

Bandhan Bank

Estimate change 

TP change 

Rating change 

CMP: INR234

TP: INR350 (+50%)

Buy

Liability franchise strong; Credit cost to stay elevated

Asset quality under watch – management outlook offers hope for recovery

Bloomberg	BANDHAN IN
Equity Shares (m)	1,610
M.Cap.(INRb)/(USDb)	376.7 / 5.1
52-Week Range (INR)	650 / 152
1, 6, 12 Rel. Per (%)	21/-35/-43
12M Avg Val (INR M)	1551

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
NII	63.2	75.5	89.4
OP	54.5	61.8	72.3
NP	30.2	32.5	39.7
NIM (%)	9.1	8.2	8.2
EPS (INR)	21.6	20.2	24.7
EPS Gr. (%)	31.9	-6.4	22.2
BV/Sh. (INR)	94	116	134
ABV/Sh. (INR)	93	113	131
RoE (%)	22.9	19.2	19.7
RoA (%)	4.1	3.3	3.4
Payout (%)	0.0	23.3	23.8

Valuations

P/E(X)	10.8	11.6	9.5
P/BV (X)	2.5	2.0	1.7
P/ABV (X)	2.5	2.1	1.8

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	61.0	61.0	82.3
DII	8.8	8.2	10.0
FII	13.1	13.9	5.6
Others	17.2	17.0	2.2

FII Includes depository receipts

- Bandhan has created higher than the required provisions toward COVID-19, which affected earnings, even as NII/PPoP growth held strong. Also, business growth was steady despite lockdown imposed in the last few days of Mar'20. On the asset quality front, higher write-offs have aided GNPA improvement.
- Management indicated 78% of the portfolio remains in the Green zone, while only ~6% is in the Red zone. We remain watchful of asset quality and expect credit cost trends to remain elevated in the near term even though management commentary has provided comfort. **Maintain Buy.**

Strong core operating performance; Retail deposit mix improves further

- 4QFY20 PAT stood at ~INR5.2b (21% YoY decline, 17% below estimates), affected by higher provisions toward COVID-19 of INR6.9b. NII grew 34% YoY (~9% QoQ) to INR16.8b, led by robust growth in advances and 22bp QoQ margin expansion to 8.13%.
- Other income increased 29% YoY to INR5.0b, and opex 34% YoY (4% QoQ increase); thus, the C/I ratio moderated ~320bp QoQ to 30.3%. Overall, PPoP growth remains strong at 32% YoY to INR15.2b.
- Advances (on+ off book) surged ~9.8% QoQ to INR718b despite lockdown imposed in the last few days of Mar'20. MFI loans grew 15% QoQ, with their share thus increasing to ~64% v/s ~61% (post the merger).
- Deposit growth came in strong at 32% YoY despite state government deposit withdrawals witnessed in Mar'20. CASA growth stood at 19.4% YoY / 11.6% QoQ; as a result, the CASA ratio improved to 36.8% v/s 34.3% in 3QFY20. Also, the proportion of retail deposits improved ~220bp to 78.4% of the total deposits.
- On the asset quality front**, GNPL/NNPL declined 16%/~21% QoQ, led by higher write-offs. Consequently, the GNPA/NNPA ratio improved 45bp/23bp QoQ to 1.5%/0.6%. Thus, PCR improved to 60.8% v/s 58.4% in 3QFY20. The bank holds total additional provisions of INR10b, including COVID-19 provisions and INR3.1b towards standard asset provisions.
- Other highlights:** As of April'20, 100% moratorium had been availed in MFI, 13% in Mortgage, 35% in MSME, and 59% in NBFC-MFI in portfolio terms.

Highlights from management commentary

- 50% of borrowers operate in the Agri and allied industries, and 20% in other kinds of essential services, such as Food Processing. Management expects these customers to see normalcy return in operations faster.
- AUM breakup in Green, Orange, and Red zones:** 78% of the portfolio belongs to the Green zone; 16% to the Orange zone, and the rest to the Red zone.

Valuation and view

The bank reported strong business growth numbers, with the mix of retail deposits improving further. The CASA mix/margins have been healthy and aided growth in operating earnings. Bandhan has created COVID-19-related provisions of INR6.9b and guided for controlled delinquencies amid heightened concerns on asset quality, citing its historical track record in dealing with such crises. However, we remain cautious on asset quality in the MFI portfolio and expect an increase in delinquencies over the next few quarters. Thus, we build elevated credit cost at 2.5% for FY21E. We maintain our Buy rating, with an unchanged TP of INR350 (2.6x FY22E).

