

We had initiated coverage on "Bank of Maharashtra" on Dec. 01, 2022 at Rs. 26.45 with a target price of Rs. 34.72 which was achieved. We continue our coverage on the Company post its Q3FY23 results and revise our price target to Rs. 37.75 per share. We hereby present the updated research report post its Q3FY23 results and Management discussion.

## *Bank of Maharashtra*

- ❖ *Significant transformation witnessed across all fronts over the last few years after coming in trouble in FY18..*
- ❖ *The most efficient PSU Bank with Cost/Income ratio of 39.69 percent as on Q3FY23, Net NPA of 0.47%, PCR of 97.18%, High CASA ratio of 52.50%, Credit growth of 21.67% on YoY basis & strong on all other parameters..*
- ❖ *Strong return profile with RoA of 1.02 percent (9MFY23)..*
- ❖ *The Bank today has become a name to reckon with and is on track to reach the next level..*
- ❖ *The Bank has transformed itself into a NEWGEN Bank..*

### Investment recommendation and rationale

At CMP of Rs. 26.90, the stock is valued at a P/BV of 1.43x (Book Value per share as on 9MFY23 - Rs. 18.87) which we believe is undervalued considering the strong fundamentals of the Bank. After a strong turnaround and overall transformation in the last few years, we expect the Bank to reach the next orbit in the coming years.

We recommend a "Buy" with a target price of Rs. 37.75 (P/BV multiple of 2x at 9MFY23 Book Value of Rs. 18.87 per share, which we believe will go further up in FY23 post FY23 audited results. We believe the Company deserves a premium in valuation due to the following factors:

- 1) The Bank has delivered strong overall performance in Q3FY23 with strong credit growth, good NII growth, making it the most efficient PSU Bank with Cost/Income ratio of 39.69 percent as on Q3FY23, impressive CASA share in total deposits which stood at 52.50 percent, further improvement in asset quality with Gross NPAs below 3 percent and Net NPAs below 0.50 percent (0.47%, one of the lowest in the entire banking sector), well provided for Stressed Book (PCR further improved to 97.18 percent), strong capital adequacy, consistent improvement in RoE and RoA. We like the fact that the Management has achieved its previous guidance on major fronts and seems confident in achieving high credit growth and good recovery in remaining period of FY23 & the whole of FY24.
- 2) The Bank has improved its performance significantly on all fronts from FY18 when the Bank was under severe pressure and is now consistently reporting good performance in the last few years and several quarters after the incumbent MD & CEO Shri. A S Rajeev took the office in December, 2018.
- 3) CASA share in Total deposits has improved significantly from 48 percent in FY18 to 52.50 percent as on Q3FY23. As a result, NIMs have improved from 2.32 percent in FY18 to 3.48 percent as on Q3FY23. Today, Bank of Maharashtra has become the most efficient PSU Bank with Cost/Income ratio of 39.48 percent as on Q3FY23 from 55.24 percent in FY18.
- 4) On the asset quality front, the Bank has improved by leaps and bounds over the past few years after being in pressure in FY18 and FY19. The Bank's Gross NPA ratio has come down to 2.94 percent in Q3FY23 from 19.48 percent in FY18. Net NPAs have come down to 0.47 percent in Q3FY23 from 11.24 percent in FY18. The Bank is well provided for Stressed Book (PCR further improved to 97.18 percent in Q3FY23 from 58.71 percent in FY18), comfortable credit cost of 1.37% for Q3FY23.
- 5) What impressed us the most is the confidence level of top management during our interaction with led by MD & CEO Shri A S Rajeev, EDs Shri A.B. Vijaykumar ED Shri. Asheesh Pandey along General Managers. As per MD & CEO, the bank has implemented several welfare schemes for its staff keeping their morals high with a great loyalty & making them Karmayogi from Karmachari. We believe that the Bank is set to reach the next level as it has all ingredients in place for re-rating equal to any private sector bank.

CMP	Rs. 26.90 (Face value: Rs. 10)
Book value	Rs. 18.87 per share as on 9MFY23
Recommendation	Buy
Target price	Rs. 37.75
Upside	40.33%
52 Week High/Low	Rs.36.25 /Rs.15
Market Cap	Rs.18,105 Crore
NSE/BSE code	MAHABANK/532525
Bloomberg code	BOMH:IN
Government of India holding	90.97%
Price performance	1 month: -15.94%, 3 months: 16.45 %, YTD: -12.09%, 1 Year: 41.95 %, 3 years: 126.05%

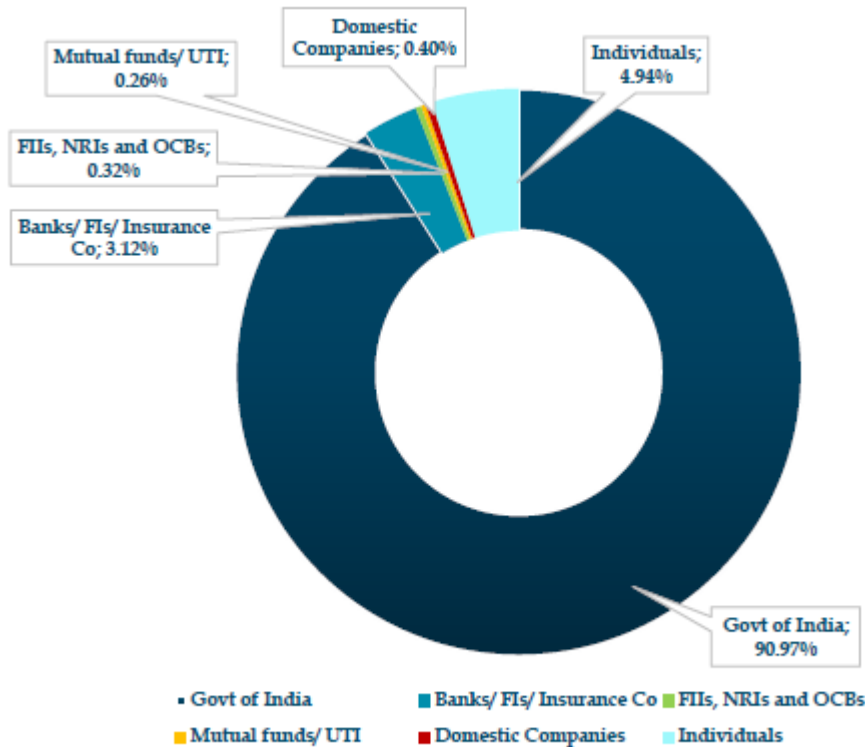
Particulars (₹ Crore)	9MFY23	FY22	FY21	FY20
Total Business	3,65,398	3,37,534	2,81,659	2,44,955
Gross Advances	1,56,962	1,35,240	1,07,654	94,889
Growth	-	25.62	13.45	1.52
RAM Advances	90,491	80,699	67,986	54,359
RAM (%)	57.65	60	63	57
Deposits	2,08,436	2,02,294	1,74,006	1,50,066
CASA (%)	52.50	57.85	53.99	50.29
C/D ratio (%)	75.30	66.85	61.87	63.23
Net Interest income	5,554	6,044	4,897	4,279
NIM (%)	3.48	3.15	2.84	2.60
Operating profit	4,244	4,848	3,960	2,847
Cost/Income (%)	39.48	44.26	47.39	51.97
Net Profit	1,762	1,152	550	389
Equity share cap.	6,731	6,731	6,560	5,824
Networth	12,699	10,176	8,019	6,986
CRAR (%) (Basel II)	19.20~	16.48	14.49	13.52
GNPA (%)	2.94	3.94	7.23	12.81
NNPA (%)	0.47	0.97	2.48	4.77
PCR (incl. TWO) (%)	97.18	94.79	89.86	83.97
Book value per share(₹)	18.87	15.12	12.22	11.99
RoA (%)	1.02	0.55	0.30	0.23
RoE (%)	18.50#	11.45	7.17	6.32

Source: Bank of Maharashtra Q3FY23 & Q4FY22 Investor presentation & FY22 Annual Report, # denotes 9MFY23 annualised, ~CRAR would be 19.20% with addition of 9 months profit as on 31st Dec. 2022 as per Basel III

Particulars	Q3FY23	Q2FY23	QoQ (%)	Q3FY22	YoY (%)
Total Income	4,770	4,317	10.48	3,893	22.51
Total Expenses	3,189	2,855	11.70	2,731	16.80
Operating profit	1,580	1,462	8.10	1,162	35.94
Prov.&Contingencies Other than taxes	582	579	0.45	836	(30.41)
Profit before tax	998	883	13.12	326	205.94
Tax expense	223	348		2	
Net Profit	775	535	44.85	325	138.76

Source: Bank of Maharashtra Q3FY23 result press release

## Shareholding pattern as on Q3FY23



As on 31<sup>st</sup> Dec. 2022

Source: Bank of Maharashtra Q3FY23 Investor presentation

## Q3FY23 result update

- 1) Net Interest Income (NII) grew by 4.91 percent on QoQ basis to Rs. 1,980 Crore in Q3FY23 as against Rs. 1,887 Crore. Net interest margin (NIM) improved to 3.60 percent in Q3FY23 as against 3.55 percent to Q2FY23. Cost of deposits have gone up to 3.81 percent in Q3FY23 from 3.54 percent in Q2FY23. Cost of Funds have gone up to 3.61 percent in Q3FY23 from 3.31 percent in Q2FY23. Yield on Advances has gone up to 8.28 percent in Q3FY23 from 7.81 percent in Q2FY23.
- 2) Operating profit registered a good growth of 8.10 percent on QoQ basis to Rs. 1,580 Crore in Q3FY23 as against Rs. 1,462 Crore in Q2FY23.
- 3) Non Interest income improved to Rs.641 Crore in Q3FY23 as against Rs. 502 Crore in Q2FY23. Fee based income increased to Rs. 339 Crore in Q3FY23 as against Rs. 306 Crore in Q2FY23. Treasury income stood at Rs. 101 Crore in Q3FY23 as against Rs. 36 Crore in Q2FY23. Recovery in written off accounts improved to Rs. 190 Crore in Q3FY23 as against Rs. 148 Crore.
- 4) Cost to Income Ratio stood at 39.69 percent in Q3FY23 as against 38.82 percent in Q2FY23. The Bank's Managing Director & CEO A. S. Rajeev stated that Cost/Income ratio will be at similar levels and Bank aims to control at below 40 percent.
- 5) He further said that Bank has witnessed good improvements on the digital side in the last quarter. Shri. Asheesh Pandey - Executive Director of the Bank elaborated on the digital initiatives and emphasized that the Bank has



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advisors from IIT Mumbai and is upgrading its software and hardware. He further added that the Bank is thinking about robotic process automation to further improve Cost/Income ratio.

- 6) Commenting on Q3FY23 results, Mr. A.B. Vijayakumar - Executive Director of the Bank said "The Bank's is doing extremely good in the last several quarters, constantly working in line with National priority, updating technology, focus is on customer centric activities, internal control measures and risk management. He further added "We are transforming ourselves to Government Karmachari to Government Karmayogi "
- 7) Net Profit witnessed a growth of 44.85 percent on QoQ basis to Rs. 775 Crore in Q3FY23 as against Rs. 535 Crore in Q2FY23.
- 8) With regards to taxation, the Bank's MD & CEO said that the Bank is carrying losses worth Rs. 10,000 Crore and does not expect actual tax liability. At present, the tax expense is DTA reversal which improves CRAR.
- 9) The Bank's gross Advances witnessed a growth of 5.90 per cent on QoQ basis to Rs. 1,56,962 Crore in Q3FY23 as against Rs. 1,48,216 Crore in Q2FY23 led by growth in Retail, MSME and Corporate book.
- 10) The Corporate book witnessed good growth of 7.27 percent on QoQ basis to touch Rs. 66,471 Crore in Q3FY23 (42.35 percent of total advances) as against Rs. 61,965 Crore in Q2FY23 (41.81 percent of total advances). Mr Rajeev informed that the NIM on the Corporate book is 2.75 percent to 3 percent.
- 11) The Bank's management said it is focusing on manufacturing in the sectors like Pharmaceuticals, Textile, Engineering goods, Auto Ancillaries (EV). Earlier, in Q1FY23 analyst concall, the Bank management had said that in the Corporate book, the Bank's exposure is to infrastructure sector with a mix of infrastructure projects like Airports, Affluent Treatment plant - Projects of NamamiGange etc.
- 12) With regards to an analyst query on the quality of assets in pool buyout, the Bank's management said that these are MFI assets (Unsecured) and the maximum loss estimation is around 3 percent for it. At present, the Bank is witnessing loss of 1-1.5 percent which is lower than the estimated loss.
- 13) The total Government guaranteed exposure including exposure backed by Treasury Deposits of State Government stood at Rs. 13,233 Crore in Q3FY23 as against Rs. 13,373 Crore in Q2FY23. Total rated plus Government Guarantee exposure stood at Rs. 72,682 Crore in Q3FY23 as against Rs. 67,205 Crore in Q2FY23.
- 14) Commenting further on the results, the Bank's MD & CEO said that the Bank expects credit growth in the range of 20-23 per cent in FY23 and 18-20% in FY24. He further added that the Bank's SLR of Rs. 5,000-Rs. 6,000 Crore would be used in Q4FY23.
- 15) The Bank's exposure to combined AAA, AA, A rated accounts stood at 60 percent of the Total eligible exposure for external rating as on Q3FY23.
- 16) CASA share in total deposits stood at 52.50 percent in Q3FY23 as against 56.27 percent in Q2FY23. The Bank enjoys good relationship with various state governments for salary accounts which also presents cross selling opportunity for the Bank. Replying to a query Mr Rajeev replied that the reduction in CASA % is due increased rates fixed deposit as the depositors took advantage of the same.
- 17) C/D ratio stood at 75.30 percent in Q3FY23 as against 75.68 percent in Q2FY23. The Bank has achieved its guidance about improving its C/D ratio. The Bank management said that C/D ratio can go upto 80 percent by using its excess SLR which instills confidence on the Bank.



