



TM

Cholamandalam Finance

03 August 2021

Demand growing, provision roll-backs likely in 2HFY22E

RESULT UPDATE

Sector: NBFCs

Rating: BUY

CMP: Rs 526

Target Price: Rs 625

Stock Info

Sensex/Nifty	52,951/ 15,885
Bloomberg	CIFC IN
Equity shares	820mn
52-wk High/Low	Rs 601/197
Face value	Rs 2
M-Cap	Rs 432bn/ USD 5.8bn
3-m Avg volume	USD 33mn

Financial Snapshot (Rs bn)

Y/E March	FY21	FY22E	FY23E
NII	43.0	52.2	57.9
PPP	33.6	41.9	46.4
PAT	15.1	21.9	26.2
EPS (Rs)	18.5	26.6	31.9
EPS Gr. (%)	44.0	44.3	19.7
BV (Rs)	117	141	170

Financial Ratios

NIM (%)	7.1	7.5	7.5
C/I ratio (%)	32.0	29.3	29.2
RoA (%)	2.2	2.8	3.0
RoE (%)	17.1	20.7	20.5
Payout (%)	9.0	7.5	7.8

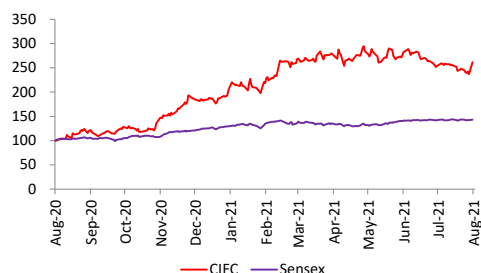
Valuations

P/E (x)	28.5	19.7	16.5
P/BV (x)	4.5	3.7	3.1
Div. Yield (%)	0.3	0.4	0.5

Shareholding pattern (%)

	Jun'21	Mar'21	Dec'20
Promoter	51.6	51.6	51.6
-Pledged	-	-	-
FII	18.9	16.5	13.2
DII	21.8	24.4	27.4
Others	7.7	7.5	7.8

Stock Performance (1-year)



Shubhramshu Mishra

shubhramshumishra@systematixgroup.in

+91 22 6704 8024

Cholamandalam Investment and Finance Company (CIFC) reported a profit of Rs 3.3bn in 1QFY22 due to higher provisions. With a normalizing COVID situation and better customer cash flows, provision roll-backs are likely in 2HFY22E. The company's stage-3 provision is at 35.5%, which seems prudent. Disbursements and collections are bouncing back to pre-COVID levels. We remain sanguine about the disbursement run-rate bouncing back to pre-COVID levels in FY22E. We reiterate our BUY rating on CIFC with a target price of Rs 625 (unchanged).

Disbursement run-rate bouncing back to pre-COVID levels driven by strong demand

CIFC's borrowers were impacted by localized lockdowns due to the second wave of COVID. Hence, the disbursements increased by only ~1% on a YoY basis; however, this run-rate was ~60% of the average run-rate between 1QFY17-4QFY20, implying that it is at pre-COVID levels despite fewer working days. The management has guided for a better disbursement run-rate in the ensuing quarters driven by buoyant demand for two-wheelers (2W), entry-level cars and heavy commercial vehicles (HCVs). We maintain our forecast of a 10% CAGR in loan growth in FY21-23E. With strong pricing power and a diversified borrowing mix, we maintain our spreads forecasts at ~7.1% in FY22-23E.

Provision roll-backs in the ensuing quarters to normalize credit cost in 2HFY22E

Higher provisions of Rs 5.5bn weighed on the company's profits (at Rs 3.3bn) in 1QFY22. The increased provisioning was due to roll-forwards to stage-3 and restructuring which remains in stage-2 assets. The total management overlay now stands at Rs 7bn. The stage-3 coverage ratio declined ~900bps QoQ to 35.5% due to repossession and write-offs. The company remains well-capitalized at a tier-1 ratio of 19.1%. The management has guided for provisions to normalize in 2HFY22E due to roll-backs. With ~80% of stage-2 and stage-3 paying current month dues and collections bouncing back, we expect roll-backs in the ensuing quarters.

Valuation & Recommendation

Over the last decade, CIFC has been amongst the few NBFCs that have managed to diversify risks while maintaining risk metrics. It is a financier of choice for Tier 3/4 transporters, has a diversified liabilities mix, is well-capitalized, maintains a strong credit rating, has a positive gap in ALM in the less-than one-year bucket and has a granular collection infrastructure. An entry into LAP (loan against property) and a focus on affordable housing are also likely to yield results in the medium term. Its AUM grew 20%+ over FY19-FY20 but disbursements have slowed amidst a tough economic environment. The stock currently trades at 3.1x FY23E BVPS, reflecting the successful scaling up of key businesses and robust profitability (AUM CAGR of 18% between FY12-FY21). We value the business at 3.7x FY23E BV (35% premium to its 10-year average P/BV) to arrive at our target price of Rs 625 as we believe the CV industry is on the cusp of an up-cycle while the system will be flush with liquidity through FY22. We largely maintain our FY22-23E estimates. Reiterate **BUY**.

