Wealth Management | Axis Bank

RBI MONETARY POLICY

AUGUST 2021

HIGHLIGHTS

MPC holds rates, language indicates normalisation still quite distant despite higher inflation

RBI's Third Bi-monthly Monetary Policy Review: 2021-22: The MPC unanimously held rates and retained its accommodative stance with a 5-1 majority as long as necessary to revive and sustain growth on a durable basis, while mitigating the impact of COVID-19 on the economy.

Policy Actions
Repo, Reverse repo, MSF & Bank rate also kept steady, CRR held constant at 4%

GROWTH-INFLATION DYNAMICS

RBI revised its inflation projection higher for FY22, with Q2 at 5.9% vs 5.4% previously, Q3 at 5.3% from 4.7% previously and Q4 at 5.8% from 5.3% previously. Higher inflation was seen as transitory and driven by supply side bottlenecks and demand supply mismatches in addition to higher commodity prices, while demand pull factors were viewed as 'inert'. The MPC continued to call for adjustments to reduce fuel taxes and for government measures to ease supply bottlenecks.

Despite the recovery in high frequency indicators and easing of containment measures, the MPC retained GDP growth for FY22 at 9.5%. Commentary around growth was upbeat, but the presence of elevated global commodity prices and financial market volatility were seen as downside risks.

LIQUIDITY AND EXTERNAL SECTOR

Liquidity conditions have begun to ease markedly over the past month as the government began spending, leading to drawdown of its substantial cash balances. This heavy liquidity constitutes further easing, but the RBI has offset this through announcement of additional variable rate reverse repo auctions. Going ahead liquidity will continue to ease further, but modalities of RBI absorption will help understand the evolving stance.

The global economy has been losing momentum as worries around the Delta variant have become more widespread. However, the recovery across major economies might diverge depending on the vaccine rollout and increased space for maintenance of stimulus. CPI inflation has been firming up in both DMs and EMs, prompting central banks to move towards normalisation, though off-late bond yields have softened with weakening data.

POLICY STANCE AND GUIDANCE

The policy stance continues to recognise the special situation in existence given the pandemic, while a return to tackling high inflation was indicated only after growth is secured. RBI remains in 'whatever it takes' mode. The additional VRRR in the bare minimum tenor of 14 days also corroborates the bias against contemplating normalisation.

Governor Das expressed readiness to deploy all policy levers in the RBI's command to support growth.

KEY MEASURES ANNOUNCED BY THE RBI

Measures announced in chronological order since lockdown.

Date	Measures Announced
March 27, 2020	• Repo Rate cut by 75 basis points to 4.4%; • Reverse Repo Rate cut by 90 basis points to 4%; • Cash Reserve Ratio (CRR) cut by 1% to 3% for a period of 1 year. • TLTRO (Targeted Long-Term Operations) for Rs 1 tn, for upto 3 years • MSF window extended to 3% from 2% of NDTL, • 3-month moratorium on payment of interest of all term loans, • 3-months deferment of interest on working capital facilities, • NFSR implementation delayed by 6 months and banks permitted to trade in NDF from 30 June.
March 27, 2020	First TLTRO for Rs. 250 bn
April 3, 2020	Second TLTRO for Rs. 250 bn
April 7, 2020	RBI increased tenor allowed for states/UTs overdraft to 21 consecutive working days from 14 days previous, and to 50 working days in a quarter from 36 days previous
April 9, 2020	Third TLTRO for Rs. 250 bn
April 17, 2020	• Reverse repo cut by 25 bps to 3.75%; • TLTRO 2.0 of Rs 500 bn, for small and mid-sized NBFC and MFIs; • LCR requirements of SCBs cut from 100% to 80%, • Special refinance of Rs 500 bn to NABARD, SIDBI and NHB, • Hike in WMA (Ways & Means Advances) limit for states by 60% over and above the levels as on 31 Mar until 30 Sep. • NPA classification will exclude 3-month moratorium period till May end • NBFCs' loans to delayed commercial real estate projects can be extended by a year without restructuring;
April 20, 2020	RBI enhances WMA limit for remaining part of H1-FY21 to Rs 2 trillion.
April 27, 2020	Announces special 90-day repo liquidity facility for MFs up to Rs 500 bn.
May 22, 2020	• Repo Rate cut by 40 basis points to 4%; • Reverse Repo Rate cut by 40 basis points to 3.35%; • Extends moratorium on term loan repayments for 3 months. • To support exports/imports, RBI has increased pre and post-shipment credit facility and extended line of credit for Rs 150 bn to EXIM bank for 90 days. • Rs 150 bn facility created for SIDBI to be extended by another 90 days. • Permits banks to extend margins on working capital facilities to original levels by 31 March 2021 and group exposures of banks to be increased from 25% to 30% of eligible capital base by 30 June, 2021.

