

Indian Markets	CMP	% chg 1d	% chg 3m	% chg 6m	% chg ytd
Nifty	10,153	0.7	5.1	10.8	24.0
Sensex	32,424	0.5	3.6	9.4	21.8
BSE Small Cap	16,834	0.9	7.5	20.1	39.7
Midcap	16,090	0.7	8.6	15.8	33.7
INR/USD	64.14	(0.1)	(0.4)	(1.9)	5.9
Developed/Emerging markets					
Dow Jones	22,331	0.3	3.7	6.8	13.0
S&P 500	2,504	0.1	2.1	5.3	11.8
Nasdaq	5,981	(0.1)	3.6	10.6	23.0
Nikkei	20,193	1.4	1.3	3.4	5.6
Hang Seng	28,073	(0.3)	8.3	15.5	27.6
Bovespa	75,990	0.3	22.5	18.3	26.2
DAX	12,559	0.3	(2.6)	3.8	9.4
FTSE	7,253	0.5	(3.6)	(2.3)	1.5
SGX Nifty	10,156	(0.2)	5.0	10.7	24.1

Top gainers			Top losers		
Underlying Security	CMP	% chg	Underlying security	CMP	% chg
Just Dial	410	6.6	Tata Elxsi	901	(50.6)
Oberoi	420	6.0	GE Shipping	398	(4.3)
DHFL	602	5.9	Divis Lab	834	(4.0)
Jubilant Food.	1,423	4.7	Info Edge	1,146	(3.7)
Rpower	44	4.1	Ipca Labs	506	(3.1)

Recent eco. data	Actual	Cons.	Upcoming eco. data	Cons.	Previous
India IIP	1.2	1.2	Canada CPI	0.2	0.0
India GDP	5.7	6.5	US Flash Mfg PMI	53.1	52.8
US Indus. Production	(0.9)	0.1	Canada Retail Sales	0.1	0.1
India CPI	3.4	3.2	Germany Flash Mfg PMI	59.0	59.3
US Retail Sales	(0.2)	0.1	Canada Wholesale Sales	(0.9)	(0.5)

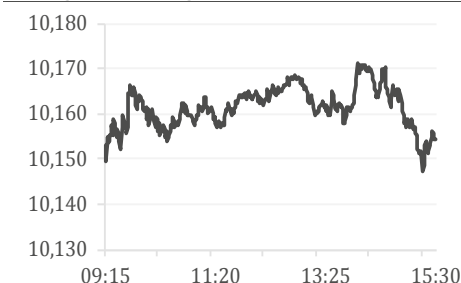
FIIs & DIIs cash activity (Rs cr)			
	Previous day	MTD	YTD
FII Equity	(97)	(1,900)	44,944
DII Equity	776	5,838	74,006
FII Debt	458	3,509	131,809
DII Debt	484	27,818	289,125

Tightening Tuesday! Pressure likely at the top

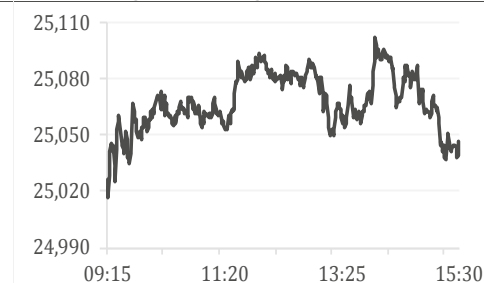
Do not consider painful what is good for you - Euripides

The jubilant mood on the Street could ebb away as investors tune in to global developments. US President Donald Trump may take on North Korea and Iran in his first address to the United Nations today. Chinese President Xi Jinping and Trump spoke about keeping pressure on North Korea with economic sanctions imposed through the United Nations. The US Federal Reserve's two-day policy review commences today. While rates may remain unchanged, the Fed stand on policy normalisation is what investors would watch out for. The outlook is a flat start. Indices could swing as profit booking could set in later in the day. SEBI has allowed real estate investment trusts (REITs) and infrastructure investment trusts (InvITs) to raise capital by issuing debt securities.

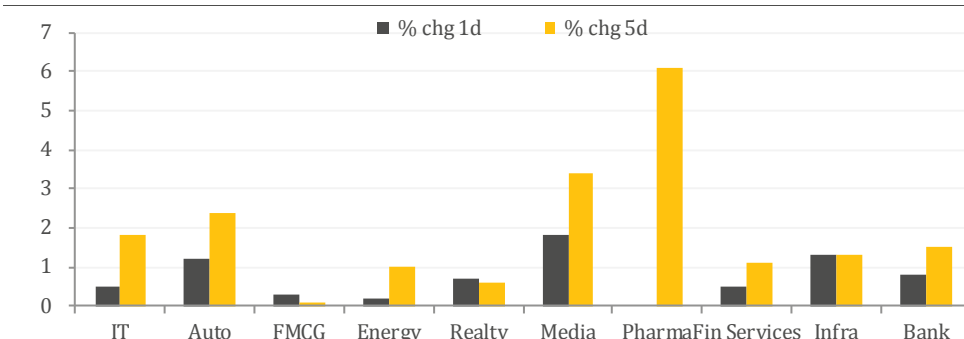
Nifty intra-day movement



Banknifty intra-day movement



Sectoral movement



Corporate News

- As per sources Tata Sons may spend as much as US \$312mn to increase stake in the **Tata Motors**
- U.S. FDA completes **Biocon's** Vishakhapatnam unit inspection with no observations
- **Texmaco Rail and Engineering** board approves merger of Bright Power and Texmaco Hi-Tech Pvt. with itself
- **JSW Steel** gets clearances for two iron ore mines in Karnataka
- **Interglobe Aviation** approves QIP issue price at Rs 1,130 per share
- **Swan Energy** says subsidiaries inked a pact with a Japanese company for Gujarat port project
- **Indiabulls Real Estate** out of F&O from December series
- **Mahindra Lifespace** ties up with IFC for industrial infrastructure development
- **Muthoot Finance** acquires Muthoot Home Finance for Rs 38.72cr
- **NHPC** says Power stations TLDP III and TLDP IV resumed operations
- **TVS Electronics** and Bharati Defence: Circuit filter revised to 10 percent
- SEBI allows REITs and InvITs to raise funds from the debt market

Economy News

- India's external debt drop by 3% to \$471.9bn at end of March 2017
- India's exports jump 10.29% in August; trade deficit too widens to \$11.64bn
- India's CAD likely to touch US \$30-32bn in FY18: ICRA

Upcoming Events

- Sep 19: Australia Monetary Policy Meeting Minutes, Australia HPI, Eurozone Current Account, Germany ZEW Economic Sentiment, Canada Manufacturing Sales, US Building Permits, US Current Account, US Housing Starts, US Import Prices.
- Sep 20: Japan Trade Balance, Germany PPI, UK Retail Sales, US Existing Home Sales, US Federal Funds Rate.
- Sep 21: Reserve bank of Australia Bulletin, Japan Monetary Policy Statement, Bank of Japan Policy Rate, UK Public Sector Net Borrowing, Canada Wholesale Sales, US Unemployment Claims, US Philly Fed Manufacturing Index, Eurozone Consumer Confidence, US CB Leading Index.
- Sep22: France Flash Manufacturing PMI, Germany Flash Manufacturing PMI, Eurozone Flash Manufacturing PMI, Canada CPI, Canada Retail Sales, US Flash Manufacturing PMI.

SBI Life Insurance Co Ltd. - Subscribe



Fastest growing player with an edge in distribution

SBI Life has been the leader among the private life insurers in NBP generation since FY10. Over FY15-17, it has gained significant private NBP market share setting the company apart from other large private players. A balanced customer and product portfolio and robust throughput from bancassurance and individual agent channels has underpinned strong business growth in the recent years. Amongst the products, individual ULIPs and group fund management products have led growth. With government's efforts towards channelizing household savings in financial products, equity market in upswing and moderation in interest rates, ULIPs are back in vogue in a well-regulated environment. This along with increasing realization among the working populace about having an adequate risk cover will drive brisk growth for the industry. SBI Life is well positioned to capitalize on any opportunity given significant scope for penetration within bancassurance network (mammoth base of SBI, SIB and PSB combined), planned investment in individual agency channel and emphasis on digital platform. Not to forget, the company has a strong brand pull also.

Cost leadership and improving VNB margin

SBI Life has the lowest total cost ratio among the private life insurers which is backed by an impressive control over opex. This coupled with improving persistency and mortality experience is driving an expansion in VNB margin. Operating return on EV (RoEV) stood at handsome 23% in FY17. Solvency ratio of 200% implies a healthy financial position. In our view, the IPO pricing at ~4.2x FY17 EV (10% premium to I-Pru Life) factors relative franchise strengths to an extent. However, it is not fully reflective of the structural value that high growth and improving margins could create in the longer run. We recommend Subscribe.

