

Downgrade to reduce, as asset quality stress aggravates

BFSI - Banks ▶ Result Update ▶ January 27, 2024

TARGET PRICE (Rs): 725

SBI Cards (SBIC), yet again, reported a miss on earnings (of 10%), with PAT at Rs5.5bn/4.1% RoA due to continued deterioration in asset quality leading to higher LLP/charge-off. Though SBIC has taken incremental measures to cut portfolio risk, NPAs are on the rise, with GNPA ratio now at 2.6% from a low 2.2% a year ago. With the revolver portfolio being relatively lower at 23% from the 40% peak pre-Covid, we do not expect a full blown asset-quality fallout akin to that during Covid, but delinquencies would continue rising as stress in the multi-card & lower-bucket customer portfolio emerges. Mgmt has guided to NIMs too remaining under pressure for an extended period due to rising funding cost and, now, NPAs too. Company's CET 1 has fallen sharply by 450bps QoQ to 16.3%, which would call for capital raise soon and, hence, further RoE dilution. Factoring-in the slower growth/higher LLP, we cut our earnings estimate by 19-30% and revise our ERE model-based TP to Rs725/sh (from Rs865), implying 4.5x Dec-25 ABV/24x EPS; downgrade to REDUCE from Buy.

SBI Cards: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net profit	16,161	22,585	22,793	24,544	30,912
Loan growth (%)	28.7	30.4	25.5	22.2	21.6
NII growth (%)	(1.7)	17.4	18.4	25.8	26.6
NIM (%)	13.4	12.0	11.1	11.3	11.7
PPOP growth (%)	11.8	17.1	21.8	23.4	23.0
Adj. EPS (Rs)	17.2	23.9	24.0	25.8	32.5
Adj. EPS growth (%)	63.8	39.3	0.5	7.4	25.9
Adj. BV (INR)	80.3	101.1	119.9	140.0	166.3
Adj. BVPS growth (%)	23.5	26.4	18.5	16.4	18.6
RoA (%)	5.2	5.6	4.4	3.8	4.0
RoE (%)	23.0	25.7	21.1	19.2	20.5
P/E (x)	44.3	31.8	31.6	29.4	23.4
P/ABV (x)	9.5	7.5	6.3	5.4	4.6

Source: Company, Emkay Research

Margins could be under pressure for an extended period

New card addition count has moderated to 1.1mn in 3Q vs 1.6mn last year, partly due to devaluation of the cash-back card and Company's cautious approach amid rising delinquencies. Further, the card drop rate too has accelerated, to 51% of new card adds vs the mid-40s range earlier – a phenomenon seen across the industry due to clean-up of inactive cards post change in rules by the RBI as well as some lower-ticket card deactivation. CIF growth has moderated to 16% YoY to 18.5mn, leading to continued decline in market share to 18.9% from 19.3% a year ago. However, cumulative spends growth remains high at 31% YoY, partly aided by festive spends, with some improvement in market share to 18.3% for 3Q. This is reflecting in the higher AUM growth, at 27% YoY/8% QoQ. However, NIM was largely stable at 13.4% due to sharp rise in CoF, while Bank guides for softer margins in the near-term as the rate reversal cycle is delayed.

Asset quality aggravates for the industry, as also for SBIC

SBIC's GNPA ratio has deteriorated from a low of 2.2% a year ago to 2.6% now, leading to higher charge-off and pressure on earnings. Management had earlier indicated a one-off stress in the old 2019 pool some time ago, and it now believes the stress is likely be more widespread and swiftly intensify due to higher customer leverage. With the revolver portfolio being relatively lower at 23% from the peak of 40%, we do not expect a full blown asset-quality fallout similar to that during Covid, but delinquencies would continue to rise as stress in the multi-card and lower-bucket customer portfolio comes to the fore. Thus, we build-in higher LLP/charge-off for SBIC.

