**BUY** (Maintained)

CMP: **INR 106** Target Price: **INR 125 (INR 115)** ▲ 18%

ICICI Securities

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28 April 2025

India | Equity Research | Results update

# SBFC Finance

NBFCs

## Steady growth, operating efficiencies and stable asset quality continue drive profitability

Q4FY25 marks eight straight quarters of strong financial performance and effective execution at SBFC Finance (SBFC). This is evident in its AUM growth outshining the guided range of 5–7% QoQ, better opex to AUM at 4.65% in FY25 vs. 5.34% in FY24, and credit cost at 80–100bps as envisaged earlier, despite the operating environment being mired in tight liquidity, higher delinquencies in unsecured loans and the rising rate cycle. With Q4FY25 RoE at ~12%, up ~200bps since Q4FY23, SBFC remains on track to achieve ~15% RoE by Q4FY26. While asset quality is stable with GNPL at 2.74% vs. 2.7% QoQ, increase in 1+ DPD to ~7% in Q4FY25 vs. 6.5% in Q3FY25 vs. 5.6% in Q4FY24 raises concern over near-term asset quality. However, management sounds confident of maintaining credit cost at 80–100bps ahead.

While management highlighted that underwriting standard (lower FOIR, LTVs etc.) has been tightened owing to some stress in select customer segments and areas, it does not foresee any risk to delivering on the earlier-envisaged target of >15% RoE by Q4FY26. SBFC believes that its prudent lending approach since the past 6–9 months would enable steady asset quality; its expanded distribution network too should bolster 5–7% QoQ growth in the near term. Thus, we retain **BUY**, with a revised TP of INR 125 (vs. INR 115), as we roll over to Sep'26E BVPS, valuing the stock at 3.5x vs. 4x Sep'25E BVPS.

### Management's execution of business strategies on track despite challenging operating environment

SBFC's management is slowly building a strong execution track record. The company has been delivering steady financial performance post listing in Aug'23 – more importantly, well within the guided range – be it on growth, operating efficiency or asset quality despite challenging operating environment during recent past. For context, most NBFCs downgraded their growth projections for FY25 – to manage risk, asset quality, and increased credit cost (especially for the ones with MFI, credit card, PL, unsecured BL exposure). However, SBFC delivering strong 28% YoY AUM growth with credit cost at <1% during FY25 is testimony to its business resiliency and ability to pre-empt the business cycle (has been highlighting increasing stress in small-ticket LAP since Q4FY24).

### Financial Summary

| Y/E March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Net Interest Income (INR mn) | 5,676 | 7,771 | 9,485 | 11,671 |
| PAT (INR mn) | 2,370 | 3,452 | 4,257 | 5,593 |
| EPS (INR) | 2.2 | 3.2 | 3.9 | 5.2 |
| % Chg YoY | 29.6 | 43.9 | 23.3 | 31.4 |
| P/E (x) | 48.0 | 33.4 | 27.1 | 20.6 |
| P/BV (x) | 4.1 | 3.6 | 3.2 | 2.8 |
| Gross Stage - 3 (%) | 2.5 | 2.8 | 3.3 | 3.3 |
| RoA (%) | 3.7 | 4.4 | 4.5 | 4.8 |
| RoE (%) | 10.5 | 11.6 | 12.5 | 14.4 |


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**Market Data**

| | |
|---|---|
| Market Cap (INR) | 115bn |
| Market Cap (USD) | 1,350mn |
| Bloomberg Code | SBFC IN Equity |
| Reuters Code | SBFC.BO |
| 52-week Range (INR) | 110 /77 |
| Free Float (%) | 31.0 |
| ADTV-3M (mn) (USD) | 3.1 |

| Price Performance (%) | 3m | 6m | 12m |
|---|---|---|---|
| Absolute | 20.4 | 34.7 | 16.8 |
| Relative to Sensex | 16.4 | 34.9 | 10.2 |

| ESG Score | 2023 | 2024 | Change |
|---|---|---|---|
| **ESG score** | **NA** | **70.5** | **NA** |
| Environment | NA | 49.9 | NA |
| Social | NA | 71.6 | NA |
| Governance | NA | 77.1 | NA |

**Note** - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

| Earnings Revisions (%) | FY26E | FY27E |
|---|---|---|
| EPS | - | 4 |

**Previous Reports**

28-01-2025: Q3FY25 results review

29-10-2024: Q2FY25 results review

## Q4FY25 – steady operating performance

SBFC's superior execution reflects in its steady on average 7% QoQ growth (guided range of 5–7%) during the past 10 quarters with credit cost at 90bps on average (within guided range of 80–100bbps) during the period. Its Q4FY25 financial performance remains in-line – strong revenue growth, operating efficiency and stable asset quality. RoE stood at a multi-quarter high of 13.1%, up 3bps QoQ. RoE expansion was mainly driven by a steady increase in leverage and robust profitability. PAT grew 7% QoQ to INR 943mn driven by 5% YoY NII growth. Revenue growth was supported by 3bps QoQ of spread expansion on the back of 7bps QoQ of asset yield expansion to 17.8% and steady borrowing cost at 9.33%. Cost-income ratio was steady at 40% on a sequential basis; annually, it is down 200bps, reflecting improving productivity.

Asset quality was broadly stable with GS-3 at 2.74% vs 2.70% QoQ vs. 2.69% in Q2FY25 vs. 2.6% in Q1FY25 and NNPL fell to 1.53% vs 1.6% QoQ as it accelerated PCR to 46% vs 40%. As a result, credit cost marginally increased by 3bps QoQ to 1% vs 0.97% QoQ.

