

# M&M Financial Services (MMFS) BUY

NIMs declined; Asset quality improved

## Summary

MMFS' NIMs declined by 10bps QoQ led by decline in yield on assets. Management guided for NIMs to improve from here on with positive impact of rate cut on cost of funds. Asset quality improved with GS3 at 3.7% vs 3.9% QoQ led by higher write offs. Q4 generally is strong quarter with respect to collections. AUM growth slowed down to 17% YoY (19% YoY Q3FY25) led by lower disbursements; we expect 16% CAGR over FY25-27E. NII grew by 12% YoY led by decline in NIMs. PPop grew by 3% YoY led by lower other income (down 79% YoY). PAT declined by 32% YoY led by higher provisions (up 88% YoY). Thus, RoA declined to 1.7% (Q4FY25) vs 2.8% (Q3FY25) as against guidance of 1.8-2.0% FY25. We have largely maintained our estimates and maintain BUY with target price of Rs.325 valuing it at 1.8X FY27E ABV.

## Key Highlights and Investment Rationale

- **Slower disbursements growth:** AUM growth slowed down to 17% YoY as against 19% YoY (Q3FY25) led by lower disbursements growth (up 2% YoY). Disbursement growth subdued due to lower vehicle sales. Management guided for mid to high teen growth in medium to long term.
- **NIMs surprised negatively:** Gross spread declined by 10bps QoQ to 6.5% led by decline in yield on assets. Management guided for improvement in NIM led by improving income based line items along with lower cost of funds.
- **Asset quality improved QoQ:** GS3 at 3.7% vs 3.9% QoQ led by higher write offs. Further, during Q4FY25 stage 2 assets declined to 5.4% vs 6.3% QoQ due to better collection efficiency.
- **Outlook:** Asset quality volatility historically has been the concern for the company; however, management has taken steps to bring the stability over the period. Rural economy growth is expected to improve with better rainfall and steps by the government which should support MMFS financials.

**TP** **Rs 325**  
**CMP** **Rs277**

Potential upside/downside 17%  
Previous Rating BUY

## Price Performance (%)

|               | -1m   | -3m | -12m  |
|---------------|-------|-----|-------|
| Absolute      | (4.9) | 4.2 | (0.6) |
| Rel to Sensex | (8.4) | 0.0 | (8.7) |

## V/s Consensus

| EPS (Rs)     | FY26E | FY27E |
|--------------|-------|-------|
| IDBI Capital | 22.0  | 26.7  |
| Consensus    | 22.0  | 25.8  |
| % difference | 0.2   | 3.5   |

## Key Stock Data

|                                 |                 |
|---------------------------------|-----------------|
| Bloomberg / Reuters             | MMFS IN/MMFS.BO |
| Sector                          | NBFC            |
| Shares o/s (mn)                 | 1,236           |
| Market cap. (Rs mn)             | 342,365         |
| 3-m daily avg Trd value (Rs mn) | 34.3            |
| 52-week high / low              | Rs343 / 242     |
| Sensex / Nifty                  | 79,596 / 24,167 |

## Shareholding Pattern (%)

|           |      |
|-----------|------|
| Promoters | 52.2 |
| FII       | 10.7 |
| DII       | 31.3 |
| Public    | 5.8  |

## Financial snapshot

| Year            | FY2023 | FY2024 | FY2025 | FY2026E | FY2027E  |
|-----------------|--------|--------|--------|---------|----------|
| NII             | 61,059 | 66,818 | 81,052 | 95,085  | 1,10,055 |
| Change (yoy, %) | 10%    | 9%     | 21%    | 17%     | 16%      |
| Net Profit      | 19,843 | 17,596 | 23,450 | 27,212  | 32,953   |
| Change (yoy, %) | 101%   | -11%   | 33%    | 16%     | 21%      |
| EPS (Rs)        | 16.1   | 14.3   | 19.0   | 22.0    | 26.7     |
| Change (yoy, %) | 101%   | -11%   | 33%    | 16%     | 21%      |
| ABV (Rs)        | 131    | 141    | 148    | 165     | 184      |
| PER (x)         | 17     | 19     | 15     | 13      | 10       |
| P/ABV (x)       | 2.1    | 2.0    | 1.9    | 1.7     | 1.5      |
| ROE (%)         | 12.1   | 10.0   | 12.4   | 13.0    | 14.2     |
| ROA (%)         | 2.3    | 1.7    | 1.9    | 1.9     | 2.0      |
| GNPA (%)        | 4.5    | 3.4    | 3.7    | 3.5     | 3.5      |
| NNPA (%)        | 1.9    | 1.3    | 1.8    | 1.6     | 1.6      |
| CAR (%)         | 22.5   | 18.9   | 18.3   | 16.7    | 16.3     |

Source: IDBI Capital Research

## Bunty Chawla

Bunty.chawla@idbicapital.com  
+91-22-4069 1843

## Shreejit Nair

Shreejit.nair@idbicapital.com  
+91-22-4069 1819

## Conference Call Highlights

### Operational Performance

- NIMs saw some compression in Q4FY25 and FY25 due to a rise in the cost of funds and a marginal decline in yields.
- The company has tie-ups with 10 insurance companies, the benefit of which is reflected in fee-based income.
- The sequential drop in yields in Q4 was a one-off, on account of a reset in loan origination and management systems. The company shifted the interest rate calibration from the date of agreement to the date of disbursement.
- Disbursements have seen a CAGR of 17%, while the headcount has remained flat for the last three years.
- Operating expenses increased sequentially by 10 bps in Q4 but declined by 10 bps YoY to 2.7%.

### Loan Portfolio and Borrowings

- The SME business is seeing early benefits in terms of disbursements due to Project Udaan. The company launched digital onboarding on a pilot basis, while the entire collection stack has gone live.
- Most OEMs have provided positive commentary on the tractor business.
- The SUV business within PV is expected to see a disproportionate increase compared to the rest of the PV segment, and the company sees opportunities in this sub-segment.
- The pre-owned vehicle segment comprises top-up loans within existing customer segments and open market channels, including dealer-broker and aggregator communities.
- The management remains cognizant of the competitive intensity in the wheels business from banks and other NBFCs.
- The company expects to capture a decent share of the EV financing market, which will compensate for the low IRR it currently offers. However, growth in this segment will not come at any cost.
- Some incremental borrowings raised last year are beginning to benefit from the rate cut cycle.

- Most borrowings are on floating rates, while 40–45% of the loan book is fixed-rate.
- The LAP business is operated from approximately 150 branches.
- SME and LAP businesses will remain concentrated in select hotspots across the country.

#### **Asset Quality**

- Non-cash collections have increased from 69% last year to 77% this year.
- The company will continue to focus on collections, underwriting, and risk control measures.
- Adequate provisions were made for MHRL, and the business is expected to undergo a course correction.
- The company typically settles more cases in Q4, resulting in higher slippages during the quarter.
- The collections workforce has been reorganized to be more product-specific, with a team focused on early-bucket collections.

#### **Future Outlook**

- The company has a calibrated plan to grow its non-wheels business going forward.
- Margins, having hit a rock bottom of 6.5%, are expected to improve.
- Despite its dependence on the wheels business, the company foresees growth opportunities across all wheel-related segments in the coming year.
- The company is targeting mid-to-high teen growth over the next 3–5 years.
- Fee income is expected to improve further, aided by a corporate agency license and growth in the leasing business.
- Growth in the tractor segment is expected to support NIMs in the coming quarters.
- The company aims to increase the share of the pre-owned vehicle segment to over 20%, from the current 13%.
- Operating expenses are expected to remain in the 2.5–2.7% range.

- The non-wheels business (SME, leasing, and mortgages) is expected to constitute 25% of the total AUM in the next 3–5 years.
- Credit costs, including end losses and provisions, are expected to be maintained in the range of 1.3–1.7% over the medium to long term.

