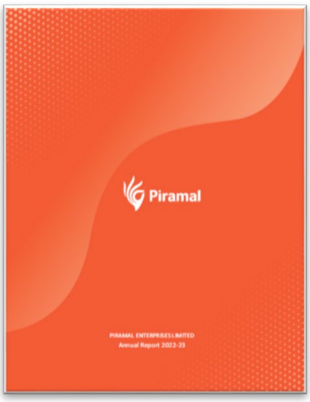
BSE SENSEX	S&P CNX
64,719	19,189



Bloomberg	PIEL IN
Equity Shares (m)	239
M.Cap.(INRb)/(USDb)	224.9 / 2.7
52-Week Range (INR)	1142 / 630
1, 6, 12 Rel. Per (%)	18/8/-17
12M Avg Val (INR m)	1497
Free float (%)	56.5

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
PPOP	28.3	39.7	40.4
PAT	98.5	24.7	19.9
PAT	17.9	24.7	19.9
EPS*	74.9	103.3	83.5
EPS Gr. (%)	7.5	38.0	-19.2
Consol BV/Sh. (INR)	1,301	1,374	1,424
RoA (%)	1.9	2.8	2.1
RoE (%)	5.3	7.7	6.0
Valuation			
P/E (x)	12.7	9.2	11.4
P/BV (x)	0.7	0.7	0.7
Dividend Yld (%)	3.3	3.5	3.7

*Ex-exceptional

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	43.5	43.5	43.5
DII	9.6	8.1	8.4
FII	29.2	31.7	35.4
Others	17.8	16.7	12.7

FII Includes depository receipts

2 July 2023

Annual Report Update | Sector: Financials - NBFC

Piramal Enterprises

CMP: INR942 TP: INR1,165 (+24%) Buy

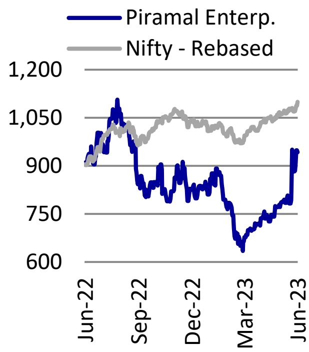
Building a resilient financial services business

Higher retail mix and improving profitability to drive gradual re-rating

- **A watershed year!** FY23 marked a significant turnaround year for Piramal Enterprises (PIEL). During this period, the company made substantial progress in multiple areas, including the completion of the asset recognition cycle, diversification of its retail book, and the implementation of technology-driven underwriting processes. These efforts led to improved asset quality, reduced concentration risk, and set the stage for achieving sustainable growth.
- **Retail evolves dramatically…:** PIEL has achieved remarkable progress in its retail franchise over the past three years. It has successfully ventured into several new product segments by conducting pilot programs and subsequently integrating those products into its mainstream offerings. The company's in-house originated retail loan book has surpassed the size of the acquired book. The digital embedded finance segment has grown materially aided by partnerships with Fin-techs and consumer techs with the same contributing ~9% to the retail AUM in FY23.
- **…and so does Wholesale:** PIEL is strategically transitioning towards Wholesale Lending 2.0 and aims to enhance the granularity of its wholesale loan portfolio. This shift involves narrowing its focus to mid-market residential projects located in Tier 1 cities as well as targeting the top 15-20 centers within Tier 2 and 3 cities. Further, it has stopped providing financing for high-yield, structured mezzanine loans under the "HoldCo" structure, and has redirected all the high-yield loans to the fund structure instead.
- **Stressed wholesale exposures largely dealt with:** The prompt recognition of stressed wholesale exposures in FY23 can be attributed to the transition of the listed holding company into a diversified NBFC regulated by the RBI. We believe the asset recognition cycle in wholesale assets is largely complete. However, it is important to note that certain standard wholesale accounts could experience stress and move into higher buckets in the normal course of business. Nevertheless, we anticipate that such transitions will not drive significant increase in credit costs.
- **AUM mix improves in favor of Retail:** We expect a retail disbursement/AUM CAGR of ~37%/~42% over FY23-25. Consolidation in Wholesale book and strong growth in Retail book will result in the proportion of Retail increasing to ~70% of the AUM mix by FY25E.
- **Reiterate BUY with a TP of INR1,165:** With a high capital adequacy ratio of 31% and proceeds from a potential stake sale in Shriram Finance later this year, PIEL will have its task cut out to decide whether to utilize the excess capital on the balance sheet for any inorganic opportunities or find means to return it to shareholders. We model an FY25E RoA/RoE of 2.1%/~6.0%. We have a target multiple of 0.8x P/BV for the lending business. **Reiterate BUY with a TP of INR1,165 (premised on Mar'25 SoTP).**

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com)
Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) / **Parth Desai** (Parth.Desai@MotilalOswal.com)

Stock Performance (1-year)



Scaling up the Retail loan book through product diversification

- PIEL has diversified its retail loan mix notably by introducing new products for salaried customers, microfinance through the business correspondent (MC) model, budget housing loans, and Loan Against Property (LAP) plus.
- By harnessing technology, the company has successfully implemented a multi-product strategy, targeting segments that are underserved by traditional banks. The scale-up of embedded finance products (in partnership with Fin-techs and Consumer-techs), combined with an expanding distribution network via physical branches and touch-points, will drive robust Retail segment growth.
- We expect secured Housing & MSME loans to contribute ~46% and unsecured loans (originated via digital partnerships) such as PL, BNPL, digital purchase finance, and small-ticket/short-tenor embedded finance products to contribute ~38% to the retail disbursement mix by FY25. Used Car loans and Microfinance are likely to contribute the remainder of the disbursement mix.

On track to build a high-quality wholesale book

- PIEL was extensively focused on recoveries and monetization in FY23, which resulted in ~33% YoY reduction in wholesale book to INR290b. It continues to emphasize on resolution of stressed assets to drive further moderation in wholesale book over the near term.
- The company plans to build the Wholesale 2.0 book in a calibrated manner while benefiting from the market gap in the wholesale lending segment.
- Within the Real Estate segment, the company will primarily focus on partnering with established large and medium-sized developers, with ~49% of the projects being in the late stage or already completed stage. Additionally, it plans to leverage its existing retail infrastructure to enter the relatively under-penetrated Tier-2 and Tier-3 markets.
- The Corporate Mid-Market Loans (CMML) offered by the company are characterized by their granular nature, cash flow backing, and diversification across various sectors and geographical regions. The company is focused on constructing a layered loan portfolio that adheres to the robust risk management framework.

Sale of the Shriram Finance stake is a positive trigger for PIEL

- PIEL recently divested its ownership stake of ~8.34% in Shriram Finance, resulting in net proceeds of ~INR47-48b. This will further lead to a gain of ~INR8.5b in P&L that will be net worth accretive for the company in 1QFY24.
- As of FY23, PIEL reported a CRAR of ~31% on its consolidated balance sheet, and a consolidated net worth of ~INR310b. Considering the accretion of proceeds from the Shriram Finance stake sale, PIEL may evaluate a share buyback, or some value-accretive M&A opportunities in the lending or General Insurance segments.

Higher retail mix and improving profitability to drive gradual re-rating

- Over the past two years, PIEL has: a) strengthened its balance sheet by running down its Wholesale loan book; b) ensured that its Wholesale book is granular, with no exposure of over 5% and only 10 exposures over 2% of Wholesale AUM; c) improved the texture of liability mix, driving lower cost of borrowings; and d) fortified itself against contingencies, with ECL provisions at 6.2% of AUM.
- Over the next two years, we expect PIEL to make meaningful inroads into Retail, led by Mortgages and complemented by shorter tenure loans originated through digital partnerships. Product diversification within Retail will help PIEL deliver strong growth and reduce concentration risks.
- We expect a loan book CAGR of ~19% over FY23-25, incorporating the Wholesale book consolidation over the next one year. **Reiterate BUY with a TP of INR1,165 (premised on Mar'25 SoTP).**

Exhibit 1: SOTP (Mar'25-based)

