

# IPO Note: Life Insurance Corporation of India

Industry: Insurance

Reco: Subscribe

Date: May 02, 2022

Issue Snapshot		Issue Break up		
Company Name	Life Insurance Corporation of India	QIB ex Anchor	20%	39,531,236
Issue Opens	May 04, 2022 to May 09, 2022	Anchor Investor	30%	59,296,854
Price Band	Rs. 902 to Rs. 949	HNI	15%	29,648,427
Bid Lot	15 Equity Shares and in multiples thereof.	RII	35%	69,179,663
The Offer	Public issue of 22,13,74,920 Equity shares of Face value Rs. 10 each, (Comprising of Offer for Sale by Selling Shareholder).	<b>Total Public</b>	<b>100%</b>	<b>197,656,179</b>
Issue Size	Rs. 19,516.8 – 20,557.2 Crore	Employee Reservation		1,581,249
IPO Process	100% Book Building	Policyholder Reservation		22,137,492
Face Value	Rs. 10.00	<b>Total</b>		<b>221,374,920</b>
Exchanges	NSE & BSE	Equity Share Pre Issue (Nos. Cr.)		632.5
BRLM	Kotak Mahindra Capital Company Ltd., Axis Capital Ltd., BofA Securities India Ltd., Citigroup Global Markets India Pvt. Ltd., Nomura Financial Advisory and Securities India Pvt. Ltd., Goldman Sachs India Securities Pvt. Ltd., ICICI Securities Ltd., JM Financial Ltd., J.P. Morgan India Pvt. Ltd. and SBI Capital Markets Ltd.	OFS Share (Nos. Cr.)		22.1
Registrar	KFin Technologies Ltd.	Equity Share Post Issue (Nos. Cr.)		632.5
		Market Cap (Rs. Cr.)		600,242.3
		Stake Sale by OFS		3.5%
		<b>Discount</b>		
		Retail Category		Rs. 45 per Equity Share
		Employee Category		Rs. 45 per Equity Share
		Policy Holder Category		Rs. 60 per Equity Share

## Objects of the Offer

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (President of India, acting through the Ministry of Finance, Government of India)

## Company Highlights

- Life Insurance Corporation of India (LIC) has been providing life insurance in India for more than 65 years and is the largest life insurer in India, with a 61.6% market share in terms of premiums (or GWP), a 61.4% market share in terms of New Business Premium (or NBP), a 71.8% market share in terms of number of individual policies issued, a 88.8% market share in terms of number of group policies issued for the nine months ended December 31, 2021, as well as by the number of individual agents, which comprised 55% of all individual agents in India as at December 31, 2021.
- Its market shares in the Indian life insurance industry for FY21 was 64.1% in terms of Gross written premium (GWP), 66.2% in terms of New business premium (NBP), 74.6% in terms of number of individual policies issued, and 81.1% in terms of number of group policies issued. It had the highest gap in market share by life insurance GWP relative to the second-largest life insurer in India as compared to the market leaders in the top seven markets globally (in 2020 for the other players and in FY21 for its Corporation).
- LIC is ranked fifth globally by life insurance GWP (comparing LIC's life insurance premium for FY21 to its global peers' life insurance premium for 2020) and 10th globally in terms of total assets (comparing its Corporation's assets as at March 31, 2021 with other life insurers' assets as at December 31, 2020).
- LIC is the largest asset manager in India as at December 31, 2021, with AUM (comprising policyholders' investment, shareholders' investment and assets held to cover linked liabilities) of Rs.40.1 trillion on a standalone basis, which was (i) more than 3.2 times the total AUM of all private life insurers in India, (ii) approximately 15.6 times more than the AUM of the second-largest player in the Indian life insurance industry in terms of AUM, (iii) more than 1.1 times the entire Indian mutual fund industry's AUM and (iv) 17.0% of India's estimated GDP for FY22. As at December 31, 2021, LIC's investments in listed equity represented around 4% of the total market capitalisation of NSE as at that date.

