RBL Bank Ltd

Turnaround on the anvil

Kyon ki bhaiya, sabse bada rupaiya.

TABLE OF CONTENTS

BUY @ CMP INR 150.0 | Target: INR 256.2 in 24 months | Upside Potential: 70.8%

Turnaround on the anvil…

Burgeoning asset quality issues from the fallout of concentrated bets on select corporate portfolios took a toll on RBL Bank's profitability in FY22. As if these were not enough, ensuing friction with the RBI on the issue of management leadership and street perception on the ballooning losses on the credit card business led to a sharp de-rating of the stock. In our opinion, the pessimism on the stock is overdone and the current valuations more than capture all the negatives.

Corrective action with the appointment of a new CEO, Mr R. Subramaniakumar, more than adequate provisioning on the NPLs, early positive traction on the new business plan and the possible recall of the RBI nominated director is indicative of an early path to recovery. In our opinion, the current valuations provide for an attractive entry point for investing in the stock with a good risk-return profile over the next 2 years.

We initiate coverage on RBL with a BUY for a price target of INR 256.2 (~1.0x FY25 P/B) which represents a potential upside of 70.8% from the CMP over the next 24 months. Our model builds in a conservative outlook with a robust NPL recovery.
We expect:

- Advances and NII to grow at a CAGR of 12.0% & 14.2% to INR 86,889.6 cr & INR 6,391.7 cr, respectively, over FY22-25 supported by branch expansion (80-100 branches every year). Other income is expected to grow at 8.6% CAGR over FY22-25 as new credit card issuances should help drive fee income. We have modelled ~70bps expansion in NIM's as the bank increases share of retail pie in the overall lending.
- PPoP is expected to grow at 6.7% CAGR to INR 3,220.3 cr over FY22-25. RBL Bank is now expected to slow down provisioning given that majority of the stress on the wholesale book is already out and hence we do not expect any big surprises. Net earnings are expected to turn positive going forward (FY25 PAT expected at INR 1,083.9 cr) unlike loss of INR 166.2 cr reported in FY22.
- Return ratios namely RoAA and RoAE are expected to grow by ~98bps & ~864bps over FY22-25 to 0.8% and 7.3%, respectively. We expect cost to income to stay above >60% over the forecast period.

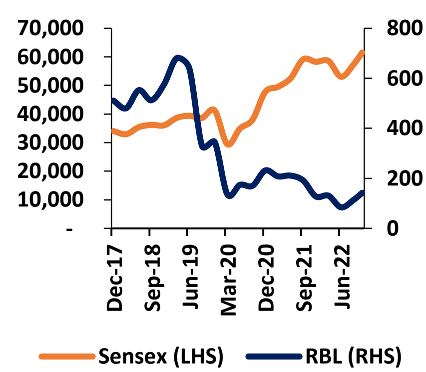
Disruption by fintech players and incremental stress on new loan book remain key risks to our investment thesis.

Industry	Bank

Scrip Details	
Face Value (INR)	10.0
Market Cap (INR Cr)	8,999
Price (INR)	150
No of Shares O/S (Cr)	59.9
3M Avg Vol (000)	24,287.4
52W High/Low (INR)	205/74
Dividend Yield (%)	0.0

Shareholding (%)	Sept,22
Promoter	0.0
Institution	43.8
Public/Others	56.2
TOTAL	**100.0**

Price Chart

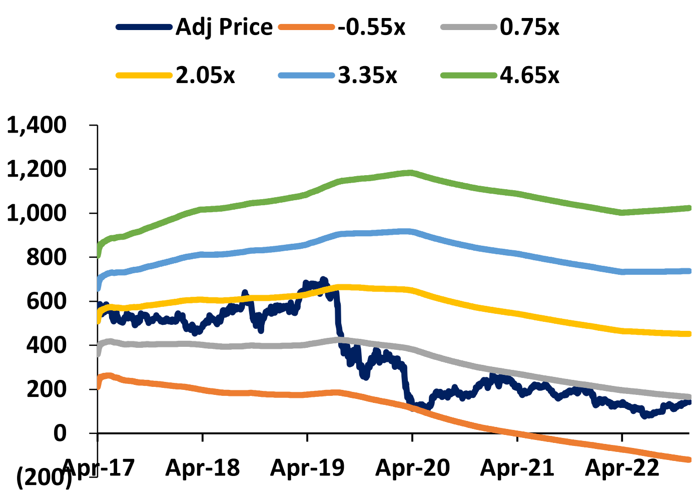


Key Financial Data (INR Cr, unless specified)

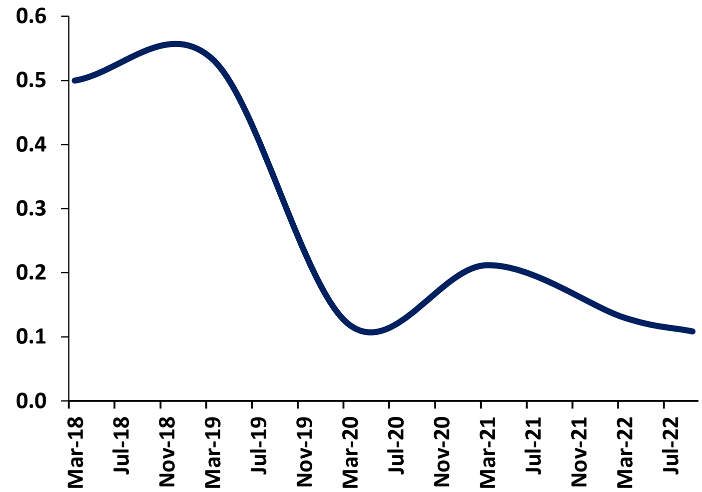
	Interest earned	NII	PPOP	Net Profit	NIM (%)	EPS (INR)	Ad BVPS (INR)	RoAA (%)	RoAE (%)	P/E (X)	P/BV (X)
FY21	8,675.9	4,136.4	2,940.0	529.5	4.6	8.8	191.0	0.6	4.6	17.0	0.7
FY22	8,444.9	4,296.6	2,653.9	-166.2	4.4	-2.8	196.9	-0.2	-1.3	-53.7	0.7
FY23E	9,339.9	4,886.1	2,061.0	740.0	4.8	12.3	210.2	0.7	5.7	12.2	0.7
FY24E	10,741.3	5,641.9	2,679.5	1,002.1	5.0	16.7	226.0	0.8	7.3	9.0	0.6
FY25E	12,271.6	6,391.7	3,220.3	1,083.9	5.1	18.1	243.5	0.8	7.3	8.3	0.6

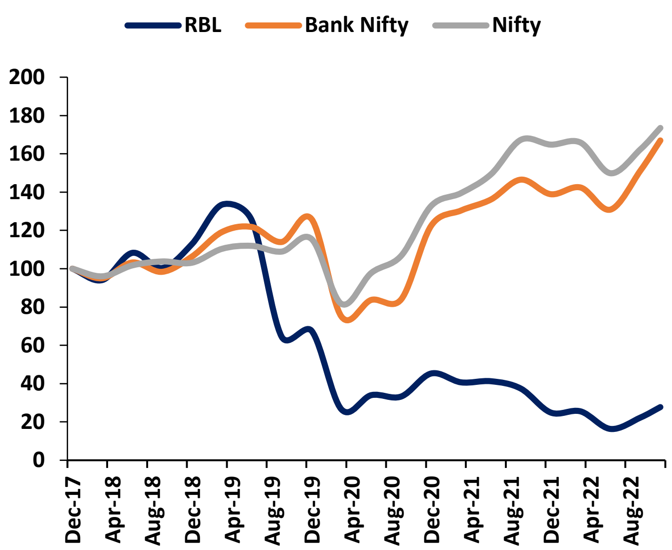
RBL valuation and price performance

1 year forward P/BV band chart

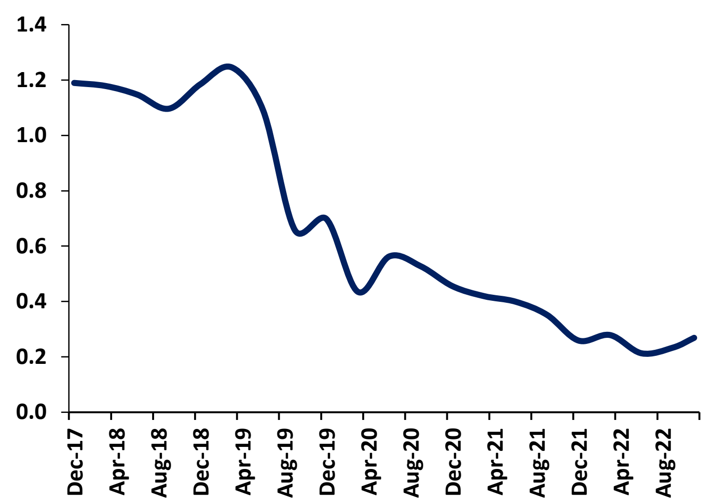


M.cap/Advances (x)



