30 May 2021

Financials

M del Portfolio

CY20 has been a year of high volatility, with indices swinging from the depths of extreme pessimism to a sharp recovery in a short span of time. Stock selection in such a challenging and volatile period assumes greater importance. In this context, we launch a new initiative – **BFSI MOdel Portfolio**! Through this, we attempt to present our relative preference in various sectors and discuss sector portfolio related nuances in granular detail.

MOFSL BFSI MOdel Portfolio

Cos	MOFSL Wt. (%)	v/s NIFTY FIN Index
HDFCB	25.0	(213)
HDFC	15.0	(251)
ICICIBC	17.0	286
KMB	8.0	(410)
AXSB	7.5	104
Bajaj Group	6.0	(260)
SBIN	6.5	244
CIFC	1.0	34
SHTF	1.0	13
SBILIFE	1.5	13
SBICARD	1.0	100
AUBANK	1.0	100
MAXF	1.0	100
IIFL Wealth	1.5	150
ISEC	1.5	150
MUTH	3.0	300

Introducing the MOSL BFSI MOdel Portfolio

Overweight on banks and non-lending financials

- **The financial sector is the largest constituent of all the benchmarks with weights of 38-43% in Nifty50 and BSE-30 indices. However the divergent stock performance of Indian financials vis-a-vis the Nifty Financial Services index highlights the need for an active stock selection strategy. This becomes even more important owing to - (a) evolving liquidity scenario, (b) fast-changing macros, and (c) asset quality / growth outlook. In this endeavor, we introduce the MOFSL BFSI MOdel Portfolio with the objective of optimizing the sector's risk-adjusted returns through a holistic approach to sector positioning.**
- **While the near-term outlook remains cautious due to COVID 2.0 impact and ongoing lockdowns in key states, vaccination drives across the country would aid quick recovery. Thus, we are positive on the BFSI space given strengthening economic recovery and the progress being made in improving asset quality. This would aid the strong rebound in earnings as the credit cost moderates.**
- **The RBI's accommodative stance, along with the recent measures announced for impacted sectors, should help financials in general. The sector has underperformed the Nifty over past few months, which presents an attractive opportunity for active stock selection given the reasonable valuations. In our first edition of the MOFSL BFSI MOdel Portfolio, we are overweight on ICICIBC, SBIN, and AXSB among the lending large-cap financials. Within the mid-cap space, we like MUTH, CIFC, SHTF, and AUBANK. Among the non-lending financials, we like MAXF and IPRU within Life Insurance and ISEC, SBICARD, and IIFL Wealth within Other Financials. We believe that as the recovery momentum picks pace the valuation re-rating will play an important role in stock return. We are Underweight on NBFCs in general due to the looming uncertainty surrounding the second wave and rising inflation levels.**

Benchmarks underperform Nifty over past three months; stock performance remains divergent

- In YTD CY21, the BFSI sector index (Nifty Financial Services) has performed in line with the Nifty, with returns of 8% v/s 9% for the Nifty. This was initially driven by (a) a progressive budget, (b) sharp improvement in collection trends, (c) lower restructuring reported by lending entities, (d) the launch of vaccination drives against COVID, and (e) economic activity reviving to pre-COVID levels. However, over the past three months, the sector has underperformed the Nifty due to a rise in the number of COVID-19 cases and consequent lockdowns in key states/territories. The sector delivered -3% returns v/s +1% by the Nifty.
- Further analysis indicates stronger performances from stocks such as IDFCFIRST (+59%), SBIN (+49%), CIFC (+47%), SHTF (+39%), MAXF (+37%), FB (+29%), and BFIN (+27%). We believe most entities, having recovered from the lows of Mar–Apr'20, are trading at reasonable valuations.
- Due to financial entities' exposure to various segments of the economy and the difference in their liability structures, we see an opportunity to generate alpha by actively playing underlying product-specific themes (such as gold financing and capital market plays) and the evolving growth and CoF scenario.

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Himanshu Taluja** (Himanshu.Taluja@motilaloswal.com)
Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com); | **Yash Agarwal** (Yash.Agarwal@motilaloswal.com)

BFSI has sub-segments with diverse product offerings / customer profiles

- Unlike many other sectors, BFSI offers a varied play on the different sub-segments, with different underlying characteristics, on account of varied customer profiles, product offerings, and liability structures (such as gold financiers, MFI lenders, and rural-focused lenders). Banks with a strong liability franchise tend to benefit in a stressed environment. On the other hand, non-lending financials tend to perform better in an adverse lending environment.
- These sub-segments present an opportunity to cherry-pick stocks based on the prevailing outlook for the identified sub-segments.

