

# Muthoot Finance

Estimate change



TP change



Rating change



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|                       |             |
|-----------------------|-------------|
| Bloomberg             | MUTH IN     |
| Equity Shares (m)     | 401         |
| M.Cap.(INRb)/(USD\$)  | 401.1 / 5.2 |
| 52-Week Range (INR)   | 1012 / 478  |
| 1, 6, 12 Rel. Per (%) | 14/58/75    |
| 12M Avg Val (INR M)   | 1227        |

## Financials & Valuations (INR b)

| Y/E March   | 2020 | 2021E | 2022E |
|-------------|------|-------|-------|
| NII         | 57.7 | 66.5  | 76.4  |
| PPP         | 41.5 | 48.6  | 56.4  |
| PAT         | 30.2 | 34.4  | 40.4  |
| EPS (INR)   | 75.3 | 85.9  | 100.6 |
| EPS Gr. (%) | 52.9 | 14.1  | 17.2  |
| BV/Sh.(INR) | 289  | 357   | 437   |

## Ratios

|               |      |      |      |
|---------------|------|------|------|
| NIM (%)       | 14.9 | 14.4 | 14.6 |
| C/I ratio (%) | 30.0 | 28.9 | 28.2 |
| RoA (%)       | 6.8  | 6.4  | 6.6  |
| RoE (%)       | 29.0 | 26.6 | 25.4 |
| Payout (%)    | 19.9 | 17.0 | 17.0 |

## Valuations

|               |      |      |     |
|---------------|------|------|-----|
| P/E (x)       | 13.3 | 11.6 | 9.9 |
| P/BV (x)      | 3.5  | 2.8  | 2.3 |
| Div. Yld. (%) | 1.5  | 1.5  | 1.7 |

## Shareholding pattern (%)

| As On                            | Mar-20 | Dec-19 | Mar-19 |
|----------------------------------|--------|--------|--------|
| Promoter                         | 73.4   | 73.4   | 73.5   |
| DII                              | 7.1    | 7.8    | 9.8    |
| FII                              | 14.4   | 14.5   | 12.4   |
| Others                           | 5.1    | 4.2    | 4.3    |
| FII Includes depository receipts |        |        |        |

**CMP: INR1,000**
**TP: INR1,100 (+10%)**
**Neutral**

## Stellar performance on growth; Spreads stable

- Muthoot Finance's (MUTH) 4QFY20 PAT surged 59% YoY to INR8.2b (in-line), driven by strong AUM growth and improvement in asset quality.
- In FY20, MUTH delivered growth of 22%/34%/53% for loans/PPoP/PAT. RoA/RoE for the year stood at 6.8%/29%.
- Given the sharp increase in gold prices and expected demand surge as businesses slowly resume operations, we have increased our EPS estimates by 8-12% for FY21-22E. However, given the uncertain outlook for MUTH's subsidiaries and the re-rating in the stock, we maintain **Neutral** with TP of INR1,100.

## Gold loan book growth robust; Spreads improve YoY

- Standalone loan book increased 8% QoQ and 22% YoY to INR416b – the strong sequential growth was driven by higher gold prices. Calculated spreads were up 200bp YoY due to higher penal interest and lower cost of funds (down 80bp YoY). **Management has guided to marginally lower yields in FY21 given the lower auctions.**
- GS3% declined 40bp QoQ to 2.16%. The company made INR48m provisions during the quarter.
- Similar to 3QFY20, MUTH raised USD550m via ECBs in the quarter. Opex jumped 17% QoQ due to an accounting treatment on hedging cost for the ECBs raised.

## Highlights from management commentary

- Customer footfall at 65-70% of run-rate now. Pent-up demand has normalized now.
- Belstar: Collection efficiency – 95%/17%/35% in Mar/Apr/May; expect 65% for Jun'20.**

## Key subsidiary performance

- Muthoot Homefin:** Disbursements declined ~40% QoQ to INR583m. AUM stood at INR19.8b. PAT for the quarter was only INR12m.
- Belstar Investment and Finance:** Loan book grew 43% YoY to INR26b while PAT grew only 9% QoQ to INR222m. GNPL ratio improved 20bp QoQ to 0.9%.

## Valuation and view

Over the past two quarters, MUTH raised USD1b from ECBs – this liability diversification will be helpful going ahead. Spreads have sustained at ~15%, though we expect some compression due to lower penal interest income. Over the next 12 months, the company is likely to benefit from (a) sharp run-up in gold prices, and (b) higher gold loan demand due to the impact of the lockdown on customers. Thus, we increase our EPS estimates by 8-12%. However, we turn cautious on the outlook for the HFC and MFI subsidiaries. We expect FY21 to be a tough year for these companies. Hence, we maintain **Neutral** with TP of INR1,100 (2.5x FY22E BVPS).

