

# PNB Housing

BSE SENSEX  
74,221S&P CNX  
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

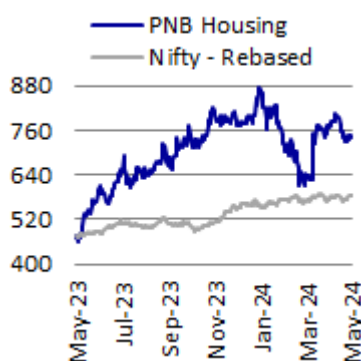
P/E (x)	12.8	10.4	8.5
P/BV (x)	1.3	1.1	1.0

## 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 decentralized 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.

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | Gautam Rawtani (Gautam.Rawtani@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### 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 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.

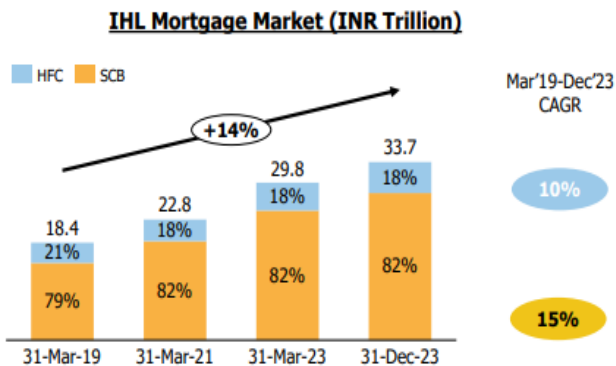
### Individual housing loan landscape in India

- 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

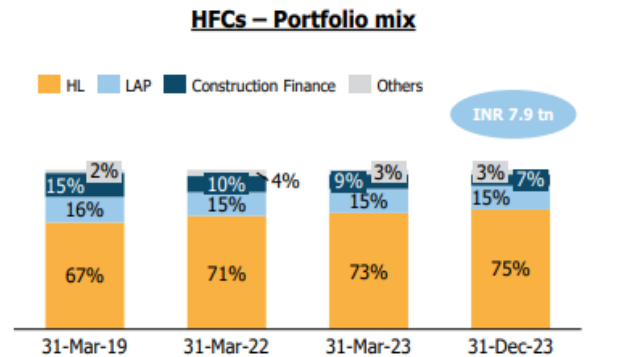
- **Increase in working-age population:** The growing number of individuals in the working-age group boosts the demand for housing as more people seek to buy homes.
- **Rapid urbanization:** As more people move to urban areas, the demand for housing in cities rises, driving up the need for mortgages.
- **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 (%)



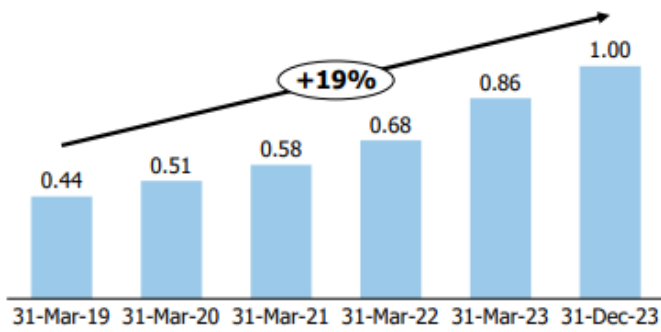
Source: ICRA, CIBIL

### 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

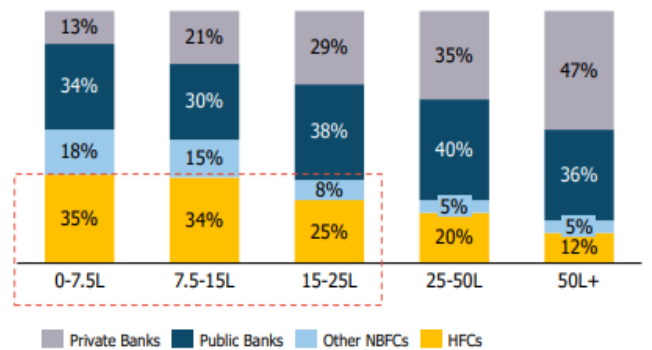
**Affordable focused HFCs Loan book (INR Trillion)**



Source: ICRA, CIBIL

Exhibit 4: Market share by ticket size (%)

