

Union Bank of India

 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	UNBK IN
Equity Shares (m)	6,835
M.Cap.(INRb)/(USD\$)	253.6 / 3.2
52-Week Range (INR)	55 / 33
1, 6, 12 Rel. Per (%)	0/-9/-2
12M Avg Val (INR M)	611

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	277.9	312.2	354.8
OP	218.7	223.2	260.6
NP	52.3	62.6	89.4
NIM (%)	2.6	2.7	2.8
EPS (INR)	7.9	9.2	13.1
EPS Gr. (%)	74.2	15.9	42.9
BV/Sh. (INR)	99.4	105.6	113.7
ABV/Sh. (INR)	71.7	83.2	92.5
RoE (%)	8.3	9.2	12.3
RoA (%)	0.5	0.5	0.7

Valuations

P/E(X)	4.7	4.1	2.8
P/BV (X)	0.4	0.4	0.3
P/ABV (X)	0.5	0.4	0.4

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	83.5	83.5	83.5
DII	6.9	7.1	6.8
FII	1.1	1.2	1.7
Others	8.5	8.3	8.0

FII Includes depository receipts

CMP: INR37
TP: INR50 (+35%)
Buy

NII growth healthy; other income boosts earnings further

Asset quality continues to improve

- Union Bank of India (UNBK) reported a strong 32% YoY growth in PAT at INR15.6b (25% beat) driven by higher NII and other income while provisions and opex came in higher than our estimates.
- Fresh slippages saw a sequential moderation, which coupled with high write-offs and healthy recoveries and upgrades resulted in an improvement in asset quality ratios. Restructuring book remained at 2.92% of loans.
- We raise our PAT estimates by 9% and 3% for FY23E and FY24E on higher other income and estimate RoA/RoE at 0.7%/12.3% by FY24E, respectively. **Maintain BUY with a TP of INR50 (premised on 0.6x FY24E ABV).**

Margins expand 25bp QoQ to 3%; PCR stable at ~70%

- UNBK reported 32% YoY growth in 1QFY23 PAT at INR15.6b (25% beat) driven by higher NII and other income, even though provisions and expenses came in higher than our estimates.
- NII grew 12% QoQ (+8% YoY) to INR75.8b, stronger than the loan growth of 2.3% QoQ. NIMs, thus, expanded 25bp QoQ to 3%.
- Other income was flat YoY (significant beat) led by higher recoveries from written-off accounts. Fee income remained strong while the bank reported treasury gains of INR1.7b v/s INR9.9b in 1QFY22.
- Operating expenses grew 10% QoQ (+7% YoY) to INR49.5b. The C/I ratio thus increased 275bp QoQ to 47.6%. Therefore, PPop grew by modest 5% YoY to INR54.5b (14% beat). Core PPop improved 26% YoY.
- Total loans grew 2.3% QoQ (+16% YoY) to INR6.8t. This was driven by healthy growth across all segments while overseas loans rose 9% QoQ. The management's focus remains on growing the RAM segment. Deposit grew 9% YoY but declined 4% QoQ. CASA ratio moderated 35bp QoQ to 36.2%.
- Fresh slippages moderated to INR42.4b (2.6% annualized), which coupled with higher write-offs and healthy recoveries/upgrades resulted in an improvement in asset quality ratios. GNPA/NNPA ratio contracted 89bp/37bp QoQ to 10.2%/3.3%, respectively, while PCR was stable at ~70%.
- The total SMA book (>INR50m) was at 0.53% of loans v/s 4.2% in 1QFY22. The total restructured loans dipped marginally and stood at 2.92% of loans.

Highlights from the management commentary

- Credit growth of 12-13% expected in FY23 with share of RAM stable at 56%.
- Close to 90% of the loan book was floating in nature with the share of EBLR at 33% and MCLR at 52%.
- The management expects to report recovery of INR150b and slippages of INR130b in FY23.

