

ICICI Lombard General Insurance Company Ltd

Issue Snapshot:

Issue Open: Sep 15 – Sep 19 2017

Price Band: Rs. 651 – 661

Issue Size: 86,247,187 Equity Shares
(Entirely Offer for sale by ICICI Bank and
FAL) Including ICICI Bank shareholders
Reservation Portion

*Offer Size: Rs.5614.7 – 5700.9 crs

QIB	upto	40,967,413 eq sh
Retail	atleast	28,677,190 eq sh
Non Institu	atleast	12,290,225 eq sh

Reservation for ICICI Bank Shareholders:
4,312,359 Equity Shares

Face Value: Rs 10

Book value: Rs 86.54 (June 30, 2017)

Bid size: - 22 equity shares and in multiples
thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 453.95 cr
Post issue Equity:	Rs.453.95 cr

Listing: BSE & NSE

Global Coordinator and Book Running Lead
Manager: DSP Merrill Lynch Ltd, ICICI
Securities Ltd, IIFL Holdings Ltd.

Book Running Lead Manager: CLSA India Pvt
Ltd, Edelweiss Financial Services Ltd, JM
Financial Institutional Securities Ltd.

Registrar to issue: Karvy Computershare Pvt
Ltd

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoters & Promoter Group	62.92	55.92
Public (incl institutions & employees)	37.08	44.08
Total	100.0	100.0

*= assuming pricing at the higher end of price band
Source of the note : RHP

Background & Operations:

ICICI Lombard General Insurance Company Ltd (ICICI Lombard) was the largest private-sector non-life insurer in India based on gross direct premium income in fiscal 2017, a position it had maintained since fiscal 2004 after being one of the first few private-sector companies to commence operations in the sector in fiscal 2002. It offers its customers a comprehensive and well-diversified range of products, including motor, health, crop/weather, fire, personal accident, marine, engineering and liability insurance, through multiple distribution channels. ICICI Lombard was founded as a joint venture between ICICI Bank Limited, India's largest private-sector bank in terms of consolidated total assets with an asset base of Rs. 9.9 trillion at March 31, 2017, and Fairfax Financial Holdings Limited, a Canadian based holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management with US\$43.38 billion of total assets at December 31, 2016.

In fiscal 2017, ICICI Lombard issued approximately 17.7 million policies and its gross direct premium income was Rs. 107.25 billion, translating into a market share, on a gross direct premium income basis, of 8.4% among all non-life insurers in India and 18.0% among private-sector non-life insurers in India. For the three months ended June 30, 2017, it issued approximately 5.2 million policies and its gross direct premium income was Rs. 33.21 billion, translating into a market share, on a gross direct premium income basis, among all non-life insurers in India of 10.0% and among private-sector non-life insurers in India of 20.2%. Its key distribution channels are direct sales, individual agents, bank partners, other corporate agents, brokers, and online, through which it service its individual, corporate and government customers. Its distribution network enables it to reach customers in 618 out of 716 districts across India.

As of March 31, 2017, it had the largest total investment assets among the private-sector non-life insurers in India. Its investment policy is designed with the objective of capital preservation and achieving superior total returns within identified risk parameters. Its annualised total portfolio return (including unrealised gains) for fiscal 2017 was 13.0%. The company also works with its customers to proactively analyse and mitigate risks, which benefits both its business and its customers by reducing losses and the amount of claims.

ICICI Lombard is at the forefront of leveraging technology in the Indian non-life insurance industry, through which it provides a seamless service experience to its customers and distribution partners across all stages of an insurance policy, and achieve efficiencies in internal operations. In fiscal 2017, 87.5% of its new policies were initiated electronically, either by its distributors or customers. While number of policies grew at a cumulative annual growth rate of 13.1% between fiscal 2015 and fiscal 2017, its employee productivity, measured in terms of gross direct premium income per employee, increased from Rs. 11.4 million in fiscal 2015 to Rs. 16.6 million in fiscal 2017, representing a cumulative annual growth rate of 20.7%.

Objects of Issue:

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and to carry out the sale of up to 86,247,187 Equity Shares by the Selling Shareholder. The listing of the Equity Shares will enhance the "ICICI Lombard" brand name and provide liquidity to the existing shareholders. The listing will also provide a public market for the Equity Shares in India. The Company will not receive any proceeds from the Offer. The Allotment of Equity Shares to the ICICI Bank Shareholders under the ICICI Bank Shareholders Reservation Portion would not result in an increase, directly or indirectly, in the shareholding of the Promoters in the Company

Competitive Strengths:

Consistent market leadership and demonstrated growth: ICICI Lombard was the largest private-sector non-life insurer in India, by GDPI in fiscal 2017, a position it has maintained through various cycles of industry evolution since fiscal 2004. It became the first private-sector non-life insurer in India to reach Rs. 100.00 billion in GDPI in fiscal 2017. ICICI Lombard continues to grow faster than the industry, with its GDPI growing at a CAGR of 26.7% from fiscal 2015 to fiscal 2017, as compared to a CAGR of 22.8% for the Indian non-life insurance industry in the same period. Its industry leadership has been reinforced by its comprehensive and diverse portfolio of insurance products that it continuously adapt to evolving needs of customers and changing industry dynamics. ICICI Lombard has maintained a leadership position among private sector non-life insurer in India across motor (own damage and third party liability), health and personal accident, crop/weather, fire, engineering and marine insurance, since fiscal 2015. A strong brand and partnerships with various stakeholders has contributed to this growth. ICICI Lombard has leveraged the established brand of its Promoter, “ICICI Bank”, to build “ICICI Lombard” into a recognised and trusted brand in its own right.

Diverse product line with multi-channel distribution network:

Diverse and Customised Product Line: ICICI Lombard continues to reinforce its industry leadership by offering products and solutions that address the untapped and evolving needs of customers and it has established itself as a reliable one-stop insurer for diverse customer requirements. It has a diversified composition of insurance products with motor, health and personal accident, crop/weather, fire, marine, and engineering insurance. It creates and offer bespoke products tailored to the requirements of its customers.

Multi-channel Distribution Network: ICICI Lombard distributes its products

- through 51 corporate agents as at June 30, 2017, including Promoter – ICICI Bank – which gives ICICI Lombard access to its 4,850 branches;
- to customers of over 80% of the motor vehicle manufacturers (MVMs), by vehicle sales, in India in fiscal 2017, including Maruti Suzuki India Limited (Maruti);
- through 20,775 individual agents as at June 30, 2017;
- through electronic platform, through which it has issued approximately 1.6 million policies in fiscal 2017 and approximately 0.4 million policies in the three months ended June 30, 2017; and
- using a strong direct sales channel, which contributed 43.2% of GDPI in fiscal 2017 and 43.3% in the three months ended June 30, 2017.

Its diversified channel mix enables the company to reach customers in 618 out of 716 districts across India and provides it with a competitive edge.

