

# Mahindra & Mahindra Financial

Estimate change

TP change

Rating change



Bloomberg	MMFS IN
Equity Shares (m)	1236
M.Cap.(INRb)/(USD\$)	321.1 / 3.8
52-Week Range (INR)	347 / 237
1, 6, 12 Rel. Per (%)	-13/-17/-33
12M Avg Val (INR M)	1239

## Financials & valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	71.4	87.1	102.2
PPP	41.8	53.6	64.7
PAT	17.6	27.8	34.4
EPS (INR)	14.3	22.5	27.9
EPS Gr. (%)	-11	58	24
BV/Sh.(INR)	141	156	176

## Ratios

NIM (%)	7.2	7.3	7.4
C/I ratio (%)	41.4	38.5	36.7
RoA (%)	1.7	2.2	2.4
RoE (%)	10.4	15.2	16.8
Payout (%)	44.2	31.1	28.5

## Valuations

P/E (x)	18.2	11.5	9.3
P/BV (x)	1.8	1.7	1.5
Div. Yield (%)	2.4	2.7	3.1

## Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	52.2	52.2	52.2
DII	28.6	27.0	25.2
FII	12.1	12.8	15.0
Others	7.2	8.1	7.7

FII Includes depository receipts

CMP: INR260

TP: INR325 (+25%)

Buy

## Process enhancements to help recover from fraud setback

### Earnings miss due to high provisions; reported NIM up 30bp QoQ

- Mahindra & Mahindra Financial's (MMFS) 4QFY24 PAT declined ~10% YoY to INR6.2b (15% miss). Adjusted for provisions on Mizoram fraud, PAT would have been INR7.2b (in line). FY24 PAT fell 11% YoY to INR17.6b.
- NII stood at INR18.1b (in line), up ~13% YoY. **Other income rose ~30% YoY to ~INR1.6b, driven by better fee income.**
- **Credit costs at ~INR3.4b included provisions of ~INR1.36b related to fraud in Mizoram.** Annualized credit costs stood at ~1.4% (flat QoQ).
- Core NIM (calc.) expanded ~15bp QoQ. Including non-interest income, net total income (as % of assets) expanded ~30bp QoQ to 7.1%.
- To full-proof the system against even such frauds of extreme collusion, MMFS has started accelerating process improvements, including heightened due-diligence for customer onboarding and centralized verification of customers.
- We expect MMFS to use the levers on product mix and fee income to deliver a ~25bp YoY improvement in NIM. Benefits from the ECL provision release and a decline in write-offs will also result in improvement in credit costs. We estimate a CAGR of 16%/40% in AUM/PAT over FY24-FY26, with FY26E RoA/RoE of 2.4%/17%. **Retain BUY with a revised TP of INR325 (based on 1.8x FY26E BVPS).**
- **Key risks:** a) Muted yields because of higher competitive intensity and increasing proportion of prime customers, b) benefits of credit cost decline not coming through because of higher provisioning requirement

## Marginal expansion in spreads; better fee income drives NIM gain

- Yield (calc.) was flat QoQ at 14.7%, while CoF (calc.) declined ~5bp QoQ, leading to a ~5bp expansion in spreads. Reported NIM (including fee income) rose ~30bp QoQ. There was a healthy improvement in fee income (non-lumpy), which is expected to sustain.
- Borrowing costs declined ~5bp QoQ to ~7.8% and incremental CoF stood at ~8%. The management has guided that it expects the incremental CoF to remain stable at current levels over the next two quarters. We estimate NIM to expand to ~7.3%/7.4% in FY25/FY26 (vs. 7.2% in FY23).

## Key takeaways from the management commentary

- Central processing center (CPC) has gone live in ~50% of the branches and will go live in the remaining branches within the next few months.
- Guides for disbursement growth of ~14-15% and AUM growth of 18-20%. The company expects 1QFY25 to be muted because of ongoing elections but expects demand sentiment to improve after elections.
- MMFS management will strive for a base-case RoA of ~2.2%. This will come from a ~25bp increase in NII and fee income, a ~10bp decline in opex and a ~25bp moderation in credit costs.

