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GROUND VIEW

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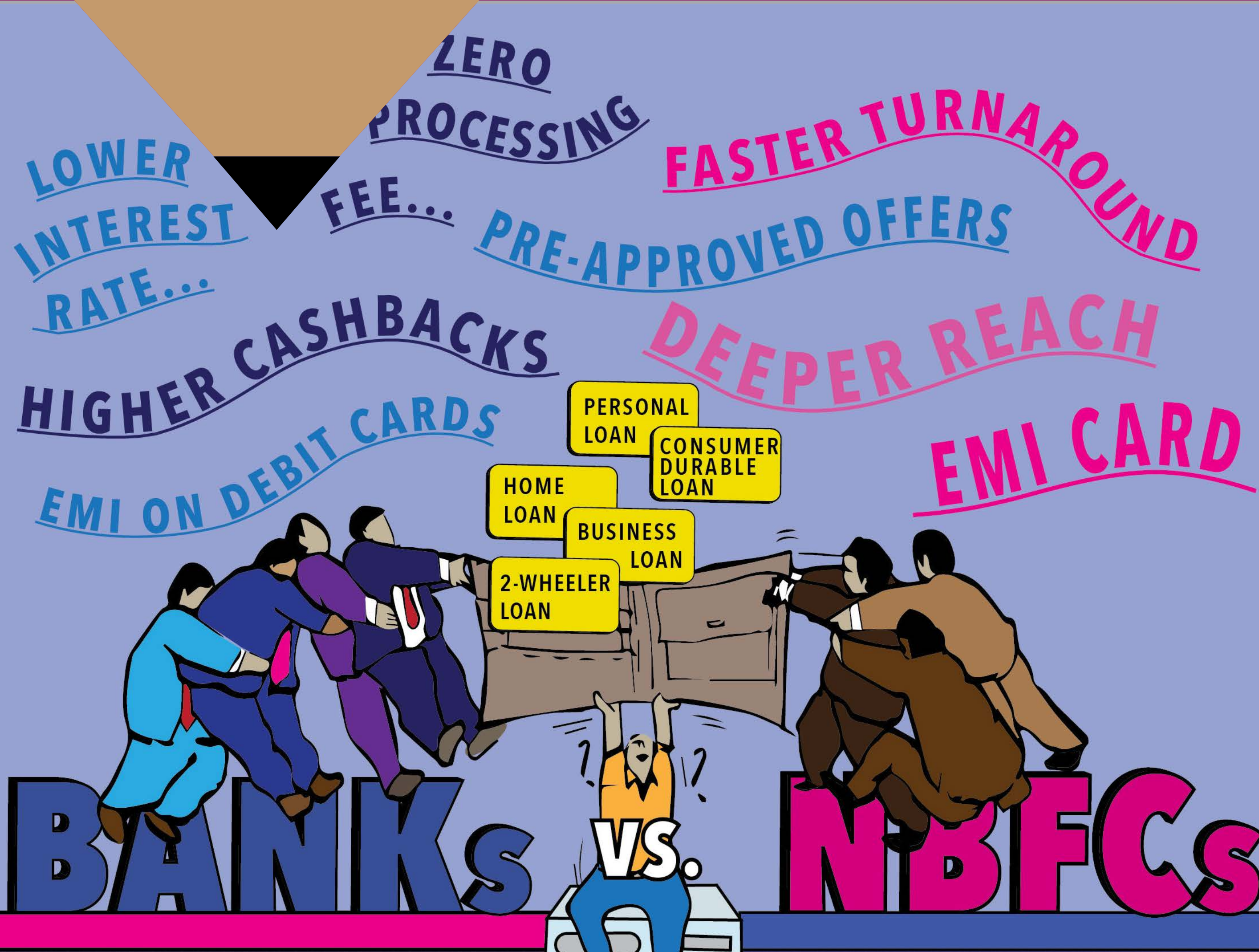

LET THE GAMES BEGIN

PhillipCapital

GROUND VIEW Vol 6. Issue 6. 1 - 31 OCT 2019

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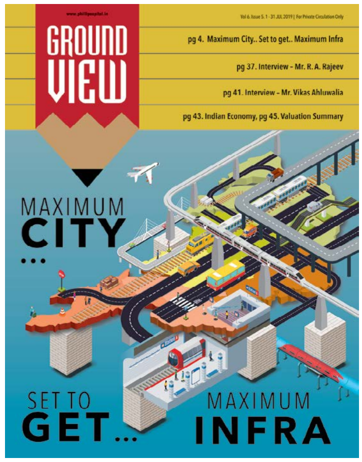
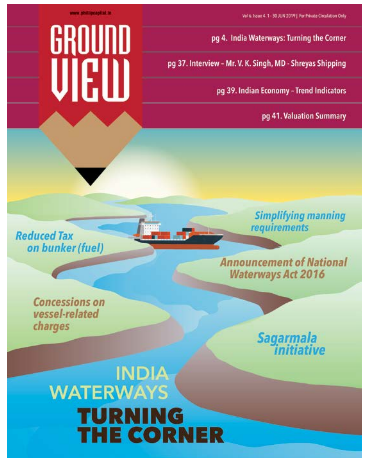
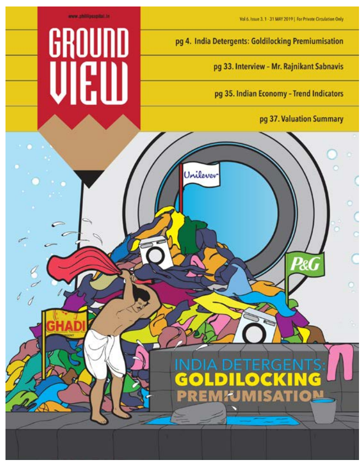


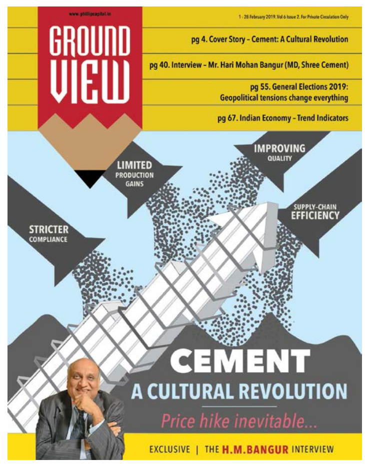
1st July 2019 Issue 4



1st June 2019 Issue 4



1st May 2019 Issue 3



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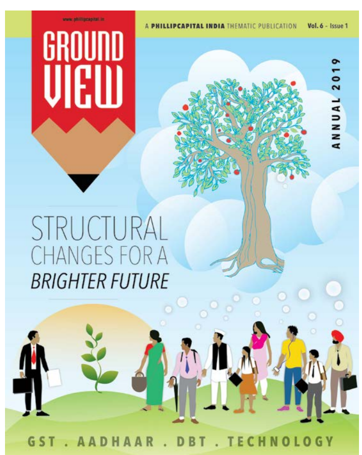

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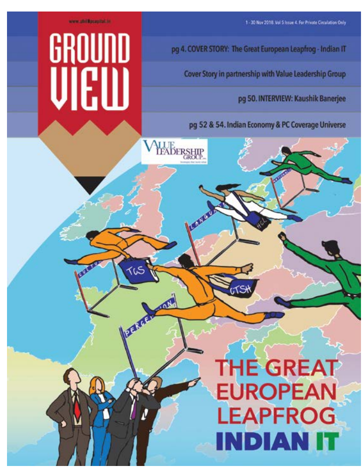


1st November 2018 Issue 4

Letter from the MD

Banks are changing. In their ethos, product profitability is giving way to customer profitability. The new mantra seems to be maximum wallet share through building long-term relationships. With this new spirit, banks have begun to rapidly encroach on the NBFC territory – some of whose business models thrive on a premium customer base, especially in consumer durables finance.

To corroborate the findings of our cover story, we also caught up with Mr Kush Mehra – Chief Business Officer, Pine Labs. Mr Mehra gave us an in-depth view into technological advancements in payments systems and solutions, which are not only benefiting customers and industry participants, but also changing business dynamics for banks and NBFCs.

This GV, while taking a look at the consumer financing market, tries to answer questions such as why Bajaj Finance became successful where others failed? What will happen to the market now that banks have realised that this segment is a gateway to cross-sell other products and will help prevent customer attrition? What does regulation say about zero-cost schemes? Are debit card EMIs a threat to credit cards?

To answer these and other important questions, PhillipCapital's BFSI team, led by analyst Pradeep Agrawal, interacted with participants across the value chain – viz. retailers, banks, NBFCs, consumers, OEMs, and POS machine providers. With natural advantages such as low cost of funds, banks are a rising and credible threat for NBFCs.

In the light of an impending face-off between banks and NBFCs, who is likely to emerge stronger and what are the key challenges ahead? To find out, read on…

Vineet Bhatnagar

CONTENTS

COVER STORY

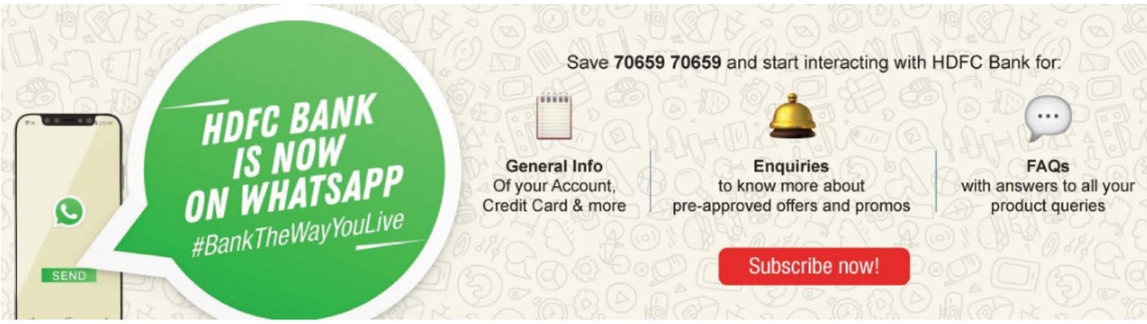
BY PRADEEP AGRAWAL

Banks vs. NBFCs – LET THE GAMES BEGIN

From their humble beginnings in the 1970s, as a viable alternative for customers whose financial needs were not sufficiently met by the existing banking system, NBFCs in India have come a long way in the last 20 years. So much so that they have gained prominence and added depth to the financial sector. In fact, with continued product innovation and with the help of analytics and technological advancements, they no long serve only the 'unbankable', but have been giving tough competition to banks. However, at the moment, learning lessons from past mistakes, banks are preparing themselves to fight back, regain lost ground, and re-establish their dominance. Will they succeed? Time will tell, but this issue tries to shed as much light as possible on the various factors in play.

Give it all, even if it is small

Banks are changing. Product profitability is giving way to customer profitability. The new mantra seems to be - give it all, even if it is small



Technologies making banking easy and quick for customers

Banks' ethos is changing rapidly

While looking at the details and nitty-gritties of zero-cost financing schemes prevalent in the current consumer durables segment, there was something very interesting that stood out. Something that could have huge negative ramifications for few NBFCs. Something that could dramatically change the business dynamics for banks and NBFCs ahead.

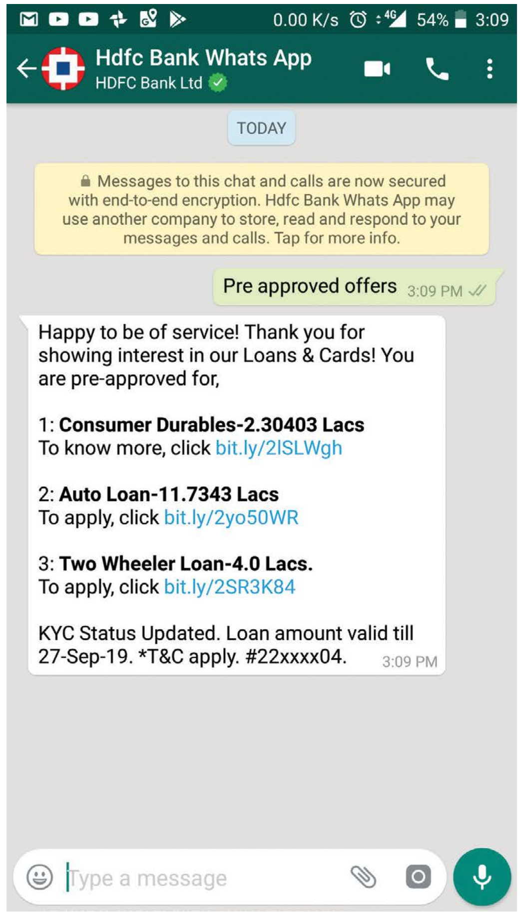
For decades, banks have been money centric, and have had a product-specific approach for pricing – which is essentially based on cost plus risk premium. However, of late, few banks, especially HDFC Bank, have turned very aggressive in zero-cost consumer durable financing, a product segment that we believe will not only be loss making in the near term, but even from a long-term perspective, will deliver a less-than-required rate of return for banks, due to very small ticket size and high opex costs.

In that case, why are banks seemingly committing hara-kiri? Interactions with various banks, OEMs, and retail chains revealed that banks have been losing customers to NBFCs and fintech companies because of the latter's product innovation and pull strategies. Here, pull strategies means roping in customers and then using analytical capabilities to cross-sell other products, including products that are offered by banks to customers.

