

# AAVAS Financiers

Estimate change

TP change

Rating change



Bloomberg	AAVAS IN
Equity Shares (m)	78
M.Cap.(INRb)/(USDb)	117.4 / 1.4
52-Week Range (INR)	2046 / 1335
1, 6, 12 Rel. Per (%)	-7/-17/-44
12M Avg Val (INR M)	457

## Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	9.0	10.9	13.2
PPP	6.3	7.8	9.8
PAT	4.8	5.9	7.4
EPS (INR)	60.6	74.2	93.4
EPS Gr. (%)	11	23	26
BV/Sh. (INR)	474	548	642
<b>Ratios (%)</b>			
NIM	5.7	5.7	5.7
C/I ratio	46.1	44.9	42.8
Credit cost	0.19	0.21	0.18
RoA	3.2	3.3	3.4
RoE	13.6	14.5	15.7
<b>Valuation</b>			
P/E (x)	24.5	20.0	15.9
P/BV (x)	3.1	2.7	2.3

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	39.1	39.1	39.2
DII	15.3	14.2	10.9
FII	32.3	35.5	37.9
Others	13.3	11.5	12.0

FII Includes depository receipts

**CMP: INR1,484**

**TP: INR1,650 (+11%)**

**Neutral**

## Trajectory improving, but still some way to go

### NIM compression of ~35bp QoQ and elevated credit costs lead to earnings miss

- AAVAS Financiers (AAVAS)'s 3QFY24 PAT grew 9% YoY to ~INR1.2b (~10% miss), while its 9MFY24 PAT grew ~15% YoY to ~INR3.5b. NII grew 6% YoY to ~INR2.2b (in line), and other income grew 34% YoY for the quarter.
- Reported 9MFY24 NIM declined ~5bp to ~7.95% (vs. 8% in 1HFY24). However, 3QFY24 NIM (calc.) declined ~35bp QoQ to ~7%. This was due to a decline in yields from higher competitive intensity, and the company's efforts to retain customers from taking BT-OUTs to the competitors.
- Management shared that the disbursement run-rate has improved MoM, and that it is hopeful of further acceleration in disbursements once the technology transformation program is complete within 3-4 months.
- Opex rose ~12% YoY to INR1.35b, while opex-to-avg. assets remained stable QoQ at ~3.5%. AAVAS guided for a gradual improvement in opex-to-assets to ~3%. We estimate the opex-to-avg. assets to decline to ~3.4% by FY26.
- We model a ~22% AUM CAGR and ~20% PAT CAGR over FY23-26E, with an RoA/RoE of 3.4%/16% in FY26E. Valuations have de-rated over the last one year, and the stock now trades at 2.3x FY26E P/BV. While AAVAS is on an improving trajectory, we would continue to monitor the execution on disbursements/AUM growth and observe how the IT transformation improves productivity/enhances operating efficiencies for AAVAS. **Reiterate Neutral with a TP of INR1,650 (based on 2.6x FY26E BVPS).**

### Disbursements will take few more quarters to recover fully

- AUM grew 23% YoY/5% QoQ to ~INR161b. Disbursements grew 13% YOY to ~INR13.6b, but were still below consensus expectations. Annualized run-off in the loan-book stood at ~16% (PY: ~21% and PQ: ~16%).
- Securitization during the quarter amounted to INR3.2b (PY: INR2.2b) and securitization margins were at similar levels as last quarter.
- Despite teething issues from the tech transformation and higher employee attrition, improving MoM disbursements instill confidence in the acceleration of disbursement momentum after a few more quarters. Management continued to guide for a ~20-25% AUM growth and model an AUM CAGR of ~22% over FY23-FY26E.

### Highlights from the management commentary

- Login-to-Sanction TAT declined to 9 days from 13 days, which will give more bandwidth to the business teams to work on newer opportunities.
- AAVAS is working on multiple newer channels for sourcing loans and also plans to improve the proportion of INR750K ATS Home loans in its product mix to improve yields.

### Valuation and View

- AAVAS reported an RoA/RoE of 3.2%/13.5% in 9MFY24. Its constant endeavor to improve its technological edge, and relentless focus on asset quality have made it a standout player among peers. Notably, its 1+DPD remains within the guided levels, driven by its prudent underwriting process and efficient collection efforts.

- Given the investments being made in sourcing, distribution, and technology, we expect AAVAS to embark on a strong disbursement growth trajectory from FY25 onwards. The stock trades at 2.3x FY26E P/BV and any re-rating in valuation multiples will depend on the company resuming its stronger AUM growth trajectory along with its pristine asset quality. Maintain **Neutral** with a revised TP of INR1,650 (based on 2.6x FY26E BVPS).