| Quarterly Performance               |               |               |               |               |               |               |               |               |               |               |               | (INR M)          |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|
| Y/E March                           | FY19          |               |               |               | FY20          |               |               |               | FY19          | FY20          | 4QFY20E       | Act v/s Est. (%) |
|                                     | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |               |               |               |                  |
| Income from operations              | 16,108        | 16,316        | 16,827        | 18,319        | 18,274        | 21,057        | 22,806        | 23,506        | 67,570        | 85,644        | 23,483        | 0                |
| Other operating income              | 215           | 181           | 338           | 478           | 294           | 312           | 399           | 497           | 1,212         | 1,502         | 252           | 97               |
| <b>Total Operating income</b>       | <b>16,323</b> | <b>16,496</b> | <b>17,165</b> | <b>18,797</b> | <b>18,568</b> | <b>21,369</b> | <b>23,206</b> | <b>24,004</b> | <b>68,782</b> | <b>87,146</b> | <b>23,735</b> | <b>1</b>         |
| YoY Growth (%)                      | 18.5          | -0.7          | 8.6           | 14.1          | 13.8          | 29.5          | 35.2          | 27.7          | 9.8           | 26.7          | 26.3          | 5                |
| <b>Total Income</b>                 | <b>16,330</b> | <b>16,501</b> | <b>17,171</b> | <b>18,804</b> | <b>18,587</b> | <b>21,405</b> | <b>23,209</b> | <b>24,026</b> | <b>68,806</b> | <b>87,228</b> | <b>23,768</b> | <b>1</b>         |
| YoY Growth (%)                      | 18.6          | -0.7          | 7.9           | 10.4          | 13.8          | 29.7          | 35.2          | 27.8          | 8.6           | 26.8          | 26.4          | 5                |
| Interest Expenses                   | 5,016         | 5,354         | 5,889         | 6,111         | 6,416         | 6,699         | 7,094         | 7,700         | 22,368        | 27,909        | 7,111         | 8                |
| <b>Net Income</b>                   | <b>11,314</b> | <b>11,148</b> | <b>11,282</b> | <b>12,694</b> | <b>12,171</b> | <b>14,707</b> | <b>16,115</b> | <b>16,326</b> | <b>46,438</b> | <b>59,319</b> | <b>16,657</b> | <b>-2</b>        |
| Operating Expenses                  | 3,738         | 3,669         | 3,440         | 4,547         | 3,972         | 3,969         | 4,542         | 5,304         | 15,394        | 17,787        | 4,809         | 10               |
| <b>Operating Profit</b>             | <b>7,577</b>  | <b>7,478</b>  | <b>7,842</b>  | <b>8,147</b>  | <b>8,199</b>  | <b>10,738</b> | <b>11,573</b> | <b>11,021</b> | <b>31,044</b> | <b>41,531</b> | <b>11,848</b> | <b>-7</b>        |
| YoY Growth (%)                      | 36.5          | -12.7         | -1.2          | -7.3          | 8.2           | 43.6          | 47.6          | 35.3          | 0.6           | 33.8          | 45.4          | -22              |
| Provisions                          | 27            | 25            | 19            | 205           | 33            | 265           | 612           | 48            | 275           | 957           | 1,128         | -96              |
| <b>Profit before Tax</b>            | <b>7,550</b>  | <b>7,453</b>  | <b>7,823</b>  | <b>7,942</b>  | <b>8,166</b>  | <b>10,473</b> | <b>10,961</b> | <b>10,974</b> | <b>30,769</b> | <b>40,574</b> | <b>10,720</b> | <b>2</b>         |
| Tax Provisions                      | 2,634         | 2,615         | 2,971         | 2,827         | 2,866         | 1,894         | 2,809         | 2,822         | 11,047        | 10,391        | 2,592         | 9                |
| <b>Net Profit</b>                   | <b>4,916</b>  | <b>4,838</b>  | <b>4,852</b>  | <b>5,115</b>  | <b>5,300</b>  | <b>8,579</b>  | <b>8,152</b>  | <b>8,151</b>  | <b>19,722</b> | <b>30,183</b> | <b>8,128</b>  | <b>0</b>         |
| YoY Growth (%)                      | 42.5          | 8.6           | 1.4           | 0.6           | 7.8           | 77.3          | 68.0          | 59.4          | 10.9          | 53.0          | 58.9          | 1                |
| <b>Key Operating Parameters (%)</b> |               |               |               |               |               |               |               |               |               |               |               |                  |
| Yield on loans (Cal)                | 21.7          | 20.8          | 21.2          | 22.5          | 21.2          | 23.9          | 25.0          | 24.0          | 21.0          | 22.1          |               |                  |
| Cost of funds (Cal)                 | 9.0           | 9.0           | 9.5           | 9.4           | 9.3           | 9.5           | 9.3           | 8.8           | 9.3           | 8.7           |               |                  |
| Spreads (Cal)                       | 12.7          | 11.8          | 11.7          | 13.2          | 11.9          | 14.4          | 15.7          | 15.1          | 11.7          | 13.4          |               |                  |
| NIMs (Cal)                          | 15.1          | 14.1          | 13.9          | 15.2          | 13.9          | 16.4          | 17.4          | 16.3          | 14.0          | 14.9          |               |                  |
| Credit Cost                         | 0.0           | 0.0           | 0.0           | 0.2           | 0.0           | 0.3           | 0.7           | 0.0           | 0.1           | 0.2           |               |                  |
| Cost to Income Ratio                | 33.0          | 32.9          | 30.5          | 35.8          | 32.6          | 27.0          | 28.2          | 32.5          | 33.2          | 30.0          |               |                  |
| Tax Rate                            | 34.9          | 35.1          | 38.0          | 35.6          | 35.1          | 18.1          | 25.6          | 25.7          | 35.9          | 25.6          |               |                  |
| <b>Balance Sheet Parameters</b>     |               |               |               |               |               |               |               |               |               |               |               |                  |
| <b>AUM (INR b)</b>                  | 310           | 323           | 325           | 342           | 358           | 357           | 385           | 416           | 349           | 426           |               |                  |
| Change YoY (%)                      | 11.3          | 17.0          | 14.9          | 17.5          | 15.5          | 10.6          | 18.6          | 21.5          | 18.4          | 22.0          |               |                  |
| Gold Stock Holding (In tonnes)      | 161           | 168           | 166           | 169           | 176           | 171           | 173           | 176           |               |               |               |                  |
| Avg gold loans per branch (INR m)   | 70            | 73            | 72            | 75            | 78            | 77            | 83            | 89            |               |               |               |                  |
| <b>Borrowings (INR b)</b>           | 232           | 243           | 252           | 269           | 281           | 285           | 326           | 372           | 268           | 371           |               |                  |
| Change YoY (%)                      | 5.2           | 8.9           | 19.6          | 26.6          | 21.2          | 17.0          | 29.2          | 38.3          | 26.8          | 38.4          |               |                  |
| <b>Borrowings Mix (%)</b>           |               |               |               |               |               |               |               |               |               |               |               |                  |
| Listed secured NCDs                 | 30.6          | 30.9          | 29.0          | 27.9          | 28.1          | 30.4          | 31.9          | 26.0          |               |               |               |                  |
| Term loans                          | 47.2          | 48.5          | 48.1          | 48.7          | 48.9          | 47.0          | 39.6          | 39.1          |               |               |               |                  |
| Commercial Paper                    | 11.8          | 12.4          | 15.9          | 17.7          | 17.1          | 17.2          | 14.1          | 9.7           |               |               |               |                  |
| Others                              | 10.4          | 8.2           | 7.0           | 5.8           | 5.8           | 5.5           | 4.5           | 4.9           |               |               |               |                  |
| Debt/Equity (x)                     | 3.0           | 2.9           | 2.7           | 2.7           | 2.9           | 2.6           | 2.7           | 2.9           |               |               |               |                  |
| <b>Asset Quality Parameters (%)</b> |               |               |               |               |               |               |               |               |               |               |               |                  |
| GS 3 (INR m)                        | 8,835         | 6,170         | 6,372         | 9,326         | 11,474        | 12,267        | 9,769         | 8,992         | 9,326         | 8,992         |               |                  |
| Gross Stage 3 (% on Assets)         | 2.9           | 1.9           | 2.0           | 2.7           | 3.2           | 3.4           | 2.5           | 2.2           | 2.67          | 2.11          |               |                  |
| Total Provisions (INR m)            | 8,096         | 8,096         | 8,096         | 8,096         | 8,095         | 8,213         | 8,377         | 8,381         |               |               |               |                  |
| <b>Return Ratios (%)</b>            |               |               |               |               |               |               |               |               |               |               |               |                  |
| RoAUM (Rep)                         | 6.5           | 6.1           | 6.0           | 6.3           | 6.1           | 9.6           | 8.8           | 8.1           | 5.7           | 6.8           |               |                  |
| RoE (Rep)                           | 24.4          | 22.7          | 21.5          | 21.5          | 21.7          | 33.7          | 29.6          | 28.4          | 23.2          | 29.0          |               |                  |