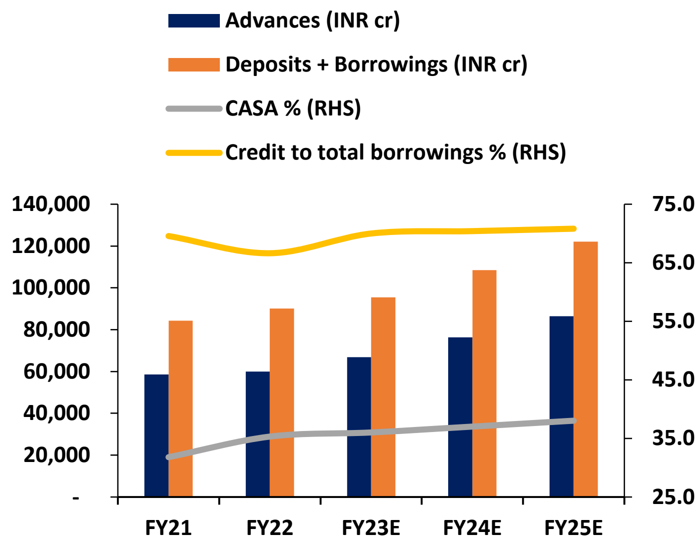


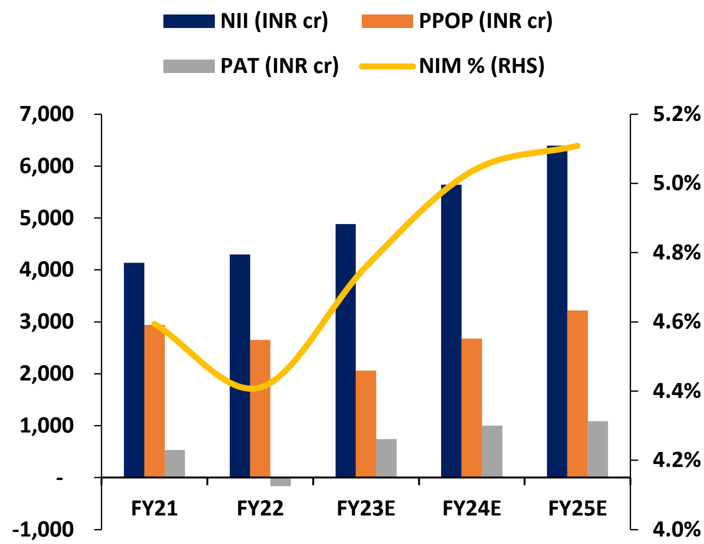
Premium/Disc v/s Bank Nifty

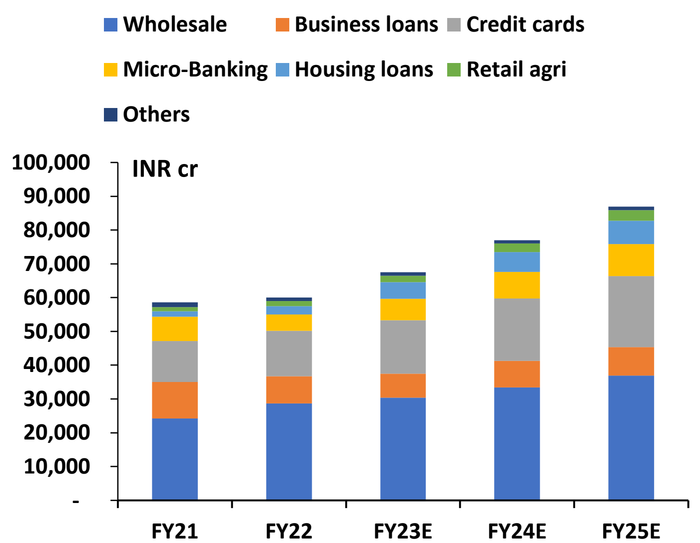


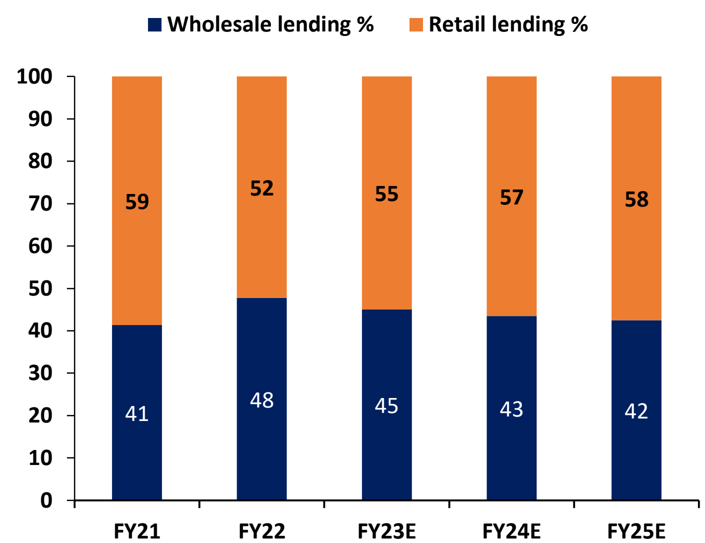
Source: Company, Ventura research

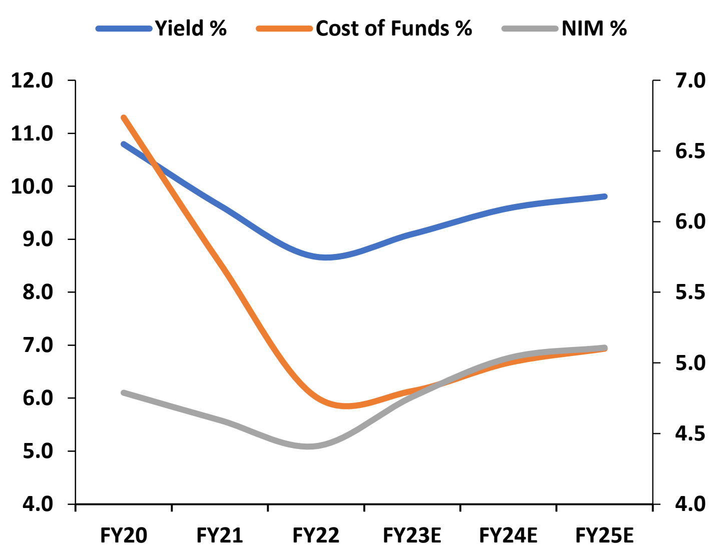
Story in Chart

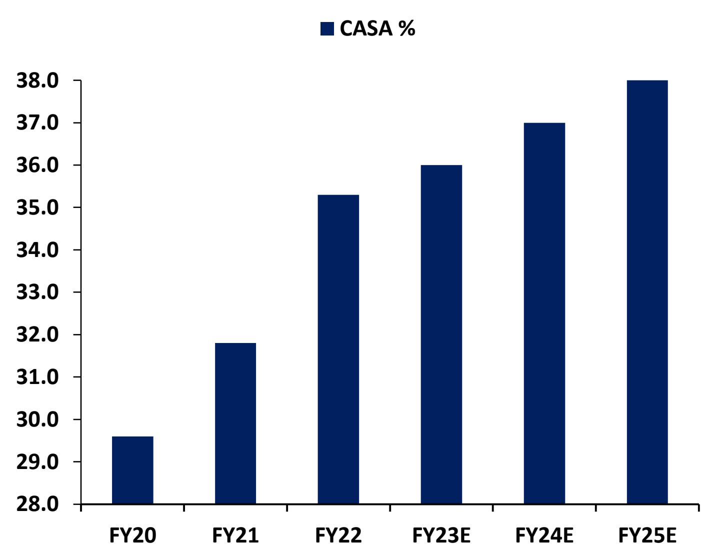


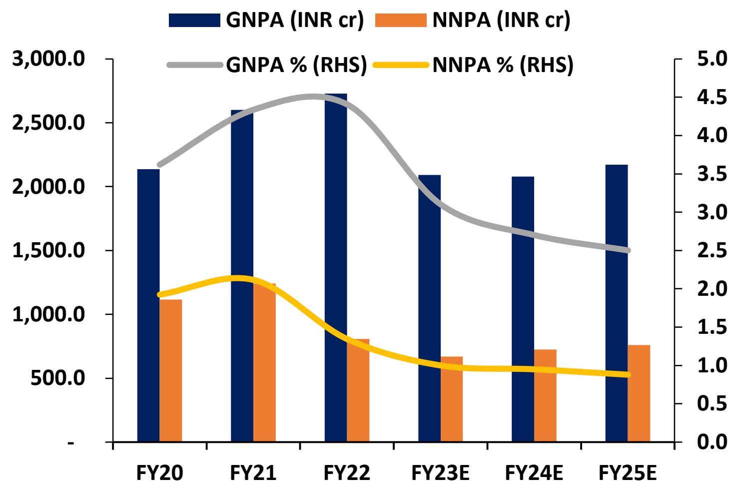


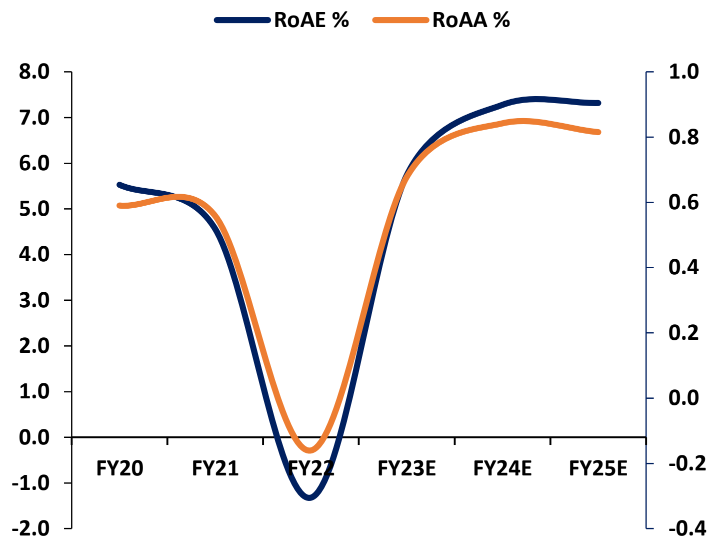


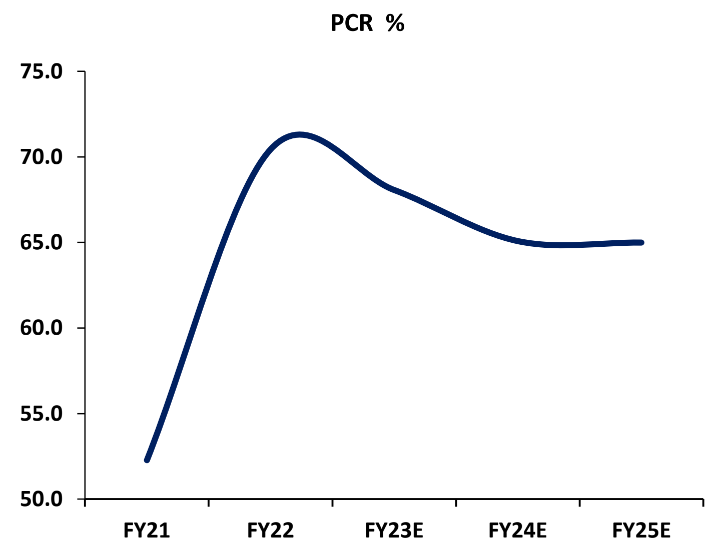


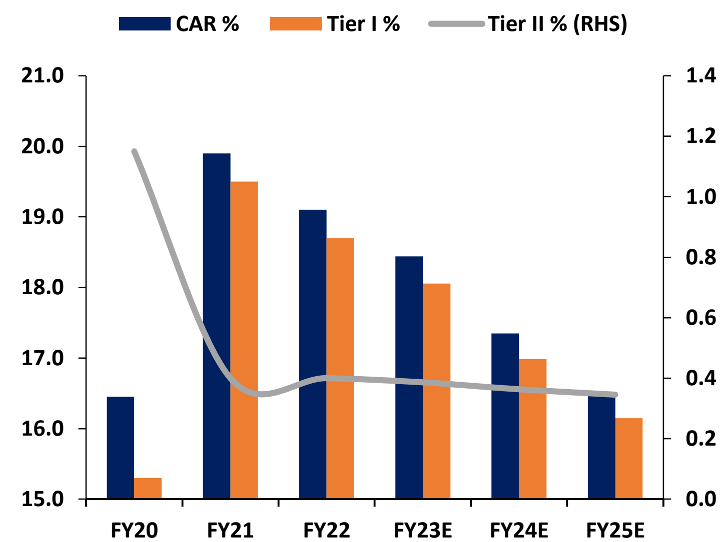












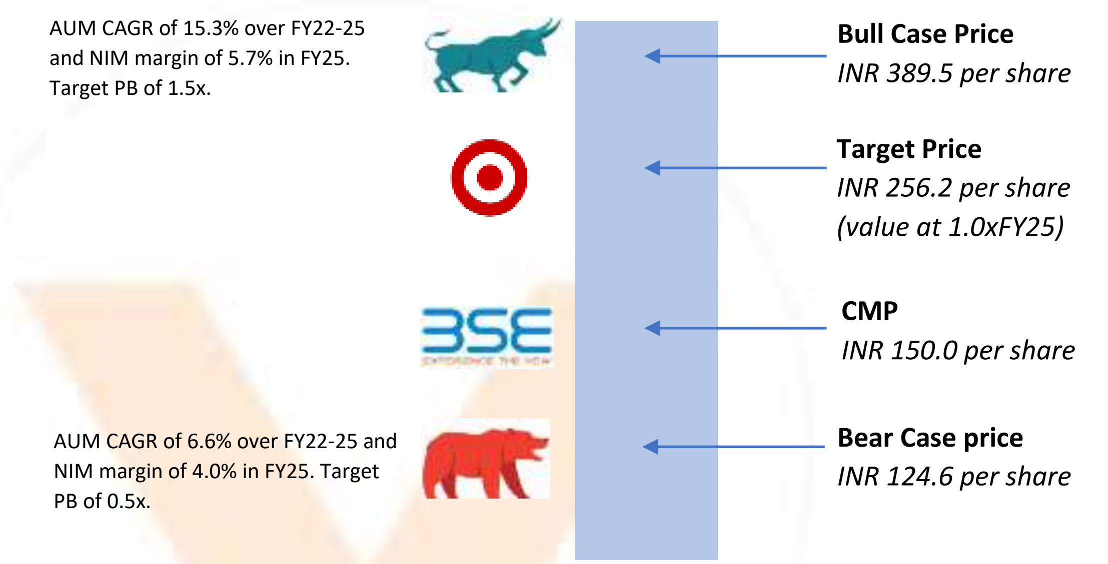
Source: Company, Ventura research

Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario, with 3 variable sensitivity, based on FY25 AUM, NIM margins & target PB.

- **Bull Case:** We have assumed an FY25 AUM of INR 95,000 cr in FY25 (CAGR of 15.3% over FY22-25) and NIM margins of ~5.7%, which will result in a Bull Case price target of INR 389.5 per share. We assign an FY25 target PB of 1.5x.
- **Bear Case:** We have assumed an FY24 AUM of INR 75,000 cr in FY25 (CAGR of 6.6%) and NIM margins of 4.0%, which will result in a Bear Case price target of INR 124.6 per share. We assign an FY25 target PB of 0.5x.

