4 June 2025

Company Update | Sector: NBFCs

PNB Housing

BSE SENSEX	S&P CNX
80,998	24,620

Bloomberg	PNBHOUSI IN
Equity Shares (m)	260
M.Cap.(INRb)/(USDb)	274.9 / 3.2
52-Week Range (INR)	1202 / 616
1, 6, 12 Rel. Per (%)	-1/15/45
12M Avg Val (INR M)	2124

Financials & Valuations (INR b)

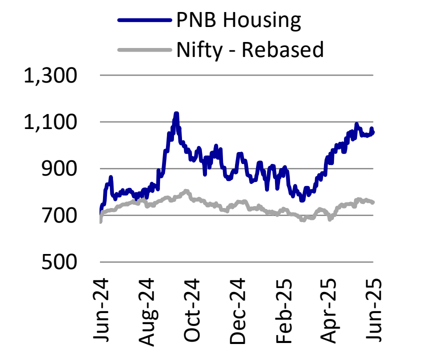
Y/E March	FY25	FY26E	FY27E
Total Income	27.2	32.3	40.0
PPP	23.3	28.4	36.3
PAT	19.4	22.8	26.7
EPS (INR)	74	88	103
EPS Gr. (%)	28	18	17
BV (INR)	649	732	819
Ratios			
NIM (%)	3.9	3.9	4.0
C/I ratio (%)	25.9	24.8	22.8
RoAA (%)	2.5	2.5	2.5
RoE (%)	12.2	12.7	13.3
Valuations			
P/E (x)	14.2	12.0	10.3
P/BV (x)	1.6	1.4	1.3
Div. Yield (%)	0.5	1.4	1.7

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	28.1	28.1	28.1
DII	29.9	26.9	6.9
FII	21.4	24.3	25.0
Others	20.6	20.7	40.0

FII Includes depository receipts

Stock Performance (one-year)



CMP: INR1,057 TP: INR1,230 (+16%) Buy

Building strength on solid foundations

Affordable momentum, prudent execution; NIM to be a key monitorable

- PNB Housing Finance (PNBHF) delivered a resilient and well-rounded performance in FY25, effectively navigating regional headwinds (in states like Karnataka and Telangana/AP) and yield pressures stemming from repo rate cuts. Despite aggressive competition in the affordable housing segment, PNBHF achieved strong growth in its affordable segment and remains confident of sustaining this momentum.
- PNBHF has strategically evolved from being primarily a prime housing lender to one with an expanding footprint in the emerging and affordable housing segments. Both these segments accounted for ~26% of the total loan book as of Mar'25, up from ~21% a year earlier, and are projected to reach ~40% by Mar'27. We believe this deliberate shift in the portfolio mix will drive a structural uplift in blended yields and, over time, support a meaningful expansion in PNBHF's NIM profile.
- PNBHF has positioned itself deftly to navigate the current declining interest rate environment. **Near-term pressure on NIM will likely arise as asset yields reprice more quickly than liabilities amid heightened competitive intensity in the prime segment. However, we believe that this impact will be largely offset by a favorable shift in the product mix toward emerging and affordable housing, coupled with its resumption of corporate lending (which will remain <10% of the loan mix).** Additionally, the company anticipates its next credit rating upgrade by the end of FY26, which will further reduce its cost of borrowing and benefit its NIM.
- Asset quality improved in FY25, with GS3 declining to 1.1% as of Mar'25 (from ~1.5% in Mar'24). FY25 witnessed provision write-backs, driven by recoveries from the written-off pool. We expect these recoveries to continue and model credit costs of -10bp in FY26.
- **We recently downgraded LICHF to Neutral and recommend PNBHF as the preferred play among large HFCs. PNBHF is better placed across all key metrics—loan growth, margins, and asset quality—whereas LICHF, in our view, is likely to face headwinds, particularly in loan growth and margins.**
- The supply overhang from the exit of PE investors is now behind, and PNBHF will continue to function independently, run by a professional management team under the parentage of Punjab National Bank (PNB). We expect PNBHF to deliver a healthy ~19% CAGR in its total loan book and ~18% CAGR in PAT over FY25-27, along with RoA/RoE of 2.5%/13.3% in FY27. The stock currently trades at 1.3x FY27E and we reiterate BUY with a TP of INR1,230 (based on 1.5x Mar'27 P/BV).
- **Key risks:** 1) Sustained NIM contraction due to heightened competitive intensity from banks and other large HFCs; 2) any senior management exits; and 3) while not imminent, the RBI October 4 draft circular on bank ownership in group NBFCs may result in PNB further lowering its stake in PNBHF.

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Strengthening foothold in emerging and affordable segments

- PNBHF is aggressively expanding its branch network in the emerging and affordable segments, positioning itself for strong growth. This distribution expansion will enhance the company's ability to deepen its presence in both existing and untapped geographies. The company will also leverage the Credit Linked Subsidy Scheme (CLSS) under the Pradhan Mantri Awas Yojana (PMAY) to drive stronger growth in its affordable segments.
- As of Mar'25, the emerging and affordable housing segments contributed ~19% and 7% to the overall loan mix, respectively. The affordable housing segment grew ~183% YoY, albeit on a smaller base, and reached ~INR50b, while the emerging segment posted a ~21% YoY growth.
- The company aims to expand its affordable housing portfolio to INR95b by Mar'26 and further to INR150b by Mar'27. Given its strong execution capabilities compared to peers, we expect the growth momentum to remain robust across both these segments. The company targets to increase the share of the emerging segment to ~22-25% and the affordable segment to ~12-15% of the overall loan mix by FY27.

Near-term volatility in NIM but potential for gradual improvement

- With ~50bp repo rate cuts by RBI and expectations of further cuts, PNBHF could experience some transitory NIM contraction as its assets reprice faster than its liabilities. However, we believe this impact can be mitigated by an improved product mix favoring the emerging and affordable housing segments, along with the gradual resumption of corporate lending.
- Incremental yields are higher by ~200bp and ~40bp in the affordable and emerging segments, respectively, which is expected to help the company reduce the impact of transitory NIM contraction in a declining interest rate environment.
- ~67% of the company's borrowings (as of Mar'25), which are on floating rates, will benefit from and be repriced downwards in a declining rate environment. Within its floating borrowings, ~38% are bank term loans. Of these bank loans, ~40% are linked to repo rates (which are repriced almost immediately), while the balance is linked to banks' MCLR (predominantly 1M and 3M MCLR). We model an NIM of 3.9%/4.0% in FY26E/FY27E (compared to ~3.9% in FY25).

