

PNB Housing

BSE SENSEX 81,019 S&P CNX 24,723



| | |
|-----------------------|-------------|
| Bloomberg | PNBHOUSI IN |
| Equity Shares (m) | 260 |
| M.Cap.(INRb)/(USDb) | 202.5 / 2.3 |
| 52-Week Range (INR) | 1202 / 746 |
| 1, 6, 12 Rel. Per (%) | -25/-15/-4 |
| 12M Avg Val (INR M) | 2014 |

Financials & Valuations (INR b)

| Y/E March | FY25 | FY26E | FY27E |
|--------------|------|-------|-------|
| Total Income | 27.2 | 31.5 | 39.5 |
| PPP | 23.3 | 27.5 | 35.9 |
| PAT | 19.4 | 23.0 | 26.5 |
| EPS (INR) | 74 | 89 | 102 |
| EPS Gr. (%) | 28 | 19 | 15 |
| BV (INR) | 649 | 732 | 819 |

Ratios

| | | | |
|---------------|------|------|------|
| NIM (%) | 3.9 | 3.8 | 4.0 |
| C/I ratio (%) | 25.9 | 25.1 | 22.7 |
| RoAA (%) | 2.5 | 2.5 | 2.5 |
| RoE (%) | 12.2 | 12.8 | 13.2 |

Valuations

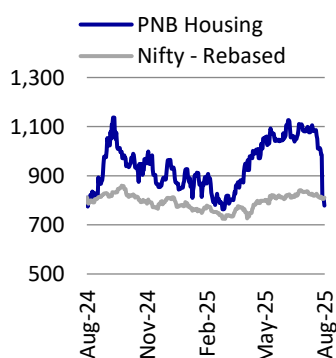
| | | | |
|----------------|------|-----|-----|
| P/E (x) | 10.5 | 8.8 | 7.6 |
| P/BV (x) | 1.2 | 1.1 | 1.0 |
| Div. Yield (%) | 0.6 | 1.9 | 2.2 |

Shareholding Pattern (%)

| As On | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 28.1 | 28.1 | 28.1 |
| DII | 38.0 | 29.9 | 10.9 |
| FII | 24.2 | 21.4 | 17.9 |
| Others | 9.7 | 20.6 | 43.0 |

FII Includes depository receipts

Stock Performance (one-year)



CMP: INR779 TP: INR980 (+26%) Buy

CEO resignation abrupt, but franchise fundamentals intact

New CEO appointment and asset quality trajectory will be the key monitorables

- PNB Housing (PNBHF), on 31st Jul'25, announced that its MD and CEO, Mr. Girish Kousgi, has decided to step down from his role effective 28th Oct'25 to pursue external career opportunities. While this announcement came as an abrupt surprise for stakeholders, Mr. Kousgi clarified that his decision was entirely personal and driven by career aspirations, and unrelated to the exit of the private equity investors from the company.
- Subsequently, on 2nd Aug'25, the Board appointed Mr. Jatul Anand (currently serving as Chief Credit and Collection Officer) as Executive Director. He will assume overall responsibility for the Prime and Emerging business segments, overseeing sales, credit, product, and collections. Additionally, Ms. Valli Sekar has been designated as Chief Business Officer (CBO) for the Affordable segment, with responsibility for sales, credit, product, and collections within that vertical. The Board shared that the NRC has initiated the process to identify a new CEO and will evaluate both internal and external candidates for the role.
- We believe Mr. Kousgi was beginning to lay a strong foundation and strategic roadmap for the company's future growth through product mix realignment and healthy execution. Under his leadership, following initiatives were cheered: 1) Build-out of an affordable housing franchise which was able to scale faster than peers, 2) Strong improvement in asset quality and recoveries from the written-off pool and 3) NIM stability despite high competitive intensity. Perhaps, this explains the sharp stock-price reaction on his resignation.
- Since Mr. Sanjay Gupta (who was with the company for a decade), PNBHF will now be appointing its fourth MD&CEO (including an interim CEO) to succeed Mr. Kousgi (Refer Exhibit 1) and **the Board will have to find a suitable successor with vintage and longevity** to lead the franchise. Appointment of a new CEO (preferably from the industry) will be pivotal, as the company requires seasoned leadership with deep industry expertise to build on the ongoing transformation at PNBHF.
- While the Board has reaffirmed its commitment to the franchise's growth and stability, the new CEO may either chart a new strategic course or build upon the strategy formulated by their predecessor. Given the current lack of clarity, we have kept our earnings estimates unchanged and will await further clarity on the CEO appointment.
- **PNBHF's stock price has corrected ~20% over the last two trading sessions, serving as a clear example of the 'Key Man Risk' playing out loud for the investors. We believe that the franchise has its inherent strengths however, the Board will need to instill greater investor confidence regarding: 1) the robustness of asset quality and 2) its ability to identify a suitable successor. We reiterate our BUY rating with a TP of INR980 (based on 1.2x Mar'27E P/BV).**

