ANANDRATHI

India I Equities

Life insurance

Company Update

Change in Estimates ☑ Target ☑ Reco ☐

23 October 2021

HDFC Life Insurance

Market share, margins retained; profit growth softens; retaining a Hold

Rating: **Hold**
Target Price: Rs.783
Share Price: Rs.691

One of the top-two private life insurers, HDFC Life has retained its market share and VNB margins in H1 FY22. The Group category, especially credit protect, grew robustly. The company launched a new product in the non-par category. Claims increased considerably led by the group segment but reserves for H2 FY22 should suffice to meet future requirements. We expect reinsurer hikes to be imminent, which could lead to premium hikes in H2.

Strong APE growth; VNB margins high. At end-H1 FY22, APE grew 30% y/y to Rs41.1bn; VNB grew ~30% y/y to Rs10.9bn, margins further improving to 26.4% (25.1% a year ago, 26.1% at end-FY21). We raise our FY22e/FY23e VNB margins to 26.2%/26.1%. The company intended to maintain a balanced product mix along with strengthening its distribution network. The gross premium grew ~20% y/y at end-H1 FY22 to Rs193bn, with first-year premiums recording a ~25% rise, followed by single premiums at ~21% and renewal premiums at ~18%.

Profit growth eases. At end H1 FY22, shareholder profit fell 26% y/y to ~Rs5.8bn despite a 98% y/y increase in investment income. Net claims (higher in the Group category) were ~Rs25bn and carried an Excess Mortality Reserve (EMR) of ~Rs2bn into H2 FY22. The company, however, was optimistic that the reserves would meet future claims (excluding third wave assumption).

Persistency ratios improve. The 13th-month Persistency (incl. single premiums) improved from 88% in H1 FY21 to 91% in H1 FY22. Even the 61st-month Persistency improved from 53% to 56%. Persistency ratios, too, excluding single premiums, improved, a positive.

Valuation. The stock trades at FY23e P/EV of 3.9x. Given the higher market share, margins and persistency, we value the company at 4.4x FY23e P/EV, leading to a target price of Rs783, offering ~13% potential from the ruling price, implying a Hold recommendation. **Key risks:** Change in regulations, adverse economic events, change in Persistency.

Key financials (YE Mar)	FY19	FY20	FY21	FY22e	FY23e
Gross premiums	291,860	327,069	385,835	447,743	516,140
Investment income	90,275	(33,109)	326,776	302,175	217,216
Operating profit	334,865	229,359	651,340	667,544	637,862
Change in reserves/ valuation liabilities	175,075	24,408	408,296	400,008	375,596
Surplus / (Deficit)	14,235	9,714	10,985	8,756	12,119
Solvency ratio (%)	*188*	*184*	*201*	*198*	*201*
RoAA (%)	*1.1*	*1.0*	*0.9*	*0.6*	*0.6*
RoEV (%)	*20*	*18*	*19*	*18*	*18*
Dividend-payout ratio (%)	*31*	*0*	*30*	*24*	*20*

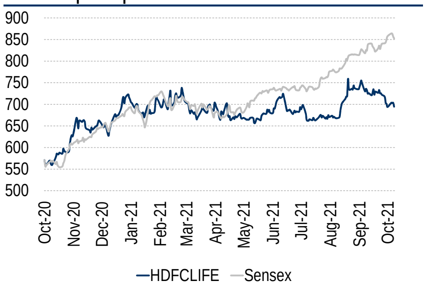
Source: Company, Anand Rathi Research

Key data	HDFCLIFE IN / HDFL.BO
52-week high / low	Rs.776 / 560
Sensex / Nifty	60822 / 18115
3-m average volume	$34.6m
Market cap	Rs.1397bn / $18658.2m
Shares outstanding	2031m

Shareholding pattern (%)	Sep'21	Jun'21	Mar'21
Promoters	53.8	53.8	58.9
- of which, Pledged	-	-	-
Free Float	46.2	46.2	41.1
- Foreign Institutions	30.1	26.1	25.7
- Domestic Institutions	6.7	5.9	6.2
- Public	9.4	14.2	9.2

Estimates revision (%)	FY22e	FY23e
APE	*0.0*	*0.0*
VNB margin (%)	*20bps*	*19bps*