KEY MEASURES ANNOUNCED BY THE RBI

Measures announced in chronological order since lockdown.

Date	Measures Announced

August 6, 2020	• Policy Rates Unchanged
	• Rs. 10,000cr at repo rate to NABARD and NHB
	    • Rs. 5,000cr to NHB to support HFCs (after the Rs. 10,000cr already given),
	    • Rs. 5,000cr to NABARD (after the Rs. 25,000cr already given) to refinance small NBFCs and MFIs
	• The RBI to amend priority-sector lending guidelines to remove regional disparity -- a higher weight would be accorded to districts with lower credit flows.
	• To provide a window under the ‘prudential framework on resolution of stressed assets’ dated 07 June 2019 to enable lenders to implement a resolution plan for eligible corporate exposures (without change in ownership) and personal loans, while classifying such loans as standard and subject to specific conditions.
	• Restructuring MSME debt so that stressed MSMEs can utilise this provided their accounts with the concerned lender were classified as standard as on 01 March 2020 but this will have to be implemented by 31 March 2021. (Already in place if account was standard as on 01 Jan 20).
	• Maximum loan-to-value of loans sanctioned by banks against gold ornaments & jewellery for non-agricultural purposes, which is currently 75%, has been increased to 90%.
	• Banks investment in debt MFs and debt ETFs will be treated consistently with direct debt investments in terms of capital allocation.

October 9, 2020	• Policy Rates Unchanged • WMA limit for the Centre has been kept at Rs.1.25 lakh crore compared to Rs.35,000 crore in H2FY20. The 60% WMA limit for states has been extended till March 31, 2021. • RBI to up the size of the OMO Purchases to Rs.20,000 crore from Rs. 10,000 crores. • To conduct on tap TLTRO with tenors upto 3 years for upto Rs.1 Lakh crore at floating rate linked to policy rate available up to March 31, 2021. • TLTRO funds availed by banks to be deployed in corporate bonds, commercial papers and non convertible debentures issued by entities in specific sectors. • To conduct OMOs in State Development Loans (SDL) to rationalize spreads over G-sec.

KEY MEASURES ANNOUNCED BY THE RBI

Measures announced in chronological order since lockdown.

Date	Measures Announced

October 9, 2020	• Enhanced SLR holdings in HTM category (increased from 19.5% to 22% in September 2020) of NDTL of banks, acquired between 1st September 2020 to 31st March 2021, will be applicable till 31st March 2022.
	• To discontinue system-based automatic caution listing of Exporters.
	• Allowed banks to increase exposure to retail individuals or small business (with turnover of upto Rs 50 crore) from Rs.5 crore to Rs.7.5 crore.
	• To rationalise the risk weights and link them to LTV ratios only for all new housing loans sanctioned up to March 31, 2022.
	• To extend scheme for Co-lending to all NBFCs including HFCs.
	• Other Measures
	  ◦ Round-the-clock availability of RTGS on all days from December 2020.
	  ◦ To grant authorisation for all PSOs (new applicants as well as existing PSOs) on a perpetual basis from earlier limited periods of up to five years.

