ADD (Upgrade from HOLD)

ICICI Securities

CMP: **INR 154** Target Price: **INR 170 (INR 150)** ▲ 10%

21 April 2024

India | Equity Research | Company Update

City Union Bank

Banking

Winds of change; growth bottoming out

Despite broadly stable ~1.5% RoA over the last two years, City Union Bank's (CUBK) stock has underperformed peers due to concerns about subdued loan growth / NIM performance in arguably one of the strong NIM cycle in recent times. Over the last couple of quarters, CUBK seems to have addressed legacy issues impacting loan growth and has overhauled IT systems. Importantly, the bank has hired lateral talent and intends to chase growth via new products while augmenting non-branch channel. Gearing up for new products and channels through fresh talent is a welcome wind of change, in our view. We believe loan growth should bottom out in FY24E and accelerate to 13/15% YoY over FY25/26E. We upgrade CUBK to **ADD** with a revised target price of INR 170, valuing the stock at ~1.25x FY26E ABV.

We estimate growth rising to ~13/15% YoY for FY25/26E

Despite broadly stable ~1.5% RoA over the last 7 quarters, CUBK's stock has underperformed peers due to concerns about subdued loan growth / NIM performance in arguably one of the best NIM cycle in recent times. Over the past couple of quarters, the bank seems to have addressed legacy issues impacting loan growth (better internal control, run-down of KCC gold loan, etc.) and has overhauled its IT systems (new LOS running in-parallel with the support of BCG and Newgen) improving TAT, customer experience and risk monitoring. Importantly, the bank has hired lateral talent and intends to chase growth via new products (both secured and unsecured) while augmenting non-branch channel. Gearing up for new products (where the bank has negligible market share) and channels through fresh talent is a welcome wind of change, in our view. We believe loan growth should bottom out in FY24E (at 5-6% YoY) and should accelerate to ~13/15% YoY for FY25/26E.

Risk return favourable; upgrade to ADD

CUBK stands favourably on LDR (at ~81% as of Q3FY24 vs 84% YoY), LCR (264%) and tier 1 (>20%). Receding drag from legacy issues, improved IT systems and focus on new products / channels impart healthy visibility of growth accelerating to ~13-15% YoY vs 5-6% YoY in FY24E. While cost to income is likely to see pressure due to elevated investments in the business, we believe the bank should see broadly stable RoAs of ~1.4-1.5% for FY24-26E, driven by easing credit costs. Valuation is attractive at ~1.3/1.1x FY25/26E ABV, significantly lower than its 3-year mean of ~1.5x. We upgrade CUBK to ADD (from Hold) with a revised target price of INR 170 (vs INR 150), valuing the stock at ~1.25x FY26E (prior ~1.1x). Key monitorable: MD&CEO succession in Apr'26 (still 2 years away).

Financial Summary

Y/E March	FY23A	FY24E	FY25E	FY26E
NII (INR bn)	21.6	21.3	23.5	26.3
Op. profit (INR bn)	18.2	15.6	17.3	19.4
Net Profit (INR bn)	9.4	10.0	10.6	12.3
EPS (INR)	12.7	13.6	14.3	16.6
EPS % change YoY	23.1	7.0	5.2	16.4
ABV (INR)	90.4	104.8	119.8	136.9
P/BV (x)	1.5	1.4	1.2	1.1
P/ABV (x)	1.7	1.5	1.3	1.1
Return on Assets (%)	1.5	1.5	1.4	1.5
Return on Equity (%)	13.4	12.7	11.9	12.4

Jai Prakash Mundhra
jai.mundhra@icicisecurities.com
+91 22 6807 7572
Chintan Shah
chintan.shah@icicisecurities.com

Market Data

Market Cap (INR)	114bn
Market Cap (USD)	1,371mn
Bloomberg Code	CUBK IN
Reuters Code	CTBK.BO
52-week Range (INR)	168 /120
Free Float (%)	97.0
ADTV-3M (mn) (USD)	7.9

Price Performance (%)	3m	6m	12m
Absolute	7.5	11.6	20.0
Relative to Sensex	5.2	(0.2)	(2.5)

Earnings Revisions (%)	FY24E	FY25E
PAT	1	(1)

Previous Reports

02-02-2024: Q3FY24 results review
28-10-2023: Q2FY24 results review

Key management slots filled up laterally

In Mar'24, the bank hired Mr Vijay Anandh (refer link) as Executive President and Mr Mahesh Rajaraman (refer link) as Head – Credit. Mr Vijay has over 25 years of experience in banking business, risk management, credit appraisals, recoveries, legal collections and portfolio due diligence mainly in retail assets space. Prior to CUBK, he worked as Business (excluding cards) & Collection Head for all retail products at RBL Bank. He joined RBL Bank in 2011 and was part of core team to facilitate the transformation into modern private sector bank.