BFSI MOdel Portfolio – aimed at generating alpha by playing pace of economic recovery and prevailing liquidity conditions

- Considering the multiple sub-segments, varying characteristics, and resultant substantial divergence in stock performances, we see an opportunity to generate alpha by actively capturing the dynamism in the sector.
- We introduce the MOFSL BFSI MOdel Portfolio with the objective of optimizing risk-adjusted returns and generating alpha vis-à-vis the Nifty Financial Services index. We aim to achieve this objective through a holistic approach to sector positioning, with a focus on compounders, must-owns, and valuation arbitrage, while capturing the non-index / less popular names.
- For the sector model portfolio construction, we have selected stocks from seven key buckets: a) Private Banks, b) PSU Banks, c) Insurance, d) Vehicle Financiers, e) HFCs, f) Other NBFCs, and g) Non-lending Financials – such as brokers, wealth managers, and asset managers.
- After classifying the stocks, we have evaluated them on: a) near- and medium-term business growth trends, b) expected asset quality and margin trends, c) the benefits of operating leverage owing to digitization, d) credit cost and profitability trajectory, e) capitalization, and e) relative valuations.

Earnings to recover as growth and asset quality outlook improves

- Retail disbursements have shown healthy recovery over 2HFY21, with certain segments exceeding pre-COVID levels, while the corporate book is also showing signs of revival. Banks remain cautious on the unsecured book, resulting in lower disbursements. While the near-term outlook remains cautious due to rising cases and lockdowns in key states/territories, vaccination drives across the country would lead to a quick recovery. We thus estimate business growth to pick up and accelerate in 2HFY22. We estimate the loan books of private banks to grow 16%/18% over FY22E/FY23E and the loan books of large NBFCs to grow at ~12%. We expect banks to gain market share from NBFCs in most segments.
- After the perceived severe impact of the COVID pandemic, asset quality fared far better than expected, led by a sharp improvement in collection trends and lower restructuring reported by lenders. Collection efficiency in large Private Banks / HFCs / Vehicle Financiers stood at 95–97%/+97%/85–95%. While collections were impacted in Apr'21 due to the rise in cases and lockdown, we believe the impact on asset quality would be limited – supported by relief measures announced by the RBI for the impacted sectors.

- Although slippages could stay elevated in the coming quarters, we expect normalizing trends from 2HFY22. Most companies are carrying additional provision buffers, which should control the credit cost. While credit cost could stay elevated over the next few quarters, we believe FY22E would be a normalized year in terms of credit cost.
- The RBI's accommodative liquidity stance and sharp fall in cost of funds (especially for wholesale-funded entities), along with a progressive budget, have supported financials. Incremental cost of funds for NBFCs was down 100–200bp across sources such as bank borrowings, NCDs, and public deposits. During a period of excess liquidity, wholesale borrowers (NBFCs and mid-sized private banks) benefit the most on the liability side and surprise on margins positively.
- Notably, overall earnings saw a downgrade post the 4QFY21 results, due to concerns arising from an increase in the number of COVID cases and the subsequent lockdowns. These have pushed recovery by a couple of quarters as credit cost is expected to remain elevated in the near term. However, vaccination drives across the country, along with relief measures being announced by the RBI for impacted sectors, should limit the overall impact. As further clarity emerges in the coming quarters, we expect stock re-ratings.

First edition of BFSI MOdel Portfolio – Overweight on banks and non-lending financials

