

BSE SENSEX  
40,821

S&P CNX  
12,038


**L&T Finance  
Holdings**

## Stock Info

Bloomberg	LTFH IN
Equity Shares (m)	1,988
M.Cap.(INRb)/(USDb)	205.9 / 2.9
52-Week Range (INR)	159 / 79
1, 6, 12 Rel. Per (%)	11/-24/-37
12M Avg Val (INR M)	1036
Free float (%)	36.1

## Financials Snapshot (INR b)

Y/E March	2019	2020E	2021E
Total Income	64.4	73.0	78.7
PPP	41.4	53.2	56.7
PAT	22.3	24.8	28.2
EPS (INR)	11.2	12.4	14.1
BV/Sh. (INR)	68.4	79.4	91.8
RoAA (%)	2.3	2.3	2.5
RoE (%)	18.0	16.8	16.5
Payout (%)	13.9	11.6	11.6

## Valuation

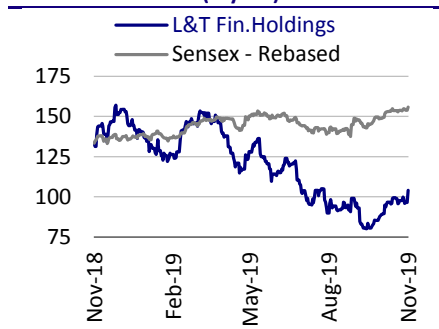
P/E (x)	9.7	8.7	7.7
P/BV (x)	1.6	1.4	1.2
Div. Yield (%)	1.2	1.1	1.3

## Shareholding pattern (%)

As On	Sep-19	Jun-19	Sep-18
Promoter	63.9	63.9	64.0
DII	5.3	3.1	5.1
FII	10.8	10.5	8.8
Others	20.1	22.6	22.1

FII Includes depository receipts

## Stock Performance (1-year)


**CMP: INR108**
**TP: INR130 (+21%)**
**Buy**

## Focus on raising the retail lending share

### Valuations attractive at 1x BVPS

- L&T Finance Holdings (LTFH) has grown its rural finance book ~2.5x over the past 2.5 years to INR270b. A key driver of growth has been microloans, which now comprises nearly half of rural loans. Consequently, the share of this business in the total segment is up from 15% to 27% over the same time period.
- CRISIL rated the company 'AAA' in October 2019 on the back of a diversified loan and borrowing book and support from the parent. Cost of funds increased only 30bp YoY to 8.6%. LTFH runs a positive ALM across tenors in the sub-1 year bucket.
- Profitability of the business has been largely intact over the past four quarters – the company has delivered stable ~16% RoE.
- The AMC business has witnessed 44% AAAUM CAGR over the past three years, with the share of equity increasing from 41% to 55%. With improving profitability, we believe this business is on track to deliver INR2b+ PAT in FY22 (post INR500m amortization of goodwill).
- Current valuation of 1.0x Sep'21E BVPS is undemanding. The company is poised to deliver steady retail loan growth, increasing share of AMC profits and healthy RoE (16-17%). Buy rating with a target price of INR130 (1.3x Sep'21E BVPS).

### Share of retail lending steadily increasing

A key focus area of management over the past few years has been retailization of balance sheet. LTFH revamped its strategy in home loans by increasing the share of in-house sourcing to 70%+. **In tractor and 2W finance, it has a strategy of targeting only the top dealers and OEMs based on feedback from its analytics.** As a result, the company has grown the rural finance book by 2.5x in 2.5 years. A key driver of this has been microloans, wherein the company has expanded into 17 states – the book now accounts for 48% of the total rural lending book compared to 35% in FY17. **Including home loans and LAP, the share of retail lending has increased from 27% in FY17 to 38% in 1HFY20.** With run-down of the de-focused wholesale lending book (structured finance and debt capital markets) and stronger growth in 2W finance and microloans, the share of retail lending (rural + retail housing finance) is expected to reach 43% by FY22.

### 54% PCR higher than most peers; INR3.5b floating provision buffer

In the tough operating environment over past one year LTFH witnessed asset quality improvement with the GNPL ratio declining 110bp to 6.0% which is commendable. The improvement has been driven largely by wholesale and rural finance, while asset quality in housing finance has been largely stable. The GNPL ratio in the wholesale finance book is at 9% largely due to legacy stressed loans in the thermal power finance book. These loans comprise half of the total GNPLs in this book. **The company maintains 54% PCR on its GNPLs – higher than that of most peers (refer Exhibit 10).** In addition, it has INR2.35b of floating provisions in rural finance and INR1.15b of provisions in housing finance.

**Cost of funds largely stable; AAA rating by CRISIL**

**In Oct'19, CRISIL rated the company 'AAA' on the back of its diversified loan and borrowing book, along with the expectation of strong support from the parent.**

Over the past year, the company has pared down its outstanding CPs from INR156b (18% of borrowings) to INR90b (10% of borrowings). Yet, cost of funds has increased only 30bp to 8.6%. LTFH has a positive ALM across tenors as nearly half the book has an actuarial tenor of less than three years (renewable financing has a short tenor as borrowers tend to refinance these loans within 1-2 years).

**Expect 30% PAT CAGR in AMC business over FY19-22**

**Over FY16-19, AAAUM nearly tripled (44% CAGR) to INR712b, driven by 60% CAGR in equity AAAUM.** The company is the 12<sup>th</sup> largest mutual fund in the country in terms of QAAUM as of Sep'19. **In terms of the contribution from individuals, LTFH ranks second among large peers – the share of AUM coming from individuals stands at 68%,** giving it a granular and sticky portfolio. With improving profitability, this business is on track to deliver INR2b+ PAT in FY22 (post INR500m amortization of goodwill on Fidelity acquisition), implying 30% PAT CAGR.