Diverse Customer Profile: This multi-channel distribution network enables ICICI Lombard to offer its products to a diverse set of customers, including large and mid-sized corporates, small and medium-sized enterprises, central and state governments, and individuals. Over the years, it has moved from a largely corporate focussed business model to a more diversified mix of business. For the three months ended June 30, 2017, its retail (including SME), corporate and government business groups contributed 54.3%, 23.2% and 22.5% of its GDPI, respectively.

Delivering excellence in customer value: ICICI Lombard focus on direct engagement and customised solutions, which include working with its customers to proactively analyse and mitigate risks. Based on its approach of being fair, fast and friendly, it has in-housed its claims management process for most of its motor, health and personal accident segments. By adopting technology-enabled solutions, ICICI Lombard claims management process empowers customer-facing employees and helps eliminate redundant internal processes. The CRT serves as a crucial point of contact for customers to experience its brand and service and helps it to create long-lasting relationships. The company paid 92.2% of its motor own damage insurance claims in fiscal 2017 within 30 days, as compared to an Indian non-life private-sector average of 81.9%. It also paid 99.3% of its health and personal accident insurance claims in fiscal 2017 within 30 days, as compared to an Indian non-life private-sector average of 85.2%. The number of grievances received by ICICI Lombard reduced from 5,704 in fiscal 2015 to 3,515 in fiscal 2017, despite the increase in number of policies written from approximately 13.9 million to approximately 17.7 million in the same time period. It received 772 grievances for the three months ended June 30, 2017.

Robust risk selection and management framework: ICICI Lombard recognise that risk is an integral element of its business and minimising as well as managing risk is essential for shareholder value creation and that its strong risk selection and mitigation capabilities are a significant competitive advantage. It take a holistic approach to risk management, which includes a data-driven risk selection framework, conservative reserving, and quality reinsurance. Having operated in the industry since fiscal 2002, the company has accumulated a wealth of data pertaining to critical risk parameters that has helped it to identify favourable product and customer segments and sub-segments. ICICI Lombard update such risk parameters based on further loss experience and use these parameters in its underwriting and pricing decisions. It has in place a reinsurance policy, which defines the product-wise retention limits on a per-risk and a per-event basis. It uses a high-quality

panel of re-insurers rated A- (S&P or equivalent international rating) or above, including GIC Re, Scor Re, Munich Re, Hannover Re, Swiss Re, Lloyds, and XL Catlin.

Focus on investments in technology and innovation: ICICI Lombard is at the forefront of leveraging technology in the Indian non-life insurance industry. Its excellence in products and services is backed by a robust technology infrastructure, and user-friendly web and mobile applications for its customers, employees and distributors from sales to claims settlement. It has created a plug-and-play architecture so that it can integrate its systems with distributors quickly. The company's ability to integrate multiple distribution partners seamlessly with its systems and processes has helped increase efficiency in its business. It has directly integrated point of sale systems of certain bus companies, railways and airlines with its policy booking and issuance systems to provide low-coverage travel insurance for their customers.

Strong investment returns on a diversified portfolio: ICICI Lombard's investment management philosophy is to earn investment returns commensurate with the risks undertaken, following the principle of capital preservation and a total income approach. Investments are selected based on value investing principles and are diversified so as to minimize the risk of loss. Its asset allocation strategy ensures liquidity, security and diversification. Its asset mix is determined by two important factors: achieving superior total returns and liquidity management for claim obligations. Its investments from time to time include debt, equities, mutual funds, real estate and other alternative investments. It has achieved an annualised total portfolio return (including unrealised gains) of 18.0%, 8.8% and 13.0%, and an annualised realised return of 10.4%, 10.3% and 10.0% for fiscal 2015, 2016 and 2017, respectively. Since fiscal 2004, its listed equity portfolio has returned an annualised total return of 30.8%, as compared to an annualised return of 17.5% on the benchmark S&P NIFTY index. During the same time period, its equity portfolio outperformed the S&P NIFTY index in all but one fiscal year. For the three months ended June 30, 2017, ICICI Lombard's listed equity portfolio has returned a total return of 6.9%, as compared to a return of 3.8% on the benchmark S&P NIFTY index.

Superior operating and financial performance:

Solvency. ICICI Lombard has a strong capital position with a solvency ratio of 2.10x as at March 31, 2017 compared to the IRDAI prescribed control level of 1.50x, and an Indian non-life private-sector average of 1.95x. Its solvency ratio was 2.13x as of June 30, 2017. It had an internal solvency framework wherein risks in excess of a defined threshold impacting solvency are underwritten only with the approval of the Risk Committee of its Board.

Operating metrics. ICICI Lombard's combined ratio has been generally stable, improving from 104.9% in fiscal 2015 to 104.1% in fiscal 2017. During the same time period, its loss ratio improved from 81.4% to 80.6%. For the three months ended June 30, 2017, its combined ratio and loss ratio improved to 102.4% and 78.1%, respectively. Its disciplined operation, coupled with technology platform, allows it to operate at lower cost than many of its competitors. Its net expense ratio was 23.5% in fiscal 2017 and 24.3% for the three months ended June 30, 2017.

Profitability and return. The company has an established track record of delivering annual returns to shareholders and its return on equity has exceeded 15.6% for each fiscal year since fiscal 2015. Its profit after tax and its return on equity were Rs. 6.42 billion and 17.2%, respectively, in fiscal 2017 and Rs. 2.14 billion and 5.5% (21.9% on an annualised basis), respectively, for the three months ended June 30, 2017. It paid out 18.0%, 32.0%, 29.5% and 19.1% of its profit after taxes in the form of dividends (including dividend distribution tax) in fiscal 2015, 2016, 2017 and for the three months ended June 30, 2017, respectively.

Experienced senior management team and enabling work culture: ICICI Lombard's management team has extensive experience and know-how in the Indian insurance industry. The quality of its management team has been critical to achieving its strong business performance. The overall average work experience of its senior management members (including executive directors) is approximately 24 years with eight out of nine members having an average experience of approximately 17 years within the ICICI Group. Its management's experience is instrumental to its ability to quickly respond to evolving customer needs and market conditions. In addition to its experienced management team, Its enabling work culture is a key factor to its success. Its entrepreneurial culture is reflected by a high level of employee ownership and positive attitude towards accomplishment with speed and efficiency.

Business Strategy:

Leverage and enhance market leadership: The Indian economy and non-life insurance industry promise strong growth prospects. ICICI Lombard intends to capitalize on this market opportunity by implementing the followings measures:

- Leverage the competitive advantage provided to it by its scale and its proprietary data sets;
- Expand customer base while maintaining profitability through prudent risk selection;
- Expand offerings of value added services to its customers by having a deeper understanding of the risks faced by the customer;
- Leverage strong brand to reach broader customers segments in different geographical regions; and
- Capitalize on the broad network of its distribution partners, including ICICI Bank.

