

Shriram Finance | BUY

Steady quarter; strong growth momentum

Shriram Finance (SFL) reported a PAT of INR 19.8bn (+2% QoQ, +18% YoY) which was largely in line with our estimates, led by a) healthy AUM growth of (+3.8% QoQ, +21% YoY) at INR 2.33trn, b) steady NII of INR 53.5bn (+0.3% QoQ, +21% YoY) with NIMs at 8.8% (-23bps QoQ) and c) stable asset quality. AUM growth was driven by MSME loans (+9.8% QoQ, +44% YoY) followed by Farm Equipments (+7.2% QoQ, +17% YoY) and passenger vehicles (+6.4% QoQ, 27% YoY). Credits costs was stable at 2.1% of AUM (vs 2.3% QoQ, 1.9% YoY) as headline asset quality remained largely steady with GS3/NS3 at 5.39%/2.63% (-6bps QoQ, flat QoQ). The consistent improvement in asset quality in last 2 years provides further comfort on credit costs as SFL's PCR also remains sufficiently high at 51%. As mgmt plans to increase its MSME and gold presence across geographies, we believe it will aid in higher AUM growth and yields going forward. Shriram Housing reported a PAT of INR 483 mn (+6% YoY, -22% QoQ) and strong AUM growth of (+4.6% QoQ, +51% YoY). The company has entered into share purchase agreement to sell its stake in housing sub to Warburg Pincus which is expected to add INR 39bn to SFL's capital aiding in +80bps rise in CRAR of the company. We believe SFL remains well-placed on growth (non-VF portfolio offers healthy growth visibility) and given its high share of secured portfolio (96%), makes it attractively placed given concerns on unsecured loans. In addition, SFL also carries significant provisions cushion on its balance sheet (total ECL provisions at 6.3% of AUM) and thus minimizing earnings risk from inadvertent shocks. We maintain BUY with a revised TP of INR 3,460 (valuing at 1.8x FY26E BVPS in return for avg RoA/RoE of 3.7%/17.7% for FY25E/26E).

- Sustained growth momentum:** AUM grew +3.8% QoQ/ +21% YoY to INR2.33trn driven by healthy disbursements of INR 377bn (+24% YoY, -4% QoQ). Growth in AUM was led by MSME loans (+9.8% QoQ, +44% YoY) followed by farm equipments (+16.5% QoQ, +7.2% YoY), passenger vehicles (+6.4% QoQ, 27% YoY), 2W (+2.8% QoQ, +29% YoY), CV (+2.6% QoQ, +14.4% YoY) and construction equipments (+0.5% QoQ, +17% YoY). Gold loans de-grew 2.8% QoQ due to <20k cash limit regulation, however, mgmt remains confident on increasing its gold book as they plan to add 150-200 GL branches per year and 175 MSME branches in next 2 years. This should aid in healthy loan growth from its small-ticket non-VF portfolio. We build in 19% AUM growth over FY24-26E.
- Steady operational performance:** SFL reported a NII of INR 53.5bn (+21% YoY, 0.3% QoQ) led by slight reduction in NIMs of 8.8% (-23bps QoQ). This was largely due to decline in incremental CoB to 8.8% from 9% QoQ while yields remained stable QoQ at ~18%. Opex was steady at INR 15.7bn (+16% YoY, +1.3% QoQ) leading to inline PPop of INR 38.5bn (+23% YoY, -1.3% QoQ). Provisions stood at INR 11.6bn (Credit costs at 2.1% of total AUM vs 2.3% QoQ and 1.9% YoY) which led to a PAT of INR 19.8bn (+18% YoY, +2% QoQ). Management believes that CoFs would remain steady from here and are now in sync with incremental CoFs while shorter tenure high-yield products (gold, 2W and PL) would continue to aid strong margin performance going forward. Management remains confident on sustaining NIMs at ~9% for the year FY25E.



