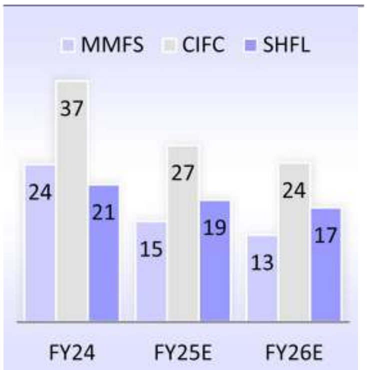
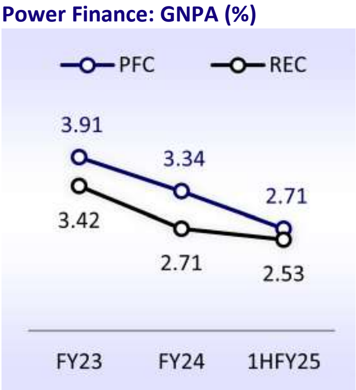
Financials - NBFCs

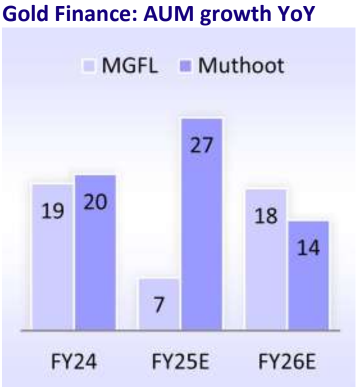
Vehicle Finance: AUM growth YoY



Power Finance: GNPA (%)



Gold Finance: AUM growth YoY



Turbulence in the near term but fundamentals still robust

Regulatory scrutiny more intense than before; froth in valuations comes off

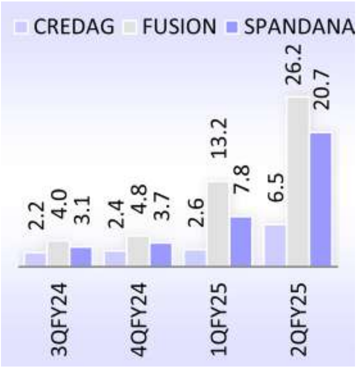
- The past 12 months have been highly eventful for the NBFC sector. Over the past year, we (in India as well as globally) have repeatedly moved our goalpost for interest rate cuts, which are naturally expected to benefit the NBFC/HFC sector. While repo rate cuts are yet to happen in India, what kept the NBFC sector in the thick of the action (for better or worse) was the intense and sustained regulatory scrutiny (occasionally even culminating in a ban on business activity; Exhibit 2) and the weakness (over the last six months) in retail asset quality, particularly unsecured. Add to this the narrative of a slowdown in consumption**,** evident in the last quarter, which has prompted us to revisit our outlook on loan growth for financial lenders.
- This was followed by a correction in stock prices of NBFCs (alongside a decline in the broader NIFTY and the Financial Services Index). The price corrections in certain NBFCs were accentuated by the high ownership of FIIs (who have recently been net sellers in Indian equities) despite strong earnings consistently delivered by these companies over the past year (Exhibit 6).
- NSEBank Index was up ~2% in the last three months and NSE Financial Services Index was up 3% compared to NIFTY, which declined 3% over the last three months. Within Financial Services, the brunt of the stock price performance was higher for NBFCs due to the reasons we outlined earlier. Exhibit 5 shows the price performance for the NBFC universe under our coverage. Among large caps, we have seen a decline of 9% and 4% in CIFC and SHFL, respectively, over the last three months. Exhibit 3, displays the earning cuts observed in our NBFC coverage universe post 1HFY25 results.

Views on the NBFC sector and our recommendation at this juncture

- We expect this turbulence in the NBFC sector to sustain in the near term given the heightened anxiety that we sense among investors regarding the 1) regulatory undertones and supervisory audits, 2) weakening of retail asset quality, (particularly unsecured), and to a lesser extent, 3) moderation in the outlook on loan growth in vehicle finance.
- At this juncture and in the near term, it is important to identify hiding spaces (safe zones) where one can park their investments rather than making aggressive bets in the NBFC sector. One positive outcome from the recent correction in the NBFC sector is that the froth that had built up in some NBFC stocks has now come off and will soon start providing much more valuation comfort instead of unsubstantiated expansion in P/BV multiples that we had observed until recently.

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com)
Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Raghav Khemani** (Raghav.Khemani@MotilalOswal.com)

MFI: Credit Costs



- We delve deeper into the nuances and present our views on different niches (sub-sectors) in the latter part of this report. However, before doing so, we want to highlight that **we see Power Finance, Affordable Housing Finance, and (in the near term) Gold Finance as sub-sectors where, structurally, we see a lower risk of moderation in loan growth and challenges on asset quality or credit costs.**
- Historically, the NBFC sector has demonstrated a strong ability to quickly turn around the narrative. Until then, we would advise preserving capital (in the near term) by investing in stocks within the sector that are likely to exhibit relative outperformance. **Our top picks in the current environment are PFC/REC, SHFL, PNBHF, and HomeFirst.**

Exhibit 1: Valuation matrix for NBFCs in the coverage along with our revised TPs

Val summary	Rating	CMP (INR)	TP (INR)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
MSME															
Five-Star	Buy	640	850	36.9	43.0	215	257	8.3	7.7	18.8	18.3	23.3	19.4	4.0	3.3
Housing Finance															
LIC HF	Buy	622	760	93.1	93.4	645	718	1.7	1.6	15.3	13.7	6.7	6.7	1.0	0.9
PNB HF	Buy	859	1,160	72.3	88.8	649	726	2.4	2.5	11.8	12.9	11.9	9.7	1.3	1.2
Aavas	Neutral	1,656	1,800	73.1	90.2	550	640	3.2	3.3	14.2	15.2	22.6	18.4	3.0	2.6
HomeFirst	Buy	1,110	1,320	42.7	52.8	278	326	3.5	3.4	16.5	17.5	26.0	21.0	4.0	3.4
CanFin	Neutral	821	900	65.1	72.6	385	451	2.2	2.2	18.3	17.4	12.6	11.3	2.1	1.8
Repco	Neutral	464	500	70.4	70.3	530	597	3.1	2.8	14.2	12.5	6.6	6.6	0.9	0.8
Vehicle Finance															
Cholamandalam	Buy	1,265	1,500	52.6	70.2	283	369	2.5	2.7	20.4	21.7	24.0	18.0	4.5	3.4
MMFS	Buy	271	320	19.6	24.8	169	186	2.0	2.2	12.1	14.0	13.8	10.9	1.6	1.5
Shriram Finance	Buy	3,046	3,700	223.3	264.7	1,471	1,680	3.2	3.2	16.2	16.8	13.6	11.5	2.1	1.8
Indostar	Buy	252	300	10.7	16.4	248	260	1.1	1.5	4.4	6.7	23.5	15.4	1.0	1.0
Gold Finance															
Muthoot	Neutral	1,951	1,815	127.9	151.6	706	826	5.3	5.3	19.5	19.8	15.3	12.9	2.8	2.4
Manappuram	Neutral	155	160	25.7	27.9	159	183	4.5	4.3	17.4	16.3	6.1	5.6	1.0	0.8
Diversified															
BAF	Neutral	6,619	7,320	266.7	343.8	1,582	1,881	3.9	4.0	18.9	19.9	24.8	19.3	4.2	3.5
Poonawalla	Buy	364	420	1.9	14.6	106	119	0.5	3.0	1.8	12.9	191.2	24.9	3.4	3.0
ABCL	Buy	191	250	14.2	16.5	116	130	-	-	12.9	13.4	13.5	11.6	1.7	1.5
LTFH	Buy	141	180	11.2	13.9	103	114	2.5	2.6	11.4	12.8	12.5	10.1	1.4	1.2
PIEL	Neutral	1,197	1,090	39.2	57.4	1,211	1,253	1.0	1.3	3.3	4.7	30.6	20.9	1.0	1.0
MAS Financial	Buy	279	340	17.4	22.2	138	158	3.0	3.1	14.9	15.0	16.0	12.6	2.0	1.8
IIFL Finance	Buy	412	520	16.4	50.7	292	338	1.5	3.4	6.0	16.1	25.1	8.1	1.4	1.2
Microfinance															
CreditAccess	Buy	977	1,140	65.8	102.5	468	571	3.6	4.9	15.0	19.7	14.8	9.5	2.1	1.7
Fusion Micro	Neutral	183	190	-36.7	46.2	246	293	-3.3	4.0	-13.8	17.1	-	4.0	0.7	0.6
Spandana Sphoorty	Buy	369	430	-8.4	69.0	503	572	-0.5	3.7	-1.6	12.8	-	5.3	0.7	0.6
Power Financiers															
PFC	Buy	484	590	50.5	55.4	275	314	3.1	3.0	19.6	18.8	9.6	8.7	1.8	1.5
REC	Buy	520	630	60.5	69.3	306	357	2.7	2.6	21.3	20.9	8.6	7.5	1.7	1.5

Source: MOFSL, Company

Exhibit 2: Stringent actions undertaken by RBI on NBFCs in the recent past

Name of the company	Period	What was the action taken?	Reason for taking the action
Asirvad Micro Finance, Arohan Financial, DMI Finance, and Navi Finserv	Oct'24	❖ Ban on sanctioning and disbursing loans	❖ Major supervisory concerns about its pricing practices, particularly the weighted average lending rate and the interest spread over its cost of funds, which were deemed excessively high. ❖ Violated regulatory guidelines on the assessment of household income and the evaluation of existing or proposed monthly repayment obligations for their microfinance loans. ❖ Found non-compliant with IRAC norms, leading to loan ever greening, mismanagement of gold loan portfolios, failure to disclose required interest rates and fees, and improper outsourcing of core financial services.
IIFL Finance	Mar'24	❖ Ban on sanctioning or disbursing gold loans or assigning/securitizing/selling any of its gold loans	❖ Material supervisory concerns observed in the gold loan portfolio, including serious deviations in assaying and certifying the purity and net weight of the gold and breaches in the loan-to-value ratio. ❖ Significant disbursal and collection of loan amount in cash far in excess of the statutory limit. ❖ Non-adherence to the standard auction process and a lack of transparency in charges being levied to customer accounts.
Bajaj Finance	Nov'23	❖ Restrictions on the issuance of new loans and EMI cards under the Insta EMI program and its e-commerce platform, eCOM	❖ Central Bank's digital lending guidelines required a lender to disclose all fees and charges to borrowers upfront as well as detail its recovery practices in the event of a default. ❖ RBI required this to be provided in the KFS document, which, according to RBI, was not issued by Bajaj Finance for the two products.
ECL Finance and Edelweiss ARC	May'24	❖ ECL Finance: Restriction from undertaking any structured transactions with respect to its wholesale exposures.	❖ Conduct of the group entities acting in concert, by entering into a series of structured transactions for ever-greening stressed exposures of ECL, using the platform of EARCL and connected AIFs, thereby circumventing applicable regulations. ❖ Incorrect valuation of SRs was also observed in both ECL and EARCL.
		❖ Edelweiss ARC: To cease	❖ In ECL, supervisory observations included submission of incorrect details of its eligible book debts to its lenders for computation of drawing power, non-compliance with LTV norms for lending against shares, incorrect reporting to CRILC and non-adherence to KYC guidelines.
		❖ and desist from the acquisition of financial assets, including Security Receipts (SRs), and reorganizing existing SRs into senior and subordinate tranches.	❖ ECL, by taking over loans from non-lender entities of the group for ultimate sale to the group ARC, allowed itself to be used as a conduit to circumvent regulations, which permit ARCs to acquire financial assets only from banks and financial institutions.
JM Financial	Mar'24	❖ Ban on financing against shares and debentures, including the sanction and disbursal of loans against IPO of shares as well as against subscription to debentures.	❖ The company repeatedly helped a group of its customers bid on various IPO and NCD offerings by using loaned funds. The credit underwriting was found to be perfunctory, and financing was done against meagre margins. ❖ The application for subscription, demat accounts, and bank accounts were all operated by the company using a Power of Attorney (POA) and a Master Agreement obtained from these customers without their involvement in the subsequent operations. Consequently, the company was able to effectively act as both the lender and borrower. ❖ The company was also found to be involved in arranging ❖ Bank account openings as well as in operating the said bank accounts using the POA.

Source: RBI

Exhibit 3: Change in EPS estimates for our NBFC coverage after 1HFY25 results

Name of the company	Old Estimates (INR)			New Estimates (INR)			Change (%)		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
AAVAS	74.4	90.4	113.6	73.1	90.2	112.7	-1.7	-0.2	-0.7
BAF	273.2	363.5	475.4	266.7	343.8	441.2	-2.4	-5.4	-7.2
CANF	63.5	72.8	83.7	65.1	72.6	83.2	2.6	-0.3	-0.6
CIFC	53.4	73.1	96.9	52.6	70.2	92.1	-1.4	-3.9	-5.0
CREDAG	81.2	97.9	127.6	65.8	102.5	128.7	-18.9	4.7	0.9
Five Star Business	36.7	44.3	53.9	36.9	43.0	51.2	0.4	-2.8	-5.0
FUSION	-1.7	54.0	69.7	-36.7	46.2	65.8	-	-14.6	-5.7
HomeFirst	42.4	52.6	65.8	42.7	52.8	66.1	0.6	0.4	0.4
IIFL Finance	26.5	48.3	63.3	16.4	50.7	64.4	-38.0	4.9	1.7
LTFH	11.4	14.2	18.4	11.2	13.9	18.5	-1.5	-2.2	0.7
LICHF	89.2	93.3	99.7	93.1	93.4	102.1	4.4	0.1	2.4
MMFSL	20.7	28.3	32.1	19.6	24.8	31.1	-5.1	-12.3	-3.2
MASFIN	16.9	21.7	27.2	17.4	22.2	27.2	3.1	1.9	0.2
Muthoot	126.7	145.3	165.6	127.9	151.6	169.0	0.9	4.3	2.0
MGFL	27.4	33.4	39.9	25.7	27.9	35.2	-6.2	-16.4	-11.7
PNBHF	70.3	88.9	108.8	72.3	88.8	108.4	2.8	-0.2	-0.4
PFL	16.8	21.3	29.2	1.9	14.6	23.3	-88.7	-31.7	-20.5
PFC	49.9	55.0	62.1	50.5	55.4	62.2	1.3	0.7	0.1
REPCO	68.9	74.3	82.5	70.4	70.3	78.5	2.2	-5.4	-4.8
REC	60.5	69.3	80.1	60.5	69.3	80.1	0.1	-0.0	-0.0
SHFL	224.9	272.7	331.2	223.3	264.7	321.6	-0.7	-2.9	-2.9
SPANDANA	12.7	73.0	101.1	-8.4	69.0	101.5	-	-5.5	0.5

Source: MOFSL, Company

Exhibit 4: Change in BVPS for our NBFC coverage after 1HFY25 results

Name of the company	Old Estimates (INR)			New Estimates (INR)			Change (%)		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
AAVAS	551	642	755	550	640	753	-0.2	-0.2	-0.3
BAF	1,546	1,862	2,275	1,582	1,881	2,267	2.3	1.0	-0.4
CANF	384	450	528	385	451	528	0.4	0.2	-0.0
CIFC	284	372	465	283	369	457	-0.3	-1.0	-1.8
CREDAG	483	581	709	468	571	699	-3.2	-1.9	-1.4
Five Star Business	214	258	310	215	257	306	0.1	-0.4	-1.2
FUSION	281	335	405	246	293	358	-12.4	-12.8	-11.6
HomeFirst	278	326	387	278	326	388	0.1	0.1	0.2
IIFL Finance	302	346	404	292	338	397	-3.3	-2.2	-1.6
LTFH	103	114	129	103	114	129	-0.2	-0.4	-0.2
LICHF	641	715	795	645	718	800	0.5	0.4	0.7
MMFSL	169	190	213	169	186	209	-0.4	-1.7	-1.9
MASFIN	138	157	182	138	158	183	0.3	0.5	0.5
Muthoot	705	820	953	705	820	961	-	-	0.9
MGFL	160	189	225	159	183	214	-0.9	-3.3	-4.6
PNBHF	647	724	818	649	726	819	0.3	0.2	0.1
PFL	121	139	164	106	119	141	-12.4	-14.2	-14.4
PFC	275	313	357	275	314	358	0.2	0.2	0.2
REPCO	528	599	678	530	597	671	0.3	-0.4	-0.9
REC	306	357	417	306	357	417	0.0	0.0	0.0
SHFL	1,472	1,690	1,971	1,471	1,680	1,952	-0.1	-0.6	-1.0
SPANDANA	524	597	698	503	572	673	-4.0	-4.2	-3.5

