

LIC Housing Finance (LICHF IN)

Liquidity driving margin

INDIA | FINANCIALS | Quarterly Update

21 October 2016

Top takeaways from Q2FY17

- ⇨ PAT was marginally above our expectations driven by slightly lower other operating expenses and lower provisions. NII growth remained healthy but fell marginally short of our expectation despite expansion in NIM, due to slightly lower than expected loan growth (15% yoy).
- ✓ NIM improved 7 bps qoq to 2.68%, driven by decline in cost of funds, while decline in yields were restricted due to increase in share of higher-yielding loans.
- ✗ Loan growth was moderate (15% yoy) due to weak growth in individual loans (9.6% yoy). LAP and project loans grew 99% and 22% yoy respectively.
- ✓ Asset quality continued to remain healthy, as GNPA declined by 2bps qoq to 0.57%, while NNPA remained stable at 0.28%. It was lower by 3bps/4bps yoy.

Key highlights:

- Incremental spread improved 20bps qoq at 2.18% (+18bps yoy) as improvement in incremental costs (-52bps qoq to 8.4%) more than offset the decline in incremental yields (-32bps qoq to 10.58%). NIM for the quarter was at 2.68%.
- Share of high-yielding portfolio of LAP and project loans improved to 12.4% (+427bps yoy). Change in portfolio towards high-yielding loans will keep NIM stable.
- Disbursement was Rs 91.2bn (+9% yoy). Individual/project loan disbursements were 11%/+14, while LAP disbursement declined 6.5% yoy.

Management comments / concall takeaways

- Disbursement in project loans to rebound in coming quarters, as sanctions have been healthy.
- Cost of funds will decline further due to decline in the bond yields. Incremental funding cost is lower by 54bps compared to average cost of fund of 8.94%.
- Yields in builder loan are 13-14%, while the LAP yields are at 11.5%.
- Incrementally Rs 60bn worth loans will be converted to floating rate in this year and Rs150bn in FY17.

Outlook and valuation: LICHF is well poised to deliver stable business growth, led by pick up in individual home loans, while maintain high growth in LAP and project loans. NIM have been on an uptrend, we expect there is further scope of expansion in FY17 as it will realise the benefit of lower cost of funds, while yields on loans will continue to remain firm due to increasing share of LAP and project loans.

At CMP, LICHF trades at 2.4x FY18 BV of Rs 252. Given our expectation of improvement in NIM, superior return ratio and strong earnings visibility, we have increased our price target to Rs 755 (previous Rs 610) valuing the stock at 3x FY18 BV.

BUY (Maintain)

CMP RS 600 / TARGET RS 755 (+26%)

COMPANY DATA

O/S SHARES (MN) :	505
MARKET CAP (RSBN) :	295
MARKET CAP (USDBN) :	4.4
52 - WK HI/LO (RS) :	612 / 389
LIQUIDITY 3M (USDMMN) :	18.6
PAR VALUE (RS) :	2

SHARE HOLDING PATTERN, %

	Sep 16	Jun 16	Mar 16
PROMOTERS :	40.3	40.3	40.3
FII / NRI :	40.6	31.7	29.0
FI / MF :	5.2	5.9	4.7
NON PRO :	6.3	14.4	18.3
PUBLIC & OTHERS :	7.5	7.8	7.7

Key Financials

Rs mn	FY16	FY17E	FY18E
Pre-prov ROE (%)	31.9	33.1	32.3
Pre-prov ROA (%)	2.2	2.4	2.3
Net Profit	16,608	19,638	23,422
% growth	19.8	18.2	19.3
Adj BVPS (Rs)	175.8	207.0	244.9
ROE (%)	19.6	19.7	20.0
P/E (x)	18.2	15.4	12.9
Adj P/BV (x)	3.4	2.9	2.4
EPS (Rs)	32.9	38.9	46.4

