

# PNB Housing Finance

Estimate change



TP change

Rating change



Bloomberg	PNBHOUSI IN
Equity Shares (m)	168
M.Cap.(INRb)/(USDb)	76.1 / 0.9
52-Week Range (INR)	602 / 312
1, 6, 12 Rel. Per (%)	11/11/-9
12M Avg Val (INR M)	193
Free float (%)	67.4

## Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	17.6	19.5	19.1
PPP	16.6	18.3	17.9
PAT	8.4	9.9	10.6
EPS (INR)	49.6	58.5	63.0
EPS Gr. (%)	-8	18	8
BV/Sh. (INR)	586	637	693

## Ratios

NIM (%)	3.0	3.3	3.0
C/I ratio (%)	22.3	22.8	25.1
RoAA (%)	1.2	1.4	1.4
RoE (%)	8.9	9.6	9.5

## Valuations

P/E (x)	9.1	7.7	7.2
P/BV (x)	0.77	0.71	0.65
Div. Yield (%)	0.0	1.3	1.3

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	32.6	32.6	32.6
DII	3.3	2.4	3.1
FII	23.2	24.0	26.0
Others	40.9	41.1	38.4

FII Includes depository receipts

**CMP: INR451**

**TP: INR500 (+11%)**

**Neutral**

## Execution under new management crucial for re-rating

- PNB Housing Finance (PNBHF)'s PAT grew 12% YoY to ~INR2.63b in 2QFY23 driven by ~180bp QoQ improvement in margin (including a one-off positive impact of ~INR1.1b on interest income from prior assigned pool of loans) despite elevated credit costs of 1.7% (annualized). NII/PPoP grew 36%/35% YoY, respectively. In 1HFY23, PAT rose 4% YoY to ~INR5b (from INR4.8b YoY).
- Asset quality improved because of retail loan book expansion. Total GNPA/NNPA stood at ~6.1%/3.7% (% of loan assets) and declined 30bp/65bp QoQ, respectively. Retail GNPA declined ~30bp QoQ to 3.4% while Corporate GNPA increased to ~30% (PQ: 28%) led by a decline in Corporate book.
- The company is actively working on various resolutions in the Corporate book and has been gradually running it down. Corporate NPAs have been sticky and thus it is important for PNBHF to demonstrate some Corporate NPA resolutions in 2HFY23. Besides, we now estimate credit costs of 95bp/65bp (earlier: 60bp/55bp) in FY23/FY24, respectively.
- PNBHF's management appointed Mr. Girish Kousgi as the new MD/CEO, effective 21<sup>st</sup> Oct'22, to lead the franchise. Mr. Kousgi, in his prior CEO role at CAN FIN Homes, had successfully steered the company towards strong loan growth and healthy profitability. We believe that there will be renewed focus on both non-affordable and affordable segments under the new leadership. A better outlook on loan growth, spreads/margins and asset quality has led us to increase our FY23/FY24 EPS estimates by 8%/14%, respectively.
- We expect PNBHF to deliver a loan book and PAT CAGR of 8% and 13% over FY22-FY24, respectively, and ~10% RoE in FY23 and FY24 each. However, we remain watchful of the execution under the new leadership of Mr. Kousgi and would closely track the delivery on loan growth, spreads/margins and asset quality before turning constructive on the stock. **We maintain our Neutral rating with a TP of INR500 (based on 0.7x FY24E BVPS).**

## Disbursement momentum to improve; NIM has a one-off in interest income

- Disbursements grew 21% YoY to INR36b in 2QFY23. Disbursements in 1HFY23 rose 49% YoY to INR70.5b and the company disbursed a gross amount of INR2.25b under co-lending during the period.
- PNBHF's AUM declined ~6% YoY and for the first time in the last eight quarters, it demonstrated a sequential growth of 1.4% to INR657.3b.
- Excluding securitization income, spreads stood at ~2.6% in 2QFY23 (PY: 2.8% and PQ: 1.64%). Margin improved to ~4.1% in 2QFY23 (PQ: ~2.4%) driven by ~2pp improvement in average yields that included the net positive impact of ~INR1.1b on assigned loans.

- Cost of borrowings (CoB) stood at 7.32% and the management guided that it expects CoB to increase 50-60bp over the next two-to-three quarters, which will be passed on to the customers. Once PNBHF starts demonstrating asset quality improvement, its cost of funds should decline since it will be able to tap market borrowings at a much lower rate.

#### **Credit costs elevated at 1.7% but expected to moderate from hereon**

- Credit costs in 2QFY23 had four components, namely: a) ARC sale, b) write-offs, c) additional provisions of INR600m, and d) increase in ECL provisions.
- PNBHF is working on various Corporate NPA resolutions and expects sequential asset quality improvement as well as decline in GNPA from hereon. For FY23, the company guided for credit costs of 1% (including both Retail and Corporate) and from FY24 onwards management guided for normalized credit costs of 40-50bp in the retail book.
- Total restructured pool including OTR 1.0 and 2.0 stood at INR21.5b (~3.3% of loan assets) in 2QFY23.

