

# Shriram City Union Finance

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	SCUF IN
Equity Shares (m)	66
M.Cap.(INRb)/(USD\$)	131.9 / 1.7
52-Week Range (INR)	2600 / 1402
1, 6, 12 Rel. Per (%)	7/12/8
12M Avg Val (INR M)	164

## Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	36.8	42.9	50.5
PPP	23.5	26.7	32.7
PAT	10.9	12.8	16.2
EPS (INR)	163	192	244
EPS Gr. (%)	6.4	18	27
BV/Sh. (INR)	1,347	1,499	1,696

## Ratios

NIM (%)	11.7	11.9	12.0
C/I ratio (%)	41.3	43.3	40.9
RoA (%)	2.9	3.0	3.3
RoE (%)	12.7	13.5	15.3
Payout (%)	22.7	20.8	19.3

## Valuations

P/E (x)	12.1	10.2	8.1
P/BV (x)	1.5	1.3	1.2
Div. Yield (%)	1.9	2.0	2.4

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	37.0	34.6	34.6
DII	4.6	4.0	3.8
FII	25.0	28.2	28.3
Others	33.5	33.2	33.3

FII Includes depository receipts

**CMP: INR1,978 TP: INR2,370 (+20%) Buy**

## Seeing strength on liability side; growth momentum to sustain

### Loan growth healthy; strong improvement in margins aids profitability

- SCUF posted a 1QFY23 PAT of INR3.2b, up 55% YoY and 6% QoQ (14% beat). The beat was driven by healthy NII growth of 22% YoY and benign credit costs of 2.7% (steady-state credit costs in the range of 2.5%-3.0%).
- The quarter was characterized by a healthy ~74% YoY and 5% QoQ growth in disbursements to ~INR79b. AUM grew 17% YoY/4% QoQ to ~INR346b.
- Product mix further improved in favor of personal loans (PL) and has aided yields while the ability to lower borrowing costs (despite repo rates inching up) has allowed SCUF to deliver an ~85bp sequential expansion in margins.
- Asset quality improved with GS3 declining ~20bp QoQ without having to resort to elevated write-offs.
- Ability to access multiple borrowing sources, including retail fixed deposits, has led to perceptible strength on the liability side. **We maintain our BUY rating with a TP of INR2,370 (based on 1.4x FY24E BVPS).**

### Visibility on AUM growth improves further

- SCUF continued to build on the momentum and reported historically high quarterly disbursements exceeding previous highs delivered in 3Q/4QFY22.
- We model an AUM/disbursement CAGR of ~17%/21% over FY22-FY24E.

### Asset quality at its best over the last six years; PCR healthy at 47%

- GS3 declined ~20bp sequentially to 6.1% while NS3 was stable QoQ at 3.3%.
- During the quarter, SCUF further utilized INR870m of COVID provisions and the total management overlay stood at ~INR3.4b (v/s INR4.3b at Mar'22).
- We now estimate credit costs of ~2.6% (v/s 2.8% in FY22) including gradual utilization of COVID provisions over the course of FY23-24.

### Shriram Housing growing from strength to strength

- Shriram Housing (SHFL)'s AUM at INR58b, rose 8% QoQ/48% YoY, while disbursements at INR7.9b grew 260% YoY (on a pandemic-impacted base).
- GS3/NS3 declined to 1.6%/1.2% (down 10bp each QoQ), respectively.

### Highlights from the management commentary

- Management guided for S2 to remain between 11% and 12% and credit costs at 2.5%-2.7%
- The merger has received clearance from IRDAI as well. Only CCI and NCLT approvals are pending, which it expects to receive by Sep/Oct'22.

### Growth momentum to sustain – Maintain BUY

- Technical reasons (of a potential supply overhang) aside, the merged entity will emerge stronger than the respective standalone businesses.
- Our PAT estimate is largely unchanged with higher opex offset by lower credit costs and higher NII. Given the visibility around loan growth/credit costs, we model a PAT CAGR of 22% over FY22-FY24E and an RoA/RoE of 3.3%/15% in FY24E, respectively. **Maintain BUY.**

Research Analyst: **Abhijit Tibrewal** (Abhijit.tibrewal@MotilalOswal.com)

Research Analyst: **Nitin Aggarwal** (Nitin.Aggarwal@MotilalOswal.com) | **Parth Desai** (parth.desai@MotilalOswal.com)