## Valuation and View

- MMFS would hopefully now start demonstrating more predictability in its earnings performance. A strong liability franchise and deep moats in rural/semi-urban customer segments position MMFS well to reap the rewards of the hard work that is going into evolving this franchise.
- MMFS currently trades at 1.5x FY26E P/BV. Risk-reward is favorable for a PAT CAGR of ~40% over FY24-FY26E and FY26E RoA/RoE of 2.4%/17%. Maintain BUY with a revised TP of INR325 (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	24,372	25,163	27,947	29,344	30,349	31,535	33,733	35,471	1,06,826	1,31,088	35,706	-1
Interest Expenses	9,320	10,688	12,419	13,340	14,505	15,665	16,750	17,351	45,767	64,269	17,810	-3
<b>NII</b>	<b>15,052</b>	<b>14,475</b>	<b>15,528</b>	<b>16,004</b>	<b>15,844</b>	<b>15,870</b>	<b>16,983</b>	<b>18,121</b>	<b>61,059</b>	<b>66,818</b>	<b>17,896</b>	1
YoY Growth (%)	34.2	0.3	1.1	11.1	5.3	9.6	9.4	13.2	9.9	9.4	11.8	
Other income	614	930	969	1,223	905	870	1,172	1,590	3,735	4,537	1,468	8
<b>Net Total Income</b>	<b>15,666</b>	<b>15,405</b>	<b>16,496</b>	<b>17,227</b>	<b>16,750</b>	<b>16,740</b>	<b>18,155</b>	<b>19,710</b>	<b>64,794</b>	<b>71,355</b>	<b>19,363</b>	2
YoY Growth (%)	34.0	2.2	3.6	13.7	6.9	8.7	10.1	14.4	11.7	10.1	12.4	
Operating Expenses	6,208	6,768	6,513	7,786	6,750	7,312	7,530	7,980	27,276	29,572	8,285	-4
<b>Operating Profit</b>	<b>9,458</b>	<b>8,637</b>	<b>9,983</b>	<b>9,441</b>	<b>10,000</b>	<b>9,428</b>	<b>10,625</b>	<b>11,730</b>	<b>37,518</b>	<b>41,783</b>	<b>11,078</b>	6
YoY Growth (%)	26.3	-15.0	-6.0	5.1	5.7	9.2	6.4	24.2	0.7	11.4	17.3	
Provisions	6,453	1,985	1,551	4	5,264	6,266	3,284	3,415	9,992	18,228	1,201	184
<b>Profit before Tax</b>	<b>3,005</b>	<b>6,652</b>	<b>8,431</b>	<b>9,437</b>	<b>4,735</b>	<b>3,163</b>	<b>7,341</b>	<b>8,315</b>	<b>27,526</b>	<b>23,555</b>	<b>9,877</b>	-16
Tax Provisions	776	1,624	2,142	2,596	1,209	811	1,813	2,126	7,138	5,959	2,572	-17
<b>Net Profit</b>	<b>2,229</b>	<b>4,483</b>	<b>6,290</b>	<b>6,841</b>	<b>3,527</b>	<b>2,352</b>	<b>5,528</b>	<b>6,190</b>	<b>19,843</b>	<b>17,596</b>	<b>7,306</b>	-15
YoY Growth (%)	-114.6	-56.2	-29.6	13.9	58.2	-47.5	-12.1	-9.5	100.7	-11.3	6.8	
<b>Key Operating Parameters (%)</b>												
Yield on loans (Cal)	15.8	15.2	15.6	15.4	14.9	14.6	14.7	14.7	15.3	14.7		
Cost of funds (Cal)	6.5	6.8	7.2	7.3	7.5	7.6	7.8	7.8	7.0	8.0		
Spreads (Cal)	9.3	8.4	8.5	8.0	7.4	6.9	6.9	7.0	8.3	6.7		
Credit Cost (Cal)	3.9	1.1	0.8	0.0	2.5	2.8	1.4	1.4	1.4	2.0		
Cost to Income Ratio	39.6	43.9	39.5	45.2	40.3	43.7	41.48	40.49	42.1	41.4		
Tax Rate	25.8	24.4	25.4	27.5	25.5	25.6	24.7	25.6	25.9	25.3		
<b>Balance Sheet Parameters</b>												
Loans (INR B)	631	696	734	795	832	899	934	992	795	992		
Change YoY (%)	11.9	21.6	26.0	31.4	42.6	29.3	27.2	24.8	31.5	24.8		
Borrowings (INR B)	591	673	709	749	790	849	864	922	749	922		
Change YoY (%)	6.3	20.4	24.3	34.3	43.6	26.0	21.9	23.1	34.3	23.1		
Loans/Borrowings (%)	106.8	103.3	103.5	106.0	105.4	106.0	108.0	107.6	106.0	108		
Debt/Equity (x)	3.8	4.3	4.3	4.4	4.5	5.0	4.9	5.1	4.6	5.3		
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR B)	54.4	49.4	45.9	37.2	37.7	40.2	38.5	34.9	37.2	34.9		
Gross Stage 3 (% on Assets)	8.0	6.7	5.9	4.5	4.3	4.3	4.0	3.4	4.5	3.4		
NS 3 (INR B)	22.8	20.7	18.8	15.1	15.0	15.6	14.4	12.9	15.1	12.9		
Net Stage 3 (% on Assets)	3.5	2.9	2.5	1.9	1.8	1.7	1.5	1.3	1.9	1.3		
PCR (%)	58.1	58.2	59.0	59.5	66.9	61.2	62.7	63.2	59.5	63.2		
ECL (%)	6.8	5.7	5.0	4.0	4.0	4.0	3.8	3.3	4.7	3.8		
<b>Return Ratios (%)</b>												
ROAA	1.2	2.2	2.8	2.9	1.4	0.9	2.1	2.2	2.3	1.7		
ROAE	5.7	11.4	15.7	16.3	8.2	5.5	12.8	13.9	12.6	10.4		

