Going gets better

Strong drivers in place to sustain growth and profitability

We arranged a board room meeting with Indiabulls Housing Finance's (IHFL) Vice Chairman and Managing Director, Mr. Gagan Banga, and business heads. Following are the key highlights of this meeting:

Mortgage to remain in sweet spot, expect industry growth to accelerate

The housing sector in India appears well positioned to sustain its momentum led by the pre-existing drivers, such as favorable demographics (large proportion of young population), huge unmet housing demand and improving affordability (wage inflation steady at 10%-11%, and falling inflation in India). This, coupled with the government's focus on the "Housing for All" initiative, should boost demand for loans and support the housing sector over the next decade or so. Moreover, driven by the conducive policy framework for the sector, management expects housing industry growth to inch up from 18% to 22%, and mid-size and smaller HFCs to continue outpacing industry growth.

AUM growth to remain at 20-25%; home loans to form 65% of book by 2020

Management is bullish on the prospects for retail loans, given a) the government's thrust on affordable housing via various tax incentives, b) greater affordability of homes due to largely stable prices and many new project launches over the past few years, c) low effective rate of interest of ~4% for borrowers (led by tax benefits), and d) increased commercial real estate demand, which has historically proved beneficial for residential real estate. Management is looking to grow its retail home loan book at 25%+ over next 3-4 years, with the rest of the book growing at 20%+. By FY20, retail home loan book is expected to comprise 65% of total loan book, as against 53% currently.

70% of incremental funding coming via bonds; bank funding to decline to 30%

Following its credit rating upgrade to AAA in FY15, IHFL has focused on capital market borrowings and reduced its dependence of bank borrowings. Over the past four quarters, the share of banks borrowings has declined from 55% to 47%. Consequently, the company is focusing more on NCDs and sell-downs. Earlier this month, the company even tapped the overseas market, raising INR13b from 'Masala Bonds' at 8.75%. It also successfully completed an INR70b bond offering last week. Notably, around 70% of incremental funding comes from bonds. Management targets a reduction in bank borrowings to 25% by FY20 (but would not go below 25%). With the borrowing profile migrating to low-cost funds, the yield impact from a higher share of retail loans should be mitigated. Thus, spreads are expected to remain stable at ~3.2%.

External grading of LAP portfolio validates asset quality and act as a differentiator

Over the past few years, the market has remained concerned about the health of the LAP portfolio, as the entry of many new players led to overheating in the segment, thereby compromising the underwriting standards. The key concerns are: a) share of residential collateral is decreasing; b) share of intermediaries is increasing, thereby reducing control on credit and pushing up balance transfers; and c) LTVs are inching higher.

Indiabulls Housing Finance

Mr Gagan Banga
Vice Chairman and Managing Director

Mr. Gagan Banga has been the Vice Chairman and Managing Director of Indiabulls Housing Finance Ltd (IHFL) since July 2014. He joined Indiabulls as the Marketing Head in 2000 and was the Chief Executive Officer of Indiabulls Financial Services Ltd in December 2004. He has been a key driver of the success of Indiabulls, transforming a start-up into India's third largest housing finance company. As a management graduate, Mr. Banga's first job was in NIIT in New Delhi where he spent two years, and was rapidly promoted to the position of Head of Regional Sales.

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In an attempt to mitigate risks and validate its LAP portfolio's health, IHFL has rolled out a first-of-its-kind initiative in India by entering into an agreement with Crisil Ratings to grade its incremental LAP loans from FY16. CRISIL grades LAP loans to small business owners based on four key factors: 1) financial strength, 2) business management, 3) collateral quality and 4) underwriting process adherence. Given rising concerns about rising LAP loans to SMEs, verification of the portfolio performance from external agencies has validated the portfolio quality (with 99% of incremental loans originated are in top three grades) . Moreover, it also act as a differentiator as IHFL is the only lender in India conducting such an exercise.

C/I ratio likely to improve; asset quality to remain stable

IHFL successfully launched its end-to-end online mortgage product, which is attracting good interest from customers. While this product currently forms a very small part of the portfolio, it would play a significant role in cost reduction over the medium term. In addition, it could offer some benefits from operating leverage given strong AUM growth of 20-25%. As a result, management expects annual reduction of 60-70bp in cost-to-income (C/I) ratio to 12% by FY20. Correspondingly, cost-to-AUM ratio is expected to decline from 90bp currently to 60bp by FY20. At the same time, asset quality is expected to remain in the guided range, with GNPA at 70-90bp and NNPA at 30-50bp.

Launched end-to-end online mortgage offering; expect 30-40% of business via this channel in next three years

IHFL launched India's first e-Home loans, which should help it reap benefits like: a) increased brand presence and relevance, b) C/I ratio reduction – reduced manpower, lean-branch loan fulfillment, c) unbound, branchless reach into tier II & III towns, and d) transformation to a technology-centric organizational culture.

Valuation and view

IHFL's transformation from a diversified lender to a focused mortgage player has yielded returns, with RoE/RoA improving from 3%/0.8% in FY09 to +26%/3.5% in FY16. Moreover, its focus on mortgage and market share gains should drive AUM growth of 26% over next two years. We also note that IHFL is among the lowest-levered HFCs (4.6x) to support growth. Asset quality trend is likely to remain stable, while its improved borrowing profile, better credit rating and liquidity buffer should help maintain healthy spreads. It de-risked business model, superior profitability and +5% dividend yield warrant premium, in our view. The stock is trading at PBV of 2.5x FY18E. Maintain **Buy** with a target price of INR944 (3x FY18E PB).

Mortgage to remain in sweet spot, expect industry growth to accelerate

The housing sector in India appears well positioned to sustain its growth momentum led by pre-existing drivers such as favorable demographics (large proportion of young population), huge unmet housing demand and improving affordability (wage inflation steady at 10%-11%, and falling inflation in India). This, coupled with the government's focus on the “Housing for All” initiative, should boost demand for loans and support the housing sector over the next decade or so.

