Stock Note

Canara Bank

November 15, 2023

RETAILRESEARCH

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
PSU Banks	Rs. 404.5	Buy in the band of Rs. 400 – 408 and add more on dips to Rs. 360 – 368 band	Rs. 447	Rs. 489	2-3 quarters

HDFC Scrip Code	CANBANEQNR
BSE Code	532483
NSE Code	CANBK
Bloomberg	CBK IN
CMP November 13 , 2023	404.5
Equity Capital (Rs Cr)	1814
Face Value (Rs)	10
Equity Share O/S (Cr)	181.4
Market Cap (Rs Cr)	73,372
Adjusted Book Value (Rs)	281
Avg. 52 Wk Volumes	9479566
52 Week High	406
52 Week Low	269

Share holding Pattern % (September, 2023)	
Promoters	62.9
Institutions	25.2
Non Institutions	11.9
Total	100.0

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Varun Manek

varun.manek@hdfcsec.com

Our Take:

Canara Bank has seen strong improvement in the balance sheet in last couple of quarters - Coverage on impaired loans has risen, capitalization level reached at a healthy level post recent fund raise, lower fresh NPA and higher focus on CASA ratio etc. We feel that there is still room for the upside in its stock price on account of strong momentum in credit growth in the banking sector. Further, underwriting practices have improved as observed from the rising share of the retail segment and incremental corporate lending done to better rated corporates. Lower slippages along with healthy rate of recoveries are helping the bank reduce credit cost which ultimately results in increased RoA.

Post the amalgamation with Syndicate Bank, Canara Bank has become third largest public sector bank in terms of total business. With over a century of banking operations in the India, it has become an established player in the southern region. Apart from banking, it also has presence across various financial services via Subsidiaries and JVs. The bank has well-balanced asset mix and it has increased focus on retail, agriculture and MSME ("RAM") sectors which will lead to better risk diversification, increased revenue and improved margins.

Previously, we had issued a stock update note on Canara Bank on February 07, 2022 (link) with a base case target of Rs. 290 and a bull case target of Rs. 318.

We feel the stock is currently trading at inexpensive valuation of 0.95xFY25E P/ABV. We are not separately ascribing any value to the subsidiaries/associates of Canara Bank while valuing the stock.

Valuation & Recommendation:

The balance sheets of the Indian banks (especially PSU) are their healthiest in a long time due to the steps taken by the regulator and the government to strengthen the lenders and the broader economy as a whole.

Canara Bank has reported healthy performance in Q2FY24, supported by strong traction in loan book and improvement in asset quality. We have estimated 11% CAGR in NII and 24% CAGR in net profit over FY23-25E. While loan book is expected to grow by 11% CAGR over same time frame, ROAA is estimated to improve to 1.1% in FY25E from current 1.02% in Q2FY24 and RoE could rise to 17.9% in FY25E from 14.8% in Q2FY24.

We feel investors can buy the shares of Canara bank between Rs. 400 – 408 (0.95x FY25E ABV) & add more on dips to Rs. 360 – 368 (0.85x FY25E ABV) for a base case fair value of Rs. 447 (1.05x FY25E ABV) and for the bull case fair value of Rs. 489 (1.15x FY25E ABV) over the next 2-3 quarters.

Financial Summary

	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
NII	8903	7434	19.8	8666	2.7	24103	26384	31435	34817	38394
PPP	7616	6905	10.3	7604	0.2	19689	23089	27716	29368	31780
PAT	3606	2525	42.8	3535	2.0	2559	5679	10604	14211	16315
EPS (Rs)	19.9	13.9	42.8	19.5	2.0	15.5	31.3	58.5	78.3	89.9
ABV						158.9	215.9	281.0	358.4	427.0
P/E (x)						26.0	12.9	6.9	5.2	4.5
P/ABV (x)						2.5	1.9	1.4	1.1	0.9
RoAA (%)						0.3	0.5	0.8	1.0	1.1
RoAE (%)						5.2	9.1	15.2	17.9	17.9

(Source: Company, HDFC sec)

Change in Estimates:

	FY24E			FY25E
	Old	New	% Change	
Advances	885037	916232	3.5	1017934
NII	35162	34817	-1.0	38394
PPOP	24536	29368	19.7	31780
PAT	10111	14211	40.5	16315
EPS	55.7	78.3	40.6	89.9