Quarterly performance												INR m
Y/E March	FY23				FY24E				FY23	FY24E	3QFY24E	vs. Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	3,148	3,287	3,585	3,861	4,128	4,259	4,373	4,614	13,882	17,374	4,450	-2
Interest Expenses	1,347	1,410	1,504	1,650	1,866	2,036	2,166	2,292	5,910	8,360	2,162	0
<b>Net Income</b>	<b>1,802</b>	<b>1,877</b>	<b>2,082</b>	<b>2,211</b>	<b>2,262</b>	<b>2,223</b>	<b>2,208</b>	<b>2,322</b>	<b>7,971</b>	<b>9,014</b>	<b>2,288</b>	<b>-4</b>
YoY Growth (%)	20	15	32	23	26	18	6	5	22	13	10	
Other income	380	664	534	641	540	716	719	791	2,220	2,765	745	-4
<b>Total Income</b>	<b>2,182</b>	<b>2,541</b>	<b>2,616</b>	<b>2,852</b>	<b>2,802</b>	<b>2,938</b>	<b>2,926</b>	<b>3,112</b>	<b>10,191</b>	<b>11,779</b>	<b>3,033</b>	<b>-4</b>
YoY Growth (%)	37	21	20	18	28	16	12	9	23	16	16	
Operating Expenses	1,026	1,147	1,201	1,203	1,339	1,308	1,349	1,436	4,577	5,432	1,358	-1
YoY Growth (%)	53	33	32	14	30	14	12	19	31	19	13	
<b>Operating Profits</b>	<b>1,156</b>	<b>1,394</b>	<b>1,415</b>	<b>1,649</b>	<b>1,464</b>	<b>1,631</b>	<b>1,577</b>	<b>1,676</b>	<b>5,614</b>	<b>6,348</b>	<b>1,675</b>	<b>-6</b>
YoY Growth (%)	26	13	12	22	27	17	11	2	17.6	13.1	18	
Provisions	9	16	35	64	57	65	80	39	124	241	30	166
<b>Profit before Tax</b>	<b>1,147</b>	<b>1,378</b>	<b>1,380</b>	<b>1,586</b>	<b>1,407</b>	<b>1,565</b>	<b>1,497</b>	<b>1,637</b>	<b>5,490</b>	<b>6,107</b>	<b>1,645</b>	<b>-9</b>
Tax Provisions	254	310	307	318	310	348	331	330	1,189	1,319	355	-7
<b>Profit after tax</b>	<b>892</b>	<b>1,068</b>	<b>1,073</b>	<b>1,268</b>	<b>1,097</b>	<b>1,217</b>	<b>1,166</b>	<b>1,307</b>	<b>4,301</b>	<b>4,788</b>	<b>1,290</b>	<b>-10</b>
YoY (%)	49	16	20	10	23	14	9	3	20.5	11.3	20	
<b>Key Parameters (%)</b>												
Yield on loans	12.7	12.9	13.0	13.1	13.3	13.2	13.1		13.7	13.9		
Cost of funds	6.9	7.0	7.3	7.6	7.7	7.9	8.0		6.6	7.6		
Spread	5.8	5.9	5.8	5.5	5.6	5.3	5.1		7.1	6.3		
NIM - YTD	7.7	8.2	8.2	8.3	8.0	8.0	7.9		6.2	5.7		
Credit cost	0.0	0.1	0.1	0.2	0.2	0.2	0.2		0.1	0.2		
Cost to Income (%)	47.0	45.1	45.9	42.2	47.8	44.5	46.1		44.9	46.1		
Tax Rate (%)	22.2	22.5	22.2	20.1	22.0	22.2	22.1		21.7	21.6		
<b>Balance Sheet</b>												
<b>AUM (INR B)</b>	<b>118.9</b>	<b>125.4</b>	<b>130.9</b>	<b>141.7</b>	<b>146.5</b>	<b>153.2</b>	<b>160.8</b>		<b>141.7</b>	<b>172.1</b>		
Change YoY (%)	23.7	23.6	23.3	24.8	23.2	22.1	22.9		24.8	21.5		
<b>AUM mix (%)</b>												
Home loans	71.1	70.9	70.1	69.9	69.8	69.7	69.3		69.9	68.8		
Mortgage loans	28.9	29.1	29.9	30.1	30.2	30.3	30.7		30.1	31.2		
<b>Loans (INR B)</b>	<b>95.9</b>	<b>100.8</b>	<b>105.5</b>	<b>114.8</b>	<b>119.1</b>	<b>124.0</b>	<b>129.9</b>		<b>114.8</b>	<b>139.4</b>		
% of AUM	80.6	80.4	80.6	81.0	81.3	81.0	80.8		26.8	21.5		
<b>Disbursements (INR)</b>	<b>10.9</b>	<b>11.5</b>	<b>12.0</b>	<b>15.8</b>	<b>10.7</b>	<b>12.6</b>	<b>13.6</b>		<b>50.2</b>	<b>54.4</b>		
Change YoY (%)	136.5	27.2	26.5	22.9	-2.3	9.7	13.3		39.5	8.2		
<b>Borrowings (INR B)</b>	<b>82.9</b>	<b>85.7</b>	<b>91.6</b>	<b>98.9</b>	<b>106.8</b>	<b>111.4</b>	<b>114.7</b>		<b>98.4</b>	<b>121.3</b>		
Change YoY (%)	27.8	24.1	26.7	24.0		30.0	25.2		23.4	23.3		
Borrowings/Loans (%)	86.4	85.0	86.8	86.2	89.6	89.9	88.3		85.7	87.0		
Debt/Equity (x)	2.9	2.8	2.9	3.0	3.2	3.2	3.2		3.0	3.2		
<b>Asset Quality (%)</b>												
<b>GS 3 (INR M)</b>	<b>1,045</b>	<b>1,113</b>	<b>1,204</b>	<b>1,067</b>	<b>1,193</b>	<b>1,295</b>	<b>1,425</b>		<b>1,067</b>			
G3 %	1.08	1.10	1.13	0.92	1.00	1.04	1.09		0.92			
<b>NS 3 (INR M)</b>	<b>805</b>	<b>848</b>	<b>917</b>	<b>780</b>	<b>872</b>	<b>939</b>	<b>1,033</b>		<b>780</b>			
NS3 %	0.84	0.84	0.87	0.68	0.73	0.76	0.79		0.68			
<b>PCR (%)</b>	<b>22.9</b>	<b>23.8</b>	<b>23.9</b>	<b>26.9</b>	<b>26.9</b>	<b>27.5</b>	<b>27.5</b>		<b>26.9</b>			
ECL (%)	0.67	0.64	0.64	0.62	0.64	0.64	0.65		0.62			
<b>Return Ratios - YTD</b>												
ROA (Rep)	3.2	3.4	3.4	3.5	3.2	3.3	3.2		3.5	3.2		
ROE (Rep)	12.5	13.4	13.6	14.1	13.2	13.6	13.5		14.2	13.6		

