

**ADD**

TP: Rs 1,320 | ▲ 5%

**MUTHOOT FINANCE**

| NBFC

| 19 August 2020

## Opex levers played out, valuations hit peak – cut to ADD

Muthoot Finance's (MUTH) Q1FY21 gold AUM increased 15% YoY to Rs 413bn due to higher productivity. Stoppage of low-yield products and reset of liabilities kept spreads buoyant at ~14%. PBT surged 38% YoY to Rs 11.3bn aided by benign credit cost. We keep FY21 earnings unchanged and increase FY22 estimates by 4% to bake in a peaking of opex control despite strong demand. On rollover, our Jun'21 TP stands revised to Rs 1,320 (vs. Rs 1,250). Expensive valuations at 3x FY22E P/B lead us to downgrade the stock to ADD (from BUY).

Shubhranshu Mishra  
 research@bobcaps.in

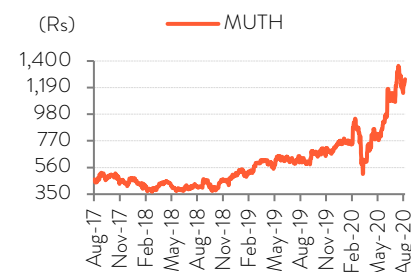
**Gold AUM up 15% despite decline in gold tonnage:** Gold loan AUM increased 15% YoY to Rs 413bn in Q1 due to a rise in productivity to Rs 88.6mn per branch (+13% YoY). Gold tonnage declined 6% QoQ to 165t as customers pledged lower amounts of collateral due to higher gold prices. Aided by the stoppage of low-yield products, yields (calc.) spiked ~180bps YoY to 23%. We note a 7% YoY decrease in loan accounts as customers made repayments at lower contracted rates per gram of gold and renewed loans at higher rates per gram of gold. MUTH has ~1.5 loans per customer.

Ticker/Price	MUTH IN/Rs 1,256
Market cap	US\$ 6.7bn
Shares o/s	401mn
3M ADV	US\$ 53.8mn
52wk high/low	Rs 1,406/Rs 477
Promoter/FPI/DII	73%/15%/7%

Source: NSE

**Diversified borrowing mix aids healthy spreads:** MUTH reduced liability raising from NCDs and instead focused on banks and CPs. Calculated spreads rose ~200bps YoY to 14%. We believe better treasury management and repricing of CPs and NCDs will lower the cost of funds, thus keeping spreads stable. Excess cash on balance sheet caused a 50-60bps drag on NIM (14.6%).

### STOCK PERFORMANCE



Source: NSE

**Opex levers largely played out:** The expense ratio decreased 90bps YoY to 3.6% driven by lower rent outgo. Credit cost was at ~15bps, leading to 38% YoY growth in PBT to Rs 11.3bn and PAT growth of 59% YoY to Rs 8.4bn.

### KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Net interest income	45,202	57,735	65,655	74,746	85,958
NII growth (%)	5.8	27.7	13.7	13.8	15.0
Adj. net profit (Rs mn)	19,721	30,183	34,660	39,825	46,447
EPS (Rs)	49.2	75.3	86.4	99.3	115.8
P/E (x)	25.5	16.7	14.5	12.6	10.8
P/BV (x)	5.1	4.4	3.6	3.0	2.5
ROA (%)	5.7	6.8	6.2	6.2	6.5
ROE (%)	22.4	28.3	27.1	25.9	25.2

Source: Company, BOBCAPS Research

**BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda**

Important disclosures, including any required research certifications, are provided at the end of this report.