- LIC has a broad, diversified product portfolio covering various segments across individual products and group products. Its individual products comprise (i) participating insurance products and (ii) non-participating products, which include (a) savings insurance products; (b) term insurance products; (c) health insurance products; (d) annuity and pension products; and (e) unit linked insurance products. Its individual products include specially designed products for specific segments, such as special products for women and children and Micro Insurance products. In addition, it offers riders that provide additional benefits along with the base product to cover for additional risks, such as accidental disability, death, critical illness and premium waiver on the death of the proposer.
- Its Corporation's individual product portfolio in India comprises 32 individual products (16 participating products and 16 non-participating products) and seven individual riders. Its group products comprise (i) group term insurance products, (ii) group savings insurance products; (iii) group savings pension products; and (iv) group annuity products and its Corporation's group product portfolio in India comprises 11 group products.
- LIC's omni-channel distribution platform for individual products currently comprises (i) individual agents, (ii) bancassurance partners, (iii) alternate channels (corporate agents, brokers and insurance marketing firms), (iv) digital sales (through a portal on its Corporation's website), (v) Micro Insurance agents and (vi) Point of Sales Persons-Life Insurance scheme. It has the largest individual agent network among life insurance entities in India, comprising approximately 1.33 million individual agents as at December 31, 2021, which was 6.8 times the number of individual agents of the second largest life insurer.
- As at December 31, 2021, it had 2,048 branch offices and 1,559 satellite offices in India, covering 91% of all districts in India. Its multichannel distribution platform for group products comprises (i) its employees in the sales team for group products, (ii) individual agents, (iii) bancassurance partners and (iv) alternate channel partners (other corporate agents and brokers).
- In addition to its life insurance operations in India, LIC has one branch in each of Fiji, Mauritius and the United Kingdom and subsidiaries in Bahrain (with operations in Qatar, Kuwait, Oman and the United Arab Emirates), Bangladesh, Nepal, Singapore and Sri Lanka in the life insurance industry. For Fiscal 2019, Fiscal 2020, Fiscal 2021 and the nine months ended December 31, 2021, on a consolidated basis, its premium from outside India represented 0.93%, 0.99%, 0.73% and 0.69%, respectively, of its total premium.

## View

LIC is the largest life insurance company in India and the sole public sector player with a mammoth market share of 64.1% (in GWP terms) as of FY21. The sheer dominance over private players could be gauged from its AUM which stands at Rs 396 trillion, more than 3.3 times of all 24 private players combined. However, having said that LIC's individual market share has declined in last few years due to better and innovative products from private players in protection and non-par products. This has also resulted in lower value of VNB margin at 9.9% (as of FY21) as against 23% to 26% for private players due to diversified/balanced individual product mix. As of Dec'21, par products accounted for ~90.6% of the total individual business (on APE basis) as against close to 40% for leading private players. The company has increased its focus on the non-par segment going ahead and would launch products specifically for non-par segments focused on ULIP, protection products, pension/annuity products and health insurance. As of 9MFY22, non-par segment accounts for ~5.85% of individual business (On APE basis) and a pickup in share of the same through mix of savings and protection products could help in expanding VNB margins. However, LIC's cost structure is lower than that of industry with total cost ratio (as % of total premium) at 14.2% (as of FY21) as against 15.1% for industry and 16.9% for private players. Primary distribution channel for LIC's individual business is agency, which accounted for 96.2% of NBP for individual products as of Dec '21 while private players relies heavily on corporate channels. LIC has 1.34mn individual agents, 72 banca partners and 174 alternate channels, however LIC's agent network accounted for 55% total industry agent count as of FY21. Going ahead, LIC will likely to strengthen its omni-channel distribution network for individual products and increase its productivity. India's life insurance penetration stood at 3.2% in CY 2020 compared to the global average of 3.3%. Besides, protection gap for India was 83% as of CY 2019, the highest amongst all countries in Asia-Pacific. Thus, clearly there's room for every player in the industry to grow without adopting cannibalism. At the upper priced band of Rs949, the issue is valued at 1.1x EV (Sep'21) which is at a significant discount to private sector valuations and investors are advised to 'SUBSCRIBE' to the issue.

