

CMP: INR 314

OUTLOOK: Positive

Stock Info

BSE	538446
Bloomberg	DHCL
Sector	NBFC
Face Value (INR)	10
Mkt Cap (INR Mn)	9,595
52w H/L (INR)	308/142
Avg Daily Volume (in 000')	14.4

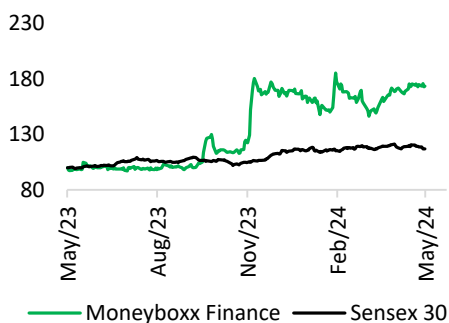
**Shareholding Pattern %
(As on March, 2024)**

Promoters	47.83
Public & Others	52.17

Stock Performance (%) 1m 6m 12m

Moneyboxx	(0.8)	38.8	70.0
Sensex	(2.3)	11.8	17.1

Moneyboxx Vs Sensex



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Moneyboxx Finance Ltd is a non-deposit taking NBFC lending small ticket loans to people in the cattle rearing business and other allied activities. The NBFC is led by Mr. Deepak Aggarwal and Mr. Mayur Modi, Co-Founders of Moneyboxx Finance, both Chartered Accountants with 20+ years of experience in Investment Banking and Credit Underwriting across several multi national banks. The Company specializes in the business of lending to Owners of cattle herds operating across 8 states in Northern India.

Investment Rationale:

1. Niche player in the Industry: Moneyboxx Finance Ltd caters to underserved micro entrepreneurs in essential segments, i.e., livestock (dairy farming), kirana (grocery shops), retail traders, and micro-manufacturers. The growth potential in this segment is believed to be substantial. With a tech-driven branch model, the company has successfully scaled up its operations in five years to 100 branches across 8 states in the northern, central, and western parts of India with INR 7.2 billion AUM as of March 31, 2024.

2. PSL categorization benefitting to reduce Cost of Borrowing: Since Moneyboxx is in the lending business to cattle rearers and related agri business in villages, which comes under the Priority Sector Lending category, the NBFC is witnessing their borrowing cost coming down. The average borrowing IRR came down from 15.2% for FY23 to 14.6% for FY24, and currently, their incremental loans are priced at 13% for Q4FY24. This will bring down their cost of borrowings further down in the future. Also, the NBFC currently has around 30 lenders including banks and other NBFCs.

3. Unique operational strategy: Company hires full time vets who offers services like vaccination, treatment and artificial insemination, free of cost to the borrowers who are livestock owners. This helps them to monitor the asset. Further, they have various tie ups for fruit bearing plantation for planting fruit bearing trees at the farmers lands, which helps them to increase the farmers income.

4. Highly scalable business: Moneyboxx opened 39 branches over the last 1 year taking their branch count to 100 operating across 8 states in northern & central India. The NBFC plans to add 75 branches in FY25 and another 100 in FY26 taking their total presence to 275 branches.

5. Increasing book of secured book backed by SORP: The NBFC started lending for secured book in FY23 which are backed by Self Occupied Residential Property. This secured book comprised 5% of their total Portfolio in FY23, and increased to form 24% of their Portfolio in FY24. It is projected to become 40% of their books by end of FY25 and over 55% by FY26.

Outlook: Moneyboxx has become Profitable and with most of the NBFCs fixed costs and IT set-up already in place, the future expansion of business will be requiring growth capital for book growth. We have a positive outlook on the company for its potential growth in the Indian markets and an improving returns profile of the business in financial terms.

Y/E Mar (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII	117.4	271.3	648.0	1340.1	2576.8	4393.1
PAT	-37.2	-68.0	91.4	272.7	779.2	1541.4
Networth	345.1	764.0	1688.5	3440.2	6719.4	10760.7
Adj BVPS (Rs)	15.8	30.5	55.0	95.0	162.8	243.3
EPS (Rs)	-1.7	-2.7	3.0	7.6	18.9	34.9
P/E (x)	-172.4	-108.8	99.1	39.3	15.7	8.5
P/Adj BV (x)	18.8	9.7	5.4	3.1	1.8	1.2

Story in charts

Exhibit 2: Company's AUM has doubled over the past one year. The growth momentum is expected to grow over the next year. Their AUM is expected to further double in FY25, led by the increasing branch productivity and new branch expansion

Exhibit 3: NBFC's branch productivity has increased tremendously from INR 56.39 mn in FY23 to INR 73 mn in FY24, which has helped the company to improve its profitability. It is expected to increase further as more branches mature.

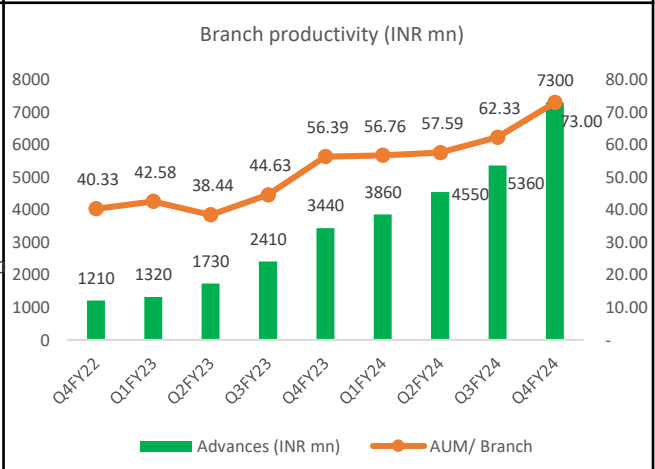
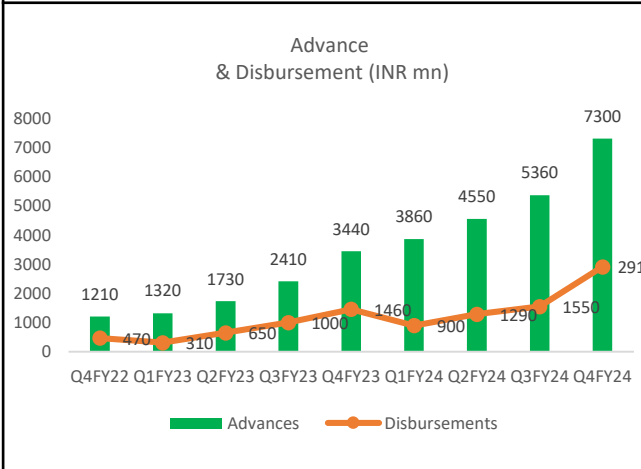


Exhibit 4: They have turned from loss making to a profit making company. They started reporting profits from Q4FY23 and has been growing their profitability since then, driven by improvement in branch productivity.

Exhibit 5: Moneyboxx Finance Ltd has been expanding their branch count steadily. They have reached 100 branches in FY24 and have guided to open 75 more branches in FY25 with geographical expansion in southern region.

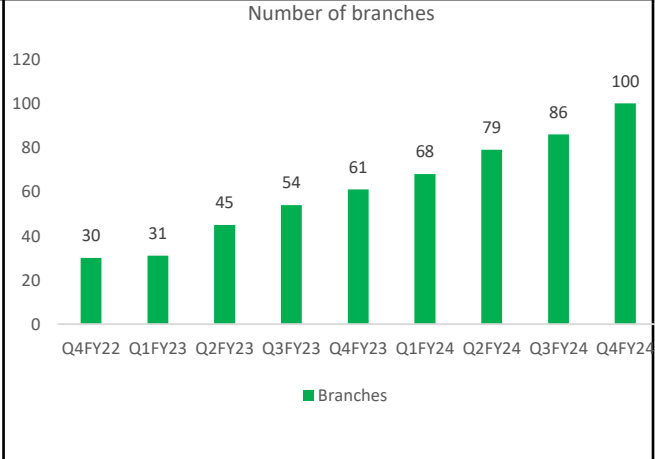
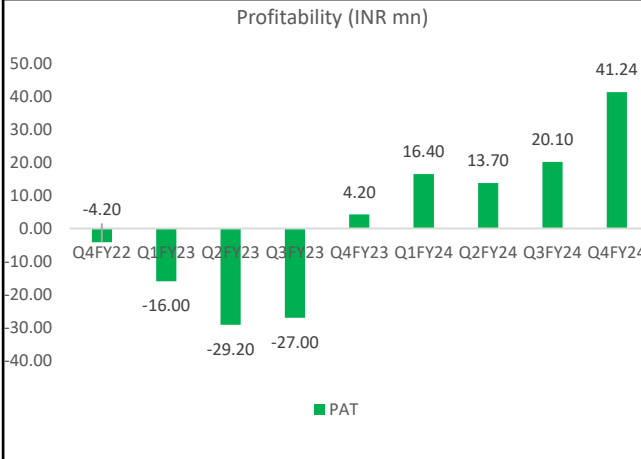
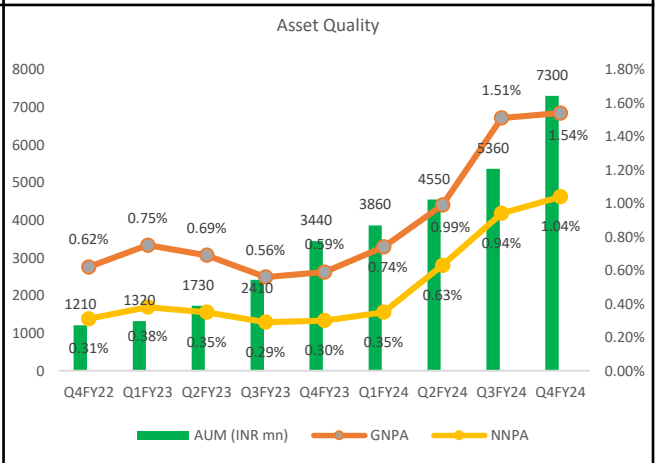
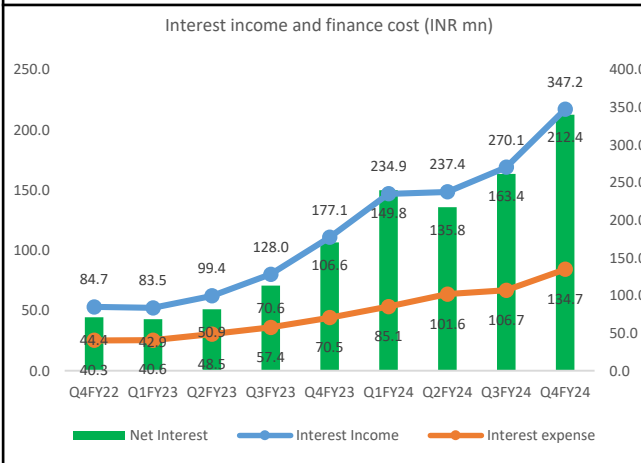


Exhibit 6: Their interests income has increased from INR 177mn in Q4FY23 to INR 347 mn in Q4FY24, due to the improvement in branch productivity, yields and spreads, which further helps them to improve their NIMs.

