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Q4FY20 results review
and TP change

Housing Finance

Target price: Rs180

Target price revision

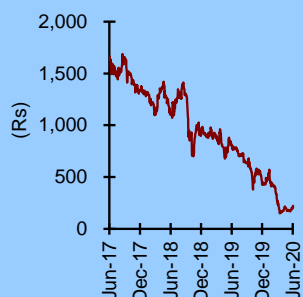
Rs180 from Rs154

Shareholding pattern

	Sep '19	Dec '19	Mar '20
Promoters	32.7	32.7	32.7
Institutional investors	30.5	29.7	28.1
MFs and others	5.3	4.5	3.7
FIs/Banks	0.9	0.9	0.9
Insurance	0.9	1.1	1.5
FII	23.4	23.1	22.0
Others	36.8	37.6	39.2

Source: CMIE

Price chart



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PNB Housing Finance

REDUCE

Maintain

Rs212

Corporate slippages could flare up in FY21

PNB Housing (PNBHF) in Q4FY20 continued to report asset quality deterioration. Retail GNPA at 1.25% was up ~20bps QoQ. Corporate GNPA stood at 8.2%, up ~400bps QoQ. Two large corporate accounts with total outstanding of Rs5.37bn slipped into Stage 3. PNBHF made COVID provisions of Rs4.7bn in Q4 and the moratorium came down to ~31% (aggregate AUM) and ~20% (retail AUM) in Morat 2.0. Key considerations are 1) PNBHF reiterated that it will continue its efforts to raise fresh equity capital (up to ~Rs20bn to improve gearing). The mode is now likely to be a rights issue 2) No clarity over whether PNB (parent entity) will participate if there is a rights issue but certainty that it will maintain at least 26% holding in PNBHF 3) Corporate book, in our view, will witness negative surprises in FY21 even as the company has identified four exposures totaling Rs3.9bn for SICR and classified them under Stage 2 (despite being 0dpd). PNBHF's balance sheet remains vulnerable to stress in its wholesale exposures. **Maintain REDUCE.**

- ▶ **SICR – proactively recognizing likely stresses and providing for them:** PNBHF skipped its last year's annual exercise of disclosing stressed corporate exposures. As a proxy to that exercise, it identified Rs11.1bn of assets for voluntary SICR (significant increase in credit risk) – Rs7.2bn in retail and Rs3.9bn in corporate- and classified them as Stage-2 to make higher provisions on those assets.
- ▶ **Equity capital raise – uncertainty over promoter participation in the rights issue:** PNBHF will now be pursuing a rights issue to raise up to ~Rs20bn in fresh equity. Despite a healthy capital adequacy of 18% (Tier 1: 15.2%) which was driven by corporate book (risk-weight: 100%) sell-downs of ~Rs24bn in FY20, PNBHF will need to raise equity to bring down its average gearing ratio (~9.0 now). Completion of this rights issue, in our view, will be contingent on the market conditions.
- ▶ **Outlook for FY21 - De-risking and de-leveraging:** Given the anticipated stress in the real estate sector, we estimate that the corporate book of PNBHF, in particular, will witness asset quality deterioration and high credit costs. We have built in credit costs of ~140bps in FY21E. Fiscal year 2021 will again be a year of consolidation for PNBHF as it will have to navigate the fiscal by de-leveraging and de-risking its balance sheet. Corporate sell-downs will play a major role again. In FY22E, PNBHF might have to pivot completely in favor of low risk segments of retail lending. Balance sheet protection will take precedence over growth.
- ▶ **Valuations – hinting at distress:** We reiterate that “in the current scheme of things, PNBHF as a franchise runs the risk of getting marginalised if it continues to play in the leagues of large mass-housing HFCs”. It needs to change its business model (pivot towards retail) and needs to do it now. With low visibility on growth, pressure on margins and estimated high credit costs, we maintain REDUCE with a revised target price of Rs180 (earlier: Rs154) based on 0.35x FY22E P/BV. If the new CEO can demonstrate credibility and the company can complete the planned equity capital raise, it will improve investor confidence in the company.

Market Cap	Rs35.7bn/US\$469mn	Year to Mar	FY19	FY20	FY21E	FY22E
Reuters/Bloomberg	PNBH.BO/ PNBHOUSI IN	NII (Rs mn)	20,635	23,081	18,097	19,493
Shares Outstanding (mn)	168.2	PAT (Rs mn)	11,914	6,462	2,926	3,924
52-week Range (Rs)	797/149	EPS (diluted) (Rs)	70.7	38.1	17.3	23.2
Free Float (%)	67.3	% Chg YoY	69.4	-46.0	-54.7	34.1
FII (%)	23.3	P/E (x)	3.0	5.6	12.3	9.2
Daily Volume (US\$'000)	3,970	P/BV (x)	0.47	0.45	0.43	0.41
Absolute Return 3m (%)	(11.0)	Net NPA (%)	0.4%	1.8%	2.4%	2.9%
Absolute Return 12m (%)	(72.9)	Dividend Yield (%)	4.2%	0.0%	0.0%	0.9%
Sensex Return 3m (%)	(2.3)	RoA (%)	1.6%	0.8%	0.4%	0.5%
Sensex Return 12m (%)	(14.9)	RoE (%)	16.9%	8.3%	3.6%	4.6%

Please refer to important disclosures at the end of this report

Table 1: Q4FY20 result review

(Rs mn, year ending March 31)

