

SBI Cards and Payment Services

Estimate change	↔
TP change	↔
Rating change	↔

Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Bloomberg	SBICARD IN
Equity Shares (m)	943
M.Cap.(INRb)/(USDb)	877.5 / 11
52-Week Range (INR)	1165 / 656
1, 6, 12 Rel. Per (%)	13/8/-17
12M Avg Val (INR M)	1880

Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
NII	38.4	47.5	64.7
OP	44.3	55.2	76.5
NP	16.2	26.3	37.3
NIM (%)	13.6	13.2	13.8
EPS (INR)	17.2	27.9	39.6
EPS Gr. (%)	63.8	62.5	42.0
BV/Sh. (INR)	82.2	107.7	144.3
ABV/Sh. (INR)	80.4	105.8	142.1

Ratios

RoE (%)	23.0	29.4	31.4
RoA (%)	5.2	6.7	7.4

Valuations

P/E(X)	54.2	33.4	23.5
P/BV (X)	11.3	8.6	6.4
P/ABV (X)	11.6	8.8	6.5

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	69.6	69.6	69.5
DII	16.2	12.4	6.7
FII	8.3	9.5	12.5
Others	5.8	8.5	11.3

FII Includes depository receipts

CMP: INR930 TP: INR1,100 (+18%) Buy

Earnings getting its mojo back; revolve rate indicating early signs of recovery

Spends growth robust; margins stable QoQ

- SBICARD reported a robust quarter on key business metrics and its net earnings delivered a strong beat aided by lower provisions. PAT thus grew 106% YoY to INR6.3b (MOSLe: INR5.3b).
- Margin was stable QoQ at 13.2% in 1QFY23. Revolver mix increased to 26% from 25% in 4QFY22. Trends in both retail and corporate spends were strong at 68% YoY and 130% YoY, respectively. Overall spends thus rose 79% YoY.
- GNPA/NNPA ratio stood stable QoQ at 2.24%/0.79% with PCR at ~65%. RBI-RE book declined to INR1.5b. 1QFY23 RoA/RoE stood robust at 7.0%/30.8%.
- We estimate SBICARD to deliver 52% earnings CAGR over FY22–24, leading to an RoA/RoE of 7.4%/31.4%. **Maintain BUY with an unchanged TP of INR1,100 (premised on 28x FY24E EPS).**

Spends growth robust; RBI-RE book declines to insignificant levels

- SBICARD reported PAT of INR6.3b (+106% YoY/+8% QoQ), primarily driven by lower provisions that came in at INR4.5b on improving asset quality. Gross and Net credit costs stood at 5.6% and 3.7%, respectively.
- NII grew 17% YoY to INR10.8b (in line), while margin was stable QoQ at 13.2%. This was led by an increase in revolver mix to 26% (from 25% in 4QFY22). Other income grew 7% QoQ with fee income rising 8% QoQ.
- Opex grew higher at 42% YoY (+6% QoQ) to INR16.6b. Thus, PPOp rose 23% YoY while cost-to-income ratio moderated to 56.3% (-106bp QoQ).
- Cards-in-force grew 19% YoY and 4% QoQ to 14.3m. New account sourcing stood at ~900k (+48% YoY and -10% QoQ), with the open market channel contributing 68% to the total sourcing (58% on an outstanding basis).
- Overall spends surged 79% YoY/10% QoQ, within which retail/corporate spends rose 68%/130% YoY, respectively. The share of online retail spends increased to 55.2% in 1QFY23 from 54.4% in FY22 due to rapid digitization and growing comfort as well as convenience of shopping online.
- GNPA/NNPA ratio stood stable QoQ at 2.24%/0.79% with PCR being healthy at ~65%. The RBI-RE book declined to insignificant levels at INR1.5b (v/s 1% in 4QFY22 and 6% in 2QFY22). ECL declined to 3.4% (v/s 3.5% in 4QFY22).

Highlights from the management commentary

- New account sourcing from banca channel was impacted adversely in 1QFY23 due to some delays and issues; however, the same has now been resolved and the acquisition is now back to normal levels. Overall, SBICARD is aiming to maintain a run rate of ~900k cards on a quarterly basis.
- The revolver mix rose in 1QFY23 and is likely to follow an upward trajectory.
- Cost of funds is likely to increase (5.6-5.8% in 2Q). However, an increase in the mix of interest-earning assets will likely offset the negative impact on margins.

