

# Union Bank of India

Estimate change



TP change



Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2021 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Bloomberg	UNBK IN
Equity Shares (m)	64.8
M.Cap.(INRb)/(USDb)	259.4 / 3.5
52-Week Range (INR)	45 / 23
1, 6, 12 Rel. Per (%)	-3/8/-10
12M Avg Val (INR M)	468

## Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
NII	246.9	291	323
OP	192.6	218.8	241.0
NP	29.1	50.4	75.6
NIM (%)	2.5	2.8	2.9
EPS (INR)	4.5	7.9	11.8
EPS Gr. (%)	-140.6	73.4	50.1
BV/Sh. (INR)	96.4	103.1	111.3
ABV/Sh. (INR)	63.6	69.9	78.6
RoE (%)	5.1	8.2	11.4
RoA (%)	0.3	0.5	0.6

## Valuations

P/E(X)	8.4	4.8	3.2
P/BV (X)	0.39	0.4	0.3
P/ABV (X)	0.6	0.5	0.5

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	83.5	89.1	89.1
DII	6.8	4.4	5.0
FII	1.7	0.7	0.8
Others	8.0	5.9	5.1

FII Includes depository receipts

CMP: INR38

TP: INR55 (+45%)

Buy

## Operating performance showing recovery signs

### Slippages remain elevated; higher PCR/recovery outlook provides comfort

- UNBK reported healthy operating performance, supported by higher other income and improving margin trajectory, despite sluggish business growth. Domestic NIM expanded by 71bp QoQ to 3.11%.
- Slippages stood elevated (~4.8% annualized), led by higher slippages in the MSME and two large corporate accounts slipping in 1QFY22. However, higher write-offs and upgradations aided stable asset quality on a sequential basis.
- SMA-2 overdue stood at 3.7% of loans, and restructured book stood at 2.7% of net loans. We conservatively estimate RoA/RoE of 0.6%/11.4% by FY23E. **We resume coverage with a Buy rating.**

### Improving earnings traction; slippages stay elevated, with PCR healthy ~69%

- UNBK reported a PAT of INR11.8b (+255% YoY), supported by higher treasury gains of INR11.1b and recovery from written off account of INR3.3b, even as total provisions stood elevated ~INR35b.
- NII grew 9.5% YoY (+30% QoQ) to INR70.1b, while domestic NIM improved by 71bp QoQ to 3.11%.
- Core fee income grew 41% YoY, supported by a benign base, but fell 30% QoQ, impacted by low business volumes. Other income grew 98% YoY (fell 36% QoQ) to ~INR29b, led by higher treasury gains (INR11.1b) and recovery from written off assets (INR3.3b).
- Opex grew ~20% YoY to ~INR46.1b. PPOP grew strongly at 31% YoY to INR53b. C/I ratio improved by ~150bp QoQ to 46.5%.
- On the business front, loan growth was flat YoY (down ~1% QoQ) ~INR5.8t, with Retail up 10.6% YoY (flat QoQ), MSME declined by ~4% QoQ, and Agri/Corporate fell by 1% QoQ. Deposit growth stood weak ~2% YoY (down ~2% QoQ), while CASA grew 11% YoY. CASA mix stood ~36.4% (flat QoQ).
- Fresh slippages stood elevated at INR70.5b (annualized at 4.8% of loans), led by higher slippages from the MSME portfolio (INR31.4b) and two large Corporate accounts slipping in 1QFY22. However, higher write-offs and upgradations led to a stable asset quality on a sequential basis. GNPA ratio declined by 14bp QoQ to 13.6%, while NNPA ratio increased by 7bp QoQ to ~4.7%. PCR ratio stood at 68.7% (v/s 69.6% in FY21).
- SMA-2 overdue stood at 3.7% of loans (while SMA-2 over INR50m stands at 1.7%). Total restructured loans stood at 2.7% of net loans.

