

# AAVAS Financiers

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	AAVAS IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	140.7 / 1.7
52-Week Range (INR)	1979 / 1307
1, 6, 12 Rel. Per (%)	-7/4/-14
12M Avg Val (INR M)	565

## Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	9.1	10.7	13.1
PPP	6.5	7.8	9.8
PAT	4.9	5.9	7.4
EPS (INR)	62.0	74.4	94.1
EPS Gr. (%)	14	20	26
BV/Sh. (INR)	477	551	645
<b>Ratios (%)</b>			
NIM	5.8	5.5	5.5
C/I ratio	45.6	44.4	42.4
Credit cost	0.19	0.20	0.17
RoA	3.3	3.2	3.4
RoE	13.9	14.5	15.7
<b>Valuation</b>			
P/E (x)	28.8	24.0	18.9
P/BV (x)	3.7	3.2	2.8

## Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	26.5	26.5	39.1
DII	24.4	24.0	14.4
FII	35.9	34.8	35.0
Others	13.3	14.7	11.5

FII Includes depository receipts

**CMP: INR1,778 TP: INR1,800 (+1%) Neutral**

## Pressure on NIM continues; operating efficiency now showing up

### The RBI circular hurts business momentum as well as margins

- AAVAS Financiers (AAVAS)'s 1QFY25 PAT grew 15% YoY to ~INR1.26b (6% miss) and NII grew 8% YoY to ~INR2.45b (in line).
- Other income grew 16% YoY and included an assignment income of ~INR305m (PY: INR330m) and fee income of ~INR261m (PY: ~INR174m).
- Reported 1QFY25 NIM contracted ~70bp YoY to ~7.3% (FY24 NIM of ~7.9% in FY24). 1QFY25 NIM (calc.) contracted ~15bp QoQ to ~6.9%. Reported spreads declined ~5bp QoQ to 5.0%. NIM compression was because of 1) reduced assignments, 2) increase in borrowing costs, and 3) pressure on yields, along with interest income reversal from the RBI circular.
- Opex rose ~3% YoY to INR1.4b (in line). The opex-to-avg. AUM declined to ~3.1% (PY: 3.7% and PQ: 3.4%). Employee expenses dipped QoQ because of reversal of the long-term incentive and ESOP expenses. We estimate the opex-to-avg. assets ratio to decline to ~3.3% by FY26 (v/s ~3.6% in FY24).
- We estimate ~23% CAGR each in AUM and PAT over FY24-26, with an RoA/RoE of 3.4%/16% in FY26. The RBI circular on Fair Practices (charging of Interest), which was published in end-Apr'24, hurt business operations during the quarter, resulting in a sanction-to-disbursement ratio of 77-78%.
- AAVAS trades at 2.8x FY26E P/BV. We believe that the valuations now largely reflect the positives of the company to accelerate disbursements/loan growth and exhibit operating efficiencies, now that the technology transformation is finally reaching its climax. **Reiterate Neutral with a TP of INR1,800 (based on 2.8x FY26E BVPS).**

## AUM rises ~22% YoY; disbursements slightly muted

- AUM grew 22% YoY/ 3% QoQ to ~INR178b. Disbursements rose ~13% YoY to ~INR12.1b. Share of HL in disbursement stood at ~67%. The Annualized run-off in the loan-book stood at ~15.8% (PY: ~16.5% and PQ: ~16.4%).
- The sanction-to-disbursement ratio declined to ~77-78%, which resulted in muted disbursements.
- Securitization during the quarter amounted to ~INR2.3b (PY: ~INR2b), while securitization margin contracted ~60bp QoQ to 13.3%.

## Highlights from the management commentary

- AAVAS is confident of delivering an AUM growth of 20-25% aided by controlled foreclosures (BT-OUTs) and better disbursement momentum.
- Management shared that the PMAY CLSS scheme, in the past, had a positive impact on both AUM growth and asset quality because of the improvement in affordability of housing and home loans.

## Valuation and View

- AAVAS reported RoA/RoE of ~3.0%/~13% in 1QFY25. The company's constant endeavor to improve its technological edge and relentless focus on asset quality have made it a standout player among peers. Notably, its 1+DPD remains within the guided levels, driven by its prudent underwriting process and efficient collection efforts.

