.16
Utility vehicles	1.25	1.28	1.38	1.32	1.32	1.29
Construction equipment	1.06	1.07	0.88	0.73	0.76	0.71
Small CVs	1.22	1.27	1.09	1.27	1.32	1.38
2-wheelers	3.78	3.81	3.67	3.87	3.60	3.75
Cars	0.62	0.67	0.69	0.80	0.82	0.79
LAP / HL / PL	0.56	0.59	0.39	0.60	0.41	0.42
Tractors	1.15	1.29	1.20	1.72	1.46	1.76
Credit Cards	1.65	1.61	1.77	1.78	1.90	1.87
<b>Total</b>	<b>1.10</b>	<b>1.13</b>	<b>1.04</b>	<b>1.13</b>	<b>1.12</b>	<b>1.18</b>

Source: Company, Anand Rathi Research

**Fig 9 – NPA – Corporate, %**

	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
GNPA	1.21	1.2	1.23	1.07	1.14	2.72
Slippages	0.75	2.46	0.92	0.37	1.74	11.36
Credit cost	0.39	0.67	0.35	0.57	0.56	6.46

Source: Company, Anand Rathi Research

### Core fee income

“Other income” clocked a strong ~29% CAGR over FY09-19; now, it constitutes ~39% of income. In the quarter, it rose ~29% y/y and we expect the growth momentum in core fee income to be in line with balance-sheet growth over the medium term.

**Fig 10 – Segment-wise results**

Fee income (₹ m)	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
General banking fees	700	650	800	910	910	840
Processing fees	2,420	2,280	2,300	2,600	2,760	3,280
FX	2,020	1,970	2,280	2,230	2,750	2,890
Insurance	2,560	2,730	2,780	2,800	2,680	3,020
Investment banking	1,800	1,970	2,080	2,130	2,010	2,280
Trade & remittances	1,270	1,530	1,410	1,510	1,550	1,890
<b>Total</b>	<b>10,770</b>	<b>11,130</b>	<b>11,650</b>	<b>12,180</b>	<b>12,660</b>	<b>14,200</b>

Source: Company, Anand Rathi Research

**Fig 11 – Break-up of advances**

(%)	FY16	FY17	FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
<b>Corporate and commercial banking (CCB)</b>	<b>58.7</b>	<b>59.7</b>	<b>60.5</b>	<b>60.0</b>	<b>61.0</b>	<b>64.4</b>	<b>69.7</b>
Corporate banking	47.4	47.5	48.3	47.5	48.8	51.0	52.4
Small business	11.3	12.3	12.3	12.6	12.2	13.5	17.3
<b>Consumer finance division (CFD)</b>	<b>41.3</b>	<b>40.3</b>	<b>39.5</b>	<b>40.0</b>	<b>39.0</b>	<b>41.7</b>	<b>44.6</b>
Commercial vehicles	15.9	13.8	13.7	13.7	13.5	14.3	15.0
Equipment financing	3.7	3.6	3.8	4.0	3.9	4.2	4.6
Two-wheelers	3.4	2.9	2.5	2.5	2.4	2.6	2.7
Car loans	4.4	4.1	3.7	3.7	3.6	3.9	4.0
Utility vehicles + 3W	6.5	5.8	5.6	5.7	5.6	6.0	6.3
Home loans + LAP	5.9	6.2	5.5	5.4	5.1	5.2	5.5
Personal loans + credit cards	1.4	3.8	4.7	4.9	5.0	5.5	6.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>106.1</b>	<b>114.3</b>

