

# L&T Finance

## Estimate changes

TP change

Rating change



Bloomberg	LTF IN
Equity Shares (m)	2469
M.Cap.(INRb)/(USDb)	420.1 / 5
52-Week Range (INR)	179 / 91
1, 6, 12 Rel. Per (%)	5/4/57
12M Avg Val (INR M)	1260

## Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	75.4	90.9	112.9
PPOP	51.7	63.7	81.8
NP	23.2	29.2	38.8
EPS (INR)	9.3	11.7	15.6
EPS Gr. (%)	42.4	26.0	33.0
BV/Share	94	103	116

## Ratios

NIM (%)	9.6	9.9	9.8
C/I ratio (%)	40.4	38.7	35.8
RoA (%)	2.2	2.5	2.7
RoE (%)	10.3	11.9	14.2
Payout (%)	26.9	26.0	22.5

## Valuations

P/E (x)	18.0	14.3	10.8
P/BV (x)	1.8	1.6	1.4

## Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	65.9	65.9	66.1
DII	8.7	9.1	6.6
FII	11.1	10.7	11.4
Others	14.4	14.4	16.0

FII Includes depository receipts

**CMP: INR169**
**TP: INR210 (+24%)**
**Buy**

## Earnings miss due to provisions on SRs; NIM improved QoQ

### Retail loans grew ~31% YoY; asset quality improved

- L&T Finance (LTF) reported a 4QFY24 PAT of INR5.5b (18% miss). PPOP grew ~7% YoY to INR13.6b (in line), while credit costs of ~INR6.7b translated into annualized credit costs of 3.2% (PQ: 2.5% and PY: 2.2%).
- Earnings miss was primarily because of additional provisions of ~INR1.75b on the Security Receipts (SRs). LTF now carries ~INR7.2b of additional provisions on the SRs (including ~INR5.5b from fair valuation of Loans).
- Consolidated RoA/RoE declined 35bp/180bp QoQ to ~2.2%/~9.5% in 4QFY24.
- Retail assets contributed ~94% to the loan mix (PQ: 81%). Retail loans grew ~31% YoY, led by healthy growth in MFI, 2W, Home loans, and SME. The company continued to calibrate growth in personal loans which was flat QoQ for the second consecutive quarter.
- The retail mix improved to ~94% in Mar'24 from 91% as in Dec'23. Management shared that the wholesale loan-book has further declined to ~INR44b in Apr'24 (vs. ~INR55b as on Mar'24). We model total loan growth of 26% and PAT CAGR of 35% over FY24-FY26E, with consolidated RoA/RoE of 2.7%/~14% in FY26E.
- A strong liability franchise, accelerated run-down in the wholesale loan book, and a well-capitalized balance sheet have helped LTF achieve its Lakshya 2026 targets much in advance. LTF has transformed itself into a retail franchise, which would lead to profitability improvement and RoA expansion. **Retain BUY with a TP of INR210 (based on 1.8x FY26E BVPS).**

### Asset quality improved sequentially; provisioning coverage broadly stable

- Consol. GS3 declined ~6bp QoQ to ~3.15%, while NS3 remained stable at ~0.8%. PCR rose ~20bp QoQ to ~75.5%.
- Retail GS3 declined ~10bp QoQ to 2.8%, while Retail NS3 was stable at 0.6%.
- The management has guided for retail credit costs of 2.25%-2.5%. We model total credit costs (as % of average assets) of ~2.2%/2.1% in FY25/FY26.

### Key highlights from the management commentary

- To minimize quarterly volatility and sequencing risk, LTF has created additional prudential provisions of ~INR7.2b on the SRs (including ~INR5.5b on account of fair value changes in Wholesale loan assets and additional provisions of INR1.75b routed through the P&L).

## Valuation and view

- LTFH has invested in process automation, security, and customer journeys. This, along with partnerships with e-aggregators, should lead to stronger and sustainable retail loan growth. Over the past few quarters, the company has consistently delivered strong growth in its Retail loan book.
- We estimate a PAT CAGR of 35% over FY23-26 with consolidated RoA/RoE of 2.7%/~14% in FY26. We reiterate our **BUY rating on the stock with a TP of INR210 (based on 1.8x FY26E BVPS)**.