#### **Highlights from the management commentary**

- Management guided for minimum sustainable spreads of 2.2% (excluding securitization income) and NIM of 3.2%.
- For FY23, PNBHF guided for 40% YoY growth in disbursements and 8%-10% YoY growth in loan advances. From FY23 onwards, management guided for 25% disbursement growth and 18% loan growth.
- The company will file the proposal for the Rights issue (Issue size: ~INR25b) before the end of calendar year and expects it to be completed by Jun'23.

#### **Execution under the new leadership a key monitorable; maintain Neutral**

- Over the past year, PNBHF has transformed its business model (it is also targeting the Affordable Housing 'Unnati' segment) towards Retail and reduced its Corporate loan book (through down-selling and ARC sale) to less than 10%. Unnati disbursements were 11%-12% of the total disbursements. Incrementally, it will target to scale up Unnati disbursements to ~25% of the total retail disbursements.
- Guidance given by the management on loan growth, spreads/margins and asset quality were positive. Ability to carry out the equity capital raise through a Rights issue will bring in the much needed capital and could result in a positive rating action (or an upgrade) from the credit rating agencies. With the new management on board, we expect positivity in delivery on guided metrics. However, we will wait to see execution under the new leadership before turning constructive on the stock. **We maintain our Neutral rating with a TP of INR500 (based on 0.7x FY24E BVPS).**

## Quarterly performance

(INR M)

	FY22				FY23E				FY22	FY23E	2QFY23E	v/s Est.
	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23E	4QFY23E				
Interest Income	16,114	14,999	14,112	12,995	12,987	15,975	15,243	16,197	58,220	60,401	13,766	16
Interest Expenses	11,029	10,348	9,961	9,307	9,303	9,639	10,506	11,456	40,645	40,904	10,047	-4
<b>Net Interest Income</b>	<b>5,085</b>	<b>4,651</b>	<b>4,151</b>	<b>3,688</b>	<b>3,684</b>	<b>6,337</b>	<b>4,736</b>	<b>4,740</b>	<b>17,575</b>	<b>19,497</b>	<b>3,719</b>	<b>70</b>
YoY Growth (%)	16.1	-25.1	-18.9	-29	-27.6	36.2	14.1	28.5	-15.9	10.9	-20	
Other income	815	865	844	1,264	1,124	868	1,000	1,277	3,787	4,269	1,050	-17
<b>Total Income</b>	<b>5,900</b>	<b>5,516</b>	<b>4,995</b>	<b>4,951</b>	<b>4,808</b>	<b>7,205</b>	<b>5,736</b>	<b>6,017</b>	<b>21,363</b>	<b>23,767</b>	<b>4,769</b>	<b>51</b>
YoY Growth (%)	16	-19.1	-23.2	-27.6	-18.5	30.6	14.8	21.5	-15.4	11.3	-13.5	
Operating Expenses	1,152	1,186	1,163	1,258	1,214	1,368	1,419	1,419	4,760	5,420	1,257	9
YoY Growth (%)	10.6	11.1	16.7	-13.1	5.4	15.4	22	12.8	4.5	13.9	6	
<b>Operating Profits</b>	<b>4,748</b>	<b>4,330</b>	<b>3,832</b>	<b>3,693</b>	<b>3,594</b>	<b>5,837</b>	<b>4,318</b>	<b>4,599</b>	<b>16,603</b>	<b>18,347</b>	<b>3,512</b>	<b>66</b>
YoY Growth (%)	17.3	-24.7	-30.4	-31.4	-24.3	34.8	12.7	24.5	-19.7	10.5	-18.9	
Provisions	1,595	1,418	1,295	1,455	483	2,432	1,424	1,190	5,764	5,530	567	329
<b>Profit before Tax</b>	<b>3,153</b>	<b>2,912</b>	<b>2,537</b>	<b>2,238</b>	<b>3,111</b>	<b>3,404</b>	<b>2,893</b>	<b>3,408</b>	<b>10,840</b>	<b>12,817</b>	<b>2,945</b>	<b>16</b>
Tax Provisions	720	560	653	542	761	778	651	757	2,475	2,948	663	17
<b>Profit after tax</b>	<b>2,433</b>	<b>2,352</b>	<b>1,885</b>	<b>1,695</b>	<b>2,350</b>	<b>2,626</b>	<b>2,242</b>	<b>2,651</b>	<b>8,365</b>	<b>9,869</b>	<b>2,282</b>	<b>15</b>
YoY Growth (%)	-5.4	-24.9	-18.9	33.5	-3.4	11.7	19	56.3	-8	18	-3	
<b>Key Operating Parameters (%)</b>												
Rep. Yield on loans	10.31	10.1	9.78	8.94	8.85	9.93						
Rep. Cost of funds	7.49	7.29	7.24	7.1	7.21	7.32						
Spreads	2.82	2.81	2.54	1.84	1.64	2.61						
Net Interest Margins	3.19	3.01	2.67	2.33	2.36	4.14						
Cost to Income Ratio	19.5	21.5	23.3	25.4	25.3	19						
Credit Cost	1.03	0.95	0.88	1.01	0.34	1.69						
Tax Rate	22.8	19.2	25.7	24.2	24.5	22.9						
<b>Balance Sheet Parameters</b>												
Loans (INR B)	604	593	579	579	573	578						
Change YoY (%)	-11.1	-11.5	-10.4	-8.4	-5.1	-2.4						
AUM (INR B)	718	698	665	660	649	657						
Change YoY (%)	-14	-14	-14.4	-11.4	-9.7	-5.8						
Borrowings (Ex Assgn.) (INR B)	583	556	538	532	518	523						
Change YoY (%)	-13.3	-16	-16.1	-11.2	-11.1	-5.9						
Loans /Borrowings (%)	104	107	108	109	111	110						
Off BS loans/AUM (%)	15.9	15.1	13	12.2	11.6	12						
Debt/Equity (x)	6.8	5.9	5.6	5.4	4.8	4.8						
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR Mn)	36,251	35,110	47,370	47,060	36,390	35,020						
Gross Stage 3 (% on loans)	6	5.92	8.18	8.12	6.35	6.06						
NS 3 (INR Mn)	21,818	19,682	31,610	29,310	24,400	20,770						
Net Stage 3 (% on loans)	3.61	3.32	5.61	5.22	4.35	3.68						
PCR (%)	39.8	43.9	33.3	37.7	32.9	40.7						