E: MOFSL Estimates

**Marginal asset quality deterioration**

- Asset quality deteriorated with GS3/NS3 increasing by ~5bp QoQ to 1.1%/0.8%. PCR on Stage 3 was stable QoQ at ~27.5%. ECL/ EAD was largely stable sequentially at 0.65%. 1+dpd rose ~15bp QoQ to 3.8%
- Credit costs stood at INR80m (vs. MOSLe of ~INR30m) and translated into annualized credit cost of ~20bp (PQ: ~15bp, PY: ~10bp). We model credit costs of ~20bp in each of FY24E/FY25E/FY26E.

**Spreads contract due to moderation in yields and rise in borrowing costs**

- The ~25bp QoQ decline in yields (calc.) to ~13.8% and ~20bp increase in CoF (calc.) to 7.7% led to a ~45bp QoQ contraction in spreads (calc.) to 6.1%.
- CoB rose by ~9bp QoQ to 7.95%. Incremental CoB was 8.0% (vs. 8.35% in 2QFY24). Ex-NHB, the incremental CoB stood at ~8.2%. Management guided that the CoB has nearly peaked out and it expects the incremental CoB to sustain at current levels for the next few quarters.
- Management guided for spreads above 5%. Its focus on higher-yielding small-ticket loans and rising share of MSME loans in disbursements to aid yields. We model NIM of ~5.7% all through FY25-FY26E.



## Highlights from the management commentary

### Business Updates

- Login-to-Sanction TAT declined to 9 days from 13 days, which will give more bandwidth to the business teams to work on newer opportunities.
- AAVAS is working on E-Mitra Tie-up (in parts of Rajasthan) which is an opex-light model. Existing geographies have enough opportunities for penetration and it will continue its contiguous expansion.
- 9MFY24 RoA/RoE stood at 3.22%/13.5%

### Yields, CoB and Spreads

- Spreads stood at ~5.1% and were maintained above the guidance of ~5%, despite competitive pricing pressure.
- CoB rose ~9bp QoQ to 7.95%. Incremental CoB was 8.0% (vs. 8.35% in 2QFY24). Ex-NHB, the incremental CoB stood at ~8.2%.
- Management guided that it is almost at the peak levels of CoB, given that the portfolio CoB and incremental CoB are now converging
- AAVAS last raised its PLR by ~40bp in Apr'23
- It is working with its business team to improve its core product of ~INR750K ticket size which has better yields. It is reinforcing this product and targets to increase it in the disbursement mix by ~5%.

### Opex

- Opex to Assets moderated from a peak of ~3.8% (in 1QFY24) to 3.5% (in 3QFY24). CIR was ~45% (vs. ~47% in 1QFY24). Guided that it will bring down the Opex to Assets in a gradual manner to ~3%.