## Highlights from the management commentary

- Recovery pipeline in FY22 remains strong at INR130b, which includes INR40b from NCLT accounts. Accounts under NCLT resolution stand at 96, with a total exposure of ~INR56.5b.
- The management expects business growth of 8-10% YoY. It also guided at a slippage ratio/credit cost of 2.5%/2%.

**Valuation and view**

UNBK reported healthy earnings performance, supported by high treasury gains and improving margin, despite tepid business growth. The bank expects growth to pick up, led by the RAM segments, while the Corporate book would witness a gradual recovery. Asset quality was largely stable, despite higher slippages, but was supported by higher write-offs and upgradations. SMA-2 overdue stood at 3.7% of loans, and restructured book at 2.7% of net loans. We expect slippages to moderate, mainly from 2HFY22. We project credit cost at 2.3%/1.9% in FY22E/FY23E. We estimate RoA/RoE of 0.6%/11.4% by FY23E. The bank is trading at reasonable valuations of 0.5x FY23E ABV. **We resume coverage with a Buy rating and a TP of INR55/share (0.7x FY23E ABV).**

**Quarterly performance****(INR m)**

	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Net Interest Income</b>	<b>64,032</b>	<b>62,929</b>	<b>65,895</b>	<b>54,029</b>	<b>70,135</b>	<b>71,642</b>	<b>73,390</b>	<b>76,062</b>	<b>2,46,884</b>	<b>2,91,228</b>
Change (YoY, %)	154.3	116.6	110.2	87.7	9.5	13.8	11.4	40.8	115.9	18.0
Other Income	14,625	23,079	30,155	45,509	29,009	26,974	29,192	31,595	1,13,369	1,16,770
<b>Total Income</b>	<b>78,657</b>	<b>86,008</b>	<b>96,050</b>	<b>99,538</b>	<b>99,143</b>	<b>98,616</b>	<b>1,02,582</b>	<b>1,07,657</b>	<b>3,60,253</b>	<b>4,07,998</b>
Operating Expenses	38,316	38,661	42,944	47,739	46,115	46,912	47,479	48,655	1,67,660	1,89,161
<b>Operating Profit</b>	<b>40,341</b>	<b>47,347</b>	<b>53,106</b>	<b>51,799</b>	<b>53,028</b>	<b>51,704</b>	<b>55,102</b>	<b>59,002</b>	<b>1,92,593</b>	<b>2,18,837</b>
Change (YoY, %)	113.9	111.3	121.1	95.3	31.4	9.2	3.8	13.9	109.8	13.6
Provisions	35,558	41,439	52,559	39,043	35,238	34,769	35,484	37,591	1,68,599	1,43,082
<b>Profit before Tax</b>	<b>4,783</b>	<b>5,908</b>	<b>547</b>	<b>12,756</b>	<b>17,790</b>	<b>16,935</b>	<b>19,618</b>	<b>21,412</b>	<b>23,994</b>	<b>75,755</b>
Tax	1,456	742	-6,721	-542	5,980	5,673	6,572	7,152	-5,066	25,378
<b>Net Profit</b>	<b>3,327</b>	<b>5,166</b>	<b>7,268</b>	<b>13,298</b>	<b>11,810</b>	<b>11,262</b>	<b>13,046</b>	<b>14,259</b>	<b>29,060</b>	<b>50,377</b>
Change (YoY, %)	48.3	-143.3	26.5	-153.1	254.9	118.0	79.5	7.2	-200.3	73.4
<b>Operating Parameters</b>										
Deposit (INR b)	8,925	8,861	8,824	9,238	9,085	9,404	9,571	9,792	9,238	9,792
Loan (INR b)	5,817	5,790	5,829	5,910	5,846	6,016	6,123	6,264	5,910	6,264
Deposit Growth (%)	107.6	100.1	98.3	105.0	1.8	6.1	8.5	6.0	105.0	6.0
Loan Growth (%)	98.0	94.4	89.5	87.6	0.5	3.9	5.0	6.0	87.6	6.0
<b>Asset Quality</b>										
Gross NPA (%)	15.0	14.7	13.5	13.7	13.6	13.3	13.2	12.9	13.7	12.9
Net NPA (%)	5.0	4.1	3.3	4.6	4.7	4.6	4.4	4.4	4.7	4.4
PCR (%)	70.3	75.1	78.3	69.6	68.7	69.0	69.5	68.8	69.2	68.8

