

Muthoot Finance

Estimate change

TP change

Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	MUTH IN
Equity Shares (m)	401
M.Cap.(INRb)/(USDb)	503.8 / 6.6
52-Week Range (INR)	1405 / 478
1, 6, 12 Rel. Per (%)	0/50/96
12M Avg Val (INR M)	2077

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
NII	57.7	63.4	73.7
PPP	41.5	47.3	55.4
PAT	30.2	34.1	40.0
EPS (INR)	75.3	85.1	99.8
EPS Gr. (%)	52.9	13.1	17.2
BV/Sh.(INR)	289	356	435
Ratios			
NIM (%)	14.9	14.0	14.3
C/I ratio (%)	30.0	27.8	27.5
RoA (%)	6.8	6.5	6.9
RoE (%)	29.0	26.4	25.2
Payout (%)	19.9	17.0	17.0
Valuations			
P/E (x)	16.7	14.8	12.6
P/BV (x)	4.4	3.5	2.9
Div. Yld. (%)	1.2	1.2	1.4

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	73.4	73.4	73.5
DII	7.3	7.1	8.4
FII	14.6	14.4	13.9
Others	4.7	5.1	4.3

FII Includes depository receipts

CMP: INR1,256
TP: INR1,300 (+4%)
Neutral

Business muted; Liquidity on balance sheet increasing

- Muthoot Finance's (MUTH) 1QFY21 PAT increased ~60% YoY to INR8.4b (2% miss). While total income missed our expectations by 8%, it was offset by lower opex and credit costs. However, according to management, the cost reduction is one-off and unlikely to sustain.
- As the company opened branches in May'20, it witnessed more collections than disbursements. Hence, its loan book declined marginally QoQ.

AUM largely steady; Yields decline off a high base; Enhanced liquidity

- Standalone AUM moderated 1% QoQ to INR413b, driven by stronger collections. However, disbursements picked up toward end-1QFY21 and have sustained in 2QFY21 too. A key factor was the online disbursements (wherein the company is offering cash-backs), which have jumped 4x since the start of the lockdown. **~40% of customers are now transacting online.**
- **The number of loan accounts and gold tonnage declined ~5% QoQ/YoY, given the sharp increase in gold prices.**
- In 2HFY20, MUTH's yields improved to 24-25% (earlier 21-22%), driven by higher penal charges. **However, in 1QFY21, yields reverted to 23%. MUTH has also offered cash-backs for customers transacting digitally.**
- Over the past year, the company has enhanced liquidity on its Balance Sheet – from INR9b in 1QFY20 to INR85 in 1QFY21. The higher liquidity weighed down on margins as borrowings have grown 38% YoY (v/s 15% YoY growth in the loan book). Management has guided to keep liquidity on the balance sheet at 10%.

Highlights from management commentary

- Guidance of 15% AUM growth for FY21, irrespective of gold prices.
- Collection efficiency in Jul'20 – MFI (76%), HL (87%), VF (75%).

Subsidiary performance

- MUTH took INR320m COVID-19 provisions for non-gold portfolio in 1QFY21.
- **Muthoot Homefin:** AUM stood at INR19.8b (flat QoQ/YoY) while PAT for the quarter was only INR4m.
- **Belstar Investment and Finance:** Loan book was sequentially flat at INR26b while PAT declined ~36% QoQ/YoY to INR145m. GNPL ratio deteriorated 20bp QoQ to 1.1%.

Valuation and view

While AUM growth took a backseat in 1QFY21, we believe this is a one-off given the muted disbursements in Apr-May'20. Demand for gold loans picked up in Jul-Aug'20, and we expect it to sustain given the tough economic environment. Over the past year, MUTH has increased liquidity on the balance sheet from 3% of loans to 20% of loans, which is comforting. However, this is likely to be a drag on margins going ahead. While MUTH's subsidiaries have witnessed improving collection efficiency, we remain cautious on the asset quality outlook. Maintain **Neutral** with TP of INR1,300 (3x FY22E BVPS).