CHANGE IN ESTIMATES

Rs bn	Revised Est.	% Revision		
	FY17E	FY18E	FY17E	FY18E
NII	35.6	41.1	0.0	0.0
PPP	32.9	37.9	0.0	0.0
Core PAT	19.6	23.4	0.0	0.0
EPS (Rs)	38.9	46.4	0.0	0.0

Manish Agarwalla, Paresh Jain
Pradeep Agrawal,

(Rs bn)	Q2FY17	Q2FY16	yoy %	Q1FY17	qoq %	vs. expect. %	Comments
Net interest income	8.7	7.2	20.7	8.2	5.0	-2.4	NII growth led by 15% growth in loan book and 12bps yoy expansion in NIM
NIM (%)	2.7	2.6	12 bps	2.6	7 bps	268 bps	Improvement driven by decline in cost of funds
Spread (%)	1.7	1.6	15 bps	1.6	9 bps	173 bps	Incremental spread at 2.18% compared to 2.0% in Q2FY16
Disbursement	91.2	83.9	8.7	75.4	21.0		Individual disbursement at 11% yoy, project loan disbursement at 14%
Loan	1311.0	1140.7	14.9	1274.4	2.9		Growth driven by LAP and project loans at 99% and 22% respectively
Individual	1147.2	1046.9	9.6	1118.3	2.6		Individual loan comprises of 87.5% of loan book (91.8% in Q2FY16)
LAP	127.2	63.9	99.1	118.5	7.3		LAP comprises of 9.6% of loan book
Project loans	3.7	3.0	22.4	3.7	-0.9		Project loan comprises of 2.8% of loan book
Borrowings	1160.8	1016.4	14.2	1129.6	2.8		81% of borrowing comprises of NCDs, while bank borrowing comprises 9.4%
NCD (%)	80.6	75.2	540 bps	79.6	100 bps		Weighted average cost of NCDs are at 8.87%
Operating expenses	1.4	1.1	28.7	1.4	-1.3	-12.0	Employee expenses included wage arrears of Rs 90mn
Cost to income ratio (%)	3.9	3.4	48 bps	4.1	(18 bps)	(51 bps)	
Provision	0.3	0.3	0.8	1.2	(74.0)	-32.7	
PBT	7.6	6.4	18.1	6.2	22.0	1.6	
tax	2.7	2.3	14.4	2.2	23.3	0.0	
PAT	4.9	4.1	20.2	4.1	21.3	2.5	PAT was marginally above our expectation due to lower opex and provisions
GNPA %	0.6	0.6	(3 bps)	0.6	(2 bps)		Asset quality remained stable sequentially

Q2FY17 results

Rs mn	Q2FY17	Q2FY16	Q1FY17	yoy (%)	qoq (%)
Interest income	34283	30260	33263	13.3	3.1
Interest expenses	25626	23091	25018	11.0	2.4
Net Interest Income	8657.1	7169.4	8245.2	20.7	5.0
NIM (%)	2.7%	2.6%	2.6%	0.1%	0.1%
Other Income	616	633	535	-2.7	15.1
Total Income	9273	7803	8780	18.8	5.6
Operating Expenses	1364	1060	1382	28.7	-1.3
Cost/Income (%)	14.7%	13.6%	15.7%	8.3	-6.6
Pre Provision Profits	7910	6743	7399	17.3	6.9
Provisions & contingencies	303	301	1165	0.8	-74.0
Profit before tax	7607	6442	6234	18.1	22.0
Provision for taxes	2659	2325	2156	14.4	23.3
% of PBT	35.0	36.1	34.6	-3.1	1.1
Profit after tax	4947.7	4117.4	4078.4	20.2	21.3
EPS (Rs)	9.8	8.2	8.1	20.2	21.31
Advances	1310960	1140690	1274370	14.9	2.9
Disbursements	91230	83900	75420	8.7	21.0
Gross NPAs	7500	6830	7570	9.8	-0.9
Gross NPAs (%)	0.57%	0.60%	0.59%	0.0%	0.0%
Net NPAs	3680	3690	4010	-0.3	-8.2
Net NPAs (%)	0.28%	0.32%	0.28%	0.0%	0.0%