E: MOFSL estimates

**Update on the Mizoram fraud; Process improvement being made**

- The fraud was detected in Aizawl branch, Mizoram. This was an isolated case of extreme collusion between Maker, Checker and Checker+ who connived with the dealerships and the bank employees. This was a rare instance of multiple stakeholders coming together to hoodwink the system.
- This fraud was detected since the AUM growth in FY24 from the Mizoram branch was unusually high. There was a triangulation of risk-based alerts, operational alerts and market insights. Fraud was identified across 2,887 accounts and ~INR1.37b of provisions have been made. MMFS expects recoveries after law enforcement agencies complete their investigation.
- This was an isolated event and the management double-checked at all its 1,300 branches pan-India and concluded that there is no evidence of a similar fraud anywhere else in the country.
- The company is on course to implement heightened due-diligence for customer on-boarding and centralized verification of customers. The implementation of centralized verification and due-diligence has been accelerated.

**Opex to remain elevated; expect ~10bp YoY decline in FY25**

- The opex-to-average assets ratio in 4QFY24 rose ~5bp QoQ to ~2.9% because of the company's transformation strategy (including technology investments). However, the cost-to-income ratio declined to ~41% (vs. 45% in 4QFY23).
- The management guides for a minor decline of ~10bp in the opex-to-average assets ratio in the foreseeable future because of various internal projects across people, process and technology. We expect the opex-to-average assets ratio of 2.7%/2.6% in FY25/FY26.

**Asset quality continued to improve, again aided by high write-offs**

- Healthy improvement was seen in asset quality, with GS3/NS3 declining ~60bp/25bp QoQ to ~3.4%/1.3%. Stage 2 declined ~1pp QoQ to ~5%. This resulted in 30+dpd declining to ~8.4%. MMFS increased S3 PCR by ~50bp QoQ to ~63.2%. Write-offs during the quarter stood at ~INR6b and exceeded the guided levels of ~INR3.0-3.5b per quarter. In 4QFY24, MMFS resorted to slightly higher customer settlements since it wanted to clean off its inventory of repossessed vehicles.
- The management shared that it targets for credit costs to decline ~25bp YoY in FY25. We model credit costs of 1.5%/1.4% in FY25E/FY26E.



## Highlights from the management commentary

### Guidance

- Lowered NIM guidance to ~7.0% from 7.5% earlier (working with levers on product mix, fee income and CoF).
- It will keep investing in tech/digital and distribution, branches, and manpower - Does not expect operating costs to decline significantly from the current levels
- Striving for a base-case RoA of ~2.2%. This will come from a ~25bp increase in NII and fee income, a ~10bp decline in opex, and a ~25bp decline in credit costs.
- Guides for a decline in the stage 3 provision coverage ratio in FY25.
- Targets AUM CAGR of ~17% over FY21-24; expects 1Q to be a bit muted but sentiment should improve after elections. Guides that 14-15% disbursement growth will result in 18-20% AUM growth.

### Equity Raise

- MMFS does not foresee the need to raise equity capital in FY24. However, it might look to raise equity capital in FY25.

### Update on Mizoram fraud

- Fraud detected in the Aizawl branch, Mizoram. Internal teams were equipped with external teams to engage with law enforcement agencies to investigate this fraud.
- This was an isolated case of extreme collusion between maker, checker and checker+. They connived with dealerships and bank employees. Many stakeholders coming together to hoodwink the system.
- 20+ MMFS employees and five dealerships were involved. Around 11 arrests have been made. All of them connived to get disbursements into dealer accounts and connived with bank employees to open company (MMFS) bank accounts.
- Fraud was detected since the AUM growth in FY24 from the Mizoram branch was unusually high. There was a triangulation of risk-based alerts, operational alerts, and market insights.
- Fraud was identified across 2,887 accounts and ~INR1.37b of provisions have been made. It expects recoveries after law enforcement agencies complete their investigation.
- This was an isolated event and the management double-checked at its 1,300 branches pan-India and concluded that there is no evidence of similar fraud anywhere else in the country.
- MMFS has a practice of engaging deeply with the RBI office. The company has been giving regular updates to the RBI on the investigation progress made in the fraud and the process improvements that it is making.

### Steps taken to improve processes and prevent repeat of such frauds

- Full-proof the system: MMFS is in the course of implementing heightened due-diligence for customer on-boarding and centralized verification of customers.
- Sourcing business on customer segments, which are within the risk guardrails and ensuring it has best-in-class collection practices.