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

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

## Quarterly Performance

INR m

Y/E MARCH	FY22				FY23E				FY22	FY23E	1QFY23E	Act v/s Est. (%)
	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23				
Interest Income	14,539	15,147	15,891	16,566	17,504	18,029	18,570	18,955	62,142	73,058	16,897	4
Interest expenses	5,746	6,158	6,486	6,936	6,810	7,286	7,796	8,265	25,325	30,157	7,075	-4
<b>Net Interest Income</b>	<b>8,793</b>	<b>8,989</b>	<b>9,406</b>	<b>9,630</b>	<b>10,694</b>	<b>10,743</b>	<b>10,774</b>	<b>10,690</b>	<b>36,817</b>	<b>42,901</b>	<b>9,822</b>	<b>9</b>
Y-o-Y Growth (%)	3.1	5.6	7.3	12.2	21.6	19.5	14.5	11.0	7.1	16.5	11.7	
Fees and Other Income	417	696	1,124	942	923	800	1,237	1,173	3,178	4,132	731	26
<b>Net Operating Income</b>	<b>9,210</b>	<b>9,685</b>	<b>10,530</b>	<b>10,571</b>	<b>11,617</b>	<b>11,543</b>	<b>12,010</b>	<b>11,863</b>	<b>39,995</b>	<b>47,033</b>	<b>10,553</b>	<b>10</b>
Y-o-Y Growth (%)	5.0	10.0	14.7	13.7	26.1	19.2	14.1	12.2	11.0	17.6	14.6	
Operating Expenses	3,517	3,890	4,472	4,628	5,028	5,097	5,168	5,069	16,507	20,363	4,720	7
<b>Operating Profit</b>	<b>5,693</b>	<b>5,795</b>	<b>6,058</b>	<b>5,944</b>	<b>6,589</b>	<b>6,446</b>	<b>6,843</b>	<b>6,793</b>	<b>23,489</b>	<b>26,670</b>	<b>5,833</b>	<b>13</b>
Y-o-Y Growth (%)	0.5	3.1	8.1	7.8	15.7	11.2	13.0	14.3	4.9	13.5	2.5	
Provisions	2,901	2,029	2,184	1,762	2,276	2,321	2,368	2,474	8,876	9,439	2,000	14
<b>Profit before Tax</b>	<b>2,792</b>	<b>3,766</b>	<b>3,873</b>	<b>4,182</b>	<b>4,313</b>	<b>4,124</b>	<b>4,475</b>	<b>4,319</b>	<b>14,613</b>	<b>17,231</b>	<b>3,833</b>	<b>13</b>
Tax Provisions	712	943	948	1,148	1,085	1,072	1,164	1,102	3,751	4,423	997	9
<b>Net Profit</b>	<b>2,080</b>	<b>2,823</b>	<b>2,925</b>	<b>3,034</b>	<b>3,228</b>	<b>3,052</b>	<b>3,312</b>	<b>3,217</b>	<b>10,862</b>	<b>12,809</b>	<b>2,836</b>	<b>14</b>
Y-o-Y Growth (%)	8.2	9.9	4.6	7.6	55.2	8.1	13.2	6.0	7.5	17.9	36.4	
<b>Key Operating Parameters (%)</b>												
Yield on loans (calc., %)	19.7	20.2	20.3	20.3	20.7					20.5	20.1	
Cost of funds (calc., %)	8.9	9.4	9.2	9.2	8.6					8.5	9.1	
Spreads (%)	10.8	10.8	11.1	11.1	12.1					12.0	11.0	
Cost to Income Ratio (%)	38.2	40.2	42.5	43.8	43.3					43.3	44.7	
Credit cost (calc., %)	3.9	2.7	2.8	2.2	2.7					2.6	2.4	
Tax Rate (%)	25.5	25.0	24.5	27.4	25.2					25.7	26.0	
<b>Balance Sheet Parameters</b>												
<b>Disbursements (INR b)</b>	<b>45.6</b>	<b>64.2</b>	<b>76.3</b>	<b>75.3</b>	<b>79.3</b>					<b>321.5</b>	<b>73.4</b>	
Growth (%)	243.9	109.8	23.1	14.6	73.9					23.0	61.0	
<b>AUM (INR b)</b>	<b>296.0</b>	<b>304.3</b>	<b>322.5</b>	<b>331.9</b>	<b>346.1</b>					<b>388.7</b>	<b>340.4</b>	
Growth (%)	4.1	10.5	13.0	12.2	16.9					17.1	15.0	
Repayments (INR b)	45.3	56.0	58.1	65.9	65.1					264.7	64.9	
Rep. rate (annualized, %)	61.3	75.6	76.4	81.7	78.4					79.8	78.2	
Borrowings/AUM ratio (%)	88.5	87.1	92.2	92.3	95.1					91.7	91.8	
<b>Asset Quality Parameters (%)</b>												
Gross Stage 3 (INR b)	20.4	20.8	23.5	20.9	21.1							
Gross Stage 3 ratio (%)	6.9	6.9	7.3	6.3	6.1							
Net Stage 3 (INR b)	9.9	10.2	12.4	10.6	11.2							
Net Stage 3 ratio (%)	3.5	3.5	4.0	3.3	3.3							
ECL Stage 3 (INR b)	10.6	10.7	11.1	10.3	9.9							
PCR (%)	51.7	51.2	47.4	49.3	47.1							
<b>Segmental GS3 ratio (%)</b>												
SME loans	7.7	7.5	8.2	7.0	6.8							
2-wheeler	6.6	6.4	7.1	6.0	5.9							
Gold loans	3.5	3.6	2.1	2.0	1.7							
Personal Loans	11.1	10.9	11.3	9.1	8.9							
<b>Others</b>												
CRAR (%)	29.5	29.1	27.9	26.8	26.6							
Shriram HFC AUM (INR b)	39.1	42.6	46.1	53.6	58.0							

