

October 22, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		ACCUMULATE	
Target Price	190		185	
NII (Rs. m)	25,600	28,675	25,114	28,290
% Chng.	1.9	1.4		
Op. Profit (Rs. m)	17,661	19,299	17,033	18,731
% Chng.	3.7	3.0		
EPS (Rs.)	15.9	17.3	15.9	17.2
% Chng.	(0.4)	0.6		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII (Rs m)	21,235	23,188	25,600	28,675
Op. Profit (Rs m)	15,168	16,280	17,661	19,299
PAT (Rs m)	10,158	10,890	11,746	12,837
EPS (Rs.)	13.7	14.7	15.9	17.3
Gr. (%)	8.3	7.2	7.9	9.3
DPS (Rs.)	1.0	2.1	2.2	2.4
Yield (%)	0.7	1.4	1.5	1.6
NIM (%)	3.2	3.3	3.3	3.2
RoAE (%)	12.8	12.3	11.9	11.8
RoAA (%)	1.5	1.5	1.4	1.4
P/BV (x)	1.3	1.2	1.1	1.0
P/ABV (x)	1.5	1.3	1.1	1.0
PE (x)	11.0	10.2	9.5	8.7
CAR (%)	23.7	23.3	23.6	23.9

Key Data

CTBK.BO | CUBK IN

52-W High / Low	Rs.176 / Rs.125
Sensex / Nifty	81,151 / 24,781
Market Cap	Rs.111bn / \$ 1,323m
Shares Outstanding	741m
3M Avg. Daily Value	Rs.501.28m

Shareholding Pattern (%)

Promoter's	-
Foreign	26.01
Domestic Institution	33.57
Public & Others	40.42
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.5)	(2.4)	10.4
Relative	(6.7)	(12.1)	(11.0)

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Harshada Gite

harshadagite@plindia.com | 91-22-66322237

Best ever quarter in recent times

Quick Pointers:

- Core earnings higher due to beat on all parameters; asset quality improves.
- Loan growth picks up; digital transformation underway.

CUB saw a strong quarter with beat on loan growth, NIM, core PPOp and asset quality. Healthy loan growth of 4.8% QoQ was led by traditional segments as improved TAT due to technological improvements is driving better credit flow. Efforts to shore up secured retail segments i.e. housing, LAP and co-lending are underway and these segments may contribute 2-3% to loans by FY26. Due to headwinds in unsecured retail, it is not a focused segment. NIM enhanced by 13bps QoQ as bank could negotiate higher rates on certain MCLR loans. Yields may further improve while cost of funds could remain stable. Owing to higher than expected base yields, we raise NIM for FY25/26E by 6/7bps which would be neutralized by increase in provisions since aim is to further the increase PCR. We maintain multiple at 1.4x but as we roll forward to Sep'26 ABV, we raise TP to Rs190 from Rs185. Upgrade to 'BUY' from 'ACCUMULATE'.