**Re-jigging the wholesale lending segment**

Over the past year, the company has exited several wholesale business segments. It sold its supply chain finance business to Centrum Finance. It has also announced plans to run-down the structured finance book (SFG) and the debt capital markets (DCM) book (currently ~INR65b). **As a result, there will be two key areas of focus in this segment – renewable power finance and road finance.** Note that the share of renewables finance, wherein LTFH is the market leader, increased from 46% to 53% of the wholesale lending book YoY.

**Valuation provides comfort**

Over the past year, LTFH has been able to raise adequate debt capital from multiple sources at competitive prices. The company has balanced liquidity, growth and profitability over the past year in a tough environment. Over the coming years, management has outlined a clear set of goals – stable 'NIM + fee,' healthy asset quality, retailization of the balance sheet, and prudent ALM management. With gradual run-down of the DCM book, volatility in fees is likely to reduce. The AMC business is on a track of improving profitability. **Buy** with a target price of INR130 (1.3x Sep'21E BVPS).

## Retail traction steady; Profitability largely intact

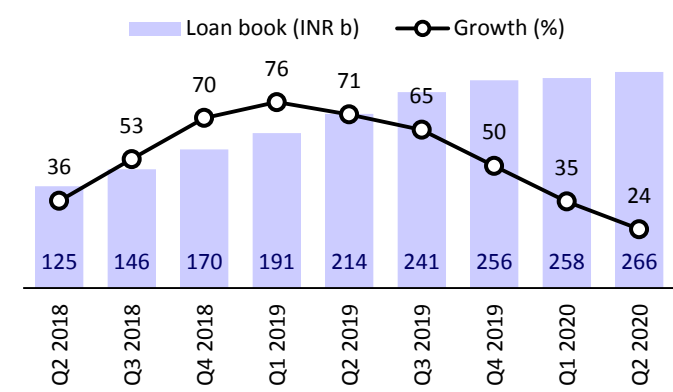
### Parentage a key factor in liability management

Rural lending book growth at 20%+ YoY despite sluggish OEM sales

### Loan book mix steadily changing to granular portfolio

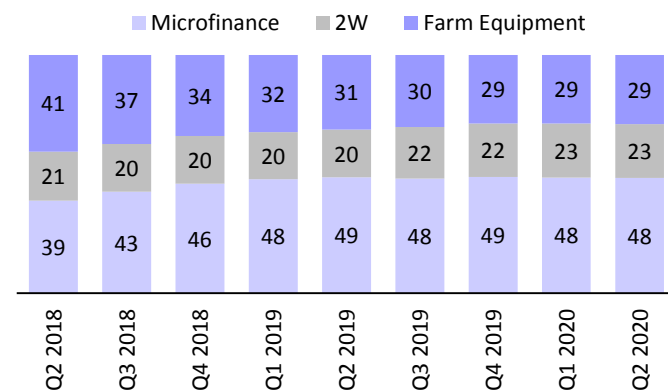
- The rural lending business has witnessed steady growth in the backdrop of sluggish two-wheeler and tractor OEM sales. This is because of increasing penetration of micro loans – from 35% in FY17 to 48% now.
- In the MFI business, the company has a diversified presence in 17 states with Tamil Nadu being the largest state.

**Exhibit 1: Rural lending now comprises 26% of total loans**



Source: MOFSL, Company

**Exhibit 2: Share of microfinance rising (%)**

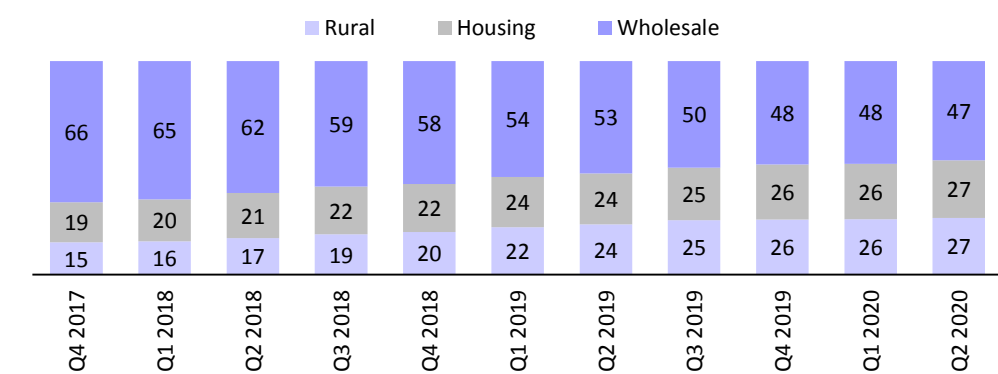


Source: MOFSL, Company

- At the same time, the company has been cautious in wholesale lending. As a result, its share is down from 62% to 47% over the past two years.

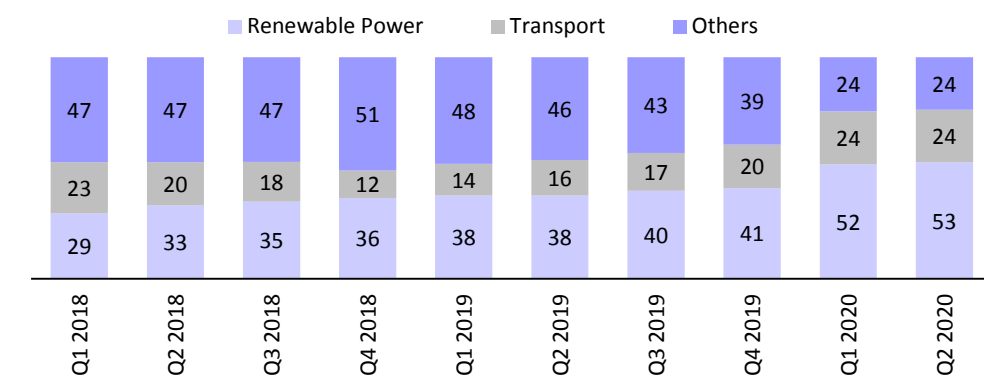
Share of wholesale finance down from 62% to 47% over the past two years.