Exhibit 7: Company has been able to maintain their GNPA below 2%, despite a rapid increase in their advances. We expect their asset quality to remain within 2% levels going forward.



INVESTMENT RATIONALE

1. Niche player in the Industry

Moneyboxx Finance Ltd caters to underserved micro entrepreneurs in essential segments, i.e., livestock (dairy farming), kirana (grocery shops), retail traders, and micro-manufacturers, where the growth potential is believed to be substantial. The Company has successfully scaled up its operations in five years to 100 branches across 8 states in the northern, central, and western parts of India with INR 7.2 bn AUM as of March 31, 2024.

Below is the bifurcation of geographic presence of company across India:

Branches by States	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Rajasthan	5	8	10	16	20
Haryana	2	5	7	12	12
Madhya Pradesh	3	5	7	14	25
Punjab	1	4	5	8	9
Uttar Pradesh			1	8	19
Chhattisgarh				3	3
Bihar					6
Gujarat					6
Total	11	22	30	61	100
No. of States	4	4	5	6	8
AUM INR billion	0.3	0.6	1.2	3.4	7.2
% Secured AUM	-	-	-	5%	24%

Company plans to enter south India in FY25 and establish pan-India presence as part of its medium-term business plan. This will help them to scale up the business.

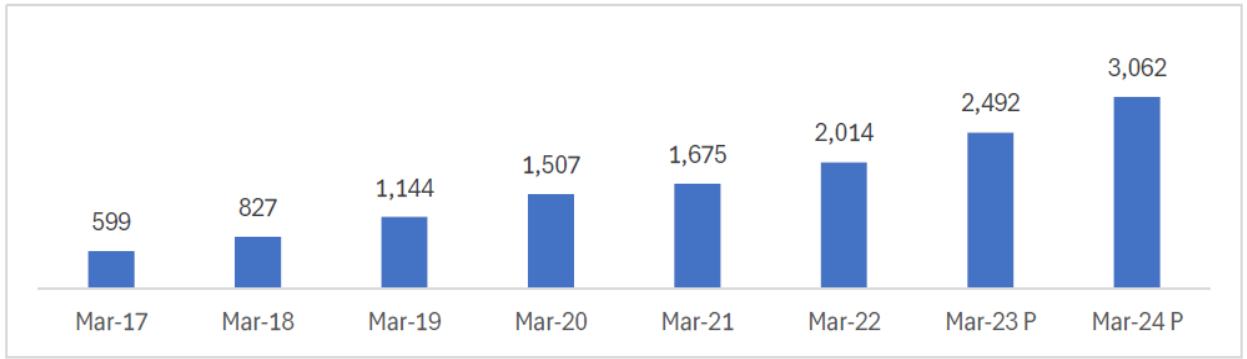
Market Opportunity

Microfinance borrowers at the bottom of the pyramid, with average loans below INR 50,000, are adequately served by over 250 lenders. However, such small loans are insufficient for borrowers to acquire even one head of cattle/livestock or other income-generating assets that could significantly enhance their income profiles. On the other hand, the secured loan segment exceeding INR 1 million is aggressively targeted by banks and NBFCs. The 'Missing Middle' segment, encompassing loans from INR 0.1 to 1 million, remains underserved, due to the challenges in assessing income and cash flow due to the absence of formal business documentation (such as tax returns, books of accounts, and banking records), lack of high-quality collateral, minimal digital footprints, and inadequate credit histories.

Given these challenges in underwriting, there is a huge demand-supply gap in the small business loan segment of up to INR 1 million, presenting a huge market opportunity. Further, there is additional demand from borrowers graduating from group loans to individual loans.

CRISIL Research estimated outstanding small business loans given out by banks and NBFCs to be around INR 1.7 trillion as of March 2021 which grew at CAGR of 29% from fiscal 2017 to fiscal 2021 and projects it to reach over INR 3.0 trillion by fiscal 2024, growing at a CAGR of 22%.

Strong growth in small business loans of up to INR 1 million: Outstanding credit (INR billion)



Source: CRISIL Research, CRI Highmark. Note: Above data includes business loans given to micro, small and medium enterprises up to INR 1 million ticket size and reported in consumer bureaus of CICs, P-Projected

Further, the market for livestock cattle owners backed by residential property, MSME lending is estimated at **INR 22 trillion**.

Addressable market of INR 22 trillion		
1	Estimated number of households in India	271 million
2	Estimated share of self-employed (non-agriculture) on total households	56 million
3	Estimated number of self-employed households with self-occupied residential property (SORP)	46 million
4	Estimated Pucca house (rural and urban) + Semi Pucca house (only for rural)	44 million
5	Average ticket size (ATS)	INR 500,000
6	Addressable market for residential property backed small business lending (4 x 5)	INR 22 trillion

Source: CRISIL Research. Addressable market estimation methodology for small business loans given to non-agriculture self-employed households with residential self-occupied property as collateral (FY21)

Given the huge unmet demand and supportive policy framework, micro enterprise lending presents a huge opportunity and Moneyboxx Finance Ltd, is well positioned to benefit from it through its proven business model.

2. PSL categorization benefitting to reduce Cost of Borrowing:

The Reserve Bank of India has established Priority Sector Lending (PSL) targets for banks to promote inclusive development and achieve Sustainable Development Goals (SDGs). Under current regulations, all banks, including foreign banks, are required to allocate 40% of their adjusted net bank credit to designated priority sectors. These allocations include sub-targets of 18% for agriculture (with 10% specifically for small and marginal farmers), 7.5% for micro enterprises, and 12% for advances to weaker sections.

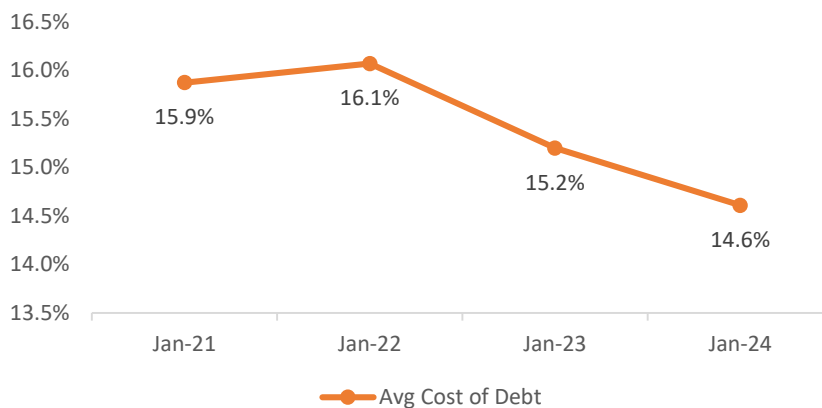
TARGETS SUMMARY UNDER PRIORITY SECTOR ADVANCES

Domestic commercial Banks / Foreign Banks with 20 & above branches	• 40% of ANBC or Credit equivalent amount of Off - Balance Sheet exposure (CEOBE), Whichever is higher.
Foreign Banks with less than 20 branches	• 40% of ANBC or CEOBE, Whichever is higher. Out of which up to 32% to Exports and minimum 8% other priority sector.

Moneyboxx Finance Ltd plays a pivotal role along with banks and lending partners in extending financial inclusion. 100% of loans granted by the NBFC are eligible for priority sector lending status. Livestock/dairy farming customers of the company qualify under 'agriculture and allied activities' and with respect to the non-cattle borrowers, 84% of them had UDYAM registration (a unique registration mechanism for micro, small and medium enterprises) making them eligible for priority sector lending. Moneyboxx is an authorized agent to facilitate UDYAM registration for its eligible borrowers.

Since Moneyboxx is in the lending business to cattle rearers and related agri business in villages, which comes under the Priority Sector Lending category, the NBFC is witnessing their borrowing cost coming down. The Average Borrowing IRR came down from 15.9% for FY21 to 14.6% for FY24, and currently, their incremental loans are priced at 13% for Q4FY24. This will bring down their Cost of Borrowings further down in the future.

Avg Cost of Debt

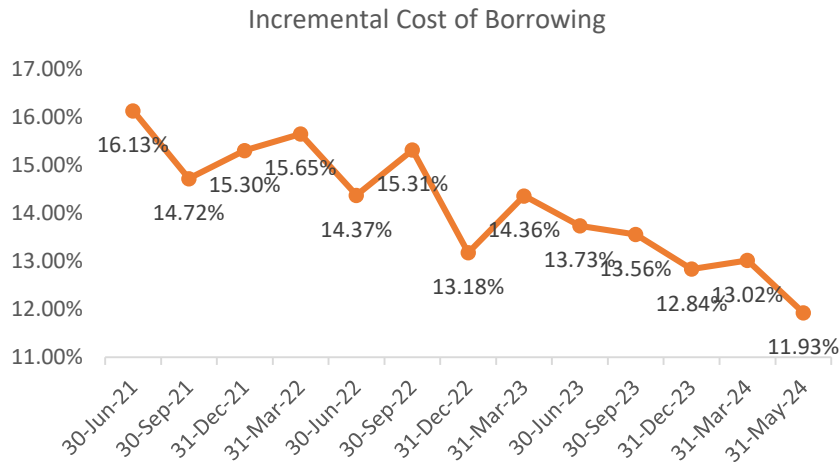


Further, the NBFC currently has around 32 lenders including 10 banks (SBI, HDFC Bank, Kotak Bank, DCB Bank, IDFC First, Federal Bank, AU SFB, Utkarsh SFB, Fincare SFB, SBM Bank), leading NBFCs (Tata Capital, Vivriti Capital) and global impact funds such as Oikocredit and Caspian Debt. The company has also established lending partnerships (co-lending with Vivriti Capital and MAS Financial and business correspondence with Utkarsh Small Finance Bank) providing on-tap liquidity of INR 5 billion annually.

Existing Lenders

Lending Partnerships

The improvements in the company's network of partners and their upgraded credit rating have led to a reduction in their incremental cost of borrowing over time. This downward trend in borrowing costs is anticipated to continue, which will consequently reduce the overall borrowing expenses and enhance profit margins.



