

PNB Housing 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	PNBHOU5 IN
Equity Shares (m)	167
M.Cap.(INRb)/(USD\$b)	35.4 / 0.5
52-Week Range (INR)	748 / 146
1, 6, 12 Rel. Per (%)	-15/-53/-71
12M Avg Val (INR M)	302
Free float (%)	67.4

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
NII	18.1	17.5	19.3
PPP	20.6	16.9	19.8
PAT	6.5	7.5	10.2
EPS (INR)	38.4	44.7	60.4
EPS Gr. (%)	-46	16	35
BV/Sh. (INR)	476	509	559
Ratios			
NIM (%)	2.6	2.6	2.8
C/I ratio (%)	21.1	23.4	22.5
RoAA (%)	0.8	1.0	1.3
RoE (%)	8.3	9.1	11.3
Valuations			
P/E (x)	5.5	4.7	3.5
P/BV (x)	0.4	0.4	0.4
Div. Yield (%)	4.3	4.3	4.3

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	32.7	32.7	32.7
DII	4.9	6.3	7.8
FII	21.9	21.8	21.4
Others	40.6	39.2	38.1

FII Includes depository receipts

CMP: INR210
TP: INR210
Neutral

Stable quarter; Moratorium rate declining

- PNBHOUSI reported 1QFY21 PAT of INR2.6b (v/s est. of INR600m). The beat was driven by stronger PPOP and significantly lower credit cost.
- **Moratorium rate on the loan book declined to 39% in Phase 2 from 56% in Phase 1.** AUM remained sequentially stable at INR835b. Given the high leverage, we expect the company to continue to run down its balance sheet until it raises fresh equity capital. Maintain Neutral, with TP of INR210.

AUM stable; NIMs improve sequentially

- As disbursements were negligible, AUM remained sequentially unchanged at INR835b. The company did not sell down any loans in the quarter; hence, upfront assignment income was nil v/s INR1.2b YoY.
- **While yield on loans was stable at 10.6%, cost of funds declined 30bp YoY, leading to a similar improvement in spreads to 2.6%.** Cost of funds is likely to further decline due to recent MCLR cuts by banks.

Gross Stage 3 stable; Moratorium rate declines

- The GS3 ratio remained stable QoQ at 2.76%. While the company kept Stage 1 and 2 ECL provisions stable, it increased Stage 3 PCR from 36% to 40% QoQ.
- **The share of moratorium granted to retail customers declined from 49% to 29% QoQ, while that for the overall book declined from 56% to 39% QoQ.**
- Collection efficiency stood at 96–97% during the quarter and was largely stable each month. This comprises non-moratorium customers only.

INR59b liquidity on the balance sheet; Opex declines sharply

- Liquidity on the balance sheet stood at INR71b, i.e., 11% of borrowings.
- The share of capital market borrowings (NCDs + CPs) declined to 22% from 32%. The company raised INR22.5b from NHB, the share of which now stands at 10% of total borrowings.
- **Opex declined ~25% both QoQ and YoY. Management guided to 5–10% YoY reduction in FY21.**

Highlights from management commentary

- **Target INR130b retail lending disbursements in FY21. No fresh corporate sanctions would be granted in FY21.**
- For its stressed IPL, the company sold one parcel of land and received INR250m earnest money. The developer paid an additional INR250m in July 2020. The principal outstanding is now at INR690m from INR1.01b QoQ.

Valuation and view

Over the past year, the key challenge for the company has been its high leverage. This has resulted in the running down of the balance sheet. In the current environment, this makes PNBHOUSI even more vulnerable to asset quality shocks. While the recent improvement in NIM and reduction in opex is encouraging, we wait and see the sustainability of the same. Maintain Neutral, with TP of INR210 (0.4x FY22E BVPS).

