

# Poonawalla Fincorp

Refer to important disclosures at the end of this report

## Operating profit growth fueled by NIM expansion

<b>CMP</b>	<b>Target Price</b>
Rs 291 as of (January 24, 2023)	Rs 300 (▲) 12 months
<b>Rating</b>	<b>Upside</b>
HOLD (■)	3.2 %

▪ **Result highlights:** Poonawalla Fincorp Limited (PFL) reported Q3FY23 standalone PAT of ~Rs1.5bn (+15.6% QoQ/+87.5% YoY), driven by margin expansion as PFL continues to pass on rate hikes to its customers and introduce high-yield products to expand its digital offerings. During the quarter, PFL launched new products covering consumption finance, transaction credit, and consumer finance. In a seasonally strong quarter, PFL posted the highest-ever customer acquisition and disbursements of Rs33.7bn (+8.3% QoQ/+157.2% YoY), entirely via the organic route. Direct digital partnership (DDP) contribution to disbursements increased to 66% (Q2: 54%). As a result, AUM grew by 5.8% QoQ/27.6% YoY to Rs139.3bn. Operating expenses declined 3% QoQ, as the firm continued to rationalize its branch network and personnel resource pool. Asset-quality pressures eased with GS3 at 1.69% (Q2: 1.77%) and NS3 at 0.89% (0.94%), with continued provision reversal resulting in quarterly RoA of 4% and RoE of ~9.8%.

▪ PFL, in its board meeting held on December 14, 2022, approved the sale of its housing finance subsidiary – Poonawalla Housing Finance Limited (PHFL) – to TPG for a consideration of Rs39bn. As per our analysis, we expect a post-tax gain of ~Rs23.3bn, resulting in a net worth accretion of ~Rs31.5bn in Q1FY24 (Exhibit 4). To account for the sale of PHFL, we change our valuation to be based on the standalone entity and roll over our estimates to Mar-24E. We retain our HOLD rating, valuing the company at a Mar'24E TP of Rs300 (earlier Rs270), using the excess return on equity (ERE) method. Our TP implies Mar-25E P/BVPS of 2.1x for FY25E RoA of ~4.1% and RoE of ~10.4%.

▪ **Margin expansion and reversal of provisions fuel earnings growth:** A 39bps QoQ NIM expansion drove NII growth of 10% QoQ/23.6% YoY. Calculated yields rose 63bps QoQ, with PFL passing on the rate hikes of 150-200bps to its customers across all product lines since the beginning of the rate hike cycle. Calculated CoF rose 38bps sequentially. Operating expenses declined 3% QoQ, as PFL has initiated employee rationalization to address the excess bandwidth. Cost-to-income ratio stood at 56.7% (Q2: 60.4%). As a result, PPOP came in at ~Rs1.56bn (+23.9% QoQ/+35.6% YoY). Asset quality witnessed sequential improvement, with GS3 at 1.69% (Q2: 1.77%) and NS3 at 0.89% (Q2: 0.94%). PCR on stage-3 assets stood at 47.8% (Q2: 47.3%). Credit costs came in at -1.34%, as PFL continues to write-back provisions on the legacy book. Management expects this to continue for the next two quarters. The restructured book stood at ~Rs1.72bn (1.2% of AUM) vs. Rs2.46bn (1.9% of AUM) as of Q2FY23. The restructured book in the zero bucket stood at Rs0.78bn (~45% of the book).

▪ **Management guidance:** Management has laid out the following targets going ahead – 1) AUM growth of 35-40% over the next three years, 2) Constant RoAs of 4-4.5%, 3) Gross NPAs of 1.3-1.8% and net NPAs of 0.5-0.9%, and 4) Profit growth of 30-35%. Management also expects the AUM mix to be 70%::30% between unsecured and secured products.

