Emkay©
Your success is our success

Mahindra Finance

Earnings beat on improved asset-quality metrics

CMP	Target Price
Rs 220 as of (November 3, 2022)	Rs 220 (▲) 12 months
Rating	**Upside**
HOLD (■)	- %

- MMFS reported Q2FY23 earnings of ~Rs4.5bn, around 29% above our estimates due to lower-than-expected credit costs. Reversals in stages 2 & 3 provisions resulted in credit cost of ~1.1% vs our estimate of ~2.8%. Disbursements grew 24.8% QoQ/82.6% YoY, driven by the auto/UV (+32% QoQ), pre-owned vehicle (+25% QoQ) and SME/others (+81% QoQ) segments. The strong momentum sustained in Oct-22, with disbursement at Rs52.5bn vs Rs40.8bn in Sep-22. AUM grew 9.7% QoQ/13.8% YoY. Calculated yields declined 47bps QoQ, due to changes in asset-mix resulting in decline in share of higher-yielding products, introduction of better-quality albeit low-yielding customers to the portfolio for cash-flow stability, and lag in transmission of ~50bps rate hikes in some vehicle-finance products. CoFs rose 27bps QoQ, in line with our estimates. These factors, combined with high liquidity maintained by MMFS (~4-month buffer) on its books (25-30bps impact), resulted in calculated NIM decline of 68bps QoQ. Management believes yields will improve going ahead, once pre-owned vehicle availability improves and tractor sales pickup, for which the favorable season is around the corner. Opex remained elevated going into the festive period, with cost-to-income at 43.9% (Q1: 39.6%) due to higher business volumes and continued investments in technology. As a result, PPOP stood at Rs8.6bn (-8.7% QoQ/-15% YoY).
- Headline asset-quality numbers significantly improved, with GS3 and NS3 declining 133bps and 62bps to 6.7% and 2.91%, respectively. PCR on stage-3 assets was sequentially flat at 58.2%. The restructured book stood at ~Rs30bn (4.1% of business assets) vs. Rs36bn (5.3% of business assets) in Q1. In its Oct-22 update, MMFS reported that its GNPA under the revised IRACP norms was ~Rs9bn higher than GS3 as per Ind-AS. Quelling investor concerns, MMFS also stated that it does not foresee the need to make any additional provisions on account of the migration to IRACP.
- As regards the repossession ban passed by the RBI, MMFS believes that there has not been any breach of process, with the unfortunate event being an accident. The agency used for repossession was not exclusive and provides services to the entire industry. Management is confident that post the outcome of the investigation, re-engagement with the RBI based on the findings will result in a reversal of the ban, within 1-2 quarters. Nevertheless, to mitigate the impact of the ban, MMFS has migrated ~6,000 employees from manpower staffing agencies on its rolls under a fixed-term contract. This action is expected to be cost-neutral, with expenses being reclassified from 'other expenses' to 'employee benefit expenses' in its income statement.
- MD Mr. Ramesh Iyer's term ends in April/June 2024. For now, there is no certainty regarding the succession plan (i.e. hiring within the Mahindra group, within MMFS, or from outside). The nomination and remuneration committee (NRC) will deliberate on the matter and the succession plan would be made known to the shareholders well in advance.
- We retain our HOLD rating on the stock with Sep-23E TP of Rs220/share (earlier Rs200), valuing the firm at 1.4x Sep-24E BVPS, using the excess return on equity for Sep-24E RoE of ~14%. Any downturn in rural demand presents a downside risk to our valuation. Upside risks include faster-than-expected pick-up in growth.

