Financials

Company Update

Change in Estimates ☑ Target ☑ Reco ☐

24 July 2024

M&M Financial Services

Rating: **Buy**
Target Price (12-mth): Rs.340
Share Price: Rs.295

Steady growth, better asset quality; maintaining a Buy

Q1 core income was in line with estimates, but lower provisions led to M&M Financial Services' earnings beat. On its strong parentage, healthy growth and potential for improvement, we retain our Buy rating. We raise our FY26e. At our higher TP of Rs340, the stock would trade at 1.7x FY26e BV (earlier 1.6x FY26e).

Steady AUM growth, led by premiumization. Barring tractors, disbursements were healthy, which drove AUM up 23% y/y, 4% q/q. The share of pre-owned vehicles continued to improve (up 100bps y/y) to 13%. SME finance grew faster than other products. We build in a modest 21% loan CAGR over FY24-26.

Lower spread; to further improve. Spreads reduced 20bps sequentially on more prudent lending. Management aspires to operating income increasing as all products have seen upward repricing of rates. Besides, fee income is likely to pick up traction. Cost-income increased 58bps q/q to 50.01% on subdued income. This is one of the core improvement areas for management.

Credit cost improves in a seasonally weak quarter. Asset quality improved, with GS3 at 3.6%, 80bps lower q/q. Stress asset formation was 30bps y/y lower at 6.1%. Management expects asset quality to be stable. This, in a quarter when peer NBFCs are facing credit cost pressures.

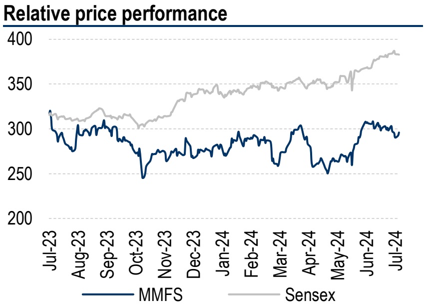
Valuation. Our TP of Rs340 is based on the two-stage DDM model. This implies ~1.9x and ~1.7x P/BV multiples on FY25e and FY26e. **Risks:** Higher slippages, less-than-expected loan growth.

Key data	MMFS IN
52-week high / low	Rs.327 / 237
Sensex / Nifty	80429 / 24479
3-m average volume	$14.8m
Market cap	Rs.366bn / $4,367.5m
Shares outstanding	1236m

Shareholding pattern (%)	Jun'24	Mar'24	Dec'23
Promoters	52.2	52.2	52.2
- of which, Pledged	-	-	-
Free float	47.8	47.8	47.8
- Foreign institutions	10.1	12.0	12.7
- Domestic institutions	30.7	28.6	27.0
- Public	7.1	7.3	8.2

Estimates revision (%)	FY25e	FY26e
NII	(0.1)	(0.4)
PPOP	1.3	2.3
PAT	(2.0)	3.6

Relative price performance



Source: Bloomberg

Key financials (YE Mar) (Rs m)	FY22	FY23	FY24	FY25e	FY26e
Net interest income	68,489	75,799	88,106	1,04,324	1,23,490
PPoP	41,742	39,991	44,878	54,345	65,125
Provisions	26,904	11,826	19,558	20,524	23,524
PAT	11,503	20,712	18,869	25,027	30,785
EPS (Rs.)	9	17	16	20	25
NIM (%)	*8.3*	*8.3*	*7.9*	*7.9*	*7.8*
Cost-to-income (%)	*40.2*	*48.3*	*50.2*	*49.0*	*48.2*
RoE (%)	*6.5*	*11.6*	*9.5*	*11.8*	*12.9*
RoA (%)	*1.3*	*2.2*	*1.6*	*1.8*	*1.9*
AUM growth (%)	*42.1*	*47.9*	*48.0*	*47.0*	*46.0*
GNPA (%)	*6.9*	*4.1*	*3.7*	*3.4*	*3.1*
CRAR (%)	*27.8*	*22.5*	*18.9*	*17.8*	*17.1*
P/E (x)	29.6	15.8	16.8	13.1	10.6
P/BV (x)	1.9	1.7	1.6	1.5	1.3
P/ABV (x)	2.2	1.9	1.8	1.6	1.4