Recent Developments

Q2FY24 Result Update

Canara Bank has reported robust numbers in Q2FY24. In terms of its financial position, the bank has reported global gross advances of Rs. 9,23,966 crores, up 12/4% YoY/QoQ, which majorly consist of domestic advances worth Rs. 8,78,256 crores, up 13/4% YoY/QoQ. The global deposits stood at Rs. 12,32,215 crores up 9/3% YoY/QoQ. This comprised of CASA balances of Rs. 3,67,614 crores, up 2/1% YoY/QoQ. Its

CASA ratio stood at 30% as against 41% in Q1FY24 and 32% in Q2FY23. On the other hand, Term Deposits grew by 12/4% YoY/QoQ to stand at Rs. 8,64,601 crores.

On the financial performance aspect, the Net Interest Income came at Rs. 8,903 crores, up 20/3% YoY/QoQ. It reported yield on advances of 8.56% in Q2FY24, as against 8.43% in Q1FY24 and 7.24% in Q2FY23, while the cost of funds stood at 4.86% in the quarter, as against 4.76% in Q1FY24 and 3.75% in Q2FY23. Hence, its NIM stood at 3.02%, up 19bps YoY and down 3bps QoQ. The bank earned non-interest income of Rs. 4,635 crores down 4/4% YoY/QoQ. This de-growth in non-interest income was primarily on account of lower PSLC and other income. Operating expenses grew 11/1% YoY/QoQ. The Cost-Income ratio of the bank remained flat at 43.7%. Credit costs stood at 1.02% for the quarter, as against 1.1% in Q1FY24 and 1.31% in Q2FY23. The Net Profit stood at Rs. 3,606 crores, up 43/2% YoY/QoQ. This is the highest ever quarterly profit reported by the bank.

The GNPA ratio stood at 4.76%, as against 5.15% in Q1FY24 and 6.37% in Q2FY23, while the NNPA ratio stood at 1.41%, as against 1.57% in Q1FY24 and 2.19% in Q2FY23. The slippage ratio stood flat at 0.33% and PCR remained healthy at 88.73%. The CRAR of the bank is quite healthy at 16.2%. The bank has a total of 22,949 branches.

Key Takeaways from Management Call:

- The bank reported healthy PSLC fees in Q2FY24 on the back of good demand. However, this benefit is not expected in the future quarters to the same extent.
- Recovery in write offs and an annual fee increase in debit cards aided the bank’s miscellaneous income for the quarter. Further, it has started passing on the debit card fee to customers.
- The C/D ratio has increased to 75%. It has excess SLR and is using this to borrow money from RBI and deploy it to earn additional income.
- The bank focuses on the RAM sector, which has healthy lending rates. On the other hand, it is also trying to reprice its low-yielding corporate accounts. As a result, the bank has been seeing healthy overall yields.
- Of the bank’s total loan book, 50% is linked to MCLR and 38% are repo linked.
- The bank has increased MCLR by 10bp since March 2023. It does not expect any further repricing in MCLR.
- The bank is facing some pressure in its margins due to rising rates on deposits, but it does not see any difficulty in garnering new deposits. It has no plans to reduce or increase the rates on its deposits.
- The management has guided to sustain its NIMs in the range of 3-3.05% for FY24.
- It plans to open 275 branches to boost CASA deposits.

- In Q1FY24, the bank targeted salaried customers for deposits. In Q2FY24, the bank added 16 lakh salaried accounts. The bank plans to announce two new schemes aimed at new customers to garner CASA deposits going ahead.
- The bank is not anticipating any increase in the rate of interest for savings accounts.
- The bank is closely working with Can-Fin Homes to have a better monitoring system. It is planning to shift its card business to a separate subsidiary.
- The bank has moved to a new tax regime and the effective tax rate for FY24 should be 25%.

Below is the table showing growth guidance numbers for FY24 compared with the actual ones as at the end of September-23.