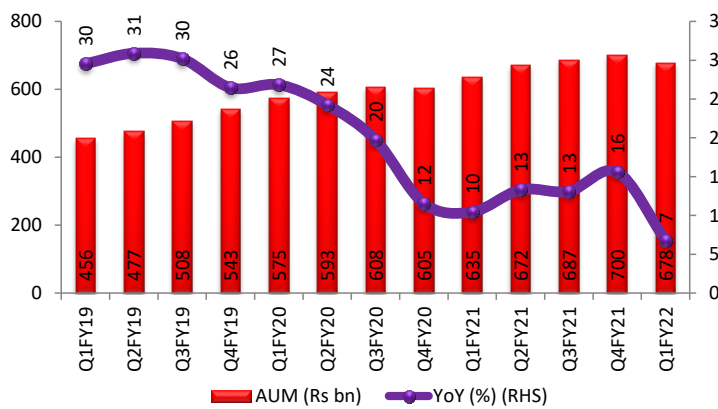
Exhibit 1: Quarterly performance

	FY20				FY21				FY22	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	QoQ	YoY
Profit and Loss (Rs mn)											
Operating Income	20,318	21,995	22,749	21,513	21,136	24,364	25,048	24,612	24,669	0	17
Interest Expenses	10,870	11,769	11,924	11,359	11,307	11,852	11,404	11,197	11,038	-1	-2
Net Interest Income	9,448	10,225	10,825	10,154	9,830	12,512	13,644	13,415	13,631	2	39
Other income	1	1	0	1	0	34	0	2	1	-33	500
Total Income	9,449	10,226	10,825	10,156	9,830	12,546	13,644	13,417	13,632	2	39
Operating Expenses	3,500	4,016	4,244	4,016	3,458	3,551	3,688	5,138	3,705	-28	7
Employee	1,458	1,721	1,771	1,600	1,562	1,701	1,541	2,690	1,523	-43	-2
Others	2,042	2,295	2,473	2,416	1,897	1,850	2,147	2,448	2,182	-11	15
Operating Profits	5,949	6,210	6,581	6,140	6,372	8,996	9,956	8,279	9,927	20	56
Provisions & Loan losses	1,095	952	1,360	5,567	562	3,176	4,446	5,035	5,519	10	883
PBT	4,854	5,258	5,221	573	5,810	5,820	5,511	3,244	4,407	36	-24
Taxes	1,688	2,163	1,336	147	1,501	1,501	1,422	2,432	1,139	-53	-24
PAT	3,166	3,095	3,885	427	4,309	4,319	4,089	812	3,268	303	-24
Asset Quality (%)											
Gross Stage 3 (%)	3.0	3.2	3.5	3.8	3.3	2.8	3.8	4.0	6.8	283bps	349bps
Net Stage 3 (%)	1.9	2.1	2.4	2.3	2.0	1.6	2.2	2.3	4.6	229bps	259bps
Stage 3 provisions (%)	36.1	34.4	33.0	41.5	41.6	42.7	43.5	44.3	35.5	-874bps	-612bps
Ratios (%)											
Cost to Income	37.0	39.3	39.2	39.5	35.2	28.3	27.0	38.3	27.2	-1,111bps	-800bps
Provision to operating profit	18.4	15.3	20.7	90.7	8.8	35.3	44.7	60.8	55.6	-522bps	4,679bps
Tax Rate	34.8	41.1	25.6	25.6	25.8	25.8	25.8	75.0	25.9	-4,912bps	2bps
Total CAR	17.2	17.1	17.0	20.7	20.4	19.5	19.3	19.1	19.1	1bps	-134bps
Cost of Funds	8.2	8.5	8.6	8.3	8.0	8.0	7.4	7.1	7.0	-16bps	-101bps
NIMs	6.8	7.0	7.2	6.7	6.3	7.7	8.0	7.7	7.9	18bps	157bps
Business (Rs bn)											
On book Loans	555	562	567	561	583	623	640	658	640	-3	10
Off book (Securitisation)	20	31	40	45	52	49	48	42	39	-7	-25
Total Borrowings	551	559	549	550	585	606	620	637	632	-1	8
AUM Mix (%)											
Vehicle Finance	75	74	73	73	74	73	73	72	71	-66bps	-237bps
Home equity	21	21	21	21	21	21	22	22	22	37bps	108bps
Others	4	5	5	6	5	5	6	6	6	28bps	129bps
Disbursements Details (Rs bn)											
Total	86	74	75	57	36	65	79	81	36	-55	1
Vehicle Finance	69	58	59	47	32	48	61	62	28	-54	-12
Home equity	11	11	9	6	2	11	14	16	6	-65	238
Others	5	5	6	4	2	6	4	3	2	-32	5
Total Borrowing Mix (%)											
Bank Loans	52	56	60	63	61	60	59	58	60	200bps	-100bps
CP	10	10	7	3	7	7	7	4	5	100bps	-200bps
Debentures	17	14	12	10	10	11	13	15	14	-100bps	400bps
Sub Debt & PDI	7	7	7	8	7	7	7	7	6	-100bps	-100bps
Securitisation	10	9	9	8	7	7	6	7	6	-100bps	-100bps
Others	4	4	5	8	8	8	8	9	9	0bps	100bps
Other Details											
Branches	999	1,029	1,073	1,105	1,098	1,132	1,135	1,137	1,137	0	39