Sameer Bhise

sameer.bhise@jmfl.com | Tel: (91 22) 66303489

Mayank Mistry

mayank.mistry@jmfl.com | Tel: (91 22) 62241877

Raghvesh

raghvesh@jmfl.com | Tel: (91 22) 66303099

Gayathri Shivaram

gayathri.shivaram@jmfl.com | Tel: (91 22) 66301889

Shreyas Pimple

shreyas.pimple@jmfl.com | Tel: (91 22) 66301881

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,460
Upside/(Downside)	18.3%
Previous Price Target	3,000
Change	15.3%

Key Data – SHFL IN

Current Market Price	INR2,925
Market cap (bn)	INR1,099.6/US\$13.1
Free Float	68%
Shares in issue (mn)	375.8
Diluted share (mn)	
3-mon avg daily val (mn)	INR4,454.5/US\$53.2
52-week range	3,059/1,759
Sensex/Nifty	81,333/24,835
INR/US\$	83.7

Price Performance

%	1M	6M	12M
Absolute	0.5	26.8	60.9
Relative*	-2.4	12.1	30.9

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Profit	37,941	59,793	71,905	96,811	1,15,783
Net Profit (YoY) (%)	8.5%	57.6%	20.3%	34.6%	19.6%
Assets (YoY) (%)	11.1%	11.8%	16.5%	21.7%	14.5%
ROA (%)	2.2%	3.1%	3.3%	3.7%	3.7%
ROE (%)	13.5%	15.4%	15.7%	17.8%	17.7%
EPS	101.9	159.7	191.3	257.6	308.1
EPS (YoY) (%)	-26.3%	56.7%	19.8%	34.6%	19.6%
P/E (x)	28.7	18.3	15.3	11.4	9.5
BV	929	1,157	1,292	1,609	1,872
BV (YoY) (%)	9.0%	24.5%	11.7%	24.5%	16.4%
P/BV (x)	3.15	2.53	2.26	1.82	1.56

Source: Company data, JM Financial. Note: Valuations as of 26/Jul/2024

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Improving asset quality metrics:** Asset quality continues to improve sequentially with GS3/NS3 at 5.39%/2.63% (-6bps QoQ, flat QoQ). PCR on stage 3 assets remains healthy at 51%. Credit costs remained largely steady at 2.1% of AUM vs 2.3% QoQ of which write-offs amounted to ~INR 6bn (vs INR 8.1bn in Q4FY24). SFL also carries 3.5%+ provisions on stage 1 & 2 books which offers addition cushion on incremental credit costs if any. We build in an average credit cost of ~2% for FY25E/26E.
- **Shriram Housing Finance – Strong growth, seasonally weak:** The subsidiary – Shriram Housing reported steady headline parameters with PAT at INR 483mn (+6% YoY, -22% QoQ) largely due to Q1 being seasonally weak quarter for housing segment. The drag was largely due to higher credit costs of INR 170mn (12bps of AUM vs 10bps YoY). NII grew (+41% YoY, +25% QoQ) while opex grew (+51% YoY, +13% QoQ) which led PPop to grow (+16% YoY, -7.3% QoQ). AUM growth was strong at INR 144bn (+4.6% QoQ, +51% YoY) which was led by HL (+6.1% QoQ, +45% YoY) followed by LAP (+3.3% QoQ, +64% YoY) and top up loans (+2.8% QoQ, +53% YoY). GS3/NS3 moved up +22bps QoQ, +14bps QoQ at 1.26%/0.94% while PCR remains healthy at 25%.
- **Valuation and view:** We believe SFL remains well-placed on growth (non-VF portfolio offers healthy growth visibility) and given its high share of secured portfolio (96%), makes it attractively placed given concerns on unsecured loans. In addition, SFL also carries significant provisions cushion on its balance sheet (total ECL provisions at 6.3% of AUM) and thus minimizing earnings risk from inadvertent shocks. We maintain BUY with a revised TP of INR 3,460 (valuing at 1.8x FY26E BVPS in return for avg RoA/RoE of 3.7%/17.7% for FY25E/26E).

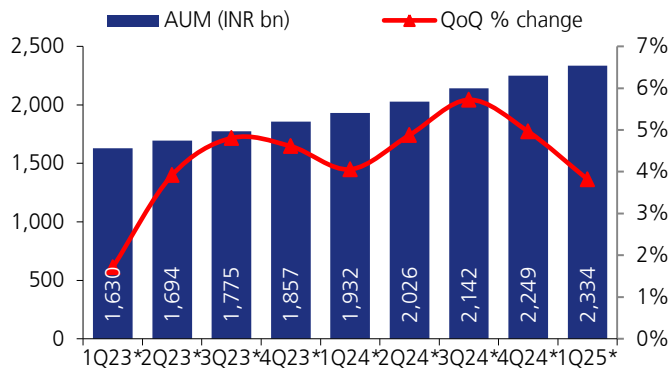
Shriram Finance – 1QFY25 Quarterly Performance