Analyst: Rajiv Mehta, Lokesh Kashikar

Issue Opens: 20-September-17		Issue Closes: 22-September-17		Price Band: Rs685-700	
Issue details					
Face value (Rs)	10	Post-issue M-cap	Rs.685-700bn		
Fresh Issue	-	Issue Size	Rs.82-84bn		
Offer for Sale (up to)	120mn shares	Issue type	100% Book building		
Price Band	Rs685-700	Share reservation (%)			
Shareholding pattern (%)					
	Pre IPO	Post IPO			
Promoter	96.0	84.0	QIB	50.0	
Non-Promoter	4.0	16.0	Non Institutional	15.0	
Issue Manager					
BRLM	JM Financial, Axis Capital, Citigroup, BNP PARIBAS		Retail	35.0	
Registrar	Karvy Computershare Pvt. Ltd		Company management		
Listing	NSE, BSE		Arundhati Bhattacharya	Chairman	
			Arijit Basu	MD & SEO	
			Sangramjit Sarangi	CFO	

Figure 1: Financial summary

Particulars	FY15	FY16	FY17	Q1 FY18
Net Premium Income (Rs bn)	127.8	156.7	208.5	37.6
New Business Premium (Rs bn)	55.3	71.1	101.5	18.0
Growth (%)	-	28.6	42.7	-
VNB (Rs bn)	-	-	10.4	-
VNB Margin (%)	-	-	15.4	-
Profit after tax (Rs bn)	8.2	8.4	9.6	3.1
Growth (%)	-	3.1	13.7	-
EPS (Rs - annualized)	8.2	8.4	9.6	12.6
BVPS (Rs)	40.6	47.3	55.5	58.8
RoEV (% - annualized)	-	-	23.0	-
RoE (% - annualized)	22.0	19.2	18.6	22.0
Solvency (x)	2.2	2.1	2.0	2.1
EV (Rs bn)	-	125.5	165.4	-

Source: RHP, IIFL Research

COMPANY BACKGROUND

SBI Life is India's largest private life insurer, in terms of New Business Premium (NBP) generated in each fiscal year, since FY10. The company has increased its market share of NBP generated among private life insurers in India, from 15.9% in FY15 to 20% in FY17. During FY15-17, its NBP witnessed a CAGR of 35.5%, which is the highest among the top five private life insurers. In FY17, SBI Life enjoyed a market share of Individual Rated Premium (IRP) of 20.7% among private life insurers and 11.2% of the entire life insurance industry. During FY15-17, its IRP increased at a CAGR of 37.9 %, the highest among the top five private life insurers in India. The company has also issued the highest number of individual life policies annually among the top five private life insurers since FY04. SBI Life's Embedded Value (EV) stood at Rs165.4bn as of March 31, 2017. The Value of New Business (VNB) was Rs10.4bn in FY17 and VNB margin was 15.4%.

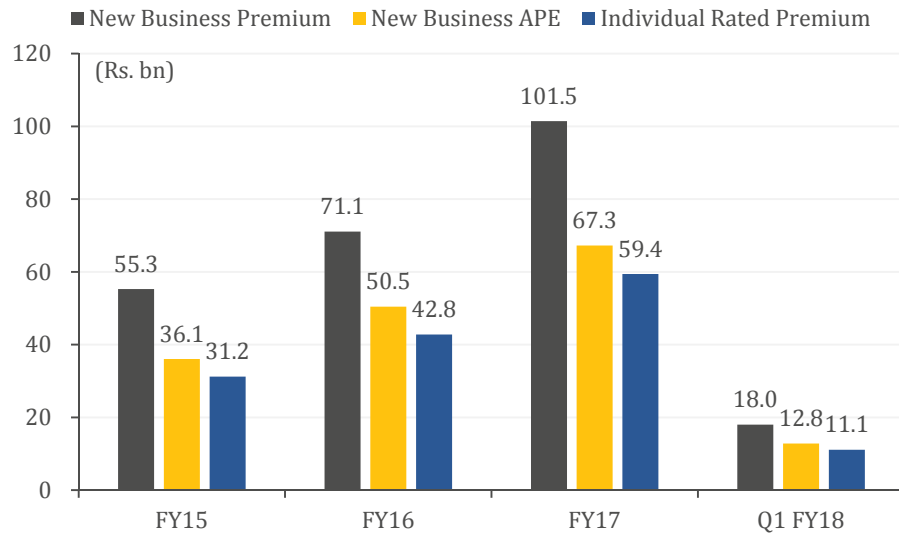
The company was established as a joint venture between the State Bank of India and BNPPC in 2001. As of March 31, 2017, State Bank was India's largest commercial bank in terms of deposits, advances and number of branches. Following its recent merger with certain of its associate banks and a non-affiliate bank, with effect from April 1, 2017, SBI had 24,017 branches and 195 international offices in 36 countries and more than 420 million customers.

As of July 31, 2017, SBI Life had a comprehensive product portfolio of 37 individual and group products (of which eight products are group products), including a range of protection and savings products to address the insurance needs of diverse customer segments. The individual products include participating products, non-participating protection products, other non-participating products and unit-linked products, which contributed 10.77%, 0.95%, 1.69% and 50.36%, respectively, of NBP in FY17.

Company has developed a multi-channel distribution network comprising an expansive bancassurance channel, including State Bank, the largest bancassurance partner in India, a large and productive individual agent network comprising 95,177 agents as of July 31, 2017, as well as other distribution channels including direct sales and sales through corporate agents, brokers, insurance marketing firms and other intermediaries. In FY17, SBI Life collected the highest amount of NBP generated by private life insurers both through the bancassurance channel as well as through the individual agent network.

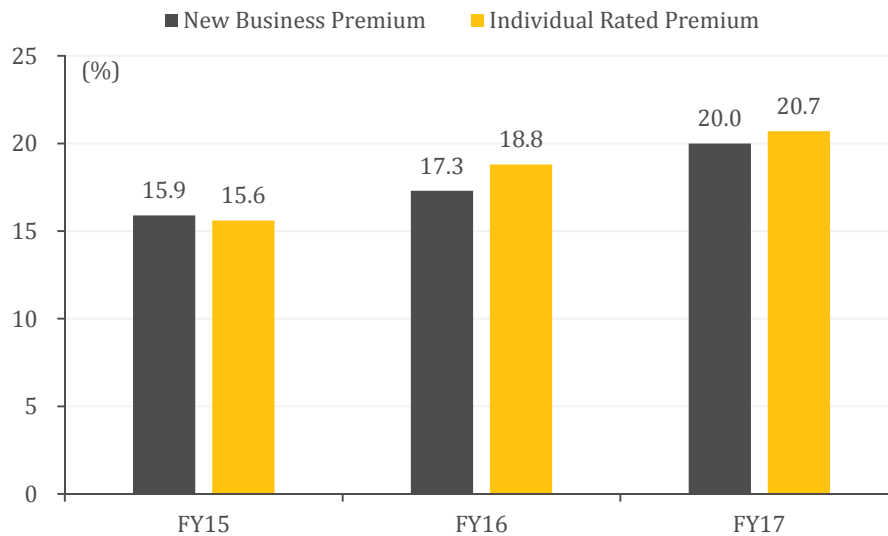
In Fiscal 2017, the company had 13th month and 61st month Persistency Ratios of 81.07% and 67.18%, respectively, with the 61st month persistency being the highest among the top five private life insurers. The Mis-selling Ratio of 0.20% was the lowest among the top five private life insurers. SBI Life' Death Claims Settlement Ratio improved from 92.33% in FY15 to 97.98% in FY17. SBI Life has consistently maintained Solvency Ratio at over 2 in each of the last five fiscal years. Assets under management (AUM) has increased from Rs713.4bn as of March 31, 2015 to Rs977.4bn as of March 31, 2017. The company turned profitable within the first five years of its operations, and have declared dividends every year since FY12.