**Exhibit 1: Quarterly Snapshot (Rs mn)**

| Year-end: March            | Q4FY25        | Q4FY24        | Q3FY25        | YoY (%)        | QoQ (%)        |
|----------------------------|---------------|---------------|---------------|----------------|----------------|
| Interest Income            | 42,408        | 36,540        | 41,430        | 16.1           | 2.4            |
| Interest Expenses          | 20,896        | 17,351        | 20,459        | 20.4           | 2.1            |
| <b>Net Interest Income</b> | <b>21,512</b> | <b>19,190</b> | <b>20,971</b> | <b>12.1</b>    | <b>2.6</b>     |
| <b>NIM (%)</b>             | <b>6.5</b>    | <b>7.1</b>    | <b>6.6</b>    | <b>-60 bps</b> | <b>-10 bps</b> |
| Non-Interest Income        | 43            | 521           | 14            | -91.8          | 208.6          |
| <b>Operating Income</b>    | <b>21,555</b> | <b>19,710</b> | <b>20,985</b> | <b>9.4</b>     | <b>2.7</b>     |
| Staff Cost                 | 4,976         | 4,243         | 4,892         | 17.3           | 1.7            |
| Other Op Exp               | 4,452         | 3,737         | 3,876         | 19.1           | 14.8           |
| Total Operating Expenses   | 9,427         | 7,980         | 8,768         | 18.1           | 7.5            |
| <i>Cost to Income (%)</i>  | <i>43.7</i>   | <i>40.5</i>   | <i>41.8</i>   | <i>325 bps</i> | <i>195 bps</i> |
| <i>Cost to AUM (%)</i>     | <i>3.2</i>    | <i>3.1</i>    | <i>3.0</i>    | <i>4 bps</i>   | <i>10 bps</i>  |
| <b>Operating Profit</b>    | <b>12,128</b> | <b>11,730</b> | <b>12,217</b> | <b>3.4</b>     | <b>-0.7</b>    |
| Provisions                 | 4,571         | 3,415         | 91            | 33.9           | 4,901.1        |
| <i>Credit Cost (%)</i>     | <i>1.5</i>    | <i>1.3</i>    | <i>0.0</i>    | <i>20 bps</i>  | <i>150 bps</i> |
| <b>PBT</b>                 | <b>7,557</b>  | <b>8,315</b>  | <b>12,126</b> | <b>-9.1</b>    | <b>-37.7</b>   |
| Tax                        | 1,925         | 2,126         | 3,131         | -9.4           | -38.5          |
| <i>-effective tax rate</i> | <i>25.5</i>   | <i>25.6</i>   | <i>25.8</i>   | <i>-8 bps</i>  | <i>-34 bps</i> |
| <b>PAT</b>                 | <b>5,631</b>  | <b>6,190</b>  | <b>8,995</b>  | <b>-9.0</b>    | <b>-37.4</b>   |
| EPS (Rs)                   | 4.6           | 5.0           | 7.3           | -9.1           | -37.4          |
| BV (Rs)                    | 160.4         | 147.1         | 155.6         | 9.1            | 3.1            |
| AUM                        | 11,96,730     | 10,25,970     | 11,51,260     | 16.6           | 3.9            |
| Disbursement               | 1,55,300      | 1,52,920      | 1,64,670      | 1.6            | -5.7           |

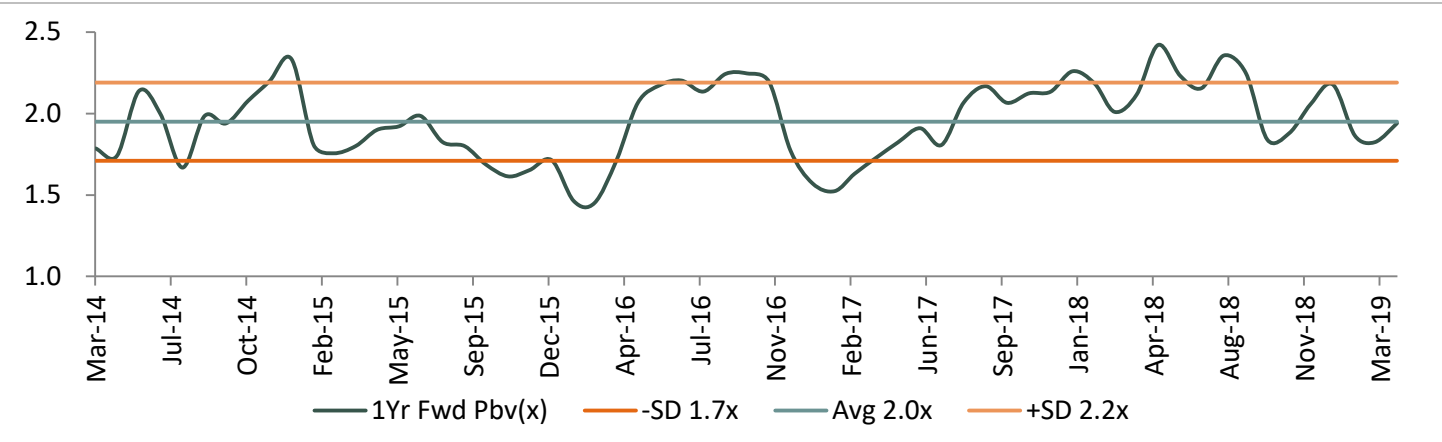
Source: Company; IDBI Capital Research

**Exhibit 2: ROE Decomposition**

| (%)          | FY23        | FY24        | FY25        | FY26E       | FY27E       |
|--------------|-------------|-------------|-------------|-------------|-------------|
| NII          | 7.1         | 6.3         | 6.5         | 6.5         | 6.6         |
| Fees         | 0.3         | 0.3         | 0.1         | 0.1         | 0.1         |
| Other Income | 0.1         | 0.1         | 0.0         | 0.0         | 0.0         |
| Net Revenue  | 7.6         | 6.8         | 6.5         | 6.6         | 6.7         |
| Op. Exp      | 3.2         | 2.8         | 2.7         | 2.6         | 2.6         |
| Op. Profit   | 4.4         | 4.0         | 3.8         | 4.0         | 4.1         |
| Provisions   | 1.2         | 1.7         | 1.3         | 1.5         | 1.5         |
| PBT          | 3.2         | 2.2         | 2.5         | 2.5         | 2.6         |
| Tax          | 0.8         | 0.6         | 0.6         | 0.6         | 0.7         |
| <b>PAT</b>   | <b>2.4</b>  | <b>1.7</b>  | <b>1.9</b>  | <b>1.9</b>  | <b>2.0</b>  |
| Leverage (x) | 5.2         | 6.0         | 6.6         | 7.0         | 7.2         |
| <b>ROE</b>   | <b>12.5</b> | <b>10.0</b> | <b>12.4</b> | <b>13.0</b> | <b>14.2</b> |

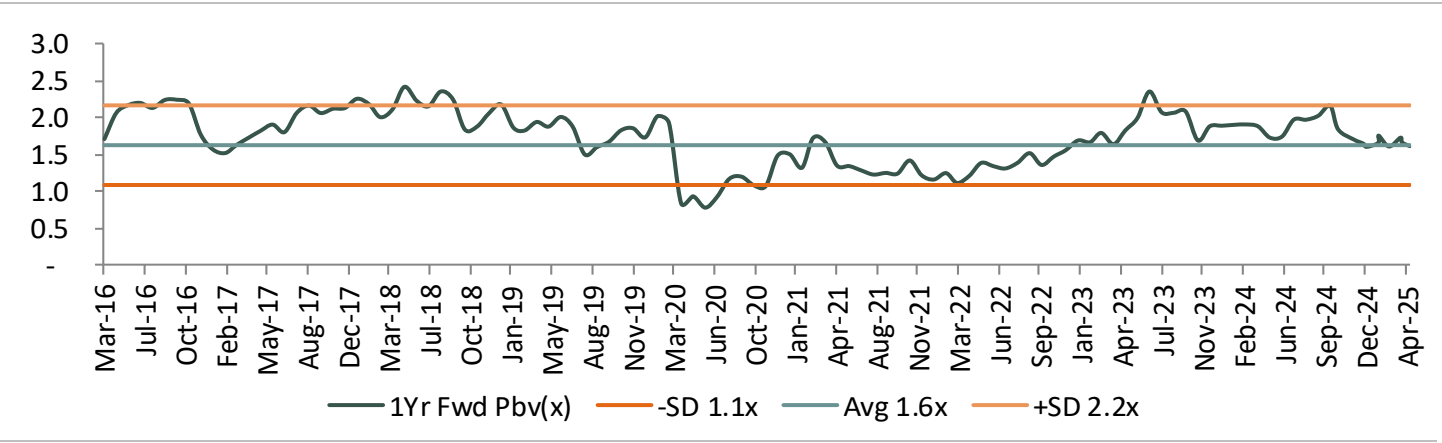
Source: Company; IDBI Capital Research

Exhibit 3: One-year forward P/BV (FY14-19)