Source: MOFSL, Company



## Highlights from the management interaction

### Update on the Merger

- Received approval from SEBI, secured and unsecured creditors, BSE, NSE and shareholders. Received approval from IRDAI as well.
- Clearance from CCI and NCLT is pending and it is hopeful that these approvals will come in the next couple of months
- NCLT approval will take some time but it is hopeful that by the end of September it should get the NCLT approval. It stands committed that by end of Sep/Oct'22 it should be a merged legal entity.

### Pilot branches as pre-cursor to the merger

- Orientation process which began as a pilot process in 50 branches, has now been rolled out to 500 branches in both the companies
- These pilot branches by Jun'22 have generated INR500-550m worth of leads which are in various stages of fulfillment. Idea is to cross-sell and train employees so that they can cater to all credit demands of the customer.
- Conversion of leads to disbursements will be ~10%
- Cross-sell products are predominantly in SME and 2W segment. By end of Aug'22, it should be able to offer gold loans from 100+ branches of STFC.

### Liabilities

- Focus on retail liabilities has given it a cost advantage. Public deposits are now 22% of the borrowing mix. Cost of deposits has also declined to 7.9% (v/s 9% in the past).
- Earlier, it was heavily dependent on bank term loans. Now it is able to leverage securitization, fixed deposits and market-linked debentures (MLDs) as well.
- Incremental cost of borrowings stood at 8.6%; Expect to maintain it in the range of 8.5%-8.7% in 2QFY23 as well but it will increase in 2HFY23 based on the monetary policy of RBI.
- Company will be looking to bring down the excess liquidity on the B/S post the merger.

### Guidance

- SCUF is expected to deliver AUM growth of 18%-20% and SHTF in the range of 11%-12%. Combined, it is looking at 14-15% AUM growth for the merged entity.
- Guided that it will now be looking to clock quarterly disbursements in excess of INR75b
- Guided for Stage 2 levels to remain between 11%-12% and credit costs of 2.5-2.7%

### Personal Loans

- SCUF has a 2.2-2.3m cross-sell pool of customers and it is still scratching the surface here; Traction in PL is less than 3-4% of the potential cross-sell pool.
- Personal Loans (PL) are granular and the ticket size is 50-60K
- 24%-24% of the existing PL book is erstwhile market-sourced PL and should run down in the next 3-4 quarters. It expects the GS3 for the PL book to decline by 150bp over the next one year.

### Shriram Housing

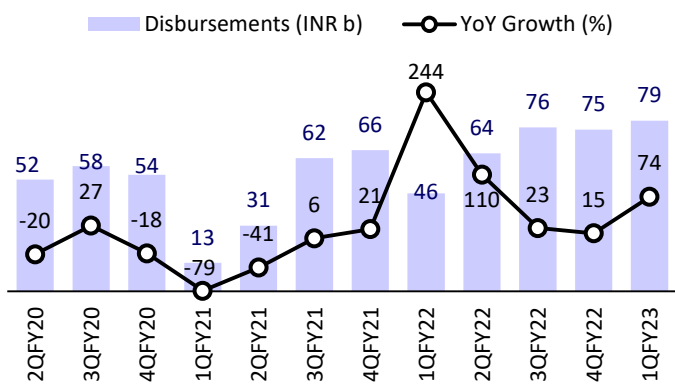
- ~51%-52% loans are floating and remaining are 1-2 year fixed and gradually even they will move to floating rate over the course of time. Repricing of advances will not be a challenge.
- 1% increase in interest rates would not have a significant impact on the customer's ability to repay. As a first defense line, the endeavor will be to increase the tenor of the loan rather than increase the EMI of the customer. It does not expect the impact of interest rates to lead to higher delinquencies.