- Stitched a central nervous system for centralized oversight on de-centralized decision making. The CPC has gone live for ~50% of branches and the rest will go live within the next few months.
- Mizoram state is exempt of IT - Centralized outfit to check for some of these localized practices. Put in place a special team to overcome some of these state-specific limitations/practices.
- Moving to a new organizational structure - Branch-led operations structure

### Performance Update

- Gained market share across all categories. Market share across quarters in tractors has remained stable.
- Overall SME decline is in line with guidance since it has vacated the high-ticket SME segment, where it used to compete with banks.

### Fee Income

- Making a lot of investments to boost various fee-based income. Some of the other income, in the subvention mode or insurance income, are slightly higher. Structurally, the organization will be eyeing opportunities for fee income.

### Opex

- There was only a rational increase in the employee headcount in FY24.
- Expects a ~10-15bp decline in opex. MMFS will not shy away from making investments in underwriting and fraud-detection teams. Looking at rolling out branch-head structure across all branches and will be looking to add 150-180 branches in the later part of the fiscal year.
- Addition of branches will not result in any steep increase in operating expenses.

### Asset Quality

- GS3 improved ~110bp YoY and declined to 3.4%.
- GS2 declined from 6% to 5% YoY.
- Credit costs stood at ~1.2% in 4QFY24 and ~1.7% in FY24. Credit costs in 4Q included ~INR1.36b provisions on Ambala fraud.
- Last five-year trends in provisions have been volatile. Over the last five years, the average provision cost was ~30bp and write-off was ~2.6%. Write-off has declined to 1.6% in FY24 (vs. 2.6% in FY23). It guided for write-offs to keep trending lower since it now has a lower pool of Stage 2+3 loans.
- PCR on S3 stood at 63.2% and total provision cover of 97.5% on Stage 3 assets
- Bad debt write-offs continued at the same pace over the last two quarters. In 4QFY24, it did resort to slightly higher amount of settlements - it wanted to clean off its yards for repossessed vehicles.
- GNPA (IRACP) was ~INR13.6b higher than Stage 3 (IRACP GNPA was ~1% higher than Stage 3).

### Branches

- At potential locations (attractive geographies), it will look to add 150 branches in FY24. Branches will be added in the second half of 3Q or in 4Q.

- The point of distribution is not just the branch but the dealership as well. It now has a presence across 5,000 dealerships and it has kept increasing its presence at the dealerships.

### **Tech and Risk Capabilities**

- Recruited 144 underwriting staff in FY24 and expects to add another 160 in FY25.
- On-boarded a fraud control unit head; 61 employees have joined the fraud control unit.

### **Liabilities and CoB**

- Diversifying the liability mix: There are no immediate signs of easing in CoB. The average incremental CoB stood at ~8% and is expected to remain the same in the near term. The company expects CoB to decline only in 2HFY25.
- MMFS is trying to exploit short borrowings (within the ambit of ALM) and PSL borrowings.
- Despite stable CoB, a ~25bp improvement in (NIM + Fee income) will come from the shift toward used vehicles and improvements in fee-based income.
- ~45% of the borrowings are floating and it will benefit in a declining rate environment from improvements in spreads.

### **Collections**

- Collection headcount has declined by ~5% because of the improvement in the prime customer mix and MMFS using various communication and legal tool kits.
- 

### **Cyber-Security Incident**

- Incapacitated for four days - temporary impact and it was able to bring back the system to full control; there was no significant customer inconvenience.

### **Collection efficiency declined YoY in Apr'24**

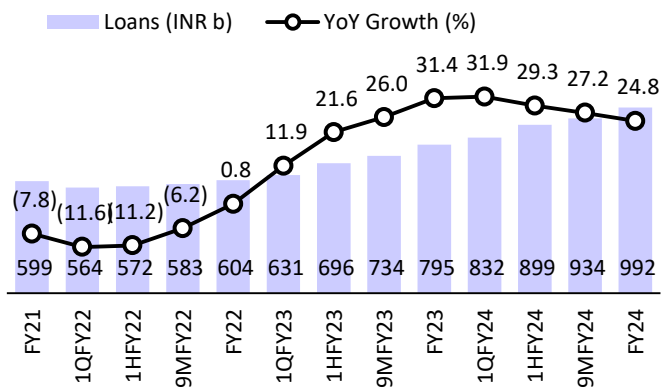
- This was because of elections in some states. In the last week of Apr'24, there were a bunch of holidays, which resulted in lower collection efficiencies.
- Expects 1QFY25 collection efficiency to be stable compared to 1QFY24.

### **Others**

- Relationship with parent MM is synergistic and not captive in nature. Products of MM are doing very well.
- Added ~20bp of pricing in 4Q; the PV segment has a sizeable proportion of prime customers and comes at a blended yield, which is lower than company yields. This is preventing yield expansion.