Nitin Aggarwal - Research Analyst (Nitin.Agarwal@MotilalOswal.com)

Research Analyst: Yash Agarwal (Yash.Agarwal@motilaloswal.com) | Vinayak Agarwal (Vinayak.Agarwal@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

SBICARD reported a robust quarter on key business metrics with strong growth in its net earnings. Margins were stable QoQ as revolver mix increased to 26%, helping offset the rise in borrowing cost. We expect the upward trajectory in revolver mix to continue that will protect margins over the year even as borrowing cost increases further. Spends growth continues to remain robust and is likely to remain healthy as economic activity gathers further momentum, which will drive loan growth. RBI-RE book declines to a mere INR1.5b providing a strong outlook on asset quality, which will continue to keep the credit costs under control. We expect PAT to report 52% CAGR over FY22–24, leading to an RoA/RoE of 7.4%/31.4%. We raise our estimates slightly by lowering our credit cost assumption. **Maintain BUY with an unchanged TP of INR1,100 (premised on 28x FY24E EPS).**

Quarterly performance**(INR b)**

	FY22				FY23E				FY22	FY23E	FY23E	V/s our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est.
Net Interest Income	9.2	9.2	10.0	10.0	10.8	11.4	12.2	13.0	38.4	47.5	10.6	2.1
% Change (Y-o-Y)	-18.7	-9.1	9.9	20.6	16.7	23.9	22.9	30.5	-1.2	23.6	14.3	
Other Income	13.0	15.2	18.7	17.5	18.8	19.3	20.8	19.9	64.4	78.8	18.4	1.8
Total Income	22.2	24.4	28.6	27.5	29.5	30.7	33.0	33.0	102.7	126.2	29.0	1.9
Operating Expenses	11.7	13.8	17.2	15.8	16.6	17.0	19.3	18.0	58.5	71.0	16.3	1.8
Operating Profit	10.5	10.6	11.4	11.7	12.9	13.6	13.7	14.9	44.3	55.2	12.7	2.0
% Change (Y-o-Y)	4.0	-7.2	22.9	24.8	22.5	28.9	19.9	27.3	11.8	24.6	20.1	
Provisions	6.4	5.9	6.3	3.9	4.5	4.9	4.8	5.5	22.6	19.8	5.5	-17.9
Profit before Tax	4.1	4.6	5.2	7.8	8.4	8.7	8.9	9.4	21.7	35.4	7.2	17.2
Tax	1.1	1.2	1.3	2.0	2.1	2.2	2.3	2.4	5.6	9.1	1.8	16.5
Net Profit	3.0	3.4	3.9	5.8	6.3	6.5	6.6	7.0	16.2	26.3	5.3	17.4
% Change (Y-o-Y)	-22.5	67.3	84.0	231.1	105.8	87.5	71.0	21.3	64.2	62.7	75.2	
Operating Parameters												
Loan (INR b)	230.4	253.9	279.7	301.9	320.8	333.6	358.0	392.4	301.9	392.4	320.0	0.3
Loan Growth (%)	5.1	15.8	18.0	28.7	39.2	31.4	28.0	30.0	28.7	30.0	38.9	0.3
Asset Quality												
Gross NPA (%)	3.9	3.4	2.4	2.2	2.2	2.1	2.0	1.9	2.2	1.9	2.1	0.1
Net NPA (%)	0.9	0.9	0.8	0.8	0.8	0.7	0.6	0.6	0.8	0.6	0.7	0.1
PCR (%)	78.2	73.7	65.9	65.3	65.1	68.2	67.5	67.8	65.3	67.8	67.8	-2.7