Figure 1: Growth momentum has accelerated over the past three years



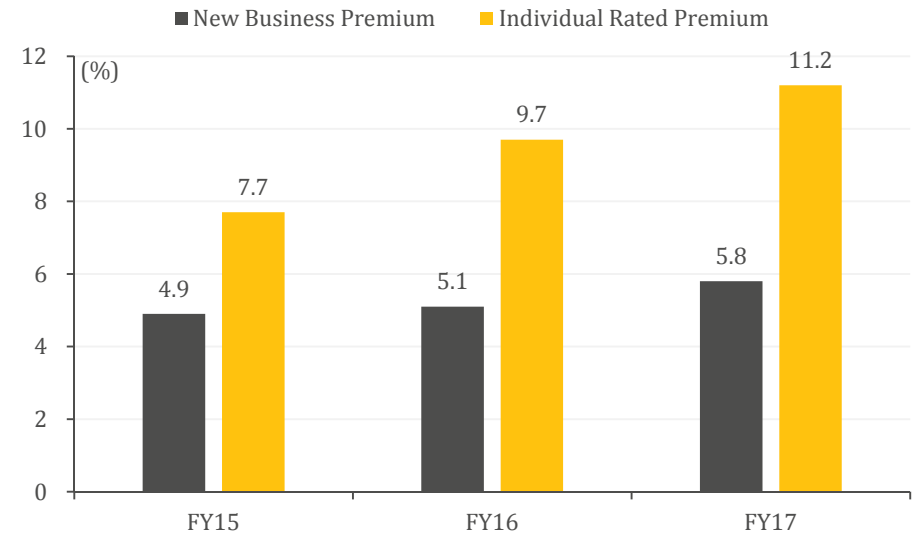
Source: RHP, IIFL Research

Figure 2: Significant market share gain since FY15 among private players



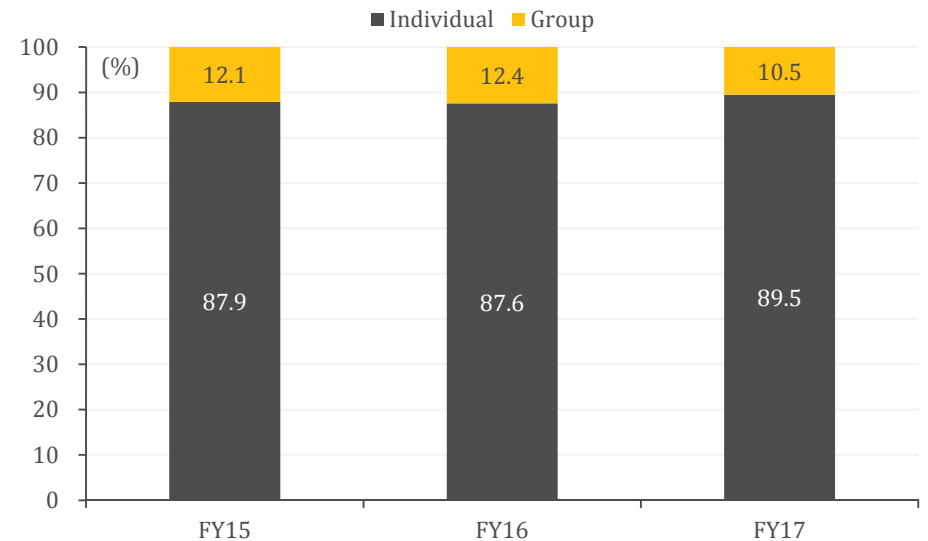
Source: RHP, IIFL Research

Figure 3: Material market share gain at the industry level too



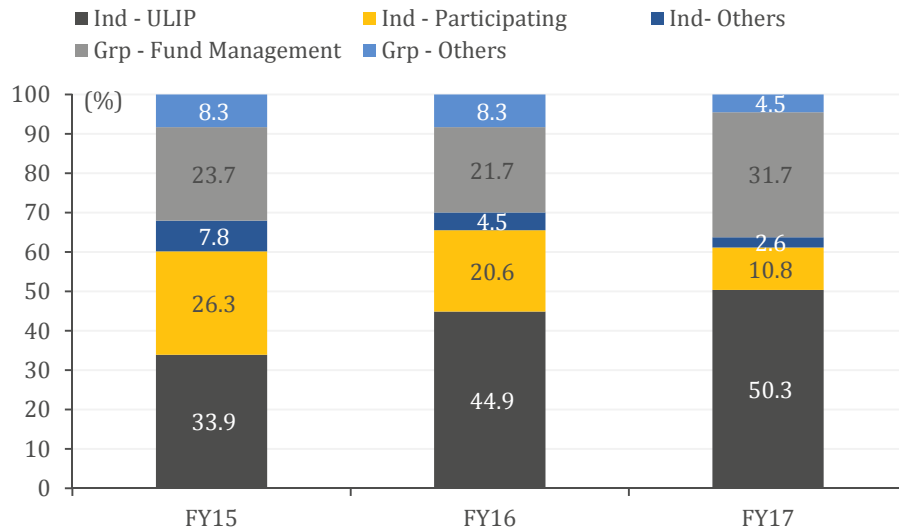
Source: RHP, IIFL Research

Figure 4: Customer mix based on NBAPE



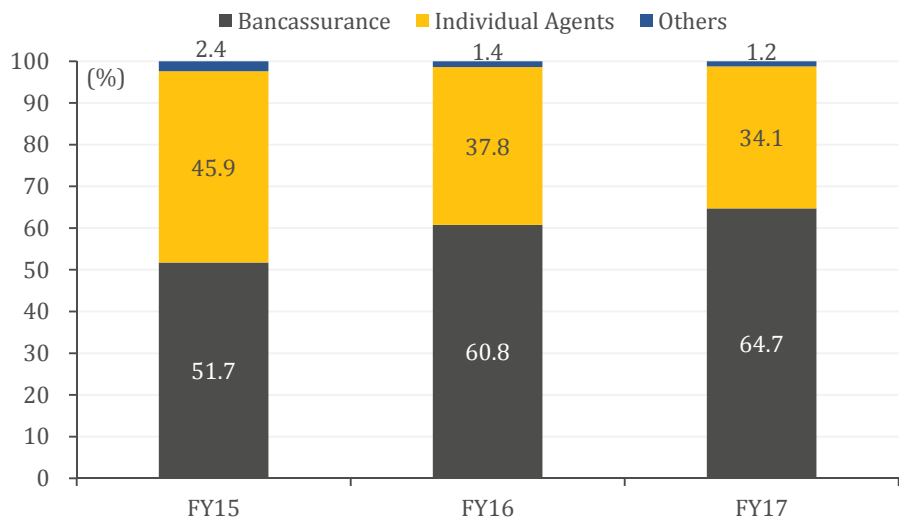
Source: RHP, IIFL Research

Figure 5: Product break-up based on NBP



Source: RHP, IIFL Research

Figure 6: Distribution channel break-up based on Individual NBP



Source: RHP, IIFL Research

FRANCHISE STRENGTHS

One of the largest private life insurer with a consistent track record of rapid growth

Aided by superior growth momentum, SBI Life increased its market share of NBP among private life insurers in India, from 15.9% in FY15 to 20.0 in FY17, and market share of NBP in the entire life insurance industry, from 4.9% in FY15 to 5.8% in FY17. Between FY07-17, company's NBP witnessed a CAGR of 14.7%, faster than the growth rate of the private life insurance industry in the same period. The company is able to leverage its diversified product portfolio and strong distribution network to capitalize on favourable industry opportunities. Over the past two years, its Gross Written Premium (GWP) and New Business Annualized Premium Equivalent (NBAPE) registered a CAGR of 27.80% and 36.59%, respectively.

A strong pan-India bancassurance channel and high agent productivity

SBI Life has over the years developed one of the largest multi-channel distribution networks among private life insurers in India, with the largest bancassurance channel, including with State Bank, the largest bancassurance partner in India. The company has the largest market share of Individual New Business Premium (INBP) generated by private life insurers through bancassurance channels in FY17. It also has a large and productive individual agent network comprising 95,177 agents as of July 31, 2017 and the individual agent network generated 22.9% of the INBP generated by private life insurers in FY17. The other distribution channels include direct sales and sales through corporate agents, brokers, insurance marketing firms and other intermediaries. A well-diversified distribution network enables the company to reduce the risk of dependence on any particular channel, leverage economies of scale, and provides an access to a wide range of customer segments.

Bancassurance is the largest distribution channel for SBI Life contributing 47.8%, 54.4%, 53% and 63.5%, of the total NBP generated during FY15, FY16, FY17 and the three months ended June 30, 2017, respectively. INBP generated through bancassurance channel grew by robust 38.4% in FY17. Following State Bank's recent merger with certain of its associate banks and a non-affiliate bank, with effect from April 1, 2017, State Bank has 24,017 branches and more than 420 million customers. In FY15, FY16 and FY17 and for the three months ended June 30, 2017, NBP generated through State Bank represented 38.26%, 42.66%, 41.48% and 61.74%, respectively, of overall NBP in such periods. SBI Life also has bancassurance partnerships with 17 Regional Rural Banks, and with the Punjab and Sind Bank and South Indian Bank. The bancassurance network provides the company with a strong presence across rural and urban areas, including metropolitan cities, tier I, tier II and tier III cities and towns across India.

The individual agent network contributed 32.8%, 27.5% 22.3% and 24.9%, respectively, of SBI Life's total NBP in FY15, FY16, FY17 and three months ended June 30, 2017. As of July 31, 2017, the company had 95,177 individual agents. In FY17, the NBP per agent stood at Rs234,501, representing the highest productivity among all private life insurers in India. Various factors contribute to the relatively higher productivity of SBI Life's agency channel, including an established brand, strong sales management practices, attractive rewards and recognition program, technology driven sales platforms, effective sales support and agent training.