Opex ratios to remain stable despite branch expansion

- PNBHF has significantly expanded its physical branch network over the past two years, growing from 189 branches as of Mar'23 to 356 as of Mar'25. Notably, the branch expansion has been largely focused on the affordable and emerging segments, where the number of branches has more than doubled to 260. Further, the company aims to expand to 500 branches by FY27 (including 300 branches dedicated to the affordable segment).
- Branch expansion and the foray into affordable housing finance have led to an increase in the opex to average assets ratio, from ~0.8% in FY23 to ~1.05% in FY25. While not a like-for-like comparison, PNBHF's operational cost ratios in the affordable segment are substantially lower than those of most other affordable HFCs, which typically operate in the range of ~2.6% to ~4%. This is because PNBHF benefits from shared infrastructure and resources across its prime, emerging, and affordable segments, enabling it to maintain opex at a more efficient level of 1.0-1.1% of average assets.

- While branch expansions will continue as planned, opex ratios are expected to remain range-bound, driven by improved employee/branch productivity and operating efficiencies. We expect the cost-to-income ratio to decline to ~23% by FY27 (FY25: ~26%).

Expect recoveries to sustain in FY26; GS3 and NS3 at lowest levels in five years

- PNBHF has exhibited continuous improvement in asset quality over the past few years. GS3/NS3 ratios have declined from their peaks of ~8.2%/5.6% as of Dec'21 to ~1.1%/0.7% as of Mar'25.
- Despite shifting to higher-yielding and riskier segments—such as self-employed/informal salaried customers—and increasing the proportion of non-housing loans in its overall product mix, the company is confident of maintaining credit costs at ~25bp on a steady state basis (excluding any recoveries from the written-off pool). Furthermore, bounce rates and early warning indicators in the affordable housing segment have been very encouraging, with GNPA in this segment at just ~0.2% as of Mar'25.
- PNBHF is well-equipped to deliver best-in-class asset quality by leveraging its robust underwriting and collections infrastructure. It has significantly strengthened its collections team and is effectively leveraging legal mechanisms to resolve NPA accounts. In addition, the company regularly conducts large-scale property auction fairs, which have contributed to better recovery outcomes.
- The company has a written-off pool of ~INR10b in the corporate segment and ~INR4b in the retail segment. Sustained recoveries from this pool are expected to lead to continued provision write-backs throughout FY26. We model credit costs of -10bp in FY26E and 20bp in FY27E.

Valuation and view

- PNBHF has strengthened its housing finance franchise over the last 2-3 years. The company is well-equipped to successfully navigate the potential near-term contraction in NIM and gradually mitigate it through a favorable product mix.
- We expect PNBHF to deliver a healthy ~19% CAGR in the loan book and ~18% CAGR in PAT over FY25-27, with an RoA/RoE of 2.5%/13.3% by FY27. The company trades at 1.3x FY27E 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).
  Reiterate BUY with a TP of INR1,230 (based on 1.5x Mar'27 P/BV).
- **Key risks:** 1) Sustained NIM contraction due to heightened competitive intensity from banks and other large HFCs, 2) any senior management exits, and 3) while not imminent, the RBI October 4 draft circular on bank ownership in group NBFCs may result in PNB further lowering its stake in PNBHF.

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
PNB HF	**Buy**	**1,057**	**1,230**	**88.9**	**104.6**	**733**	**822**	**2.5**	**2.5**	**12.9**	**13.5**	**11.9**	**10.1**	**1.4**	**1.3**
LIC HF	Neutral	603	670	95.7	102.9	734	815	1.6	1.6	13.7	13.3	6.3	5.9	0.8	0.7
Aavas	Neutral	1,801	2,070	86.6	102.7	638	740	3.4	3.4	14.6	14.9	20.8	17.5	2.8	2.4
HomeFirst	Buy	1,254	1,500	51.4	62.8	413	472	3.9	3.8	15.6	14.2	24.4	20.0	3.0	2.7
CanFin	Neutral	782	770	70.4	79.9	438	504	2.2	2.2	17.2	17.0	11.1	9.8	1.8	1.6
Repco	Neutral	401	465	69.6	74.9	595	665	2.8	2.8	12.4	11.9	5.8	5.4	0.7	0.6

STORY IN CHARTS

Exhibit 2: Disbursement CAGR of ~23% over FY25-27E...

