

Cholamandalam Inv & Fin

BSE SENSEX
36,321

S&P CNX
10,890

CMP: INR1,193

TP: INR1,525 (+28%)

Buy



Stock Info

Bloomberg	CIFC IN
Equity Shares (m)	156
M.Cap.(INRb)/(USDb)	186.5 / 2.6
52-Week Range (INR)	1761 / 1039
1, 6, 12 Rel. Per (%)	-4/-20/-15
12M Avg Val (INR M)	488
Free float (%)	46.9

Financials Snapshot (INR b)

Y/E March	2018	2019E	2020E
Total Income	31.2	33.9	38.9
PPP	18.3	22.0	25.3
Adj. PAT	9.7	12.1	13.5
EPS (INR)	62.3	77.2	86.4
EPS Gr. (%)	35.5	24.0	11.8
BV (INR)	324	393	470
BVPS Gr. (%)	19	21	20
RoAA (%)	2.7	2.4	2.3
RoE (%)	20.9	21.5	20.0

Valuations

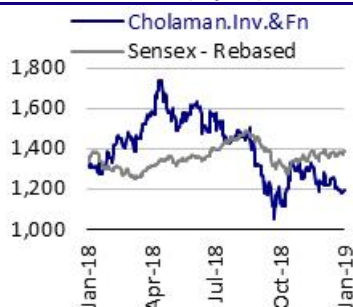
P/E (x)	19.2	15.4	13.8
P/BV (x)	3.7	3.0	2.5
Div. Yield (%)	0.5	0.6	0.6

Shareholding pattern (%)

As On	Sep-18	Jun-18	Sep-17
Promoter	53.1	53.1	53.1
DII	15.9	16.1	15.6
FII	20.5	20.7	21.6
Others	10.6	10.2	9.8

FII Includes depository receipts

Stock Performance (1-year)



Diversifying the asset franchise

Two-wheeler finance and home loans the next growth engine

- Cholamandalam Investment and Finance (CIFIC) has successfully navigated the liquidity crisis, which is now a thing of the past. After drawing down bank lines and borrowing INR60b (approximately one quarter of disbursement) in September, CIFIC refrained from incremental borrowings in October and resumed borrowings only in November. As per reported data, CIFIC recently managed to raise money via CPs at ~7.5%, i.e. at pre-crisis levels. Due to its healthy liquidity position, CIFIC has not needed to cut back on disbursements during the quarter.
- In vehicle finance, festive demand has been weaker-than-expected with dealer inventory piling up. However, management believes this is just a blip and expects robust volumes over the ensuing months of the financial year. However, given the high base of the previous year, we expect mid- single-digit disbursement growth in this segment.
- The company has identified two segments that could reap benefits over the medium-to-long term - two-wheeler finance and home loans. These products were launched around five years back. However, rather than scaling up the book, management took the opportunity to understand the nuances of the businesses. CIFIC now believes it has the tools to scale these two segments meaningfully over the next three years.
- While the M&HCV cycle is expected to slow down, we note that CIFIC has the most diversified loan book among vehicle financiers. The company has other segments that could offset the M&HCV slowdown. With good parentage and strong credit rating, the company has been able to tide over the liquidity situation well. While the stock trades at a premium to peers, we believe valuations will hold as long as growth and RoA/RoE remain robust. Key risks to our estimates stem from higher-than-expected margin impact due to rising cost of funds and slowdown in growth. BUY with a TP of INR1,525 (2.8x Dec 2020E BVPS).

Liquidity situation well managed; CP rates at pre-crisis levels

CIFIC managed its treasury operations well over the past three months. It drew down on bank lines and other sources to the tune of INR60b in September, and hence, did not need to raise more money in October. In addition, as per 2QFY19 result disclosures, CIFIC had positive ALM to the tune of INR21b for the month of October. This helped the company to not only cater to the festive demand effortlessly, but also helped in negotiating better rates with lenders, given the liquid balance sheet. In the past month, CIFIC has borrowed money via CPs at 7.5% - the same rate prior to the IL&FS crisis. We expect overall CoF to increase only ~50bp over 2HFY19 (due to re-pricing of term loans and NCDs).