■ Given that investments are made in sourcing, distribution, and technology, we expect AAVAS to accelerate its disbursement growth trajectory over the next few quarters. The stock trades at 2.8x FY26E P/BV and any re-rating in valuation multiples will depend on stronger AUM growth and delivery of operating efficiencies to further improve the RoA profile. **Reiterate Neutral with a TP of INR1,800 (based on 2.8x FY26E BVPS).**

## Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	1QFY25E	INR m	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
Interest Income	4,128	4,259	4,373	4,586	4,797	5,018	5,334	5,730	17,347	20,880	4,884		-2
Interest Expenses	1,866	2,036	2,166	2,216	2,352	2,439	2,585	2,839	8,284	10,214	2,360		0
<b>Net Income</b>	<b>2,262</b>	<b>2,223</b>	<b>2,208</b>	<b>2,371</b>	<b>2,446</b>	<b>2,579</b>	<b>2,749</b>	<b>2,892</b>	<b>9,063</b>	<b>10,666</b>	<b>2,525</b>		<b>-3</b>
YoY Growth (%)	26	18	6	7	8	16	25	22	14	18	12		
Other income	540	716	719	882	628	829	923	1,005	2,856	3,386	664		-5
<b>Total Income</b>	<b>2,802</b>	<b>2,938</b>	<b>2,926</b>	<b>3,252</b>	<b>3,074</b>	<b>3,409</b>	<b>3,673</b>	<b>3,896</b>	<b>11,919</b>	<b>14,051</b>	<b>3,189</b>		<b>-4</b>
YoY Growth (%)	28	16	12	14	10	16	26	20	17	18	14		
Operating Expenses	1,339	1,308	1,349	1,434	1,379	1,490	1,603	1,769	5,430	6,241	1,401		-2
YoY Growth (%)	30	14	12	19	3	14	19	23	19	15	5		
<b>Operating Profits</b>	<b>1,464</b>	<b>1,631</b>	<b>1,577</b>	<b>1,818</b>	<b>1,695</b>	<b>1,918</b>	<b>2,070</b>	<b>2,127</b>	<b>6,489</b>	<b>7,811</b>	<b>1,788</b>		<b>-5</b>
YoY Growth (%)	27	17	11	10	16	18	31	17	15.6	20.4	22.2		
Provisions	57	65	80	43	86	94	99	35	245	314	62		37
<b>Profit before Tax</b>	<b>1,407</b>	<b>1,565</b>	<b>1,497</b>	<b>1,775</b>	<b>1,609</b>	<b>1,824</b>	<b>1,971</b>	<b>2,093</b>	<b>6,244</b>	<b>7,497</b>	<b>1,726</b>		<b>-7</b>
Tax Provisions	310	348	331	349	348	401	434	422	1,338	1,606	380		-8
<b>Profit after tax</b>	<b>1,097</b>	<b>1,217</b>	<b>1,166</b>	<b>1,426</b>	<b>1,261</b>	<b>1,423</b>	<b>1,537</b>	<b>1,670</b>	<b>4,907</b>	<b>5,891</b>	<b>1,346</b>		<b>-6</b>
YoY Growth (%)	23	14	9	13	15	17	32	17	14.1		22.7		
<b>Key Parameters (%)</b>													
Yield on loans	13.3	13.2	13.1	13.1	13.1				13.6	13.4			
Cost of funds	7.7	7.9	8.0	8.1	8.1				7.5	7.5			
Spread	5.6	5.3	5.1	5.1	5.0				6.1	6.0			
NIM - YTD	8.0	8.0	7.9	7.9	7.3				5.8	5.5			
Credit cost	0.2	0.2	0.20	0.1	0.2				0.2	0.2			
Cost to Income Ratio	47.8	44.5	46.1	44.1	44.8				45.6	44.4			
Tax Rate (%)	22.0	22.2	22.1	19.7	21.7				21.4	21.4			
<b>Balance Sheet</b>													
<b>AUM (INR B)</b>	<b>146.5</b>	<b>153.2</b>	<b>160.8</b>	<b>173.1</b>	<b>178.4</b>				<b>173.1</b>	<b>213.1</b>			
Change YoY (%)	23.2	22.1	22.9	22.2	21.8				22.2	23			
<b>AUM mix (%)</b>													
Home loans	69.8	69.7	69.3	69.3	69.0				69.3	68.1			
Mortgage loans	30.2	30.3	30.7	30.7	14.0				30.7	31.9			
<b>Loans (INR B)</b>	<b>119.1</b>	<b>124.0</b>	<b>129.9</b>	<b>140.0</b>	<b>144.4</b>				<b>140.0</b>	<b>170.4</b>			
% of AUM	81.3	81.0	80.8	80.9	81.0				22.0	21.7			
<b>Disbursements (INR)</b>	<b>10.7</b>	<b>12.6</b>	<b>13.6</b>	<b>18.9</b>	<b>12.1</b>				<b>55.8</b>	<b>69.2</b>			
Change YoY (%)	-2.3	9.7	13.3	19.7	13.4				11.1	24			
<b>Borrowings (INR B)</b>	<b>106.8</b>	<b>111.4</b>	<b>114.7</b>	<b>124.0</b>	<b>126.0</b>				<b>123.4</b>	<b>150.8</b>			
Change YoY (%)		30.0	25.2	25.4					25.4	22			
Borrowings/Loans (%)	89.6	89.9	88.3	88.5	87.2				88.1	88.5			
Debt/Equity (x)	3.2	3.2	3.2	3.3	3.2				3.3	3.5			
<b>Asset Quality (%)</b>													
<b>GS 3 (INR M)</b>	<b>1,193.4</b>	<b>1,295</b>	<b>1,425</b>	<b>1,319</b>	<b>1,466.1</b>				<b>1,193</b>	<b>1,295</b>			
G3 %	1.0	1.04	1.09	0.94	1.0				1.00	1.04			
<b>NS 3 (INR M)</b>	<b>871.8</b>	<b>939</b>	<b>1,033</b>	<b>939</b>	<b>1,043.4</b>				<b>872</b>	<b>939</b>			
NS3 %	0.73	0.76	0.79	0.67	0.72				0.73	0.76			
<b>PCR (%)</b>	<b>26.9</b>	<b>27.5</b>	<b>27.5</b>	<b>28.8</b>	<b>28.8</b>				<b>26.9</b>	<b>27.5</b>			
ECL (%)	0.6	0.64	0.65	0.60	0.6				0.64	0.64			
<b>Return Ratios - YTD</b>													
ROA (Rep)	3.2	3.3	3.2	3.3	3.0				3.3	3.2			
ROE (Rep)	13.2	13.6	13.5	13.9	13.1				13.9	14.5			