December 4, 2020	• On Tap TLTRO - will be expanded to cover other stressed sectors in synergy with the credit guarantee available under the Emergency Credit Line Guarantee Scheme (ECLGS 2.0). • Regional Rural Banks (RRB) will be allowed to access the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of the RBI; and also the Call money market. • Scheduled commercial banks & cooperative banks shall not make any dividend pay-out from the profits of FY20. • Formulate guidelines on dividend distribution policy by NBFCs. • Issue guidelines to large UCBs, NBFCs for adoption of Risk-Based Internal Audit. • Harmonise guidelines on appointment of statutory auditors for commercial banks, UCBs and NBFCs. • Proposed to issue Reserve Bank of India (Digital Payment Security Controls) Directions, 2020 for regulated entities to set up a robust governance structure and implement common minimum standards of security controls for channels like internet, mobile banking, card payments, among others. • Revised draft directions to be issued for credit default swaps. • Revides draft guidelines for derivatives to be issued. • Discussion paper on supervision of NBFCs based on size to be issued in January.

KEY MEASURES ANNOUNCED BY THE RBI

Measures announced in chronological order since lockdown.

Date	Measures Announced
February 5, 2021	• TLTRO on Tap scheme extended to NBFCs for incremental lending to the specified stressed sectors. • Restoration of CRR in two phases beginning March 2021 (increase to 3.5% on March 27 and 4% on May 22, 2021) • Additional 1% of NDTL dispensation given on statutory liquidity ratio (SLR) for availing funds under the marginal standing facility (MSF) extended by 6 months to end September 30, 2021. • Extension of HTM limits (upto 22% of NDTL) upto March 31, 2023 from March 31, 2020 (to include securities acquired between April 1, 2021 and March 31, 2022). • Defer the implementation of last tranche of the Capital Conservation Buffer (CCB) of 0.625 per cent and also defer the implementation of Net Stable Funding Ratio (NSFR) by another six months from April 1 to October 1, 2021. • Retail investors are being allowed to open gilt accounts with RBI. • Encouraging foreign portfolio investments in defaulted bonds by exempting these investments from short term limit and the minimum residual maturity requirement.
April 7, 2021	• To conduct VRRR auctions of longer maturity. The amount and tenor of these auctions will be decided based on the evolving liquidity and financial conditions • To purchase Rs.1 lakh crore of G-secs under G-SAP in Q1 • Extension of the deadline for the TLTRO scheme by 6 months to September 30. • Fresh lending of Rs.50,000 crore to all Indian financial institutions like NABARD, NHB and SIDBI to maintain a continuous flow of credit. • Extended the use of central payment systems like RTGS and NEFT to non-banking service providers like PPIs and trade platforms regulated by the RBI. • Maximum end-of-day balance for payments banks increased from Rs.1 lakh to Rs.2 lakh. • Committee will be formed to review the working of ARCs • Enhancing ways & means advance (WMA) limit to Rs.47,010 crore, up 46% from current limit of Rs.32,225 crore • Bank lending to NBFCs for on-lending to PSL will be extended till September 30, 2021.

KEY MEASURES ANNOUNCED BY THE RBI

Measures announced in chronological order since lockdown.