Please see our sector model portfolio (Emkay Alpha Portfolio): BFSI-NBFCs (Page 9)

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net income	57,836	57,986	63,871	76,820	89,430
Net profit	3,352	9,888	17,174	23,502	28,493
EPS (Rs)	3.0	8.0	13.9	19.0	23.1
BV (Rs)	132.7	126.5	136.2	149.5	165.7
RoA (%)	0.4	1.3	2.0	2.3	2.4
RoE (%)	2.6	6.5	10.6	13.3	14.6
P/E (x)	72.7	27.5	15.8	11.6	9.5
P/BV	1.7	1.7	1.6	1.5	1.3

Source: Company, Emkay Research

Change in Estimates	
EPS Chg FY23E/FY24E (%)	-/
Target Price change (%)	10.0
Target Period (Months)	12
Previous Reco	HOLD

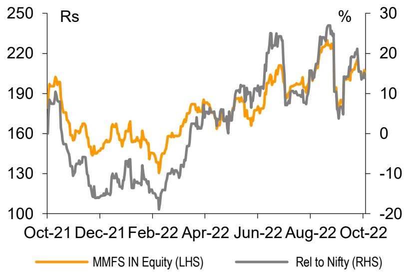
Emkay vs Consensus		
EPS Estimates		
	FY23E	FY24E
Emkay	13.9	19.0
Consensus	13.4	16.9
Mean Consensus TP (12M)		Rs 215

Stock Details	
Bloomberg Code	MMFS IN
Face Value (Rs)	2
Shares outstanding (mn)	1,236
52 Week H/L	235 / 128
M Cap (Rs bn/USD bn)	272 / 3.28
Daily Avg Volume (nos.)	56,77,247
Daily Avg Turnover (USD mn)	13.8

Shareholding Pattern Sep '22	
Promoters	52.2%
FIIs	16.9%
DIIs	22.1%
Public and Others	8.8%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	22	16	21	12
Rel. to Nifty	14	11	14	11

Relative price trend



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Manjith Nair
manjith.nair@emkayglobal.com
+91 22 661 21358

Rhave Shah
rhave.shah@emkayglobal.com
+91 22 6612 1284

Nemin Doshi
nemin.doshi@emkayglobal.com
+91 22 6612 1219

- **What we liked:** 1) Significant improvement in asset quality and confirmation by Management that additional provisions on account of migration to IRACP norms are not required. 2) Sustained business momentum and positive management commentary regarding demand augur well for growth prospects in H2FY23. 3) Taking on board ~6,000 employees to focus on re-possession and collections in a cost-neutral manner reduces risk of loss on repossession of vehicles. **What we did not like:** Persistently high operating expenses weighing on profitability.
- **Management guidance:** While margins will be impacted in near term due to holding cost of excess liquidity, management does not expect NIMs to go below 7.25% in near term.. Opex-to-AUM is expected to reduce to ~3% and thereafter to 2.75%, over the next 3-4 quarters. Management believes that maintaining a quarterly disbursement run-rate of Rs100bn should not be a challenge. Double-digit AUM growth is expected to sustain for FY23.
- **Changes in estimates:** The earnings revision needs to be seen in context of our last publication on MMFS *(Click here)*. Post the ban imposed by the RBI on the usage of third-party agencies for repossession of vehicles by MMFS, we had increased our operating-expense & credit-cost assumptions, to factor-in the impact due to likely increase in operating costs from insourcing of activities and higher slippages along with higher realization loss due to delay in repossession activities. Considering the cost-neutral impact of the hiring of ~6,000 employees from man-power agencies, we reverse the punitive impact of our opex assumptions and bring it closer to the guided Vision 2025 objective articulated by the firm. While we retain the impact of the ~236mn per quarter due to delay in repossession of vehicles for the next six months, we reverse the credit cost assumptions to reflect the improved asset-quality numbers and management guidance of nil additional provisions required for the IRACP migration.