Parameters	Guidance	Actuals as on 30.09.2023
Business Growth (Global)	10.0%	10.12%
Advances Growth (Global)	10.5%	12.11%
Deposits Growth (Global)	8.5%	8.66%
NIM (Global) (Annualized)	3.05%	3.02%
CASA (Domestic CASA to Domestic Deposit)	35.0%	32.15%
Gross NPA (Global)	4.5%	4.76%
Net NPA (Global)	1.2%	1.41%
PCR (Global)	90.0%	88.73%
Slippage Ratio (Global) (Annualized)	1.3%	1.32%
Credit Cost (Global)(Annualized)	1.20%	1.02%
Return on Equity(RoE)	19.5%	22.51%
Earnings per share (EPS) (Annualized)	65	78.37
Return on Average Assets (RoA)	1.00%	1.01%

(Source: Company, HDFC sec)

Key Triggers

Strong traction in business growth

As stated above, in Q2FY24, the bank has reported global gross advances of Rs. 9,23,966 crores, up 12/4% YoY/QoQ, which majorly consist of domestic advances worth Rs. 8,78,256 crores, up 13/4% YoY/QoQ. This growth was fueled by domestic advances which grew by 13%/4% YoY/QoQ as well. Within the advance mix, RAM credit grew by 14%/5% YoY/QoQ and corporate book grew by 10%/3% YoY/QoQ. RAM category contributed nearly 56% of the total loan book, while the rest 44% came in from the corporate book.

Within the RAM book, Agriculture (up 21%/6% YoY/QoQ) and Retail loans (up 11%/4% YoY/QoQ) saw the fastest growth while the MSME book displayed a comparatively sluggish growth of 6%/4% YoY/QoQ. 61% of the total branches of the bank are in rural and semi urban areas which aids gold loans. Within its retail book, housing loans grew 12% YoY, education loans grew by 15% YoY, and vehicle loans grew by 9% YoY.

On a yearly basis, the corporate book witnessed healthy demand in chemicals, commercial real estate, NBFC, Infrastructure segments. It also exceeded the minimum lending to the priority sector as mandated to the bank.

Loan Book Mix

	Q2FY24	Q1FY24	Q2FY23	YoY %	QoQ %	Mix %
RAM Credit	516949	491475	454922	14%	5%	56%
Retail	148209	142297	134051	11%	4%	16%
Agriculture & Allied	236953	222757	196576	21%	6%	26%
MSME	131787	126421	124295	6%	4%	14%
Corporate & others	407017	396196	369225	**10%**	**3%**	44%
Domestic Gross Advance	**878256**	**843063**	**780049**	**13%**	**4%**	
Global Gross Advance	**923966**	**887671**	**824147**	**12%**	**4%**	

(Source: Company, HDFC sec)

On the liability side the bank has reported stable figures The global deposits stood at Rs. 12,32,215 crores up 9/3% YoY/QoQ. This comprised of CASA balances of Rs. 3,67,614 crores, up 2/1% YoY/QoQ. Its CASA ratio stood at 30% as against 41% in Q1FY24 and 32% in Q2FY23. On the other hand, Term Deposits grew by 12/4% YoY/QoQ to stand at Rs. 8,64,601 crores.

	Q2FY24	Q1FY24	Q2FY23	YoY %	QoQ %
CASA Deposits	367614	364464	359460	2%	1%
Term Deposits	775780	740042	697059	11%	5%
Total Domestic Deposits	**1143394**	**1104506**	**1056519**	**8%**	**4%**
Overseas Deposits	88821	87964	77445	15%	1%
Global Deposits	**1232215**	**1192470**	**1133964**	**9%**	**3%**
CASA % (Based on Domestic Deposits)	**32.15%**	**33.00%**	**34.02%**		

(Source: Company, HDFC sec)

It reported yield on advances of 8.56% in Q2FY24, as against 8.43% in Q1FY24 and 7.24% in Q2FY23, while the cost of funds stood at 4.86% in the quarter, as against 4.76% in Q1FY24 and 3.75% in Q2FY23. Hence, its NIM stood at 3.02%, up 19bps YoY and down 3bps QoQ.

