

Distribution and IB see uptick

Higher than expected distribution and IB revenues offsets softer broking revenues. Cost decline is lower than expectation. We increase FY20E/21E/22E APAT estimates by 7.6/8.1/9.0% to build in better distribution and IB outlook. We rate ISEC a NEUTRAL with a TP of Rs 288 (14x Sep-21E EPS).

HIGHLIGHTS OF THE QUARTER

- **Adj. revenues** printed Rs 4.0bn (-9.6/+7.9% YoY/QoQ, (13.5% above estimates) while **APAT** was at Rs 1.4bn (4.5/+26.1% YoY/QoQ, 19.1% above est.). Beat was led by higher than expected distribution income (Rs 1.06bn, +8.1% vs. est.), and IB income (Rs 323mn, +79.4% vs. est.).
- **Broking Revs Rs 2.16bn (-12.7%/-5.7 YoY/QoQ):** ISEC's blended volume market share has reduced to ~7.3%(-130/-10bps YoY/QoQ). ISEC lost market share in derivatives (7.3%, -10bps QoQ), while gaining share in the cash segment (8.7%, +60bps QoQ). Broking yield declined to 0.49bps (-32.3/-17.8% YoY/QoQ) as a result of change in mix favoring derivatives and lower pricing on the cash segment.
- **Distribution revenues at Rs 1.06bn grew -16.8/+7.7% YoY/QoQ** as LI distribution revenues grew 61.8% QoQ to Rs 123mn with higher payouts most likely due to changing

FINANCIAL SUMMARY

(Rs mn)	2QFY20	2QFY19	YoY(%)	1QFY20	QoQ(%)	FY18	FY19	FY20E	FY21E	FY22E
Adj. revenues	4,001	4,423	-9.6	3,709	7.9	17,824	16,456	16,058	17,006	18,199
EBITDA	1,980	2,360	-2.1	1,890	6.9	8,427	7,358	8,270	8,971	9,990
EBITDA Margin (%)	50.5	46.7	386bps	51.0	-44bps	47.3	44.7	51.5	52.8	54.9
APAT	1,402	1,342	4.5	1,112	26.1	5,577	4,773	5,561	6,217	7,020
AEPS	4.4	4.2	4.5	3.5	26.1	17.3	14.8	17.3	19.3	21.8
EV/EBITDA (x)						11.5	10.6	11.8	10.8	9.6
P/E (x)						16.6	19.3	16.6	14.9	13.2
ROE (%)						84.3	50.7	48.3	45.5	43.8

Source: Company, HDFC sec Inst Research estimates

mix with IPRU. Other dist. revenues grew +10.1% QoQ to Rs 383mn, as distribution of fixed income products grew.

- **MF Revs** at Rs 556mn (-23.9/-1.1% YoY/QoQ) as AUM at Rs 358bn declined 2.7% QoQ, due to outflows and MTM impact.
- **IB outperformed with strong deal flow, revenues grew 14.3/93.4% YoY/QoQ to Rs 323mn.** Management is confident of increased deal activity in 2HFY20.
- **Costs** at Rs 2.0bn (-16.1/+8.9% YoY/QoQ) remain elevated. ISEC is investing in digital loan distribution and insurance distribution (digital and telephonic). We remain concerned that it may be investing in low return distribution businesses.

Outlook: We expect stock price to settle at current levels.

STANCE

With increased competitive intensity and changing mix, broking yields are expected to further decline. Additionally, regulatory reduction in MF TERs continues to pressure distribution revenues in the short term. Cost control will be a key earnings driver (~14.4% YoY in FY20E). We expect FY19-22E APAT CAGR of 12.7%. A rally in equity markets coupled with increased retail participation remains a key risk to our call.