- Beat on core PAT due to better NII, TWO recovery and asset quality:** NII was a beat at Rs5.8bn (PLe Rs5.7bn); due to tad higher loan growth and better NIM at 3.5% (PLe3.4%) owing to beat on cost of funds at 5.8% (PLe 5.9%). Credit growth was 12% YoY (PLe 11.3%) while deposit accretion was 4.6% QoQ and 8.8% YoY (PLe 7.2%). Other Income was higher at Rs2.3bn (PLe Rs1.9bn) due to higher TWO recovery. Opex at Rs3.8bn was tad lower led by softer staff cost partly offset by more other opex. Core PPOp at Rs4.0bn was 13% above PLe; PPOp was Rs4.3bn (PLe Rs3.8bn). Asset quality was better; GNPA declined by 34bps QoQ due to lower net slippages. Gross slippages came in lower at Rs1.8bn (PLe Rs1.9bn) while recoveries were higher at Rs2.0bn (PLe Rs1.8bn). Provisions were a drag at Rs0.7bn (PLe Rs0.4bn). Core PAT was 7% ahead of PLe at Rs2.6bn while PAT was Rs2.9bn (PLe Rs2.7bn).
- Credit growth picking up:** Credit growth was strong at 4.8% QoQ which was achieved through the traditional segments. Technology improvements has led to TAT improve from 10-12 days to 3 days which has boosted credit flow. Automation in decision making within MSME is likely to be implemented in the next 6 months. New retail verticals (housing, LAP and co-lending) would contribute 2-3% to overall loans by FY26 end. In newer segments, technology building, human resource recruitment and policy framing is under progress. Bank has converted 20-25% of gold loans from floating to fixed (incremental basis) so as to cushion NIM when interest rates fall.
- Upgrade in NIM; asset quality to improve:** Reported NIM increased QoQ from 3.54% to 3.67% as yields enhanced by 22bps QoQ to 9.8% as bank raised MCLR in certain loans. CUB expects yields to further improve while cost of funds might hover around existing levels of 5.75%. Hence we raise NIM for FY25/26E by 6/7bps. Loan mix by benchmark is as follows: 50% EBLR, 30-35% MCLR and balance 15-20% is fixed. Asset quality has been improving and net slippages have been negative since the last 6 quarters due to strong recoveries, which could continue. Slippages may also be in control; bank is targeting NNPA of 1.20-1.25% of NNPA by FY25 end. However, CUB wants to raise PCR; hence we increase provisions for FY25/26E by avg. 14bps.

Exhibit 1: Beat on PAT at Rs2.9bn due to higher NII, TWO recovery and asset quality

P&L Statement (Rs m)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	Q2FY25E	% Var.
Interest Income	14,339	13,040	10.0	13,886	3.3	14,449	(0.8)
Interest Expended	8,515	7,656	11.2	8,435	0.9	8,731	(2.5)
Net interest income (NII)	5,825	5,384	8.2	5,452	6.8	5,718	1.9
-Treasury income	2,263	1,821	24.3	1,921	17.8	1,937	16.8
-Fee income	1,046	866	20.8	1,007	3.9	1,037	0.8
-Other non interest income	1,217	955	27.5	914	33.1	900	35.2
Total income	8,088	7,205	12.3	7,373	9.7	7,655	5.7
Operating expenses	3,806	3,339	14.0	3,638	4.6	3,831	(0.7)
-Staff expenses	1,835	1,582	16.0	1,744	5.2	1,918	(4.3)
-Other expenses	1,971	1,757	12.2	1,894	4.1	1,913	3.0
Operating profit	4,282	3,866	10.8	3,735	14.6	3,823	12.0
Core Operating Profit	3,065	2,911	5.3	2,821	8.6	2,923	4.8
Total provisions	700	560	25.0	390	79.5	434	61.2
Profit before tax	3,582	3,306	8.3	3,345	7.1	3,389	5.7
Tax	730	500	46.0	700	4.3	712	2.6
Profit after tax	2,852	2,806	1.6	2,645	7.8	2,677	6.5
Balance Sheet (Rs m)							
Deposits	5,73,691	5,27,140	8.8	5,48,569	4.6	5,64,953	1.5
Advances	4,77,715	4,26,522	12.0	4,55,950	4.8	4,74,561	0.7
Ratios (%)							
NIM	3.5	3.4	11	3.4	12.7	3.4	8
RoaA	1.6	1.7	(6)	1.6	7	1.5	11
RoaE	13.6	15.1	(146)	12.9	68	12.7	87
Asset Quality							
Gross NPL (Rs m)	17,255	20,346	(15.2)	18,064	(4.5)	17,448	(1.1)
Net NPL (Rs m)	7,750	9,987	(22.4)	8,535	(9.2)	8,375	(7.5)
Gross NPL ratio	3.54	4.66	(111.72)	3.88	(34)	3.6	(7)
Net NPL ratio	1.62	2.34	(72.16)	1.87	(25)	1.8	(14)
Coverage ratio (Calc)	55.1	50.9	417	52.8	233	52.0	308
Business & Other Ratios							
Low-cost deposit mix	29.4	29.0	45	29.5	(8)	29.2	29
Cost-income ratio	47.1	46.3	72	49.3	(228)	50.1	(299)
Non int. inc / total income	28.0	25.3	271	26.1	192	25.3	267
Credit deposit ratio	83.3	80.9	236	83.1	15	84.0	(73)
CAR	23.0	22.2	77	23.6	(60)	-	-
Tier-I	1.0	1.0	(4)	1.0	(3)	-	-

