

January 20, 2018

R Sreesankar
rsreesankar@plindia.com / +91-22-66322214

Pritesh Bumb
priteshbumb@plindia.com / +91-22-66322232

Vidhi Shah
vidhishah@plindia.com / +91-22-66322258

Rating	Accumulate
Price	Rs1,060
Target Price	Rs1,165
Implied Upside	9.9%
Sensex	35,512
Nifty	10,895

(Prices as on January 19, 2018)

Trading data

Market Cap. (Rs bn)	2,019.1
Shares o/s (m)	1,904.9
3M Avg. Daily value (Rs m)	2275.9

Major shareholders

Promoters	30.06%
Foreign	51.33%
Domestic Inst.	8.96%
Public & Other	9.65%

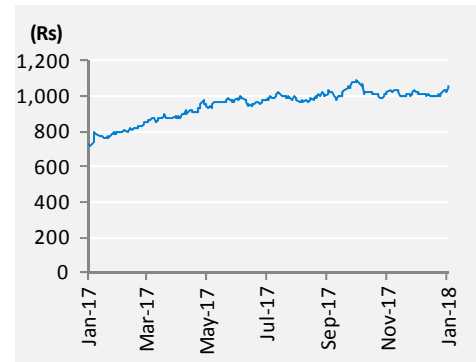
Stock Performance

(%)	1M	6M	12M
Absolute	3.9	6.6	45.4
Relative	(1.0)	(4.6)	15.4

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2019	36.3	37.9	-4.4
2020	37.9	46.0	-17.5

Price Performance (RIC: KTKM.BO, BB: KMB IN)



Source: Bloomberg

KMB earnings were in-line with expectations with Cons PAT of Rs16.2bn & Standalone PAT of Rs10.5bn. Loan growth improved by 23% YoY partly due to base effect and strong growth in retail & corporate segments. Margins came off by 13bps QoQ to 4.2% which were a negative surprise and showed pressure on yields as reiterated by us previously. Management expects loan growth to remain strong and margin trajectory to improve/stabilize from hereon. We continue to see productivity gains, improvement in CASA and better subsidiary performance to help overall earnings growth. We retain "Accumulate" with revised TP of Rs1,165 (from Rs1,127) based on Sep-18 SOTP with lending biz valued at 3.5x ABV.

■ **Overall in-line with slight misses on top-line:** Overall PPOP grew by 20% YoY on the back of 17% YoY NII growth & 14% YoY other income growth. NII was slightly lower as margins declined 13bps QoQ to 4.2% despite strong loan growth of 23% YoY. Management expects margin trajectory to improve slightly or stabilize as liquidity conditions have started to tighten increasing rates. Bank continued to maintain tight control on overall opex cost especially on staff cost.

■ **Loan growth better; CASA doing better:** Bank's loan growth improved further by 23% YoY (on consol basis 24% YoY) mainly led by CVs, Unsecured credit, home loans & corporate segment as well. Business banking segment continued to be slower. On Liabilities, CASA growth remained robust at 34% YoY mainly on strong SA accretion keeping overall CASA mix at 47% and avg cost of SA at 5.6%.

■ **Asset quality stable:** Asset quality improved marginally on both GNPA & NNPA as bank witnessed minimal slippages and improved PCR to 53.5% up 380bps QoQ. Bank is also adequately provided on the NCLT exposures keeping cap on credit cost and remains comfortable on asset quality.

■ **Capital/Financial market Subs shows strong earnings performance:** Securities/AMC/IB/Insurance business showcased strong earnings performance of 84% YoY with all capital/Financial market intermediaries benefiting from buoyant capital market & financial savings. Although, Kotak Prime (Auto biz sub) saw slower growth in assets and earnings which has been tepid for last few quarters. We expect Subs to continue its strong contribution in overall profitability ahead.