E: MOFSL estimates

## Quarterly snapshot

INR m	FY20				FY21				FY22	Change (%)	
	1Q	2Q	3Q	24	1Q	2Q	3Q	24	1Q	YoY	QoQ
<b>Profit &amp; Loss</b>											
Net Interest Income	25,182	29,059	31,346	28,781	64,032	62,929	65,895	54,029	70,135	10	30
Other Income	9,895	11,432	11,105	20,176	14,625	23,079	30,155	45,509	29,009	98	-36
Total Income	35,077	40,491	42,451	48,957	78,657	86,008	96,050	99,538	99,143	26	0
Operating Expenses	16,213	18,084	18,436	22,431	38,316	38,661	42,944	47,739	46,115	20	-3
Employee	7,212	7,583	8,656	10,136	20,866	20,791	24,151	24,440	28,237	35	16
Others	9,001	10,502	9,780	12,295	17,450	17,869	18,793	23,299	17,878	2	-23
Operating Profit	18,864	22,406	24,014	26,526	40,341	47,347	53,106	51,799	53,028	31	2
Core Operating Profit	16,314	19,486	23,194	18,196	35,151	38,027	39,846	43,059	41,938	19	-3
Provisions	15,193	38,588	18,190	60,117	35,558	41,439	52,559	39,043	35,238	-1	-10
PBT	3,671	-16,181	5,825	-33,590	4,783	5,908	547	12,756	17,790	272	39
Taxes	1,426	-4,245	79	-8,559	1,456	742	-6,721	-542	5,980	311	-1,204
PAT	2,244	-11,936	5,746	-25,032	3,327	5,166	7,268	13,298	11,810	255	-11
<b>Balance Sheet</b>											
Deposits (INR b)	4,300	4,429	4,451	4,507	8,925	8,861	8,824	9,238	9,085	2	-2
Loans (INR b)	2,938	2,979	3,076	3,150	5,817	5,790	5,829	5,910	5,846	0	-1
<b>Asset Quality</b>											
GNPA (INR b)	488	499	499	491	972	958	880	898	878	-10	-2
NNPA (INR b)	212	208	215	173	289	239	191	273	274	-5	1
Slippages	31	42	51	25	18	7	3	147	70	303	-52
<b>Others</b>											
Branches	4,288	4,285	4,282	0	9,590	9,590	9,587	9,312	9,312	-278	0
ATM	6,561	6,798	6,686	0	13,239	13,287	12,961	12,957	11,824	-1,415	-1,133