Source: MOFSL, Company

Exhibit 5: Price Performance for the Indices and NBFCs under over coverage

	CMP	Price Performance (%)						
Name	26-Nov-24	1M	3M	6M	9M	1Yr	FYTD	CYTD
SENSEX INDEX	80,004	1	-2	6	10	21	9	11
NIFTY INDEX	24,195	0	-3	5	9	22	8	11
NSEbank Index	52,192	3	2	7	12	19	11	8
NSEFIN Index	24,047	1	3	10	17	22	15	12
BANKEX INDEX	59,432	3	2	6	12	20	11	9
FIVESTAR IN EQUITY	640	-26	-13	-9	-11	-19	-11	-13
LICHF IN EQUITY	622	4	-7	-4	-6	37	2	16
PNBHOUSI IN EQUITY	860	-9	-2	8	19	10	36	10
AAVAS IN EQUITY	1658	-1	-2	2	13	12	26	8
HOMEFIRS IN EQUITY	1109	1	1	38	19	25	24	19
CANF IN EQUITY	821	-3	-4	11	3	9	9	6
REPCO IN EQUITY	465	-6	-8	-8	2	20	16	18
CIFC IN EQUITY	1265	-8	-9	0	14	16	9	0
MMFS IN EQUITY	270	1	-14	0	-7	2	-3	-2
SHFL IN EQUITY	3046	-1	-4	27	23	56	29	48
INDOSTAR IN EQUITY	252	-5	-10	11	20	50	33	50
MUTH IN EQUITY	1952	1	1	15	49	47	32	32
MGFL IN EQUITY	156	7	-28	-14	-15	5	-10	-10
BAF IN EQUITY	6618	-4	-2	-3	0	-6	-9	-10
POONAWAL IN EQUITY	364	22	-11	-21	-23	2	-22	-16
ABCAP IN EQUITY	191	-6	-14	-16	1	13	9	15
LTF IN EQUITY	141	0	-17	-11	-18	1	-11	-15
PIEL IN EQUITY	1198	14	13	46	32	34	41	29
MASFIN IN EQUITY	283	0	1	-3	-13	0	-1	-2
IIFL IN EQUITY	411	4	-11	5	-30	-30	25	-29
CREDAG IN EQUITY	973	-1	-20	-30	-34	-42	-32	-39
FUSION IN EQUITY	183	-4	-41	-60	-67	-69	-61	-68
SPANDANA IN EQUITY	369	-19	-41	-52	-62	-62	-56	-67
POWF IN EQUITY	484	11	-6	-1	18	54	24	27
RECL IN EQUITY	520	2	-12	-6	13	54	15	26

Source: MOFSL, Company

Note: FYTD – Financial year to date and CYTD – Calendar year to date

Exhibit 6: Shareholding pattern of MOFSL NBFC coverage as of Sep'24

Company	Promoters (%)	FII (%)	DII (%)	Other (%)
AAVAS Financiers	26.5	35.5	25.6	12.5
Aditya Birla Cap	68.9	11.1	8.5	11.6
Bajaj Fin.	54.7	20.9	15.1	9.4
Can Fin Homes	30.0	11.7	27.5	30.8
Cholaman.Inv.&Fn	50.2	27.2	16.6	6.0
CreditAccess	66.5	10.8	14.9	7.8
Five-Star Business	21.6	56.7	9.0	12.7
Fusion Finance	57.7	3.2	19.2	19.9
Home First Fin.	23.4	25.6	12.4	38.6
IIFL Finance	24.9	29.6	6.3	39.2
IndoStar Capital	73.6	2.3	1.8	22.3
LIC Housing Fin.	45.2	22.0	20.5	12.3
L&T Finance	66.3	6.7	12.3	14.7
Manappuram Fin.	35.3	30.4	11.0	23.4
MAS Financial	66.6	2.7	20.2	10.4
M & M Fin. Serv.	52.2	10.3	31.6	6.0
Muthoot Finance	73.4	9.8	13.3	3.5
Piramal Enterp.	46.3	15.3	15.0	23.4
PNB Housing	28.1	20.4	22.2	29.3
Poonawalla Fincorp	61.9	8.4	10.6	19.1
PFC	56.0	17.7	17.5	8.8
REC	52.6	21.2	14.3	11.8
Repco Home Fin	37.1	12.9	19.9	30.1
Shriram Finance	25.4	53.3	16.2	5.1
Spandana Sphoorty	55.8	22.6	7.3	14.2

Source: MOFSL, Company

Housing Finance

Transitory NIM contraction expected but better placed on asset quality

- Large HFCs have demonstrated weaker loan growth compared to their Affordable HFC (AHFC) peers. Despite adjusting for their respective balance sheet sizes, AHFCs are better placed to deliver stronger loan growth of 20-25% over the medium term.

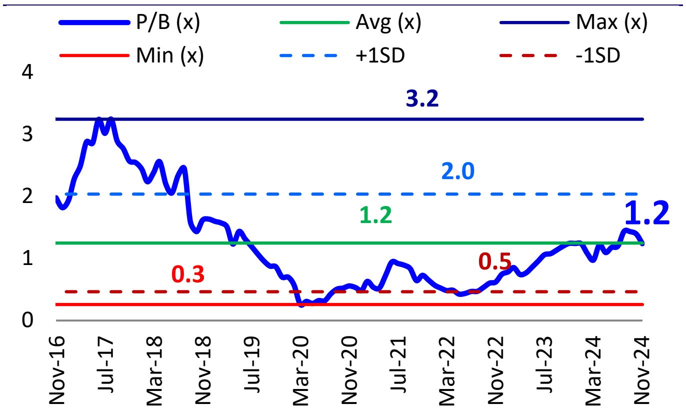
Disbursement yields have been under pressure due to high competitive intensity.

- Disbursement yields have been under pressure due to high competitive intensity. A stronger focus on customer retention has also impacted the portfolio yields of HFCs. While NIMs have stabilized now, a transitory NIM contraction (driven by faster repricing of the assets relative to liabilities) is expected to happen when repo rate cuts occur in India. This will be slightly more pronounced for large HFCs compared to AHFCs.

Asset quality risks remain minimal as customers prioritize secured loan repayments over their unsecured loans.

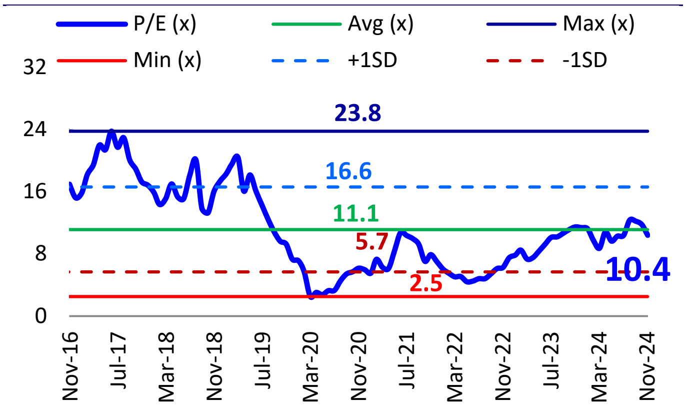
- A declining interest rate environment, coupled with the operationalization of CLSS under PMAY-U, will be an enabler for stronger growth. Asset quality risks remain minimal as customers prioritize secured loan repayments over their unsecured loans. **We prefer PNBHF and HomeFirst in our HFC coverage.**

