

Cholamandalam Investment and Finance Co. | BUY



Inline quarter; Robust outlook

Cholamandalam Investment and Finance (CIFIC) reported an in-line PAT of INR 9.4bn (+30% YoY, -11% QoQ) as NII grew (+40% YoY, +9.3% QoQ, +4% JMFe) to INR 25.7bn. However, NIMs were down -20bps QoQ as yields declined -10bps QoQ while CoFs moved up +10bps QoQ. Opex was down (-8% QoQ) on account of salary increments given in Q4. This led to PPoP of INR 18.5bn (+38% YoY, +14% QoQ). Credit costs were elevated at INR 5.8bn (155bps of AUM vs 135bps QoQ) due to usually weaker collections in Q1. AUM growth continued to remain robust at INR 1,554bn (+35%YoY, +6.8%QoQ) which was driven by healthy disbursements growth (+22% YoY, -1.8% QoQ) largely coming in from new businesses (SME, CSEL and SBPL), three wheeler and MUV. GS3/NS3 moved up +14bps/+11bps QoQ to 2.62%/1.49%. PCR declined -95bps QoQ at 45.5%. Mgmt guided for opex to decline in new businesses as it scales up while credit costs are likely to normalize in 2H on the back of healthy collections due to good monsoon. We believe that the new businesses (SME, CSEL and SBPL) and expansion of LAP and HL into rural areas will continue to aid strong growth momentum going forward and margins would start improving as VF book is gradually re-priced and mix shift continues toward high-yielding segments. The 5-year trajectory as indicated by management: i) 25-30% AUM growth ii) margins expansion led by high-yield product expansion and rural expansion followed by rate cuts, iii) improving operational efficiencies, and iv) steady credit cost target of ~1-1.2%; was the key positive that instilled confidence on achieving strong RoA-PBT of 4% over next 5 years. Given the strong execution track record, we believe this will contribute to sustained strong performance going forward. We revise our earnings estimates upward for FY25E/FY26E by +4%/+7% and continue to value CIFIC at 22x FY26E EPS entailing a TP of INR 1,650. Maintain BUY.

- **Stellar growth:** CIFIC witnessed robust AUM growth (INR 1,554bn, +35% YoY, +6.8% QoQ) on the back of healthy overall disbursements (+22% YoY, -1.8% QoQ) led by strong growth across the segments with continued momentum in new business growth viz. SME+SBPL+CSEL (+77% YoY, +13% QoQ), home loans (+53% YoY, +8.7% QoQ), LAP (+41% YoY, +7.6% QoQ) and vehicle finance (+25% YoY, +4.9% QoQ). CIFIC continues to diversify its loan book across segments (VF-57%, LAP-21%, HL-9% and new business-13% as of 1Q25). Management plans to further increase its exposure in HL and LAP up to 35% of total book by expanding more branches in rural regions and VF book to gradually taper down to c.50% of total book due to higher growth from other segments. New businesses to be restricted to 15% out of which CSEL would be capped at 8% of total book. We believe that the new business aided cross-selling, strong traction in housing/LAP/SME and increased momentum in vehicle demand would sustain strong AUM growth. We build-in AUM CAGR of 28% over FY24-26E.
- **Steady operating performance:** CIFIC reported strong NII of INR 25.7bn (+40%YoY, +9.3% QoQ, +4% JMFe), however NIMs were down -20bps QoQ due to strong AUM growth. Yields declined -10bps QoQ while CoFs moved up +10bps QoQ. Mgmt. expects

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)	1,650
Upside/(Downside)	15.1%
Previous Price Target	1,500
Change	10.0%

Key Data – CIFIC IN

Current Market Price	INR1,433
Market cap (bn)	INR1,204.4/US\$14.4
Free Float	50%
Shares in issue (mn)	840.3
Diluted share (mn)	
3-mon avg daily val (mn)	INR1,979.2/US\$23.6
52-week range	1,477/997
Sensex/Nifty	81,356/24,836
INR/US\$	83.7

Price Performance

%	1M	6M	12M
Absolute	0.7	16.5	26.0
Relative*	-2.2	1.8	2.5

* To the BSE Sensex

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.

