

PNB Housing Finance

Estimate change

TP change

Rating change



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| | |
|-----------------------|-------------|
| Bloomberg | PNBHOUSI IN |
| Equity Shares (m) | 168 |
| M.Cap.(INRb)/(USDb) | 121.4 / 1.6 |
| 52-Week Range (INR) | 924 / 208 |
| 1, 6, 12 Rel. Per (%) | 1/92/199 |
| 12M Avg Val (INR M) | 238 |
| Free float (%) | 67.4 |

Financials & Valuations (INR b)

| Y/E March | 2021 | 2022E | 2023E |
|-------------------|------|-------|-------|
| NII | 20.9 | 21.0 | 21.1 |
| PPP | 20.7 | 21.3 | 21.5 |
| PAT | 9.3 | 9.6 | 12.0 |
| EPS (INR) | 55.3 | 56.8 | 71.6 |
| EPS Gr. (%) | 44 | 3 | 26 |
| BV/Sh. (INR) | 530 | 577 | 636 |
| Ratios | | | |
| NIM (%) | 3.3 | 3.5 | 3.5 |
| C/I ratio (%) | 18.0 | 20.2 | 22.1 |
| RoAA (%) | 1.2 | 1.3 | 1.7 |
| RoE (%) | 11.0 | 10.3 | 11.8 |
| Valuations | | | |
| P/E (x) | 13.0 | 12.7 | 10.1 |
| P/BV (x) | 1.4 | 1.2 | 1.1 |
| Div. Yield (%) | 1.5 | 1.2 | 1.5 |

Shareholding pattern (%)

| As On | Jun-21 | Mar-21 | Jun-20 |
|----------|--------|--------|--------|
| Promoter | 32.6 | 32.6 | 32.7 |
| DII | 3.0 | 3.3 | 4.9 |
| FII | 25.9 | 24.5 | 21.9 |
| Others | 38.6 | 39.6 | 40.6 |

FII Includes depository receipts

CMP: INR720
TP: INR760 (+5%)
Neutral

Retailisation of AUM continues

- PNBHF reported a PAT of INR2.4b in 1QFY22 (v/s INR2.6b YoY). The 45% beat was driven by lower-than-estimated credit costs (~0.9% annualized) and opex (47%/9% below our estimate).
- Asset quality deteriorated with Gross Stage 3 increasing by 155bp QoQ to 6%. Few corporate accounts in Stage 2 and under the SICR pool slipped into NPAs. Total restructured pool (under both OTR 1.0 and 2.0) stood at INR17.33b (~2.9% of loan assets).
- PNBHF is working on different initiatives to optimize costs, leverage digital solutions to improve processes across underwriting, collections, and originations, and reduce the proportion of corporate loans in its AUM mix.
- The fate of the announced equity raise still remains the key monitorable in the near-term since a lot of other changes at PNBHF will be contingent upon the successful completion of this proposed capital raise.
- We have largely maintained our FY22E EPS estimate, wherein lower NII has been mitigated by a minor cut in credit costs. We maintain our Neutral rating with a TP of INR760/share (1.2x FY23E BVPS).

AUM fell 11% YoY; Incremental CoF below 6%

- Disbursements fell ~57% QoQ to INR17.6b, impacted by COVID-related lockdowns. **AUM declined by 14% YoY/4% QoQ to INR718b. The AUM decline was partially mitigated by a lower run-off of ~24% (annualized) in the loan book (against the trend rate of 33-38% in recent quarters).**
- Due to no direct assignments, no upfront assignment income was booked in 1QFY22.
- Calculated spreads declined by ~7bp QoQ to 3.05%. PNBHF is originating Home Loans at ~8.4% interest rate incrementally. Incremental CoF declined to 5.74% (down 52bp QoQ and driven by NHB and capital market borrowings).

Asset quality showed signs of COVID-19 stress; restructuring less than 3%

- Gross Stage 3/Retail GNPA deteriorated 155bp/~125bp QoQ to 6%/3.8%. Corporate GNPA rose 330bp QoQ to 15.9%.
- Deterioration in the Corporate book was largely due to slippages from Stage 2 and other SICR corporate accounts, which the company had highlighted earlier. Arena Superstructure, with an exposure of INR1.9b, was flagged off as a new NPA and is undergoing NCLT proceedings. There were no new resolutions on Corporate NPAs, and Ornate exposure of INR1.8b has now moved into the final stages of resolution.
- Total provision cover (ECL/EAD) stood at 4.5% (up ~40bp QoQ), with PCR on Stage 3 assets declining to 39.8% (down 5.5% sequentially).
- Total restructured pool (under both OTR 1.0 and 2.0) stood at INR17.33b (~2.9% of loan assets). Until 1QFY22, PNBHF has cumulatively disbursed INR3.15b under ECLGS.

Research Analyst: **Alpesh Mehta** (Alpesh.Mehta@MotilalOswal.com) | **Abhijit Tibrewal** (Abhijit.Tibrewal@motilaloswal.com)

Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Divya Maheshwari** (Divya.Maheshwari@motilaloswal.com)

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

Highlights from the management commentary

- Deterioration in Retail GNPA was primarily emanating from the self-employed moratorium book.
- Three Corporate NPAs (Supertech, Radius, and Arena Superstructure) have a PCR of 70%. PNBHF targets to reduce the proportion of the Corporate book to single digits (from 15% in 1QFY22).
- It expects 40-50% growth in disbursements in FY22 over FY21.
- Digital sourcing increased to ~46% in 1QFY22 from ~31% in 4QFY21.
- It already has a co-lending arrangement with Yes Bank and is in discussions with other Banks. Fee income and cross-sell income will improve, along with an expanding customer base. The co-lending arrangements will help in onboarding prime customers and retaining them.

