

# Poonawalla Fincorp

Estimate change

TP change

Rating change



Bloomberg	POONAWAL IN
Equity Shares (m)	768
M.Cap.(INRb)/(USDb)	289.5 / 3.5
52-Week Range (INR)	452 / 243
1, 6, 12 Rel. Per (%)	2/10/3
12M Avg Val (INR M)	856

## Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Net Total Income	22.4	32.2	42.6
PPOP	14.2	22.6	31.6
PAT	9.9	14.4	20.1
EPS (INR)	12.9	18.8	26.2
EPS Gr. (%)	66.7	45.4	39.4
Standalone BV (INR)	108	124	145

## Ratios

NIM (%)	9.9	9.9	9.8
C/I ratio (%)	36.7	29.8	25.8
RoAA (%)	4.8	5.1	5.1
RoE (%)	13.5	16.2	19.5
Payout (%)	23.2	26.6	26.8

## Valuations

P/E (x)	29.1	20.0	14.4
P/BV (x)	3.5	3.0	2.6
Div. Yield (%)	0.8	1.3	1.9

## Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	62.1	62.1	61.5
DII	7.0	8.0	5.2
FII/FIIFII	7.9	7.2	7.5
Others	23.0	22.7	25.9

FII Includes depository receipts

**CMP: INR377**
**TP: INR450 (+19%)**
**BUY**

## Pursuing strong and sustainable profitability

### Legacy stress alleviated; personal loans not a pain point for PFL

- Poonawalla Fincorp (PFL)'s normalized PAT grew 77% YoY to ~INR2.3b (in line). Reported PAT stood at INR12.6b, including extraordinary gain from the sale of HFC adjusted for one-time provisions of ~INR13b.
- NII grew 73% YoY to INR4.7b, while PPOP jumped 167% YoY to INR3.4b. PFL is dedicated to enhancing productivity, aided by digitization, and is confident about scaling up operations without the need for additional investments in manpower or branches. The cost-income ratio (CIR) fell ~2pp QoQ to ~36.5% (PQ: 38.4%)
- The company has strong moats on the liability front, supported by its strong parentage. At its current size (one-fifth to one-tenth of peers in similar segments), PFL has a huge opportunity in its target product segments. With a healthy capital position, we believe the company has a long runway of strong loan growth ahead.
- PFL has laid down a robust foundation for sustainable profitability through initiatives that will lead to lower operating costs (as a % of AUM), higher business volumes, and robust asset quality. We model a standalone CAGR of ~43%/50% for AUM/PAT over FY23-FY26 and expect PFL to deliver a RoA/RoE of 5.1%/19.5% in FY26. **Reiterate BUY with a TP of INR450 (premised on 3.3x Sep'25E BVPS).**

### Strong momentum in AUM growth; DDP contribution healthy

- Standalone AUM rose 54% YoY/14% QoQ to ~INR202b. Discontinued (including legacy/DA) AUM contributed ~11% to the AUM mix. Unsecured loans contributed ~54% to the AUM mix and short-tenor loans formed 27% of the AUM mix (vs. guidance of 20-25%).
- Standalone disbursements grew 150% YoY to INR78.1b.
- The company continued to focus on accelerated customer acquisitions with the proportion of Direct, Digital, and Partnerships (DDP) in the sourcing mix at ~81% (PQ: 86% and PY: 54%). This has been driving down the customer acquisition costs (CAC). It further launched its own mobile app to offer instant digital personal loans, leveraging straight through processing (STP).

### Asset quality continues to improve; legacy stress provided for

- Asset quality remained pristine, with GS3/NS3 at 1.4%/0.7% and the PCR on S3 loans increasing ~85bp QoQ to ~47.2%. Restructured book as of Sep'23 declined to ~0.4% of AUM (PQ: 0.6%).
- Asset quality of the newly originated book continues to remain healthy and the stress on the legacy/acquired pool has been completely provided for with a one-time provision of ~INR13b (including ~INR3.9b of contingency buffer on standard advances) during the quarter. This, we believe, can help sustain healthy asset quality and benign credit costs, going forward as well.
- We model credit costs of 0.6%/1.2%/1.3% in FY24/FY25/FY26.