Enhance product offerings and distribution channels: ICICI Lombard is constantly looking at new opportunities in all of its insurance segments. It plans to enhance its distribution architecture by expanding its multi-channel distribution, while strengthening existing channels and relationships. It will also continue to innovate to design new products and value added services and solutions to cater to the varying needs of its existing and potential customers. It aims to:

- Grow GDPI from insurance policies sold through individual agents as such channel offers significant opportunities for GDPI growth with better combined ratios.
- Continue to invest in retail health segment. The Company will offer innovative indemnity-based products to broad base of customers along with independent advisory and health assistance services, thereby increasing the competitiveness and attractiveness of its indemnity-based health insurance products
- Capture increasing opportunities created by the growth in the SME insurance market by enhancing distribution footprint and providing convenience through increased automation.
- Invest in data enrichment and analytics to better cross-sell ICICI's individual customers.

Capture new market opportunities: ICICI Lombard shall continue to proactively monitor and respond quickly to new market opportunities. Its robust risk management framework, strong reserve position, and healthy solvency ratio give the company a competitive advantage when participating in new market opportunities. It:

- Company has previously been able to quickly react to significant market opportunities and will continue to do so in the future.
- Company has set up a dedicated sales team to capture the untapped potential in small towns and rural areas, in light of the low penetration of the Indian non-life insurance market. It shall further develop its virtual offices and other digital capabilities to enhance service to such geographies.
- Company will continue to monitor both regulatory and market developments in emerging risk segments, including home and cyber insurance, to take advantage of opportunities as and when they arise.

Further improve operating and financial performance: ICICI Lombard will continue to focus on improving its operating and financial performance. Its key focus is to reduce its combined ratio, while maintaining robust reserves. It aims to:

- Enhance the use of a predictive ultimate loss ratio model to enable the sales force to improve the quality of risk that it selects;
- Further increase the use of data analytics to improve its pricing, risk selection and claims management processes;
- Reduce net expense ratio by continuing to eliminate, standardise and automate internal processes.

Continue to invest in technology and innovation: Investment in technology has always been a key area of differentiation for ICICI Lombard and it plans to continue to invest in this area to further enhance the customer experience. It aims to:

- Migrate entire individual agency network to an end-to-end electronic platform;
- Increase the share of policies sold without any human intervention by further investing in online channel, including by extending the use of chatbots;
- Provide personalized experiences for customers in every aspect of service, particularly electronic platforms, by utilizing existing data collected over the years and by partnering with large data providers in online eco-systems;
- Continue to work with technology start-ups in areas such as healthcare, agriculture, and logistics to create a risk management ecosystem and generate new business opportunities and
- Increase the utilisation of artificial intelligence and machine learning techniques to improve risk management and increase operational efficiency.

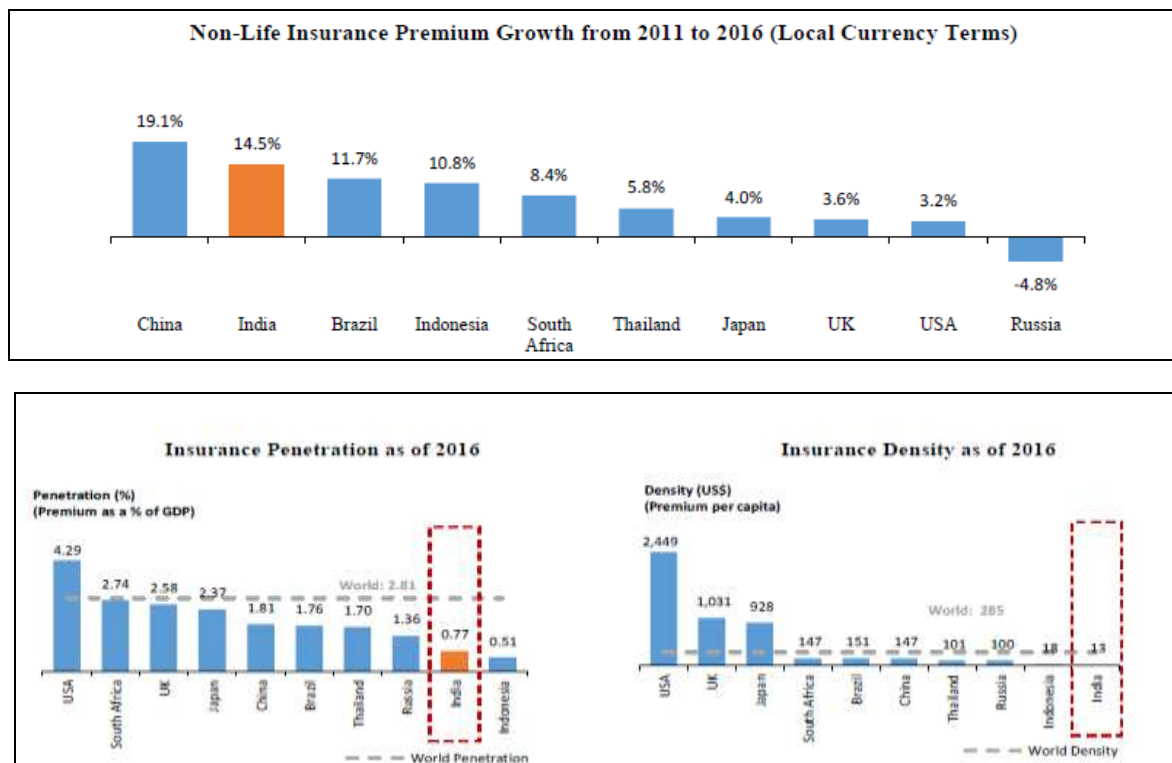
Industry:

India Non-Life Insurance Sector Overview

The Indian non-life insurance sector offers different products such as motor, health, crop, fire, marine, liability, travel, aviation and home insurance aimed at meeting different protection needs of retail customers, government as well as corporate customers. The industry operates under a "cash before cover" model under which insurers are not required to assume underwriting risk until premiums are received except in the case of government sponsored schemes such as mass health and crop insurance. Most Indian non-life insurance contracts are annual except certain product offerings in a few segments such as home, health, personal accident, crop insurance and travel insurance. Indian non-life insurers also do not discount reserves including IBNR / IBNER which are determined using actuarial methods. The Indian non-life insurance sector has been regulated by the Insurance Regulatory and Development Authority of India (IRDAI). IRDAI was constituted as a statutory body to regulate and develop the insurance industry in 1999 and received statutory status in April 2000. The IRDAI regulates the insurance sector in all states in India, and any regulatory changes or product approvals are enforced uniformly across the country.