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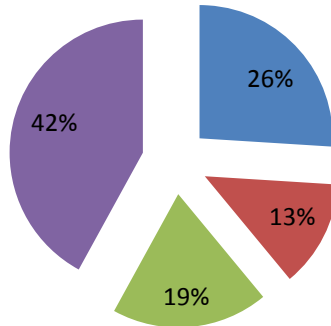
- 18) In terms of asset quality, the Bank's Gross NPA decline 2.94 percent in Q3FY23 from 3.40 percent in Q2FY23. The Net NPA ratio declined to 0.47 percent in Q3FY23 from 0.68 percent in Q2FY23. The Bank's MD & CEO said that the Bank aims to keep Gross NPAs below 3 percent.
- 19) Fresh slippages were controlled at Rs. 572 Crore in Q3FY23 as against Rs. 594 Crore in Q2FY23.
- 20) Recovery + Upgradation stood at Rs. 419 Crore in Q3FY23 as against Rs. 418 Crore in Q2FY23. With regards to recovery the Bank's Management said that it expects a recovery of Rs. 500 Crore in Written off accounts and equivalent reduction in NPAs. In Q1FY23 concall, the Bank's management had expected a recovery of around Rs. 3,000 Crore in FY23 and Rs. 500-Rs.600 Crore worth of slippages in every quarter.
- 21) With regards to NARCL, the Bank management said that it has shortlisted 13 accounts worth around Rs. 2,700 Crore. The Bank management said that the Government has cleared the matter of giving guarantee on Security receipts (SRs) and the process of transfer will start now.
- 22) Total restructured assets stood at Rs. 4,691 Crore in Q3FY23 as against Rs. 4,845 Crore in Q2FY23. Corporate restructured assets stood at Rs. 1,024 Crore in Q3FY23 as against Rs. 796 Crore in Q2FY23.
- 23) Provision Coverage ratio improved to 97.18 percent in Q3FY23 as against 96.06 percent in Q2FY23. With regards to an analyst query about taking advantage of COVID-19 provision buffer, the Bank management replied that as and when the restructured portfolio comes down, the Bank will take advantage of it.
- 24) Credit cost improved to 1.37 percent in Q3FY23 from 1.80 percent in Q2FY23. With regards to credit cost, the Bank's MD & CEO said "Credit cost, we expect it come down to 1% by next year. So this is 1.4%, this come basically because for - a small amount is utilized for reducing the net NPA ratio because earlier - last quarter, it was - 0.68% was there. Now it has come to 0.47%. So now for going forward, we have reached our target below 0.5%. Now in and around, this NPA will continue in the same level, 0.4% to 0.5% level. So there will not be any requirement for credit provisioning for reducing the net NPA."
- 25) The Bank's Capital adequacy ratio stood at 17.53 percent in Q3FY23 as against 16.71 percent in Q2FY23. During the period ended on 31st Dec 2022, the Bank has raised Tier I Capital of Rs. 1,590 Crore (out of which Rs. 880 crore during the month of Dec 2022) and Tier II capital of Rs. 348 crore. Earlier, in Q1FY23 concall, the Bank's management had said that current capital adequacy level is sufficient for meeting regulatory and business requirements and does not require capital for FY23. The Bank management said that they are looking to raise Rs. 1,000 Crore by issuing equity shares in the last quarter of FY 2023, depending on market conditions for bring down the stake of the government, which stood at 91 per cent as of December, 2022.
- 26) The Bank's Return on Assets (ROA) improved to 1.30 percent (annualized) as against 0.92 percent (annualized) in Q2FY23.

### Credit portfolio - Balanced Loan Growth

Particulars	Q3FY23	Q2FY23	Q3FY22	YoY (%)
Gross Advances	1,56,962	1,48,216	1,29,006	21.67
<i>Of which</i>				
Retail sector	40,312	38,590	32,743	23.12
Agriculture sector	19,662	19,014	18,092	8.68
MSME sector	30,517	28,647	25,092	21.62
<b>Total of RAM</b>	<b>90,491</b>	<b>86,250</b>	<b>75,926</b>	19.18
<b>RAM % to Gross Advances</b>	<b>57.65</b>	<b>58.19</b>	<b>58.85</b>	
Corporate & Others	66,471	61,965	53,080	25.23

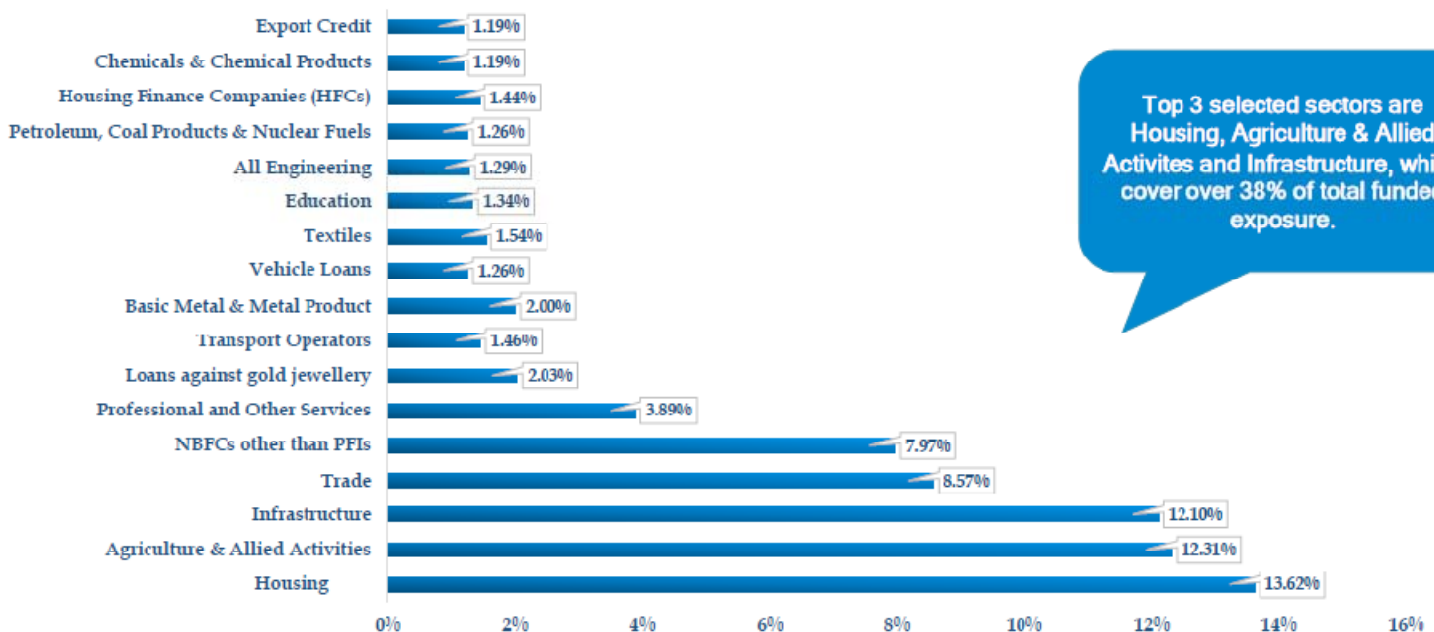
Source: Bank of Maharashtra Q3FY23 Investor presentation

**% share in Gross Advances as on Q3FY23**



■ Retail Sector ■ Agriculture sector ■ MSME sector ■ Corporate & Others

**Funded exposure to selected sectors & industries with total exposure (more than 1%) – Dec` 22**



Source: Bank of Maharashtra Q3FY23 Investor presentation

**Bank sanctions pipeline in Retail, Agriculture, MSME, and Corporate**

- 1) Bank has envisioned to have an Retail portfolio of Rs.44,200Crore by March`23. Bank is expecting a robust growth of approximate 25% on Y-o-Y basis in Retail book. Bank is currently focusing more on digital lending and STPs for hassle free credit disbursal to growing Retail lending
- 2) Bank has envisioned to have an MSME portfolio of Rs.33,000Crore by March`23. Bank is expecting a robust growth 20 to 25% on Y-o-Y basis in MSME book. Bank is focusing on digital lending and STPs for hassle free credit disbursal to growing MSMEs.

- 3) In corporate Credit during, first half, Bank had sanctioned advances around Rs 25,000 Crore. These loans will be disbursed in next two to three year as per the progress of the project. RAM to Corporate Advances is in ratio of 60:40 and same will be maintained in future also.

**Shri. Asheesh Pandey in Q3FY23 analyst concall said** "The bank has identified along 15 clusters with special focus with mid corporate and the corporate finance branches targeting businesses location-wise like Morbi for the Tiles business ,for textiles, Bhilwara, Tirupur, Coimbatore, Ichalkaranji are there. So if you take the whole bank, Rs. 300 to 400 Crore business can be generated through the clusters at each location. According to him, the Bank is having competitive edge because of lower interest rate. Even in case of home loan our interest rate is one of the lowest, he added.

**Shri. Sanjay Rudra (CRO) of the Bank in Q2FY23 concall had said** "We are targeting to grow corporate book by 20% to 22% year-on-year basis. In order to have a proper mix of RAM and Corporate, our target to maintain at around 42% of the Corporate and remaining in the RAM sector.

#### **Term deposits and Excess SLR**

**Shri. A.S. Rajeev Managing Director & Chief Executive Officer in the Bank's Q3FY23 concall said** "As of now, only 3% to 4% excess SLR is there, balance we have already utilized. That is why we have not raised much funds through deposits. So with Rs. 5,000 to 6,000 Crore excess SLR we may sail through even at high CD Ratio.

#### **Impact of higher interest rates on deposits**

Bank is closely monitoring the situation of high interest rates. The bank's strategy is not to raise bulk deposit at higher cost. However, looking to the overall situation and loan growth, bank will use all options to raise the fund i.e. by increasing deposit & borrowings through Certificate of Deposits and other options. The bank is maintaining CASA above 50% since March 2020 quarter onwards, Therefore increase in deposit rate will not impact cost of deposit and cost of fund significantly.

#### **CASA**

**The Bank's MD & CEO in Q3FY23 concall said** "Regarding CASA, which is around 52.5%. Of course, you are well aware that in the highly increasing investment scenario, there is a shift from deposits, term deposit shifting is there. But here, CASA we may be able to contain it at the rate of 52.5%. So generally, 3% to 4% government deposits and the corporate deposits are there generally because of the higher interest rates. Government deposits and corporate deposits we have shifted to term deposit. But otherwise, CASA rate in the range of 52% to 53% we will be able to continue in the going forward also."

#### **Co-Lending**

A co-lending model helps traditional banks to give out higher amounts of funds using the Fintech working model for a greater digital reach. While banks have the funds, NBFCs have the reach. A co-lending model thus proves to be symbiotic for both.

Presently, the Bank has partnered with three NBFCs under MSME co-lending model. The Bank has collaborated with LoanTap, LendingKart & MAS Financial Services for MSME financing under Co-Lending model.

Bank had envisioned to on-board at least two more NBFCs by Mar'24 and the co-lending portfolio is targeted to the extent of Rs.500 Crore by FY 23 and Rs.1500 Crore by FY 24 respectively.

Bank is also optimistic about funding to NBFCs for on-lending to SMEs. This is a good model to expand its MSME portfolio with lower delinquency ratio.



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Bank is lending to good rated NBFC on case to case basis, Bank is having internal ceiling for Exposure to NBFC, while lending to NBFC, Bank adheres exposure ceiling as prescribed in loan policy of the Bank.

### Gold Loan book

Total Gold Loan Portfolio of the Bank as on Q3FY23 was around Rs. 6,000 Crore. The bank has shown good growth in last FY as well as in the past two quarters. The Bank's MD & CEO said that gold loan is growing at the level of around 30% to 40%. Gold Loan segment is one of the Bank's focus area. A sizeable Gold Loan portfolio will improve its profitability further by Capital conservation. It is a risk free advances for the bank. Moreover, Gold Loan is now instrumental in providing immediate liquidity.

### Exposure of the Bank to Adani Group:

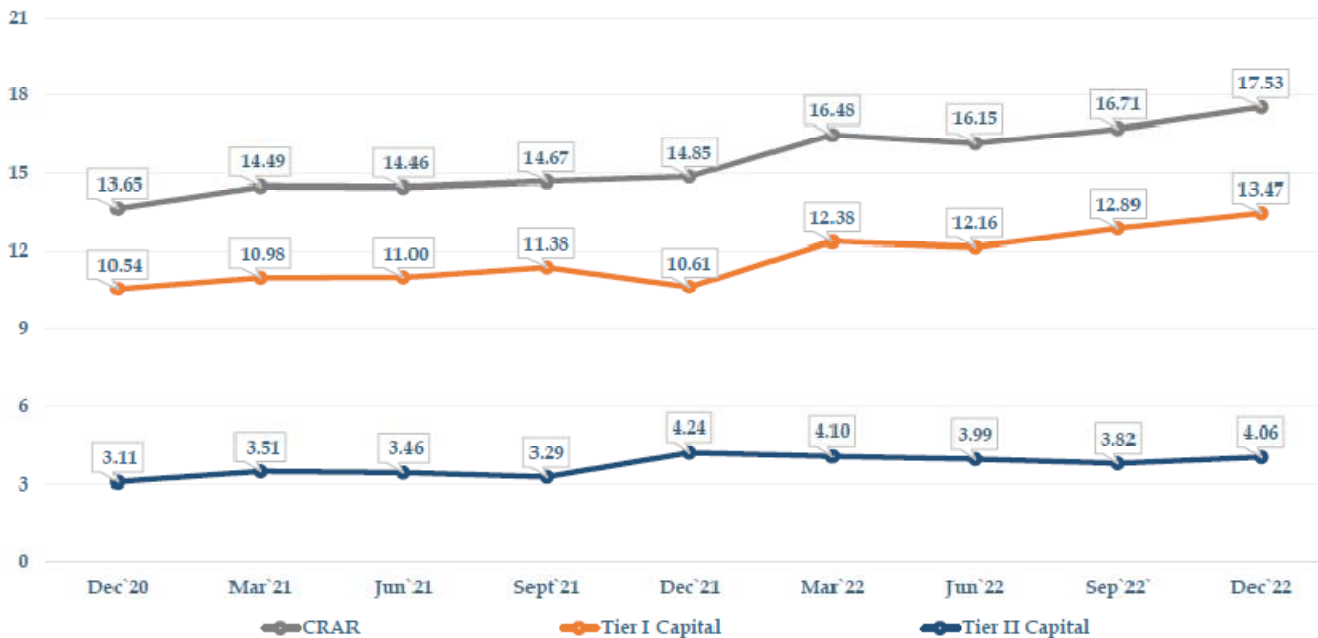
It is estimated that the exposure of the Bank to Adani Group Companies is negligible at less than 0.25 % of total gross advances as on 31.12.2022.