**Exhibit 3: Share of housing and rural finance increasing (%)**



Source: MOFSL, Company

- LTFH has re-jigged its wholesale lending operations over the past year. It sold its supply chain finance business is running down the structured finance book (SFG) and the debt capital markets (DCM) book (currently ~INR65b).
- As a result, there will be two key areas of focus in this segment – renewable power finance and road finance.

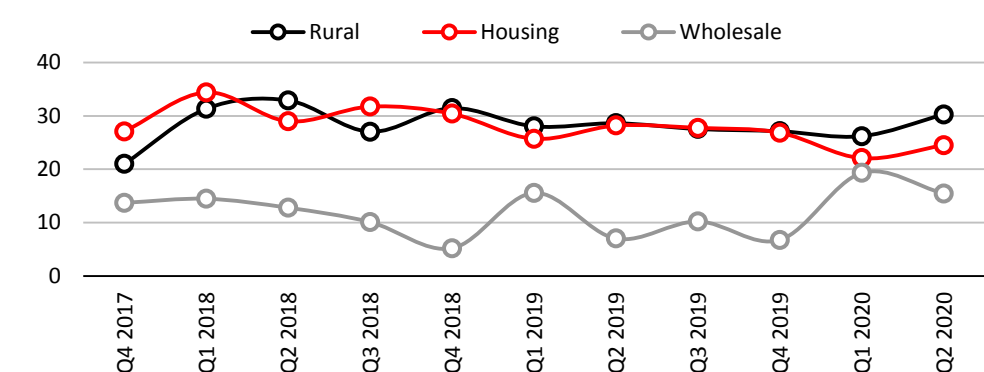
**Exhibit 4: Share of renewable power and roads financing on the rise (%)**

Source: MOFSL, Company

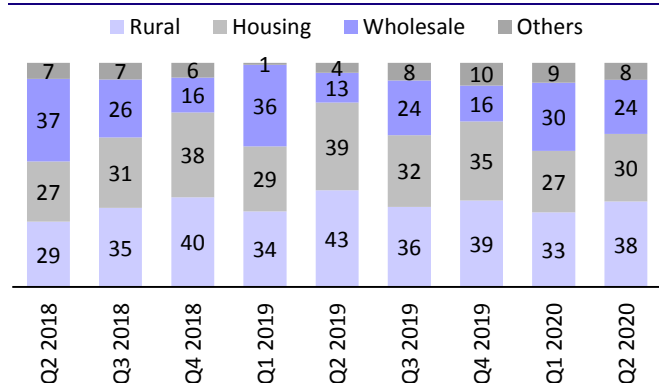
~60% of the network is allocated to the rural and housing finance segments.

**Allocating maximum capital to the high RoE businesses**

- The rural and housing finance segments have consistently delivered higher RoE than the wholesale segment. **This is primarily due to significantly higher margins (11% in rural, 5% in housing and 3% in wholesale finance).**
- While the contribution of rural/housing finance to the total loan book is 27% each, their PAT contribution is 38%/30% respectively, as of 2QFY20.

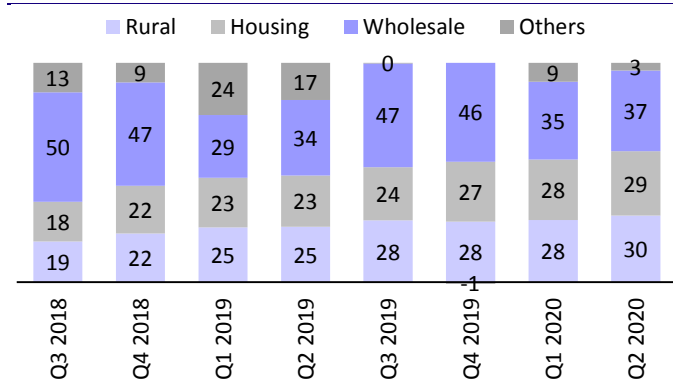
**Exhibit 5: RoE trend of the various segments (%)**

Source: MOFSL, Company

**Exhibit 6: With increasing PAT contribution (%)...**

Source: MOFSL, Company

Note: Includes PAT of focused segments only

**Exhibit 7: ...Network allocation also increasing (%)**

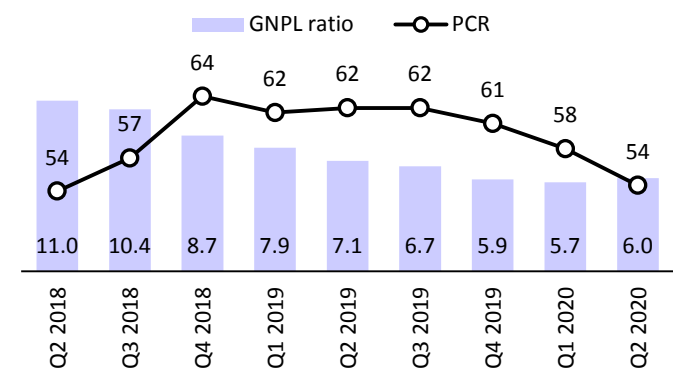
Source: MOFSL, Company

GNPL ratio declined  
700/400bp in  
rural/wholesale lending to  
9.2%/3.6% over the past  
two years.

