Equity Research

April 29, 2021

BSE Sensex: 49734

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Q4FY21 result review, TP & earnings revision

Housing Finance

Target price: Rs385

Earnings revision

(%)	FY22E	FY23E
PAT	↓ 4	↓ 2

Target price revision

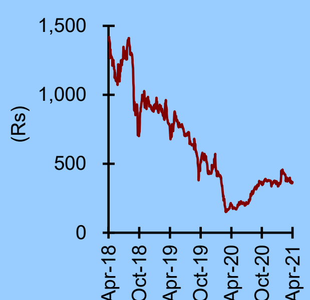
Rs385 from Rs360

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	32.7	32.7	32.6
Institutional investors	27.6	28.0	27.8
MFs and others	2.3	2.1	2.1
FIs/Banks	0.8	0.8	0.2
Insurance	0.3	0.3	0.8
FIIs	24.2	24.8	24.7
Others	39.7	39.3	39.6

Source: CMIE

Price chart



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INDIA

PNB Housing Finance

HOLD
Maintain

Business transformation underway; modest growth and return metrics

Rs377

PNB Housing Finance's (PNBHF) earnings at Rs1.3bn were down 45% QoQ due to higher provisioning and run-down in AUM. Reported stage-3 (at 4.44%) settled near to Q3FY21 proforma stage-3. However, retail stage-2 at 5.1%, corporate stage-2 at 10% and restructuring of >2.7% can make balance sheet vulnerable to incremental stress. Strategically, business transformation is underway with new agenda to 1) target mass retail housing, build high yield 'Unnati' portfolio; 2) drive efficiency through cost management and digital drive; and 3) strengthen the team and improve gearing. This transition will moderate growth, though risk-adjusted return will be better over the medium term. With anticipated RoE of sub-13% and modest AUM growth of 5% over FY21-23E, we assign fair multiple of 0.7x. Maintain HOLD with a revised target price of Rs385 (earlier: Rs360). Key risks: 1) Faster-than-anticipated resolution of stress, and 2) change in credit rating outlook post the proposed equity raise.

- **Strategically, business transformation is underway with new agenda:** Business transformation is underway with new agenda set towards targeting mass retail housing leveraging the expertise and building high yielding 'Unnati' portfolio by strengthening distribution in tier-2/3 cities. To strengthen the core, it is firming up the management team with five external hires (Head - Collections, Chief Information Security Officer, Head of SG&A, Internal Auditor and Affordable Housing) and two internal promotions. It is also accelerating digital drive, augmenting data analytics team, improving business positioning and strengthening underwriting and collection under the project 'IGNITE'.
- **Positively stage-3 assets settled near to pro-forma disclosed in Q3FY21:** Reported stage-3 (at 4.44%) settled near to Q3FY21 pro-forma stage-3 (no rise is positive surprise). Collection efficiency in retail was 98.3% in Q4FY21 (99% in March). In FY21, coupled with higher delinquencies, recoveries too have gained traction. Corporate account of Rs1.5bn slipped in Q4FY21. Of corporate book, 12.7% is in stage-3 assets and for retail assets, it is 2.5%. However, retail stage-2 at 5.1%, corporate stage-2 at 10% and restructuring of >2.7% can make balance sheet vulnerable to incremental stress. Provisioning rise in Q4FY21 was primarily towards stage-2 assets. The company has restructured Rs13.9bn of retail portfolio (2.7%) and Rs3.37bn of corporate portfolio (2.9%) as of FY21. We expect pro-forma stage-3 to touch 6.5% by FY22E and are therefore, building-in credit cost of ~124/68bps for FY22E/FY23E.
- **Corporate book – stabilisation and resolution of stress is key:** Currently, 58% of the corporate book comprises under-construction projects, 83% is zero DPD and 78% is performing well. Collection efficiency for corporate portfolio with prepayments is in excess of 100%. Currently, 13% of corporate book is in stage-3 (provided at 60%) and 10% is in stage-2. Five accounts with exposure of Rs8.75bn (7% of corporate book) were identified for voluntary SICR (classified in stage-2). Resolution efforts are underway for the balance stress (Vipul Ltd with exposure of Rs3.5bn is in final stage). However, delay in resolutions and concentrated nature of the portfolio (top 20 exposures forming 69% of corporate book with average ticket size of Rs4bn) expose PNBHF to the risk of further higher credit cost. It has a provision buffer of 14% on the overall corporate book.

Market Cap	Rs63.5bn/US$854mn
Reuters/Bloomberg	PNBH.BO/ PNBHOUSI IN
Shares Outstanding (mn)	168.3
52-week Range (Rs)	457/168
Free Float (%)	67.4
FII (%)	24.7
Daily Volume (US$'000)	2,220
Absolute Return 3m (%)	10.4
Absolute Return 12m (%)	86.7
Sensex Return 3m (%)	6.3
Sensex Return 12m (%)	56.5

Year to Mar	FY20	FY21P	FY22E	FY23E
NII (Rs mn)	23,081	23,229	22,095	23,548
PAT (Rs mn)	6,462	9,299	8,503	12,998
EPS (diluted) (Rs)	38.1	55.2	50.5	77.2
% Chg YoY	-46.0	44.7	-8.6	52.9
P/E (x)	9.9	6.8	7.5	4.9
P/BV (x)	0.8	0.7	0.7	0.6
Net NPA (%)	1.8%	2.5%	3.8%	3.4%
Dividend Yield (%)	0.0%	0.0%	0.5%	0.5%
RoA (%)	0.8%	1.2%	1.2%	1.8%
RoE (%)	8.3%	11.0%	9.1%	12.5%