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

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

- UNBK reported a healthy quarter with earnings beat driven by healthy NII and other income. Provision and opex though remained elevated. Fresh slippages moderated on a sequential basis, which coupled with a low SMA book (0.5%) and controlled restructuring provided a better outlook on asset quality. Loan growth picked up and was supported by all segments – Corporate, Agri, Retail and MSME. We raise our PAT estimates by 9% and 3% for FY23E and FY24E as we model higher other income and estimate RoA/RoE at 0.7%/12.3% by FY24E, respectively. **Maintain BUY with a TP of INR50 (premised on 0.6x FY24E ABV).**

Quarterly performance**(INR m)**

	FY22				FY23E				FY22	FY23E	FY23E V/S our	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est (%)
Net Interest Income	70.1	68.3	71.7	67.7	75.8	77.4	78.7	80.3	277.9	312.2	72.1	5
% Change (YoY)	9.5	8.5	8.9	25.3	8.1	13.4	9.7	18.6	12.5	12.4	2.8	
Other Income	27.8	39.8	25.2	32.4	28.2	25.4	26.5	30.2	125.2	110.2	22.2	27
Total Income	97.9	108.1	97.0	100.1	104.0	102.8	105.1	110.5	403.1	422.4	94.4	10
Operating Expenses	46.1	47.3	46.0	44.9	49.5	48.8	49.8	51.1	184.4	199.2	46.6	6
Operating Profit	51.8	60.7	51.0	55.2	54.5	54.0	55.3	59.5	218.7	223.2	47.8	14
% Change (YoY)	28.4	25.7	-3.2	11.3	5.1	-11.1	8.5	7.7	11.2	2.1	-7.7	
Provisions	34.0	37.2	25.5	36.2	32.8	31.1	29.8	33.2	132.9	126.9	28.6	15
Profit before Tax	17.8	23.5	25.5	19.0	21.7	22.9	25.5	26.3	85.8	96.3	19.2	13
Tax	6.0	8.2	14.6	4.6	6.1	8.0	9.9	9.7	33.5	33.7	6.7	-10
Net Profit	11.8	15.3	10.9	14.4	15.6	14.9	15.6	16.6	52.3	62.6	12.5	25
% Change (YoY)	254.9	195.4	49.3	8.3	32.0	-2.6	43.3	15.2	80.0	19.6	5.9	
Operating Parameters												
Deposit (INR b)	9,085	9,140	9,375	10,324	9,928	10,696	10,956	11,253	10,324	11,253	10,482	-5
Loan (INR b)	5,846	5,810	6,168	6,610	6,764	6,853	7,040	7,304	6,610	7,304	6,735	0
Deposit Growth (%)	1.8	3.2	6.2	11.8	9.3	17.0	16.9	9.0	11.8	9.0	15.4	
Loan Growth (%)	0.5	0.3	5.8	11.8	15.7	18.0	14.1	10.5	11.8	10.5	15.2	
Asset Quality												
Gross NPA (%)	13.6	12.6	11.6	11.1	10.2	9.7	9.0	8.5	11.1	8.5	10.7	(44)
Net NPA (%)	4.7	4.6	4.1	3.7	3.3	3.1	2.9	2.7	3.8	2.7	3.5	(15)
PCR (%)	68.7	66.6	67.5	69.5	69.9	70.0	69.5	70.5	68.7	70.5	70.0	(6)

