MOTILAL OSWAL

2 November 2020
2QFY21 Results Update | Sector: Financials

HDFC

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	HDFC IN
Equity Shares (m)	1,721
M.Cap.(INRb)/(USDb)	3668.2 / 46.4
52-Week Range (INR)	2500 / 1473
1, 6, 12 Rel. Per (%)	11/-11/-3
12M Avg Val (INR M)	10179

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Core PPoP	138.4	156.3	177.9
Adj. PAT	96.2	108.2	122.5
Adj. EPS (INR)	49.2	53.6	60.4
EPS Gr. (%)	10.8	8.9	12.7
BV/Sh. (INR)	537.9	620.1	663.6
ABV/Sh. (INR)	399.0	485.5	529.0
Core RoA (%)	1.8	1.8	1.8
Core RoE (%)	13.1	12.3	11.9
Payout (%)	23.7	43.5	43.5
Valuation			
AP/E (x)	21.6	17.9	13.2
P/BV (x)	3.8	3.3	3.1
AP/ABV (x)	2.7	2.0	1.5
Div. Yield (%)	1.0	1.2	1.3

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	0.0	0.0	0.0
DII	18.5	18.0	14.8
FII	70.2	70.9	74.7
Others	11.3	11.1	10.6

FII Includes depository receipts

CMP: INR2,043 TP: INR2,450 (+20%) Buy

Strong pickup in disbursements; Best-in-class asset quality

- HDFC's core PBT grew 15% YoY to INR30.4b (in-line), driven by 4% beat on NII, which was offset by higher provisioning. AUM growth of 10% (largely in-line) belies the strong business pickup on an incremental basis – **individual disbursements stood at 95% of YoY levels in 2QFY21 and were up 11%/22% YoY in Sep'20/Oct'20 (adjusted for the festival impact).**
- GNPL ratio improved 6bp QoQ to 1.81%. Adjusted for the Supreme Court (SC) order on asset quality classification, GNPL improved by 4bp. **In the individual lending book, overall collection efficiency (CE) was 96.3%, while that of the non-moratorium book was 99.5%.**
- **In 1HFY20, NII/core PPoP/core PBT grew 16%/12%/11% YoY.**
- With the sharp fall in cost of funds, we have increased spread estimates by ~10bp. However, higher ESOP cost is leading to largely unchanged core PBT estimates. We cut our PAT estimates by 7%/10% due to lack of clarity on regulations related to dividend income from subsidiaries. We expect HDFC to report core RoA/RoE of 2%/12% over FY22-23E. Reiterate **Buy** with SOTP-based TP of INR2,450 (Sep'22E-based).

Robust disbursement performance; Loan mix stable

- While loan applications in 2QFY21 were up 12% YoY, individual loan disbursements were down 5% YoY. In Sep'20, disbursements were up 11% YoY. Strong traction continued in Oct'20, with disbursements up 35% YoY (22% YoY adjusted for the festival impact in the prior year).
- **Hence, overall AUM grew 2%/10% QoQ/YoY to INR5.4t. The share of individual loans was up 60bp QoQ to 74.8%.**
- The company assigned loans worth INR30b during the quarter, which is up >2x QoQ but still at 50% of pre-COVID run-rate levels. Corresponding assignment income stood at INR1.6b (v/s INR1.8b QoQ and INR2.6b YoY).

Asset quality modestly improves; Maintaining elevated provisions

- **GNPL ratio improved 6bp QoQ to 1.81%, driven by 8bp QoQ decline in individual GNPL ratio to 0.84%.** While non-individual lending GNPL ratio inched up 10bp to 4.2%, there were resolutions in the corporate lending book. Excluding the SC order on NPL classification, the GNPL ratio would have been only 2bp higher. **~INR79.8b worth of loans (1.7% of total) received asset reclassification benefit due to the moratorium.**
- The company continues to maintain elevated provisions. **Its standard asset provisions stand at 1.6% of loans. Including Stage 3 provisions, the total buffer stands at 2.6% of loans – the highest in our HFC coverage universe.**
- In Sep'20, for the individual lending business, collection efficiency (CE) was 96.3% on an overall basis and 99.5% for non-moratorium accounts. The CE numbers are encouraging and point toward normalizing asset quality trend over the next few months.
- During the quarter, the company made COVID related provisions of INR3b, taking the total to INR12b (25bp of overall loans).

