

# Mahindra & Mahindra Financial

Estimate change

TP change

Rating change



Bloomberg	MMFS IN
Equity Shares (m)	1236
M.Cap.(INRb)/(USDb)	369.9 / 4.5
52-Week Range (INR)	346 / 176
1, 6, 12 Rel. Per (%)	-12/21/36
12M Avg Val (INR M)	1154

## Financials & valuations (INR b)

Y/E March	FY23	FY24E	FY25E
NII	64.8	74.8	91.0
PPP	37.5	43.4	56.8
PAT	19.8	21.7	28.7
EPS (INR)	16.1	17.6	23.3
EPS Gr. (%)	101	10	32
BV/Sh.(INR)	133	144	159

## Ratios

NIM (%)	8.3	7.7	7.8
C/I ratio (%)	42.1	41.9	37.6
RoA (%)	2.3	2.1	2.3
RoE (%)	12.6	12.8	15.4
Payout (%)	37.3	37.5	35.0

## Valuations

P/E (x)	18.6	17.0	12.8
P/BV (x)	2.3	2.1	1.9
Div. Yield (%)	2.0	2.2	2.7

## Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	52.2	52.2	52.2
DII	27.0	25.2	18.0
FII	14.1	15.0	17.8
Others	6.8	7.7	12.1

FII Includes depository receipts

**CMP: INR299**

**TP: INR370 (+24%)**

**Buy**

## In the midst of transformation, yield moderation a concern

### Stark NIM compression and elevated credit costs lead to a weak quarter

- Mahindra & Mahindra Financial (MMFS)'s 1QFY24 PAT grew 58% YoY to INR3.5b (23% miss). Net Total Income (reported NII) stood at INR16.7b (6% miss) and rose 7% YoY while PPOP at ~INR10b (5% miss) grew 6% YoY.
- Annualized credit costs of ~2.5% (PY: 3.9%) were higher than expectations and included ~INR3.3b in write-offs and ~INR2.0b in provisions.
- In 1QFY24, the yields (calc.) moderated ~45bp QoQ while CoF (calc.) rose ~20bp, leading to a margin contraction of ~50bp QoQ. This yield moderation, in our view, was primarily due to the rising proportion of PrimeX customers and stronger growth in Cars/Utility Vehicles. Management guided for a product-mix change and gradual re-pricing in incremental disbursements that should lead to a gradual expansion in yields.
- We estimate NIM to moderate to 7.7% in FY24 (PY: 8.3%) and then expand ~20bp YoY to 7.8% in FY25.
- MMFS has made a good progress towards its Mission 2025 targets across AUM growth, asset quality, and RoA. With process enhancements across sourcing, underwriting and collections, we expect asset quality improvement to sustain and now model lower credit costs of ~1.6%/1.7% in FY24/FY25.
- We cut our FY24E EPS by ~2% to factor in a higher NIM compression. We model an AUM and PAT CAGR of 19% and 20% over FY23-FY25E for an FY25 RoA and RoE of 2.3% and 15.4%, respectively.
- Prior to this quarter, MMFS had managed to reduce the volatilities in its asset quality and earnings performance by implementing a series of strategic initiatives designed to foster stability through streamlined operations and enhanced risk management. However, the company would need to get its act together to reduce the volatilities in its yields and credit costs to sustain investor confidence in its transformation journey. **Retain BUY with a revised TP of INR370 (premised on 2.3x FY25E BVPS).**
- **Key risks:** a) Margin compression because of slight change in customer mix and higher Cars/UVs in the product mix, b) higher exposure to rural India will keep it vulnerable to any uneven monsoon distribution and c) slowdown in vehicle demand due to macro challenges.

## Key takeaways from the management commentary

- There is no drastic shift away from the earn-and-pay customer segment. Faster growth in pre-owned vehicles will offset any margin compression.
- **Management guided that PrimeX segment will not be more than 10-12% of the customer mix.** Compression in NIM from PrimeX customer base will be more than offset by lower opex and credit costs.
- It will take one more year for the PCR across different stages to decline further. Product/Customer mix change will also aid lower PCR.