Exhibit 7: PNB Housing - One-year forward P/B



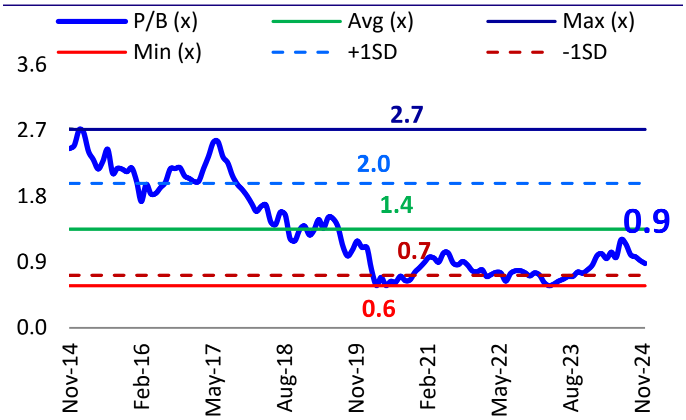
Source: MOFSL, Company

Exhibit 8: PNB Housing - One-year forward P/E



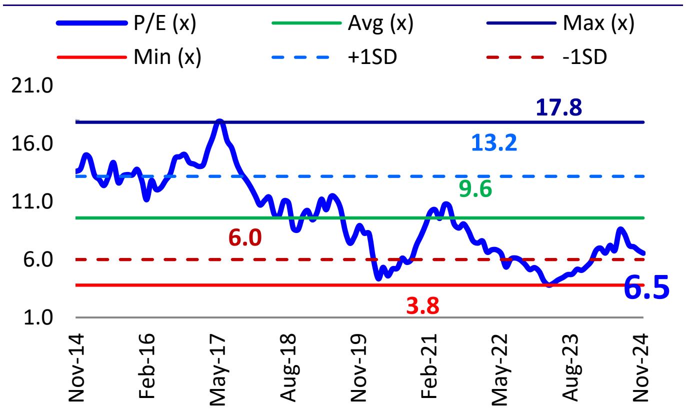
Source: MOFSL, Company

Exhibit 9: LIC housing - One-year forward P/B



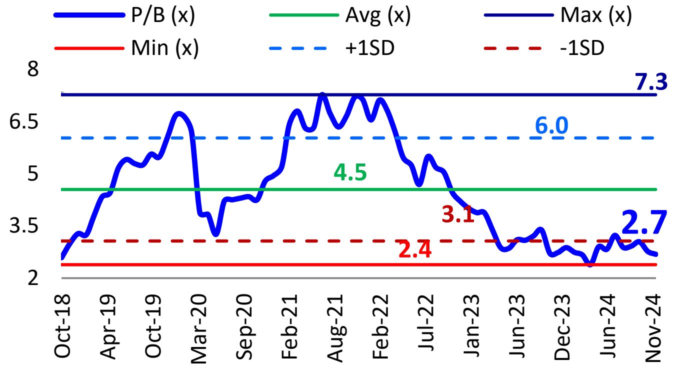
Source: MOFSL, Company

Exhibit 10: LIC housing - One-year forward P/E



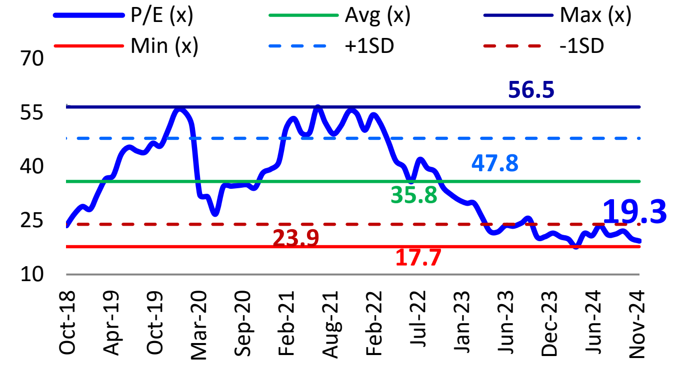
Source: MOFSL, Company

Exhibit 11: Aavas - One-year forward P/B



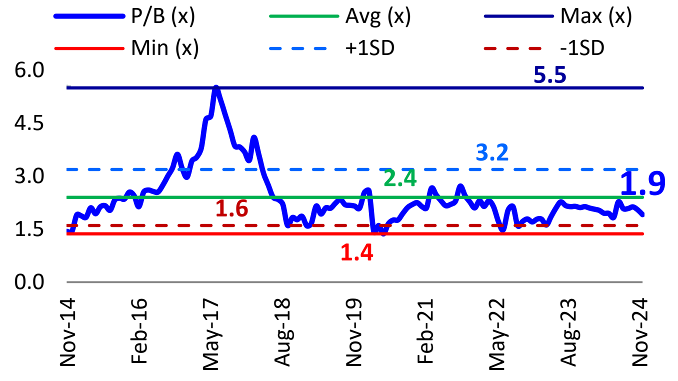
Source: MOFSL, Company

Exhibit 12: Aavas - One-year forward P/E



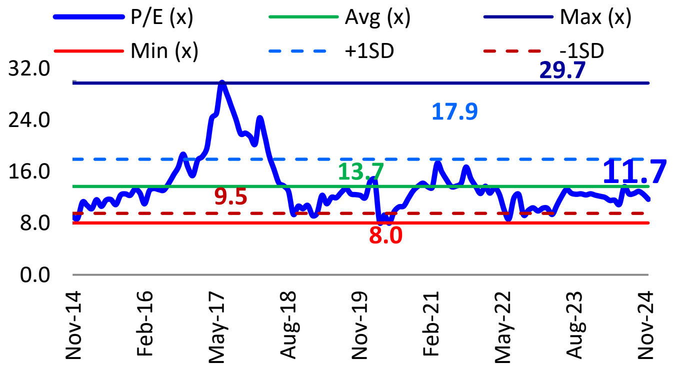
Source: MOFSL, Company

Exhibit 13: Can Fin Homes - One-year forward P/B



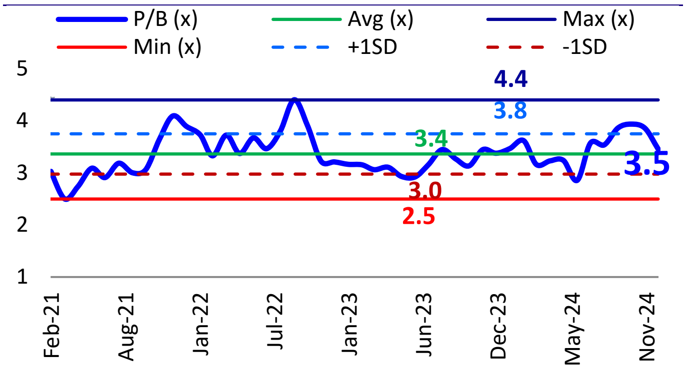
Source: MOFSL, Company

Exhibit 14: Can Fin Homes - One-year forward P/E



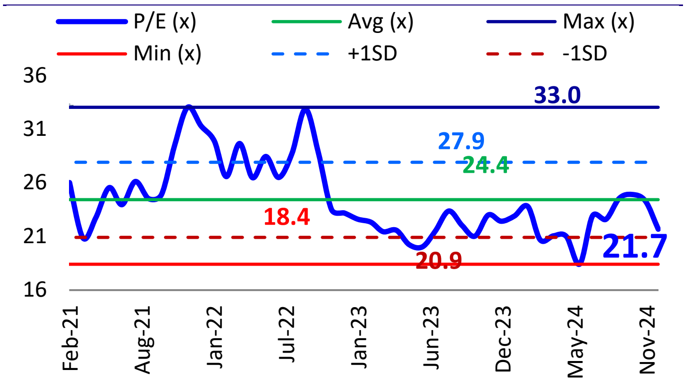
Source: MOFSL, Company

Exhibit 15: Home first - One-year forward P/B



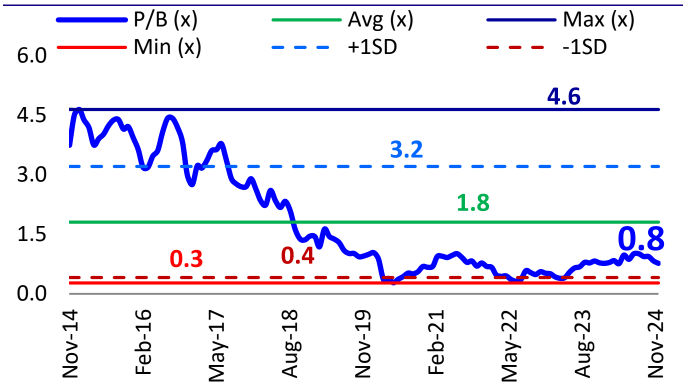
Source: MOFSL, Company

Exhibit 16: Home first - One-year forward P/E



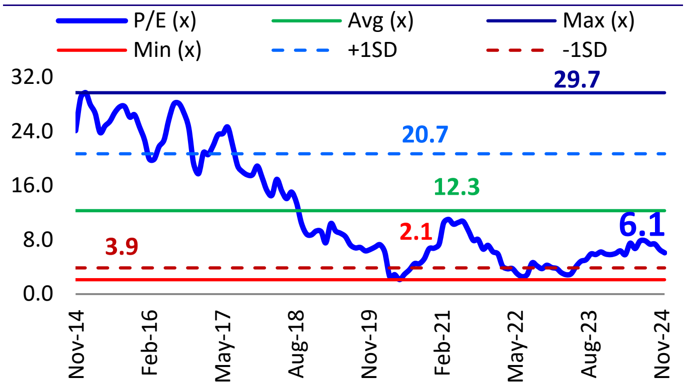
Source: MOFSL, Company

Exhibit 17: Repco - One-year forward P/B



Source: MOFSL, Company

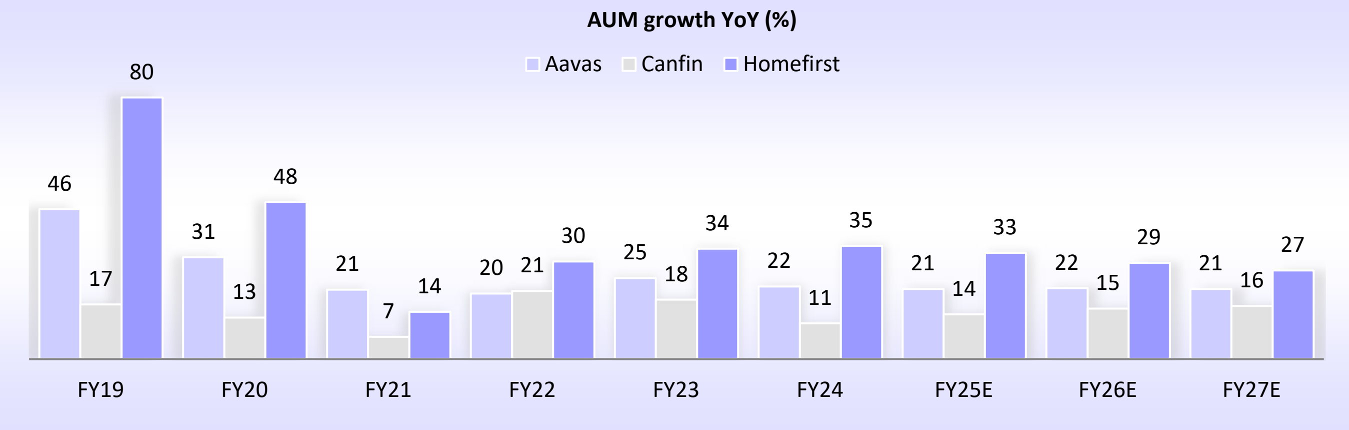
Exhibit 18: Repco - One-year forward P/E



Source: MOFSL, Company

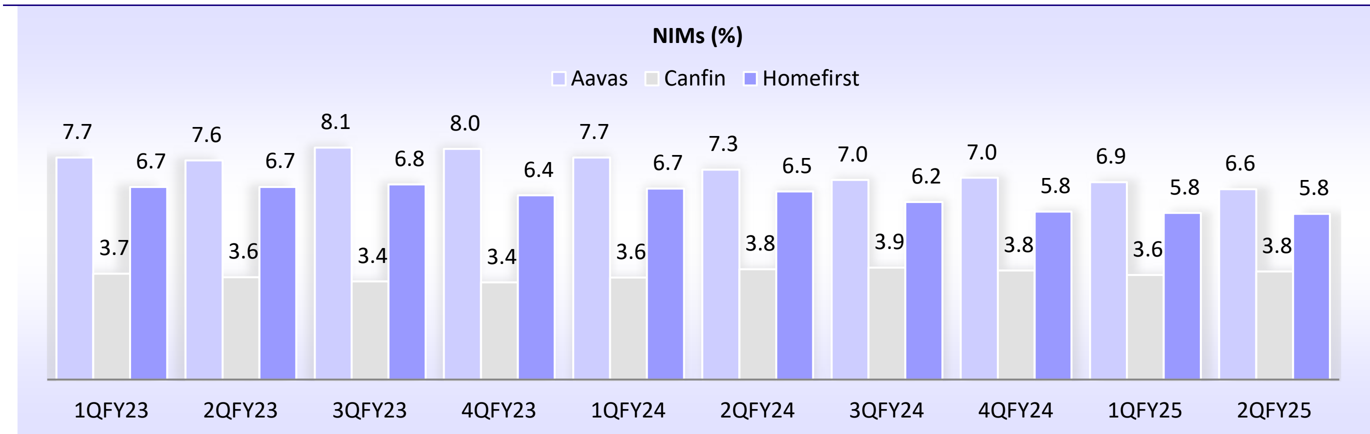
Story in charts - Affordable HFCs

Exhibit 19: Home First has consistently exhibited its ability to deliver stronger AUM growth compared to its peers



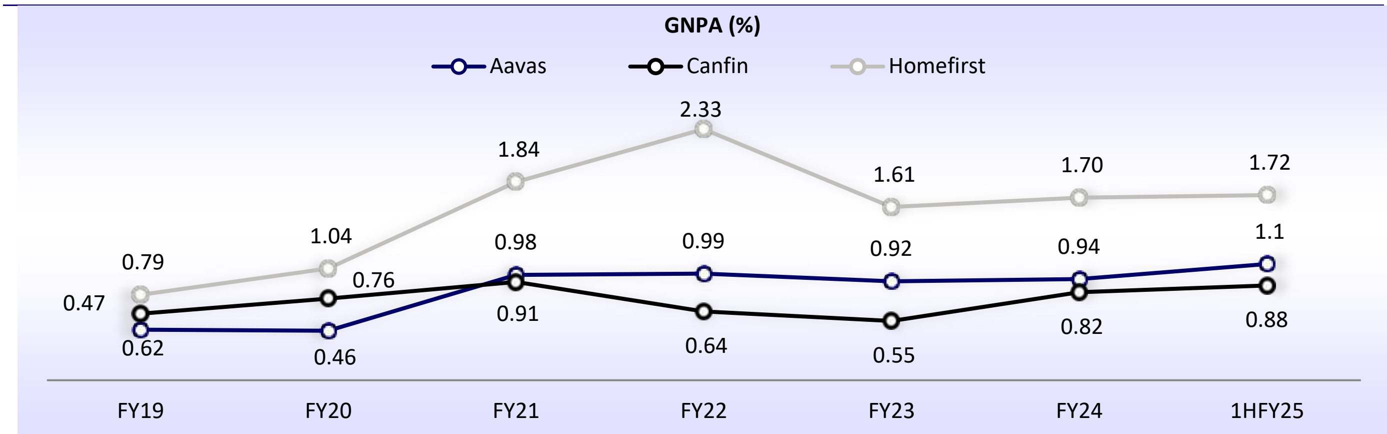
Source: MOFSL, Company

Exhibit 20: High competitive intensity and greater focus on customer retention have kept yields/NIM under pressure for Aavas



Source: MOFSL, Company

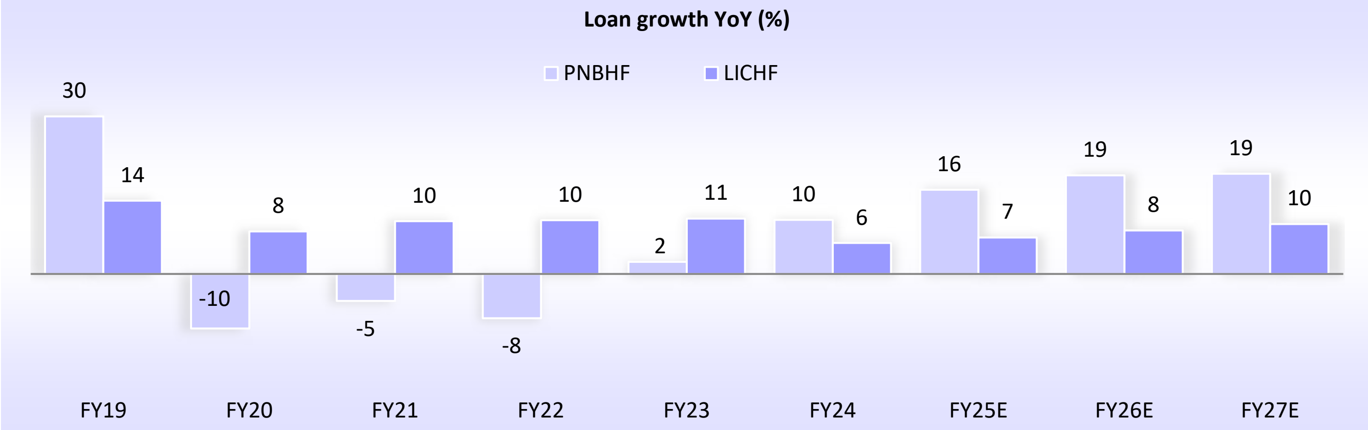
Exhibit 21: Notwithstanding the seasonally weaker 1H of the fiscal, asset quality has been broadly stable for HFCs and credit costs continue to remain benign



Source: MOFSL, Company

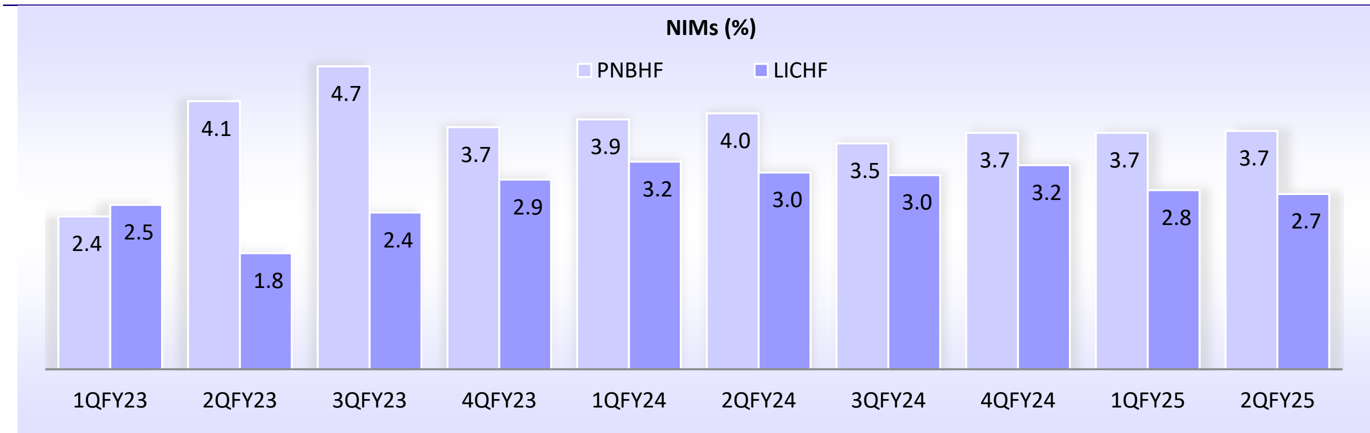
Story in charts - Large HFCs

Exhibit 22: PNBHF is well-placed among large HFCs to deliver a loan CAGR of ~18% over FY24-27E



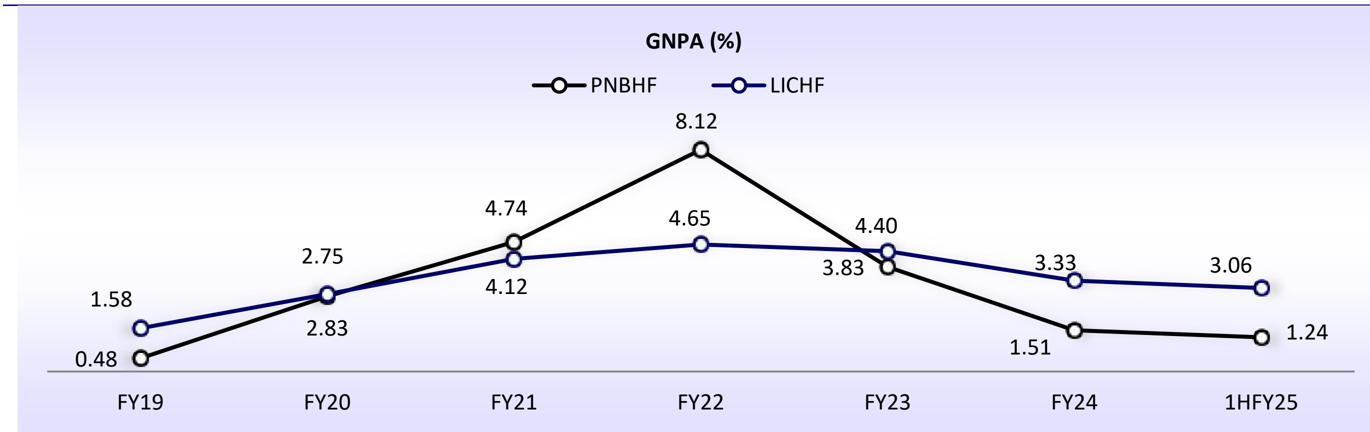
Source: MOFSL, Company

Exhibit 23: PNBHF has been able to maintain a steady NIM over the last few quarters despite high competitive intensity



Source: MOFSL, Company

Exhibit 24: Asset quality in the housing segment continues to improve across all large HFCs



Source: MOFSL, Company

Vehicle Finance

Outlook on loan growth weakened; asset quality to become an important monitorable

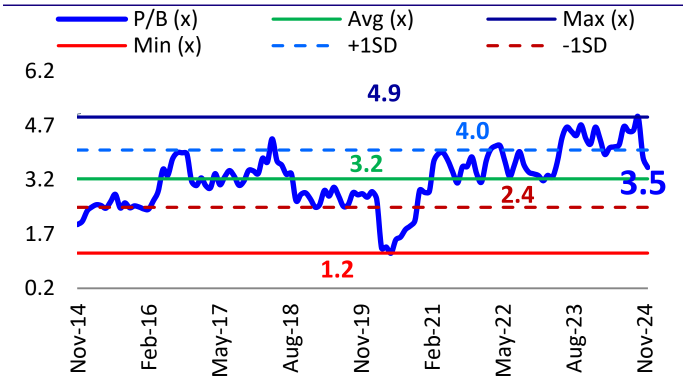
The new PV cycle has weakened already and will continue to weaken in the year ahead

- In our view, the new PV cycle has weakened already and will continue to weaken in the year ahead. While we are still grappling to understand where the new CV cycle is headed, we estimate a decline of 4-5% and a growth of 7-8% in total new CV volume growth in FY25 and FY26, respectively. Over FY24-27, we estimate a new CV volume CAGR of ~4%. This has led us to build a 9%/0%/17% YoY growth in FY25 vehicle finance disbursements and moderate our FY25 vehicle finance AUM growth estimates to 18%/16%/19% for CIFC/MMFS/SHFL, respectively.
- Asset quality deterioration in 1H was attributed to seasonal weakness, floods and extended/uneven monsoons, and some slowdown in consumption, which impacted last-mile delivery LCV/SCV operators. Asset quality remains a key monitorable for us, given that any slowdown in loan growth can also impact the asset quality going forward.