**Others**

- Contact-less digital platforms have been rolled out for 2W and personal loans; In the process of developing the digital model for the gold loans as well

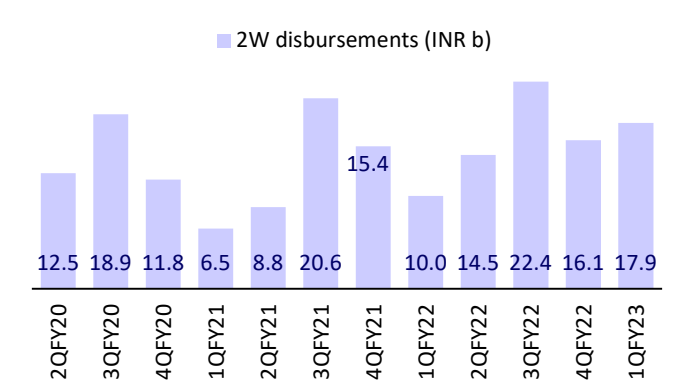
Key exhibits

Exhibit 1: Disbursements grew 74% YoY



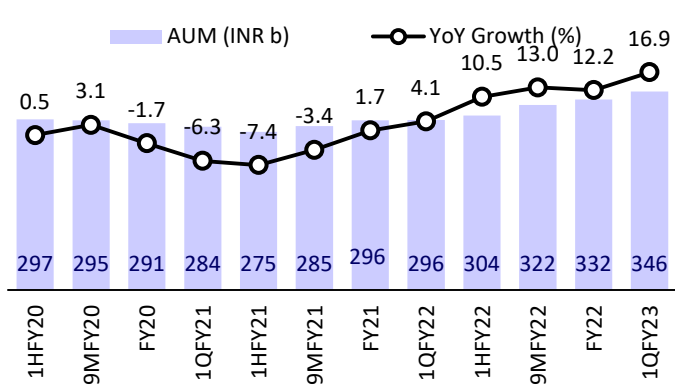
Source: MOFSL, Company

Exhibit 2: 2W disbursements improved 11% QoQ



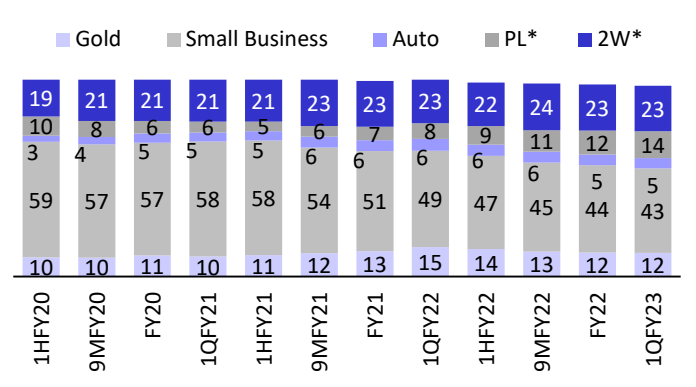
Source: MOFSL, Company

Exhibit 3: AUM up 4% sequentially and 17% YoY



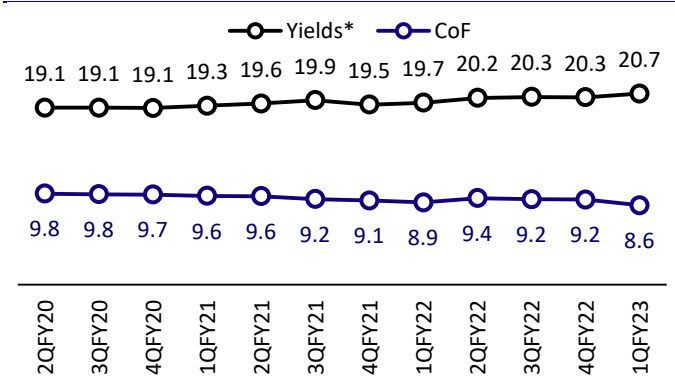
Source: MOFSL, Company

Exhibit 4: Share of personal loans up ~200bp QoQ (%)



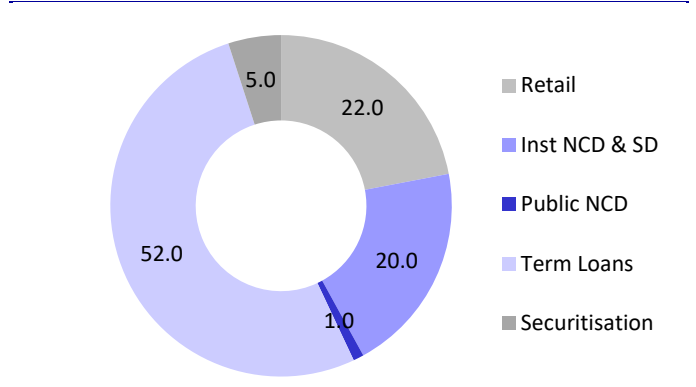
Source: MOFSL, Company, \*PL: Personal loan, \*2W: Two-Wheeler; Used 2W has been clubbed under auto loans

