

Estimate change	↓
TP change	↔
Rating change	↔

Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Bloomberg	ISEC IN
Equity Shares (m)	322
M.Cap.(INRb)/(USD\$)	150.7 / 1.9
52-Week Range (INR)	896 / 408
1, 6, 12 Rel. Per (%)	1/-34/-45
12M Avg Val (INR M)	362

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Revenues	34.4	32.3	35.2
Opex	15.9	17.4	19.0
PBT	18.5	14.9	16.2
PAT	13.8	11.2	12.2

Ratios

C/I ratio (%)	46.1	53.8	53.9
PAT margin (%)	40.2	34.6	34.6
RoE (%)	65.0	42.7	40.1
Div. Payout (%)	55.9	65.0	65.0
EPS	42.9	34.7	37.7
EPS Growth (%)	29.4	-19.0	8.5
BV	75.3	87.5	100.7

Valuations

P/E (x)	10.9	13.4	12.4
P/BV (x)	6.2	5.3	4.6
Div. Yield (%)	5.1	4.8	5.3

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	74.9	74.9	74.9
DII	6.8	7.1	7.3
FII	7.1	7.3	5.7
Others	11.3	10.7	12.1

FII Includes depository receipts

CMP: INR467 **TP: INR570 (+22%)** **Buy**

Brokerage revenue continues to disappoint...

...interest income and distribution income provide cushion

- ICICI Securities (ISEC)'s retail broking revenue declined 25% YoY/19% QoQ in 1QFY23. Customer acquisition run rate dropped to 0.45m from 0.6m in 4QFY22. However, Prime subscription fees continued to scale up (+95% YoY) to INR626m. Issuer services segment revenue decreased 46% QoQ to INR350m led by a sharp decline in primary market activity.
- Overall revenue grew 6% YoY to INR7.9b, 5% above our estimates as the setback in brokerage revenue was more than offset by a beat in interest income and distribution income. PAT at INR2.7b (-12% YoY) was above our estimates by 2%, while C/I ratio inched up 480bp sequentially to 53.8% (v/s our estimate of 53%) in 1QFY23.
- We cut our FY23E/FY24E EPS by 2.6%/2.5%, respectively, to factor in weaker-than-expected traction in the broking segment and higher C/I ratio. **We retain our BUY rating with a TP of INR570 (based on 15x FY24E P/E).**

Retail broking topline declines; client addition run-rate subdued

- ISEC's retail broking revenue declined 25% YoY and 19% QoQ to INR2.6b.
- Its retail cash segment market share contracted 30bp QoQ to 9.7% while derivatives market share expanded 20bp QoQ to 3.5%.
- The Institutional Equities segment revenue declined 5% YoY/14%QoQ to INR411m in 1QFY23.
- **ISEC added 447k new customers in 1QFY23 v/s 618k QoQ.** The activation rate declined 300bp QoQ to 79%. The number of NSE active clients rose to 3.2m from 3.0m QoQ.

Interest income and distribution income drive revenue growth

- ISEC's interest income grew 66% YoY/3% QoQ to INR2.2b. MTF book remained flat sequentially at INR58b, whereas MTF market share expanded 10bp QoQ to 22.4%. As directed by the management, ESOP book declined to INR13b from INR14.6b last quarter due to the revised regulatory norms.
- Distribution revenue rose 26% YoY to INR1.5b (-10% QoQ), led by strong performance across segments. SIP count increased to 1.0m from 0.99m in 4QFY22, while SIP market share declined to 3.4% from 3.7% in 4QFY22. Overall, MF AUM rose 11% YoY to INR489b but dipped 3% QoQ in 1QFY23.
- With volatile equity markets, investment banking revenue decreased to INR350m (-46% QoQ). However, ISEC continues to have a strong deal pipeline (IPO) with 42 deals (excluding 23 deals where the amount is yet to be decided) amounting over INR825b.

Highlights from the management commentary

- The regulator is focused on ensuring that the brokers are maintaining adequate checks and balances before allowing customers to start trading in F&O, which is quite prevalent in the industry.
- Considering the current tough conditions, the management has calibrated its FY23E investment plans and now has spread it over the next six quarters.