3Q demand modest; Growth to slow down

In 3QFY19, CV sales were modest with the M&HCV industry recording low single-digit volume growth. Dealer inventory is still at higher-than-normal levels. However, management expects demand to pick up to run-rate levels in 4Q. We remain circumspect on disbursement growth, especially given the high base in 2HFY19. Hence, we expect low-to-mid single-digit growth in VF disbursements in 2HFY19.

Two-wheeler and home loans – the next focus products

CIFC has identified two segments that could scale up meaningfully over the medium-to-long term — two-wheeler finance and home loans. CIFC started the two-wheeler financing business in 2014 and spent the past few years understanding the nuances of the business. **The company finances ~10,000 vehicles per month (the market leader does ~95,000 vehicles per month)** currently, with Royal Enfield being the most financed vehicle. The home loan business was started in 2011, but has scaled up to a size of INR15b only. The company recently engaged a consultant to maximize digitization of its end-to-end processes, which would help in lowering cost and in better customer selection. For this business, the focus geographies are the South and West India.

Home Equity at the cusp of an uptrend after a two-year lull

Post demonetization, the home equity business was severely impacted on growth and asset quality. **Loan growth declined from a run-rate of ~20% to low-single-digits over the ensuing quarters. At the same time, the GNPL ratio increased from 4% to 6% over the same time period.** The company has started using SARFAESI as a tool over the past few quarters and has achieved moderate success in recovering funds. The overall environment is turning favorable with demand improving. **While margins are likely to remain under pressure, RoA should improve as credit costs normalize.** This, along with a pick-up in growth, should result in strong PAT growth in this business over the next two years.

Valuation & view

CIFC has a well-diversified portfolio, both geographically and in terms of product. It is further expanding into newer segments like home loans and two-wheeler financing. Over the past three years, the company delivered 25% disbursement CAGR, 19% AUM CAGR and 31% PAT CAGR. RoE improved meaningfully from 16% to 21% during the same time frame. **However, the correction in valuations over the past 6-9 months reflects concerns on the CV cycle as well as impact due to the liquidity crisis. While we acknowledge that M&HCV demand is slowing down, we believe CIFC has several other products to offset it. Hence, on an overall basis, AUM growth would still be 18-20%. On the margin front, we believe further downside to be limited (margins has already contracted 100bp+ YoY in 1HFY19). Hence, over a two-year period, we believe the stock could give 15%+ CAGR. BUY with a TP of INR1,525 (2.8x Dec 2020E BVPS).**

Diversified vehicle finance book reduces cyclicity

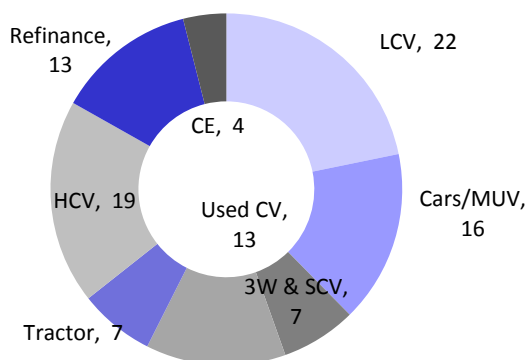
- While CIFIC is typically perceived to be an 'M&HCV' financier, the fact is that only ~20% of its portfolio is lending to M&HCVs. The loan book comprises a mix of M&HCV, LCV, cars/UV, tractors and used vehicles. Among all the vehicle financiers under our coverage, CIFIC has the most diversified loan book.
- Over the past three months, the M&HCV industry sales have slowed down considerably and even declined in Dec'18. However, this would only impact 20% of its book. On the other hand, LCVs continue to deliver robust growth (~20%) - this would impact 22% of CIFIC's vehicle finance portfolio.
- On account of the new axle load norms, there has been a shift towards lower tonnage vehicles in recent months. Hence, tonnage growth and consequently, disbursement growth, is expected to lag volume growth for the industry as a whole.
- Management intends to scale up the two-wheeler loan book meaningfully over the next 3-5 years. This should provide some more support to overall growth, if the CV cycle slows down in the medium term.