We downgrade to REDUCE, as asset-quality stress intensifies

Company's CET 1 has sharply fallen by 450bps QoQ to 16.3%, which would call for a capital raise soon and hence lead to further RoE dilution. Factoring-in the slower growth/higher LLP, we cut our earnings estimates 19-30% and revise our ERE model based TP to Rs725/share (from Rs865), implying 4.5x its Dec-25 ABV/24x EPS. We downgrade our rating to REDUCE from Buy. Key upside risks to our TP: Lower than anticipated asset-quality deterioration.

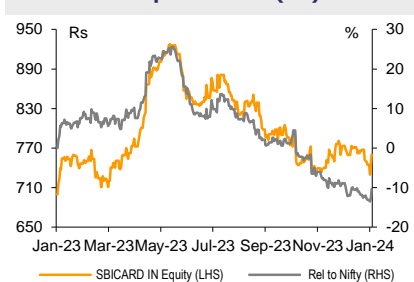
Target Price – 12M	Dec-24
Change in TP (%)	16.2
Current Reco.	REDUCE
Previous Reco.	BUY
Upside/(Downside) (%)	(4.6)
CMP (25-Jan-24) (Rs)	759.9

Stock Data	Ticker
52-week High (Rs)	933
52-week Low (Rs)	691
Shares outstanding (mn)	950.8
Market-cap (Rs bn)	722
Market-cap (USD mn)	8,692
Net-debt, FY24E (Rs mn)	NA
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	1,475.7
ADTV-3M (USD mn)	17.8
Free float (%)	31.0
Nifty-50	21,353
INR/USD	83.1
Shareholding, Sep-23	
Promoters (%)	68.9
FPIs/MFs (%)	9.1/17.3

Price Performance

(%)	1M	3M	12M
Absolute	(1.7)	(2.3)	6.3
Rel. to Nifty	(1.7)	(12.5)	(11.0)

1-Year share price trend (Rs)