Exhibit 5: Spreads improved by ~100bp QoQ (%)



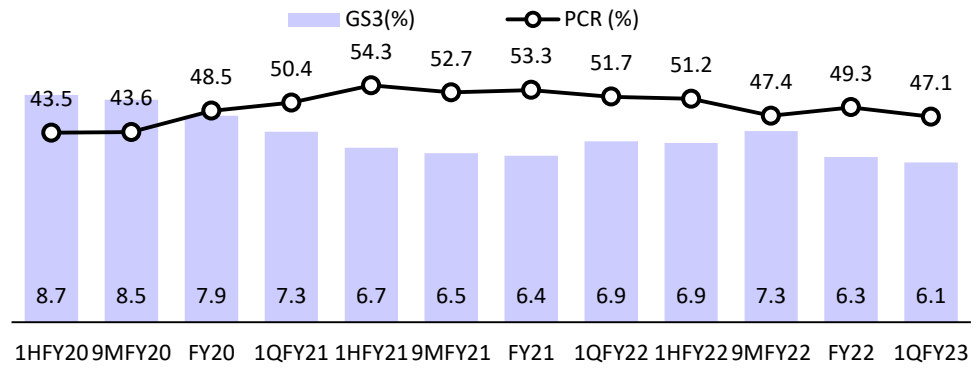
Source: MOFSL, Company, \*on AUM

Exhibit 6: Borrowing mix with higher proportion of bank term loans (%)



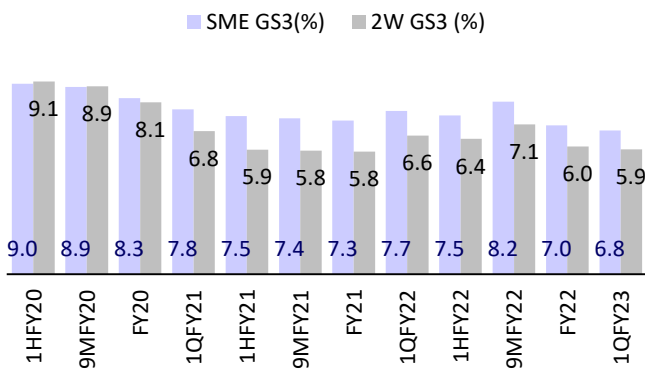
Source: MOFSL, Company

**Exhibit 7: PCR down ~2pp QoQ to ~47%**

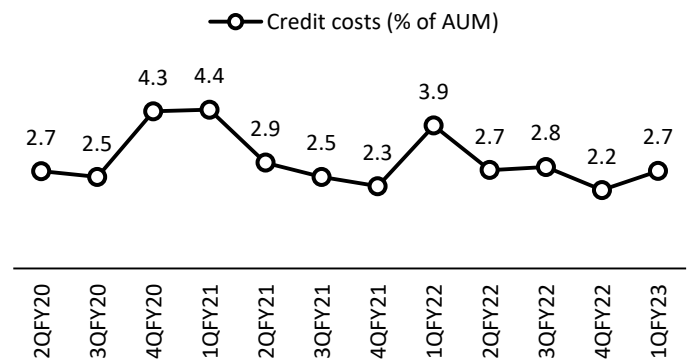


Source: MOFSL, Company

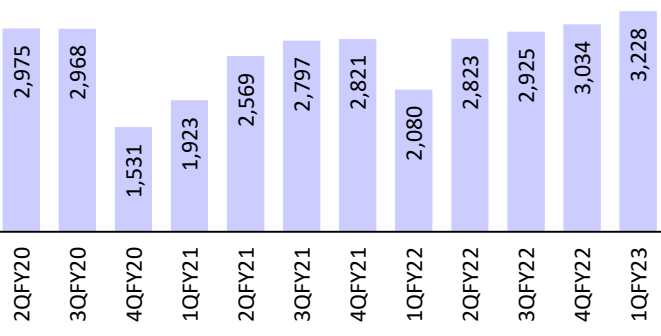
**Exhibit 8: ~10-20bps improvement in GS3 in 2W/SME (%)**



