

ICICI Pru Life

Refer to important disclosures at the end of this report

Improving VNB margins to protect against depressed premium growth

- In our recent visit, IPRU management said it targets absolute VNB growth of 19-25% over the next 3-4 years. We have built in 11.8% VNB growth CAGR over FY19-21E. Its strategy largely remains the same with a greater focus on the protection segment.
- IPRU has not factored in savings persistency variance in its assumptions and has kept it unchanged at 82.5% in its forecast viz-à-viz the current prevailing 13M persistency of greater than 86% (excluding single premium), leading to a positive operating variance.
- IPRU is not looking to raise capital over the next three years (solvency ratio currently at 214.9%). It has a soft internal target of 200% (regulatory requirement of 150%) where it will start looking for alternative ways of generating internal accruals (cut dividends).
- IPRU seems to have started stabilizing its premium growth, supported by smaller ticket-size ULIPs and a larger share of the higher-margin protection segment. Maintain Buy rating with a revised TP of Rs435, implying 2.1x FY21E EV.

Improving product mix

With IPRU management's focus on the protection segment, APE is expected to see an 11.3% CAGR over FY19-21E after registering negative growth of 3% in FY19 due to higher base and the transition toward a new strategy. Its protection business is expected to witness a 22.7% CAGR during FY19-21E, growing faster than the savings business (6.2% CAGR over FY19-21E). We believe that with the improving product mix toward protection and high-margin savings products, VNB margins will improve to 18.3% in FY21E (+130bps vs. FY19).

Conservative assumptions

IPRU has not factored in savings persistency variance in its assumptions and has kept it unchanged at 82.5% in its forecast viz-à-viz the current prevailing 13M persistency of greater than 86% (excluding single premium). This is positive for VNB margins, which is a reflection of better product mix, persistency assumptions and contained operating costs. This is usually flowed through positive operating variance in the EV walk down.

Outlook and valuation

IPRU seems to have started stabilizing its premium growth (while still not the lower side) with: a) change in strategy by focusing on the mass customer segment vs. mass affluent clients only, b) pushing smaller ticket-size ULIPs (and also introducing the SIP option in ULIPs), and c) increasing the share of high-margin protection segment (9.3% in FY19 vs 5.7% of the mix in FY18). In our view, IPRU is late to the game of portfolio rejig (largely ULIP concentrated), leading to a higher new business strain (NBS) and expectation of muted profitability over the next three years. However, on expectations of an increased contribution from its high-margin protection segment (forming 60% of the total VNB) and likelihood of a pick-up in absolute VNB, maintain Buy with a revised TP of Rs435, implying 2.1x FY21E EV. We remain UW on IPRU in our EAP. Volatility in equity markets and higher surrenders are key risks.

Please see our sector EAP (Page 8) : [Emkay Alpha Portfolio – BFSI-Insurance](#)

Financial Snapshot (Standalone)

(Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Net Profit	16,822	16,198	11,406	13,289	15,198
EPS (Rs)	11.7	11.3	7.9	9.3	10.6
VNB	6,660	12,860	13,280	14,259	16,587
VNB margin %	10.1	16.5	17.0	17.5	18.3
EV	161,840	187,900	216,200	250,823	291,479
ROEV %	16.5	22.7	20.2	17.3	17.3
P/EV (x)	3.4	2.9	2.5	2.2	1.9

Source: Company, Emkay Research

CMP	Target Price
Rs 379	Rs 435 (▲)
as of (June 7, 2019)	12 months
Rating	Upside
BUY (■)	14.8 %

Change in Estimates

EPS Chg FY20E/FY21E (%)	-/-
Target Price change (%)	2.4
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY20E	FY21E
Emkay	9.3	10.6
Consensus	10.6	12.3
Mean Consensus TP (12M)	Rs 439	