Exhibit 1: Structural drivers in place

Favorable Demographics	66% of India's population is below 35 years of age. Urban housing requirement estimated to g 45 million units by 2022
Accelerating Urbanization	Urbanisation to rise to 40% of population by 2030 from the present 31%
Improving Affordability	Rising disposable income, affordable housing loan interest rates and tepid property price in resulting in rapidly increasing affordability
Government Policy Thrust	Housing for all by 2022; Smart cities plan; Atal Mission for Rejuvenation and Urban Transformati
Funding Drivers	RBI focus on long-term liquidity; Distribution tax on securitization abolished; Insurance comp provident & pension funds to invest 15% of corpus in affordable housing and infra

Source: MOSL, Company

There has been good traction in residential home sales in the top 6 cities in CY16. Besides, inventory levels with developers have come down in recent months. The affordable segment (70% of the units sold) continued to account for the largest share in total residential sales.

Office space vacancy is at five-year low; vacancy in metros has slipped below 10% as corporates' growth plans have been fuelling real demand. With 40m sq.ft. of commercial space sold last year, we see residential demand for 400m sq.ft. (rule of thumb: 100 sq.ft. of office space requires almost 1,000 sq.ft. of residential space).

Exhibit 2: Boost to housing sector

Regulator	Real Estate (Regulatory & Development) Act, 2016 will lead to a structured, transparent and disciplined sector
Tax Incentives	Increased tax incentive reduces effective housing loan yields to 4.0% for a 9.4% housing loan for first-time home buyers buying affordable houses
Budget 2016-17	100% tax exemption on profits from building affordable housing will attract organized developers and increase supply
Fiscal Incentives	Service tax exemption on construction of affordable housing will lead to reduction in prices, increasing affordability
7th Pay Commission	Annual payout to 10 Mn government employees to go up by ₹ 1 Tn per annum. Increased disposable income will have positive impact on the housing sector

Source: MOSL, Company

IT/ITeS segments account for over 50% of total leasing activities. Leasing activity is the highest in suburban and peripheral localities, where affordable housing availability is good. Moreover, with the policy framework now appearing favorable for the sector, management expects housing industry growth to inch up from 18% to 22%, and mid-size and smaller HFCs to continue outpacing industry growth.

AUM to grow 25%+; home loans to form 65% by FY20

Strong drivers in place for retail home loans

Management is bullish on the prospects for retail loans, given a) the government's thrust on affordable housing via various tax incentives, b) greater affordability of homes due to largely stable prices over the past few years and many new project launches, c) low effective rate of interest of ~4.5% for borrowers (led by tax benefits), and d) increased commercial real estate demand, which has historically proved beneficial for residential real estate. Management looks to grow retail home loan book at 25%+ over next 3-4 years, with the rest of the book growing at 20%+. By FY20, retail home loan book is expected to comprise 65% of total loan book, as against 53% currently.

- In the Union Budget for FY17, the Indian government announced additional interest deduction of INR50,000 per annum (over and above the prevailing INR0.2m) for first-time home buyers for loans up to INR3.5m. We believe this would significantly reduce the effective interest rate for borrowers.

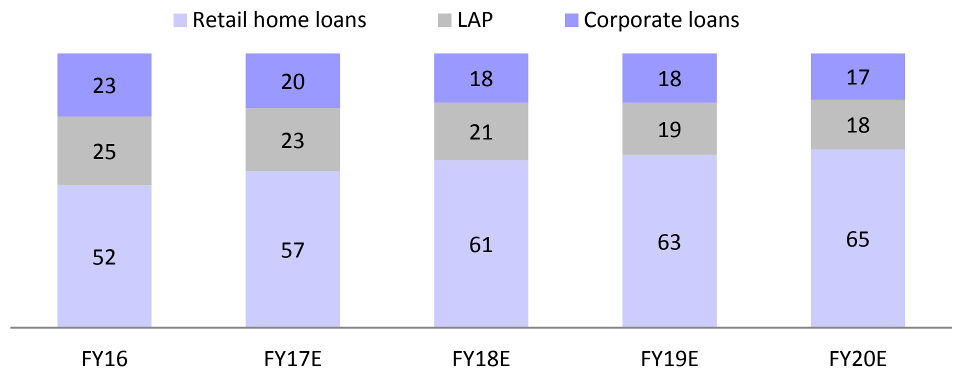
Exhibit 3: Effective interest rate has declined

INR	Earlier	Now
Loan Amount	2,500,000	2,500,000
Interest rate	10%	10%
Interest amount	250,000	250,000
Tax deduction	200,000	250,000
Tax Saving	40,000	50,000
Net Interest paid	210,000	200,000
Effective interest rate	8.4%	8.0%

Source: MOSL, Company; Note: Assuming 20% tax slab for borrower

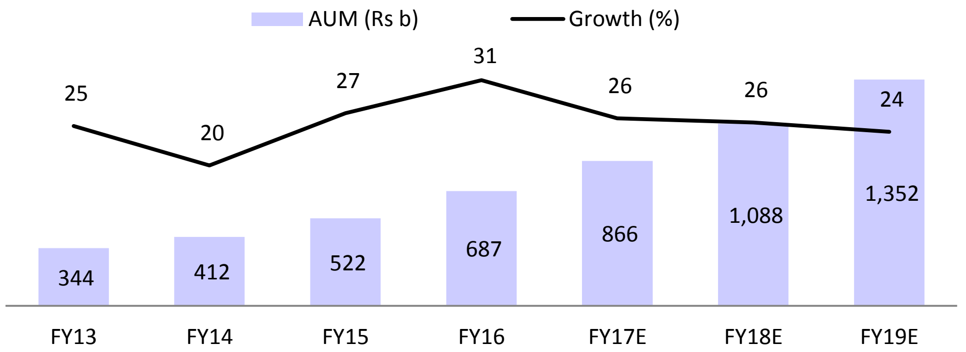
- Additionally, the government introduced tax sops for builders of affordable housing, which is likely to result in increased project launches in this segment.
- The company primarily funds home buyers in projects located in the outskirts of the top 10 metropolitan cities. Average ticket size is around INR2.5m. Hence, it is well positioned to capitalize on the strong growth opportunities.
- Management expects retail loans to grow at 25%+ and comprise 65% of total loan book by FY20, with LAP and builder loans comprising ~18% each.

