

February 26, 2020

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	108		108	
NII (Rs. m)	56,397	66,510	56,397	66,510
% Chng.	-	-	-	-
Op. Profit (Rs. m)	38,430	45,983	38,430	45,983
% Chng.	-	-	-	-
EPS (Rs.)	10.4	12.6	10.4	12.6
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
NII (Rs m)	41,763	46,275	56,397	66,510
Op. Profit (Rs m)	27,631	30,271	38,430	45,983
PAT (Rs m)	12,439	16,662	20,672	25,096
EPS (Rs.)	6.3	8.4	10.4	12.6
Gr. (%)	32.2	33.5	24.1	21.4
DPS (Rs.)	1.1	1.4	1.8	2.0
Yield (%)	1.3	1.6	2.1	2.3
NIM (%)	2.9	2.8	3.0	3.1
RoAE (%)	9.8	12.0	13.4	14.5
RoAA (%)	0.8	1.0	1.1	1.1
P/BV (x)	1.3	1.2	1.0	0.9
P/ABV (x)	1.5	1.4	1.2	1.1
PE (x)	13.6	10.2	8.2	6.7
CAR (%)	14.1	13.4	13.4	13.5

Key Data

FED.BO | FB IN

52-W High / Low	Rs.110 / Rs.79
Sensex / Nifty	39,889 / 11,679
Market Cap	Rs.170bn/ \$ 2,370m
Shares Outstanding	1,992m
3M Avg. Daily Value	Rs.1773.87m

Shareholding Pattern (%)

Promoter's	-
Foreign	32.47
Domestic Institution	38.03
Public & Others	29.50
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.3)	2.7	4.3
Relative	(7.4)	(3.5)	(6.0)

Pritesh Bumb

priteshbumb@plindia.com | 91-22-66322232

Riddhi Mehta

riddhimehta@plindia.com | 91-22-66322258

Clear focus but gradual improvement in ratios

Quick Pointers

- Strong ROA enhancers by moving into high yielding segment like credit cards, MFI, business banking
- Strong transformation of bank towards digital in last few years enhancing operating levers

FB hosted an analyst day showcasing its capabilities across product segments and laying the path ahead for the bank. FB rewinded back in time to show incrementally bank has been taking much higher market share across liability & asset segments with stress levels much below industry levels. Bank had earmarked a path to come back to +1% ROA mark which has been able to reach with operating leverage. Going ahead in next 2-3 years target of 1.25% ROA will be led by increasing share in high yielding assets, no large escalation in opex and maintained credit cost of 60bps. In our view NIMs remain a key enabler, while it has been able to do slightly better on fees (0.9% of assets currently from 0.7% in FY13) but still has higher room. Bank's product suite in wholesale in complete, while in retail bank is ready to scale CV/CE, unsecured lending, MFI & business banking for future growth. We retain BUY with TP of Rs108 (unchanged) based on 1.4x Sep-21 ABV.

- Leveraging foundation for growth ahead** – Bank has now positioned itself to deliver sustainable return ratios by leveraging data, complete digital transformation (have been doing from last few years) and distribution heavy but being branch light. On back of same, Bank is now pursuing to scale up Retail 2.0 areas of CV/CE, MFI, Unsecured retail (cards/NTB personal loans) & Biz banking which will be higher yielding revenue streams, enhancing fee streams and digital acting as operating leverage. Also, bank has renewed its focus on gold loans through fin-tech tie-up helping improve target model with higher cost efficiencies.
- Sturdy liability franchise:** Bank has struggled on CASA mix at around 31-33% but liability franchise has been quite sturdy with 20-35% CAGR growth in deposits in key industrial states in last 4 years, 91% retail deposits (highest in industry), 26% non-resident market share in home market, Pan-India market share in NR biz at 6.1% as of H2FY20, 15.7% share in personal inward remittances with 40% share in Kerala. With strong focus bank has been completely fund its wholesale assets through wholesale liabilities (self-funding has tripled in last 3 years). Despite, not having low cost deposit model, bank has been able to lower its CoD from +7.0% in FY16 to 5.8% in FY20 which one of the lowest amongst peers excluding top 3 banks.
- Challenging the mighty:** FB is now well positioned to scale ahead with strong product offering across product segments, better pricing and strongly built feet on street in last few years (across wholesale/treasury/retail). Bank is highly focused on digital delivery and leveraging data & analytics. Bank is well positioned on capital with Tier-I at 12.6% as of 9MFY20 (no raising for next 2 years), gradual profitability improvement led by recovering NIMs, strong fee income growth and steady cost to asset.

