

July 26, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		HOLD	
Target Price	1,875		1,720	
NII (Rs.)	10,892	12,968	10,788	12,779
% Chng.	1.0	1.5		
PPoP (Rs.)	7,894	9,655	7,677	9,418
% Chng.	2.8	2.5		
EPS (Rs.)	74.8	91.6	71.9	88.3
% Chng.	4.1	3.8		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Int.Inc. (Rs m)	7,971	9,063	10,892	12,968
Growth (%)	22.4	13.7	20.2	19.1
Op. Profit (Rs m)	5,614	6,489	7,894	9,655
PAT (Rs m)	4,301	4,907	5,923	7,251
EPS (Rs.)	54.4	62.0	74.8	91.6
Gr. (%)	20.4	14.0	20.7	22.4
DPS (Rs.)	2.7	3.7	4.5	5.5
Yield (%)	0.2	0.2	0.3	0.3
Margin (%)	6.8	6.3	6.2	6.1
RoAE (%)	14.2	13.9	14.6	15.5
RoAA (%)	3.5	3.3	3.3	3.3
PE (x)	32.7	28.7	23.8	19.4
P/BV (x)	4.3	3.7	3.2	2.8
P/ABV (x)	4.4	3.8	3.3	2.9

Key Data

AAVAS.BO | AAVAS IN

52-W High / Low	Rs.1,979 / Rs.1,307
Sensex / Nifty	80,040 / 24,406
Market Cap	Rs.141bn / \$ 1,681m
Shares Outstanding	79m
3M Avg. Daily Value	Rs.547.36m

Shareholding Pattern (%)

Promoter's	26.47
Foreign	35.88
Domestic Institution	24.40
Public & Others	13.25
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.1)	17.9	9.8
Relative	(6.5)	4.1	(9.0)

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Aditya Modani

adityamodani@plindia.com | 91-22-66322257

Harshada Gite

harshadagite@plindia.com | 91-22-66322237

AuM growth could surprise positively

Quick Pointers:

- NIM was a beat; PAT miss driven by higher other opex and provisions.
- Softer disbursals likely to normalize; growth guidance maintained at 20-25%.

AAVAS saw a mixed quarter; NIM was 8bps ahead of PLe, although disbursals at Rs12.1bn were 8.6% lower while other opex and provisions were a drag, leading to 5.7% miss on PAT. Weaker credit flow was led by fall in disbursal to sanction ratio to 75-77% which is expected to normalize in coming quarters to 85-87%. AuM growth guidance is maintained at 20-25%. However, renewal of the CLSS scheme in the recent budget with allocation of Rs40bn, could positively impact affordable housing disbursals that may benefit AAVAS. Opex/assets declined QoQ and company aims to further reduce it by 20-25bps over FY24-26E. While the stock has done well in the recent past, there is scope for earnings upgrade due to renewal of the CLSS scheme. Hence we raise multiple to 3.0x from 2.8x on Mar'26 ABV and increase TP to Rs1,875 from Rs1,720. We upgrade rating to 'ACCUMULATE' from 'HOLD'.