Over the last 5-10 years, banks have lost credit-worthy customers to NBFCs and they are finally fighting back and trying to recover the ones they have lost. The customer drain that banks faced has brought about some hard changes in their DNA – they are now adopting a holistic approach towards their customers, rather than a transaction or product-based approach. Perhaps the most important shift is a never-before mantra – give it all even if it is small. If the customer is worthy, banks will lend, even if the ticket size is small, and even if it means a loss or negligible profit in that particular product or transaction. The objective now seems to be to not let customers take their business to other entities and eventually move away for good. Instead, banks are gearing up to offer them what they need.

Dawn of new-age banking: Maximum wallet share through building long-term relationships

Banks today are not only becoming sensitive towards customer needs and product requirements, they are working towards building strong long-term relationships with customers. In this process, they are even prepared to take losses. The mantra propping this new approach is to have maximum customer wallet share and look at an aggregate return over customers' life times, rather than one-time return on a single transaction. Banks are willing to take this approach even if it means no profit, or even losses in few products or services. They have realized that if their existing customers move to NBFCs or fintech companies because the banks have not been able to fulfil their requirement, there are high chances that these competitors will cross-sell other profitable products (which the banks offer too) to these poached customers . Banks have realized that they must focus on existing customers and reduce customer attrition to better tap into the lifetime value of their relationships.



A Vijay Sales store in Mumbai; the company operates one of the largest electronic retail store chains in India

A personal note from the author of this article, analyst Pradeep Agrawal

A business is all about building relationships, profitability follows automatically

This changed behaviour of banks reminds me of an incident from my past. My father is a first generation entrepreneur. He started a jewellery shop in 1980 with a stock of just 10 silver nose pins, and now owns two showrooms. In the last 40 years, he has not only outgrown other established people, but has also earned the respect of his customers. I can confidently say that his strategies and way of running the business has been successful. On many occasions that I accompanied him to the shop, I remember customers telling him to give them a discount or let go of his margins because they were buying from him for the first time ("Pehle baar le rahain hain aapki dukan se, is baar mat kamao, agli baar kama lena"). And to my consternation, my father used to oblige, giving customers an extra discount, even if it meant negligible margins for him in that particular transaction. Finally, I asked him why he does this. His reply has stayed with me – "This is not a discount beta (son) – it is an investment that I am making to build a long-term relationship with customers. This investment will give me many opportunities in the future to earn from those very customers. A business is all about building relationships, profitability follows automatically".

A worrying trend for few NBFCs whose business models thrive on a premium/ aspirational customer base

Consumer-durables financing used to be a product segment that banks weren't very keen on, and because of this, NBFCs such as Bajaj Finance took it up 10 years ago – and thrived. However, in the last six months, it is becoming quite clear that this segment is no longer pariah for banks – case in point, market leader HDFC Bank's aggression in this space. This new approach of banks – of looking at a customer from the perspective and prospective of their lifetime rather than per transaction – will lengthen the product offerings lists of banks and simultaneously increase the "not to do list" of products for NBFCs.

Despite the country's large and robust banking system, NBFCs in India have been thriving for four key reasons:

1. NBFCs tap customers that banks generally won't, because its easier to get a customers if he/she is not chased by banks.
2. They offer products that banks do not, as they cannot compete with banks in terms of pricing.
3. NBFCs are 'friendlier' in terms of processing speed and the amount of documentation needed.
4. Their reach is better than banks in smaller cities, towns, and villages.

With banks entering the fray, NBFCs will have a tough time, especially in geographies or product segments that bank are competitive in, and also in customer profiles that banks are willing to lend to. This is because banks have a natural advantage in terms of lower cost of funds and no NBFC would be able to match them in terms of pricing.

Banks have a natural advantage in terms of lower cost of funds and no NBFC would be able to match them in terms of pricing

Case study:
Grabbing aspirational customers early

Consumer durables zero-cost finance schemes that have changed the way banks look at customers

A chain is only as strong as its weakest link – one weak part will render the whole chain weak. Consumer-durables financing was that weakest link for banks, which Bajaj Finance made the most of. So how has a small segment like consumer-durables financing changed the way banks look at its customers. What did NBFCs such as Bajaj Finance foresee in this segment 10 years ago, and why did banks take so long to understand this game?

The answer perhaps is that it is not about the product, it is about the nature of the customer that is associated with consumer goods. It would be a reasonably fair assumption that people buying consumer goods would have an aspirational nature. Such customers are assets for any financial institution, as they take more loans throughout their life spans – certainly more than non-aspirational customers would. For quite a while now, customers, especially aspirational ones, no longer save to purchase goods such as ACs, refrigerators, TVs, or washing machines – they simply purchase these goods on finance. As they mature, these customers are likely to take big-ticket loans such as home loans. So, if a bank or an NBFC get a hold of such a customer early on, there is a high probability that they can cull more business out of them through their life span.

The BFSI research team at PhillipCapital conducted a small survey (50 people) to find out the first thing that they bought on finance after they started working – home, car, two wheeler, or consumer durables and 90% said either a consumer durable good or a two wheeler. This says a lot about the changing mind-set of customers and so also banks' changing attitudes towards customers. For banks, a customer is no longer just a 'transaction' or a 'swipe'; they have started looking at customers from a lifelong relationship point of view.

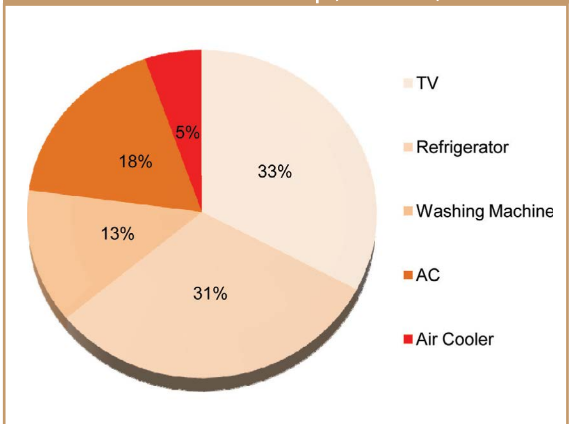
An IFB point in Mumbai. This is one of the largest players in front-load washing machines and microwaves in India

A rapidly growing sector, with rising financial needs

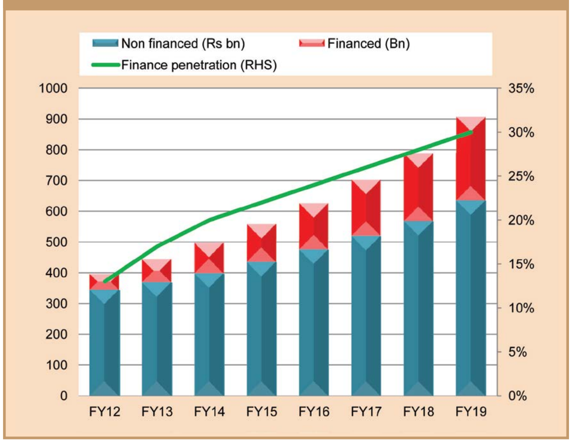
Availability of easy finance schemes at low-cost or zero-cost EMIs from NBFCs and banks – such as Bajaj Finance, IDFC First Bank, and HDFC Bank – have helped improve financial penetration

The size of the consumer durables industry (only large home appliances) stands at c.Rs 900bn. Of this, TVs contribute the maximum at 33%, followed by refrigerators at 31%, air conditioners at 17%, washing machines at 13%, and air coolers at 5%. While the industry's CAGR over FY12-19 has been a robust c.15%, the financed book that caters to this industry has seen an even more rapid pace of 32% CAGR, driving finance penetration to 30% in FY19 from just 13% in FY12. A large part of this growth has come from urban markets, which contribute c.65% of the total business.

Consumer durables sector: FY19 sales break up (Rs 905bn)



Financed share improved to 30% over the last five years



Consumers prefer zero-cost finance; manufacturers bear most of the interest cost

Up to the end of last decade, a large part of consumer durable purchases used to be either in cash or via upfront payments through credit or debit cards, as banks' traditional loan schemes were quite tedious, and tardy in terms of delivery of finance. However, with NBFCs expanding their reach beyond metros and becoming quite customer friendly in terms of cost, speed, and documentation (lesser), many more customers started opting for finance schemes.

A Croma store in Mumbai; this Tata enterprise is also one of the largest electronic retail store chains in India

Interaction with participants across the value chain – viz. retailers, consumers, and OEMs, revealed the following reasons for rising preference for finance schemes:

1. **Affordability and subvention:**
   This is a major factor underpinning preference. In this industry (consumer durables), easy-finance schemes are available at zero-cost EMIs, as brands majorly bear the interest cost (subvention). This is unlike any other industry.

2. **Expanding reach of banks and NBFCs:**
   Increasing reach of non-banking financial companies and banks beyond tier-1 cities is also a major factor.

3. **Digitisation:** Demonetisation also acted as a trigger point for NBFCs/banks to get into the consumer finance market more aggressively, thus allowing easy finance options.

4. **Customer-friendly process:** NBFCs/banks have become quite friendly in terms of speed and less documentation. While it used to take 15-30 minutes a few years ago to process a consumer durable loan, now it happens instantly, with just one swipe.

5. **A rise in aspiration levels** is driving demand for high-ticket consumer goods, as zero-cost EMIs makes it more affordable.

Understanding the dynamics of these products

Banks and NBFCs offer zero-cost EMIs under which the total amount paid by a customer to banks or NBFCs will be the price of the product split equally across the EMI tenure. In these schemes, the interest payable to banks or NBFCs is offered as an upfront discount while buying the product, effectively making the EMIs 'zero-cost'. That interest amount (or discount) is paid by the brand to the bank, which is also know as subvention.

There are four parties involved in any zero-cost finance product, financier, retailer, manufacturer, and customer. So how exactly does it become a zero-cost EMI for the customer? This illustration will throw some light on it.

- Lalita wants to buy a washing machine worth Rs 30,000.
- The seller, Bright Electronics, will provide an upfront no-cost EMI discount of Rs 638, which will be equal to the interest her bank will charge on a three-months EMI.
- The price of the product is reduced to Rs 29,362 and the bank (offering the EMI) charges Lalita interest on Rs 29,362, which is considered the actual loan amount, not the price of the product, which is Rs 30,000).
- For the bank, the credit is Rs 29,362 + interest of Rs 638 for 3 months = Rs 30,000.
- This Rs 30,000 will be converted to 3 EMIs of Rs 10,000.
- Lalita ends up paying Rs 30,000 in three EMIs of Rs 10,000 each, without any interest, down payment, and processing fee.

What do dealers or merchants get in this transaction?

- Dealers receive the full transaction amount of Rs 30,000 adjusted for MDR fee (applicable in the range of 0.75-2.0%; charged by POS machine providers).
- The customer pays Rs 30,000 (including interest) and Rs 638 is paid by brands as subvention cost to the banks or NBFCs that gave the EMI option.
- Sometimes, dealers also tie up with a bank for cash-back schemes. In these instances, the cost of the cash-back is split between retailers and banks in a pre-agreed proportion.

So is it actually zero cost for customer or are there any additional cost?

Apart from the actual price of

Amazon explains zero-cost EMI to its customers the product, Lalita has to pay 18% GST on the interest amount – an additional Rs 114 over the Rs 30,000. No-cost EMI is not exempt from tax on the interest part.

Why does a brand bear the interest cost? What's is in it for them?

For most large brands such as Samsung, LG, and Voltas, the financed book accounts for 30-40% of sales. So at 20-27% IRR, which is normally charged by banks and NBFCs, subvention cost works out to 1.5-2.0% of these companies' total turnover. They account for this cost as part of their marketing expense. The benefit for them is that it makes high-ticket goods more affordable for customers and drives demand as a result. It's a win-win situation for both consumers as well as manufacturers.

Another example of a transaction

Amit is a working with a FMCG company and he recently bought a product on Amazon at zero-cost EMI with his ICICI Bank Credit Card. The cost of the product was Rs 4,029. He had three payment options – cash on delivery, upfront payment through credit or debit card, or zero-cost EMI option with tenures of 3, 6, and 9 months. He choose the 6-month EMI of Rs 671.5, at the end of which he would pay Rs 4,029. He did not have to pay any processing or foreclosure charges, but he had to pay an additional charge of Rs 26.72 as GST on the interest amount – which is 0.7% of the total price of the product.

ICICI Bank

Amortization Schedule

File No. : 18795471 Card No. : 4315XXXXXXXX3007 IRR : 13

TXN Date : 16-Aug-2019 Foreclosure Fee : 0% Processing Fee : 0.00

Sr. No.	EMI Levy date	EMI Amount #	Principal Amt	Interest Amount	IGST*	CGST*	SGST*	Principal Bal.
1	16-Aug-2019	671.50	629.46	42.04		3.78	3.78	3251.08
2	16-Sep-2019	671.50	636.28	35.22		3.17	3.17	2614.80
3	16-Oct-2019	671.50	643.17	28.33		2.55	2.55	1971.63
4	16-Nov-2019	671.50	650.14	21.36		1.92	1.92	1321.49
5	16-Dec-2019	671.50	657.18	14.32		1.29	1.29	664.31
6	16-Jan-2020	671.50	664.31	7.19		0.65	0.65	0.00
TOTAL			3880.54	148.46		13.36	13.36	

1) *As may be applicable from time to time (applicable on processing fee, interest amount and foreclosure charges)
2)# EMI amount does not include Goods and Services tax amount .
3) Payment should be made in favour of 'ICICI Bank Credit Card No 4315XXXXXXXX3007'
4) Payment should be made as per your ICICI Bank Credit card due date.
5) To activate 'Auto Debit' on your account, Kindly fill the Auto debit mandate form and send it to the address mentioned in the form.
6)If the cardholder has availed of the foreclosure facility,he/she will have to pay the foreclosure principal amount,foreclosure fee,and subsequent month's interest charges.Goods and Services tax applicable on foreclosure fees and next month's interest charges.
7) Processing Fees and first EMI should be paid in the first statement after availing the loan.
8) The Card Member may foreclose the Facility at any time by contacting ICICI Bank's Customer Care.

