

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↑ |
| Rating change | ↔ |

| | |
|-----------------------|-------------|
| Bloomberg | FB IN |
| Equity Shares (m) | 1,988 |
| M.Cap.(INRb)/(USD\$b) | 186.9 / 2.6 |
| 52-Week Range (INR) | 110 / 78 |
| 1, 6, 12 Rel. Per (%) | 8/-9/-10 |
| 12M Avg Val (INR M) | 1189 |
| Free float (%) | 100.0 |

Financials & Valuations (INR b)

| Y/E Mar | FY19 | FY20E | FY21E | FY22E |
|---------------|------|-------|-------|-------|
| NII | 41.8 | 46.4 | 53.7 | 62.3 |
| OP | 27.6 | 30.8 | 37.2 | 45.0 |
| NP | 12.4 | 17.1 | 21.0 | 25.7 |
| NIM (%) | 3.1 | 3.0 | 3.0 | 3.0 |
| EPS (INR) | 6.3 | 8.6 | 10.6 | 13.0 |
| EPS Gr. (%) | 32.2 | 37.2 | 22.7 | 22.4 |
| BV/Sh. (INR) | 66.9 | 73.5 | 81.7 | 91.8 |
| ABV/Sh. (INR) | 59.1 | 64.2 | 71.3 | 80.3 |

Ratios

| | | | | |
|------------|------|------|------|------|
| ROE (%) | 9.8 | 12.3 | 13.6 | 14.9 |
| ROA (%) | 0.8 | 1.0 | 1.1 | 1.1 |
| Payout (%) | 19.1 | 22.4 | 22.8 | 22.3 |

Valuations

| | | | | |
|----------------|------|------|-----|-----|
| P/E(X) | 14.9 | 10.9 | 8.9 | 7.2 |
| P/BV (X) | 1.4 | 1.3 | 1.1 | 1.0 |
| P/ABV (X) | 1.6 | 1.5 | 1.3 | 1.2 |
| Div. Yield (%) | 1.3 | 2.1 | 2.6 | 3.1 |

Shareholding pattern (%)

| As On | Dec-19 | Sep-19 | Dec-18 |
|----------|--------|--------|--------|
| Promoter | 0.0 | 0.0 | 0.0 |
| DII | 37.4 | 34.8 | 29.5 |
| FII | 33.6 | 36.1 | 38.3 |
| Others | 29.0 | 29.1 | 32.2 |

FII Includes depository receipts

CMP: INR94
TP: INR115 (+23%)
Buy

Business growth moderates; asset quality outlook turning better

RoA expansion to continue

- FB reported moderation in business growth due to the weak environment and higher repayments/stress account resolutions. Although slippages stood elevated, bulk of it came from the pre-disclosed watch-list, which resulted in an overall decline in stressed assets.
- We tweak our estimates marginally for FY21/22 and believe that the bank remains well positioned to deliver a continued improvement in RoA led by margin/cost improvements. Maintain **Buy**.

Lower provisions aid earnings; corp. slippages came largely from watch-list

- PAT of INR4.4b (+32% YoY) came in higher than our estimate of INR3.9b as provisions were lower at INR1.6b (-36% QoQ) aided by lower charge on debit card loyalty points. NII growth moderated to 7% YoY (INR11.5b), affected by interest reversals of INR0.2b, while margins stood stable at 3%. PPop stood at INR7.4b (+5% YoY). C/I ratio declined ~100bp QoQ to 52.4%.
- Loan growth moderated to 13% YoY, led by sluggish trends in corporate/commercial banking, while retail loans continued growing strongly at 23% YoY. Within retail, housing and mortgage grew robustly at 21% and 28% YoY, respectively. Deposit base grew 17% YoY, within which CA deposits increased 10% QoQ. CASA mix thus stood at 31.5% (-9bp QoQ).
- Fresh slippages came in at INR5.9b (2.3% annualized), driven by a rise in corporate slippages as two HFCs slipped during the quarter, while all other segments reported a decline. Write-offs stood higher at INR3.3b. GNPA ratio thus moderated by 8bp QoQ, while the NNPA ratio increased by 4bp QoQ as PCR declined ~260bp QoQ to 46.4% (66.4% incl. tech. w/o).

Highlights from management commentary

- 98% of the corporate slippages came from <BBB rated accounts. FB has no big-ticket (>INR1b) account in its watch-list. Standard restructured book declined to INR4.6b from INR6.1b in 2QFY20 as one airline account got settled during the quarter.
- The bank expects the margins to improve in the range of 15-20bp over FY21 while guided for an exit RoA of 1.1% for 4QFY20 and 1.25% for 4QFY21.

Valuation and view

- FB has reported moderation in loan growth, reflecting a challenging environment. Slippages stood higher as FB recognized the balance stress into NPA, but continued to guide for controlled credit cost of 65bp enabled by a NIL corporate watch-list and lower quantum of other stressed assets. The coverage ratio at 66.4% (including TWO) remains healthy. FB is taking a cautious approach in building the loan mix toward high-rated corporate and retail loans, while strong liability franchise will enable lower cost of funds, supporting margins. We estimate earnings CAGR of 27% over FY19-22 and RoA/RoE of 1.1%/14.9% by FY22. Maintain **Buy** with a revised TP of INR115 (1.4x Sep21E ABV).

Quarterly performance

(INRm)