Valuation and view

Over the past year, PNBHF has changed its business model (targeting the 'affordable' Unnati segment) in favor of Retail. It has focused on running down its Corporate loan book (through pre-payments or down selling) to address the issue of higher leverage/gearing. Average gearing levels have fallen to 6.4x (from 8.2x in 1QFY21), and its capital position is comfortable with a CRAR of 21.4% (Tier I: 18.4%).

While FY20-22E will always be looked upon as years of consolidation for PNBHF, we expect the company to start growing its loan book by 5-10% YoY from FY23E onwards. While it could claim to have front-loaded most of the provisions due to any contingencies that could arise from COVID-19, we expect that its credit cost will continue to remain elevated at ~1.5% in FY22E as well. We have not factored in an equity capital raise in our estimates as yet and would do so once there is more clarity on the issue post the SAT judgment. In the near-term, we expect PNBHF to deliver 10-12% RoE in FY22E/FY23E. However, asset quality risks from any newer COVID-19 waves persist. We maintain our Neutral rating, with a TP of INR760/share (1.2x FY23E BVPS).

Quarterly performance

(INR M)

| | FY21 | | | | FY22 | | | | FY21 | FY22E | 1QFY22E | v/s Est. |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|-----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | | |
| Interest Income | 18,015 | 19,603 | 17,579 | 16,701 | 16,114 | 16,275 | 16,519 | 16,338 | 71,898 | 65,247 | 16,367 | -2 |
| Interest Expenses | 13,635 | 13,397 | 12,462 | 11,504 | 11,029 | 11,139 | 11,278 | 10,800 | 50,998 | 44,246 | 11,158 | -1 |
| Net Interest Income | 4,380 | 6,206 | 5,116 | 5,198 | 5,085 | 5,136 | 5,241 | 5,538 | 20,901 | 21,001 | 5,209 | -2 |
| YoY Growth (%) | -6.2 | 25.5 | 19.2 | 23.0 | 16.1 | -17.2 | 2.4 | 6.6 | 15.3 | 0.5 | 18.9 | |
| Other income | 708 | 612 | 1,385 | 1,638 | 815 | 1,450 | 1,500 | 1,848 | 4,343 | 5,613 | 1,250 | -35 |
| Total Income | 5,088 | 6,818 | 6,501 | 6,835 | 5,900 | 6,586 | 6,741 | 7,386 | 25,243 | 26,613 | 6,459 | -9 |
| YoY Growth (%) | -29.3 | -3.8 | 5.9 | 19.5 | 16.0 | -3.4 | 3.7 | 8.1 | -3.5 | 5.4 | 26.9 | |
| Operating Expenses | 1,042 | 1,067 | 996 | 1,448 | 1,152 | 1,334 | 1,395 | 1,482 | 4,554 | 5,363 | 1,272 | -9 |
| YoY Growth (%) | -26.4 | -18.9 | -26.0 | 0.4 | 10.6 | 25.0 | 40.0 | 2.3 | -17.5 | 17.8 | 22.0 | |
| Operating Profits | 4,046 | 5,751 | 5,505 | 5,387 | 4,748 | 5,252 | 5,346 | 5,904 | 20,689 | 21,250 | 5,187 | -8 |
| YoY Growth (%) | -30.0 | -0.4 | 14.9 | 26.0 | 17.3 | -8.7 | -2.9 | 9.6 | 0.3 | 2.7 | 28.2 | |
| Provisions | 751 | 1,796 | 2,567 | 3,506 | 1,595 | 2,500 | 2,000 | 2,910 | 8,619 | 9,005 | 3,000 | -47 |
| Profit before Tax | 3,295 | 3,956 | 2,938 | 1,881 | 3,153 | 2,752 | 3,346 | 2,995 | 12,070 | 12,245 | 2,187 | 44 |
| Tax Provisions | 723 | 823 | 614 | 611 | 720 | 605 | 736 | 633 | 2,771 | 2,694 | 481 | 50 |
| Profit after tax | 2,572 | 3,133 | 2,324 | 1,270 | 2,433 | 2,147 | 2,610 | 2,362 | 9,299 | 9,551 | 1,706 | 43 |
| YoY Growth (%) | -9.6 | -14.6 | -2.0 | -152.5 | -5.4 | -31.5 | 12.3 | 85.9 | 43.9 | 2.7 | -33.7 | |
| Key Operating Parameters (%) | | | | | | | | | | | | |
| Rep. Yield on loans | 10.32 | 11.30 | 10.62 | 10.39 | 10.31 | | | | | | | |
| Rep. Cost of funds | 8.13 | 8.01 | 7.72 | 7.60 | 7.49 | | | | | | | |
| Spreads | 2.19 | 3.29 | 2.90 | 2.79 | 2.82 | | | | | | | |
| Net Interest Margins | 2.66 | 3.52 | 3.18 | 3.29 | 3.19 | | | | | | | |
| Cost to Income Ratio | 20.5 | 15.7 | 15.3 | 21.2 | 19.5 | | | | | | | |
| Credit Cost | 0.44 | 1.06 | 1.56 | 2.21 | 1.04 | | | | | | | |
| Tax Rate | 21.9 | 20.8 | 20.9 | 32.5 | 22.8 | | | | | | | |
| Balance Sheet Parameters | | | | | | | | | | | | |
| Loans (INR B) | 680 | 670 | 646 | 623 | 604 | | | | | | | |
| Change YoY (%) | -10.4 | -10.0 | -6.6 | -7.9 | -11.1 | | | | | | | |
| AUM (INR B) | 835 | 812 | 777 | 745 | 718 | | | | | | | |
| Change YoY (%) | -5.5 | -9.2 | -10.0 | -10.7 | -14.0 | | | | | | | |
| Borrowings (Ex Assgn., INR B) | 673 | 662 | 641 | 599 | 583 | | | | | | | |
| Change YoY (%) | -6.8 | -7.3 | -9.1 | -12.1 | -13.3 | | | | | | | |
| Loans /Borrowings (%) | 101.1 | 101.1 | 100.7 | 103.9 | 103.6 | | | | | | | |
| Off BS loans/AUM (%) | 18.5 | 17.6 | 16.9 | 16.4 | 15.9 | | | | | | | |
| Debt/Equity (x) | 8.2 | 7.8 | 7.9 | 6.7 | 6.8 | | | | | | | |
| Asset Quality Parameters (%) | | | | | | | | | | | | |
| GS 3 (INR Mn) | 18,770 | 17,340 | 17,050 | 27,641 | 36,263 | | | | | | | |
| Gross Stage 3 (% on loans) | 2.76 | 2.59 | 2.64 | 4.44 | 6.00 | | | | | | | |
| NS 3 (INR Mn) | 11,358 | 9,775 | 9,106 | 15,128 | 21,818 | | | | | | | |
| Net Stage 3 (% on loans) | 1.67 | 1.46 | 1.41 | 2.43 | 3.61 | | | | | | | |
| PCR (%) | 39.5 | 43.6 | 46.6 | 45.3 | 39.8 | | | | | | | |