**FIG 1 – QUARTERLY PERFORMANCE**

(Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Interest Income	23,160	18,274	26.7	23,506	(1.5)
Interest expenses	8,715	6,416	35.8	7,700	13.2
<b>Net Interest Income</b>	<b>14,445</b>	<b>11,858</b>	<b>21.8</b>	<b>15,806</b>	<b>(8.6)</b>
Other Operating Income	694	313	121.8	520	33.4
<b>Total Income</b>	<b>15,139</b>	<b>12,171</b>	<b>24.4</b>	<b>16,326</b>	<b>(7.3)</b>
Operating Expenses	3,738	3,972	(5.9)	5,304	(29.5)
<b>Operating Profit</b>	<b>11,400</b>	<b>8,199</b>	<b>39.0</b>	<b>11,021</b>	<b>3.4</b>
Provisions and Cont.	146	33	342.4	48	205.2
<b>Profit before Tax</b>	<b>11,255</b>	<b>8,166</b>	<b>37.8</b>	<b>10,974</b>	<b>2.6</b>
Tax Provisions	2,847	2,866	(0.7)	2,822	0.9
<b>Net Profit</b>	<b>8,408</b>	<b>5,300</b>	<b>58.6</b>	<b>8,151</b>	<b>3.1</b>

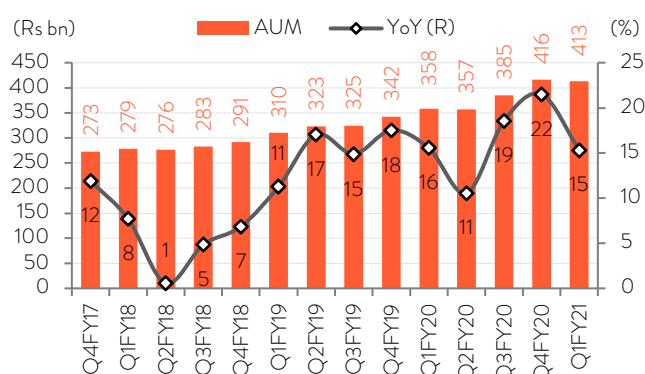
Source: Company, BOBCAPS Research

**FIG 2 – RESULTS INLINE WITH OUR ESTIMATES**

(Rs mn)	Q1FY21E	Q1FY21A	A vs. E (%)
Interest Income	24,057	23,160	(3.7)
Interest expenses	7,870	8,715	10.7
<b>Net Interest Income</b>	<b>16,187</b>	<b>14,445</b>	<b>(10.8)</b>
Other Operating Income	315	694	120.4
<b>Total Income</b>	<b>16,502</b>	<b>15,139</b>	<b>(8.3)</b>
Operating Expenses	4,516	3,738	(17.2)
<b>Operating Profit</b>	<b>11,986</b>	<b>11,400</b>	<b>(4.9)</b>
Provisions and Cont.	250	146	(41.7)
<b>Profit before Tax</b>	<b>11,736</b>	<b>11,255</b>	<b>(4.1)</b>
Tax Provisions	2,957	2,847	(3.7)
<b>Net Profit</b>	<b>8,778</b>	<b>8,408</b>	<b>(4.2)</b>