E: MOFSL estimates



## Highlights from management commentary

### Business Updates

- The first 1-2 months were challenging in the lockdown, as branches were shut. Apr'20 was a complete washout, with almost Nil footfalls. Branches opened from 20<sup>th</sup> Apr'20. **Customer footfalls are at 60-70% currently** (many customers not able to come due to lack of public transport). Expect footfalls to reach pre-COVID levels by the month-end.
- See demand traction from new as well as existing customers, with pick-up in economic activity.
- In the last week, 50-60 branches (that were still closed) in Mumbai/Pune have also opened up. Currently close to 100% branches are open (except the ones that are in strictly prohibited regions).
- **Initially customers were coming to branches only for interest repayment, now they are taking new gold loans. Pent-up demand – to take back ornaments in the first two weeks of opening branches – has normalized now.**
- Usually average LTV is less than 70% for MUTH's gold loans; however, due to gold price hikes, LTV is currently down to 52-53%.
- All forex fluctuations are completely hedged. There was some accounting restatement related to the hedge, which spiked opex in the quarter (similar to 3QFY20).
- Accrued interest on books stands at INR15.57b (last year INR8.96b).

### Liquidity/funding

- **All commitments have been honored. The company did not seek moratorium from any lenders.**
- Receiving competitive rates from offshore funds. Raised USD560m this quarter (~USD1b raised so far).
- Do not expect any challenges in raising funds. To achieve the targeted growth, MUTH would need INR60b funds. Will continue to approach MFs, NCDs (offshore and domestic) and banks.
- Banks have not reduced the cost significantly. Banks are charging significant risk premiums from NBFCs ever since the IL&FS crisis. But, money market costs have come down. Expect NCD costs to decline going ahead.
- Average cost of borrowings stand at 9% and returns from liquid investments/deposits would be in the range of 4-5%.
- If CoF comes off, benefits will be passed on to the customer.

### Asset Quality/ Moratorium

- Collections are improving in May/Jun'20 for MFI/Muthoot Money.
- **No borrower suo-moto has asked for a moratorium. However, as per the RBI guidelines, MUTH has offered moratorium to all borrowers (across businesses) in Apr-May'20.**
- **No provisions were made in Mar'20 for gold portfolio. Provided INR18.5m for the MFI book.**
- **MFI: Collection efficiency – 95%/17%/35% in Mar/Apr/May; expect 65% in Jun'20.**
- **HFC: Out of 22k customers in HFC, 6-7k are under moratorium. Expect to make INR150m of provisions in 1QFY21.**

- Since most gold loans are of 4-5m actuarial tenure (granted for 12 months), **none of the Gold Loan borrowers have sought moratorium. MUTH has told its customers that it will not do any auctions during the moratorium period.**
- **MUTH is 'in the money' for loans that crossed 12m NPA, and hence, there is no need to auction them as well.**
- Stage 2 assets: 1.71%.
- ECL provisions on stage 3 at INR950m.

