

# IIFL Wealth Management

BSE SENSEX  
58,576

S&P CNX  
17,530

**CMP: INR1,774 TP: INR2,200 (+24%)**

**Buy**



## Stock Info

Bloomberg	IIFLWAM IN
Equity Shares (m)	87
M.Cap.(INRb)/(USDb)	157.3 / 2.1
52-Week Range (INR)	1848 / 1061
1, 6, 12 Rel. Per (%)	13/12/28
12M Avg Val (INR M)	186

## Financials Snapshot (INR b)

Y/E March	2022E	2023E	2024E
Net Revenues	13.4	15.7	17.8
Opex	7.7	8.2	9.0
Core PBT	5.7	7.6	8.8
PAT	5.5	6.7	7.6
EPS	62.2	75.7	86.2
BV	321.8	336.9	354.2

## Ratios

PBT margin (bp)	23.5	25.8	26.6
PAT margin (bp)	22.6	22.7	23.0
RoE (%)	19.3	23.0	24.9
Div. Payout (%)	100.0	80.0	80.0

## Valuations

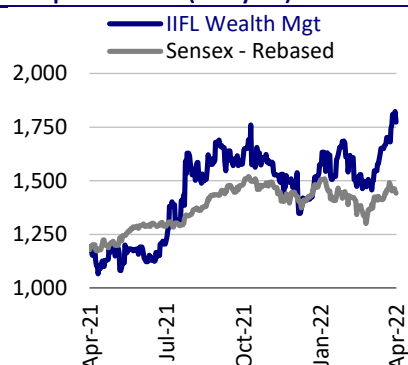
P/E (x)	28.3	23.3	20.5
P/BV (x)	5.5	5.2	5.0
Div. Yield (%)	3.5	3.4	3.9

## Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	23.2	22.8	23.0
DII	3.2	1.4	1.9
FII	22.7	25.7	21.9
Others	51.0	50.2	53.3

FII Includes depository receipts

## Stock performance (one-year)



## New opportunities beckon

- IIFLWAM is on the verge of transitioning to earning majority of its revenue from a trail-based model as compared to a transaction-based one. It embarked on this journey from FY20 and had targeted to complete the same in three-to-four years. With a supportive market and conscious efforts, the transition is expected to be completed ahead of schedule, with benefits reaped from FY23 onwards.
- Its core focus segment – UHNI (clients with a net worth of over INR250m) – is expected to see rapid grow, with: 1) major monetization of stakes by the founders of startups, 2) the next generation of UHNIs preferring organized Wealth Management platforms, and 3) interest rate remaining low.
- Amid this, IIFLWAM plans to: 1) enter into eight cities where it sees large opportunities, and 2) capture a significant market share, leveraging its relationships (via pre-IPO investments or other products) with new age startup founders.
- IIFLWAM has been at the forefront of product innovation in AIFs. Having built a strong team, with recent additions, the management aims to leverage its record of delivering industry beating returns to capture significant market share, amid rising demand for these products.
- The management plans to enter the INR50-250m net worth segment in early FY24. It has roped in BCG as a consultant to shape its strategy for the same. Its existing products and processes will play a key role in achieving scale in this segment. However, tailor-made products for this segment will be the additional growth driver.
- From an estimated AUM of INR2.8t at the end of FY22, we expect IIFLWAM to end FY24 with an AUM of INR3.5t v/s the management's guidance of INR 3.84t. On a closing basis, we expect AUM under ARR to witness a CAGR of 22.5%, but remain flat for TBR.
- The revenue growth in ARR segment is likely to moderate, led by a decline in retentions on AUM under its AMC. AUM under IIFL-ONE is expected to trend higher on rising share of discretionary PMS. TBR yields are likely to see a significant fall as transaction volumes normalize from elevated levels of FY22.
- We expect a significant improvement in profitability on the back of a marked reduction in employee costs, due to: 1) completion of the soft landing needed to retain RMs during this business transition, and 2) one-time payments in FY22 to attract new talent. Scale benefits will also help improve PBT margin to 49.3% in FY24E from 42.5% in FY22E.
- The stock currently trades at an attractive FY24E P/E of 20.5x, given its strong earnings CAGR of 18% over FY22-24E. We maintain our **Buy** rating with a one-year TP of INR2,200/share.

Prayesh Jain – Research Analyst (Prayesh.Jain@MotilalOswal.com)

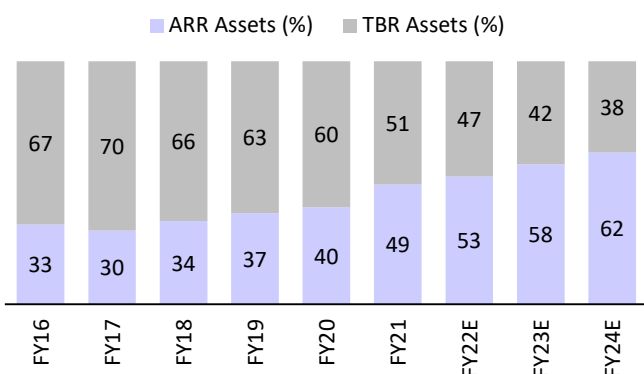
Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) / Urmila Bohra (Urmila.bohra@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