### Change in Estimates

EPS Chg FY23E/FY24E (%)	-/
Target Price change (%)	11.1
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	7.5	9.6
Consensus	7.7	9.6
Mean Consensus TP (12M)	Rs 380	

### Stock Details

Bloomberg Code	POONAWAL IN
Face Value (Rs)	2
Shares outstanding (mn)	765
52 Week H/L	344 / 209
M Cap (Rs bn/USD bn)	222 / 2.73
Daily Avg Volume (nos.)	31,58,112
Daily Avg Turnover (US\$ mn)	11.7

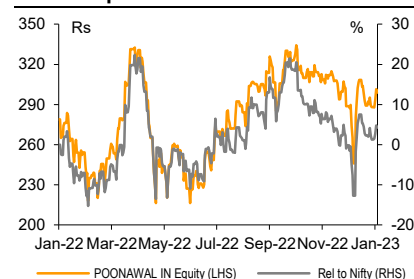
### Shareholding Pattern Dec '22

Promoters	62.1%
FIIs	7.3%
DIIIs	4.5%
Public and Others	26.2%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	18	(8)	8	4
<b>Rel. to Nifty</b>	16	(11)	(1)	1

### Relative price chart



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**  
rhaveshah@emkayglobal.com  
+91 22 6612 1284

**Kishan Rungta**  
kishan.rungta@emkayglobal.com  
+91 22 6624 2490

### Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net income	10,022	10,579	13,958	19,551	27,520
Net profit	(5,784)	2,933	5,738	7,350	10,961
EPS (Rs)	(21.5)	3.8	7.5	9.6	14.3
BV (Rs)	72.0	74.7	81.4	131.2	143.4
RoA (%)	(5.0)	2.5	3.9	3.7	4.1
RoE (%)	(26.0)	7.7	9.6	9.0	10.4
PE (x)	(13.6)	75.9	38.8	30.3	20.3
P/BV	4.0	3.9	3.6	2.2	2.0

Source: Company, Emkay Research

### Our forecasts

- On a standalone basis, we have built in a **disbursement CAGR of ~43%** over FY23-25E, translating into **AUM growth of ~40%** over the forecast period to ~Rs289bn. While the continued run-down of the legacy, Magma Fincorp book (~Rs11bn in Q2FY23, expected to run-down by Q1FY24), and the DA acquired book (~Rs22bn in Q3FY23, expected to run-down by Q1FY25), are expected to weigh-down on growth, the introduction of new products such as the credit card and EMI card should augur well for AUM growth.
- **We estimate a sharp reduction in operating expenses**, with opex-to-AUM declining by 150bps in FY24E and ~103bps in FY25E from ~6.27% in FY23E on account of two factors: 1) Employee and branch rationalization, as PFL aims to maintain a branch-light model, with a presence in 100 branches across 22 states and UTs. The branches are expected primarily to aid in collection efforts, with sourcing and origination to be conducted digitally. 2) Reduction in ESOP expenses by ~Rs1bn in FY24E and ~Rs0.3bn in FY25E from ~Rs1.6bn in FY23E.
- **We expect recoveries of 45%/~Rs6bn** from the legacy written-off pool over FY23-25E. As the effect of the write-back diminishes, we expect credit costs of 64bps in FY24E and 138bps in FY25E. As a result, we expect FY25E RoA of ~4.1%, translating into RoE of ~10.4% due to lower leverage on account of excess capital of ~Rs31.5bn accreted to the net-worth after the expected sale of PHFL in Q1FY24.
- **Valuation and risks:** To account for the sale of PHFL, we change our valuation to be based on the standalone entity (earlier based on the consolidated lending entity) and roll-over our estimates to Mar-24E. We retain our HOLD rating, valuing the company at a Mar'24E TP of Rs300 (earlier Rs270), using the ERE method. Our TP implies a Mar-25E P/BVPS of 2.1x for FY25E RoA of ~4.1% and RoE of ~10.4%. We believe the underlying opportunity in consumer/MSME lending in India provides ample opportunity for the firm to leverage much more and result in superior RoEs. **Upside risk:** Utilization of the proceeds from the sale of PHFL for inorganic expansion will result in leverage ratios improving earlier, aiding in RoE expansion. **Downside risk:** Considering the dominant composition of unsecured loans with the portfolio, credit costs could be impacted in the event of any extraneous shocks or operational lapses.

