

# HDFC Bank

## Core earnings under pressure

**NII growth of 12.6% YoY strengthens our thesis that growth would come at the expense of NIMs. This is given weak sector growth (5.5-6.5%), competitors (SBI/Axis/ICICI/KMB) having matching capabilities on capital/cost of funds and abundant liquidity in wholesale market. Ban on issuing credit cards should impact top-line growth given ~15% contribution of this business to core operating profit. Core fee income should pick but a high base of MTM gains would be an offsetting factor. Hence, expect operating profit growth of 9%/14% in FY22/FY23. Credit cost for FY21 stood at 1.5% (vs 1.3%/1.0% in FY20/FY19). Given uncertain economic environment and bank's steadily rising credit cost for the last 5 years, we believe average credit cost of 1.1% in FY22/FY23 is par for the course. Expect 16% EPS CAGR for FY21-23E with average RoE of 16.5%. Valuation of 19x/3.0x FY23 EPS/BVPS adequately captures these trends leaving little on the table for the investors.**

## Loan growth driven by wholesale loans, outlook remains muted

Like previous few quarters, wholesale loan (~54% of loans) grew 21% YoY with retail loan growth being only 7% YoY. The share of retail loan has come down from 52%/49% in FY19/FY20 to 46% in FY21.

### Exhibit 1: Retail loan growth has decelerated significantly

	4QFY20	3QFY21	4QFY21	YoY (%)	QoQ (%)
Retail loans (₹ bn)	4,944	5,049	5,276	7%	4%
Corporate loans (₹ bn)	5,084	5,852	6,158	21%	5%
<b>Total loans (₹ bn)</b>	<b>10,028</b>	<b>10,901</b>	<b>11,434</b>	<b>14%</b>	<b>5%</b>

Source: Company, Ambit Capital research

Given banking system loan growth hovering around 5.5-6.5% with no signs of acceleration, we expect loan growth for the bank to be ~13%/15% in FY22/FY23. The hard work HDFC Bank had to do to even grow 14% in FY21 could be visible from the fact that it had ~50% incremental market share in corporate loans in FY21. Given that SBI/ICICI/Axis/KMB have balance sheet strength as well as cost of funds to match HDFC Bank, it will be difficult for HDFC Bank to accelerate loan growth unless sector level growth picks up. BASEL-3 exposure data also shows that around ~60% of incremental credit in FY21 came from Power/Financial Services and Coal & Petroleum. Hence, the growth does not look broad based and unlikely to sustain.

## NIMs compress ~15bps, to further compress by ~10bps in FY22E

Industry-leading growth for HDFC Bank is coming at the expense of NIMs which are down ~15bps YoY (on calculated basis) in both 4QFY21 and FY21.

### Exhibit 2: Calculated NIM compressed ~15bps YoY

	4QFY20	3QFY21	4QFY21	YoY	QoQ
Net Interest Income (Rs bn)	152	163	171	13%	5%
Interest earning assets (Rs bn)	14,721	16,021	16,960	15%	6%
NIMs (%) - Calculated	4.31%	4.13%	4.15%	(16)	2
NIMs (%) - Reported	4.30%	4.20%	4.20%	(10)	0

Source: Company, Ambit Capital research

We expect NIMs to further compress by ~10bps in FY22 as we believe that even 13% loan growth would come at the expense of sacrificing NIMs. Also, cost of funds have bottomed out for the bank but there would still be lagged impact of MCLR cuts on loan yields. Also, credit card business (~5% of loan book) which has NIMs of ~21-22% should come down as proportion of loan book due to RBI ban and negatively impact NIMs.