Anand Dama

anand.dama@emkayglobal.com
+91 22 6624 2480

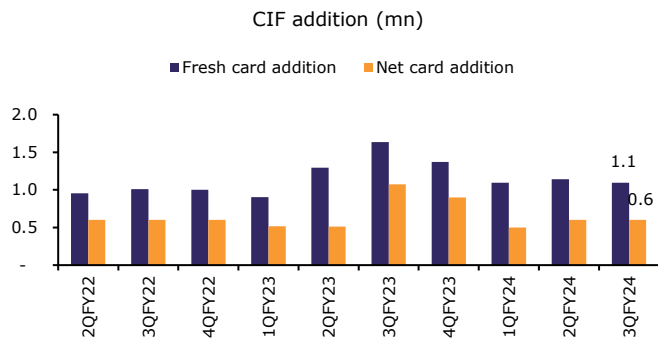
Kunaal N

kunaal.n@emkayglobal.com
+91 22 6612 1275

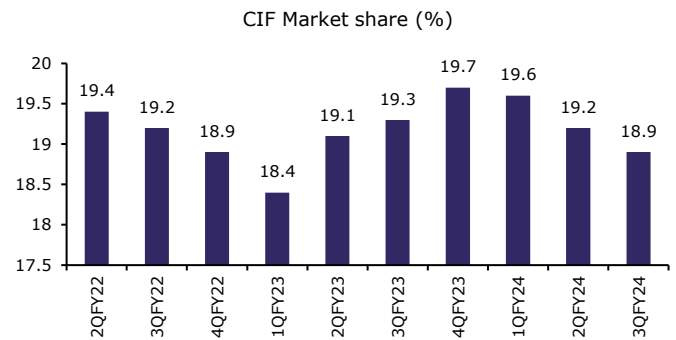
Marazbaan Dastur

marazbaan.dastur@emkayglobal.com
+91 22 6612 1281

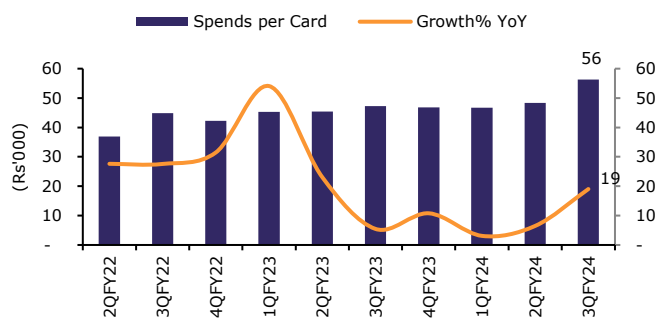
Story in Charts

Exhibit 1: Net card addition moderates a bit


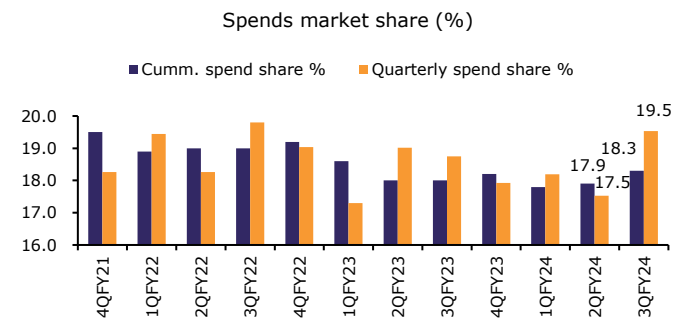
Source: Company, Emkay Research

Exhibit 2: SBIC continues to lose CIF market share from the peak in 4Q


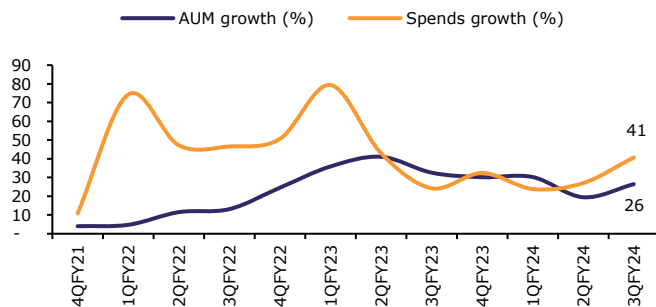
Source: Company, Emkay Research

Exhibit 3: Spends per card pick up due to festive cheer...


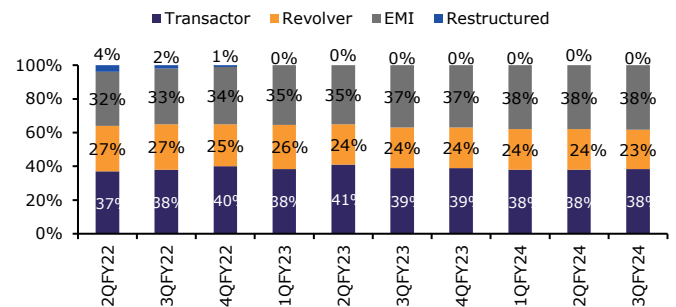
Source: Company, Emkay Research

Exhibit 4: ...leading to some market share gains in spends


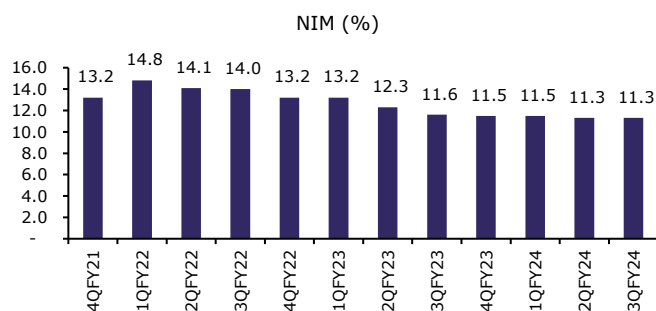
Source: Company, Emkay Research

Exhibit 5: Gross receivables growth remains healthy, benefiting from the higher spends growth and EMI share


