23 May 2024

Analyst Meet Update | Sector: Financials

PNB Housing

BSE SENSEX	S&P CNX
74,221	22,598

CMP: INR745 **TP: INR1,015 (+36%)** **BUY**

Stock Info

Bloomberg	PNBHOUSI IN
Equity Shares (m)	260
M.Cap.(INRb)/(USDb)	193.6 / 2.3
52-Week Range (INR)	914 / 452
1, 6, 12 Rel. Per (%)	-4/-22/34
12M Avg Val (INR M)	591

Financials Snapshot (INR b)

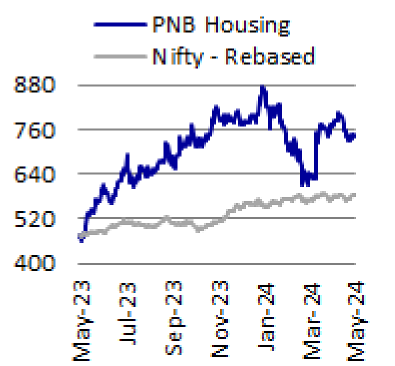
Y/E March	FY24	FY25E	FY26E
Total Income	24.8	29.6	35.0
PPP	21.3	25.7	31.6
PAT	15.1	18.5	22.8
EPS (INR)	58	71	88
EPS Gr. (%)	-6	23	23
BV (INR)	577	648	724
Valuations			
NIM (%)	4.1	4.2	4.2
C/I ratio (%)	24.0	23.6	22.6
RoAA (%)	2.2	2.3	2.4
RoE (%)	11.6	11.7	12.8
Valuations			
P/E (x)	12.8	10.4	8.5
P/BV (x)	1.3	1.1	1.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	28.1	28.1	32.5
DII	6.9	7.9	3.7
FII	25.0	24.7	24.3
Others	40.0	39.3	39.5

FII Includes depository receipts

Stock's performance (one-year)



Showcasing the means to healthy growth and profitability

At its analyst/investor conference, PNB Housing Finance (PNBHF) highlighted 1) the progress it has made in building capabilities for its underwriting/collection verticals, 2) its readiness to accelerate growth in affordable business, and 3) its medium-term growth targets.

- PNBHF aims for a CAGR of ~17% in loans over the medium term, with a focus on profitability and asset quality. The company will shift to higher-yielding segments through the affordable housing and emerging market verticals. It plans to continue to invest in technology.
- A change in the business mix and better visibility on borrowing costs (after credit rating upgrades) will help PNBHF improve its NIM profile. Combined with benign credit costs, the management guided for RoA to improve to 2.4%-2.6% by FY27, which will help enable RoE of ~15% on a steady-state basis.

Key takeaways from the meet

- The management shared that it targets to grow its total loan book to ~INR1t and ramp up its affordable housing business to ~14-16% by FY24 (vs. ~3% in FY24). By FY27, it expects the incremental share of emerging and affordable segments in total disbursements to improve to ~50% (vs. ~28% in FY24).
- Within affordable, it aims to increase the proportion of the informal customer segment to ~60% (FY24: ~25%) and self-employed customers to ~50% (FY24: ~37%) in the medium term. This should help yields improve to 13%+ in FY27.
- Bolstered by credit rating upgrades to AA+ from three credit rating agencies, improved debt market access and resumption of NHB borrowings, there is visibility to bring down the incremental CoB by ~15-20bp.
- PNBHF guided for NIM of ~3.5% (FY24: ~3.75%) in the near term, primarily from a run-down of the corporate book and retention strategies in the prime segment. However, the change in mix toward the higher-yielding affordable and emerging verticals, an increase in the share of non-housing loans and improvement in affordable segment yields will boost NIM in the medium term.
- Credit costs are likely to remain benign over the foreseeable future with further benefits of recoveries from the written-off pool across both retail as well as corporate. Asset quality will become the best in class, with a target to achieve GNPA of 1.0-1.1% over the next one year.
- The company will resume corporate disbursements in 2HFY25 but will keep it below ~10% of the loan mix, even at its peak. The difference in profitability between the corporate book and the affordable book will not be high. It will only be doing construction finance for select builders and geographies with ticket size of around INR1b-2b.
- Within prime and emerging segments, credit underwriting has been de-centralized to a large extent. In its affordable segment, PNBHF will have a credit manager stationed in each branch. From its earlier model of hubs doing the credit underwriting, it has moved to a decentralized underwriting, which will give it better control over TAT. However, to prevent collusion and fraud, it has put in place necessary guardrails in the business.

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Valuation and View

- Subtle changes like moving away from higher-ticket housing and LAP loans to more granular ticket sizes, focusing more on non-metros, and expanding into Tier 3 and Tier 4 cities for better growth and yields in affordable housing will help PNBHF deliver healthy growth and improvement in profitability.
- The management shared that it does not expect any significant increase in opex despite a higher proportion of affordable business (which inherently is opex-intensive) because of shared resources across its prime, emerging and affordable segments. Likewise, despite moving to higher-yielding and riskier segments like self-employed and informal segment customers, PNBHF remains confident of delivering credit costs of ~30bp (excluding any recoveries from written-off pool).
- While we delve deeper into the capabilities built by PNBHF in the later section of this report, the exhibition of these capabilities vindicates our thesis (refer our previous Report) that PNBHF is a strengthening the franchise, wherein the risk-reward is favorable.
- PNBHF is well equipped to successfully navigate near-term headwinds in NIM, and further offset them with product mix improvements. We expect the company to deliver a healthy ~18% CAGR in loans and ~23% CAGR in PAT over FY24-26, with RoA/RoE of 2.4%/13.0% by FY26.
- The company trades at 1.0x FY26E P/BV, and we believe that there will be a further re-rating in the valuation multiple as investors gain more confidence in its sustained execution in retail (especially emerging and affordable). **Reiterate BUY with a TP of INR1,015 (based on 1.4x FY26E P/BV).**
- **Key risks:** a) a slowdown in the economy leading to lower demand for housing and moderation in loan growth, and b) subsequent seasoning in the affordable loan book leading to asset quality deterioration.

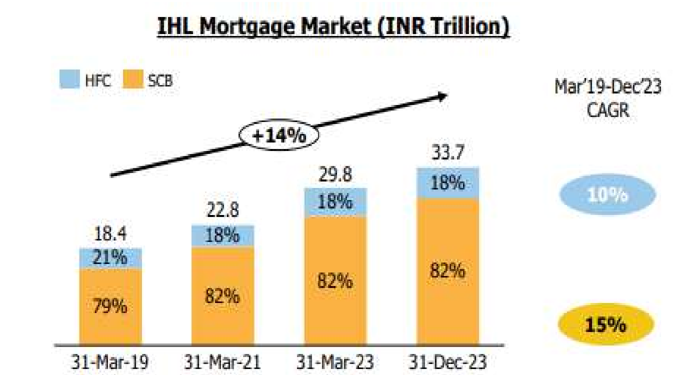
Individual housing loan landscape in India

- The mortgage industry has experienced stable growth, driven by improving macroeconomic factors and increasing demand. This positive trend reflects a strong foundation for continued expansion and resilience in the market.
- Moreover, there has been a noticeable increase in the share of home loans (HL), accompanied by a reduction in the share of construction finance. Housing finance companies (HFCs) have adopted a more cautious approach, focusing on enhancing asset quality. This strategic shift not only mitigates risk but also positions HFCs for sustainable growth and stability in the future.