The size of the Indian non-life insurance sector was Rs. 1.28 trillion on a GDP basis as of 31st March 2017. Indian non-life insurance sector GDP grew at a CAGR of 17.4% between fiscal 2001 and fiscal 2017. According to Swiss Re, India was fifteenth largest market in the world and the fourth largest market in Asia in 2016, behind China, Japan and South Korea. India was also amongst the fastest growing non-life insurance markets over 2011-2016, growing at 14.5% (as per Swiss Re). Despite its size and growth profile, India continues to be an underpenetrated market with a non-life insurance penetration of 0.77% in 2016, as compared to 1.81% in China, 1.70% in Thailand, 1.67% in Singapore and 1.62% in Malaysia and a global average of 2.81% in 2016. At US\$13.2 in 2016, insurance density also remains significantly lower as compared to other developed and emerging market economies.

The following charts set forth a comparison of growth rates of non-life insurance, penetration and density across select countries.



Market Structure

As of March 31, 2017, there were a total of 30 companies in the Indian non-life insurance sector, which can be classified as follows:

Multi-Product Insurers:

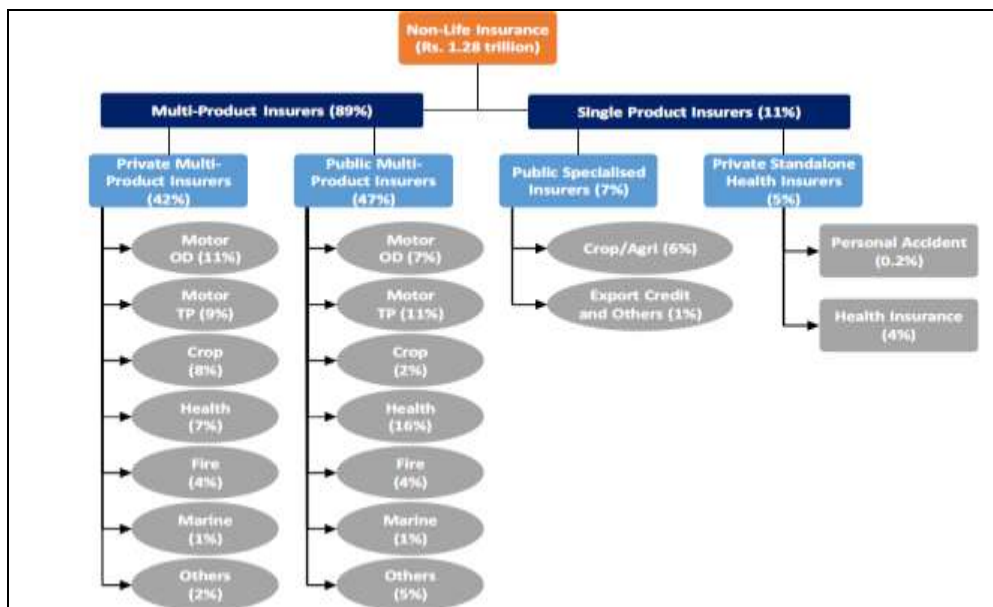
- Four public sector companies offering multiple products – National Insurance Company Limited (“National Insurance”), The New India Assurance Company Limited (“New India”), The Oriental Insurance Company Limited (“Oriental Insurance”) and United India Insurance Company Limited (“United India”)
- 18 private sector companies offering multiple products – including ICICI Lombard General Insurance Company Limited (“ICICI Lombard”), Bajaj Allianz General Insurance Company Limited (“Bajaj Allianz”), HDFC ERGO General Insurance Company Limited (“HDFC Ergo”), IFFCO Tokio General Insurance Company (“IFFCO Tokio”) and TATA AIG General Insurance Company (“Tata AIG”)

Single Product Insurers

- Two public sector specialised single product line non-life insurance companies – Agriculture Insurance Company of India Limited (“AIC”), and Export Credit Guarantee Corporation of India Limited (“ECGC”)
- Six standalone private health insurance companies – Apollo Munich Health Insurance Company (“Apollo Munich”), Cigna TTK Health Insurance Company Limited (“Cigna TTK”), Max Bupa Health Insurance Company (“Max Bupa”), Religare Health Insurance Company (“Religare Health”), Star Health & Allied Insurance Company (“Star Health”) and Aditya Birla Health Insurance Company Limited (“Aditya Birla Health”)

Besides these 30 companies, the state owned General Insurance Corporation of India (“GIC”) operates as the main Indian reinsurer. The Regulator has also allowed foreign reinsurers to set up branch offices in India which shall lead to an increase in the reinsurance capacity thereby increasing the market depth.

The chart below sets forth the composition of the GDPI for fiscal 2017 by product segment and by type of insurer:



Motor Insurance

Motor insurance is offered for private motor cars, two wheelers and commercial vehicles and consists of third party liability as well as own-damage cover. Motor insurance is the largest segment in the Indian non-life insurance sector, contributing 40% of industry GDPI in fiscal 2017. Own Damage Motor Insurance formed 19% of industry GDPI, while Third Party Motor Insurance formed 21% of industry GDPI in fiscal 2017.

Health and Personal Accident Insurance

Health and Personal Accident Insurance comprises the second largest product segment after motor insurance. Health insurance is still at an early stage of development in India. According to CRISIL Research, health insurance premiums density in India was estimated at US\$3.6 for 2016, significantly lower than other countries such as Singapore (US\$57.9), China (US\$ 44.0), U.K. (US\$110.9) and US (US\$567.0). As per CRISIL Research, only 359 million people (around 27% of the total population) have health insurance coverage as of fiscal 2016. According to CRISIL Research, only around 20% of this health insurance coverage is provided by commercial insurance providers (including life and non-life insurers), with the remaining covered under Central or state government-sponsored schemes such as Central Government Health Scheme (CGHS) and Employee State Insurance Scheme (ESIS). Central / State government sponsored schemes however, have limited room for further penetration due to lack of adequate budgetary support. CRISIL Research estimates that 89% of private expenditure on healthcare is incurred out of pocket i.e. customers paying for healthcare from their own savings.

Health insurance products in India typically fall under the following categories:

- **Health indemnity:** Health indemnity insurance is indemnity based and covers expenses in the event of sudden illness.
- **accidents or surgery.**
- **Health insurance benefit:** Defined benefit type plans under which payouts are on pre-decided limits calculated as proportion of the sum insured.
- **Critical Illness:** Critical illness coverage is limited to certain prominent medical conditions.

