

BUY

TP: Rs 1,034 | ▲ 35%

SBI CARD

| NBFC

| 24 January 2023

Higher costs continue to dent profitability

- Q3 PAT missed our estimate by 8% due to increased funding costs and high operating expenses
- Card spends at Rs 688bn the highest ever; gross receivables driven by EMIs with revolver share muted at 24%
- We cut FY23-FY25 EPS 3-9% and roll over to a TP of Rs 1,034 (vs. Rs 1,139) set at a lower 29x FY25E P/E (vs. 36x); maintain BUY

Mohit Mangal

research@bobcaps.in

PAT disappoints: SBI Card's Q3FY23 net profit rose 32% YoY (-3% QoQ) to Rs 5.1bn but was 8% below our estimate primarily due to (i) a rise in operating expenses by 15% YoY (8% QoQ) to Rs 19.7bn (3% above est.) due to spending on new client acquisition and higher corporate spends, and (ii) an increase in cost of funds by 68% YoY (26% QoQ) to Rs 4.6bn (5% above est.), with guidance for a further increase in Q4. We, accordingly, lower net profit estimates by 3-9% for FY23-FY25 to Rs 34bn.

Corporate spends gain traction; card addition robust: SBI Card's Q3 credit card spends hit a peak of Rs 688bn (Rs 654bn est.), rising 24% YoY and 10% QoQ, boosted by festive and travel season sales. Corporate spend grew 25% QoQ (10% YoY) with a share of 21% vs. 18%. We revise card spends upwards by 4% to Rs 2.5tn/Rs 3.0tn/Rs 3.5tn for FY23/FY24/FY25. The company's cards in force grew 21% YoY to 15.9mn with new account additions up 62%.

Gross receivables soar; revolver accounts muted: Gross receivables rose 33% YoY to Rs 386bn in Q3, with revolvers growing 18%, EMI 49% and transactors 36%. Revolver share was stable QoQ at 24% while EMI grew from 35% to 37%. NII at Rs 11.4bn was 2% below our estimate, but management indicated that pricing of newer EMI loans has already been changed to counter the cost-of-fund increase. We believe NIM will remain under pressure and forecast a range of 12-13% over FY23-FY25, much lower than the 15-16% levels enjoyed a few years ago.

Asset quality strong: GNPA/NNPA were stable at 2.2%/0.8% in Q3, and we expect levels of <3%/~1% over FY23-FY25. Credit cost declined from 6.4% in Q2 to 5.8% as ECL (expected credit losses) remained below pre-Covid levels. We continue to bake in credit cost of ~6% over FY23-FY25.

Maintain BUY: We cut our FY23-FY25 EPS estimates by 3-9% based on the Q3 results and reset to a lower target P/E of 29x (40% below the long-term mean) from 36x, as the spike in cost of funds and operating expenses clouds the margin outlook. Rolling valuations over to FY25E, we have a revised TP of Rs 1,034 (vs. Rs 1,139) – retain BUY for a potential upside of 35%.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SBICARD IN/Rs 767
Market cap	US\$ 8.9bn
Free float	31%
3M ADV	US\$ 12.3mn
52wk high/low	Rs 1,029/Rs 656
Promoter/FPI/DII	69%/9%/17%

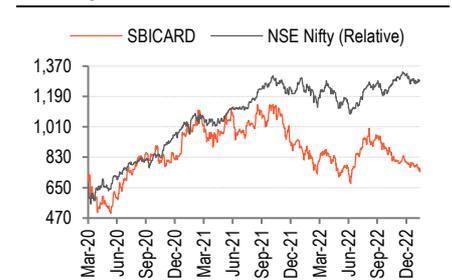
Source: NSE | Price as of 23 Jan 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Net interest income (Rs)	38,387	45,287	58,298
NII growth (%)	(1.7)	18.0	28.7
Adj. net profit (Rs mn)	16,161	22,061	28,101
EPS (Rs)	17.0	23.2	29.6
Consensus EPS (Rs)	17.0	24.3	30.8
P/E (x)	43.8	32.1	25.2
P/BV (x)	9.1	7.3	5.8
ROA (%)	5.2	5.6	5.8
ROE (%)	23.0	25.3	25.6