Stock Details

Bloomberg Code	IPRU IN
Face Value (Rs)	10
Shares outstanding (mn)	1,436
52 Week H/L	428 / 277
M Cap (Rs bn/USD bn)	544 / 7.85
Daily Avg Volume (nos.)	3,032,027
Daily Avg Turnover (US\$ mn)	15.4

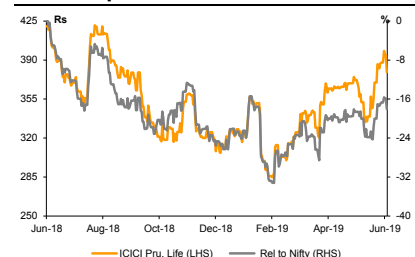
Shareholding Pattern Mar '19

Promoters	75.0%
FIIIs	10.1%
DIIIs	6.5%
Public and Others	8.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	11	23	(6)
Rel. to Nifty	2	3	12	(16)

Relative price chart



Source: Bloomberg

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

Neeraj Toshniwal

neeraj.toshniwal@emkayglobal.com
+91 22 6612 1284

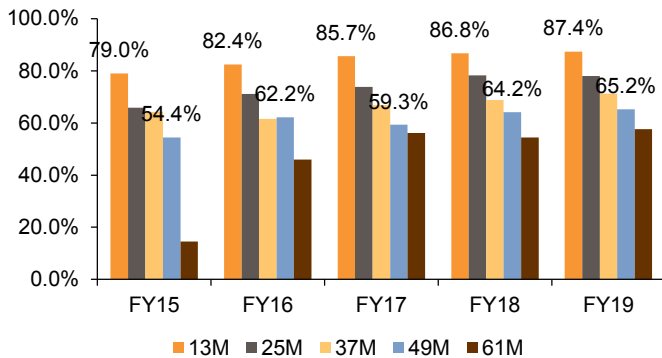
Anand Dama

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

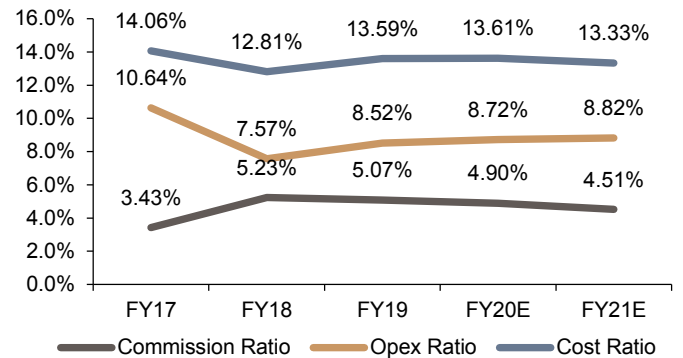
Exhibit 1: Revision in estimates

Rs mn	FY20E			FY21E		
	Old	New	% change	Old	New	% change
NBP	122,286	124,655	1.9%	149,498	148,613	-0.6%
APE	80,148	81,662	1.9%	90,345	90,654	0.3%
PAT	13,303	13,289	-0.1%	15,225	15,198	-0.2%
EV	250,484	250,823	0.1%	290,678	291,479	0.3%
VNB margin %	17.4	17.5	0.1%	17.9	18.3	0.4%
RoE (%)	18.3	18.2	-0.1%	19.5	19.3	-0.2%
ROEV %	17.1	17.3	0.2%	17.2	17.3	0.2%