Bull & Bear Case Scenario



Source: Company, Ventura research

Investment triggers

- **Healthy profit growth expectation:** RBL is now expected to slow down provisioning, given comfortable PCR and no major expectation of slippage in asset quality leading to turnaround in profitability.
- **Increase in retail mix:** RBL's management is looking to scale up its secured retail portfolio (affordable housing and low-cost mortgages) to reduce the risk in its business model. The management is targeting to add 80-100 branches every year going forward.

Catalysts

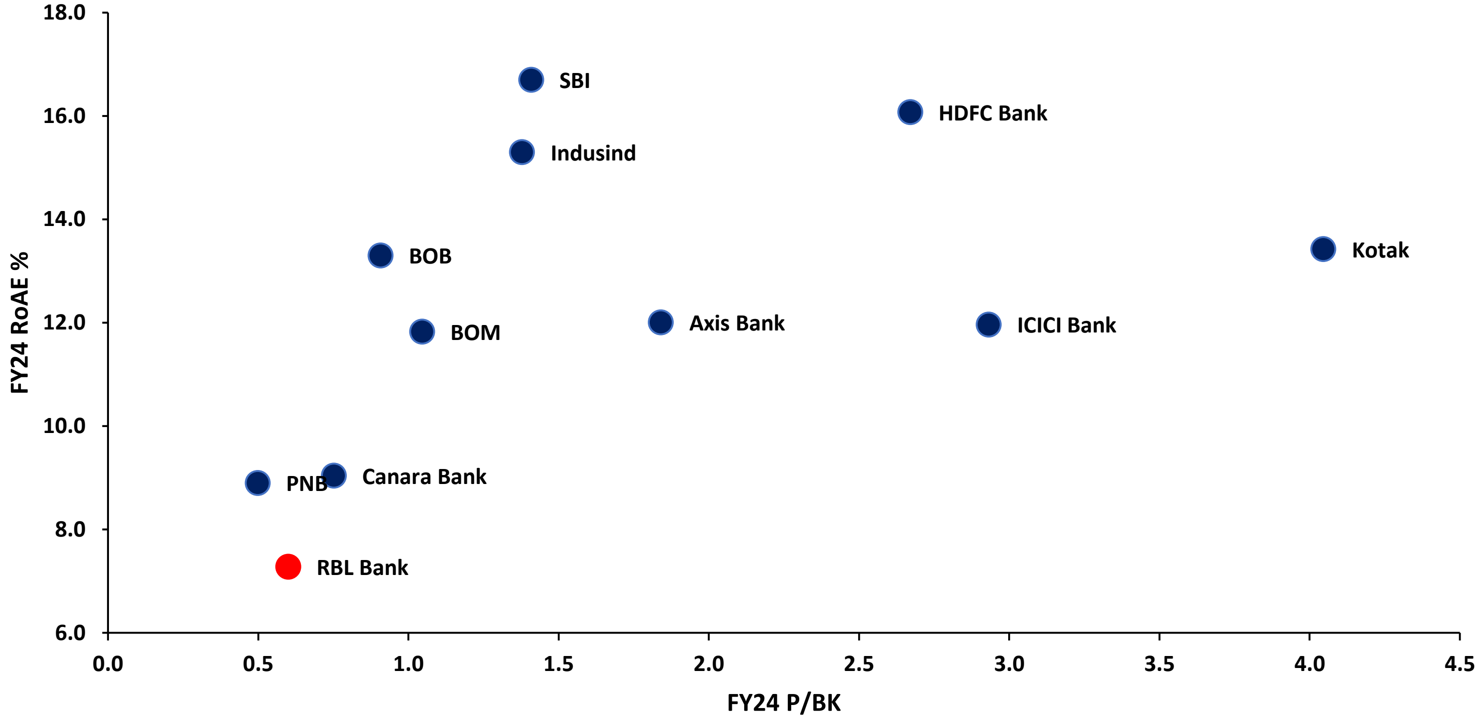
- **Faster growth in retail loans:** We expect retail loans to constitute 58% of total loan book by FY25. Acceleration in retail lending can lead to re-rating of the stock.

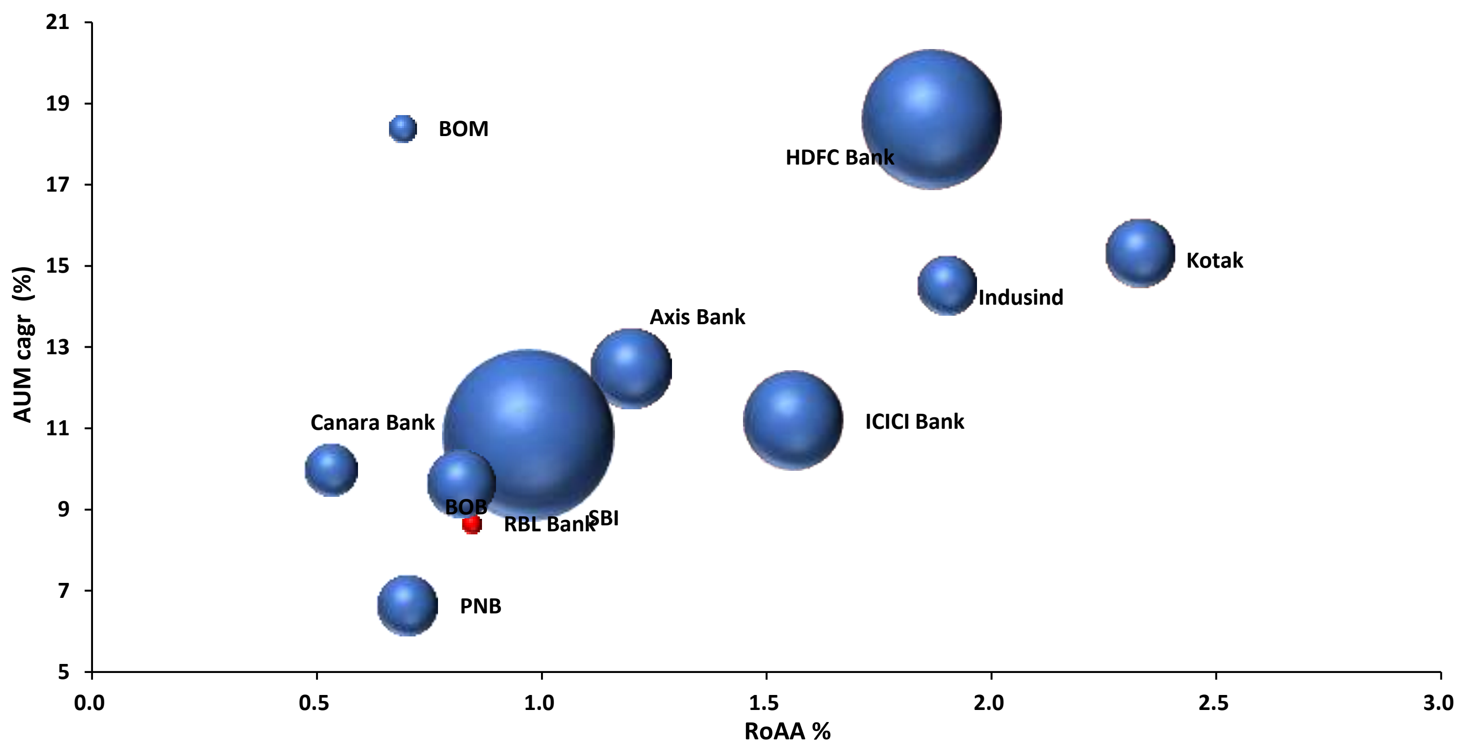
Peer Valuation

All figures in bn INR bn	Mkt Cap	Price INR	P/B Ratio			P/E Ratio			RoAE (%)			RoAA (%)			NIM (%)			PPOP (%)			Net Profit (%)			GNPA (%)			NNPA (%)		
			2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
RBL Bank	86	143	0.7	0.6	0.6	(51.2)	11.6	8.6	-1.3	5.7	7.3	-0.2	0.7	0.8	7.9	8.6	9.1	61.8	42.2	47.5	-3.9	15.1	17.8	4.4	3.1	2.7	2.1	1.3	1.0
HDFC Bank	8,895	1,595	3.7	3.1	2.7	23.9	21.2	18.0	16.7	16.0	16.1	1.9	1.8	1.9	3.9	4.2	4.1	89.0	79.4	81.0	51.3	46.7	47.8	1.17	1.1	1.1	0.32	0.4	0.3
ICICI Bank	6,460	926	3.8	3.3	2.9	27.5	26.5	26.0	14.7	13.3	12.0	1.8	1.7	1.6	3.8	3.8	3.8	82.7	81.1	80.3	49.2	46.7	44.0	4.2	4.1	4.0	0.8	0.8	0.8
Kotak	3,871	1,949	5.3	4.6	4.0	45.2	34.7	32.2	12.6	14.3	13.4	2.1	2.4	2.3	4.3	4.9	4.9	71.7	80.9	79.8	51.0	53.4	52.5	2.3	2.2	2.1	0.6	0.6	0.6
Axis Bank	2,694	876	2.3	2.1	1.8	20.7	18.3	16.3	12.0	12.0	12.0	1.2	1.2	1.2	3.5	3.6	3.7	75.4	72.9	74.5	39.3	36.5	36.2	2.8	2.6	2.3	0.7	0.6	0.5
Indusind	902	1,163	1.8	1.6	1.4	16.0	11.9	10.0	12.7	15.7	15.3	1.5	1.8	1.9	4.2	4.4	4.5	86.2	84.8	82.1	37.2	43.2	44.5	2.6	2.3	2.1	0.6	0.6	0.5
SBI	5,408	605	1.9	1.6	1.4	11.9	9.0	7.2	13.6	15.6	16.7	0.7	0.9	1.0	2.9	3.0	3.1	63.3	65.6	67.7	37.4	44.1	48.5	4.2	3.8	3.2	1.3	1.3	1.1
BOB	876	169	1.1	1.0	0.9	11.5	9.2	7.2	10.1	11.6	13.3	0.6	0.7	0.8	2.8	2.9	2.8	70.4	65.8	64.5	23.5	25.8	30.3	6.2	4.2	3.3	2.1	1.4	1.0
Canara Bank	590	325	0.9	0.8	0.8	12.7	8.9	8.3	7.4	9.6	9.0	0.4	0.5	0.5	2.7	2.8	2.8	83.7	84.8	83.5	17.9	22.5	22.6	7.9	7.3	6.6	3.1	2.7	2.1
PNB	554	50	0.6	0.5	0.5	17.2	7.5	5.9	3.5	7.5	8.9	0.3	0.5	0.7	2.3	2.5	2.6	68.8	73.8	76.4	11.7	23.7	27.6	13.6	12.5	11.5	5.2	4.7	4.1
BOM	186	28	1.3	1.2	1.0	16.0	11.7	9.4	8.7	10.6	11.8	0.5	0.6	0.7	3.0	3.1	3.1	66.5	64.2	65.8	15.8	18.6	20.2	3.9	4.0	3.8	1.0	0.9	0.9

Source: Company Reports, Ventura Research, Bloomberg

RBL bank is currently the cheapest bank after PNB





Source: Ventura Research, ACE Equity & Bloomberg, Size of bubble indicates NII in 2nd chart

Financial Analysis and Projections

Going forward, we expect RBL's advances and NII to grow at a CAGR of 12.0% & 14.2% to INR 86,889.6 cr & INR 6,391.7 cr, respectively, over FY22-25. Pre-provisioning operating profit is expected to grow at a CAGR of 6.7% to INR 3,220.3 cr. We have modelled ~70bps expansion in NIMs as the bank increases its share of the retail pie in the overall lending. Other income is expected to grow at 8.6% CAGR over FY22-25 as new credit card issuances should help drive fee income. PPoP is expected to grow at 6.7% CAGR over FY22-25. RBL Bank is now expected to slow down provisioning given that majority of the stress on the wholesale book is already out and hence we do not expect any big surprises. Net earnings are expected to turn positive going forward (FY25 PAT expected at INR 1,083.9 cr) unlike loss of INR 166.2 cr reported in FY22. Return ratios namely RoAA and RoAE are expected to grow by ~98bps & ~864bps over FY22-25 to 0.8% and 7.3%, respectively. RBL has guided for large branch expansion going ahead and hence we expect cost to income to stay above 60% over the forecast period.

