

Cholamandalam Investment & Finance

Well placed in the face of adversity

CIFC's operating performance was a tad below our estimates, while earnings were considerably lower as CIFC made significant proactive provisions (Rs 5.0bn, 83bps of AUMs). We've lowered our earnings to factor in (1) higher provisions, given that 76% of the book is under moratorium, and (2) slower growth. Nevertheless, CIFC remains our top NBFC pick, given (1) its strong liquidity and funding profile, (2) superior historical asset quality trends and (3) diversified portfolio. Maintain BUY with a TP of Rs 225 (2.0x FY22E ABV).

- Funding and liquidity:** At 8.8% YoY (flat QoQ), CIFC's borrowings grew in tandem with its AUMs. The shift from market borrowings to bank borrowings persisted, as bank loans (63% of borrowings) grew ~55.7/10.7% and o/s debentures (10%) and CPs (3%) dipped 48.2/16.6 and 53.4/57.1% resp. CIFC did not opt for the moratorium on its own borrowings and does not intend to do so. On the liquidity and funding fronts, CIFC is one of the best positioned NBFCs, given its strong capital (20.7%, +332/364bps, fortified by the recent fund raise) and liquidity positions (Rs 100bn of liquid assets and undrawn lines, and comfortable ALM position across buckets), and debt-raising track record (as seen post Sep-18).
- Asset quality:** In a departure from usual trends, GS-III increased QoQ (+6.9%/26bps) to Rs 21.63bn (3.8%)-possibly indicative of the impact of COVID-19. Interestingly, GS-II declined slightly, YoY. 76% of borrowers opted for the moratorium. The management was quite sanguine on CIFC's asset quality prospects and its comfort was premised on (1) increasing noramlisation and roll-back rates (NRRB) amongst delinquent customers, and (2) decreasing roll forward rates amongst standard customers to whom moratorium had been granted. However, we conservatively continue to model for a material increase in stress owing to extrinsic factors and high moratorium %, and expect GNPA's of 5.0% by FY21E.
- COVID-19 related management commentary:** (1) 90% of branches have commenced operations. (2) 79% of VF loans by value and 66% of HE loans were under moratorium. (3) NRRB increased from Feb to May (11%-26% in the 1-2 bucket, 11%-31% in the 2-3 bucket and 20%-31% in the 3-4 bucket). (4) Roll forward rates dipped (from 6% in Feb-20 to 1% in May-20 in the 1-2 bucket and from 19%-3% in the 2-3 bucket), (5) CIFC does not intend to raise capital in the near term. (6) The management expects demand for 2w, cars, LCVs and used vehicles to fare better in the near term. (7) The entire HE portfolio (21.4% of AUM) and some part of the VF portfolio are eligible under the NCGTC scheme.

Financial Summary

(Rs mn)	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY19	FY20P	FY21E	FY22E
Net Interest Inc.	9,107	7,859	15.9	9279.7	(1.9)	29,765	35,319	38,787	41,267
PPOP	6,139	5,169	18.8	6,581	(6.7)	21,344	24,831	25,752	27,122
PAT	426	2,919	(85.4)	3,885	(89.0)	11,862	10,524	11,206	13,623
EPS (Rs)	0.5	3.7	(86.1)	5.0	(89.5)	15.2	12.8	13.7	16.6
ROAE (%)						21.1	14.7	12.9	13.9
ROAA (%)						2.34	1.73	1.73	1.98
ABVPS (Rs)						68.1	84.2	91.8	112.3
P/ABV (x)						2.10	1.69	1.55	1.27
P/E (x)						9.4	11.1	10.4	8.6

Source: Company, HSIE Research

BUY

CMP (as on 04 June 2020)	Rs 143
Target Price	Rs 225
NIFTY	10,029

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 251	Rs 225
EPS %	FY21E	FY22E
	-18.3%	-14.7%

KEY STOCK DATA

Bloomberg code	CIFC IN
No. of Shares (mn)	820
MCap (Rs bn) / (\$ mn)	117/1,548
6m avg traded value (Rs mn)	1,068
52 Week high / low	Rs 349/117

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(51.7)	(52.7)	(53.2)
Relative (%)	(40.2)	(35.9)	(37.9)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	52.9	51.7
FIs & Local MFs	19.2	25.8
FPIs	16.6	12.2
Public & Others	11.2	10.3