Remarks by MD & CEO – Mr. Shyam Srinivasan

- Designed architecture to deliver sustainable RoA/RoE. Bank is strengthening the core by leveraging data, digital
- C-D ratio had moved down to <70% 3 years back and then built in a highly rated corporate book but also in background also laid foundation for Retail 2.0. Pursuing newer revenue streams for higher yields like MFI, Credit card, CV/CE, Biz Banking. Bank feels it is now ready to move in these areas as brand is more visible and more spread
- Bank feels fairly insulated on asset quality
- Had make a strategy in last 5 years for branch light & distribution heavy with high focus through delivery through digital

Financials takeaways – Mr. Ashutosh Khajuria

- FB remains a strong franchise **(i)** strong liability profile & NR franchise **(ii)** Balanced credit book **(iii)** Good geographic diversification **(iv)** Stable asset quality which has been historically always lower than 3% **(v)** Good capital levels **(vi)** Improving profitability and leap in fee income
- NR deposit in home branches in 26% market share.
- Credit CAGR at 24% in last 4 years, slowed in areas of corporate and grew higher in areas of retail. Bank is gaining strong share in large states like Maha, Gujarat, TN, Karnataka

Liabilities & Operations – Ms. Shalini Warriar

- Pan india NR business share at 6% in H2FY20, while share in personal inward remittances share has been maintained at 15% over FY17-FY19 of which 40% is Kerala. CASA growth has been moderate but retail deposit strategy has been strong which gives unique pricing
- Have moved operations to subsidiary - FedServ which will provide 2-3% opex benefit going ahead. Efficiency levels will be high while cost are lower in this model
- Distribution has been beyond branches with 90% of retail transaction on digital and 80% digital transactions overall.
- New Federal has adopted open banking with API and fostering innovation through partnerships.

Wholesale Banking - Full suite

- Wholesale split between 80% corporate & 20% commercial. Wholesale assets funded by wholesale liabilities has doubled in last 3 years with almost fulfilling the same. Growth to come from higher penetration to corporate houses, few sectors identified which will grow strong, mid-market expansion (100-member team), deeper geographies, peer bank relationship takeovers
- Fee income also has outpaced asset growth and tripled in last 3 years

- Higher investment grade book has been achieved by design. Focus has been on working capital loans with cash flow approach
- Full product suites have been helping fuel growth. ROA enhancers have been bundled products on loans/trade/deposits, digital FX platform, hedging products, continuous products, higher feet on street and dedicated sales/RMs.

Retail Banking - 2.0

- Growing at 20-25% in retail and gained share in desired segments with calibrated growth strategy towards high margin products which is now 25% v/s 20% in FY15 & 10% in FY11
- Bank has moved to higher share of new-to-bank (NTB) customers in traditional products like Home Loans existing-to-bank (ETB) customers & NTB has been at 50:50, Auto segment ratio at 65% ETB & 35% NTB and PL mostly is ETB.
- Back end data base created to understand data led analytics and hence moving to launch credit cards. Offering consumer durable loans through pine labs with understanding through digital capabilities.

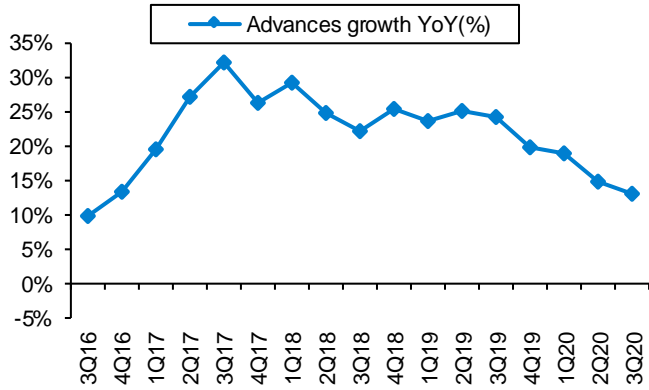
Margin Enhancers - Micro credit, Gold loans, agri

