

# Bajaj Finance

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	BAF IN
Equity Shares (m)	602
M.Cap.(INRb)/(USDb)	4675.8 / 62.7
52-Week Range (INR)	8020 / 4362
1, 6, 12 Rel. Per (%)	6/12/39
12M Avg Val (INR M)	11587

## Financials & Valuations (INR b)

Y/E March	2022E	2023E	2024E
Net Income	219.1	264.4	320.9
PPP	143.6	172.9	211.9
PAT	70.3	100.9	131.4
EPS (INR)	116.8	167.7	218.4
EPS Gr. (%)	59.0	43.6	30.2
BV/Sh. (INR)	711	865	1,069

## Ratios

NIM (%)	10.6	10.5	10.3
C/I ratio (%)	34.4	34.6	34.0
RoA (%)	3.7	4.3	4.6
RoE (%)	17.7	21.3	22.6
Payout (%)	9.9	8.0	6.9

## Valuations

P/E (x)	66.3	46.2	35.5
P/BV (x)	10.9	9.0	7.3
Div. Yield (%)	0.1	0.2	0.2

## Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	56.0	56.0	56.1
DII	9.7	9.3	10.7
FIIFII	23.8	24.2	21.6
Others	10.4	10.4	11.6

FIIFII Includes depository receipts

**CMP: INR7,747**      **TP: INR9,080 (+17%)**      **Buy**

## Strong beat driven by all-round healthy business momentum

- BAF delivered an all-round healthy performance in all its key business parameters. PAT grew 85% YoY and 44% QoQ to INR21.3b (17% beat) in 3QFY22.
- While NII rose 41% YoY to INR47.3b (6% beat), due to higher interest income from IPO financing and lower negative carry, it was slightly mitigated by higher opex (up 50% YoY and 9% above our estimate). Credit costs stood at INR10.5b (est. INR11.5b), which included an additional management overlay of INR2.5b in 3QFY22.
- GNPA/NNPA ratio improved by ~72bp/~32bp QoQ to 1.73%/0.78%. OTR book classified under Stage 2 stood at INR14.53b (~80bp of AUM). BAF carried ECL provision of INR3.17b (21.8%) in this book.
- Traction in the omnichannel strategy continued to remain strong, both for acquisition of EMI card customers (~492k) as well as for loans at the EMI store (~393k; 5% of new loans in 3QFY22). Stimulation of customers at the point of sale (POS) by leveraging its integrated offline to online framework led to originations of INR6b in personal loans and ~91k Credit Cards.
- Currently, ~10% of customers have access to the latest sprint of BAF's consumer app, while the rest will get access to the latest version (which has all the features rolled out under Phase I of its business transformation program) between 24<sup>th</sup> Jan'22 and 26<sup>th</sup> Jan'22. In particular, we will be looking forward to understand the Insurance and investment marketplaces, Health RX, and the 6-in1 payment checkout offerings. The rewards/loyalty programs feature is yet to be rolled out, but they will be broadly similar (in terms of earnings/redemptions) to the rewards program already live on Finserv Markets.
- The payments stack could be exciting as BAF plans to leverage PPI, UPI, EMI cards, Credit Cards, and QR-based payments, including its presence at POS terminals and eventually to a payment gateway (under Phase II). The management also articulated that under Phase II of the app, it will roll out a two-wheeler marketplace, doctor RX, short-term wallet loans, loans against securities (LAS), and loans against FD (Check out the exhaustive feature list in Exhibits 1 and 2 on page 4).
- Barring any major disruptions caused by the current COVID wave, we now expect BAF to deliver ~26% AUM growth in FY22E and ~25% CAGR thereafter. We expect margin to sustain driven by a reduction in the negative carry, as excess liquidity normalizes, and a decline in interest income reversals. Broadly in line with the management's guidance, we now estimate credit costs at 2.9% (unchanged) in FY22E.
- We expect BAF to deliver a RoA/RoE of 4.3-4.6%/21-23% over **FY23-24E**. **Given the expected strength in asset quality in 2HFY22 and the sustained milestones-driven progress made by it in its digital transformation program, we reiterate our Buy rating with a TP of INR9,080 (8.5x FY24E BVPS).**

### Healthy run-rate of customer acquisitions; AUM growth reverts back to pre-COVID levels and was in line with its long-term guidance

- Total customer franchise rose to 55.4m (up 4.9% QoQ and 19.6% YoY). New loans booked grew 17% QoQ to 7.44m (v/s 6.04m YoY) and was just shy of levels seen during 3QFY20 (pre-COVID). The number of new loans booked should be seen in the context of the strategic decision of BAF to originate a lower quantum of REMI and short-term wallet loans.
- AUM grew 26% YoY and 8.6% QoQ to INR1.81t. On a QoQ basis, AUM growth was driven by Urban B2B Sales Finance (+19%), Urban B2C (+8%), Rural businesses (+10%), and LAS (+22%). SME business/Mortgages rose 6%/8% QoQ. Auto Finance (-1%) continued to remain a drag in 3QFY22 as well.

### OPEX remained elevated driven by investments in teams and technology

- Operating expenses continued to remain elevated, despite an improvement in collection efficiencies and relatively lower collection costs. This was primarily driven by investments in technology and aggressive onboarding of the talent pool across multiple domains (perhaps particularly in payments).
- OPEX-to-NII ratio stood ~35% in 3QFY22. With a normalization in collection costs and an increase in NII as a result of Balance Sheet growth, OPEX-to-NII ratio should normalize to 33-34% in 4QFY22. This, despite the company continuing to invest in teams and technology to transform the business.

### Highlights from the management commentary

- Bounce rate for Jan'22 across products was in line with Dec'21 levels. The management raised its FY22 credit cost guidance to INR48-50b (from INR43-44b earlier). This is a rather conservative stance to build management overlay and could see provision write-backs if there is no impact from the third COVID wave.
- With the adoption of the new app, the management has guided at an annual customer acquisition run-rate of 8-9m (from 7-8m earlier).
- Interest income reversals stood at INR2.41b in 3QFY22 (v/s INR4.5b in 3QFY21). The management said it should normalize to the quarterly run-rate of INR1.8-2b over the next few quarters.
- It expects the liquidity buffer to fall to INR100-110b by 4QFY22.