INDUSTRY	RETAIL BROKING
CMP (as on 22 Oct 2019)	Rs 287
Target Price	Rs 288
Nifty	11,588
Sensex	38,964

KEY STOCK DATA

Bloomberg	ISEC IN
No. of Shares (mn)	322
MCap (Rs bn) / (\$ mn)	92/1,302
6m avg traded value (Rs mn)	63

STOCK PERFORMANCE (%)

52 Week high / low	Rs 310/188		
	3M	6M	12M
Absolute (%)	27.5	19.6	22.0
Relative (%)	25.8	30.0	8.5

SHAREHOLDING PATTERN (%)

	Jun-19	Sep-19
Promoters	79.2	79.2
FIs & Local MFs	12.4	12.0
FPIs	1.6	2.7
Public & Others	6.8	6.1
Pledged Shares	Nil	Nil

Source : BSE

Madhukar Ladha, CFA

madhukar.ladha@hdfcsec.com
+91-22-6171-7323

Keshav Binani

keshav.binani@hdfcsec.com
+91-22-6171-7325

Revenues declined 9.6% YoY, as both broking and distribution revenues declined 12.7/16.8% YoY.

Employee expenses declined 6.7% YoY lead by decline in headcounts by 8% YoY.

Total employee base stood at 4,077 as of Sep-19 vs. 4,298 as of Jun-19.

In an attempt to rationalize costs, company has shut inefficient branches. Branch count has reduced from 193 as of Jun-19 to 187 as of Sep-19.

ISEC Results Summary: 2QFY20

(Rs mn)	2QFY20	2QFY19	YoY(%)	1QFY20	QoQ(%)
Revenues (see note below)	4,001	4,423	-9.6	3,709	7.9
Employee expenses	1,339	1,435	-6.7	1,274	5.1
Operating expenses	151	341	-55.6	133	13.6
Other expenses	490	584	-16.2	412	19.0
Total expenses	1,980	2,360	-16.1	1,819	8.9
EBITDA	2,021	2,064	-2.1	1,890	6.9
Depreciation	147	36	303.3	156	-6.1
EBIT	1,875	2,028	-7.5	1,734	8.1
Finance expenses	59	7	706.9	91	NM
Other income	61	57	6.9	77	-21.0
PBT	1,877	2,077	-9.7	1,720	9.1
Tax expenses	474	735	-35.4	608	-22.0
APAT	1,402	1,342	4.5	1,112	26.1
Adjustment	(51)	0	NM	26	NM
RPAT	1,351	1,342	0.7	1,138	18.8
AEPS (Rs)	4.4	4.2	4.5	3.5	26.1
Margins (%)					
EBITDA	50.5	46.7	386	51.0	(44)
EBIT	46.9	45.8	101	46.7	10
PBT	46.9	47.0	(6)	46.4	52
APAT	35.0	30.3	470	30.0	506
Tax rate (%)	25.3	35.4	(1,010)	35.4	(1,007)
C/I ratio (%)	48.3	51.5	(317)	49.8	(150)

Note: Revenues netted of for estimated interest cost on margin funding and ESOP funding book; treasury income re-classified as other income.

Source: Company, HDFC sec Inst Research

ISEC's active client base grew 7.8% YoY to 0.91mn. Growth of active client base is credible in such turbulent times.

ISEC's blended market share stands at 7.3% (-130/70bps YoY/QoQ).

Operating metrics

(Rs mn)	2QFY20	2QFY19	YoY(%)	1QFY20	QoQ(%)
Total broking revenues	2,158	2,473	(12.7)	2,289	(5.7)
I-sec ADTV	711	556	27.9	641	10.9
Total market ADTO (ex-prop)	9,660	6,465	49.4	6,625	45.8
Reported market share (Blended)	7.3	8.6	-130bps	8.0	-70bps
Reported market share (Cash)	8.7	7.8	90bps	8.1	60bps
Reported market share (Derivatives)	7.3	8.6	-130bps	7.4	-10bps
Yield (bps)	0.49	0.73	(32.3)	0.60	(17.8)
Active clients - NSE (mn)	0.91	0.84	7.8	0.88	3.4

