

MAY 15, 2017

UPDATE

Coverage view: **Attractive**

Price (₹): **1,484**

Target price (₹): **1,400**

BSE-30: **30,188**

All about a table. The annual report takeaways could be centered around a single table that revealed the **high divergence on NPLs reported by the bank against RBI's recommendations.** Adjusted NPLs could have been sharply higher at 5% of loans for FY2016. We maintain our SELL rating as we value the bank similar to a corporate bank. Slower-than-expected transition to retail and chunky corporate exposure prone to large slippages, limit the upside we feel comfortable to assign to this bank.

Company data and valuation summary

Yes Bank

Stock data				Forecasts/Valuations		
52-week range (Rs) (high,low)	1,652-944			2017	2018E	2019E
Market Cap. (Rs bn)	677.6			EPS (Rs)	73.0	74.2
Shareholding pattern (%)				EPS growth (%)	20.8	1.8
Promoters	21.8			P/E (X)	20.3	20.0
FIs	42.0			NII (Rs bn)	59.1	71.6
MFs	11.1			Net profits (Rs bn)	33.3	33.9
Price performance (%)				BVPS	467.4	530.0
	1M	3M	12M	P/B (X)	3.2	2.8
Absolute	(9.0)	5.0	55.4	ROE (%)	18.6	14.5
Rel. to BSE-30	(10.7)	(1.4)	32.7	Div. Yield (%)	0.7	0.8

Surprising? No. Early disclosures could have helped

Following RBI's recent guidelines, **Yes Bank reported a table discussing the divergence in NPLs between RBI's opinion and bank's reporting for FY2016. The divergence is quite high (see exhibit 1) which could have resulted in gross NPLs for FY2016 increasing to 5% from 0.8% as reported by the bank.** Note that the RBI gives its opinion on the next financial year and hence, the bank may not be privy to the expected outcome of its inspection.

With limited data in hand on this table across banks, we do believe it is a bit premature to differentiate banks based on it. **The quantum does not come as a big surprise given the nature of the loan portfolio though we are disappointed that the bank chose to report this only in its annual report and not during the call or immediately post the quarter where the divergence was highlighted.** It would have been a critical assessing parameter for investors in a year where the bank had raised capital.

Other highlights from the annual report

(1) **Commercial real estate exposure continues to remain relatively high at ~8% of loans but it represents a steep decline over FY2016. The bulk of the exposure continues to be towards residential assets.** (2) The bank's unsecured loan continues to remain unchanged at ~25% of loans. However, only 11% of loans are at risk as the balance has some form of cover in FY2016. (3) ESOP issuances have declined as a share of the overall equity. Outstanding ESOPs granted but yet to be converted to equity is ~5% of loans. (4) Capital consumption, especially on credit risk weighted assets (RWA) was the highest at ~40% yoy as compared to loan growth of ~35% yoy. There were no major changes in loan composition but off balance sheet items slowed down.

Maintain SELL: concerns remain and valuations are not exciting

We continue to maintain our SELL rating on the bank and value it at ₹1,400 from ₹1,450 earlier. At our TP, we value the bank at 2.3X book and 18X FY2019 EPS for RoEs in the range of 15% levels and strong earnings growth. This high divergence will continue to dominate discussions over the next few weeks. **We do believe that the performance brings forth some of the previous issues of the bank especially on underwriting of corporate loans despite such strong RoEs.**

M B Mahesh CFA
mb.mahesh@kotak.com
Mumbai: +91-22-4336-0886

Nischint Chawathe
nischint.chawathe@kotak.com
Mumbai: +91-22-4336-0887

Abhijeet Sakhare
abhijeet.sakhare@kotak.com
Mumbai: +91-22-4336-0889

High divergence reported from RBI's assessment

Yes Bank reported relatively high divergence over the assessment made by RBI for FY2016 NPLs. RBI estimates that the NPLs could have been closer to 5% (see exhibit 1) as compared to 0.8% reported by the bank. As of FY2017, the bank has indicated it has fully accounted for the divergence in FY2017 with several accounts seeing improvement, reduction/exits in exposure or it has been classified as impaired in FY2017. ~50% of the current NPL is on account of divergence. There is one single account which dominates the exposure.