E: MOFSL Estimates



Highlights from management commentary

Update on the planned equity capital raise

- The matter is sub-judice and the company is awaiting the final order from SAT.

Asset quality

- GNPA/NNPA stood at 6%/3.6% (on loan assets). Loan book declined by 11% YoY. GNPA looks elevated because of a lower loan book.
- **Retail GNPA stood at 3.8% (v/s 2.5% in Mar'21) primarily emanating from the self-employed moratorium book.** PNBHF has the highest self-employed footprint among all HFCs.

Collection efficiency

- Collection efficiency (CE) stood at 95.4% in 1QFY22. CE was the lowest in May'21 and stood at 98% in Jul'21.

Restructuring and ECLGS

- Restructured book stood at INR17.33b (2.9% of loan assets) under RBI OTR 1.0 and 2.0.
- ECLGS disbursements stood at INR3.15b until 1QFY22. There has been no restructuring during 2QFY22 till date.

Corporate book

- The Corporate book has declined by ~39% from Mar'19 levels. Corporate GNPA stood at 15.94% (v/s 12.7% in 4QFY21). Stage 2 and SICR accounts have flown into Stage 3, which led to deterioration in GNPA. It is working hard towards resolution of Corporate accounts.
- Three Corporate NPAs (Supertech, Radius, and Arena Superstructure) have a PCR of 70%.
- ECL provisions stood ~15.6% in the Corporate book and ~55% PCR on S3 Corporate loans.
- Accelerated repayments of INR4.8b in the Corporate book during 1QFY22.
- PNBHF targets to reduce the proportion of the Corporate book to single digits (from 15% in 1QFY22).

Discussion with credit rating agencies

- PNBHF is engaging with credit rating agencies. The conversation has moved from capital raise to a reduction in gearing and the proportion of the Corporate book.
- The first endeavor will be to get the outlook changed from negative to stable/positive. It would then engage with these agencies for a rating upgrade.

Disbursements

- It disbursed loans worth INR17.6b, with 94% disbursements in the Retail segment.
- Unnati contributed ~9% to Retail disbursements in 1QFY22. Unnati's loan book stood at INR29.86b.
- **It expects 40-50% growth in disbursements in FY22 over FY21.**

Yields and cost of borrowings

- Incremental CoB declined to 5.74% (down 52bp QoQ and driven by NHB borrowings). Liquidity stood at INR70.85b in Jun'21.
- PNBHF renegotiated the rate of interest with all lenders, including Banks. It renegotiated the spreads over MCLR for bank term loans.
- On new acquisitions, it has reduced the prime lending rate by four times in the last one year. The board has driven the re-pricing policy on interest rates.
- Incremental yields on Retail/Housing loans stood at 8.73%/8.41%.
- Portfolio yields: Retail yields stood at 9.58%. Within Retail, Housing loan yields stood at 9.19%.
- It re-priced Corporate loans by 1-1.25% in 1QFY21. This has also helped PNBHF maintain stable yields.

Guidance on aspirational long-term RoA/RoE

- PNBHF's objective in the medium term is to deliver a RoE of 15%. With a 1.6-1.7% RoA and gearing at 7-8x it is looking at other opportunities to enhance fee income by also pursuing other co-lending opportunities.

Project Ignite and other initiatives (including digital)

- Digital sourcing increased to ~46% in 1QFY22 from ~31% in 4QFY21. At some branches, 100% of their loan originations are through the digital mode.
- Implementation of the second phase of long-term project Ignite will start soon. The management identified a number of initiatives across businesses, collections, underwriting, and processes.
- It is automating the credit decision-making process for salaried customers, which will go live in Sep'21.
- It has brought in an experienced transformation leader, who has a proven ability for transformational projects.

Digital footprint

- A digital footprint will be implemented across the lifecycle of lending operations. Digital sourcing is gaining momentum, but the management said it was difficult to guide on targeted opex reduction from digital processes.
- Digital should help PNBHF increase volumes significantly. It expects to have a very controlled and calibrated reduction in the C/I ratio.