Pledged Shares

Source : BSE

Darpin Shah

darpin.shah@hdfcsec.com
+91-22-6171-7328

Aakash Dattani

aakash.dattani@hdfcsec.com
+91-22-6171-7337

Punit Bahlani

punit.bahlani@hdfcsec.com
+91-22-6171-7354

- **Business traction slows:** The impact of COVID-19 on already slowing business traction was evident, as disbursements dipped 36.3/24.2% to Rs 56.6bn, with a 34.7/20.9% dip in VF disbursements. Consequently, AUM growth slowed to 11.6% YoY (flat QoQ) with an 8.9% YoY growth in VF AUMs. In the near term, we expect AUM growth to remain muted, at ~5% over FY21-22E on a/c of (1) weaker credit demand, and (2) greater risk aversion.
- **CIFC proactively made provisions** of Rs 5.04bn, of which ~Rs 2.8bn (~47bps) represented the expected loss on loans under moratorium, and the remaining ~Rs 2.2bn represented expected losses on a/c of deteriorating macro-economic conditions. ~83% of moratorium-related provisions were made on stage I assets and ~90% of macro-related provisions were made on stage III assets. Consequently, CIFC's total non-tax provisions rose 901.8/309.4% to Rs 5.57bn. Of the total provisions, ~Rs 4.43bn (~1% of AUMs) pertained to the VF segment, and ~Rs 1bn (77bps of AUMs) pertained to the HE segment.
- CIFC's total ECL coverage on stage III assets increased 856bps QoQ to 41.5% and the coverage on stage II assets was 11.6%. CIFC has one of the higher coverage levels amongst its peer-set. Nevertheless, we've increased our provision estimates to 15% over FY21-22E, in tandem with our NPL estimates.
- **Reported NIMs dipped** 40bps QoQ to 6.6%, as the fall in reported yields (-50bps QoQ to 14.1%) outpaced the fall in CoF (-30bps QoQ to 7.4%). The maintenance of a higher proportion of liquid assets weighed down on margins. However, the changes in the overall borrowing mix and re-pricing of bank borrowings will provide some relief. We expect calc. NIMs of 6.4% over FY21-22E.

Additional details on the moratorium and provisioning

Stage	Moratorium status	Particulars, in case moratorium opted	Assets (Rs mn)	Coverage
I	⊙		1,12,850	0.3%
I	⊙	No overdues	3,77,760	0.3%
I	⊙	No past history of flows	24,460	5.1%
I	⊙	Past history of flow to Stage II	12,060	10.0%
I	⊙	Past history of flow to Stage III	290	34.5%
Total stage I			5,27,420	0.7%
II	⊙		1,400	8.7%
II	⊙	No past history of flows	17,350	10.1%
II	⊙	Past history of flow to Stage III	1,460	31.8%
Total stage II			20,210	11.6%
III	⊙		16,210	34.9%
III	⊙		2,680	35.1%
III	⊙	(legal)	2,740	87.1%
Total stage III			21,630	41.5%
Total			5,69,260	2.7%

Source: Company, HSIE Research

NII and PPOP were slightly below our estimates

The QoQ fall in opex was led by a 7.8/9.7% fall in staff costs, while other opex dipped 2.3% QoQ but rose 15.8% YoY

Total non-tax provisions incl. ~Rs 2.8bn of provisions related to the expected loss on moratorium a/cs and ~Rs 2.2bn of macro-related provisions

CIFC reported negative total comprehensive income, as OCI was negative due to an item relating foreign currency borrowings

Within VF AUMs, cars & 3w grew 25/1.4%, tractors grew 14.6% YoY (flat QoQ), LCVs grew ~8% YoY, flat QoQ, used CVs grew ~14/-1% and HCVs dipped 20.8/7.3%