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

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | Raghav Khemani

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PNBHF turns a new leaf; appointment of a seasoned leader to be crucial

- PNBHF's senior leadership team has played an important role in driving the company's strategic transformation. Over the last 2-3 years, the company significantly scaled down its corporate loan book, exited the super-prime segment, and deliberately slowed growth in the prime segment due to margin pressures and intense competition from banks. Simultaneously, the organization shifted its focus toward the Emerging and Affordable housing segments, which offer better risk-adjusted returns and growth potential.
- The transformation led to a notable improvement in asset quality, driven by stronger underwriting practices and a more robust collections framework. Corporate GNPA has been NIL over the past few quarters, while retail asset quality continues to improve.

Valuation and view

- PNBHF has made considerable progress over the past few years, with improvements across asset quality, business mix, and overall operating performance. The company's transformation—marked by its shifting focus toward emerging and affordable housing, exit from lower-margin segments like super-prime and riskier segments like corporate lending, and strengthening of internal controls and collection architecture—has laid a solid foundation for quality growth.
- We will closely track the progression of this leadership change and look for continuity in strategic priorities, particularly in retail expansion, asset quality maintenance, and execution in the affordable housing segment. A smooth transition with minimal disruption to the current trajectory will be key to regaining investor confidence.
- We have kept our EPS estimates unchanged (for now) as the fundamentals remain intact and the business continues to demonstrate operational strength. However, we will closely monitor developments around the CEO's transition and its impact, if any, on strategic continuity and execution. Reiterate our BUY rating with a TP of INR980 (based on 1.2x Mar'27E P/BV).

Exhibit 1: CEOs at PNBHF and their respective tenors (latest first)

| Sr.No | Name of the CEO | Term | Duration |
|-------|---------------------------|----------------|----------------------|
| 1 | Girish Kousgi | Oct'22- Oct'25 | 3 years |
| 2 | Hardayal Prasad | Aug'20-Oct'22 | 2 years and 3 months |
| 3 | Neeraj Vyas (Interim CEO) | May'20-Aug'20 | 4 months |
| 4 | Sanjay Gupta | Jul'10- May'20 | 10 years |

Highlights from PNBHF's CEO resignation clarification call

Leadership transition and succession planning

- Mr. Girish Kousgi, MD & CEO of PNBHF, has decided to step down effective end-Oct'25 to pursue external career opportunities. His departure is entirely independent and not connected to Carlyle's stake exit or internal dynamics.
- The Board and management acknowledged his significant contribution and made efforts to retain him, but ultimately respected his decision.
- The Nomination & Remuneration Committee has initiated the CEO search, evaluating both internal and external candidates. If an internal candidate is chosen, the process is expected to conclude swiftly; otherwise, a new appointment is expected within 1-2 months following Mr. Girish Kousgi's exit.
- The leadership transition is being managed through a strong succession framework. The Board's priority is to appoint a seasoned leader with proven industry experience to build on the company's transformation journey.
- The recent exit by Carlyle and the CEO transition are coincidental and unrelated events.
- Carlyle's stake was largely taken over by institutional investors, including mutual funds and FIIs, strengthening the shareholder base.
- There has been no change in the company's operational structure or direction following these developments.

Promoter involvement and governance

- PNBHF remains an independently managed entity, despite PNB being the promoter.
- There is no intention from PNB to either increase or reduce its stake in the company.
- Importantly, there is currently no deputation from PNB in any senior management role within PNBHF.
- Governance standards remain robust, with the Board fully aligned on long-term strategy and ensuring operational excellence. The strategy continues to be Board-driven, with full alignment across senior management.