Others

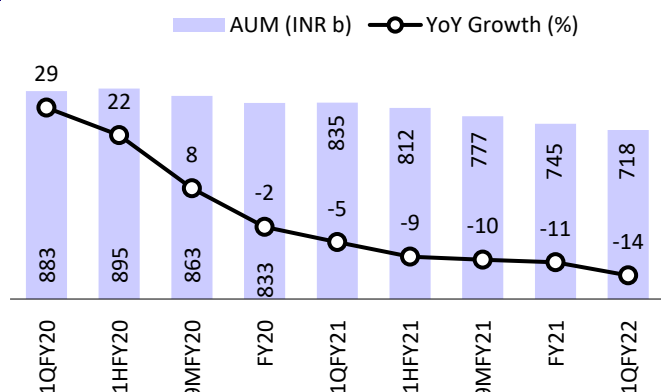
- CRAR improved to 21.4%.
- The company has identified new areas of operations, other than the existing locations in North India.
- An Executive Director has resigned in Apr'21 and subsequently the Chief People Officer and HR Head also resigned. The company is in the process of hiring a new HR Head. The senior management team is largely in place. It will continue to look for gaps, and when needed, it will strengthen it.
- **Processes are robust:** Whenever the management realizes there are issues, cropping up on the portfolio side, it has tried to fix it. Whenever it finds stress building up, it tries to improve it. Massive interventions are being done. A rule based engine is being brought in, and PNBHF is building a strong and powerful

advanced analytics team, which will strengthen the arm of the CRO. The IT/technology framework now forms a strong bedrock of the growth engine. All these things should enable significant amount of cost savings, recalibrate processes, and become more efficient.

- It already has a co-lending arrangement with Yes Bank and is in discussions with other Banks. Fee income and cross-sell income will improve, along with an expanding customer base. The co-lending arrangements will help in onboarding prime customers and retaining them.

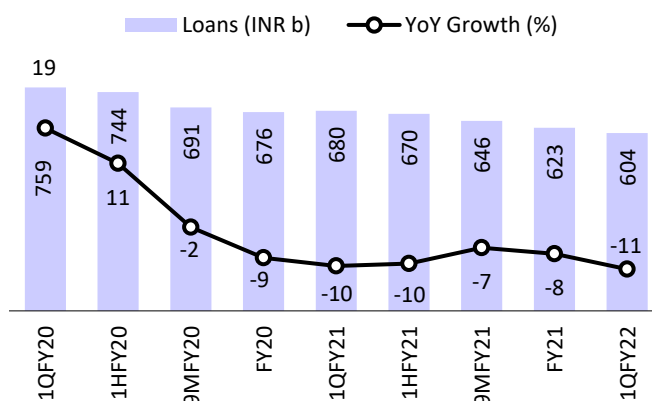
Key exhibits

Exhibit 1: Sequential AUM decline continues



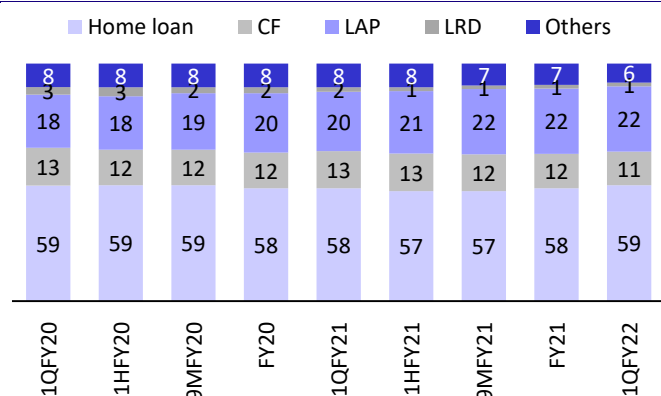
Source: MOFSL, Company

Exhibit 2: Loan book down 11% YoY



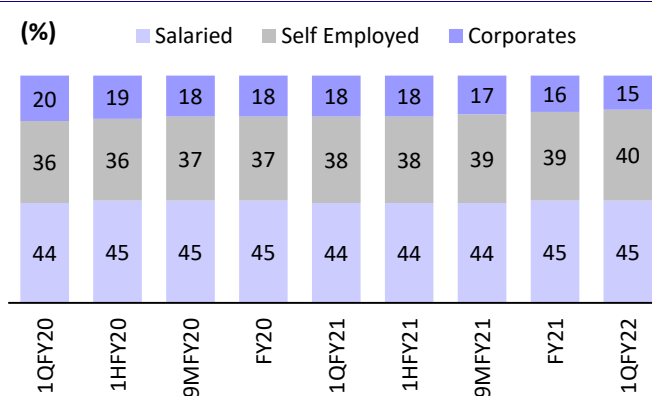
Source: MOFSL, Company

Exhibit 3: Loan mix steadily changing in favor of Retail (%)