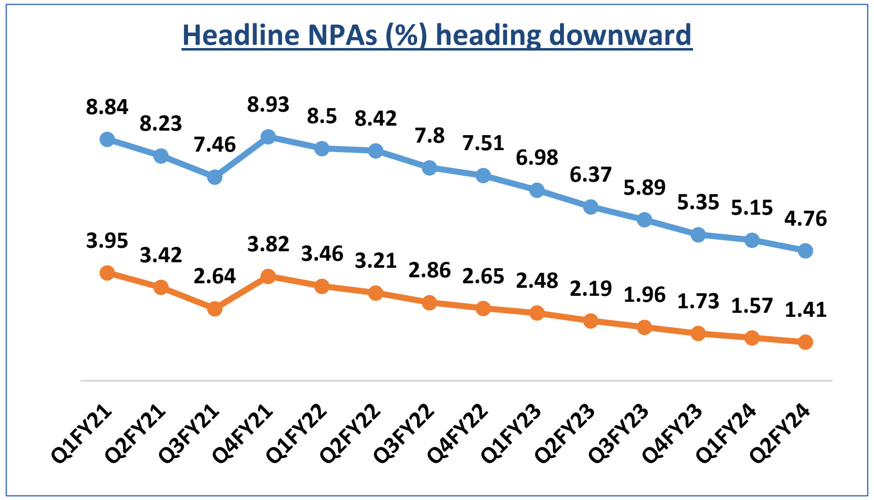
Continued improvement in asset quality

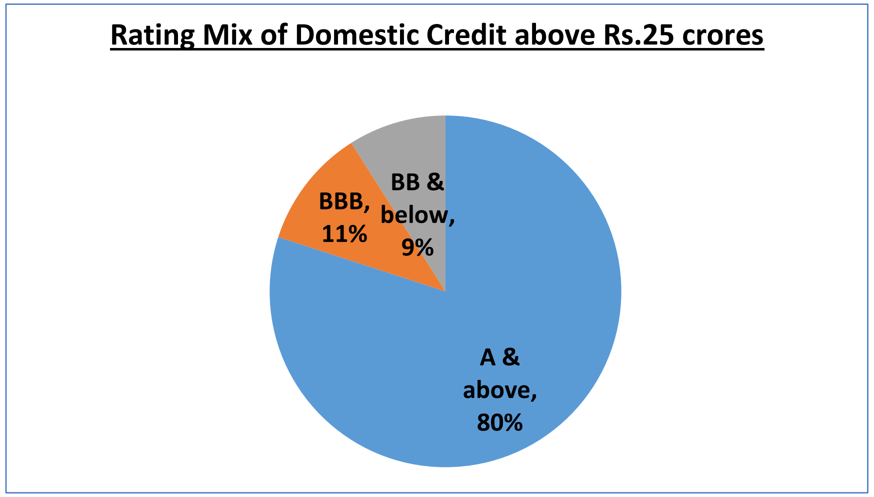
The asset quality numbers have improved again during the quarter. The GNPA ratio stood at 4.76%, as against 5.15% in Q1FY24 and 6.37% in Q2FY23, while the NNPA ratio stood at 1.41%, as against 1.57% in Q1FY24 and 2.19% in Q2FY23. In terms of sector wise classification, the bank reported 9.16% level of GNPA in its MSME book, 5.52% in its corporate book, 3.14% in its agricultural book and the least 1.35% in its retail book. The slippage ratio stood flat at 0.33% and PCR remained healthy at 88.73%, which is expected to be at 90% by the end of FY24. In absolute terms, the bank saw total slippages of Rs. 2,894 crores, within which, ~Rs. 800 crores came in from its agriculture book, ~Rs. 900 crores came in from its MSME book, ~Rs. 400 crores came in from its retail book and the balance from its corporate book. As fresh slippages along with other additions to GNPA were lower than the recoveries, upgrades, and write-offs, the GNPA balance (in absolute) has also reduced.

SMA book declined to 0.7% from 1.11% in June 2023, and is expected to remain at this level going ahead. However, the bank witnessed some stress in its SMA 2 book which increased from 0.38% in June 2023 to 0.48% in September 2023. As a result, the bank has been taking additional provisions. The bank expects recovery in some accounts from NCLT, and has already received ~Rs. 650 crores through NCLT accounts. Its total restructured book stood at ~Rs. 2,000 crores, of which Rs. 1,400 crores is standard and rest is classified as NPA.

The BB & Below rated domestic accounts continue to remain at 9% of the total rated domestic loan book above 25 crores as was in Q2FY24. Further, BB and below rated loans to NBFCs form 1% of total standard NBFC domestic portfolio.

