

PNB Housing

BSE SENSEX

78,540

S&P CNX

23,753



Bloomberg	PNBHOU5I IN
Equity Shares (m)	260
M.Cap.(INRb)/(USD\$)	219 / 2.6
52-Week Range (INR)	1202 / 600
1, 6, 12 Rel. Per (%)	-1/7/-3
12M Avg Val (INR M)	1981

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Total Income	26.7	35.4	42.8
PPP	22.8	31.7	39.0
PAT	18.8	23.2	28.3
EPS (INR)	73	89	109
EPS Gr. (%)	25	23	22
BV (INR)	649	726	820

Ratios

NIM (%)	3.8	4.2	4.3
C/I ratio (%)	26.5	22.9	21.8
RoAA (%)	2.4	2.5	2.6
RoE (%)	11.8	13.0	14.1

Valuations

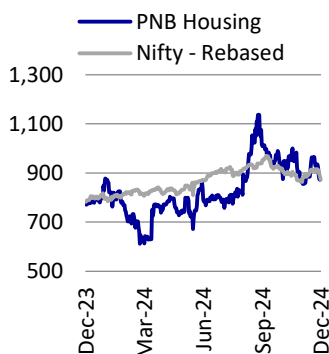
P/E (x)	11.6	9.4	7.7
P/BV (x)	1.3	1.2	1.0
Div. Yield (%)	1.4	1.8	2.2

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	28.1	28.1	28.1
DII	22.2	10.9	7.7
FII	20.4	17.9	24.8
Others	29.3	43.0	39.3

FII Includes depository receipts

Stock Performance (one-year)


CMP: INR843
TP: INR1,160 (+38%)
Buy

Strategic shift in product mix; tracking well on execution

Mix improvement to aid NIM expansion; recoveries to keep credit costs benign

- PNBHF is pivoting its product mix toward the emerging and affordable housing segments, with both these relatively higher-yielding segments now contributing ~23% to the loan mix (compared to ~18% as of Mar'23). This pivot will gradually help the company secure a structural improvement in its blended yields and eventually deliver an expansion in its NIM profile.
- The company is undergoing a transformation to morph into a franchise that will be stronger, more resilient, and one with high predictability in its earnings trajectory. Over the last two years, it has also: a) strengthened its collections function and b) nuanced its product offerings across prime, emerging, and affordable segments, each of which is managed by a strong senior management team. With a credit rating upgrade (to AA+), which has helped it moderate its CoB and made it more competitive, the company is now well-positioned to deliver ~18% loan CAGR over FY24-27E.
- The company's corporate loan book accounted for just ~2% of its total loan book as of Sep'24. While it is looking to restart Project Finance, PNBHF targets to keep the corporate book in the loan mix below 10% at all times. This will provide an added lever for improvement in blended yields.
- PNBHF has implemented decentralized underwriting, which has also led to an improvement in its Sanction TAT. In addition, the company has a central team that vets all the loan applications to rule out any possibility of collusion. Asset quality continues to improve for PNBHF and as of Sep'24, the corporate GNPA was NIL (PY: 25%), while retail GNPA declined to ~1.4% (PY: 2.5%).
- **We expect PNBHF to deliver a PAT CAGR of ~23% over FY24-27 and an RoA/RoE of 2.6%/14% in FY26. The stock currently trades at 1.2x FY26E and we reiterate BUY with a TP of INR1,160 (based on 1.5x Sep'26 P/BV).**

Gradual improvement in the mix, with a pivot toward emerging and affordable segments

- PNBHF will leverage the Credit Linked Subsidy Scheme (CLSS) scheme under the Pradhan Mantri Awas Yojana (PMAY) to drive stronger growth in its affordable segments across ~300 branches.
- The emerging segment (typically beyond metros) provides ~50-75bp better yields compared to the prime segment and for only a slightly riskier customer profile. Likewise, in the affordable segment, the yields are ~300bp higher than the prime segment but the ticket sizes are smaller and would require the company to handle higher volumes.

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

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Raghav Khemani** (Raghav.Khemani@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.

- Emerging and affordable segments contributed ~18% and ~4% to the loan mix, as of Sep'24. While the affordable (on a much smaller base) segment grew 4x to ~INR30b over the past year, the emerging segment grew ~22% YoY. We expect the growth momentum to sustain in both segments even as the company aspires to scale up the share of the emerging segment to ~20-25% and the affordable segment to ~14-16% of the loan mix by FY27.

Asset quality continues to improve; GS3/NS3 at lowest levels in five years

- PNBHF's asset quality has significantly improved since its COVID peak. GS3/NS3 has declined from its peak level of ~8.2%/5.6% as of Dec'21 to ~1.25%/0.9% as of Sep'24.
- An improvement in the asset quality was driven by a combination of: a) resolutions of stressed wholesale exposures and b) improvement in retail asset quality through a combination of organic collections and technical write-offs. The total written-off pool stood at ~INR12.5b in the corporate segment and ~INR5b in the retail segment. Recoveries from the written-off pool have resulted in provision write-backs in P&L over the last two quarters and we expect this to continue for another two to three quarters.
- PNBHF has adopted a decentralized underwriting for better business control. It has also built strong collection capabilities and can now effectively leverage legal toolkits to resolve delinquencies. It has regularly been hosting mega auction fairs and has been able to achieve greater success in property auctions. We expect improvements in GS3 to sustain, with model credit costs of -20bp in FY25E and 25bp/27bp in FY26E/FY27E.

NIM expansion from improvements in the product mix

- With repo rate cuts expected in 1H CY25, there could be a transitory compression in NIM for PNBHF since its assets (because of competitive pressure from banks) will get repriced faster than its liabilities. However, beyond that, we expect PNBHF's NIM to expand as the product mix evolves favorably toward emerging and affordable segments.
- Yields are higher by ~250-300bp and ~50-75bp in the affordable and emerging segments, respectively. We expect the proportion of emerging and affordable segments to improve to ~35-37% by FY27, compared to ~22% as of Sep'24. We model NIM of 4.2%/4.3% in FY26E/FY27E (compared to ~3.8% in FY25E).

