

| | |
|-----------------|---|
| Estimate change | ↑ |
| TP change | ↑ |
| Rating change | ↓ |

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| Bloomberg | HDFC IN |
|-----------------------|---------------|
| Equity Shares (m) | 1,721 |
| M.Cap.(INRb)/(USDb) | 4446.3 / 59.8 |
| 52-Week Range (INR) | 2895 / 1623 |
| 1, 6, 12 Rel. Per (%) | -1/-14/-3 |
| 12M Avg Val (INR M) | 9955 |

Financials & Valuations (INR b)

| Y/E March | 2021 | 2022E | 2023E |
|------------------|-------|-------|-------|
| Core PPoP | 146.5 | 170.9 | 191.6 |
| Adj. PAT | 106.9 | 127.8 | 144.2 |
| Adj. EPS (INR) | 54.5 | 63.7 | 71.6 |
| EPS Gr. (%) | 10.8 | 16.9 | 12.4 |
| BV/Sh. (INR) | 609.3 | 656.3 | 709.7 |
| ABV/Sh. (INR) | 475.9 | 522.9 | 576.3 |
| Core RoA (%) | 1.9 | 2.0 | 2.0 |
| Core RoE (%) | 12.7 | 12.8 | 13.0 |
| Payout (%) | 40.0 | 44.1 | 44.1 |
| Valuation | | | |
| AP/E (x) | 23.5 | 17.4 | 12.6 |
| P/BV (x) | 4.0 | 3.8 | 3.5 |
| AP/ABV (x) | 2.7 | 2.1 | 1.6 |
| Div. Yield (%) | 0.9 | 1.2 | 1.3 |

Shareholding pattern (%)

| As On | Jun-21 | Mar-21 | Jun-20 |
|----------|--------|--------|--------|
| Promoter | 0.0 | 0.0 | 0.0 |
| DII | 16.6 | 16.3 | 18.5 |
| FII | 72.2 | 72.8 | 70.2 |
| Others | 11.2 | 10.9 | 11.3 |

FII includes depository receipts

CMP: INR 2,462

TP: INR3,290 (+34%)

Buy

Core operating profit in-line; commentary suggests healthy recovery from second wave impact

- HDFC's core PBT grew 12% YoY to INR32.2b (5% beat). NII (ex-assignment income) at INR41.3b was 2% above our estimate. On the other hand, provisions at INR6.9b were lower than our est. of INR8b. Better-than-expected MTM gains on investment led to an 11% beat on reported PAT (down 6% QoQ / 2% YoY).
- Strong disbursement growth (on a low base) of 181% YoY, stable QoQ spreads at 2.3%, 26bp QoQ decline in GNPA to 2.24%, and an increase of 30bp QoQ in Stage 2 assets were some of the operational highlights for the quarter.
- We increase our FY22E/FY23E estimates by 7–8%, factoring in higher NII and non-core income. We expect HDFC to report core RoA/RoE of 2%/13% over FY22–23E. Reiterate **Buy**, with SOTP-based TP of INR3,290 (FY23E SOTP-based).

Disbursements recover sharply over Jun–Jul'21; loan mix largely stable

- The recovery in disbursements was much stronger than expected at the start of the second COVID wave. July'21 disbursements were the third highest ever and the highest ever in a non-quarter month-end. Overall individual AUM grew 2% QoQ / 14% YoY to INR4.5t. **The share of individual loans was up ~100bp QoQ to 78.3% (the highest ever).**
- Non-Individual segment AUM declined ~4% QoQ and ~9% YoY. Growth in this segment was partially impacted by pre-payments in LRD due to the listing of REITs, leading to a run-off of AUM. Also, because construction activity was impacted during the lockdowns, even the disbursements in construction finance suffered in 1QFY22. Overall AUM grew +1% QoQ / 8% YoY to INR5.74t.
- The company assigned loans worth INR55b during the quarter v/s INR14b YoY. The corresponding assignment income stood at INR2.7b (v/s INR4.4b QoQ and INR1.8b YoY).

GNPLs at 2.34% | Stage 2 loans up QoQ | Restructuring under RBI OTR

2.0 at 15bp of AUM

- The overall GNPL ratio increased 26bp QoQ to 2.24%. This was more pronounced for the individual book, which saw 38bp QoQ deterioration in GNPA. However, the corporate book witnessed just a 10bp increase in the GNPL ratio to 4.87%.
- Stage 2 loans increased 30bp QoQ to 6.64% on some proactive downgrades and restructured advances classified under Stage 2. On a YoY basis, Stage 2 was up 133bp.
- **During the quarter, the company restructured loans worth INR7.78b (15bp of AUM). ~62% of the restructured advances is from the Non-Individual segment and largely pertains to just one account, which forms ~50bp of AUM.**
- The company continues to maintain elevated provisions. **The total buffer stands at ~2.64% of loans.**
- In Jul'21, for the Individual Lending business, collection efficiency (CE) stood at 98.3% v/s 98.0% in Mar'21.