**Market share by ticket size (FY23)**

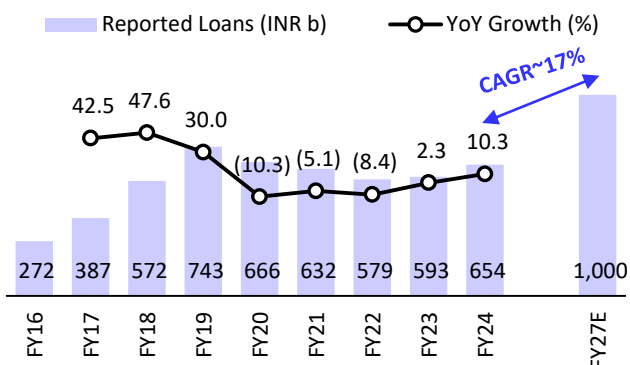


Source: ICRA, CIBIL

**Back on growth trajectory**

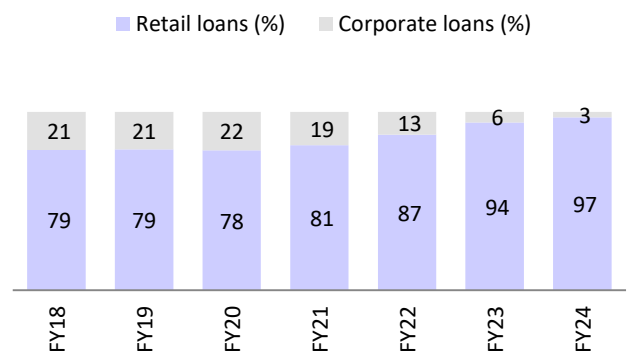
- From FY16 to FY19, the company experienced significant growth in all areas, including both retail and corporate sectors. This period was marked by strong performance and expansion.
- However, from FY20 to FY22, the company encountered challenges in both the corporate and retail segments. In response 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	-	++

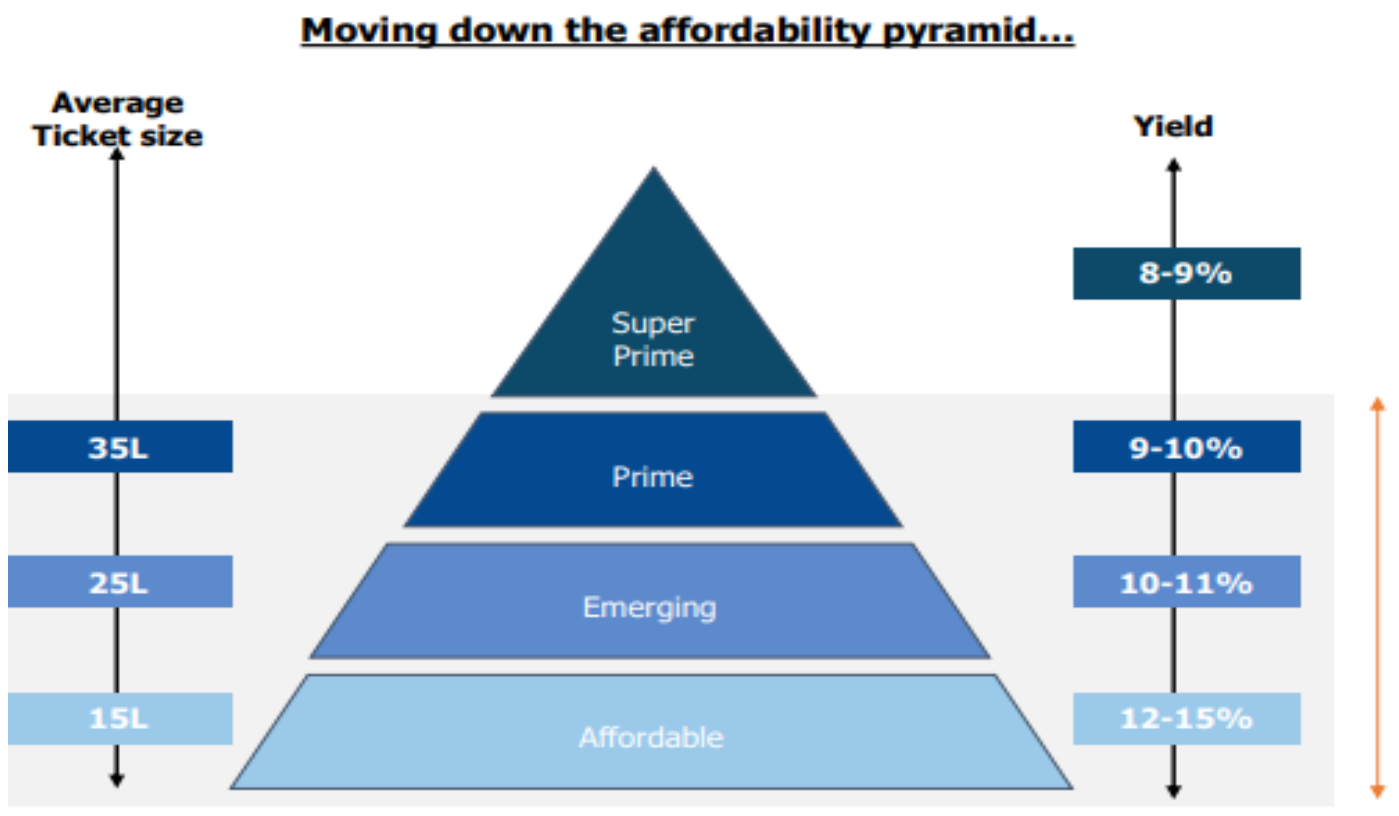
**Exhibit 10: Medium-term strategic priorities**