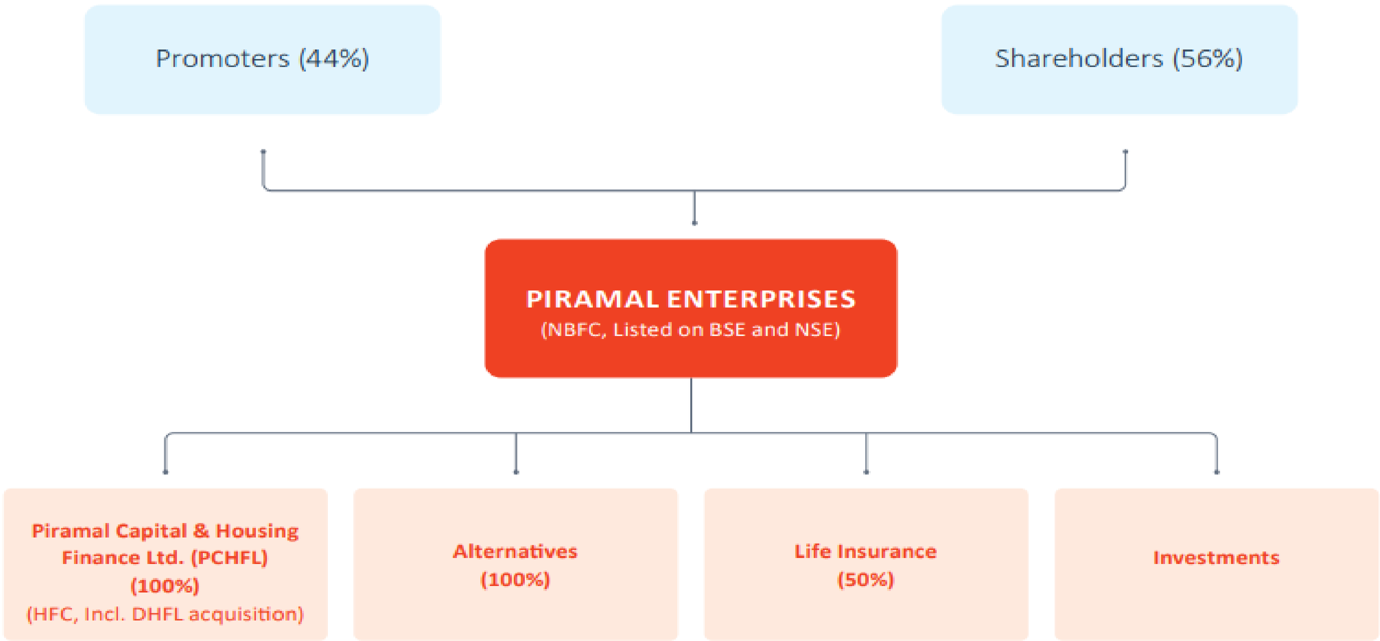
	Value (INR b)	Value (USD b)	INR per share	% To Total	Rationale
Lending Business	242	3.0	1,013	87	❖ 0.8x FY25E PBV
Shriram Investments	30	0.4	126	11	❖ Based on its stake in Shriram Life/General Insurance Businesses
Life Insurance	3	0.0	12	1	❖ 0.3x FY23 EV
Alternatives	3	0.0	14	1	❖ 0.3x FY23 Equity
Target Value	**278**	**3.4**	**1,165**	**100**	
Current Market Price			942		
Upside (%)			***24***		

Source: MOFSL, Company

Piramal structure – Post-demerger

In 2QFY23, the group made a strategic decision to streamline its corporate structure by implementing a demerger process. This resulted in the creation of two distinct listed entities that are focused on specific industries, viz. Piramal Enterprises (PIEL) and Piramal Pharma (PPL). PIEL and PPL are dedicated to the sectors of Finance, Pharma, and Real Estate, respectively.

Exhibit 2: Group structure post-demerger



Source: MOFSL, Company

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- As of FY23, PIEL reported a CRAR of ~31% on its consolidated balance sheet, and a consolidated net worth of ~INR310b. Considering the accretion of proceeds from the Shriram Finance stake sale, PIEL may evaluate a share buyback, or some value-accretive M&A opportunities in the lending or General Insurance segments.

Exhibit 3: PIEL's equity split as of Mar'23

Equity break-up	INR b	%
Lending	224.87	72
Shriram	62.11	20
Alternatives	11.26	4
Insurance & Others	12.35	4
Total Equity	**310.59**	**100**

Source: MOFSL, Company

Exhibit 4: PIEL – Key products and business overview

Business	Products	Focus	Strengths	Metric	FY23 (INR b)
Retail Lending	Home Loans	Multi-product retail lending platform, 'digital-at-the-core'	❖ New age lending business catering to underserved 'Bharat market'	AUM	321.4
	Secured MSME Loans		❖ Strategic presence in niche spaces through innovative product offerings		
	Other Secured Loans		❖ Technology backed network provides agility to scale		
	Unsecured Loans		❖ Well established and growing branch presence		
Wholesale Lending	Real Estate Loans	Loans to residential & commercial real estate developers, and mid - market corporates	❖ One of the few credit providers in the industry catering to a large addressable market	Wholesale 1.0 AUM	290.5
	Corporate Mid-Market Loans		❖ Best in class governance and risk management practices	Wholesale 2.0 AUM	27.9
			❖ Experienced team with strong domain expertise		
Alternatives	Piramal Credit Fund	Fund management business	❖ Partnerships with marquee investors such as CDPQ and Bain Capital Credit	Funds Committed	80.0
	India Resurgence Fund		❖ Validated track record		
			❖ Strong relative performance and multiple realizations across asset classes		
Life Insurance	50% Stake in Pramerica Life Insurance	Joint Venture with Prudential International Insurance Holdings	❖ Pramerica Life Insurance is an industry leader in the defence segment	GWP	15.0
			❖ Customer base of 2.5m and a vast distribution network	Embedded Value	19.3

Source: Company, MOFSL

Aspires to make Financial Services diversified and resilient

Resolute focus on diversifying and scaling up the Retail loan book

- **One of PIEL's primary priorities has been to enhance the proportion of retail loans in its AUM mix. The acquisition of DHFL has acted as a catalyst in this regard, while the company's diverse range of in-house lending products has also played a significant role in driving retail AUM growth.**
- **PIEL's retail portfolio encompasses a wide range of lending products, both secured and unsecured, catering to self-employed individuals predominantly residing in Tier 1, 2, and 3 cities and towns across India.**
- **The company leverages its technologically advanced multi-product platform to address the diverse financing requirements of customers in segments having limited presence of traditional banks.**

Overall portfolio mix of Retail to Wholesale loans improved favorably from 33:67 in FY22 to 50:50 in FY23

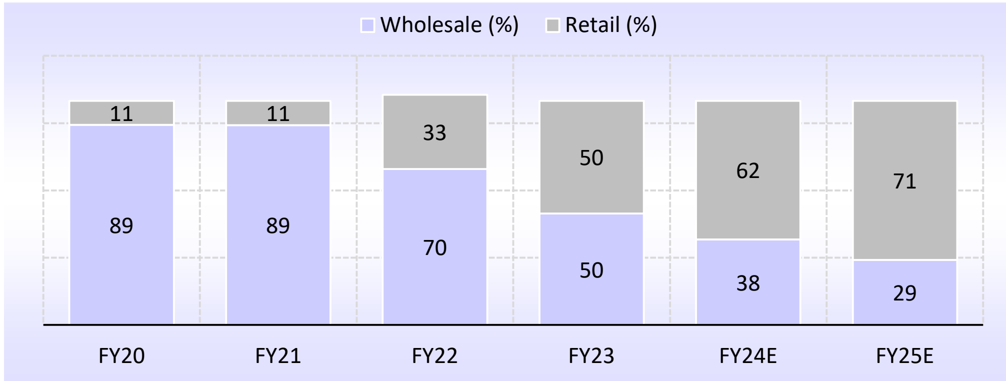
Other key takeaways

- PIEL's AUM remained stable YoY at ~INR640b as of Mar'23 and was primarily driven by retail loan book growth. However, there was a deliberate reduction in the wholesale loan book as part of PIEL's strategy to enhance granularity and diversification.
- Retail disbursements in FY23 stood at INR183.7b vs. INR29b only in the previous year while retail AUM jumped 49% YoY to INR321.4b in FY23.
- Due to the strong momentum in retail disbursements, the company's loan portfolio experienced a shift towards the retail segment. The ratio of retail to wholesale loans improved from 33% retail and 67% wholesale in FY22 to an even distribution of 50:50 in FY23. This indicated a favorable trend towards achieving its objective of having the retail book account at two-thirds of the overall loan book.