Quarterly performance**(INR m)**

Y/E March	FY19				FY20				FY19	FY20	FY20E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	Est
Net Interest Income	10,372	10,775	11,240	12,575	15,746	15,290	15,403	16,800	44,961	63,239	14,660	15%
% Change (YoY)	39.4	55.4	53.6	45.6	51.8	41.9	37.0	33.6	48.3	40.7		
Other Income	2,107	2,304	2,341	3,878	3,310	3,603	3,577	5,002	10,630	15,492	3,648	37%
Total Income	12,479	13,079	13,581	16,453	19,056	18,893	18,980	21,802	55,591	78,731	18,308	19%
Operating Expenses	4,273	4,339	4,576	4,921	5,505	5,824	6,341	6,595	18,110	24,265	6,959	-5%
Operating Profit	8,205	8,740	9,005	11,532	13,551	13,069	12,639	15,207	37,482	54,466	11,349	34%
% Change (YoY)	47.3	46.9	56.7	63.9	65.1	49.5	40.4	31.9	54.2	45.3		
Other Provisions	800	1,242	3,776	1,533	1,254	1,455	2,949	8,274	7,351	13,932	3,107	166%
Profit Before Tax	7,405	7,498	5,228	9,999	12,297	11,614	9,690	6,933	30,131	40,534	8,242	-16%
Tax	2,588	2,622	1,916	3,491	4,261	1,896	2,380	1,760	10,616	10,297	2,008	-12%
Net Profit	4,817	4,877	3,313	6,509	8,036	9,718	7,310	5,173	19,515	30,237	6,234	-17%
% Change (YoY)	47.4	47.3	10.4	67.8	66.8	99.3	120.7	-20.5	45.0	54.9		
Operating Parameters												
Deposits (INR b)	307	330	346	432	437	492	549	571	432	571	571	0%
Loans (INR b)	305	317	339	396	415	598	606	666	396	666	638	4%
Deposit Growth (%)	36.8	29.5	36.9	27.6	42.3	49.3	58.5	32.0	27.6	32.0	32.0	-4
Loan Growth (%)	62.9	64.0	47.7	33.4	35.9	88.4	78.9	68.1	33.4	68.1	60.9	-719
Asset Quality												
Gross NPA (%)	1.3	1.3	2.4	2.0	1.7	1.8	1.9	1.5	2.1	1.5	1.9	46
Net NPA (%)	0.6	0.7	0.7	0.6	0.6	0.6	0.8	0.6	0.6	0.6	0.9	33
PCR (%)	50.4	46.7	71.5	72.1	65.9	68.3	58.4	60.8	72.1	60.8	53.3	-748

E:MOFSL Estimates

Quarterly snapshot

	FY18				FY19				FY20				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Profit and Loss, INR m														
Interest Income	11,537	11,201	11,782	13,506	15,562	16,056	16,496	18,327	26,313	26,903	27,176	28,463	55	5
Loans	7,929	8,973	9,549	11,785	12,981	13,998	14,356	15,938	22,817	23,702	23,711	24,632	55	4
Investment	1,042	1,196	1,298	1,365	1,509	1,594	1,513	1,555	1,902	1,955	2,006	2,465	59	23
Others	2,565	1,033	936	356	1,072	464	627	834	1,594	1,246	1,459	1,365	64	-6
Interest Expenses	4,099	4,266	4,464	4,872	5,190	5,282	5,256	5,752	10,567	11,612	11,774	11,663	103	-1
Net Interest Income	7,438	6,936	7,318	8,634	10,372	10,775	11,240	12,575	15,746	15,290	15,403	16,800	34	9
Other Income	1,220	2,226	1,582	2,034	2,107	2,304	2,341	3,878	3,310	3,603	3,577	5,002	29	40
Total Income	8,657	9,162	8,900	10,668	12,479	13,079	13,581	16,453	19,056	18,893	18,980	21,802	33	15
Operating Expenses	3,086	3,213	3,155	3,630	4,273	4,339	4,576	4,921	5,505	5,824	6,341	6,595	34	4
Employee	1,632	1,732	1,630	1,886	2,489	2,342	2,558	2,699	3,318	3,327	3,405	3,621	34	6
Others	1,454	1,480	1,526	1,744	1,785	1,997	2,019	2,222	2,187	2,497	2,936	2,975	34	1
Operating Profits	5,572	5,950	5,745	7,038	8,205	8,740	9,005	11,532	13,551	13,069	12,639	15,207	32	20
Core Operating Profits	5,572	5,950	5,745	7,038	8,205	8,740	9,005	11,532	13,551	13,069	12,639	15,207	32	20
Provisions	556	869	1,225	1,091	800	1,242	3,776	1,533	1,254	1,455	2,949	8,274	440	181
PBT	5,015	5,080	4,519	5,947	7,405	7,498	5,228	9,999	12,297	11,614	9,690	6,933	-31	-28
Taxes	1,747	1,769	1,519	2,069	2,588	2,622	1,916	3,491	4,261	1,896	2,380	1,760	-50	-26
PAT	3,269	3,311	3,000	3,879	4,817	4,877	3,313	6,509	8,036	9,718	7,310	5,173	-21	-29
Balance Sheet, INR b														
Deposits	224	254	253	339	307	330	346	432	437	492	549	571	32	4
Loans	187	193	229	297	305	317	339	396	415	598	606	666	68	10
Asset Quality, INR m														
GNPA	1,752	2,792	3,863	3,731	3,883	4,133	8,310	8,196	10,197	10,642	11,820	9,928	21	-16
NNPA	1,055	1,467	1,841	1,729	1,924	2,204	2,367	2,283	3,475	3,369	4,914	3,894	71	-21

Quarterly snapshot contd.