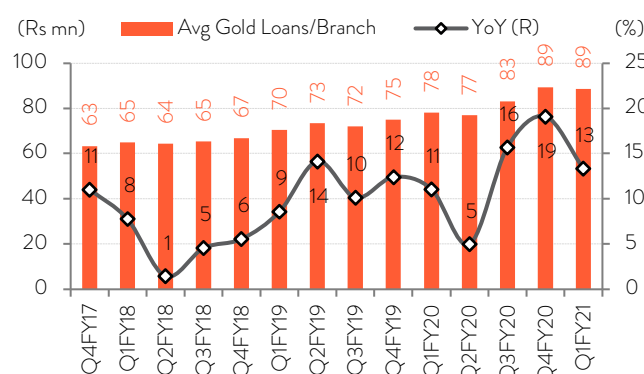
Source: Company, BOBCAPS Research

**FIG 3 – AUM INCREASED 15% YOY...**



Source: Company, BOBCAPS Research

**FIG 4 – ...DUE TO HIGHER PRODUCTIVITY (+13% YOY)**



Source: Company, BOBCAPS Research

FIG 5 – DETAILED QUARTERLY PERFORMANCE

	FY19				FY20				FY21	Variation (%)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	QoQ	YoY
<b>Profit and Loss (Rs mn)</b>											
<b>Total Income</b>	<b>16,330</b>	<b>16,501</b>	<b>17,171</b>	<b>18,804</b>	<b>18,587</b>	<b>21,405</b>	<b>23,209</b>	<b>24,026</b>	<b>23,854</b>	<b>(0.7)</b>	<b>28.3</b>
Interest expenses	5,016	5,354	5,889	6,111	6,416	6,699	7,094	7,700	8,715	13.2	35.8
<b>Net income</b>	<b>11,314</b>	<b>11,148</b>	<b>11,282</b>	<b>12,694</b>	<b>12,171</b>	<b>14,707</b>	<b>16,115</b>	<b>16,326</b>	<b>15,139</b>	<b>(7.3)</b>	<b>24.4</b>
Total Opex	3,738	3,669	3,440	4,547	3,972	3,969	4,542	5,304	3,738	(29.5)	(5.9)
Employees	2,169	2,086	1,980	2,741	2,295	2,327	2,580	3,088	2,362	(23.5)	2.9
Rent	475	493	503	503	527	533	548	550	429	(22.0)	(18.6)
Depreciation and Amrt	91	100	110	119	96	103	110	122	99	(18.9)	3.5
Others	1,003	991	847	1,184	1,054	1,006	1,305	1,544	848	(45.1)	(19.6)
<b>Operating profits</b>	<b>7,577</b>	<b>7,478</b>	<b>7,842</b>	<b>8,147</b>	<b>8,199</b>	<b>10,738</b>	<b>11,573</b>	<b>11,021</b>	<b>11,400</b>	<b>3.4</b>	<b>39.0</b>
Provisions and write offs	27	25	19	205	33	265	612	48	146	205.2	342.4
<b>Profit before tax</b>	<b>7,550</b>	<b>7,453</b>	<b>7,823</b>	<b>7,942</b>	<b>8,166</b>	<b>10,473</b>	<b>10,961</b>	<b>10,974</b>	<b>11,255</b>	<b>2.6</b>	<b>37.8</b>
Taxes	2,634	2,615	2,971	2,827	2,866	1,894	2,809	2,822	2,847	0.9	(0.7)
<b>Profit after tax</b>	<b>4,916</b>	<b>4,838</b>	<b>4,852</b>	<b>5,115</b>	<b>5,300</b>	<b>8,579</b>	<b>8,152</b>	<b>8,151</b>	<b>8,408</b>	<b>3.1</b>	<b>58.6</b>
<b>Asset quality (Overall)</b>											
Gross Stage 3	8,835	6,170	6,372	9,326	11,474	12,267	9,769	8,992	10,553	17.4	(8.0)
GS3 (%)	2.9	1.9	2.0	2.7	3.2	3.4	2.5	2.2	2.6	40bps	(64bps)
ECL Provisions	5,892	5,795	5,835	6,359	6,896	7,014	7,178	5,427	5,538	2.0	(19.7)
ECL Provisions (%)	1.9	1.8	1.8	1.9	1.9	2.0	1.9	1.3	1.3	4bps	(59bps)
Provisions outstanding in books	8,096	8,096	8,096	8,096	8,095	8,213	8,377	8,381	8,492	1.3	4.9
<b>Ratios (Calc, %)</b>											
Yields	21.7	20.8	21.2	22.5	21.2	23.9	25.0	24.0	23.0	(96bps)	181bps
Cost of funds	9.0	9.0	9.5	9.4	9.3	9.5	9.3	8.8	9.2	34bps	(16bps)
NIMs	15.1	14.1	13.9	15.2	13.9	16.4	17.4	16.3	14.6	(170bps)	71bps
Spreads	12.7	11.8	11.7	13.2	11.9	14.4	15.7	15.1	13.9	(130bps)	197bps
Cost income ratio	33.0	32.9	30.5	35.8	32.6	27.0	28.2	32.5	24.7	(780bps)	(794bps)
Cost to average AUM	5.0	4.6	4.2	5.5	4.5	4.4	4.9	5.3	3.6	(169bps)	(93bps)
<b>AUM related</b>											
Gold Stock Holding (In tonnes)	161	168	166	169	176	171	173	176	165	(6.3)	(6.3)
Avg gold loans per branch (Rs mn)	70	73	72	75	78	77	83	89	89	(0.8)	13.4
Overall AUM (Rs bn)	310	323	325	342	358	357	385	416	413	(0.8)	15.3
<b>Other details</b>											
CAR	26.4	25.9	25.7	26.1	24.7	27.1	26.5	25.5	26.3	83bps	158bps
Tier I	24.8	25.3	25.2	25.7	24.3	26.7	26.2	24.3	25.2	90bps	87bps
Tier II	1.7	0.6	0.5	0.4	0.4	0.4	0.3	1.2	1.1	(7bps)	71bps
Book Value	207	219	231	244	243	264	284	288	307	6.4	26.3
Leverage (x)	3.0	2.9	2.7	2.7	2.9	2.6	2.7	2.9	2.6	-	-