| | FY19 | | | | FY20E | | | | FY19 | FY20E | FY20E 3QE | V/s our Est |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | | |
| Net Interest Income | 9,801 | 10,225 | 10,773 | 10,965 | 11,542 | 11,238 | 11,549 | 12,022 | 41,763 | 46,351 | 11,681 | -1.1 |
| % Change (YoY) | 22.4 | 13.7 | 13.4 | 17.5 | 17.8 | 9.9 | 7.2 | 9.6 | 16.6 | 11.0 | 8.4 | -1.2 |
| Other Income | 2,709 | 3,229 | 3,456 | 4,117 | 3,915 | 4,209 | 4,079 | 4,550 | 13,510 | 16,753 | 4,324 | -5.7 |
| Total Income | 12,509 | 13,454 | 14,228 | 15,083 | 15,457 | 15,447 | 15,628 | 16,572 | 55,274 | 63,104 | 16,005 | -2.4 |
| Operating Expenses | 6,480 | 6,478 | 7,150 | 7,535 | 7,629 | 8,259 | 8,190 | 8,247 | 27,643 | 32,325 | 8,395 | -2.4 |
| Operating Profit | 6,029 | 6,976 | 7,078 | 7,548 | 7,828 | 7,188 | 7,438 | 8,325 | 27,631 | 30,778 | 7,610 | -2.3 |
| % Change (YoY) | 8.1 | 19.6 | 26.1 | 28.2 | 29.8 | 3.0 | 5.1 | 10.3 | 20.6 | 11.4 | 7.5 | -2.4 |
| Provisions | 1,992 | 2,888 | 1,901 | 1,778 | 1,920 | 2,518 | 1,609 | 2,220 | 8,559 | 8,267 | 2,489 | -35.4 |
| Profit before Tax | 4,038 | 4,088 | 5,177 | 5,770 | 5,907 | 4,670 | 5,830 | 6,105 | 19,073 | 22,512 | 5,121 | 13.8 |
| Tax | 1,411 | 1,427 | 1,841 | 1,955 | 2,065 | 503 | 1,423 | 1,396 | 6,634 | 5,387 | 1,216 | 17.0 |
| Net Profit | 2,627 | 2,660 | 3,336 | 3,815 | 3,842 | 4,167 | 4,406 | 4,709 | 12,439 | 17,125 | 3,905 | 12.8 |
| % Change (YoY) | 25.0 | 0.9 | 28.3 | 163.1 | 46.2 | 56.6 | 32.1 | 23.4 | 41.5 | 37.7 | 17.0 | 15.0 |
| Operating Parameters | | | | | | | | | | | | |
| Deposit (INR b) | 1,112 | 1,182 | 1,235 | 1,350 | 1,325 | 1,395 | 1,446 | 1,552 | 1,350 | 1,552 | 1,453 | -0.5 |
| Loan (INR b) | 943 | 1,009 | 1,056 | 1,102 | 1,120 | 1,159 | 1,192 | 1,262 | 1,102 | 1,262 | 1,224 | -2.6 |
| Deposit Growth (%) | 16.1 | 21.6 | 22.8 | 20.5 | 19.1 | 18.1 | 17.1 | 15.0 | 20.5 | 15.0 | 17.7 | -0.6 |
| Loan Growth (%) | 23.6 | 25.2 | 24.2 | 19.9 | 18.8 | 14.8 | 13.0 | 14.5 | 19.9 | 14.5 | 16.0 | -3.0 |
| Asset Quality | | | | | | | | | | | | |
| Gross NPA (%) | 3.0 | 3.1 | 3.1 | 2.9 | 3.0 | 3.1 | 3.0 | 2.9 | 2.9 | 2.9 | 3.2 | -0.2 |
| Net NPA (%) | 1.7 | 1.8 | 1.7 | 1.5 | 1.5 | 1.6 | 1.6 | 1.6 | 1.5 | 1.6 | 1.7 | -0.1 |
| PCR (%) | 43.5 | 43.6 | 45.9 | 50.1 | 50.7 | 49.0 | 46.4 | 46.3 | 50.1 | 46.3 | 48.0 | -1.6 |

E:MOFSL Estimates

Quarterly snapshot

| INR m | FY18 | | | | FY19 | | | | FY20 | | | Change (%) | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | YoY | QoQ |
| Profit and Loss | | | | | | | | | | | | | |
| Interest Income | 23,241 | 23,796 | 25,012 | 25,480 | 26,674 | 27,649 | 29,544 | 30,323 | 32,293 | 32,543 | 33,304 | 13 | 2 |
| Advances | 17,878 | 18,590 | 19,410 | 19,511 | 20,794 | 22,105 | 23,866 | 24,131 | 26,061 | 26,377 | 27,028 | 13 | 2 |
| Investment | 4,683 | 4,500 | 4,822 | 5,170 | 5,072 | 4,883 | 5,056 | 5,364 | 5,552 | 5,274 | 5,361 | 6 | 2 |
| Interest Expenses | 15,234 | 14,807 | 15,512 | 16,148 | 16,873 | 17,425 | 18,771 | 19,358 | 20,751 | 21,305 | 21,754 | 16 | 2 |
| Net Interest Income | 8,007 | 8,989 | 9,500 | 9,332 | 9,801 | 10,225 | 10,773 | 10,965 | 11,542 | 11,238 | 11,549 | 7 | 3 |
| Other Income | 3,291 | 2,872 | 2,286 | 3,142 | 2,709 | 3,229 | 3,456 | 4,117 | 3,915 | 4,209 | 4,079 | 18 | -3 |
| Trading profits | 1,120 | 750 | 290 | 220 | 490 | 510 | 550 | 540 | 910 | 820 | 650 | 18 | -21 |
| Fee Income | 1,461 | 1,542 | 1,536 | 1,822 | 1,609 | 1,999 | 2,056 | 2,547 | 2,175 | 2,529 | 2,549 | 24 | 1 |
| Total Income | 11,298 | 11,861 | 11,786 | 12,474 | 12,509 | 13,454 | 14,228 | 15,083 | 15,457 | 15,447 | 15,628 | 10 | 1 |
| Operating Expenses | 5,719 | 6,029 | 6,172 | 6,588 | 6,480 | 6,478 | 7,150 | 7,535 | 7,629 | 8,259 | 8,190 | 15 | -1 |
| Employee | 2,985 | 3,127 | 3,005 | 3,308 | 3,450 | 3,089 | 3,537 | 3,702 | 3,978 | 4,407 | 4,148 | 17 | -6 |
| Others | 2,735 | 2,902 | 3,168 | 3,280 | 3,030 | 3,388 | 3,614 | 3,834 | 3,651 | 3,852 | 4,042 | 12 | 5 |
| Operating Profits | 5,579 | 5,832 | 5,614 | 5,886 | 6,029 | 6,976 | 7,078 | 7,548 | 7,828 | 7,188 | 7,438 | 5 | 3 |
| Core Operating Profits | 4,459 | 5,082 | 5,324 | 5,666 | 5,539 | 6,466 | 6,528 | 7,008 | 6,918 | 6,368 | 6,788 | 4 | 7 |
| Provisions | 2,364 | 1,768 | 1,624 | 3,715 | 1,992 | 2,888 | 1,901 | 1,778 | 1,920 | 2,518 | 1,609 | -15 | -36 |
| NPA provisions | 2,364 | 1,400 | 1,200 | 2,600 | 1,660 | 1,560 | 1,750 | 1,370 | 1,770 | 1,750 | 2,420 | 38 | 38 |
| PBT | 3,214 | 4,064 | 3,990 | 2,170 | 4,038 | 4,088 | 5,177 | 5,770 | 5,907 | 4,670 | 5,830 | 13 | 25 |
| Taxes | 1,113 | 1,427 | 1,390 | 721 | 1,411 | 1,427 | 1,841 | 1,955 | 2,065 | 503 | 1,423 | (23) | 183 |
| PAT | 2,102 | 2,637 | 2,600 | 1,450 | 2,627 | 2,660 | 3,336 | 3,815 | 3,842 | 4,167 | 4,406 | 32 | 6 |