  We incorporate the current strong trend in disbursements and account for a seasonally-strong H2FY23. Consequently, we revise upwards our AUM growth forecasts; we account for the impact of lower-yielding assets within the portfolio and a higher holding of liquid assets with negative carry in the balance. Consequently, we revise downward our NIM for FY23E/24E/25E, from 7.8%/7.7%/7.6% to 7.6%/7.6%/7.5%. We factor-in the management guidance on reduction of operating expenses from FY24 into our estimates and now forecast FY25 Opex-to-Assets at 2.6% vs 2.8% earlier, with management guidance at ~2.5%. Considering the sharp improvement in asset-quality numbers and reduced prospects of additional provisions to aid in the migration to the IRACP regime from Q3FY23, we trim our FY23E/24E credit cost, from 3%/2.4% to 2%/1.9%.

Exhibit 1: Quarterly Financials

(Rs mn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	YoY	QoQ	FY22	FY23E	YoY
Interest Income	24,577	24,867	23,917	24,372	25,163	2.4%	3.2%	94,756	1,03,041	8.7%
Interest Expenses	10,151	9,514	9,357	9,320	10,688	5.3%	14.7%	39,202	42,288	7.9%
Net Interest Income	**14,426**	**15,353**	**14,560**	**15,052**	**14,475**	**0.3%**	**-3.8%**	**55,554**	**60,754**	**9.4%**
Other Income	647	563	747	614	930	43.7%	51.6%	2,432	3,117	28.2%
Total Income	15,073	15,916	15,306	15,666	15,405	2.2%	-1.7%	57,986	63,871	10.1%
Operating Expenses	4,910	5,294	6,327	6,208	6,768	37.8%	9.0%	20,734	26,336	27.0%
Operating Profit	**10,163**	**10,622**	**8,979**	**9,458**	**8,637**	**-15.0%**	**-8.7%**	**37,252**	**37,535**	**0.8%**
Provisions	-3,668	-1,474	639	6,453	1,985	-154.1%	-69.2%	23,683	14,420	-39.1%
Credit-cost of avg. Business Assets	**-2.3%**	**-0.9%**	**0.4%**	**3.9%**	**1.1%**			**3.7%**	**2.0%**	
PBT	13,831	12,096	8,341	3,005	6,652	-51.9%	121.4%	13,569	23,115	70.3%
Tax	3,602	3,158	2,333	776	1,624	-54.9%	109.3%	3,682	5,941	61.4%
Tax rate	26.0%	26.1%	28.0%	25.8%	24.4%			27.1%	25.7%	
Reported PAT	**10,229**	**8,938**	**6,008**	**2,229**	**4,483**	**-56.2%**	**101.1%**	**9,888**	**17,174**	**73.7%**
AUM	7,96,260	8,12,300	7,97,967	8,25,945	9,06,246	13.8%	9.7%	7,30,500	8,84,590	21.1%
Disbursements	64,750	80,320	92,020	94,720	1,18,240	82.6%	24.8%	2,75,810	4,49,019	62.8%
GS3 (%)	12.7	11.3	7.7	8.0	6.7			7.7	6.0	
NS3 (%)	6.4	5.6	3.4	3.5	2.9			3.5	3.0	
PCR (%)	79.4	78.4	58.1	58.1	58.2			58.1	53.0	

Source: Company, Emkay Research

Exhibit 2: Actuals vs. Estimates (Q2FY23)

(Rs mn)	Actual	Estimates	Variation	Comments
Disbursements	1,18,240	1,17,320	0.8%	
AUM	9,06,246	8,84,881	2.4%	Lower-than-expected repayment rates
NII	14,475	15,540	-6.9%	Higher-than-expected yield compression
PPOP	8,637	9,589	-9.9%	
PAT	4,483	3,466	29.3%	Lower-than-expected net credit costs