Quarterly snapshot

Profit and Loss (INR m)	FY21				FY22				FY23	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Interest Income	14,121	12,754	11,681	10,721	11,535	11,732	12,733	12,661	13,873	20	10
Interest Expenses	2,746	2,642	2,609	2,437	2,290	2,541	2,768	2,674	3,084	35	15
Net Interest Income	11,375	10,112	9,071	8,284	9,244	9,190	9,965	9,987	10,789	17	8
Other Income	7,808	12,373	13,717	13,961	12,975	15,223	18,663	17,500	18,755	45	7
Fee Income	6,677	10,193	11,068	11,138	10,987	12,440	14,570	14,268	15,380	40	8
Others	1,131	2,180	2,649	2,822	1,988	2,783	4,093	3,232	3,376	70	4
Total Income	19,183	22,486	22,788	22,245	22,219	24,413	28,629	27,487	29,545	33	7
Operating Expenses	9,047	11,086	13,477	12,854	11,680	13,833	17,189	15,767	16,633	42	5
Employee	1,121	1,222	1,312	1,262	1,164	1,147	1,209	1,207	1,386	19	15
Others	7,926	9,865	12,165	11,592	10,516	12,686	15,979	14,561	15,247	45	5
Operating Profits	10,136	11,399	9,311	9,391	10,540	10,580	11,440	11,720	12,912	23	10
Provisions	4,853	8,617	6,483	7,047	6,437	5,939	6,255	3,928	4,503	-30	15
PBT	5,283	2,782	2,829	2,344	4,103	4,641	5,185	7,792	8,409	105	8
Taxes	1,350	720	732	590	1,057	1,192	1,327	1,984	2,140	102	8
PAT	3,933	2,061	2,097	1,754	3,046	3,449	3,858	5,809	6,269	106	8
Balance Sheet (INR b)											
Loans	219,210	219,254	236,960	234,591	230,410	253,936	279,690	301,873	320,790	39	6
Asset Quality (INR b)											
GNPA	3,150	10,287	4,146	12,543	9,555	8,985	6,991	6,944	7,440	-22	7
NNPA	1,000	3,539	1,426	2,776	2,083	2,363	2,384	2,410	2,597	25	8
Ratios											
Asset Quality Ratios (%)											
Business Ratios (%)											
Fees to Total Income	34.8	45.3	48.6	50.1	49.4	51.0	50.9	51.9	52.1	261	15
Cost to Income	47.2	49.3	59.1	57.8	52.6	56.7	60.0	57.4	56.3	373	-106
Tax Rate	25.6	25.9	25.9	25.2	25.8	25.7	25.6	25.5	25.4	-31	-1
Profitability Ratios (%)											
Yield on loans	23.9	21.4	18.6	17.1	18.5	18.0	17.9	16.8	17.1	-140	30
Cost of borrowings	6.6	6.6	6.1	5.5	5.2	5.5	5.4	4.9	5.1	-10	20
Spreads	17.3	14.8	12.5	11.6	13.3	12.5	12.5	11.9	12.0	-130	10
Margins	19.2	17.0	14.5	13.2	14.8	14.1	14.0	13.2	13.2	-160	0
RoA	6.3	3.4	3.3	2.6	4.5	4.9	5.0	7.0	7.0	250	0
RoE	28.3	14.1	13.8	11.2	18.7	20.1	21.2	30.4	30.8	1,210	40
Other Details											
No of Cards (No. in m)	10.6	11.0	11.5	11.8	12.0	12.6	13.2	13.8	14.3	19	4
Spends (INR b)	190.9	295.9	378.0	359.4	332.6	435.6	554.0	541.3	596.7	79	10



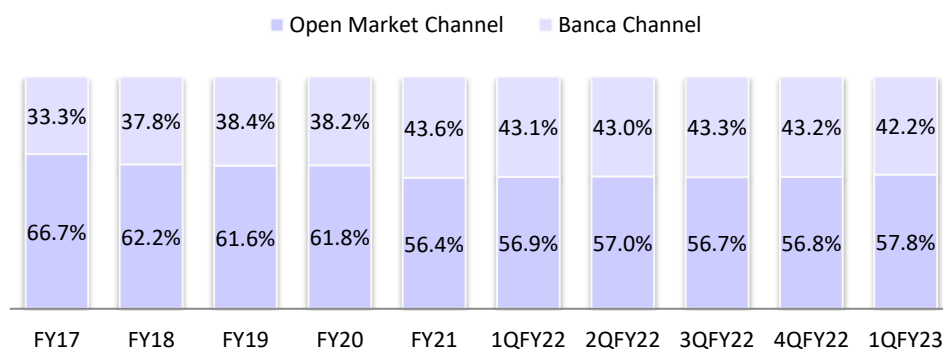
Highlights from management commentary

- Credit card spends remains strong and stood at more than INR1t consecutively for past few months
- Industry is undergoing a positive shift due to conducive regulatory environment
- All guidelines issued by regulator are progressive and for consumer protection
- Large portion of the inactive customer have been retained. The regulation on 30 days inactive customers has been deferred
- Enabling Credit card usage on UPI – Discussion is going on with the players and NPCI on MDR and other issues. The same is expected to be resolved soon
- New account sourcing from banca channel got impacted in Jun Quarter due to some delays and issues, however the same has now been resolved and the acquisition is now back at normal levels