### Improvement in asset quality in rural and wholesale lending

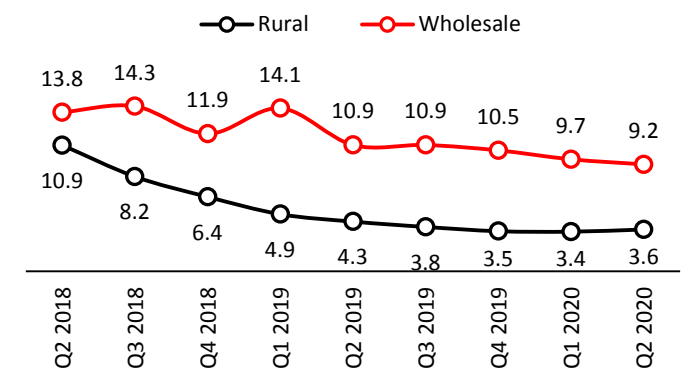
- Over the past two years, the company has successfully lowered its GNPL ratio from 11% in 2QFY18 to 6% in 2QFY20.
- This was driven by a sharp improvement in asset quality in rural and wholesale lending. GNPL ratio declined 700/400bp in rural/wholesale lending to 3.6%/9.2%.

Exhibit 8: Sharp improvement in asset quality (%)...



Source: MOFSL, Company

Exhibit 9: ...driven by rural and wholesale lending (%)



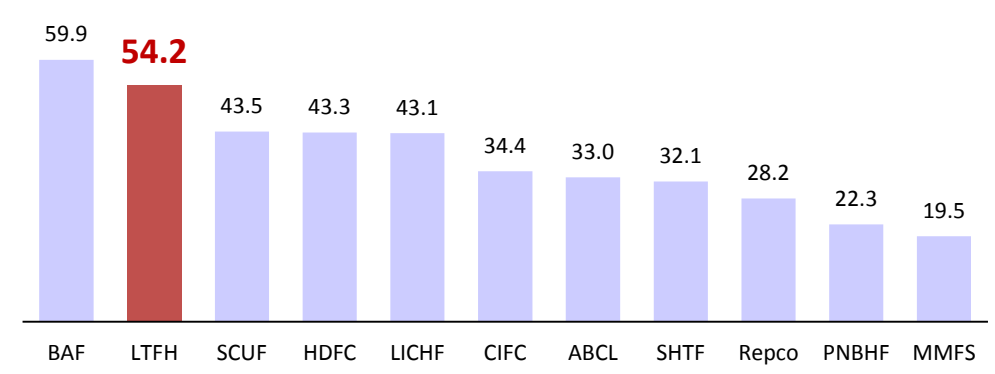
Source: MOFSL, Company

At 54%, stage 3 PCR higher  
than most peers.

### Stage 3 provision coverage ratio higher than most peers

- A few companies under our coverage maintain 50%+ provisions against stage 3 assets. LTFH is one of them.
- Its PCR of 54% is second only to Bajaj Finance in our coverage universe.

Exhibit 10: Stage 3 PCR for large companies under our coverage (1HFY20, %)



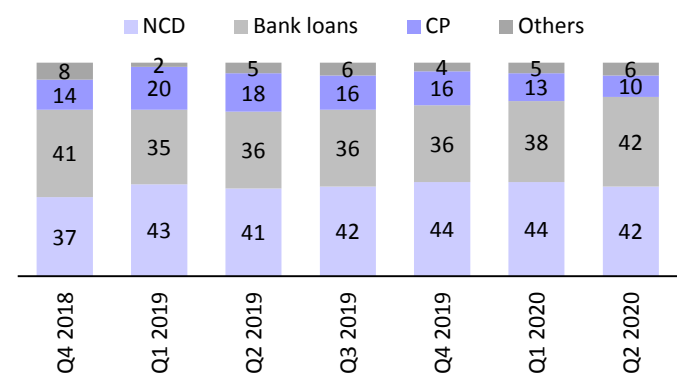
Source: MOFSL, Company

Share of CPs down from  
18% to 10% YoY.

### Diversifying the liability mix; reducing dependence on CPs

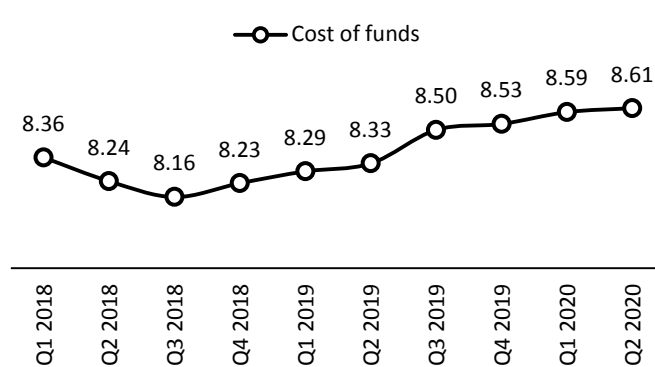
- Over the past year, the company has raised money from several alternative sources like retail NCDs and ECBs, in addition to term loans. **Like its peers, it also reduced the share of CPs from 18% to 10% YoY.**
- Despite the lower share of short-term borrowings, it has been able to contain cost of funds at 8.6% (up only 30bp YoY). **Also, on an incremental basis, the company is able to raise long-term NCDs at 8.5-9.0% and CPs at 6.0-6.5%.**
- The company also maintains a positive ALM across all buckets in the sub-12 month category.

Exhibit 11: Reducing dependence on CPs (%)...



Source: MOFSL, Company

Exhibit 12: ...Yet, cost of funds at healthy levels (%)



Source: MOFSL, Company

CPs incrementally raised at ~6% and NCDs at ~8.5%.