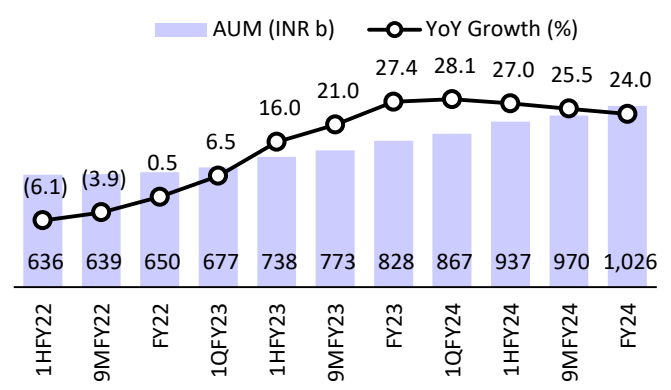
## Key exhibits

Exhibit 1: On-book loans grew ~25% YoY



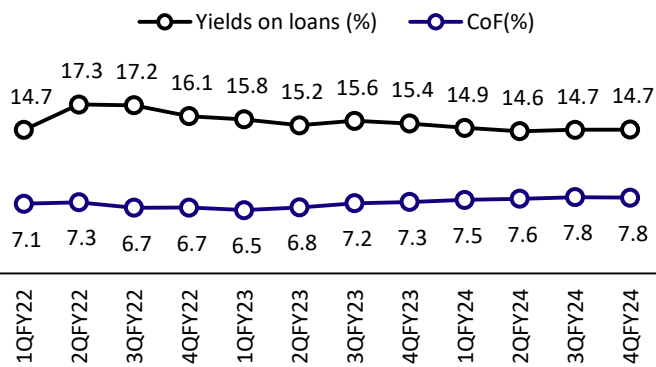
Source: MOFSL, Company

Exhibit 2: Business assets grew ~24% YoY



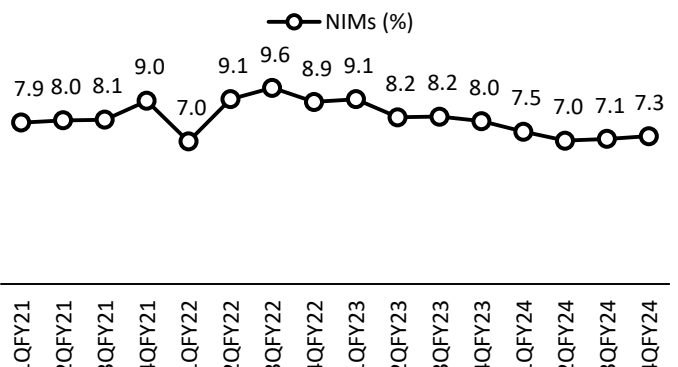
Source: MOFSL, Company

Exhibit 3: CoF declined ~5bp QoQ



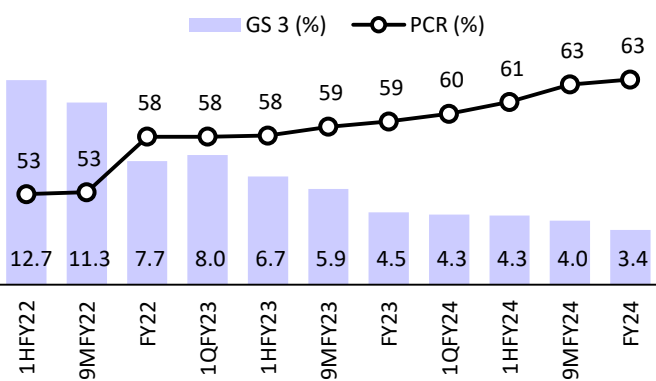
Source: MOFSL, Company, GS 3% on total assets