Source: Company, Anand Rathi Research

## Quarterly snapshot

### Fig 12 – Income statement

(₹ m)	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
Interest income	42,868	46,501	50,682	54,381	57,635	59,914
Interest expense	23,920	26,425	29,457	32,348	34,754	37,591
<b>NII</b>	<b>18,948</b>	<b>20,076</b>	<b>21,224</b>	<b>22,033</b>	<b>22,881</b>	<b>22,324</b>
Y/Y growth (%)	20.0	20.4	19.6	21.0	20.8	11.2
Non-interest income	11,868	12,085	13,016	13,173	14,689	15,590
Trading profits	1,100	950	1,370	990	2,030	1,400
<b>Total Income</b>	<b>30,816</b>	<b>32,161</b>	<b>34,240</b>	<b>35,206</b>	<b>37,569</b>	<b>37,914</b>
Y/Y growth (%)	18.7	11.7	16.4	17.0	21.9	17.9
Operating expenses	14,169	14,467	15,129	15,281	16,400	17,237
Of which, staff costs	4,600	4,535	4,620	4,582	4,521	4,812
PPOP	16,647	17,694	19,111	19,924	21,170	20,677
Y/Y growth (%)	22.1	12.5	20.3	22.0	27.2	16.9
Total provisions	2,362	3,356	3,500	5,903	6,067	15,607
PBT	14,285	14,338	15,611	14,022	15,103	5,070
Tax	4,923	4,808	5,254	4,819	5,253	1,469
<b>PAT</b>	<b>9,363</b>	<b>9,531</b>	<b>10,357</b>	<b>9,203</b>	<b>9,850</b>	<b>3,601</b>
Y/Y growth (%)	24.7	26.8	23.8	4.6	5.2	(62.2)

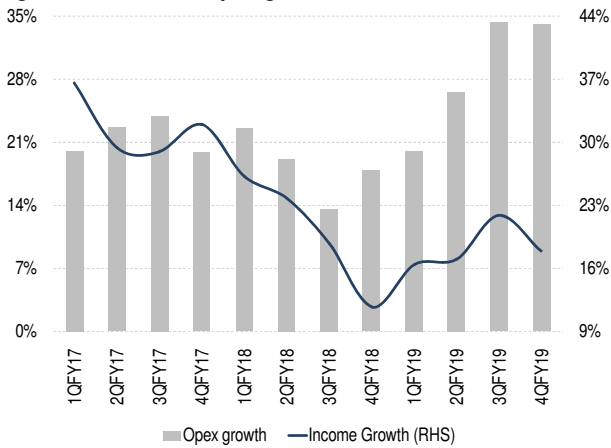
Source: Company, Anand Rathi Research

### Fig 13 – Balance sheet

(₹ m)	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
Equity capital	6,000	6,002	6,002	6,013	6,020	6,027
Reserves & Surplus	2,23,400	2,32,414	2,43,210	2,47,632	2,57,980	2,60,833
Deposits	14,60,860	15,16,392	15,88,620	16,82,193	17,57,010	19,48,679
Borrowings	2,33,670	3,82,891	3,70,400	4,28,281	4,45,360	4,73,211
Other Liabilities	83,090	78,563	80,560	1,19,080	95,620	89,444
<b>Equity and Liabilities</b>	<b>20,07,020</b>	<b>22,16,262</b>	<b>22,88,792</b>	<b>24,83,199</b>	<b>25,61,990</b>	<b>27,78,194</b>
Deposits y/y growth (%)	22.5	19.8	18.8	18.9	20.3	28.5
Deposits q/q growth (%)	3.3	3.8	4.8	5.9	4.4	10.9
<b>Assets</b>						
Cash and cash balances	1,35,880	1,32,159	1,19,900	1,83,326	1,27,500	1,47,834
Advances	12,85,420	14,49,537	15,06,750	16,31,443	17,31,690	18,63,935
Investments	4,61,710	5,00,767	5,26,730	5,00,885	5,36,810	5,92,662
Other assets	1,24,020	1,33,809	1,35,410	1,67,545	1,65,990	1,73,764
<b>Total Assets</b>	<b>20,07,030</b>	<b>22,16,272</b>	<b>22,88,790</b>	<b>24,83,199</b>	<b>25,61,990</b>	<b>27,78,195</b>
Advances y/y growth (%)	25.1	28.2	29.4	32.4	34.7	28.6
Advances q/q growth (%)	4.4	12.8	3.9	8.3	6.1	7.6

