Stock Update

REC Ltd.

Nov 8, 2023

RETAILRESEARCH

REC Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
NBFC	Rs 308	Buy in Rs 305-311 band and add on dips in Rs 268-274 band	Rs 345	Rs 360	2--3 quarters

HDFC Scrip Code	RECLTDEQNR
BSE Code	532955
NSE Code	RECLTD
Bloomberg	RECLTD
CMP Nov 7, 2023	308.2
Equity Capital (Rs Cr)	2633.2
Face Value (Rs)	10
Equity Share O/S (Cr)	263.3
Market Cap (Rs Cr)	81156
Book Value (Rs)	240.0
Avg. 52 Wk Volumes	1,40,30,000
52 Week High	312.4
52 Week Low	98.1

Share holding Pattern % (Sep, 2023)	
Promoters	52.6
Institutions	34.5
Non Institutions	12.9
Total	100.00

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

Atul Karwa

atul.karwa@hdfcsec.com

Our Take:

Rural Electrification Corporation (REC), like its parent PFC, plays a major role in various power sector schemes of the Government of India. It is the second-largest lender to the sector. In Sept 2022 the company was conferred ‘Maharatna’ status by Government of India, the highest recognition for a public sector company.

There are several growth opportunities for the sector lying ahead that will affect the business of the company significantly in a positive manner. The power sector outlook for the long term seems bright. The large liquidity support, several proposed reforms and Government’s aggressive capex plan will keep the sector on a strong growth track. In line with Government’s plan for renewable segment, the company has been constantly focusing on developing book size in this segment. Power ministry has recently given approval to power finance companies to lend to infrastructure and logistic sectors. REC could lend up to 30% of the net worth to these newer sectors.

The financials of the company are also improving with sufficient capital adequacy level, diversified resource profile, declining NPAs etc. The company has been paying consistent dividends and it is one of the highest dividend paying companies in the listed space. Further, low valuations as compared to other NBFCs provides margin of safety.

We had issued Stock Update report (Link) on REC on 6th January 2023, and recommended to Buy between Rs 122-124 & add more on dips of Rs 108 for the base case target of Rs 139 and bull case target of Rs 154 over 2-3 quarters. The targets were achieved within the given timeframe.

Valuation & Recommendation:

REC continued to post good results in later half of FY23 and first half of FY24. Post Q2FY23, its loan book has started to grow well. Its stock price has also risen sharply in 2023. However given the visibility of growth, controlled asset quality, stable NIMs and attractive dividend yield, we think the stock deserves a look even now.

We have envisaged CAGR growth of 13% for bottom line, while loan book is estimated to grow at 12% CAGR over FY23-25E. There could be higher recoveries in the next two years than slippages. Further REC is also holding sufficient provisions. RoA is estimated at 2.6% for FY25E. In the medium term, credit cost normalisation and cost control remains the key drivers for stable RoA and RoE.

We believe that investors can buy REC Ltd in Rs 305-311 and add on dips in Rs 268-274 band (0.9x FY25E ABV) for the base case fair value of Rs 345 (1.15x FY25E ABV) and for the bull case fair value of Rs 360 (1.2x FY25E ABV) over the next 2-3 quarters.

Financial Summary

	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY22	FY23	FY24E	FY25E
NII	4,043	3,960	2.1	3,640	11.1	16134	15099	16518	18890
PPOP	4,046	3,653	10.8	3,754	7.8	15898	13854	16334	18659
PAT	3,773	2,729	38.3	2,944	28.1	10046	11055	12564	14158
EPS (Rs)						50.9	42.0	47.7	53.8
ABV (Rs)						229.8	202.4	237.6	277.6
P/E (x)						6.1	7.3	6.5	5.7
P/ABV (x)						1.3	1.5	1.3	1.1
RoAA (%)						2.5	2.5	2.5	2.6

(Source: Company, HDFC sec)