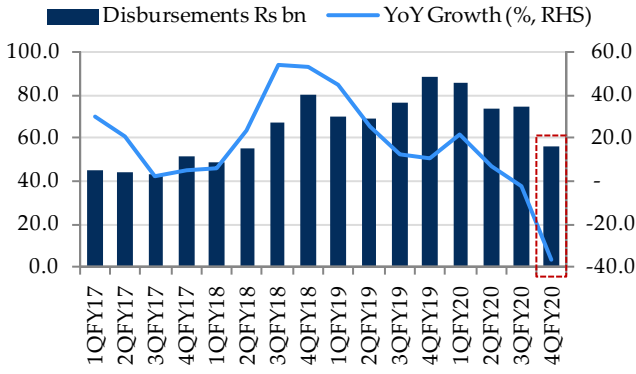
VF GS-III was ~2.9%

Five quarters at a glance

(Rs mn)	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY Growth	QoQ Growth
Income statement							
Net interest income	7,859	8,240	8,643	9,280	9,107	15.9%	-1.9%
Non-interest income	1,130	1,185	1,558	1,545	1,048	-7.2%	-32.2%
Total income	8,989	9,425	10,201	10,825	10,155	13.0%	-6.2%
Operating expenses	3,820	3,500	4,016	4,244	4,016	5.1%	-5.4%
PPOP	5,169	5,925	6,185	6,581	6,139	18.8%	-6.7%
Non-tax provisions	556	1,095	952	1,360	5,567	901.8%	309.4%
PBT	4,614	4,830	5,233	5,221	572	-87.6%	-89.0%
Tax expense	1,695	1,688	2,163	1,336	147	-91.4%	-89.0%
PAT	2,919	3,142	3,070	3,885	426	-85.4%	-89.0%
PAT (incl. OCI)	2,815	3,065	2,871	4,057	-105	NA	NA
Other details							
Disbursements (Rs bn)	88.9	85.7	73.8	74.8	56.6	-36.3%	-24.2%
VF	72.1	69.4	57.7	59.5	47.0	-34.7%	-20.9%
HE	10.3	11.0	10.6	9.1	5.9	-43.0%	-35.1%
AUM (Rs bn)	542.8	574.9	592.9	607.8	605.5	11.6%	-0.4%
VF	405.9	429.8	439.0	445.9	442.1	8.9%	-0.9%
HE	116.3	121.2	126.1	130.0	129.6	11.5%	-0.3%
Borrowings (Rs bn)	505.7	551.2	559.0	549.4	550.1	8.8%	0.1%
Bank Borrowings	222.5	237.0	273.9	313.2	346.5	55.7%	10.7%
CRAR (%)	17.4	17.2	17.1	17.0	20.7	332 bps	364 bps
Tier I (%)	12.4	12.9	12.9	13.0	15.3	282 bps	226 bps
Profitability ratios (%)							
Yield on advances	14.30	14.00	14.40	14.60	14.10	-20 bps	-50 bps
Cost of funds	7.50	7.50	7.70	7.70	7.40	-10 bps	-30 bps
NIM	6.80	6.50	6.70	7.00	6.60	-20 bps	-40 bps
Cost-income ratio	42.5	37.1	39.4	39.2	39.5	-295 bps	34 bps
Tax rate	36.7	34.9	41.3	25.6	25.6	-1113 bps	2 bps
Asset quality							
Gross stage III	14,390	16,710	18,030	20,240	21,630	50.3%	6.9%
Gross stage III (%)	2.70	2.97	3.18	3.54	3.80	110 bps	26 bps
Calc. Net stage III (Rs mn)	8,930	10,670	11,820	13,570	12,650	41.7%	-6.8%
Calc. Net stage III (%)	1.65	1.86	1.99	2.23	2.09	44 bps	-14 bps
Stage III provisions	5,460	6,040	6,210	6,670	8,980	64.5%	34.6%
Stage III coverage (%)	37.9	36.1	34.4	33.0	41.5	357 bps	856 bps
Gross stage I & II	521,020	545,970	549,070	550,720	547,620	5.1%	-0.6%
Stage I & II provisions	3,840	3,790	3,890	3,910	6,250	62.8%	59.8%