## Quarterly performance

(INR M)

Y/E March	FY23				FY24				FY23	FY24	4QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	29,466	30,862	33,216	32,107	31,165	31,685	33,063	33,226	1,25,651	1,29,139	34,667	-4
Interest Expenses	14,132	14,385	15,007	14,449	13,638	13,249	13,534	13,351	57,972	53,772	14,275	-6
<b>Net Interest Income</b>	<b>15,334</b>	<b>16,477</b>	<b>18,209</b>	<b>17,658</b>	<b>17,527</b>	<b>18,436</b>	<b>19,529</b>	<b>19,875</b>	<b>67,679</b>	<b>75,367</b>	<b>20,392</b>	<b>-3</b>
Change YoY (%)	2.3	12.8	24.1	15.7	14.3	11.9	7.2	12.6	13.7	11.4	15.5	
Other Operating Income	1,318	1,090	1,109	53	1,068	453	2,277	3,492	3,569	6,667	2,647	32
<b>Net Operating Income</b>	<b>16,652</b>	<b>17,567</b>	<b>19,318</b>	<b>17,711</b>	<b>18,596</b>	<b>18,889</b>	<b>21,805</b>	<b>23,367</b>	<b>71,248</b>	<b>82,034</b>	<b>23,040</b>	<b>1</b>
Change YoY (%)	2.1	9.1	16.1	7.0	11.7	7.5	12.9	31.9	8.6	15.1	30.1	
Other income	1,474	1,193	585	2,016	1,535	2,682	473	56	5,268	4,745	525	-89
<b>Total Income</b>	<b>18,126</b>	<b>18,760</b>	<b>19,903</b>	<b>19,726</b>	<b>20,130</b>	<b>21,572</b>	<b>22,278</b>	<b>23,422</b>	<b>76,515</b>	<b>86,779</b>	<b>23,565</b>	<b>-1</b>
Change YoY (%)	7.1	10.8	11.0	11.1	11.1	15.0	11.9	18.7	10.0	13.4	19.5	
Operating Expenses	6,577	6,868	7,417	7,870	7,782	8,598	8,896	9,803	28,732	35,079	9,363	5
Change YoY (%)	19.9	16.3	20.3	23.2	18.3	25.2	19.9	24.6	20.0	22.1	19.0	
<b>Operating Profits</b>	<b>11,549</b>	<b>11,891</b>	<b>12,486</b>	<b>12,698</b>	<b>12,348</b>	<b>12,974</b>	<b>13,382</b>	<b>13,619</b>	<b>48,624</b>	<b>51,701</b>	<b>14,201</b>	<b>-4</b>
Change YoY (%)	0.9	7.9	6.2	11.8	6.9	9.1	7.2	7.3	6.7	6.3	11.8	
Provisions	7,989	5,765	6,417	5,232	5,212	5,000	5,142	6,679	25,404	21,410	4,775	40
<b>Profit before Tax</b>	<b>3,560</b>	<b>6,126</b>	<b>6,069</b>	<b>7,466</b>	<b>7,136</b>	<b>7,974</b>	<b>8,240</b>	<b>6,940</b>	<b>23,220</b>	<b>30,290</b>	<b>9,426</b>	<b>-26</b>
Tax Provisions	948	2,070	990	2,455	1,831	2,032	1,847	1,410	6,464	7,119	2,649	-47
<b>Profit after tax</b>	<b>2,612</b>	<b>4,056</b>	<b>4,538</b>	<b>5,011</b>	<b>5,305</b>	<b>5,942</b>	<b>6,394</b>	<b>5,530</b>	<b>16,216</b>	<b>23,171</b>	<b>6,777</b>	<b>-18</b>
Change YoY (%)	47	81	39	46	103	47	41	10	52	43	35	
<b>Key Operating Parameters (%)</b>												
Rep. Net Income (% of Avg Assets)	8.23	2.54	2.67	9.21	9.64	10.84	10.92	11.25				
<b>Rep. Cost of funds (%)</b>												
Cost to Income Ratio	36.3	36.6	37.3	39.9	38.7	39.9	39.9	41.9				
Rep Credit Cost	3.63	2.54	2.67	2.24	2.33	2.58	2.52	3.23				
<b>Tax Rate</b>												
Balance Sheet Parameters												
<b>Gross Customer Assets (INR B)</b>												
Change YoY (%)	-0.4	3.6	3.4	-8.4	-10.8	-12.6	-7.5	5.8				
Borrowings (INR B)	818	853	862	830	754	766	760	765				
Change YoY (%)	-3.0	1.0	3.9	-2.5	-7.8	-10.3	-11.9	-7.8				
Customer Assets /Borrowings (%)	108	106	103	97	104	103	108	112				
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR B)	35.6	35.9	37.2	38.3	31.7	25.8	26.3	27.0				
Gross Stage 3 (%)	4.1	4.0	4.2	4.7	4.0	3.3	3.2	3.2				
NS 3 (INR B)	15.9	16.2	14.9	11.8	9.1	6.3	6.5	6.6				
Net Stage 3 (%)	1.9	1.9	1.7	1.6	1.6	0.8	0.8	0.8				
PCR (%)	55.3	55.0	60.1	69.3	71.4	75.7	75.3	75.5				
<b>Return Ratios (%)</b>												
ROAA	1.0	1.6	1.7	1.9	2.1	2.4	2.5	2.2				
ROAE	5.2	8.0	8.4	9.4	9.4	10.8	11.4	9.5				