Retail finance already 50% of the loan book

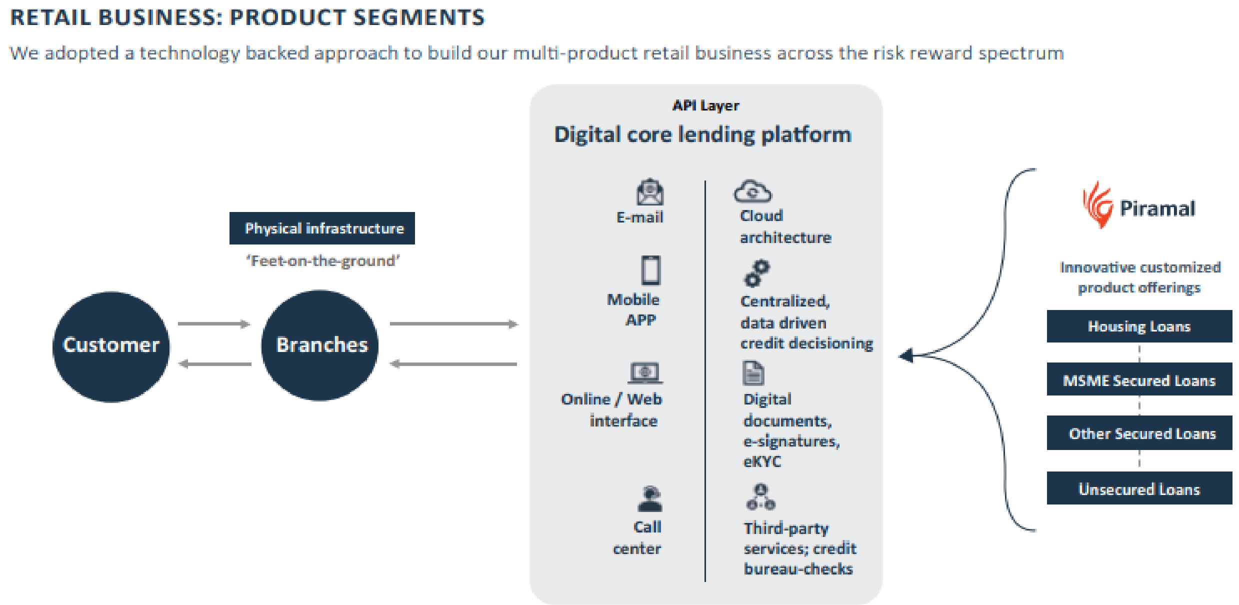
- Secured loans in segments such as housing, secured MSME (LAP), and other secured loans comprised ~80% of the retail AUM. The remaining 20% was composed of unsecured lending, which included products like salaried personal loans, microfinance loans, business loans, and digital embedded finance. The company remains committed to exploring new avenues and evaluating the feasibility of introducing additional products to its retail portfolio.
- The digital embedded finance business provides tailored financing solutions to retail customers through strategic partnerships with prominent fin-tech and consumer-tech companies, utilizing digital and technological platforms.
- The company benefits from an extensive branch network spanning over 400 branches across India. This expansive branch network, combined with technology-driven solutions, serves as a cost-effective method of acquiring new customers. It offers cross-selling opportunities across the company's diverse product portfolio and facilitates repeated business with existing customers.
- As the branches become disbursement active and launch multiple products, the retail products should witness a strong uptick in volumes. We expect a retail AUM CAGR of 42% over FY23-25, with retail finance contributing ~70% to the AUM mix by FY25.

Exhibit 5: Contribution of retail mix likely to improve (%)



Source: MOFSL, Company

Exhibit 6: Technology-backed approach to build a multi-product retail business



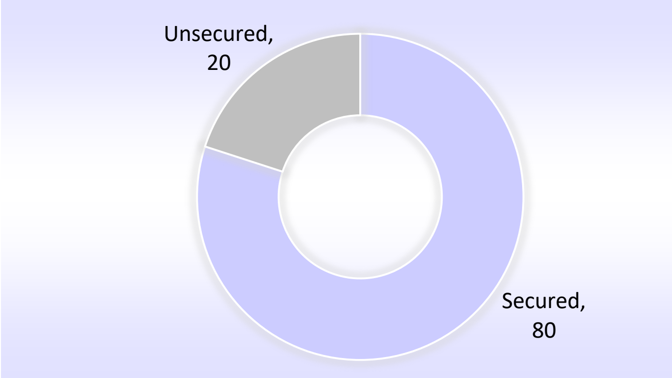
Source: MOFSL, Company

Exhibit 7: Retail lending product suit over the years

FY20 and earlier	FY21	FY22	FY23
LAP	LAP	LAP	LAP
Affluent housing	Secured business loans	Secured business loans	Secured business loans
	Affordable housing	Affordable housing	Affordable housing
	Mass affluent segment	Mass affluent segment	Mass-affluent segment
	Digital personal loans	Digital personal loans	Digital personal loans
	Digital purchase finance	Digital purchase finance	Digital purchase finance
		Pre-owned car loans	Pre-owned car loans
		Merchant BNPL	Merchant BNPL
		Unsecured business loans	Unsecured business loans
			Microfinance
			Salaried personal loans
			Budget housing Loans
			LAP Plus

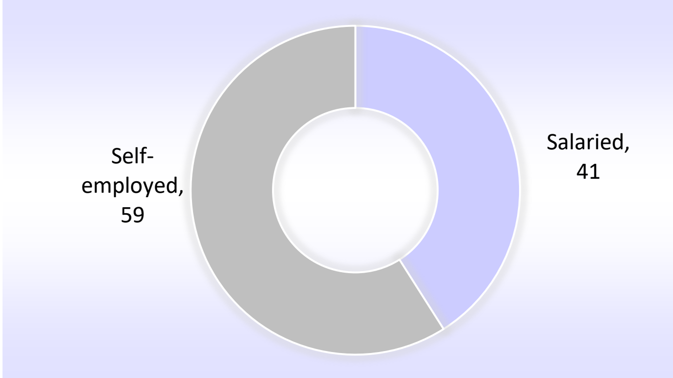
Source: Company, MOFSL

Exhibit 8: Secured loans form majority of retail loan mix (%)



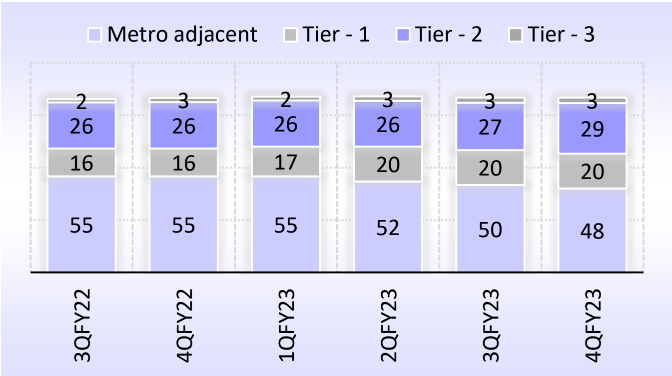
Source: MOFSL, Company

Exhibit 9: Customer segment-based loan mix (%)