## Quarterly snapshot continued

Ratios (%)	FY20				FY21				FY22	Change (bp)	
	1Q	2Q	2Q	2Q	1Q	2Q	2Q	2Q	1Q	YoY	QoQ
<b>Asset Quality Ratios</b>											
GNPA	15.2	15.2	14.9	14.2	15.0	14.7	13.5	13.7	13.6	-135	-14
NNPA	7.2	7.0	7.0	5.5	5.0	4.1	3.3	4.6	4.7	-28	7
PCR	65.9	67.8	67.4	73.6	79.9	83.2	86.2	81.3	81.4	156	16
Credit Cost	2.5	4.6	3.2	0.0	2.5	4.6	3.2	0.0	0.0	-251	0
<b>Business Ratios</b>											
Fees-to-Total Income	92.7	92.8	98.1	83.0	93.4	89.2	86.2	91.2	88.8	-459	-241
Cost-to-Core Income	49.8	48.1	44.3	55.2	52.2	50.4	51.9	52.6	52.4	22	-21
Tax Rate	38.9	26.2	1.4	25.5	30.4	12.6	-1,228.5	-4.2	33.6	318	3,786
CASA (Cal.)	34.4	33.8	34.4	35.6	33.3	34.6	35.4	36.3	36.4	309	6
Loan/Deposit	68.3	67.3	69.1	69.9	65.2	65.3	66.1	64.0	64.3	-83	37
<b>Profitability Ratios</b>											
RoA	0.2	-0.9	0.4	-1.8	0.1	0.2	0.3	0.5	0.4	31	-6
RoE	4.7	-16.5	7.8	-43.3	3.3	5.0	6.8	12.2	10.0	669	-224
Yield on Loans	7.8	7.9	8.0	7.6	7.9	7.5	7.3	6.2	7.3	-61	102
Yield on Investments	6.8	7.0	6.7	6.6	6.5	6.3	6.3	5.9	5.9	-56	3
Yield on Funds	6.9	6.9	7.0	6.5	6.6	6.5	6.6	5.8	6.3	-31	54
Cost of Funds	4.9	4.8	4.7	4.5	4.3	4.2	4.1	3.7	3.7	-60	-3
Cost of Deposits	5.6	5.7	5.5	5.5	5.0	4.8	4.6	4.3	4.2	-86	-10
Margin	2.1	2.4	2.5	2.2	2.8	2.8	2.9	2.4	3.1	30	70



## Highlights from the management commentary

## Asset quality

- Total restructuring implemented in the MSME scheme under Resolution Framework 1.0/2.0 stood ~INR24.3b/~INR9.5b. Another INR25-28b of MSME loans have been restructured in earlier schemes. Total MSME loans restructured would be ~INR61b.
- Total SMA-2 overdue (including those below INR50m) stood ~3.7% of loans.
- Corporate slippages have largely come from two accounts, one from a thermal Power account (~INR9b) and another from a Jewelry account (~INR3b).

- Upgradation includes one large account of INR20b, which got restructured and upgraded as a standard account.
- Slippages of INR2b came from old restructured schemes in 1QFY22.
- **Recovery pipeline in FY22 would be INR130b**, which includes INR40b from NCLT accounts. Accounts under NCLT resolution stand at 96, with a total exposure of ~INR56.5b.

#### P&L and Balance Sheet related

- It is seeing some recovery in corporate business activity, and therefore expects loan growth revival in the Corporate segment.
- It is carrying a DTA of INR150b on the Balance Sheet.

#### Guidance for FY22

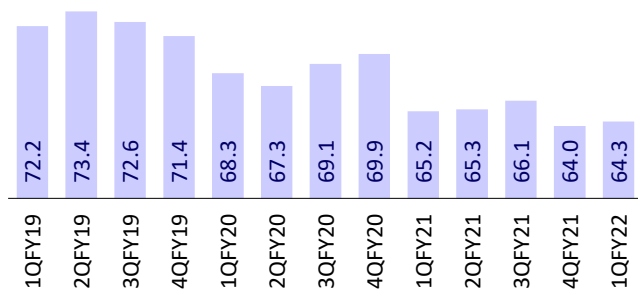
- Deposit/advances to grow at 8-10%. Advances growth would be contributed by the Retail/Agri segments.
- NIM to range between 2.9% and 3%.
- On the asset quality front, it expects slippages/credit cost at 2.5%/2%.