Ratios (%)	FY18				FY19				FY20				Change (bps)	
- Asset Quality Ratios	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
GNPA (%)	0.9	1.4	1.7	1.3	1.3	1.3	2.4	2.0	1.7	1.8	1.9	1.5	-56	-45
NNPA (%)	0.6	0.8	0.8	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.8	0.6	0	-23
PCR (Calc., %)	39.8	47.4	52.3	53.7	50.4	46.7	71.5	72.1	65.9	68.3	58.4	60.8	-1,136	235
- Business Ratios														
Cost to Core Income	35.6	35.1	35.5	34.0	34.2	33.2	33.7	29.9	28.9	30.8	33.4	30.3	34	-316
CASA (%)	26.3	28.2	33.2	34.3	35.5	36.9	41.4	40.8	36.1	32.9	34.3	36.8	-391	253
Loan/Deposit	83.5	76.0	90.7	87.7	99.4	96.3	97.8	91.7	94.9	121.5	110.4	116.7	2,503	636
- Profitability Ratios														
ROA	4.4	4.2	3.7	4.1	4.5	4.3	2.9	5.2	4.9	4.8	3.5	2.4	-280	-110
ROE	28.1	26.4	22.5	27.7	19.9	19.3	12.5	24.1	24.4	28.3	20.0	13.7	-1,040	-630
Yield	16.7	15.1	15.4	14.6	15.4	15.3	15.4	15.6	15.7	14.2	14.0	13.8	-180	-20
Cost of Funds	7.0	6.7	6.8	6.2	6.5	6.3	6.3	6.1	6.6	7.2	7.2	6.7	60	-50
Margins	10.8	9.3	9.6	9.3	10.3	10.3	10.5	10.7	10.5	8.2	7.9	8.1	-256	22
Other Details														
Branches	840	864	887	936	937	938	978	986	999	1,000	1,009	1,018	32	9
ATM	NA	NA	NA	460	475	476	480	481	481	485	485	485	4	0



Highlights from management commentary

COVID-19 related

- The bank expects 95–97% of customers to resume normal operations. Post the lifting of the lockdown, it would take four to six weeks for customers to see some normalcy in operations.
- 50% of the bank's borrowers operate in the Agri and allied industries, and 20% in other essential services, such as Food and Food Processing. The bank expects these customers to see normalcy in operations faster than other customers.

- 36% of borrowers have alternate businesses and therefore do not depend on a single source of income.
- The bank has created the appropriate COVID-19 provisions based on multiple scenario analyses (such as impacted industry analysis; its prior experience of customer defaults; past events such as the Assam crisis, demonetization, and GST) and COVID-19-affected region.
- Bandhan maintains total provisions of INR10b, INR3.1b of which is put toward standard advances, while INR6.9b toward COVID-19-related issues.
- **AUM breakup in Green, Orange, and Red zones:** 78% of the portfolio belongs to the Green zone; 16% to the Orange zone, and the rest to the Red zone.
- Collections are yet to begin in the Green zone; however, some customers have already made EMI payments at DSCs.
- Bandhan has launched a COVID-19 emergency credit line and would offer the same to customers who have never defaulted in the past. Under this, additional loans of up to INR50k would be provided.

Balance sheet related

- Collections did not happen in the last 10 days of Mar'20.
- ~79% of micro borrowers have an avg. deposit balance of INR3k, equivalent to four+ weekly installments. Furthermore, the avg. deposit balance stands stable even during the lockdown period.
- **Mortgage portfolio:**
 - The avg. ticket size stands at ~INR0.9-0.95m
 - Some customers are likely to be impacted in both the Salaried and Self-Employed segments.
 - Some customers are likely to have more than one loan.
 - LAP constitutes 9–10% of the total Mortgage portfolio.
 - ~45% of the customer base belongs to the formal sector.
- **MFI customer breakdown:**
 - ~50% of the customers are unique customers of the bank; Bandhan + 1 more lender form ~80%, and Bandhan + 2 more lenders form ~90%.
 - Further, 54% of customers fall in the '4th Cycle and Above' category.
 - The ticket size of unique customers is higher than that of customers with loans with more than one lender.
 - Overall, the avg. disbursement ticket size stands at INR62k.
 - ~10% of borrowers are in the '10th Cycle and Above' category.
- Non-Eastern region deposit growth came in at 51% YoY, while Eastern region deposit growth stood at 32% YoY.
- 81% of the MFI portfolio is concentrated in the Eastern and Northeastern regions, where the share of COVID-19 cases is just 5%.
- In the high-containment zone in Kolkata, the share of business is not very high.