## Key Financial and Operational Parameters

	FY19	FY20	FY21	9MFY22
– Premium in India	337,130	379,014	402,888	283,753
– Premium outside India	3,165	3,798	2,963	1,977
Premium (Consolidated)	340,295	382,811	405,851	285,730
– First year premiums	31,677	58,447	34,341	22,215
– Single premiums and consideration for annuities granted	112,361	121,828	151,182	104,562
New Business Premium (NBP)	144,038	180,274	185,523	126,778
– Renewable premiums	196,257	202,537	220,328	158,952
Total annualised premium equivalent (APE) (in India)	40,566	47,972	45,588	29,923
– Individual APE (in India)	31,448	35,297	32,271	20,904
– APE of group business in India	9,118	12,675	13,317	9,019
Operating expenses related to insurance business to premium ratio (as a % of premium) (Consolidated)	8.3%	9.0%	8.7%	9.5%
Conservation Ratio (in India) (Standalone)	92.2%	88.8%	84.5%	93.7%
Individual new business sum assured	575,132	645,399	586,084	390,346
13th month Persistency Ratio in India for individual products (%)				
– regular premium and limited premium	77%	72%	79%	77%
– single premium and fully paid-up premium	100%	100%	100%	100%
– total premium	88%	85%	87%	88%
49th month Persistency Ratio in India for individual products (%)				
– regular premium and limited premium	60%	58%	63%	65%
– single premium and fully paid-up premium	95%	96%	97%	96%
– total premium	73%	72%	79%	80%
61st month Persistency Ratio in India for individual products (%)				
– regular premium and limited premium	63%	54%	59%	62%
– single premium and fully paid-up premium	92%	94%	95%	96%
– total premium	72%	70%	72%	79%
Net premium	339,972	382,476	405,399	285,342
AUM (consolidated)	3,271,033	3,338,108	3,692,967	4,032,170
Solvency Ratio (within India Business)	1.6	1.55	1.76	1.77

## Indian Embedded Value (IEV)

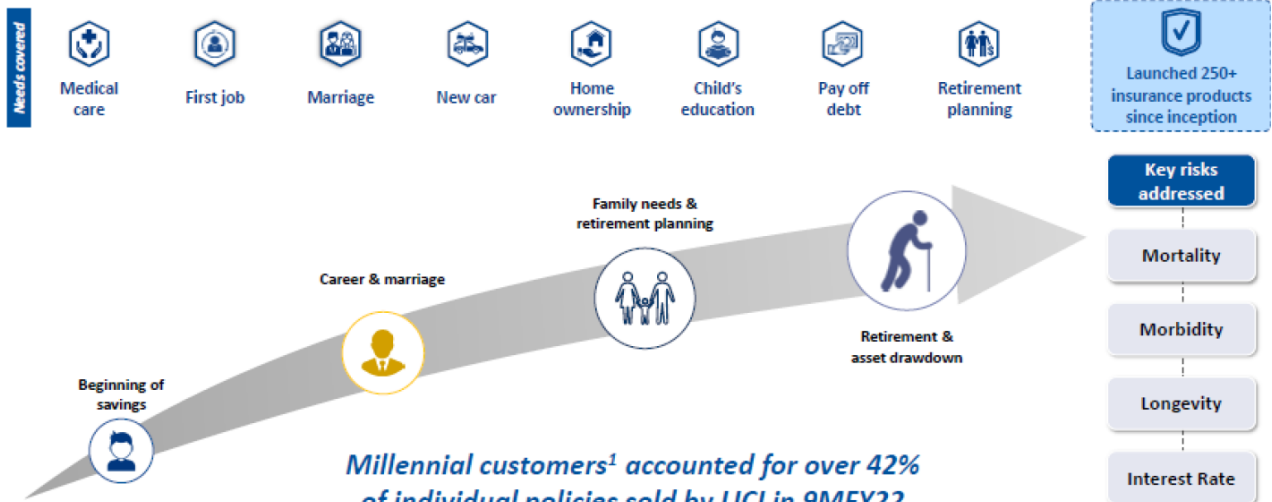
	FY19	FY20	FY21	9MFY22
Value of New Business (VNB) (Consolidated)	N.C.	N.C.	4,167	1,583
VNB margin (consolidated)	N.C.	N.C.	9.9%	9.3%
Indian Embedded Value (consolidated)	N.C.	46,497	95,605	539,686
Indian Embedded Value operating earnings (consolidated) (IEVOE)	N.C.	N.C.	17,151	N.C.
Operating return on Indian Embedded Value (consolidated) (ORIEV)	N.C.	N.C.	36.9%	N.C.
Bajaj Allianz Life	16.5%	13.2%	20.5%	2.3%

## Value of New Business (VNB)

	H1FY22
VNB before TVFOG, FC and CRNHR (A)	3,064
Individual participating	1,406
Individual non-participating	885
Group	773
TVFOG in respect of new business (B)	-101
FC in respect of new business (C)	-643
CRNHR in respect of new business (D)	-736
Value of new business (VNB) (= A + B + C + D)	1,583
New business annualised premium equivalent (APE)	17,074
Individual participating	10,925
Individual non-participating	750
Group	5,399
VNB Margin (= VNB / APE)	9.30%
Present value of new business premium (PVNBP)	118,181
Individual participating	60,800
Individual non-participating	6,612
Group	50,770
PVNBP Margin (= VNB / PVNBP)	1.30%