Exhibit 1: The divergence is quite high for Yes Bank at ~5% of loans

Divergence in asset classification, March fiscal year-ends, 2016

	Bank	RBI	Divergence
Gross NPL			
Amount (Rs mn)	7,490	49,257	41,767
Ratio (% , KIE estimates)	0.8	5.0	4.2
Net NPL			
Amount	2,845	36,031	33,187
Ratio (% , KIE estimates)	0.3	3.7	3.4
Provision coverage ratio (%)			
Reported by the bank			62.0
Assessed by the RBI (KIE estimates, accounting for provision)			53.7
Net profit			25,394
Net profit post accounting for provisions for divergence			19,784
Return on equity pre-announcement of divergence (%)			19.9
Return on equity post announcement of divergence (%)			15.5

Source: Company, Kotak Institutional Equities

The bank has sold a few accounts to asset reconstruction companies in ARCs. The following exhibit shows loans which are classified as standard under various windows available to banks and given by RBI.

Exhibit : Loan classified under different formats allowed by RBI

March fiscal year-ends, 2017

Type	Amount	(% of loans)
Gross NPL	20,184	1.5
Restructured loans	5,710	0.4
SDR	2,995	0.2
S4A	189	0.0
Security receipts	9,771	0.7
Flexible restructuring	1,255	0.1

Source: Company, Kotak Institutional Equities

Fretting over the past?

Yes Bank has come out on the wrong side of history this time. The divergence is high enough not to ignore and consider as an event of the past. It should clearly weigh in the future till asset quality issues are fully sorted out at the sector level or we see lower convergence on reported NPLs over the next few years.

It highlights an issue that we have been consistently focusing on, the composition of the loan portfolio that makes NPLs quite chunky, harder to project and surprise investors negatively when it occurs. Hence, it is not too surprising to see this level of NPLs for the bank.

We do acknowledge that other banks are yet to present their annual reports and hence, it would be too early to understand the performance of Yes Bank on a standalone basis. Also, we are not aware of the regular divergence in previous years making it challenging to understand this reporting. However, it would have been useful if the assessment made by RBI in its annual financial inspection is reported to investors annually and preferably

immediately, especially when the quantum of divergence is as high as reported in the current financial year.

Loan book is still less diversified; large corporate exposure dominates

One of the challenges we continue to face on Yes Bank is the composition of loan portfolio which continues to be dominated by the corporate segment. The bank has been attempting to diversify in the past few years, but the relatively higher cost of funds inhibits easy access to low risk retail products. Also, the ability to cross products is still not closer to those of frontline banks as they have relatively low level of customers but importantly, we do believe that there is a preference to remain in the corporate sector as the bank probably believes that strong structuring can protect the risk of the portfolio from any kind of deterioration. The instances of writing large exposures only increased in FY2017 as we see in the exhibits below.

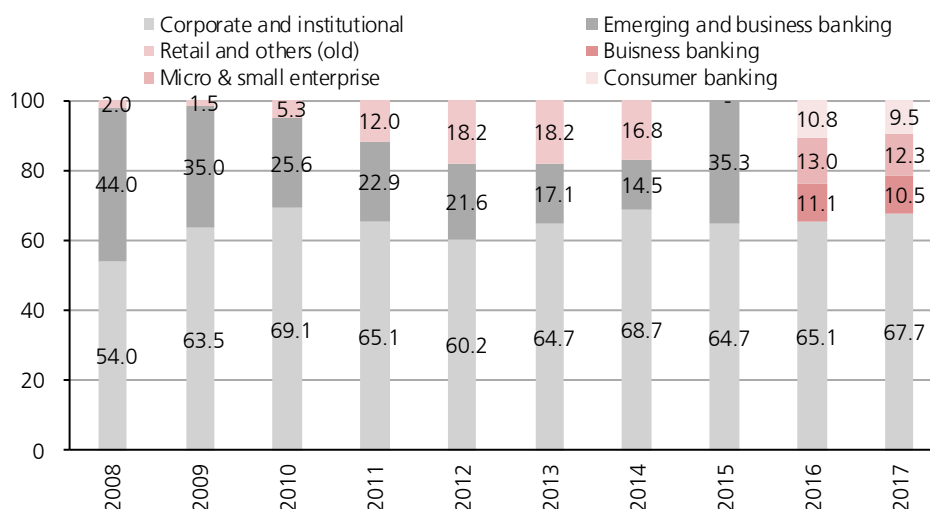
Exhibit 2: FY2017 saw the highest number of large companies getting approval from Yes Bank
Approval taken on single and group borrower limit

	2012	2013	2014	2015	2016	2017
Single borrower limit						
Tata Steel		12				
Hindalco		5				
Sesa Sterlite			17			
Nirma Limited						0
Reliance Ports and Terminals						5
Group borrower limit						
Tata group			41			18
Reliance						21

Source: Company, Kotak Institutional Equities

The bank's exposure to low ticket lending has a lot of room for improvement. It has indicated in its presentation that its disbursements have increased in recent quarters. However, as a share of overall loans, it remains quite low at below 10% levels.