### Valuation and view

3QFY22 was a strong quarter for BAF with an all-round momentum across key business parameters. Customer acquisitions and new loans booked have reached pre-COVID levels and will soon breach historical highs in subsequent quarters. We expect BAF to be able to deliver a healthy AUM CAGR of ~25% over the next two years. We estimate BAF to contain credit costs ~2.9% in FY22E. Margin is likely to sustain on: a) lower cost of funds, b) reduced liquidity, and c) normalization in interest reversals. We increase our FY22E PAT estimate by 7% to factor in higher loan growth, NII, and non-interest income. BAF should deliver a RoA/RoE of 4.3-4.6%/21-23% over the medium term. Given the positive outlook, we maintain our **Buy** rating with a TP of INR9,080 per share (8.5x FY24E BVPS).

Quarterly performance												(INR m)
Y/E March	FY21				FY22				FY21	FY22E	FY22E 3QE	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Interest income	57,932	57,631	57,225	60,343	59,542	66,873	72,623	76,971	2,33,034	2,76,010	69,548	4
Interest expenses	24,976	23,581	23,627	21,956	22,536	23,976	25,345	26,569	94,140	98,425	25,151	1
<b>Net interest income</b>	<b>32,956</b>	<b>34,050</b>	<b>33,598</b>	<b>38,388</b>	<b>37,007</b>	<b>42,898</b>	<b>47,277</b>	<b>50,403</b>	<b>1,38,894</b>	<b>1,77,584</b>	<b>44,398</b>	6
YoY growth (%)	10.3	8.4	-7.1	2.2	12.3	26.0	40.7	31.3	2.9	27.9	32.1	
Other operating income	8,565	7,568	9,360	8,206	7,888	10,447	12,728	10,412	33,797	41,476	10,948	16
<b>Net income</b>	<b>41,521</b>	<b>41,618</b>	<b>42,958</b>	<b>46,594</b>	<b>44,895</b>	<b>53,345</b>	<b>60,005</b>	<b>60,815</b>	<b>1,72,691</b>	<b>2,19,060</b>	<b>55,346</b>	8
YoY growth (%)	12.4	4.1	-5.3	-0.5	8.1	28.2	39.7	30.5	2.1	26.9	28.8	
Operating expenses	11,567	11,559	13,896	16,060	13,733	20,297	20,814	20,621	53,082	75,464	19,177	9
<b>Operating profit</b>	<b>29,954</b>	<b>30,059</b>	<b>29,062</b>	<b>30,534</b>	<b>31,162</b>	<b>33,048</b>	<b>39,192</b>	<b>40,194</b>	<b>1,19,608</b>	<b>1,43,596</b>	<b>36,169</b>	8
YoY growth (%)	24.7	14.9	-3.2	-5.5	4.0	9.9	34.9	31.6	6.3	20.1	24.5	
Provisions and cont.	16,857	17,004	13,517	12,308	17,503	13,003	10,512	7,634	59,686	48,652	11,500	-9
<b>Profit before tax</b>	<b>13,097</b>	<b>13,055</b>	<b>15,545</b>	<b>18,226</b>	<b>13,659</b>	<b>20,045</b>	<b>28,680</b>	<b>32,561</b>	<b>59,923</b>	<b>94,944</b>	<b>24,669</b>	16
Tax provisions	3,474	3,406	4,085	4,760	3,634	5,235	7,427	8,390	15,724	24,685	6,429	16
<b>Net profit</b>	<b>9,623</b>	<b>9,649</b>	<b>11,460</b>	<b>13,466</b>	<b>10,025</b>	<b>14,810</b>	<b>21,253</b>	<b>24,171</b>	<b>44,198</b>	<b>70,258</b>	<b>18,239</b>	17
YoY growth (%)	-19.5	-35.9	-29.0	42.0	4.2	53.5	85.5	79.5	-16.0	59.0	59.2	
<b>Key operating parameters (%)</b>												
Fees-to-net income ratio	20.6	18.2	21.8	17.6	17.6	19.6	21.2	17.1	19.6	18.9		
Credit Cost	4.93	5.15	4.01	3.46	4.67	3.31	2.51	1.69	4.10	2.90		
Cost-to-income ratio	27.9	27.8	32.3	34.5	30.6	38.0	34.7	33.9	30.7	34.4		
Tax rate	26.5	26.1	26.3	26.1	26.6	26.1	25.9	25.8	26.2	26.0		
<b>Balance Sheet parameters</b>												
AUM (INR b)	1,381	1,371	1,436	1,529	1,591	1,669	1,813	1,927	1,529	1,927		
Change YoY (%)	7.1	1.1	-1.1	3.9	15.2	21.8	26.3	26.0	3.9	26.0		
Borrowings (INR b)	1,211	1,249	1,242	1,316	1,333	1,450	1,540	1,626	1,316	1,626		
Change YoY (%)	8.0	4.5	1.7	1.4	10.1	16.1	24.1	23.5	1.4	23.5		
Loans/borrowings (%)	109.3	105.5	111.1	111.4	114.9	110.9	113.5	114.9	111.4	114.9		
<b>Asset quality parameters (%)</b>												
GS 3 (INR b)	19.4	14.4	41.9	27.3	47.4	41.0	31.1		27.3	32.5		
Gross Stage 3 (as a percentage of assets)	1.40	1.34	2.86	1.79	2.96	2.45	1.73		1.79	1.70		
NS 3 (INR b)	6.8	5.2	17.6	11.4	23.1	18.3	13.8		11.4	14.0		
Net Stage 3 (as a percentage of assets)	0.50	0.56	1.22	0.75	1.46	1.10	0.78		0.77	0.74		
PCR (%)	64.9	64.3	58.0	58.4	51.3	55.5	55.6		58.4	57.0		
<b>Return ratios (%)</b>												
RoAA (Reported)	2.8	2.8	3.6	3.6	2.8	3.6	5.2		2.6	3.7		
RoAE (Reported)	11.6	11.6	13.2	14.8	10.8	15.2	21.2		12.8	17.7		