Source: Company, PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY15	FY16	FY17E	FY18E
Interest on individual housing loans	1,01,876	1,18,780	1,35,409	1,54,704
Interest on developer loans	3,590	3,729	5,220	6,578
Total Interest earned	1,05,467	1,22,509	1,40,889	1,61,582
Interest expended	83,102	93,068	1,05,290	1,20,478
Net Interest Income	22,364	29,441	35,599	41,104
Total non-interest income	2,520	2,346	3,096	3,426
Total Income	24,884	31,787	38,695	44,530
Personnel Expenses	1,293	1,503	2,105	2,421
Other Expenses	2,499	3,183	3,661	4,210
Total Op expenses	3,792	4,687	5,766	6,631
Net Inc (Loss) before prov	21,092	27,100	32,929	37,899
Provision	73	1,465	2,624	1,754
Net Inc (Loss) before tax	21,019	25,636	30,305	36,145
Provision for Income Tax	7,158	9,028	10,667	12,723
Net Profit	13,862	16,608	19,638	23,422

Balance Sheet

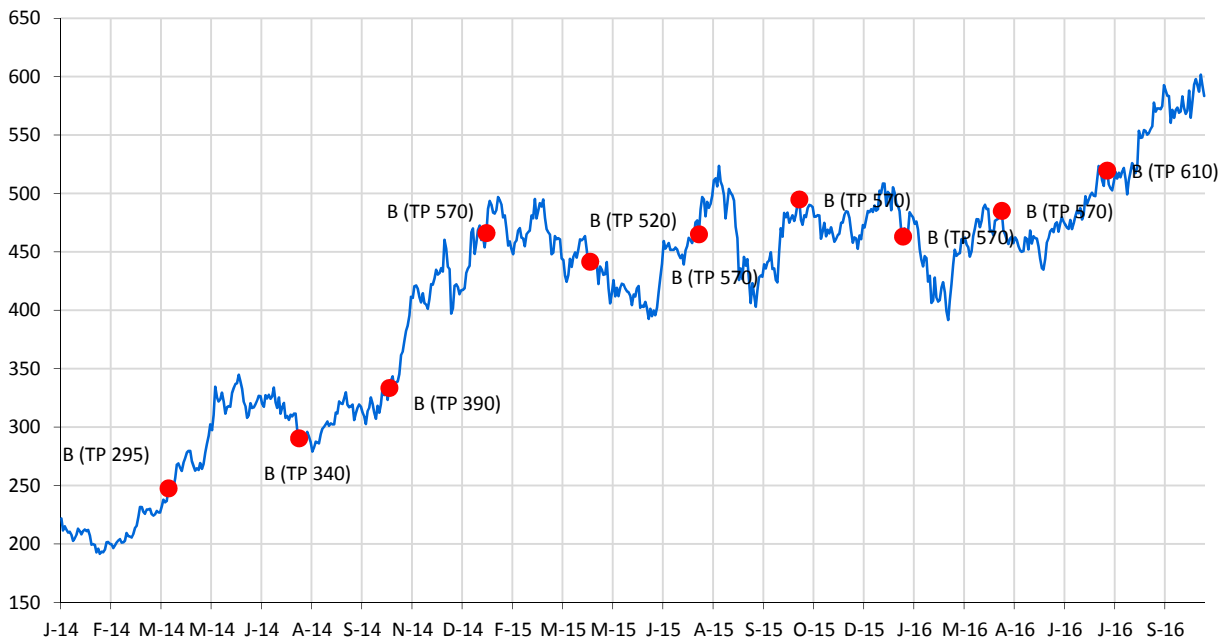
Y/E Mar, Rs mn	FY15	FY16	FY17E	FY18E
Assets				
Cash & Bal with RBI	29,331	39,268	45,158	51,579
Loans, Adv & Int accrued	10,83,607	12,51,732	14,56,616	16,87,491
Investments	2,371	2,768	3,143	3,650
Fixed Assets (Net)	797	920	1,012	1,113
Other assets	9,345	10,289	11,318	12,450
Total Assets	11,25,451	13,04,978	15,17,248	17,56,282
Liabilities				
Share capital	1,010	1,010	1,010	1,010
Reserves and Surplus	77,174	90,450	1,06,543	1,26,125
Subordinated Debt	29,929	25,515	30,000	35,000
Borrowing	9,35,541	10,83,845	12,57,060	14,60,889
Other liabilities	71,099	91,489	1,07,342	1,16,212
Provision for contingencies	10,698	12,669	15,293	17,047
Total Liabilities	11,25,451	13,04,978	15,17,248	17,56,282