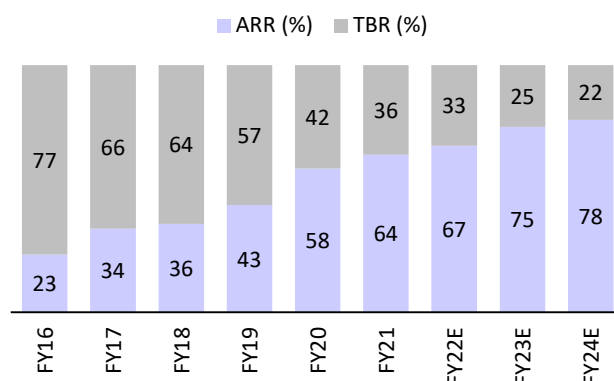
## Story in charts

**Exhibit 1: Increasing share of ARR assets...**



Source: MOFSL, Company

**Exhibit 2: Share of ARR in overall revenue pie rises**



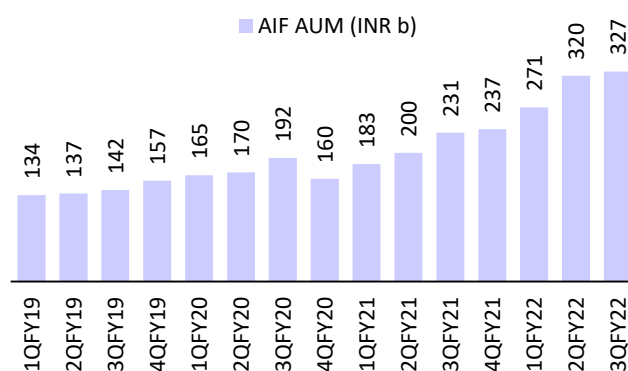
Source: MOFSL, Company

**Exhibit 3: India among the fastest-growing countries in terms of HNWI population**

In '000s	HNWI population (over USD1m)			CAGR (%)	
	2015	2020	2025	FY15-20	FY20-25
Europe	11,727	14,223	21,258	3.9	8.4
North America	19,601	20,173	26,794	0.6	5.8
Asia	7,886	10,421	15,222	5.7	7.9
India	280	350	612	4.5	11.8
Indonesia	15	21	45	7.8	16
South Africa	51	45	63	-2.6	7.3
Vietnam	15	19	26	4.8	5.8

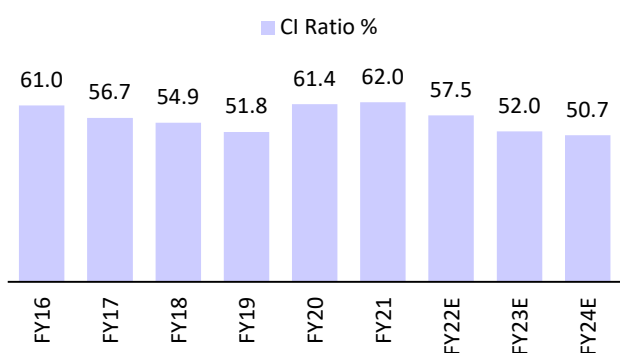
Source: MOFSL, Knight Frank – The Wealth Report