Source: Company, PL

Q2FY25 Concall Highlights

Balance Sheet

- Credit growth was achieved through the traditional avenues and new retail verticals are expected to contribute from Q4FY25, which will help in incremental credit growth.
- Newer verticals are likely to contribute 2-3% to overall loans by FY26 end.
- After the MSME lending, bank has started new technology project to shore up its secured retail segments; mainly housing, LAP and micro LAP.
- Technology building, human resource recruitment, policy framing is under progress for this project.
- MSME lending processing time has reduced from 10-12 days to 3 days. Automation in decision making regarding MSME portfolio is expected to be implemented in the next 6 months.
- Bank has witnessed improved efficiency levels in credit sourcing
- Bank has converted 20-25% of gold loan portfolio from floating to fixed to provide cushion to NIM once repo rate cuts start.
- Bank intends to do co-lending in secured LAP. Regional branch distribution will take care of south region. For north and west third party distributors will be hired.
- Loan mix by benchmark as follows: 50% EBLR, 30-35% MCLR and rest fixed. LCR is at 121%

Profit & Loss

- Yield on advances improved in Q2FY25 as bank negotiated with customers that came for renewal. Yields would continue till interest rate cuts start.
- Cost of deposit is expected to remain at same levels for H2FY25.
- Margins are guided to be maintained at 3.6% even if interest rates are cut
- Cost to income may reduce driven by (1) increased loan processing charges and (2) interest on income tax refund of Rs400mn.

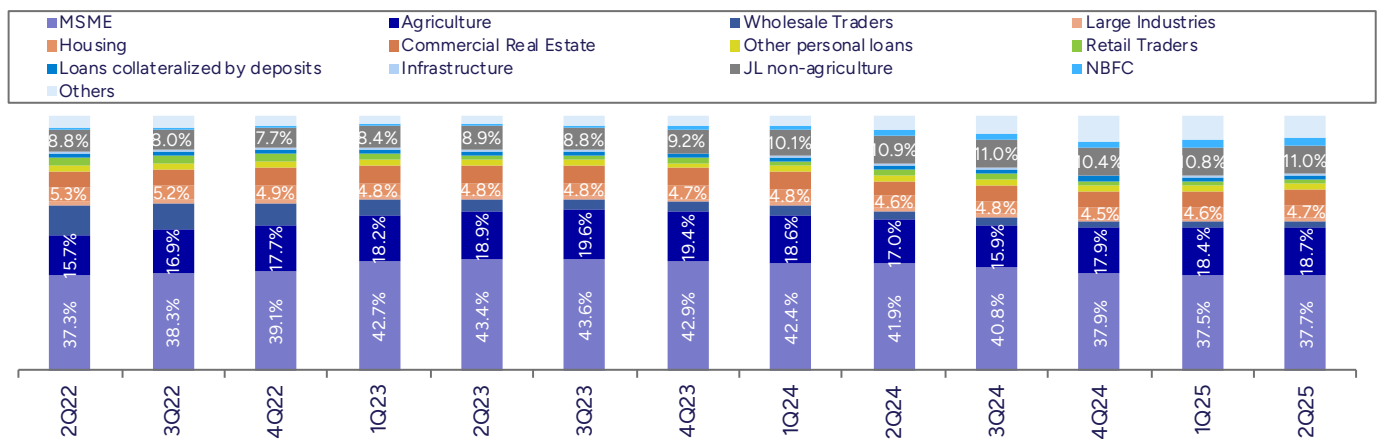
Asset Quality

- NNPA is guided to reach 1-1.25% by year-end.
- Bank intends to increase PCR although it is comfortable with current PCR including TWO.