3. Unique operational strategy (USP):

Free Vet Consultations for livestock borrowers

The NBFC employs Veterinary doctors, also known as Impact Officers, on a fulltime basis at their branches to help their livestock borrowers in improving milk yield and cattle health. These impact officers counsel livestock borrowers on cattle health, nutrition, and breed improvement to enhance milk yield. They further offer services like vaccination, treatment and artificial insemination, free of cost to the lenders, who are livestock owners. As the livestock is the main source of income for many farmers, this helps the NBFC to monitor the asset i.e. livestock and keep them safe and healthy.



Tie - ups for fruit bearing plantation

The Company is also promoting sustainable farming efforts, which will significantly increase borrowers' agricultural income. These activities include free distribution and upkeep of fruit-bearing trees to dairy farmers or borrowers with agricultural land through CSR tie-ups and internal contributions. The 10 -15% cost of which is borne by the company and remaining qualifies as CSR. The effects of these initiatives will be significant and long-lasting improvement in borrowers' income.

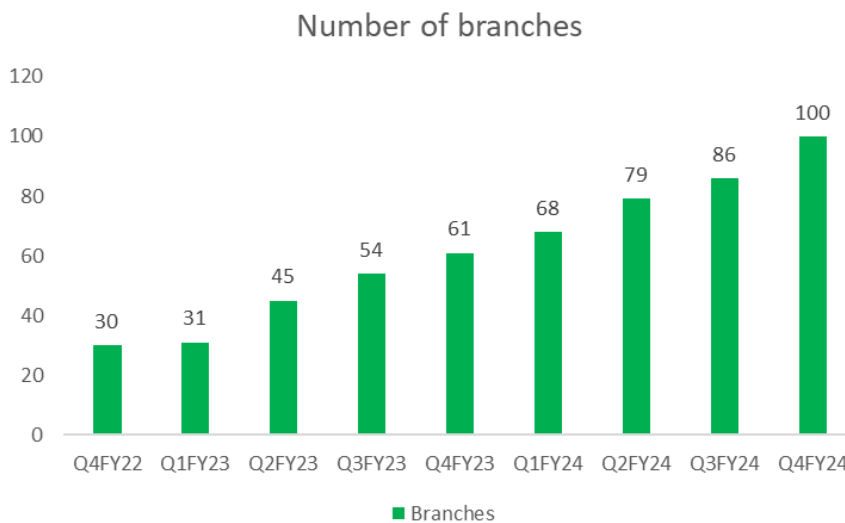
The Company has planted 12k+ fruit-bearing trees, provided free vet consultations to 36k+ livestock customers and diagnosed 340k+ cattle health up to March 2024

A hundred percent PSL NBFC

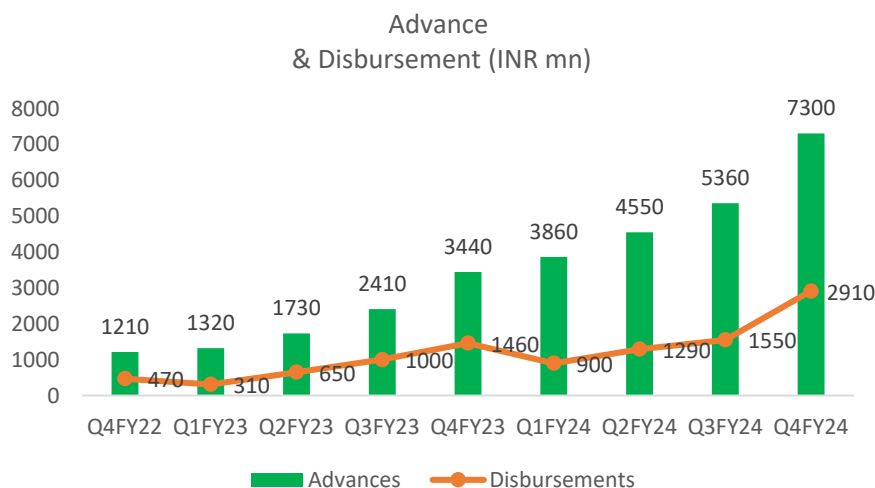
100% of loans granted by the NBFC are eligible for priority sector lending status. Livestock/dairy farming customers of the company qualify under ‘agriculture and allied activities’ and with respect to the non-cattle borrowers, 84% of them had UDYAM registration (a unique registration mechanism for micro, small and medium enterprises) making them eligible for priority sector lending. Moneyboxx is an authorized agent to facilitate UDYAM registration for its eligible borrowers

4. Highly scalable business

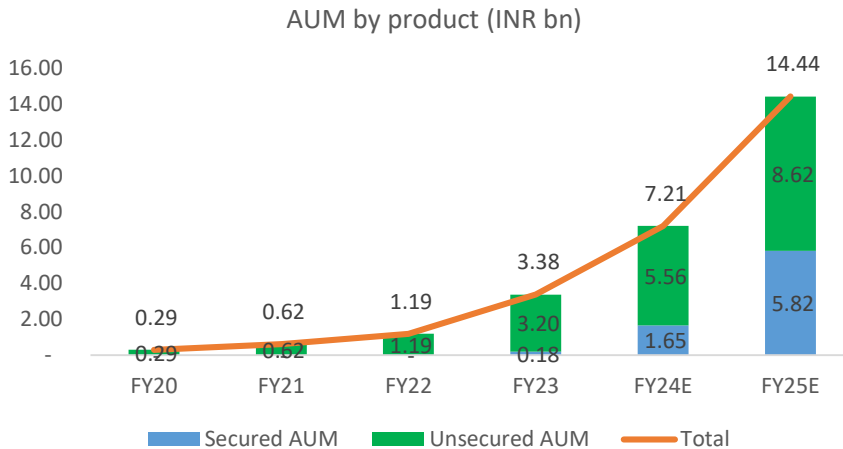
Company started operations with its first branch in Rajasthan in Feb 2019 and since then successfully scaled up presence to 86 branches across 8 states in the northern, central, and western parts of India as of March 2024. Company had 30 branches in Q4FY22, which has increased to 86 branches in Q3FY24. It has reached 100 branches by the end of FY24. Company plans to add another 75 branches in FY25. As the company expands and penetrates deeper into the markets, it will help them to build their brand name and scale up their business.



The company has been witnessing continuous growth in its AUM and disbursement, led by the increase in number of branches and branch productivity. Its AUM increased from INR 1.21 bn in Q4FY22 to INR 5.36 bn in Q3FY24 and disbursements improved from INR 0.47 bn to INR 1.55 bn. Their AUM is expected to reach about INR 7 bn in FY24 and double in FY25.

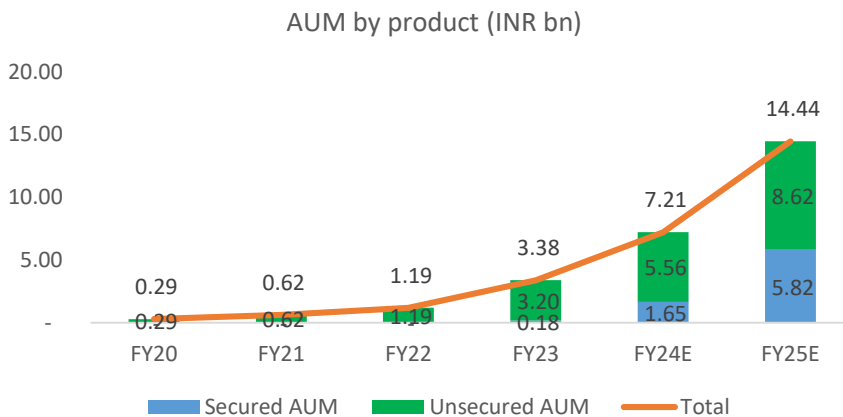


Company’s branch productivity has been increasing since past few quarters. Their AUM per branch increased from INR 4.03 cr in Q4FY22 to INR 6.23 cr in Q3FY24, backed by their tech – driven model. As their new branches mature, their productivity will increase further and aid the company to grow.



5. Increasing book of secured book backed by SORP

The NBFC started lending for secured book in FY23 which are backed by Self Occupied Residential Property. This secured book comprised 6% of their total Portfolio in FY23, and has increased to form 25% of their Portfolio in FY24. It is further projected to become 40% of their books by end of FY25 and over 55% by FY26.



Their loan portfolio consists of 77% unsecured loans and the remaining portion comprises secured loans. The management aims to increase their secured book to 40% by FY25. This will help them to bring stability to their Balance Sheet and improve their asset quality. The Yields for the Unsecured portfolio stands at 30.7% and for the secured Portfolio varies between 25-26%.

Unsecured Lending

In the unsecured lending segment, loans range from INR 70,000 to INR 3 lakhs with a maximum tenure of 2 years. The average tenure for these loans is 28 months. The company does not plan to extend the maximum tenure of unsecured loans in the future due to associated risks and the typical lifespan of the livestock collateral.

Average ticket size –
INR 70k – 3 Lakhs

Average yield –
30.7%

Average loan tenor –
28 months

Secured Lending

Secured loans offered by the company have ticket sizes ranging from INR 2 lakhs to INR 10 lakhs with a maximum tenure of 7 years. The average tenure for secured loans is 52 months. Moneyboxx Finance Ltd intends to increase the ticket sizes for secured loans in the coming 2-3 years as demand grows and customer credit histories mature.