Financial Summary						(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Profit	21,467	26,662	34,228	48,007	61,823	
Net Profit (YoY) (%)	41.7%	24.2%	28.4%	40.3%	28.8%	
Assets (YoY) (%)	10.5%	37.8%	37.8%	28.0%	27.5%	
ROA (%)	2.7%	2.7%	2.5%	2.7%	2.7%	
ROE (%)	20.2%	20.5%	20.2%	22.0%	22.9%	
EPS	26.1	32.4	40.7	57.1	73.6	
EPS (YoY) (%)	41.5%	24.0%	25.6%	40.3%	28.8%	
P/E (x)	54.8	44.2	35.2	25.1	19.5	
BV	143	174	233	287	357	
BV (YoY) (%)	22.3%	22.0%	33.9%	23.3%	24.4%	
P/BV (x)	10.05	8.24	6.16	4.99	4.02	

Source: Company data, JM Financial. Note: Valuations as of 29/Jul/2024

the NIMs to gradually inch-up going ahead led by changing mix towards high-yield new business loans. Opex was down (-8% QoQ) on account of salary increments given in Q4. This led to PPop of INR 18.5bn (+38% YoY, +14% QoQ). Credit costs were elevated at INR 5.8bn (155bps of AUM vs 135bps QoQ) due to usually weaker collections in Q1. This led to an in-line PAT of INR 9.4bn (+30% YoY, -11% QoQ). Mgmt guided for opex to decline in new businesses as it scales up while credit costs are likely to normalize in 2H on the back of healthy collections due to good monsoon. We build in NIMs expansion of +c.30bps over FY24-26E and improvement in opex ratio to 2.8% in FY26E (from 3% in FY24) which should aid in RoA-PBT of 3.6% in FY26E (vs 3.4% in FY24).

- **Seasonally weaker asset quality:** Asset quality slightly deteriorated during the quarter with GS3 at 2.62% (+14bps QoQ) and NS3 at 1.45% (+11bps QoQ) on account of seasonally weaker collections during Q1. Mgmt guided for asset quality to normalize in 2H as monsoon is expected to be healthy which should aid healthy collections. GS3 for VF (+25bps QoQ), LAP (-8bps QoQ), HL (+9bps QoQ), SME (+36bps QoQ), CSEL (+8bps QoQ) and SBPL (+18bps QoQ). Overall stress pool (stage2+stage3) was up +44bps QoQ at 5.11%. PCR on stage 3 was down -95bps QoQ at 45.5%. We build in avg credit cost of 1.2% over FY25-26E as guided by mgmt.
- **Valuation and view:** We believe that the new businesses (SME, CSEL and SBPL) and expansion of LAP and HL into rural areas will continue to aid strong growth momentum going forward and margins would start improving as VF book is gradually re-priced and mix shift continues toward high-yielding segments. The 5-year trajectory as indicated by management: i) 25-30% AUM growth ii) margins expansion led by high-yield product expansion and rural expansion followed by rate cuts, iii) improving operational efficiencies, and iv) steady credit cost target of ~1-1.2%; was the key positive that instilled confidence on achieving strong RoA-PBT of 4% over next 5 years. Given the strong execution track record, we believe this will contribute to sustained strong performance going forward. We revise our earnings estimates upward for FY25E/FY26E by +4%/+7% and continue to value CIFC at 22x FY26E EPS entailing a TP of INR 1,650. Maintain BUY.