Drivers for mortgage penetration

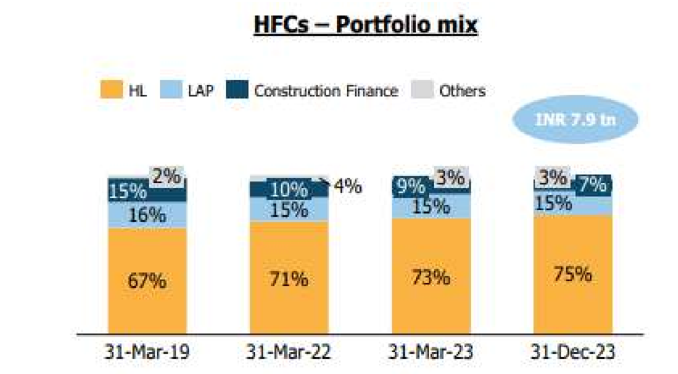
- **Increase in working-age population:** The growing number of individuals in the working-age group boosts the demand for housing as more people seek to buy homes.
- **Rapid urbanization:** As more people move to urban areas, the demand for housing in cities rises, driving up the need for mortgages.
- **Favorable regulations:** Government policies and regulations that support home ownership make it easier for individuals to obtain mortgages, thereby increasing mortgage penetration.
- **Increased Affordability:** With rising incomes and better financial stability, more people can afford to purchase homes, leading to a higher uptake of mortgages. (Source: ICRA housing finance report, Apr'24).

Exhibit 1: IHL mortgage market



Source: ICRA, CIBIL

Exhibit 2: HFCs- Portfolio mix (%)

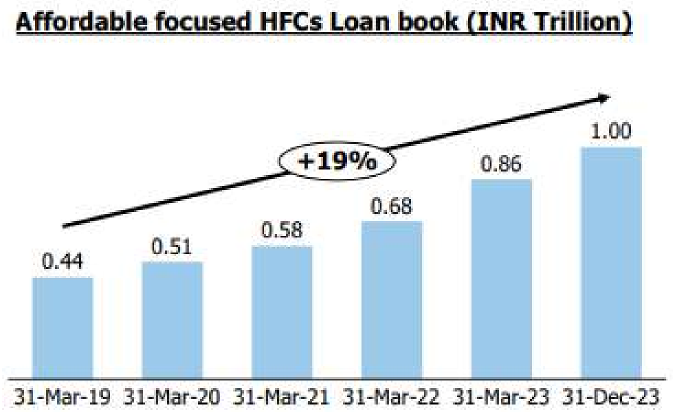


Source: ICRA, CIBIL

Strong right to win in affordable housing

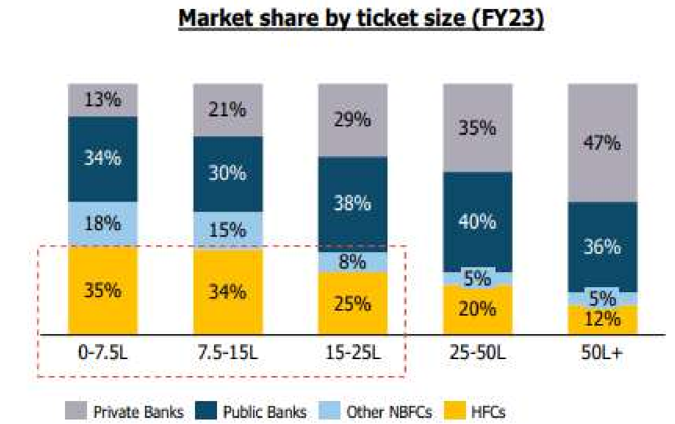
- Affordable housing-focused HFCs have experienced significant growth, achieving a CAGR of 19% from FY19 to Dec'23. This growth rate surpasses that of the overall mortgage market, highlighting the increasing importance and demand for affordable housing solutions.
- HFCs are also gaining market share in the affordable housing sector and lower ticket size segments. Their strategic focus on these areas has positioned them well to capitalize on the growing demand.
- HFCs have a strong "right to win" in the affordable housing sector due to their focused approach, specialized for this segment. They boast robust underwriting capabilities tailored for the informal segment, enabling them to extend credit to creditworthy individuals without traditional documentation. Moreover, HFCs integrate technology to optimize processes and increase productivity, enhancing efficiency and customer experience while supporting scalable growth.

Exhibit 3: AHFC loan book trajectory



Source: ICRA, CIBIL

Exhibit 4: Market share by ticket size (%)

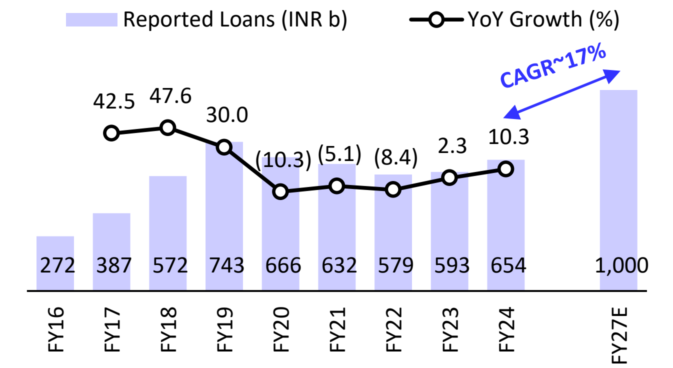


Source: ICRA, CIBIL

Back on growth trajectory

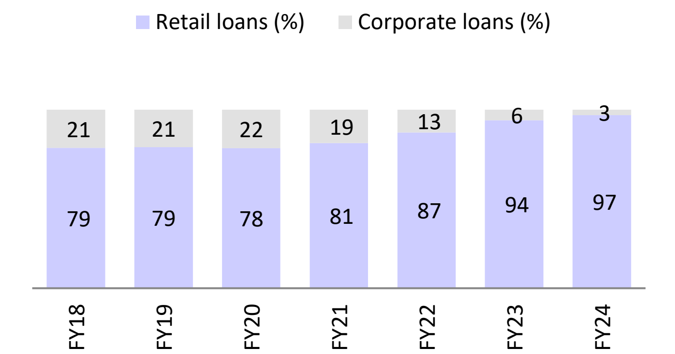
- From FY16 to FY19, the company experienced significant growth in all areas, including both retail and corporate sectors. This period was marked by strong performance and expansion.
- However, from FY20 to FY22, the company encountered challenges in both the corporate and retail segments. In response to this stress, the company strategically focused on reducing its corporate book while placing greater emphasis on building its retail segment. This shift in focus was aimed at stabilizing and strengthening its overall portfolio.
- Looking ahead from FY23 to FY27, the company has ambitious plans to target high-yielding emerging markets and improve asset quality. A major initiative during this period is the launch of an affordable vertical.
- The company aims to achieve a CAGR of 17% from FY24 to FY27, with the goal of increasing the total loan book to INR 1t. The anticipated composition of this expanded loan book includes 50-55% in prime, 22-25% in emerging markets, and 14-16% in the affordable segment.