Exhibit 4: NIMs (calc.) expanded 15bp QoQ to 7.3



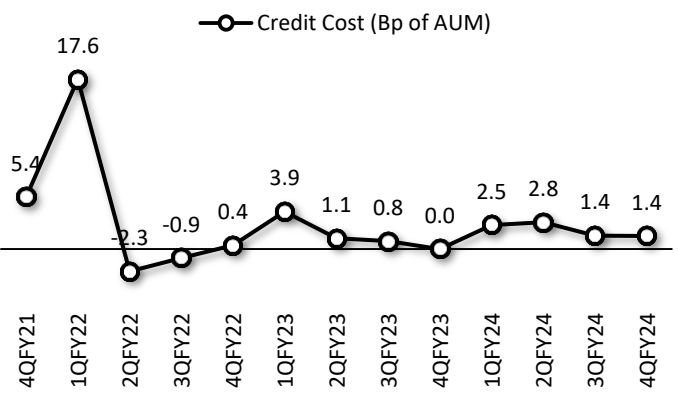
Source: MOFSL, Company

Exhibit 5: GS3 improved by ~60bp, PCR stable QoQ



Source: MOFSL, Company, GS 3% on total assets

Exhibit 6: Annualized credit costs in 4QFY24 stood at 1.4%



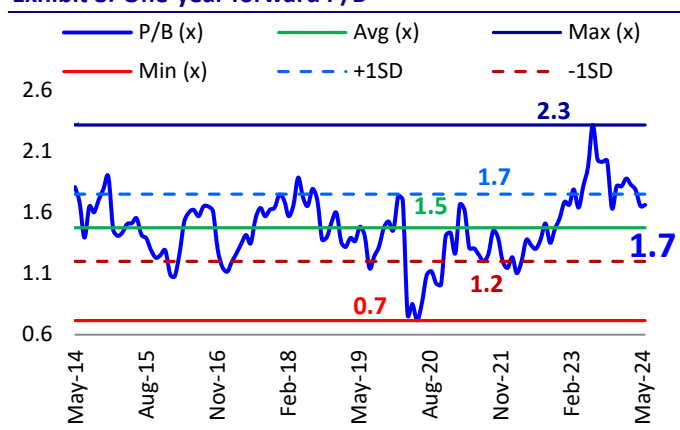
Source: MOFSL, Company



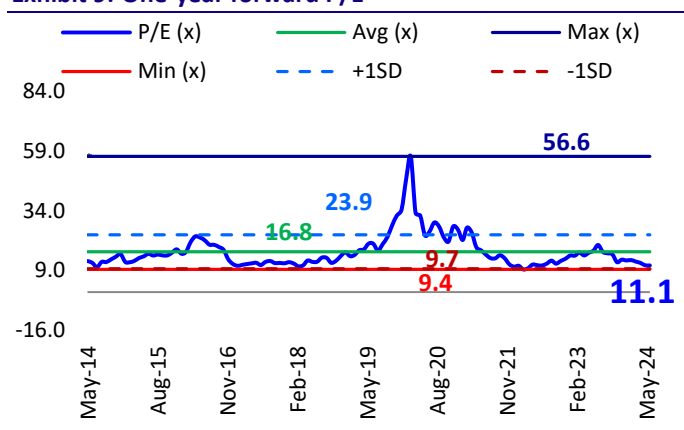
**Exhibit 7: Cut our FY25/FY26 EPS by ~2% each to factor lower other income and credit costs**

INR B	Old Est			New Est			% Change		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
NII (incl. Sec. Inc)	69.3	85.6	100.0	69.8	85.1	99.6	0.8	-0.6	-0.4
Other Income	1.8	2.4	3.0	1.6	2.1	2.6	-9.9	-13.2	-13.2
<b>Total Income</b>	<b>71.0</b>	<b>88.0</b>	<b>103.0</b>	<b>71.4</b>	<b>87.1</b>	<b>102.2</b>	<b>0.5</b>	<b>-1.0</b>	<b>-0.8</b>
Operating Expenses	29.9	33.2	36.7	29.6	33.6	37.5	-1.0	1.1	2.0
<b>Operating Profits</b>	<b>41.1</b>	<b>54.7</b>	<b>66.3</b>	<b>41.8</b>	<b>53.6</b>	<b>64.7</b>	<b>1.6</b>	<b>-2.2</b>	<b>-2.3</b>
Provisions	16.0	16.8	19.2	18.2	16.2	18.5	13.8	-3.3	-3.9
<b>PBT</b>	<b>25.1</b>	<b>38.0</b>	<b>47.0</b>	<b>23.6</b>	<b>37.3</b>	<b>46.2</b>	<b>-6.2</b>	<b>-1.7</b>	<b>-1.7</b>
Tax	6.4	9.7	12.0	6.0	9.5	11.8	-7.0	-1.7	-1.7
<b>PAT</b>	<b>18.7</b>	<b>28.3</b>	<b>35.1</b>	<b>17.6</b>	<b>27.8</b>	<b>34.4</b>	<b>-6.0</b>	<b>-1.7</b>	<b>-1.7</b>
Loans	991	1,167	1,339	992	1,163	1,350	0.1	-0.3	0.8
Borrowings	939	1,111	1,275	922	1,092	1,270	-1.8	-1.7	-0.4
Margins	7.2	7.4	7.5	7.2	7.3	7.4	0.2	-1.2	-1.3
Credit Cost	1.7	1.5	1.5	2.0	1.5	1.4	13.7	-3.2	-4.1
<b>RoA on AUM</b>	<b>1.8</b>	<b>2.2</b>	<b>2.4</b>	<b>1.7</b>	<b>2.2</b>	<b>2.4</b>	<b>-5.2</b>	<b>-0.3</b>	<b>-1.0</b>
<b>RoE</b>	<b>11.1</b>	<b>15.4</b>	<b>17.2</b>	<b>10.4</b>	<b>15.2</b>	<b>16.8</b>	<b>-5.7</b>	<b>-1.5</b>	<b>-2.3</b>