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Margins improve on back of lower liquidity on the balance sheet

- While overall spreads were sequentially stable at 2.27%, NIMs improved 20bp QoQ to 3.3% on the back of lower liquidity on the balance sheet.
- Total borrowings declined 3% QoQ to INR4.2t. The share of term loans in total borrowings declined 270bp QoQ to 21% while that of deposits increased 200bp to 35%. Deposits grew 3% QoQ/ 21% YoY to INR1.48t.

Other highlights

- Total opex, ex-CSR, increased 10-11% QoQ/YoY to INR3.6t.
- In Sep'20, the company allotted new ESOPs, leading to ESOP charge of ~INR450m. This quarter only includes one month impact of ESOP charge. Until Aug'21, we are factoring in ~INR400/month ESOP charge now.
- CAR improved to 20.7% v/s 17.3% a quarter ago, helped by capital raise of INR100b via QIP and INR3.1b of warrant money.

Valuation and view

2QFY21 was a strong quarter on all fronts. Disbursements have been picking up MoM and have crossed YoY levels over the past two months. With declining cost of funds and reduction of excess liquidity on the balance sheet, margins should be stable despite pressure on retail lending yields. CE data is encouraging. We believe the company has made more-than-enough provisions for any potential asset quality slippages for the next two quarters. While our core PBT estimates for FY21/22E are largely unchanged, we cut our PAT estimates by 7%/10% on account of lower dividend income. We expect HDFC to report core RoA/RoE of 2%/12% over FY22-23E. Reiterate **Buy** with SOTP-based TP of INR2,450 (Sep'22E-based).

Quarterly performance (INR b)

Y/E March	FY20				FY21				FY20	FY21	2QFY21E	Act V/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Interest Income	107.8	107.8	109.8	112.0	111.5	110.0	110.9	112.1	437.5	444.6	113.5	-3.0
Interest Expense	77.4	78.3	77.7	76.6	78.2	74.0	73.6	73.3	310.0	299.1	79.0	-6.3
Net Interest Income	**30.4**	**29.5**	**32.1**	**35.4**	**33.4**	**36.0**	**37.3**	**38.8**	**127.5**	**145.5**	**34.5**	**4.4**
YoY Change (%)	10.9	12.7	11.0	12.1	9.7	22.1	16.1	9.5	11.4	14.1	17.0	
Assignment Income	3.0	2.6	1.7	2.4	1.8	1.6	2.0	2.4	9.7	7.8	2.7	-41.1
NII (including assignment income)	**33.4**	**32.1**	**33.8**	**37.8**	**35.2**	**37.6**	**39.3**	**41.2**	**137.2**	**153.3**	**37.2**	**1.1**
YoY Change (%)	15.7	6.6	7.4	17.1	5.4	17.0	16.1	9.0	11.5	11.8	15.8	
Other Operating Income	0.6	0.6	0.7	1.0	0.5	0.8	0.8	0.9	3.0	3.0	0.7	13.6
Core Income	**34.0**	**32.8**	**34.5**	**38.8**	**35.7**	**38.4**	**40.1**	**42.2**	**140.1**	**156.4**	**37.9**	**1.3**
YoY Change (%)	15.4	6.1	7.7	15.1	4.9	17.1	16.2	8.6	11.1	11.6	15.6	
Operating Expenses	3.8	3.8	3.8	3.5	4.0	3.7	5.0	5.3	15.0	18.0	4.2	-12.2
YoY Change (%)	-25.1	17.7	13.2	11.9	3.8	-3.5	30.1	51.3	0.8	19.9	10.0	
Core Operating profits	**30.2**	**29.0**	**30.7**	**35.3**	**31.7**	**34.7**	**35.1**	**36.8**	**125.2**	**138.4**	**33.7**	**3.0**
YoY Change (%)	23.9	4.7	7.1	15.4	5.0	19.8	14.5	4.3	12.5	10.6	16.3	
Provisions	3.2	2.5	3.0	7.2	3.0	4.4	4.0	4.2	15.9	15.5	3.3	34.2
Core PBT	**27.0**	**26.5**	**27.7**	**28.0**	**28.7**	**30.4**	**31.1**	**32.6**	**109.2**	**122.9**	**30.5**	**-0.3**
YoY Change (%)	11.6	0.3	0.9	0.0	6.4	14.9	12.2	16.3	2.9	12.5	15.2	
Profit on Sale of Inv./MTM on Inv.	18.5	13.0	90.6	4.3	13.4	1.7	2.5	2.5	126.4	20.0	0.1	
Dividend income	0.0	10.7	0.0	0.0	3.0	3.2	3.0	2.9	10.8	12.2	3.2	
One off expense/Prov	-5.7	-5.0	-27.0	-5.5	-9.0	0.0	0.0	0.0	-43.2	-9.0	0.0	
Other Income	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.2	0.2	0.1	
PBT	**39.9**	**45.3**	**91.4**	**26.9**	**36.1**	**35.3**	**36.7**	**38.2**	**203.5**	**146.3**	**33.9**	**4.2**
YoY Change (%)	29.8	29.8	218.7	-27.1	-9.5	-22.0	-59.8	41.8	55.1	-28.1	-25.2	
Provision for Tax	7.8	5.7	7.7	4.6	5.6	6.6	7.3	7.5	25.8	27.1	6.8	-2.4
PAT	**32.0**	**39.6**	**83.7**	**22.3**	**30.5**	**28.7**	**29.4**	**30.6**	**177.7**	**119.2**	**27.1**	**5.9**
YoY Change (%)	46.3	60.6	296.1	-22.0	-4.7	-27.6	-64.9	37.2	84.5	-32.9	-31.6	
PAT (Excl exceptional)	**21.6**	**29.8**	**22.3**	**22.5**	**25.4**	**26.9**	**27.4**	**28.5**	**96.2**	**108.2**	**27.0**	**-0.4**

