Banking, Financial Services & Insurance

August 2, 2013

Axis Bank

Bloomberg: AXSB IN EQUITY
Reuters: AXBK.BO

SELL

Accounting: AMBER
Predictability: AMBER
Earnings Momentum: RED

Exposed at the 'short' end

In a move that exposed Axis Bank's vulnerability on the liabilities side, the bank raised deposit rates across maturity buckets with peak re-pricing of +400bps on short-term deposits. We argue that Axis Bank's steep deposit rate hike suggests a disproportionate dependence on short-term liabilities and further exacerbates the elevated risk on its loan book. Axis Bank's earnings are relatively more vulnerable to asset quality shocks, especially given its track record of higher loss-given-defaults. With the asset-side stress beginning to reflect in the P&L (liabilities side yet to hit), we expect the credit cost guidance to be revised upwards mid-way through the year closer to our forecasts of 90-110bps. We cut our FY14/15 earnings by 6-7% to factor in higher funding costs through 2QFY14 and marginally higher credit costs. We remain SELLers with a revised valuation of ₹1,020 (from our earlier valuation of ₹1,100), implying a 6% downside.

Competitive position: MODERATE   Changes to this position: NEGATIVE

Liability franchise not as strong as it appears: Despite reducing its dependence on wholesale term deposits (>₹50mn) visibly over the past 24 months, the recent steep increase in short-term deposit rates suggests Axis Bank's disproportionate dependence on short-term liabilities (deposits and borrowings). Unless Axis Bank is able to rebalance its deposit mix towards relatively stickier, less-concentrated deposits, we believe that refinancing pressures could hurt margins.

Lowest margin of safety in terms of adjusted coverage: Axis Bank's NPA (non-performing asset) mix is significantly different from that of other banks. Nearly 50% of its NPAs reside in the loss and doubtful-3 (D-3) categories. Given that such NPAs are mandated to carry 100% provisions, we argue that Axis Bank's adjusted loan loss coverage is the lowest within its peerset and offers little margin of safety. With its adjusted loan loss coverage at 44%, Axis Bank would have to eventually raise its coverage in case of further ageing of its non-performing loans. Whilst Axis Bank might be complying with the RBI's mandated provisioning norms in this regard, we highlight why a declining PCR is risky for Axis Bank's shareholders.

Valuation cut by 6-7%: Our FY14/FY15 earnings estimates are 10-13% below consensus estimates due to our expectations of higher credit costs (relative to consensus). Our excess return model values Axis Bank at ₹1,020/ share (implied FY14E P/B of 1.3x and one-year forward P/E of 8.8x), implying a 6% downside from the current levels. We retain our **SELL** stance.

Key financials

Year to March	FY11	FY12	FY13	FY14E	FY15E
Net Interest Income (₹ mn)	65,630	80,178	96,663	113,416	128,384
Pre Provisioning Profits (₹ mn)	64,157	74,309	93,031	106,116	120,081
PAT (₹ mn)	33,885	42,422	51,794	55,463	63,396
RoE %	19.3%	20.3%	18.5%	15.7%	15.8%
EPS (₹)	83.0	102.9	110.7	118.5	135.5
ABVPS (₹)	453	541	692	784	888
P/E (x)	14.4	11.6	10.8	10.0	8.8
P/ABV (x)	2.6	2.2	1.7	1.5	1.3

Source: Company, Ambit Capital research

COMPANY INSIGHT

Krishnan ASV
Tel: +91 22 3043 3205
vkrishnan@ambitcapital.com

Aadesh Mehta
Tel: +91 22 3043 3239
aadeshmehta@ambitcapital.com

Pankaj Agarwal, CFA
Tel: +91 22 3043 3206
pankajagarwal@ambitcapital.com

Ravi Singh
Tel: +91 22 3043 3181
ravisingh@ambitcapital.com

Recommendation

CMP:	₹1,086
Target Price (12 Months):	**₹1,020**
Previous TP:	*₹1,100*
Change from previous (%)	*(7.2)*
Downside (%)	***6%***
ABVPS (FY14E):	₹784

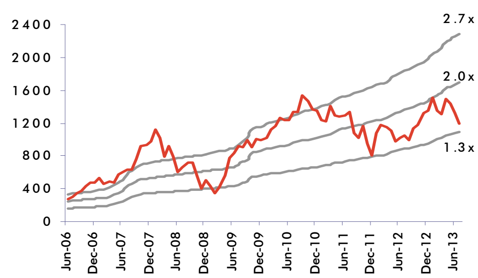
Stock Information

Mkt cap:	₹509bn/US$8.4bn
52-wk H/L:	₹1,550/927
3M ADV:	₹2773mn/US$45.9mn
Beta:	1.2
BSE Sensex:	19,317
Nifty:	5,728

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	(19)	(27)	4	(20)
Rel. to Sensex	(18)	(26)	(8)	(19)

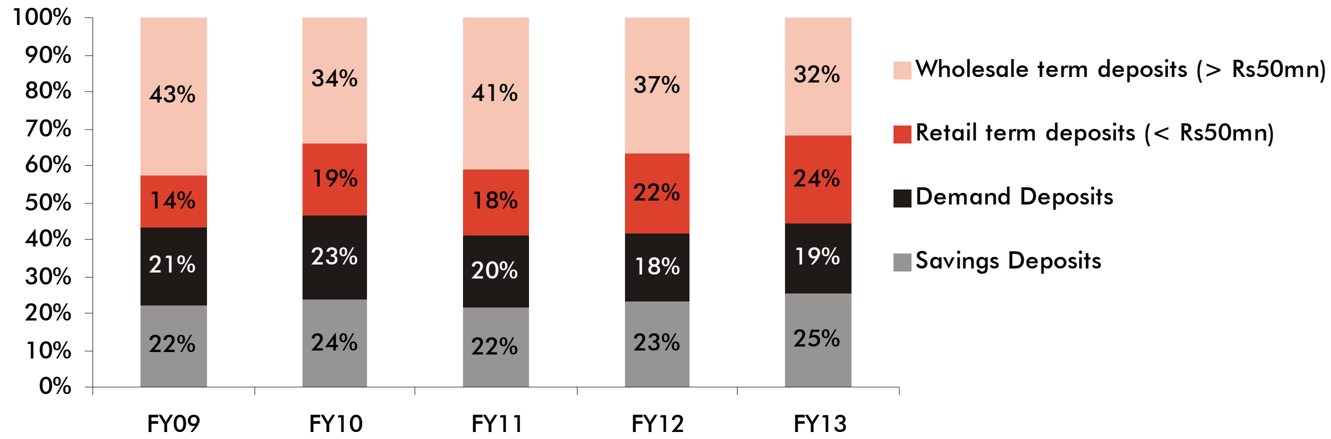
Stock Information



Exposed at the short end of the curve

Axis Bank has exhibited a remarkable improvement in reducing its dependence on wholesale funding over FY09-13. As seen in Exhibit 1 below, its wholesale term deposits as a proportion of total deposits have improved from 43% as of March 2009 to 32% as of March 2013.