Source: MOFSL, Company

**Exhibit 8: One-year forward P/B**

Source: MOFSL, Company

**Exhibit 9: One-year forward P/E**

Source: MOFSL, Company



## Financials and valuations

Income Statement								INR m
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	86,146	99,417	1,02,670	94,756	1,06,826	1,31,088	1,60,883	1,88,846
Interest Expended	39,446	48,287	47,332	39,202	45,767	64,269	79,370	93,296
<b>Net Interest Income</b>	<b>46,700</b>	<b>51,130</b>	<b>55,338</b>	<b>55,554</b>	<b>61,059</b>	<b>66,818</b>	<b>81,513</b>	<b>95,550</b>
Change (%)	33.3	9.5	8.2	0.4	9.9	9.4	22.0	17.2
Other Operating Income	1,084	1,561	1,283	1,824	2,462	2,954	3,545	4,076
Other Income	869	1,473	1,277	608	1,273	1,583	2,058	2,572
<b>Net Income</b>	<b>48,653</b>	<b>54,164</b>	<b>57,897</b>	<b>57,986</b>	<b>64,794</b>	<b>71,355</b>	<b>87,115</b>	<b>1,02,198</b>
Change (%)	35.0	11.3	6.9	0.2	11.7	10.1	22.1	17.3
Operating Expenses	18,476	20,182	16,325	20,734	27,276	29,572	33,562	37,482
<b>Operating Profits</b>	<b>30,177</b>	<b>33,982</b>	<b>41,573</b>	<b>37,252</b>	<b>37,518</b>	<b>41,783</b>	<b>53,553</b>	<b>64,716</b>
Change (%)	39.1	12.6	22.3	-10.4	0.7	11.4	28.2	20.8
Provisions	6,352	20,545	37,348	23,683	9,992	18,228	16,210	18,475
<b>PBT</b>	<b>23,824</b>	<b>13,438</b>	<b>4,224</b>	<b>13,569</b>	<b>27,526</b>	<b>23,555</b>	<b>37,343</b>	<b>46,241</b>
<b>Tax</b>	<b>8,254</b>	<b>4,374</b>	<b>873</b>	<b>3,682</b>	<b>7,138</b>	<b>5,959</b>	<b>9,522</b>	<b>11,791</b>
Tax Rate (%)	34.6	32.5	20.7	27.1	25.9	25.3	25.5	25.5
<b>PAT</b>	<b>15,571</b>	<b>9,064</b>	<b>3,352</b>	<b>9,888</b>	<b>19,843</b>	<b>17,596</b>	<b>27,820</b>	<b>34,450</b>
Change (%)	54.0	-41.8	-63.0	195.0	100.7	-11.3	58.1	23.8
Proposed Dividend (Incl Tax)	4,779	0	986	4,439	7,402	7,777	8,638	9,818

Balance Sheet								INR m
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	1,230	1,231	2,464	2,466	2,467	2,469	2,469	2,469
Reserves & Surplus (Ex OCI)	1,03,072	1,12,408	1,43,666	1,49,376	1,61,020	1,71,329	1,90,511	2,15,143
<b>Net Worth</b>	<b>1,04,221</b>	<b>1,13,558</b>	<b>1,46,049</b>	<b>1,51,761</b>	<b>1,63,488</b>	<b>1,73,798</b>	<b>1,92,980</b>	<b>2,17,612</b>
Other Comprehensive Income	81	81	81	81	81	81	81	81
<b>Net Worth</b>	<b>1,04,302</b>	<b>1,13,639</b>	<b>1,46,130</b>	<b>1,51,842</b>	<b>1,63,568</b>	<b>1,73,879</b>	<b>1,93,061</b>	<b>2,17,693</b>
Change (%)	11.8	9.0	28.6	3.9	7.7	6.3	11.0	12.8
<b>Borrowings</b>	<b>5,28,469</b>	<b>5,94,623</b>	<b>5,85,767</b>	<b>5,58,139</b>	<b>7,49,459</b>	<b>9,22,252</b>	<b>10,92,219</b>	<b>12,69,715</b>
Change (%)	31.8	12.5	-1.5	-4.7	34.3	23.1	18.4	16.3
Other liabilities	38,009	32,451	38,469	42,906	49,219	55,542	61,652	68,434
<b>Total Liabilities</b>	<b>6,70,780</b>	<b>7,40,712</b>	<b>7,70,365</b>	<b>7,52,887</b>	<b>9,62,166</b>	<b>11,51,592</b>	<b>13,46,851</b>	<b>15,55,761</b>
Investments	37,917	59,110	1,16,073	84,403	99,886	96,508	1,08,089	1,21,060
Change (%)	38.7	55.9	96.4	-27.3	18.3	-3.4	12.0	12.0
<b>Loans and Advances</b>	<b>6,12,496</b>	<b>6,49,935</b>	<b>5,99,474</b>	<b>6,04,446</b>	<b>7,94,547</b>	<b>9,91,952</b>	<b>11,63,214</b>	<b>13,49,708</b>
Change (%)	26.2	6.1	-7.8	0.8	31.5	24.8	17.3	16.0
Other assets	20,367	31,668	54,818	64,038	67,732	63,132	75,549	84,993
<b>Total Assets</b>	<b>6,70,780</b>	<b>7,40,712</b>	<b>7,70,365</b>	<b>7,52,887</b>	<b>9,62,165</b>	<b>11,51,592</b>	<b>13,46,851</b>	<b>15,55,761</b>

