

Shriram Finance

BSE SENSEX

73,738

S&P CNX

22,368



Stock Info

Bloomberg	SHFL IN
Equity Shares (m)	375
M.Cap.(INRb)/(USDb)	912 / 10.9
52-Week Range (INR)	2606 / 1306
1, 6, 12 Rel. Per (%)	3/13/52
12M Avg Val (INR M)	2940
Free float (%)	74.6

Financials Snapshot (INR b)

Y/E March	FY24E	FY25E	FY26E
Total Income	201	237	281
PPOP	141	169	205
PAT	71.6	84.0	101.0
EPS (INR)	191	224	270
EPS Gr. (%)	20	17	20
Standalone BV (INR)	1,310	1,491	1,713

Valuations

NIM on AUM (%)	9.1	9.0	9.2
C/I ratio (%)	29.8	28.7	27.0
RoAA (%)	3.2	3.2	3.3
RoE (%)	15.5	16.0	16.8
Div. Payout (%)	21.6	21.2	21.2

Valuations

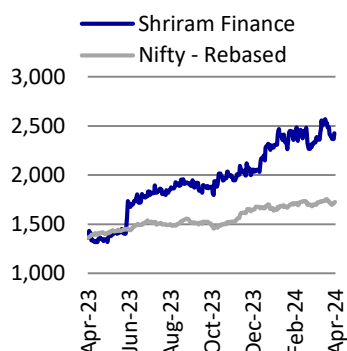
P/E (x)	12.7	10.8	9.0
P/BV (x)	1.9	1.6	1.4
Div. Yield (%)	1.7	2.0	2.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	25.4	25.4	25.5
DII	15.7	15.8	11.8
FII	53.9	54.0	49.8
Others	5.0	4.8	13.0

FII Includes depository receipts

Stock performance (one-year)


CMP: INR2,427
TP: INR2,900 (+19%)
Buy

Diversification and strong execution boost growth outlook

- Shriram Finance (SHFL), the merged entity of Shriram Transport Finance (SHTF) and Shriram City Union Finance (SCUF), has emerged as a stronger player in all its product segments. With a more diversified AUM mix and better access to liabilities, SHFL is effectively driving cross-selling of non-vehicle products to its customers.
- With a legacy spanning over four decades, SHFL has demonstrated its execution capability in the commercial vehicle (CV) segment across multiple credit and economic cycles. Gold loans and personal loans have now been rolled out across most of the branches. The company is also extending its 2W franchise to more locations and dealerships. In the MSME segment, the company wants to first gain insights into the respective micro-markets before scaling up.
- SHFL is rated AA+ by both CRISIL and India Ratings. Although our investment thesis is not predicated on a credit rating upgrade, we believe SHFL now has a strong case to work with credit rating agencies for an upgrade. A credit rating upgrade is an option value, which can help SHFL reduce its borrowing costs by 40-50bp.
- While there are already various views emerging about the CV uptrend, we believe that SHFL will be better placed compared to its vehicle finance peers because of its predominant presence in the used vehicle segment. We believe that CV demand will recover after the 2024 general elections and the Union Budget as investments resume in the infrastructure and construction/real estate sectors. Moreover, SHFL is yet to fully tap its expanded distribution network (from the merger) for non-CV products.
- Higher cross-selling of non-vehicle products by leveraging its enhanced distribution network would translate into a CAGR of 17% in AUM and 19% in PAT over FY24-26E. This implies RoA/RoE of 3.3%/17% in FY26E.
- SHFL's valuation multiple has already re-rated from 1.0x to 1.6x 1-year forward P/BV over the last 12 months. This re-rating was driven by the fading of the supply overhang after the exits of a few large shareholders and steady execution on AUM growth, asset quality and profitability after the merger.
- We see scope for further re-rating if the company is able to sustain the execution on AUM growth, margins and credit costs. SHFL is our preferred pick among diversified lenders with a TP of INR2,900/- (based on 1.7x FY26E P/BV). The monetization of a part or complete stake in Shriram Housing can further unlock the optionality value.
- Key downside risks include: a) a deterioration in macroeconomic indicators could impact CV demand; and b) asset quality deterioration and higher delinquencies in the personal loans segment.

Diversified loan mix; strong loan growth in the non-vehicle products

- Vehicle finance (excluding 2W) forms ~76% of the company's AUM mix, with the balance contributed by products of erstwhile SCUF (MSME, 2W, gold loans and personal loans). In the near term, we expect a CAGR of ~16% in the CV portfolio (erstwhile SHTF business) and a CAGR of ~21% in the non-vehicle portfolio (including 2W). Combined, we expect SHFL to register a CAGR of ~17% in AUM over FY24-26.

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Gautam Rawtani** (Gautam.Rawtani@MotilalOswal.com)

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

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

- The shift in the product mix to high-yielding non-vehicle products will also be marginally accretive to the blended yields. A large proportion of this improvement in yields is expected to be driven by a higher proportion of personal loans and MSME loans in the AUM mix.

Strong ability to sustain margins with benefits on both asset and liability sides

- The company's target customer segment gives it pricing power and allows it to steer clear of any irrational pricing in the marketplace. Occasionally in the past, SHFL struggled to access liabilities, but it has always been able to pass on its higher borrowing costs to customers, with little impact on its margins.
- After the merger, it is reaping the re-pricing benefit on the SCUF portion of the liabilities (as and when they come up for maturity/renewal). If the company is able to work with credit rating agencies for an upgrade, it can reduce the borrowing cost by ~40-50bp. Moreover, with an improving proportion of 2W and gold loan products (short-tenured) in the AUM mix, the company can also increase (if need be) the proportion of CPs in its liability mix.
- We estimate NIM on AUM of 9.0%/9.2% in FY25/FY26 (vs. 9.1% in FY24) without considering any positive impact on the credit rating of SHFL.

Productivity improvements and scale to drive gradual improvement in cost ratios

- There has been no significant rationalization of branches or staff after the merger. Instead, SHFL has added ~12-13k employees over the last one year to augment the sales team for cross-selling SCUF products.
- We do not expect any significant operating synergies from the merger to accrue in the years ahead. We estimate a gradual decline in the opex-to-assets ratio to 2.4% by FY26 from 2.7% in FY24E, primarily driven by scale benefits and improvements in productivity.