Quarterly Performance

(INR M)

Y/E March	FY20				FY21				FY20	FY21E	1QFY21E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Income from operations	18,274	21,057	22,806	23,506	23,160	24,086	25,411	26,930	85,644	99,587	24,211	-4
Other operating income	294	312	399	497	691	470	470	473	1,502	2,103	425	63
Total Operating income	18,568	21,369	23,206	24,004	23,851	24,556	25,881	27,402	87,146	1,01,691	24,636	-3
YoY Growth (%)	13.8	29.5	35.2	27.7	28.4	14.9	11.5	14.2	26.7	16.7	32.7	-13
Total Income	18,587	21,405	23,209	24,026	23,854	24,576	25,906	27,429	87,228	1,01,766	24,666	-3
YoY Growth (%)	13.8	29.7	35.2	27.8	28.3	14.8	11.6	14.2	26.8	16.7	32.7	-13
Interest Expenses	6,416	6,699	7,094	7,700	8,715	8,889	9,156	9,467	27,909	36,227	8,162	7
Net Income	12,171	14,707	16,115	16,326	15,139	15,687	16,750	17,962	59,319	65,538	16,504	-8
Operating Expenses	3,972	3,969	4,542	5,304	3,738	4,167	4,769	5,565	17,787	18,240	4,567	-18
Operating Profit	8,199	10,738	11,573	11,021	11,400	11,520	11,981	12,397	41,531	47,298	11,937	-4
YoY Growth (%)	8.2	43.6	47.6	35.3	39.0	7.3	3.5	12.5	33.8	13.9	45.6	-14
Provisions	33	265	612	48	146	400	500	538	957	1,584	400	-64
Profit before Tax	8,166	10,473	10,961	10,974	11,255	11,120	11,481	11,858	40,574	45,714	11,537	-2
Tax Provisions	2,866	1,894	2,809	2,822	2,847	2,813	2,905	3,001	10,391	11,566	2,953	-4
Net Profit	5,300	8,579	8,152	8,151	8,408	8,307	8,576	8,858	30,183	34,148	8,583	-2
YoY Growth (%)	7.8	77.3	68.0	59.4	58.6	-3.2	5.2	8.7	53.0	13.1	61.9	-5
Key Operating Parameters (%)												
Yield on loans (Cal)	21.2	23.9	25.0	24.0	23.0				22.1	22.0		
Cost of funds (Cal)	9.3	9.5	9.3	8.8	9.2				8.7	9.6		
Spreads (Cal)	11.9	14.4	15.7	15.1	13.9				13.4	12.4		
NIMs (Cal)	13.9	16.4	17.4	16.3	14.6				14.9	14.0		
Credit Cost	0.0	0.3	0.7	0.0	0.1				0.2	0.4		
Cost to Income Ratio	32.6	27.0	28.2	32.5	24.7				30.0	27.8		
Tax Rate	35.1	18.1	25.6	25.7	25.3				25.6	25.3		
Balance Sheet Parameters												
AUM (INR b)	358	357	385	416	413	434	455	479	426	479		
Change YoY (%)	15.5	10.6	18.6	21.5	15.3	21.4	18.3	15.2	22.0	12.5		
Gold loans (INR b)	352	349	377	408	405							
Change YoY (%)	15.1	9.1	18.7	21.4	15.1							
Gold Stock Holding (In tonnes)	176	171	173	176	165							
Avg gold loans per branch (INR m)	78	77	83	89	89							
Borrowings (INR b)	281	285	326	372	389				371	383		
Change YoY (%)	21.1	17.0	29.2	38.3	38.2				38.4	3.3		
Borrowings Mix (%)												
Listed secured NCDs	28.1	30.4	31.9	26.0	23.2							
Term loans	49.0	47.0	39.6	39.2	40.3							
Commercial Paper	17.1	17.2	14.1	9.7	12.7							
Others	5.8	5.5	4.5	4.8	4.4							
Debt/Equity (x)	2.9	2.6	2.7	2.9	2.6							
Asset Quality Parameters (%)												
GS 3 (INR m)	11,474	12,267	9,769	8,992	10,553				8,992	9,844		
Gross Stage 3 (% on Assets)	3.2	3.4	2.5	2.2	2.6				2.11	2.05		
Total Provisions (INR m)	8,095	8,213	8,377	8,381	8,492							
Return Ratios (%)												
RoAUM (Rep)	6.1	9.6	8.8	8.1	8.1				6.8	6.5		
RoE (Rep)	21.7	33.7	29.6	28.4	28.2				29.0	26.4		
E: MOSL estimates												