Key financials (Y/e March)	2017	2018E	2019E	2020E
Net interest income	96,130	113,084	135,902	153,178
Growth (%)	16.2	17.6	20.2	12.7
Operating profit	78,911	94,712	114,593	118,658
PAT	46,621	56,222	69,301	72,500
EPS (Rs)	25.2	29.4	36.3	37.9
Growth (%)	46.4	16.6	23.3	4.6
Net DPS (Rs)	—	0.6	0.8	1.0

Profitability & Valuation	2017	2018E	2019E	2020E
NIM (%)	4.01	4.03	4.11	4.09
RoAE (%)	13.2	12.9	13.1	12.8
RoAA (%)	1.94	2.00	2.09	1.93
P / BV (x)	5.3	4.2	3.6	3.6
P / ABV (x)	5.5	4.3	3.7	3.7
PE (x)	42.0	36.1	29.2	27.9
Net dividend yield (%)	—	0.1	0.1	0.1

Source: Company Data; PL Research **Note – Consolidated financials ex-insurance**

Exhibit 1: Q3FY18 Financials – Good business growth with decent operational performance

	Standalone (Rs mn)	Q3FY18	Q3FY17	YoY gr. (%)	Q2FY18	QoQ gr. (%)
<i>NII growth was relatively softer on pressure in yields despite better loan growth of 24% YoY</i>	Interest Income	50,092	44,676	12.1	47,601	5.2
	Interest Expense	26,155	24,173	8.2	24,475	6.9
	Net interest income (NII)	23,937	20,503	16.7	23,127	3.5
<i>Fee income was soft</i>	Other income	10,398	9,102	14.2	9,539	9.0
	Total income	34,335	29,605	16.0	32,665	5.1
<i>Opex cost was under strong control especially from lower staff cost</i>	Operating expenses	16,135	14,328	12.6	15,417	4.7
	-Staff expenses	7,342	6,974	5.3	7,230	1.6
	-Other expenses	8,793	7,354	19.6	8,188	7.4
	Operating profit	18,201	15,277	19.1	17,248	5.5
	Total provisions	2,128	1,921	10.8	2,165	(1.7)
	Profit before tax	16,073	13,356	20.3	15,083	6.6
	Tax	5,541	4,558	21.5	5,140	7.8
	Profit after tax	10,532	8,798	19.7	9,943	5.9
	Balance sheet (Rs mn)					
<i>Business growth was strong on both assets and liabilities (SA)</i>	Deposits	1,808,260	1,493,520	21.1	1,656,709	9.1
	Advances	1,590,710	1,292,610	23.1	1,525,741	4.3
	Ratios (%)					
	Profitability ratios					
<i>Margin saw decline on pressure on investment yields and increase in cost of funds</i>	RoaA	1.8	1.8	-	1.8	-
	RoaE - Calc	11.8	13.5	(170)	11.4	34
	NIM	4.2	4.5	(29)	4.3	(13)
	Asset Quality ratios					
<i>Asset quality improved sequentially while coverage ratio improved with credit cost lower than guidance levels</i>	Gross NPL	37,150	31,779	16.9	38,142	(2.6)
	Net NPL	17,280	13,791	25.3	19,188	(9.9)
	Gross NPL ratio	2.3	2.4	(11)	2.5	(16)
	Net NPL ratio	1.09	1.07	2.00	1.26	(17.00)
	Coverage ratio - Calc	53.5	56.6	(312)	49.7	379
	Restructured Assets	670	1,460	(54.1)	650	3.1
	Rest. assets/ Total adv.	0.0	0.1	(7)	0.0	(0)
	Business & Other Ratios					
<i>CASA continued its strong traction led by Savings</i>	Low-cost deposit mix	46.7	42.0	470	47.8	(110)
	Cost-income ratio	47.0	48.4	(141)	47.2	(21)
	Non int. inc / total income	30.3	30.7	(46)	29.2	108
	Credit deposit ratio	88.0	86.5	142	92.1	(413)
	CAR	18.4	16.5	190	18.7	(30)
	Tier-I	17.9	17.6	30	19.4	(150)