**Operates in higher ticket Personal loans: Not worried about any stress**

- The company shared that as per a TransUnion Report, the 30+ dpd for <INR25K PL segment is ~5x >INR25K segment at ~16.6% & ~3.2%, respectively. Also, the 90+ dpd for <INR25K segment is 8.7x , >INR25K segment at ~10.4% & ~1.2%, respectively.
- There have lately been discussions about stress (at an industry level) in personal loans (PL) below ticket size of INR50K. The company management shared that its PL book below INR50K is an insignificant ~INR40m. Instead, the average ticket size in PL for Poonawalla Fincorp is >INR80K and ~62% of the company's PL book has 750+ credit bureau score.
- PFL has discontinued co-lending and co-origination in unsecured loans. Under co-lending, only certain pre-sanctioned lines in 2W and Machinery Loans will be continued with select partners.

**Highlights from the management commentary**

- Optimization of the CoB will continue as it will use commercial papers more extensively given its ALM allows for it.
- Guided for NIM >10%. NIM will moderate as it will cater to better credit-quality customers and offer the lowest interest rate among NBFCs in its chosen product segments. Also, NIMs will moderate as the leverage gradually improves.
- Balance legacy book (including DA) will run down over the next two years and PFL expects recoveries of ~INR4.5b (~50% of the provisions created in 2QFY24).

**Valuation and view**

- Consumer and small business finance – the segments targeted by PFL – have a huge market opportunity. We believe that the company has levers to maintain NIMs of ~10% over FY24-FY25E. We model benign credit costs of ~0.6% in FY24.
- We increase our FY24/FY25E EPS by 2%/4% to factor in higher AUM growth and lower credit costs. Strong leadership teams across functions, realignment of customer and product segments, and focus on leveraging technology/analytics position PFL well to build scale and deliver superior risk-adjusted returns. **We reiterate our BUY rating with a TP of INR450 (premised on 3.3x Sep'25E BVPS).**
- **Key downside risks:** a) Inability to execute its articulated strategy despite a new management team and investments in technology and processes, and b) aggressive competitive landscape, leading to pressure on spreads/margins and/or deterioration in asset quality.

## Quarterly Performance (Standalone)

(INR M)

