

Bajaj Finance

Refer to important disclosures at the end of this report

Quality prevails over valuations

- Our recent channel checks re-affirm BAF's improvements in customer sourcing and collection efficiencies while leaving limited room for errors. We expect its stellar performance to continue on increasing penetration and diversified liability franchise.
- We factor in some pull-back in NIMs, dominantly on the expansion of low-yield housing portfolio. We also expect operational leverage to kick in, keeping PBT margins intact. Our credit cost estimates remain unchanged, considering improved customer sourcing.
- We reiterate our theme around BAF being a pure-play India consumption story. We assume AUM CAGR of ~34% over FY18-21E, backed by solid cross-sell franchise. We expect a 33% EPS CAGR and 22-23% medium-term RoE during FY18-21E.
- Maintain Buy on the stock and roll forward to FY21E with a revised TP of Rs 3,618 (P/B 6.8x FY21E and P/E 32.9x FY21E). Though we are not building any capital issuances, dilution of Rs80bn during H2FY20 is fair assumption, easing premium valuations.

Outstanding collection and recovery procedures: Our recent channel checks on BAF's in-class, incentive-driven, specialized and deeply penetrated collection and recovery system have driven our thesis on the company's ability to maintain low credit costs while increasing its asset base. We are believers in the premise that the success of a lender's business hinges on its ability to recover dues in a timely and an efficient manner. Understanding BAF's top-class collection and recovery system has strengthened our conviction in its ability to keep running on the long runway.

Long runway of AUM growth: Despite intensifying competition and a high base, we believe that now is the time when cross sell kicks in for BAF. BAF's out-of-the-class data analytics and growing product basket enable it to make available the new products to its high existing customer base of ~32.6mn. This growth should come at a lower credit cost, thus expanding return metrics. Our channel checks also indicate deeper rural penetration, fueling BAF's geographic expansion.

NIM compression unavoidable; operating leverage holds the key: In our view, BAF could see some margin compressions over the next two years (from ~9.8% in FY19E to ~8.9% in FY21E), dominantly on account of the expansion of low-yielding housing book. We see this as its management's positive intent to diversify risks and manage them better. In addition, NIM compression is not expected to reduce PBT margins as operational leverage is expected to kick in.

Outlook and valuations: Though BAF currently trades at rich valuations (P/B 7.1x FY20E and P/B 5.7x FY21E), we understand that its aggressive growth would require a capital infusion over the next 12-24 months, driving valuations down. Accordingly, we maintain Buy rating on the stock with a revised TP of Rs 3,618 (P/B 6.8x FY21E and P/E 32.9x FY21E), without factoring in the equity infusion. Maintain our OW stance in our EAP - NBFCs. Key risks include substantial build-up of consumer leverage and a prolonged rural distress scenario.

Please see our sector EAP (Page 7): [Emkay Alpha Portfolio – BFSI-NBFCs](#)

Financial Snapshot (Consolidated)

| (Rs mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|------------|--------|--------|---------|---------|---------|
| Net income | 61,885 | 88,316 | 118,125 | 148,550 | 189,016 |
| Net profit | 18,364 | 26,741 | 38,539 | 49,061 | 63,258 |
| EPS (Rs) | 33.7 | 47.0 | 67.0 | 85.3 | 110.0 |
| ABV (Rs) | 171.3 | 285.9 | 342.4 | 420.2 | 522.0 |
| RoA (%) | 3.3 | 3.6 | 3.8 | 3.6 | 3.5 |
| RoE (%) | 21.6 | 20.5 | 21.0 | 21.9 | 22.8 |
| PABV (x) | 17.6 | 10.6 | 8.8 | 7.2 | 5.8 |
| PE (x) | 90.1 | 64.5 | 45.3 | 35.6 | 27.6 |