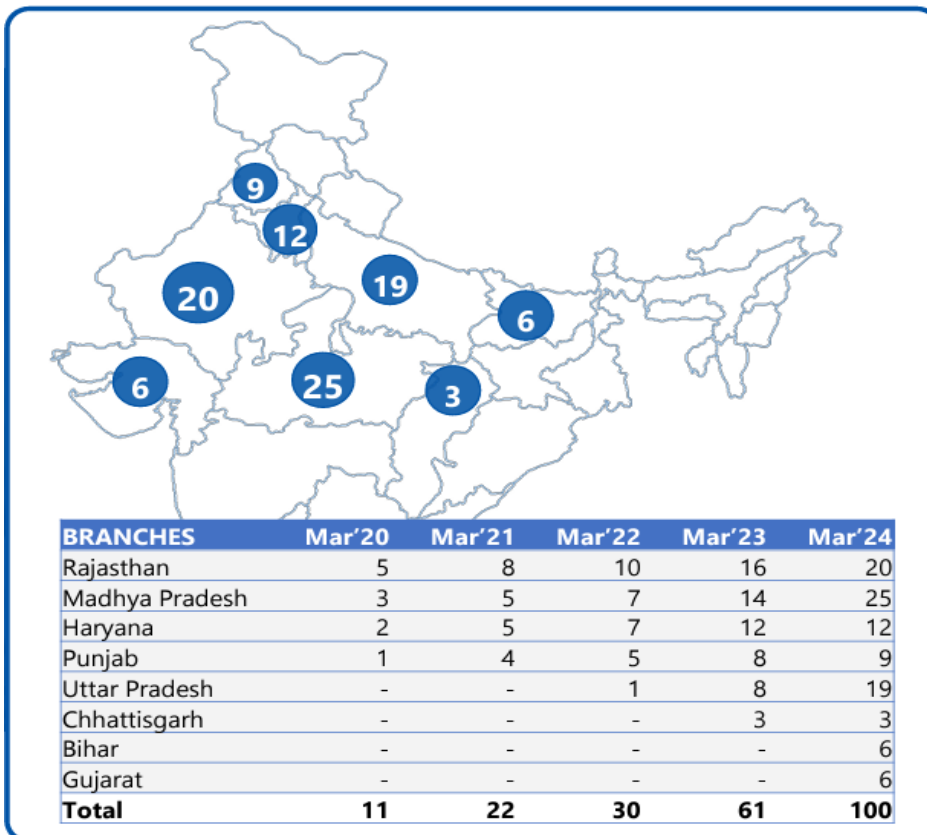
Average ticket size –
INR 2 Lakhs to
3 Lakhs

Average yield – 26%

Average loan tenor –
52 months

About the company

Moneyboxx Finance Limited (formerly known as Dhanuka Commercial Limited) is a BSE-listed, non-systemically important, base layer non-banking financial company (NBFC-BL) registered with the Reserve Bank of India. Dhanuka Commercial Private Limited was originally incorporated on 1994 and became a limited company Dhanuka Commercial Limited (Dhanuka) in Feb 2014. Moneyboxx Capital Private Limited (MCPL), the promoter company of Moneyboxx Finance Limited (MFL), acquired a controlling stake in Dhanuka in 2018 via a share purchase agreement from the erstwhile promoters and renamed Dhanuka to Moneyboxx Finance Limited from Jan-2019, it started lending operations by opening its first branch in Rajasthan in February 2019. It has since then successfully scaled up presence to 100 branches across 8 states in the northern, western, and central parts of India as of March 2024: Rajasthan (20 branches), Madhya Pradesh (25), Haryana (12), Punjab (9), Uttar Pradesh (19), Chhattisgarh (3), Bihar (6), and Gujarat (6).



They focus on underserved rural areas and wish to establish pan-India presence in the medium-term. They started operations by opening branches in the northern, central, and western states of India and plans to enter south India in FY25 targeting pan-India presence.

They aim to expand their geographical presence in southern region in 3 new states viz., Karnataka, Tamil Nadu and Telangana.

Moneyboxx addresses the credit requirements of micro enterprises operating in essential sectors, such as livestock (dairy farming), kirana (grocery stores), retail trading, and micro-manufacturing. The company provides both unsecured and secured business loans ranging from INR 0.1 to 1 million.



The company's portfolio primarily consists of livestock/dairy owners with 66.2% of AUM, kirana/grocery 8.1%, and retail traders 16.8%, as of Mar'24, which has enabled it to build a strong and resilient portfolio relatively immune to economic cycles and external stress events such as pandemic. During the pandemic period, the NBFC focused on growing its AUM with focus on essential sectors, as a result, the share of livestock segment increased from 51.5% of AUM as of Mar'20 to 67.2% as of Mar'23. Going forward, the share of non-livestock segments such as retail trading is expected to increase back to pre-pandemic level over time. Also, the company is increasing its focus on secured lending, which accounts for 24% of total AUM and 30% of Livestock AUM as of Mar'24.

The company follows robust underwriting standards and selection criteria for the livestock segment which require five or more cattle, multiple income sources, ownership of agricultural land which provides animal feedstock and additional income or another job providing additional income stability.

The company has presence across 8 states in the northern, western, and central parts of India as of March 2024.

Their AUM is well-diversified across regions with a focus on essential sectors and lending stability to portfolio quality. No single state forms more than 30% of its AUM with Madhya Pradesh at 29.9%, Rajasthan 24.2%, Haryana 16.8%, Punjab 12.3%, Uttar Pradesh 12.5%, Chhattisgarh 3.5%, Bihar 0.6%, and Gujarat 0.2%. The company plans to expand its operation in the southern region in the state of Karnataka, Tamil Nadu and Telangana, which will help their AUM to grow.

AUM by States	Mar'21	Mar'22	Mar'23	Mar'24	Mar'21	Mar'22	Mar'23	Mar'24
Rajasthan	0.26	0.39	0.95	1.77	40.6%	31.9%	27.6%	24.2%
Madhya Pradesh	0.14	0.30	0.92	2.19	22.8%	24.5%	26.7%	29.9%
Haryana	0.13	0.28	0.70	1.23	20.1%	23.4%	20.3%	16.8%
Punjab	0.10	0.24	0.61	0.90	16.5%	19.6%	17.7%	12.3%
Uttar Pradesh	0.00	0.01	0.18	0.92		0.5%	5.2%	12.5%
Chhattisgarh			0.08	0.26			2.3%	3.5%
Bihar				0.05				0.6%
Gujarat				0.01				0.2%
AUM INR billion ^	0.63	1.21	3.44	7.31	100.0%	100.0%	100.0%	100.0%

Livestock is an essential sector that is least affected by external macro risks and the livestock portfolio is well-diversified across regions.

AUM by Segments	Mar'21	Mar'22	Mar'23	Mar'24	Mar'21	Mar'22	Mar'23	Mar'24
Livestock #	0.42	0.84	2.31	4.84	66.5%	69.0%	67.2%	66.1%
Trading	0.12	0.21	0.57	1.23	19.5%	17.6%	16.6%	16.8%
Mfg.	0.04	0.07	0.20	0.47	6.1%	5.8%	5.8%	6.4%
Kirana	0.04	0.08	0.29	0.59	6.8%	6.7%	8.4%	8.1%
Services	0.01	0.01	0.07	0.19	1.2%	1.0%	2.0%	2.6%
AUM INR billion ^	0.63	1.21	3.44	7.31	100.0%	100.0%	100.0%	100.0%

Livestock/dairy currently consists of 66.1% of AUM, as of Mar'24. The company's unique strategy of employing vet officers, strong underwriting criteria and the requirement of multiple sources of income have ensured low credit costs.

Moneyboxx has full-time vet officers on its payroll who provide ongoing guidance to borrowers on the overall health management of the cattle, improving milk yield, vaccinations, feedstock, breed, and government schemes. This differentiated and free service helps borrowers in protecting their livestock and livelihoods and leads to a sustainable change in their income levels.

Strong Underwriting Process:

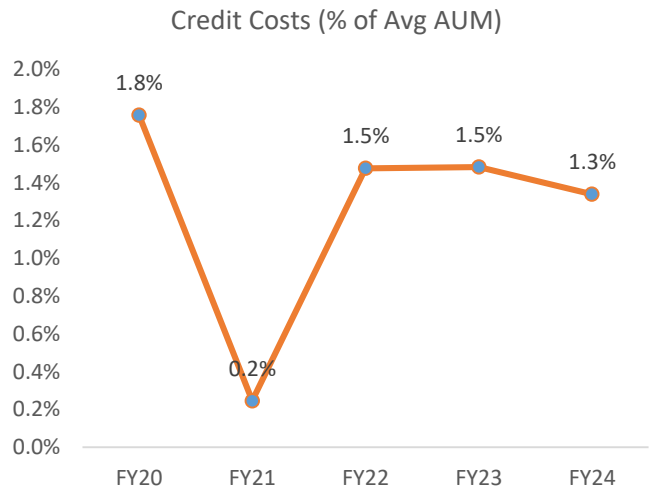
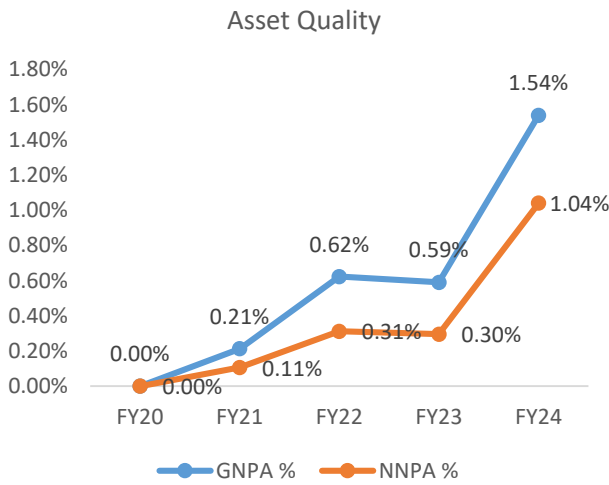
To maintain high asset quality and serve micro enterprises effectively in sectors like livestock (dairy farming), kirana (grocery stores), retail trading, and micro-manufacturing, Moneyboxx emphasizes the importance of a robust underwriting process to ensure the creditworthiness of its customer base.



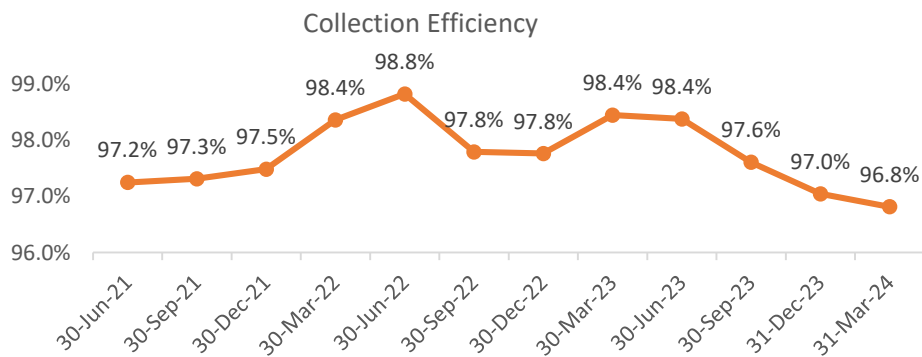
Moneyboxx ensures high asset quality by adhering to stringent underwriting standards and selection criteria for the livestock segment. Borrowers are required to own at least five cattle and have multiple sources of income. Additionally, they must own agricultural land that provides animal feedstock and supplementary revenue.

To further stabilize income, borrowers should have another job or income source. These criteria help Moneyboxx maintain a robust customer base and reduce credit risk, ensuring sustainable lending practices in the essential micro-enterprise sector.