Y/E March	FY23					FY24E			FY23	FY24E	2QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	3,857	4,179	4,605	5,529	6,560	6,901	7,487	8,413	18,265	29,361	7,085	-3
Interest Expenses	1,187	1,441	1,593	1,732	2,348	2,155	2,263	2,637	5,953	9,403	2,442	-12
<b>Net Interest Income</b>	<b>2,670</b>	<b>2,738</b>	<b>3,012</b>	<b>3,798</b>	<b>4,212</b>	<b>4,746</b>	<b>5,224</b>	<b>5,776</b>	<b>12,312</b>	<b>19,958</b>	<b>4,643</b>	<b>2</b>
YoY Growth (%)	26.3	12.0	23.6	52.0	77.8	73.3	73.5	52.1	29.7	62.1	69.6	
Other Income	434	627	588	282	563	539	574	733	1,931	2,410	596	
<b>Total Income</b>	<b>3,103</b>	<b>3,365</b>	<b>3,600</b>	<b>4,080</b>	<b>4,775</b>	<b>5,285</b>	<b>5,799</b>	<b>6,509</b>	<b>14,243</b>	<b>22,368</b>	<b>5,239</b>	<b>1</b>
YoY Growth (%)	34.6	25.1	33.2	41.7	70.3	57.1	61.1	59.5	34.6	57.0	55.7	
Operating Expenses	1,926	2,107	2,043	2,064	1,834	1,929	2,122	2,317	8,139	8,202	1,907	1
<b>Operating Profit</b>	<b>1,178</b>	<b>1,257</b>	<b>1,558</b>	<b>2,016</b>	<b>2,941</b>	<b>3,356</b>	<b>3,677</b>	<b>4,192</b>	<b>6,104</b>	<b>14,166</b>	<b>3,332</b>	<b>1</b>
YoY Growth (%)	16.8	2.8	35.6	75.0	185.0	167.0	136.0	107.9	34.7	132.1	165.0	
Provisions & Loan Losses	-164	-482	-452	-347	266	281	298	333	-1,445	1,177	300	-6
<b>Profit before Tax</b>	<b>1,550</b>	<b>1,740</b>	<b>2,010</b>	<b>2,367</b>	<b>2,676</b>	<b>3,075</b>	<b>3,379</b>	<b>3,859</b>	<b>7,761</b>	<b>12,989</b>	<b>3,032</b>	<b>1</b>
Exceptional items						12,212				12,212		
Tax Provisions	313	438	506	560	674	2,698	777	853	1,816	3,078	728	271
<b>PAT (excl. exceptional)</b>	<b>1,237</b>	<b>1,302</b>	<b>1,504</b>	<b>1,807</b>	<b>2,002</b>	<b>2,300</b>	<b>2,602</b>	<b>3,006</b>	<b>5,945</b>	<b>9,911</b>	<b>2,304</b>	<b>0</b>
<b>PAT (incl. exceptional)</b>	<b>1,237</b>	<b>1,302</b>	<b>1,504</b>	<b>1,807</b>	<b>2,002</b>	<b>12,589</b>	<b>2,602</b>	<b>3,006</b>	<b>5,945</b>	<b>20,200</b>		
YoY Growth (%)	148.2	75.8	87.5	102.7	86.0	76.7	73.0	66.4	102.8	66.7	77.0	
<b>Key Parameters (Calc., %)</b>												
Yield on loans	13.9	14.1	14.6	15.7	16.3	15.8	15.1	15.1	14.0	15.4		
Cost of funds	7.0	7.2	7.5	7.9	8.0	7.2	7.5	7.8	6.6	7.4		
Spread	6.9	6.9	7.1	7.8	8.3	8.6	7.5	7.3	7.4	8.0		
NIM on loans	9.7	9.2	9.6	10.8	10.4	10.9	10.5	10.4	8.8	9.9		
C/I ratio	62.1	62.6	56.7	50.6	38.4	36.5	36.6	35.6	57.1	36.7		
Credit cost	-0.1	-1.5	-1.3	-0.9	0.6	0.6	0.6	0.6	-1.1	0.6		
Tax rate	20.2	25.2	25.2	23.6	25.2	17.7	23.0	22.1	23.4	23.7		
<b>Balance Sheet Parameters</b>												
<b>Disbursements (INR b)</b>	<b>29.0</b>	<b>31.1</b>	<b>33.7</b>	<b>63.7</b>	<b>70.6</b>	<b>78.1</b>	<b>85.9</b>	<b>93.0</b>	<b>158</b>	<b>199</b>		
Growth (%)	95.5	42.0	157.2	150.9	169.1	151.0	154.9	46.0	109.4	108.0		
<b>AUM (INR b)</b>	<b>126</b>	<b>132</b>	<b>139</b>	<b>161</b>	<b>178</b>	<b>202</b>	<b>223</b>	<b>244</b>	<b>161</b>	<b>178</b>		
Growth (%)	21.5	16.8	27.6	37.2	60.4	53.6	60.3	50.9	37.2	60.4		
<b>AUM mix (%)</b>												
Focused	81.9	88.3	91.4	94.1	96.3	89.0			94.1	96.3		
Discontinued (Legacy and DA)	18.1	11.7	8.6	5.9	3.7	11.0			5.9	3.7		
<b>Asset Quality Parameters</b>												
GS 3 (INR m)	3,270	2,240	2,230	2,250	2,450	2,660			2,250	2,450		
GS 3 (%)	2.7	1.8	1.7	1.4	1.4	1.4			1.4	1.4		
NS 3 (INR m)	1,340	1,180	1,170	1,210	1,310	1,400			1,210	1,310		
NS 3 (%)	1.1	0.9	0.9	0.8	0.8	0.7			0.8	0.8		
PCR (%)	59.0	47.3	47.5	46.2	46.5	47.4			46.2	46.5		

E: MOFSL estimates



## Highlights from the management commentary

### Business Update

- A commendable achievement, following the outlined path in accordance with the guidance provided under Management Vision 2025.
- Disbursements stood at INR78.1b, up 150% YoY.
- Operating profit stood at INR3.36b and PAT stood at INR2.3b (excluding the impact of exceptional item).
- Started offering instant personal loans through its own mobile app and is using straight-through processing (STP).

### Personal Loans: Unsecured loans have been a discussion point in the industry

- Personal loan book of <INR50K is ~INR40m, which is insignificant and for PFL, the Average ticket size in PL is >INR80K
- **Industry performance:** 30+ for < 25K segment is 5X than > 25K segment (16.6% & 3.2%, respectively)
- **Industry performance:** 90+ for < 25K segment is 8.7X than > 25K segment (10.4% & 1.2%, respectively)
- 62% of the company's Personal Loans has 750+ Bureau Score.