### Seasonal deterioration in asset quality

- Asset quality deteriorated with GS3/NS3 rising ~5bp each QoQ to 1%/0.72%. 1+dpd increased ~50bp QoQ to 3.7%
- Credit costs stood at INR86m and translated into annualized credit cost of ~20bp (PQ: ~10bp, PY: ~20bp)
- 1+dpd and GNPA in its core markets remained well below 4% and in its other states it remained below 3.5%. Total ECL provisioning stood at INR908m (ECL/EAD: 0.62%) as of Jun'24. Aavas is strongly positioned to continue delivering industry-leading asset quality. We model credit costs of ~20bp in FY25-26.

### Spreads remain under pressure

- 1QFY25 NIM (calc.) declined ~15bp QoQ to ~6.9%. Reported spreads declined ~5bp QoQ to 5.0%.
- Management guided that it will endeavour to maintain spreads at ~5% despite competitive pricing pressures and challenges in transmitting higher borrowing costs. We model NIM to decline to ~5.5% in FY25 (v/s ~5.8% in FY24).

## Highlights from the management commentary

### Business update

- PAT in 1QFY25 grew 15% YoY to INR1.26b
- Aligned with the target of growing its AUM by 20-25%
- There are consistent efforts to optimize costs with opex-to-average assets declining to ~3.3% in 1QFY25 (PY: ~3.8%)
- 1+dpd: 3.65% (down 3bp YoY). Credit costs at ~20bp
- Opex to assets improved ~50bp YoY in 1QFY25. Committed to bring down opex to assets to 3% in the medium-to-long term.
- 1QFY25 RoA stood at ~3% and RoE stood at ~13.14%
- CRAR stood at 44.5%

### Disbursements

- 1QFY25 disbursements grew ~13% YoY to ~INR12.1b
- Sanction growth of ~25% in 1QFY25. The sanction-to-disbursement ratio declined to ~77-78%, which resulted in muted disbursements.
- Disbursal yields improved ~17-18bp YoY; less than INR1.5m ticket size loans will be higher in the incremental disbursements – it has been trying to increase the disbursement yields (which increased 17bp YoY in 1QFY25)
- It is confident of delivering an AUM growth of 20-25% aided by controlled foreclosures (BT-OUTs) and better disbursements

### Impact of the Union Budget-related announcements on Housing

- CLSS, in the past, had a positive impact on both AUM growth and asset quality because of the improvement in affordability of housing and home loans

### Spreads and NIM

- Spreads stood at ~5%. Guided that it will be able to maintain its spreads around 5% despite competitive pricing pressures

- Endeavor is to maintain spreads at ~5% - Transmission of increasing CoB has not been possible on the ground
- 17-18bp higher yields in the newer businesses which will help it maintain spreads of >5%
- NIM compression was driven by lower assignments, higher CoB and lower spreads driven by pressure on yields. There was interest income reversal because of the RBI circular which also contributed to NIM compression

### Technology Update

- Adoption and stabilization of Salesforce has been completed. ~INR190K applications processed through Salesforce.
- Oracle Fusion has also now stabilized.
- Oracle Flexcube (LMS) is in advanced stages of implementation and will go live in the next quarter.
- TAT has declined to 8 days in 1QFY25