Quarterly snapshot contd.

| | FY18 | | | | FY19 | | | | FY20 | | | Change (%) | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|----------|
| Balance sheet (INR b) | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | YoY | QoQ |
| Deposits | 958 | 972 | 1,005 | 1,120 | 1,112 | 1,182 | 1,235 | 1,350 | 1,325 | 1,395 | 1,446 | 17 | 4 |
| CASA Deposits | 320 | 320 | 333 | 373 | 372 | 395 | 412 | 434 | 417 | 440 | 455 | 10 | 3 |
| % of overall Deposits | 33.4 | 32.9 | 33.0 | 33.3 | 33.5 | 33.4 | 33.4 | 32.2 | 31.4 | 31.6 | 31.5 | -189 | -9 |
| Retail Deposits | 927 | 943 | 966 | 1,049 | 1,070 | 1,119 | 1,158 | 1,228 | 1,230 | 1,282 | 1,315 | 14 | 3 |
| % of overall Deposits | 96.7 | 97.0 | 96.1 | 93.7 | 96.2 | 94.7 | 93.8 | 91.0 | 92.8 | 91.8 | 91.0 | -283 | -88 |
| Investments | 267 | 263 | 298 | 308 | 283 | 282 | 292 | 318 | 318 | 311 | 310 | 6 | 0 |
| Advances | 763 | 806 | 850 | 920 | 943 | 1,009 | 1,056 | 1,102 | 1,120 | 1,159 | 1,192 | 13 | 3 |
| Retail | 222 | 233 | 243 | 256 | 261 | 278 | 297 | 317 | 328 | 349 | 366 | 23 | 5 |
| Total Assets | 1,164 | 1,218 | 1,282 | 1,383 | 1,367 | 1,444 | 1,498 | 1,593 | 1,603 | 1,664 | 1,728 | 15 | 4 |
| Asset Quality (INR m) | | | | | | | | | | | | | |
| GNPA | 18,679 | 19,490 | 21,612 | 27,956 | 28,688 | 31,845 | 33,612 | 32,607 | 33,947 | 36,121 | 36,187 | 8 | 0 |
| NNPA | 10,613 | 10,664 | 11,567 | 15,520 | 16,202 | 17,963 | 18,173 | 16,262 | 16,728 | 18,436 | 19,410 | 7 | 5 |
| Slippages | 4,250 | 2,840 | 4,120 | 8,720 | 4,610 | 4,770 | 4,270 | 2,560 | 4,340 | 5,710 | 6,030 | 41 | 6 |
| Ratios | | | | | | | | | | | | | |
| Asset Quality Ratios (%) | | | | | | | | | | | | | |
| GNPA | 2.4 | 2.4 | 2.5 | 3.0 | 3.0 | 3.1 | 3.1 | 2.9 | 3.0 | 3.1 | 3.0 | -15 | -8 |
| NNPA | 1.4 | 1.3 | 1.4 | 1.7 | 1.7 | 1.8 | 1.7 | 1.5 | 1.5 | 1.6 | 1.6 | -9 | 4 |
| PCR (Calculated) | 43 | 45 | 46 | 44 | 44 | 44 | 46 | 50 | 51 | 49 | 46 | 43 | -260 |
| Slippage Ratio | 2.9 | 1.8 | 2.4 | 4.8 | 2.4 | 2.4 | 2.0 | 1.1 | 1.8 | 2.3 | 2.3 | 27 | 2 |
| Credit Cost | 1.3 | 0.7 | 0.6 | 1.2 | 0.7 | 0.6 | 0.7 | 0.5 | 0.6 | 0.6 | 0.8 | 15 | 21 |
| Business Ratios (%) | | | | | | | | | | | | | |
| Fees to Total Income | 12.9 | 13.0 | 13.0 | 14.6 | 12.9 | 14.9 | 14.4 | 16.9 | 14.1 | 16.4 | 16.3 | 186.2 | -6.5 |
| Cost to Core Income | 60.4 | 57.3 | 55.9 | 59.1 | 56.8 | 53.0 | 55.7 | 55.8 | 55.6 | 60.0 | 58.1 | 235.5 | -190.0 |
| Tax Rate | 34.6 | 35.1 | 34.8 | 33.2 | 34.9 | 34.9 | 35.6 | 33.9 | 35.0 | 10.8 | 24.4 | NM | NM |
| Loan/Deposit | 79.6 | 83.0 | 84.5 | 82.1 | 84.8 | 85.4 | 85.5 | 81.7 | 84.5 | 83.0 | 82.5 | -304.1 | -59.6 |
| CAR | 15.3 | 14.6 | 14.4 | 14.7 | 14.5 | 13.3 | 13.0 | 14.1 | 14.1 | 14.0 | 13.6 | 67.0 | -34.0 |
| Tier I | 14.7 | 14.1 | 13.8 | 14.2 | 14.0 | 12.8 | 12.4 | 13.4 | 13.0 | 12.9 | 12.6 | 18.0 | -25.0 |
| Profitability Ratios (%) | | | | | | | | | | | | | |
| Yield on loans | 10.0 | 9.5 | 9.5 | 9.1 | 9.1 | 9.2 | 9.3 | 9.4 | 9.6 | 9.3 | 9.3 | -4 | -6 |
| Yield On Investments | 6.8 | 6.8 | 6.9 | 6.8 | 6.9 | 6.9 | 7.0 | 7.0 | 7.0 | 6.7 | 6.9 | -14 | 20 |
| Yield on Funds | 8.8 | 8.8 | 8.8 | 8.4 | 8.5 | 8.6 | 8.8 | 8.6 | 8.8 | 8.8 | 8.7 | -12 | -5 |
| Cost of Funds | 6.0 | 5.6 | 5.6 | 5.2 | 5.6 | 5.5 | 5.7 | 5.4 | 5.8 | 5.8 | 5.7 | 0 | -9 |
| Cost of Deposits | 6.1 | 5.8 | 5.7 | 5.8 | 5.6 | 5.7 | 5.9 | 5.9 | 6.0 | 5.9 | 5.8 | -1 | -9 |
| NIM | 3.1 | 3.3 | 3.3 | 3.1 | 3.1 | 3.2 | 3.2 | 3.2 | 3.2 | 3.0 | 3.0 | -17 | -1 |
| RoA | 0.8 | 0.9 | 0.9 | 0.5 | 0.8 | 0.8 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 13 | 1 |
| RoE | 8.3 | 9.0 | 8.7 | 4.9 | 8.6 | 8.5 | 10.5 | 11.9 | 11.4 | 12.1 | 12.5 | 202 | 44 |
| Others | | | | | | | | | | | | | |
| Branches | 1,252 | 1,252 | 1,252 | 1,252 | 1,252 | 1,252 | 1,251 | 1,251 | 1,251 | 1,251 | 1,255 | 4 | 4 |
| ATMs | 1,678 | 1,678 | 1,679 | 1,696 | 1,684 | 1,683 | 1,669 | 1,669 | 1,934 | 1,942 | 1,965 | 296 | 23 |