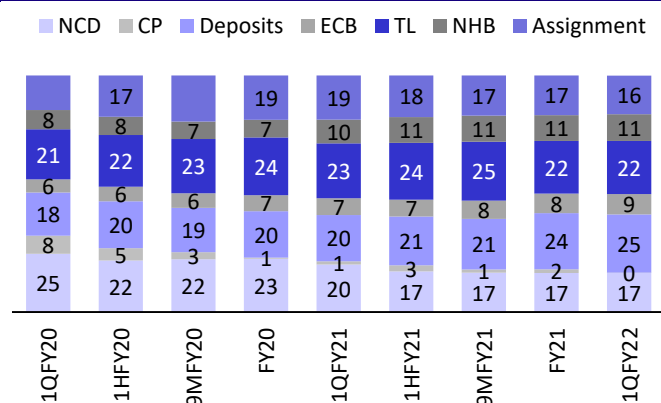
Source: MOFSL, Company

Exhibit 4: Share of self-employed customers up 100bp QoQ



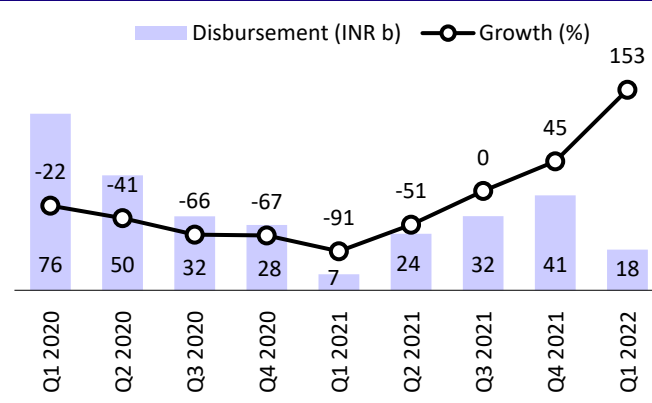
Source: MOFSL, Company, Corporates include LRD, CF, Corp. TL

Exhibit 5: Borrowings mix (%)

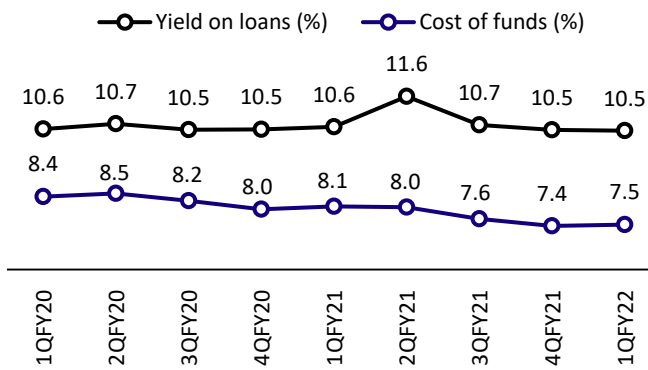


Source: MOFSL, Company

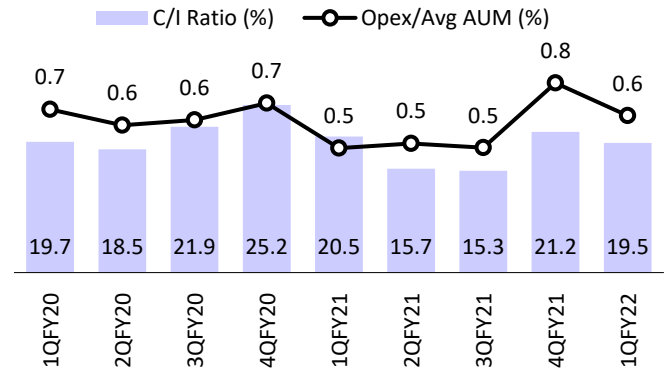
Exhibit 6: Disbursements muted due to the lockdowns



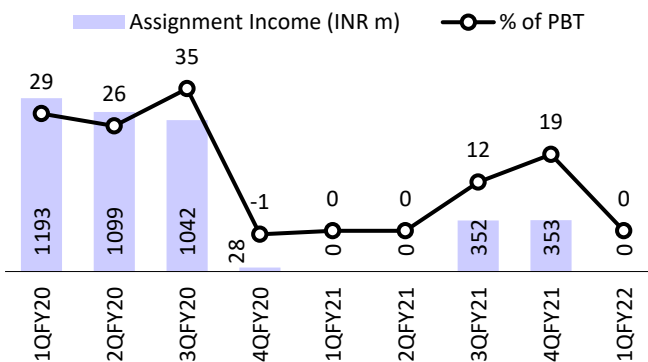
Source: MOFSL, Company

Exhibit 7: Spreads decline by ~7bp QoQ

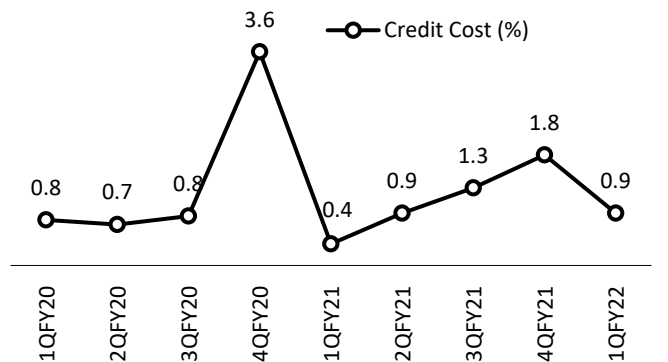
Source: MOFSL, Company, Calculated

Exhibit 8: C/I ratio fell 165bp QoQ (%)