This has helped them to maintain their asset quality even during the time of pandemic. The asset quality of the company remained below, 2% despite their AUM growing at a rapid pace. Further, their credit cost has also remained below 2%, due to their robust underwriting processes.



The implementation of stringent customer selection criteria has enabled the company to sustain a high collection efficiency ratio.



Moneyboxx is committed to creating a sustainable social impact by bringing in transformational change in borrower’s income levels. It is enabling a multi-fold increase in the disposable income of its borrowers.

The company has implemented various beyond-lending initiatives aimed at creating a sustainable impact on borrower’s lives and environment viz: (i) full-time vets in branches as impact officers for guidance to livestock borrowers on managing cattle health and livestock awareness camps for guidance to a wider village community (ii) agro-forestry drive with CSR partners involving plantation of fruit-bearing trees for borrowers with agricultural land, promoting sustainable farming and increase in income of farmers.

Beyond-lending impact initiatives

 **340k+**
Free cattle diagnosis

 **12,000+**
Fruit-bearing trees planted

(iii) funding for bio-digesters, converting animal bio-waste into clean fuel and generation of organic manure.

The NBFC, today has:

 **100 Branches**

 **52k+ Live accounts**

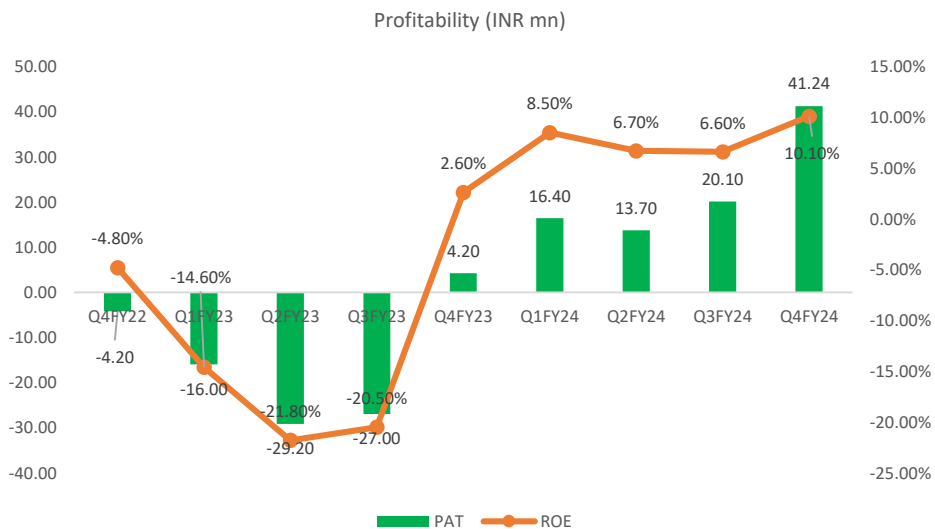
 **1300 Employees**

 **₹730* crore AUM**

 **₹ 1207 crore**
Cumulative disbursements

 **32 Lenders**

Achieved profitability from Q4 FY23 and strong profitability in FY24:



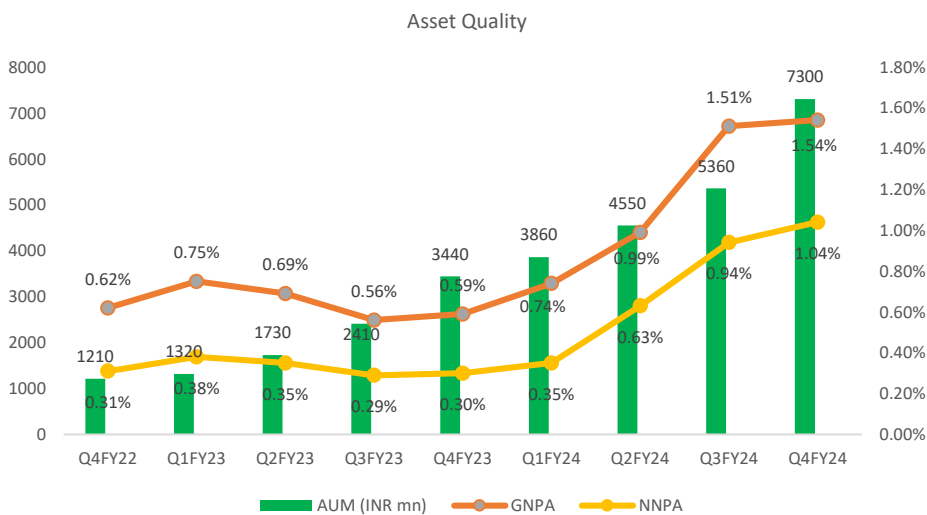
Moneyboxx experienced initial operational losses, with FY20 losses attributed to the build-out phase. Losses in FY21 and FY22 were primarily due to reduced productivity amid the COVID-19 pandemic and associated loan write-offs. Additionally, the company faced higher borrowing costs due to the lack of a credit rating and the nascent stage of its operations. However, with the attainment of an investment-grade credit rating in FY23, enhanced funding visibility from banks and partnership lending, increased branch productivity as operations matured, and expanding AUM, Moneyboxx reached a profitability inflection point in Q4 FY23, reporting a profit after tax of INR 4.2 million.

Further, the NBFC witnessed significant improvement in their spreads which is consequently improving their returns. The internal spreads for FY24 stood at 15.9% against 13.9% in FY23. This comes as a result of both lending yields increasing due to interest rate increase over last year as average lending IRR increased from 29.1% in FY23 to 30.5% in FY24.

Furthermore, the Average Borrowing IRR of the company came down from 15.2% for FY23 to 14.6% for FY24, and currently, their incremental loans are priced at 13% for Q4FY24. This will bring down their Cost of Borrowings further down in the future. Their incremental borrowing cost is expected to reduce by 100bps, led by improvement in credit rating. Also, the NBFC currently has around 32 lenders including banks and other NBFCs.

Profitability is further expected to improve driven by declining cost of borrowings, improving productivity with vintage, increased share of secured lending business, and the benefit of operating leverage with growing scale of operations.

Strong Asset Quality:



Moneyboxx has strong asset quality with low NPAs and write-offs owing to its focus on essential sectors and robust underwriting practices. While asset quality moderated during FY24 as agriculture-driven rural economy was affected by high and erratic rains in company’s operating states of Punjab, Haryana, Rajasthan and Uttar Pradesh, the Company has one of the lowest NPAs and credit costs in the segment owing to its robust underwriting practices and focus on essential sectors.

Gross NPA increased to 1.54% of AUM as of Mar’24 compared to 0.59% as of Mar’23 and Net NPA increased to 1.04% as of Mar’24 compared to 0.30% as of Mar’23. Credit costs remained contained at about 1.5% in FY22 and FY23 despite extreme conditions in the wake of pandemic. Unlike stress conditions in the past, the recent deterioration is expected to normalize sooner supported by increasing share of secured lending (24% of AUM as of Mar’24 compared to 5% as of Mar’23). Further, company has been able to maintain their GNPA below 2%, despite a rapid increase in their advances. Their advances doubled from INR 3440 mn in FY23 to INR 7300 mn in FY24 but, GNPA continued to remain below 2%. The enhanced proportion of secured assets within the AUM, coupled with strong underwriting practices, is anticipated to fortify asset quality. Consequently, we expect a sustained robustness in asset quality moving forward.

Further, The company’s unique strategy of employing vet officers, strong underwriting criteria and the requirement of multiple sources of income have ensured low credit costs.

Peer Analysis

Despite challenges related to pandemic, Moneyboxx Finance Ltd has demonstrated strong execution capability and has achieved better performance on operating efficiency and asset quality metrics compared to peers in similar vintage band.

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E
Branches	30	61	100	175	275	375
AUM (INR bn)	1.2	3.4	7.2	14.4	25.8	40.6
% Secured AUM	0%	5%	23%	40%	55%	63%
Total Income (INR mn)	233	504	1233	2484	4620	7681
PAT (INR mn)	-37	-68	85	273	779	1541
ROA	-3.50%	-2.90%	1.80%	2.90%	4.50%	5.30%
ROE	-13.40%	-12.60%	7.50%	10.90%	15.50%	17.90%

The small business loans market remains underserved, presenting significant growth potential. Peer companies have demonstrated the scalability of this business model, achieving substantial assets under management growth even amidst the economic slowdown induced by the pandemic.

AUM of Five-Star Business Finance grew by about 10 times from INR 10 bn to INR 96.4 bn from Mar'18 to Mar'24.

Five-Star Business Finance	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Branches	103	130	173	252	262	300	373	520
AUM (INR bn)	4.9	10.1	21.1	38.9	44.5	50.7	69.1	96.4

AUM of Veritas Finance grew by approximately 17 times to INR 57.2 bn in FY18-24.

Veritas Finance	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Branches	43	72	147	202	204	229	287	382
AUM (INR bn)	0.9	3.4	7.5	13	15.6	21.9	35.3	57.2

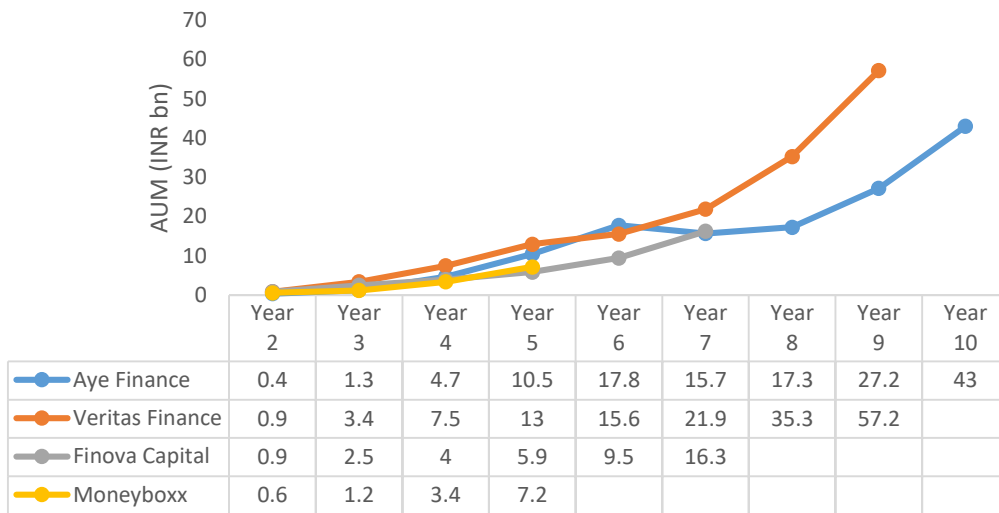
AUM of Aye Finance also grew by about 10 times from INR 4.7 bn to over INR 43 bn from FY18 to FY24.