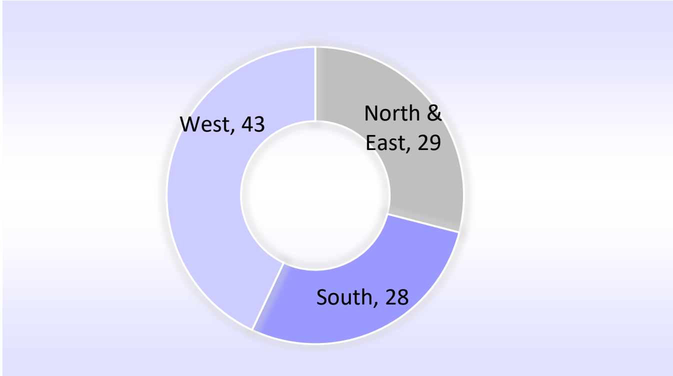
Source: MOFSL, Company

Exhibit 10: Increasing presence in Tier 2 and 3 cities



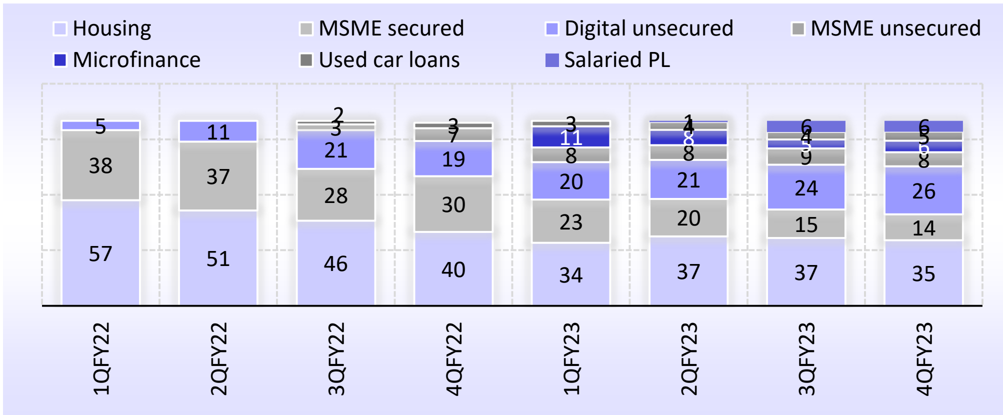
Source: MOFSL, Company

Exhibit 11: Diversified loan book across India



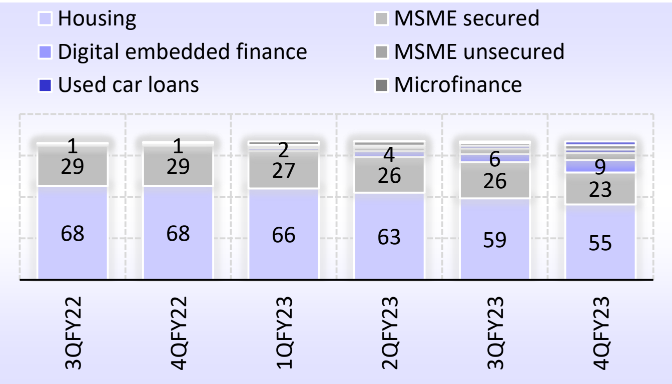
Source: MOFSL, Company

Exhibit 12: Product-wise disbursement mix (%)



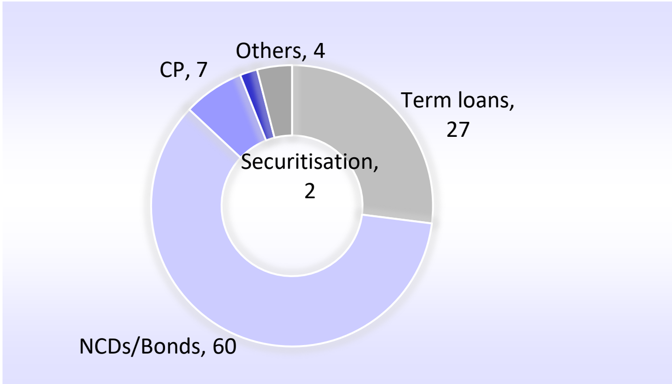
Source: MOFSL, Company

Exhibit 13: Evolving loan mix (%)



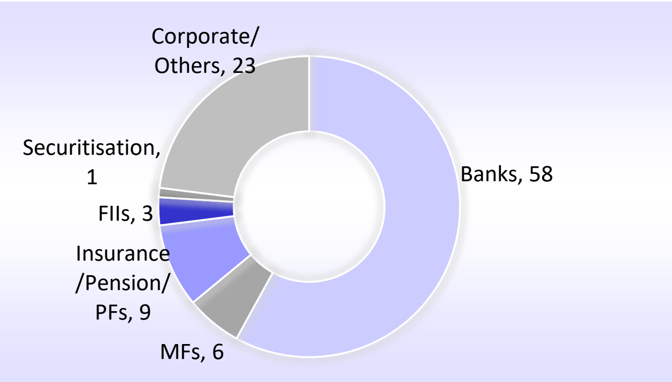
Source: MOFSL, Company

Exhibit 14: Borrowing mix by type of instrument



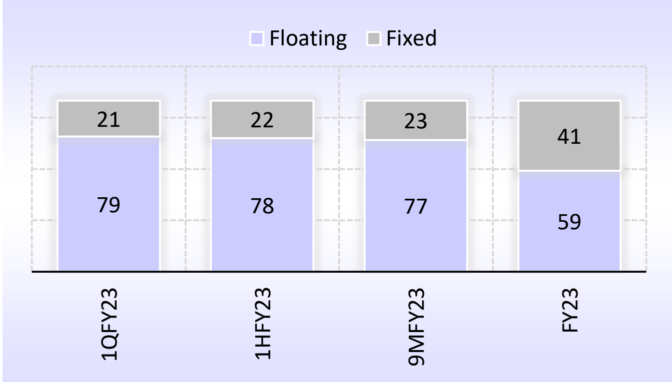
Source: MOFSL, Company

Exhibit 15: Borrowing mix by source of funding



Source: MOFSL, Company

Exhibit 16: Mix of fixed and floating rate borrowings (%)

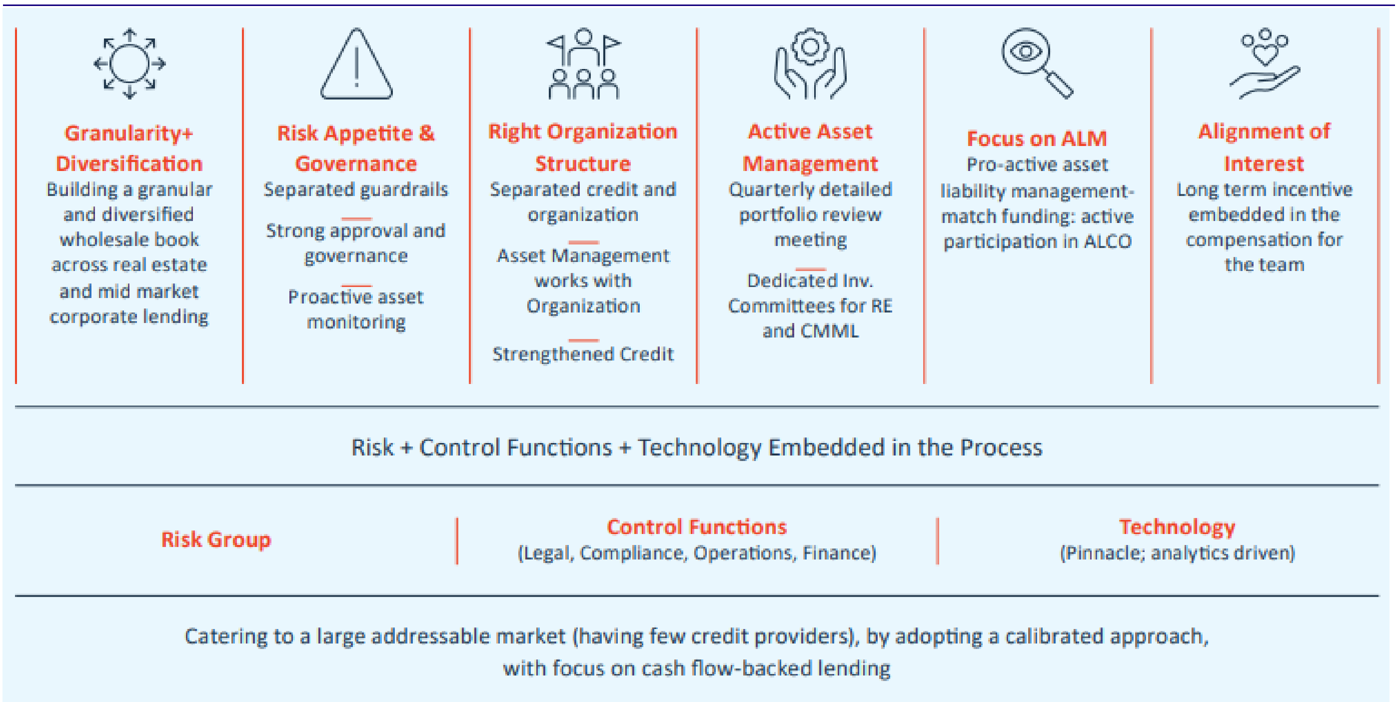


Source: MOFSL, Company

On track to build a high-quality wholesale book

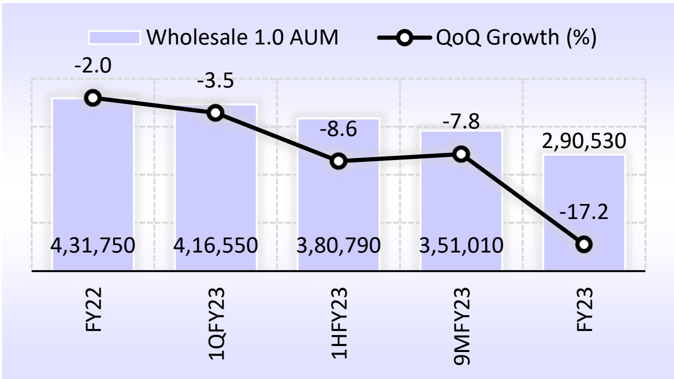
- **PIEL is focused on enhancing the granularity of its existing loan book while actively developing a robust deal pipeline in real estate and corporate lending as part of its Wholesale 2.0 strategy. In line with its strategic goals, the company is dedicated to build a high-quality Wholesale portfolio.**
- **Over the short term, PIEL plans to moderate the Wholesale 1.0 book by concentrating on resolution of Stage II and III assets. A dedicated team of professionals is actively engaged in monitoring and implementing the resolution strategy for intricate recoveries and enforcement processes.**
- **The company expects the Wholesale 1.0 book to run down significantly over the next two years with 26% of the reduction flowing from organic and accelerated repayments. The company has reduced Wholesale 1.0 by ~INR141b (down 33% YoY) as of Mar'23.**