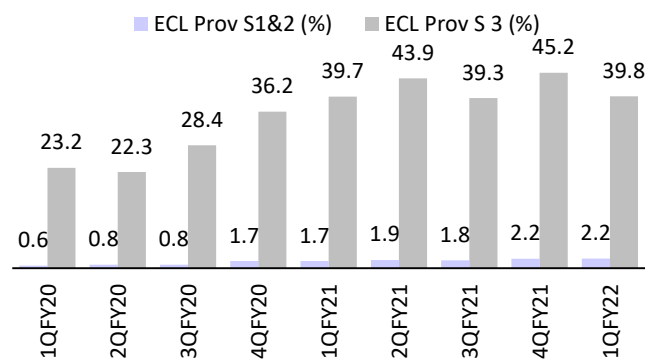
Source: MOFSL, Company, Calculated

Exhibit 9: No sell-down during 1QFY22

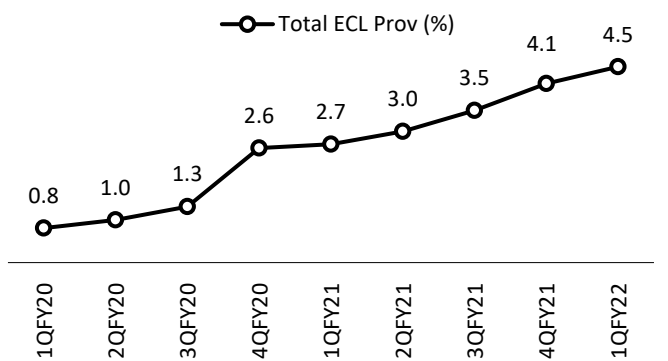
Source: MOFSL, Company

Exhibit 10: Trend in credit cost

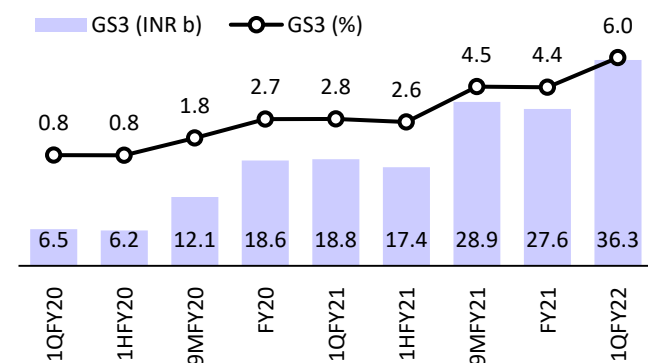
Source: MOFSL, Company

Exhibit 11: Stage 3 PCR declines...

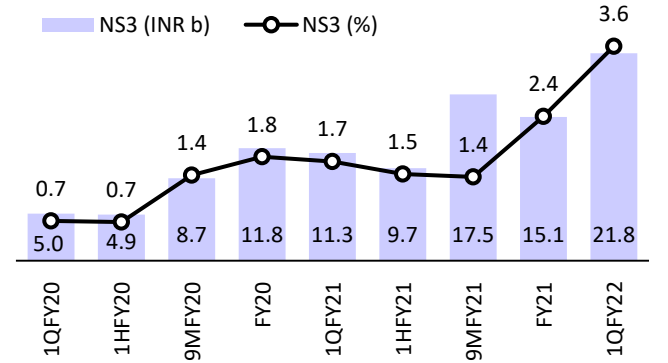
Source: MOFSL, Company

Exhibit 12: ...while ECL/EAD currently at 4.5% of loans

Source: MOFSL, Company

Exhibit 13: Asset quality continues to deteriorate...

Source: MOFSL, Company

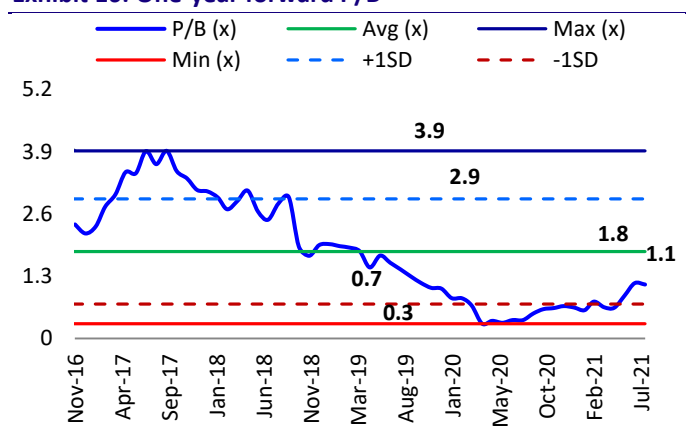
Exhibit 14: ...while Net Stage 3 stood at 3.6% of loans

Source: MOFSL, Company

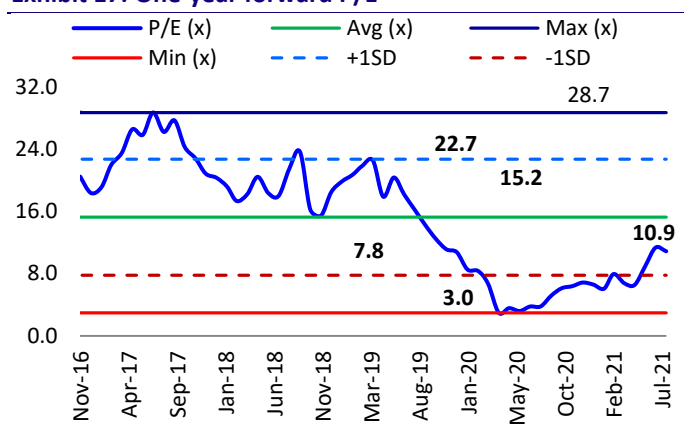
Exhibit 15: Our FY22E EPS estimate is largely unchanged, factor in a 3-4% cut in our FY23E/FY24E EPS estimate