The company also makes significant direct sales, primarily comprising sale of group products, as well as standardized individual products sold online. SBI Life has developed strong institutional relationships with large corporate groups, in particular with respect to group life insurance products. In FY15, FY16, FY17 and the three months ended June 30, 2017, other distribution channels, including direct sales, sales by non-bancassurance corporate agents, brokers, micro-agents, common service

centres and insurance marketing firms, contributed 19.3%, 18.1%, 24.7% and 11.6%, respectively, of total NBP.

Diversified product portfolio

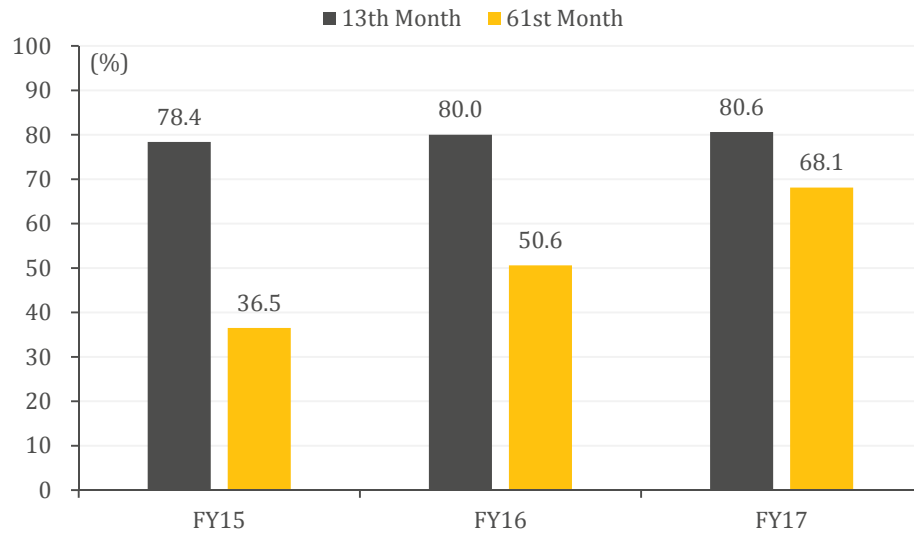
SBI Life's diversified product portfolio has had an important contribution in its growth. In FY17, participating products, non-participating protection products, other non-participating products and unit-linked products represented 16.9%, 1.5%, 2.7% and 80%, respectively, of INBP. In the group business, group protection (credit life) has been a key focus area and NBP from these products has increased by 15.6% in FY17.

Robust financial position supported by high operating efficiencies

SBI Life turned profitable within the first five years of its operations and has demonstrated consistent profitability since FY10; also has declared dividends every year since FY12. The company has not required additional capital infusion since 2008. It has maintained Solvency Ratio at over 2 during the last five fiscal years.

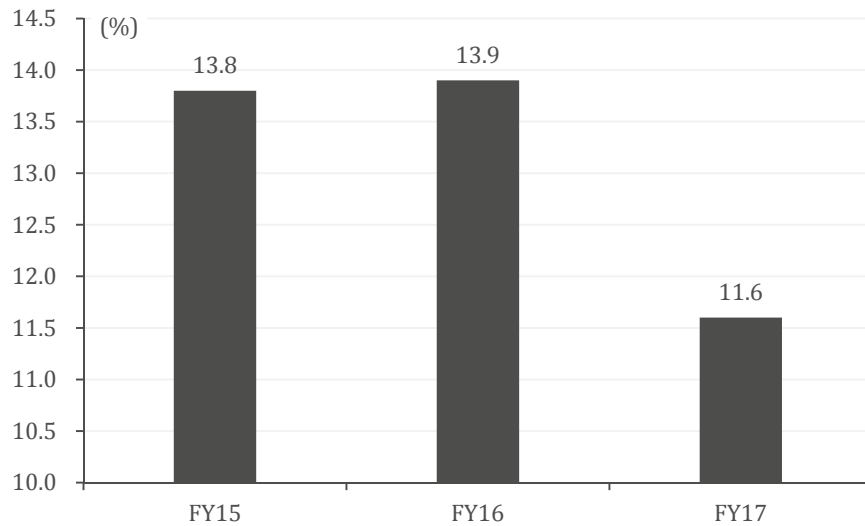
The VNB stood at Rs10.4bn in FY17 and VNB margin was at 15.4%. In addition, Embedded Value Operating Profit (EVOP) was Rs28.9bn in FY17, and the operating Return on Embedded Value (RoEV) was 23%. PAT has registered a CAGR of 8.2% over FY15-17. While the company has made significant investments to support growth, it has ensured high levels of operating efficiencies reflected in low cost ratios. In FY15, FY16, FY17 and three months ended June 30, 2017, SBI Life's total cost ratio was 13.8%, 13.9%, 11.6% and 14.2%, respectively. These levels are the lowest among top five private life insurers. The relatively low cost ratio is underpinned by effective utilization of distribution channels, increased focus on bancassurance and higher productivity of individual agent network.