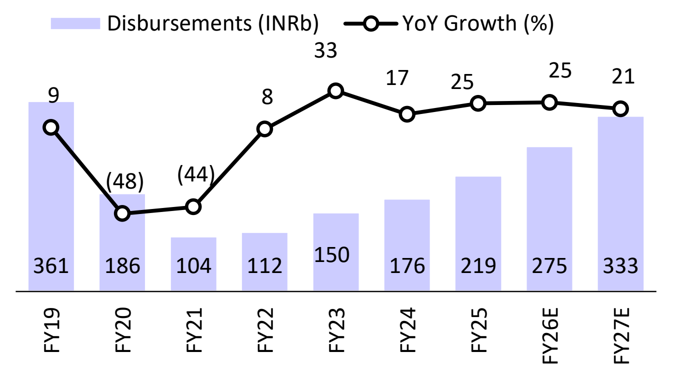


Exhibit 3: ...leading to ~19% loan CAGR over this period

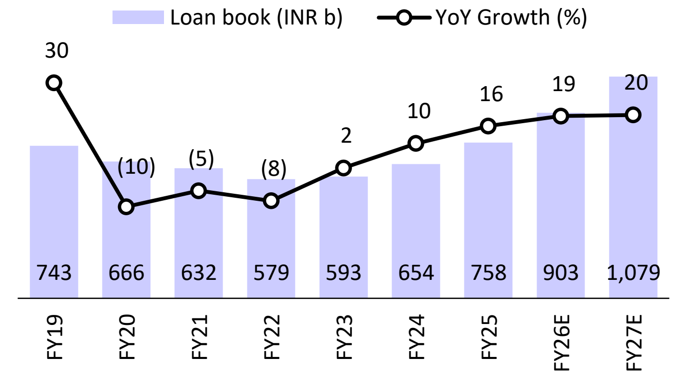


Exhibit 4: Expect spreads to improve to ~2.9% by FY27

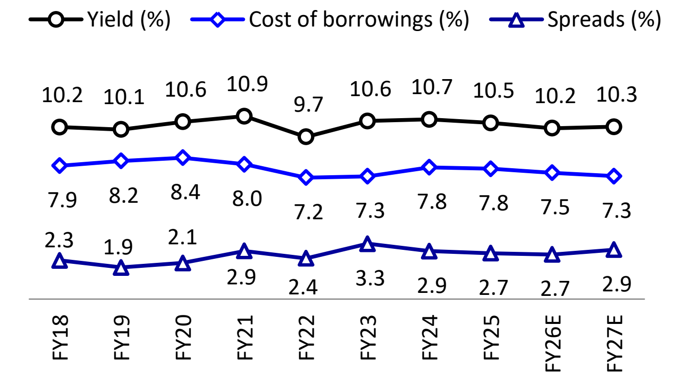


Exhibit 5: Opex-to-assets ratio to remain stable over FY26-27

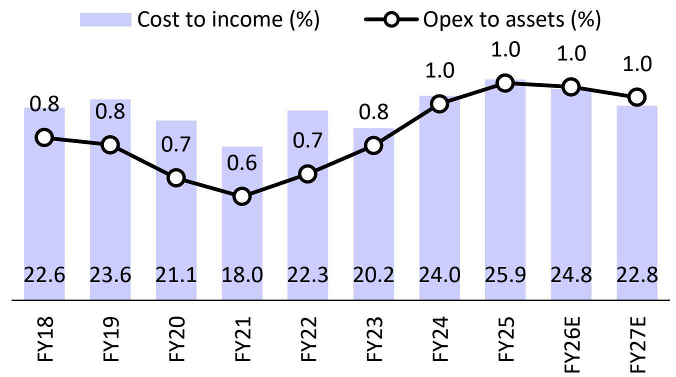


Exhibit 6: Asset quality to remain range-bound

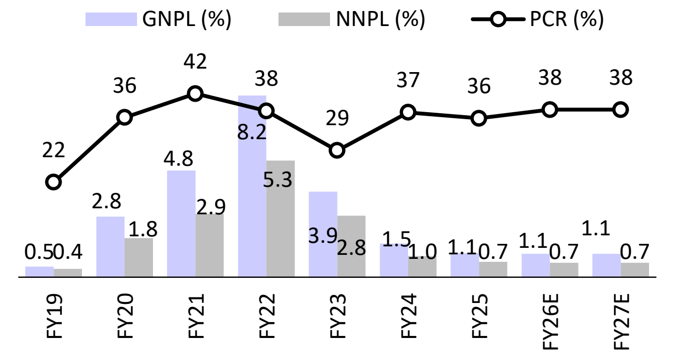


Exhibit 7: Expect credit costs to remain benign in FY26 as well

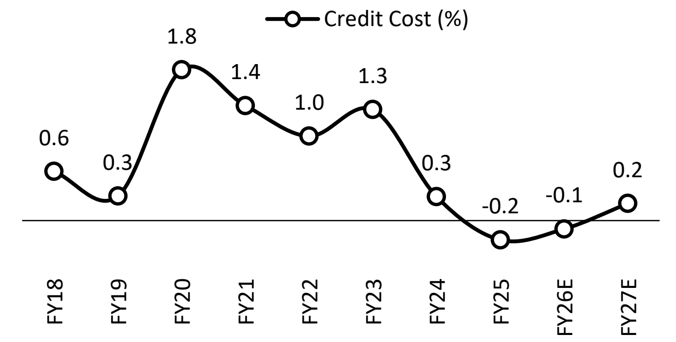
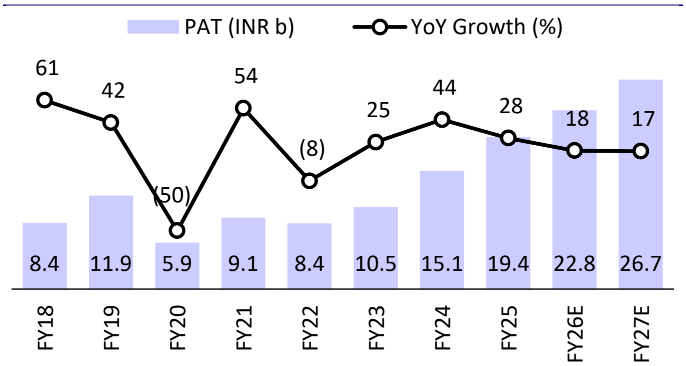
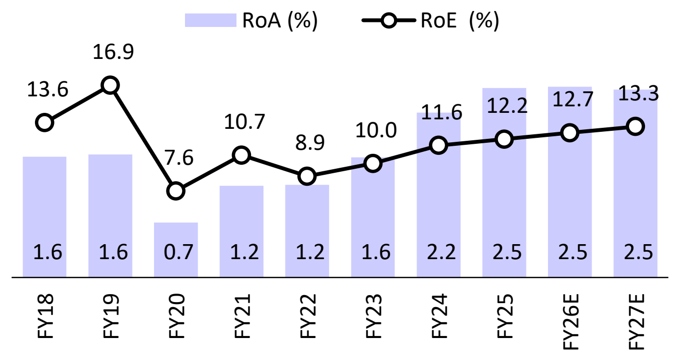


Exhibit 8: PAT CAGR of ~18% over FY25-27E



Source: MOFSL, Company

Exhibit 9: RoA/RoE of ~2.5%/~13.3% by FY27E

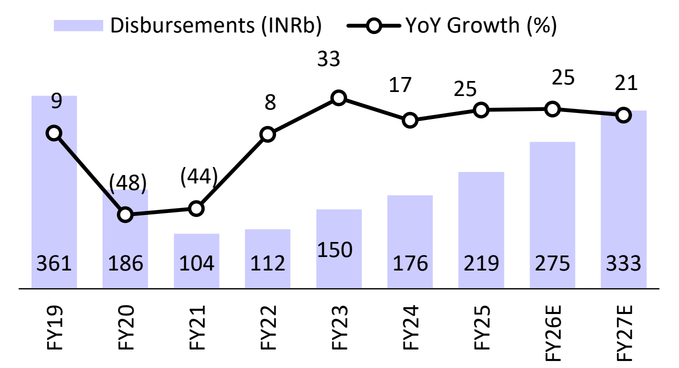


Source: MOFSL, Company

Charting the next phase of growth in emerging and affordable segments

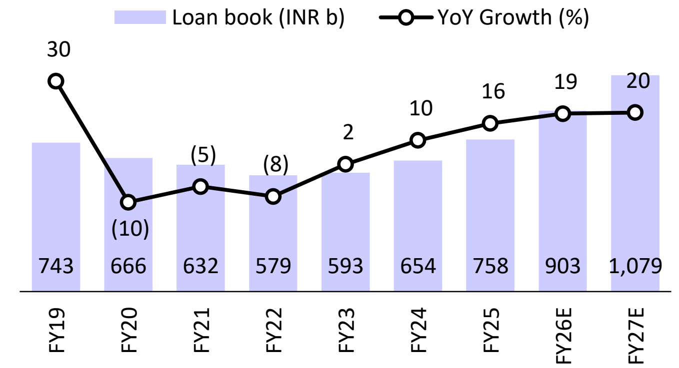
- PNBHF's affordable and emerging housing portfolios have witnessed robust YoY growth of ~183% and 21%, respectively, reaching ~INR50b and ~INR141b as of Mar'25. This was fueled by strong disbursement growth of ~100% YoY in the affordable segment and ~40% in the emerging segment. Both these segments together form ~26% of the loan mix, with the company targeting an increase to ~40% by FY27.
- PNBHF has expanded its affordable presence to two new promising markets, Punjab and the North East, with plans to further deepen its presence in these regions in the coming year. The company recently inaugurated its first branch in Guwahati, North East. Its pan-India operations are well-balanced across three zones: North (36%), West (33%), and South (30%), ensuring resilient and geographically well-diversified growth.
- The company continues to geographically diversify its portfolio, with the share of the top five states declining from ~79% in FY24 to ~75% in FY25, reflecting its ongoing efforts to reduce concentration risk.
- To enhance its distribution capabilities, the company has on boarded over 2,100 connectors under the Saarthi program and entered into partnerships with more than 500 channel partners, supported by over 1,200 empaneled vendors who provide legal, technical, and related activities.