## Credit cost sticks to guided range of 80–100bps despite accelerating coverage ratio on Stage 3 assets

SBFC's focus on the small-ticket formal segment and incremental disbursement towards better quality customer (exhibited in share of customers with >700 CIBIL score increasing to 86.9% vs. 86.4% QoQ vs. 86% in Q2FY25 vs. 84.7% in Mar'24, coupled with its strong collection focus with minimum one resource per branch for collection) has helped the company maintain steady collection efficiencies – range of 97–98% across quarters.

In Q4FY25, collections dipped marginally to 97.74% vs. 97.88% QoQ, but within long term average. The same helped SBFC sustain credit cost within its guided range of 80–100bps – during Q4FY25. Notably, despite SBFC accelerating its provision coverage on Stage 3 assets to 46% vs. 40% QoQ credit cost remained at 1% during Q4FY25. While overall asset quality performance remained steady, 150bps YoY/57bps QoQ increase in 1+ DPD portfolio to 7.1% poses a risk on the pace of forward flow rates. However, management sounds confident about maintaining asset quality and keeping credit cost within the guided range of 80–100bps.

## Cost efficiencies to remain key driver for RoA expansion ahead

SBFC's business model is differentiated with respect to origination, collections, audit and fraud control – each is a separate team, which is usually a high-cost model. However, management prefers this from a risk-management perspective. Upfront investment towards franchise build-up in early years (opex to AUM at average 6% between FY21–24) and successfully driving productivity higher has started yielding operating leverage benefit. Cost-income ratio fell to 40% vs. 42% in Q4FY24 vs. 50% in Q4FY23.

Opex to average AUM has fallen 72bps YoY to 4.62% in FY25. This is on the back of improving productivity, wherein AUM per branch has improved to INR 427mn vs. INR 412mn QoQ vs. INR 385mn in Q1FY25 and INR 373mn YoY. Moreover, 86% of its branches are now >12 months old vs. 78% YoY, which is also aiding improvement in productivity. As a result, cost to income also fell to 40% vs. 42% YoY. In Q4FY25, it added eight new branches and added >150 employees, taking the total branch count to 205 and headcount to >4,200. SBFC expects further improvement in the opex to assets metric and believes it can stabilise ~3.5% of assets in the next 2–3 years.

Despite the high costs during the build-up phase, it kept origination, collections, audit, and fraud control as separate independent verticals from a risk management perspective. We believe, in the current environment, its prudent growth approach is in the right direction and should help maintain asset quality better than peers in the near term. SBFC also highlighted that it does not intend to enter any new lending product and shall continue to focus on scaling existing products – gold and small-ticket LAP.

**Key risks:** 1) AUM growth below its stated guidance of 5–7% QoQ; and 2) sustained rise in gross Stage-3 and resultantly change in credit cost guidance.

## Q4FY25 conference call takeaways

**AUM**

- **Maintains overall 5–7% QoQ growth guidance**
- Looking towards crossing INR 100bn AUM in FY26
- 100% of AUM currently is secured by property or gold
- ~INR 2.55bn were average disbursements per month in Q4; this should inch up to ~INR 3bn average disbursements per month by FY26-end, which is not a big ask in management view

**Gold loan**

- Monthly servicing on EMI basis
- Gold portfolio overall LTV is ~50%
- It has already been following the LTV norms currently, which has been mentioned in the draft circular; hence, draft circular would not have an impact on its gold loan operations
- **Gold shall remain in the range of 15–20% of the overall book**
- There is nothing that changes in the gold loan business due to RBI's draft circular, neither operationally nor otherwise
- ~15% rise in gold loan book due to volume and ~25% benefit due to average price increase, which sums up to >40% growth in gold loan book
- It is currently sourcing gold loan from 165 branches

**Aset quality**

- **Shall look to ensure that credit cost remains in the range of 90–110bps**
- Credit cost for Q4FY25 at 1%, in-line with guidance
- GNPA rangebound and PCR increased QoQ
- Management overlay o/s is INR 40mn
- **Impact on 1+ DPD has been due to Karnataka and this does not impact its full-year guidance. SBFC has a substantial portfolio in Karnataka; hence, 0+ DPD has been impacted**
- **1+ DPD is likely to stabilise in the next two quarters**
- **TN exposure is 3% of AUM; hence, not quite sizeable**

**Margins**

- Two repo rate cuts have already happened, and it expects more to happen going ahead
- Cost of funds, however, is expected to remain stable. This is because incremental cost of borrowing has come off a bit, but it takes a lot of time to result in lower overall borrowing cost

**Opex**

- **Opex to AUM is likely to decline by 50bps in FY26 (in FY25, opex to AUM has fallen by ~70bps)**

- Added 22 branches during FY25 and 8 during Q4FY25
- Incremental borrowing cost has started to come down, but overall borrowing cost takes time to fall
- Does not see any significant rate reduction possibility for customers

**Return ratios**

- **Expect RoA to hover between 400–450bps over the next one year**

**Miscellaneous**

- Scale, profitability, governance are the ultimate measures for NBFCs

## Q3FY25 conference call takeaways

**Guidance (no change)**

- **Expect to clock 15% RoE by Q4FY26 or Q1FY27**
- ***Continue with AUM growth guidance in the range of 5–7% QoQ***
- 50bps annual reduction in operating cost to assets
- Add 25 branches per year

**Asset quality**

- **Credit cost marginally lower QoQ at 97bps, which is in-line with guidance**
- GNPA stable QoQ at 2.7% and PCR healthy at 40.2%
- ***In the Apr'24 call, management had called out tightening of liquidity and rise in consumer leverage, which is now being talked about most of the lenders***
- ***Seeing highest problems among customers at the lower end of the spectrum.*** At the middle segment, there is nothing that is dramatically changing and SBFC is financing customers for their bread and butter.
- **It has tightened some underwriting standards at the beginning of this year**
- It has decided to slow down a tad in two states: One in east India and another in north India