CIFIC – 1QFY25 trends

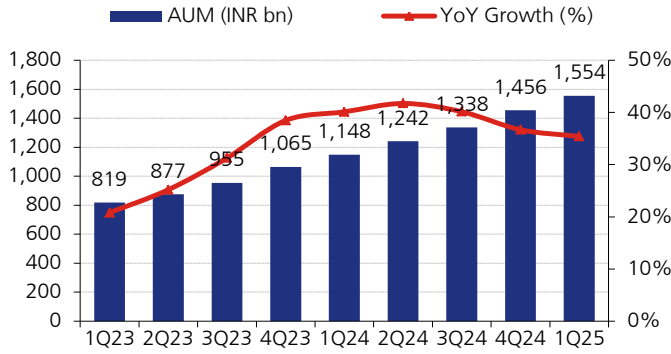
Exhibit 1. 1QFY25 – key highlights

Earnings Table (INR mn)	1Q'24	4Q'24	1Q'25	YoY (%)	QoQ (%)
Net Interest Income	18,421	23,548	25,738	39.7%	9.3%
Total Income	21,265	29,127	30,333	42.6%	4.1%
Employees Cost	3,279	7,658	6,835	108.5%	-10.8%
Other opex + depreciation	4,588	5,192	5,000	9.0%	-3.7%
Total Operating Expenses	7,867	12,850	11,834	50.4%	-7.9%
Operating Profit (PPP)	13,399	16,278	18,499	38.1%	13.6%
Provisions & Write Offs	3,723	1,908	5,814	56.2%	204.7%
PBT	9,675	14,369	12,685	31.1%	-11.7%
Tax	2,415	3,788	3,263	35.1%	-13.9%
Reported Profit	7,260	10,581	9,422	29.8%	-11.0%
Balance Sheet Data (INR bn)					
Loans	1,132	1,444	1,543	36.3%	6.8%
Assets Under Management	1,148	1,456	1,554	35.4%	6.8%
Disbursements	200	248	243	21.6%	-1.8%
Credit Quality					
GS 3 (INR mn)	35,460	36,450	41,230	16.3%	13.1%
Net S3 (INR mn)	19,360	19,520	22,470	16.1%	15.1%
Gross S3 / AUM (%)	3.09%	2.50%	2.65%	-0.4%	0.1%
Net S3 / AUM (%)	1.69%	1.34%	1.45%	-0.2%	0.1%
Coverage Ratio (%)	45.4%	46.4%	45.5%	0.1%	-0.9%
IndAS - Capital Adequacy (%)					
Tier I (%)	15.1%	15.1%	14.8%	-0.4%	-0.3%
CAR (%)	17.4%	18.6%	18.0%	0.6%	-0.5%
AUM Mix					
Vehicle Finance	710,650	844,980	886,390	24.7%	4.9%
Home Equity	228,660	298,590	321,350	40.5%	7.6%
Housing Loans	95,280	134,040	145,650	52.9%	8.7%
CSEL	68,660	114,300	129,090	88.0%	12.9%
SBPL	6,110	14,040	16,180	164.8%	15.2%
SME	38,600	49,770	55,760	44.5%	12.0%
Key Ratios					
Yield on Average loans	14.1%	14.3%	14.4%	0.3%	0.1%
Cost of Borrowed Funds	7.8%	8.0%	7.9%	0.1%	-0.1%
NII / AUM (%)	6.7%	6.7%	6.8%	0.2%	0.1%
Credit Cost (Provisions / AUM)	1.3%	0.5%	1.5%	0.2%	1.0%
Reported ROA (%)	2.4%	2.8%	2.3%	-0.1%	-0.5%
ROE (%)	19.8%	22.2%	18.9%	-0.9%	-3.3%
Cost-to-average assets	6.7%	6.9%	6.8%	0.1%	-0.1%