Exhibit 5: Expect 17% CAGR in total loan book over FY24-FY27P



Source: MOFSL, Company

Exhibit 6: Retail vs corporate loans (%)



Source: MOFSL, Company

Exhibit 7: At a glance

Branches	300
Employees (PNB+PHFL)	5,500
Loan book/ AUM (INR b)	653.6/712.4
Retail Loan book (%)	97
Active loan and deposit accounts	500k+
GNPA/Retail GNPA (%)	1.5/1.44
NNPA (%)	0.95
CRAR/ Tier 1 Capital (%)	29.3/27.9
ROA (%)	2.2
BVPS	577

Source: MOFSL, Company; Note: Data as on Mar'24

Exhibit 8: Key performance update

	Mar'22	Mar'24
Disbursements (INR b)	112.5	175.8
Loan Book (INR b)	579.0	653.6
AUM (INR b)	669.8	712.4
Retail Loan Book (INR b)	87.0	97.0
YoY Retail loan book growth (%)	(1.3)	14.1
Deposits (INR b)	176.8	178.0
Gross NPA (%)	8.1	1.5
Net NPA (%)	5.1	1.0
ROA (%)	1.2	2.2
ROE (%)	8.9	10.9
Capital adequacy (%)	23.4	29.3
Gearing Ratio	5.4	3.7

Source: MOFSL, Company

Exhibit 9: Way forward

	FY24	FY27E
Incremental share of Emerging Markets + Affordable	28	~50
Loan Book (Emerging market + Affordable)	~20	~40
Gross Margin (%)	4.02	++ 70bp
Opex/ATA (%)	1	- 10bp
Credit cost (%)	0.25	Stable
ROA (%)	2.2	2.4-2.6
Upside in recovery from write-off pool	-	++

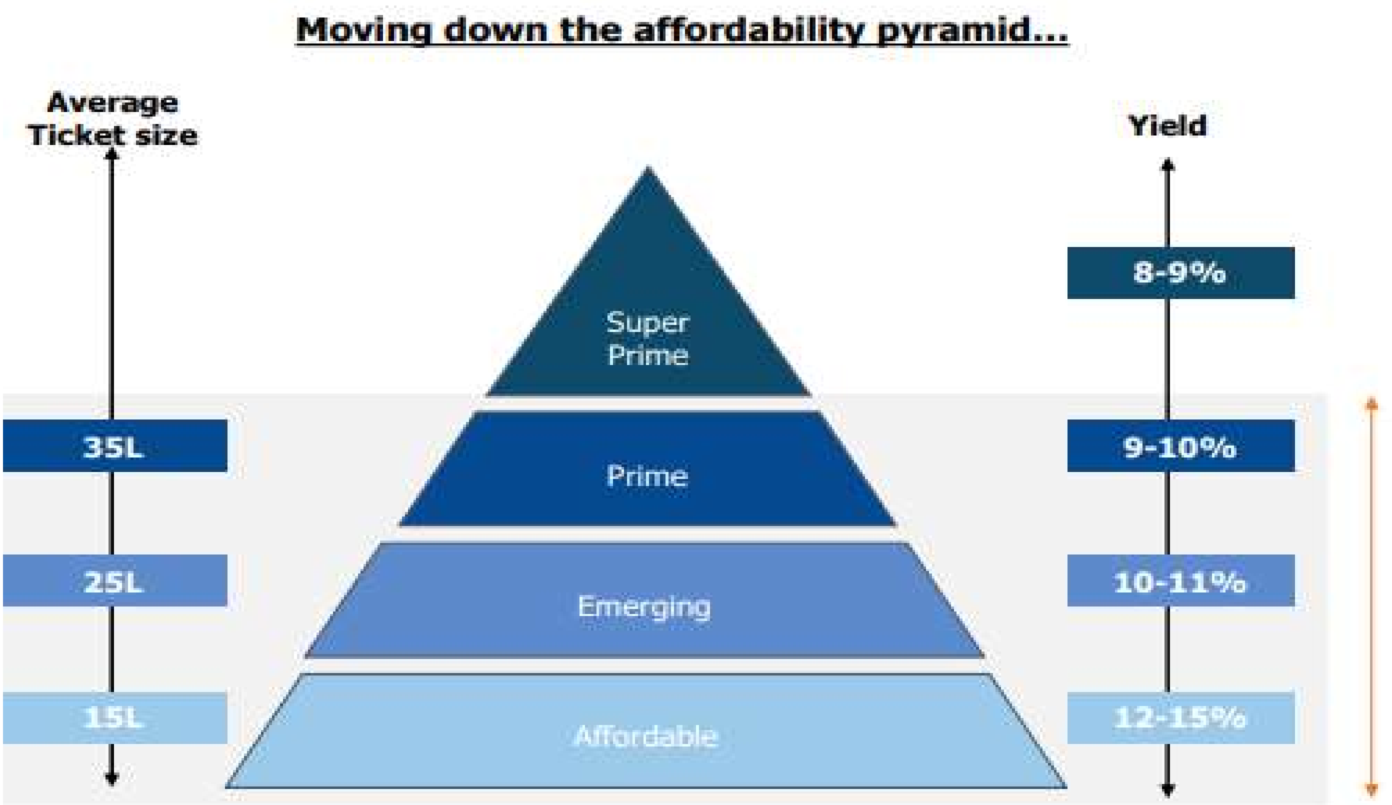
Exhibit 10: Medium-term strategic priorities

Journey so far		Journey going forward: 3 year forward
Focus on Retail business with Retail Loan Book growth of 14% in FY24; contributes 97% of the Loan Book	✓	Grow Retail book by 17% YoY over next 3 years
Prime back on growth path; Set-up separate emerging markets vertical with 50 dedicated branches	✓	Shift to high yielding Emerging markets Segment; to contribute 22-25% of Loan Book
Scale-up of affordable book to INR10b in less than 1 year and closed ~INR18b as on Mar'24	✓	Affordable to contribute 14-16% of loan book
Expanded to 300 branches/outreaches for country wide presence	✓	Expand by 40–50 branches/outreaches annually for next three years
Better collection efficiency led to Gross NPA at 1.50%	✓	Leverage advanced analytics and digital tools to maintain industry best in class asset quality; ~1% overall GNPA
Resolved big corporate NPA account of INR 784 crore and recovered ~INR 100 crore from written-off pool in FY24	✓	Continue to focus on recovery from written off pool in corporate & retail book
End to End customer journey with digital footprints	✓	Higher efficiency and productivity driven by tech transformation
Raised INR ~25b through Rights Issue, Rating upgrade to AA+	✓	Comfortably placed on capital
Return on Equity of 10.90% in FY24	✓	Improve Return on Equity to 15%+ on a steady state basis

Retail strategy ramping up well

- The management team boasts extensive retail business experience, aligning with the new strategy centered on establishing a prominent retail franchise. This strategy prioritizes higher-yielding emerging markets and sustains growth momentum in the affordable segment.
- Leveraging robust parentage and the best-in-class liabilities franchise, the company prefers a tech-focused approach to enhance operational efficiency.