Relative price performance



Source: Bloomberg

Mohit Mangal
Research Analyst

Prem Khurana
Research Analyst

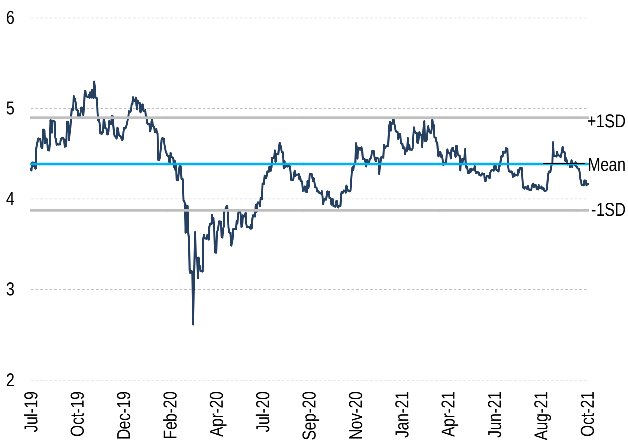
Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY19	FY20	FY21	FY22e	FY23e
Gross premiums	291,860	327,069	385,835	447,743	516,140
Net premiums	289,240	322,236	381,223	440,822	508,134
Investment income	90,275	(33,109)	326,776	302,175	217,216
Total commission	11,177	14,912	17,104	20,069	23,289
Operating expenses	39,041	48,343	43,974	59,682	68,790
Operating profit	334,865	229,359	651,340	667,544	637,862
- Benefits paid (net)	134,146	181,730	217,807	239,203	230,731
- Bonuses paid	5,743	8,484	7,941	8,894	9,783
- Chg in reserves/ val. liab.	175,075	24,408	408,296	400,008	375,596
Surplus / (Deficit)	14,235	9,714	10,985	8,756	12,119
Amounts transf. to sh a/c	12,069	11,914	9,909	8,173	11,086
Investment income of sh	4,084	4,378	6,476	7,291	7,256
Total income of sh	16,364	16,478	16,385	15,463	18,342
Total expenses of sh	(3,465)	(3,360)	(2,850)	(2,732)	(2,914)
PBT of sh	12,899	13,117	13,535	12,732	15,428
PAT of sh	12,768	12,953	13,601	12,477	15,120

Source: Company, Anand Rathi Research

Fig 4 – P/EV band



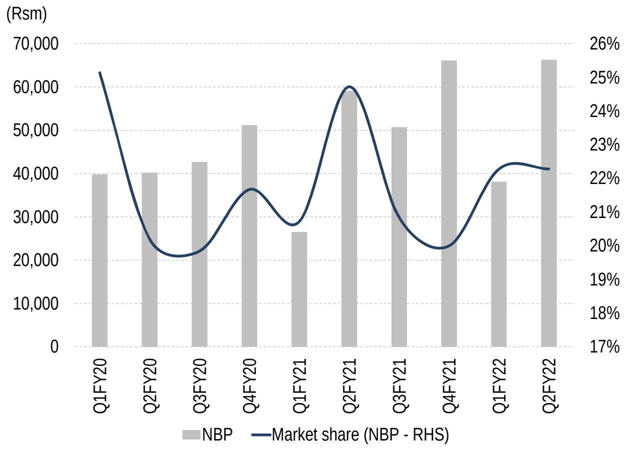
Source: Bloomberg, Anand Rathi Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY19	FY20	FY21	FY22e	FY23e
Share capital	20,174	20,188	20,209	20,209	20,209
Reserves & surplus	36,409	49,675	64,074	73,504	85,578
Total equity	56,556	67,999	86,377	95,788	107,862
Policyholders' funds	1,152,681	1,161,646	1,590,416	1,990,423	2,366,019
Policy liabilities	1,061,959	1,196,972	1,423,834	1,823,842	2,199,438
FFA	11,030	8,830	9,906	11,887	14,264
FFA – prov. of lapsed pol.	28,562	33,379	37,960	43,654	51,511
Total sources of funds	1,248,829	1,271,854	1,730,658	2,147,752	2,545,656
Investments	621,742	730,441	990,799	1,266,028	1,564,572
- Shareholders'	50,498	58,555	85,421	86,124	89,781
- Policyholders'	571,245	671,886	905,378	1,179,904	1,474,791
Asset. held to cover link. liab.	633,774	541,821	747,595	897,114	1,004,768
Loans	796	2,991	4,241	4,028	3,827
Fixed assets	3,333	3,301	3,402	3,231	3,070
Net current assets	-10,816	-6,699	-15,378	-22,649	-30,580
Total application of funds	1,248,829	1,271,854	1,730,658	2,147,752	2,545,656

