

# Mahindra & Mahindra Financial

Estimate change 

TP change 

Rating change 

**CMP: INR280**

**TP: INR340 (+22%)**

**Buy**

## Earnings on track after two quarters of setbacks

### Core NIM rises ~10bp QoQ; provision release from ECL model refresh

- Mahindra & Mahindra Financial (MMFS)'s 3QFY24 PAT declined ~12% YoY and grew 135% QoQ to ~INR5.5b (in line), while 9MFY24 PAT declined 12% YoY to ~INR11.4b. Net Total Income (NII + Fee income) rose ~10% YoY to INR18.2b (in line), while PPOp grew ~6% YoY to ~INR10.6b (in line).
- Credit costs declined to ~1.4% (PQ: 2.8% and PY: 0.8%) and included write-offs of ~INR4.5b (PQ: ~INR3.5b). The total ECL provisions release of ~INR1.2b included the benefit of ~INR860m released from the ECL model refresh.
- MMFS reported a core NIM expansion of ~10bp QoQ. Including non-interest income, NIM (as a % of assets) expanded ~30bp QoQ to 6.8%.
- After two prior quarters of volatility, MMFS has delivered an earnings performance where most of the monitorables were in line except for the elevated levels of write-offs. We expect the NIM improvement to sustain and credit costs to further decline in 4QFY24. We model an 18%/20% CAGR in AUM/PAT over FY23-FY26E, with an FY26E RoA/RoE of 2.4%/17%. Reiterate BUY with a revised TP of INR340 (based on 2x FY26E BVPS).
- Key risks: a) muted yields because of higher competitive intensity and increasing proportion of prime customers, b) PCR on S2 and S3 staying elevated longer than expected because of the intricacies of the ECL model.

### NIM expansion led by improvement in yields and lower negative carry

- NIMs improved ~10bp QoQ to ~7.1% aided by ~15bp rise in yields. Also, there was a healthy improvement in the fee income (non-lumpy), which is expected to sustain. MMFS also calibrated the liquidity on its balance sheet to reduce the negative carry from the liquidity buffer.
- A marginal interest rate hike of ~20bp and conversion of trade advances into retail customer loans also aided yield improvement in 3QFY24.
- Borrowing costs rose ~15bp QoQ to ~7.8%, and incremental CoF stood at ~8%. Management guided that it expects the incremental CoF to remain stable even in 4QFY24. We estimate NIM to moderate to ~7.2% in FY24 (vs. 8.3% in FY23) and then expand to 7.4%/7.5% in FY25/FY26.

### Key takeaways from the management commentary

- Structural changes at MMFS will help it avoid the volatility that it exhibited in the past. It has reduced its participation in highly volatile customer cohorts. Management guided for much lower volatility even when the current benign credit cycle gets adverse.
- Management is cognizant of what should be the ideal level of prime customer sourcing to protect its NIM profile.

	MMFS IN
Bloomberg	MMFS IN
Equity Shares (m)	1236
M.Cap.(INRb)/(USD\$)	345.4 / 4.2
52-Week Range (INR)	347 / 216
1, 6, 12 Rel. Per (%)	2/-16/2
12M Avg Val (INR M)	1226

### Financials & valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	71.0	87.2	102.1
PPP	41.1	54.0	65.3
PAT	18.2	27.9	34.6
EPS (INR)	14.8	22.6	28.0
EPS Gr. (%)	-8	53	24
BV/Sh.(INR)	142	156	175
<b>Ratios</b>			
NIM (%)	7.2	7.4	7.5
C/I ratio (%)	42.1	38.1	36.0
RoA (%)	1.7	2.2	2.4
RoE (%)	10.8	15.2	16.9
Payout (%)	37.5	35.0	35.0
<b>Valuations</b>			
P/E (x)	7.2	7.4	7.5
P/BV (x)	18.9	12.4	10.0
P/BV (x)	2.0	1.8	1.6
Div. Yield (%)	2.0	2.8	3.5

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	52.2	52.2	52.2
DII	27.0	25.8	23.8
FII	12.8	14.2	16.3
Others	8.1	6.8	7.8

FII Includes depository receipts

## Valuation and View

- MMFS is still going through a transformation in its product/customer mix, and its NIM profile will change as it finds its new sustainable normal. It will hopefully now start demonstrating more predictability in its earnings performance. A strong liability franchise and deep moats in rural/semi-urban customer segments position MMFS well to reap the rewards of the hard work that is going into evolving this franchise.
- MMFS currently trades at 1.6x FY26E P/BV. The risk-reward is favorable for a PAT CAGR of ~20% over FY23-FY26E and FY26E RoA/RoE of 2.4%/17%. **Reiterate BUY with a revised TP of INR340 (based on 2.0x FY26E BVPS).**