- **Corporate book deleveraging continues; strategy is 'go retail':** PNBHF is down-selling and deleveraging its corporate book – down 19% YoY, thereby, dragging AUM down 11% YoY. Strategically, the focus is on driving retail housing growth. Encouraging in Q4FY21, logins (up >20%), sanctions (up >30%) and disbursements (up >50%) have gained traction over pre-covid levels. The company has articulated a strategy of focusing on mass housing and the high-yielding (Unnati) retail segment – constituting 10% of disbursements. Retail segment constitutes 96% of incremental disbursements in FY21, within retail too, the focus is on individual home loans (68% of disbursements). Average yield for incremental disbursements is 9.22% (excluding Unnati loans) and the key will be to manage balance transfer (out) given the competition intensity in individual home loans. We expect AUM growth of 5% CAGR over FY21-23E.
- **NIMs at 3.3% supported by securitisation income:** NIM remained stable at 3.3% supported by securitisation income (36bps NIM impact) and offset by Rs280mn of interest on interest reversal for loans above Rs20mn (15bps impact). Incremental cost of borrowing at 6.26% in Q4FY21 supported decline in on-book cost of borrowings at 6.8% in FY21. However, benefit of funding cost was passed on in terms of lower lending yields and mix too shifted in favour of low yielding retail. Yield ex-securitisation was down 40bps QoQ. Net interest income was flat QoQ.

  The company is continuously engaging with credit rating agencies to appraise them of the improving business fundamentals and strategic change to evaluate rating upgrade.

Table 1: Q4FY21 result review

(Rs mn, year ending March 31)

	Q4FY20	Q3FY21	Q4FY21	% YoY	% QoQ
Interest income	18,053	17,931	17,055	(5.5)	(4.9)
Net gain on fair value changes	627	428	391	(37.6)	(8.6)
Interest expenses	13,800	12,462	11,504	(16.6)	(7.7)
Net interest income	**4,881**	**5,897**	**5,943**	**21.8**	**0.8**
Other Income	838	605	893	6.6	47.6
Total Income (net of interest expenses)	**5,719**	**6,501**	**6,835**	**19.5**	**5.1**
Employee expenses	352	427	526	49.2	23.2
Depreciation and amortization	145	140	144	(1.3)	2.2
Fees and Commission expenses	19	12	84	355.1	619.7
Other operating expenses	926	417	694	(25.0)	66.4
Total Operating Expense	**1,443**	**996**	**1,448**	**0.4**	**45.3**
Pre-provisioning profit (PPoP)	**4,276**	**5,505**	**5,387**	**26.0**	**(2.1)**
Provisions and write offs	7,548	2,567	3,506	(53.6)	36.6
PBT	**-3,272**	**2,938**	**1,881**	**(157.5)**	**(36.0)**
Tax expenses	-852	614	611	(171.7)	(0.5)
PAT	**-2,421**	**2,324**	**1,270**	**(152.5)**	**(45.3)**
EPS (Rs)	**-14.4**	**13.8**	**7.6**	**(152.5)**	**(45.4)**

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	**Q4FY20**	**Q3FY21**	**Q4FY21**	**% YoY**	**% QoQ**
AUM (Rs mn)	**8,33,460**	**7,77,690**	**7,44,690**	**-10.7**	**-4.2**
-Retail (Rs mn)	**6,87,320**	**6,45,420**	**6,26,830**	**-8.8**	**-2.9**
-Home Loans (Rs mn)	4,84,450	4,50,998	4,33,211	-10.6	-3.9
-LAP (Rs mn)	1,66,692	1,63,315	1,63,832	-1.7	0.3
-NRPL (Rs mn)	36,178	31,108	29,788	-17.7	-4.2
-Corporate (Rs mn)	**1,46,140**	**1,32,270**	**1,17,860**	**-19.4**	**-10.9**
-Term Loans(Rs mn)	30,520	26,770	22,430	-26.5	-16.2
-Construction Finance (Rs mn)	1,03,560	96,360	86,370	-16.6	-10.4
-LRD (Rs mn)	12,060	9,140	9,060	-24.9	-0.9
Disbursements (Rs mn)	**28,260**	**32,040**	**41,030**	**45.2**	**28.1**
-Retail (Rs mn)	26,040	31,560	39,080	50.1	23.8
-Corporate (Rs mn)	2,220	480	1,950	-12.2	306.3
Yield on on-book loans (%) [calculated]	10.6	11.0	10.8	*19 bps*	*-26 bps*
Borrowing costs (%) [calculated]	8.0	7.6	7.4	*-54 bps*	*-24 bps*
Spreads (%) [calculated]	2.6	3.4	3.3	*73 bps*	*-3 bps*
NIM (%)	**2.30**	**3.0**	**3.1**	***82 bps***	***15 bps***
Op cost as % of avg AUM	**0.7**	**0.5**	**0.8**	***8 bps***	***25 bps***
Cost to income (%)	25.2	15.3	21.2	*-405 bps*	*585 bps*
GNPL (% of on-book loans)	**2.75**	**2.64**	**4.44**	***168 bps***	***179 bps***
NNPL (% of on-book loans)	**1.80**	**1.46**	**2.53**	***73 bps***	***107 bps***
Provision coverage ratio (%)	**34.5**	**44.9**	**42.9**	***837 bps***	***-204 bps***
Credit cost as a % of avg AUM [annualized]	4.42	1.58	2.21	*-221 bps*	*63 bps*
RoAAuM (%)	-1.1	1.2	0.7	*180 bps*	*-51 bps*