Exhibit 17: Foundation pillars of Wholesale lending



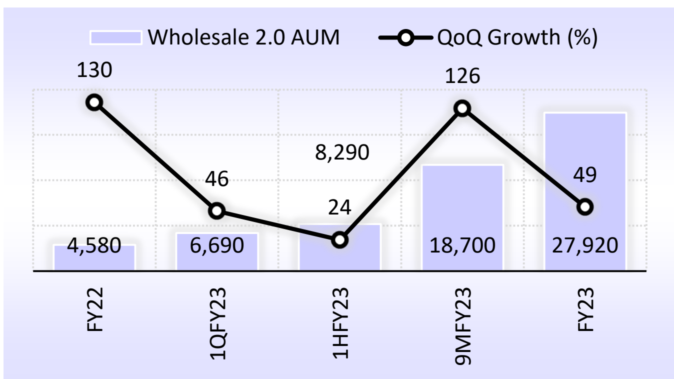
Source: MOFSL, Company

Exhibit 18: Wholesale 1.0 declined 33% over the past year



Source: MOFSL, Company

Exhibit 19: Gradually scaling up the Wholesale 2.0 book



Source: MOFSL, Company

Wholesale 2.0 – Granular approach to wholesale lending

- Wholesale 2.0 encompasses loans sanctioned under CMML and the newly sanctioned real estate loans, effective from FY22. The company has built Wholesale 2.0 AUM of ~INR28b as of FY23.
- A significant aspect of Wholesale Lending 2.0's strategy involves concerted effort to enhance the granularity of the wholesale loan book. This initiative is carried out through two avenues. Firstly, in the Real Estate segment, the focus is on mid-market residential projects in tier-1 cities, while also expanding into the top 15-20 tier 2/3 cities by extending loans to reputable local developers. Secondly, in CMML, the emphasis is on smaller ticket size and non-real estate loans for corporate borrowers.

Actively building its exposure in specific markets across Tier 1, 2, and 3 cities

Real Estate book

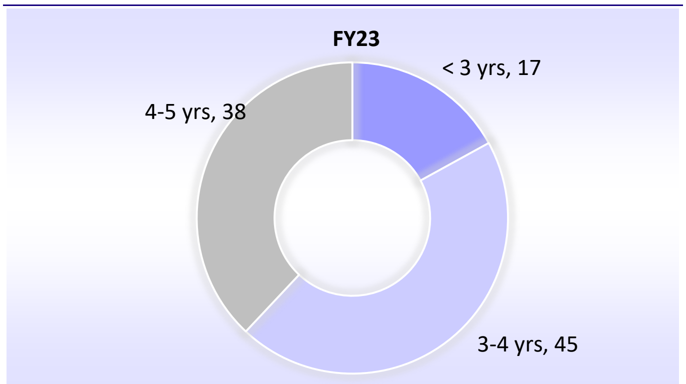
- Under the umbrella of Wholesale 2.0, the company has expanded its real estate loan portfolio to ~INR13b as of FY23. This strategic decision capitalizes on the opportunity presented by the departure of several prominent NBFCs and HFCs from the real estate lending segment.
- To create a diversified and granular real estate book, the company is actively building its exposure in specific markets across Tier 1, 2, and 3 cities. Moreover, PIEL has taken a deliberate decision to exclude promoter Holdco corporate lending, thus emphasizing its focus on real estate financing.

Exhibit 20: New real estate loans – origination funnel

	# of deals ; ₹ Crores
Deals Originated	123; ₹ 24,396 Crores
Deals Under Evaluation	59; ₹ 12,139 Crores
Taken to Committee	24; ₹ 4,776 Crores
Due Diligence	17; ₹ 3,787 Crores
Sanctioned	10; ₹ 2,157 Crores
Outstanding	10 deals; ₹ 1,296 Crores

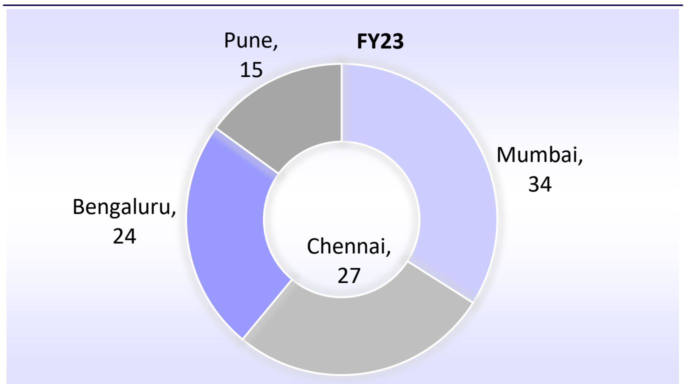
Source: MOFSL, Company

Exhibit 21: Real estate loans – tenor-wise loan mix (%)



Source: MOFSL, Company

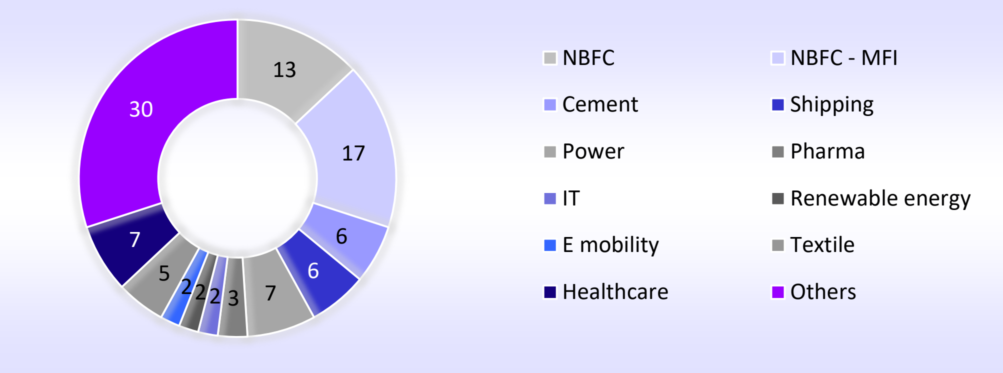
Exhibit 22: Geographical exposure of real estate loans (%)



Source: MOFSL, Company

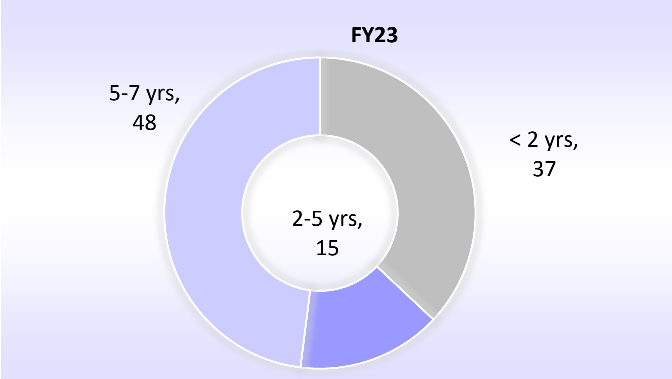
- As of FY23, the CMML book stood at ~INR15b. This portfolio was diversified across multiple sectors, with 81% of the exposure being allocated to investment-grade rated entities. The primary objective was to extend financing to well-capitalized promoters operating in a wide range of sectors and geographical regions.
- Along with undertaking efforts to conclude the recognition cycle of the existing stressed wholesale book, PIEL is investing to establish a granular lending business that focuses on cash flow and asset-backed loans in real estate and mid-corporate sectors.