E: MOFSL Estimates



### Strong momentum in Retail except PL; wholesale segments continued to decline

- Total disbursements grew 25% YoY to ~INR154b, driven by ~33% YoY growth in retail disbursements to ~INR150b in 4QFY24. Wholesale disbursements was flat QoQ and declined ~69% YoY with disbursements primarily in infrastructure finance.
- Total loan book grew ~6% YoY and ~5% QoQ to ~INR856b. Wholesale loans continued to run down and declined ~21% QoQ and 72% YoY to ~INR55b (PQ: ~INR70b). Retail assets contributed ~94% to the loan mix (PQ: 81%). Retail loans grew ~31% YoY, led by healthy growth in MFI, 2W, Home loans, and SME.

### Margin and fee income higher, aided by an improving retail mix

- NII grew ~13% YoY to INR19.9b (in line). Consol NIMs+Fees improved ~30bp QoQ to 11.2% in 4QFY24. This improvement is driven by changing portfolio mix toward retail.
- Spreads (calc.) declined 50bp QoQ to ~8.9%, led by a ~60bp sequential decline in yields (calc.) to ~15.9%. We model NIMs of ~9.9%/9.8% in FY25E/FY26E.

## Highlights from the management commentary

### Financial Performance

- FY24 PAT grew 43% YoY to INR23.2b.
- Retail Loan Book stood at INR800b and grew 31% YoY.
- Highest-ever quarterly disbursements, surpassing even the festive quarter disbursements of 3QFY24
- Gross Stage 3/ Net Stage 3 stood at 3.15/0.79% as of Mar'24. PCR stood at ~76%
- Started 1QFY25 on a positive note, with the confidence that its robust growth trajectory will persist throughout FY25.

### Impact and expectations of Monsoons

- IMD forecasts a high probability of above-normal South-West monsoons in 2024. The persistent weakness in rural areas is expected to spill over into 1HFY25 due to the uneven monsoon patterns.
- Monsoons are anticipated to be within normal range, albeit with a slightly delayed onset. The Rural Economy and Farm Business are poised to improve as the monsoons progress throughout the year.

### Guidance

- Retail Book growth to be maintained at >25% CAGR.
- Guided for Consol. RoA of 2.8%-3.0%.
- Guided for credit costs between 2.25% and 2.5% over the next few years.
- It will look to judiciously balance the secured and unsecured originations; Expects to keep the NIM + Fees at 11.0-11.25% in FY25;
- As the retail disbursements grow, the processing fee and the fee from the cross-sell income will also improve. LTF has received an Insurance Corporate Agency License and it is setting up an insurance team - which will further aid fee income.

### Security Receipts

- Total SR EAD was INR150b; Provisions of INR83.3b on the SRs (which includes provisions of ~INR7.2b made in 4QFY24); Net SRs on the Balance Sheet was INR67.7b.
- To minimize quarterly volatility, the company has created additional prudential provisions of ~INR7.2b (including ~INR5.5b on account of fair value changes in Wholesale Loan Assets and additional provisions of INR1.75b routed through the P&L).
- Overall PCR on the SRs stood at ~55%.
- The Real Estate Sector is experiencing increased buoyancy, paving the way for new avenues of resolution. It is anticipated that by the end of the resolution period (over four to five years), LTF should see a surplus from the resolutions of SRs.
- Several resolution pathways have now emerged. Stress testing was conducted on the Wholesale portfolio and to safeguard against sequencing risk (and to maintain focus on Retail), prudential provisions were made on SR. Provisions on SR were taken to smoothen out any sequence risk (in resolution of SRs) and the quarterly volatility in the P&L.
- LTF had initially taken INR26.87b of provisions (in Dec'22) on the wholesale book and marked down the wholesale book. Every quarter, the company has to do a fair valuation of the SRs (based on the NAVs of the SRs shared by the Credit Rating Agencies).
- As and when the SRs get resolved over 4-5 years, LTF will get a surplus over the net value of the SRs.

### Wholesale Loans

- Wholesale loan book stood at INR55b as of Mar'24 and has further declined to ~INR44b as of Apr'24.
- Wholesale loans on the Balance Sheet are standard assets.
- The wholesale book reduction is nearing completion, with no significant decline anticipated. Consequently, the overall loan book is poised to resume growth.

### Personal Loans

- 4QFY24 disbursements stood at INR9.7b; PL Loan book stood at INR64.4b and grew 18% YoY. Growth was calibrated in the PL segment because of re-calibration of risk metrics.
- ~60% of the personal loans are disbursed to existing customers and the remaining through e-aggregators and DSA channel (which was started in the last quarter).
- Not currently active in the small-ticket PL segment, although there was a slight uptick in the PL segment in 4Q. With the activation of Fintech partnership engines, higher momentum in PL is anticipated. For new PL customers, the focus will predominantly be on salaried individuals, given their stable risk profile.
- Origination of PL is completely digital (and started DSA channel in the last quarter). This portfolio will grow at a measured clip and it will not be growing at a breakneck pace.
- PL growth will be focused on absolutely safe segments, namely cross-selling to existing customers and targeting salaried individuals.