# SELL

## Result Update

### Stock Information

Bloomberg Code:	HDFCBIN
CMP (Rs):	1,429
TP (Rs):	1,406
Mcap (Rs bn/US\$ bn):	7,876/106
3M ADV (Rs mn/US\$ mn):	15,859/213

### Stock Performance (%)

	1M	3M	12M	YTD
Absolute	(6)	(3)	62	(1)
Rel. to Sensex	(3)	(1)	8	(3)

Source: Bloomberg, Ambit Capital research

### Ambit Estimates (Rs bn)

	FY21	FY22E	FY23E
NII	648.8	717.1	814.4
PAT	311.2	360.5	420.8
EPS (Rs)	56.7	65.4	76.3

Source: Bloomberg, Ambit Capital research

### Research Analysts

#### Pankaj Agarwal, CFA

Tel: +91 22 3043 3206  
pankaj.agarwal@ambit.co

#### Ajit Kumar, CFA

Tel: +91 22 3043 3252  
ajit.kumar@ambit.co

### **Non-Interest income to grow moderately due to credit card ban and moderation in treasury gains**

Core fee income of the bank grew strongly at 25% YoY as business further picks up momentum post lockdown. However, gain on investments moderated to Rs6.5bn in the quarter vs quarterly run rate of Rs10.7bn in 9MFY21. Opex growth also picked up to 11% YoY during the quarter. With improving loan disbursements and transactions, we expect core fee income to further pick up in FY22. However, credit card business which contributes ~30% of fee income should show moderate growth due to RBI ban on issuing credit cards. Also, with 10-year G-sec yield at >6% and yield on investments being <6%, investments gains should halve in FY22 limiting overall growth of non-interest income to 9% YoY in FY22E.

### **Consumer loans contributed most of credit cost**

Credit cost for 4QFY21/FY21 was 1.7%/1.5%. Basel-III data shows that consumer loans have contributed 2/3<sup>rd</sup> of the credit cost. The bank is carrying extra provisions of ~0.6% of loan book. However, given uncertain economic environment and steadily rising credit cost for the bank over the last 4 years makes us believe that 1.1-1.2% is new normal as credit cost for the bank going forward.

### **Where do we go from here?**

We expect NII growth for the bank to come under pressure due to weak sector credit growth, increased competition from larger banks and ample liquidity in wholesale market. Ban on issuing new credit cards should also impact top line growth as this business contributes ~15% of core operating profit growth. Given uncertain economic environment and bank's steadily rising credit cost for the last 5 years, we believe an average credit cost of 1.1% in FY22/FY23E is par for the course. Expect 16% EPS CAGR for FY21-23 with average RoE of 16.5%. Valuation of 19x/3.0x FY23E EPS/BVPS adequately captures these trends leaving little on the table for the investors.

**Exhibit 3: Quarterly results snapshot**

Earnings Table (Rs mn)	4QFY20	3QFY21	4QFY21	YoY (%)	QoQ (%)	4QFY21E	A/E (%)
<b>NII</b>	<b>152,041</b>	<b>163,176</b>	<b>171,202</b>	<b>13%</b>	<b>5%</b>	<b>175,448</b>	<b>-2%</b>
<b>Non-Interest income</b>	<b>60,326</b>	<b>74,432</b>	<b>75,939</b>	<b>26%</b>	<b>2%</b>	<b>68,829</b>	<b>10%</b>
<b>Total Income</b>	<b>212,366</b>	<b>237,608</b>	<b>247,141</b>	<b>16%</b>	<b>4%</b>	<b>244,277</b>	<b>1%</b>
Employee Cost	24,983	26,301	26,789	7%	2%		
Other Operating Expenses	57,796	59,447	65,024	13%	9%		
Total Operating Expenses	82,778	85,748	91,813	11%	7%	88,936	3%
<b>Operating Profit</b>	<b>129,588</b>	<b>151,860</b>	<b>155,328</b>	<b>20%</b>	<b>2%</b>	<b>155,341</b>	<b>0%</b>
<b>Total Provisions</b>	<b>37,845</b>	<b>34,141</b>	<b>46,937</b>	<b>24%</b>	<b>37%</b>	<b>47,087</b>	<b>0%</b>
PBT	91,743	117,719	108,391	18%	-8%	108,253	0%
Tax	22,466	30,136	26,526	18%	-12%	28,587	-7%
<b>Reported Profit</b>	<b>69,277</b>	<b>87,583</b>	<b>81,865</b>	<b>18%</b>	<b>-7%</b>	<b>79,667</b>	<b>3%</b>
<b>Balance sheet (Rs bn)</b>							
Deposits	11,475.0	12,711.2	13,350.6	16%	5%	13,350.0	0%
Net Advances	9,937.0	10,823.2	11,328.4	14%	5%	11,320.0	0%
<b>Total Assets</b>	<b>15,305.1</b>	<b>16,542.3</b>	<b>17,468.7</b>	<b>14%</b>	<b>6%</b>	<b>17,686.9</b>	<b>-1%</b>
Loan-Deposit ratio (%)	86.6%	85.1%	84.9%				
<b>Key Ratios</b>							
<b>Credit Quality</b>							
Gross NPAs (Rs mn)	126,500	88,256	150,860	19%	71%		
Net NPAs (Rs mn)	35,424	10,160	45,548	29%	348%		
Gross NPA (%)	1.26%	0.81%	1.32%				
Net NPA (%)	0.36%	0.09%	0.40%				
Loan Loss Provisions (%)	1.57%	1.29%	1.70%				
Coverage Ratio (%)	72.0%	88.5%	69.8%				
<b>Capital Adequacy</b>							
Tier I (%)	17.20%	17.60%	17.60%				
CAR (%)	18.50%	18.90%	18.80%				
<b>Du-pont Analysis</b>							
NII / Assets (%)	4.16%	4.00%	4.03%			4.15%	
Non-Interest Inc. / Assets (%)	1.65%	1.82%	1.79%			1.63%	
Operating Cost / Assets (%)	2.26%	2.10%	2.16%			2.05%	
Operating Profits / Assets (%)	3.54%	3.72%	3.65%			3.73%	
Provisions / Assets (%)	1.03%	0.84%	1.10%			1.10%	
<b>ROA (%)</b>	<b>1.89%</b>	<b>2.15%</b>	<b>1.93%</b>			<b>1.89%</b>	