Distribution

MF revenue (Rs mn)	556	731	(23.9)	562	(1.1)
MF AAUM (Rs bn) - RHS	358	351	2.0	368	(2.7)
MF Equity AAUM (Rs bn)	263	262	0.4	274	(4.0)
Blended Yield (%)	0.62	0.83	-20bps	0.61	1bps
Insurance dist. Revenue (Rs mn.)	123	123	-	76	61.8
Insurance Premium (Rs mn)	1,982	2,202	(10.0)	1,483	33.6
Yield (%)	6.2	5.6	62bps	5.1	108bps
Other dist. Revenue	383	422	(9.2)	348	10.1
Investment banking revenues	323	283	14.3	167	93.4

Source: Company, HDFC sec Inst Research

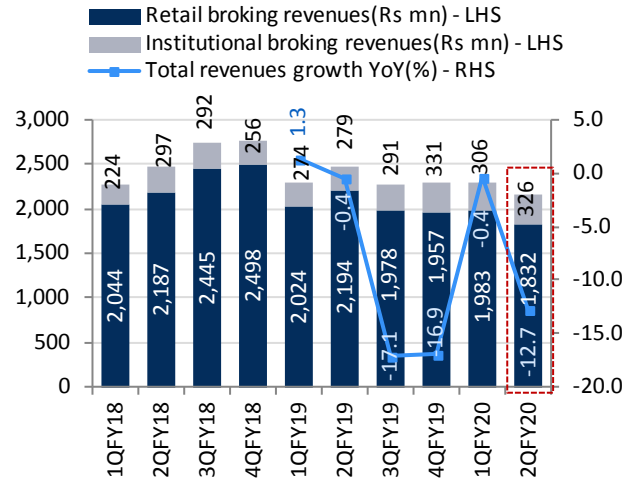
Broking revenue declined 12.7/5.7% YoY/QoQ as blended yields declined 32.3/17.8% YoY/QoQ, which was partly offset by higher volumes (+27.9/10.9% YoY/QoQ).

Retail broking declined sharply (-16.5% YoY) however institutional broking revenues increased 16.8% YoY.

We believe MF distributions yields have bottomed out as commission offered on incremental MF flows are higher.

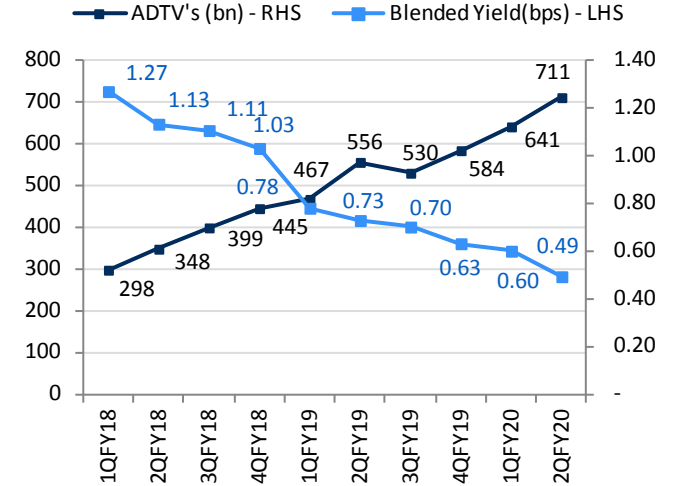
Advisory revenues were significantly ahead of expectations at Rs 323mn (+14.3/93.4% YoY/QoQ).