	Q4FY19	Q3FY20	Q4FY20	% YoY	% QoQ
Interest income	19,868	19,946	18,053	(9.1)	(9.5)
Net gain on fair value changes	504	325	627	24.5	93.0
Interest expenses	14,275	14,610	13,800	(3.3)	(5.5)
Net interest income	6,097	5,660	4,881	(19.9)	(13.8)
Other Income	1,110	477	838	(24.5)	75.6
Total Income (net of interest expenses)	7,207	6,138	5,719	(20.7)	(6.8)
Employee expenses	913	589	352	(61.4)	(40.1)
Depreciation and amortization	92	181	145	58.9	(19.8)
Fees and Commission expenses	79	10	19	(76.6)	94.7
Other operating expenses	571	568	926	62.2	63.2
Total Operating Expense	1,655	1,347	1,443	(12.8)	7.1
Pre-provisioning profit (PPOP)	5,552	4,790	4,276	(23.0)	(10.7)
Provisions and write offs	101	1,808	7,548	7,366.3	317.5
PBT	5,451	2,983	-3,272	(160.0)	(209.7)
Tax expenses	1,653	612	-852	(151.5)	(239.1)
PAT	3,798	2,370	-2,421	(163.7)	(202.1)
EPS (Rs)	22.7	14.1	-14.4	(163.4)	(202.1)

Source: Company data, I-Sec research

*Note: All numbers are as per IND-AS

Table 2: Key ratios

(Rs mn, year ending March 31)

Key ratios	Q4FY19	Q3FY20	Q4FY20	% YoY	% QoQ
AUM (Rsmn)	8,47,220	8,62,970	8,33,460	-1.6	-3.4
-Retail (Rs mn)	6,68,000	7,09,040	6,87,320	2.9	-3.1
-Home Loans (Rs mn)	4,89,150	5,08,090	4,84,450	-1.0	-4.7
-LAP (Rs mn)	1,49,010	1,63,964	1,66,692	11.9	1.7
-NRPL (Rs mn)	29,840	36,986	36,178	21.2	-2.2
-Corporate (Rs mn)	1,79,220	1,53,930	1,46,140	-18.5	-5.1
-Term Loans (Rs mn)	36,780	31,260	30,520	-17.0	-2.4
-Construction Finance (Rs mn)	1,11,520	1,07,330	1,03,560	-7.1	-3.5
-LRD (Rs mn)	30,920	15,340	12,060	-61.0	-21.4
Disbursements (Rsmn)	85,610	31,960	28,260	-67.0	-11.6
-Retail (Rs mn)	69,776	27,556	26,040	-62.7	-5.5
-Corporate (Rs mn)	15,842	4,404	2,220	-86.0	-49.6
Yield on average AUM (%) [calculated]	9.7	9.1	8.5	-116 bps	-57 bps
Borrowing costs (%) [calculated]	8.1	8.2	8.0	-12 bps	-28 bps
Spreads (%) [calculated]	1.6	0.8	0.6	-104 bps	-29 bps
NIM (%)	3.0	2.6	2.3	-67 bps	-28 bps
Op cost as % of avg AUM	0.8	0.6	0.7	-13 bps	6 bps
Cost to income (%)	23.0	21.9	25.2	226 bps	327 bps
GNPL (% of on-book loans)	0.48	1.75	2.75	226 bps	99 bps
NNPL (% of on-book loans)	0.38	1.27	1.80	141 bps	52 bps
Provision coverage ratio (%)	20.9	28.4	34.5	1356 bps	608 bps
Credit cost as a % of avg AUM [annualized]	0.06	1.01	4.42	435 bps	340 bps
RoAAuM (%)	1.8	1.1	-1.1	-299 bps	-223 bps

Source: Company data, I-Sec research

*Note: All numbers are as per IND-AS

Key takeaways from the Q4FY20 earnings call

Opening Remarks

- No new hiring, rationalization of branches and work-from-home wherever possible
- NIM in FY20 was up 5bps YoY. Net-worth stood at Rs79.98bn in FY20
- Company mobilized bank term loans, ECBs and public deposits in Q4FY20
- PNBHF raised ECB of USD75mn from JICA (Japan International Corporation Agency) in April 2020 with co-financing of USD25mn by Citibank
- PNBHF did not avail any moratorium on its bank term loans

Moratorium and Collection efficiency

- Adopted “opt in” route for accepting customer requests
- Moratorium on aggregate AUM stood at ~56% and ~31% in Morat 1.0 and Morat 2.0 respectively. Corporate book (almost ~80-90%) was under moratorium.
- PNBHF has not availed moratorium on its bank term loans (though it was offered moratorium from a few banks)
- Monthly EMI collections is ~Rs6.7bn in usual circumstances. Collections stood at Rs4bn and Rs3.75bn in the months of April and May.

AUM growth and disbursements

- Low securitization in Q4FY20 was purely by choice and not dictated by market dynamics or inability to consummate securitization transactions.
- PNBHF did Rs2.12bn of disbursements during the lockdown period.