Source: Company, Anand Rathi Research

Kaitav Shah, CFA
Research Analyst

Yuvraj Choudhary, CFA
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Net interest income	68,489	75,799	88,106	1,04,324	1,23,490
Growth (%)	*2.3*	*10.7*	*16.2*	*18.4*	*18.4*
Non-interest income	1,343	1,582	2,006	2,206	2,316
Income	**69,831**	**77,381**	**90,111**	**1,06,530**	**1,25,807**
Income growth (%)	*1.8*	*10.8*	*16.5*	*18.2*	*18.1*
Operating expenses	28,089	37,390	45,233	52,185	60,682
of which, emp. benefit exp.	*16,131*	*21,153*	*22,614*	*26,233*	*30,692*
PPoP	**41,742**	**39,991**	**44,878**	**54,345**	**65,125**
PPoP growth (%)	*(10.5)*	*(4.2)*	*12.2*	*21.1*	*19.8*
Provisions	26,904	11,826	19,558	20,524	23,524
PBT	**14,838**	**28,038**	**25,321**	**33,821**	**41,601**
Tax	3,991	7,326	6,451	8,793	10,816
PAT	**11,503**	**20,712**	**18,869**	**25,027**	**30,785**
PAT growth (%)	*111.7*	*80.1*	*(8.9)*	*32.6*	*23.0*

*Source: Company, Anand Rathi Research * PAT (excl. extraordinary items)*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Share capital	2,466	2,467	2,469	2,471	2,473
Other equity	1,67,912	1,84,547	1,97,280	2,22,069	2,51,617
Net worth	**1,70,378**	**1,87,014**	**1,99,749**	**2,23,126**	**2,52,676**
Borrowings	6,50,005	8,43,941	10,10,933	12,22,424	14,82,350
Growth (%)	*(4.9)*	*29.8*	*19.8*	*20.9*	*21.3*
Other liabilities	17,428	19,892	26,476	35,833	46,158
Total liabilities	**8,37,811**	**10,50,848**	**12,37,158**	**14,81,383**	**17,81,185**
Cash & cash equivalents	48,542	40,669	34,550	47,119	76,957
Investments	89,250	1,17,271	1,04,701	1,09,936	1,15,433
Loans	6,76,597	8,64,561	10,63,440	12,86,762	15,44,114
Growth (%)	*0.9*	*27.8*	*23.0*	*21.0*	*20.0*
Other assets	23,422	28,347	34,467	37,566	44,681
Total	**8,37,811**	**10,50,848**	**12,37,158**	**14,81,383**	**17,81,185**
AUM	**6,49,610**	**8,27,700**	**10,17,197**	**12,13,926**	**14,31,554**
RWA	**5,64,826**	**7,85,465**	**12,26,548**	**14,66,533**	**17,42,525**

