

PNB Housing Finance

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	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-team 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)

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, 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

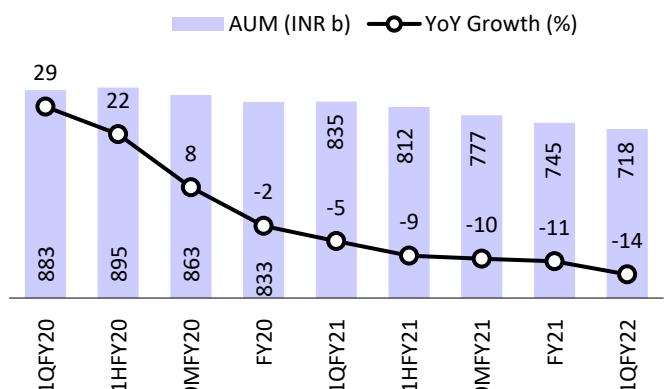
- CRAR improved to 21.4%.
- The company has identified new areas of operations, other than the existing locations in North India.
- An Executive Director has resigned in Apr'21 and subsequently the Chief People Officer and HR Head also resigned. The company is in the process of hiring a new HR Head. 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.

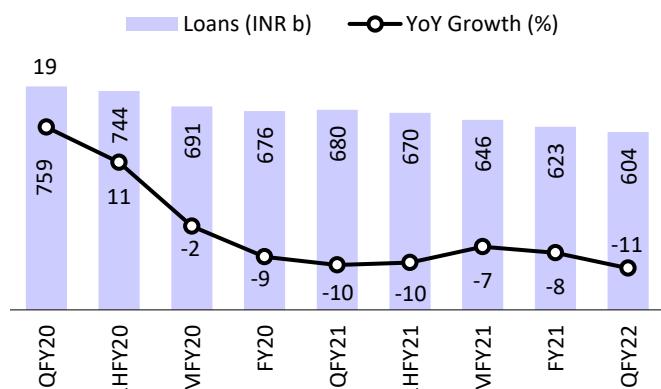