Financial Summary

Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Gross advances	59,025.7	59,982.7	61,926.6	67,490.9	76,965.4	86,889.6	96,503.9	105,771.7	114,153.8	121,214.5	128,066.4
YoY Growth (%)		*1.6*	*3.2*	*9.0*	*14.0*	*12.9*	*11.1*	*9.6*	*7.9*	*6.2*	*5.7*
Wholesale	25,494.0	24,233.0	28,693.0	30,414.6	33,456.0	36,885.3	39,836.1	42,624.6	45,182.1	47,441.2	49,813.3
YoY Growth (%)		*(4.9)*	*18.4*	*6.0*	*10.0*	*10.3*	*8.0*	*7.0*	*6.0*	*5.0*	*5.0*
Retail	32,525.0	34,390.0	31,329.0	37,076.3	43,509.4	50,004.3	56,667.8	63,147.0	68,971.7	73,773.3	78,253.2
YoY Growth (%)		*5.7*	*(8.9)*	*18.3*	*17.4*	*14.9*	*13.3*	*11.4*	*9.2*	*7.0*	*6.1*
Interest income	8,778.7	8,675.9	8,444.9	9,339.9	10,741.3	12,271.6	13,666.9	14,735.5	15,614.0	16,353.9	17,093.5
YoY Growth (%)		*(1.2)*	*(2.7)*	*10.6*	*15.0*	*14.2*	*11.4*	*7.8*	*6.0*	*4.7*	*4.5*
Avg Yield (%)	*10.8*	*9.6*	*8.7*	*9.1*	*9.6*	*9.8*	*9.9*	*9.8*	*9.6*	*9.5*	*9.4*
Interest expended	4,884.7	4,539.5	4,148.2	4,453.8	5,099.4	5,879.9	6,686.9	7,208.2	7,656.0	8,000.4	8,269.5
YoY Growth (%)		*(7.1)*	*(8.6)*	*7.4*	*14.5*	*15.3*	*13.7*	*7.8*	*6.2*	*4.5*	*3.4*
Avg cost of funds (%)	*6.7*	*5.7*	*4.8*	*4.8*	*5.0*	*5.1*	*5.2*	*5.1*	*5.0*	*4.9*	*4.8*
NII	3,893.9	4,136.4	4,296.6	4,886.1	5,641.9	6,391.7	6,980.0	7,527.4	7,958.0	8,353.4	8,824.0
NIM (%)	*4.8*	*4.6*	*4.4*	*4.8*	*5.0*	*5.1*	*5.1*	*5.0*	*4.9*	*4.8*	*4.8*
Other income	1,918.0	1,874.7	2,351.5	2,256.5	2,506.3	3,012.7	3,380.3	3,737.6	4,073.9	4,370.9	4,640.9
Operating expenses	3,065.8	3,071.1	3,994.2	5,081.6	5,468.6	6,184.1	6,448.2	6,973.0	7,201.0	7,547.5	7,691.9
Cost to Income (%)	*52.7*	*51.1*	*60.1*	*71.1*	*67.1*	*65.8*	*62.2*	*61.9*	*59.8*	*59.3*	*57.1*
PPOP	2,746.2	2,940.0	2,653.9	2,061.0	2,679.5	3,220.3	3,912.1	4,292.1	4,830.9	5,176.8	5,772.9
YoY Growth (%)		*7.1*	*(9.7)*	*(22.3)*	*30.0*	*20.2*	*21.5*	*9.7*	*12.6*	*7.2*	*11.5*
As a % of total income	*47.3*	*48.9*	*39.9*	*28.9*	*32.9*	*34.2*	*37.8*	*38.1*	*40.2*	*40.7*	*42.9*
Provisions	1,998.9	2,227.9	2,860.4	1,071.7	1,339.8	1,771.2	2,151.7	2,446.5	2,898.5	3,209.6	3,637.0
PBT	747.4	712.0	(206.5)	989.3	1,339.8	1,449.1	1,760.4	1,845.6	1,932.4	1,967.2	2,136.0
Tax	247.2	182.6	(40.4)	249.3	337.6	365.2	443.6	465.1	487.0	495.7	538.3
PAT	500.2	529.5	(166.2)	740.0	1,002.1	1,083.9	1,316.8	1,380.5	1,445.4	1,471.5	1,597.7
YoY Growth (%)		*5.9*	*(131.4)*	*(545.4)*	*35.4*	*8.2*	*21.5*	*4.8*	*4.7*	*1.8*	*8.6*
GNPA	2,136.5	2,601.5	2,729.0	2,092.2	2,078.1	2,172.2	2,412.6	2,379.9	2,454.3	2,424.3	2,561.3
NNPA	1,116.4	1,241.4	807.0	668.2	725.7	760.5	770.1	793.3	801.1	791.9	774.2
CAR	16.5	19.9	19.1	18.4	17.3	16.5	16.1	15.8	15.8	16.0	16.2
Tier I	15.3	19.5	18.7	18.1	17.0	16.1	15.7	15.5	15.5	15.6	15.9
GNPA %	3.6	4.3	4.4	3.1	2.7	2.5	2.5	2.3	2.2	2.0	2.0
NNPA %	1.9	2.1	1.3	1.0	1.0	0.9	0.8	0.8	0.7	0.7	0.6
PCR %	*47.7*	*52.3*	*70.4*	*68.1*	*65.1*	*65.0*	*68.1*	*66.7*	*67.4*	*67.3*	*69.8*
RoAE %	*5.5*	*4.6*	*(1.3)*	*5.7*	*7.3*	*7.3*	*8.2*	*8.0*	*7.7*	*7.3*	*7.3*
RoAA %	*0.6*	*0.6*	*(0.2)*	*0.7*	*0.8*	*0.8*	*0.9*	*0.9*	*0.8*	*0.8*	*0.8*
PE	*14.5*	*16.2*	*(51.2)*	*11.6*	*8.6*	*7.9*	*6.5*	*6.2*	*5.9*	*5.8*	*5.4*
P/BV	*0.7*	*0.7*	*0.7*	*0.6*	*0.6*	*0.6*	*0.5*	*0.5*	*0.4*	*0.4*	*0.4*
P/adj BV	*0.8*	*0.7*	*0.7*	*0.7*	*0.6*	*0.6*	*0.5*	*0.5*	*0.5*	*0.4*	*0.4*

Source: Company Reports & Ventura Research

 For any further query, please email us on research@ventura1.com

Key Investment highlights

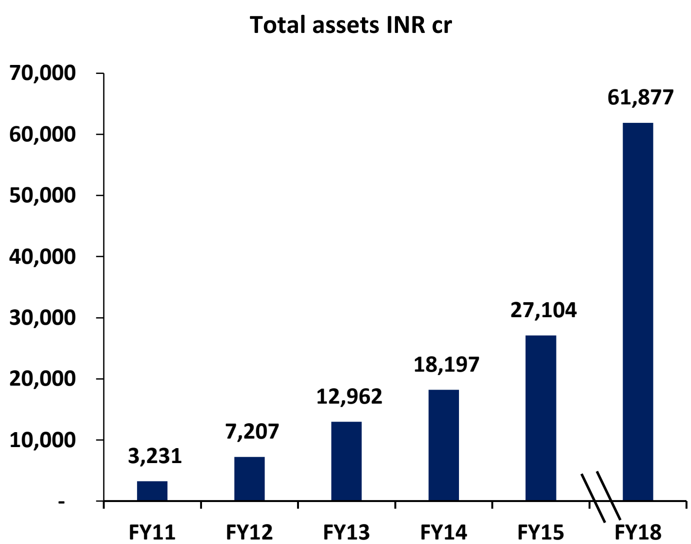
Aggressive lending by previous management led to the downfall

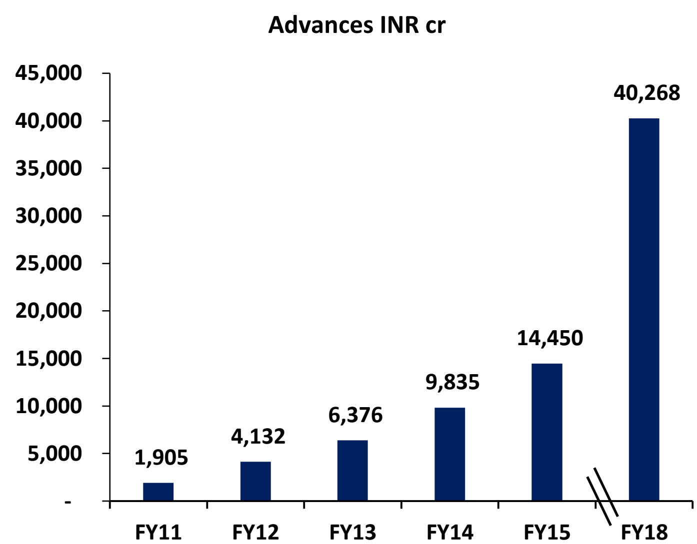
Vishwavir Ahuja, who used to head at Bank of America in India took over Ratnakar Bank Limited and went on an aggressive expansion of the banks operations. When he took charge in 2010, RBL had a balance sheet size of ~INR 3,231.3 cr, loan book of INR 1,905.2 cr and deposits of INR 2,042.1 cr. But profit was only INR 5.6 crore.

- The new management (majority being from MNC banks) went for an aggressive expansion and adopted a high-risk model of lending by targeting a higher RoE.
- Instead of building retail liabilities (low-cost current account and savings account, or CASA) which takes time, it targeted bulk deposits that are easier to source by offering higher interest rates.
- These bulk deposits were used to fund its high-risk & high-return unsecured loan portfolio. Along with the unsecured lending, RBL also provided short-term loans with high interest rates to mid-sized companies (with lower than A Rating by credit agencies) for working capital needs.

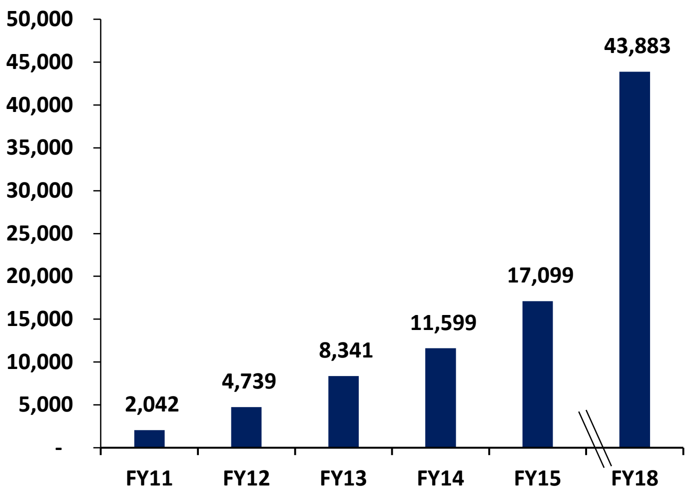
This strategy initially paid rich dividends which can be seen by the fact that by FY18, the balance sheet had grown 19x to INR 61,877.3 cr, loans and advances by 21x to INR 40,267.8 cr, deposits by 21x to INR 43,883.1 cr and net profit by ~114x to INR 639.2 cr. It was a story of transformation, growth, scale, and profitability.

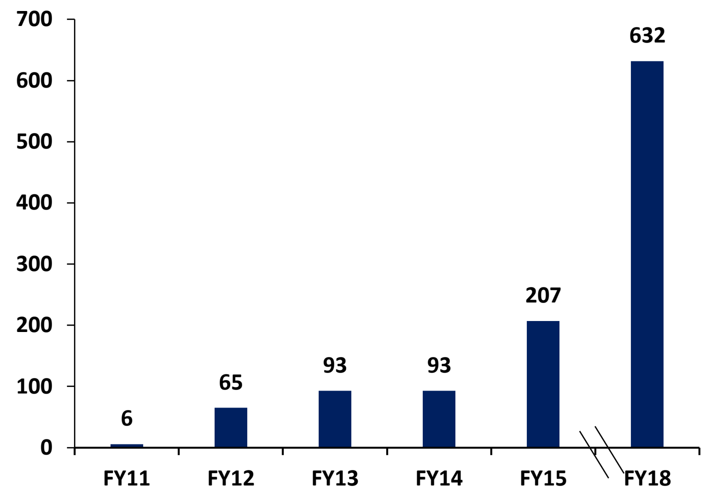
All the parameters of the bank grew rapidly over FY11-FY18





 For any further query, please email us on research@ventura1.com





Source: Company, Ventura research

However, the period between 2018 & 2019 proved to be challenging for RBL due to the compounding effect of a series of events starting with

- the debacle of infra financing entity IL&FS.
- Following that, a slew of defaults in over-leveraged firms such as DHFL, Jet Airways, Cox & Kings and Café Coffee Day surfaced which dampened the entire business confidence around lending companies.