Source: Company, JM Financial

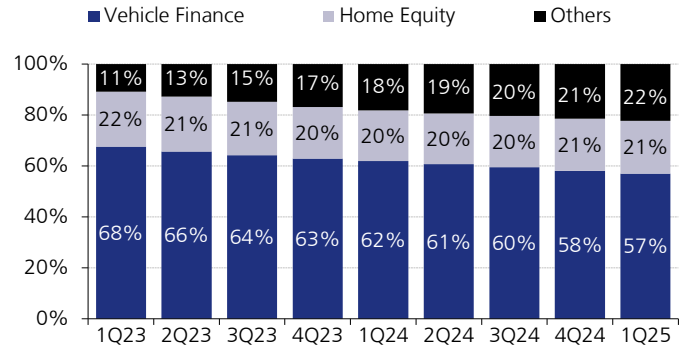
CIFC – Quarterly Trends

Exhibit 2. CIFC: Trend in AUM growth



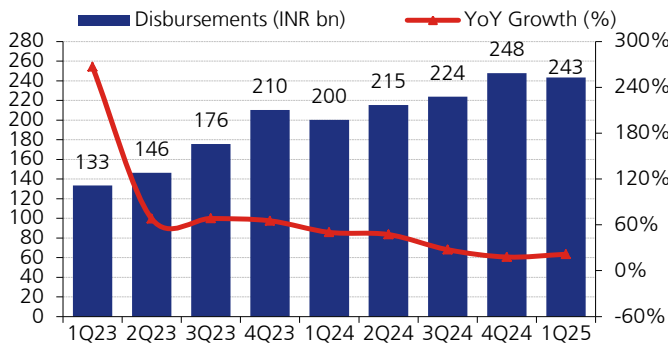
Source: Company, JM Financial

Exhibit 3. CIFC: Trend in AUM composition



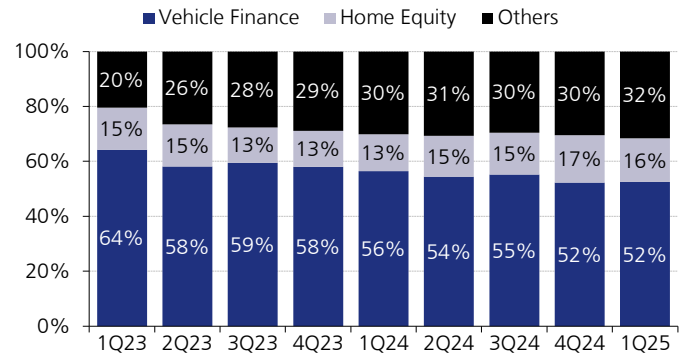
Source: Company, JM Financial

Exhibit 4. CIFC: Trend of disbursements



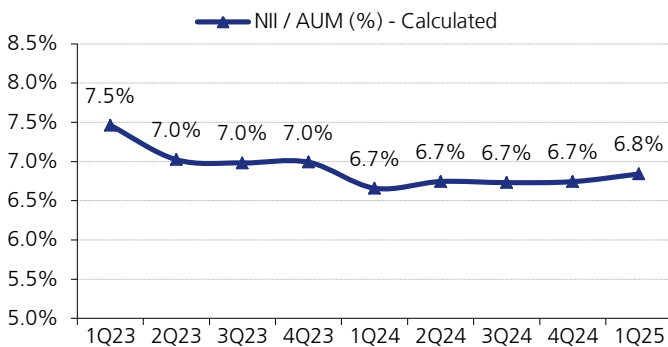
Source: Company, JM Financial

Exhibit 5. CIFC: Trend in disbursement composition



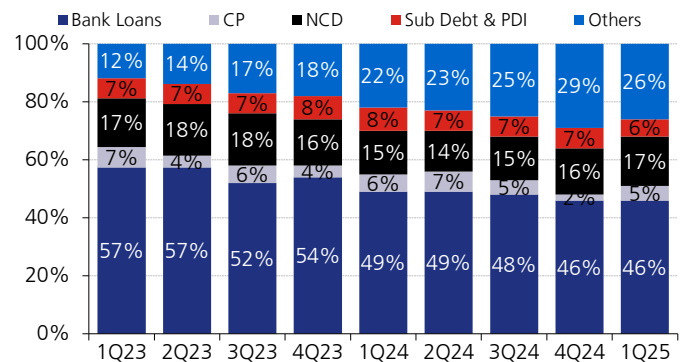
Source: Company, JM Financial

Exhibit 6. CIFC: Trend in NII/AUM (%)



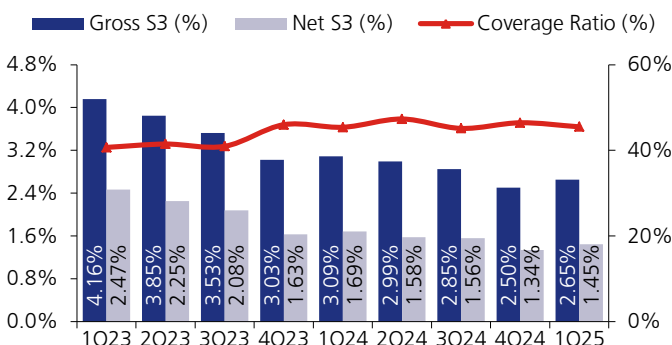
Source: Company, JM Financial

Exhibit 7. CIFC: Trend in borrowings



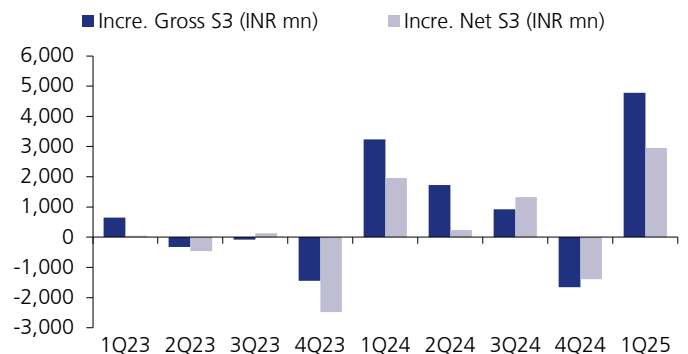
Source: Company, JM Financial

Exhibit 8. CIFC: Trend in asset quality (%)