## Quarterly Performance

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	3QFY24E	v/s est
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24				
Interest income	24,372	25,163	27,947	29,344	30,349	31,535	33,733	35,578	1,06,826	1,31,194	33,648	0
Interest Expenses	9,320	10,688	12,419	13,340	14,505	15,665	16,750	17,741	45,767	64,660	16,761	0
<b>NII</b>	<b>15,052</b>	<b>14,475</b>	<b>15,528</b>	<b>16,004</b>	<b>15,844</b>	<b>15,870</b>	<b>16,983</b>	<b>17,837</b>	<b>61,059</b>	<b>66,535</b>	<b>16,887</b>	<b>1</b>
YoY Growth (%)	34.2	0.3	1.1	11.1	5.3	9.6	9.4	11.5	9.9	9.0	8.8	
Other income	614	930	969	1,223	905	870	1,172	1,495	3,735	4,441	1,073	9
<b>Net Total Income</b>	<b>15,666</b>	<b>15,405</b>	<b>16,496</b>	<b>17,227</b>	<b>16,750</b>	<b>16,740</b>	<b>18,155</b>	<b>19,332</b>	<b>64,794</b>	<b>70,976</b>	<b>17,960</b>	<b>1</b>
YoY Growth (%)	34.0	2.2	3.6	13.7	6.9	8.7	10.1	12.2	11.7	9.5	8.9	
Operating Expenses	6,208	6,768	6,513	7,786	6,750	7,312	7,530	8,285	27,276	29,877	7,727	-3
<b>Operating Profit</b>	<b>9,458</b>	<b>8,637</b>	<b>9,983</b>	<b>9,441</b>	<b>10,000</b>	<b>9,428</b>	<b>10,625</b>	<b>11,047</b>	<b>37,518</b>	<b>41,099</b>	<b>10,233</b>	<b>4</b>
YoY Growth (%)	26.3	-15.0	-6.0	5.1	5.7	9.2	6.4	17.0	0.7	9.5	2.5	
Provisions	6,453	1,985	1,551	4	5,264	6,266	3,284	1,810	9,992	16,623	3,091	6
<b>Profit before Tax</b>	<b>3,005</b>	<b>6,652</b>	<b>8,431</b>	<b>9,437</b>	<b>4,735</b>	<b>3,163</b>	<b>7,341</b>	<b>9,237</b>	<b>27,526</b>	<b>24,476</b>	<b>7,142</b>	<b>3</b>
Tax Provisions	776	1,624	2,142	2,596	1,209	811	1,813	2,408	7,138	6,241	1,821	0
<b>Net Profit</b>	<b>2,229</b>	<b>4,483</b>	<b>6,290</b>	<b>6,841</b>	<b>3,527</b>	<b>2,352</b>	<b>5,528</b>	<b>6,828</b>	<b>19,843</b>	<b>18,235</b>	<b>5,321</b>	<b>4</b>
YoY Growth (%)	-114.6	-56.2	-29.6	13.9	58.2	-47.5	-12.1	-0.2	100.7	-8.1	-15.4	
<b>Key Operating Parameters (%)</b>												
Yield on loans (Cal)	15.8	15.2	15.6	15.4	14.9	14.6	14.7	14.9	15.3	14.8		
Cost of funds (Cal)	6.5	6.8	7.2	7.3	7.5	7.6	7.8	7.9	7.0	8.0		
Spreads (Cal)	9.3	8.4	8.5	8.0	7.4	6.9	6.9	6.9	8.3	6.8		
Credit Cost (Cal)	3.9	1.1	0.8	0.0	2.5	2.8	1.4	0.7	1.4	1.8		
Cost to Income Ratio	39.6	43.9	39.5	45.2	40.3	43.7	41.5	42.9	42.1	42.1		
Tax Rate	25.8	24.4	25.4	27.5	25.5	25.6	24.7	26.1	25.9	25.5		
<b>Balance Sheet Parameters</b>												
Loans (INR B)	631	696	734	795	832	899	934	981	795	981		
Change YoY (%)	11.9	21.6	26.0	31.4	42.6	29.3	27.2	23.4	31.5	23.4		
Borrowings (INR B)	591	673	709	749	790	849	864	925	749	925		
Change YoY (%)	6.3	20.4	24.3	34.3	43.6	26.0	21.9	23.4	34.3	23.4		
Loans/Borrowings (%)	106.8	103.3	103.5	106.0	105.4	106.0	108.0	106.0	106.0	106		
Debt/Equity (x)	3.8	4.3	4.3	4.4	4.5	5.0	4.9	5.1	4.6	5.3		
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR B)	54.4	49.4	45.9	37.2	37.7	40.2	38.5		37.2	37.2		
Gross Stage 3 (% on Assets)	8.0	6.7	5.9	4.5	4.3	4.3	4.0		4.5	3.7		
NS 3 (INR B)	22.8	20.7	18.8	15.1	15.0	15.6	14.4		15.1	14.2		
Net Stage 3 (% on Assets)	3.5	2.9	2.6	1.9	1.8	1.7	1.5		1.9	1.4		
PCR (%)	58.1	58.2	59.0	59.5	66.9	61.2	62.7		59.5	62.0		
ECL (%)	6.8	5.7	5.0	4.0	4.0	4.0	3.8		4.7	4.0		
<b>Return Ratios (%)</b>												
ROAA	1.2	2.2	2.8	2.9	1.4	0.9	2.1	2.5	2.3	1.7		
ROAE	5.7	11.4	15.7	16.3	8.2	5.5	12.8	15.3	12.6	10.8		