Source: Company, Ambit Capital research

**Exhibit 4: Change in estimates**

	New Estimates		Old Estimates		Change	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
<b>Recommendation</b>	<b>SELL</b>		<b>SELL</b>			
<b>Target price (Rs)</b>	<b>1,406</b>		<b>1,398</b>		1%	
<b>Assumptions</b>						
YoY loan growth	12.9%	15.0%	15.0%	17.0%	-202	-200
Net interest margins (calculated)	3.99%	4.00%	4.04%	4.03%	-5	-3
Fee income to assets	1.21%	1.24%	1.19%	1.23%	2	2
Cost to assets	1.98%	1.97%	1.96%	1.96%	2	1
Credit cost	1.17%	1.09%	1.34%	1.18%	-17	-10
<b>Outputs (Rs bn)</b>						
NII	717	814	736	847	-3%	-4%
Operating profit	625	714	637	734	-2%	-3%
Net Profit	360	421	352	423	2%	0%
EPS (Rs)	65.4	76.3	64.3	77.1	2%	-1%
ROA (%)	1.95%	2.00%	1.86%	1.93%	9	7
ROE (%)	16.5%	16.9%	16.2%	16.9%	31	-1

Source: Company, Ambit Capital research

**Balance sheet**

Year to March (Rs bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Networth	1,063	1,492	1,710	2,037	2,326	2,662
Deposits	7,888	9,231	11,475	13,351	15,122	17,390
Borrowings	1,231	1,171	1,446	1,355	1,496	1,720
Other Liabilities	458	551	674	726	585	685
<b>Total Liabilities</b>	<b>10,639</b>	<b>12,445</b>	<b>15,305</b>	<b>17,469</b>	<b>19,528</b>	<b>22,457</b>
Cash & Balances with RBI & Banks	1,229	813	866	1,195	1,163	1,338
Investments	2,422	2,906	3,918	4,437	4,985	5,733
Advances	6,583	8,194	9,937	11,328	12,795	14,715
Other Assets	405	532	584	508	585	672
<b>Total Assets</b>	<b>10,639</b>	<b>12,445</b>	<b>15,305</b>	<b>17,469</b>	<b>19,528</b>	<b>22,457</b>