Recent Developments

Q2FY24 Result Update

REC reported a strong set of numbers in Q2FY24. Net Interest Income for the quarter came at Rs 4043cr, up 2% YoY (+11% QoQ) mainly on account of higher spreads. The yield on advances was at 9.97% vs 9.98% in last year same quarter, while cost of funds remained stable at 7.23% sequentially. The NIM stood at 3.45% vs 3.73% YoY. The company has booked Rs 104cr as fair value changes due to appreciation of the rupee against Yen and Euro borrowings. The Pre-provision operating profit increased by 11% YoY. ~92% of foreign currency exposure with remaining tenure upto 5 years are now hedged till maturity. The improvement in asset quality and resolution of the previous stressed accounts led to write back of provisions resulting in increase in net profit by 38% YoY.

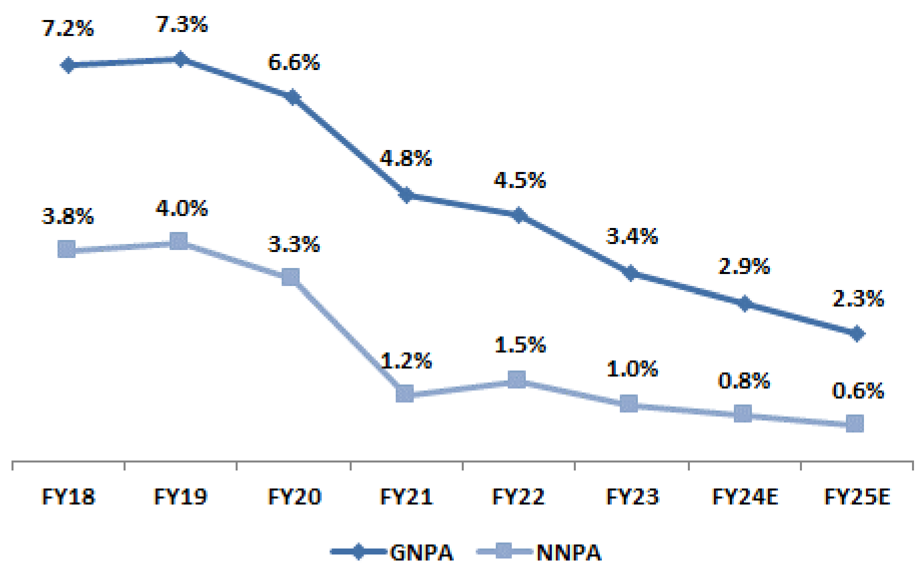
Disbursement remained healthy at Rs 41,598cr driven by distribution loans. The Loan Book has risen by 20%/4% YoY/QoQ to Rs 4.74 lakh Cr. During Q2FY24, projects sanctioned under T&D include Late Payment Surcharge (LPS) of Rs 7833cr and Revolving Bill Payment Facility (RBPF) of Rs 12586cr.

The Board of Directors of the Company has declared first interim dividend of Rs 3.5/- per equity share.

Targeting zero net NPA by FY25

REC has not added any new NPA for the last six quarters and is targeting zero net NPA levels by FY25. Out of 36 stressed assets, 17 stressed assets have already been resolved. In the current financial year, the company is targeting to resolve about 9 assets amounting to Rs 8000-8500cr roughly. There will be write backs as well because REC has witnessed recoveries in the range of 50%-60% in most of the stressed assets while it has an overall provision coverage of over 70%. The remaining 10 stressed are expected to be resolved in the next financial year.

Asset quality improving as stressed assets get resolved



(Source: Company, HDFCsec)

Improved performance of DISCOMs to result in quicker payments

The legacy dues of generation transmission companies stood at about Rs.1.4 lakh crores as on Jun'22 and has reduced by almost 50% in one year itself. The AT&C losses have also come down substantially. In one year there was reduction of 5%, AT&C losses had come down from 22% to about 17% in FY22 and have reduced further in FY23. It is around 15% in some of the states. It has gone down below 13% also. Average cost of supply and average revenue realized gap of ACS-ARR has also come down substantially from 61 paisa per unit to about 15 paisa per unit now. The introduction of Revamped Distribution Sector Schemes, where all the states are taking very proactive steps for reforming their distribution sector. All current subsidies are being paid by the state governments to DISCOMS and arrears are also being liquidated in a phased manner.