Highlights from management commentary

Business Updates

- Most branches were closed in Apr'20, but the situation is back to normal now. Bulk of the lending in 1QFY21 came from top-ups.
- **Guidance of 15% AUM growth for FY21, irrespective of gold prices.**
- Don't see much competition from banks on back of recent increased LTV cap.
- Going slow on auctions of NPLs as the collateral buffer is adequate. Rather, the company is giving time to its customers to repay.
- **More than 40% customers are now transacting online. Barring depositing gold and taking back gold, the customer can do everything online.**
- The company took two new initiatives this quarter – (1) 'Loans@Home' wherein MUTH's staff visits a customer's home, collects the gold and disburses the loan instantly. Currently, MUTH is doing this for ticket sizes above INR200k. (2) 'Gold Unlocker' – Customers can keep jewelry in MUTH's lockers and take loans whenever they want.
- Average LTV of the outstanding portfolio currently stands at 54%.
- **Opex reduction in 1QFY21 is not sustainable over the long term.**
- Expect yields to remain stable at 22%.
- Plans are afoot to open 250 branches over the next 12 months.

Liquidity/Funding

- Cost of borrowings increased QoQ due to the full impact of ECB cost (which came in on 1st Mar'20). MTM on ECBs goes into 'OCI' directly. ECBs raised last year came in at double-digits (first tranche) and single-digits (second tranche).
- INR15b worth CPs mature every month.
- Will maintain 10% liquidity on the balance sheet.

Subsidiaries

- **MFI** – Have slowly started lending (disbursed INR1b in Jul'20) and should be back to normal in the next 2-3 months. 60%+ of the portfolio is SHG and the remaining is JLG.
- **Housing Finance** – Will wait for the moratorium period to end and see how customers are behaving. Will resume lending after that only.
- **Vehicle Finance** – Only collections happening right now.
- Expect share of subsidiaries to decline from 12% currently to 9-10% by end-FY21 due to muted growth
- Provisions for subsidiaries were made for the loan book under moratorium.
- **Collection efficiency in July: MFI – 76%; HL – 87%, VF – 75%.**

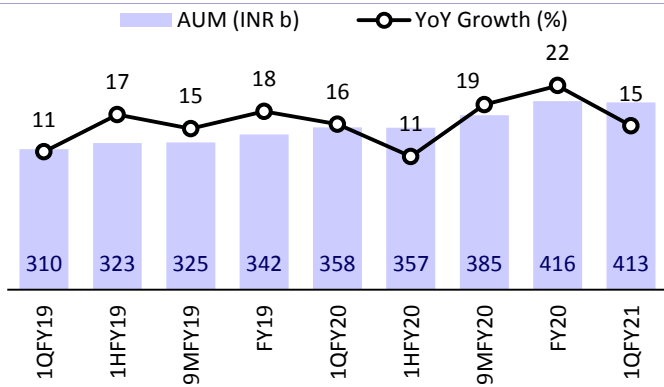
Others

- MUTH is offering free COVID-19 insurance cover up to INR100k to all new gold loan customers.
- **Internally, the company combined its 1Q-2QFY21 targets to a single 1HFY21 target. The company is confident of achieving the same.**
- When gold prices rise, competition typically increases, but only temporarily.
- Got discounts on rentals from their landlords for 1 month.
- **When customers come to MUTH, they come with an amount in mind. Only 10-20% of customers come to take loans at maximum LTV.**

- Average loan duration is 3-5 months.
- 80% of customers are repeat customers (not necessarily renewal customers).
- 4% of the portfolio is from new customers in 1QFY21, while in FY20, it stood at 27%.
- In FY20, the company auctioned only ~INR5b worth of loans.
- Gold loan interest rates vary between 12-23%.