Asset quality

- Write-offs during the quarter stood at INR1.9b, primarily from the Assam-crisis-impacted portfolio, as the bank made provisions of INR2b in 3QFY20.
- The total collection efficiency in March (excluding 10 days of lockdown) was 98%, while it was 93.6% in Assam

CASA mix increased to 36.8% (+250bp) QoQ

Healthy traction in deposits continues; Margins expands ~20bp QoQ

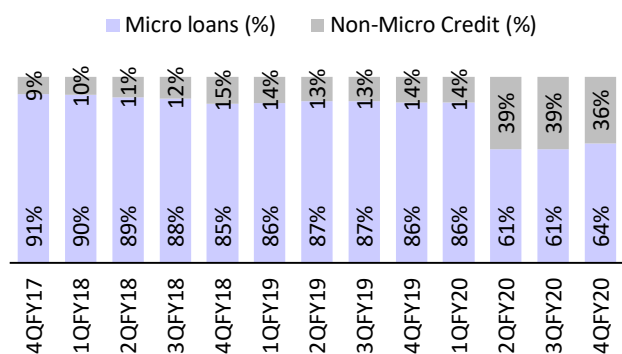
- Deposits grew 32%/4% YoY/QoQ to INR570.8b, within which term deposits rose ~41% YoY and CASA deposits ~19% YoY (+11.6% QoQ). The CASA mix increased ~250bp QoQ to 36.8% v/s 34.3% in 3QFY20. Retail deposits constitute ~78.4% of the total deposits.
- NIMs expanded 22bp QoQ to 8.13%, led by moderation in cost of deposits, which stood at 6.7% (-50 QoQ).

AUM grew ~60% YoY, within which the MFI book grew ~20% YoY and non-micro credit ~22% YoY

AUM grows 60% YoY, with MFI book growing at ~20% YoY

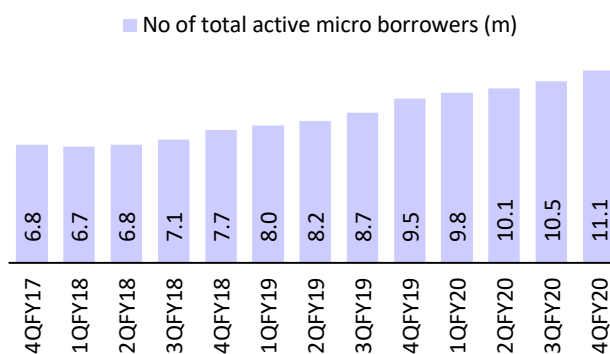
- Total loans (on + off) grew 60.5%/9.8% YoY/QoQ to INR718.5b, driven by ~20%/15% YoY/QoQ growth in the MFI book; the non-micro credit book increased 22.3% YoY. The MFI book now accounts for ~64% YoY of the total AUM, and the mortgages book (GRUH) 25%.
- Within Micro-Finance, the number of active borrowers grew ~17% YoY to 11.1m, and disbursements ~37% QoQ.
- ~55% of the GRUH loan book is toward salaried customers with an average LTV of ~67%.

Exhibit 1: MFI book forms 64% and mortgages ~25%



Source: MOFSL, Company

Exhibit 2: Active MFI borrowers grew 17% YoY to 11.1m



Source: MOFSL, Company

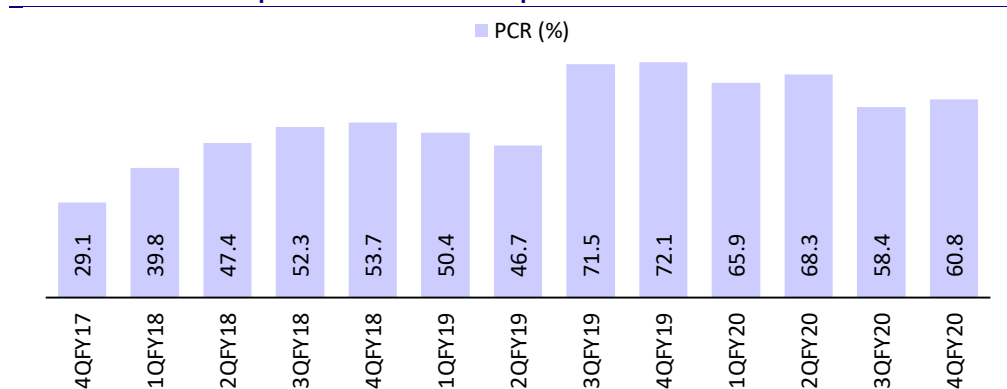
Asset quality ratios improve sequentially; PCR improves ~240bp QoQ