E: MOFSL estimates

Exhibit 1: Features rolled out under Phase I of the BAF’s consumer app

‘3-in-1’ digital platform – Phase 1 feature set									
Payments	UPI	Wallet	EMI Card	Credit Card	6-in-1 Payment Checkout	Bill Payment			
Network	CD Network	DPF Network	REMI Network	LSF Network	LCF Network	E-Com Network	Coaching Network		
Marketplace & Proprietary Apps	No cost EMI Marketplace	Insurance Marketplace	Investment Marketplace	Health RX	Demat and Broking				
3-in-1 Financial Services	No Cost EMI	Unsecured Loans	Mortgage Loans	Other Secured	SME/Prof. Lending	Cards	Deposits	Fee based Services	
	<ul style="list-style-type: none"> <li>Consumer Durable</li> <li>Mobile</li> <li>Lifestyle</li> </ul>	<ul style="list-style-type: none"> <li>Personal Loans(2)</li> <li>Salaried PL-Lead</li> </ul>	<ul style="list-style-type: none"> <li>Home Loan</li> <li>LAP</li> </ul>	<ul style="list-style-type: none"> <li>Gold Loan</li> <li>LAS</li> <li>Used Car</li> </ul>	<ul style="list-style-type: none"> <li>Professional Loans</li> <li>SME Loans</li> <li>Medical equipment</li> </ul>	<ul style="list-style-type: none"> <li>EMI Card</li> <li>RBL Bank Card</li> </ul>	<ul style="list-style-type: none"> <li>Fixed Deposit</li> <li>Systematic Dep Plan (SDP)</li> </ul>	<ul style="list-style-type: none"> <li>Fin fitness report</li> <li>Credit health report</li> </ul>	
Rewards	Earn For “Payment transactions”				Burn				
	Offers	Cashbacks	Vouchers	Bajaj Coins	Convert to Cash	Bill Payment	Voucher Purchase		
Integrated Voice and Marketing Cloud	Customer Data Platform	Centralized Offer Repository	Multi Channel Orchestration	Multi Dialler Orchestration	Cloud Telephony Infra for Distributed Sales Workforce				
Productivity Apps	Sales One App		Debt management One App			Partner One App 1.0			
Services	Information	EMI , Credit Card	Statement	Documents	Repayment	FD & SDP	Profile Update	Calculators	
	<ul style="list-style-type: none"> <li>Loan Info</li> <li>Deposit Info</li> <li>Flexi Loan Info</li> <li>Mandate Services</li> <li>Mutual Fund</li> </ul>	<ul style="list-style-type: none"> <li>Card Limit</li> <li>Card Status</li> <li>Card Block/Unblock</li> <li>PIN Change</li> </ul>	<ul style="list-style-type: none"> <li>Loan Statement</li> <li>Repay Schedule</li> <li>FD Statement</li> <li>NOC</li> <li>Cert. of Insurance</li> <li>Gold receipt</li> </ul>	<ul style="list-style-type: none"> <li>Invoice</li> <li>EMI Charge Slip</li> <li>App. Form</li> <li>T &amp; C</li> <li>Agreement</li> <li>Form 15G</li> </ul>	<ul style="list-style-type: none"> <li>Overdue, Advance</li> <li>Payments</li> <li>Prepayments</li> <li>Drawdown</li> </ul>	<ul style="list-style-type: none"> <li>FD Details</li> <li>TDS Waiver</li> <li>Nominee addition</li> </ul>	<ul style="list-style-type: none"> <li>PAN Update</li> <li>Mobile Update</li> <li>Email ID Update</li> <li>Address Update</li> <li>DOB Update</li> </ul>	<ul style="list-style-type: none"> <li>EMI Calculator</li> <li>Flexi Calculator</li> <li>Loan Eligibility</li> <li>FD Calculator</li> </ul>	
Engagement Stack (31)	Travel (4)	Entertainment (3)	Food (3)	Utilities(4)	Shopping(6)	Health & Wellness(4)	Education(1)	Other Networks(6)	

Source: Company, MOFSL

Exhibit 2: Features that would be rolled out under Phase II of BAF’s consumer app (incremental highlighted in yellow)

‘3-in-1’ digital platform – Phase 2 feature set										
Payments	UPI	Wallet	EMI Card	Credit Card	6-in-1 Payment Checkout	Bill Payment	POS terminals	6-in-1 Check Out for Partners	QR Based P2M Transaction	
Network	CD Network	DPF Network	REMI Network	LSF Network	LCF Network	E-Com Network	Coaching Network	P2M Network	QR Network	
Marketplace & Proprietary Apps	No cost EMI Marketplace	Insurance Marketplace	Investment Marketplace	2-Wheeler Marketplace	Health RX	Doctor RX	Demat and Broking			
3-in-1 Financial Services	No Cost EMI	Unsecured Lending	Mortgage	Other Secured	SME/Prof. Lending	Cards	Deposits	Fee based Services		
	<ul style="list-style-type: none"> <li>Cons. Durable- NTB</li> <li>Mobile- NTB</li> <li>Lifestyle- NTB</li> </ul>	<ul style="list-style-type: none"> <li>Personal Loans(9)</li> <li>Salaried PL (3)</li> <li>Short Term Wallet Loan</li> </ul>	<ul style="list-style-type: none"> <li>Home Loan</li> <li>LAP</li> </ul>	<ul style="list-style-type: none"> <li>Gold Loan(3)</li> <li>LAS</li> <li>2-Wheeler and Used Car</li> </ul>	<ul style="list-style-type: none"> <li>Prof. Loans(3)</li> <li>SME Loans (3)</li> <li>Medical equipment</li> </ul>	<ul style="list-style-type: none"> <li>EMI Card</li> <li>RBL Bank Card</li> <li>DBS Bank Card</li> </ul>	<ul style="list-style-type: none"> <li>Fixed Deposits(4)</li> <li>SDP(2)</li> <li>Loan Against FD</li> </ul>	<ul style="list-style-type: none"> <li>Fin fitness report</li> <li>Credit health report 2.0</li> </ul>		
Rewards	Earn For Payments, Loans and Commerce				Burn					
	Offers	Cashbacks	Vouchers	Merchant Sponsored Vouchers	Bajaj Coins	Convert to Cash	Bill Payment	Voucher Purchase		
Integrated Voice and Marketing Cloud	Customer Data Platform	Centralized Offer Repository	Multi Channel Orchestration	Multi Dialler Orchestration	Cloud Telephony Infra for Distributed Sales Workforce	Voice Call Governance				
Productivity Apps	Sales One App		Debt management One App		Partner One App 2.0		Merchant One App			
	Enhanced Engage & Compliance Frames		Compliance, Legal & Repo Mgmt.		Loan Sourcing , Dashboards		Onboarding, Payment Dashboards			
Services	Information	EMI, Credit Card	Statement	Documents	Repayments	FD & SDP	Profile Update	Calculators		
	<ul style="list-style-type: none"> <li>Loan Info</li> <li>Deposit Info</li> <li>Flexi Loan Info</li> <li>Mandate Services</li> <li>Mutual Fund</li> </ul>	<ul style="list-style-type: none"> <li>Card Limit</li> <li>Card Status</li> <li>Card Block/Unblock</li> <li>PIN Change</li> </ul>	<ul style="list-style-type: none"> <li>Loan Stat.</li> <li>Repay Schedule</li> <li>FD Statement</li> <li>NOC</li> <li>COI</li> <li>GDR</li> </ul>	<ul style="list-style-type: none"> <li>Invoice</li> <li>EMI Charge Slip</li> <li>App. Form</li> <li>T &amp; C</li> <li>Agreement</li> <li>Form 15G</li> </ul>	<ul style="list-style-type: none"> <li>Overdue, Adv Payments</li> <li>Prepayments</li> <li>Drawdown</li> <li>EMI Vault</li> </ul>	<ul style="list-style-type: none"> <li>FD Details</li> <li>Nominee addition</li> <li>Renew FD</li> <li>TDS Waiver</li> <li>Pre-Maturity, Start Stop SDP</li> </ul>	<ul style="list-style-type: none"> <li>PAN Update</li> <li>Mobile Update</li> <li>Email ID Update</li> <li>Address Update</li> <li>DOB Update</li> </ul>	<ul style="list-style-type: none"> <li>EMI Calculator</li> <li>Flexi Calculator</li> <li>Loan Eligibility</li> <li>FD Calculator</li> <li>Mortgage Cal</li> </ul>		
Engagement Stack(58)	Travel (6)	Entertainment(5)	Food(11)	Utilities(4)	Shopping (18)	Health & Wellness(4)	Education(1)	Other Networks(7)	Donate(2)	30+ Engagement Apps