Exhibit 4: Trend in share of loan book



Source: MOSL, Company

Exhibit 5: Robust loan growth to continue over medium term



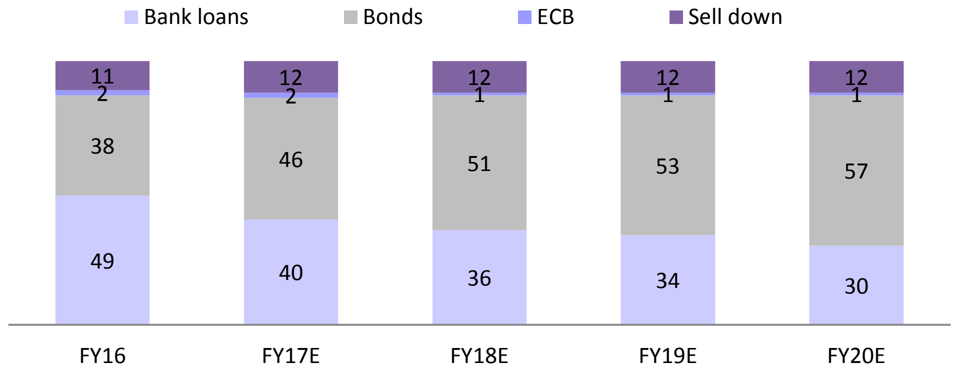
Source: MOSL, Company

Reducing dependence on bank borrowings

Share of bank borrowings to decline to ~30% by FY20; Increased market borrowings to drive down cost of funds

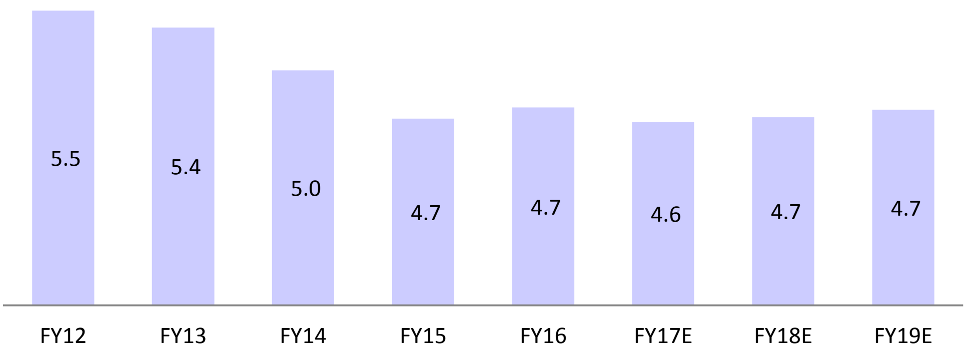
- Following its rating upgrade to AAA in FY15, IHFL has focused on raising money from capital markets. In addition, with the RBI infusing liquidity in the system and consequently bond yields coming down, the share of NCDs has increased from 31% to 40% over the past two quarters.
- Management expects this strong trend to continue. The company even tapped the overseas market, raising INR13b via 'Masala Bonds' earlier this month.
- The company has raised ~INR200b so far in 1HFY17 (i.e. ~30% of outstanding borrowings as of FY16). This should provide it significant benefits in terms of cost of funds with the repayment of existing bank debt as well as NCDs.
- IHFL will also continue with sell-downs as a means to raise capital. PSL loans account for 80% of retail home loans, and sell-downs on PSL loans generates ~30% RoE for the company.
- Incremental cost of funds for the company is ~8.5%, compared to average cost of funds of 9.1% in FY16.

Exhibit 6: Trend in liability profile



Source: MOSL, Company

Exhibit 7: NIM on AUM likely to remain stable



Source: MOSL, Company

External grading of LAP portfolio could act as a differentiator

Over the past few years, the market has remained concerned about the health of the LAP portfolio, as the entry of many new players led to overheating in the segment, thereby compromising the underwriting standards. The key concerns are: a) share of residential collateral is decreasing; b) share of intermediaries is increasing, thereby reducing control on credit and pushing up balance transfers; and c) LTVs are inching higher.

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Exhibit 8: LAP grading parameters followed by CRISIL

Financial Strength	Business Management
• Interest and debt service cover • Revenues, margin and profitability • Networth and leverage • Growth track of key financial parameters	• Business sector and sectoral prospects • Business duration and track record • Debt service track record • Experience and qualification of promoters and proprietors • Management strength and experience
Collateral Quality	**Underwriting Process Adherence**
• Property type and location • Valuation of property • Ownership and title chain of property • Adherence to local zoning and planning permissions	• Independent verification and valuation • Third party database checks – CERSAI – Registrar of companies – Credit bureau checks – CIBIL mortgage checks – RBI wilful defaulter list – Experian Hunter fraud check

Source: MOSL, Company

CRISIL grades loans based on factors such as: past payment track record; nature of business and financial parameters; nature of property; and loan attributes like ticket size, sourcing channel, lending scheme and loan tenure. On the other hand, ICRA grades loans based on factors like financial strength; business and management; collateral strength quality and enforceability; and attributes of the loan itself.