Asset quality improving; credit costs to hover around 2.5%

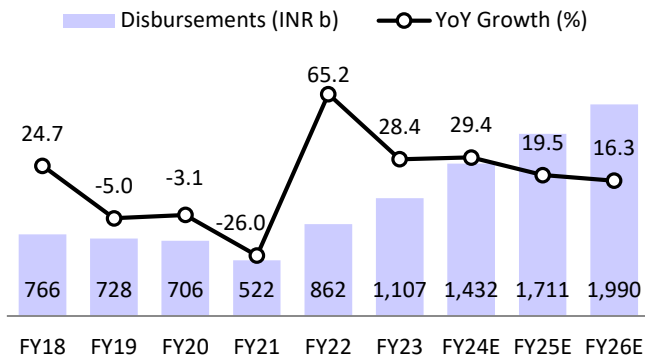
- Higher prices of new CVs have driven up the prices of used CVs. Also, the repossessions have not been significant since the earnings of CV customers have been good. Higher utilization of vehicles has led to an improvement in asset quality. PL is disbursed as a cross-sell product to 2W customers or repeat customers who have earlier completed their PL/2W loans.
- Before Covid, the merged entity (pro-forma) operated at a credit cost of ~2.6% over FY18/FY19. Along with a steady improvement in Gross Stage 3, we estimate a credit cost of ~2.5% (as % of average loans) in FY25 and FY26.

Valuation and view: The sum is greater than the parts – execution better as merged entity; maintain BUY

- While the merger has served its intended purpose of giving exits to some large investors of the erstwhile Shriram Capital, it has also allowed SHFL to offer the complete product suite across the customer lifecycle. Moreover, it is now also able to offer all the lending/investing/insurance products based on customer needs.
- The merged entity, in our view, has emerged stronger than the respective standalone businesses of SHTF and SCUF. It continues to leverage the expanded distribution network to offer a much wider product bouquet to its customers. SHFL will continue to execute well to deliver a CAGR of 17% in AUM and a CAGR of 19% in PAT over FY24-26E. This translates into RoA/RoE of 3.3%/17% in FY26E. We maintain our BUY rating on the stock with a TP of INR2,900 (premised on 1.7x FY26E standalone BV).

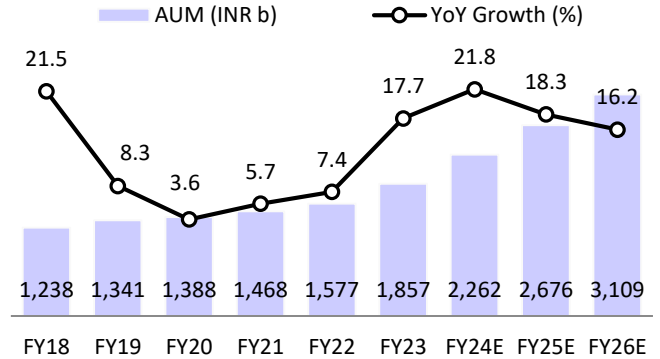
Story in charts

Exhibit 1: Expect disbursement CAGR of 18% over FY24-26...



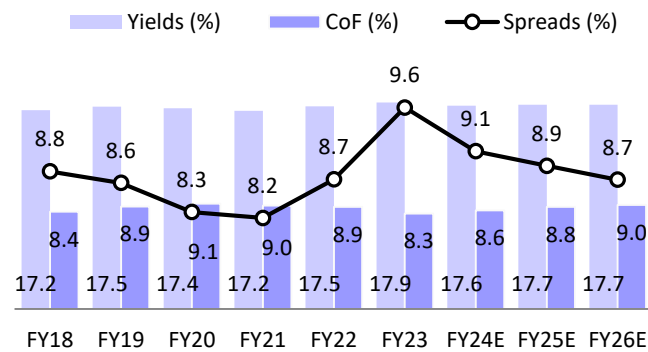
Source: MOFSL, Company

Exhibit 2: ...leading to AUM CAGR of ~17% over this period



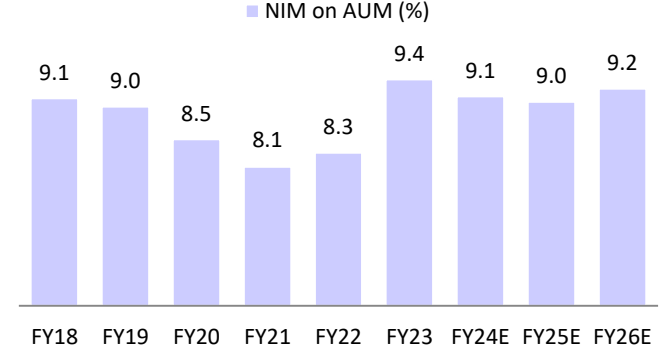
Source: MOFSL, Company

Exhibit 3: Spreads likely to moderate over FY25/FY26 (%)



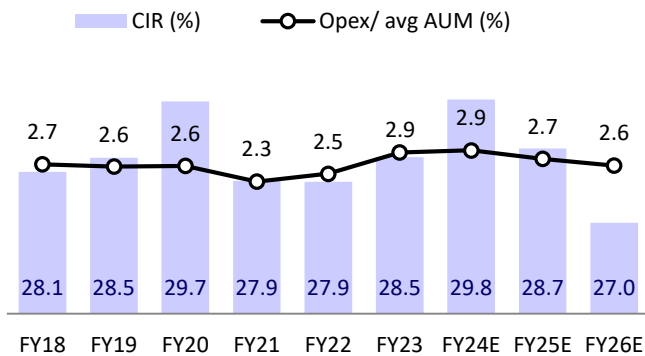
Source: MOFSL, Company

Exhibit 4: NIM expected to expand to ~9.2% in FY26 (%)



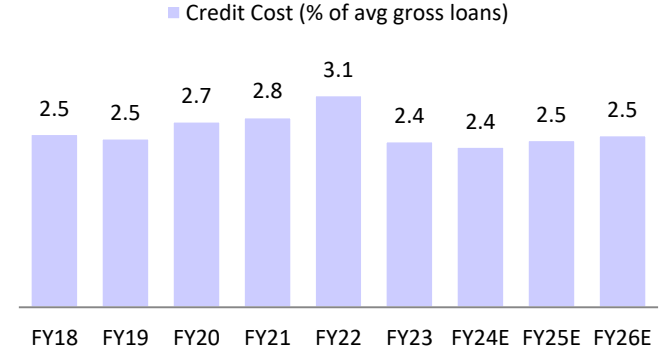
Source: MOFSL, Company

Exhibit 5: Cost ratio to decline due to economies of scale (%)