Exhibit 10: Disbursement CAGR of ~23% over FY25-27E…



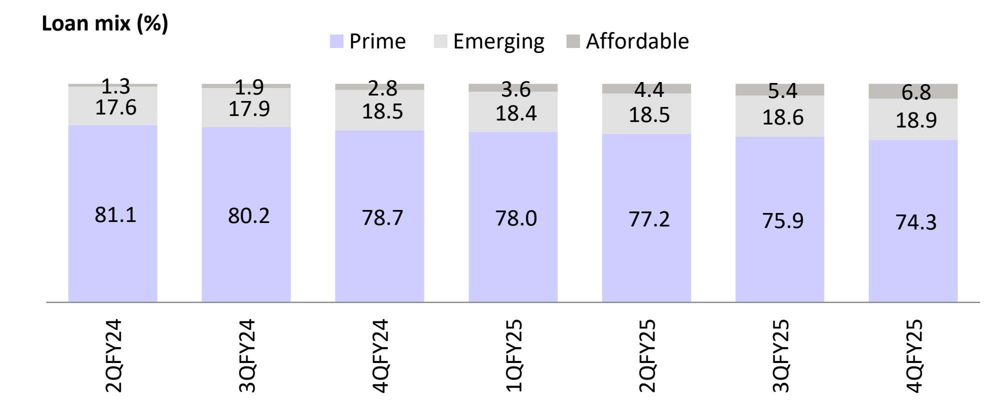
Source: MOFSL, Company

Exhibit 11: …leading to ~18% loan CAGR over this period



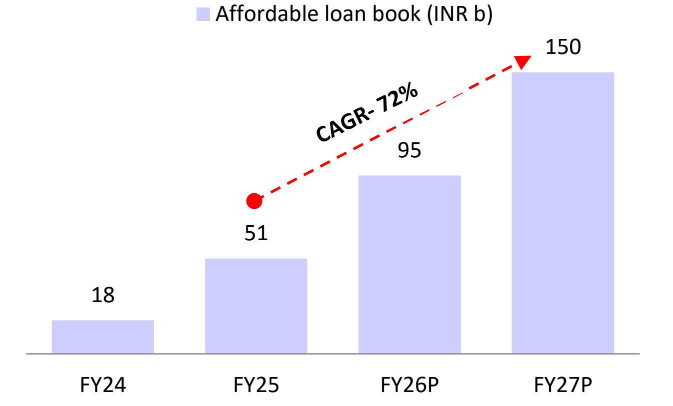
Source: MOFSL, Company

Exhibit 12: Shares of emerging and affordable segments continue to rise



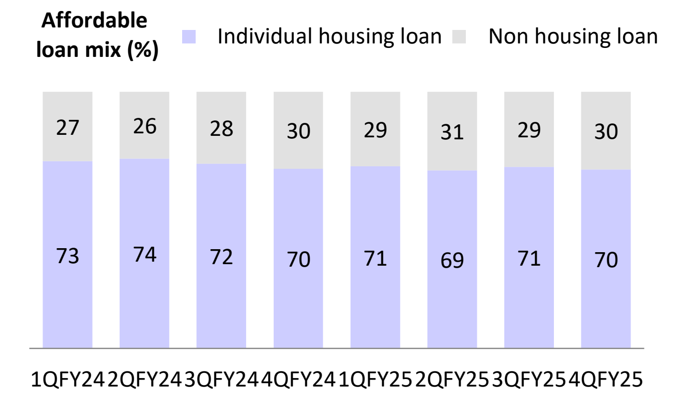
Source: MOFSL, Company

Exhibit 13: Based on company guidance, the affordable loan book could post a ~72% CAGR over FY25-27



Source: MOFSL, Company;
Note: 'P' denotes PNBHF's management guidance

Exhibit 14: The share of non-housing loans rose from ~27% to 30% over the last two years

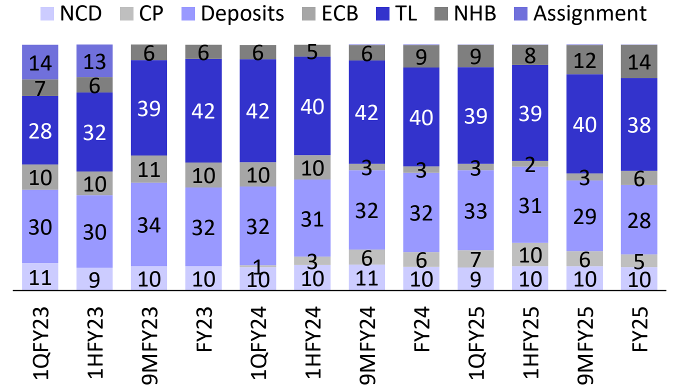


Source: MOFSL, Company

Near-term volatility in NIM but potential for gradual expansion

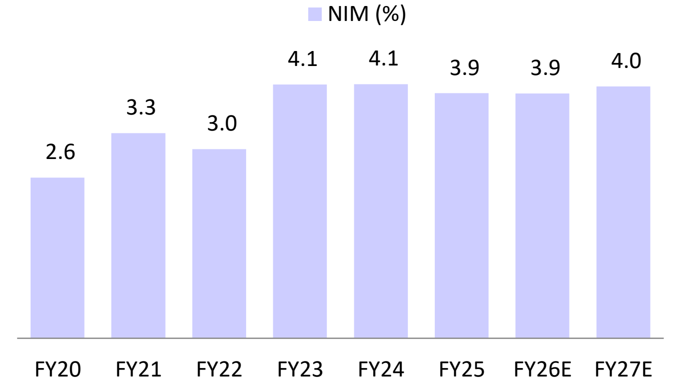
- PNBHF has a diversified liability profile, with the ability to raise funds from banks and debt capital markets. Its credit rating upgrade to AA+ has enabled the company to raise debt from capital markets at lower costs. PNBHF has a deposit-taking license, with deposits accounting for ~28% of the total borrowing mix as of Mar'25.
- On the back of strong operating performance in FY25, the company anticipates a credit rating upgrade by the end of FY26. This could further improve its access to debt capital markets, lower its cost of borrowing, and potentially facilitate broader access to various pools of borrowings.
- PNBHF has deftly positioned itself to navigate the current declining interest rate environment. ~67% of the company's borrowings (as of Mar'25), which are on floating rates, will benefit and be repriced downwards in a declining rate environment. Within its floating borrowings, ~38% are bank term loans. Of these bank loans, ~40% are linked to repo rates (which are repriced almost immediately), while the balance is linked to banks' MCLR (predominantly 1M and 3M MCLR).
- Near-term pressure on NIM will likely arise as asset yields reprice more quickly than liabilities amid heightened competitive intensity in the prime segment. However, we believe that this impact will be largely offset by a favorable shift in the product mix toward emerging and affordable housing, coupled with its resumption of corporate lending (which will remain <10% of the loan mix).
- Incremental yields are higher by ~200bp and ~40bp in the affordable and emerging segments, respectively, which is expected to help the company reduce the impact of transitory NIM contraction in this declining interest rate environment.