Exhibit 11: Moving down the affordability pyramid



Source: MOFSL, Company

Exhibit 12: Loan Book (INR b)

	FY22	FY23	FY24
Prime	42	46	50
Emerging Market	8	10	12
Affordable	-	0	2
No. of branches			
Prime	90	70	90
Emerging market	47	37	50
Affordable		82	160

Exhibit 13: Retail segment snapshot going forward

	Prime	Emerging Markets	Affordable
Sourcing Mix	In House 58%: DSA 42%	In House 65%: DSA 35%	In House 70%: DSA 30%
Profile Mix	Sal (65%) : SE (35%)	Sal (60%) : SE (40%)	Sal (50%) : SE (50%)
ATS	INR 35 Lakh	INR 25 Lakh	INR 14 Lakh
Yield	9%-10%	10%-11%	12%-15%
Key Focus Markets	Tier I (Top 10 cities)	Tier II/III (Next 40 cities)	Tier II, III & IV (Next 100 cities)
No. of Branches (31-Mar-24)	90	50	160
No. of Employees (Team size) (31-Mar-24)	997	265	333

Source: MOFSL, Company

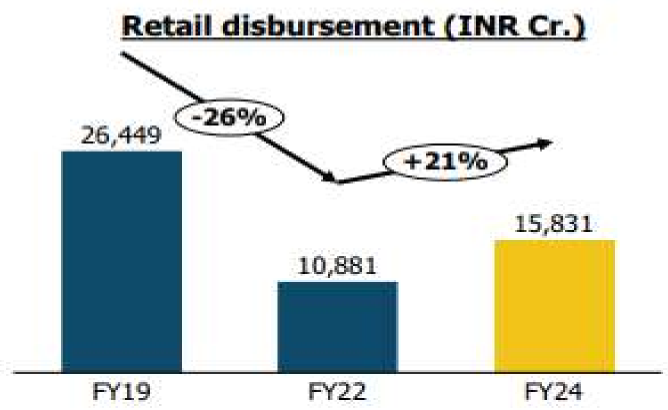
Retail: Prime and emerging market segments

Carved out high-yielding emerging market segments

- **Targeting growth in Tier II/III cities due to emerging business potential:** These cities are experiencing rapid economic development and urbanization, presenting untapped opportunities for businesses. By focusing on these markets, the company aims to capitalize on their growth potential and expand its presence in key regions.
- **Established 50 branches across 12 states for localized services:** To ensure effective reach and service delivery, the company has strategically established 50 branches across 12 states. This localized approach enables them to cater to the specific needs of customers in each region, providing tailored solutions and support.
- **Operates a dedicated vertical with specialized teams for Tier II/III cities:** Recognizing the unique dynamics of Tier II/III cities, the company has set up a dedicated vertical with specialized sales and underwriting teams. These teams are equipped to address the distinct requirements of customers in these markets, facilitating smoother operations and better customer service.
- **Focus on higher-yield customers and properties for optimized returns:** Within Tier II/III cities, the company prioritizes customers and properties with higher profitability potential. By targeting higher-yield segments, they can optimize resource allocation and maximize returns on investment, enhancing overall financial performance.
- **Plan to expand network to around 60 branches/outreaches by FY25 for broader market coverage:** Looking ahead, the company aims to further strengthen its presence in Tier II/III cities by expanding its network. It plans to

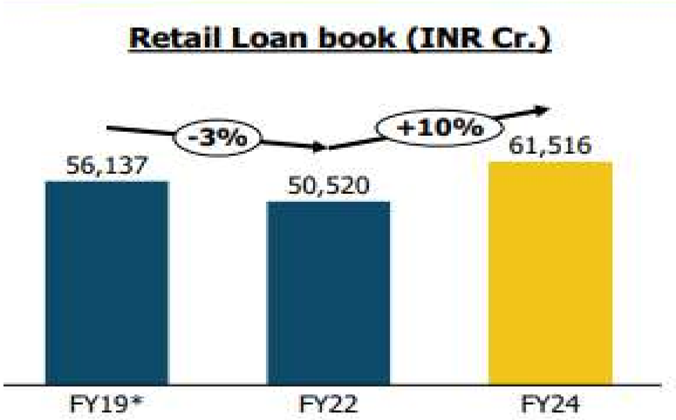
increase the number of branches or outreaches to around 60 by FY25, allowing them to reach a wider customer base and penetrate deeper into these promising markets.