- Total income in-line but PAT miss due to higher opex and provisions:** NII was a slight beat at Rs2.45bn (PLe Rs2.42bn) due to higher NIM as AUM growth was a tad lower at 21.3% YoY to Rs178.4bn (PLe 22.4%). Disbursals were lower at Rs12.1bn (PLe Rs13.3bn) while repayments were Rs6.9bn (PLe Rs7.1bn). NIM was a beat at 6.10% (PLe 6.02%); yield on assets was higher at 12.0% (PLe 11.9%) partially offset by higher CoF at 8.1% (PLe 8.0%). Other Income was largely in-line at Rs628mn; fee income was higher Rs261mn (PLe Rs160mn). Opex was a miss at Rs1.38bn (PLe Rs1.29bn) due to higher staff costs and other opex. PPoP at Rs1.70bn was lower to PLe by 4.0%. Asset quality witnessed a blip with GNPA/NNPA at 1.01%/0.72% increasing QoQ by 7/5bps. PAT was 5.7% lower to PLe at Rs1.26bn.
- AuM growth guidance maintained; TAT improving:** Credit flow was affected as disbursal to sanction declined from normalized levels of 85-87% to 77-78% on account of RBI circular and impact of seasonality. Disbursals are expected to normalize in the coming quarters. BT-out remained constant at 5.6% and focus is to retain customers with better risk-reward ratio. AUM has been reiterated to grow by 20-25% in FY25. Positive impact is expected due to re-introduction of the CLSS scheme. Focus continues on LAP and top-up loans with lower ticket sizes, to improve yields. ~5% of customers belong to the pool of >Rs2.5mn ATS. Tech transformations have reduced TAT to sanction loans to 9 days in FY24 (8 days in Q1FY25) from 11 days in FY23.
- Borrowing cost has peaked:** In Q1'25, cost of funds was impacted due to higher incremental funding cost at 8.3% and lower share of NHB borrowings. Loan yields were affected due to interest reversal on account of the new RBI circular that was partially offset by PLR increase of 25bps in Mar'24. Company expects stable to improving NIM in FY25 led by 1) increase in disbursal yields 2) QoQ improvement in assignment income (lower in Q1'25 due to seasonality) 3) no further rise in cost of funds and 4) repo rate cuts. Yields would also be cushioned as focus is to increase share of <1mn loan segment. Majority of the technology expenses would be incurred in FY25 and guidance is intact for opex to assets to decline by 20-25bps over FY24-26E.

Exhibit 1: PAT increase YoY due to higher AUM growth

NII grew 3.2% QoQ led by higher AuM growth.

Other income grew by 16.2% YoY led by higher fee and off book income

Opex grew by 3% YoY: higher other opex were offset by lower staff costs

Disbursements were higher by 13.4% YoY at Rs12.1bn.

NIMs declined QoQ by 5bps.

Asset Quality worsened with GNPA/NNPA at 1.0%/0.70%

Financial Statement (Rs mn)	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)
Interest Income	4,797	4,128	16.2	4,586	4.6
Interest Expense	2,352	1,866	26.0	2,216	6.1
Net interest income (NII)	2,446	2,262	8.1	2,371	3.2
Other income	628	540	16.2	882	(28.8)
Total income	3,074	2,802	9.7	3,252	(5.5)
Operating expenses	1,378	1,339	3.0	1,434	(3.9)
Operating profit	1,695	1,464	15.8	1,818	(6.8)
Total provisions	86	57	51.2	43	98.9
Profit before tax	1,609	1,407	14.4	1,775	(9.3)
Tax	348	310	12.5	349	(0.1)
Profit after tax	1,261	1,097	14.9	1,426	(11.6)
AUM (Rs mn)	178,415	146,500	21.8	173,216	3.0
Disbursements (Rs mn)	12,109	10,682	13.4	18,931	(36.0)
Profitability ratios					
NIM	6.1	6.9	(80)	6.2	(5)
RoAA	3.0	3.2	(15)	3.3	(27)
RoAE	13.1	13.2	(4)	13.9	(80)
Asset Quality ratios					
Gross NPL (Rs m)	1,459	1,191	22.4	1,316	10.8
Net NPL (Rs m)	1,040	870	19.6	938	10.8
Gross NPL ratio	1.0	1.0	1	0.9	7
Net NPL ratio	0.7	0.7	(1)	0.7	5
Coverage ratio	28.7	27.0	171	28.7	(1)
Business & Other Ratios					
Yield on Loans (%)	13.1	13.3	(18)	13.1	(5)
Cost of Borrowings (%)	8.1	7.7	42	8.1	1
Spread (%)	5.0	5.6	(60)	5.1	(6)
Cost/Income Ratio	44.8	47.8	(293)	44.1	75