Highlights of management commentary

P&L & balance sheet related

- The bank consciously focused toward secured & high-rates corporates.
- Higher interest reversal of INR0.2b has impacted margin by ~5bp.
- Collection efficiency and underwriting skills in retail business has improved.
- The bank expects a 2% increase in opex due to wage revision.
- ~9-10% of the loan book is linked to T-bills.

Asset quality

- Corporate slippages have largely come from two HFC accounts (DHFL and Reliance Home Finance). Excluding both these accounts, corporate slippages were at multi-year low. The bank provided 25% and 15% provisioning in these accounts.
- Received payment from one large restructured account (Air India) with exposure of INR2b which is fully settled now.
- There is no large exposure that is alarming for the bank as of now. It has nil exposure to both the large telecom operators which are in the media names. It has insignificant non-fund based exposure to the telecom sector.
- The bank targets to improve PCR (incl. TWO) to 70%.
- The bank has exposure to three IL&FS accounts (2 NPA & 1 is standard). All the three accounts are making interest payments.

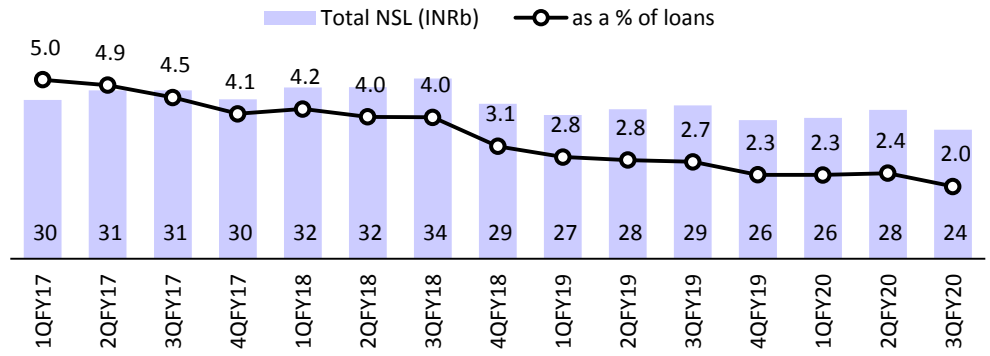
Others

- The bank expects margins to improve in the coming quarters led by lower slippages and change in asset mix. It guides to improve the margins to 3.15%-3.20% (15-20bp overall margin improvement). The bank expects to achieve an exit NIMs of 3.1% by 4QFY20.
- It expects credit growth of 15%-17% over FY20.
- The bank targets for an exit ROA of ~1.1% for 4QFY20 and 1.25% for 4QFY21.
- It has guided to add 40 branches next year.
- The bank will look for capital raise in early FY21.
- It has guided for credit cost of ~65bp.

Key Exhibits

Restructured account declines as an airline a/c got settled in the quarter.

Exhibit 1: Net stress loans decline to 2% of total loans



98% of the corporate slippages came from the watchlist largely from two HFCs.

Exhibit 2: Fresh slippages came in at INR5.9b

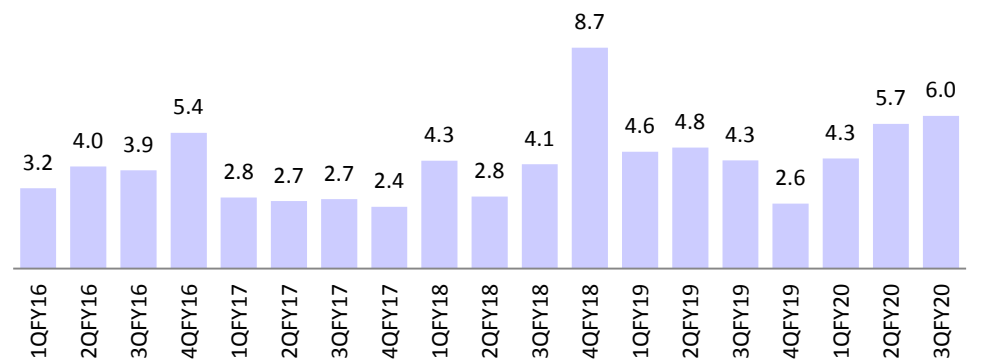
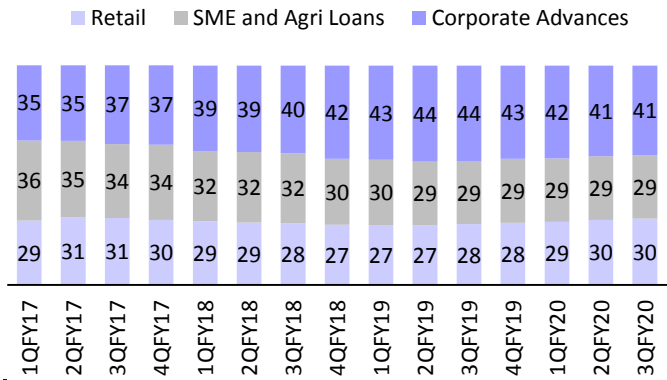
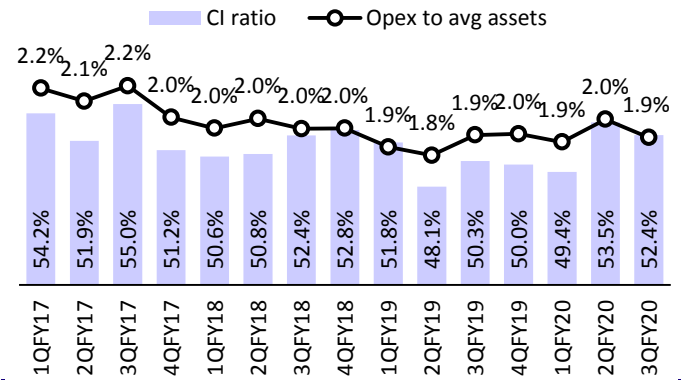