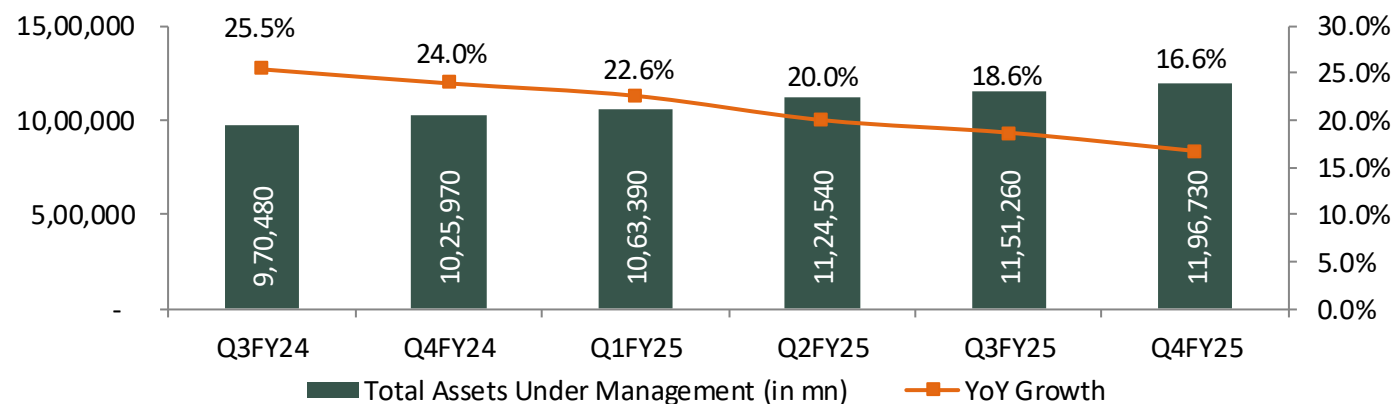


Source: Company; IDBI Capital Research

Exhibit 4: One-year forward P/BV (FY15-25)



Source: Company; IDBI Capital Research

**Exhibit 5: YoY AUM Growth slowed down on a sequential basis**

Source: Company; IDBI Capital Research

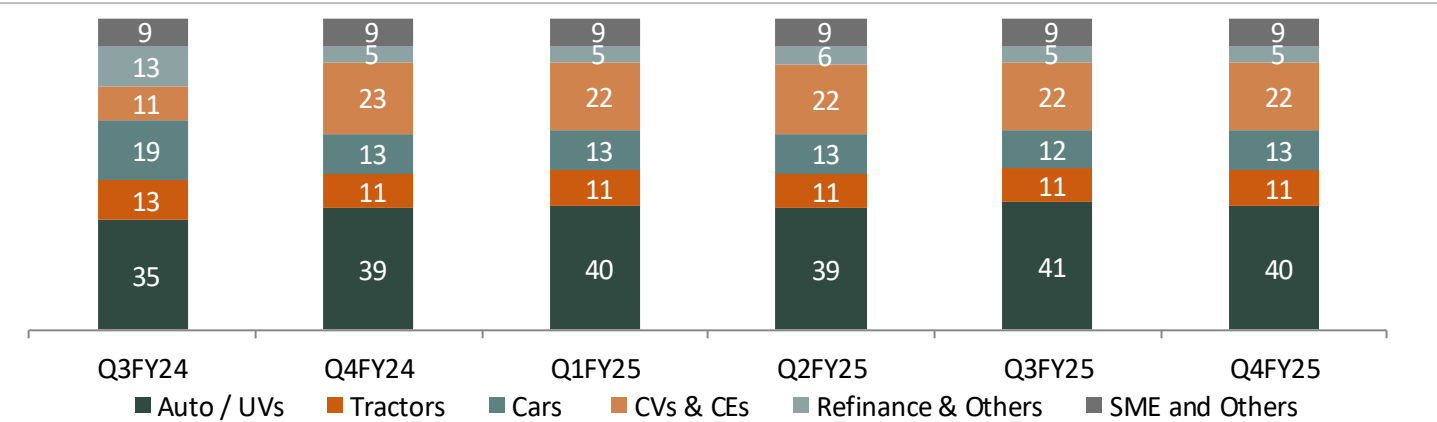
**Exhibit 6: AUM Composition (In Mn)**

| Product Wise Advances (In Mn) | Q4FY25           | Q4FY24           | Q3FY25           | YoY (%)     | QoQ (%)    |
|-------------------------------|------------------|------------------|------------------|-------------|------------|
| Auto / UVs                    | 4,78,692         | 4,00,128         | 4,72,017         | 19.6        | 1.4        |
| Tractors                      | 1,31,640         | 1,12,857         | 1,26,639         | 16.6        | 3.9        |
| Cars                          | 1,55,575         | 1,33,376         | 1,38,151         | 16.6        | 12.6       |
| CVs & CEs                     | 2,63,281         | 2,35,973         | 2,53,277         | 11.6        | 3.9        |
| Refinance & Others            | 59,837           | 51,299           | 57,563           | 16.6        | 3.9        |
| SME and Others                | 1,07,706         | 92,337           | 1,03,613         | 16.6        | 3.9        |
| <b>Total AUM</b>              | <b>11,96,730</b> | <b>10,25,970</b> | <b>11,51,260</b> | <b>16.6</b> | <b>3.9</b> |