### Tech Transformation

- Tech Transformation right from LoS, LMS and ERP - LMS is under implementation and will take 3-4 months for them to go live. Ability to have ~30% lead generation coming from digital channels.
- Tech transformation and behavioral transformation across 350 branches takes some time to settle down. There are early green-shoots from improvement in the TAT and moderation in cost ratios.
- Lead generation of ~14600 applications and ~INR22b in Jan'24. MoM improvement in the number of logins.
- Sanction to disbursement ratio has also increased to 83% (vs. 79-80% earlier)
- Salesforce, FlexCube and Oracle Fusion are in the opex model - It will keep paying to the vendor - No inflation on software costs for the next years

### Disbursements and AUM growth

- MoM growth in disbursement even in Jan'24
- Disbursal growth to catch up which will enable it to deliver its guided AUM growth of 20-25% and expects doubling of AUM in the next 3 years

### Asset Quality

- GS3 at ~1.1% and NS3 stood at ~0.8%. Asset quality remains pristine - GNPA's are broadly stable with seasonality impact of ~5bp QoQ.
- Guided for 1+dpd to be <5%
- Restructured accounts with an outstanding amount of ~INR713m as of Dec'23 have been classified under Stage 2 and have been provided as per regulatory guidelines

**Liabilities**

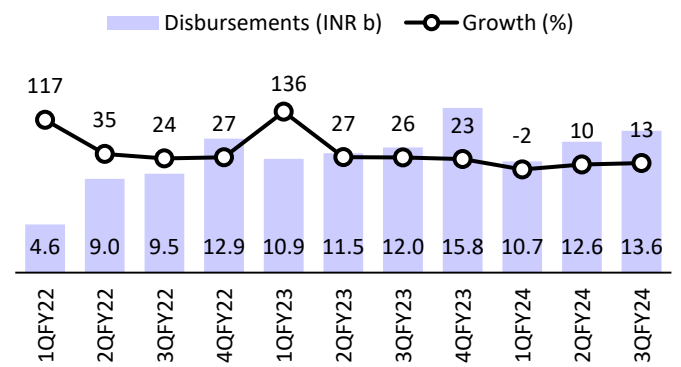
- Raised INR41.9b at ~8.14% during 9MFY24 and ~INR12.2b at ~8% during 3QFY24
- Introduced newer liability products wherein it got ~10-15 tenor money from the banks at low interest rates, and also partly drew down from NHB during the quarter. Borrowed ~INR3b from NHB during 3QFY24.

**Others**

- Employee count stood at ~6,000
- Another 15-20 branches will be added in 4QFY24, both across older and newer states
- Strengthening the Regional Rural Officer (RRO) model wherein only when there are volumes from touchpoints, it considers opening a branch
- BT-OUT is ~6% of the opening AUM
- No manpower additions on the collection side
- CAR was hit by ~277bp on account of a new regulation on non-housing portfolio which is ~15% of the total AUM