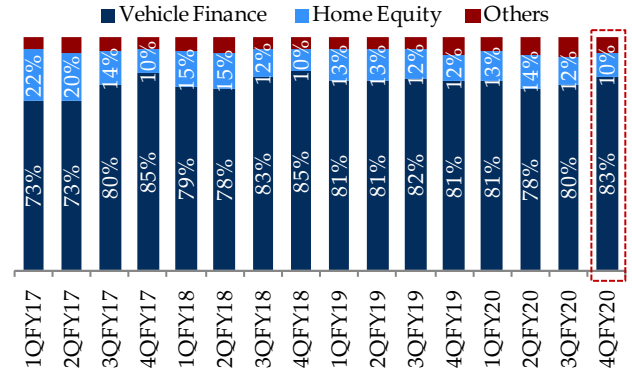
Source: Company, HSIE Research

Disbursements dipped 36.3% YoY



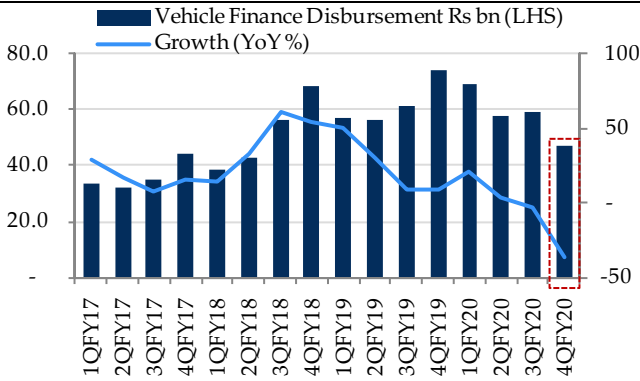
Source: Company, HSIE Research

Share of VF disbursements rises QoQ



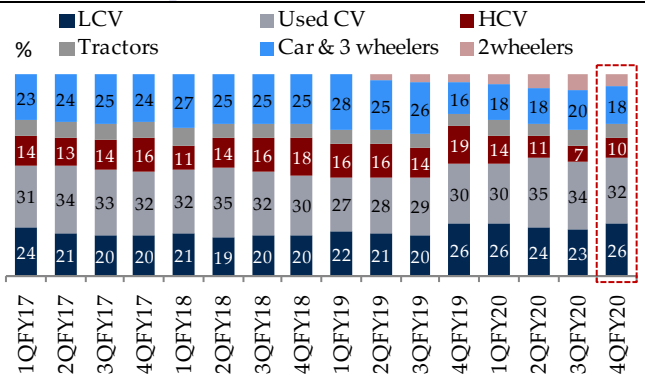
Source: Company, HSIE Research

VF disbursements down 34.7% YoY



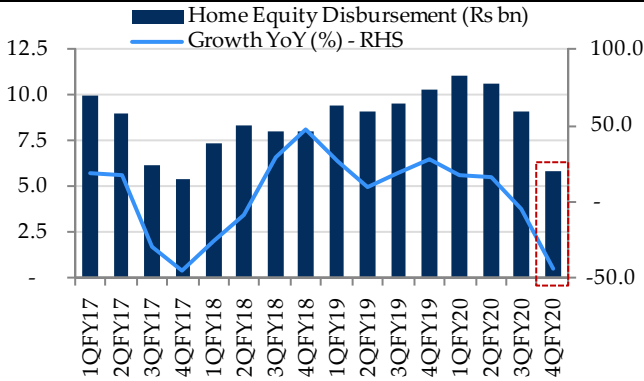
Source: Company, HSIE Research

VF disbursements split



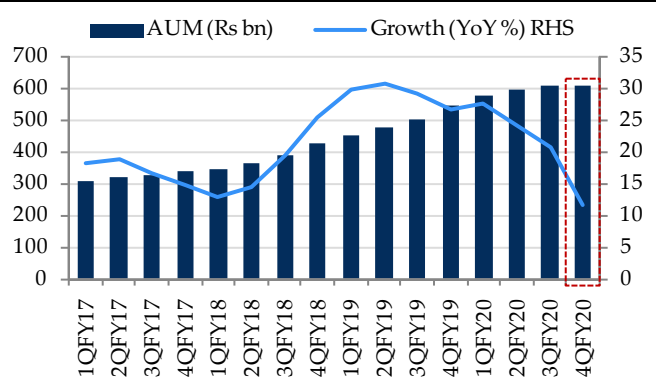
Source: Company, HSIE Research

HE disbursements down 43% YoY



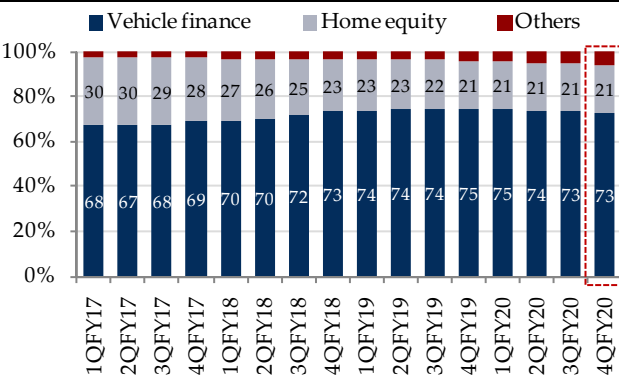
Source : Company, HSIE Research

AUM growth slows to 11.6% YoY



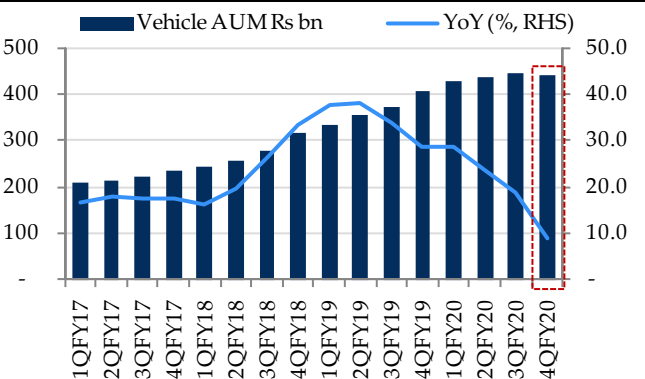
Source : Company, HSIE Research

AUM Break-up: VF Dips Marginally QoQ



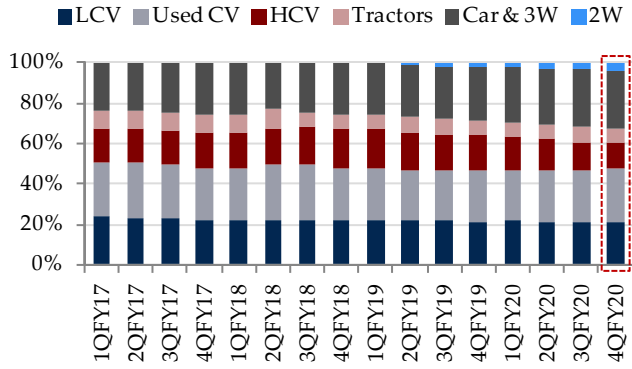
Source : Company, HSIE Research