### Liabilities

- Incremental COB rose ~18bp QoQ and ~30bp YoY. Incremental CoB stood at 8.13% and portfolio CoB increased by ~1bp QoQ to 8.08%
- NHB Contribution in 1Q always remains low; Contribution of NHB will increase in the overall liability mix.
- Incremental bank borrowings are linked to T-Bills, Repo and MCLR. Incremental bank borrowings stood at ~8.4% (PQ: ~8.3%)

### Opex

- Employees stood at 5904 (v/s 5700 in Jun'23) - Employee expenses declined because of long-term incentive and ESOP expenses which were reversed.
- Total expenses of ~INR450-500m towards technology have been capitalized

### Asset Quality

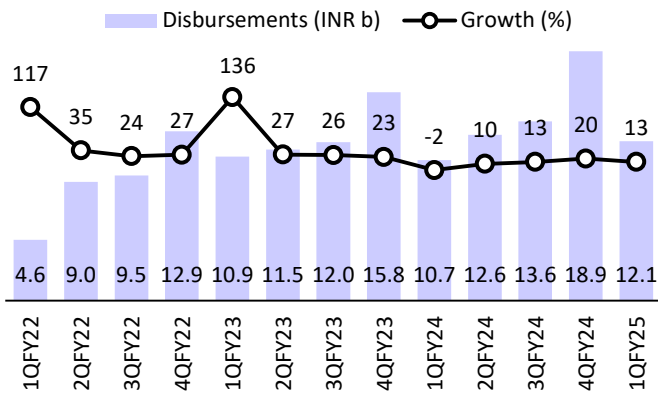
- 1dpd improved by 3bp YoY to 3.65%
- Gross Stage 3 stood at 1.01% and NS3 at 0.72%
- 1+dpd and GNPA in its core markets remained well below 4% and in its other states it remain below 3.5%
- Total ECL provisioning stood at INR908m (ECL/EAD: 0.62%) as of Jun'24
- AAVAS is strongly positioned to continue delivering industry-leading asset quality

### Others

- Overall BT-OUT stood at 5.6% (on an annualized basis) which is within the assumptions of ~6%
- Has entered into co-lending tie-ups with PSU Banks
- Total Live accounts stood at 223.6K
- Home Loan ATS has grown by 6-8% YoY and for MSME/LAP ATS has grown by 10% YoY
- Share of AUM with ticket size above INR2.5m is between 5-6% (basis number of loan accounts)
- Rajasthan contributes ~30-35% of AUM and ~33% of the branches