## Valuation and View

- We remain hopeful that the company will demonstrate more predictability in its earnings performance. Strong liability franchise and deep moats in rural/semi-urban customer segments position MMFS well to reap rewards of the hard work that is ongoing into evolving this franchise.
- MMFS currently trades at 1.9x FY25E P/BV. Risk-Reward is favorable for a PAT CAGR of ~20% over FY23-FY25E and FY25E RoA/RoE of 2.3%/15.4%. **Maintain BUY with a revised TP of INR370 (based on 2.3x FY25E BVPS).**

## Quarterly Performance

Y/E March	FY23				FY24E				FY23	FY24E	1QFY24E	(INR m) v/s est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest income	24,372	25,163	27,947	29,344	30,349	32,170	34,743	36,622	1,06,826	1,33,884	31,310	-3
Interest Expenses	9,320	10,688	12,419	13,340	14,505	15,592	16,606	17,194	45,767	63,896	14,540	0
<b>NII</b>	<b>15,052</b>	<b>14,475</b>	<b>15,528</b>	<b>16,004</b>	<b>15,844</b>	<b>16,577</b>	<b>18,138</b>	<b>19,428</b>	<b>61,059</b>	<b>69,988</b>	<b>16,769</b>	-6
YoY Growth (%)	34.2	0.3	1.1	11.1	5.3	14.5	16.8	21.4	10.2	14.6	11.4	
Other income	614	930	969	1,223	905	1,111	1,209	1,583	3,735	4,809	1,039	-13
<b>Net Total Income</b>	<b>15,666</b>	<b>15,405</b>	<b>16,496</b>	<b>17,227</b>	<b>16,750</b>	<b>17,689</b>	<b>19,347</b>	<b>21,011</b>	<b>64,794</b>	<b>74,797</b>	<b>17,809</b>	-6
YoY Growth (%)	34.0	2.2	3.6	13.7	6.9	14.8	17.3	22.0	12.0	15.4	13.7	
Operating Expenses	6,208	6,768	6,513	7,786	6,750	7,354	8,265	8,987	27,276	31,356	7,326	-8
<b>Operating Profit</b>	<b>9,458</b>	<b>8,637</b>	<b>9,983</b>	<b>9,441</b>	<b>10,000</b>	<b>10,335</b>	<b>11,082</b>	<b>12,024</b>	<b>37,518</b>	<b>43,440</b>	<b>10,483</b>	-5
YoY Growth (%)	26.3	-15.0	-6.0	5.1	5.7	19.7	11.0	27.4	0.7	15.8	10.8	
Provisions	6,453	1,985	1,551	4	5,264	3,908	3,047	2,030	9,992	14,249	4,234	24
<b>Profit before Tax</b>	<b>3,005</b>	<b>6,652</b>	<b>8,431</b>	<b>9,437</b>	<b>4,735</b>	<b>6,427</b>	<b>8,035</b>	<b>9,995</b>	<b>27,526</b>	<b>29,192</b>	<b>6,249</b>	-24
Tax Provisions	776	1,624	2,142	2,596	1,209	1,639	2,049	2,547	7,138	7,444	1,643	-26
<b>Net Profit</b>	<b>2,229</b>	<b>4,483</b>	<b>6,290</b>	<b>6,841</b>	<b>3,527</b>	<b>4,788</b>	<b>5,986</b>	<b>7,447</b>	<b>19,843</b>	<b>21,748</b>	<b>4,605</b>	-23
YoY Growth (%)	-114.6	-56.2	-29.6	13.9	58.2	6.8	-4.8	8.9	100.7	9.6	106.6	
<b>Key Operating Parameters (%)</b>												
Yield on loans (Cal)	15.8	15.2	15.6	15.4	14.9	15.0	15.4	15.5	15.3	15.2		
Cost of funds (Cal)	6.5	6.8	7.2	7.3	7.5	7.7	7.7	7.6	7.0	8.0		
Spreads (Cal)	9.3	8.4	8.5	8.0	7.4	7.3	7.7	7.9	8.3	7.2		
Credit Cost (Cal)	3.9	1.1	0.8	0.0	2.5	1.8	1.3	0.8	1.4	1.6		
Cost to Income Ratio	39.6	43.9	39.5	45.2	40.3	41.6	42.7	42.8	42.1	41.9		
Tax Rate	25.8	24.4	25.4	27.5	25.5	25.5	25.5	25.5	25.9	25.5		
<b>Balance Sheet Parameters</b>												
Loans (INR B)	631	696	734	795	832	882	918	967	795	967		
Change YoY (%)	11.9	21.6	26.0	31.4	31.9	26.8	25.0	21.7	31.5	21.7		
Borrowings (INR B)	591	673	709	749	790	836	880	921	749	921		
Change YoY (%)	6.3	20.4	24.3	34.3	33.7	24.2	24.0	22.9	34.3	22.9		
Loans/Borrowings (%)	106.8	103.3	103.5	106.0	105.4	105.5	104.3	105.0	106.0	105		
Debt/Equity (x)	3.8	4.3	4.3	4.4	4.5				4.6	5.2		
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR B)	54.4	49.4	45.9	37.2	37.7				37.2	40.5		
Gross Stage 3 (% on Assets)	8.0	6.7	5.9	4.5	4.3				4.5	4.0		
NS 3 (INR B)	22.8	20.7	18.8	15.1	15.0				15.1	16.2		
Net Stage 3 (% on Assets)	3.5	2.9	2.6	1.9	1.8				1.9	1.7		
PCR (%)	58.1	58.2	59.0	59.5	60.1				59.5	60.0		
ECL (%)	6.8	5.7	5.0	4.0	4.0				4.7	3.9		
<b>Return Ratios (%)</b>												
ROAA	1.2	2.2	2.8	2.9	1.4				2.3	2.1		
ROAE	5.7	11.4	15.7	16.3	8.2				12.6	12.8		