Source: Emkay Research

| | |
|------------------------|---------------------|
| CMP | Target Price |
| Rs 3,033 | Rs 3,618 (▲) |
| as of (April 16, 2019) | 12 months |
| Rating | Upside |
| BUY (■) | 19.3 % |

| | |
|----------------------------|------|
| Change in Estimates | |
| EPS Chg FY20E/FY21E (%) | -/- |
| Target Price change (%) | 21.8 |
| Target Period (Months) | 12 |
| Previous Reco | BUY |

| Emkay vs Consensus | | |
|-------------------------|----------|-------|
| EPS Estimates | | |
| | FY20E | FY21E |
| Emkay | 85.3 | 110.0 |
| Consensus | 88.4 | 115.9 |
| Mean Consensus TP (12M) | Rs 2,909 | |

| | |
|------------------------------|---------------|
| Stock Details | |
| Bloomberg Code | BAF IN |
| Face Value (Rs) | 2 |
| Shares outstanding (mn) | 578 |
| 52 Week H/L | 3,132 / 1,818 |
| M Cap (Rs bn/USD bn) | 1,753 / 25.17 |
| Daily Avg Volume (nos.) | 1,502,998 |
| Daily Avg Turnover (US\$ mn) | 59.0 |

| | |
|-------------------------------------|-------|
| Shareholding Pattern Dec '18 | |
| Promoters | 55.2% |
| FIIIs | 20.1% |
| DIIIs | 8.8% |
| Public and Others | 15.9% |

| | | | | |
|--------------------------|-----------|-----------|-----------|------------|
| Price Performance | | | | |
| (%) | 1M | 3M | 6M | 12M |
| Absolute | 6 | 18 | 31 | 56 |
| Rel. to Nifty | 3 | 9 | 18 | 39 |



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Jignesh Shial
jignesh.shial@emkayglobal.com
+91 22 6624 2468

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

Parth Sanghvi
parth.sanghvi@emkayglobal.com
+91 22 6624 2431

Exhibit 1: Assumptions table

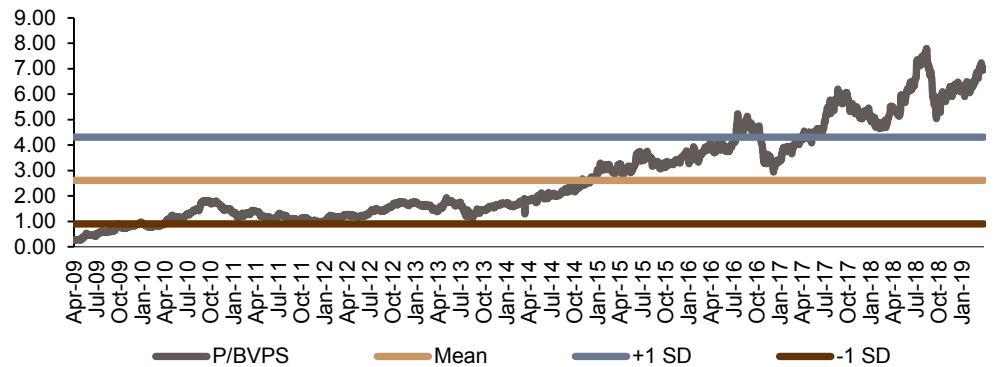
| (in %) | FY19E | FY20E | FY21E |
|----------------------------------|-------|-------|-------|
| AUM growth | 36.5% | 34.5% | 32.5% |
| Borrowings growth | 81.0% | 82.5% | 83.5% |
| Yield on average loans | 15.8% | 15.3% | 15.0% |
| Cost of average int. liabilities | 8.5% | 8.4% | 8.1% |

Source: Emkay Research

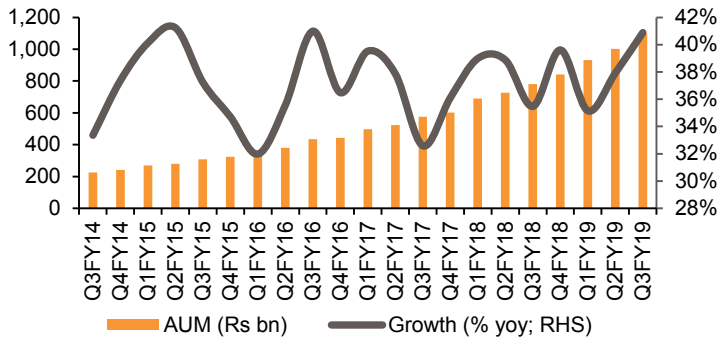
Exhibit 2: Peer comparison

| Comparable companies | RoE % | | | P/B | | |
|----------------------|-------|-------|-------|-------|-------|-------|
| | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E |
| HDFC Bank | 17.2 | 16.9 | 17.9 | 4.2 | 3.7 | 3.2 |
| IDFC First | 1.5 | 5.5 | 6.0 | 1.5 | 1.4 | 1.2 |