### Capital Adequacy

The Bank had raised capital in the following manner:

- 1) Rs. 710Crore through Tier - 1 Bond in Q2FY23
- 2) Rs. 348Crore - Tier - 2 Bond in Q3FY23
- 3) Rs. 880Crore through Tier I Bond in Q3FY23

### Capital Adequacy (%)



Bank has raised Rs. 710 Crore, Tier-1 Bond from the market during Sept'22 quarter.

Bank has raised Rs. 348 Crore, Tier-2 Bond from the market during Dec'22 quarter.

Bank has raised Rs. 880 Crore, Tier-1 Bond from the market during Dec'22 quarter.

Source: Bank of Maharashtra Q3FY23 Investor presentation

### Capital raising plan

After raising capital, The Bank's CRAR position is 17.53 percent which is at comfortable level. Besides, Bank is going to add profit at year end which will further strengthen the CRAR.



## NPA management

The Bank has set up “Asset Recovery Cells (ARC)” at all zonal offices to ensure focused efforts for upgradation and NPA recovery.

- Thirteen Asset Recovery Branches (ARBs) have also been set up across the Bank’s Zones for large NPA a/cs more particularly where legal actions are in progress so as to make focused follow up. Further, Bank has established Stressed Assets Management Vertical by way of a separate dept at HO under which Bank has started 4 (four) Stressed Assets Management (SAM) branches in Delhi, Mumbai, Hyderabad and Pune, where NPAs with balance of Rs.5 crore and above are monitored. Focused follow up is undertaken to improve NPA recovery.
- The Loan Tracking Cell has been established where Bank undertakes telephonic follow up on daily basis with borrowers of stressed accounts / slippages and repayment of overdues is insisted. This will result in improving recovery and upgradation of NPAs.
- The Bank has also set up separate Cells at its Head Office for identification of Wilful Defaulters, gearing up the actions under DRT / SARFAESI Acts.

## Movement of NPA (Rs. in Crore)

Particulars	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22
<b>Opening level of Gross NPAs</b>	<b>5,039</b>	<b>5,260</b>	<b>5,327</b>	<b>6,105</b>	<b>6,403</b>
Total Reductions	1,006	880	798	1,574	1,024
Of which: Recovery + Upgradation	419	418	388	674	500
Gross Addition	579	659	730	796	726
Of which: Variable	7	65	33	57	149
Fresh slippages	572	594	697	739	577
Net Increase/(Decrease)	(427)	(221)	(68)	(778)	(298)
<b>Closing level off Gross NPAs</b>	<b>4,612</b>	<b>5,039</b>	<b>5,259</b>	<b>5,327</b>	<b>6,105</b>

Source: Bank of Maharashtra Q3FY23 Investor presentation

Particulars	FY22	FY21	FY20	FY19	FY18
<b>Opening level of Gross NPAs</b>	<b>7,780</b>	<b>12,152</b>	<b>15,324</b>	<b>18,433</b>	<b>17,189</b>
Total Reductions	4,635	6,575	7,213	7,413	4,490
Of which: Recovery + Upgradation	1,517	1,644	1,515	2,286	2,030
Gross Addition	2,182	2,202	4,041	4,304	5,735
Of which: Variable	133	65	49	131	591
Fresh slippages	2,049	2,138	3,991	4,173	5,144
Net Increase/(Decrease)	(2,452)	(4,372)	(3,172)	(3,109)	1,245
<b>Closing level off Gross NPAs</b>	<b>5,327</b>	<b>7,780</b>	<b>12,152</b>	<b>15,324</b>	<b>18,433</b>

Source: Bank of Maharashtra FY22 Investor presentation

**Improved Asset Quality backed by High PCR (Rs. in Crore)**

Particulars	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22
Standard	1,52,350	1,43,177	1,35,301	1,29,913	1,22,901
Sub-Standard	1,629	1,787	1,940	1,986	2,566
Doubtful	2,804	2,951	3,095	3,108	3,100
Loss	180	301	224	233	438
<b>Total Advances</b>	<b>1,56,962</b>	<b>1,48,216</b>	<b>1,40,561</b>	<b>1,35,240</b>	<b>1,29,006</b>

**Special Mention Account \* Rs.. 1 Crore and above**

Particulars	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22
SMA1	316	371	339	882	1,430
SMA2	329	323	230	208	850
<b>Total</b>	<b>646</b>	<b>694</b>	<b>569</b>	<b>1,090</b>	<b>2,279</b>

Particulars	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22
SMA1 (% of Gross Advances)	0.20	0.25	0.24	0.65	1.11
SMA2 (% of Gross Advances)	0.21	0.22	0.16	0.15	0.66

**Restructuring of Standard Advances**

Particulars	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22
Retail - As on date	2,071	2,119	2,181	2,162	2,428
Agriculture - As on date	310	348	319	345	563
MSME - As on date	1,285	1,582	1,818	2,257	2,504
Corporate - As on date	1,024	796	625	784	1,117
<b>Total</b>	<b>4,691</b>	<b>4,845</b>	<b>4,942</b>	<b>5,547</b>	<b>6,611</b>

Source: Bank of Maharashtra Q3FY23 Investor presentation

- 1) Bank is having Standard Restructured Advances (Including COVID resolution 1 & 2 CDR, SDR and MSME restructuring) Rs. 4845 crore as on 30.09.2022 reduced from Rs 5996 crore as on 30.09.2021. Based on satisfactory performance of accounts, account is coming out of restructuring. Details of Standard Restructured Advances as on 30.09.2022 is given as under:
  - a) In case of Retail advances the increased interest rate risk is mitigated by tenor adjustment.
  - b) In Corporate Credit, the Bank does not anticipate any slippage from restructured book. According to the Bank management, all the accounts are performing well and there is no stress as such, in few cases advance recovery is also there.
  - c) As far as COVID resolution 1 & 2 are concerned, Bank's MSME restructuring portfolio is only 4.25% of Standard MSME Advances and 0.81% of Bank's gross Standard advances.



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- d) Post COVID regime, most of the MSMEs have sustained the financial predicaments and started restoring their own pace. Additional funding in form of ECLGS has helped these MSMEs to mitigate interim liquidity crunch
- e) Out of MSME restructuring book, only 4.52% are in acute stress (MSME SMA2) bucket which suggests that, high inflation has not impacted to a great extend to these restructured MSMEs.
- f) The Bank is not expecting any substantial slippages out of MSME restructuring book.

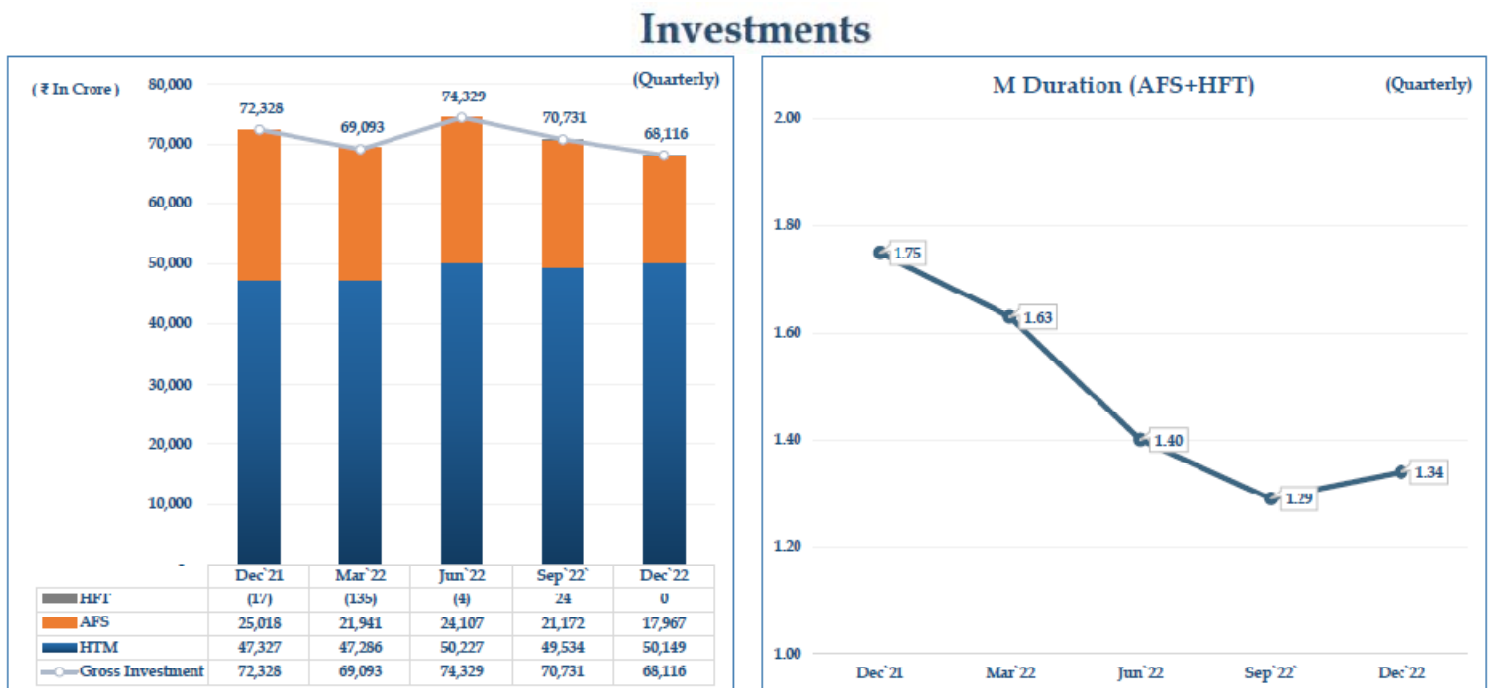
**The Bank holds cumulative Covid-19 provision of Rs. 1,200 crore as on Q3FY23.** The Bank will take appropriate decision in near future about utilizing the cumulative covid 19 provision of Rs. 1200 Crore. If it is not used for the purpose intended, the same will be part of profit & reserve.

**Recovery from written off accounts and transfer to NARCL**

The cumulative write offs during the last 10 years is little over Rs 18,000Crore. The expected recovery from the written off accounts in the next 2-3 years could be around 11- 14% which translates toRs. 2,000-Rs. 2,500 crore(as majority of accounts written off are under NCLT and resolutions are at advanced stage).

With regards to transfer to NARCL, Shri. P.R. Khatavkar - GM Recovery in Q3FY23 concall said "This NARCL, as you know, that shortlisting has been done. From our bank, 13 accounts are already shortlisted, around INR 2,700 crore. Now that guarantee issue is also resolved because the government has given the approval about these guarantees of SR. And now that work of actual transferring the account to NARCL has been started. So we expect that within this week the first account will be transferred to NARCL. And then the things will move."

**Investments - Treasury performance**



Source: Bank of Maharashtra Q3FY23 Investor presentation

**Commenting on Treasury performance in Q3FY23 analyst concall, the MD & CEO of the Bank said "** Treasury yield has come down mainly because of the profit on sale of securities because of the increase in interest rates. Last quarter, only a small

amount, INR 20 crore to INR 30 crore was the treasury profit and in case of other income, we have changed the accounting methodology.."

Trading Book of the Bank as on Q3FY23 is of Rs. 17,967 Crore with M Duration of 1.34., Total Redemption during FY 2022-23 and FY 2023-24 will be approximately of Rs 3600 Crores and Rs 12000 crores respectively. Upon redemption, Bank is having good opportunity to invest this amount at higher yield. Further, for proprietary trading, Bank is availing opportunities from Forex Forward markets also.

## Taxation

**With regards to taxation, the Bank's MD & CEO in Q3FY23 concall said** "Regarding taxation for the next two to three years, the bank may not provide any tax. But however as a precaution, we have kept some DTA we have reversed and we have kept for some INR 200 crore-INR 300 crore because we have more than INR 15,000 crore to INR 20,000 crore loss created for the past two years, it is continuing in the books. So two to three years, taxation will not come. But we have kept some amount for taxation purpose for futuristic purpose. So otherwise, this can be considered as a profit also."

## Expanding footprints

The Bank has been continuously expanding its presence PAN India

Particulars	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22
Metro	501	488	484	488	486
Urban	448	431	419	412	405
Semi Urban	573	542	521	511	502
Rural	606	605	605	611	611
<b>Total Branches</b>	<b>2,128</b>	<b>2,066</b>	<b>2,029</b>	<b>2,022</b>	<b>2,004</b>

Source: Bank of Maharashtra Q3FY23 Investor presentation

## Technology & Digital initiatives

Bank of Maharashtra (BoM), celebrated its 88th Business Commencement Day, at its Head Office in Pune on 8th February 2023. Bank took a leap forward in its digitization journey by launching a slew of Digital products and services to add fillip to its Digital footprints to enable delightful customer service. Shri. A S Rajeev, Managing Director & CEO, Shri. A B Vijayakumar, Shri. Asheesh Pandey, Executive Directors, Shri. M K Verma, RBI Nominee Director, Shri. Rakesh Kumar, Share Holder Director, along with General Managers were present in the program. All Branch/ offices across the country were connected in hybrid mode to this program.

