Fusion Micro Finance

BSE SENSEX	S&P CNX
74,006	22,502

CMP: INR481 | **TP: INR605 (+26%)** | **BUY**

Enhancing capabilities to build a robust franchise

We attended the analyst meet held by Fusion Micro Finance (FUSION), where the company highlighted the capabilities that it has built across its MFI and MSME verticals, treasury and finance, risk management, information technology, and internal audit. Instead of focusing on steep guidance/targets, the management focused on its aim of building a granular and robust balance sheet that can withstand any external stress events.

- The management guided for an AUM CAGR in mid-20s, which will come from 10-12% customer additions and 15-20% branch additions**. Over the next 2-3 years, the management targets to increase the management overlay to 1.0%-1-25% (from ~0.6% now).** In good years, it aims to strengthen the balance sheet through a management overlay to keep RoA in the range of 4.7%-4.9% and RoE around 18-20%.
- FUSION will focus on diversifying its liability franchise by reducing its dependence on bank term loans and replacing them predominantly with debt capital market instruments and external commercial borrowings (ECB). It will also explore opportunities in social/ESG/impact loans outside India.

Key takeaways from the meet

- FUSION (like others in the sector) acknowledged that the center meeting discipline has deteriorated after Covid and it is making targeted efforts to incentivize customers for attending center meetings.
- The management shared that it does not plan to give out large unsecured loans to its existing MFI customers. In addition to its core MFI business, it will also be looking to build adjacencies while keeping the risk aspect in mind. It will be looking to build a secured ecosystem adjacent to its unsecured MFI loans. After scaling up MSME loans, it might also look at affordable housing and electric three wheelers, along with partnerships with banks.
- FUSION is looking to build a full-scale dedicated collection vertical even in its MFI business. The company now mandatorily makes a welcome call to its new customers across all the states to confirm that the customer is taking the loan and to transparently convey the terms and conditions of the loan. It has also started two-factor authentication for the last eight months. It has a regional and centralized tele-calling team, which works on the soft buckets. It already has a well-established collection mechanism for its MSME business.
- There are no further flows from Punjab, where it is currently not disbursing fresh loans and will take a call on fresh disbursements after elections**. It guided for credit costs of 2.6%-2.8% and additional 25-30bp of management overlay in FY25. The management expects NIM expansion to continue in FY25 with better visibility on its borrowing costs.** In the long term, it aims for NIM of 12% while optimizing the cost to borrowers and returns to shareholders.
- FUSION classifies states where it has a presence into low risk, medium risk and high. The loan ticket size and interest rates are decided as per the risk matrix. It is building and will be leveraging a lot of data to evaluate risk-based pricing.

Stock Info

Bloomberg	FUSION IN
Equity Shares (m)	101
M.Cap.(INRb)/(USDb)	48.6 / 0.6
52-Week Range (INR)	691 / 430
1, 6, 12 Rel. Per (%)	-1/-33/-21
12M Avg Val (INR M)	221

Financials Snapshot (INR b)

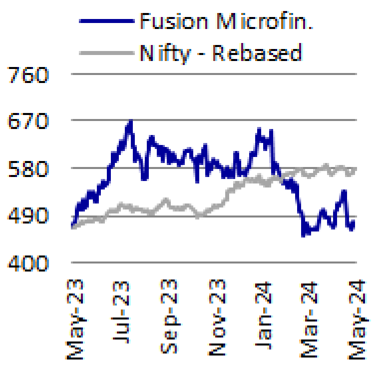
Y/E March	FY24	FY25E	FY26E
Total Income	16.2	19.4	23.3
PPP	10.3	12.2	14.8
PAT	5.1	6.7	8.3
EPS (INR)	50.2	66.3	82.8
EPS Gr. (%)	30	32	25
BV (INR)	283	349	432
Valuations			
NIM (%)	14.1	14.0	13.9
C/I ratio (%)	36.6	37.1	36.5
RoAA (%)	4.8	5.1	5.3
RoE (%)	19.5	21.0	21.2
Valuations			
P/E (x)	9.6	7.3	5.8
P/BV (x)	1.7	1.4	1.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	57.7	57.7	68.2
DII	23.3	22.8	13.6
FII	6.4	7.2	6.3
Others	12.6	12.3	12.0

FII Includes depository receipts

Stock's performance (one-year)



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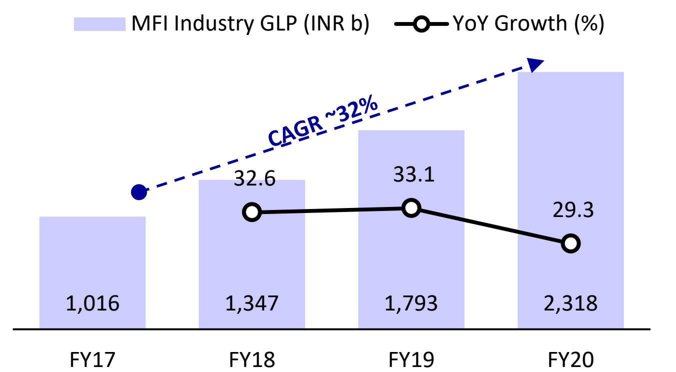
Microfinance in India