Source: Company, Anand Rathi Research

Fig 5 – Market share (NBP) stable q/q



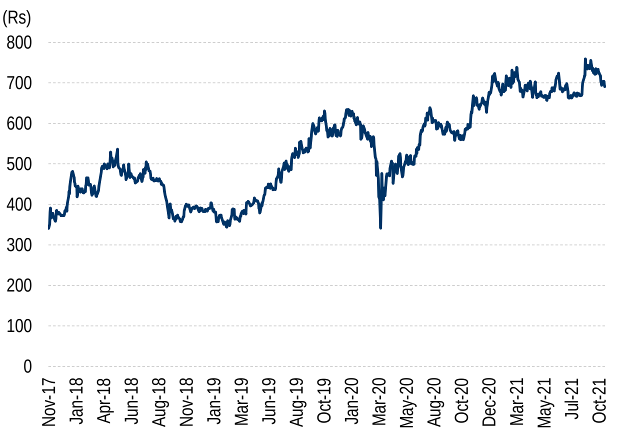
Source: IRDA, Anand Rathi Research

Fig 3 – Ratio analysis %

Year-end: Mar	FY19	FY20	FY21	FY22e	FY23e
First year premium as % of total	17.3	18.5	17.8	17.1	17.7
Renewal premium as % of total	48.7	47.3	47.9	47.5	47.1
Single premium as % of total	34.0	34.2	34.3	35.3	35.2
Net premium growth	23.8	11.4	18.3	15.6	15.3
Investment income growth	5.0	-136.7	NM	-7.5	-28.1
EPS growth	15.3	1.4	4.8	-8.6	21.2
Embedded value growth	20.2	12.8	29.0	16.7	16.9
Solvency ratio	188.1	184.1	201.1	198.0	200.5
Conservation ratio	83.8	80.3	85.9	84.0	84.0
Opex ratio	13.0	13.0	11.9	11.8	11.8
Commission ratio	3.8	4.6	4.4	4.5	4.5
RoAA	1.1	1.0	0.9	0.6	0.6
RoAE	24.5	20.8	17.6	13.7	14.8
RoEV	20.1	18.1	18.5	17.8	17.9
Dividend-payout ratio	31.0	0.0	30.0	24.2	20.0

Source: Company, Anand Rathi Research

Fig 6 – Price movement



Source: Bloomberg

Result highlights

Q2 FY22 Results at a Glance

Fig 7 – Policyholder account

(Rsm)	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
Gross premium income	75,552	101,825	106,148	58,626	101,825	96,282	129,102	76,559	116,309
Reinsurance	1,015	1,371	1,504	1,407	1,371	1,412	422	1,175	1,869
Net premium income	74,537	100,454	104,645	57,218	100,454	94,870	128,680	75,385	114,440
Income from investments (net)	11,351	63,188	(102,299)	87,491	63,188	115,942	60,154	69,636	88,734
Other income	482	431	1,093	380	431	357	666	218	450
Contribution of funds from Shareholders' A/c	211	74	748	0	74	99	2,413	805	1,145
Total (A)	86,581	164,148	4,186	145,089	164,148	211,268	191,913	146,043	204,769
Net commission	3,739	4,247	4,289	2,399	4,247	4,482	5,975	3,023	5,099
Operating expenses related to insurance business									
Employees remuneration and welfare expenses	4,309	3,952	4,367	3,120	3,952	4,374	5,310	4,376	5,097
Other operating expenses	6,560	7,061	8,155	3,552	7,061	8,700	9,791	5,137	8,402
Benefits paid (net)	42,235	47,558	53,269	27,989	47,558	61,825	88,376	58,014	83,376
Change in actuarial liability	26,411	98,849	(73,165)	104,943	98,849	128,278	76,227	76,082	100,499
Total (B)	84,452	162,763	2,826	142,572	162,763	208,526	187,573	145,451	203,130
Surplus / Deficit	2,129	1,385	1,361	2,518	1,385	2,742	4,340	592	1,639
Transferred to Shareholders A/c	2,203	2,177	4,517	3,469	2,177	1,398	2,866	1,249	2,019