- Yields have improved in with Gold loan at 11%, Agri yields 10.5% v/s 9.8% in FY19 and will reach 10.7% in FY20.
- Revamped gold loans product with tie-up with Rupeek with door step service. Presently 10 centres with 16 more centers in existing geographies and 9 more in new states. Rupeek will contribute Rs5.0bn to loan book with run-rate of Rs2.1bn/month from Rs1.1bn/month and take loan book to Rs20bn on this model.
- In MFI, it needs BC tie-up to scale biz model with currently only 13000 customers with Rs50mn book. Planning a Rs40bn book through this partnership
- Trying to scale up a strong CV/CE portfolio with currently reaching at Rs6-6.5bn by FY20 end. Currently operating in TN & Maharashtra and have 25-member team. Funding of used vehicle & Const Equipment started recently.

ROA levers

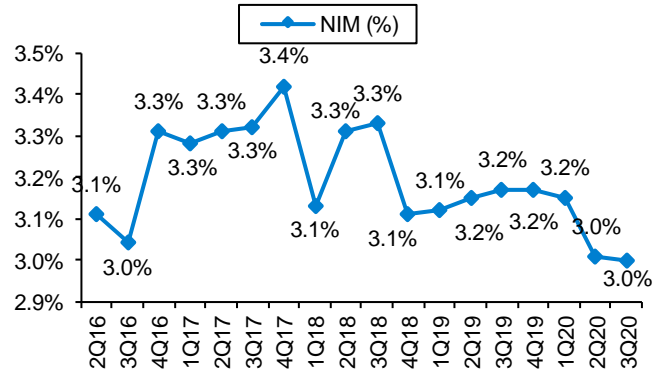
- **(i)** Improvement in C-D ratio with right mix of business & quality **(ii)** NIM improvement **(iii)** continued strong growth in Fee income **(iv)** Cost control from non-staff opex (lower one time for IBA expenses) and **(v)** Lower credit cost maintained
- With above levers bank can improve ROAs by 20-30bps over next three years