Source: Company Data, PL Research

Exhibit 2: Consolidated Loan Book – Strong growth in Corporate, CV & unsecured segment

Loan Book (Rs mn)	Q3FY18	Q3FY17	YoY gr. (%)	Q2FY18	QoQ gr. (%)
CV/CE	132,510	96,450	37.4	122,050	8.6
Auto Loans	200,050	175,670	13.9	199,000	0.5
Personal Loans	229,580	157,970	45.3	209,180	9.8
Home loans & LAP	309,440	250,460	23.5	294,290	5.1
Corporate	581,820	481,860	20.7	564,930	3.0
Biz Banking	180,170	166,280	8.4	181,130	(0.5)
Agriculture	205,550	165,190	24.4	197,410	4.1
Others	117,450	84,130	39.6	109,590	7.2
Total Advances	1,956,570	1,578,010	24.0	1,877,580	4.2
Loan Book mix (%)	Q3FY18	Q3FY17	YoY (bps)	Q2FY18	QoQ (bps)
CV/CE	6.8	6.1	0.7	6.5	0.3
Auto Loans	10.2	11.1	(0.9)	10.6	(0.4)
Personal Loans	11.7	10.0	1.7	11.1	0.6
Home loans & LAP	15.8	15.9	(0.1)	15.7	0.1
Corporate	29.7	30.5	(0.8)	30.1	(0.4)
Biz Banking	9.2	10.5	(1.3)	9.6	(0.4)
Agriculture	10.5	10.5	0.0	10.5	(0.0)
Others	6.0	5.3	0.7	5.8	0.2

Loan growth was strong at 24% YoY partly due to base effect of demonetisation and strong growth in retail led loans like CVs, Home loans, personal loans

Corporate book continued to see strong growth as well but biz banking remains slightly struggling segment

Source: Company Data, PL Research

Exhibit 3: Subsidiary performance – Kotak Prime earnings soft while Securities, AMC & Life biz strong performance

Consol Financials (Rs mn)	Q3FY18	Q3FY17	YoY chg.	Q2FY18	QoQ chg.
Standalone Bank	10,532	8,798	19.7	9,943	5.9
Kotak Prime	1,500	1,300	15.4	1,320	13.6
KMCC	(10)	50	(120.0)	50	(120.0)
Kotak Securities	1,180	960	22.9	1,250	(5.6)
International subsidiaries	280	310	(9.7)	170	64.7
Kotak AMC	230	70	228.6	150	53.3
Kotak Investment Advisors	-	10	(100.0)	-	#DIV/0!
Kotak Mahindra Investments	550	530	3.8	450	22.2
Lending business	12,032	10,098	19.2	11,263	6.8
Flow business, Subsidiaries	2,230	1,930	15.5	2,070	7.7
Consol PAT (ex insurance)	13,410	11,390	17.7	12,440	7.8
Insurance	1,000	630	58.7	1,030	(2.9)
Consolidated PAT	14,410	12,020	19.9	13,470	7.0

Source: Company Data, PL Research

Key Q3FY18 Concall highlights:

Balance sheet – Growth/Outlook:

- **Loan book** – Loan book improved by 23% YoY partly due to base effect and also led by strong growth in retail & corporate banking. Business banking growth continued to be slower. Of the bank's loan book, 33% was on Fixed rate basis and 67% floating which is almost on MCLR.
- **Liabilities/customer addition** – CASA growth continued to be stronger with 34% YoY growth. Avg CASA growth was also strong. Incrementally “811” has been able to add to CASA as well. Bank has been added approx ~3mn customer in last 3 quarters to reach 12mn customers in Q3FY18

Yields/Cost/Margins:

- Yields have been under pressure especially in wholesale banking mainly in high quality corporate, but focus is on risk adjusted margins in both wholesale & retail.
- Average cost of SA remained stable at 5.58% and continue to bear ~Rs10.0bn from higher rates the industry but has been helping to garner higher CASA.
- Margins came off further sequentially by 13bps QoQ to 4.2% mainly on pressure continuing yields & some of cost of funding. **Outlook:** Bank maintained margins level of 4.2-4.25% being sustainable as liquidity conditions become tight and rates have started to rise.