Exhibit 3: Yes Bank is targeting to improve the share of retail loans to overall loans
Break-up of loans, March fiscal year-ends, 2008-2017 (%)



Notes:

(A) Proportion reported in FY2013 includes credit substitutes. The bank has combined retail and SME from 2QFY15

Source: Company, Kotak Institutional Equities

Exhibit 4: Yes Bank has seen a qoq rise in exposure to electricity, EPC metals

Break-up of customer assets, March fiscal year-ends, 2013-2017 (%)

	2013	2014	2015	2016	2017
Electricity	2.3	4.8	8.3	8.7	11.3
Commercial real estate	-	0.0	0.0	6.8	5.8
Other real estate	-	0.0	0.0	0.9	0.8
Tech, ITES, Media	3.4	3.4	2.9	1.4	1.2
Food processing	4.6	4.4	3.2	2.7	2.4
Iron & Steel	5.7	3.5	3.3	2.2	1.8
Social & Commercial Infra	2.1	1.8	2.7	2.4	2.7
Vehicles & equipments	2.4	2.8	3.1	2.5	2.4
Construction/ EPC	3.1	2.9	3.1	6.0	7.3
Metals & mining	2.4	2.3	2.0	2.4	2.5
Telecom	2.4	3.1	2.2	4.5	4.9
Power	2.1	1.6	1.7	NA	0.0
Textiles	0.6	0.7	0.5	0.9	1.4
Aviation	0.3	0.3	0.2	0.6	1.0
Other industries	29.7	68.4	66.8	58.0	54.5

Source: Company, Kotak Institutional Equities

Exhibit 5: Exposure to commercial real estate is uncomfortably high despite a slower growth

Exposure in commercial real estate, March fiscal year-ends, 2012-17 (₹ mn)

	2012	2013	2014	2015	2016	2017
Commercial real estate (a)	24,585	57,520	66,015	98,552	132,352	166,117
Of which residential (b)			52,659	83,735	112,461	125,810
Reported in loans (c)	14,864	33,593	38,395	65,036	100,252	109,287
Loans (d)	379,886	469,996	556,330	755,498	982,099	1,322,627
(% of loans) (c/d)	3.9	7.1	6.9	8.6	10.2	8.3

Source: Company, Kotak Institutional Equities

Exhibit 6: 25% of loans is unsecured in nature of which ~11% is clean unsecured loans

Unsecured loans to total loans, March fiscal year-ends, 2012-17

	2012	2013	2014	2015	2016	2017
Loans (Rs bn)	380	470	556	755	982	1,323
Unsecured (%)	27.1	32.4	31.8	31.2	25.4	25.8
covered by intangibles	0.1	0.1	-	-	-	-
documentation in process	7.9	7.4	14.8	19.1	13.4	14.7
unsecured	19.0	24.9	16.9	12.1	12.1	11.1

Source: Company, Kotak Institutional Equities

ESOP issuances on a sharp decline; composition of employees changing

Similar to most of frontline banks, outstanding ESOP issuances have been gradually declining. Fresh ESOP granted is less than 1% for FY2016-17 (see exhibit 7). The nature of employee addition is undergoing a change which probably requires lower levels of non-cash compensation structures. FY2017 saw a very high growth in employee addition at ~35% yoy (see exhibit 9) and the bank has been able to maintain its cost structure and average cost/employee (see exhibit 10)

Exhibit 7: ESOP granted to employees have fallen sharply when compared to outstanding shares

Movement of ESOP as a share of outstanding shares of year-end, March fiscal year-ends, 2010-17 (%)

	2010	2011	2012	2013	2014	2015	2016	2017
Granted	4.5	3.0	2.0	1.8	1.3	1.2	0.7	0.9
Less								
Forfeited / lapsed	1.7	0.8	1.0	0.7	0.6	0.4	0.2	0.2
Exercised	0.4	1.4	2.2	1.7	1.6	0.6	0.9	0.7
Closing balance	8.9	9.1	7.2	6.5	5.5	5.7	4.5	4.6

Source: Company, Kotak Institutional Equities

Exhibit 8: Yes Bank has the highest percentage of employee cost to total cost among private banks