Business performance and strategy

- Over the past few years, the corporate book has been significantly wound down, capital has been raised, and asset quality has improved with a sharp reduction in GNPA.
- Recognizing the difficulty of competing in super-prime and prime segments, the company exited those verticals and pivoted toward affordable housing.
- The affordable housing business was initiated in Jan'23 and scaled up after onboarding key leadership (including Vali Sekar).
- In FY26, the company also launched a new Loan Against Property (LAP) vertical to further drive profitability.
- PNBHF has guided for 18% loan book growth, aiming to achieve INR95b in affordable housing assets by Mar'25, INR150b by Mar'26, and a total retail book of INR1t by Mar'27.
- The company's strategy is focused on two priorities: sustaining growth and maintaining margins. This includes deepening affordable housing penetration and maintaining consistent yields.
- Asset quality remains strong with GNPA at 1.06% and NNPA at 0.69%.

- Collection efficiency stands at 99%, with no early signs of stress in the portfolio.
- Management is confident of ending FY26 with negative credit cost, supported by prudent underwriting and strong collections architecture.
- The company's entire book is now 99% retail, with no material deterioration observed in the newly originated portfolio.

Regulatory environment

- The company has undergone several regulatory inspections and audits recently.
- No major red flags were raised, although suggestions for procedural improvements were shared, which the company is working to implement.
- This reflects well on internal controls and compliance systems.

Others

- The transformation journey under Mr. Girish Kousgi was an organizational effort and not limited to a single leader.
- The senior leadership team and second line of management have demonstrated strong execution capabilities.
- Previous leadership exits were managed efficiently, with positions filled internally, showcasing bench strength and succession preparedness.
- No further senior management exits are expected at this time.

STORY IN CHARTS

Exhibit 2: Disbursement CAGR of ~23% over FY25-27E...