Asset quality

- Corporate loan-book: S1/S2/S3: 85.6% / 6.25% / 8.2%
- PNBHF reported credit costs of Rs7.55bn in Q4FY20 – **Out of this, Rs4.71bn was on account of COVID-19 (~40% of the provisions in FY20)**
- **Expect to sell-down Rs20bn of Corporate Loans in the next few months to some PSBs.** Corporate assets require 100% risk weight and the company will not be looking to grow its corporate loan-book.
- Top 20 developers form around ~64% of the corporate book.
- Corporate book: **Applied SICR on assets worth Rs3.9bn and classified them under Stage-2** – Within this, three accounts have been newly put under SICR and one was an existing account which was already in SICR where they have recovered Rs150mn. All these 4 accounts are currently 0dpd.

Details of corporate exposures which are in Stage-3 (GNPA):

- **Super-tech** – Outstanding Rs2.44bn – Made provisions of ~50% – Trying to resolve it through SARFAESI
- **Ornate** – Outstanding of Rs1.81bn – Trying to resolve it through SARFAESI

- **RADIUS** – Outstanding of Rs2.59bn – Made provisions of ~50% - Trying to resolve it through SARFAESI
- **ITL** – Outstanding of Rs1.01bn – Made provisions of ~40% - There are two parcels of land as security that PNBHF is trying to auction.
- **Vipul** – Outstanding of Rs3.56bn- Started taking action. On the verge of issuing sale notifications – Expect to be in a position to take some positive steps in this loan account very shortly.

Promoter

- Have the support of the promoter (PNB Housing) in case of some liquidity tightness

Liquidity and newer borrowings

- Company is in active discussions with banks for raising money under TLTRO and under the PCGS 2.0 scheme

Equity raise

- Board had earlier approved an equity capital raise of Rs20bn. Earlier the company had decided to go for a QIP and preferential issue. However, looking at the current macro-economic conditions, it feels that a rights issue will be more appropriate. If it indeed decides to go for the rights issue, PNB will later decide whether it wants to participate in the rights issue.
- It will take a call on the capital raise within the next 6-8 weeks
- PNB has committed that it will continue to hold at least ~26% in PNB Housing
- The company wants to bring down the average gearing ratio (~9x now) by raising fresh equity capital.

Miscellaneous

- In April, the company received 1300 loan applications which moved up to 2800 loan applications in the month of May.
- Risk-weighted assets (RWA) has come down by ~Rs20bn QoQ
- Incremental COB stood at Rs8.15%-8.20%

Details of exposures under NPA

Name of account	Details of exposures under NPA	Amount (Rs mn)
Pate Developers and one unnamed exposure	Slower construction due to delay in completion of municipal infrastructure and in turn sales. Another developer is in the process of taking over the project. Slower project progress due to market slowdown. Expected to resolve by end 2019.	300
ITL Gurgaon	Corporate Term loan facility - under litigation. There are two parcels of land as security that PNBHF is trying to auction.	1,010
Supertech	Slower sales due to market slowdown - Stronger partner expected to be on Board through sale or JV. Trying to resolve it through SARFAESI	2,440
Radius	Increase in FSI resulting in scope change - However all approvals are in place now. Trying to resolve it through SARFAESI.	2,590
Ornate	Increase in FSI resulting in scope change - However all approvals are in place now. Trying to resolve it through SARFAESI	1,810
Vipul Ltd	SARFAESI was initiated and PNBHF has taken possession of ~19 acres of land and 138 unsold units of Aarohan Residences in Gurgaon. On the verse of issuing sale notifications – expect to be in a position to take some positive steps in this loan account very shortly.	3,560
Total Corporate GNPA		11,710

Source: Company data, ISEC research

Key takeaways from the Q3FY20 earnings call

Liquidity mobilization:

- In Q3FY20 – PNBHF raised NCD from LIC amounting to 2500crs – maturity of 10 years
- Total Rs330bn were mobilized in 9MFY20 out of which Rs75bn deposits were mobilized in 9MFY20

Direct Assignments and sell-downs:

- Securitized book is of 35 months vintage with GNPA of 0.20%. Company did direct assignments worth Rs33.42bn in Q3FY20.
- The company sold Rs19.63bn worth of Corporate Finance assets (mostly LRD) in 9MFY20. Company expects another Rs11bn of sell-down in the corporate loan book in Q4FY20.

Capital adequacy and gearing:

- CRAR increased to 17.06%. CRAR numbers are as per IGAAP and does not include the impact of net-worth arising out of IND-AS.
- Gearing at 8.5x

AUM position and split of AUM:

- AUM stood at Rs863bn with share of retail loans at 82% and corporate at 18% of AUM. AUM reported is net of sell-down portfolio.
- Retail loan book (82%) split as Home Loans – 59% | LAP – 19% | NRPL – 4%
- The company is consciously staying away from financing housing loans in under-construction properties.

Corporate Loan Book - NPA

- Top 20 developers – 62% of the corporate loan book – as part of the continuous monitoring – five accounts were identified as stressed in May 2019 – It was Rs9.08bn in May 2019 but has now reduced to Rs8.19bn in Q3FY20
- On an average, 37% ECL provisioning has been done against these five stressed corporate accounts
- Out of these five accounts – IREO (Term loan) slipped into NPA in Q1FY20 and Radius and Supertech slipped into NPA in Q3FY20.
- Supertech (Rs2.44bn) – Since the developer is running into multiple credit exposures – PNBHF managed to get a favourable order from Haryana RERA to move the project from the parent level to a SPV. So even though Supertech is going to NCLT, this project exposure of PNBHF is IBC-proof.
- Radius (Rs2.59bn) – Under discussion with the co-lenders and promoters; sufficient receivables available in the project
- ITL Gurgaon – It has about Rs1.01bn outstanding (recovered Rs490mn) and expected to cure this by end of FY20.