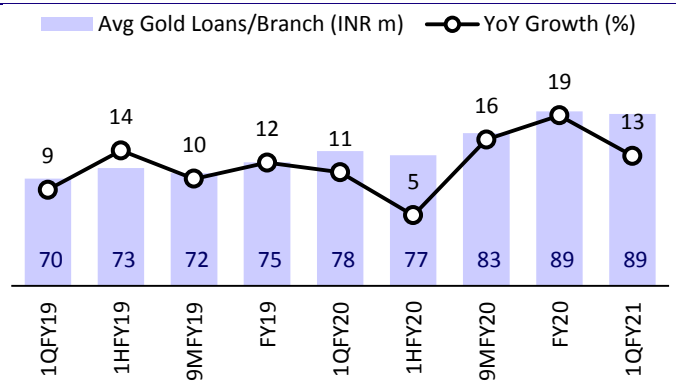
Key Exhibits

Exhibit 1: AUM growth slows (%)



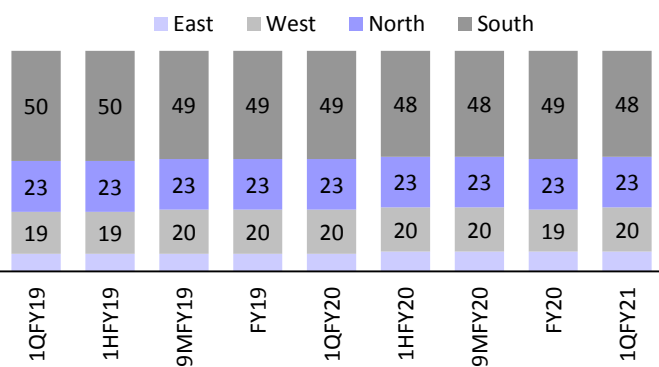
Source: MOFSL, Company

Exhibit 2: Trend in productivity



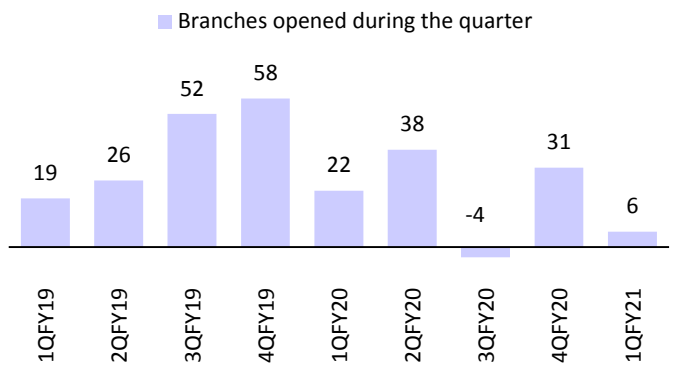
Source: MOFSL, Company

Exhibit 3: South dominates the mix at ~48%



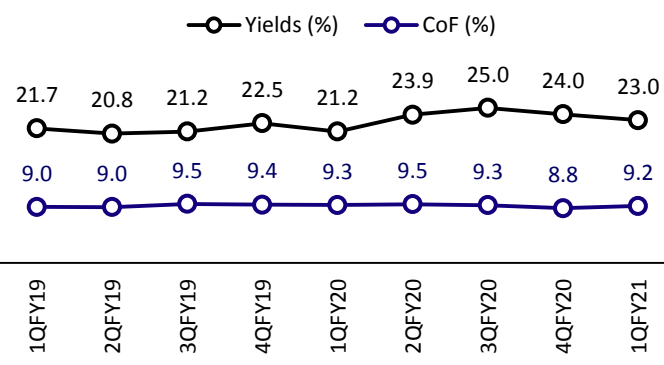
Source: MOFSL, Company, Gold loan portfolio mix