Source: Company, Ambit Capital research

**Income statement**

Year to March (Rs bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	802	990	1,148	1,209	1,373	1,563
Interest Expense	401	507	586	560	656	749
<b>Net Interest Income</b>	<b>401</b>	<b>482</b>	<b>562</b>	<b>649</b>	<b>717</b>	<b>814</b>
Total Non-Interest Income	152	176	233	252	275	312
<b>Total Income</b>	<b>553</b>	<b>659</b>	<b>794</b>	<b>901</b>	<b>992</b>	<b>1,127</b>
Total Operating Expenses	227	261	307	327	367	413
Employees expenses	68	78	95	104	114	127
Other Operating Expenses	159	184	212	224	253	285
<b>Pre Provisioning Profits</b>	<b>326</b>	<b>397</b>	<b>487</b>	<b>574</b>	<b>625</b>	<b>714</b>
Provisions	59	76	121	157	141	149
PBT	267	322	366	417	484	565
Tax	92	111	103	105	123	144
<b>PAT</b>	<b>175</b>	<b>211</b>	<b>263</b>	<b>311</b>	<b>360</b>	<b>421</b>

Source: Company, Ambit Capital research

**Ratio analysis**

Year to March (Rs bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Credit-Deposit (%)	83.5%	88.8%	86.6%	84.9%	84.6%	84.6%
CASA ratio (%)	43.5%	42.4%	42.2%	39.5%	39.5%	39.5%
Cost/Income ratio (%)	41.0%	39.7%	38.6%	36.3%	37.0%	36.6%
Gross NPA (Rs bn)	86	112	126	151	231	200
Gross NPA (%)	1.30%	1.36%	1.26%	1.32%	1.78%	1.34%
Net NPA (Rs bn)	26	32	35	46	69	60
Net NPA (%)	0.40%	0.39%	0.36%	0.40%	0.54%	0.41%
Provision coverage (%)	69.8%	71.4%	72.0%	69.8%	70.0%	70.0%
Credit Cost (%)	0.98%	1.02%	1.34%	1.48%	1.17%	1.09%
NIMs (%)	4.35%	4.36%	4.22%	4.10%	3.99%	4.00%
Tier-1 capital ratio (%)	13.2%	15.8%	17.2%	17.6%	18.0%	18.0%

Source: Company, Ambit Capital research

**Du-pont analysis**

<b>Year to March</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>
NII / Assets (%)	4.2%	4.2%	4.0%	4.0%	3.9%	3.9%
Other income / Assets (%)	1.6%	1.5%	1.7%	1.5%	1.5%	1.5%
Total Income / Assets (%)	5.7%	5.7%	5.7%	5.5%	5.4%	5.4%
Cost to Assets (%)	2.4%	2.3%	2.2%	2.0%	2.0%	2.0%
PPP / Assets (%)	3.4%	3.4%	3.5%	3.5%	3.4%	3.4%
Provisions / Assets (%)	0.6%	0.7%	0.9%	1.0%	0.8%	0.7%
PBT / Assets (%)	2.8%	2.8%	2.6%	2.5%	2.6%	2.7%
Tax Rate (%)	34.5%	34.5%	28.3%	25.3%	25.5%	25.5%
ROA (%)	1.81%	1.83%	1.89%	1.90%	1.95%	2.00%
Leverage	9.8	9.0	8.7	8.7	8.5	8.4
ROE (%)	17.9%	16.5%	16.4%	16.6%	16.5%	16.9%