### Asset quality and Provisions

- GNPA declined 40bp YoY/6bp QoQ to 1.4%. PCR stood at ~47%.
- The company has made one-time provisions totaling ~INR13b, primarily related to standard advances. This provision includes ~INR4b allocated to a contingency buffer for the new book of standard advances. The company is actively working toward maximizing recoveries from the legacy/acquired book and anticipates recoveries leading to ~50% write-backs.
- Continued Legacy and Old Acquired DA book and Newly acquired DA book have been now classified under discontinued legacy/DA.
- Balance legacy book (including DA) will run down over the next two years and the company expects recoveries of ~INR4.5b (50% of the provisions created in the quarter).
- **GNPA on the new book <0.4% as on Mar'23**
- **GNPA by product segments in the new book: MSME Lending: 0.49% | Personal and Consumer Loans: 0.9% | LAP: 0.3% | PoC: 1%**
- Does not expect a drastic deterioration in asset quality even after further seasoning in the loan book.

### NIM

- The optimization of the CoB will persist, leveraging commercial papers more extensively due to its ALM accommodating such measures.
- Guided for NIM >10%
- NIM will moderate as it will cater to better credit-quality customers and offer the lowest interest rate among NBFCs in its chosen product segments. Also, NIMs will moderate as the leverage gradually improves.

**Opex**

- Opex currently encompass ESOP charge of ~INR200m. The company anticipates additional reductions in opex as the ongoing consolidation efforts and manpower reduction initiatives continue.

**AUM**

- Crossed the AUM milestone of ~INR200b and the AUM stood at INR202.2b as on Sep'23.
- Short-tenor book is at ~27% (with tenor less than 12 months), in line with the guidance of 20-25% of short-tenor book.
- Opex declined ~20bp QoQ to ~4.2%.

**Co-Lending**

- The company has ceased co-lending and co-origination arrangements and will only maintain the sanctioned credit lines with specific partners for 2W and Machinery Loans.
- Co-lending in the 2W sector is currently operating at a monthly scale of INR300-400m. Fresh on-boarding for unsecured loans under co-lending has been completely halted.

**Channel Mix**

- Secured: 29% and Unsecured: 71%
- Total Partnership AUM <18% (as of Sep'23) and guided that the Partnership AUM will be <10% by Mar'23.
- AUM Channel Split: INR173.5b (Other than Partnerships) and INR28.65b (through partnerships)

**Differentiation and transformation Journey**

- The company made some difficult decisions, such as altering the product offerings, targeting specific customer segments, and consolidating manpower and branches. The emphasis is on reducing manpower while enhancing productivity.
- PFL has remained focused - No peer has a productivity and efficiency like Poonawalla.
- Only NBFC, which targeted prime customers - Focus is not on spread, but on RoA delivery.
- Manpower alignment to technology intervention – AAA-rated NBFC with strong capitalization.

**Differentiated Business Model**

- Focus from the regulator on fair practices and PFL does not charge any hidden charges/prepayment charges from the customer.

**Customer segment is unique and better than other lenders**

- Does not focus on commercial use products and rural markets. Risk-adjusted return in rural has been muted for the last two quarters.
- Focused on urban and semi-urban markets - wants to expand its wallet share in these markets.

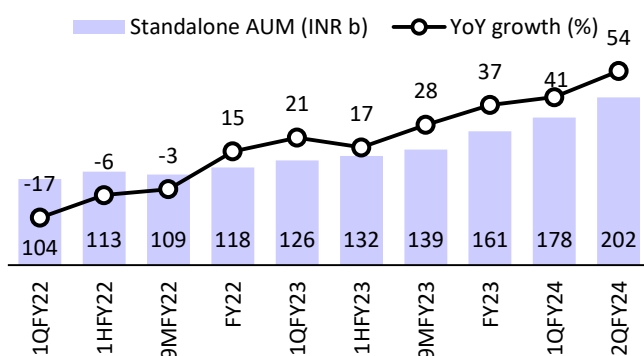
- Does not give loans to New-to-Credit and only gives loans to customers with bureau score of 700+.
- Operates in the top-quartile of ticket size in all its segments - Does not encourage surrogate income.
- For Income validation, it collects income documents in digital form only

#### Other

- Management has been reiterating that the customer segment is different and 70% of the rejected customers is being funded by Top 3 Private banks and NBFCs. The company has been offering among the lowest interest rates to the customers.
- The company is focusing on a formal customer segment comprising bureau-tested individuals and exclusively accepts PDF Banking documents.
- Long-term guidance for 40% secured and 60% unsecured loan mix.
- **LAP disbursements:** INR2.5b per month | PoC disbursements: INR2b per month
- **EMI Card and Consumer Finance:** In the process of partnering with e-commerce players; E-commerce OEM tie-up over the next two years