- Omaxe group exposure is NOT an NPA – Rs6.35bn were disbursed for 3 projects across Chandigarh and Lucknow – The account is in Stage 1 – as of 31 Dec 2019.
- Ornate (Rs 1.81bn) has moved from Stage 1 to Stage 2 in Q3FY20.
- **There are additional 3-4 accounts which have moved from Bucket 1 and Bucket 2. But the company indicated that these are good projects but the macro-economic indicators have not been supporting the developers.** Quality of these 3-4 accounts that they are seeing as stressed are far superior to the 5 accounts which they identified as stressed in May 2019.

Retail NPA – went up by 20bps QoQ

- In Q3, the retail GNPA does goes up by about 20-25bps seasonally. In Q4 – the retail GNPA will again come down as SARFAESI resolutions will start coming in.

Capital raise:

- PNB has confirmed that they will maintain a minimum shareholding of 26% in the company. Its stated objective is to continue to be the promoter of the company. They do not plan to sell any of the current shareholding in the secondary market. PNBHF can continue to use the PNB brand.
- PNB has categorically said that they will not be able to invest in the company and will not participate in the current ongoing capital raise of the company.
- After the capital raise – they will stop doing securitization and will participate in direct assignments only ornamentally.
- No further equity raise estimated till FY23
- Tier 1 capital raise – Rs15bn-Rs16bn – maintain a cushion for PNB to not come down below 26%

Guidance for next 2-3 years:

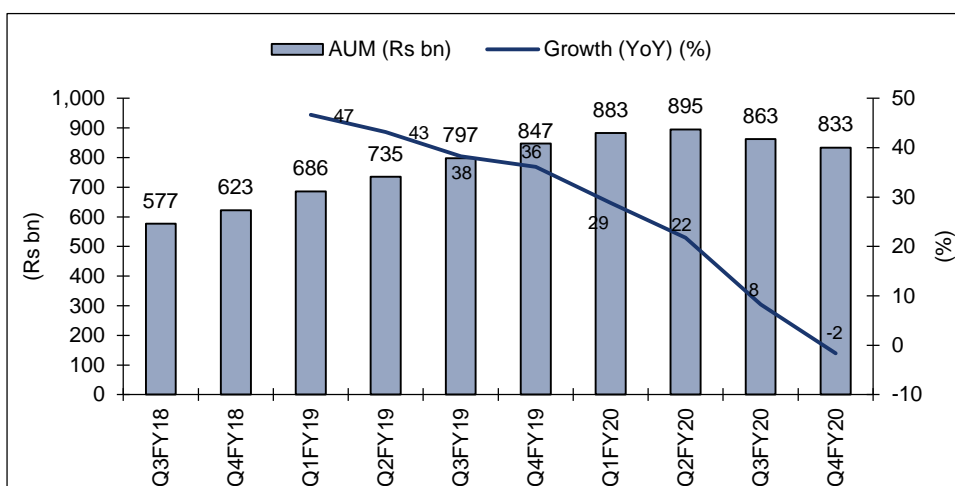
- A CAGR of 15-18% in AUM for next 3 years starting from FY20-FY23
- Spreads – between 200bps and 215bps
- Credit costs will be contained from the next financial year
- RoA - 170bps – 190bps
- Steady state gearing - 7.0x – 7.5x
- RoE - 13% - 14%
- Company guided for a mix of 85%:15% between retail and corporate over the next 2-3 years.

Miscellaneous:

- Company has significantly reduced the corporate book disbursements and will continue to remain cautious in the corporate book disbursements.
- GNPA – 1.45% (AUM basis) | 1.75% (loan-book basis)
- NPA includes 3 large corporate accounts that the company had highlighted as stressed in May 2019.

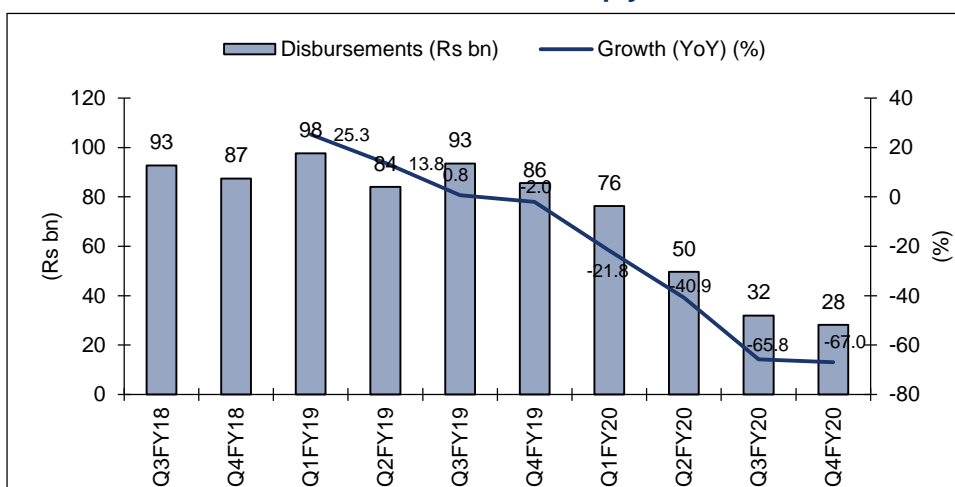
- PAT in 9MFY20 stood at Rs8883mn compared to Rs8118mn in 9MFY19 → growth of 9%
- Expansion in spreads is due to healthy yields on the loan portfolio compared to the cost of borrowings
- NIM witnessed slight compression because of the negative carry from the excess liquidity position. The company is carrying Rs100bn of liquidity which has negative carry. Also there were some income reversal from the securitized pool which led to lower net interest income.
- During 9M, registered a de-growth of 25% in loan-file logins while **corporate disbursements stood at Rs12.93bn in 9MFY20**
- What came as a very unpleasant surprise was that salaried home-loans (under construction) showed some asset quality deterioration