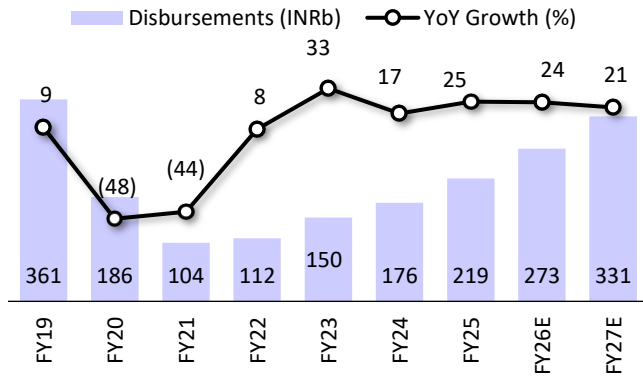


Exhibit 3: ...leading to ~19% loan CAGR over this period

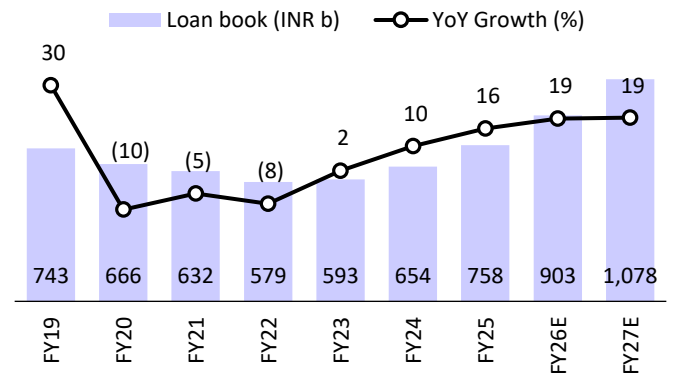


Exhibit 4: Expect spreads to improve to ~2.9% by FY27

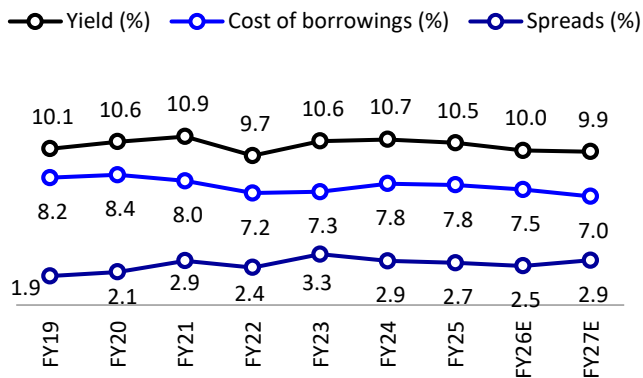


Exhibit 5: Opex-to-assets ratio to remain stable over FY26-FY27

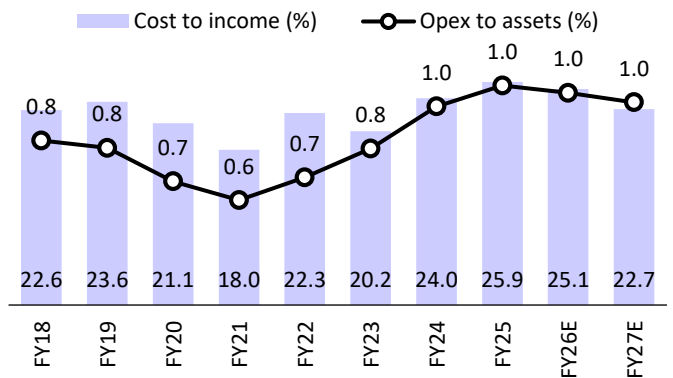


Exhibit 6: Asset quality to remain range-bound

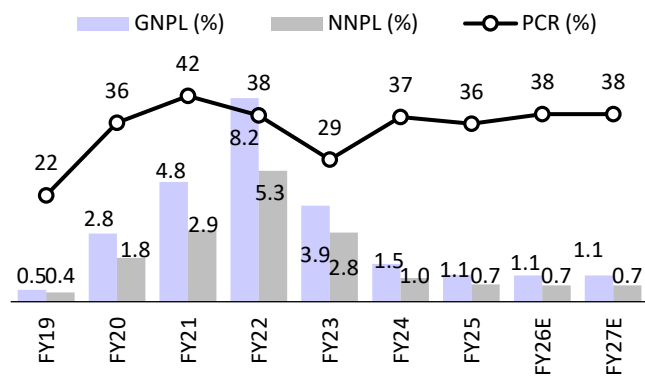


Exhibit 7: Expect credit costs to remain benign in FY26 as well

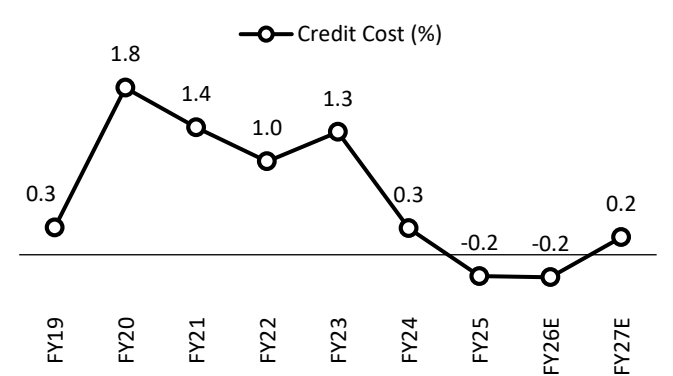


Exhibit 8: PAT CAGR of ~17% over FY25-27E

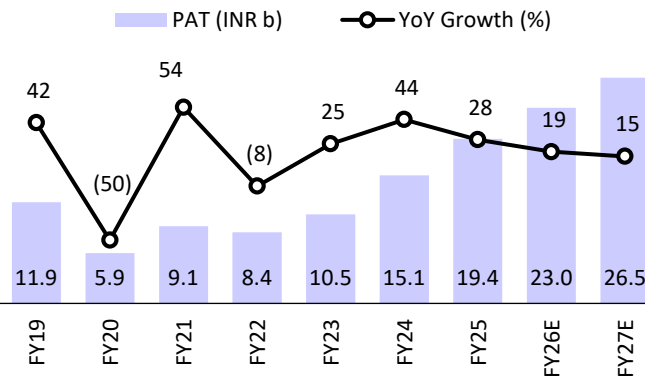
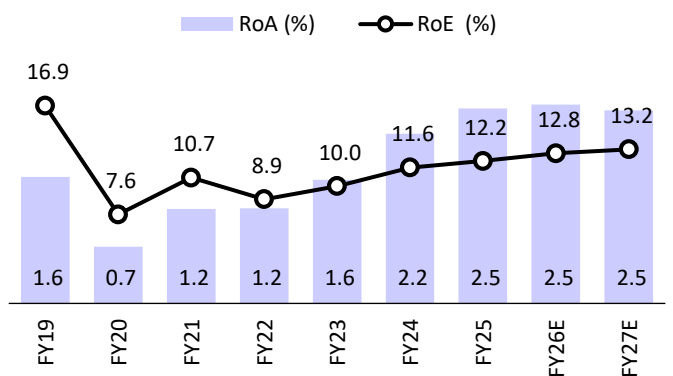