Healthy margins; lower liquidity on balance sheet reduces negative carry

- Overall spreads were sequentially stable at 2.3%; reported NIMs improved 20bp QoQ to 3.7%, while calculated NIMs were stable. The average daily balance in liquid funds was INR152b in 1Q v/s INR157b QoQ.
- While individual spreads were stable QoQ at 1.93%, non-individual spreads improved to 3.32% (v/s 3.22% for FY21).
- Total borrowings were largely flat at INR4.4t. The share of deposits in total borrowings inched up ~105bp QoQ to ~35.1%. Total deposits were up ~2% QoQ to INR1.54t.

Highlights from management commentary

- ECLGS of INR13.9b was disbursed up to Jun'21. Many of these loans are classified as Stage 2. It received applications worth INR2.66b (~5bp of AUM) under ECLGS 3.0.
- HDFC is optimistic about reducing credit costs in the coming years, driven by provision reversals/write-backs on customer accounts, where it has conservatively made provisions.
- All collection efforts are now online, and currently, there are restrictions on resorting to legal means through SARFAESI.

Other highlights

- The average size of individual loans disbursed in 1QFY22 stood at INR3.09m (INR2.95m in FY21). An uptick was seen in the average ticket size and was attributable to demand for higher end properties, especially in metro cities.
- In 1QFY22, ~33%/14% of home loans approved in volume/value terms was to customers from the Economically Weaker Sections (EWS) and Low Income Groups (LIG). Average home loans to the EWS/LIG segment stood at INR1.11m/INR1.93m.
- CAR remains healthy at 22.0%, with Tier I of 21.3%. RWA declined marginally to INR3.97t (v/s INR4.0t in 4QFY21) on account of a higher proportion of individual loans in the mix.

Valuation and view

1QFY22 was a decent quarter on the operational front, despite the impact on disbursements in Apr/May'21. Disbursements picked up MoM in Jun/Jul'21, far exceeding YoY levels. With declining cost of funds and a reduction in excess liquidity on the balance sheet, margins should be stable despite pressure on retail lending yield due to continued aggression from banks in the Mortgage space. Reported CE trends in Jul'21 were encouraging and better v/s Mar'21 levels. With provisions >GNPLs, we believe the company has made more-than-adequate provisions for any potential asset quality slippage in the ensuing quarters. We increase our core PBT/PAT estimate for FY22/FY23E by 7–8% to factor in higher NII and fee income. We expect HDFC to report core RoA/RoE of 2%/13% over FY22–23E. Reiterate Buy, with SOTP-based TP of INR3,290 (FY23E SOTP-based).

| Y/E March | INR b | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|----------------|
| | FY21 | | | | FY22E | | | | FY21 | FY22E | 1Q v/s Exp (%) |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | |
| Interest Income | 112 | 110 | 108 | 106 | 106 | 110 | 113 | 116 | 436 | 445 | 107 0 |
| Interest Expense | 78 | 74 | 68 | 66 | 65 | 67 | 69 | 71 | 286 | 271 | 66 -2 |
| Net Interest Income | 33 | 36 | 40 | 40 | 41 | 43 | 44 | 45 | 150 | 173 | 40 2 |
| YoY Change (%) | 9.7 | 22.1 | 24.6 | 13.7 | 23.7 | 18.6 | 10.1 | 12.2 | 17.4 | 15.8 | 20.9 |
| Assignment Income | 2 | 2 | 4 | 4 | 3 | 3 | 4 | 4 | 12 | 14 | 3 -14 |
| NII (including assignment income) | 35 | 38 | 44 | 45 | 44 | 46 | 48 | 49 | 162 | 187 | 43 1 |
| YoY Change (%) | 5.4 | 17.0 | 30.5 | 18.1 | 24.8 | 22.3 | 8.4 | 10.5 | 17.8 | 15.8 | 23.4 |
| Other Operating Income | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 3 | 3 | 1 |
| Core Income | 36 | 38 | 45 | 46 | 45 | 47 | 49 | 50 | 164 | 190 | 44 1 |
| YoY Change (%) | 4.9 | 17.1 | 29.9 | 17.3 | 24.9 | 21.7 | 8.5 | 10.4 | 17.4 | 15.6 | 23.7 |
| Operating Expenses | 4 | 4 | 5 | 5 | 6 | 5 | 4 | 5 | 18 | 19 | 5 3 |
| YoY Change (%) | 3.8 | -3.5 | 39.9 | 41.1 | 38.9 | 37.8 | -21.1 | -9.1 | 20.0 | 7.5 | 35.5 |
| Core Operating profits | 32 | 35 | 39 | 41 | 39 | 42 | 44 | 46 | 146 | 171 | 39 1 |
| YoY Change (%) | 5.0 | 19.8 | 28.6 | 14.9 | 23.1 | 20.0 | 12.5 | 12.7 | 17.0 | 16.7 | 22.2 |
| Provisions | 3 | 4 | 6 | 7 | 7 | 6 | 6 | 5 | 20 | 24 | 8 |
| Core PBT | 29 | 30 | 34 | 33 | 32 | 36 | 39 | 41 | 126 | 147 | 31 5 |
| YoY Change (%) | 6.4 | 14.9 | 20.9 | 19.0 | 12.0 | 17.5 | 16.1 | 21.5 | 15.4 | 16.9 | 7.0 |
| Profit on Sale of Inv./MTM on Inv. | 13 | 2 | 4 | 5 | 7 | 2 | 2 | 2 | 24 | 11 | 3 |
| Dividend income | 3 | 3 | 0 | 1 | 0 | 5 | 4 | 3 | 7 | 12 | 0 |
| One off expense/Prov | -9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -9 | 0 | 0 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PBT | 36 | 35 | 38 | 39 | 39 | 42 | 44 | 45 | 148 | 171 | 34 15 |
| YoY Change (%) | -9.5 | -22.0 | -59.0 | 45.7 | 8.3 | 19.7 | 18.6 | 14.9 | -27.2 | 15.4 | -6.2 |
| Provision for Tax | 6 | 7 | 8 | 7 | 9 | 8 | 8 | 9 | 28 | 34 | 7 34 |
| PAT | 31 | 29 | 29 | 32 | 30 | 34 | 36 | 36 | 120 | 137 | 27 11 |
| YoY Change (%) | -4.7 | -27.6 | -65.1 | 42.4 | -1.7 | 19.3 | 23.2 | 14.6 | -32.3 | 13.7 | -11.3 |