VF AUM growth slows to 8.9% YoY



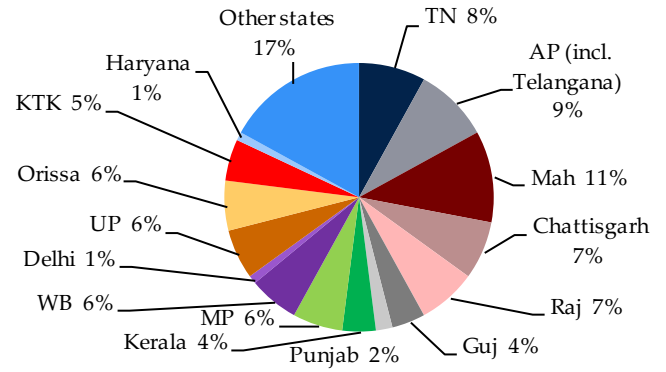
Source : Company, HSIE Research

Segment-wise VF AUM split: HCVs continues to dip



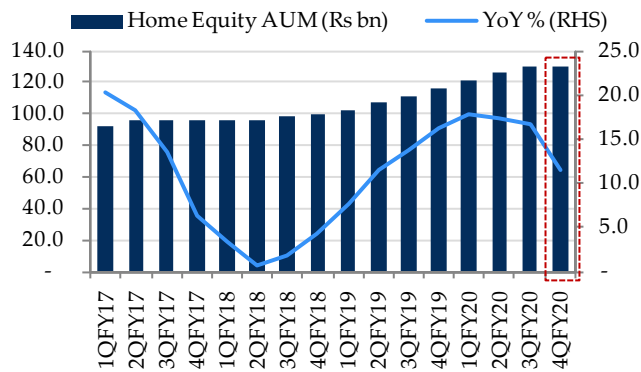
Source : Company, HSIE Research

State-wise VF AUM split: well-diversified



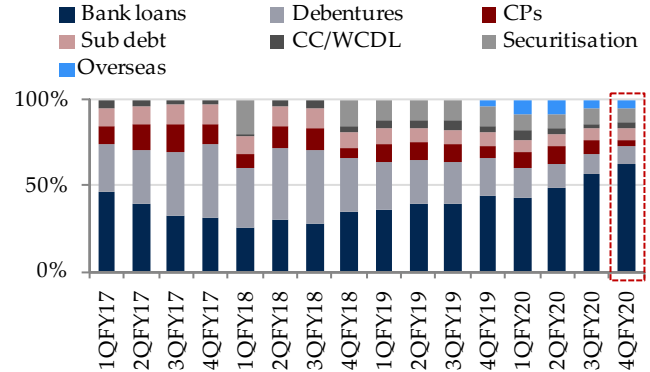
Source : Company, HSIE Research; 1QFY18 onwards as per IND-AS Restated 3QFY19 onwards\$

HE AUM growth slows to 11.5% YoY



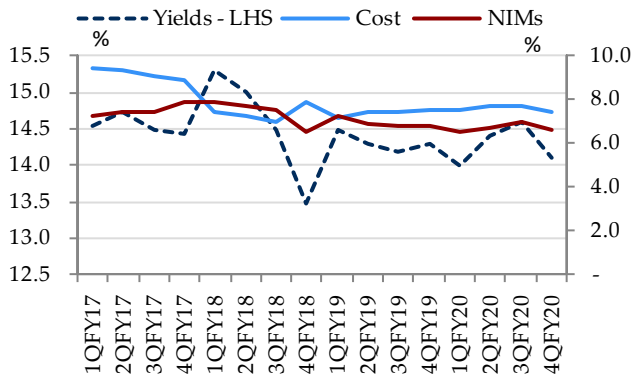
Source : Company, HSIE Research, Note * - Incl. securitization

Share of bank borrowings continues to trend up



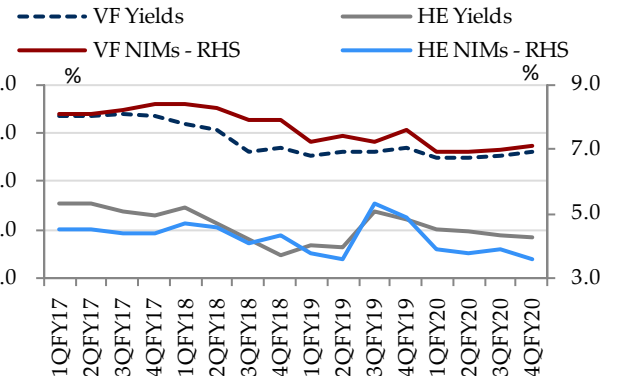
Source : Company, HSIE Research

NIMs dip QoQ



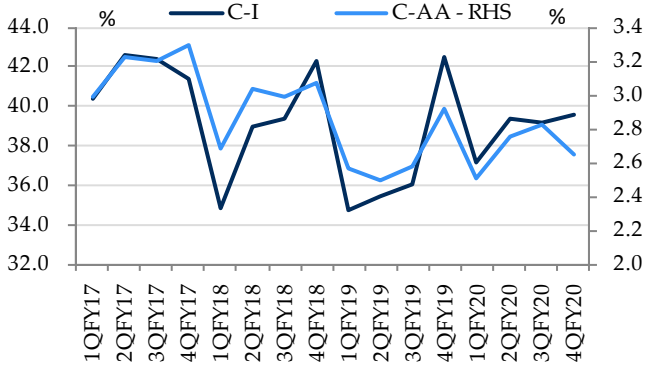
Source : Company, HSIE Research, Note * - Incl. securitization