Broking revenue split and growth



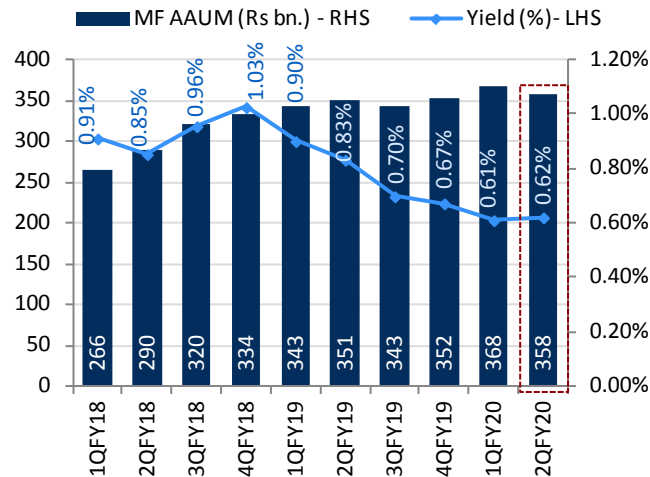
Source: Company, HDFC sec Inst Research

Broking: ADTV and yields



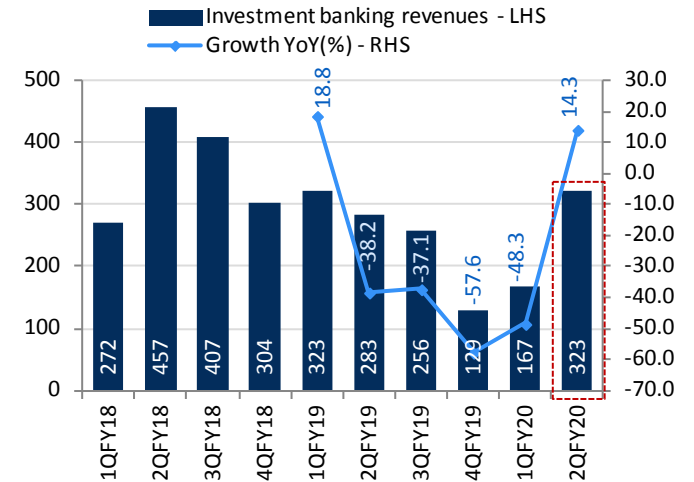
Source: Company, HDFC sec Inst Research

MF AAUMs and yields



Source: Company, HDFC sec Inst Research

Advisory revenues (Rs mn) and growth (%)



Source: Company, HDFC sec Inst Research

We expect ADTV growth to remain strong in FY20E as evidenced by 1HFY20, where growth was at 32.1%.

ISEC reported lowest ever (post listing) volume market share in 2QFY20 at 7.3% (-130/-10bps YoY/QoQ)

We believe broking yields will continue to compress as ISEC will reduce pricing to hold on to market share.

We have fine tuned our insurance distribution revenues factoring in higher distribution yields as evidenced in 2QFY20.

Assumptions

Particulars	FY18	FY19	FY20E	FY21E	FY22E
Broking income					
Total broking revenues	11,269	10,723	10,524	10,791	11,236
Growth (%)	33.4	(4.8)	(1.9)	2.5	4.1
Broking Revenues	10,243	9,328	8,930	9,120	9,518
Growth (%)	32.0	(8.9)	(4.3)	2.1	4.4
I-sec ADTO	372	533	729	827	938
Growth (%)	98.6	43.3	36.8	13.5	13.4
Total market ADTO (ex-prop)	4,184	6,271	9,719	11,177	12,854
Calculated market share	8.9%	8.5%	7.5%	7.4%	7.3%
Yield (bps)	1.11	0.71	0.50	0.45	0.41
Growth (%)	(33.5)	(36.2)	(30.0)	(10.0)	(8.0)
NII on margin funding book	297	373	571	568	625
Avg. loan book (Rs mn.)	5,184	5,285	6,342	7,103	7,813
Growth (%)	56.0	2.0	20.0	12.0	10.0
Interest on lien FD	729	1,022	1,023	1,103	1,093
Assumed interest rate	7.5%	9.1%	8.8%	8.5%	8.0%
Lien with exchanges	11,759	10,604	12,646	13,310	14,008
Growth (%)	53.4	(9.8)	19.3	5.3	5.3
Distribution					
Total distribution revenues	4,675	4,635	4,299	4,901	5,549
Growth (%)	33.5	(0.9)	(7.3)	14.0	13.2
MF revenue (Rs mn.)	2,847	2,695	2,292	2,715	3,216
Growth (%)	71.8	(5.3)	(15.0)	18.5	18.5
MF AAUM (Rs bn.)	305	347	364	419	482
Growth (%)	43.9	13.8	5.0	15.0	15.0
Yield (%)	0.93%	0.78%	0.63%	0.65%	0.67%
Insurance dist. Revenue (Rs mn.)	460	474	497	556	621
Growth (%)	(35.5)	3.0	4.8	11.9	11.7
Insurance Premium (Rs mn.)	9,038	8,869	8,869	9,579	10,345
Growth (%)	7.7	(1.9)	0.0	8.0	8.0
Yield (%)	5.1%	5.3%	5.6%	5.8%	6.0%
Other Dist. Revenue	1,368	1,466	1,510	1,631	1,712
Growth (%)	21.0	7.2	3.0	8.0	5.0
Investment Banking					
Investment banking revenues	1,430	991	1,011	1,112	1,223
Growth (%)	19.7	(30.7)	2.0	10.0	10.0
Other revenues	451	107	224	202	192
Growth (%)	56.4	(76.3)	109.8	(10.0)	(5.0)