Exhibit 3: Corporate book forms ~41% of loan book



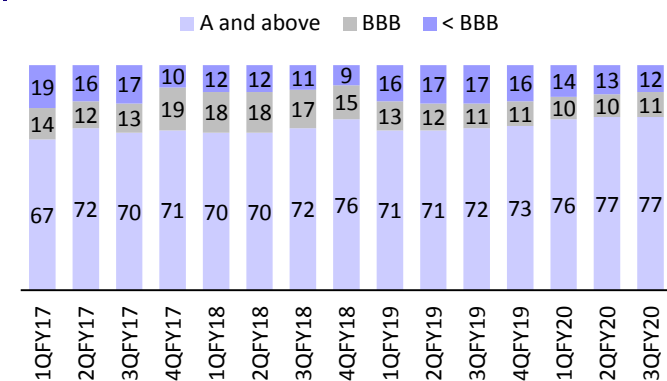
Source: MOFSL, Company

Exhibit 4: C/I ratio improved ~100bp QoQ to 52.4%



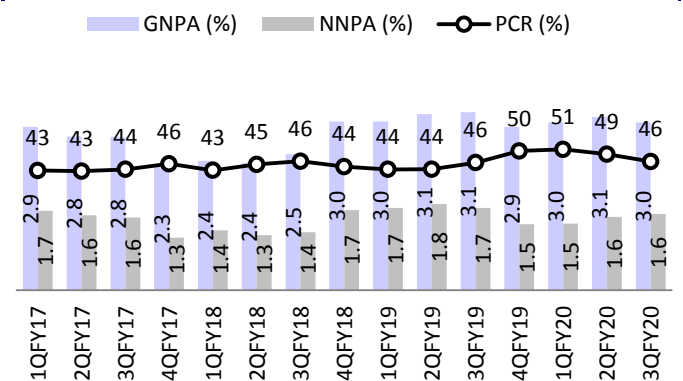
Source: MOFSL, Company

Exhibit 5: Share of A & above remains healthy



Source: MOFSL, Company

Exhibit 6: GNPA ratio moderates; PCR declines sequentially

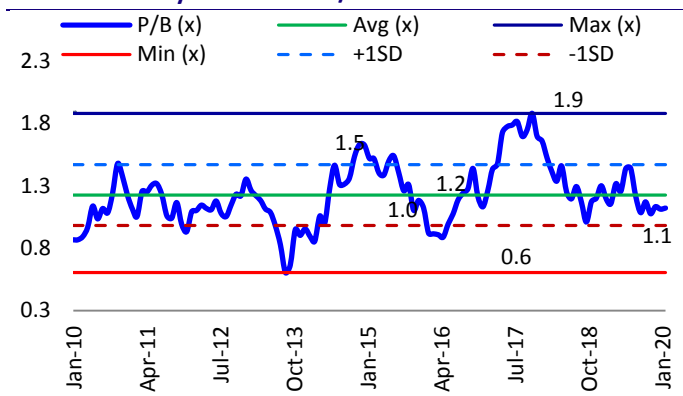


Source: MOFSL, Company

Valuation view

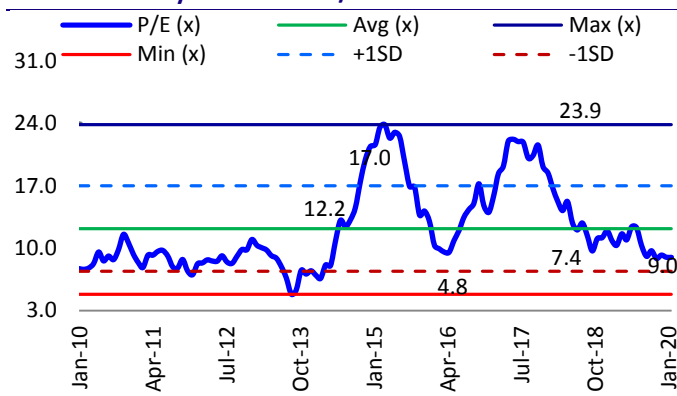
- Net stressed loans declines to 2% of loans:** FB has reported a sharp decline in net stressed loans (NNPA + standard restructured + net SRs) to ~2.0% of loans v/s 5.4% in FY16. Going ahead, the bank has no big-ticket (>INR1b) account in its watch-list. We thus expect corporate slippage trajectory to moderate sustainably. This should enable controlled credit costs and drive a consistent improvement in its coverage ratio.
- Strong liability franchise:** CASA + retail term deposits constitute ~91% of total deposits. The bank has lower cost of funds advantage compared to other mid-size banks and is focused on cross-selling liability products to corporate clients to garner salary accounts.
- Lending toward better-rated corporates:** FB is taking a cautious approach in building the loan mix toward high-rated corporate and secured retail loans. The proportion of retail loans has improved to ~30% in 3QFY20 from 27.4% in FY18.
- Buy with a target price of INR115:** FB has reported moderation in loan growth, reflecting a challenging environment. Slippages stood higher as FB recognized the balance stress into NPA, but continued to guide for controlled credit cost of 65bp enabled by a NIL corporate watch-list and lower quantum of other stressed assets. The coverage ratio at 66.4% (including TWO) remains healthy. FB is taking a cautious approach in building the loan mix toward high-rated corporate and retail loans, while strong liability franchise will enable lower cost of funds, supporting margins. We estimate earnings CAGR of 27% over FY19-22 and RoA/RoE of 1.1%/14.9% by FY22. Maintain **Buy** with a revised TP of INR115 (1.4x Sep21E ABV).