**Exhibit 4: Continuous growth in AIF AUM**



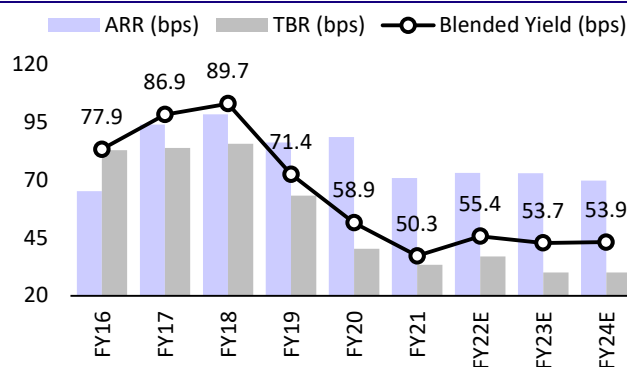
Source: MOFSL, Company

**Exhibit 5: C/I ratio to improve with the completion of the business transition**



Source: MOFSL, Company

**Exhibit 6: Retentions to sustain**

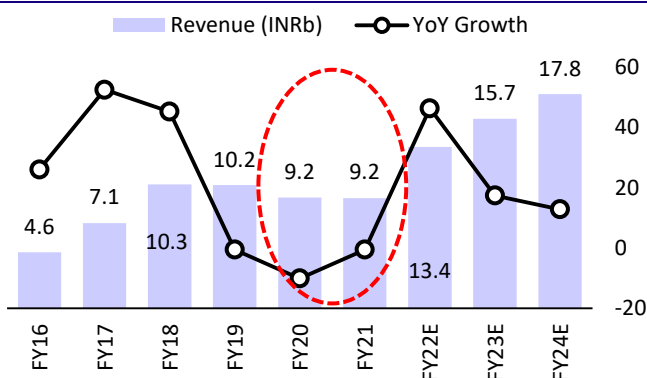


Source: MOFSL, Company

**Transition to a stronger ARR revenue profile almost complete**

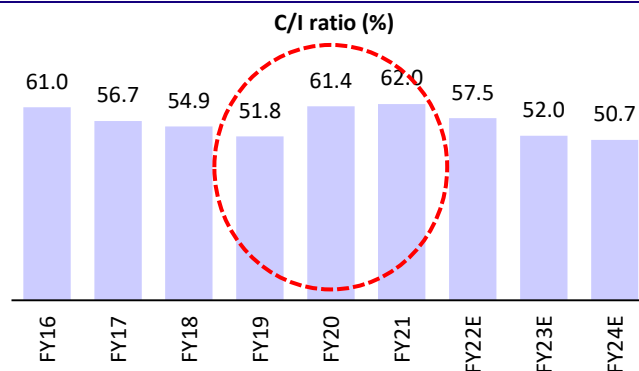
- IIFLWAM is India’s third largest wealth manager with over 10% market share. Over the years, it has built a robust business model, backed by strong relationships.
- Two years ago, it embarked on a journey to create a more resilient and sustainable recurring revenue model. The primary objective of the move was return optimization for clients by eliminating vendor commissions and transaction brokerages. It also aimed to improve revenue predictability as empirically transaction revenue has been quite volatile.
- The business transition is being driven by: 1) aggressive expansion in the advisory platform, 2) introduction of its flagship product – IIFL-ONE, and 3) scaling up of the AMC and Lending businesses (credit solutions provided to its own clients).
- The shift has progressed at a fast pace and is nearing the end, ahead of its estimated timeline of three-to- four years.
- This move led to overall stress on its performance. Going forward, we expect the same to start bearing fruit, with: 1) FY21 revenue already reaching FY19 (pre-transition) levels, and 2) completion of the shift in RM payout to trail from upfront in FY22. The management expects FY23 to be the actual representation of its cost structure, with all one-off expenses related to the acquisition of L&T Wealth Management as well as the business model transition getting completed. Its FY22 financials include one-offs to the tune of INR700-800m.

**Exhibit 7: Revenue growth returns with the transition effect tapering off**



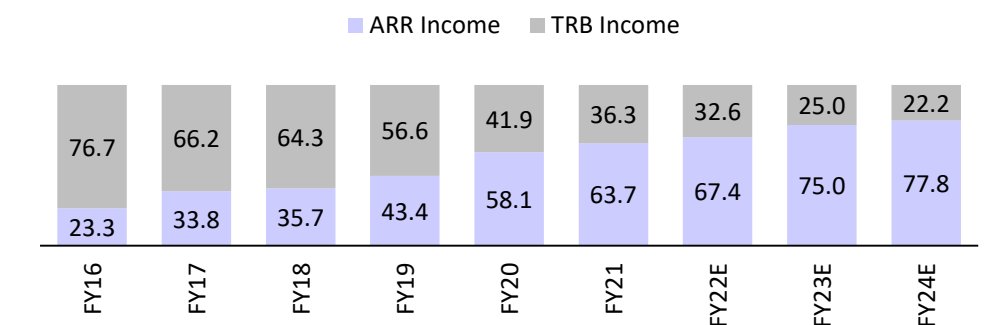
Source: MOFSL, Company

**Exhibit 8: Business transition led to a jump in C/I ratio**



Source: MOFSL, Company

**Exhibit 9: Share of ARR revenue rose to 64% in FY21 from 36% in FY18**

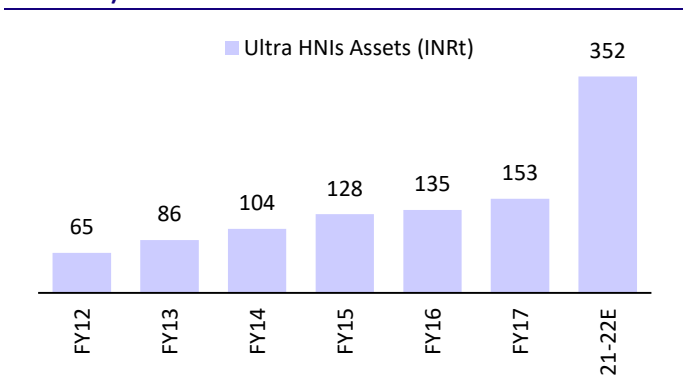


Source: MOFSL, Company

**Ultra HNIs (with a wealth of over INR250m) remain its core category**

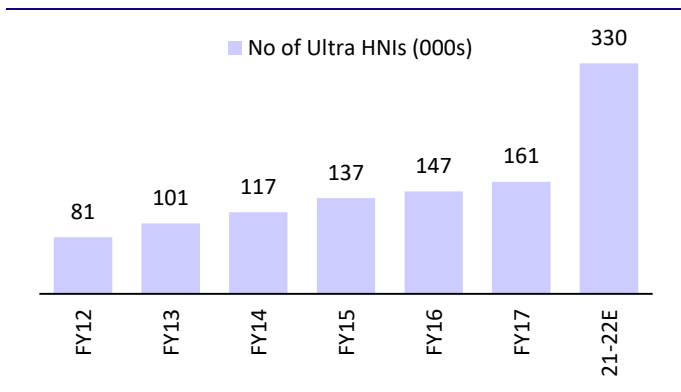
- India is one of the fastest-growing Asian countries in terms of its Ultra HNI population. However, only 14% of India’s HNI wealth are under formal advice and management as compared to almost 68% for China. The rapidly growing pie and low penetration thus offer huge growth potential for India’s Wealth Management industry.
- Overall industry size in terms of revenue stands at INR80-110b, of which IIFLWAM has ~10% market share.
- Going forward, the company expects to grow faster than the industry by expanding its geographic reach. At present, IIFLWAM predominantly derive its clients and assets (71.2% of its AUM) from the top 10 cities.
- Increasing wealth in Tier II and III cities provide a huge headroom for growth. IIFLWAM intends to garner incremental market share by increasing its presence in these cities. It has already identified nine cities – Indore, Nagpur, Rajkot, Surat, Aurangabad, Bhavnagar, Jaipur, Baroda, and Coimbatore – where it sees great potential.
- These are expected to be satellite offices as the company currently remains wary of raising costs.
- Although the cost of acquisition will be relatively higher in these newer geographies, it will not have a material cost impact.
- It aspires to tap the wealth of the new-age promoter group by leveraging its huge ecosystem.

