

May 02, 2016

Nitin Kumar
nitinkumar@plindia.com / +91-22-66322236

Pritesh Bumb
priteshbumb@plindia.com / +91-22-66322232

Vidhi Shah
vidhishah@plindia.com / +91-22-66322258

Rating	BUY
Price	Rs46
Target Price	Rs54
Implied Upside	17.4%
Sensex	25,607
Nifty	7,850

(Prices as on April 29, 2016)

Trading data

Market Cap. (Rs bn)	78.8
Shares o/s (m)	1,719.0
3M Avg. Daily value (Rs m)	253.2

Major shareholders

Promoters	0.00%
Foreign	26.00%
Domestic Inst.	37.00%
Public & Other	37.00%

Stock Performance

(%)	1M	6M	12M
Absolute	(2.3)	(16.9)	(29.9)
Relative	(5.2)	(12.3)	(23.9)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2017	4.6	4.0	15.2
2018	5.9	5.1	15.6

Price Performance (RIC: FED.BO, BB: FB IN)



Source: Bloomberg

Federal Bank reported yet another weak quarter as fresh slippages remain elevated at 3.7% (annualized; 4.3% during Q3FY16) however higher write-offs and bad loan sale to ARC enabled 1% QoQ decline in GNPLs. NII growth spiked up to 13.3% QoQ led by 10% QoQ growth in advances and Rs400mn interest on income tax refund. Consequently NIMs expanded by 27bp QoQ to 3.31%. FB guided for better asset quality trends in FY17E though remains watchful of certain legacy assets and Rs1bn of restructured loans which will come out of moratorium in H1FY17. We revise our PT to Rs54 (from Rs60) based on 1.1x Sep-2017E ABV. Retain BUY.

- Revenue growth showed some positive signs:** Federal Bank reported 15% YoY growth in core revenues led by 10% YoY growth in NII and ~40% YoY growth in core other income. NII growth was boosted by one-off gains of Rs400mn (interest on income tax refund) adjusted for which the NII and core income growth stood at 4% YoY / 10% YoY respectively. NIMs expanded by 27bp QoQ to 3.31% however management maintained its full year margin guidance of 3.1%-3.15%. Operating expenses increased 13% YoY resulting in elevated cost-ratios.
- Loan growth reports healthy pick-up; guidance at 18-20% growth in FY17E:** FB reported 10% QoQ increase in loan book led by growth in the corporate/SME portfolio, share of which increased to 59% in total loans. Deposit growth also recovered to 5.9% QoQ and enabled 284bp QoQ increase in CD ratio. FB focused on high-rated short-term credit substitutes to grow its asset base and has guided for 18-20% advances growth in FY17E mainly to better rated customers.
- Asset quality disappoints again; outlook cautious:** FB reported fresh slippages of 3.7% (annualized) however higher write-offs and bad loan sale to ARC (Rs1.33 bn of which Rs400mn was standard) enabled 1% QoQ decline in GNPLs. O/s restructured assets declined to Rs15.9bn mainly as part SEB related portfolio was converted to UDAY bonds, while other 25% restructured SEB loans (Rs1.81bn) were downgraded to NPA. FB made Rs2.24bn of additional provisions – largely towards AQR shortfall (Rs1.72bn). FB guided for better asset quality trends however remains watchful of certain legacy assets and Rs1bn of restructured loans which will come out of moratorium in H1FY17.

Key financials (Y/e March)	2015	2016E	2017E	2018E
Net interest income	23,804	25,042	27,877	31,745
Growth (%)	6.8	5.2	11.3	13.9
Operating profit	16,278	14,238	16,887	19,616
PAT	10,057	4,757	7,887	10,149
EPS (Rs)	5.9	2.8	4.6	5.9
Growth (%)	20.0	(52.8)	65.5	28.7
Net DPS (Rs)	2.2	0.5	0.9	1.2

Profitability & Valuation	2015	2016E	2017E	2018E
NIM (%)	3.02	2.87	2.85	2.83
RoAE (%)	13.7	6.0	9.3	10.9
RoAA (%)	1.28	0.55	0.81	0.90
P / BV (x)	1.0	1.0	0.9	0.8
P / ABV (x)	1.1	1.2	1.0	0.9
PE (x)	7.8	16.5	10.0	7.8
Net dividend yield (%)	4.8	1.1	2.0	2.6