Exhibit 1. 1QFY25 – key financial highlights

Earnings Table (INR mn)	1Q'24	4Q'24	1'Q25	YoY (%)	QoQ (%)
Net Interest Income	79,567	93,714	95,210	19.7%	1.6%
Total Income	35,180	40,354	41,665	18.4%	3.3%
Total Operating Expenses	44,387	53,361	53,545	20.6%	0.3%
Operating Profit (PPP)	493	1,236	741	50.4%	-40.1%
Provisions & write offs	44,879	54,597	54,286	21.0%	-0.6%
PAT (Pre-Extraordinaries)	13,617	15,541	15,744	15.6%	1.3%
Reported Profit	31,262	39,056	38,541	23.3%	-1.3%
(INR bn)					
Assets Under Management	1,932	2,249	2,334	20.8%	3.8%
Disbursements	305	393	377	23.8%	-4.0%
Ratios Analysis (%)					
Cost to Income (%)	30.3%	28.5%	29.0%	-1.34%	0.54%
Effective Tax Rate (%)	25.5%	26.4%	25.7%	0.27%	-0.68%
Credit Quality					
Gross S3 (INR mn)	115,089	120,812	124,078	7.8%	2.7%
Net S3 (INR mn)	54,613	58,244	60,618	11.0%	4.1%
Gross S3 (%)	6.03%	5.45%	5.39%	-0.6%	-0.1%
Net S3 (%)	2.96%	2.63%	2.63%	-0.3%	0.0%
Coverage ratio (%)	52.5%	51.8%	51.1%	-1.4%	-0.6%
Capital Adequacy (%)					
Tier I (%)	21.3%	19.6%	19.5%	-1.80%	-0.08%
CAR (%)	22.4%	20.3%	20.3%	-2.11%	-0.01%

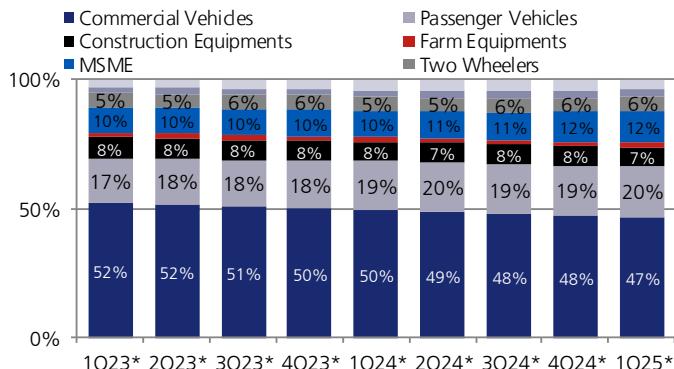
Source: Company, JM Financial

Exhibit 2. SFL: Trend in AUM



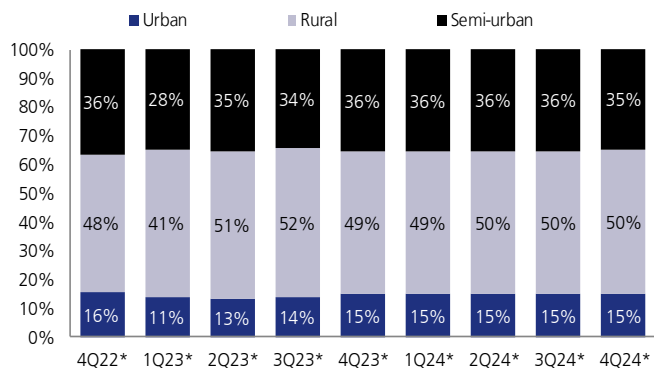
Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

Exhibit 3. SFL: Trend in AUM composition



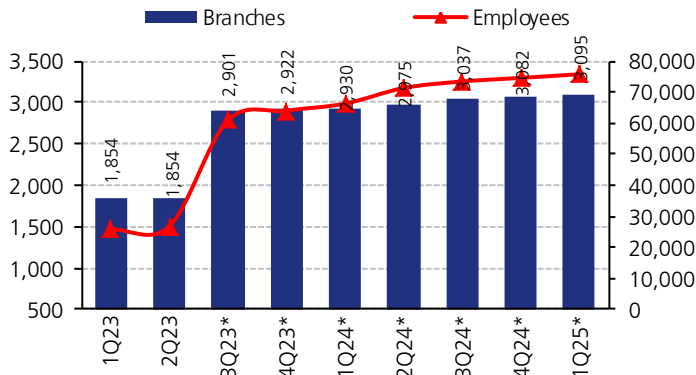
Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