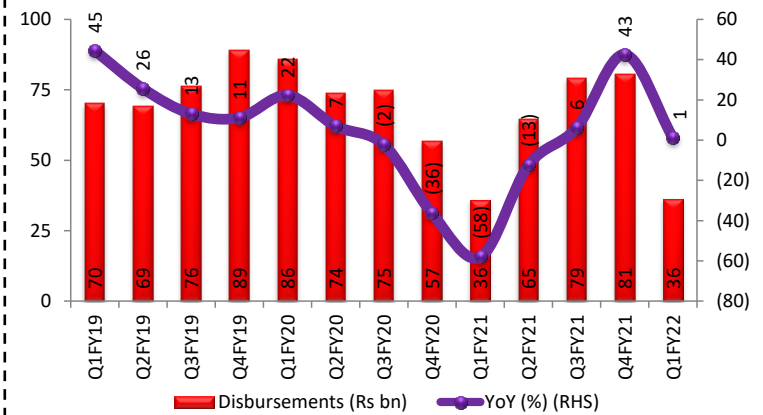
Source: Company data, Systematix Research

Earnings Call Highlights

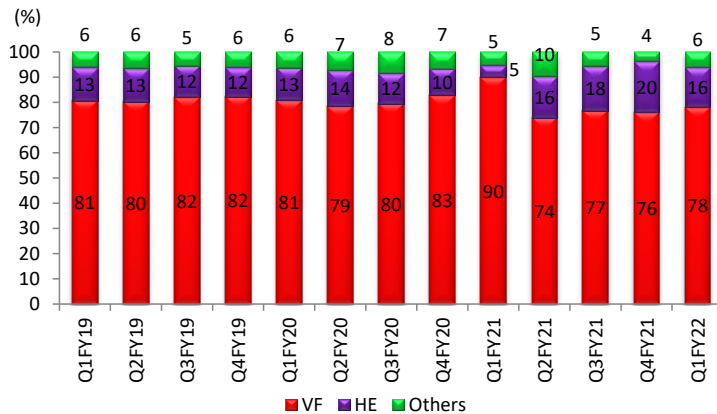
- As the company caters to small road transport operator segment (SRTOs) who have <10 vehicles, freight rates were well managed. The hike in diesel prices did not affect the SRTOs as they could increase their freight rates accordingly.
- The company has been reducing exposure in HCVs as the probability of default (PDs) has increased since FY19. However, it saw some green shoots in total industry volumes (TIV) of HCVs in 1QFY22 and has indicated that replacement demand for HCVs could be kicking in from 3QFY22. However, the third wave of COVID remains an overhang.
- CIFIC's borrowers and staff were impacted by the 2nd wave, leading to a shift in their priorities from business to protecting the well-being of the affected. This resulted in a setback in 1QFY22 performance on the disbursements and collections front.
- The restructuring option with asset classification benefit extended by the RBI under "Restructuring 2.0" was used to the extent of 3.86% of the book as of 1QFY22. Total restructuring (including the restructuring done under "Restructuring 1.0") stood at 5.44% of the 1QFY22 book. These loans are classified as stage-2 assets as a matter of prudence.
- The management overlay of Rs 4bn was reversed in 1QFY22. This release was towards: a) additional provisions that were made in stage-1 in 4QFY21 and where the customer continued to be in stage-1 in 1QFY22, without a downgrade to the subsequent stage and b) additional provisions held in 4QFY21 that were in stage-1 and 2 in 4QFY21 and moved into stage-3 in 1QFY22, on which higher provisions as per regular stage-3 norms had been created. CIFIC maintains a management overlay of Rs 7bn in stage-2 and 3 to manage any future contingencies.
- The company witnessed a recovery in disbursements and collections during the latter part of June'21, post relaxation of the state-wise lockdowns. It expects a gradual revival in subsequent quarters in FY22 with normalization and rollbacks of accounts that moved to higher buckets.
- In 1QFY22, due to the second wave and localized lockdowns, there had been roll-forwards to higher buckets, leading to higher net credit losses. The management indicated that this position is temporary and expects the loan losses to return to normal levels in subsequent quarters.
- Entry-level cars, 2W have good demand. Replacement demand in HCVs is slowly coming up. The company has designed a sourcing process based on which segments have lower loss-given default (LGD) and PD.
- The company did only Rs 70mn of ECLGS in 1QFY22. The ECLGS 1 and 2 customers are performing better than in FY21. Stage 0 to stage-1 roll-forward is 1.41%. 80-85% of stage-2 and ~80% of stage-3 customers are paying current month dues. Some repossession is taking place.
- Total restructuring in 1QFY22 was at Rs 26bn, of which ~Rs 23bn was in vehicle financing and balance was from LAP.
- Disbursements are likely to be 5-10% better than industry levels. July'21 disbursement was better than July'19 disbursements, implying a return to pre-COVID levels.
- NCR and Tamil Nadu are the two large parts of the LAP portfolio. Both faced challenges in April and May'21. June and July'21 saw better traction in both geographies.