While addressing the 88th Business Commencement Day program, Shri A S Rajeev, MD & CEO, Bank of Maharashtra congratulated all staff members and said, "The journey Bank has traversed so far is incredible and Bank's advancement in business growth in past few years is truly noteworthy. There has been a voyage of transformation that Bank has gone through adopting digitization and committed to bringing in further technological advancement. Shri Rajeev opined, "With new generation Technology Bank is committed to creating an ecosystem facilitating best banking experience."

During the event, Shri A B Vijayakumar, Executive Director, Bank of Maharashtra said "It's a moment of great pride for the Bank that we are celebrating 88th Business Commencement Day. We are thankful to all our stakeholders and staff members for making the bank reach this great height. ShriVijayakumar asserted Bank will further progress in its business endeavor while leveraging financial inclusion and digital footprints". He congratulated all staff for their dedicated efforts and said, "Bank's Management is taking every step for improving happiness index and taking various new **welfare measures for staff well-being.**"



Shri. Asheesh Pandey, Executive Director, Bank of Maharashtra added that “Bank is on a progressive path, and digitization is considered as a key driver of the growth. Bank is implementing new age technology like Artificial Intelligence (AI), Machine Learning (ML) and Robotic Process Automation (RPA) among others to augur “Ease of Doing Business” for the customer as well as staff”. Shri Pandey opined “We are ready to transcend into next-gen banking i.e. taking care of our esteemed customers with end to end digitization & fulfilling their needs with our array of digital products and services. Collaborations & Technology are going to pave the bank’s way forward.”

Bank has been strengthening its Digital channels to have more customer-centricity and with a motto of ease of doing business, the bank launched several utilities which will define Bank’s services spurred through digitization.

The Digital Services include hassle-free onboarding of customers through Video-KYC which allows customers to open an account digitally by providing KYC details online.

Bank launched an upgraded version of Bank’s existing Mobile Banking Application with enhanced UI/UX features for seamless customer experience & customer delight with ample utilities under one umbrella. Bank’s WhatsApp banking also got new dimension through array of new additions viz. Credit Card in WhatsApp with detailed account summary and transactions, Pension Slip for pensioners, account statement, health insurance STP journey etc.

The launch of a slew of new Digital utilities has unique features like Digi locker which is a flagship initiative of Ministry of Electronics & IT (MeitY) under Digital India programme, through which Bank has developed ‘Pension slip facility’ using Digi locker. FASTag Auto Top-up Facility, which will enable customer to set a Standing Instruction (SI) facility for customer’s FASTag wallet. Online Nomination facility for bank account, E-Mandate solution for Debit Cardholder to provide e-Mandate on his/her Debit Card for regular/recurring payment transactions. Bank also launched portal called Suvidha, automated DCSS (Decease Claim Settlement System) to make the deceased claim settlement process simplified keeping customer ease into consideration. Employers who are customers of Bank of Maharashtra now will be able to pay Employee’s PF Money through Bank of Maharashtra Internet Banking. In agriculture segment, online MKCC review / renewal introduced for facilitating enhancement in existing MKCC Loan application platform at Bank’s corporate website.

Bank has embarked its footprint in adoption of Private Cloud Infrastructure by launching “MAHABANK NAKSHATRA” – Bank’s own Private Cloud Platform. This facilitates High-Performance Cloud Capabilities for Digital Infrastructure and hosting applications of the Bank.

Bank strengthened its asset monitoring mechanism through adoption of Predictive Machine Learning model which can alert well in advance regarding a borrowal account moving SMA-0 account, reducing potential stress accounts in Retail, Agriculture and MSME Portfolio.

Bank also launched a unique mobile app called ARJUN (Automated Remote Junction for Monitoring of Assets Under Stress) which will facilitate availability snapshot of stressed asset (SMA & Slippages) portfolio to bank staff and feat on street (FOT) on this tip with analysis to identify the daily variation in stressed asset portfolio with recovery suggestions. To strengthen Recovery mechanism further Bank launched Mykase – Legal case tracking software which will be able to fetch all the cases in various courts of India which are online where Bank of Maharashtra is a Party. The Software will be able to track PAN India Legal Case & generate Order Copy on real time basis. To strengthen its compliance structure Bank has also launched compliance testing software spread across the bank which is expected to enhance compliance culture in the bank.

Bank also unleashed with Mahabank LEADS (DSA Application) which allows lead capture for loan sourced by DSAs, Branch Staff, Field Functionaries and BCs . Co-lending is strengthened through additional functionalities in Co-lending platform for monitoring and processing of loans.

Bank also collaborates its Sponsored trust Gramin Mahila Va Balak Vikas Mandal (GMBVM), with Shri Kshethra Dharmasthala Rural Development Project BC trust (SKDRDP) for credit linkage of Self Help Group in the state of Maharashtra and add fillip to financial inclusion & its promotion driven through technology to the unserved and underserved.



Bank has also introduced Robotic Process Automation (RPA) which involve automation of critical and highly repetitive Banking processes and also enable reallocation of resources to higher value work efforts to drive better efficiency in the organization. This will facilitate Task Completion without manual intervention or minimal manual supervision.

To enhance the business model efficacy, Bank collaborated with CIC under an Integrated Model through M/s Experian which evaluates current needs of the customer and pitch him the product as per customer's requirement. It also gives Market insight reports that can be used for analyzing business scope on pin code level along with effective monitoring. Bank's Risk Management is notably strengthened as Bank collaborates with CRISIL to empower high quality, efficient decision making for Credit Underwriting Process and Credit Monitoring Process.

Bank launched the Centre of Excellence (4 CoEs) for Database, Cyber Security, CBS and Analytics in view of current and upcoming security initiatives. Bank introduced Kavach to strengthen the security architecture. While keeping a vigilant eye on Cyber Security, bank also established various security tools setup by the industry.

To mark this momentous occasion, Bank operationalized its 3rd Digital Banking Unit, at its Head Office, "Lokmangal" Pune, which has every digital infrastructure for all basic banking services including availment of GOI flagship schemes & Grievance Redressal System.

With all the above, Shri. Asheesh Pandey, Executive Director concluded that "Bank is evolving its operation with 360° approach and efforts are made on People, Process & Technology, to smooth sail towards this transformation journey.

(Source:<https://www.forevernews.in/economic/bank-of-maharashtra-celebrates-88th-business-commencement-day-adds-fillip-to-digitization-by-launching-a-slew-of-digital-products-services-746825>)

Earlier during FY 2021-22, Bank had taken multiple initiatives toward service delivery to its customers for convenience:

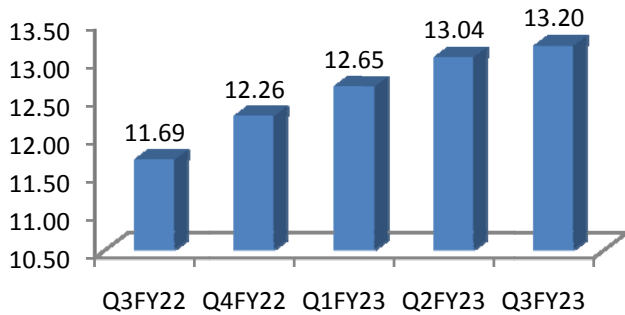
- a) MeitY: Digital Score Card: Ministry of Electronics & Information Technology (MeitY) has set target of 54 crore digital transactions for FY 2021-22 where bank has achieved 63.90 crore digital transaction for FY 2021-22. MeitY monitors the progress of digital payment transactions, merchant acquisitions, UPI and AEPS system resilience on monthly basis and communicates the scores to Banks. The bank has maintained "Good" category performance.
- b) Development of **Online 'JeevanPramaanPatra' tool**. This portal has been made available on Bank's website for pensioners to submit video based online annual Life certificate without visiting the branch.
- c) **WhatsApp Banking** and **Chatbot Solution** for providing customer services like real-time account balances enquiry, mini statement reports, latest transaction records, real-time alerts, submit cheque book request, branch locator, ATM locator etc. The solution is also enabled for application of loans through digital channels.
- d) **Cardless Cash Withdrawal** along with other enhanced features through its Mobile Banking platform, extending more convenience to its customers.
- e) **Paperless processing of Credit Card** to encourage paperless & fast processing of credit card applications. Under this facility, an SMS is sent to customer with a link to obtain customer's consent for availing credit card service. On clicking the link, a webpage is displayed to customer where he/she will submit his/her consent for credit card. Based on consent, branch process the credit card request of the customer.
- f) Bank Debit Card Issuance has reached to **12.26 Million**. Bank's Mobile Banking and Internet customer base has reached to **1.89 Million** and **1.93 Million** respectively. During FY 2021-22, fresh Debit Card issuance to customers has reached a milestone figure of **2.50 million** & percentage of digital transactions increased to **95.98%**.
- g) Bank has introduced its own QR code Standy and onboarded more than 1 lakh merchants, which includes more than 5,000 merchants in North East Region.

## Process Centric Initiatives

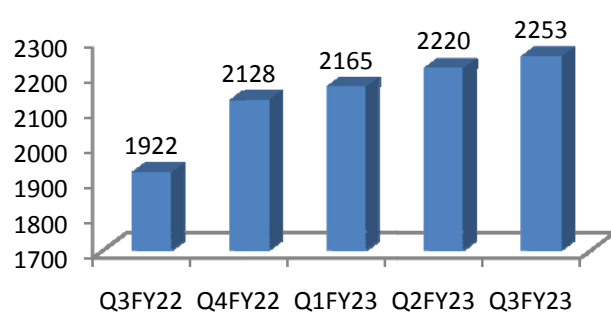
Following process related enhancements have been achieved through introduction of technology:

- Bank has launched rule based stress account monitoring tool “HawkEye” developed by its IT department and the same has been launched for the Branches & Zones. The tool has enabled real time monitoring and mitigation efforts by the field functionaries towards improvement of overall asset quality for the bank. This has resulted in substantial reduction in stress assets over the period with ease of monitoring for field functionaries.
- Bank has successfully implemented LLMS Pan-India across all its branches for processing of loan proposals within expected TAT. Bank has successfully processed 38,000+ loan proposals through LLMS.
- Digital on-boarding of customers enabling application of loans through Bank’s Corporate Website & WhatsApp links.
- The Bank has tied up with many state governments viz, Maharashtra, Madhya Pradesh, Bihar, Jharkhand, Goa as empaneled Agency Bank for Single Nodal Agency Account and other related banking facilities. Bank has also tied up with many Govt Corporations in enabling technology platforms to them for handling their customer transactions, which extended transparency and convenience to the public at large.

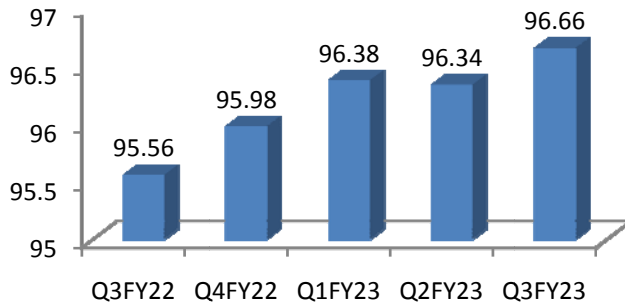
### ATM Card Base (million)



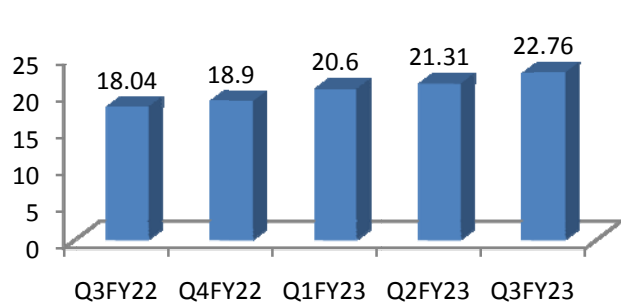
### ATM (Actuals)



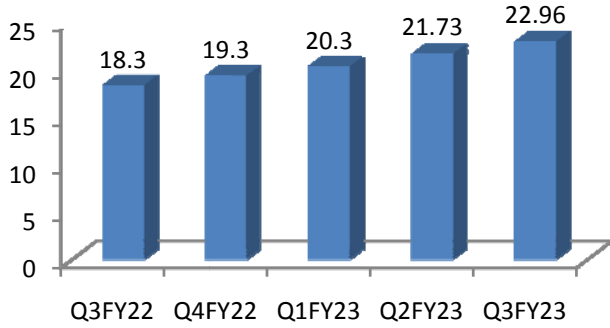
### Digital transaction (%)



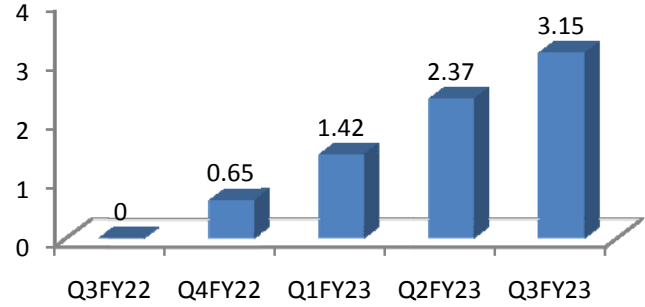
### Mobile Banking Users (Lakhs)