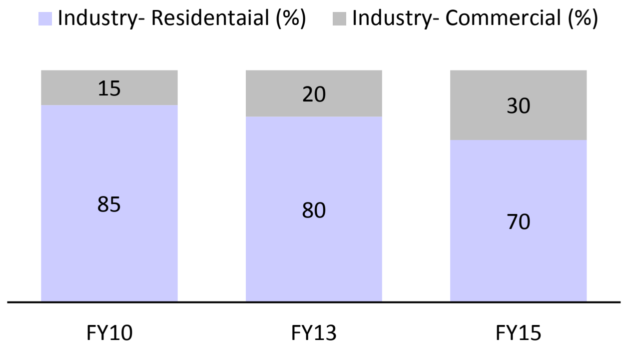
IHFL LAP loans are underwritten strictly on a cash flow-based appraisal model. A major part the loans is sourced via direct selling agents, which is raising concerns about the quality of the LAP portfolio. We note that IHFL sources 60% of its LAP loans via direct sales team and 40% via referrals. On the other hand, industry average of sourcing via third party is 70%.

Exhibit 9: 4th CRISIL report on LAP grading: 99% of incremental loans are within top three grades

Grading		Segment Characteristics				
Grading Scale	Quality of LAP Loans	Disbursals 12M FY16	Interest service coverage ratio	Total Outstanding Liabilities / Total Net worth	Loan to Value (LTV)	EBITDA Margins
LAP1	Highest	6.48%	8.9 – 11.6	1.3 – 1.7	42%	13% – 16%
LAP2	High	79.47%	9.2 – 12.0	2.0 – 2.3	38%	11% – 14%
LAP3	Average	13.00%	11.6 – 14.0	2.9 – 3.5	34%	9% – 12%
LAP4	Below Average	0.38%	11.5 – 13.2	1.0 – 1.3	29%	14% - 16%
LAP5	Poor	0.67%	12.2 – 16.5	1.6 – 1.8	35%	13% - 15%