Prayesh Jain - Research Analyst: (Prayesh.Jain@MotilalOswal.com)

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

Valuation and view

ISEC has seen tough times in the recent past due to high linkage of its revenue to broader equity markets. This has translated into a sharp decline in broking revenue as its dependence on cash volumes is relatively higher. Further, the primary issuances have slowed down materially. ISEC is now on the course to diversify its revenue with the launch of several tools and products for the derivatives segment. Besides, the company has intensified its focus on increasing penetration of MTF among its customers. The launch of new distribution products will further enhance revenue in due course. On the cost front, ISEC is calibrating spends considering the revenue slowdown. **We cut our FY23E/FY24E EPS by 2.6%/2.5% to factor in weaker-than-expected traction in the broking segment and higher operating cost. We maintain our BUY rating on the stock with a revised TP of INR570 (based on 15x FY24E P/E).**

Quarterly Performance**(INR m)**

Y/E March	FY22				FY23				FY22	FY23E	FY23	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Revenue from Operations	7,453	8,564	9,416	8,917	7,935	8,015	8,135	8,241	34,350	32,326	7,579	4.7
Other Income	24	2	3	6	12	4	4	-5	35	14	3	
Total Income	7,477	8,566	9,419	8,923	7,948	8,018	8,138	8,236	34,385	32,340	7,582	4.8
Change YoY (%)	36.8	25.9	51.9	20.7	6.3	-6.4	-13.6	-7.7	33.0	-5.9	1.4	
Operating Expenses	3,310	3,856	4,321	4,369	4,277	4,320	4,363	4,440	15,856	17,399	4,020	6.4
Change YoY (%)	15.3	25.1	64.8	46.6	29.2	12.0	1.0	1.6	37.2	9.7	21.4	
PBT	4,167	4,709	5,099	4,554	3,671	3,699	3,776	3,796	18,529	14,941	3,562	3.0
Change YoY (%)	60.6	26.5	42.5	3.2	-11.9	-21.5	-25.9	-16.6	29.5	-19.4	-14.5	
Tax Provisions	1,060	1,197	1,295	1,149	934	925	944	932	4,700	3,735	891	4.9
Net Profit	3,107	3,512	3,804	3,405	2,736	2,774	2,832	2,864	13,828	11,206	2,672	2.4
Change YoY (%)	60.9	26.3	42.5	3.3	-11.9	-21.0	-25.6	-15.9	29.5	-19.0	-14.0	
Key Operating Parameters (%)												
Cost to Income Ratio	44.3	45.0	45.9	49.0	53.8	53.9	53.6	53.9	46.1	53.8	53.0	0.8
PBT Margin	55.7	55.0	54.1	51.0	46.2	46.1	46.4	46.1	53.9	46.2	47.0	-0.8
Tax Rate	25.4	25.4	25.4	25.2	25.5	25.0	25.0	24.6	25.4	25.0	25.0	0.5
PAT Margins	41.6	41.0	40.4	38.2	34.4	34.6	34.8	34.8	40.2	34.6	35.2	-0.8
Revenue from Operations (INR m)												
Retail Brokerage Income	3,518	3,496	3,482	3,250	2,623				13,746	11,684		
Institutional Brokerage Income	432	445	438	479	411				1,794	1,691		
Investment Banking	474	727	1,105	649	350				2,955	2,069		
Distribution Income	1,206	1,512	1,635	1,686	1,520				6,039	6,644		
Other servicing Income	428	493	566	540	684				2,026	2,375		
Interest Income	1,317	1,702	2,047	2,119	2,181				7,185	7,329		
Other Operating Income	78	189	144	194	167				604.6	535		
Revenue from Operations Mix (%)												
Retail Brokerage Income	47.2	40.8	37.0	36.4	33.0				40.0	36.1		
Institutional Brokerage Income	5.8	5.2	4.7	5.4	5.2				5.2	5.2		
Investment Banking	6.4	8.5	11.7	7.3	4.4				8.6	6.4		
Distribution Income	16.2	17.7	17.4	18.9	19.2				17.6	20.6		
Other servicing Income	5.7	5.8	6.0	6.1	8.6				5.9	7.3		
Interest Income	17.7	19.9	21.7	23.8	27.5				20.9	22.7		
Other Operating Income	1.0	2.2	1.5	2.2	2.1				1.8	1.7		
Other Parameters (%)												
Blended MS	3.4	3.1	3.1	2.8	2.9							
Equity MS	9.2	8.8	8.3	8.9	8.0							
Derivatives MS	3.3	3.1	3.0	2.8	2.9							