Source: Company, BOBCAPS Research

## Earnings call highlights

### Business

- Branches opened up from May onwards; most branches now open
- 'Gold Unlocker' product gives customers a rotating credit line
- Offering free insurance cover of Rs 100,000 for gold finance at Re 1 premium
- Average LTV on book at 54%
- Gave top-up loans to deserving customers during Q1
- Gold tonnage fell as less collateral required for similar ticket size
- Opex declined in Q1 due to lower rent; likely to return to pre-Covid levels
- Higher cost of borrowing reflects full hedging impact of ECB in Q1
- Average duration of gold loan portfolio at 3-5 months
- Repeat customers at ~80% though some customers not rolling over old loans
- 10-15% of customers at 75% LTV
- New customer base increasing
- Gold price does not affect gold AUM growth guidance
- Plans to open 250 branches over next 12 months
- Excess cash is for liquidity buffer and liquidity coverage ratio

### Asset quality

- Excess provisions created during I-GAAP to IND-AS transition and total Rs 2.95bn

### Subsidiaries

- Going slow on disbursements in vehicle and home finance; instead focusing on collections
- Collection efficiency in housing finance at 87% and vehicle finance at 75% in July. Progressive MoM improvement visible
- Some SHG schemes in microfinance now merged into JLG schemes
- Microfinance had 75% collections in July

- Selectively disbursing microfinance to customers who have not taken moratorium and have good repayment track record
- Provisions in subsidiaries driven by moratorium