Source: Company, MOFSL



## Highlights from the management commentary

### Operational metrics

- Interest income reversals stood at INR2.41b in 3QFY22 (v/s INR4.5b in 3QFY21). The management said it should normalize to the quarterly run-rate of INR1.8-2b over the next few quarters.
- CoF fell to 6.72% in 3QFY22.
- Opex-to-NII ratio stood at 34.7% in 3QFY22. The management estimates opex-to-NII ratio to normalize to 33-34% in 4QFY22. This will be the case even as it continues to invest in teams and technology to transform the business. Even with these investments, it will continue to focus on delivering near-term quarterly profitability.
- The company added 94 new locations to its distribution footprint. It is investing deeply in Uttar Pradesh and Bihar to reduce concentration risk and create new growth opportunities.

### Customer acquisitions

- The company booked 7.44m new loans in 3QFY22. Its customer franchise grew by 2.56m in 3QFY22. With the adoption of the new app, the management has guided at an annual customer acquisition run-rate of 8-9m (from 7-8m earlier).
- As both platforms (app and web) were created, optimized, and deliver identical journeys, it expects the customer acquisition run-rate to be strong.

### Bajaj Housing Finance (BHFL)

- AUM grew 39% YoY to INR492b.
- BHFL would want to run this business with ~7x leverage.
- PAT rose 87% YoY to INR1.85b in 3QFY22.
- The board has approved an equity infusion of INR25b in BHFL to support its capital needs for the next 24 months.

### Bajaj Financial Securities (BFSL)

- It acquired 65k customers in 3QFY22. Its Retail and HNI customer franchise stood at 269k as of Dec'21.
- In 3QFY22, BFSL changed its acquisition strategy to focus on a higher activation rate.
- PAT stood at INR70m in 3QFY22.
- The board has approved an equity infusion of INR4b in BFSL to support its capital needs for the next 24 months.

### Business transformation

- BAF has been updating stakeholders about its business transformation for the last 15 months.
- Phase I has three sprints. Sprint 2 and 3 are live for 10% of its customers. It will go live for the remaining customers between 24<sup>th</sup> Jan'22 and 26<sup>th</sup> Jan'22 (depending on whether the customer wants to upgrade to the new app).
- It is integrated with over 400 digital APIs.
- Restacking the core took the most amount of time in addition to refreshing the UI/UX.



- Over 580 laterals/fresh hires have been on-boarded in the last 18 months to deliver this business transformation. The management expects another 800 laterals/fresh hires in Phase II of this transformation journey.
- Phase II of this business transformation is being created with a 5-7 year view. Customers will not have to wait for 8-9 months to experience Phase II. It will be rolled out in 3-4 sprints. The first update on Phase II will be provided in its Jul'21 quarter result.
- QR-based P2M transaction functionality is on track to go live by Feb'22.
- It has already hired 120 people for the payment business. The same will rise to 400 by Jun'22.
- Summer constitutes 40% of the business, and BAF is looking forward to a normal summer (April-June quarter). No one in India has had a normal summer for the last two years due to COVID-19 pandemic.
- BAF should see increased velocity and engagement as subsequent phases/sprints of the app get rolled out.

#### **Traction on the Digital platform**

- The current consumer app has 16.5m active customers. About 6m customers have transitioned to the new app as of now.
- The company acquired 492k new EMI card customers digitally. Digital New to Bajaj (NTB) EMI card CIF is currently at 1.3m. In 3QFY22, Digital NTB EMI card delivered 240k loans.
- EMI store visits stood at 44.8m. In 3QFY22, it booked 393k new loans from the marketplace. EMI store currently hosts 27,917 SKUs across 23,250 merchants.

#### **Operating expenses**

- It remains committed to deliver a cost-to-income ratio of 33% in the near term. However, this number could go down in the future as the velocity improves.
- Despite all these efforts of investing, it will not skew the C/I ratio.

#### **Provisions and asset quality**

- GNPA/NNPA stood at 1.73%/0.78%. There was no impact of the RBI guidelines on the company's NPAs.
- Loan losses and provisions in 3QFY22 stood at INR10.5b. In 3QFY22, it increased its management overlay provision to INR10.8b from INR8.32b to protect itself from probable losses arising out of a third COVID wave (INR2.5b of extra management overlay provisions in 3QFY22).
- Bounce rate for Jan'22 across products was in line with Dec'21 levels.
- The management increased its FY22 credit cost guidance to INR48-50b (from INR43-44b earlier). This is a rather conservative stance and could see provision write-backs if there is no impact from the third COVID wave.
- Times are still uncertain, given that the pandemic is still around. It does not want credit costs to drag overall P/L. It has increased its credit cost guidance for FY22 so that it can take a management overlay. If there is no deterioration due to the third COVID wave, it can always take provision write-backs in the future.

#### **2W marketplace**

- BAF will be launching 2W financing for non-captive 2W OEMs from Jun-Jul'22.