Highlights from the management commentary

Industry

- The industry has started to see moderation in volumes from Oct'21; however, the intensity was higher in 1QFY23.
- Growth in new demat accounts have lost momentum (-25% QoQ) and NSE active clients growth rate was 5%, the slowest in past several months. The trend is declining in a more pronounced manner.
- Cash volumes declined further with Retail ADTO being down 15% QoQ. Cash volumes for Jun'22 decreased 22% MoM.
- F&O trading activity has fared better with growing Retail ADTO; however, growth pace has moderated.
- ECM activity declined on a sequential basis (ex-LIC IPO).
- SIP additions too have slowed down.

Business

- The key focus areas for the management are: a) increasing market share across segment, b) diversifying revenue base, c) judicious cost management and d) product development.

Broking

- ISEC took initiatives and made investments in derivative products; resultantly it has seen improvement in market share. Market share for Jun'22 stood at 3.6%.
- Management approach is to diversify and not to depend on a single market opportunity. They are committed to scale up market share by way of: a) pricing (already done), b) reliable platform (established), c) tools (have launched a few and 7-8 more to come), and d) increasing customers.
- ISEC has attained leadership in the MTF segment with a market share of 22.4%.
- Its market share increased to 4.4% from 4.1% in 4QFY22 in the commodity segment.
- Neo adoption was at 50% with an overall subscription of 0.2m.
- Cash segment contributed to 60-65% of Broking revenue.
- ISEC met all regulations with respect to on-boarding of F&O clients. Management is taking steps to launch products that are relatively less risky, such as stop loss products.
- The regulator is focused on ensuring that the brokers are maintaining adequate checks and balances before allowing customers to start trading in F&O, which is quite prevalent in the industry.
- Prime segment saw muted performance in 1QFY23 due to market conditions.
- Payback period is at 13 months, with relatively higher payback period for newly acquired customers.

Product launch

- ISEC has enhanced its focus on trading segment and have launched many products such as flash trade, single screen trading, etc. There are many more products to be launched in 2QFY23E.
- ISEC has upgraded its market and money apps to launch new products.
- Market app is rated better than other competitors on Playstore as well as on Appstore.
- Management has launched iLearn and investor community platform.

- The company has received approval from the Board for acquisition of multifi, which is a networking platform for investors.
- ISEC has entered into an exclusive partnership with HSBC for opening 3-in-1 accounts to provide equity services to HNI customers.

Issuer services

- ISEC has a strong deal pipeline of INR825b across 42 deals pipeline. It is quite optimistic that deals will be executed once market recovers.

Distribution & Wealth Management

- This is a highly competitive industry with relatively low entry barriers and hence pricing pressure always exists. ISEC is countering that with innovation and reasonable pricing. MFs are seeing increased level of competition from the direct segment, however, ISEC has managed to gain market share.
- MTF & ESOP book –
 1. As per regulations, MTF book can be scaled up to 6x D/E. Currently, ISEC has enough headroom from both financial and regulatory perspective. Against the limit of INR110b (as per regulations) the current book is about INR80b. The company will soon seek Board approval to enhance the limit to INR150b.
 2. MTF/ESOP book is an area of focus; however, the company will not move ahead in it, if it does not a fit in the risk framework.
 3. Number of customers availing MTF facility has been very low. However, sequentially the number of customers availing MTF facility has increased.
 4. **ESOP funds** – Currently, ESOP funding upto INR2m is done through ISEC; anything higher than that is sourced through Chola Finance. Presently, the arrangement with Chola is in physical format but management plans to convert it into digital form.

Other business area

- Increase in other allied revenues is due to transaction-based charges that are introduced.
- Other distribution includes products such as wealth (AIF/PMS), FI and loan.
- The new app is coming up well and is likely to be launch in the current fiscal.
- 60% of the revenues are contributed from customers more than 5 years back.
- Digital customer contribution to the overall revenue has been rising. 25 cohorts customers acquired of which first 8-9 have already broken even.
- Revenue in the current month is equal to the cost of acquisition. INR13b of float have come from these customers, which also contributes to income along with the charges that have been levied.