Source: Company; IDBI Capital Research

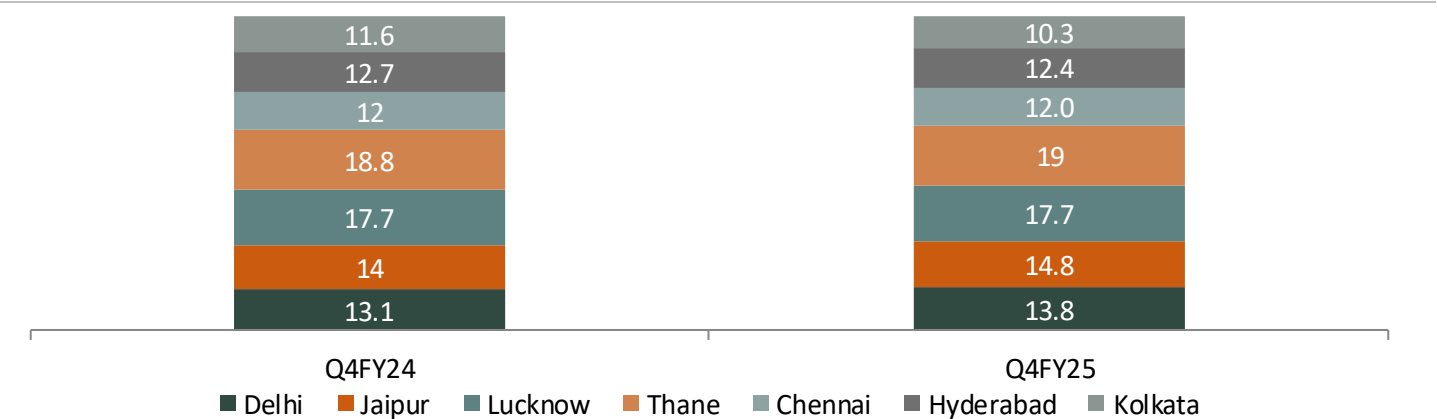


Exhibit 7: AUM Mix-Product Category Wise

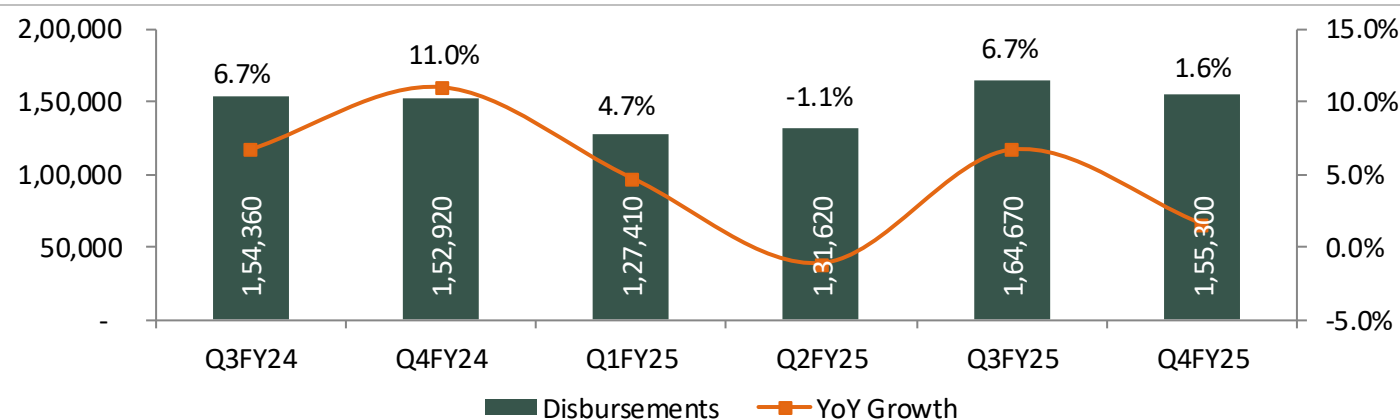


Source: Company; IDBI Capital Research

Exhibit 8: AUM Mix-Geographical Mix Wise (new classification)



Source: Company; IDBI Capital Research

**Exhibit 9: Disbursement Growth slowed on a quarterly basis**

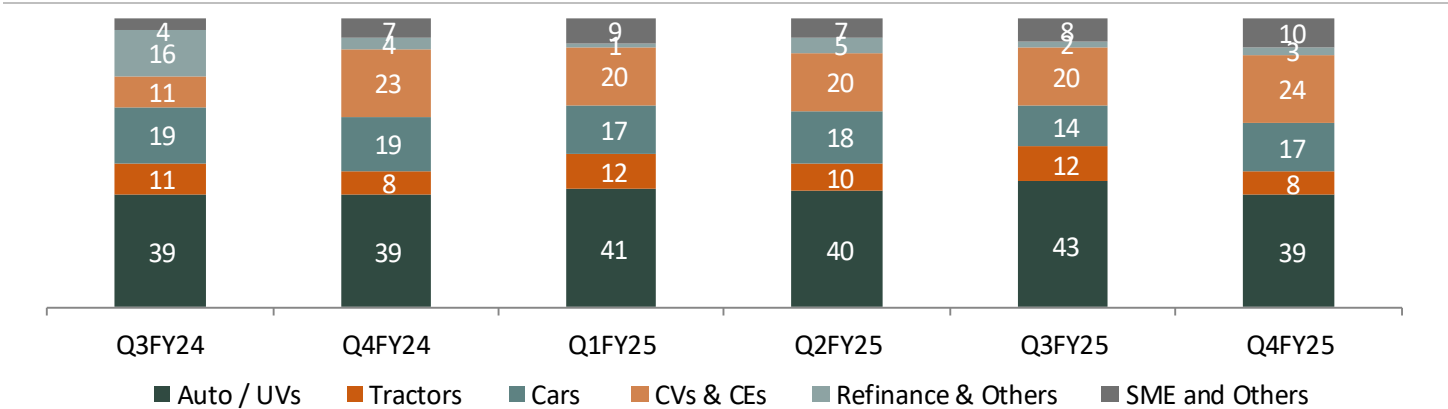
Source: Company; IDBI Capital Research

**Exhibit 10: Disbursement Mix- Product Wise Composition (In Mn)**

| Product Wise Disbursement (In Mn) | Q4FY25          | Q4FY24          | Q3FY25          | YoY (%)    | QoQ (%)      |
|-----------------------------------|-----------------|-----------------|-----------------|------------|--------------|
| Auto / UVs                        | 60,210          | 59,639          | 70,808          | 1.0        | (15.0)       |
| Tractors                          | 12,480          | 12,234          | 19,760          | 2.0        | (36.8)       |
| Cars                              | 26,120          | 29,055          | 23,054          | (10.1)     | 13.3         |
| CVs & CEs                         | 36,520          | 35,172          | 33,346          | 3.8        | 9.5          |
| Refinance & Others                | 4,020           | 6,117           | 3,293           | (34.3)     | 22.1         |
| SME and Others                    | 15,950          | 10,704          | 13,174          | 49.0       | 21.1         |
| <b>Total AUM</b>                  | <b>1,55,300</b> | <b>1,52,920</b> | <b>1,63,435</b> | <b>1.6</b> | <b>(5.0)</b> |