Source: Company data, I-Sec research
*Note: All numbers are as per IND-AS

Key takeaways from the Q4FY21 earnings call

Strengthen leadership team with internal promotions & external hires

- ***Has hired Head - Collections, Chief Information Security Officer, Head of SG&A, Internal Auditor and Affordable Housing***
- CRO is already in place
- Company is already in process to appoint Chief People Officer

Leverage advance analytics and new age technologies

- Automate credit appraisal journey with human touch
- Strengthen EWS to improve collection efficiencies
- Increase use of AI, ML, RPAs to augment business, underwriting and accelerate efficiencies
- Advanced analytics for portfolio management, risk, collection
- ***Building Super app to strengthen digital platform***

Its strength

- Strong niche distribution network, underwriting capabilities and servicing
- Strengthened its underwriting and collection team

On asset quality

- ***Collection efficiency of retail portfolio was at 98.3% in Q4FY21- average last 3 months and has reached 99% in March. Amount collected over billed amount (this includes overdue).***
- Collection efficiency in corporate Q3FY21 – 91% and it has crossed 100% in Q4
- There was rise in delinquency due to Covid in FY21 but recoveries has also gained significant traction. Corporate account of Rs1.5bn has slipped in Q4FY21.
- Stage-3 assets as anticipated rose to 4.44% (on guided lines as proforma GNPLs). With respect to corporate book, 12.7% is in stage-3 assets and for retail assets it is 2.5%.
- ***It is carrying provisioning of 14% on corporate book and 1.8% on retail portfolio.***
- 78% of corporate book is in stage-1 and 83% is zero DPD.
- It has identified 5 accounts for voluntary SICR with exposure of INR 8.75bn (7% of the book) which otherwise would have been classified as Stage 1. Currently it is classified as stage-2 portfolio.
- ***Rs13.9bn of retail portfolio (2.7%) and Rs3.37bn of corporate portfolio (2.9%) is restructured as of FY21. Rs1bn is in stage-2 and balance in stage-1.***
- SICR is zero DPD and is stage-1 and if that is removed.
- Want to see credit cost coming down to 35-40bps in FY22 but due to Covid can still settle at 65-70bps.

On disbursements and growth

- ***Retail focused housing finance company will leverage capabilities in self-employed and mass housing.***
- With focused collections, down-sell and accelerated repayments (of Rs18.8bn), overall AUM further lost momentum declining 11% YoY (corporate book down 19% and retail down 9%)
- Disbursements in Q4FY20 grew 45% YoY primarily led >50% growth in retail disbursements. The company ended FY21 with disbursements being down more than 40% at Rs104bn. 96% of disbursements were in retail- Unnati (high yielding retail product) constituted 10% of individual home loan disbursements.
- ***Average yield for disbursement is 9.22% - excluding Unnati loans.***
- Not allowed to do co-lending with PNB but is evaluating with another leading bank.

On credit rating upgrade and borrowing cost

- ***Incremental cost of borrowing at 6.26% for Q4FY21 and cost of borrowings was down to 6.8% for Q4FY21. Credit rating agency looks at various parameters and vectors to evaluate rating upgrade. Asset quality, profitability are key things to watch out for.***
- They are continuously engaged with rating agency and over a period things will improve.

RoA and RoE trajectory

- ***As corporate book has come down has opportunity to leverage more. Looking at retail disbursement growth 15-16% and single digit AUM growth in FY22.***
- Retail has lower yield but has the advantage of lower borrowing cost and leverage potential.
- ***RoA of 1.5-1.7% and gearing of 7-8x over next 2-3 years.***

Other highlights

- Corporate it is continuously running down the book.
- ***Top 20 developers constitute Rs82bn (69% of developer book) – average ticket size would be Rs4bn.***
- Has been tight on opex. Provision for SARFAESI is in other operating expenses
- Write-off is Rs500mn for Q4FY21
- Had made investments in group where it also has fixed deposits. So that was knock –off from Tier-1 and hence it was down QoQ.
- ***PNB can participate in fund raise and should evaluate the enabling fund raise. It is evaluating various alternatives to raise capital.***

Key takeaways from the Q3FY21 earnings call

Restructuring

- ***Restructuring until Q3FY21- Rs 8bn (1.25% of loan assets)***
- ***Rs 1.46bn corporate while retail is Rs 6.61bn***

Asset quality

- ***Proforma NPA comprises Retail & Corporate. Within retail, it comprises salaried, self-employed, housing & LAP.***
- Write-off for 9MFY21 is Rs 340mn