- We adopt a positive stance on the sector and expect it to outperform, supported by an uptick in economic recovery, improving asset quality, and a continued accommodative stance and relief measures by the RBI (amid higher inflation) – even as the near-term outlook remains cautious amid rising COVID cases and lockdowns.
- In our first edition of the MOFSL BFSI MOdel Portfolio, looking at the current valuation and our view on the earnings outlook, we are Overweight on banks and gold financiers among the lending financials.
- We are Overweight on ICICIBC (286bp), SBIN (244bp), and AXSB (104bp) as these lending financials offer sharp earnings recovery, while trading at reasonable valuations. PCR has improved sharply, while additional provision buffers should limit the impact on credit cost. We are moderately Overweight on CIFC (34bp) and SHTF (13bp) as we expect recovery to be the fastest in vehicle financiers. Muthoot is the non-index stock, and we have a weight of 3% for the relative safety it offers in these uncertain times.
- In the Life Insurance space, we are Overweight on MAXF, IPRU, and SBILIFE on an improving business mix, cost control, and healthy VNB growth – likely to aid margins. We maintain an Underweight stance on HDFCLIFE.
- Among the non-index stocks, we are overweight on MUTH (300bp), ISEC (150bp), IIFL Wealth (150bp), SBICARD (100bp), and AUBANK (100bp) given their valuations and expected growth outlooks.

Valuation and view

- After bearing the brunt of the pandemic over 1HFY21, demand revived in 2HFY21, with retail disbursements back at pre-COVID levels or even higher in certain segments. Collection efficiency also saw sharp improvement, resulting in controlled restructuring/slippage. While the near-term outlook remains cautious due to the rising COVID cases and lockdowns in key states/territories, vaccination drives across the country would result in a quick recovery. Thus, we expect the business momentum to pick up and estimate credit cost to normalize from FY22, resulting in earnings recovery over FY21–23E.

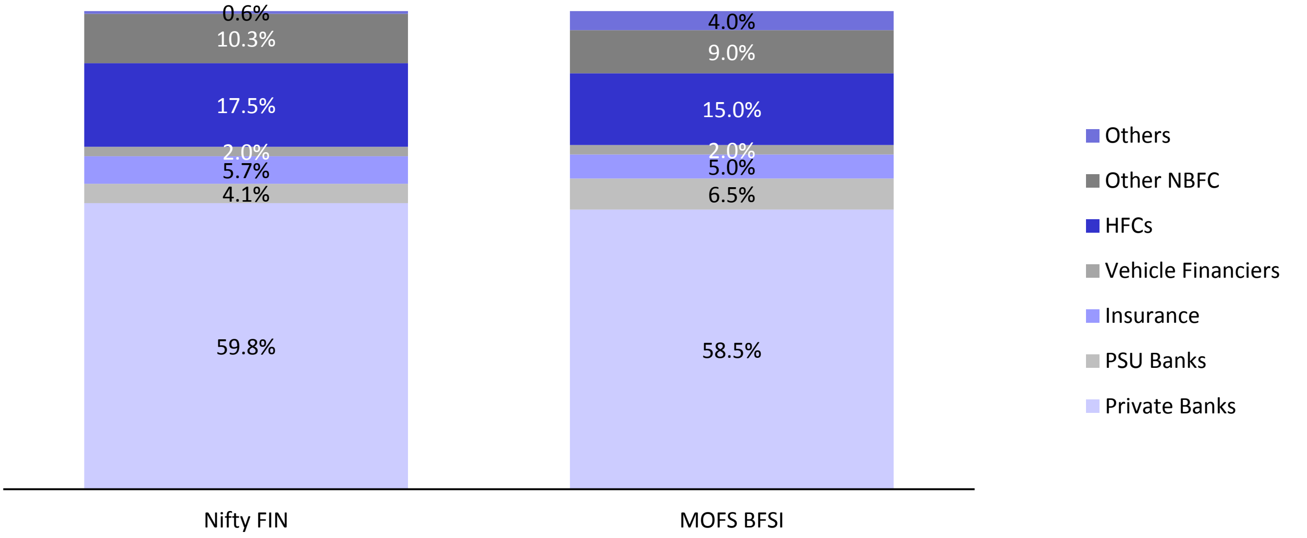
- We expect loans for private banks to grow 16%/18% over FY22E/FY23E and loans for large NBFCs to grow ~12%.
- BFSI stocks have underperformed the Nifty over the past three months owing to rising COVID cases and lockdowns. However this has also presented an attractive opportunity for active stock selection. Therefore, we focus on lenders with high earnings delta, a stable growth outlook with a competitive advantage, strong balance sheets and reasonable valuations.
- **ICICIBC, SBIN, and AXSB** are our top large-cap picks. In the mid-cap space, we prefer **MUTH, CIFC, SHTF, and AUBANK.**
- Among the non-lending financials, **we prefer MAXF and IPRU** among the life insurers and **ISEC, IIFL Wealth, and SBICARD** among other financials.