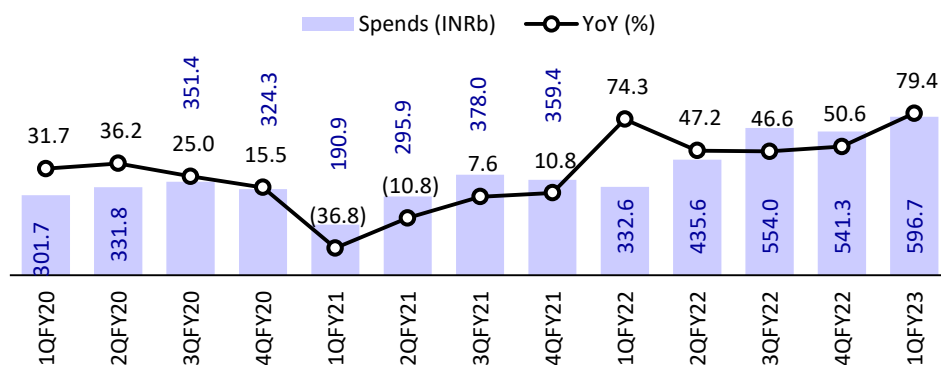
- The company is looking to enter into new Banca partnerships which will drive the new account sourcing going ahead
- The company is looking to maintain a run rate of ~900k cards on quarterly basis
- Travel, Entertainment and Hospitality spends have crossed the Pre-Covid levels
- Revolver mix has increased in 1QFY23 and is likely to follow an upward trajectory. Bank is taking steps in this direction to increase the revolver mix
- Cost of funds is likely to increase (5.6-5.8% in 2Q). However, the mix of interest earning assets is likely to increase which will offset the impact on margins
- Spends based fees as % of spends are likely to increase, however, the same is likely to remain below the Pre-Covid levels due to emergence of new category of spends which are of low MDR
- The company is focusing on increasing the market share on o/s card on a gradual basis
- EMI loans are fixed rate loans so the company can increase the interest rates on the incremental disbursements
- SBI card is the largest issuer of RuPay cards. Spends via RuPay cards is likely to increase with the allowance of usage of cards for UPI
- Spends per card is likely to witness a gradual moderation due to increased usage of new spends categories
- Rental, Insurance, Bill and Utility payments forms ~10-20% of total spends
- Revolver rate by Banca channel customers are lower than the open market customers
- Average EMI balance stands at INR125k

Key exhibits

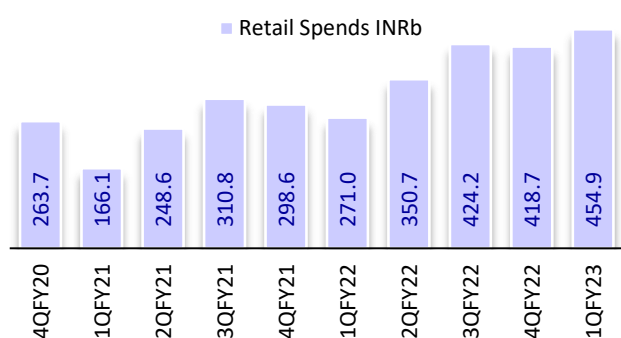
Exhibit 1: Acquires around 58% of outstanding cards via the open market channel (%)



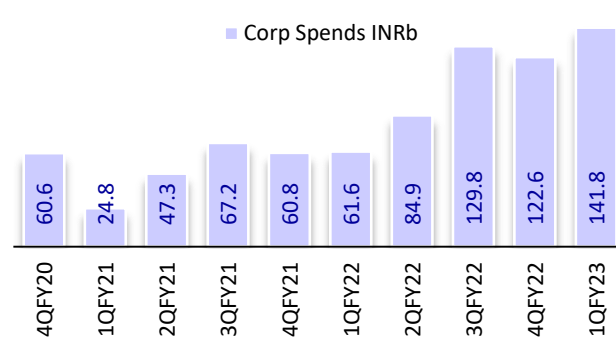
Source: MOFSL, Company

Exhibit 2: Spends remains strong and grew 79% YoY (+10% QoQ)