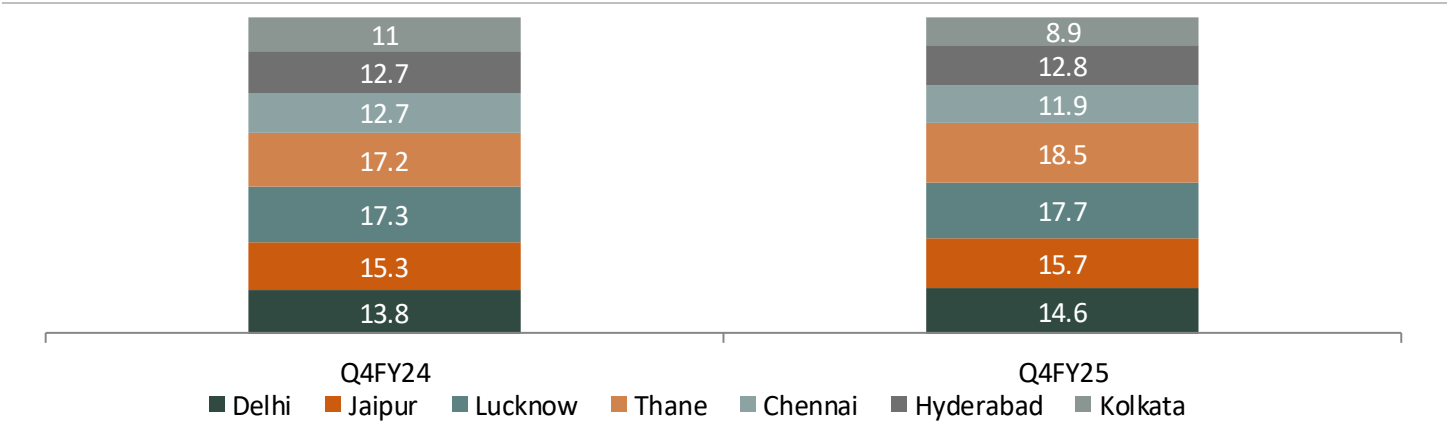
Source: Company; IDBI Capital Research

Exhibit 11: Disbursement Mix-Product Category Wise

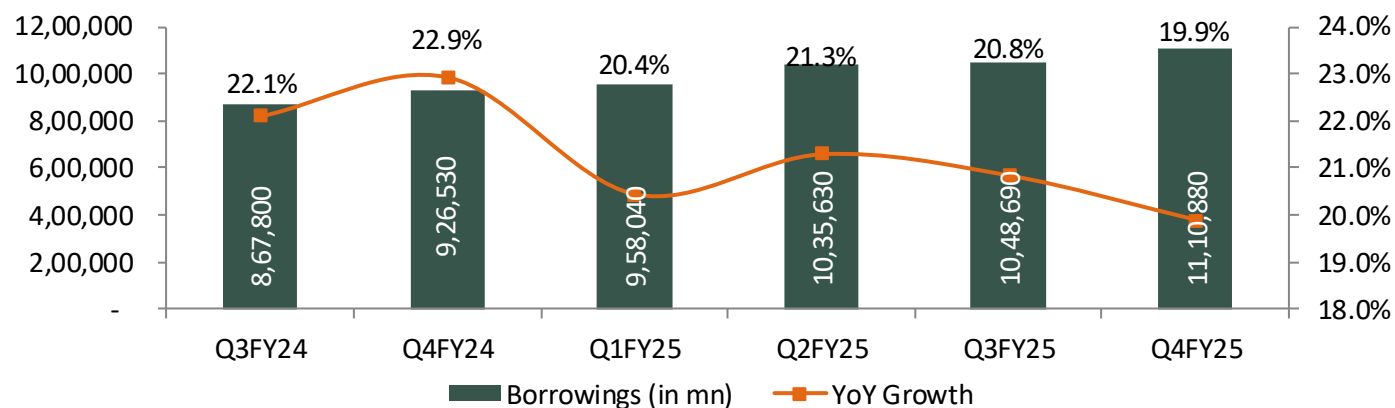


Source: Company; IDBI Capital Research

Exhibit 12: Disbursement Mix-Geographical Mix Wise (new classification)



Source: Company; IDBI Capital Research

**Exhibit 13: Borrowings Growth remained strong**

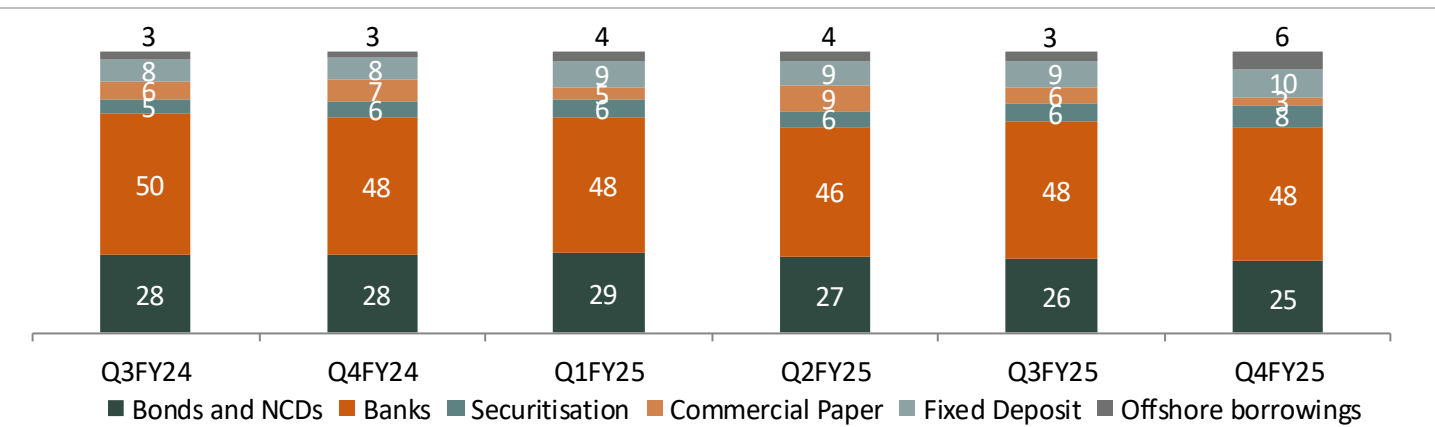
Source: Company; IDBI Capital Research

**Exhibit 14: Borrowing Mix-Product Wise Composition (In Mn)**

| Borrowing Mix-Product Wise(In Mn) | Q4FY25           | Q4FY24          | Q3FY25           | YoY (%)     | QoQ (%)    |
|-----------------------------------|------------------|-----------------|------------------|-------------|------------|
| Bonds and NCDs                    | 2,82,970         | 2,59,030        | 2,77,540         | 9.2         | 2.0        |
| Banks                             | 5,29,040         | 4,48,580        | 5,06,690         | 17.9        | 4.4        |
| Securitisation                    | 87,210           | 55,920          | 67,520           | 56.0        | 29.2       |
| Commercial Paper                  | 32,020           | 67,400          | 64,810           | (52.5)      | (50.6)     |
| Fixed Deposit                     | 1,09,260         | 71,970          | 96,500           | 51.8        | 13.2       |
| Offshore borrowings               | 70,370           | 23,630          | 35,650           | 197.8       | 97.4       |
| <b>Total</b>                      | <b>11,10,870</b> | <b>9,26,530</b> | <b>10,48,710</b> | <b>19.9</b> | <b>5.9</b> |