E: MOFSL Estimates



## Highlights from the management commentary

### Business updates

- Within retail, the company will target Home Loans (HL) and Non-HL mix of 75% and 25%, respectively. Likewise, within Non-affordable and Affordable housing it will target a mix of 75% and 25%, respectively.
- There is a planned change in IT infrastructure, which will take place over a timeframe of 15-18 months.
- The company was able to arrest 2QFY23 BT-OUT to INR11b (PQ: INR13.5b). The management iterated that the same will further decline in the subsequent quarters.

### Guidance

- Credit costs were at 1.54% in 2QFY23 and 0.94% in 1HFY23. For FY23, it guided for credit costs of 1% (for both Retail and Corporate put together) and from next year onwards it guided for normalized credit costs of 40-50bp in retail book.
- Management guided for minimum sustainable spreads of 2.2% (excluding securitization income) and NIM of 3.2% and it could even be higher going ahead.

### Asset Quality

- Credit costs in 2QFY23 had four components, namely: a) ARC sale, b) write-offs, c) additional provisions of INR600m, and d) increase in ECL provisions (INR800m)
- Usual credit costs have increased to INR800m (in 2QFY23) from INR490m (in 1QFY23)
- Management is working hard to bring down the GNPA level. Various corporates are under resolution and it expects sequential asset quality improvement and decline in GNPA from here onwards.
- There is a PCR of ~50% on the Corporate NPA. The company is adequately covered and it is constantly working on resolutions.
- There was a marginal improvement in asset quality excluding write-offs and sale to ARCs in 2QFY23.
- First ARC sale was done in the SR structure for a large Corporate account. This was the second sale to ARCs on a cash basis.
- Corporate book is depleting since there is a run-off and it has now declined to less than 10%. On the Corporate NPAs, the company is working on various resolutions but it is difficult to give a timeline on the resolutions.

### Yields, CoF and margins

- CoB stood at 7.32% and the management guided that it expects CoB to increase 50-60bp over the next two-to-three quarters, which will be passed on to the customers. Once PNBHF starts demonstrating asset quality improvement, its cost of funds should decline since it will be able to tap market borrowings at a much lower rate.
- PNBHF recently achieved an outlook upgrade. The company might obtain a credit rating upgrade post its equity capital raise, which will allow it to raise funds at much finer rates. It will also allow PNBHF to compete with the even larger HFCs in the country.

### Outlook on Loan growth

- PNBHF will remain pretty aggressive on growth that will be much above the industry growth rate. First the growth will start on disbursements and then we will see the Loan Assets/AUM growth also catching up.
- The company's focus will be on retail and it sees opportunity in both non-affordable and affordable segments. PNBHF will get very aggressive in affordable and aggressive in non-affordable segments.
- For FY23, it guided for 40% YoY growth in disbursements and 8%-10% growth in loan advances. From next year onwards, it guided for 25% disbursement growth and 18% loan growth.
- Unnati disbursements were 11%-12% of the total disbursements. Incrementally, it will target to scale up Unnati disbursements to ~25% of the total retail disbursements.

### Wholesale Loan Book

- PNBHF will run-down the Corporate book and resolve the NPA/sticky Corporate NPAs. When it reaches a comfortable mix, the company will be very choosy in corporate lending.
- Without focusing on growing the Corporate book, it has the wherewithal to maintain its minimum guided margins and spreads.