Other Income/Opex:

- **Other income** – Fee income growth of 14% YoY was slower as last year bank saw better fees but contribution incrementally continued from Banca/AMC and biz growth related fees.
- **Opex** – Employee cost continued to be muted as productivity has been improving.

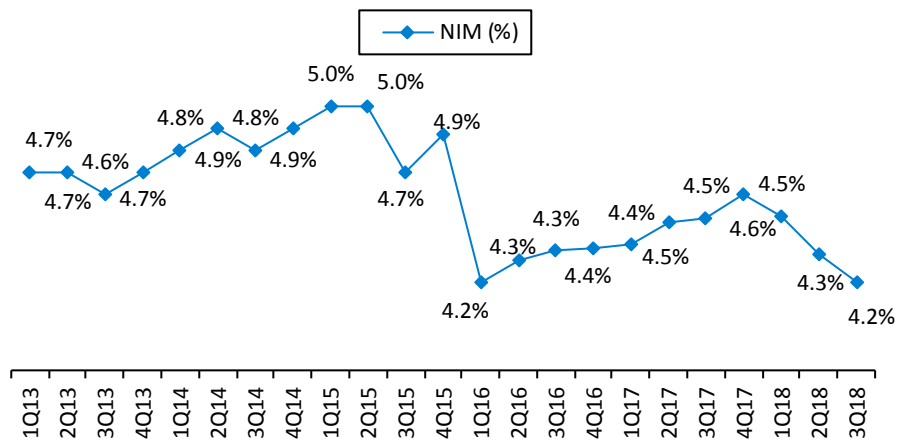
Asset Quality:

- Bank remains adequately provided on the NCLT exposure and does not expect asset quality issues on the bank's portfolio. Bank's SMA-2 portfolio has inched up sequentially to Rs3.1bn (0.2% of loans) which remains miniscule in an overall basis.
- **Credit cost** – Credit cost was at 44bps (51bps in 9MFY18) as slippages were lower. Bank expects credit cost to remain at similar level and within guidance.

Subsidiaries:

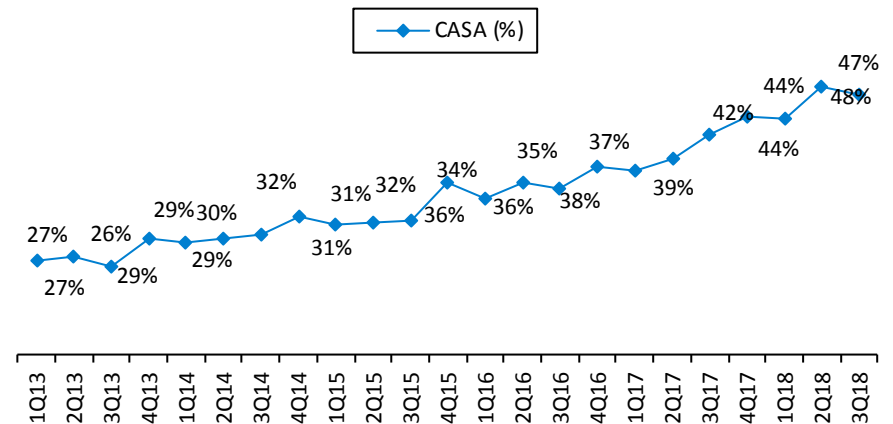
- Strong growth in financial savings & capital market intermediaries like Securities, Investment Banking, AMC and Life business. PAT growth from these has been close to 84% YoY.
- Kotak Prime earnings continued to be slower on back of slower NII. Loan growth was 23% YoY but auto loan growth was slower at 15% YoY.