Source: Company, Bloomberg, BOBCAPS Research

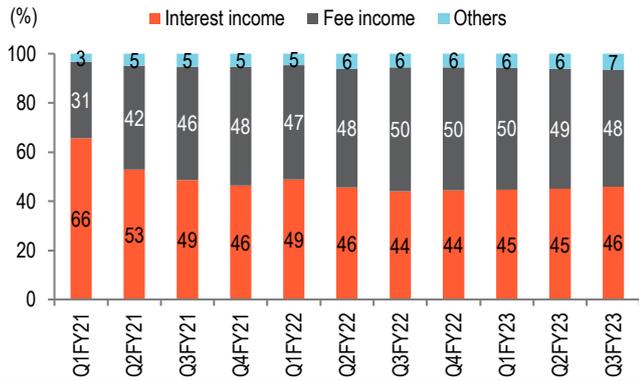
Stock performance



Source: NSE

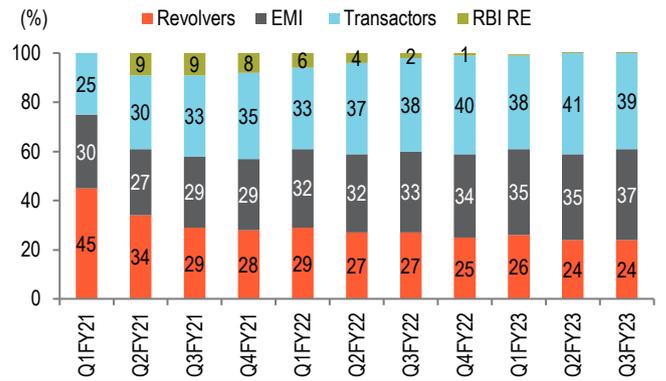


Fig 1 – Interest income growth QoQ better than fee income



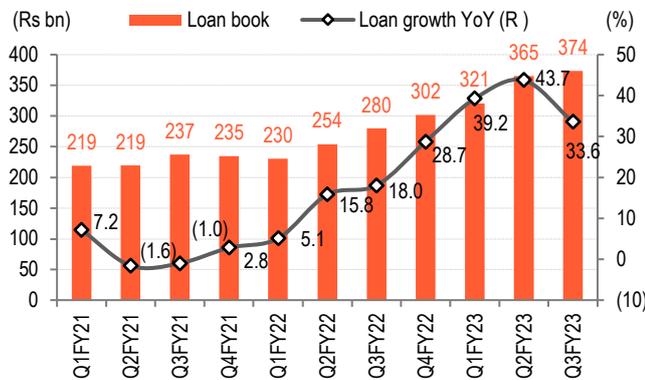
Source: Company, BOBCAPS Research

Fig 2 – Revolvers stable QoQ in receivables mix



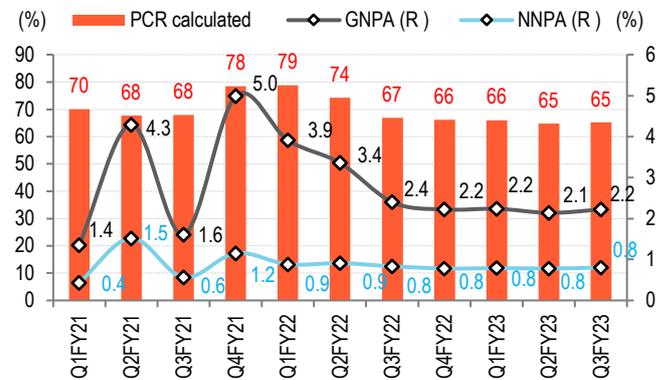
Source: Company, BOBCAPS Research | EMI: Equated Monthly Installment, RBI RE: RBI Restructuring