Source: Company, JM Financial

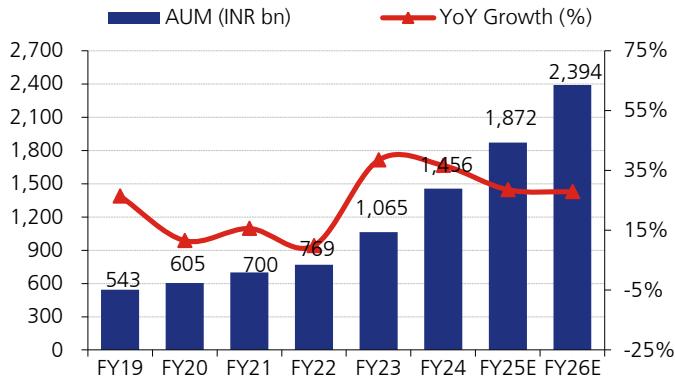
Exhibit 9. CIFC: Trend in asset quality



Source: Company, JM Financial

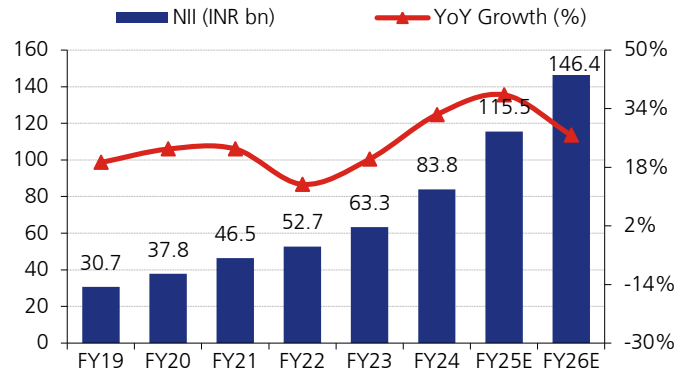
CIFC – Annual Trends

Exhibit 10. CIFC: Trend in AUM (INR bn)



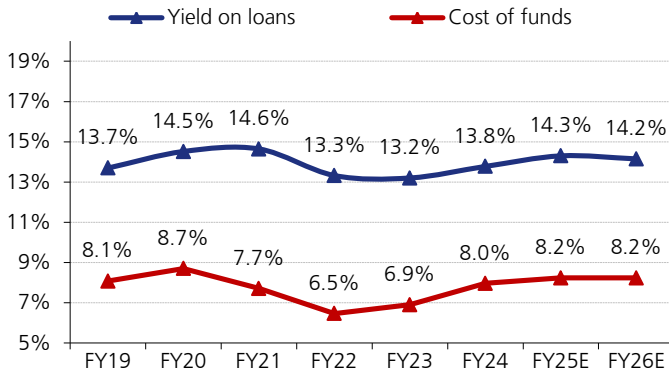
Source: Company, JM Financial

Exhibit 11. CIFC: Trend in NII (INR bn)