Source: Company, PL

Q1FY25 Concall Highlights

Assets/Liabilities

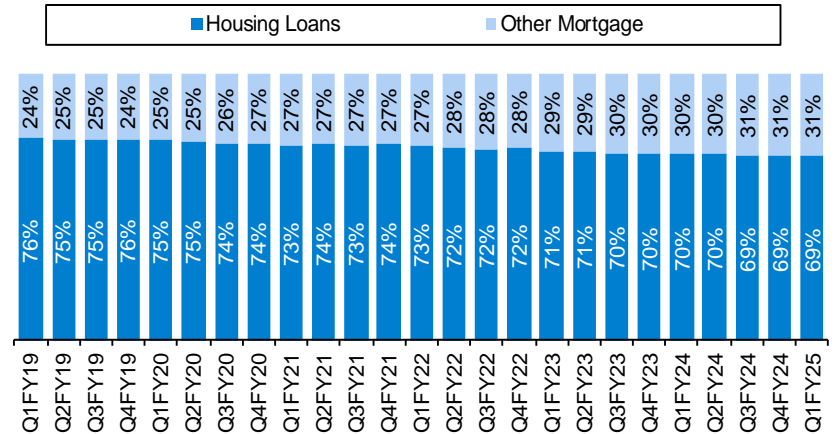
- **Disbursals** slowed down due to fall in disbursement to sanction ratio from 85-87% to 77-78% led by RBI circular on impact of seasonality. However, disbursements are likely to normalize in the coming quarters.
- **AUM** reiterated to grow by 20-25% in FY25. Focus continues on LAP and top-up loans with lower ticket sizes to improve yields. ~5% of customers belong to the pool of >Rs2.5mn ATS.
- Positive impact is expected due to renewal of the CLSS scheme. Company is exploring opportunities in the co-lending space.
- **33% of AUM** is contributed by Rajasthan which has come down from earlier levels of 60-70%.
- **BT-out** remained constant at 5.6%. Focus is to retain customers with better risk-reward ratio.
- **TAT** improved to 8 days from 11 days a year ago.

Fees/NIMs/Branches

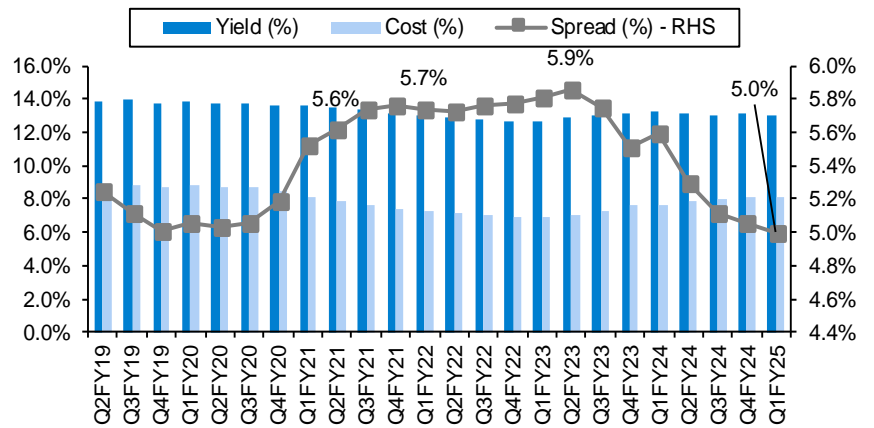
- **Cost of funds** for Q1FY25 rose QoQ due to 1) higher incremental funding cost at 8.3% and 2) lower share of NHB borrowings. **Yield on advances** was impacted due to interest reversal on account of the new RBI circular that was partially offset by 25bps increase in PLR.
- **Spread** reiterated to remain at or above 5% in FY25 led by 1) increase in disbursements and yields, 2) increase in assignment income (lower in Q1FY25 due to seasonality) 3) no rise in cost of funds and 4) rep rate cuts.
- **Staff costs** were YoY due to decline in ESOP cost QoQ; it is guided to be higher in Q3/Q4 due to higher disbursements. Number of employees as on 30th June 2024 stood at 5,904 (added 204 employees in a year).
- **Other opex** - Company purchased different Oracle software in Q1FY25 to improve customer experience and improve ease of business. Total expense on technology (partly capitalized till Q1'25) was Rs400-500mn. Management guided FY25 to be the last leg of technology expenses.
- Long term target of **opex to asset ratio** is 3%.