Exhibit 1: MOFSL BFSI MOdel Portfolio: Overweight on banks and non-lending financials

Companies	Segments	28th May'21 Weightage (%) Nifty FIN	MOFSL BFSI	OW/ (UW)
Banks		**63.9**	**65.0**	**111**
HDFCB	Private Banks	27.1	25.0	-213
ICICIBC	Private Banks	14.1	17.0	286
KMB	Private Banks	12.1	8.0	-410
AXSB	Private Banks	6.5	7.5	104
SBIN	PSU Banks	4.1	6.5	244
AUBANK	Private Banks	0.0	1.0	100
NBFCs		**29.8**	**26.0**	**-378**
HDFC	HFCs	17.5	15.0	-251
BAJAJ GROUP	Other NBFCs	8.6	6.0	-260
CIFC	Vehicle Financiers	0.7	1.0	34
SHTF	Vehicle Financiers	0.9	1.0	13
MUTHOOT	Other NBFCs	0.0	3.0	300
OTHERS	Other NBFCs	2.1	0.0	-215
INSURANCE		**5.7**	**5.0**	**-75**
HDFCLIFE	Life Insurance	2.2	1.5	-71
IPRU	Life Insurance	0.7	1.0	26
MAXF	Life Insurance	0.0	1.0	100
SBILIFE	Life Insurance	1.4	1.5	13
ICICILOMBARD	General Insurance	1.4	0.0	-143
OTHERS		**0.6**	**4.0**	**341**
IIFL Wealth	Others	0.0	1.5	150
ISEC	Others	0.0	1.5	150
SBICARD	Others	0.0	1.0	100
HDFCAMC	Others	0.6	0.0	-59
Cash		0.0	0.0	-
Total		**100.0**	**100.0**	**-**
Large caps		97.0	93.0	(400)
Mid-caps		3.0	7.0	400
Small caps		0.0	0.0	-

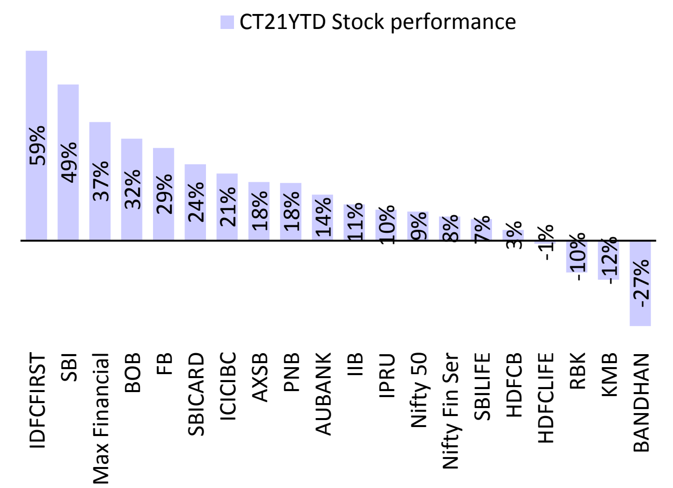
Source: MOFSL

Exhibit 2: MOSFL BFSI MOdel Portfolio – Overweight on banks and non-lending financials