### Guidance

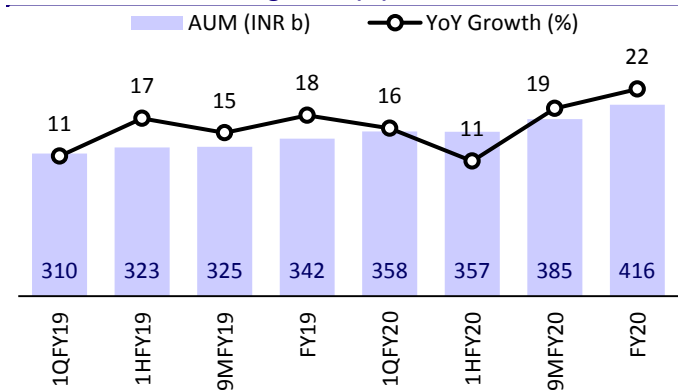
- Targeting 15% growth on gold loan portfolio for the full year.
- Looking at calibrated growth in vehicle and housing finance subsidiaries. Not aspiring for aggressive growth. Hence, will not need any capital in the next 1 year.
- Yields are adequate to protect margins. There could be slightly lower yield in FY21 as penalty is not allowed, however, the company should be able to maintain RoA. Have stocked up on some lower-yielding products to make up for the lower disbursements, if any.
- On an average, spreads should stand at ~12%

### Others

- 80% of customers are repeat customers.
- 90% of the business is in gold loans. Don't need any major provisions.
- ATS up from INR41k to INR50k, employees increased from ~24k to 25k YoY.
- All gold loans have bullet repayments.

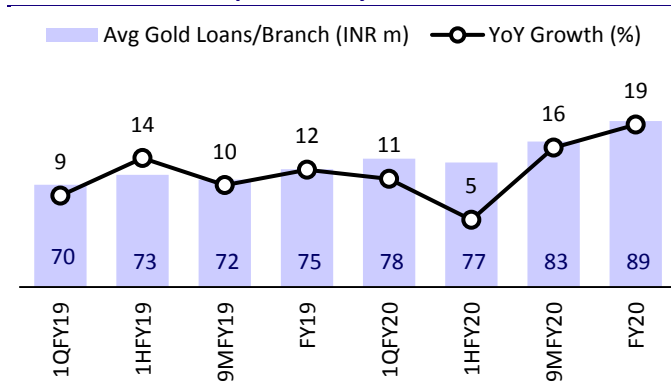
## Key Exhibits

Exhibit 1: Robust AUM growth (%)



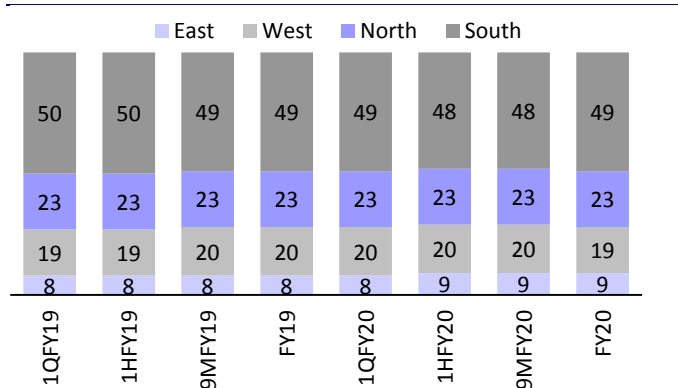
Source: MOFSL, Company

Exhibit 2: Increased productivity



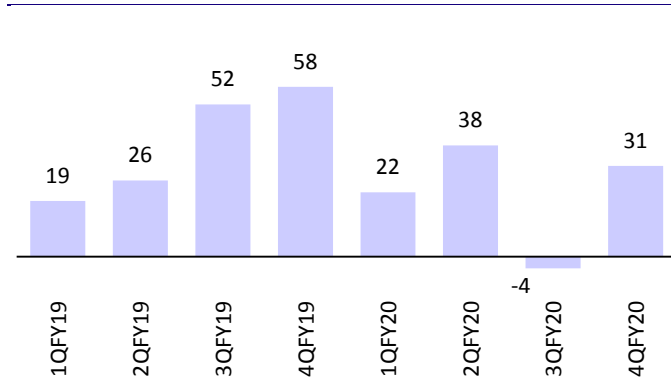
Source: MOFSL, Company

Exhibit 3: South dominates the mix at 49%



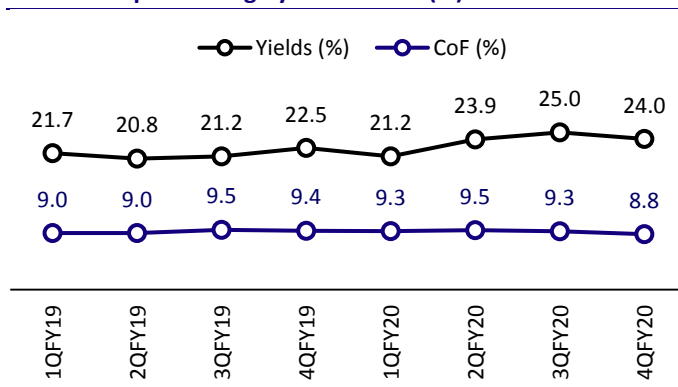
Source: MOFSL, Company, Gold loan portfolio mix