Exhibit 14: Retail disbursements



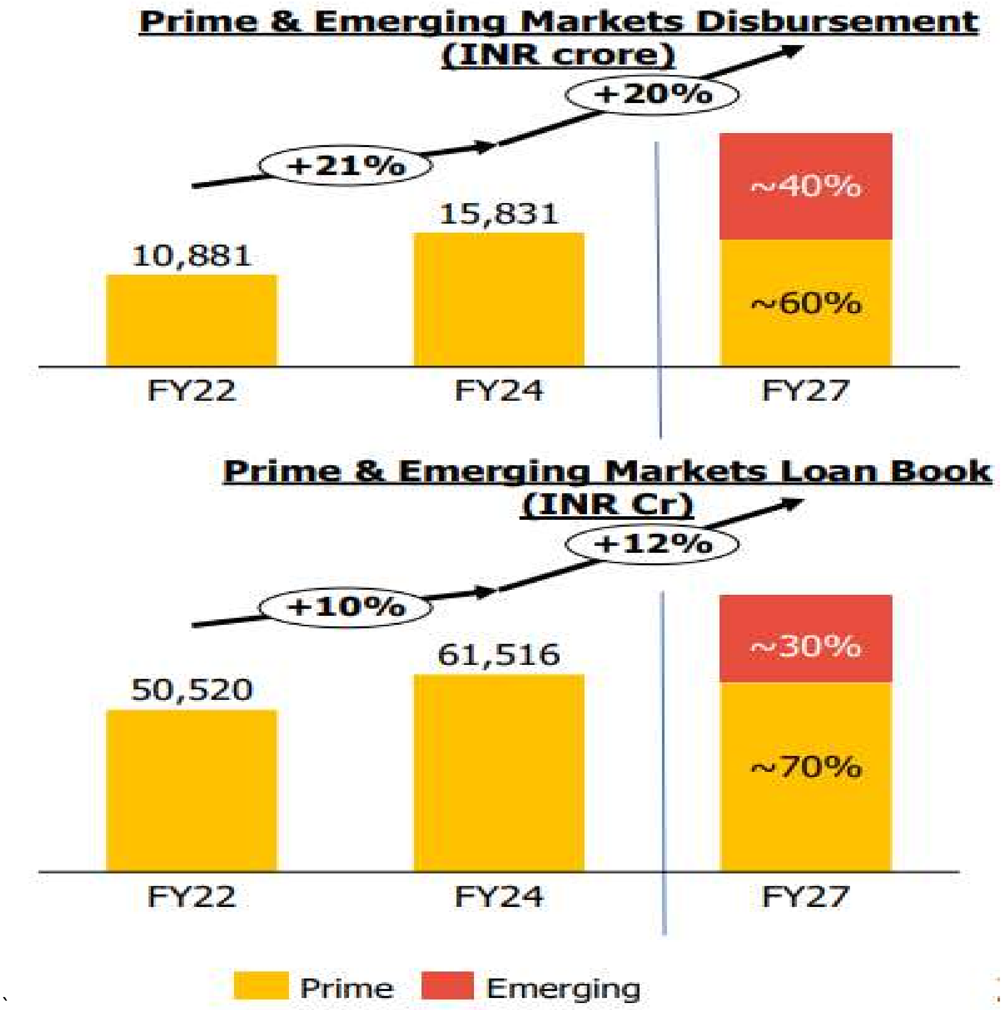
Source: MOFSL, Company

Exhibit 15: Retail loan book (%)



Source: MOFSL, Company

Exhibit 16: Prime & Emerging markets- going forward



Source: MOFSL, Company

Margin improvement strategy

- Focus on higher LAP share and increased mix in emerging markets to increase yield by 50-75bp.
- Further, the company plans to increase the share of non-housing loans to 35% in FY27 from 25% in FY24.
- Between prime and emerging, it expects the emerging market segment in the portfolio to improve to ~30% and the emerging market disbursement mix to improve to ~40% by FY27. It expects the emerging market book to constitute 22-25% of the total loan book by FY27.

Affordable segment strategy

- The company is strategically shifting towards high-yielding segments incrementally, aiming to optimize returns and enhance overall profitability over time.
- The company's right to win is anchored by strong brand recall, long history and PNB parentage.
- With a presence across 160 locations in 13 states, it ensures broad market coverage. Moreover, it is actively expanding its branch presence to serve as the fulcrum of business growth.
- Recognizing the importance of specialized focus, it has implemented separate verticals for various segments. Notably, it has a dedicated vertical for the Affordable Segment, encompassing sales, credit, collections, and operations, thus ensuring tailored services for specific customer needs.

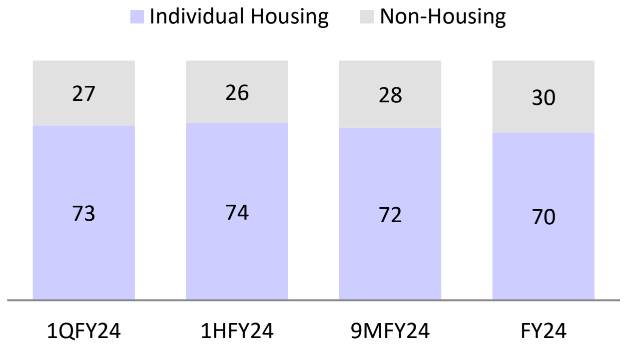
Exhibit 17: Moving towards high yielding segments in affordable segment (on incremental basis)


Moving towards high yielding segments on the incremental basis

	FY24
Salaried Formal	59%
Salaried Informal	4%
Self employed Formal	16%
Self employed Informal	21%

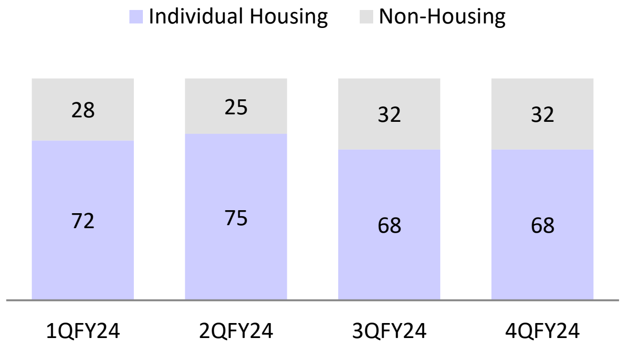
Source: MOFSL, Company

Exhibit 18: Affordable segment loan book mix (%)



Source: MOFSL, Company

Exhibit 19: Affordable disbursement mix (%)



Source: MOFSL, Company

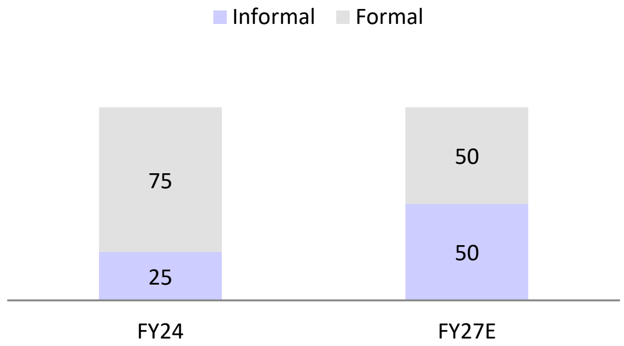
Exhibit 20: Affordable business- Salary portfolio

	Government Salary	Private Salary	Cash Salary
Avg. Income (INR'000)	55-60	35-40	25-30
ATS (INR'000)	1700	1400	900
Yield (%)	10-11	10-11	12-13
Median CIBIL	757	758	753
NTC (%)	24	24	35

Exhibit 21: Affordable business- Self-employed portfolio

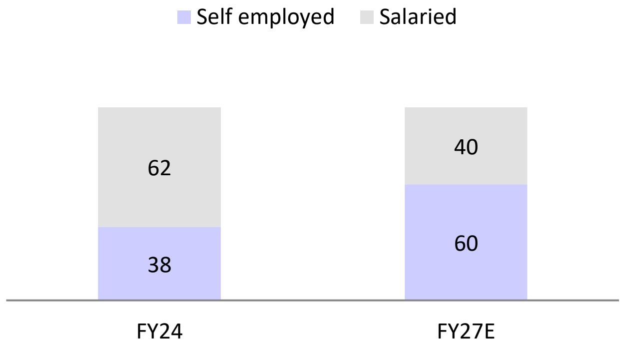
	Formal & Professional	Informal
Avg. Income (INR'000)	38-42	42-47
ATS (INR'000)	1300	1200
Yield (%)	12-13	14-15
Median CIBIL	752	748
NTC (%)	22	26