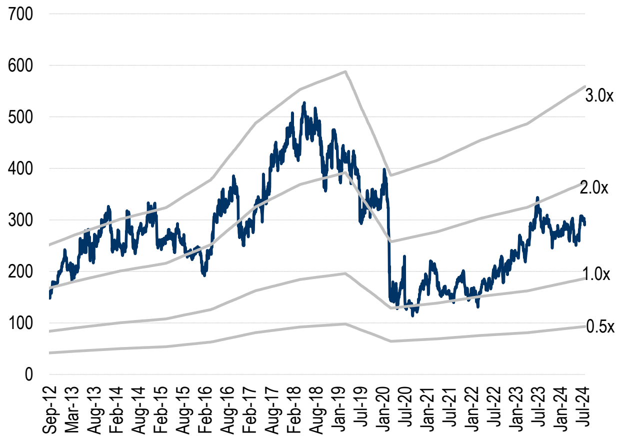
Source: Company, Anand Rathi Research

Fig 3 – Ratio analysis (%)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
NIMs	*8.3*	*8.3*	*7.9*	*7.9*	*7.8*
Cost-to-income	*40.2*	*48.3*	*50.2*	*49.0*	*48.2*
Credit cost	*4.0*	*1.5*	*2.0*	*1.7*	*1.7*
RoA	*1.3*	*2.2*	*1.6*	*1.8*	*1.9*
RoE	*6.5*	*11.6*	*9.5*	*11.8*	*12.9*
GNPA	*6.9*	*4.1*	*3.7*	*3.4*	*3.1*
NNPA	*3.1*	*1.8*	*1.6*	*1.5*	*1.4*
RWA / Assets	*67.4*	*74.7*	*99.1*	*99.0*	*97.8*
CRAR	*27.8*	*22.5*	*18.9*	*17.8*	*17.1*
Tier 1	*24.3*	*19.9*	*16.3*	*15.2*	*14.5*
EPS (Rs)	9	17	16	20	25
BVPS (Rs)	138	152	162	181	204
ABVPS (Rs)	121	139	148	165	187
Dividend yield (%)	-	-	*1.7*	*1.9*	*1.9*
P/E (x)	*29.6*	*15.8*	*16.8*	*13.1*	*10.6*
P/B (x)	*1.9*	*1.7*	*1.6*	*1.5*	*1.3*
P/ABV (x)	*2.2*	*1.9*	*1.8*	*1.6*	*1.4*

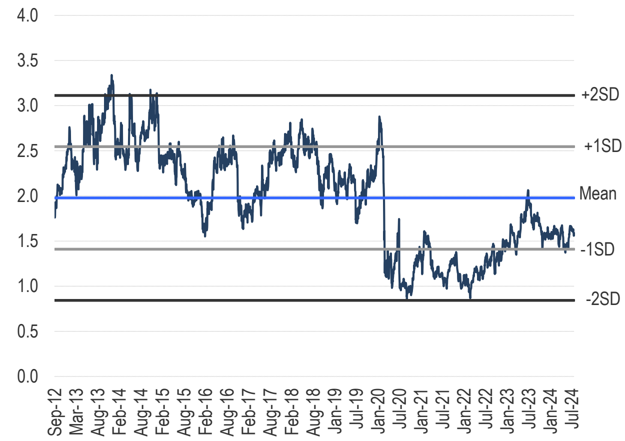
Source: Company, Anand Rathi Research

Fig 4 – One-year-forward price-to-book band



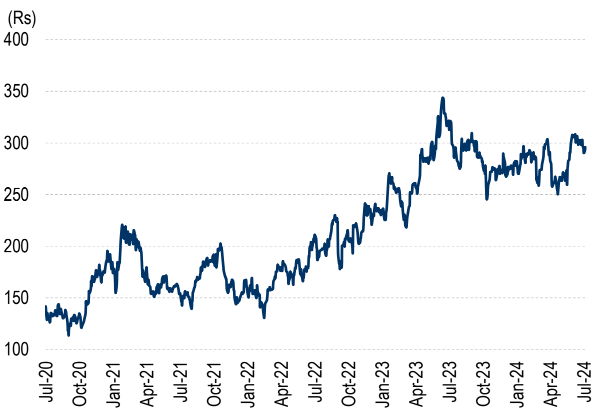
Source: Bloomberg

Fig 5 – One-year-forward price-to-book-value



Source: Bloomberg

Fig 6 – Price movement



Source: Bloomberg

Earnings Call Key Highlights

Guidance

- The company expects write-offs to fall 25bps.
- It revised RoA targets to 2.2% for FY25 (from 2.5% stated earlier).
- It expects NIM to be maintained at 7-7.5% for FY25.
- Branch network additions in FY25: 150-180.
- While Q1 was muted in terms of loan growth, FY25 should see loan book growth of 18-20%, with 14-15% growth in disbursements.

Fraud story update

- Recent events unfolded with complexity and intrigue, involving over 20 employees in a web of deceit. Initial investigations led to the arrest of 11 individuals, with more expected to follow as exhaustive portfolio analysis continues.
- A staggering 2,287 accounts were found to be affected, prompting a thorough stress test across all branches in India.
- The heart of the matter was a localized anomaly, where the northeast bore the brunt of a potential loss pf Rs1.36bn. Despite a branch AUM of Rs4bn, the discrepancy had evaded detection due to robust but ultimately inadequate systems and controls.
- The involvement of external entities, collaborating with dealers and bank employees, further complicated matters.
- The Rs1.36bn loss marked a significant outlier fraud. Swift action was taken, with the amount promptly classified under GS3 and full provision made.
- Yet, the depth of collusion among multiple stakeholders highlighted inherent challenges, particularly in de-centralized approval processes prevalent in Mizoram.
- Recognizing the need for a centralized approach to due diligence on customer onboarding, the company swiftly moved to institutionalise support and control functions.
- Management reviews became more stringent, with concerted efforts to bolster portfolio quality under risk and underwriting functions.
- In response to geographical challenges, a dedicated team was deployed to overcome obstacles in Mizoram, with plans underway to centralise checks across all branches.
- Monthly huddles now serve as a forum to discuss alert mechanisms and glean insights from market trends, ensuring the company remains vigilant in safeguarding its operations against future risks.