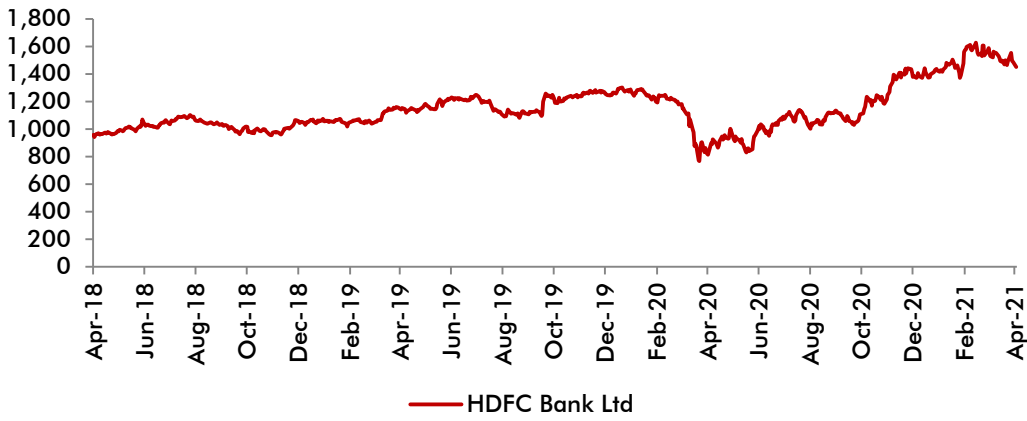
Source: Company, Ambit Capital research

**Valuation parameters**

<b>Year to March</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>
EPS (Rs)	33.7	39.2	48.0	56.7	65.4	76.3
EPS growth (%)	19%	16%	22%	18%	15%	17%
BVPS (Rs)	204.8	273.9	311.8	371.5	421.9	482.9
P/E (x)	42.4	36.5	29.8	25.2	21.9	18.7
P/BV (x)	6.98	5.22	4.58	3.85	3.39	2.96

Source: Company, Ambit Capital research

**HDFC Bank Ltd (HDFCB IN, SELL)**



Source: Bloomberg, Ambit Capital research

**Explanation of Investment Rating - Our target prices are with a 12-month perspective. Returns stated are our internal benchmark**

Investment Rating	Expected return (over 12-month)
BUY	We expect this stock to deliver more than 10% returns over the next 12 months
SELL	We expect this stock to deliver less than or equal to 10 % returns over the next 12 months
UNDER REVIEW	We have coverage on the stock but we have suspended our estimates, TP and recommendation for the time being NOT
NOT RATED	We do not have any forward-looking estimates, valuation, or recommendation for the stock.
POSITIVE	We have a positive view on the sector and most of stocks under our coverage in the sector are BUYs
NEGATIVE	We have a negative view on the sector and most of stocks under our coverage in the sector are SELLs
NO STANCE	We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation

**Note:** At certain times the Rating may not be in sync with the description above as the stock prices can be volatile and analysts can take time to react to development.

**Disclaimer**

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Ambit Capital Private Ltd. Ambit Capital Private Ltd. research is disseminated and available primarily electronically, and, in some cases, in printed form. The following Disclosures are being made in compliance with the SEBI (Research Analysts) Regulations, 2014 (herein after referred to as the Regulations).

**Disclosures**

- Ambit Capital Private Limited ("Ambit Capital or Ambit") is a SEBI Registered Research Analyst having registration number INH000000313. Ambit Capital, the Research Entity (RE) as defined in the Regulations, is also engaged in the business of providing Stock broking Services, Portfolio Management Services, Merchant Banking Services, Depository Participant Services, distribution of Mutual Funds and various financial products. Ambit Capital is a subsidiary company of Ambit Private Limited. The details of associate entities of Ambit Capital are available on its website.
- Ambit Capital makes its best endeavor to ensure that the research analyst(s) use current, reliable, comprehensive information and obtain such information from sources which the analyst(s) believes to be reliable. However, such information has not been independently verified by Ambit Capital and/or the analyst(s) and no representation or warranty, express or implied, is made as to the accuracy or completeness of any information obtained from third parties. The information, opinions, views expressed in this Research Report are those of the research analyst as at the date of this Research Report which are subject to change and do not represent to be an authority on the subject. Ambit Capital and its affiliates/ group entities may or may not subscribe to any and/ or all the views expressed herein and the statements made herein by the research analyst may differ from or be contrary to views held by other businesses within the Ambit group.
- This Research Report should be read and relied upon at the sole discretion and risk of the recipient. If you are dissatisfied with the contents of this Research Report or with the terms of this Disclaimer, your sole and exclusive remedy is to stop using this Research Report and Ambit Capital or its affiliates shall not be responsible and/ or liable for any direct/consequential loss howsoever directly or indirectly, from any use of this Research Report.
- If this Research Report is received by any client of Ambit Capital or its affiliates, the relationship of Ambit Capital/its affiliate with such client will continue to be governed by the existing terms and conditions in place between Ambit Capital/ such affiliates and the client.
- This Research Report is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied in whole or in part, for any purpose. Neither this Research Report nor any copy of it may be taken or transmitted or distributed, directly or indirectly within India or into any other country including United States (to US Persons), Canada or Japan or to any resident thereof. The distribution of this Research Report in other jurisdictions may be strictly restricted and/ or prohibited by law or contract, and persons into whose possession this Research Report comes should be aware of and take note of such restrictions.
- Ambit Capital declares that neither its activities were suspended nor did it default with any stock exchange with whom it is registered since inception. Ambit Capital has not been debarred from doing business by any Stock Exchange, SEBI, Depository or other Regulated Authorities, nor has the certificate of registration been cancelled by SEBI at any point in time.
- Apart from the case of Manappuram Finance Ltd. where Ambit Capital settled the matter with SEBI without accepting or denying any guilt, there is no material disciplinary action that has been taken by any regulatory authority impacting research activities of Ambit Capital.
- A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com) and [www.bseindia.com](http://www.bseindia.com)