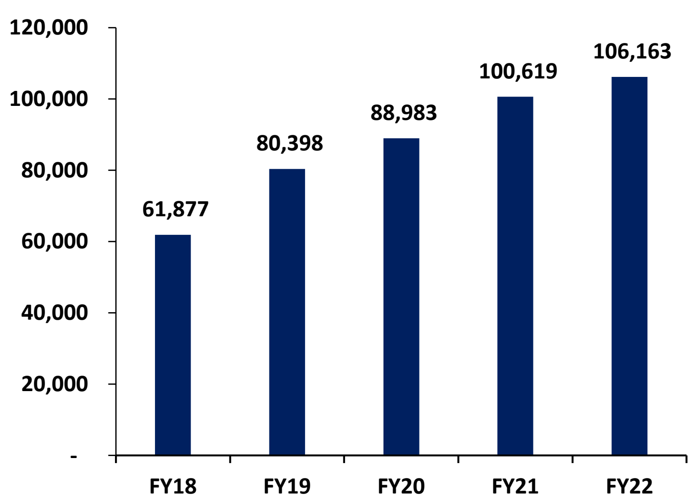
In July 2019, RBL disclosed half-a-dozen stressed loans worth INR 1,000 cr, with exposure to firms including Café Coffee Day and the Essel Group. It hinted that its gross NPAs would top 2% of total advances, after staying below 1.5% for 7-8 years. This spooked the then existing investors who bailed out & consequently the share price plummeted.

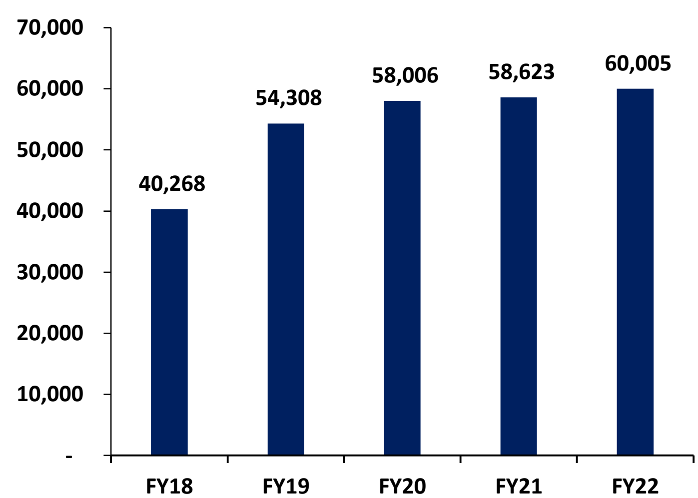
Four months later, RBL spooked the market with an additional stressed loans of INR 800 cr. This created uncertainty over the extent to which disclosures were made with regards to NPA recognition and the market feared possible additional pain could emerge given exposure to the lowest investment-grade (BBB) and below-rated corporates.

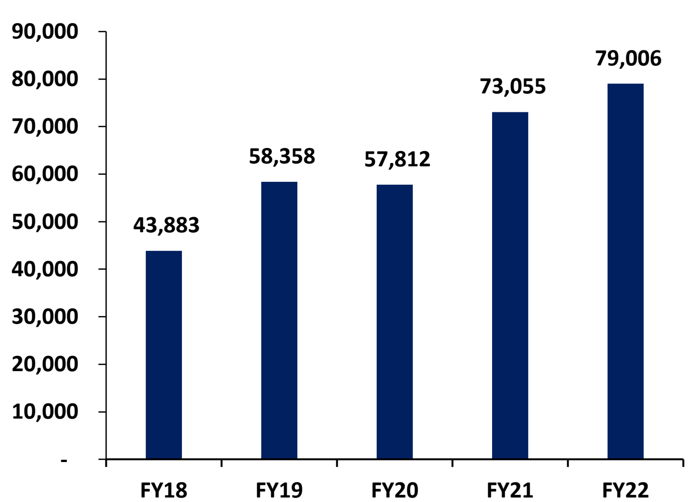
The market fears were not unfounded and NPAs jumped to 3.6% in FY20 and to 4.3% in FY21. Further, RBL's deposits also slipped from INR 58,357.6 cr in FY19 to INR 57,812.0 cr in FY20 as depositors withdrew.

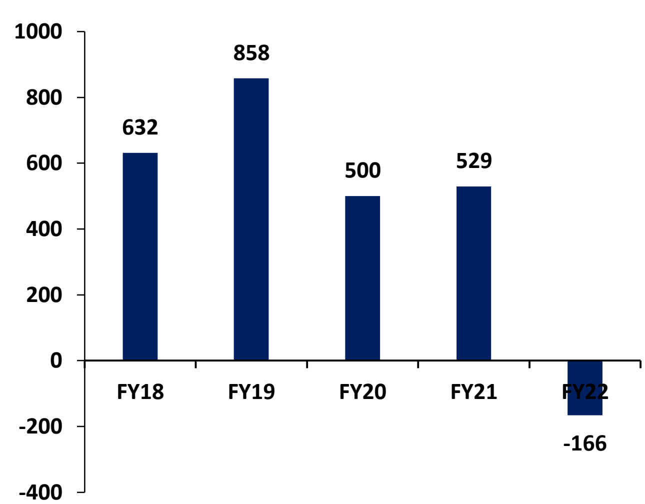
 For any further query, please email us on research@ventura1.com

The bank entered into a period of stagnation in loan growth coupled with low profitability









Source: Company, Ventura research

Corrective action initiated prior to pandemic…

- The bank's exposure to risky corporate loans was restricted and a drive to build low-cost deposits was taken up.
- By December 2019, RBL had also raised INR 2,025 cr from several global funds, which helped improve its capital adequacy ratio.

….however the pandemic only extended the woes of the bank

- 1st wave of Covid-19 led to stress in RBL's retail portfolio of credit cards and microloans.
  The impact was however mitigated by the government's 6 month period moratorium for borrowers, followed by a one-time restructuring.

- By August 20, the bank had mobilized additional equity capital of more than INR 1,500 cr. However, this was with a substantial equity dilution as the stock price had corrected substantially from the highs of INR 700 in mid-2019.

- RBL had to maintain a high liquidity coverage ratio of ~150%, much higher than the minimum requirement of 100% to meet deposit withdrawal requirements and other short-term fund outflows.

- The bank was compelled to increase provisioning to cover for the increasing NPLs.

- The 2nd wave accelerated the stress in the retail, MSMEs and rural & microfinance business—the core of RBL's retail portfolio.

- With no moratorium around this time, retail assets saw higher slippages than corporate ones in 2021.

- Restructuring of stressed assets lead to the ballooning of NPLs to 9% of total advances by Dec, 2021.

- Traditional banking became even more difficult for the management as in addition to the burden of the NPLs, RBLs majority of portfolio was skewed towards unsecured products (1/3rd to credit cards, personal loans, microloans, etc).

  Cross-selling other secured products to credit card customers was also not an option.

- The bank's employee morale also took a hit as the RBI appointed its Chief General Manager Yogesh Dayal as an additional director on RBL's board and the then MD and CEO, Vishwavir Ahuja, was sent on leave. With both, RBI and RBL, not providing any information with regards to these moves, the market grapevine abounded with rumours of issues with another 10 to 18 large accounts of the bank.

  Next, Mr Rajeev Ahuja (Executive Director at RBL at that time) was appointed as the interim MD & CEO and by end FY22, RBL appointed a search committee to identify candidates for the post of MD and CEO from within and outside the bank.

Appointment of new MD & CEO R. Subramaniakumar – Start of the turnaround story for the RBL Bank

In June, 22, RBL appointed Mr R. Subramaniakumar as its new MD & CEO. Mr Subramaniakumar is a reputed banker with over 40 years of experience. His claim to fame is the scripting of success stories at Indian Overseas Bank (IOB), Indian Bank and more recently he was also administrator for failed Dewan Housing Finance Ltd.

The corrective action initiated by prior management has received lazor sharp focus under the stewardship of Mr R. Subramaniakumar.

- The previous RBL management not only recognized asset quality (CCD, Essel group etc) but also built healthy coverage on these accounts. It is to be noted that 92% of bad loans were in the substandard bucket where provision requirement is the lowest, but the bank continued to make higher provisions which dented its profitability during this period.

- RBL also took corrective actions on the wholesale book to improve its quality. The book was drawn down by nearly 18% of its peak in Q1FY21 by allowing the low quality loans to run off and reducing exposure to risky sectors.

RBL has reduced its exposure to comparatively risky sectors like construction, NBFC (considered risky post IL&FS) and real estate.

Top 10 industry exposure of RBL Bank

	Exposure		%	
	FY20	Q2FY23	FY20	Q2FY23
Construction	353.1	233.1	4.7%	2.9%
NBFC (ex HFC)	346.1	300.7	4.6%	3.7%
Engineering	260.8	230	3.5%	2.8%
Real estate	239.6	NA	3.2%	NA
Professional services	225.0	NA	3.0%	NA
Retail/Distribution	222.9	257.9	3.0%	3.2%
Power	189.6	291.4	2.5%	3.6%
Metals	157.5	196.3	2.1%	2.4%
Pharma	155.2	176.3	2.1%	2.2%
Logistics	128.8	NA	1.7%	NA
HFC	NA	280.7	NA	3.5%
Oil & Gas	NA	180.5	NA	2.2%
Auto	NA	164.5	NA	2.2%

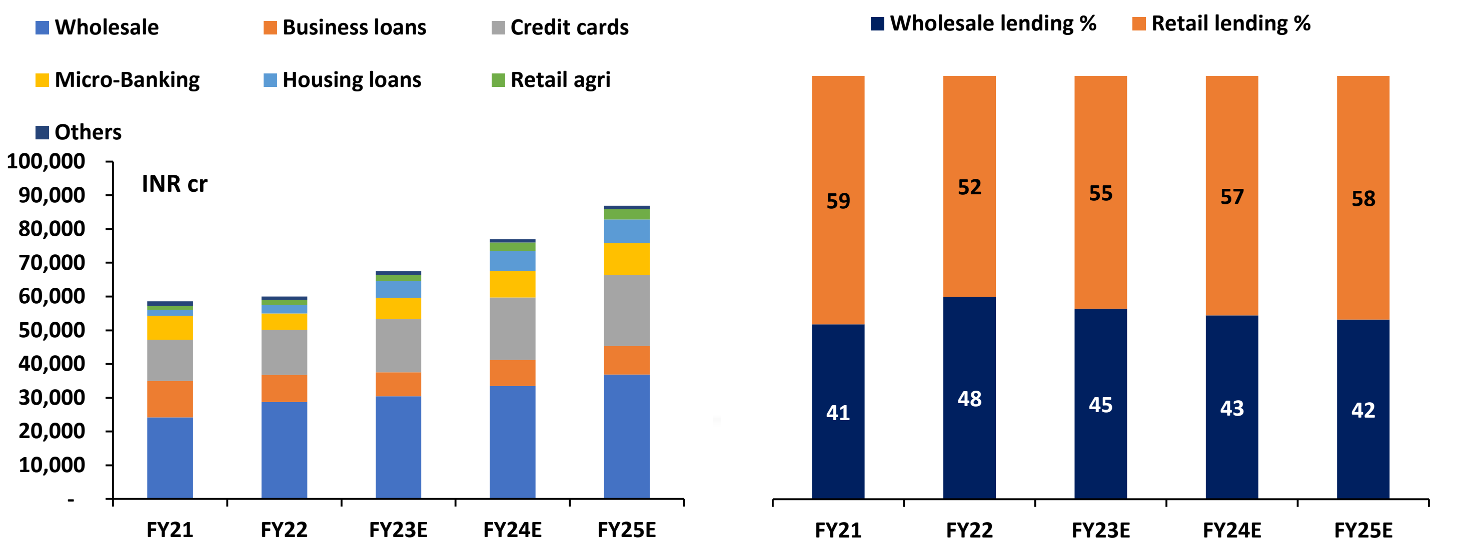
Source: Company, Ventura research

We expect loan growth at a 12.0% CAGR between FY22-FY25E

RBL's loan book had stagnated over FY20-22 (2.4% CAGR) as the focus was more on streamlining activities than on growth. However, given that most of the issues are behind, the management has guided for 15-18% loan growth in FY23 with retail book growth expected between 20-25%. However, we would like to err on the side on caution and hence we expect the loan book to grow at 12.0% CAGR over FY22-25 from INR 61,926.6 cr in FY22 to INR 86,889.6 cr in FY25 driven by

- 8.7% CAGR in wholesale loans to INR 36,885.3 cr
- 1.5% CAGR in business loans to INR 8,424.2 cr
- 16.3% CAGR in credit cards to INR 21,063.3 cr
- 24.9% CAGR in micro banking to INR 9,461.4 cr
- 41.5% CAGR in housing loans to INR 6,975.2 cr
- 27.0% CAGR in retail agri loans to INR 3,077 cr
- -2.1% CAGR in others segment to INR 1,003.3 cr

We expect advances to grow at a 12.0% CAGR over FY22-25



Source: Company, Ventura research

Wholesale loans are expected to grow at 8.7% CAGR over FY22-25 to INR 36,885.3 cr in FY25

The wholesale loan is broken into Corporate and Institutional Banking (C&IB) & Commercial Banking (CB).