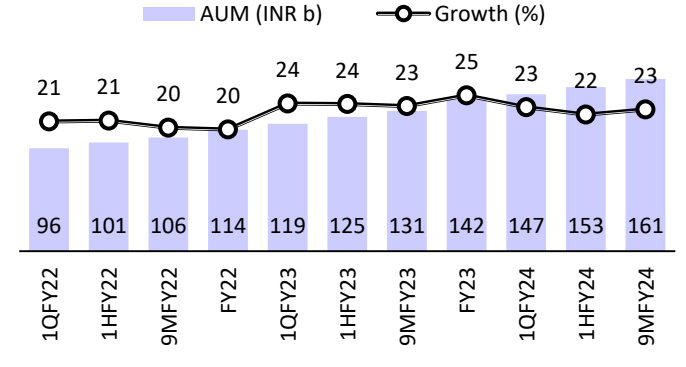
Key exhibits

Exhibit 1: Disbursements rose ~13% YoY



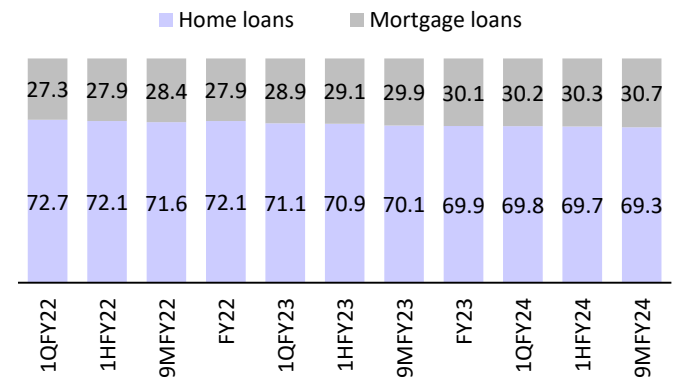
Source: MOFSL, Company

Exhibit 2: AUM grew 23% YoY



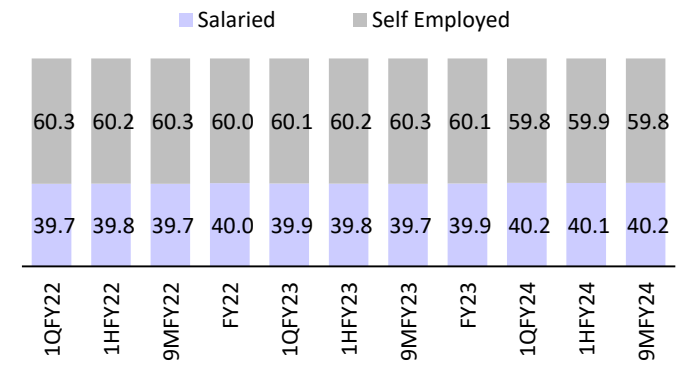
Source: MOFSL, Company

Exhibit 3: Share of Home loans stable QoQ (%)



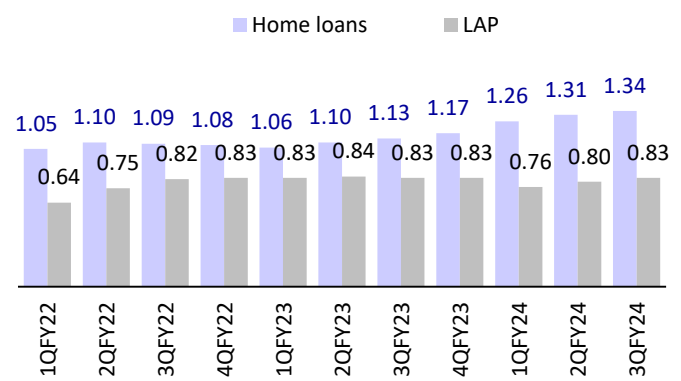
Source: MOFSL, Company

Exhibit 4: Stable customer mix (%)



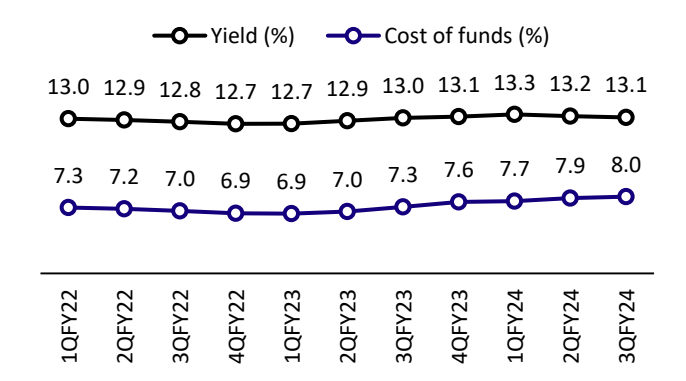
Source: MOFSL, Company

Exhibit 5: ATS in Home Loans increased QoQ (INR m)