Opex to remain largely range-bound despite pivoting toward emerging and affordable segments

- PNBHF operates in 20 states/UTs with ~303 branches as of Sep'24, including ~160 branches in the affordable segment and ~50 branches in the emerging segment. The company plans to open around 15 additional branches in the affordable housing segment during FY25, with a focus on expanding in the southern, western, and northern regions. Further, it targets to add ~50 new branches every year from FY26 onwards.
- Unlike other mainstream affordable HFCs, the opex for PNBHF will continue to remain between 1.0 and 1.1% (as % of avg. assets) due to shared resources across its prime, emerging, and affordable segments. We expect the cost-to-income ratio to decline to ~22% by FY27 (FY24: ~24%). Likewise, despite moving toward higher-yielding and riskier segments such as self-employed and informal segment customers, the company remains confident about delivering credit costs of ~30bp (excluding any recoveries from the written-off pool).

Valuation and view

- PNBHF is a strengthening franchise where the risk-reward profile is favorable for a long-term investor to witness this transformation over the next three years. It is well-equipped to successfully navigate the near-term headwinds in its NIM profile, and further offset them with the product mix improvement.
- We expect PNBHF to deliver a healthy ~18% CAGR in the loan book and ~23% CAGR in PAT over FY24-27, with an RoA/RoE of 2.6%/14% by FY27. The company trades at 1.2x FY26E P/BV and the risk-reward is favorable for a further re-rating in the valuation multiple as investors gain more confidence in its sustained execution in retail (both emerging and affordable segments). On the technical front, we expect the supply overhang from private equity investors to be fully resolved within the next three months, which could lead to another leg of re-rating in valuation multiples. **Reiterate BUY with a TP of INR1,160 (based on 1.5x Sep'26 P/BV).**
- Key risks: a) a slowdown in the economy leading to lower demand for housing and moderation in loan growth and b) subsequent seasoning in the affordable loan book leading to asset quality deterioration.

Exhibit 1: Valuation matrix for HFCs under the MOFSL coverage

Val summary	Rating	CMP (INR)	TP (INR)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
				Housing Finance											
LIC HF	Buy	583	760	93.4	102.1	718	800	1.6	1.6	13.7	13.5	6.2	5.7	0.8	0.7
PNB HF	Buy	842	1,160	88.8	108.4	726	819	2.5	2.6	12.9	14.0	9.5	7.8	1.2	1.0
Aavas	Neutral	1,674	1,800	90.2	112.7	640	753	3.3	3.4	15.2	16.2	18.6	14.8	2.6	2.2
HomeFirst	Buy	1,000	1,320	52.8	66.1	326	388	3.4	3.4	17.5	18.5	18.9	15.1	3.1	2.6
CanFin	Neutral	727	900	72.6	83.2	451	528	2.2	2.1	17.4	17.0	10.0	8.7	1.6	1.4
Repco	Neutral	417	500	70.3	78.5	597	671	2.8	2.8	12.5	12.4	5.9	5.3	0.7	0.6

STORY IN CHARTS

Exhibit 1: Disbursement CAGR of ~22% over FY24-27E...