Credit cost

- The recent quarter defied typical seasonal trends, with higher-than-usual figures. Excluding the impact of the fraud incident, Q4FY24 saw a notable decline in write-offs and settlements, a staggering Rs5bn less than the previous year's annual figures.
- Despite this overall reduction, Q4FY24 was subdued in comparison to the preceding year. The pace of bad debt write-offs was consistent,

indicative of ongoing efforts to address non-performing assets. A decline in the number of accounts progressed to later stages, contributing to the stabilisation of credit metrics.

- In Q4FY24, settlement amounts increased markedly, primarily driven by the heightened sale of repossessed vehicles.
- This uptick in disposals typically characterizes the final quarter, reflecting strategic efforts to optimise asset recovery and mitigate losses.

Other income

- Over the past 2-3 quarters, strategic investments have been diligently deployed to bolster other income streams within the organization.
- The fruit of these endeavours is now evident in the latest quarter, particularly in insurance income and other diversified modes.
- A structural shift in management focus is evident, as efforts intensify to optimise the organisation's revenue streams beyond core operations.
- This concerted approach underscores a commitment to maximising value and diversifying income sources, ensuring sustained financial resilience and growth.

RoA

- In projecting targets for FY25, a recalibration has been necessitated, with the RoA target adjusted from 2.5% to 2.2%. Notably, this revision stems from an oversight regarding the movement of cost of funds.
- By end-Q3 FY24, an anticipated softening of rates failed to materialise, significantly impacting the NII deviation.
- The disparity between the original cost of funds and the RoA has emerged as a critical factor necessitating target restatement.
- This gap highlights the intricate relationship between interest income and operational efficiency. While credit cost and opex are pivotal levers, sequential reductions in opex have been seen, offering a measure of operational optimization.
- The revised target of 2.2% RoA is deemed reasonable and forms the base case for aspiration, with potential upside envisaged.
- It's imperative to acknowledge the inherent volatility in cost of funds, which represents the most unpredictable variable in this equation.
- A nuanced approach to managing this variable will be instrumental in navigating toward the revised target with precision and agility.

Cost of funds

- Cost of funds persists at 8%, with no imminent easing.
- Despite hopes of rate reductions in H2 FY25, uncertainty lingers. Attention is directed toward optimising NII and fee income streams, with a strategic shift toward used vehicles, representing a concerted and consultative effort to diversify revenue sources.

Collection Efficiency

- Collection strategies have evolved, focusing on portfolio selection and underwriting to control credit costs. A novel approach to collections, incorporating analytics and refined toolkits, has reduced contract ownership noise and enhanced effectiveness.

- Headcount fell 5%, attributed to strategic shifts toward prime customers in the last two years, minimizing frontline collection needs.
- While Apr experienced deviation due to holidays, it's not a significant outlier.
- Anticipated trends suggest Q1 FY25 may mirror Q1 FY24 in collections performance.

Opex

- Opex optimization is targeted with a projected gain of 10-15bps from current levels, despite continued investments in critical areas such as underwriting and fraud control.
- Recruitment was focused on levels 1 and 2, with plans underway for level 3 expansion.
- Branch network augmentation is on track, with an anticipated addition of 150/180 branches in FY25, predominantly in H2.
- Further, strategic tie-ups and partnerships with banks are being pursued to augment operational efficiency.