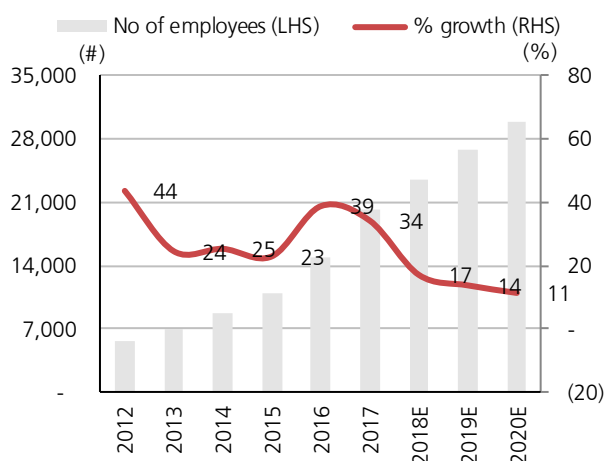
Employee cost as a percentage of overall costs, March fiscal year ends, 2012-20E

	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Axis Bank	34.6	34.4	32.9	33.4	33.4	32.9	31.1	30.0	28.5
HDFC Bank	36.6	35.3	34.7	34.0	33.6	34.2	35.7	36.3	34.7
ICICI Bank	44.8	43.2	40.9	41.3	39.4	39.1	39.0	39.2	38.6
IndusInd Bank	36.1	37.7	37.0	34.2	33.7	31.8	31.2	29.6	29.0
Yes Bank	51.0	49.1	44.8	43.6	43.6	43.8	45.2	42.5	41.1

Source: Company, Kotak Institutional Equities

Exhibit 9: Number of employees grew 34% yoy

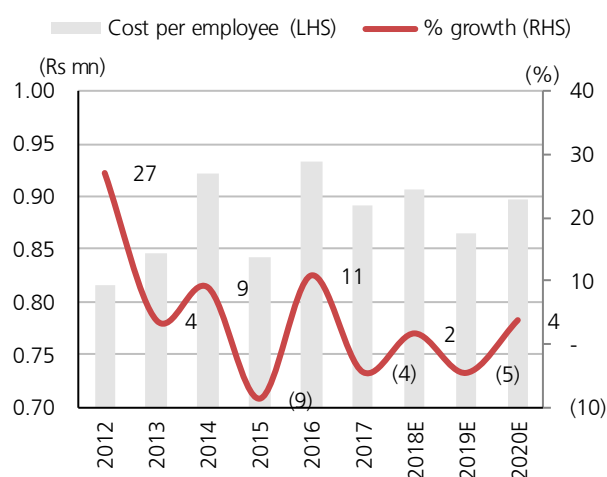
Employee strength and growth, March fiscal year-ends, 2012-20



Source: Company, Kotak Institutional Equities

Exhibit 10: Cost/employee has been stable over the past five years

Employee cost and growth, March fiscal year-ends, 2012-20



Source: Company, Kotak Institutional Equities

Bancassurance business picks up well in fee income business

Overall non-interest income continues to be dominated by corporate banking. However, we are happy to note the increasing share of bancassurance business. Though the contribution is quite small, it nevertheless is good outcome of its growing retail business.

Exhibit 11: Contribution of retail banking fees increased in 2017

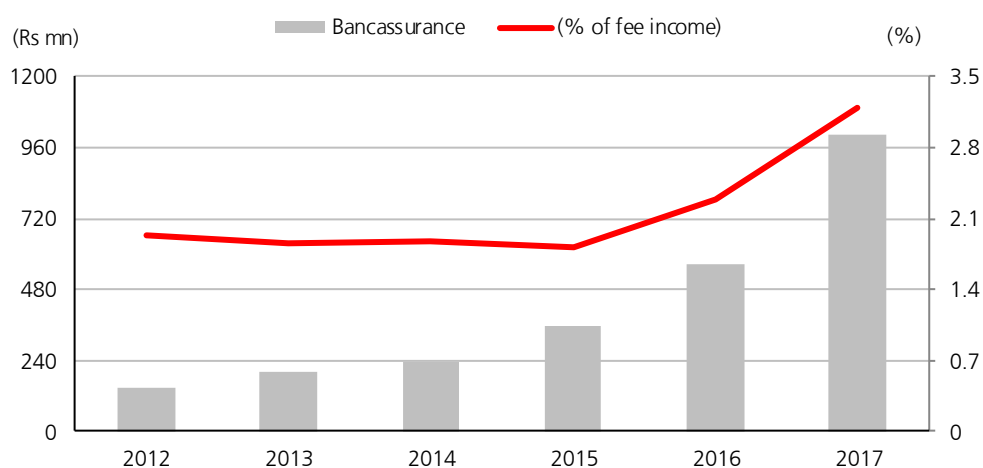
Break-up of fee income, March fiscal year-ends, 2009-2017 (%)

	2012	2013	2014	2015	2016	2017
Corporate trade and cash management	28	26	25	24	17	11
Retail banking	9	11	12	20	23	22
Forex, debt capital markets and securities	11	6	22	13	10	17
Corporate banking fees	38	39	32	37	39	35
Treasury trading and others	14	18	9	6	12	15

Source: Company, Kotak Institutional Equities

Exhibit 12: Strong performance in bancassurance business in retail

Bancassurance business, March fiscal year-ends, 2012-17



Source: Company, Kotak Institutional Equities

Capital consumption has been on the higher side as compared to loans

In FY2017, we note that the overall RWA of the bank grew 40% yoy as compared to the overall loan growth of 35% yoy. Of this, we note that the credit RWA saw a higher increase despite relatively slower growth in loans at 35% yoy. We note that off balance sheet exposures, especially the key ones, have grown at a slower pace.