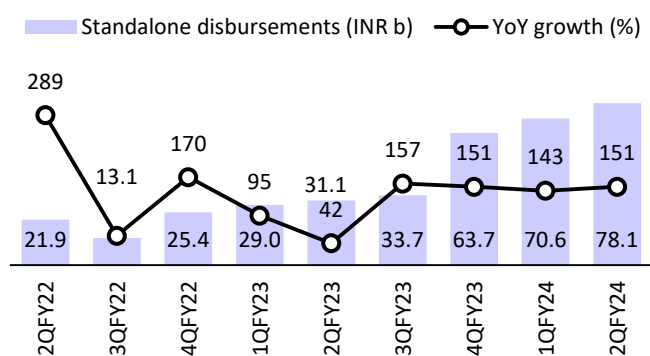
## Story in charts

**Exhibit 1: AUM growth healthy at 54% YoY (%)**



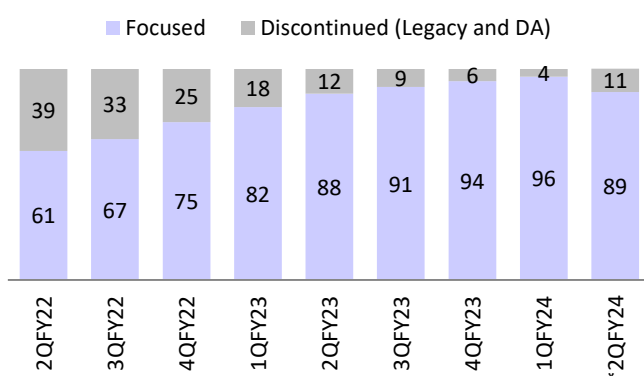
Source: MOFSL, Company

**Exhibit 2: PFL recorded the highest-ever quarterly disbursements**



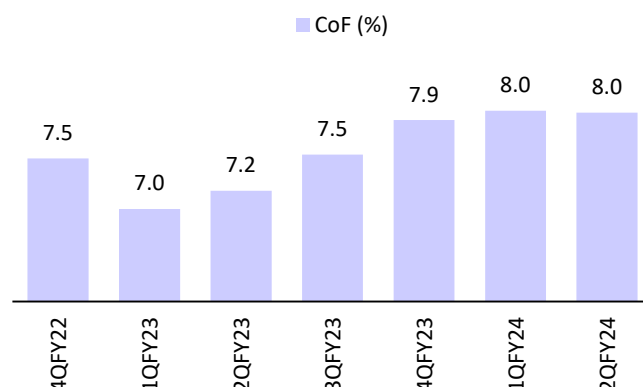
Source: MOFSL, Company

**Exhibit 3: Focused products exhibiting healthy loan growth**

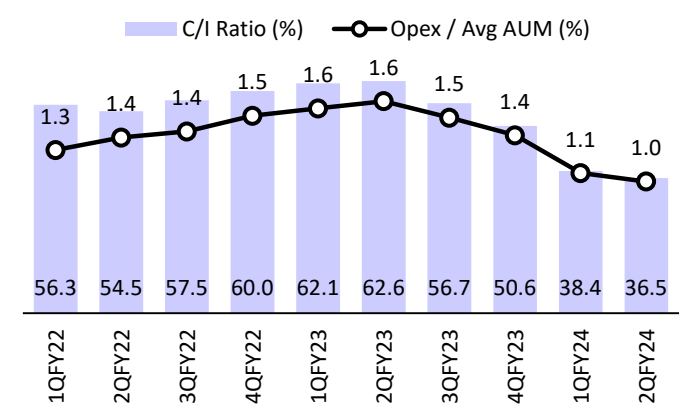


\*Note: Change in classification from 2QFY24; Source: MOFSL, Company

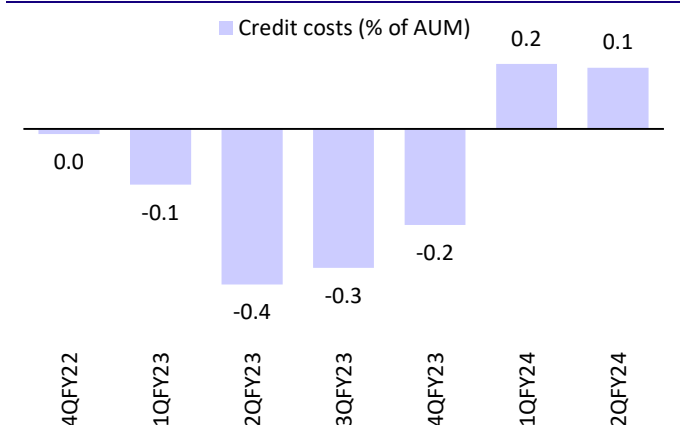
**Exhibit 4: CoF remained stable (%)**



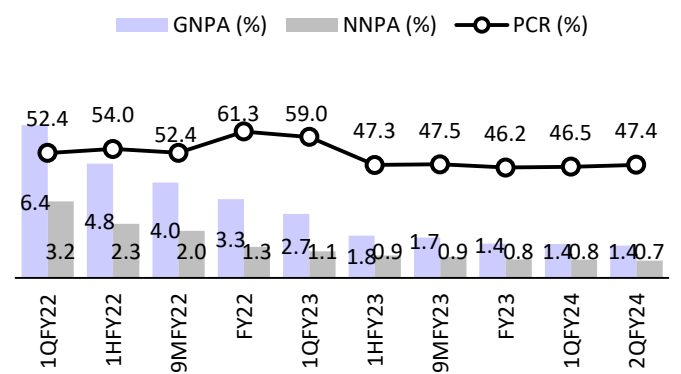
Source: MOFSL, Company

**Exhibit 5: Improvement in cost ratios driven by operating efficiencies (%)**

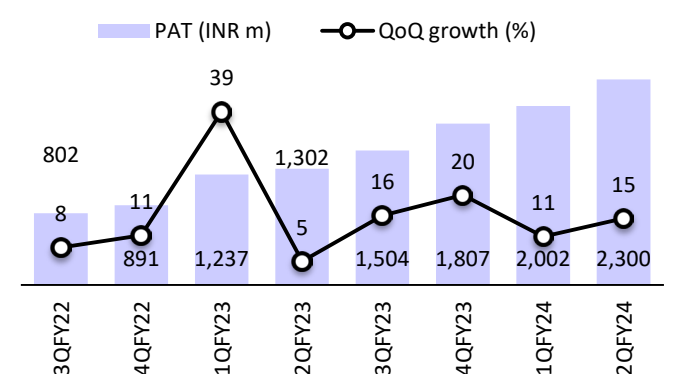
Source: MOFSL, Company

**Exhibit 6: Credit costs of ~0.1% in 2QFY24 (excluding one-off provisions of ~INR13b created from the gain on the sale of HFC)**

Source: MOFSL, Company

**Exhibit 7: Asset quality improved sequentially (%)**

Source: MOFSL, Company