CV finance (including LCVs) accounts for only ~40% of the VF loan book

Well-diversified loan book reduces earnings cyclicity

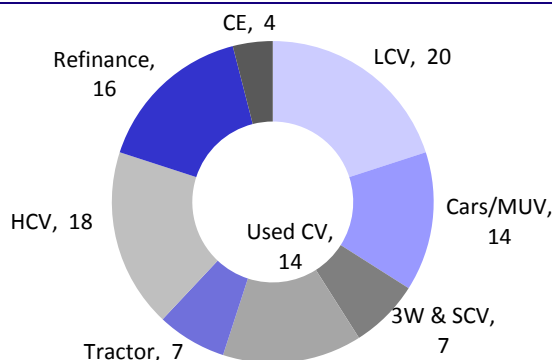
- Contrary to popular perception, CIFIC is a well-diversified vehicle finance player, not just a CV financier. **New CVs (including LCV) account for only ~40% of AUM as well as disbursements for the company.**
- Note that while the M&HCV segment has witnessed a sharp growth slowdown, **the LCV segment continues to record double-digit volume growth.**
- Among all the vehicle financiers under our coverage, we believe CIFIC has the most diversified vehicle finance book, which helps reduce cyclicity of growth and asset quality.

Exhibit 1: Vehicle finance - Loan mix as of 1HFY19 (%)



Source: MOSL, Company

Exhibit 2: Disbursement mix – FY18 (%)



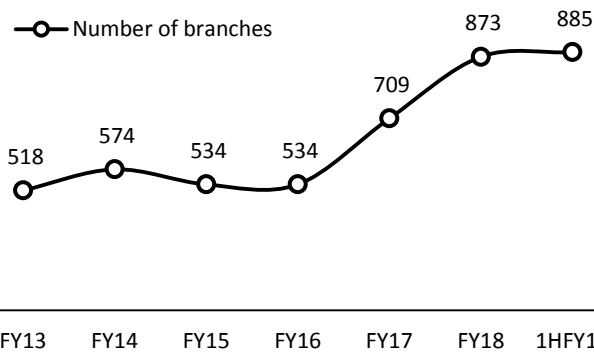
Source: MOSL, Company

CIFIC has been aggressively adding new branches over the past 2-3 years

Branch expansion and improving productivity to aid growth

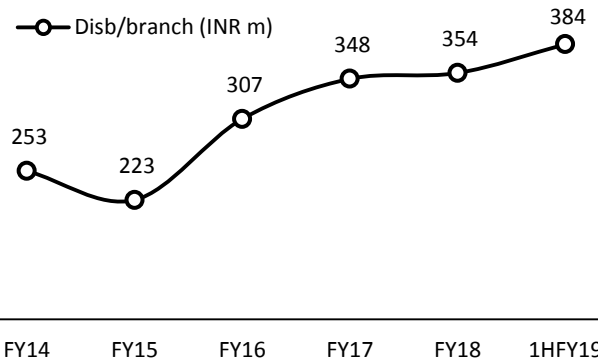
- After a few years of stable branch count over FY13-16, CIFIC started expanding its branch network rapidly over the past 2-3 years. **The branch count has grown over 60% over the past 2.5 years to 885. Management targets a network of 1,000+ branches by end-FY19.**
- Interestingly, CIFIC's growth has come not only from increasing branch count but also improving branch productivity.

Exhibit 3: Growth driven by increasing branch count...



Source: MOSL, Company

Exhibit 4: ...and improving branch productivity



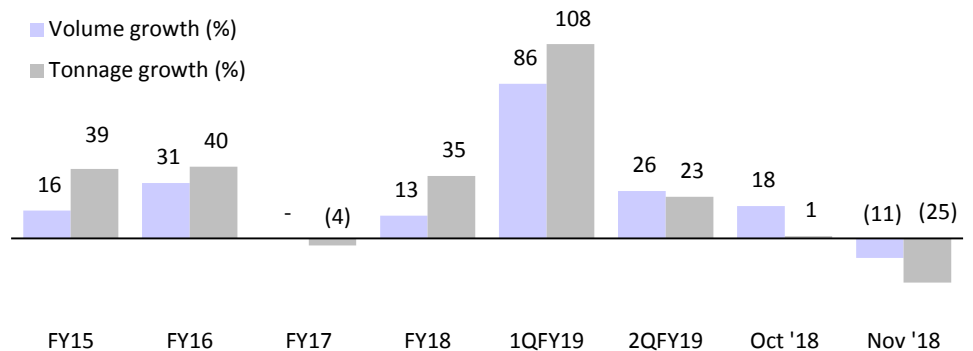
Source: MOSL, Company; Note: On a TTM basis; 1HFY19 numbers are annualized