Mr Mahesh holds over three decades of banking sector experience with banks like Yes Bank (8 years), HDFC Bank (12 years), HSBC Bank and ANZ Grindlays Bank. Before joining CUBK, Mr Rajaraman worked as Senior Group President responsible for credit policy for retail and SME besides strategising and implementation of fraud risk strategy and AML.

With the induction of these two gentlemen, the first round of senior hiring seems to be over though the team under these would keep on expanding. We believe Mr Anandh is also the front-runner for the role of Executive Director, as under the current norms all banks are mandated to have additional whole-time director (WTD) apart from MD&CEO. CUBK, as of now, does not have any additional WTD.

Focus on new products / channels under new team

The bank's endeavour of hiring talent laterally (vs internal promotion) seems justified as it intends to draw fresh talent and dabble into new-age products / channels. The new team is likely to develop and leverage non-bank channel for growth without disrupting the existing sourcing and capability. The products that are likely to get attention could be: a) Unsecured personal loan, b) unsecured business loan; c) housing; d) affordable housing; e) LAP and f) micro LAP. In most products (except housing) CUBK has negligible market share and thus quick scale-up to a respectable size could be relatively easy (though would entail upfront cost). While the collaboration of existing as well as fresh team is the bedrock of success of such experiment, we have seen healthy growth outcomes of such template (led by DSA / feet-on-street) in other banks. Notwithstanding higher costs of sourcing (through DSA set-up and initial investments), the bank is likely to see reasonable scale up in new products once the products / processes/ team are in place over the next couple of quarters.

Headwinds addressed; Growth bottoming out, may accelerate

CUBK had recorded consistently strong growth at ~19% CAGR (FY10-19) partly aided by low base. However, the growth slowed down to single digits in the last couple of years (FY20-Q3FY24) due to structural issues (such as GST, RERA, etc.) in the first phase and pandemic-induced slowdown in the core MSME book. The bank also saw some regulatory divergences and adverse observation on select products such as KCC gold loans.

The regulatory impacted gold loan portfolio has almost run-down from INR 40bn as of Jan'23 to ~INR 2.2bn as of Dec'23. The bank has not yet re-launched the new KCC gold product as of now, but it may launch it in future. The bank has also enhanced its tie-ups with co-lending partners.

CUBK also saw overhaul of technology upgradation in terms of new Loan Origination System (LOS) in collaboration with BCG as advisor and Newgen being the technology provider. The first phase of launching digital / automated product is already over. All proposals up to INR 30mn ticket size are done on an automated mode. The current phase envisages ticket size between INR 30mn to 50mn while by Jun'24, the bank should be able to process all loans of up to INR 75mn on fully automated basis.

The new digital prowess has also resulted in sharp improvement in TAT, deepening customer experience / engagement and improving the staff / branch productivity. The bank can give in-principal sanctions for select MSME cases as low as same day vs few weeks earlier. The risk management and oversight have also improved through digital layer. Receding drag from legacy issues, improved IT systems and focus on new products / channels impart healthy visibility of growth accelerating to 13-15% YoY (over FY25-26E) vs. 5-6% YoY in FY24E.

Healthy liability / liquidity and strong tier 1 to fuel envisaged growth

The bank has reasonably healthy liability profile when seen in the context of core offering being SME. CASA share has been reasonable and broadly stable at 29-30%. Positively, the bank has strong retail deposits franchise with negligible reliance on corporate bulk deposits and certificate of deposits. Loan to deposits ratio stands comfortable at ~81%, one of the lowest among peers. Liquidity coverage remains one of the highest at ~264%, as of Q4FY24. The deposits growth, so far, has been muted, but is in-line with loan growth. The bank has tier 1 at >20% which is strong enough to fuel the envisaged credit growth for the next 2-3 years without dilution risks. Overall, we believe the bank is comfortably placed on deposits, liquidity, LDR and capital standpoint.

Cost to income to rise but RoAs likely to be steady at 1.4-1.5%

Despite modest net revenue growth in FY22-23, cost income ratio improved from 41.7% in FY21 to <40% in FY23, driven by contained opex. However, cost to income has spiked to ~46% as of 9MFY24 due to twin hit on negative revenue growth and sizeable rise in opex during the period.