E: MOFSL estimates

### Management guided for lower disbursements in FY25

- MMFS' business assets at ~INR970b grew 26% YoY and ~4% QoQ. Disbursements at ~INR154b rose ~7% YoY in 3QFY24, aided by festive volumes in 3QFY24. MMFS has benefitted from the strong sectoral tailwinds, and we expect the momentum to sustain in the rest of FY24. Management guided for disbursements to moderate in FY25 and we expect a disbursement CAGR of ~12% over FY23-FY26.
- MMFS has shifted its focus towards retail SME, with LAP as a key product. The bill discounting through selected vendors continues to gain traction. New businesses' (SME, Personal and Consumer Loans) contribution reduced to ~9% of the loan mix (PQ: ~12%).
- Management anticipates <10% volume growth in PVs, but higher ticket sizes should boost disbursements for the lenders. Among new CVs, the bus segment is showing a lot of promise, while tractors are declining after two prior years of high growth. We model an AUM CAGR of ~18% over FY23-FY26.

### Opex to remain elevated due to investments in technology

- Opex-to-average assets in 3QFY24 remained stable QoQ at 2.8% because of the company's transformation strategy (including technology investments). However, the cost-to-income ratio declined to ~41% (vs. 44% in 2QFY24).
- Management guided opex-to-average assets at ~2.8% in the foreseeable future because of various internal projects across people, process, and technology and then improve it to ~2.5%. We model an opex-to-average assets of 2.8%/2.6%/2.5% in FY24/FY25/FY26E.

### Sequential improvement in asset quality

- Asset quality improved with GS3/NS3 declining ~30bp/20bp QoQ to ~4.0%/1.5%. Stage 2 rose ~25bp QoQ to 6.0%. This resulted in 30+dpd remaining stable at ~10%. Write-offs during the quarter stood at ~INR4.5b and exceeded the guided levels of ~INR3.0-3.5b per quarter.
- The management expressed confidence in the continued improvement of GS3 through settlements and resolution of stressed loans as well as lower incremental slippages from a better customer mix.
- MMFSL updated the ECL model for its retail vehicle loans by including multi-factor macro-economic variables and product classification of loan portfolio. Because of the ECL model refresh, the ECL provisions were lower by INR860m and resulted in a ~15bp QoQ decline in Stage 1 cover and ~5bp QoQ decline in Stage 2 PCR.
- Management shared its targets for credit costs below 1.5% in FY25 against 1.5%-1.7% in FY24. We model credit costs of 1.6%/1.3%/1.3% in FY24E/FY25E/FY26E.



## Highlights from the management commentary

### Performance update

- MMFS had planned a very smooth and structured transition to Raul Rebello - MD&CEO designate. Mr. Ramesh Iyer will be around for one more quarter given that he will be retiring in Apr'24.
- 3Q had the added benefit of festive volumes; MMFS continued to maintain leadership position in Tractors, Pre-owned vehicles, Passenger vehicles and Three-wheelers. Business assets grew ~25.5% YoY.
- Net Total Income (as % of Assets) improved to 6.8% (PQ: 6.5%). NIM as on 9MFY24 stood at 6.7% (v/s 7.6% YoY) primarily because of higher CoB.
- In 3QFY23, there was a provision release of INR3.4b while in 3QFY24, there was a provision release of only INR1.2b.
- 9MFY24 PPop grew 7% YoY to ~INR30b while PAT declined ~12% YoY to ~INR11.4b. 9MFY24 disbursements increased 14% YoY.
- MMFS has not lost market share in the tractor business and the decline in tractors is in line with what is seen at the overall industry level. Retail SME has not declined and only the wholesale SME has declined.
- Most of the benefits on NII came from Fee Income. It has taken a marginal rate hike of ~20bp during the quarter.
- Overall, the new-to-credit customers and sub-prime customers have declined. VF demand is coming from prime customers; management is cognizant of what should be the ideal level of prime customer sourcing to protect its margins.

### Guidance

- Continued to guide for FY24 credit costs of 1.5%-1.7% (as % of assets)
- Guided for the PCR and LGD levels to decline/normalize by 3QFY25.
- Expects incremental CoB in 4Q to remain at the same levels as 3Q.
- Looking to maintain opex to average assets at ~2.8% in the foreseeable future and then bring it down to ~2.5%
- Will be looking to deliver credit costs <1.5% in FY25 (vs. guidance of 1.5-1.7% in FY24)
- FY25 disbursements will not be as buoyant as in FY24 and it expects FY25 disbursements to be tempered vs. FY24.

### Yields, Spreads and NIM

- Yield improvement reflects the interest rate hikes that MMFS has started taking, while CoB continues to increase
- There was some benefits on the yields from the conversion of trade advances into retail customer loans.
- While the loans are fixed-rate, as the borrowing costs begin to come down, it will see the benefits in the NIM.