Corporate portfolio

- Corporate book is 17% of AUM as of Q3 and it is down 9% YTD
- Under corporate, company has reduced ~Rs 10bn exposure since March and will look to reduce another Rs5bn exposure in Q4

Swamih Invt fund

- Projects worth Rs 12bn recognized by Swamih Invt fund team for last total mile funding (all are already NPA or proforma NPA)
- ***But as of now, company is actively working only for Rs 3.5bn assets towards 3 projects. For the remaining projects, company is looking at other alternatives as of now apart from Swamih.***

ECLGS

- ***Rs 1.3bn disbursed under ECLGS***

Borrowings

- *Incremental borrowings blended cost was 6.9% for 9MFY21 and 6.7% for Q3FY21*

Liquidity

- Liquidity levels are of Dec'20 stood at Rs 70-80bn (including undrawn lines of Rs 15-16bn)
- ***Bank is looking to maintain liquidity in the range of 30-60 days in the medium term***
- During the quarter, bank has repaid most of the high cost borrowings
- Rs 180bn repayments of deposits + borrowings expected over the next 1 year
- Rs 40bn of ECB repayments expected over the next 1 year

Yields

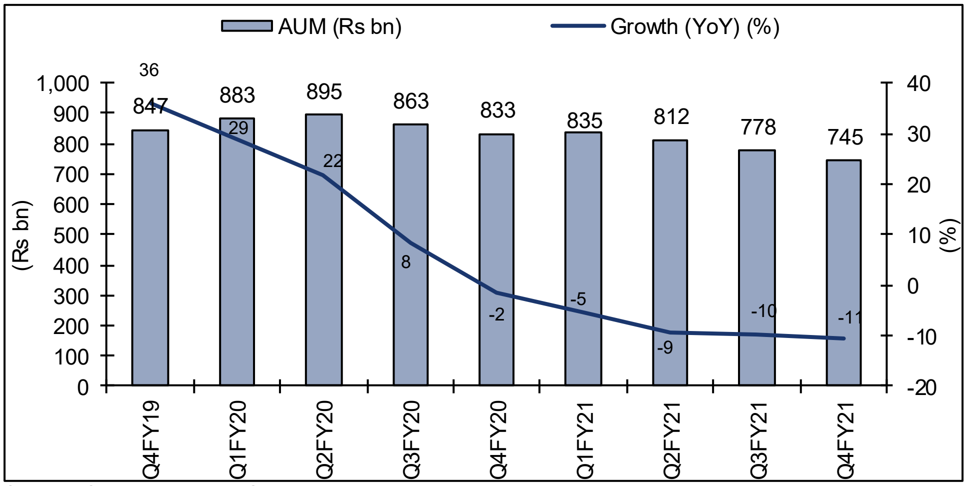
- ***Income from securitization as well as higher yields from corporate resulted in higher yields QoQ***
- Adjusting for securitization income, yield stood at 10.43%
- Corporate book – rate of interest has been increased to 100-125bps in Q1FY21 and the entire re-pricing is playing out now

- ***PNB HF lending rates are 40-45bps higher than the best in the market as against 30-35 bps higher pre-covid. This is largely due to lower borrowing cost which had aided the company to cut its lending rates.***
- ***Yield on retail home loans is 9.82% (on AUM basis) and incremental is 9.09% for Q3FY21***
- 9.43% is incremental yield for the entire book in Q3FY21

Retail targets under new strategy

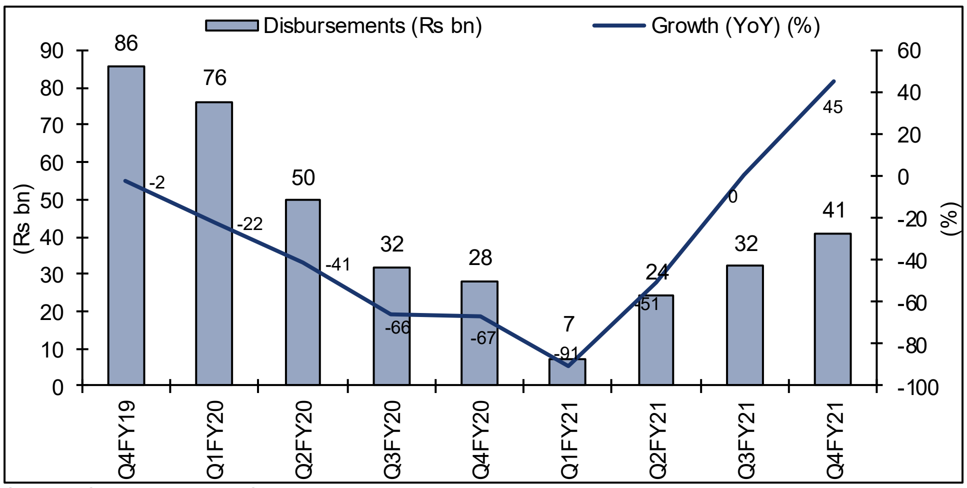
- Cost to income on aggregate basis should remain in the range of 15-17%
- ***For FY22, RoA target of 1.6-1.8 on Retail***
- Muted growth of single digit for FY22 with larger focus on Retail
- Looking at affordable housing and very big opportunity under Unnati segment