Increased share of renewable projects to drive lending

REC intends to increase its share of renewable energy to at least 30% of its total loan portfolio. From the current level of $3.6 billion, it intends to increase its renewable energy portfolio to more than $45 billion. The company held a Green Finance Conference on the sidelines of G20 Ministerial meeting at Goa in last week of July where the company has signed MoU with about 25 major developers of solar, wind, hybrid power, solar panel manufacturers, electric mobility, electric buses, green hydrogen, green ammonia and home-based storage hydro projects. The total amount of these MOUs was more than $35 billion.

The GoI in Apr'23 announced plans to add ~250GW of renewable energy capacity in the next five years to achieve its target of 500 GW of clean energy by 2030. REC expects total funding requirement of ~Rs 15 lakh crore and is targeting to capture 20 to 30% of this business. India currently has a total renewable energy capacity of 172 GW (as of 31st March 2023) with about 82 GW at various stages of implementation and about 41 GW under tendering stage.

List of Top 10 borrowers:

Sr. No.	Top Ten Borrowers	Amount	%
1	Tamil Nadu Generation and Distribution Corporation Limited	45,018	9.5
2	Maharashtra State Electricity Distribution Company Limited	21,323	4.5
3	Uttar Pradesh Power Corporation Limited	19,328	4.1
4	Kaleshwaram Irrigation Project Corporation Ltd	18,059	3.8
5	Telangana State Power Generation Corporation Limited	17,732	3.7
6	Andhra Pradesh Southern Power Distribution Company Limited	16,181	3.4
7	Maharashtra State Power Generation Company Limited	13,829	2.9
8	Jodhpur Vidhyut Vitran Nigam Limited	13,018	2.7
9	Jaipur Vidyut Vitran Nigam Limited	12,892	2.7
10	Telangana State Southern Power Distribution Company Limited	12,661	2.7
	Total	**1,90,041**	**40.1**

Lending to other Infrastructure sectors to aid margin expansion

On 25th August 2022, Ministry of Power has amended the Memorandum of Association by adding the clause "To lend to Logistics and Infrastructure sectors to the extent permitted by the Government of India." So far, REC could finance only the Power Sector and its forward/backward linkage. Now after the amendment, REC would be able to diversify its business & explore lending opportunities in other infrastructure areas. To an extent of 30% of its net worth, REC can lend to these new sectors. Under the National Infrastructure

Pipeline (NIP), a total of Rs.111 lakh Cr of infrastructure investment has been projected during the period FY20-25. The huge investment potential under NIP would enable REC to achieve higher growth and consequently greater profitability.

In FY23, REC sanctioned about Rs 85,000cr for infrastructure and logistics project and intends to increase this trajectory. In H1FY24 it has sanctioned ~Rs 40,000cr for infrastructure projects. It expects one third of total sanctions to come from non-power infrastructure and logistics. As of Q2FY24, REC had lent Rs 45,600cr to various infrastructure projects. Recently, REC entered into a MoU with Punjab National Bank (PNB) to co-finance loans amounting to a substantial Rs 55,000 crore in power and infrastructure projects over the next three years.

Infrastructure and logistics loans carry a higher spread of 2.5-3% as compared to ~2% for renewable energy projects (due to high competition). Thus, higher lending to infrastructure sector would aid the company in expanding its margins.