VF yields improve marginally QoQ



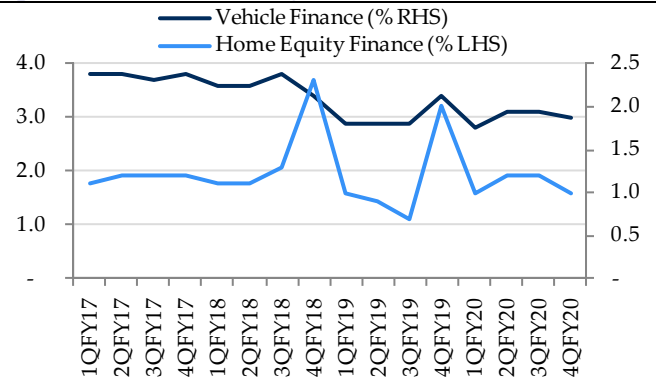
Source : Company, HSIE Research

C-AA marginally improves QoQ



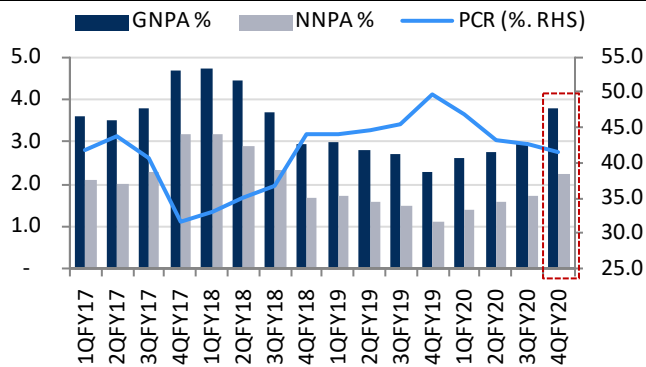
Source : Company, HSIE Research, Note * - Incl. securitization

Expenses ratios across segments



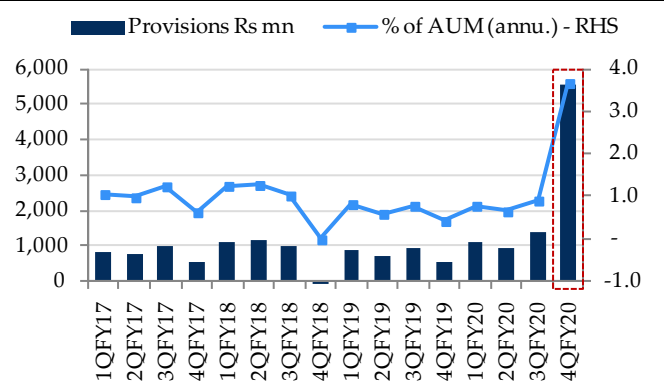
Source : Company, HSIE Research

Asset quality deteriorates slightly QoQ



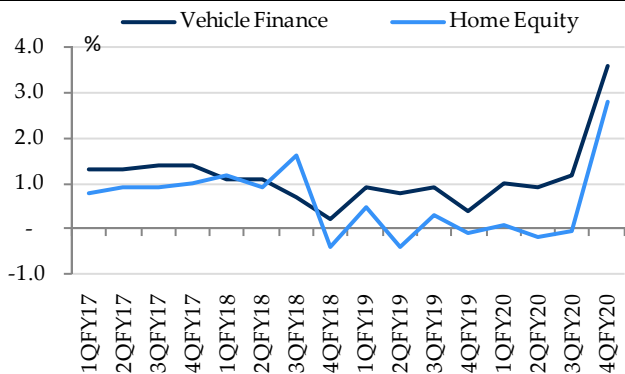
Source : Company, HSIE Research, Note * - Incl. securitization