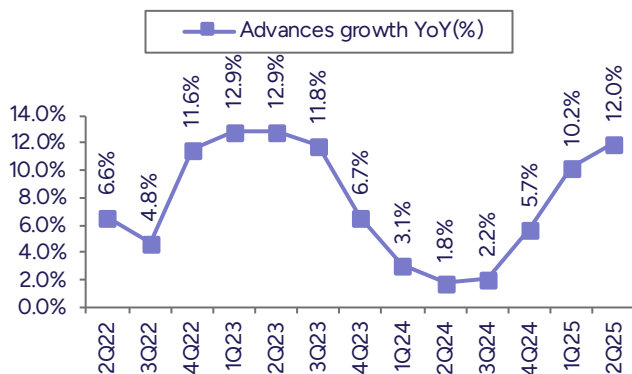
Exhibit 2: MSME growth increased 5.1%QoQ, overall advances grew 4.7% QoQ

Advances break-up (Rs m)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)
MSME	1,83,691	1,83,036	0.4	1,74,771	5.1
Agriculture	91,159	74,170	22.9	85,439	6.7
Wholesale Traders	10,807	15,654	(31.0)	10,942	(1.2)
Large Industries	6,278	6,857	(8.4)	5,951	5.5
Housing	22,670	20,232	12.1	21,529	5.3
Commercial Real Estate	29,209	24,917	17.2	27,173	7.5
Other personal loans	13,174	10,105	30.4	13,116	0.4
Retail Traders	6,572	8,860	(25.8)	7,022	(6.4)
Loans collateralized by deposits	7,998	7,138	12.0	7,520	6.4
Infrastructure	2,990	2,676	11.7	3,096	(3.4)
JL non-agriculture	53,565	47,438	12.9	50,214	6.7
NBFC	17,193	11,663	47.4	14,034	22.5
Others	41,914	24,135	73.7	44,672	(6.2)
Total Advances	4,87,220	4,36,881	11.5	4,65,479	4.7

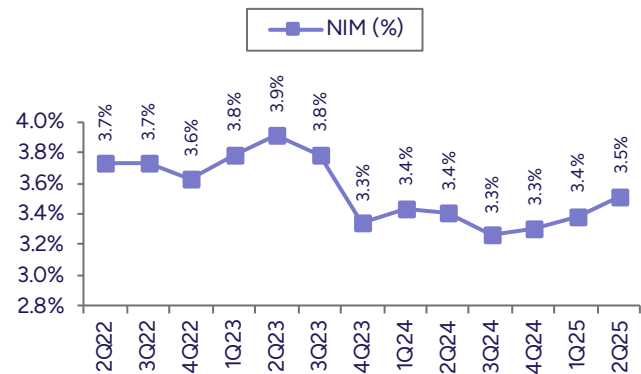
Source: Company, PL

Exhibit 3: MSME maintained dominant share at 37.7%, share of agri loans increased to 18.7%

Source: Company, PL

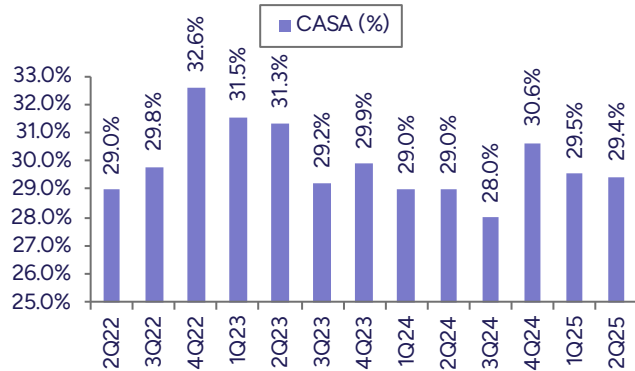
Exhibit 4: Advances growth increased to 12% YoY