Aye Finance	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Branches	33	72	104	173	211	311	398	500
AUM (INR bn)	1.3	4.7	10.5	17.8	15.7	17.3	27.2	43

Scalable business model

Peers have demonstrated the steady growth in business in terms of AUM, despite pandemic. AUM of Five-Star Business Finance grew by about 10 times from INR 10 bn to INR 96.4 bn from Mar'18 to Mar'24. Further, AUM of Veritas Finance grew by approximately 17 times to INR 57.2 bn in FY18-24 and AUM of Aye Finance also grew by about 10 times from INR 4.7 bn to over INR 43 bn from FY18 to FY24. This implies that the industry has huge growth potential and will help the company to grow.

Scalable business model

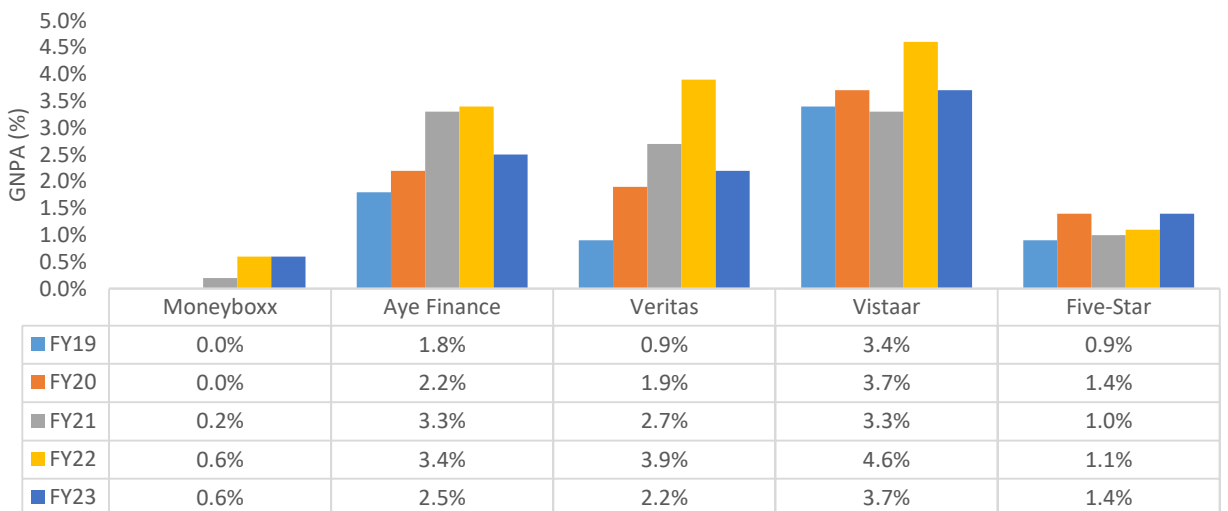


Operating year	1	2	3	4	5	6	7	8	9	10
Aye Finance	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Veritas Finance	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	
Finova Capital	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24		
Moneyboxx	FY20	FY21	FY22	FY23	FY24					

Strong Asset Quality

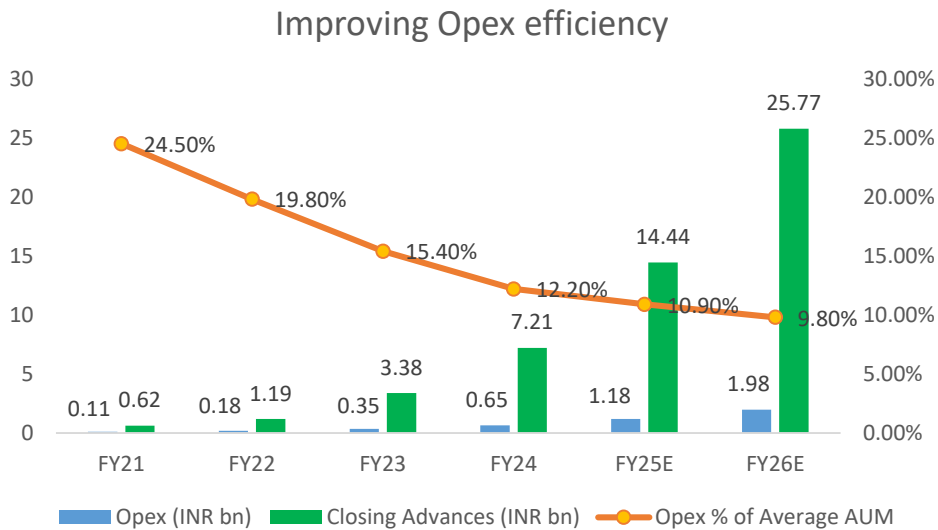
Moneyboxx Finance Ltd continues to display strong asset quality as compared to their peers. Their advances doubled from INR 3440 mn in FY23 to INR 7300 mn in FY24 but, GNPA continued to remain below 2%. We expect their asset quality to remain strong, going forward.

Asset Quality

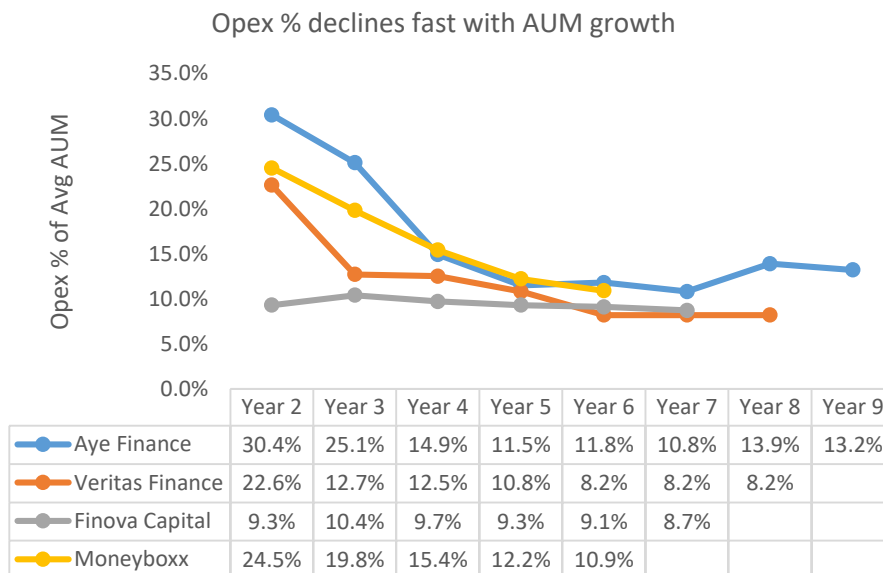


Improving operating efficiency with scale

Company’s operational efficiency has shown consistent improvement with the growth in AUM. Given the business's high operating leverage, operating expenses (Opex) as a percentage of average AUM are projected to decline significantly as operations scale up. This trend is also reflected in the Opex patterns of peer companies.

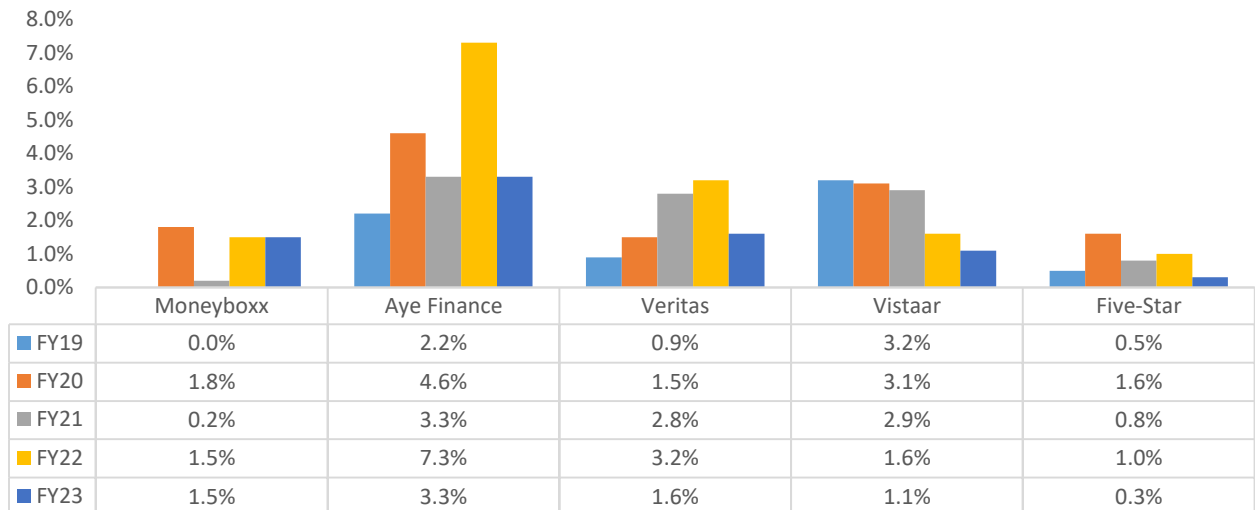


During the initial years, NBFCs opex was high at 24.5% in FY21, due to lack of credit rating and poor productivity during pandemic. Post pandemic, company’s Opex % declined from 24.5% of average AUM in FY21 to 19.8% in FY22, further declined to 12.2% in FY24, and is estimated to have declined to 10.9% in FY24 with rising AUM, driven by improvement in credit rating and branch productivity. As more branches mature, their productivity will improve, which will help boost the performance of the company.