Fig 3 – Loan book grew 34% YoY



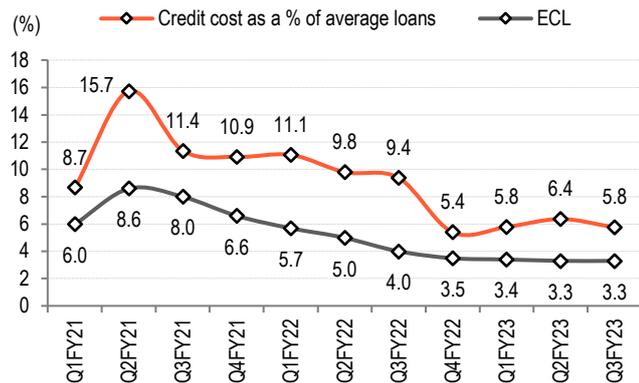
Source: Company, BOBCAPS Research

Fig 4 – Asset quality strong



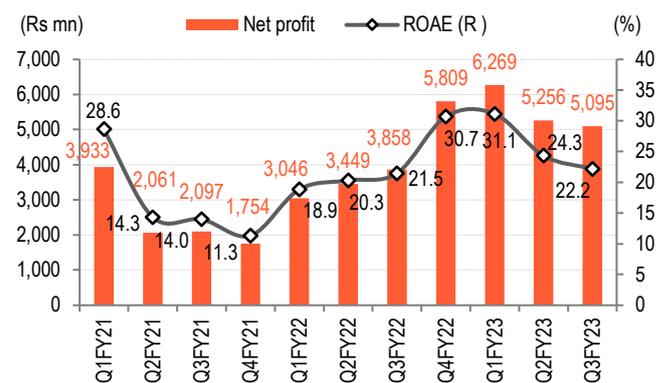
Source: Company, BOBCAPS Research | PCR: Provision Coverage Ratio, GNPA & NNPA: Gross & Net Non-Performing Assets

Fig 5 – Credit cost declined in Q3; ECL stable



Source: Company, BOBCAPS Research

Fig 6 – Higher expenses dented return ratios



Source: Company, BOBCAPS Research

Earnings call highlights

Cost of funding to rise further

- Funding cost remained high in Q3FY23, in line with management guidance. The company expects a further increase of 30-40bps in Q4.
- Q3 NIM stood at 11.6%, down 240bps YoY. To counter the impact of higher cost of funds, the company has already changed the pricing of newer EMI loans.

Receivables mix – Revolvers share stable but on the lower side

- Interest-bearing assets (gross receivables) grew 33% YoY in Q3, with revolvers growing 18%, EMI 49% and transactors 36%.
- Revolver share remained low in the gross receivables mix at 24% for Q3 (flat vs. Q2), holding at ~65% of pre-Covid levels. Lower revolver customers remain an industry-wide phenomenon. In order to improve the share, the company is focused on the young and self-employed, with 36% of new sourcing coming from customers below 30 years of age and the self-employed constituting 34%. Management keeps a close eye on revolver rates on a monthly basis and expects improvement ahead.
- Management reiterated its focus on equated monthly installment (EMI) customers, with the percentage of spends converting into EMI remaining high at 37% of gross receivables vs. 35% in Q2.

Spends growth high

- The company recorded its highest ever spends of Rs 688bn in Q3, up 24% YoY and 10% QoQ, beating our estimate by 5%. Of the total, non-discretionary constituted 68% share and online spends 57% as at end-9MFY23.
- Category 1 (departmental stores, health, utilities, education & direct marketing) recorded 5% QoQ growth, Category 2 (consumer durables, furnishing & hardware, apparel & jewellery) grew 3%, and Category 3 (travel agents, hotels, airlines, railways, entertainment & restaurants) grew 14% QoQ.
- Management continues to look for profitable opportunities in the corporate spends category (21% of total spends), but indicated it will not grow this category beyond 25% share.