E:MOFSL Estimates

Quarterly snapshot

INR m	FY21				FY22				FY23	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Profit and Loss											
Interest Income	184.3	177.8	170.9	154.8	171.3	167.1	169.3	171.7	181.7	6	6
Loans	124.4	118.5	114.5	99.7	113.5	111.7	112.7	114.5	122.6	8	7
Investment	52.4	52.7	51.6	49.1	51.0	49.2	49.3	50.0	52.5	3	5
Interest Expenses	120.3	114.8	105.0	100.7	101.2	98.8	97.6	104.1	105.9	5	2
Net Interest Income	64.0	62.9	65.9	54.0	70.1	68.3	71.7	67.7	75.8	8	12
Other Income	14.6	24.1	29.7	43.3	27.8	39.8	25.2	32.4	28.2	1	-13
Trading profits	5.2	10.3	12.8	6.5	9.9	8.0	5.8	9.4	1.7	-83	-82
Forex Income	1.1	1.3	1.3	0.7	1.1	1.9	1.6	1.8	2.2	105	19
Recoveries	0.8	2.6	2.4	21.0	6.2	17.6	4.7	2.9	7.5	21	156
Core Fees	7.5	9.8	13.2	15.1	10.6	12.3	13.2	18.3	16.8	58	-8
Total Income	78.7	87.0	95.6	97.3	97.9	108.1	97.0	100.1	104.0	6	4
Operating Expenses	38.3	38.7	42.9	47.7	46.1	47.3	46.0	44.9	49.5	7	10
Employee	20.9	21.2	24.2	25.6	28.8	26.4	23.8	22.1	26.5	-8	20
Others	17.4	17.5	18.8	22.2	17.3	20.9	22.2	22.8	23.0	33	1
Operating Profits	40.3	48.3	52.7	49.6	51.8	60.7	51.0	55.2	54.5	5	-1
Core Operating Profits	35.2	38.0	39.8	43.1	41.9	52.7	45.2	45.8	52.8	26	15
Provisions	35.6	42.4	52.1	36.8	34.0	37.2	25.5	36.2	32.8	-4	-9
NPA provisions	24.5	37.2	30.4	47.1	24.9	36.9	22.7	31.5	36.5	47	16
Provisions on Inv.	-2.1	1.8	0.2	3.2	-2.0	-0.5	-0.9	5.6	6.7	-439	21
PBT	4.8	5.9	0.5	12.8	17.8	23.5	25.5	19.0	21.7	22	14
Taxes	1.5	0.7	-6.7	-0.5	6.0	8.2	14.6	4.6	6.1	2	31
PAT	3.3	5.2	7.3	13.3	11.8	15.3	10.9	14.4	15.6	32	8
Balance Sheet											
Deposits (INR b)	8,925	8,861	8,824	9,238	9,085	9,140	9,375	10,324	9,928	9	-4
Loans (INR b)	5,817	5,790	5,829	5,910	5,846	5,810	6,168	6,610	6,764	16	2
Asset Quality											
GNPA (INR b)	971.9	958.0	879.7	897.9	877.6	802.1	777.9	795.9	745.0	-15	-6
NNPA (INR b)	289.1	238.9	190.6	272.8	274.4	267.9	252.6	243.0	223.9	-18	-8
Others											
Branches	9,590	9,590	9,587	9,315	9,312	9,274	9,113	8,873	8,729	-583	-144
ATM	13,239	13,287	12,961	12,957	11,824	11,677	11,455	11,232	11,154	-670	-78
Ratios (%)											
		FY21				FY22			FY23	Change (bps)	
Asset Quality Ratios	1Q	2Q	2Q	2Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
GNPA	15.0	14.7	13.5	13.7	13.6	12.6	11.6	11.1	10.2	-338	-89
NNPA	5.0	4.1	3.3	4.6	4.7	4.6	4.1	3.7	3.3	-138	-37
PCR	79.9	83.2	86.2	81.3	81.4	81.8	82.8	83.6	84.8	332	114
Credit Cost	2.2	2.6	2.1	3.2	1.7	2.5	1.5	2.0	2.2	49	21
Business Ratios											
Fees of Total Income	93.4	88.1	86.6	93.3	89.9	92.6	94.1	90.6	98.4	845	776
Cost to Core Income	52.2	50.4	51.9	52.6	52.4	47.3	50.4	49.5	48.4	-397	-112
Tax Rate	30.4	12.6	NM	NM	33.6	35.1	57.4	24.3	28.1	NM	375
CASA (Cal)	33.3	34.6	35.4	36.3	36.4	37.2	37.0	36.5	36.2	-20	-35
Loan/Deposit	65.2	65.3	66.1	64.0	64.3	63.6	65.8	64.0	68.1	379	411
Profitability Ratios											
RoA	0.1	0.2	0.3	0.5	0.4	0.6	0.4	0.5	0.5	10	3
RoE	3.3	5.0	6.8	12.2	10.0	12.2	8.2	11.1	11.5	153	40
Yield on Loans	7.9	7.5	7.3	6.2	7.3	7.1	7.2	7.0	7.1	-12	16
Yield on Investments	6.5	6.3	6.3	5.9	5.9	6.1	6.1	6.0	6.0	10	4
Yield on Funds	6.6	6.5	6.6	5.8	6.3	6.1	6.1	6.0	6.2	-11	21
Cost of Funds	4.3	4.2	4.1	3.7	3.7	3.6	3.5	3.6	3.6	-11	-2
Cost of Deposits	5.0	4.8	4.6	4.3	4.2	4.2	4.0	4.1	4.0	-14	-10
Margins	2.8	2.8	2.9	2.4	3.1	3.0	3.0	2.8	3.0	-8	25