We believe cost to income ratio is likely to remain elevated in the near term. Investment in digital and technology upgradation is likely to continue in the near term. The staff cost may see rising trajectory due to on-boarding of lateral talent (could be materially high cost) and likely base revision of the existing workforce. The business sourcing through DSA, feet-on-street and direct channel along with continued investment in products / processes would weigh on cost to income in the near term, in our view. However, as explained below, the bank should see easing credit costs in FY25/FY26, aiding the overall profitability.

CUBK has reported strong and steady returns with RoAs at ~1.5% and RoEs at >15% for more than a decade till pandemic. The average RoAs moderated during the pandemic to ~1.2% (FY20-22) due to pressure on growth and NIM but bounced to 1.5% in FY23 as pandemic receded. With acceleration in loan growth and easing credit costs, we see the bank reporting healthy RoA at ~1.4-1.5% over FY24-26E. RoE could be optically depressed due to high tier 1.

Asset quality to sustain improvement; Ind-AS transition is key monitorable

Historically, the bank has managed the asset quality very well across business cycles, supported by granular advances and high level of collateralisation. However, it witnessed higher gross / net slippages during the pandemic as its customers, which are typically MSME, were impacted severely by the pandemic. The phase also coincided with adverse RBI finding on divergence. Positively, with receding pandemic and better internal controls, gross slippages have already started moderating from >3.0% in FY23 to ~2.0% in the last two quarters and the bank expects stabilisation here. The RBI inspection for FY23 is already over and the divergence, if any, is within permissible limits.

As compared to peers, CUBK has been relatively late in entering the benign asset quality cycle though the same should sustain in near to medium term. Further, recovery has stepped up and net slippages have been running negative or negligible in the last couple of quarters. Net NPAs have improved from the high of ~3.5% (in Q1FY22) to ~2.2% as of Q3FY24 and should continue improving.

The bank has relatively lower specific PCR at 52% (PCR at 71% including TWO) though maintains that historical loss given the default has been <40%. We believe net slippages are likely to remain comfortable, driving organic credit costs in a comfortable range. However, we believe, CUBK would look to raise its specific PCR and thus model specific PCR of 60/65% by FY25/26E with net NPAs improving to 1.2/1.0% during the same period. We expect credit costs to ease by 80/70bps for FY25/26E vs ~90bps for FY24E.

Implementation of Ind-AS is a key monitorable as the bank still has relatively elevated SMA 1+2 loans, due to higher reliance on granular / SME loans.

Risk return favourable; upgrade to ADD

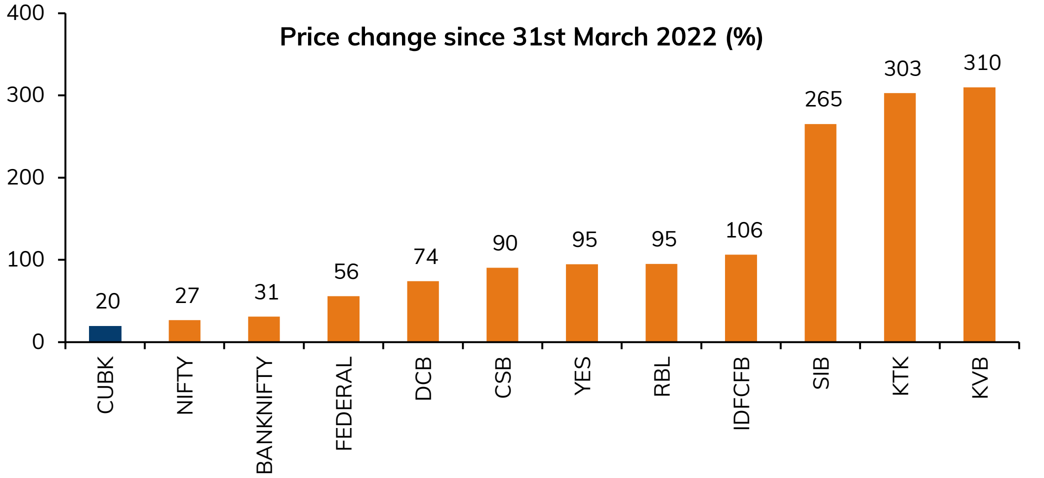
We see RoA remaining steady at ~1.4-1.5% (similar to historical average) for FY25/26, while tier 1 at >20% provides enough fuel for envisaged growth without any dilution. CUBK also stands favourably on LDR (at ~81% as of Q3FY24 vs 84% YoY) and LCR (264%). Receding drag from legacy issues, improved IT systems and focus on new products / channels imparts reasonable visibility of growth accelerating to 13-15% YoY (over FY25-26E) vs 5-6% YoY in FY24E. Valuation is attractive at ~1.3/1.1x FY25/26E adj. book value and is significantly lower than its 3-year mean of ~1.5x. We upgrade the stock to **ADD** (from *Hold*) with a revised target price of INR 170 (vs INR 150), valuing the stock at ~1.25x FY26E (vs ~1.1x previously).