Source: Company, PL

Exhibit 5: NIM increased to 3.5% due to reduced cost of funds

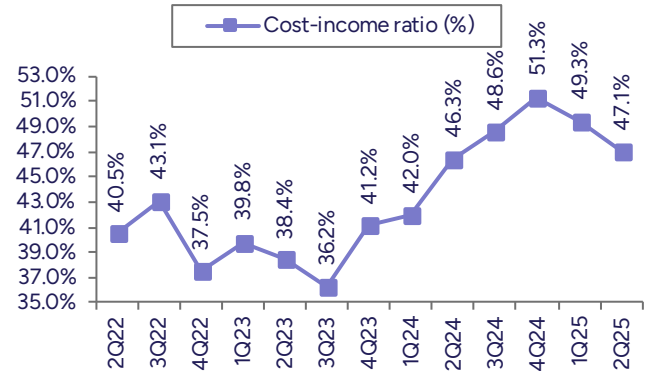
Source: Company, PL

Exhibit 6: CASA mix decreased by 8bps QoQ



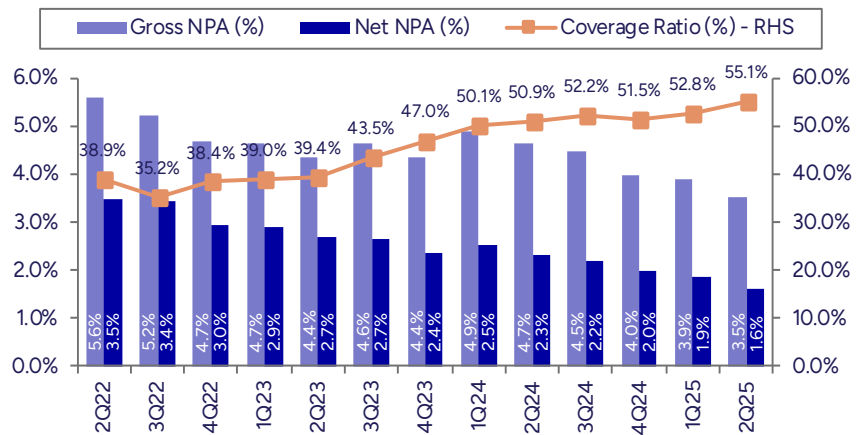
Source: Company, PL

Exhibit 7: C/I declined to 47.1% due to increased revenue



Source: Company, PL

Exhibit 8: GNPA fell by 34bps QoQ to 3.5%, whiles PCR increased to 55.1%



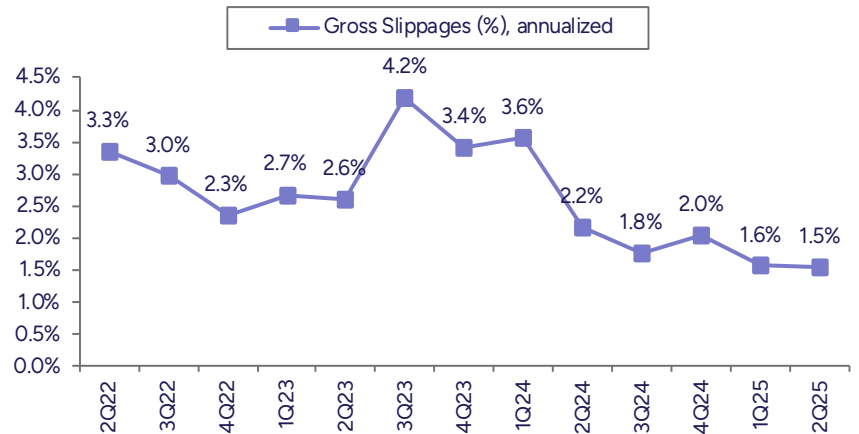
Source: Company, PL

Exhibit 9: Slippages decreased sequentially to 1.59%

Movement of NPL	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)
Opening	18,065	20,811	(13.2)	18,544	(2.6)
Additions	1,760	2,247	(21.7)	1,783	(1.3)
Reduction	2,570	2,712	(5.2)	2,262	13.6
Closing	17,255	20,346	(15.2)	18,065	(4.5)
Slippages (%)	1.59	2.16	(57)	1.61	(2)

Source: Company, PL

Exhibit 10: Gross slippages decreased to 1.5%



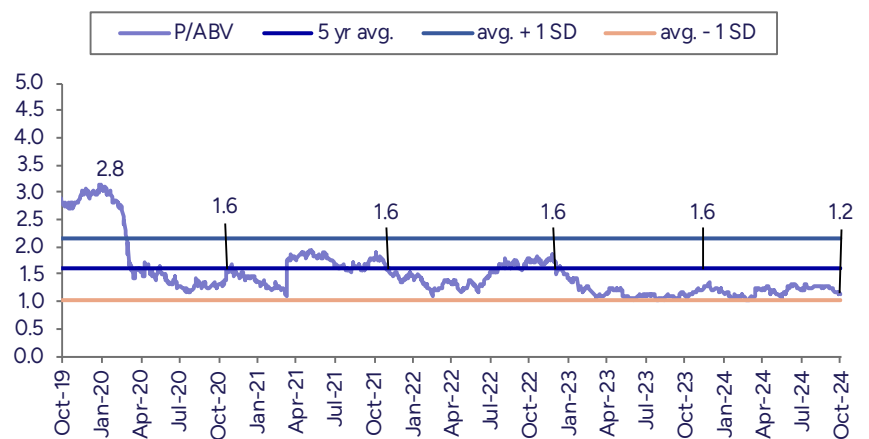
Source: Company, PL

Exhibit 11: Return ratios to range around 12%

Du-pont Analysis	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII/Assets	3.5	3.6	3.3	3.4	3.1	3.1	3.1	3.1
Other inc./Assets	1.4	1.3	1.3	1.3	1.1	1.1	1.1	1.1
Net revenues/Assets	5.0	4.9	4.7	4.64	4.17	4.24	4.23	4.18