**Exhibit 9: Credit costs (annualized) at 2.7% of AUM**

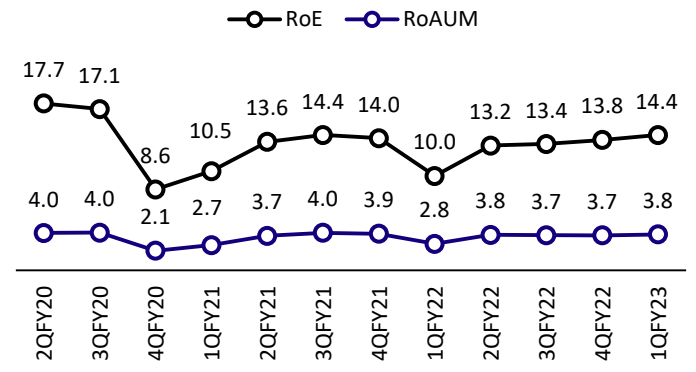


**Exhibit 10: Trend in PAT (INR m)**



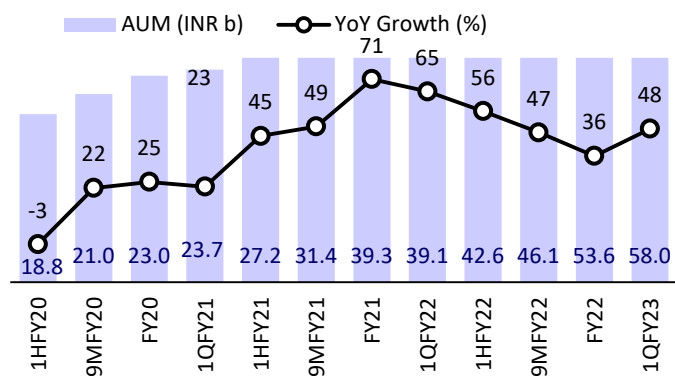
Source: MOFSL, Company

**Exhibit 11: RoE/RoAUM (%)**



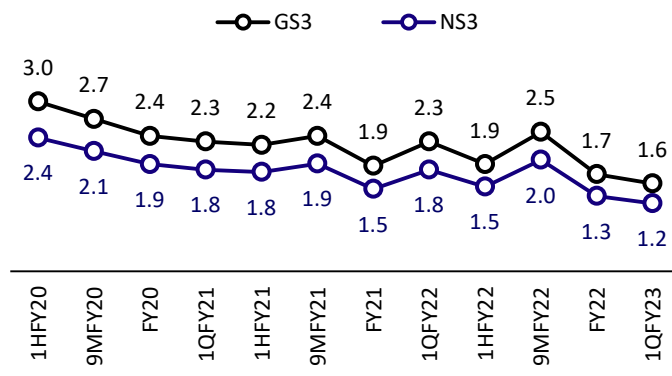
Source: MOFSL, Company

**Exhibit 12: AUM for HFC subsidiary up 48% YoY**



Source: MOFSL, Company

**Exhibit 13: 10bp decline in GS3 of HFC subsidiary (%)**



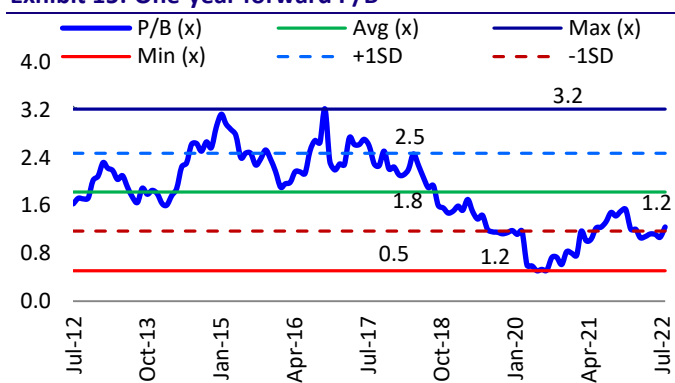
Source: MOFSL, Company

**Exhibit 14: We have cut our FY23/FY24 EPS estimates by 1%-2% to factor in elevated opex and lower credit costs**

INR B	Old Est.		New Est.		% Change	
	FY23	FY24	FY23	FY24	FY23	FY24
NII	41.4	49.4	42.9	50.5	3.5	2.2
Other Income	4.0	4.6	4.1	4.8	4.0	4.0
<b>Total Income</b>	<b>45.4</b>	<b>54.0</b>	<b>47.0</b>	<b>55.3</b>	<b>3.6</b>	<b>2.4</b>
Operating Expenses	18.2	20.4	20.4	22.6	11.6	10.5
<b>Operating Profits</b>	<b>27.2</b>	<b>33.6</b>	<b>26.7</b>	<b>32.7</b>	<b>-1.8</b>	<b>-2.6</b>
Provisions	9.7	11.4	9.4	10.9	-2.7	-4.5
<b>PBT</b>	<b>17.5</b>	<b>22.2</b>	<b>17.2</b>	<b>21.8</b>	<b>-1.3</b>	<b>-1.6</b>
Tax	4.5	5.7	4.4	5.6	-1.3	-1.6
<b>PAT</b>	<b>13.0</b>	<b>16.5</b>	<b>12.8</b>	<b>16.2</b>	<b>-1.3</b>	<b>-1.6</b>
Loans	363	428	365	429	0.6	0.2
Borrowings	349	407	356	419	2.1	2.9
Margins	11.5	11.7	11.9	12.0		
Credit Cost	2.7	2.7	2.6	2.6		
<b>RoA</b>	<b>3.1</b>	<b>3.4</b>	<b>3.0</b>	<b>3.3</b>		
<b>RoE</b>	<b>13.7</b>	<b>15.5</b>	<b>13.5</b>	<b>15.3</b>		