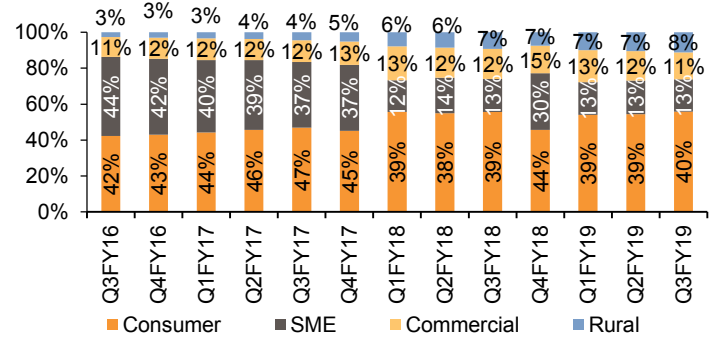
Source: Company, Emkay Research, Bloomberg

Exhibit 3: 10-year rolling P/B

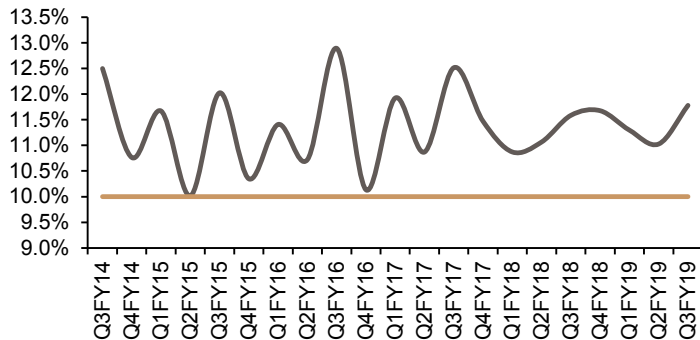
Source: Company, Emkay Research

Exhibit 4: Growth momentum remains healthy

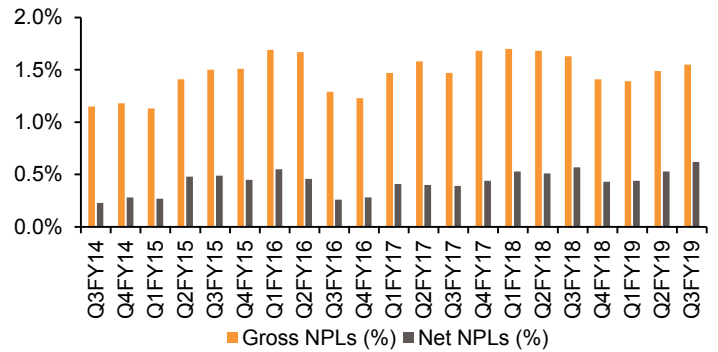
Source: Company, Emkay Research

Exhibit 5: Housing finance book earns traction

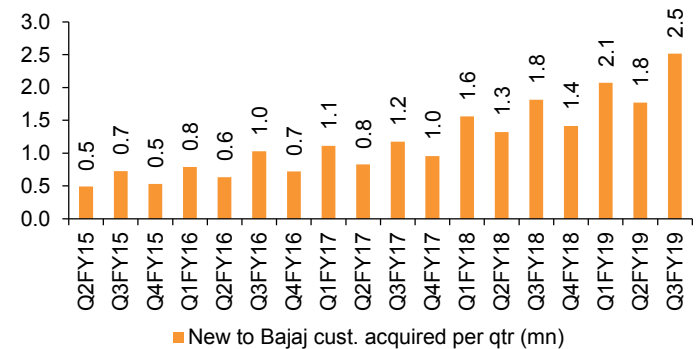
Source: Company, Emkay Research

Exhibit 6: NIMs witness a sequential rise

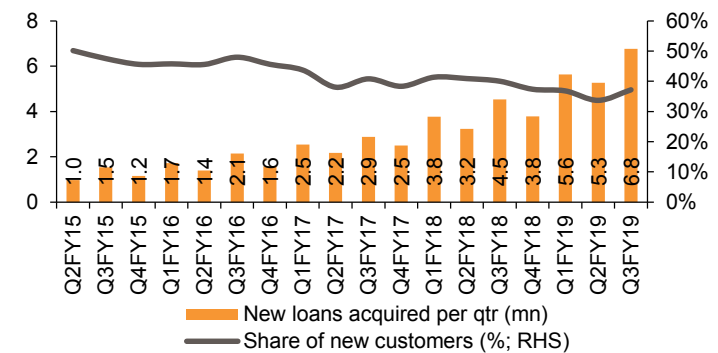
Source: Company, Emkay Research

Exhibit 7: Asset quality worsens on IL&FS provisioning

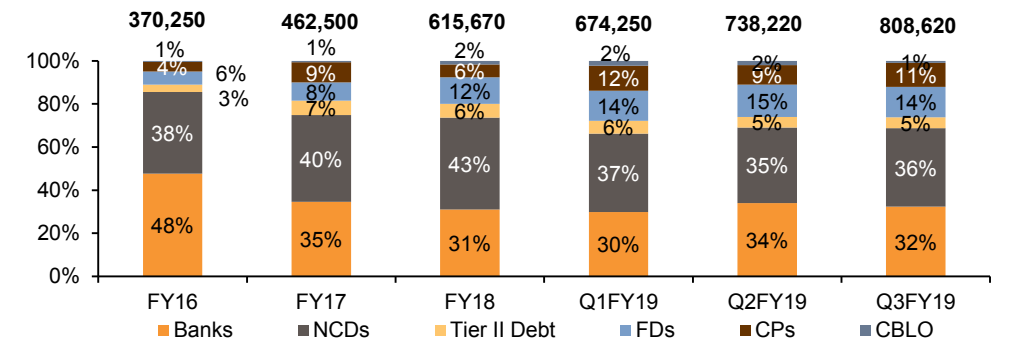
Source: Company, Emkay Research

Exhibit 8: New to Bajaj customer additions strong

Source: Company, Emkay Research

Exhibit 9: New loans acquired continue to be robust

Source: Company, Emkay Research

Exhibit 10: Borrowing mix

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

| YE Mar (Rs mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-----------------------------|---------------|---------------|----------------|----------------|----------------|
| Net interest income | 51,203 | 71,777 | 97,446 | 123,786 | 159,710 |
| Other income | 10,682 | 16,539 | 20,679 | 24,764 | 29,305 |
| Fee income | 0 | 0 | 0 | 0 | 0 |
| Net income | 61,885 | 88,316 | 118,125 | 148,550 | 189,016 |
| Operating expenses | 25,672 | 36,902 | 44,171 | 54,055 | 66,783 |
| Pre provision profit | 36,213 | 51,414 | 73,954 | 94,495 | 122,233 |
| PPP excl treasury | 36,213 | 51,414 | 73,954 | 94,495 | 122,233 |
| Provisions | 8,039 | 10,452 | 14,204 | 18,431 | 24,158 |
| Profit before tax | 28,174 | 40,962 | 59,750 | 76,064 | 98,075 |
| Tax | 9,810 | 14,221 | 21,211 | 27,003 | 34,817 |
| Tax rate | 35 | 35 | 36 | 36 | 36 |
| Profit after tax | 18,364 | 26,741 | 38,539 | 49,061 | 63,258 |