Figure 7: Persistency ratios are improving



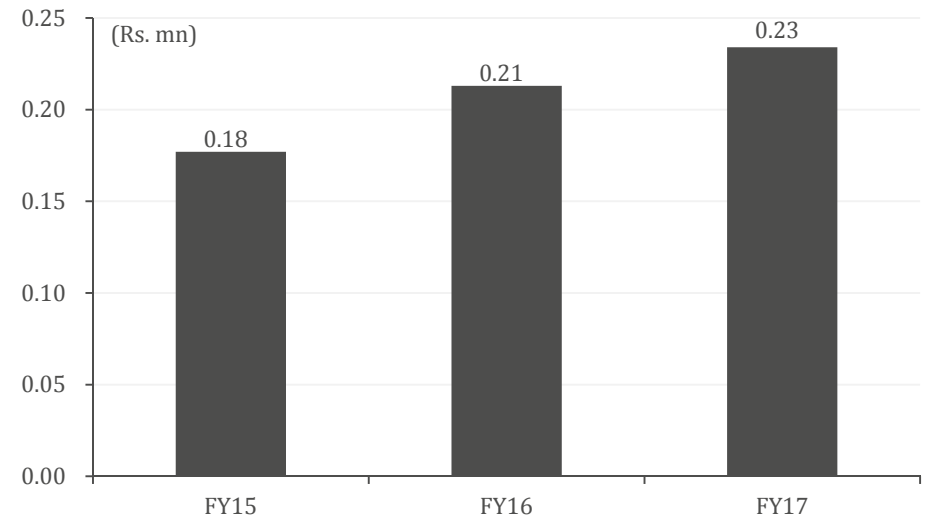
Source: RHP, IIFL Research

Figure 8: Total cost ratio has been sustained at lower levels



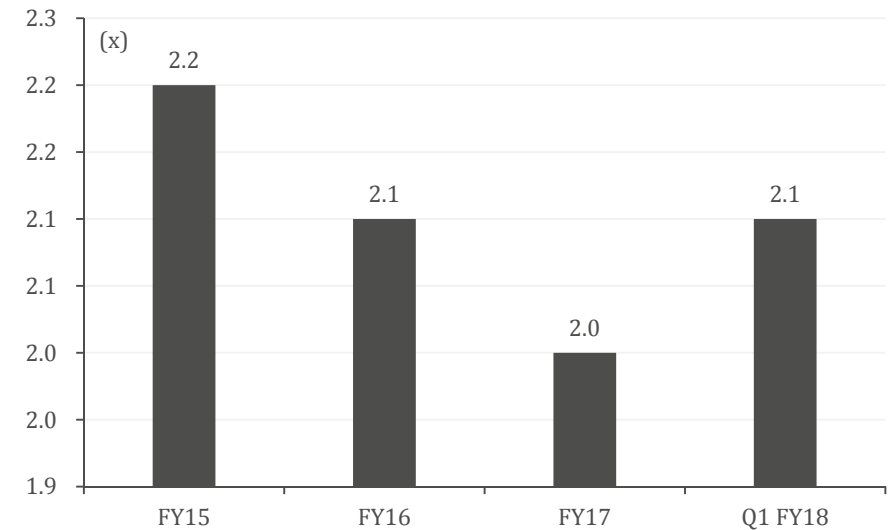
Source: RHP, IIFL Research

Figure 9: Individual Agent productivity is gradually improving



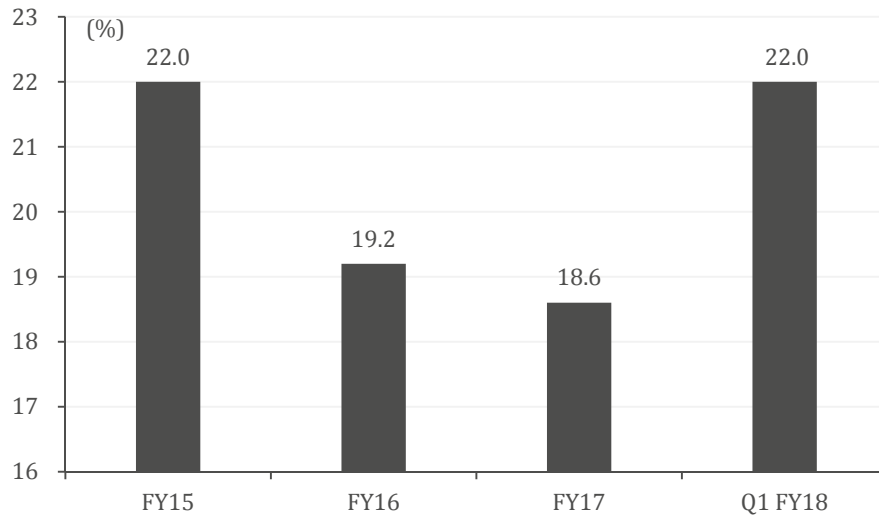
Source: RHP, IIFL Research

Figure 10: Solvency well above the regulatory requirement



Source: RHP, IIFL Research

Figure 11: Healthy RoE being sustained



Source: RHP, IIFL Research

High focus on customer service

A strong focus on customer service is a key factor for sustained growth. SBI Life’s customer-centric approach to growing business and developing product portfolio and distribution channels has been a key competitive strength. It offers a diverse and comprehensive range of products that cover various customer segments. Customer support services are provided through over 42,000 CIFs at the branches of various bancassurance partners. The company also provides customer support through call centres, website and mobile application. Number of policies issued through digital mode has increased from 13,008 in FY15 to 90,390 in FY17. The death claims settlement ratio has improved from 92.3% in FY15 to 98% in FY17. The surrender ratio for individual unit-linked products to average AUM was 8.8% in FY17. The 13th month and 61st month Persistency Ratios have improved to 81.1% and 67.2% respectively in FY17. Further, the stringent customer service standards are evident in a low Mis-Selling Ratio of 0.2% in FY17, which was the lowest among the top five private life insurers.

FUTURE STRATEGY AND KEY RISK

Insurance penetration to improve; SBI Life well positioned

Indicators such as life insurance penetration (premium as a percentage of GDP), insurance density (premium per capita) and protection gap (sum assured to GDP) suggest that India is still underinsured and there is significant scope for growth. India’s life insurance penetration was at 2.7%, lower than its comparable Asian counterparts such as Thailand, Singapore and South Korea where the life insurance penetration was 3.7%, 5.5% and 7.4% as of 2015. As of 2014, the protection gap for India was the highest among all the countries in Asia Pacific at 92%. This indicates the absence or inadequacy of pure protection coverage (term insurance) for a large part of the Indian population. The brisk growth in the economy, and structural drivers such as rising life expectancy, increase in share of working population, rising healthcare spending, rapid urbanization and rising affluence, etc. is expected to propel the Indian life insurance sector growth. A rise in financial savings, coupled with an expected increase in share of insurance as a percentage of financial savings, due to significant improvements in product proposition and delivery mechanisms, are expected to drive growth too.

Private life insurers have been gradually gaining market share over the past two years, and it is expected that they will continue to grow at a faster rate than the industry average in the coming years. NBP for life insurers is expected to register at a CAGR of 11-13% during FY17-22, compared to a CAGR of 9% between FY12-17. Total premium is expected to witness a CAGR of 13-15% over the next five years as per CRISIL Report.

SBI Life is well positioned to capitalize on opportunities arising out of the growing life insurance market in India. It should be able to maintain its leadership position in the private sector life insurance market by increasing penetration and proliferation of its products in untapped/relatively under-penetrated markets. The company has plans

to develop and introduce additional individual products. It will continue to focus on further growing the credit life protection business offering coverage for loans by working more closely with the bancassurance partners and entering into strategic distribution arrangements with other financial services institutions.

Optimization of product portfolio and improving efficiency of distribution network

As part of its efforts to enhance VNB, EV and improve margins, SBI Life intends to further optimize product portfolio by maintaining a balance between unit-linked, participating and non-participating products. It intends to expand protection product portfolio, with a particular emphasis on credit life protection products. The strategy will also include gradually reducing focus on group products due to its inherently competitive nature and high guarantee obligation. The management will periodically reevaluate pricing based on customer feedback but with a focus on profitable growth while maintaining market share.

The large bancassurance channel provides significant cross-selling opportunities with minimal distribution costs. In particular, there is significant headroom for leveraging SBI's large branch network and customer base. The company also intends to engage closely with newer bancassurance partners Punjab and Sind Bank having 1,500 branches primarily in north India, and with South Indian Bank having 850 branches primarily in south India. SBI Life will continue to look for additional bancassurance partners, and also intend to enter into strategic distribution arrangements with small finance banks, payment banks and various non-banking financial service companies.

The company will strategically grow a highly productive individual agent network, by recruiting additional agents and sales managers to support them. Focus on direct sales through website and customized mobile applications will be enhanced and adequately supported by dedicated customer service and call centres.

Significant proportion of Individual NBP is generated by unit-linked products

In FY17 and for the three months ended June 30, 2017, unit-linked products represented 79.2% and 72.9% respectively of SBI Life's NBAPE from individual products. In the past, while various significant regulatory changes were introduced, that included, among others, changes in the prescribed minimum levels of sum assured, specific limits on permissible charges payable by customers and introduction of limits on payment of commission; such changes have not had a material effect on the company's business, financial condition and results of operations. However, there can be no assurance that any future regulatory changes or market development or any changes in customer preferences that adversely affect sales of unit-linked products will not adversely affect the business. Further, certain products, in particular unit-linked products are also subject to pricing restrictions prescribed by the IRDAI. If unit-linked funds underperform their respective benchmarks, the company may find it difficult to market these products in the future and may be in a disadvantageous position as compared to the competitors.

Figure 12: Peer Comparison Table

Particulars for FY17	SBI Life	I-Pru Life	HDFC Life	Max Life	Bajaj All
Total Premium (Rs bn)	210.2	223.5	194.6	107.8	61.8
New Business Premium (Rs bn)	101.5	78.6	87.0	36.8	32.9
Individual Rated Premium (Rs bn)	59.4	64.1	36.4	26.4	10.1
No of Policies Issued (mn)	1.3	0.7	1.1	0.5	0.3

Private Market Share

NBP (%)	20.0	15.5	17.2	7.2	6.5
NBP - Individual (%)	20.2	21.8	13.1	10.3	3.3
NBP - Group (%)	19.8	4.8	24.2	1.9	12.0
Total Premium (%)	17.8	19.0	16.5	9.1	5.2
IRP (%)	20.7	22.3	12.7	9.2	3.5
IRP - Industry (%)	11.0	12.0	7.0	5.0	2.0

Premium Growth - CAGR FY14-17

NBP (%)	26.0	27.9	29.2	17.5	8.3
Renewal Premium (%)	24.2	18.7	10.2	12.4	(3.8)
IRP (%)	28.3	25.4	15.3	14.3	0.3

Customer Mix - NBP

Individual (%)	63.8	88.7	48.3	90.2	32.4
Group (%)	36.2	11.3	51.7	9.8	67.6

Product Mix

Linked (%)	50.5	79.1	35.2	24.4	41.7
Non-Linked - Participating (%)	10.8	7.9	14.4	58.2	7.5
Non-Linked - Non-Participating (%)	38.7	13.0	50.4	17.4	50.8

Channel Mix - Individual NBP

Individual Agents (%)	34.1	23.5	15.5	25.0	84.7
Corporate Agents - Banks (%)	64.7	57.1	61.1	61.8	3.9
Others (%)	1.2	19.4	23.4	13.2	11.4

Particulars for FY17	SBI Life	I-Pru Life	HDFC Life	Max Life	Bajaj All
Channel Mix - NBP					
Individual Agents (%)	22.3	20.9	7.5	22.6	27.5
Corporate Agents - Banks (%)	53.0	50.8	30.0	62.9	1.3
Others (%)	24.7	28.3	62.5	14.5	71.2

Regional Concentration - Ind NBP

Top 3 States (%)	24.7	41.9	44.7	33.6	36.2
Top 5 States (%)	38.3	55.8	58.5	50.1	50.6
Top 10 States (%)	67.2	80.3	80.8	77.4	73.5

Persistency Ratio

13th Month (%)	81.1	85.7	80.9	80.4	68.2
49th Month (%)	62.5	59.3	58.3	54.9	38.2

Operating Ratio

Commission Ratio (%)	3.7	3.4	4.1	9.0	2.4
Operating Expense Ratio (%)	7.8	10.5	12.3	14.8	17.1
Total Cost Ratio (%)	11.5	13.9	16.4	23.8	19.5

No of Individual Agents	95,355	136,114	54,516	54,283	77,097
Agent Productivity (NBP Rs)	234,501	127,531	95,073	165,933	108,097
Death Claim Settlement Ratio (%)	98.0	97.2	99.2	98.3	99.2