	GNPA (Rs. Cr)	Advance Outstanding (Rs. Cr)	GNPA (%)
Domestic Gross NPA	**40235**	**878256**	**4.58**
Global Gross NPA	**43956**	**923966**	**4.76**
Retail	2000	148209	1.35
Agriculture	7429	236953	3.14
MSME	12076	131787	9.16
Corporate & Others	22451	407017	5.52
	GNPA (Rs. Cr)	Advance Outstanding (Rs. Cr)	GNPA (%)
Total Retail NPA	**2000**	**148209**	**1.35**
Housing Loans	598	88564	0.68
Vehicle Loans	237	16112	1.47
Other Personal Loans	315	27610	1.14





(Source: Company, HDFC sec)

	Sep-22		Sep-23	
	No of Accounts	% to Gross Advances	No of Accounts	% to Gross Advances
SMA 2	254	0.35	221	0.48
SMA 1	77	0.1	66	0.11
TOTAL SMA 1 & 2	**331**	**0.45**	**287**	**0.59**
SMA 0	145	0.51	109	0.11
TOTAL	**476**	**0.96**	**396**	**0.7**

(Source: Company, HDFC sec)

Capitalization has been improved post recent fund raise

During FY22, the bank has raised capital in the form of equity as well as bonds; Rs. 2,500 Cr was raised via QIP (@Rs.149.35) and Rs. 6,500 Cr was raised via AT1 bonds and Tier-II bonds. Then again in FY23, it raised AT1 bonds aggregating to Rs. 4,000 Cr and AT-2 Bonds aggregating to Rs. 2,000 Cr.

As of September 2023, the Capital Adequacy Ratio stood at 16.2%, out of which Tier-I is 13.6% (compared to 13.4% in September-22). Further, the bank plans to list Canara HSBC Life and Canara Robeco AMC in H2FY25.

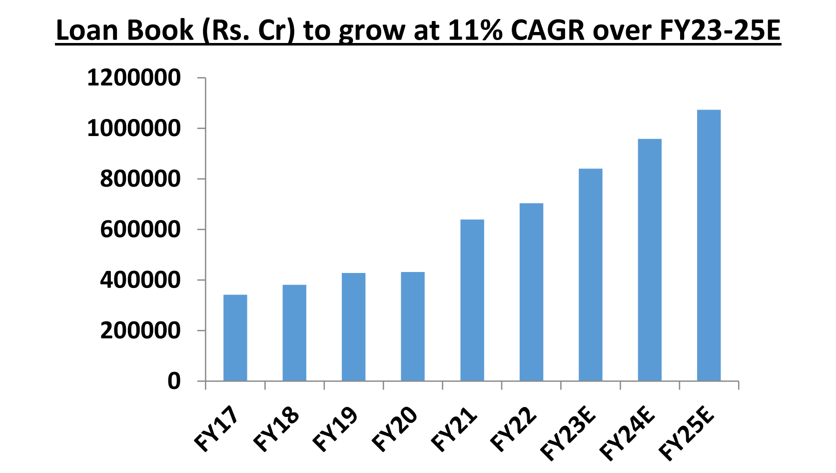
Risks & Concerns

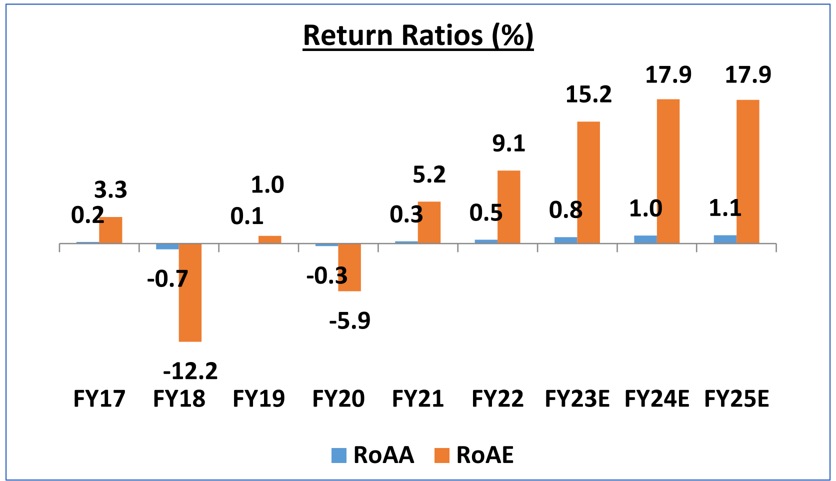
- Any unfavorable change in rules and regulatory policies can have a negative impact on earnings outlook of the Bank.
- Lower than expected business growth or sharp rise in slippages could result in deterioration in capital. Continuing Progress on recoveries will be important point to watch out in coming quarters.
- A sharp rise in interest rate could also result in MTM losses on its investment portfolio.
- Any further delay in the resolution of large assets due to current uncertainties and extension granted under IBC can postpone recoveries.
- Canara Bank is an established player in the southern region, a major part of the bank's branches is concentrated in southern India, making it vulnerable to risks associated with having geographically concentrated operations.
- As of Q2FY24, the AFS portfolio of the bank is still high at ~22% of total gross investments- stood at Rs. 62,083 crores, which in the rising interest rate scenarios possess risk of mark to market losses.
- The management has been keen on garnering more CASA deposits. In absolute terms, the bank has maintained flat CASA balances, while the ratio has de-grown both yearly as well as sequentially. If the ratio doesn't improve substantially over the coming quarters, the bank might end up relying on higher cost term deposits and borrowings which would eventually hurt its NIMs.
- Divestment by the Govt by OFS may increase float and depress stock prices for some time.