SHFL, with its dominance in used CVs, will be better placed even if new auto sales were to slow down, we prefer SHFL over CIFC.

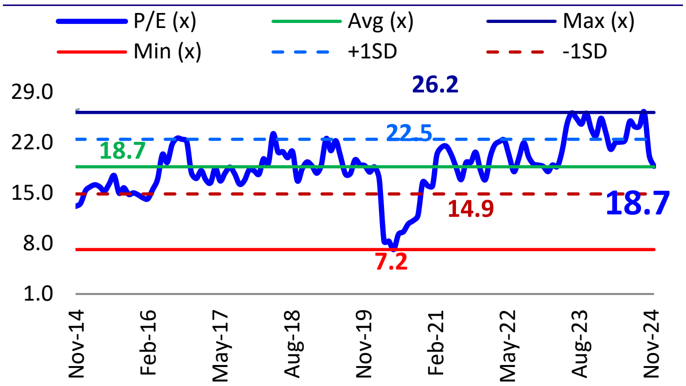
- While we expect 2HFY25 to be healthy for MMFS, driven by lower credit costs (aided by ECL provision releases), its loan growth could suffer if PVs were to slow down even further. In the context of current valuations and given that SHFL, with its dominance in used CVs, will be better placed even if new auto sales were to slow down, we prefer SHFL over CIFC.

Exhibit 25: CIFC - One-year forward P/B



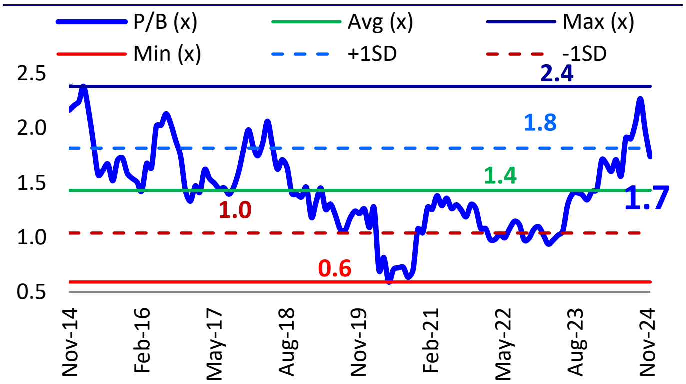
Source: MOFSL, Company

Exhibit 26: CIFC - One-year forward P/E



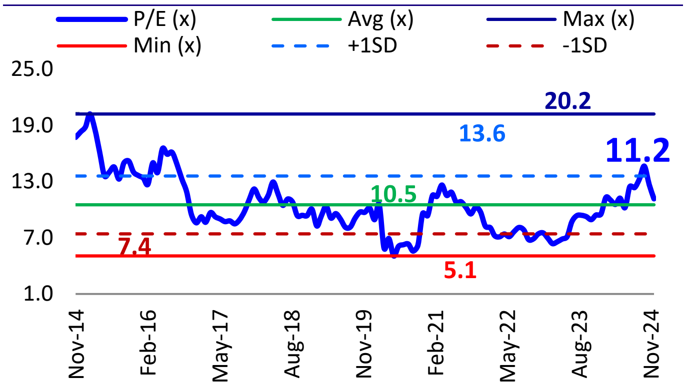
Source: MOFSL, Company

Exhibit 27: Shriram Finance - One-year forward P/B



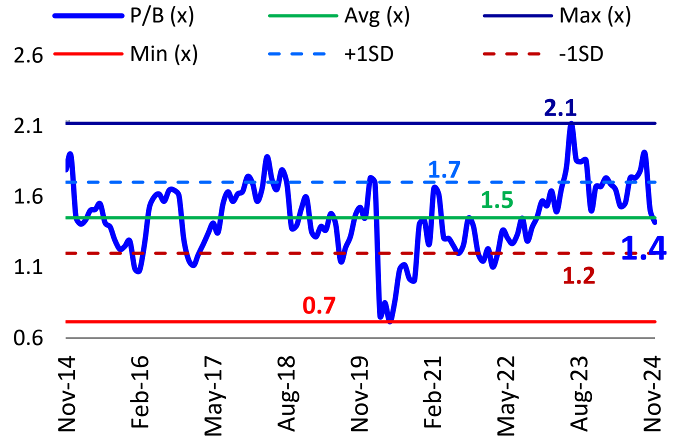
Source: MOFSL, Company

Exhibit 28: Shriram Finance - One-year forward P/E



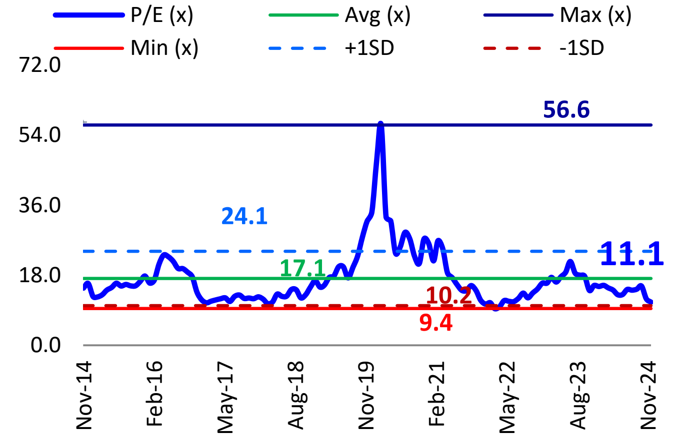
Source: MOFSL, Company

Exhibit 29: M&M Financial - One-year forward P/B



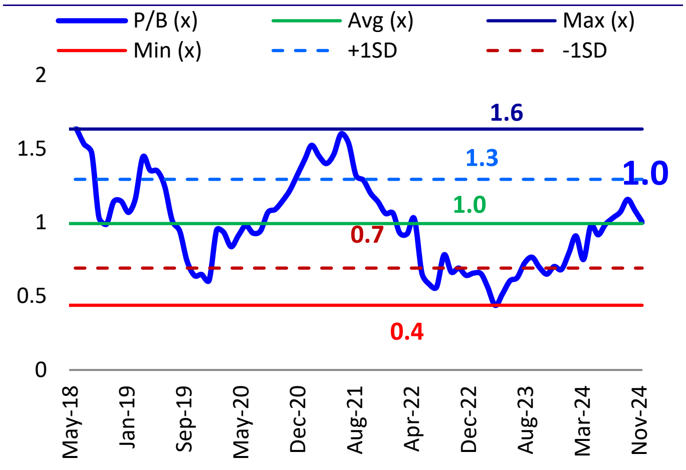
Source: MOFSL, Company

Exhibit 30: M&M Financial - One-year forward P/E



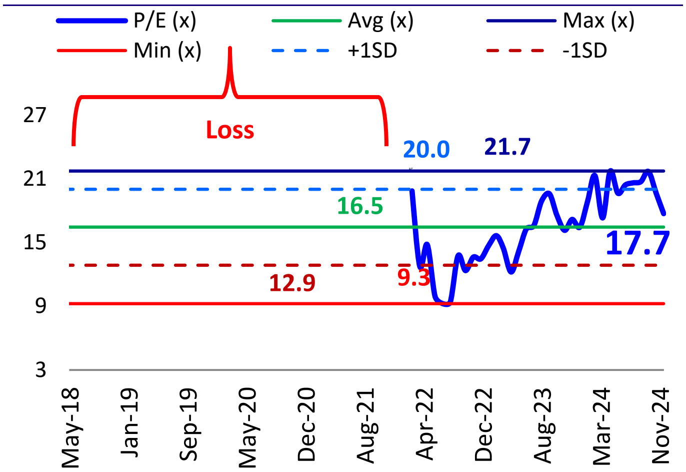
Source: MOFSL, Company

Exhibit 31: Indostar - One-year forward P/B



Source: MOFSL, Company

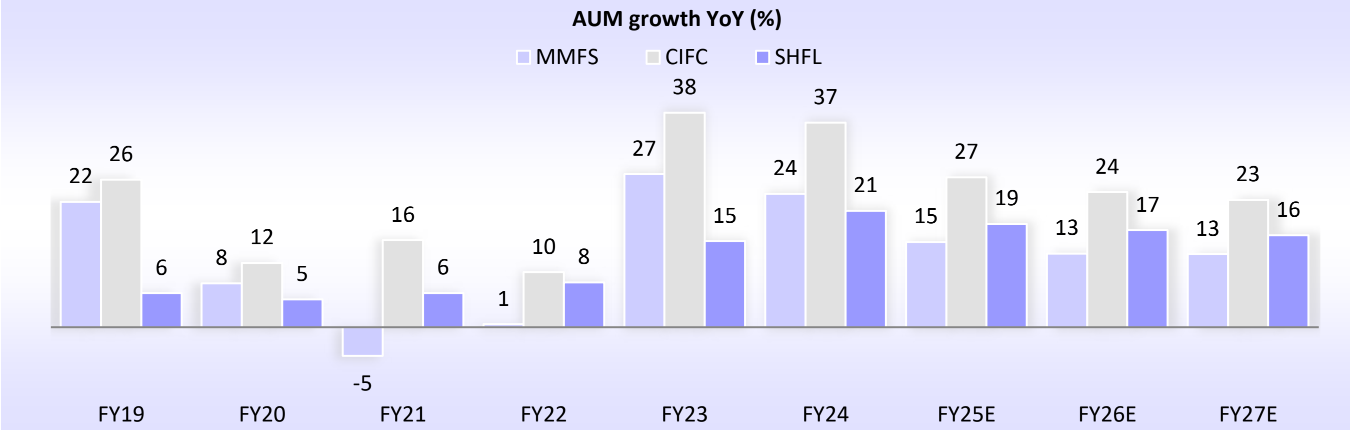
Exhibit 32: Indostar - One-year forward P/E



Source: MOFSL, Company

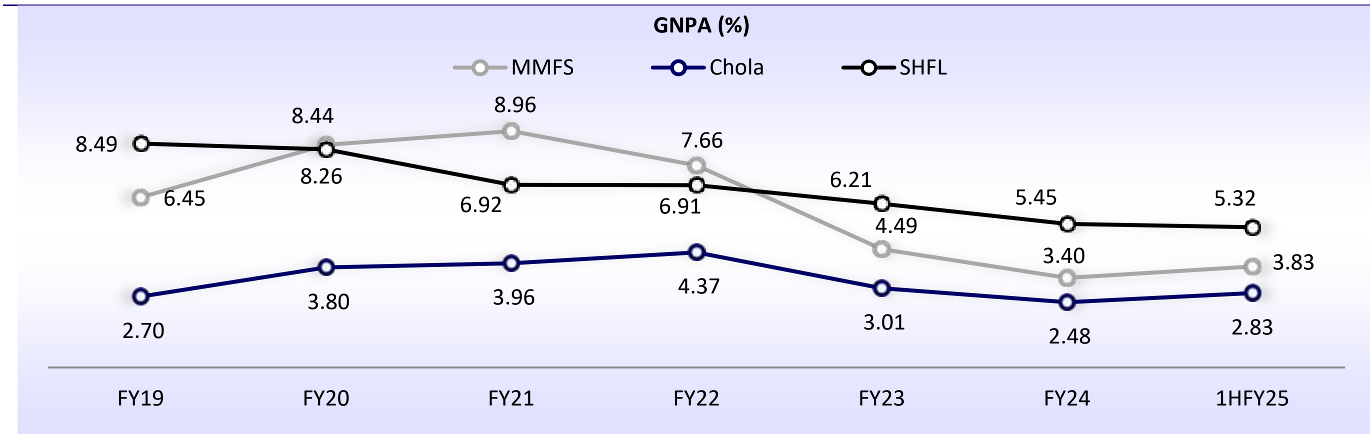
Story in charts - Vehicle finance

Exhibit 33: Loan growth outlook for vehicle financiers has moderated given the slowdown in PV and the mid-single digit growth expectations in CV volumes



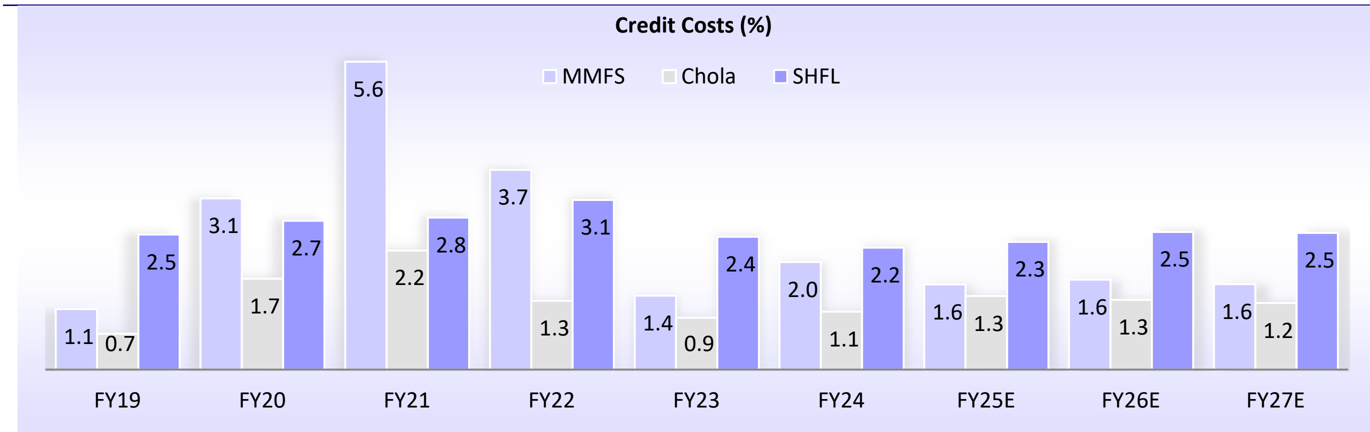
Source: MOFSL, Company

Exhibit 34: Asset quality in 1HFY25 weakened primarily due to macro factors, including floods and unseasonal rains



Source: MOFSL, Company

Exhibit 35: Potential weakening of vehicle finance loan growth can impact asset quality and consequently result in higher credit costs



Source: MOFSL, Company

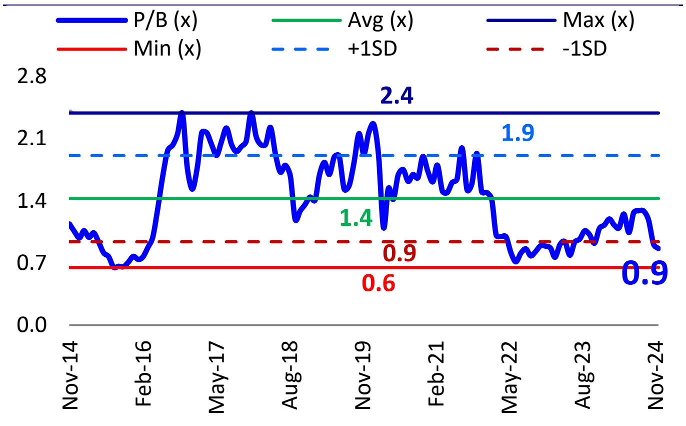
Gold Finance

Near-term visibility on loan growth; competitive intensity to increase again if gold prices decline

- Over the last two quarters, the going was strong for gold lenders such as MUTH and MGFL, driven by a) higher gold prices, b) lower competitive intensity from banks and a ban on IIFL Finance in gold loans, and c) lower availability of unsecured personal/business loans and MFI loans. Most importantly, they delivered strong gold loan growth without the associated trade-offs of loan growth with margins.
- While the gold loan growth may remain healthy in the near term, for a healthy outlook in the medium term, we would need to closely monitor the a) competitive intensity in gold loans after the RBI ban on IIFL Finance was revoked and b) trajectory of gold prices as the geo-political landscape continues to remain volatile.
- In our view, valuations for MUTH at 2.4x FY26E P/BV are full and largely factor in the tailwinds we outlined earlier. MGFL, though may appear attractive at current valuations, will have to work closely with the regulator to get the ban on its MFI subsidiary, Asirvad, revoked quickly. While we are not overly positive on this space, we believe that the downside risks are limited.