E: MOFSL Estimates



Highlights from management commentary

Business updates

- July disbursements are up 64% YoY / 14% MoM. This is the third highest level of disbursements in the history of HDFC. Individual disbursements in July'21 were up from February'21 levels, but below March'21 levels. July disbursements stood at INR125.18b (March at INR160b).
- The repayment rate stood at 8.0% v/s 10.3% in the previous quarter.
- HDFC has a healthy pipeline in the corporate loan book.
- Higher prepayments in the LRD segment (due to REITs) have led to decline in Non-Individual AUM. HDFC has a strong pipeline in the LRD segment going forward.
- In the total loan book, LRD and Corporate comprise 6% each.
- The management expects ~INR11b in dividend income from HDFC Bank, HDFC Life, and HDFC AMC in 2QFY22. Since dividend income is tax-exempt, this would result in decline in the tax rate in 2Q.
- Pre-COVID LTV was at 67%; during COVID, this declined to ~48%.
- 1Q disbursements stood at INR255.18b (v/s INR90.74b YoY).
- ECLGS disbursements were INR14.55b up to June'21.
- ESOP adjustments and the impact on securities premium are reflected in the networth.
- 81% of new customers are employed and 19% are self-employed. ATS is INR3.09m.
- The geographical mix of new businesses is as follows: North: 26%, South: 33%, West: 37%, and East: 4%.

- The business mix (%) is as follows: 56% from new property sales, 36% from residential sales, and 8% from self-constructions.
- The IHFL partnership is yet to take off. The documentation process is still on. The final sanctioning and credit evaluation would be entirely vested with HDFC.

Asset quality

- Total restructuring requests stood at INR7.78b (~15bp of the book). There are minimal requests in OTR2.0. Total OTR (1 + 2) restructuring stands at 9b of the book.
- Some of the OTR1.0 was not invoked.
- ECLGS requests stand at 5bp of the loan book (INR2.66b).
- HDFC witnessed certain resolutions in some defaulting accounts during the quarter. Hence, the number of Stage 2/3 accounts has reduced marginally during the quarter.
- The EAD breakup for Stage1/2/3 is as follows – 90.8%/6.6%/2.6%.
- ECL/EAD % for Stage 2/3 stood at 18%/48%.
- The management does not see much slippage from Stage 2 going forward.
- Write-offs stood at INR5.3b during the quarter, largely from the Non-Individual segment.
- 62% of the restructuring came from the Non-Individual book, largely on account of one single account.
- The total provisioning on the books stands at INR131.89b (regulatory requirement at INR57.78b); the management intends to carry this excess provision until macro situations normalize.

Liabilities and margins

- NIMs improved during the quarter on the back of lower finance costs.
- HDFC has shifted some liquid fund investments in government securities with better yields.

Others

- HDFC is optimistic about delivering growth the soft lockdowns.
- HDFC is positive about reducing credit costs in the coming years, driven by provision reversals/write-backs on customer accounts, where it has conservatively made provisions.
- All collection efforts are now online, and currently, there are restrictions on resorting to legal means through SARFAESI.