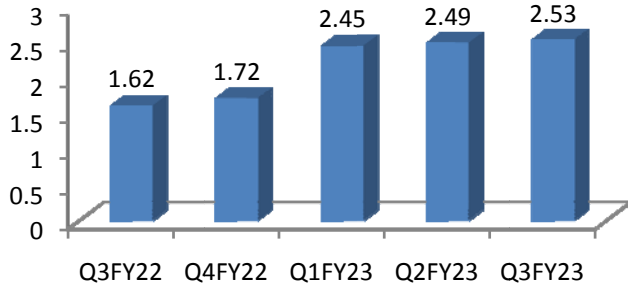
**Internet Banking Users (Lakhs)**



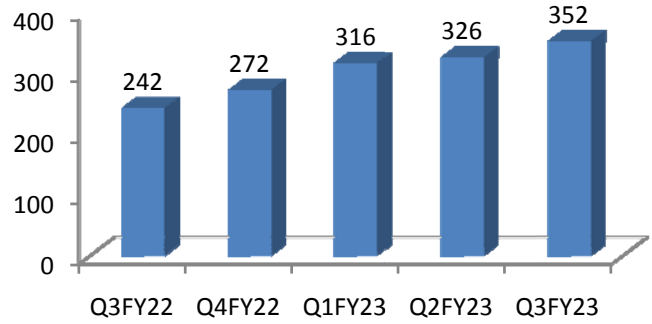
**Whats App Onboarding (Lakhs)**



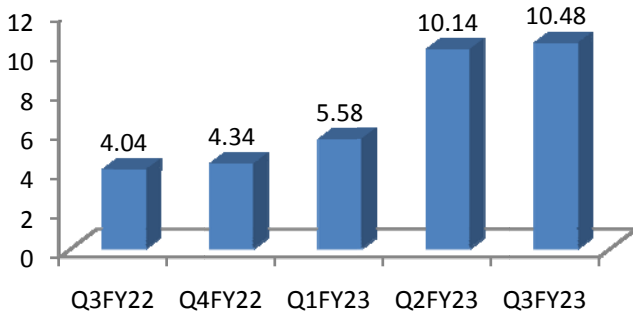
**UPI/BHIM Users (Lakhs)**



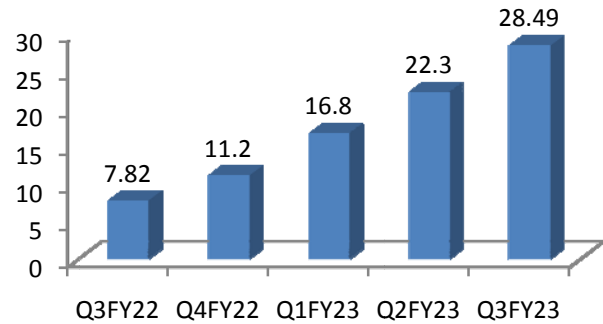
**UPI/BHIM Transactions (Lakhs)**



**QR Merchant OnBoarding(Lakhs)**



**QR Merchant Transaction (Lakhs)**



Source: Bank of Maharashtra Q3FY23 Investor presentation



## Leadership



### **Shri. A.S. Rajeev Managing Director & Chief Executive Officer**

Shri. A.S. Rajeev is a qualified Chartered Accountant having over three decades of professional banking experience in three Banks, viz., Syndicate Bank, Vijaya Bank and Indian Bank. Prior to this, he was Executive Director of Indian Bank from 22/10/2016 to 30/11/2018.

He has vast exposure and expertise in all important areas of banking including Corporate Credit, International Banking, Treasury, Risk Management, Credit Monitoring & Supervision, NPA Management etc.



### **Shri. A.B. Vijayakumar, Executive Director**

Shri.Vijayakumar has rich banking experience spanning over three decades across various functional areas like Large Corporate, Retail Banking, Priority sector, Forex Operations, Compliance etc. He started his career from Bank of India and rose to the level of General Manager in the year 2018. Before joining Bank of Maharashtra he worked as the Chief Vigilance officer at Indian Overseas Bank from 1st April 2020.

Shri.Vijayakumar, a graduate in Commerce & Law and a Certified Associate of Indian Institute of Bankers (CAIIB) holds many coveted professional qualification.



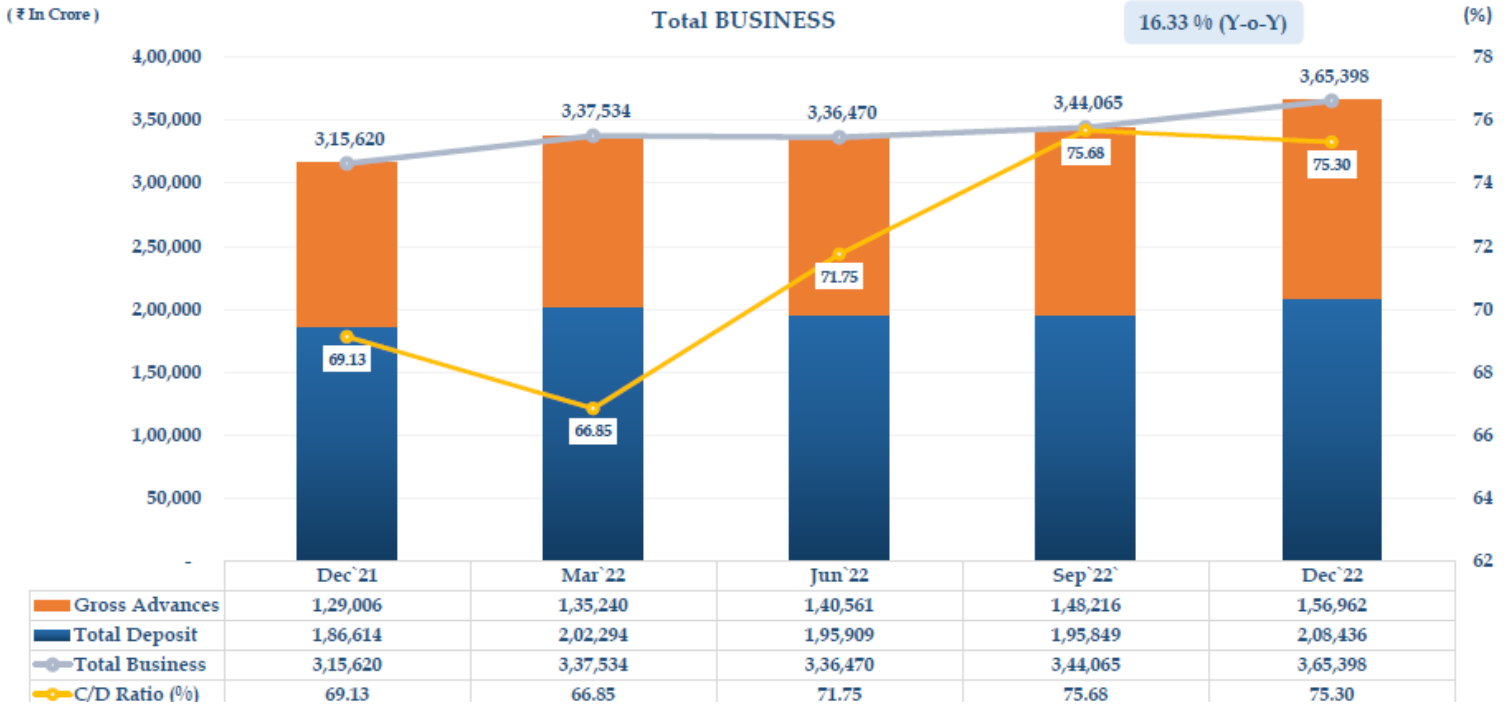
### **Shri.AsheeshPandey, Executive Director**

Shri.AsheeshPandey has a professional career spanning more than 25 years. Prior to joining Bank of Maharashtra, he was Chief General Manager and Chief Operations Officer at Union Bank of India and has handled a diversified portfolio ranging from Credit, Credit Monitoring, Treasury & Merchant Banking, Foreign transactions and Joint Ventures, Marketing and customer relationships and Banking operations etc.

Shri.Pandey is a Mechanical Engineer (Hons) with Post Graduation in Management (Hons) with specialisation in Finance & Marketing. He is Certified Associate of Indian Institute of Bankers.

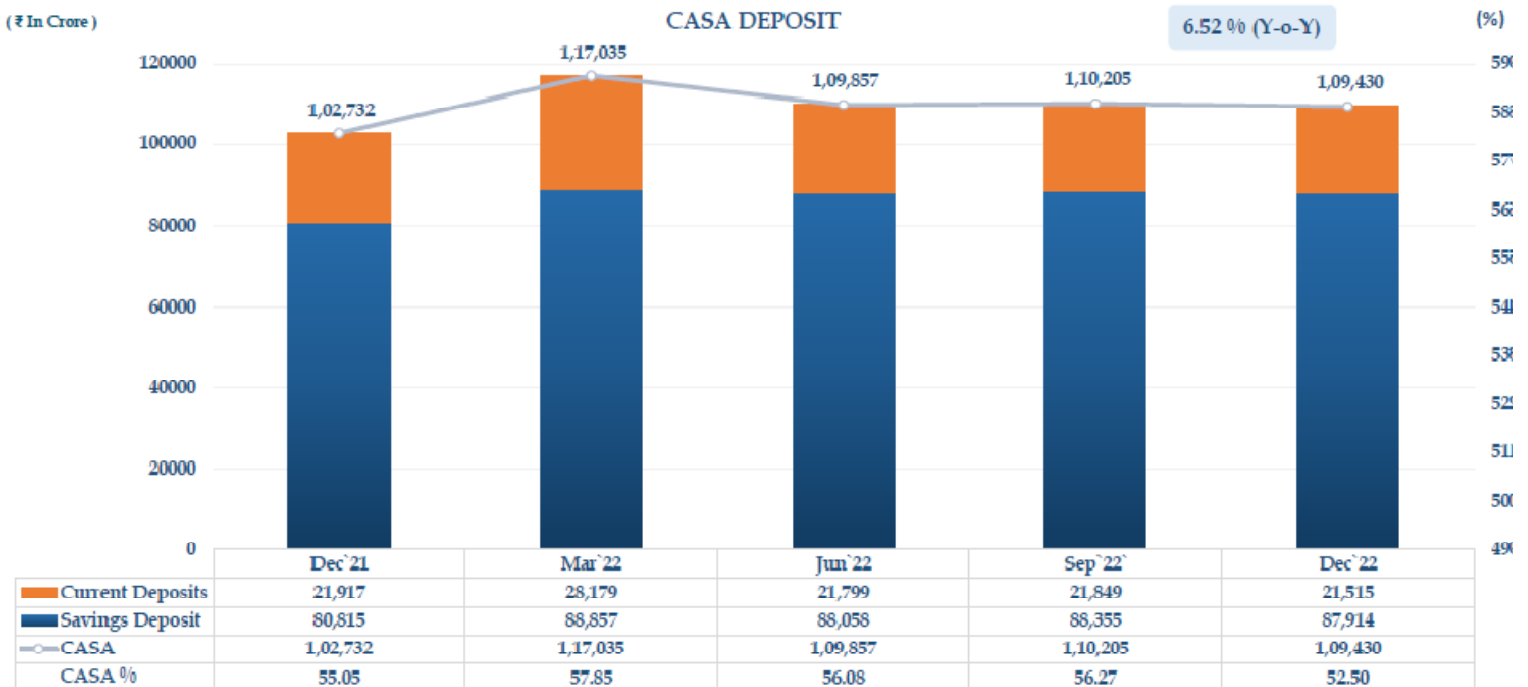
Story in charts...

**Total Business, Gross Advances and Deposits - Quarterly**



Source: Bank of Maharashtra Q3FY23 Investor presentation

**CASA deposits and CASA %**

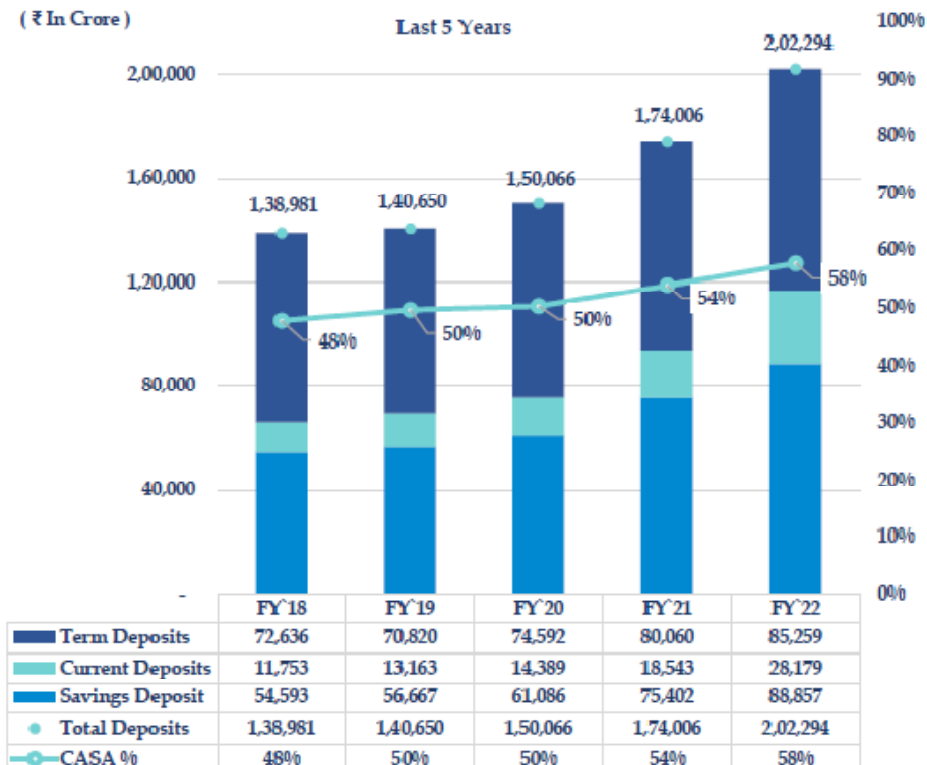
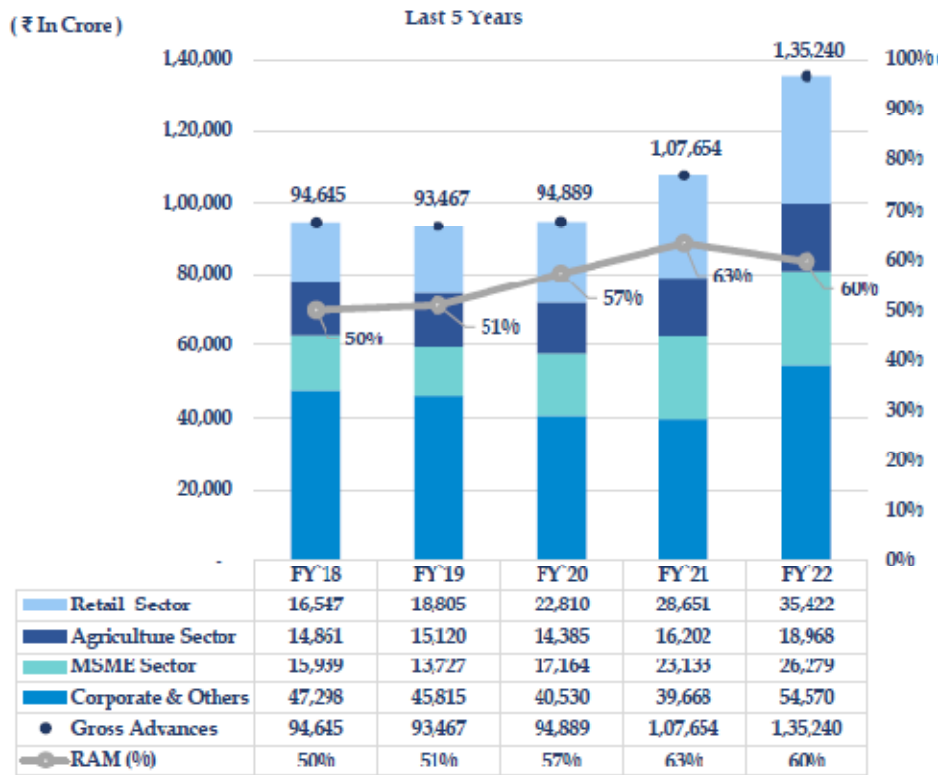