Research Analyst: [Piran Engineer](mailto:Piran.Engineer@MotilalOswal.com) (Piran.Engineer@MotilalOswal.com) | [Alpesh Mehta](mailto:Alpesh.Mehta@MotilalOswal.com) (Alpesh.Mehta@MotilalOswal.com)

[Nitin Aggarwal](mailto:Nitin.Aggarwal@MotilalOswal.com) (Nitin.Aggarwal@MotilalOswal.com) | [Divya Maheshwari](mailto:Divya.Maheshwari@motilalosal.com) (Divya.Maheshwari@motilalosal.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.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance (INR m)

	FY20				FY21				FY20	FY21	4QFY20	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	19,794	20,159	18,904	18,026	18,015	17,835	17,657	17,093	76,882	70,600	17,665	2
Interest Expenses	15,127	15,213	14,610	13,800	13,635	13,499	13,296	12,689	58,750	53,120	13,524	1
Net Interest Income	4,667	4,946	4,293	4,226	4,380	4,336	4,360	4,404	18,133	17,480	4,141	6
YoY Growth (%)	10.1	29.1	21.3	-9.2	-6.2	-12.3	1.6	4.2	11.5	-3.6	-11.3	
Other income	2,532	2,145	1,844	1,493	708	965	1,315	1,620	8,013	4,608	1,012	-30
Total Income	7,199	7,091	6,138	5,719	5,088	5,301	5,675	6,024	26,146	22,088	5,153	-1
YoY Growth (%)	31.2	22.4	-8.1	-20.6	-29.3	-25.2	-7.5	5.3	3.9	-15.5	-28.4	
Operating Expenses	1,417	1,315	1,347	1,443	1,042	1,249	1,347	1,536	5,522	5,175	1,389	-25
YoY Growth (%)	9.6	-7.5	-13.9	-12.8	-26.4	-5	0	6.5	-7	-6.3	-2	
Operating Profits	5,782	5,776	4,790	4,276	4,046	4,052	4,328	4,488	20,624	16,913	3,765	7
YoY Growth (%)	37.9	32.1	-6.4	-23	-30	-29.8	-9.7	5	7.2	-18	-34.9	
Provisions	1,642	1,516	1,808	7,548	751	2,000	2,250	2,280	12,514	7,281	3,000	-75
Profit before Tax	4,140	4,260	2,983	-3,272	3,295	2,052	2,078	2,208	8,110	9,632	765	331
Tax Provisions	1,296	592	612	-852	723	451	457	488	1,648	2,119	161	350
Profit after tax	2,845	3,668	2,370	-2,421	2,572	1,600	1,621	1,720	6,462	7,513	604	326
YoY Growth (%)	11.2	45	-21.8	-163.7	-9.6	-56.4	-31.6	-171.1	-45.8	16.3	-78.8	
Key Operating Parameters (%)												
Rep. Yield on loans	10.84	10.95	10.74	10.26	10.32							
Rep. Cost of funds	8.31	8.34	8.21	8.03	8.13							
Spreads	2.53	2.61	2.53	2.23	2.19							
Net Interest Margins	3.14	3.19	2.98	2.61	2.66							
Cost to Income Ratio	19.7	18.5	21.9	25.2	20.5				21.1	23.4	26.9	-500 BPS
Credit Cost	0.88	0.81	1.01	4.42	0.44				1.78	1.1	0.65	35.93
Tax Rate	31.3	13.9	20.5	26	21.9				20.3	22	21.5	-97 BPS
Balance Sheet Parameters												
Loans (INR B)	759	744	691	676	680				666	657	736	-6.12
Change YoY (%)	18.8	11.3	-2.2	-8.7	-10.4				-10.3	-1.3	4.1	
AUM (INR B)	883	895	863	833	835				833	832	904	-4.5
Change YoY (%)	28.8	21.8	8.2	-1.6	-5.5				-1.6	-0.1	13.3	
Borrowings (Ex Assign.) (INR B)	722	715	706	682	673				677	664	707	-0.2
Change YoY (%)	19.5	12.3	2	-5.7	-6.8				-5.7	-2	2.2	
Loans/Borrowings (%)	105.1	104.1	98	99.1	101.1				98.4	99	104.2	
Off BS loans/AUM (%)	14	16.9	19.9	18.9	18.5				20.1	21	18.5	
Debt/Equity (x)	9.2	8.9	8.5	8.5	8.4				8.5	7.7	8.7	
Asset Quality Parameters (%)												
GS 3 (INR Mn)	6,454	6,246	12,099	18,582	18,770				18,582	18,582		
Gross Stage 3 (% on loans)	0.85	0.84	1.75	2.75	2.76				2.75	2.75		
NS 3 (INR Mn)	5,088	4,833	9,956	11,825	11,358				11,825	11,825		
Net Stage 3 (% on loans)	0.67	0.65	1.44	1.75	1.67				1.75	1.75		
PCR (%)	21.2	22.6	17.7	36.4	39.5				36.4	36.4		