E: MOFSL estimates

**Demand in Vehicle Finance to sustain; newer businesses picking up**

- MMFS' business assets at ~INR867b grew 28% YoY. Disbursements at ~INR122b jumped 28% YoY too in 1QFY24. MMFS is benefitting from the strong sectoral tailwinds and we expect the volume momentum to sustain in the rest of FY24.
- Newer businesses (SME, Personal and Consumer Loans) now contribute ~10% to the Loan Mix (Mar'22: ~7%).

**Opex to remain elevated due to investments in technology**

- Opex-to-average assets in 1QFY24 improved ~55bp QoQ to 2.8% (PQ: 3.3%).
- Management guided that opex ratio will continue to remain elevated at ~3.0% in FY24 because of various internal projects across people, process and technology. We model opex-to-average assets of 3.0%/2.8% in FY24/FY25E.

**Asset quality continues to improve; write-offs will continue to taper-off**

- GS3/NS3 improved 20bp/10bp QoQ to 4.3%/1.8%. Stage 2 increased ~40bp QoQ to 6.4%. This resulted in 30+dpd deteriorating ~30bp QoQ to 10.7%. Restructured pool declined to 2.1% (PQ: 2.6%) of business assets.
- Despite floods in Northern India, the company has not experienced any significant impact on collection efficiency. While there may be temporary delinquencies, the collections are expected to swiftly recover.
- Management expressed confidence in the continued improvement of GS3 provided there are no major disruptions that are reported in the subsequent quarters. Write-offs could continue at current levels of ~INR3b per quarter and should gradually taper off with further improvement in asset quality.

**Highlights from the management commentary****Demand outlook**

- Overall economic activity and projects are in full swing - Excellent cash-flow position on the ground. Monsoon spread has been decent in all the relevant states. Support price will be good because of the elections around the corner.
- In the remainder of this year - Good festival season followed by a good harvest can lead to MMFS repeating the healthy performance of the previous year.

**PrimeX segment**

- This segment's margins are lower than the 'earn and pay' segment but it also has lower opex and credit costs. PrimeX will not be more than 10-12% of the customer mix. The compression in NIM will be more than offset by lower opex and credit costs.

**Yields, CoF and margins**

- Management does not expect CoF to come down for it to generate better margins. Increase in borrowing costs is caused by maturing liabilities being replaced with higher-cost borrowings. Margin improvement or stability will come from better yields driven by a change in product mix.

- Yields will start moving upwards gradually (because of re-pricing and change in product mix) but it is unlikely that margins will increase to the guided levels of ~7.5% quickly.
- MMFS has passed on a marginal increase in lending rates in select products.
- Higher yielding book (like tractors) could have matured, which would have led to the decline in the yields.
- There is no drastic shift away from the earn-and-pay customer segment. Faster growth in pre-owned vehicles will offset any margin compression.