Chart 1: Corporate run-down dragging AUM growth



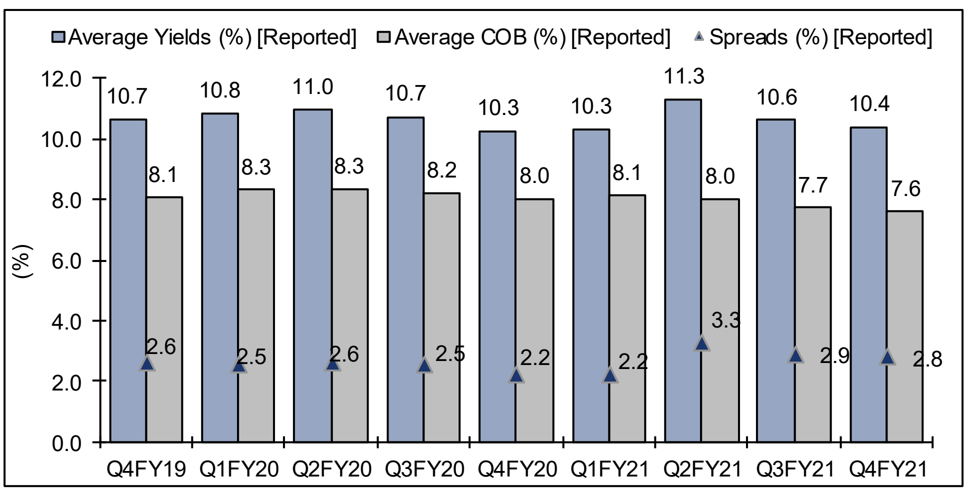
Source: Company data, I-Sec research

Chart 2: Disbursements up 45% YoY led by 50% YoY retail disbursement growth



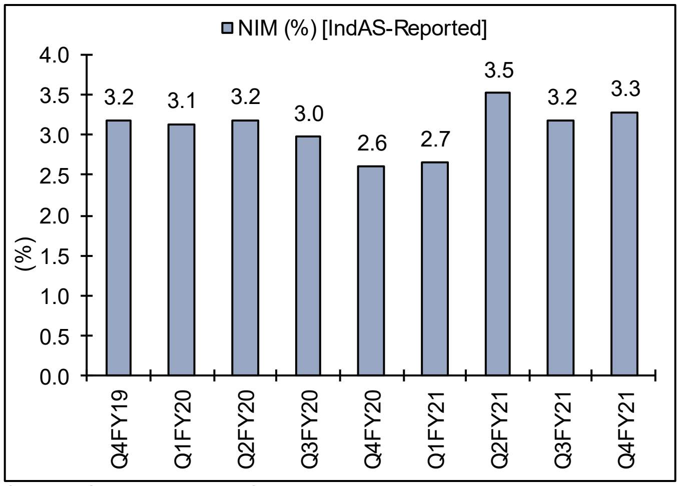
Source: Company data, I-Sec research

Chart 3: Spreads sustained as interest on interest reversal impact was offset by securitisation income