- Absolute GNPA/NNPA declined 16%/21% QoQ to INR9.9b/INR3.9b, aided by moratorium. The GNPA/NNPA ratio declined 45bp/23bp QoQ to 1.48%/0.58%. Calculated PCR thus improved to 60.8% (+235bp QoQ).
- The bank has created COVID-19-related provisions of INR6.9b, while carrying additional standard asset provisions of INR3.1b for MFI customers. Thus, the bank is carrying additional provisions of INR10b.
- **Segmental GNPA:** The MFI GNPA declined 27% QoQ to INR2.1b v/s INR2.9b reported in 3QFY20. On the contrary, GNPA for mortgages declined 18% QoQ to INR2.5b v/s INR3.0b in 3QFY20. Non-micro GNP stood at INR5.35b (of which INR3.85b pertains to ILFS).

Update on moratorium

- **MFI:** 100% moratorium in value for Apr'20 => 95% of DSCs opened. ~79% of the borrowers have an avg. deposit balance of ~INR3K, equivalent to four weekly installments. Collection is expected to normalize four to six weeks after the lockdown is lifted.
- **Mortgage:** 13% moratorium in value for Apr'20 => while moratorium was offered to 100% of customers; ~87% of customers in value paid their installments for Apr'20.
- **SME:** ~35% moratorium in value for Apr'20. Although moratorium was offered to all customers, ~65% (in value) paid the installment for Apr'20.
- **NBFC:** This comprises (a) NBFC Others – NIL moratorium and (b) NBFC MFI – ~59% moratorium in value for Apr'20. NBFC-MFI seeking moratorium have placed deposits exceeding their 1QFY21 installments with the bank.

Exhibit 3: PCR for the quarter increased ~240bp to 60.8%



Source: MOSL, Company

Valuation view

- The bank has one of the best operating metrics as it runs on a low-cost operations model – it has the lowest cost per employee and lowest cost asset centers in rural/semi-urban geographies. Furthermore, synergies from the merger with GRUH would drive further improvement in operating leverage. We thus estimate the cost-income ratio to remain stable at ~34–35% over FY20–22.
- The bank has demonstrated strong execution skills in building its deposit franchise. Notably, it has scaled up its deposit base to INR571b within a few years of commencing banking operations, with a focus on a low-ticket, granular book (CASA mix at ~37%; retail TDs form nearly ~78% of the total deposit base). Bandhan has a 100–150bp cost of funds advantage over other SFBs.
- The bank has a strong track record of handling challenging situations such as the demonetization and GST, wherein it went back to the normal delinquency rate within a few months.
- **Buy, with target price of INR350:** The bank reported strong business growth numbers, with the mix of retail deposits improving further. The CASA mix/margins have been healthy and have aided growth in operating earnings. Bandhan has made COVID-19 provisions of INR6.9b and guided for controlled delinquencies amid heightened concerns on asset quality, citing its historical track record in dealing with such crises. However, we remain cautious on asset quality in the MFI portfolio and expect an increase in delinquencies over the

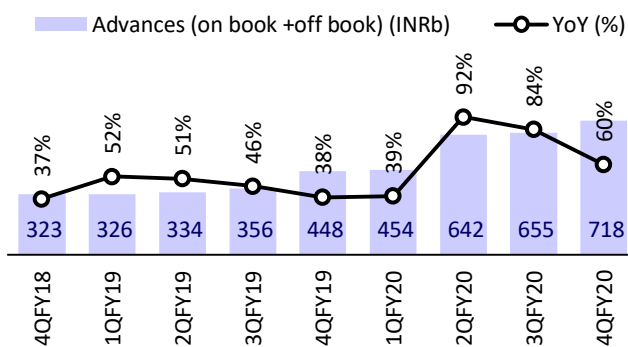
next few quarters. Thus, we build elevated credit cost at 2.5% for FY21E. We maintain our Buy rating, with an unchanged TP of INR350 (2.6x FY22E).