Exhibit 2: AUM growth appears to have bottomed out

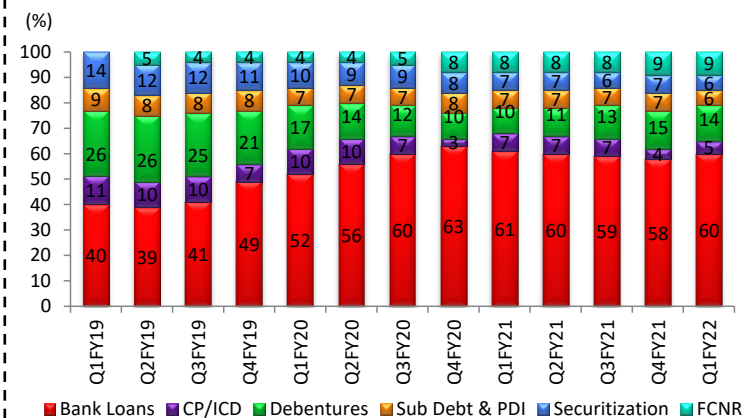
Source: Company, Systematix Institutional Research

Exhibit 3: Disbursements at ~40% of 1QFY20 levels, which looks prudent given the lower number of working days

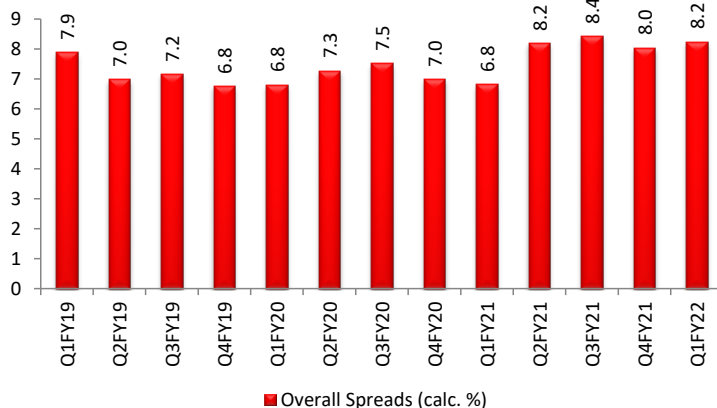
Source: Company, Systematix Institutional Research

Exhibit 4: Increasing LAP mix in AUM as HE branches break-even

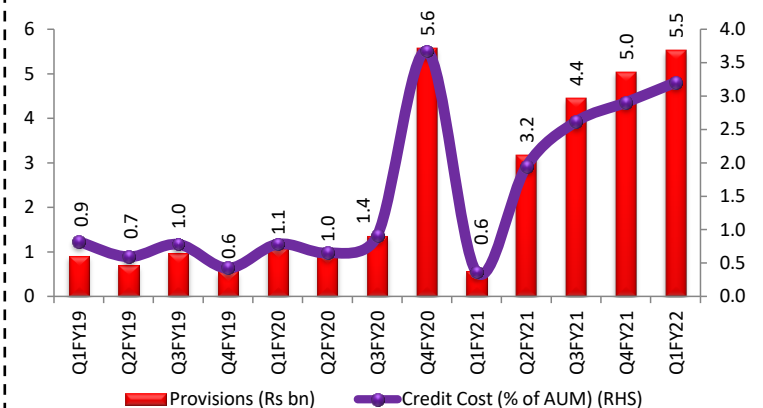
Source: Company, Systematix Institutional Research