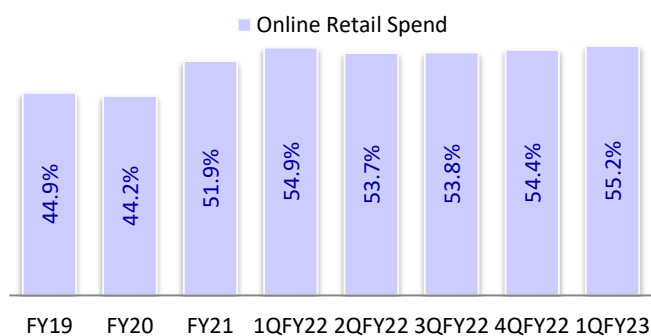
Source: MOFSL, Company

Exhibit 3: Retail spends robust at ~INR455b

Source: MOFSL, Company, RBI

Exhibit 4: Corporate spends strong at ~INR142b

Source: MOFSL, Company, RBI

Exhibit 5: Online spends comprise ~55% of retail spends

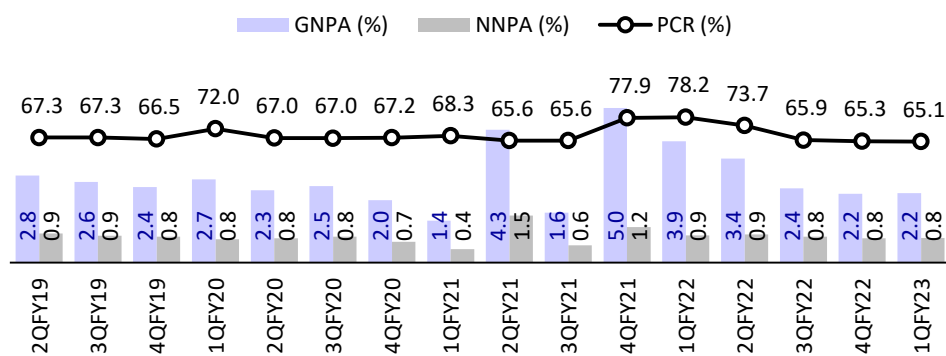
Source: MOFSL, Company

Exhibit 6: Category-wise spends

Spend category	Growth in total	Growth in online	Growth in POS
Category 1	7%	8%	6%
Departmental Stores, Health, Utilities			
Education and Direct Marketing			
Category 2	7%	43%	(5%)
Consumer durables, Furnishing & Hardware			
Category 3	(5%)	(44%)	21%
Apparels & Jewelry			
Category 4	31%	37%	24%
Travel agents, Hotels, Airline, Railways			
Restaurant and Entertainment			

*% growth in 1QFY23 over 4QFY22

Source: MOFSL, Company, RBI

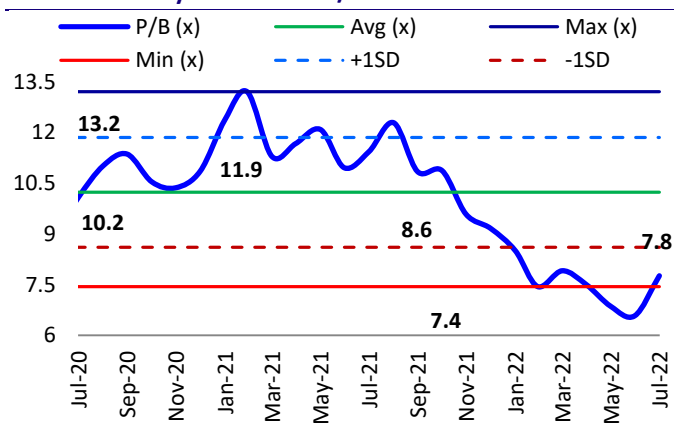
Exhibit 7: Asset quality ratios broadly stable QoQ at ~2.2%/0.8%; PCR stood at ~65%

Source: MOFSL, Company

Valuation and view

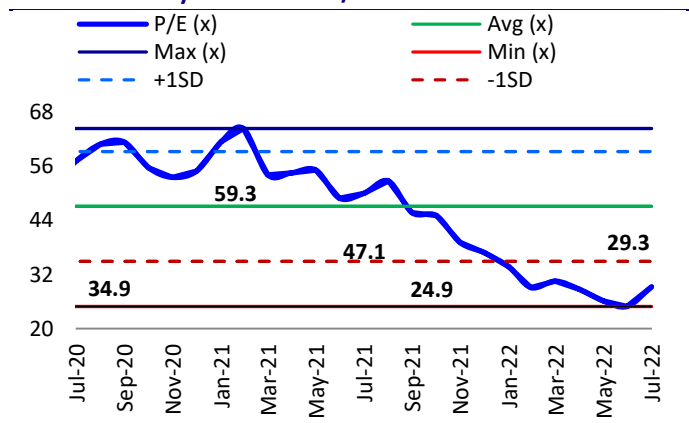
- SBICARD has strengthened its position as the second largest card player in the country, with market share of 18.4% in outstanding cards and 18.6% in overall spends. It has an outstanding card base of 14.3m and has gained average incremental market share of 19% over the past three years (~12% over FY23YTD). The company is also the market leader in terms of open market sourcing and is the largest co-branded card issuer in India.
- It has access to parent SBIN's vast network of ~22k branches and customer base of ~450m, along with strong open market sourcing capabilities. Also, on account of robust distribution and co-branded channels, SBICARD is well-placed to capitalize on growth opportunities, as the market remains significantly underpenetrated. Open market sourcing has picked stood strongly while the banca channel is also growing healthily, which provides better risk underwriting and enables lower opex.
- Asset quality ratios remain stable, while the RBI-RE book declined to mere INR1.5b in 1QFY23. Thus, we expect credit costs to remain in control. Thus, we estimate GNPA/NNPA of 1.8%/0.6% by FY24E, while PCR would sustain at ~69%.
- Revolver mix witnessed an increase in 1QFY23 which is likely to increase further and we believe that over the medium term, a higher proportion of the interest earnings book and an increase in fee income (led by strong spends growth, coupled with moderation in credit costs) would remain the key earnings drivers. We expect it to report 52% earnings CAGR over FY22–24E.
- **BUY with a TP of INR1,100:** SBICARD reported a robust quarter on key business metrics with strong growth in its net earnings. Margins were stable QoQ as revolver mix increased to 26%, helping offset the rise in borrowing cost. We expect the upward trajectory in revolver mix to continue that will protect margins over the year even as borrowing cost increases further. Spends growth continues to remain robust and is likely to remain healthy as economic activity gathers further momentum, which will drive loan growth. RBI-RE book declines to a mere INR1.5b providing a strong outlook on asset quality, which will continue to keep the credit costs under control. We expect PAT to report 52% CAGR over FY22–24, leading to an RoA/RoE of 7.4%/31.4%. We raise our estimates slightly by lowering our credit cost assumption. **Maintain BUY with an unchanged TP of INR1,100 (premised on 28x FY24E EPS).**