Financials

- Institutional equity revenue declined sequentially, however, the cost was higher due to increasing spends in talents and capabilities for marketing and technology.
- Operating expenses saw 2% decline sequentially due to a reduction in discretionary costs. ISEC is focusing on incurring growth-related costs only.
- **Technology:** Capex was at INR0.7b in FY22 and opex was INR 0.88b. Earlier the management had guided for technology spend to increase by 2x; however, it has slowed down the spend from 4QFY22 and it will now be spread across 6-7 quarters.

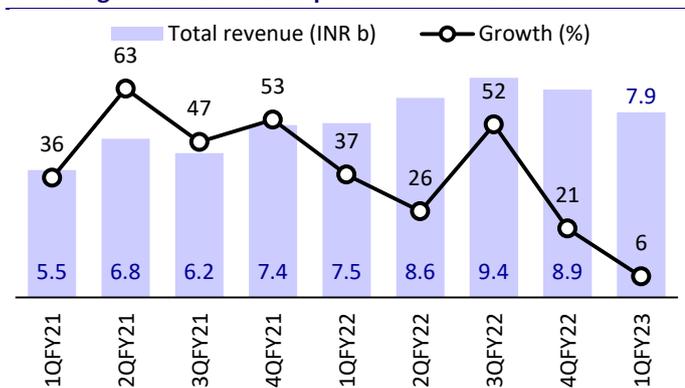
Exhibit 1: We cut our FY23E/FY24E EPS by ~2.6/2.5% to factor in weak broking revenue and higher C/I ratio

INR b	Old Est.		New Est.		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Brokerage Income	14.1	14.9	13.4	14.2	-4.9	-4.9
Income from services	11.1	12.4	11.1	12.4	0.0	0.0
Other Income	7.2	7.8	7.9	8.5	9.0	8.9
Total Income	32.4	35.2	32.3	35.2	-0.1	-0.1
Operating Expenses	17.0	18.6	17.4	19.0	2.1	2.1
PBT	15.3	16.6	14.9	16.2	-2.6	-2.5
Tax	3.8	4.2	3.7	4.1	-2.6	-2.5
PAT	11.5	12.5	11.2	12.2	-2.6	-2.5
C/I ratio	52.6	52.7	53.8	53.9	1.2	1.2
RoE	43.7	40.9	42.7	40.1	-1.0	-0.8
Dividend payout ratio	65.0	65.0	65.0	65.0	0.0	0.0

Source: MOFSL, Company

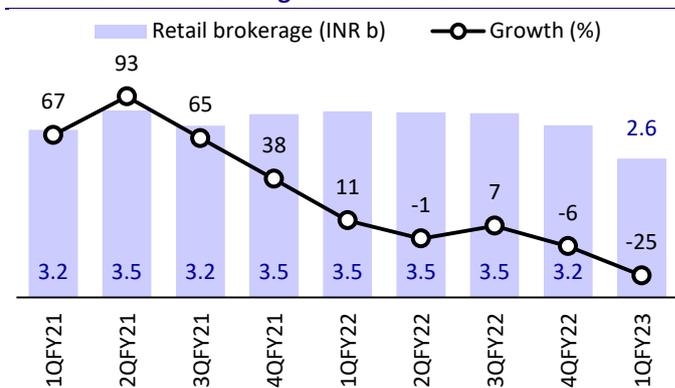
Key exhibits

Exhibit 2: Topline growth impacted adversely due to muted brokerage income and sharp decline in IB revenue