Exhibit 23: CMML loan book diversified across industries (%)



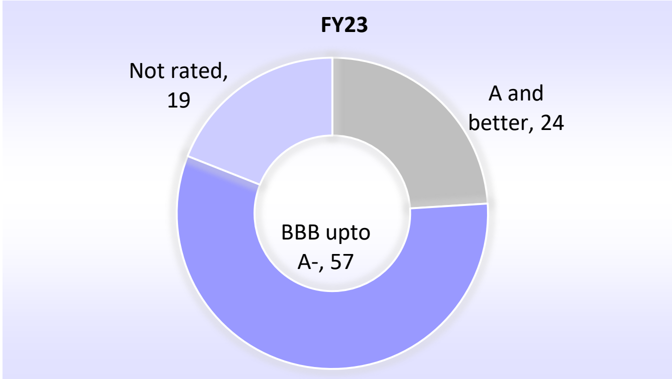
Source: MOFSL, Company

Exhibit 24: Avg. loan tenor of CMML book is ~3.5 years (%)



Source: MOFSL, Company

Exhibit 25: ~57% of CMML loan book exposure is to entities rated A- to BBB (%)



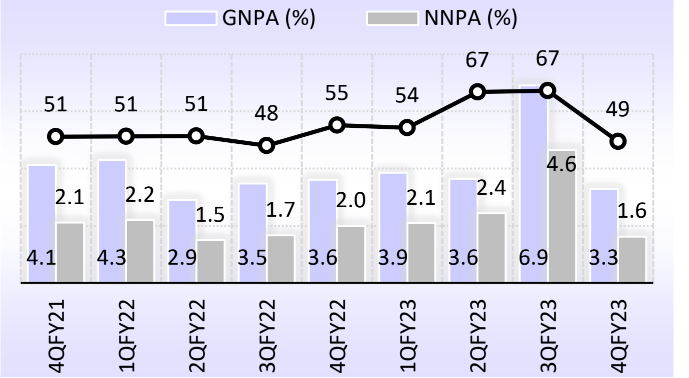
Source: MOFSL, Company

On the path to drive material asset quality improvement

- **During FY23, the company focused on completing its asset recognition cycle following the adverse impact of the pandemic and making sufficient provisions accordingly. PIEL carried provisions of ~6.2% of overall AUM and 10.5% of Wholesale AUM as of FY23.**
- **The company is dedicated to reduce the stressed wholesale exposures through various means such as monetization, one-time settlements, and portfolio sales to asset reconstruction companies (ARCs) in exchange for cash or security receipts (SRs). Management anticipates that the resolution of stressed exposures will not lead to substantial additional credit costs.**
- **Further, the integration of the retail DHFL book has played a pivotal role in enhancing the granularity of the loan portfolio. This has effectively minimized concentration risk and led to notable improvements in the overall asset quality metrics.**

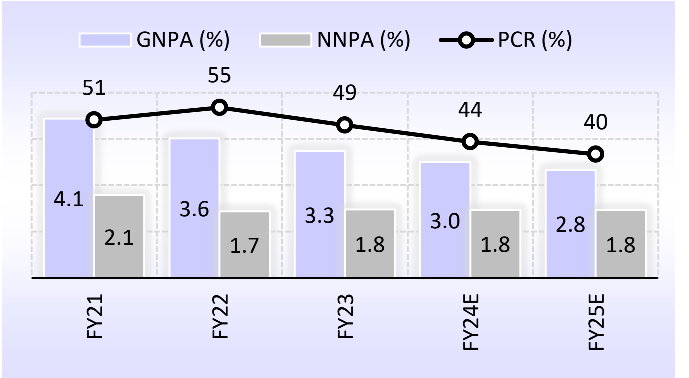
- The company has employed technology-backed scorecards and AI/ML underwriting processes to drive asset quality improvement. Further, it utilizes proprietary fraud and underwriting models for real time decision making and has developed deep in-house collection capabilities covering over 10k pin-codes pan India.
- During FY23, the company has evaluated and conducted risk assessment of its wholesale portfolio and completed provisioning for the same. In addition, it has deployed several tools such as monetization, one-time settlements, etc. to resolve stressed assets over the past year.

Exhibit 26: GNPA improved ~30bp over the past year



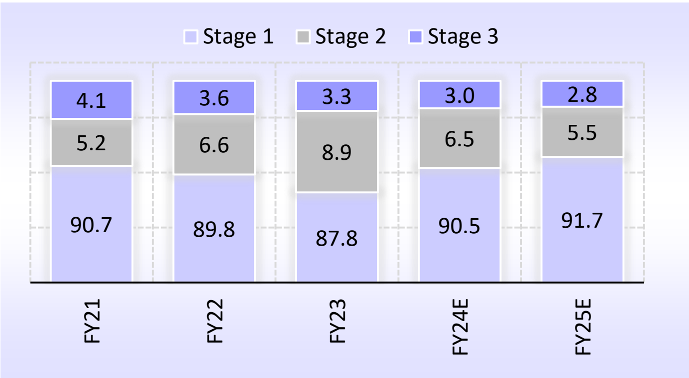
Source: MOFSL, Company

Exhibit 27: Asset quality likely to improve notably over FY25E



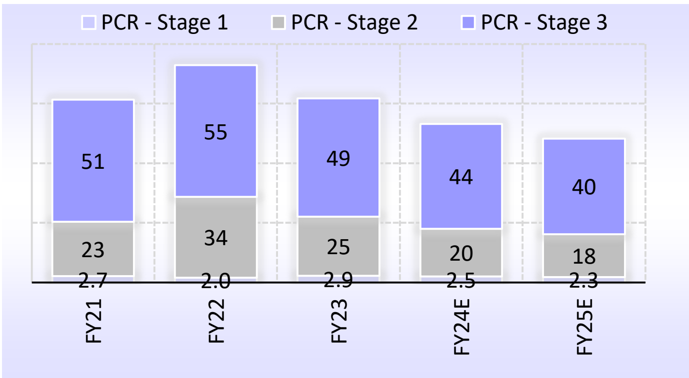
Source: MOFSL, Company

Exhibit 28: 30+dpd expected to moderate ~4pp over FY25



Source: MOFSL, Company

Exhibit 29: PCR to decline with asset quality improvement

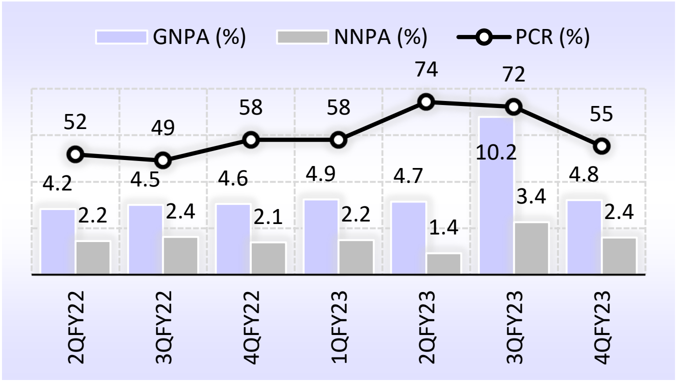


Source: MOFSL, Company

Resolutions in the wholesale portfolio over FY23

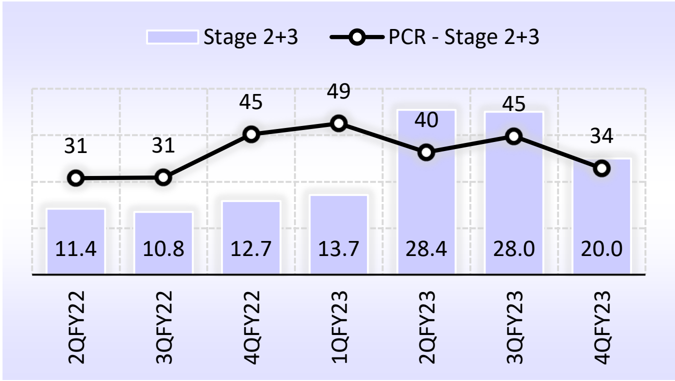
- Resolution of a large non-real estate loan, viz. Mytrah, resulted in a reduction of ~INR19.1b in the wholesale book.
- Concluded sale of certain assets through two separate ARC transactions under 15:85 structure at post-provisioning valuations.
- Generated over INR125b cash realizations through accelerated repayments and resolution proceeds.
- During FY23, SRs were issued at a markdown of 63% to the face value of the underlying assets that were sold. Subsequently, as a result of these transactions, PIEL received a total of INR13.6b through cash receipts and recovery of SRs, which amounted to ~11% of the face value.
- The company has an outstanding SR portfolio of ~INR36.6b as of FY23 out of which ~44% are backed by retail loans.