**Opex**

- Rolled out new branches for the new businesses such as SME - lot of investments have gone into IT for personal loans portfolio.
- Investments in marketing, manpower/branches, and technology would continue, with a focus on managing opex + credit costs below ~7%
- Liabilities and Borrowing Costs
- Expects a 30-35bp increase in the CoB during FY25; some of the banks are yet to pass on the higher interest rates
- CPs are at ~5% and its ALM allows it to go up to ~15% of the borrowing mix.
- ~20% of the borrowing are PSL-linked loans, which offer a cost advantage of 100-125bp compared to other borrowing instruments
- ECB of USD750m is fully available, which it can leverage in FY25

**Underwriting Engine**

- The credit engines would be far stronger than they were before. The focus will be on ensuring robustness and eliminating any potential leakages.
- Efficiency of increasing the Swipe-out and Swipe-In of customers.
- Improve the surface area and depth of its distribution alongside improving the cross-selling initiatives.

**Tech Stack**

- Building the front-end in a way that the customer friction points are eliminated and it gives a world-class UX.
- Home Loans digital journey will go live in a couple of weeks. Working on improving the customer journey in 2W.
- Stitch together a next generation under-writing platform - including Bureau, account aggregators, alternate data, trust Signals, overlay it with historical loss rates from micro geographies.

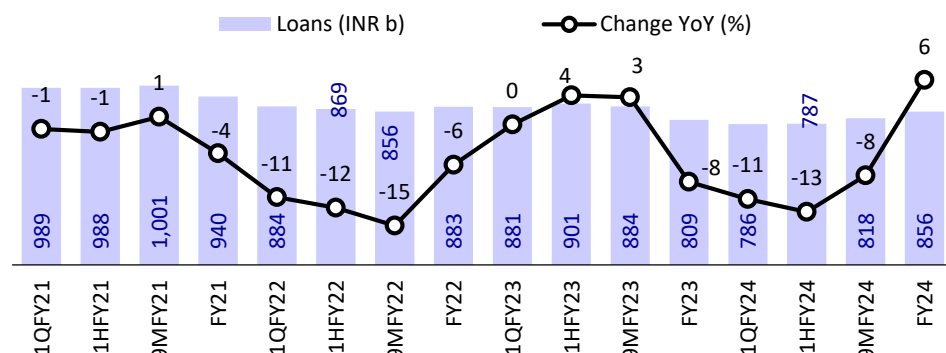
**Others**

- Competition is quite robust; everyone is striving to carve out their share of the expanding customer base in the country.
- Credit Administration framework: Credit metrics have been stable, with ongoing efforts to enhance them further. Emphasis is placed on achieving an optimal mix of NTC customers and Prime customers. Next-generation credit models are being developed, ensuring superior risk metrics compared to industry standards. Despite potentially weaker environmental conditions in the first few months of the year, the company anticipates credit costs to trend downward.
- Consol. NIM + Fee stood at 11.25% attributed to improvements in the Retail Mix and stability in WACC due to astute liability management.
- Yields in the MFI business are ~24%.

## Key exhibits

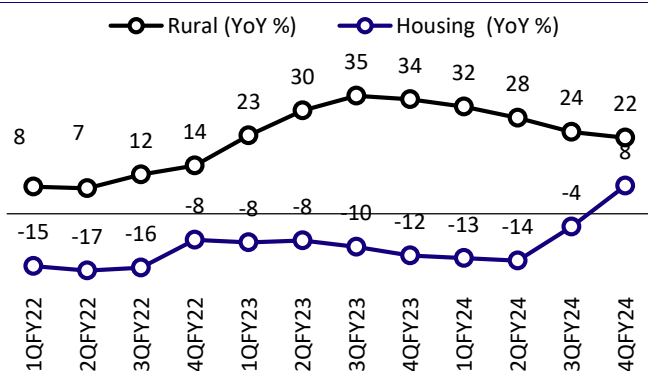
Loan book increased 6%  
YoY to ~INR856b

Exhibit 1: Loan book grew 5% QoQ, driven by retail book (%)