Exhibit 4. SFL: Trend in urban / rural split of AUM



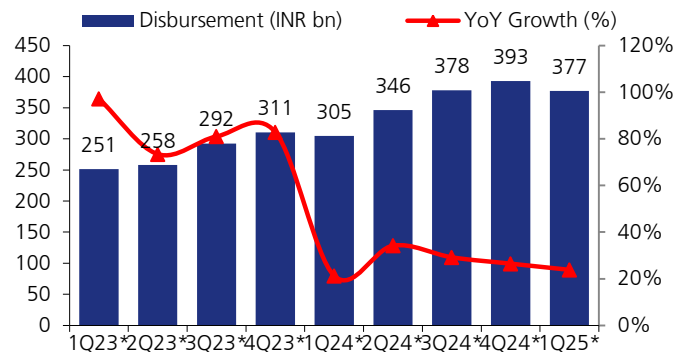
Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

Exhibit 5. SFL: Operational data



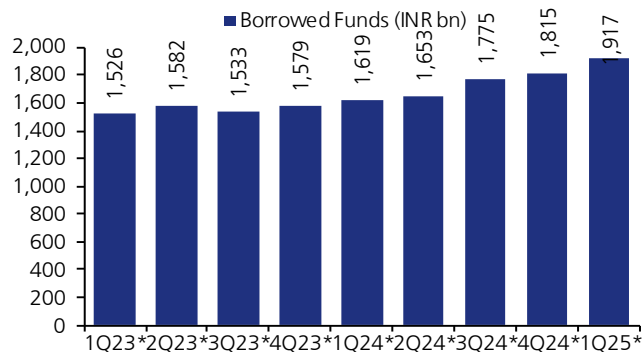
Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

Exhibit 6. SFL: Trend in disbursements



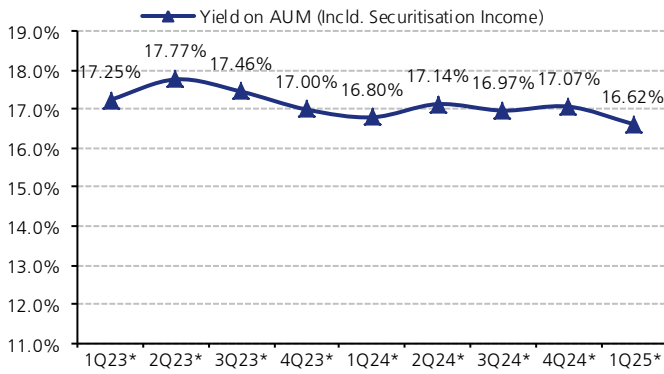
Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

Exhibit 7. SFL: Trend in borrowings



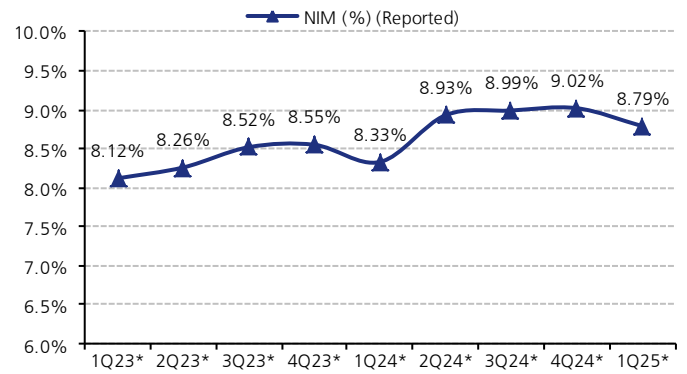
Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

Exhibit 8. SFL: Trend in yield on AUM



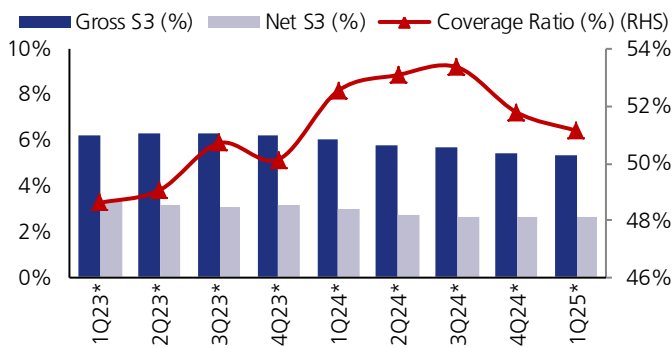
Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

Exhibit 9. SFL: Trend in NII/AUM (%)