Valuation and view

- HDFC is well-placed in the current environment to capture a profitable market share. The company has access to low cost of funds, a strong ALM position, comfortable leverage, and adequate provisioning on the balance sheet, with a healthy Tier I ratio of 21.3%.
- Given the strong momentum in disbursements, **we expect HDFC to deliver 14% AUM growth over FY22–23E.**
- With declining cost of funds and a reduction in excess liquidity on the balance sheet, margins should be stable despite the pressure on retail lending yield.
- Asset quality performance has been better than initially expected. **Jul'21 CE of 98.3% in the Individual Lending book is certainly encouraging.** We believe the

company has made more-than-adequate provisions for any potential asset quality slippages in the ensuing quarters. **Its total provision buffer of INR132b is higher than its Stage 3 loans of INR130b.**

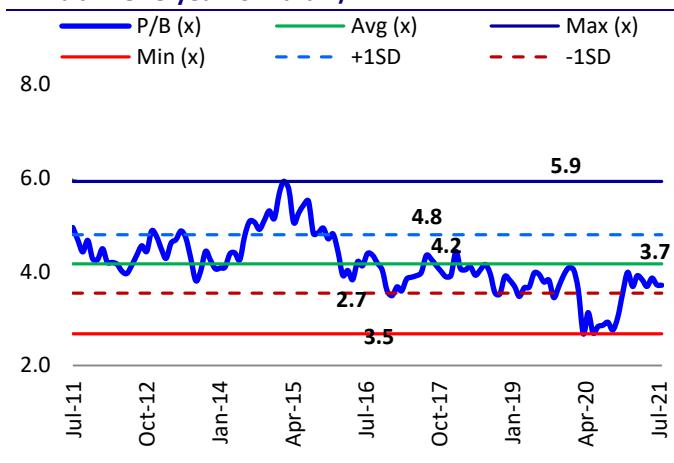
- Most of HDFC's subsidiaries are among the Top 3 players in their respective segments. Importantly, the value contribution of the subsidiaries/associates has been increasing. They now contribute ~59% to our SOTP.
- For FY22–23E, we increase our core PBT/PAT estimates by 6–7% to factor in higher NII and fee income. We expect HDFC to report core RoA/RoE of 2%/13% over FY22–23E. Reiterate **Buy**, with SOTP-based TP of INR3,290 (FY23E SOTP-based).

Exhibit 1: SOTP'23E-based

| Particular | Stake | Value (INR b) | Value (USD b) | Value/Sh. (INR) | % of total | Target Multiple (x) | Rationale |
|---------------------------------|-------|---------------|---------------|-----------------|--------------|---------------------|------------------|
| Core business | | 3,119 | 41.3 | 1,729 | 52.6 | 3.0 | PBV |
| Key Ventures | | | | | | | |
| HDFC Bank | 21.1 | 2,097 | 27.7 | 1,164 | 35.4 | 3.7 | PBV |
| HDFC Standard Life | 50.0 | 732 | 9.7 | 406 | 12.3 | 4.0 | PEV |
| HDFC AMC | 52.7 | 401 | 5.3 | 222 | 6.8 | 45.0 | PE |
| HDFC ERGO GIC | 49.9 | 129 | 1.7 | 71 | 2.2 | 7.0 | PBV |
| Bandhan Bank | 10.0 | 54 | 0.7 | 30 | 0.9 | 2.0 | PBV |
| Credila | 100.0 | 82 | 1.1 | 46 | 1.4 | | Last deal |
| Other Invt | | 17 | 0.2 | 9 | 0.3 | 1.0 | Invested Capital |
| Total Value of Ventures | | 3,512 | 46.5 | 1,949 | 59.3 | | |
| Less: 20% holding discount | | 702 | 9.3 | 390 | 11.9 | | |
| Value of Key Ventures | | 2,810 | 37.2 | 1,559 | 47.4 | | |
| SOTP | | 5,929 | 78.4 | 3,288 | 100.0 | | |
| CMP | | 4,441 | 58.7 | 2,462 | | | |
| Upside - % | | 33.5 | 33.5 | 33.6 | | | |
| SOTP W/O Holdco discount | | 6,631 | 87.7 | 3,678 | | | |
| CMP | | 4,441 | 58.7 | 2,462 | | | |
| Upside - % | | 49.3 | 49.3 | 49.4 | | | |