Exhibit 22: Increased focus towards informal segment (%)



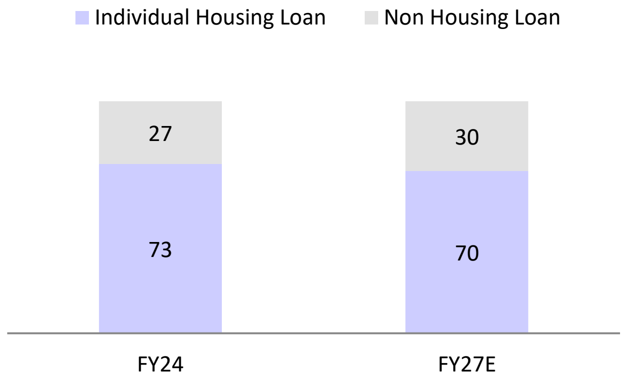
Source: MOFSL, Company

Exhibit 23: Increased focus towards self-employed segment (%)



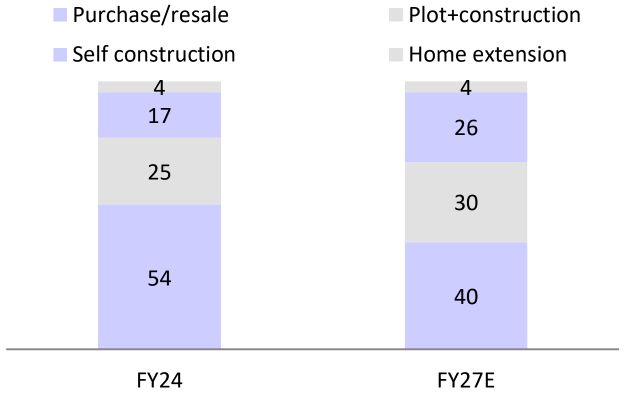
Source: MOFSL, Company

Exhibit 24: Minor increase in share of non-housing (%)



Source: MOFSL, Company

Exhibit 25: Increase in share of self-construction and plot purchase + self-construction loans (%)



Source: MOFSL, Company

Underwriting and collections

- **Automated underwriting:** The integration of the Business Rule Management Engine (BRME) has revolutionized decision-making, while the Salaried Straight Through Process (STP) streamlines sanctions for eligible customers. Standardized underwriting with product templates ensures efficiency across processes, reflecting commitment to consistent and reliable decision-making.
- **Digital enablers:** The company utilizes various APIs to verify documents and conduct KYC procedures, including: bank statement analyzer, alternate identity check, email ID check, dedupe check, and fraud triggers. These tools enhance verification processes, ensuring thorough scrutiny and minimizing the risk of fraudulent activities.
- **Widespread presence:** To cater to business needs, it adopted a decentralized approach, which includes in-person discussions conducted by its underwriting team for all self-employed customers. Additionally, it empowers employees in each region with a deep understanding of geography-specific nuances, allowing it to tailor services effectively to local requirements and foster stronger relationships with clients.
- **Building Sustainable Business:** With a primary focus on mid-ticket loans, over 90% of sanctioned cases fall within the range of up to INR10m. They've adapted credit guidelines and business approaches to match the versatile market landscape. Their in-house app, u-connect, enhances control and management, facilitating seamless operations.

Technology update

- **Technology for scale and performance:** The focus lies on building robust technology frameworks capable of accommodating growth and ensuring seamless performance even under heavy loads. By investing in scalable solutions, they aim to future-proof their operations and maintain efficiency as the business expands.
- **Platform-centric approach:** Through a platform-centric strategy, they aim to centralize operations, streamline workflows, and foster collaboration among various teams and stakeholders. This approach enables the consolidation of resources and data, facilitating better decision-making and resource utilization.

- **Automation and cloud integration:** By automating end-to-end processes and harnessing the power of cloud services like Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS), PNBHF seek to optimize efficiency and reduce manual intervention. This integration not only enhances scalability but also enables real-time access to data and resources, leading to quicker decision-making and improved customer service.