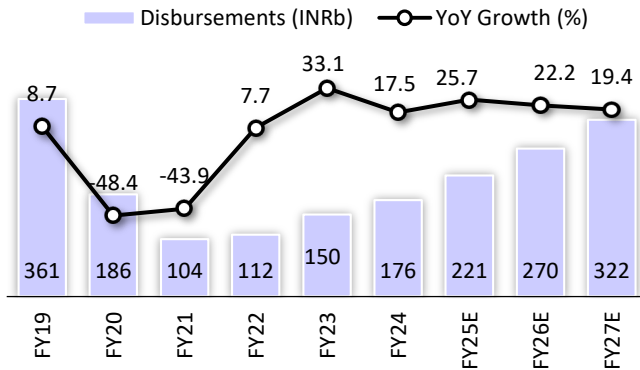


Exhibit 2: ...leading to ~18% loan CAGR over this period

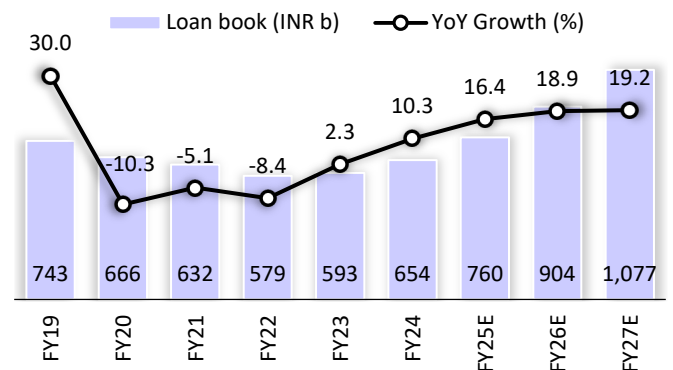


Exhibit 3: Expect spreads to improve to ~3.2% by FY27

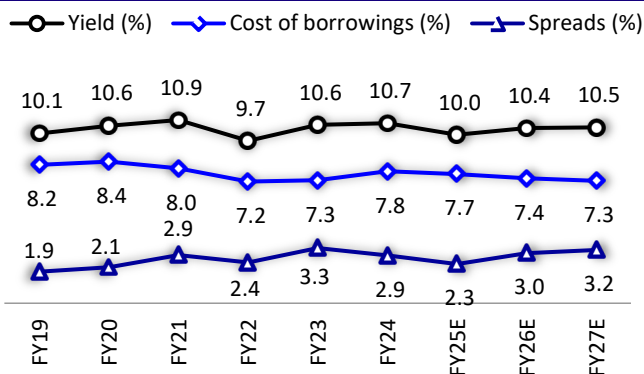


Exhibit 4: Opex-to-assets ratio to remain stable over FY25-FY27

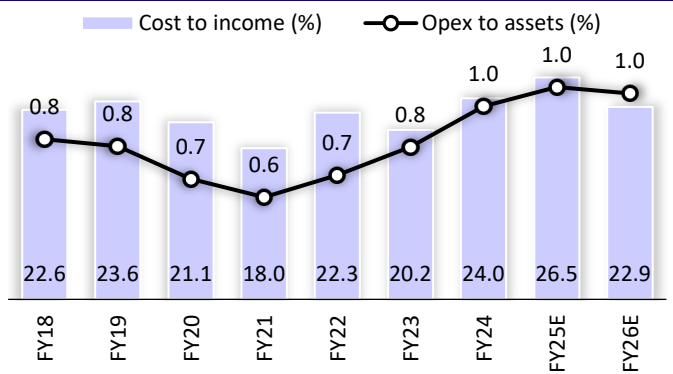


Exhibit 5: Asset quality continues to improve

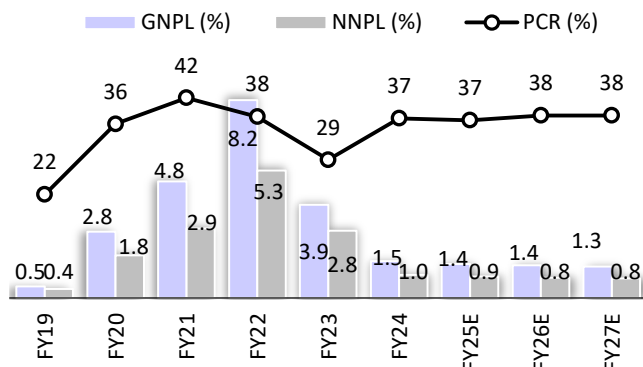


Exhibit 6: Estimate credit costs at ~20-30bp over FY26-27

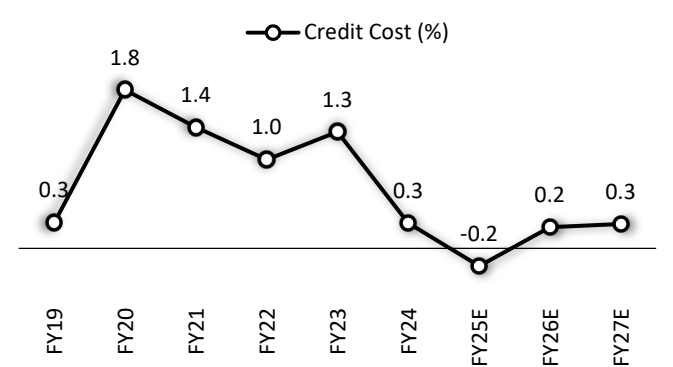


Exhibit 7: PAT CAGR at ~23% over FY24-27E

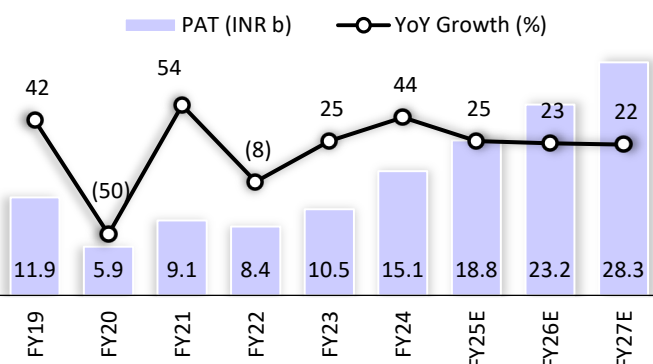
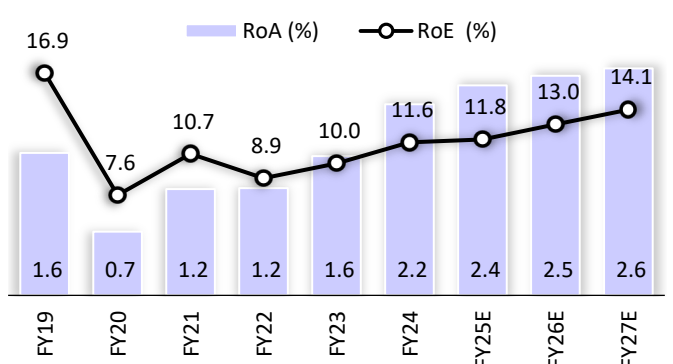


Exhibit 8: RoA/RoE at ~2.6%/~14% in FY27E



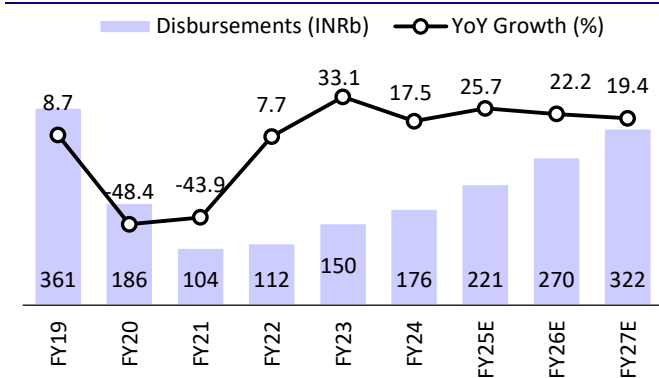
Source: MOFSL, Company

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Strengthening its emerging and affordable segments

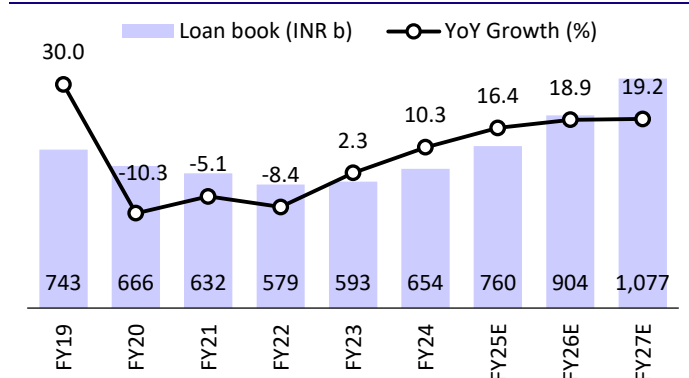
- PNBHF's affordable housing portfolio experienced robust growth of ~25% QoQ, surpassing INR30b as of Sep'24. This was fueled by a remarkable ~68% QoQ increase in disbursements to ~INR6.3b. The company targets an affordable loan book of ~INR50b by Mar'25, supported by a strong pipeline set to drive continued business growth.
- The emerging markets loan book stood at ~INR125b as of Sep'24, representing ~19% of PNBHF's retail assets. The company anticipates this share to rise to ~22%-25% by FY25, indicating a strategic focus on expanding this segment.
- Affordable housing yields are naturally the highest at ~12%-14%, followed by emerging markets at ~10%-11% and the prime segment at ~9%-10%. The Average Ticket Size (ATS) is ~INR3.5m for the prime segment, INR2.5m for the emerging segment, and INR 1.5m for the affordable housing segment.
- Rising AUM contributions from the emerging and affordable housing segments are expected to expand NIMs as these categories yield higher returns compared to the prime segment.