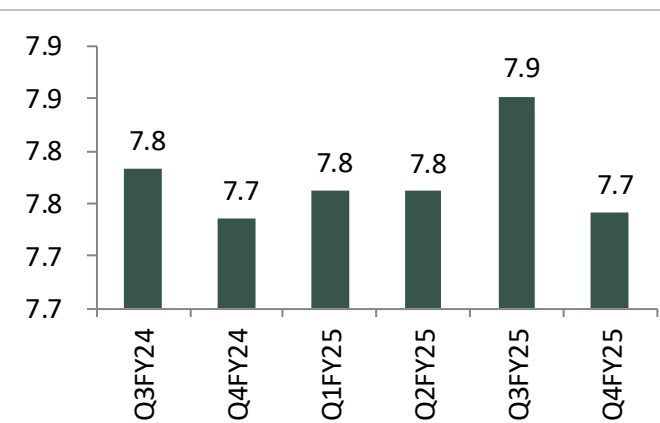
Source: Company; IDBI Capital Research

Exhibit 15: Borrowing Mix-Instrument Mix Wise



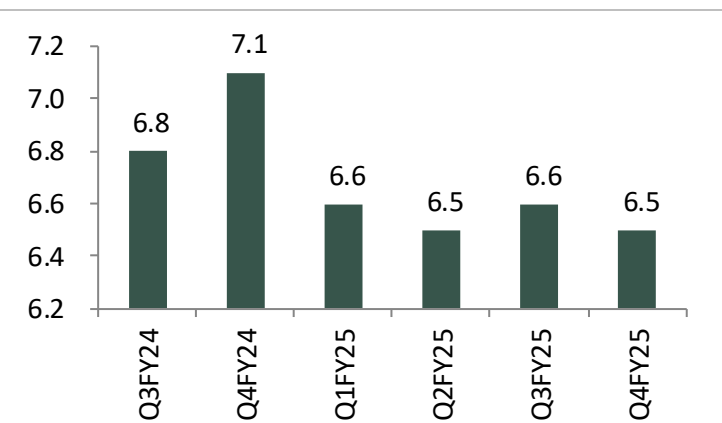
Source: Company; IDBI Capital Research

Exhibit 16: Cost of Borrowings decreased sequentially



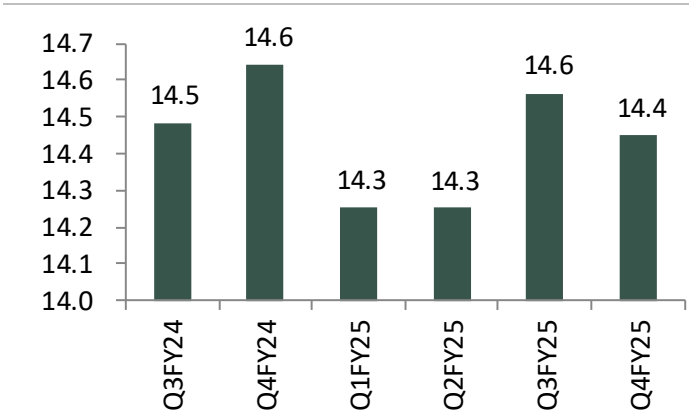
Source: Company; IDBI Capital Research

Exhibit 17: NIMs decreased sequentially in Dec quarter led by higher yields



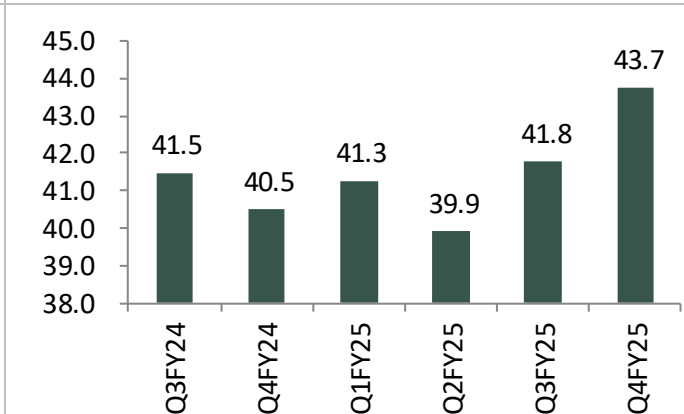
Source: Company; IDBI Capital Research

Exhibit 18: Yield on AAUM decreased QoQ



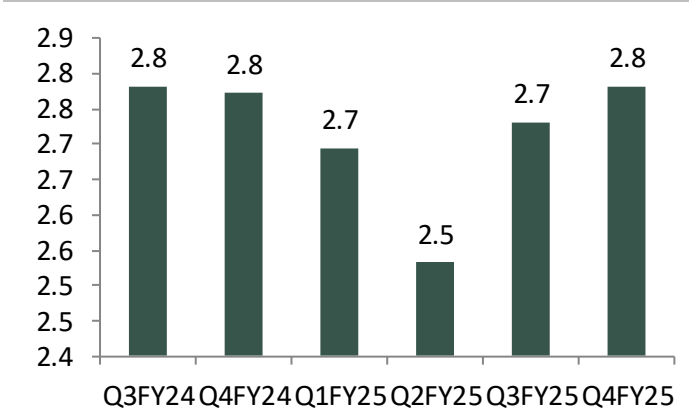
Source: Company; IDBI Capital Research

Exhibit 19: Cost to Income increased on a sequential basis



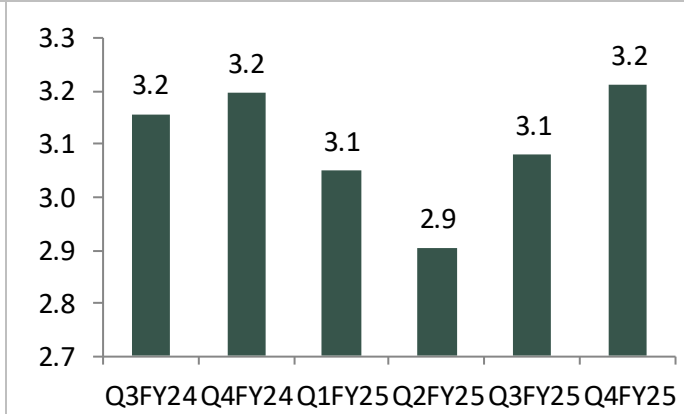
Source: Company; IDBI Capital Research

Exhibit 20: Cost to Assets increased sequentially



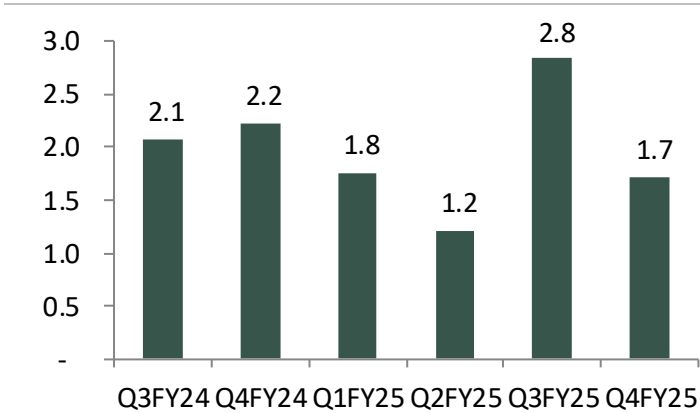
Source: Company; IDBI Capital Research

Exhibit 21: Cost to AAUM increased QoQ



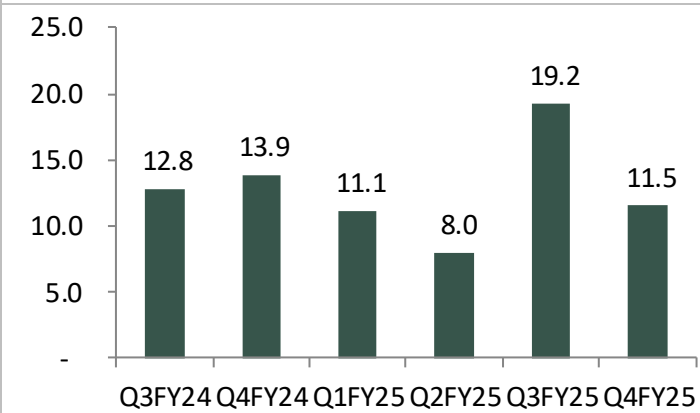
Source: Company; IDBI Capital Research

Exhibit 22: RoA (calc.) decreased sharply QoQ



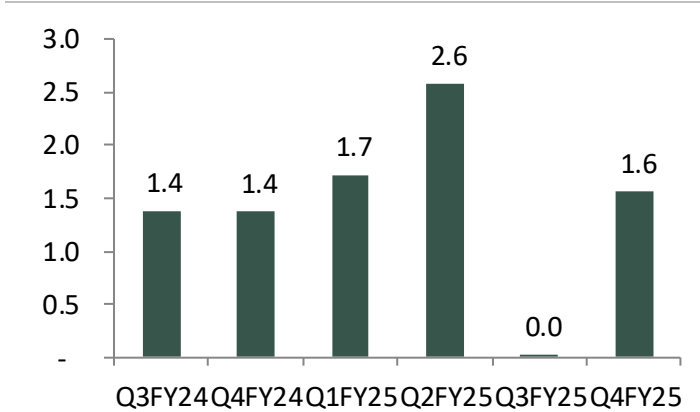
Source: Company; IDBI Capital Research

Exhibit 23: RoE (calc.) too decreased in line with RoA



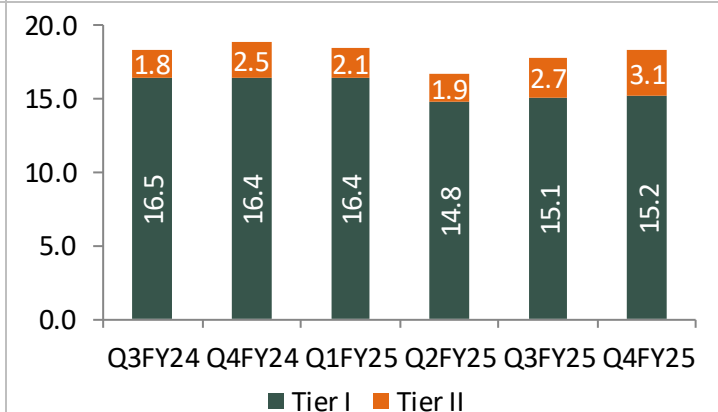
Source: Company; IDBI Capital Research

Exhibit 24: Annualised Credit Cost saw uptick in Q4FY25



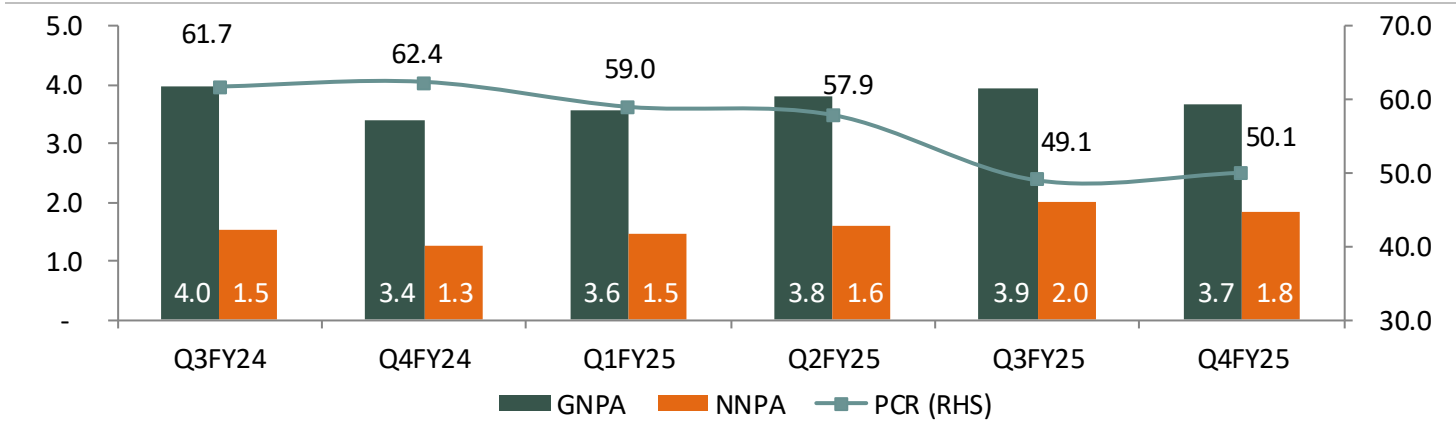
Source: Company; IDBI Capital Research

Exhibit 25: CAR remained stable during the quarter



Source: Company; IDBI Capital Research

Exhibit 26: Asset Quality improved during the quarter aided by higher write offs



Source: Company; IDBI Capital Research



## Financial Summary

### Profit & Loss Account

(Rs mn)

| Year-end: March               | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E           |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| <b>Net interest income</b>    | <b>55,554</b> | <b>61,059</b> | <b>66,818</b> | <b>81,052</b> | <b>95,085</b> | <b>1,10,055</b> |
| <i>Change (yoy, %)</i>        | <i>0%</i>     | <i>10%</i>    | <i>9%</i>     | <i>21%</i>    | <i>17%</i>    | <i>16%</i>      |
| Other Income                  | 2,432         | 3,735         | 4,537         | 712           | 1,003         | 1,160           |
| Net Revenue                   | 57,986        | 64,794        | 71,355        | 81,764        | 96,088        | 1,11,215        |
| Operating expenses            | 20,734        | 27,276        | 29,572        | 34,113        | 38,011        | 42,933          |
| Employee expenses             | 11,714        | 15,843        | 17,126        | 19,031        | 19,958        | 21,320          |
| Other expenses                | 9,020         | 11,433        | 12,446        | 15,081        | 18,053        | 21,613          |
| <b>Pre-Provision Profit</b>   | <b>37,252</b> | <b>37,518</b> | <b>41,783</b> | <b>47,651</b> | <b>58,077</b> | <b>68,282</b>   |
| <i>Change (yoy, %)</i>        | <i>-10%</i>   | <i>1%</i>     | <i>11%</i>    | <i>14%</i>    | <i>22%</i>    | <i>18%</i>      |
| Provision                     | 23,683        | 9,992         | 18,228        | 16,179        | 21,698        | 24,228          |
| PBT                           | 13,569        | 26,981        | 23,555        | 31,473        | 36,379        | 44,054          |
| Taxes                         | 3,682         | 7,138         | 5,959         | 8,022         | 9,168         | 11,102          |
| <i>Effective tax rate (%)</i> | <i>27.1%</i>  | <i>26.5%</i>  | <i>25.3%</i>  | <i>25.5%</i>  | <i>25.2%</i>  | <i>25.2%</i>    |
| <b>Net profit</b>             | <b>9,887</b>  | <b>19,843</b> | <b>17,596</b> | <b>23,450</b> | <b>27,212</b> | <b>32,953</b>   |
| <i>Change (yoy, %)</i>        | <i>195%</i>   | <i>101%</i>   | <i>-11%</i>   | <i>33%</i>    | <i>16%</i>    | <i>21%</i>      |
| EPS                           | 8             | 16            | 14            | 19            | 22            | 27              |
| Return on Equity (%)          | 6.5           | 12.1          | 10.0          | 12.4          | 13.0          | 14.2            |
| Return on Assets (%)          | 1.3           | 2.3           | 1.7           | 1.9           | 1.9           | 2.0             |

**Balance Sheet**

(Rs mn)

| Year-end: March                 | FY22            | FY23            | FY24             | FY25             | FY26E            | FY27E            |