Source: Company, Emkay Research

Exhibit 3: Revision in earnings estimates

Y/e Mar (Rs m)	FY23E			FY24E			FY25E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
AUM	8,72,818	8,84,590	1.3%	10,32,709	10,53,519	2.0%	12,15,953	12,44,520	2.3%
Net Interest Income	60,663	60,754	0.1%	70,301	73,295	4.3%	81,232	85,439	5.2%
PPOP	37,771	37,535	-0.6%	44,865	48,328	7.7%	54,189	57,814	6.7%
PAT	12,025	17,174	42.8%	18,391	23,502	27.8%	26,710	28,493	6.7%
EPS (Rs)	9.7	13.9	42.8%	14.9	19.0	27.8%	21.6	23.1	6.7%
BV (Rs)	133	136	2.2%	144	150	4.0%	159	166	4.3%
NIM	7.8%	7.6%	-18bps	7.7%	7.6%	-9bps	7.6%	7.5%	-16bps
Cost-to-income	40.9%	41.2%	38bps	39.3%	37.1%	-218bps	36.4%	35.4%	-107bps
Opex-to-Assets	3.2%	3.1%	-4bps	3.0%	2.8%	-20bps	2.8%	2.6%	-14bps
Disbursement growth	58.5%	62.8%	427bps	17.2%	17.2%	0bps	17.2%	17.2%	0bps
AUM growth	19.5%	21.1%	161bps	18.3%	19.1%	78bps	17.7%	18.1%	39bps
Credit costs	3.0%	2.0%	-102bps	2.4%	1.9%	-43bps	1.8%	1.9%	8bps

Source: Company, Emkay Research

Concall highlights

- MMFS is gaining market share in its core products, be it UVs, tractors or cars.
- Company continues to be plagued by non-availability of certain products, which, if available, would lead to even better disbursements.
- Causes of NIM pressure: 1) Attempt to gain high-quality customers in VF; while such customers do not entail a large portion of the disbursement and book, they provide the necessary stability in terms of cash flows. Yield from such clients will be lower, as will the operating costs and delinquencies; hence this will lead to margin pressure. 2) Product mix: Improvement in NIM is seen with higher disbursements of products like tractors or pre-owned vehicle. When disbursement is higher for cars, CVs or SMEs, the yield will be lower and so will the NIM. 3) Costs increasing: The company has started with the rate increase now after opting not to carry out rate hikes during the festive season. It has hiked its lending rate by ~50bps in some auto products; it will consider hikes in other products too, based on requirement ahead. With a lag effect, NIM will improve in the next few quarters. Company hiked rates by 40bps a couple of months ago. 4) Holds a high cash bank-balance to stay sufficiently liquid, and is willing to bear the resultant 25-30bps opportunity cost.
- At present, new vehicle availability is low; hence, exchange of used vehicles is also fairly low. In fact, stock of all vehicles is low as banks and NBFCs are faring well on recovery. Mgmt believes that the pre-owned segment will grow and, as a result, overall yields will improve.
- While margins will be impacted in near term due to holding cost of excess liquidity, management does not expect NIMs to go below 7.25% in near term.
- Company has introduced some variable cost components for employees, with the aim to reward them for business activity as well as due to cuts/nil growth in compensation during the Covid spell. Mgmt. expects this to get better handled as productivity improves.
- Opex-to-AUM will come down to 3% and further to 2.75%, over the next 3-4 quarters; the 3-year target of 2.5% is likely to be met. The ratio will shrink as the balance sheet grows.
- No breach of process: MD Mr. Iyer personally took stock of the situation in Hazaribagh during his visit there, and COO Mr. Raul has also visited the place. The involved agents provide services across the industry and were not exclusive agents; Once the investigation is complete, the Management believes that the RBI order would be reversed. Company usually logs 4,000 repossessions a month, and expects a setback of 2,000-3,000 due to the ban. Typically, such repossessions would be released back to the customer post settlement; this is now getting impacted. However, given the strong trend in collections and good customer earnings, Management believes the impact will be minimal. Company has also launched a parallel program for settlement, rather than repossession, although it has not yet been tested.
- 5-6% GS3 is a comfortable level and so is the 58% PCR. Additional provisions under IRACP stand at Rs9bn, and Mgmt believes that even If this increases to Rs15bn, P&L provisions would not be needed. This Rs9bn is not expected to increase much in November/December. NS3 is ~3% at present, hence there is considerable headroom for keeping NNPA below 6% under IRAC.
- 'SME & Others' includes loans given: 1) to the auto engineering and agri industries (Mahindra suppliers) for their cashflow needs; 2) to smaller peer NBFCs that cover the same segments; 3) as **trade advance** to dealers before the festive season. Only SME is 5%. Barring trade advance, nothing else is passed on to existing customers. All SME loans are secured, either by underlying working capital or by fixed assets financed by such loans.
- Mgmt believes that the retail tractor business will now see growth, as the favorable season is around the corner.
- While collection efficiency for Oct-22 was 91%, there were reversals in Stage 3 and Stage 2; hence, collections were good in Stage 2 and Stage 3. This 91% also reflects the impact of the festive season such as low-activity levels and holidays for the public and employees. This, however, gets recouped in the very next month, and is not unusual or new. There is no impact of third-party recovery ban on collections.
- Moving employees from 'off roll' to 'on roll' would lead to reclassification, from 'other expenses' to 'employee benefit expenses'.