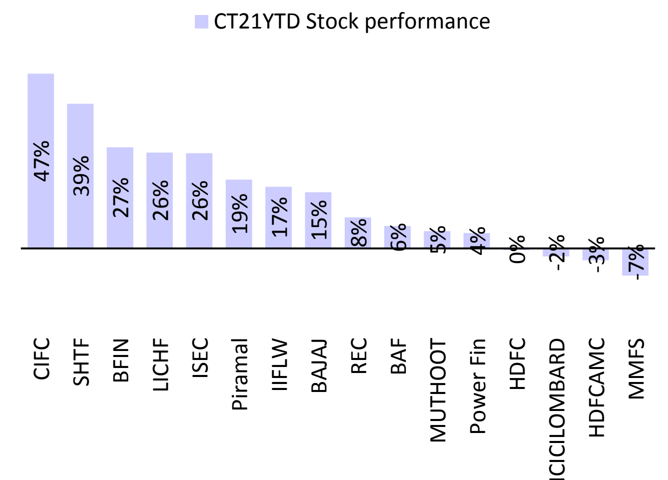
Source: Bloomberg, MOFSL

Exhibit 3: Performance of banking and insurance stocks over CY21YTD



Source: MOSL, Bloomberg

Exhibit 4: Performance of NBFC and other diversified stocks over CY21YTD



Source: MOSL, Bloomberg

Exhibit 5: Catalyst for the stocks

Segments	Positive triggers	Negative triggers
Private Banks	❖ Improving outlook on credit cost over 2HFY22 ❖ Moderation in slippages or lower restructuring ❖ Operating leverage aided by digitalization	❖ Adverse movement in the BB & Below pool ❖ Higher NPL formation arising from rising cases/tail risk ❖ Higher credit cost impacting profitability
Mid-sized Banks	❖ Recovery in demand - Vehicles (IIB) and Credit Cards (RBK) ❖ Higher growth opportunity in the MFI space given the underpenetrated market (BANDHAN, RBK, IIB) ❖ Improvement in collection efficiency ❖ Strong deposit traction enabling improving cost of funds	❖ NPL formation from BB & Below pool ❖ Lower collection efficiency may result in higher NPL formation particularly MFI ❖ Higher credit cost impacting profitability ❖ Liability pressures resulting in high-cost borrowings
Life Insurance	❖ Improving business mix towards Protection and Non-PAR ❖ Higher VNB growth and margin expansion ❖ Pick-up in new business growth	❖ Risk of high COVID claims ❖ Softness in the new business growth due to rising cases and lockdown ❖ Volatility in market/interest rate to impact variances
NBFCs	❖ Continued decline in incremental cost of funds ❖ Sharp bounce back expected post second wave ❖ Collection efficiency relatively healthy v/s first wave	❖ Tail risk impact on growth and asset quality if second wave persist for more time ❖ Migration of loans from Stage 1 to Stage 2
Non-lending Financials	❖ Increasing client acquisition and activation ❖ Focus on cost reduction ❖ Pick-up in inflows for wealth managers	❖ Broking yields under pressure ❖ Sharp correction in equity market could result in a slowdown in new client acquisitions ❖ Client investments (for wealth managers) migrating towards lower yielding fixed income products

Source: MOFSL

Exhibit 6: Valuation matrix - Banks and insurance

Companies	Rating	M-cap	CMP	TP	BV (INR)		ABV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)		P/ABV (x)	
		(INR b)	(INR)	(INR)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Private Banks																		
ICICIBC*	Buy	4,515	643	750	240	276	216	252	1.6	1.7	13.9	15.2	16.5	12.7	2.1	1.8	2.4	1.9
HDFCB	Buy	8,156	1,501	1,800	427	499	411	481	2.0	2.1	17.0	17.8	22.2	18.2	3.5	3.0	3.7	3.1
AXSB	Buy	2,299	740	925	380	442	356	418	1.5	1.7	14.5	16.4	14.4	11.0	1.9	1.7	2.1	1.8
BANDHAN	Neutral	476	303	335	124	152	112	141	2.8	3.5	19.1	24.9	13.7	8.8	2.4	2.0	2.7	2.1
KMB*	Neutral	3,522	1,800	1,900	362	414	331	379	2.1	2.3	12.9	13.7	30.7	23.8	3.7	3.1	4.1	3.3
IIB	Buy	762	1,019	1,200	619	702	606	690	1.4	1.7	11.8	14.4	14.7	10.7	1.6	1.5	1.7	1.5
FB	Buy	176	89	110	90	102	81	91	1.0	1.1	12.5	14.3	8.4	6.5	1.0	0.9	1.1	1.0
DCBB	Neutral	33	104	100	128	143	112	128	0.9	1.1	9.8	12.0	8.9	6.5	0.8	0.7	0.9	0.8
EQUITAS	Buy	32	92	105	107	115	99	107	1.9	2.0	15.3	18.8	5.8	4.4	0.9	0.8	0.9	0.9
AUBANK	Buy	307	996	1,175	230	273	216	260	1.7	1.9	14.9	17.2	31.2	23.0	4.3	3.6	4.6	3.8
RBK	Buy	126	216	250	225	244	212	230	0.9	1.1	7.4	9.6	13.3	9.6	1.0	0.9	1.0	0.9
SBICARD	Buy	995	1,048	1,200	84	108	81	106	5.8	6.8	24.7	28.0	56.2	39.0	12.5	9.7	12.9	9.9
PSU Banks																		
SBIN*	Buy	3,796	422	530	307	353	264	313	0.7	0.8	13.9	15.0	6.1	4.9	0.8	0.7	0.9	0.8
BOB	Neutral	386	84	75	160	174	113	127	0.4	0.6	5.8	9.3	8.8	5.2	0.5	0.5	0.7	0.7
Life Insurance																		
HDFCLIFE**	Neutral	1,340	669	730	155	183	155	183	NA	NA	17.5	17.7	86.3	73.7	4.3	3.7	4.3	3.7
IPRU**	Buy	757	546	600	233	267	233	267	NA	NA	14.7	14.6	62.7	58.2	2.3	2.0	2.3	2.0
SBILIFE**	Buy	982	977	1,150	424	495	424	495	NA	NA	16.3	16.9	58.4	48.2	2.3	2.0	2.3	2.0
MAXF**	Buy	325	935	1,000	326	389	326	389	NA	NA	18.8	19.2	43.0	34.0	2.9	2.4	2.9	2.4