**Disclosure of financial interest and material conflicts of interest**

- Ambit Capital, its associates/group company, Research Analyst(s) or their relative may have any financial interest in the subject company. Ambit Capital and/or its associates/group companies may have actual/beneficial ownership of 1% or more interest in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Ambit Capital and its associate company (ies), may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (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 company (ies) discussed herein or act as an advisor or lender/borrower to such company (ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. However the same shall have no bearing whatsoever on the specific recommendations made by the Analyst(s), as the recommendations made by the Analyst(s) are completely independent of the views of the associates of Ambit Capital even though there might exist an apparent conflict in some of the stocks mentioned in the research report. Ambit Capital and/or its associates/group company may have received any compensation from the subject company in the past 12 months and/or Subject Company is or was a client during twelve months preceding the date of distribution of the research report.
- In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, Ambit Capital or any of its associates/group company or Research Analyst(s) may have:
  - managed or co-managed public offering of securities for the subject company of this research report,
  - received compensation for investment banking or merchant banking or brokerage services from the subject company,
  - received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
  - received any compensation or other benefits from the subject company or third party in connection with the research report.
- Ambit Capital and / or its associates/group company do and seek to do business including investment banking with companies covered in its research reports. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

**Additional Disclaimer for Canadian Persons**
**About Ambit Capital:**

- Ambit Capital is not registered in the Province of Ontario and /or Province of Québec to trade in securities and/or to provide advice with respect to securities.
- Ambit Capital's head office or principal place of business is located in India.
- All or substantially all of Ambit Capital's assets may be situated outside of Canada.
- It may be difficult for enforcing legal rights against Ambit Capital because of the above.
- Name and address of Ambit Capital's agent for service of process in the Province of Ontario is: Torys LLP, 79 Wellington St. W., 30th Floor, Box 270, TD South Tower, Toronto, Ontario M5K 1N2 Canada.
- Name and address of Ambit Capital's agent for service of process in the Province of Québec is Torys Law Firm LLP, 1 Place Ville Marie, Suite 1919 Montréal, Québec H3B 2C3 Canada.

**About Ambit America Inc.:**

- Ambit America Inc. is not registered in Canada
- Ambit America Inc. is resident and registered in the United States.
- The name and address of the Agent for service in Quebec is: Lavery, de Billy, L.L.P., Bureau 4000, One Place Ville Marie, Montreal, Quebec, Canada H3B 4M4.
- The name and address of the Agent for service in Toronto is: Sutton Boyce Gilkes Regulatory Consulting Group Inc., 120 Adelaide Street West, Suite 2500, Toronto, ON Canada M5H 1T1.
- A client may have difficulty enforcing legal rights against Ambit America Inc. because it is resident outside of Canada and all substantially all of its assets may be situated outside of Canada.