Key highlights

Quarterly snapshot

Fig 7 – Income statement

(Rs m)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Income from operations	33,431	34,177	35,458	37,754	39,732	40,355
Interest expense	14,774	15,972	17,034	17,978	18,609	19,603
Net interest income	**18,657**	**18,205**	**18,425**	**19,776**	**21,123**	**20,752**
Growth (%)	*8.3*	*3.3*	*7.2*	*7.4*	*13.2*	*14.0*
Other income	1,933	2,192	3,177	3,616	3,598	3,194
Income	**20,590**	**20,397**	**21,601**	**23,392**	**24,721**	**23,946**
Income growth (%)	*11.6*	*9.6*	*17.6*	*18.2*	*20.1*	*17.4*
Operating expenses	10,534	9,779	11,445	11,788	12,221	11,977
of which, emp. benefit exp.	*5,992*	*5,585*	*5,761*	*5,668*	*5,601*	*5,916*
PPoP	**10,055**	**10,619**	**10,156**	**11,605**	**12,499**	**11,970**
PPoP growth (%)	*1.3*	*4.6*	*10.4*	*9.7*	*24.3*	*12.7*
Provisions	841	5,928	6,464	3,469	3,696	5,546
PBT	**9,215**	**4,690**	**3,691**	**8,136**	**8,803**	**6,424**
Tax	2,590	1,206	960	2,034	2,251	1,645
PAT	**6,625**	**3,485**	**2,731**	**6,102**	**6,552**	**4,779**
PAT growth (%)	*6.4*	*52.7*	*(49.1)*	*(7.1)*	*(1.1)*	*37.2*

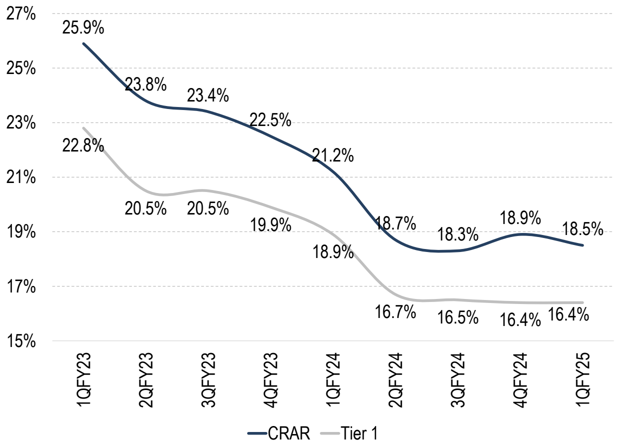
Source: Company, Anand Rathi Research

Fig 8 – Disbursements

(Rs m)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Auto / Utility vehicles	45,467	51,093	50,597	60,200	59,639	52,238
Tractors	16,534	15,815	13,315	16,980	12,234	15,289
Cars	24,800	-	25,299	29,328	-	-
Commercial vehicles and Construction equipment	16,534	27,980	14,647	16,980	38,230	30,578
Pre-owned vehicles, others	23,423	20,681	23,967	24,698	25,996	21,660
SME & Others	11,022	6,083	5,326	6,174	10,704	7,645
Total	**1,37,780**	**1,21,650**	**1,33,150**	**1,54,360**	**1,46,803**	**1,27,410**