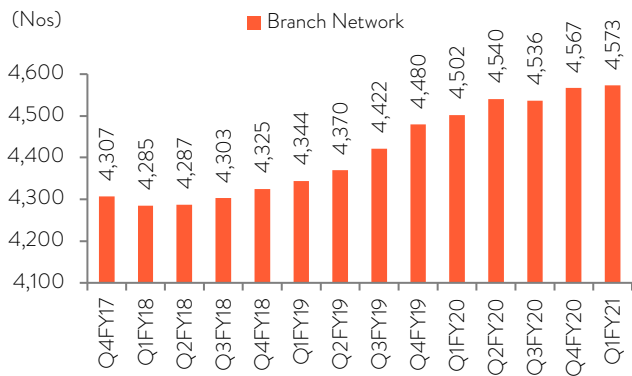
**Liquidity**

- Carrying liquidity of Rs 85bn

**Guidance**

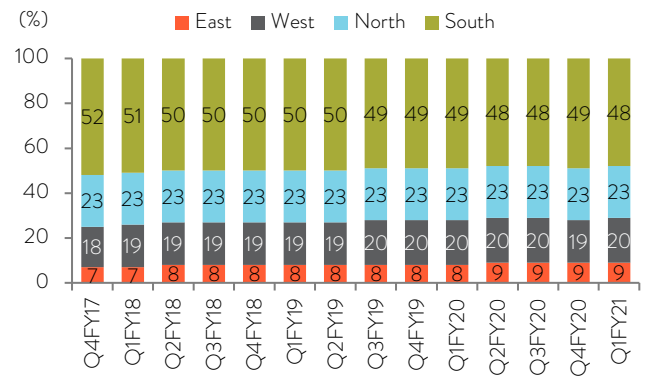
- 15% growth in gold AUM in FY21

**FIG 6 – NETWORK GREW BY ~75 BRANCHES YOY**



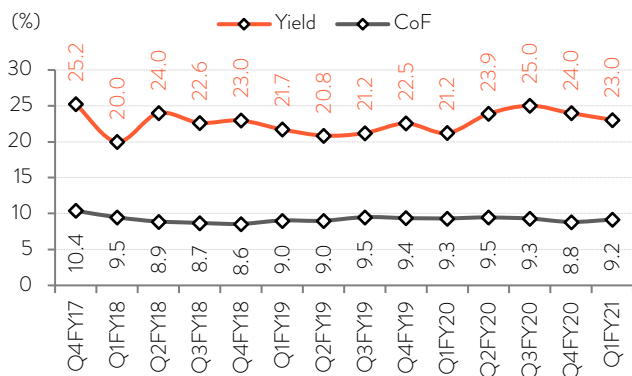
Source: Company, BOBCAPS Research

**FIG 7 – AUM MIX LARGELY SIMILAR YOY**



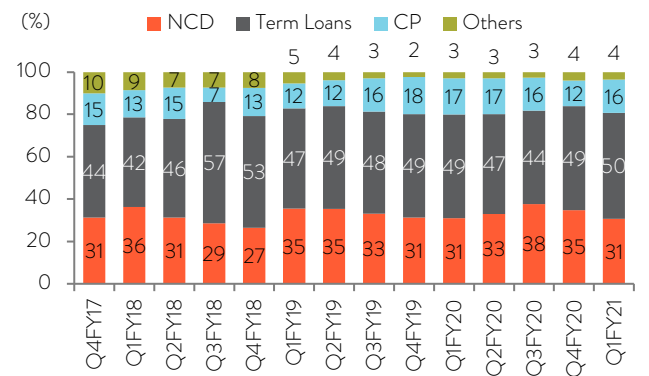
Source: Company, BOBCAPS Research

**FIG 8 – YIELD LARGELY SIMILAR QOQ**



Source: Company, BOBCAPS Research

**FIG 9 – HEALTHY MIX CONTAINED BORROWING COST**



Source: Company, BOBCAPS Research

## Valuation methodology

MUTH is trading at 3.0x/2.5x FY22E/FY23E BV for ROE of 25.9%/25.2%. Focused strategies to become the gold financier of choice have helped the company cement leadership in gold finance. Emphasis on customer traction and branch productivity is expected to fuel a robust ~13% loan CAGR over FY20-FY23. By incentivising staff for regular collections, MUTH has produced a high-churn portfolio and curbed auction losses, stabilising yields – we model for yields of 22% over FY21-FY23. A favourable borrowing mix and short-tenor portfolio should anchor spreads at ~14%.

MUTH is the lowest cost gold financier in India and its expense ratio is forecast to remain at ~4.5% of AUM through to FY23. We expect the company to maintain market leadership in NBFC gold financing and yield steady-state ROA of ~6%, with leverage at ~4.0x.

The company has diversified into home finance and microfinance (Belstar), with vehicle finance as a second priority. Belstar being a dominant SHG business model is a safer MFI play despite geographic concentration in Tamil Nadu. We expect incremental capital to be allocated to these fledgling businesses, of which Belstar is well placed to contribute meaningfully in the near term.