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
<b>No. of branches</b>			
Prime	90	70	90
Emerging market	47	37	50
Affordable		82	160

Exhibit 13: Retail segment snapshot going forward

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

Source: MOFSL, Company

### Retail: Prime and emerging market segments

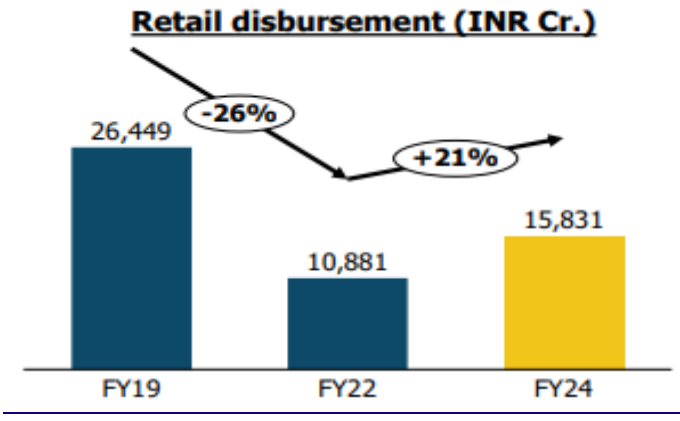
#### Carved out high-yielding emerging market segments

- 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



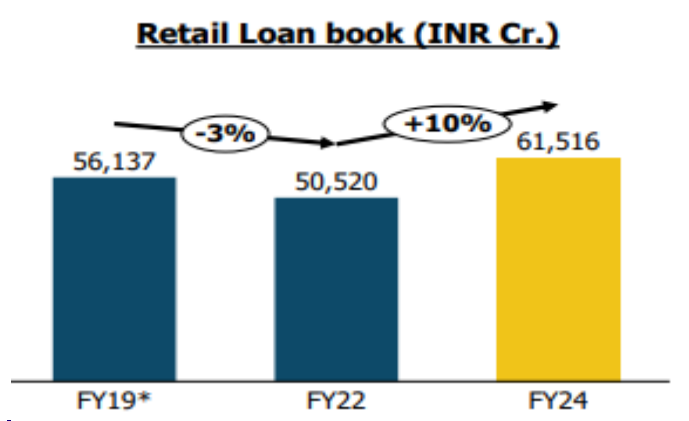
increase the number of branches or outreaches to around 60 by FY25, allowing them to reach a wider customer base and penetrate deeper into these promising markets.