### Asset Quality

- During the current quarter, MMFSL updated the ECL model for its retail vehicle loans by including multi-factor macroeconomic variables, and product classification of loan portfolio. Because of the ECL model refresh, the ECL

provisions were lower by INR860m and resulted in a ~15bp QoQ decline in Stage 1 cover and ~5bp QoQ decline in Stage 2 PCR.

- Provision release in 3QFY24 is incidental to the refresh of the ECL model. This refresh exercise will be carried out in 3Q of every fiscal year.
- There are no management overlays in the ECL provisions. Provision write-backs during the quarter were because of the refinement in the ECL model.
- ECL model incorporates a ~42-month historical record and if MMFS has had higher write-offs in the past, it reflects in higher PCR but will moderate over the next 3-4 quarters
- Guided for a declining trend in GS3, as it works on settlements/resolutions of stressed loans and the incremental slippages from a better customer mix will be lower and GNPL (IRAC norms) stood at ~5.5%
- Last quarter, the bump in asset quality was predominantly in tractors because of unseasonal rains. It is present in rural and self-employed segments which can exhibit unexpected volatility.
- There have been structural changes at MMFS which will help it avoid the volatility it exhibited in the past. Reduced the most volatile cohorts of customers and given up 5-7% tail of customers. Reduced participation in extremely high volatile customer segments.
- Guided for much lower volatility in Stage 3 even when the external environment gets tough or the cycle gets adverse

### Opex

- Will continue to make investments – will not shy away from digital transformation – and will be in a parallel run for a very efficient opex franchise.
- Opex guidance of ~2.5% by FY25 is aggressive and aspirational.

### Liabilities

- ~46% of the total borrowings are floating-rate borrowings (including linked to EBLR) and ~54% of the borrowings are fixed.
- Excessive liquidity buffer leads to a negative carry and it will continue to calibrate its liquidity levels.
- Portfolio Weighted avg. CoB stood at 7.8% and Incremental CoB is ~8%. Guided that incremental CoB will hover around the current levels.
- Liquidity environment has remained tight. Availability of funding has not been a problem but the rates are definitely higher than 2Q levels. Regulators (both the Fed and the RBI) do not seem to be in any hurry to reduce the benchmark rates.
- Not all bank borrowings are PSL-linked, and there will be instances where the banks will push for rate increases after the RBI RWA circular.

### Commentary on growth outlook in Vehicle Finance

- Passenger Vehicles: Seeing inventory levels at dealerships increase back to 2 months. Expects a <10% growth in Passenger Vehicles. Volume growth might be lower but ticket sizes are going up because of preference for SUVs. Slew of new models are coming up that are creating demand-side upsides.
- Used CV: As more formalization happens, there has been an increase in finance penetration in used CV

- New CV: MMFS is not a very heavyweight player in CVs but it has been increasing its market share. Bus segment is exhibiting good demand.
- Tractor: Tough spot - After two years of very high growth, it is exhibiting de-growth in FY24. With the RABI crop not doing too well, it will rub-off on tractor demand. Does not anticipate any significant growth in tractors.
- 3W: Seeing movement towards EV and has been looking to participate.
- Shared that the rural markets continue to be exhibit positive sentiments. There have been discussions about lower farm output but the support prices will ensure that rural cashflows do not suffer.

### SME

- SME play is largely in Retail LAP and Business Loans. Focus is now on enterprises with turnover <INR250m and large part of the business happens through LAP.
- Has been doing bill-discounting for the vendor/dealer ecosystem of M&M.
- New LAP Head has joined MMFS about three months back. The LAP business has been carved out as a separate SBU, which will have separate/dedicated underwriting and collections.
- Focus now will be on Micro/Small and has reduced focus on medium enterprises with turnover >INR250m.

### Branch expansions

- No major branch additions have happened over the last few quarters. Now it will be opening more branches as part of its overall distribution and growth plans. Branch expansions have been factored in its guidance on opex ratios.

### Personal and Consumer Durable Loans

- Taken a call to pause consumer durable loans in December. As a late entrant, the entry barriers are too high. Sunset the consumer durables business and will not be pursuing it anymore.

### Mission 2025

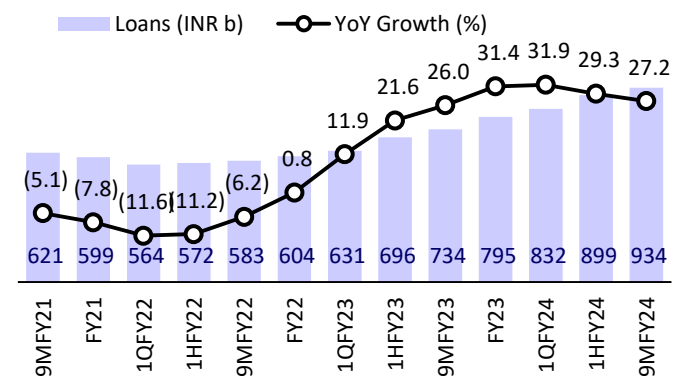
- Guided for NIM of ~7% by FY25 (had re-calibrated it from earlier guidance of ~7.5%)
- Stable asset quality with GS3 < 6% (9MFY24 at 4%)
- 2x AUM from FY22 levels (9MFY24: 1.5x)
- New business contribution of ~15% (9MFY24 at ~5%)

### Others

- Fee income/Other income item is not lumpy in nature and MMFS expects these levels to sustain.
- Not added any headcount in collections as collections are healthily moving towards digital. As a matter of fact, it has released some employees from collections for sales functions
- Continues to remain committed to get its Rural Housing business in order. Objective is to get the asset quality under control. Mortgage is an important theme in lending and it will play to its potential in mortgage.