Highlights from the management commentary

Business performance, Balance Sheet and P&L

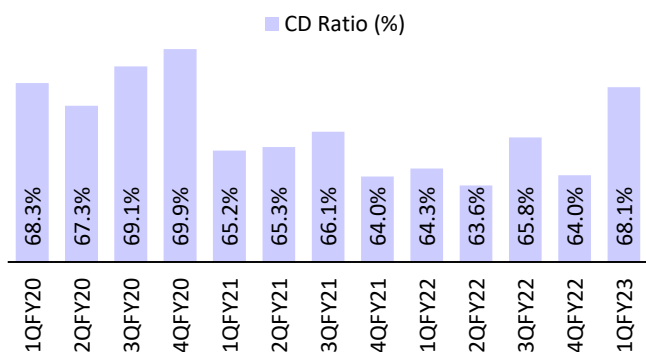
- Credit growth has picked up across the system over the past few months
- UNBK continues to post strong financials with strong growth in loans
- Credit growth of 12-13% expected in FY23 with share of RAM stable at 56%
- HAM projects are doing well for the bank
- To increase retail traction, UNBK has added 215 retail touch points
- Similarly, it is increasing touch points for the MSME segment; at present, it has 125 touch points
- Board approval is in place to raise INR3.8b through the equity route. Management is looking at a QIP in 3Q/4QFY23, primarily to bring down the stake of the Government to 75%
- Close to ~90% of the loan book is floating in nature with the share of EBLR at 33% and MCLR at 52%
- The bank rebalanced the AFS portfolio in anticipation of movement in rates. The idea was to maintain a portfolio with low duration to avoid treasury losses
- Margin expansion of 15bp in 1QFY23 was due to the increase in CD ratio
- NIM should be around 3.1% for FY23E
- The management is comfortable with the treasury portfolio as of now
- Employee expenses were high QoQ due to rollout of incentives and promotions. This should even out as the year passes by.
- Close to INR30b worth of past losses to be set-off during the current year.

Asset Quality

- The bank has strengthened collection efficiency by adding call centers and on-street fleet with specialized staff
- Headline asset quality improved QoQ along with improvement of 121bp in PCR to ~70%
- Higher write-offs during 1QFY23 consisted of – INR40b from corporate, INR14b from MSME and INR2b from retail
- Total restructured book was INR310b; of this, INR89b was already in NPA while the rest was standard
- In the current quarter, slippages from restructured book is around INR12b
- Future Retail is completely provided for
- All non-performing investments are 100% provided for
- The endeavor of the bank is to maintain credit cost below 1.7 in FY23E
- Total SMA book of the Bank is INR331.7b and consists of SMA-0, 180b, SMA1- INR50b and SMA2 – 101.9b
- UNBK is likely to report recovery of INR150b and slippages of INR130b in FY23

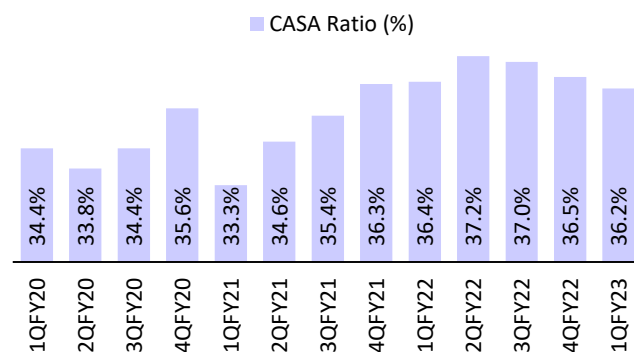
Story in charts

Exhibit 1: CD ratio increases significantly to 68% in 1QFY23



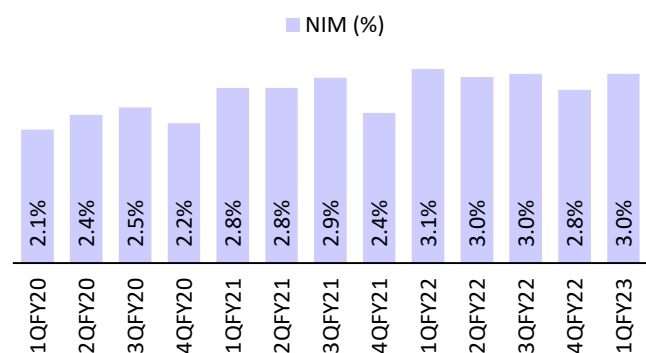
Merged numbers from 1QFY21 onwards Source: MOFSL, Company