E: MOFSL Estimates



Highlights from management commentary

Business updates

- The company received sanction to sell down INR3.5b worth of corporate accounts to banks.
- It increased corporate loan yields by 100–125bp in the quarter.
- **INR5b per month has been collected in retail lending in the past three months. INR1.25b corporate collections were made in April. This increased to INR4b in May and INR5b in June.**
- The search for a new CEO is happening ‘very fast’.
- It would maintain two to three months worth of borrowing repayments of liquidity on the BS.
- **Yield: HL – 9.52%, LAP – 10.6%; Corp – 12.5–13%**

Asset quality / Moratorium

- Around 5k of 40k moratorium customers in the second phase subsequently withdrew from the moratorium. **Around 90% of Morat 2.0 customers had also availed Morat 1.0.**
- **IPL – One mortgaged parcel of land was auctioned in the quarter, and the company received INR250m earnest money. The developer paid an additional INR250m in July 2020. The principal outstanding is now at INR690m from INR1.01b in March.**
- Supertech – The promoter and other parties are interested in resolving the account. However, this would take some time to reach resolution.
- Vipul Ltd. – PNBHOUSI had a court case with the promoter. The court has allowed PNBHOUSI to auction the property under SARFAESI.
- Radius – INR2.5b is outstanding. PNBHOUSI has started legal proceedings. Two developers are interested.
- Ornate – INR1.81b is outstanding. The company has been admitted to NCLT.
- **IREO – The promoter entirely paid overdues. Hence, the company is now classified as 0dpd (earlier it was in Stage 2 due to SICR). The builder is expected to make further payments by 5th August.**
- 60% of the construction finance book is under principal moratorium. Still, the company received INR6b repayments from customers, but this was left in the escrow account for the developer to use.
- **INR34.22b of the construction finance book is for projects that are less than 50% constructed. Of this, INR10b is NPL, while the rest is 0dpd.**
- The increase in moratorium since 5th June (prior earnings call) is due to customers now knowing that it was an opt-in option. Later, when the company reached out to customers, some of them opted for it.
- Collection efficiency in July is 98.1% (this comprises non-moratorium customers only).
- It received INR7b extra EMI repayments from retail customers in June.

Guidance

- **Target INR130b retail lending disbursements in FY21. No fresh corporate sanctions would be granted in FY21. AUM growth would remain steady this fiscal.**
- Expect share of retail AUM to increase to more than 85% in FY21.

- Expect spreads of 200–210bp in FY21.
- **Opex is expected to reduce by 5–10% YoY in FY21.**
- Expect cost of bank borrowings to decline in 2HFY21 due to recent MCLR cuts.

Others

- Morat numbers are similar across under-construction and completed projects. Likewise, they are similar among various ticket size ranges and between Home Loans and LAP.
- ALM in the PPT is on a behavioral basis.

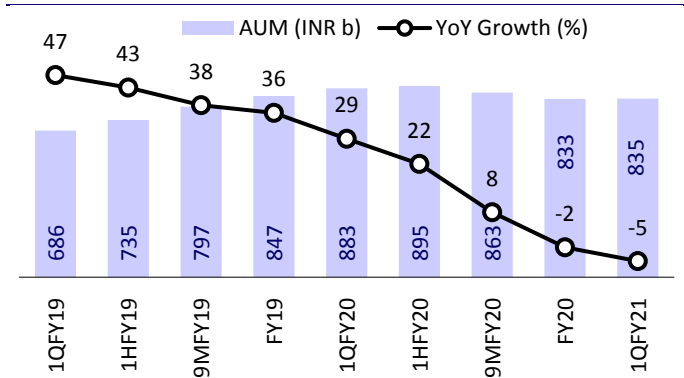
Exhibit 1: Status of stressed accounts

Company	Current Outstanding (INR b)	Current Status	Location
IREO Pvt. Ltd	0.69	❖ Auctioned one of the two land parcels; received INR250m earnest money; in addition, promoter paid additional INR250m in July	Gurgaon
Supertech		❖	Gurgaon
Ornate	1.81	❖ Admitted to NCLT	Mumbai
Radius	2.50	❖ Started legal proceedings	Mumbai
Vipul Ltd		❖ Initiated SARFAESI	Gurgaon