Source: Company Data; PL Research

Exhibit 1: Q4FY16 – Core performance improves marginally; asset quality improvement led by ARC sale and higher write-offs

(Rs m)	Q4FY16	Q4FY15	YoY gr. (%)	Q3FY16	QoQ gr. (%)
Interest Income	20,265	19,083	6.2	19,028	6.5
Interest Expended	13,406	12,851	4.3	12,976	3.3
Net interest income (NII)	6,859	6,232	10.1	6,052	13.3
-Treasury income	410	1,730	(76.3)	230	78.3
Other income	1,859	1,330	39.7	1,603	15.9
Total income	9,128	9,292	(1.8)	7,885	15.8
Operating expenses	5,183	4,601	12.6	4,630	11.9
-Staff expenses	2,930	2,487	17.8	2,586	13.3
-Other expenses	2,252	2,114	6.5	2,044	10.2
Operating profit	3,945	4,692	(15.9)	3,255	21.2
Core operating profit	3,535	2,962	19.4	3,025	16.9
Total provisions	3,886	398	877.0	750	418.2
Profit before tax	59	4,294	(98.6)	2,505	(97.7)
Tax	(44)	1,488	(102.9)	877	(105.0)
Profit after tax	103	2,805	(96.3)	1,628	(93.7)
Balance sheet (Rs m)					
Deposits	7,91,717	7,08,250	11.8	7,47,920	5.9
Advances	5,80,901	5,12,850	13.3	5,27,530	10.1
Gross NPL (Rs m)	16,678	10,577	57.7	16,841	(1.0)
Net NPL (Rs m)	9,500	3,733	154.5	8,761	8.4
Ratios (%)					
Profitability ratios					
NIM	3.3	3.3	-	3.0	27
RoaA	0.0	1.4	(137)	0.8	(72)
Asset Quality					
Gross NPL ratio	2.8	2.0	80	3.2	(31)
Net NPL ratio	1.6	0.7	91	1.7	(2)
Coverage ratio	43.0	64.7	(2,167)	48.0	(494)
Business & Other Ratios					
Low-cost deposit mix	32.5	30.4	204	32.1	37
Cost-income ratio	56.8	49.5	727	58.7	(194)
Non int. inc / total income	24.9	32.9	(808)	23.2	161
Credit deposit ratio	73.4	72.4	96	70.5	284
CAR	13.9	15.5	(153)	14.3	(39)
Tier-I	13.4	14.8	(145)	13.7	(38)

Source: Company Data, PL Research

Q4FY16 Concall Highlights

Balance sheet – Growth/outlook:

- **Business** – Deposits profile continue to be better with CASA inching higher to 32.5% of deposits. Remittances also have been high for the bank which has kept deposit profile robust. Credit growth has been mainly from credit substitutes in the corporate book. The credit substitutes are mainly in form of money market instruments like CPs and are short term in nature with high credit rating of AAA/A. Credit growth ex-gold has been at 30% in H2FY16.
- **Outlook** – Bank targets 12-15% of deposit growth, while 18-20% advances growth in FY17 to better rated customers in both corporate and SME.

Fee income/other income:

- Fee income has improved marginally from FX and loan processing fees. Going ahead targeting 15-20% growth in core fees in FY17.

Margins:

- Margins expanded by 27bps QoQ on back of one time Rs400mn interest on income tax refund, while core margin also saw some improvement as cost of funds reduced in the quarter. **Outlook** – Management guides margins could be in trajectory of 3.10%-3.15% on improving credit growth.