Exhibit 5: Diversified borrowing mix

Source: Company, Systematix Institutional Research

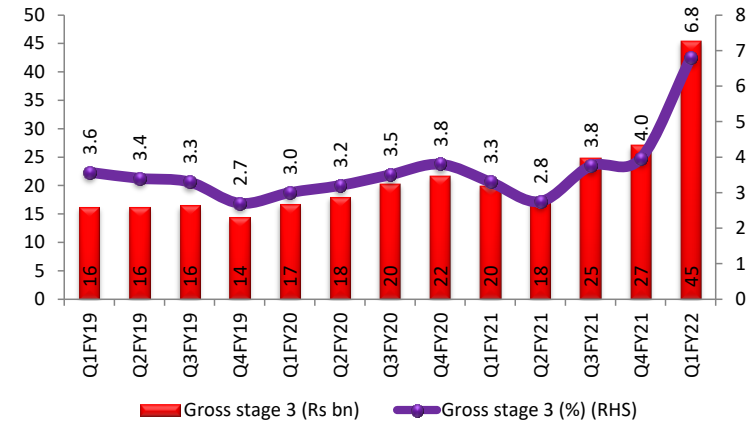
Exhibit 6: Spreads inching up with lower cost of funds

Source: Company, Systematix Institutional Research

Exhibit 7: Credit cost moving up due to incremental COVID provisions

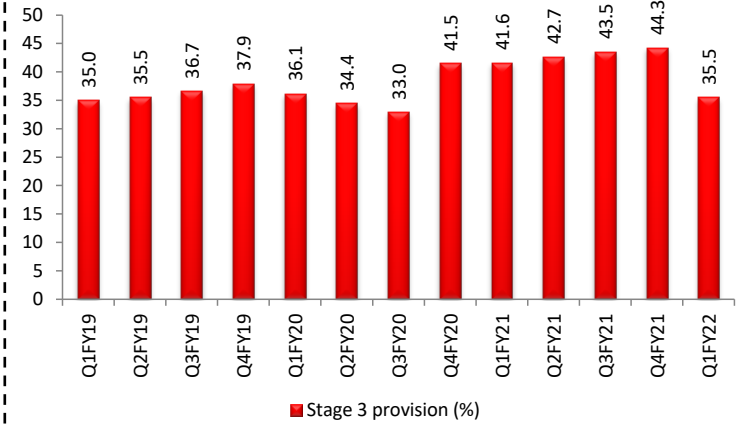
Source: Company, Systematix Institutional Research

Exhibit 8: Gross stage-3 spikes due to roll forwards...



Source: Company, Systematix Institutional Research

Exhibit 9: ...stage 3 is well provided for; a dip in 1Q due to write-offs



Source: Company, Systematix Institutional Research

Exhibit 10: We largely maintain our FY22E-FY23E estimates

(Rs bn)	Old Est		New Est		% Change	
	FY22	FY23	FY22	FY23	FY22	FY23
Total Income	57.4	63.3	59.4	65.6	3.4	3.7
Operating Expenses	17.4	19.2	17.4	19.2	0.0	0.0
Operating Profits	40.0	44.1	41.9	46.4	4.9	5.3
Provisions	11.5	10.2	12.5	11.2	8.7	9.8
PBT	28.4	33.9	29.4	35.2	3.4	3.9
Tax	7.3	8.7	7.6	9.1	3.4	3.9
PAT	21.1	25.2	21.9	26.2	3.4	3.9
RoA on AUM	2.7	2.9	2.8	3.0	9bps	11bps
RoE	20.1	20.0	20.7	20.5	61bps	58bps
AUM	775	852	775	852	0.0	0.0

Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Interest Income	64,860	78,417	88,772	101,107	112,296
Interest Expenses	35,887	45,922	45,759	48,949	54,444
Net Interest Income	28,972	32,495	43,013	52,157	57,853
Change (%)	14.7	12.2	32.4	21.3	10.9
Other Operating Income	4,193	5,637	6,388	6,912	7,456
Other Income	7	3	36	40	40
Net Income	34,039	40,607	49,437	59,360	65,598
Change (%)	20.7	19.3	21.7	20.1	10.5
Operating Expenses	12,696	15,776	15,835	17,418	19,160
Change (%)	13.8	24.3	0.4	10.0	10.0
Operating Profits	21,344	24,831	33,602	41,942	46,438
Change (%)	25.2	16.3	35.3	24.8	10.7
Provisions	3,112	8,973	13,218	12,529	11,220
PBT	18,232	15,857	20,384	29,412	35,219
Tax	6,370	5,334	5,235	7,559	9,051
Tax Rate (%)	34.9	33.6	25.7	25.7	25.7
PAT	11,862	10,524	15,149	21,853	26,168
Change (%)	29.2	-11.3	44.0	44.3	19.7
Proposed Dividend (Incl. Tax)	1,016	1,662	1,366	1,641	2,051