**Digital EMI**

- Digital EMI customers are profitable from day one itself.
- Out of its 492k customers, 300k pay annual fees instantly and become a digital EMI customer. The rest pay the annual fees when they avail their first loan.

**IPO financing**

- IPO financing, based on new guidelines of an INR10m requirement, will cease to exist.
- From a longer term standpoint, it's a step in the right direction to increase the participation of retail investors.

**Impact of LCR requirement**

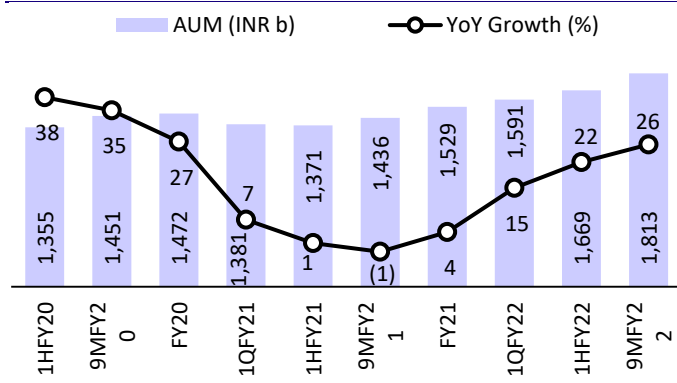
- BAF sees no impact from an LCR perspective (LCR is more than 100% even now) since its Balance Sheet is already highly liquid. It now has to invest that liquidity in an approved government security rather than in liquid mutual funds.
- It expects the liquidity buffer to fall to INR100-110b by 4QFY22.

**Others**

- Top 20 vendor partners command a 20% market share.
- It has no plans yet to apply for a Banking license and will update stakeholders whenever it decides to apply for one.
- Competitive intensity exist across product segments. Pricing does not adjust for the risk. Salaried personal loans are now available at 10.5%, while loans to professionals like doctors are available at 11%.
- It has yet to take a call on exposing its own APIs to other than in-app program partners (engagement stack).
- In the existing in-app program, if customers want more features/engagement, it will integrate tighter with those partners.
- Retail EMI (REMI) spends business, which prior to the pandemic used to be at 200k/600k accounts a month/quarter, has been capped at 220k per quarter after the COVID-19 outbreak. It also used to undertake MobiKwik wallet loans (now called BNPL) at a monthly/quarterly run-rate of 70k/200k loans.