Exhibit 9: RoA/RoE of ~2.5%/~13.2% by FY27E



Source: MOFSL, Company

Source: MOFSL, Company

Financials and Valuation

| Income statement | | | | | | | | (INR M) | |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
| Interest Income | 67,929 | 76,882 | 71,898 | 58,220 | 61,991 | 67,422 | 72,737 | 82,932 | 98,139 |
| Interest Expended | 51,664 | 58,750 | 50,998 | 40,645 | 38,985 | 42,611 | 45,514 | 51,456 | 58,635 |
| Net Interest Income | 16,265 | 18,133 | 20,901 | 17,575 | 23,006 | 24,811 | 27,223 | 31,476 | 39,503 |
| Change (%) | 7.7 | 11.5 | 15.3 | -15.9 | 30.9 | 7.8 | 9.7 | 15.6 | 25.5 |
| Other Operating Income | 8,904 | 8,013 | 4,343 | 3,787 | 3,306 | 3,149 | 4,179 | 5,288 | 6,937 |
| Net Income | 25,169 | 26,146 | 25,243 | 21,363 | 26,311 | 27,960 | 31,402 | 36,764 | 46,441 |
| Change (%) | 28.9 | 3.9 | -3.5 | -15.4 | 23.2 | 6.3 | 12.3 | 17.1 | 26.3 |
| Operating Expenses | 5,935 | 5,522 | 4,554 | 4,760 | 5,313 | 6,710 | 8,130 | 9,226 | 10,562 |
| Operating Income | 19,234 | 20,624 | 20,689 | 16,603 | 20,998 | 21,250 | 23,272 | 27,538 | 35,879 |
| Change (%) | 27.3 | 7.2 | 0.3 | -19.7 | 26.5 | 1.2 | 9.5 | 18.3 | 30.3 |
| Provisions/write offs | 1,890 | 12,514 | 8,619 | 5,764 | 7,389 | 1,711 | -1,585 | -1,979 | 1,842 |
| PBT | 17,344 | 8,110 | 12,070 | 10,840 | 13,609 | 19,539 | 24,858 | 29,517 | 34,037 |
| Extraordinary Items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported PBT | 17,344 | 8,110 | 12,070 | 10,840 | 13,609 | 19,539 | 24,858 | 29,517 | 34,037 |
| Tax | 5,429 | 2,201 | 2,978 | 2,475 | 3,149 | 4,459 | 5,496 | 6,494 | 7,488 |
| Tax Rate (%) | 31.3 | 27.1 | 24.7 | 22.8 | 23.1 | 22.8 | 22.1 | 22.0 | 22.0 |
| DTL on Special Reserve | | | | | | | | | |
| Reported PAT | 11,915 | 5,909 | 9,092 | 8,365 | 10,460 | 15,080 | 19,361 | 23,023 | 26,549 |
| Change (%) | 41.7 | -50.4 | 53.9 | -8.0 | 25.0 | 44.2 | 28.4 | 18.9 | 15.3 |
| PAT adjusted for EO | 11,915 | 5,909 | 9,092 | 8,365 | 10,460 | 15,080 | 19,361 | 23,023 | 26,549 |
| Change (%) | 41.7 | -50.4 | 53.9 | -8.0 | 25.0 | 44.2 | 28.4 | 18.9 | 15.3 |
| Proposed Dividend | 1,809 | 0 | 0 | 0 | 0 | 0 | 1,300 | 3,891 | 4,434 |