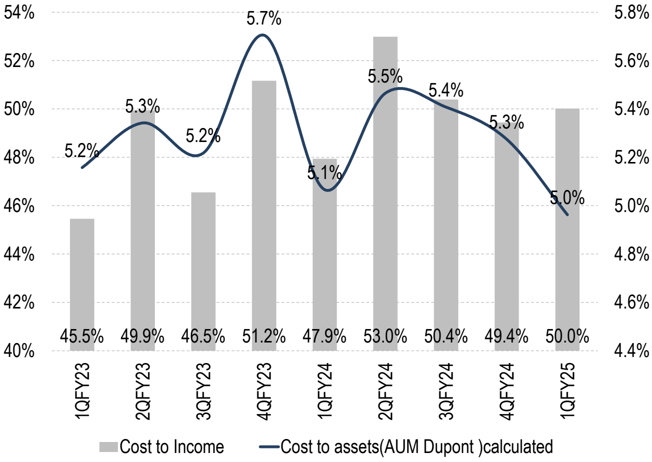
Source: Company, Anand Rathi Research

Fig 9 – CRAR and Tier 1- well capitalized



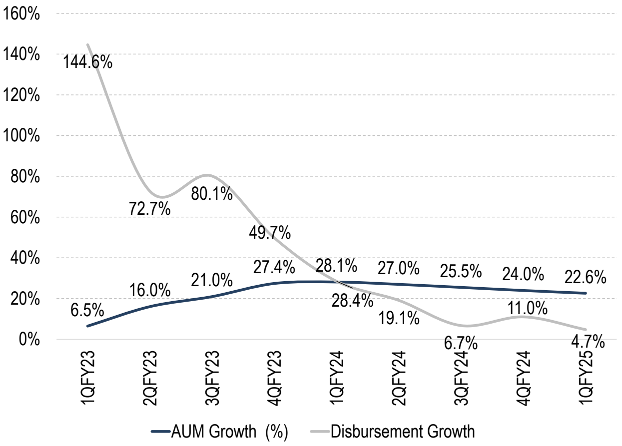
Source: Company, Anand Rathi Research

Fig 10 – C/I and Cost-to-AUM



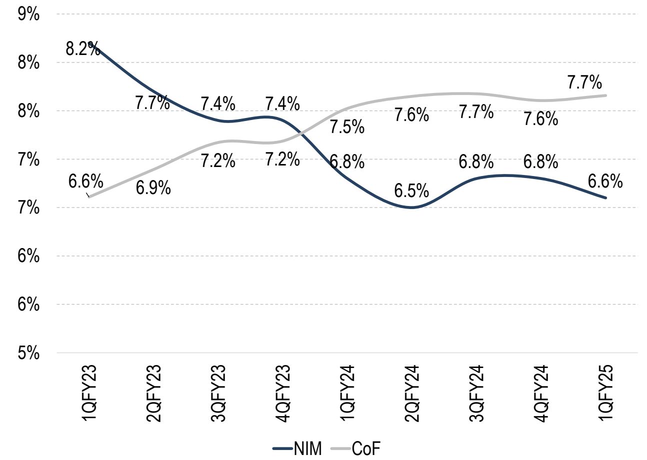
Source: Company, Anand Rathi Research

Fig 11 – AUM and disbursement growth



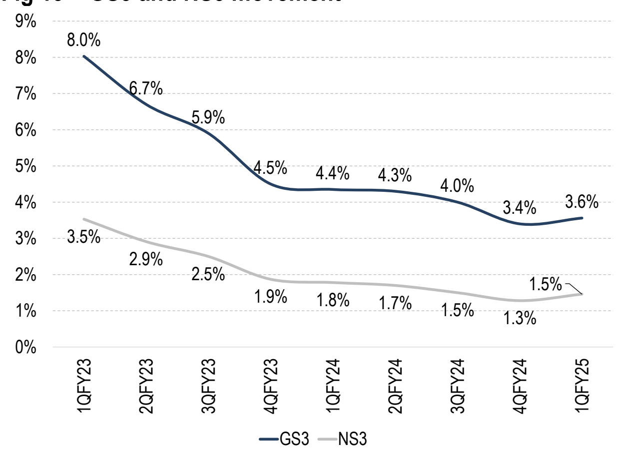
Source: Company, Anand Rathi Research

Fig 12 – NIM vs CoF



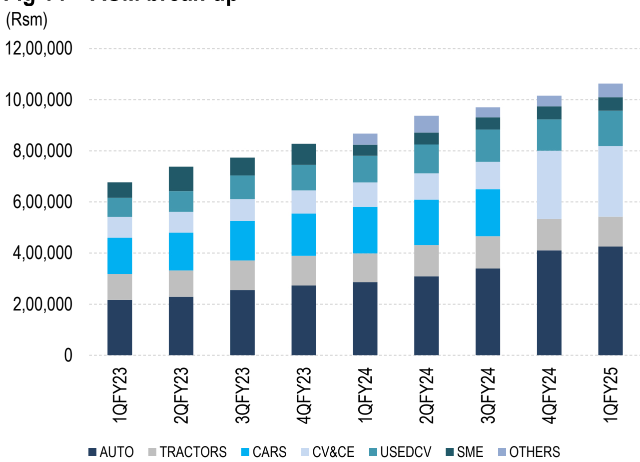
Source: Company, Anand Rathi Research

Fig 13 – GS3 and NS3 movement



Source: Company, Anand Rathi Research

Fig 14 – AUM break-up



Source: Company, Anand Rathi Research

Valuation

M&M Financial Services' Q1 core income was in line with estimates, but lower provisions led to the beat in earnings. On its strong parentage, healthy growth and potential for improvement, we retain our Buy on the stock. We raise our FY26e 3%. At our higher TP of Rs340, the stock would trade at 1.7x FY26e BV (earlier 1.6x FY26e)