**Additional Disclaimer for Singapore Persons**

- Ambit Singapore Pte. Limited is a holder of Capital Market services license and an exempt financial adviser in Singapore, as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to Ambit Singapore Pte. Limited by Monetary Authority of Singapore. In Singapore, Ambit Capital distributes research reports.
- Persons in Singapore should contact either Ambit Capital or Ambit Singapore Pte. Limited in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "Accredited Institutional Investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore. Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform either Ambit Capital or Ambit Singapore Pte. Limited.

**Additional Disclaimer for UK Persons**

- All of the recommendations and views about the securities and companies in this report accurately reflect the personal views of the research analyst named on the cover. No part of this research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report. This report may not be reproduced, redistributed or copied in whole or in part for any purpose.
- This report is a marketing communication and has been prepared by Ambit Capital Private Ltd. of Mumbai, India ("Ambit Capital"). Ambit is regulated by the Securities and Exchange Board of India and is registered as a Research Entity under the SEBI (Research Analysts) Regulations, 2014. Ambit is an appointed representative of Aldgate Advisors Limited which is authorized and regulated by the Financial Conduct Authority whose registered office is at 16 Charles II Street, London, SW1Y 4NW.
- In the UK, this report is directed at and is for distribution only to persons who (i) fall within Article 19(5) (persons who have professional experience in matters relating to investments) or Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended).
- Ambit Capital is not a US registered broker-dealer. Transactions undertaken in the US in any security mentioned herein must be effected through a US-registered broker-dealer, in conformity with SEC Rule 15a-6.
- Neither this report nor any copy or part thereof may be distributed in any other jurisdictions where its distribution may be restricted by law and persons into whose possession this report comes should inform them about, and observe any such restrictions. Distribution of this report in any such other jurisdictions may constitute a violation of UK or US securities laws, or the law of any such other jurisdictions.
- This report does not constitute an offer or solicitation to buy or sell any securities referred to herein. It should not be so construed, nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. The information in this report, or on which this report is based, has been obtained from publicly available sources that Ambit believes to be reliable and accurate. However, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. It has also not been independently verified and no representation or warranty, express or implied, is made as to the accuracy or completeness of any information obtained from third parties.
- The information or opinions are provided as at the date of this report and are subject to change without notice. The information and opinions provided in this report take no account of the investors' individual circumstances and should not be taken as specific advice on the merits of any investment decision. Investors should consider this report as only a single factor in making any investment decisions. Further information is available upon request. No member or employee of Ambit accepts any liability whatsoever for any direct or consequential loss howsoever arising, directly or indirectly, from any use of this report or its contents.
- The value of any investment made at your discretion based on this Report, or income therefrom, may be affected by changes in economic, financial and/or political factors and may go down as well as go up and you may not get back the original amount invested. Some securities and/or investments involve substantial risk and are not suitable for all investors.
- Ambit and its affiliates and their respective officers directors and employees may hold positions in any securities mentioned in this Report (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). Ambit and its affiliates may from time to time render advisory and other services, solicit business to companies referred to in this Report and may receive compensation for the same. Ambit has a restrictive policy relating to personal dealing. Ambit has controls in place to manage the risks related to such. An outline of the general approach taken in relation to conflicts of interest is available upon request.
- Ambit and its affiliates may act as a market maker or risk arbitrator or liquidity provider or may have assumed an underwriting commitment in the securities of companies discussed in this Report (or in related investments) or may sell them or buy them from clients on a principal to principal basis or may be involved in proprietary trading and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.
- Ambit may sell or buy any securities or make any investment which may be contrary to or inconsistent with this Report and are not subject to any prohibition on dealing. By accepting this report you agree to be bound by the foregoing limitations. In the normal course of Ambit and its affiliates' business, circumstances may arise that could result in the interests of Ambit conflicting with the interests of clients or one client's interests conflicting with the interest of another client. Ambit makes best efforts to ensure that conflicts are identified, managed and clients' interests are protected. However, clients/potential clients of Ambit should be aware of these possible conflicts of interests and should make informed decisions in relation to Ambit services.