Exhibit 2: CASA ratio contracts marginally to 36.2%



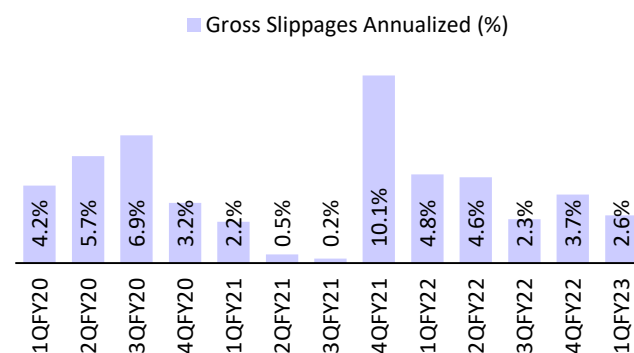
Source: MOFSL, Company

Exhibit 3: NIMs expand 25bp QoQ to 3.0%



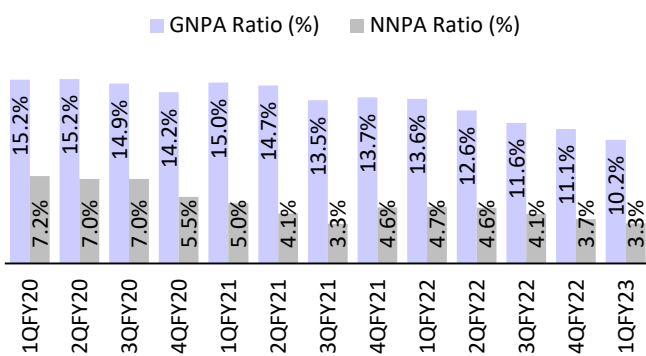
Source: MOFSL, Company

Exhibit 4: Slippages moderate to 2.6% in 1QFY23



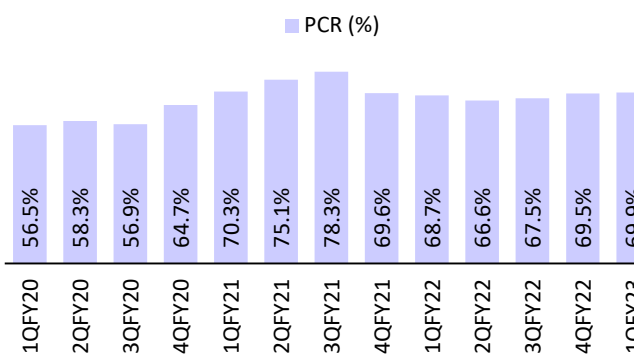
Source: MOFSL, Company

Exhibit 5: GNPA/NNPA ratio improves 89bp/37bp QoQ



Source: MOFSL, Company

Exhibit 6: PCR is stable at ~70%



Source: MOFSL, Company

Exhibit 7: DuPont Analysis – We expect return ratios to improve in FY23 and FY24

Y/E MARCH (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	6.97	6.94	7.13	6.57	6.01	6.46	6.76
Interest Expense	4.99	4.86	4.94	4.21	3.55	3.94	4.13
Net Interest Income	1.98	2.08	2.19	2.36	2.46	2.52	2.63
Fee income	0.79	0.79	0.73	0.73	0.82	0.75	0.77
Trading and others	0.27	0.12	0.28	0.39	0.29	0.14	0.16
Non-Interest Income	1.06	0.91	1.01	1.12	1.11	0.89	0.93
Total Income	3.04	2.99	3.20	3.48	3.57	3.41	3.56
Operating Expenses	1.44	1.46	1.44	1.60	1.63	1.61	1.63
Employees	0.67	0.64	0.64	0.89	0.90	0.87	0.88
Others	0.77	0.82	0.80	0.71	0.74	0.74	0.75
Operating Profits	1.60	1.53	1.76	1.88	1.94	1.80	1.93
Core Operating Profits	1.33	1.42	1.48	1.49	1.64	1.66	1.77
Provisions	3.02	2.33	2.53	1.65	1.18	1.03	1.01
NPA	2.87	2.33	1.78	1.33	1.03	0.98	0.97
Others	0.14	0.00	0.75	0.32	0.15	0.04	0.04
PBT	-1.41	-0.80	-0.77	0.23	0.76	0.78	0.92
Tax	-0.30	-0.20	-0.22	-0.05	0.30	0.27	0.26
RoA	-1.12	-0.60	-0.55	0.28	0.46	0.51	0.66
Leverage (x)	21.3	20.9	19.0	18.3	18.0	18.2	18.5
RoE	-23.8	-12.5	-10.6	5.1	8.3	9.2	12.3