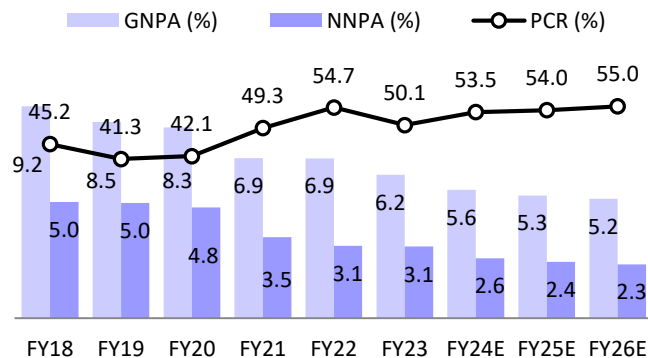
Source: MOFSL, Company

Exhibit 6: Estimate normalized credit costs of 2.5% (%)



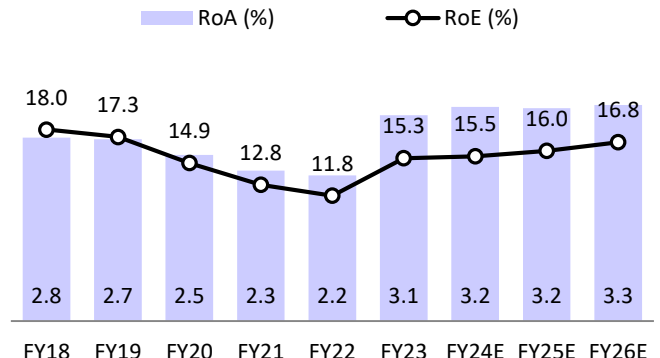
Source: MOFSL, Company

Exhibit 7: Asset quality to exhibit gradual improvement (%)



Source: MOFSL, Company

Exhibit 8: Expect RoA/RoE of 3.3%/17% in FY26



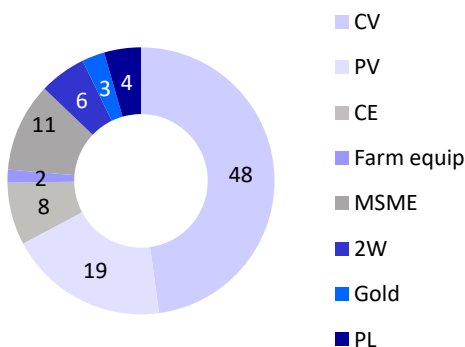
Source: MOFSL, Company

Improved geographic reach and distribution

Ability to scale up faster in non-vehicle products after merger

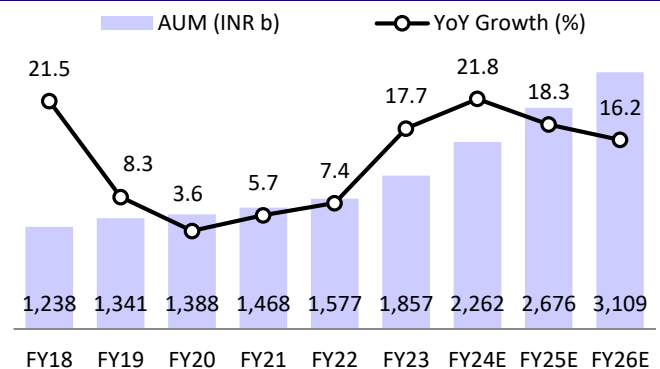
- The merger has led to greater efficiency and scale, with the merged entity enjoying the benefit of 1) a diversified product base, which should help counter cyclicity in the CV finance business; and b) larger geographic and distribution reach, which should aid in cross-selling and scaling up the business.
- After the merger, SHFL has a diversified loan book, offering products such as MSME, gold loans and PL. However, vehicle finance (including CV, PV, CE and farm equipment) still dominates the AUM mix at ~76%.
- After the 2024 general elections and the Union Budget, demand for CVs and construction equipment is expected to recover, supported by infrastructure spending by the government and a revival in construction activity. This should act as a tailwind for SHFL, which is a leader in used CV financing.
- Before the merger, MSME lending in SCUF was largely focused on the southern and western parts of India. However, after the merger, the company's geographic reach, distribution network, and customer base have expanded significantly. This has provided it with the impetus and ability to scale up the MSME, 2W, and gold loan businesses in other geographies as well. The MSME business currently accounts for ~11% of the AUM mix and its share in incremental disbursements is expected to meaningfully increase over the next few years.
- Considering the existing leadership of the company in the CV and 2W segments and the potential for scaling up other product segments, we model a CAGR of 18% in disbursement and 17% in AUM over FY24-26E.

Exhibit 9: AUM mix (%)



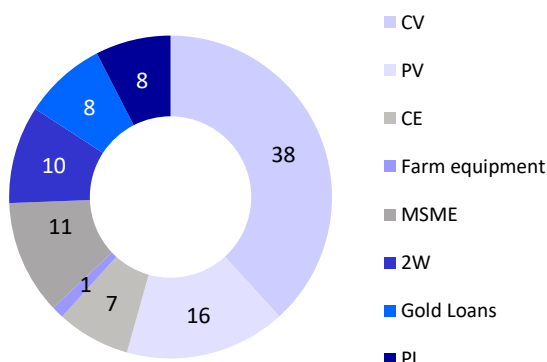
Source: MOFSL, Company; Note: Data as of Dec'23

Exhibit 10: AUM CAGR of ~17% over FY24-26E



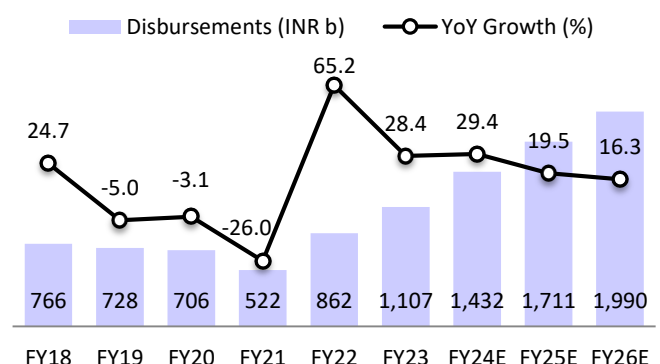
Source: MOFSL, Company

Exhibit 11: Disbursement mix (%)