Though MUTH is likely to enjoy good gold loan growth due to buoyant demand, we believe opex levers have largely played out and valuations have peaked. We maintain FY21 estimates while raising FY22 earnings by 4%. On rollover, our Jun'21 target price stands revised to Rs 1,320 (vs. Rs 1,250 earlier).

Our target is derived using the SOTP method (with unchanged multiples) as follows: (a) Rs 1,256/sh (Rs 1,187 earlier) for the standalone book based on 3x Jun'22E BV, (b) Rs 53/sh (Rs 55 earlier) for MHFL based on 4x Jun'22E BV, and (c) Rs 27/sh (Rs 23 earlier) for Belstar based on 2.5x Jun'22E BV (post holdco discount of 20%). Valuations have hit a peak of 3x FY22E P/BV and upsides look capped – downgrade to ADD from BUY.

FIG 10 – REVISED ESTIMATES

(Rs bn)	Old			New			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
NII	65.7	72.9	86.0	65.7	74.7	86.0	-	2.6	-
Other Income	1.7	1.8	2.0	1.7	1.8	2.0	-	-	-
Net Income	67.3	74.7	88.0	67.3	76.6	88.0	-	2.5	-
Operating Expenses	19.7	21.9	24.3	19.7	21.9	24.3	-	0.0	-
Operating Profits	47.6	52.8	63.7	47.6	54.7	63.7	-	3.5	-
Provisions	1.2	1.4	1.6	1.2	1.4	1.6	-	-	-
PBT	46.3	51.4	62.1	46.3	53.2	62.1	-	3.6	-
Tax	11.7	12.9	15.6	11.7	13.4	15.6	-	3.6	-
PAT	34.7	38.4	46.4	34.7	39.8	46.4	-	3.6	-
Loans	482	546	617	482	546	617	-	-	-
Borrowings	448	520	537	448	475	537	-	(8.7)	-
Spread (%)	13.7	13.7	13.7	13.7	13.7	13.7	Obps	Obps	Obps
RoA (%)	6.2	5.8	6.5	6.2	6.2	6.5	Obps	42bps	Obps
RoE (%)	27.1	25.0	25.2	27.1	25.9	25.2	Obps	83bps	Obps

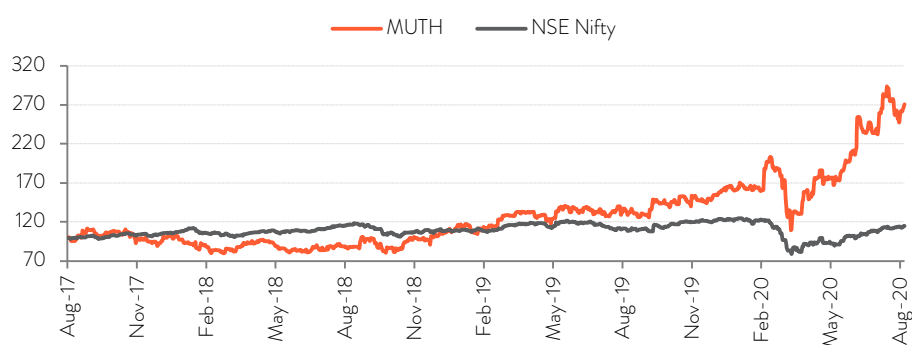
Source: BOBCAPS Research

FIG 11 – SOTP VALUATION SUMMARY

SOTP June 2022 Based (Rs)	Value (Rs bn)	Value (US\$ bn)	Value/ Sh. (Rs)	% of total	Rationale
<b>Core business</b>	<b>504</b>	<b>7.2</b>	<b>1,256</b>	<b>95.2</b>	<b>3.0x BV</b>
<b>Key Ventures</b>					
Muthoot Homefin	21	0.3	53	4.0	4.0x BV
Belstar Investment and Finance	11	0.2	27	2.0	2.5x BV
Total Value of Ventures	32	0.5	80	6.0	
Less: 20% holding discount	6	0.1	16	1.2	
<b>Value of Key Ventures</b>	<b>26</b>	<b>0.4</b>	<b>64</b>	<b>4.8</b>	
<b>Target Value Post 20% Holding Co Disc</b>	<b>529</b>	<b>7.6</b>	<b>1,320</b>	<b>100.0</b>	
CMP	504	7.2	1,256		
<b>Upside (%)</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>		