Exhibit 8: One-year forward P/B



Source: MOFSL, Company

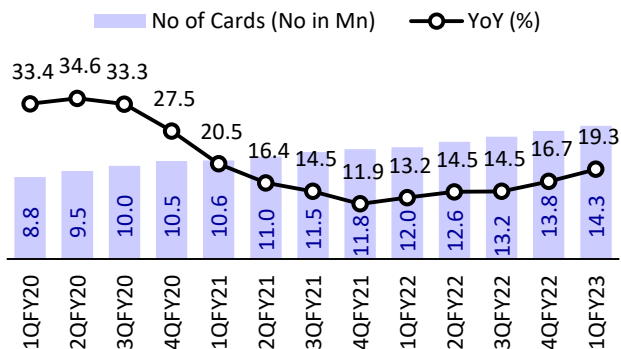
Exhibit 9: One-year forward P/E



Source: MOFSL, Company

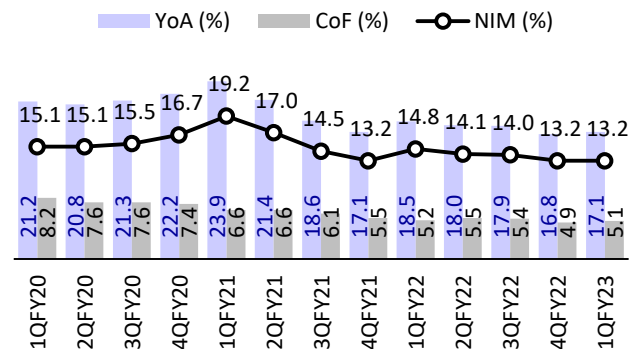
Story in charts

Exhibit 10: No of cards up ~19% YoY to 14.4m



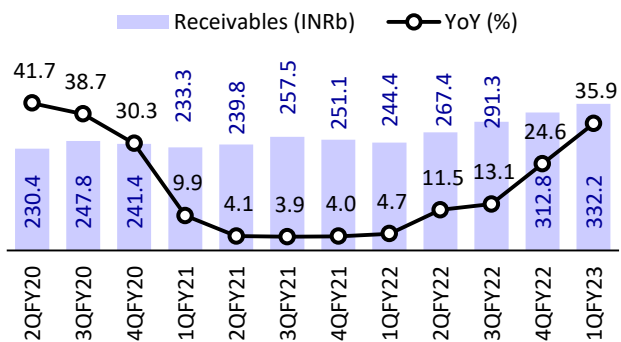
Source: MOFSL, Company

Exhibit 11: Margins remains stable QoQ at 13.2%



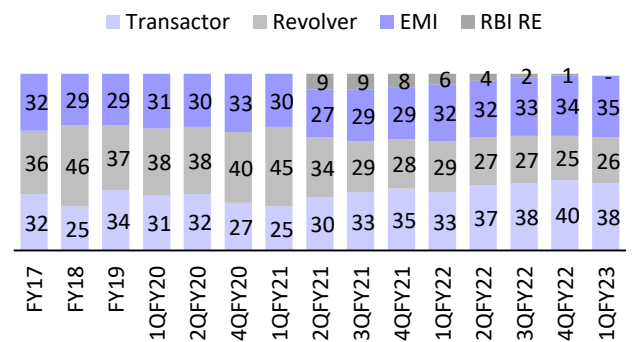
Source: MOFSL, Company

Exhibit 12: Receivables up 36% YoY to ~INR332b



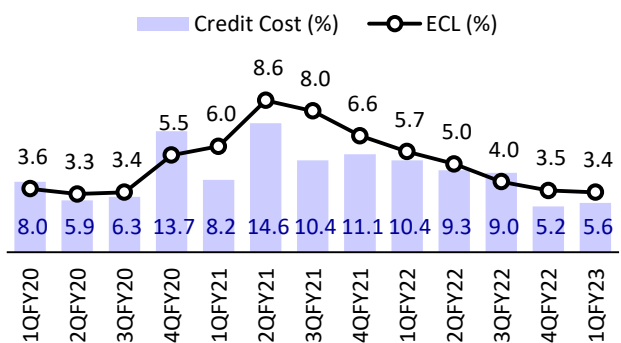
Source: MOFSL, Company

Exhibit 13: Receivables mix: Transactor mix down to 38%, while revolver share increases to 26%