Chart 1: AUM exhibited decline of 2% in FY20



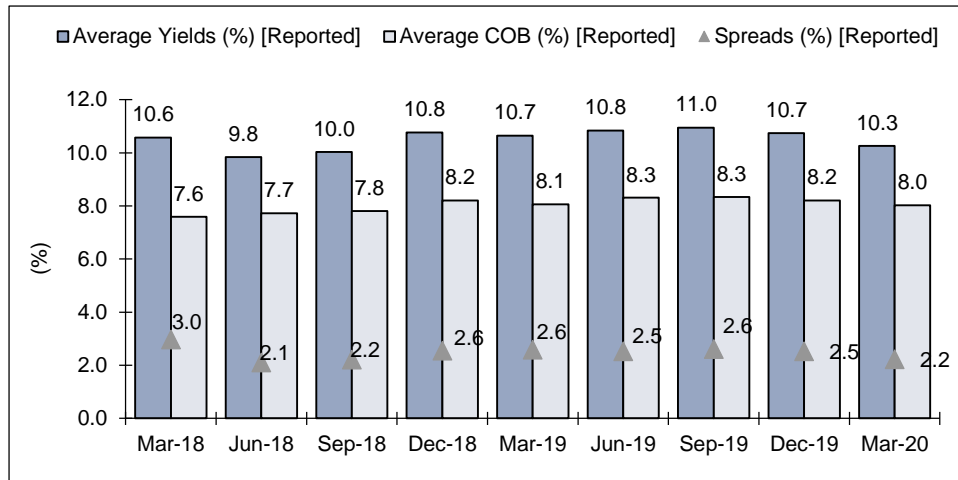
Source: Company data, I-Sec research

Chart 2: Disbursements at Rs28bn were sharply down 67% YoY



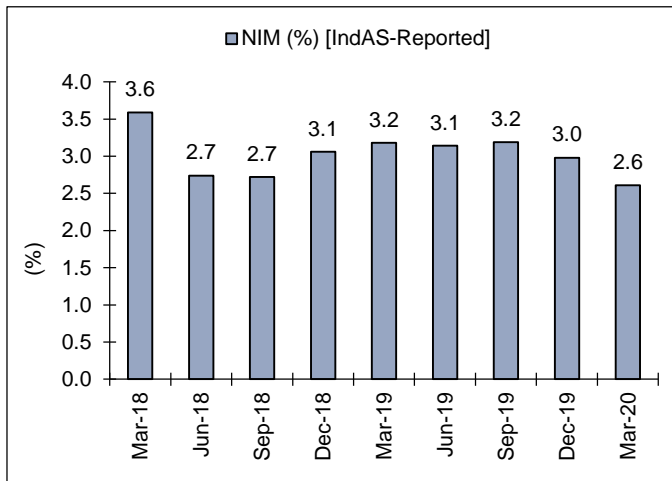
Source: Company data, I-Sec research

Chart 3: With the corporate book running off, spreads were 30bps lower QoQ



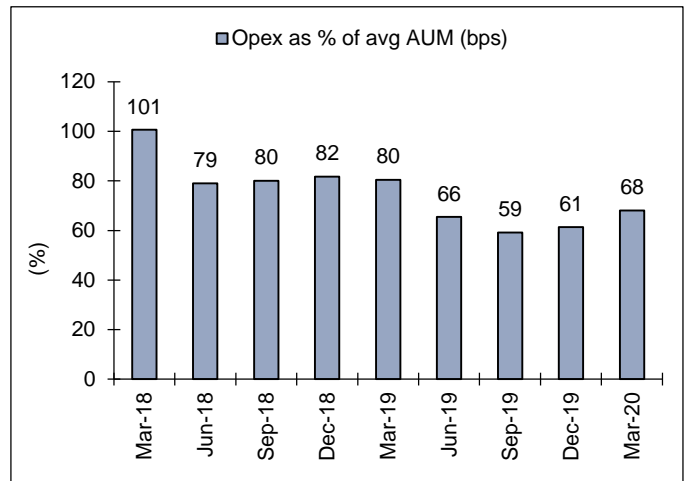
Source: Company data, I-Sec research

Chart 4: NIM were 40bps lower QoQ primarily because of excess liquidity on the balance sheet and lower securitization income