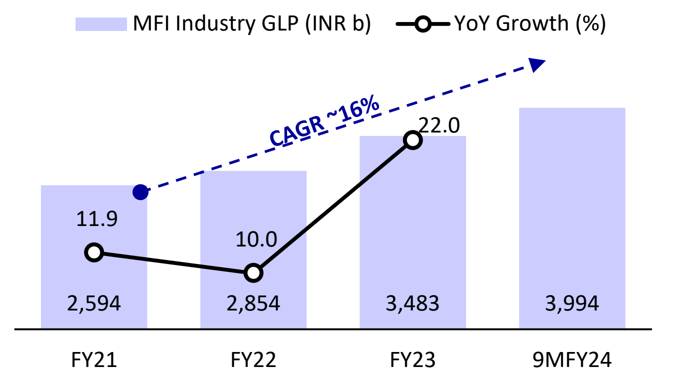
- Following the demonetization, India's gross loan portfolio (GLP) saw a CAGR of 32% from Mar’17 to Mar’20. The impact of the Covid-19 pandemic resulted in a reduced GLP CAGR of 16% from Mar’20 to Dec’23, highlighting longer-term effects and variations among institutions. Despite these challenges, overall YoY growth began to normalize from March 2023 onwards.
- The number of unique borrowers increased significantly, from 64m in Dec’22 to 74m in Dec’23, adding 10m new-to-credit (NTC) customers within a year.
- 70% of rural households and 50% of semi-urban households are MFI customers. Urban household growth has a CAGR of ~4% and rural household growth of ~2%. Significant infrastructure improvements have been made in the rural areas. Customer aspirations have changed, with many now seeking better education for their children.
- As of Mar'23, the GLP in India's microfinance sector reached INR3.4t, with a potential demand of INR11.4t. The sector was projected to grow to a GLP of INR3.9t by Mar'24, with potential demand increasing to INR13.0t. However, by Dec'23, the sector had already surpassed the Mar'24 estimate. At its current growth rate, the microfinance sector is well-positioned to exceed the estimated GLP size of INR5.4t by Mar'26. (Source: Micrometer report)

Exhibit 1: Post demonetization, GLP CAGR of 32% over FY17-20



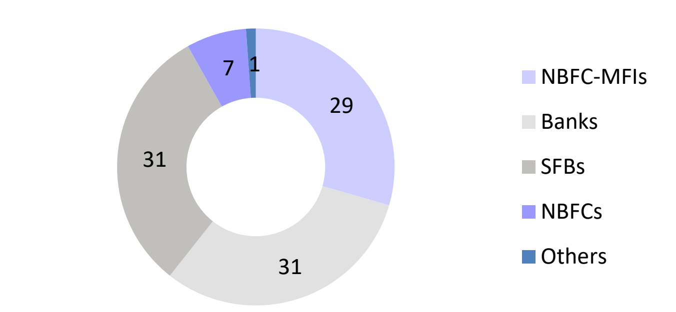
Source: Equifax (Up to Mar’23), CRIF Highmark (Dec’23)

Exhibit 2: Post Covid, GLP CAGR of ~16% over FY21-9MFY24



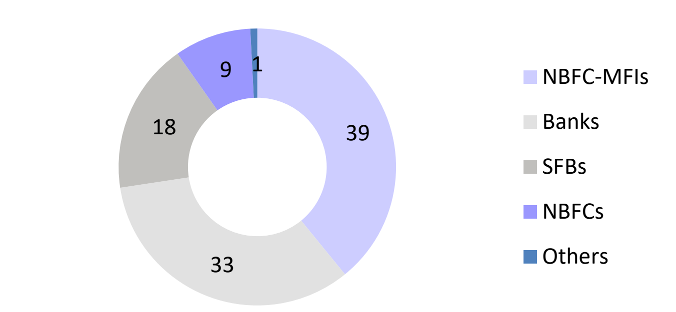
Source: Equifax (Up to Mar’23), CRIF Highmark (Dec’23)

Exhibit 3: Lender-wise GLP Mix (%)



Source: Equifax (Up to Mar’23), CRIF Highmark (Dec’23)

Exhibit 4: Lender-wise GLP Mix (%)