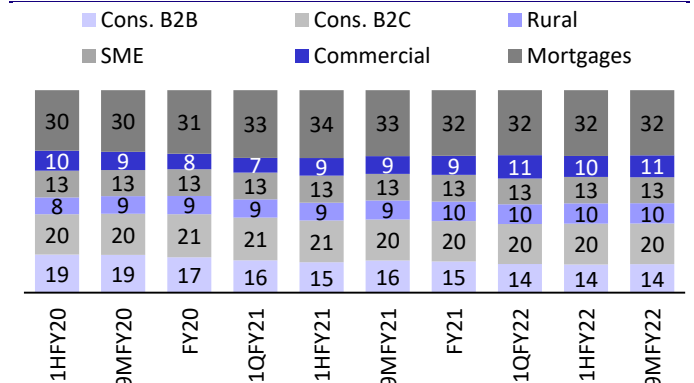
## Story in charts

**Exhibit 3: AUM growth healthy at 26% YoY, likely to sustain at these levels (%)**



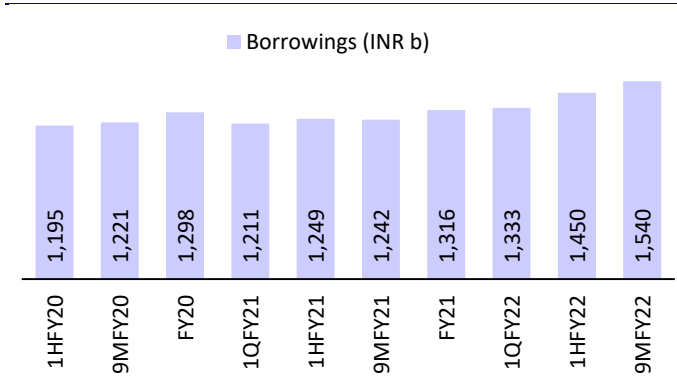
Source: MOFSL, Company

**Exhibit 4: AUM mix was largely stable with broad-based growth across business segments (%)**



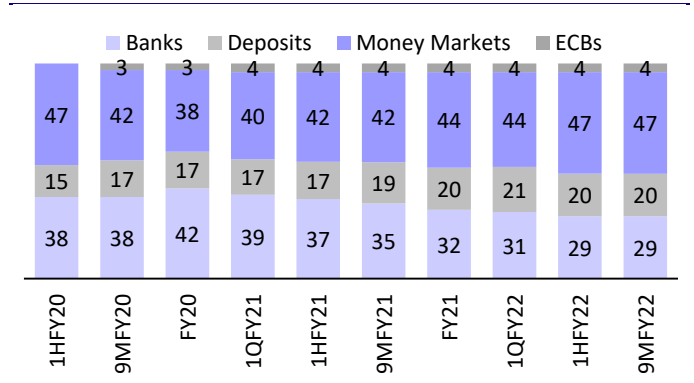
Source: MOFSL, Company

**Exhibit 5: Surplus liquidity buffers to fall to INR100-110b levels by the end of FY22**



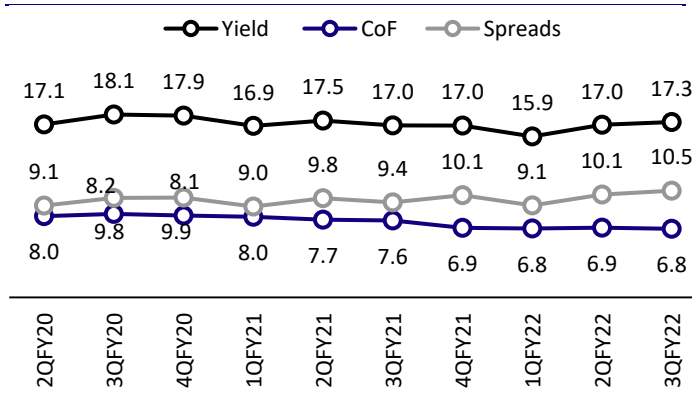
Source: MOFSL, Company

**Exhibit 6: Steady share of debt market borrowings resulting in lower incremental CoF (%)**



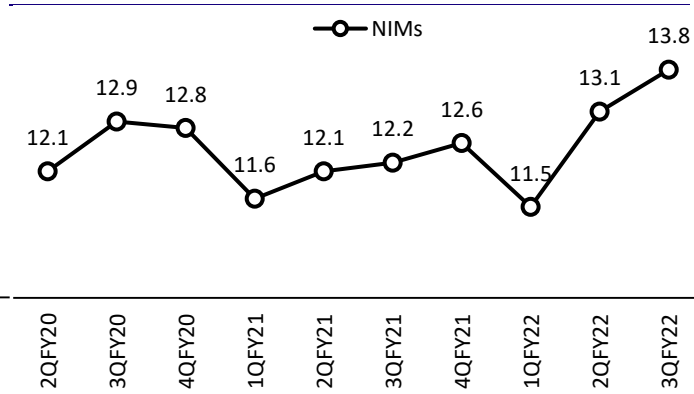
Source: MOFSL, Company

**Exhibit 7: Higher yields driven by interest income from IPO financing and lower negative carry (%)**



Source: MOFSL, Company

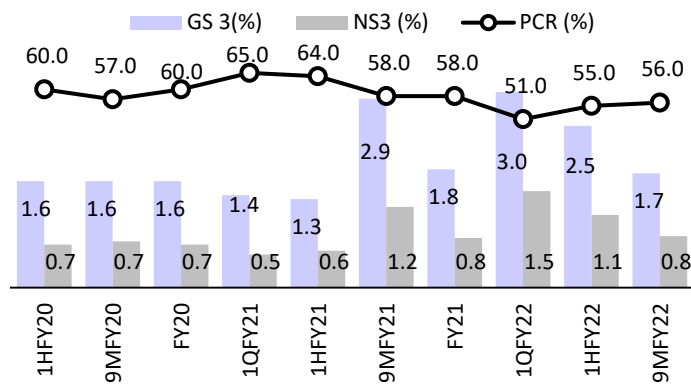
**Exhibit 8: Margin (calculated) up 70bp QoQ on a 30bp increase in yields and continued recoveries (%)**



Source: MOFSL, Company

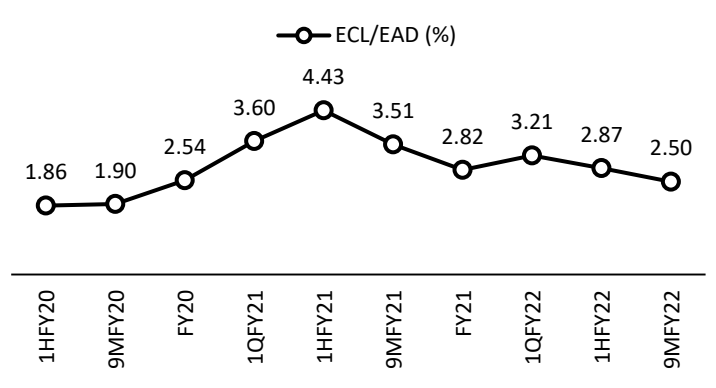


**Exhibit 9: PCR stable QoQ (%)**



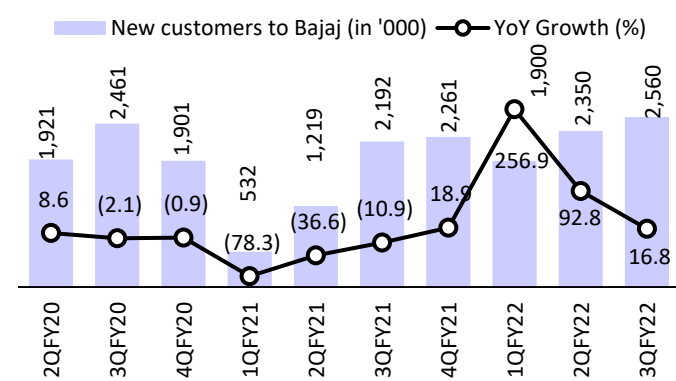
Source: MOFSL, Company; Note: Without SC dispensation, GNPA ratio would be 1.8%