Source: BOBCAPS Research

FIG 12 – RELATIVE STOCK PERFORMANCE



Source: NSE

## Key risks

Key downside risks to our estimates are:

- chunky delinquencies in high-ticket gold loans,
- weak collections in home finance, and
- high dependence on the state of Tamil Nadu in the Belstar MFI.



## FINANCIALS

### Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Net interest income</b>	<b>45,202</b>	<b>57,735</b>	<b>65,655</b>	<b>74,746</b>	<b>85,958</b>
NII growth (%)	5.8	27.7	13.7	13.8	15.0
Non-interest income	1,236	1,584	1,678	1,843	2,025
Total income	46,438	59,319	67,333	76,588	87,983
Operating expenses	15,394	17,788	19,750	21,926	24,294
Operating profit	31,044	41,531	47,583	54,663	63,689
Operating profit growth (%)	0.6	33.8	14.6	14.9	16.5
Provisions	275	957	1,246	1,421	1,594
PBT	30,768	40,574	46,337	53,242	62,095
Tax	11,047	10,391	11,677	13,417	15,648
<b>Reported net profit</b>	<b>19,721</b>	<b>30,183</b>	<b>34,660</b>	<b>39,825</b>	<b>46,447</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>19,721</b>	<b>30,183</b>	<b>34,660</b>	<b>39,825</b>	<b>46,447</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Equity capital	4,007	4,010	4,010	4,010	4,010
Reserves & surplus	93,921	111,708	135,970	163,847	196,360
Net worth	97,927	115,718	139,980	167,857	200,370
Deposits	0	0	0	0	0
Borrowings	268,332	371,300	448,265	474,602	536,671
Other liabilities & provisions	14,428	17,578	21,094	25,312	30,375
<b>Total liabilities and equities</b>	<b>380,687</b>	<b>504,597</b>	<b>609,339</b>	<b>667,772</b>	<b>767,416</b>
Cash & bank balance	17,355	56,405	103,987	96,265	121,968
Investments	9,826	14,383	14,455	15,178	15,937
Advances	349,329	426,042	481,885	545,792	617,172
Fixed & Other assets	2,154	2,565	2,770	3,047	3,352
<b>Total assets</b>	<b>380,687</b>	<b>504,597</b>	<b>609,339</b>	<b>667,772</b>	<b>767,416</b>
Deposit growth (%)	NA	NA	NA	NA	NA
Advances growth (%)	18.4	22.0	13.1	13.3	13.1

### Per Share

Y/E 31 Mar (Rs)	FY19A	FY20A	FY21E	FY22E	FY23E
EPS	49.2	75.3	86.4	99.3	115.8
Dividend per share	12.0	15.0	21.6	24.8	29.0
Book value per share	244.4	288.5	349.0	418.6	499.6

Source: Company, BOBCAPS Research

**Valuations Ratios**

Y/E 31 Mar (x)	FY19A	FY20A	FY21E	FY22E	FY23E
P/E	25.5	16.7	14.5	12.6	10.8
P/BV	5.1	4.4	3.6	3.0	2.5
Dividend yield (%)	1.0	1.2	1.7	2.0	2.3

**DuPont Analysis**

Y/E 31 Mar (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Net interest income	13.1	13.0	11.8	11.7	12.0
Non-interest income	0.4	0.4	0.3	0.3	0.3
Operating expenses	4.5	4.0	3.5	3.4	3.4
Pre-provisioning profit	9.0	9.4	8.5	8.6	8.9
Provisions	0.1	0.2	0.2	0.2	0.2
PBT	8.9	9.2	8.3	8.3	8.7
Tax	3.2	2.3	2.1	2.1	2.2
ROA	5.7	6.8	6.2	6.2	6.5
Leverage (x)	3.9	4.1	4.4	4.1	3.9
ROE	22.4	28.3	27.1	25.9	25.2