**Exhibit 10: Rapid growth in ultra HNIs assets (over INR500m)...**



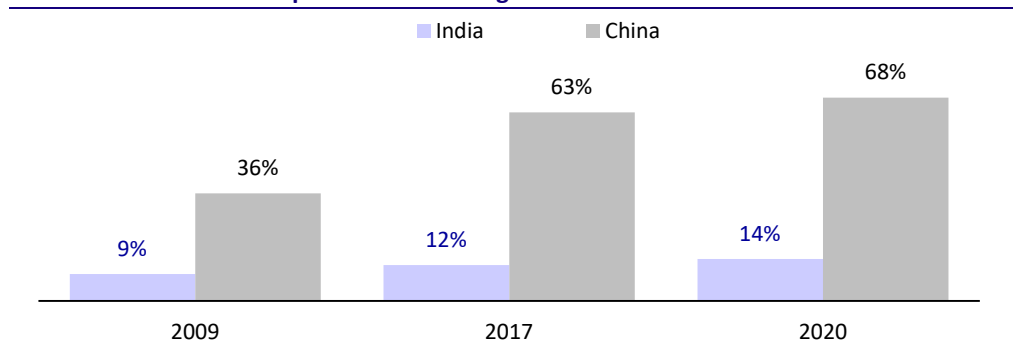
Source: MOFSL, DRHP Anand Rathi Wealth

**Exhibit 11: ... as well as the number of ultra HNIs**



Source: MOFSL, DRHP Anand Rathi Wealth

**Exhibit 12: Wealth under professional management remains low**



Source: MOFSL, Company

**Exhibit 13: India is one of the fastest-growing countries in terms of HNWI population**

HNWI population (over USD1m)					
In '000s	CY15	CY20	CY25	FY15-20 CAGR (%)	FY20-25 CAGR (%)
Europe	11,727	14,223	21,258	3.9	8.4
North America	19,601	20,173	26,794	0.6	5.8
Asia	7,886	10,421	15,222	5.7	7.9
<b>India</b>	<b>280</b>	<b>350</b>	<b>612</b>	<b>4.5</b>	<b>11.8</b>
Indonesia	15	21	45	7.8	16.0
South Africa	51	45	63	-2.6	7.3
Vietnam	15	19	26	4.8	5.8

Source: MOFSL, Knight Frank – The Wealth Report

**Exhibit 14: India is one of the fastest-growing countries in terms of UHWI population**

UHNWI population (over USD30m)					
In '000s	CY15	CY20	CY25	FY15-20 CAGR (%)	FY20-25 CAGR (%)
Europe	109.1	151.7	185.9	6.8	4.2
North America	163.7	190.1	236.3	3.0	4.4
Asia	65.4	116.7	161.9	12.3	6.8
<b>India</b>	<b>5.4</b>	<b>6.9</b>	<b>11.2</b>	<b>4.9</b>	<b>10.2</b>
Indonesia	0.5	0.7	1.1	5.5	10.8
South Africa	0.9	0.7	1.0	-4.0	5.7
Vietnam	0.2	0.4	0.5	15.7	5.6

Source: MOFSL, Knight Frank – The Wealth Report

**Exhibit 15: Immense potential to garner new assets in Tier II and III cities**

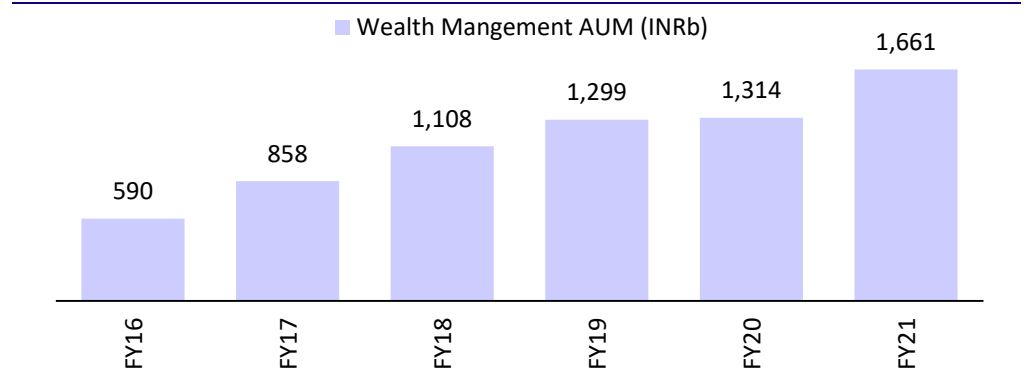
HNI FINANCIAL ASSETS BY CITIES – 2020					
	TOP 4	Next 6 Cities	Next 11-20 Cities	Others	Total
Total HNI Count	1,54,275	56,100	30,855	39,270	2,80,500
HNI Financial Assets (₹ trillion)	67	25	13	17	122
IIFLW AUM as % of HNI Financial Assets	1.12%	0.38%	0.04%	0.03%	1.57%
IIFLW Relevant Client Count as % of Total HNI Count	1.31%	0.48%	0.26%	0.33%	2.39%
IIFLW AUM % Split by City	71.20%	24.43%	2.39%	1.98%	100%

Source: MOFSL, Company

### Expanding in the new INR50-250m HNI segment

- Clients in the INR50-250m segment have been with IIFLWAM on a transactional basis, but it has not been able to onboard them to the IIFL-ONE platform.
- BCG has been roped in as a consulting partner to formulate a strategy to cater to this segment as the customer behavior, product requirements, and marketing strategies can be meaningfully different as compared to its existing target customers. The management expects to roll out this strategy by FY24.
- IIFL-ONE discretionary PMS and IIFL Consult will have a key role in this strategy. The other strategies to be adopted include building tailor-made products, asset allocation strategies, and brokerage services.
- A higher cost-to-income ratio is a challenge in this segment, but with scale and right products the management aims to counter these pressures.
- It expects to launch this segment under a different vertical, rather than disturb its existing business structure.