Source: MOFSL, Company

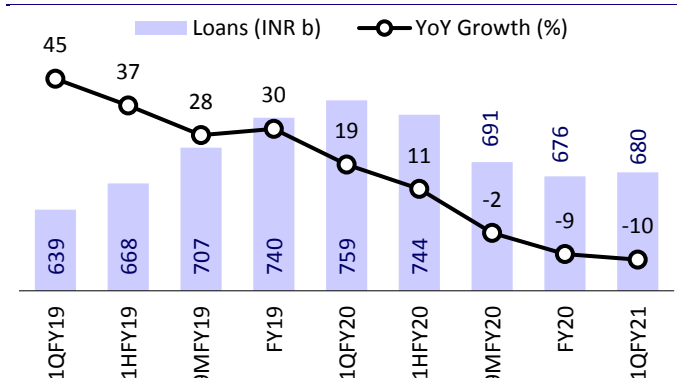
Key exhibits

Exhibit 2: AUM sequentially stable



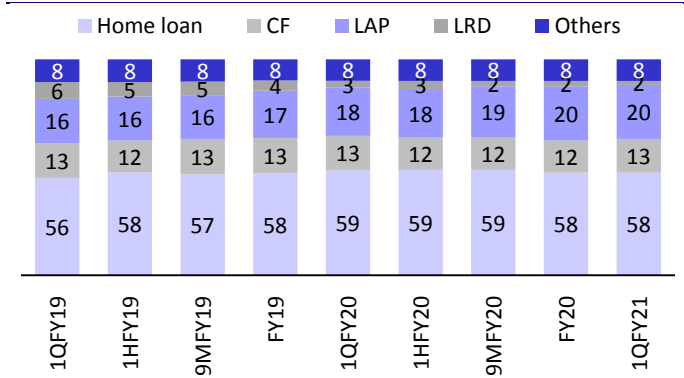
Source: MOFSL, Company

Exhibit 3: Loan book down 10% YoY



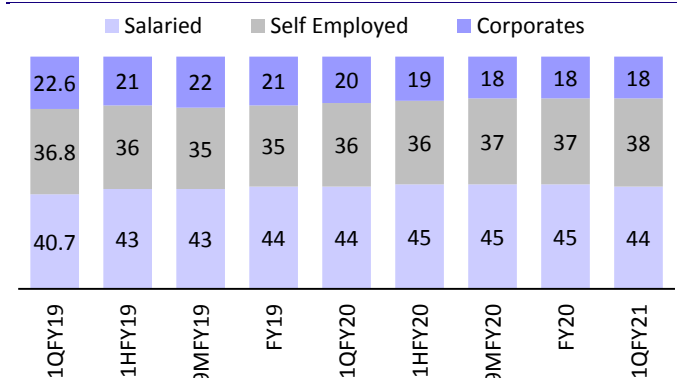
Source: MOFSL, Company

Exhibit 4: Loan mix stable QoQ (%)



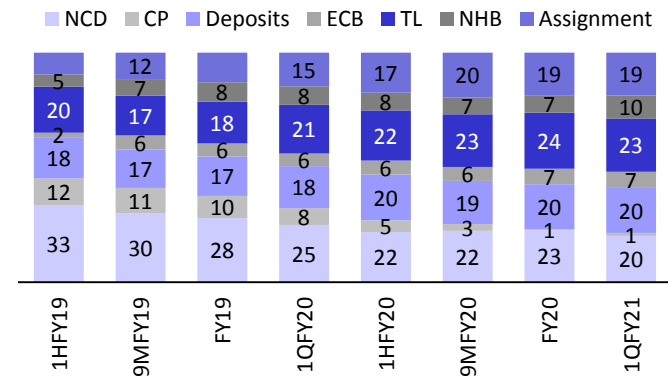
Source: MOFSL, Company

Exhibit 5: Share of salaried customers unchanged (%)