Exhibit 14: Retail disbursements



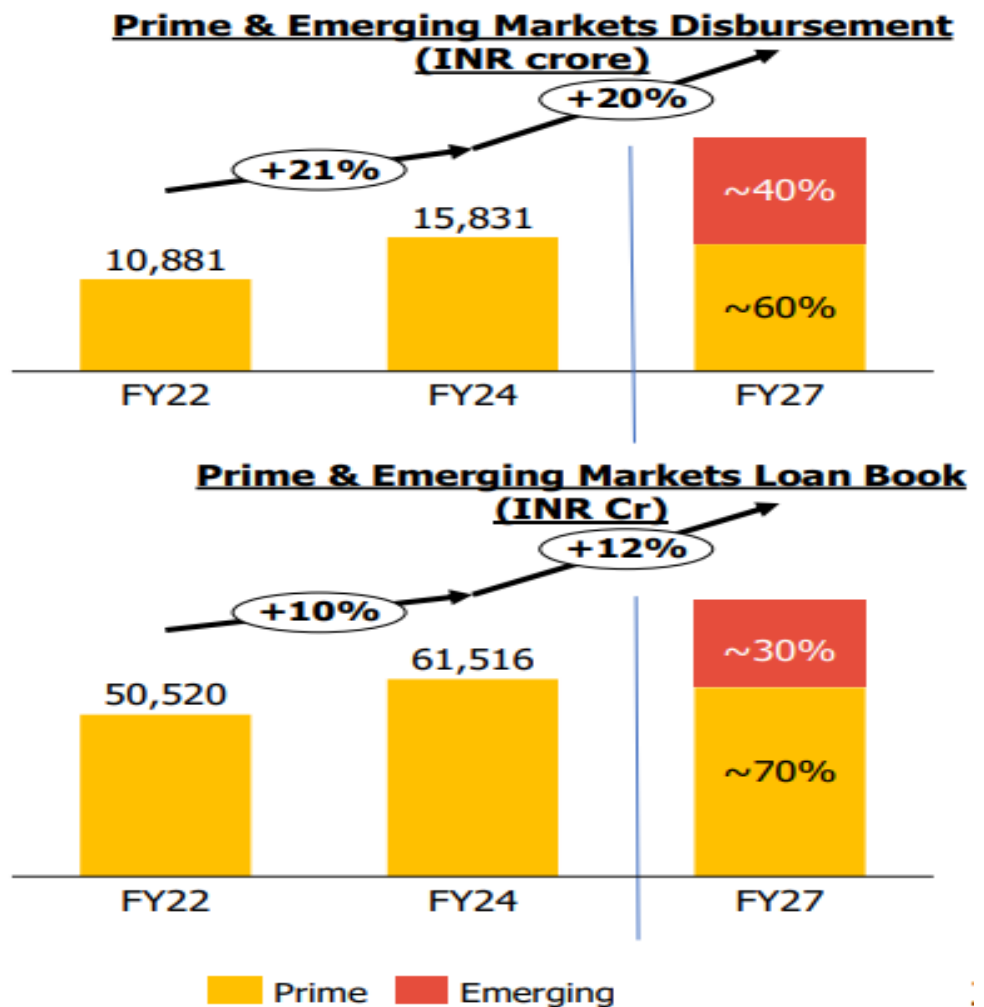
Source: MOFSL, Company

Exhibit 15: Retail loan book (%)



Source: MOFSL, Company

Exhibit 16: Prime & Emerging markets- going forward



Source: MOFSL, Company



**Margin improvement strategy**

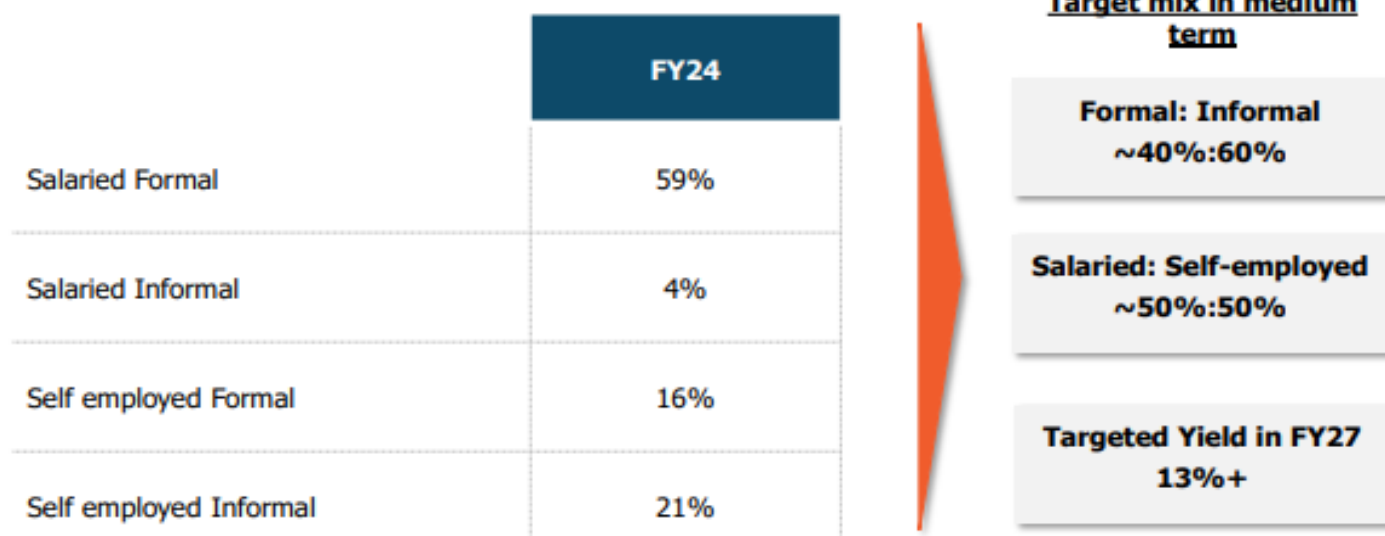
- Focus on higher LAP share and increased mix in emerging markets to increase yield by 50-75bp.
- Further, the company plans to increase the share of non-housing loans to 35% in FY27 from 25% in FY24.
- Between prime and emerging, it expects the emerging market segment in the portfolio to improve to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