Source: Company, Systematix Institutional Research

Dupont

YE: Mar (%)	FY19	FY20	FY21	FY22E	FY23E
Interest Income	12.9	12.9	12.8	12.9	12.9
Interest Expended	7.1	7.6	6.6	6.2	6.3
Net Interest Income	5.8	5.4	6.2	6.6	6.7
Income from Securitization	0.2	0.4	0.0	0.0	0.0
Net Operating Income	6.8	6.7	7.1	7.6	7.6
Other Income	0.0	0.0	0.0	0.0	0.0
Net Income	6.8	6.7	7.1	7.6	7.6
Operating Expenses	2.5	2.6	2.3	2.2	2.2
Operating Income	4.2	4.1	4.9	5.3	5.4
Provisions/write offs	0.6	1.5	1.9	1.6	1.3
PBT	3.6	2.6	2.9	3.7	4.1
Tax	1.3	0.9	0.8	1.0	1.0
PAT	2.4	1.7	2.2	2.8	3.0
Leverage	9.0	8.5	7.8	7.4	6.8
RoE	21.3	14.7	17.1	20.7	20.5

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	1,564	1,640	1,641	1,641	1,641
Reserves & Surplus (Ex OCI)	60,193	80,079	93,962	113,847	137,553
Net Worth	61,757	81,718	95,603	115,487	139,194
Other comprehensive income	0	0	0	0	0
Borrowings	505,667	550,054	637,300	694,657	757,176
Change (%)	31.9	8.8	15.9	9.0	9.0
Other liabilities	6,838	8,158	12,581	13,375	14,712
Total Liabilities	574,263	639,930	745,484	823,519	911,082
Investments	729	729	16,188	17,366	18,929
Change (%)	0.0	0.0	2,120.0	7.3	9.0
Loans and Advances	526,223	554,027	658,393	736,183	812,731
Change (%)	24.5	5.3	18.8	11.8	10.4
Other assets	47,311	85,174	70,903	69,970	79,421
Total Assets	574,263	639,930	745,484	823,519	911,082

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY19	FY20	FY21	FY22E	FY23E
Spreads Analysis (%)					
Yield on Portfolio	13.7	14.5	14.6	14.5	14.5
Cost of Borrowings	8.1	8.7	7.7	7.4	7.5
Interest Spread	5.6	5.8	6.9	7.2	7.0
Net Interest Margin	6.1	6.1	6.6	7.1	7.1
Profitability Ratios (%)					
Cost/Income	37.3	38.9	32.0	29.3	29.2
RoE	21.3	14.7	17.1	20.7	20.5
RoA	2.4	1.7	2.2	2.8	3.0
Asset Quality (%)					
GNPA	14,385	21,633	29,522	30,353	29,253
NNPA	124	124	124	124	124
GNPA %	2.7	3.8	4.2	3.9	3.4
NNPA %	1.7	2.3	0.2	0.3	0.0
PCR %	38.0	52.7	69.8	79.5	93.7
Capitalisation (%)					
CAR	17.4	20.7	19.1	20.2	21.4
Tier I	12.4	15.3	14.4	15.7	17.1
Tier II	5.0	5.4	4.7	4.5	4.3
Average Leverage on assets (x)	9.0	8.5	7.8	7.4	6.8

Valuation	FY19	FY20	FY21	FY22E	FY23E
Book Value (Rs)	75.3	99.6	116.6	140.8	169.7
Price-BV (x)	7.0	5.3	4.5	3.7	3.1
EPS (Rs)	14.5	12.8	18.5	26.6	31.9
EPS Growth (%)	29.2	-11.3	44.0	44.3	19.7
Price-Earnings (x)	36.4	41.0	28.5	19.7	16.5
Dividend (Rs)	1.3	1.7	1.7	2.0	2.5
Dividend Yield (%)	0.2	0.3	0.3	0.4	0.5

Source: Company, Systematix Institutional Research

Institutional Equities Team

Nikhil Khandelwal	Managing Director	+91-22-6704 8001	nikhil@systematixgroup.in
Navin Roy Vallabhaneni	President & Head – IE & ECM	+91-22-6704 8065	navin@systematixgroup.in