Exhibit 13: Some recent NCD, CP issuances by the company

Instrument	Month of issue	Tenure of instrument	Interest rate (%)
NCD	Sep	10YR	8.90
NCD	Aug	7YR	8.55
NCD	May	7YR	8.80
CP	Nov	180D	6.08
CP	Oct	57D	5.50
CP	Sep	70D	6.02

Source: MOFSL, Company, NSE, FTRAC

Exhibit 14: Positive ALM across all buckets in the sub-1 year category (as of 1HFY20)

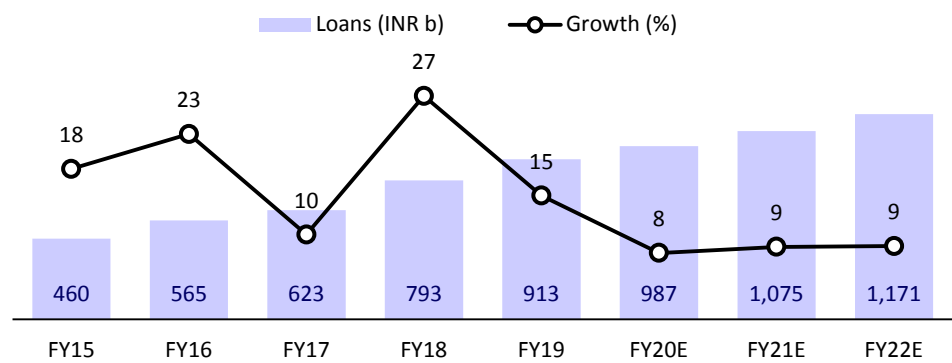
INR b	1-14D	14-30D	1-2M	2-3M	3-6M	6-12M
Assets	107.0	28.8	41.2	60.3	88.9	224.3
Liabilities	15.0	16.3	39.5	56.3	61.9	131.9
Mismatch	92.0	12.6	1.6	4.0	27.0	92.4

Source: MOFSL, Company

We expect 9% loan book CAGR over FY19-22.

### Expect high-single-digit loan book CAGR over FY19-22

- In the recent past, the company has gone slower on disbursements in some segments such as builder finance in which disbursements were down 20%+ YoY in 1HFY20. In other segments such as tractor finance, there is a cyclical slowdown for the industry on the whole.
- In addition, the company classified its structured finance and debt capital markets books as de-focused, implying that it would run-off over time. **That book stands at ~INR65b, i.e., 7% of total loans.**
- While we expect 12-13% CAGR in rural and housing finance, slower growth in wholesale lending and run-down of the de-focused book, overall loan book CAGR is estimated at 9%, in our view.

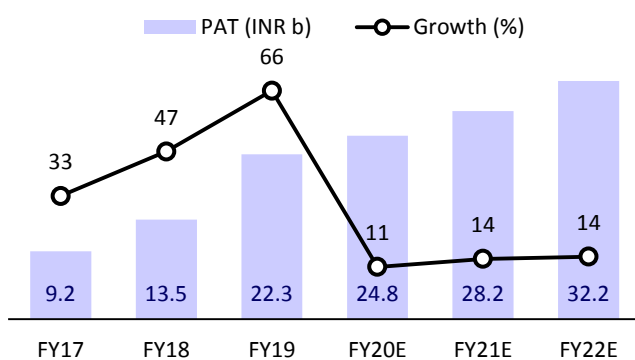
**Exhibit 15: Expect 9% loan book CAGR over FY19-22**

Source: MOFSL, Company

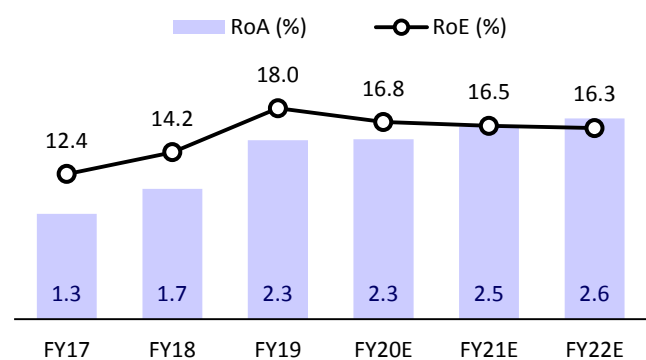
2.5%/16% average consol.  
RoA/RoE going forward

**16-17% sustainable RoE on a consolidated basis**

- With 9% loan book CAGR and modest NIM expansion due to the increasing share of retail lending, we expect PAT CAGR (FY19-22) of 13% to INR32b.
- RoA/RoE should average 2.5%/16% over this time period.

**Exhibit 16: Expect 13% PAT CAGR over FY19-22**

Source: MOFSL, Company

**Exhibit 17: RoA/RoE trend (%)**

Source: MOFSL, Company

## Improving profitability in the AMC business

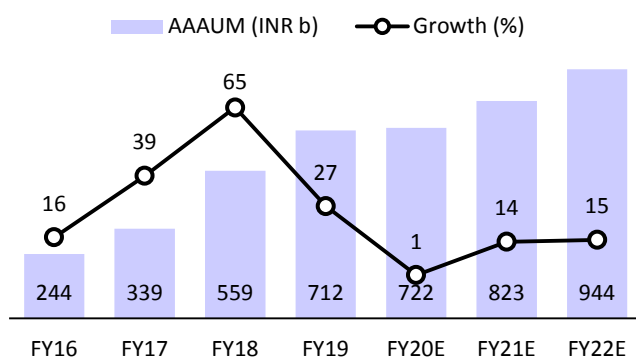
### Share of equity among the highest in the peer set