Exhibit 15: Deposits account for ~28% of overall borrowings (%)



Source: MOFSL, Company

Exhibit 16: Margins to remain broadly stable in FY26

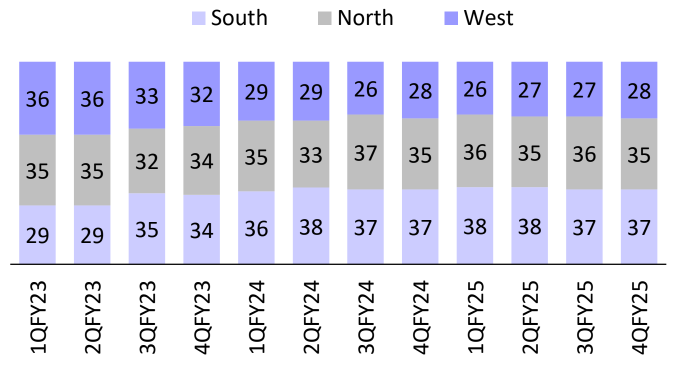


Source: MOFSL, Company

Opex ratios to remain stable despite branch expansion

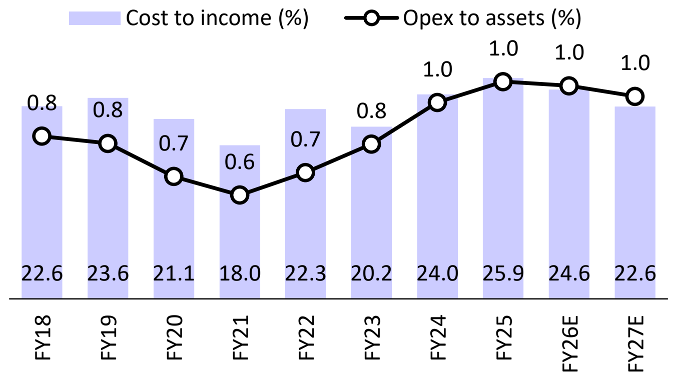
- **Rapid branch expansion**: PNBHF has aggressively scaled its physical presence, increasing branches from 189 in Mar'23 to 356 in Mar'25, with over 70% now catering to the affordable and emerging segments. The company targets 500 branches by FY27, including 300 focused on affordable housing.
- **Efficient cost structure**: The shift toward affordable housing has modestly increased opex-to-average assets from ~0.8% in FY23 to ~1.05% in FY25. However, PNBHF maintains a significantly leaner cost structure than peers in the affordable housing space (typically ~2.6-4%), leveraging shared infrastructure across its three segments. Opex is expected to remain efficient at 1.0-1.1% of average assets.
- **Stable opex; improving productivity**: Despite continued branch expansion, operating costs are expected to remain stable, supported by rising employee and branch productivity. The cost-to-income ratio is projected to improve to ~23% by FY27 (from ~26% in FY25).

Exhibit 17: Disbursements mix (%)



Source: MOFSL, Company

Exhibit 18: Expect C/I to improve in FY26/FY27

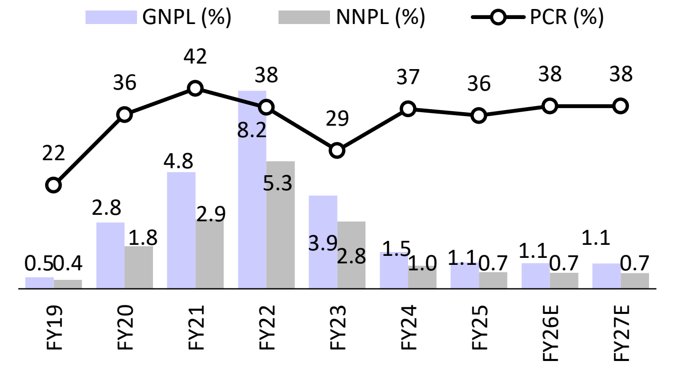


Source: MOFSL, Company

Expect recoveries to sustain in FY26; GS3 and NS3 at lowest levels in five years

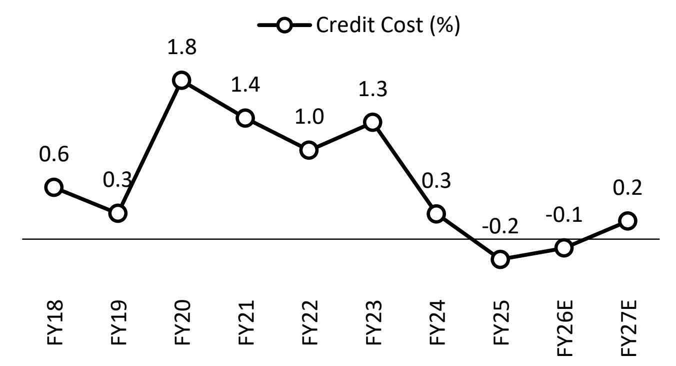
- **Strong asset quality improvement**: PNBHF has steadily improved its asset quality, with GS3/NS3 ratios declining from their peaks of ~8.2%/~5.6% in Dec'21 to ~1.1%/~0.7% by Mar'25.
- **Resilient credit performance amid a shift to riskier segments**: Despite increasing its exposure to higher-yielding segments such as self-employed and informal salaried customers, as well as non-housing loans, the company expects to maintain steady-state credit costs at ~25bp (ex-recoveries). Notably, GNPA in the affordable housing segment remains low at ~0.2% as of Mar'25, supported by low bounce rates and early warning indicators.
- **Robust risk management infrastructure**: PNBHF is well-positioned to sustain superior asset quality, backed by a robust collections team, effective legal recovery processes, and successful property auction initiatives.
- **Recovery upside from the written-off pool**: The company holds a written-off pool of ~INR10b (corporate) and ~INR4b (retail). Continued recoveries are expected to drive provision write-backs through FY26. We model credit costs of -10bp in FY26E and 20bp in FY27E.