Valuation Ratios

	FY15	FY16	FY17E	FY18E
Earnings and Valuation Ratios				
Pre-provision Operating RoAE (%)	27.5	31.9	33.1	32.3
RoAE (%)	18.1	19.6	19.7	20.0
Pre-provision Operating ROA (%)	2.0	2.2	2.3	2.3
RoAB (%)	1.3	1.4	1.4	1.4
EPS (Rs.)	27.5	32.9	38.9	46.4
Dividend per share (Rs.)	5.0	5.5	6.0	6.5
Book Value (Rs.)	154.8	181.1	213.0	251.8
Adj BV (Rs.)	150.2	175.8	207.0	244.9
Revenue Analysis				
Interest income on IBA (%)	10.2	10.2	10.1	10.0
Interest cost on IBL (%)	9.3	9.0	8.8	8.7
NIM on IBA / AWF (%)	2.2	2.4	2.5	2.5
Core fee Inc / AWF (%)	0.1	0.1	0.1	0.1
Portfolio gains / Total Inc (%)	5.3	4.3	3.8	3.5
Op.Exp / TI (%)	16.0	15.4	15.5	15.4
Op.Exp / AWF (%)	0.4	0.4	0.4	0.4
Employee exps / Op exps (%)	34.1	32.1	36.5	36.5
Tax / Pre-tax earnings (%)	34.1	35.2	35.2	35.2
Asset Quality				
GNPAs / Gross Adv (%)	0.5	0.5	0.4	0.4
NNPAs / Net Adv (%)	0.2	0.2	0.2	0.2
Growth Ratio				
Loans (%)	18.6	15.5	16.4	15.9
Investments (%)	19.0	16.7	13.5	16.1
Deposits (%)	18.4	15.9	16.0	16.2
Net worth (%)	3.8	17.0	17.6	18.2
Net Int Income (%)	16.7	31.6	20.9	15.5
Non-fund based income (%)	3.1	(6.9)	32.0	10.7
Non-Int Exp (%)	21.1	23.6	23.0	15.0
Profit Before Tax (%)	15.1	22.0	18.2	19.3
Net profit (%)	5.2	19.8	18.2	19.3
Capital Adequacy Ratio:				
Tier I (%)	15.3	15.1	14.7	14.6
Internal Capital Generation rate (%)	11.8	11.9	11.9	12.2
NNPAs to Equity (%)	21.8	24.8	24.8	24.8
	3.0	3.0	2.8	2.7

Source: Company, PhillipCapital India Research Estimates

Stock Price, Price Target and Rating History



Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year.