E: MOFSL Estimates

Valuation and view

- HDFC is well placed in the current environment to capture profitable market share. The company has access to low cost of funds, strong ALM position, comfortable leverage, adequate provisioning on the balance sheet with healthy Tier-I ratio at 19.5%.
- Contrary to initial expectations six months ago, disbursements have been picking up MoM and have crossed YoY levels over the past two months. **In our view, HDFC should deliver low double-digit AUM growth in FY21-22E and 15% YoY growth in FY23E.**
- With declining cost of funds and reduction of excess liquidity on the balance sheet, margins should be stable despite pressure on retail lending yields.
- Asset quality performance has been better than initial expectations. **CE of 96% in the individual lending book is among the best in the NBFC space.** We believe the company has made more-than-enough provisions for any potential asset quality slippages for the next two quarters. **Its total provision buffer of INR123b is higher than its Stage 3 loans of INR104b.**
- HDFC's most subsidiaries are among the top-3 players in their respective segments. Importantly, the value contribution of subsidiaries/associates has been increasing. They now contribute ~55% to our SOTP (v/s 37% five years ago and 34% 10 years ago).
- While we increase ESOP related expenses for FY21-22E, our core PBT estimates remain largely unchanged. However, we cut our PAT estimates by 7%/10% on account of lower dividend income. We expect HDFC to report core RoA/RoE of 2%/12% over FY22-23E. Reiterate **Buy** with SOTP-based TP of INR2,450 (Sep'22E-based).