### Exhibit 16: Growing Wealth Management AUM



Source: MOFSL, Company

**Exhibit 17: IIFLWAM is one of the most profitable Indian wealth managers**

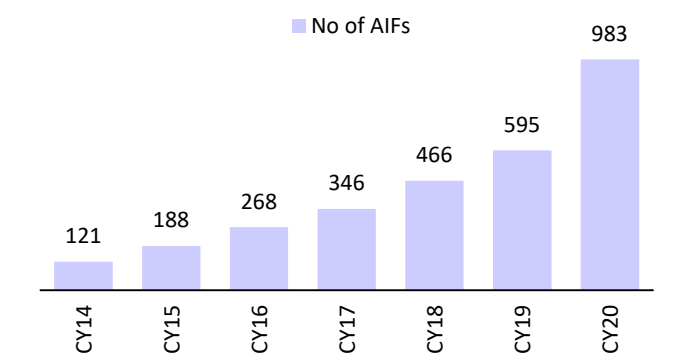
INR m	Fiscal	Revenue	PAT	EBITDA	EBITDA margin	PAT margin
IIFL Wealth & Asset Management	FY21	9,150	3,690	3,480	38%	40%
	FY20	9,200	2,060	3,560	39%	22%
	FY19	10,592	3,741	9,658	91%	35%
	FY18	10,749	3,853	5,109	48%	36%
Anand Rathi Wealth (consolidated)	FY21	2,792	453	838	30%	16%
	FY20	3,364	616	1,113	33%	18%
	FY19	2,842	584	1,055	37%	21%
	FY18	NA	NA	NA	NA	NA
Edelweiss Advisory (only the Wealth Management division of the Advisory Group)	FY21	10,430	2,450	NA	NA	23%
	FY20	8,610	1,620	NA	NA	19%
	FY19	7,250	1,620	NA	NA	22%
	FY18	5,577	1,087	NA	NA	19%
Julius Baer Wealth Advisors	FY21	NA	NA	NA	NA	NA
	FY20	1,063	-138	62	6%	-13%
	FY19	1,151	-62	84	7%	-5%
	FY18	1,243	26	207	17%	2%
Sanctum Wealth Management	FY21	NA	NA	NA	NA	NA
	FY20	203	-351	-344	-169%	-173%
	FY19	210	-359	-342	-163%	-171%
	FY18	220	-284	-273	-124%	-129%
Ask Investment Managers	FY21	NA	NA	NA	NA	NA
	FY20	NA	NA	NA	NA	NA
	FY19	4,908	1,251	1,950	40%	25%
	FY18	4,649	1,211	1,934	42%	26%
	FY17	3,328	752	NA	NA	23%
Centrum Wealth Management	FY21	NA	NA	NA	NA	NA
	FY20	764	-369	-244	-32%	-48%
	FY19	1,238	1	94	8%	0%
	FY18	975	107	247	25%	11%
Aventus Wealth Management	FY21	NA	NA	NA	NA	NA
	FY20	571	-344	-323	-57%	-60%
	FY19	686	-183	-176	-26%	-27%
	FY18	460	-105	-101	-22%	-23%
Motilal Oswal Wealth Management	FY21	1,271	275	383	30%	22%
	FY20	1,007	61	98	10%	6%
	FY19	1,104	153	226	20%	14%
	FY18	1,036	266	374	36%	26%
Ambit Wealth Advisors	FY21	NA	NA	NA	NA	NA
	FY20	3	-68	-59	-1967%	-2267%
	FY19	7	-24	NM	NA	-343%
	FY18	8	4	NM	NA	50%

Source: MOFSL, DRHP of Anand Rathi Wealth.

**The rapidly growing AIF segment is the essence of the Asset Management business**

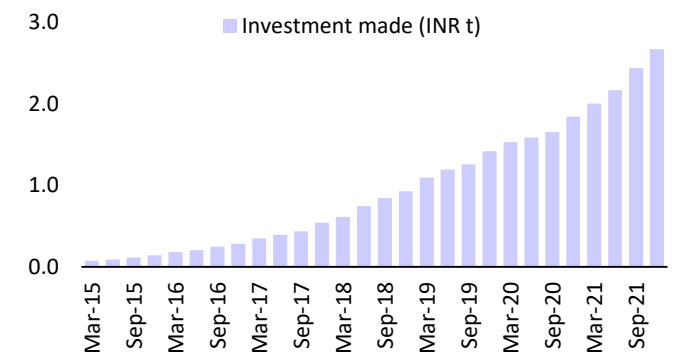
- IIFL Asset Management has leadership position in the AIF space, with almost 10% market share across Category II and III AIFs.
- Given the huge level of concentration in the Mutual Fund industry, most Indian Asset management companies rely heavily on the MF business. IIFLWAM derives 59% of its Asset Management AUM from AIF and 34% from PMS services.
- Within the AIF segment, the primary targets for the company are large family offices, UHNIs, customers of Private Banks, international mid-market institutions, and domestic institutions.
- The Indian AIF industry is at a very nascent stage, with a huge untapped opportunity. This led to heightened levels of competition as more and more asset managers started to focus on this segment (there are over 900 registered AIFs in India).
- Owing to this, the management believes that any increase in retentions can be a challenge. Given its strong performance track record, it should be able to maintain pricing as HNI customers are relatively less price sensitive.
- To further strengthen its fund management capabilities, it is aggressively hiring across hierarchies, with the addition of almost 50-60 people recently.
- It also stands to benefit from the SEBI’s regulation on accredited investors and large funds, where the investment restrictions are very limited, thus, helping AIFs to increase their pie in the overall asset allocation. To attract incremental clients, IIFWAM also runs various referral programs.
- Within the PMS segment, it has a market share of 0.7%. The management wants to focus on the Retail segment by targeting customers with a ticket size of INR5-10m.