Exhibit 19: Asset quality to remain range-bound



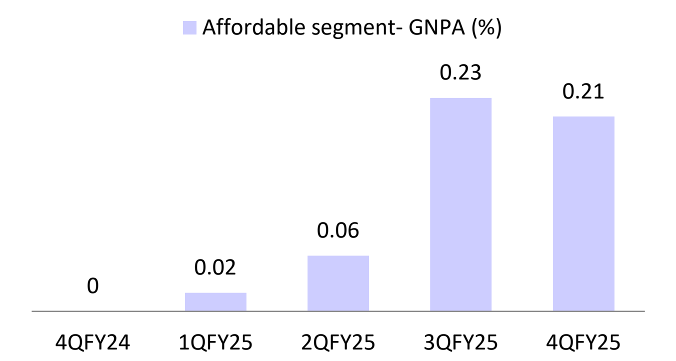
Source: MOFSL, Company

Exhibit 20: Expect credit cost to remain benign in FY26 as well



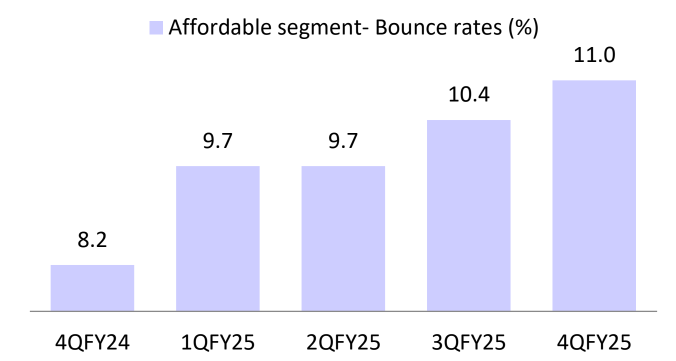
Source: MOFSL, Company

Exhibit 21: GNPA in the affordable segment is best-in-class, but arguably, the affordable book has not seasoned yet



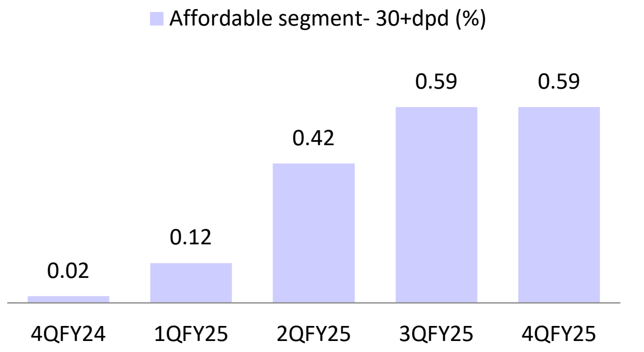
Source: MOFSL, Company

Exhibit 22: Bounce rates under control in the affordable segment



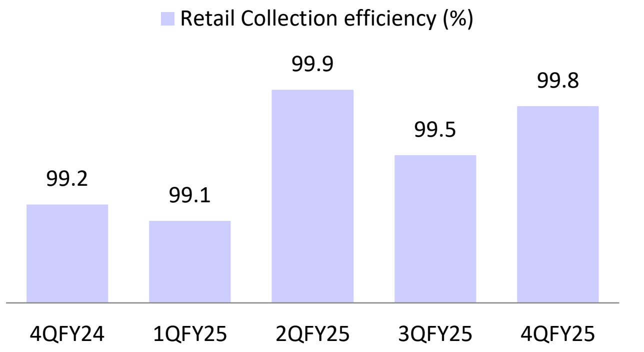
Source: MOFSL, Company

Exhibit 23: 30+dpd in the affordable segment remains range-bound



Source: MOFSL, Company

Exhibit 24: YoY improvement in retail collection efficiency

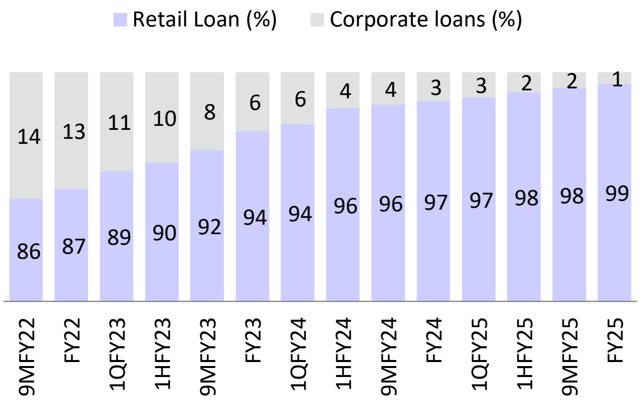


Source: MOFSL, Company

Resumption of corporate lending with a quality-focused underwriting approach

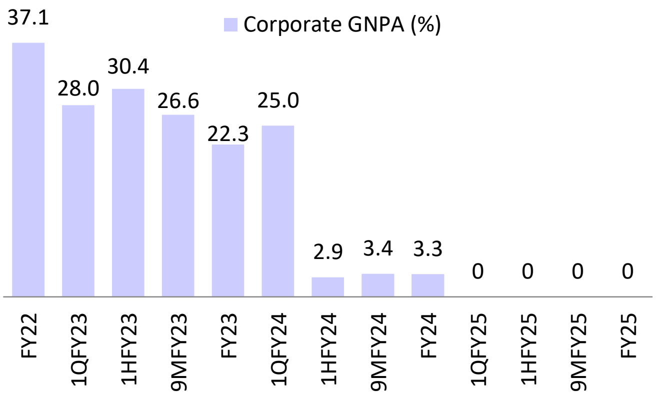
- **Resumption of corporate lending**: PNBHF plans to re-enter corporate lending with a revamped strategy focused on portfolio quality. The ATS for loans will be capped at ~INR1.75-2b to maintain controlled risk exposure. The company plans to disburse INR15-20b in the corporate segment in FY26, with targeted yields of ~12%.
- **High-quality developer partnerships**: PNBHF will prioritize lending to reputed developers, even if it translates into slightly lower yields, to build a strong and healthy corporate portfolio addressing the challenges it faced in the past.

Exhibit 25: PNBHF has run down its corporate book



Source: MOFSL, Company

Exhibit 26: Corporate GNPA has been NIL over the last four quarters



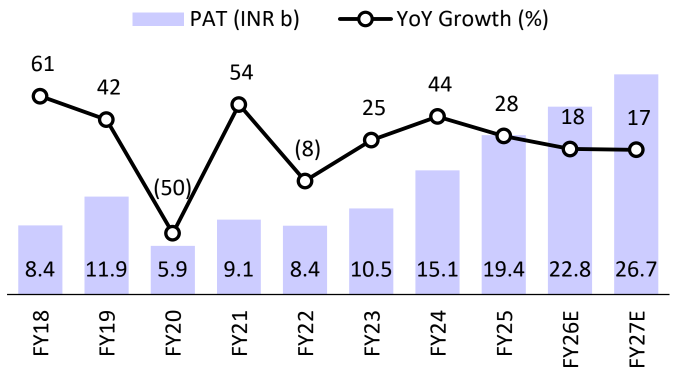
Source: MOFSL, Company

Affordable momentum, prudent execution: Risk-reward attractive

- **Franchise strength & NIM resilience**: PNBHF has meaningfully strengthened its housing finance franchise over the past 2-3 years. The company is well-positioned to navigate near-term NIM contraction, aided by a gradual shift toward a more favorable product mix.
- **Strong growth & re-rating potential**: We project a robust ~19% CAGR in AUM and ~18% CAGR in PAT over FY25-27, with RoA/RoE reaching 2.5%/13.3% by FY27. At 1.3x FY27E P/BV, valuations remain attractive, with further upside potential as execution in the emerging and affordable segments builds investor confidence**. Reiterate BUY with a TP of INR 1,230 based on 1.5x Mar'27E P/BV.**