Exhibit 13: Capital consumption has been a bit fast in FY2017

Break-up of RWA across metrics, March fiscal year-ends, 2012-17 (₹ mn)

	2012	2013	2014	2015	2016	2017	(YoY %)
Credit RWA	441	553	643	907	1,151	1,625	41
Market RWA	56	88	80	70	95	132	39
Operational RWA	22	31	43	57	83	106	28
Total RWA	520	672	766	1,034	1,329	1,863	40
Assets	736	991	1,090	1,362	1,653	2,151	30
(Assets/RWA, %)	71	68	70	76	80	87	
Loans	380	470	556	755	982	1,323	35
(Loans/credi RWA, %)	116	118	116	120	117	123	

Source: Company, Kotak Institutional Equities

Exhibit 14: Key metrics in the off balance sheet exposure (OBS)

OBS to balance sheet metrics, March fiscal year-ends, 2012-17 (₹ mn)

	2012	2013	2014	2015	2016	2017	(YoY %)
Guarantee (A)	104,494	152,629	164,442	225,394	257,501	319,204	24
Acceptances etc (B)	799,971	1,500,302	1,104,666	2,116,096	1,765,910	1,633,441	(8)
Total (C)	939,984	1,261,149	1,346,204	1,804,162	2,128,436	2,744,370	29
Total assets (D)	736,257	991,041	1,090,158	1,361,704	1,652,634	2,150,599	30
(A+B)/C, (%)	96	131	94	130	95	71	
Total assets (C/D, %)	128	127	123	132	129	128	

Source: Company, Kotak Institutional Equities

Exhibit 15: Yes bank-- estimate changes

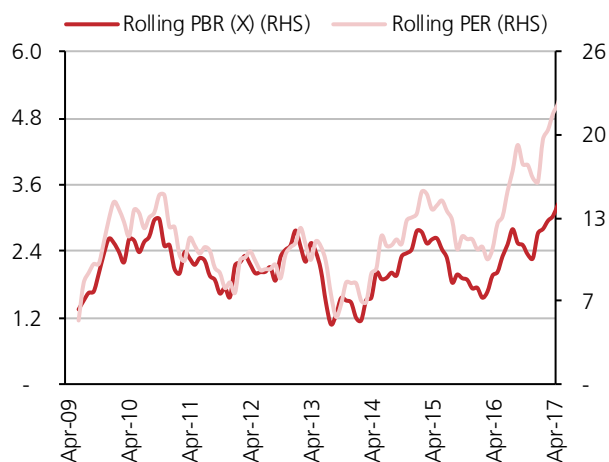
March fiscal year-ends, 2018-2019E, (₹ mn)

	New estimates		Old estimates		% change	
	2018E	2019E	2018E	2019E	2018E	2019E
Net interest income	71,635	78,847	68,432	79,436	4.7	(0.7)
NIM (%)	3.3	3.1	3.1	3.1		
Customer assets	1,745,220	2,036,753	1,774,767	2,066,300	(1.7)	(1.4)
Loan loss provisions	10,351	11,573	10,351	11,573	(0.0)	(0.0)
Other income	40,811	47,473	43,725	50,193	(6.7)	(5.4)
Fee income	35,237	40,880	40,581	46,738	(13.2)	(12.5)
Treasury income	2,600	2,800	2,600	2,800	-	-
Operating expenses	50,023	59,808	51,593	60,187	(3.0)	(0.6)
Employee expenses	22,601	25,439	22,601	25,439	0.0	0.0
PBT	51,172	54,238	49,313	57,168	3.8	(5.1)
Tax	17,286	18,213	15,717	18,107	10.0	0.6
Net profit	33,886	36,024	33,595	39,061	0.9	(7.8)
PBT-treasury+provisions	59,823	63,711	57,964	66,641	3.2	(4.4)

Source: Company, Kotak Institutional Equities estimates

Exhibit 16: Yes Bank trading at 3.0X one-year forward book (adj.)