Source: RHP, IIFL Research

Financials

Figure 13: Statement of Assets and Liabilities

Particulars (Rs mn)	FY15	FY16	FY17	Q1 FY18
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	10,000	10,000	10,000	10,000
Reserves and Surplus	29,910	36,907	44,648	47,782
Credit/(Debit) Fair Value Change Account	653	424	873	1,006
Sub-total	40,563	47,331	55,521	58,788
Borrowings	-	-	-	-
Deferred Tax Liability	31.5	-	-	-
Policyholders' Funds				
Credit/(Debit) Fair Value Change Account	5,008	3,354	7,764	8,086
Policy Liabilities	328,604	396,342	483,238	494,963
Provision for Linked Liabilities	278,744	320,989	388,559	396,672
Add: Fair value change (Linked)	52,631	22,701	37,902	42,669
Add: Funds for Discontinued Policies				
(i) Discontinued on account of non-payment of premium	16,457	16,394	18,967	22,153
(ii) Others	255	133	302	359
Total Linked Liabilities	348,086	360,217	445,730	461,853
Sub-total	681,729	759,912	936,732	964,902
Funds for Future Appropriation - Linked	14.6	2.3	-	-
Funds for Future Appropriation - Other	59	-	-	415
Total	722,366	807,246	992,252	1,024,105
APPLICATION OF FUNDS				
Investments				
- Shareholders'	30,702	35,649	42,955	52,408
- Policyholders'	315,045	382,559	469,617	480,178

Particulars (Rs mn)	FY15	FY16	FY17	Q1 FY18
Assets held to cover Linked Liabilities	348,101	360,219	445,730	461,853
Loans	18	1,236	1,782	1,775
Fixed assets	2,984	4,472	5,385	5,584
Current Assets				
Cash and Bank Balances	25,238	26,168	24,298	18,848
Advances and Other Assets	19,118	23,988	32,628	29,047
Sub-Total (A)	44,355	50,156	56,926	47,895
Current Liabilities				
Provisions	2,073	2,019	2,502	2,274
Sub-Total (B)	18,839	27,045	30,143	25,587
Net Current Assets (C) = (A - B)	25,516	23,111	26,783	22,307
Miscellaneous Expenditure (To The Extent Not Written off or Adjusted)	-	-	-	-
Debit Balance in Profit and Loss Account (Shareholders' Account)	-	-	-	-
Total	722,366	807,246	992,252	1,024,105

Figure 14: Revenue Account - Policyholders' account/ Technical Account

Particulars (Rs mn)	FY15	FY16	FY17	Q1 FY18
Premiums earned - Net				
a) Premium	128,671	158,254	210,151	37,881
b) (Reinsurance ceded)	(871)	(1,599)	(1,627)	(255)
c) Reinsurance accepted	-	-	-	-
Sub-total	127,800	156,655	208,525	37,626
Income from Investments				
a) Interest, Dividends & Rent - Gross	33,262	41,611	51,115	14,715
b) Profit on sale / redemption of investments	52,200	29,626	30,468	7,987
c) (Loss on sale / redemption of investments)	(3,919)	(11,424)	(5,679)	(1,761)
d) Transfer /Gain on revaluation /Change in fair value *	17,861	(29,930)	15,201	4,767
e) Accretion of discount/(amortisation of premium) (net)	3,026	3,526	1,846	362
Other Income				
a) Contribution from the Shareholders' account	1,497	937	627	-
b) Others (Miscellaneous income)	139	197	674	188
Sub-total	104,065	34,543	94,251	26,258
Total (A)	231,865	191,197	302,775	63,884
Commission	6,037	7,143	7,833	1,651
Operating expenses related to Insurance Business	11,675	14,809	16,465	3,718
Provision for Doubtful Debts	0.9	0.8	0.6	0.9
Bad Debts written off	3.8	4.7	3.2	0.4
Provision for Tax				
a) Current Tax	1,092	1,533	1,798	1,215
b) Deferred Tax Charge/ (Credit)	5.5	(14.1)	-	-
Provisions (other than taxation)				
a) For diminution in the value of investments (Net)	(111)	41	(48)	11
b) For standard assets	-	4.8	2.0	(0.2)

Particulars (Rs mn)	FY15	FY16	FY17	Q1 FY18
Service Tax on charges	1,290	1,702	2,266	563
Total (B)	19,994	25,223	28,320	7,161
Benefits paid (Net)	81,977	79,586	95,261	26,225
Interim and terminal bonuses paid	27	74	241	55
Change in valuation of liability in respect of life policies				
a) Gross **	60,655	67,585	85,917	11,586
b) (Amount ceded in Re-insurance)	(9)	(304)	(34)	(489)
c) Amount accepted in Re-insurance	-	-	-	-
d) Fund reserve	53,812	12,315	82,771	12,880
e) Funds for discontinued policies	8,382	272	3,755	3,871
Total (C)	204,844	159,528	267,912	54,128
SURPLUS/ (DEFICIT) (D) = (A) - (B) - (C)	7,027	6,446	6,544	2,595
Balance of previous year	119	73	2	-
Balance available for appropriation	7,146	6,520	6,546	2,595
APPROPRIATIONS				
Transfer to Shareholders' account	7,073	6,517	6,546	2,180
Balance being funds for future appropriations	73	2	-	415
Total (D)	7,027	6,446	6,544	2,595

Figure 15: Profit & Loss Account - Shareholder's account/Non-Technical Account

Particulars (Rs mn)	FY15	FY16	FY17	Q1 FY18
Amount transferred from Policyholder Account (Technical Account)	7,073	6,517	6,546	2,180
Income from Investments:				
a) Interest, Dividend & Rent - Gross	2,316	2,757	3,144	815
b) Profit on sale / redemption of investments	343	369	844	278
c) (Loss on sale / redemption of investments)	(14)	(85)	(30)	(17)
d) Accretion of discount/(amortisation of premium) (net)	116	137	59	(7)
Other Income	75	79	82	35
Total (A)	9,908	9,774	10,644	3,285
Expenses other than those directly related to the insurance business				
a) Rates and Taxes	-	-	-	-
b) Directors' sitting fees	2.2	2.1	4.4	0.5
c) Board meeting related expenses	6.7	8.2	11.2	0.8
d) Depreciation	3.0	2.9	3.2	0.8
e) Other Expenses	36	170	128	21
f) Corporate Social Responsibility expenses	81	99	128	39
Bad debts written off	-	-	-	-
Contribution to the Policyholders' Account	1,497	937	627	-
Provisions (Other than taxation)				
a) For diminution in the value of Investment (Net)	(11)	4	(4)	-
b) Provision for doubtful debts	-	-	-	-
Total (B)	1,615	1,223	898	63
Profit / (Loss) Before Tax	8,293	8,551	9,746	3,222
Provision for Taxation				
a) Current Tax	144	127	199	88
b) Deferred Tax Charge/ (Credit)	0	(17)	-	-
Profit / (Loss) After Tax	8,149	8,441	9,547	3,134

ANNEXURE - TERMINOLOGY

New Business Premium (NBP)

Insurance premium that is due in the first policy year of a life insurance contract or a single lump sum payment from the policyholder

New Business Annualized Premium Equivalent (NBAPE)

The sum of annualized first year premiums on regular premium policies, and 10.00% of single premiums, written by the Company during the fiscal year from both retail and group customers

Individual Rated Premium (IRP)

Premiums written by the Company under individual products and weighted at the rate of 10.00% for single premiums

Persistency

Persistency is the ratio of premium of policies remaining in force to the premium of all policies issued. Persistency is calculated with respect to policies issued in a fixed period prior to the period of measurement.

Operating Expense Ratio

Operating expenses (excluding commission) divided by Gross Written Premium

Total Cost Ratio

Operating expenses including commission, provision for doubtful debts and bad debts written off divided by Gross Written Premium

Solvency Ratio

The solvency ratio is a regulatory measure of capital adequacy, calculated by dividing available solvency margin by required solvency margin, each as calculated in accordance with the guidelines of the IRDAI. The IRDAI has set a solvency ratio control limit of 150.0%.

Value of New Business (VNB)

VNB is the present value of expected future earnings from new policies written during any given period. It is an important metric that reflects the additional value to shareholders expected to be generated through the activity of writing new policies during any given period.

VNB margin

It is the ratio of VNB to New Business Annualized Premium Equivalent for any given period and is a measure of the expected profitability of new business.

Embedded Value (EV)

The measure of the consolidated value of shareholders' interest in the covered life insurance business, which is all life insurance business written by the Company since inception and in-force as on the valuation date

Embedded Value Operating Profit (EVOP)

EVOP is a measure of the increase in the EV during any given period due to matters that can be influenced by management. It excludes changes in the EV due to external factors like changes in economic variables and shareholder-related actions like capital injection or dividend pay-outs.

Return on Embedded Value (ROEV)

It is the ratio of EVOP for any given period to the EV at the beginning of that period.

Non-Participating or Non-Par Product

Policies without participation in profits, means policies which are not entitled to any share in surplus (profits) during the term of the policy as defined under Regulation 2(k) of IRDAI Actuarial Report and Abstract for Life Insurance Business Regulations (defined subsequently). Examples include pure risk policies such as fixed annuities, term insurance, critical illness, etc.