| Balance sheet | | | | | | | | (INR M) | |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
| Capital | 1,675 | 1,682 | 1,683 | 1,686 | 1,689 | 2,597 | 2,599 | 2,599 | 2,599 |
| Reserves & Surplus | 73,764 | 78,296 | 87,548 | 97,030 | 1,08,448 | 1,47,147 | 1,66,032 | 1,87,755 | 2,10,413 |
| Net Worth | 75,439 | 79,978 | 89,230 | 98,716 | 1,10,137 | 1,49,744 | 1,68,631 | 1,90,355 | 2,13,012 |
| Borrowings | 7,18,589 | 6,77,351 | 5,93,925 | 5,30,050 | 5,36,211 | 5,50,166 | 6,23,096 | 7,56,421 | 9,14,101 |
| Change (%) | 33.6 | -5.7 | -12.3 | -10.8 | 1.2 | 2.6 | 13.3 | 21.4 | 20.8 |
| Other liabilities | 44,662 | 31,969 | 30,767 | 28,530 | 15,795 | 24,138 | 33,476 | 35,150 | 36,908 |
| Total Liabilities | 8,38,690 | 7,89,297 | 7,13,922 | 6,57,296 | 6,62,143 | 7,24,049 | 8,25,204 | 9,81,925 | 11,64,021 |
| Loans | 7,42,879 | 6,66,280 | 6,06,447 | 5,53,359 | 5,78,398 | 6,41,082 | 7,46,453 | 9,02,650 | 10,77,950 |
| Change (%) | 30.0 | -10.3 | -9.0 | -8.8 | 4.5 | 10.8 | 16.4 | 20.9 | 19.4 |
| Investments | 45,607 | 20,757 | 20,448 | 34,827 | 31,963 | 43,460 | 33,809 | 35,500 | 37,275 |
| Change (%) | 89.0 | -54.5 | -1.5 | 70.3 | -8.2 | 36.0 | -22.2 | 5.0 | 5.0 |
| Net Fixed Assets | 1,083 | 1,353 | 1,056 | 935 | 839 | 989 | 1,222 | 1,283 | 1,347 |
| Other assets | 49,122 | 1,00,906 | 85,971 | 68,175 | 50,943 | 38,517 | 43,719 | 42,493 | 47,450 |
| Total Assets | 8,38,690 | 7,89,297 | 7,13,922 | 6,57,296 | 6,62,143 | 7,24,049 | 8,25,204 | 9,81,925 | 11,64,021 |

E: MOFSL Estimates

Financials and Valuation

| Ratios | (%) | | | | | | | | |
|---------------------------------|-------|--------|--------|--------|--------|-------|-------|-------|--------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
| Spreads Analysis (%) | | | | | | | | | |
| Avg yield on loans | 10.1 | 10.6 | 10.9 | 9.7 | 10.6 | 10.7 | 10.5 | 10.0 | 9.9 |
| Avg. cost of funds | 8.2 | 8.4 | 8.0 | 7.2 | 7.3 | 7.8 | 7.8 | 7.5 | 7.0 |
| Interest Spread | 1.9 | 2.1 | 2.9 | 2.4 | 3.3 | 2.9 | 2.7 | 2.5 | 2.9 |
| NIM on loans | 2.5 | 2.6 | 3.3 | 3.0 | 4.1 | 4.1 | 3.9 | 3.8 | 4.0 |
| Profitability Ratios (%) | | | | | | | | | |
| RoE | 16.9 | 7.6 | 10.7 | 8.9 | 10.0 | 11.6 | 12.2 | 12.8 | 13.2 |
| RoA | 1.6 | 0.7 | 1.2 | 1.2 | 1.6 | 2.2 | 2.5 | 2.5 | 2.5 |
| Int. Expended/Int.Earned | 76.1 | 76.4 | 70.9 | 69.8 | 62.9 | 63.2 | 62.6 | 62.0 | 59.7 |
| Other Inc./Net Income | 35.4 | 30.6 | 17.2 | 17.7 | 12.6 | 11.3 | 13.3 | 14.4 | 14.9 |
| Efficiency Ratios (%) | | | | | | | | | |
| Op. Exps./Net Income | 23.6 | 21.1 | 18.0 | 22.3 | 20.2 | 24.0 | 25.9 | 25.1 | 22.7 |
| Empl. Cost/Op. Exps. | 51.2 | 42.2 | 46.4 | 45.5 | 50.1 | 50.3 | 51.8 | 52.5 | 53.2 |
| Asset Quality (INR m) | | | | | | | | | |
| Gross NPA | 3,549 | 18,562 | 29,990 | 47,062 | 22,714 | 9,840 | 8,160 | 9,653 | 11,458 |
| GNPA ratio | 0.5 | 2.8 | 4.8 | 8.2 | 3.9 | 1.5 | 1.1 | 1.1 | 1.1 |
| Net NPA | 2,784 | 11,838 | 17,500 | 29,312 | 16,184 | 6,160 | 5,220 | 5,985 | 7,104 |
| NNPA ratio | 0.4 | 1.8 | 2.9 | 5.3 | 2.8 | 1.0 | 0.7 | 0.7 | 0.7 |
| CAR | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| VALUATION | | | | | | | | | |
| Book Value (INR) | 450 | 476 | 530 | 586 | 652 | 577 | 649 | 732 | 819 |
| BVPS Growth YoY | 14.3 | 5.6 | 11.5 | 10.4 | 11.4 | -11.6 | 12.5 | 12.9 | 11.9 |
| Price-BV (x) | | | 1.5 | 1.3 | 1.2 | 1.4 | 1.2 | 1.1 | 1.0 |
| EPS (INR) | 71.1 | 35.1 | 54.0 | 49.6 | 61.9 | 58.1 | 74.5 | 88.6 | 102.1 |
| EPS Growth YoY | 40.9 | -50.6 | 53.8 | -8.2 | 24.9 | -6.3 | 28.3 | 18.9 | 15.3 |
| Price-Earnings (x) | | 22.2 | 14.4 | 15.7 | 12.6 | 13.4 | 10.5 | 8.8 | 7.6 |
| Dividend per share (INR) | 9.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5.0 | 15.0 | 17.1 |
| Dividend yield (%) | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 1.9 | 2.2 |