Provisions jump sharply QoQ



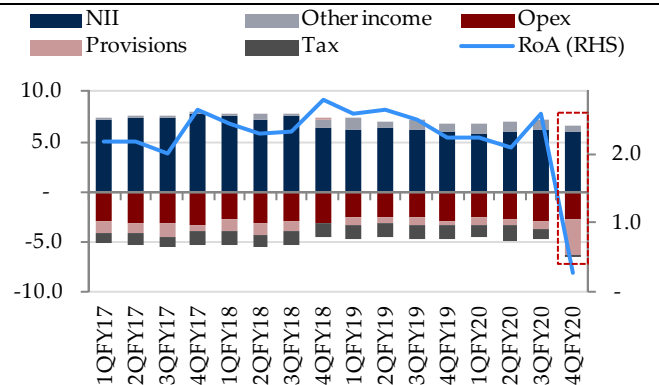
Source : Company, HSIE Research

Sharp rise in provisions across segments



Source : Company, HDFC sec Inst Research

Provisions dent RoAAs



Peer set comparison

	MCAp (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
CIFC	117	143	BUY	225	84	92	112	11.1	10.4	8.6	1.69	1.55	1.27	14.7	12.9	13.9	1.73	1.73	1.98
MMFS	92	145	BUY	228	120	115	151	8.9	8.3	5.8	1.09	1.14	0.87	8.1	8.2	10.9	1.28	1.29	1.74
SHTF	139	613	ADD	891	527	603	814	4.6	5.3	4.7	1.16	1.02	0.75	17.7	13.3	13.4	2.70	2.08	2.14
INDOSTAR	38	285	REDUCE	253	276	277	291	25.4	20.5	17.9	1.04	1.03	0.98	3.9	4.9	4.8	1.14	1.44	1.70
LICHF	25	245	REDUCE	288	284	281	346	4.8	5.6	4.9	0.86	0.87	0.71	14.8	11.5	11.8	1.21	0.96	0.99
REPCO	6	98	ADD	215	246	258	303	2.1	2.4	2.5	0.40	0.38	0.32	17.7	13.1	11.5	2.55	2.05	1.96

Source: Company, HSIE Research, # Adjusted for subsidiaries value

Financials

Income statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Interest earned	33,366	37,880	42,028	52,358	65,653	81,242	85,834	89,522
Interest expended	19,604	20,508	22,308	26,593	35,887	45,922	47,047	48,256
Net interest income	13,762	17,372	19,720	25,765	29,765	35,319	38,787	41,267
Other income	3,545	4,057	4,576	2,439	4,274	5,287	4,033	4,715
Total income	17,307	21,429	24,295	28,203	34,039	40,607	42,820	45,981
Total operating exp	7,489	8,449	10,133	11,153	12,696	15,776	17,068	18,859
PPOP	9,818	12,980	14,162	17,051	21,344	24,831	25,752	27,122
Provisions & contingencies	3,247	4,272	3,106	3,037	3,112	8,973	10,710	8,836
PBT	6,571	8,708	11,056	14,014	18,232	15,857	15,042	18,286
Tax expenses	2,221	3,023	3,868	4,828	6,370	5,334	3,836	4,663
PAT	4,350	5,685	7,187	9,186	11,862	10,524	11,206	13,623

Source: Bank, HSIE Research

Statement of assets and liabilities

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
SOURCES OF FUNDS								
Share capital	1,437	1,562	1,564	1,564	1,564	1,640	1,640	1,640
Reserves	30,297	35,012	41,563	49,417	60,193	80,079	90,332	102,797
Net worth	31,734	36,574	43,127	50,981	61,757	81,718	91,972	104,437
Borrowings	194,752	225,762	242,067	384,999	507,743	550,054	556,930	605,861
Other liabilities	12,246	16,547	22,017	4,920	4,760	8,158	9,381	10,788
Total liabilities	238,732	278,883	307,211	440,900	574,260	639,930	658,283	721,086
APPLICATION OF FUNDS								
Advances	221,835	259,101	284,663	422,530	526,220	554,027	590,590	643,540
Investments	675	666	2,385	730	730	729	802	882
Fixed assets	683	1,113	1,401	1,650	1,760	2,839	3,122	3,435
Other assets	15,539	18,003	18,762	15,990	45,550	82,335	63,768	73,229
Total assets	238,732	278,883	307,211	440,900	574,260	639,930	658,283	721,086