Source: MOFSL, Company; Note: Data for 3QFY24

Exhibit 12: Expect disbursement CAGR of ~18% over FY24-26

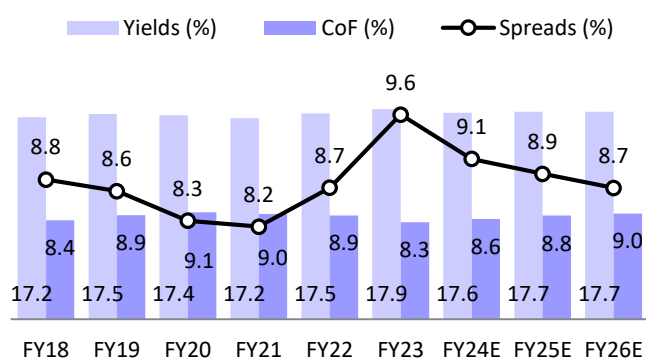


Source: MOFSL, Company

Prudent liability management practices restrict NIM compression

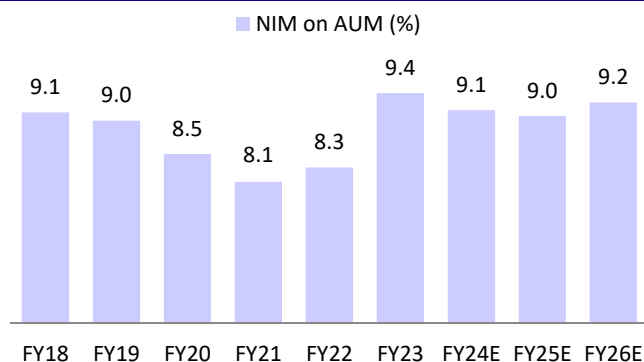
- The policy repo rate rose by ~250bp in FY23 and given the fixed-rate lending nature of the vehicle finance (including 2W) segment (which forms ~82% of the AUM), NIM was expected to moderate in FY24 (likely declined ~20bp YoY in FY24E).
- The company's target customer segment gives it pricing power and allows it to steer clear of any irrational pricing in the marketplace. Occasionally in the past, SHFL struggled to access liabilities but it has always been able to pass on its higher borrowing costs to customers, with little impact on margins.
- After the merger, it is reaping the re-pricing benefit (~20-25bp) on the SCUF portion of liabilities (as and when they come up for maturity/renewal).
- SHFL anticipates a credit rating upgrade as it is perceived as a diversified lender with a Pan-India presence, whereas SHTF was perceived as a mono-line vehicle finance company and SCUF was seen as a south-concentrated regional company. If the company is able to work with credit rating agencies for an upgrade to AAA, it can incrementally reduce its borrowing costs by ~40-50bp. However, we believe that this is an option value and we do not factor in any credit rating upgrade in our estimates.
- From hereon, we expect a minor ~10bp NIM compression in FY25, due to a rise in CoB. Subsequently, we expect NIM to bottom out and expand by ~20bp in FY26. We estimate NIM on AUM of 9.0%/9.2% in FY25/FY26 (vs. 9.1% in FY24E).

Exhibit 13: Spreads likely to moderate over FY25/FY26



Source: MOFSL, Company

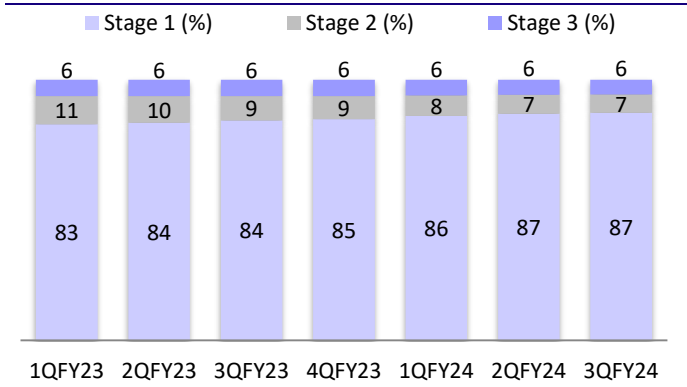
Exhibit 14: NIM expected to expand to ~9.2% in FY26 (%)



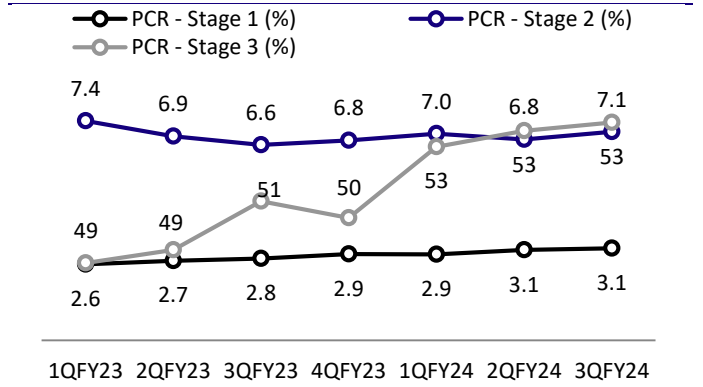
Source: MOFSL, Company

Asset quality seeing gradual improvement

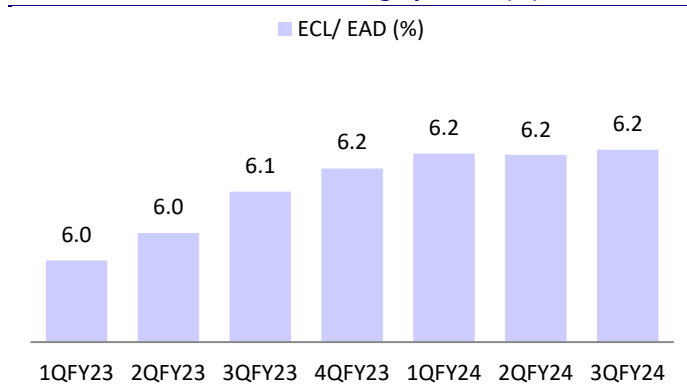
- A competent collection team, combined with a robust underwriting model (improved over the years), helped the company withstand the adverse economic conditions during the pandemic and emerge stronger.
- The upturn in economic activities has led to lower repossessions and improvement in collections on repossessed vehicles. Asset quality remains healthy, with GS3 at 5.7% and 30+dpd at ~13%. The company has effectively demonstrated its ability to restrict flows to higher buckets, with 30+dpd declining ~7pp over the last two years.
- The company is adequately provided with ECL/EAD at 6.2%, PCR on GS3 at 53% and PCR on 30+dpd at ~28%. We expect a gradual improvement in GS3 to ~5.2% by FY26 and model a credit cost of ~2.5% each in FY25 and FY26.