**Exhibit 10: Total ECL provisions ~2.5% of EAD**



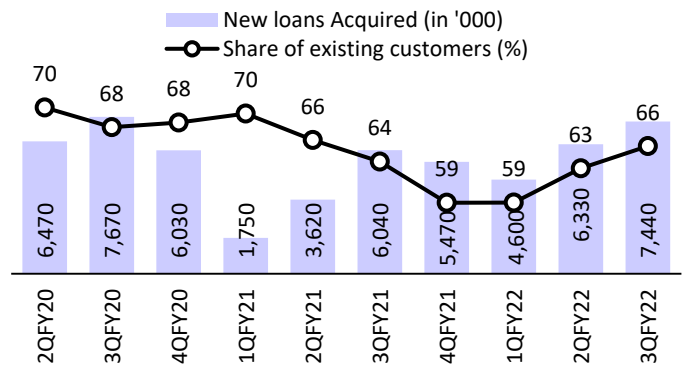
Source: MOFSL, Company

**Exhibit 11: Sustained improvement in new customer addition, touches pre-COVID levels**



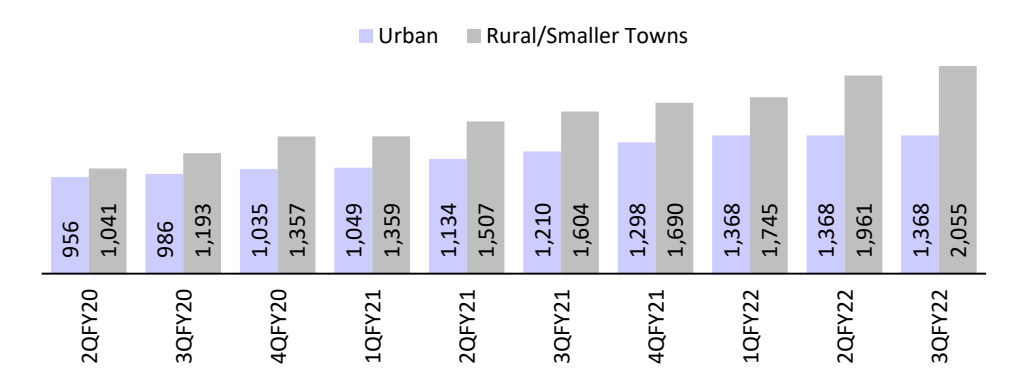
Source: MOFSL, Company

**Exhibit 12: Share of existing customers in new loans booked increases to 66%**



Source: MOFSL, Company

**Exhibit 13: Trend in branch expansion**



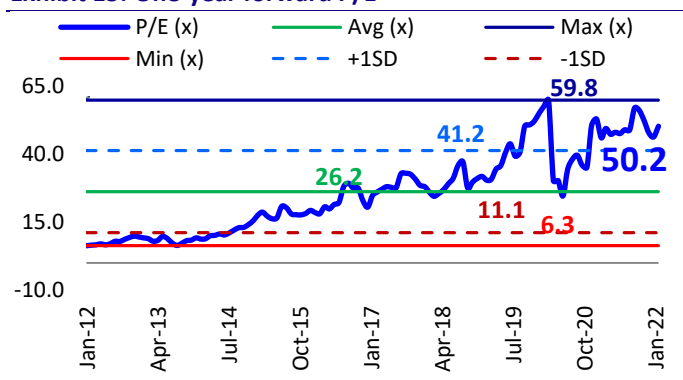
Source: MOFSL, Company

**Exhibit 14: Raise our FY22E EPS estimate by 7%, driven by higher loan growth, NII, and non-interest income**

INR b	Old estimate			Revised estimate			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
NII	170.8	212.1	267.6	177.6	219.9	269.3	4.0	3.7	0.6
Other operating Income	37.8	43.2	50.6	41.4	44.4	51.5	9.5	2.9	1.8
Other income	0.2	0.2	0.2	0.1	0.1	0.1			
<b>Total income</b>	<b>208.7</b>	<b>255.5</b>	<b>318.4</b>	<b>219.1</b>	<b>264.4</b>	<b>320.9</b>	<b>4.9</b>	<b>3.5</b>	<b>0.8</b>
Operating expenses	70.9	86.9	106.3	75.5	91.5	109.0	6.5	5.4	2.6
<b>Operating profit</b>	<b>137.9</b>	<b>168.6</b>	<b>212.1</b>	<b>143.6</b>	<b>172.9</b>	<b>211.9</b>	<b>4.2</b>	<b>2.5</b>	<b>-0.1</b>
Provisions	49.2	34.7	33.4	48.7	36.6	34.3	-1.2	5.4	2.8
<b>PBT</b>	<b>88.6</b>	<b>133.9</b>	<b>178.8</b>	<b>94.9</b>	<b>136.3</b>	<b>177.5</b>	<b>7.1</b>	<b>1.8</b>	<b>-0.7</b>
Tax	23.0	34.8	46.5	24.7	35.4	46.2	7.1	1.8	-0.7
<b>PAT</b>	<b>65.6</b>	<b>99.1</b>	<b>132.3</b>	<b>70.3</b>	<b>100.9</b>	<b>131.4</b>	<b>7.1</b>	<b>1.8</b>	<b>-0.7</b>
Loans	1,839	2,299	2,851	1,869	2,336	2,897	1.6	1.6	1.6
Borrowings	1,600	1,966	2,409	1,626	1,997	2,448	1.6	1.6	1.6
<b>RoA</b>	<b>3.5</b>	<b>4.3</b>	<b>4.7</b>	<b>3.7</b>	<b>4.3</b>	<b>4.6</b>			
<b>RoE</b>	<b>16.7</b>	<b>21.2</b>	<b>23.1</b>	<b>17.7</b>	<b>21.3</b>	<b>22.6</b>			

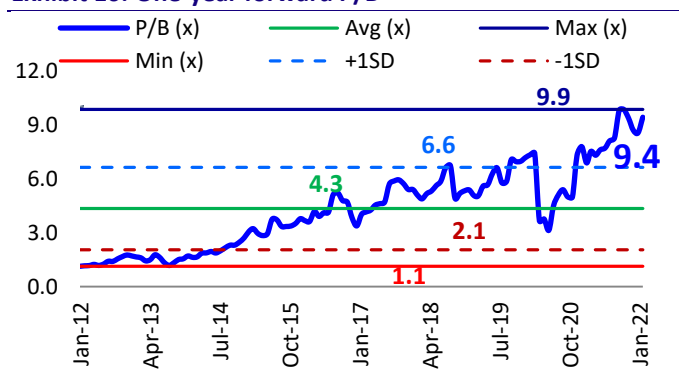
Source: MOFSL, Company

**Exhibit 15: One-year forward P/E**



Source: MOFSL, Company

**Exhibit 16: One-year forward P/B**



Source: MOFSL, Company

## Financials and valuations

Income Statement									(INR b)
Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	65.5	87.1	115.9	163.5	229.7	233.0	276.0	340.4	418.2
Interest Expended	29.3	38.0	46.1	66.2	94.7	94.1	98.4	120.5	148.9
<b>Net Interest Income</b>	<b>36.2</b>	<b>49.0</b>	<b>69.7</b>	<b>97.3</b>	<b>135.0</b>	<b>138.9</b>	<b>177.6</b>	<b>219.9</b>	<b>269.3</b>
Change (%)	37.0	35.4	42.2	39.5	38.8	2.9	27.9	23.8	22.5
Other Operating Income	7.5	12.7	11.6	21.4	34.0	33.6	41.4	44.4	51.5
Other Income	0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>Net Income</b>	<b>44.1</b>	<b>62.0</b>	<b>81.4</b>	<b>118.8</b>	<b>169.1</b>	<b>172.7</b>	<b>219.1</b>	<b>264.4</b>	<b>320.9</b>
Change (%)	39.0	40.7	31.3	45.9	42.4	2.1	26.9	20.7	21.4
Operating Expenses	19.0	25.6	32.7	42.0	56.6	53.1	75.5	91.5	109.0
<b>Operating Profit</b>	<b>25.1</b>	<b>36.4</b>	<b>48.7</b>	<b>76.8</b>	<b>112.5</b>	<b>119.6</b>	<b>143.6</b>	<b>172.9</b>	<b>211.9</b>
Change (%)	44.0	45.0	34.1	57.6	46.5	6.3	20.1	20.4	22.5
Provisions and W/Offs	5.4	8.2	10.3	15.0	39.3	59.7	48.7	36.6	34.3
<b>PBT</b>	<b>19.6</b>	<b>28.2</b>	<b>38.4</b>	<b>61.8</b>	<b>73.2</b>	<b>59.9</b>	<b>94.9</b>	<b>136.3</b>	<b>177.5</b>
Tax	6.9	9.8	13.5	21.8	20.6	15.7	24.7	35.4	46.2
Tax Rate (%)	34.9	34.8	35.0	35.3	28.1	26.2	26.0	26.0	26.0
<b>PAT</b>	<b>12.8</b>	<b>18.4</b>	<b>25.0</b>	<b>39.9</b>	<b>52.6</b>	<b>44.2</b>	<b>70.3</b>	<b>100.9</b>	<b>131.4</b>
Change (%)	42.4	43.6	35.9	60.0	31.8	-16.0	59.0	43.6	30.2
Proposed Dividend	1.6	2.5	2.8	4.3	7.3	6.0	6.9	8.1	9.1