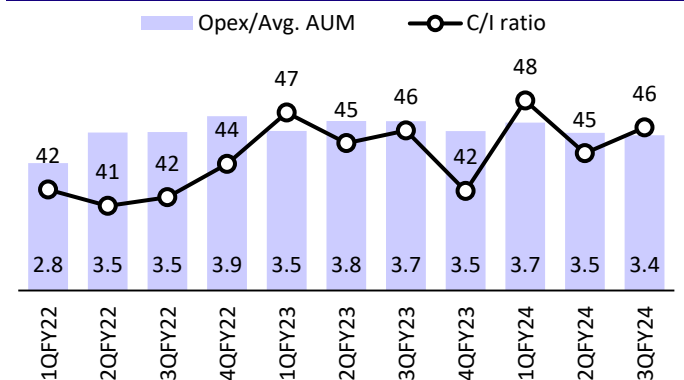
Source: MOFSL, Company

Exhibit 6: Reported spreads declined ~15bp QoQ



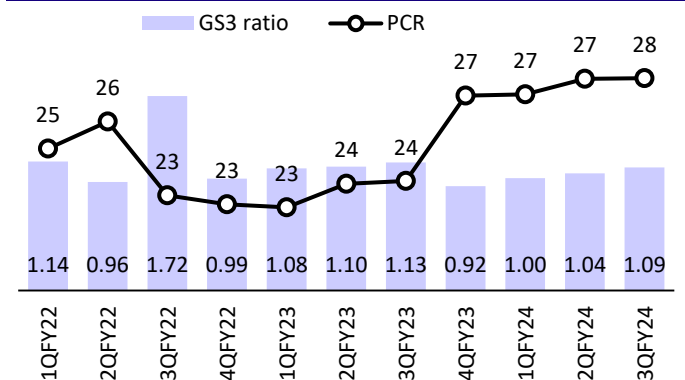
Source: MOFSL, Company

**Exhibit 7: Opex/AUM declined to 3.4%**



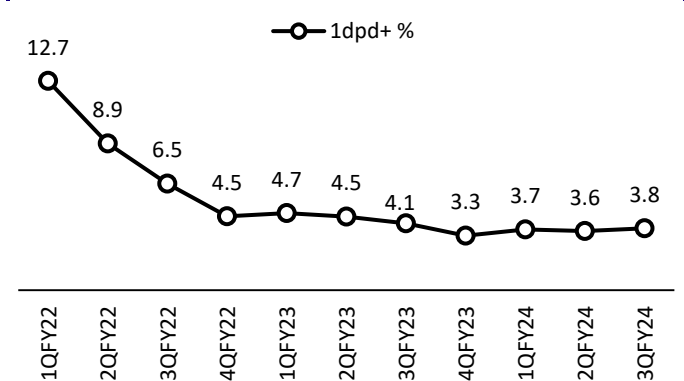
Source: MOFSL, Company

**Exhibit 8: PCR increase was stable QoQ at ~28%**



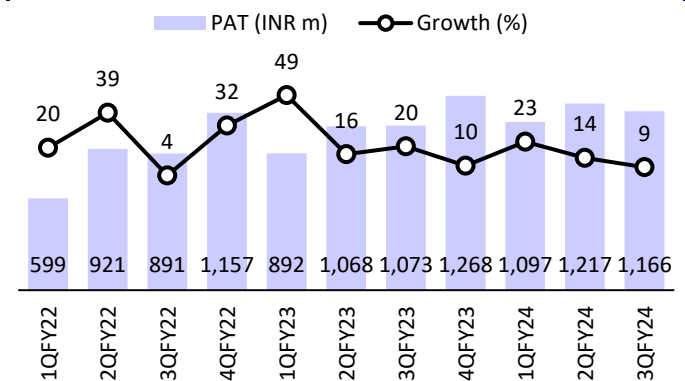
Source: MOFSL, Company, PCR in %

**Exhibit 9: 1+dpd stood at 3.8% (%)**



Source: MOFSL, Company

**Exhibit 10: 3QFY24 PAT grew 9% YoY**



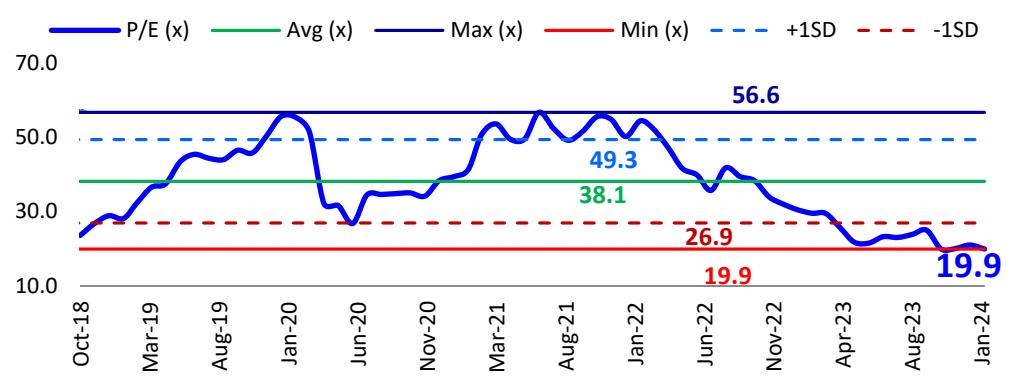
Source: MOFSL, Company

**Exhibit 11: We cut our EPS by ~3% each for FY24/FY25/FY26E to factor in lower NIMs and slightly higher credit costs**

INR b	Old Est.			New Est.			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
NII	9.2	11.0	13.4	9.0	10.9	13.2	-2.0	-1.4	-1.4
Other Income	2.7	3.2	3.8	2.8	3.3	3.8	0.8	1.4	1.3
<b>Total Income</b>	<b>11.9</b>	<b>14.3</b>	<b>17.2</b>	<b>11.8</b>	<b>14.2</b>	<b>17.1</b>	<b>-1.4</b>	<b>-0.8</b>	<b>-0.8</b>
Operating Expenses	5.4	6.3	7.3	5.4	6.4	7.3	-0.2	0.5	0.4
<b>Operating Profits</b>	<b>6.5</b>	<b>7.9</b>	<b>9.9</b>	<b>6.3</b>	<b>7.8</b>	<b>9.8</b>	<b>-2.4</b>	<b>-1.8</b>	<b>-1.7</b>
Provisions	0.2	0.2	0.2	0.2	0.3	0.3	31.2	30.5	35.1
<b>PBT</b>	<b>6.3</b>	<b>7.7</b>	<b>9.7</b>	<b>6.1</b>	<b>7.5</b>	<b>9.4</b>	<b>-3.4</b>	<b>-2.8</b>	<b>-2.6</b>
Tax	1.4	1.7	2.1	1.3	1.6	2.0	-3.4	-2.8	-2.6
<b>PAT</b>	<b>5.0</b>	<b>6.0</b>	<b>7.6</b>	<b>4.8</b>	<b>5.9</b>	<b>7.4</b>	<b>-3.4</b>	<b>-2.8</b>	<b>-2.6</b>
AUM	172	211	257	172	211	257	-0.1	0.1	0.0
Borrowings	121	147	180	121	148	180	-0.1	0.1	0.0
NIM (%)	5.9	5.8	5.7	5.7	5.7	5.7			
ROA (%)	3.3	3.4	3.5	3.2	3.3	3.4			
RoE (%)	14.1	14.8	16.0	13.6	14.5	15.7			