Opex/Assets	2.1	2.0	1.9	1.80	1.96	2.05	2.09	2.11
Provisions/Assets	1.6	1.5	1.1	1.0	0.4	0.3	0.3	0.3
Taxes/Assets	0.2	0.2	0.4	0.4	0.3	0.4	0.4	0.4
ROA (%)	1.0	1.2	1.3	1.5	1.5	1.5	1.4	1.4
ROE (%)	9.4	10.6	12.2	13.4	12.8	12.3	11.9	11.8

Source: Company, PL

Exhibit 12: On one-year forward basis, CUBK trades at 1.2x



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Int. Earned from Adv.	41,534	46,298	50,944	56,095
Int. Earned from invt.	9,589	10,792	11,781	13,257
Others	1,583	1,000	645	605
Total Interest Income	52,706	58,091	63,369	69,957
Interest Expenses	31,471	34,902	37,770	41,282
Net Interest Income	21,235	23,188	25,600	28,675
Growth(%)	(1.8)	9.2	10.4	12.0
Non Interest Income	7,417	8,257	9,310	10,308
Net Total Income	28,652	31,445	34,909	38,983
Growth(%)	8.8	10.4	9.5	10.4
Employee Expenses	6,138	7,119	8,175	9,607
Other Expenses	6,592	8,047	9,074	10,077
Operating Expenses	13,484	15,165	17,248	19,684
Operating Profit	15,168	16,280	17,661	19,299
Growth(%)	(16.6)	7.3	8.5	9.3
NPA Provision	3,270	2,271	2,523	2,745
Total Provisions	2,860	2,526	2,792	3,049
PBT	12,308	13,754	14,869	16,250
Tax Provision	2,150	2,864	3,122	3,412
Effective tax rate (%)	17.5	20.8	21.0	21.0
PAT	10,158	10,890	11,746	12,837
Growth(%)	8.4	7.2	7.9	9.3