Equity Research

Analysts	Industry Sectors	Desk-Phone	E-mail
Rahul Jain	Metals & Mining	+91-22-6704 8066	rahuljain@systematixgroup.in
Ronak Sarda	Auto, Auto Ancillaries	+91-22-6704 8059	ronaksarda@systematixgroup.in
Rakesh Kumar	Banking, Insurance	+91-22-6704 8041	rakeshkumar@systematixgroup.in
Praful Bohra	Pharmaceuticals and Healthcare	+91-22-6704 8064	prafulbohra@systematixgroup.in
Shubhranshu Mishra	NBFCs & Diversified Financials	+91-22-6704 8024	shubhranshumishra@systematixgroup.in
Sanjeev Kumar Singh	Cement, Building Materials, Paints	+91-22-6704 8017	sanjeevsingh@systematixgroup.in
Premal Kamdar	Consumer Staples	+91-22-6704 8090	premalkamdar@systematixgroup.in
Amar Kedia	Infra, Cap Goods, Logistics, Consumer Durables	+91-22-6704 8084	amarkedia@systematixgroup.in
Ashutosh Joytiraditya	Consumer, Retail	+91-22-6704 8068	ashutoshj@systematixgroup.in
Naushad Chaudhary	Chemicals, Textiles, Building Materials, Midcaps	+91-22-6704 8036	naushadchaudhary@systematixgroup.in
Harsh Mittal	Cement, Building Materials, Paints	+91-22-6704 8098	harshmittal@systematixgroup.in
Poorvi Banka	Auto, Auto Ancillaries	+91-22-6704 8063	poorvibanka@systematixgroup.in
Nikhil Shah	Banking, Insurance	+91-22-6704 8091	nikhilshah@systematixgroup.in
Tausif Shaikh	Pharmaceuticals and Healthcare	+91-22-6704 8046	tausifshaikh@systematixgroup.in
Shweta Dikshit	Metals & Mining	+91-22-6704 8042	shwetadikshit@systematixgroup.in
Shilpashree Venkatesh	Macro-Strategy	+91-22-6704 8078	shilpav@systematixgroup.in

Equity Sales & Trading

Name		Desk-Phone	E-mail
Vipul Sanghvi	Director and Head - Sales	+91-22-6704 8062	vipulsanghvi@systematixgroup.in
Ashok Kumar Agarwal	Sales	+91-22-6704 8058	ashokagarwal@systematixgroup.in
Jigar Kamdar	Sales	+91-22-6704 8060	jigarkamdar@systematixgroup.in
Rahul Khandelwal	Sales	+91-22-6704 8033	rahul@systematixgroup.in
Pawan Sharma	Director and Head - Sales Trading	+91-22-6704 8067	pawansharma@systematixgroup.in
Mukesh Chaturvedi	Vice President and Co Head - Sales Trading	+91-22-6704 8074	mukeshchaturvedi@systematixgroup.in
Vinod Bhuwad	Sales Trading	+91-22-6704 8051	vinodbhuwad@systematixgroup.in
Rashmi Solanki	Sales Trading	+91-22-6704 8097	rashmisolanki@systematixgroup.in
Rahul Thakar	Sales Trading - Derivatives	+91-22-6704 8073	rahlthakar@systematixgroup.in
Vipul Chheda	Dealer	+91-22-6704 8050	vipulchheda@systematixgroup.in
Amit Sawant	Dealer	+91-22-6704 8054	amitsawant@systematixgroup.in
Paras Shah	Dealer	+91-22-6704 8047	parasshah@systematixgroup.in
Suketu Vyas	Dealer	+91-22-6704 8050	suketuvyas@systematixgroup.in

Corporate Access

Audrey Leolyn Mendonca	Assistant Vice President	+91-22-6704 8088	audreymendonca@systematixgroup.in
-------------------------------	---------------------------------	-------------------------	--

Production

Yukti Vidyarthi	Editor	+91-22-6704 8071	yukti@systematixgroup.in
Mrunali Pagdhare	Production	+91-22-6704 8057	mrunalip@systematixgroup.in
Vijayendra Achrekar	Production	+91-22-6704 8089	vijayendraachrekar@systematixgroup.in

Operations

Sachin Malusare	Vice President	+91-22-6704 8055	sachinmalusare@systematixgroup.in
Sugandha Rane	Assistant Vice President	+91-22-6704 8056	sugandha@systematixgroup.in
Jignesh Mistry	Manager	+91-22-6704 8049	jigneshmistry@systematixgroup.in
Ravikiran Dasaka	Manager	+91-22-6704 8622	ravikiran@systematixgroup.in
Ravi Agarwal	Assistant Manager	+91-22-6704 8016	raviagarwal@systematixgroup.in

DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Shubhranshu Mishra**; hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