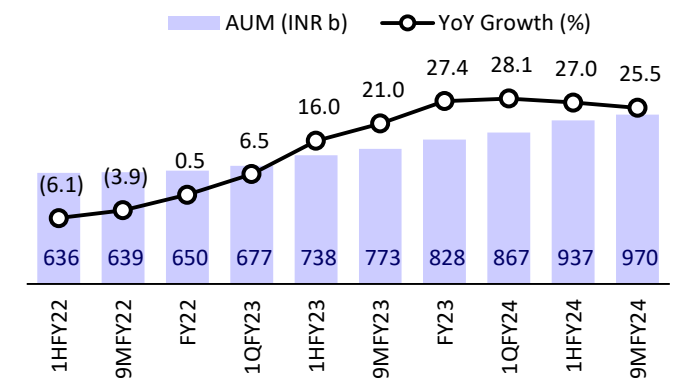
## Key exhibits

**Exhibit 1: On-book loans grew ~27% YoY**



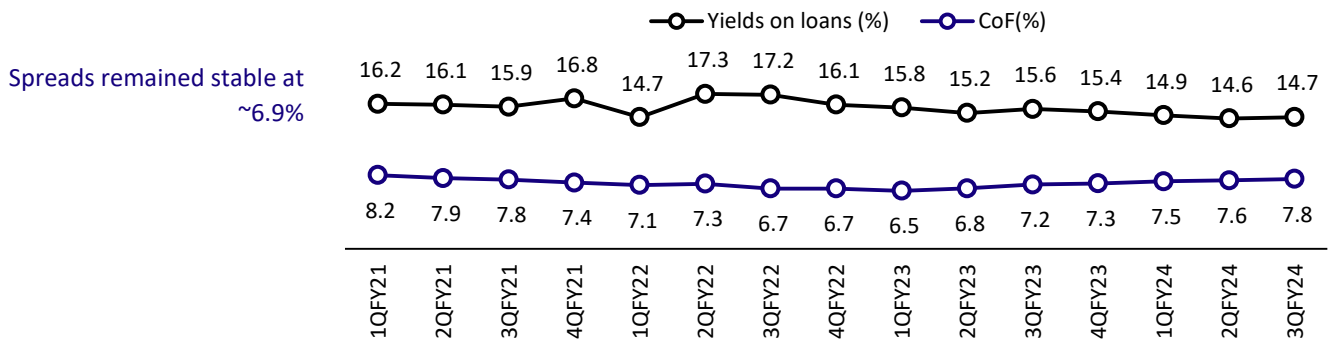
Source: MOFSL, Company

**Exhibit 2: Business assets grew ~4% QoQ**



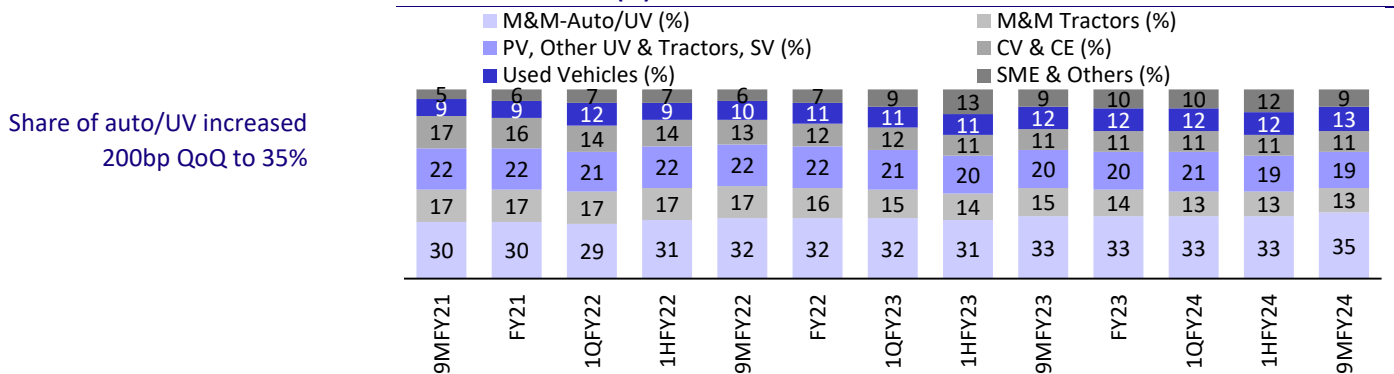
Source: MOFSL, Company

**Exhibit 3: CoF increased ~15bp QoQ**



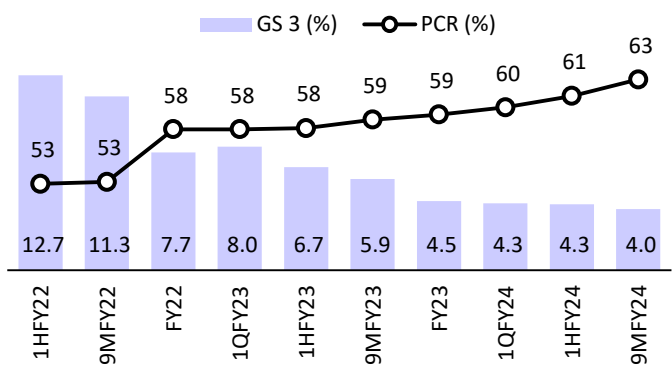
Source: MOFSL, Company

**Exhibit 4: AUM mix (%)**



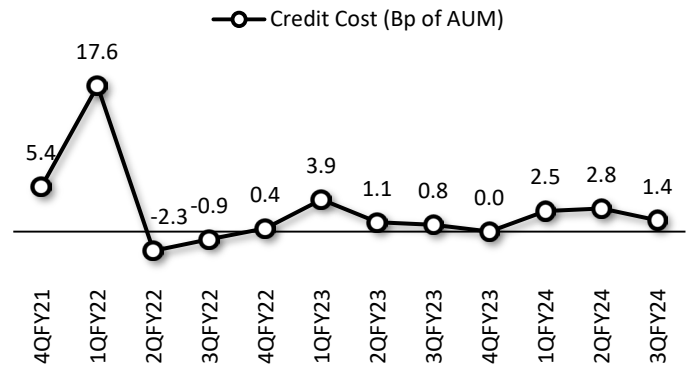
Source: MOFSL, Company

**Exhibit 5: GS3 improved ~30bp, PCR increased ~2pp QoQ**



Source: MOFSL, Company, GS 3% on total assets

**Exhibit 6: Annualized credit costs in 3QFY24 at 1.4%**



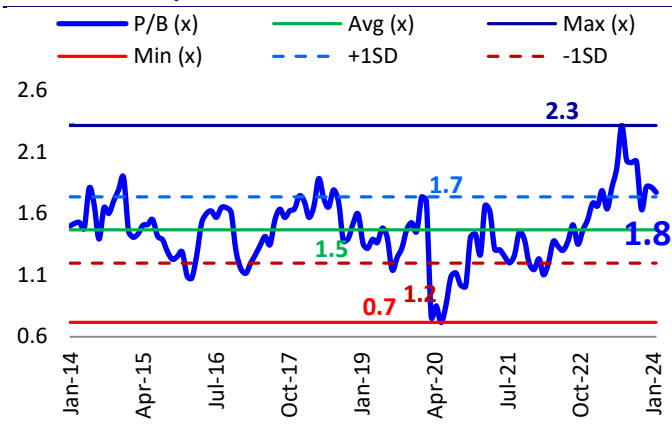
Source: MOFSL, Company

**Exhibit 7: Raise our FY25E EPS by ~2% to factor in lower credit costs from a moderation in the PCR ratios in S2/S3 loans**

INR B	Old Est			New Est			% Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
NII (incl. Sec. Inc)	69.3	84.8	99.4	69.2	84.8	99.1	-0.2	0.0	-0.3
Other Income	1.9	2.4	3.0	1.8	2.4	3.0	-6.7	0.8	0.8