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

Management

Vineet Bhatnagar (Managing Director)	(91 22) 2483 1919
Kinshuk Bharti Tiwari (Head – Institutional Equity)	(91 22) 6667 9946
Jignesh Shah (Head – Equity Derivatives)	(91 22) 6667 9735

Research

Automobiles	IT Services	Pharma & Speciality Chem
Dhawal Doshi (9122) 6667 9769	Vibhor Singhal (9122) 6667 9949	Surya Patra (9122) 6667 9768
Nitesh Sharma, CFA (9122) 6667 9965	Shyamal Dhruve (9122) 6667 9992	Mehul Sheth (9122) 6667 9996
Banking, NBFCs	Infrastructure	Strategy
Manish Agarwalla (9122) 6667 9962	Vibhor Singhal (9122) 6667 9949	Naveen Kulkarni, CFA, FRM (9122) 6667 9947
Pradeep Agrawal (9122) 6667 9953	Deepak Agarwal (9122) 6667 9944	Telecom
Paresh Jain (9122) 6667 9948	Logistics, Transportation & Midcap	Naveen Kulkarni, CFA, FRM (9122) 6667 9947
Consumer & Retail	Vikram Suryavanshi (9122) 6667 9951	Manoj Behera (9122) 6667 9973
Naveen Kulkarni, CFA, FRM (9122) 6667 9947	Media	Technicals
Jubil Jain (9122) 6667 9766	Manoj Behera (9122) 6667 9973	Subodh Gupta, CMT (9122) 6667 9762
Preeyam Tolia (9122) 6667 9950	Metals	Production Manager
Cement	Dhawal Doshi (9122) 6667 9769	Ganesh Deorukhkar (9122) 6667 9966
Vaibhav Agarwal (9122) 6667 9967	Yash Doshi (9122) 6667 9987	Editor
Economics	Mid-Caps & Database Manager	Roshan Sony 98199 72726
Anjali Verma (9122) 6667 9969	Deepak Agarwal (9122) 6667 9944	Sr. Manager – Equities Support
Engineering, Capital Goods	Oil & Gas	Rosie Ferns (9122) 6667 9971
Jonas Bhutta (9122) 6667 9759	Sabri Hazarika (9122) 6667 9756	
Vikram Rawat (9122) 6667 9986		

Sales & Distribution

Ashvin Patil (9122) 6667 9991	Sales Trader
Shubhangi Agrawal (9122) 6667 9964	Dilesh Doshi (9122) 6667 9747
Kishor Binwal (9122) 6667 9989	Suniil Pandit (9122) 6667 9745
Bhavin Shah (9122) 6667 9974	
Ashka Mehta Gulati (9122) 6667 9934	Execution
Archan Vyas (9122) 6667 9785	Mayur Shah (9122) 6667 9945

Corporate Communications

Zarine Damania (9122) 6667 9976
Bharati Ponda (9122) 6667 9943

Contact Information (Regional Member Companies)

SINGAPORE: Phillip Securities Pte Ltd 250 North Bridge Road, #06-00 RafflesCityTower, Singapore 179101 Tel : (65) 6533 6001 Fax: (65) 6535 3834 www.phillip.com.sg	MALAYSIA: Phillip Capital Management Sdn Bhd B-3-6 Block B Level 3, Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur Tel (60) 3 2162 8841 Fax (60) 3 2166 5099 www.poems.com.my	HONG KONG: Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway Hong Kong Tel (852) 2277 6600 Fax: (852) 2868 5307 www.phillip.com.hk
JAPAN: Phillip Securities Japan, Ltd 4-2 Nihonbashi Kabutocho, Chuo-ku Tokyo 103-0026 Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141 www.phillip.co.jp	INDONESIA: PT Phillip Securities Indonesia ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A, Jakarta 10220, Indonesia Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809 www.phillip.co.id	CHINA: Phillip Financial Advisory (Shanghai) Co. Ltd. No 550 Yan An East Road, OceanTower Unit 2318 Shanghai 200 001 Tel (86) 21 5169 9200 Fax: (86) 21 6351 2940 www.phillip.com.cn
THAILAND: Phillip Securities (Thailand) Public Co. Ltd. 15th Floor, VorawatBuilding, 849 Silom Road, Silom, Bangrak, Bangkok 10500 Thailand Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921 www.phillip.co.th	FRANCE: King & Shaxson Capital Ltd. 3rd Floor, 35 Rue de la Bienfaisance 75008 Paris France Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017 www.kingandshaxson.com	UNITED KINGDOM: King & Shaxson Ltd. 6th Floor, Candlewick House, 120 Cannon Street London, EC4N 6AS Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835 www.kingandshaxson.com
UNITED STATES: Phillip Futures Inc. 141 W Jackson Blvd Ste 3050 The Chicago Board of Trade Building Chicago, IL 60604 USA Tel (1) 312 356 9000 Fax: (1) 312 356 9005	AUSTRALIA: PhillipCapital Australia Level 10, 330 Collins Street Melbourne, VIC 3000, Australia Tel: (61) 3 8633 9800 Fax: (61) 3 8633 9899 www.phillipcapital.com.au	SRI LANKA: Asha Phillip Securities Limited Level 4, Millennium House, 46/58 Navam Mawatha, Colombo 2, Sri Lanka Tel: (94) 11 2429 100 Fax: (94) 11 2429 199 www.ashaphillip.net/home.htm