Asset quality:

- **Slippages** – Slippage for the quarter was Rs5.36bn contributed from all segments. Corporate slippages remained high at Rs2.54bn (5.2% annualized) contributed by 1 large a/c from Hotel sector, while SME also witnessed increase by Rs200-300mn in slippage from run rate of ~Rs1bn. Retail slippages were marginally higher as well mainly from issues in LAP book in Kerala.
- **ARC sale** – The Bank sold Rs1.33bn of assets to ARC of which Rs400mn was standard a/c, while others were NPA assets.
- **Restructured book** – Standard restructured book came off to Rs15.9bn from Rs22.5bn in Q3FY16 mainly as part SEB related portfolio was converted to UDAY bonds, while other 25% restructured SEB loans (Rs1.81bn) was made NPA as per RBI guidelines on terms change will deemed as second restructuring.
- **SDR & 5/25 refinancing** – The bank has not been undertaking any refinancing in 5/25 scheme nor been participating in SDR.
- **Additional provisions** – Bank has made Rs2.24bn of additional provisions. Bank on Discom NPA and Punjab food credit exposure made provisions of Rs270mn & Rs250mn respectively. While, it also made Rs1.72 bn of accelerated provisions for shortfall in AQR provisions which fell in higher NPA buckets, accounts coming out of moratorium in H1FY17 (Rs1.0bn coming out of moratorium) and certain identified weaker accounts.
- **Outlook** – Bank has been upfront in recognizing stress, but legacy accounts continue to trouble and hence corporate and SME slippages will continue to remain at elevated levels for some quarters ahead.

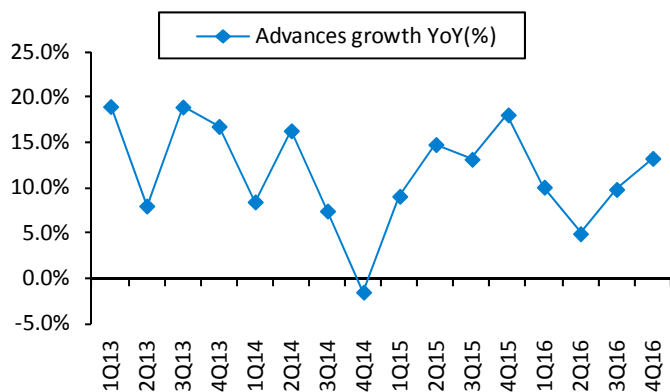
Exhibit 2: Break-up of Advances portfolio

Advances break-up (Rs m)	Q4FY16	Q4FY15	YoY gr. (%)	Q3FY16	QoQ gr. (%)
Advances	5,87,910	5,12,850	14.6	5,35,380	9.8
Retail	1,73,300	1,61,350	7.4	1,67,750	3.3
SME	1,51,720	1,29,180	17.4	1,40,330	8.1
Agriculture	66,370	63,120	5.1	60,620	9.5
Corporate	1,96,520	1,59,200	23.4	1,66,680	17.9
Retail Loans break-up					
Housing	78,760	68,520	14.9	75,370	4.5
Gold	23,440	23,920	(2.0)	25,100	(6.6)
Mortgage	31,520	34,020	(7.3)	28,670	9.9
Others	39,580	34,900	13.4	38,610	2.5

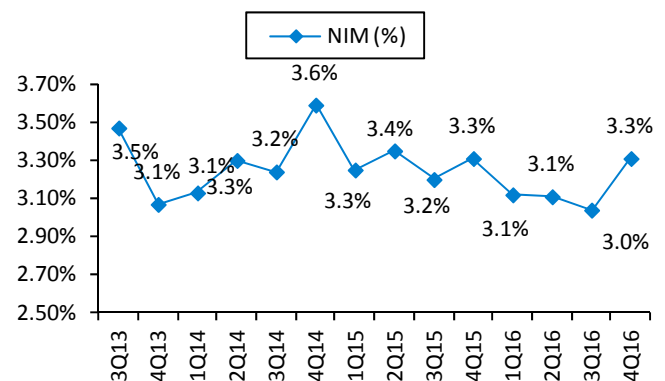
Net Advances growth improved mainly contributed by Corporate & SME. In corporate book bank continues to lend to credit substitutes (short term money) of higher rating

Gold loans portfolio continues to be a drag on retail loan but de-growth has been arrested