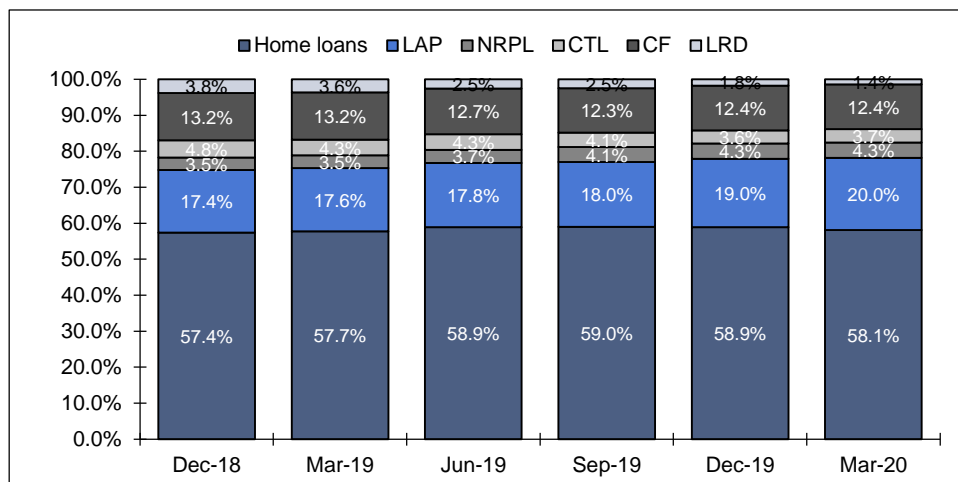
Source: Company data, I-Sec research

Chart 5: Opex ratio at ~68bps against inched up in the quarter primarily because of higher "other expenses"