Exhibit 15: Gross Loans - Stage-wise (%)

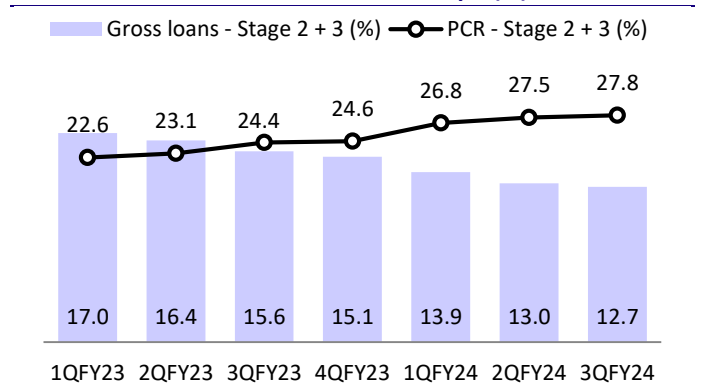
Source: MOFSL, Company

Exhibit 16: Adequate provision on Stage 3 with PCR of ~53% (%)

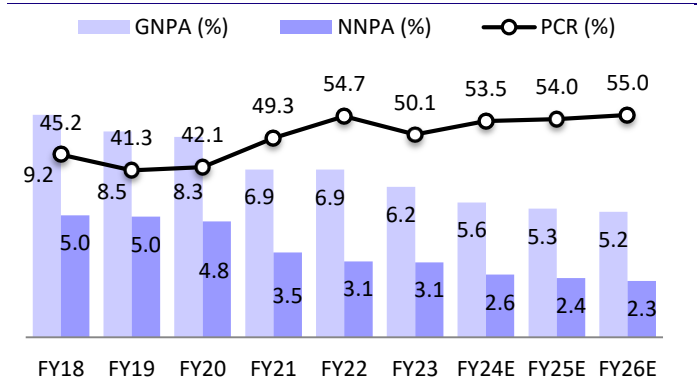
Source: MOFSL, Company

Exhibit 17: ECL/EAD remained largely stable (%)

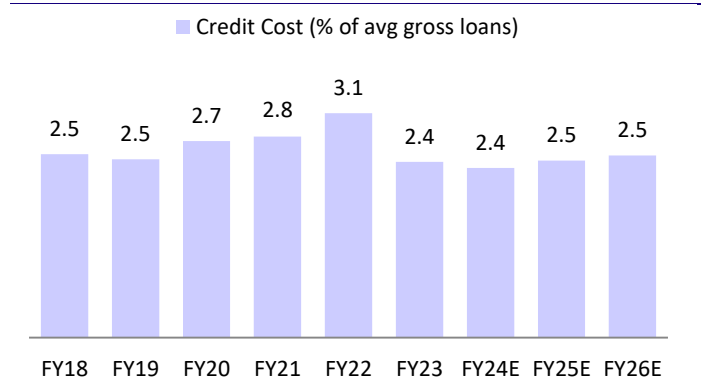
Source: MOFSL, Company

Exhibit 18: Gradual decline seen in 30+dpd (%)

Source: MOFSL, Company

Exhibit 19: Asset quality to see gradual improvement

Source: MOFSL, Company

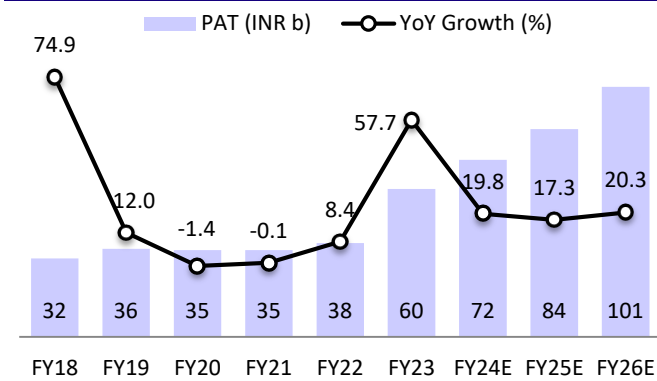
Exhibit 20: Estimate normalized credit costs at ~2.5%

Source: MOFSL, Company

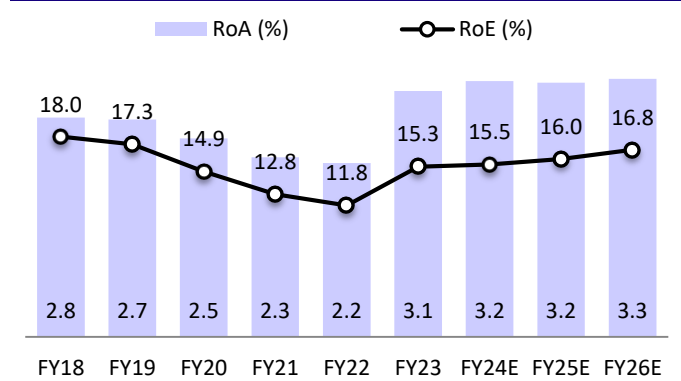
The sum is greater than the parts - execution better as a merged entity

- After the merger, SHFL is leveraging its large customer base to cross-sell varied products, such as lending/ investing/insurance products over the customer lifecycle.
- SHFL will stick to its customer-centric approach and will continue to expand its customer base by lending to new-to-credit (NTC) customers. It plans to acquire customers through its own branches, and not through intermediaries. Over the years, the company has improved its underwriting, which has enabled it to lend to NTC customers without compromising its asset quality.

- The merger has improved the profitability of SHFL as the company has delivered better RoA/RoE as a merged franchise than as standalone businesses. We expect higher cross-selling of non-vehicle products and better distribution of investment/insurance products to translate into an AUM and PAT CAGR of 17% and 19% over FY24-FY26E. This translates into RoA/RoE of 3.3%/17% in FY26E.

Exhibit 21: PAT CAGR of ~19% over FY24-FY26E...