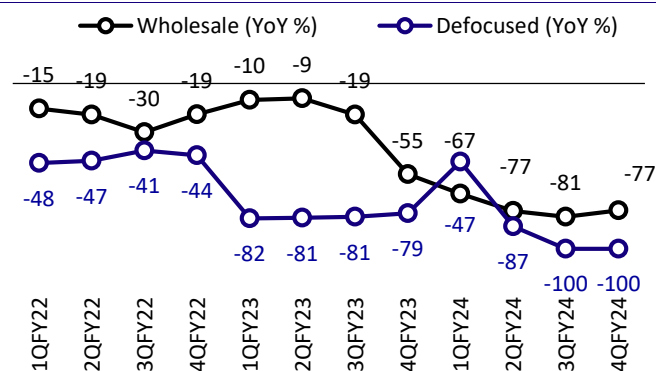
Source: MOFSL, Company

Exhibit 2: Housing Finance book (including wholesale RE) increased 8% YoY



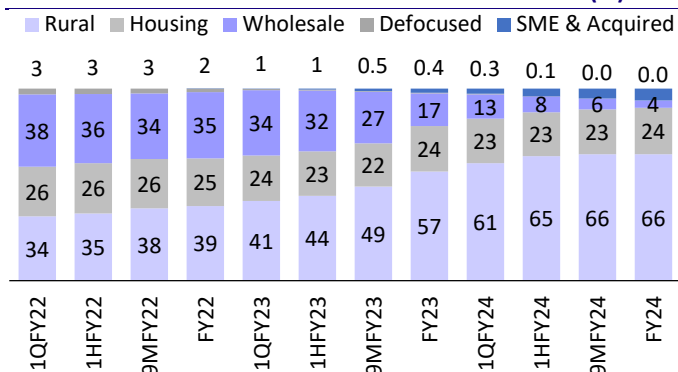
Source: MOFSL, Company

Exhibit 3: Wholesale book declined 77% YoY



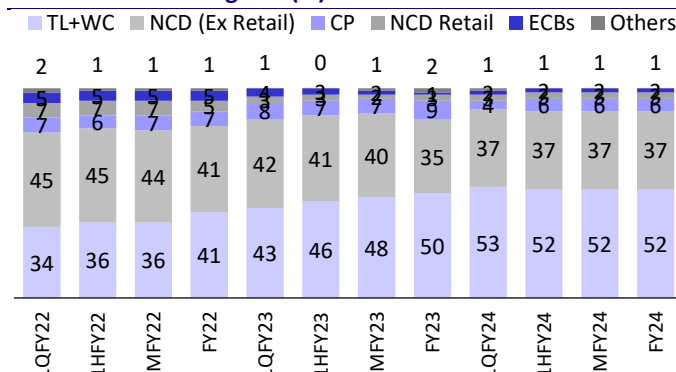
Source: MOFSL, Company

Exhibit 4: Rural Finance in loan mix remained stable (%)

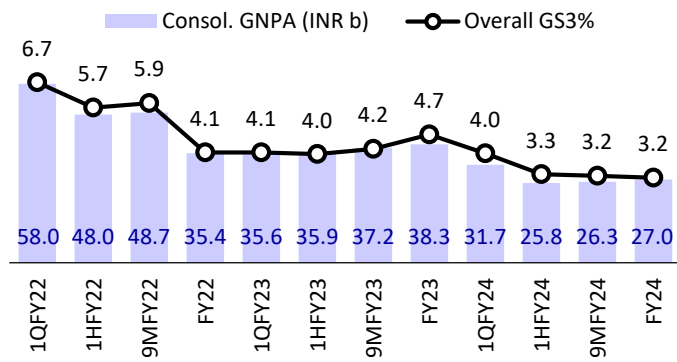


Source: MOFSL, Company

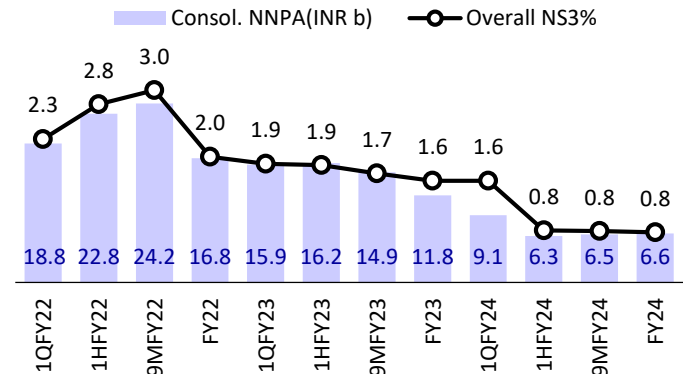
Exhibit 5: Borrowing mix (%)