Credit cost: One of the lowest among the peers

Credit Costs (% of Avg. AUM)



Moneyboxx Finance Ltd: Funding Rounds

Funding Rounds	Share Price (INR)	Fund Raise (INR crore)	Pre-money Valuation (INR crore)	Pre-money Book Value (INR crore)	Post-money Book Value (INR crore)	Pre-money P/B	Post-money P/B	Pre-money AUM multiple	Post-money AUM multiple
Mar-19 #		19.03			19.03				
Feb-20	70	11.65	128.92	15.48	27.13	8.33x	5.18x	4.40x	4.80x
Dec-21	95	14.42	190.78	20.85	35.27	9.15x	5.82x	2.05x	2.20x
Jun-22	115	20.77	248.39	32.51	53.28	7.64x	5.05x	1.88x	2.04x
Mar-23	160	24.26	374.49	48.78	76.40	7.68x	5.46x	1.09x	1.16x
Dec-23	172	74.16	440.22	84.51	158.68	5.21x	3.24x	0.82x	0.96x
Total		164.29							
Warrants conversion ^		13.46							
ESOP allotment		0.87							
Total		178.61							
Proposed: Q1 FY25	280 *	150	856	171 @	321	5.01x	3.14x \$	1.10x	1.29x

Equity as of March 31, 2019

^ Warrants converted to Equity worth INR 13.46 crore issued to Co-CEOs in Sep'22 (3.36 received in Sep'22, 5.18 received in Sep'23 and 4.92 received in Mar'24)

@ Projected Pre-money book value as of June 30, 2024 (Q1 FY25)

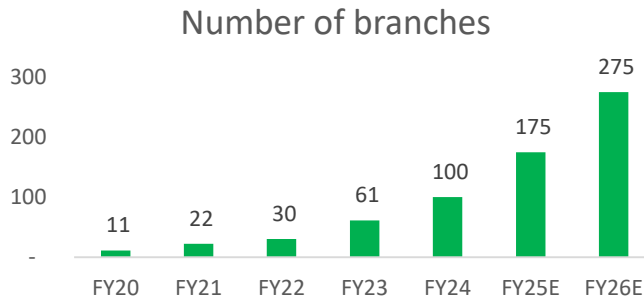
* (a) Offer price subject to SEBI Guidelines (b) Commitment per applicant – INR 1 crore or higher

\$ Post-money P/B multiple of 3.14x assuming equity fund raise of INR 150 crore

Outlook

Branches

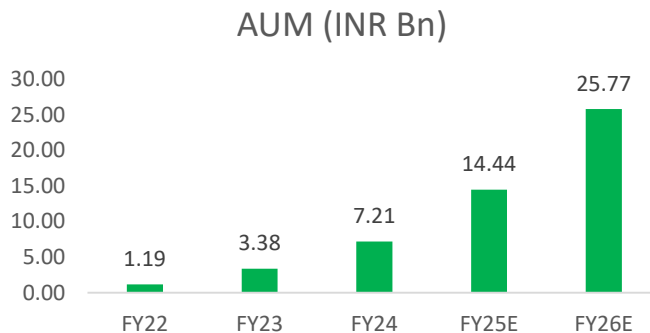
Company is focusing on continuous branch expansion to penetrate deeper into the markets. From having 30 branches in FY22, they expanded to 100 branches in FY24. This has helped them to increase their presence in India, which in turn helped them to increase their AUM at a rapid pace. Their branch expansion is expected to continue going forward, which will help them to increase their business. Management has guided to add 75 branches in FY25 and 100 branches in FY26.



Further, they started operations by opening branches in the northern, central, and western states of India and plans to enter south India in FY25 targeting pan-India presence. They aim to expand their geographical presence in 3 new states viz., Karnataka, Tamil Nadu and Telangana.

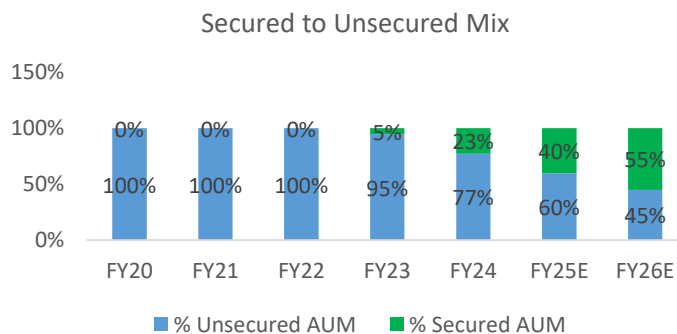
Asset under management

Their AUM went from INR 1,190 mn in FY22 to INR 7,207 mn in FY24. We expect their AUM to be doubled in FY25, driven by branch expansion, entering into new markets, increasing focus on secured book and improving branch productivity.



Secured book

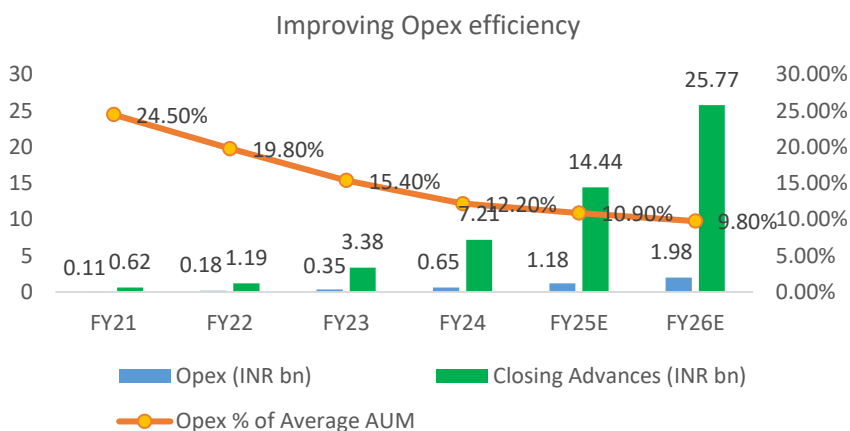
The company has strategically shifted its focus towards secured lending, leading to a significant increase in its secured loan portfolio. In FY23, the secured book constituted 6% of the total AUM. This figure rose substantially to 23% in FY24.



As the company's AUM doubles in FY25, the proportion of secured lending within the portfolio is expected to further increase, reaching 40%. This indicates a robust growth trajectory and a strengthened emphasis on secured lending as a core component of the company's financial strategy. This will further help the company to maintain their asset quality.

Opex

The company is aggressively expanding its branch network, a strategy that is expected to lead to a rise in operating expenditures in the short to medium term. On average, each new branch requires approximately 6 months to reach break-even before it begins contributing to profitability. This expansion is reflected in the company's financials, with OPEX increasing from INR 0.18 bn in FY22 to INR 0.65 bn in FY24. This trend is anticipated to continue as the company pursues further growth in its branch network. Despite a rise in operating expenditures over the past few years, the company has demonstrated consistent improvement in operational efficiency, correlating with the growth in AUM.



Moneyboxx Finance Ltd has reported its first year of profitability in FY2024, marking a significant milestone. With most of the NBFC's fixed costs and IT infrastructure already established, the company has strategically increased its secured book from 6% in FY23 to 23% in FY24. This focus on enhancing the secured portfolio is expected to continue, with a target of 40% by FY25.

The company's Assets Under Management is anticipated to double in FY25, driven by an aggressive branch expansion strategy and improved branch productivity. While the addition of new branches is expected to elevate operating expenses, operational efficiency is forecasted to improve concurrently as the AUM scales up.

However, as the product mix increasingly favors secured loans, the NIMs may experience pressure due to a decline in yields. This potential downside is expected to be offset by a reduction in the cost of borrowings, attributed to an enhanced credit rating. Additionally, the increase in the secured book is projected to support the maintenance of robust asset quality.

Y/E Mar (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII	117.4	271.3	648.0	1340.1	2576.8	4393.1
PAT	-37.2	-68.0	91.4	272.7	779.2	1541.4
Networth	345.1	764.0	1688.5	3440.2	6719.4	10760.7
Adj BVPS (Rs)	15.8	30.5	55.0	95.0	162.8	243.3
EPS (Rs)	-1.7	-2.7	3.0	7.6	18.9	34.9
P/E (x)	-172.4	-108.8	99.1	39.3	15.7	8.5
P/Adj BV (x)	18.8	9.7	5.4	3.1	1.8	1.2

Management Meet Highlights:

Guidance:

- The Management gave guidance of AUM of INR 7,000 mn for FY24 end and of INR 12,000 mn by FY25 end and INR 20,000 mn by FY26 end on a conservative basis as they have already achieved INR 5,300 mn by end of Dec 2023.
- The Management is expecting the NBFC's Credit rating to improve from current BBB(-) to BBB by the end of March 2024, to BBB(+) by Nov 2024, and achieve A(-) credit rating by Dec 2025.
- The Management maintains guidance of 20% RoE for FY25.

Business Overview & Mix:

- Unsecured Loan Portfolio: Moneyboxx's loan Portfolio consists of 76% of Unsecured Loans and the rest 24% as Secured Loans.
- The Unsecured Loans range between ticket sizes of INR 70,000 to INR 3 lakhs with a maximum tenure of up to 3 years. The average tenure of unsecured loans is 28 months (Door to Door basis). The Company doesn't intend to extend the maximum tenure of the unsecured loans in the future in view of the risk and also the cattle life span.
- The Secured Loans range between ticket sizes of INR 2 lakhs to INR 10 lakhs with a maximum tenure of up to 7 years. The average tenure of secured loans is 52 months (Door to Door basis). The company will be increasing their ticket sizes in the next 2-3 years down the line as the demand increases as well as the customers history mature over time.
- Livestock Owners (66% of overall loans, Agro PSL category): Moneyboxx's USP is their customers who are owners of Cattle livestock (Jersey Cows & Buffaloes) making up 66% of their loan book.
- The criteria for Livestock owners is that they have to have a minimum herd size of 5 cattles and a second income apart from the cattle's produce.
- The Yields for the Unsecured portfolio stands at 30.7% and for the secured Portfolio varies between 25-26%.

Key Highlights:

- The Average cost of Borrowing for the NBFC increased by 25-35 bps due to the RBI guidelines for NBFC exposure, taking their average Cost of Overall Borrowings to 14.7% at the end of Q3FY24. The incremental Cost of Borrowings stood at 12.84% for Q3FY24 (incl. Processing fees) and is expected to increase marginally by 25 bps to 13.1% for Q4FY24 before again coming down from Q1FY25.
- However, going ahead, their overall Cost of Borrowings will still be coming down due to the incremental Cost of Borrowings much lower than their long term average cost of borrowings, while their Yields have mostly remained same with the credit demand intact in high double digits.
- The reason why the NBFC is able to source lower cost of funds is due to the fact that their 65% of the Loan book of Livestock Owners falls in the Priority Sector Lending category, and hence the banks are not categorizing them as just another unsecured NBFC but PSL lending NBFC, which in turn is benefitting their PSL funding requirements.
- The Secured lending book which only started in FY23 and stood at 5% overall AUM in March 2023, has already jumped to 19% as of Dec 2023, and management intends to achieve up to 25% of overall mix as of FY24 end and 40% as of FY25 end. This rapid growth is due to the longer tenure of the Secured Loan Portfolio as well as the multiple times of the ticket size of the Secured loans. As per the Management, 90% of the Secured loans are secured with SORP (Self Occupied Residential Property).
- Moneyboxx has borrowed from several lenders including large banks as well as NBFCs, and the PSL Loan Portfolio has been the key selling point for the NBFC sourcing funds at lower rates incrementally.
- The Company has raised INR 1,735 mn of Equity Capital since inception, and has recently raised INR 742 mn of equity capital in Dec 2023.