ICICI Bank's amortisation schedule for a zero-cost EMI of Rs 4,029

amazon pay | ICICI Bank Credit Cards

4315XXXXXXXX3007

14/08/2019	3722827225	AMAZON 6 EMI MUMBAI IN	0.00 CR
16/08/2019	3722827226	Interest Amount Amortization - <1/6>AMAZON 6 EMI	42.04
16/08/2019	3722827228	CGST-CI@9%	3.78
16/08/2019	3722827232	SGST-CI@9%	3.78
16/08/2019	3722827234	Principal Amount Amortization - <1/6> AMAZON 6 EMI	629.46

EMI / PERSONAL LOAN ON CREDIT CARDS

Transaction/ LoanType	Creation Date	Finish Date	No. of Installments	EMI/Loan Amount	Pending Installments	Outstanding Amount*	Monthly Installment Amount
Merchant EMI conversions	16/08/2019	16/01/2020	6	3,880.54	5	3,357.50	671.50

*For EMI Purchases and Loans within Credit Card limit, the credit limit of the credit card will be blocked by the amount which is equal to outstanding amount + Applicable Taxes and fees.
*For loan on Credit Card-over the limit (PLCC OTL), the credit limit of the credit card will be blocked by the amount which is equal to billed EMI/EMIs + Applicable Taxes and fees.

Amit's credit card statement: How the EMI reflects in it…

Competition to intensify as banks try to capture NBFCs' territory

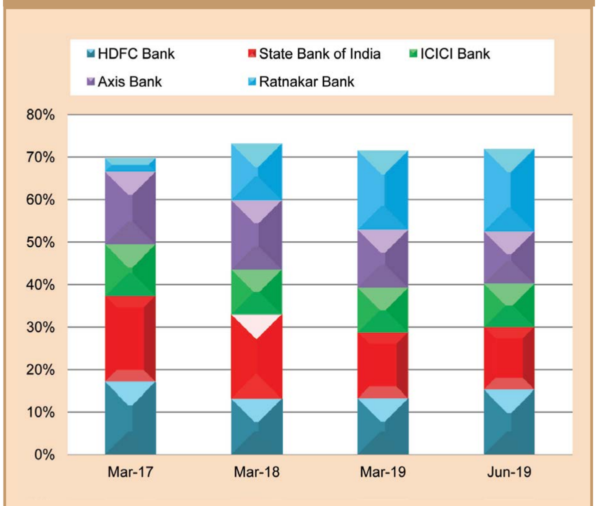
As banks are making an all-out effort to correct past mistakes, NBFCs could suffer

The story of the rise of NBFCs in India in consumer-durables finance begins with Bajaj Finance and how it cracked the code in an otherwise unprofitable segment...

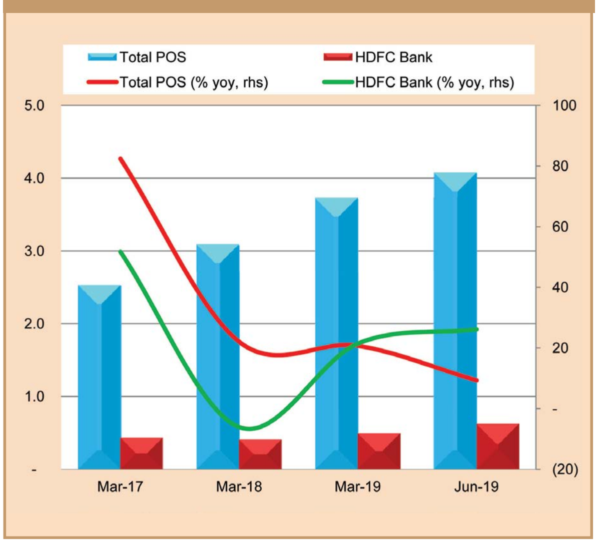
During 2001-2010, there were many banks and NBFCs who started consumer-durables financing, but most quit after only a few years when they realized that due to the very small ticket size, opex in the segment was pretty high at 10-18%. Additionally, credit costs were also higher at 3-8%. As none of them were able to generate profits in this product category, most either stopped CD financing or continued it selectively. The only NBFC that was able to crack this business was Bajaj Finance.

Bajaj Finance ramped up its presence quite fast across dealership points, even in smaller cities, and eventually was able to reduce opex cost, substantially aided by higher volumes. Moreover, with the help of analytics and robust risk-management systems, it was able to manage credit costs at very low levels. As a result, it was able to generate profitability in the product segment where banks or other NBFCs failed. So it wouldn't be wrong to say that it was Bajaj Finance that actually created the market for consumer-durable finance.

Market share of major players in POS machines



HDFC gained significant market share



Banks are now becoming aggressive in this space, making significant dents into Bajaj Finance's stronghold in just the last six months

Interactions with various large retail chains, exclusive outlets, small shops, and OEMs suggest that banks (particularly HDFC Bank) have become very aggressive in zero-cost financing since the last six months. They have increased their dealership presence significantly and are also offering lucrative schemes. While paper finance require a physical presence (of the bank or NBFC's executive), card finance does not. Card-finance schemes can be activated (on the HDFC POS machines provided by Pine Labs) by the merchant. As of March 2019, HDFC had 4.9 lakhs POS machines, which is 13% of the entire banking system. However, in just the first quarter of FY20, it increased this number by a whopping 26% to 6.2 lakhs, taking its market share to +15%. Channel checks suggest that HDFC Bank has wrested significant market share from Bajaj Finance in the last six months – the bank's market share improved to 15-20% in H1FY20 vs. less than 5-10% in FY19 while Bajaj Finance's share has come down to 55-60% from 70-75% last year.

Why are banks suddenly getting aggressive in this space? Is it the profitability or something else?

Bajaj Finance didn't stop at just consumer durables finance, it used the analytics to cross-sell other products such as home loans, personal loans, business loans and two-wheeler loans. No other NBFC or bank saw this coming! Bajaj Finance used the 'pull strategy' by offering easy finance on a product, which no other bank or NBFC was offering, and then once the customer was in, it was easy to cross-sell other loans. And, in the process, it continued to grab a larger wallet share – not only from the new/potential customers of banks, but also from their existing ones. This started making

The cost structure and profitability of a typical NBFC engaged in CD financing

NBFC Dupont (Consumer durable financing	1st year	2nd year	3rd year	4th year	5th year	6th year
IRR	27%	27%	27%	27%	27%	27%
Cost of funds	8%	8%	8%	8%	8%	8%
NII	19%	19%	19%	19%	19%	19%
OPEX	16%	15%	14%	13%	12%	10%
PPOP	3%	4%	5%	6%	7%	9%
Provision	15%	13%	11%	9%	8%	5%
PBT	-12%	-9%	-6%	-3%	-1%	4%
Tax						1.3%
PAT	-12.0%	-9.0%	-6.0%	-3.0%	-1.0%	2.7%
Leverage						6.8
RoE						18%

*Opex ratio is a function of volume, which is contingent upon dealership presence.
*As this was a new category, and players did not have refined risk models, they had to undergo the try-test-improve method. Hence, the credit cost has become better over a period.

private banks worried. The recent aggression is a fallout of this worry – banks are making an all-out effort to correct past mistakes.

The profitability of NBFCs in CD loans

CD loans for NBFCs have a high IRR of 25-27% due to the subvention income received from manufacturers and the processing fee. However, operating costs are also high at around 10-15% as they incur significant costs – they need to have a physical presence at dealership points for documentation. In the initial years of operations, opex remains high at c.15% and as reach and dealership presence increases, and with introduction of EMI and loyalty cards, the ratio stabilizes at 9-10%.

Credit costs are relatively high at around 3-8%, given the unsecured nature of these loans. In the first few years, credit cost can be higher at 5-8%, which gradually stabilize at 3-5% in 4-5 years. Overall, NBFC players should make 2-3% RoA and 15-20% RoE once the business achieves scale. One NBFC said it achieved break even in 4-5 years.

The profitability of banks in CD loans

Banks generate an IRR of just c.20% on consumer-durables loans, which is significantly lower than what NBFCs make. While banks' opex ratios are generally higher than NBFCs due to their higher regulatory costs, their credit costs are lower than NBFCs. This means that even after achieving scale in say 5-6 years, a bank wouldn't be able to make much profit from this enterprise. Profit is not the motive for banks entering this business with new gusto, having the maximum wallet share of its customers is, even if it comes at a slight cost.

Therefore, even if banks won't generate much return from consumer-durables finance, this enterprise provides a big enough opportunity to cross-sell other products. Besides, banks do not want to lose its customers to other banks or NBFCs because they did not offer a product. Banking is a relationship business, and if customers move out to any other bank or NBFC for any product needs, there is a high chance that they will be lured away for other product requirements, even if their home banks offer these products.

The cost structure and profitability of a typical bank engaged in CD financing

Bank Dupont (Indicative)	1st year	2nd year	3rd year	4th year	5th year	6th year
IRR	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
cof	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
NII	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
OPEX	17.0%	16.0%	15.0%	14.0%	13.0%	12.0%
PPOP	-2.5%	-1.5%	-0.5%	0.5%	1.5%	2.5%
PROV	3.5%	3.3%	3.0%	2.8%	2.5%	2.3%
PBT	-6.0%	-4.8%	-3.5%	-2.3%	-1.0%	0.3%
TAX						0.1%
PAT						0.2%
Leverage						7
RoE						1.2%

*Opex ratio is a function of volume, which is contingent upon dealership presence.
*As this was a new category, and players did not have refined risk models, they had to undergo the try-test-improve method. Hence, the credit cost has become better over a period.

Who will have the last laugh? Banks or NBFCs?

For this, it is important to understand the difference between a bank and a NBFC's zero-cost scheme

Loan from Bajaj Finance

- Sumit, a salaried person working with a bank, buys a Samsung TV from a multi-brand retail chain on zero-cost EMI from Bajaj Finance.
- The price of the product is Rs 46,500. He makes a 35% down payment of Rs 16,200 and opts for 4 upfront EMIs that total Rs 10,100 (Rs 2,525*4). The remaining amount, Rs 20,200, (what is left after reducing Rs 16,200 + Rs 10,100 from the product price of Rs 46,500) is distributed over eight EMIs. He also had to incur some processing fee.

Statement of Account BAJAJ FINSERV

NAME	[redacted]
Mailing Address	[redacted]
Customer ID	[redacted]
Branch	BANGALORE
Product	CONSUMER DURABLE
Linked Agreement Number	
Asset Description	SAMSUN-LCD/43F4900
Total Loans	1
No.Of Active Loans	0
No.Of Closed Loans	1
Mobile	[redacted]
EmailId	[redacted]
Loan Purpose	
AMC %	

LOAN ACCOUNT STATEMENT FOR [redacted]

LOAN DETAILS	
Loan Amount	30,300.00
ROI	0.00%
Tenure	12
EMI Received	20,200.00
Last Disbursal Date	24/04/2014
First Due Date	05/06/2014
End Installment Date	05/01/2015
Advance Instl.Amount/Number	10,100.00/4
Status	Closed
Future Installment Amount	0.00
Future Installment Number	0
Future Principal Component	0.00
Future Interest Component	0.00
Fee Charge	0
Interest paid by Mfgr/Dealer	1770
Repo Status	
Repo Date	
Sale Date	
Release Date	

Statement of accounts for Sumit's loan from Bajaj Finserv

EMI scheme from Bajaj Finance

Details	Rs
Total asset value	46,500
Upfront payment cash/ card	16,200
Finance value	30,300
Upfront EMI (2525*4)	10,100
Effective loan amount(2525*8)	20,200
Interest cost passed as discount (Sub-vention from Mfgr/ dealer)	1,770
Billed loan amount (for interest and subvention calculation)	18,430
Implied Interest rate (%)	25.0%
EMI tenure	8 months

EMI schedule

Months	EMI	Prin. Amt.	Inter-est @ 25%	Prin. Balance
1	2,525	2,141	384	16,289
2	2,525	2,186	339	14,104
3	2,525	2,231	294	11,872
4	2,525	2,278	247	9,595
5	2,525	2,325	200	7,270
6	2,525	2,373	152	4,896
7	2,525	2,423	102	2,473
8	2,525	2,473	52	0
	20,200	**18,430**	**1,770**	

Another example of zero-cost EMI through a real case

- Satish bought a top-load washing machine from an exclusive IFB outlet.
- The product price was Rs 21,000, and he was given option of zero-cost EMI from both Bajaj Finance and HDFC Bank.
- He choose The HDFC Bank Credit Card zero-cost EMI scheme, and swiped his card at the merchant's POS machine.
- Incidentally, this POS machine is from a company called Pine Labs-Plutus – the only one that provides all banks with the EMI option at the merchant outlet.
- To start Satish's EMI, the merchant selected HDFC BANK ZERO COST EMI SCHEME with a 6-months tenure at the POS machine itself.
- The merchant immediately received Rs 21,000 less 1.2% MDR fee) in his account.
- The bank blocked Satish's credit-card limit by the loan amount of Rs 20,223 (Rs 21,000 les Rs 777 (Interest), which is 20,223).
- The bank converted the loan amount into an EMI scheme in two days, and the first EMI was deducted two days after the transaction.
- The Brand (IFB) paid the subvention amount of Rs777 (interest amount) to Pine Labs, which paid it back to the respective bank from which the EMI was taken.