Exhibit 30: Run-down of the Wholesale book expected to drive asset quality improvement



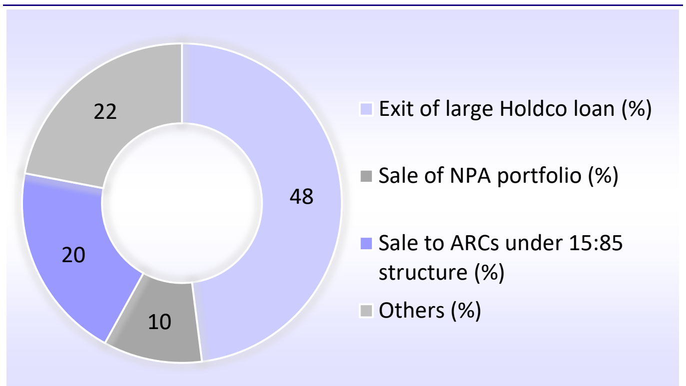
Source: MOFSL, Company

Exhibit 31: Sequential improvement in Wholesale Stage 2+3 assets by ~8pp (%)



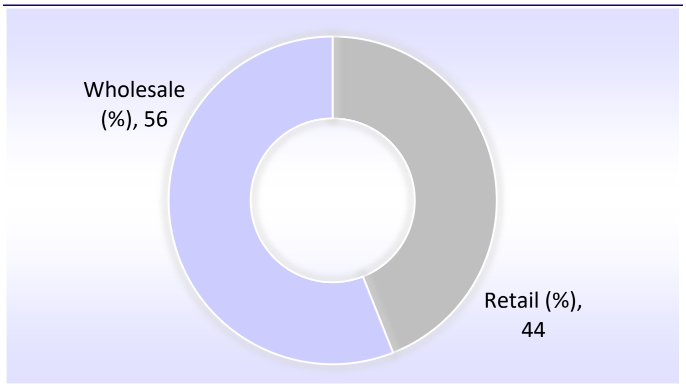
Source: MOFSL, Company

Exhibit 32: Stage 2 + 3 AUM reduced 39% QoQ driven by resolution of stressed assets (%)



Source: MOFSL, Company

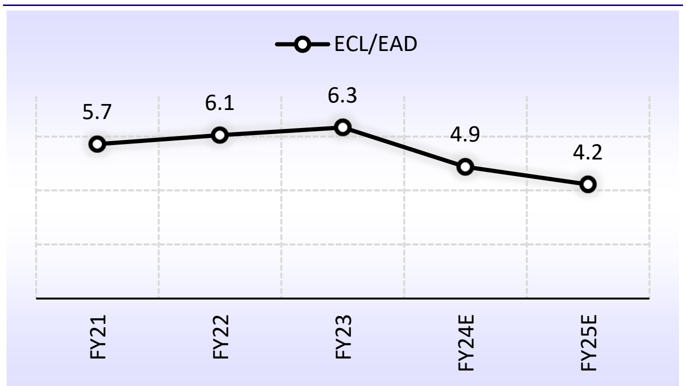
Exhibit 33: Composition of Security Receipts



Source: MOFSL, Company

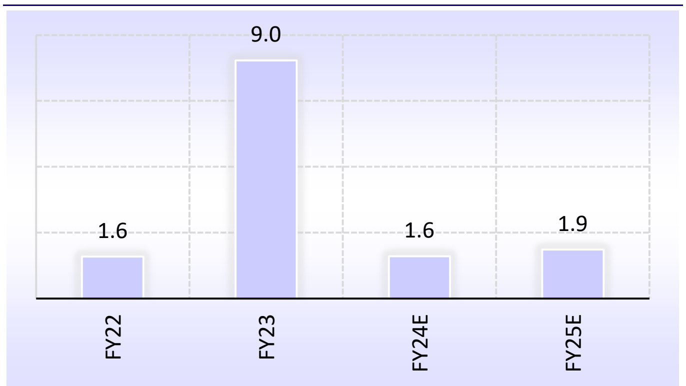
- The company currently carries ECL provisions of 6.2% of its total AUM and ~10.5% on its Wholesale AUM, with a PCR of 28%/~55% on wholesale S2/S3 loans.
- We expect the Wholesale loan book to continue to moderate as the company looks to aggressively monetize them. We model a net credit cost of 1.6%/1.9% in FY24/FY25.

Exhibit 34: ECL/EAD to moderate to 4.2% over FY25E (%)…



Source: MOFSL, Company

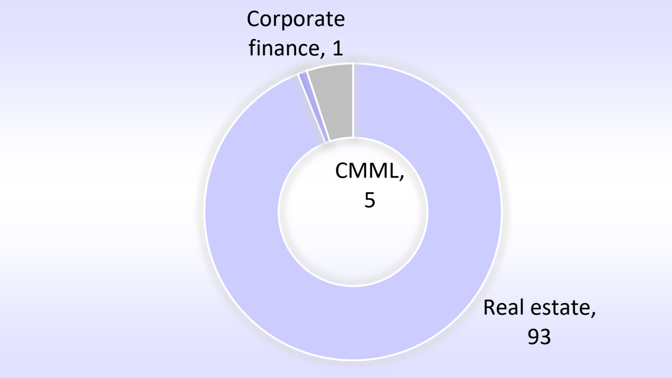
Exhibit 35: …driving improvement in credit costs over FY25E



Source: MOFSL, Company

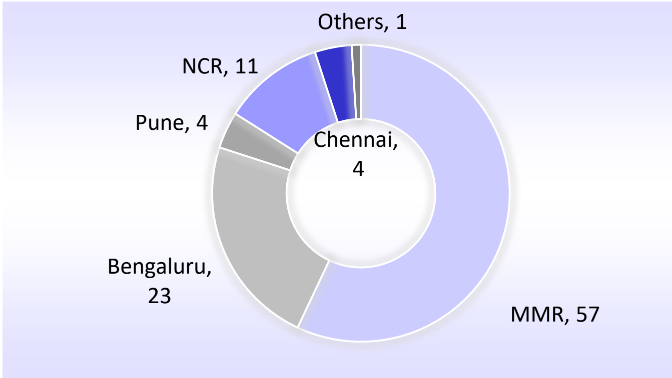
- The wholesale Stage 1 AUM stood at ~INR254.7b as of Mar'23. Out of the same, over 90% consisted of Real Estate lending, which largely excluded promoter Holdco corporate lending.
- The Stage 1 book was diversified across various geographies with 87% of exposure towards large and medium developers as of FY23.

Exhibit 36: Wholesale Stage 1 book mix (%)



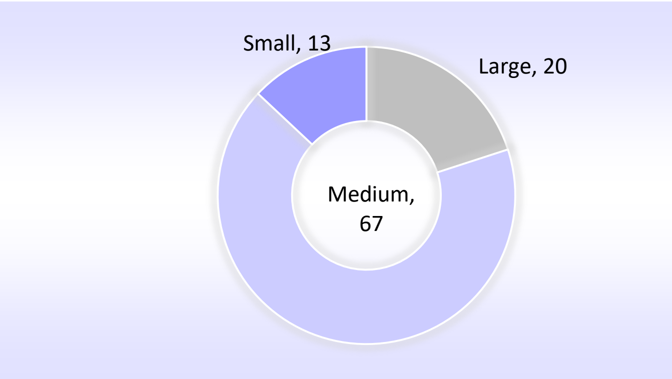
Source: Company, MOFSL

Exhibit 37: Diversified across geographies (%)



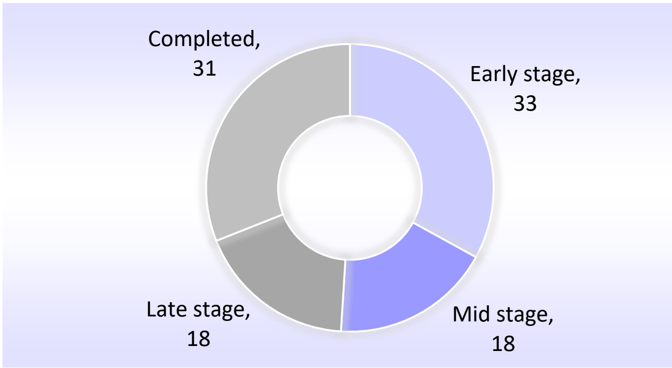
Source: Company, MOFSL

Exhibit 38: 87% exposure to large and medium developers



Source: MOFSL, Company

Exhibit 39: Stage of construction (%)



Source: MOFSL, Company

Key highlights from the Chairman's message

- The company plans to further expand the branch network to 1,000 locations.
- PIEL is focusing on strengthening product suite by launching new and differentiated higher-yielding products.
- It will enter into new partnerships with Fin-tech and Consumer-tech firms to acquire customers at scale and at low acquisition costs.
- Investment in cutting edge technology will improve cost efficiency, manage asset quality, and improve customer service to stay ahead of competition.
- Targets a mid-to-high teens AUM growth, with a mix of 2/3rd Retail and 1/3rd Wholesale.
- Plans to scout for inorganic growth opportunities.
- Targets to maintain a conservative liability mix and aims to achieve a 3% RoA and mid-teens RoE.