Robust fee growth

- Fees income was robust in Q3 because (a) online spends stayed high, (b) corporate spends which carry higher interchange fees increased (21% share vs. 18% QoQ), and (c) travel rose during the November and December tourist season.
- Processing fees of Rs 99 on rental payments started on 15 November. SBI Card is seeing no major impact on customer behaviour.
- Net profit declined Rs 160mn sequentially owing to a post-tax decline of over limit fee (OVL: Rs 810mn) and cost-of-fund hike (Rs 480mn), offset by positive core growth (Rs 1,130mn).

Operating expenses and cost ratios climb higher

- Q3 operating expenses increased 15% YoY and 8% QoQ due to higher customer acquisition cost. Also, corporate spends rose 10% YoY with its share in total spends at 21%. There was a substantial increase in B2B volumes. Management expects the cost-to-income (C/I) ratio to remain below 60% for FY23, with Q3 at 61.9% and 9M at 59.3%. We increase our C/I estimate to 59.5% for FY23 vs. 59% forecasted earlier.
- Operating expenses (~90% of total) and employee expenses (7%) grew YoY and sequentially.

Credit cost reasonable

- Credit cost declined 15% YoY and 2% QoQ to Rs 5.3bn. Moreover, at 5.8% of loans, it is lower by 60bps sequentially and 360bps YoY, within management's comfort level of ~6%.

Cards outstanding strong

- New account sourcing increased by 62% YoY and 26% QoQ to 1.6mn whereas cards in force (CIF) grew 21% YoY and 7% QoQ to Rs 15.9mn.
- Parent SBIN constituted 49% of total new sourcing of cards in Q3FY23 whereas it had a share of 41% in CIF as of 31 Dec 2022.
- The company has a total of 1.3-1.5mn RuPay credit cards, but indicated that their share in spends is on the lower side.

Reward points

- Recently, SBI Card reduced reward points from 10x to 5x on Amazon transactions done through 'Simply Click'. Reward points have also been changed for a few other categories. The intention was to discourage double dipping by customers.

Financial highlights

Fig 7 – P&L account

(Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Interest income	16,089	12,733	26.4	14,845	8.4
Interest expense	4,643	2,768	67.7	3,677	26.3
Net Interest Income (NII)	11,446	9,965	14.9	11,168	2.5
Non -interest income	18,983	16,161	17.5	18,126	4.7
-Fee income	16,697	14,570	14.6	16,108	3.7
Revenue from operations	35,071	28,895	21.4	32,971	6.4
Other income	1,490	2,502	(40.4)	1,562	(4.6)
Total income	36,562	31,397	16.5	34,533	5.9
Operating expenses	19,745	17,189	14.9	18,340	7.7
PPOP	12,174	11,440	6.4	12,517	(2.7)
Provisions and contingencies	5,330	6,255	(14.8)	5,460	(2.4)
PBT	6,843	5,185	32.0	7,057	(3.0)
Tax	1,749	1,327	31.7	1,800	(2.9)
PAT	5,095	3,858	32.1	5,256	(3.1)