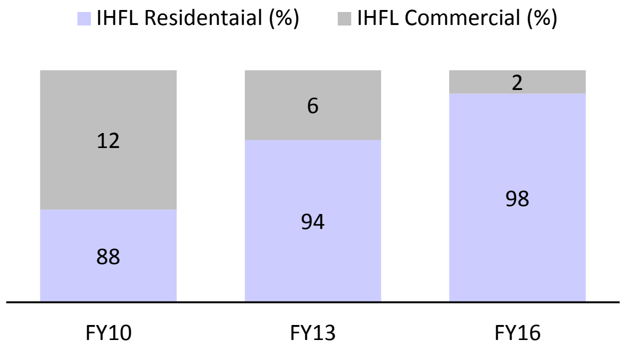
Source: MOSL, Company

Exhibit 10: Industry has seen increase in commercial…



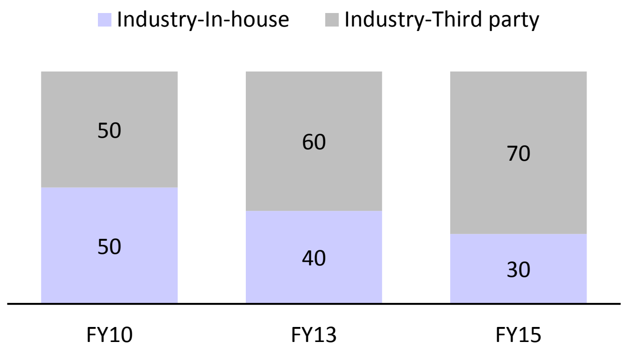
Source: MOSL, Company

Exhibit 11: .. for IHFL, 98% of LAP are residential properties



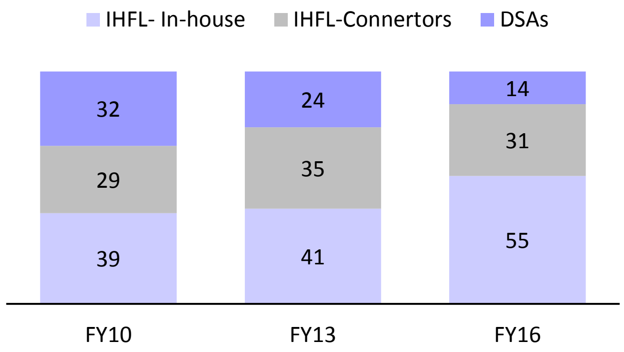
Source: MOSL, Company

Exhibit 12: Industry LAP sourcing from 3rd party stands at 70%



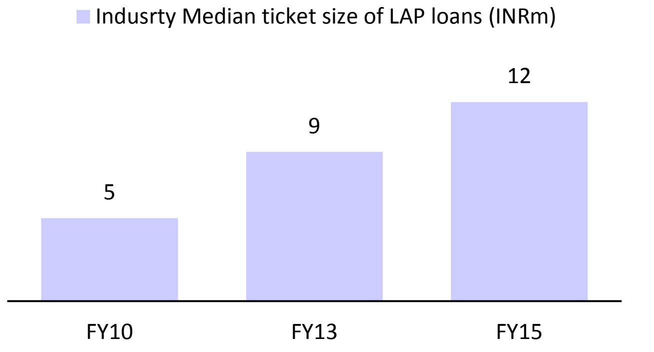
Source: MOSL, Company

Exhibit 13: Loan sourcing channels



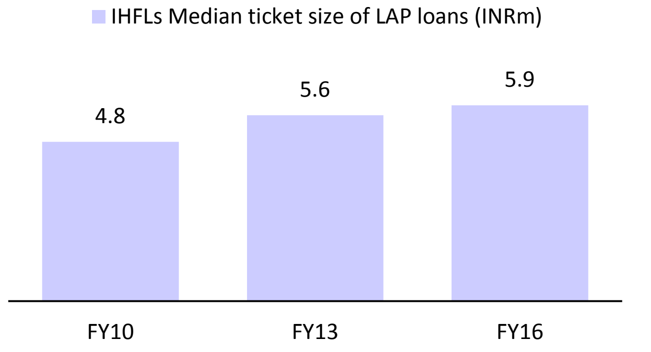
Source: MOSL, Company

Exhibit 14: Industry median ticket size is INR12m…



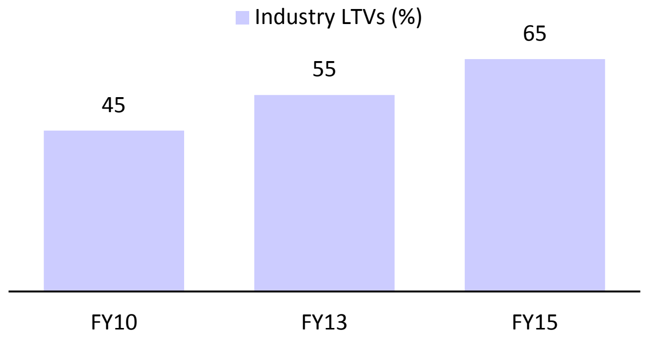
Source: MOSL, Company

Exhibit 15: ..while for IHFL, ticket size is less than 6m



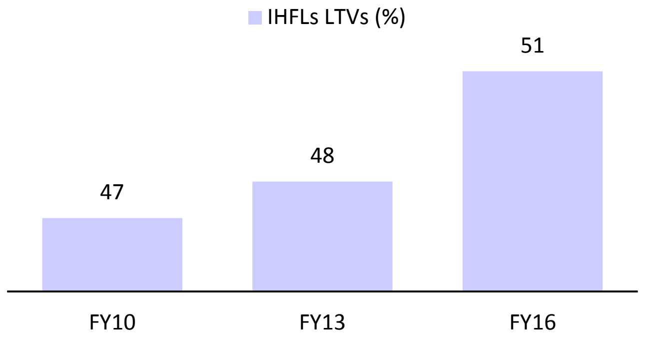
Source: MOSL, Company

Exhibit 16: Industry-wide LTV at 65%...



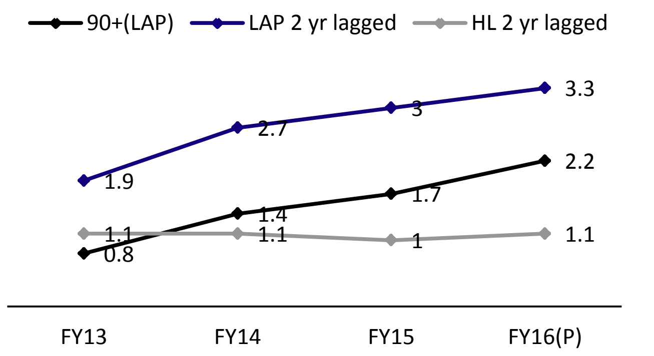
Source: MOSL, Company

Exhibit 17: …whereas IHFL's LTV is at 51%



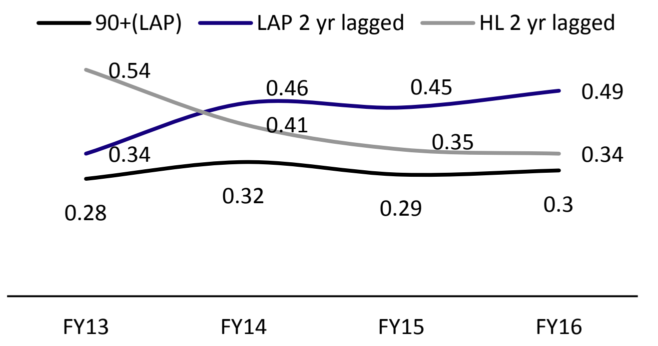
Source: MOSL, Company

Exhibit 18: At industry level, 2-yr delinquencies at +3%



Source: MOSL, Company

Exhibit 19: IHFL's 2-yr delinquencies are at 49bp



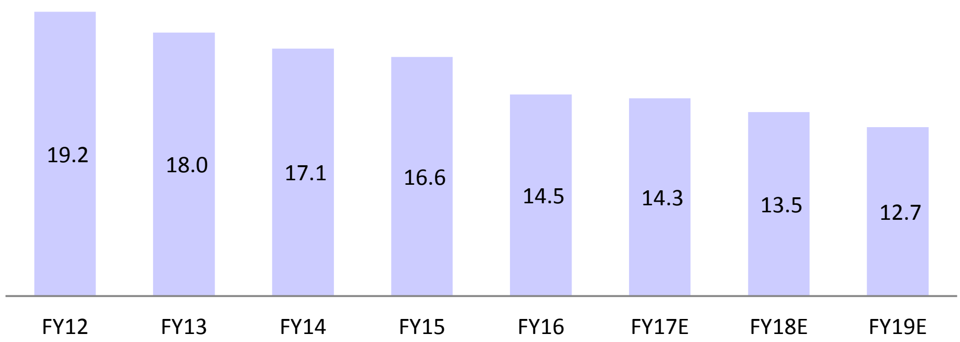
Source: MOSL, Company

Focus on cost reduction; Asset quality to remain stable

Cost-to-income ratio to improve to 12% by FY19 from 14.5% in FY16

- Management expects strong benefits from operating leverage over the medium term, and targets to lower cost-to-income ratio by 60-70bp annually. The ratio should reach 12% by FY20.
- Increased disbursements of e-home loans and a higher share of LAP generated in-house should also contribute to cost reduction over the medium term.

Exhibit 20: C/I ratio is expected to decline by 60-70bp every year



Source: MOSL, Company

- Asset quality should remain stable, with GNPA at 70-90bp. Strong underwriting discipline and a higher share of retail home loans will keep asset quality in check.
- The company has tenured underwriters, with average work experience of 6-7 years for LAP and 4-5 years for home loans. Credit responsibilities lie solely with the underwriting team. For example, the team receives 5,000 LAP applications per month from the sales team. However, it sanctions only 1,500 loans and disburses only 1,000.
- Credit manager takes inputs from in-house and external technical/legal experts.
- Property repossessions are rare, with the company having repossessed only 40 properties ever to date.
- In addition, 85% of its customers have life insurance, which would help repay loan in case of any tragedies.
- Management expects credit costs to trend at run-rate of 45bp going forward (compared to 60bp in FY16).