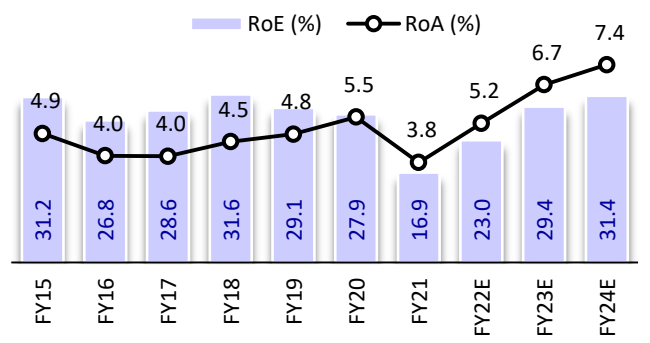
Source: MOFSL, Company

Exhibit 14: Credit cost increases slightly to 5.6%; ECL at 3.4%



Source: MOFSL, Company

Exhibit 15: RoE/RoE to remain strong at 7.4%/31.4% in FY24



Source: MOFSL, Company

Exhibit 16: DuPont Analysis – return ratios to remain robust

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	20.87	19.96	21.30	18.84	15.78	16.02	17.06
Interest Expense	5.38	5.63	5.72	3.99	3.33	3.95	4.15
Net Interest Income	15.49	14.32	15.58	14.85	12.45	12.08	12.91
Fee Income	16.46	17.15	17.51	14.94	16.95	16.57	16.73
Trading and others	3.27	3.57	4.10	3.36	3.92	3.47	3.36
Non-Interest income	19.74	20.71	21.61	18.29	20.88	20.05	20.09
Total Income	35.23	35.04	37.19	33.14	33.33	32.13	33.00
Operating Expenses	22.22	21.18	21.04	18.00	18.96	18.08	17.76
Employee cost	1.46	2.12	2.06	1.88	1.53	1.42	1.31
Others	20.76	19.07	18.98	16.12	17.43	16.66	16.44
Operating Profits	13.00	13.86	16.15	15.15	14.36	14.05	15.24
Provisions	6.05	6.41	8.54	10.09	7.32	5.04	5.22
NPA	4.52	5.21	5.39	8.26	6.22	4.67	4.57
Others	1.53	1.19	3.14	1.83	1.10	0.37	0.65
PBT	6.95	7.45	7.61	5.06	7.05	9.01	10.02
Tax	2.41	2.62	2.13	1.30	1.80	2.32	2.58
RoA	4.55	4.83	5.48	3.76	5.24	6.70	7.45
Leverage (x)	7.0	6.0	5.1	4.5	4.4	4.4	4.2
RoE	31.6	29.1	27.9	16.9	23.0	29.4	31.4

Financials and valuations

Income Statement							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	27,600	35,757	48,413	49,277	48,660	62,953	85,580
Interest Expense	7,115	10,094	13,009	10,434	10,273	15,498	20,831
Net Interest Income	20,485	25,664	35,404	38,843	38,387	47,455	64,749
Growth (%)	50.7	25.3	38.0	9.7	-1.2	23.6	36.4
Non-Interest Income	26,102	37,111	49,110	47,859	64,361	78,762	100,758
Total Income	46,587	62,775	84,514	86,702	102,748	126,217	165,507
Growth (%)	58.3	34.7	34.6	2.6	18.5	22.8	31.1
Operating Expenses	29,393	37,947	47,815	47,079	58,468	71,032	89,057
Pre Provision Profits	17,194	24,828	36,699	39,623	44,280	55,186	76,450
Growth (%)	55.8	44.4	47.8	8.0	11.8	24.6	38.5
Provisions (excl. tax)	8,001	11,477	19,402	26,386	22,558	19,785	26,188
PBT	9,193	13,351	17,296	13,237	21,722	35,400	50,262
Tax	3,182	4,701	4,848	3,392	5,560	9,098	12,917
Tax Rate (%)	34.6	35.2	28.0	25.6	25.6	25.7	25.7
PAT	6,011	8,650	12,448	9,845	16,162	26,303	37,344
Growth (%)	61.2	43.9	43.9	-20.9	64.2	62.7	42.0
OCI	(18)	(31)	(31)	128	102	-	-
Total Comprehensive Income	5,993	8,618	12,417	9,974	16,263	26,303	37,344
Growth (%)	61.4	43.8	44.1	-19.7	63.1	61.7	42.0
Balance Sheet							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	7,850	8,372	9,390	9,405	9,432	9,432	9,432
Reserves & Surplus	15,681	27,506	44,023	53,615	68,095	92,124	126,625
Net Worth	23,531	35,878	53,412	63,020	77,527	101,555	136,057
Borrowings	114,128	135,494	175,728	180,680	229,825	286,776	364,205
Other Liabilities & Prov.	19,201	30,090	23,927	26,428	39,133	50,873	63,591
Total Liabilities	156,860	201,462	253,067	270,129	346,484	439,204	563,853
Current Assets	4,727	7,768	6,774	7,181	11,064	11,838	12,608
Investments	0	15	15	9,576	12,972	14,658	16,857
Growth (%)	NA	NA	0.0	65,347.3	35.5	13.0	15.0
Loans	140,455	179,087	228,116	234,591	301,873	392,434	510,165
Growth (%)	40.7	27.5	27.4	2.8	28.7	30.0	30.0
Fixed Assets	2,768	2,164	3,346	3,182	4,537	4,764	5,002
Other Assets	8,910	12,428	14,817	15,599	16,039	15,509	19,222
Total Assets	156,860	201,462	253,067	270,129	346,484	439,204	563,853
Asset Quality							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
GNPA (INR m)	4,125	4,529	4,844	12,543	6,944	7,633	9,262
NNPA (INR m)	1,348	1,518	1,589	2,776	2,410	2,458	2,870
GNPA Ratio	2.8	2.4	2.0	5.0	2.2	1.9	1.8
NNPA Ratio	0.9	0.8	0.7	1.1	0.8	0.6	0.6
Slippage Ratio	3.1	5.9	5.9	12.8	6.3	5.5	5.0
Credit Cost	6.4	6.2	9.1	10.7	8.0	5.5	5.6
PCR (Excl. Tech. write off)	67.3	66.5	67.2	77.9	65.3	67.8	69.0