Asset Quality

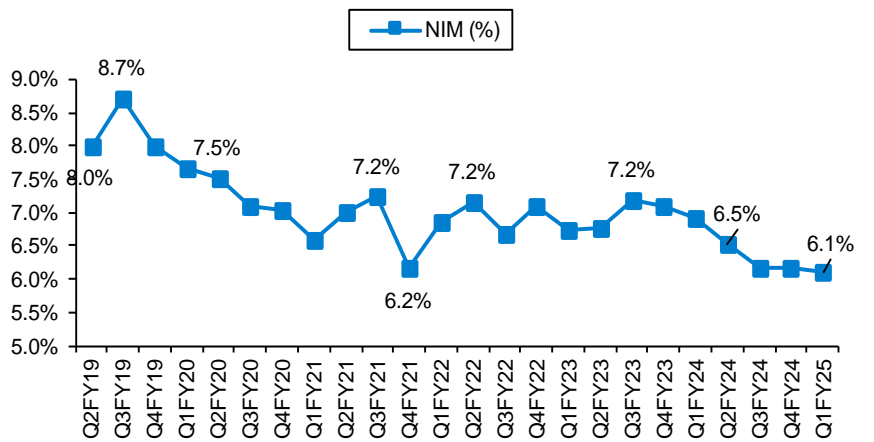
- Non-home loan portfolio saw an uptick in GNPA, however it is in the normal course of business; it is fully secured.