Exhibit 1: SOTP Sep '22E-based

Particular	Stake	Value (INR b)	Value (USD b)	Value/Sh. (INR)	% of total	Target Multiple (x)	Rationale
Core business		**1,982**	**26.2**	**1,108**	**45.2**	**2.0**	**PBV**
Key Ventures							
HDFC Bank	21.2	1,797	23.8	1,005	41.0	3.5	PBV
HDFC Standard Life	50.1	631	8.3	353	14.4	4.0	PEV
HDFC AMC	52.7	307	4.1	172	7.0	35.0	PE
HDFC ERGO GIC	50.5	98	1.3	55	2.2	6.0	PBV
Bandhan Bank	10.0	74	1.0	41	1.7	3.0	PBV
Credila	100.0	76	1.0	43	1.7	3.0	PBV
Other Invt/Excess NW		17	0.2	10	0.4	1.0	Invested Capital
Total Value of Ventures		**3,001**	**39.7**	**1,677**	**68.5**		
Less: 20% holding discount		600	7.9	335	13.7		
Value of Key Ventures		**2,401**	**31.8**	**1,342**	**54.8**		
SOTP		**4,382**	**58.0**	**2,450**	**100.0**		
CMP		3,655	48.3	2,043			
Upside - %		**19.9**	**19.9**	**19.9**			

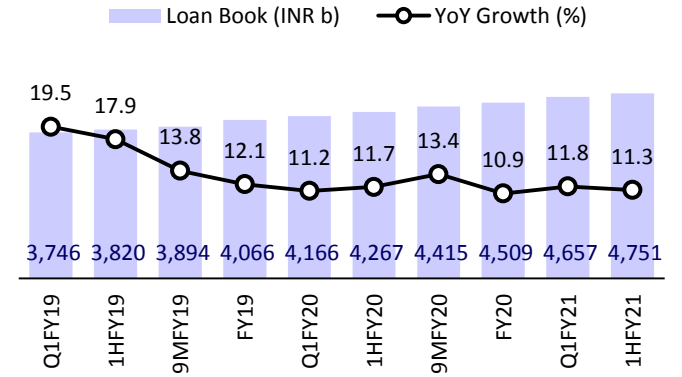
Source: MOFSL, Company

Exhibit 2: Our core PBT estimates are largely unchanged

INR b	Old Est			New Estimates			% Change		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
NII	**141.6**	**159.1**	**177.7**	**145.5**	**161.2**	**180.6**	**2.7**	**1.3**	**1.7**
Assignment Income	9.7	10.9	12.3	7.8	10.4	12.2			
Fee and others	2.7	3.1	3.5	3.0	3.5	4.0			
Total Income	**154.0**	**173.1**	**193.4**	**156.4**	**175.1**	**196.8**	**1.5**	**1.2**	**1.8**
Operating Expenses	15.8	17.6	19.6	18.0	18.8	19.0	13.6	6.6	-3.4
Core PPoP	**138.2**	**155.5**	**173.8**	**138.4**	**156.3**	**177.9**	**0.1**	**0.5**	**2.3**
Provisions	12.9	15.4	18.5	15.5	17.9	20.5			
Core PBT	**125.3**	**140.1**	**155.3**	**122.9**	**138.5**	**157.3**	**-2.0**	**-1.1**	**1.3**
Non-core income	34.5	35.7	41.3	23.4	19.2	22.5			
PBT	**159.8**	**175.8**	**196.6**	**146.3**	**157.7**	**179.8**	**-8.5**	**-10.3**	**-8.6**
Tax	31.5	36.9	41.3	27.1	33.1	37.8	-14.1	-10.3	-8.6
PAT	**128.3**	**138.9**	**155.3**	**119.2**	**124.6**	**142.1**	**-7.1**	**-10.3**	**-8.6**
Core PAT	**117.8**	**132.1**	**147.3**	**108.2**	**122.5**	**139.6**	**-8.1**	**-7.3**	**-5.2**
Loans	4,946	5,564	6,398	5,062	5,679	6,531	2.4	2.1	2.1
AUM	5,685	6,395	7,354	5,736	6,453	7,421	0.9	0.9	0.9
Borrowings	4,500	5,091	5,886	4,607	5,196	6,008	2.4	2.1	2.1
Spreads	1.88	1.91	1.90	2.05	2.00	2.01			
NIMs	2.72	2.74	2.69	2.77	2.73	2.69			
Core RoA (%)	**1.84**	**2.17**	**2.13**	**1.79**	**1.98**	**1.99**			
Core RoE (%)	**12.5**	**11.9**	**12.0**	**12.3**	**11.9**	**12.4**			