Date	Measures Announced
May 5, 2021	• On-tap liquidity window of ₹50,000 crore with tenors of up to three years at the repo rate is being opened till march 31, 2022 to ease access to emergency health services. • SLTRO of ₹10,000 crore at repo rate for the SFBs, to be deployed for fresh lending of up to ₹10 lakh per borrower till October 31, 2021. • SFBs are now being permitted to reckon fresh lending to smaller MFIs (with asset size of up to ₹500 crore) for on-lending to individual borrowers as priority sector lending up to March 31, 2022. • Credit disbursed to MSME borrowers (upto 25 lakh) up to the fortnight ending October 1, 2021 extended till December 31, 2021. • Individuals, small businesses and MSMEs having aggregate exposure of upto ₹25cr eligible under Resolution Framework 2.0 for restructuring. • Individual borrowers, small businesses who have availed restructuring of their loans under Resolution Framework 1.0 can increase the moratorium and/or extending the residual tenor up to a total of 2 years. • Banks are allowed to utilise 100% of floating provisions/ countercyclical provisioning buffer held ason Dec 31,2020 for making specific provisions for NPA with prior approval of their board is permitted up to Mar 31,2022. • The max no. of days of OD in a qtr is being increased from 36 to 50 and the no. of consecutive days of OD from 14 to 21 for state govts.
June 4, 2021	• On-tap liquidity window for Contract-intensive sectors (tourism, travel agents, tour operators, adventure/heritage facilities, aviation ancillary services) to the tune of Rs. 15,000 crores with tenors of up to 3 years at repo rate until March 31, 2022. Banks can park their surplus liquidity upto the size of the loan book created under the scheme with RBI under reverse repo window at 40 bps higher than the reverse repo rate. • Special Liquidity facility to SIDBI to an extent of Rs. 160,000 crores to facilitate short and medium-term credit needs of MSMEs. • Enhancement of aggregate exposure for restructuring under Resolution Framework 2.0 to Rs. 50 crores as against Rs. 25 crores earlier. • Permitted Authorised Dealer banks to place margins on behalf of their FPI clients for their transactions in G-secs (including SDL and Treasury Bills), within the credit risk management framework of banks. • Permitted Regional rural banks to issue CDs to eligible investors. Banks have been allowed to buy back issued CDs ahead of the redemption date to ensure greater flexibility in liquidity management. • NACH will be available all days of the week.

KEY MEASURES ANNOUNCED BY THE RBI

Measures announced in chronological order since lockdown.

Date	Measures Announced

August 6, 2021	• Propose to conduct fortnightly VRRR auctions of Rs.2.5 lakh crore on August 13, 2021; Rs.3.0 lakh crore on August 27, 2021; Rs.3.5 lakh crore on September 9, 2021; and Rs.4.0 lakh crore on September 24, 2021.
	• Propose to conduct two more auctions of Rs.25,000 crore each on August 12 and August 26, 2021 under G-SAP 2.0.
	• To extend the on-tap TLTRO scheme further by a period of three months, i.e. till December 31, 2021.
	• To provide comfort to banks on their liquidity requirements, including meeting their LCR requirement, relaxation which is currently available till September 30, 2021 is being extended for a further period of three months, i.e., up to December 31, 2021.
	• Deferral of Deadline for Achievement of Financial Parameters under Resolution Framework 1.0
	• RBI Amends Rules For Smoother Transition Away From Libor banks can:
	    • Extend export credit in foreign currency using any other widely accepted alternative reference rate in the currency concerned.
	    • Change in reference rate from Libor/Libor-related benchmarks to an alternative reference rate will not be treated as restructuring
	• RBI has decided to defer the deadline for achievement of four financial parameters under Resolution Framework 1.0 for Covid related stress to October 1, 2022 earlier was required to be met by March 31, 2022.

IMPACT ON THE MUTUAL FUND INDUSTRY:

Liquid Funds:

These schemes will continue to generate returns around the operating rate due to their portfolio composition i.e. being invested at the shorter end of the money market segment. Liquid funds have low average maturity as they concentrate more on high quality papers including CPs, CDs and other debt securities with residual maturity of upto 3 months.

Ultra Short Term / Low Duration / Money Market Funds (Maturity Up to 1 Year):

These schemes predominantly invest in below 1 year maturity paper. The strategy adopted by these schemes is to hold the paper till maturity and capitalize on the running yield. Hence, returns in this category will continue to remain relatively attractive depending on the positioning of the fund.