Balance Sheet									(INR b)
Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Capital	0.5	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Reserves and Surplus (excl. OCI)	73.7	89.4	157.4	195.8	323.0	363.2	426.5	519.3	641.6
<b>Net Worth</b>	<b>74.3</b>	<b>90.5</b>	<b>158.6</b>	<b>197.0</b>	<b>324.2</b>	<b>364.4</b>	<b>427.7</b>	<b>520.5</b>	<b>642.8</b>
OCI	0.0	0.0	-0.1	0.0	-0.9	-1.2	-1.2	-1.2	-1.2
<b>Net Worth (Including OCI)</b>	<b>74.3</b>	<b>90.5</b>	<b>158.5</b>	<b>197.0</b>	<b>323.3</b>	<b>363.2</b>	<b>426.5</b>	<b>519.3</b>	<b>641.6</b>
Change (%)	54.7	21.9	75.1	24.3	64.1	12.3	17.4	21.8	23.6
<b>Borrowings</b>	<b>370.2</b>	<b>508.9</b>	<b>665.6</b>	<b>1,015.9</b>	<b>1,298.1</b>	<b>1,316.5</b>	<b>1,626.0</b>	<b>1,997.5</b>	<b>2,447.9</b>
Change (%)	38.7	37.5	30.8	52.6	27.8	1.4	23.5	22.8	22.5
Other liabilities	25.2	19.9	23.9	29.5	22.6	35.6	41.0	47.1	54.2
<b>Total Liabilities</b>	<b>469.7</b>	<b>619.4</b>	<b>848.0</b>	<b>1,242.3</b>	<b>1,643.9</b>	<b>1,715.3</b>	<b>2,093.5</b>	<b>2,563.9</b>	<b>3,143.8</b>
<b>Investments</b>	<b>10.3</b>	<b>41.3</b>	<b>31.4</b>	<b>86.0</b>	<b>175.4</b>	<b>184.0</b>	<b>184.0</b>	<b>184.0</b>	<b>184.0</b>
Change (%)	211.2	299.5	-24.0	173.9	104.0	4.9	0.0	0.0	0.0
<b>Loans</b>	<b>438.3</b>	<b>564.0</b>	<b>800.0</b>	<b>1,137.1</b>	<b>1,428.0</b>	<b>1,483.3</b>	<b>1,869.0</b>	<b>2,336.2</b>	<b>2,896.9</b>
Change (%)	40.5	28.7	41.8	42.1	25.6	3.9	26.0	25.0	24.0
Other assets	21.1	14.1	16.6	19.2	40.5	48.0	40.6	43.8	62.9
<b>Total Assets</b>	<b>469.7</b>	<b>619.4</b>	<b>848.0</b>	<b>1,242.3</b>	<b>1,643.9</b>	<b>1,715.3</b>	<b>2,093.5</b>	<b>2,563.9</b>	<b>3,143.8</b>

E: MOFSL estimates

## Financials and valuations

Ratios	(%)								
Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Spreads Analysis (%)</b>									
Yield on Advances	17.5	17.4	17.0	16.9	17.9	16.0	16.0	15.7	15.5
Cost of borrowings	9.2	8.7	7.9	7.9	8.2	7.2	6.7	6.7	6.7
Interest Spread	8.3	8.7	9.1	9.0	9.7	8.8	9.3	9.1	8.8
Net Interest Margin	9.7	9.8	10.2	10.0	10.5	9.5	10.6	10.5	10.3
<b>Profitability Ratios (%)</b>									
Cost/Income	43.1	41.4	40.1	35.3	33.5	30.7	34.4	34.6	34.0
Empl. Cost/Op. Exps.	33.2	36.3	43.9	46.2	45.0	47.0	48.0	48.6	49.4
RoE	20.9	22.3	20.0	22.5	20.2	12.8	17.7	21.3	22.6
RoA	3.2	3.4	3.4	3.8	3.6	2.6	3.7	4.3	4.6
<b>Asset Quality (%)</b>									
GNPA	5.4	9.8	11.6	18.0	23.6	27.3	32.5	41.3	48.0
NNPA	1.2	2.6	3.5	7.3	9.4	11.4	14.0	16.5	19.2
GNPA	1.2	1.7	1.4	1.6	1.6	1.8	1.7	1.7	1.6
NNPA	0.3	0.5	0.4	0.6	0.7	0.8	0.7	0.7	0.7
PCR	77.2	74.0	69.6	59.7	60.3	58.4	57.0	60.0	60.0
<b>Capitalization (%)</b>									
CAR	19.5	19.5	24.0	20.7	25.0	28.3	24.3	23.5	23.4
Tier I	16.1	13.3	18.4	16.3	21.3	25.1	22.1	21.8	22.1
Tier II	3.4	6.2	5.5	4.4	3.7	3.2	2.2	1.7	1.3
Average Leverage on Assets (x)	6.5	6.6	5.9	5.9	5.5	4.9	4.8	4.9	4.9
<b>Valuation</b>									
Book Value (INR)	138.7	165.5	275.7	341.4	540.3	605.7	710.9	865.2	1,068.6
<b>Price-to-BV (x)</b>					<b>14.3</b>	<b>12.8</b>	<b>10.9</b>	<b>9.0</b>	<b>7.3</b>
EPS (INR)	23.9	33.6	43.4	69.3	87.7	73.5	116.8	167.7	218.4
EPS Growth (%)	33.0	40.7	29.2	59.6	26.7	-16.3	59.0	43.6	30.2
<b>Price-to-Earnings (x)</b>					<b>88.3</b>	<b>105.4</b>	<b>66.3</b>	<b>46.2</b>	<b>35.5</b>
Dividend per Share (INR)	2.5	3.6	4.0	6.0	10.0	10.0	11.5	13.4	15.1
<b>Dividend Yield (%)</b>					<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>

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](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 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](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.