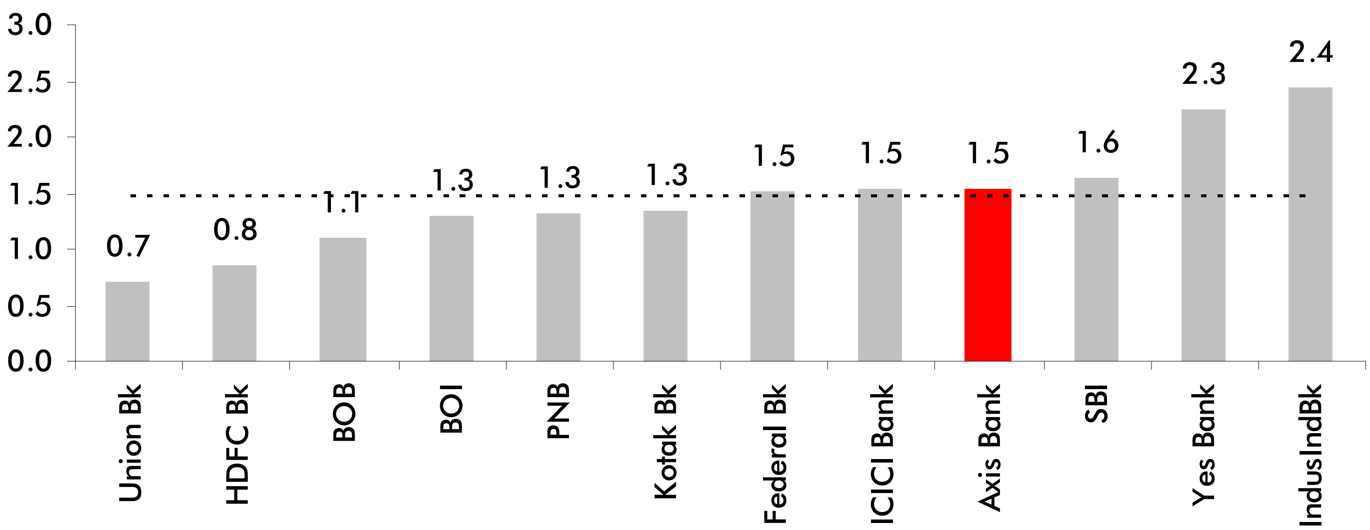
Exhibit 1: Commendable reduction in wholesale term deposits - and yet arguably ultra short term



Source: Company, Ambit Capital research

However, we observe that despite its reducing dependence on wholesale funding, Axis Bank still has a high re-pricing ratio (short-term liabilities as a proportion of its short-term assets) as compared to its peers (refer to the exhibit below). Note that a bank with a higher re-pricing ratio would be more exposed to movements at the shorter end of the yield curve. This is more relevant after the RBI's INR strengthening measures since 15 July 2013, which has resulted in a spike in the shorter end of the yield curve.

Exhibit 2: Axis bank has a higher re-pricing ratio, which implies that it is more sensitive than its peers to movements at the shorter end of the interest rate curve (black dotted line indicates average amongst the peerset)



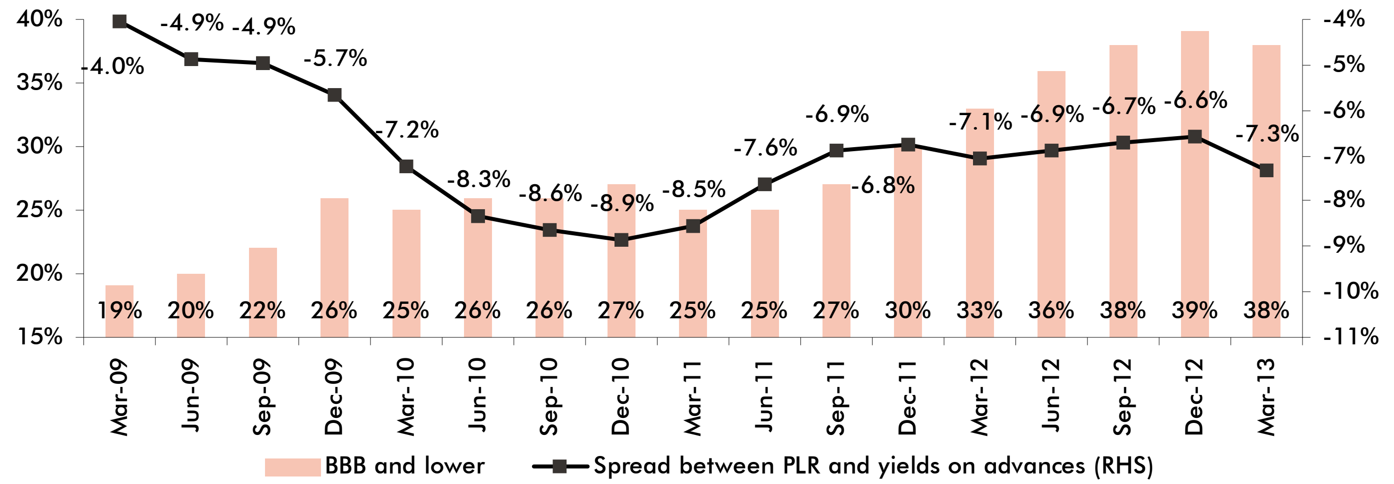
Source: Ambit Capital research. Note: Shorter-end liabilities and assets are defined as liabilities and assets with duration of less than three months

More importantly, whilst the mix of deposits has visibly improved, it is evident from the recent steep increase in its deposit rates that Axis Bank remains disproportionately dependent on such deposits at the shorter end.