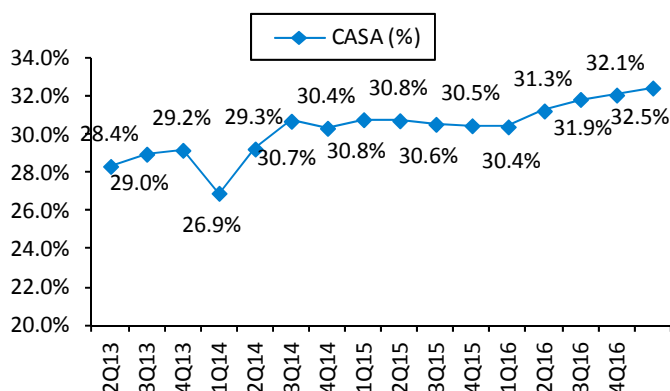
Source: Company Data, PL Research

Exhibit 3: Advances growth improves further mainly from credit substitutes in the corporate book


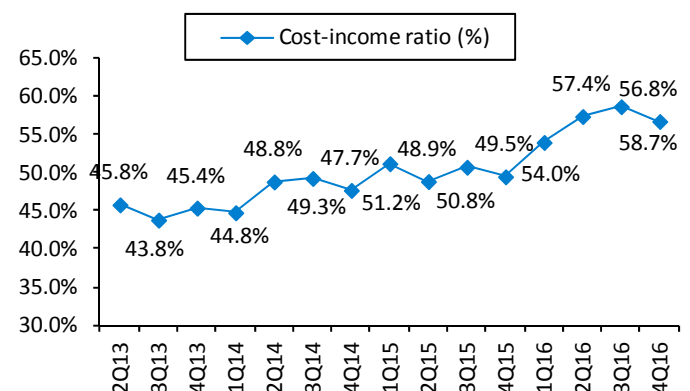
Source: Company Data, PL Research

Exhibit 4: Margins expansion largely on back of one off Income tax interest and some improvement in cost of funds


Source: Company Data, PL Research

Exhibit 5: CASA profile continues to remain on upward trajectory


Source: Company Data, PL Research

Exhibit 6: C/I ratio improves on better income


Source: Company Data, PL Research

Exhibit 7: Asset quality remained under stress as slippages remain elevated

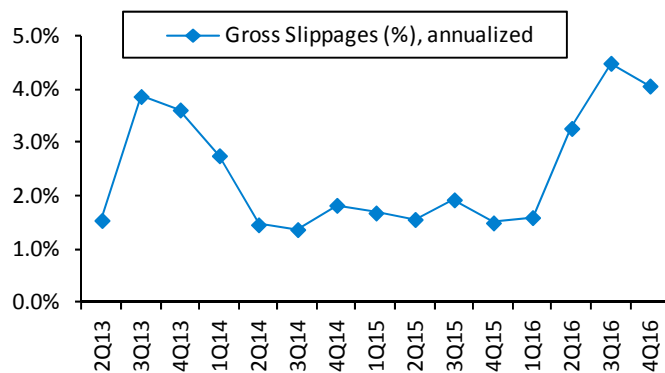
Slippages of Rs5.36bn mainly contributed from corporate book which 1 major a/c from hotel segment, while SME segment also increase by Rs200-300mn from run rate.

Asset quality improvement was largely on sale of NPA to ARC and high write-offs

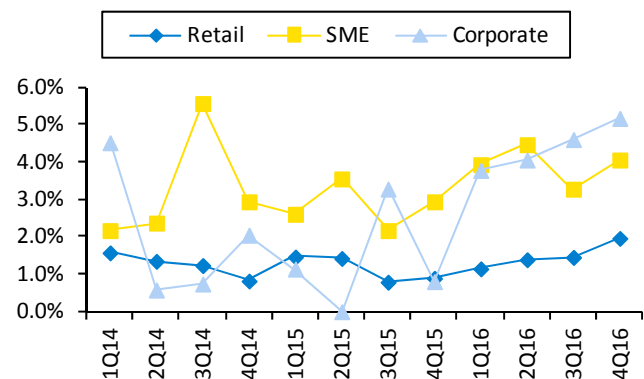
Retail also witnessed higher slippages mainly on a/c of issues in LAP portfolio in Kerala, but remains highly collateralized