#### Exhibit 1: DuPont Analysis: Expect return ratios to remain modest

Y/E MARCH (%)	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	6.97	6.94	7.13	6.57	6.81	6.87
Interest Expense	4.99	4.86	4.94	4.21	4.18	4.14
<b>Net Interest Income</b>	<b>1.98</b>	<b>2.08</b>	<b>2.19</b>	<b>2.36</b>	<b>2.64</b>	<b>2.73</b>
Fee income	0.79	0.79	0.73	0.73	0.68	0.66
Trading and others	0.27	0.12	0.28	0.35	0.37	0.42
<b>Non-Interest Income</b>	<b>1.06</b>	<b>0.91</b>	<b>1.01</b>	<b>1.08</b>	<b>1.06</b>	<b>1.09</b>
<b>Total Income</b>	<b>3.04</b>	<b>2.99</b>	<b>3.20</b>	<b>3.44</b>	<b>3.69</b>	<b>3.82</b>
<b>Operating Expenses</b>	<b>1.44</b>	<b>1.46</b>	<b>1.44</b>	<b>1.60</b>	<b>1.71</b>	<b>1.78</b>
Employees	0.67	0.64	0.64	0.86	0.91	0.95
Others	0.77	0.82	0.80	0.74	0.80	0.83
<b>Operating Profit</b>	<b>1.60</b>	<b>1.53</b>	<b>1.76</b>	<b>1.84</b>	<b>1.98</b>	<b>2.04</b>
<b>Core Operating Profit</b>	<b>1.33</b>	<b>1.42</b>	<b>1.48</b>	<b>1.49</b>	<b>1.61</b>	<b>1.61</b>
<b>Provisions</b>	<b>3.02</b>	<b>2.33</b>	<b>2.53</b>	<b>1.61</b>	<b>1.30</b>	<b>1.08</b>
NPA	2.87	2.33	1.78	1.30	1.27	1.05
Others	0.14	0.00	0.75	0.31	0.03	0.03
<b>PBT</b>	<b>-1.41</b>	<b>-0.80</b>	<b>-0.77</b>	<b>0.23</b>	<b>0.69</b>	<b>0.96</b>
Tax	-0.30	-0.20	-0.22	-0.05	0.23	0.32
<b>RoA</b>	<b>-1.12</b>	<b>-0.60</b>	<b>-0.55</b>	<b>0.28</b>	<b>0.46</b>	<b>0.64</b>
Leverage (x)	21.3	20.9	19.0	18.3	17.9	17.8
<b>RoE</b>	<b>-23.8</b>	<b>-12.5</b>	<b>-10.6</b>	<b>5.1</b>	<b>8.2</b>	<b>11.4</b>

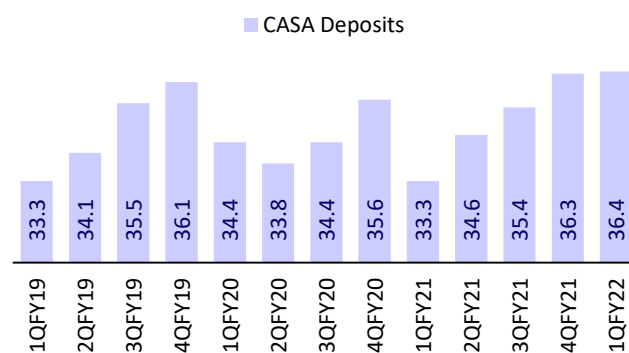
## Story in charts

**Exhibit 1: CD ratio stood ~64%**



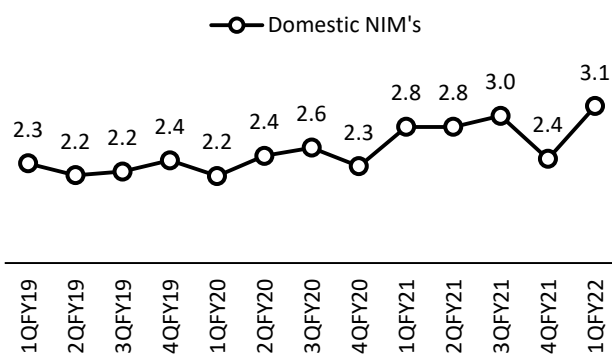
Merged numbers from 1QFY21 onwards Source: MOFSL, Company