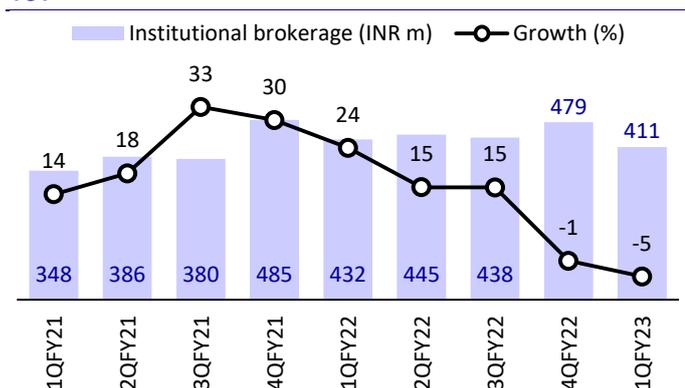
Source: MOFSL, Company

Exhibit 3: Retail brokerage continued to remain weak



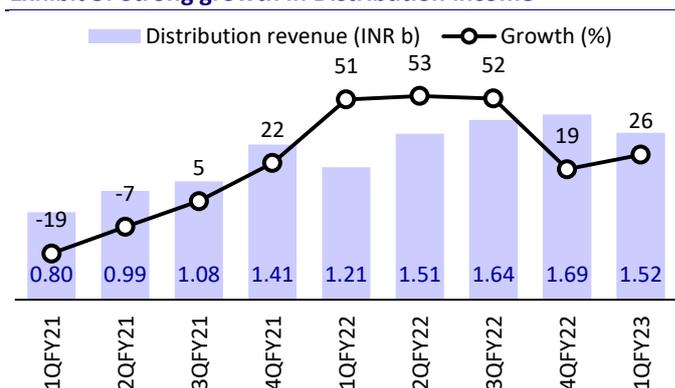
Source: MOFSL, Company

Exhibit 4: Revenue from institutional brokerage declined 5% YoY



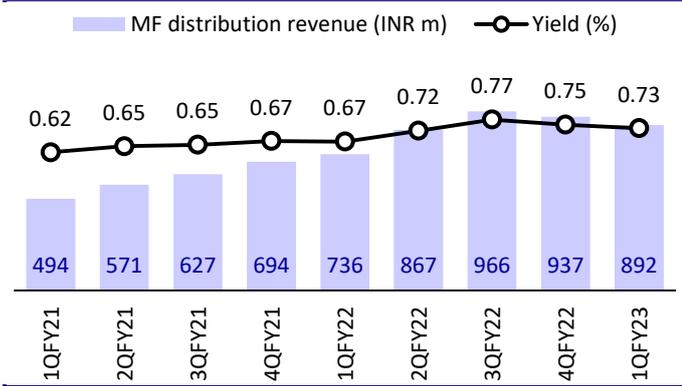
Source: MOFSL, Company

Exhibit 5: Strong growth in Distribution income



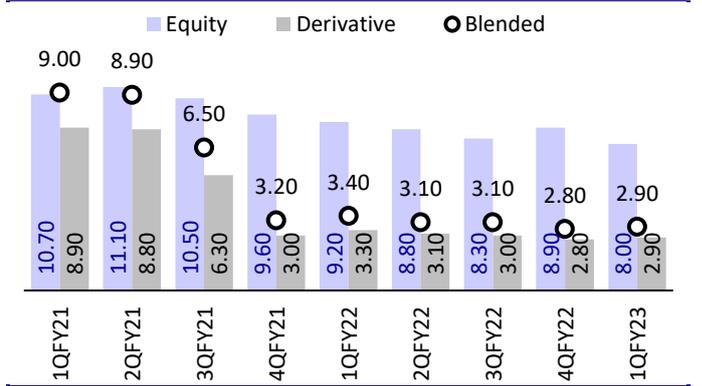
Source: MOFSL, Company

Exhibit 6: MF distribution revenue grew 21% YoY; however, yields decline for the second consecutive quarter



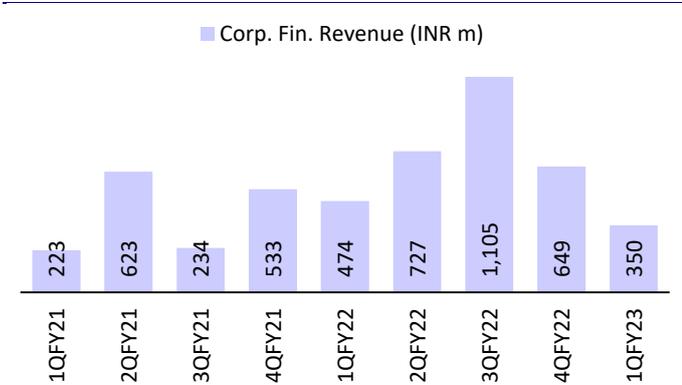
Source: MOFSL, Company

Exhibit 7: Marginal improvement in derivative market share, whereas equity market share declines