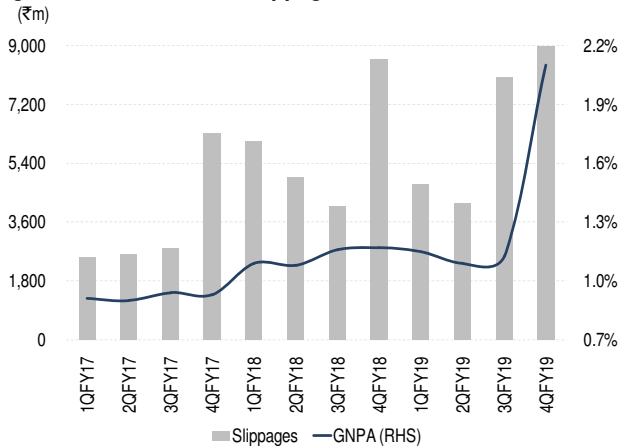
Source: Company, Anand Rathi Research

**Fig 14 – Income vs. Opex growth**



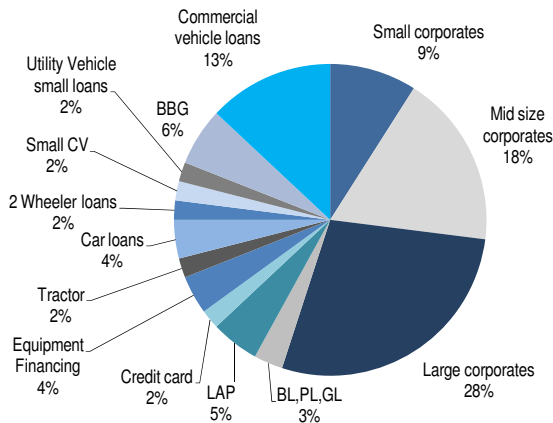
Source: Company, Anand Rathi Research

**Fig 15 – Gross NPA and slippages**



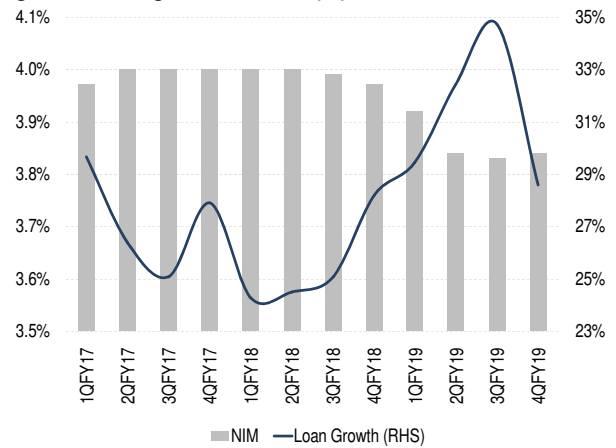
Source: Company, Anand Rathi Research

**Fig 16 – Loan break-up**



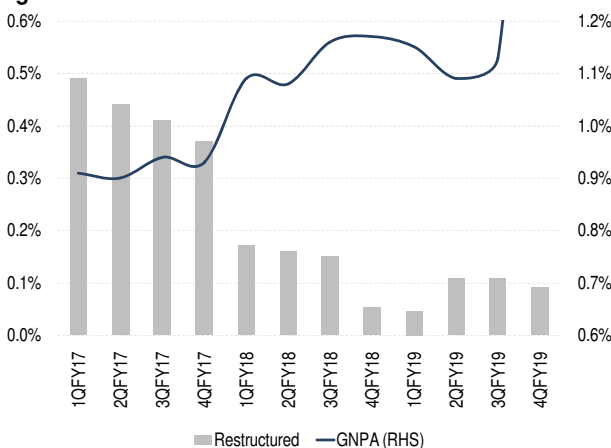
Source: Company, Anand Rathi Research

**Fig 17 – Credit growth vs. NIM (%)**



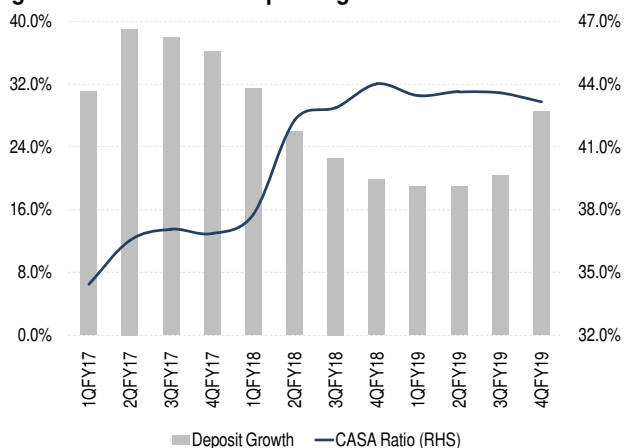
Source: Company, Anand Rathi Research

**Fig 18 – Restructured assets vs. GNPA**



Source: Company, Anand Rathi Research

**Fig 19 – CASA ratio vs. Deposits growth**



Source: Company, Anand Rathi Research

## Valuation

- Our May '20 target of ₹1,914 is based on the two-stage DDM model. This implies a ~3.2x P/ABV multiple on its FY21e book.
- On the maturing of branches, CASA is likely to get a fillip, leading to lower cost of funding. Thus, there is further headroom for NIM expansion.