Exhibit 4: Margins saw further dip on back of weakness in yields and some increase in cost of funds



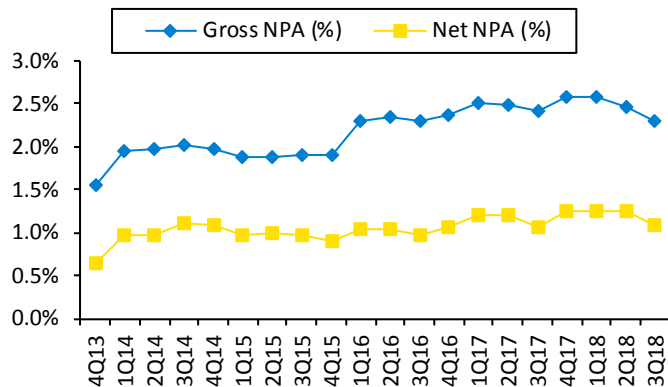
Source: Company Data, PL Research

Exhibit 5: CASA growth continued to be strong at ~34% mainly led by SA deposits



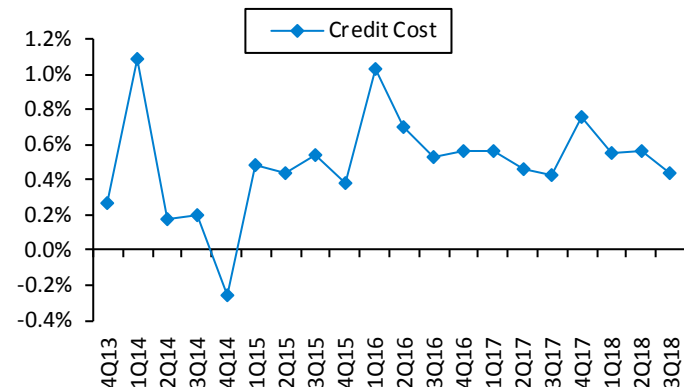
Source: Company Data, PL Research

Exhibit 6: Asset quality improved sequentially...



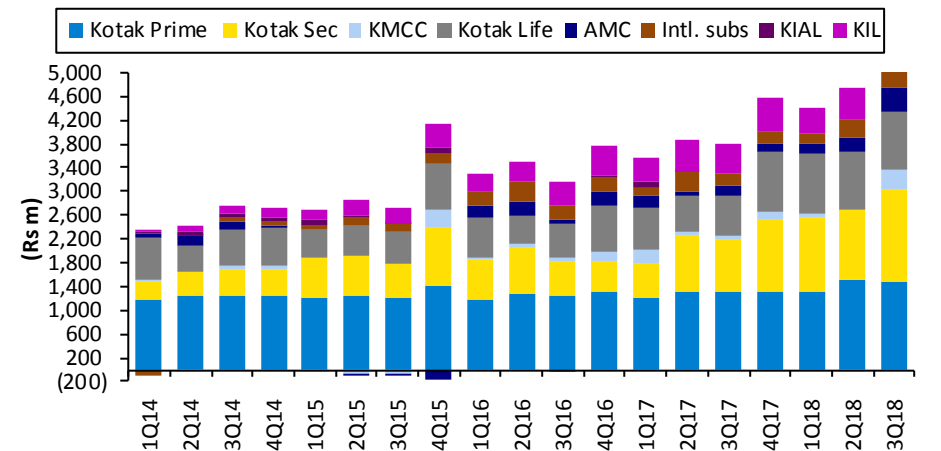
Source: Company Data, PL Research

Exhibit 7: ...which resulted in lower credit cost of 44bps (51bps 9M)