CV purchases are incrementally moving towards lower-tonnage vehicles

Reversal of trend - M&HCV tonnage growth lagging volume growth

- An interesting thing to note is the reversal of the trend of the past few years. **Since FY15, the industry had witnessed a continued shift in the mix of M&HCVs sold towards higher-tonnage vehicles.** In other words, tonnage growth clearly outpaced volume growth. Note that higher tonnage corresponds to higher vehicle sizes and thus, higher ticket sizes of disbursements.
- **However, we have seen this trend reversing over the past few months. This could be possibly attributed to the new axle load norms – however, it is uncertain whether this trend would sustain.**

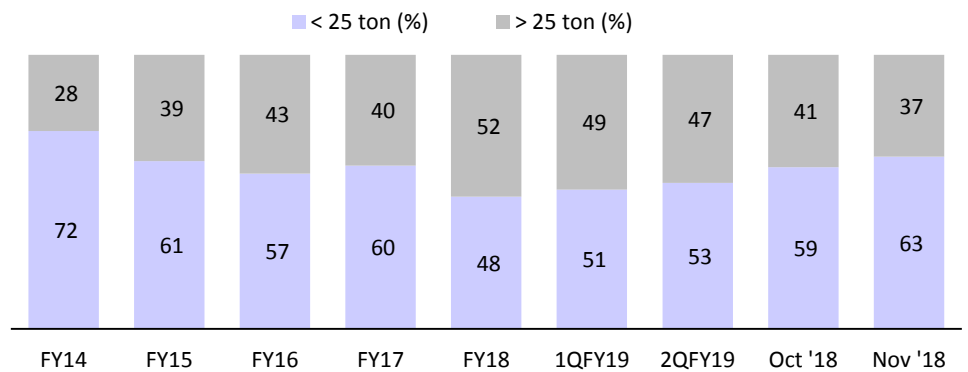
Exhibit 5: Tonnage growth lagging volume growth over the past few months



Source: MOSL, Company

Share of sub-25ton trucks increased sharply in October and November compared to average

Exhibit 6: Consequently, share of sub-25ton trucks increasing



Source: MOSL, Company

Seven financier disbursed
>50,000 vehicles per month

Two-wheeler financing a competitive space

- The new management is upbeat on the prospects of two-wheeler finance and expects to scale it up meaningfully over the next 3-5 years.
- **Currently, CIFIC finances ~10,000 two-wheelers per month, most of which are Royal Enfield vehicles.** However, it now plans to scale this up to different OEMs.
- We believe this would be a difficult task because a) This is a crowded market with **at least seven financiers clocking a monthly rate of > 50,000 vehicles** and b) Unlike CVs, **two-wheeler is a consumption product and there is no cash-flow based underwriting that could be done here.**

Exhibit 7: Key two-wheeler financiers in India

Company	Volume/month ('000)
SCUF	95-100
HDFCB	90-95
TVS Credit	70-75
Hero Fincorp	60-65
LTFH	55-60
BAF	55-60
IIB	55-60
CAFL	40-45

Source: MOSL

Housing Finance segment to scale up over 3-5 years

- Since 2014, CIFIC has been doing affordable housing finance. This is done from 130 branches across 11 states in India. There are currently around 10,000 customers with a loan book of INR15b in this business.
- Management believes the company has understood the business well and intends to scale it up meaningfully over the next 3-5 years.
- If executed well, this business could generate healthy return ratios (3% RoA/18% RoE), in our view.

CIFIC looks to ramp up its affordable housing franchise meaningfully over the next five years

Housing finance – the next avenue for growth

- CIFIC recently roped in a management consulting firm to digitize business and underwriting processes in this segment. The company believes it has understood the business well enough to scale it up meaningfully hereon.
- Mr. Rohit Phadke, who was the head of the home equity business, has been roped in to lead the housing finance segment.
- In our view, if this business is executed well, it could generate 3% RoA/18% RoE, without contribution of any non-core products (LAP, NRPL, etc.)