### Equity Capital Raise

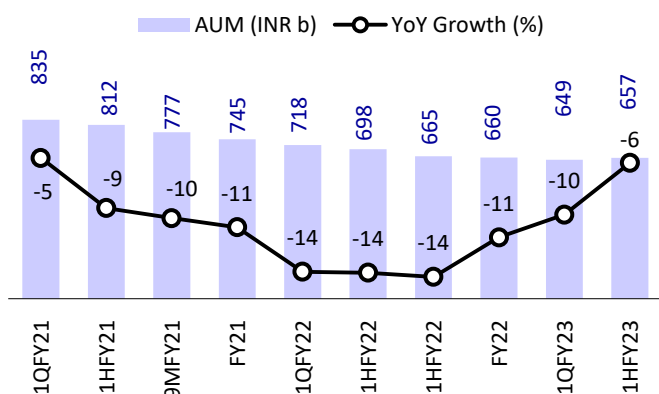
- The company will file the proposal for the Rights issue (Issue size: ~INR25b) before the end of calendar year.
- PNBHF expects the right issue to be completed before June'23.

### Others

- Focus in parallel will be on: a) growth b) asset quality and c) profitability with high liquidity
- On the non-affordable segment, it has the opportunity to grow the book faster but it will have lower margins/spreads. In affordable, the margins/spreads are higher
- PNBHF has built capabilities and a separate team to manage the affordable housing business
- **Incremental book which will be built at PNBHF will have far lower delinquencies.**

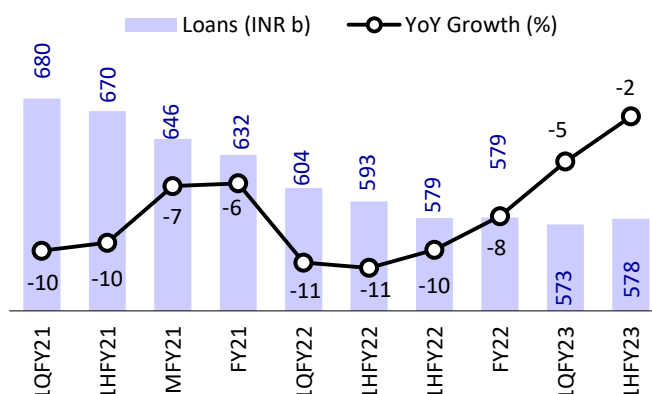
## Key exhibits

Exhibit 1: AUM continued to moderate...



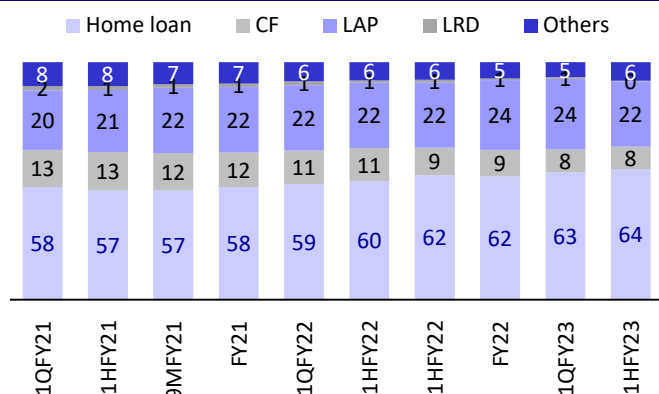
Source: MOFSL, Company

Exhibit 2: ...and so did the on-book loans



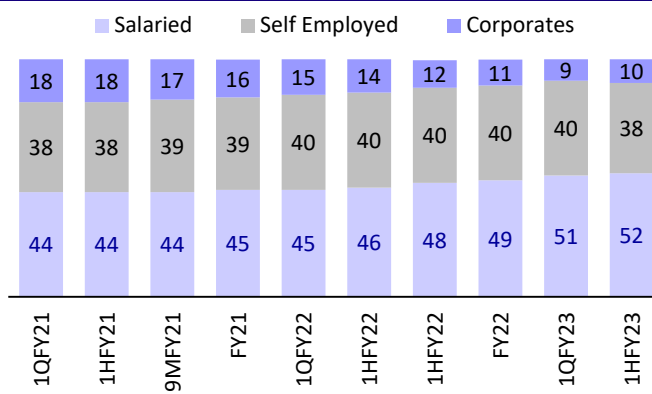
Source: MOFSL, Company

Exhibit 3: Proportion of home loans improved (%)



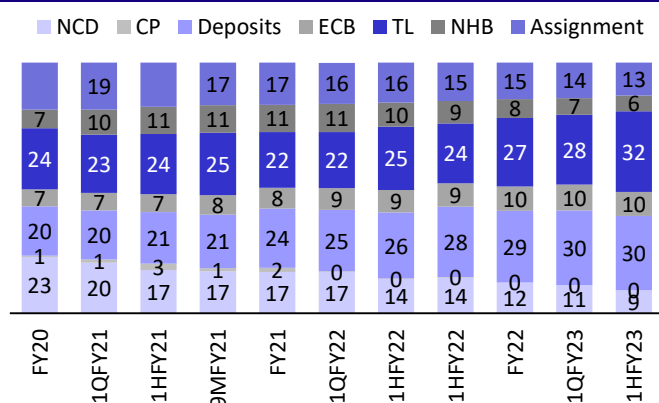
Source: MOFSL, Company

Exhibit 4: Improving proportion of salaried in the customer mix (based on occupation, %)