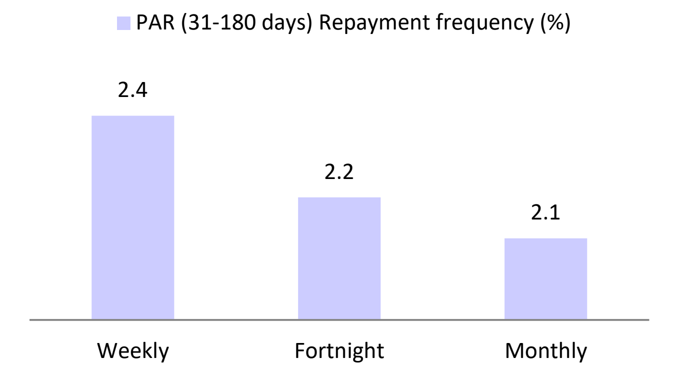


Source: Equifax (Up to Mar’23), CRIF Highmark (Dec’23)
Note: Data as on Dec’23

Emerging trends post-Covid

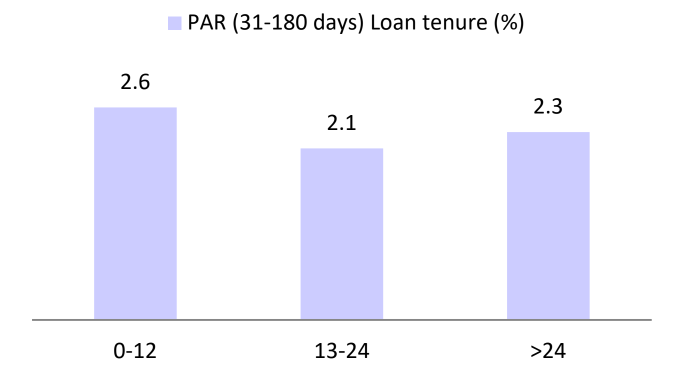
- India's rural growth potential and demographic composition attract numerous financial institutions, including banks, to the microfinance segment.
- Harmonized guidelines ensure a level playing field in the industry, with proactive regulatory orientation focusing on customer protection.
- Post-Covid challenges, such as disruptions in center meetings and collections, prompt initiatives from self-regulatory organizations (SROs) and leading practitioners have encouraged customer participation and discipline.
- Companies are investing in technology to boost productivity and implement early warning systems, recognizing the important role of employees in the assisted model of microfinance.
- Industry data suggests that there is not much difference in delinquencies (PAR 31-180) between weekly, fortnightly and monthly collection models. Likewise, for loan tenors of <12 months, between 13-24 months and for >24 months, the delinquency levels are not starkly different.

Exhibit 5: PAR (31-180 days) repayment frequency



Source: Equifax, Credit Insights, Note: Data as on Dec'23

Exhibit 6: PAR (31-180 days) Loan tenure



Source: Equifax, Credit Insights, Note: Data as on Dec'23

Navigating today, shaping tomorrow

- Over the past eight years, FUSION has undergone significant transformation, bolstering its operational efficiency through business process re-engineering. This period saw the establishment of a robust capital base, reinforcement of the core team, diversification of liabilities, investment attraction from Warburg Pincus, introduction of MSME-focused products, and the implementation of advanced IT systems.
- It stands out in the market by offering one of the lowest-cost MFI loan solutions to its customers, enhancing accessibility and affordability.
- The management team demonstrates extensive industry experience, with senior members averaging 7-8 years within the organization, fostering deep expertise across various verticals. Similarly, mid-management levels boast an average tenure of 4-5 years, indicating stability and continuity in leadership.

Metrics	Pre-IPO FY22	FY24
AUM (INR b)	67.9	11,476
No. of clients ('000)	2,723.0	3,862.0
NIM (%)	8.4	11.2
Branches	934.0	1,297.0
CRAR (%)	21.9	27.5
Ratings	A- (Stable)	A+ (Stable)
Net-worth (INR b)	1,338.0	2,848.0
ROA (%)	0.3	4.8
ROE (%)	1.7	19.6