Strong Management Team:

Name	Designation	About
Mayur Modi	Co-CEO and COO	He is a Chartered Accountant with over 20 years of experience in financial services industry. Starting career with GE Capital, he went on to work with large financial institutions like JP Morgan and HSBC. He served as Associate Director at HSBC in his last role, lending to Banks and FIs. His areas of expertise include banking and capital market products, credit ratings of FIs, industry research, relationship management, and risk management. He, along with Co-CEO, lays out the strategic roadmap, and drives execution of the business plan. He leads the Sales, Operations, IT and HR functions and is actively involved in the build-up of IT stack (core lending platform), and operating policies in the Company.
Deepak Aggarwal	Co-CEO and CFO	He is a qualified Chartered Accountant with more than 20 years of experience and has worked with leading organizations such as Bank of America, KPMG, GE Capital, and Infosys (for Deutsche Bank). He has a decade-long experience in running own boutique investment banking firm named Avancer Capital Partners, raising private equity and debt of more than INR 25 billion for corporate clients. Core competence areas include capital funding (PE, debt & venture capital), capital structure optimization, growth, and strategy consulting. He is responsible for equity & debt raising, treasury management, budgeting, product strategy, formulating credit policies, impact initiatives, business plan and profitability improvement initiatives across the Company. He has relationships with a large number of private equity firms, banks, NBFCs, and impact funds. He is keen on investing and contributing to financial inclusion and impact initiatives.
Vikas Bansal	Chief Risk Officer	Vikas has over 20 years of rich experience in retail and corporate lending space, including over 15 years at TATA Capital and 4 years with Kotak Mahindra Bank. In his last role at Tata Capital, he served as National Credit Head for emerging businesses and digital lending. His areas of expertise include credit underwriting, portfolio and risk management, and strategic planning. At Moneyboxx, as CRO, he is leading the Risk function and driving tech-driven underwriting, AI, and risk analytics initiatives.
Viral Sheth	Finance Controller	Chartered Financial Analyst with more than 20 years of experience in finance covering corporate finance, credit risk and equity research. He has previously worked with leading organizations such as HSBC and Infosys. He is responsible budgeting, financial planning and analysis, finance strategy and profitability improvement, and financial reporting. The management team is well supported by a strong executive team with relevant industry experience and the presence of veteran independent directors (ex-RBI executive director, ex-IAS, and ex-CEO of MFIN) reflects focus on strong corporate governance.
Uma Shankar Paliwal	Chairman & Independent Non-Executive Director	A veteran with over 35 years of experience in banking. Formerly served as Executive Director at Reserve Bank of India, and Director Supervision at Bank of Mauritius. Currently working as CEO of Currency Cycle Association and serving as an independent director on multiple NBFCs and advising companies.
Ratna Vishwanathan	Independent Non-Executive Director	She had been a career civil servant for over two decades (ex-IAS officer in departments like Indian Audit & Accounts Services and CAG) and has over 35 years of experience in various sectors apart from the civil service, including development, microfinance, environment, and education. She served as ex-CEO of Microfinance Institution Network for four years and currently is the CEO of a global NGO. She also serves as independent director on the board of Fusion Micro Finance Ltd.

Income Statement

P&L (INR mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest income	222.9	488.0	1076.1	2077.6	3858.0	6485.6
Interest expense	105.6	216.8	428.1	737.5	1281.2	2092.5
NII	117.4	271.3	648.0	1340.1	2576.8	4393.1
Non-interest income	10.1	16.4	203.5	406.7	761.6	1195.8
Net revenues	127.5	287.6	851.5	1746.8	3338.3	5588.9
Operating expenses	170.0	335.8	641.4	1128.5	1883.0	2861.2
Depreciation	9.4	17.3	33.5	54.8	93.3	141.0
Total Opex	179.4	353.1	674.9	1183.2	1976.3	3002.2
PPOP	-51.9	-65.5	176.6	563.6	1362.0	2586.7
Provisions	13.4	33.9	71.1	171.8	320.8	526.9
PBT	-65.2	-99.4	105.6	391.8	1041.2	2059.8
Tax	-28.0	-31.4	14.2	119.0	262.0	518.4
PAT	-37.2	-68.0	91.4	272.7	779.2	1541.4

Balance Sheet

Balance sheet	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share capital	216.0	249.2	304.9	360.5	411.7	441.6
Reserves & surplus	129.1	514.8	1383.6	3079.8	6307.7	10319.1
Net worth	345.1	764.0	1688.5	3440.2	6719.4	10760.7
Borrowings	994.4	2406.2	4522.3	8437.1	15025.0	24153.6
Other liability	59.7	149.7	480.8	319.9	569.2	895.8
Total liabilities	1399.3	3319.8	6691.6	12197.2	22313.6	35810.1
Fixed assets	50.8	98.3	237.7	322.3	466.8	587.1
Advances	1183.7	2380.8	4908.1	9817.8	17681.5	28637.5
Investments	0.0	0.0	105.3	0.0	0.0	0.0
Cash	78.8	644.0	1136.4	1551.7	3263.2	5163.8
Other assets	85.9	196.7	304.2	505.5	902.1	1421.7
Total assets	1399.3	3319.8	6691.6	12197.2	22313.6	35810.1

Exhibit : Key Metrics

Key Metrics	FY22	FY23	FY24	FY25E	FY26E	FY27E
Branches (year-end)	30	61	100	175	275	375
YoY	36%	103%	64%	75%	57%	36%
Employees	309	735	1,287	2,275	3,564	4,846
YoY	39%	138%	75%	77%	57%	36%
Disbursements (INR Cr)	112	341	665	1,296	2,117	3,072
YoY	103%	203%	95%	95%	63%	45%
AUM (INR Cr)	119	338	721	1,444	2,577	4,062
YoY	92%	184%	113%	100%	78%	58%
% Secured AUM	0%	5%	23%	40%	55%	63%
% Managed AUM	0%	29%	32%	31%	31%	29%
AUM per Branch (INR Cr)	4.0	5.5	7.2	8.3	9.4	10.8
AUM per Employee (INR Cr)	0.39	0.46	0.56	0.63	0.72	0.84
Total Income (INR Cr)	23	50	128	248	462	768
YoY	112%	116%	153%	95%	86%	66%
PAT (INR Cr)	-4	-7	9	27	78	154
YoY	25%	83%	-234%	198%	186%	98%
Equity Raised (INR Cr)	14	48	85	150	250	250
Closing Equity (INR Cr)	35	76	167	344	672	1,076
Debt Raised (INR Cr)	83	225	373	634	1,021	1,468
Closing Debt (INR Cr)	98	238	444	826	1,475	2,381
ROA %	-3.5%	-2.9%	1.8%	2.9%	4.5%	5.3%
ROE %	-13.4%	-12.6%	7.5%	10.9%	15.5%	17.9%
Capital Adequacy	31%	31%	27%	29%	32%	32%
Debt / Equity	2.84	3.12	2.66	2.40	2.20	2.21
AUM / Equity	3.45	4.43	4.32	4.20	3.84	3.77
GNPA %	0.6%	0.6%	1.5%	2.0%	2.0%	2.0%
Credit Costs as % of Avg. AUM (W/off + ECL)	1.5%	1.5%	1.3%	1.6%	1.6%	1.6%

Exhibit : Business drivers

Business Growth Drivers	FY22	FY23	FY24	FY25E	FY26E	FY27E
(A) Branches (year-end)	30	61	100	175	275	375
(B) Avg. Branches during the FY	23	45	80	141	227	327
(C) Avg. Disbursement per Branch (INR Crore p.m.)	0.5	0.6	0.7	0.8	0.8	0.8
Average Monthly Branch Head Count	9.6	10.6	11.6	12.0	12.0	12.0
Branch Productivity per employee (INR Lakhs)	5.7	6.0	6.0	6.4	6.5	6.5
(D) Operating Months	9	12	12	12	12	12
(E) Gross Disbursements: INR crores (B x C x D)	112	341	665	1,296	2,117	3,072

Exhibit : AUM drivers

AUM (INR crores)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Opening	62	119	240	489	994	1,791
Add: Net Disbursements	105	319	411	759	1,240	1,790
Less: Repayments	-47	-196	-159	-248	-428	-653
Less: Loan Write-offs	-1	-2	-3	-7	-15	-28
On Book AUM	119	240	489	994	1,791	2,900
Managed Book: Co-lending & BC	-	98	231	450	787	1,162
Total AUM	119	338	721	1,444	2,577	4,062
AUM growth (YOY)	92.4%	184.0%	113.1%	100.4%	78.5%	57.6%
% On-book AUM	100%	71%	68%	69%	69%	71%
% Managed Book AUM	0%	29%	32%	31%	31%	29%
AUM by Product						
Secured AUM	0	18	165	582	1,429	2,543
Unsecured AUM	119	320	556	862	1,149	1,519
% Unsecured AUM	100%	95%	77%	60%	45%	37%
% Secured AUM	0%	5%	23%	40%	55%	63%

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)						
NII		131.15%	138.87%	106.81%	92.27%	70.49%
PBT		52.40%	206.20%	271.03%	165.78%	97.83%
PAT		82.89%	-234.35%	198.35%	185.70%	97.83%
Advances		101.12%	106.15%	100.03%	80.10%	61.96%
Spread (%)						
Yield on Funds	28.73%	29.41%	29.05%	30.76%	28.08%	27.02%
Cost of Borrowings	16.07%	15.20%	14.61%	13.52%	12.67%	12.02%
Spread	13.34%	13.85%	16.15%	14.55%	14.35%	14.31%
NIM	15.55%	14.83%	16.51%	16.31%	16.29%	16.19%
Asset quality (%)						
Gross NPAs	0.62%	0.59%	1.50%	2.00%	2.00%	2.00%
Net NPAs	0.31%	0.30%	1.00%	1.32%	1.31%	1.30%
Credit Cost	1.48%	1.48%	1.26%	1.59%	1.60%	1.59%
Return ratios (%)						
RoE	-13.41%	-12.63%	7.55%	10.86%	15.55%	17.91%
RoA	-3.50%	-2.88%	1.76%	2.94%	4.52%	5.30%
Per share (INR)						
EPS	-1.7	-2.7	3.0	7.6	18.9	34.9
BV	16.0	30.7	55.4	95.4	163.2	243.7
ABV	15.8	30.5	55.0	95.0	162.8	243.3
Valuation (x)						
P/E	-172.4	-108.8	99.1	39.3	15.7	8.5
P/BV	18.6	9.7	5.4	3.1	1.8	1.2
P/ABV	18.8	9.7	5.4	3.1	1.8	1.2

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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