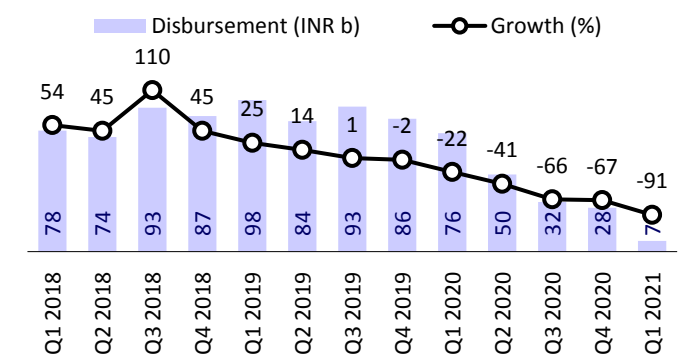
Source: MOFSL, Company, Corporates include LRD, CF, Corp. TL

Exhibit 6: Share of capital market borrowings down (%)



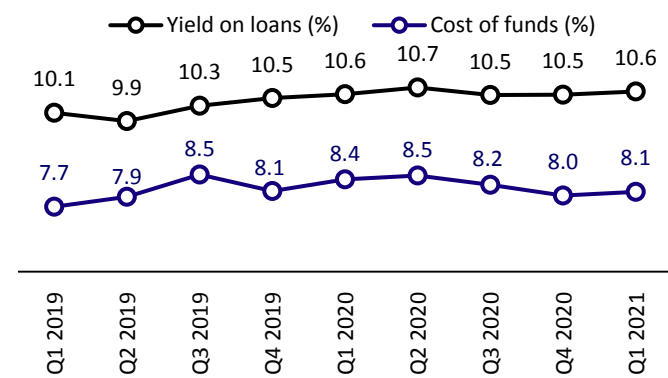
Source: MOFSL, Company

Exhibit 7: Disbursements muted



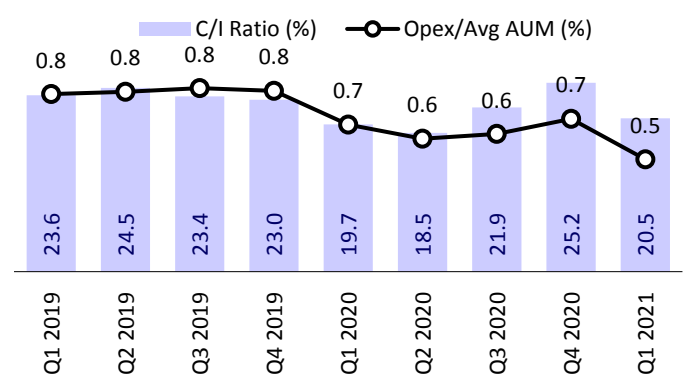
Source: MOFSL, Company

Exhibit 8: Spreads improve ~40bp YoY



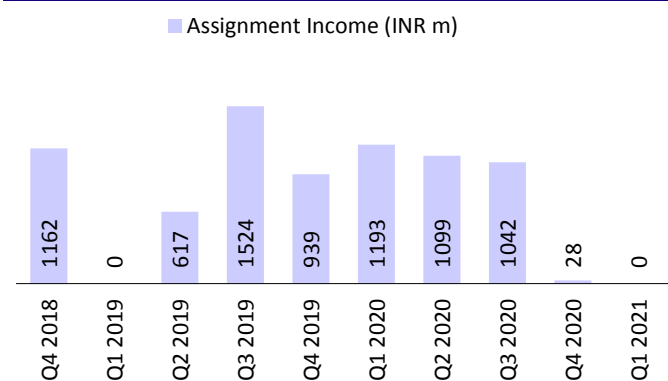
Source: MOFSL, Company, Calculated

Exhibit 9: Expense ratio improves



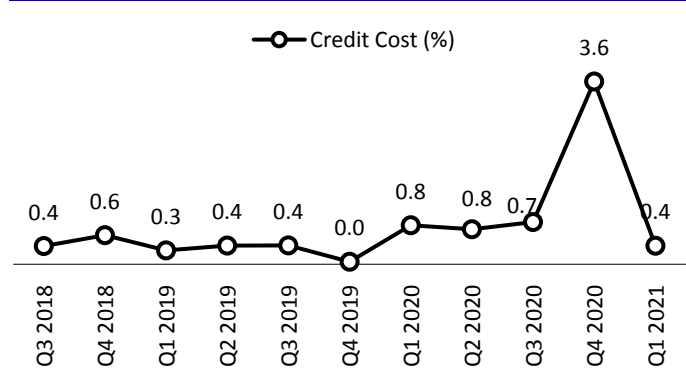
Source: MOFSL, Company, Calculated

Exhibit 10: No loans sold down during quarter



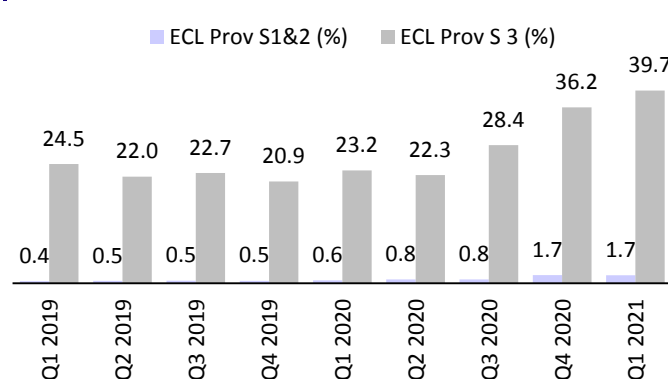
Source: MOFSL, Company

Exhibit 11: Credit cost trend



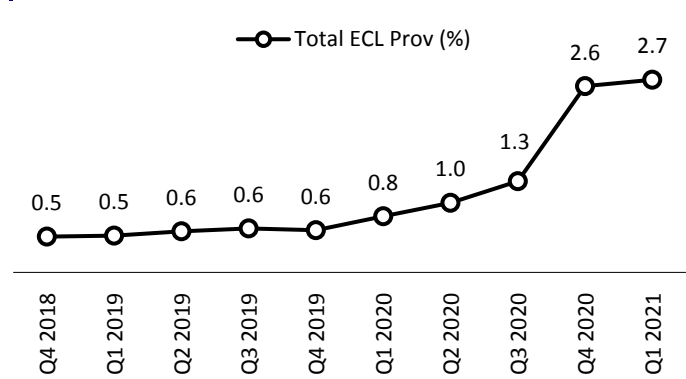
Source: MOFSL, Company

Exhibit 12: Increased Stage 3 provisions



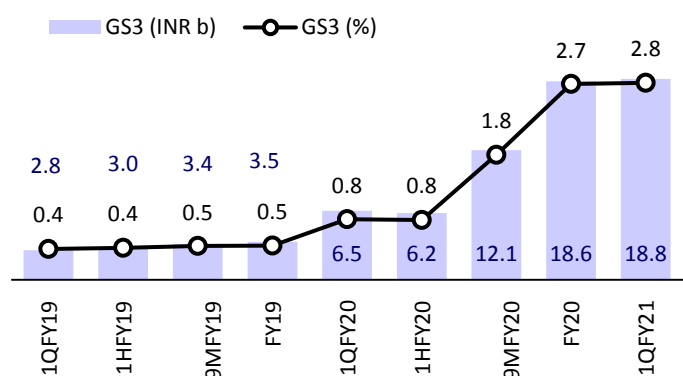
Source: MOFSL, Company

Exhibit 13: Total ECL provisioning modestly increases



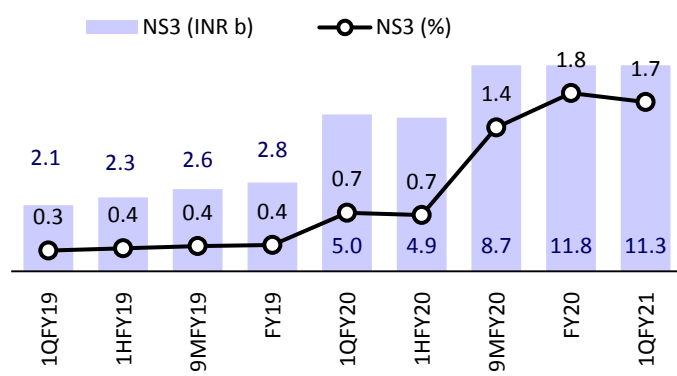
Source: MOFSL, Company

Exhibit 14: Asset quality stable



Source: MOFSL, Company

Exhibit 15: Net Stage 3 at 1.7% of loans



Source: MOFSL, Company

Valuation and view

- The company is currently dealing with external and internal challenges. Tight liquidity in the capital markets, coupled with a stressed Real Estate market in certain geographies, has impacted most HFCs.