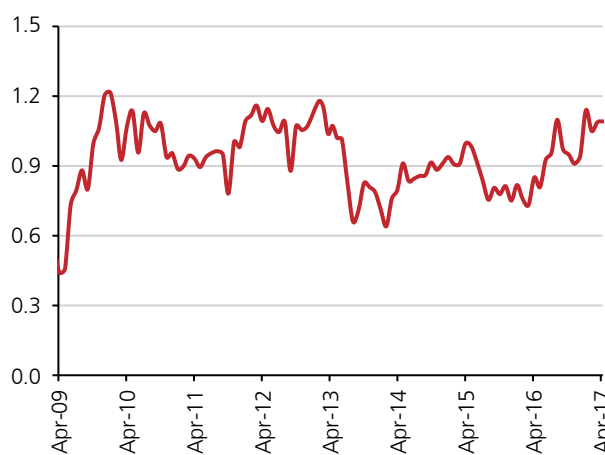
March fiscal year-ends, 2009-2017 (X)



Source: Company, Bloomberg estimates, Kotak Institutional Equities

Exhibit 17: Yes bank trading premium has increased recently

Yes bank trading premium to peers, 2009-2017 (X)



Source: Company, Bloomberg estimates, Kotak Institutional Equities

Exhibit 18: Yes bank - key financial ratios and growth rates

March fiscal year-ends, 2015-2020E (%)

	2015	2016	2017	2018E	2019E	2020E
Growth rates (%)						
Net loan	35.8	30.0	34.7	23.6	17.8	15.4
Net fixed assets	8.7	47.6	45.2	15.5	2.5	1.9
Cash and bank balance	28.3	8.8	137.9	(30.1)	(28.8)	(55.0)
Total Asset	24.9	21.4	30.1	18.1	16.4	15.0
Deposits	22.9	22.5	27.9	23.6	20.2	17.7
Current	21.1	28.5	74.7	25.9	24.6	21.9
Savings	34.9	62.3	60.6	29.0	27.7	24.7
Net interest income	28.4	30.9	29.4	21.2	10.1	15.3
Loan loss provisions	41.8	43.3	48.0	30.5	11.8	16.5
Total other income	18.9	32.5	50.8	(0.2)	16.3	16.7
Net fee income	56.7	24.4	27.7	12.2	16.0	17.2
Operating expenses	30.6	30.3	38.3	21.5	19.6	14.0
Employee expenses	24.9	32.4	39.2	25.2	12.6	10.2
Key ratios (%)						
Yield on average earning assets	10.1	9.6	9.3	8.8	8.4	8.2
Yield on average loans	12.2	11.2	10.7	9.6	9.1	8.7
Yield on average investments	8.0	7.6	7.7	7.5	7.3	7.1
Average cost of funds	7.6	6.9	6.5	6.0	5.8	5.5
Interest on deposits	7.9	7.1	6.4	5.9	5.7	5.4
Difference	2.5	2.8	2.7	2.7	2.6	2.7
Net interest income/earning assets	3.0	3.2	3.3	3.3	3.1	3.1
New provisions/average net loans	0.6	0.6	0.7	0.7	0.7	0.7
Interest income/total income	63.0	62.7	59.1	63.7	62.4	62.1
Other income / total income	37.0	37.3	40.9	36.3	37.6	37.9
Fee income to total income	35.7	33.8	31.4	31.3	32.4	32.8
Operating expenses/total income	41.3	40.9	41.2	44.5	47.3	46.6
Tax rate	31.1	32.6	34.0	33.8	33.6	33.4
Dividend payout ratio	18.7	16.6	13.7	16.6	16.6	16.6
Share of deposits						
Current	9.3	9.8	13.4	13.6	14.1	14.6
Savings	13.8	18.3	22.9	23.9	25.4	26.9
Loans-to-deposit ratio	82.9	87.9	92.6	92.6	90.8	89.0
Equity/assets (EoY)	8.6	8.3	10.3	9.8	9.4	9.2
Dupont analysis (%)						
Net interest income	2.8	3.0	3.1	3.1	2.9	2.9
Loan loss provisions	0.3	0.4	0.4	0.4	0.4	0.4
Net other income	1.7	1.8	2.2	1.7	1.7	1.7
Operating expenses	1.9	2.0	2.2	2.2	2.2	2.2
Invnt. depreciation	—	—	—	—	—	—
(1- tax rate)	68.9	67.4	66.0	66.2	66.4	66.6
ROA	1.6	1.7	1.8	1.4	1.3	1.3
Average assets/average equity	13.0	11.8	10.6	10.0	10.5	10.8
ROE	21.3	19.9	18.6	14.5	13.7	14.5