Personal accident insurance provides benefit-based coverage to policyholders for accidents suffered by them. Personal accident policies are often bundled with health insurance policies to offer a more comprehensive coverage for customers. Health and personal accident insurance coverage is offered to corporate, mass and individual segments. The corporate health segment consists of policies purchased by corporations for employees and their dependents; the mass segment consists of policies issued through participation in government health schemes; and the individual health segment consists of retail sales to individuals. The corporate health segment, which represents about 50% of health GDPI has historically impacted profitability in the sector due to the lack of pricing discipline across all insurers in the industry.

presenting corporate customers with strong bargaining power. Group health insurance also has lower pricing than retail health insurance as there is lower scope for adverse selection as the entire workforce of the corporate customer is typically insured. Industry Health and Personal Accident GDPI grew at a CAGR of 23.6% from fiscal 2015 to fiscal 2017 driven by increasing coverage under the government scheme RSBY and growing retail health insurance penetration

Crop Insurance

Crop insurance offers coverage to farmers and others against either the loss of crops due to natural disasters or other weather conditions. India is predominantly an agriculture-oriented economy. According to CRISIL Research, 52% of the population directly depends on agriculture either as farmers or agricultural labourers. To increase the insurance coverage of cropped area, the Indian government currently offers two major crop-related government schemes in which non-life insurers participate – the Pradhan Mantri Fasal Bima Yojana (PMFBY) and the Restructured Weather Based Crop Insurance Scheme (RWBCIS). Crop insurance is typically offered as a mandatory add-on to farmer loans and sold primarily in relation to the two main crop seasons of India – Rabi and Kharif. The PMFBY, which was launched in April 2016 replacing older crop insurance government schemes, subsidises yield-based crop insurance for farmers. It provides coverage of all food crops, oilseeds, commercial and horticultural crops. The Indian government uses a tender process covering different geographies through which insurance companies submit their premium quotes based on their individual actuarial assumptions. While total premiums are based on the actuarial premium estimated, farmers have to pay uniform premiums that are determined on the basis of the type of their crop. The difference between the actuarial premium and the premium paid by farmers is being borne equally by Central and state governments. Claims are paid based on the yield for a group of farms, as measured by a government authorized surveyor. The RWBCIS subsidises weather based crop insurance for farmers. The insurance provides an index-based cover which provides protection against variation in specified weather indices such as rainfall, humidity, temperature or a combination of these factors. Threshold levels are defined for the weather indices in the policy and a claim is payable when the actual weather index breaches the predefined threshold level. Industry crop insurance GDPI grew significantly by around 271.4% from fiscal 2016 to fiscal 2017. Renewed government support for crop insurance through the PMFBY resulted in significant increase interest by the non-life insurers in the sector in fiscal 2017, as the scheme presented a new area of growth and was accompanied by a better risk-reward proposition than existing crop insurance schemes.

Other Products

Other types of insurance offered by the Indian non-life insurance sector include liability insurance, travel insurance, aviation insurance, credit insurance and home insurance. Together, all other types formed around 8% of GDPI in the year ending 31st March, 2017

Investments

The Indian non-insurance industry operates under a “cash before cover” model. Insurers are not required to assume underwriting risk until the premium is received. Receipt of upfront premiums and the payment of claims at a later stage, create significant investable assets from insurance underwriting, which can be deployed to earn investment income (float). Additionally, investments assets also consist of shareholders’ equity and other forms of capital.

Investment limits for Indian non-life insurers are determined by the IRDAI and restrict the proportion of funds. As per the most recent regulations, which became effective on 31st March 2017, investments by non-life insurers are subject to the following limits (as a % of investment assets):

- Central government securities, state government securities and other approved securities: >30%
- Central government securities: >20%
- Approved investments: <70% (including fixed deposits, commercial papers, certificate of deposits)
- Investments in housing and infrastructure: >15%
- Other investments: <15%

Investment in central and state government securities together accounted for 43% share in total investments for the industry as of 31st March, 2017.

Reserving

Indian non-life insurance insurers, in line with global practices, are required to establish a liability in their accounts (claim reserves) for the unpaid portion of ultimate costs (including loss adjustment expenses) of claims that been reported but not settled (“IBNER”) and of claims that have been incurred but not reported (“IBNR”). Prevailing regulations do not permit these reserves to be discounted. These reserves are required to be certified by an appointed actuary. A significant proportion of these reserves are for third party motor insurance claims, which tend to involve longer periods of time for the reporting and settlement of claims. Given that settlement times are often longer than the period for which data is available with the insurers, particularly the private sector insurers, significant assumptions are involved in estimating these reserves. Further, since third party motor claims are adjudicated in courts, a change in law or a change in the basis of adjudication of a

claim can result in prior assumptions being rendered invalid and increase the inherent risk and uncertainty associated with claim reserves. As per the current accounting practices, IBNR/IBNER reserves are not discounted and are accounted based on expected claim payment for future periods as well. Reserving triangles are globally used in public disclosures to depict the adequacy of reserves based on successive valuations. Over period of time as claims get settled and greater certainty emerges on the ultimate cost of claims for a particular year, the quality of initial reserving based on the original estimate of ultimate losses can be evaluated through reserving triangles. ICICI Lombard has been disclosing reserving triangles since fiscal 2016.

Unearned premium reserve (UPR)

As per IRDAI regulation, a reserve for unearned premium is created as the amount representing the part of the premium written which is attributable to, and is to be allocated to succeeding accounting periods. UPR is computed as follows: a. Marine hull: 100% of Net written premium during the preceding 12 months b. Other segments: Currently, insurers follow one of the above two methods for calculation of UPR for other segments. Insurers have an option to create UPR either at 50% of net written premium of preceding 12 months or on the basis of 1/365th method on the unexpired period of the respective policies. Under the 1/365th method calculation, actual number of days left in the policy period are divided by total number of days of policy period) The 1/365th method leads to calculation of UPR and corresponding net premium earnings in line with the policy period. For e.g. If the policies are booked in the 4th quarter of the year, premium earnings will be accounted only for 3 months proportionately. However under the method where 50% of net written premium of preceding 12 months is used for calculation of UPR, net premium earning shall be higher or lower, if the gross premium is unevenly distributed during the year.

Reinsurance

Under the present IRDAI regulations, every private and public non-life insurance company has to cede at least 5% of its risk to the state owned reinsurer GIC, which was the sole domestic reinsurer operating in the Indian market until fiscal 2017. This cessation is applicable on all policies except for government sponsored health insurance schemes. Non-life insurers are also required to offer GIC first preference and seek “best terms” for their reinsurance requirements from GIC before approaching others. The Insurance Laws (Amendment) Act 2015 allowed foreign insurers to open branch offices in India enabling them to participate in the reinsurance business in India without an Indian partner. Subsequently, IRDAI has issued licences to seven global reinsurers engaging in non-life reinsurance - Munich Re, Swiss Re, SCOR, Hannover Re, RGA Life Reinsurance Company of Canada, Gen Re, XL Catlin and Axa Re to set up branch operations in India. Furthermore, global specialist insurance and reinsurance market Lloyds has also been given a license.