- However, PNBHOUSI also has to deal with its high leverage. In this backdrop, it would not be able to grow its loan assets until it raises adequate equity capital. We estimate flat AUM in FY21, with a pickup in AUM growth to 5% in FY22.
- While the moratorium number has improved over the past quarter, it remains higher than that of some large banks and HFCs. As a result, we believe asset quality is going to be a challenge in FY21.
- However, in the quarter, the company has done a good job of improving spreads and curtailing opex. The opex reduction, if sustainable, would be the key driver for RoA improvement in the near-to-medium term.
- While FY21 will be a muted year in terms of profitability, we expect RoE to inch back up to 11% in FY22E. Note that we have not factored any capital raise in our estimates. Maintain Neutral, with TP of INR210 (0.4x FY22 BVPS).

Exhibit 16: Valuation matrix

	Rating	CMP (INR)	Mcap (USD b)	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
HFCs											
LICHF	Buy	274	1.8	6.4	5.7	0.7	0.6	1.0	1.1	11.5	11.8
PNBHOUSI	Neutral	210	0.4	11.4	4.4	0.4	0.4	0.4	1.1	3.8	9.4
Vehicle fin.											
SHTF	Buy	703	2.1	10.4	6.1	0.8	0.8	1.5	2.6	8.7	13.0
MMFS	Buy	149	1.3	20.1	16.6	1.2	1.1	1.2	1.5	6.8	7.0
CIFC	Buy	222	2.4	17.9	13.8	2.1	1.8	1.6	1.9	12.1	13.9
Diversified											
BAF	Neutral	3,298	26.1	44.6	27.3	5.4	4.6	2.5	3.6	12.9	18.3
SCUF	Buy	699	0.6	6.4	6.1	0.6	0.5	2.3	2.3	9.6	9.2