## Product Portfolio

LICI's product portfolio consists of 32 individual products, 7 riders & 11 group products, catering to customers' needs across age groups



LICI is well placed to serve customers across age brackets with a comprehensive product portfolio, while maintaining a strong connect across age groups

Source: Corporation data  
Note: <sup>1</sup> Customers born between January 1, 1981 to December 31, 1994

## India Life Insurance Industry

### Market share of LIC, top 5 private players and other players (as of FY21)

	Total Premium (Rs. bn.)	Customer Mix		NBP (Rs. bn.)	Customer Mix (Basis NBP)		Renewal Premium (Rs. bn.)	Customer Mix (Basis Renewal Premium)	
		Individual	Group		Individual	Group		Individual	Group
LIC	4,032.9	66.5%	33.5%	1,841.7	30.6%	69.4%	2,188.6	96.6%	3.4%
SBI Life	502.5	81.7%	18.3%	206.3	60.6%	39.4%	296.2	96.4%	3.6%
HDFC Life	385.5	73.7%	26.3%	202.4	50.0%	50.0%	184.8	99.5%	0.5%
ICICI Prudential Life	3,573.0	85.2%	14.8%	130.3	60.2%	39.8%	225.1	100.0%	0.0%
Max Life	190.2	96.8%	3.2%	68.3	91.2%	8.8%	121.9	100.0%	0.0%
Bajaj Allianz Life	120.2	68.3%	31.7%	63.1	40.1%	59.9%	57.2	99.5%	0.5%
Others	698.3	86.3%	13.7%	270.6	67.2%	32.8%	426.4	97.4%	2.6%
<b>Private players total</b>	<b>2,254.3</b>	<b>83.9%</b>	<b>16.1%</b>	<b>941.0</b>	<b>61.0%</b>	<b>39.0%</b>	<b>1,311.7</b>	<b>98.3%</b>	<b>1.7%</b>
<b>Total</b>	<b>6,287.3</b>	<b>72.6%</b>	<b>27.4%</b>	<b>2,787.0</b>	<b>40.9%</b>	<b>59.1%</b>	<b>3,500.3</b>	<b>97.3%</b>	<b>2.7%</b>

### Premium CAGR

	Premium CAGR (FY19- FY21)			Premium CAGR (FY11-FY21)		
	Total premium	NBP	Renewal premium	Total premium	NBP	Renewal premium
LIC	9.3%	13.8%	6.0%	7.1%	7.8%	6.5%
SBI Life	23.4%	22.3%	24.2%	14.5%	10.5%	18.7%
HDFC Life	15.0%	16.3%	13.6%	15.7%	17.4%	14.0%
ICICI Prudential Life	7.5%	12.1%	5.1%	7.2%	5.2%	8.5%
Max Life	14.2%	15.0%	13.8%	12.6%	12.7%	12.5%
Bajaj Allianz Life	16.5%	13.2%	20.5%	2.3%	6.2%	-0.7%

### Market Share

	Market Share Market Share – 9MFY22					Market Share – FY21				
	Total Premium	New Business Premium	Renewal Premium	No. of Policies – Individual	No. of Policies – Group	Total Premium	New Business Premium	Renewal Premium	No. of Policies – Individual	No. of Policies – Group
LIC	61.6%	61.4%	61.8%	71.8%	88.8%	64.1%	66.2%	62.5%	74.6%	81.1%
SBI Life	8.9%	9.2%	8.8%	7.4%	0.7%	8.0%	7.4%	8.5%	5.9%	1.3%
HDFC Life	6.8%	8.4%	5.6%	3.6%	0.5%	6.1%	7.2%	5.2%	3.5%	0.7%
ICICI Prudential Life	5.6%	5.0%	6.1%	2.6%	3.5%	5.7%	4.7%	6.5%	2.4%	7.4%
Max Life	3.1%	2.6%	3.6%	2.3%	0.2%	3.0%	2.4%	3.5%	2.3%	1.0%
Bajaj Allianz Life	2.3%	2.9%	1.8%	1.7%	0.5%	1.9%	2.3%	1.6%	1.5%	0.6%
Others	11.6%	10.6%	12.5%	10.4%	5.8%	11.2%	9.8%	12.2%	9.8%	7.9%
<b>Private Players Total</b>	<b>38.4%</b>	<b>38.6%</b>	<b>38.2%</b>	<b>25.9%</b>	<b>11.2%</b>	<b>35.9%</b>	<b>33.8%</b>	<b>37.5%</b>	<b>25.4%</b>	<b>18.9%</b>