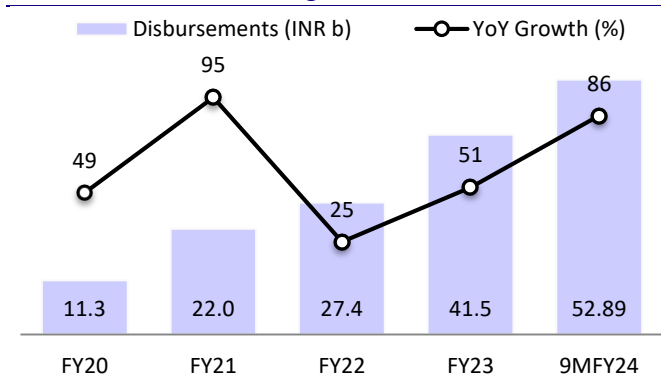
Source: MOFSL, Company

Exhibit 22: ...leading to RoA/RoE of 3.3%/17% in FY26

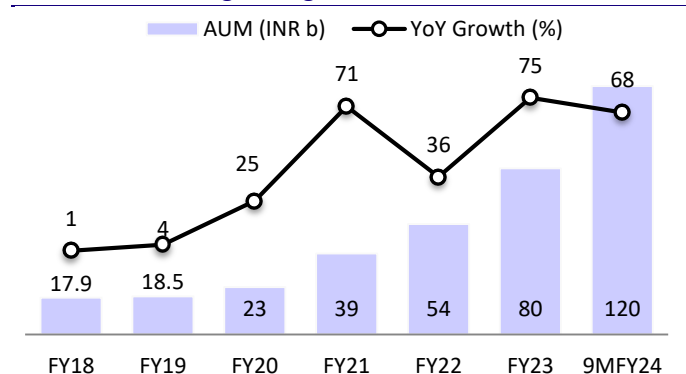
Source: MOFSL, Company

Shriram Housing Finance

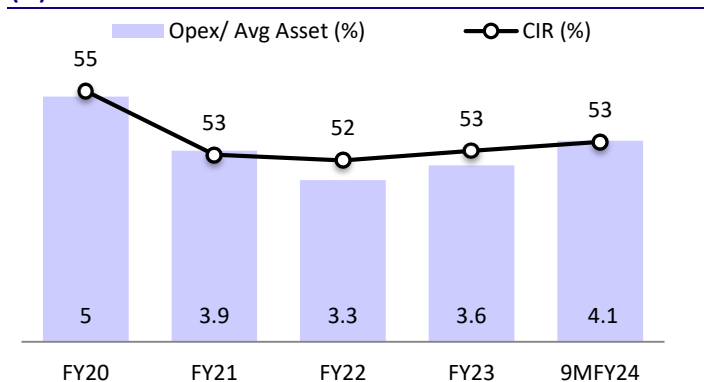
- Shriram Housing Finance, a subsidiary of SHFL, has a presence across 16 states with a distribution network of ~150 branches and employee strength of over 3,160 as of Dec'23.
- It offers home loans to individuals and families for purchase, construction, renovation, and extension of residential properties. Along with home loans (~71% of the AUM mix), the company also offers loan against property and commercial finance loans. It is primarily focused on financing self-employed customers (78% of total AUM). Around 78% of the customers have a CIBIL score of more than 700, with an average CIBIL score of 742 as of Dec'23.
- The company reported an AUM CAGR of ~52% over FY20-23 and ~68% YoY growth in AUM to ~INR120b as of Dec'23. The company is a dominant player in Tamil Nadu and Gujarat and has grown its loan book in a risk-calibrated manner, with GNPA at 1.0% and NNPA at 0.75% as of Dec'23.
- The company plans to focus on building a sustainable and granular portfolio and scale the distribution channel by leveraging the strong group network.

Exhibit 23: Disbursements grew 86% YoY in 9MFY24 ...

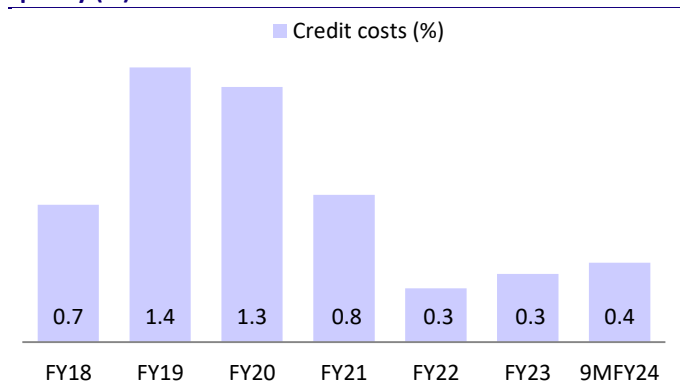
Source: MOFSL, Company

Exhibit 24: ...driving AUM growth of 68% YoY

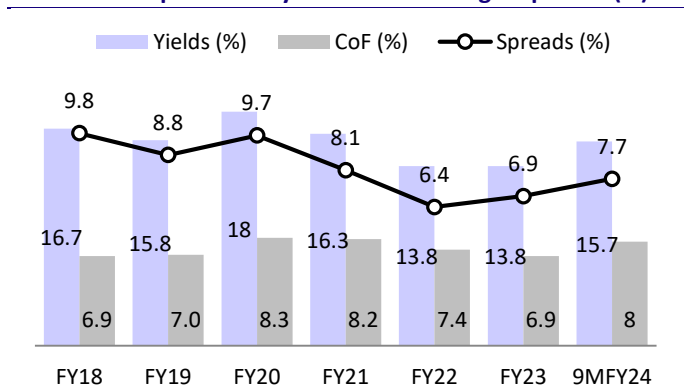
Source: MOFSL, Company

Exhibit 25: Cost ratios higher due to investments in distribution (%)

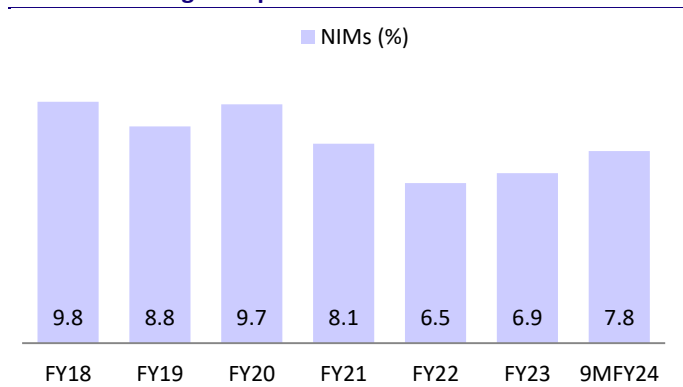
Source: MOFSL, Company

Exhibit 26: Credit costs increased with improvement in asset quality (%)