E: MOFSL Estimates

| DuPont Analysis | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|--------------------------|------|------|------|------|------|------|------|-------|-------|
| Interest Income | 9.2 | 9.4 | 9.6 | 8.5 | 9.4 | 9.7 | 9.4 | 9.2 | 9.1 |
| Interest Expended | 7.0 | 7.2 | 6.8 | 5.9 | 5.9 | 6.1 | 5.9 | 5.7 | 5.5 |
| Net Interest Income | 2.2 | 2.2 | 2.8 | 2.6 | 3.5 | 3.6 | 3.5 | 3.5 | 3.7 |
| Other Income | 1.2 | 1.0 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 |
| Fees | 0.6 | 0.4 | 0.2 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| Trading gains and MM | 0.6 | 0.6 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Net Income | 3.4 | 3.2 | 3.4 | 3.1 | 4.0 | 4.0 | 4.1 | 4.1 | 4.3 |
| Operating Expenses | 0.8 | 0.7 | 0.6 | 0.7 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 |
| Cost to Income Ratio (%) | 23.6 | 21.1 | 18.0 | 22.3 | 20.2 | 24.0 | 25.9 | 25.1 | 22.7 |
| Employee Expenses | 0.4 | 0.3 | 0.3 | 0.3 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Other Expenses | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Operating Profit | 2.6 | 2.5 | 2.8 | 2.4 | 3.2 | 3.1 | 3.0 | 3.0 | 3.3 |
| Provisions/write offs | 0.3 | 1.5 | 1.1 | 0.8 | 1.1 | 0.2 | -0.2 | -0.2 | 0.2 |
| PBT | 2.4 | 1.0 | 1.6 | 1.6 | 2.1 | 2.8 | 3.2 | 3.3 | 3.2 |
| Tax | 0.7 | 0.3 | 0.4 | 0.4 | 0.5 | 0.6 | 0.7 | 0.7 | 0.7 |
| Tax Rate (%) | 31.3 | 27.1 | 24.7 | 22.8 | 23.1 | 22.8 | 22.1 | 22.0 | 22.0 |
| Reported PAT | 1.6 | 0.7 | 1.2 | 1.2 | 1.6 | 2.2 | 2.5 | 2.5 | 2.5 |
| Leverage | 10.4 | 10.5 | 8.9 | 7.3 | 6.3 | 5.3 | 4.9 | 5.0 | 5.3 |
| RoE | 16.9 | 7.6 | 10.7 | 8.9 | 10.0 | 11.6 | 12.2 | 12.8 | 13.2 |

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

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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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 |

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