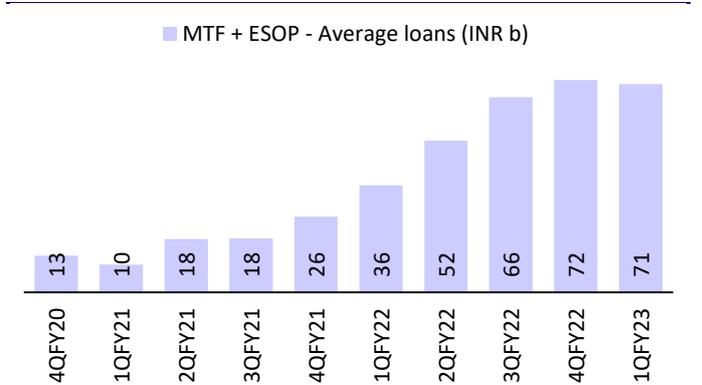
Source: MOFSL, Company

Exhibit 8: Sharp decline in Issuer services & advisory revenue



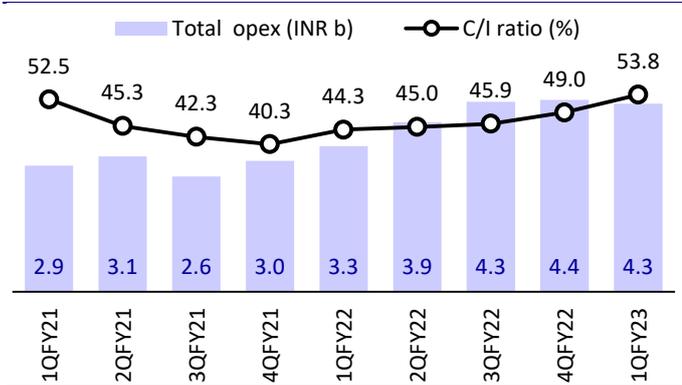
Source: MOFSL, Company

Exhibit 9: ESOP book declined sequentially whereas MTF book remained flat



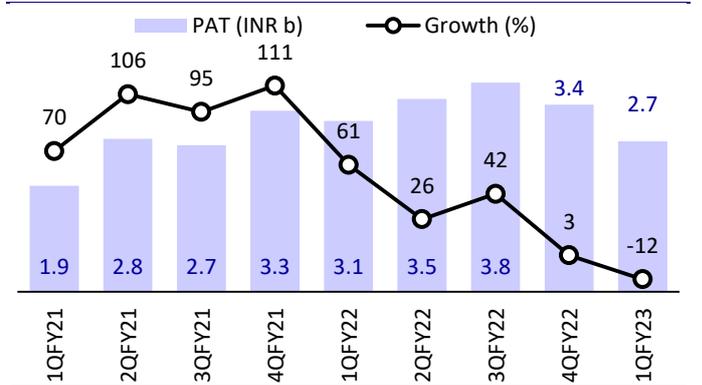
Source: MOFSL, Company

Exhibit 10: C/I ratio deteriorated sequentially



Source: MOFSL, Company

Exhibit 11: Trend in PAT



Source: MOFSL, Company

Financials and valuations

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income	18,610	17,270	17,249	25,862	34,384	32,340	35,173
Change (%)	32.5	-7.2	-0.1	49.9	33.0	-5.9	8.8
Brokerage Income	10,243	9,328	9,476	15,045	15,526	13,375	14,211
Income from Services	6,552	5,733	5,218	6,961	11,020	11,088	12,441
Interest Income	1,574	1,792	2,350	3,449	7,185	7,329	7,915
Other Operating Income	241	193	19	407	618	535	590
Other Income	0	225	187	0	35	14	15
Operating Expenses	10,086	9,698	9,720	11,554	15,856	17,399	18,956
Change (%)	14.3	-3.8	0.2	18.9	37.2	9.7	8.9
Employee expenses	5,504	5,545	5,338	5,880	6,644	7,441	8,185
Interest expenses	495	423	864	1,073	2,737	2,792	2,959
Depreciation	153	150	614	542	625	650	675
Others	3,935	3,580	2,905	4,060	5,850	6,517	7,137
Profit Before Tax	8,524	7,572	7,529	14,308	18,528	14,941	16,216
Change (%)	63.3	-11.2	-0.6	90.0	29.5	-19.4	8.5
Tax	2,989	2,665	2,109	3,631	4,700	3,735	4,054
Tax Rate (%)	35.1	35.2	28.0	25.4	25.4	25.0	25.0
PAT	5,535	4,907	5,420	10,677	13,828	11,206	12,162
Change (%)	63.5	-11.3	10.4	97.0	29.5	-19.0	8.5
Proposed Dividend	3,646	3,646	3,825	6,940	7,731	7,284	7,906

Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	1,611	1,611	1,611	1,611	1,613	1,613	1,613
Reserves & Surplus	6,866	8,862	10,485	16,610	22,692	26,614	30,871
Net Worth	8,477	10,473	12,095	18,221	24,305	28,227	32,484
Borrowings	6,771	4,518	14,998	35,238	77,392	83,584	96,121
Other Liabilities	13,491	31,655	17,335	28,350	34,764	38,241	42,065
Total Liabilities	28,739	46,646	44,428	81,809	1,36,461	1,50,051	1,70,670
Cash and Investments	15,499	31,515	24,139	38,822	56,274	63,244	71,508
Change (%)	55.7	103.3	-23.4	60.8	45.0	12.4	13.1
Loans	5,782	4,033	5,709	29,015	68,566	74,051	85,159
Net Fixed Assets	421	476	2,061	1,688	1,978	2,175	2,393
Net Current Assets	7,037	10,623	12,520	12,285	9,644	10,581	11,610
Total Assets	28,739	46,646	44,428	81,809	1,36,461	1,50,051	1,70,670

E: MOFSL Estimates

Financials and valuations

Ratios	(%)						