Short Duration Funds:

Schemes in this category are predominantly invested in Corporate Bonds, CPs and CDs while a few of them also have some exposure to G-Secs. We continue to remain bullish at the shorter end of the curve. Investors may consider these funds (with the investment horizon commensurate with the maturity profile of such funds) and gain from current accruals.

Medium Duration Funds:

Given the current steepness in the curve there are reasonable opportunities in the intermediate duration (3-5 years) segment. Till the time RBI is managing the yield curve, the steepness of the curve may provide cushion even if there are mark-to-market losses. Investors may consider those funds with high quality portfolios and where the investment horizon is commensurate with the maturity profile of the fund and also gain from current accruals.

Credit Risk Funds:

We remain cautious on Credit Risk Funds as there could be further erosion of NAVs and hence returns due to a mark-to-market impact (timing mismatches, further possible downgrades, etc). It will also depend on the liquidity conditions in the market and redemption pressure on these funds. Thus, we think there is an elevated systemic risk in the market within the credit space. Hence, it makes sense for one to stay away from these funds at the current juncture till the dust settles or risks in the credit markets shows signs of waning.

IMPACT ON THE MUTUAL FUND INDUSTRY:

Long Term Income Funds / Gilt Funds / Dynamic Bond Funds:

The 10 year benchmark yield was volatile from the last policy, and managed to close ~20 bps higher at 6.20% on the eve of policy, the most among other Asian countries' similar-tenor sovereign bonds, as retail inflation remained persistently above the Reserve Bank of India's 2%-6% target range. The yield spiked to a high of 6.22% and moderated thereafter to a level of 6.10% driven by: (a) dovish comments from the RBI Governor, who described the current inflationary numbers as a 'temporary hump and said that pressures should ease in Q3FY2022' and (b) a downside surprise in the CPI inflation print reflecting a lower than expected sequential increase in both food and core inflation, respectively. Although, market participants are skeptical in inflation being transient.

The RBI, unlike central banks in New Zealand and South Korea, is constrained from taking a hawkish stance as India's economic recovery is still nascent. Growth showed signs of cooling in June as the slow easing of lockdowns hurt the economic activity. Economists still see consumer inflation picking up pace, for CY2021. India's central bank has so far managed to keep yields low by conducting bond purchases, softening the blow due to the near-record amount of sovereign debt sales this fiscal year, but there are signs that the market participants are not comfortable with the current levels.

In several bond auctions conducted over the last few months, the RBI has chosen to devolve bonds on primary dealers and underwriters when it felt that the yields being quoted were too high. However, on 9th July it was the first auction after May 21st when there was no devolvement of bids to primary dealers. RBI announced the cut-off for the new 10-year bond at 6.10%, which was higher than that of the current benchmark yield. It sold Rs 14,000 crore of the new 10-year bond as part of Rs 26,000 crore auction. Market participants are of the view that by accepting the cut-off yield at 6.10%, the RBI seems to be acknowledging the rising yields in the secondary market.

The Monetary Policy Committee (MPC) has kept policy rates unchanged once again at its bi-monthly review. Policy stance has been maintained as accommodative by the central bank to maintain liquidity in the system as the country continues to recover from Covid-19 and its economic implications.

While the overhang of a sizable supply including additional borrowing for GST compensation looms large, RBIs announcement of GSAP 2.0 (worth INR 1.2 lakh crore in Sept. quarter) including State Bonds (SDLs) in the same suggests that the RBI will maintain its course to ensure an orderly buying program. A rise in crude oil prices & June CPI inflation breaching RBI's tolerance ceiling of 6%