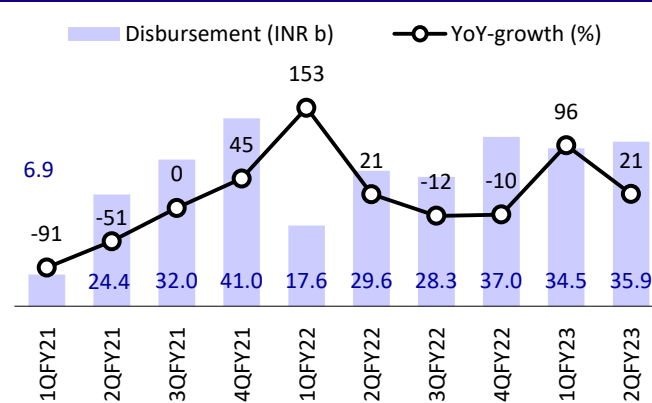
Source: MOFSL, Company, Corporates include LRD, CF, Corp. TL

Exhibit 5: Borrowing mix (%)

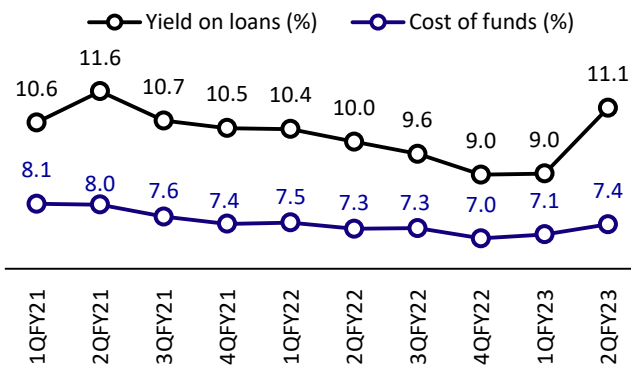


Source: MOFSL, Company

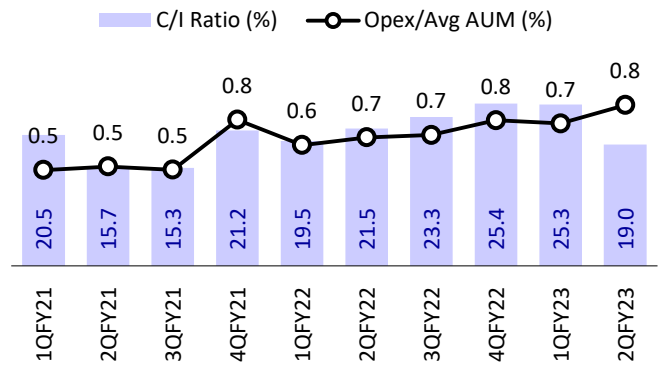
Exhibit 6: Disbursements grew 4% QoQ



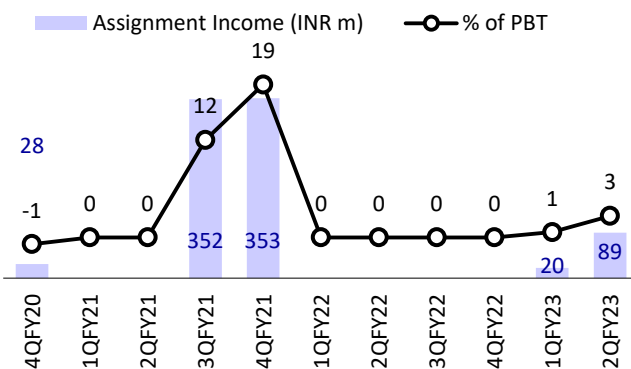
Source: MOFSL, Company

**Exhibit 7: Spreads (calc.) expanded ~180bp sequentially**

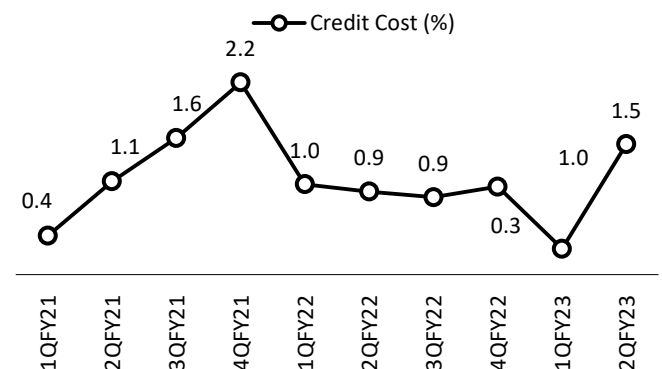
Source: MOFSL, Company, Calculated

**Exhibit 8: C/I ratio declined QoQ (%)**

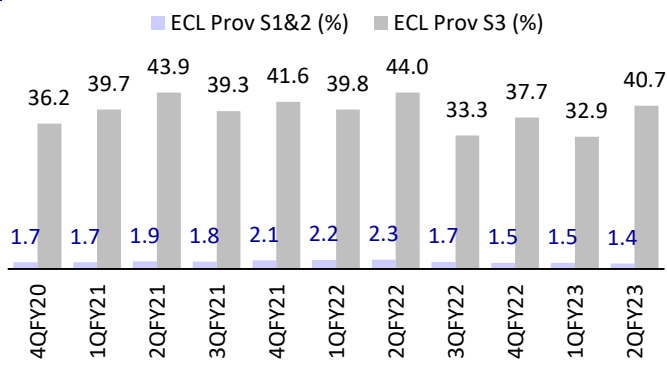
Source: MOFSL, Company, Calculated

**Exhibit 9: PNBHF has resumed assignment transactions**

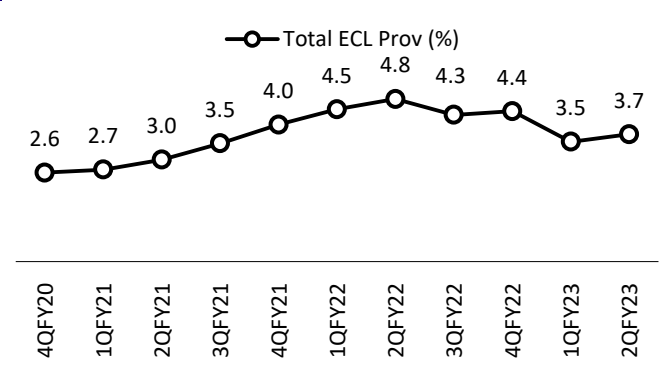