Exhibit 9: Disbursement CAGR of ~22% over FY24-27E...



Source: MOFSL, Company

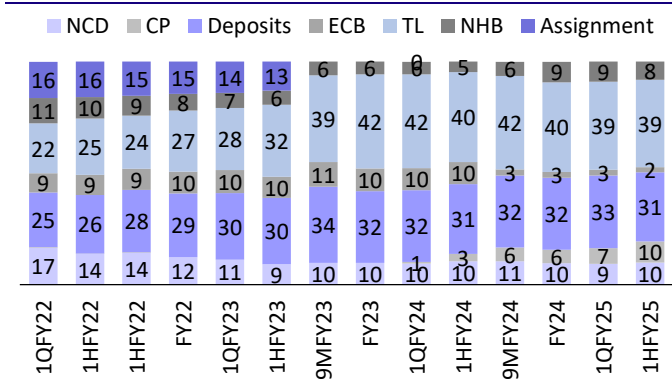
Exhibit 10: ...leading to ~18% loan CAGR over this period



Source: MOFSL, Company

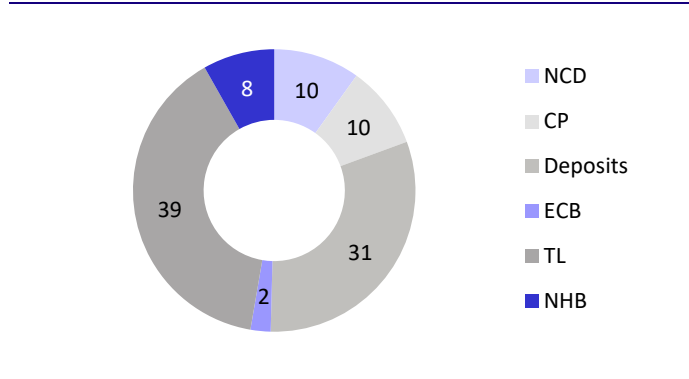
- PNBHF has a diversified liability profile with the ability to raise funds from banks and debt capital markets. Its credit rating upgrade to AA+ has allowed the company to raise debt from capital markets at lower costs. PNBHF has a deposit-taking license, with deposits constituting ~31% of the total funding mix as of Sep'24.

Exhibit 11: Deposits form ~31% of overall borrowings (%)



Source: MOFSL, Company

Exhibit 12: Borrowing mix as of Sep'24 (%)

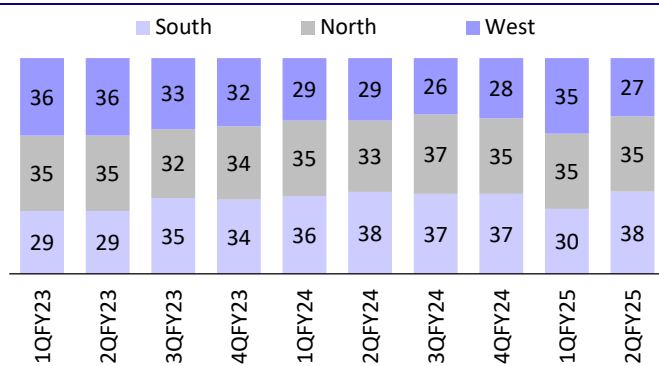


Source: MOFSL, Company

Opex to remain largely range-bound despite pivoting toward emerging and affordable segments

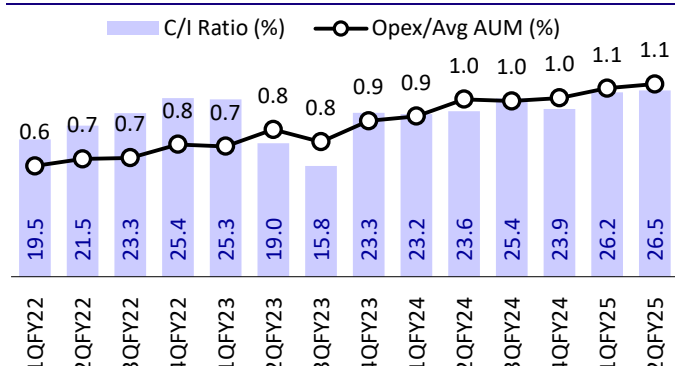
- PNBHF operates in 20 states/UTs with more than ~300 branches as of Sep'24, including ~160 branches in the affordable segment and ~50 branches in the emerging segment.
- The company plans to open around 15 additional branches in the affordable housing segment during FY25, with a focus on expanding in the southern, western, and northern regions. Further, it targets to add ~50 new branches every year from FY26 onwards.
- Unlike other mainstream affordable HFCs, the opex for PNBHF will continue to remain between 1.0 and 1.1% (as % of avg. assets) due to shared resources across its prime, emerging, and affordable segments. We expect the cost-to-income ratio to decline to ~22% by FY27E (FY24: ~24%).
- Likewise, despite moving toward higher-yielding and riskier segments such as self-employed and informal segment customers, it remains confident about delivering credit costs of ~30bp (excluding any recoveries from the written-off pool).