Source: Company, BOBCAPS Research

Fig 8 – Balance sheet

(Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Financial assets	4,10,670	3,03,030	35.5	3,98,395	3.1
Cash and bank balances	7,850	8,190	(4.2)	10,355	(24.2)
Loans	3,73,540	2,79,690	33.6	3,64,998	2.3
Other financial assets	29,280	15,150	93.3	23,042	27.1
Non- financial assets	19,200	18,020	6.5	17,416	10.2
Deferred tax assets	2,300	2,930	(21.5)	2,470	(6.9)
PP&E, other fixed and intangible	4,890	4,240	15.3	4,471	9.4
Other non-financial assets	12,010	10,850	10.7	10,475	14.7
Total Assets	4,29,870	3,21,050	33.9	4,15,811	3.4
Financial liabilities	3,21,250	2,35,570	36.4	3,13,330	2.5
Borrowings including lease liabilities	2,94,030	2,10,490	39.7	2,81,860	4.3
Other financial liabilities	27,220	25,080	8.5	31,470	(13.5)
Non- financial liabilities	14,040	11,520	21.9	13,291	5.6
Provisions	5,950	4,880	21.9	5,515	7.9
Other non-financial liabilities	8,090	6,640	21.8	7,777	4.0
Total Liabilities	3,35,290	2,47,090	35.7	3,26,621	2.7
Equity	94,580	73,960	27.9	89,190	6.0
Equity share capital	9,460	9,430	0.3	9,433	0.3
Other equity	85,120	64,530	31.9	79,757	6.7
Total Liabilities and Equity	4,29,870	3,21,050	33.9	4,15,811	3.4

Source: Company, BOBCAPS Research

Fig 9 – Ratio analysis

(%)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Yield	17.4	19.1	(166bps)	17.3	11bps
Cost of funds	6.4	5.5	92bps	5.6	90bps
Spread	11.0	13.6	(258bps)	11.8	(79bps)
Net interest margin (NIM - calculated)	11.3	13.8	(246bps)	11.9	(59bps)
Return on avg. Assets (ROAA)	4.8	5.0	(22bps)	5.4	(54bps)
Return on avg equity (ROAE)	22.2	21.5	72bps	24.3	(214bps)
Cost to income	61.9	60.0	182bps	59.4	242bps
Credit costs	5.8	9.4	(360bps)	6.4	(60bps)
GNPA	2.2	2.4	(18bps)	2.1	8bps
NNPA	0.8	0.8	(3bps)	0.8	2bps

Source: Company, BOBCAPS Research

Fig 10 – Corporate spends

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Retail	2,70,980	3,50,700	4,24,170	4,18,720	4,54,880	5,08,950	5,45,620
Corporate	61,620	84,910	1,29,800	1,22,630	1,41,830	1,14,110	1,42,730
Total spends	3,32,600	4,35,610	5,53,970	5,41,350	5,96,710	6,23,060	6,88,350
Composition (%)							
Retail	81.5	80.5	76.6	77.3	76.2	81.7	79.3
Corporate	18.5	19.5	23.4	22.7	23.8	18.3	20.7

Source: Company, BOBCAPS Research

Fig 11 – Sourcing trends

Business	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
New sourcing (%)							
Salaried	83	80	78	76	74	70	66
Self employed	17	20	22	24	26	30	34
Cards in force (%) *							
Salaried	84	85	85	84	84	83	NA
Self employed	16	15	15	16	16	17	NA
Cards in force - Indexed 30+ delinquency							
Salaried	0.91	0.92	0.93	0.95	0.96	0.97	NA
Self employed	1.53	1.51	1.44	1.33	1.30	1.20	NA

Source: Company, BOBCAPS Research | *Although the company has not provided data for Q3FY23, it has indicated a range of 20%.

Valuation methodology

We remain positive on credit card growth in India given the government's push for digital transactions and the growing internet reach. Demonetisation and Covid-19 have also lent a fillip to the cashless mode of transactions. SBI Card is the only listed credit card player in India and in a strong position to grow, backed by a wide array of offerings, including co-branded cards, that drive robust spends. The company derives key synergistic benefits from parent SBIN, including access to an extensive branch network and ready customer base with high cross-sell opportunities.

SBI Card recorded its highest ever spends of Rs 688bn in Q3FY23, beating our estimate by 5% and leading us to raise our card spend forecasts for FY23/FY24/FY25 by ~4% each to Rs 2.5tn/Rs 3.0tn/Rs 3.5tn. On the flip side, a spike in operating expenses and cost of funds saw net profit miss our estimate by 8%. Consequently, we lower our FY23/FY24/FY25 EPS estimates by 3%/7%/9% and cut our FY25 ROAE assumption to 24.7% from 26.3%. We also reset to a lower target P/E of 29x (40% below the long-term mean) from 36x given a clouded margin outlook.