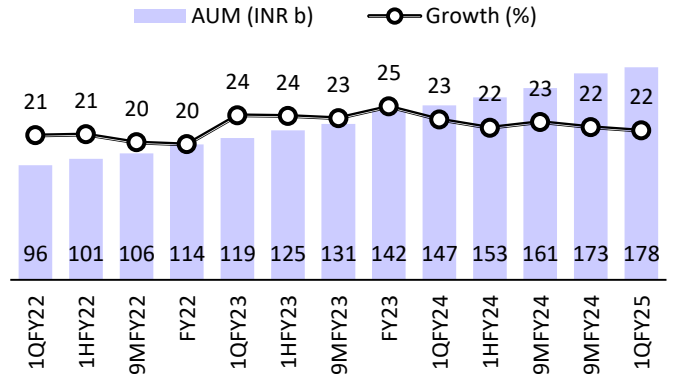
## Key exhibits

Exhibit 1: Disbursements rose ~13% YoY



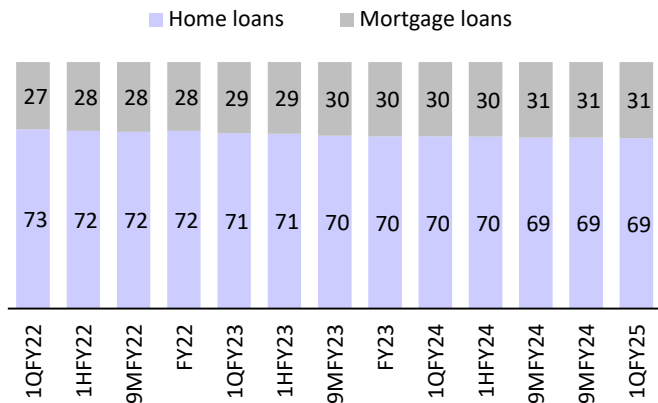
Source: MOFSL, Company

Exhibit 2: AUM grew 22% YoY



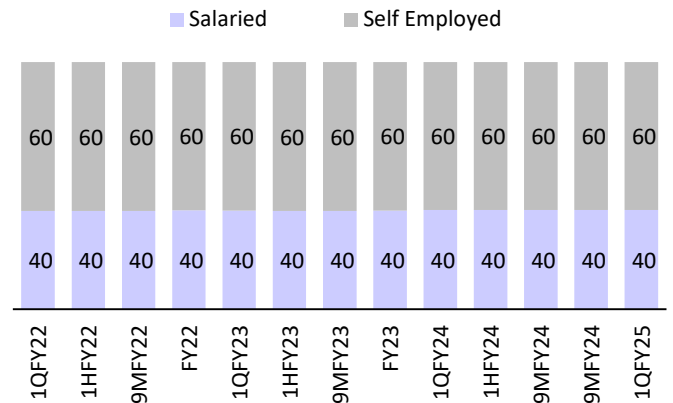
Source: MOFSL, Company

Exhibit 3: Share of home loans stable QoQ (%)



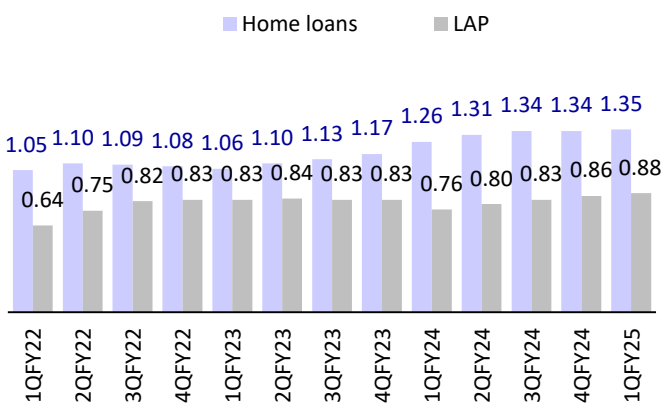
Source: MOFSL, Company

Exhibit 4: Stable customer mix (%)



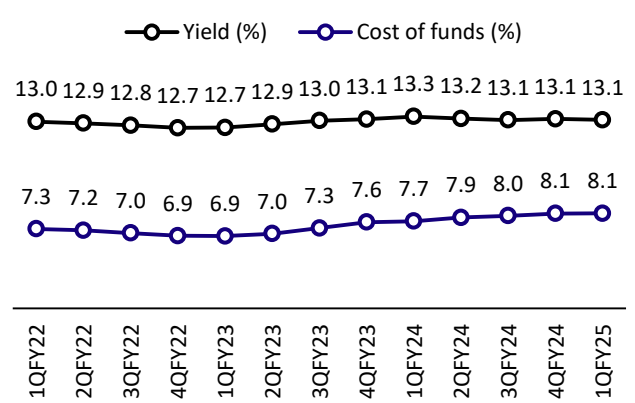
Source: MOFSL, Company

Exhibit 5: ATS in LAP increased QoQ (INR m)



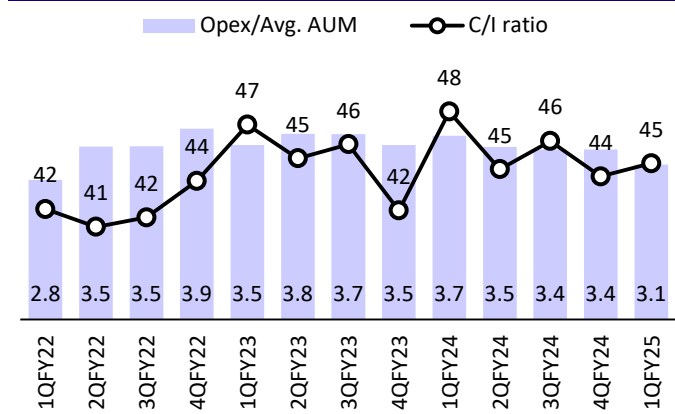
Source: MOFSL, Company

Exhibit 6: Reported spreads declined ~5bp QoQ



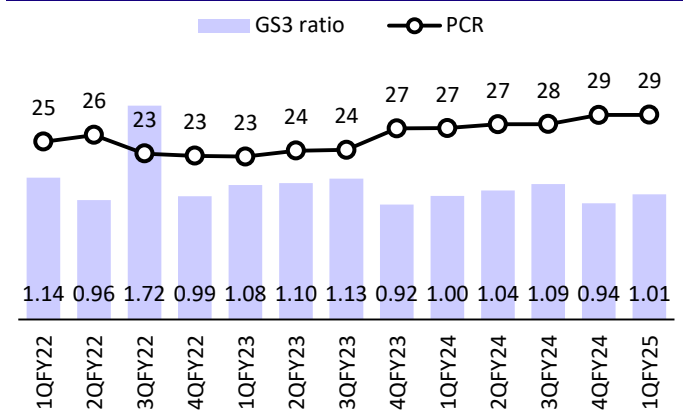
Source: MOFSL, Company

Exhibit 7: Opex/AUM declined to ~3.1% (%)