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Face value	1	1	1	1
No. of equity shares	741	741	741	741
Equity	741	741	741	741
Networth	84,014	93,430	1,03,532	1,14,725
Growth(%)	12.7	11.2	10.8	10.8
Adj. Networth to NNPA's	8,987	6,560	6,280	6,493
Deposits	5,56,566	6,23,439	7,04,285	7,95,615
Growth(%)	6.2	12.0	13.0	13.0
CASA Deposits	1,70,502	1,81,760	2,06,443	2,29,516
% of total deposits	30.6	29.2	29.3	28.8
Total Liabilities	7,08,259	7,74,181	8,75,195	9,89,009
Net Advances	4,55,257	5,19,140	5,86,461	6,62,511
Growth(%)	5.7	14.0	13.0	13.0
Investments	1,56,641	1,78,799	2,01,985	2,28,178
Total Assets	7,08,259	7,74,181	8,75,195	9,89,009
Growth (%)	6.4	9.3	13.0	13.0

Asset Quality

Y/e Mar	FY24	FY25E	FY26E	FY27E
Gross NPAs (Rs m)	18,544	16,484	15,756	16,313
Net NPAs (Rs m)	8,987	6,560	6,280	6,493
Gr. NPAs to Gross Adv.(%)	4.0	3.1	2.6	2.4
Net NPAs to Net Adv. (%)	2.0	1.3	1.1	1.0
NPA Coverage %	51.5	60.2	60.1	60.2

Profitability (%)

Y/e Mar	FY24	FY25E	FY26E	FY27E
NIM	3.2	3.3	3.3	3.2
RoAA	1.5	1.5	1.4	1.4
RoAE	12.8	12.3	11.9	11.8
Tier I	22.7	22.7	22.8	23.0
CRAR	23.7	23.3	23.6	23.9

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Interest Income	13,262	13,741	13,886	14,339
Interest Expenses	8,103	8,275	8,435	8,515
Net Interest Income	5,159	5,466	5,452	5,825
YoY growth (%)	(7.2)	6.3	4.3	8.2
CEB	912	937	1,007	1,046
Treasury	-	-	-	-
Non Interest Income	1,929	1,752	1,921	2,263
Total Income	15,191	15,493	15,808	16,603
Employee Expenses	1,556	1,678	1,744	1,835
Other expenses	1,891	2,022	1,894	1,971
Operating Expenses	3,448	3,700	3,638	3,806
Operating Profit	3,640	3,518	3,735	4,282
YoY growth (%)	(26.8)	(15.6)	(9.8)	10.8
Core Operating Profits	2,624	2,703	2,821	3,065
NPA Provision	260	330	320	700
Others Provisions	460	320	390	700
Total Provisions	460	320	390	700
Profit Before Tax	3,180	3,198	3,345	3,582
Tax	650	650	700	730
PAT	2,530	2,548	2,645	2,852
YoY growth (%)	16.2	16.9	16.4	1.6
Deposits	5,27,264	5,56,566	5,48,569	5,73,691
YoY growth (%)	5.5	6.2	6.2	8.8
Advances	4,29,901	4,55,257	4,55,950	4,77,715
YoY growth (%)	2.2	5.7	10.2	12.0