On rolling valuations over to FY25, we have a revised TP of Rs 1,034 (vs. Rs 1,139). We retain BUY for a potential upside of 35%. Our secondary residual income model assumes COE of 11.9% and terminal growth of 5.5%, and yields a similar target price.

Fig 12 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Spends	25,34,402	30,36,885	35,32,335	24,30,759	29,14,666	33,91,452	4.3	4.2	4.2
Loans	3,92,832	4,73,754	5,54,577	3,88,922	4,69,261	5,49,415	1.0	1.0	0.9
Total income	1,40,453	1,71,611	2,02,824	1,39,514	1,70,114	2,01,339	0.7	0.9	0.7
C/I ratio (in %)	59.5	58.5	58.1	59.0	56.9	55.8	50bps	159bps	229bps
PPOP	50,254	62,605	74,608	50,889	64,991	78,790	(1.2)	(3.7)	(5.3)
Credit costs	20,761	25,037	29,309	20,554	24,800	29,036	1.0	1.0	0.9
PAT	22,061	28,101	33,884	22,690	30,063	37,216	(2.8)	(6.5)	(9.0)

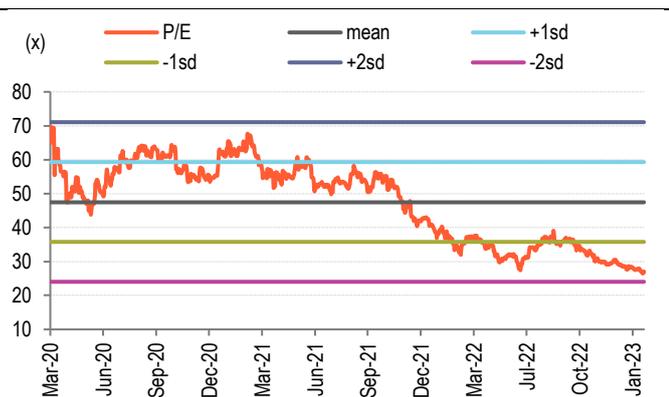
Source: Company, BOBCAPS Research

Fig 13 – Valuation summary

Parameter	
Cost of equity (%)	11.9
Terminal growth rate (%)	5.5
PV of Residual Income (Rs mn)	8,86,882
Current Book Value (Rs mn)	94,580
Estimated Market Value (Rs mn)	9,81,462
Shares (mn)	951
Estimated Price Per Share (Rs)	1,033