Source: Company, HDFC sec Inst Research

Change in estimates

(Rs mn.)	FY20E			FY21E			FY22E		
	Revised	Old	Change (%)	Revised	Old	Change (%)	Revised	Old	Change (%)
Revenues	16,058	15,398	4.3	17,006	16,083	5.7	18,199	17,156	6.1
EBITDA	8,270	7,772	6.4	8,971	8,345	7.5	9,990	9,250	8.0
EBITDA margin (%)	51.5	50.5	104bps	52.8	51.9	87bps	54.9	53.9	98bps
PAT	5,561	5,170	7.6	6,217	5,750	8.1	7,020	6,440	9.0
EPS	17.3	16.0	7.6	19.3	17.9	8.1	21.8	20.0	9.0
RoE (%)	48.3	45.6	273bps	45.5	43.5	204bps	43.8	41.9	194bps

Source: Company, HDFC sec Inst Research

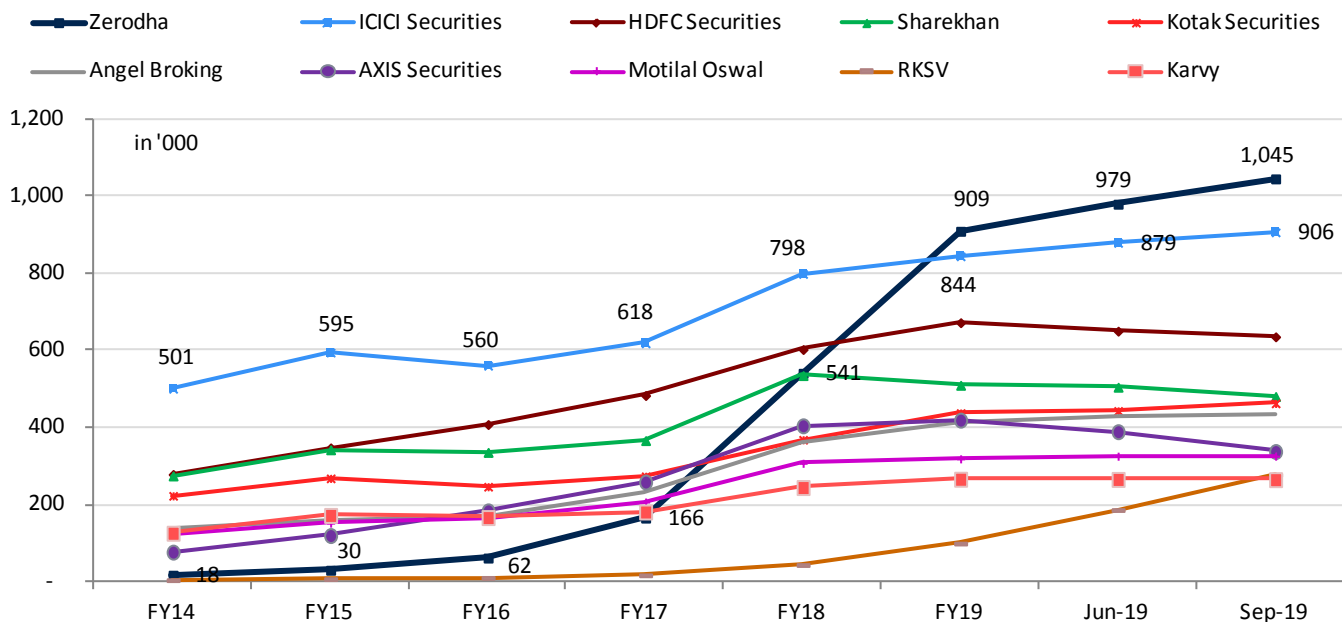
Change in estimates lead to increase in PAT by 7.6/8.1/9.0% for FY20/21/22E.