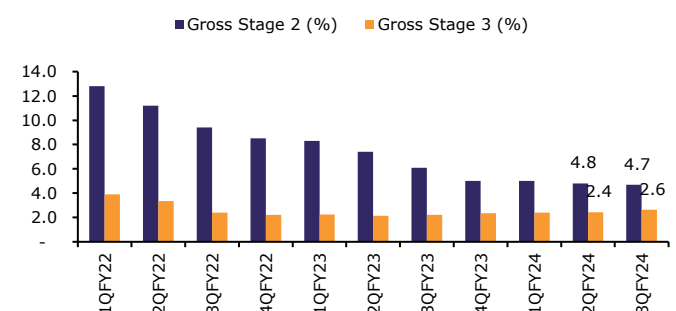
Source: Company, Emkay Research

Exhibit 6: Revolver share remains persistently low at 23%, as also for other players


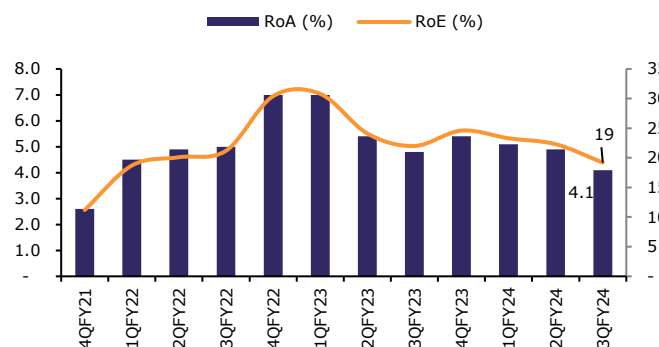
Source: Company, Emkay Research

Exhibit 7: NIM stabilizes, but improvement could be delayed


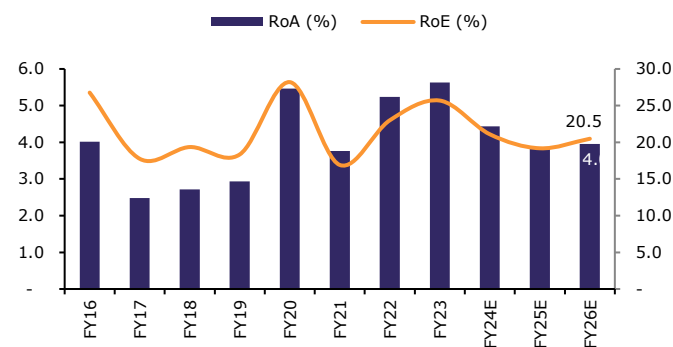
Source: Company, Emkay Research

Exhibit 8: Stage-3 assets continued to inch up due to rising stress in the card portfolio for the industry and, hence, also for SBIC


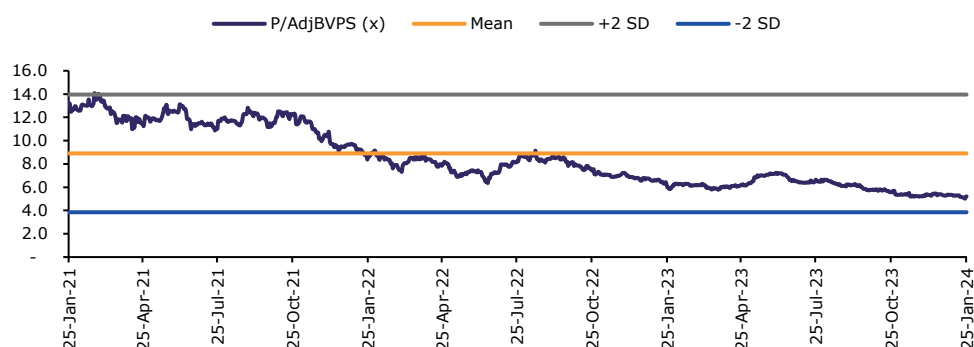
Source: Company, Emkay Research

Exhibit 9: Margin pressure and higher LLP hurts RoA

Source: Company, Emkay Research

Exhibit 10: We expect SBIC's RoA/RoE to moderate, mainly due to rising LLP

Source: Company, Emkay Research

Exhibit 11: The stock currently trades at 4.5x one-year forward ABV

Source: Bloomberg, Emkay Research

Exhibit 12: Actuals vs. Estimates (Q3FY24)