Yields do not factor growing riskiness

As shown in Exhibit 3 below, Axis Bank's exposure to non-investment grade borrowers (borrowers rated BBB and below) within the large and mid-corporate category (which is Axis Bank's flagship asset class, accounting for ~50% of loans) has exhibited 48% CAGR between March 2009 and March 2013 (to ₹373bn as of March 2013 from ₹78bn during March 2009).

Exhibit 3: Reducing spread between prime lending rate and blended yields - on rising non-investment grade exposure



Source: Company, Ambit Capital research

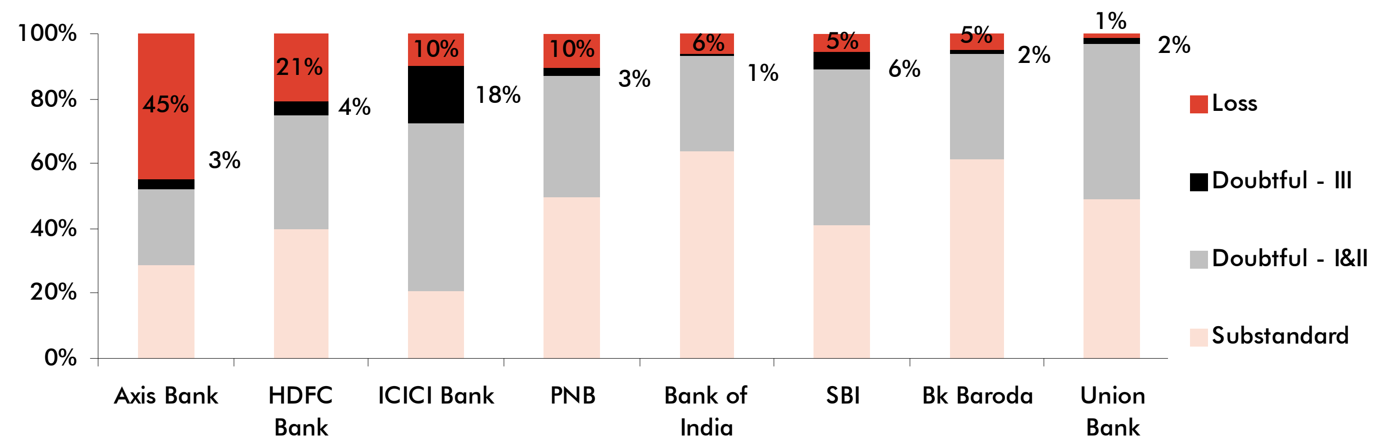
However, we observe that the spread between Axis Bank's prime lending rate (PLR) (an indicative benchmark for the bank's floating rate products) and its blended yield on advances has shrunk by 330bps during the same period (the discount to PLR has moved from 400bps as of March 2009 to ~730bps as of March 2013). This suggests that the bank has not priced its loans commensurate with the growing risk profile of its book.

How is Axis Bank's NPA mix different from that of peers?

Axis Bank's NPA (non-performing asset) mix is significantly different from that of other banks. Nearly 50% of its NPAs emanate from the loss and doubtful-3 (D-3) categories.

What is this loss category? Assets in the loss category are the stickiest bucket of NPAs that have either aged the maximum (beyond three years) or have suffered the highest erosion in fair value of the underlying asset. Consequently, the RBI mandates 100% provisioning on such loans. To place the proportion of Axis Bank's loss assets (48%) in perspective as compared to its private sector peers, Axis Bank's NPAs in the loss and D-3 categories are higher than that of ICICI Bank (28%) and HDFC Bank (25%) (see Exhibit 4).

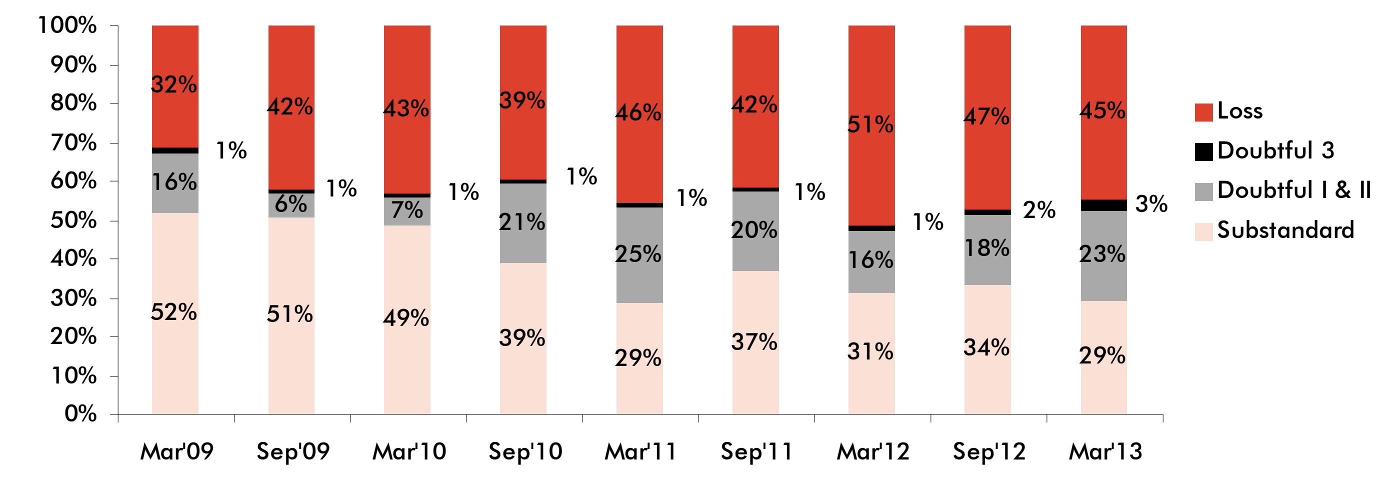
Exhibit 4: NPA mix in large banks - Axis Bank has the highest proportion of non-performing assets warranting 100% provisions, followed by ICICI Bank and HDFC Bank



Source: Companies, Ambit Capital research

Adjusting for loss and D3 NPAs, we observe that banks' provisioning coverage dips by 2-27percentage points for NPAs that do not warrant 100% provisioning (refer to grey column in Exhibit 5 below). Thus, provisioning coverage has to be adjusted with the loss and doubtful assets given the diverse profiles of the NPAs of the banks for a true ascertainment of the sustainability of credit costs arising from NPAs.