Zerodha's active client base jumped to 979K (+7.7% QoQ) outpacing active client base growth of traditional brokers.

On the other hand ISEC's active client base increased 4.1% to 879K.

Despite launch of discount broking schemes Axis' active customer base dropped ~30k QoQ to 389k. Angel on the other hand gained by 14k customers to 426k.

Active Customers: Trend for Top 10 Players



Source: NSE handbook, HDFC sec Inst Research

Income statement

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues	17,824	16,456	16,058	17,006	18,199
Growth (%)	32.7%	-7.7%	-2.4%	5.9%	7.0%
Employee benefits expenses	5,453	5,545	5,312	5,430	5,514
Operating expenses	1,683	1,226	707	782	837
Other expenses	2,260	2,327	1,769	1,822	1,858
EBITDA	8,427	7,358	8,270	8,971	9,990
EBITDA Margin (%)	47.3	44.7	51.5	52.8	54.9
EBITDA Growth (%)	66.9%	-12.7%	12.4%	8.5%	11.4%
Depreciation	153	150	631	543	558
EBIT	8,274	7,208	7,639	8,429	9,433
Other Income (includes treasury)	289	183	305	289	293
Interest & Financial Charges	14	27	480	317	238
PBT	8,549	7,365	7,464	8,401	9,487
Tax	2,971	2,592	1,903	2,184	2,467
APAT	5,577	4,773	5,561	6,217	7,020
APAT Growth (%)	64.7%	-14.4%	16.5%	11.8%	12.9%
RPAT	5,577	4,908	5,536	6,217	7,020
RPAT Growth (%)	64.7%	-12.0%	12.8%	12.3%	12.9%
AEPS	17.3	14.8	17.3	19.3	21.8
EPS Growth (%)	64.7%	-14.4%	16.5%	11.8%	12.9%