#### Asset quality

- MMFS did not see any blip in the collection efficiency in the Northern part of the country despite the floods. However, there could be temporary delinquencies but the collection efficiency will rebound quickly.
- MMFS now does write-off every quarter (v/s earlier practice of doing it every six months).
- GS3 will continue to improve from hereon; no major disruptions on the ground; it will not see large write-offs (vs. what was done in the past).
- No significant interest income reversals; Under Ind-AS, interest accrual keeps happening on a net basis
- Restructured pool stood at ~INR18b as of Jun'23.
- GNPA (under IRACP) has also remained range-bound. Restructured assets of ~INR4.64b have been cured and classified under Stage 1 (from Stage 2).
- It will take one more year for the PCR across different stages to come down. Product/Customer mix will also have a role to play here.
- Write-offs for the next three quarters should be at levels similar to the current quarter.

#### Operating expenses

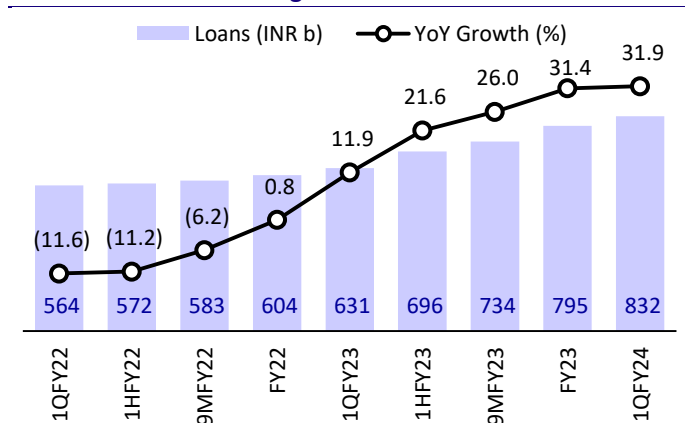
- Opex stood at 2.8% (as a % of average assets) and management expects it to inch up closer to ~3.0% for FY24.

#### Others

- The company has not experienced any significant difference in the door-to-door maturities of the loan book.
- ~42% of the borrowings are at floating rate.
- Tier 1 has declined ~100bp QoQ, which is because of higher disbursements/loan growth.