E: MOFSL Estimates

## Financials and valuations

Ratios	(%)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Spreads Analysis (%)</b>								
Yield on Portfolio	15.7	15.8	16.4	15.7	15.3	14.7	14.9	15.0
Cost of Borrowings	8.5	8.6	8.0	6.9	7.0	8.0	8.0	8.0
Interest Spread	7.2	7.2	8.4	8.9	8.3	6.7	6.9	7.0
Net Interest Margin	8.1	7.8	8.3	8.6	8.3	7.2	7.3	7.4
<b>Profitability Ratios (%)</b>								
Cost/Income	38.0	37.3	28.2	35.8	42.1	41.4	38.5	36.7
Empl. Cost/Op. Exps.	59.0	56.9	62.2	56.5	58.1	57.9	58.2	58.3
RoE	15.8	8.3	2.6	6.6	12.6	10.4	15.2	16.8
RoA	2.6	1.3	0.4	1.3	2.3	1.7	2.2	2.4
<b>Asset Quality (%)</b>								
GNPA	40,706	57,467	57,857	49,760	37,168	34,910	38,687	43,321
NNPA	32,907	39,665	24,339	20,860	15,071	12,860	15,861	18,628
GNPA %	6.4	8.4	9.0	7.7	4.5	3.4	3.2	3.1
NNPA %	5.3	6.0	4.1	3.5	1.9	1.3	1.3	1.4
PCR %	19.2	31.0	57.9	58.1	59.5	63.2	59.0	57.0
Total Provisions/loans %	3.4	4.9	7.4	7.5	4.7	3.8	3.4	3.2
<b>Capitalisation (%)</b>								
CAR	20.3	19.6	26.0	27.8	22.5	18.1	16.9	16.3
Tier I	15.5	15.4	22.2	24.3	19.9	16.3	15.5	15.2
Tier II	4.8	4.2	3.8	3.5	2.7	1.8	1.4	1.1
Average Leverage on Assets (x)	6.1	6.5	5.8	5.1	5.4	6.3	6.8	7.1
<b>Valuation</b>								
Book Value (INR)	169	185	119	123	133	141	156	176
BV Growth (%)	11.7	8.9	-35.8	3.8	7.7	6.2	11.0	12.8
<b>Price-BV (x)</b>	<b>1.5</b>	<b>1.4</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>	<b>1.8</b>	<b>1.7</b>	<b>1.5</b>
Adjusted BV (INR)	132	136	104	110	123	134	147	166
<b>Price-ABV (x)</b>	<b>2.0</b>	<b>1.9</b>	<b>2.5</b>	<b>2.4</b>	<b>2.1</b>	<b>1.9</b>	<b>1.8</b>	<b>1.6</b>
OPS (INR)	49.1	55.2	33.7	30.2	30.4	33.8	43.4	52.4
OPS Growth (%)	39.0	12.5	-38.9	-10.5	0.7	11.3	28.2	20.8
<b>Price-OP (x)</b>	<b>5.3</b>	<b>4.7</b>	<b>7.7</b>	<b>8.6</b>	<b>8.5</b>	<b>7.7</b>	<b>6.0</b>	<b>5.0</b>
EPS (INR)	25.3	14.7	2.7	8.0	16.1	14.3	22.5	27.9
EPS Growth (%)	53.9	-41.8	-81.5	194.8	100.6	-11.4	58.1	23.8
<b>Price-Earnings (x)</b>	<b>10.3</b>	<b>17.7</b>	<b>95.6</b>	<b>32.4</b>	<b>16.2</b>	<b>18.2</b>	<b>11.5</b>	<b>9.3</b>
Dividend	6.5	0.0	0.8	3.6	6.0	6.3	7.0	8.0
<b>Dividend Yield (%)</b>	<b>2.5</b>	<b>0.0</b>	<b>0.3</b>	<b>1.4</b>	<b>2.3</b>	<b>2.4</b>	<b>2.7</b>	<b>3.1</b>

E: MOFSL Estimates

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