**Exhibit 18: Rapid growth in the number of AIFs in India...**



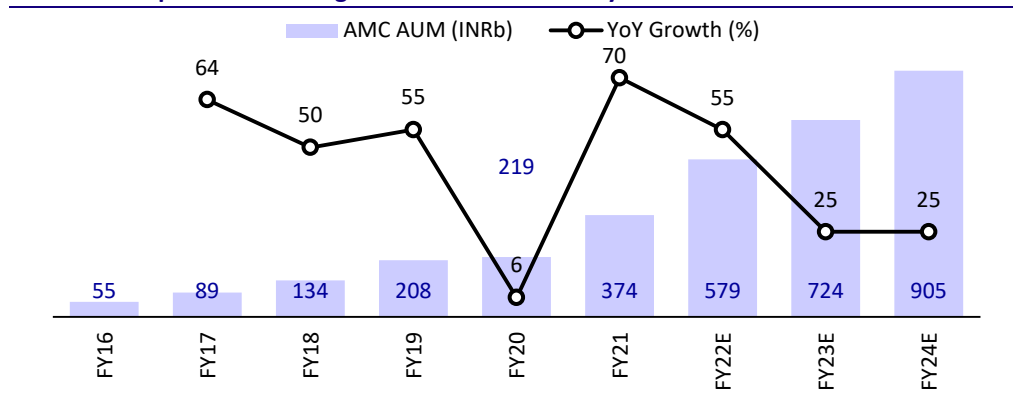
Source: MOFSL, Statista

**Exhibit 19: ...with an increase in AIF assets**

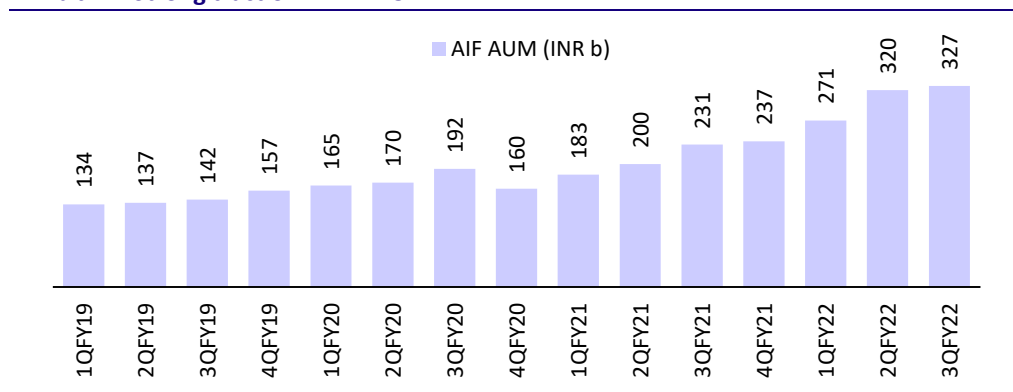


Source: MOFSL, SEBI



**Exhibit 20: Expect AMC AUM growth to remain healthy**

Source: MOFSL, Company

**Exhibit 21: Strong traction in AIF AUM**

Source: MOFSL, Company

**Cost efficiencies to drive strong core PBT CAGR of 24%**

- From an estimated INR2.8t AUM at the end of FY22, we expect IIFLWAM to end FY24 with an AUM of INR3.5t v/s the management's guidance of INR 3.84t. On a closing basis, we expect AUM under ARR to witness 22.5% CAGR, but remain flat for TBR.
- In terms of retentions, the ARR segment is likely to witness some moderation, led by a decline in retention in AMC AUM. We expect AUM under IIFL-ONE to trend higher, led by a rising share of discretionary PMS. TBR yields are expected to reduce significantly as transaction volumes normalize from the elevated levels of FY22.
- Our calculated cost-to-income ratio is expected to improve to 50.7% in FY24 from an estimated 57.5% in FY22. Employee costs are expected to improve to 38.5% in FY24E from an estimated 44.2% in FY22.
- We expect a PAT CAGR of 18% and core PBT CAGR of 24% over FY22-24E. RoE is expected to improve to 24.9% from 19.3% over the same period.