Exhibit 5: Mix of NPAs that need 100% provisions - consistently high for Axis Bank, indicating high stickiness



Source: Company, Ambit Capital research

So, as we assess the PCR adequacy in terms of the quality of provisioning and the margin of safety that banks offer in sustaining their credit costs, we believe that:

- A higher proportion of loss and D3 NPAs in the NPA mix could be symptomatic of a deferral of impairment recognition.
- A low adjusted PCR would indicate a lower margin of safety.

Deferral of impairment recognition: A bank with a high proportion of loss assets is indicative of late recognition of impairment (classification of a troubled account as an NPA) when the bank has run out of all options to defer/prevent it from being classified as such. Often this deferral in recognition of impairment takes a toll on the economic value of the underlying asset, as a result of which the salvage value undergoes significant erosion. This is also reflected in Axis Bank's high propensity to restructure loans as compared to its peers.

Standard restructured loans as a multiple of gross NPAs for Axis Bank is the highest at 2.2x vis-à-vis its large private sector peers, ICICI Bank (0.6x) and HDFC Bank (0.0x).

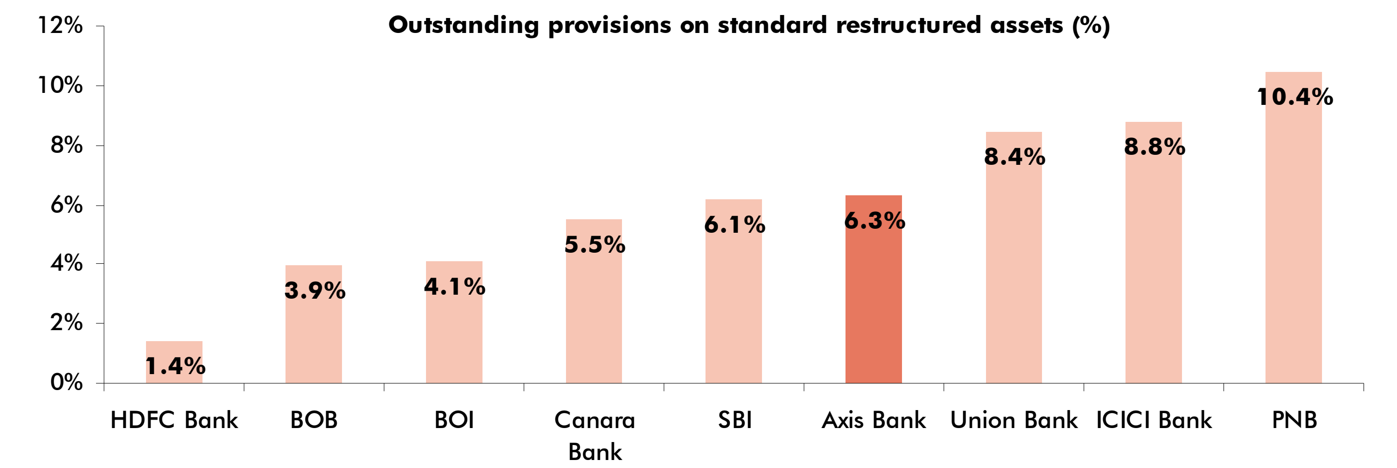
Exhibit 6: Standard restructured assets as a multiplier of gross NPAs

Bank	Std Rest. / Gross NPAs (x)	Std. Rest. (%)	Gross NPAs (%)
BOB	2.4	5.9%	2.4%
PNB	2.3	9.9%	4.3%
Axis Bank	2.2	2.3%	1.1%
Bank of India	2.0	6.0%	3.0%
Union Bank	1.6	4.7%	3.0%
ICICI Bank	0.6	2.0%	3.2%
SBI	0.6	3.1%	4.8%
HDFC Bank	0.0	0.0%	1.0%

Source: Company, Ambit Capital research

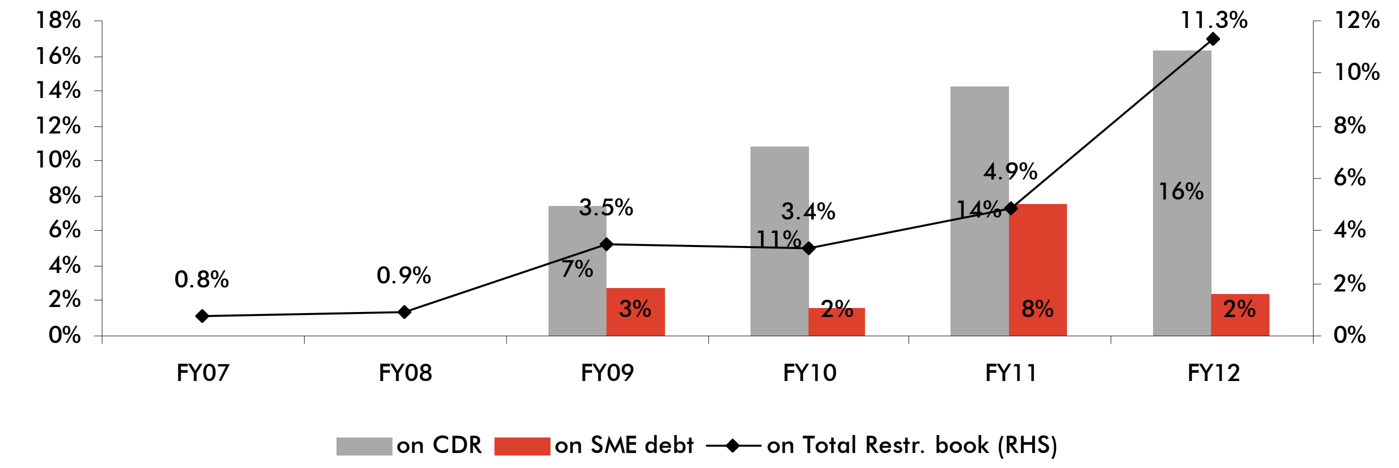
Haircut on restructured loans is one of the highest for Axis Bank at 6.3% of its standard restructured book vs its large private sector peers ICICI Bank (8.8%) and HDFC Bank (1.4%). Whilst the disclosure norms on restructuring have undergone changes over the past year, the earlier disclosures around such haircuts have been discontinued in the last published Annual Report.