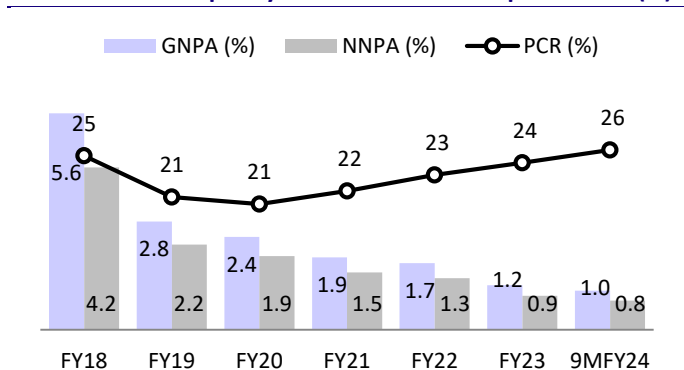
Source: MOFSL, Company

Exhibit 27: Expansion in yields led to stronger spreads (%)

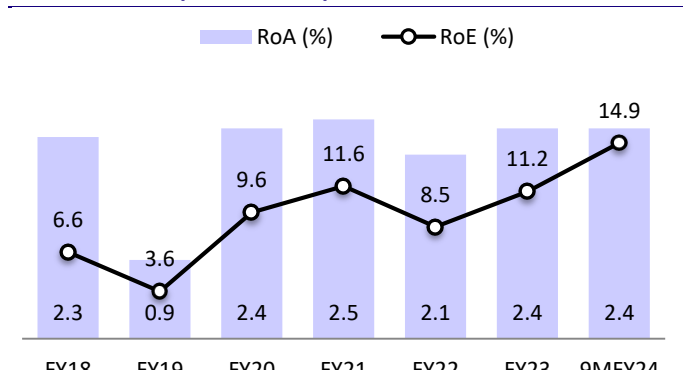
Source: MOFSL, Company

Exhibit 28: Margins expanded to ~7.8% in 9MFY24

Source: MOFSL, Company

Exhibit 29: Asset quality exhibited secular improvement (%)

Source: MOFSL, Company

Exhibit 30: RoA/RoE of 2.4%/15% in 9MFY24

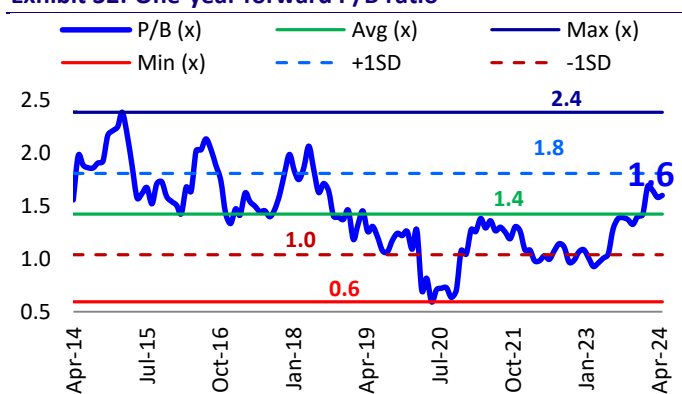
Source: MOFSL, Company

Exhibit 31: Shriram Finance- Du-Pont analysis

Y/E MARCH	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Interest Income	16.2	15.7	14.7	14.4	14.8	15.1	15.5	15.8
Interest Expended	7.3	7.4	7.2	7.1	6.5	6.7	7.0	7.2
Net Interest Income	8.9	8.3	7.5	7.3	8.3	8.4	8.5	8.6
Non-interest income	0.2	0.4	0.3	0.5	0.6	0.6	0.5	0.5
Net Total Income	9.1	8.6	7.8	7.8	8.9	9.0	9.0	9.1
Operating Expenses	2.6	2.6	2.2	2.2	2.5	2.7	2.6	2.4
- Employee expenses	1.3	1.3	1.1	1.1	1.3	1.5	1.5	1.4
- Other expenses	1.3	1.2	1.1	1.0	1.2	1.2	1.1	1.0
PPoP	6.5	6.1	5.6	5.6	6.4	6.3	6.4	6.6
Provisions/write offs	2.4	2.6	2.6	2.7	2.2	2.0	2.1	2.2
PBT	4.1	3.4	3.0	2.9	4.2	4.3	4.3	4.4
Tax	1.3	0.9	0.8	0.7	1.1	1.1	1.1	1.1
RoA	2.7	2.5	2.3	2.2	3.1	3.2	3.2	3.3
Avg. Leverage	6.3	5.9	5.7	5.4	4.9	4.8	5.0	5.2
RoE	17.3	14.9	12.8	11.8	15.3	15.5	16.0	16.8

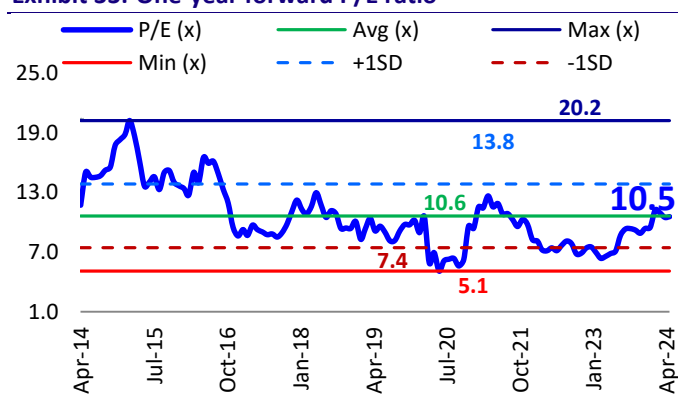
Source: MOFSL, Company

Exhibit 32: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 33: One-year forward P/E ratio