II. ISSUER SPECIFIC REGULATORY DISCLOSURES, unless specifically mentioned in point no. 9 below:

- The research analyst(s), SSSIL, associates or relatives do not have any financial interest in the company(ies) covered in this report.
- The research analyst(s), SSSIL, associates or relatives collectively do not hold more than 1% of the securities of the company(ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
- The research analyst(s), SSSIL, associates or relatives did not have any other material conflict of interest at the time of publication of this research report.
- The research analyst, SSSIL and its associates have not received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in this report in the past twelve months.
- The research analyst, SSSIL or its associates have not managed or co-managed a private or public offering of securities for the company(ies) covered in this report in the previous twelve months.
- SSSIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party in connection with this research report.
- The research analyst has not served as an officer, director or employee of the company(ies) covered in this research report.
- The research analyst and SSSIL have not been engaged in market making activity for the company(ies) covered in this research report.
- Details of SSSIL, research analyst and its associates pertaining to the companies covered in this research report:

Sr. No.	Particulars	Yes / No.
1	Whether compensation was received from the company(ies) covered in the research report in the past 12 months for investment banking transaction by SSSIL.	No
2	Whether research analyst, SSSIL or its associates and relatives collectively hold more than 1% of the company(ies) covered in the research report.	No
3	Whether compensation has been received by SSSIL or its associates from the company(ies) covered in the research report.	No
4	Whether SSSIL or its affiliates have managed or co-managed a private or public offering of securities for the company(ies) covered in the research report in the previous twelve months.	No
5	Whether research analyst, SSSIL or associates have received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in the research report in the last twelve months.	No

- There is no material disciplinary action taken by any regulatory authority that impacts the equity research analysis activities.

STOCK RATINGS

BUY (B): The stock's total return is expected to exceed 15% over the next 12 months.

HOLD (H): The stock's total return is expected to be within -15% to +15% over the next 12 months.

SELL (S): The stock's total return is expected to give negative returns of more than 15% over the next 12 months.

NOT RATED (NR): The analyst has no recommendation on the stock under review.

INDUSTRY VIEWS

ATTRACTIVE (AT): Fundamentals/valuations of the sector are expected to be attractive over the next 12-18 months.

NEUTRAL (NL): Fundamentals/valuations of the sector are expected to neither improve nor deteriorate over the next 12-18 months.

CAUTIOUS (CS): Fundamentals/valuations of the sector are expected to deteriorate over the next 12-18 months.

III. DISCLAIMER

The information and opinions contained herein have been compiled or arrived at based on the information obtained in good faith from 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.

This document is for information purposes only. This report is based on information that we consider reliable; we do not represent that it is accurate or complete and one should exercise due caution while acting on it. Description of any company(ies) or its/their securities mentioned herein are not complete and this document is not and should not be construed as an offer or solicitation of an offer to buy or sell any securities or other financial instruments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. All opinions, projections and estimates constitute the judgment of the author as on the date of the report and these, plus any other information contained in the report, are subject to change without notice. Prices and availability of financial instruments are also subject to change without notice. This report is intended for distribution to institutional investors.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject to SSSIL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially USA, the same may be ignored and brought to the attention of the sender. Neither this document nor any copy of it may be taken or transmitted into the United States (to U.S. persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. Any unauthorized use, duplication,

redistribution or disclosure of this report including, but not limited to, redistribution by electronic mail, posting of the report on a website or page, and/or providing to a third party a link, is prohibited by law and will result in prosecution. The information contained in the report is intended solely for the recipient and may not be further distributed by the recipient to any third party.

SSSIL generally 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, SSSIL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that they cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. Our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The views expressed in this research report 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. The compensation of the analyst who prepared this document is determined exclusively by SSSIL; however, compensation may relate to the revenues of the Systematix Group as a whole, of which investment banking, sales and trading are a part. Research analysts and sales persons of SSSIL may provide important inputs to its affiliated company(ies).

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations which could have an adverse effect on their value or price or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk. SSSIL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on the basis of this report including but not restricted to fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SSSIL and its affiliates, officers, directors, and employees subject to the information given in the disclosures may: (a) from time to time, have long or short positions in, and buy or sell, the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation (financial interest) or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential material conflict of interest with respect to any recommendation and related information and opinions. The views expressed are those of the analyst and the company may or may not subscribe to the views expressed therein.

SSSIL, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall SSSIL, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. The company accepts no liability whatsoever for the actions of third parties. The report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of the company, the company has not reviewed the linked site. Accessing such website or following such link through the report or the website of the company shall be at your own risk and the company shall have no liability arising out of, or in connection with, any such referenced website.

SSSIL will not be liable for any delay or any other interruption which may occur in presenting the data due to any technical glitch to present the data. In no event shall SSSIL be liable for any damages, including without limitation, direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by SSSIL through this presentation.

SSSIL or any of its other group companies or associates will not be responsible for any decisions taken on the basis of this report. Investors are advised to consult their investment and tax consultants before taking any investment decisions based on this report.



Systematix Shares and Stocks (India) Limited:

Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 34600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | Investment Advisor SEBI Reg. No. INA000010414 | AMFI : ARN - 64917