Exhibit 4: Branches opened during the quarter



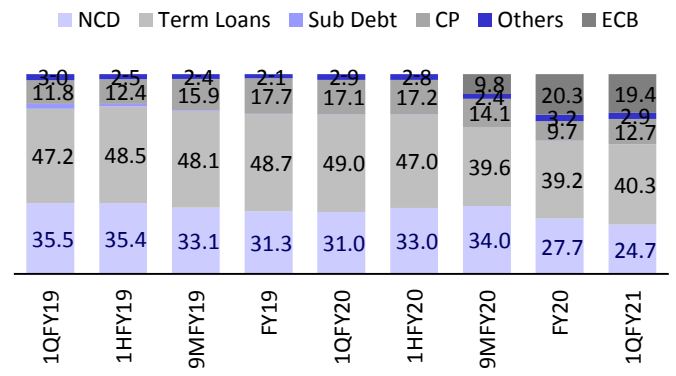
Source: MOFSL, Company

Exhibit 5: Spreads decline 150bp sequentially (%)



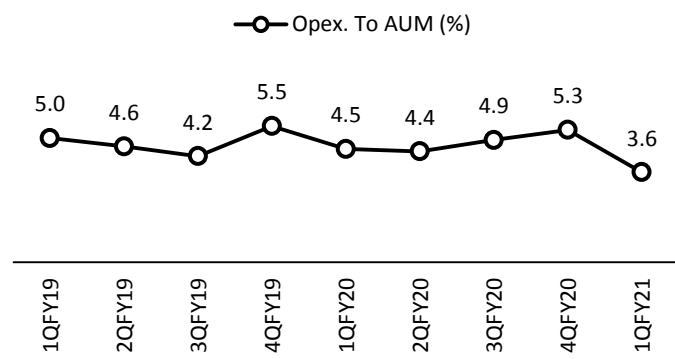
Source: MOFSL, Company

Exhibit 6: Share of CPs up ~300bp sequentially



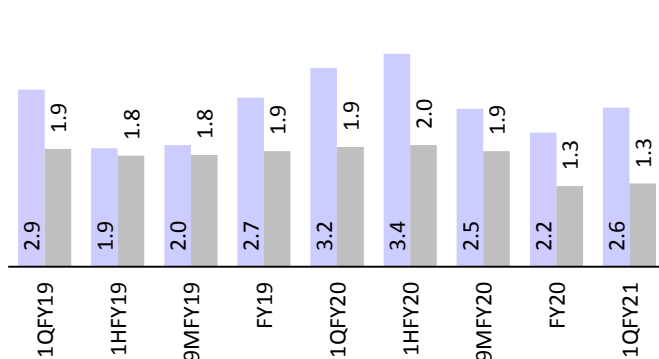
Source: MOFSL, Company

Exhibit 7: One-offs lead to decline in expense ratio QoQ (%)