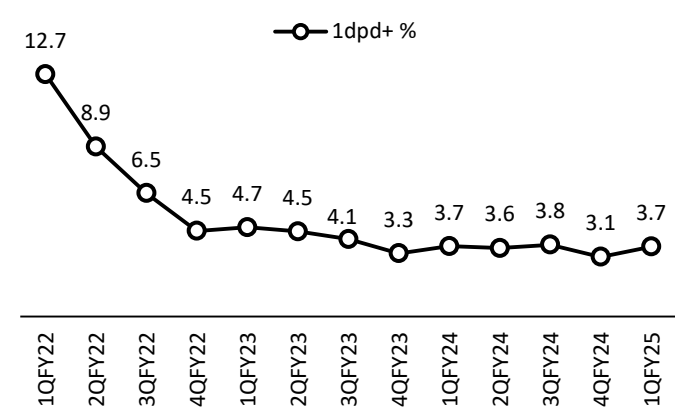
Source: MOFSL, Company

Exhibit 8: GS3 increased ~5bp QoQ (%)



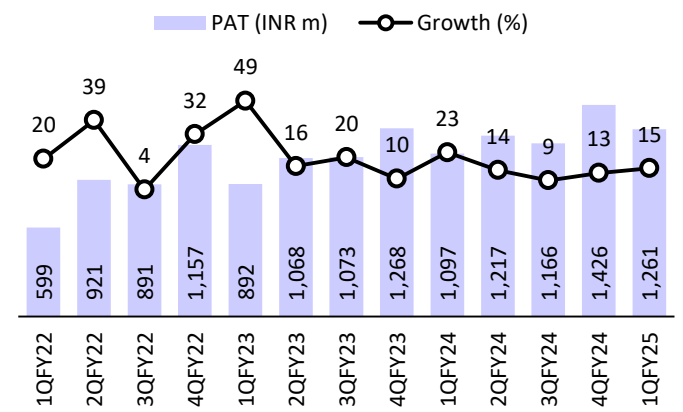
Source: MOFSL, Company, PCR in %

Exhibit 9: 1+dpd stood at 3.7% (%)



Source: MOFSL, Company

Exhibit 10: 1QFY25 PAT grew 15% YoY



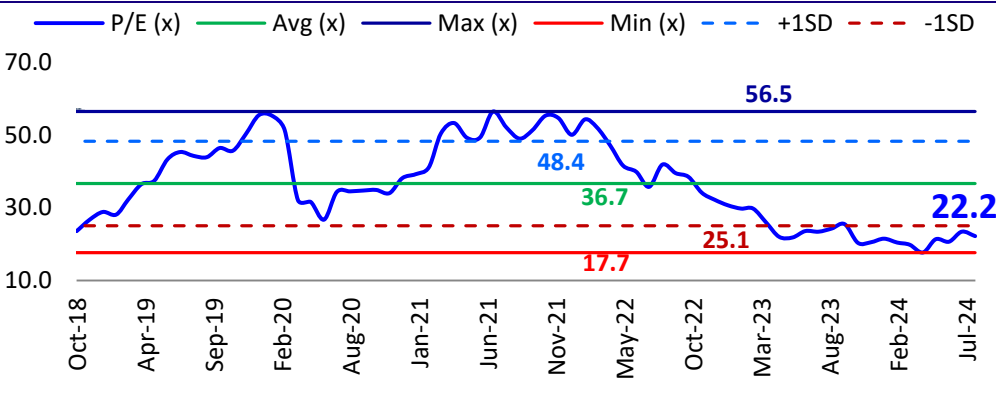
Source: MOFSL, Company

Exhibit 11: We keep our FY25/FY26 EPS estimates broadly unchanged

INR b	Old Est.		New Est.		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
NII	10.7	13.0	10.7	13.1	-0.4	0.2
Other Income	3.4	4.0	3.4	4.0	-0.3	-0.4
<b>Total Income</b>	<b>14.1</b>	<b>17.0</b>	<b>14.1</b>	<b>17.0</b>	<b>-0.4</b>	<b>0.1</b>
Operating Expenses	6.3	7.3	6.2	7.2	-1.1	-1.1
<b>Operating Profits</b>	<b>7.8</b>	<b>9.7</b>	<b>7.8</b>	<b>9.8</b>	<b>0.2</b>	<b>0.9</b>
Provisions	0.3	0.3	0.3	0.3	-0.5	-0.6
<b>PBT</b>	<b>7.5</b>	<b>9.4</b>	<b>7.5</b>	<b>9.5</b>	<b>0.2</b>	<b>0.9</b>
Tax	1.6	2.0	1.6	2.0	0.2	0.9
<b>PAT</b>	<b>5.9</b>	<b>7.4</b>	<b>5.9</b>	<b>7.4</b>	<b>0.2</b>	<b>0.9</b>
AUM	214	261	213	260	-0.2	-0.4
Borrowings	151	188	151	187	-0.2	-0.4
NIM (%)	5.5	5.5	5.5	5.5		
ROA (%)	3.2	3.3	3.2	3.4		
RoE (%)	14.5	15.6	14.5	15.7		