**Exhibit 2: CASA ratio stood at 36.4%**



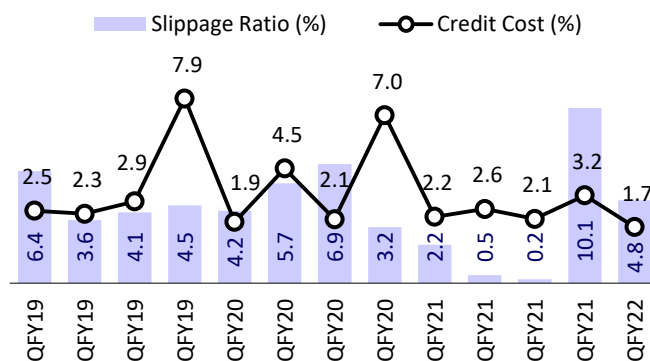
Source: MOFSL, Company

**Exhibit 3: NIM improves by 71bp QoQ to 3.11%**



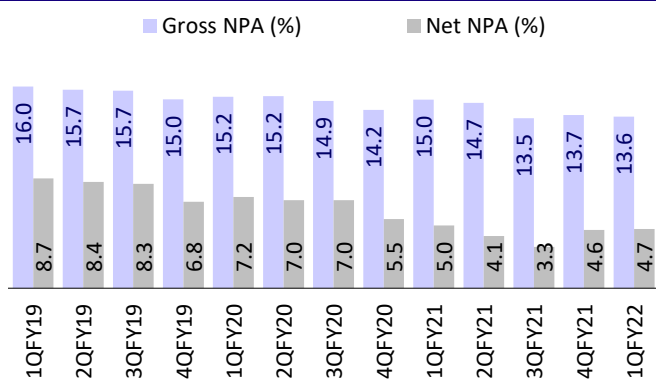
Source: MOFSL, Company

**Exhibit 4: Annualized slippage and credit cost ratios over the last few quarters**



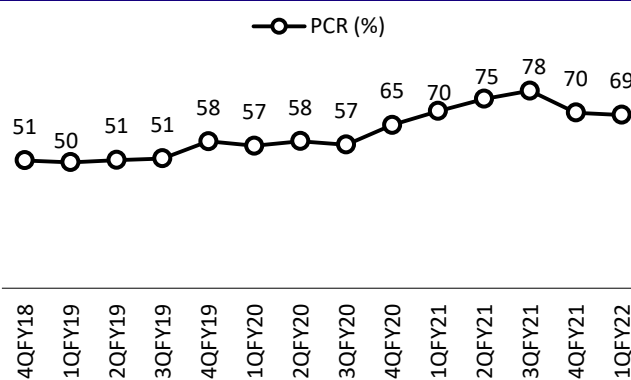
Source: MOFSL, Company

**Exhibit 5: GNPA ratio improves by 14bp QoQ to ~13.6%, while NNPA rose by 7bp QoQ to ~4.7%**



Source: MOFSL, Company

**Exhibit 6: PCR improves to ~69%**



Source: MOFSL, Company

## Financials and valuations

Income Statement					(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	3,27,480	3,40,667	3,72,311	6,87,673	7,52,623	8,12,683
Interest Expense	2,34,433	2,38,517	2,57,944	4,40,789	4,61,394	4,89,249
<b>Net Interest Income</b>	<b>93,047</b>	<b>1,02,149</b>	<b>1,14,368</b>	<b>2,46,884</b>	<b>2,91,228</b>	<b>3,23,434</b>
Growth (%)	4.5	9.8	12.0	115.9	18.0	11.1
Non-Interest Income	49,899	44,739	52,608	1,13,369	1,16,770	1,28,447
<b>Total Income</b>	<b>1,42,945</b>	<b>1,46,889</b>	<b>1,66,975</b>	<b>3,60,253</b>	<b>4,07,998</b>	<b>4,51,881</b>
Growth (%)	3.1	2.8	13.7	115.8	13.3	10.8
Operating Expenses	67,550	71,676	75,164	1,67,660	1,89,161	2,10,873
<b>Pre-Provision Profit</b>	<b>75,396</b>	<b>75,212</b>	<b>91,811</b>	<b>1,92,593</b>	<b>2,18,837</b>	<b>2,41,008</b>
Growth (%)	1.5	-0.2	22.1	109.8	13.6	10.1
<b>Core PPP</b>	<b>62,732</b>	<b>69,475</b>	<b>77,179</b>	<b>1,56,080</b>	<b>1,77,467</b>	<b>1,90,952</b>
Growth (%)	48.7	10.7	11.1	102.2	13.7	7.6
Provisions (excl. tax)	1,41,807	1,14,479	1,32,087	1,68,599	1,43,082	1,27,335
<b>PBT</b>	<b>-66,411</b>	<b>-39,267</b>	<b>-40,276</b>	<b>23,994</b>	<b>75,755</b>	<b>1,13,674</b>