Source: Company

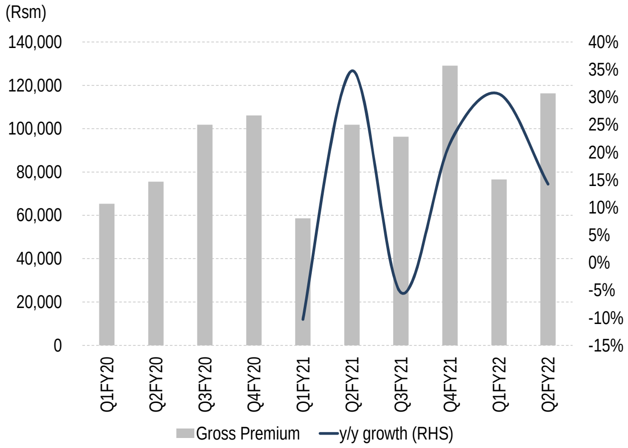
Fig 8 – Shareholders' A/C

(Rsm)	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
Transfer from Policyholders' Account	2,203	2,177	4,517	3,469	2,177	1,398	2,866	1,249	2,019
Investment income	1,400	1,371	860	965	1,371	1,427	2,713	2,593	2,034
Expenses other than those related to insurance business	68	144	179	68	144	184	241	145	235
Transfer of funds to Policyholders' Account	211	74	748	0	74	99	2,413	805	1,145
Provisions for diminution in value of investments6	56	67	1,790	(147)	67	(128)	(165)	(175)	(86)
Profit before tax	3,268	3,262	2,845	4,512	3,262	2,670	3,091	3,067	2,760
Provisions for tax	181	1	(272)	1	1	20	(89)	44	18
Profit after tax and before extraordinary items	3,087	3,261	3,117	4,511	3,261	2,650	3,179	3,024	2,742