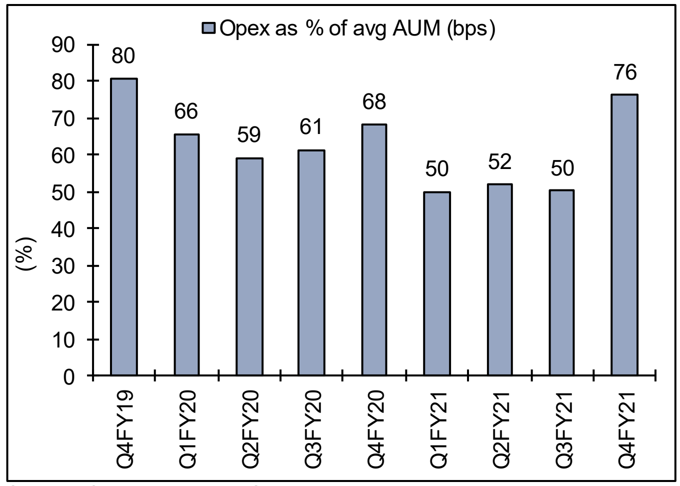
Source: Company data, I-Sec research

Chart 4: NIM (ex-securitisation income) sustaining at 3.0-3.2%



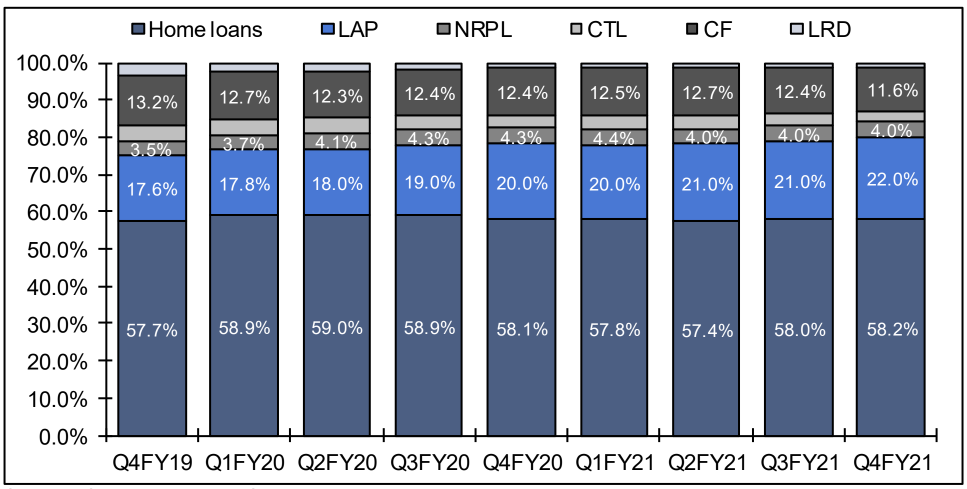
Source: Company data, I-Sec research

Chart 5: Opex ratio due to diminution of reserved on repossessed assets



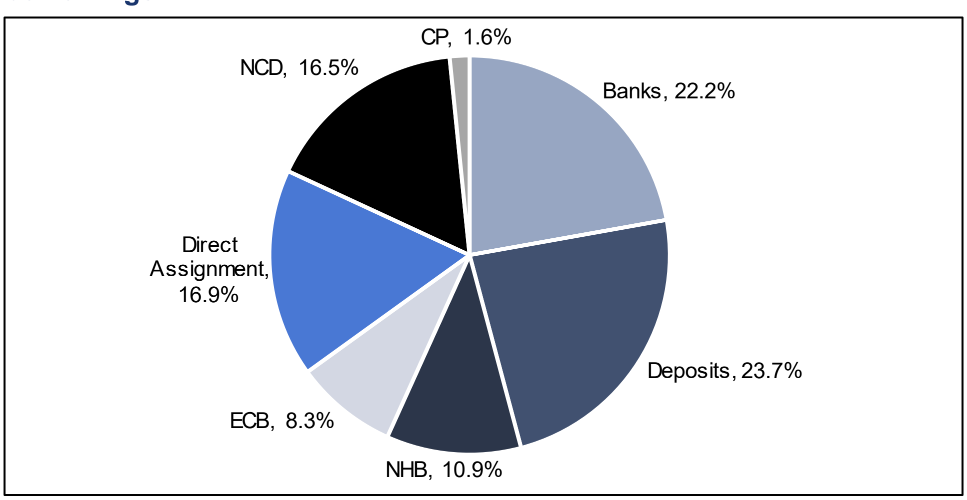
Source: Company data, I-Sec research

Chart 6: Secured products like HL & LAP gaining traction



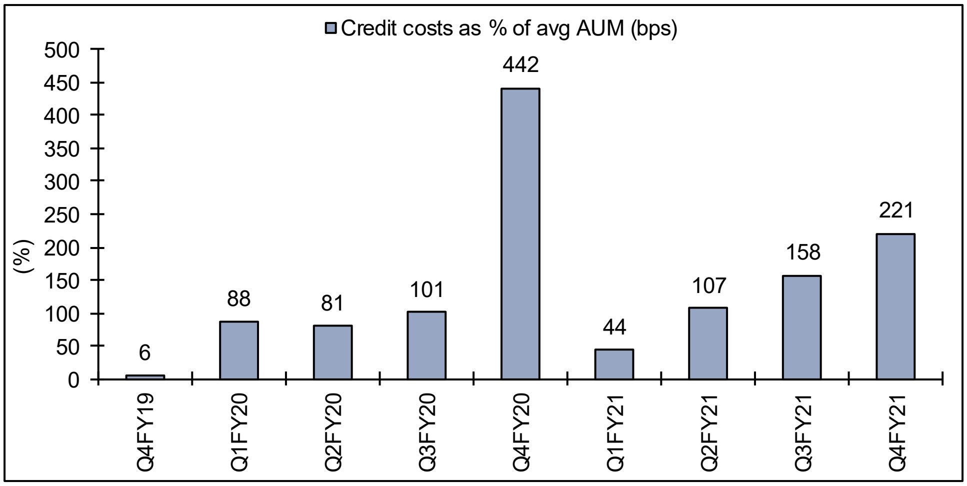
Source: Company data, I-Sec research

Chart 7: NCD high cost borrowings replaced by low cost & long tenure NHB borrowings



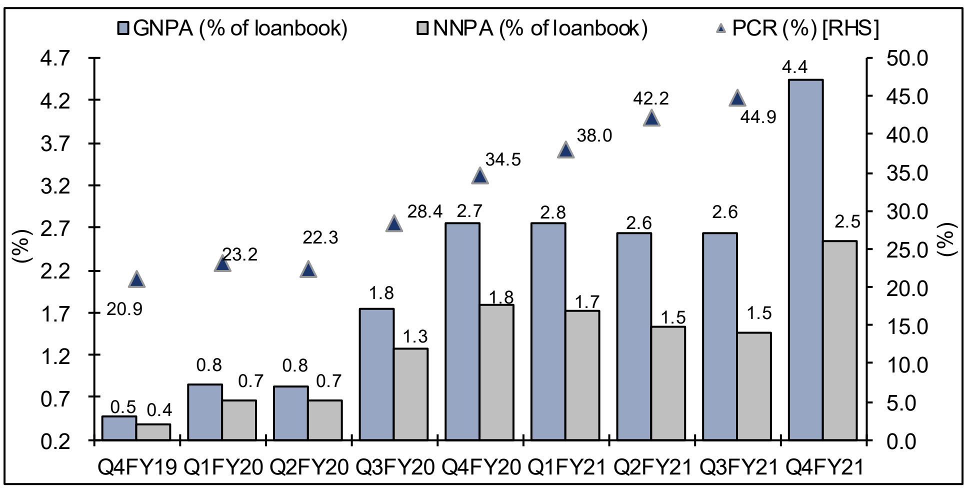
Source: Company data, I-Sec research

Chart 8: Credit cost future trajectory will depend upon flow-through from stage-2 assets and big-ticket resolution going ahead