Source: Company, HDFC sec Inst Research

Balance sheet

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital	1,611	1,611	1,611	1,611	1,611
Reserves	6,731	8,862	10,951	13,152	15,683
Total Shareholders' Funds	8,342	10,473	12,562	14,763	17,294
Long-term Debt	-	-	1,672	1,347	1,015
Short-term Debt	6,725	4,473	9,000	8,000	8,000
Total Debt	6,725	4,473	10,672	9,347	9,015
Other Financial Liabilities & Provisions	535	705	820	891	976
Other Non Current Liabilities	1,008	5,286	5,814	6,396	7,036
Net Deferred Tax Liability	(736)	(738)	(752)	(767)	(783)
TOTAL SOURCES OF FUNDS	15,873	20,199	29,116	30,630	33,537
APPLICATION OF FUNDS					
Net Block	382	436	2,032	2,099	2,158
CWIP	39	40	-	-	-
Loans & Deposits	1,435	1,246	1,258	1,271	1,284
Other Non Current Assets	-	-	-	-	-
Total Non-current Assets	1,857	1,722	3,291	3,370	3,441
Liened FDs (ST + LT)	13,236	12,645	16,818	18,332	19,982
Debtors	3,101	4,770	3,959	3,494	3,490
Cash & Equivalents	2,167	18,841	5,089	4,560	5,192
Loans & Advances	6,316	6,624	7,949	8,903	9,793
Other Current Assets	1,389	1,307	1,320	1,398	1,496
Total Current Assets	26,209	44,187	35,135	36,687	39,953
Creditors	10,077	23,362	6,920	7,095	7,388
Other Current Liabilities	2,115	2,347	2,389	2,332	2,469
Total Current Liabilities	12,193	25,709	9,309	9,427	9,857
Net Current Assets	14,016	18,478	25,826	27,260	30,096
TOTAL APPLICATION OF FUNDS	15,873	20,199	29,116	30,630	33,537

Source: Company, HDFC sec Inst Research

Cash Flow

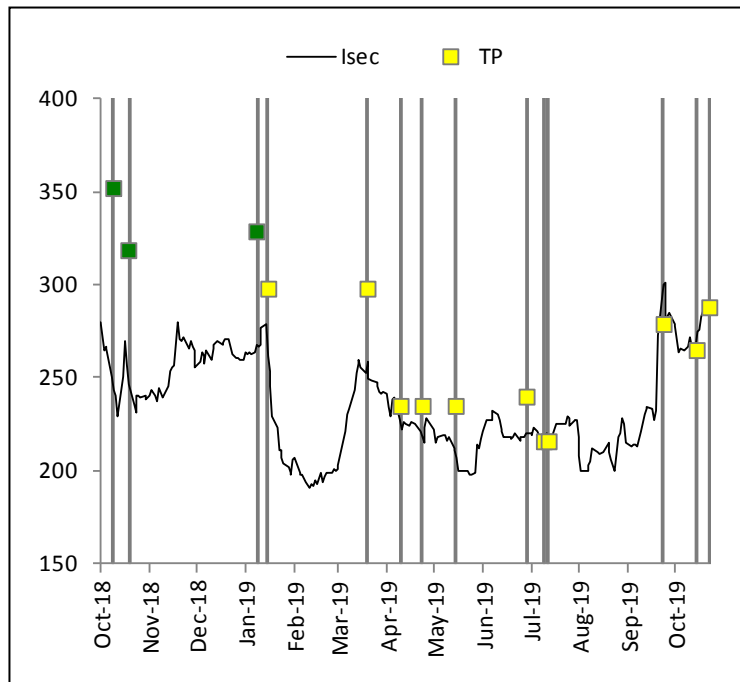
(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	8,549	7,572	7,464	8,401	9,487
Non-operating & EO Items	1	82	(25)	-	-
Interest Expenses	14	27	480	317	238
Depreciation	153	150	631	543	558
Working Capital Change	(735)	16,259	(16,634)	(572)	(624)
Tax Paid	(2,971)	(2,592)	(1,903)	(2,184)	(2,467)
OPERATING CASH FLOW (a)	5,011	21,497	(9,987)	6,505	7,192
Net Capex	(200)	(184)	(193)	(187)	(182)
(Purchase)/sale of net operating financial assets	(4,912)	591	(4,173)	(1,514)	(1,650)
<i>Free Cash Flow (FCF)</i>	<i>(100)</i>	<i>21,904</i>	<i>(14,352)</i>	<i>4,804</i>	<i>5,360</i>
Investments	-	-	-	-	-
Non-operating Income					
INVESTING CASH FLOW (b)	(5,111)	406	(4,366)	(1,701)	(1,832)
Debt Issuance/(Repaid)	2,771	(2,252)	4,527	(1,000)	-
Interest Expenses	(14)	(27)	(480)	(317)	(238)
<i>FCFE</i>	<i>2,657</i>	<i>19,625</i>	<i>(10,306)</i>	<i>3,487</i>	<i>5,122</i>
Proceeds From Issue of Share Capital					
Dividend	(2,133)	(2,951)	(3,447)	(4,016)	(4,489)
Others	-	-	-	-	-
FINANCING CASH FLOW (c)	624	(5,230)	600	(5,333)	(4,728)
NET CASH FLOW (a+b+c)	524	16,674	(13,753)	(529)	632
Opening Cash & Equivalents	1,643	2,167	18,841	5,089	4,560
Closing Cash & Equivalents	2,167	18,841	5,089	4,560	5,192