INDIA

PhillipCapital (India) Private Limited
 No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg, Lower Parel West, Mumbai 400013
 Tel: (9122) 2300 2999 Fax: (9122) 6667 9955 www.phillipcapital.in

Disclosures and Disclaimers

PhillipCapital (India) Pvt. Ltd. has three independent equity research groups: Institutional Equities, Institutional Equity Derivatives, and Private Client Group. This report has been prepared by Institutional Equities Group. The views and opinions expressed in this document may, may not match, or may be contrary at times with the views, estimates, rating, and target price of the other equity research groups of PhillipCapital (India) Pvt. Ltd.

This report is issued by PhillipCapital (India) Pvt. Ltd., which is regulated by the SEBI. PhillipCapital (India) Pvt. Ltd. is a subsidiary of Phillip (Mauritius) Pvt. Ltd. References to "PCIPL" in this report shall mean PhillipCapital (India) Pvt. Ltd. unless otherwise stated. This report is prepared and distributed by PCIPL for information purposes only, and neither the information contained herein, nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment, or derivatives. The information and opinions contained in the report were considered by PCIPL to be valid when published. The report also contains information provided to PCIPL by third parties. The source of such information will usually be disclosed in the report. Whilst PCIPL has taken all reasonable steps to ensure that this information is correct, PCIPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and PCIPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

This report does not regard the specific investment objectives, financial situation, and the particular needs of any specific person who may receive this report. Investors must undertake independent analysis with their own legal, tax, and financial advisors and reach their own conclusions regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Under no circumstances can it be used or considered as an offer to sell or as a solicitation of any offer to buy or sell the securities mentioned within it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which PCIL believe is reliable. PhillipCapital (India) Pvt. Ltd. or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments at this date and are subject to change without notice.

Important: These disclosures and disclaimers must be read in conjunction with the research report of which it forms part. Receipt and use of the research report is subject to all aspects of these disclosures and disclaimers. Additional information about the issuers and securities discussed in this research report is available on request.

Certifications: The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst(s) have no known conflict of interest and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific views or recommendations contained in this research report.

Additional Disclosures of Interest:

Unless specifically mentioned in Point No. 9 below:

1. The Research Analyst(s), PCIL, or its associates or relatives of the Research Analyst does not have any financial interest in the company(ies) covered in this report.
2. The Research Analyst, PCIL or its associates or relatives of the Research Analyst affiliates collectively do not hold more than 1% of the securities of the company (ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. The Research Analyst, his/her associate, his/her relative, and PCIL, do not have any other material conflict of interest at the time of publication of this research report.
4. The Research Analyst, PCIL, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in this report, in the past twelve months.
5. The Research Analyst, PCIL or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report.
6. PCIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.
7. The Research Analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Research report.
8. The Research Analyst and PCIL has not been engaged in market making activity for the company(ies) covered in the Research report.
9. Details of PCIL, Research Analyst and its associates pertaining to the companies covered in the Research report:

Sr. no.	Particulars	Yes/No
1	Whether compensation has been received from the company(ies) covered in the Research report in the past 12 months for investment banking transaction by PCIL	No
2	Whether Research Analyst, PCIL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1% of the company(ies) covered in the Research report	No
3	Whether compensation has been received by PCIL or its associates from the company(ies) covered in the Research report	No
4	PCIL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company(ies) covered in the Research report	No
5	Research Analyst, his associate, PCIL or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in the Research report, in the last twelve months	No

Independence: PhillipCapital (India) Pvt. Ltd. has not had an investment banking relationship with, and has not received any compensation for investment banking services from, the subject issuers in the past twelve (12) months, and PhillipCapital (India) Pvt. Ltd. does not anticipate receiving or intend to seek compensation for investment banking services from the subject issuers in the next three (3) months. PhillipCapital (India) Pvt. Ltd. is not a market maker in the securities mentioned in this research report, although it, or its affiliates/employees, may have positions in, purchase or sell, or be materially interested in any of the securities covered in the report.

Suitability and Risks: This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any securities referred to in this research report based upon the legal, tax and accounting considerations applicable to such investor and its own investment objectives or strategy, its financial situation and its investing experience. The value of any security may be positively or adversely affected by changes in foreign exchange or interest rates, as well as by other financial, economic, or political factors. Past performance is not necessarily indicative of future performance or results.

Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that PCIPL and the research analyst believe to be reliable, but neither PCIPL nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material, and are subject to change without notice. Furthermore, PCIPL is under no obligation to update or keep the information current. Without limiting any of the foregoing, in no event shall PCIPL, any of its affiliates/employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind including but not limited to any direct or consequential loss or damage, however arising, from the use of this document.

Copyright: The copyright in this research report belongs exclusively to PCIPL. All rights are reserved. Any unauthorised use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the PCIPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

Caution: Risk of loss in trading/investment can be substantial and even more than the amount / margin given by you. The recipient should carefully consider whether trading/investment is appropriate for the recipient in light of the recipient's experience, objectives, financial resources and other relevant circumstances. PCIPL and any of its employees, directors, associates, group entities, or affiliates shall not be liable for losses, if any, incurred by the recipient. The recipient is further cautioned that trading/investments in financial markets are subject to market risks and are advised to seek trading/investment advice before investing. There is no guarantee/assurance as to returns or profits or capital protection or appreciation. PCIPL and any of its employees, directors, associates, group entities, affiliates are not inducing the recipient for trading/investing in the financial market(s). Trading/Investment decision is the sole responsibility of the recipient.

For U.S. persons only: This research report is a product of PhillipCapital (India) Pvt Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S.-regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances, and trading securities held by a research analyst account.

This report is intended for distribution by PhillipCapital (India) Pvt Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by the U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated, and/or transmitted onward to any U.S. person, which is not a Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, PhillipCapital (India) Pvt Ltd. has entered into an agreement with a U.S. registered broker-dealer, Decker & Co, LLC. Transactions in securities discussed in this research report should be effected through Decker & Co, LLC or another U.S. registered broker dealer.

If Distribution is to Australian Investors

This report is produced by PhillipCapital (India) Pvt Ltd and is being distributed in Australia by Phillip Capital Limited (Australian Financial Services Licence No. 246827).

This report contains general securities advice and does not take into account your personal objectives, situation and needs. Please read the Disclosures and Disclaimers set out above. By receiving or reading this report, you agree to be bound by the terms and limitations set out above. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

PhillipCapital (India) Pvt. Ltd.

Registered office: No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg, Lower Parel West, Mumbai 400013