Exhibit 7: Outstanding provisions on standard restructured assets at the end of March 2013



Source: Company, Ambit Capital research

Exhibit 8: Earlier disclosures pertaining to sacrifice on restructured loans for Axis Bank

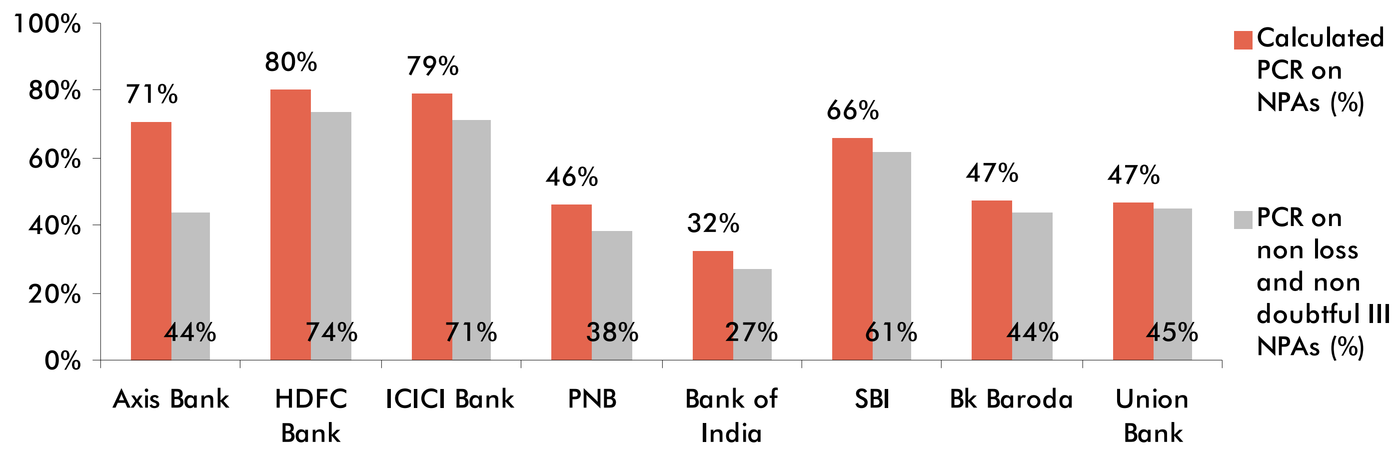


Source: Company, Ambit Capital research

Provision coverage inadequate

At 68% (as of June 2013), Axis Bank's tangible PCR appears comfortable. But, we adjust for loss assets (that call for 100% provision) and derive the tangible PCR for non-loss NPAs, which is indicative of the coverage available on non-loss assets (the margin of safety, as we call it). The PCR on non-loss and non-D3 NPAs (grey column in Exhibit 9) reflects how much more Axis Bank would have to eventually provide in case of further ageing of its non-performing loans. Whilst Axis Bank might be complying with the RBI's mandated provisioning norms in this regard, we highlight why a declining PCR is risky for Axis Bank's shareholders. However, if the bank's PCR for non-loss NPAs is considerably less than its tangible PCR, then this signifies that the bank derives its high provision cover primarily from the earlier vintage NPAs (that anyway warrant 100% provisions), implying that the reported PCR is just a statistical number, offering a relatively lower margin of safety.

Exhibit 9: Lowest PCR on non-written-off NPAs



Source: Company, Ambit Capital research.

Adjusting for loss and D3 NPAs, we observe that banks' provisioning coverage dips by 2-27 percentage points for residual NPAs (which are NPAs that do not warrant 100% provisioning) (refer to the grey column in Exhibit 9). Thus, provisioning coverage needs to be adjusted for loss and D3 assets given the diverse NPA mix across banks to truly ascertain the sustainability of credit costs arising from NPAs.

… implying that higher provisioning costs are inevitable …

High deferral of classification of a troubled asset as an NPA and lesser margin of safety on provisioning on the existing pool of NPAs implies that Axis Bank would be facing a relatively higher increase in credit costs than its peers because:

Existing NPAs that are not in the D-3 and loss category would impose higher credit costs, as they eventually slip into the D-3 and loss categories. Whilst non-D3 and non-loss NPAs may be lowest for Axis Bank in comparison to its peers, its provisioning coverage on these NPAs is so low that it offsets the benefit of having a lowwer proportion of NPAs in the non-D3 and non-loss category.

Amongst its peers, Axis has the highest proportion of standard restructured assets as a proportion of gross NPAs. Thus, a base-case scenario of stress in its restructured portfolio would imply a slippage into NPA and hence higher provisions.

We believe the reasons mentioned above warrant an increase in provisioning costs of 90-110bps (70bps in FY13; 61bps in FY12; 79bps in FY11).

Key assumptions and estimates

Exhibit 10: Key assumptions and estimates for Axis Bank (all figures in ₹ mn unless otherwise mentioned)

	FY11	FY12	FY13	FY14E	FY15E	Comments
Assumptions						
YoY loan growth (%)	36%	19%	16%	18%	18%	We expect a moderate loan book CAGR of 18% over FY13-15 given the system-wide slowdown.
NIM (%)	3.23%	3.19%	3.19%	3.18%	3.07%	We expect NIMs to contract by ~10bps over FY13-15 driven by higher cost of funding.
Cost to Income Ratio (%)	42.7%	44.7%	42.6%	43.2%	43.5%	We expect cost-to-income ratio to remain steady.
Credit costs (% of average loan book)	0.79%	0.61%	0.70%	1.01%	0.91%	We expect credit costs to increase by 20-30bps over FY13-15 due to higher slippage and restructuring assumptions.
Net revenues (₹ mn)	111,951	134,380	162,174	186,851	212,365	FY13-15 CAGR of 15% vs FY10-13 CAGR of 25%
Operating profit (₹ mn)	64,157	74,309	93,031	106,116	120,081	FY13-15 CAGR of 14% vs FY10-13 CAGR of 21%
Profit after tax (₹ mn)	33,885	42,422	51,794	55,463	63,396	FY13-15 CAGR of 11% vs FY10-13 CAGR of 27%
Diluted EPS (₹)	83.0	102.9	110.7	118.5	135.5	FY13-15 CAGR of 11% vs FY10-13 CAGR of 19%
Adjusted BVPS (₹)	453	541	692	784	888	FY13-15 CAGR of 13% vs FY10-13 CAGR of 22%