Source: MOFSL, Company

**Exhibit 10: Credit costs were elevated (%)**

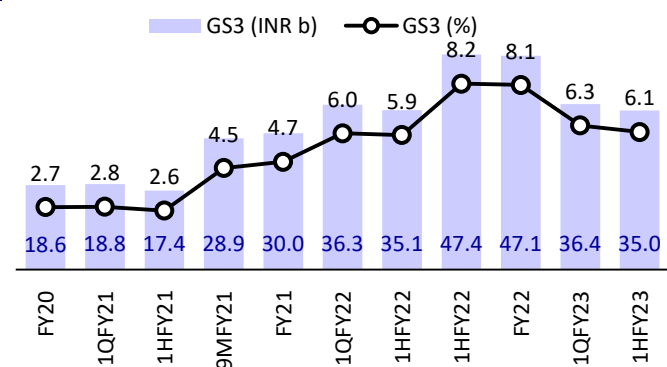
Source: MOFSL, Company

**Exhibit 11: Stage 3 PCR improved ~8pp QoQ...**

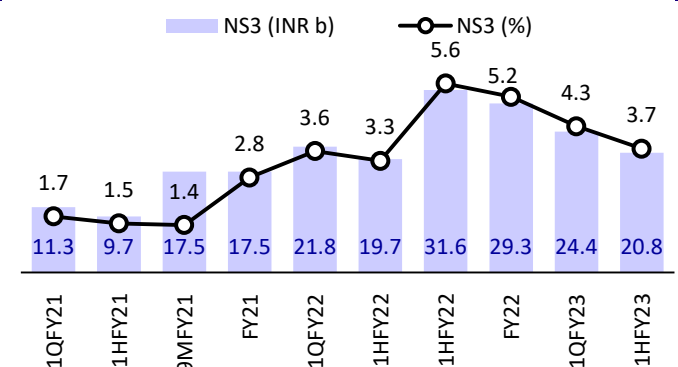
Source: MOFSL, Company

**Exhibit 12: ...while ECL/EAD increased to 3.7% of loans**

Source: MOFSL, Company

**Exhibit 13: GS3 improved ~20bp sequentially...**

Source: MOFSL, Company

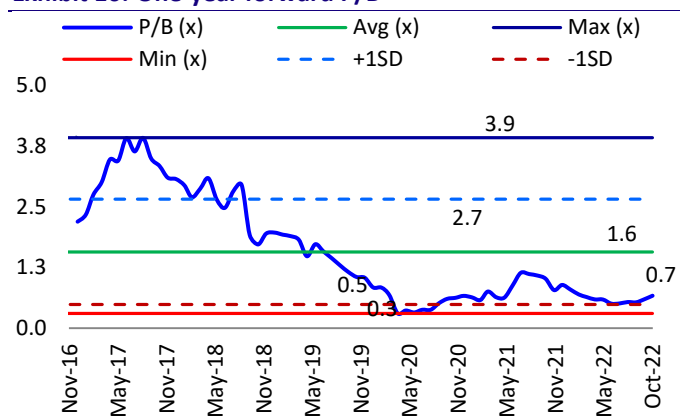
**Exhibit 14: ...while NS3 improved ~70bp QoQ**

Source: MOFSL, Company

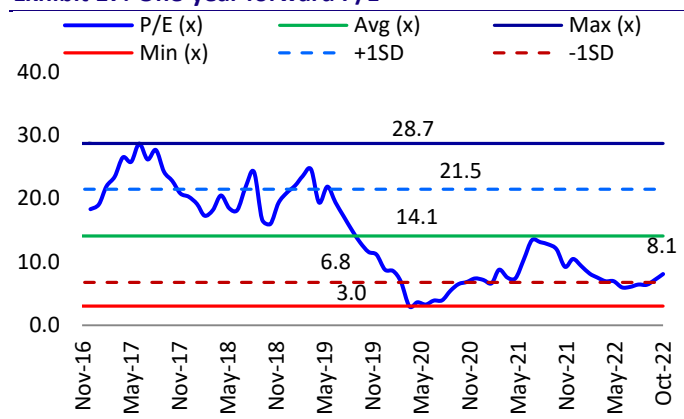
**Exhibit 15: We increase our FY23-FY24E EPS by 8%/14% to factor in higher loan growth and better spreads/margins**