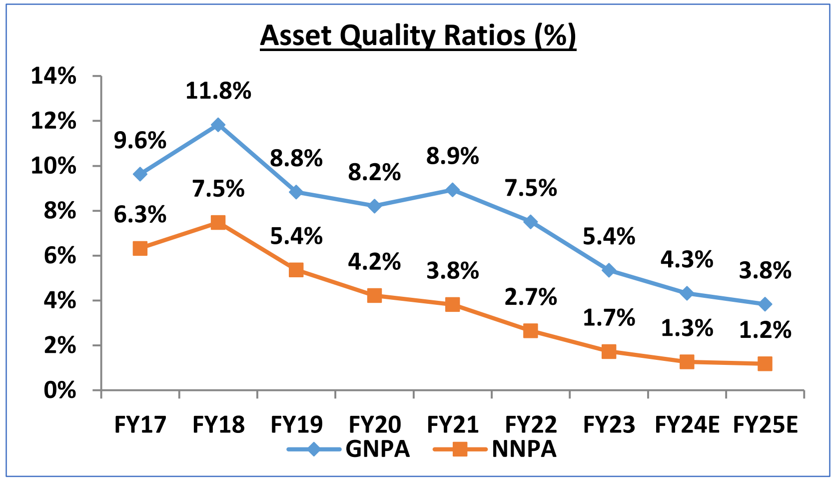
Company Background:

Canara Bank is among the leading scheduled public sector commercial banks in India. It was found in 1906 as a private entity and became a nationalized bank in 1969. Recently, the Government of India approved the scheme of amalgamation of Syndicate Bank into Canara Bank with effect from April 1, 2020.

The bank offers a wide range of banking and financial products and services to both large and mid-sized corporates and micro, small and medium enterprises ("MSME") as well as retail and agriculture customers. The operations are internally aligned into distinct business lines for (i) wholesale banking operations, (ii) retail banking operations, (iii) treasury operations, and (iv) other banking operations (through the subsidiaries, associates and joint ventures). The bank also has three international branches in New York, London, and Dubai.







(Source: Company, HDFC sec)

Canara Bank Financials

Income Statement

Particulars	FY21	FY22	FY23	FY24E	FY25E
Interest Income	69280	69410	84425	104814	108313
Interest Expenses	45178	43026	52989	69997	69919
Net Interest Income	**24103**	**26384**	**31435**	**34817**	**38394**
Non interest income	14924	16497	18762	19041	20502
Operating Income	**39027**	**42881**	**50197**	**53858**	**58897**
Operating Expenses	19338	19792	22481	24491	27117
PPP	19689	23089	27716	29368	31780
Prov & Cont	15980	14130	13543	10293	9881
Profit Before Tax	3709	8959	14173	19075	21899
Tax	1150	3280	3569	4864	5584
PAT	**2559**	**5679**	**10604**	**14211**	**16315**

Balance Sheet

Particulars	FY21	FY22	FY23	FY24E	FY25E
Share Capital	1647	1814	1814	1814	1814
Reserves & Surplus	57238	64297	71793	83101	95969
Shareholder funds	**58885**	**66111**	**73607**	**84915**	**97783**
Deposits	1010875	1086409	1179219	1277379	1380298
Borrowings	49984	46285	58090	68717	76345
Other Liab & Prov.	33932	28174	34817	38298	42128
SOURCES OF FUNDS	**1153675**	**1226980**	**1345732**	**1469311**	**1596555**
Cash & Bank Balance	178408	182054	141423	145583	147956
Investment	261690	282013	319038	350942	368489
Advances	639049	703602	830673	916232	1017934
Fixed Assets	11207	11356	10231	10742	11279
Other Assets	63321	47954	44367	45812	50897
TOTAL ASSETS	**1153675**	**1226980**	**1345732**	**1469311**	**1596555**