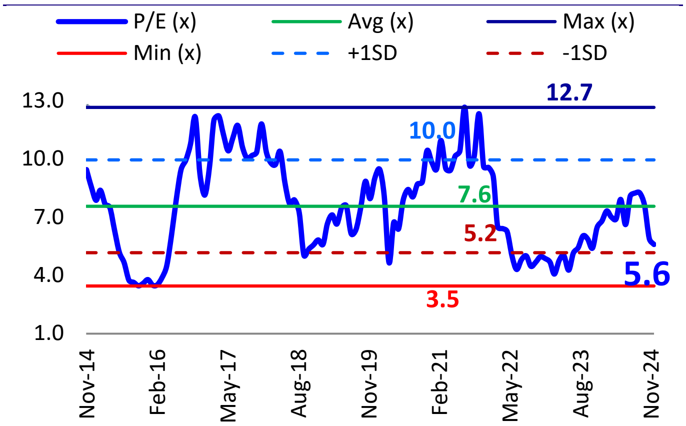
We would need to closely monitor the a) competitive intensity in gold loans after the RBI ban on IIFL Finance was revoked and b) trajectory of gold prices

Exhibit 36: Manappuram Finance - One-year forward P/B



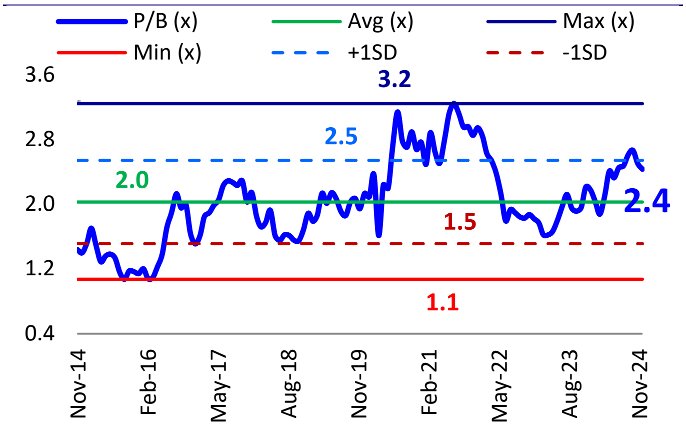
Source: MOFSL, Company

Exhibit 37: Manappuram Finance - One-year forward P/E



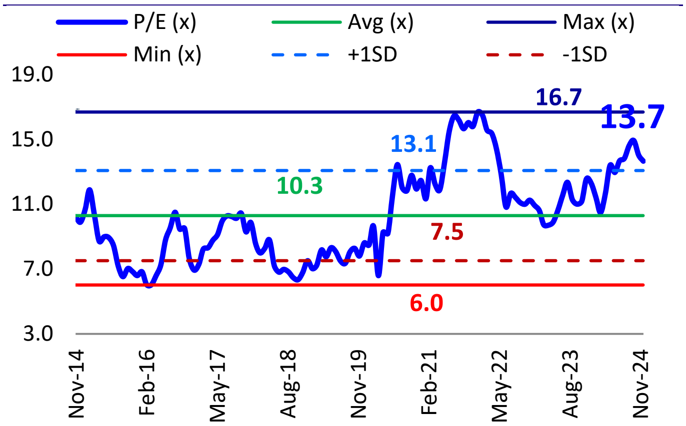
Source: MOFSL, Company

Exhibit 38: Muthoot Finance - One-year forward P/B



Source: MOFSL, Company

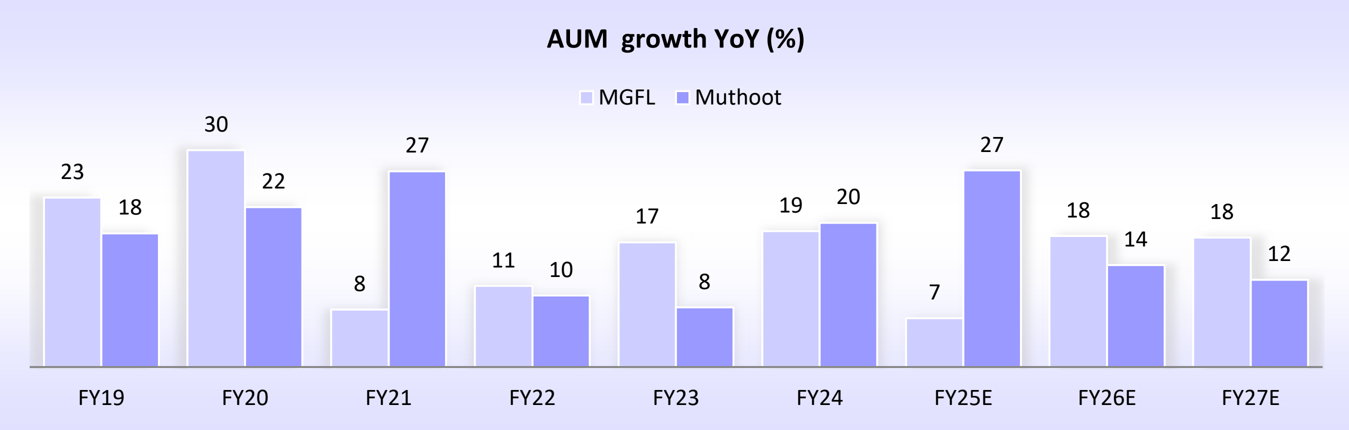
Exhibit 39: Muthoot Finance - One-year forward P/E



Source: MOFSL, Company

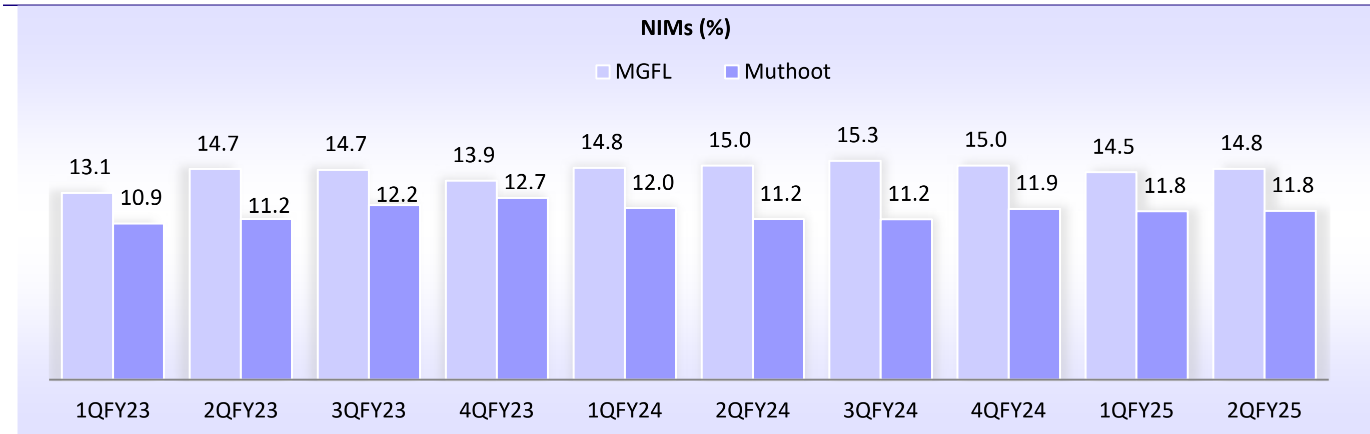
Story in charts - Gold finance

Exhibit 40: Gold loan demand expected to remain healthy in the near term but competitive intensity and gold prices will remain important monitorables



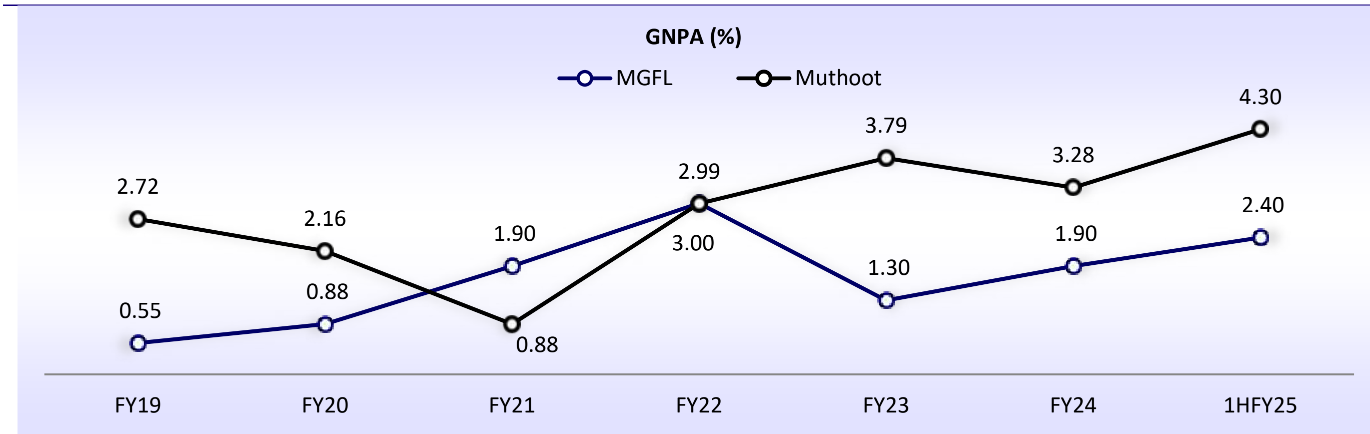
Source: MOFSL, Company

Exhibit 41: MUTH/MGFL exhibited healthy gold loan growth in 1HFY25 without an associated trade-off with NIM



Source: MOFSL, Company

Exhibit 42: Asset quality deterioration in gold loans indicates the inability of customers to repay



Source: MOFSL, Company

Power Finance

Structural opportunity given the energy transformation; healthy outlook on asset quality

- In previous cycles, the power sector was plagued by high levels of NPAs, mainly in thermal projects. However, the current power cycle is markedly different since a majority of loans extended by PFC and REC are now directed toward government entities or private renewable energy companies.

We believe that we are now in a phase of power upcycle, where stressed asset resolutions will continue, leading to further asset quality improvement.

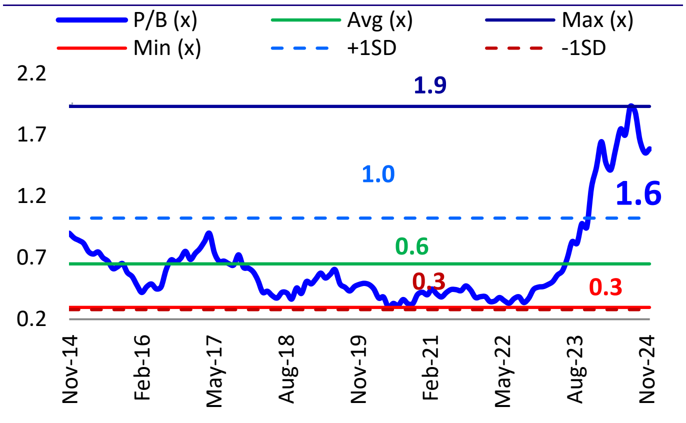
- We believe that we are now in a phase of power upcycle, where stressed asset resolutions will continue, leading to further asset quality improvement. We do not see risks of incremental additions to the stress pool over the next 18-24 months. This should keep credit costs benign at <5bp over FY25-FY26E.
- PFC and REC will be a beneficiary of the revival in the power sector capex. Both PFC and REC can deliver a loan CAGR of 15-18% along with healthy earnings growth, reflecting an RoE of 19-21% over FY25-27E.
- Given the recent news flow on the Adani Group, where it has been indicted by US prosecutors on bribery charges, it is important to understand the exposure of PFC and REC to the Adani Group. PFC has a total exposure of ~INR135b, all in generation (mostly renewable) power projects. Out of its total exposure, ~74% is toward projects that are already operational. Meanwhile, REC has a total exposure of ~INR180b in generation (mostly renewable) power projects and transmission and a relatively smaller exposure to a road infrastructure project. Out of its total exposure, ~56% is toward projects that are already operational.

Exhibit 43: Details on the exposure of PFC and REC to the Adani Group

Exposure to the Adani Group	PFC	REC
Total Exposure (INR b)	135	180
% of exposure to Adani Group in operational/ commissioned projects	74	56
Area of Exposure	❖ Exposure only to generation (mostly renewable) projects	❖ Exposure to generation (mostly renewable), transmission, and one road infrastructure project
	❖ No exposure to Adani-listed entities; exposure only in SPV structure to specific power projects	❖ Small exposure of ~INR5b to one listed entity of the Adani Group; rest of the exposure to SPVs