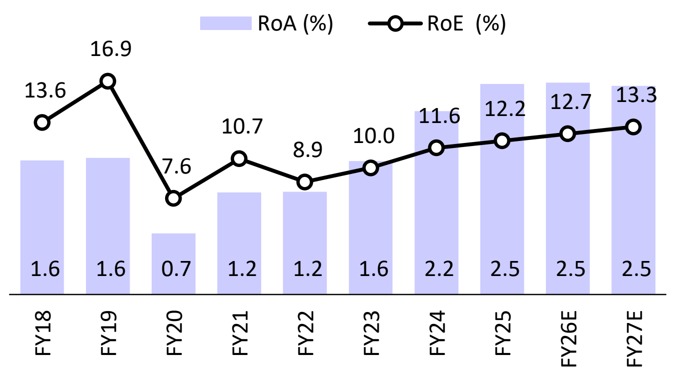
- **Key risks:** 1) Sustained NIM contraction due to heightened competitive intensity from banks and other large HFCs; 2) any senior management exits; and 3) while not imminent, the RBI October 4 draft circular on bank ownership in group NBFCs may result in PNB further lowering its stake in PNBHF.

Exhibit 27: PAT CAGR of ~18% over FY25-27E



Source: MOFSL, Company

Exhibit 28: RoA/RoE of ~2.5%/~13.3% by FY27E



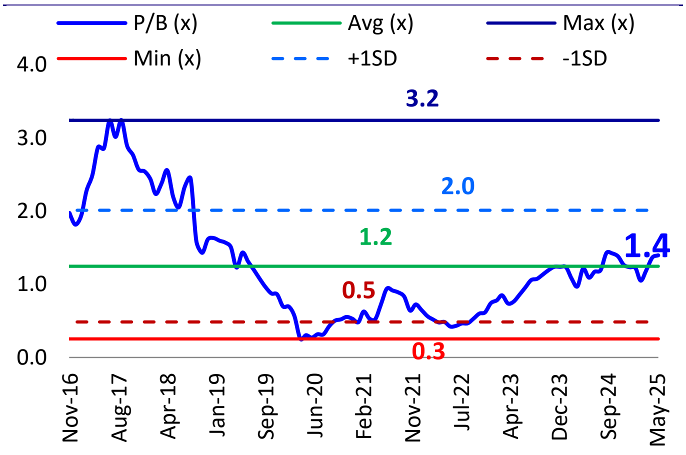
Source: MOFSL, Company

Exhibit 29: Minor change in our estimates to factor in a slight reduction in spreads

INR b	Old Est.		New Est.		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
NII	32.6	40.5	32.3	40.0	-1.0	-1.2
Other Income	5.5	7.0	5.5	7.0	0.0	0.0
Total Income	**38.1**	**47.5**	**37.8**	**47.0**	**-0.9**	**-1.0**
Operating Expenses	9.4	10.7	9.4	10.7	0.0	0.0
Operating Profits	**28.8**	**36.8**	**28.4**	**36.3**	**-1.2**	**-1.3**
Provisions	-0.8	2.0	-0.8	2.0	0.0	0.0
PBT	**29.6**	**34.8**	**29.3**	**34.3**	**-1.1**	**-1.4**
Tax	6.5	7.7	6.4	7.5	-1.1	-1.4
PAT	**23.1**	**27.1**	**22.8**	**26.7**	**-1.1**	**-1.4**
Loan book	903	1,079	903	1,079	0.0	0.0
NIM (%)	4.0	4.1	3.9	4.0		
Spreads (%)	2.7	3.0	2.7	2.9		
ROAA (%)	2.5	2.5	2.5	2.5		
RoAE (%)	12.9	13.4	12.7	13.3		

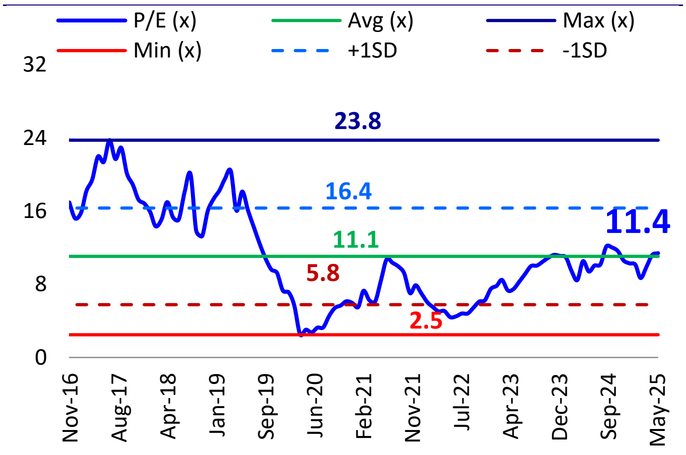
Source: MOFSL estimates

Exhibit 30: PNBHF - One-year forward P/B



Source: MOFSL, Company

Exhibit 31: 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	FY25	FY26E	FY27E
Interest Income	67,929	76,882	71,898	58,220	61,991	67,422	72,737	84,424	1,01,642
Interest Expended	51,664	58,750	50,998	40,645	38,985	42,611	45,514	52,106	61,671
Net Interest Income	**16,265**	**18,133**	**20,901**	**17,575**	**23,006**	**24,811**	**27,223**	**32,318**	**39,971**
Change (%)	7.7	11.5	15.3	-15.9	30.9	7.8	9.7	18.7	23.7
Other Operating Income	8,904	8,013	4,343	3,787	3,306	3,149	4,179	5,489	7,040
Net Income	**25,169**	**26,146**	**25,243**	**21,363**	**26,311**	**27,960**	**31,402**	**37,807**	**47,011**
Change (%)	28.9	3.9	-3.5	-15.4	23.2	6.3	12.3	20.4	24.3
Operating Expenses	5,935	5,522	4,554	4,760	5,313	6,710	8,130	9,378	10,736
Operating Income	**19,234**	**20,624**	**20,689**	**16,603**	**20,998**	**21,250**	**23,272**	**28,429**	**36,275**
Change (%)	27.3	7.2	0.3	-19.7	26.5	1.2	9.5	22.2	27.6
Provisions/write offs	1,890	12,514	8,619	5,764	7,389	1,711	-1,585	-825	1,981
PBT	**17,344**	**8,110**	**12,070**	**10,840**	**13,609**	**19,539**	**24,858**	**29,254**	**34,293**
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**	**24,858**	**29,254**	**34,293**
Tax	5,429	2,201	2,978	2,475	3,149	4,459	5,496	6,436	7,544
Tax Rate (%)	31.3	27.1	24.7	22.8	23.1	22.8	22.1	22.0	22.0
DTL on Special Reserve									
Reported PAT	**11,915**	**5,909**	**9,092**	**8,365**	**10,460**	**15,080**	**19,361**	**22,818**	**26,749**
Change (%)	41.7	-50.4	53.9	-8.0	25.0	44.2	28.4	17.9	17.2
PAT adjusted for EO	**11,915**	**5,909**	**9,092**	**8,365**	**10,460**	**15,080**	**19,361**	**22,818**	**26,749**
Change (%)	41.7	-50.4	53.9	-8.0	25.0	44.2	28.4	17.9	17.2
Proposed Dividend	1,809	0	0	0	0	0	1,300	3,902	4,574