*Multiples adjusted for investment in subsidiaries **BV represents EV, RoE represents RoEV and P/ABV represents P/EV

Exhibit 7: Valuation matrix – NBCFs and other diversified

	Rating	CMP	Mcap	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
HFCs											
HDFC*	Buy	2,540	59.9	18.7	13.4	2.3	1.7	1.9	1.9	12.7	13.3
LICHF	Buy	458	3.2	6.8	6.3	1.0	0.9	1.4	1.3	15.7	14.9
PNBHF	Neutral	426	1.0	5.1	4.8	0.7	0.6	1.9	1.9	14.7	14.1
AAVAS	Neutral	2,322	2.5	48.4	39.8	6.6	5.6	3.8	3.8	14.5	15.2
CANFIN	Buy	536	1.0	15.7	14.0	2.4	2.0	1.9	1.9	16.1	15.5
REPCO	Buy	349	0.3	6.8	6.3	0.9	0.8	2.5	2.5	14.4	13.7
Vehicle Finance											
SHTF	Buy	1,459	4.5	11.4	9.5	1.5	1.4	2.5	2.9	14.3	15.3
MMFS	Buy	163	1.4	10.7	9.2	1.2	1.1	2.5	2.8	12.2	12.8
CIFC	Buy	576	6.5	24.6	18.9	4.2	3.5	2.5	3.0	18.4	20.0
Diversified											
BAF	Buy	5,602	46.1	37.8	30.7	7.6	6.2	4.7	4.7	22.1	22.2
SCUF	Buy	1,931	1.7	10.8	8.3	1.4	1.2	3.4	4.1	13.8	15.7
LTFH	Buy	91	3.1	8.9	7.0	1.1	0.9	2.3	2.7	12.7	14.4
INDOSTAR	Neutral	303	0.5	24.5	17.2	0.9	0.9	1.3	1.9	3.7	5.1
MAS	Buy	889	0.7	30.1	25.6	3.8	3.4	3.2	3.5	13.5	14.0
Gold Finance											
MUTH	Buy	1,268	7.0	11.9	10.2	2.8	2.3	7.0	7.1	26.3	25.0
MGFL	Buy	160	1.9	6.7	5.7	1.5	1.2	5.8	5.8	25.1	23.8
Wholesale											
PIEL	Buy	1,700	4.9	14.2	12.5	1.1	1.1	0.0	0.0	8.4	8.8
ABCL	Buy	126	4.2	16.9	10.0	1.4	1.0	1.4	1.8	8.5	10.5
Capital Markets											
IIFL Wealth	Buy	1,200	1.4	23.9	19.9	4.0	3.9	22.9	23.9	16.3	19.9
ISEC	Buy	583	2.6	17.2	16.4	8.7	7.7	0.0	0.0	55.0	49.9