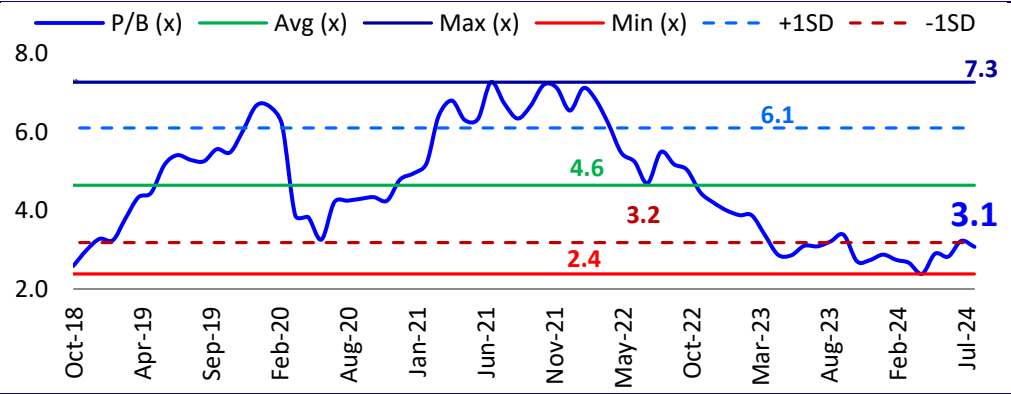
Source: MOFSL, Company

Exhibit 12: One-year forward P/E



Source: MOFSL, Company

Exhibit 13: One-year forward P/B



Source: MOFSL, Company

## Financials and valuations

Income statement								INR m	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	3,926	5,935	7,864	9,764	11,288	13,882	17,347	20,880	25,665
Interest Expended	1,931	2,554	3,561	4,582	4,775	5,910	8,284	10,214	12,594
<b>Net Interest Income</b>	<b>1,995</b>	<b>3,382</b>	<b>4,304</b>	<b>5,182</b>	<b>6,513</b>	<b>7,971</b>	<b>9,063</b>	<b>10,666</b>	<b>13,072</b>
Change (%)	56.0	69.5	27.3	20.4	25.7	22.4	13.7	17.7	22.6
Gain on Securitisation	602	783	766	864	1,240	1,518	1,795	2,083	2,395
Other Operating Income	417	391	401	426	539	701	1,061	1,303	1,560
<b>Total Income</b>	<b>3,014</b>	<b>4,556</b>	<b>5,470</b>	<b>6,471</b>	<b>8,293</b>	<b>10,191</b>	<b>11,919</b>	<b>14,051</b>	<b>17,026</b>
Change (%)	85.3	51.2	20.1	18.3	28.2	22.9	17.0	17.9	21.2
Operating Expenses	1,645	1,890	2,296	2,566	3,506	4,577	5,430	6,241	7,219
<b>Operating Income</b>	<b>1,369</b>	<b>2,666</b>	<b>3,174</b>	<b>3,905</b>	<b>4,787</b>	<b>5,614</b>	<b>6,489</b>	<b>7,811</b>	<b>9,808</b>
Change (%)	43.6	94.7	19.1	23.0	22.6	17.3	15.6	20.4	25.6
Provisions	26	89	153	371	226	124	245	314	328
<b>PBT</b>	<b>1,343</b>	<b>2,577</b>	<b>3,020</b>	<b>3,533</b>	<b>4,561</b>	<b>5,490</b>	<b>6,244</b>	<b>7,497</b>	<b>9,479</b>
Tax	412	818	529	638	981	1,189	1,338	1,606	2,030
Tax Rate (%)	30.7	31.7	17.5	18.1	21.5	21.7	21.4	21.4	21.4
<b>PAT</b>	<b>931</b>	<b>1,759</b>	<b>2,491</b>	<b>2,895</b>	<b>3,580</b>	<b>4,301</b>	<b>4,907</b>	<b>5,891</b>	<b>7,449</b>
Change (%)	60.9	89.0	41.6	16.2	23.7	20.1	14.1	20.1	26.4
Proposed Dividend	0	0	0	0	0	0	0	0	0