Exhibit 1: Advances growth has been on a downtrend



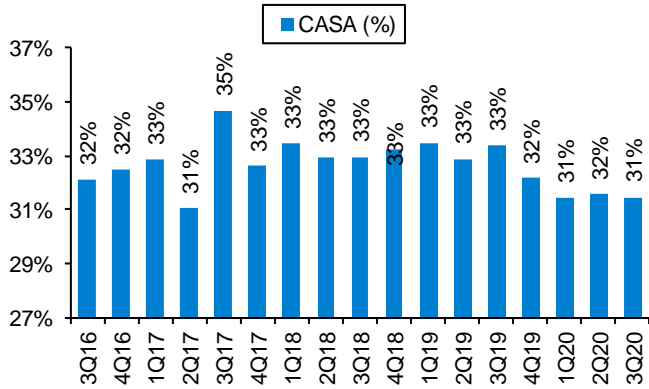
Source: Company, PL

Exhibit 2: NIMs impacted by reversals, higher slippages



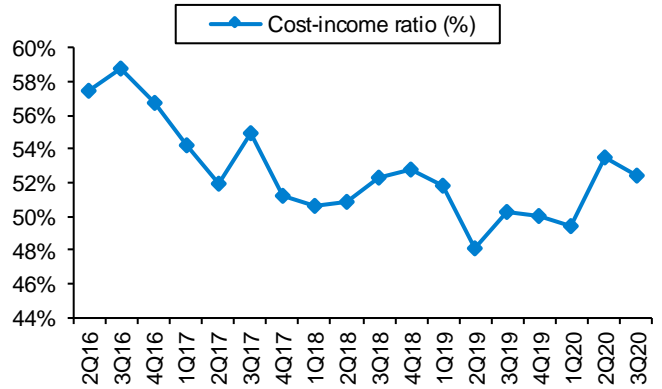
Source: Company, PL

Exhibit 3: CASA ratio remains stable



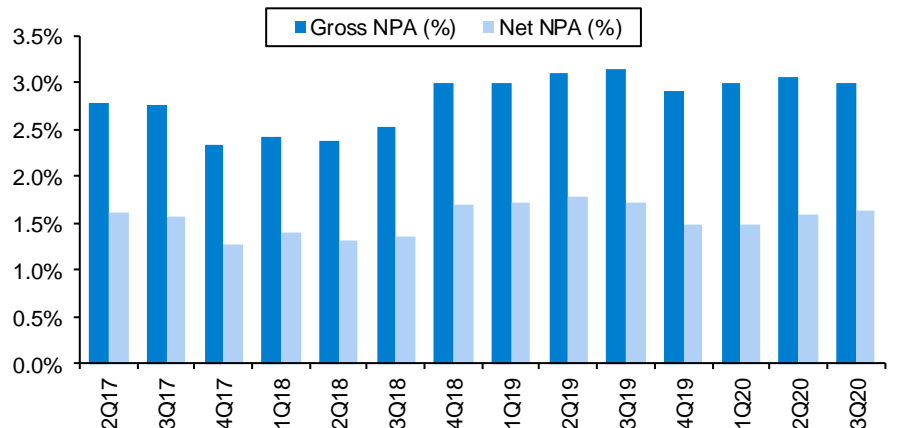
Source: Company, PL

Exhibit 4: C/I remains high due to staff opex



Source: Company, PL

Exhibit 5: Asset quality declines though with higher w.off



Source: Company, PL

Exhibit 6: Return ratios – Steady NIMs & operating leverage should help gradual ratios improvement

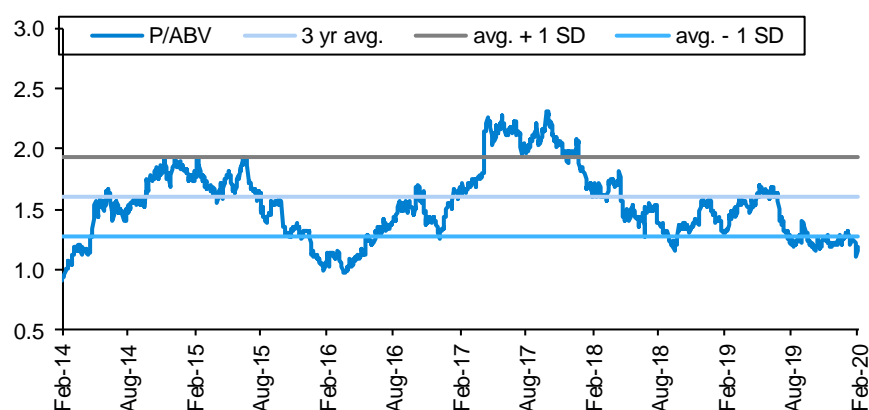
ROA Tree	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
NII/Assets	3.2%	3.2%	3.0%	3.1%	3.0%	2.9%	2.8%	3.0%	3.1%
Fees/Assets	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%
Investment profits/Assets	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%
Net revenues/Assets	4.1%	4.4%	4.0%	4.2%	3.9%	3.9%	3.9%	4.1%	4.1%
Opex/Assets	-2.0%	-2.2%	-2.3%	-2.2%	-2.0%	-1.9%	-2.0%	-2.0%	-2.0%
Provisions/Assets	-0.4%	-0.1%	-0.9%	-0.6%	-0.8%	-0.6%	-0.5%	-0.6%	-0.6%
Taxes/Assets	-0.5%	-0.7%	-0.3%	-0.5%	-0.4%	-0.5%	-0.3%	-0.4%	-0.4%
Total Costs/Assets	-3.0%	-3.0%	-3.4%	-3.3%	-3.2%	-3.0%	-2.8%	-2.9%	-2.9%
ROA	1.2%	1.4%	0.6%	0.8%	0.7%	0.9%	1.0%	1.1%	1.2%
Equity/Assets	9.4%	9.9%	9.6%	8.6%	8.8%	9.0%	8.6%	8.3%	8.0%
ROE	12.6%	13.7%	6.0%	9.8%	8.3%	9.8%	12.0%	13.4%	14.5%

Source: Company, PL

Exhibit 7: We retain BUY with TP of Rs108 (unchanged) based on 1.4x Sep-21
ABV

PT calculation and upside	
Terminal growth	5.0%
Market risk premium	6.5%
Risk-free rate	7.5%
Adjusted beta	1.05
Cost of equity	14.3%
Fair price - P/ABV	108
Target P/ABV	1.4
Target P/E	9.3
Current price, Rs	85
Upside (%)	26%
Dividend yield (%)	2%
Total return (%)	28%