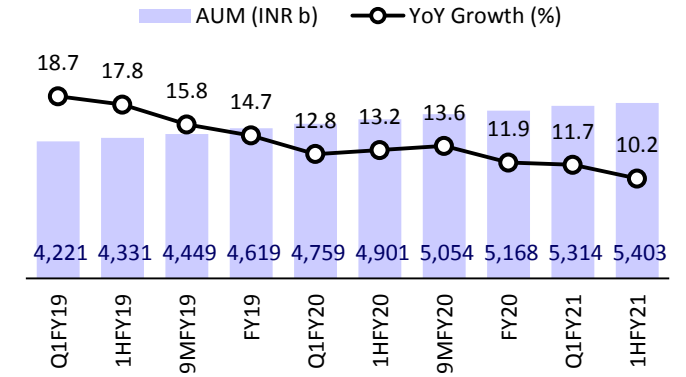
Key Exhibits

Exhibit 3: Loan growth stable



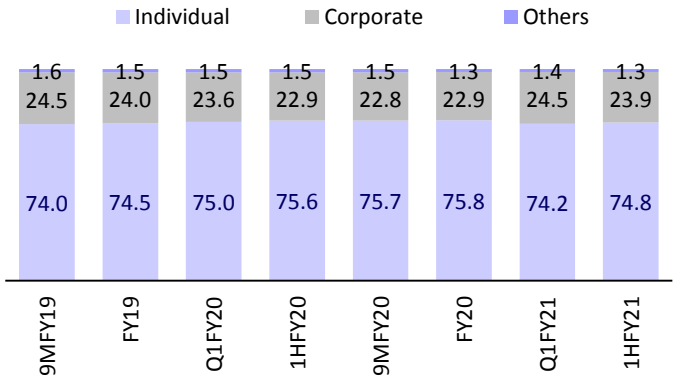
Source: MOSFL, Company

Exhibit 4: AUM growth declining modestly



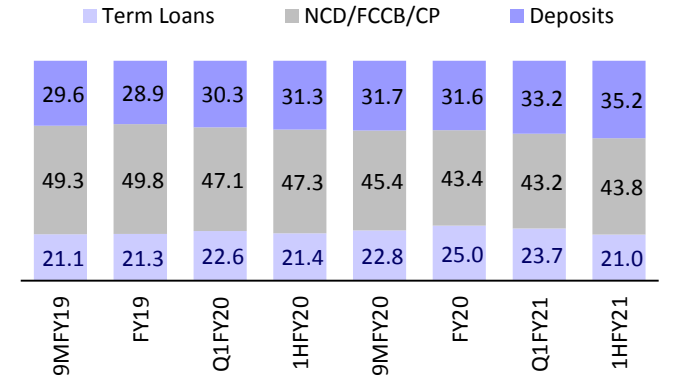
Source: MOSFL, Company

Exhibit 5: Individual loans' share up 60bp QoQ (%)



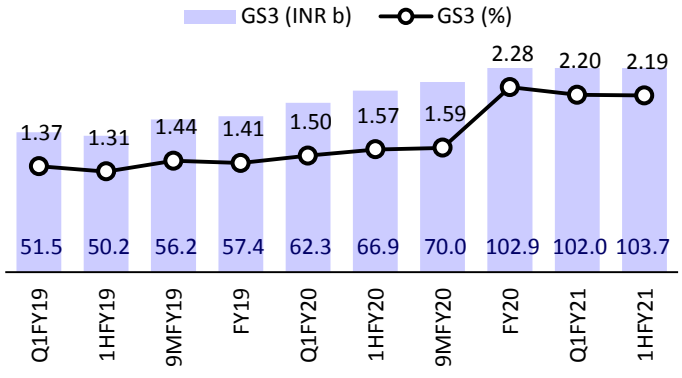
Source: MOSFL, Company,*HL :Home Loans

Exhibit 6: Rising share of deposits (%)