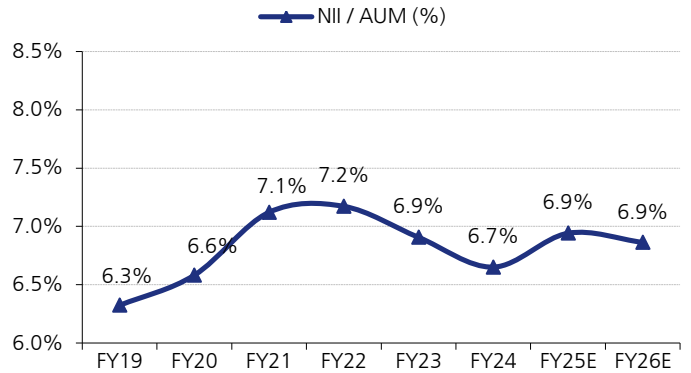
Source: Company, JM Financial

Exhibit 12. CIFC: Trend in yield and cost of funds



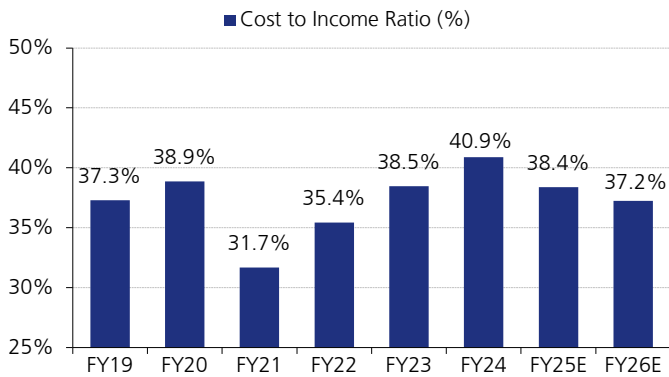
Source: Company, JM Financial

Exhibit 13. CIFC: Trend in NII/AUM (%)



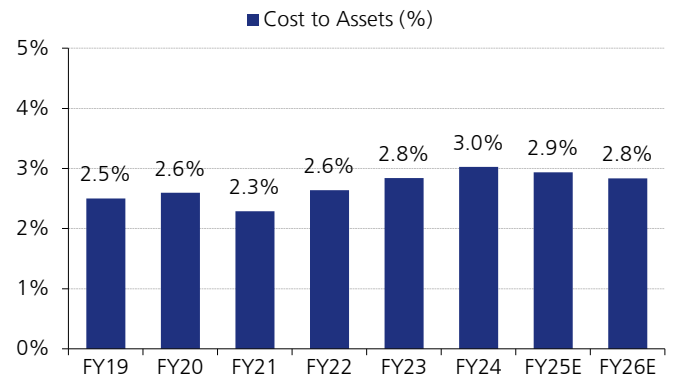
Source: Company, JM Financial

Exhibit 14. CIFC: Trend in cost-to-income (%)



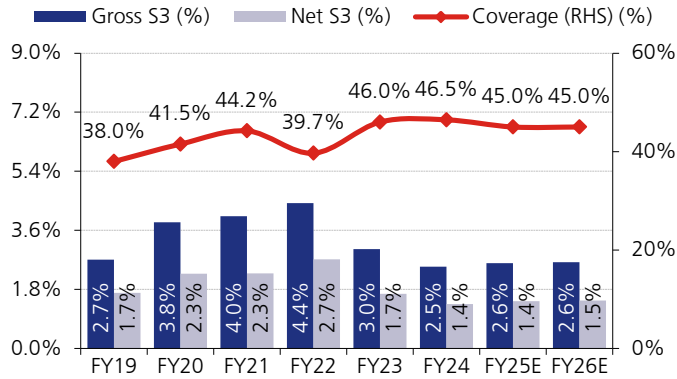
Source: Company, JM Financial

Exhibit 15. CIFC: Trend in cost-to-assets (%)