**Exhibit 22: Management Guidance**

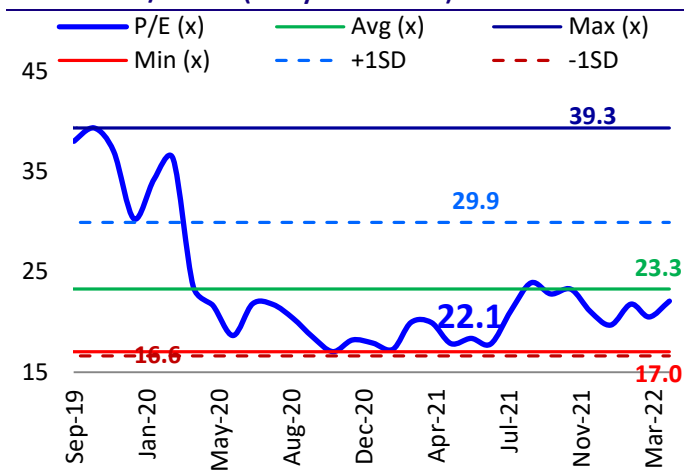
INR b	9mFY22	FY22	FY23	FY24
Closing AUM	2,628	2,745	3,255	3,840
Net flows	244	300	375	450
Total Retention	0.60	0.62	0.56	0.55
Total Revenue	10.9	15.2	16.6	19.4
Expenses	5.5	7.7	7.4	8.4
PBT	5.4	7.5	9.2	11.1
PAT	4.1	5.7	7.0	8.4
Cost to income (%)	51	51	44	43
Emp Expense to total revenue (%)	39	39	32-33	31-33
Tangible RoE (Ex-Goodwill & Intangibles) (%)	23.5	24.5	26.8	29.4

Source: MOSL, Company

**Valuation and view**

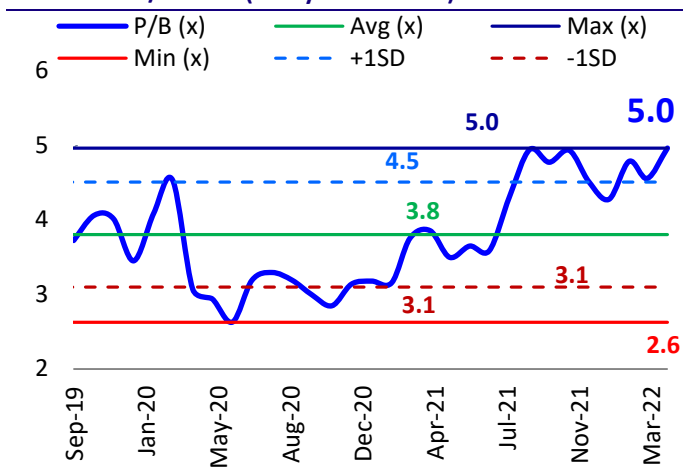
- IIFLWAM is a unique investment opportunity with a direct exposure to the large and rapidly expanding Wealth Management business in India. Over the past decade, the company has evolved into one of India’s most formidable Wealth Management franchisees, offering tough competition to Private/Foreign Banks. A strong customer focus and a wide suite of products (unmatched by most peers) have helped it to consistently grow its client base.
- Over the past five years, it has become the largest AIF players in India, with differentiated product offerings such as a pre-IPO fund, a Real Estate financing fund, etc. The Asset Management business will be one of its key growth drivers.
- With IIFL-ONE, the company is looking to revolutionize the way Wealth Management is offered in India. While this may apply near-term pressure on profitability, if successful, it will be a trendsetter in the industry.
- We like IIFLWAM given its: a) leadership position in the business, b) sustainable and capital-light business model, and c) the long-term growth potential. We value the company at 25x FY24E EPS with a TP of INR2,200.

**Exhibit 23: P/E chart (one-year forward)**



Source: MOFSL, Bloomberg

**Exhibit 24: P/B chart (one-year forward)**



Source: MOFSL, Bloomberg

**Key risks**

- **Volatility in the equity market:** Continued volatility in the equity market will lead to a slowdown in inflows as investors adopt a 'wait and watch' approach.
- **Slowdown in IIFL-ONE:** The latter is its flagship product and a key element to increase the share of ARR assets. IIFL-ONE witnessed a slowdown in the past few quarters. A continued muted performance in the segment can adversely impact the management's aspiration to raise the share of ARR revenue.
- **High attrition rate in relationship managers:** The Wealth Management business is dependent on strong relationships with clients. Relationship managers are the core strength of any Wealth Management company. If there is a high attrition in the same, it may result in a loss in clientele and, in turn, adversely impact the company's profitability.

## Financials and valuation

<b>Income Statement</b>							<b>(INR m)</b>
<b>Y/E March</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Annual Recurring Revenue Assets	3,670	4,437	5,345	5,828	9,029	11,802	13,832
Transactional/Broking Revenue Assets	6,618	5,794	3,855	3,325	4,374	3,940	3,940
<b>Net Revenue</b>	<b>10,288</b>	<b>10,231</b>	<b>9,200</b>	<b>9,154</b>	<b>13,402</b>	<b>15,742</b>	<b>17,772</b>
Change (%)	45.3	-0.5	-10.1	-0.5	46.4	17.5	12.9
Operating Expenses	5,652	5,297	5,645	5,679	7,710	8,185	9,003
<b>Core Profit Before Tax</b>	<b>4,636</b>	<b>4,934</b>	<b>3,555</b>	<b>3,474</b>	<b>5,692</b>	<b>7,557</b>	<b>8,768</b>
Change (%)	51.2	6.4	-28.0	-2.3	63.8	32.8	16.0
Other Income	140	445	-691	1,375	1,500	1,200	1,200
<b>Profit Before Tax</b>	<b>4,775</b>	<b>5,380</b>	<b>2,864</b>	<b>4,849</b>	<b>7,192</b>	<b>8,757</b>	<b>9,968</b>
Change (%)	24.2	12.7	-46.8	69.3	48.3	21.8	13.8
Tax	1,099	1,634	853	1,157	1,726	2,102	2,392
Tax Rate (%)	23.0	30.4	29.8	23.9	24.0	24.0	24.0
<b>PAT</b>	<b>3,676</b>	<b>3,746</b>	<b>2,011</b>	<b>3,692</b>	<b>5,466</b>	<b>6,655</b>	<b>7,576</b>
Change (%)	37.0	1.9	-46.3	83.5	48.1	21.8	13.8
Proposed Dividend	785	848	2,018	6,150	5,466	5,324	6,061