**Exhibit 8: 2QFY24 PAT grew ~15% QoQ (%)**

Source: MOFSL, Company

**Exhibit 9: Increase our FY24/FY25E EPS by 2%/4% to factor in higher AUM growth and lower credit costs**

INR B	Old Est.		New Est.		% change	
	FY24	FY25	FY24	FY25	FY24	FY25
NII (incl. assignments)	19.1	26.9	20.0	29.1	4.4	8.4
Other Income	2.6	3.1	2.4	3.0	-7.8	-3.1
<b>Total Income</b>	<b>21.7</b>	<b>30.0</b>	<b>22.4</b>	<b>32.2</b>	<b>2.9</b>	<b>7.2</b>
Operating Expenses	7.5	8.6	8.2	9.6	8.8	11.5
<b>Operating Profits</b>	<b>14.2</b>	<b>21.4</b>	<b>14.2</b>	<b>22.6</b>	<b>-0.2</b>	<b>5.5</b>
Provisions	1.4	3.3	1.2	3.7	-17.2	12.6
<b>PBT</b>	<b>12.8</b>	<b>18.1</b>	<b>13.0</b>	<b>18.9</b>	<b>1.7</b>	<b>4.2</b>
Tax	3.0	4.3	3.1	4.5	1.7	4.2
<b>Normalized PAT</b>	<b>9.7</b>	<b>13.8</b>	<b>9.9</b>	<b>14.4</b>	<b>1.7</b>	<b>4.2</b>
AUM	226	313	244	345	7.7	10.2
Loans	223	307	228	339	2.4	10.4
Borrowings	136	206	144	228	5.9	10.2
NIM	9.9	10.0	9.9	9.9		
Credit Cost	0.7	1.2	0.6	1.2		
RoA	4.6	4.8	4.8	5.1		
<b>RoE</b>	<b>11.6</b>	<b>12.6</b>	<b>13.5</b>	<b>16.2</b>		