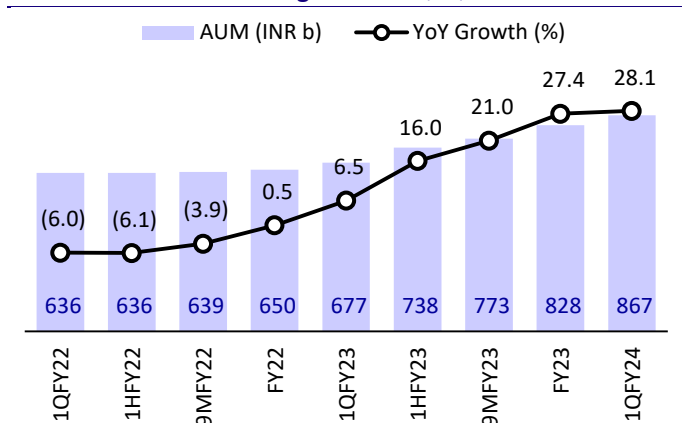
## Key exhibits

Exhibit 1: On-book loans grew ~32% YoY



Source: MOFSL, Company

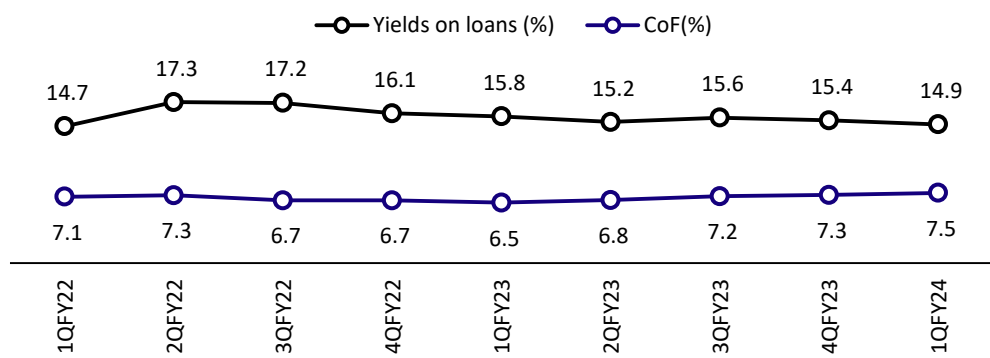
Exhibit 2: Business assets grew ~5% QoQ



Source: MOFSL, Company

Exhibit 3: CoF increased ~20bp sequentially

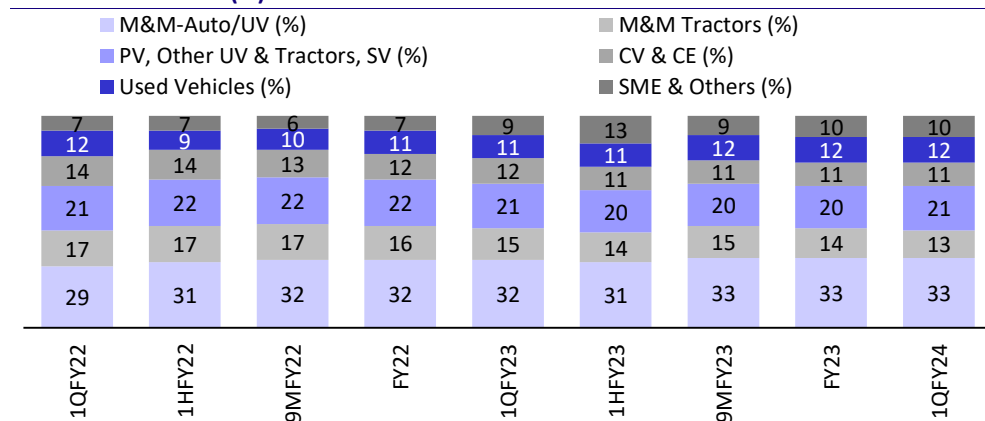
Spreads declined ~65bp QoQ



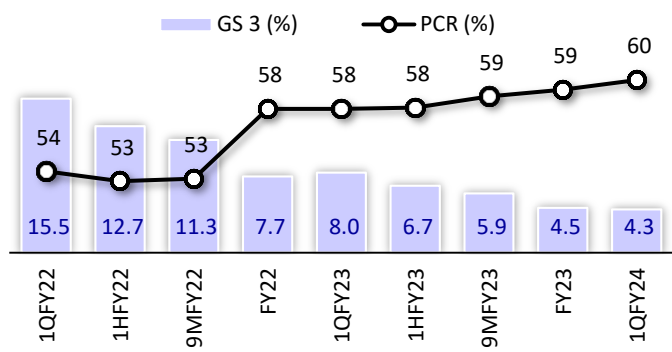
Source: MOFSL, Company

Exhibit 4: AUM mix (%)

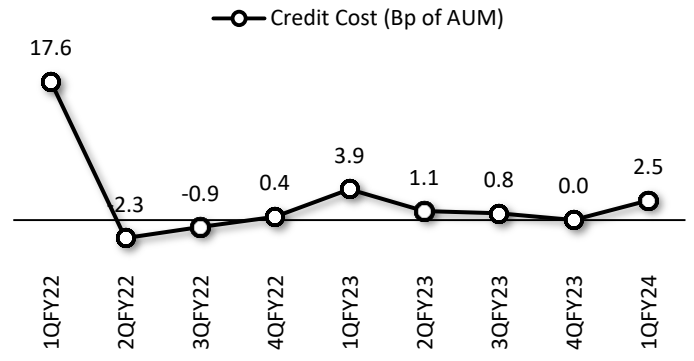
Share of M&amp;M tractors down 100bp QoQ to 13%



Source: MOFSL, Company

**Exhibit 5: GS3 improved to 4.3%, PCR increased ~100bp QoQ**

Source: MOFSL, Company, GS 3% on total assets

**Exhibit 6: Annualized credit costs in 1QFY24 at 2.5%**

Source: MOFSL, Company

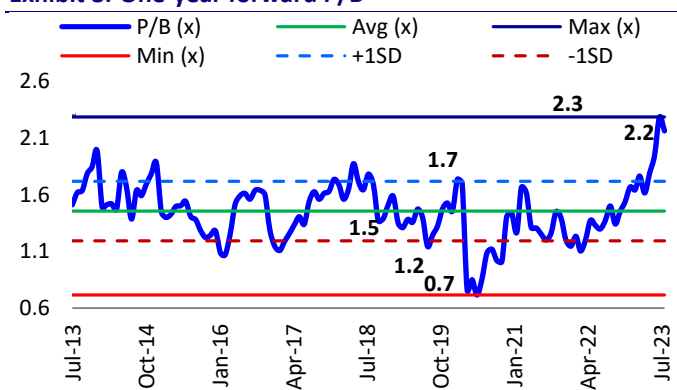
**Valuation and View**

- We remain hopeful that the company will demonstrate more predictability in its earnings performance. Strong liability franchise and deep moats in rural/semi-urban customer segments position MMFS well to reap rewards of the hard work that is ongoing into evolving this franchise.
- MMFS currently trades at 1.9x FY25E P/BV. Risk-Reward is favorable for a PAT CAGR of ~20% over FY23-FY25E and FY25E RoA/RoE of 2.3%/15.4%. **Maintain BUY with a revised TP of INR370 (based on 2.3x FY25E BVPS).**