HDFC BANK
We understand your world
HDFC BANK
IFB INDUSTRIES LTD
MUMBAI MAH
DATE :2019-09-08 TIME :17:34:36
MID : TID :
BATCH NUM :000057 INV. NUM :000092
BILL NUM : 1234
Sale
485498******9982 Chip
EXP DATE :XX/XX CARD TYPE :VISA
TXN ID :2159599598 APP: VISA CREDIT
AID: A0000000031010 TVR: 0080048000
TSI: F800 TC : BA008826F0AF486
APPR CODE :085643 RRN : 0000000001
PRODUCT INFORMATION
Merch/Mfr Name : IFB
Prod Category : WM TL
Prod Desc :
Prod Serial :
Mobile :
Tenure : 6 Months
Card Issuer : HDFC BANK
Txn Amt : INR21000.00
Merch Payback : 3.70%
Merch Payback Amt : INR777.00
Loan Amt : INR20223.00
Easy EMI Fin Charge (p.a.) : 13.00%
EMI Amt : INR3499.44
Total Amt (With Intt) : INR20996.64
CUSTOMER CONSENT FOR EMI
#.I have been offered the choice of normal as well as EMI for this purchase and I have chosen EMI
#.I have fully understood and accept the terms of EMI scheme and applicable charges mentioned in this charge-slip
#.EMI conversion subject to Banks discretion and may take minimum 4 working days
#.GST extra on interest amount
#.For the First EMI, the Interest will be calculated from the loan booking date till the payment due date
PRODUCT INFORMATION
Merch/Mfr Name : IFB
Prod Category : WM TL
Prod Desc :
Prod Serial :
Mobile :
#.You are entitled for a cashback of 10% with max cashback of Rs.3000 per card account per month. The cashback will be credited in 90 days.
TnC apply
BASE AMT. :INR 21000.00
SIGN:
I AGREE TO PAY AS PER CARD ISSUER AGREEMENT
**** MERCHANT COPY ****
THANK YOU!
Plutus v1.49.3 MT HDFC

Jab Miya bibi razi to kya kar lega kazi. This age old Indian saying (which loosely translates to – when the bride and groom are ready, how can the priest object) fits this scenario perfectly. When brands and customer want to go with banks, what good would it do for NBFCs to object?

OEMs prefer banks for subvention schemes, as the cost is half. However, the limited dealership presence of banks is a challenge

One of the leading consumer-durables companies revealed that 30% of its turnover is sold on finance (paper finance + card). Of this financed book, 85% is from Bajaj Finance. It said that with the current subvention cost structures of NBFCs, it may cap the financed book at 40% of its turnover, as beyond this, this would start having a significant negative effect on the company's margins. However, if this consumer durables company were to shift its business to banks, it could achieve 50-60% finance penetration in the same subvention budget. While it is aggressive – it has tied up with banks such as HDFC and ICICI already – it finds the limited presence of banks in dealerships in smaller cities a challenge. While HDFC Bank has become aggressive in the last 5-6 months, its presence is still significantly lower than Bajaj Finance's.

Customer also prefer banks over NBFCs – as the former have better offers

When customers go with banks for their consumer finance needs, they get better offers as compared to NBFCs. Most banks run cash-back offers, which Bajaj Finance very rarely offers, because it is the sole lender at many dealership points in smaller cities. One of the leading consumer durables companies said that its share of bank finance has increased to 25% in metros vs. just 5% a year ago.

Where does regulation stand on zero-cost schemes?

Basically, the RBI does not permit banks to issue zero-interest loans. Therefore, in zero-cost EMI schemes, the interest cost is paid by brands to the banks – so it does not become zero interest for banks

- As far back as 2001, RBI had issued a circular that directed banks to end the practice of offering 0% EMI schemes for purchasing consumer durables. Banks were not allowed to charge interest on purchases of consumer durables at below their benchmark prime lending rates (BPLR). Later, from July 2010, banks moved on to the base-rate system; they were not allowed to lend below the base rate.

- While banks followed the guidelines in letter, the spirit was missing. In 0% EMI schemes offered on credit card outstanding, the interest element was often camouflaged and passed on to customer in the form of a processing fee. Similarly, some banks were loading expenses incurred in sourcing the loan (such as DSA commissions) in the applicable RoI charged on the product.

RBI came out with an additional notification in 2013

- In this, the RBI said that banks should refrain from offering low / zero percent interest rates on consumer durable advances to borrowers through adjustments of discounts available from manufacturers / dealers of consumer goods, since such loan schemes lack transparency in operations and distort the pricing mechanism of loan products. Also, these products do not provide a clear picture to customers about the applicable interest rates.

- It asked banks not to promote such schemes by releasing advertisements in different newspapers and media indicating that they are promoting / financing consumers under such schemes. They should also refrain from linking their names in any form / manner with any incentive-based advertisement where clarity regarding interest rate is absent.

Banks are in full compliance with guidelines

- As a result of these guidelines, banks stopped adjusting discounts received from manufacturers/ dealers in the interest rate. Moreover, they became transparent in disclosing the interest rates charged and the subvention amount received from brands. However, as these guidelines are applicable only to banks, NBFCs are free to not disclose interest rates and the subvention amount. HDFC Bank discloses all information about interest rate charged, loan amount, merchant payback and tenure. Banks aren't keeping grey areas or hiding anything from customers. They are abiding by all guidelines on these type of loans. So presently, the RBI does not have any objection to the current way in which zero-cost EMI schemes are offered by banks. In fact, banks hope that to create a level playing field, the regulator will extend these guidelines on to NBFCs as well. If this happens, even NBFCs will have to disclose all details such as interest rate, subvention amount, etc.

Are these the next disruptors? Let's find out...

Lower POS penetration is an impediment to the widespread use of credit and debit cards

While POS penetration has improved, it still remains one of the lowest globally. The CAGR of the number of POS machines was a robust 28% over FY12-19 – to 3.7mn from 0.7mn. Nevertheless, penetration still remained one of the lowest globally. India has just 3,000 machines per million population. In contrast, Brazil has c.35,000 terminals per million people and China and Russia have c.45,000. A closer look at India's data shows that 70% of the country's POS terminals are installed by just five banks, who happen to have large credit-card portfolios.

POS penetration remains low because there is lower incentive for putting up payment infrastructure

Typically, banks charge 2.0-2.5% per transaction for credit cards. For debit cards, the RBI has capped the MDR (Merchant Discount Rate) at 0.4% for smaller merchants and 0.9% for larger merchants. The problem lies in how MDR is shared between banks that issue the card and banks that accept the payment. For credit cards, the issuing bank gets c.1.8% of the MDR. For debit-card transactions, the issuing banks make 0.5-0.75% of the MDR fee. Not surprisingly, for banks it is less profitable to install POS machines as a larger share of the MDR fee is taken by the card-issuing banks.

What is MDR fee?

The merchant discount rate (MDR) is charged to a merchant or dealer for payment-processing services on debit or credit card transactions. The acquiring bank (which installs the POS machines) collects MDR from the merchant and pays an interchange (I) fee to the card-issuing bank and a network fee (N) to the card scheme. The MDR basically compensates for the following: (1) the bank issuing the card (by paying an interchange fee), (2) the bank which puts up the swiping machine (Point-of-Sale or PoS terminal), (3) and network fee to network providers (such as Mastercard or Visa) for their services.
MDR charges are usually shared in a pre-agreed proportion between these parties.

What is POS?

A point-of-sale or POS terminal is a hardware system used to process card payments at retail and other merchant locations. These terminals process payments of debit and credit cards by reading the magnetic strip or chip on cards to check for sufficient funds to transfer to the merchant. POS terminals also record and generate a payment receipt for transactions.

Improving POS network driving higher spend on credit/ debit cards

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	CAGR
Total POS Machine (Mn)	0.7	0.9	1.1	1.1	1.4	2.5	3.1	3.7	28%
No of card transactions at pos (Mn)									
Debit card	328	467	619	808	1,174	2,399	3,343	4,414	45%
Credit card	320	397	509	615	786	1,087	1,405	1,763	28%
Total value transacted at POS (Rsbn)									
Debit card	534	743	955	1,213	1,589	3,299	4,601	5,935	41%
Credit card	966	1,230	1,540	1,899	2,407	3,284	4,590	6,033	30%
Total no. of cards outstanding (Mn)									
Debit card	278	331	394	553	662	772	861	925	19%
Credit card	18	20	19	21	25	30	37	47	15%
Avg spend per debit card transaction (Rs)	1,633	1,591	1,543	1,510	1,357	1,372	1,377	1,344	-3%
Avg spend per credit card transaction (Rs)	3,020	3,100	3,023	3,087	3,062	3,025	3,260	3,420	2%
Avg no. of transaction per debit card/ Month	0.11	0.13	0.14	0.15	0.16	0.27	0.34	0.39	20%
Avg no. of transaction per credit card/ Month	1.51	1.78	2.24	2.56	2.89	3.32	3.47	3.48	13%
Avg monthly spend per debit card (Rs)	175	202	217	223	216	370	466	518	17%
Avg monthly spend per credit card (Rs)	4,561	5,527	6,777	7,894	8,850	10,042	11,314	11,899	15%

In India, the RBI specifies the maximum MDR charges that can be levied on every card transaction. The interchange is usually enabled by the card scheme, which assures revenue for the card-issuing bank. This incentivises the issuing bank to keep issuing more cards, and to spend on marketing and loyalty programs so that cardholders use cards frequently. The MDR fee is traditionally market determined, and is a contract between the acquiring bank and the merchant, based on the merchant's volumes, risk, and infrastructure needs.

MDR caps globally

India	0.4-0.9% on debit cards
US	0.05%+$0.22
China	0.35% for debit cards & 0.45% for credit cards
Canada	1.5% for card credit/ Nil for Debit card
EU	Credit card 0.3%/ Debit card 0.2%
Australia	0.5% for credit cards/ 0.08% for debit cards

We thus have the equation: Merchant Discount Rate = Interchange + Network fee + Acquirer's processing fee

The Merchant Discount Rate (MDR) for debit and credit cards used to be similar in India until 2012. However, since then, the RBI has reduced MDR fee on debit cards to encourage the use of debit cards, especially at smaller merchants and service providers and locations. This move is encouraging all categories and types of merchants to deploy card-acceptance infrastructure and also facilitate acceptance of small value transactions. Further, in the case of the acquiring banks, a certain element of guarantee on the Return on Investment (ROI) is required for deepening the card acceptance infrastructure. A lower MDR with the expected increase in transaction volume because of network effects would result in a reasonable ROI for acquiring banks. The MDR fee paid by merchants on credit card was around 1.7% vs. 0.6% for debit cards in FY19.

Debit-card EMI schemes are a threat to EMI and credit cards; early signs of a trend

Interaction with MBOs (multi brand outlets) and retailers suggest that with large private and PSU banks now rolling out zero-cost EMI schemes even on debit cards (these, until a few months ago, was available only on credit cards and Bajaj Finance EMI Cards), more customers are now able to avail of zero-cost EMI, provided they pass through banks' filtering processes. While there are 47mn operational credit cards in the system, debit-card numbers are significantly higher at 925mn.

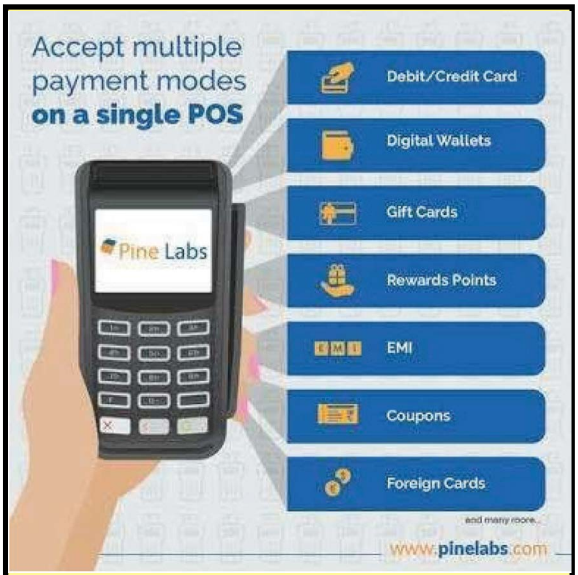
Banks that GV spoke to said that not all debit card holders are eligible for EMIs; this facility is based on credit profile. Nevertheless, even if 35% of debit card holders have a suitable credit profile, the number will be large – as high as 4x-5x of the present credit-card base. Moreover, retailers also feel that debit cards will take market share from existing EMI cards and credit cards, because using a debit card is much more convenient and there are no hassles of remembering the monthly bill payment date – the EMI is deducted from the savings account directly.