Source: Company, Ambit Capital research

Exhibit 11: Change in estimates [₹ mn]

	Old		New		% change from previous estimates		Comments
Key Outputs	**FY14E**	**FY15E**	**FY14E**	**FY15E**	**FY14E**	**FY15E**	
Net revenues	196,585	237,216	186,851	212,365	-5%	-10%	Change in our earnings estimates are primarily due to higher credit costs and lower NIM assumptions.
Operating profit	108,666	127,471	106,116	120,081	-2%	-6%	
Profit after tax	59,744	66,711	55,463	63,396	-7%	-5%	
Diluted EPS (₹)	131.9	147.3	118.5	135.5	-10%	-8%	
Adjusted BVPS (₹)	812	935	784	888	-3%	-5%	

Source: Company, Ambit Capital research

Ambit vs consensus

Exhibit 12: Ambit vs consensus

(₹ mn)	Consensus	Ambit	% difference
Net revenues			
FY14E	191,850	186,851	-3%
FY15E	225,528	212,365	-6%
PAT			
FY14E	61,425	55,463	-10%
FY15E	72,710	63,396	-13%
EPS (₹)			
FY14E	132.4	118.5	-10%
FY15E	155.8	135.5	-13%

Source: Bloomberg, Ambit Capital research

Our PAT estimates for FY14 and FY15 are ~10-13% below consensus estimates, owing to our expectations of higher credit costs (relative to consensus). Specifically, we are bearish on Axis Bank's ability to contain its credit costs from the large and mid-corporate portfolio in FY14-15 (currently at 70bps levels), which drives our PAT growth estimate lower than consensus estimates.

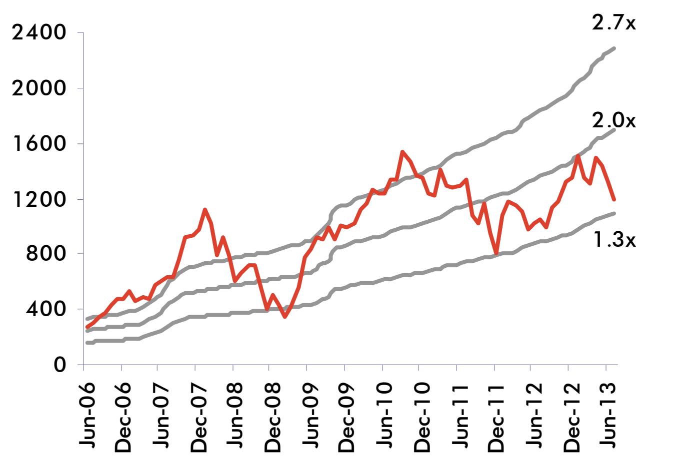
Valuation

We have valued Axis Bank using the excess return to equity model which is *'net profit – (cost of equity x average net worth)'* for all the future years discounted back to the present using cost of equity.

- We have explicitly forecast net profit for FY14 and FY15 based on the assumptions in Exhibit 12.
- We have assumed 18% CAGR in loan growth for FY14-18, and have faded it to 15% by FY22.
- We have assumed sustainable RoA of 1.4% from FY14 onwards.
- We have assumed cost of equity of 14% and terminal growth of 4%.

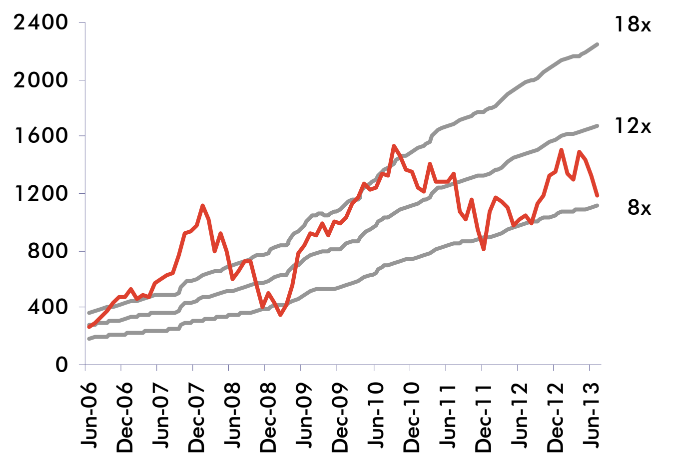
Based on these assumptions, our excess return model values Axis Bank at **₹1,040/share (implied FY14E P/B of 1.3x and one-year forward P/E of 8.8x)**, **implying a 13% downside** from the current levels. Our model suggests that Axis Bank may not need any fresh capital infusion until FY17.

Exhibit 13: Cross-cycle P/B performance



Source: Bloomberg, Ambit Capital research

Exhibit 14: Cross-cycle P/E performance



Source: Bloomberg, Ambit Capital research

Axis Bank's current 12-month forward P/B of 1.3x is at a 43% discount to its cross-cycle average P/B and its 12-month forward P/E of 7.8x is at a 43% discount to its cross-cycle 12-month average forward P/E.

Balance sheet

Year to March (₹ mn)	FY11	FY12	FY13	FY14E	FY15E
Net-worth	189,988	228,085	331,079	375,449	426,166
Deposits	1,892,378	2,201,043	2,526,136	3,010,992	3,599,721
Borrowings	262,679	340,717	439,511	429,390	504,792
Other Liabilities	82,089	86,433	108,881	122,075	144,944
Total Liabilities	**2,427,134**	**2,856,278**	**3,405,607**	**3,937,906**	**4,675,622**
Cash & Balances with RBI & Banks	214,087	139,339	204,350	150,550	179,986
Investments	719,916	931,921	1,137,375	1,355,679	1,620,750
Advances	1,424,078	1,697,595	1,969,660	2,318,464	2,735,788
Other Assets	69,053	87,423	94,222	113,214	139,099
Total Assets	**2,427,134**	**2,856,278**	**3,405,607**	**3,937,906**	**4,675,622**