Fig 15 – Change in estimates

	FY25e			FY26e		
(Rs m)	New	Old	Chg %	New	Old	Chg %
Net interest income	1,04,324	1,04,432	*(0.1)*	1,23,490	1,23,964	*(0.4)*
Pre-provisioning profit	54,345	53,631	*1.3*	65,125	63,690	*2.3*
PAT	25,027	25,535	*(2.0)*	30,785	29,723	*3.6*

Source: Anand Rathi Research

Fig 16 – Key assumptions

(%)	FY25e	FY26e
Balance-sheet assumptions		
AUM growth	19.3	17.9
Borrowings growth	20.9	21.3
Asset quality		
Credit cost	1.7	1.7
Provision coverage	56.9	56.2

Source: Company, Anand Rathi Research

Fig 17 – du-Pont analysis

(%)	FY22	FY23	FY24	FY25e	FY26e
Operating income	13.3	13.4	13.8	13.9	13.8
Interest expense	5.2	5.4	6.1	6.2	6.2
Net interest income	**8.1**	**8.0**	**7.7**	**7.7**	**7.6**
Other income	0.2	0.2	0.2	0.2	0.1
Total income	**8.2**	**8.2**	**7.9**	**7.8**	**7.7**
Operating expenses	3.3	4.0	4.0	3.8	3.7
of which, salary	*9.5*	*11.3*	*11.3*	*11.8*	*12.1*
PPOP	**4.9**	**4.2**	**3.9**	**4.0**	**4.0**
Provisions	3.2	1.3	1.7	1.5	1.4
PBT	**1.8**	**3.0**	**2.2**	**2.5**	**2.6**
Tax	0.5	0.8	0.6	0.6	0.7
RoA	**1.3**	**2.2**	**1.6**	**1.8**	**1.9**
Equity multiplier	5.1	5.3	5.9	6.4	6.9
RoE	**6.5**	**11.6**	**9.5**	**11.8**	**12.9**

Source: Company, Anand Rathi Research

Risk

- Higher slippages.
- Less-than-expected loan growth.

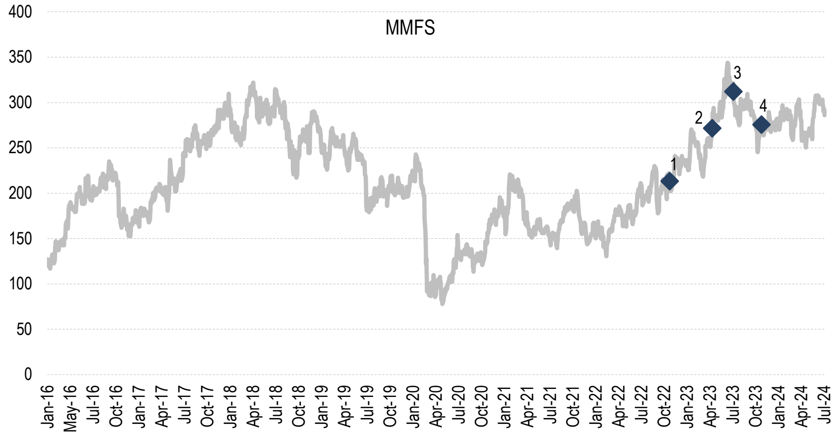
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 23 July 2024)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	05-Dec-22	Buy	278	229
2	02-May-23	Buy	328	260
3	29-Jul-23	Buy	345	299
4	27-Oct-23	Buy	320	278

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015) is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd (BSE), National Stock Exchange of India Ltd. (NSEIL), Metropolitan Stock Exchange of India Ltd. (MSE), and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. (CDSL), ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

General Disclaimer: This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

Disclaimers in respect of jurisdiction: 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 ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No
ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company.	No

Other Disclosures pertaining to distribution of research in the United States of America

Research report is a product of Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) under Marco Polo Securities 15a6 chaperone service 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 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.

Research reports are intended for distribution by only 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, ARSSBL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.

2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.

3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.

4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.

5. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

As of the publication of this report, ARSSBL does not make a market in the subject securities.

Additional information on recommended securities/instruments is available on request.

Compliance officer-Deepak Kedia, email id - deepakkedia@rathi.com, Contact no. +91 22 6281 7000

Grievance officer-Madhu Jain-email id- grievance@rathi.com, Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.