Customers prefer debit cards over credit cards

Abhishek, who is working with a bank, recently bought a LG washing machine on his debit card from a multi-brand outlet. He had two options – his HDFC Bank Debit Card or HDFC Bank Credit Card. He chose his debit card. He said, "Cost will remain the same in both modes of payment, but the debit card is much more convenient. I don't need to worry about monthly bills as I keep a minimum balance of Rs 25-30,000 in my savings account. In credit card there is a risk of huge late payment fees and interest charges if I forget to pay the monthly bill on time."

Pine Labs POS offer EMI scheme activation at the merchant outlet; a service earlier not available

- Pine Labs offers a single point of contact for activation of EMIs across multiple issuers, subvention collection, and settlement.
- It offers no-cost convenient EMIs, cashback offers, and discounts directly at the point of sale.
- Has a tie up with 19 card issuers with 40mn+ customers.
- Also, it offers first-of-its-kind EMIs on debit cards.



POS QUANTITY – 1

Plutus Secure License Fee (One Time) 2500/-

1. Terminal Type – DGPRS
2. Service Fee – Rs 550/POS/Month (Min 1 months advance)
3. Terminal Type – GPRS
4. Services Fee Rs 650/POS/Month (Min 1 months advance)

Cash @ POS incentive per swipe @ 5/-

*Above base rates are exclusive of all taxes.

Pine Labs infographics

Participating Banks

Check eligibility for Debit card EMIs

- HDFC Bank debit card holders, can type the following SMS: DCEMI<Space> <Last 4 Digits of Debit Card) and send it to 56767
- ICICI Bank debit card customers can type the following SMS: DCEMI<Space> <Last 4 Digits of Debit Card) and send it to 5676766
- Axis Bank debit card customers can type the following SMS: DCEMI<Space> <Last 4 Digits of Debit Card) and send it to 5676782
- Federal Bank debit card customers can type the following SMS: DC<Space> EMI and send it to 8546995577

We met Mr. Kush Mehra, Chief Business Officer, Pine Labs to talk about how technological advancement in payment solutions is benefiting customers, merchants, banks and manufacturers. Pine Labs was founded in 1998 and is one of India's unicorn companies today, with a valuation of over US$ 1bn. It is a payments solutions company that provides a payment technology offerings, a merchant platform, and software for point of sale machines.

INTERVIEW BY: PRADEEP AGRAWAL

Can you give a brief overview of Pine Labs?

We used to be just a smart-card-based payment and loyalty-solutions provider for the petroleum sector. From there, we evolved to become a merchant platform company that provides a suite of offerings which increase the efficiency of merchants, our clients, and improve their customer experience. Essentially, through our platform, merchants can manage their risk, carry out multi-channel analytics, avail working-capital loans, offer insurance to their customers, and also run brand offers and cashbacks.

Our 'myPlutus app' helps merchants to get real-time access to sales-transaction data, payments-related insights, and customer analytics. These powerful analytics, with real-time marketing tools and automated customer-engagement programs, help our clients to increase sales and drive repeat buying behaviour.

In addition, we recently opened our Android and payment gateway APIs for developers. We believe that this will spur community innovation, which will eventually help our merchants to serve their customers better. Today, over 100,000 merchants in India and Malaysia use the Pine Labs platform.

How have electronic-payments solutions evolved over the years and how are they helping merchants, banks, and OEMs?

Electronic payment systems have changed in a big way from the traditional way in which payments were made in India. In fact, new payment systems are evolving at breakneck speed. Demonetisation had a huge role in fast-tracking this process, but regulators have also played a pivotal role in the development of India's payments and settlement systems for both large-value and retail payments. New technology based offerings have changed the entire dynamic of the payments industry – a few good examples of these would be one-click payments, e-wallets, and UPIs.

We believe that to ensure long-term relevance, good payments services must serve the interests of consumers and merchants and at the same time they must be beneficial to issuers and OEMs. Plus, merchant needs are more advanced now than they were a decade ago. Our clients expect more than just a payments solution, they need to respond 'just in time' and efficiently to customer demands and electronic payments solutions have evolved to oblige. For banks and OEMs, these solutions have ensured that payments and settlements are safe, efficient, inter-operable, authorized, accessible, inclusive, and compliant with international standards.

How big is the opportunity for electronic payments in India?

India has been what I would like to call a 'cash-obsessed' economy. While demonetisation did provide a head start in changing this behaviour, Indians have also embraced digital payments driven by an increase in internet penetration, mushrooming of e-commerce companies, and spread of digital wallets. With a proliferation of smartphones and the advent of other digital payment options, more Indians are transacting through their mobiles. However, it is worth noting that even today 50% of micro-transactions under Rs 100 are done in cash and cash-in-circulation has surpassed pre-demonetisation levels. All this proves that there is huge room for electronic payments in this country, especially when the regulator is taking definitive steps to help transform the economy to a less-cash one.

What are the key challenges to making electronic payments a widely accepted mode?

Our country has set an ambitious target of 10-times growth in the volume of digital payments in three years . To achieve this, migrating smaller merchants to digital payments is the key. For this, acceptance of digital payments among merchants needs to improve, for which financial services companies need to create and refine existing solutions. One of the key enablers of digital transactions is the deeper penetration of point-of-sale terminals. We are a merchant centric organisation, and we understand that this will be possible only if we design products that even a not-so-tech-savvy shop owner can use to run his shop efficiently. The format needs to be simple and the cost of infrastructure has to be small. Our Android-based platform allows merchants to accept multiple forms of payments and enhance their customers' shopping experience using just their smartphone. They can also offer instant EMIs on debit and credit cards and Dynamic Currency Conversion (DCC) to help international travellers to pay in local currency, all of which adds to customer convenience.

I also believe that it is important to educate the 500-600mn consumers based out of tier 2 and tier 3 cities in India about digital payments, and create a sense of trust about this mode.

We understand that Pine Labs holds a significant market share in terms of its POS terminals at merchant outlets. What is so unique about Pine Labs that is driving higher acceptance for your payment solutions?

We are a merchant-focussed company committed to investing in technology and innovation. Along with this, we have a very strong 'feet-on-street' model, which ensures that our offerings are designed to recognise merchant issues and their evolving needs. Merchants that use our PoS machines can offer to their customers the convenience of making payments through more than 100 modes. To cater to their working capital and inventory needs, we now offer same-day settlements and also short-term (0-90 days) financing.

By partnering with leading NBFCs, we are able to offer (big and small merchants) access to easy collateral-free business loans, which they can repay as their business grows by choosing a flexible amount from daily card sales on their Pine Labs' point-of-sale terminal. We are the first company in India to offer debit-card EMIs in offline stores, which enables merchants to offer 'affordability' solutions to their customers.

How many banks and brands have tied up with Pine Labs?

We partner leading acquirers, issuers, and financiers to expand their reach to more customers through our merchants. Over 21 financial-services institutions and 100 top global brands are part of our fast-growing network.

With some large banks offering EMIs on debit cards, what is the future of payment modes in India?

Rising income levels have led to rising aspirations among Indian consumers. While 100mn people (out of India's 300-400mn-strong middle-class population) currently live in tier-2 and 3 cities , only 10% of Indians accessed formal borrowing as compared to nearly 90% citizens in developed economies . With more than 900mn debit cards in circulation, enabling EMIs on debit cards will help incentivize purchases through debit cards, effectively helping move consumers to a digital platform.

How many banks and brands have tied up with you for your zero-cost debit-card-EMI schemes and how has been the customer response so far?

Just to give you an idea of our reach – we have built a network of over 100 brands and 19 banks and financial services organizations to power EMI transactions for customers via credit and debit cards for 85,000 merchants across 120,000 stores in India.

Our debit EMI offering business grew by over 500% in April-June 2019, fuelled by a special campaign we and our partners ran for air conditioners. We want to partner with other industry segments such as furniture and home decor, sports fitness and outdoors, education, healthcare and automobiles to help customers avail easy affordability solutions.

Pine Labs completed the acquisition of gift-card solutions provider Qwikcilver in April 2019. How is the company doing now?

Qwikcilver continues to expand the gift- and stored-value cards market in South Asia and South East Asia. It is also venturing into non-Asian markets. Gift- and stored-value cards continue to be a high growth area for Pine Labs and we are investing in new products as well as on upgrading existing ones.

What are your future plans?

Our plan is to continue developing our merchant platform, and adding more products and offering for our merchants. We will increase partnerships with brands and OEMs, so that merchants can offer affordability to more consumers. We will continue to strengthen partnerships with acquirers and issuers in countries that we are present in, and the ones where we plan to enter. We have plans to expand into new Asian markets. We will also be strengthening our gifting, lending, and loyalty offerings.

Any recent partnerships that you would like to highlight?

Federal Bank recently partnered with us to enable debit-card EMIs for their customers. This will allow 5.7mn Federal Bank debit-card holders to instantly avail loans on EMIs at Pine Labs' terminals.

Indian Economy – Trend Indicators

Monthly Economic Indicators

Growth Rates (%)	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
IIP	6.5	4.8	4.6	8.4	0.2	2.5	1.6	0.2	2.7	3.2	4.6	1.2	4.3	-
PMI	52.3	51.7	52.2	53.1	54.0	53.2	53.9	54.3	52.6	51.8	52.7	52.1	52.5	51.4
Core sector	7.3	4.7	4.3	4.8	3.3	2.1	1.5	2.2	5.8	5.2	3.8	0.7	2.7	-0.5
WPI	5.3	4.6	5.2	5.5	4.5	3.5	2.8	2.9	3.1	3.2	2.8	2.0	1.1	1.1
CPI	4.2	3.7	3.8	3.3	2.3	2.1	2.0	2.6	2.9	3.0	3.0	3.2	3.1	3.2
Money Supply	9.9	10.8	9.4	9.6	10.4	10.2	10.4	10.8	10.6	9.6	9.9	10.1	10.6	9.9
Deposit	7.6	9.1	7.6	8.5	8.9	8.6	9.2	9.7	9.6	9.2	9.7	10.0	10.6	9.7
Credit	12.4	14.4	12.5	14.6	15.1	15.1	14.6	14.4	12.9	12.7	12.4	12.0	12.1	10.1
Exports	14.2	16.8	-2.2	17.9	0.8	0.4	3.7	2.5	11.0	0.6	3.9	-9.7	2.3	-6.0
Imports	30.6	26.8	10.5	17.6	4.3	-2.4	0.0	-5.4	1.4	4.5	4.3	-9.1	-10.4	-13.4
Trade deficit (USD Bn)	62.8	53.9	48.9	22.2	10.4	-12.1	-9.6	-22.1	-19.3	11.7	5.1	-8.0	-28.0	-24.9
Net FDI (USD Bn)	1.8	1.8	3.9	3.7	0.9	3.0	3.7	2.4	2.4	4.7	3.0	7.0	3.8	-
FII (USD Bn)	4.6	0.1	-2.1	-5.1	1.8	1.2	-0.4	1.0	9.6	0.0	2.3	1.7	-0.7	-
ECB (USD Bn)	2.2	4.8	1.7	1.4	2.1	3.8	2.4	2.8	12.7	3.2	3.5	5.4	5.0	3.3
Dollar-Rupee	68.7	69.6	72.3	73.6	71.8	70.7	70.7	71.2	69.5	69.4	69.8	69.4	68.8	71.2
FOREX Reserves (USD Bn)	404.2	400.1	400.5	392.1	393.7	393.4	398.2	399.2	411.9	418.5	421.9	427.7	429.6	428.6
NRI Deposits (USD Bn)	124.9	123.0	121.9	121.5	125.7	125.8	125.2	125.6	130.4	130.9	131.9	133.6	133.1	-

Quarterly Economic Indicators

Balance of Payment (USD Bn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Exports	73.1	76.1	77.5	82.2	83.4	83.4	83.1	87.4	82.7
Imports	115.1	108.5	121.6	123.8	129.1	133.4	132.4	122.6	128.9
Trade deficit	-41.9	-32.5	-44.0	-41.6	-45.8	-50.0	-49.3	-35.2	-46.2
Net Invisibles	27.0	25.5	30.3	28.6	29.9	31.0	31.5	30.6	31.9
CAD	-15.0	-7.0	-13.7	-13.1	-15.8	-19.1	-17.8	-4.6	-14.3
CAD (% of GDP)	2.5	1.1	2.1	1.8	2.3	2.9	2.7	0.7	2.0
Capital Account	26.9	16.9	22.5	25.0	4.8	16.6	13.8	19.2	27.9
BoP	7.3	11.4	9.5	9.4	13.2	-11.3	-1.9	-4.3	14.2

GDP and its Components (YoY, %)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Agriculture & allied activities	4.2	4.5	4.6	6.5	5.1	4.9	2.8	-0.1	2.0
Industry	-0.1	7.7	8.0	8.6	9.9	6.1	6.0	3.4	1.7
Mining & Quarrying	2.9	10.8	4.5	3.8	0.4	-2.2	1.8	4.2	2.7
Manufacturing	-1.7	7.1	8.6	9.5	12.1	6.9	6.4	3.1	0.6
Electricity, Gas & Water Supply	8.6	9.2	7.5	9.2	6.7	8.7	8.3	4.3	8.6
Services	8.6	6.5	8.0	8.0	7.5	7.5	7.6	8.2	6.7
Construction	3.3	4.8	8.0	6.4	9.6	8.5	9.7	7.1	5.7
Trade, Hotel, Transport and Communications	8.3	8.3	8.3	6.4	7.8	6.9	6.9	6.0	7.1
Finance, Insurance, Real-Estate & Business Services	7.8	4.8	6.8	5.5	6.5	7.0	7.2	9.5	5.9
Community, Social & Personal Services	14.8	8.8	9.2	15.2	7.5	8.6	7.5	10.7	8.5
GDP at FC	5.9	6.6	7.3	7.9	7.7	6.9	6.3	5.7	4.9