Exhibit 2: Loan Book mix largely steady at 69:31


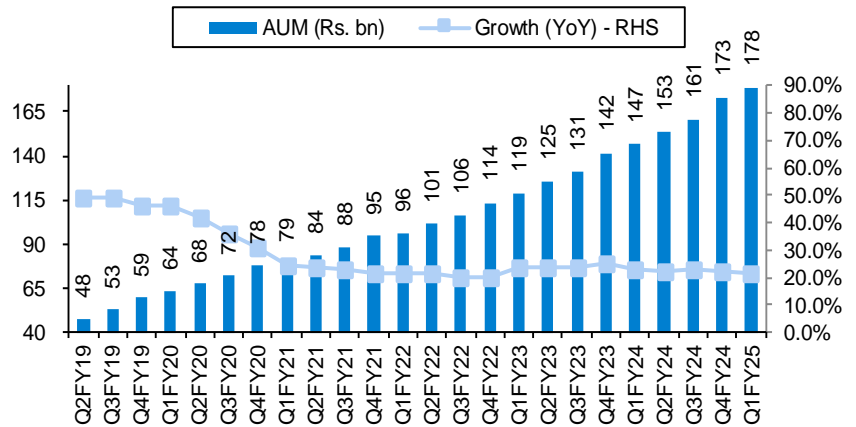
Source: Company, PL

Exhibit 3: Spreads fell by 6bps QoQ due to marginal decrease in yield


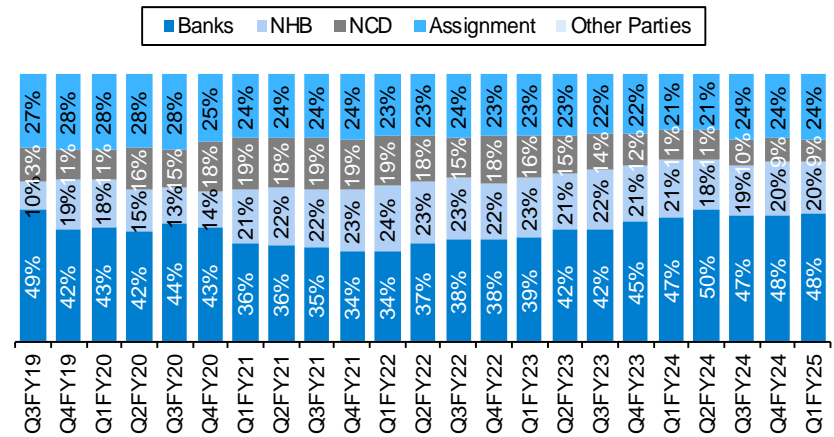
Source: Company, PL

Exhibit 4: NIM decline sequentially by 5bps to 6.1%


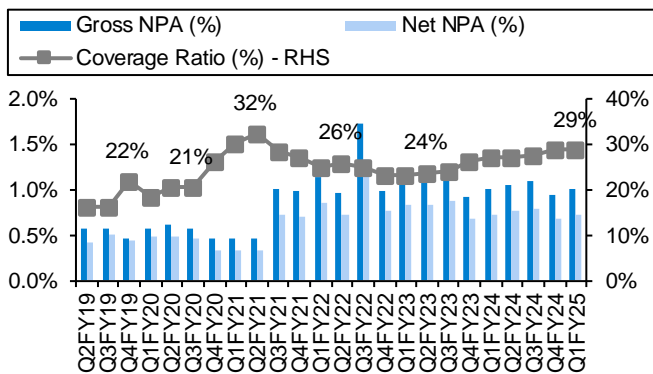
Source: Company, PL

Exhibit 5: AuM growth was at 21.8% YoY


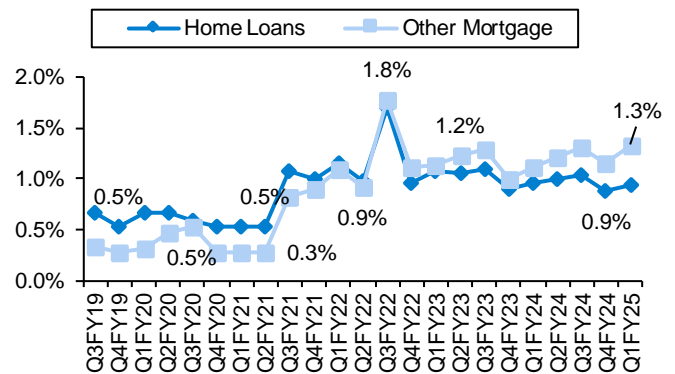
Source: Company, PL

Exhibit 6: Borrowing mix mainly from Banks (48%) and Assignment (24%)


Source: Company, PL

Exhibit 7: GNPA's deteriorated by 7bps QoQ ;PCR at 29%


Source: Company, PL

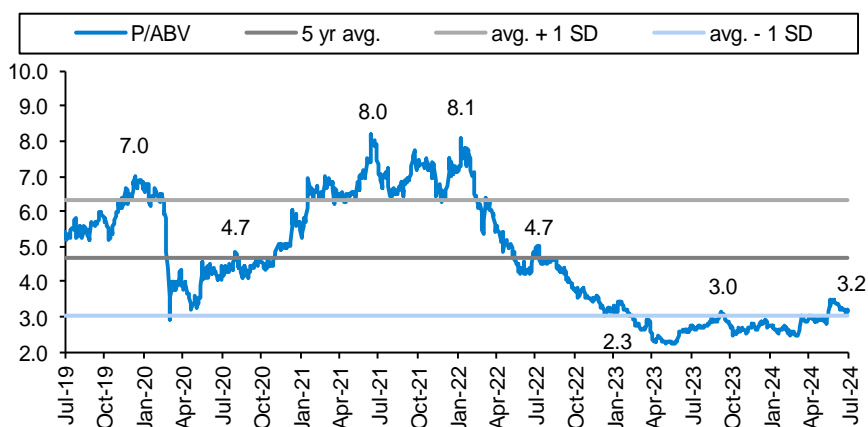
Exhibit 8: GNPA deteriorated in non-HL segment


Source: Company, PL

Exhibit 9: ROEs to remain ~15% levels led by decline in opex and stable provisions

RoE decomposition (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest income	10.3	9.8	9.7	9.3	9.4	9.7	9.7	9.5
Interest expenses	4.4	4.4	4.5	3.9	4.0	4.6	4.7	4.5
Net interest income	5.8	5.3	5.1	5.4	5.4	5.0	5.0	5.0
Other Inc. from operations	2.0	1.4	1.3	1.5	1.5	1.6	1.5	1.5
Total income	7.9	6.8	6.4	6.8	6.9	6.6	6.5	6.5
Employee expenses	2.0	1.8	1.7	1.9	2.0	2.0	1.9	1.8
Other operating expenses	1.2	1.0	0.8	0.9	1.0	1.0	1.0	1.0
Operating profit	4.6	3.9	3.9	3.9	3.8	3.6	3.6	3.7
Tax	1.4	0.7	0.6	0.8	0.8	0.7	0.8	0.8
Loan loss provisions	0.2	0.2	0.4	0.2	0.1	0.1	0.1	0.1
RoAA (incl AuM)	3.0	3.1	2.9	2.9	2.9	2.7	2.7	2.8
RoAE	11.9	12.7	12.9	13.7	14.2	13.9	14.6	15.5