Exhibit 4: Branches opened during the quarter



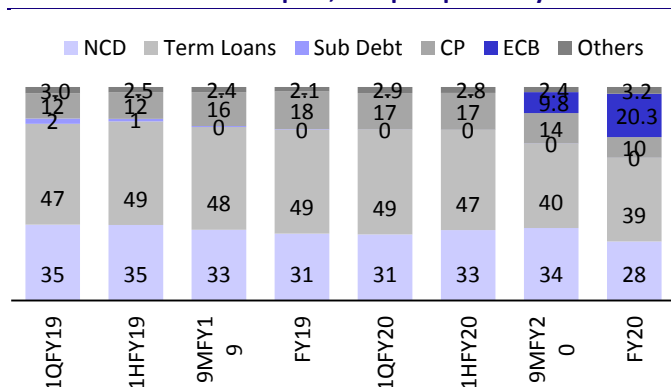
Source: MOFSL, Company

Exhibit 5: Spreads largely maintained (%)



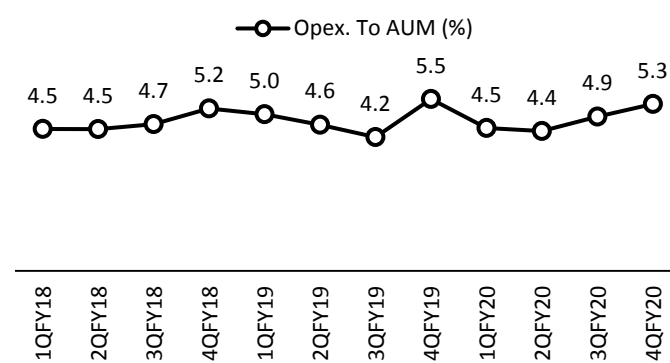
Source: MOFSL, Company

Exhibit 6: Share of ECB up ~1,000bp sequentially



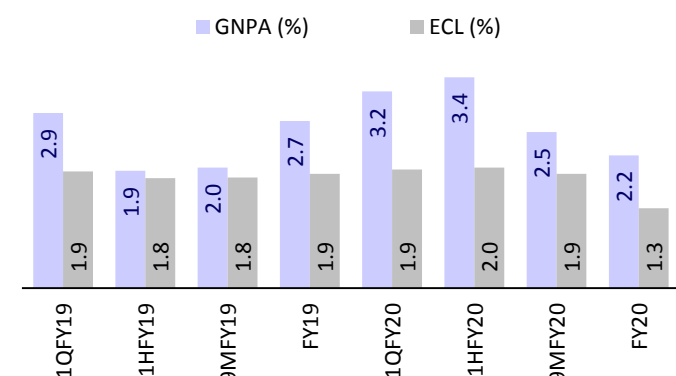
Source: MOFSL, Company

Exhibit 7: Expense ratio up QoQ (%)