Exhibit 8: We raise our PAT estimates by 9% and 3% for FY23E and 24E, respectively

INR B	Old Est		New Est		% Change	
	FY23	FY24	FY23	FY24	FY23	FY24
Net Interest Income	312.2	354.8	312.2	354.8	0	0
Other Income	104	118.5	110.2	125.6	6	6
Total Income	416.2	473.3	422.4	480.5	1.5	1.5
Operating Expenses	200.7	221.6	199.2	219.9	-0.8	-0.8
Operating Profits	215.5	251.8	223.2	260.6	3.6	3.5
Provisions	126.9	136.4	126.9	136.4	0	0
PBT	88.5	115.4	96.3	124.2	8.8	7.6
Tax	31	28.9	33.7	34.8	8.8	20.6
PAT	57.5	86.6	62.6	89.4	8.8	3.3
Loans	7,304	8,108	7,304	8,108	0	0
Deposits	11,253	12,378	11,253	12,378	0	0
Margins (%)	2.67	2.78	2.67	2.78	0	0
RoA (%)	0.5	0.6	0.5	0.7	4	2
RoE (%)	8.5	12	9.2	12.3	71	29
BV	105	113	106	114	0.7	1
ABV	80	90	83	93	4.4	2.4
EPS	8	13	9	13	8.8	3.3

Source: MOFSL

Financials and valuations

Income Statement							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	
Interest Income	327.5	340.7	372.3	687.7	679.4	800.4	912.2	
Interest Expense	234.4	238.5	257.9	440.8	401.6	488.2	557.4	
Net Interest Income	93.0	102.1	114.4	246.9	277.9	312.2	354.8	
Growth (%)	4.5	9.8	12.0	115.9	12.5	12.4	13.7	
Non-Interest Income	49.9	44.7	52.6	117.4	125.2	110.2	125.6	
Total Income	142.9	146.9	167.0	364.3	403.1	422.4	480.5	
Growth (%)	3.1	2.8	13.7	118.2	10.6	4.8	13.7	
Operating Expenses	67.5	71.7	75.2	167.7	184.4	199.2	219.9	
Pre Provision Profits	75.4	75.2	91.8	196.7	218.7	223.2	260.6	
Growth (%)	1.5	-0.2	22.1	114.2	11.2	2.1	16.7	
Core PPP	62.7	69.5	77.2	156.1	185.7	205.8	238.7	
Growth (%)	48.7	10.7	11.1	102.2	19.0	10.8	16.0	
Provisions (excl tax)	141.8	114.5	132.1	172.7	132.9	126.9	136.4	
PBT	-66.4	-39.3	-40.3	24.0	85.8	96.3	124.2	
Tax	-13.9	-9.8	-11.3	-5.1	33.5	33.7	34.8	
Tax Rate (%)	21.0	24.9	28.1	-21.1	39.0	35.0	28.0	
PAT	-52.5	-29.5	-29.0	29.1	52.3	62.6	89.4	
Growth (%)	-1,045.1	-43.8	-1.7	-200.3	80.0	19.6	42.9	

Balance Sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	11.7	17.6	34.2	64.1	68.3	68.3	68.3
Reserves & Surplus	239.3	247.2	303.6	580.7	637.4	679.5	734.8
Net Worth	251.0	264.9	337.9	644.8	705.8	747.9	803.1
Deposits	4,085.0	4,159.2	4,506.7	9,238.1	10,323.9	11,253.1	12,378.4
Growth (%)	8.0	1.8	8.4	105.0	11.8	9.0	10.0
of which CASA Dep	1,392.4	1,501.4	1,603.7	3,355.9	3,771.9	4,141.1	4,592.4
Growth (%)	6.9	7.8	6.8	109.3	12.4	9.8	10.9
Borrowings	456.8	428.6	524.9	518.4	511.8	536.2	563.5
Other Liabilities & Prov.	81.0	87.7	137.4	315.9	334.4	351.2	368.7
Total Liabilities	4,873.8	4,940.4	5,506.8	10,717.1	11,875.9	12,888.3	14,113.7
Current Assets	494.4	430.5	551.1	844.1	1,195.0	1,131.8	1,242.4
Investments	1,237.5	1,260.5	1,524.1	3,315.1	3,485.1	3,729.0	4,064.6
Growth (%)	10.3	1.9	20.9	117.5	5.1	7.0	9.0
Loans	2,887.6	2,969.3	3,150.5	5,909.8	6,610.0	7,304.1	8,107.6
Growth (%)	0.8	2.8	6.1	87.6	11.8	10.5	11.0
Fixed Assets	38.3	37.6	47.6	73.4	71.9	75.5	79.3
Other Assets	215.9	242.5	233.5	574.6	513.9	647.9	619.8
Total Assets	4,873.8	4,940.4	5,506.8	10,717.1	11,875.9	12,888.3	14,113.7