Source: Company

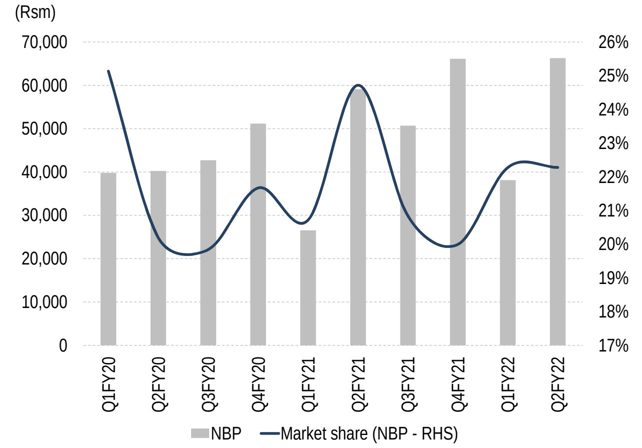
A look at the quarter

Fig 9 – Gross premiums grew 14% y/y at end Q2 FY22



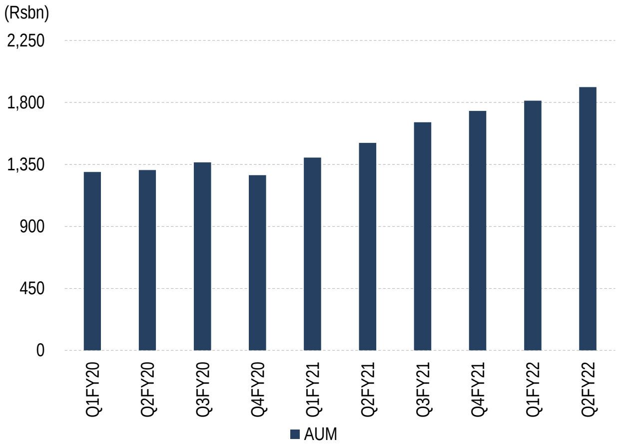
Source: Company, Anand Rathi Research

Fig 10 – Market share (NBP) stable q/q



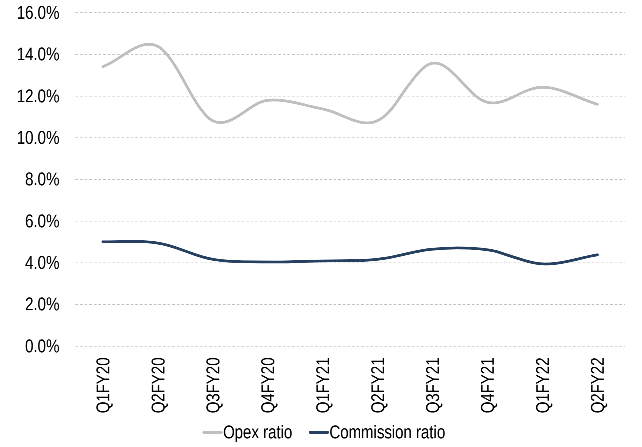
Source: Company, Anand Rathi Research

Fig 11 – AUM growing fairly steadily



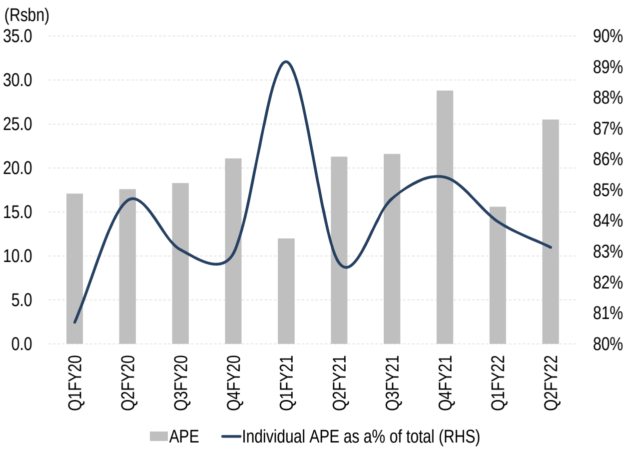
Source: Company, Anand Rathi Research

Fig 12 – Opex ratios declined sequentially



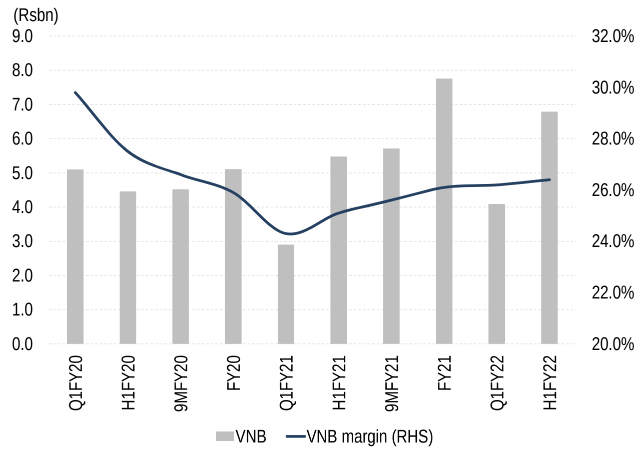
Source: Company, Anand Rathi Research

Fig 13 – APE growth was strong



Source: Company, Anand Rathi Research

Fig 14 – VNB margins were steady q/q



Source: Company, Anand Rathi Research

Fig 15 – Persistency improved across cohorts

(%)	Q1 FY20	H1 FY20	9M FY20	FY20	Q1 FY21	H1 FY21	9M FY21	FY21	Q1 FY22	H1 FY22
13th month	85	86	87	88	87	88	89	90	90	91
25th month	76	75	75	76	77	79	80	81	82	84
37th month	70	71	71	71	69	69	69	71	73	76
49th month	67	67	66	66	65	66	67	67	67	67
61st month	53	53	53	54	53	53	53	53	53	56

Source: Company, Anand Rathi Research Note: This is for individual business, including single premium and fully paid up policies