|---------------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| Capital                         | 2,466           | 2,467           | 2,469            | 2,470            | 2,470            | 2,470            |
| Reserves                        | 1,53,815        | 1,68,422        | 1,79,105         | 1,95,650         | 2,16,516         | 2,43,103         |
| <b>Networth</b>                 | <b>1,56,281</b> | <b>1,70,889</b> | <b>1,81,574</b>  | <b>1,98,120</b>  | <b>2,18,986</b>  | <b>2,45,573</b>  |
| Borrowings                      | 5,26,841        | 7,13,537        | 8,80,695         | 10,73,440        | 12,42,042        | 14,34,032        |
| Sub-ordinated debt              | 31,299          | 34,421          | 40,057           | 55,300           | 63,986           | 73,876           |
| Other Liabilities               | 38,466          | 43,317          | 49,266           | 28,620           | 31,673           | 30,322           |
| <b>Total Liab. &amp; Equity</b> | <b>7,52,886</b> | <b>9,62,165</b> | <b>11,51,591</b> | <b>13,55,480</b> | <b>15,56,686</b> | <b>17,83,803</b> |
| Cash                            | 41,507          | 28,321          | 26,891           | 55,360           | 64,055           | 73,957           |
| Investments                     | 84,403          | 99,886          | 96,508           | 1,04,000         | 1,09,200         | 1,14,660         |
| Advances                        | 6,04,446        | 7,94,547        | 9,91,952         | 11,62,140        | 13,46,420        | 15,54,544        |
| Fixed Assets                    | 3,928           | 6,955           | 9,307            | 11,150           | 13,180           | 15,582           |
| Other Assets                    | 18,603          | 32,456          | 26,933           | 22,830           | 23,831           | 25,060           |
| <b>Total assets</b>             | <b>7,52,886</b> | <b>9,62,165</b> | <b>11,51,591</b> | <b>13,55,480</b> | <b>15,56,686</b> | <b>17,83,803</b> |

## Financial Ratios

(%)

| Year-end: March             | FY22   | FY23  | FY24   | FY25  | FY26E | FY27E |
|-----------------------------|--------|-------|--------|-------|-------|-------|
| <b>Growth</b>               |        |       |        |       |       |       |
| Advances                    | 0.8    | 31.5  | 24.8   | 17.2  | 15.9  | 15.5  |
| NII                         | 0.4    | 9.9   | 9.4    | 21.3  | 17.3  | 15.7  |
| Pre-Provision Profit        | (10.3) | 0.7   | 11.4   | 14.0  | 21.9  | 17.6  |
| Net Profit                  | 195.0  | 100.7 | (11.3) | 33.3  | 16.0  | 21.1  |
| <b>Spreads</b>              |        |       |        |       |       |       |
| Yield on AUM                | 15.7   | 15.3  | 14.7   | 14.9  | 14.9  | 14.9  |
| Cost of Borrowing           | 6.9    | 7.0   | 7.7    | 7.7   | 7.5   | 7.5   |
| NIM (on AUM)                | 9.2    | 8.7   | 7.5    | 7.5   | 7.6   | 7.6   |
| Spread                      | 5.9    | 5.8   | 5.0    | 5.3   | 5.6   | 5.7   |
| <b>Operating Efficiency</b> |        |       |        |       |       |       |
| Cost-to-Income              | 35.8   | 42.1  | 41.4   | 41.7  | 39.6  | 38.6  |
| Cost-to-Assets              | 2.7    | 3.2   | 2.8    | 2.7   | 2.6   | 2.6   |
| <b>Asset Quality</b>        |        |       |        |       |       |       |
| GNPA                        | 7.7    | 4.5   | 3.4    | 3.7   | 3.5   | 3.5   |
| NNPA                        | 3.5    | 1.9   | 1.3    | 1.8   | 1.6   | 1.6   |
| Provision Coverage          | 58.1   | 59.5  | 63.2   | 51.2  | 54.0  | 54.0  |
| Credit Cost                 | 3.9    | 1.4   | 2.0    | 1.5   | 1.7   | 1.7   |
| <b>Capital Adequacy</b>     |        |       |        |       |       |       |
| CAR                         | 27.8   | 22.5  | 18.9   | 18.3  | 16.7  | 16.3  |
| Tier I                      | 24.2   | 19.9  | 16.4   | 15.2  | 13.8  | 13.4  |
| <b>Valuation</b>            |        |       |        |       |       |       |
| EPS                         | 8.0    | 16.1  | 14.3   | 19.0  | 22.0  | 26.7  |
| ABV                         | 119.3  | 130.6 | 141.5  | 147.8 | 164.9 | 184.5 |
| P/E                         | 34.5   | 17.2  | 19.4   | 14.6  | 12.6  | 10.4  |
| P/ABV                       | 2.3    | 2.1   | 2.0    | 1.9   | 1.7   | 1.5   |
| ROE                         | 6.5    | 12.1  | 10.0   | 12.4  | 13.0  | 14.2  |
| ROA                         | 1.3    | 2.3   | 1.7    | 1.9   | 1.9   | 2.0   |