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	40,461	37,813	34,495	7%	17%	Higher NII and other income led to a beat
PPOP	16,205	15,756	14,367	3%	13%	Higher PPOP partly offset by higher opex led to a slight beat
PAT	5,491	6,076	5,911	-10%	-7%	Higher provisions led to a PAT miss

Source: Company, Bloomberg, Emkay Research

Exhibit 13: Quarterly Summary

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	FY23	FY24E	YoY (%)
Interest Earned	16,089	16,724	18,042	19,018	20,825	29	10	61,530	79,681	29
Interest Exp	4,643	5,073	5,711	6,049	6,955	50	15	16,476	26,342	60
Net Interest Income	11,446	11,651	12,332	12,969	13,870	21	7	45,053	53,339	18
Non-interest Income	20,473	22,442	22,419	23,196	26,591	30	15	45,053	53,339	18
Operating Expenses	19,745	19,799	19,599	20,656	24,256	23	17	74,486	89,461	20
PPoP	12,174	14,294	15,151	15,509	16,205	33	4	51,860	63,172	22
Provision & Contingencies	5,330	6,298	7,186	7,416	8,829	66	19	21,554	32,578	51
PBT	6,843	7,997	7,966	8,094	7,376	8	-9	30,306	30,595	1
Income Tax Expense (Gain)	1,749	2,032	2,033	2,064	1,885	8	-9	7,721	7,802	1
Net Profit/(Loss)	5,095	5,965	5,933	6,030	5,491	8	-9	22,585	22,793	1
Gross NPA (%)	2.2	2.4	2.4	2.4	2.6	42bps	21bps	2.4	2.7	32bps
Net NPA (%)	0.8	0.9	0.9	0.9	1.0	16bps	7bps	0.9	1.0	12bps
CIF (mn)	15.9	16.8	17.3	17.9	18.5	16	3	16.8	19.3	15
Spends (Rs bn)	688.4	716.9	739.1	791.6	968.6	41	22	2,625	3,489	33
Net Advances (Rs bn)	373.5	393.6	418.1	435.6	471.6	26	8	393.6	493.9	25.48
RoA - annualized (%)	4.8	5.4	5.1	4.9	4.1	-70bps	-80bps	5.6	4.4	-120bps
RoE - annualized (%)	22.0	24.6	23.3	22.3	19.2	-280bps	-310bps	25.7	21.1	-460bps

Source: Company, Emkay Research

Exhibit 14: Revision in Estimates

Y/E March (Rs mn)	FY24E			FY25E			FY26E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Net income	149,733	152,634	1.9%	183,613	182,339	-0.7%	226,680	217,305	-4.1%
PPOP	63,388	63,172	-0.3%	80,535	77,951	-3.2%	103,078	95,848	-7.0%
PAT	24,867	22,793	-8.3%	30,664	24,544	-20.0%	37,393	30,912	-17.3%
EPS (Rs)	26.3	24.0	-8.6%	32.4	25.8	-20.4%	39.5	32.5	-17.8%
BV (Rs)	126.7	123.9	-2.2%	154.6	145.2	-6.1%	188.6	172.2	-8.7%

Source: Emkay Research

Exhibit 15: Key Assumptions

	FY23A	FY24E	FY25E	FY26E
Loan Growth (%)	30.4	25.5	22.2	21.6
CIF Growth (%)	21.7	14.8	11.8	11.8
NIM (%)	12.0	11.1	11.3	11.7
GNPA (%)	2.4	2.7	3.0	2.8
Credit Cost (%)	6.1	7.2	8.1	8.0