IMPACT ON THE MUTUAL FUND INDUSTRY:

added pressure on sovereign yield. A fall in US benchmark treasury yields in response to the US Fed's commentary also dented the sentiment.
The current yield curve is too steep, enhancing the case to chase the carry in fixed income as opposed to capital gains. It may steepen further if the full extent of supply is left to the markets and the turning of the cycle becomes imminent. The RBI is likely to limit movements in this yield for a time, until conditions are more certain. Even then, the 10y yield is likely to be allowed to rise only gradually (or evolve in an orderly fashion). The bond yields may remain in a tight range in the near future supported by the RBI's bond purchases and over the medium term, inflation and potential monetary policy normalization will play a more important role. Beyond the near - term pandemic concerns, we believe that we are at the fag-end of the interest rate cycle. Given that, the policy stance to maintain ample liquidity is positive for short end of the yield curve, while the long end also gets supported by the active yield management by RBI through the G-SAP 2.0 and regular OMOs, but the longer end may remain volatile due to inflation & global factors. We believe that the yields in the short to mid part of the curve continues to provide opportunity from risk-reward perspective. Even with yields tending to inch up, the higher accrual should provide a cushion to mitigate some of the erosion in price. Duration strategies continues to be wary as interest rates are expected to remain volatile. It is expected that the RBI shall take requisite measures going forward to support growth and ensure surplus liquidity in the banking system, with a dual objective of improving the financial conditions and managing the yield curve.
(P.S.: The 10 year benchmark (6.10% GS 2031) increased by 4 bps to 6.243% at the close).

Conservative Hybrid Funds-CHF *(Erstwhile: Monthly Income Plans (MIPs)*:

With between 10% to 25% allocation to equity, returns of CHFs are largely determined by the vagaries of the equity markets as against the debt markets. These funds are therefore suitable for investors who have a reasonably long time horizon & are comfortable with taking exposure to equities.

OUTLOOK

IMPACT ON THE MUTUAL FUND INDUSTRY:

A key takeaway from the policy is that the RBI considers it still too early to contemplate any tightening bias for now, but is uncomfortable with further easing of conditions through increase in liquidity. The RBI also emphasized that it is using the flexibility available in the inflation targeting framework to spread disinflation over the medium term to minimize output losses that will likely accompany a rapid return to the 4% inflation target. The level of the 10 year yield has also become less of a signaling mechanism for the policy stance, with the central bank calling for activity across all the points of the yield curve, but has left the door open for intervention in the curve if required.

We remain constructive on the shorter end of the yield curve. **Medium Duration funds, Short Duration funds, Corporate Bond funds, Banking & PSU Debt funds, Floating Rate funds, Low Duration funds, Money Market funds and Ultra Short Duration funds** can be considered by investors with an investment horizon commensurate with the maturity and duration of the schemes. Having said that, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.

Burgundy

Wealth Management | Axis Bank

AXIS BANK

OUR TEAM

Mr. Saugata Bhattacharya
Chief Economist

Mr. Anand Oke,
Head - Investment Research

Burgundy

Wealth Management | Axis Bank

AXIS BANK

DISCLAIMER

The report and information contained herein is of confidential nature and meant only for the selected recipient and should not be altered in any way, transmitted to, copied or distributed, in any manner and form, to any other person or to the media or reproduced in any form, without prior written approval of Axis Bank. The material in this document/report is based on facts, figures and information that are obtained from publicly available media or other sources believed to be reliable and hence considered true, correct, reliable and accurate but Axis Bank does not guarantee or represent (expressly or impliedly) that the same are true, correct, reliable and accurate, not misleading or as to its genuineness, fitness for the purpose intended and it should not be relied upon as such. The opinion expressed (including estimates, facts, figures and forecasts) is given as of the date of this document is subject to change without providing any prior notice of intimation. Axis Bank shall have the rights to make any kind of changes and alterations to this report/ information as may be required from time to time. However, Axis Bank is under no compulsion to maintain or keep the data/information updated. This report/document does not mean an offer or solicitation for dealing (purchase or sale) of any financial instrument or as an official confirmation of any transaction. Axis Bank or any of its affiliates/ group companies shall not be answerable or responsible in any way for any kind of loss or damage that may arise to any person due to any kind of error in the information contained in this document or otherwise. This document is provided for assistance only and should not be construed as the sole document to be relied upon for taking any kind of investment decision. The recipient is himself/herself fully responsible for the risks of any use made of this information. Each recipient of this document should make his/her own research, analysis and investigation as he/she deems fit and reliable to come at an independent evaluation of an investment in the securities of companies mentioned in this document (including the merits, demerits and risks involved), and should further take opinion of own consultants, advisors to determine the advantages and risks of such investment. The investment discussed or views expressed herein may not suit the requirements for all investors. and its or their securities. Axis Bank and its group companies, affiliates, directors, and employees may: (a) from time to time, have long or short positions in, and deal (buy and/or sell the securities) thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn commission/brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The applicable Statutory Rules and Regulations may not allow the distribution of this document in certain jurisdictions, and persons who are in possession of this document, should inform themselves about and follow, any such restrictions. to obtain any registration or licensing requirements within such jurisdiction.