Exhibit 7: One-year forward P/B



Source: MOFSL, Company

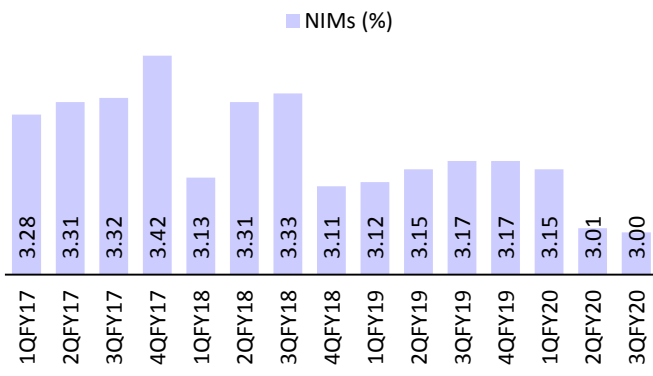
Exhibit 8: One-year forward P/E



Source: MOFSL, Company

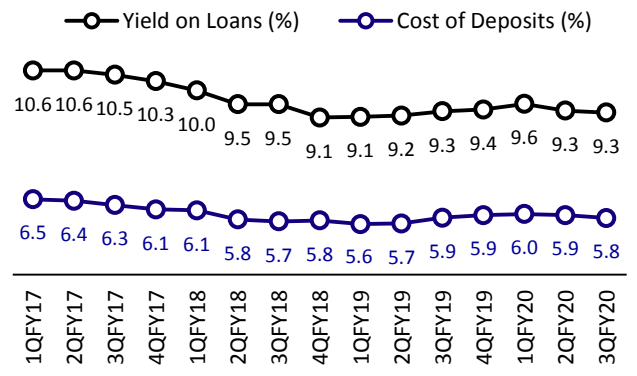
Story in Charts

Exhibit 9: NIM were stable at 3%



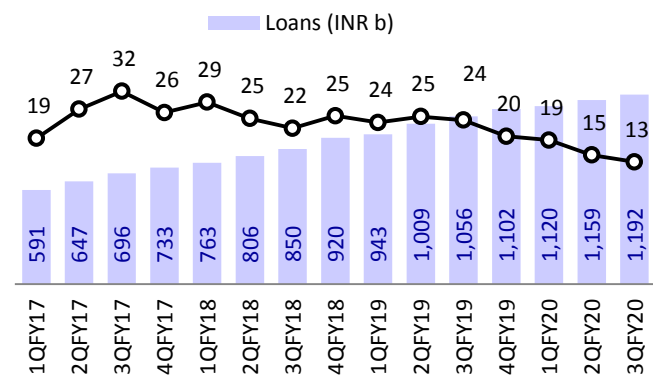
Source: MOFSL, Company

Exhibit 10: Yield on loans declines by 6bp QoQ to 9.3%



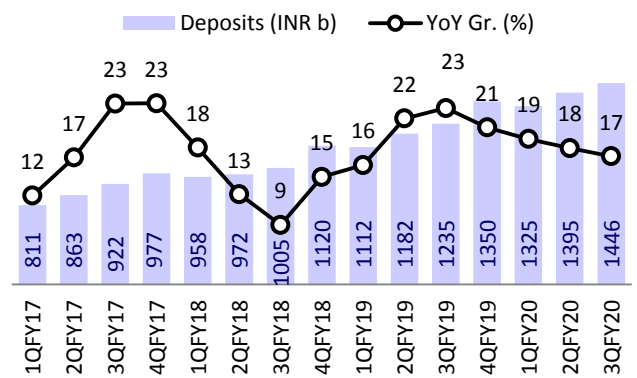
Source: MOFSL, Company

Exhibit 11: Loan growth moderates to ~13% YoY



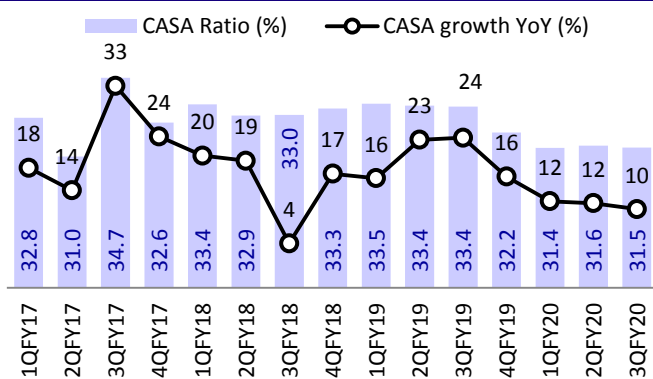
Source: MOFSL, Company

Exhibit 12: Deposit growth moderates to ~17% YoY



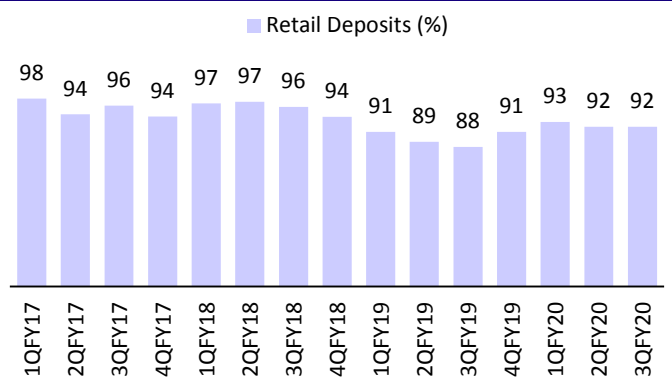
Source: MOFSL, Company

Exhibit 13: CASA deposits growth moderates to ~10% YoY



Source: MOFSL, Company

Exhibit 14: Proportion of retail deposits strong at 92%



Source: MOFSL, Company

Exhibit 15: DuPont Analysis: We expect return ratios to remain modest

| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E | FY22E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income | 9.42 | 8.89 | 8.41 | 7.70 | 7.67 | 7.67 | 7.64 | 7.58 |
| Interest Expense | 6.40 | 6.01 | 5.45 | 4.87 | 4.87 | 4.95 | 4.91 | 4.86 |
| Net Interest Income | 3.02 | 2.88 | 2.96 | 2.83 | 2.81 | 2.72 | 2.73 | 2.71 |
| Core Fee Income | 0.66 | 0.68 | 0.70 | 0.73 | 0.75 | 0.85 | 0.92 | 0.98 |
| Trading and others | 0.46 | 0.25 | 0.35 | 0.19 | 0.15 | 0.13 | 0.12 | 0.10 |
| Non-Interest income | 1.12 | 0.93 | 1.05 | 0.92 | 0.91 | 0.98 | 1.04 | 1.08 |
| Total Income | 4.14 | 3.81 | 4.01 | 3.74 | 3.71 | 3.70 | 3.77 | 3.79 |
| Operating Expenses | 2.07 | 2.17 | 2.14 | 1.94 | 1.86 | 1.90 | 1.88 | 1.83 |
| Employee cost | 1.13 | 1.21 | 1.13 | 0.98 | 0.93 | 0.95 | 0.93 | 0.91 |
| Others | 0.94 | 0.96 | 1.01 | 0.95 | 0.93 | 0.95 | 0.94 | 0.92 |
| Operating Profits | 2.07 | 1.63 | 1.87 | 1.81 | 1.86 | 1.80 | 1.89 | 1.96 |
| Core Operating Profits | 1.61 | 1.39 | 1.51 | 1.62 | 1.70 | 1.67 | 1.78 | 1.86 |
| Provisions | 0.14 | 0.81 | 0.60 | 0.75 | 0.58 | 0.48 | 0.47 | 0.46 |
| PBT | 1.93 | 0.83 | 1.27 | 1.06 | 1.28 | 1.32 | 1.43 | 1.50 |
| Tax | 0.65 | 0.28 | 0.46 | 0.37 | 0.45 | 0.33 | 0.36 | 0.38 |
| RoA | 1.28 | 0.55 | 0.81 | 0.69 | 0.84 | 0.99 | 1.07 | 1.12 |
| Leverage (x) | 10.7 | 11.0 | 12.1 | 12.0 | 11.7 | 12.2 | 12.8 | 13.3 |
| RoE | 13.7 | 6.0 | 9.8 | 8.3 | 9.8 | 12.1 | 13.6 | 14.9 |