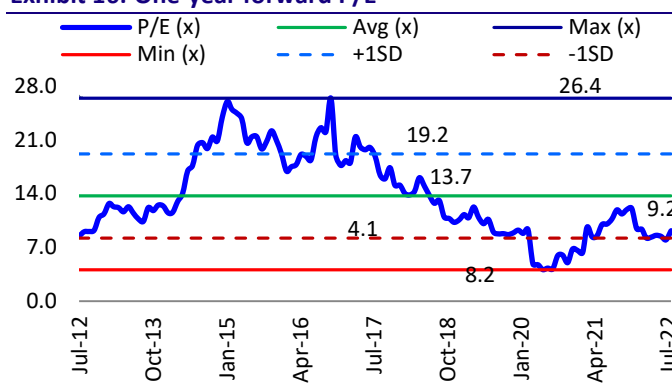
Source: MOFSL, Company

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



Source: MOFSL, Company

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



Source: MOFSL, Company

## Financials and valuations

Income Statement									(INR M)
Y/E March	2016	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	37,065	43,344	50,840	56,564	56,972	55,716	62,142	73,058	86,611
Interest Expense	13,834	15,344	16,641	19,862	21,402	21,339	25,325	30,157	36,061
<b>Net Interest income</b>	<b>23,231</b>	<b>28,000</b>	<b>34,199</b>	<b>36,702</b>	<b>35,569</b>	<b>34,377</b>	<b>36,817</b>	<b>42,901</b>	<b>50,550</b>
Change (%)	18.1	20.5	22.1	7.3	-3.1	-3.4	7.1	16.5	17.8
Fee & Other Income	250	549	744	1,249	1,900	1,669	3,178	4,132	4,752
<b>Total Income</b>	<b>24,139</b>	<b>29,001</b>	<b>34,943</b>	<b>37,951</b>	<b>37,469</b>	<b>36,046</b>	<b>39,995</b>	<b>47,033</b>	<b>55,302</b>
Change (%)	12.6	20.1	20.5	8.6	-1.3	-3.8	11.0	17.6	17.6
Employee Cost	5,132	5,503	7,063	8,379	8,477	7,637	9,724	12,641	14,284
Other Operating Exp.	5,362	5,857	6,764	6,548	6,607	6,007	6,783	7,722	8,315
<b>Operating Income</b>	<b>13,645</b>	<b>17,642</b>	<b>21,116</b>	<b>23,024</b>	<b>22,386</b>	<b>22,402</b>	<b>23,489</b>	<b>26,670</b>	<b>32,703</b>
Change (%)	9.2	29.3	19.7	9.0	-2.8	0.1	4.8	13.5	22.6
<b>Total Provisions</b>	<b>5,577</b>	<b>9,105</b>	<b>10,232</b>	<b>7,821</b>	<b>8,837</b>	<b>8,509</b>	<b>8,876</b>	<b>9,439</b>	<b>10,865</b>
% to operating income	40.9	51.6	48.5	34.0	39.5	38.0	37.8	35.4	33.2
<b>PBT</b>	<b>8,068</b>	<b>8,536</b>	<b>10,885</b>	<b>15,203</b>	<b>13,549</b>	<b>13,894</b>	<b>14,613</b>	<b>17,231</b>	<b>21,837</b>
Tax	2,771	2,976	3,775	5,314	3,545	3,784	3,751	4,423	5,605
Tax Rate (%)	34.3	34.9	34.7	35.0	26.2	27.2	25.7	25.7	25.7
<b>PAT</b>	<b>5,298</b>	<b>5,561</b>	<b>7,109</b>	<b>9,889</b>	<b>10,004</b>	<b>10,109</b>	<b>10,862</b>	<b>12,809</b>	<b>16,232</b>
Change (%)	-5.1	5.0	27.9	39.1	1.2	1.1	7.4	17.9	26.7
Proposed Dividend	989	989	1,187	1,452	396	2,178	2,465	2,665	3,132