Financials and valuations

Business Metrics

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total No of Cards (Nos. in m)	6.3	8.3	10.5	11.8	13.8	17.2	21.5
Total spends (INR b)	770.2	1,032.7	1,309.2	1,224.2	1,863.5	2,515.8	3,270.5
Spends per card (INR k)	123.1	124.8	124.1	103.5	135.4	146.2	152.0
Loans per card (INR)	22,443	21,651	21,628	19,844	21,927	22,804	23,717
Loans as % of spends	18.2	17.3	17.4	19.2	16.2	15.6	15.6
Fee income earned per card	3,479	3,714	3,772	3,305	3,796	3,784	3,902

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Yield & Cost Ratios (%)							
Avg. Yield on loans	22.2	21.6	22.7	20.0	17.3	17.5	18.3
Avg. Cost of Borrowings	7.2	8.1	8.4	5.9	5.0	6.0	6.4
Interest Spread	15.0	13.5	14.3	14.2	12.3	11.5	11.9
Net Interest Margin	16.5	15.5	16.6	15.8	13.6	13.2	13.8

Capitalisation Ratios (%)

Tier I	12.4	14.9	17.7	20.9	21.0	20.3	20.7
Tier II	5.9	5.3	4.7	3.9	2.8	2.2	1.6
CAR	18.3	20.1	22.4	24.8	23.8	22.4	22.3

Asset-Liability Profile (%)

Cost/Assets	22.2	21.2	21.0	18.0	19.0	18.1	17.8
Cost/Total Income	63.1	60.4	56.6	54.3	56.9	56.3	53.8
Int. Expense/Int. Income	25.8	28.2	26.9	21.2	21.1	24.6	24.3
Fee Income/Total Income	46.7	48.9	47.1	45.1	50.9	51.6	50.7
Non Int. Inc./Total Income	56.0	59.1	58.1	55.2	62.6	62.4	60.9
Emp. Cost/Total Expense	6.6	10.0	9.8	10.4	8.1	7.9	7.4

Valuation

RoE	31.6	29.1	27.9	16.9	23.0	29.4	31.4
RoA	4.5	4.8	5.5	3.8	5.2	6.7	7.4
RoRWA	4.8	5.2	5.9	4.1	5.7	6.9	7.2
Book Value (INR)	30.0	42.9	56.9	67.0	82.2	107.7	144.3
Growth (%)	62.4	43.0	32.7	17.8	22.7	31.0	34.0
Price-BV (x)	31.0	21.7	16.4	13.9	11.3	8.6	6.4
Adjusted BV (INR)	28.8	41.6	55.7	64.9	80.4	105.8	142.1
Price-ABV (x)	32.3	22.4	16.7	14.3	11.6	8.8	6.5
EPS (INR)	7.7	10.7	14.0	10.5	17.2	27.9	39.6
Growth (%)	61.2	39.3	31.4	-25.3	63.8	62.5	42.0
Price-Earnings (x)	121.5	87.2	66.4	88.8	54.2	33.4	23.5

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 CCRL 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.