INR b	Old Est.		New Est.		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
NII	16.1	16.0	19.5	19.1	20.8	18.8
Other Income	4.2	4.9	4.3	4.8	1.0	-2.4
<b>Total Income</b>	<b>20.4</b>	<b>21.0</b>	<b>23.8</b>	<b>23.9</b>	<b>16.7</b>	<b>13.8</b>
Operating Expenses	5.2	5.7	5.4	6.0	3.6	5.3
<b>Operating Profits</b>	<b>15.1</b>	<b>15.3</b>	<b>18.3</b>	<b>17.9</b>	<b>21.2</b>	<b>17.0</b>
Provisions	3.4	3.3	5.5	4.2	62.8	28.3
<b>PBT</b>	<b>11.7</b>	<b>12.0</b>	<b>12.8</b>	<b>13.7</b>	<b>9.1</b>	<b>13.9</b>
Tax	2.6	2.7	2.9	3.1	11.5	13.9
<b>PAT</b>	<b>9.1</b>	<b>9.3</b>	<b>9.9</b>	<b>10.6</b>	<b>8.4</b>	<b>13.9</b>
Loan book	579	611	611	681	5.6	11.3
NIM (%)	2.9	2.7	3.3	3.0		
Spreads (%)	1.9	2.0	2.4	2.2		
ROAA (%)	1.4	1.3	1.4	1.4		
RoAE (%)	8.9	8.4	9.6	9.5		

Source: MOFSL estimates

**Exhibit 16: One-year forward P/B**

Source: MOFSL, Company

**Exhibit 17: One-year forward P/E**

Source: MOFSL, Company

## Financials and valuations

Income statement							(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	36,401	50,467	67,929	76,882	71,898	58,220	60,401	67,376
Interest Expended	26,437	35,366	51,664	58,750	50,998	40,645	40,904	48,311
<b>Net Interest Income</b>	<b>9,964</b>	<b>15,101</b>	<b>16,265</b>	<b>18,133</b>	<b>20,901</b>	<b>17,575</b>	<b>19,497</b>	<b>19,066</b>
Change (%)	45.3	51.6	7.7	11.5	15.3	-15.9	10.9	-2.2
Other Operating Income	2,678	4,426	8,904	8,013	4,343	3,787	4,269	4,820
<b>Net Income</b>	<b>12,642</b>	<b>19,528</b>	<b>25,169</b>	<b>26,146</b>	<b>25,243</b>	<b>21,363</b>	<b>23,767</b>	<b>23,886</b>
Change (%)	50.6	54.5	28.9	3.9	-3.5	-15.4	11.3	0.5
Operating Expenses	3,573	4,416	5,935	5,522	4,554	4,760	5,420	5,984
<b>Operating Income</b>	<b>9,069</b>	<b>15,112</b>	<b>19,234</b>	<b>20,624</b>	<b>20,689</b>	<b>16,603</b>	<b>18,347</b>	<b>17,902</b>
Change (%)	54.5	66.6	27.3	7.2	0.3	-19.7	10.5	-2.4
Provisions/write offs	1,029	2,766	1,890	12,514	8,619	5,764	5,530	4,197
<b>PBT</b>	<b>8,040</b>	<b>12,346</b>	<b>17,344</b>	<b>8,110</b>	<b>12,070</b>	<b>10,840</b>	<b>12,817</b>	<b>13,705</b>
Tax	2,803	3,934	5,429	2,201	2,978	2,475	2,948	3,084
Tax Rate (%)	34.9	31.9	31.3	27.1	24.7	22.8	23	23
<b>Reported PAT</b>	<b>5,237</b>	<b>8,412</b>	<b>11,915</b>	<b>5,909</b>	<b>9,092</b>	<b>8,365</b>	<b>9,869</b>	<b>10,622</b>
Change (%)	60.0	60.6	41.7	-50.4	53.9	-8.0	18.0	7.6
<b>PAT adjusted for EO</b>	<b>5,237</b>	<b>8,412</b>	<b>11,915</b>	<b>5,909</b>	<b>9,092</b>	<b>8,365</b>	<b>9,869</b>	<b>10,622</b>
Change (%)	60.0	60.6	41.7	-50.4	53.9	-8.0	18.0	7.6
Proposed Dividend	1,196	1,799	1,809	0	0	0	1,161	1,147