Key exhibits

Exhibit 26: Disbursement CAGR of ~24% over FY24-26E…

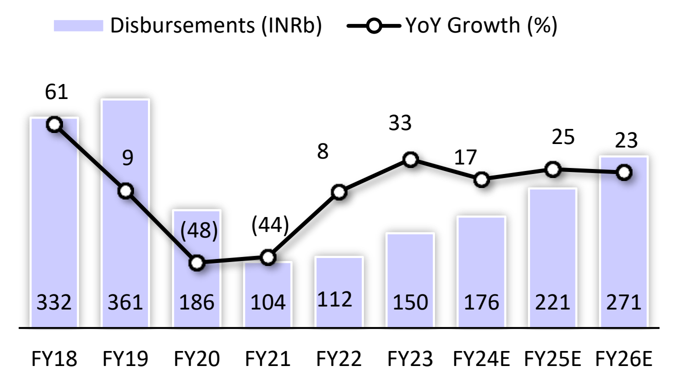


Exhibit 27: …leading to ~17% AUM CAGR over this period

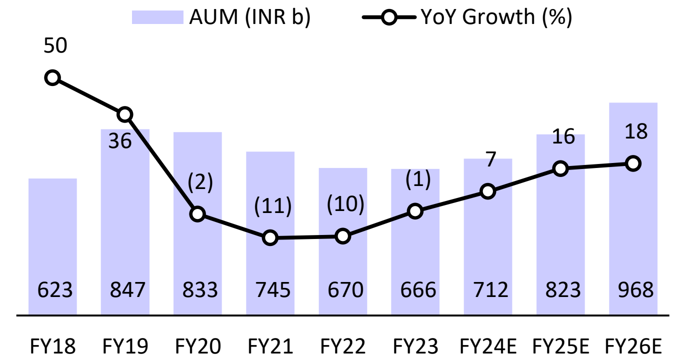


Exhibit 28: NIM expansion from improvement in product mix

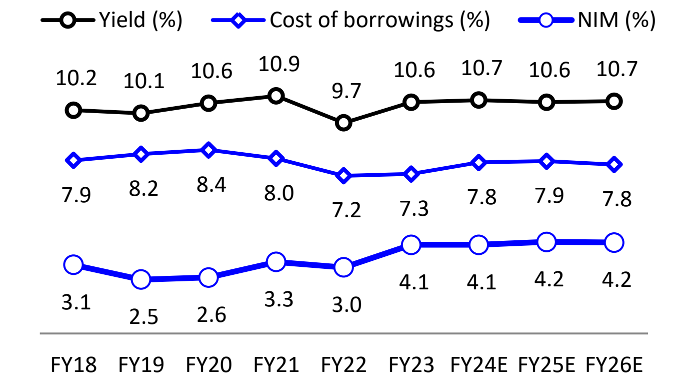


Exhibit 29: Opex-to-assets ratio to remain stable over FY25-FY26E

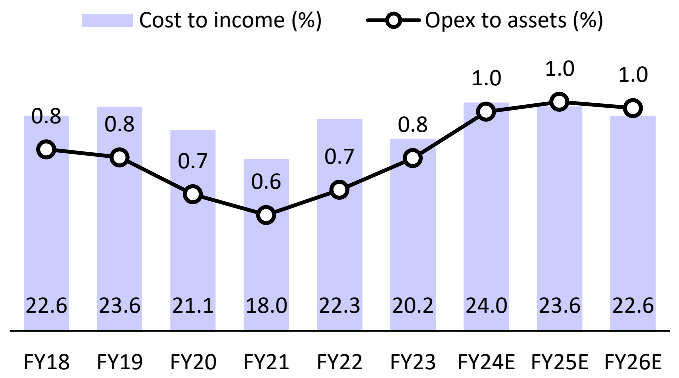


Exhibit 30: Asset quality would continue to improve

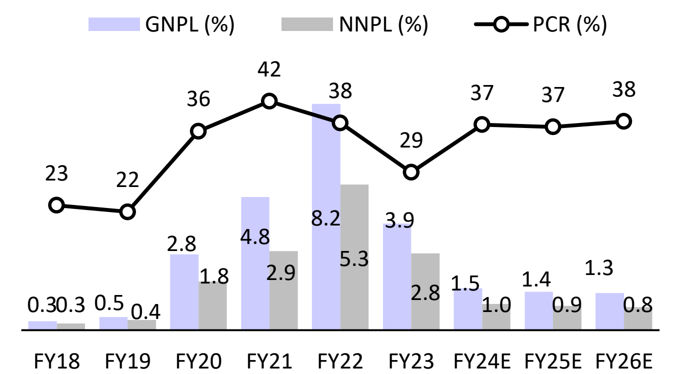


Exhibit 31: Estimate credit costs at ~30bp over FY25-26

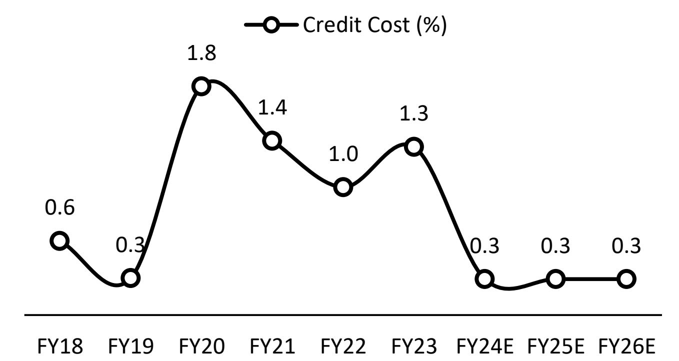
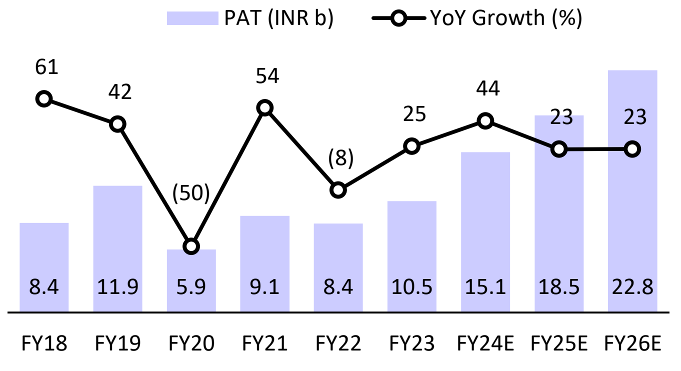
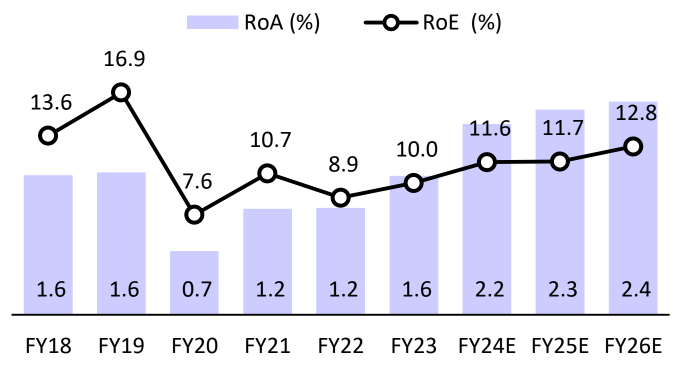


Exhibit 32: PAT CAGR at ~23% over FY24E–26E



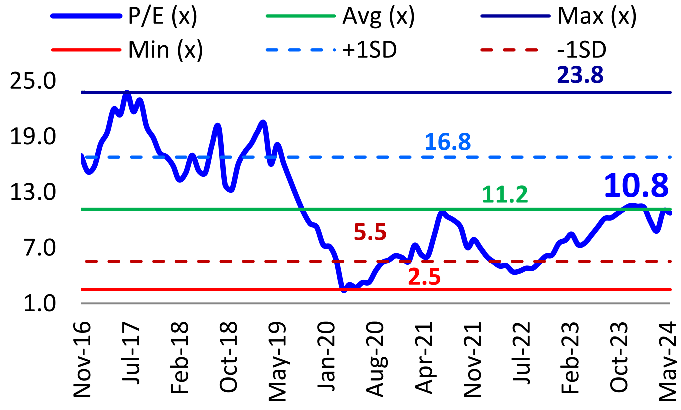
Source: MOFSL, Company

Exhibit 33: RoA/RoE at ~2.4%/~13.0% in FY26E



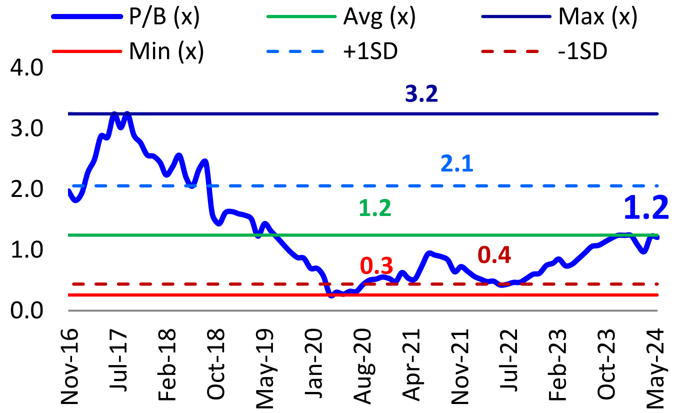
Source: MOFSL, Company

Exhibit 34: P/E Chart (%)