Key Concerns:

Loss reserves are based on estimates as to future claims liabilities and if they prove inadequate, it could lead to further reserve additions and materially adversely affect the results of operations: ICICI Lombard is required to establish a liability in its accounts for the unpaid portion of ultimate costs (including loss adjustment expenses) of claims that has been ‘incurred but not reported’ (IBNR) and ‘incurred but not enough reported’ (IBNER) as at the end of each reporting period. There are several possible methods for the determination of this ultimate cost. The method most appropriate in a particular case will depend on the nature of the business and the claims development pattern. The provisions for IBNR and IBNER are calculated separately for each year of occurrence and are aggregated to arrive at the total amount to be provided, by line of business. Its methodology is consistent with regulatory guidelines, which do not permit discounting of reserves or negative provisions for any particular year of occurrence. Due to the inherent uncertainty in estimating reserves for losses and loss adjustment expenses, ICICI Lombard cannot give any guarantee that the ultimate liability will not exceed amounts reserved. If its estimated reserves turn out to be inadequate, it could have a material and adverse effect on its financial condition and results of operations. There is no precise method for subsequently evaluating the adequacy of the consideration given to inflation, since claim settlements are affected by many factors. As a result of all the above, its loss reserves may not be adequate to meet future claim liabilities, which could require ICICI Lombard to make provisions for additional reserves & materially adversely affect its financial condition & results of operations.

Catastrophic events, including natural disasters, could materially increase liabilities for claims by policyholders: ICICI Lombard’s fire, engineering, crop/weather, motor and health insurance businesses expose it to risks of liabilities for insurance claim payments relating to catastrophic events, which are covered by its insurance. Catastrophes can be caused by various natural hazards, including earthquakes, typhoons, floods, drought, windstorms, hailstorms, severe weather and forest fires. Certain catastrophes are covered by its insurance, i.e., insurable catastrophes. In addition, its health insurance business is exposed to the risk of catastrophes such as a pandemic or other event that causes a large number of hospitalizations. Neither the likelihood, timing, nor the severity of a future catastrophe/pandemic can be predicted. Catastrophes could also result in losses in its investment portfolios, due to, among others, the failure of its counterparties to perform their obligations or significant volatility or disruption in the financial markets, and could in turn have a material adverse effect on the business, financial condition, results of operations and prospects. If catastrophic events covered by or insurance occur with greater frequency and severity than has historically been the case, or multiple catastrophic events occur in a year, claims arising therefrom could materially reduce the profits and cash flows and materially and adversely affect its financial condition and results of operations.

If the company do not meet solvency ratio requirements, it could be subject to regulatory actions and could be forced to stop transacting any new business or change the business strategy or slow down its growth: Under the Insurance Act, every insurer is required to maintain (at all times) an excess of value of assets over the amount of liabilities of, not less than 50% of the amount of minimum capital as prescribed therein. If ICICI Lombard's share capital and profit do not continue to support the growth of its business in the future, or if the statutorily required solvency margin increases, or if its financial condition or results of operations deteriorate, or for other reasons it cannot comply with the statutory solvency ratio requirements, it may need to raise additional capital in order to meet such requirements. The company's ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including but not limited to, its future financial condition, results of operations, cash flow, government regulatory approvals, changes in regulations relating to capital raising activities, its credit rating, general market conditions for capital raising activities, and other economic and political conditions in and outside India. Its solvency regime is different from those of other countries. Therefore its solvency ratio might not be comparable to that of insurance companies in other countries with which an investor in the Equity Shares might be familiar. However internationally, there is a concerted movement by regulators to move away from a factor-based approach to a risk-based approach for the determination of an insurance company's capital. Any such shift by the IRDAI to adopt a risk-based approach, could potentially affect its capital requirements and consequently its capital position, which in turn could lead to the need for a capital infusion.

A significant portion of business comes from working with the government which subjects it to risks: In fiscal 2017 and the three months ended June 30, 2017, 22.1% and 22.5% of ICICI Lombard's GDPI was derived from central and state government contracts/programmes, respectively, in relation to crop/weather, mass health and mass personal accident insurance. As of June 30, 2017, the outstanding premium receivable for a period greater than three years from the central or state governments was Rs. 1.76 billion, out of which Rs. 1.09 billion and Rs. 0.36 billion pertain to the states of Bihar and Uttar Pradesh, respectively. If the premium is not received from these state governments, the company may be required to make provisions on account of non-receipt of such receivables in its books. ICICI Lombard (and some other insurers) is in dispute with the government of Uttar Pradesh in connection with the quantification and qualification of enrolment of some of the beneficiaries of the programme. It (along with the other insurers) has filed an appeal with the State Grievance Redressal Committee of the government of Uttar Pradesh in accordance with the terms of the tender. Any of the above could materially adversely affect its business, financial condition, results of operations and cash flow.

There are certain risks related to crop/weather insurance offering that could have a material adverse effect on the business, financial condition, results of operations and prospects: In fiscal 2015, 2016, 2017 and the three months ended June 30, 2017, ICICI Lombard derived 4.1%, 7.3%, 20.1% and 21.8%, respectively, of its GDPI from crop/weather insurance products. IT offers crop/weather insurance primarily under the PMFBY and the Restructured Weather Based Crop Insurance Scheme (the "RWBCIS") programmes. It faces certain risks in connection with its crop/weather insurance offering, which could have a material adverse effect on its business, financial condition, results of operations and prospects. These include Reduction in government support, Reputation risk, Tender-based award, Selection and pricing risk, Reinsurance risk, Non-payment/delay in payment, Penalties for not adhering to contractual terms, Potential for higher claims and disputes, Compliance issues, Fraud risk, Political risks, Tax risks.

May not able to maintain market position, sustain growth, develop new products or target new markets: ICICI Lombard designs and distributes a range of insurance products, including motor, health, crop/weather, marine, liability, fire and engineering. Its ability to design and distribute appropriate products to its target customer segments through multiple distribution channels on a timely basis affects its performance. Its capital requirements, pricing assumptions, level of reserves and profitability vary from product to product. Hence, changes in the product mix for new business may impact the results of operations. ICICI Lombard is focused on certain products to maintain growth and improve profitability. If it fails to increase or maintain the proportion of certain profitable products in its portfolio, if it is unable to maintain the profitability of such products, or if it is unable to maintain overall levels of growth, its market position, results of operations and profitability may be adversely affected. Any slowdown in growth, whether in absolute terms or relative to trends in the non-life insurance industry in India, could adversely affect its market share. Any of these events could materially and adversely affect the business, financial condition, results of operations and prospects.

Reliance on motor vehicle manufacturers and ICICI Bank and other key distribution partners subjects it to a concentration risk: A significant proportion of ICICI Lombard's GDPI is derived from sales to the customers of agents/intermediaries affiliated with motor vehicle manufacturers ("MVMs"). It also has bank partner relationships with various banks, including ICICI Bank, which is a key distribution partner for its products. Although its engagement with ICICI Bank does not provide for exclusive distribution of its products, currently, it exclusively distributes non-life insurance products in India. It also rely on brokers for sales to corporate customers along with reliance on customers of agents/intermediaries affiliated with MVMs and its bank partners. Similar to corporate agents, the brokers ICICI Lombard works with also work with its other competitors. The share of business that such brokers allocate to it depends upon the strength of its relationship with them and the appeal of its products amongst the customers of such brokers. If it fails to sustain and reinforce its relationship with such brokers, maintain the competitiveness of its products or establish relationships with and obtain new business from new brokers, its business, profitability, results of operations and prospects could be adversely impacted. Regulatory changes affecting the relationship with its

distribution partners or the distribution of insurance products could materially affect its relationship and arrangements with these bank partners, brokers or agents or restrict the ability to further expand such arrangements. Any of the foregoing could have a material adverse effect on its business, financial condition, results of operations and prospects.