Tax	-13,938	-9,792	-11,299	-5,066	25,378	38,081
Tax Rate (%)	21.0	24.9	28.1	-21.1	33.5	33.5
<b>PAT</b>	<b>-52,474</b>	<b>-29,474</b>	<b>-28,978</b>	<b>29,060</b>	<b>50,377</b>	<b>75,593</b>
Growth (%)	-1,045.1	-43.8	-1.7	-200.3	73.4	50.1

Balance Sheet						
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	11,686	17,630	34,228	64,068	64,068	64,068
Reserves and Surplus	2,39,282	2,47,240	3,03,628	5,80,699	6,23,357	6,75,794
<b>Net Worth</b>	<b>2,50,968</b>	<b>2,64,870</b>	<b>3,37,856</b>	<b>6,44,767</b>	<b>6,87,426</b>	<b>7,39,863</b>
<b>Deposits</b>	<b>40,85,016</b>	<b>41,59,153</b>	<b>45,06,685</b>	<b>92,38,053</b>	<b>97,92,337</b>	<b>1,05,75,724</b>
Growth (%)	8.0	1.8	8.4	105.0	6.0	8.0
<b>of which CASA Dep.</b>	<b>13,92,412</b>	<b>15,01,412</b>	<b>16,03,733</b>	<b>33,55,919</b>	<b>35,83,995</b>	<b>38,91,866</b>
Growth (%)	6.9	7.8	6.8	109.3	6.8	8.6
Borrowings	4,56,808	4,28,638	5,24,863	5,18,371	5,50,210	5,83,521
Other Liabilities and Prov.	81,009	87,727	1,37,429	3,15,867	3,47,453	3,82,199
<b>Total Liabilities</b>	<b>48,73,801</b>	<b>49,40,388</b>	<b>55,06,833</b>	<b>1,07,17,058</b>	<b>1,13,77,426</b>	<b>1,22,81,306</b>
Current Assets	4,94,412	4,30,460	5,51,062	8,44,103	7,65,348	8,14,625
<b>Investments</b>	<b>12,37,542</b>	<b>12,60,466</b>	<b>15,24,139</b>	<b>33,15,118</b>	<b>36,46,630</b>	<b>39,38,360</b>
Growth (%)	10.3	1.9	20.9	117.5	10.0	8.0
<b>Loans</b>	<b>28,87,606</b>	<b>29,69,322</b>	<b>31,50,494</b>	<b>59,09,829</b>	<b>62,64,418</b>	<b>67,65,572</b>
Growth (%)	0.8	2.8	6.1	87.6	6.0	8.0
Fixed Assets	38,333	37,623	47,625	73,439	77,111	80,966
Other Assets	2,15,908	2,42,518	2,33,512	5,74,570	6,23,919	6,81,783
<b>Total Assets</b>	<b>48,73,801</b>	<b>49,40,388</b>	<b>55,06,833</b>	<b>1,07,17,058</b>	<b>1,13,77,426</b>	<b>1,22,81,306</b>