Participating or Par Product

Policies with participation in profits means policies which are not non-par policies as defined under regulation 2(k) of IRDAI Actuarial Report and Abstract for Life Insurance Business Regulations (defined subsequently). A life insurance policy where the policyholder is entitled to at least a 90.00% share of the surplus emerging in the participating fund and the remaining belongs to the shareholders.

The action of last five sessions comprises a struggle around multiple gann pressure points in the 10080-10150 zone. Historically, a stronghold obstacle is always conquered via a gap-up opening. So, Monday's trade was no different. Post a gap-up opening, Nifty made a peak of 10172 before eventually shutting shop above the critical supply points at 10153, up by 68 points. The index trading band at the uncharted zone was confined to a meagre 41 points, taking the shape of a small bullish candle with upper shadow as marginal profit taking was seen. However, Nifty breadth turned positive with 39 of Nifty50 constituents settling higher. Despite the struggle of the few prior sessions to take out the hurdle zone, Nifty seems reluctant to slip below the high made on 11th September 2017 (100029) i.e. the peak marked on gann anniversary period. So, shifting base higher, important support is now placed at 10029.

Fund action

- Nomura Singapore Ltd sold 1.7mn shares of Bharat Road Networks at Rs210

Leaders

Company	CMP (Rs)	52-wk high	Deviation %
HDFC Bank	1,860	1,864	(0.2)
Ashok Ley.	119	119	(0.3)
Gruh Fin.	543	545	(0.4)
Asian Paints	1,256	1,262	(0.5)
LT	1,238	1,246	(0.6)

Laggards

Company	CMP (Rs)	52-wk Low	Deviation %
Apollo Hosp	1,060	1,048	(1.1)
Amara Raj.	775	750	(3.2)
Alembic Ph.	489	470	(3.9)
Crisil	1,882	1,785	(5.1)
Infosys	909	860	(5.4)

* Based on deviation from 52-week high/low

Proximity to 20-DMA

Company	CMP (Rs)	20-DMA	Deviation %
Info Edge	1,146	988	16.0
Ipca Labs	506	439	15.3
Divis Lab	834	726	14.9
Tv18 Broad	44	40	10.0
Sun Tv	850	776	9.5

Proximity to 50-DMA

Company	CMP (Rs)	50-DMA	Deviation %
DHFL	602	479	25.7
Relcapital	766	642	19.3
Divis Lab	834	702	18.8
IGL	1,443	1,232	17.1
JSW Energy	77	67	14.9

* Based on deviation from moving averages

High delivery stocks

Company	% Delivery	CMP (Rs)	% chg
Gspl	79.0	197	0.5
Mphasis	78.0	613	(2.4)
Hdfc	77.0	1,772	0.2
Hcl Tech	73.0	897	1.2
Castrol	71.0	384	(0.9)

Low delivery stocks

Company	% Delivery	CMP (Rs)	% chg
Dhfl	9.0	602	5.9
Divis Lab	10.0	834	(4.0)
Just Dial	14.0	410	6.6
Sun Tv	15.0	850	3.1
Dif	16.0	194	1.2

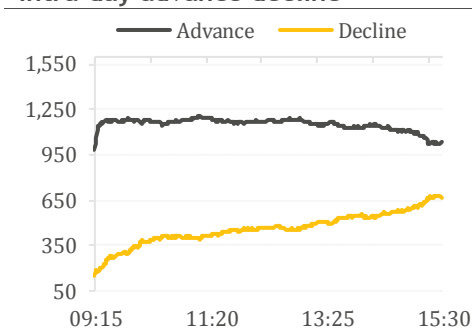
Spurt in volumes

Company (mn)	Day's Vol.	2-week Avg. Vol	10-DMA	CMP (Rs)	% chg
Gmr Infra	32	29	18	18	1.4
Rcom	21	17	22	20	(1.2)
Sbi	18	12	273	270	(0.4)
Idfc	13	11	60	62	0.3
Rpower	10	4	41	44	4.1

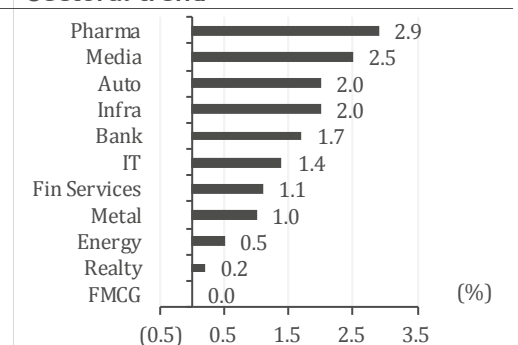
Index Pivot

Index	Last close	Support	Pivot	Resistance
Nifty	10,153	10,132	10,152	10,173
Sensex	32,424	32,354	32,431	32,501
Nifty Bank	25,047	24,957	25,031	25,120
Nifty IT	10,650	10,609	10,642	10,683

Intra-day advance decline



Sectoral trend



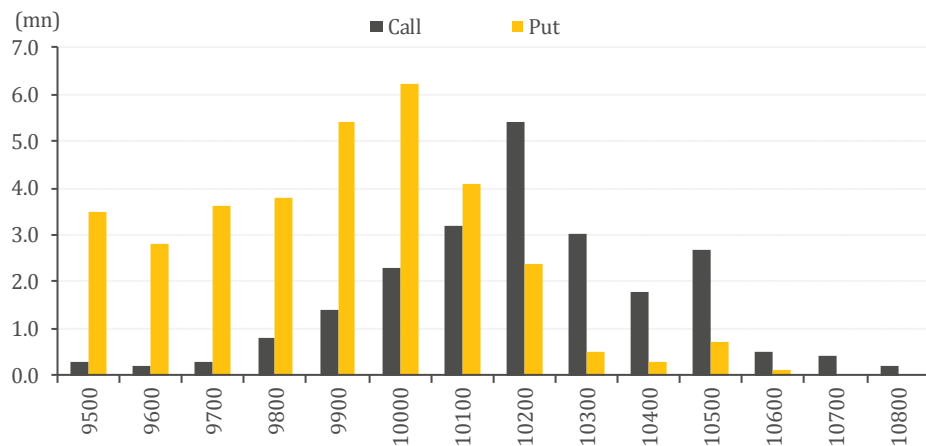
* Calculations based on 10-DMA

Index snapshot

	Futures	% Chg	Spot	Basis	Next Month	OI in shs	OI % Chg	PCR OI	PCR Vol	ATM IV's	Rollovers	Max call build-up	Max put build-up
Nifty	10,175	0.7	10,153	22.00	10,207	272,826	(2.4)	1.60	1.30	10.1	5.7%	10,200	10,000
Bank Nifty	25,057	0.8	25,047	10.00	25,118	62,158	3.4	1.27	1.23	11.3	5.1%	25,000	25,000

- Nifty ended at uncharted zone on account of short covering, BankNifty surpasses 25000 with fresh longs in futures. SGX Nifty indicating flat to negative opening.
- Significant open interest additions are visible at put strikes ranging from 10200 to 10000 and unwinding at 10000/10100 call. Maximum open interest base is placed at 10200 call and 10000 put.
- FIIs index futures long/short ratio seen at 1.35x vs 1.39x with addition of ~3.7k short index futures position.
- Shifting base higher, immediate support is now placed at 10100 followed by important support zone near 10000 mark.

Nifty open interest distribution



Securities in ban period: DHFL, HDIL, IBRealEst, Infibeam, JP Associates, JSW Energy, Just Dial, Wock Pharma

Futures open interest gainers

Scrip	OI (lacs)	% OI Chg	CMP (Rs)	% Chg	Action
Justdial	58	16.5	412	6.7	Long Build up
Jublfood	27	12.7	1,429	4.7	Long Build up
Bajaj-Auto	18	10.0	3,137	3.4	Long Build up
Mrf	1	8.7	65,200	1.0	Long Build up
Itc	549	8.0	268	(0.7)	Short Build up
Apollotyre	125	7.7	263	2.3	Long Build up
Ptc	169	7.5	126	3.3	Long Build up

Futures open interest losers

Scrip	OI (lacs)	% OI Chg	CMP (Rs)	% Chg	Action
Powergrid	146	(9.0)	215	0.9	Short Covering
Adaniports	80	(8.4)	404	(0.5)	Long Unwinding
Albk	133	(6.2)	73	0.0	Long Unwinding
Zeel	64	(5.8)	543	1.7	Short Covering
Exideind	130	(5.4)	224	2.8	Short Covering
Idea	617	(4.7)	83	3.8	Short Covering
Hindzinc	98	(4.2)	311	1.6	Short Covering

Table 1: FIIs derivative activity

Trading turnover	Index Fut*	Stock Fut*	Index Calls*	Index Puts*
FIIs	(2,205)	(80)	(4,852)	(10,569)
DIIs	2,829	(8,934)	0	0
Prop	5,275	1,101	2,946	(11,705)
HNI Clients	(5,899)	7,913	1,906	22,274

* No of contracts

Commodities

Gold prices retreated further, with values getting close to the low of US\$1,300/oz. Central bank's policy normalisation narrative seems to be troubling the gold bugs, while geopolitical tensions have taken a backseat for a while. This week, market focus will be accentuated on Fed policy meeting, where no rate move is expected, though possibility of tapering US\$4.45 trillion balance sheet remains on the table. Investors will also be interested in language of the policy statement, gauging the probability of a rate move in December. In this regard, interest rate futures now convey 56% chance of a hike. Meanwhile, BOJ will also conduct its policy meeting, with persistence expected with the asset purchase program.