Source: Company, PL

Exhibit 10: One-year forward P/ABV of Aavas trades at 3.2x


Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Int. Inc. / Opt. Inc.	13,882	17,347	21,115	24,785
Interest Expenses	5,910	8,284	10,222	11,817
Net interest income	7,971	9,063	10,892	12,968
<i>Growth(%)</i>	22.4	13.7	20.2	19.1
Non-interest income	2,220	2,856	3,362	4,032
<i>Growth(%)</i>	25.6	28.7	17.7	19.9
Net operating income	10,191	11,919	14,254	17,000
Expenditures				
Employees	3,006	3,559	4,150	4,733
Other Expenses	1,284	1,544	1,835	2,180
Depreciation	287	327	376	432
Operating Expenses	4,577	5,430	6,360	7,345
PPP	5,614	6,489	7,894	9,655
<i>Growth(%)</i>	17.6	15.6	21.6	22.3
Provisions	124	245	290	348
Profit Before Tax	5,490	6,244	7,604	9,308
Tax	1,189	1,338	1,680	2,057
<i>Effective Tax rate(%)</i>	21.7	21.4	22.1	22.1
PAT	4,301	4,907	5,923	7,251
<i>Growth(%)</i>	20.5	14.1	20.7	22.4

Balance Sheet (Rs. m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Source of funds				
Equity	791	791	791	791
Reserves and Surplus	31,906	36,942	42,510	49,325
Networth	32,697	37,733	43,301	50,117
<i>Growth (%)</i>	16.4	15.4	14.8	15.7
Loan funds	98,407	1,23,365	1,50,918	1,82,884
<i>Growth (%)</i>	23.4	25.4	22.3	21.2
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	2,936	4,012	3,922	4,567
Other Liabilities	66	84	74	90
Total Liabilities	1,34,105	1,65,195	1,98,216	2,37,658
Application of funds				
Net fixed assets	987	1,272	1,520	1,825
Advances	1,14,763	1,40,044	1,67,945	2,01,575
<i>Growth (%)</i>	26.8	22.0	19.9	20.0
Investments	1,231	1,822	2,391	2,869
Current Assets	13,846	18,096	21,761	26,119
Net current assets	10,910	14,083	17,839	21,552
Other Assets	3,278	3,961	4,599	5,270
Total Assets	1,34,105	1,65,195	1,98,216	2,37,658
<i>Growth (%)</i>	21.7	23.2	20.0	19.9
Business Mix				
AUM	1,41,667	1,73,127	2,07,891	2,49,520
<i>Growth (%)</i>	24.8	22.2	20.1	20.0
On Balance Sheet	1,41,667	1,73,127	2,07,891	2,49,520
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY23	FY24	FY25E	FY26E
NIM	6.8	6.3	6.2	6.1
ROAA	3.5	3.3	3.3	3.3
ROAE	14.2	13.9	14.6	15.5

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Int. Inc. / Operating Inc.	4,259	4,373	4,586	4,797
Income from securitization	-	-	-	-
Interest Expenses	2,036	2,166	2,216	2,352
Net Interest Income	2,223	2,208	2,371	2,446
<i>Growth (%)</i>	18.4	6.1	7.2	8.1
Non-Interest Income	716	719	882	628
Net Operating Income	2,938	2,926	3,252	3,074
<i>Growth (%)</i>	15.7	11.9	14.0	9.7
Operating expenditure	1,308	1,349	1,434	1,378
PPP	1,631	1,577	1,818	1,695
<i>Growth (%)</i>	-	-	-	-
Provision	65	80	43	86
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	1,565	1,497	1,775	1,609
Tax	348	331	349	348
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	22.2	22.1	19.7	21.7
PAT	1,217	1,166	1,426	1,261
<i>Growth</i>	14	9	13	15
AUM	1,53,195	1,60,795	1,73,216	1,78,415
YoY growth (%)	22.1	22.9	22.3	21.8
Borrowing	1,11,444	1,14,721	1,23,983	1,26,027
YoY growth (%)	30.0	25.2	26.0	18.0