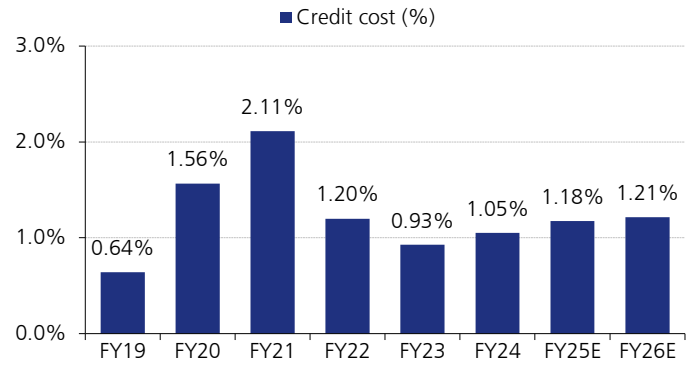
Source: Company, JM Financial

Exhibit 16. CIFC: Trend in asset quality



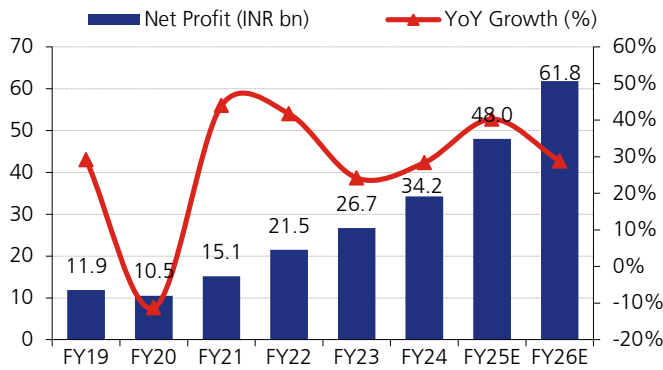
Source: Company, JM Financial

Exhibit 17. CIFC: Trend in credit cost



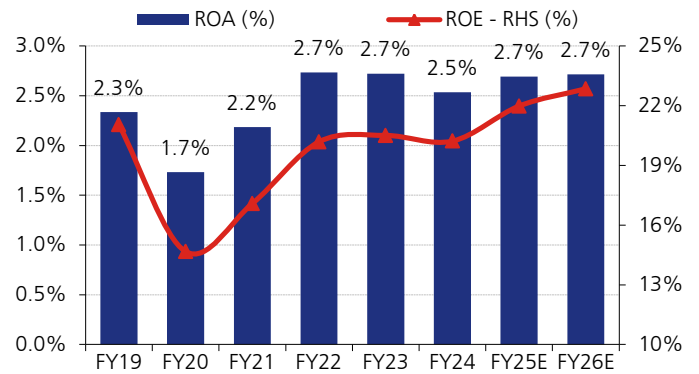
Source: Company, JM Financial

Exhibit 18. CIFC: Trend in earnings growth



Source: Company, JM Financial

Exhibit 19. CIFC: 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)	52,680	63,334	83,831	1,15,492	1,46,368
Non Interest Income	5,720	8,958	16,026	20,834	27,084
Total Income	58,400	72,292	99,857	1,36,326	1,73,452
Operating Expenses	20,687	27,799	40,818	52,336	64,580
Pre-provisioning Profits	37,712	44,494	59,039	83,990	1,08,872
Loan-Loss Provisions	8,799	8,484	13,102	19,551	25,888
Others Provisions	0	13	116	0	0
Total Provisions	8,803	8,497	13,218	19,551	25,888
PBT	28,909	35,997	45,821	64,439	82,984
Tax	7,442	9,335	11,593	16,432	21,161
PAT (Pre-Extra ordinaries)	21,467	26,662	34,228	48,007	61,823
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	21,467	26,662	34,228	48,007	61,823
Dividend	1,641	1,644	1,667	2,400	3,091
Retained Profits	19,826	25,018	32,560	45,607	58,732

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Equity Capital	1,643	1,645	1,681	1,681	1,681
Reserves & Surplus	1,15,434	1,41,316	1,93,885	2,39,491	2,98,223
Stock option outstanding	0	0	0	0	0
Borrowed Funds	6,91,735	9,73,561	13,44,736	16,80,920	21,51,577
Deferred tax liabilities	0	0	0	0	0
Preference Shares	14,822	18,634	24,207	80,087	1,02,145
Current Liabilities & Provisions	0	0	0	0	0
Total Liabilities	8,23,634	11,35,155	15,64,508	20,02,179	25,53,626
Net Advances	7,41,492	10,47,483	14,44,243	18,52,992	23,69,724
Investments	20,762	36,200	41,002	51,884	66,352
Cash & Bank Balances	42,201	29,614	43,202	55,590	66,352
Loans and Advances	1,280	1,911	3,995	3,706	4,739
Other Current Assets	8,270	9,272	9,830	9,550	10,164
Fixed Assets	2,914	4,589	15,695	20,085	25,617
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	6,714	6,085	6,542	8,371	10,677
Total Assets	8,23,634	11,35,155	15,64,508	20,02,179	25,53,626