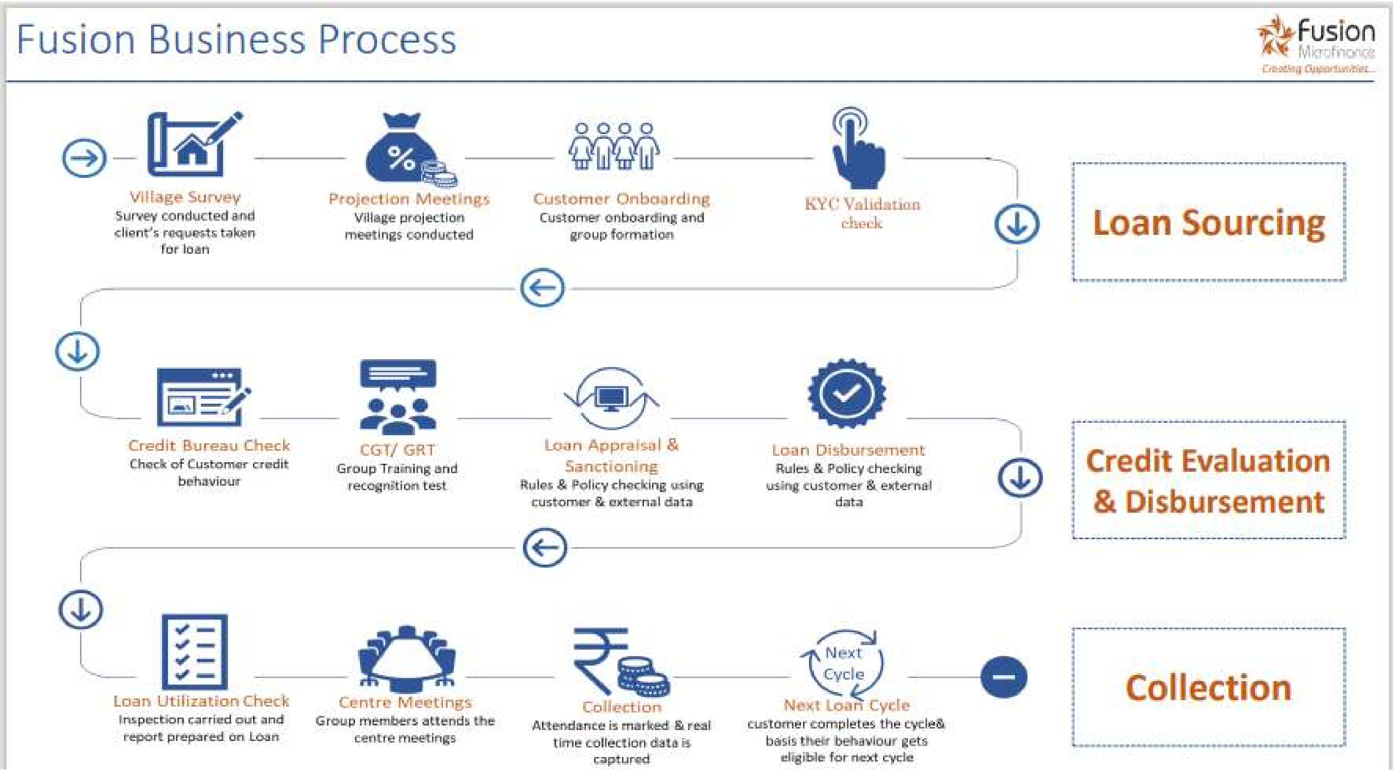
Guidance & Future roadmap

- FUSION is committed to leveraging technology to achieve mid-20s growth across its core Microfinance Institution (MFI), Micro, Small, and Medium Enterprises (MSME), graduated MFI, and adjacent product lines.
- It aims to expand its distribution networks and deepen its domain expertise by adding 10-12% new customers and increasing branches by 15-20%. Additionally, the company seeks to reinforce its strong liability base through diversification and the introduction of new financial instruments.
- The management overlay stands at ~0.6% of the AUM, with plans to increase it to 1.0-1.25% of the total book over the next 2-3 years.
- FUSION targets RoA of 4.7%-4.9% and RoE of 18%-20%. Underlying these targets, there is visibility on efficiency improvements in the cost of funds and further NIM expansion.
- The company anticipates net credit costs between 2.6% to 2.8% under steady-state conditions, with additional management overlay.

MFI Business: Anchoring and expanding

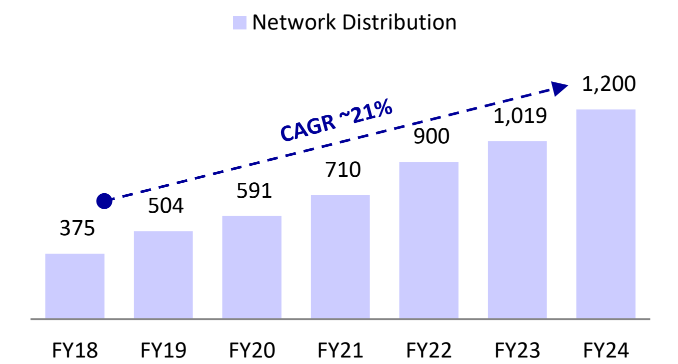
- FUSION is actively diversifying its workforce, with a particular focus on increasing female representation, fostering an inclusive environment where all employees feel valued and respected.
- The introduction of an in-house learning management system (LMS) accessible via mobile phones equips its field officers with continuous learning opportunities, enabling them to enhance their skills and effectiveness in their roles while fostering a culture of feedback and professional growth.
- As part of its digital transformation strategy, it has streamlined loan processes through digital methods for disbursement and repayment collections. This not only enhances operational efficiency but also elevates customer experience by providing convenience and accessibility.
- Fusion prioritizes security by implementing two-factor authentication (2FA) with one-time passwords (OTP), ensuring the safeguarding of customer information and minimizing the risk of unauthorized access. Additionally, the adoption of LAT-LONG mapping technology enhances location accuracy, facilitating superior service delivery and customer engagement.