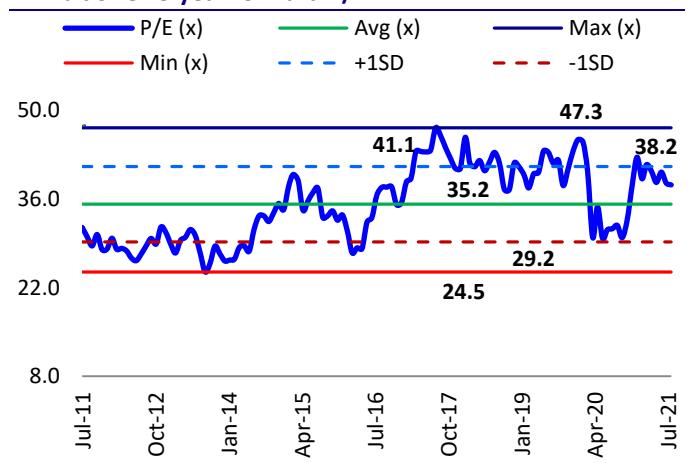
Source: MOFSL, Company

Exhibit 2: One-year forward P/B



Source: MOFSL, Company

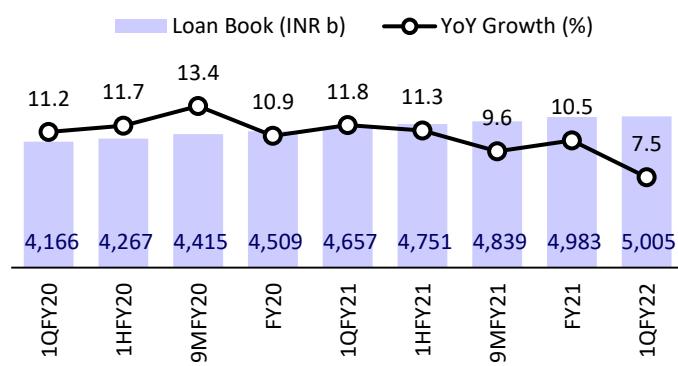
Exhibit 3: One-year forward P/E



Source: MOFSL, Company

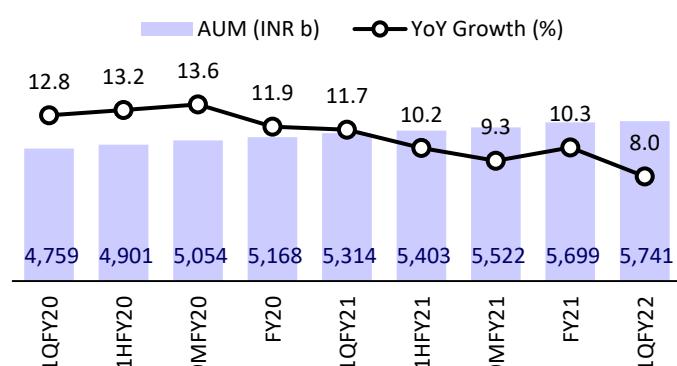
Key exhibits

Exhibit 4: Loan growth trend



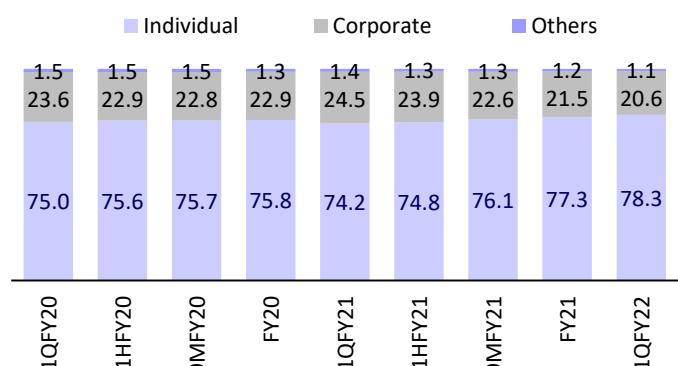
Source: MOFSL, Company

Exhibit 5: AUM growth at 8.0% YoY



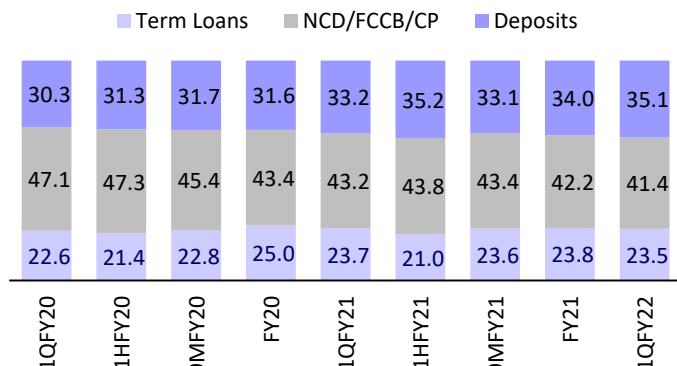
Source: MOFSL, Company

Exhibit 6: Individual loan share up ~104bp QoQ (%)