Balance Sheet

| YE Year End (Rs mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|--------------------------|----------------|----------------|------------------|------------------|------------------|
| Equity | 1,094 | 1,150 | 1,150 | 1,150 | 1,150 |
| Reserves | 94,909 | 164,306 | 199,985 | 246,186 | 306,584 |
| Net worth | 96,003 | 165,457 | 201,135 | 247,337 | 307,735 |
| Deposits | 0 | 0 | 0 | 0 | 0 |
| Borrowings | 492,495 | 644,813 | 904,380 | 1,220,494 | 1,605,874 |
| Total liabilities | 637,305 | 868,243 | 1,180,777 | 1,559,322 | 2,022,774 |
| Cash and bank | 3,261 | 3,395 | 9,047 | 10,165 | 12,200 |
| Investments | 40,728 | 31,492 | 36,175 | 48,820 | 64,235 |
| Loans | 582,440 | 819,433 | 1,120,122 | 1,483,171 | 1,927,176 |
| Others | 7,249 | 9,253 | 10,062 | 10,992 | 12,061 |
| Total assets | 637,305 | 868,243 | 1,180,777 | 1,559,322 | 2,022,774 |

Key Ratios (%)

| YE Year End | FY17 | FY18 | FY19E | FY20E | FY21E |
|-------------|------|------|-------|-------|-------|
| NIM | 9.8 | 10.0 | 9.8 | 9.2 | 8.9 |
| RoA | 3.3 | 3.6 | 3.8 | 3.6 | 3.5 |
| RoAE | 21.6 | 20.5 | 21.0 | 21.9 | 22.8 |
| GNPA (%) | 1.7 | 1.4 | 1.5 | 1.5 | 1.5 |
| NNPA (%) | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |

| Per Share Data (Rs) | FY17 | FY18 | FY19E | FY20E | FY21E |
|---------------------|-------|-------|-------|-------|-------|
| EPS | 33.7 | 47.0 | 67.0 | 85.3 | 110.0 |
| BVPS | 176.0 | 291.1 | 349.7 | 430.0 | 535.1 |
| ABVPS | 171.3 | 285.9 | 342.4 | 420.2 | 522.0 |
| DPS | 3.6 | 4.0 | 4.3 | 4.3 | 4.3 |

| Valuations (x) | FY17 | FY18 | FY19E | FY20E | FY21E |
|--------------------|------|------|-------|-------|-------|
| PER | 90.1 | 64.5 | 45.3 | 35.6 | 27.6 |
| P/BV | 17.7 | 10.6 | 8.9 | 7.2 | 5.8 |
| P/ABV | 17.6 | 10.6 | 8.8 | 7.2 | 5.8 |
| Dividend Yield (%) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |

Source: Emkay Research

| Growth (%) | FY17 | FY18 | FY19E | FY20E | FY21E |
|------------|------|------|-------|-------|-------|
| NII | 34.7 | 40.2 | 35.8 | 27.0 | 29.0 |
| PPOP | 44.4 | 42.0 | 43.8 | 27.8 | 29.4 |
| PAT | 43.6 | 45.6 | 44.1 | 27.3 | 28.9 |
| Loans | 32.9 | 40.7 | 36.7 | 32.4 | 29.9 |

| Quarterly (Rs mn) | Q3FY18 | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 |
|-------------------|--------|--------|--------|--------|--------|
| NII | 21,953 | 22,693 | 25,777 | 27,290 | 32,092 |
| NIM(%) | 11.7 | 11.2 | 11.6 | 11.3 | 12.2 |
| PPOP | 13,420 | 13,753 | 16,241 | 17,491 | 20,894 |
| PAT | 6,900 | 7,476 | 8,359 | 9,235 | 10,596 |
| EPS (Rs) | 12.00 | 13.00 | 14.53 | 16.02 | 18.38 |

Source: Company, Emkay Research

| Shareholding Pattern (%) | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 |
|--------------------------|--------|--------|--------|--------|--------|
| Promoters | 55.3 | 55.1 | 55.1 | 55.2 | 55.2 |
| FIIIs | 20.4 | 19.5 | 20.1 | 20.1 | 20.1 |
| DIIIs | 8.1 | 9.0 | 8.8 | 8.6 | 8.8 |
| Public and Others | 16.2 | 16.4 | 16.0 | 16.1 | 15.9 |