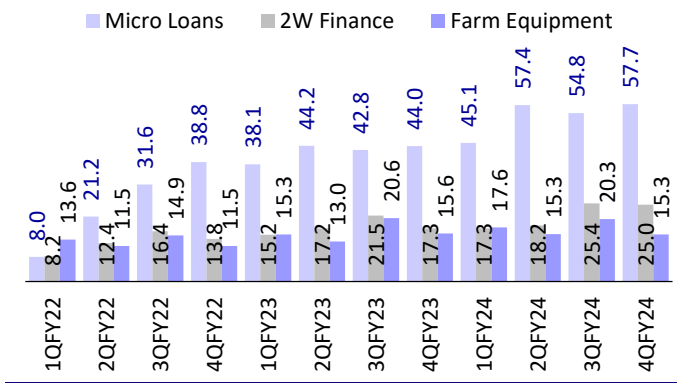
Source: MOFSL, Company

**Exhibit 6: GS3 improved ~5bp sequentially (%)**

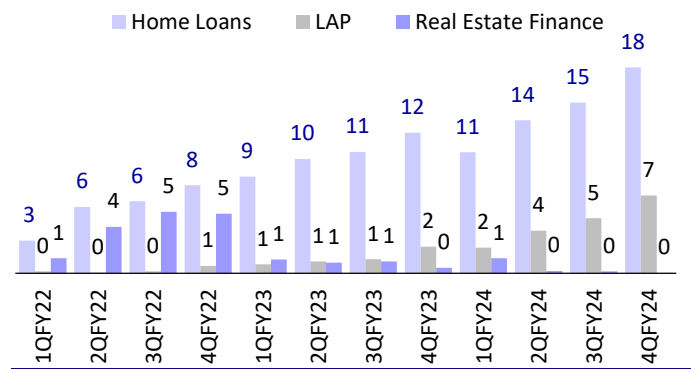
Source: MOFSL, Company

**Exhibit 7: NS3 stable QoQ (%)**

Source: MOFSL, Company

**Exhibit 8: Micro-loan disbursement picking up pace (INR b)**

Source: MOFSL, Company

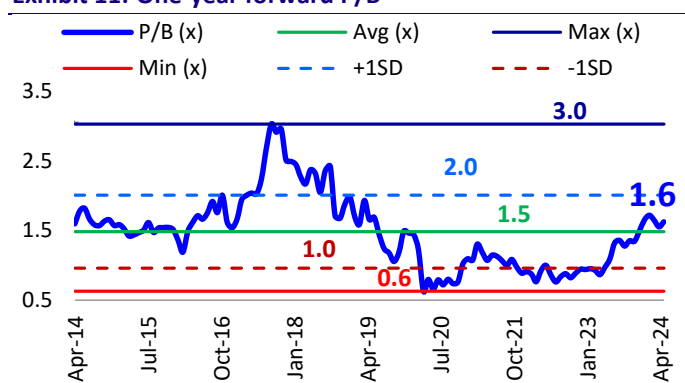
**Exhibit 9: LAP disbursements remained healthy (INR b)**

Source: MOFSL, Company

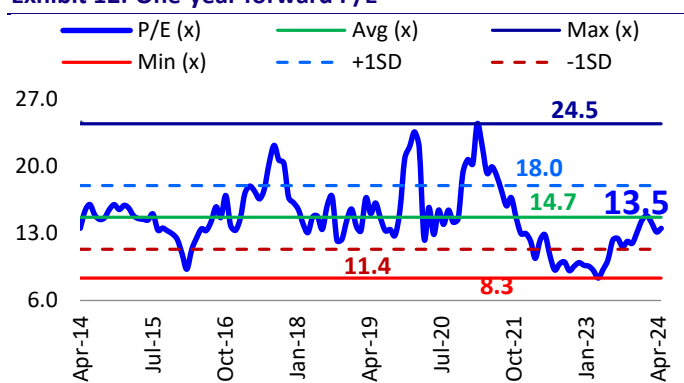
**Exhibit 10: We cut our EPS for FY25E/FY26E by ~2%/1% to factor in higher opex**

INR b	Old estimates			New estimates			% change		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
<b>Total Income</b>	<b>87.5</b>	<b>102.9</b>	<b>126.0</b>	<b>86.8</b>	<b>104.0</b>	<b>127.5</b>	<b>-0.9</b>	<b>1.0</b>	<b>1.2</b>
Operating Expenses	34.6	38.6	42.9	35.1	40.3	45.7	1.3	4.4	6.3
<b>Operating Profits</b>	<b>52.9</b>	<b>64.4</b>	<b>83.1</b>	<b>51.7</b>	<b>63.7</b>	<b>81.8</b>	<b>-2.3</b>	<b>-1.0</b>	<b>-1.5</b>
Provisions	20.1	24.3	30.5	21.4	24.8	30.1	6.4	1.8	-1.5
<b>PBT</b>	<b>32.8</b>	<b>40.0</b>	<b>52.6</b>	<b>30.3</b>	<b>38.9</b>	<b>51.8</b>	<b>-7.6</b>	<b>-2.8</b>	<b>-1.5</b>
Tax	8.4	10.2	13.4	7.1	9.7	12.9	-14.8	-4.7	-3.4
<b>PAT</b>	<b>24.4</b>	<b>29.8</b>	<b>39.2</b>	<b>23.2</b>	<b>29.2</b>	<b>38.8</b>	<b>-5.1</b>	<b>-2.1</b>	<b>-0.8</b>
Loan book	801	1,002	1,258	814	1,021	1,292	1.6	1.9	2.7
Borrowings	801	1,012	1,284	765	991	1,240	-4.4	-2.1	-3.4