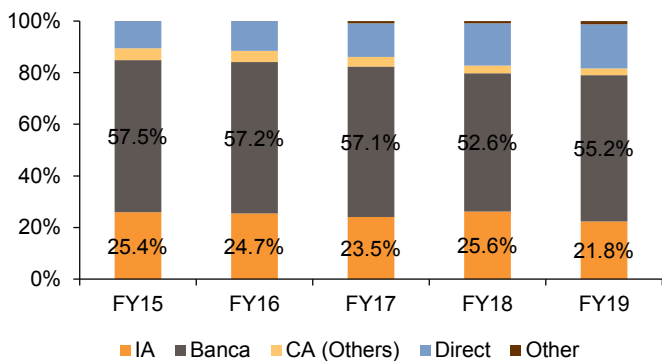
Source: Company, Emkay Research

Exhibit 2: Improving persistency

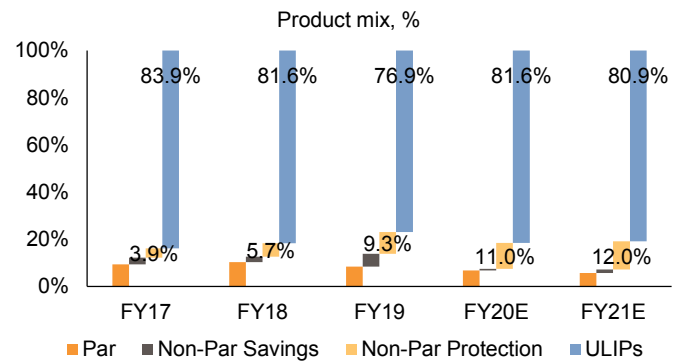
Source: Company, Emkay Research

Exhibit 3: Stable cost ratios

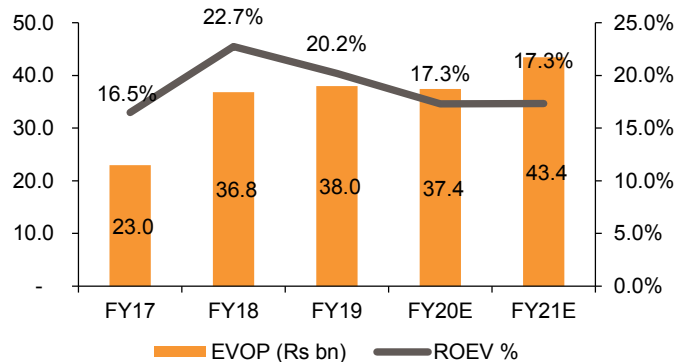
Source: Company, Emkay Research

Exhibit 4: Channel mix as per retail NBP

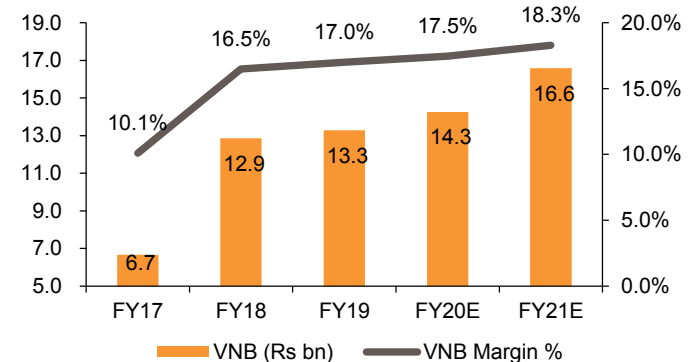
Source: Company, Emkay Research

Exhibit 5: Improving share of protection

Source: Company, Emkay Research

Exhibit 6: Conservative assumptions to drive ROEV

Source: Company, Emkay Research

Exhibit 7: VNB margins to improve by 130bps over FY19-21E

Source: Company, Emkay Research

Exhibit 8: Movement in EV (Rs mn)

Rs mn	FY17	FY18	FY19	FY20E	FY21E
Opening Embedded value (EV)	139,390	161,840	187,900	216,200	250,823
Expected return on existing business (A+B+C)	16,290	23,950	24,670	23,133	26,838
Expected return on existing business (unwind) (A)	12,210	13,730	15,840	18,377	21,320
Operating assumption changes (B)	1,000	7,640	4,200	-	-
VNB added during the period	6,660	12,860	13,280	14,259	16,587
Operating experience variance (C)	3,080	2,580	4,630	4,756	5,518
IEV operating earnings (EVOP)	22,950	36,810	37,950	37,392	43,425
Economic assumption changes and investment variance	5,820	1,130	(1,220)	-	-
IEV total earnings	28,770	37,940	36,730	37,392	43,425
Capital contributions/ (dividends paid out)	(6,320)	(11,880)	(8,430)	(2,769)	(2,769)
Closing IEV	161,840	187,900	216,200	250,823	291,479
Expected return as % of opening (PAT/opening EV)	12.1%	10.0%	6.1%	6.1%	6.1%
VIF tranfer as % of opening (unwinding/opening EV)	8.8%	8.5%	8.4%	8.5%	8.5%
ROEV %	16.5%	22.7%	20.2%	17.3%	17.3%
Operating ROEV %	13.5%	16.4%	15.5%	15.1%	15.1%