Exhibit 13: Ramping up disbursements in South India (%)



Source: MOFSL, Company

Exhibit 14: Rise in C/I due to branch expansion

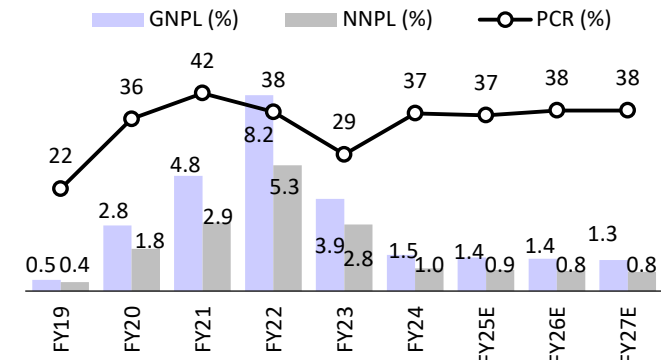


Source: MOFSL, Company

Asset quality stress behind; write-backs to further support profitability

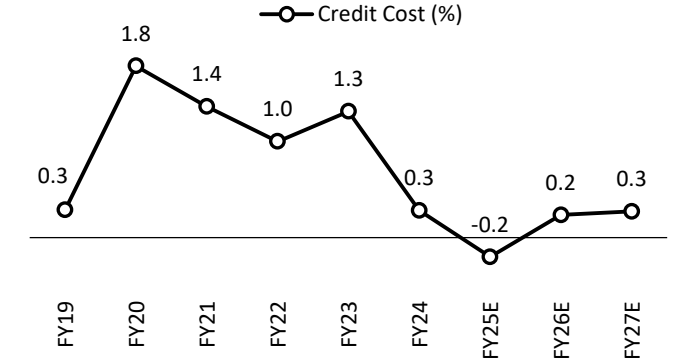
- PNBHF has augmented its collections efforts, which has led to significant improvement in its asset quality. GNPA/NNPA has dropped from its peak level of ~8.2%/5.6% as of Dec'21 to ~1.25%/0.9% as of Sep'24.
- The company has a dedicated team handling written-off cases, which is supported by a legal team to maximize recoveries through settlement. The company auctioned and sold ~232 properties in 1HFY25 and recovered ~INR760m from the written-off pool.
- In the last 12 months, 30+dpd has been at ~0.10% and 90+dpd at ~0.02% while in the last 24 months, 30+dpd has been at ~0.43% and 90+dpd at ~0.1%, highlighting robust underwriting and effective collection efforts.
- We anticipate improvements in GS3 to sustain and expect provision write-backs of ~20bp in FY25, with benign credit costs of ~25/27bp in FY26/FY27.

Exhibit 15: Asset quality to continue improving



Source: MOFSL, Company

Exhibit 16: Est. credit costs to remain between 20 and 30bp

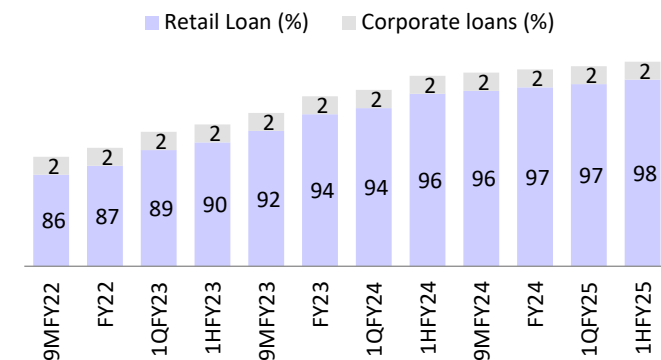


Source: MOFSL, Company

Reinventing corporate lending with a quality-focused underwriting approach

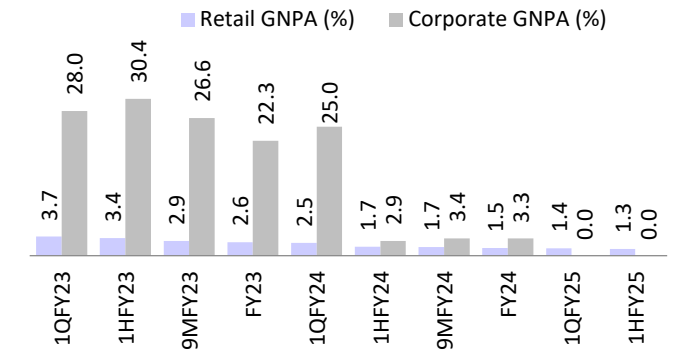
- **Resumption of corporate lending:** PNBHF plans to re-enter corporate lending with a revamped strategy focused on portfolio quality. The ATS for loans will be capped at ~INR2b to maintain controlled risk exposure.
- **Focused construction finance:** The company will focus solely on construction finance within the corporate segment, aiming to keep the contribution of wholesale loans below ~10% of the overall loan book.
- **High-quality developer partnerships:** PNBHF will prioritize lending to reputed developers, even at the cost of slightly lower yields, to build a strong and healthy portfolio—addressing challenges faced in the past.