Launched end-to-end online mortgage offering; expects 30-40% of business via this channel in next three years

IHFL launched India’s first e-Home loans, which should help it reap benefits like: a) increased brand presence and relevance, b) C/I ratio reduction – reduced manpower, lean-branch loan fulfillment, c) unbound, branchless reach to tier II & III towns, and d) transformation to a technology-centric organizational culture.

These industry-first, technology-enabled e-Home loans can now be availed via mobiles/computers, thereby facilitating paperless transactions and reducing the need for additional branches.

In the traditional home loan fulfillment scenario, the application process would normally take 1-2 days (sales staff scheduling meetings for form filling, document collection, etc.). However, with this product, application form filling and document upload are now a 10–15 minute process. Also, the travel time for sales executives will be significantly reduced.

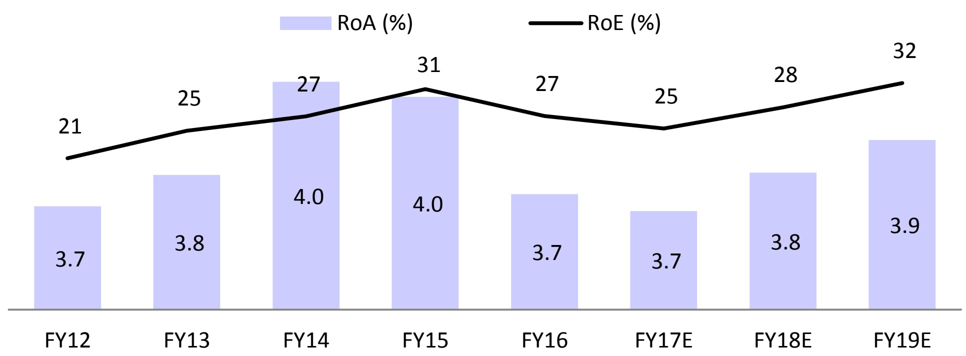
IHFL has tied up with UIDAI Aadhar for e-Signature and eKYC, thus eliminating several formalities (repeated signatures, documents). Verified information, photograph, etc. are taken automatically from the UIDAI database. Thus, manual error-prone data entry is eliminated, which allows the credit team to focus on underwriting.

Operational expense will reduce, thus helping improve cost-to-income ratio. Manpower requirement is reduced and so is the need for a full-fledged all-frills brick-and-mortar branch. Moreover, the reach will expand to tier 2/3/ 4 towns as well as NRI community. Productivity of existing employees is also expected to increase.

Valuation and view

- IHFL's transformation from a diversified lender to a focused mortgage player has yielded returns, with RoE/RoA improving from 3%/0.8% in FY09 to +26%/3.5% in FY16.
- IHFL has devised a unique strategy – 77% of the book forms mortgage/LAP (which keeps asset quality under check) and 23% commercial credit (supports blended spreads of +300bp), which ensures sound asset quality with superior returns.
- Disbursement growth has picked up, and we believe the focus on mortgage and market share gains will drive AUM growth of ~26% over next two years. One of the lowest levered HFCs (4.6x), IHFL would need no further dilution over the medium term.
- Strong AUM growth, stable margins and improvement in cost structure should drive steady improvement in return ratios. We expect RoA/RoE of 3.9%/32% by FY19, compared to 3.7%/27% in FY17.
- Consistent outperformance on key parameters relative to the sector: Average three-year RoE at 27% is the best among the peer group. The company offers superior return ratios with +5% dividend yield. The stock is trading at PBV of 2.5x FY18. Maintain **Buy** with a target price of INR944 (3x FY18 PB).

Exhibit 21: Return ratios to improve



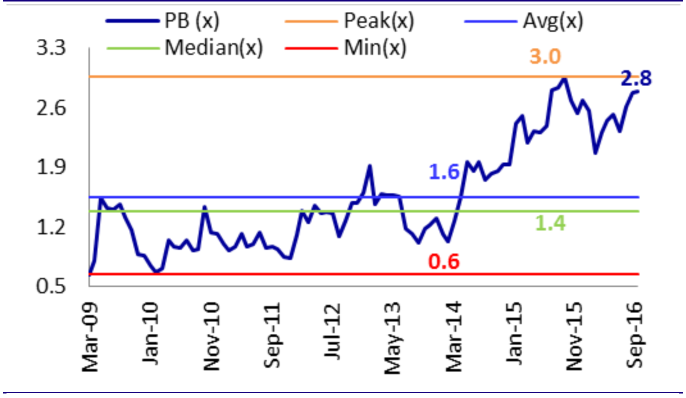
Source: MOSL, Company

Exhibit 22: DuPont Analysis

% of AUM	FY15	FY16	FY17E	FY18E	FY19E
Interest Income	12.9	12.4	12.6	12.9	13.0
Interest Expenses	8.3	7.9	8.0	8.0	8.1
Net Interest Income	**4.6**	**4.6**	**4.6**	**4.9**	**5.0**
Non-Interest Income	2.4	2.2	2.0	1.9	1.7
Operating Income	**7.0**	**6.8**	**6.6**	**6.8**	**6.6**
Operating expenses	1.2	1.0	0.9	0.9	0.8
Cost to Income (%)	16.6	14.5	14.3	13.5	12.7
Operating Profits	**5.8**	**5.8**	**5.7**	**5.8**	**5.8**
Provisions	0.6	0.8	0.8	0.8	0.6
Profit Before Tax	**5.2**	**5.0**	**4.9**	**5.1**	**5.2**
Taxes	1.2	1.2	1.2	1.3	1.3
Tax Rate (%)	23.1	24.8	25.0	25.0	25.0
Profit After Tax	**4.0**	**3.7**	**3.7**	**3.8**	**3.9**