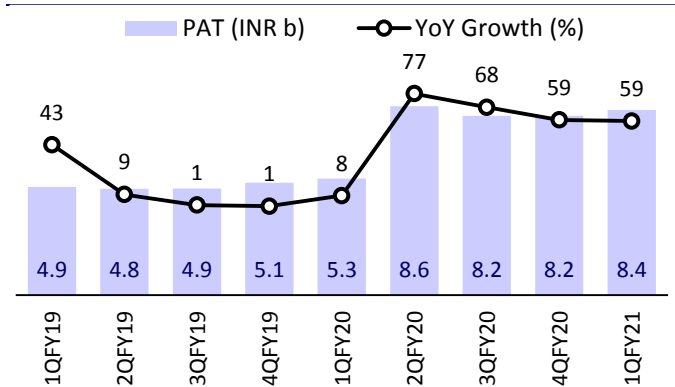
Source: MOFSL, Company

Exhibit 8: GNPA inched up in the quarter %



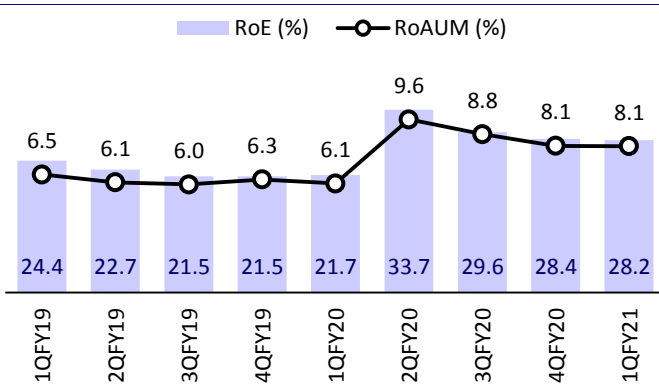
Source: MOFSL, Company

Exhibit 9: Trend in PAT



Source: MOFSL, Company

Exhibit 10: Strong profitability continues



Source: MOFSL, Company, Reported

Valuation and view

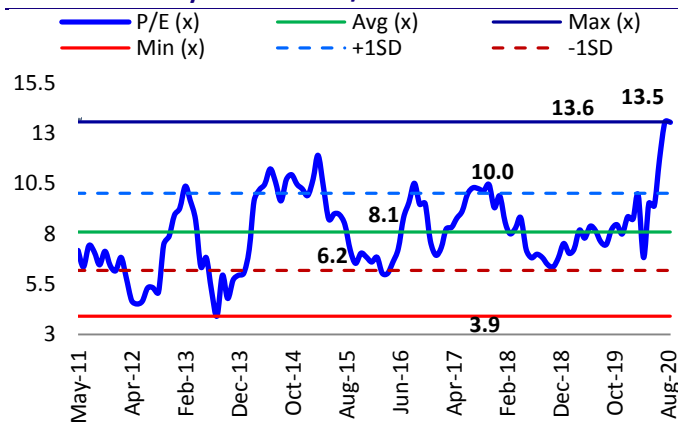
- Over the past few quarters, there have been tailwinds to growth from increasing gold prices and stronger demand. While 1QFY21 was muted, we expect this to continue over the next 12 months given the (a) sharp run-up in gold prices, and (b) higher gold loan demand due to the lockdown impact on customers.
- Positive ALM (due to short loan tenure of up to 12 months) and adequate balance sheet liquidity have helped MUTH access debt capital with relative ease. Over the past year, MUTH raised USD1b from ECBs – this liability diversification will be helpful going ahead. Spreads have sustained at ~14%, though we expect some compression due to lower penal interest income/costlier forex funding.
- The company is well capitalized with Tier I ratio of 25% – we do not foresee any dilution in the medium term even if AUM growth continues at 20% YoY.
- We estimate loan growth at 13% for FY21, followed by moderation to 15% for FY22/23E. We forecast 16% PAT CAGR over FY20-23E. We have cut our EPS estimates by 5%/3% for FY21/22E on the back of moderation in loan growth.
- We have turned cautious on the outlook for MUTH’s HFC/MFI subsidiaries. We expect FY21 to be a tough year for these companies. Maintain **Neutral** with TP of INR1,300 (3x FY22E BVPS).

Exhibit 11: We have cut our estimates by ~4%

INR B	Old Est			New Est			% Change		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
NII	68.2	77.8	86.4	63.4	73.7	86.1	-7	-5	0
Other Income	1.9	2.1	2.4	2.2	2.6	3.0			
Net Income	70.1	79.9	88.8	65.5	76.3	89.1	-6	-4	0
Operating Profits	50.0	57.0	63.2	47.3	55.4	65.0	-5	-3	3
Provisions	1.6	1.8	2.1	1.6	1.8	2.1	-2	-2	1
PBT	48.4	55.2	61.2	45.7	53.6	62.9	-6	-3	3
Tax	12.4	14.1	15.7	11.6	13.6	15.9	-7	-4	2
PAT	36.0	41.1	45.5	34.1	40.0	47.0	-5	-3	3
Loans	494	554	620	479	551	634	-3	0	2
Borrowings	412	450	484	383	424	470			
Spread (%)	13.5	13.3	13.0	12.4	12.3	12.3			
RoA (%)	6.7	6.7	6.6	6.5	6.9	7.1			
RoE (%)	27.7	25.6	23.3	26.4	25.2	24.3			