Loan Book Composition:

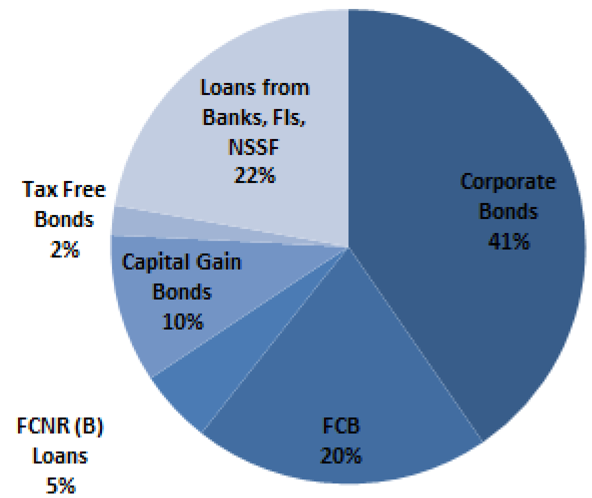
(Rs cr)	FY22		FY23		Q2FY24	
	Amount	%	Amount	%	Amount	%
State	350456	91	393225	91	411540	91
Private	34915	9	41787	9	42853	9
Total	**385371**	**100**	**435012**	**100**	**454393**	**100**
Generation	126449	33	132517	30	137556	29
Renewable	19187	5	27095	6	29833	6
Transmission	51259	13	48327	11	48393	10
Distribution	154851	40	185806	43	210172	44
I&L - Core					4690	1
I&L - E&M	28659	7	38248	9	40925	9
STL/MTL	4966	2	3019	1	2706	1

Adequate capitalisation and strong resource profile

The capitalization level of the company remains adequate implying ample opportunities to support business growth. As of Q2FY24, the total capital adequacy ratio at 28.5%. Tier-1 capital stood at 25.6% and Tier-2 capital at 2.9%. It has been improving continuously quarter by quarter since last 2-3 years supported by rise in the loan book portfolio coupled with healthy internal accruals.

Being a Quasi-Government institution, REC has been able to raise funds at competitive rate from various sources such as external commercial borrowings (ECB), domestic financial institutions, long-term bonds, bank loans, commercial papers, infrastructure bonds, and tax-free bonds etc. In FY23, the company has raised Rs. 86,884cr. REC has “AAA” rating from the Domestic Credit Ratings for its long term borrowings, while BBB- from international rating agencies.

Borrowing breakup



(Source: Company, HDFCsec)

Risks & Concerns

- A higher-than-expected deterioration in the asset quality could result in the erosion of the Tier I capital. Fresh formation of bad loans could keep provisioning high and return ratios compressed for a longer time. Further, any delay in the recovery, higher than expected haircuts or sharp rise in the slippage could impact the profitability and business growth prospects. This could also impact its ability to payout large dividends.
- Banks’ exposure to infrastructure finance companies is fixed at 10% of their capital funds. This may restrict REC’s ability to borrow from Banks in future.
- REC has exposure mainly in power which has large ticket size of loans. Also high concentration of exposure towards financially weak state power utilities and the vulnerability of its exposure to private sector borrowers increase the portfolio vulnerability.

- REC portfolio remains impacted by concerns regarding fuel availability, disputed and competitive power sale tariffs, absence of power purchase agreements (PPAs), environmental clearance and land acquisition issues at its borrowers' end.
- The borrowers are from power sector and the credit risk profile of them is weak because of their poor financials. PSUs, especially discoms, are an inherently weak asset class and even the private sector power players have increasingly become more vulnerable to asset quality risks owing to issues such as lack of fuel availability, inability to pass on fuel price increases, and absence of long-term power purchase agreements for assured power offtake. Reforms in the PSU sector (Discoms) are tough to carry out given the overt resistance from labour unions and overt resistance from other vested interests including bureaucrats and politicians. Also the Electricity (Amendment) Bill, 2022 that was introduced in Lok Sabha in August 2022 to give Centre more powers to reform Discoms has been referred to the Standing Committee on Energy for detailed examination.
- Post the approval from power ministry, the company can now lend to sectors such as infrastructure and logistics. This will create new avenue of growth, however, we will remain watchful on the asset quality front as the company does not have past experience in lending to these sectors.
- REC can face competition from Banks (though normally they don't fund such long duration projects) attracted by the high spreads/NIMs.
- Although the trend is declining, the exposure to top 10 borrowers remains high at 40% of the total loan asset portfolio. Any single account becoming non-performing could have a huge impact on the company's financials.