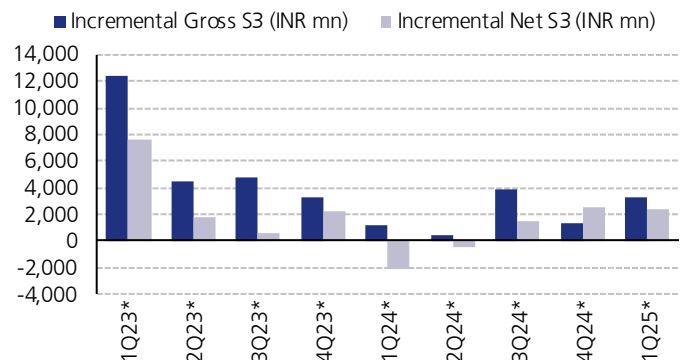
Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

Exhibit 10. SFL: Trend in asset quality



Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

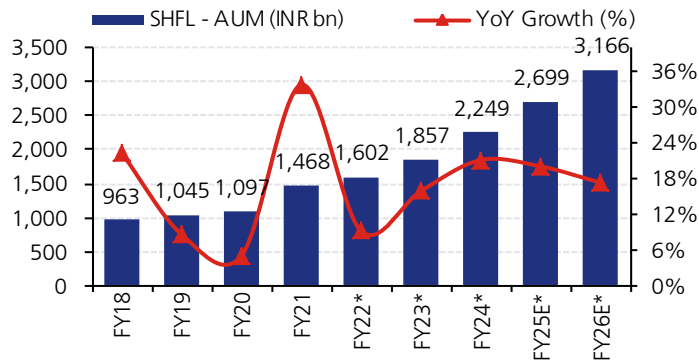
Exhibit 11. SFL: Trend in asset quality



Source: Company, JM Financial, * numbers for merged entity (SFL+ SCUF)

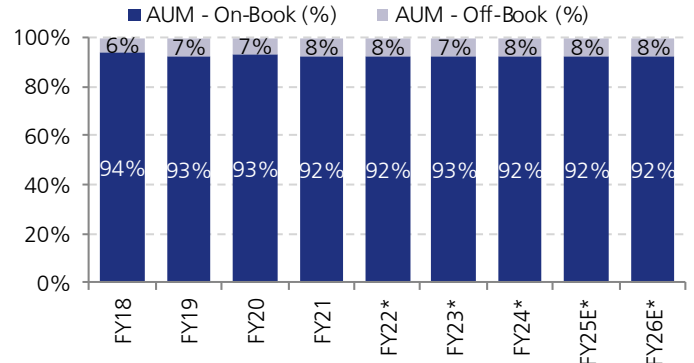
SFL – Annual trends

Exhibit 12. SFL: Trend in AUM (INR bn)



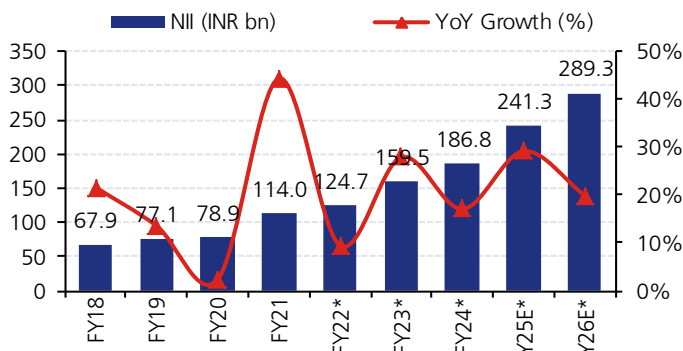
Source: Company, JM Financial

Exhibit 13. SFL: Trend in AUM split: on-book vs. off-book



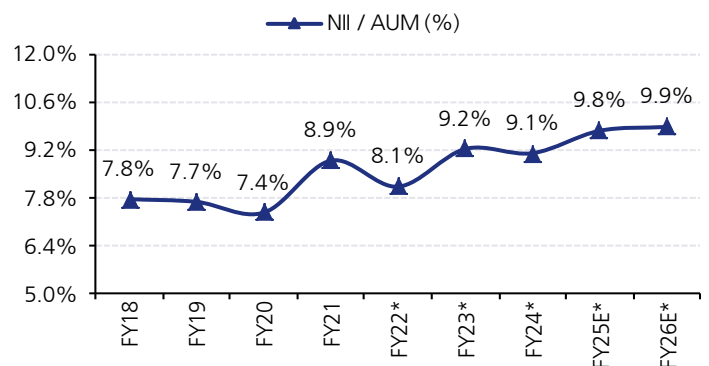
Source: Company, JM Financial

Exhibit 14. SFL: Trend in NII (INR bn)