**Ratio Analysis**

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
<b>YoY growth (%)</b>					
Net interest income	5.8	27.7	13.7	13.8	15.0
Pre-provisioning profit	0.6	33.8	14.6	14.9	16.5
EPS	10.8	52.9	14.8	14.9	16.6
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	14.0	14.9	14.5	14.5	14.8
Fees / Avg. assets	0.0	0.0	0.0	0.0	0.0
Cost-Income	33.2	30.0	29.3	28.6	27.6
ROE	22.4	28.3	27.1	25.9	25.2
ROA	5.7	6.8	6.2	6.2	6.5
<b>Asset quality (%)</b>					
GNPA	2.7	2.2	2.3	2.2	2.1
NNPA	0.9	0.9	1.8	1.7	1.6
Provision coverage	13.9	18.9	21.2	23.4	25.4
<b>Ratios (%)</b>					
Credit-Deposit	0.0	0.0	0.0	0.0	0.0
Investment-Deposit	0.0	0.0	0.0	0.0	0.0
CAR	26.0	22.7	22.7	24.8	0.0
Tier-1	25.6	22.3	22.4	24.5	0.0

Source: Company, BOBCAPS Research

## Disclaimer

### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

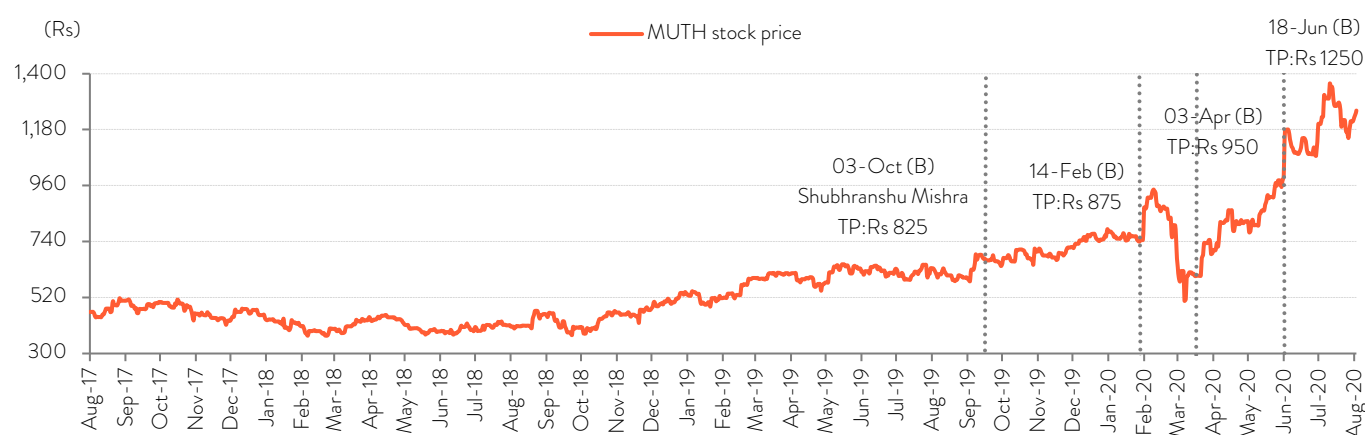
**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### RATINGS AND TARGET PRICE (3-YEAR HISTORY): MUTHOOT FINANCE (MUTH IN)



B – Buy, A – Add, R – Reduce, S – Sell

### Rating distribution

As of 31 July 2020, out of 96 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 46 have BUY ratings, 20 have ADD ratings, 11 are rated REDUCE and 19 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

### General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations

expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.