Exhibit 7: Business process



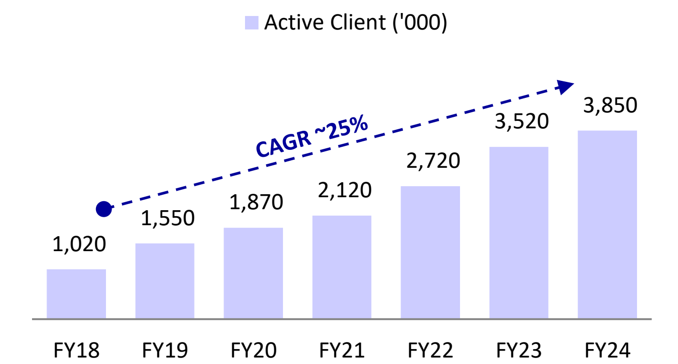
Source: MOFSL, Company

Exhibit 8: MFI branch network



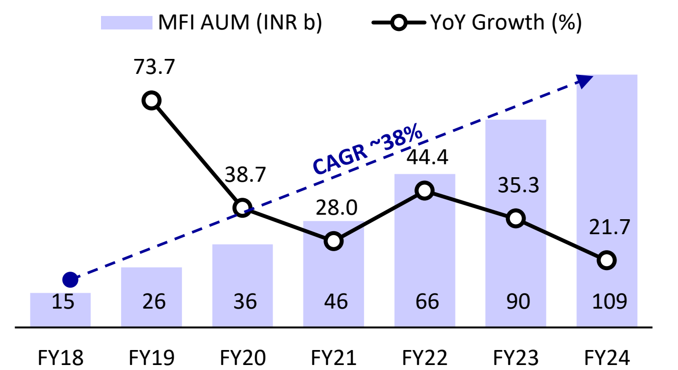
Source: MOFSL, Company

Exhibit 9: Active client grew at 25% CAGR over FY18-FY24



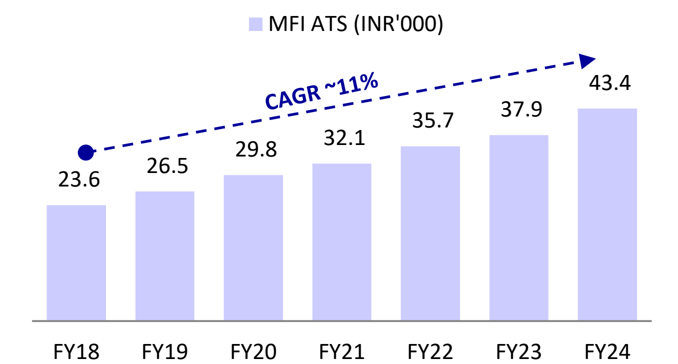
Source: MOFSL, Company

Exhibit 10: MFI AUM grew at 38% CAGR over FY18-FY24



Source: MOFSL, Company

Exhibit 11: MFI loan ATS – only a very gradual increase



Source: MOFSL, Company

Pivot for growth

- FUSION is intensifying its focus on the top five states, aiming to maximize the potential of its vintage branches, optimize productivity and operational processes, retain existing customers, and capitalize on analytics-driven insights to increase the average loan amount.
- In preparation for the next phase of growth, strategy involves expanding its network, acquiring new customers, and maintaining entry-level ticket sizes consistent with market standards.
- To mitigate risks and optimize lending decisions, it aligns its gross exposure with individual credit bureau scores and past repayment track records, ensuring a balanced and prudent approach to lending.
- In its pursuit of growth opportunities, it is exploring adjacencies by identifying and targeting customers based on their specific needs and aspirations, aligning its product offerings with customer preferences and consumption patterns.