Source: Company, Emkay Research

Exhibit 9: Derivation of Appraisal value (Rs mn)

Rs mn	FY17	FY18	FY19	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E- FY30E	FY31E- FY35E	Terminal value
APE	64,965	75,417	73,171	81,662	90,654	101,024	116,177	133,604	153,645	206,364	304,522	364,409
APE growth %	27.2%	16.1%	-3.0%	11.6%	11.0%	11.4%	15.0%	15.0%	15.0%	10.0%	7.0%	5.0%
NBAP margin	10.3%	17.1%	18.1%	17.5%	18.3%	19.2%	19.4%	19.6%	19.8%	20.4%	20.6%	20.0%
VNB (post-over-run)	6,660	12,860	13,280	14,259	16,587	19,359	22,495	26,136	30,364	42,099	62,674	809,798
Strain on new business	1,270	1,660	2,777	2,746	2,486	989	-	-	-	-	-	-
Embedded Value (EV)	161,840	187,900	216,200	250,823	291,479							
Structural value (SV)	244,801	264,553	285,534	308,504	332,621							
Appraisal value (AV)	406,641	452,453	501,734	559,326	624,100							

Source: Company, Emkay Research

Exhibit 10: Assumptions

Assumptions	
Terminal APE growth FY36 onwards	5.0%
Terminal VNB Margin	20.0%
Cost of Equity	14.0%
Risk free rate	7.0%
Implied Beta (including company-specific risk)	1.40
Risk Premium	5.0%

Source: Company, Emkay Research

Exhibit 11: Valuation

Valuation	FY21E
EV	291,479
Derived value of VNB	332,621
Value of the firm	624,100
Per share value (Target Price)	435
Implied AV/EVx	2.1
Implied NBPx	20.1

Source: Company, Emkay Research

Exhibit 12: Peer comparison

	Market Cap (Rs bn)*	CMP (Rs)	TP (Rs)	% upside	Reco	P/EV				ROEV %				VNB Margin %				ROE %			
						FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E
IPRU	544	379	435	14.7%	BUY	2.9	2.5	2.2	1.9	22.7	20.2	17.3	17.3	16.5	17.0	17.5	18.3	24.4	16.4	18.2	19.3
HDFCL	887	442	420	-5.0%	HOLD	5.8	4.8	4.2	3.6	21.5	20.1	18.4	18.7	23.2	24.6	25.8	26.7	25.8	24.5	25.9	25.3
SBIL	696	696	830	19.2%	BUY	3.6	3.1	2.7	2.3	17.9	17.4	17.6	18.0	16.2	17.7	18.2	18.5	19.0	18.8	19.0	19.2
MAXF	119	445	590	32.5%	BUY	1.6	1.3	1.1	1.0	20.6	21.9	21.1	21.2	20.2	21.7	22.3	23.0	20.3	20.4	21.4	25.0