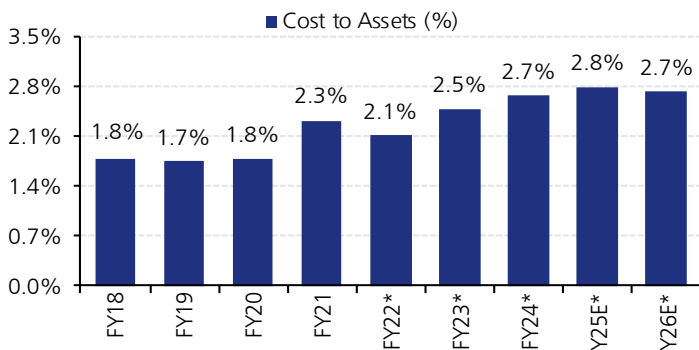
Source: Company, JM Financial

Exhibit 15. SFL: Trend in NII/AUM (%)



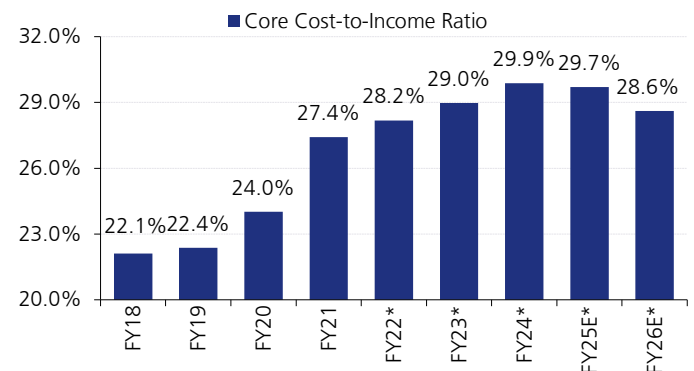
Source: Company, JM Financial

Exhibit 16. SFL: Trend in cost to assets



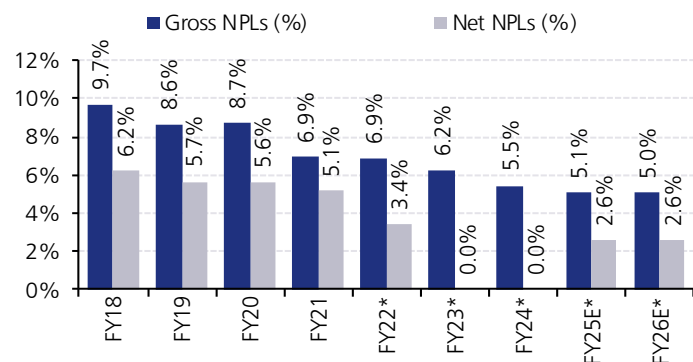
Source: Company, JM Financial

Exhibit 17. SFL: Trend in core cost to income



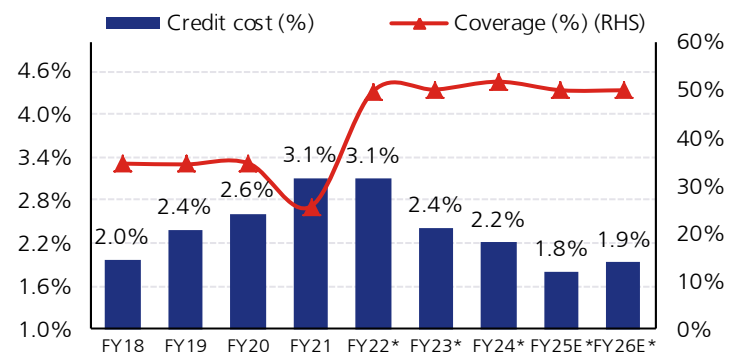
Source: Company, JM Financial

Exhibit 18. SFL: Trend in asset quality



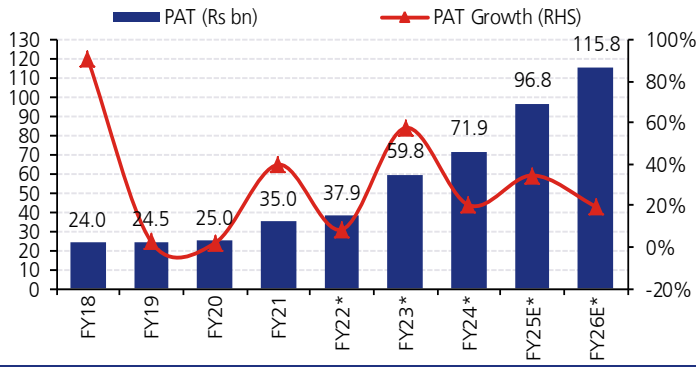
Source: Company, JM Financial

Exhibit 19. SFL: Trend in credit costs



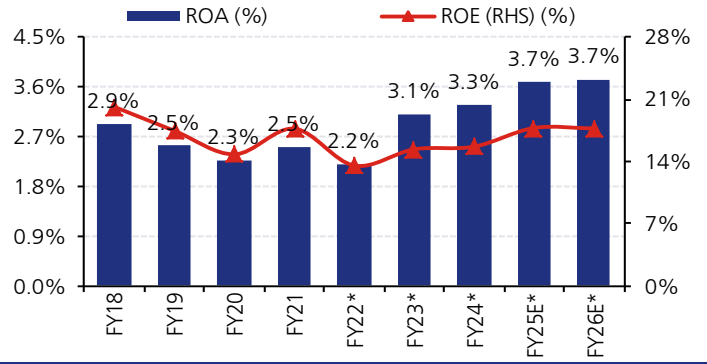
Source: Company, JM Financial

Exhibit 20. SFL: Trend in PAT



Source: Company, JM Financial

Exhibit 21. SFL: Trend in return ratios



Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement						(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Interest Income (NII)	1,24,706	1,59,527	1,86,776	2,41,262	2,89,311	
Non Interest Income	9,441	11,955	13,980	5,502	5,878	
Total Income	1,34,148	1,71,482	2,00,756	2,46,764	2,95,189	
Operating Expenses	36,558	48,042	58,736	73,281	84,412	
Pre-provisioning Profits	97,590	1,23,441	1,42,020	1,73,483	2,10,778	
Loan-Loss Provisions	47,507	41,596	45,235	44,402	56,400	
Others Provisions	-22	-4	-51	0	0	
Total Provisions	47,485	41,592	45,183	44,402	56,400	
PBT	50,105	81,849	96,836	1,29,081	1,54,377	
Tax	12,164	22,056	24,932	32,270	38,594	
PAT (Pre-Extra ordinaries)	37,941	59,793	71,905	96,811	1,15,783	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	37,941	59,793	71,905	96,811	1,15,783	
Dividend	9,459	13,105	16,911	16,911	16,911	
Retained Profits	28,483	46,688	54,994	79,900	98,872	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Equity Capital	3,722	3,744	3,758	3,758	3,758	
Reserves & Surplus	3,41,931	4,29,322	4,81,926	6,00,826	6,99,699	
Stock option outstanding	0	0	0	0	0	
Borrowed Funds	14,51,285	15,79,063	18,58,411	22,48,678	25,63,493	
Deferred tax liabilities	0	0	0	0	0	
Preference Shares	24,799	24,509	28,665	34,891	39,950	
Current Liabilities & Provisions	0	0	0	0	0	