Source: MOFSL, Company

**Exhibit 11: One-year forward P/B**

Source: MOFSL, Company

**Exhibit 12: One-year forward P/E**

Source: MOFSL, Company



## Financials and Valuation

Income statement								(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	1,16,403	1,32,447	1,31,049	1,17,042	1,25,651	1,29,139	1,54,140	1,94,312
Interest Expended	68,600	75,136	71,999	57,494	57,972	53,772	63,222	81,429
<b>Net Interest Income</b>	<b>47,803</b>	<b>57,311</b>	<b>59,049</b>	<b>59,548</b>	<b>67,679</b>	<b>75,367</b>	<b>90,918</b>	<b>1,12,883</b>
Change (%)	39.8	19.89	3.0	0.8	13.7	11.4	20.6	24.2
Other Operating Income	13,494	8,594	5,732	6,053	3,569	6,667	7,825	8,865
<b>Net Operating Income</b>	<b>61,297</b>	<b>65,905</b>	<b>64,782</b>	<b>65,601</b>	<b>71,248</b>	<b>82,034</b>	<b>98,742</b>	<b>1,21,748</b>
Change (%)	28.7	7.5	-1.7	1.3	8.6	15.1	20.4	23.3
Other Income	3,118	3,726	6,276	3,928	5,268	4,745	5,220	5,742
<b>Net Income</b>	<b>64,415</b>	<b>69,632</b>	<b>71,058</b>	<b>69,529</b>	<b>76,515</b>	<b>86,779</b>	<b>1,03,962</b>	<b>1,27,490</b>
Change (%)	33.7	8.1	2.0	-2.2	10.0	13.4	19.8	22.6
Operating Expenses	19,215	19,785	19,749	23,946	28,732	35,079	40,270	45,652
<b>Operating Profits</b>	<b>45,200</b>	<b>49,846</b>	<b>51,309</b>	<b>45,582</b>	<b>47,783</b>	<b>51,701</b>	<b>63,693</b>	<b>81,839</b>
Change (%)	31.8	10.3	2.9	-11.2	4.8	8.2	23.2	28.5
Provisions/write offs	14,681	23,046	36,357	30,833	25,404	21,410	24,772	30,072
<b>PBT</b>	<b>30,520</b>	<b>26,801</b>	<b>14,952</b>	<b>14,750</b>	<b>22,379</b>	<b>30,290</b>	<b>38,920</b>	<b>51,766</b>
Tax	8,200	9,798	5,463	4,256	6,464	7,119	9,730	12,942
Tax Rate (%)	26.9	36.6	36.5	28.9	28.9	23.5	25.0	25.0
<b>PAT before pref dividend</b>	<b>22,320</b>	<b>17,003</b>	<b>9,489</b>	<b>10,494</b>	<b>15,915</b>	<b>23,171</b>	<b>29,190</b>	<b>38,825</b>
Change (%)	74.7	-23.8	-44.2	10.6	51.7	45.6	26.0	33.0
Preference Dividend	0	0	0	0	0	0	0	0
<b>PAT to equity shareholders (incl. extraordinary items)</b>	<b>22,320</b>	<b>17,003</b>	<b>9,489</b>	<b>10,704</b>	<b>16,216</b>	<b>23,171</b>	<b>29,190</b>	<b>38,825</b>
Change (%)	75	-24	-44	13	52	43	26	33
<b>Proposed Dividend</b>	<b>2,319</b>	<b>2,093</b>	<b>0</b>	<b>1,237</b>	<b>4,959</b>	<b>6,222</b>	<b>7,589</b>	<b>8,736</b>