Exhibit 8: Housing finance business – A Snapshot

Status	❖ Applied for HFC license. Awaiting approval
Product	❖ Affordable housing
Number of branches	❖ 130 currently. 250 in the next 3-4 years
Geographies	❖ 11 states. Focus geographies are South & West India, Chhattisgarh and Rajasthan
Average ticket size	❖ INR1.5m
No. of customers	❖ ~10,000
Loan book size	❖ ~INR15b
Yield	❖ 13.5-14% + 2% processing fee
Sourcing	❖ Referral agents such as LIC agents, RTO agents, real estate brokers, etc.
Referral payout	❖ Up to 80bp
Asset quality	❖ 3.5%/0.5% GNPL/NNPL ratio
Disbursement run-rate	❖ INR1.1b per month

Source: MOSL, Company

Financials & Valuation

Income Statement						(INR M)		
Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Total Income	14,399	16,700	20,872	24,295	31,179	33,948	38,861	43,442
Change (%)	29.2	16.0	25.0	16.4	28.3	8.9	14.5	11.8
Total Operating Expenses	6,582	7,489	8,449	10,133	12,895	11,986	13,565	15,116
Change (%)	15.6	13.8	12.8	19.9	27.3	-7.0	13.2	11.4
Operating Profit	7,817	9,212	12,422	14,162	18,284	21,962	25,296	28,326
Change (%)	43.5	17.8	34.9	14.0	29.1	20.1	15.2	12.0
Total Provisions	2,833	3,247	4,272	3,106	3,451	3,449	4,516	5,146
% of Operating Profit	36.2	35.3	34.4	21.9	18.9	15.7	17.9	18.2
PBT	4,984	5,964	8,150	11,056	14,833	18,513	20,780	23,180
Tax Provisions	1,862	2,221	3,023	3,868	5,092	6,433	7,273	8,113
PAT	3,122	3,744	5,127	7,187	9,741	12,080	13,507	15,067
Change (%)	13.0	19.9	36.9	40.2	35.5	24.0	11.8	11.5
Proposed Dividend	501	503	703	860	1,017	1,095	1,173	1,251

Balance Sheet						(INR M)		
Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Share Capital	1,432	1,437	1,562	1,563	1,564	1,564	1,564	1,564
Reserves & Surplus	21,514	30,296	35,012	40,907	49,121	59,887	71,986	85,551
Net Worth for Equity Shareholders	22,947	31,733	36,574	42,470	50,685	61,451	73,550	87,115
Borrowings	180,932	194,752	225,762	242,068	381,358	494,685	568,861	637,306
Change (%)	18.3	7.6	15.9	7.2	57.5	29.7	15.0	12.0
Total Liabilities	203,879	226,486	262,336	284,538	432,043	556,136	642,411	724,422
Investments	824	675	666	2,385	3,190	34,628	39,820	38,238
Change (%)	-63.3	-18.1	-1.3	258.3	33.7	985.6	15.0	-4.0
Loans	194,973	222,422	259,732	285,124	422,082	509,754	591,136	675,303
Change (%)	16.9	14.1	16.8	9.8	48.0	20.8	16.0	14.2
Net Fixed Assets	729	683	1,113	1,401	1,608	1,876	2,091	2,248
Total Assets	203,879	226,486	262,336	284,538	432,043	556,136	642,411	724,422

E: MOSL Estimates

Financials & Valuation

Ratios

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Spreads Analysis (%)								
Avg. Yield on Loans	16.9	16.6	16.2	16.0	14.1	14.7	15.3	15.2
Avg Cost of Funds	10.6	10.4	9.8	9.5	7.4	8.4	8.7	8.9
Int. Spread on Financing Portfolio	6.3	6.1	6.5	6.5	6.7	6.4	6.7	6.3
NIM (on AUM)	6.7	6.7	7.5	7.4	8.1	7.1	6.9	6.7
NIM (on loans)	7.1	7.2	7.7	7.9	7.6	6.9	6.9	6.7