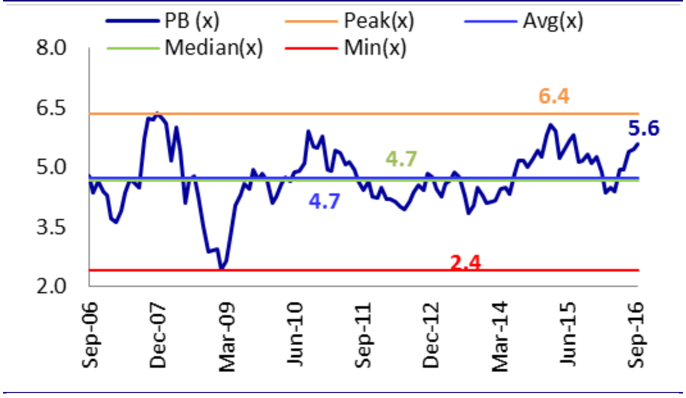
Source: MOSL, Company

Exhibit 23: IHFL P/B



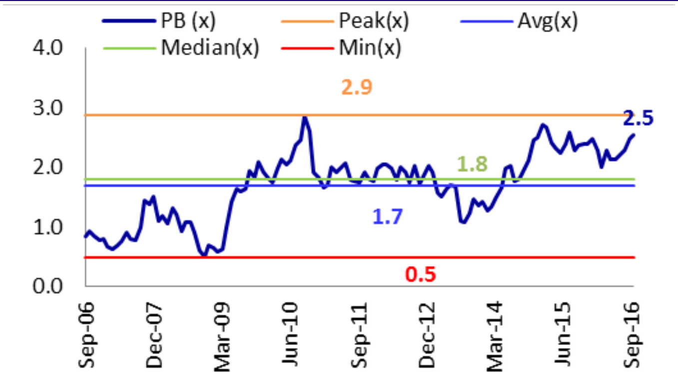
Source: MOSL, Company

Exhibit 24: HDFC P/B



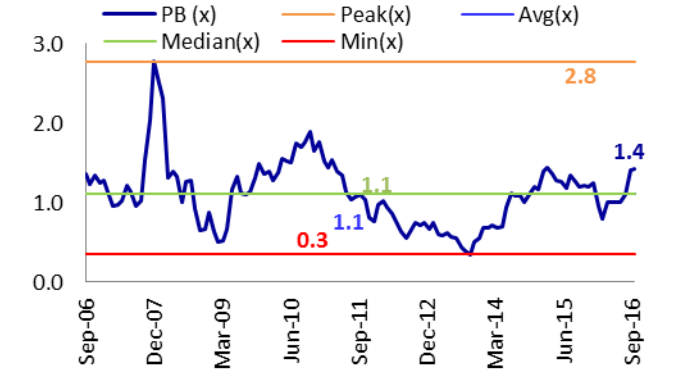
Source: MOSL, Company

Exhibit 25: LICHF P/B



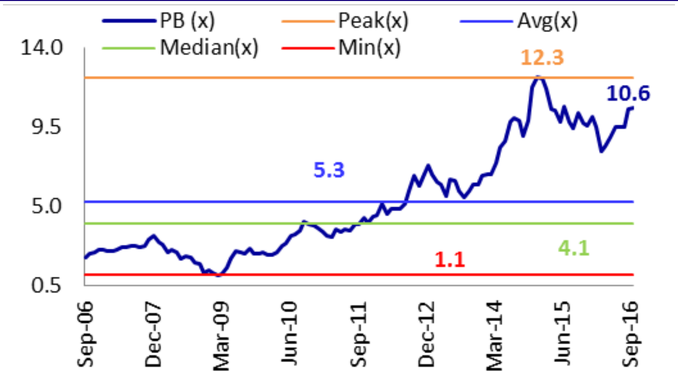
Source: MOSL, Company

Exhibit 26: DHFL P/B



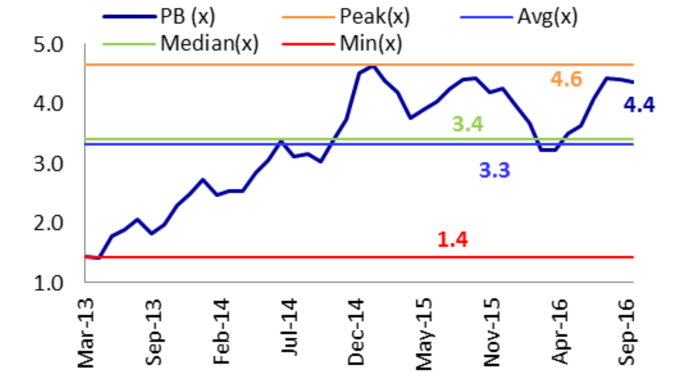
Source: MOSL, Company

Exhibit 27: GRUH P/B



Source: MOSL, Company

Exhibit 28: REPCO P/B



Source: MOSL, Company

Financials and valuations

Income Statement (INR Million)

Y/E March	2013	2014	2015	2016	2017E	2018E	2019E
Financing Income	42,634	51,865	61,210	78,418	97,854	120,988	151,321
Financing Charges	25,991	32,824	39,442	49,714	61,842	75,317	93,582
Net Financing income	**16,643**	**19,041**	**21,768**	**28,704**	**36,012**	**45,671**	**57,740**
Change (%)	27.7	14.4	14.3	31.9	25.5	26.8	26.4
Income from Investments	2,748	4,852	8,055	7,676	8,444	9,710	10,681
Fee based income	2,397	2,329	3,439	6,161	6,777	7,794	8,573
Net Income	**21,789**	**26,222**	**33,262**	**42,541**	**51,233**	**63,226**	**77,094**
Change (%)	13.1	20.3	26.8	27.9	20.4	23.4	21.9
Employee Cost	2,245	2,637	3,249	4,131	5,082	6,200	7,316
Other Operating Exp.	1,761	1,470	2,285	2,053	2,247	2,359	2,476
Operating profits	**17,783**	**22,115**	**27,728**	**36,357**	**43,904**	**54,667**	**67,303**
Change (%)	14.2	24.4	25.4	31.1	20.8	24.5	23.1
Total Provisions	**1,231**	**2,297**	**3,003**	**5,069**	**5,825**	**7,330**	**7,322**
% of operating profit	6.9	10.4	10.8	13.9	13.3	13.4	10.9
PBT	**16,551**	**19,818**	**24,725**	**31,289**	**38,079**	**47,337**	**59,981**
Tax	3,891	4,133	5,713	7,760	9,520	11,834	14,995
Tax Rate (%)	23.5	20.9	23.1	24.8	25.0	25.0	25.0
PAT	**12,661**	**15,685**	**19,012**	**23,529**	**28,559**	**35,503**	**44,986**
Change (%)	25.8	23.9	21.2	23.8	21.4	24.3	26.7
Minority Interest	76	44	1	81	90	100	50
PAT	**12,584**	**15,642**	**19,011**	**23,448**	**28,469**	**35,403**	**44,936**
Change (%)	26.1	24.3	21.5	23.3	21.4	24.4	26.9
Dividend (Including tax)	**7,277**	**11,298**	**10,531**	**21,459**	**17,487**	**20,711**	**26,287**