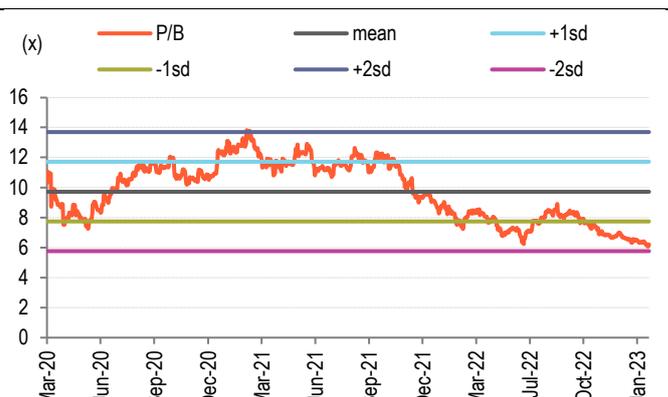
Source: Company, BOBCAPS Research

Fig 14 – SBI Card: 1Y fwd P/E trading close to -2SD



Source: Company, BOBCAPS Research

Fig 15 – SBI Card: 1Y fwd P/B trading close to -2SD



Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- **UPI gaining market share:** Digital payments have gained market share over the last few years owing to their ease of use and secure process, with the usage of cards, UPI (unified payment interface) and wallet-based payment systems rising considerably. UPI's market share (by value) has soared from 1% in FY17 to 88% at end-FY22, proving to be a challenge to the credit card business which saw its share decline from 19.9% at end-FY17 to 2% at end-FY22. UPI has been highly popular as there are no merchant discount rate (MDR) charges on transactions, which are instead borne by the RBI and banks. However, we believe that such services can't be offered for free indefinitely. Besides, UPI is a prepaid mode of transaction.
- **MDR overhang:** RBI has sporadically raised the issue of lowering the merchant discount rate (MDR) on credit cards. The overall MDR range is currently 1-3%. With this rate being regulated for debit cards, there lies a risk that credit cards could also be brought under regulation. However, there is a cost for financial institutions to set up the payments infrastructure and, thus, there should be compensation. Therefore, despite the risk, we believe MDR is unlikely to be eliminated altogether.
- **Static per card spends:** Spends per card per month have remained broadly static for the industry – growing from Rs 10,285 in FY18 to Rs 10,636 in FY20 (but down to Rs 8,494 in FY21 which was an aberration) and Rs 11,033 in FY22. SBI Card showed similar trends, growing from Rs 10,256 in FY18 to Rs 10,395 in FY20 (Rs 8,656 in FY21) and Rs 11,302 in FY22.
- **Other risks:** (1) Any modification of terms with the parent or SBIN lowering its stake further could be detrimental to growth. SBI Card is required to pay a royalty fee of 2% of PAT or 0.2% of total income, whichever is higher, to SBIN within two months of the end of every financial year. (2) Technology plays an important part in the credit card business. With the increased use of digital payments, there is a constant risk of cyberattacks which could disrupt day-to-day operations. This apart, RBI is very strict about customer data storage which could lead to restrictions on sourcing new clients, as was recently seen with a leading card player. Although these matters will be resolved eventually, there could be business losses in the interim.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net interest income	39,033	38,387	45,287	58,298	71,473
Nil growth (%)	10.2	(1.7)	18.0	28.7	22.6
Non-interest income	43,498	58,112	72,628	83,819	95,774
Total income	97,136	1,13,015	1,40,453	1,71,611	2,02,824
Operating expenses	47,079	58,462	73,831	88,227	1,03,283
PPOP	39,623	44,280	50,254	62,605	74,608
PPOP growth (%)	8.0	11.8	13.5	24.6	19.2
Provisions	26,386	22,558	20,761	25,037	29,309
PBT	13,237	21,722	29,493	37,568	45,299
Tax	3,392	5,560	7,432	9,467	11,415
Reported net profit	9,845	16,161	22,061	28,101	33,884
Adjustments	0	0	0	0	0
Adjusted net profit	9,845	16,161	22,061	28,101	33,884

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Equity capital	9,405	9,432	9,432	9,432	9,432
Reserves & surplus	53,615	68,095	87,780	1,12,554	1,42,636
Net worth	63,020	77,527	97,212	1,21,986	1,52,068
Debt securities	59,329	71,063	94,340	1,13,035	1,31,886
Borrowings	1,06,635	1,46,801	1,94,885	2,33,504	2,72,447
Other liab. & provisions	41,144	51,093	58,200	62,777	66,760
Total liab. & equities	2,70,129	3,46,484	4,44,637	5,31,302	6,23,161
Cash & bank balance	7,201	11,064	5,097	5,588	6,268
Investments	9,576	12,972	24,077	27,332	31,791
Advances	2,34,591	3,01,873	3,92,832	4,73,754	5,54,577
Fixed & Other assets	18,761	20,576	22,630	24,628	30,526
Total assets	2,70,129	3,46,484	4,44,637	5,31,302	6,23,161
Total debt growth (%)	2.8	26.1	31.6	19.8	16.7
Advances growth (%)	2.8	28.7	30.1	20.6	17.1

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
EPS	10.4	17.0	23.2	29.6	35.6
Dividend per share	0.0	2.5	2.5	3.5	4.0
Book value per share	66.4	81.6	102.3	128.3	160.0