Source: Company, PL

Exhibit 8: One-year forward P/ABV chart


Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Int. Earned from Adv.	90,896	107,324	121,570	141,237
Int. Earned from invt.	20,375	21,982	25,754	31,433
Others	2,185	2,654	2,761	2,559
Total Interest Income	114,190	132,893	151,149	176,348
Interest Expenses	72,427	86,618	94,752	109,838
Net Interest Income	41,763	46,275	56,397	66,510
Growth(%)	16.6	13.7	20.3	16.9
Non Interest Income	13,510	16,550	19,198	21,886
Net Total Income	55,274	62,825	75,595	88,396
Growth(%)	17.0	17.0	14.0	16.4
Employee Expenses	13,778	16,809	19,330	22,036
Other Expenses	12,661	14,472	16,498	18,973
Operating Expenses	27,643	32,554	37,165	42,413
Operating Profit	27,631	30,271	38,430	45,983
Growth(%)	20.6	9.6	27.0	19.7
NPA Provision	6,306	7,784	9,185	10,612
Total Provisions	8,559	8,005	10,804	12,446
PBT	19,073	22,266	27,626	33,537
Tax Provision	6,634	5,604	6,953	8,441
Effective tax rate (%)	34.8	25.2	25.2	25.2
PAT	12,439	16,662	20,672	25,096
Growth(%)	41.5	33.9	24.1	21.4

Balance Sheet (Rs. m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Face value	2	2	2	2
No. of equity shares	1,985	1,985	1,985	1,985
Equity	3,970	3,970	3,970	3,970
Networth	132,730	146,047	162,419	182,737
Growth(%)	8.7	10.0	11.2	12.5
Adj. Networth to NNPA's	16,262	19,423	19,381	18,482
Deposits	1,349,543	1,545,227	1,795,554	2,091,820
Growth(%)	20.5	14.5	16.2	16.5
CASA Deposits	437,314	487,810	570,426	667,684
% of total deposits	32.4	31.6	31.8	31.9
Total Liabilities	1,593,400	1,818,620	2,100,092	2,434,386
Net Advances	1,102,230	1,256,542	1,445,023	1,676,227
Growth(%)	19.9	14.0	15.0	16.0
Investments	318,245	346,968	432,140	510,060
Total Assets	1,593,400	1,818,620	2,100,092	2,434,386
Growth (%)	15.2	14.1	15.5	15.9

Asset Quality

Y/e Mar	FY19	FY20E	FY21E	FY22E
Gross NPAs (Rs m)	32,607	37,005	38,237	38,899
Net NPAs (Rs m)	16,262	19,423	19,381	18,482
Gr. NPAs to Gross Adv.(%)	3.0	2.9	2.6	2.3
Net NPAs to Net Adv. (%)	1.5	1.5	1.3	1.1
NPA Coverage %	50.1	47.5	49.3	52.5

Profitability (%)

Y/e Mar	FY19	FY20E	FY21E	FY22E
NIM	2.9	2.8	3.0	3.1
RoAA	0.8	1.0	1.1	1.1
RoAE	9.8	12.0	13.4	14.5
Tier I	13.4	13.4	13.4	13.5
CRAR	14.1	13.4	13.4	13.5

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Interest Income	30,323	32,293	32,543	33,304
Interest Expenses	19,358	20,751	21,305	21,754
Net Interest Income	10,965	11,542	11,238	11,549
YoY growth (%)	19.9	23.0	22.3	15.9
CEB	2,350	2,180	2,520	2,540
Treasury	-	-	-	-
Non Interest Income	4,117	3,915	4,209	4,079
Total Income	34,440	36,208	36,752	37,382
Employee Expenses	3,702	3,978	4,407	4,148
Other expenses	3,834	3,651	3,852	4,042
Operating Expenses	7,535	7,629	8,259	8,190
Operating Profit	7,548	7,828	7,188	7,438
YoY growth (%)	28.2	29.8	3.0	5.1
Core Operating Profits	6,808	6,918	6,368	6,788
NPA Provision	-	1,770	1,750	2,420
Others Provisions	1,778	1,920	2,518	1,609
Total Provisions	1,778	1,920	2,518	1,609
Profit Before Tax	5,770	5,907	4,670	5,830
Tax	1,955	2,065	503	1,423
PAT	3,815	3,842	4,167	4,406
YoY growth (%)	163.1	46.2	56.6	32.1
Deposits	1,349,543	1,325,370	1,395,465	1,445,920
YoY growth (%)	20.5	19.1	18.1	17.1
Advances	1,102,230	1,120,320	1,158,932	1,192,220
YoY growth (%)	19.9	18.8	14.8	13.0