*Multiples adjusted for investment in subsidiaries

Source: Company, MOFSL

Exhibit 8: Trend in FY22E consensus EPS movement over last 12M

Company	FY22E consensus EPS (INR) as of					
	Mar'20	Jun'20	Sep'20	Dec'20	Mar'21	May'21
Banks						
HDFC Bank	68.8	65.5	70.2	74.7	82.0	84.1
ICICI Bank	33.8	28.4	28.9	31.6	36.6	38.3
Kotak Mahindra Bank	48.0	42.0	40.9	47.2	50.3	49.6
Axis Bank	58.5	47.7	48.6	52.0	56.9	60.4
AU Small Finance Bank	39.4	30.4	34.7	37.6	43.6	41.8
Federal Bank	11.6	9.2	9.3	9.7	12.0	12.7
IndusInd Bank	107.3	81.3	81.1	83.3	92.3	95.6
State Bank of India	39.5	27.3	29.4	34.4	42.7	45.6
Insurance						
HDFC Life Insurance	9.6	8.2	8.6	9.3	10.0	10.4
ICICI Lombard	42.5	41.1	42.4	43.3	45.6	45.6
SBI Life Insurance	20.0	18.9	19.2	20.3	22.9	23.3
ICICI Prudential Life	12.7	11.0	10.7	10.3	11.0	11.3
Max Financial	23.8	24.5	16.9	10.9	21.2	21.2
NBFCs						
HDFC	80.1	73.4	77.4	77.0	84.3	86.9
Bajaj Finance	182.5	137.6	158.7	175.7	176.8	171.9
Bajaj Finserv	37.2	62.6	105.2	64.4	52.6	NA
Shriram Transport	156.5	120.8	120.6	131.2	151.9	152.7
Piramal Enterprises	138.3	95.5	119.7	135.3	140.0	132.7
Cholaman. Inv. & Fin.	24.6	18.9	20.6	27.5	31.3	32.9
HDFC AMC	80.1	72.1	74.1	75.4	83.1	81.4
Power Fin. Corp.	34.9	32.5	32.4	37.3	40.3	NA
REC	41.6	37.6	39.3	38.1	52.1	NA
M&M Fin. Serv.	20.0	14.8	14.8	16.5	19.3	17.3
Other diversified						
IIFL Wealth	NA	52.5	55.7	57.9	58.6	61.3
ICICI Securities	23.0	19.0	21.6	24.3	29.0	33.2
LIC Housing Fin.	67.8	51.7	55.0	63.6	69.8	71.7
Muthoot Finance	91.2	99.6	106.0	110.4	126.3	125.6
SBI Cards	NA	22.0	23.6	26.7	28.6	28.2

Source: Bloomberg, MOFSL

Exhibit 9: Trend in Buy rating over last 12M (as a percentage of total rating)

Company	Buy ratings (as a percentage of total ratings)				
	Mar'20	Jun'20	Sep'20	Dec'20	Mar'21
Banks					
HDFC Bank	92.9	92.6	89.5	92.5	92.3
ICICI Bank	96.7	96.6	100.0	100.0	100.0
Kotak Mahindra Bank	58.1	68.9	68.9	55.6	44.4
Axis Bank	87.9	77.2	75.4	84.9	86.5
AU Small Finance Bank	56.5	56.5	45.8	47.8	65.4
Federal Bank	89.7	84.2	85.0	89.5	89.7
IndusInd Bank	64.9	63.2	61.4	70.6	76.5
State Bank of India	94.4	88.7	92.5	94.0	95.9
Insurance					
HDFC Life Insurance	53.1	53.1	55.9	64.9	65.8
ICICI Lombard	55.0	63.6	66.7	66.7	64.0
SBI Life Insurance	75.0	78.1	80.6	94.6	94.7
ICICI Prudential Life	78.8	75.0	73.5	82.9	80.6
Max Financial	64.3	80.0	68.8	89.5	95.0
NBFCs					
HDFC	90.2	84.6	90.2	89.7	87.5
Bajaj Finance	71.0	66.7	50.0	45.2	46.7
Bajaj Finserv	71.4	78.6	71.4	85.7	92.3
Shriram Transport	85.0	79.5	78.6	76.9	81.1
Piramal Enterprise	100.0	100.0	100.0	100.0	100.0
Cholaman. Inv. & Fin	93.3	90.0	87.5	93.3	81.3
HDFC AMC	50.0	57.9	63.2	60.0	59.1
Power Fin. Corp.	75.0	71.4	85.7	87.5	88.9
REC	83.3	83.3	83.3	83.3	75.0
M&M Fin. Serv.	68.4	66.7	62.2	58.8	65.7
Other diversified					
IIFL Wealth	66.7	100.0	100.0	100.0	75.0
ICICI Securities	50.0	85.7	62.5	88.9	81.8
LIC Housing Fin.	63.6	61.4	67.4	69.0	71.4
Muthoot Finance	91.7	78.6	71.4	62.5	70.6
SBI Cards	100.0	100.0	100.0	87.5	87.5