Annual Economic Indicators and Forecasts

Indicators	Units	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Real GDP/GVA growth	%	6.7	6	5.6	7.1	7.9	6.6	6.5	6.8	7	7.4
Agriculture	%	5	1.5	4.2	-0.2	0.7	4.9	3.4	2.7	3.5	3.5
Industry	%	6.7	5	4.5	6.5	10.2	7	5.5	7.2	7.4	7.8
Services	%	7.1	6.1	8.2	9.4	9.1	6.9	7.6	7.6	7.7	8.1
Real GDP	₹ Bn	52475	85992	90844	97190	104905	111854	119762	129258	138306	148541
Real GDP	US$ Bn	1096	1694	1581	1589	1603	1667	1858	1847	2004	2184
Nominal GDP	₹ Bn	87360	99466	112366	124451	136820	151837	167731	190540	211118	235333
Nominal GDP	US$ Bn	1824	1828	1859	2035	2090	2264	2603	2722	3060	3461
WPI (Average)	%	8.7	7.4	6	2	-2.5	3.7	2.9	3.7	3.0-3.5	3.7-4.2
CPI (Average)		8.3	10.2	9.5	6.4	4.9	4.5	3.6	3.5	3.2-3.7	3.4-3.9
Money Supply	%	15.8	13.6	13.5	12	10.3	7.3	9.6	10	10.5	10
CRR	%	4.75	4	4	4	4	4	4	4	4	4
Repo rate	%	8.5	7.5	8	7.5	6.75	6.25	6	6.25	5.75-6	5.5-5.75
Reverse repo rate	%	7.5	6.5	7	6.5	5.75	5.75	5.75	6	5.5-5.75	5.25-5.5
Bank Deposit growth	%	13.5	14.2	14.6	12.1	9.7	11.2	6.2	9	9.5	9
Bank Credit growth	%	17	14.1	13.5	12.5	10.7	4.7	9.8	14	15	13
Centre Fiscal Deficit	₹ Bn	5160	5209	5245	5107	5328	5343	5911	6344	7389	7766
Centre Fiscal Deficit	% of GDP	5.7	5.2	4.6	4.1	3.9	3.5	3.5	3.4	3.5	3.3
State Fiscal Deficit	% of GDP	1.9	2	2.2	2.6	3.6	3	3.5	3.2	3.3	3.2
Consolidated Fiscal Deficit	% of GDP	7.6	6.9	7.1	6.6	7.5	6.5	7	6.6	6.8	6.5
Exports	US$ Bn	309.8	306.6	318.6	316.7	266.4	280.1	309	335.2	350.3	339.8
YoY Growth	%	23.4	-1	3.9	-0.6	-15.9	5.2	10.3	8.5	4.5	-3
Imports	US$ Bn	499.5	502.2	466.2	460.9	396.4	392.6	469	518.3	523.4	502.5
YoY Growth	%	31.1	0.5	-7.2	-1.1	-14	-1	19.5	10.5	1	-4
Trade Balance	US$ Bn	-189.8	-195.6	-147.6	-144.2	-130.1	-112.4	-160	-183	-173.1	-162.7
Net Invisibles	US$ Bn	111.6	107.5	115.2	116.2	107.9	97.1	111.3	124.2	128	129.5
Current Account Deficit	US$ Bn	-78.2	-88.2	-32.4	-27.9	-22.2	-15.3	-48.7	-58.8	-45.1	-33.1
CAD (% of GDP)	%	-4.2	-4.7	-1.7	-1.4	-1.1	-0.7	-1.9	-2.2	-2.5	-1.5
Capital Account Balance	US$ Bn	67.8	89.3	48.8	90	41.1	36.5	91.4	60.5	83.5	53.5
Dollar-Rupee (Average)		47.9	54.4	60.5	61.2	65.5	67	64.5	70	68	67-68

Source: RBI, CSO, CGA, Ministry of Agriculture, Ministry of commerce, Bloomberg, PhillipCapital India Research

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Maruti Suzuki	Automobiles	6,788	2,018	8,10,924	8,67,413	92,566	1,04,839	63,499	70,874	210	235	-15.3	11.6	32.3	28.9	4.2	3.9	21.7	19.1	12.9	13.3	12.1	12.7
Bajaj Auto	Automobiles	2,911	857	2,87,546	2,96,135	45,275	47,845	41,510	44,628	143	154	-4.2	7.5	20.3	18.9	3.5	3.1	18.7	17.7	17.2	16.6	17.4	16.9
Mahindra & Mahindra	Automobiles	556	686	5,56,259	5,91,583	75,095	82,230	46,988	53,065	40	45	-13.4	12.9	14.0	12.4	1.7	1.6	9.3	8.7	12.3	12.7	11.3	11.7
Hero MotoCorp	Automobiles	2,695	546	4,00,628	3,44,277	65,250	48,776	30,308	32,423	240	162	9.6	-32.2	11.2	16.6	3.1	3.4	8.0	11.5	27.5	20.5	28.4	20.2
Tata Motors	Automobiles	121	368	31,13,278	33,09,894	3,24,412	3,97,229	49,920	87,572	16	27	-117.6	75.4	7.8	4.4	0.6	0.5	4.9	4.3	7.7	12.1	4.1	5.8
Ashok Leyland	Automobiles	67	203	2,97,307	2,64,470	30,246	23,403	13,386	12,668	6	4	18.3	-28.5	11.1	15.6	1.9	1.9	6.8	8.4	17.2	12.2	17.3	12.5
Bharat Forge	Automobiles	447	209	1,08,437	1,14,203	21,767	23,496	12,283	13,441	26	29	16.4	9.4	17.0	15.5	3.2	2.7	10.5	9.4	19.0	17.6	14.7	15.6
Escorts	Automobiles	617	71	60,588	56,404	8,225	5,883	5,442	3,660	46	31	19.2	-32.7	13.5	20.1	2.5	2.0	7.5	11.0	18.8	9.9	18.8	10.3
Apollo Tyre	Automobiles	172	104	1,80,768	1,99,654	25,243	22,214	13,241	7,737	23	14	16.6	-41.6	7.4	12.7	1.0	0.9	5.4	7.5	12.9	6.8	9.3	5.0
Ceat	Automobiles	962	39	82,327	73,104	11,545	6,573	6,246	2,320	153	57	20.7	-62.9	6.3	16.9	1.1	1.3	4.8	10.7	17.4	7.5	15.3	5.9
Asian Paints	Discretionary	1,749	1,676	2,23,355	2,55,518	45,629	53,374	26,165	31,171	27	32	21.4	19.1	64.1	53.8	15.4	13.4	36.6	31.1	24.1	25.0	23.7	24.8
Titan Company	Discretionary	1,300	1,138	2,22,092	2,66,015	26,994	28,711	18,807	20,498	21	23	25.4	9.0	61.4	56.3	14.9	13.6	41.3	38.6	24.2	24.1	27.8	27.6
Havells India	Discretionary	705	448	1,13,429	1,29,931	13,629	16,277	7,211	10,648	12	17	-8.9	47.7	61.1	41.3	9.6	8.4	32.4	26.9	15.7	20.3	14.3	19.2
Voltas	Discretionary	672	224	80,484	90,468	7,802	8,712	5,960	6,794	18	21	14.7	14.0	37.3	32.7	4.9	4.4	28.2	25.4	13.1	13.4	14.4	14.3
Jubilant Foodworks	Discretionary	1,315	179	40,783	46,622	6,798	8,024	3,782	4,504	29	34	14.3	19.1	45.9	38.5	10.8	8.9	25.4	21.2	23.5	23.1	24.9	24.9
V?Guard Industries	Discretionary	224	97	29,518	34,385	2,893	3,725	2,252	2,906	5	7	35.9	29.1	42.4	32.8	8.9	7.3	33.3	25.8	21.0	22.4	21.7	23.5
Kajaria Ceramics	Discretionary	567	90	33,203	37,995	5,316	6,350	2,770	3,385	17	21	19.7	22.2	32.6	26.6	5.2	4.6	16.8	14.0	16.1	17.2	15.2	16.8
Polycab	Discretionary	687	105	89,354	98,816	10,224	11,353	5,876	6,698	40	45	11.1	14.0	17.4	15.2	2.8	2.4	10.3	9.0	16.0	15.7	18.4	16.8
Finolex Cables	Discretionary	373	58	32,635	37,422	4,610	5,450	3,690	4,271	24	28	7.2	15.7	15.5	13.3	2.1	1.9	12.5	10.4	13.6	14.0	13.9	14.5
Bajaj Electricals	Discretionary	391	41	55,195	57,072	3,489	4,265	1,331	2,050	13	20	-20.4	54.0	29.7	19.3	3.4	3.0	15.2	11.5	11.5	15.6	8.9	11.7
KEI Industries	Discretionary	536	44	49,239	56,754	5,159	6,013	2,256	2,833	29	36	24.8	25.6	18.6	14.8	4.2	3.3	9.6	8.1	22.8	22.5	18.6	19.7
Somany Ceramics	Discretionary	193	8	18,710	21,205	1,875	2,237	512	927	12	22	10.6	80.8	16.0	8.8	1.2	1.1	6.9	5.5	7.7	12.3	8.0	10.6
Orient Paper & Ind	Discretionary	27	7	7,397	7,931	1,366	1,513	815	940	4	4	-18.9	15.3	7.1	6.2	0.4	0.4	5.2	4.7	5.6	6.1	5.0	5.5
Thangamayil	Discretionary	335	5	15,823	17,540	814	886	348	378	25	28	14.9	8.7	13.2	12.2	2.1	1.9	4.8	4.1	15.9	15.5	24.1	25.3
Hindustan Unilever	FMCG	1,974	4,337	4,01,361	5,04,135	98,326	1,27,880	66,804	88,991	31	38	6.8	22.7	63.8	52.0	54.4	11.6	43.6	33.0	85.2	22.2	65.6	33.8