Source: Company data, I-Sec research

Chart 9: Reported stage-3 assets settle near to proforma disclosed in Q3FY21



Source: Company data, I-Sec research

Financial summary

Table 3: Profit and loss statement

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21P	FY22E	FY23E
Interest Income	71,010	80,244	72,604	68,462	70,652
Net gain on fair value changes	1,289	1,586	1,623	1,291	1,086
Interest Expenses	51,664	58,750	50,998	47,658	48,190
Net Interest Income (NII)	**20,635**	**23,081**	**23,229**	**22,095**	**23,548**
Other Income	4,533	3,066	2,014	2,780	3,657
Total Income (net of interest expenses)	**25,168**	**26,146**	**25,243**	**24,875**	**27,205**
Employee benefit expenses	3,039	2,331	2,113	2,155	2,306
Depreciation and amortization	314	659	590	620	651
Fee and commission expenses	546	89	116	55	176
Other operating expenses	2,036	2,444	1,735	1,873	2,116
Total Operating Expense	**5,935**	**5,522**	**4,554**	**4,703**	**5,249**
Pre Provisioning Profits (PPoP)	**19,233**	**20,624**	**20,689**	**20,171**	**21,956**
Provisions and write offs	1,889	12,514	8,619	9,270	5,292
Profit before tax (PBT)	**17,344**	**8,110**	**12,070**	**10,901**	**16,664**
Total tax expenses	5,430	1,648	2,771	2,398	3,666
Profit after tax (PAT)	**11,914**	**6,462**	**9,299**	**8,503**	**12,998**

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21P	FY22E	FY23E
Share capital	1,674	1,682	1,683	1,684	1,685
Reserves & surplus	73,764	78,296	87,548	95,961	1,08,646
Shareholders' funds	**75,439**	**79,978**	**89,230**	**97,645**	**1,10,330**
Borrowings	**7,23,620**	**6,82,160**	**6,23,389**	**6,14,480**	**6,53,673**
Provisions	252	189	184	193	203
Deferred tax liabilities (net)	0	0	0	0	0
Current Liabilities and short-term provisions	1,272	869	1,119	1,175	1,233
Other Liabilities	38,107	26,101	0	0	0
Total Liabilities and SHE	**8,38,690**	**7,89,297**	**7,13,922**	**7,13,493**	**7,65,439**
Fixed assets	1,077	2,546	1,831	1,959	2,096
Loans	**7,40,230**	**6,75,710**	**6,22,550**	**6,40,921**	**6,99,605**
Investments	45,607	20,757	20,448	21,266	24,456
Deferred tax assets (net)	610	2,859	4,296	4,726	5,199
Current Assets including cash and bank	40,341	85,144	69,686	50,000	40,000
Other Assets	10,825	2,281	-4,890	-5,379	-5,917
Total Assets	**8,38,690**	**7,89,297**	**7,13,922**	**7,13,493**	**7,65,439**

Source: Company data, I-Sec research

Table 5: Key ratios

(Year ending Mar 31)