Any termination of, or any adverse change to, its ability to attract or retain agents, both corporate and individual, and key sales employees, could have a material adverse effect on the business, financial condition, results of operations and prospects: In addition to the distribution partners mentioned in the preceding risk factor ICICI Lombard also distributes its products through other corporate agents, individual agents, brokers and dedicated sales professionals (collectively, “Key Sales Resources”). It competes with other insurance companies and similar financial institutions to attract and retain such Key Sales Resources. Its success in attracting and retaining such resources depends upon factors such as remuneration paid, range of its product offerings, pre and post-sale support provided, its reputation, its perceived stability, financial strength, and the strength of the relationships it maintains with such intermediaries, agents and other professionals. If it fails to attract or retain such Key Sales Resources, it could have a material adverse effect on its business, financial condition, results of operations and prospects.

Rely on selected types of insurance for most of its GDPI and profitability: In fiscal 2017, motor insurance, crop/weather insurance and health insurance accounted for 42.3%, 20.1% and 15.5% of its GDPI, respectively. For the three months ended June 30, 2017, motor insurance, crop/weather insurance and health insurance accounted for 36.5%, 21.8% and 14.9% of its GDPI, respectively. If ICICI Lombard is unable to anticipate market developments, develop and exploit opportunities and create new products, it might be significantly disadvantaged as compared to its competitors willing to offer more competitive products in case of such changes. Such changes or developments could have a material adverse effect on its business, financial condition, results of operations and prospects. It significantly depends on a limited number of insurance products for its profitability which includes motor, health, crop/weather, fire and engineering insurance products. Any change in product mix, restriction or limitation to distribute its products could have material adverse effect on its business, financial condition, results of operations and prospects.

Differences between actual claim payments and those assumptions and estimates used in the pricing of the products could have a material adverse effect on the business, financial condition, results of operations and prospects: ICICI Lombard price its products based on its estimates of probability of loss and various costs and the judgment of its management. Its results of operations depend significantly upon the extent to which actual claims are consistent with the assumptions and estimates used in pricing products. Due to the nature of underlying risks and the uncertainties associated with the determination of liabilities for future policy claims, the amount which will ultimately pay to settle liabilities may differ from estimated amount, which could have a material adverse effect on its business, financial condition, results of operations and prospects. Also, the models it uses to value its expected claim payments themselves could be incorrect. As ICICI Lombard increase the number and complexity of products it offers, the likelihood of an inaccuracy in its models may also increase. Therefore, if its actual claim payments experience is significantly worse than its assumptions used in the pricing of its products, it could have a material adverse effect on its business, financial condition, results of operations and prospects.

Credit risks in day-to-day operations, including in its reinsurance contracts, may expose to significant losses: ICICI Lombard is dependent on a number of parties like brokers and dealers, merchant bankers, stock exchanges, banks, and other intermediaries for its day-to-day operations. If any of these counterparties do not perform their obligations due to bankruptcy, lack of liquidity, downturns in the economy, operational failure, fraud or other reasons, and any collateral or security it provides proves inadequate to cover their obligations at the time of the default, it could suffer significant losses. It also cede a significant proportion of the risk it assume under the insurance policies to reinsurance companies, including GIC Re. Therefore, a default of any counterparty’s obligations, including any reinsurer’s insolvency or non-payment under the terms of its reinsurance agreement with ICICI Lombard, which could have a material adverse effect on its business, financial condition and results of operations.

ICICI Lombard cede a significant percentage of its reinsurance to GIC Re: ICICI Lombard is heavily reliant on its relationship with GIC Re for its reinsurance. In fiscal 2017, 67.0% of its reinsurance ceded was ceded to GIC Re. If there is any adverse change in its business relationship with GIC Re, it may be unable to find alternative reinsurance at acceptable rates, or at all. Additionally, under the IRDAI’s regulations, GIC Re, which is the only Indian re-insurer with the minimum credit rating required to gain this preferential status, has a right of first offer for all reinsurance ceded by an Indian non-life insurer. Hence, ICICI Lombard may not have control over the amount of reinsurance it cede to GIC Re. The high concentration of its reinsurance with GIC Re subjects it to a high degree of credit risk exposure on such reinsurance. If these risks materialise, it could result in a material adverse effect on its business and results of operations.

Regulatory and statutory actions against the company could cause reputational harm: ICICI Lombard constitution and operation is subject to extensive application of laws and is under active supervision of the IRDAI and other regulatory and/or statutory authorities of India. It is also subject to periodic examinations by the IRDAI and other statutory and government authorities of India. From time to time, it may be subjected to regulatory actions that might extend to caution, warning, penalty and/or cancellation of its license for doing business. It has

received cautions, warnings and penalties from IRDAI due to non-compliance with various regulatory prescriptions. ICICI Lombard is also exposed to risks, including regulatory actions, arising due to improper business practices such as inadequate due diligence, including customer verification, non-adherence to anti-money laundering guidelines, and customer needs analysis, in the sales process. Any fraud, sales misrepresentation and other misconduct committed by its employees, agents or distribution partners could result in violations of laws and regulations by it and subject it to regulatory scrutiny. In addition, agents and intermediaries are also subject to regulatory oversight of the IRDAI, in addition to any other regulators within their industries. Any regulatory action against such distribution partners could reduce the company's ability to distribute its products through them, harm reputation and could have a material adverse effect on its business, financial condition, results of operations and prospects. Additionally, if any new developments arise, including a change in Indian laws or regulations or judicial decisions adverse to it, it may face losses and may have to make further provisions in its financial statements, which could increase its expenses and its liabilities.

Exposed to significant market risk, including changes in interest rates: As of June 30, 2017, 83.2% of ICICI Lombard's total investment assets, by carrying value, were invested in fixed income assets (including mutual funds). Changes in prevailing interest rates (including parallel and non-parallel changes in the difference between the levels of prevailing short-term and long-term rates) could materially affect investment returns, which in turn could have a material effect on its investment income, financial condition, results of operations and prospects. While falling interest rates could result in an increase in the mark-to-market value of its debt portfolio, ICICI Lombard is also subject to reinvestment risk which could result in the portfolio yields falling. It also face market risk in its other investments, including real estate investments, which could have a material adverse effect on its income, financial condition, results of operations and prospects. As its combined ratio is over 100%, it is reliant upon company's investment returns for its profitability and any impact on its income from investments can materially affect its income, financial condition and profitability.