Source: Company, Emkay Research, * As on 6th June 2019

Exhibit 13: Glossary

Term	Abbreviation	Description
Annualized Premium Equivalent	APE	APE is the sum of annualized first year premiums on regular premium policies and 10% of single premiums on the new business written during any period.
Bancassurance	Banca	An arrangement entered into by an insurance company with banks through which the bank sells or markets insurance products of the insurance company to the bank's clients
Embedded value	EV	It represents the present value of shareholders' interests in the earnings distributable from the assets allocated to the business after sufficient allowance for the aggregate risks in the business. It is the sum of retained earnings, invested capital and value in force (VIF). It is the value of company's existing business.
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 includes value created due to writing off new business and positive operating variance due to better persistency and mortality experience, better expense efficiencies. It excludes changes in EV due to external factors like changes in economic variables and shareholder-related actions like capital injection or dividend pay-outs.
Operating return on embedded value	ROEV	Operating Return on EV is the ratio of EVOP for any given period to the EV at the beginning of that period.
First Year Premium	FYP	Insurance premium that is due in the first policy year of a life insurance contract
In-Force	-	An insurance policy or contract, reflected on records, which has not expired, matured or otherwise been surrendered or terminated.
Insurance Penetration	-	It is the insurance premium as % of GDP for any given period.
Morbidity Rate	-	It is an estimate of the number of persons that are expected to suffer a disease, illness, injury, or sickness and could vary by age or other factor such as occupation, health etc.
Mortality Charges	-	The risk charges that are deducted from the unit fund of a policy to provide for the mortality benefit to the policyholder.
Mortality Rate	-	An estimate of number of deaths, varying by such parameters as age, gender and health, used in pricing and computing policy liabilities.
New Business Premium	NBP	Insurance premium, which is due in the first policy year of a life insurance contract or single lump sum payment from the policyholder.
New business strain	NBS	New business strain arises when the premium paid at the commencement of a contract is not sufficient to cover the initial expenses, including acquisition costs and any mathematical reserve that a company needs to set up at that point.
Participating Product	-	A life insurance policy where the policyholder is entitled to share the surplus emerging in participating fund. The current minimum share that the policyholders are entitled to, as per the IRDAI regulations, is 90%.
Persistency Ratio	-	It can be measured in terms of number of policies or in terms of premium underwritten. It is in proportion of the business retained from business underwritten E.g. 49th Month persistency at 65% will mean that only 65 policies are in force today out of 100 policies sold 4 years back.
Value of New Business	VNB	VNB is the present value of expected future earnings from new policies written during a specified period and it reflects the additional value to the shareholders - expected to be generated through the activity of writing new policies during a specified period.
Value of new business margin	VNB margin	VNB margin is the ratio of VNB to New Business APE for a specified period and is a measure of the expected profitability of new business.
Solvency Ratio	-	It is the minimum amount of required capital to run insurance business smoothly. In India, it is set at 150% of the requirement by IRDAI.
Sum Assured	SA	The amount that an insurer agrees to pay on the occurrence of a stated contingency.

Source: DRHP, Industry data, Emkay Research

Key Financials (Standalone)**Income Statement**

Policyholders Account-Y/E (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Net earned premium	221,552	268,107	305,783	346,975	393,010
Income from investments	149,769	112,615	102,144	142,693	166,789
Contribution from the shareholders fund	18	753	5,272	0	0
Miscellaneous income	590	700	803	884	972
Total income	371,930	382,174	414,003	490,552	560,771
Commissions	7,589	14,033	15,513	16,985	17,739
Operating expenses	23,572	20,299	26,053	30,246	34,653
Provisions	4,288	5,727	6,351	7,121	7,947
Total expenses	35,450	40,059	47,917	54,352	60,339
Benefits paid (net)	149,979	172,808	142,591	187,209	214,212
Change in liabilities (net)	174,976	154,475	210,030	238,954	274,502
Total	324,954	327,283	352,621	426,164	488,714
Surplus	11,527	14,833	13,465	10,036	11,718
Tax	788	1,201	1,132	1,348	1,560
Net surplus	10,738	13,632	12,333	8,688	10,158
Transfer to shareholders account	11,315	10,892	10,770	6,633	7,947