<b>Total Income</b>	<b>71.3</b>	<b>87.2</b>	<b>102.4</b>	<b>71.0</b>	<b>87.2</b>	<b>102.1</b>	<b>-0.4</b>	<b>0.0</b>	<b>-0.3</b>
Operating Expenses	30.6	33.4	36.5	29.9	33.2	36.7	-2.3	-0.5	0.6
<b>Operating Profits</b>	<b>40.7</b>	<b>53.8</b>	<b>65.8</b>	<b>41.1</b>	<b>54.0</b>	<b>65.3</b>	<b>1.0</b>	<b>0.4</b>	<b>-0.7</b>
Provisions	16.5	17.0	19.8	16.6	16.5	18.9	0.7	-2.8	-4.4
<b>PBT</b>	<b>24.2</b>	<b>36.8</b>	<b>46.0</b>	<b>24.5</b>	<b>37.5</b>	<b>46.4</b>	<b>1.3</b>	<b>1.8</b>	<b>0.8</b>
Tax	6.2	9.4	11.7	6.2	9.6	11.8	1.3	1.8	0.8
<b>PAT</b>	<b>18.0</b>	<b>27.4</b>	<b>34.3</b>	<b>18.2</b>	<b>27.9</b>	<b>34.6</b>	<b>1.3</b>	<b>1.8</b>	<b>0.8</b>
Loans	975	1,148	1,314	981	1,155	1,325	0.6	0.6	0.9
Borrowings	928	1,098	1,258	925	1,100	1,262	-0.4	0.1	0.4
Margins	7.3	7.4	7.5	7.2	7.4	7.5	-0.5	-0.4	-0.7
Credit Cost	1.8	1.5	1.6	1.8	1.5	1.5	0.5	-3.2	-4.7
<b>RoA on AUM</b>	<b>1.7</b>	<b>2.2</b>	<b>2.4</b>	<b>1.7</b>	<b>2.2</b>	<b>2.4</b>	<b>1.4</b>	<b>1.9</b>	<b>0.6</b>
<b>RoE</b>	<b>10.6</b>	<b>14.9</b>	<b>16.8</b>	<b>10.8</b>	<b>15.2</b>	<b>16.9</b>	<b>1.2</b>	<b>1.7</b>	<b>0.6</b>