In the C&IB segment, RBL offer extensive services to enterprises and corporate entities, especially large-sized and well rated corporations (i.e. companies with over INR 1,500 cr annual turnover).

In the CB segment, the bank offers services to emerging, fast-growing enterprises and new businesses which include Small & Medium Enterprises (with turnover ranging from INR 50 cr to INR 250 cr) and Mid-Market Enterprises (with turnover ranging from INR 250 cr to INR 1,500 crore).

Retail lending to be the focus going ahead… we expect overall retail portfolio to grow at 16.9% CAGR over FY22-25

The retail operations have been segmented across below sub verticals –

- Business loans- Includes loans to professionals, proprietorship and partnership firms. We expect business loans to grow at 1.5% CAGR over FY22-25 to INR 8,424.2 cr.

- Credit cards – RBL is among the largest Credit Card issuer in India with 5% market share in Cards in Force. We expect credit cards to grow at 16.3% CAGR over FY22-25 to INR 21,063.3 cr

- Micro banking - Microfinance Lending is well diversified across geographies with top 5 states accounting for 63% of total microfinance advances. We expect micro finance loans to grow at 24.9% CAGR over FY22-25 to INR 9,461.4 cr.

- Housing loans - Housing loans are expected to grow at 41.5% CAGR over FY22-25 to INR 6,975.2 cr.

- Retail agri loans - Retial agri loans are expected to grow at 27.0% CAGR over FY22-25 to INR 3,077.0 cr.

- Others – We expect other other loans to decline at 2.1% CAGR over FY22-25 to INR 1,003.3 cr.

The RBL's management is looking to scale up its secured retail portfolio (affordable housing and low-cost mortgages) to reduce the risk in its business model. Having tasted success with tractor loans, the management is expected to extend the same format to 2W loans and affordable housing. There are also plans to fray into gold loans in the near future.

To support its endeavor, the management is targeting to add 80-100 branches every year going forward to its existing network of ~500 branches. Manpower recruitment to support the sales initiative is also being done on a war footing. There is also a strong thrust on cross-sell to existing retail customers.

RBL is focusing to increase its touch points to increase its retail advances

	FY20	Q2FY23
Branches	386	502
- Metros	197	290
- Urban	57	73
- Semi Urban	76	74
- Rural	56	65
Banking outlets (BO's)	263	289
Business correspondent (inc BO's)	1,245	1,204
ATM	389	413

Source: Company, Ventura research

While the wholesale book is not expected to gain much traction, we expect a churn in the composition of overall lending in favor of MSME's which should help improve the overall yield and hence impact NIMs favorably.

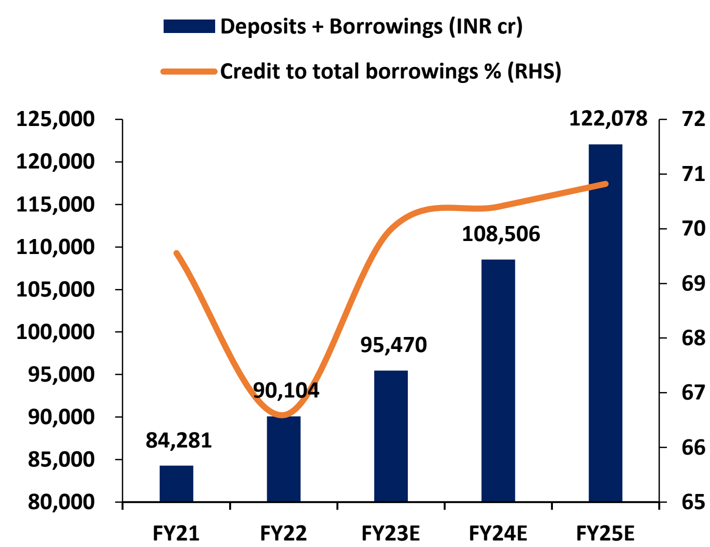
RBL bank undertaking a host of IT initiatives to cut costs in the long run

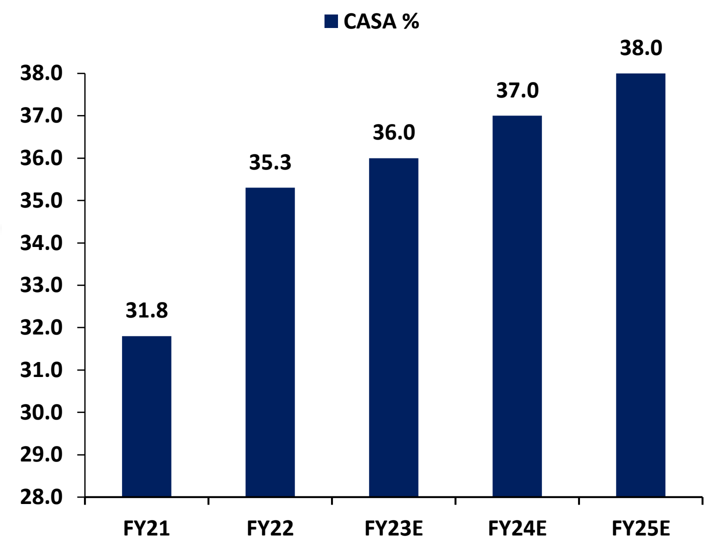
In order to optimize IT costs, a number of initiatives are being undertaken like implementing a global KYC in place of a product wise KYC. A judicious mix between server based and cloud based architecture is also being undertaken to prune costs.

Credit to borrowings ratio & CASA ratio are expected to stay at FY21 levels

We expect the credit to total borrowings ratio to stay at ~70% (similar to FY21 levels) with the overall share of CASA expected to touch 38.0% of total deposits in FY25.

We expect gradual ramp up in CASA ratio for RBL

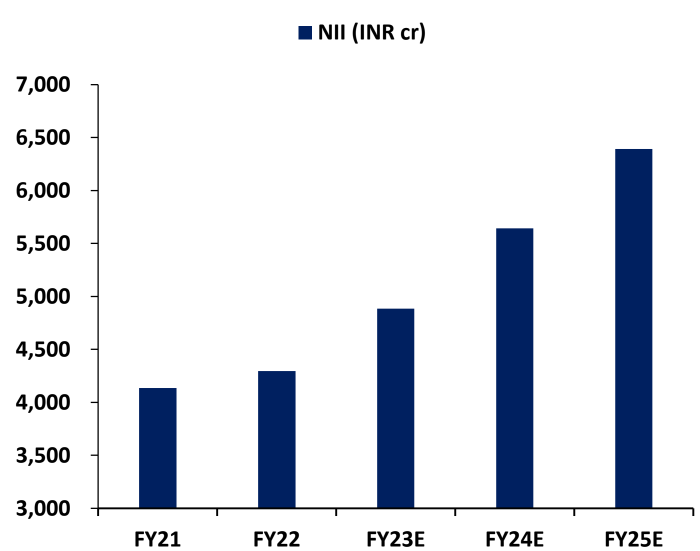


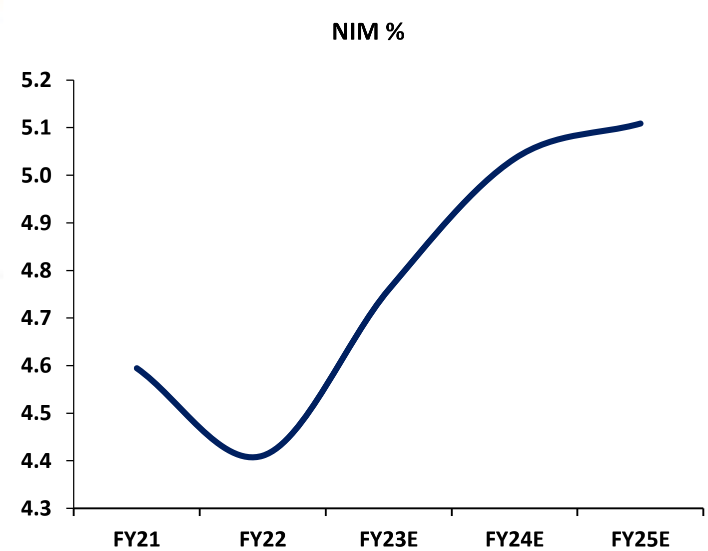


Source: Company, Ventura research

Further, with a rise in the loan book, we expect NII to grow at 14.2% CAGR over FY22-25. We expect NIMs to increase by 70bps from hereon as RBL bank moves towards increasing the retail pie in its overall lending book.

We expect NIMs to increase as RBL increases the share of retail lending



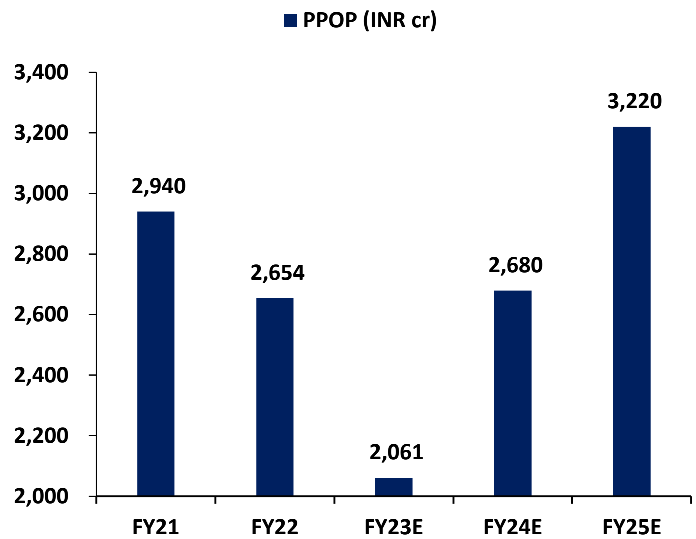


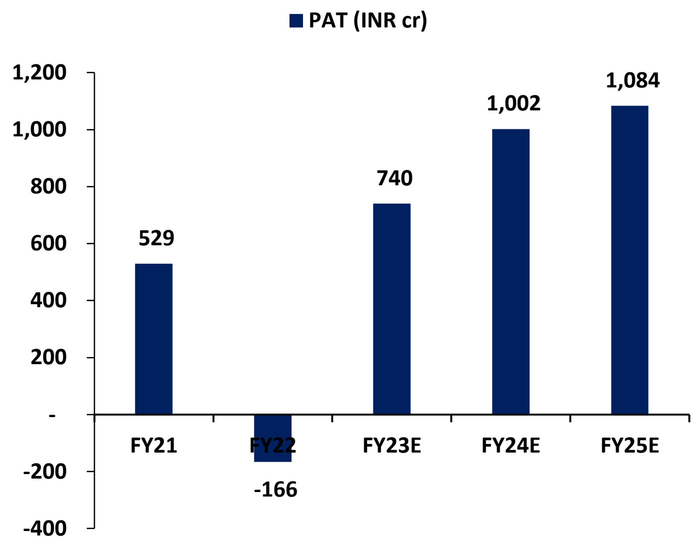
Source: Company, Ventura research

PPoP & net income are expected to grow by 9.9% & 36.0% CAGR between FY21-24E

We expect the PPoP to grow by 6.7% CAGR over FY22-25. However, we expect slowdown in provisioning from hereon and hence PAT should turn positive to INR 1,083.9 cr from a loss of INR 166.2 cr reported in FY22.