Balance sheet								(INR M)	(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
Equity Share Capital	19,988	20,048	24,695	24,740	24,797	24,889	24,889	24,889	
Reserves & Surplus	1,14,498	1,26,876	1,63,038	1,74,737	1,90,487	2,09,495	2,32,463	2,63,698	
<b>Borrowings</b>	<b>9,15,070</b>	<b>9,38,945</b>	<b>8,85,558</b>	<b>8,52,012</b>	<b>8,30,435</b>	<b>7,65,409</b>	<b>9,90,762</b>	<b>12,40,161</b>	
Change (%)	21.6	2.6	-5.7	-3.8	-2.5	-7.8	29.4	25.2	
Other liabilities	10,995	9,577	16,427	17,533	17,903	27,383	28,707	30,098	
<b>Total Liabilities</b>	<b>10,60,551</b>	<b>10,95,447</b>	<b>10,89,717</b>	<b>10,69,022</b>	<b>10,63,621</b>	<b>10,27,176</b>	<b>12,76,821</b>	<b>15,58,846</b>	
<b>Loans</b>	<b>9,13,246</b>	<b>9,14,625</b>	<b>8,70,303</b>	<b>8,24,694</b>	<b>7,51,546</b>	<b>8,13,594</b>	<b>10,21,405</b>	<b>12,91,834</b>	
Change (%)	18.5	0.2	-4.8	-5.2	-8.9	8.3	25.5	26.5	
<b>Investments</b>	<b>86,408</b>	<b>59,793</b>	<b>88,721</b>	<b>1,19,169</b>	<b>1,43,662</b>	<b>1,23,849</b>	<b>1,30,041</b>	<b>1,36,543</b>	
Change (%)	63.0	-30.8	48.4	34.3	20.6	-13.8	5.0	5.0	
Net Fixed Assets	11,660	11,621	11,621	5,306	5,573	5,550	5,827	6,119	
Other assets	49,237	1,09,408	1,19,071	1,19,852	1,62,841	84,183	1,19,548	1,24,349	
<b>Total Assets</b>	<b>10,60,551</b>	<b>10,95,447</b>	<b>10,89,717</b>	<b>10,69,022</b>	<b>10,63,621</b>	<b>10,27,176</b>	<b>12,76,821</b>	<b>15,58,846</b>	

E: MOFSL Estimates

## Financials and Valuation

Ratios	(%)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Spreads Analysis (%)</b>								
Avg. Yield on Loans	13.8	14.5	14.7	13.8	15.9	16.5	16.8	16.8
Avg. Cost-Int. Bear. Liab.	8.2	8.1	7.9	6.6	6.9	6.7	7.2	7.3
Loan Spreads	5.6	6.4	6.8	7.2	9.1	9.8	9.6	9.5
NIM on loans	5.7	6.3	6.6	7.0	8.6	9.6	9.9	9.8
<b>Profitability Ratios (%)</b>								
Int. Expended/Int.Earned	58.9	56.7	54.9	49.1	46.1	41.6	41.0	41.9
Other Inc./Net Income	25.8	17.7	16.9	14.4	11.5	13.2	12.5	11.5
Op. Exps./Net Income	29.8	28.4	27.8	34.4	37.6	40.4	38.7	35.8
Empl. Cost/Op. Exps.	42.9	53.7	51.0	47.5	49.1	51.5	52.5	53.2
Provisions/PPoP (%)	32.5	46.2	70.9	67.6	53.2	41.4	38.9	36.7
<b>Asset Quality (%)</b>								
Gross NPAs	55,490	50,370	45,040	35,430	38,320	26,980	28,776	32,539
Gross NPAs to Adv.	5.9	5.3	5.0	4.2	4.7	3.2	2.8	2.5
Net NPAs	21,740	20,780	13,770	16,780	11,780	6,610	7,628	7,979
Net NPAs to Adv.	2.4	2.3	1.6	2.0	1.6	0.8	0.7	0.6
PCR (%)	60.8	58.7	69.4	52.6	69.3	75.5	73.5	75.5
ECL/EAD (%)								
<b>Return ratios and Capitalization (%)</b>								
RoE	18.0	12.1	5.7	5.5	7.8	10.3	11.9	14.2
RoA	2.3	1.6	0.9	1.0	1.5	2.2	2.5	2.7
CAR								
Tier I								
Debt to Equity (x)	6.8	6.4	4.7	4.3	3.9	3.3	3.8	4.3
Average Assets/Equity (x)	7.8	7.7	6.5	5.6	5.1	4.6	4.7	5.2
<b>VALUATION</b>								
Book Value (INR)	67.3	73.3	76.0	80.6	86.8	94.2	103.4	115.9
Price-BV (x)	2.5	2.3	2.2	2.1	1.9	1.8	1.6	1.4
Adjusted Book Value (INR)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Price-BV (x)	16.8	16.8	16.8	16.8	16.8	16.8	16.8	16.8
OPS (INR)	11.2	8.5	3.8	4.2	6.4	9.3	11.7	15.6
EPS Growth YoY	74.4	-24.1	-54.7	10.4	51.3	45.0	26.0	33.0
Price-Earnings (x)	15.0	19.8	43.7	39.6	26.2	18.0	14.3	10.8
EPS (INR)	11.2	8.5	3.8	4.3	6.5	9.3	11.7	15.6
EPS Growth YoY	74.4	-24.1	-54.7	12.6	51.2	42.4	26.0	33.0
Price-Earnings (x)	15.0	19.8	43.7	38.8	25.7	18.0	14.3	10.8
Dividend per share (INR)	1.0	0.9	0.0	0.5	2.0	2.5	3.0	3.5
Dividend yield (%)	0.6	0.5	0.0	0.3	1.2	1.5	1.8	2.1

E: MOFSL Estimates

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

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://galaxy.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, nor 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.