LTFH	Buy	62	1.7	12.5	6.5	0.8	0.7	0.9	1.7	6.7	12.0
MUTH	Neutral	1,306	7.1	14.6	12.8	3.6	3.0	6.7	6.7	27.7	25.6
MAS	Buy	675	0.5	21.9	18.3	3.3	2.9	3.7	4.0	16.0	16.9

*Adjusted for investments in subsidiaries

Financials and valuations

Income statement								(INR M)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Interest Income	25,461	36,401	50,467	67,929	76,882	70,600	72,086	78,378
Interest Expended	18,603	26,437	35,366	51,664	58,750	53,120	52,780	56,776
Net Interest Income	6,858	9,964	15,101	16,265	18,133	17,480	19,306	21,602
Change (%)	68.9	45.3	51.6	7.7	11.5	-3.6	10.4	11.9
Other Operating Income	1,534	2,678	4,426	8,904	8,013	4,608	6,274	7,462
Net Income	8,393	12,642	19,528	25,169	26,146	22,088	25,579	29,063
Change (%)	62.8	50.6	54.5	28.9	3.9	-15.5	15.8	13.6
Operating Expenses	2,521	3,573	4,416	5,935	5,522	5,175	5,748	6,387
Operating Income	5,872	9,069	15,112	19,234	20,624	16,913	19,832	22,677
Change (%)	76.6	54.5	66.6	27.3	7.2	-18.0	17.3	14.3
Provisions/write offs	832	1,029	2,766	1,890	12,514	7,281	6,804	4,481
Reported PBT	5,040	8,040	12,346	17,344	8,110	9,632	13,028	18,196
Tax	1,766	2,803	3,934	5,429	1,648	2,119	2,866	4,003
Tax Rate (%)	35.0	34.9	31.9	31.3	20.3	22.0	22.0	22
Reported PAT	3,273	5,237	8,412	11,915	6,462	7,513	10,161	14,193
Change (%)	68.7	60.0	60.6	41.7	-45.8	16.3	35.2	39.7
Proposed Dividend	486	1,196	1,799	1,809	1,816	1,803	1,829	2,555