Key Ratios

Y/e Mar	FY19	FY20E	FY21E	FY22E
CMP (Rs)	85	85	85	85
EPS (Rs)	6.3	8.4	10.4	12.6
Book Value (Rs)	67	74	82	92
Adj. BV (70%)(Rs)	57	62	70	81
P/E (x)	13.6	10.2	8.2	6.7
P/BV (x)	1.3	1.2	1.0	0.9
P/ABV (x)	1.5	1.4	1.2	1.1
DPS (Rs)	1.1	1.4	1.8	2.0
Dividend Payout Ratio (%)	17.4	16.7	17.3	15.8
Dividend Yield (%)	1.3	1.6	2.1	2.3

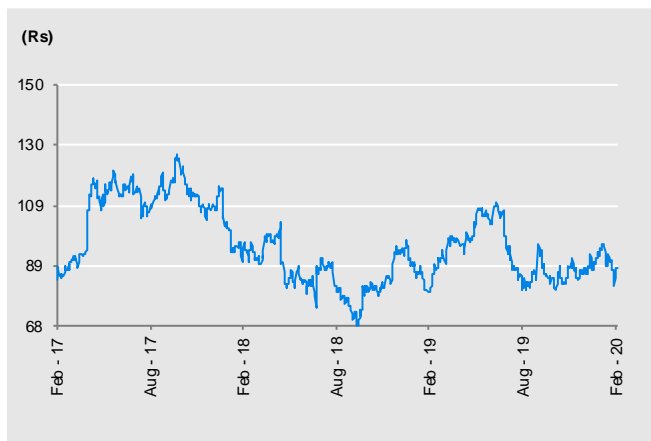
Efficiency

Y/e Mar	FY19	FY20E	FY21E	FY22E
Cost-Income Ratio (%)	50.0	51.8	49.2	48.0
C-D Ratio (%)	81.7	81.3	80.5	80.1
Business per Emp. (Rs m)	201	227	260	299
Profit per Emp. (Rs lacs)	10	13	17	20
Business per Branch (Rs m)	1,960	2,154	2,399	2,690
Profit per Branch (Rs m)	10	13	15	18

Du-Pont

Y/e Mar	FY19	FY20E	FY21E	FY22E
NII	2.81	2.71	2.88	2.93
Total Income	3.71	3.68	3.86	3.90
Operating Expenses	1.86	1.91	1.90	1.87
PPoP	1.86	1.77	1.96	2.03
Total provisions	0.58	0.47	0.55	0.55
RoAA	0.95	0.95	1.41	1.48
RoAE	9.76	11.95	13.40	14.54

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	20-Jan-20	BUY	108	94
2	3-Jan-20	BUY	102	91
3	16-Oct-19	BUY	102	82
4	3-Oct-19	BUY	121	89
5	16-Jul-19	BUY	121	105
6	4-Jul-19	BUY	112	109
7	5-May-19	BUY	112	98
8	5-Apr-19	BUY	102	99

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	Accumulate	790	713
2	Bandhan Bank	Subscribe	-	-
3	Bank of Baroda	BUY	107	96
4	Bank of India	Reduce	58	70
5	Federal Bank	BUY	108	94
6	HDFC	BUY	1,406	1,278
7	HDFC Bank	BUY	1,406	1,267
8	HDFC Life Insurance Company	Hold	579	616
9	ICICI Bank	BUY	612	534
10	ICICI Prudential Life Insurance Company	Accumulate	529	489
11	IDFC First Bank	Hold	41	44
12	IndusInd Bank	Accumulate	1,640	1,478
13	Jammu & Kashmir Bank	Under Review	-	30
14	Kotak Mahindra Bank	Hold	1,586	1,618
15	Max Financial Services	BUY	610	484
16	Punjab National Bank	Reduce	57	65
17	SBI Life Insurance Company	BUY	1,127	982
18	South Indian Bank	BUY	18	11
19	State Bank of India	BUY	419	318
20	Union Bank of India	Reduce	44	55
21	YES Bank	Hold	59	47

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. Pritesh Bumb- MBA, M.com, Ms. Riddhi Mehta- 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. Pritesh Bumb- MBA, M.com, Ms. Riddhi Mehta- 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