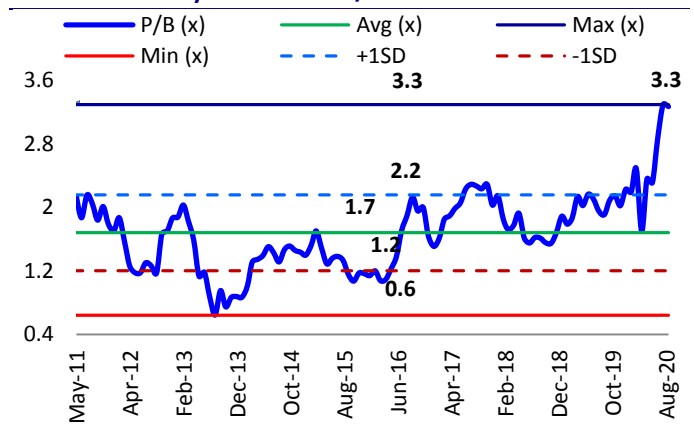
Source: MOFSL, Company

Exhibit 12: One-year forward P/E



Source: MOFSL, Company

Exhibit 13: One-year forward P/B



Source: MOFSL, Company

Valuation Matrix

	Rating	CMP (INR)	Mcap (USDb)	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
HFCs											
LICHF	Buy	278	1.8	6.5	5.8	0.7	0.6	1.0	1.1	11.5	11.8
PNBHF	Neutral	275	0.6	6.2	4.6	0.5	0.5	1.0	1.3	9.1	11.3
Vehicle fin.											
SHTF	Buy	689	2.1	9.7	6.0	0.8	0.7	1.5	2.3	9.2	12.9
MMFS	Buy	138	1.1	18.7	15.4	1.1	1.0	1.2	1.5	6.8	7.0
CIFC	Buy	226	2.5	15.8	11.5	2.1	1.8	1.8	2.2	13.8	16.6
Diversified											
BAF	Neutral	3,409	27.4	46.1	28.3	5.6	4.8	2.5	3.6	12.9	18.3
SCUF	Buy	974	0.8	8.5	7.0	0.8	0.7	2.5	3.0	10.0	11.0
LTFH	Buy	67	1.8	13.6	7.0	0.9	0.8	0.9	1.7	6.7	12.0
MUTH	Neutral	1,256	6.6	14.0	12.3	3.5	2.8	6.7	6.7	27.7	25.6
MAS	Buy	687	0.5	22.3	18.6	3.4	3.0	3.7	4.0	16.0	16.9

Financials and Valuations

INCOME STATEMENT								(INR M)
Y/E MARCH	2016	2017	2018	2019	2020	2021E	2022E	2023E
Interest Income	47,995	56,369	62,021	67,570	85,644	99,587	1,12,066	1,27,394
Interest Expense	22,577	22,938	19,314	22,368	27,909	36,227	38,353	41,326
Net Interest Income	25,418	33,431	42,707	45,202	57,735	63,360	73,713	86,069
Change (%)	17.9	31.5	27.7	5.8	27.7	9.7	16.3	16.8
Other income	755	1,098	1,310	1,236	1,584	2,178	2,624	3,028
Net Income	26,173	34,529	44,017	46,438	59,319	65,538	76,337	89,096
Change (%)	18.0	31.9	27.5	5.5	27.7	10.5	16.5	16.7
Operating Expenses	11,381	12,503	13,174	15,394	17,787	18,240	20,959	24,077
Pre Provision Profits	14,792	22,026	30,843	31,044	41,531	47,298	55,378	65,019
Change (%)	38.9	48.9	40.0	0.6	33.8	13.9	17.1	17.4
Provisions	1,624	2,816	2,397	275	957	1,584	1,803	2,074
PBT	13,168	19,210	28,447	30,768	40,574	45,714	53,575	62,945
Tax	5,072	7,411	10,671	11,047	10,391	11,566	13,554	15,925
Tax Rate (%)	38.5	38.6	37.5	35.9	25.6	25.3	25.3	25.3
PAT	8,096	11,799	17,776	19,721	30,183	34,148	40,020	47,020
Change (%)	20.7	45.7	50.7	10.9	53.0	13.1	17.2	17.5
Proposed Dividend	2,393	2,397	4,010	4,812	6,016	5,805	6,803	7,993