Base metals remained on the defensive, deriving cues from the weakness in the ferrous markets. Reports of some slowdown creeping in Chinese housing markets is also weighing on the sentiment. 52 major cities (out of 70) surveyed reported a monthly price increase in August, lower than the number of 61 in July. August's rate of appreciation was 0.2% (mom), half the pace recorded in prior month. Although prices in Shanghai and Beijing were up by 2.8% and 5.2% respectively on yoy basis, they were unchanged on a monthly basis. Over the past 12 months, several cities have imposed restrictions to cool down the overheating, but this has yielded mixed results at best. A large proportion of Chinese households still expect housing prices to keep rising.

FX

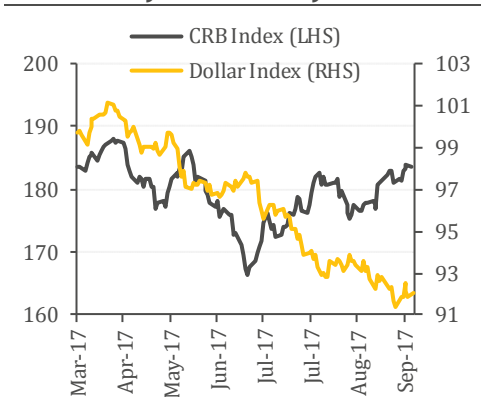
BOE's **hawkish** tone has changed the dynamics of **GBP/Euro** trade, where markets are now paring expectations of the pair hitting a parity. Although BOE governor mentioned that the rate hikes will be gradual and limited, some Banks (HSBC & Barclays) are projecting UK interest rates to hike as early as November. On other side of the channel, there are no indications from ECB regarding a rate move, though tapering of bond purchases seems to be a writing on the wall.

Commodities (US\$ terms)	Last Price	% chg 1d	% chg ytd
Gold (troy oz)	1,307	0.0	13.9
Silver (troy oz)	17.2	(0.4)	7.7
Copper (MT)	6,551	0.4	18.4
Aluminium (MT)	2,107	0.8	24.5
Zinc (MT)	3,116	0.6	20.9
Lead (MT)	2,396	0.2	18.8
Nickel (MT)	11,215	(0.2)	11.9
WTI Crude (bbl)	50.0	0.1	(7.0)
Br. Crude (bbl)	55.5	0.1	(2.3)
NG (mmBtu)	3.20	0.1	(15.4)

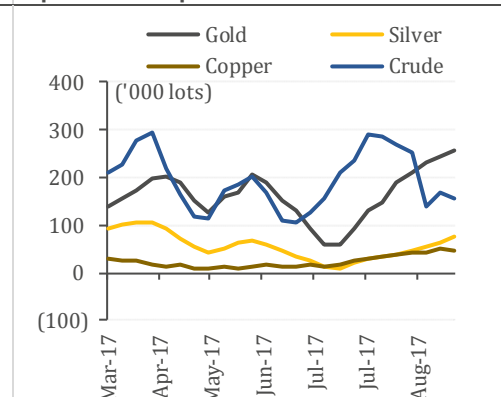
Currencies	Last price	% chg 1d	% chg ytd
USD/INR	64.10	0.0	5.9
EUR/INR	76.70	0.0	(6.6)
GBP/INR	86.80	0.0	(3.9)
JPY/INR	0.58	(0.1)	0.8
EUR/USD	1.20	0.0	13.8
GBP/USD	1.35	0.2	9.5
USD/JPY	111.50	0.0	4.9
USD/CNY	6.60	0.0	5.3
USD/Real	3.14	(1.0)	3.8
USD Index	91.90	0.0	(10.1)

Commodity Dynamics	Latest	Week ago	1m ago	6m ago	1yr ago
SPDR Gold ETF (tonnes)	844	836	799	834	943
iShares Silver ETF (mn oz)	327	327	334	331	363
LME Cu Stocks ('000 MT)	303	208	271	338	349
LME Al Stocks ('000 MT)	1,311	1,320	1,287	1,996	2,167
LME Zn Stocks ('000 MT)	262	240	248	376	444
LME Pb Stocks ('000 MT)	163	164	148	190	188
LME Ni Stocks ('000 MT)	383	383	385	384	367
US Crude stocks (mn bbl)	468	462	475	528	481
US Oil Rig Count	749	756	768	617	414

Commodity v/s Currency



Speculative positions on CME



Asset Allocation

Model Portfolios	Conservative (%)		Balanced (%)		Aggressive (%)	
	SAA	TAA	SAA	TAA	SAA	TAA
Asset Allocations	SAA	TAA	SAA	TAA	SAA	TAA
Equity	14	14	49	49	76	76
Fixed Income	76	76	40	46	8	20
Real Estate	0	0	5	0	10	0
Alternatives	5	0	5	0	5	0
Liquid Assets	5	10	1	5	1	4
Total	100	100	100	100	100	100

SAA – Strategic Asset Allocation; TAA – Tactical Asset Allocation

Source: IIFL Research

Strategic and Tactical Asset Allocations across Model Portfolios

Strategic Asset Allocation (SAA) is the long term asset allocation strategy for a client that is arrived at on the basis of risk assessment and investment objectives. There are five model portfolios that have asset allocations to suit different risk profiles. The model portfolios have been optimized using historical risk and returns across asset classes. Every month the IIFLW investment Committee formalizes monthly tactical views on the markets and their impact on various asset classes.

Tactical views on each asset are with a one year time horizon and Tactical Asset Allocation (TAA) is a +/- 5%-10% change to a Client's broader Strategic Asset Allocation.

Asset Class View

Asset Class	Tactical View
Fixed Income	Neutral
Equity	Overweight
Real Estate	Neutral
US Dollar	Neutral
Gold	Underweight
Liquid Assets	Underweight

Sector View for listed equities

Sector	Weight
Agriculture	Overweight
Automobile	Neutral
Capital Goods - BTG	Underweight
Capital Goods – T&D	Overweight
Cement	Underweight
Consumer Discretionary	Overweight
Housing finance	Overweight
MFI's	Neutral
Private Bank	Overweight
PSU Bank	Neutral
FMCG	Neutral
Infrastructure	Overweight
IT	Underweight
Metals & Mining	Neutral
Oil & Gas E&P	Underweight
Oil Marketing	Overweight
Gas Utilities	Neutral
Pharma	Underweight
Telecom	Underweight
Power Utilities	Neutral

IIFL Wealth Research bags 2 Best Analyst Awards

IIFL Wealth Research has bagged two prestigious awards at the *Zee Business Market Excellence Awards 2016*.

Prayesh Jain was conferred the Best Analyst Award for Auto sector and **Bhavesh Gandhi** bagged the Best Analyst Award for Pharma sector.

Besides the twin awards, IIFL Wealth Research was also nominated in the categories of Oil/Gas, Banking and Industrials.

IIFL Wealth Research, as you know, has always prided itself on its unique value proposition in a swarming market space of cut-throat competition, among other things, on our wealth of actionable ideas, tailored portfolio approach and thorough research in line with client needs and priorities, distinctive practice of following up with Call Success post recommendations and a vast coverage universe of as many as 300 companies (comprising 70% of India's equity mcap).

In the past, the research team has won Zee Biz Awards under different categories; Bloomberg has rated our research as the most accurate, while we have twice been winners of Business Standard Smart Portfolios, having received awards at the hands of luminaries including President Pranab Mukherjee, Prime Minister Narendra Modi and Minister of State Piyush Goyal.

Recommendation parameters for fundamental reports:

Buy = >15%+

Accumulate = 5% to 15%

Reduce = -10% to 5%

Sell = >-10%

ABOUT IIFL Wealth Management Limited

IIFL Wealth Management Limited (hereinafter referred as IIFLW), a Company incorporated under Companies Act, 1956, is registered with SEBI as Portfolio Manager and as a Stock Broker. IIFLW is also registered with AMFI as a distributor of mutual funds. IIFLW provides wealth management services to various HNI / Ultra HNI clients and inter alia distributes various securities and financial products, including mutual funds, alternative investment funds, debentures and structured products. IIFLW has made necessary application for registering itself as a Depository Participant.

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