Profitability Ratios (%)

RoE	17.1	15.9	16.6	18.2	20.9	21.5	20.0	18.8
RoA	1.9	2.0	2.3	2.6	2.7	2.4	2.3	2.2
Int. Expended / Int.Earned	57.9	56.7	52.4	51.0	46.3	53.3	54.6	55.7
Other Inc. / Net Income	2.2	1.6	0.8	1.1	2.1	0.0	0.0	0.0

Efficiency Ratios (%)

Op. Exps. / Net Income	45.7	44.8	40.5	41.7	41.4	35.3	34.9	34.8
Empl. Cost/Op. Exps.	28.5	29.6	30.1	39.7	40.9	47.5	47.5	47.3

Asset-Liability Profile (%)

Loans/Borrowings Ratio	107.8	114.2	115.0	117.8	110.7	103.0	103.9	106.0
Net NPAs to Net Adv.	0.8	2.0	2.1	3.2	1.5	1.4	1.4	1.4
Assets/Equity	8.9	7.1	7.2	6.7	8.5	9.1	8.7	8.3

Valuations

	2014	2015	2016	2017	2018	2019E	2020E	2021E
Book Value (INR)	160.2	203.1	233.9	271.6	324.1	392.9	470.3	557.0
BV Growth (%)	16.7	26.8	15.2	16.1	19.3	21.2	19.7	18.4
Price-BV (x)				4.4	3.7	3.0	2.5	2.1
EPS (INR)	25.4	30.3	36.4	46.0	62.3	77.2	86.4	96.3
EPS Growth (%)	18.7	19.2	20.1	26.3	35.5	24.0	11.8	11.5
Price-Earnings (x)				26.0	19.2	15.4	13.8	12.4
Dividend per share	3.5	3.5	4.5	5.5	6.5	7.0	7.5	8.0
Dividend Yield (%)				0.5	0.5	0.6	0.6	0.7