Financials and Valuations

| Income Statement | | | | | | | | (INRm) |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E | FY22E |
| Interest Income | 74,195 | 77,482 | 86,774 | 97,529 | 114,190 | 130,766 | 150,212 | 173,886 |
| Interest Expense | 50,391 | 52,404 | 56,247 | 61,701 | 72,427 | 84,414 | 96,539 | 111,574 |
| Net Interest Income | 23,804 | 25,077 | 30,526 | 35,828 | 41,763 | 46,351 | 53,673 | 62,312 |
| Growth (%) | 6.8 | 5.3 | 21.7 | 17.4 | 16.6 | 11.0 | 15.8 | 16.1 |
| Non-Interest Income | 8,783 | 8,082 | 10,818 | 11,591 | 13,510 | 16,753 | 20,438 | 24,730 |
| Total Income | 32,587 | 33,159 | 41,345 | 47,419 | 55,274 | 63,104 | 74,111 | 87,043 |
| Growth (%) | 11.5 | 1.8 | 24.7 | 14.7 | 16.6 | 14.2 | 17.4 | 17.4 |
| Operating Expenses | 16,309 | 18,921 | 22,095 | 24,509 | 27,643 | 32,325 | 36,880 | 42,076 |
| Pre Provision Profits | 16,278 | 14,238 | 19,249 | 22,910 | 27,631 | 30,778 | 37,231 | 44,967 |
| Growth (%) | 10.0 | -12.5 | 35.2 | 19.0 | 20.6 | 11.4 | 21.0 | 20.8 |
| Core PPP | 13,721 | 12,963 | 16,163 | 20,521 | 25,347 | 28,495 | 34,947 | 42,683 |
| Growth (%) | 3.6 | -5.5 | 24.7 | 27.0 | 23.5 | 12.4 | 22.6 | 22.1 |
| Provisions (excl. tax) | 1,067 | 7,041 | 6,184 | 9,472 | 8,559 | 8,267 | 9,146 | 10,594 |
| PBT | 15,210 | 7,197 | 13,065 | 13,439 | 19,073 | 22,512 | 28,084 | 34,373 |
| Tax | 5,153 | 2,440 | 4,757 | 4,650 | 6,634 | 5,387 | 7,069 | 8,652 |
| Tax Rate (%) | 33.9 | 33.9 | 36.4 | 34.6 | 34.8 | 23.9 | 25.2 | 25.2 |
| PAT | 10,057 | 4,757 | 8,308 | 8,789 | 12,439 | 17,125 | 21,015 | 25,721 |
| Growth (%) | 19.9 | -52.7 | 74.7 | 5.8 | 41.5 | 37.7 | 22.7 | 22.4 |

Balance Sheet

| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E | FY22E |
|------------------------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Equity Share Capital | 3,427 | 3,438 | 3,448 | 3,944 | 3,970 | 3,970 | 3,970 | 3,970 |
| Reserves & Surplus | 73,955 | 77,474 | 84,108 | 118,158 | 128,760 | 142,056 | 158,285 | 178,263 |
| Net Worth | 77,381 | 80,912 | 87,556 | 122,102 | 132,730 | 146,026 | 162,256 | 182,233 |
| Deposits | 708,250 | 791,717 | 976,646 | 1,119,925 | 1,349,543 | 1,551,975 | 1,815,811 | 2,142,657 |
| Growth (%) | 18.6 | 11.8 | 23.4 | 14.7 | 20.5 | 15.0 | 17.0 | 18.0 |
| of which CASA Deposit | 217,835 | 260,526 | 320,528 | 376,867 | 437,314 | 501,288 | 601,033 | 758,500 |
| Growth (%) | 16.7 | 19.6 | 23.0 | 17.6 | 16.0 | 14.6 | 19.9 | 26.2 |
| Borrowings | 23,082 | 21,766 | 58,973 | 115,335 | 77,813 | 80,095 | 88,104 | 96,914 |
| Other Liabilities & Prov. | 19,791 | 19,905 | 26,594 | 25,777 | 33,313 | 39,975 | 47,171 | 55,662 |
| Total Liabilities | 828,505 | 914,300 | 1,149,769 | 1,383,140 | 1,593,400 | 1,818,071 | 2,113,341 | 2,477,466 |
| Current Assets | 47,800 | 54,198 | 74,522 | 92,034 | 100,668 | 114,245 | 129,466 | 143,333 |
| Investments | 205,688 | 222,175 | 281,961 | 307,811 | 318,245 | 356,434 | 406,335 | 463,222 |
| Growth (%) | -14.7 | 8.0 | 26.9 | 9.2 | 3.4 | 12.0 | 14.0 | 14.0 |
| Loans | 512,850 | 580,901 | 733,363 | 919,575 | 1,102,230 | 1,262,053 | 1,476,602 | 1,742,390 |
| Growth (%) | 18.1 | 13.3 | 26.2 | 25.4 | 19.9 | 14.5 | 17.0 | 18.0 |
| Fixed Assets | 4,666 | 5,200 | 4,895 | 4,574 | 4,720 | 5,051 | 5,404 | 5,783 |
| Other Assets | 57,500 | 51,826 | 55,029 | 59,146 | 67,537 | 80,289 | 95,534 | 122,739 |
| Total Assets | 828,505 | 914,300 | 1,149,769 | 1,383,140 | 1,593,400 | 1,818,071 | 2,113,341 | 2,477,466 |