- The Rs10.6bn COVID management overlay that existed as of Jun-22 has been brought into the ECL formula, with no reversal done so far.
- If MMFS adds settlements to the collection efficiency, then the CE moves above 100%; this explains how the GS3 and GNPA gap was bridged. Also, stages 2 & 3 have significantly come down since Dec-21 which too has contributed to narrowing the gap.
- MD Mr. Ramesh Iyer's term ends in April/June 2024. For now, there is no certainty regarding the succession plan (i.e. hiring within the Mahindra group, within MMFS, or from outside). The nomination and remuneration committee (NRC) will deliberate on the matter and the succession plan would be made known to the shareholders well in advance.
- In the funding mix, bank borrowings have been on the rise and deposits have been decreasing for a couple of quarters now. During Covid, there was a flight to safety towards FDs. As of now, there is not much difference between the 'all-in' cost for banks and FDs. The 5-year FD rate for MMFS is 7.25% at present which may increase, depending on future RBI rate actions. Bank borrowings have gone up because market borrowings like NCDs have become considerably volatile. For bank borrowings, there has been a move from external benchmark to MCLR.
- H2 has historically been better for the rural segment, and MMFS does not expect to see a change in this trend given the good monsoon, support prices and infrastructure opening up.

Key Financials (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net interest income	**55,338**	**55,554**	**60,754**	**73,295**	**85,439**
Other income	**2,499**	**2,432**	**3,117**	**3,525**	**3,991**
Net income	57,836	57,986	63,871	76,820	89,430
Operating expenses	**16,325**	**20,734**	**26,336**	**28,492**	**31,615**
Pre provision profit	41,512	37,252	37,535	48,328	57,814
PPP excl treasury	**41,512**	**37,252**	**37,535**	**48,328**	**57,814**
Provisions	**37,348**	**23,683**	**14,420**	**16,697**	**19,466**
Profit before tax	4,163	13,569	23,115	31,632	38,348
Tax	**873**	**3,682**	**5,941**	**8,129**	**9,856**
Tax rate	21%	27%	26%	26%	26%
Profit after tax & EI	3,352	9,888	17,174	23,502	28,493

Balance Sheet

Y/E Year End (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity	2,464	2,466	2,466	2,466	2,466
Reserves	1,44,651	1,53,815	1,65,848	1,82,315	2,02,278
Net worth	**1,47,115**	**1,56,281**	**1,68,314**	**1,84,781**	**2,04,744**
Other liabilities and provisions	37,483	38,467	38,852	40,794	42,834
Borrowings	5,85,767	5,58,139	7,23,307	8,70,883	10,55,625
Total liabilities	**7,70,365**	**7,52,887**	**9,30,473**	**10,96,458**	**13,03,203**
Cash and bank	32,696	41,507	89,131	1,14,919	1,60,021
Investments	1,16,073	84,403	61,374	44,628	32,452
Loans	5,99,474	6,04,446	7,49,541	9,02,469	10,71,700
Others	22,121	22,531	30,427	34,442	39,030
Total assets	**7,70,365**	**7,52,887**	**9,30,473**	**10,96,458**	**13,03,203**