Key risks

In Apr'26 (around two years from now), the bank would see the exit of its long standing MD&CEO as he would have completed the maximum permissible 15 years limit. Less than smooth MD&CEO succession could change the growth / RoA trajectory and is thus a key risk.

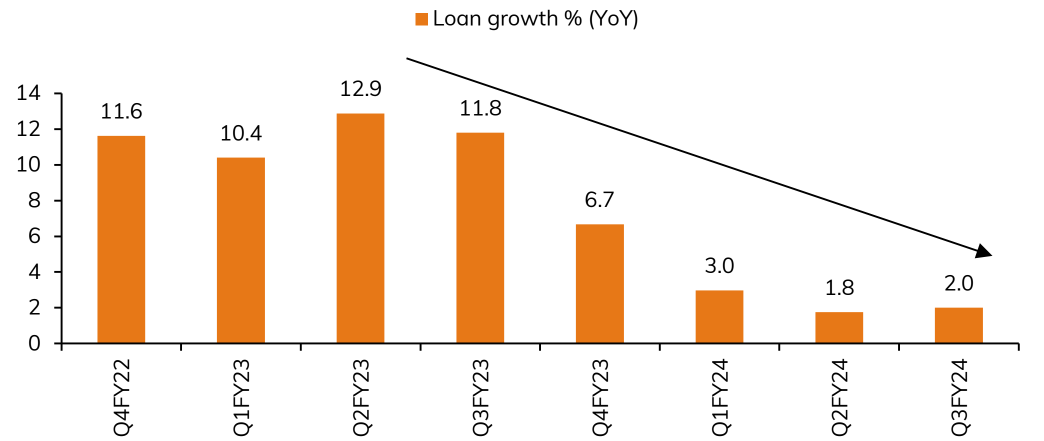
Continued rise in competitive pressure could lead to lower growth and add pressure on NIM.

Exhibit 1: CUBK has underperformed peers since Apr'22



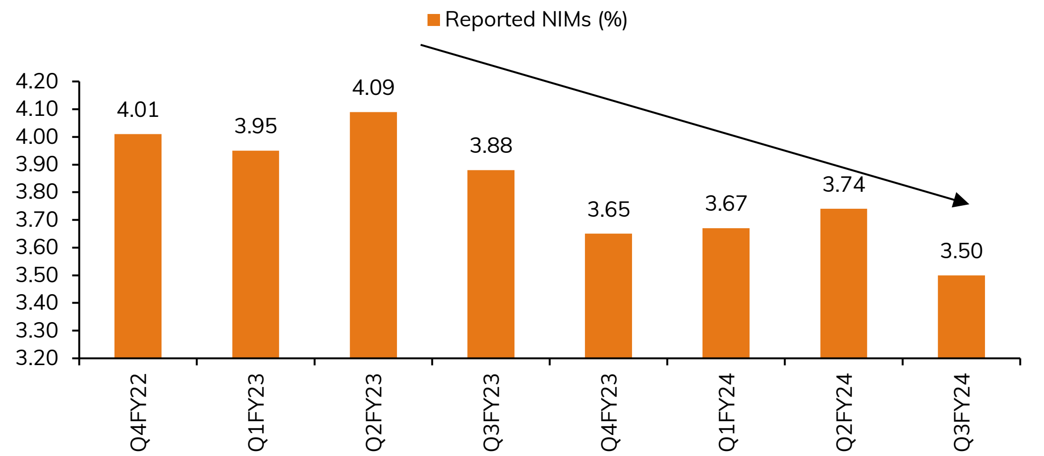
Source: Company data, I-Sec research

Exhibit 2: CUBK has seen sharp moderation in loan growth (YoY growth)