Source: Emkay Research

SBI Cards : Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	48,660	61,530	79,681	98,300	123,771
Interest Expense	10,273	16,476	26,342	31,182	38,822
Net interest income	38,387	45,053	53,339	67,118	84,949
NII growth (%)	(1.7)	17.4	18.4	25.8	26.6
Other income	64,355	81,293	99,295	115,221	132,355
Total Income	102,742	126,346	152,634	182,339	217,305
Operating expenses	58,462	74,486	89,461	104,388	121,456
PPOP	44,280	51,860	63,172	77,951	95,848
PPOP growth (%)	11.8	17.1	21.8	23.4	23.0
Core PPOP	44,280	51,860	63,172	77,951	95,848
Provisions & contingencies	22,558	21,554	32,578	45,006	54,356
PBT	21,722	30,306	30,595	32,945	41,492
Extraordinary items	0	0	0	0	0
Tax expense	5,560	7,721	7,802	8,401	10,580
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	16,161	22,585	22,793	24,544	30,912
PAT growth (%)	64.2	39.7	0.9	7.7	25.9
Adjusted PAT	16,161	22,585	22,793	24,544	30,912
Diluted EPS (Rs)	17.0	23.7	23.8	25.6	32.3
Diluted EPS growth (%)	64.0	39.4	0.5	7.4	25.9
DPS (Rs)	7.1	11.3	14.0	15.0	16.0
Dividend payout (%)	14.6	12.6	14.6	17.4	16.9
Effective tax rate (%)	25.6	25.5	25.5	25.5	25.5
Net interest margins (%)	13.4	12.0	11.1	11.3	11.7
Cost-income ratio (%)	56.9	59.0	58.6	57.2	55.9
Shares outstanding (mn)	943.2	946.1	951.0	951.0	951.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	9,432	9,461	9,510	9,510	9,510
Reserves & surplus	68,095	88,840	108,304	128,569	154,250
Net worth	77,527	98,301	117,814	138,079	163,760
Deposits	-	-	-	-	-
Borrowings	217,864	297,491	386,738	502,759	645,765
Interest bearing liab.	217,864	297,491	386,738	502,759	645,765
Other liabilities & prov.	51,093	59,664	68,714	62,222	52,170
Total liabilities & equity	346,484	455,456	573,266	703,060	861,695
Net advances	301,873	393,610	493,895	603,545	733,901
Investments	12,972	21,397	27,816	34,770	43,462
Cash, other balances	7,582	9,898	10,393	10,912	11,458
Interest earning assets	325,908	428,551	539,732	661,564	810,352
Fixed assets	4,537	5,737	6,101	7,205	8,478
Other assets	16,039	21,168	27,433	34,291	42,864
Total assets	346,484	455,456	573,266	703,060	861,695
BVPS (Rs)	82.2	103.9	123.9	145.2	172.2
Adj. BVPS (INR)	80.3	101.1	119.9	140.0	166.3
Gross advances	312,810	407,216	512,017	626,894	761,888
Credit to deposit (%)	NA	NA	NA	NA	NA
CASA ratio (%)	NA	NA	NA	NA	NA
Cost of funds (%)	5.0	6.1	7.4	6.8	6.6
Loans-to-Assets (%)	87.1	86.4	86.2	85.8	85.2
Net advances growth (%)	28.7	30.4	25.5	22.2	21.6
Deposit growth (%)	NA	NA	NA	NA	NA
Book value growth (%)	22.7	26.4	19.2	17.2	18.6