Asset Quality						
GNPA (INR m)	4,93,699	4,87,291	4,90,853	8,97,882	8,89,049	8,74,114
NNPA (INR m)	2,43,262	2,03,323	1,73,030	2,76,341	2,77,350	2,70,653
GNPA Ratio	15.73	14.98	14.15	13.75	12.93	11.86
NNPA Ratio	8.42	6.85	5.49	4.68	4.43	4.00
Slippage Ratio	7.46	4.70	5.02	2.93	3.10	2.50
Credit Cost	4.69	3.90	3.04	2.28	2.30	1.90
PCR (Excl. Tech. write-off)	50.7	58.3	64.7	69.2	68.8	69.0

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Yield and Cost Ratios (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>7.3</b>	<b>7.3</b>	<b>7.5</b>	<b>7.0</b>	<b>7.3</b>	<b>7.3</b>
Avg. Yield on loans	7.9	8.1	8.2	7.7	8.0	8.0
Avg. Yield on Investments	7.6	7.4	7.7	6.8	7.0	7.0
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.4</b>	<b>5.2</b>	<b>5.4</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>
Avg. Cost of Deposits	5.5	5.4	5.5	4.6	4.5	4.5
<b>Interest Spread</b>	<b>1.9</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>	<b>2.7</b>	<b>2.8</b>
<b>Net Interest Margin</b>	<b>2.1</b>	<b>2.2</b>	<b>2.3</b>	<b>2.5</b>	<b>2.8</b>	<b>2.9</b>

### Capitalization Ratios (%)

CAR	11.6	11.9	12.7	12.5	12.8	13.0
Tier I	9.1	9.6	10.7	10.3	10.6	10.8
Tier II	2.4	2.3	2.0	2.2	2.3	2.3

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	70.7	71.4	69.9	64.0	64.0	64.0
CASA Ratio	34.1	36.1	35.6	36.3	36.6	36.8
Cost/Assets	1.4	1.5	1.4	1.6	1.7	1.7
Cost/Total Income	47.3	48.8	45.0	46.5	46.4	46.7
Cost/Core Income	51.8	50.8	49.3	51.8	51.6	52.5
Int. Expense/Int. Income	71.6	70.0	69.3	64.1	61.3	60.2
Fee Income/Total Income	26.0	26.6	22.7	21.3	18.5	17.3
Non Int. Inc./Total Income	34.9	30.5	31.5	31.5	28.6	28.4
Empl. Cost/Total Expense	46.7	44.0	44.7	53.8	53.4	53.2
Investment/Deposit Ratio	30.3	30.3	33.8	35.9	37.2	37.2

### Profitability Ratios and Valuation

RoE	-23.7	-12.5	-10.6	5.1	8.2	11.4
RoA	-1.1	-0.6	-0.6	0.3	0.5	0.6
RoRWA	-1.8	-1.1	-1.0	0.5	0.9	1.2
Book Value (INR)	204	143	94	96	103	111
Growth (%)	-38.1	-29.7	-34.7	3.0	6.9	7.9
Price-to-BV (x)	0.2	0.3	0.4	0.4	0.4	0.3
Adjusted BV (INR)	51	57	55	64	70	79
Price-to-ABV (x)	0.7	0.7	0.7	0.6	0.5	0.5
EPS (INR)	-56.54	-20.11	-11.18	4.54	7.9	11.8
Growth (%)	-800.1	-64.4	-44.4	-140.6	73.4	50.1
Price-to-Earnings (x)	-0.7	-1.9	-3.4	8.4	4.8	3.2
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	1.2	3.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	3.2	9.5

## 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 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, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). 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") (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 Advisors 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 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
- received compensation/other benefits from the subject company in the past 12 months
- 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.

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.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com) CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.: 022-71881085.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.