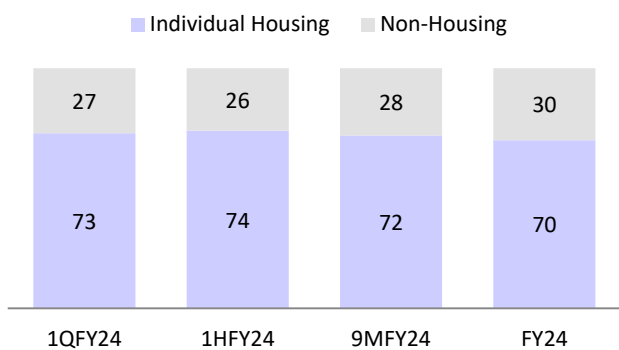
**Exhibit 17: Moving towards high yielding segments in affordable segment (on incremental basis)**

**Moving towards high yielding segments on the incremental basis**



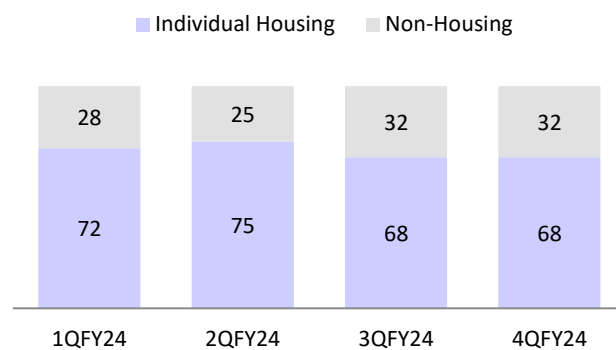
Source: MOFSL, Company

**Exhibit 18: Affordable segment loan book mix (%)**



Source: MOFSL, Company

**Exhibit 19: Affordable disbursement mix (%)**



Source: MOFSL, Company

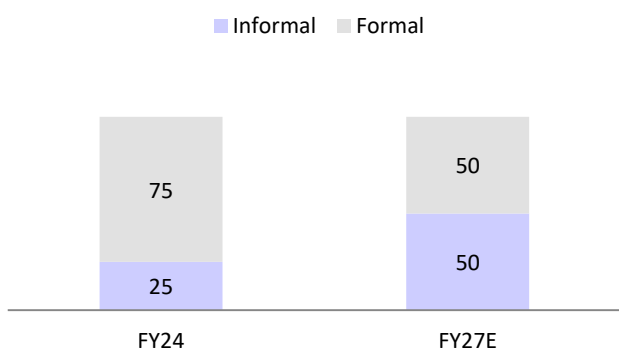
**Exhibit 20: Affordable business- Salary portfolio**

	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**

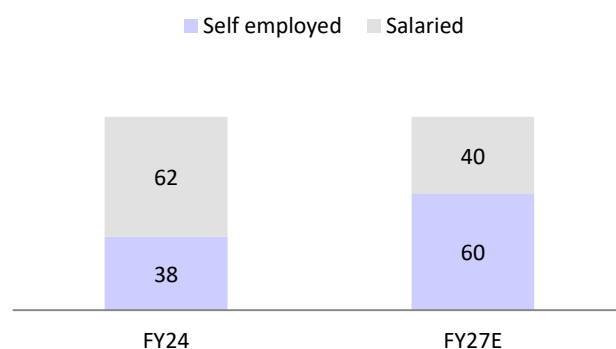
	Formal & Professional	Informal
Avg. Income (INR'000)	38-42	42-47
ATS (INR'000)	1300	1200
Yield (%)	12-13	14-15
Median CIBIL	752	748
NTC (%)	22	26