Balance sheet								(INR M)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Capital	1,269	1,656	1,666	1,675	1,682	1,682	1,682	1,682
Reserves & Surplus	20,190	56,340	64,008	73,764	78,296	84,006	92,338	1,03,976
Net Worth	21,459	57,996	65,673	75,439	79,978	85,688	94,020	1,05,658
Borrowings	2,60,137	3,53,207	5,37,767	7,18,589	6,77,351	6,64,058	6,89,283	7,66,519
Change (%)	57.8	35.8	52.3	33.6	-5.7	-2.0	3.8	11.2
Other liabilities	14,809	14,974	26,704	44,662	31,969	35,165	38,682	42,550
Total Liabilities	2,96,405	4,26,177	6,30,145	8,38,690	7,89,297	7,84,911	8,21,985	9,14,727
Loans	2,71,813	3,87,347	5,71,648	7,42,879	6,66,280	6,57,483	7,03,350	7,90,226
Change (%)	61.8	42.5	47.6	30.0	-10.3	-1.3	7.0	12.4
Investments	16,223	33,236	24,130	45,607	20,757	22,833	25,116	28,884
Change (%)	2.3	104.9	-27.4	89.0	-54.5	10.0	10.0	15.0
Net Fixed Assets	622	604	858	1,083	1,353	1,421	1,492	1,567
Other assets	7,747	4,990	33,509	49,122	1,00,906	1,03,174	92,027	94,051
Total Assets	2,96,405	4,26,177	6,30,145	8,38,690	7,89,297	7,84,911	8,21,985	9,14,727

E: MOFSL Estimates

Financials and valuations

Ratios	(%)							
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Spreads Analysis (%)								
Avg yield on loans	11.2	10.6	10.2	10.1	10.6	10.3	10.2	10.1
Avg. cost of funds	8.8	8.6	7.9	8.2	8.4	7.9	7.8	7.8
Interest Spread	2.4	2.0	2.3	1.9	2.1	2.4	2.4	2.3
NIM on loans	3.1	3.0	3.1	2.5	2.6	2.6	2.8	2.9
Profitability Ratios (%)								
RoE	17.6	13.2	13.6	16.9	8.3	9.1	11.3	14.2
RoA	1.3	1.4	1.6	1.6	0.8	1.0	1.3	1.6
Int. Expended/Int.Earned	73.1	72.6	70.1	76.1	76.4	75.2	73.2	72.4
Other Inc./Net Income	18.3	21.2	22.7	35.4	30.6	20.9	24.5	25.7
Efficiency Ratios (%)								
Op. Exps./Net Income	30.0	28.3	22.6	23.6	21.1	23.4	22.5	22.0
Empl. Cost/Op. Exps.	29.9	28.3	32.6	51.2	42.2	45.0	45.4	45.8
Asset Quality (INR m)								
Gross NPA	598	858	1,861	3,549	18,562	38,551	45,126	48,642
GNPA ratio	0.2	0.2	0.3	0.5	2.8	5.7	6.3	6.0
Net NPA	381	590	1,438	2,784	11,838	25,058	29,332	31,617
NNPA ratio	0.1	0.2	0.3	0.4	1.8	3.8	4.2	4.0
VALUATION								
Book Value (INR)	169.1	350.1	394.2	450.5	475.5	509.5	559.0	628.2
BVPS Growth YoY	11.2	107.1	12.6	14.3	5.6	7.1	9.7	12.4
Price-BV (x)					0.4	0.4	0.4	0.3
EPS (INR)	25.8	31.6	50.5	71.1	38.4	44.7	60.4	84.4
EPS Growth YoY	38.0	22.6	59.7	40.9	-46.0	16.3	35.2	39.7
Price-Earnings (x)					5.5	4.7	3.5	2.5
Dividend per share (INR)	3.4	6.0	9.0	9.0	9.0	8.9	9.1	12.7
Dividend yield (%)					4.3	4.3	4.3	6.0

E: MOFSL 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 - MOFSL) 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 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 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.: INP000000670); 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.

* MOFSL 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.