Source: Company, Kotak Institutional Equities estimates

Exhibit 19: Yes bank - income statement and balance sheet

March fiscal year-ends 2014-2019E (₹ mn)

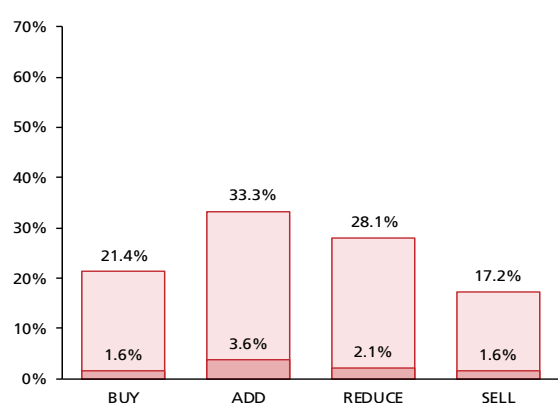
	2015	2016	2017	2018E	2019E	2020E
Income statement (Rs mn)						
Total interest income	115,720	135,334	165,374	192,330	215,976	243,502
Loans	80,161	97,115	123,225	141,997	161,355	179,952
Investments	33,557	35,082	37,968	41,484	49,254	58,437
Cash and deposits	2,002	3,138	4,180	8,848	5,367	5,113
Total interest expense	80,842	89,667	106,273	120,694	137,130	152,626
Deposits from customers	65,368	71,784	82,040	94,339	110,382	125,397
Net interest income	34,878	45,667	59,100	71,635	78,847	90,876
Loan loss provisions	3,740	5,361	7,934	10,351	11,573	13,487
Net interest income (after prov.)	31,138	40,307	51,166	61,284	67,273	77,389
Other income	20,465	27,121	40,907	40,811	47,473	55,394
Net fee income	19,765	24,592	31,400	35,237	40,880	47,904
Net capital gains	1,421	2,606	7,113	2,600	2,800	2,800
Net exchange gains	(670)	(176)	1,019	1,274	1,592	1,990
Operating expenses	22,847	29,764	41,164	50,023	59,808	68,177
Employee expenses	9,797	12,968	18,050	22,601	25,439	28,030
Depreciation on investments	(584)	25—	522—	—	—	—
Other Provisions	239	(23)	(54)	900	700	700
Pretax income	29,101	37,662	50,441	51,172	54,238	63,906
Tax provisions	9,047	12,268	17,140	17,286	18,213	21,332
Net Profit	20,054	25,394	33,301	33,886	36,024	42,574
% growth	24.0	26.6	31.1	1.8	6.3	18.2
Operating profit	31,075	40,419	51,731	59,823	63,711	75,293
% growth	28	27	24	12	6	19
Balance sheet (Rsmn)						
Cash and bank balance	75,572	82,184	195,494	136,727	97,385	43,817
Cash	3,646	4,124	5,705	(37,384)	(90,721)	(159,067)
Balance with RBI	48,761	53,638	63,815	77,155	91,151	105,929
Balance with banks	258	556	615	615	615	615
Net value of investments	432,285	488,385	500,318	610,388	744,673	908,501
Govt. and other securities	300,012	351,863	354,805	443,624	550,460	681,509
Shares	601	628	2,369	2,369	2,369	2,369
Debentures and bonds	94,667	95,154	110,453	132,544	159,052	190,863
Net loans and advances	755,498	982,099	1,322,627	1,634,767	1,926,300	2,223,501
Fixed assets	3,190	4,707	6,835	7,898	8,098	8,254
Other assets	95,160	95,259	125,325	150,390	180,467	216,561
Total assets	1,361,704	1,652,634	2,150,599	2,540,168	2,956,924	3,400,634
Deposits	911,758	1,117,195	1,428,739	1,765,921	2,122,048	2,497,954
Borrowings and bills payable	265,612	319,759	391,992	411,592	436,288	462,465
Other liabilities	67,533	77,814	109,328	114,794	121,682	128,983
Total liabilities	1,244,904	1,514,768	1,930,059	2,292,307	2,680,017	3,089,401
Paid-up capital	4,177	4,205	4,565	4,565	4,565	4,565
Reserves & surplus	112,622	133,661	215,976	243,297	272,342	306,668
Total shareholders' equity	116,800	137,866	220,541	247,861	276,907	311,233

Source: Company, Kotak Institutional Equities estimates

"I, M.B. Mahesh, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report."

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Percentage of companies covered by Kotak Institutional Equities, within the specified category.

Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

* The above categories are defined as follows: Buy = We expect this stock to deliver more than 15% returns over the next 12 months; Add = We expect this stock to deliver 5-15% returns over the next 12 months; Reduce = We expect this stock to deliver -5-+5% returns over the next 12 months; Sell = We expect this stock to deliver less than -5% returns over the next 12 months. Our target prices are also on a 12-month horizon basis. These ratings are used illustratively to comply with applicable regulations. As of 31/3/2017 Kotak Institutional Equities Investment Research had investment ratings on 192 equity securities.

Source: Kotak Institutional Equities

As of March 31, 2017

Ratings and other definitions/identifiers

Definitions of rating

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our target prices are also on a 12-month horizon basis.

Other definitions

Coverage view. The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive, Neutral, Cautious.

Other ratings/identifiers

NR = Not Rated. The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

Corporate Office

Kotak Securities Ltd.
27 BKC, Plot No. C-27, "G Block"
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051, India
Tel: +91-22-43360000

Overseas Affiliates

Kotak Mahindra (UK) Ltd
8th Floor, Portoken House
155-157 Minories
London EC3N 1LS
Tel: +44-20-7977-6900

Kotak Mahindra Inc
369 Lexington Avenue
28th Floor, New York
NY 10017, USA
Tel: +1 212 600 8856

Copyright 2017 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

1. Note that the research analysts contributing to this report may not be registered/qualified as research analysts with FINRA; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.
3. Any U.S. recipients of the research who wish to effect transactions in any security covered by the report should do so with or through Kotak Mahindra Inc and (ii) any transactions in the securities covered by the research by U.S. recipients must be effected only through Kotak Mahindra Inc at nilesh.jain@kotak.com.

This report is distributed in Singapore by Kotak Mahindra (UK) Limited (Singapore Branch) to institutional investors, accredited investors or expert investors only as defined under the Securities and Futures Act. Recipients of this analysis / report are to contact Kotak Mahindra (UK) Limited (Singapore Branch) (16 Raffles Quay, #35-02/03, Hong Leong Building, Singapore 048581) in respect of any matters arising from, or in connection with, this analysis / report. Kotak Mahindra (UK) Limited (Singapore Branch) is regulated by the Monetary Authority of Singapore.

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which include earnings from investment banking and other business. Kotak Securities Limited generally 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, Kotak Securities Limited generally 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 that are 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 where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. 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. 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. Kotak Securities Limited does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment.

Certain transactions -including those involving futures, options, and other derivatives as well as non-investment-grade securities - 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 endeavor 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. Kotak Securities Limited 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 affectively assume currency risk. In addition options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house.

Kotak Securities Limited is a corporate trading and clearing member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MSEI and United Stock Exchange of India Limited (USEIL). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). Kotak Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise letters or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to primarily institutional investors and their employees, directors, fund managers, advisors who are registered with us

Details of Associates are available on our website i.e. www.kotak.com

Research Analyst has served as an officer, director or employee of subject company(ies): No

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months. YES

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: YES

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

A graph of daily closing prices of securities is available at www.nseindia.com and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart).

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +91-22 43360 000, Fax No.: +91-22- 6713 2430. Website: www.kotak.com. SEBI Registration No: NSE INB/INF/INE 230808130, BSE INB 010808153/INF 011133230, MSEI INE 260808130/INB 260808135/INF 260808135, Research Analyst INH000000586, AMFI ARN 0164 and PMS INP000000258. NSDL: IN-DP-NSDL-23-97. CDSL: IN-DP-CDSL-158-2001.

Compliance Officer Details: Mr. Manoj Agarwal. Call: +91-22-4285 6825, or Email: ks.compliance@kotak.com.

In case you require any clarification or have any concern, kindly write to us at below email ids:

Level 1: For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at ks.demat@kotak.com or call us on: Online Customers - 30305757 (by using your city STD code as a prefix) or Toll free numbers 18002099191 / 1800222299, Offline Customers - 18002099292

Level 2: If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on +91-22-4285 8445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on +91-22-4285 8208.

Level 3: If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Name: Manoj Agarwal) at ks.compliance@kotak.com or call on +91-22-4285 6825.

Level 4: If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach CEO (Mr. Kamlesh Rao) at ceo.ks@kotak.com or call on +91-22-6652 9160.

First Cut notes published on this site are for information purposes only. They represent early notations and responses by analysts to recent events. Data in the notes may not have been verified by us and investors should not act upon any data or views in these notes. Most First Cut notes, but not necessarily all, will be followed by final research reports on the subject. There could be variance between the First cut note and the final research note on any subject, in which case the contents of the final research note would prevail. We accept no liability for the contents of the First Cut Notes.