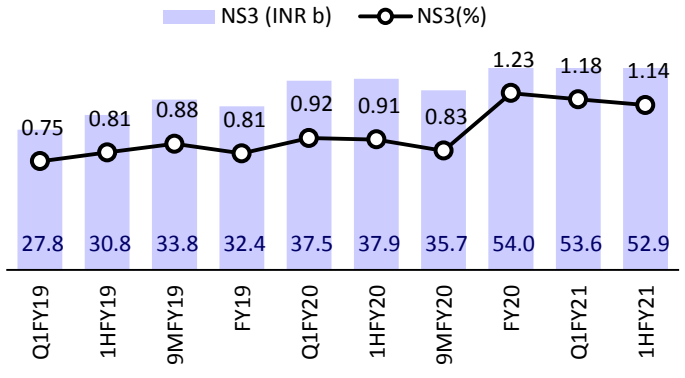
Source: MOSFL, Company

Exhibit 7: GS3 flat sequentially



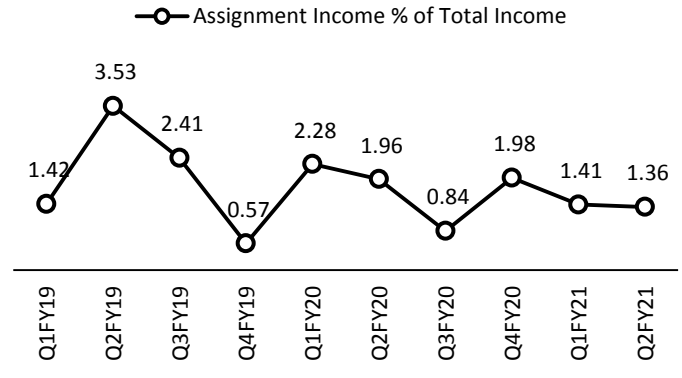
Source: MOFSL, Company

Exhibit 8: NS3 down 4bp QoQ



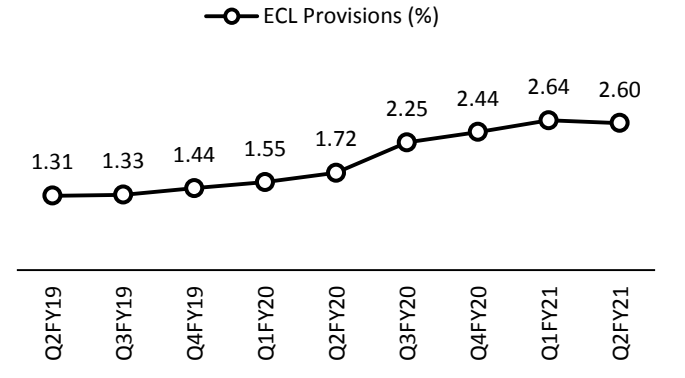
Source: MOFSL, Company

Exhibit 9: Assignment income trend (%)



Source: MOFSL, Company

Exhibit 10: Outstanding provisions at 2.6% of loans



Source: MOFSL, Company

Valuation Matrix

	Rating	CMP (INR)	Mcap (USDb)	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
HFCs											
HDFC*	Buy	2,043	44.5	32.7	28.6	3.7	3.2	1.8	1.8	12.5	11.9
LICHF	Buy	299	1.9	5.4	5.7	0.8	0.7	1.2	1.1	14.7	12.6
PNBHF	Neutral	355	0.8	6.2	5.3	0.7	0.6	1.2	1.4	11.4	12.2
Vehicle fin.											
SHTF	Buy	754	2.1	7.6	6.5	0.9	0.8	2.1	2.4	12.7	12.6
MMFS	Buy	125	1.0	15.7	13.8	1.0	0.9	1.3	1.4	7.3	7.0
CIFC	Buy	293	3.0	14.7	12.6	2.5	2.1	2.4	2.5	18.7	18.4
Diversified											
BAF	Neutral	3,415	26.7	47.4	25.9	5.6	4.7	2.6	4.2	12.6	19.9
SCUF	Buy	822	0.7	7.2	5.7	0.7	0.6	2.4	3.0	9.9	11.4
LTFH	Buy	66	1.7	14.0	6.1	0.9	0.8	0.8	1.9	6.4	13.4
MUTH	Buy	1,237	6.6	14.5	12.4	3.5	2.8	6.5	6.9	26.4	25.2
MAS	Buy	826	0.6	26.8	22.4	4.0	3.6	3.7	4.0	16.0	16.9