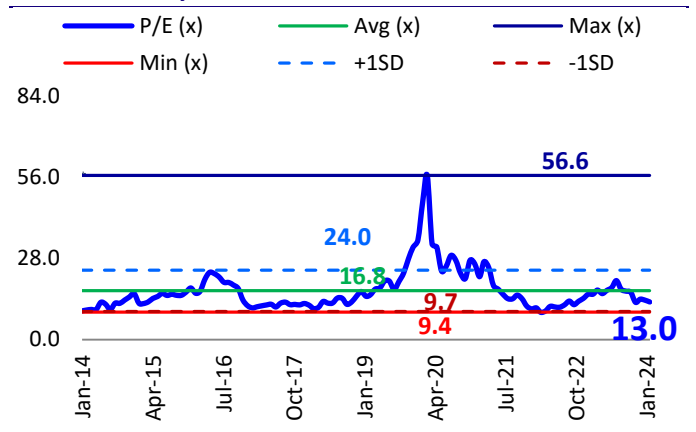
Source: MOFSL, Company

**Exhibit 8: One-year forward P/B**



Source: MOFSL, Company

**Exhibit 9: One-year forward P/E**



Source: MOFSL, Company



## Financials and valuations

### Income Statement

	INR m						
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	99,417	1,02,670	94,756	1,06,826	1,31,194	1,61,103	1,88,494
Interest Expended	48,287	47,332	39,202	45,767	64,660	79,370	92,948
<b>Net Interest Income</b>	<b>51,130</b>	<b>55,338</b>	<b>55,554</b>	<b>61,059</b>	<b>66,535</b>	<b>81,733</b>	<b>95,546</b>
Change (%)	9.5	8.2	0.4	9.9	9.0	22.8	16.9
Other Operating Income	1,561	1,283	1,824	2,462	2,659	3,058	3,517
Other Income	1,473	1,277	608	1,273	1,782	2,406	3,007
<b>Net Income</b>	<b>54,164</b>	<b>57,897</b>	<b>57,986</b>	<b>64,794</b>	<b>70,976</b>	<b>87,197</b>	<b>1,02,070</b>
Change (%)	11.3	6.9	0.2	11.7	9.5	22.9	17.1
Operating Expenses	20,182	16,325	20,734	27,276	29,877	33,213	36,735
<b>Operating Profits</b>	<b>33,982</b>	<b>41,573</b>	<b>37,252</b>	<b>37,518</b>	<b>41,099</b>	<b>53,985</b>	<b>65,335</b>
Change (%)	12.6	22.3	-10.4	0.7	9.5	31.4	21.0
Provisions	20,545	37,348	23,683	9,992	16,623	16,514	18,913
<b>PBT</b>	<b>13,438</b>	<b>4,224</b>	<b>13,569</b>	<b>27,526</b>	<b>24,476</b>	<b>37,471</b>	<b>46,422</b>
Tax	4,374	873	3,682	7,138	6,241	9,555	11,838
Tax Rate (%)	32.5	20.7	27.1	25.9	25.5	25.5	25.5
<b>PAT</b>	<b>9,064</b>	<b>3,352</b>	<b>9,888</b>	<b>19,843</b>	<b>18,235</b>	<b>27,916</b>	<b>34,585</b>
Change (%)	-41.8	-63.0	195.0	100.7	-8.1	53.1	23.9
Proposed Dividend (Incl Tax)	0	986	4,439	7,402	6,838	9,771	12,105