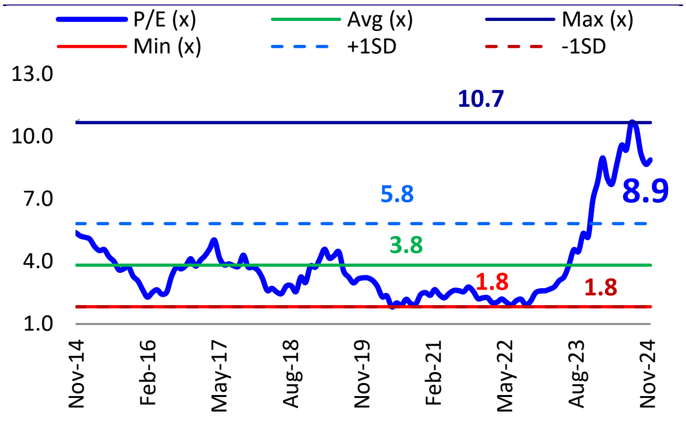
Source: MOFSL, Company

Exhibit 44: Power finance - One-year forward P/B



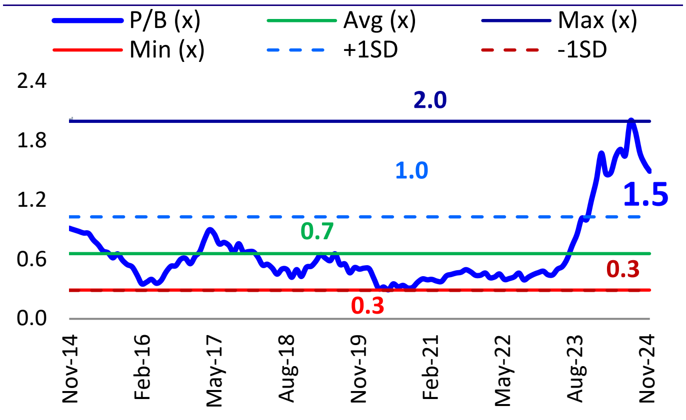
Source: MOFSL, Company

Exhibit 45: Power finance - One-year forward P/E



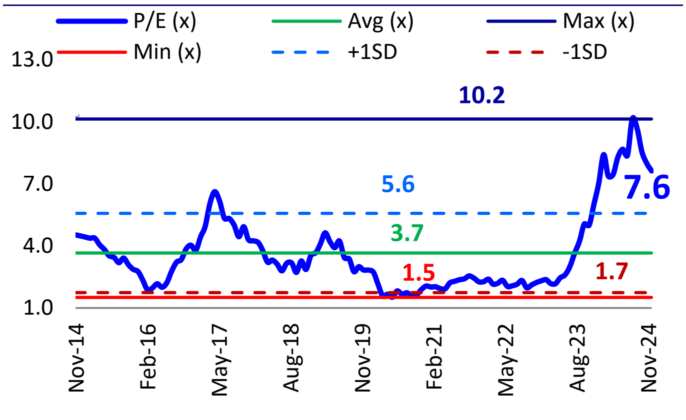
Source: MOFSL, Company

Exhibit 46: RECL - One-year forward P/B



Source: MOFSL, Company

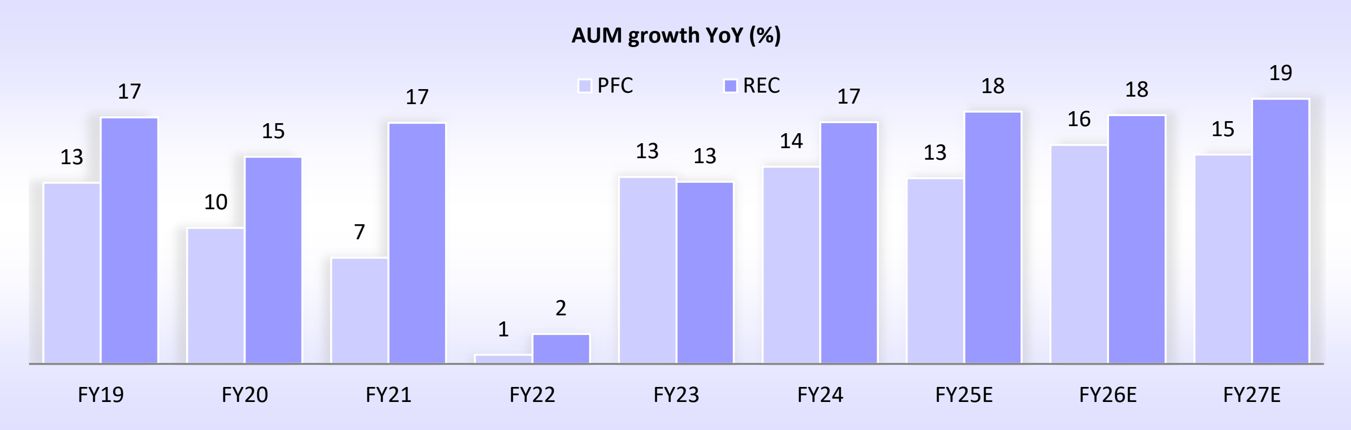
Exhibit 47: RECL - One-year forward P/E



Source: MOFSL, Company

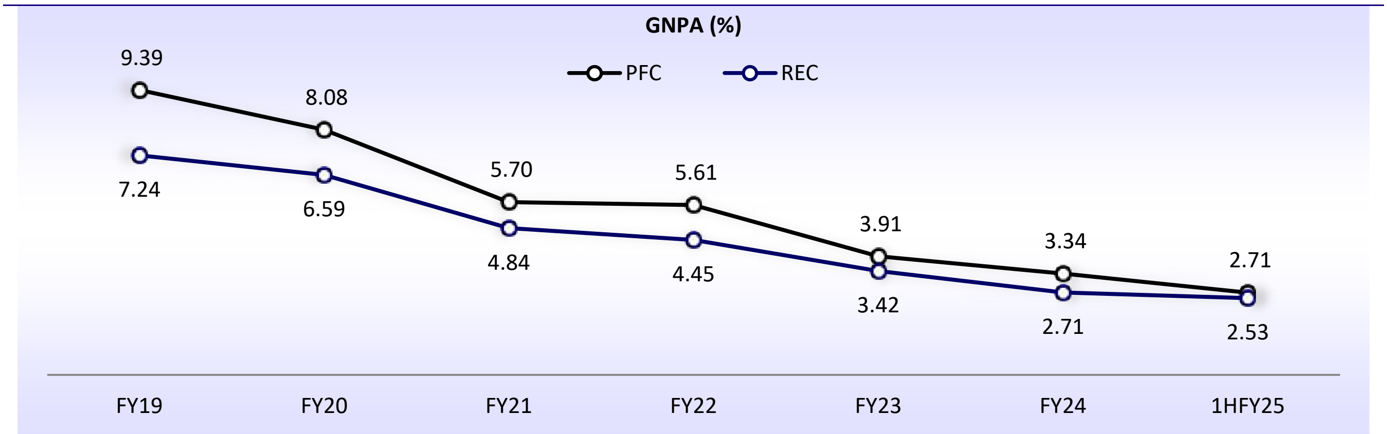
Story in charts - Power finance

Exhibit 48: Power lenders expected to deliver robust loan growth aided by a strong power demand and energy transformation



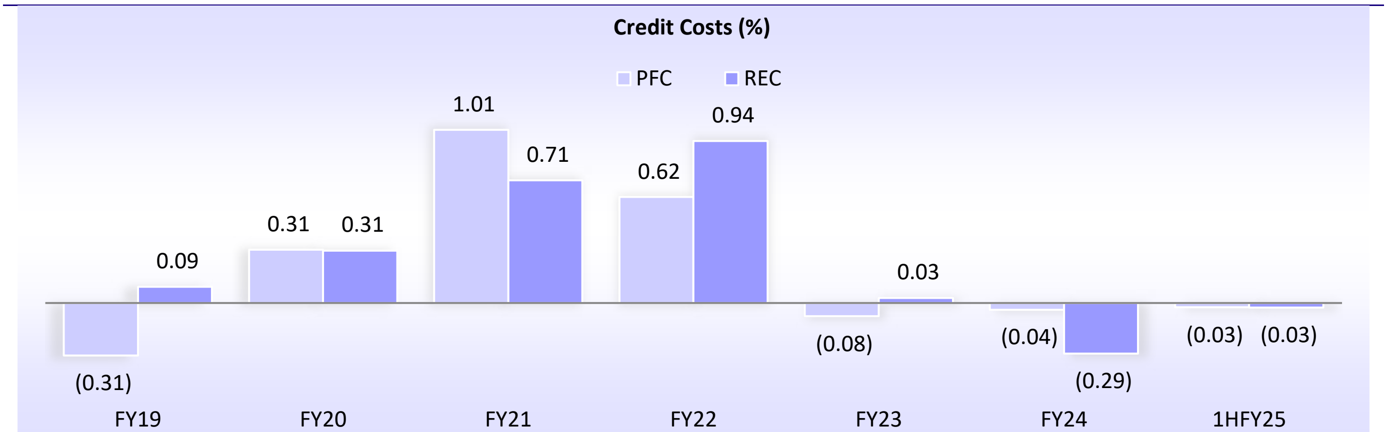
Source: MOFSL, Company

Exhibit 49: Asset quality continues to improve, aided by stressed asset resolutions



Source: MOFSL, Company

Exhibit 50: Credit costs for PFC and REC are expected to remain benign in the absence of any new stress formation



Source: MOFSL, Company

Micro Finance

Stress will continue to run its course over the next two quarters; recovery still distant

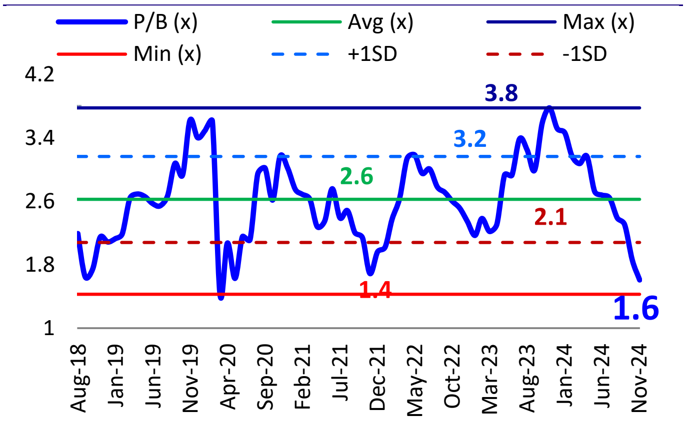
We estimate credit costs to remain elevated in 3Q and continue to be far from normal levels. We expect a recovery only by FY25 end or early FY26.

- Asset quality significantly deteriorated across the microfinance sector, with all NBFC-MFIs, SFBs, and even larger banks acknowledging the problem of customer overleveraging in the MFI sector.
- FUSION was the worst impacted, reporting a GNPA of ~9.4% as of Sep'24. This also triggered its auditor note on the going concern premise in the face of multiple covenant breaches by the company. We estimate credit costs to remain elevated in 3Q and continue to be far from normal levels. We expect a recovery only by FY25 end or early FY26.
- The MFI sector will continue to go through a rough patch for the next two quarters as the problem of customer overleveraging is broad-based (spread across different states) and the stress will run its course before the situation improves. As outlined in detail in our **MFI Sector update**, we would like to re-emphasize that we view this as a credit cycle not only in microfinance but also across all unsecured products, including credit cards, personal loans, and unsecured business loans.
- Recently, the MFIN published its revised guardrails on November 25, 2024 and which will be effective from 1-Jan-2025. They advocate 1) Reduction of maximum lenders to a single borrower to three from the previous limit of four, 2) Prohibition of lending to clients who are 60dpd+ (v/s 90dpd earlier) with an outstanding of INR3000 or more, 3) Total indebtedness will now be at INR200K, including both MFI loans and unsecured retail loans. Earlier the cap of INR200K considered only the MFI loans, 4) Sector to set a target to link PAN to 50% of the borrower accounts by Mar'25, even as the validated Voted ID will continue to remain the primary KYC document and 5) Board to review interest rates to ensure that the efficiency gains are passed on to the borrowers. In our view, these revised MFIN guardrails are more stringent than the ones put out earlier in Jul'24 and will result in further moderation in loan growth expectations and a slight increase in credit costs as well.

We continue to advise underweight on the MFI sector instead of getting carried away with the valuation argument

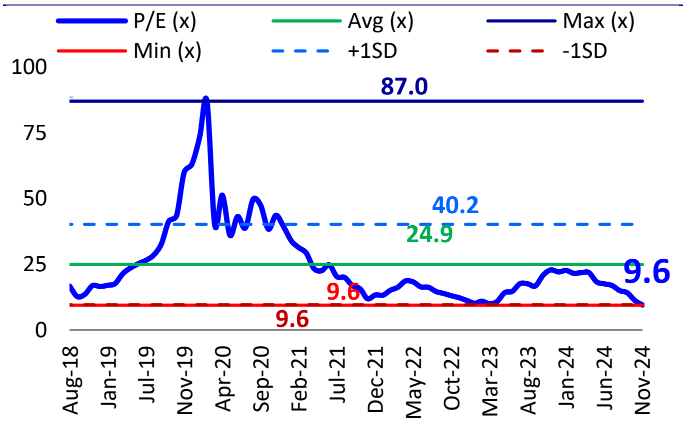
- While the downside risks might appear limited given the steep correction in stock price of NBFC-MFIs, we believe that fundamentals in the sectors will take some more time to improve. We continue to advise underweight on the MFI sector instead of getting carried away with the valuation argument, given that stock price of CREDAG/ SPANDANA/FUSION have corrected ~30%/60%/52% over the last six months.

Exhibit 51: Credit Access - One-year forward P/B



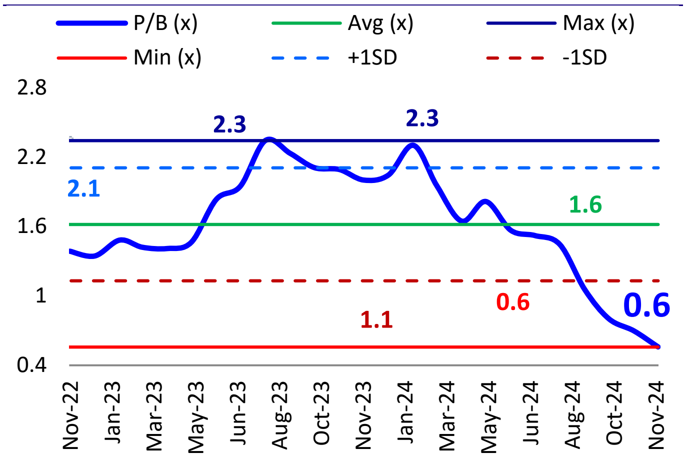
Source: MOFSL, Company

Exhibit 52: Credit Access - One-year forward P/E



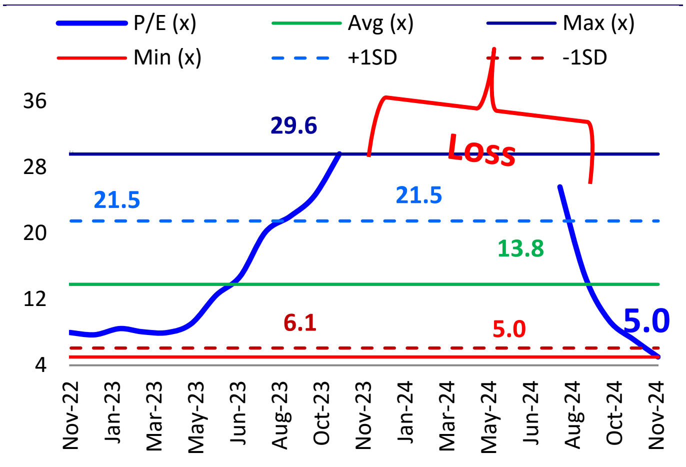
Source: MOFSL, Company

Exhibit 53: Fusion - One-year forward P/B



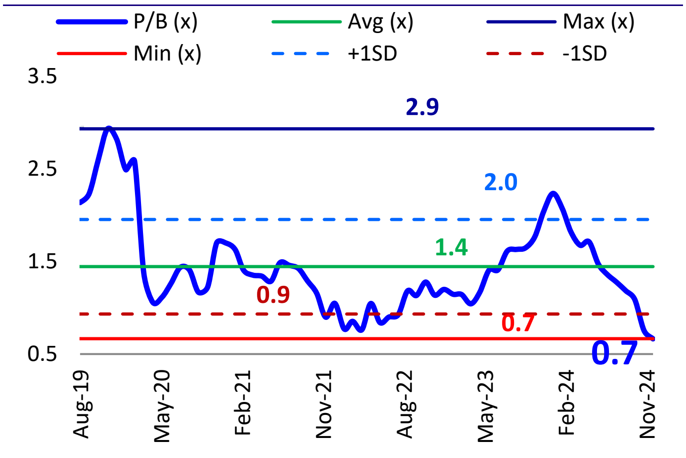
Source: MOFSL, Company

Exhibit 54: Fusion - One-year forward P/E



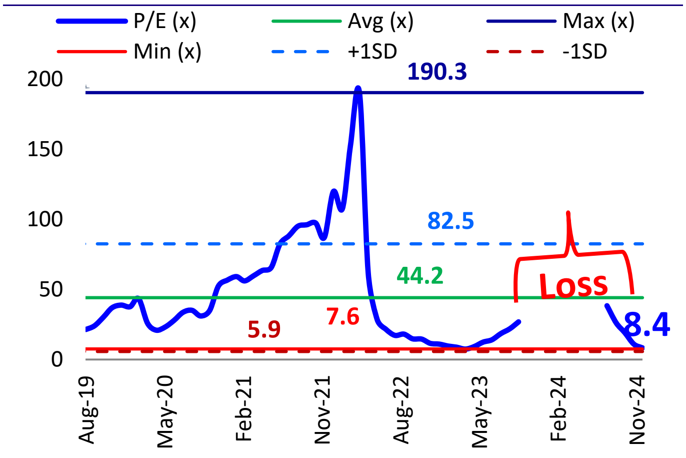
Source: MOFSL, Company

Exhibit 55: Spandana Sphoorty - One-year forward P/B



Source: MOFSL, Company

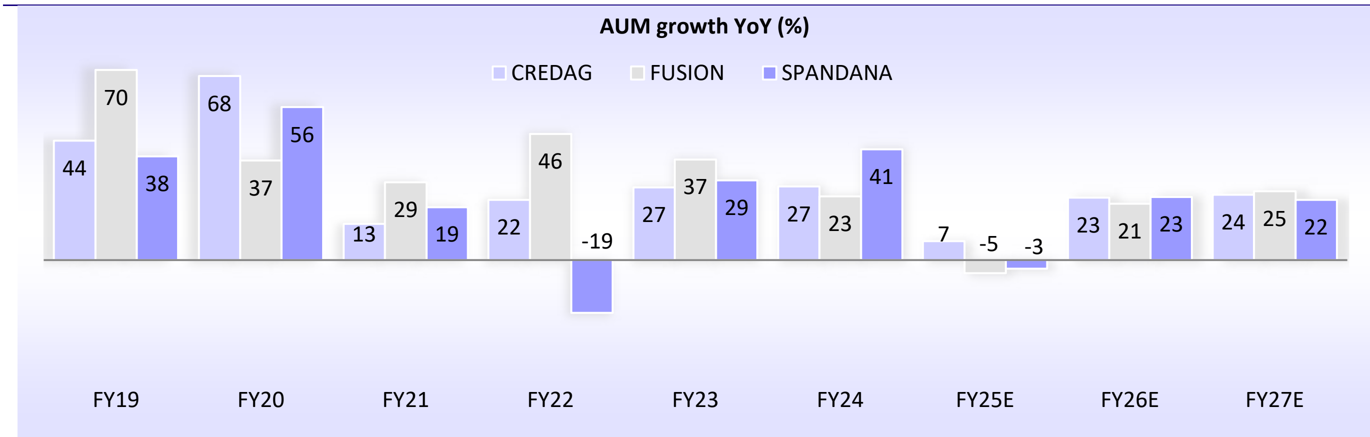
Exhibit 56: Spandana Sphoorty - One-year forward P/E