Source: Company, Ambit Capital research

Profit & Loss

Year to March (₹ mn)	FY11	FY12	FY13	FY14E	FY15E
Interest Income	151,548	219,947	271,826	324,032	384,286
Interest Expense	85,918	139,769	175,163	210,616	255,903
Net Interest Income	**65,630**	**80,178**	**96,663**	**113,416**	**128,384**
Total Non-Interest Income	46,321	54,202	65,511	73,435	83,982
Total Income	**111,951**	**134,380**	**162,174**	**186,851**	**212,365**
Total Operating Expenses	**47,794**	**60,071**	**69,142**	**80,735**	**92,285**
Employees expenses	16,139	20,802	23,770	28,310	33,558
Other Operating Expenses	31,655	39,269	45,373	52,425	58,727
Pre Provisioning Profits	**64,157**	**74,309**	**93,031**	**106,116**	**120,081**
Provisions	12,800	11,430	17,504	25,736	28,203
PBT	**51,357**	**62,878**	**75,527**	**80,381**	**91,878**
Tax	17,472	20,456	23,733	24,918	28,482
PAT	**33,885**	**42,422**	**51,794**	**55,463**	**63,396**

Source: Company, Ambit Capital research

Business Ratio

Year to March (%)	FY11	FY12	FY13	FY14E	FY15E
Credit-Deposit (%)	75.3%	77.1%	78.0%	77.0%	76.0%
Investment / Deposit (%)	38.0%	42.3%	45.0%	45.0%	45.0%
CASA ratio (%)	41.1%	41.5%	44.4%	42.5%	39.3%
Cost/Income ratio (%)	42.7%	44.7%	42.6%	43.2%	43.5%

Source: Company, Ambit Capital research

Asset quality

Year to March	FY11	FY12	FY13	FY14E	FY15E
Gross NPA (₹ mn)	15,990	18,060	23,934	34,224	43,376
Gross NPA (%)	1.12%	1.06%	1.22%	1.48%	1.59%
Net NPA (₹ mn)	4,100	4,730	7,041	8,556	10,844
Net NPA (%)	0.29%	0.28%	0.36%	0.37%	0.40%
Provision coverage (%)	74.4%	73.8%	70.6%	75.0%	75.0%

Source: Company, Ambit Capital research

Valuation parameters

Year to March	FY11	FY12	FY13	FY14E	FY15E
Earnings per share (₹)	83.0	102.9	110.7	118.5	135.5
Adjusted book value per share (₹)	453	541	692	784	888
P/E (x)	13.1	10.6	9.8	9.2	8.0
P/ABV (x)	2.4	2.0	1.6	1.4	1.2

Source: Company, Ambit Capital research

Institutional Equities Team

Saurabh Mukherjea, CFA CEO, Institutional Equities (022) 30433174 saurabhmukherjea@ambitcapital.com

Research

Analysts	Industry Sectors	Desk-Phone	E-mail
Aadesh Mehta	Banking / NBFCs	(022) 30433239	aadeshmehta@ambitcapital.com
Achint Bhagat	Cement / Infrastructure	(022) 30433178	achintbhagat@ambitcapital.com
Ankur Rudra, CFA	Technology / Telecom / Media	(022) 30433211	ankurrudra@ambitcapital.com
Ashvin Shetty	Automobile	(022) 30433285	ashvinshetty@ambitcapital.com
Bhargav Buddhadev	Power / Capital Goods	(022) 30433252	bhargavbuddhadev@ambitcapital.com
Dayanand Mittal	Oil & Gas	(022) 30433202	dayanandmittal@ambitcapital.com
Gaurav Mehta	Strategy / Derivatives Research	(022) 30433255	gauravmehta@ambitcapital.com
Jatin Kotian	Metals & Mining / Healthcare	(022) 30433261	jatinkotian@ambitcapital.com
Karan Khanna	Strategy	(022) 30433251	karankhanna@ambitcapital.com
Krishnan ASV	Banking	(022) 30433205	vkrishnan@ambitcapital.com
Nitin Bhasin	E&C / Infrastructure / Cement	(022) 30433241	nitinbhasin@ambitcapital.com
Nitin Jain	Technology	(022) 30433291	nitinjain@ambitcapital.com
Pankaj Agarwal, CFA	NBFCs	(022) 30433206	pankajagarwal@ambitcapital.com
Pratik Singhania	Real Estate / Retail	(022) 30433264	pratiksinghania@ambitcapital.com
Parita Ashar	Metals & Mining	(022) 30433223	paritaashar@ambitcapital.com
Rakshit Ranjan, CFA	Consumer / Real Estate	(022) 30433201	rakshitranjan@ambitcapital.com
Ravi Singh	Banking / NBFCs	(022) 30433181	ravisingh@ambitcapital.com
Ritika Mankar Mukherjee	Economy / Strategy	(022) 30433175	ritikamankar@ambitcapital.com
Ritu Modi	Healthcare	(022) 30433292	ritumodi@ambitcapital.com
Shariq Merchant	Consumer	(022) 30433246	shariqmerchant@ambitcapital.com
Tanuj Mukhija	E&C / Infrastructure	(022) 30433203	tanujmukhija@ambitcapital.com
Utsav Mehta	Telecom / Media	(022) 30433209	utsavmehta@ambitcapital.com

Sales

Name	Regions	Desk-Phone	E-mail
Deepak Sawhney	India / Asia	(022) 30433295	deepaksawhney@ambitcapital.com
Dharmen Shah	India / Asia	(022) 30433289	dharmenshah@ambitcapital.com
Dipti Mehta	India / Europe / USA	(022) 30433053	diptimehta@ambitcapital.com
Nityam Shah, CFA	USA	(022) 30433259	nityamshah@ambitcapital.com
Parees Purohit, CFA	USA	(022) 30433169	pareespurohit@ambitcapital.com
Praveena Pattabiraman	India / Asia	(022) 30433268	praveenapattabiraman@ambitcapital.com
Sarojini Ramachandran	UK	+44 (0) 20 7614 8374	sarojini@panmure.com

Production

Sajid Merchant	Production	(022) 30433247	sajidmerchant@ambitcapital.com
Joel Pereira	Editor	(022) 30433284	joelpereira@ambitcapital.com

E&C = Engineering & Construction

Explanation of Investment Rating

Investment Rating	Expected return (over 12-month period from date of initial rating)
Buy	>5%
Sell	≤5%

Disclaimer

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Ambit Capital. AMBIT Capital Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities is available on request.