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Asset quality					
Gross NPLs	6,934.2	9,575.3	13,645.4	18,259.7	21,250.5
Net NPLs	2,409.0	3,544.9	5,048.8	6,573.5	7,437.7
GNPA ratio (%)	2.3	2.4	2.7	3.0	2.8
NNPA ratio (%)	0.8	0.9	1.0	1.1	1.0
Provision coverage (%)	65.3	63.0	63.0	64.0	65.0
Gross slippages	22,564.3	21,529.4	22,612.1	30,761.6	29,908.5
Gross slippage ratio (%)	7.4	5.4	4.5	5.0	4.0
LLP ratio (%)	8.2	6.1	7.2	8.1	8.0
NNPA to networth (%)	2.9	3.4	4.0	4.5	4.3
Capital adequacy					
Total CAR (%)	23.8	23.1	22.1	20.9	19.6
Tier-1 (%)	21.0	20.4	19.8	19.0	18.1
CET-1 (%)	21.0	20.4	19.8	19.0	18.1
RWA-to-Total Assets (%)	90.0	92.0	94.0	95.0	98.0
Miscellaneous					
Total income growth (%)	16.3	26.4	25.3	19.3	20.0
Opex growth (%)	24.2	27.4	20.1	16.7	16.4
Core PPOP growth (%)	11.8	17.1	21.8	23.4	23.0
PPOP margin (%)	39.2	36.3	35.3	36.5	37.4
PAT/PPOP (%)	36.5	43.6	36.1	31.5	32.3
LLP-to-Core PPOP (%)	50.9	41.6	51.6	57.7	56.7
Yield on advances (%)	18.1	17.5	17.8	17.7	18.3
Cost of funds (%)	5.0	6.1	7.4	6.8	6.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	44.3	31.8	31.6	29.4	23.4
P/B (x)	9.2	7.3	6.1	5.2	4.4
P/ABV (x)	9.5	7.5	6.3	5.4	4.6
P/PPOP (x)	16.2	13.9	11.4	9.3	7.5
Dividend yield (%)	0.3	0.4	0.5	0.6	0.7
DuPont-RoE split (%)					
NII/avg assets	12.5	11.2	10.4	10.5	10.9
Other income	20.9	20.3	19.3	18.1	16.9
Fee income	19.2	18.8	18.3	17.4	16.5
Opex	19.0	18.6	17.4	16.4	15.5
PPOP	14.4	12.9	12.3	12.2	12.3
Core PPOP	14.4	12.9	12.3	12.2	12.3
Provisions	7.3	5.4	6.3	7.1	6.9
Tax expense	1.8	1.9	1.5	1.3	1.4
RoA (%)	5.2	5.6	4.4	3.8	4.0
Leverage ratio (x)	4.4	4.6	4.8	5.0	5.2
RoE (%)	23.0	25.7	21.1	19.2	20.5
Quarterly data					
Rs mn, Y/E Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
NII	11,446	11,651	12,332	12,969	13,870
NIM (%)	11.6	11.5	11.5	11.3	11.3
PPOP	12,174	14,294	15,151	15,509	16,205
PAT	5,095	5,965	5,933	6,030	5,491
EPS (Rs)	5.40	6.30	6.27	6.37	5.80

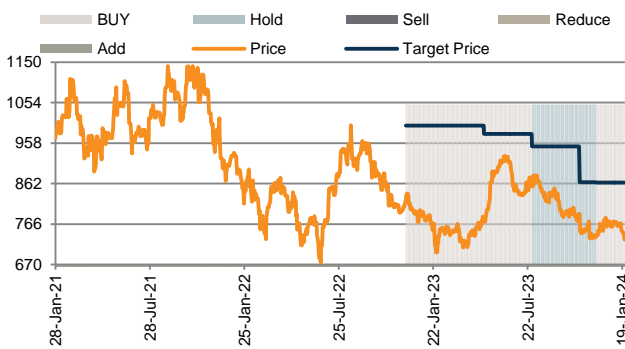
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
30-Nov-23	739	865	Buy	Anand Dama
29-Oct-23	790	865	Hold	Anand Dama
30-Jul-23	857	950	Hold	Anand Dama
29-Apr-23	772	980	Buy	Anand Dama
09-Mar-23	767	1,000	Buy	Anand Dama
24-Jan-23	745	1,000	Buy	Anand Dama
30-Nov-22	824	1,000	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com.

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst 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.

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 clients simultaneously, not all clients may receive this report at the same time. 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.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. 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 research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities 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 including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, 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 Financial Institutions Regulatory Authority (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 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. Emkay Global Financial Services Ltd. has entered into a chaperoning 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.

RESTRICTIONS ON DISTRIBUTION

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons¹ may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of January 27, 2024
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report
Disclosure of previous investment recommendation produced:
- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of January 27, 2024
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the January 27, 2024
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

OTHER DISCLAIMERS AND DISCLOSURES:**Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) :-**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. 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 research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.