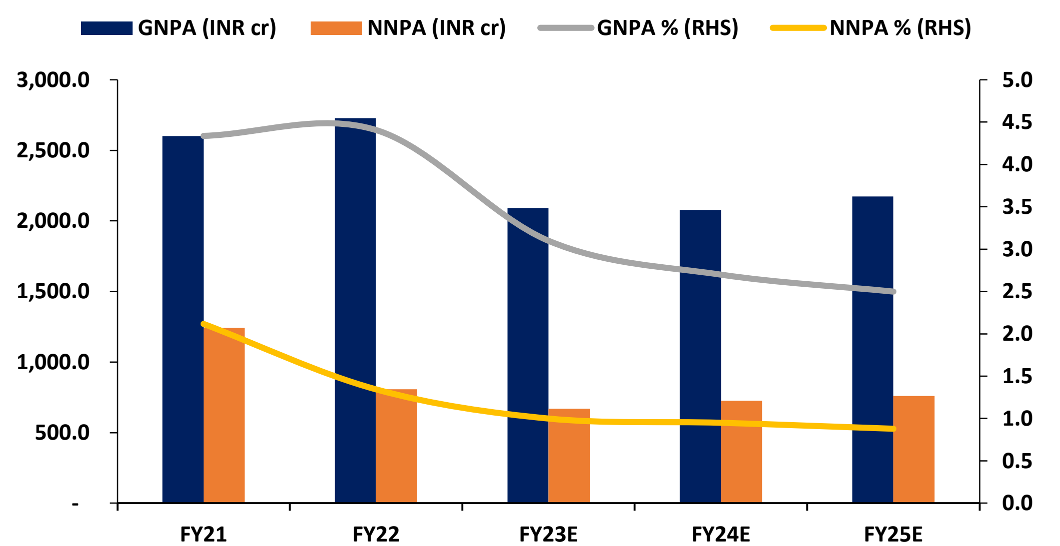
Net income is expected to grow faster for the bank as provisioning slows down from hereon





Source: Company, Ventura research

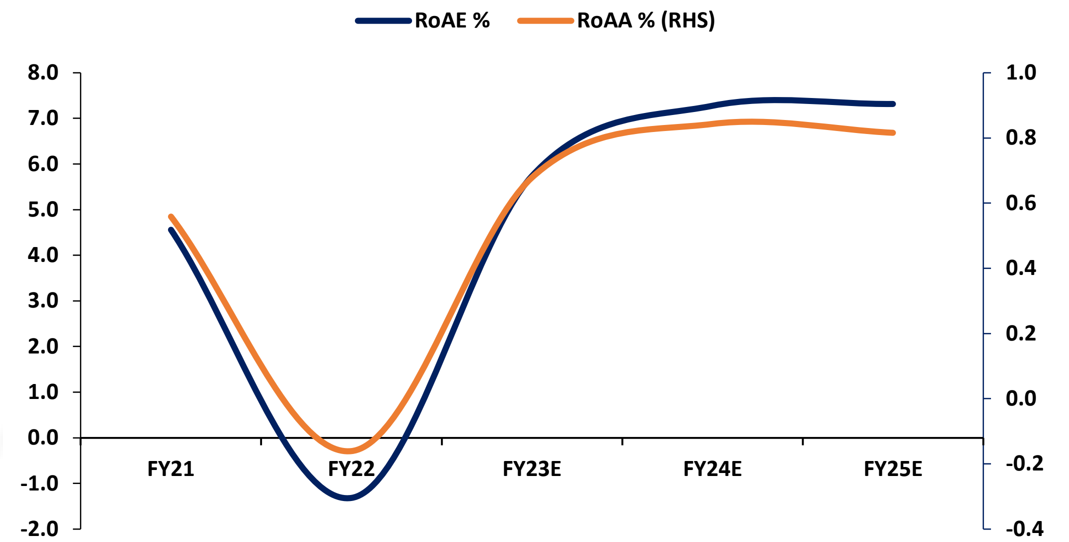
In terms of asset quality, we expect GNPA and NNPA to improve by 190bps and 46bps from 4.4% & 1.3% in FY22 to 2.5% & 0.9% in FY25.



Source: Company, Ventura research

Return ratios, namely RoAA and RoAE, are expected to move by 97bps & 864bps from -0.2% & -1.3% in FY22 to 0.8% & 7.3% in FY25.

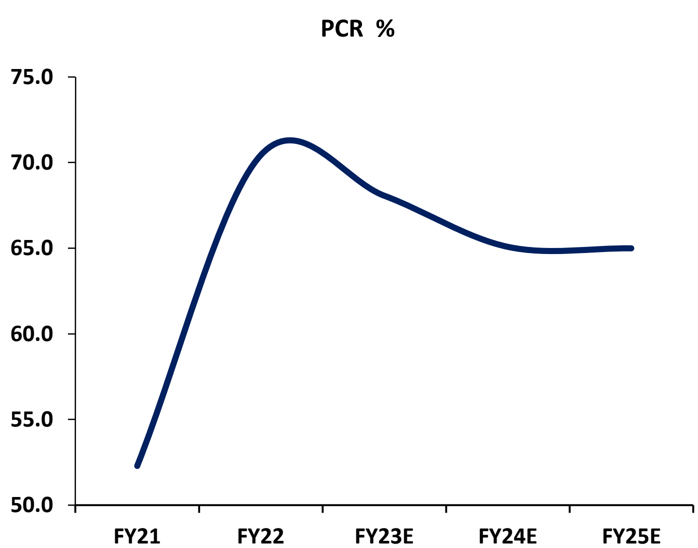
We expect return ratios to increase from hereon as RBL turns profitable

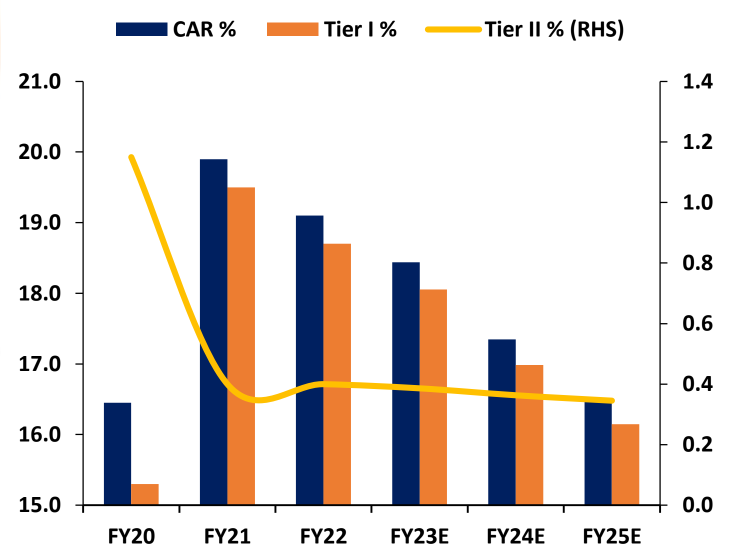


Source: Company, Ventura research

RBL's PCR increased from 52.3% in FY21 to 70.4% in FY22. We expect RBL to keep provisioning above 60% during the forecast period. In terms of capital adequacy, we expect RBL to be in a comfortable position and expect Tier I to be at 16.1% in FY25.

RBL PCR is expected to be >60% during the forecast period





Source: Company, Ventura research

Valuation

RBL Bank has historically underperformed broader indices as the street became apprehensive about its loan book given asset quality issues on the corporate side and comparatively risky portfolio of credit card loans. However, we believe that most of the issues are behind the bank and the current valuation provides a cushion on the downside. Also, with a new management at the helm we expect RBL to again start concentrating on the lending side. We initiate coverage on RBL Bank with a PT of INR 256.2 (1.0x FY25 P/B) representing an upside of 70.8% over the CMP of INR 150.0 over 24 months. Our optimism stems from the following:

- Advances are expected to grow at 12.0% CAGR over FY22-25.
- NII is expected to grow at 14.2% CAGR over FY22-25.
- PPoP is expected to grow at 6.7% CAGR over FY22-25.
- Net income is expected to turn positive to INR 1,083.9 cr in FY25 as against loss of INR 166.2 cr reported in FY22.
- Return ratios namely RoAA and RoAE are expected to grow by ~98bps & ~864bps over FY22-25 to 0.8% and 7.3%, respectively.

RBL's Key Management Personnel bring immense industry experience to the table

Key Person	Designation	Details
Mr. R Subramaniakumar	CEO & MD	Mr. R Subramaniakumar is a veteran Banker with 40 years of experience, across the Banking verticals and with Board level position for more than five years, including on the Board of Overseas JV Bank. He is a Physics graduate with PGDCA (Post graduate diploma in computer application). He has acquired CISA (Certified information system audit) & CISM (Certified information security manager) from ISACA, USA. Banker with CAIIB. He also holds Advanced Banking Certificate from University of Maryland, USA.
Mr. Prakash Chandra	Non-Executive Independent Part-time Chairman	Mr. Prakash Chandra retired as Chairman, CBDT post serving 38 years at key positions as Indian Revenue Officer (IRS) in various Ministries of Government. He also holds a diploma in Development Policy from University of Glasgow.
Mr. Rajeev Ahuja	Executive Director	Mr. Rajeev Ahuja holds a Bachelor's degree in Commerce from the Delhi University and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He brings over 34 years of experience in the financial services industry.
Mr. Ishan Raina	Independent Non-Executive Director	Mr. Ishan Raina holds a Bachelor's degree in Commerce from Sriram College of Commerce, New Delhi, a Diploma in International Law and Diplomacy from the Indian Academy of International Law & Diplomacy, New Delhi and a Post Graduate Diploma in Management from the Indian Institute of Management, Calcutta.
Mr. Vijay Mahajan	Non- Independent Non-Executive Director	Mr. Vijay Mahajan is a distinguished alumnus of IIT, Delhi (1975), IIM Ahmedabad (1981) and was a Fellow at the Woodrow Wilson School of Public and International Affairs, Princeton University (1989).

Ms. Veena Mankar	Non- Independent Non-Executive Director	Ms. Veena Mankar holds a Bachelors of Arts degree in Economics (H) and is also a post-graduate diploma holder in management from the Indian Institute of Management, Ahmedabad.
Ms. Ranjana Agarwal	Non- Independent Non-Executive Director	Ms. Ranjana Agarwal is a graduate in Economics from Lady Shri Ram College, Delhi University and Chartered Accountant from the Institute of Chartered Accountants of India.
Mr. Vimal Bhandari	Non- Independent Non-Executive Director	Mr. Vimal Bhandari is a Commerce graduate from Mumbai University (Sydenham College) and Chartered Accountant from the Institute of Chartered Accountants of India. He brings in experience of over thirty-five years in the financial services industry, of which twenty-five years have been at the Board level.
Dr. Somnath Ghosh	Non-Executive Independent Director	Dr. Somnath Ghosh is a B.A. (Hons) in English, M.A. (Politics), M.Phil (Industrial Relations) and Ph.D. (Industrial Relations).
Mr. Chandan Sinha	Non-Executive Independent Director	Mr. Chandan Sinha holds a Master's degree in Physics from St. Stephens College, Delhi University and his professional qualifications include MBA (in Finance) from Patna University and CAIIB.
Mr. Manjeev Singh Puri	Non-Executive Independent Director	Mr. Manjeev Singh Puri is an MBA (Finance Specialization) from Jamnalal Bajaj Institute of Management Studies, University of Bombay, and did his B.A. (Honours) in Economics from St. Stephen's College, Delhi.
Mr. Yogesh K. Dayal	Additional Director	Mr. Yogesh K. Dayal holds Diploma in Business Management, Bachelor's Degree in Science (B.Sc.) besides professional certifications like CAIIB, CeITS, CCFM, CeISB, CeAML/KYC from the Indian Institute of Banking and Finance.
Dr. Sivakumar Gopalan	(Additional) Non-Executive Independent Director	Dr. Sivakumar Gopalan is a PhD, Computer Science from University of Illinois at Urbana-Champaign University of Illinois - USA, MS from Rensselaer Polytechnic Institute - USA and Bachelor of Technology, Electrical Engineering from Indian Institute of Technology, Madras, India.
Mr. Gopal Jain	(Additional) Non-Executive Non Independent Director	Mr. Gopal Jain holds a bachelor's degree in electrical engineering from IIT Delhi.
Mr. Vishwavir Ahuja	Managing Director & CEO (till June 23, 2022)	Mr. Vishwavir Ahuja holds a Master's degree in business administration from IIM – Ahmedabad and an MS degree in International Finance from the University of Michigan, USA and is B.Com (Hons.) from Shri Ram College of Commerce, Delhi. He is a veteran banker with around 40 years of experience.