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
As a percentage of Revenues							
Brokerage Income	55.0	54.0	54.9	58.2	45.2	41.4	40.4
Income from Services	35.2	33.2	30.2	26.9	32.1	34.3	35.4
Interest Income	8.5	10.4	13.6	13.3	20.9	22.7	22.5
Other Income	1.3	2.4	1.2	1.6	1.9	1.7	1.7
Total cost	54.2	56.2	56.4	44.7	46.1	53.8	53.9
Employee Cost	29.6	32.1	30.9	22.7	19.3	23.0	23.3
Opex (ex emp) Cost	24.6	24.0	25.4	21.9	26.8	30.8	30.6
PBT	45.8	43.8	43.6	55.3	53.9	46.2	46.1
PAT	29.7	28.4	31.4	41.3	40.2	34.6	34.6
Profitability Ratios (%)							
RoE	82.0	51.8	48.0	70.4	65.0	42.7	40.1
Dividend Payout Ratio	65.9	74.3	70.6	65.0	55.9	65.0	65.0
Valuations							
BVPS (INR)	26.3	32.5	37.5	56.5	75.3	87.5	100.7
Change (%)	69.0	23.5	15.5	50.6	33.2	16.1	15.1
Price-BV (x)	23.9	19.3	16.8	11.1	6.2	5.3	4.6
EPS (INR)	17.2	15.2	16.8	33.1	42.9	34.7	37.7
Change (%)	63.5	-11.3	10.4	96.9	29.4	-19.0	8.5
Price-Earnings (x)	36.6	41.3	37.4	19.0	10.9	13.4	12.4
DPS (INR)	9.4	9.4	11.0	21.5	24.0	22.6	24.5
Dividend Yield (%)	1.5	1.5	1.7	3.4	5.1	4.8	5.3

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

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

Disclosures

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

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

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

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

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

Regional Disclosures (outside India)

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

For Hong Kong:

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

For U.S.

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

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

For Singapore

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

Specific Disclosures

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

The associates of MOFSL may have:

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

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

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

Analyst Certification

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

Terms & Conditions:

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

Disclaimer:

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

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

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

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