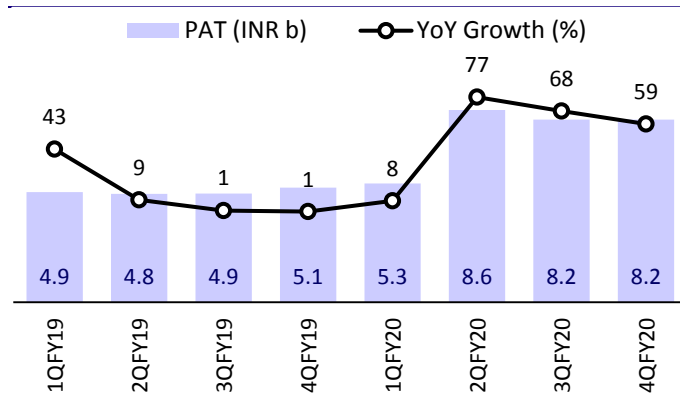
Source: MOFSL, Company

Exhibit 8: Decline in GNPA %



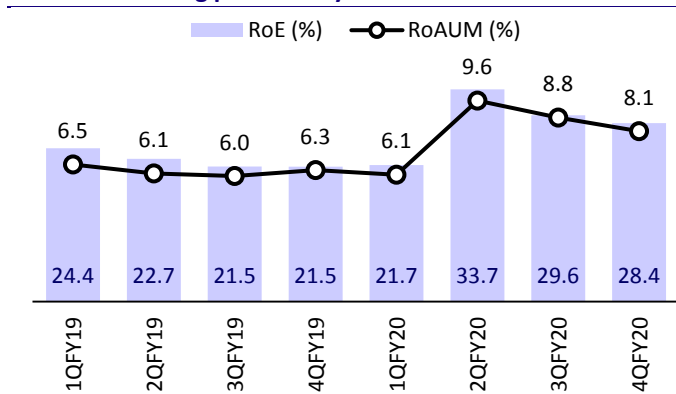
Source: MOFSL, Company

Exhibit 9: Trend in PAT



Source: MOFSL, Company

Exhibit 10: Strong profitability continues



Source: MOFSL, Company, Reported

## Valuation and view

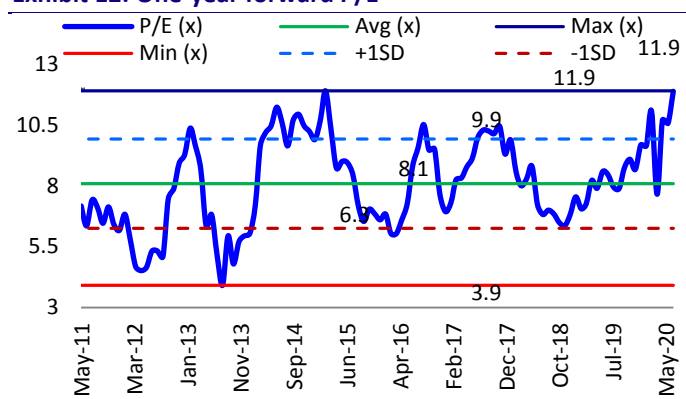
- Over the past few quarters, there has been tailwind to growth from increasing gold prices and stronger demand. We expect this to continue over the next 12 months given (a) sharp run-up in gold prices, and (b) higher gold loan demand due to the impact of the lockdown on their customers.
- Positive ALM (due to short loan tenures of up to 12 months) and adequate balance sheet liquidity have helped MUTH access debt capital with relative ease. Over the past two quarters, MUTH raised USD1b from ECBs – this liability diversification will be helpful going ahead. Spreads have sustained at ~15%, though we expect some compression due to lower penal interest income.
- The company is well capitalized with a Tier I ratio of 24% - we do not foresee any dilution in the medium term even if AUM growth continues at 20% YoY.
- We estimate loan growth of 17% in FY21 followed by moderation to 10% CAGR. We forecast 14% PAT CAGR over FY20-23E. Hence, we increase our EPS estimates by 8-12% for FY21/22E.
- However, we turn cautious on the outlook for its HFC/MFI subsidiaries. We expect FY21 to be a tough year for these companies. Maintain Neutral with TP of INR1,100 (2.5x FY22E BVPS).

Exhibit 11: We upgrade our estimates by 8-12%

| INR B                    | Old Est     |             | New Est     |             | % Change   |             |
|--------------------------|-------------|-------------|-------------|-------------|------------|-------------|
|                          | FY21        | FY22        | FY21        | FY22        | FY21       | FY22        |
| NII                      | 64.3        | 71.0        | 66.5        | 76.4        | 3.4        | 7.6         |
| Other Income             | 1.3         | 1.5         | 1.9         | 2.1         |            |             |
| <b>Net Income</b>        | <b>65.6</b> | <b>72.4</b> | <b>68.3</b> | <b>78.4</b> | <b>4.1</b> | <b>8.3</b>  |
| <b>Operating Profits</b> | <b>46.2</b> | <b>50.6</b> | <b>48.6</b> | <b>56.4</b> | <b>5.3</b> | <b>11.3</b> |
| Provisions               | 3.3         | 2.3         | 2.3         | 2.1         | -30.7      | -9.8        |
| <b>PBT</b>               | <b>42.8</b> | <b>48.3</b> | <b>46.3</b> | <b>54.3</b> | <b>8.1</b> | <b>12.3</b> |
| Tax                      | 10.8        | 12.2        | 11.9        | 13.9        | 9.8        | 14.1        |
| <b>PAT</b>               | <b>32.0</b> | <b>36.1</b> | <b>34.4</b> | <b>40.4</b> | <b>7.5</b> | <b>11.7</b> |
| Loans                    | 432         | 497         | 498         | 548         | 15.4       | 10.4        |
| Borrowings               | 304         | 343         | 415         | 446         |            |             |
| Spread (%)               | 12.7        | 12.3        | 13.1        | 13.1        |            |             |
| <b>RoA (%)</b>           | <b>7.1</b>  | <b>7.2</b>  | <b>6.4</b>  | <b>6.6</b>  |            |             |
| <b>RoE (%)</b>           | <b>25.8</b> | <b>24.4</b> | <b>26.6</b> | <b>25.4</b> |            |             |

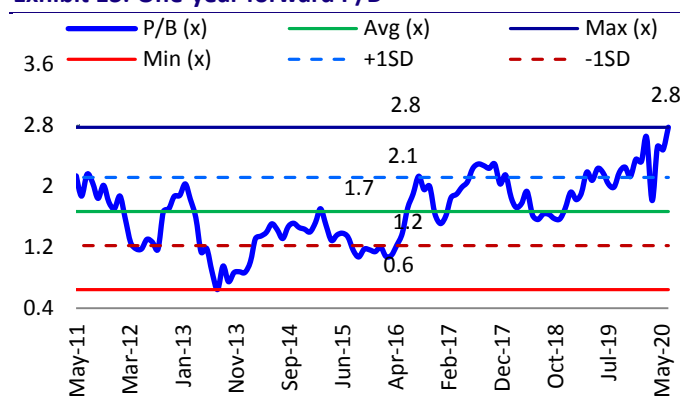
Source: MOFSL, Company

Exhibit 12: One-year forward P/E



Source: MOFSL, Company

Exhibit 13: One-year forward P/B



Source: MOFSL, Company

## Valuation Matrix

|              | Rating  | CMP<br>(INR) | Mcap<br>(USDb) | P/E (x) |       | P/BV (x) |       | RoA (%) |       | RoE (%) |       |
|--------------|---------|--------------|----------------|---------|-------|----------|-------|---------|-------|---------|-------|
|              |         |              |                | FY21E   | FY22E | FY21E    | FY22E | FY21E   | FY22E | FY21E   | FY22E |
| HFCs         |         |              |                |         |       |          |       |         |       |         |       |
| HDFC*        | Buy     | 1,794        | 41.2           | 17.1    | 13.0  | 1.8      | 1.4   | 1.6     | 1.5   | 11.2    | 11.0  |
| LICHF        | Buy     | 292          | 1.9            | 6.4     | 5.4   | 0.7      | 0.7   | 1.0     | 1.1   | 12.0    | 13.0  |
| PNBHF        | Neutral | 205          | 0.4            | 13.8    | 4.4   | 0.4      | 0.4   | 0.3     | 1.0   | 3.1     | 9.3   |
| REPCO        | Buy     | 116          | 0.1            | 2.6     | 2.4   | 0.3      | 0.3   | 2.3     | 2.4   | 14.4    | 13.6  |
| Vehicle fin. |         |              |                |         |       |          |       |         |       |         |       |
| SHTF         | Buy     | 648          | 2.0            | 9.8     | 5.5   | 0.8      | 0.7   | 1.4     | 2.4   | 8.1     | 13.0  |
| MMFS         | Buy     | 166          | 1.4            | 20.9    | 11.6  | 0.9      | 0.8   | 0.7     | 1.2   | 4.2     | 7.2   |
| CIFC         | Buy     | 168          | 1.7            | 17.7    | 13.1  | 1.6      | 1.4   | 1.2     | 1.6   | 9.4     | 11.6  |
| Diversified  |         |              |                |         |       |          |       |         |       |         |       |
| BAF          | Neutral | 2,397        | 17.9           | 35.8    | 23.4  | 4.0      | 3.5   | 2.4     | 3.4   | 11.8    | 15.9  |
| SCUF         | Buy     | 667          | 0.6            | 6.7     | 5.9   | 0.6      | 0.5   | 2.1     | 2.4   | 8.7     | 9.2   |
| LTFH         | Buy     | 61           | 1.6            | 7.2     | 5.3   | 0.8      | 0.7   | 1.6     | 2.1   | 11.3    | 13.8  |
| MUTH         | Neutral | 1,000        | 5.2            | 12.5    | 11.1  | 3.0      | 2.5   | 7.1     | 7.2   | 25.8    | 24.4  |
| MAS          | Buy     | 646          | 0.5            | 21.0    | 17.5  | 3.2      | 2.8   | 3.7     | 4.0   | 16.0    | 16.9  |