Total Liabilities	18,21,737	20,36,639	23,72,760	28,88,153	33,06,899	
Net Advances	14,76,890	17,19,846	20,79,294	24,96,689	29,28,716	
Investments	86,454	85,651	1,06,566	1,24,834	1,46,436	
Cash & Bank Balances	1,27,503	99,929	60,134	1,11,205	52,717	
Loans and Advances	371	2,771	3,846	4,618	5,417	
Other Current Assets	64,379	18,830	13,213	14,958	16,364	
Fixed Assets	4,841	33,928	32,874	40,015	45,816	
Miscellaneous Expenditure	0	0	0	0	0	
Deferred Tax Assets	10,210	17,439	28,840	35,105	40,195	
Total Assets	18,21,737	20,36,639	23,72,760	28,88,153	33,06,899	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Growth (YoY) (%)					
Borrowed funds	10.1%	8.8%	17.7%	21.0%	14.0%
Advances	8.8%	16.5%	20.9%	20.1%	17.3%
Total Assets	11.1%	11.8%	16.5%	21.7%	14.5%
NII	9.4%	27.9%	17.1%	29.2%	19.9%
Non-interest Income	99.4%	26.6%	16.9%	-60.6%	6.8%
Operating Expenses	13.1%	31.4%	22.3%	24.8%	15.2%
Operating Profits	13.0%	26.5%	15.1%	22.2%	21.5%
Core Operating profit	8.9%	26.4%	17.0%	25.9%	21.4%
Provisions	19.6%	-12.4%	8.6%	-1.7%	27.0%
Reported PAT	8.5%	57.6%	20.3%	34.6%	19.6%
Yields / Margins (%)					
Interest Spread	5.85%	7.08%	7.08%	7.73%	7.89%
NIM	7.43%	8.60%	8.76%	9.47%	9.64%
Profitability (%)					
ROA	2.19%	3.10%	3.26%	3.68%	3.74%
ROE	13.5%	15.4%	15.7%	17.8%	17.7%
Cost to Income	27.3%	28.0%	29.3%	29.7%	28.6%
Asset quality (%)					
Gross NPA	7.17%	6.41%	5.64%	5.05%	5.05%
LLP	4.63%	1.18%	2.15%	2.65%	2.66%
Capital Adequacy (%)					
Tier I	20.70%	21.20%	19.55%	20.89%	21.77%
CAR	22.97%	22.61%	20.30%	21.51%	22.30%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
NII / Assets	7.21%	8.27%	8.47%	9.17%	9.34%
Other Income / Assets	0.55%	0.62%	0.63%	0.21%	0.19%
Total Income / Assets	7.75%	8.89%	9.11%	9.38%	9.53%
Cost / Assets	2.11%	2.49%	2.66%	2.79%	2.73%
PPP / Assets	5.64%	6.40%	6.44%	6.60%	6.80%
Provisions / Assets	2.74%	2.16%	2.05%	1.69%	1.82%
PBT / Assets	2.90%	4.24%	4.39%	4.91%	4.98%
Tax rate	24.3%	26.9%	25.7%	25.0%	25.0%
ROA	2.19%	3.10%	3.26%	3.68%	3.74%
Leverage	5.3	4.7	4.9	4.8	4.7
ROE	13.5%	15.4%	15.7%	17.8%	17.7%