Source: MOFSL, Company

Exhibit 35: P/BV chart (%)



Source: MOFSL, Company

Financials and valuations

Income statement								(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Interest Income	67,929	76,882	71,898	58,220	61,991	67,422	77,608	91,779
Interest Expended	51,664	58,750	50,998	40,645	38,985	42,611	48,045	56,827
Net Interest Income	**16,265**	**18,133**	**20,901**	**17,575**	**23,006**	**24,811**	**29,563**	**34,953**
Change (%)	7.7	11.5	15.3	-15.9	30.9	7.8	19.2	18.2
Other Operating Income	8,904	8,013	4,343	3,787	3,306	3,149	4,098	5,791
Net Income	**25,169**	**26,146**	**25,243**	**21,363**	**26,311**	**27,960**	**33,661**	**40,744**
Change (%)	28.9	3.9	-3.5	-15.4	23.2	6.3	20.4	21.0
Operating Expenses	5,935	5,522	4,554	4,760	5,313	6,710	7,941	9,192
Operating Income	**19,234**	**20,624**	**20,689**	**16,603**	**20,998**	**21,250**	**25,720**	**31,551**
Change (%)	27.3	7.2	0.3	-19.7	26.5	1.2	21.0	22.7
Provisions/write offs	1,890	12,514	8,619	5,764	7,389	1,711	1,970	2,345
PBT	**17,344**	**8,110**	**12,070**	**10,840**	**13,609**	**19,539**	**23,750**	**29,206**
Extraordinary Items	0	0	0	0	0	0	0	0
Reported PBT	**17,344**	**8,110**	**12,070**	**10,840**	**13,609**	**19,539**	**23,750**	**29,206**
Tax	5,429	2,201	2,978	2,475	3,149	4,459	5,225	6,425
Tax Rate (%)	31.3	27.1	24.7	22.8	23.1	22.8	22.0	22.0
DTL on Special Reserve								
Reported PAT	**11,915**	**5,909**	**9,092**	**8,365**	**10,460**	**15,080**	**18,525**	**22,781**
Change (%)	41.7	-50.4	53.9	-8.0	25.0	44.2	22.8	23.0
PAT adjusted for EO	**11,915**	**5,909**	**9,092**	**8,365**	**10,460**	**15,080**	**18,525**	**22,781**
Change (%)	41.7	-50.4	53.9	-8.0	25.0	44.2	22.8	23.0
Proposed Dividend	1,809	0	0	0	0	0	3,112	3,895

Balance sheet								(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Capital	1,675	1,682	1,683	1,686	1,689	2,597	2,597	2,597
Reserves & Surplus	73,764	78,296	87,548	97,030	1,08,448	1,47,147	1,65,673	1,85,341
Net Worth	**75,439**	**79,978**	**89,230**	**98,716**	**1,10,137**	**1,49,744**	**1,68,270**	**1,87,938**
Borrowings	**7,18,589**	**6,77,351**	**5,93,925**	**5,30,050**	**5,36,211**	**5,50,166**	**6,66,175**	**8,00,318**
Change (%)	33.6	-5.7	-12.3	-10.8	1.2	2.6	21.1	20.1
Other liabilities	44,662	31,969	30,767	28,530	15,795	24,138	25,345	26,612
Total Liabilities	**8,38,690**	**7,89,297**	**7,13,922**	**6,57,296**	**6,62,143**	**7,24,049**	**8,59,790**	**10,14,869**
Loans	**7,42,879**	**6,66,280**	**6,06,447**	**5,53,359**	**5,78,398**	**6,41,082**	**7,65,718**	**9,09,452**
Change (%)	30.0	-10.3	-9.0	-8.8	4.5	10.8	19.4	18.8
Investments	**45,607**	**20,757**	**20,448**	**34,827**	**31,963**	**43,460**	**47,806**	**52,587**
Change (%)	89.0	-54.5	-1.5	70.3	-8.2	36.0	10.0	10.0
Net Fixed Assets	1,083	1,353	1,056	935	839	0	0	0
Other assets	49,122	1,00,906	85,971	68,175	50,943	39,506	46,265	52,829
Total Assets	**8,38,690**	**7,89,297**	**7,13,922**	**6,57,296**	**6,62,143**	**7,24,049**	**8,59,790**	**10,14,869**

E: MOSL Estimates

Financials and valuations

Ratios								(%)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Spreads Analysis (%)								
Avg yield on loans	10.1	10.6	10.9	9.7	10.6	10.7	10.6	10.7
Avg. cost of funds	8.2	8.4	8.0	7.2	7.3	7.8	7.9	7.8
Interest Spread	1.9	2.1	2.9	2.4	3.3	2.9	2.7	2.9
NIM on loans	2.5	2.6	3.3	3.0	4.1	4.1	4.2	4.2
Profitability Ratios (%)								
RoE	16.9	7.6	10.7	8.9	10.0	11.6	11.7	12.8
RoA	1.6	0.7	1.2	1.2	1.6	2.2	2.3	2.4
Int. Expended/Int.Earned	76.1	76.4	70.9	69.8	62.9	63.2	61.9	61.9
Other Inc./Net Income	35.4	30.6	17.2	17.7	12.6	11.3	12.2	14.2
Efficiency Ratios (%)								
Op. Exps./Net Income	23.6	21.1	18.0	22.3	20.2	24.0	23.6	22.6
Empl. Cost/Op. Exps.	51.2	42.2	46.4	45.5	50.1	50.3	50.6	51.1
Asset Quality (INR m)								
Gross NPA	3,549	18,562	29,990	47,062	22,714	9,840	10,802	12,333
GNPA ratio	0.5	2.8	4.8	8.2	3.9	1.5	1.4	1.3
Net NPA	2,784	11,838	17,500	29,312	16,184	6,160	6,805	7,646
NNPA ratio	0.4	1.8	2.9	5.3	2.8	1.0	0.9	0.8
CAR	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0

VALUATION	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Book Value (INR)	450	476	530	586	652	577	648	724
BVPS Growth YoY	14.3	5.6	11.5	10.4	11.4	-11.6	12.4	11.7
Price-BV (x)			**1.4**	**1.3**	**1.1**	**1.3**	**1.1**	**1.0**
EPS (INR)	71.1	35.1	54.0	49.6	61.9	58.1	71.3	87.7
EPS Growth YoY	40.9	-50.6	53.8	-8.2	24.9	-6.3	22.8	23.0
Price-Earnings (x)		**21.2**	**13.8**	**15.0**	**12.0**	**12.8**	**10.4**	**8.5**
Dividend per share (INR)	9.0	0.0	0.0	0.0	0.0	0.0	12.0	15.0
Dividend yield (%)			**0.0**	**0.0**	**0.0**	**0.0**	**1.6**	**2.0**

E: MOSL Estimates

NOTES

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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

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