BALANCE SHEET								(INR M)
Y/E MARCH	2016	2017	2018	2019	2020	2021E	2022E	2023E
Equity Share Capital	3,990	3,995	4,000	4,007	4,010	4,010	4,010	4,010
Reserves & Surplus	52,202	61,170	74,120	88,151	1,11,708	1,38,832	1,70,620	2,07,968
Networth	56,192	65,164	78,120	92,158	1,15,718	1,42,842	1,74,630	2,11,978
Borrowings	1,85,670	2,09,855	2,11,670	2,68,332	3,71,300	3,83,438	4,23,993	4,69,533
Change (%)	-4.5	13.0	0.9	26.8	38.4	3.3	10.6	10.7
Other liabilities	28,625	32,112	18,132	20,198	17,578	20,215	23,247	26,734
Change (%)	27.2	12.2	-43.5	11.4	-13.0	15.0	15.0	15.0
Total Liabilities	2,70,487	3,07,131	3,07,923	3,80,687	5,04,597	5,46,494	6,21,870	7,08,245
Loans	2,45,241	2,74,242	2,95,068	3,49,329	4,26,042	4,79,297	5,51,191	6,33,870
Change (%)	4.2	11.8	7.6	18.4	22.0	12.5	15.0	15.0
Investments	983	2,091	3,954	9,826	14,383	15,822	17,404	19,144
Net Fixed Assets	2,274	2,182	1,922	1,867	2,227	2,450	2,695	2,965
Other assets	21,990	28,615	6,978	19,666	61,944	48,925	50,580	52,266
Total Assets	2,70,487	3,07,131	3,07,923	3,80,687	5,04,597	5,46,494	6,21,870	7,08,245

E: MOSL Estimates

Financials and Valuations

RATIOS	(%)							
Y/E MARCH	2016	2017	2018	2019	2020	2021E	2022E	2023E
Spreads Analysis (%)								
Avg Yield on loans	20.1	21.8	21.8	21.0	22.1	22.0	21.8	21.5
Avg Cost of funds	11.9	11.6	9.2	9.3	8.7	9.6	9.5	9.3
Spreads on loans	8.2	10.2	12.7	11.7	13.4	12.4	12.3	12.3
NIMs on AUM	10.6	12.9	15.0	14.0	14.9	14.0	14.3	14.5
Profitability Ratios (%)								
RoE	15.1	19.4	24.8	23.2	29.0	26.4	25.2	24.3
RoA	3.0	4.1	5.8	5.7	6.8	6.5	6.9	7.1
RoA on AUM	3.4	4.6	6.2	6.1	7.8	7.5	7.8	7.9
Cost to Income	43.5	36.2	29.9	33.2	30.0	27.8	27.5	27.0
Empl. Cost/Op. Exps.	56.4	61.1	59.4	58.3	57.8	57.8	57.9	57.9
Asset-Liability Profile (%)								
GNPL ratio (%)	2.2	2.8	4.4	2.7	2.2	2.1	2.0	1.9
Debt/Equity (x)	3.3	3.2	2.7	2.9	3.2	2.7	2.4	2.2
Average leverage	3.6	3.3	2.9	2.8	3.1	2.9	2.5	2.3
Valuations								
Book Value (INR)	140.8	163.1	195.3	230.0	288.5	356.2	435.4	528.6
Price-BV (x)					4.4	3.5	2.9	2.4
EPS (INR)	20.3	29.5	44.4	49.2	75.3	85.1	99.8	117.2
EPS Growth (%)	20.4	45.6	50.4	10.8	52.9	13.1	17.2	17.5
Price-Earnings (x)					16.7	14.8	12.6	10.7
Dividend	6.0	6.0	10.0	12.0	15.0	14.5	17.0	19.9
Dividend Yield (%)					1.2	1.2	1.4	1.6

E: MOSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not 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 be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.