Company Background:

Rural Electrification Corporation (REC), incorporated in 1969 by Government of India, to finance and promote rural electrification projects in India. It is engaged in financing projects or schemes of power generation (both conventional and renewable energy), transmission, distribution, rural electrification and activities having forward/backward linkage with power projects, in both public and private sectors. Its key products include Long Term, Medium Term and Short Terms Loans etc. for the entire power sector value chain. In addition to that, REC also acts as nodal agency for various schemes and programs of national importance of the Ministry of Power, Government of India (GoI).

It was established by GoI for the purpose of developing the infrastructure in rural India. Over the last decade, the company has diversified into urban areas and plays a strategic role in GoI's plan to improve the T&D infrastructure in India. REC's clients mainly include state power utilities, private power sector utilities, joint sector power utilities and power equipment manufacturers. PFC now holds 52.63% stake in the company as a promoter entity having bought the stake from the Govt of India in March 2019 @Rs 139.5 per share.

REC has a wholly-owned subsidiary company, namely REC Power Development & Consultancy Ltd. (RECPDCL) ehich acts as the "Bid Process Coordinator" for selection of Transmission Service Provider through Tariff Based Competitive Bidding (TBCB) process, for independent inter-state and intrastate transmission project assigned by the Ministry of Power and State Governments from time to time.

REC is now a Maharatna Company

In September 2022, the company was conferred 'Maharatna' status by Government of India, the highest recognition for a public sector company. In last financial year the promoter of the company PFC was also accorded with the status of a 'Maharatna'. This is an endorsement of REC's enhanced stature and an acknowledgement of its sterling role in turning a power deficit country into a power surplus state with universal access to electricity. As per management, Maharatna status will give REC greater operational and financial autonomy and enable diversification of its operations to further accelerate its business growth.

Benefits to Maharatna Status to REC:

- The Board of a 'Maharatna' CPSE can make equity investments to undertake financial joint ventures and wholly-owned subsidiaries and undertake mergers and acquisitions in India and abroad, subject to a ceiling of 15% of the Net Worth of the concerned CPSE, limited to Rs 5,000 Cr in one project.
- The Board can also structure and implement schemes relating to personnel and Human Resource Management and Training.
- REC now can also enter into technology Joint Ventures or other strategic alliances among others.

Peer Comparision

(Rs cr)	CMP (Rs)	Mcap	NII			PAT			RoE (%)			BV (Rs)			P/BV (x)		
			FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Power Fin.	263	86776	16369	17355	20066	11608	12679	14098	18.2	17.4	17.0	206.7	235.0	267.5	1.3	1.1	1.0
REC Ltd	308	81156	15099	16518	18890	11055	12564	14158	20.3	20.2	19.8	219.0	252.5	290.1	1.4	1.2	1.1

Financials

Income Statement

Particulars	FY21	FY22	FY23	FY24E	FY25E
Interest Income	34684	38186	38836	45615	52033
Interest Expenses	21489	22053	23738	29097	33143
Net Interest Income	**13195**	**16134**	**15099**	**16518**	**18890**
Non interest income	727	1044	416	768	812
Operating Income	**13922**	**17178**	**15515**	**17286**	**19702**
Operating Expenses	746	1279	1661	952	1043
PPP	13176	15898	13854	16334	18659
Prov & Cont	2420	3473	115	226	508
Profit Before Tax	10756	12425	13739	16108	18152
Tax	2394	2379	2684	3544	3993
PAT	**8362**	**10046**	**11055**	**12564**	**14158**