**Exhibit 22: Increased focus towards informal segment (%)**



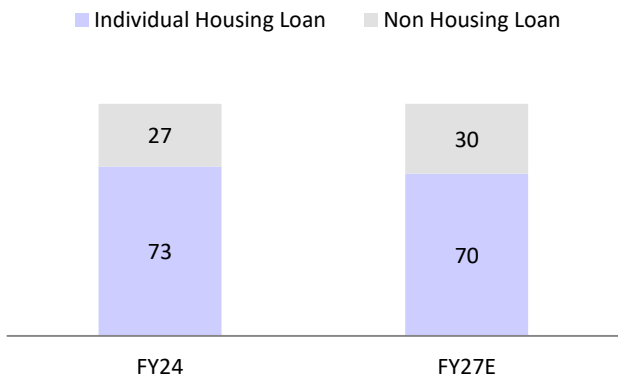
Source: MOFSL, Company

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



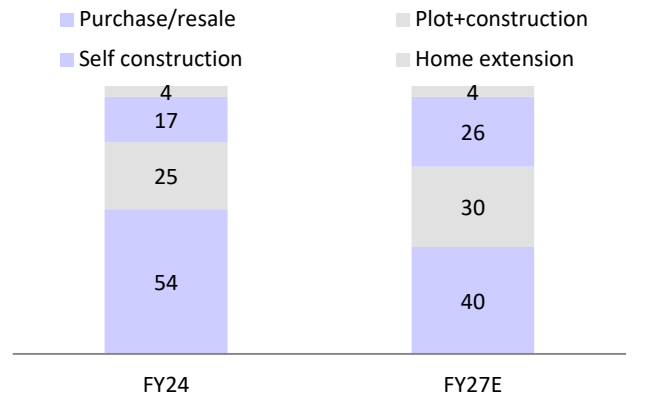
Source: MOFSL, Company

**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.

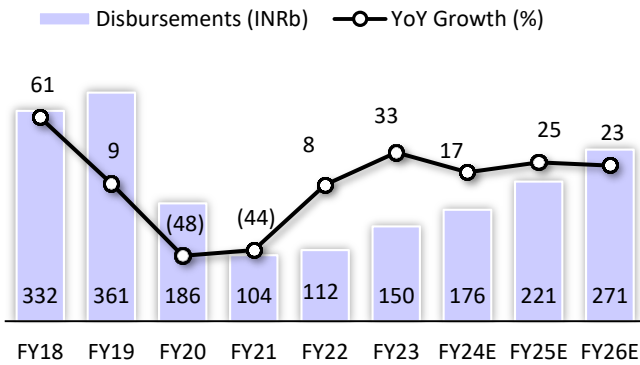
### Technology update

- 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.

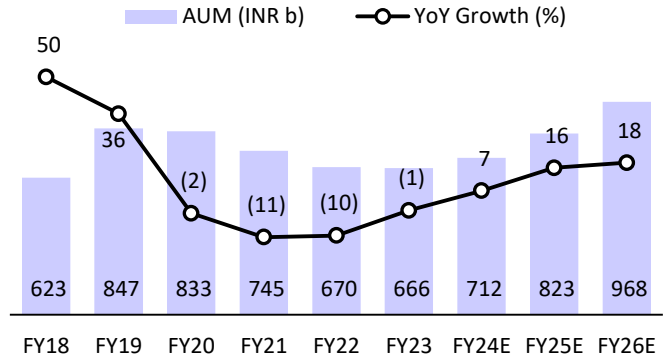
- Automation and cloud integration:** By automating end-to-end processes and harnessing the power of cloud services like Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS), PNBHF seek to optimize efficiency and reduce manual intervention. This integration 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**

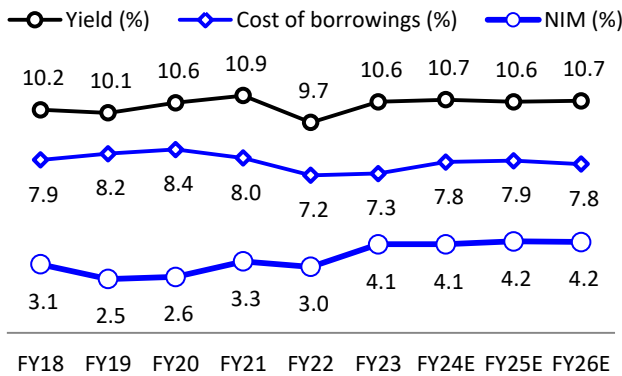
**Exhibit 26: Disbursement CAGR of ~24% over FY24-26E...**



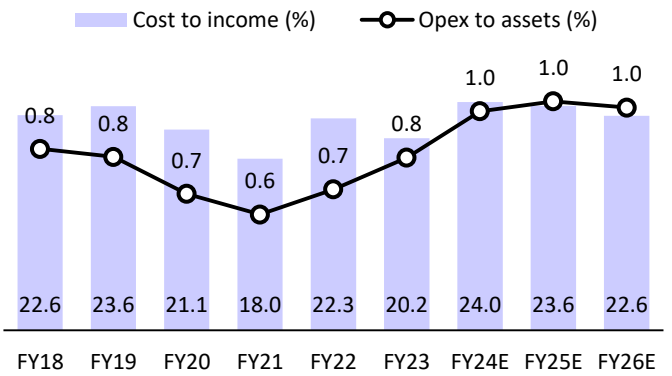
**Exhibit 27: ...leading to ~17% AUM CAGR over this period**



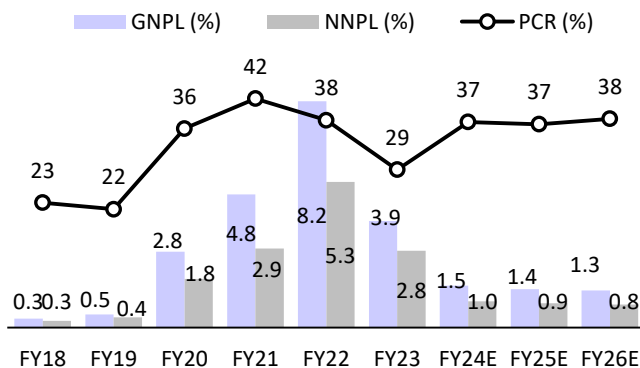
**Exhibit 28: NIM expansion from improvement in product mix**