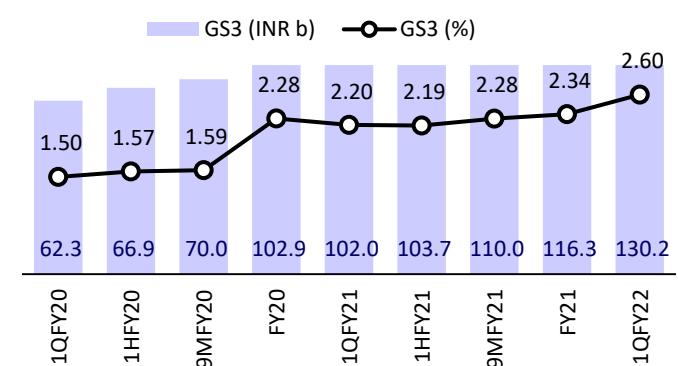
Source: MOFSL, Company, *HL :Home Loans

Exhibit 7: Share of deposits up ~ 188bp YoY (%)



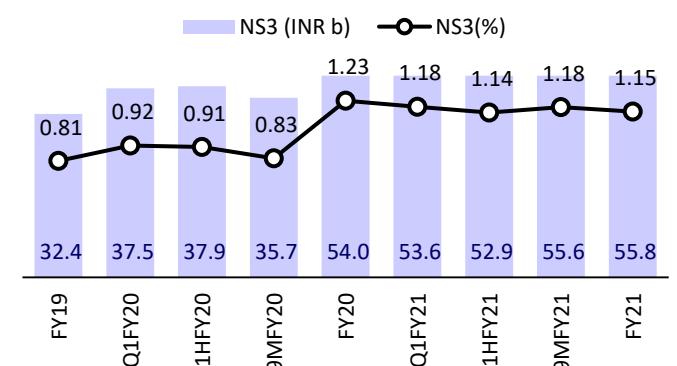
Source: MOFSL, Company

Exhibit 8: GS3 inches up 26bp QoQ (%)...



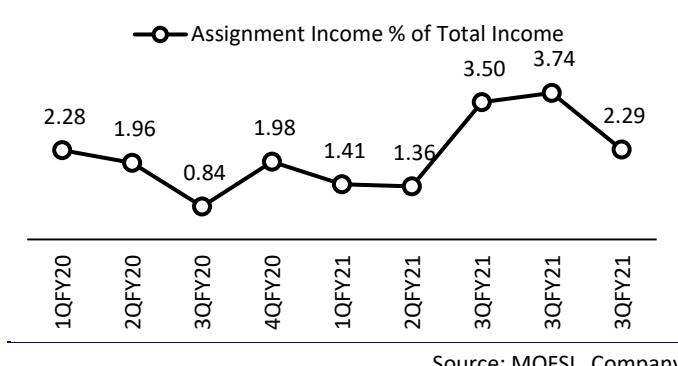
Source: MOFSL, Company

Exhibit 9: ...and NS3 by 23bp QoQ (%)



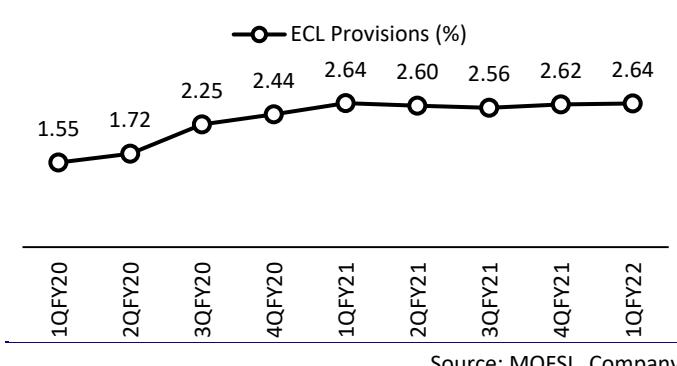
Source: MOFSL, Company

Exhibit 10: Assignment income trend (%)