Key exhibits

Exhibit 1: Sequential AUM decline continues



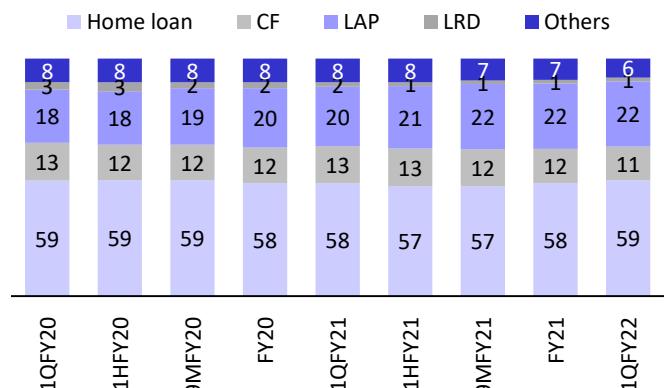
Source: MOFSL, Company

Exhibit 2: Loan book down 11% YoY



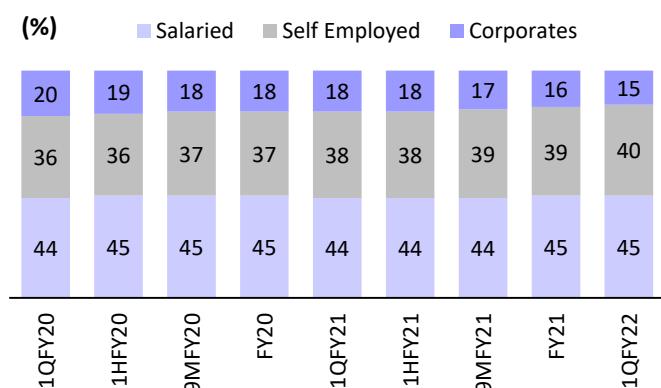
Source: MOFSL, Company

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



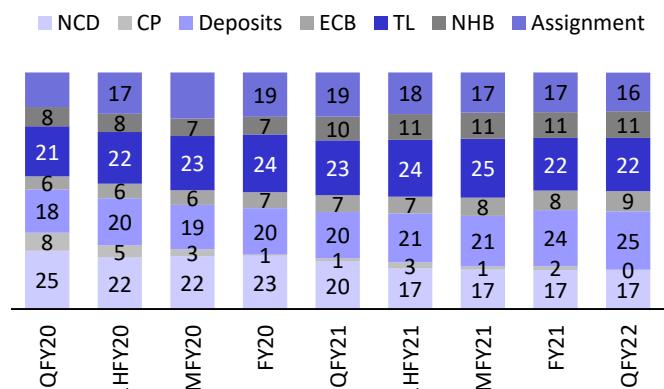
Source: MOFSL, Company

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



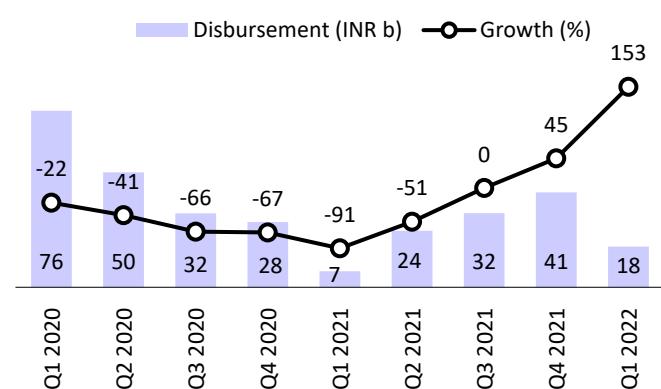
Source: MOFSL, Company, Corporates include LRD, CF, Corp. TL

Exhibit 5: Borrowings mix (%)

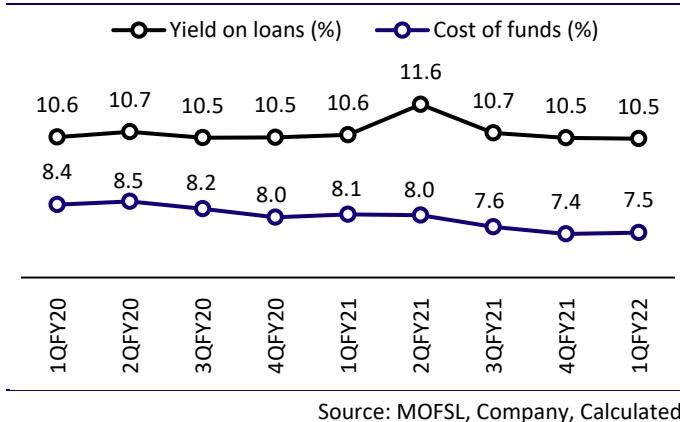


Source: MOFSL, Company

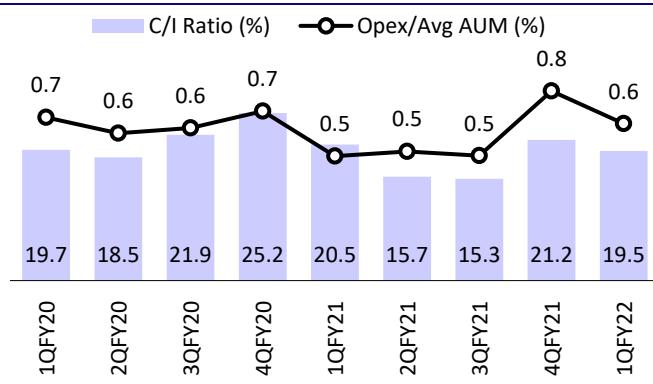
Exhibit 6: Disbursements muted due to the lockdowns