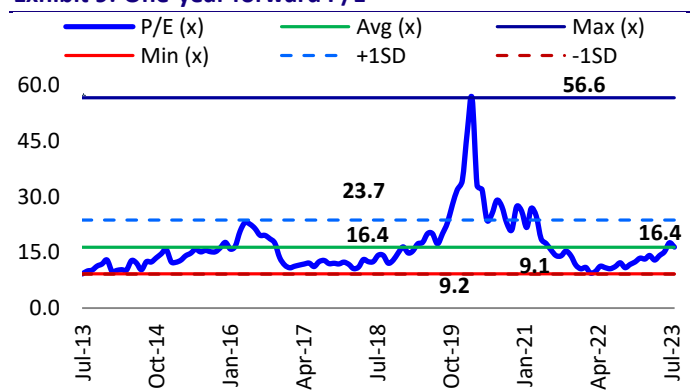
**Exhibit 7: We cut our FY24 EPS estimates by ~2% to factor in higher margin compression**

INR B	Old Est		New Est		% Change	
	FY24	FY25	FY24	FY25	FY24	FY25
NII (incl. Sec. Inc)	76.0	92.3	72.7	88.4	-4.3	-4.3
Other Income	1.7	2.1	2.1	2.6	26.9	26.9
<b>Total Income</b>	<b>77.6</b>	<b>94.4</b>	<b>74.8</b>	<b>91.0</b>	<b>-3.6</b>	<b>-3.6</b>
Operating Expenses	32.7	36.0	31.4	34.2	-4.2	-5.0
<b>Operating Profits</b>	<b>44.9</b>	<b>58.4</b>	<b>43.4</b>	<b>56.8</b>	<b>-3.3</b>	<b>-2.7</b>
Provisions	15.2	20.6	14.2	18.3	-6.1	-11.3
<b>PBT</b>	<b>29.7</b>	<b>37.8</b>	<b>29.2</b>	<b>38.5</b>	<b>-1.8</b>	<b>2.0</b>
Tax	7.6	9.7	7.4	9.8	-2.6	1.2
<b>PAT</b>	<b>22.1</b>	<b>28.1</b>	<b>21.7</b>	<b>28.7</b>	<b>-1.5</b>	<b>2.2</b>
Loans	965	1,129	967	1,131	0.2	0.2
Borrowings	919	1,075	921	1,078	0.2	0.2
Margins	8.0	8.2	7.7	7.8		
Credit Cost	1.7	1.9	1.6	1.7		
<b>RoA on AUM</b>	<b>2.1</b>	<b>2.3</b>	<b>2.1</b>	<b>2.3</b>		
<b>RoE</b>	<b>13.0</b>	<b>15.1</b>	<b>12.8</b>	<b>15.4</b>		