44% total AAAUM CAGR,  
60% equity AAAUM CAGR  
over FY16-19

#### 3x AAAUM in three years

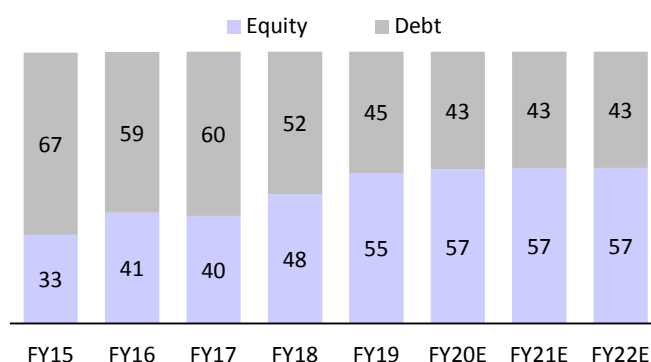
- Along with the parent, L&T MF also witnessed a turnaround from FY17. The company focused on market share gains, increasing share of equity assets and cost reduction. **Over FY16-19, AAAUM nearly tripled (44% CAGR) to INR712b.**
- The company is the 12<sup>th</sup> largest mutual fund in the country in terms of AUM as of Sep'19. While FY20 has so far been a muted year in term of growth, we expect 14-15% AAAUM growth FY21 onward.
- Equity assets CAGR was at 60% over FY16-19. The share of equity assets increased from 41% to 55% over this time period. **Note that, at 55%, the share of equity AAAUM is among the highest in the company's peer set.**

Exhibit 18: Expect 14-15% AAAUM CAGR FY21 onward



Source: MOFSL, Company

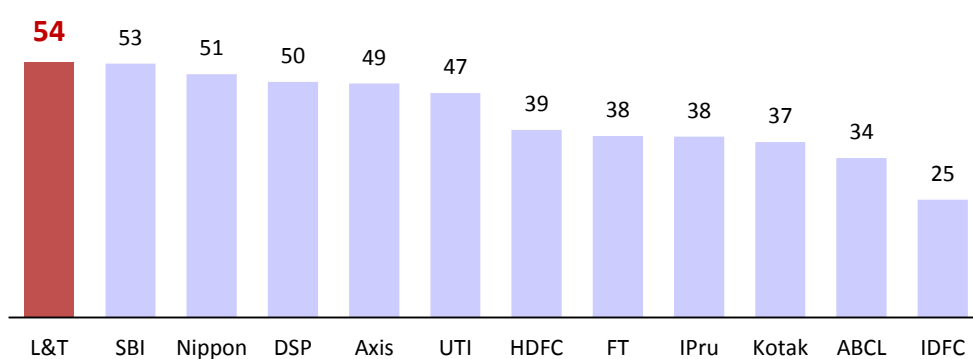
Exhibit 19: Sharp increase in share of equity assets (%)



Source: MOFSL, Company

Share of equity QAAUM at  
54% higher than most  
peers.

Exhibit 20: Share of equity QAAUM (1HFY20, %)



Source: MOFSL, Company, NAVIndia

### Share of B30 assets low; Individual investors' contribution among the highest in the peer set

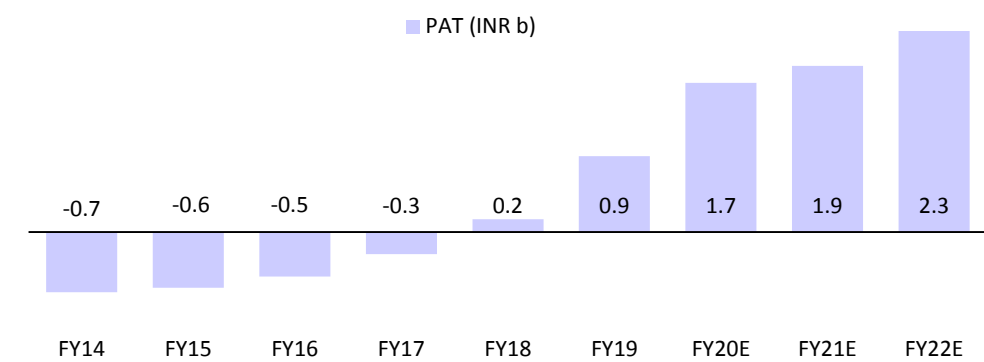
- The company still has a long way to go in terms of penetration beyond the top 30 cities in India. The share of B30 assets stands at 10-11%, lower than most peers.
- However, in terms of contribution from individuals, **the company ranks second among large peers— the share of AUM coming from individuals stands at 68% v/s average of 55% for the top 10 AMCs. This gives the company a granular and sticky portfolio.**

PAT to cross INR2b in FY22,  
in our view.

### Broke even in FY17; PAT trajectory upward

- Until FY17, L&T AMC was a loss-making company. With a focus on cost control and increasing the share of high-yielding equity assets, the company delivered a profit of INR150m in FY18 and INR884m in FY19. **Note that the company incurs an annual expense of INR500m on the amortization of goodwill created during the acquisition of Fidelity MF.**
- While AUM has barely grown in 1HFY20, the company has delivered meaningful PAT growth in 1HFY20. We expect PAT to grow to INR2.3b by FY22.