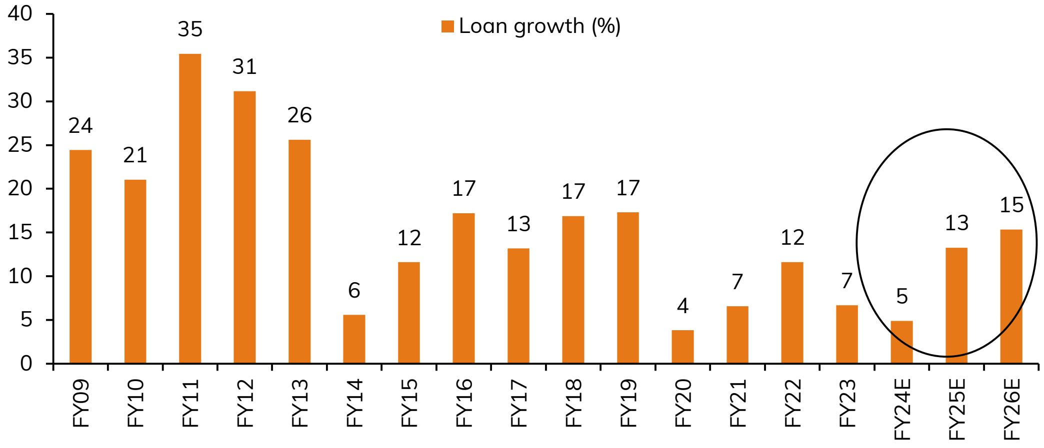
Source: Company data, I-Sec research

Exhibit 3: NIM has seen subdued performance in the last couple of quarters



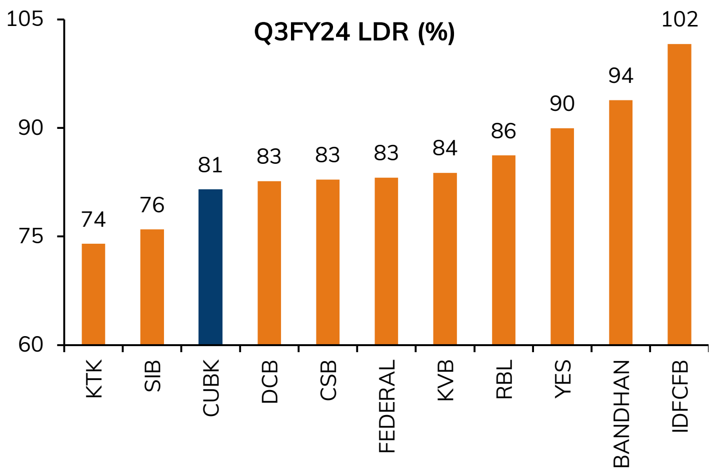
Source: Company data, I-Sec research

Exhibit 4: With receding headwinds, improved IT system and improving contribution from new products / channels, we see loan growth improving to 13/15% YoY for FY25/26E.