### Balance sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Capital	692	781	783	785	789	791	791	791	791
Reserves & Surplus	11,207	17,589	20,196	23,229	27,297	31,906	36,942	42,833	50,282
<b>Net Worth</b>	<b>11,899</b>	<b>18,370</b>	<b>20,979</b>	<b>24,014</b>	<b>28,086</b>	<b>32,697</b>	<b>37,733</b>	<b>43,624</b>	<b>51,073</b>
<b>Borrowings</b>	<b>27,376</b>	<b>36,533</b>	<b>53,520</b>	<b>63,454</b>	<b>79,725</b>	<b>98,407</b>	<b>1,23,365</b>	<b>1,50,842</b>	<b>1,87,249</b>
Change (%)	52.6	33.4	46.5	18.6	25.6	23.4	25.4	22.3	24.1
Other liabilities	1,126	1,366	2,081	2,132	2,392	3,002	4,096	4,711	5,653
<b>Total Liabilities</b>	<b>40,401</b>	<b>56,268</b>	<b>76,580</b>	<b>89,600</b>	<b>1,10,204</b>	<b>1,34,105</b>	<b>1,65,195</b>	<b>1,99,177</b>	<b>2,43,975</b>
<b>Loans</b>	<b>33,334</b>	<b>47,245</b>	<b>61,808</b>	<b>75,233</b>	<b>90,534</b>	<b>1,14,763</b>	<b>1,40,044</b>	<b>1,70,442</b>	<b>2,08,055</b>
Change (%)	54.1	41.7	30.8	21.7	20.3	26.8	22.0	21.7	22.1
<b>Investments</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>675</b>	<b>1,231</b>	<b>1,822</b>	<b>2,696</b>	<b>3,990</b>
Change (%)	NM	0.0	0.0	0.0	1,400.4	82.3	48.0	48.0	48.0
Other assets	7,022	8,978	14,727	14,323	18,994	18,112	23,329	26,038	31,931
<b>Total Assets</b>	<b>40,401</b>	<b>56,268</b>	<b>76,580</b>	<b>89,600</b>	<b>1,10,204</b>	<b>1,34,105</b>	<b>1,65,195</b>	<b>1,99,177</b>	<b>2,43,975</b>

E: MOFSL Estimates



## Financials and valuations

Ratios	(%)								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Spreads Analysis (%)</b>									
Avg Yield on Loan portfolio	14.2	13.9	13.5	14.1	13.8	13.7	13.6	13.4	13.5
Avg. Cost of borrowings	8.5	8.0	7.9	7.8	6.7	6.6	7.5	7.5	7.5
Interest Spread	5.7	5.9	5.6	6.3	7.1	7.1	6.1	6.0	6.1
Net Interest Margin (AUM)	5.9	6.8	6.3	6.0	6.3	6.2	5.8	5.5	5.5
<b>Profitability Ratios (%)</b>									
RoE	10.6	11.6	12.7	12.9	13.7	14.2	13.9	14.5	15.7
RoA	2.9	3.6	3.8	3.5	3.6	3.5	3.3	3.2	3.4
Loans/Equity (x)	2.8	2.6	2.9	3.1	3.2	3.5	3.7	3.9	4.1
Cost/Income	54.6	41.5	42.0	39.7	42.3	44.9	45.6	44.4	42.4
<b>Asset Quality (%)</b>									
Gross NPAs	107	158	210	739	904	1,067	1,319	1,585	2,084
Gross NPAs to Adv.	0.3	0.3	0.3	1.0	1.0	0.9	0.9	0.9	1.0
Net NPAs	83	112	171	538	695	780	939	1,141	1,500
Net NPAs to Adv.	0.2	0.2	0.3	0.7	0.8	0.7	0.7	0.7	0.7
<b>VALUATION</b>									
Book Value (INR)	172	235	268	306	356	414	477	551	645
<b>Price-BV (x)</b>	<b>10.4</b>	<b>7.6</b>	<b>6.7</b>	<b>5.8</b>	<b>5.0</b>	<b>4.3</b>	<b>3.7</b>	<b>3.2</b>	<b>2.8</b>
EPS (INR)	13.5	22.5	31.8	36.9	45.4	54.4	62.0	74.4	94.1
EPS Growth YoY	35	67	41	16	23	20	14	20.1	26.4
<b>Price-Earnings (x)</b>	<b>132.5</b>	<b>79.2</b>	<b>56.1</b>	<b>48.4</b>	<b>39.3</b>	<b>32.8</b>	<b>28.8</b>	<b>24.0</b>	<b>18.9</b>
Dividend per share (INR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Dividend yield (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

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 be 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, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://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://qalaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://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") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com).

Nainesh Rajani

Email: [nainesh.raiani@motilaloswal.com](mailto:nainesh.raiani@motilaloswal.com)

Contact: (+65) 8328 0276

#### 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 at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- 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.
- 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.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

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.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp@grievances@motilaloswal.com.