Exhibit 4: We maintain our estimates for FY21, while increasing our estimate for FY22 by ~4% as we factor in higher other income and margin improvement

INR b	Old Estimates		New Estimates		Change (%/bps)	
	FY21	FY22	FY21	FY22	FY21	FY22
Net Interest Income	74.0	87.9	75.5	89.4	2.0	1.8
Other Income	17.2	21.4	18.1	22.7	5.1	5.9
Total Income	91.3	109.3	93.7	112.1	2.6	2.6
Operating Expenses	32.1	41.3	31.8	39.8	-0.8	-3.6
Operating Profit	59.2	68.0	61.8	72.3	4.5	6.4
Provisions	15.9	17.1	18.4	19.2	15.4	12.1
PBT	43.3	50.9	43.5	53.1	0.5	4.4
Tax	10.9	12.8	11.0	13.4	0.5	4.4
PAT	32.4	38.0	32.5	39.7	0.5	4.4
Loans	757	947	765	913	1.1	-3.5
Deposits	708	920	691	870	-2.4	-5.4
Margins (%)	8.3	8.1	8.2	8.2	-0.1	0.1
Credit Cost (%)	2.2	1.9	2.5	2.2	0.3	0.3
RoA (%)	3.4	3.3	3.3	3.4	-0.1	0.2
RoE (%)	19.1	19.4	19.2	19.7	0.2	0.4
EPS	20.1	23.6	20.2	24.7	0.4	4.4
BV	113.1	130.8	115.6	134.4	2.2	2.7
ABV	108.6	126.3	112.7	131.3	3.8	3.9

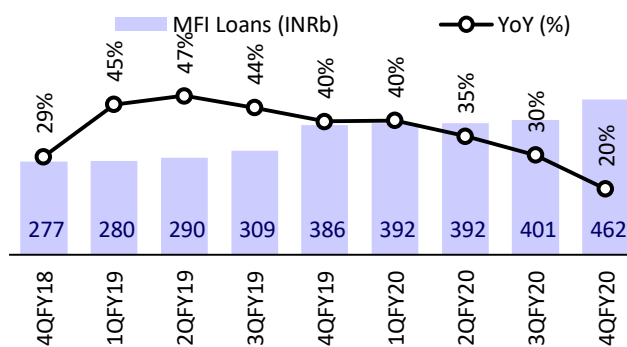
Story in charts

Exhibit 5: Total advances grew 60.5% YoY to INR718b



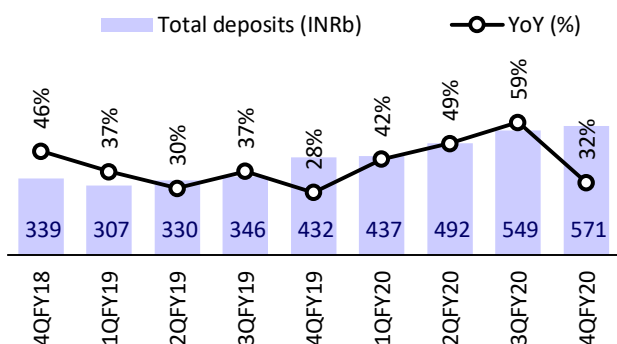
Source: MOFSL, Company

Exhibit 6: MFI loans grew 20% YoY (+15% QoQ)



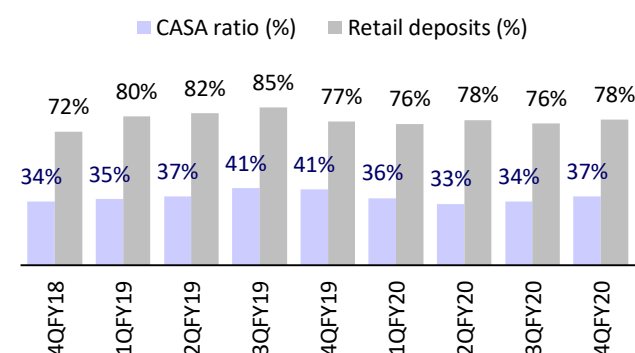
Source: MOFSL, Company

Exhibit 7: Total deposits grew 32% YoY to INR571b



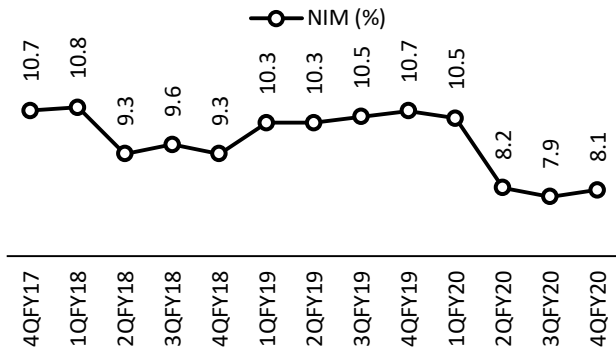
Source: MOFSL, Company

Exhibit 8: The CASA ratio improved to ~37%, while retail deposits formed ~78% of the total deposits