Fig 16 – Product mix across key channels

(%)	Q1 FY20	H1 FY20	9M FY20	FY20	Q1 FY21	H1 FY21	9M FY21	FY21	Q1 FY22	H1 FY22
Banca	100	101	101	100	101	100	100	100	100	100
UL	31	33	36	32	31	27	26	27	30	30
Par	5	8	11	18	32	36	37	37	34	33
Non-Par savings	60	56	50	44	30	30	30	30	29	31
Term	2	2	2	4	6	5	5	4	5	4
Annuity	2	2	2	2	2	2	2	2	2	2
Direct	100	100	99	100	101	99	100	100	100	101
UL	34	33	33	33	25	23	26	29	30	24
Par	2	6	10	14	15	15	17	17	34	14
Non-Par savings	29	29	24	20	14	13	13	16	29	23
Term	4	4	4	4	6	4	4	3	5	3
Annuity	31	28	28	29	41	44	40	35	2	37
Agency	99	99	101	101	101	99	99	100	99	99
UL	7	8	12	12	13	9	9	10	13	14
Par	9	17	26	34	43	37	38	37	29	31
Non-Par savings	73	63	50	40	23	35	36	39	41	40
Term	8	9	10	12	19	15	13	11	13	11
Annuity	2	2	3	3	3	3	3	3	3	3
Online	100	100	99	101	100	100	101	101	100	100
UL	40	36	30	44	33	35	36	39	39	37
Par	0	5	11	1	1	1	1	1	1	2
Non par savings	28	27	26	18	25	27	29	29	29	33
Term	26	28	29	37	40	36	33	30	29	26
Annuity	6	4	3	1	1	1	2	2	2	2

Source: Company, Anand Rathi Research

Fig 17 – Embedded Value

(Rsbn)	Q1 FY20	H1 FY20	9M FY20	FY20	Q1 FY21	H1 FY21	9M FY21	FY21	Q1 FY22	H1 FY22
Opening balance	183.0	183.0	183.0	183.0	206.5	206.5	206.5	206.5	266.2	266.2
Unwind	3.2	6.9	10.7	13.7	4.2	8.4	12.9	17.4	5.5	11.2
VNB	5.1	9.6	14.1	19.2	2.9	8.4	14.1	21.9	4.1	10.9
Operating variances	0.2	0.6	0.7	1.5	0.6	0.7	0.8	0.8	0.7	1.4
Change in operating assumptions	0	0	0	-1.2	0	0	0	-1.8	-5.5	-6
Economic variances	0.8	1.1	-0.3	-10	11.5	9.2	15.7	20.6	1.8	6.6
ESOP exercises	0.01	0.05	0.3	0.4	0.1	0.2	0.5	0.8	0.5	-3.2
Closing balance	192.3	201.3	208.5	206.6	225.8	233.4	250.5	266.2	273.3	287.1

Source: Company, Anand Rathi Research

Conference call highlights

Operational update

- **APE growth**. At end-Q2 FY22, APE grew ~20% y/y to Rs25.5bn (30% at end-H1 FY22 to Rs41.1bn).
- **VNB and VNB margin**. At end-H1 FY22, VNB grew ~30% y/y to Rs.10.9bn, VNB margin was 26.4% (25.1% a year ago, 26.1% at end-FY21).
- **H1 FY22 product mix**. Non-par savings ~32%; participating products ~30%; ~5% annuity, non-par protection ~7%; ULIPs ~26% on an individual APE basis.
- **Protection APE** constituted ~14% of overall APE at end-H1 FY22 (15.7% in Q1 FY22).
- The credit protect product inched up significantly on account of credit growth in the industry. Credit protect grew ~108% y/y to Rs19.7bn at end-H1 FY22 (NBP basis).
- **The Persistency ratio** (incl. and excl. single premiums and fully paid-up policies) inched up across cohorts.
- The company settled ~**0.2m claims** in H1 FY22**. Gross and net claims were** ~**Rs36bn and** ~**Rs25bn.** The company carries an Excess Mortality Reserve (EMR) of ~Rs2bn into H2 FY22.
- The solvency ratio was 190% at end-H1 FY22, post- dividend payout. EV grew 23% y/y to Rs287bn. AUM was Rs1.9trn (Rs1.5trn a year ago), growing 27% y/y.
- The company licensed 18,388 agents in H1 FY22.
- It launched a Sanchay Fixed-Maturity Plan (FMP), a non-par guaranteed savings plan.
- It received shareholder approval in the last week of Sep to issue shares to Exide Industries and the deal (acquiring Exide Life) now awaits IRDAI and CCI approval.