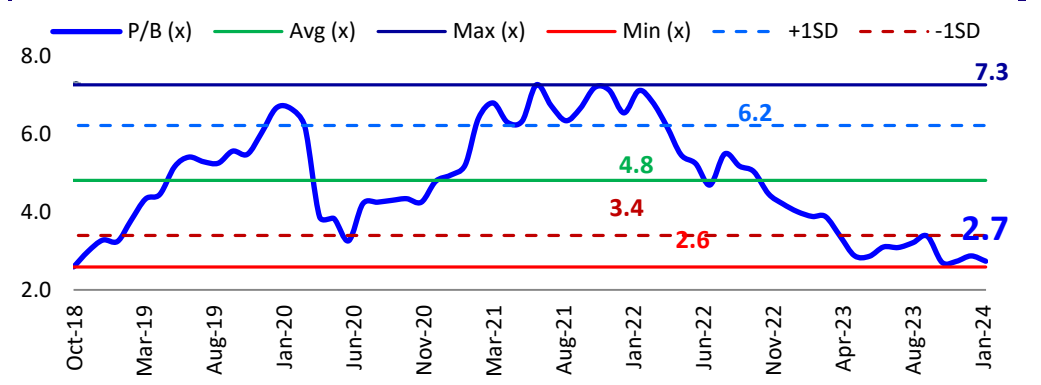
Source: MOFSL, Company

**Exhibit 12: One-year forward P/E**



Source: MOFSL, Company

**Exhibit 13: One-year forward P/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	3,926	5,935	7,864	9,764	11,288	13,882	17,374	21,177	25,759
Interest Expended	1,931	2,554	3,561	4,582	4,775	5,910	8,360	10,283	12,516
<b>Net Interest Income</b>	<b>1,995</b>	<b>3,382</b>	<b>4,304</b>	<b>5,182</b>	<b>6,513</b>	<b>7,971</b>	<b>9,014</b>	<b>10,894</b>	<b>13,243</b>
Change (%)	56.0	69.5	27.3	20.4	25.7	22.4	13.1	20.9	21.6
Gain on Securitisation	602	783	766	864	1,240	1,518	1,746	2,008	2,309
Other Operating Income	417	391	401	426	528	701	1,019	1,254	1,500
<b>Total Income</b>	<b>3,014</b>	<b>4,556</b>	<b>5,470</b>	<b>6,471</b>	<b>8,281</b>	<b>10,191</b>	<b>11,779</b>	<b>14,155</b>	<b>17,052</b>
Change (%)	85.3	51.2	20.1	18.3	28.0	23.1	15.6	20.2	20.5
Operating Expenses	1,645	1,890	2,296	2,566	3,506	4,577	5,432	6,355	7,297
<b>Operating Income</b>	<b>1,369</b>	<b>2,666</b>	<b>3,174</b>	<b>3,905</b>	<b>4,775</b>	<b>5,614</b>	<b>6,348</b>	<b>7,801</b>	<b>9,755</b>
Change (%)	43.6	94.7	19.1	23.0	22.3	17.6	13.1	22.9	25.1
Provisions	26	89	153	371	226	124	241	317	337
<b>PBT</b>	<b>1,343</b>	<b>2,577</b>	<b>3,020</b>	<b>3,533</b>	<b>4,549</b>	<b>5,490</b>	<b>6,107</b>	<b>7,484</b>	<b>9,419</b>
Tax	412	818	529	638	981	1,189	1,319	1,617	2,034
Tax Rate (%)	30.7	31.7	17.5	18.1	21.6	21.7	21.6	21.6	21.6
<b>PAT</b>	<b>931</b>	<b>1,759</b>	<b>2,491</b>	<b>2,895</b>	<b>3,568</b>	<b>4,301</b>	<b>4,788</b>	<b>5,867</b>	<b>7,384</b>
Change (%)	60.9	89.0	41.6	16.2	23.2	20.5	11.3	22.6	25.8
Proposed Dividend	0	0	0	0	0	0	0	0	0