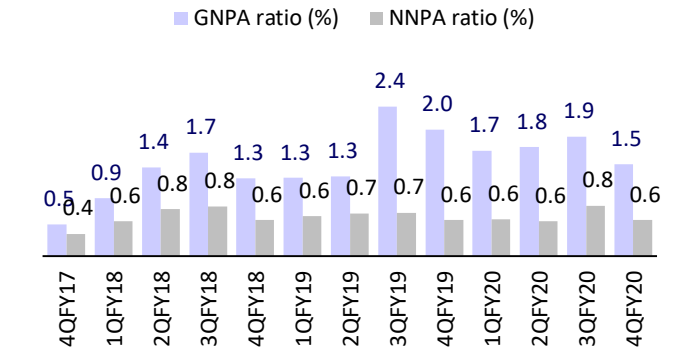
Source: MOFSL, Company

Exhibit 9: Margins expanded ~20bps QoQ to 8.1%



Source: MOFSL, Company

Exhibit 10: Asset quality improved, with GNPA/NNPA ratio declining 45bp/23bp to 1.48%/0.58%



Source: MOFSL, Company

Exhibit 11: DuPont Analysis: Return ratio would remain under pressure in the near term

	FY17	FY18	FY19	FY20	FY21E	FY22E
Interest Income	15.6	12.9	13.2	14.7	13.2	13.1
Interest Expense	6.0	4.7	4.3	6.2	5.6	5.3
Net Interest Income	9.6	8.1	8.9	8.5	7.7	7.7
Fee income	1.6	1.8	2.0	2.0	1.8	1.9
Trading and others	0.1	0.1	0.1	0.1	0.1	0.1
Other Income	1.6	1.9	2.1	2.1	1.8	2.0
Total Income	11.3	10.0	11.0	10.6	9.5	9.7
Operating Expenses	4.1	3.5	3.6	3.3	3.2	3.4
Employees	2.2	1.8	2.0	1.8	1.8	1.9
Others	1.9	1.7	1.6	1.4	1.4	1.5
Operating Profits	7.2	6.5	7.4	7.4	6.3	6.2
Core operating Profits	7.1	6.4	7.4	7.3	6.2	6.2
Provisions	0.4	1.0	1.5	1.9	1.9	1.7
NPA	0.2	0.6	1.3	1.9	1.8	1.6
Others	0.2	0.4	0.1	0.0	0.1	0.1
PBT	6.8	5.5	6.0	5.5	4.4	4.6
Tax	2.4	1.9	2.1	1.4	1.1	1.2
RoA	4.45	3.61	3.87	4.08	3.3	3.4
Leverage (x)	6.4	5.4	4.9	5.6	5.8	5.7
RoE	28.6	19.5	19.0	22.9	19.2	19.7

Financials and valuations

Income statement							(INR b)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	
Interest Income	15.8	39.1	48.0	66.4	108.9	130.3	151.2	
Interest Expense	6.5	15.1	17.7	21.5	45.6	54.8	61.8	
Net Interest Income	9.3	24.0	30.3	45.0	63.2	75.5	89.4	
Growth (%)	NM	157.7	26.2	48.3	40.7	19.4	18.4	
Non-Interest Income	1.5	4.1	7.1	10.6	15.5	18.1	22.7	
Total Income	10.8	28.1	37.4	55.6	78.7	93.7	112.1	
Growth (%)	NM	160.0	32.8	48.7	41.6	19.0	19.7	
Operating Expenses	6.2	10.2	13.1	18.1	24.3	31.8	39.8	
Pre Provision Profits	4.7	17.9	24.3	37.5	54.5	61.8	72.3	
Growth (%)	NM	284.1	35.5	54.2	45.3	13.5	16.9	
Core PPOP	4.6	17.7	23.8	37.1	54.0	61.3	71.6	
Growth (%)	NM	281.1	34.6	55.7	45.5	13.5	16.9	
Provisions (excl. tax)	0.5	0.9	3.7	7.4	13.9	18.4	19.2	
PBT	4.1	17.0	20.6	30.1	40.5	43.5	53.1	
Tax	1.4	5.9	7.1	10.6	10.3	11.0	13.4	
Tax Rate (%)	33.4	34.8	34.6	35.2	25.4	25.2	25.2	
PAT	2.8	11.1	13.5	19.5	30.2	32.5	39.7	
Growth (%)	NM	304.0	21.0	45.0	54.9	7.5	22.2	
Balance sheet								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	
Equity Share Capital	11.0	11.0	11.9	11.9	16.1	16.1	16.1	
Reserves & Surplus	22.4	33.5	81.9	100.1	135.9	170.0	200.3	
Net Worth	33.3	44.5	93.8	112.0	152.0	186.1	216.4	
Deposits	120.9	232.3	338.7	432.3	570.8	690.7	870.3	
Growth (%)	NM	92.2	45.8	27.6	32.0	21.0	26.0	
of which CASA Dep	26.1	68.4	116.2	176.2	210.4	262.9	348.6	
Growth (%)	NM	162.4	70.0	51.6	19.4	24.9	32.6	
Borrowings	30.5	10.3	2.9	5.2	163.8	147.4	137.1	
Other Liabilities & Prov.	12.8	15.3	7.7	14.9	30.6	32.1	33.8	
Total Liabilities	197.6	302.4	443.1	564.4	917.2	1,056.3	1,257.5	
Current Assets	31.7	73.6	55.1	58.0	83.5	86.9	94.9	
Investments	37.6	55.2	83.7	100.4	153.5	188.8	232.3	
Growth (%)	NM	46.8	51.8	19.9	52.9	23.0	23.0	
Loans	124.4	168.4	297.1	396.4	666.3	765.0	913.5	
Growth (%)	NM	35.4	76.5	33.4	68.1	14.8	19.4	
Fixed Assets	2.4	2.5	2.4	3.3	3.7	4.2	4.6	
Other Assets	1.5	2.6	4.8	6.3	10.1	11.4	12.2	
Total Assets	197.6	302.4	443.1	564.4	917.2	1,056.3	1,257.5	
Asset Quality								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	
GNPA	0.2	0.9	3.7	8.2	9.9	17.9	21.3	
NNPA	0.1	0.6	1.7	2.3	3.9	6.6	7.1	
GNPA Ratio	0.2	0.5	1.3	2.1	1.5	2.3	2.3	
NNPA Ratio	0.1	0.4	0.6	0.6	0.6	0.9	0.8	
Credit Cost	0.0	0.3	1.0	1.9	2.6	2.5	2.2	
PCR (Excl. Tech. write off)	45.4	29.1	53.7	72.1	60.8	63.1	66.8	