Key discussion points

- **Reinsurance hikes**. The company received intimation to increase reinsurance rates. This is being discussed and negotiations are expected to be complete in about a quarter. The hike is not due to Covid-19 but the expansion and focus on term (protection) products, compared to five years ago. Thus, the movement is now from the top-10 cities to smaller towns. This implies different risks and life profiles. In terms of long Covid, the mortality impact is difficult to estimate and the programme is still in a wait-and-watch mode. Information asymmetry is high compared to developed nations across Asia. Hikes would depend on segment to segment, which would lead to risk-based pricing. Granular pricing becomes very important ahead. The hikes will not impact margins.
- Demand for **individual retail protection** is increasing, 10% higher sequentially in rupee terms.
- Group claims are higher than individual ones, sequentially. However, there is no immediate price hikes in this category. The underwriting

standards (Covid-19 questionnaire, member-information forms) have been tightened, along with use of analytics.

- Claims received have already been booked and accounted for. With an additional EMR of Rs600m, the company moves into H2 FY22 with Rs2bn to give comfort to future claims, primarily group, which can come with a lag.
- **Elasticity of demand**. At present, demand in the protection segment is inelastic. Additional demand would be seen in the next 2-3 years. There is a-deep rooted underlying thought process, with the realisation to cover near and dear ones, price not being a constraint.
- **Sanchay FMP**. Margins are on similar lines as other non-par plans. The single premium product is an income-paying one. The minimum term is five years (maximum, 10 years) and returns are tax-free. Single premium IRR varies from 4.8-4.9% to 5.5-5.7% depending on terms and age. The strategy of capping non-par is 30% with respect to interest-rate management. However, since this being single premiums, the interest-rate risk can be virtually eliminated through derivatives.
- **Unwind**: The unwind is about Rs11bn for H1 FY22, translating to 8.6% annualized. Unwind, which is expected to return at the start of the year, doesn't generally change during the quarter.
- **ULIP**. This has a high correlation with equity markets. The company strives for a balanced product-mix; hence, the share of ULIPs is broadly similar in both quarters of FY22. As long as equity markets are high, ULIP demand would be higher, and could go down with a bearish market. The ULIP persistency of 78% (excluding single premiums) is due to the inherent structure. There is no downside after five years of surrender; even if someone pays only half way, there is a high degree of return attractiveness through the discontinued fund. Also, there is no five-premium-paid ULIP product as with competitors.
- **Claims**: The company settled ~**0.2m claims** in H1 FY22; **net claims amounted to ~Rs25bn.** Of this, ~Rs.9.8bn was individual, ~Rs.14.9bn group. Of the total claims, those related to Covid-19 were ~Rs.5.9bn. In absolute terms, at end H1 FY22 there were 11,114 claims, ~7,300 individual and ~ 3,800 group.
- **Return of Premium (RoP):** This was introduced in Q4 FY21. The company, however, doesn't want to use this to counter reinsurance hikes.
- **Credit protect**. This is fairly stable and business as usual. However, there has been terrible claims experience in some cases and the company then goes back to partners to tighten underwriting standards. This year, this segment has seen a phase of growth.
- **Supply-side tightening**. Last year prices by reinsurers were hiked, along with qualitative tightening of standards. The underwriting standard norms will not be tightened for the company, but could be for other companies.
- **AUM**: AUM was Rs1.9trn at end-H1 FY22. The increase was Rs173bn (from Q4 FY21), of which Rs81bn was market movement and Rs89bn was net investment income. Net fund inflow was Rs3.6bn.
- **Surrenders** were higher in Q2 FY22 than in Q1 FY 22 as the latter was marked up due to the second wave of Covid-19. ULIP saw higher surrenders. However, this is within the assumptions.

- **Expenses**. From a two-year perspective, the rate at which costs have grown is half that at which revenue is growing. Costs are not growing linearly with volumes. There is significant impact of volumes, i.e. operating leverage kicking in.
- **Web aggregator.** This brings less than one-fourth to the sale of term products. There is a slight difference between online and offline pricing of term products. The company has largely maintained a balanced product-mix, even among the various channels.
- **Annuity**. Sources of business are evolving. For the last one and a half year since the NPS was opened, more business comes from that side. About 17% of the annuity business in H1 FY22 came from the NPS. A customer can choose from different annuity providers but meaningful annuity business comes to the HDFC Life owing to its brand.

Valuation

HDFC Life now quotes at ~3.9x FY23e embedded value. We expect the company to maintain higher margins and market shares. It will continue to be a good brand name with the support of a strong parent. However, we expect high cost ratios. We value the company at 4.4x FY23e EV to arrive at a target price of Rs783, ~13% potential from the ruling price, implying a Hold recommendation.