**Fig 20 – Change in estimates**

	FY20			FY21		
	New	Old	Chg %	New	Old	Chg %
Net interest income (₹ m)	1,08,966	1,11,253	(2.1)	1,36,621	1,38,641	(1.5)
EPS (₹)	83.3	90.0	(7.4)	104.2	111.0	(6.2)
RoE (%)	17.4	18.3	(5.0)	18.6	19.0	(2.3)

Source: Anand Rathi Research

### Risks

- Lumpy slippages from the corporate book. Though unexpected, these would affect our forecasts.
- Any significant negative surprises on asset quality from the micro-finance book, post-merger.

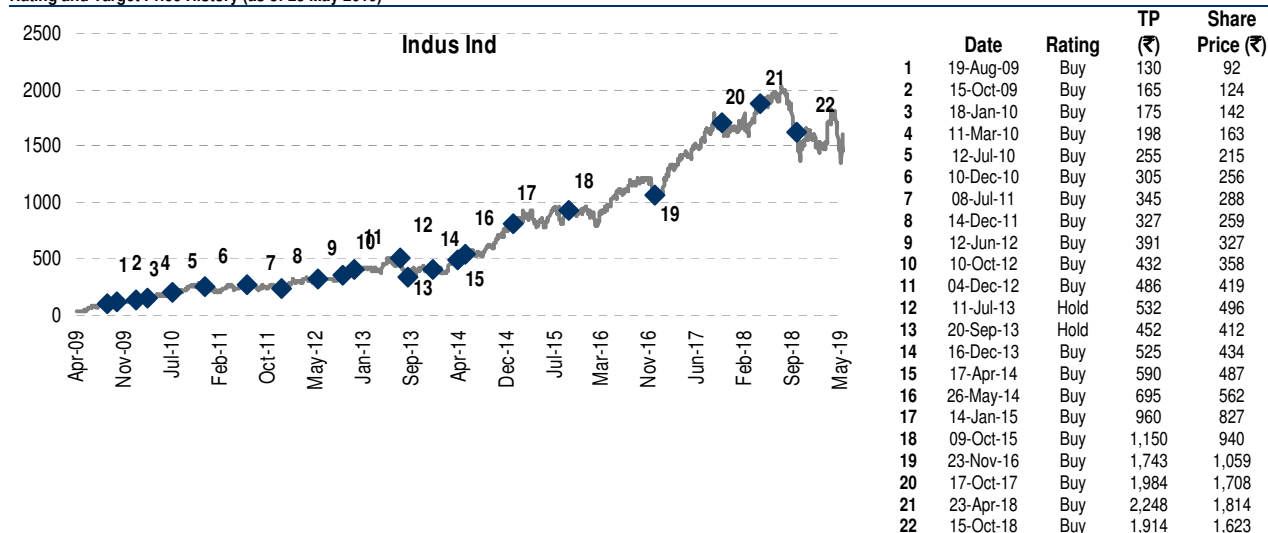
## Appendix

### Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

### Important Disclosures on subject companies

#### Rating and Target Price History (as of 23 May 2019)



### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below:

#### Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US\$1bn)	>25%	5-25%	<5%

### Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity) is a subsidiary of Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged in the business of Stock Broking, Depository Participant and Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

**General Disclaimer:** This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.



ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. [www.rathionline.com](http://www.rathionline.com)

**Disclaimers in respect of jurisdiction:** This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

#### Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

##### Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative 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?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative 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	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No

##### Other Disclosures pertaining to distribution of research in the United States of America

This research report is a product of ARSSBL, 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 ARSSBL 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, ARSSBL has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.
5. As of the publication of this report, ARSSBL does not make a market in the subject securities.
6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

© 2019. This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Additional information on recommended securities/instruments is available on request.

ARSSBL registered address: 4th Floor, Silver Metropolis, Jaicoach Compound, Opposite Bimbisar Nagar, Goregaon (East), Mumbai - 400 063.  
Tel No: +91 22 4001 3700 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.