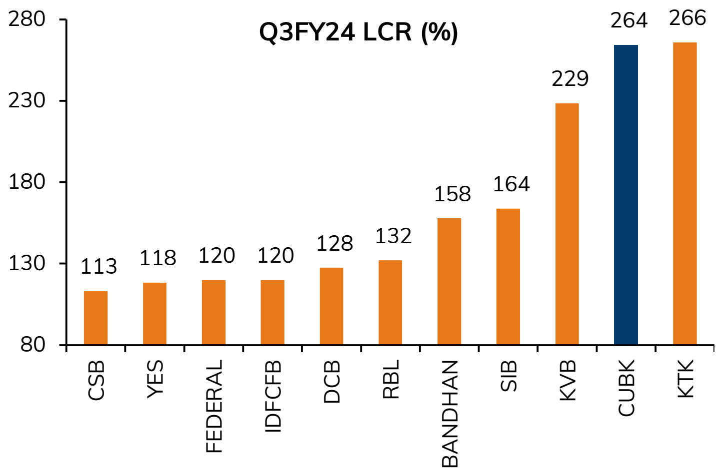


Source: Company data, I-Sec research

Exhibit 5: The bank is well placed on LDR and LCR

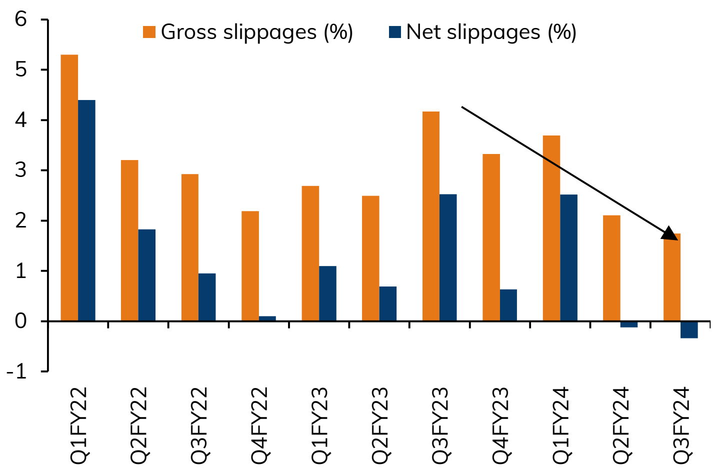


Source: Company data

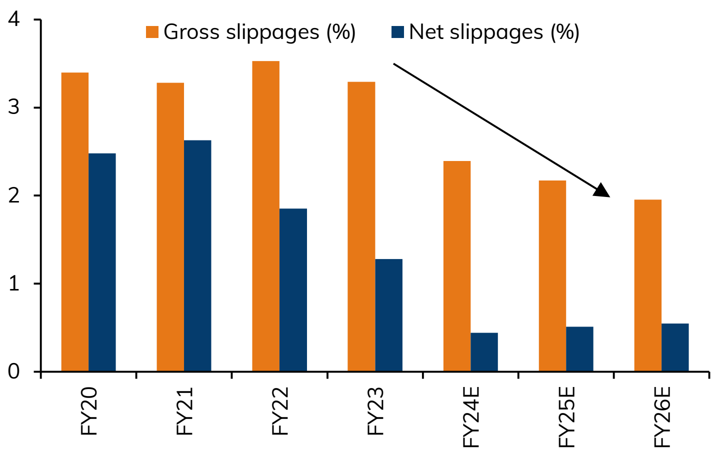


Source: Company data

Exhibit 6: Asset quality is trending well with moderation in gross slippages and net slippages