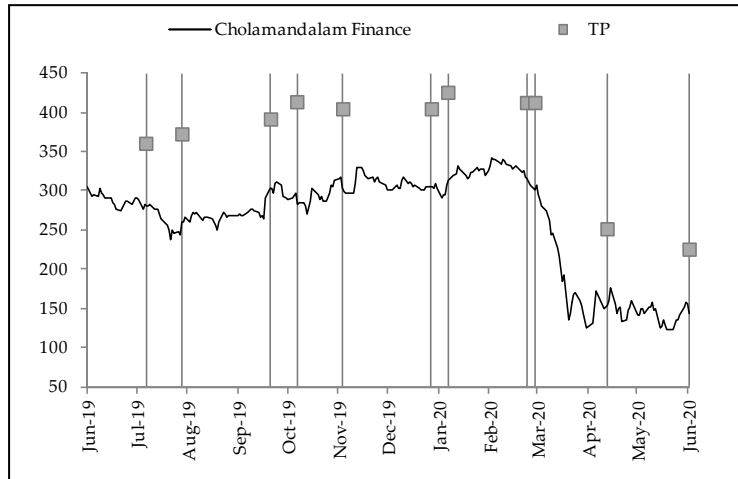
Source: Bank, HSIE Research

Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Valuation Ratios								
EPS (Rs)	6.1	7.3	9.2	11.8	15.2	12.8	13.7	16.6
Earnings growth (%)	19.5	30.7	26	27.8	28.7	(15.7)	6.5	21.6
BVPS (Rs)	37.2	46.8	55	65.2	79.0	99.7	112.2	127.4
Adj. BVPS (Rs)	32.6	39.2	42	52.7	68.1	84.2	91.8	112.3
DPS (Rs)	0.7	0.9	1.1	1.3	1.3	1.7	1.2	1.4
ROAA (%)	1.9	2.2	2.5	2.47	2.34	1.73	1.73	1.98
ROAE (%)	17.5	18.0	18.0	19.6	21.1	14.7	12.9	13.9
P/E (x)	23.6	19.6	15.5	12.1	9.4	11.1	10.4	8.6
P/ABV (x)	4.4	3.6	3.4	2.7	2.1	1.7	1.6	1.3
P/PPOP (x)	10.4	8.6	7.9	6.5	5.2	4.7	4.5	4.3
Dividend yield (%)	0.5	0.6	0.8	0.9	0.9	1.2	0.8	1.0
Profitability (%)								
Yield on advances (%)	13.7	13.75	13.17	13.59	13.51	14.15	14.10	14.00
Cost of funds (%)	10.4	9.75	9.54	8.51	8.08	8.70	8.50	8.30
Core spread (%)	3.3	3.99	3.63	5.08	5.44	5.45	5.60	5.70
NIM (%)	5.7	6.30	6.18	6.69	6.13	6.15	6.37	6.45
Operating efficiency (%)								
Cost/avg. asset ratio	3.1	3.1	3.2	2.9	2.6	2.7	2.8	2.9
Cost-income ratio	43.3	39.4	41.7	39.5	37.3	38.9	39.9	41.0
Balance sheet structure ratios (%)								
Loan growth	9.5	16.5	15.2	25.5	26.6	11.6	1.1	9.0
Borrowing growth	7.6	15.9	7.2	59.0	31.9	8.3	1.2	8.8
Equity/assets	13.3	13.1	14.0	11.6	10.8	12.8	14.0	14.5
Equity/loans	10.5	12.3	12.6	11.9	11.4	13.5	15.0	15.7
Total capital adequacy ratio (CAR)	21.2	19.7	18.6	18.4	17.6	20.7	19.1	18.8
Tier I CAR	13.0	13.3	13.6	13.2	12.6	15.3	14.6	14.5
Asset Quality								
Gross NPLs (Rs mn)	8,028	10,218	15,450	14,274	13,174	21,630	32,121	27,236
Net NPLs (Rs mn)	5,235	5,978	10,334	9,804	8,502	12,650	18,268	13,551
Gross NPLs (%)	3.1	3.5	4.7	3.3	2.5	3.8	5.2	4.1
Net NPLs (%)	2.0	2.1	3.0	2.3	1.6	2.2	3.0	2.0
Coverage ratio (%)	34.9	40.0	33.1	31.3	35.5	41.5	43.1	50.2
Provision/avg. loans (%)	1.28	1.44	0.91	0.71	0.57	1.48	1.75	1.33
RoAA tree								
Net interest income	6.06%	6.71%	6.73%	6.89%	5.86%	5.82%	5.98%	5.98%
Non-interest income	1.56%	1.57%	1.56%	0.65%	0.84%	0.87%	0.62%	0.68%
Operating cost	3.30%	3.26%	3.46%	2.98%	2.50%	2.60%	2.63%	2.73%
Provisions	1.43%	1.65%	1.06%	0.81%	0.61%	1.48%	1.65%	1.28%
Tax expense	0.98%	1.17%	1.32%	1.29%	1.25%	0.88%	0.59%	0.68%
ROAA	1.92%	2.20%	2.45%	2.46%	2.34%	1.73%	1.73%	1.98%
Leverage (x)	8.31	7.58	7.35	7.95	9.00	8.46	7.47	7.02
ROAE	15.91%	16.64%	18.04%	19.52%	21.04%	14.67%	12.90%	13.87%

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-Jul-19	276	BUY	360
31-Jul-19	259	BUY	372
22-Sep-19	291	BUY	391
9-Oct-19	295	BUY	413
7-Nov-19	300	BUY	404
30-Dec-19	304	BUY	404
9-Jan-20	295	BUY	425
26-Feb-20	318	BUY	412
2-Mar-20	307	BUY	412
15-Apr-20	153	BUY	251
4-Jun-20	143	BUY	225

From 2nd March 2020, we have moved to new rating system

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

We, **Darpin Shah, MBA, Aakash Dattani, ACA & Punit Bahlani, CA**, 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. HSL has no material adverse disciplinary history as on the date of publication of this report. 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.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock –No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), 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 company(ies) mentioned herein 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 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.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com