Source: Company Data, PL Research

Exhibit 8: Insurance, securities & AMC continue to report strong earnings



Source: Company Data, PL Research

Exhibit 9: Consolidated ROEs – Bank to see gradual improvement in return ratios

ROA Decomposition	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net Interest Income	4.38%	4.50%	4.54%	4.84%	4.34%	4.37%	4.35%	4.32%
Fees	2.02%	2.01%	2.50%	2.29%	2.15%	2.16%	2.14%	1.64%
Investment profits	0.19%	0.20%	0.31%	0.17%	0.26%	0.23%	0.20%	0.13%
Net revenues/Assets	6.60%	6.70%	7.35%	7.30%	6.75%	6.76%	6.69%	6.09%
Operating Expense	-3.33%	-3.25%	-3.68%	-3.95%	-3.19%	-3.10%	-3.02%	-2.75%
Provisions	-0.22%	-0.30%	-0.16%	-0.57%	-0.40%	-0.35%	-0.33%	-0.30%
Taxes	-1.01%	-1.06%	-1.20%	-0.92%	-1.05%	-1.14%	-1.12%	-1.01%
Total Costs	-4.56%	-4.61%	-5.03%	-5.44%	-4.64%	-4.59%	-4.47%	-4.05%
ROA	2.04%	2.09%	2.32%	1.86%	2.10%	2.17%	2.22%	2.04%
Equity/Assets	14.49%	15.35%	16.50%	15.72%	15.68%	16.55%	16.65%	15.68%
ROE	14.1%	13.6%	14.0%	11.8%	13.4%	13.1%	13.3%	13.0%

Source: Company Data, PL Research

Exhibit 10: Change in estimates – We adjust earnings to factor in better Subs performance and better business growth in the bank with slightly lower margins & credit cost

(Rs mn)	Old			Revised			% Change		
	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Net interest income	113,884	135,531	153,030	113,111	135,998	153,366	(0.7)	0.3	0.2
Operating profit	96,721	115,779	124,667	95,840	116,418	120,877	(0.9)	0.6	(3.0)
Net profit	57,086	70,023	76,422	56,739	70,285	73,736	(0.6)	0.4	(3.5)
EPS (Rs)	30.0	36.8	40.2	29.8	36.9	38.7	(0.7)	0.3	(3.6)
ABVPS (Rs)	217.3	254.8	259.4	245.6	283.9	286.3	13.0	11.4	10.4
Price target (Rs)	1127			1165			3.4		
Recommendation	ACCUMULATE			ACCUMULATE					

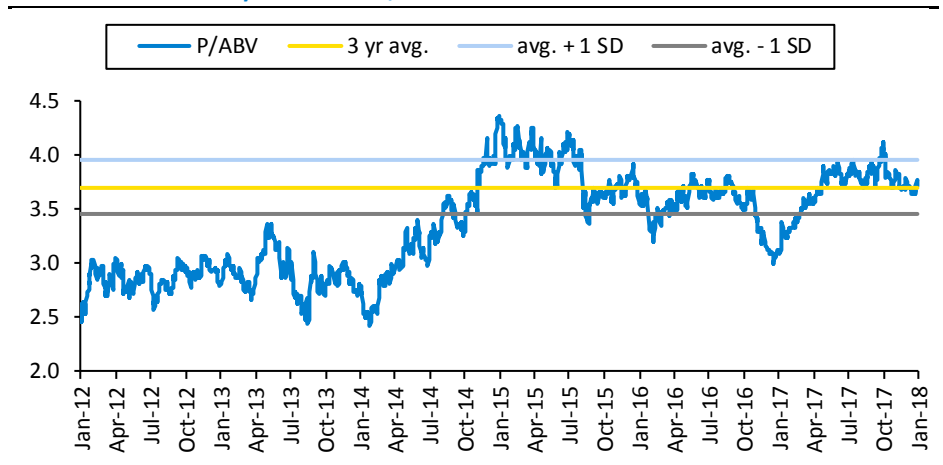
Source: Company Data, PL Research

Exhibit 11: We revise our TP to Rs1,165 from Rs1,127 as we adjust subsidiaries earnings profile and bank's strong growth & lower credit cost.