**Exhibit 1: Quarterly Financials (Standalone)**

Particulars (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	QoQ%	YoY%	FY23E	FY24E	YoY%
Interest Income	3,675	3,602	3,857	4,179	4,605	10.2%	25.3%	17,549	25,523	45.4%
Interest Expenses	1,239	1,104	1,187	1,441	1,593	10.6%	28.6%	5,961	8,440	41.6%
<b>Net Interest Income</b>	<b>2,437</b>	<b>2,498</b>	<b>2,670</b>	<b>2,738</b>	<b>3,012</b>	<b>10.0%</b>	<b>23.6%</b>	<b>11,588</b>	<b>17,083</b>	<b>47.4%</b>
Other Income	267	381	434	627	588	-6.1%	120.4%	2,370	2,468	4.1%
<b>Net Operating Income</b>	<b>2,704</b>	<b>2,879</b>	<b>3,103</b>	<b>3,365</b>	<b>3,600</b>	<b>7.0%</b>	<b>33.2%</b>	<b>13,958</b>	<b>19,551</b>	<b>40.1%</b>
Operating Expenses	1,555	1,727	1,926	2,107	2,043	-3.1%	31.4%	8,198	8,513	3.8%
<b>PPOP</b>	<b>1,149</b>	<b>1,152</b>	<b>1,178</b>	<b>1,257</b>	<b>1,558</b>	<b>23.9%</b>	<b>35.6%</b>	<b>5,761</b>	<b>11,037</b>	<b>91.6%</b>
Provisions	81	(14)	(164)	(482)	(452)	-6.2%	-659.3%	(1,614)	1,145	-170.9%
Credit costs (%)	0.3%	0.0%	-0.5%	-1.5%			-100.0%	-1.2%	0.6%	
Extraordinary items	-	-	209	-	-			209	-	
<b>Profit Before Tax</b>	<b>1,068</b>	<b>1,165</b>	<b>1,550</b>	<b>1,740</b>	<b>2,010</b>	<b>15.6%</b>	<b>88.2%</b>	<b>7,584</b>	<b>9,893</b>	<b>30.4%</b>
Tax	266	274	313	438	506	15.6%	90.2%	1,846	2,542	37.8%
Tax rate (%)	24.9%	23.5%	20.2%	25.2%	25.2%			24.3%	25.7%	
<b>PAT</b>	<b>802</b>	<b>891</b>	<b>1,237</b>	<b>1,302</b>	<b>1,504</b>	<b>15.6%</b>	<b>87.5%</b>	<b>5,738</b>	<b>7,350</b>	<b>28.1%</b>
GS3 (%)	4.0%	3.3%	2.7%	1.8%	1.7%			1.6%	1.5%	
NS3 (%)	2.0%	1.3%	1.1%	0.9%	0.9%			0.9%	0.8%	
PCR (%)	52.4%	61.2%	59.2%	47.3%	47.8%			45.0%	45.0%	
<b>AUM</b>	<b>1,09,140</b>	<b>1,17,650</b>	<b>1,26,060</b>	<b>1,31,610</b>	<b>1,39,290</b>	<b>5.8%</b>	<b>27.6%</b>	<b>1,46,302</b>	<b>2,10,723</b>	<b>44.0%</b>
<b>Disbursement</b>	<b>13,100</b>	<b>25,390</b>	<b>29,010</b>	<b>31,100</b>	<b>33,690</b>	<b>8.3%</b>	<b>157.2%</b>	<b>1,30,800</b>	<b>2,10,540</b>	<b>61.0%</b>

Source: Company, Emkay Research

**Exhibit 2: Key assumptions for Poonawalla Fincorp (Standalone)**

	FY21	FY22	FY23E	FY24E	FY25E
AUM Growth	-16.4%	12.4%	27.0%	44.0%	37.0%
Disbursement growth	-52.3%	209.7%	73.9%	61.0%	27.2%
NIM as a % of AUM	7.8%	8.7%	8.9%	9.6%	9.7%
Opex-to-AUM	4.1%	5.6%	6.3%	4.8%	3.7%
Credit Costs	11.7%	0.6%	-1.2%	0.6%	1.4%
GS3	4.6%	3.3%	1.6%	1.5%	1.6%
NS3	0.9%	1.4%	0.9%	0.8%	0.9%
PCR	83.6%	61.3%	45.0%	45.0%	45.0%
RoA	-5.0%	2.5%	3.9%	3.7%	4.1%
RoE	-26.0%	7.7%	9.6%	9.0%	10.4%