### Balance sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Capital	692	781	783	785	789	791	791	791	791
Reserves & Surplus	11,207	17,589	20,196	23,229	27,297	31,906	36,694	42,561	49,945
<b>Net Worth</b>	<b>11,899</b>	<b>18,370</b>	<b>20,979</b>	<b>24,014</b>	<b>28,086</b>	<b>32,697</b>	<b>37,484</b>	<b>43,352</b>	<b>50,736</b>
<b>Borrowings</b>	<b>27,376</b>	<b>36,533</b>	<b>53,520</b>	<b>63,454</b>	<b>79,725</b>	<b>98,407</b>	<b>1,21,311</b>	<b>1,47,533</b>	<b>1,79,670</b>
Change (%)	52.6	33.4	46.5	18.6	25.6	23.4	23.3	21.6	21.8
Other liabilities	1,126	1,366	2,081	2,132	2,392	3,002	3,302	3,797	4,557
<b>Total Liabilities</b>	<b>40,401</b>	<b>56,268</b>	<b>76,580</b>	<b>89,600</b>	<b>1,10,204</b>	<b>1,34,105</b>	<b>1,62,098</b>	<b>1,94,682</b>	<b>2,34,962</b>
<b>Loans</b>	<b>33,334</b>	<b>47,245</b>	<b>61,808</b>	<b>75,233</b>	<b>90,534</b>	<b>1,14,763</b>	<b>1,39,438</b>	<b>1,68,609</b>	<b>2,05,337</b>
Change (%)	54.1	41.7	30.8	21.7	20.3	26.8	21.5	20.9	21.8
<b>Investments</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>675</b>	<b>1,231</b>	<b>1,268</b>	<b>1,306</b>	<b>1,345</b>
Change (%)	NM	0.0	0.0	0.0	1,400.4	82.3	3.0	3.0	3.0
Other assets	7,022	8,978	14,727	14,323	18,994	18,112	21,391	24,767	28,280
<b>Total Assets</b>	<b>40,401</b>	<b>56,268</b>	<b>76,580</b>	<b>89,600</b>	<b>1,10,204</b>	<b>1,34,105</b>	<b>1,62,098</b>	<b>1,94,682</b>	<b>2,34,962</b>

E: MOFSL Estimates

## Financials and valuations

Ratios	(%)								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Spreads Analysis (%)</b>									
Avg Yield on Loan portfolio	14.2	13.9	13.5	14.1	13.8	13.7	13.9	13.9	13.9
Avg. Cost of borrowings	8.5	8.0	7.9	7.8	6.7	6.6	7.6	7.7	7.7
Interest Spread	5.7	5.9	5.6	6.3	7.1	7.1	6.3	6.3	6.3
Net Interest Margin (AUM)	5.9	6.8	6.3	6.0	6.3	6.2	5.7	5.7	5.7
<b>Profitability Ratios (%)</b>									
RoE	10.6	11.6	12.7	12.9	13.7	14.2	13.6	14.5	15.7
RoA	2.9	3.6	3.8	3.5	3.6	3.5	3.2	3.3	3.4
Loans/Equity (x)	2.8	2.6	2.9	3.1	3.2	3.5	3.7	3.9	4.0
Cost/Income	54.6	41.5	42.0	39.7	42.3	44.9	46.1	44.9	42.8
<b>Asset Quality (%)</b>									
Gross NPAs	107	158	210	739	904	1,067	1,418	1,646	2,120
Gross NPAs to Adv.	0.3	0.3	0.3	1.0	1.0	0.9	1.0	1.0	1.0
Net NPAs	83	112	171	538	695	780	1,035	1,185	1,526
Net NPAs to Adv.	0.2	0.2	0.3	0.7	0.8	0.7	0.7	0.7	0.7
<b>VALUATION</b>									
Book Value (INR)	172	235	268	306	356	414	474	548	641.8
<b>Price-BV (x)</b>	<b>8.6</b>	<b>6.3</b>	<b>5.5</b>	<b>4.8</b>	<b>4.2</b>	<b>3.6</b>	<b>3.1</b>	<b>2.7</b>	<b>2.3</b>
EPS (INR)	13.5	22.5	31.8	36.9	45.2	54.4	60.6	74.2	93.4
EPS Growth YoY	35	67	41	16	23	20	11	22.6	25.8
<b>Price-Earnings (x)</b>	<b>110.2</b>	<b>65.8</b>	<b>46.6</b>	<b>40.2</b>	<b>32.8</b>	<b>27.3</b>	<b>24.5</b>	<b>20.0</b>	<b>15.9</b>
Dividend per share (INR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Dividend yield (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf> MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered/qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisers Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.