**Margins**

- Management does not envisage a further uptick in high-yielding gold loan – presently, in the range of 18–21%. Low yielding gold loans, in the range of 11–13%, may see some uptick
- MSME yields are expected to be broadly stable at current levels
- ***SBFC does not take interest rate risk.*** On the asset side, its entire book is floating in nature and also on the liability side, 99% of its book is floating in nature
- ***SBFC is diversifying its borrowing mix and will likely also soon move to DFIs***
- Incremental cost of borrowing as well as weighted average cost of borrowings is largely similar. However, this would be tough to sustain

**Return ratios**

- **RoA expanded to 4.49%, from 4.31% QoQ despite rise in leverage**
- Tangible NW was at INR 28bn, as of Dec'24
- PAT was up 38% YoY/5% QoQ
- 9MFY25 PAT exceeded PAT of FY24

### Operating expenses

- There would not be significant rise in opex as most of the heavy lifting is already done on the opex front. ***Hence, on a marginal cost basis, opex would be a lot more accretive***
- Most of the operating cost is fixed in nature

### AUM growth

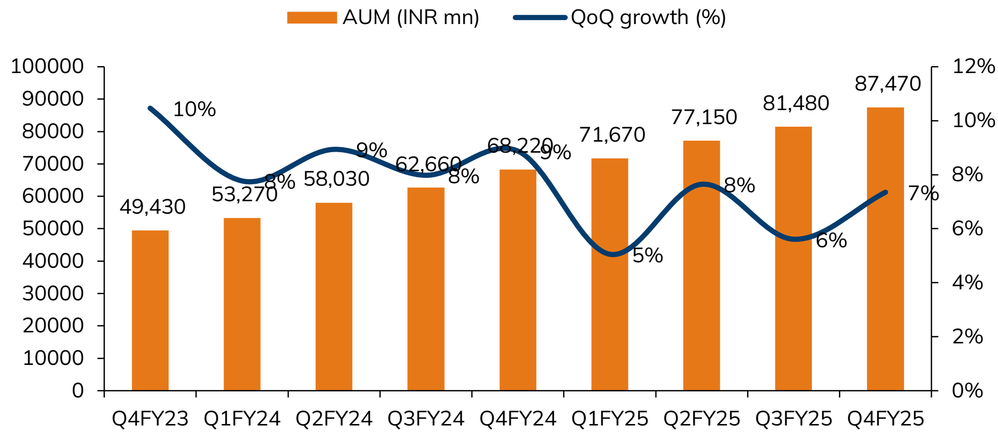
- New client addition was slightly lower QoQ, since it has tightened its underwriting standards at the beginning of the year. ***It usually originates close to 20k customers in a quarter, of which currently 7,500 applications are approved. This is 6–7% lower (roughly 1,000–1,200) due to the tightening***
- SBFC has already expanded its distribution network; once the company becomes more comfortable with the environment, it would look to further accelerate on its growth momentum
- SBFC shall continue with the same strategy, customer segment, ticket size etc. as of now.

### Exhibit 1: Q4FY25 result review

| | Q4FY24 | Q3FY25 | Q4FY25 | % YoY | % QoQ |
|---|---|---|---|---|---|
| **Income statement (INR mn)** | | | | | |
| Interest income | 2,575 | 3,073 | 3,294 | 27.9 | 7.2 |
| Interest expenses | 883 | 1,061 | 1,180 | 33.6 | 11.2 |
| **Net interest income** | **1,692** | **2,012** | **2,114** | **24.9** | **5.1** |
| Non-interest income | **219** | **259** | **318** | **45.0** | **22.5** |
| **Total net income** | **1,912** | **2,271** | **2,432** | **27.2** | **7.1** |
| Employee expenses | 600 | 643 | 683 | **13.7** | **6.1** |
| Depreciation and amortization | 36 | 47 | 46 | 25.5 | (2.0) |
| Other operating expenses | 170 | 216 | 237 | 39.8 | 9.9 |
| **Total Operating Expense** | **806** | **906** | **965** | **19.8** | **6.6** |
| **Pre-provisioning profit (PPoP)** | **1,105** | **1,366** | **1,467** | **32.7** | **7.4** |
| Provisions and write offs | 136 | 191 | 209 | 53.0 | 9.1 |
| **PBT** | **969** | **1,175** | **1,258** | **29.8** | **7.1** |
| Tax expenses | 235 | 294 | 315 | 34.0 | 7.1 |
| **PAT (Adjusted)** | **734** | **881** | **943** | **28.5** | **7.1** |
| **Diluted EPS (INR)** | **0.7** | **0.8** | **0.9** | **28.4** | **7.5** |
| **Balance Sheet** | | | | | |
| **Shareholders' funds** | **27,780** | **30,800** | **31,900** | **14.8** | **3.6** |
| **Borrowings** | **39,960** | **48,130** | **52,640** | **31.7** | **9.4** |
| Payables | 220 | 130 | 100 | **(54.5)** | **(23.1)** |
| Other Liabilities and provisions | 2,670 | 1,040 | 1,310 | (50.9) | 26.0 |
| **Total Liabilities and SHE** | **70,630** | **80,100** | **85,950** | **21.7** | **7.3** |
| | | | | | |
| Loans | 58,360 | 69,650 | 75,040 | 28.6 | 7.7 |
| Cash & bank balances | 4,660 | 4,480 | 4,290 | (7.9) | (4.2) |
| Investments | 4,270 | 2,570 | 3,270 | (23.4) | 27.2 |
| Fixed assets | 3,010 | 3,070 | 3,090 | 2.7 | 0.7 |
| Other financial assets | 280 | 260 | 210 | (25.0) | (19.2) |
| Non-Financial Assets | 50 | 70 | 50 | 0.0 | (28.6) |
| **Total Assets** | **70,630** | **80,100** | **85,950** | **21.7** | **7.3** |
| **Key ratios** | | | | | |
| AUM (INR mn) | 68,220 | 81,480 | 87,470 | 28.2 | 7.4 |
| Secured MSME disbursements (INR mn) | 7,240 | 6,990 | 7,660 | 5.8 | 9.6 |
| Yields (%) | 17.6 | 17.8 | 17.9 | *25 bps* | *7 bps* |
| COB (%) | 9.3 | 9.3 | 9.4 | *3 bps* | *4 bps* |
| Spreads (%) | 8.3 | 8.5 | 8.5 | *21 bps* | *2 bps* |
| Opex to AUM | 5.0 | 4.6 | 4.6 | *-41 bps* | *-3 bps* |
| Gross Stage 3 (%) | 2.4 | 2.7 | 2.7 | *31 bps* | *4 bps* |
| Net Stage 3 (%) | 1.4 | 1.6 | 1.5 | *15 bps* | *-12 bps* |
| 1+ dpd | 5.6 | 6.5 | 7.1 | *150 bps* | *57 bps* |
| Cumulative annualized credit cost (%) | 0.8 | 1.0 | 1.0 | *20 bps* | *3 bps* |
| RoAAUM | 4.6 | 4.5 | 4.5 | *-4 bps* | *2 bps* |
| RoAE | 11.9 | 12.8 | 13.1 | *124 bps* | *39 bps* |