**Exhibit 21: PAT trajectory**



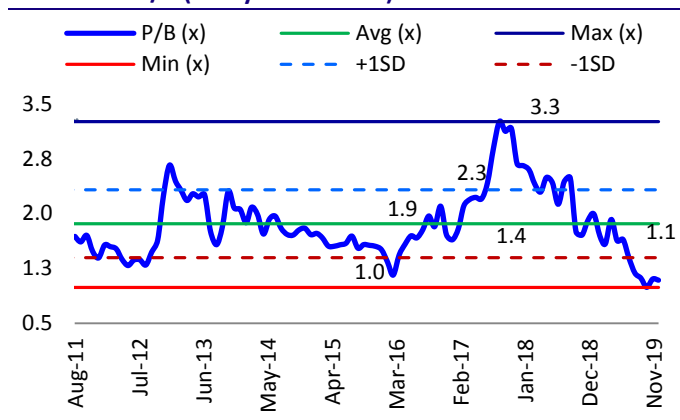
Source: MOFSL, Company

## Valuation and view

### Valuations undemanding; AMC provides upside optionality

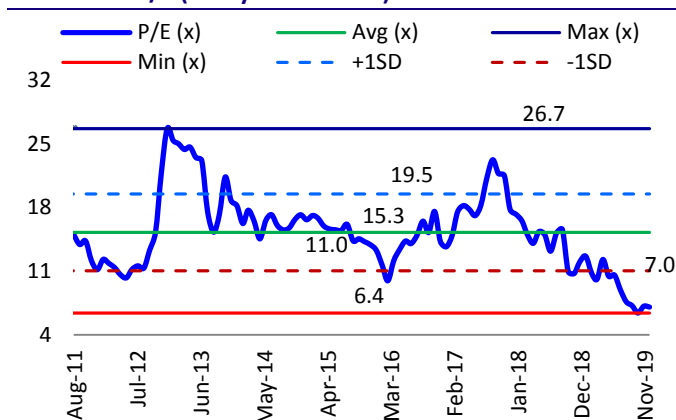
- Over the past year, LTFH has been able to raise adequate debt capital at competitive prices. The company has balanced liquidity, disbursements and profitability over the past year in the tough environment.
- Over the coming years, management has outlined a clear set of goals – stable 'NIM + fee,' healthy asset quality, retailization of the balance sheet and prudent ALM management.
- The AMC business is on a trend of sustained improvement in profitability. While AUM growth would be modest in FY20, it is likely to pick up over the medium term.
- We have not yet valued the AMC business separately. Buy with a target price of INR130 (1.3x Sep'21E BVPS).

Exhibit 22: P/B (one-year forward)



Source: MOFSL, Company

Exhibit 23: P/E (one-year forward)



Source: MOFSL, Company

Exhibit 24: Valuation matrix

Exhibit 24: Valuation Matrix											
	Rating	CMP (INR)	Mcap (USD\$b)	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
HFCs											
HDFC*	Buy	2,304	55.2	24.0	17.9	3.5	2.7	1.9	2.0	15.8	15.9
LICHF	Buy	436	3.1	7.8	7.2	1.2	1.1	1.3	1.3	16.3	15.6
PNBHF	Buy	551	1.3	6.7	6.1	1.1	0.9	1.6	1.7	17.4	16.4
REPCO	Buy	290	0.3	6.0	5.6	1.0	0.9	2.6	2.5	18.2	16.6
Vehicle financiers											
SHTF	Buy	1,112	3.6	8.7	8.0	1.4	1.2	2.7	2.6	17.2	16.0
MMFS	Buy	343	3.0	13.6	10.3	1.8	1.6	2.2	2.5	14.0	16.4
CIFC	Buy	311	3.5	16.9	14.5	3.3	2.7	2.3	2.3	21.0	20.4
Diversified											
BAF	Neutral	4,099	33.4	38.8	30.6	9.4	7.4	4.1	4.0	27.2	27.2
SCUF	Buy	1,330	1.2	8.1	7.5	1.2	1.0	3.7	3.8	15.7	14.9
LTFH	Buy	103	2.9	8.3	7.3	1.3	1.1	2.3	2.5	16.8	16.5
MUTH	Neutral	682	3.8	10.3	8.9	2.5	2.1	6.4	6.5	26.2	25.2
INDOSTAR	Buy	197	0.3	7.9	6.0	0.6	0.5	2.0	2.7	7.3	8.8
MAS	Buy	711	0.5	22.0	18.0	3.8	3.3	4.5	4.6	19.4	20.2
ABCL	Buy	108	3.4	13.5	10.2	1.4	1.1	1.9	2.0	11.9	11.6

Source: MOFSL, Company

## Financials and valuations

Income statement								(INR M)
Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Interest Income	59,025	68,174	76,614	88,692	116,379	126,742	135,605	148,208
Interest Expended	35,678	41,241	46,270	54,492	68,600	77,021	82,865	89,895
<b>Net Interest Income</b>	<b>23,347</b>	<b>26,933</b>	<b>30,343</b>	<b>34,200</b>	<b>47,779</b>	<b>49,721</b>	<b>52,740</b>	<b>58,313</b>
Change (%)	29.9	15.4	12.7	12.7	39.7	4.1	6.1	10.6
Other Operating Income	4,349	6,533	9,110	13,970	16,636	23,229	25,958	28,797
<b>Net Income</b>	<b>27,697</b>	<b>33,466</b>	<b>39,453</b>	<b>48,170</b>	<b>64,415</b>	<b>72,951</b>	<b>78,697</b>	<b>87,110</b>
Change (%)	28.0	20.8	17.9	22.1	33.7	13.3	7.9	10.7
Operating Expenses	10,771	13,129	12,765	14,233	23,046	19,715	22,010	24,797
<b>Operating Income</b>	<b>16,926</b>	<b>20,337</b>	<b>26,688</b>	<b>33,937</b>	<b>41,369</b>	<b>53,236</b>	<b>56,688</b>	<b>62,312</b>
Change (%)	35.3	20.2	31.2	27.2	21.9	28.7	6.5	9.9
Provisions/write offs	6,617	7,810	15,899	19,479	10,849	21,439	20,099	20,484
<b>PBT</b>	<b>10,309</b>	<b>12,527</b>	<b>10,789</b>	<b>14,458</b>	<b>30,520</b>	<b>31,796</b>	<b>36,588</b>	<b>41,828</b>
Tax	3,014	3,990	364	1,682	8,200	6,995	8,415	9,621
Tax Rate (%)	29	32	3	12	27	22	23	23
<b>PAT before pref dividend</b>	<b>8,774</b>	<b>8,567</b>	<b>10,422</b>	<b>12,784</b>	<b>22,320</b>	<b>24,801</b>	<b>28,173</b>	<b>32,208</b>
Change (%)	47.0	-2.4	21.7	22.7	74.6	11.1	13.6	14.3
Preference Dividend	1,102	1,671	1,244	0	0	0	0	0
<b>PAT to equity shareholders</b>	<b>7,672</b>	<b>6,896</b>	<b>9,177</b>	<b>12,784</b>	<b>22,320</b>	<b>24,801</b>	<b>28,173</b>	<b>32,208</b>
Change (%)	47.3	-10.1	33.1	39.3	74.6	11.1	13.6	14.3