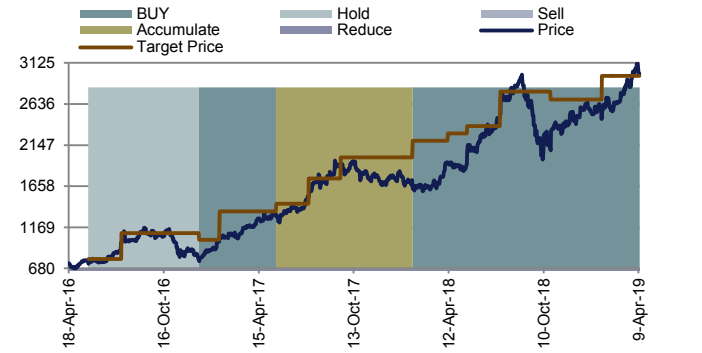
Source: Capitaline

RECOMMENDATION HISTORY TABLE

| Date | Closing Price | TP | Period (months) | Rating | Analyst |
|-----------|---------------|-------|-----------------|------------|---------------|
| 15-Feb-19 | 2,561 | 2,971 | 12m | Buy | Jignesh Shial |
| 29-Jan-19 | 2,516 | 2,971 | 12m | Buy | Jignesh Shial |
| 23-Oct-18 | 2,083 | 2,690 | 12m | Buy | Jignesh Shial |
| 19-Oct-18 | 2,141 | 2,785 | 12m | Buy | Jignesh Shial |
| 26-Sep-18 | 2,316 | 2,785 | 12m | Buy | Jignesh Shial |
| 24-Sep-18 | 2,261 | 2,785 | 12m | Buy | Jignesh Shial |
| 19-Jul-18 | 2,520 | 2,785 | 12m | Buy | Jignesh Shial |
| 29-May-18 | 2,077 | 2,375 | 12m | Buy | Jignesh Shial |
| 17-May-18 | 2,067 | 2,375 | 12m | Buy | Jignesh Shial |
| 10-Apr-18 | 1,926 | 2,284 | 12m | Buy | Jignesh Shial |
| 2-Feb-18 | 1,629 | 2,200 | 12m | Buy | Umang Shah |
| 16-Oct-17 | 1,886 | 2,000 | 12m | Accumulate | Umang Shah |
| 18-Sep-17 | 1,912 | 2,000 | 12m | Accumulate | Umang Shah |
| 19-Jul-17 | 1,542 | 1,750 | 12m | Accumulate | Umang Shah |
| 18-May-17 | 1,315 | 1,450 | 12m | Accumulate | Umang Shah |
| 30-Jan-17 | 1,055 | 1,360 | 12m | Buy | Umang Shah |
| 22-Dec-16 | 765 | 1,020 | 12m | Buy | Umang Shah |
| 27-Oct-16 | 1,105 | 1,100 | 12m | Hold | Umang Shah |
| 6-Sep-16 | 1,127 | 1,100 | 12m | Hold | Umang Shah |
| 27-Jul-16 | 979 | 1,100 | 12m | Hold | Umang Shah |
| 25-May-16 | 734 | 792 | 12m | Hold | Umang Shah |

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Note:

We have updated our Rating Distribution with effect from **March 20, 2019** – **Kindly refer the Disclaimer page**, however for our erstwhile recommendations till **March 19, 2019**, the rating distribution of the expected total return stands as (**Buy** – Over 25%, **Accumulate** – Over 10% , **Hold** – Upto 10%, **Reduce** – Below 10%, **Sell** – Underperforms the broad market indices or its related universe).

Emkay Alpha Portfolio – BFSI-NBFCs



Analyst: Jignesh Shial

Contact Details

jignesh.shial@emkayglobal.com

+91 22 6624 2468

Sector

NBFCs/AFCs

Analyst bio

Jignesh Shial is a CA and has total 12 years of research experience. His team currently covers 11 NBFCs/AFCs.