Source: Company, Emkay Research

**Exhibit 3: RoE decomposition for Poonawalla Fincorp (standalone)**

	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	15.1%	12.6%	11.9%	12.9%	13.6%
Interest Expense	7.5%	4.4%	4.0%	4.3%	4.6%
<b>Net Interest income</b>	<b>7.6%</b>	<b>8.2%</b>	<b>7.9%</b>	<b>8.7%</b>	<b>9.0%</b>
Fee Based Income + Other Income	1.0%	0.9%	1.6%	1.3%	1.2%
Operating expenses	3.9%	5.2%	5.6%	4.3%	3.5%
<b>Pre-Provisioning Profit</b>	<b>4.7%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>5.6%</b>	<b>6.7%</b>
Provisions	11.3%	0.6%	-1.1%	0.6%	1.3%
<b>PBT</b>	<b>-6.6%</b>	<b>3.3%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>5.5%</b>
(1-t)	25.1%	23.8%	24.3%	25.7%	25.7%
<b>RoA</b>	<b>-5.0%</b>	<b>2.5%</b>	<b>3.9%</b>	<b>3.7%</b>	<b>4.1%</b>
Financial Leverage (Avg. Asset/Avg. Equity)	5.2	3.0	2.5	2.4	2.6
<b>RoE</b>	<b>-26.0%</b>	<b>7.7%</b>	<b>9.6%</b>	<b>9.0%</b>	<b>10.4%</b>

Source: Company, Emkay Research

**Exhibit 4: We expect net worth accretion of ~Rs31.5bn in Q1FY24****Computation of net worth accretion from the sale of PHFL (Rs mn)**

Amount realized on the sale of HFC	38,180
Book value of investment	8,200
Pre-tax gain from the sale of HFC	29,980
Indexed value of the asset sold	9,780
Gain for tax consideration	28,400
Tax realized	6,700
Post-tax capital gain from the sale of HFC	23,280
Net worth accretion	31,480

Source: Company, Emkay Research

## Con-Call highlights

- PFL has already started branch and employee rationalization and expects it to be completed in the next two quarters.
- PFL expects to launch card-based loan products in the next 2-3 quarters. It also expects 20-25% AUM from short-term loans.
- PFL will have a branch network of 100-110 branches in 22 states/UT used mainly for collections.
- PFL will come with a full-stack app with not only origination and onboarding but also servicing in the next few quarters.
- PFL expects the headcount to remain flat despite business growth and should be positive for opex.
- AUM Mix: Pre-owned Car – Rs.2.45bn; Unsecured auto leasing – Rs.3.26bn; USL (comprising PL, BL, consumer loan, and LTP) – Rs. 6.03bn; Supply chain – Rs.1bn; LAP – 15.88bn and machinery loan – Rs.0.6bn. DA business book is around Rs22bn and discontinued book is around Rs.12bn (Rs.8bn on book and Rs.4bn off book)
- Disbursement Mix: Pre-owned car – Rs.5bn; Unsecured auto leasing – Rs.1bn; USL (including PL, LTP, BL, and consumption loan) – Rs.23bn; LAP – Rs.4.15bn; and machinery loan – Rs.0.3bn.
- Since the beginning of the rate hike cycle, yield on products have increased by 1.25-1.5%. Cross-sell and fee-based income have also increased, resulting in average yield of ~15%.
- Post-sale, considering the current opportunity on the consumer finance side, on PAN India level, and 18-month experience in this field, management does not want to do wholesale and mid-corporate loans for at least five years. Management believes there is no need for any inorganic opportunity going ahead. The entire capital will be utilized for growth.
- Sustainable margins: Above 10-10.5% despite the rising interest rate scenario. The company has enough buffer to do more short-term capital borrowing (capital market) and will do this in the next couple of quarters. It has launched higher-yielding, short-term consumer products. Management does not see the impact on margin for the next 3-4 years.
- Performance from DDP pool: 30+ dpd for the entire new originated book is 0.62%; for new disbursements in partnership ecosystem, it is 1.39% and 90+ dpd for the same is 0.04%.
- Write-backs will be seen for 1-2 quarters more, but then they should be streamlined.
- Total opex reduction of Rs0.5bn per quarter from Q2FY24 (Rs0.1bn legacy book employees not required + Rs0.4bn ESOP reduction). The company does not need more manpower for 4-5 years.
- PFL has strong collection infra in all 22 states. 55-60% of employees are in collection. 400-500 are proposed as the collection team, which is more than enough for the next 3-4 years.
- DA-acquired book is now Rs22bn, which has run down by 50% over the past 4-5 quarters and will take 1.5 years to entirely run down.