Source: Bank of Maharashtra Q3FY23 Investor presentation



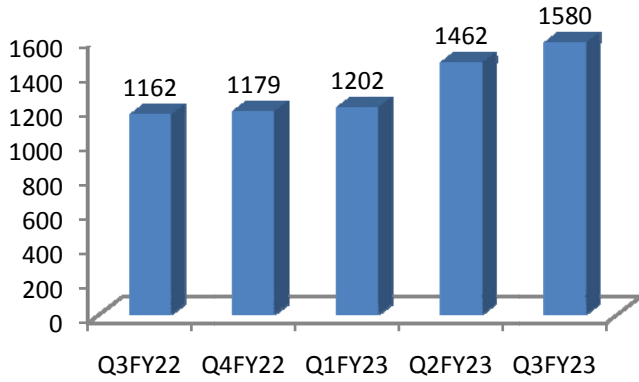
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## Gross Advances and Deposits - Last 5 years



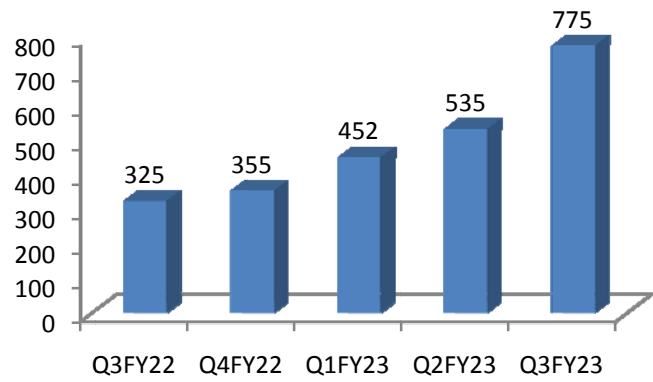
Source: Bank of Maharashtra FY22 Investor presentation

**Operating profit - Quarterly (Rs. in Crore)**

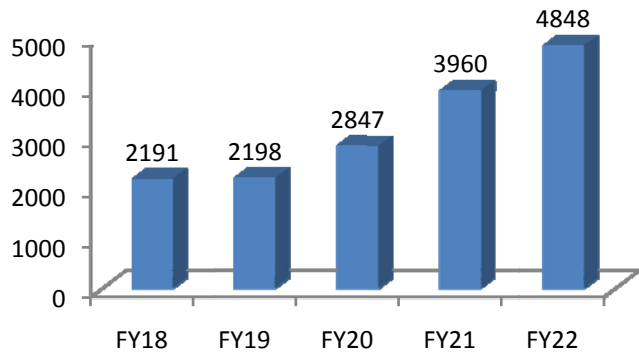


Source: Bank of Maharashtra Q3FY23 Investor presentation

**Net profit - Quarterly (Rs. in Crore)**

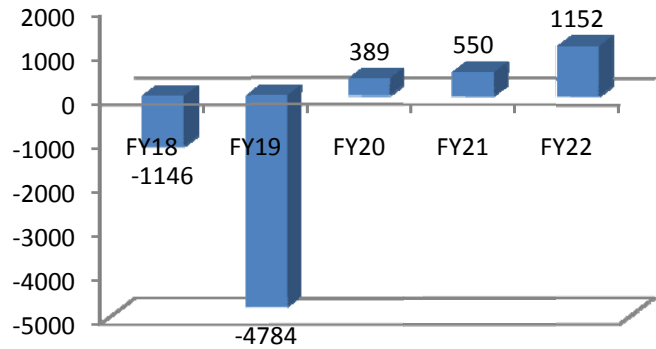


**Operating profit - Last 5 years (Rs. in Crore)**

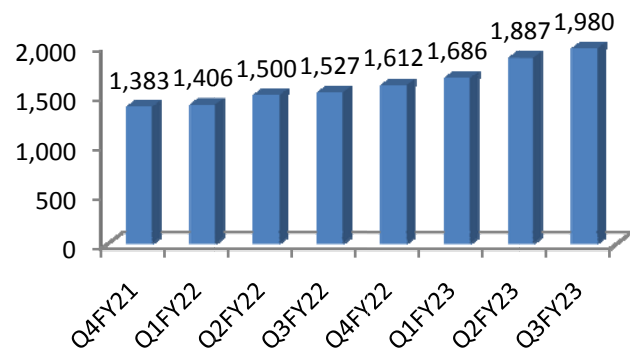


Source: Bank of Maharashtra FY22 Investor presentation

**Net profit - Last 5 years (Rs. in Crore)**

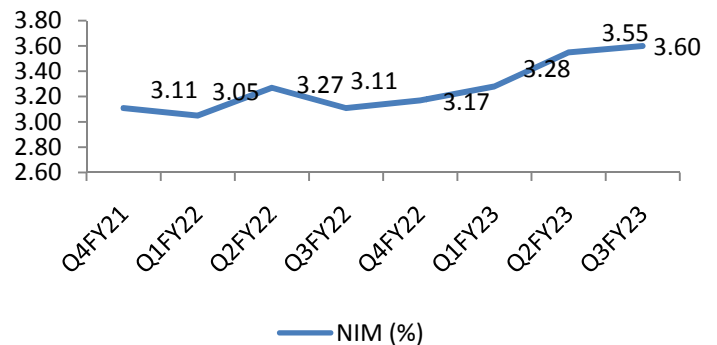


**Net Interest Income (Rs. in Crore)**

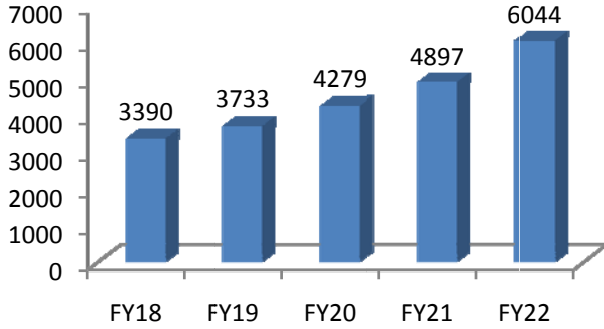


Source: Bank of Maharashtra Q3FY23 Investor presentation

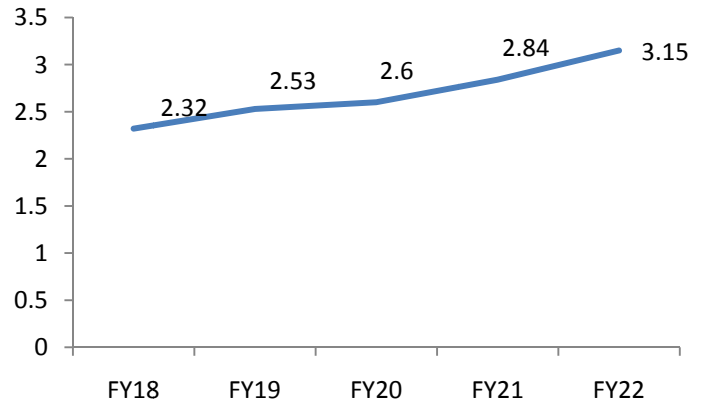
**NIM (%)**



**Net Interest Income - Last 5 years (Rs. in Crore)**

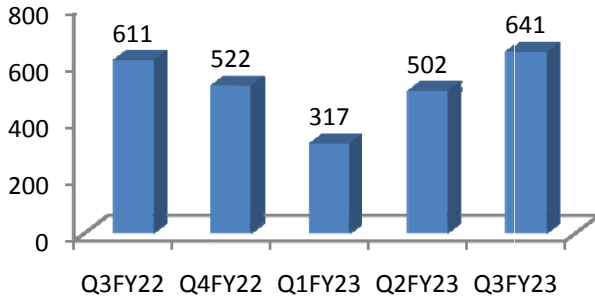


**NIM - Last 5 years (%)**

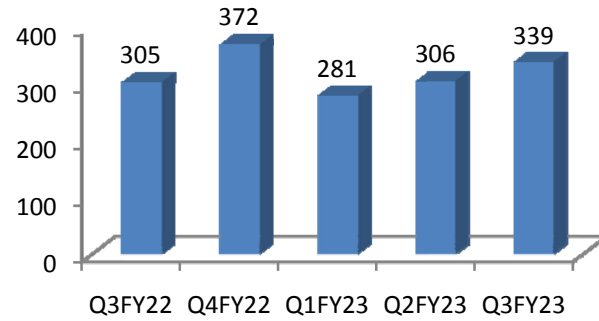


Source: Bank of Maharashtra FY22 Investor presentation

**Non Interest Income (Rs. in Crore)**

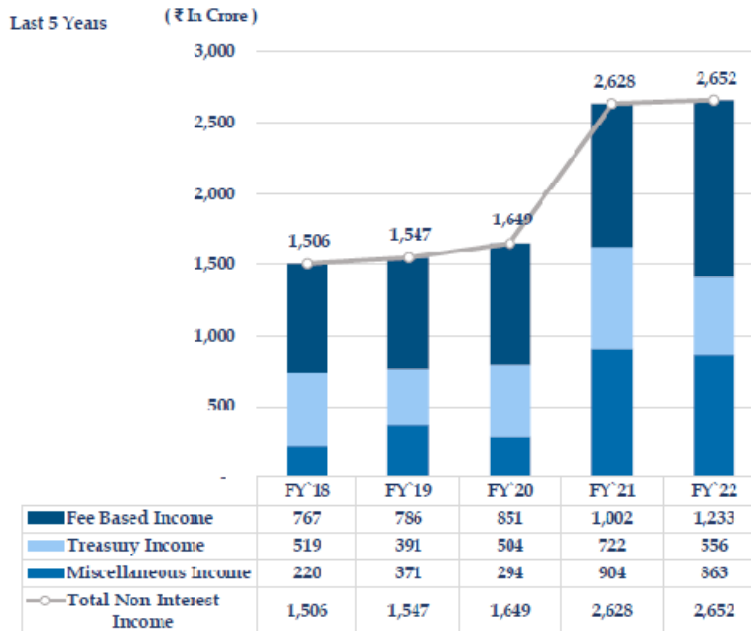


**Fee based income (Rs. in Crore)**



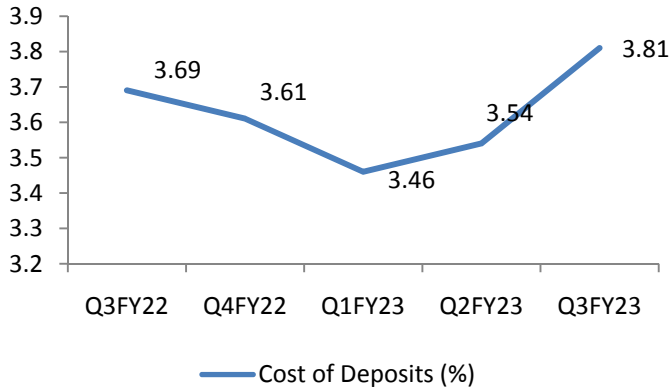
Source: Bank of Maharashtra Q3FY23 and Q2FY23 Investor presentation