	Value (Rs m)	Per Share (Rs)	Valuation Basis
Kotak Securities	116,917	61	22x Sep-19 Earnings
Asset Management	81,073	43	6% of AUMs
KMCC	15,230	8	21x Sep-19 Earnings
International subsidiaries	23,270	12	2.5x Sep-19 book
Others	69,024	36	20x Sep-19 Earnings
Insurance	101,961	54	2.5x EV & 21x new biz multiple
Total Subsidiary Valuation	407,476	214	
Ex insurance	305,515	160	
Total Subsidiary valuation	407,476	214	
Lending biz valuation	1,811,500	951	3.5x Sep-19 book
Sep-19 based PT		1,165	

Source: Company Data, PL Research

Exhibit 12: KMB – one year forward P/ABV trend



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	2017	2018E	2019E	2020E
Int. Earned from Adv.	170,439	192,678	229,235	257,802
Int. Earned from Inv.	36,810	38,227	47,713	53,342
Others	6,158	9,792	7,369	7,072
Total Interest Income	213,407	240,697	284,317	318,215
Interest expense	117,277	127,613	148,414	165,037
NII	96,130	113,084	135,902	153,178
Growth (%)	16.2	17.6	20.2	12.7
Treasury Income	5,730	5,971	6,181	4,746
NTNII	47,640	55,915	66,858	58,158
Non Interest Income	53,369	61,886	73,039	62,904
Total Income	266,777	302,583	357,355	381,120
Growth (%)	11.7	13.4	18.1	6.7
Operating Expense	70,588	80,258	94,347	97,424
Operating Profit	78,911	94,712	114,593	118,658
Growth (%)	38.0	20.0	21.0	3.5
NPA Provisions	7,600	9,036	10,195	10,474
Investment Provisions	1,392	—	—	—
Total Provisions	8,964	9,036	10,195	10,474
PBT	69,947	85,677	104,399	108,184
Tax Provisions	23,325	29,455	35,098	35,684
Effective Tax Rate (%)	33.3	34.4	33.6	33.0
PAT	46,405	55,995	69,063	72,249
Growth (%)	46.9	20.7	23.3	4.6

Balance Sheet (Rs m)

Y/e March	2017	2018E	2019E	2020E
Par Value	5	5	5	5
No. of equity shares	1,841	1,905	1,905	1,905
Equity	9,204	9,524	9,524	9,524
Networth	375,833	490,653	560,390	565,585
Adj. Networth	357,738	472,467	544,821	548,661
Deposits	1,574,259	1,896,982	2,219,468	2,607,875
Growth (%)	13.5	20.5	17.0	17.5
Low Cost deposits	692,647	867,569	1,019,495	1,208,338
% of total deposits	44.0	45.7	45.9	46.3
Total Liabilities	2,543,927	3,067,175	3,551,953	3,940,903
Net Advances	1,703,062	2,056,500	2,443,646	2,745,978
Growth (%)	16.2	20.8	18.8	12.4
Investments	495,955	668,418	787,840	830,090
Total Assets	2,543,927	3,067,175	3,551,953	3,940,903

Source: Company Data, PL Research.

Please Note - Earnings excludes Insurance

Quarterly Financials (Rs m)

Y/e March	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Interest Income	44,320	46,558	47,601	50,092
Interest Expense	22,706	24,102	24,475	26,155
Net Interest Income	21,614	22,456	23,127	23,937
Non Interest Income	10,027	9,069	9,539	10,398
CEB	7,570	8,050	8,100	8,290
Treasury	—	—	—	—
Net Total Income	31,640	31,524	32,665	34,335
Operating Expenses	14,620	15,571	15,417	16,135
Employee Expenses	6,806	7,062	7,230	7,342
Other Expenses	7,814	8,509	8,188	8,793
Operating Profit	17,020	15,954	17,248	18,201
Core Operating Profit	17,020	15,954	17,248	18,201
Provisions	2,674	2,037	2,165	2,128
Loan loss provisions	2,519	1,928	2,055	1,698
Investment Depreciation	155	109	111	430
Profit before tax	14,346	13,916	15,083	16,073
Tax	4,582	4,789	5,140	5,541
PAT before EO	9,765	9,127	9,943	10,532
Extraordinary item	—	—	—	—
PAT	9,765	9,127	9,943	10,532