Balance sheet (INR M)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Capital	1,675	1,682	1,683	1,686	1,689	2,597	2,599	2,599	2,599
Reserves & Surplus	73,764	78,296	87,548	97,030	1,08,448	1,47,147	1,66,032	1,87,550	2,10,397
Net Worth	**75,439**	**79,978**	**89,230**	**98,716**	**1,10,137**	**1,49,744**	**1,68,631**	**1,90,150**	**2,12,996**
Borrowings	**7,18,589**	**6,77,351**	**5,93,925**	**5,30,050**	**5,36,211**	**5,50,166**	**6,23,096**	**7,62,697**	**9,22,317**
Change (%)	33.6	-5.7	-12.3	-10.8	1.2	2.6	13.3	22.4	20.9
Other liabilities	44,662	31,969	30,767	28,530	15,795	24,138	33,476	35,150	36,908
Total Liabilities	**8,38,690**	**7,89,297**	**7,13,922**	**6,57,296**	**6,62,143**	**7,24,049**	**8,25,204**	**9,87,996**	**11,72,220**
Loans	**7,42,879**	**6,66,280**	**6,06,447**	**5,53,359**	**5,78,398**	**6,41,082**	**7,46,453**	**9,02,600**	**10,78,733**
Change (%)	30.0	-10.3	-9.0	-8.8	4.5	10.8	16.4	20.9	19.5
Investments	**45,607**	**20,757**	**20,448**	**34,827**	**31,963**	**43,460**	**33,809**	**37,190**	**40,909**
Change (%)	89.0	-54.5	-1.5	70.3	-8.2	36.0	-22.2	10.0	10.0
Net Fixed Assets	1,083	1,353	1,056	935	839	989	1,222	1,283	1,347
Other assets	49,122	1,00,906	85,971	68,175	50,943	38,517	43,719	46,924	51,231
Total Assets	**8,38,690**	**7,89,297**	**7,13,922**	**6,57,296**	**6,62,143**	**7,24,049**	**8,25,204**	**9,87,996**	**11,72,220**

E: MOFSL Estimates

Financials and Valuation

Ratios									(%)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Spreads Analysis (%)									
Avg yield on loans	10.1	10.6	10.9	9.7	10.6	10.7	10.5	10.2	10.3
Avg. cost of funds	8.2	8.4	8.0	7.2	7.3	7.8	7.8	7.5	7.3
Interest Spread	1.9	2.1	2.9	2.4	3.3	2.9	2.7	2.7	2.9
NIM on loans	2.5	2.6	3.3	3.0	4.1	4.1	3.9	3.9	4.0
Profitability Ratios (%)									
RoE	16.9	7.6	10.7	8.9	10.0	11.6	12.2	12.7	13.3
RoA	1.6	0.7	1.2	1.2	1.6	2.2	2.5	2.5	2.5
Int. Expended/Int.Earned	76.1	76.4	70.9	69.8	62.9	63.2	62.6	61.7	60.7
Other Inc./Net Income	35.4	30.6	17.2	17.7	12.6	11.3	13.3	14.5	15.0
Efficiency Ratios (%)									
Op. Exps./Net Income	23.6	21.1	18.0	22.3	20.2	24.0	25.9	24.8	22.8
Empl. Cost/Op. Exps.	51.2	42.2	46.4	45.5	50.1	50.3	51.8	52.6	53.3
Asset Quality (INR m)									
Gross NPA	3,549	18,562	29,990	47,062	22,714	9,840	8,160	9,653	11,458
GNPA ratio	0.5	2.8	4.8	8.2	3.9	1.5	1.1	1.1	1.1
Net NPA	2,784	11,838	17,500	29,312	16,184	6,160	5,220	5,985	7,104
NNPA ratio	0.4	1.8	2.9	5.3	2.8	1.0	0.7	0.7	0.7
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	FY25	FY26E	FY27E
Book Value (INR)	450	476	530	586	652	577	649	732	819
BVPS Growth YoY	14.3	5.6	11.5	10.4	11.4	-11.6	12.5	12.8	12.0
Price-BV (x)			**2.0**	**1.8**	**1.6**	**1.8**	**1.6**	**1.4**	**1.3**
EPS (INR)	71.1	35.1	54.0	49.6	61.9	58.1	74.5	87.8	102.9
EPS Growth YoY	40.9	-50.6	53.8	-8.2	24.9	-6.3	28.3	17.9	17.2
Price-Earnings (x)		**30.1**	**19.6**	**21.3**	**17.1**	**18.2**	**14.2**	**12.0**	**10.3**
Dividend per share (INR)	9.0	0.0	0.0	0.0	0.0	0.0	5.0	15.0	17.6
Dividend yield (%)			**0.0**	**0.0**	**0.0**	**0.0**	**0.5**	**1.4**	**1.7**

DuPont Analysis	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	9.2	9.4	9.6	8.5	9.4	9.7	9.4	9.3	9.4
Interest Expended	7.0	7.2	6.8	5.9	5.9	6.1	5.9	5.7	5.7
Net Interest Income	**2.2**	**2.2**	**2.8**	**2.6**	**3.5**	**3.6**	**3.5**	**3.6**	**3.7**
Other Income	**1.2**	**1.0**	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.6**	**0.7**
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*	*0.1*
Net Income	**3.4**	**3.2**	**3.4**	**3.1**	**4.0**	**4.0**	**4.1**	**4.2**	**4.4**
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*	*25.9*	*24.8*	*22.8*
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**	**3.0**	**3.1**	**3.4**
Provisions/write offs	0.3	1.5	1.1	0.8	1.1	0.2	-0.2	-0.1	0.2
PBT	**2.4**	**1.0**	**1.6**	**1.6**	**2.1**	**2.8**	**3.2**	**3.2**	**3.2**
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*	*22.1*	*22.0*	*22.0*
Reported PAT	**1.6**	**0.7**	**1.2**	**1.2**	**1.6**	**2.2**	**2.5**	**2.5**	**2.5**
Leverage	10.4	10.5	8.9	7.3	6.3	5.3	4.9	5.1	5.4
RoE	**16.9**	**7.6**	**10.7**	**8.9**	**10.0**	**11.6**	**12.2**	**12.7**	**13.3**

Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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