(Source: Company, HDFC sec)

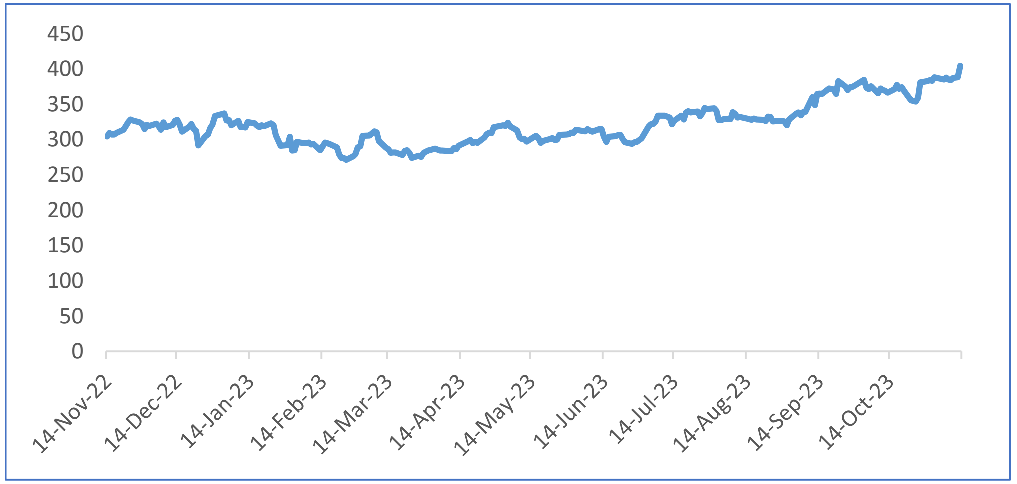
Key Ratios

Particulars	FY21	FY22	FY23	FY24E	FY25E
Return Ratios					
Calc. Yield on adv	10.8%	9.9%	10.2%	12.0%	11.2%
Calc. Cost of funds	4.3%	3.8%	4.3%	5.2%	4.8%
NIM	2.9%	2.5%	2.7%	2.7%	2.7%
RoAE	5.2%	9.1%	15.2%	17.9%	17.9%
RoAA	0.3%	0.5%	0.8%	1.0%	1.1%
Asset Quality Ratios					
GNPA	8.9%	7.5%	5.4%	4.3%	3.8%
NNPA	3.8%	2.7%	1.7%	1.3%	1.2%
PCR	59.5%	66.5%	68.9%	70.7%	69.2%
Growth Ratios					
Advances	47.9%	10.1%	18.1%	10.3%	11.1%
Deposits	61.6%	7.5%	8.5%	8.3%	8.1%
NII	83.7%	9.5%	19.1%	10.8%	10.3%
PAT	-214.5%	121.9%	86.7%	34.0%	14.8%

Key Ratios

	FY20	FY21	FY22E	FY23E	FY24E
Valuation Ratios					
EPS	15.5	31.3	58.5	78.3	89.9
P/E	26.0	12.9	6.9	5.2	4.5
Adj. BVPS	158.9	215.9	281.0	358.4	427.0
P/ABV	2.5	1.9	1.4	1.1	0.9
Dividend per share	0.0	6.5	12.0	16.0	19.0
Other Ratios					
Cost-Income	49.6	46.2	44.8	45.5	46.0
CASA	32.7	33.9	31.1	29.4	29.7
CAR	13.2	14.9	16.7	16.8	17.3
Tier 1	10.1	11.9	13.8	14.2	14.9

One Year Price Chart



Varun Nitin Manek

Digitally signed by Varun Nitin Manek
Date: 2023.11.15 08:26:12 +05'30'

HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long-term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise, their stock prices can take a severe beating. Overall, these stocks offer high risk high return opportunities.

Disclosure:

I, **Varun Nitin Manek**, Research Analyst, **(ACA)**, authors and the names subscribed to this report, hereby certify that all the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. 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. As regards the associates of HSL please refer the website.

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 t 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: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

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

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.