Asset Quality

GNPA (INR m)	493.7	487.3	490.9	897.9	795.9	663.4	618.5
NNPA (INR m)	243.3	203.3	173.0	279.4	249.3	195.7	182.0
GNPA Ratio	15.73	14.98	14.15	13.75	11.12	8.54	7.24
NNPA Ratio	8.42	6.85	5.49	4.73	3.77	2.68	2.24
Slippage Ratio	7.46	4.70	5.02	2.93	3.65	2.10	2.00
Credit Cost	4.69	3.90	4.32	2.90	2.12	1.75	1.70
PCR (Excl Tech. write off)	50.7	58.3	64.7	68.9	68.7	70.5	70.6

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Yield and Cost Ratios (%)							
Avg. Yield-Earning Assets	7.3	7.3	7.5	7.0	6.4	6.8	7.1
Avg. Yield on loans	7.9	8.1	8.2	7.7	7.2	7.8	8.1
Avg. Yield on Investments	7.6	7.4	7.7	6.8	5.9	6.2	6.5
Avg. Cost-Int. Bear. Liab.	5.4	5.2	5.4	4.6	3.9	4.3	4.5
Avg. Cost of Deposits	5.5	5.4	5.5	4.6	3.8	4.3	4.5
Interest Spread	1.9	2.1	2.2	2.4	2.5	2.5	2.6
Net Interest Margin	2.1	2.2	2.3	2.5	2.6	2.7	2.8

Capitalisation Ratios (%)

CAR	11.6	11.9	12.7	12.6	14.5	14.2	13.9
Tier I	9.1	9.6	10.7	10.4	12.2	11.9	11.7
Tier II	2.4	2.3	2.0	2.2	2.3	2.3	2.2

Business and Efficiency Ratios (%)

Loans/Deposit Ratio	70.7	71.4	69.9	64.0	64.0	64.9	65.5
CASA Ratio	34.1	36.1	35.6	36.3	36.5	36.8	37.1
Cost/Assets	1.4	1.5	1.4	1.6	1.6	1.5	1.6
Cost/Total Income	47.3	48.8	45.0	46.0	45.7	47.2	45.8
Cost/ Core Income	-0.5	-1.3	-0.5	-0.4	-0.6	-1.2	-1.0
Int. Expense/Int. Income	71.6	70.0	69.3	64.1	59.1	61.0	61.1
Fee Income/Total Income	26.0	26.6	22.7	21.1	22.9	22.0	21.6
Non Int. Inc. Total Income	34.9	30.5	31.5	32.2	31.1	26.1	26.2
Empl. Cost/Total Expense	46.7	44.0	44.7	55.4	54.9	53.8	53.9
Investment/Deposit Ratio	30.3	30.3	33.8	35.9	33.8	33.1	32.8

Profitability Ratios and Valuation

RoE	-23.7	-12.5	-10.6	5.1	8.3	9.2	12.3
RoA	-1.1	-0.6	-0.6	0.3	0.5	0.5	0.7
RoRWA	-1.8	-1.1	-1.0	0.5	1.0	1.1	1.4
Book Value (INR)	203.7	143.3	93.6	96.4	99.4	105.6	113.7
Growth (%)	-38.1	-29.7	-34.7	3.0	3.1	6.2	7.7
Price-BV (x)	0.2	0.3	0.4	0.4	0.4	0.4	0.3
Adjusted BV (INR)	50.8	57.3	54.5	63.3	71.7	83.2	92.5
Price-ABV (x)	0.7	0.6	0.7	0.6	0.5	0.4	0.4
EPS (INR)	-56.5	-20.1	-11.2	4.5	7.9	9.2	13.1
Growth (%)	-800.1	-64.4	-44.4	-140.6	74.2	15.9	42.9
Price-Earnings (x)	-0.7	-1.8	-3.3	8.2	4.7	4.1	2.8

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://online.reports.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.