Source: Company; IDBI Capital Research

Dealing

(91-22) 6836 1111

dealing@idbicapital.com

**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 4069 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

**SEBI Registration:** BSE & NSE (Cash & FO) – INZ000007237, NSDL – IN-DP-NSDL-12-96, Research – INH000002459, CIN – U65990MH1993GOI075578**Compliance Officer:** Pushkar Vartak; Email: compliance@idbicapital.com; Telephone: (91-22) 4069 1907**Disclaimer**

This report has been published by IDBI Capital Markets & Securities Ltd.(hereinafter referred to as “IDBI Capital”) for private circulation. This report should not be reproduced or copied or made available to others. No person associated with IDBI Capital is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this report. The information contained herein is strictly confidential and meant for 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 the prior written consent of IDBI Capital.

Recipients may not receive this report at the same time as other recipients. IDBI Capital will not treat recipients as customers by virtue of their receiving this report.

The information contained herein is from the public domain or sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Opinions expressed are current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis, the information discussed in this material, IDBI Capital, its directors, employees are under no obligation to update or keep the information current. Further there may be regulatory, compliance, or other reasons that prevent us from doing so.

Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

IDBI Capital, its directors and employees and any person connected with it, will not in any way be responsible for the contents of this report or for any losses, costs, expenses, charges, including notional losses/lost opportunities incurred by a recipient as a result of acting or non-acting on any information/material contained in the report.

This is not an offer to sell or a solicitation to buy any securities or an attempt to influence the opinion or behavior of investors or recipients or provide any investment/tax advice.

This report is for information only and has not been prepared based on specific investment objectives. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment decision based on their own investment objectives, goals and financial position and based on their own analysis.

Trading in stocks, stock derivatives, and other securities is inherently risky and the recipient agrees to assume complete and full responsibility for the outcomes of all trading decisions that the recipient makes, including but not limited to loss of capital.

Opinions, projections and estimates in this report solely constitute the current judgment of the author of this report as of the date of this report and do not in any way reflect the views of IDBI Capital, its directors, officers, or employees.

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 IDBI Capital and associates 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 report may come are required to inform themselves of and to observe such restriction.

E-mail is not a secure method of communication. IDBI Capital cannot accept responsibility for the accuracy or completeness of any e-mail message or any attachment(s).

This transmission could contain viruses, be corrupted, destroyed, incomplete, intercepted, lost or arrived late. IDBI Capital, its directors or employees or associates accept no liability for any damage caused, directly or indirectly, by this email.

**Most Important Terms and Conditions**

To refer the Most Important Terms and Conditions (MITC) click on the link; [https://idbidirect.in/Common\\_Controls/SEBI\\_MITC\\_RA.pdf](https://idbidirect.in/Common_Controls/SEBI_MITC_RA.pdf)

## Analyst Disclosures

We, Bunty Chawla and Shreejit Nair, hereby certify that the views expressed in this report accurately reflect my personal views about the subject companies and / or securities. I also certify that no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report. Principally, I will be responsible for the preparation of this research report and have taken reasonable care to achieve and maintain independence and objectivity in making any recommendations herein.

## Other Disclosure

IDBI Capital Markets & Securities Ltd. (herein after referred to as "IDBI Capital") was incorporated in the year 1993 under Companies Act, 1956 and is a wholly owned subsidiary of IDBI Bank Limited. IDBI Capital is one of India's leading securities firm which offers a full suite of products and services to individual, institutional and corporate clients namely Stock broking (Institutional and Retail), Distribution of financial products, Merchant Banking, Corporate Advisory Services, Debt Arranging & Underwriting, Portfolio Manager Services and providing Depository Services. IDBI Capital is a registered trading and clearing member of BSE Ltd. (BSE) and National Stock Exchange of India Limited (NSE). IDBI Capital is also a SEBI registered Merchant Banker, Portfolio Manager and Research Analyst. IDBI Capital is also a SEBI registered depository participant with National Securities Depository Limited (NSDL) and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI).

IDBI Capital and its associates IDBI Bank Ltd. (Holding Company), IDBI Intech Ltd. (Fellow Subsidiary), IDBI Asset Management Ltd. (Fellow Subsidiary) and IDBI Trusteeship Services Ltd. (Fellow Subsidiary).

IDBI Group is a full-serviced banking, integrated investment banking, investment management, brokerage and financing group. Details in respect of which are available on [www.idbicapital.com](http://www.idbicapital.com). IDBI Capital along with its associates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our associates have investment banking and other business relationships with a significant percentage of the companies covered by our Research Department. Investors should assume that IDBI Capital and/or its associates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material. IDBI Capital generally prohibits its analysts, persons reporting to analysts, and their dependent family members having a financial conflict of interest in the securities or derivatives of any companies that the analysts cover. Additionally, IDBI Capital generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Directors of IDBI Capital or its associates may have interest in the Companies under recommendation in this report either as Director or shareholder. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of IDBI Capital. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. We and our associates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. For the purpose of calculating whether IDBI Capital and its associates holds beneficially owns or controls, including the right to vote for directors, 1% or more of the equity shares of the subject issuer of a research report, the holdings does not include accounts managed by IDBI Asset Management Company/ IDBI Mutual Fund.

IDBI Capital hereby declares that our activities were neither suspended nor we have materially defaulted with any Stock Exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on IDBI Capital for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time. IDBI Capital, its directors or employees or associates, may from time to time, have positions in, or options on, and buy and sell securities referred to herein. IDBI Capital or its associates, during the normal course of business, from time to time, may solicit from or perform investment banking or other services for any company mentioned in this document or their connected persons or 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 their affiliate companies or act as advisor or lender / borrower to such company(ies)/associates companies or have other potential conflict of interest. This report may provide hyperlinks to other websites. Except to the extent to which the report refers to the website of IDBI Capital, IDBI Capital states that it has not reviewed the linked site and takes no responsibility for the content contained in such other websites. Accessing such websites shall be at recipient's own risk. IDBI Capital encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. Accordingly, neither IDBI Capital nor Research Analysts have any material conflict of interest at the time of publication of this report. We offer our research services to primarily institutional investors and their employees, directors, fund managers, advisors who are registered with us. The Research Analyst has not served as an officer, director or employee of Subject Company. We or our associates may have received compensation from the subject company in the past 12 months. We or our associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. We or our associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research Analyst or his/her relative's may have financial interest in the subject company. IDBI Capital or its associates may have financial interest in the subject company. Research Analyst or his/her relatives does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. IDBI Capital or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. The Subject Company may have been a client during twelve months preceding the date of distribution of the research report. Price history of the daily closing price of the securities covered in this note is available at [www.bseindia.com](http://www.bseindia.com); [www.nseindia.com](http://www.nseindia.com) and [www.economictimes.indiatimes.com/markets/stocks/stock-quotes](http://www.economictimes.indiatimes.com/markets/stocks/stock-quotes).