Key Ratios

Y/e Mar	FY24	FY25E	FY26E	FY27E
CMP (Rs)	150	150	150	150
EPS (Rs)	13.7	14.7	15.9	17.3
Book Value (Rs)	113	126	140	155
Adj. BV (Rs)	101	117	131	146
P/E (x)	11.0	10.2	9.5	8.7
P/BV (x)	1.3	1.2	1.1	1.0
P/ABV (x)	1.5	1.3	1.1	1.0
DPS (Rs)	1.0	2.1	2.2	2.4
Dividend Payout Ratio (%)	17.2	19.5	20.0	20.8
Dividend Yield (%)	0.7	1.4	1.5	1.6

Efficiency

Y/e Mar	FY24	FY25E	FY26E	FY27E
Cost-Income Ratio (%)	47.1	48.2	49.4	50.5
C-D Ratio (%)	81.8	83.3	83.3	83.3
Business per Emp. (Rs m)	-	-	-	-
Profit per Emp. (Rs lacs)	-	-	-	-
Business per Branch (Rs m)	-	-	-	-
Profit per Branch (Rs m)	-	-	-	-

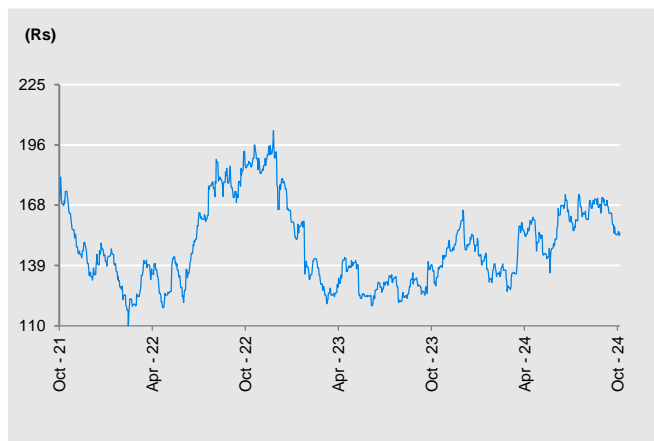
Du-Pont

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII	3.09	3.13	3.10	3.08
Total Income	4.17	4.24	4.23	4.18
Operating Expenses	1.96	2.05	2.09	2.11
PPoP	2.21	2.20	2.14	2.07
Total provisions	0.42	0.34	0.34	0.33
RoAA	1.48	1.47	1.42	1.38
RoAE	12.81	12.27	11.93	11.76

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	185	158
2	29-Jul-24	Accumulate	185	169
3	08-Jul-24	Accumulate	170	170
4	21-May-24	Accumulate	170	145
5	09-Apr-24	Accumulate	160	155
6	02-Feb-24	Accumulate	160	144
7	08-Jan-24	Accumulate	160	153

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	1,875	1,745
2	Axis Bank	BUY	1,530	1,132
3	Bank of Baroda	BUY	300	251
4	Can Fin Homes	BUY	930	857
5	City Union Bank	Accumulate	185	158
6	DCB Bank	BUY	180	119
7	Federal Bank	BUY	210	194
8	HDFC Asset Management Company	BUY	5,360	4,555
9	HDFC Bank	BUY	2,000	1,682
10	ICICI Bank	BUY	1,520	1,240
11	IndusInd Bank	BUY	1,750	1,383
12	Kotak Mahindra Bank	BUY	2,230	1,872
13	LIC Housing Finance	Hold	660	618
14	Nippon Life India Asset Management	BUY	615	631
15	State Bank of India	BUY	960	797
16	UTI Asset Management Company	BUY	1,050	1,202

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Gaurav Jani- CA, Passed CFA Level II, Ms. Harshada Gite- 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.

(US Clients)

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.

DISCLAIMER

Indian Clients

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 for 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 a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

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. Gaurav Jani- CA, Passed CFA Level II, Ms. Harshada Gite- 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.

US Clients

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.

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

www.plindia.com