Key Ratios (%)

Y/E Year End	FY21	FY22	FY23E	FY24E	FY25E
NIM	7.7	7.6	7.6	7.6	7.5
RoA	0.4	1.3	2.0	2.3	2.4
RoAE	2.6	6.5	10.6	13.3	14.6
GNPA (%)	9.0	7.7	6.0	6.0	5.9
NNPA (%)	4.1	3.5	3.0	3.4	3.7

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	3.0	8.0	13.9	19.0	23.1
BVPS	132.7	126.5	136.2	149.5	165.7
DPS	0.8	3.6	4.2	5.7	6.9

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	72.7	27.5	15.8	11.6	9.5
P/BV	1.7	1.7	1.6	1.5	1.3
Dividend Yield (%)	0.4	1.6	1.9	2.6	3.1

Source: Company, Emkay Research

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
NII	8.2	0.4	9.4	20.6	16.6
PPOP	22.2	(10.3)	0.8	28.8	19.6
PAT	(63.7)	200.5	73.7	36.8	21.2
Loans	(7.8)	0.8	24.0	20.4	18.8

Quarterly (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
NII	14,426	15,353	14,560	15,052	14,475
NIM (%)	8.3	8.6	8.1	8.2	7.5
PPOP	10,163	10,622	8,979	9,458	8,637
PAT	10,229	8,938	6,008	2,229	4,483
EPS (Rs)	8.30	7.24	4.52	1.81	3.64

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	52.2	52.2	52.2	52.2	52.2
FIIs	19.0	19.2	17.9	17.6	16.9
DIIs	15.8	15.4	16.2	18.0	22.1
Public and Others	13.1	13.2	13.8	12.3	8.8

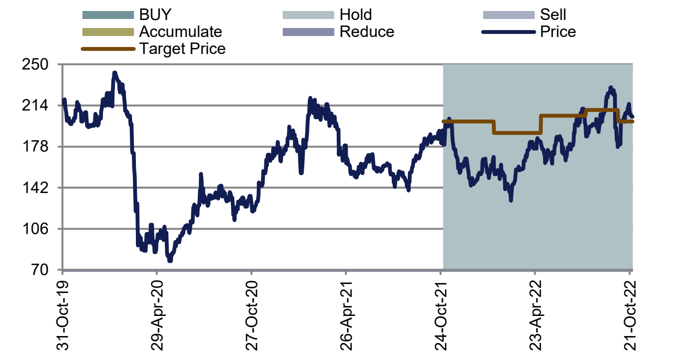
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
29-Sep-22	182	200	12m	Hold	Manjith Nair
29-Jul-22	187	210	12m	Hold	Manjith Nair
04-May-22	180	205	12m	Hold	Manjith Nair
03-Feb-22	160	190	12m	Hold	Manjith Nair
29-Oct-21	180	200	12m	Hold	Manjith Nair

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – BFSI-NBFCs

Analyst: Manjith Nair

Contact Details

manjith.nair@emkayglobal.com

+91 22 6612 1358

Sector

Non-bank financial companies (NBFC)