| INR b | Old estimate | | | New estimate | | | Change (%) | | |
|-------------------------|--------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E |
| NII | 21.4 | 21.8 | 23.1 | 21.0 | 21.1 | 22.4 | -1.7 | -3.5 | -3.0 |
| Other Income | 5.8 | 6.7 | 7.8 | 5.6 | 6.5 | 7.8 | -2.7 | -2.1 | 0.2 |
| Total Income | 27.1 | 28.5 | 30.8 | 26.6 | 27.6 | 30.1 | -1.9 | -3.2 | -2.2 |
| Operating Expenses | 5.4 | 6.1 | 6.8 | 5.4 | 6.1 | 6.8 | 0.0 | 0.0 | 0.0 |
| Operating Profit | 21.8 | 22.4 | 24.0 | 21.3 | 21.5 | 23.3 | -2.4 | -4.0 | -2.9 |
| Provisions | 9.8 | 6.3 | 4.0 | 9.0 | 6.1 | 3.9 | -8.1 | -4.1 | -3.6 |
| PBT | 12.0 | 16.1 | 20.0 | 12.2 | 15.4 | 19.5 | 2.3 | -4.0 | -2.7 |
| Tax | 2.6 | 3.5 | 4.4 | 2.7 | 3.4 | 4.3 | 2.3 | -4.0 | -2.7 |
| PAT | 9.3 | 12.5 | 15.6 | 9.6 | 12.0 | 15.2 | 2.3 | -4.0 | -2.7 |
| Loan book | 618 | 643 | 701 | 594 | 616 | 680 | -3.9 | -4.2 | -3.0 |
| NIM (%) | 3.5 | 3.5 | 3.4 | 3.5 | 3.5 | 3.5 | | | |
| Spreads (%) | 2.7 | 2.6 | 2.5 | 2.7 | 2.6 | 2.5 | | | |
| RoAA (%) | 1.3 | 1.7 | 2.0 | 1.3 | 1.7 | 2.0 | | | |
| RoAE (%) | 10.0 | 12.3 | 13.7 | 10.3 | 11.8 | 13.4 | | | |

Source: MOFSL estimates

Exhibit 16: One-year forward P/B

Source: MOFSL, Company

Exhibit 17: One-year forward P/E

Source: MOFSL, Company

Financials and valuations

| Income statement | | | | | | | | (INR m) | | |
|----------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| Interest Income | 16,708 | 25,461 | 36,401 | 50,467 | 67,929 | 76,882 | 71,898 | 65,247 | 66,715 | 73,161 |
| Interest Expended | 12,648 | 18,603 | 26,437 | 35,366 | 51,664 | 58,750 | 50,998 | 44,246 | 45,650 | 50,792 |
| Net Interest Income | 4,060 | 6,858 | 9,964 | 15,101 | 16,265 | 18,133 | 20,901 | 21,001 | 21,065 | 22,369 |
| Change (%) | 59.6 | 68.9 | 45.3 | 51.6 | 7.7 | 11.5 | 15.3 | 0.5 | 0.3 | 6.2 |
| Other Operating Income | 1,095 | 1,534 | 2,678 | 4,426 | 8,904 | 8,013 | 4,343 | 5,613 | 6,531 | 7,765 |
| Net Income | 5,155 | 8,393 | 12,642 | 19,528 | 25,169 | 26,146 | 25,243 | 26,613 | 27,597 | 30,134 |
| Change (%) | 61.8 | 62.8 | 50.6 | 54.5 | 28.9 | 3.9 | -3.5 | 5.4 | 3.7 | 9.2 |
| Operating Expenses | 1,830 | 2,521 | 3,573 | 4,416 | 5,935 | 5,522 | 4,554 | 5,363 | 6,105 | 6,792 |
| Operating Income | 3,326 | 5,872 | 9,069 | 15,112 | 19,234 | 20,624 | 20,689 | 21,250 | 21,491 | 23,341 |
| Change (%) | 58.8 | 76.6 | 54.5 | 66.6 | 27.3 | 7.2 | 0.3 | 2.7 | 1.1 | 8.6 |
| Provisions/write-offs | 381 | 832 | 1,029 | 2,766 | 1,890 | 12,514 | 8,619 | 9,005 | 6,051 | 3,888 |
| Reported PBT | 2,945 | 5,040 | 8,040 | 12,346 | 17,344 | 8,110 | 12,070 | 12,245 | 15,440 | 19,453 |
| Tax | 1,004 | 1,766 | 2,803 | 3,934 | 5,429 | 1,648 | 2,771 | 2,694 | 3,397 | 4,280 |
| Tax Rate (%) | 34.1 | 35.0 | 34.9 | 31.9 | 31.3 | 20.3 | 23.0 | 22.0 | 22 | 22 |
| Reported PAT | 1,941 | 3,273 | 5,237 | 8,412 | 11,915 | 6,462 | 9,299 | 9,551 | 12,043 | 15,173 |
| Change (%) | 49.6 | 68.7 | 60.0 | 60.6 | 41.7 | -45.8 | 43.9 | 2.7 | 26.1 | 26.0 |
| Proposed Dividend | 290 | 486 | 1,196 | 1,799 | 1,809 | 1,816 | 2,232 | 1,719 | 2,168 | 2,731 |