Source: Bloomberg, MOFSL

Exhibit 10: Shareholding pattern (%)

Company	Promoters		DII		FII		Public	
	Mar'20	Mar'21	Mar'20	Mar'21	Mar'20	Mar'21	Mar'20	Mar'21
Banks								
HDFC Bank	21.3	21.2	17.9	17.3	48.6	51.0	12.4	10.6
ICICI Bank	0.0	0.0	36.4	33.2	54.5	58.9	9.1	7.9
Kotak Mahindra Bank	30.0	26.0	12.6	13.5	39.2	44.2	18.3	16.2
Axis Bank	15.7	13.6	24.5	22.7	46.5	52.6	13.3	11.4
AU Small Finance	31.0	29.0	15.4	20.5	28.7	32.1	24.9	18.9
Federal Bank	0.0	0.0	36.5	42.7	34.4	25.6	29.1	31.7
IndusInd Bank	13.0	13.4	14.1	16.6	57.8	55.0	15.1	13.2
State Bank of India	56.9	56.9	24.4	24.3	10.7	11.1	8.0	7.7
Insurance								
HDFC Life Insurance	66.2	58.9	6.1	6.3	21.1	25.7	9.1	9.2
ICICI Lombard	55.9	51.9	13.2	12.0	23.4	29.1	7.6	7.1
SBI Life Insurance	62.8	60.7	5.7	6.9	25.9	30.5	5.6	6.9
ICICI Prudential Life	75.0	73.5	5.5	4.3	13.3	16.5	6.1	5.7
Max Financial	28.3	17.3	29.0	51.4	30.6	23.1	12.1	8.5
NBFCs								
HDFC	0.0	0.0	18.0	16.3	70.9	72.8	11.1	10.9
Bajaj Finance	56.2	56.1	10.9	9.1	21.5	24.2	11.5	10.6
Bajaj Finserv	60.5	60.8	6.2	6.1	8.8	9.3	24.2	23.9
Shriram Transport	26.3	26.5	2.7	6.9	64.7	61.0	6.4	5.6
Bajaj Holdings	49.9	50.0	2.4	3.7	15.7	14.4	32.0	32.0
Piramal Enterprise	46.1	46.1	9.7	10.5	30.2	29.8	14.1	13.6
Cholaman. Inv. & Fin.	52.9	51.6	27.0	24.4	12.2	16.5	9.1	7.5
HDFC AMC	79.7	73.9	1.4	6.0	8.0	9.4	11.0	10.8
Power Fin. Corp.	56.0	56.0	20.4	19.6	18.9	17.3	4.7	7.1
REC	52.6	52.6	12.0	12.3	27.0	26.8	8.4	8.3
M&M Fin. Serv.	51.2	52.2	15.6	16.8	24.3	20.5	8.9	10.6
Other diversified								
IIFL Wealth Mgmt.	24.1	23.0	1.3	2.0	20.1	24.2	55.7	50.8
ICICI Securities	79.2	75.0	11.5	9.0	3.2	3.7	6.2	12.2
LIC Housing Fin.	40.3	40.3	14.0	16.8	32.3	28.2	13.4	14.7
Muthoot Finance	73.4	73.4	7.1	6.6	14.4	16.0	5.1	4.0
SBI Cards	69.6	69.4	3.8	6.0	4.1	8.6	22.6	16.0

Source: Bloomberg, MOFSL

NOTES

Disclosures:
The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

MOFSL, it's associates, Research Analyst or their relative may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company in the past 12 months. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the past 12 months. MOFSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the past 12 months , MOFSL or any of its associates may have:
a) managed or co-managed public offering of securities from subject company of this research report,
b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
d) Subject Company may have been a client of MOFSL or its associates in the past 12 months.

MOFSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Terms & Conditions:
This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification
The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	Companies where there is interest
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)
This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:
This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited(SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S:

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

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

For Singapore:

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

Disclaimer: The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.
CIN No.: L67190MH2005PLC153397.Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.
Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579 ;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs,Insurance Products and IPOs.Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.