Balance sheet							(INR M)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Capital	1,656	1,666	1,675	1,682	1,683	1,686	1,686	1,686
Reserves & Surplus	56,340	64,008	73,764	78,296	87,548	97,030	1,05,739	1,15,213
<b>Net Worth</b>	<b>57,996</b>	<b>65,673</b>	<b>75,439</b>	<b>79,978</b>	<b>89,230</b>	<b>98,716</b>	<b>1,07,425</b>	<b>1,16,899</b>
<b>Borrowings</b>	<b>3,53,207</b>	<b>5,37,767</b>	<b>7,18,589</b>	<b>6,77,351</b>	<b>5,93,925</b>	<b>5,30,050</b>	<b>5,68,040</b>	<b>6,39,723</b>
Change (%)	35.8	52.3	33.6	-5.7	-12.3	-10.8	7.2	12.6
Other liabilities	14,974	26,704	44,662	31,969	30,767	28,530	31,383	34,521
<b>Total Liabilities</b>	<b>4,26,177</b>	<b>6,30,145</b>	<b>8,38,690</b>	<b>7,89,297</b>	<b>7,13,922</b>	<b>6,57,296</b>	<b>7,06,848</b>	<b>7,91,143</b>
<b>Loans</b>	<b>3,87,347</b>	<b>5,71,648</b>	<b>7,42,879</b>	<b>6,66,280</b>	<b>6,06,447</b>	<b>5,53,359</b>	<b>6,10,796</b>	<b>6,80,556</b>
Change (%)	42.5	47.6	30.0	-10.3	-9.0	-8.8	10.4	11.4
<b>Investments</b>	<b>33,236</b>	<b>24,130</b>	<b>45,607</b>	<b>20,757</b>	<b>20,448</b>	<b>34,827</b>	<b>38,310</b>	<b>42,141</b>
Change (%)	104.9	-27.4	89.0	-54.5	-1.5	70.3	10.0	10.0
Net Fixed Assets	604	858	1,083	1,353	1,056	935	981	1,031
Other assets	4,990	33,509	49,122	1,00,906	85,971	68,175	56,761	67,416
<b>Total Assets</b>	<b>4,26,177</b>	<b>6,30,145</b>	<b>8,38,690</b>	<b>7,89,297</b>	<b>7,13,922</b>	<b>6,57,296</b>	<b>7,06,848</b>	<b>7,91,143</b>

E: MOFSL Estimates

## Financials and valuations

Ratios	(%)							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Spreads Analysis (%)</b>								
Avg yield on loans	10.6	10.2	10.1	10.6	10.9	9.7	9.9	10.2
Avg. cost of funds	8.6	7.9	8.2	8.4	8.0	7.2	7.5	8.0
Interest Spread	2.0	2.3	1.9	2.1	2.9	2.4	2.3	1.8
NIM on loans	3.0	3.1	2.5	2.6	3.3	3.0	3.3	3.0
<b>Profitability Ratios (%)</b>								
RoE	13.2	13.6	16.9	7.6	10.7	8.9	9.6	9.5
RoA	1.4	1.6	1.6	0.7	1.2	1.2	1.4	1.4
Int. Expended/Int. Earned	72.6	70.1	76.1	76.4	70.9	69.8	67.7	71.7
Other Inc./Net Income	21.2	22.7	35.4	30.6	17.2	17.7	18.0	20.2
<b>Efficiency Ratios (%)</b>								
Op. Exps./Net Income	28.3	22.6	23.6	21.1	18.0	22.3	22.8	25.1
Empl. Cost/Op. Exps.	28.3	32.6	51.2	42.2	46.4	45.5	46.0	46.6
<b>Asset Quality (INR m)</b>								
Gross NPA	858	1,861	3,549	18,562	27,620	47,060	35,993	31,106
GNPA ratio	0.2	0.3	0.5	2.8	4.5	8.1	5.7	4.5
Net NPA	590	1,438	2,784	11,838	15,130	29,310	19,796	17,109
NNPA ratio	0.2	0.3	0.4	1.8	2.5	5.3	3.2	2.5
<b>VALUATION</b>								
Book Value (INR)	350.1	394.2	450.5	475.5	530.3	585.5	637.2	693.4
BVPS Growth YoY	107.1	12.6	14.3	5.6	11.5	10.4	8.8	8.8
<b>Price-BV (x)</b>					<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
EPS (INR)	31.6	50.5	71.1	35.1	54.0	49.6	58.5	63.0
EPS Growth YoY	22.6	59.7	40.9	-50.6	53.8	-8.2	18.0	7.6
<b>Price-Earnings (x)</b>					<b>8.3</b>	<b>9.1</b>	<b>7.7</b>	<b>7.2</b>
Dividend per share (INR)	6.0	9.0	9.0	0.0	0.0	0.0	5.7	5.7
<b>Dividend yield (%)</b>					<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>1.3</b>
E: MOFSL Estimates								

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

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

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

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

#### Regional Disclosures (outside India)

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

#### For Hong Kong:

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

#### For U.S.

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

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

#### For Singapore

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

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however, the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

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

#### Terms & Conditions:

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

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; [www.motilaloswal.com](http://www.motilaloswal.com). Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

Registration details of group entities: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN.: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products. Customer having any query/feedback/ clarification may write to [query@motilaloswal.com](mailto:query@motilaloswal.com). In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com), for DP to [dpgrievances@motilaloswal.com](mailto:dpgrievances@motilaloswal.com).