Movement of NPL	Q4FY16	Q4FY15	YoY gr.	Q3FY16	QoQ gr.
Opening advances	16,841	10,666	57.9	14,987	12.4
Additions	5,360	1,800	197.8	5,710	(6.1)
Reduction	5,523	1,889	192.4	3,856	43.2
Closing	16,678	10,577	57.7	16,841	(1.0)
Slippages (%)	3.69	1.40		4.33	
Segmental fresh slippages:					
Retail	850	360	136.1	610	39.3
Agri	430	170	152.9	200	115.0
SME	1,540	950	62.1	1,150	33.9
Corporate	2,540	320	693.8	1,920	32.3
Retail (% annualized)	1.96	0.89		1.45	
Agri (% annualized)	2.59	1.08		1.32	
SME (% annualized)	4.06	2.94		3.28	
Corporate (% annualized)	5.17	0.80		4.61	

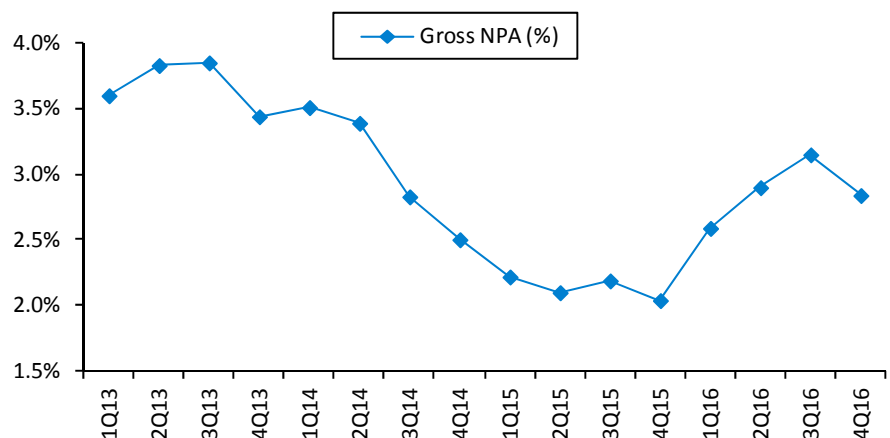
Source: Company Data, PL Research

Exhibit 8: Slippages rate continue to be high


Source: Company Data, PL Research

Exhibit 9: Slippages have increased in all segments


Source: Company Data, PL Research

Exhibit 10: Asset quality improves on back of ARC sale and higher write-offs


Source: Company Data, PL Research

Exhibit 11: Earnings change table

We cut earnings estimates by ~14.4%/11.5% for FY17E & FY18E on weaker FY16 and as credit cost to remain high from trend levels as asset quality outlook still remains grim

(Rs m)	Old		Revised		% Change	
	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Net interest Income	28,256	32,245	27,877	31,745	(1.3)	(1.6)
Operating profit	18,279	21,403	16,887	19,616	(7.6)	(8.3)
Net profit	9,073	11,441	7,887	10,150	(13.1)	(11.3)
EPS (Rs)	5.3	6.7	4.6	5.9	(13.4)	(11.6)
ABVPS (Rs)	45.9	51.5	45.4	49.8	(1.1)	(3.2)
Price target (Rs)	60		54		(10.3)	
Recommendation	BUY		BUY			

Source: Company Data, PL Research

Exhibit 12: ROEs to see gradual improvement over FY17E-18E as business operating parameters showing some signs of improvement

ROA Tree	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Net Interest Income/Assets	3.76%	3.59%	3.09%	3.16%	3.12%	3.01%	3.04%	3.01%
Fees/Assets	1.01%	0.83%	0.72%	0.76%	0.82%	0.79%	0.78%	0.81%
Investment profits/Assets	0.10%	0.15%	0.32%	0.22%	0.34%	0.15%	0.21%	0.18%
Net revenues/Assets	4.87%	4.56%	4.13%	4.14%	4.27%	3.96%	4.03%	4.00%
Operating Expense/Assets	-1.80%	-1.80%	-1.85%	-2.04%	-2.14%	-2.25%	-2.18%	-2.14%
Provisions/Assets	-1.13%	-0.62%	-0.42%	-0.38%	-0.14%	-0.85%	-0.54%	-0.40%
Taxes/Assets	-0.68%	-0.72%	-0.56%	-0.53%	-0.68%	-0.29%	-0.44%	-0.50%
Total Costs/Assets	-3.61%	-3.14%	-2.82%	-2.95%	-2.95%	-3.39%	-3.17%	-3.04%
ROA	1.26%	1.43%	1.31%	1.19%	1.32%	0.57%	0.86%	0.96%
Equity/Assets	10.54%	9.93%	9.46%	9.44%	9.63%	9.52%	9.27%	8.82%
ROE	11.99%	14.37%	13.90%	12.59%	13.70%	6.01%	9.29%	10.93%