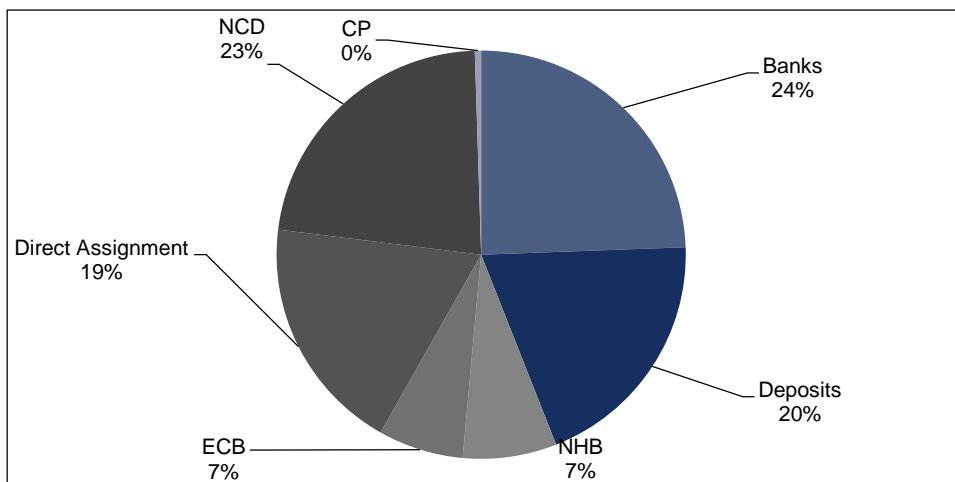
Source: Company data, I-Sec research

Chart 6: Proportion of retail in the AUM mix increased to 82.5%



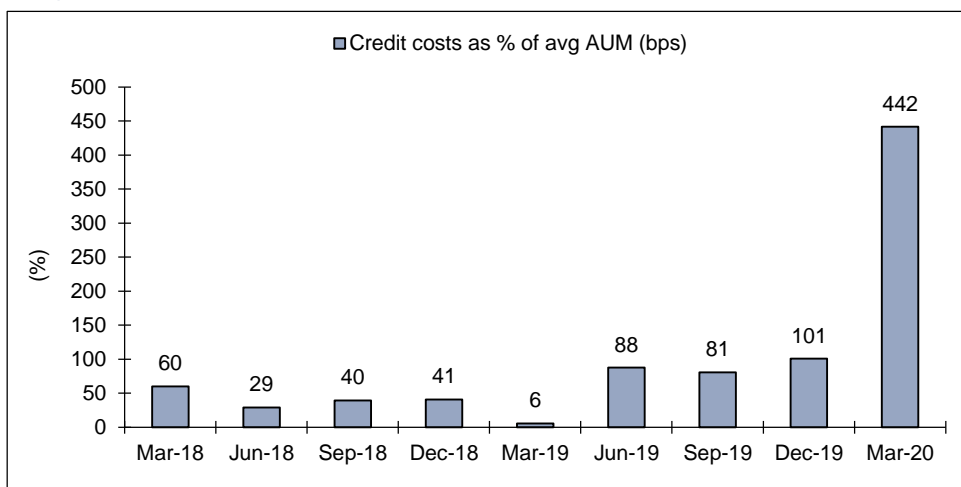
Source: Company data, I-Sec research

Chart 7: Diversified borrowing mix with proportion of CPs down to 0.5%



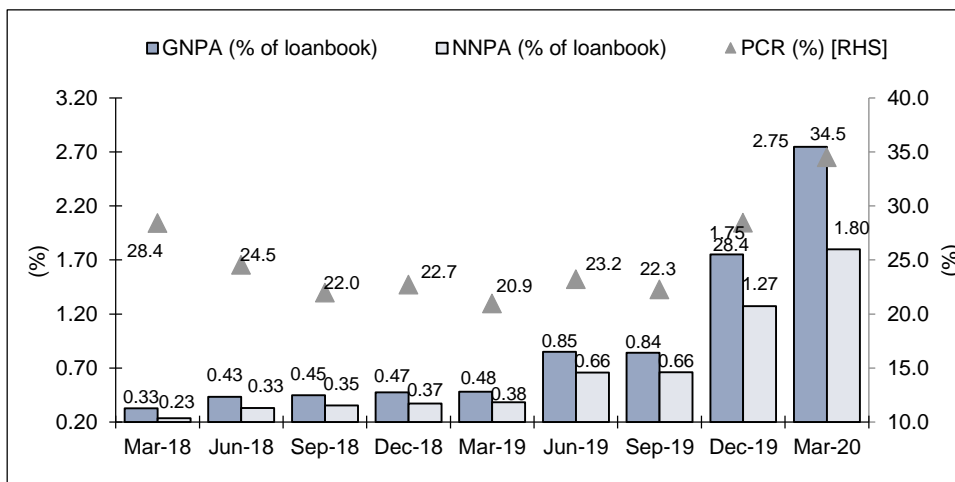
Source: Company data, I-Sec research

Chart 8: Credit costs continued to remain elevated with two new corporate accounts (one already identified and one new) totalling Rs5.4bn slipping into Stage 3. It also included COVID provisions of Rs4.7bn.



Source: Company data, I-Sec research

Chart 9: Two new corporate accounts slipped into Stage 3 resulting in reported GNPA at 2.75%, up 100bps QoQ. Provision coverage ratio stood at 34.5%.



Source: Company data, I-Sec research

Financial summary

Table 3: Profit and loss statement

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20E	FY21E	FY22E
Interest Income	50,247	71,010	80,244	73,362	71,018
Net gain on fair value changes	335	1,289	1,586	1,640	1,377
Interest Expenses	35,366	51,664	58,750	56,905	52,901
Net Interest Income (NII)	15,216	20,635	23,081	18,097	19,493
Other Income	2,929	4,533	3,066	2,591	2,903
Total Income (net of interest expenses)	18,145	25,168	26,146	20,688	22,396
Employee benefit expenses	1,442	3,039	2,331	2,237	2,193
Depreciation and amortization	241	314	659	724	797
Fee and commission expenses	835	546	89	89	58
Other operating expenses	2,910	2,036	2,444	2,150	2,263
Total Operating Expense	5,428	5,935	5,522	5,200	5,310
Pre Provisioning Profits (PPoP)	12,716	19,233	20,624	15,487	17,086
Provisions and write offs	2,765	1,889	12,514	11,736	12,055
Profit before tax (PBT)	9,951	17,344	8,110	3,751	5,031
Total tax expenses	3,935	5,430	1,648	825	1,107
Profit after tax (PAT)	6,016	11,914	6,462	2,926	3,924

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20E	FY21E	FY22E
Share capital	1,666	1,674	1,682	1,692	1,694
Reserves & surplus	64,008	73,764	78,296	81,546	85,378
Shareholders' funds	65,674	75,439	79,978	83,238	87,072
Borrowings	5,42,683	7,23,620	6,82,160	6,11,128	6,19,127
Provisions	187	252	189	199	209
Deferred tax liabilities (net)	0	0	0	0	0
Current Liabilities and short-term provisions	1,196	1,272	869	913	958
Other Liabilities	20,405	38,107	26,101	31,321	37,585
Total Liabilities and SHE	6,30,145	8,38,690	7,89,297	7,26,799	7,44,952
Fixed assets	852	1,077	2,546	2,724	2,915
Loans	5,70,140	7,40,230	6,75,710	6,31,436	6,50,737
Investments	24,130	45,607	20,757	26,985	35,080
Deferred tax assets (net)	455	610	2,859	3,145	3,460
Current Assets including cash and bank	28,170	40,341	85,144	60,000	50,000
Other Assets	6,398	10,825	2,281	2,509	2,760
Total Assets	6,30,145	8,38,690	7,89,297	7,26,799	7,44,952