Source: Company, HDFC sec Inst Research

Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
PROFITABILITY (%)					
EBITDA Margin	47.3	44.7	51.5	52.8	54.9
EBIT Margin	46.4	43.8	47.6	49.6	51.8
APAT Margin	31.3	29.8	34.5	36.6	38.6
RoE	84.3	50.7	48.3	45.5	43.8
Core RoCE	53.7	103.8	79.9	33.1	34.3
RoCE	46.7	31.9	31.0	27.3	28.5
EFFICIENCY					
Tax Rate (%)	34.8	35.2	25.5	26.0	26.0
Asset Turnover (x)	48.9	40.2	13.0	8.2	8.6
<i>Inventory (days)</i>					
<i>Debtors (days)</i>	<i>64</i>	<i>106</i>	<i>90</i>	<i>75</i>	<i>70</i>
<i>Other Current Assets (days)</i>	<i>429</i>	<i>456</i>	<i>593</i>	<i>615</i>	<i>627</i>
<i>Payables (days)</i>	<i>326</i>	<i>795</i>	<i>240</i>	<i>240</i>	<i>240</i>
<i>Other Current Liab & Prov (days)</i>	<i>46</i>	<i>54</i>	<i>55</i>	<i>55</i>	<i>55</i>
Working Capital (days)	120	(287)	388	395	402
Debt/EBITDA (x)	0.80	0.61	1.29	1.04	0.90
Net D/E	0.5	(1.4)	0.4	0.3	0.2
Interest Coverage	572.5	271.7	15.9	26.6	39.6
PER SHARE DATA					
AEPS (Rs/sh)	17.3	14.8	17.3	19.3	21.8
CEPS (Rs/sh)	17.8	15.3	19.2	21.0	23.5
DPS (Rs/sh)	5.5	9.4	8.9	10.4	11.6
BV (Rs/sh)	25.9	32.5	39.0	45.8	53.7
VALUATION					
P/E	16.6	19.3	16.6	14.9	13.2
P/BV	11.1	8.8	7.4	6.3	5.3
EV/EBITDA	11.5	10.6	11.8	10.8	9.6
OCF/EV (%)	5.2	27.6	(10.2)	6.7	7.5
FCF/EV (%)	(0.1)	28.1	(14.7)	4.9	5.6
FCFE/MCAP (%)	2.9	21.3	(11.2)	3.8	5.5
Dividend Yield (%)	1.9	3.3	3.1	3.6	4.0

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
9-Oct-18	250	BUY	352
22-Oct-18	247	BUY	318
8-Jan-19	263	BUY	328
15-Jan-19	279	NEU	298
19-Mar-19	258	NEU	298
9-Apr-19	232	NEU	235
24-Apr-19	218	NEU	235
14-May-19	211	NEU	235
28-Jun-19	218	NEU	240
09-Jul-19	216	NEU	216
13-Jul-19	219	NEU	216
22-Sep-19	273	NEU	279
14-Oct-19	266	NEU	265
23-Oct-19	287	NEU	288

Rating Definitions

- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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

INSTITUTIONAL RESEARCH

Disclosure:

We, **Madhukar Ladha, CFA & Keshav Binani, 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: IN2000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.