	FY19	FY20	FY21P	FY22E	FY23E
AUM and Disbursements (Rs mn)					
AUM	8,47,220	8,33,460	7,44,690	7,54,024	8,13,494
On-book Loans	7,40,230	6,75,710	6,22,550	6,40,921	6,99,605
Off-book Loans	1,06,990	1,57,750	1,22,140	1,13,104	1,13,889
Disbursements	3,60,790	1,86,260	1,04,450	1,54,826	2,00,194
Growth (%):					
Total AUM	36.1	-1.6	-10.7	1.3	7.9
Housing AUM (including construction finance)	35.7	-2.1	-11.6	4.2	8.6
Non-Housing AUM (LAP, NRPL, LRD, CTL)	37.2	-0.4	-8.3	-5.5	6.0
Disbursements	8.7	-48.4	-43.9	48.2	29.3
Loan book (on balance sheet)	29.8	-8.7	-7.9	3.0	9.2
Total Assets	33.1	-5.9	-9.5	-0.1	7.3
Net Interest Income (NII)	35.6	11.9	0.6	-4.9	6.6
Non-interest income	54.8	-32.4	-34.3	38.0	31.6
Total Income (net of interest expenses)	38.7	3.9	-3.5	-1.5	9.4
Operating Expenses	34.4	-7.0	-17.5	3.3	11.6
Pre provisioning operating profits (PPoP)	40.1	7.2	0.3	-2.5	8.8
PAT	69.5	-45.8	43.9	-8.6	52.9
EPS	69.4	-45.7	43.9	-8.6	52.8
Yields, interest costs and spreads (%)					
NIM - on AUM	2.8%	2.7%	2.9%	2.9%	3.0%
Yield on loan assets	10.1%	10.9%	11.1%	10.6%	10.3%
Yield on IEA	9.2%	8.7%	8.4%	8.4%	8.4%
Borrowings (Rs mn)	7,23,620	6,82,160	6,23,389	6,14,480	6,53,673
Cost of borrowings	8.2%	8.4%	7.8%	7.7%	7.6%
Interest Spreads	2.0%	2.5%	3.3%	2.9%	2.7%
Operating efficiencies					
Non interest income as % of total income	18.0%	11.7%	8.0%	11.2%	13.4%
Cost to income ratio	23.6%	21.1%	18.0%	18.9%	19.3%
Op.costs/avg assets (%)	0.81%	0.68%	0.61%	0.66%	0.71%
Op.costs/avg AUM (%)	0.81%	0.66%	0.58%	0.63%	0.67%
No of employees (estimate)	1,610	1,549	1,391	1,447	1,505
No of branches	102	105	96	100	105
Average annual salary (Rs)	1.9	1.5	1.5	1.5	1.5
Annual inflation in average salary(%)	69%	-20%	1%	-2%	3%
Salaries as % of non-interest costs (%)	51.2	42.2	46.4	45.8	43.9
NII /employee (Rs mn)	12.8	14.9	16.7	15.3	15.7
AUM/employee(Rs mn)	526	538	535	521	541
AUM/ branch (Rs mn)	8,306	7,938	7,757	7,540	7,748
Capital Structure					
Average gearing ratio	9.0	9.0	7.7	6.6	6.1
Leverage (x)	11.1	9.9	8.0	7.3	6.9
CAR (%)	14.0%	18.0%	18.7%	26.3%	27.8%
Tier 1 CAR (%)	11.0%	15.2%	15.5%	23.8%	25.3%
Tier 2 CAR (%)	3.0%	2.8%	3.2%	2.5%	2.5%
RWA (estimate)	5,80,200	4,91,430	4,50,587	4,10,628	4,35,671
Loan assets	6,55,185	7,07,970	6,49,130	6,31,735	6,70,263
RWA as a % of loan assets	89	69	69	65	65
Asset quality and provisioning					
GNPA (%)	0.48%	2.75%	4.44%	6.50%	6.00%
NNPA (%)	0.38%	1.77%	2.48%	3.84%	3.39%
GNPA (Rs mn)	3,549	18,562	27,620	41,660	41,976
NNPA (Rs mn)	2,805	11,838	15,130	23,954	23,087
Coverage ratio (%)	21%	36%	45%	43%	45%
Credit Costs as a % of avg AUM (bps)	26	149	109	124	68
Return ratios					
RoAA (%)	1.6%	0.8%	1.2%	1.2%	1.8%
RoAE (%)	16.9%	8.3%	11.0%	9.1%	12.5%
Payout ratio (%)	15%	0%	0%	4%	3%

	FY19	FY20	FY21P	FY22E	FY23E
Valuation Ratios					
No of shares	167	168	168	168	168
No of shares (fully diluted)	169	169	168	168	168
ESOP Outstanding	0.0	1.2	0.2	0.0	0.0
EPS (Rs)	71.2	38.4	55.3	50.5	77.2
EPS fully diluted (Rs)	70.7	38.1	55.2	50.5	77.2
Price to Earnings	5.3	9.8	6.8	7.5	4.9
Price to Earnings (fully diluted)	5.3	9.9	6.8	7.5	4.9
Book Value (fully diluted)	448	472	530	580	655
Adjusted book value	435	420	463	474	554
Price to Book	0.8	0.8	0.7	0.7	0.6
Price to Adjusted Book	0.9	0.9	0.8	0.8	0.7
DPS (Rs)	9.0	0.0	0.0	2.0	2.0
Dividend yield (%)	2.4%	0.0%	0.0%	0.5%	0.5%

Source: Company data, I-Sec research

Table 6: DuPont analysis (on average assets)

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21P	FY22E	FY23E
Average Assets (Rs mn)	7,34,417	8,13,994	7,51,610	7,13,708	7,39,466
Average Equity (Rs mn)	70,556	77,708	84,604	93,438	1,03,988
Interest earned	9.7%	9.9%	9.7%	9.6%	9.6%
Net gain on fair value changes	0.2%	0.2%	0.2%	0.2%	0.1%
Interest expended	7.0%	7.2%	6.8%	6.7%	6.5%
Gross Interest Spread	2.8%	2.8%	3.1%	3.1%	3.2%
Credit cost	0.3%	1.5%	1.1%	1.3%	0.7%
Net Interest Spread	2.6%	1.3%	1.9%	1.8%	2.5%
Operating cost	0.8%	0.7%	0.6%	0.7%	0.7%
Lending spread	1.7%	0.6%	1.3%	1.1%	1.8%
Non interest income	0.6%	0.4%	0.3%	0.4%	0.5%
Final Spread	2.4%	1.0%	1.6%	1.5%	2.3%
Tax rate (%)	0.7%	0.2%	0.4%	0.3%	0.5%
ROAA	**1.6%**	**0.8%**	**1.2%**	**1.2%**	**1.8%**
Effective leverage (AA/ AE)	10.4	10.5	8.9	7.6	7.1
RoAE	**16.9%**	**8.3%**	**11.0%**	**9.1%**	**12.5%**

Source: Company data, I-Sec research

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