Source: Company, JM Financial

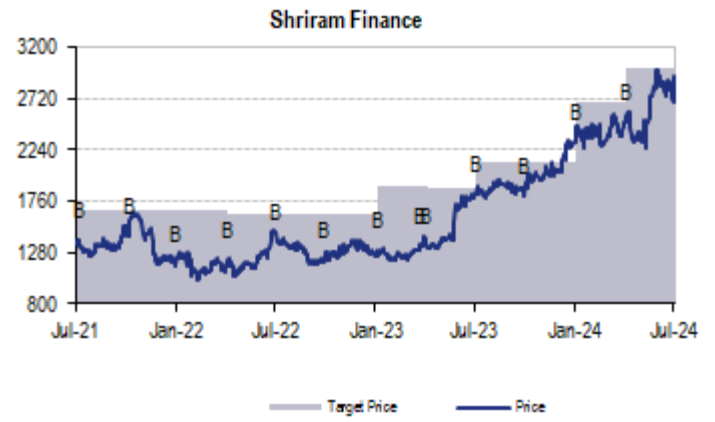
Valuations					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shares in Issue	372.2	374.4	375.8	375.8	375.8
EPS (INR)	101.9	159.7	191.3	257.6	308.1
EPS (YoY) (%)	-26.3%	56.7%	19.8%	34.6%	19.6%
P/E (x)	28.7	18.3	15.3	11.4	9.5
BV (INR)	929	1,157	1,292	1,609	1,872
BV (YoY) (%)	9.0%	24.5%	11.7%	24.5%	16.4%
P/BV (x)	3.15	2.53	2.26	1.82	1.56
DPS (INR)	25.4	35.0	45.0	45.0	45.0
Div. yield (%)	0.9%	1.2%	1.5%	1.5%	1.5%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
11-Jun-20	Buy	810	
13-Aug-20	Buy	840	3.7
17-Sep-20	Buy	840	0.0
30-Oct-20	Buy	840	0.0
29-Jan-21	Buy	1,400	66.7
30-Apr-21	Buy	1,465	4.6
3-Jun-21	Buy	1,750	19.5
1-Aug-21	Buy	1,670	-4.6
31-Oct-21	Buy	1,670	0.0
25-Jan-22	Buy	1,670	0.0
29-Apr-22	Buy	1,630	-2.4
29-Jul-22	Buy	1,630	0.0
22-Oct-22	Buy	1,630	0.0
1-Feb-23	Buy	1,900	16.6
18-Apr-23	Buy	1,900	0.0
28-Apr-23	Buy	1,875	-1.3
28-Jul-23	Buy	2,130	13.6
26-Oct-23	Buy	2,130	0.0
28-Jan-24	Buy	2,680	25.8
28-Apr-24	Buy	3,000	11.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

The Research Analyst(s), 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 or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or 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 company(ies) mentioned herein 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 company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

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 JM Financial Institutional Securities and/or its affiliated company(ies) 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 a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 28th Floor, Office No. 2821, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.