Source: MOFSL, Company

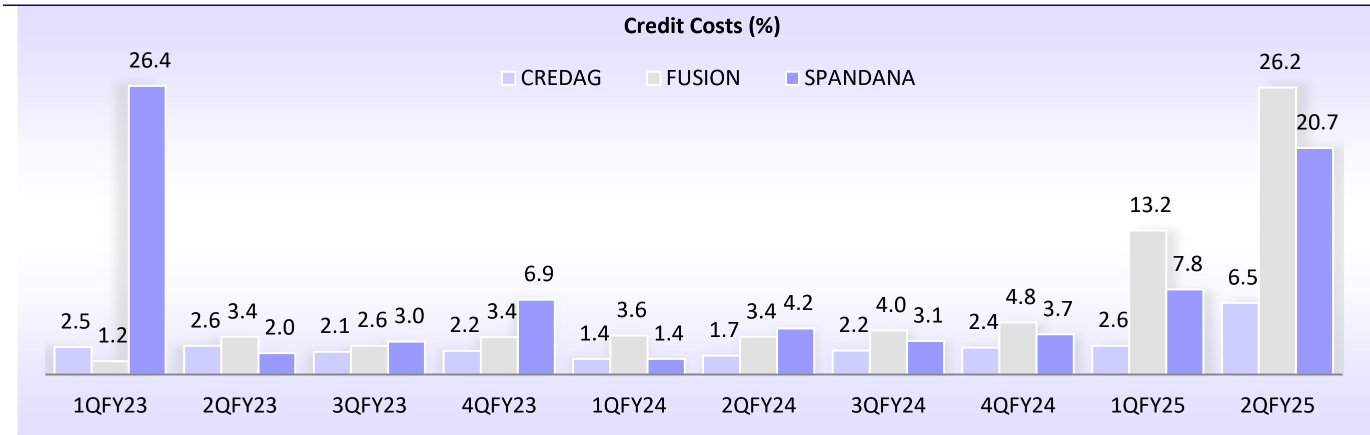
Story in charts - MFI

Exhibit 57: Moderation in AUM growth for all MFIs due to industry-wide stress and implementation of MFIN guardrails



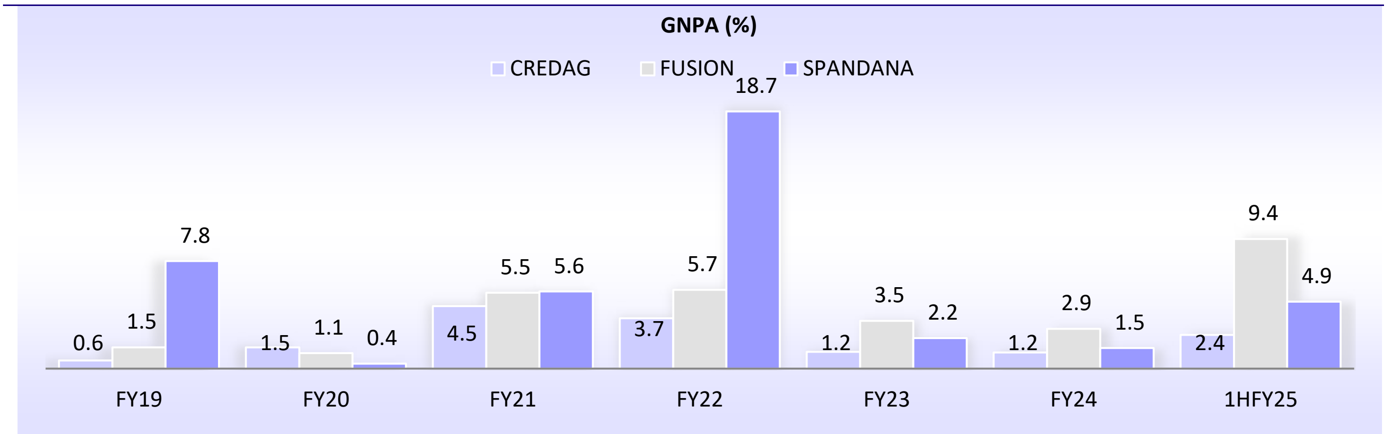
Source: MOFSL, Company

Exhibit 58: Sharp rise in credit costs due to customer overleveraging and sustained forward flows



Source: MOFSL, Company

Exhibit 59: Significant deterioration in asset quality across all NBFC MFIs; FUSION worst affected



Source: MOFSL, Company

Exhibit 60: Between ~5-15% of the borrowers at respective MFIs had loans from 5 or more lenders, as on Aug/Sep'24

Lender Overlap (basis number of borrowers)	Aug'24	Sep'24	Sep'24	Oct'24	Sep'24	Sep'24
	CREDAG	Fusion	Spandana	LTFH	Muthoot Microfin	Satin (At the time of disbursements)
Unique	26.3	33.3	29	41.2	32.9	53.3
Company + 1	25.2	26	24.6	27.4	25.8	28.9
Company + 2	19.9	19	19.5	18.4	18.8	12.7
Company + 3	13.2	11.9	13.1	8.0	11.9	4.2
Company + 4 and above	15.3	9.7	13.8	4.9	10.6	1.0
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: MOFSL, Company; Note: Data above is basis the number of borrowers

Exhibit 61: Between ~4-10% of the borrowers have total MFI indebtedness higher than INR200K at respective MFIs

	Aug'24	Sep'24	Sep'24	Sep'24 At the time of disbursements
Total MFI Indebtedness (INR)	**CREDAG (%)**	**SPANDANA (%)**	**Muthoot Microfin (%)**	**SATIN (%)**
<=50K	21.5	33.8	38.1	81.1
50K to <=100K	28.5	30.4	28.6	10.4
100K to <=150K	25.7	21.5	20	8
150K to <=200K	14.9	9.8	9.5	0.4
>=200K	9.4	4.5	3.8	0.04
Total	**100.0**	**100.0**	**100.0**	**100.0**
Total MFI Indebtedness (INR)	**Sep'24 FUSION (%)**			
<40K	33.6			
40-60K	15.1			
60K-100K	23.6			
>100K	27.7			
Total	**100.0**			

Source: MOFSL, Company; Note: Fusion reported separate indebtedness buckets and hence shown separately

MSME Finance

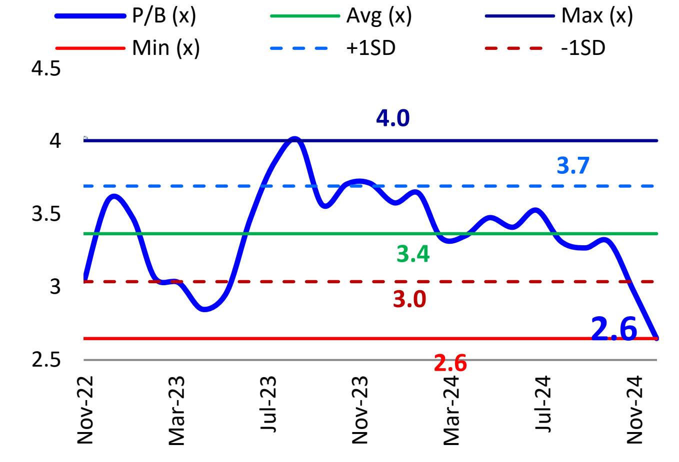
Near-term uncertainties on asset quality and AUM growth but huge runway ahead

The cut in incremental lending rates, which was higher than the guided cut in its lending rates and the uncertainty on its sustainable AUM growth trajectory going forward, came across as a negative surprise

Despite a ~40-50% overlap with MFI customers and near-term (transitory) risks to asset quality because of stress in the MFI sector, we find Five Star better placed due to the secured nature of these MSME loans.

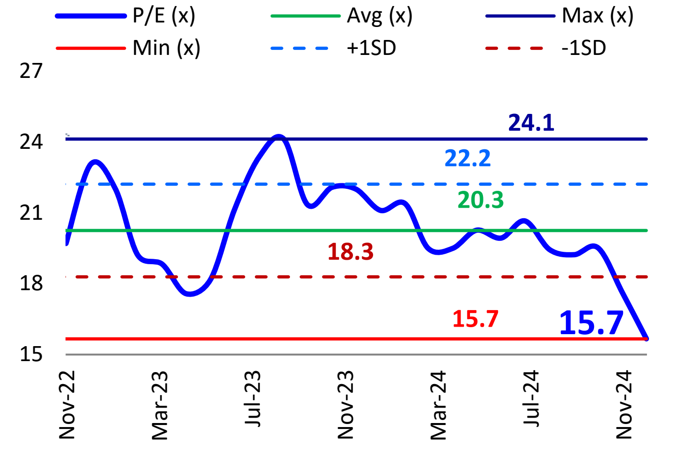
- In its last MPC meeting, RBI expressed concerns over certain product segments and outliers among NBFCs that were aggressively pursuing growth. The regulator emphasized that it was not in favor of a 'growth at any cost' approach. It also shared concerns over the usurious interest rates charged by some NBFC players (including MFI and HFCs), which are often combined with unreasonably high processing fees and excessive penalties. Though RBI had expressed concerns over interest rates charged by MFIs earlier, this was the first time it expressed displeasure with the rates charged by (few outliers) companies in the mortgage space.
- Cognizant of the views aired by the regulator on a public forum, Five Star's management cut its FY25 AUM growth guidance to ~25% (vs 30% earlier). It also reduced its lending rates on incremental sanctions by ~200bp to pass on its lower borrowing costs to customers. The cut in incremental lending rates, which was higher than the guided cut in its lending rates and the uncertainty on its sustainable AUM growth trajectory going forward, came across as a negative surprise and impacted Five Star's stock price, which has corrected by ~26% in the past month.
- Fundamentally, we continue to prefer Five Star given that the company operates in the micro-LAP (backed by SORP) segment, where its business model has been enhanced for over two decades to deliver a combination of healthy loan growth and profitability. Despite a ~40-50% overlap with MFI customers and near-term (transitory) risks to asset quality because of stress in the MFI sector, we find Five Star better placed due to the secured nature of these MSME loans.

Exhibit 62: Five-star - One-year forward P/B



Source: MOFSL, Company

Exhibit 63: Five-star - One-year forward P/E



Source: MOFSL, Company

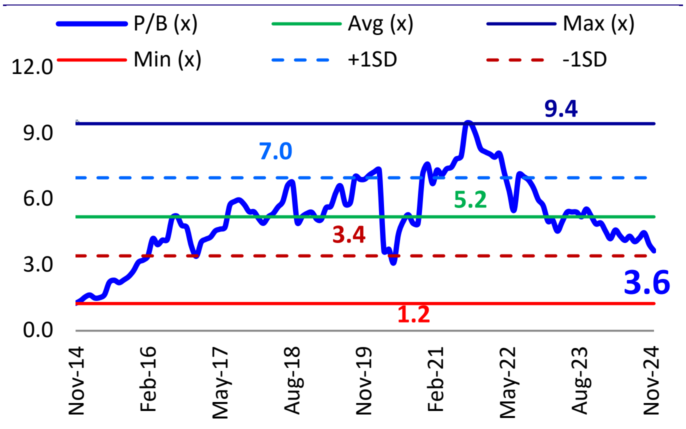
Diversified lenders reacted to the stress in both these product segments by calibrating their growth in the PL/BL and MFI portfolios.

Diversified Lenders

Not completely out of the woods just yet!

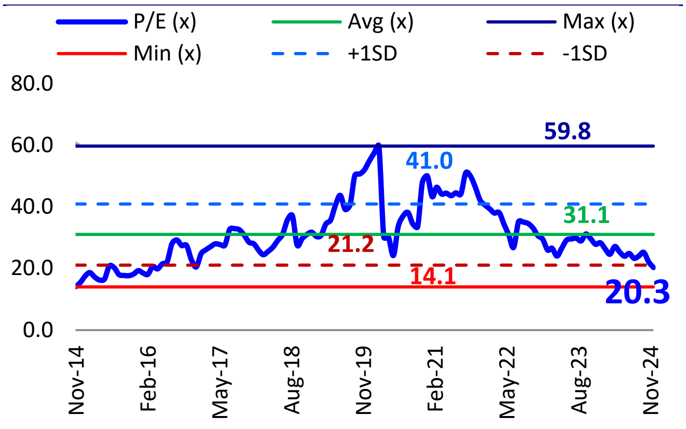
- Most of the diversified lenders in our coverage with multi-product offerings have been plagued by stress in either their Personal Loans (PL)/unsecured Business Loans (BL) portfolio or the perceived risks in their MFI portfolio.
- Diversified lenders reacted to the stress in both these product segments by calibrating their growth in the PL/BL and MFI portfolios. We believe this calibration will continue for the next two quarters as the stress in these product segments is provided for (or written off). We expect credit costs from these segments to remain elevated in 2HFY25 as well.
- Poonawalla Fincorp finally called out the stress in its short-term PL book (STPL) and took a one-time credit cost of INR6.7b in the Sep'24 quarter. BAF guided for credit costs to remain elevated in 2HFY25 as well but exhibit a declining trajectory from hereon.