Source: MOFSL, Company

**Exhibit 8: One-year forward P/B**

Source: MOFSL, Company

**Exhibit 9: One-year forward P/E**

Source: MOFSL, Company

## Financials and valuations

Income Statement								INR m	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	60,127	65,842	86,146	99,417	1,02,670	94,756	1,06,826	1,33,884	1,63,688
Interest Expended	28,574	30,816	39,446	48,287	47,332	39,359	45,767	63,896	78,447
<b>Net Interest Income</b>	<b>31,553</b>	<b>35,025</b>	<b>46,700</b>	<b>51,130</b>	<b>55,338</b>	<b>55,398</b>	<b>61,059</b>	<b>69,988</b>	<b>85,242</b>
Change (%)	6.0	11.0	33.3	9.5	8.2	0.1	10.2	14.6	21.8
Other Operating Income	1,612	493	1,084	1,561	1,283	1,824	2,462	2,709	3,115
Other Income	636	517	869	1,473	1,277	609	1,273	2,100	2,625
<b>Net Income</b>	<b>33,801</b>	<b>36,036</b>	<b>48,653</b>	<b>54,164</b>	<b>57,897</b>	<b>57,830</b>	<b>64,794</b>	<b>74,797</b>	<b>90,982</b>
Change (%)	3.5	6.6	35.0	11.3	6.9	-0.1	12.0	15.4	21.6
Operating Expenses	14,509	14,336	18,476	20,182	16,325	20,577	27,276	31,356	34,196
<b>Operating Profits</b>	<b>19,292</b>	<b>21,700</b>	<b>30,177</b>	<b>33,982</b>	<b>41,573</b>	<b>37,253</b>	<b>37,518</b>	<b>43,440</b>	<b>56,786</b>
Change (%)	-7.6	12.5	39.1	12.6	22.3	-10.4	0.7	15.8	30.7
Provisions	13,091	5,681	6,352	20,545	37,348	23,683	9,992	14,249	18,253
<b>PBT</b>	<b>6,201</b>	<b>16,019</b>	<b>23,824</b>	<b>13,438</b>	<b>4,224</b>	<b>13,570</b>	<b>27,526</b>	<b>29,192</b>	<b>38,533</b>
Tax	2,198	5,907	8,254	4,374	873	3,682	7,138	7,444	9,826
Tax Rate (%)	35.5	36.9	34.6	32.5	20.7	27.1	25.9	25.5	25.5
<b>PAT</b>	<b>4,002</b>	<b>10,111</b>	<b>15,571</b>	<b>9,064</b>	<b>3,352</b>	<b>9,888</b>	<b>19,843</b>	<b>21,748</b>	<b>28,707</b>
Change (%)	-40.5	152.6	54.0	-41.8	-63.0	195.0	100.7	9.6	32.0
Proposed Dividend (Incl Tax)	1,610	2,938	4,779	0	986	4,439	7,402	8,155	10,048

Balance Sheet								INR m	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	1,130	1,229	1,230	1,231	2,464	2,466	2,467	2,467	2,467
Reserves & Surplus (Ex OCI)	64,994	92,052	1,03,072	1,12,408	1,43,666	1,49,376	1,61,020	1,74,613	1,93,272
<b>Net Worth</b>	<b>66,124</b>	<b>93,281</b>	<b>1,04,221</b>	<b>1,13,558</b>	<b>1,46,049</b>	<b>1,51,761</b>	<b>1,63,488</b>	<b>1,77,080</b>	<b>1,95,740</b>
Other Comprehensive Income	0	0	81	81	81	81	81	81	81
<b>Net Worth</b>	<b>66,124</b>	<b>93,281</b>	<b>1,04,302</b>	<b>1,13,639</b>	<b>1,46,130</b>	<b>1,51,842</b>	<b>1,63,568</b>	<b>1,77,161</b>	<b>1,95,821</b>
Change (%)	8.6	41.1	11.8	9.0	28.6	3.9	7.7	8.3	10.5
<b>Borrowings</b>	<b>3,52,656</b>	<b>4,00,932</b>	<b>5,28,469</b>	<b>5,94,623</b>	<b>5,85,767</b>	<b>5,58,139</b>	<b>7,49,459</b>	<b>9,21,037</b>	<b>10,77,602</b>
Change (%)	19.7	13.7	31.8	12.5	-1.5	-4.7	34.3	22.9	17.0
Other liabilities	24,404	33,715	38,009	32,451	38,469	42,906	49,219	54,634	60,643
<b>Total Liabilities</b>	<b>4,43,185</b>	<b>5,27,927</b>	<b>6,70,780</b>	<b>7,40,712</b>	<b>7,70,365</b>	<b>7,52,887</b>	<b>9,62,166</b>	<b>11,52,750</b>	<b>13,33,984</b>
Investments	19,843	27,341	37,917	59,110	1,16,073	84,403	99,886	1,13,870	1,27,535
Change (%)	29.3	37.8	38.7	55.9	96.4	-27.3	18.3	14.0	12.0
<b>Loans and Advances</b>	<b>4,06,000</b>	<b>4,85,470</b>	<b>6,12,496</b>	<b>6,49,935</b>	<b>5,99,474</b>	<b>6,04,446</b>	<b>7,94,547</b>	<b>9,67,088</b>	<b>11,31,482</b>
Change (%)	12.1	19.6	26.2	6.1	-7.8	0.8	31.5	21.7	17.0
Other assets	17,342	15,116	20,367	31,668	54,818	64,038	67,732	71,791	74,968
<b>Total Assets</b>	<b>4,43,185</b>	<b>5,27,927</b>	<b>6,70,780</b>	<b>7,40,712</b>	<b>7,70,365</b>	<b>7,52,887</b>	<b>9,62,166</b>	<b>11,52,750</b>	<b>13,33,984</b>