BALANCE SHEET

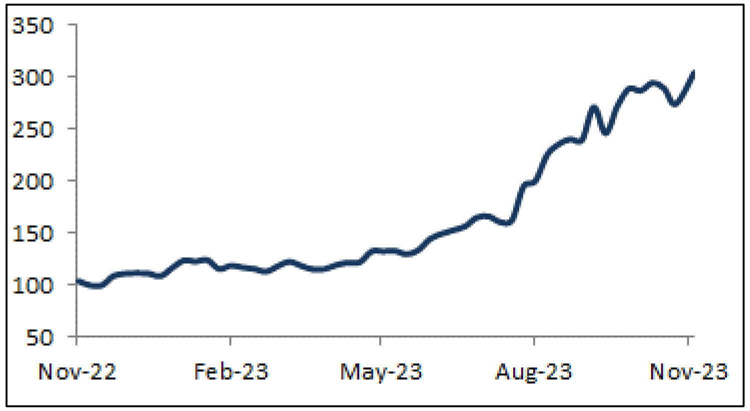
Particulars	FY21	FY22	FY23	FY24E	FY25E
Share Capital	1975	1975	2633	2633	2633
Reserves & Surplus	41451	49011	55046	63845	73764
Shareholder funds	**43426**	**50986**	**57680**	**66478**	**76397**
Borrowings	330629	333655	380836	433058	481229
Other Liab & Prov.	26176	25772	26361	26804	26400
SOURCES OF FUNDS	**400231**	**410413**	**464877**	**526341**	**584026**
Fixed Assets	260	624	639	650	670
Intangible assets	7	4	2	2	2
Capital Work-in-Progress	336	6	3	5	5
Investment	1910	2158	3138	3849	4273
Cash & Bank Balance	3070	2422	1987	2165	2243
Advances	365262	371931	422084	481176	534105
Other Assets	29387	33268	37025	38494	42728
TOTAL ASSETS	**400231**	**410413**	**464877**	**526341**	**584026**

Ratios

Particulars	FY21	FY22	FY23	FY24E	FY25E
Return Ratios					
Calc. Yield on adv	10.2%	10.4%	9.8%	10.1%	10.3%
Calc. Cost of borr	7.0%	6.6%	6.6%	7.2%	7.3%
NIM	3.9%	4.4%	3.8%	3.7%	3.7%
RoAE	21.3%	21.3%	20.3%	20.2%	19.8%
RoAA	2.2%	2.5%	2.5%	2.5%	2.6%
Asset Quality Ratios					
GNPA	4.8%	4.5%	3.4%	2.8%	2.3%
NNPA	1.2%	1.5%	1.0%	0.8%	0.6%
PCR	66%	67%	71%	72%	74%
Growth Ratios					
Advances	17.0%	1.8%	13.5%	14.0%	11.0%
Borrowings	15.5%	0.9%	14.1%	13.7%	11.1%
NII	23.7%	22.3%	-6.4%	9.4%	14.4%
PPP	67.3%	20.7%	-12.9%	17.9%	14.2%
PAT	71.1%	20.1%	10.0%	13.7%	12.7%
Valuation Ratios					
EPS	42.3	50.9	42.0	47.7	53.8
P/E	7.3	6.1	7.3	6.5	5.7
Adj. BVPS	187.2	229.8	202.4	237.6	277.6
P/ABV	1.6	1.3	1.5	1.3	1.1
DPS	12.7	15.3	12.6	14.3	16.1
Div. Yield	4.1	5.0	4.1	4.6	5.2
Other Ratios					
Cost-Income	5.4	7.4	10.7	5.5	5.3
Leverage	8.4	7.3	7.3	7.2	7.0

(Source: Company, HDFC sec)

Price chart



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. This 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.

ATUL JAGDISH KARWA

Digitally signed by ATUL JAGDISH KARWA
Date: 2023.11.08 10:06:38 +05'30'

Disclosure:

I**, Atul Karwa,** Reesearch Analyst, **MMS,** 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. 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