### Balance Sheet

	INR m						
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	1,231	2,464	2,466	2,467	2,467	2,467	2,467
Reserves & Surplus (Ex OCI)	1,12,408	1,43,666	1,49,376	1,61,020	1,72,417	1,90,562	2,13,042
<b>Net Worth</b>	<b>1,13,558</b>	<b>1,46,049</b>	<b>1,51,761</b>	<b>1,63,488</b>	<b>1,74,884</b>	<b>1,93,029</b>	<b>2,15,509</b>
Other Comprehensive Income	81	81	81	81	81	81	81
<b>Net Worth</b>	<b>1,13,639</b>	<b>1,46,130</b>	<b>1,51,842</b>	<b>1,63,568</b>	<b>1,74,965</b>	<b>1,93,110</b>	<b>2,15,590</b>
Change (%)	9.0	28.6	3.9	7.7	7.0	10.4	11.6
<b>Borrowings</b>	<b>5,94,623</b>	<b>5,85,767</b>	<b>5,58,139</b>	<b>7,49,459</b>	<b>9,25,008</b>	<b>10,99,737</b>	<b>12,62,347</b>
Change (%)	12.5	-1.5	-4.7	34.3	23.4	18.9	14.8
Other liabilities	32,451	38,469	42,906	49,219	54,634	60,643	67,314
<b>Total Liabilities</b>	<b>7,40,712</b>	<b>7,70,365</b>	<b>7,52,887</b>	<b>9,62,166</b>	<b>11,54,526</b>	<b>13,53,409</b>	<b>15,45,171</b>
Investments	59,110	1,16,073	84,403	99,886	1,13,870	1,27,535	1,42,839
Change (%)	55.9	96.4	-27.3	18.3	14.0	12.0	12.0
<b>Loans and Advances</b>	<b>6,49,935</b>	<b>5,99,474</b>	<b>6,04,446</b>	<b>7,94,547</b>	<b>9,80,509</b>	<b>11,54,724</b>	<b>13,25,465</b>
Change (%)	6.1	-7.8	0.8	31.5	23.4	17.8	14.8
Other assets	31,668	54,818	64,038	67,732	60,147	71,151	76,867
<b>Total Assets</b>	<b>7,40,712</b>	<b>7,70,365</b>	<b>7,52,887</b>	<b>9,62,165</b>	<b>11,54,526</b>	<b>13,53,409</b>	<b>15,45,171</b>

E: MOFSL Estimates

## Financials and valuations

<b>Ratios</b>	<b>(%)</b>						
<b>Y/E March</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Spreads Analysis (%)</b>							
Yield on Portfolio	15.8	16.4	15.7	15.3	14.8	15.1	15.2
Cost of Borrowings	8.6	8.0	6.9	7.0	8.0	8.0	8.0
Interest Spread	7.2	8.4	8.9	8.3	6.8	7.1	7.2
Net Interest Margin	7.8	8.3	8.6	8.3	7.2	7.4	7.5
<b>Profitability Ratios (%)</b>							
Cost/Income	37.3	28.2	35.8	42.1	42.1	38.1	36.0
Empl. Cost/Op. Exps.	56.9	62.2	56.5	58.1	59.0	60.0	61.3
RoE	8.3	2.6	6.6	12.6	10.8	15.2	16.9
RoA	1.3	0.4	1.3	2.3	1.7	2.2	2.4
<b>Asset Quality (%)</b>							
GNPA	57,467	57,857	49,760	37,168	37,245	41,123	44,837
NNPA	39,665	24,339	20,860	15,071	14,153	16,861	19,280
GNPA %	8.4	9.0	7.7	4.5	3.7	3.4	3.3
NNPA %	6.0	4.1	3.5	1.9	1.4	1.4	1.4
PCR %	31.0	57.9	58.1	59.5	62.0	59.0	57.0
Total Provisions/loans %	4.9	7.4	7.5	4.7	4.0	3.6	3.4
<b>Capitalisation (%)</b>							
CAR	19.6	26.0	27.8	22.5	18.5	17.1	16.4
Tier I	15.4	22.2	24.3	19.9	16.6	15.7	15.3
Tier II	4.2	3.8	3.5	2.7	1.9	1.4	1.1
Average Leverage on Assets (x)	6.5	5.8	5.1	5.4	6.3	6.8	7.1
<b>Valuation</b>							
Book Value (INR)	185	119	123	133	142	156	175
BV Growth (%)	8.9	-35.8	3.8	7.7	7.0	10.4	11.6
<b>Price-BV (x)</b>	<b>1.5</b>	<b>2.4</b>	<b>2.3</b>	<b>2.1</b>	<b>2.0</b>	<b>1.8</b>	<b>1.6</b>
Adjusted BV (INR)	136	104	110	123	134	147	164
<b>Price-ABV (x)</b>	<b>2.1</b>	<b>2.7</b>	<b>2.5</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>
OPS (INR)	55.2	33.7	30.2	30.4	33.3	43.8	53.0
OPS Growth (%)	12.5	-38.9	-10.5	0.7	9.5	31.4	21.0
<b>Price-OP (x)</b>	<b>5.1</b>	<b>8.3</b>	<b>9.3</b>	<b>9.2</b>	<b>8.4</b>	<b>6.4</b>	<b>5.3</b>
EPS (INR)	14.7	2.7	8.0	16.1	14.8	22.6	28.0
EPS Growth (%)	-41.8	-81.5	194.8	100.6	-8.1	53.1	23.9
<b>Price-Earnings (x)</b>	<b>19.0</b>	<b>102.9</b>	<b>34.9</b>	<b>17.4</b>	<b>18.9</b>	<b>12.4</b>	<b>10.0</b>
Dividend	0.0	0.8	3.6	6.0	5.5	7.9	9.8
<b>Dividend Yield (%)</b>	<b>0.0</b>	<b>0.3</b>	<b>1.3</b>	<b>2.1</b>	<b>2.0</b>	<b>2.8</b>	<b>3.5</b>

E: MOSL Estimates

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