Source: Company, Ventura Research

Business Quality Score

Key Criteria	Score	Risk	Comments
Management & Leadership			
Management Quality	6	Low	Aggressive lending in the past and concentrated bet on a few groups led to the downfall of RBL. Post intervention by RBI, the current team consists of people with a background of working in PSU as well as MNCs.
Promoters Holding Pledge	10	Low	There is no identifiable promoter in RBL.
Board of Directors Profile	8	Low	The board consists of directors with significant experience & industry knowledge.
Industry Consideration			
Industry Growth	6	Low	Credit growth is expected to be good in the near term due to high GDP growth expectations.
Regulatory Environment or Risk	4	High	Banks operate in a highly regulated environment under the supervision of RBI.
Entry Barriers / Competition	4	High	Entry barriers are high due to license requirements but currently private banks are facing fierce competition from fintech players.
Business Prospects			
New Business / Client Potential	6	Low	RBL bank is expected to up the ante in terms of retail lending. Also, unlike other traditional banks, the bank is currently not present in non lending operations like MF, brokerage, etc.
Market Share Potential	7	Low	Private banks are winning market share from PSUs.
Margin Expansion Potential	6	Low	NIMs are expected to increase by 70bps over FY22-25.
Earnings Growth	8	Low	We expect net income to turn positive from loss reported in FY22.
Valuation and Risk			
Balance Sheet Strength	5	Medium	RBL has comfortable Tier I capital to support future lending operations.
Total Score	**70**	**Medium**	**The overall risk profile of the company is good and we consider it as a medium risk company for investments**
Ventura score (%)	**63**		

Source: Company Reports & Ventura Research, Total score >=75 = low risk, between 50-74 = medium risk, less than 50= high risk

Annual Report Analysis

We analyzed the FY22 annual report of RBL Bank and our key observations are as follows:

Key takeaways

- **Risk Management Framework:** The Bank follows the three lines of defence model that is an industry standard. It clearly demarcates the responsibility between risk takers and the different internal control functions; and provides clarity about their risk management responsibilities. The Bank is focused on strengthening its risk culture across the organization in the areas of risk and compliance. It is focused on creating an institutional framework that enables all employees to understand the need for prioritizing risk and compliance as an integral part of the bank-wide culture.

- **Technology:** At present, RBL Bank has Networker and Data Domain as its backup & restore solution. Due to limitations in its features and functionality, the Bank decided to modernize the backup solution. Additionally, all banks as per the regulatory body need to completely automate the NPA process. RBL Bank implemented this system within the given timelines to automate the NPA, NPI identification, asset provisioning, provision computation and regulatory reporting.

- **Operations:** Branches are encouraged to suggest process/ system related enhancements impacting Branch Banking customers. The bank also has independent branch control and monitoring teams to ensure there is continuous focus on process adherence, control compliance, regulatory aspects & client services.

- **Human Resources:** The Bank commissioned Deloitte Touche Tohmatsu India LLP for the annual remuneration benchmarking survey through which the Bank was able to implement best practices and take informed decisions for the hiring, promotions and general remuneration budget planning while remaining competitive in the market.

- **Digital banking**: The digital business grew by ~40%, lowering turn-around time (TAT) and enhancing quality at minimal costs. It offers many digital products like Abacus 2.0, Neo Banking, Biz Bank App etc.

- **Digital product launches**: The Bank, in collaboration with large NBFCs, launched eNACH services which help to enrich the customer experience in registering a National Automated Clearing House (NACH) mandate, through their internet banking login or debit card making the whole registration process seamless and paperless. eNACH settlements contribution grew by 5x in the last year.

Auditors' Qualifications & Significant Notes to Accounts

M/s Haribhakti & Co. LLP and CNK & Associates LLP are the Joint statutory auditors. The auditors have not expressed any major qualification in their report.

Contingent Liabilities

Due to the very nature of the industry, contingent liabilities as a percent of net worth is high.

Contingent Liabilities are reasonably high

INR cr	FY19	FY20	FY21	FY22
Claims not ackowledged as debt	16.7	7.4	7.3	24.5
Liability for Partly Paid Investment	56.0	13.5	10.3	62.4
Liability on Account of Outstanding Fo	26,586.4	37,080.9	26,180.4	30,218.6
Liability on Account of Outstanding der	17,229.3	20,318.1	18,209.4	18,582.1
Guarantees given on behalf of constitu	11,764.9	11,132.9	9,834.0	10,608.4
Acceptances, Endorsements and other	5,409.6	4,925.8	4,709.8	5,608.0
Other items for which the bank is cont	239.2	179.1	139.8	201.4
Total	61,302.1	73,657.7	59,091.0	65,305.4
Networth	7,534.8	10,564.9	12,666.2	12,530.5
As a % of networth	813.6%	697.2%	466.5%	521.2%

Source: Company Reports & Ventura research

Key Risks & Concerns

- **Competition with Fintech firms:** Private sector banks are currently facing fierce competition from fintech players.

- **Asset quality pain in new loans**: Any unexpected change in the economic outlook can lead to big slippages even in new loans.

Financial Analysis & Projections

Y/E March (INR crore)	FY21	FY22E	FY23E	FY24E	FY25E
Income Statement					
Interest Income	8,675.9	8,444.9	9,339.9	10,741.3	12,271.6
Interest Expense	4,539.5	4,148.2	4,453.8	5,099.4	5,879.9
Net Interest Income	4,136.4	4,296.6	4,886.1	5,641.9	6,391.7
YoY change (%)	*6.2*	*3.9*	*13.7*	*15.5*	*13.3*
Non Interest Income	1,874.7	2,351.5	2,256.5	2,506.3	3,012.7
Total Net Income	6,011.1	6,648.1	7,142.6	8,148.1	9,404.4
Total Operating Expenses	3,071.1	3,994.2	5,081.6	5,468.6	6,184.1
Pre Provision profit	2,940.0	2,653.9	2,061.0	2,679.5	3,220.3
YoY change (%)	*7.1*	*-9.7*	*-22.3*	*30.0*	*20.2*
Provisions	2,227.9	2,860.4	1,071.7	1,339.8	1,771.2
Profit Before Tax	712.0	-206.5	989.3	1,339.8	1,449.1
YoY change (%)	*-4.7*	*-129.0*	*-579.1*	*35.4*	*8.2*
Taxes	182.6	-40.4	249.3	337.6	365.2
Net profit	529.5	-166.2	740.0	1,002.1	1,083.9
YoY change (%)	*5.9*	*-131.4*	*-545.4*	*35.4*	*8.2*
Balance Sheet					
Cash & Bank	13,442.8	17,557.3	15,577.1	17,703.4	19,916.8
Fixed assets	535.9	619.1	883.4	1,005.4	1,132.8
Investments	23,085.2	22,129.2	23,235.6	24,397.4	25,373.3
Loan and Advances	58,622.5	60,004.6	66,822.6	76,392.5	86,457.3
Other Assets	4,932.3	5,852.5	5,503.0	6,291.1	7,120.0
Total Assets	100,618.8	106,162.6	112,021.7	125,789.7	140,000.2
Deposits	73,054.6	79,006.4	83,528.3	94,726.7	106,342.5
Borrowings	11,226.1	11,097.8	11,941.8	13,779.6	15,735.2
Other Liability	3,671.8	3,528.0	3,280.7	3,010.4	2,565.4
Equity	598.0	599.5	600.0	600.0	600.0
Reserves	12,068.2	11,931.0	12,671.0	13,673.1	14,757.1
Share warrant O/s	0.0	0.0	0.0	0.0	0.0
Total Liabilities	100,618.8	106,162.6	112,021.7	125,789.7	140,000.2
Dupont Analysis					
% of Average Assets					
Net Interest Income	4.4	4.2	4.5	4.7	4.8
Non Interest Income	2.0	2.3	2.1	2.1	2.3
Net Income	6.3	6.4	6.5	6.9	7.1
Operating Expenses	3.2	3.9	4.7	4.6	4.7
Operating Profit	3.1	2.6	1.9	2.3	2.4
Provisions & Contingencies	2.4	2.8	1.0	1.1	1.3
Taxes	0.2	0.0	0.2	0.3	0.3
ROAA	0.6	-0.2	0.7	0.8	0.8

Y/E March (INR crore)	FY21	FY22E	FY23E	FY24E	FY25E
Ratio Analysis					
Efficiency Ratio (%)					
Int Expended / Int Earned	52.3	49.1	47.7	47.5	47.9
Int Income / Total Funds	8.6	8.0	8.3	8.5	8.8
NII / Total Income	39.2	39.8	42.1	42.6	41.8
Other Inc. / Total Income	17.8	21.8	19.5	18.9	19.7
Ope. Exp. / Total Income	29.1	37.0	43.8	41.3	40.5
Net Profit / Total Funds	0.5	-0.2	0.7	0.8	0.8
Credit / Deposit	80.2	75.9	80.0	80.6	81.3
Investment / Deposit	31.6	28.0	27.8	25.8	23.9
NIM	4.6	4.4	4.8	5.0	5.1
Solvency					
Gross NPA (Rs. Cr)	2,601.5	2,729.0	2,092.2	2,078.1	2,172.2
Gross NPA (%)	4.3%	4.4%	3.1%	2.7%	2.5%
Net NPA (Rs. Cr)	1,241.4	807.0	668.2	725.7	760.5
Net NPA (%)	2.1%	1.3%	1.0%	1.0%	0.9%
Capital Adequacy Ratio (%)	19.9	19.1	18.4	17.3	16.5
Tier I Capital (%)	19.5	18.7	18.1	17.0	16.1
Tier II Capital (%)	0.4	0.4	0.4	0.4	0.3
Per Share Data					
EPS	8.8	-2.8	12.3	16.7	18.1
Book Value	211.7	210.5	221.4	238.1	256.2
Adj Book Value of Share	191.0	196.9	210.2	226.0	243.5
Valuation Ratio					
Price/Earnings (x)	17.0	-53.7	12.2	9.0	8.3
Price/Book Value (x)	0.7	0.7	0.7	0.6	0.6
Price/Adj.Book Value (x)	0.8	0.8	0.7	0.7	0.6
Return Ratio					
RoAA (%)	0.6	-0.2	0.7	0.8	0.8
RoAE (%)	4.6	-1.3	5.7	7.3	7.3
Growth Ratio (%)					
Interest Income	-1.2	-2.7	10.6	15.0	14.2
Interest Expenses	-7.1	-8.6	7.4	14.5	14.2
Other Income	-2.3	25.4	-4.0	11.1	15.3
Total Income	-1.4	2.3	7.4	14.2	20.2
Net profit	5.9	-131.4	-545.4	35.4	15.4
Deposits	26.4	8.1	5.7	13.4	8.2
Advances	1.1	2.4	11.4	14.3	12.3

Source: Company Reports & Ventura Research

Disclosures and Disclaimer

Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is member of BSE, NSE and MCX-SX. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Commodities Limited, Ventura Guaranty Limited, Ventura Insurance Brokers Limited and Ventura Allied Services Private Limited are associates of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for product or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material 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. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL, the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read “Risk Disclosure Document for Capital Market and Derivatives Segments” as prescribed by Securities and Exchange Board of India before investing in Securities Market.

Ventura Securities Limited - SEBI Registration No.: INH000001634

Corporate Office: I-Think Techno Campus, 8th Floor, ‘B’ Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608