Source: MOFSL, Company

Financials and valuations

Income Statement								(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	2,10,407	2,19,646	2,26,997	2,48,605	2,86,074	3,35,797	4,05,677	4,90,108
Interest Expenses	94,975	1,04,105	1,11,881	1,22,668	1,25,458	1,48,262	1,82,862	2,23,383
Net Interest Income	1,15,432	1,15,541	1,15,116	1,25,936	1,60,616	1,87,535	2,22,814	2,66,725
Change (%)	12.7	0.1	-0.4	9.4	27.5	16.8	18.8	19.7
Other Operating Income	2,605	4,748	4,514	9,214	11,648	12,788	13,602	14,282
Other Income	258	235	237	227	307	332	382	439
Total Income	1,18,295	1,20,524	1,19,867	1,35,378	1,72,571	2,00,656	2,36,798	2,81,446
Change (%)	11.3	1.9	-0.5	12.9	27.5	16.3	18.0	18.9
Total Operating Expenses	33,666	35,803	33,500	37,805	49,131	59,703	67,877	76,031
Change (%)	12.6	6.3	-6.4	12.8	30.0	21.5	13.7	12.0
Employee Expenses	17,210	18,585	16,699	19,695	25,061	32,329	38,148	44,252
Depreciation	742	2,232	2,172	2,137	5,242	5,684	5,870	6,012
Other Operating Expenses	15,715	14,986	14,629	15,973	18,828	21,690	23,859	25,767
Operating Profit	84,629	84,721	86,367	97,573	1,23,441	1,40,953	1,68,921	2,05,415
Change (%)	10.8	0.1	1.9	13.0	26.5	14.2	19.8	21.6
Total Provisions	31,643	36,786	39,693	47,485	41,592	44,837	56,153	69,778
% Loan loss provisions to Avg loans ratio	2.5	2.7	2.8	3.1	2.4	2.4	2.5	2.5
PBT	52,986	47,935	46,674	50,088	81,849	96,117	1,12,768	1,35,637
Tax Provisions	17,457	12,913	11,692	12,164	22,056	24,510	28,756	34,588
Tax Rate (%)	32.9	26.9	25.1	24.3	26.9	25.5	25.5	25.5
PAT	35,529	35,022	34,982	37,925	59,793	71,607	84,012	1,01,050
Change (%)	12.0	-1.4	-0.1	8.4	57.7	19.8	17.3	20.3

Balance Sheet								(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	2,929	2,929	3,191	3,371	3,744	3,744	3,744	3,744
Reserves & Surplus	2,17,432	2,47,288	2,91,764	3,43,760	4,29,322	4,86,701	5,54,533	6,37,814
Net Worth	2,20,361	2,50,217	2,94,954	3,47,132	4,33,066	4,90,445	5,58,277	6,41,558
Borrowings	11,04,851	11,75,376	13,17,617	14,51,285	15,79,063	18,89,045	22,48,111	27,04,947
Change (%)	6.7	6.4	12.1	10.1	8.8	19.6	19.0	20.3
Other liabilities	21,865	25,436	26,317	23,320	24,509	26,960	29,656	32,622
Total Liabilities	13,47,077	14,51,029	16,38,888	18,21,754	20,36,639	24,06,450	28,36,044	33,79,127
Cash and bank balances	52,657	1,03,773	2,16,562	2,29,679	1,58,174	1,40,071	1,71,734	1,45,206
Investments	48,653	35,326	42,152	86,455	85,651	91,646	89,813	88,017
Loans	12,37,406	12,88,442	13,57,232	14,76,890	17,19,846	20,96,029	24,87,887	30,50,061
Change (%)	6.2	4.1	5.3	8.8	16.5	21.9	18.7	22.6
Fixed Assets	2,283	7,181	6,599	6,467	19,834	20,826	21,867	22,961
Deferred tax Assets	1,241	694	6,964	9,109	17,439	15,695	14,126	11,301
Goodwill					14,067	14,067	14,067	14,067
Other Assets	4,838	15,613	9,379	13,137	21,627	28,115	36,550	47,515
Total Assets	13,47,077	14,51,029	16,38,888	18,21,737	20,36,639	24,06,450	28,36,044	33,79,127

Financials and valuations

Ratios	(INR M)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Spreads Analysis (%)								
Avg. Yield on Loans	17.5	17.4	17.2	17.5	17.9	17.6	17.7	17.7
Avg Cost of Funds	8.9	9.1	9.0	8.9	8.3	8.6	8.8	9.0
Spread of loans	8.6	8.3	8.2	8.7	9.6	9.1	8.9	8.7
NIM (on loans)	9.6	9.1	8.7	8.9	10.0	9.8	9.7	9.6
NIM (on AUM)	9.0	8.5	8.1	8.3	9.4	9.1	9.0	9.2
C/I ratio	28.5	29.7	27.9	27.9	28.5	29.8	28.7	27.0
Profitability Ratios (%)								
RoE	17.3	14.9	12.8	11.8	15.3	15.5	16.0	16.8
RoA	2.7	2.5	2.3	2.2	3.1	3.2	3.2	3.3
Int. Expended / Int.Earned	45.1	47.4	49.3	49.3	43.9	44.2	45.1	45.6
Other Inc. / Net Income	2.4	4.1	4.0	7.0	6.9	6.5	5.9	5.2
Efficiency Ratios (%)								
Op. Exps. / Net Income	28.5	29.7	27.9	27.9	28.5	29.8	28.7	27.0
Empl. Cost/Op. Exps.	51.1	51.9	49.8	52.1	51.0	54.1	56.2	58.2
Asset-Liability Profile (%)								
Loans/Borrowings Ratio	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.1
Assets/Equity	6.1	5.8	5.6	5.2	4.7	4.9	5.1	5.3
Asset quality (%)								
GNPA	1,11,930	1,14,400	1,01,688	1,09,762	1,13,822	1,23,905	1,39,504	1,57,901
NNPA	65,678	66,256	51,523	49,731	56,749	57,616	64,172	71,056
GNPA ratio	8.5	8.3	6.9	6.9	6.2	5.6	5.3	5.2
NNPA ratio	5.0	4.8	3.5	3.1	3.1	2.6	2.4	2.3
PCR	41.3	42.1	49.3	54.7	50.1	53.5	54.0	55.0
Credit Costs (% of loans)	2.5	2.7	2.8	3.1	2.4	2.4	2.5	2.5
Valuations								
Book Value (INR)	752	854	924	1,030	1,157	1,310	1,491	1,713
BV Growth (%)	16	14	8	11	12	13	14	15
P/BV	3.2	2.8	2.6	2.4	2.1	1.9	1.6	1.4
EPS (INR)	121	120	110	112	160	191	224	270
EPS Growth (%)	12.0	-1.4	-8.3	2.6	42.0	19.8	17.3	20.3
P/E	20.0	20.3	22.1	21.6	15.2	12.7	10.8	9.0
DPS	14	5	21	23	35	41	47	57
Dividend Yield (%)	0.6	0.2	0.9	1.0	1.4	1.7	2.0	2.4

E: MOFSL Estimates

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

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall 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. 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, 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") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

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.

This report is meant for the clients of Motilal Oswal only.

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

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.