DISCLAIMER

Burgundy

Wealth Management | Axis Bank

AXIS BANK

This report is not meant, directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would not be in conformation to the law, regulation or which would require Axis Bank and affiliates/ group companies Neither Axis Bank nor any of its affiliates, group companies, directors, employees, agents or representatives shall be held responsible, liable for any kind of consequential damages whether direct, indirect, special or consequential including but not limited to lost revenue, lost profits, notional losses that may arise from or in connection with the use of the information. Prospective investors and others are cautioned and should be alert that any forward-looking statements are not predictions and may be subject to change without providing any notice. Past performance should not be considered as a reference to future performance. The disclosures of interest statements if any included in this document are provided only to enhance the transparency and should not be construed as confirmation of the views expressed in the report. The views expressed in this report reflect the personal views of the author of the report and do not reflect the views of Axis Bank or any of its associate and group companies about the subject company or companies

DISCLAIMER FOR DIFC BRANCH:

For Distribution to Professional Clients Only (as defined by Rule 2.3.2 of the Conduct of Business Module of the DFSA Rulebook). Axis Bank, DIFC branch is duly licensed and regulated in the Dubai International Financial Centre by the Dubai Financial Services Authority. The information contained herein is intended for use only by Professional Clients (as defined by Rule 2.3.2 set out in the Conduct of Business Module of the DFSA Rulebook) who satisfy the regulatory criteria set out in the rules of the Dubai Financial Services Authority and should not be relied upon or distributed to any other person(s) other than the intended recipient.

DISCLAIMER FOR SINGAPORE CLIENTS:

This document is published by Axis Bank Limited (“Axis Bank”) and is distributed in Singapore by the Singapore branch of Axis Bank. This document does not provide individually tailored investment advice. The contents in this document have been prepared and are intended for general circulation. The contents in this document do not take into account the specific investment objectives, financial situation, or particular needs of any particular person. The securities and/or instruments discussed in this document may not be suitable for all investors. Axis Bank recommends that you independently evaluate

particular investments and strategies and encourages you to seek advice from a financial adviser regarding the suitability of such securities and/or instruments, taking into account your specific investment objectives, financial situation and particular needs, before making a commitment to purchase any securities and/or instruments.

DISCLAIMER

This is because the appropriateness of a particular security, instrument, investment or strategy will depend on your individual circumstances and investment objectives, financial situation and particular needs.

The securities, investments, instruments or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. This document is not an offer to buy or sell or the solicitation of an offer to buy or sell any security and/or instrument or to participate in any particular trading strategy. Axis Bank, its associates, officers and/or employees may have interests in any products referred to in this document by acting in various roles including as distributor, holder of principal positions, adviser or lender. Axis Bank, its associates, officers and/or employees may receive fees, brokerage or commissions for acting in those capacities. In addition, Axis Bank, its associates, officers and/or employees may buy or sell products as principal or agent and may effect transactions which are not consistent with the information set out in this document. Axis Bank and its affiliates do business that relates to companies and/or instruments covered in this document, including market making and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Axis Bank sells to and buys from customers the securities and/or instruments of companies covered in this document as principal or agent.

DISCLAIMER