**adj. for subsidiaries*

Financials and Valuations

Income statement								(INR b)
Y/E March	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Interest Income	281	309	331	393	437	445	480	545
Interest Expended	194	209	235	278	310	299	319	364
Net Interest Income	**87**	**100**	**96**	**114**	**127**	**145**	**161**	**181**
Change (%)	8.8	14.5	-3.2	18.7	11.4	14.1	10.8	12.0
Assignment income	0	0	5	9	10	8	10	12
NII (including assignment income)	**87**	**100**	**102**	**123**	**137**	**153**	**172**	**193**
Change (%)	8.8	14.5	2.2	21.0	11.5	11.8	11.9	12.4
Other core operating income	4	3	2	3	3	3	4	4
Core Income	**91**	**103**	**104**	**126**	**140**	**156**	**175**	**197**
Change (%)	9.5	13.5	0.9	21.4	11.1	11.6	12.0	12.4
Operating Expenses	**8**	**8**	**19**	**15**	**15**	**18**	**19**	**19**
Change (%)	7.4	10.3	127.6	-22.0	0.8	19.9	4.6	1.0
% of core income	8.4	8.1	18.3	11.8	10.7	11.5	10.7	9.6
Core operating profits	**83**	**95**	**85**	**111**	**125**	**138**	**156**	**178**
Change (%)	9.7	13.8	-10.3	31.1	12.5	10.6	13.0	13.8
Provisions/write offs	7	7	21	9	59	25	18	21
Core PBT	**76**	**88**	**64**	**102**	**66**	**114**	**138**	**157**
Change (%)	2.5	15.3	-27.3	59.9	-35.2	72.3	21.6	13.6
Profit on sale/MTM on Invt.	16	10	57	18	126	20	5	5
Dividend Income	8	9	11	11	11	12	14	17
One off exp/prov	-5	-3	-17	-4	-43	-9	0	0
Miscellanous Income	1	1	0	0	0	0	0	0
PBT	**97**	**105**	**115**	**127**	**160**	**137**	**158**	**180**
Tax	30	33	22	35	26	27	33	38
Tax Rate (%)	31.2	31.4	19.3	27.4	16.1	19.7	21.0	21.0
Reported PAT	**66**	**72**	**93**	**92**	**135**	**110**	**125**	**142**
Change (%)	10.9	7.9	29.8	-1.0	46.0	-18.1	13.0	14.1
PAT adjusted for EO*	**66**	**74**	**68**	**87**	**96**	**108**	**122**	**140**
Change (%)	8.9	12.2	-8.7	29.0	10.5	12.5	13.2	14.0
Proposed Dividend	31	29	41	43	44	45	47	53

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

Balance sheet								(INR b)
Y/E March	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Capital	3	3	3	3	3	4	4	4
Reserves and Surplus (Ex OCI)	357	433	652	774	928	1,106	1,183	1,272
Net Worth (Ex OCI)	**360**	**436**	**655**	**778**	**932**	**1,109**	**1,187**	**1,276**
Other Comprehensive Income	0	-2	-3	-4	-70	-70	-70	-70
Net Worth (Incl OCI)	**360**	**434**	**653**	**774**	**862**	**1,039**	**1,117**	**1,206**
Borrowings	**2,376**	**2,794**	**3,197**	**3,662**	**4,191**	**4,607**	**5,196**	**6,008**
Change (%)	13.9	17.6	14.4	14.5	14.4	9.9	12.8	15.6
Other liabilities	142	124	139	152	188	207	228	251
Total Liabilities	**2,879**	**3,352**	**3,989**	**4,588**	**5,241**	**5,853**	**6,541**	**7,465**
Loans	**2,592**	**2,989**	**3,628**	**4,066**	**4,509**	**5,062**	**5,679**	**6,531**
Change (%)	13.6	15.3	21.4	12.1	10.9	12.3	12.2	15.0
Investments	**153**	**202**	**307**	**462**	**649**	**682**	**750**	**825**
Change (%)	7.4	31.5	52.2	50.5	40.4	5.0	10.0	10.0
Net Fixed Assets	7	10	10	10	22	25	27	30
Other assets	144	150	43	50	60	84	85	79
Total Assets	**2,897**	**3,352**	**3,989**	**4,588**	**5,241**	**5,853**	**6,541**	**7,465**