Disclaimer

1. AMBIT Capital Private Limited ("AMBIT Capital") and its affiliates are a full service, integrated investment banking, investment advisory and brokerage group. AMBIT Capital is a Stock Broker, Portfolio Manager and Depository Participant registered with Securities and Exchange Board of India Limited (SEBI) and is regulated by SEBI
2. The recommendations, opinions and views contained in this Research Report reflect the views of the research analyst named on the Research Report and are based upon publicly available information and rates of taxation at the time of publication, which are subject to change from time to time without any prior notice.
3. AMBIT Capital makes best endeavours to ensure that the research analyst(s) use current, reliable, comprehensive information and obtain such information from sources which the analyst(s) believes to be reliable. However, such information has not been independently verified by AMBIT Capital and/or the analyst(s) and no representation or warranty, express or implied, is made as to the accuracy or completeness of any information obtained from third parties. The information or opinions are provided as at the date of this Research Report and are subject to change without notice.
4. If you are dissatisfied with the contents of this complimentary Research Report or with the terms of this Disclaimer, your sole and exclusive remedy is to stop using this Research Report and AMBIT Capital shall not be responsible and/ or liable in any manner.
5. If this Research Report is received by any client of AMBIT Capital or its affiliate, the relationship of AMBIT Capital/its affiliate with such client will continue to be governed by the terms and conditions in place between AMBIT Capital/ such affiliate and the client.
6. This Research Report is issued for information only and should not be construed as an investment advice to any recipient to acquire, subscribe, purchase, sell, dispose of, retain any securities. Recipients should consider this Research Report as only a single factor in making any investment decisions. This Research Report is not an offer to sell or the solicitation of an offer to purchase or subscribe for any investment or as an official endorsement of any investment.
7. If 'Buy', 'Sell', or 'Hold' recommendation is made in this Research Report such recommendation or view or opinion expressed on investments in this Research Report is not intended to constitute investment advice and should not be intended or treated as a substitute for necessary review or validation or any professional advice. The views expressed in this Research Report are those of the research analyst which are subject to change and do not represent to be an authority on the subject. AMBIT Capital may or may not subscribe to any and/ or all the views expressed herein.
8. AMBIT Capital makes no guarantee, representation or warranty, express or implied; and accepts no responsibility or liability as to the accuracy or completeness or currentess of the information in this Research Report. AMBIT Capital or its affiliates do not accept any liability whatsoever for any direct or consequential loss howsoever arising, directly or indirectly, from any use of this Research Report.
9. Past performance is not necessarily a guide to evaluate future performance.
10. AMBIT Capital and/or its affiliates (as principal or on behalf of its/their clients) and their respective officers directors and employees may hold positions in any securities mentioned in this Research Report (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). Such positions in securities may be contrary to or inconsistent with this Research Report.
11. This Research Report should be read and relied upon at the sole discretion and risk of the recipient.
12. The value of any investment made at your discretion based on this Research Report or income therefrom may be affected by changes in economic, financial and/ or political factors and may go down as well as up and you may not get back the full or the expected amount invested. Some securities and/ or investments involve substantial risk and are not suitable for all investors.
13. This Research Report is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied in whole or in part, for any purpose. Neither this Research Report nor any copy of it may be taken or transmitted or distributed, directly or indirectly within India or into any other country including United States (to US Persons), Canada or Japan or to any resident thereof. The distribution of this Research Report in other jurisdictions may be strictly restricted and/ or prohibited by law or contract, and persons into whose possession this Research Report comes should inform themselves about such restriction and/ or prohibition, and observe any such restrictions and/ or prohibition.
14. Neither AMBIT Capital nor its affiliates or their respective directors, employees, agents or representatives, shall be responsible or liable in any manner, directly or indirectly, for views or opinions expressed in this Report or the contents or any errors or discrepancies herein or for any decisions or actions taken in reliance on the Report or inability to use or access our service or this Research Report or for any loss or damages whether direct or indirect, incidental, special or consequential including without limitation loss of revenue or profits that may arise from or in connection with the use of or reliance on this Research Report or inability to use or access our service or this Research Report.

Conflict of Interests

15. In the normal course of AMBIT Capital's business circumstances may arise that could result in the interests of AMBIT Capital conflicting with the interests of clients or one client's interests conflicting with the interest of another client. AMBIT Capital makes best efforts to ensure that conflicts are identified and managed and that clients' interests are protected. AMBIT Capital has policies and procedures in place to control the flow and use of non-public, price sensitive information and employees' personal account trading. Where appropriate and reasonably achievable, AMBIT Capital segregates the activities of staff working in areas where conflicts of interest may arise. However, clients/potential clients of AMBIT Capital should be aware of these possible conflicts of interests and should make informed decisions in relation to AMBIT Capital's services.
16. AMBIT Capital and/or its affiliates may from time to time have investment banking, investment advisory and other business relationships with companies covered in this Research Report and may receive compensation for the same. Research analysts provide important inputs into AMBIT Capital's investment banking and other business selection processes.
17. AMBIT Capital and/or its affiliates may seek investment banking or other businesses from the companies covered in this Research Report and research analysts involved in preparing this Research Report may participate in the solicitation of such business.
18. In addition to the foregoing, the companies covered in this Research Report may be clients of AMBIT Capital where AMBIT Capital may be required, inter alia, to prepare and publish research reports covering such companies and AMBIT Capital may receive compensation from such companies in relation to such services. However, the views reflected in this Research Report are objective views, independent of AMBIT Capital's relationship with such company.
19. In addition, AMBIT Capital may also act as a market maker or risk arbitrator or liquidity provider or may have assumed an underwriting commitment in the securities of companies covered in this Research Report (or in related investments) and may also be represented in the supervisory board or on any other committee of those companies.

Additional Disclaimer for U.S. Persons

20. The research report is solely a product of AMBIT Capital
21. AMBIT Capital is the employer of the research analyst(s) who has prepared the research report
22. Any subsequent transactions in securities discussed in the research reports should be effected through J.P.P. Euro-Securities, Inc. ("JPP").
23. JPP does not accept or receive any compensation of any kind for the dissemination of the AMBIT Capital research reports.
24. The research analyst(s) preparing the research report is resident outside the United States and is/are not associated persons of any U.S. regulated broker-dealer and that 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 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.

Ambit Capital Pvt. Ltd.
Ambit House, 3rd Floor
449, Senapati Bapat Marg, Lower
Parel, Mumbai 400 013, India.
Phone: +91-22-3043 3000
Fax: +91-22-3043 3100