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
ITC	FMCG	262	3,131	4,88,035	5,37,590	1,90,672	2,11,444	1,35,388	1,50,265	11	12	8.6	11.0	23.8	21.4	5.2	4.9	16.1	14.4	21.9	22.7	21.9	22.8
Nestle	FMCG	13,739	1,329	1,24,211	1,39,203	28,615	32,778	17,405	19,849	181	206	8.3	14.0	76.1	66.7	70.7	62.5	46.5	40.4	92.9	93.7	33.6	41.3
Britannia	FMCG	2,908	721	1,19,010	1,35,445	18,487	22,406	11,728	14,453	49	60	1.2	23.2	59.6	48.4	17.0	14.1	39.2	32.0	28.6	29.1	26.7	27.4
Godrej Consumer Prod	FMCG	672	706	1,31,521	1,20,507	1,31,521	25,126	1,31,521	17,032		17				40.3		8.7	5.4	28.7		21.5	246.7	18.1
Dabur India	FMCG	435	785	95,184	1,03,001	19,303	21,928	16,590	17,935	9	10	11.6	7.8	46.2	42.8	10.1	10.4	39.9	35.2	21.9	24.2	20.6	26.3
Marico Industries	FMCG	384	505	94,894	91,704	26,171	17,582	10,782	12,306		10				40.3		13.3		28.3		32.9		35.9
Glaxo Smithkline Cons	FMCG	8,476	360	49,769	55,871	12,811	14,641	10,947	12,419	260	295	11.4	13.5	32.6	28.7	7.7	6.7	24.4	20.7	23.6	23.2	24.1	23.9
Colgate	FMCG	1,499	415	47,115	50,819	12,998	13,921	7,540	8,034	28	30	1.2	6.6	54.1	50.7	29.5	31.3	31.6	29.6	54.5	61.7	51.6	57.9
Emami	FMCG	315	145	29,748	32,507	8,478	9,316	4,326	5,806	10	13	38.2	34.2	33.1	24.6	6.3	5.6	16.7	14.8	19.1	22.6	20.1	24.1
Bajaj Corp	FMCG	242	36	10,795	10,636	3,670	3,310	2,949	2,719	20	18	8.7	-7.8	12.1	13.1	7.9	7.5	9.8	11.1	65.2	57.5	68.1	54.9
Agro Tech Foods	FMCG	490	12	8,383	9,254	674	784	333	405	14	17	-1.7	21.5	35.8	29.5	3.0	2.7	17.1	14.4	8.3	9.3	8.9	10.0
HDFC Bank	Banks	1,234	6,736	5,78,567	6,95,575	4,73,737	5,68,089	2,49,718	2,99,533	92	110	18.5	19.9	13.5	11.2	2.0	1.7	14.2	11.9	15.7	16.6	1.9	1.9
State Bank of India	Banks	259	2,463	10,15,238	11,54,246	7,74,520	7,02,054	2,51,466	2,23,340	28	25	2,941.4	-11.2	9.2	10.3	1.1	1.0	3.2	3.5	12.1	9.8	0.7	0.6
Kotak Mahindra Bank	Banks	1,625	3,088	1,35,705	1,62,303	99,897	1,22,446	57,433	70,592	30	37	18.0	22.9	54.0	43.9	6.5	5.7	30.9	25.2	12.6	13.7	1.7	1.8
ICICI Bank	Banks	427	2,840	3,12,591	3,64,413	2,61,342	3,02,138	1,29,996	1,61,236	20	25	285.7	23.8	21.2	17.1	2.3	2.1	10.9	9.4	154.7	172.3	1.4	1.5
AXIS Bank	Banks	673	1,818	2,51,913	2,99,092	2,20,248	2,65,452	78,978	1,16,426	28	41	54.3	46.7	24.0	16.3	2.1	1.9	8.3	6.8	10.1	12.3	1.0	1.3
Indusind Bank	Banks	1,281	957	1,31,871	1,66,228	1,14,008	1,42,604	57,225	70,898	81	100	30.6	23.9	15.9	12.8	2.4	2.0	8.4	6.7	16.5	17.1	1.9	1.9
Bank of Baroda	Banks	92	358	2,80,972	3,22,448	1,83,447	2,08,186	44,061	62,753	11	16	712.6	42.4	8.0	5.6	0.6	0.5	2.0	1.7	7.5	10.0	0.4	0.5
Punjab National Bank	Banks	59	286	1,78,502	2,04,028	1,38,208	1,52,088	39,542	49,707	7	9	-134.3	25.7	8.0	6.3	0.6	0.6	2.1	1.9	8.7	9.6	0.5	0.7
Yes Bank	Banks	45	114	99,297	1,13,509	64,876	77,396	5,350	21,066	2	8	-71.5	293.7	21.3	5.4	0.4	0.4	1.8	1.5	1.9	7.0	0.1	0.5
Canara Bank	Banks	184	139	1,60,439	1,97,801	1,06,012	1,35,061	24,810	40,380	28	45	121.2	62.8	6.7	4.1	0.4	0.4	1.3	1.0	6.8	10.2	0.4	0.5
Indian Bank	Banks	121	63	78,825	91,603	57,189	62,642	14,691	24,429	31	51	356.3	66.3	4.0	2.4	0.3	0.3	1.1	1.0	8.7	13.4	0.5	0.7
DCB Bank	Banks	185	60	12,935	16,094	7,304	9,584	3,454	4,611	10	14	-0.8	33.5	17.8	13.3	1.5	1.4	8.2	6.3	9.7	10.8	0.9	1.0
HDFC Limited	NBFC	1,999	3,446	1,29,970	1,49,179	1,29,915	1,47,924	1,10,761	1,18,660	64	69	15.0	7.1	31.1	29.0	4.1	3.8	26.5	23.3	11.7	15.3	1.6	2.1
LIC Housing Finance	NBFC	384	195	51,130	58,253	43,959	50,047	22,001	33,381	44	66	-9.5	51.7	8.8	5.8	1.1	0.9	4.4	3.9	12.8	17.2	1.0	1.4

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Indiabulls Housing Fin	NBFC	267	144	51,891	62,847	51,633	60,488	32,925	42,560	77	100	-19.5	29.3	3.5	2.7	0.6	0.6	2.8	2.4	19.0	22.1	2.4	2.9
Muthoot Finance	NBFC	670	274	50,295	57,082	32,627	36,905	20,689	23,389	52	58	4.9	13.1	13.0	11.5	2.5	2.1	8.4	7.4	20.6	19.9	4.8	4.8
Shriram Transport Fin	NBFC	1,028	246	82,782	92,549	63,919	71,273	27,141	30,250	120	133	5.9	11.5	8.6	7.7	1.3	1.1	3.8	3.4	15.9	15.4	2.5	2.5
Mah & Mah Finance	NBFC	326	211	48,353	51,395	29,153	30,305	10,638	10,484	17	17	-31.7	-1.5	18.9	19.1	1.8	1.7	7.2	6.9	9.4	8.7	1.5	1.4
Cholamandalam Fin	NBFC	290	241	39,859	48,047	25,299	30,622	13,591	16,510	17	20	11.0	21.5	17.2	14.2	2.9	2.4	9.5	7.9	19.1	18.7	2.1	2.1
Manappuram Finance	NBFC	135	120	26,953	31,386	14,960	17,461	9,313	10,857	11	13	17.8	16.6	12.2	10.4	2.3	1.9	8.0	6.9	19.2	19.1	5.0	5.2
Shriram City Union Fin	NBFC	1,319	88	38,448	41,620	24,307	26,563	10,021	10,802	152	164	1.3	7.8	8.7	8.1	1.2	1.1	3.6	3.3	15.0	14.3	3.1	3.1
Magma Fincorp	NBFC	50	15	14,555	15,408	8,058	8,474	3,199	3,460	12	13	4.7	8.2	4.2	3.9	0.5	0.4	1.8	1.7	11.4	11.2	1.9	1.8
Repco Home Finance	NBFC	306	20	4,924	5,448	4,251	4,682	2,551	2,849	41	46	8.7	11.7	7.5	6.7	1.1	0.9	4.6	4.2	15.5	15.1	2.2	2.1
Dewan Housing Fin	NBFC	33	13	23,924	0	20,488	-0	12,118	0	39	-	11.7	-100.0	0.8	-	0.1	0.1	0.6	-	11.8	-	1.2	-
Tata Consultancy	IT Services	2,070	7,818	14,57,075	17,55,152	3,97,709	4,93,896	3,12,571	3,75,335	164	100	10.1	-38.8	12.6	20.7	3.5	6.1	19.4	15.6	27.6	29.7	29.0	31.6
Infosys Technologies	IT Services	792	3,449	8,41,842	9,85,904	2,27,599	2,50,799	1,72,885	1,85,880	79	43	10.0	-45.3	10.0	18.2	2.3	4.7	13.3	12.4	22.9	25.7	24.3	26.9
Wipro	IT Services	238	1,355	6,13,718	6,49,847	1,29,910	1,42,976	99,368	1,13,765	22	19	11.0	-14.2	10.8	12.6	1.7	2.0	10.6	8.6	15.8	16.1	15.4	15.7
HCL Technologies	IT Services	1,070	1,451	6,07,154	7,73,095	1,42,627	1,84,773	1,03,390	1,12,830	74	83	10.8	12.0	14.4	12.9	2.8	2.4	9.8	8.0	19.3	18.8	20.3	17.8
Tech Mahindra	IT Services	707	685	3,62,754	3,85,326	59,087	65,197	39,937	42,359	45	48	-8.5	6.1	15.7	14.8	2.8	2.5	11.6	10.3	17.7	16.9	13.3	13.0
L&T Infotech	IT Services	1,507	263	1,02,836	1,15,293	19,023	21,623	14,422	16,292	83	94	-4.9	13.0	18.2	16.1	4.6	3.9	13.5	11.8	25.5	24.5	24.5	22.6
L&T Technology Servi	IT Services	1,592	163	50,157	65,186	8,680	12,344	6,981	9,230	69	89	20.3	29.3	23.2	17.9	5.3	4.5	18.5	13.2	23.0	25.3	23.9	26.5
Mindtree	IT Services	719	116	68,678	83,247	10,890	12,543	7,215	7,278	44	44	25.5	0.9	16.3	16.2	3.3	2.9	10.0	8.8	20.1	17.8	22.0	17.4
NIIT Technologies	IT Services	1,361	88	36,543	45,961	6,154	8,405	3,785	5,180	62	85	14.6	36.8	22.0	16.1	3.7	2.9	12.2	8.8	17.0	18.3	17.1	19.1
Cyient Limited	IT Services	468	51	48,839	50,532	7,301	7,580	5,533	4,862	49	44	14.6	-10.2	9.5	10.6	1.7	1.7	5.1	5.9	18.3	16.1	18.0	15.2
Persistent Systems	IT Services	564	43	38,544	37,292	6,797	6,129	4,600	3,835	57	50	16.2	-12.7	9.8	11.2	1.6	1.6	6.0	5.6	16.7	14.4	16.7	14.4
Intellect Design Arena	IT Services	188	23	11,187	12,469	906	1,105	447	589	4	5	49.8	31.6	52.4	39.8	2.9	2.7	28.7	23.8	-	-	2.9	3.8
Majesco	IT Services	449	12	11,645	12,532	921	1,499	517	983	22	35	129.2	57.0	20.4	13.0	2.9	1.5	12.3	5.0	14.2	11.6	10.1	9.7
Ultratech Cement	Cement	4,170	1,204	4,66,393	5,37,004	92,186	1,13,122	37,065	51,616	128	179	45.0	39.3	32.5	23.3	3.2	2.9	15.2	12.1	10.0	12.4	8.0	9.4
Shree Cement	Cement	18,180	666	1,39,101	1,60,199	35,205	42,162	16,148	20,766	464	596	59.1	28.6	39.2	30.5	5.7	4.9	18.8	15.3	14.5	16.1	13.4	16.3

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Ambuja Cement	Cement	197	406	2,71,132	2,88,835	41,082	46,416	17,496	18,815	9	9	-24.9	7.5	22.3	20.7	1.6	1.5	8.5	7.7	7.4	7.5	8.1	8.2
ACC	Cement	1,547	305	1,56,663	1,62,698	20,980	23,146	12,976	13,932	69	74	23.3	7.4	22.4	20.9	2.5	2.3	13.1	12.3	11.3	11.2	10.7	10.4
Dalmia Bharat	Cement	800	158	1,11,834	1,31,279	22,854	26,360	5,499	6,066	29	31	269.9	10.3	28.0	25.4	1.4	1.4	9.3	8.0	5.0	5.3	4.8	4.9
JK Cement	Cement	1,022	81	54,211	57,198	9,965	10,575	3,171	2,536	41	33	20.3	-20.0	24.9	31.1	2.7	2.6	11.4	10.4	10.9	8.2	7.8	6.3
Star Cement	Cement	90	40	19,592	24,216	4,544	5,477	2,855	3,426	7	8	-4.4	20.0	13.3	11.1	1.9	1.6	9.0	7.5	14.2	14.6	13.7	13.8
HeidelbergCement In	Cement	187	43	22,447	23,088	4,577	4,791	2,398	2,747	11	12	8.7	14.6	17.6	15.4	3.0	2.5	9.0	7.9	17.0	16.3	12.5	12.5
JK Lakshmi Cement	Cement	302	36	41,696	42,952	6,673	7,878	2,194	3,303	19	28	357.0	50.6	16.2	10.7	2.1	1.8	7.4	5.8	13.1	17.0	11.5	14.5
India Cement	Cement	80	25	61,457	65,817	8,180	8,634	1,663	1,960	5	6	770.9	17.8	14.8	12.6	0.5	0.5	7.1	6.6	3.2	3.7	4.0	4.3
Sanghi Cement	Cement	51	13	12,882	18,435	2,476	3,263	463	643	2	3	-11.9	38.7	27.7	19.9	0.8	0.7	11.3	8.6	2.7	3.6	3.9	4.6
Mangalam Cement	Cement	309	8	11,559	12,187	1,558	1,985	576	941	22	35	-691.3	63.4	14.3	8.8	1.4	1.3	7.2	5.2	10.0	14.7	8.2	11.4
Larsen & Toubro	Cap Goods	1,456	2,054	15,82,727	18,24,112	1,94,076	2,25,017	96,278	1,03,709	69	74	3.3	7.5	21.3	19.8	3.4	3.1	17.2	15.1	16.2	15.6	6.8	7.2
Siemens	Cap Goods	1,546	536	1,38,451	1,37,293	16,506	15,673	11,527	10,976	32	31	37.4	-4.8	47.8	50.1	6.0	5.6	29.8	30.8	12.6	11.1	11.5	10.1
ABB India	Cap Goods	1,469	321	74,598	85,277	6,476	8,371	4,025	5,267	19	25	76.5	30.9	77.3	59.1	8.1	7.4	46.9	36.0	10.5	12.5	15.1	12.5
Bharat Electronics	Cap Goods	106	259	1,36,472	1,52,574	29,900	32,078	19,114	19,740	8	8	2.6	3.3	13.5	13.1	2.6	2.4	8.3	7.8	19.2	18.2	17.3	16.1
BHEL	Cap Goods	48	170	3,11,612	3,68,210	24,127	32,699	14,011	19,695	4	6	43.9	40.6	11.8	8.4	0.5	0.5	4.8	3.1	4.3	5.9	3.9	5.0
Hindustan Aeronautics	Cap Goods	692	237	2,02,808	2,04,195	27,685	28,527	19,079	19,826	57	59	25.3	3.9	12.1	11.7	1.7	1.6	2.8	1.4	13.9	13.4	9.2	9.0
Cummins India	Cap Goods	565	159	59,074	65,290	7,909	9,678	6,747	7,789	24	28	-6.6	15.4	23.2	20.1	3.7	3.5	19.3	15.8	15.9	17.4	14.3	16.1
Thermax	Cap Goods	1,142	136	62,894	66,785	5,126	5,717	3,552	3,864	30	32	9.5	8.8	38.3	35.2	4.2	3.8	25.8	22.9	10.9	10.9	10.3	10.3
KEC International	Cap Goods	272	70	1,24,106	1,42,494	12,871	14,967	5,679	6,806	22	26	53.0	19.8	12.3	10.3	2.4	2.0	7.0	6.0	19.3	19.3	14.7	14.8
Kalpataru power	Cap Goods	484	72	1,24,836	1,42,043	15,226	17,651	4,758	6,214	31	40	1.1	30.6	15.7	12.0	2.1	1.7	6.9	5.1	13.1	14.3	11.3	13.3
Engineers India	Cap Goods	112	76	31,301	34,365	4,181	5,065	4,044	4,578	6	7	7.5	13.2	17.5	15.5	2.9	2.7	11.8	9.6	16.4	17.5	21.3	20.4
GE T&D	Cap Goods	186	44	45,699	46,770	4,996	4,666	3,038	2,946	12	12	20.6	-3.0	15.6	16.1	2.9	2.6	6.9	7.1	18.7	15.9	23.3	19.0
Bharat Dynamics	Cap Goods	293	55	38,463	31,779	8,075	5,913	5,358	3,829	29	21	26.8	-28.5	10.0	14.0	2.1	1.9	6.5	7.8	20.5	13.6	19.0	12.3
Cochin Shipyard	Cap Goods	332	45	32,563	35,138	6,330	7,181	4,707	4,824	36	37	-2.2	2.5	9.3	9.0	1.2	1.1	3.0	4.1	13.1	12.5	12.9	12.4
VA Tech Wabag	Cap Goods	266	15	33,431	38,153	3,059	3,628	1,367	1,709	25	31	15.4	25.0	10.7	8.5	1.2	1.1	6.6	5.2	11.6	13.1	8.6	9.2