**Additional Disclaimer for U.S. Persons****THIS RESEARCH REPORT IS BEING DISTRIBUTED IN THE US TO MAJOR INSTITUTIONAL INVESTORS UNDER RLE 15a-6 AND UNDER A GLOBAL BRAND OF AMBIT AMERICA AND AMBIT CAPITAL PRIVATE LTD.**

- The Ambit Capital research report is solely a product of Ambit Capital Private Ltd. and may be used for general information only. The legal entity preparing this research report is not registered as a broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and/or the independence of research analysts.
- Ambit Capital is the employer of the research analyst(s) who has prepared the research report.
- Any subsequent transactions in securities discussed in the research reports should be effected through Ambit America Inc. ("Ambit America").
- Ambit America Inc. does not accept or receive any compensation of any kind directly from US Institutional Investors for the dissemination of the Ambit Capital research reports. However, Ambit Capital Private Ltd. has entered into an agreement with Ambit America Inc. which includes payment for sourcing new MUSSI and service existing clients based out of USA.
- Analyst(s) preparing this report are resident outside the United States and are not associated persons or employees of any US regulated broker-dealer. Therefore the analyst(s) may not be subject to Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by the research analyst.
- In the United States, this research report is available for distribution to major U.S. institutional investors, as defined in Rule 15a-6 under the Securities Exchange Act of 1934. Additionally, this research report is available to a limited number of individuals as Globally Branded research, as defined in FINRA Rule 2241. This research report is distributed in the United States by Ambit America Inc., a U.S. registered broker and dealer and a member of FINRA. Ambit America Inc., a US registered broker-dealer, accepts responsibility for this research report and its dissemination in the United States.
- This Ambit Capital research report is not intended for any other persons in the USA. All major U.S. institutional investors or persons outside the United States, having received this Ambit Capital research report shall neither distribute the original nor a copy to any other person in the United States. In order to receive any additional information about or to effect a transaction in any security or financial instrument mentioned herein, please contact a registered representative of Ambit America Inc., by phone at 646 793 6001 or by mail at 370, Lexington Avenue, Suite 803, New York, 10017. This material should not be construed as a solicitation or recommendation to use Ambit Capital to effect transactions in any security mentioned herein.
- This document does not constitute an offer of, or an invitation by or on behalf of Ambit Capital or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which Ambit Capital or its Affiliates consider to be reliable. None of Ambit Capital accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.
- Ambit America Inc. or its affiliates or the principals or employees of Ambit Group may have or have had positions, may "beneficially own" as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of the equity securities or may conduct or may have conducted market-making activities or otherwise act or have acted as principal in transactions in any of these securities or instruments referred to herein.
- Ambit America Inc. or its affiliates or the principals or employees of Ambit Group may have managed or co-managed a public offering of securities or received compensation for investment banking services or expects to receive or intends to seek compensation for investment banking or consulting services or serve or have served as a director or a supervisory board member of a company referred to in this research report.
- As of the date of this research report Ambit America Inc. does not make a market in the security reflected in this research report.

**Analyst(s) Certification**

- The analyst(s) authoring this research report hereby certifies that the views expressed in this research report accurately reflect such research analyst's personal views about the subject securities and issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.
- The analyst (s) has/have not served as an officer, director or employee of the subject company in the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report.
- The analyst(s) does not hold one percent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report.
- Research Analyst views on Subject Company may vary based on fundamental research and technical research. Proprietary trading desk of Ambit Capital or its associates/group companies maintains arm's length distance with the research team as all the activities are segregated from Ambit Capital research activity and therefore it can have an independent views with regards to Subject Company for which research team have expressed their views.

**Registered Office Address:** Ambit Capital Private Limited, 449, Ambit House, Senapati Bapat Marg, Lower Parel, Mumbai-400013

**Compliance Officer Details:** Sanjay Shah, Email id: compliance@ambit.co, Contact Number: 91 22 68601965

**Other registration details of Ambit Capital:** SEBI Stock Broking registration number INZ000259334 (Trading Member of BSE and NSE); SEBI Depository Participant registration number IN-DP-CDSL-374-2006; SEBI Portfolio Managers registration number INP000002221, SEBI Merchant Banking registration number INM000012379, AMFI registration number ARN 36358.

© Copyright 2021 Ambit Capital Private Limited. All rights reserved.