Asset Quality

| | | | | | | | | |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| GNPA | 10,576 | 16,677 | 17,270 | 27,956 | 32,607 | 37,378 | 42,967 | 46,703 |
| NNPA | 3,733 | 9,500 | 9,412 | 15,520 | 16,262 | 20,056 | 22,352 | 24,059 |
| GNPA Ratio | 2.0 | 2.8 | 2.3 | 3.0 | 2.9 | 2.9 | 2.9 | 2.6 |
| NNPA Ratio | 0.7 | 1.6 | 1.3 | 1.7 | 1.5 | 1.6 | 1.5 | 1.4 |
| Slippage Ratio | 1.9 | 3.7 | 1.9 | 2.7 | 1.6 | 1.7 | 1.5 | 1.3 |
| Credit Cost | 0.5 | 1.3 | 0.9 | 1.1 | 0.8 | 0.65 | 0.62 | 0.60 |
| PCR (Excl. Tech. write off) | 64.7 | 43.0 | 45.5 | 44.5 | 50.1 | 46.3 | 48.0 | 48.5 |

Financials and Valuations

Ratios

| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E | FY22E |
|-----------------------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|
| Yield and Cost Ratios (%) | | | | | | | | |
| Avg. Yield-Earning Assets | 10.4 | 10.0 | 9.3 | 8.4 | 8.4 | 8.4 | 8.4 | 8.3 |
| Avg. Yield on loans | 11.5 | 10.4 | 10.0 | 9.1 | 9.0 | 8.9 | 8.9 | 8.8 |
| Avg. Yield on Investments | 7.4 | 8.2 | 7.1 | 6.6 | 6.6 | 6.7 | 6.7 | 6.6 |
| Avg. Cost-Int. Bear. Liab. | 7.3 | 6.8 | 6.1 | 5.4 | 5.4 | 5.5 | 5.5 | 5.4 |
| Avg. Cost of Deposits | 7.1 | 6.7 | 6.1 | 5.5 | 5.5 | 5.6 | 5.5 | 5.4 |
| Avg. Cost of Borrowings | 10.3 | 8.0 | 5.5 | 5.1 | 5.2 | 4.6 | 4.5 | 4.7 |
| Interest Spread | 3.2 | 3.2 | 3.2 | 3.0 | 2.9 | 2.9 | 2.9 | 2.9 |
| Net Interest Margin | 3.3 | 3.2 | 3.3 | 3.1 | 3.1 | 3.0 | 3.0 | 3.0 |

Capitalization Ratios (%)

| | | | | | | | | |
|---------|------|------|------|------|------|------|------|------|
| CAR | 15.5 | 13.9 | 12.4 | 14.9 | 14.4 | 13.4 | 12.7 | 11.8 |
| Tier I | 14.8 | 13.4 | 11.8 | 14.4 | 13.7 | 12.7 | 12.2 | 11.4 |
| Tier II | 0.7 | 0.6 | 0.6 | 0.5 | 0.8 | 0.6 | 0.5 | 0.4 |

Business and Efficiency Ratios (%)

| | | | | | | | | |
|--------------------------|------|------|------|------|------|------|------|------|
| Loans/Deposit Ratio | 72.4 | 73.4 | 75.1 | 82.1 | 81.7 | 81.3 | 81.3 | 81.3 |
| CASA Ratio | 30.8 | 32.9 | 32.8 | 33.7 | 32.4 | 32.3 | 33.1 | 35.4 |
| Cost/Assets | 2.0 | 2.1 | 1.9 | 1.8 | 1.7 | 1.8 | 1.7 | 1.7 |
| Cost/Total Income | 50.0 | 57.1 | 53.4 | 51.7 | 50.0 | 51.2 | 49.8 | 48.3 |
| Cost/Core Income | 54.3 | 59.3 | 57.8 | 54.4 | 52.2 | 53.1 | 51.3 | 49.6 |
| Int. Expense/Int. Income | 67.9 | 67.6 | 64.8 | 63.3 | 63.4 | 64.6 | 64.3 | 64.2 |
| Fee Income/Net Income | 15.8 | 17.8 | 17.4 | 19.4 | 20.3 | 22.9 | 24.5 | 25.8 |
| Non Int. Inc./Net Income | 27.0 | 24.4 | 26.2 | 24.4 | 24.4 | 26.5 | 27.6 | 28.4 |
| Emp. Cost/Op. Exp. | 54.7 | 55.6 | 52.7 | 50.7 | 49.8 | 49.9 | 49.8 | 49.8 |
| Investment/Deposit Ratio | 29.0 | 28.1 | 28.9 | 27.5 | 23.6 | 23.0 | 22.4 | 21.6 |

Valuation

| | | | | | | | | |
|--------------------------|------|-------|-------------|-------------|-------------|-------------|------------|------------|
| RoE | 13.7 | 6.0 | 9.9 | 8.3 | 9.8 | 12.3 | 13.6 | 14.9 |
| RoA | 1.3 | 0.5 | 0.8 | 0.7 | 0.8 | 1.0 | 1.1 | 1.1 |
| RoRWA | 2.0 | 0.8 | 1.1 | 1.0 | 1.3 | 1.5 | 1.6 | 1.7 |
| Book Value (INR) | 45.2 | 47.1 | 50.8 | 61.9 | 66.9 | 73.5 | 81.7 | 91.8 |
| Growth (%) | 11.2 | 4.2 | 7.9 | 21.9 | 8.0 | 10.0 | 11.1 | 12.3 |
| Price-BV (x) | | | 1.8 | 1.5 | 1.4 | 1.3 | 1.1 | 1.0 |
| Adjusted BV (INR) | 43.7 | 43.5 | 47.2 | 54.4 | 59.1 | 64.2 | 71.3 | 80.3 |
| Price-ABV (x) | | | 2.0 | 1.7 | 1.6 | 1.5 | 1.3 | 1.2 |
| EPS (INR) | 5.9 | 2.8 | 4.8 | 4.8 | 6.3 | 8.6 | 10.6 | 13.0 |
| Growth (%) | 19.7 | -52.9 | 74.1 | -1.3 | 32.2 | 37.2 | 22.7 | 22.4 |
| Price-Earnings (x) | | | 19.5 | 19.7 | 14.9 | 10.9 | 8.9 | 7.2 |
| Dividend Per Share (INR) | 1.1 | 0.7 | 1.1 | 1.1 | 1.2 | 1.9 | 2.4 | 2.9 |
| Dividend Yield (%) | | | 1.2 | 1.1 | 1.3 | 2.1 | 2.6 | 3.1 |

| 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 |

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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.

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