Credit risks related to investments may expose to significant losses: ICICI Lombard is exposed to credit risks in relation to its investments. The value of its debt portfolio could be affected by changes in the credit rating of the issuer of the securities as well as by changes in credit spreads in the bond markets. In addition, issuers of the debt securities that it owns may default on principal and interest payments. It cannot be assured that it is able to identify and mitigate credit risks successfully. As a result, a probable downgrade in the credit rating of the debt securities owned by it may lead to a reduction in value of its debt portfolio, and has an adverse effect on its financial condition, results of operations and prospects. Furthermore, the counterparties in its investments, including issuers of securities it hold, counterparties of any derivative transactions that it may enter into, banks that hold its deposits and debtors, may default on their obligations to it due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. ICICI Lombard is also subject to the risk that its rights against these counterparties may not be enforceable in all circumstances.

Reliant on the 'ICICI Lombard' brand: ICICI Lombard's business is, to a large extent, reliant on the strength of the 'ICICI Lombard' brand and its reputation, and that of its Promoter, ICICI Bank. It is critical to its business that consumers continue to recognize and trust the ICICI Lombard brand. It undertake distinctive advertising and marketing campaigns and other efforts to improve brand recognition, enhance perceptions of it, generate new business, and increase the retention of its current customers. Improving the effectiveness of its advertising and marketing campaigns relative to those of its competitors is particularly important given the significance of brand and reputation in the marketplace and the continuing high level of advertising and marketing efforts and related expenditures within the insurance market. If the company's marketing campaigns are unsuccessful or are less effective than those of competitors, or if its reliance on a particular spokesperson or character is compromised, its business could be materially and adversely affected. Any damage to 'ICICI Lombard' brand or its reputation could hamper the trust placed in the brand and cause existing customers or intermediaries to withdraw their business and potential customers or intermediaries to reconsider doing business with the company. Furthermore, negative publicity may result in increased regulatory supervision and legislative scrutiny of the Indian industry practices as well as increased litigation, which may further increase the cost of doing business and adversely affect its profitability.

A portion of corporate premium comes from a limited number of large clients and the loss or downsizing of any of these clients could adversely affect the business, results of operation, financial condition and cash flows: ICICI Lombard has historically derived and continue to derive a certain portion of its corporate premium from a limited number of large clients. It expects that a certain portion of its corporate premium will continue to be derived from a limited number of clients in the future. The volume of insurance policies that it underwrite for specific customers is likely to vary from year to year. A major customer in one year may not account for the same level of its premiums in a subsequent year. Some of its top customers maintain panels of approved insurers that they work with. It has in the past, and may in the future, be removed from such panels by such customers due to decisions not specifically relating to it. The loss or financial difficulties of any of its most significant customers, or significant decreases in the premium from such clients, would materially and adversely affect its business, results of operation, financial condition and cash flows.

Fluctuations in the exchange rate of the Indian Rupee and U.S. Dollar or other foreign currencies may materially and adversely affect the results of operations: ICICI Lombard is exposed to foreign currency risk through transactions conducted in currencies other than Indian

Rupees. Such transactions include reinsurance transactions and claims payments arising in certain categories of business. Although it has entered into a facility agreement with ICICI Bank pursuant to which, under certain circumstances, it has the option to enter into a forward contract with ICICI Bank for the purpose of hedging foreign exchange risk, this or any other measures may not be adequate to protect it from foreign exchange losses. If there is a fluctuation in the exchange rate of the Indian Rupee and U.S. Dollar or other foreign currencies in which the company transact with, it could have a material adverse effect on the its results of operations.

Profit & Loss:

Rs in million

Particulars	Q1FY18	FY17	FY16	FY15
Operating profit/(loss)				
Fire Insurance	340.8	996.0	1104.0	448.2
Marine Insurance	-72.8	-150.0	-284.1	-293.8
Miscellaneous Insurance	1649.3	5824.1	3999.7	5429.6
Income from investments				
Interest, dividend & rent - Gross	658.0	2204.7	1605.3	1470.3
Profit on sale/redemption of investments	577.5	1042.8	695.7	412.8
(Loss) on sale/redemption of investments	-17.7	-101.2	-22.6	-63.6
Other income	0.2	20.1	144.2	20.9
Total	3135.3	9836.5	7242.2	7424.4
Provisions (Other than taxation)	-1.1	51.4	9.9	219.9
Other expenses	128.8	983.9	184.3	157.2
Profit before Tax	3007.6	8801.2	7048.0	7047.3
Provision for Taxation				
Current tax credit/(charge)	1032.0	2017.2	2264.4	1812.6
Deferred tax credit/(charge)	-167.8	365.8	-269.8	-618.5
Profit after Tax	2143.4	6418.2	5053.4	5853.2
EPS (Rs.)	4.7	14.2	11.3	13.1
Equity	4529.3	4511.5	4475.4	4465.9
Face Value	10.0	10.0	10.0	10.0

Balance Sheet:

Rs in million

Particulars	As at June 30, 2017	FY17	FY16	FY15
Sources of funds				
Share Capital	4529.3	4511.5	4475.4	4465.9
Share application money pending allotment	12.0	12.8	0.0	2.0
Reserves and surplus	34665.0	32739.1	27879.4	24386.7
Fair value change account				
Shareholders funds	1814.6	1745.3	605.2	687.4
Policyholders funds	5409.6	5027.1	2485.0	2872.2
Borrowings	4850.0	4850.0	0.0	0.0
Total	51280.5	48885.8	35445.0	32414.2
Application of funds				
Investments - Shareholders	42309.6	39826.4	23886.1	20887.6
Investments - Policyholders	122153.9	110962.6	91739.1	81109.6
Loans				
Fixed assets	3781.3	3826.7	3831.5	3896.6
Deferred tax asset	1041.2	873.4	1239.2	969.4
Current assets				
Cash and bank balances	1265.8	1940.4	1948.0	1416.9
Advances and other assets	79524.1	76077.0	48498.4	38177.0
Sub - total	80789.9	78017.4	50446.4	39593.9
Current liabilities	158367.6	149135.8	104597.7	89118.0
Provisions	40427.8	35484.9	31099.6	24924.9
Sub-Total	198795.4	184620.7	135697.3	114042.9
Net current assets	-118005.5	-106603.3	-85250.9	-74449.0
Total	51280.5	48885.8	35445.0	32414.2

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@hdfsec.com Phone: (022) 3045 3600

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 meant for sole use by the recipient and not for circulation. 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. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and 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 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 individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HSL.

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. 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.

This report is intended for non-Institutional Clients only. The views and opinions expressed in this report may at times be contrary to or not in consonance with those of Institutional Research or PCG Research teams of HDFC Securities Ltd. and/or may have different time horizons.

HDFC Securities Limited, SEBI Reg. No.: NSE-INB/F/E 231109431, BSE-INB/F 011109437, AMFI Reg. No. ARN: 13549, PFRDA Reg. No. POP: 04102015, IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657, SEBI Research Analyst Reg. No.: INH000002475, CIN - U67120MH2000PLC152193