Exhibit 17: PNBHF has run down its corporate book



Source: MOFSL, Company

Exhibit 18: Corporate GNPA has been NIL for the last two quarters

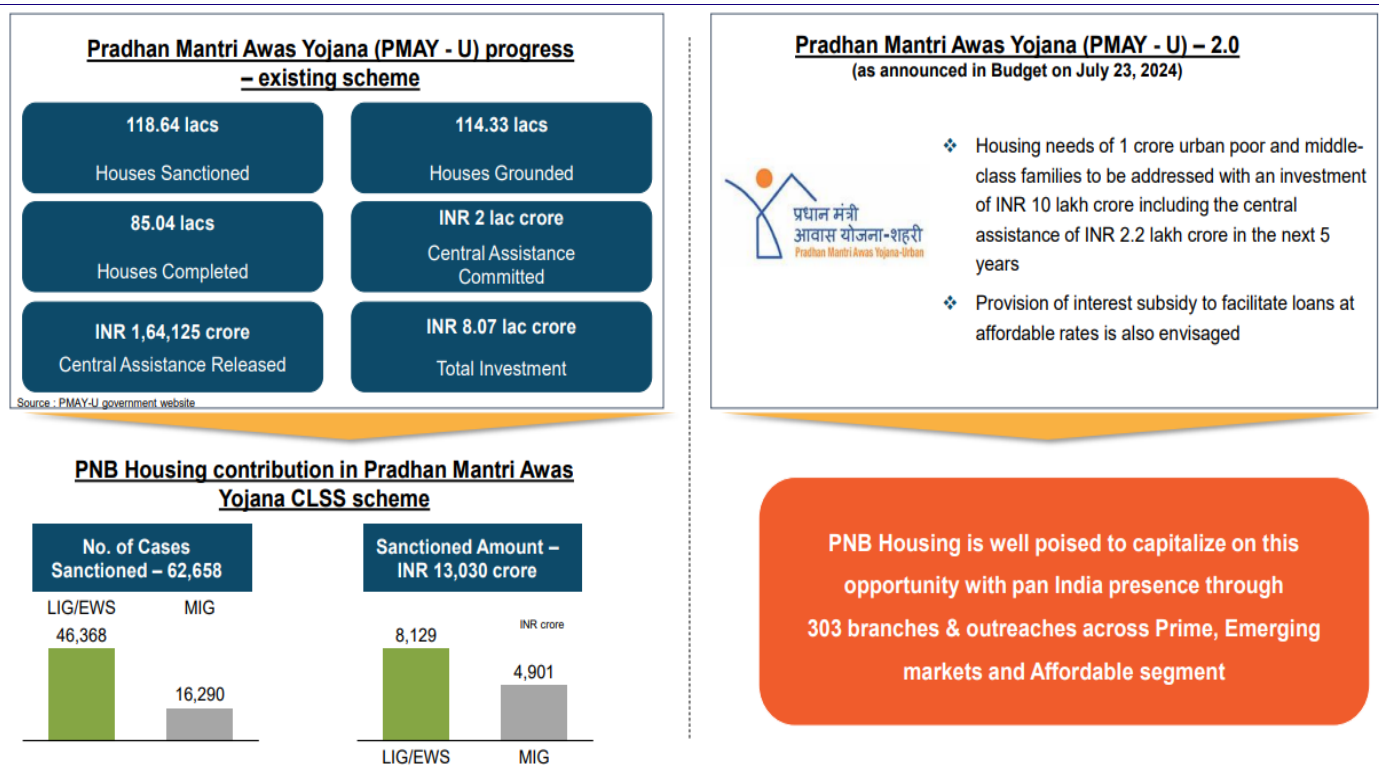


Source: MOFSL, Company

Well placed to reap benefits of PMAY-U 2.0 and CLSS scheme

- **Launch of PMAY-U 2.0:** On July 23, 2024, the Government of India introduced the second phase of the Pradhan Mantri Awas Yojana-Urban (PMAY-U 2.0), targeting the housing needs of ~10m urban poor and middle-class families. The scheme involves a substantial investment of ~INR10t, including ~INR2.2t in central assistance, to be implemented over the next five years.
- **PNBHF's strategic positioning:** With a strong PAN-India presence, PNBHF is well-equipped to capitalize on the increased demand for affordable housing driven by PMAY-U 2.0. The company aims to further enhance its focus on CLSS, which plays a critical role in making housing affordable for a broad section of the population.

Exhibit 19: Well positioned to leverage opportunities in PMAY and CLSS schemes

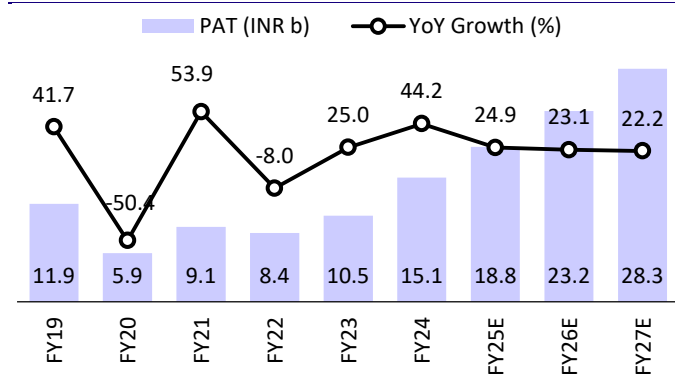


Source: MOFSL, Company

Risk-reward profile attractive for a strengthening franchise

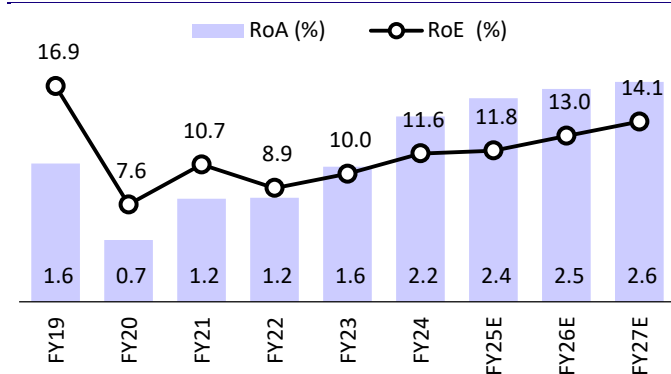
- PNBHF is a strengthening franchise where the risk-reward profile is favorable for a long-term investor to witness this transformation over the next three years. It is well equipped to successfully navigate the near-term headwinds in its NIM profile, and further offset them with a product mix improvement.
- We expect PNBHF to deliver a healthy ~18% CAGR in loan book and ~23% CAGR in PAT over FY24-27, with an RoA/RoE of 2.6%/14% by FY27. The company trades at 1.2x FY26E P/BV and the risk-reward is favorable for a further re-rating in the valuation multiple as investors gain more confidence in its sustained execution in retail (both emerging and affordable segments). On the technical front, we expect the supply overhang from private equity investors to be fully resolved within the next three months, which could lead to another leg of re-rating in valuation multiples. **Reiterate BUY with a TP of INR1,160 (based on 1.5x Sep'26E P/BV).**
- Key risks: a) a slowdown in the economy leading to lower demand for housing and moderation in loan growth and b) subsequent seasoning in the affordable loan book leading to asset quality deterioration.