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 01/24/2023 03:13 PM

Emkay Research is also available on [www.emkayglobal.com](http://www.emkayglobal.com) and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

- Active customers: 1mn+, served to date is ~2mn. It will cross 10mn customer base in the next three years.
- Average IRR will be maintained above 15%. PFL will focus more on small businesses, consumer, small PL, pre-owned car, and LAP. It will maintain 70% unsecured and 30% secured (LAP + machinery and equipment loan + pre-owned car).
- IRR of the unsecured business loan is 18.5% and credit cost is 1.5% with 25% recovery. IRR of a small business loan is 21% and credit cost of 2.0-2.25% with 25% recovery IRR of digital consumption and small personal loan is 18-19% and credit cost of 1.25% IRR of pre-owned car is 15.5% and credit cost is 1%. Overall customers' average credit costs will not cross 1.2%.
- Of monthly disbursements, 20% is from partnerships and 80% is from direct/digital.
- Professional loans: Crossed more than 3% of chartered accountants in India. 30+ is less than 0.2%, on a large seasoned book. The BT in is 30-40% for this product.

**Key Financials (Standalone)****Income Statement**

Y/E March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Net interest income</b>	<b>8,824</b>	<b>9,493</b>	<b>11,588</b>	<b>17,083</b>	<b>24,178</b>
<b>Other income</b>	<b>1,199</b>	<b>1,086</b>	<b>2,370</b>	<b>2,468</b>	<b>3,343</b>
<b>Net income</b>	<b>10,022</b>	<b>10,579</b>	<b>13,958</b>	<b>19,551</b>	<b>27,520</b>
Operating expenses	4,563	6,046	8,198	8,513	9,332
<b>Pre provision profit</b>	<b>5,460</b>	<b>4,532</b>	<b>5,761</b>	<b>11,037</b>	<b>18,188</b>
<b>PPP excl treasury</b>	<b>5,460</b>	<b>4,532</b>	<b>5,761</b>	<b>11,037</b>	<b>18,188</b>
Provisions	13,186	686	(1,614)	1,145	3,437
<b>Profit before tax &amp; EI</b>	<b>(7,727)</b>	<b>3,846</b>	<b>7,584</b>	<b>9,893</b>	<b>14,752</b>
Tax	(1,943)	914	1,846	2,542	3,791
Tax rate	25%	24%	25%	26%	26%
<b>Profit after tax</b>	<b>(5,784)</b>	<b>2,933</b>	<b>5,738</b>	<b>7,350</b>	<b>10,961</b>