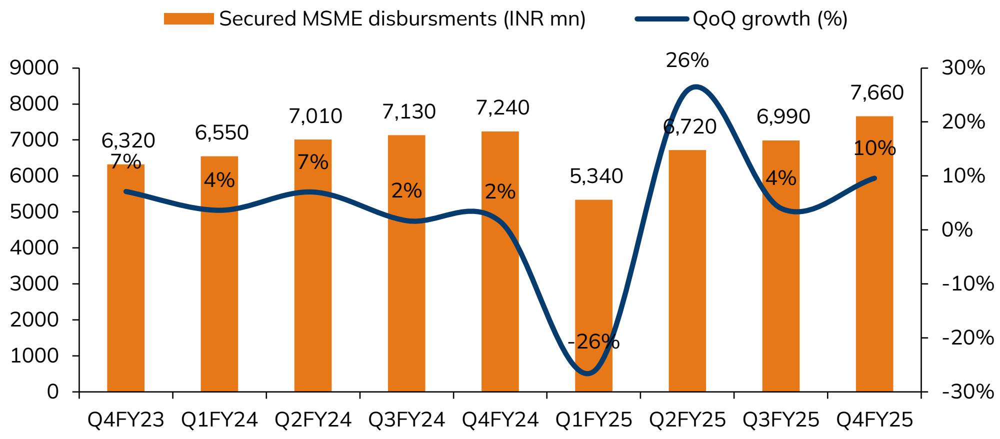
Source: Company data, I-Sec research

### Exhibit 2: AUM growth in the guided range of 5–7% QoQ



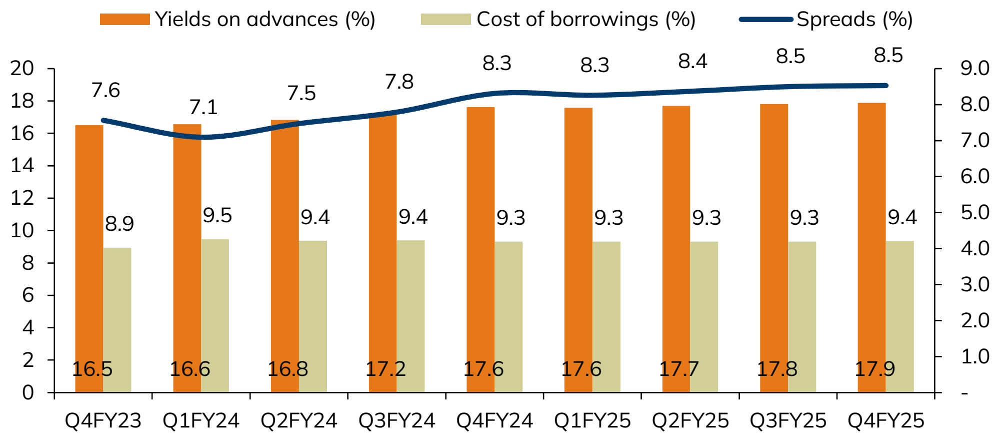

Source: Company data, I-Sec research

### Exhibit 3: Secured MSME disbursements higher QoQ as well as YoY



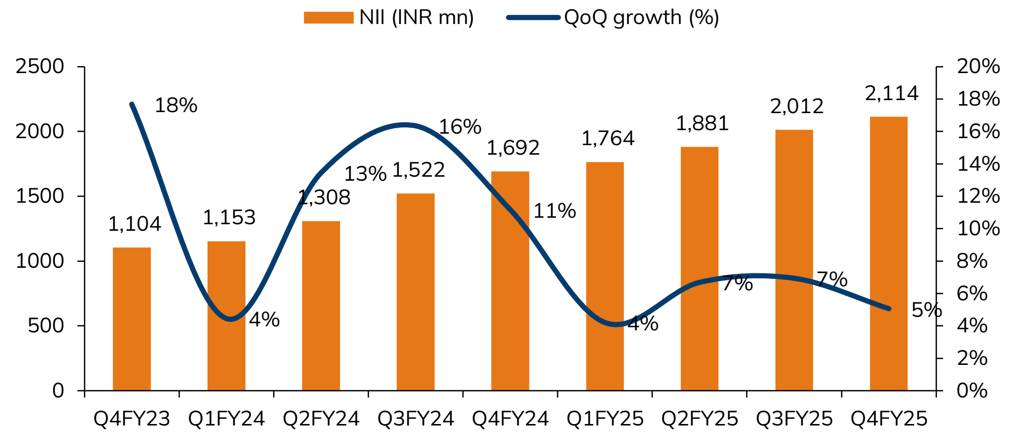

Source: Company data, I-Sec research

### Exhibit 4: Spreads stable QoQ as rise in yield offset by rise in borrowing cost



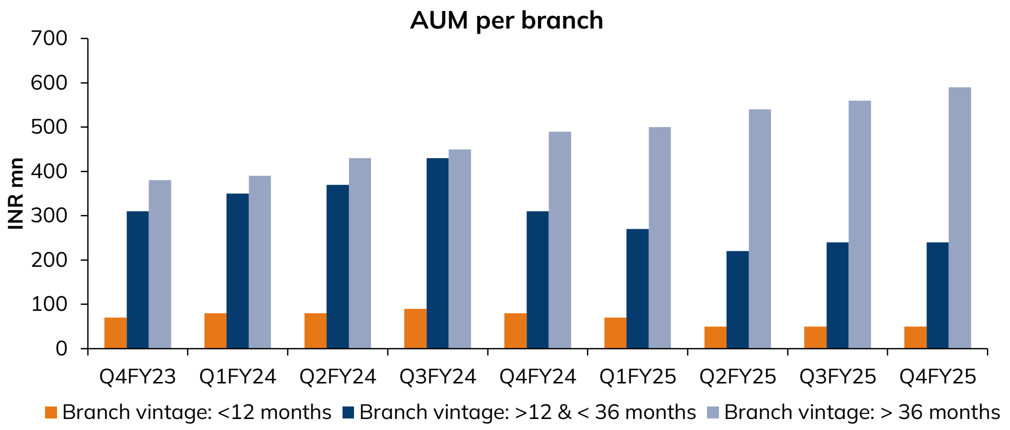

Source: Company data, I-Sec research

## Exhibit 5: NII also inching up at a steady pace



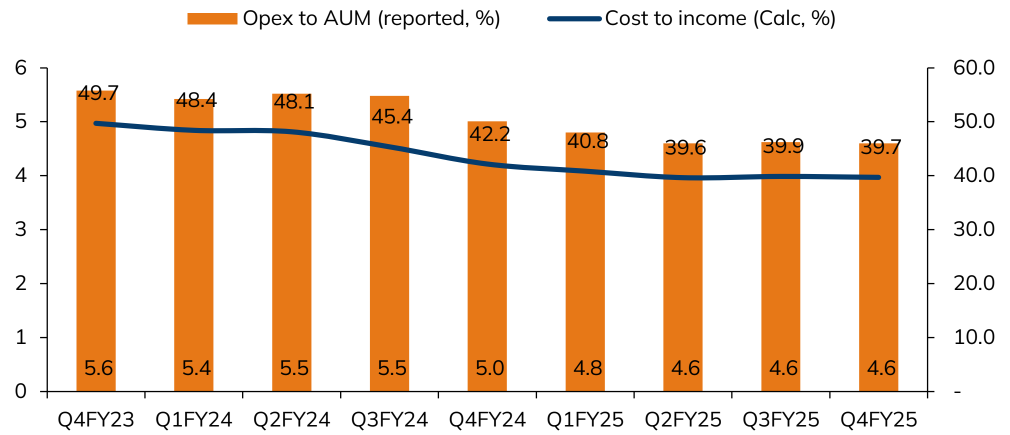

Source: Company data, I-Sec research

## Exhibit 6: Increasing productivity in branches...



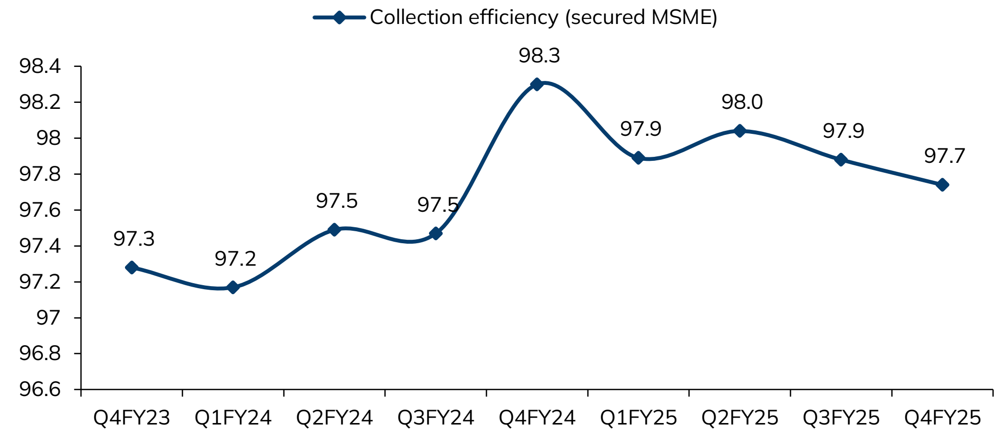

Source: Company data, I-Sec research

## Exhibit 7: ...resulting in better operational efficiencies



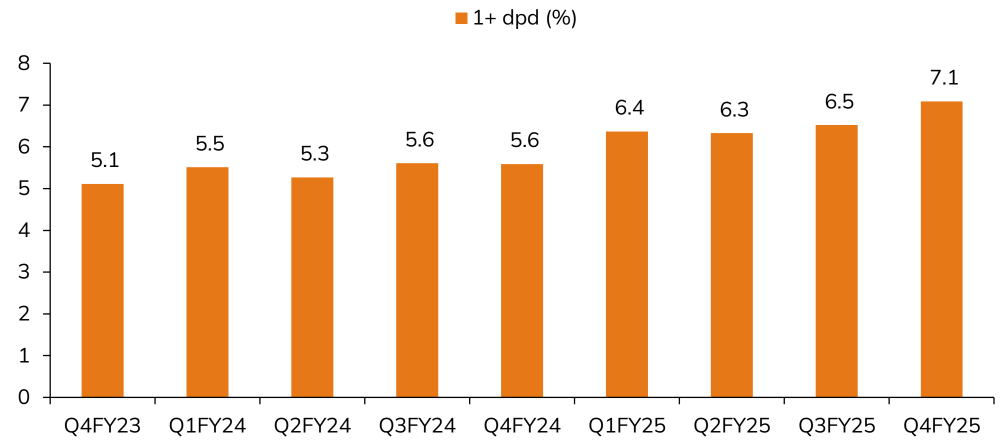

Source: Company data, I-Sec research

### Exhibit 8: Collection efficiency a tad lower QoQ



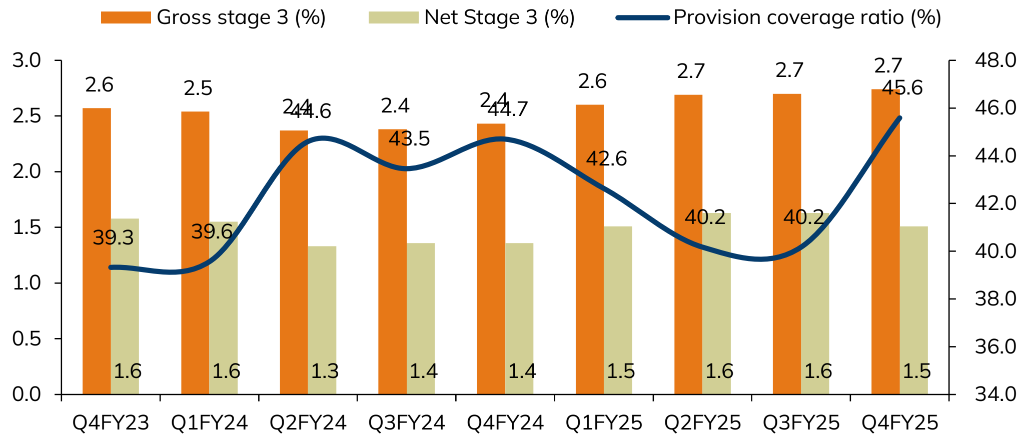

Source: Company data, I-Sec research