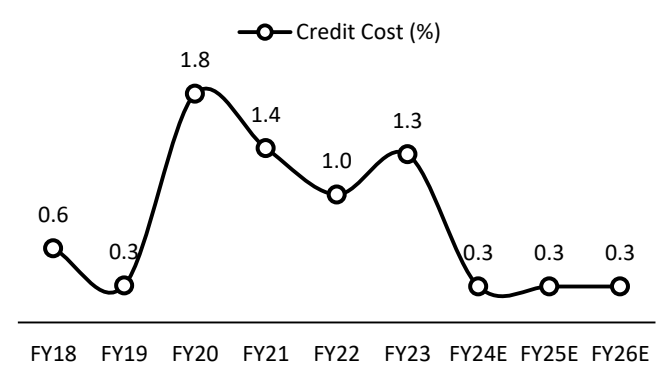
**Exhibit 29: Opex-to-assets ratio to remain stable over FY25-FY26E**



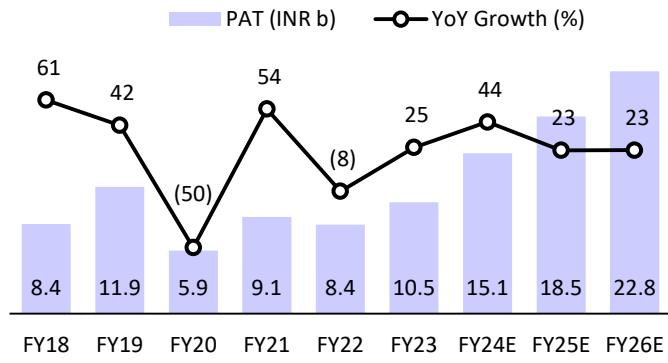
**Exhibit 30: Asset quality would continue to improve**