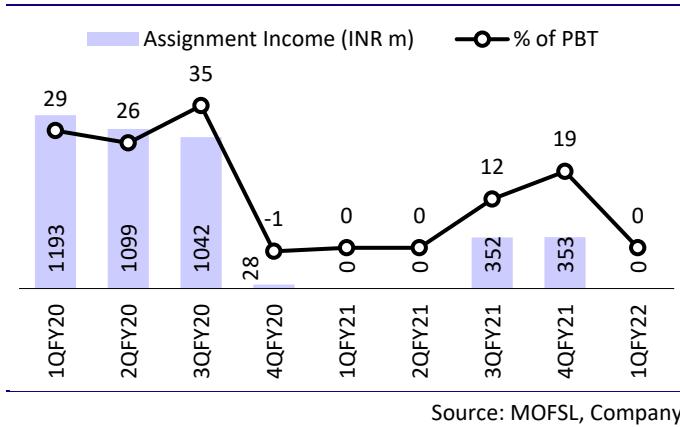
Source: MOFSL, Company

Exhibit 7: Spreads decline by ~7bp QoQ

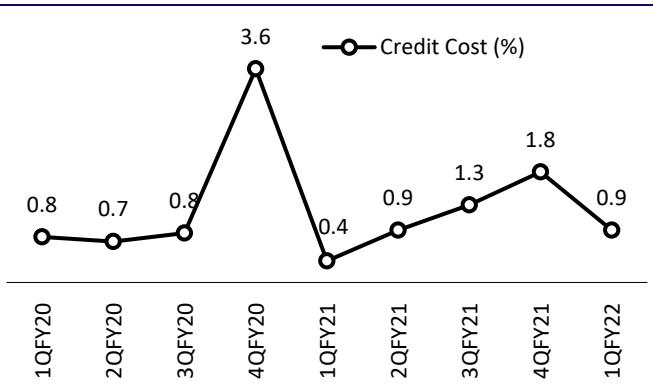
Source: MOFSL, Company, Calculated

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

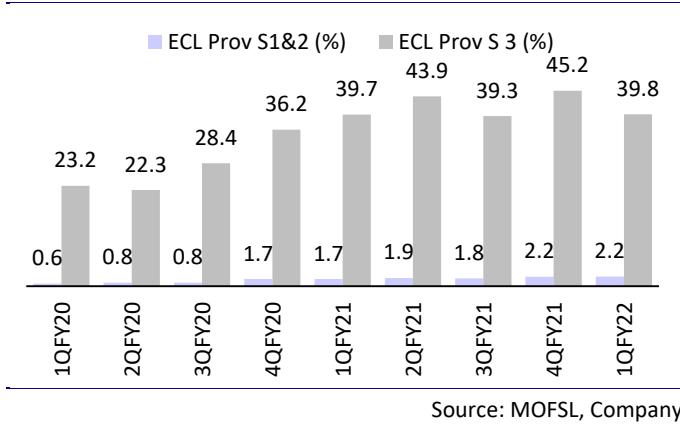
Source: MOFSL, Company, Calculated

Exhibit 9: No sell-down during 1QFY22

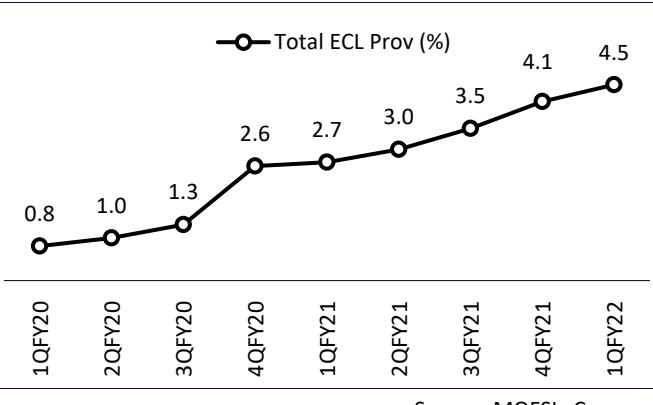
Source: MOFSL, Company

Exhibit 10: Trend in credit cost

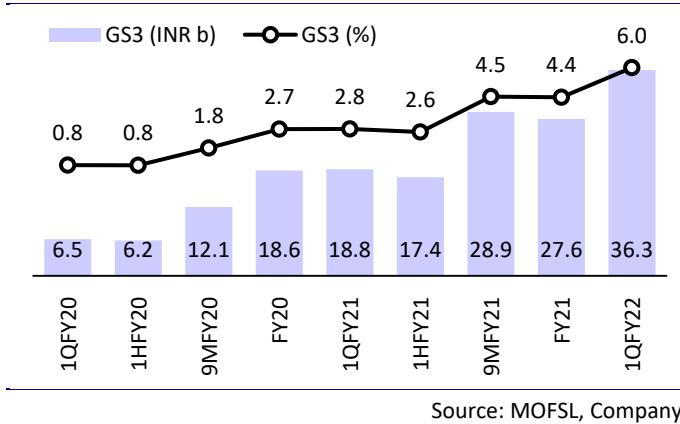
Source: MOFSL, Company

Exhibit 11: Stage 3 PCR declines...

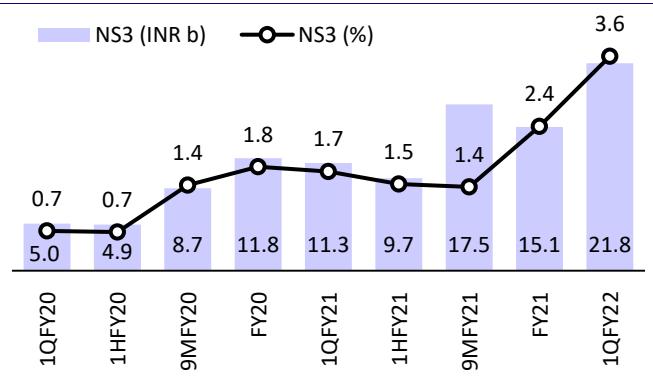
Source: MOFSL, Company

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

Source: MOFSL, Company

Exhibit 13: Asset quality continues to deteriorate...

Source: MOFSL, Company

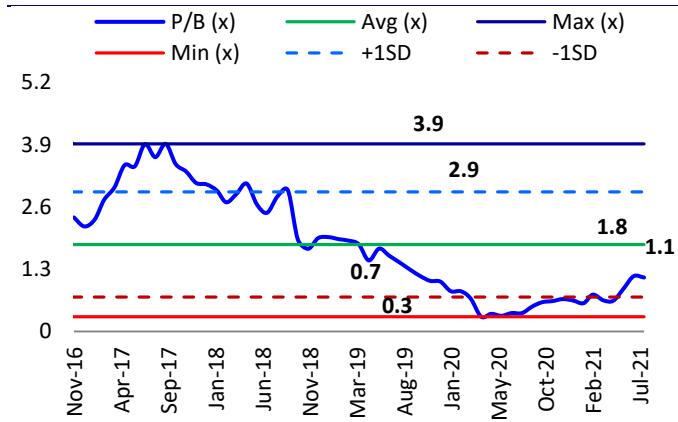
Exhibit 14: ...while Net Stage 3 stood at 3.6% of loans

Source: MOFSL, Company

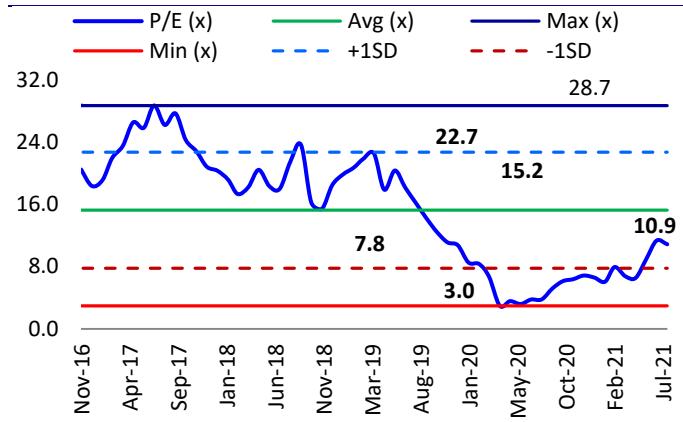
Exhibit 15: Our FY22E EPS estimate is largely unchanged, factor in a 3-4% cut in our FY23E/FY24E EPS estimate

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										
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
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)										
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)										
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

*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. 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, 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 not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- 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 alterations 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, nor 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.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, 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.