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
P/E	71.8	43.8	32.1	25.2	20.9
P/BV	11.2	9.1	7.3	5.8	4.7
Dividend yield (%)	0.0	0.3	0.3	0.5	0.5

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Net interest income	14.9	12.5	11.4	11.9	12.4
Non-interest income	16.6	18.8	18.4	17.2	16.6
Operating expenses	18.0	19.0	18.7	18.1	17.9
Provisions	10.1	7.3	5.2	5.1	5.1
ROA	3.8	5.2	5.6	5.8	5.9
Leverage (x)	4.5	4.4	4.5	4.5	4.2
ROE	16.9	23.0	25.3	25.6	24.7

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
YoY growth (%)					
Net interest income	10.2	(1.7)	18.0	28.7	22.6
Pre-provisioning profit	8.0	11.8	13.5	24.6	19.2
EPS	(21.4)	64.0	36.4	27.4	20.6
Profitability & Return ratios (%)					
Net interest margin	15.9	13.1	12.0	12.5	12.9
Fees / Avg. assets	16.6	18.8	18.4	17.2	16.6
Cost-Income	54.3	56.9	59.5	58.5	58.1
ROE	16.9	23.0	25.3	25.6	24.7
ROA	3.8	5.2	5.6	5.8	5.9
Asset quality (%)					
GNPA	5.0	2.2	2.3	2.5	2.7
NNPA	1.2	0.8	0.8	1.0	0.8
Slippage ratio	12.6	7.2	4.3	4.3	4.3
Credit cost	11.4	8.4	6.0	5.8	5.7
Provision coverage	77.9	65.3	64.9	62.4	70.2
Ratios (%)					
Loans to Total debt	129.8	132.5	131.0	131.9	132.3
CAR	24.8	23.8	22.5	23.0	24.3
Tier-1	20.9	21.0	20.2	21.2	22.8

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

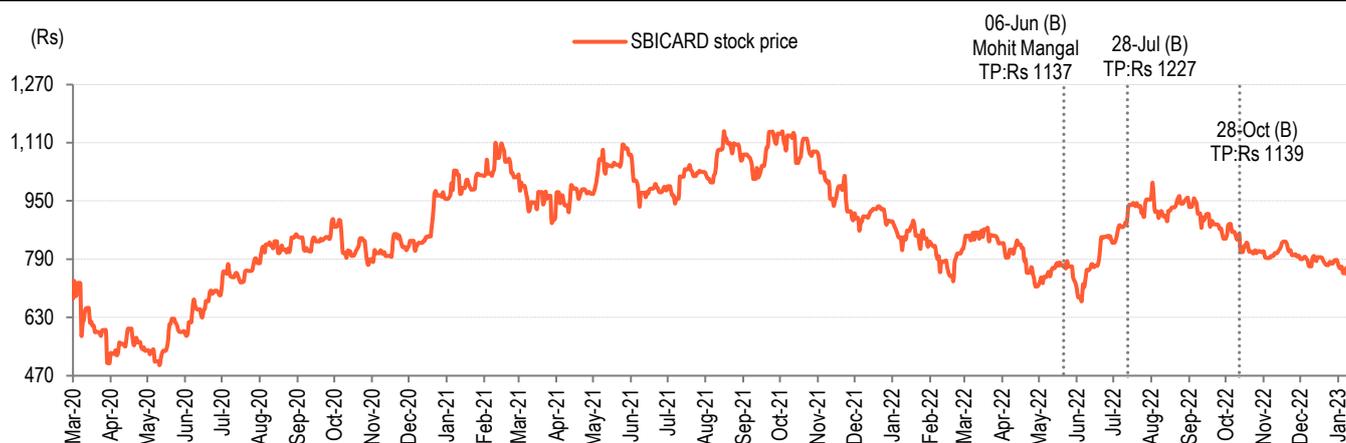
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SBI CARD (SBICARD IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are 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. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd ("MSL") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as "**MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.