EAP sector portfolio

| Company Name | EAP Weight (Normalised) | EAP Weight | BSE200 Weight | OW/UW (%) | OW/UW (bps) |
|------------------------------|-------------------------|-------------|---------------|-----------|-------------|
| BFSI-NBFCs | 100.00 | 8.33 | 8.33 | 0% | 0 |
| Bajaj Finance | 17.00 | 1.42 | 1.15 | 23% | 26 |
| Cholamandalam Investment | 3.50 | 0.29 | 0.17 | 74% | 12 |
| Edelweiss Financial Services | 0.50 | 0.04 | 0.17 | -76% | -13 |
| HDFC | 71.00 | 5.92 | 5.72 | 3% | 20 |
| L&T Finance Holdings | 0.50 | 0.04 | 0.15 | -73% | -11 |
| LIC Housing Finance | 0.60 | 0.05 | 0.27 | -81% | -22 |
| Magma Fincorp | 0.00 | 0.00 | 0.00 | NA | 0 |
| Mahindra Finance | 3.50 | 0.29 | 0.21 | 39% | 8 |
| Muthoot Finance* | 1.26 | 0.10 | 0.10 | 0% | 0 |
| Reliance Nippon | 0.30 | 0.02 | 0.02 | 26% | 1 |
| Shriram City Union Finance | 0.00 | 0.00 | 0.07 | -100% | -7 |
| Shriram Transport Finance | 1.84 | 0.15 | 0.30 | -49% | -15 |
| Cash | 0.00 | 0.00 | 0.00 | NA | 0 |

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction-Strong Over Weight ■ High Conviction-Strong Under Weight

Sector portfolio NAV

| Returns by EAP on rolling basis | NAV | | | | | |
|---------------------------------|----------|-----------|--|----|----|-----|
| Performance | 1-Apr-19 | 16-Apr-19 | | 3m | 6m | 12m |
| BFSI-NBFCs | 100.0 | 101.5 | | | | |
| BSE200 weighted | 100.0 | 101.2 | | | | |

*Performance measurement base date 1st April 2019

Source: Emkay Research

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

Completed Date: 18 Apr 2019 18:00:52 (SGT)

Dissemination Date: 18 Apr 2019 18:01:52 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

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 Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries 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, insurance broking 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 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, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the 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 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.

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) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be 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. 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 or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. 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 used by private customers in United Kingdom. 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 Group Companies. 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 publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.

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

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), 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.

GENERAL DISCLOSURE/DISCLAIMER BY DBS BANK LTD AS DISTRIBUTOR OF THE RESEARCH REPORT

This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies. Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report. This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that: (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein. Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

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 associate¹ does not serve 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 does not 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 associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) 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:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of April 18, 2019
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. 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.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of April 18, 2019.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the April 18, 2019
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any 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.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the April 18, 2019

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY DBS BANK LTD AS DISTRIBUTOR OF THE RESEARCH REPORT

1. DBS Bank Ltd., DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 30 Apr 2018.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

Compensation for investment banking services:

3. DBSVUSA, does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

Disclosure of previous investment recommendation produced:

4. DBS Bank Ltd. DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates 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 DBS Bank Ltd. DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

RESTRICTIONS ON DISTRIBUTION

| | |
|--------------------------------------|--|
| General | 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. |
| Australia | This report is not for distribution into Australia. |
| Hong Kong | This report is not for distribution into Hong Kong. |
| Indonesia | This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia. |
| Malaysia | This report is not for distribution into Malaysia. |
| Singapore | This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report. |
| Thailand | This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. |
| United Kingdom | This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication. |
| Dubai International Financial Centre | This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it. |
| United Arab Emirates | This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent. |
| United States | DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate. |
| Other jurisdictions | In any other jurisdictions, except if 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. |

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

SINGAPORE**DBS Bank Ltd**

Contact: Janice Chua
12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

THAILAND**DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Nagkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

INDONESIA**PT DBS Vickers Sekuritas (Indonesia)**

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel. 62 21 3003 4900
Fax: 62 21 3003 4943
e-mail: research@id.dbsvickers.com



Jignesh Shial, CA

jignesh.shial@emkayglobal.com

+91 22 6624 2468