### Exhibit 9: 1+ DPD inched-up 57bps QoQ to ~7.1%



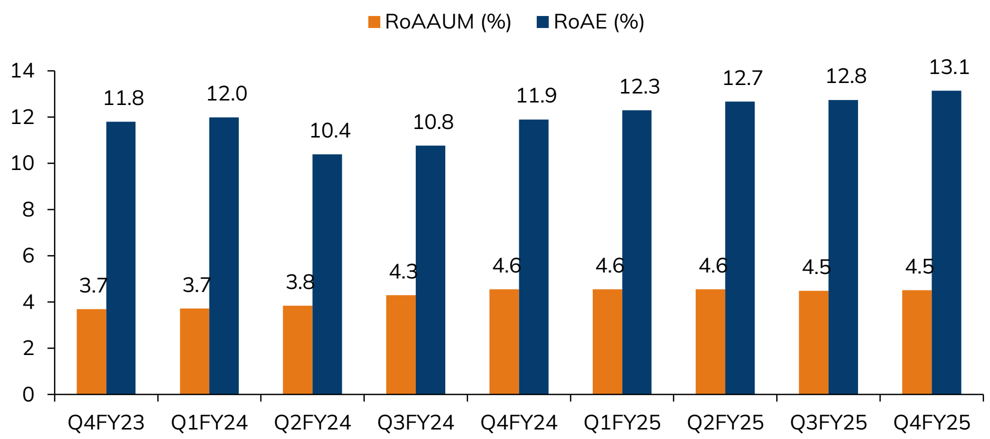

Source: Company data, I-Sec research

### Exhibit 10: Net Stage-3 lower QoQ due to inch-up in PCR



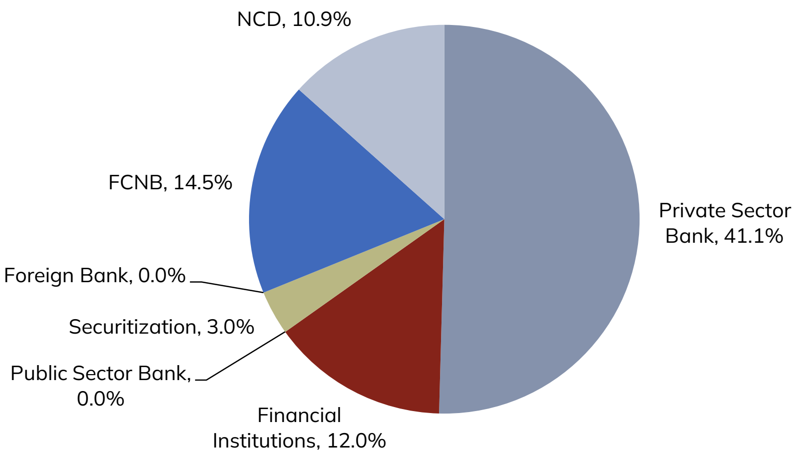

Source: Company data, I-Sec research

## Exhibit 11: RoAAUM sustained around 4.5%




Source: I-Sec research, Company data

## Exhibit 12: Well-diversified borrowings profile with ~15% overseas borrowings



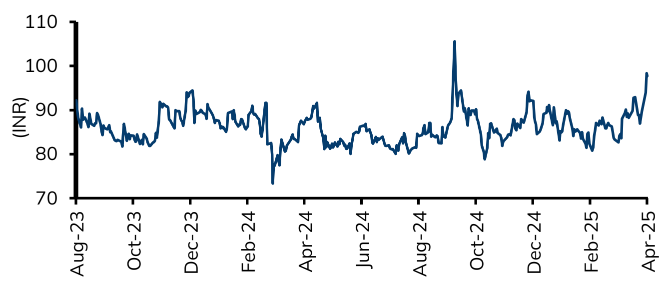

Source: Company data, I-Sec research

## Exhibit 13: Shareholding pattern

| % | Sep'24 | Dec'24 | Mar'25 |
|---|---|---|---|
| Promoters | 55.0 | 54.8 | 53.3 |
| Institutional investors | 21.0 | 21.4 | 23.7 |
| MFs and others | 14.2 | 14.5 | 15.6 |
| FIs/Banks | 1.4 | 0.0 | 0.0 |
| Insurance | 0.7 | 0.7 | 0.7 |
| FIIs | 4.7 | 6.2 | 7.4 |
| Others | 24.0 | 23.8 | 23.0 |

Source: Bloomberg

## Exhibit 14: Price chart




Source: Bloomberg

# Financial Summary

## Exhibit 15: Profit & Loss

(INR mn, year ending March)

| | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Interest Income | 9,183 | 11,963 | 14,799 | 18,451 |
| Net gain on fair value changes | 175 | 177 | 203 | 238 |
| Interest Expenses | (3,506) | (4,192) | (5,314) | (6,780) |
| **Net Interest Income (NII)** | **5,676** | **7,771** | **9,485** | **11,671** |
| Other Income | 840 | 921 | 1,115 | 1,417 |
| **Total Income (net of interest expenses)** | **6,692** | **8,869** | **10,803** | **13,327** |
| Employee benefit expenses | (2,171) | (2,532) | (3,012) | (3,392) |
| Depreciation and amortization | (134) | (168) | (214) | (277) |
| Other operating expenses | (756) | (846) | (973) | (1,119) |
| Total Operating Expense | (3,061) | (3,546) | (4,199) | (4,787) |
| **Pre Provisioning Profits (PPoP)** | **3,631** | **5,322** | **6,604** | **8,539** |
| **Provisions and write offs** | **(470)** | **(737)** | **(928)** | **(1,082)** |
| Profit before tax (PBT) | 3,160 | 4,585 | 5,676 | 7,458 |
| **Total tax expenses** | **(790)** | **(1,133)** | **(1,419)** | **(1,864)** |
| Profit after tax (PAT) | 2,370 | 3,452 | 4,257 | 5,593 |