**Balance Sheet**

Y/E March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity	539	1,530	1,530	1,530	1,530
Reserves	18,881	55,615	60,779	98,875	1,08,191
<b>Net worth</b>	<b>19,421</b>	<b>57,145</b>	<b>62,310</b>	<b>1,00,405</b>	<b>1,09,721</b>
Other liabilities and provisions	4,851	3,693	5,000	6,000	7,200
Borrowings	79,148	67,258	99,486	1,21,166	1,95,435
<b>Total liabilities</b>	<b>1,03,420</b>	<b>1,28,097</b>	<b>1,66,795</b>	<b>2,27,570</b>	<b>3,12,356</b>
Cash and bank	6,124	5,372	8,858	10,732	16,624
Investments	4,289	8,197	8,197	0	0
Loans	85,653	1,06,784	1,40,656	2,06,393	2,83,720
Others	7,353	7,774	9,084	10,446	12,013
<b>Total assets</b>	<b>1,03,420</b>	<b>1,28,097</b>	<b>1,66,795</b>	<b>2,27,570</b>	<b>3,12,356</b>

**Key Ratios (%)**

Y/E March	FY21	FY22	FY23E	FY24E	FY25E
NIM	7.8	8.7	8.9	9.6	9.7
RoA	(5.0)	2.5	3.9	3.7	4.1
RoAE	(26.0)	7.7	9.6	9.0	10.4
GNPA (%)	4.6	3.3	1.6	1.5	1.6
NNPA (%)	0.9	1.4	0.9	0.8	0.9

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	(21.5)	3.8	7.5	9.6	14.3
BVPS	72.0	74.7	81.4	131.2	143.4
DPS	0.0	0.4	0.8	1.0	2.2

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	(13.6)	75.9	38.8	30.3	20.3
P/BV	4.0	3.9	3.6	2.2	2.0
Dividend Yield (%)	0.0	0.1	0.3	0.3	0.7

Source: Company, Emkay Research

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
NII	(1.8)	7.6	22.1	47.4	41.5
PPOP	9.6	(17.0)	27.1	91.6	64.8
PAT	NA	NA	95.7	28.1	49.1
Loans	(23.4)	24.7	31.7	46.7	37.5

Quarterly (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
NII	2,437	2,498	2,670	2,738	3,102
NIM (%)	8.8	8.8	8.8	8.5	8.9
PPOP	1,149	1,152	1,178	1,257	1,558
PAT	802	891	1,237	1,302	1,504
EPS (Rs)	1.05	1.17	1.62	1.70	1.97

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	68.3	61.5	61.5	61.5	62.1
FIIIs	5.8	6.6	7.4	7.5	7.3
DIIIs	6.6	6.2	5.7	5.2	4.5
Public and Others	19.4	25.7	25.4	25.9	26.2

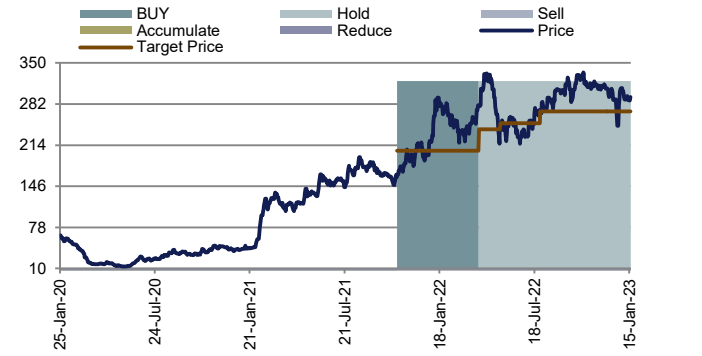
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
14-Dec-22	302	270	12m	Hold	Manjith Nair
02-Dec-22	308	270	12m	Hold	Manjith Nair
24-Oct-22	319	270	12m	Hold	Manjith Nair
29-Jul-22	267	270	12m	Hold	Manjith Nair
14-May-22	248	250	12m	Hold	Manjith Nair
03-Apr-22	280	240	12m	Hold	Manjith Nair
29-Oct-21	166	205	12m	Buy	Manjith Nair

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research



## 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: 24 Jan 2023 04:13:51 (SGT)

Dissemination Date: 24 Jan 2023 04:14:51 (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](http://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](http://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<sup>1</sup> 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<sup>2</sup> 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.

<sup>1</sup> 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.

<sup>2</sup> 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 January 24, 2023
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 January 24, 2023.
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 January 24, 2023
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 services 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 January 24, 2023

**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, 6 <sup>th</sup> 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