E: MOSL Estimates

Balance Sheet									(INR M)
Y/E March	2016	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Capital	659	659	660	660	660	660	666	666	666
Reserves & Surplus	44,457	49,029	54,887	63,253	71,420	80,525	89,059	99,202	1,12,303
<b>Net Worth</b>	<b>45,136</b>	<b>49,688</b>	<b>55,563</b>	<b>63,930</b>	<b>72,096</b>	<b>81,202</b>	<b>89,741</b>	<b>99,885</b>	<b>1,12,986</b>
<b>Borrowings</b>	<b>1,44,084</b>	<b>1,80,397</b>	<b>2,14,011</b>	<b>2,25,707</b>	<b>2,31,658</b>	<b>2,55,653</b>	<b>3,06,318</b>	<b>3,56,478</b>	<b>4,19,031</b>
Change (%)	16.2	25.2	18.6	5.5	2.6	10.4	19.8	16.4	17.5
<b>Total Liabilities</b>	<b>1,89,220</b>	<b>2,30,085</b>	<b>2,69,574</b>	<b>2,89,637</b>	<b>3,03,754</b>	<b>3,36,855</b>	<b>3,96,059</b>	<b>4,56,363</b>	<b>5,32,016</b>
Investments	7,923	7,131	7,355	8,662	7,341	10,174	18,363	21,117	23,229
Change (%)	-19.3	-10.0	3.1	17.8	-15.2	38.6	80.5	15.0	10.0
<b>Loans</b>	<b>1,91,406</b>	<b>2,16,487</b>	<b>2,57,873</b>	<b>2,69,891</b>	<b>2,66,125</b>	<b>2,74,201</b>	<b>3,10,239</b>	<b>3,65,347</b>	<b>4,29,476</b>
Change (%)	19.4	13.1	19.1	4.7	-1.4	3.0	13.1	17.8	17.6
Net Fixed Assets	849	782	789	808	2,292	2,226	2,286	2,332	2,379
Net Current Assets	8,366	6,945	6,074	13,326	31,131	53,425	67,645	67,567	76,932
<b>Total Assets</b>	<b>2,08,544</b>	<b>2,31,345</b>	<b>2,72,091</b>	<b>2,92,687</b>	<b>3,06,890</b>	<b>3,40,026</b>	<b>3,98,532</b>	<b>4,56,363</b>	<b>5,32,016</b>

E: MOFSL Estimates



## Financials and valuations

Ratios	(%)								
Y/E March	2016	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Spreads Analysis (%)</b>									
Yield on loans	20.8	21.0	21.1	21.1	20.9	20.1	20.6	21.1	21.3
Cost of funds	10.3	9.5	8.4	9.0	9.4	8.8	9.0	9.1	9.3
Interest Spread	10.4	11.5	12.7	12.1	11.5	11.3	11.6	12.0	12.0
NIMs on AUM	13.2	13.3	13.5	12.8	12.1	11.7	11.7	11.9	12.0
<b>Profitability Ratios (%)</b>									
RoE	12.3	11.7	13.5	16.6	14.7	13.2	12.7	13.5	15.3
RoA	2.8	2.5	2.8	3.5	3.3	3.1	2.9	3.0	3.3
Int. Expended/Int. Earned	37.3	35.4	32.7	35.1	37.6	38.3	40.8	41.3	41.6
Other Inc. / Net Income	3.8	3.5	2.1	3.3	5.1	4.6	7.9	8.8	8.6
<b>Efficiency Ratios (%)</b>									
Op. Exps./Net Income	43.5	39.2	39.6	39.3	40.3	37.8	41.3	43.3	40.9
Empl. Cost/Op. Exps.	48.9	48.4	51.1	56.1	56.2	56.0	58.9	62.1	63.2
<b>Asset-Liability Profile (%)</b>									
Loans/Borrowings Ratio	132.8	120.0	120.5	119.6	114.9	107.3	101.3	102.5	102.5
Leverage	4.6	4.7	4.9	4.6	4.3	4.2	4.4	4.6	4.7
Average leverage	4.3	4.6	4.8	4.7	4.4	4.2	4.3	4.5	4.6
<b>Valuations</b>									
Book Value (INR)	685	754	842	969	1,092	1,230	1,347	1,499	1,696
BV Growth (%)	10.0	10.1	11.7	15.0	12.8	12.6	9.5	11.3	13.1
Price-BV (x)						1.6	1.5	1.3	1.2
EPS (INR)	80	84	108	150	152	153	163	192	244
EPS Growth (%)	-5.1	5.0	27.8	39.0	1.1	1.1	6.4	17.9	26.7
Price-Earnings (x)						12.8	12.1	10.2	8.1
DPS (INR)	15.0	15.0	18.0	22.0	6.0	33.0	37.0	40.0	47.0
Dividend Yield (%)						1.7	1.9	2.0	2.4

E: MOFSL Estimates

NOTES

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

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

#### Disclosures

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

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

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

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

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

#### Regional Disclosures (outside India)

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

#### For Hong Kong:

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

#### For U.S.

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

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

#### For Singapore

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

#### Specific Disclosures

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

The associates of MOFSL may have:

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

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

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

#### Analyst Certification

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

#### Terms & Conditions:

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

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and 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.

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