Source: Company data, I-Sec research

Table 5: Key ratios*(Year ending Mar 31)*

	FY18	FY19	FY20E	FY21E	FY22E
AUM and Disbursements (Rs mn)					
AUM	6,22,520	8,47,220	8,33,460	8,20,047	8,56,233
On-book Loans	5,70,140	7,40,230	6,75,710	6,31,436	6,50,737
Off-book Loans	52,380	1,06,990	1,57,750	1,88,611	2,05,496
Disbursements	3,31,950	3,60,790	1,86,260	1,56,610	1,75,594
Growth (%):					
Total AUM	50.0	36.1	-1.6	-1.6	4.4
Housing AUM (including construction finance)	62.4	35.7	-2.1	-2.7	4.3
Non-Housing AUM (LAP, NRPL, LRD, CTL)	58.2	37.2	-0.4	0.9	4.8
Disbursements	60.8	8.7	-48.4	-15.9	12.1
Loan book (on balance sheet)	47.1	29.8	-8.7	-6.6	3.1
Total Assets	46.7	33.1	-5.9	-7.9	2.5
Net Interest Income (NII)	47.0	35.6	11.9	-21.6	7.7
Non-interest income	27.7	54.8	-32.4	-15.5	12.1
Total Income (net of interest expenses)	43.5	38.7	3.9	-20.9	8.3
Operating Expenses	23.6	34.4	-7.0	-5.8	2.1
Pre provisioning operating profits (PPoP)	51.4	40.1	7.2	-24.9	10.3
PAT	34.2	69.5	-45.8	-54.7	34.1
EPS	15.4	69.4	-45.7	-54.9	33.6
Yields, interest costs and spreads (%)					
NIM - on AUM	2.9%	2.8%	2.7%	2.2%	2.3%
Yield on loan assets	10.2%	10.1%	10.9%	10.5%	10.4%
Yield on IEA	9.2%	9.2%	8.7%	8.1%	7.8%
Borrowings (Rs mn)	5,42,683	7,23,620	6,82,160	6,11,128	6,19,127
Cost of borrowings	7.9%	8.2%	8.4%	8.8%	8.6%
Interest Spreads	2.4%	2.0%	2.5%	1.7%	1.8%
Operating efficiencies					
Non interest income as % of total income	16.1%	18.0%	11.7%	12.5%	13.0%
Cost to income ratio	24.3%	23.6%	21.1%	25.1%	23.7%
Op.costs/avg assets (%)	0.83%	0.81%	0.68%	0.69%	0.72%
Op.costs/avg AUM (%)	0.85%	0.81%	0.66%	0.63%	0.63%
No of employees (estimate)	1,290	1,610	1,700	1,650	1,600
No of branches	86	102	105	105	105
Average annual salary (Rs)	1.1	1.9	1.4	1.4	1.4
Annual inflation in average salary(%)	10%	69%	-27%	-1%	1%
Salaries as % of non-interest.costs (%)	32.6	51.2	42.2	43.0	41.3
NII /employee (Rsmn)	11.8	12.8	13.6	11.0	12.2
AUM/employee(Rsmn)	483	526	490	497	535
AUM/ branch (Rs mn)	7,239	8,306	7,938	7,810	8,155
Capital Structure					
Average gearing ratio	7.4	9.0	9.0	7.9	7.2
Leverage (x)	9.6	11.1	9.9	8.7	8.6
CAR (%)	16.7%	14.0%	18.0%	21.3%	23.4%
Tier 1 CAR (%)	12.8%	11.0%	15.2%	18.7%	20.9%
Tier 2 CAR (%)	3.9%	3.0%	2.8%	2.6%	2.5%
RWA (estimate)	5,15,090	5,80,200	4,91,430	4,44,430	4,16,706
Loan assets	4,78,921	6,55,185	7,07,970	6,53,573	6,41,087
RWA as a % of loan assets	108	89	69	68	65
Asset quality and provisioning					
GNPA (%)	0.33%	0.48%	2.75%	4.30%	5.40%
NNPA (%)	0.25%	0.38%	1.77%	2.41%	2.88%
GNPA (Rs mn)	1,861	3,549	18,562	27,152	35,140
NNPA (Rs mn)	1,438	2,805	11,838	14,933	18,273
Coverage ratio (%)	23%	21%	36%	45%	48%
Credit Costs as a % of avg AUM (bps)	53	26	149	142	144
Return ratios					
RoAA (%)	1.3%	1.6%	0.8%	0.4%	0.5%
RoAE (%)	11.6%	16.9%	8.3%	3.6%	4.6%
Payout ratio (%)	26%	15%	0%	0%	9%

	FY18	FY19	FY20E	FY21E	FY22E
Valuation Ratios					
No of shares	167	167	168	169	169
No of shares (fully diluted)	168	169	169	169	169
ESOP Outstanding	0.0	0.0	1.2	0.2	0.0
EPS (Rs)	42.2	71.2	38.4	17.3	23.2
EPS fully diluted (Rs)	41.7	70.7	38.1	17.3	23.2
Price to Earnings	5.0	3.0	5.5	12.3	9.2
Price to Earnings (fully diluted)	5.1	3.0	5.6	12.3	9.2
Book Value (fully diluted)	390	448	472	491	514
Adjusted book value	384	435	420	426	434
Price to Book	0.54	0.47	0.45	0.43	0.41
Price to Adjusted Book	0.55	0.49	0.50	0.50	0.49
DPS (Rs)	9.0	9.0	0.0	0.0	2.0
Dividend yield (%)	4.2%	4.2%	0.0%	0.0%	0.9%

Source: Company data, I-Sec research

Table 6: DuPont analysis (on average assets)*(Rs mn, year ending Mar 31)*

	FY18	FY19	FY20E	FY21E	FY22E
Average Assets (Rs mn)	5,29,870	7,34,417	8,13,994	7,58,048	7,35,875
Average Equity (Rs mn)	60,724	70,556	77,708	81,608	85,155
Interest earned	9.5%	9.7%	9.9%	9.7%	9.7%
Net gain on fair value changes	0.1%	0.2%	0.2%	0.2%	0.2%
Interest expended	6.7%	7.0%	7.2%	7.5%	7.2%
Gross Interest Spread	2.9%	2.8%	2.8%	2.4%	2.6%
Credit cost	0.5%	0.3%	1.5%	1.5%	1.6%
Net Interest Spread	2.3%	2.6%	1.3%	0.8%	1.0%
Operating cost	1.0%	0.8%	0.7%	0.7%	0.7%
Lending spread	1.3%	1.7%	0.6%	0.2%	0.3%
Non interest income	0.6%	0.6%	0.4%	0.3%	0.4%
Final Spread	1.9%	2.4%	1.0%	0.5%	0.7%
Tax rate (%)	0.7%	0.7%	0.2%	0.1%	0.2%
ROAA	1.1%	1.6%	0.8%	0.4%	0.5%
Effective leverage (AA/ AE)	8.7	10.4	10.5	9.3	8.6
RoAE	9.9%	16.9%	8.3%	3.6%	4.6%

Source: Company data, I-Sec research

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