Key Ratios

Y/e March	2017	2018E	2019E	2020E
CMP (Rs)	1,060	1,060	1,060	1,060
Equity Shrs. Os. (m)	1,841	1,905	1,905	1,905
Market Cap (Rs m)	1,951,260	2,019,096	2,019,096	2,019,096
M/Cap to AUM (%)	76.7	65.8	56.8	51.2
EPS (Rs)	25.2	29.4	36.3	37.9
Book Value (Rs)	202	255	291	293
Adj. BV (100%) (Rs)	192	245	283	284
P/E (x)	42.0	36.1	29.2	27.9
P/BV (x)	5.3	4.2	3.6	3.6
P/ABV (x)	5.5	4.3	3.7	3.7
DPS (Rs)	—	0.6	0.8	1.0
Dividend Yield (%)	—	0.1	0.1	0.1

Profitability (%)

Y/e March	2017	2018E	2019E	2020E
NIM	4.0	4.0	4.1	4.1
RoAA	1.9	2.0	2.1	1.9
RoAE	13.2	12.9	13.1	12.8

Efficiency

Y/e March	2017	2018E	2019E	2020E
Cost-Income Ratio (%)	47.2	45.9	45.2	45.1
C-D Ratio (%)	108.2	108.4	110.1	105.3
Business per Emp. (Rs m)	74	82	88	91
Profit per Emp. (Rs lacs)	10.6	11.6	13.0	12.4
Business per Branch (Rs m)	1,073	2,824	3,331	3,824
Profit per Branch (Rs m)	15	40	50	52

Asset Quality

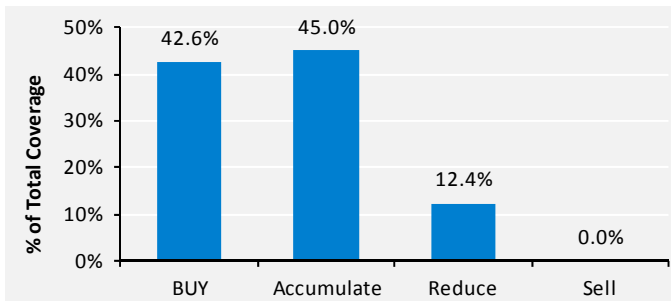
Y/e March	2017	2018E	2019E	2020E
Gross NPAs (Rs m)	37,954	38,954	37,406	39,620
Net NPAs (Rs m)	18,095	18,185	15,569	16,923
Gr. NPAs to Gross Adv. (%)	2.2	1.9	1.5	1.4
Net NPAs to Net Adv. (%)	1.1	0.9	0.6	0.6
NPA Coverage (%)	52.3	53.3	58.4	57.3

Source: Company Data, PL Research.

**Prabhudas Lilladher Pvt. Ltd.**

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

Rating Distribution of Research Coverage**PL's Recommendation Nomenclature**

BUY	:	Over 15% Outperformance to Sensex over 12-months
Accumulate	:	Outperformance to Sensex over 12-months
Reduce	:	Underperformance to Sensex over 12-months
Sell	:	Over 15% underperformance to Sensex over 12-months
Trading Buy	:	Over 10% absolute upside in 1-month
Trading Sell	:	Over 10% absolute decline in 1-month
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

DISCLAIMER/DISCLOSURES**ANALYST CERTIFICATION**

We/I, Mr. R Sreesankar (B.Sc.), Mr. Pritesh Bumb (MBA, M.com), Ms. Vidhi Shah (CA), Research Analysts, 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. 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.

Terms & conditions and other disclosures:

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution of third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. R Sreesankar (B.Sc.), Mr. Pritesh Bumb (MBA, M.com), Ms. Vidhi Shah (CA), Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, 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 subject company 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 subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

DISCLAIMER/DISCLOSURES (FOR US CLIENTS)**ANALYST CERTIFICATION**

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report

Terms & conditions and other disclosures:

This research report is a product of Prabhudas Lilladher 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 Prabhudas Lilladher 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 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 the 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, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.