\*Adjusted for investments in subsidiaries



## Financials and Valuations

| Income Statement             |               |               |               |               |               |               | (INR M)       |               |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E MARCH                    | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          | 2022E         | 2023E         |
| Interest Income              | 47,995        | 56,369        | 62,021        | 67,570        | 85,644        | 1,00,309      | 1,12,529      | 1,22,631      |
| Interest Expense             | 22,577        | 22,938        | 19,314        | 22,368        | 27,909        | 33,828        | 36,169        | 37,903        |
| <b>Net Interest Income</b>   | <b>25,418</b> | <b>33,431</b> | <b>42,707</b> | <b>45,202</b> | <b>57,735</b> | <b>66,482</b> | <b>76,360</b> | <b>84,727</b> |
| Change (%)                   | 17.9          | 31.5          | 27.7          | 5.8           | 27.7          | 15.2          | 14.9          | 11.0          |
| Other income                 | 755           | 1,098         | 1,310         | 1,236         | 1,584         | 1,853         | 2,079         | 2,333         |
| <b>Net Income</b>            | <b>26,173</b> | <b>34,529</b> | <b>44,017</b> | <b>46,438</b> | <b>59,319</b> | <b>68,334</b> | <b>78,439</b> | <b>87,060</b> |
| Change (%)                   | 18.0          | 31.9          | 27.5          | 5.5           | 27.7          | 15.2          | 14.8          | 11.0          |
| Operating Expenses           | 11,381        | 12,503        | 13,174        | 15,394        | 17,787        | 19,727        | 22,085        | 24,724        |
| <b>Pre Provision Profits</b> | <b>14,792</b> | <b>22,026</b> | <b>30,843</b> | <b>31,044</b> | <b>41,531</b> | <b>48,607</b> | <b>56,354</b> | <b>62,336</b> |
| Change (%)                   | 38.9          | 48.9          | 40.0          | 0.6           | 33.8          | 17.0          | 15.9          | 10.6          |
| Provisions                   | 1,624         | 2,816         | 2,397         | 275           | 957           | 2,311         | 2,094         | 2,879         |
| <b>PBT</b>                   | <b>13,168</b> | <b>19,210</b> | <b>28,447</b> | <b>30,768</b> | <b>40,574</b> | <b>46,296</b> | <b>54,261</b> | <b>59,457</b> |
| Tax                          | 5,072         | 7,411         | 10,671        | 11,047        | 10,391        | 11,857        | 13,896        | 15,227        |
| Tax Rate (%)                 | 38.5          | 38.6          | 37.5          | 35.9          | 25.6          | 25.6          | 25.6          | 25.6          |
| <b>PAT</b>                   | <b>8,096</b>  | <b>11,799</b> | <b>17,776</b> | <b>19,721</b> | <b>30,183</b> | <b>34,440</b> | <b>40,364</b> | <b>44,230</b> |
| Change (%)                   | 20.7          | 45.7          | 50.7          | 10.9          | 53.0          | 14.1          | 17.2          | 9.6           |
| Proposed Dividend            | 2,393         | 2,397         | 4,010         | 4,812         | 6,016         | 5,855         | 6,862         | 7,519         |