Fig 18 – Change in estimates

	Old		Revised		% change	
	FY22	FY23	FY22	FY23	FY22	FY23
APE	92.6	109.5	92.6	109.5	*0.0*	*0.0*
VNB	24.6	29.0	24.8	29.2	*0.8*	*0.7*
VNB margins (%)	26.0	25.9	26.2	26.1	*20bps*	*19bps*
EV	309.8	361.5	310.7	363.2	*0.3*	*0.5*

Source: Company, Anand Rathi Research

Fig 19 – Valuation synopsis

Embedded value (FY23) (Rs bn)	363
Future business value (Rs bn)	1,227
Appraisal value (Rs bn)	1,590
Implied / Assigned P/EV multiple (x)	4.4
No. of shares (m)	2,031
Target price (Rs)	783
Current price (Rs)	691
Upside (%)	13.3

Source: Anand Rathi Research

Key risks

- **Change in insurance regulatory norms**: Life insurance companies operate in a highly regulated context. Any change in regulations norms could hamper business and constrain profitability. For example, a company would be unable to obtain regulatory approval or licenses in future.
- **Losses from capital and bond markets:** The business of life insurance companies depends on capital-market performance. Any decline in capital markets shrinks AUM, resulting in a corresponding decrease in fund-management charges in unit-linked funds, which are marked to the market.
- **Adverse economic events** may result in financial difficulties or default by issuers of bonds held in the company's investment portfolios. Besides, credit spreads and benchmark interest-rate variations could reduce the fair value of these bonds. In these circumstances, impairment losses may be realised upon their sale. Moreover, shareholders' equity and earnings and policyholders' funds may be affected by fair value re-valuation of bonds held in investment portfolios**.**
- **Policies being surrendered**: Life insurance companies also face the risk of surrendered policies. Typically, in ULIPs, surrenders are a more common feature because surrender value increases when NAV increases. In ULIPs, one can withdraw policies after five years even if they have been taken on longer time-frames. Also, there are great

chances that a policyholder will withdraw/surrender a policy if there are job losses, need for money, etc.

- **Restriction on credit life could impact revenues**: According to reports, the IRDA is considering a proposal to ban compulsory credit-linked life-insurance policies while availing of home loans. This is because the regulator wants to avoid mis-selling of these products to home-buyers. If a similar sort of ban is imposed on the credit life category, it could have a substantial impact.

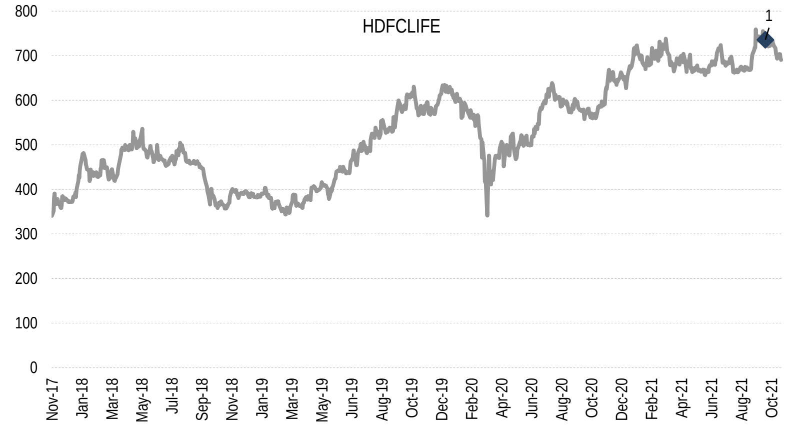
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 23 October 2021)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	25-Sep-21	Hold	786	733

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US$1bn) and Mid/Small Caps (<US$1bn) as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>US$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US$1bn)	>25%	5-25%	<5%

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity) is a subsidiary of Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged in the business of Stock Broking, Depository Participant and Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

General Disclaimer: This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative 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?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative 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	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No

Other Disclosures pertaining to distribution of research in the United States of America

This research report is a product of ARSSBL, 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 ARSSBL 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, ARSSBL has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.

2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.

3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.

4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.

5. As of the publication of this report, ARSSBL does not make a market in the subject securities.

6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

Additional information on recommended securities/instruments is available on request.

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.