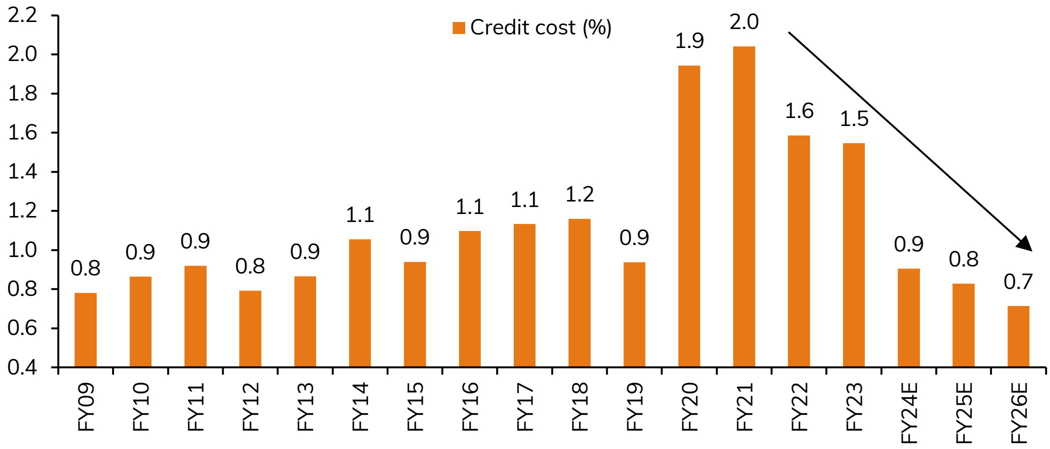


Source: Company data



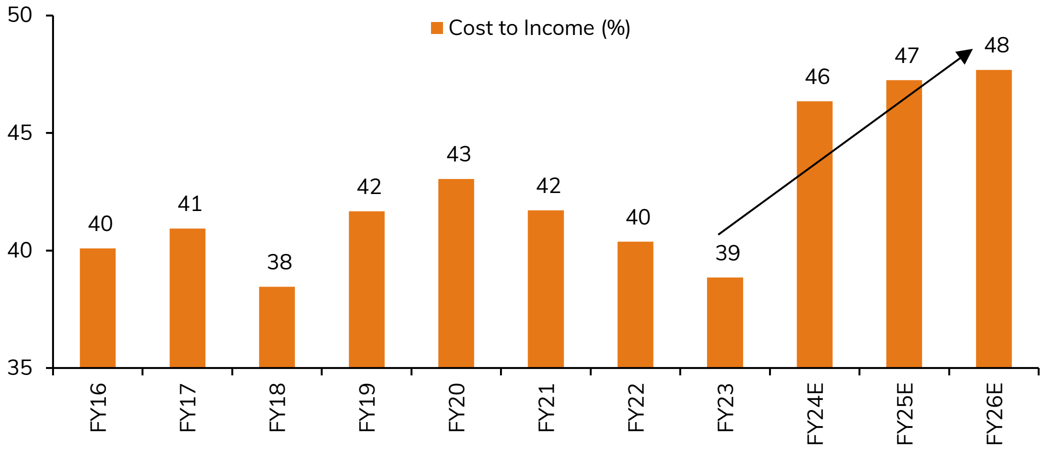
Source: Company data

Exhibit 7: We estimate credit costs to improve further



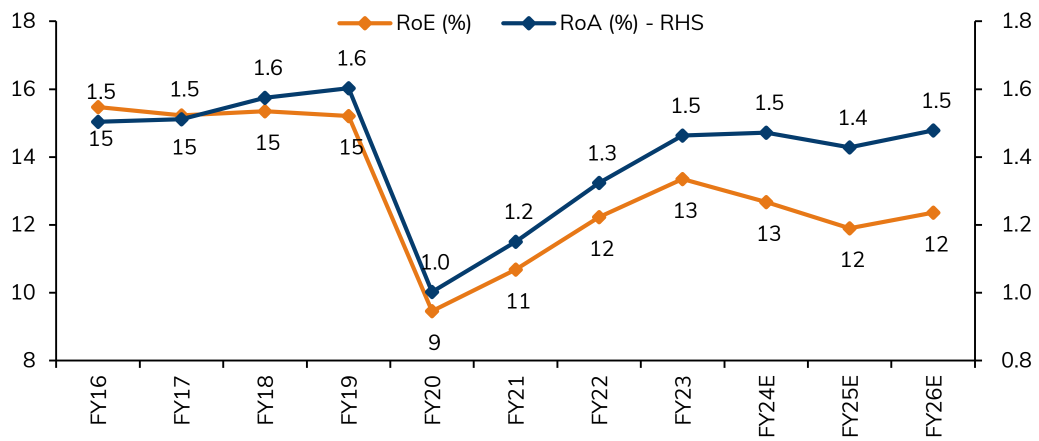
Source: Company data, I-Sec research

Exhibit 8: Cost to income is likely to remain elevated due to investments in staff and business



Source: Company data, I-Sec research

Exhibit 9: RoA is likely to remain stable due to easing credit cost. RoE is relatively softer at ~12% due to higher tier 1



Source: Company data, I-Sec research

.

Exhibit 10: Risk rewards stand favourable with likely acceleration in growth with RoA in-line with historical averages, while valuations stand much below historical averages

Source: Bloomberg, I-Sec research

Exhibit 11: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	0.0	0.0	0.0
Institutional investors	56.9	59.0	56.4
MFs and others	28.1	27.3	24.5
FIs/Banks	0.0	0.0	0.1
Insurance	3.2	3.3	4.5
FIIs	25.6	28.4	27.3
Others	43.1	41.0	43.6

Source: Bloomberg

Exhibit 12: Price chart

Source: Bloomberg

Financial Summary

Exhibit 13: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Interest income	47,143	53,100	59,012	66,200
Interest expense	25,515	31,832	35,512	39,946
Net interest income	**21,628**	**21,268**	**23,500**	**26,254**
Non-interest income	8,104	7,763	9,251	10,770
Operating income	**29,732**	**29,031**	**32,751**	**37,024**
Operating expense	11,552	13,456	15,475	17,656
Staff expense	5,304	6,137	7,178	8,323
Operating profit	**18,180**	**15,575**	**17,276**	**19,368**
Core operating profit	**18,458**	**14,825**	**16,326**	**18,368**
Provisions & Contingencies	6,405	3,028	4,073	4,002
Pre-tax profit	**11,775**	**12,547**	**13,204**	**15,366**
Tax (current + deferred)	2,400	2,509	2,641	3,073
Net Profit	**9,375**	**10,038**	**10,563**	**12,293**
Adjusted net profit	**9,375**	**10,038**	**10,563**	**12,293**