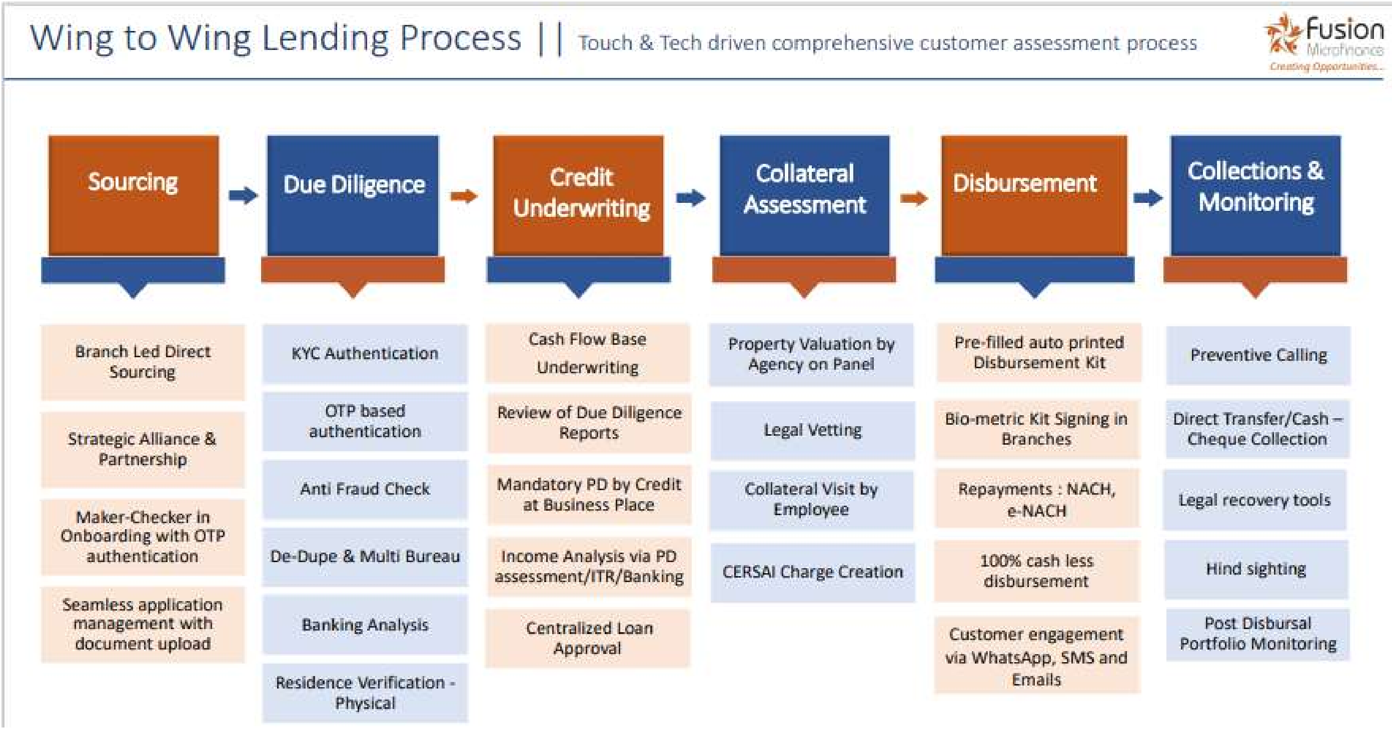
Scaling the MSME segment

- The potential market for residential property-backed secured MSME loans in India is vast, estimated at INR 22t. However, only a small fraction, ~12% of the population, currently borrows from formal sources.
- The MSME sector, dominated by micro enterprises (99%), comprises a total of 64m enterprises, with 51% situated in rural areas. Despite their prevalence, a 94% of these enterprises operate as proprietorship firms and largely exist within the informal economy.
- To stimulate long-term credit availability, initiatives such as the "Property Ownership Rights" scheme have been launched, complemented by efforts to incentivize participation, redefine categories, and extend inclusion to traders within the MSME sector.
- Firms operating in this sector benefit from a deep understanding of local markets, regional nuances, and credit practices honed over the past decade. Leveraging the customer base of graduated microfinance institution (MFI) clients presents a promising avenue for expansion.
- With a concentration of 20m Micro Enterprises in key states like Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan, and Gujarat, significant market potential exists for residential property-backed secured MSME loans. (Source: CRISIL Report)

Fusion’s Approach

- In 2019, Fusion embarked on a strategic journey, establishing a Dedicated Business Unit aimed at strengthening underwriting capabilities and broadening its lending horizon.
- The lending strategy prioritizes MSMEs, with a particular emphasis on Micro SMEs, underlining its commitment to catering to the specific needs of this vital economic segment.
- Leveraging advanced technology and digital solutions, it aims to streamline operations, enhance customer experience, and pave the way for future growth and expansion into new markets, all while ensuring responsible lending practices and maintaining a strong focus on customer engagement and satisfaction.

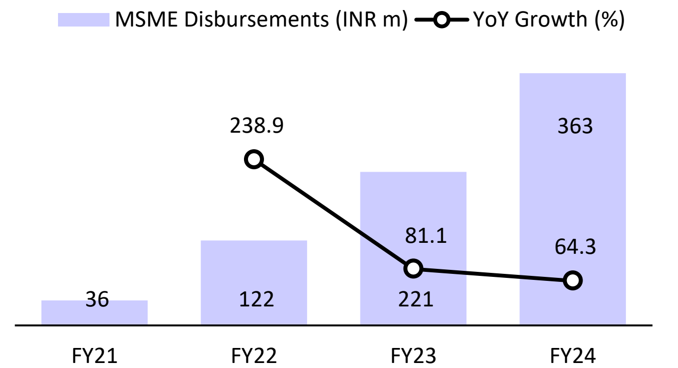
Exhibit 12: MSME Business process



Source: MOFSL, Company

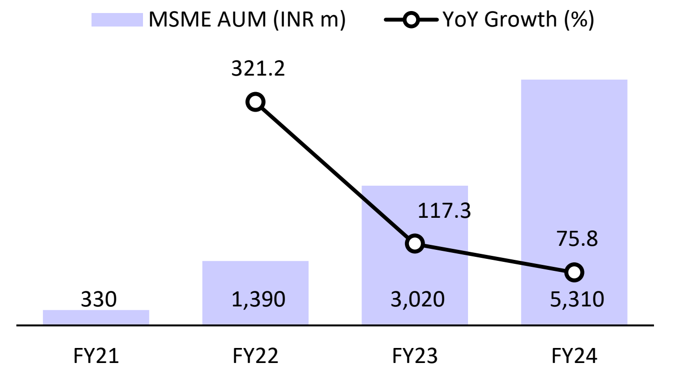
Particulars	Secured Business Loan	Unsecured Business Loan
Loan Range (INR'000)	100-150	100-150
Tenure (Months)	12-120	12-36
ROI Range (%)	18-24	24-28
AUM (INR m)	3,610	1,700
Customer	8,018	93,180
Weighted LTV (%)	42	NA
ATS ('000)	484	294