| Balance Sheet            |                 |                 |                 |                 |                 |                 | (INR M)         |                 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E MARCH                | 2016            | 2017            | 2018            | 2019            | 2020            | 2021            | 2022E           | 2023E           |
| Equity Share Capital     | 3,990           | 3,995           | 4,000           | 4,007           | 4,010           | 4,010           | 4,010           | 4,010           |
| Reserves & Surplus       | 52,202          | 61,170          | 74,120          | 88,151          | 1,11,708        | 1,39,063        | 1,71,125        | 2,06,256        |
| <b>Networth</b>          | <b>56,192</b>   | <b>65,164</b>   | <b>78,120</b>   | <b>92,158</b>   | <b>1,15,718</b> | <b>1,43,074</b> | <b>1,75,135</b> | <b>2,10,267</b> |
| <b>Borrowings</b>        | <b>1,85,670</b> | <b>2,09,855</b> | <b>2,11,670</b> | <b>2,68,332</b> | <b>3,71,300</b> | <b>4,15,391</b> | <b>4,45,785</b> | <b>4,78,688</b> |
| Change (%)               | -4.5            | 13.0            | 0.9             | 26.8            | 38.4            | 11.9            | 7.3             | 7.4             |
| <b>Other liabilities</b> | <b>28,625</b>   | <b>32,112</b>   | <b>18,132</b>   | <b>20,198</b>   | <b>17,578</b>   | <b>20,215</b>   | <b>23,247</b>   | <b>26,734</b>   |
| Change (%)               | 27.2            | 12.2            | -43.5           | 11.4            | -13.0           | 15.0            | 15.0            | 15.0            |
| <b>Total Liabilities</b> | <b>2,70,487</b> | <b>3,07,131</b> | <b>3,07,923</b> | <b>3,80,687</b> | <b>5,04,597</b> | <b>5,78,679</b> | <b>6,44,167</b> | <b>7,15,689</b> |
| <b>Loans</b>             | <b>2,45,241</b> | <b>2,74,242</b> | <b>2,95,068</b> | <b>3,49,329</b> | <b>4,26,042</b> | <b>4,98,469</b> | <b>5,48,316</b> | <b>6,03,147</b> |
| Change (%)               | 4.2             | 11.8            | 7.6             | 18.4            | 22.0            | 17.0            | 10.0            | 10.0            |
| <b>Investments</b>       | <b>983</b>      | <b>2,091</b>    | <b>3,954</b>    | <b>9,826</b>    | <b>14,383</b>   | <b>15,822</b>   | <b>17,404</b>   | <b>19,144</b>   |
| Net Fixed Assets         | 2,274           | 2,182           | 1,922           | 1,867           | 2,227           | 2,450           | 2,695           | 2,965           |
| Other assets             | 21,990          | 28,615          | 6,978           | 19,666          | 61,944          | 61,938          | 75,752          | 90,433          |
| <b>Total Assets</b>      | <b>2,70,487</b> | <b>3,07,131</b> | <b>3,07,923</b> | <b>3,80,687</b> | <b>5,04,597</b> | <b>5,78,679</b> | <b>6,44,167</b> | <b>7,15,689</b> |

E: MOFSL Estimates

## Financials and Valuations

| <b>RATIOS</b>                      | <b>(%)</b>  |             |             |             |             |             |              |              |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| <b>Y/E MARCH</b>                   | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022E</b> | <b>2023E</b> |
| <b>Spreads Analysis (%)</b>        |             |             |             |             |             |             |              |              |
| Avg Yield on loans                 | 20.1        | 21.8        | 21.8        | 21.0        | 22.1        | 21.7        | 21.5         | 21.3         |
| Avg Cost of funds                  | 11.9        | 11.6        | 9.2         | 9.3         | 8.7         | 8.6         | 8.4          | 8.2          |
| Spreads on loans                   | 8.2         | 10.2        | 12.7        | 11.7        | 13.4        | 13.1        | 13.1         | 13.1         |
| NIMs on AUM                        | 10.6        | 12.9        | 15.0        | 14.0        | 14.9        | 14.4        | 14.6         | 14.7         |
| <b>Profitability Ratios (%)</b>    |             |             |             |             |             |             |              |              |
| RoE                                | 15.1        | 19.4        | 24.8        | 23.2        | 29.0        | 26.6        | 25.4         | 23.0         |
| RoA                                | 3.0         | 4.1         | 5.8         | 5.7         | 6.8         | 6.4         | 6.6          | 6.5          |
| RoA on AUM                         | 3.4         | 4.6         | 6.2         | 6.1         | 7.8         | 7.5         | 7.7          | 7.7          |
| Cost to Income                     | 43.5        | 36.2        | 29.9        | 33.2        | 30.0        | 28.9        | 28.2         | 28.4         |
| Empl. Cost/Op. Exps.               | 56.4        | 61.1        | 59.4        | 58.3        | 57.8        | 60.0        | 60.0         | 60.0         |
| <b>Asset-Liability Profile (%)</b> |             |             |             |             |             |             |              |              |
| GNPL ratio (%)                     | 2.2         | 2.8         | 4.4         | 2.7         | 2.2         | 2.0         | 2.0          | 2.0          |
| Debt/Equity (x)                    | 3.3         | 3.2         | 2.7         | 2.9         | 3.2         | 2.9         | 2.5          | 2.3          |
| Average leverage                   | 3.6         | 3.3         | 2.9         | 2.8         | 3.1         | 3.0         | 2.7          | 2.4          |
| <b>Valuations</b>                  |             |             |             |             |             |             |              |              |
| Book Value (INR)                   | 140.8       | 163.1       | 195.3       | 230.0       | 288.5       | 356.8       | 436.7        | 524.3        |
| <b>Price-BV (x)</b>                |             |             |             |             | <b>3.5</b>  | <b>2.8</b>  | <b>2.3</b>   | <b>1.9</b>   |
| EPS (INR)                          | 20.3        | 29.5        | 44.4        | 49.2        | 75.3        | 85.9        | 100.6        | 110.3        |
| EPS Growth (%)                     | 20.4        | 45.6        | 50.4        | 10.8        | 52.9        | 14.1        | 17.2         | 9.6          |
| <b>Price-Earnings (x)</b>          |             |             |             |             | <b>13.3</b> | <b>11.6</b> | <b>9.9</b>   | <b>9.1</b>   |
| Dividend                           | 6.0         | 6.0         | 10.0        | 12.0        | 15.0        | 14.6        | 17.1         | 18.7         |
| <b>Dividend Yield (%)</b>          |             |             |             |             | <b>1.5</b>  | <b>1.5</b>  | <b>1.7</b>   | <b>1.9</b>   |

E: MOFSL Estimates

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com). CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

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