Source Company data, I-Sec research

Exhibit 14: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Cash and balance with RBI/Banks	66,493	69,271	74,297	76,173
Investments	143,326	145,455	156,270	168,534
Advances	430,533	451,654	511,575	590,081
Fixed assets	2,393	3,451	3,936	4,490
Other assets	23,200	28,485	34,801	42,986
Total assets	**665,946**	**698,316**	**780,880**	**882,264**
Deposits	523,979	557,526	628,360	712,307
Borrowings	46,881	44,827	47,068	49,421
Other liabilities and provisions	20,514	12,094	11,759	15,292
Share capital	740	740	740	740
Reserve & surplus	73,832	83,129	92,952	104,504
Total equity & liabilities	**665,946**	**698,316**	**780,880**	**882,264**
% Growth	8.2	4.9	11.8	13.0

Source Company data, I-Sec research

Exhibit 15: Growth ratios

(INR mn, year ending March)

	FY23	FY24E	FY25E	FY26E
Net Interest Income	12.9	(1.7)	10.5	11.7
Operating profit	14.0	(14.3)	10.9	12.1
Core operating profit	19.6	(19.7)	10.1	12.5
Profit after tax	23.3	7.1	5.2	16.4
EPS	23.1	7.0	5.2	16.4
Advances	6.7	4.9	13.3	15.3
Deposits	9.9	6.4	12.7	13.4
Book value per share	13.1	12.5	11.7	12.3
Adj Book value per share	17.5	15.8	14.4	14.2

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
No. of shares and per share data				
No. of shares (mn)	740	740	740	740
Adjusted EPS	12.7	13.6	14.3	16.6
Book Value per share	101	113	127	142
Adjusted BVPS	90	105	120	137
Valuation ratio				
PER (x)	12.2	11.4	10.8	9.3
Price/ Book (x)	1.5	1.4	1.2	1.1
Price/ Adjusted book (x)	1.7	1.5	1.3	1.1
Dividend Yield (%)	0.6	0.6	0.6	0.6
Profitability ratios (%)				
Yield on advances	9.1	9.5	9.9	9.8
Yields on Assets	7.4	7.8	8.0	8.0
Cost of deposits	4.6	5.4	5.5	5.5
Cost of funds	4.0	4.7	4.8	4.8
NIMs	3.6	3.3	3.4	3.4
Cost/Income	38.9	46.3	47.2	47.7
Dupont Analysis (as % of Avg Assets)				
Interest Income	7.4	7.8	8.0	8.0
Interest expended	4.0	4.7	4.8	4.8
Net Interest Income	**3.4**	**3.1**	**3.2**	**3.2**
Non-interest income	1.3	1.1	1.3	1.3
Trading gains	0.0	0.1	0.1	0.1
Fee income	1.3	1.0	1.1	1.2
Total Income	**4.6**	**4.3**	**4.4**	**4.5**
Total Cost	**1.8**	**2.0**	**2.1**	**2.1**
Staff costs	0.8	0.9	1.0	1.0
Non-staff costs	1.0	1.1	1.1	1.1
Operating Profit	**2.8**	**2.3**	**2.3**	**2.3**
Core Operating Profit	2.9	2.2	2.2	2.2
Non-tax Provisions	1.0	0.4	0.6	0.5
PBT	**1.8**	**1.8**	**1.8**	**1.8**
Tax Provisions	0.4	0.4	0.4	0.4
Return on Assets (%)	**1.5**	**1.5**	**1.4**	**1.5**
Leverage (x)	9.1	8.6	8.3	8.4
Return on Equity (%)	**13.4**	**12.7**	**11.9**	**12.4**
Asset quality ratios (%)				
Gross NPA	4.4	4.0	3.2	2.5
Net NPA	2.4	1.9	1.3	0.9
PCR	47.0	54.0	60.0	65.0
Gross Slippages	3.3	2.4	2.2	2.0
LLP / Avg loans	1.7	0.9	0.9	0.8
Total provisions / Avg loans	1.5	0.7	0.8	0.7
Net NPA / Networth	13.6	10.0	7.1	5.0
Capitalisation ratios (%)				
Core Equity Tier 1	21.3	21.9	21.0	20.9
Tier 1 cap. adequacy	21.3	21.9	21.0	20.9
Total cap. adequacy	22.3	22.9	21.8	21.7

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Jai Prakash Mundhra, MBA; Chintan Shah, CA; 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. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

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

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

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

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed 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, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.