E: MOSL Estimates

Valuation matrix

	Rating	CMP	Mcap	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
ICICI* [*]	Buy	375	33.7	8.0	20.2	33.8	13.4	166	181	1.6	1.5	0.6	1.2	5.0	11.8
HDFCB	Buy	2,120	80.9	79.8	95.9	26.6	22.1	543	621	3.9	3.4	1.8	1.8	16.7	16.5
AXSB	Buy	664	23.8	17.4	37.9	38.2	17.5	265	298	2.5	2.2	0.6	1.1	6.8	13.5
KMB* [*]	Neutral	1,205	32.5	37.4	45.1	32.3	26.7	302	346	4.0	3.5	1.6	1.7	11.9	12.9
YES	Buy	208	6.6	20.2	24.6	10.3	8.5	128	157	1.6	1.3	1.3	1.4	16.9	17.2
IIB	Buy	1,527	12.6	68.8	100.2	22.2	15.2	441	556	3.5	2.7	1.7	2.1	16.5	20.2
FB	Buy	91	2.5	5.8	8.6	15.8	10.6	67	75	1.4	1.2	0.8	0.9	9.0	12.2
DCBB	Neutral	182	0.8	9.7	12.1	18.8	15.0	95	107	1.9	1.7	0.9	0.9	11.0	12.4
SIB	Buy	16	0.4	1.8	3.4	8.6	4.7	29	32	0.5	0.5	0.4	0.6	6.2	10.7
Equitas	Buy	123	0.6	6.3	8.4	19.7	14.6	73	80	1.7	1.5	1.3	1.4	9.0	11.1
RBL	Buy	575	3.5	20.9	27.6	27.5	20.9	176	199	3.3	2.9	1.2	1.2	12.4	14.7
Private Aggregate															
SBIN (cons)* [*]	Buy	303	37.7	8.7	32.3	30.7	8.7	249	276	1.1	1.0	0.1	0.7	2.7	12.3
PNB	Neutral	84	3.5	-17.7	8.0	-4.7	10.5	109	117	0.8	0.7	-0.7	0.4	-13.8	6.8
BOI	Neutral	105	2.5	-1.8	8.6	-58.6	12.2	181	187	0.6	0.6	-0.1	0.2	-0.9	4.3
BOB	Buy	121	4.5	9.3	16.1	13.0	7.5	165	180	0.7	0.7	0.3	0.5	5.6	9.0
CBK	Neutral	276	2.8	17.1	51.7	16.2	5.3	448	493	0.6	0.6	0.2	0.5	3.5	9.9
UNBK	Neutral	96	1.5	4.5	12.8	21.4	7.5	235	245	0.4	0.4	0.1	0.3	2.1	5.5
Public Aggregate															
Banks Aggregate															
HDFC* [*]	Buy	1,974	46.9	42.3	48.7	21.8	19.0	306	341	3.0	2.7	1.8	1.8	15.5	15.0
LICHF	Buy	483	3.4	46.2	56.4	10.5	8.6	324	371	1.5	1.3	1.4	1.5	15.1	16.2
IHFL	Buy	829	4.8	95.6	109.7	8.7	7.6	395	446	2.1	1.9	3.1	3.1	25.6	26.1
PNBHF	Buy	899	2.1	62.2	73.5	14.4	12.2	432	489	2.1	1.8	1.4	1.3	15.3	16.0
REPCO	Buy	441	0.4	40.0	45.1	11.0	9.8	245	287	1.8	1.5	2.4	2.4	17.7	17.0
Housing Finance															
SHTF	Buy	1,187	3.8	109.0	127.9	10.9	9.3	694	804	1.7	1.5	2.3	2.3	16.9	17.1
MMFS	Buy	447	3.8	22.8	26.4	19.6	16.9	173	191	2.6	2.3	2.5	2.4	13.9	14.5
BAF	Neutral	2,573	21.0	65.8	85.6	39.1	30.1	327	403	7.9	6.4	3.7	3.7	22.1	23.5
CIFC	Buy	1,193	2.6	77.2	86.4	15.4	13.8	393	470	3.0	2.5	2.4	2.3	21.5	20.0
SCUF	Buy	1,730	1.6	147.3	162.1	11.7	10.7	952	1,096	1.8	1.6	3.5	3.6	16.6	15.8
LTFH	Buy	142	3.9	11.5	13.4	12.4	10.6	66	78	2.1	1.8	2.3	2.2	18.7	18.6
MUTH	Neutral	537	3.0	50.3	58.0	10.7	9.3	229	270	2.3	2.0	5.8	5.9	23.8	23.3
MAS	Buy	550	0.4	25.3	30.9	21.7	17.8	152	175	3.6	3.1	4.2	4.1	17.8	18.9

*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

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 becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, 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 Securities Ltd. (MOSL) * is a SEBI Registered Research Analyst having registration no. INH000000412. MOSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOSL is a subsidiary company of Motilal Oswal Financial Service Ltd. (MOFSL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. 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 BSE Limited (BSE), Multi Commodity Exchange of India (MCX) & National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Details of associate entities of Motilal Oswal Securities Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

MOSL, its associates, Research Analyst or their relative may have any financial interest in the subject company. MOSL and/or its associates and/or Research Analyst may have 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. MOSL 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 MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. MOSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, MOSL or any of its associates may have:

- managed or co-managed public offering of securities from subject company of this research report,
- received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
- Subject Company may have been a client of MOSL or its associates during twelve months preceding the date of distribution of the research report.

MOSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOSL 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 MOSL 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.

Terms & Conditions:

This report has been prepared by MOSL 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 MOSL. 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. MOSL will not treat recipients as customers by virtue of their receiving this report.

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.

Disclosure of Interest Statement

Cholamandalam Inv & Fin

Analyst ownership of the stock

No

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 MOSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOSL 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 MOSL & 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 Securities Limited (MOSL) 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 MOSL 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 MOSL, 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., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore, as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

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 alterations to this statement as may be required from time to time without any prior approval. MOSL, 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 MOSL. 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 MOSL 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, nor 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 MOSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSL 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.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 3080 1000. Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-38281085.

Registration details of group entities: MOSL: SEBI Registration: IN2000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412; AMFI: ARN 17397. Investment Adviser: INA000007100.Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) offers wealth management solutions. *Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. * Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. * Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products

*MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f. August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench. The existing registration no(s) of MOSL would be used until receipt of new MOFSL registration numbers.