Analyst bio

Manjith R Nair holds a B.E, MBA (ISB). He has total 13 years of research experience covering financials. Prior to that, he was in Europe managing client account relations for an IT major.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
BFSI-NBFCs	**6.79**	**6.79**	**0%**	**0**	**100.00**	
Bajaj Finance*	1.77	1.77	0%	0	26.07	0
Cholamandalam Investment	0.27	0.27	0%	0	4.02	0
Edelweiss Financial Services*	0.00	0.00	NA	0	0.00	0
HDFC	4.23	4.24	0%	1	62.41	0
L&T Finance Holdings	0.05	0.06	7%	0	0.86	0
LIC Housing Finance	0.10	0.10	0%	0	1.52	0
Mahindra Finance	0.11	0.00	-100%	-11	0.00	0
Nippon Life India Asset Management*	0.04	0.04	-8%	0	0.55	0
Ponawalla Finco*	0.00	0.06	NA	6	0.85	0
Shriram City Union Finance	0.00	0.03	NA	3	0.40	0
Shriram Transport Finance	0.22	0.23	5%	1	3.32	0
Cash	**0.00**	**0.00**	**NA**	**0**	**0.00**	**0**

Source: Emkay Research

High Conviction/Strong Over Weight High Conviction/Strong Under Weight

Sector portfolio NAV

	Base 1-Apr-19	2-Nov-21	2-May-22	2-Aug-22	30-Sep-22	Latest 2-Nov-22
EAP - BFSI-NBFCs	100.0	164.3	135.9	143.5	140.4	147.4
BSE200 Neutral Weighted Portfolio (ETF)	100.0	154.4	127.4	134.7	131.8	138.4

**Performance measurement base date 1st April 2019*

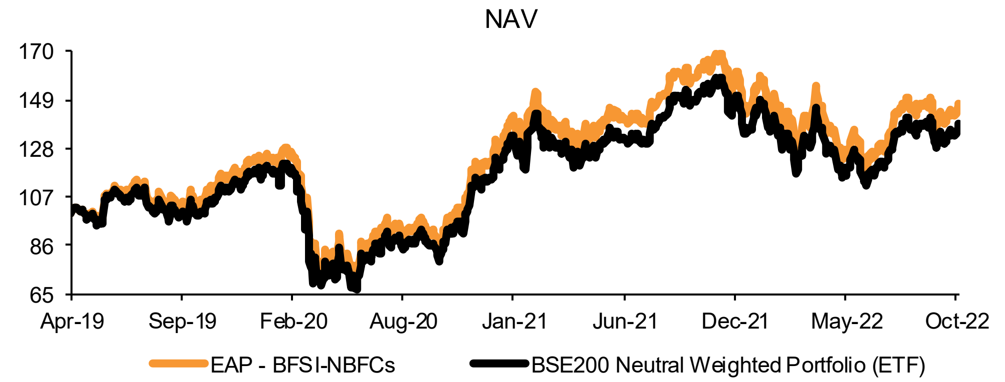
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - BFSI-NBFCs	5.0%	2.7%	8.5%	-10.3%
BSE200 Neutral Weighted Portfolio (ETF)	5.1%	2.8%	8.6%	-10.3%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty]

Please see our model portfolio (Emkay Alpha Portfolio): [SMID]

"Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals"

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 04 Nov 2022 03:07:49 (SGT)
Dissemination Date: 04 Nov 2022 03:08:49 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL . All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read “Risk Disclosure Document for Capital Market and Derivatives Segments” as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate[1] does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests[2] in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

[1] An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

[2] Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report-:

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of November 4, 2022
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
   Disclosure of previous investment recommendation produced:
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL , its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of November 4, 2022.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the November 4, 2022
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the November 4, 2022

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, 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 or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

SANJAY CHAWLA

Digitally signed by SANJAY CHAWLA
DN: c=IN, o=EMKAY GLOBAL FINANCIAL SERVICES LIMITED, ou=-, 2.5.4.20=0e110317a8bd3bd3f96249f6a4c209160ecb5613fd9b5a6ec3cfa00ceb0094c5, postalCode=400013, st=Maharashtra, serialNumber=177d8e34b7d575833905ec37ed0d9ea162f9fc49c24ac020da16b923271eaebb, cn=SANJAY CHAWLA
Date: 2022.11.04 00:39:33 +05'30'