**Non Interest Income- Last 5 years**

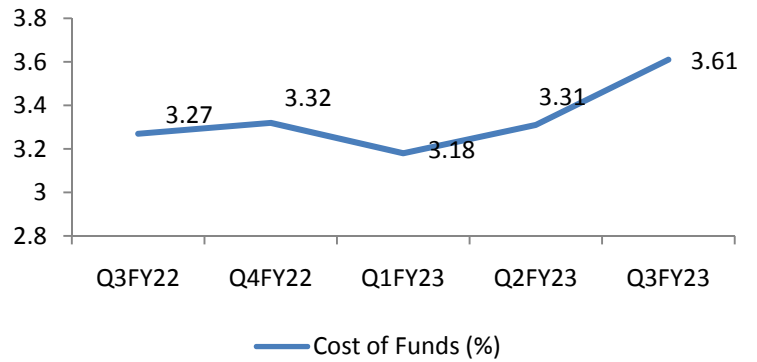


Source: Bank of Maharashtra FY22 Investor presentation

**Cost of Deposits (%)**

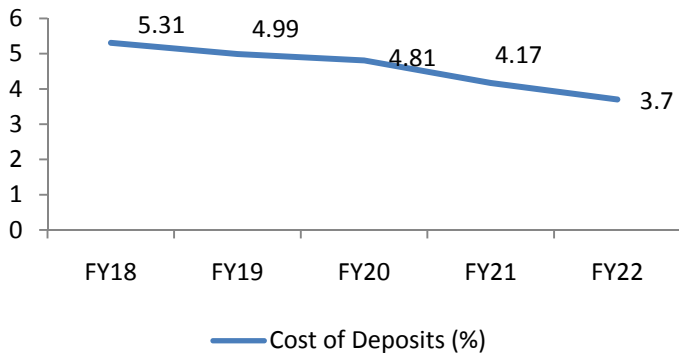


**Cost of Funds (%)**

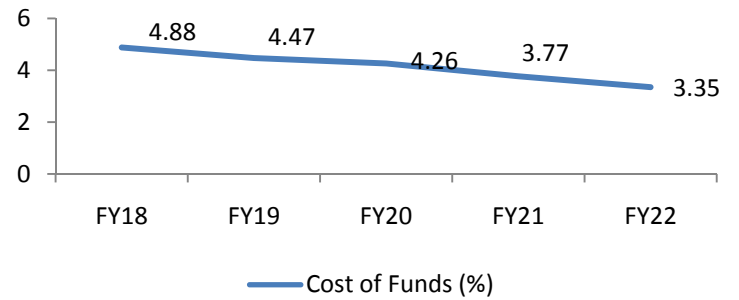


Source: Bank of Maharashtra Q3FY23 Investor presentation

**Cost of Deposits (%) - Last 5 years**

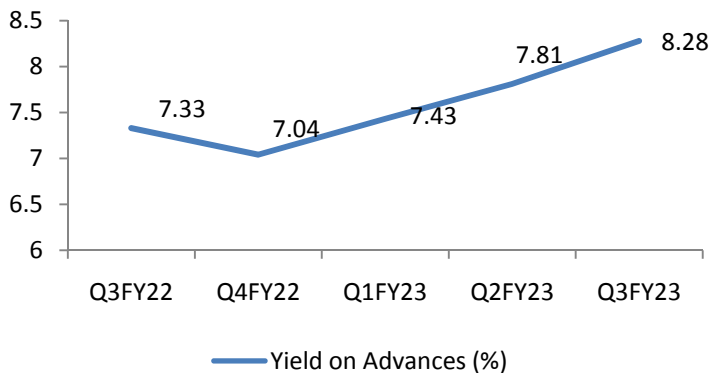


**Cost of Funds (%) - Last 5 years**

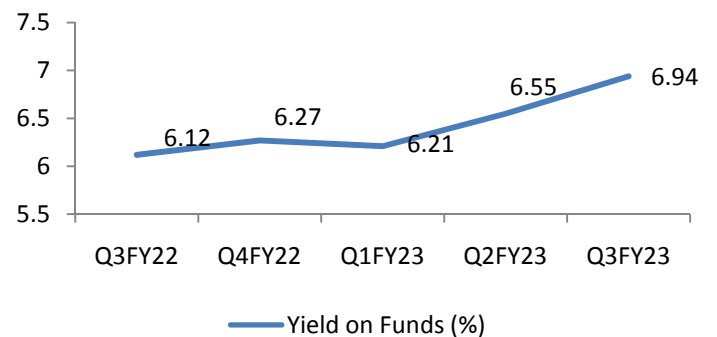


Source: Bank of Maharashtra FY22 Investor presentation

**Yield on Advances (%)**

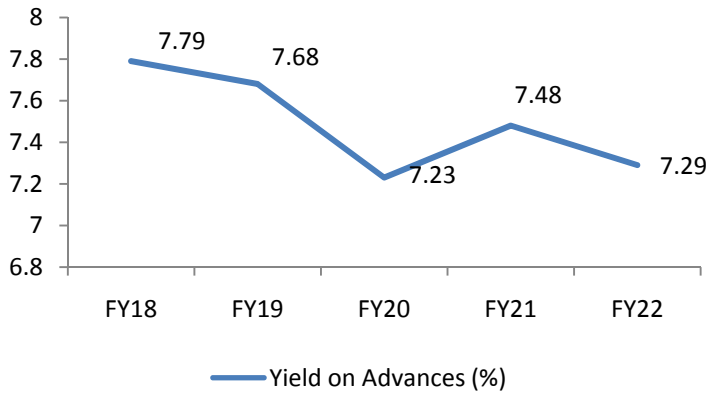


**Yield on Funds (%)**

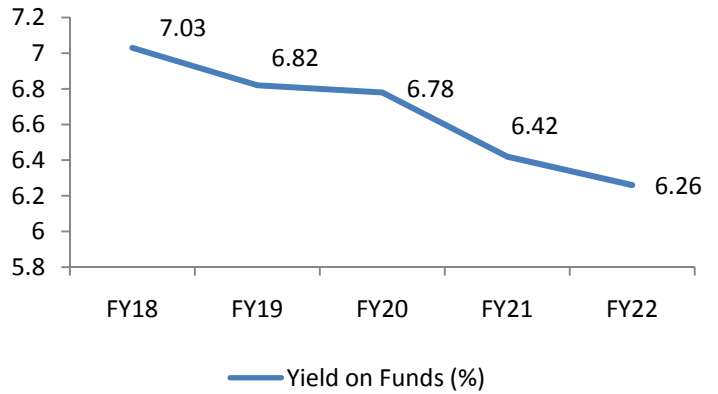


Source: Bank of Maharashtra Q3FY23 Investor presentation

**Yield on Advances (%) - Last 5 years**

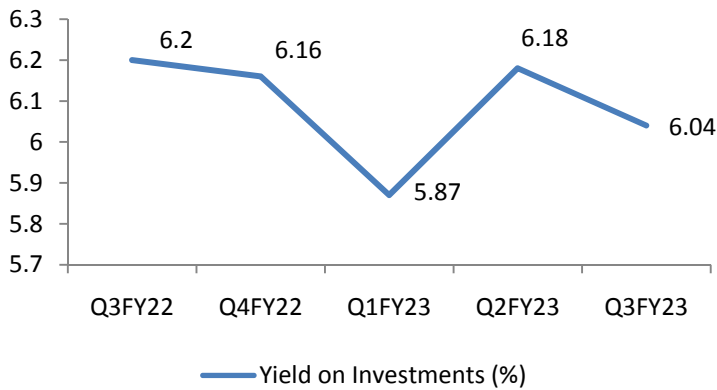


**Yield on Funds (%) - Last 5 years**

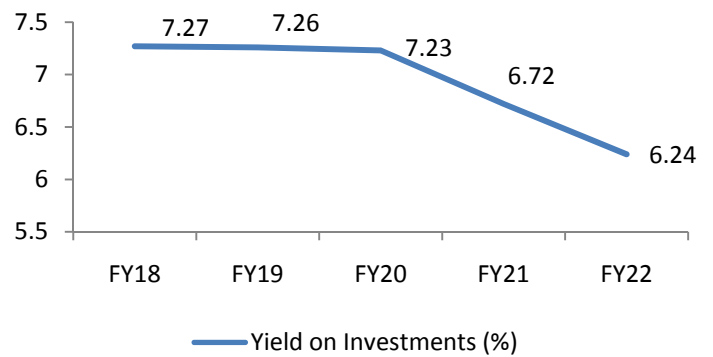


Source: Bank of Maharashtra FY22 Investor presentation

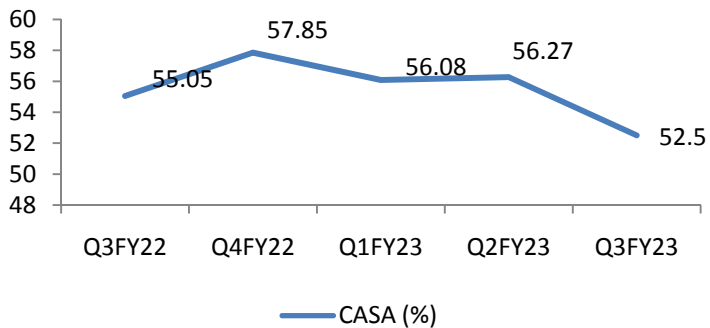
**Yield on Investments (%)**



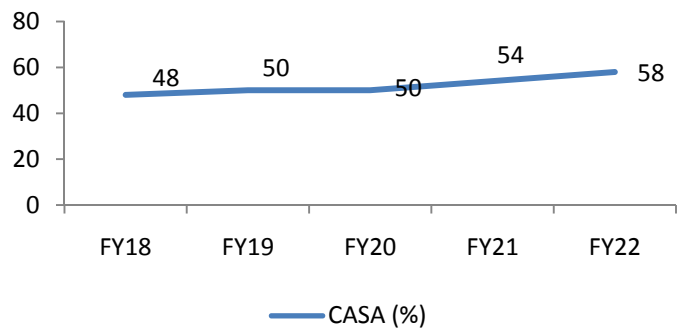
**Yield on Investments (%) - Last 5 years**



**CASA (%)**

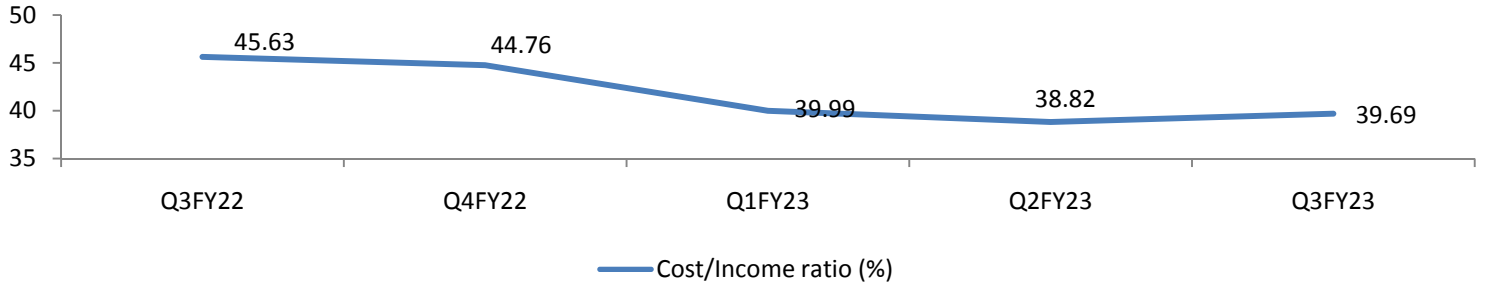


**CASA (%) - Last 5 years**



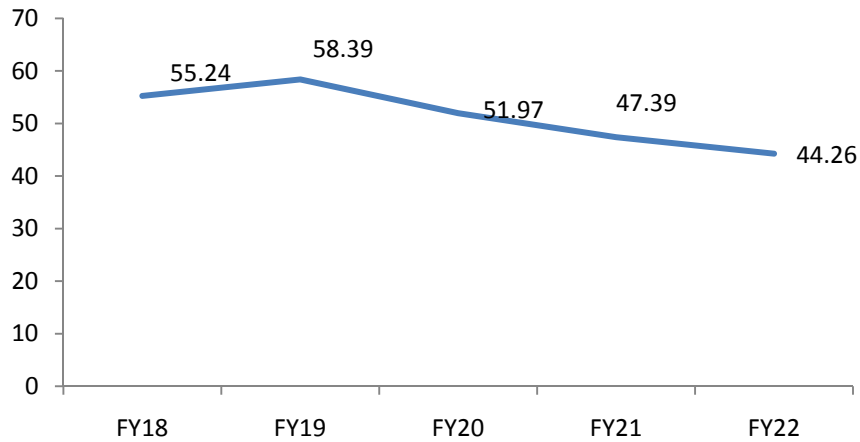
Source: Bank of Maharashtra Q3FY23 and FY22 Investor presentation

**Cost/Income ratio (%)**



Source: Bank of Maharashtra Q3FY23 Investor presentation

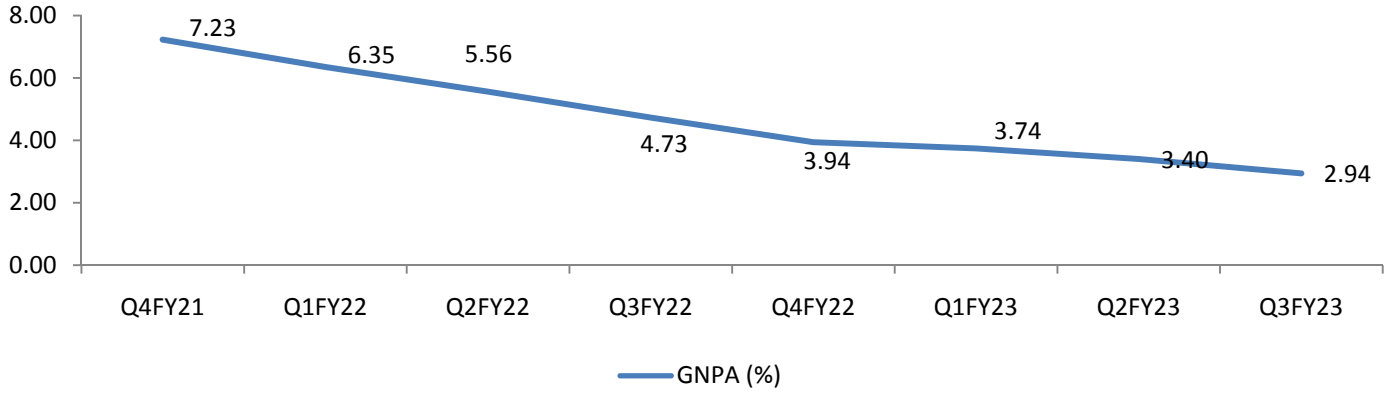
**Cost/Income ratio (%) - Last 5 years**