Source Company data, I-Sec research

## Exhibit 16: Balance sheet

(INR mn, year ending March)

| | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Share capital | 10,719 | 10,852 | 10,852 | 10,852 |
| Reserves & surplus | 17,064 | 21,049 | 25,307 | 30,900 |
| **Shareholders' funds** | **27,783** | **31,901** | **36,158** | **41,752** |
| Borrowings | 39,847 | 52,630 | 65,466 | 86,899 |
| Provisions & Other Liabilities | 2,890 | 1,410 | 2,605 | 2,610 |
| Deferred tax liabilities (net) | 110 | 9 | 9 | 10 |
| Total Liabilities and Stakeholder's Equity | 70,630 | 85,950 | 1,04,239 | 1,31,271 |
| **Cash and balance with RBI** | **4,658** | **4,294** | **5,396** | **6,559** |
| Fixed assets | 380 | 210 | 221 | 232 |
| Loans | 58,365 | 75,041 | 93,850 | 1,19,260 |
| **Investments** | **4,272** | **3,268** | **1,475** | **1,758** |
| Other Assets | 2,955 | 3,140 | 3,297 | 3,462 |
| Total Assets | 70,630 | 85,950 | 1,04,239 | 1,31,271 |

Source Company data, I-Sec research

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## Exhibit 17: Key Ratios

(Year ending March)

| | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **AUM and Disbursements (INR mn)** | | | | |
| AUM | 68,220 | 87,470 | 1,11,224 | 1,41,486 |
| On-book Loans | 58,365 | 75,041 | 93,850 | 1,19,260 |
| Off-book Loans | 9,855 | 12,429 | 17,374 | 22,227 |
| Disbursements | 44,783 | 46,104 | 54,336 | 64,365 |
| Growth (%): | | | | |
| Total AUM (%) | 38.0 | 28.2 | 27.2 | 27.2 |
| **Disbursements (%)** | **23.3** | **2.9** | **17.9** | **18.5** |
| Loan book (on balance sheet) (%) | 32.2 | 28.6 | 25.1 | 27.1 |
| Total Assets (%) | 22.9 | 21.7 | 21.3 | 25.9 |
| Net Interest Income (NII) (%) | 50.3 | 36.9 | 22.1 | 23.1 |
| Non-interest income (%) | 13.2 | 9.5 | 21.1 | 27.2 |
| Total Income (net of interest expenses) (%) | 44.2 | 32.5 | 21.8 | 23.4 |
| Operating Expenses (%) | 32.8 | 15.9 | 18.4 | 14.0 |
| Employee Cost (%) | 35.6 | 16.6 | 18.9 | 12.6 |
| Non-Employee Cost (%) | 31.0 | 12.0 | 15.0 | 15.0 |
| Pre provisioning operating profits (PPoP) (%) | 55.5 | 46.6 | 24.1 | 29.3 |
| Provisions (%) | 46.7 | 56.8 | 25.9 | 16.6 |
| PBT (%) | 56.9 | 45.1 | 23.8 | 31.4 |
| PAT (%) | 58.3 | 45.6 | 23.3 | 31.4 |
| EPS (%) | 29.6 | 43.9 | 23.3 | 31.4 |
| Yields, interest costs and spreads (%) | | | | |
| NIM on loan assets (%) | 11.1 | 11.7 | 11.2 | 11.0 |
| NIM on IEA (%) | 9.0 | 9.4 | 9.1 | 8.8 |
| NIM on AUM (%) | 9.6 | 10.0 | 9.5 | 9.2 |
| **Yield on loan assets (%)** | **17.9** | **17.9** | **17.5** | **17.3** |
| Yield on IEA (%) | 14.5 | 14.5 | 14.2 | 13.9 |
| Yield on AUM (%) | 15.6 | 15.4 | 14.9 | 14.6 |
| Cost of borrowings (%) | 9.1 | 9.1 | 9.0 | 8.9 |
| Interest Spreads (%) | 8.8 | 8.9 | 8.5 | 8.4 |
| Operating efficiencies | | | | |
| Cost to income ratio | 45.7 | 40.0 | 38.9 | 35.9 |
| Op.costs/avg assets (%) | 4.8 | 4.5 | 4.4 | 4.1 |
| Op.costs/avg AUM (%) | 5.2 | 4.6 | 4.2 | 3.8 |
| **No of employees (estimate) (x)** | **3,758** | **4,294** | **4,959** | **5,422** |
| Salaries as % of non-interest costs (%) | 70.9 | 71.4 | 71.7 | 70.9 |
| NII /employee (INR mn) | 1.5 | 1.8 | 1.9 | 2.2 |
| AUM/employee(INR mn) | 18.2 | 20.4 | 22.4 | 26.1 |
| Capital Structure | | | | |
| Average gearing ratio (x) | 1.4 | 1.6 | 1.8 | 2.1 |
| Leverage (x) | 2.5 | 2.7 | 2.9 | 3.1 |
| CAR (%) | 46.3 | 42.0 | 39.6 | 36.6 |
| Tier 1 CAR (%) | 46.2 | 41.9 | 39.5 | 36.5 |
| Tier 2 CAR (%) | 0.2 | 0.1 | 0.1 | 0.1 |
| RWA (estimate) - INR mn | 54,449 | 68,760 | 83,391 | 1,05,017 |
| **RWA as a % of loan assets** | **93.3** | **91.6** | **88.9** | **88.1** |

Source Company data, I-Sec research

| | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **Asset quality and provisioning** | | | | |
| GNPA (%) | 2.5 | 2.4 | 2.8 | 2.8 |
| NNPA (% ) | 1.4 | 1.3 | 1.4 | 1.3 |
| GNPA (INR mn) | 1,440 | 2,090 | 3,059 | 3,962 |
| NNPA (INR mn) | 800 | 1,130 | 1,502 | 1,839 |
| Coverage ratio (%) | 44.4 | 45.9 | 50.9 | 53.6 |
| Credit Costs as a % of avg AUM (bps) | 80 | 95 | 93 | 86 |
| Credit Costs as a % of avg on book loans (bps) | 92 | 111 | 110 | 101 |
| **Return ratios** | | | | |
| RoAA (%) | 3.7 | 4.4 | 4.5 | 4.8 |
| RoAE (%) | 10.5 | 11.6 | 12.5 | 14.4 |
| ROAAUM (%) | 4.0 | 4.4 | 4.3 | 4.4 |
| Valuation Ratios | | | | |
| **No of shares** | **1,072** | **1,085** | **1,085** | **1,085** |
| No of shares (fully diluted) | 1,072 | 1,085 | 1,085 | 1,085 |
| EPS (INR) | 2.2 | 3.2 | 3.9 | 5.2 |
| EPS fully diluted (INR) | 2.2 | 3.2 | 3.9 | 5.2 |
| Price to Earnings (x) | 48.0 | 33.4 | 27.1 | 20.6 |
| Price to Earnings (fully diluted) (x) | 48.0 | 33.4 | 27.1 | 20.6 |
| Book Value (fully diluted) | 26 | 29 | 33 | 38 |
| Adjusted book value | 25 | 29 | 32 | 37 |
| Price to Book | 4.1 | 3.6 | 3.2 | 2.8 |
| Price to Adjusted Book | 4.2 | 3.7 | 3.3 | 2.9 |

Source Company data, I-Sec research

## Exhibit 18: Key Metrics

(Year ending March)

| | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **DuPont Analysis** | | | | |
| Average Assets (INR mn) | 64,047 | 78,291 | 95,096 | 1,17,755 |
| Average Loans (INR mn) | 51,259 | 66,703 | 84,445 | 1,06,555 |
| Average Equity (INR mn) | 22,528 | 29,842 | 34,030 | 38,955 |
| Interest earned (%) | 14.3 | 15.3 | 15.6 | 15.7 |
| Net gain on fair value changes (%) | 0.3 | 0.2 | 0.2 | 0.2 |
| Interest expended (%) | 5.5 | 5.4 | 5.6 | 5.8 |
| **Gross Interest Spread (%)** | **8.9** | **9.9** | **10.0** | **9.9** |
| Credit cost (%) | 0.7 | 0.9 | 1.0 | 0.9 |
| **Net Interest Spread (%)** | **8.1** | **9.0** | **9.0** | **9.0** |
| Operating cost (%) | 4.8 | 4.5 | 4.4 | 4.1 |
| **Lending spread (%)** | **3.3** | **4.5** | **4.6** | **4.9** |
| Non interest income (%) | 1.3 | 1.2 | 1.2 | 1.2 |
| **Operating Spread (%)** | **4.7** | **5.6** | **5.8** | **6.1** |
| Tax rate (%) | 25.0 | 24.7 | 25.0 | 25.0 |
| **ROAA (%)** | **3.7** | **4.4** | **4.5** | **4.8** |
| Effective leverage (AA/ AE) | 2.8 | 2.6 | 2.8 | 3.0 |
| **RoAE (%)** | **10.5** | **11.6** | **12.5** | **14.4** |

Source Company data, I-Sec research

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