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Spread Analysis (%)							
Avg. Yield- on Earning Assets	18.7	17.3	13.9	14.2	15.6	14.1	13.9
Avg. Yield on loans	20.6	21.3	16.4	16.5	17.9	15.9	15.8
Avg. Yield on Investments	7.0	9.2	7.1	6.7	6.6	6.5	6.3
Avg. Cost of Int. Bear. Liabilities	8.7	8.0	6.5	6.0	8.3	7.3	7.1
Avg. Cost of Deposits	7.0	6.8	6.7	6.5	6.4	6.8	6.6
Interest Spread	10.0	9.4	7.5	8.2	7.4	6.8	6.8
Net Interest Margin	11.0	10.7	8.8	9.6	9.1	8.2	8.2

Capitalization Ratios (%)

CAR	29.0	26.4	31.5	29.2	27.4	23.3	22.4
<i>Tier I</i>	26.7	24.8	30.3	27.9	25.2	22.9	22.0
<i>Tier II</i>	2.3	1.6	1.2	1.3	2.2	0.5	0.4

Business and Efficiency Ratios (%)

Loans/Deposit Ratio	102.9	72.5	87.7	91.7	116.7	110.8	105.0
CASA Ratio	21.6	29.4	34.3	40.8	36.9	38.1	40.1
Cost/Assets	3.1	3.4	3.0	3.2	2.6	3.0	3.2
Cost/Total Income	56.9	36.3	35.0	32.6	30.8	34.0	35.5
Cost/Core income	57.0	36.6	35.4	32.8	31.0	34.2	35.7
Int. Expense/Int. Income	41.0	38.5	36.9	32.3	41.9	42.0	40.9
Fee Income/Total Income	13.7	13.8	17.7	18.4	19.1	18.7	19.6
Non Int. Inc./Total Income	13.8	14.6	18.9	19.1	19.7	19.4	20.2
Emp. Cost/Total Expense	52.8	53.4	52.6	55.7	56.3	56.7	56.7
Investment/Deposit Ratio	31.1	23.7	24.7	23.2	26.9	27.3	26.7

Profitability Ratios and Valuation

RoE	8.3	28.6	19.5	19.0	22.9	19.2	19.7
RoA	1.4	4.4	3.6	3.9	4.1	3.3	3.4
RoRWA	2.2	7.4	5.6	5.7	5.6	4.3	4.4
Book Value (INR)	30	41	79	94	94	116	134
Growth (%)	NM	33.3	93.7	19.4	0.5	22.5	16.3
Price-BV (x)	7.7	5.8	3.0	2.5	2.5	2.0	1.7
Adjusted BV (INR)	30	40	78	93	93	113	131
Price-ABV (x)	7.7	5.8	3.0	2.5	2.5	2.1	1.8
EPS (INR)	2.5	10.2	11.8	16.4	21.6	20.2	24.7
Growth (%)	NM	NM	15.8	39.1	31.9	-6.4	22.2
Price-Earnings (x)	93.1	23.0	19.9	14.3	10.8	11.6	9.5
Dividend Per Share (INR)	0.0	0.0	1.2	3.6	0.0	4.7	5.9
Dividend Yield (%)	0.0	0.0	0.5	1.5	0.0	2.0	2.5

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRIL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.