Key Ratios

Y/e Mar	FY23	FY24	FY25E	FY26E
CMP (Rs)	1,778	1,778	1,778	1,778
EPS (Rs)	54.4	62.0	74.8	91.6
Book value (Rs)	413.6	476.8	547.1	633.3
Adj. BV(Rs)	403.7	464.9	533.0	616.4
P/E(x)	32.7	28.7	23.8	19.4
P/BV(x)	4.3	3.7	3.2	2.8
P/ABV(x)	4.4	3.8	3.3	2.9
DPS (Rs)	2.7	3.7	4.5	5.5
<i>Dividend Payout Ratio(%)</i>	5.0	6.0	6.0	6.0
<i>Dividend Yield(%)</i>	0.2	0.2	0.3	0.3

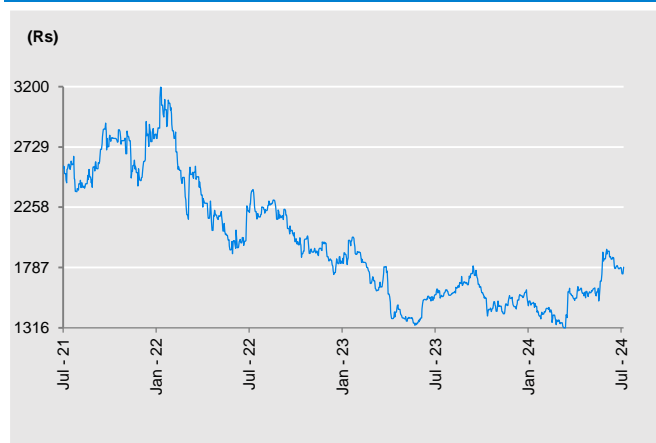
Asset Quality

Y/e Mar	FY23	FY24	FY25E	FY26E
Gross NPAs(Rs m)	1,067	1,319	1,574	1,883
Net NPA(Rs m)	780	939	1,117	1,336
Gross NPAs to Gross Adv.(%)	0.9	0.9	0.9	0.9
Net NPAs to net Adv.(%)	0.7	0.7	0.7	0.7
NPA coverage(%)	26.9	28.8	29.0	29.0

Du-Pont as a % of AUM

Y/e Mar	FY23	FY24	FY25E	FY26E
NII	5.4	5.0	5.0	5.0
NII INCL. Securitization	5.4	5.0	5.0	5.0
Total income	6.9	6.6	6.5	6.5
Operating Expenses	3.1	3.0	2.9	2.8
PPOP	3.8	3.6	3.6	3.7
Total Provisions	0.1	0.1	0.1	0.1
RoAA	2.9	2.7	2.7	2.8
Avg. Assets/Avg. net worth	4.8	5.1	5.4	5.6
RoAE	14.2	13.9	14.6	15.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Jul-24	Hold	1,720	1,800
2	26-Apr-24	Hold	1,720	1,610
3	09-Apr-24	Hold	1,660	1,626
4	03-Feb-24	Hold	1,660	1,484
5	08-Jan-24	Hold	1,560	1,566
6	07-Oct-23	Hold	1,560	1,726
7	06-Aug-23	Hold	1,560	1,560

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,720	1,800
2	Axis Bank	BUY	1,425	1,239
3	Bank of Baroda	BUY	290	274
4	Can Fin Homes	BUY	930	845
5	City Union Bank	Accumulate	170	170
6	DCB Bank	BUY	180	137
7	Federal Bank	BUY	195	186
8	HDFC Asset Management Company	BUY	4,700	4,196
9	HDFC Bank	BUY	2,000	1,607
10	ICICI Bank	BUY	1,450	1,233
11	IndusInd Bank	BUY	1,800	1,434
12	Kotak Mahindra Bank	BUY	2,125	1,821
13	LIC Housing Finance	Hold	660	771
14	Nippon Life India Asset Management	BUY	700	636
15	State Bank of India	BUY	910	860
16	UTI Asset Management Company	BUY	1,050	1,049

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, Mr. Aditya Modani- 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, Mr. Aditya Modani- 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