Exhibit 20: PAT CAGR of ~23% over FY24E-27E



Source: MOFSL, Company

Exhibit 21: RoA/RoE of ~2.6%/~14% by FY27E



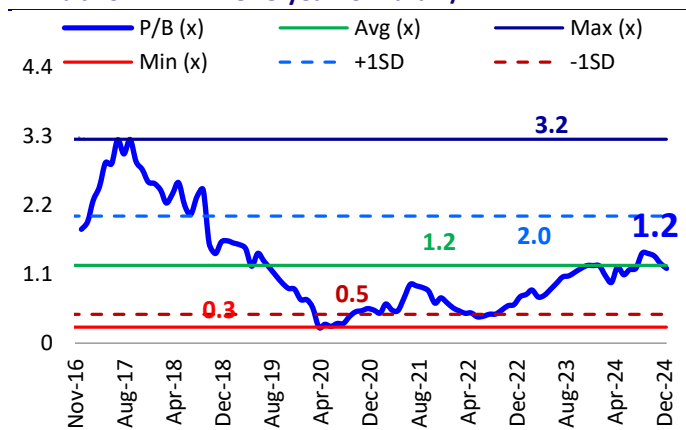
Source: MOFSL, Company

Exhibit 22: We raise our FY25 EPS estimates by ~3% to factor in higher recoveries and keep our FY26/27 estimates broadly unchanged

INR b	Old Est.			New Est.			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
NII	27.5	35.3	42.6	26.7	35.4	42.8	-2.9	0.1	0.5
Other Income	4.2	5.8	7.1	4.3	5.8	7.1	3.4	0.0	-0.1
Total Income	31.7	41.1	49.7	31.1	41.1	49.9	-2.1	0.1	0.4
Operating Expenses	8.1	9.4	10.8	8.2	9.4	10.9	1.6	0.8	1.2
Operating Profits	23.6	31.7	38.9	22.8	31.7	39.0	-3.3	-0.1	0.2
Provisions	0.2	2.1	2.7	-1.4	2.0	2.7	-	-6.5	-0.6
PBT	23.4	29.6	36.2	24.2	29.7	36.3	3.5	0.4	0.3
Tax	5.2	6.5	8.0	5.4	6.5	8.0	4.9	0.4	0.3
PAT	18.3	23.1	28.2	18.8	23.2	28.3	3.1	0.4	0.3
Loan book	764	909	1,085	760	904	1,077	-0.5	-0.6	-0.7
NIM (%)	3.9	4.2	4.3	3.8	4.2	4.3			
Spreads (%)	2.4	3.0	3.1	2.3	3.0	3.2			
ROAA (%)	2.3	2.5	2.6	2.4	2.5	2.6			
RoAE (%)	11.5	13.0	14.1	11.8	13.0	14.1			

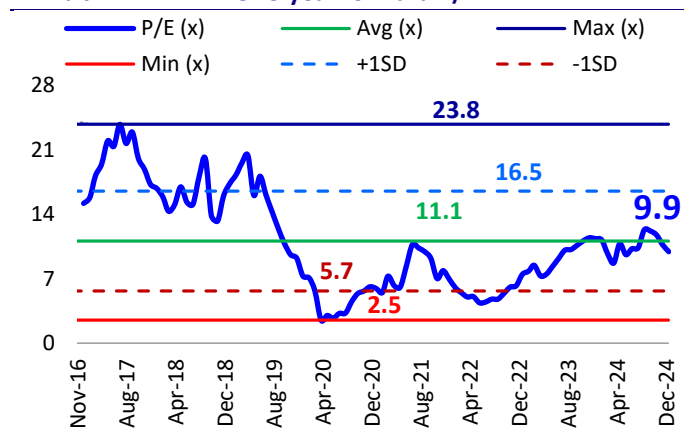
Source: MOFSL estimates

Exhibit 23: PNBHF - One-year forward P/B



Source: MOFSL, Company

Exhibit 24: PNBHF - One-year forward P/E



Source: MOFSL, Company

Financials and Valuation

Income statement							(INR M)		
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	67,929	76,882	71,898	58,220	61,991	67,422	73,070	89,034	1,06,020
Interest Expended	51,664	58,750	50,998	40,645	38,985	42,611	46,327	53,671	63,210
Net Interest Income	16,265	18,133	20,901	17,575	23,006	24,811	26,742	35,362	42,811
Change (%)	7.7	11.5	15.3	-15.9	30.9	7.8	7.8	32.2	21.1
Other Operating Income	8,904	8,013	4,343	3,787	3,306	3,149	4,313	5,755	7,065
Net Income	25,169	26,146	25,243	21,363	26,311	27,960	31,056	41,118	49,876
Change (%)	28.9	3.9	-3.5	-15.4	23.2	6.3	11.1	32.4	21.3
Operating Expenses	5,935	5,522	4,554	4,760	5,313	6,710	8,217	9,436	10,890
Operating Income	19,234	20,624	20,689	16,603	20,998	21,250	22,839	31,682	38,986
Change (%)	27.3	7.2	0.3	-19.7	26.5	1.2	7.5	38.7	23.1
Provisions/write offs	1,890	12,514	8,619	5,764	7,389	1,711	-1,402	1,956	2,675
PBT	17,344	8,110	12,070	10,840	13,609	19,539	24,241	29,726	36,311
Extraordinary Items	0	0	0	0	0	0	0	0	0
Reported PBT	17,344	8,110	12,070	10,840	13,609	19,539	24,241	29,726	36,311
Tax	5,429	2,201	2,978	2,475	3,149	4,459	5,406	6,540	7,988
Tax Rate (%)	31.3	27.1	24.7	22.8	23.1	22.8	22.3	22.0	22.0
DTL on Special Reserve									
Reported PAT	11,915	5,909	9,092	8,365	10,460	15,080	18,835	23,186	28,322
Change (%)	41.7	-50.4	53.9	-8.0	25.0	44.2	24.9	23.1	22.2
PAT adjusted for EO	11,915	5,909	9,092	8,365	10,460	15,080	18,835	23,186	28,322
Change (%)	41.7	-50.4	53.9	-8.0	25.0	44.2	24.9	23.1	22.2
Proposed Dividend	1,809	0	0	0	0	0	3,164	3,965	4,843