E: MOFSL Estimates



## Financials and valuations

Ratios	(%)								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Spreads Analysis (%)</b>									
Yield on Portfolio	15.7	14.8	15.7	15.8	16.4	15.7	15.3	15.2	15.6
Cost of Borrowings	8.8	8.2	8.5	8.6	8.0	6.9	7.0	8.0	8.0
Interest Spread	6.8	6.6	7.2	7.2	8.4	8.9	8.3	7.2	7.6
Net Interest Margin	7.7	7.3	8.1	7.8	8.3	8.6	8.3	7.7	7.8
<b>Profitability Ratios (%)</b>									
Cost/Income	42.9	39.8	38.0	37.3	28.2	35.6	42.1	41.9	37.6
Empl. Cost/Op. Exps.	46.9	58.1	59.0	56.9	62.2	56.9	58.1	57.6	59.2
RoE	6.3	12.7	15.8	8.3	2.6	6.6	12.6	12.8	15.4
RoA	1.0	2.1	2.6	1.3	0.4	1.3	2.3	2.1	2.3
<b>Asset Quality (%)</b>									
GNPA	35,341	50,270	40,706	57,467	57,857	49,760	37,170	40,471	46,677
NNPA	7,968	33,109	32,907	39,665	24,339	20,860	15,070	16,188	18,204
GNPA %	8.0	9.8	6.4	8.4	9.0	7.7	4.5	4.0	4.0
NNPA %	2.0	6.6	5.3	6.0	4.1	3.5	1.9	1.7	1.6
PCR %	77.5	34.1	19.2	31.0	57.9	58.1	59.5	60.0	61.0
Total Provisions/loans %	8.9	6.7	3.4	4.9	7.4	7.5	4.7	3.9	3.9
<b>Capitalisation (%)</b>									
CAR	18.1	22.7	20.3	19.6	26.0	27.8	22.5	18.3	17.2
Tier I	13.6	17.0	15.5	15.4	22.2	24.3	19.9	16.7	15.9
Tier II	4.5	5.7	4.8	4.2	3.8	3.5	2.6	1.6	1.3
Average Leverage on Assets (x)	6.6	6.1	6.1	6.5	5.8	5.1	5.4	6.2	6.7
<b>Valuation</b>									
Book Value (INR)	117	152	169	185	119	123	133	144	159
BV Growth (%)	8.5	29.7	11.7	8.9	-35.8	3.8	7.7	8.3	10.5
<b>Price-BV (x)</b>					<b>2.5</b>	<b>2.4</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>
Adjusted BV (INR)	107	114	132	136	104	110	123	134	148
<b>Price-ABV (x)</b>					<b>2.9</b>	<b>2.7</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>
OPS (INR)	34.1	35.3	49.1	55.2	33.7	30.2	30.4	35.2	46.0
OPS Growth (%)	-7.7	3.4	39.0	12.5	-38.9	-10.5	0.7	15.8	30.7
<b>Price-OP (x)</b>					<b>8.9</b>	<b>9.9</b>	<b>9.8</b>	<b>8.5</b>	<b>6.5</b>
EPS (INR)	7.1	16.5	25.3	14.7	2.7	8.0	16.1	17.6	23.3
EPS Growth (%)	-40.5	132.3	53.9	-41.8	-81.5	194.8	100.6	9.6	32.0
<b>Price-Earnings (x)</b>				<b>20.3</b>	<b>109.9</b>	<b>37.3</b>	<b>18.6</b>	<b>17.0</b>	<b>12.8</b>
Dividend	2.4	4.0	6.5	0.0	0.8	3.6	6.0	6.6	8.1
<b>Dividend Yield (%)</b>					<b>0.3</b>	<b>1.2</b>	<b>2.0</b>	<b>2.2</b>	<b>2.7</b>

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing



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 be 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, Depository participant services & distribution of various financial products. 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://online.reports.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 at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- 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.
- 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.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

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.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263;

www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000.

Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.