Valuation and view

Higher retail mix and improving profitability to drive gradual re-rating

- **Over the past two years, PIEL has: a) strengthened its balance sheet by running down its Wholesale loan book; b) ensured that its Wholesale book is granular, with no exposure of over 5% and only 10 exposures over 2% of Wholesale AUM; c) improved the texture of liability mix, driving lower cost of borrowings; and d) fortified itself against contingencies, with ECL provisions at 6.2% of AUM.**
- **Over the next two years, we expect PIEL to make meaningful inroads into Retail, led by Mortgages and complemented by shorter tenure loans originated through digital partnerships. Product diversification within Retail will help PIEL deliver strong growth and reduce concentration risks.**
- **We expect a loan book CAGR of ~19% over FY23-25, incorporating the Wholesale book consolidation over the next one year. Reiterate BUY with a TP of INR1,165 (premised on Mar'25 SoTP).**

Exhibit 40: SOTP (Mar'25-based)

	Value (INR b)	Value (USD b)	INR per share	% To Total	Rationale
Lending Business	242	3.0	1,013	87	❖ 0.8x FY25E PBV
Shriram Investments	30	0.4	126	11	❖ Based on its stake in Shriram Life/General Insurance Businesses
Life Insurance	3	0.0	12	1	❖ 0.3x FY23 EV
Alternatives	3	0.0	14	1	❖ 0.3x FY23 Equity
Target Value	**278**	**3.4**	**1,165**	**100**	
Current Market Price			942		
Upside (%)			***24***		

Source: MOFSL, Company

Financials and Valuations

Financial Services Consolidated

Income statement — INR m

Y/E March	FY22	FY23	FY24E	FY25E
Interest Income	75,228	77,986	90,027	109,695
Interest Expended	42,251	40,412	45,078	53,941
Net Interest Income	**32,977**	**37,574**	**44,948**	**55,754**
Change (%)	19.1	13.9	19.6	24.0
Other Income	3,881	12,881	19,679	12,103
Net Income	**36,858**	**50,456**	**64,627**	**67,857**
Change (%)	27.8	36.9	28.1	5.0
Operating Expenses	12,284	22,148	24,921	27,421
PPoP	**24,574**	**28,307**	**39,706**	**40,436**
Change (%)	9.4	15.2	40.3	1.8
Provisions/write offs	8,299	54,101	10,461	14,782
PBT	**16,275**	**-25,793**	**29,245**	**25,654**
Tax	4,062	-39,781	5,186	6,413
Tax Rate (%)	19.0	-	25.0	25.0
PAT (before associate income)	**12,213**	**13,987**	**24,059**	**19,240**
Associate Income	5,939	3,886	600	690
PAT (before exceptional)	**18,152**	**17,873**	**24,659**	**19,930**
Exceptional items	-1,529	80,663	0	0
PAT (after exceptional)	**16,622**	**98,536**	**24,659**	**19,930**
Profit from discontinued Operations	3,365	0	0	0
Reported net profit/loss	**19,988**	**98,536**	**24,659**	**19,930**

Balance sheet — INR m

Y/E March	FY22	FY23	FY24E	FY25E
Capital	477	477	477	477
Reserves & Surplus	354,414	310,114	327,372	339,436
Net Worth	**368,369**	**310,591**	**327,850**	**339,914**
Borrowings	554,510	495,828	552,499	687,529
Change (%)	48	-11	11	24
Other liabilities	39,549	23,891	14,335	11,468
Total Liabilities	**998,729**	**837,522**	**894,684**	**1,038,910**
Loans and advances	**493,180**	**463,946**	**671,942**	**842,992**
Change (%)	7	-6	45	25
Investments	**248,565**	**223,318**	**122,825**	**81,064**
Net Fixed Assets	86,715	7,385	8,124	8,936
Cash and Cash equivalents	71,872	46,491	40,000	50,000
Deferred tax assets	13,679	18,472	9,236	4,618
Other assets	71,366	77,910	42,558	51,300
Total Assets	**998,729**	**837,522**	**894,684**	**1,038,910**

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	FY22	FY23	FY24E	FY25E
Spreads Analysis (%)				
Yield on loans	14.4	13.0	13.8	13.8
Cost of funds	9.1	7.7	8.6	8.7
Spread	5.3	5.3	5.2	5.1
Net Interest Margin	6.3	6.3	6.9	7.0
Profitability Ratios (%)				
RoE	6.6	5.3	7.7	6.0
RoA	2.3	1.9	2.8	2.1
C/I ratio	33.3	43.9	38.6	40.4
Asset Quality (%)				
Gross NPA	22,270	20,550	22,360	25,521
Gross NPA (% of AUM)	3.6	3.3	3.0	2.8
Net NPA	9,980	10,380	12,522	15,312
Net NPA (% of AUM)	1.7	1.8	1.8	1.8
PCR (%)	55.2	49.5	44.0	40.0

INR m

Y/E March	FY22	FY23	FY24E	FY25E
AUM (INR m)	651,850	639,890	745,332	911,447
YoY growth (%)		-2	16	22
AUM Mix (%)				
Wholesale	69.6	49.8	38.2	29.1
Retail	33.1	50.2	61.8	70.9
Total	**102.6**	**100.0**	**100.0**	**100.0**
Wholesale Loans (INR m)	384,620	274,960	247,464	235,091
YoY growth (%)	-2.3	-28.5	-10.0	-5.0
Retail Loans (INR m)	215,520	321,440	460,868	646,356
YoY growth (%)	306.4	49.1	43.4	40.2
Total Loan Book	**600,140**	**596,400**	**708,332**	**881,447**
YoY growth (%)	34.4	-0.6	18.8	24.4

VALUATION	FY22	FY23E	FY24E	FY25E
Book Value (INR)	1,544	1,301	1,374	1,424
Price-BV (x)	**0.6**	**0.7**	**0.7**	**0.7**
EPS (INR)	69.7	74.9	103.3	83.5
EPS Growth YoY	-6	8	38	-19
Price-Earnings (x)	**13.6**	**12.7**	**9.2**	**11.4**
Dividend per share (INR)		31.0	33.0	35.0
Dividend yield (%)		**3.3**	**3.5**	**3.7**

E: MOFSL Estimates

Du-Pont	FY22	FY23	FY24E	FY25E
Interest income	9.6	8.5	10.4	11.3
Interest expense	5.4	4.4	5.2	5.6
NII	**4.2**	**4.1**	**5.2**	**5.8**
Fee and other income	0.5	1.4	2.3	1.3
Total income	**4.7**	**5.5**	**7.5**	**7.0**
Operating expense	1.6	2.4	2.9	2.8
PPOP	**3.2**	**3.1**	**4.6**	**4.2**
Provisions (annualized)	1.1	5.9	**1.2**	**1.5**
Provisions during the period	0.0	0.0	0.0	0.0
Recoveries from POCI book	0.0	0.0	0.0	0.0
PBT	**2.1**	**-2.8**	**3.4**	**2.7**
ROA (before associate and exceptional)	**1.6**	**1.5**	**2.8**	**2.0**
Consol RoA (including associate and exceptional)	**2.6**	**10.9**	**2.8**	**2.1**
Assets-to-equity	2.8	2.7	2.7	2.9
Consol ROE (PAT)	**7.3**	**29.4**	**7.7**	**6.0**

E: MOFSL Estimates

N OT E S

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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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