Source: MOFSL, Company



## Financials and valuations

Income Statement							(INR M)		
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	19,319	20,365	20,228	17,570	14,586	18,265	29,361	43,792	61,107
Interest Expenses	10,126	10,176	11,240	8,746	5,093	5,953	9,403	14,670	22,298
<b>Net Interest Income</b>	<b>9,193</b>	<b>10,189</b>	<b>8,988</b>	<b>8,824</b>	<b>9,493</b>	<b>12,312</b>	<b>19,958</b>	<b>29,122</b>	<b>38,809</b>
Change (%)		10.8	-11.8	-1.8	7.6	29.7	62.1	45.9	33.3
Non-interest income and Other Income	1,666	2,308	1,962	1,199	1,085	1,931	2,410	3,031	3,800
<b>Net Total Income</b>	<b>10,859</b>	<b>12,497</b>	<b>10,951</b>	<b>10,023</b>	<b>10,578</b>	<b>14,243</b>	<b>22,368</b>	<b>32,153</b>	<b>42,609</b>
Change (%)		15.1	-12.4	-8.5	5.5	34.6	57.0	43.7	32.5
<b>Total Operating Expenses</b>	<b>5,522</b>	<b>6,018</b>	<b>5,968</b>	<b>4,563</b>	<b>6,046</b>	<b>8,139</b>	<b>8,202</b>	<b>9,596</b>	<b>10,980</b>
Change (%)		9.0	-0.8	-23.5	32.5	34.6	0.8	17.0	14.4
Employee Expenses	3,306	3,804	3,741	3,060	4,099	5,148	4,633	5,282	5,916
Depreciation	490	502	716	522	495	614	688	770	847
Other Operating Expenses	1,726	1,712	1,487	981	1,453	2,268	2,881	3,543	4,217
<b>PPoP</b>	<b>5,337</b>	<b>6,479</b>	<b>4,982</b>	<b>5,460</b>	<b>4,532</b>	<b>6,104</b>	<b>14,166</b>	<b>22,557</b>	<b>31,629</b>
Change (%)		21.4	-23.1	9.6	-17.0	34.7	132.1	59.2	40.2
<b>Total Provisions</b>	<b>2,966</b>	<b>2,450</b>	<b>4,640</b>	<b>13,186</b>	<b>686</b>	<b>-1,445</b>	<b>1,177</b>	<b>3,664</b>	<b>5,368</b>
<b>PBT</b>	<b>2,371</b>	<b>4,029</b>	<b>342</b>	<b>-7,727</b>	<b>3,846</b>	<b>7,761</b>	<b>12,989</b>	<b>18,893</b>	<b>26,262</b>
Exceptional items							12,212	0	0
Tax Provisions	359	1,278	442	-1,943	914	1,816	3,078	4,478	6,171
<b>PAT (excl. exceptional)</b>	<b>2,012</b>	<b>2,751</b>	<b>-100</b>	<b>-5,784</b>	<b>2,932</b>	<b>5,945</b>	<b>9,911</b>	<b>14,415</b>	<b>20,090</b>
<b>PAT (incl. exceptional)</b>	<b>2,012</b>	<b>2,751</b>	<b>-100</b>	<b>-5,784</b>	<b>2,932</b>	<b>5,945</b>	<b>20,200</b>	<b>14,415</b>	<b>20,090</b>

Balance Sheet							(INR M)		
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	474	539	539	539	1,530	1,536	1,536	1,536	1,536
Reserves & Surplus	17,634	25,019	24,614	18,881	55,615	62,711	81,374	93,486	109,736
<b>Net Worth</b>	<b>18,108</b>	<b>25,558</b>	<b>25,153</b>	<b>19,421</b>	<b>57,145</b>	<b>64,247</b>	<b>82,910</b>	<b>95,021</b>	<b>111,272</b>
<b>Borrowings</b>	<b>110,980</b>	<b>117,497</b>	<b>100,595</b>	<b>79,487</b>	<b>67,734</b>	<b>112,092</b>	<b>143,770</b>	<b>227,633</b>	<b>336,871</b>
Change (%)									
Other liabilities	6,593	6,820	3,803	4,512	3,217	3,880	5,043	6,304	6,935
<b>Total Liabilities</b>	<b>135,681</b>	<b>149,876</b>	<b>129,552</b>	<b>103,420</b>	<b>128,097</b>	<b>180,218</b>	<b>231,723</b>	<b>328,959</b>	<b>455,078</b>
<b>Loans</b>	<b>121,544</b>	<b>131,379</b>	<b>111,749</b>	<b>85,653</b>	<b>106,784</b>	<b>152,295</b>	<b>227,837</b>	<b>339,250</b>	<b>452,601</b>
Change (%)									
Cash and Bank Balances	3,978	9,327	6,484	6,124	5,372	6,574	-19,751	-35,182	-24,065
Fixed Assets	1,921	1,871	2,267	1,715	1,748	2,117	2,286	2,515	2,716
Investments	3,056	3,024	4,024	4,289	8,197	3,109	4,260	4,260	4,260
Other assets	5,182	4,275	5,028	5,638	5,996	16,123	17,091	18,116	19,566
<b>Total Assets</b>	<b>135,681</b>	<b>149,876</b>	<b>129,552</b>	<b>103,420</b>	<b>128,097</b>	<b>180,218</b>	<b>231,723</b>	<b>328,959</b>	<b>455,078</b>