Shareholders Account-Y/E (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Transfer from policyholders account	11,315	10,892	10,770	6,633	7,947
Income from investments	6,647	7,395	6,418	7,689	8,381
Other income	285	48	90	0	0
Total income	18,248	18,336	17,279	14,322	16,328
Expenses	380	388	377	415	456
Provisions	0	0	0	0	0
Contribution to policyholders account	18	753	5,272	0	0
Profit before tax	17,850	17,196	11,630	13,907	15,871
Tax	1,028	997	223	618	674
Net profit	16,822	16,198	11,406	13,289	15,198

Balance Sheet

Y/E Year End	FY17	FY18	FY19	FY20E	FY21E
Sources of funds					
Share capital	14,353	14,355	14,358	14,358	14,358
Reserve and surplus	46,996	51,409	54,397	59,264	66,039
Fair value change account credit/(debit)	2,731	3,081	1,712	1,712	1,712
Net worth (including fair value change)	64,080	68,845	70,467	75,334	82,109
Policyholders funds	1,148,941	1,306,111	1,513,451	1,748,789	2,023,291
Funds for future appropriations	6,042	8,782	10,344	12,399	14,610
Total liabilities	1,219,063	1,383,736	1,594,262	1,836,521	2,120,009
Application of funds					
Shareholders investments	66,403	77,493	79,916	85,434	93,118
Policyholders investments	270,674	332,889	400,712	487,382	590,465
Assets to cover linked liabilities	878,783	975,020	1,109,458	1,261,406	1,432,826
Loans	806	1,451	2,702	2,702	2,702
Fixed assets	2,138	4,221	4,756	4,756	4,756
Net current assets (A-B)	259	(7,336)	(3,282)	(5,160)	(3,858)
Miscellaneous expenditure	0	0	0	0	0
Debit balance in p&l	0	0	0	0	0
Total assets	1,219,063	1,383,736	1,594,262	1,836,521	2,120,009

Key Ratio (%)

Y/E Year End	FY17	FY18	FY19	FY20E	FY21E
Conservation ratio %	83.6	85.7	81.6	82.3	82.3
Commissions ratio %	3.4	5.2	5.1	4.9	4.5
Opex ratio %	10.6	7.6	8.5	8.7	8.8
ROA %	1.5	1.2	0.8	0.8	0.8
ROE %	28.7	24.4	16.4	18.2	19.3
Dividend payout ratio %	62.7	59.4	39.7	34.0	29.8

EV Data	FY17	FY18	FY19	FY20E	FY21E
Embedded value (Rs mn)	161,840	187,900	216,200	250,823	291,479
Value of new business (Rs mn)	6,660	12,860	13,280	14,259	16,587
EVOP (Rs mn)	22,950	36,810	37,950	37,392	43,425
ROEV %	16.5	22.7	20.2	17.3	17.3
VNB margin %	10.1	16.5	17.0	17.5	18.3

Source: Company, Emkay Research

Per Share Data (Rs)	FY17	FY18	FY19	FY20E	FY21E
EPS	11.7	11.3	7.9	9.3	10.6
DPS	7.3	6.7	3.1	3.2	3.2
BVPS	44.6	48.0	49.1	52.5	57.2

Valuation (x)	FY17	FY18	FY19	FY20E	FY21E
P/E	32.3	33.6	47.7	40.9	35.8
P/B	8.5	7.9	7.7	7.2	6.6
P/EV	3.4	2.9	2.5	2.2	1.9
P/VNB	81.7	42.3	41.0	38.2	32.8
Dividend yield (%)	1.9	1.8	0.8	0.8	0.8

Source: Company, Emkay Research

Growth (%)	FY17	FY18	FY19	FY20E	FY21E
GWP	16.6	21.1	14.3	13.6	13.4
New business premium (NBP)	16.2	17.1	12.5	20.3	19.2
Annualized premium equivalent (APE)	27.2	16.1	(3.0)	11.6	11.0
Retail APE	29.0	16.4	(4.9)	2.0	11.8
Commissions	22.4	84.9	10.5	9.5	4.4
Operating expenses	24.8	(13.9)	28.3	16.1	14.6
Net income	1.9	(3.7)	(29.6)	16.5	14.4