Source: Company Data, PL Research

Exhibit 13: We cut our TP to Rs54 (from Rs60) based on 1.1x Sep-17E ABV

PT calculation and upside	
Fair price - EVA	51
Fair price - P/ABV	57
Average of the two	54
Target P/ABV	1.1
Target P/E	10.3
Current price, Rs	46
Upside (%)	17%
Dividend yield (%)	2.0%
Total return (%)	19%

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	2015	2016E	2017E	2018E
Int. Earned from Adv.	54,468	56,693	66,348	76,789
Int. Earned from Inv.	16,497	17,596	17,186	18,501
Others	3,230	3,158	2,885	3,119
Total Interest Income	74,195	77,447	86,419	98,409
Interest expense	50,391	52,405	58,542	66,664
NII	23,804	25,042	27,877	31,745
<i>Growth (%)</i>	6.8	5.2	11.3	13.9
Treasury Income	2,557	1,280	1,900	1,901
NTNII	6,226	6,584	7,143	8,499
Non Interest Income	8,783	7,864	9,043	10,400
Total Income	82,978	85,311	95,462	108,809
<i>Growth (%)</i>	8.6	2.8	11.9	14.0
Operating Expense	16,309	18,668	20,034	22,529
Operating Profit	16,278	14,238	16,887	19,616
<i>Growth (%)</i>	10.1	(12.5)	18.6	16.2
NPA Provisions	2,043	5,550	4,381	3,657
Investment Provisions	(806)	800	—	—
Total Provisions	1,067	7,041	4,937	4,238
PBT	15,210	7,197	11,950	15,379
Tax Provisions	5,153	2,440	4,063	5,230
<i>Effective Tax Rate (%)</i>	33.9	33.9	34.0	34.0
PAT	10,057	4,757	7,887	10,149
<i>Growth (%)</i>	20.1	(52.7)	65.8	28.7

Balance Sheet (Rs m)

Y/e March	2015	2016E	2017E	2018E
Par Value	2	2	2	2
No. of equity shares	857	1,719	1,719	1,719
Equity	1,713	3,438	3,438	3,438
Networth	77,381	80,912	89,069	96,736
Adj. Networth	73,468	71,412	82,061	90,016
Deposits	708,250	791,717	902,557	1,046,967
<i>Growth (%)</i>	18.6	11.8	14.0	16.0
Low Cost deposits	217,835	257,050	296,647	348,299
<i>% of total deposits</i>	30.8	32.5	32.9	33.3
Total Liabilities	828,505	914,300	1,041,982	1,204,884
Net Advances	512,850	580,901	670,941	791,711
<i>Growth (%)</i>	18.1	13.3	15.5	18.0
Investments	244,092	222,175	245,338	268,163
Total Assets	828,505	914,300	1,041,982	1,204,884

Source: Company Data, PL Research.

Quarterly Financials (Rs m)

Y/e March	Q1FY16	Q2FY16	Q3FY16	Q4FY16
Interest Income	19,132	19,023	19,028	20,265
Interest Expense	13,084	12,939	12,976	13,406
Net Interest Income	6,048	6,083	6,052	6,859
Non Interest Income	1,939	1,823	1,833	2,269
CEB	860	1,040	1,010	1,250
Treasury	380	260	230	410
Net Total Income	7,987	7,906	7,885	9,128
Operating Expenses	4,315	4,540	4,630	5,183
Employee Expenses	2,523	2,489	2,586	2,930
Other Expenses	1,792	2,051	2,044	2,252
Operating Profit	3,672	3,366	3,255	3,945
Core Operating Profit	3,292	3,106	3,025	3,535
Provisions	1,531	873	750	3,886
Loan loss provisions	1,170	1,270	390	2,690
Investment Depreciation	490	(260)	160	530
Profit before tax	2,141	2,493	2,505	59
Tax	727	880	877	(44)
PAT before EO	1,414	1,613	1,628	103
Extraordinary item	—	—	—	—
PAT	1,414	1,613	1,628	103