E: MOFSL Estimates



## Financials and valuations

AUM									
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
AUM (INR b)	139.9	138.7	128.5	102.5	117.7	161.4	243.7	344.9	467.9
YoY growth (%)	-5	-1	-7	-20	15	37	51	42	36
Disbursements (INR b)	67.5	76.7	50.5	24.2	75.2	157.5	327.6	452.1	605.8
YoY growth (%)		14	-34	-52	210	109	108	38	34

E: MOFSL Estimates

Ratios									
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Spreads Analysis (%)									
Avg. Yield on Loans	15.7	15.8	16.3	17.5	14.9	14.0	15.4	15.4	15.4
Avg Cost of Funds	9.5	8.9	10.3	9.7	6.9	6.6	7.4	7.9	7.9
Spread on loans	6.1	6.9	6.0	7.8	8.0	7.4	8.0	7.5	7.5
NIM (on AUM)	6.4	7.3	6.7	7.6	8.6	8.8	9.9	9.9	9.8

Profitability Ratios (%)									
RoE	11.7	12.6	-0.4	-26.0	7.7	9.8	13.5	16.2	19.5
RoA	1.5	1.9	-0.1	-5.0	2.5	3.9	4.8	5.1	5.1
Int. Expended / Int.Earned	52.4	50.0	55.6	49.8	34.9	32.6	32.0	33.5	36.5
Other Inc. / Net Income	15.3	18.5	17.9	12.0	10.3	13.6	10.8	9.4	8.9

Efficiency Ratios (%)									
Op. Exps. / Net Income	50.9	48.2	54.5	45.5	57.2	57.1	36.7	29.8	25.8
Opex/ Avg AUM	3.9	4.3	4.5	4.0	5.5	5.8	4.0	3.3	2.7
Empl. Cost/Op. Exps.	59.9	63.2	62.7	67.1	67.8	63.2	56.5	55.0	53.9

Asset-Liability Profile (%)									
Loans/Borrowings Ratio	1.1	1.1	1.1	1.1	1.6	1.4	1.6	1.5	1.3
Debt/Equity (x)	6.1	4.6	4.0	4.1	1.2	1.7	1.7	2.4	3.0
Assets/Equity (x)	7.5	5.9	5.2	5.3	2.2	2.8	2.8	3.5	4.1

Asset quality									
GNPA (INR m)				4,190	3,720	2,250	2,924	3,794	5,069
GNPA (%)				4.3	3.3	1.4	1.2	1.1	1.1
NNPA (INR m)				1,240	1,440	1,210	1,521	1,897	2,281
NNPA (%)				1.3	1.3	0.8	0.6	0.6	0.5
PCR (%)				70.4	61.3	46.2	48.0	50.0	55.0
Credit costs (%)	2.4	1.9	3.8	13.4	0.7	-1.1	0.6	1.2	1.3

Valuations									
	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (INR)	76	95	93	72	75	84	108	124	145
BV Growth (%)	11.0	24.2	-1.7	-22.8	3.7	12.0	29.0	14.6	17.1
Price-BV (x)	4.9	4.0	4.0	5.2	5.0	4.5	3.5	3.0	2.6
EPS (INR)	8.5	10.2	-0.4	-21.5	3.8	7.7	12.9	18.8	26.2
EPS Growth (%)		20.3	-103.6	5,675.2	-117.9	102.0	66.7	45.4	39.4
Price-Earnings (x)	44.3	36.8	-1,012.3	-17.5	98.1	48.6	29.1	20.0	14.4
Dividend per share	0.0	0.0	0.0	0.0	0.4	2.0	3.0	5.0	7.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1	0.5	0.8	1.3	1.9

E: MOFSL Estimates

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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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