## Global Life Insurance Industry

### Market share of largest insurers (% of total life insurance premium)

Country	Top Insurers Globally	Market share within country (2020)	Market share within country (2016)
United States	NorthWestern Mutual Life Insurance Company	8.4%	8.4%
	Metlife Inc.	7.6%	9.6%
China	Ping An Insurance Company	21.3%	16.7%
	China Life Insurance Company	20.0%	20.7%
Japan	Nippon Life Insurance	16.2%	15.1%
	Japan Post Insurance Co. Ltd.	15.4%	14.2%
India	<b>Life Insurance Corporation of India</b>	<b>64.1%</b>	<b>71.8%</b>
	SBI Life Insurance Ltd.	8.0%	5.0%
United Kingdom	Aviva PLC	23.0%	14.7%
	Lloyd Banking Group	18.6%	19.8%
South Korea	Samsung Life Insurance	14.8%	21.3%
	Hanwha Life Insurance	12.7%	12.6%
Malaysia	AIA BHD	20.6%	20.5%
	Great Eastern Life Insurance	16.6%	18.8%

### Global Positioning of LIC

Company Name	Country	Gross Written Premium in USD Millions (2020)	Total Assets in USD Millions (2020)	Life Insurance Premiums USD Millions (2020)
Allianz SE	Germany	99,583	1,272,014	88,853
Ping An Insurance	China	115,635	1,380,851	74,134
China Life Insurance	China	88,734	616,291	69,651
Assicurazioni Generali S.p.A	Italy	84,845	653,652	58,268
<b>Life Insurance Corporation of India</b>	<b>India</b>	<b>56,405</b>	<b>507,333</b>	<b>56,405</b>
Nippon Life Insurance	Japan	39,838	705,002	39,838
AXA S.A.	France	112,698	965,747	37,829
Japan Post Insurance	Japan	24,369	633,845	34,223
Dai-ichi Life Holdings	Japan	41,644	559,853	27,024
NorthWestern Mutual	US	19,323	308,767	15,720
Metlife Inc.	US	49,486	795,146	14,200
People's Insurance Company of China	China	75,447	182,038	13,665

### Group financial performance of key life insurers (2020)

Players	Total Assets (USD Mn)	CAGR growth (FY16- FY20)	Net Premium Earned (USD Mn)	CAGR Growth (FY16- FY20)	Total PAT (USD Mn)	CAGR Growth (FY16- FY20)
Ping An Insurance	1,380,851	14%	109,797	15%	23,096	22.0%
Allianz SE	1,272,014	5%	90,857	2%	8,560	-0.7%
AXA S.A.	965,507	-3%	112,698	-0.1%	3,997	-14.4%
Metlife Inc.	795,146	-3%	42,034	3%	5,418	67.0%
Nippon Life Insurance	705,002	4%	39,838	-6%	1,609	-17.4%
Aviva PLC	657,338	4%	34,595	4%	3,986	37.5%
China Life Insurance Company	616,291	12%	87,633	9%	7,285	27.5%
<b>Life Insurance Corporation of India</b>	<b>507,333</b>	<b>8%</b>	<b>54,865</b>	<b>6%</b>	<b>406</b>	<b>5.1%</b>
Samsung Life Insurance	309,270	9%	15,837	4%	1,163	-9.1%
NorthWestern Mutual Life Insurance Co	308,767	5%	19,323	2%	425	-14.9%
AIA BHD Malaysia	14,927	8%	2,463	8%	110	-14.2%



## Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	9MFY22
<b>Policyholder's Account</b>				
Premiums earned - Net	339971.6	382475.5	405398.5	285341.9
Interest, Dividends & Rent	200021.0	222050.1	239565.0	189085.0
Profit/ (Loss) on sale/redemption of Investments	23897.2	19387.5	39809.6	36462.8
Transfer/Gain on revaluation/change in fair value	1125.3	1398.7	6145.8	705.9
Others income (incl. MTM)	5794.4	20293.6	12790.5	683.5
Total Revenue	570809.6	645605.5	703709.4	512279.2
Commission	20482.6	21548.3	22358.2	15538.1
Operating Expenses related to Insurance Business	28331.6	34425.9	35162.2	27267.3
Other Expenses	4832.4	19731.7	13456.2	0.3
	109.8	98.3	93.2	55.7
GST on Fund Mgt. charges & other charges	21157.9	35275.8	16482.8	-273.5
Provisions	74914.3	111080.0	87552.6	42587.9
Total expenses	495895.3	534525.5	616156.9	469691.3
Benefits paid (net)	252380.8	255479.5	288489.1	234619.9
Interim Bonuses Paid	1651.4	1673.4	2229.1	2470.0
Change in valuation of policy liabilities	253585.5	296628.4	321134.0	239357.4
Other Transfers	-9306.3	-9106.8	442.9	-8398.8
SURPLUS/(DEFICIT)	-2416.1	-10148.9	3861.8	1642.8
Add: Share of Profit in Associates	668.4	574.4	1163.4	2228.1
(Less)/Add: Minority Interest	2516.2	6372.7	-446.5	-3.0
TOTAL SURPLUS/(DEFICIT)	768.5	-3201.8	4578.6	3867.9
Transfer to Shareholders' Account	2599.5	2695.5	2962.6	1637.8
Transfer to Other Reserve	-1832.3	-5911.0	1616.1	2230.2
<b>Shareholder's Account</b>				
Amount Transferred from Policyholders account	2599.5	2695.5	2962.6	1637.8
Profit/ (Loss) on sale/redemption of Investments	8.1	0.2	5.2	22.1
Interest, Dividend & Rent	37.4	35.2	17.8	97.5
Total income	2645.0	2731.0	2985.6	1757.3
Others Expenses	2.6	12.4	5.2	0.4
Total expenses	2.6	12.4	5.2	0.4
PBT	2642.4	2718.5	2980.3	1757.0
Less : Provision for Tax	15	8	6.2	41.7
PAT	2627.4	2710.5	2974.1	1715.3
Appropriations	2558.8	-2647.2	-2861.3	83.5
Adjusted Net Profit	68.6	63.3	112.8	1798.8
Earnings per equity share	4.2	4.3	4.7	2.7

## Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	9MFY22
<b>Assets</b>				
Cash, Cash equivalents and Bank	67899.5	63152.6	36078.3	21827.3
Investments - Shareholders	369.4	400.8	426.4	5186.7
Investments - Policyholders	2877686.7	2957907.8	3498440.7	3843617.3
Loans & Advances	433159.2	431631.2	258129.8	261287.7
Fixed Assets	14567.6	14571.8	3474.0	3463.1
Other Assets	33566.9	32169.9	32975.0	22363.7
<b>Total Assets</b>	<b>3427249.2</b>	<b>3499834.1</b>	<b>3829524.2</b>	<b>4157745.7</b>
<b>Liabilities</b>				
Share Capital	100.0	100.0	100.0	6325.0
Other equity	797.4	998.1	6883.2	2741.3
<b>Total Equity</b>	<b>897.4</b>	<b>1098.1</b>	<b>6983.2</b>	<b>9066.3</b>
Policyholders' Fund	3096036.6	3159662.9	3739417.6	4080613.5
Borrowings	269400.6	253413.6	3.7	3.7
Current liabilities	40282.3	65031.7	68171.5	53114.7
Provisions	20632.3	20627.8	14948.3	14947.6
Other liabilities				
<b>Total Equity and Liabilities</b>	<b>3427249.2</b>	<b>3499834.1</b>	<b>3829524.2</b>	<b>4157745.7</b>

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21	9MFY22
Cash flow from Operations Activities	13273.8	54366.9	80602.0	(9764.3)
Cash flow from Investing Activities	8764.5	(41809.1)	148792.3	(4687.8)
Cash flow from Financing Activities	(13699.6)	(18663.7)	(256125.5)	0.0
Net increase/(decrease) in cash and cash equivalents	871.8	1394.3	(345.5)	168.7
Cash and cash equivalents at the beginning of the year	9210.5	(4711.6)	(27076.7)	(14283.3)
Cash and cash equivalents at the end of the year	58695.5	67906.0	63194.3	36117.7

Source: RHP

## Comparison with listed industry peers

Co Name	Net Premium (Rs. Bn.)	Market Share (%)	Embedded Value (Rs. Cr.)	MCap / EV (x)	Market Cap (Rs. Cr.)
Life Insurance Corporation of India	433.0	61.6	539686.0	1.1	600242.3
SBI Life Insurance Company Ltd.	503.0	8.9	35290.0	3.1	110831.1
HDFC Life Insurance Co Ltd.	386.0	6.8	29543.0	3.9	123060.1
ICICI Prudential Life Insurance Company Ltd.	357.0	5.6	31625.0	2.4	75646.5



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