E: MOSL Estimates

Financials and Valuations

Y/E March	2016	2017	2018	2019	2020E	2021E	2022E	2023E
AUM (INR B)	**2,915**	**3,385**	**4,029**	**4,619**	**5,168**	**5,736**	**6,453**	**7,421**
Change (%)	15.1	16.1	19.0	14.7	11.9	11.0	12.5	15.0
Individual loans (%)	72.8	72.6	72.9	74.5	75.8	74.8	74.5	74.5
Non Individual loans (%)	27.2	27.4	27.1	25.5	24.2	25.2	25.5	25.5
On Balance Sheet (%)	88.9	88.3	90.1	88.0	87.3	88.3	88.0	88.0
Assignment/Securitisation (%)	11.1	11.7	9.9	12.0	12.7	11.8	12.0	12.0

E: MOSL Estimates

Ratios

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Spreads Analysis (%)								
Avg Yield on Hsg Loans	**11.0**	**10.5**	**9.6**	**9.7**	**9.7**	**8.9**	**8.5**	**8.5**
Avg. Yield on Funds	11.0	10.5	9.4	9.5	9.4	8.5	8.1	8.1
Avg. Cost of funds	8.7	8.1	7.8	8.1	7.9	6.8	6.5	6.5
Interest Spread on loans	**2.3**	**2.5**	**1.7**	**1.6**	**1.8**	**2.1**	**2.0**	**2.0**
Net Interest Margin	**3.4**	**3.4**	**2.7**	**2.8**	**2.7**	**2.8**	**2.7**	**2.7**
Profitability Ratios (%)								
RoAE	20.9	18.7	20.2	13.5	21.7	12.5	11.6	12.2
Core ROE	**20.7**	**19.7**	**12.6**	**13.0**	**13.1**	**12.3**	**11.9**	**12.4**
RoA	2.42	2.37	1.84	2.03	1.96	1.95	1.98	1.99
Core ROA	**2.02**	**2.04**	**1.61**	**1.84**	**1.80**	**1.79**	**1.80**	**1.80**
Efficiency Ratios (%)								
Int. Expended/Int.Earned	69.0	67.7	70.9	70.9	70.9	67.3	66.4	66.8
Op. Exps./Net Income	6.6	6.8	11.1	9.6	5.4	9.5	9.7	8.6
Empl. Cost/Op. Exps.	46.0	46.5	72.0	48.2	39.6	49.5	45.0	37.9
Asset Quality (INR m)								
Gross NPAs	19	24	41	48	89	141.0	170.7	201.8
Gross NPAs to Adv. (%)	0.7	0.8	1.1	1.2	2.0	2.8	3.0	3.1
Net NPAs	13	16	29	34	66	98.7	119.5	141.2
Net NPAs to Adv. (%)	0.5	0.6	0.8	0.8	1.5	2.0	2.1	2.2

VALUATION	2016	2017	2018	2019	2020	2021E	2022E	2023E
Book Value (INR)	227.7	274.7	391.1	451.7	537.9	620.1	663.6	713.2
Price-BV (x)				**4.5**	**3.8**	**3.3**	**3.1**	**2.9**
Adjusted BV* (INR)	176.6	220.1	340.2	352.4	399.0	485.5	529.0	578.7
Adj Price-ABV (x)				**3.5**	**2.7**	**2.0**	**1.5**	**1.0**
Adjusted EPS (INR)#	33.7	39.1	34.5	44.4	49.2	53.6	60.4	68.6
Adjusted EPS Growth YoY	8.2	15.9	-11.7	28.7	10.8	8.9	12.7	13.6
Adj Price-Adj EPS (x)				**27.8**	**21.6**	**17.9**	**13.2**	**8.8**
Dividend per share (INR)	17.0	18.0	20.0	21.0	21.0	25.0	26.1	29.8
Dividend yield (%)				**1.0**	**1.0**	**1.2**	**1.3**	**1.5**

E: MOSL Estimates; * BV is adj. by ded. invt in Subs/Asso. from NW

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

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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