Source: MOFSL, Company

Exhibit 11: Outstanding provisions at 2.6% of loans



Source: MOFSL, Company

Financials and valuation

| Income statement | | (INR b) | | | | | | | | |
|--|--|-----------|------------|------------|------------|------------|------------|------------|------------|------------|
| Y/E March | | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| Interest Income | | 281 | 309 | 331 | 393 | 437 | 436 | 445 | 523 | 611 |
| Interest Expended | | 194 | 209 | 235 | 278 | 310 | 286 | 271 | 333 | 397 |
| Net Interest Income | | 87 | 100 | 96 | 114 | 127 | 150 | 173 | 190 | 214 |
| Change (%) | | 8.8 | 14.5 | -3.2 | 18.7 | 11.4 | 17.4 | 15.8 | 9.7 | 12.8 |
| Assignment income | | 0 | 0 | 5 | 9 | 10 | 12 | 14 | 17 | 20 |
| NII (including assignment income) | | 87 | 100 | 102 | 123 | 137 | 162 | 187 | 208 | 235 |
| Change (%) | | 8.8 | 14.5 | 2.2 | 21.0 | 11.5 | 17.8 | 15.8 | 10.9 | 13.2 |
| Other core operating income | | 4 | 3 | 2 | 3 | 3 | 3 | 3 | 3 | 4 |
| Core Income | | 91 | 103 | 104 | 126 | 140 | 164 | 190 | 211 | 238 |
| Change (%) | | 9.5 | 13.5 | 0.9 | 21.4 | 11.1 | 17.4 | 15.6 | 10.9 | 13.1 |
| Operating Expenses | | 8 | 8 | 19 | 15 | 15 | 18 | 19 | 19 | 22 |
| Change (%) | | 7.4 | 10.3 | 127.6 | -22.0 | 0.8 | 20.0 | 7.5 | -0.1 | 12.4 |
| % of core income | | 8.4 | 8.1 | 18.3 | 11.8 | 10.7 | 10.9 | 10.2 | 9.2 | 9.1 |
| Core operating profits | | 83 | 95 | 85 | 111 | 125 | 146 | 171 | 192 | 217 |
| Change (%) | | 9.7 | 13.8 | -10.3 | 31.1 | 12.5 | 17.0 | 16.7 | 12.1 | 13.1 |
| Provisions/write offs | | 7 | 7 | 21 | 9 | 59 | 29 | 24 | 26 | 28 |
| Core PBT | | 76 | 88 | 64 | 102 | 66 | 117 | 147 | 166 | 188 |
| Change (%) | | 2.5 | 15.3 | -27.3 | 59.9 | -35.2 | 77.1 | 25.9 | 12.4 | 13.6 |
| Profit on sale/MTM on Inv. | | 16 | 10 | 57 | 18 | 126 | 24 | 11 | 14 | 16 |
| Dividend Income | | 8 | 9 | 11 | 11 | 11 | 7 | 12 | 14 | 17 |
| One off exp/prov | | -5 | -3 | -17 | -4 | -43 | -9 | 0 | 0 | 0 |
| Miscellaneous Income | | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PBT | | 97 | 105 | 115 | 127 | 160 | 139 | 171 | 194 | 221 |
| Tax | | 30 | 33 | 22 | 35 | 26 | 28 | 34 | 39 | 44 |
| Tax Rate (%) | | 31.2 | 31.4 | 19.3 | 27.4 | 16.1 | 20.0 | 20.0 | 20.0 | 20.0 |
| Reported PAT | | 66 | 72 | 93 | 92 | 135 | 111 | 137 | 155 | 177 |
| Change (%) | | 10.9 | 7.9 | 29.8 | -1.0 | 46.0 | -17.3 | 22.9 | 13.7 | 14.0 |
| PAT adjusted for EO* | | 66 | 74 | 68 | 87 | 96 | 107 | 128 | 144 | 164 |
| Change (%) | | 8.9 | 12.2 | -8.7 | 29.0 | 10.5 | 11.1 | 19.5 | 12.8 | 13.9 |
| Proposed Dividend | | 31 | 29 | 41 | 43 | 44 | 41 | 52 | 59 | 67 |

* (Core PBT +Dividend Income+Other income) adjusted for applicable tax

| Balance sheet | | (INR b) | | | | | | | | |
|-------------------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| Capital | | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Reserves and Surplus (Ex OCI) | | 357 | 433 | 652 | 774 | 928 | 1,096 | 1,180 | 1,277 | 1,423 |
| Net Worth (Ex OCI) | | 360 | 436 | 655 | 778 | 932 | 1,099 | 1,184 | 1,280 | 1,427 |
| Other Comprehensive Income | | 0 | -2 | -3 | -4 | -70 | -53 | -53 | -53 | -53 |
| Net Worth (Incl OCI) | | 360 | 434 | 653 | 774 | 862 | 1,046 | 1,131 | 1,227 | 1,374 |
| Borrowings | | 2,376 | 2,794 | 3,197 | 3,662 | 4,191 | 4,414 | 5,023 | 5,709 | 6,509 |
| Change (%) | | 13.9 | 17.6 | 14.4 | 14.5 | 14.4 | 5.3 | 13.8 | 13.7 | 14.0 |
| Other liabilities | | 142 | 124 | 139 | 152 | 188 | 216 | 238 | 261 | 287 |
| Total Liabilities | | 2,879 | 3,352 | 3,989 | 4,588 | 5,241 | 5,676 | 6,391 | 7,198 | 8,170 |
| Loans | | 2,592 | 2,989 | 3,628 | 4,066 | 4,509 | 4,853 | 5,519 | 6,274 | 7,152 |
| Change (%) | | 13.6 | 15.3 | 21.4 | 12.1 | 10.9 | 7.6 | 13.7 | 13.7 | 14.0 |
| Investments | | 153 | 202 | 307 | 462 | 649 | 686 | 721 | 757 | 795 |
| Change (%) | | 7.4 | 31.5 | 52.2 | 50.5 | 40.4 | 5.7 | 5.0 | 5.0 | 5.0 |
| Net Fixed Assets | | 7 | 10 | 10 | 10 | 22 | 22 | 24 | 27 | 29 |
| Other assets | | 144 | 150 | 43 | 50 | 60 | 115 | 127 | 141 | 194 |
| Total Assets | | 2,897 | 3,352 | 3,989 | 4,588 | 5,241 | 5,676 | 6,391 | 7,198 | 8,170 |