Exhibit 13: MSME disbursements gained momentum



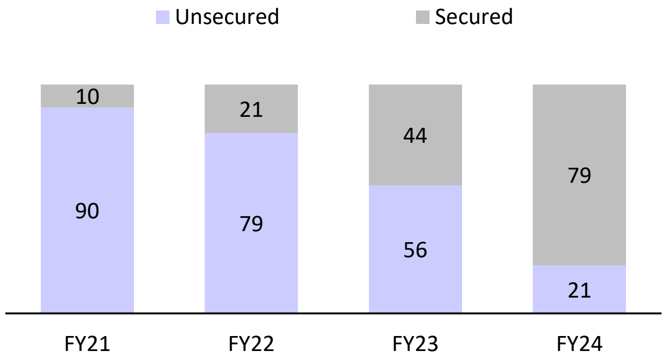
Source: MOFSL, Company

Exhibit 14: …led to AUM growth of ~76% YoY to INR5.3b



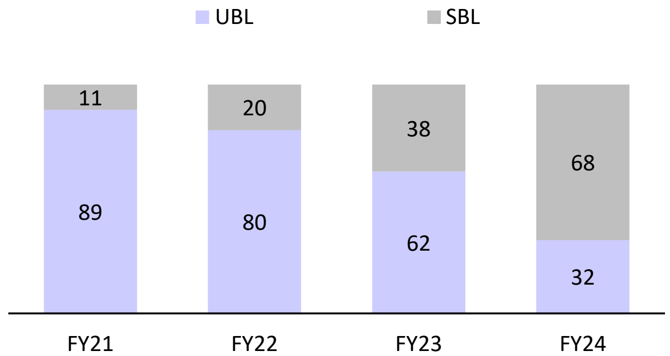
Source: MOFSL, Company

Exhibit 15: MSME disbursement mix (%)



Source: MOFSL, Company

Exhibit 16: MSME AUM mix (%)



Source: MOFSL, Company

Entering the next growth phase

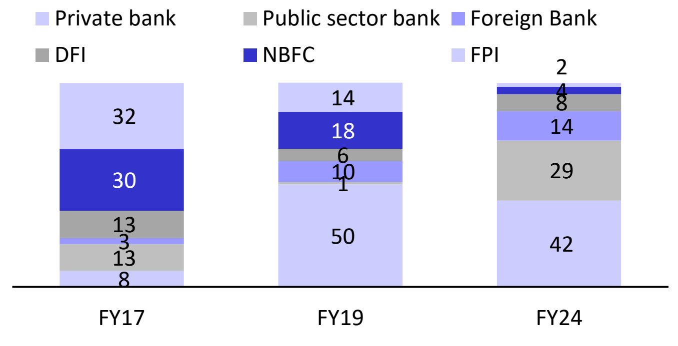
- Fusion aims to boost productivity in vintage branches across key regions like Uttar Pradesh, Bihar, Madhya Pradesh, and Rajasthan, optimizing efficiency for future growth.
- Leveraging captive business channels strategically, the company plans to maximize existing resources and networks, ensuring targeted outreach and sustained expansion.
- The company will forge strategic alliances and partnerships with industry stakeholders and marketplaces to access new markets and enhance services, driving future growth collaboratively.
- Embracing new-age lending systems and mobility solutions, FUSION aims to enhance future response time, accessibility, and customer experience, staying ahead in technological innovation for sustained growth.
- Future plans include developing purpose-led products tailored to different customer segments, ensuring relevance and driving growth through targeted offerings.
- Investment in talent acquisition and upskilling initiatives will equip FUSION's team to support future growth ambitions, fostering a culture of continuous learning and innovation.

Finance & Treasury

- FUSION maintains robust capitalization, consistently achieving a CRAR above 20% since its inception. Its prudent debt/equity ratio, never exceeding 5x, underscores a balanced approach to financing.
- The company holds a credit rating of A+ stable by CRISIL/ICRA/CARA and has secured two rating upgrades post IPO within a span of 11 months, highlighting its strong financial standing and market confidence in its growth trajectory.
- Despite a notable increase in the repo rate by the MPC, it effectively managed to maintain its cost of funds at FY22 levels throughout FY23 and FY24. This reflects the company's adept cost management strategies and resilience in fluctuating market conditions.
- All borrowings are secured for a minimum tenure of 2 years, aiming to strengthen the ALM position further while ensuring continued maintenance of adequate liquidity and sanctions in hand.

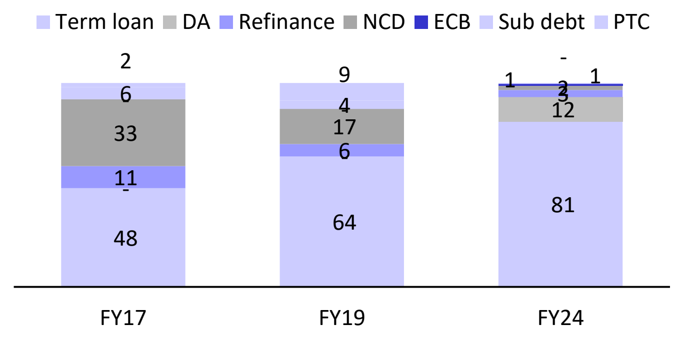
- FUSION strategically increased the share of floating rate loans to 76.4% in FY24, demonstrating its agility in aligning financing structures with prevailing market dynamics.
- Over the past eight years, FUSION has significantly reduced its cost of funds by 370bp, showcasing its ability to optimize capital utilization and deliver consistent financial performance.
- Looking ahead, FUSION aims to diversify its funding sources by increasing the share of NCDs and ECBs, reducing dependence on traditional bank loans and enhancing financial flexibility.