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Adani Ports & SEZ	Infrastructure	406	845	1,25,698	1,41,988	81,515	92,524	44,290	51,956	22	26	0.5	17.3	18.6	15.9	3.1	2.6	13.3	11.5	16.7	16.5	10.5	11.3
NCC	Infrastructure	53	34	1,20,798	1,38,917	14,194	15,975	5,640	6,800	9	11	-6.8	20.6	5.7	4.7	0.6	0.6	3.6	3.2	10.8	11.7	12.5	13.1
PNC Infratech	Infrastructure	181	46	46,453	58,066	6,503	8,274	4,282	4,212	17	16	31.8	-1.6	10.8	11.0	1.8	1.6	7.6	6.1	18.4	15.4	17.6	15.0
Sadbhav Engineering	Infrastructure	131	23	36,025	41,428	4,233	4,764	1,619	1,956	9	11	-13.0	20.8	13.9	11.5	1.0	0.9	6.9	6.1	7.4	8.2	7.2	8.6
KNR Construction	Infrastructure	221	32	26,629	32,059	4,261	5,290	2,160	2,521	15	18	5.9	16.7	14.4	12.3	2.0	1.7	7.7		15.1	14.6	14.7	13.5
Ashoka Buildcon	Infrastructure	98	28	45,944	52,835	5,973	6,604	3,543	3,927	13	14	9.1	10.8	7.8	7.0	1.1	0.9	6.0	5.3	13.9	13.5	13.5	13.1
IRB Infrastructure	Infrastructure	70	27	73,656	76,385	28,686	24,728	5,422	-1,234	15	-4	-36.2	-122.8	4.5	-19.9	0.3	0.3	7.0	9.0	7.2	-1.5	4.0	2.4
Ahluwalia Contracts	Infrastructure	280	19	19,274	22,551	2,554	2,988	1,388	1,651	21	25	18.3	19.0	13.5	11.4	2.1	1.8	6.8	5.7	17.2	17.3	18.4	18.5
ITD Cementation	Infrastructure	48	9	31,296	36,304	3,130	3,630	862	1,068	5	6	3.6	23.9	9.5	7.7	0.7	0.7	4.4	4.0	7.8	8.9	10.0	10.7
Godrej Properties	Real Estate	1,027	262	19,788	13,670	1,572	4,713	2,018	2,088	9	9	-20.3	3.5	116.6	112.7	8.8	8.2	186.5	63.8	7.6	7.2	6.5	6.4
Oberoi Realty	Real Estate	494	177	36,821	35,458	14,029	14,656	9,879	10,312	27	28	22.5	4.4	18.2	17.4	2.0	1.8	13.0	12.4	11.1	10.4	10.9	10.4
Phoenix Milla	Real Estate	696	105	23,865	21,162	12,053	11,217	7,069	5,989	46	39	14.4	-15.3	15.1	17.8	2.8	2.7	12.4	13.3	18.7	15.2	9.7	8.2
Shobha	Real Estate	449	47	41,871	48,800	6,163	7,218	2,618	3,121	27	33	-13.0	19.2	16.5	13.8	1.7	1.5	11.4	9.9	10.4	11.1	20.0	20.1
Hindustan Zinc	Metals	210	911	2,17,413	2,32,435	1,05,071	1,12,621	70,798	75,353	17	18	-11.0	6.4	12.5	11.8	2.7	2.6	7.1	6.6	21.2	22.5	19.6	20.9
JSW Steel	Metals	221	541	8,17,820	9,07,969	1,55,192	1,74,986	47,111	55,352	20	23	-37.4	17.5	11.2	9.6	1.4	1.2	6.6	6.1	12.3	13.0	11.7	11.8
Vedanta	Metals	147	573	8,91,333	9,28,408	2,29,054	2,46,113	55,016	64,861	15	17	-18.4	17.9	9.9	8.4	0.9	0.9	4.5	4.1	9.0	10.6	6.4	7.3
Tata Steel	Metals	342	395	14,91,025	15,38,795	2,22,162	2,55,651	44,594	69,183	39	60	-57.1	55.1	8.8	5.7	0.5	0.5	6.2	5.2	6.2	9.0	7.0	8.1
Hindalco	Metals	184	418	12,27,939	12,52,108	1,41,154	1,43,674	46,031	48,379	21	22	-16.2	5.1	8.9	8.5	0.7	0.6	6.0	5.5	7.5	7.3	6.9	6.9
NMDC	Metals	97	271	1,09,792	1,02,292	59,588	52,813	39,100	33,746	13	11	-15.7	-13.7	7.6	8.8	1.1	1.0	4.0	4.7	14.1	11.7	14.2	11.6
SAIL	Metals	32	132	6,37,428	7,08,183	73,625	1,07,308	9,042	30,142	2	7	-67.0	233.3	14.5	4.3	0.3	0.3	7.7	5.2	2.2	7.0	5.1	7.8
Jindal Steel & power	Metals	97	101	4,32,093	4,64,396	86,399	95,526	-440	6,050	-0	6	-95.3	-1,475.9	-212.4	15.4	0.3	0.3	5.3	4.3	-0.1	1.8	5.8	6.7
NALCO	Metals	45	85	92,304	92,065	11,311	12,918	6,262	7,106	3	4	-63.9	13.5	13.3	11.7	0.8	0.8	5.5	5.6	6.1	6.9	5.1	5.8
Sun Pharma	Pharma	388	940	3,31,590	3,66,404	74,496	85,284	48,120	57,246	20	24	26.1	19.0	19.3	16.2	2.0	1.8	12.6	10.5	10.5	11.3	9.3	10.0
Cipla	Pharma	422	340	2,02,129	1,87,144	59,224	36,119	27,163	19,222	34	24	18.7	-29.2	12.5	17.6	1.8	1.9	5.4	9.5	22.8	10.7	-	-
Dr Reddy's Labs.	Pharma	2,667	449	1,79,972	1,85,881	40,134	41,823	22,446	24,684	132	145	20.2	10.0	20.2	18.4	2.7	2.5	11.6	10.9	13.4	13.8	9.1	9.8

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		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Divi's Laboratories	Pharma	1,637	441	56,806	67,378	20,280	24,256	14,047	16,652	53	63	6.3	18.5	30.9	26.1	5.4	4.6	21.8	18.0	17.5	17.7	-	-
Aurobindo Pharma	Pharma	577	346	2,09,545	2,47,149	51,338	53,137	33,477	33,397	58	57	14.8	-0.2	10.0	10.1	1.9	1.7	6.3	6.8	18.8	16.7	20.8	16.9
Lupin	Pharma	706	321	1,69,401	1,81,233	32,060	35,562	11,872	15,255	26	34	52.3	28.5	26.9	20.9	2.2	2.0	12.2	10.8	8.0	9.5	-	-
Biocon	Pharma	235	263	70,076	90,354	19,297	25,153	10,464	14,356	9	12	-26.0	37.2	27.0	19.7	4.0	3.3	14.2	10.8	14.6	16.5	13.7	16.5
Cadila Healthcare	Pharma	235	241	1,37,390	1,50,232	27,802	31,936	14,796	17,834	14	17	-17.5	20.5	16.3	13.5	2.1	1.9	11.1	9.3	12.4	13.4	8.2	9.1
Glenmark Pharma	Pharma	324	93	1,06,637	1,17,756	22,492	20,530	12,082	9,371	43	33	15.5	-22.4	7.6	9.8	1.2	1.2	5.3	5.7	15.2	12.4	11.6	9.9
Ipca Laboratories	Pharma	893	115	42,843	49,330	8,636	10,646	5,785	7,416	46	59	25.5	28.2	19.5	15.2	3.1	2.6	13.1	10.2	15.7	16.8	14.2	15.8
SRF	Sp Chemicals	2,745	158	83,322	97,719	16,498	20,228	8,349	10,874	143	186	30.0	30.3	19.2	14.8	3.3	2.7	11.6	9.2	17.1	18.5	11.1	12.7
Aarti Industries	Sp Chemicals	750	144	50,754	66,768	10,607	13,888	5,604	7,658	69	88	26.3	27.5	10.9	8.5	2.4	1.7	15.6	11.9	22.3	20.1	-	-
Atul	Sp Chemicals	4,002	120	42,961	53,154	7,991	10,684	5,116	6,433	172	217	21.2	25.7	23.2	18.5	3.8	3.1	13.9	10.2	16.3	16.7	-	-
Vinati Organics	Sp Chemicals	2,148	113	5,920	17,781	1,678	6,226	3,373	4,227	-	82	-	-	-	26.1	-	6.3	67.5	17.1	-	24.2	-	-
Camlin Fine Sciences	Sp Chemicals	54	7	12,898	15,456	2,309	2,334	1,319	1,140	11	9	59.3	-13.8	5.0	5.8	1.1	1.2	3.9	4.3	26.6	24.2	-	-
Container Corp Of India	Midcap	622	363	70,667	82,020	17,192	21,923	12,241	13,490	20	22	0.7	10.2	31.0	28.1	3.5	3.3	21.1	16.5	11.4	11.9	11.6	12.4
Praj Inds.	Midcap	107	21	13,975	16,166	1,563	1,938	1,083	1,354	6	8	83.1	25.0	17.8	14.2	2.3	2.1	12.1	9.1	13.2	14.7	13.6	15.2
VRL Logistics	Midcap	270	25	21,440	23,560	3,418	3,817	1,047	1,281	12	14	13.9	22.3	23.3	19.0	3.3	3.0	7.5	6.4	14.3	15.7	14.8	16.0
Allcargo Logistics	Midcap	106	26	70,801	79,393	6,035	5,892	3,393	2,500	14	10	28.1	-26.3	7.7	10.5	1.1	1.1	5.0	5.3	14.4	10.6	13.2	9.9
Gateway Distriparks	Midcap	103	12	12,513	13,630	2,353	2,653	753	659	7	6	-11.1	-12.5	14.8	17.0	0.8	0.8	8.3	7.3	5.6	4.9	7.6	6.8
Indo Count Industries	Midcap	41	9	20,320	21,594	2,347	2,539	1,026	1,139	5	6	13.0	10.9	7.9	7.1	0.8	0.8	5.6	5.2	10.6	10.8	10.1	10.1
KDDL	Midcap	378	4	6,695	7,444	898	1,042	140	200	12	17	-36.7	42.8	31.5	22.1	2.2	2.0	6.5	5.6	7.0	9.3	7.8	9.0
Navkar	Midcap	35	5	5,739	6,216	1,677	1,733	509	569	3	4	-3.7	11.9	10.4	9.3	0.3	0.3	5.7	5.1	2.8	3.1	3.6	3.7
Pennar Inds.	Midcap	26	3	26,446	25,266	2,950	2,207	1,196	847	10	6	112.7	-44.0	2.7	4.7	0.4	0.5	1.6	3.5	15.4	11.0	16.3	14.4
UPL	Agri Input	597	448	3,50,593	3,86,597	66,963	78,479	25,057	31,607	33	41	-24.1	26.1	18.2	14.4	2.8	2.4	10.2	8.4	13.1	14.6	7.7	9.7
PI Industries	Agri Input	1,285	182	31,987	38,806	6,706	8,411	4,522	5,682	33	41	10.2	25.7	39.2	31.2	6.7	5.7	27.1	21.5	17.0	18.1	18.0	19.3
Chambal Fertiliser	Agri Input	152	65	1,22,465	1,25,521	15,652	16,544	7,736	8,398	19	20	-1.8	8.6	8.2	7.5	1.8	1.5	9.4	8.5	21.7	19.5	18.0	18.7
Coromandel Inter	Agri Input	417	119	1,25,148	1,34,337	15,210	17,080	7,701	8,836	26	30	-13.7	14.7	15.8	13.8	3.0	2.6	9.5	8.4	19.2	18.5	37.1	35.2

Source: PhillipCapital India Research Estimates

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