Balance Sheet

Y/E March	2013	2014	2015	2016	2017E	2018E	2019E
Capital	**625**	**668**	**711**	**843**	**843**	**843**	**843**
Equity Share Capital	625	668	711	843	843	843	843
Reserves & Surplus	51,061	56,387	65,606	106,097	117,079	131,771	150,419
Net Worth	**51,686**	**57,055**	**66,317**	**106,939**	**117,921**	**132,613**	**151,262**
Equity Net worth	51,686	57,055	66,317	106,939	117,921	132,613	151,262
Minority Interest	1,449	19	20	0	0	0	0
Borrowings	**312,858**	**355,395**	**474,874**	**610,853**	**711,969**	**907,753**	**1,126,629**
Change (%)	23.7	13.6	33.6	28.6	16.6	27.5	24.1
Deferred Tax Liability	-1,641	-1,848	-26	760	760	760	760
Total Liabilities	**364,351**	**410,622**	**541,186**	**718,552**	**830,650**	**1,041,126**	**1,278,651**
Cash and bank balance	48,882	44,190	34,903	29,017	-4,902	13,342	32,052
Investments	23,079	29,470	61,638	106,928	117,621	129,383	141,028
Change (%)	28.4	27.7	109.2	73.5	10.0	10.0	9.0
Loans	**307,824**	**354,446**	**460,396**	**608,643**	**749,441**	**935,828**	**1,149,622**
Change (%)	20.9	15.1	29.9	32.2	23.1	24.9	22.8
Net Current Assets	-15,889	-18,639	-16,978	-27,393	-32,872	-38,789	-45,771
Net Fixed Assets	456	469	541	686	690	690	1,048
Total Assets	**364,351**	**410,622**	**541,186**	**718,552**	**830,650**	**1,041,126**	**1,278,651**

AUM Mix (%)

	2013	2014	2015	2016	2017E	2018E	2019E
Assets Under Management	**344,250**	**411,690**	**522,350**	**686,830**	**866,406**	**1,088,172**	**1,352,496**
Change (%)	25.1	19.6	26.9	31.5	26.1	25.6	24.3
On Books	307,824	354,446	460,396	608,643	749,441	935,828	1,149,622
% of AUM	89.4	86.1	88.1	88.6	86.5	86.0	85.0
Off books	36,426	57,244	61,954	78,187	116,965	152,344	202,874
% of AUM	10.6	13.9	11.9	11.4	13.5	14.0	15.0

E: MOSL Estimates

Financials and valuations

Ratios							
Y/E March	2013	2014	2015	2016	2017E	2018E	2019E
Spreads Analysis (%)							
Avg. Yield - on Fin. Portfolio	13.5	13.1	12.7	12.6	12.6	12.4	12.4
Avg Cost of funds	10.1	10.1	9.7	9.2	9.4	9.3	9.2
Interest Spread on on books	3.4	3.0	3.0	3.4	3.3	3.1	3.2
Net Interest Margin on AUM	5.4	5.0	4.7	4.7	4.6	4.7	4.7
Profitability Ratios (%)							
RoE	25.0	27.0	30.8	27.1	25.3	28.3	31.7
RoA	3.8	4.0	4.0	3.7	3.7	3.8	3.9
RoA (on AUM)	3.5	3.6	3.6	3.3	3.3	3.3	3.4
Int. Expended/Int.Earned	61.0	63.3	64.4	63.4	63.2	62.3	61.8
Fee income/Net Inc.	11.0	8.9	10.3	14.5	13.2	12.3	11.1
Cost/Income Ratio	18.0	17.1	16.6	14.5	14.3	13.5	12.7
Empl. Cost/Op. Exps.	56.1	64.2	58.7	66.8	69.3	72.4	74.7
Asset quality							
GNPA (%)	0.79	0.83	0.85	0.84	0.80	0.80	0.80
NNPA (%)	0.33	0.36	0.36	0.35	0.40	0.40	0.40

Valuations	2013	2014	2015	2016	2017E	2018E	2019E
Book Value (INR)	165.4	170.8	186.5	253.8	279.9	314.8	359.0
BV Growth (%)	5.1	3.3	9.2	36.1	10.3	12.5	14.1
Price-BV (x)	4.8	4.7	4.3	3.1	2.9	2.5	2.2
Adjusted BV (INR)	165.4	170.8	186.5	253.8	279.9	314.8	359.0
Price-ABV (x)	4.8	4.7	4.3	3.1	2.9	2.5	2.2
EPS (INR)	40.3	46.8	53.5	55.7	67.6	84.0	106.7
EPS Growth (%)	25.8	16.3	14.2	4.1	21.4	24.4	26.9
Price-Earnings (x)	19.8	17.0	14.9	14.3	11.8	9.5	7.5
DPS (INR)	20.0	29.0	35	45.0	35.5	42.0	53.3
Dividend Payout (%)	49.6	61.7	47.9	76.0	52.5	50.0	58.5
Dividend Yield (%)	2.5	3.6	4.4	5.6	4.4	5.3	6.7

E: MOSL Estimates

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