Exhibit 64: Bajaj Finance - One-year forward P/B



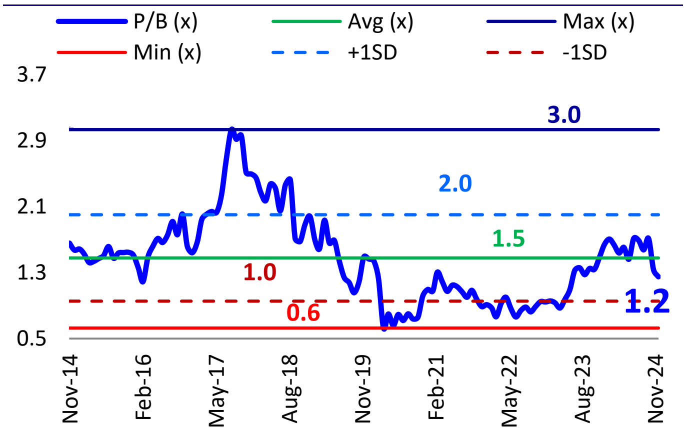
Source: MOFSL, Company

Exhibit 65: Bajaj Finance - One-year forward P/E



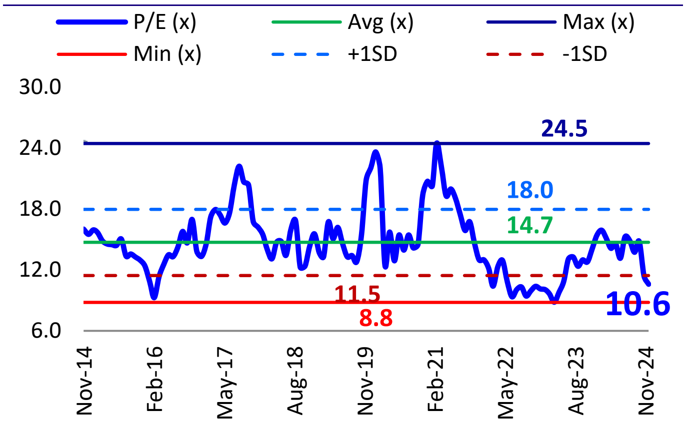
Source: MOFSL, Company

Exhibit 66: L&T Finance - One-year forward P/B



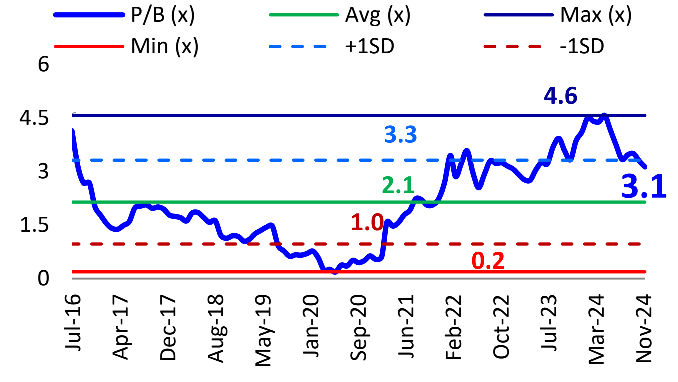
Source: MOFSL, Company

Exhibit 67: L&T Finance - One-year forward P/E



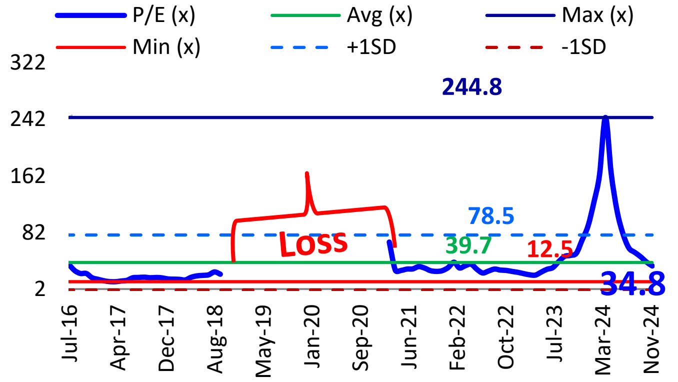
Source: MOFSL, Company

Exhibit 68: Poonawalla Fincorp - One-year forward P/B



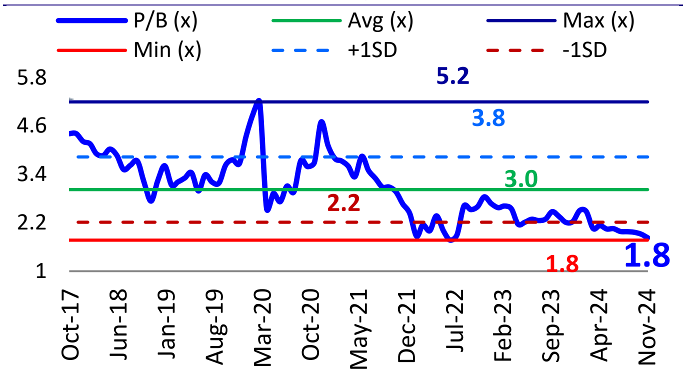
Source: MOFSL, Company

Exhibit 69: Poonawalla Fincorp - One-year forward P/E



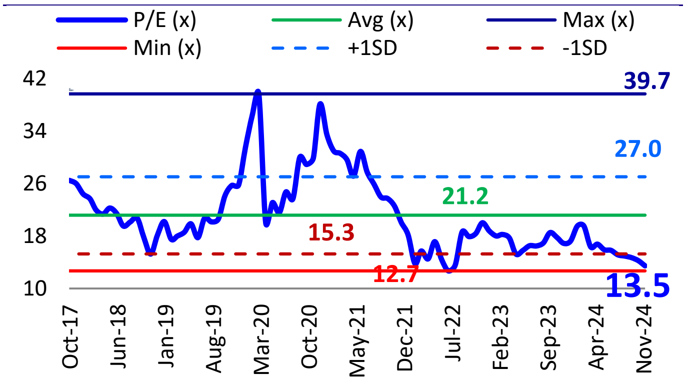
Source: MOFSL, Company

Exhibit 70: MAS Financial - One-year forward P/B



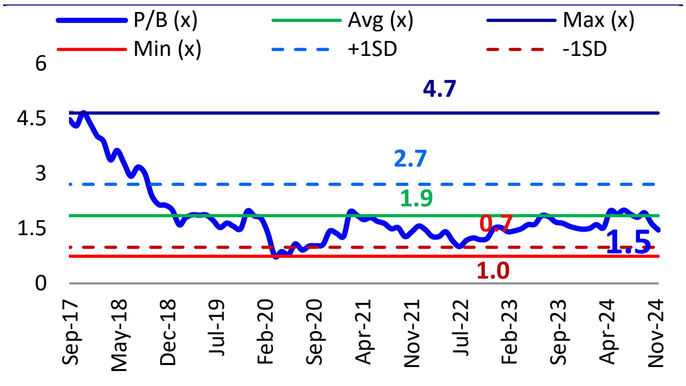
Source: MOFSL, Company

Exhibit 71: MAS Financial - One-year forward P/E



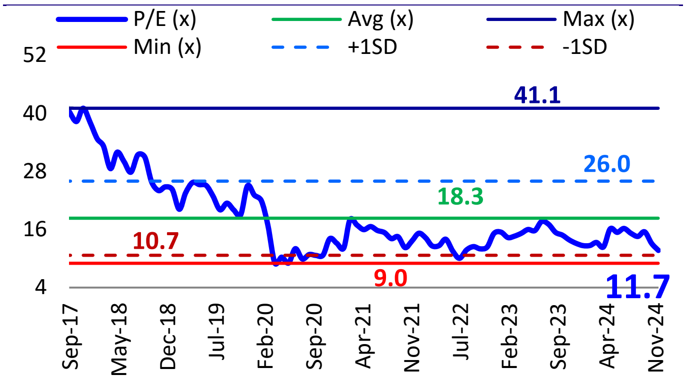
Source: MOFSL, Company

Exhibit 72: Aditya Birla Cap - One-year forward P/B



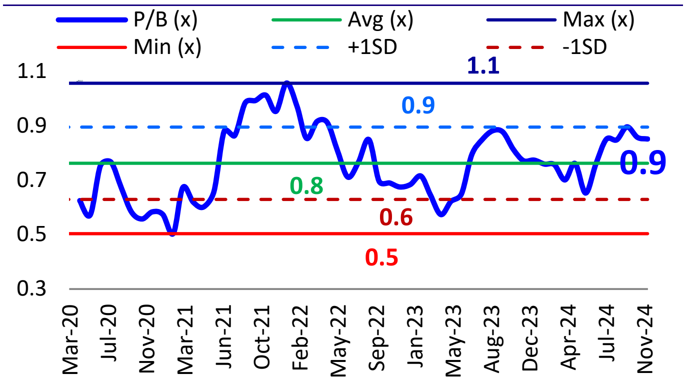
Source: MOFSL, Company

Exhibit 73: Aditya Birla Cap - One-year forward P/E



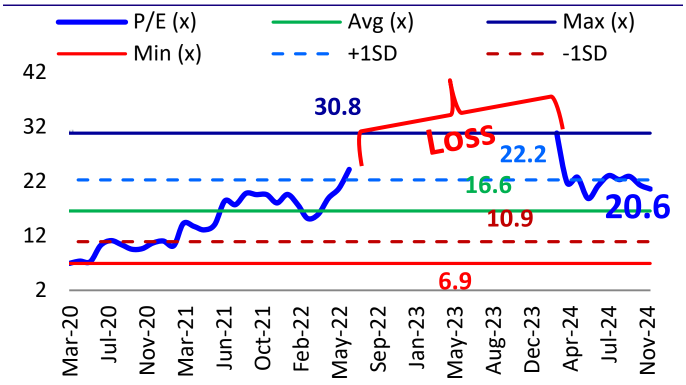
Source: MOFSL, Company

Exhibit 74: Piramal Enterprises - One-year forward P/B



Source: MOFSL, Company

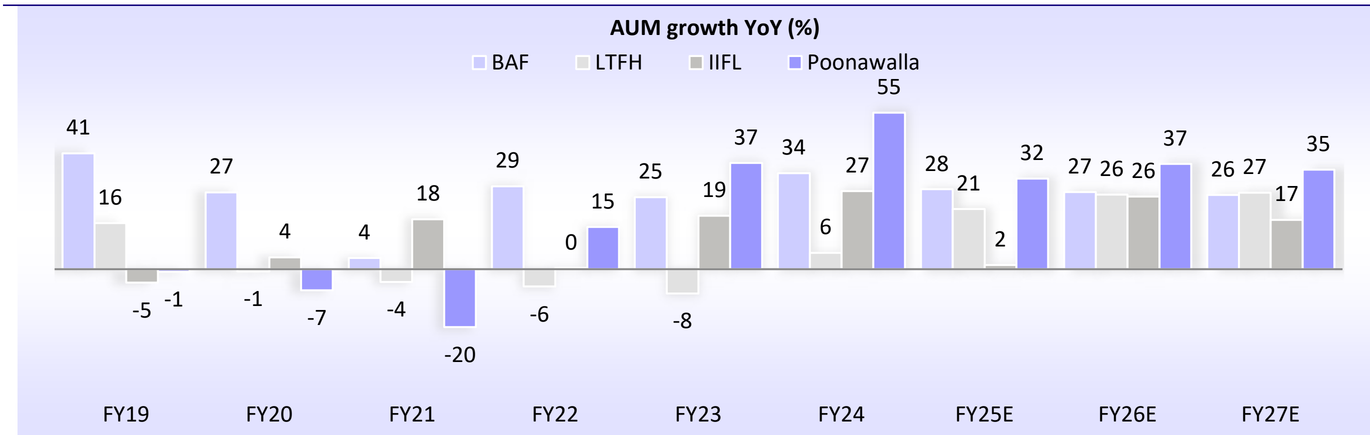
Exhibit 75: Piramal Enterprises - One-year forward P/E



Source: MOFSL, Company

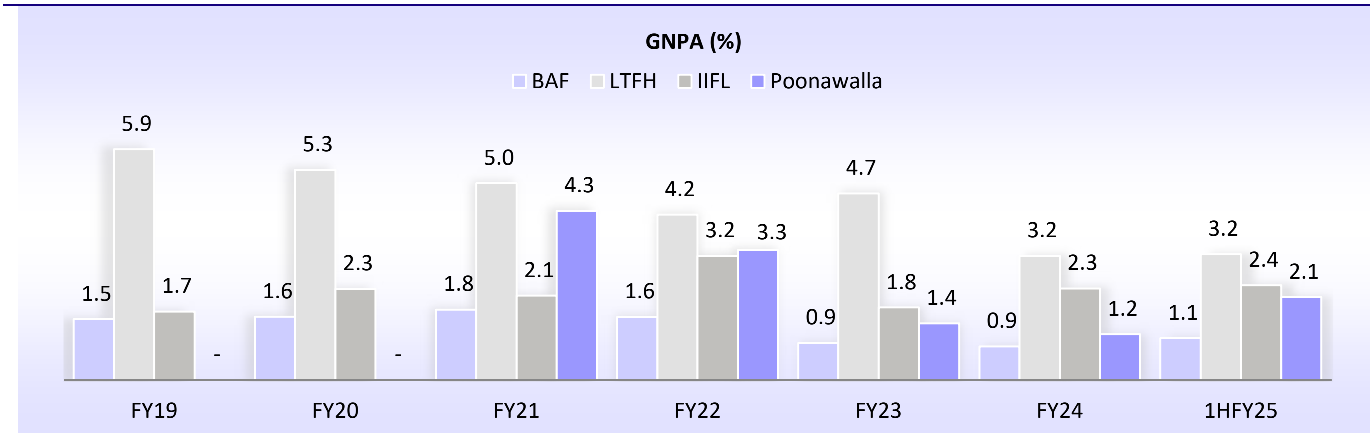
Story in charts - Diversified lenders

Exhibit 76: Calibration in PL/BL/MFI portfolio by diversified lenders led to some moderation in AUM growth



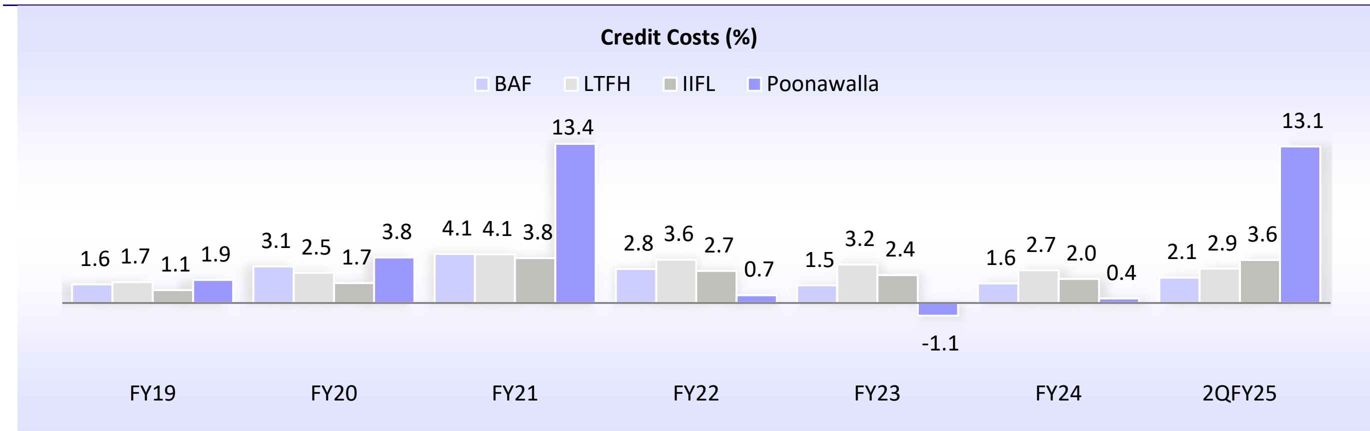
Source: MOFSL, Company

Exhibit 77: Minor deterioration in asset quality in 1H, primarily from higher delinquencies in unsecured retail credit



Source: MOFSL, Company

Exhibit 78: Credit costs rose due to stress in unsecured retail credit such as MFI, PL, and unsecured BL; Poonawalla took a one-time credit cost of INR6.7b in 2QFY25 toward its STPL book



Source: MOFSL, Company

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://onlinereports.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.