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Growth (YoY) (%)					
Borrowed funds	8.5%	40.7%	38.1%	25.0%	28.0%
Advances	12.6%	41.3%	37.9%	28.3%	27.9%
Total Assets	10.5%	37.8%	37.8%	28.0%	27.5%
NII	13.3%	20.2%	32.4%	37.8%	26.7%
Non-interest Income	62.8%	56.6%	78.9%	30.0%	30.0%
Operating Expenses	30.6%	34.4%	46.8%	28.2%	23.4%
Operating Profits	10.4%	18.0%	32.7%	42.3%	29.6%
Core Operating profit	10.2%	16.5%	31.1%	42.6%	29.6%
Provisions	-36.1%	-3.5%	55.6%	47.9%	32.4%
Reported PAT	41.7%	24.2%	28.4%	40.3%	28.8%
Yields / Margins (%)					
Interest Spread	6.01%	5.68%	5.34%	5.50%	5.37%
NIM	6.87%	6.59%	6.33%	6.61%	6.55%
Profitability (%)					
ROA	2.74%	2.72%	2.54%	2.69%	2.71%
ROE	20.2%	20.5%	20.2%	22.0%	22.9%
Cost to Income	35.4%	38.5%	40.9%	38.4%	37.2%
Asset quality (%)					
Gross NPA	4.43%	3.03%	2.49%	2.60%	2.62%
LLP	0.52%	0.47%	0.60%	1.33%	1.37%
Capital Adequacy (%)					
Tier I	16.49%	15.46%	15.10%	14.22%	13.92%
CAR	19.62%	17.81%	18.57%	17.12%	16.42%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
NII / Assets	6.71%	6.47%	6.21%	6.48%	6.43%
Other Income / Assets	0.73%	0.91%	1.19%	1.17%	1.19%
Total Income / Assets	7.44%	7.38%	7.40%	7.64%	7.61%
Cost / Assets	1.14%	1.29%	1.73%	1.58%	1.42%
PPP / Assets	4.81%	4.54%	4.37%	4.71%	4.78%
Provisions / Assets	1.12%	0.87%	0.98%	1.10%	1.14%
PBT / Assets	3.68%	3.68%	3.39%	3.61%	3.64%
Tax rate	25.7%	25.9%	25.3%	25.5%	25.5%
ROA	2.74%	2.72%	2.54%	2.69%	2.71%
Leverage	7.0	7.9	8.0	8.3	8.5
ROE	20.2%	20.5%	20.2%	22.0%	22.9%

Source: Company, JM Financial

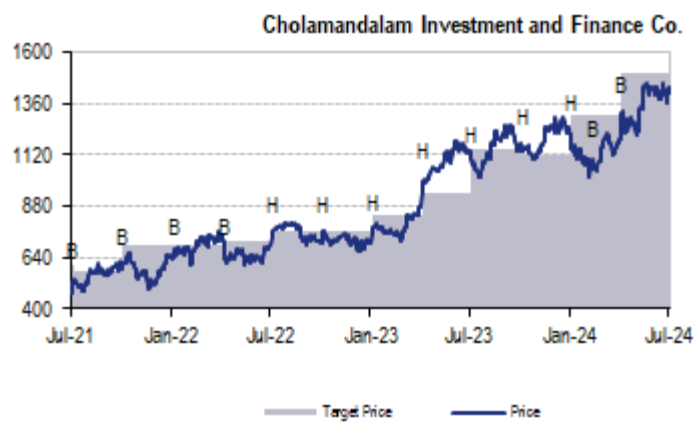
Valuations					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shares in Issue	821.4	822.4	840.3	840.3	840.3
EPS (INR)	26.1	32.4	40.7	57.1	73.6
EPS (YoY) (%)	41.5%	24.0%	25.6%	40.3%	28.8%
P/E (x)	54.8	44.2	35.2	25.1	19.5
BV (INR)	143	174	233	287	357
BV (YoY) (%)	22.3%	22.0%	33.9%	23.3%	24.4%
P/BV (x)	10.05	8.24	6.16	4.99	4.02
DPS (INR)	2.0	2.0	2.0	2.9	3.7
Div. yield (%)	0.1%	0.1%	0.1%	0.2%	0.3%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
4-Jun-20	Buy	180	
2-Aug-20	Buy	230	27.8
30-Oct-20	Buy	330	43.5
2-Feb-21	Buy	520	57.6
10-May-21	Buy	600	15.4
2-Aug-21	Buy	575	-4.2
1-Nov-21	Buy	700	21.7
3-Feb-22	Buy	700	0.0
8-May-22	Buy	715	2.1
2-Aug-22	Hold	765	7.0
2-Nov-22	Hold	765	0.0
1-Feb-23	Hold	835	9.2
5-May-23	Hold	940	12.6
3-Aug-23	Hold	1,145	21.8
6-Nov-23	Hold	1,120	-2.2
30-Jan-24	Hold	1,300	16.1
11-Mar-24	Buy	1,300	0.0
2-May-24	Buy	1,500	15.4

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.