Source: Bank of Maharashtra FY22 Investor presentation

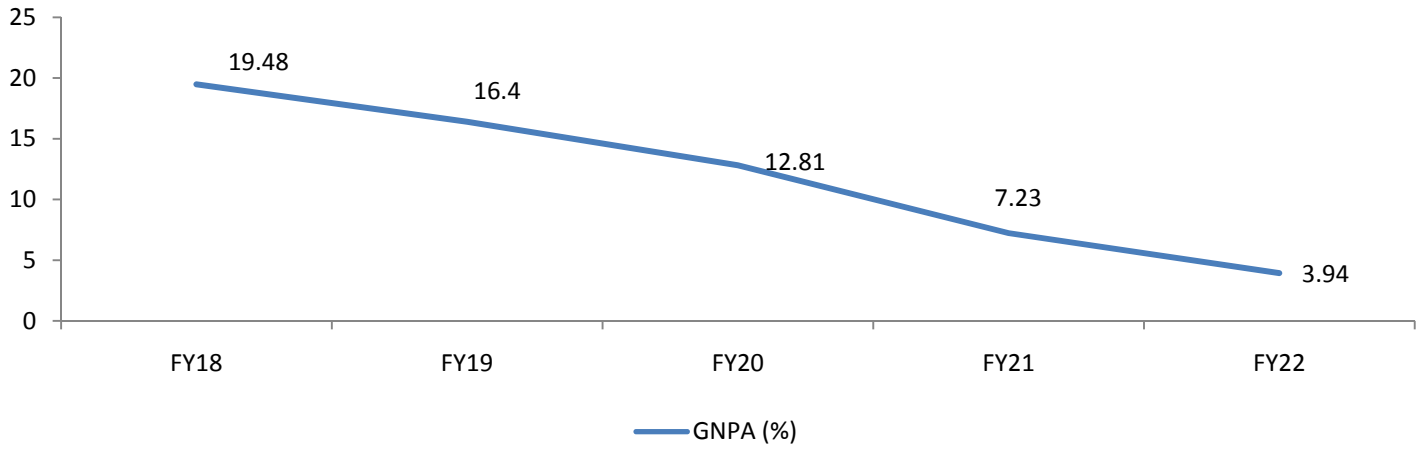


**GNPA (%)**



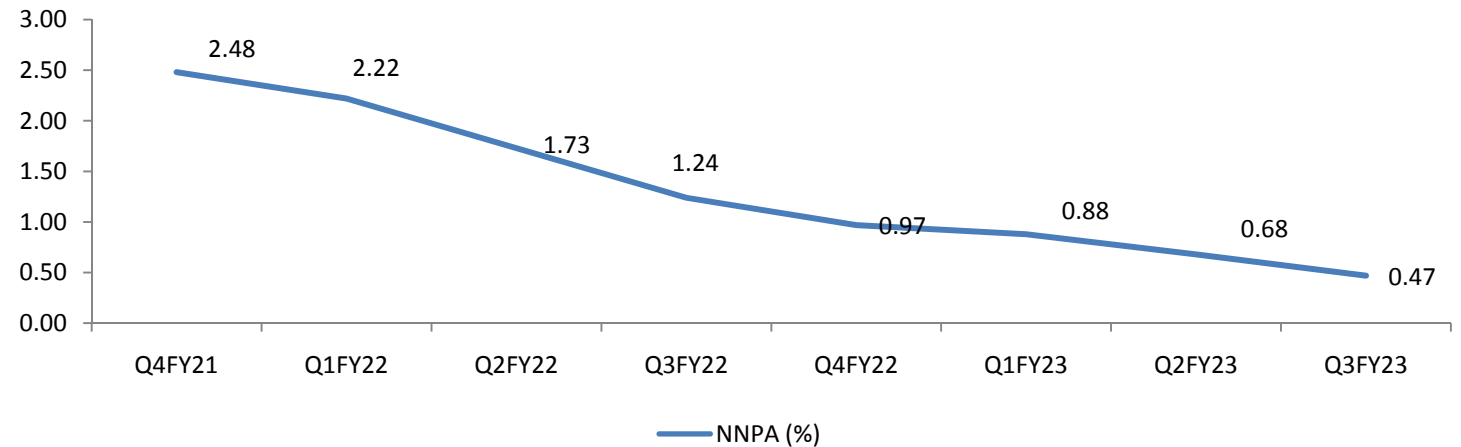
Source: Bank of Maharashtra Q3FY23 Investor presentation

**GNPA (%) - Last 5 years**



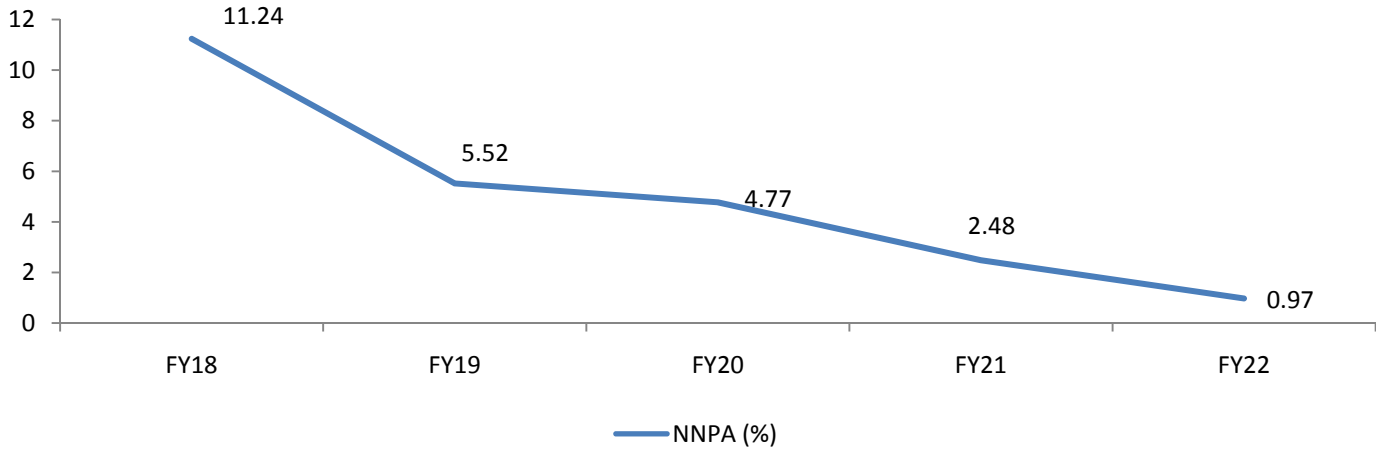
Source: Bank of Maharashtra FY22 Investor presentation

**NNPA (%)**



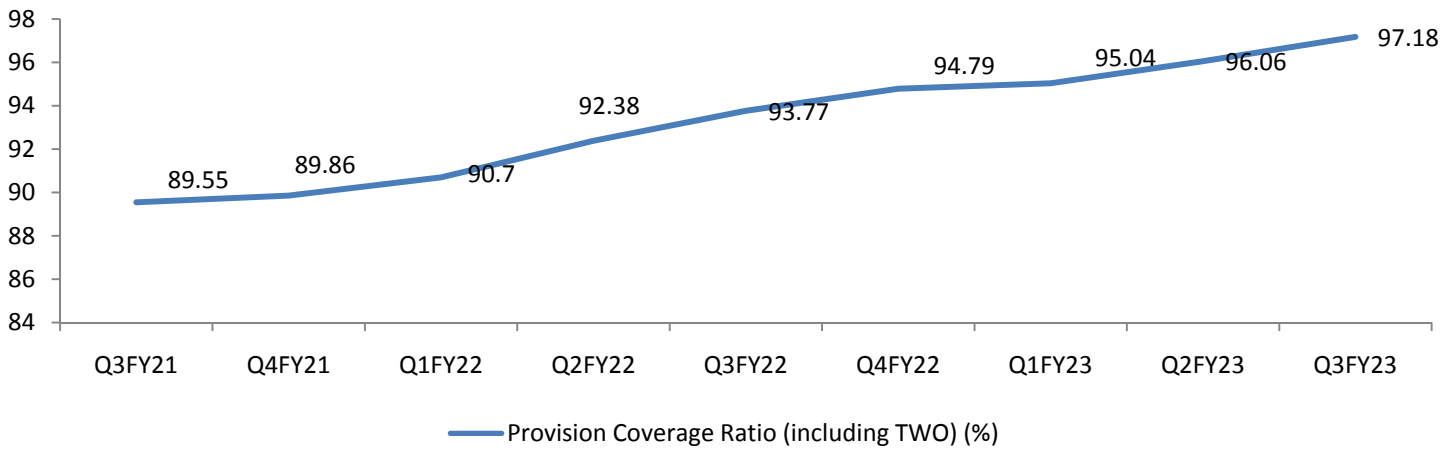
Source: Bank of Maharashtra Q3FY23 Investor presentation

**NNPA (%) - Last 5 years**



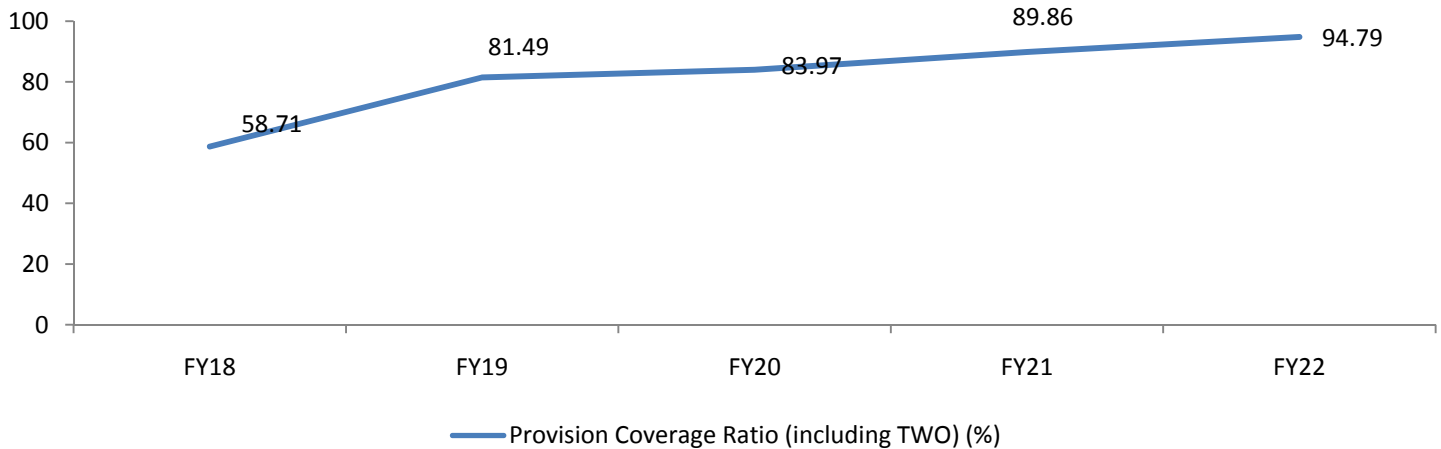
Source: Bank of Maharashtra FY22 Investor presentation

**Provision Coverage Ratio (including TWO) (%)**



Source: Bank of Maharashtra Q3FY23 Investor presentation

**Provision Coverage Ratio (including TWO) (%) - Last 5 years**



Source: Bank of Maharashtra FY22 Investor presentation



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## Assets & Liabilities - An Overview

Assets	As on Q3FY23	FY22	FY21	FY20	FY19	FY18
Cash & Balance with RBI	17,862	19,722	12,882	10,354	7,920	15,809
Balances with Bank & Call Money	51	194	59	93	1,235	75
Total Investments (Net of Depreciation & Provision)	67,561	68,590	68,112	57,741	59,697	43,623
Total Advances (Net of Provision)	1,53,065	1,31,170	1,02,405	86,872	82,666	85,797
Total Fixed Assets (Net of Depreciation)	2,180	2,242	1,674	1,676	1,776	1,517
Other Assets	7,082	8,693	11,532	12,132	11,242	9,508
<b>Total</b>	<b>2,47,801</b>	<b>2,30,611</b>	<b>1,96,665</b>	<b>1,68,867</b>	<b>1,64,536</b>	<b>1,56,329</b>
Liabilities	As on Q3FY23	FY22	FY21	FY20	FY19	FY18
Capital	6,731	6,731	6,560	5,824	2,753	2,598
Reserves & Surplus	8,915	7,154	5,573	4,931	2,986	7,346
Deposits	2,08,436	2,02,294	1,74,006	1,50,066	1,40,650	1,38,981
Borrowings	18,289	7,747	4,239	3,670	10,149	4,064
Other Liabilities & Provisions	5,431	6,685	6,287	4,375	7,997	3,340
<b>Total</b>	<b>2,47,801</b>	<b>2,30,611</b>	<b>1,96,665</b>	<b>1,68,867</b>	<b>1,64,536</b>	<b>1,56,329</b>

Source: Bank of Maharashtra FY22 an Q3FY23 Investor presentation



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### One year price movement chart



Source: Moneycontrol



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**Buy** – Absolute return of 20% and above

**Accumulate** – Absolute return between 15% and above

**Book profits:** On achieving the price target given in the research report for a particular Company or on a occurrence of a specific event leading to change in fundamentals of the Company recommended

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