<b>Balance Sheet</b>							<b>(INR m)</b>
<b>Y/E March</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Equity Share Capital	160	169	174	176	176	176	176
Reserves and Surplus	18,469	28,935	29,741	28,102	28,102	29,433	30,948
<b>Net Worth</b>	<b>18,629</b>	<b>29,104</b>	<b>29,915</b>	<b>28,278</b>	<b>28,278</b>	<b>29,609</b>	<b>31,124</b>
Borrowings	69,663	61,145	88,381	47,116	58,830	67,275	77,366
Other Liabilities	7,374	7,553	11,967	12,006	15,607	17,168	18,885
<b>Total Liabilities</b>	<b>95,666</b>	<b>97,802</b>	<b>1,30,263</b>	<b>87,400</b>	<b>1,02,715</b>	<b>1,14,052</b>	<b>1,27,375</b>
Cash and Investments	18,564	33,300	76,911	33,010	41,626	44,879	48,695
Change (%)	-43.6	79.4	131.0	-57.1	26.1	7.8	8.5
<b>Loans</b>	<b>70,561</b>	<b>49,665</b>	<b>36,319</b>	<b>37,206</b>	<b>45,254</b>	<b>51,750</b>	<b>59,513</b>
Net Fixed Assets	523	5,100	5,754	8,153	8,153	8,968	9,865
Net Current Assets	6,017	9,737	11,278	9,030	7,682	8,454	9,302
<b>Total Assets</b>	<b>95,666</b>	<b>97,802</b>	<b>1,30,263</b>	<b>87,400</b>	<b>1,02,715</b>	<b>1,14,052</b>	<b>1,27,375</b>

E: MOFSL estimates

## Financials and valuation

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>AUM (excl. Custody assets) (INR b)</b>	<b>1,309</b>	<b>1,555</b>	<b>1,569</b>	<b>2,070</b>	<b>2,769</b>	<b>3,097</b>	<b>3,501</b>
Change (%)	33.1	18.7	0.9	32.0	33.7	11.8	13.1
Annual Recurring Revenue Assets	449	583	626	1,020	1,455	1,783	2,188
Transactional/Brokerage Assets	861	972	943	1,051	1,313	1,313	1,313

E: MOFSL estimates

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>As a percentage of Net Revenue</b>							
ARR Income	35.7	43.4	58.1	63.7	67.4	75.0	77.8
TRB Income	64.3	56.6	41.9	36.3	32.6	25.0	22.2
Total Cost (Cost-to-Income Ratio)	54.9	51.8	61.4	62.0	57.5	52.0	50.7
Employee Cost	37.9	32.4	40.5	44.7	44.2	39.6	38.5
PBT	45.1	48.2	38.6	38.0	42.5	48.0	49.3
<b>Profitability Ratios (%)</b>							
RoE	21.7	15.7	6.8	12.7	19.3	23.0	24.9
Dividend Payout Ratio	21.4	22.6	100.3	166.6	100.0	80.0	80.0

### DuPont Analysis (bp of AAAUM)

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Operating Income	89.7	71.4	58.9	50.3	55.4	53.7	53.9
Operating Expenses	49.3	37.0	36.1	31.2	31.9	27.9	27.3
<b>Core Profit Before Tax</b>	<b>40.4</b>	<b>34.5</b>	<b>22.8</b>	<b>19.1</b>	<b>23.5</b>	<b>25.8</b>	<b>26.6</b>
Other Income	1.2	3.1	-4.4	7.6	6.2	4.1	3.6
<b>Profit Before Tax</b>	<b>41.6</b>	<b>37.6</b>	<b>18.3</b>	<b>26.6</b>	<b>29.7</b>	<b>29.9</b>	<b>30.2</b>
Tax	9.6	11.4	5.5	6.4	7.1	7.2	7.3
<b>ROAAAUM</b>	<b>32.1</b>	<b>26.2</b>	<b>12.9</b>	<b>20.3</b>	<b>22.6</b>	<b>22.7</b>	<b>23.0</b>

Valuations	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
BVPS (INR)	234	344	343	322	322	337	354
Change (%)	19.8	47.5	-0.4	-6.3	0.0	4.7	5.1
Price-to-BV (x)	<b>7.5</b>	<b>5.1</b>	<b>5.1</b>	<b>5.5</b>	<b>5.5</b>	<b>5.2</b>	<b>5.0</b>
EPS (INR)	46	44	23	42	62.2	75.7	86
Change (%)	33.9	-3.8	-47.9	82.0	48.1	21.8	13.8
Price-to-Earnings (x)	<b>38.2</b>	<b>39.8</b>	<b>76.4</b>	<b>42.0</b>	<b>28.3</b>	<b>23.3</b>	<b>20.5</b>
DPS (INR)	9	10	20	70	62	61	69
Dividend Yield (%)		<b>0.6</b>	<b>1.1</b>	<b>4.0</b>	<b>3.5</b>	<b>3.4</b>	<b>3.9</b>

E: MOFSL estimates

NOTES

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](http://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](http://www.nseindia.com), [www.bseindia.com](http://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 alterations 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](http://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](mailto: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.