Quarterly (Rs mn)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Net earned premium	86,558	54,378	76,012	74,830	100,563
Total income	73,133	79,187	89,908	86,886	159,259
Total expenses	69,517	76,347	86,875	83,911	156,480
Net income	3,408	2,816	3,009	2,968	2,614
EPS (Rs)	2.37	1.96	2.10	2.07	1.82

Source: Capitaline

Shareholding Pattern (%)	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Promoters	80.7	78.7	78.7	78.7	75.0
FIIIs	6.5	8.5	8.9	8.6	10.1
DIIIs	3.7	4.4	4.4	4.6	6.5
Public and Others	9.1	8.4	8.1	8.1	8.4

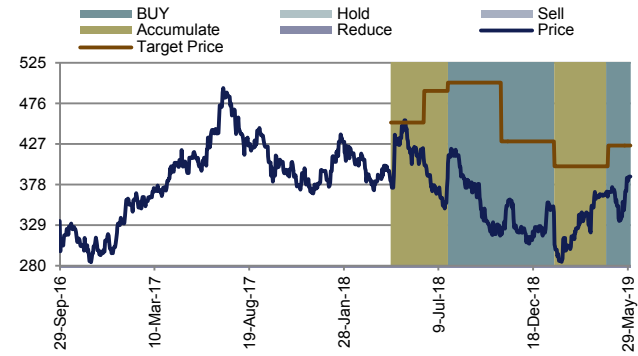
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
13-May-19	337	425	12m	Buy	Neeraj Toshniwal
25-Apr-19	368	425	12m	Buy	Neeraj Toshniwal
22-Apr-19	369	400	12m	Buy	Neeraj Toshniwal
13-Mar-19	334	400	12m	Accumulate	Neeraj Toshniwal
23-Jan-19	305	400	12m	Accumulate	Neeraj Toshniwal
24-Oct-18	323	430	12m	Buy	Neeraj Toshniwal
25-Jul-18	404	501	12m	Buy	Neeraj Toshniwal
14-Jun-18	403	491	12m	Accumulate	Neeraj Toshniwal
18-Apr-18	382	453	12m	Accumulate	Neeraj Toshniwal

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-Insurance



Analyst: Neeraj Toshniwal

Contact Details

neeraj.toshniwal@emkayglobal.com
+91 22 6612 1284

Sector

BFSI-Insurance

Analyst bio

Neeraj Toshniwal holds a CFA from the CFA Institute, FRM, and MS (Finance) from ICFAI, and has total research experience of 10 years. He currently covers 4 stocks in the Indian Life Insurance space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
BFSI-Insurance	0.68	0.68	0%	0	100.00
HDFC Life	0.23	0.20	-14%	-3	29.00
ICICI Pru Life	0.19	0.19	-1%	0	28.00
Max Financial	0.12	0.14	14%	2	21.00
SBI Life	0.13	0.15	12%	2	22.00
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base			Latest		
	1-Apr-19	30-Apr-19	31-May-19	6-Jun-19	6m	12m
EAP - BFSI-Insurance	100.0	102.8	110.4	110.5		
BSE200 Neutral Weighted Portfolio (ETF)	100.0	102.9	110.7	110.8		

*Performance measurement base date 1st April 2019

Source: Emkay Research

Please see our India EAPs:

[Emkay Alpha Portfolio – Nifty](#)

[Emkay Alpha Portfolio – SMID](#)

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: 07 Jun 2019 15:19:25 (SGT)

Dissemination Date: 07 Jun 2019 15:20:25 (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.

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 June 7, 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 June 7, 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 June 7, 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 June 7, 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:

SINGAPORE**DBS Bank Ltd**

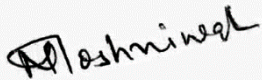
Contact: Janice Chua
12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

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



Neeraj Toshniwal, CFA, FRM
 neeraj.toshniwal@emkayglobal.com
 +91 22 6612 1284