E: MOFSL Estimates

Financials and valuations

| Ratios | | | | | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| Spreads Analysis (%) | | | | | | | | | |
| Avg Yield on Hsg Loans | 11.0 | 10.5 | 9.6 | 9.7 | 9.7 | 8.7 | 8.1 | 8.4 | 8.6 |
| Avg. Yield on Funds | 11.0 | 10.5 | 9.4 | 9.5 | 9.4 | 8.5 | 7.9 | 8.2 | 8.4 |
| Avg. Cost of funds | 8.7 | 8.1 | 7.8 | 8.1 | 7.9 | 6.7 | 5.8 | 6.2 | 6.5 |
| Interest Spread on loans | 2.3 | 2.5 | 1.7 | 1.6 | 1.8 | 2.1 | 2.3 | 2.2 | 2.1 |
| Net Interest Margin | 3.4 | 3.4 | 2.7 | 2.8 | 2.7 | 2.9 | 3.1 | 3.0 | 2.9 |
| Profitability Ratios (%) | | | | | | | | | |
| RoAE | 20.9 | 18.7 | 20.2 | 13.5 | 21.7 | 12.6 | 12.6 | 13.2 | 13.6 |
| Core ROE | 20.7 | 19.7 | 12.6 | 13.0 | 13.1 | 12.7 | 12.8 | 13.0 | 13.2 |
| RoA | 2.42 | 2.37 | 1.84 | 2.03 | 1.96 | 1.96 | 2.12 | 2.12 | 2.14 |
| Core ROA | 2.02 | 2.04 | 1.61 | 1.84 | 1.80 | 1.87 | 1.97 | 1.96 | 1.96 |
| Efficiency Ratios (%) | | | | | | | | | |
| Int. Expended/Int.Earned | 69.0 | 67.7 | 70.9 | 70.9 | 70.9 | 65.7 | 61.0 | 63.6 | 64.9 |
| Op. Exps./Net Income | 6.6 | 6.8 | 11.1 | 9.6 | 5.4 | 9.2 | 9.0 | 8.1 | 8.0 |
| Empl. Cost/Op. Exps. | 46.0 | 46.5 | 72.0 | 48.2 | 39.6 | 50.8 | 48.5 | 41.2 | 40.4 |
| Asset Quality (INR m) | | | | | | | | | |
| Gross NPAs | 19 | 24 | 41 | 48 | 89 | 97.6 | 95.4 | 98.2 | 1,05,486.0 |
| Gross NPAs to Adv. (%) | 0.7 | 0.8 | 1.1 | 1.2 | 2.0 | 2.0 | 1.7 | 1.6 | 1.5 |
| Net NPAs | 13 | 16 | 29 | 34 | 66 | 68.3 | 66.8 | 68.7 | 73,840.2 |
| Net NPAs to Adv. (%) | 0.5 | 0.6 | 0.8 | 0.8 | 1.5 | 1.4 | 1.2 | 1.1 | 1.0 |
| VALUATION | | | | | | | | | |
| | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| Book Value (INR) | 227.7 | 274.7 | 391.1 | 451.7 | 537.9 | 609.3 | 656.3 | 709.7 | 783.6 |
| Price-BV (x) | | | | 5.5 | 4.6 | 4.0 | 3.8 | 3.5 | 3.1 |
| Adjusted BV* (INR) | 176.6 | 220.1 | 340.2 | 352.4 | 399.0 | 475.9 | 522.9 | 576.3 | 651.5 |
| Adj Price-ABV (x) | | | | 4.6 | 3.6 | 2.7 | 2.1 | 1.6 | 0.0 |
| Adjusted EPS (INR) # | 33.7 | 39.1 | 34.5 | 44.4 | 49.2 | 54.5 | 63.7 | 71.6 | 80.6 |
| Adjusted EPS Growth YoY | 8.2 | 15.9 | -11.7 | 28.7 | 10.8 | 10.8 | 16.9 | 12.4 | 12.6 |
| Adj Price-Adj EPS (x) | | | | 36.2 | 28.9 | 23.5 | 17.4 | 12.6 | 0.0 |
| Dividend per share (INR) | 17.0 | 18.0 | 20.0 | 21.0 | 21.0 | 23.0 | 28.8 | 32.7 | 37.0 |
| Dividend yield (%) | | | | 0.9 | 0.9 | 0.9 | 1.2 | 1.3 | 1.5 |

E: MOSL Estimates;

* BV is adj. by ded. invt in Subs/Asso. from NW

Adjusted EPS is adjusting for dividend from key ventures and one-offs

| 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 |

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