Key Ratios

Y/e March	2015	2016E	2017E	2018E
CMP (Rs)	46	46	46	46
Equity Shrs. Os. (m)	857	1,719	1,719	1,719
Market Cap (Rs m)	39,278	78,814	78,814	78,814
<i>M/Cap to AUM (%)</i>	4.7	8.6	7.6	6.5
EPS (Rs)	5.9	2.8	4.6	5.9
Book Value (Rs)	45	47	52	56
Adj. BV (100%) (Rs)	41	39	45	50
P/E (x)	7.8	16.5	10.0	7.8
P/BV (x)	1.0	1.0	0.9	0.8
P/ABV (x)	1.1	1.2	1.0	0.9
DPS (Rs)	2.2	0.5	0.9	1.2
<i>Dividend Yield (%)</i>	4.8	1.1	2.0	2.6

Profitability (%)

Y/e March	2015	2016E	2017E	2018E
NIM	3.0	2.9	2.9	2.8
RoAA	1.3	0.5	0.8	0.9
RoAE	13.7	6.0	9.3	10.9

Efficiency

Y/e March	2015	2016E	2017E	2018E
<i>Cost-Income Ratio (%)</i>	50.0	56.7	54.3	53.5
<i>C-D Ratio (%)</i>	72.4	73.4	74.3	75.6
Business per Emp. (Rs m)	101	99	99	100
Profit per Emp. (Rs lacs)	8.4	3.4	5.0	5.5
Business per Branch (Rs m)	979	881	808	755
Profit per Branch (Rs m)	8	3	4	4

Asset Quality

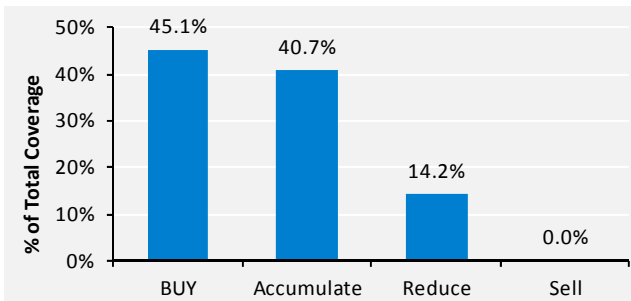
Y/e March	2015	2016E	2017E	2018E
Gross NPAs (Rs m)	10,577	16,678	13,663	13,606
Net NPAs (Rs m)	3,914	9,500	7,007	6,720
<i>Gr. NPAs to Gross Adv. (%)</i>	2.1	2.9	2.0	1.7
<i>Net NPAs to Net Adv. (%)</i>	0.8	1.6	1.0	0.8
<i>NPA Coverage (%)</i>	63.0	43.0	48.7	50.6

Source: Company Data, PL Research.

**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

Rating Distribution of Research Coverage**PL's Recommendation Nomenclature**

BUY	:	Over 15% Outperformance to Sensex over 12-months
Accumulate	:	Outperformance to Sensex over 12-months
Reduce	:	Underperformance to Sensex over 12-months
Sell	:	Over 15% underperformance to Sensex over 12-months
Trading Buy	:	Over 10% absolute upside in 1-month
Trading Sell	:	Over 10% absolute decline in 1-month
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

DISCLAIMER/DISCLOSURES**ANALYST CERTIFICATION**

We/I, Mr. Nitin Kumar (B.E, PGDM, CFA), Mr. Pritesh Bumb (MBA, M.com), Ms. Vidhi Shah (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.

Terms & conditions and other disclosures:

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 of 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. Nitin Kumar (B.E, PGDM, CFA), Mr. Pritesh Bumb (MBA, M.com), Ms. Vidhi Shah (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.

DISCLAIMER/DISCLOSURES (FOR US CLIENTS)**ANALYST CERTIFICATION**

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

Terms & conditions and other disclosures:

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.