Balance sheet							(INR M)		
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Capital	1,675	1,682	1,683	1,686	1,689	2,597	2,597	2,597	2,597
Reserves & Surplus	73,764	78,296	87,548	97,030	1,08,448	1,47,147	1,65,982	1,86,004	2,10,362
Net Worth	75,439	79,978	89,230	98,716	1,10,137	1,49,744	1,68,580	1,88,601	2,12,959
Borrowings	7,18,589	6,77,351	5,93,925	5,30,050	5,36,211	5,50,166	6,56,270	7,88,452	9,48,072
Change (%)	33.6	-5.7	-12.3	-10.8	1.2	2.6	19.3	20.1	20.2
Other liabilities	44,662	31,969	30,767	28,530	15,795	24,138	25,345	26,612	27,943
Total Liabilities	8,38,690	7,89,297	7,13,922	6,57,296	6,62,143	7,24,049	8,50,195	10,03,666	11,88,974
Loans	7,42,879	6,66,280	6,06,447	5,53,359	5,78,398	6,41,082	7,60,452	9,04,188	10,77,355
Change (%)	30.0	-10.3	-9.0	-8.8	4.5	10.8	18.6	18.9	19.2
Investments	45,607	20,757	20,448	34,827	31,963	43,460	47,806	52,587	57,845
Change (%)	89.0	-54.5	-1.5	70.3	-8.2	36.0	10.0	10.0	10.0
Net Fixed Assets	1,083	1,353	1,056	935	839	0	0	0	0
Other assets	49,122	1,00,906	85,971	68,175	50,943	39,506	41,937	46,891	53,774
Total Assets	8,38,690	7,89,297	7,13,922	6,57,296	6,62,143	7,24,049	8,50,195	10,03,666	11,88,974

E: MOFSL Estimates

Financials and Valuation

Ratios	(%)								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Spreads Analysis (%)									
Avg yield on loans	10.1	10.6	10.9	9.7	10.6	10.7	10.0	10.4	10.5
Avg. cost of funds	8.2	8.4	8.0	7.2	7.3	7.8	7.7	7.4	7.3
Interest Spread	1.9	2.1	2.9	2.4	3.3	2.9	2.3	3.0	3.2
NIM on loans	2.5	2.6	3.3	3.0	4.1	4.1	3.8	4.2	4.3
Profitability Ratios (%)									
RoE	16.9	7.6	10.7	8.9	10.0	11.6	11.8	13.0	14.1
RoA	1.6	0.7	1.2	1.2	1.6	2.2	2.4	2.5	2.6
Int. Expended/Int.Earned	76.1	76.4	70.9	69.8	62.9	63.2	63.4	60.3	59.6
Other Inc./Net Income	35.4	30.6	17.2	17.7	12.6	11.3	13.9	14.0	14.2
Efficiency Ratios (%)									
Op. Exps./Net Income	23.6	21.1	18.0	22.3	20.2	24.0	26.5	22.9	21.8
Empl. Cost/Op. Exps.	51.2	42.2	46.4	45.5	50.1	50.3	50.1	50.6	51.3
Asset Quality (INR m)									
Gross NPA	3,549	18,562	29,990	47,062	22,714	9,840	10,802	12,323	14,131
GNPA ratio	0.5	2.8	4.8	8.2	3.9	1.5	1.4	1.4	1.3
Net NPA	2,784	11,838	17,500	29,312	16,184	6,160	6,805	7,640	8,761
NNPA ratio	0.4	1.8	2.9	5.3	2.8	1.0	0.9	0.8	0.8
CAR	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0

VALUATION	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (INR)	450	476	530	586	652	577	649	726	820
BVPS Growth YoY	14.3	5.6	11.5	10.4	11.4	-11.6	12.6	11.9	12.9
Price-BV (x)			1.6	1.4	1.3	1.5	1.3	1.2	1.0
EPS (INR)	71.1	35.1	54.0	49.6	61.9	58.1	72.5	89.3	109.0
EPS Growth YoY	40.9	-50.6	53.8	-8.2	24.9	-6.3	24.9	23.1	22.2
Price-Earnings (x)		24.0	15.6	17.0	13.6	14.5	11.6	9.4	7.7
Dividend per share (INR)	9.0	0.0	0.0	0.0	0.0	0.0	12.2	15.3	18.6
Dividend yield (%)			0.0	0.0	0.0	0.0	1.4	1.8	2.2

E: MOFSL Estimates

DuPont Analysis	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	9.2	9.4	9.6	8.5	9.4	9.7	9.3	9.6	9.7
Interest Expended	7.0	7.2	6.8	5.9	5.9	6.1	5.9	5.8	5.8
Net Interest Income	2.2	2.2	2.8	2.6	3.5	3.6	3.4	3.8	3.9
Other Income	1.2	1.0	0.6	0.6	0.5	0.5	0.5	0.6	0.6
Fees	0.6	0.4	0.2	0.4	0.4	0.4	0.5	0.5	0.5
Trading gains and MM	0.6	0.6	0.3	0.2	0.1	0.1	0.1	0.1	0.2
Net Income	3.4	3.2	3.4	3.1	4.0	4.0	3.9	4.4	4.5
Operating Expenses	0.8	0.7	0.6	0.7	0.8	1.0	1.0	1.0	1.0
Cost to Income Ratio (%)	23.6	21.1	18.0	22.3	20.2	24.0	26.5	22.9	21.8
Employee Expenses	0.4	0.3	0.3	0.3	0.4	0.5	0.5	0.5	0.5
Other Expenses	0.4	0.4	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Operating Profit	2.6	2.5	2.8	2.4	3.2	3.1	2.9	3.4	3.6
Provisions/write offs	0.3	1.5	1.1	0.8	1.1	0.2	-0.2	0.2	0.2
PBT	2.4	1.0	1.6	1.6	2.1	2.8	3.1	3.2	3.3
Tax	0.7	0.3	0.4	0.4	0.5	0.6	0.7	0.7	0.7
Tax Rate (%)	31.3	27.1	24.7	22.8	23.1	22.8	22.3	22.0	22.0
Reported PAT	1.6	0.7	1.2	1.2	1.6	2.2	2.4	2.5	2.6
Leverage	10.4	10.5	8.9	7.3	6.3	5.3	4.9	5.2	5.5
RoE	16.9	7.6	10.7	8.9	10.0	11.6	11.8	13.0	14.1

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Grievance Redressal Cell:

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

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