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

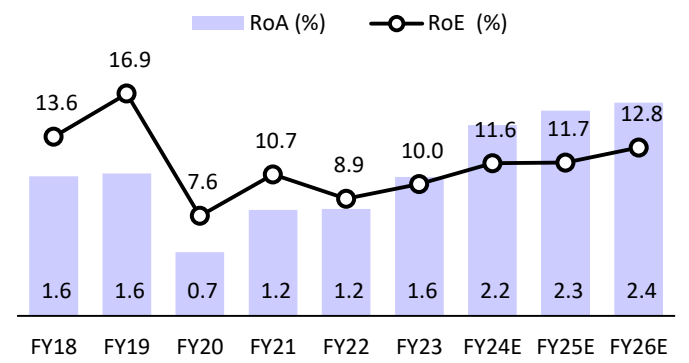


**Exhibit 32: PAT CAGR at ~23% over FY24E-26E**



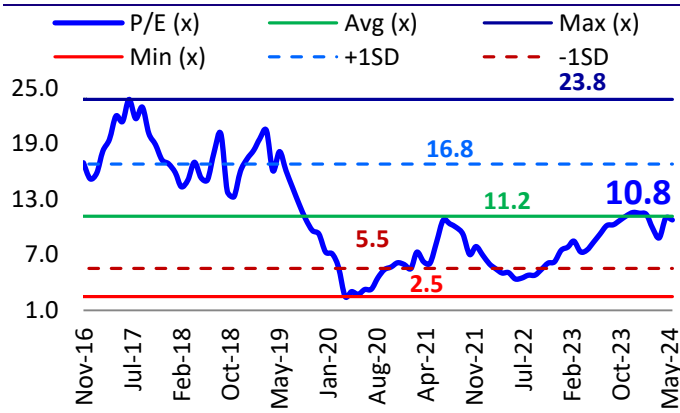
Source: MOFSL, Company

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



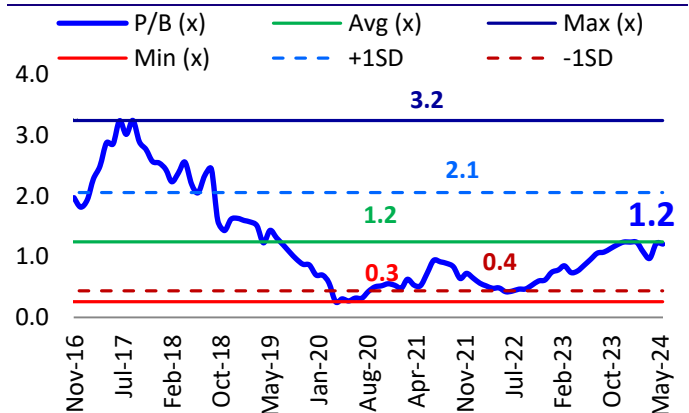
Source: MOFSL, Company

**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
<b>Net Interest Income</b>	<b>16,265</b>	<b>18,133</b>	<b>20,901</b>	<b>17,575</b>	<b>23,006</b>	<b>24,811</b>	<b>29,563</b>	<b>34,953</b>
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
<b>Net Income</b>	<b>25,169</b>	<b>26,146</b>	<b>25,243</b>	<b>21,363</b>	<b>26,311</b>	<b>27,960</b>	<b>33,661</b>	<b>40,744</b>
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
<b>Operating Income</b>	<b>19,234</b>	<b>20,624</b>	<b>20,689</b>	<b>16,603</b>	<b>20,998</b>	<b>21,250</b>	<b>25,720</b>	<b>31,551</b>
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
<b>PBT</b>	<b>17,344</b>	<b>8,110</b>	<b>12,070</b>	<b>10,840</b>	<b>13,609</b>	<b>19,539</b>	<b>23,750</b>	<b>29,206</b>
Extraordinary Items	0	0	0	0	0	0	0	0
<b>Reported PBT</b>	<b>17,344</b>	<b>8,110</b>	<b>12,070</b>	<b>10,840</b>	<b>13,609</b>	<b>19,539</b>	<b>23,750</b>	<b>29,206</b>
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								
<b>Reported PAT</b>	<b>11,915</b>	<b>5,909</b>	<b>9,092</b>	<b>8,365</b>	<b>10,460</b>	<b>15,080</b>	<b>18,525</b>	<b>22,781</b>
Change (%)	41.7	-50.4	53.9	-8.0	25.0	44.2	22.8	23.0
<b>PAT adjusted for EO</b>	<b>11,915</b>	<b>5,909</b>	<b>9,092</b>	<b>8,365</b>	<b>10,460</b>	<b>15,080</b>	<b>18,525</b>	<b>22,781</b>
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
<b>Net Worth</b>	<b>75,439</b>	<b>79,978</b>	<b>89,230</b>	<b>98,716</b>	<b>1,10,137</b>	<b>1,49,744</b>	<b>1,68,270</b>	<b>1,87,938</b>
<b>Borrowings</b>	<b>7,18,589</b>	<b>6,77,351</b>	<b>5,93,925</b>	<b>5,30,050</b>	<b>5,36,211</b>	<b>5,50,166</b>	<b>6,66,175</b>	<b>8,00,318</b>
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
<b>Total Liabilities</b>	<b>8,38,690</b>	<b>7,89,297</b>	<b>7,13,922</b>	<b>6,57,296</b>	<b>6,62,143</b>	<b>7,24,049</b>	<b>8,59,790</b>	<b>10,14,869</b>
<b>Loans</b>	<b>7,42,879</b>	<b>6,66,280</b>	<b>6,06,447</b>	<b>5,53,359</b>	<b>5,78,398</b>	<b>6,41,082</b>	<b>7,65,718</b>	<b>9,09,452</b>
Change (%)	30.0	-10.3	-9.0	-8.8	4.5	10.8	19.4	18.8
<b>Investments</b>	<b>45,607</b>	<b>20,757</b>	<b>20,448</b>	<b>34,827</b>	<b>31,963</b>	<b>43,460</b>	<b>47,806</b>	<b>52,587</b>
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
<b>Total Assets</b>	<b>8,38,690</b>	<b>7,89,297</b>	<b>7,13,922</b>	<b>6,57,296</b>	<b>6,62,143</b>	<b>7,24,049</b>	<b>8,59,790</b>	<b>10,14,869</b>

E: MOSL Estimates

## Financials and valuations

Ratios	(%)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Spreads Analysis (%)</b>								
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
<b>Profitability Ratios (%)</b>								
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
<b>Efficiency Ratios (%)</b>								
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
<b>Asset Quality (INR m)</b>								
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
<b>VALUATION</b>								
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
<b>Price-BV (x)</b>			<b>1.4</b>	<b>1.3</b>	<b>1.1</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>
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
<b>Price-Earnings (x)</b>		<b>21.2</b>	<b>13.8</b>	<b>15.0</b>	<b>12.0</b>	<b>12.8</b>	<b>10.4</b>	<b>8.5</b>
Dividend per share (INR)	9.0	0.0	0.0	0.0	0.0	0.0	12.0	15.0
<b>Dividend yield (%)</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>	<b>2.0</b>

E: MOSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing



NOTES

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://onlinereports.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") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL .

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com).

Nainesh

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

Contact: (+65) 8328 0276

Rajani

#### 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, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; 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, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; 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. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.