| Balance Sheet | | | | | | | | (INR m) | | |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| Capital | 1,038 | 1,269 | 1,656 | 1,666 | 1,675 | 1,682 | 1,683 | 1,683 | 1,683 | 1,683 |
| Reserves and Surplus | 14,749 | 20,190 | 56,340 | 64,008 | 73,764 | 78,296 | 87,548 | 95,380 | 1,05,255 | 1,17,697 |
| Net Worth | 15,787 | 21,459 | 57,996 | 65,673 | 75,439 | 79,978 | 89,230 | 97,062 | 1,06,938 | 1,19,380 |
| Borrowings | 1,64,808 | 2,60,137 | 3,53,207 | 5,37,767 | 7,18,589 | 6,77,351 | 5,93,924 | 5,70,443 | 5,85,253 | 6,46,080 |
| Change (%) | 63.1 | 57.8 | 35.8 | 52.3 | 33.6 | -5.7 | -12.3 | -4.0 | 2.6 | 10.4 |
| Other liabilities | 9,695 | 14,809 | 14,974 | 26,704 | 44,662 | 31,969 | 30,767 | 33,844 | 37,228 | 40,951 |
| Total Liabilities | 1,90,290 | 2,96,405 | 4,26,177 | 6,30,145 | 8,38,690 | 7,89,297 | 7,13,922 | 7,01,350 | 7,29,419 | 8,06,411 |
| Loans | 1,68,006 | 2,71,813 | 3,87,347 | 5,71,648 | 7,42,879 | 6,66,280 | 6,06,447 | 5,94,212 | 6,16,056 | 6,80,084 |
| Change (%) | 59.0 | 61.8 | 42.5 | 47.6 | 30.0 | -10.3 | -9.0 | -2.0 | 3.7 | 10.4 |
| Investments | 15,860 | 16,223 | 33,236 | 24,130 | 45,607 | 20,757 | 20,448 | 22,493 | 24,742 | 27,217 |
| Change (%) | 145.7 | 2.3 | 104.9 | -27.4 | 89.0 | -54.5 | -1.5 | 10.0 | 10.0 | 10.0 |
| Net Fixed Assets | 577 | 622 | 604 | 858 | 1,083 | 1,353 | 1,837 | 1,928 | 2,025 | 2,126 |
| Other assets | 5,847 | 7,747 | 4,990 | 33,509 | 49,122 | 1,00,906 | 85,190 | 82,717 | 86,596 | 96,984 |
| Total Assets | 1,90,290 | 2,96,405 | 4,26,177 | 6,30,145 | 8,38,690 | 7,89,297 | 7,13,922 | 7,01,350 | 7,29,419 | 8,06,411 |

E: MOFSL estimates

Financials and valuations

| Ratios | (%) | | | | | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|--------|-------------|-------------|-------------|------------|
| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| Spreads Analysis (%) | | | | | | | | | | |
| Avg. yield on loans | 11.7 | 11.2 | 10.6 | 10.2 | 10.1 | 10.6 | 10.9 | 10.3 | 10.5 | 10.8 |
| Avg. cost of funds | 9.5 | 8.8 | 8.6 | 7.9 | 8.2 | 8.4 | 8.0 | 7.6 | 7.9 | 8.3 |
| Interest Spread | 2.2 | 2.4 | 2.0 | 2.3 | 1.9 | 2.1 | 2.9 | 2.7 | 2.7 | 2.6 |
| NIM on loans | 3.0 | 3.1 | 3.0 | 3.1 | 2.5 | 2.6 | 3.3 | 3.5 | 3.5 | 3.5 |
| Profitability Ratios (%) | | | | | | | | | | |
| RoE | 15.4 | 17.6 | 13.2 | 13.6 | 16.9 | 8.3 | 11.0 | 10.3 | 11.8 | 13.4 |
| RoA | 1.27 | 1.3 | 1.4 | 1.6 | 1.6 | 0.8 | 1.2 | 1.3 | 1.7 | 2.0 |
| Int. Expended/Int. Earned | 75.7 | 73.1 | 72.6 | 70.1 | 76.1 | 76.4 | 70.9 | 67.8 | 68.4 | 69.4 |
| Other Inc./Net Income | 21.2 | 18.3 | 21.2 | 22.7 | 35.4 | 30.6 | 17.2 | 21.1 | 23.7 | 25.8 |
| Efficiency Ratios (%) | | | | | | | | | | |
| Op. Exps./Net Income | 35.5 | 30.0 | 28.3 | 22.6 | 23.6 | 21.1 | 18.0 | 20.2 | 22.1 | 22.5 |
| Empl. Cost/Op. Exps. | 36.6 | 29.9 | 28.3 | 32.6 | 51.2 | 42.2 | 46.4 | 45.3 | 45.8 | 46.1 |
| Asset Quality (INR m) | | | | | | | | | | |
| Gross NPA | 341 | 598 | 858 | 1,861 | 3,549 | 18,562 | 27,620 | 30,652 | 32,435 | 34,283 |
| GNPA ratio | 0.2 | 0.2 | 0.2 | 0.3 | 0.5 | 2.8 | 4.5 | 5.0 | 5.1 | 4.9 |
| Net NPA | 114 | 381 | 590 | 1,438 | 2,784 | 11,838 | 15,130 | 15,326 | 14,596 | 15,427 |
| NNPA ratio | 0.1 | 0.1 | 0.2 | 0.3 | 0.4 | 1.8 | 2.5 | 2.6 | 2.4 | 2.3 |
| Valuation | | | | | | | | | | |
| Book Value (INR) | 152.0 | 169.1 | 350.1 | 394.2 | 450.5 | 475.5 | 530.3 | 576.8 | 635.5 | 709.5 |
| BVPS Growth YoY | 6.9 | 11.2 | 107.1 | 12.6 | 14.3 | 5.6 | 11.5 | 8.8 | 10.2 | 11.6 |
| Price-to-BV (x) | | | | | | | 1.4 | 1.2 | 1.1 | 1.0 |
| EPS (INR) | 18.7 | 25.8 | 31.6 | 50.5 | 71.1 | 38.4 | 55.3 | 56.8 | 71.6 | 90.2 |
| EPS Growth YoY | -5.3 | 38.0 | 22.6 | 59.7 | 40.9 | -46.0 | 43.8 | 2.7 | 26.1 | 26.0 |
| Price-to-Earnings (x) | | | | | | | 13.0 | 12.7 | 10.1 | 8.0 |
| Dividend per share (INR) | 3.0 | 3.4 | 6.0 | 9.0 | 9.0 | 9.0 | 11.1 | 8.5 | 10.7 | 13.5 |
| Dividend yield (%) | | | | | | | 1.5 | 1.2 | 1.5 | 1.9 |

E: MOFSL estimates

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 |

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