Balance sheet								(INR M)
Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Capital	30,837	29,668	29,691	30,301	19,988	19,988	19,988	19,988
- of which equity share capital	17,203	17,534	17,534	19,881	19,988	19,988	19,988	19,988
Reserves & Surplus	46,562	53,237	60,202	91,873	116,721	138,645	163,550	192,022
<b>Net Worth</b>	<b>77,399</b>	<b>82,905</b>	<b>89,893</b>	<b>122,174</b>	<b>136,709</b>	<b>158,633</b>	<b>183,538</b>	<b>212,010</b>
<b>Borrowings</b>	<b>420,906</b>	<b>516,157</b>	<b>598,111</b>	<b>715,771</b>	<b>915,070</b>	<b>934,557</b>	<b>1,013,227</b>	<b>1,099,892</b>
Change (%)	17.4	22.6	15.9	19.7	27.8	2.1	8.4	8.6
Other liabilities	29,117	38,402	37,133	54,335	8,772	1,416	229	37
<b>Total Liabilities</b>	<b>527,422</b>	<b>637,463</b>	<b>725,136</b>	<b>892,279</b>	<b>1,060,551</b>	<b>1,094,606</b>	<b>1,196,994</b>	<b>1,311,939</b>
<b>Loans</b>	<b>460,425</b>	<b>564,679</b>	<b>623,145</b>	<b>793,300</b>	<b>913,246</b>	<b>987,247</b>	<b>1,074,629</b>	<b>1,170,826</b>
Change (%)	18.4	22.6	10.4	27.3	15.1	8.1	8.9	9.0
<b>Investments</b>	<b>26,492</b>	<b>35,633</b>	<b>60,115</b>	<b>48,433</b>	<b>86,408</b>	<b>51,845</b>	<b>59,622</b>	<b>65,584</b>
Change (%)	-3.0	34.5	68.7	-19.4	78.4	-40.0	15.0	10.0
Net Fixed Assets	7,185	6,962	6,189	5,311	11,660	12,242	12,855	13,497
<b>Total Assets</b>	<b>527,422</b>	<b>637,463</b>	<b>725,136</b>	<b>892,279</b>	<b>1,060,551</b>	<b>1,094,606</b>	<b>1,196,994</b>	<b>1,311,939</b>

E: MOFSL Estimates

## Financials and valuations

Ratios	(%)							
Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
<b>Spreads Analysis (%)</b>								
Avg Yield on Loans	13.4	12.9	12.6	12.6	12.6	12.6	12.6	12.6
Avg. Yield on Earning Assets	13.1	12.5	11.9	11.6	12.6	12.4	12.5	12.5
Avg. Cost-Int. Bear. Liab.	9.2	8.8	8.3	8.3	8.4	8.3	8.5	8.5
Interest Spread	3.9	3.7	3.6	3.3	4.2	4.1	4.0	4.0
Net Interest Margin	5.2	5.0	4.7	4.5	5.2	4.9	4.9	4.9
<b>Profitability Ratios (%)</b>								
RoE	12.6	10.3	12.4	13.5	18.0	16.8	16.5	16.3
RoA	1.6	1.2	1.3	1.6	2.3	2.3	2.5	2.6
Int. Expended/Int.Earned	60.4	60.5	60.4	61.4	58.9	60.8	61.1	60.7
Other Inc./Net Income	15.7	19.5	23.1	29.0	25.8	31.8	33.0	33.1
<b>Efficiency Ratios (%)</b>								
Op. Exps./Net Income	38.9	39.2	32.4	29.5	35.8	27.0	28.0	28.5
<b>Asset Quality (%)</b>								
Gross NPAs	14,281	17,354	24,900	33,000	55,490	55,409	58,497	62,146
Gross NPAs to Adv.	3.1	3.1	3.9	4.1	5.9	5.4	5.3	5.1
Net NPAs	9,630	11,540	14,610	16,190	21,740	21,940	23,293	24,913
Net NPAs to Adv.	2.1	2.1	2.3	2.0	2.4	2.2	2.2	2.1
<b>VALUATION</b>								
Book Value (INR)	37.1	40.4	44.3	56.2	68.4	79.4	91.8	106.1
<b>Price-BV (x)</b>					<b>1.6</b>	<b>1.4</b>	<b>1.2</b>	<b>1.0</b>
EPS (INR)	4.5	3.9	5.2	6.4	11.2	12.4	14.1	16.1
EPS Growth YoY	47.1	-11.8	33.1	22.9	73.7	11.1	13.6	14.3
<b>Price-Earnings (x)</b>					<b>9.7</b>	<b>8.7</b>	<b>7.7</b>	<b>6.7</b>
Dividend per share (INR)	0.8	0.8	0.8	1.0	1.3	1.2	1.4	1.6
<b>Dividend yield (%)</b>					<b>1.2</b>	<b>1.1</b>	<b>1.3</b>	<b>1.5</b>

E: MOFSL Estimates

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.

#### 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, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd., (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at

<http://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at

<https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://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") (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.

#### Specific Disclosures

- 1 MOSL, 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 MOSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOSL, 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 MOSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOSL 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
- received compensation/other benefits from the subject company in the past 12 months

- 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.

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.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com). CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai-400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579:PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

\* 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.