Exhibit 17: Lender-wise borrowing mix (%)



Source: MOFSL, Company

Exhibit 18: Instrument wise borrowing mix (%)



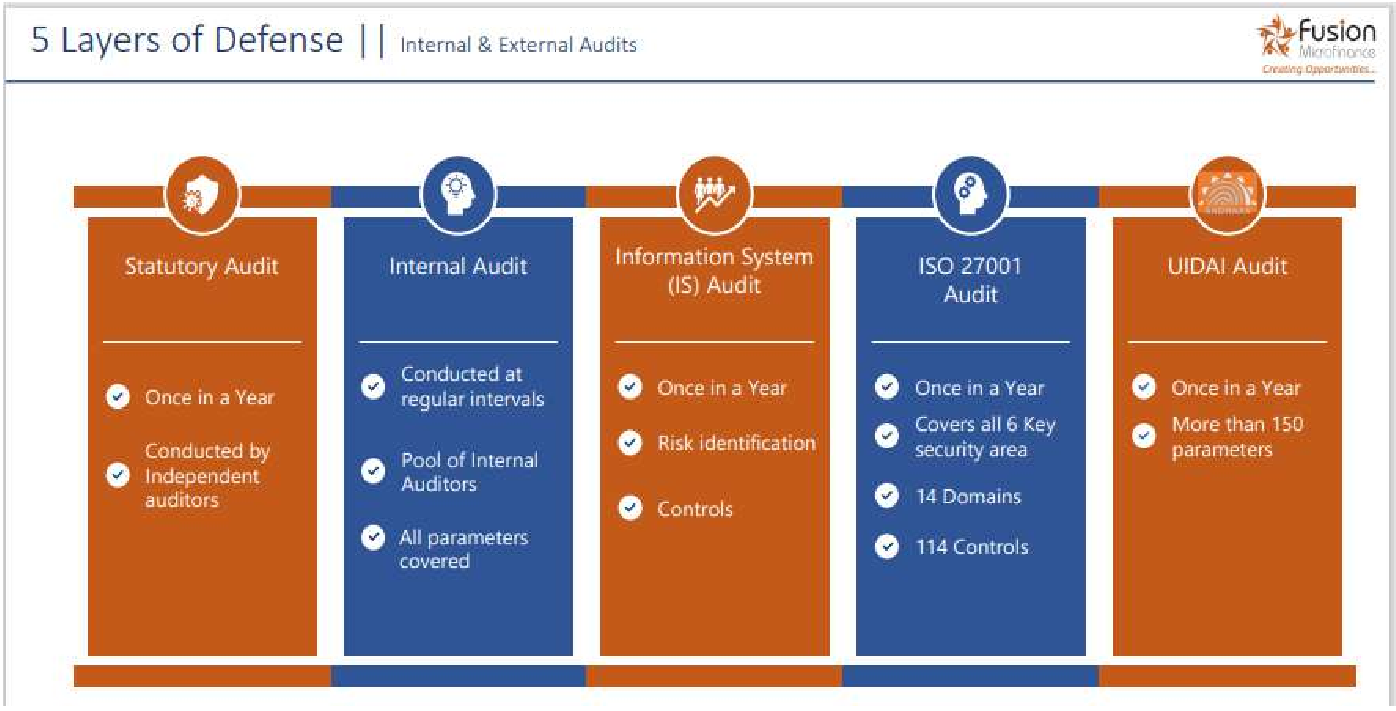
Source: MOFSL, Company

Borrowing Mix (%)	FY24	FY27
Term loan	85	60-65
NCD	2	10-15
Sub debt	1	1-3
CP	0	1-3
ECB	1	10-15
DA/PTC	12	10-15

Technology Landscape

- FUSION Microfinance stands at the forefront of technological innovation, leveraging cutting-edge solutions to transform its operations. With a steadfast commitment to regulatory compliance, it has implemented a governance framework aligned with all seven requirements outlined by the RBI. This dedication extends to data security, where FUSION boasts a robust framework that fortifies its systems against potential threats, earning it ISO certification for information security.
- FUSION's tech-driven initiatives have yielded remarkable results in improving customer satisfaction and operational performance. The implementation of OTP-based customer onboarding has not only enhanced security but also streamlined the process, contributing to a significant rise in customer retention rates from 43% to an impressive 70%. Furthermore, the company's focus on efficiency is evident in the drastic reduction of TAT from 12 days to a remarkable 3.3 days.

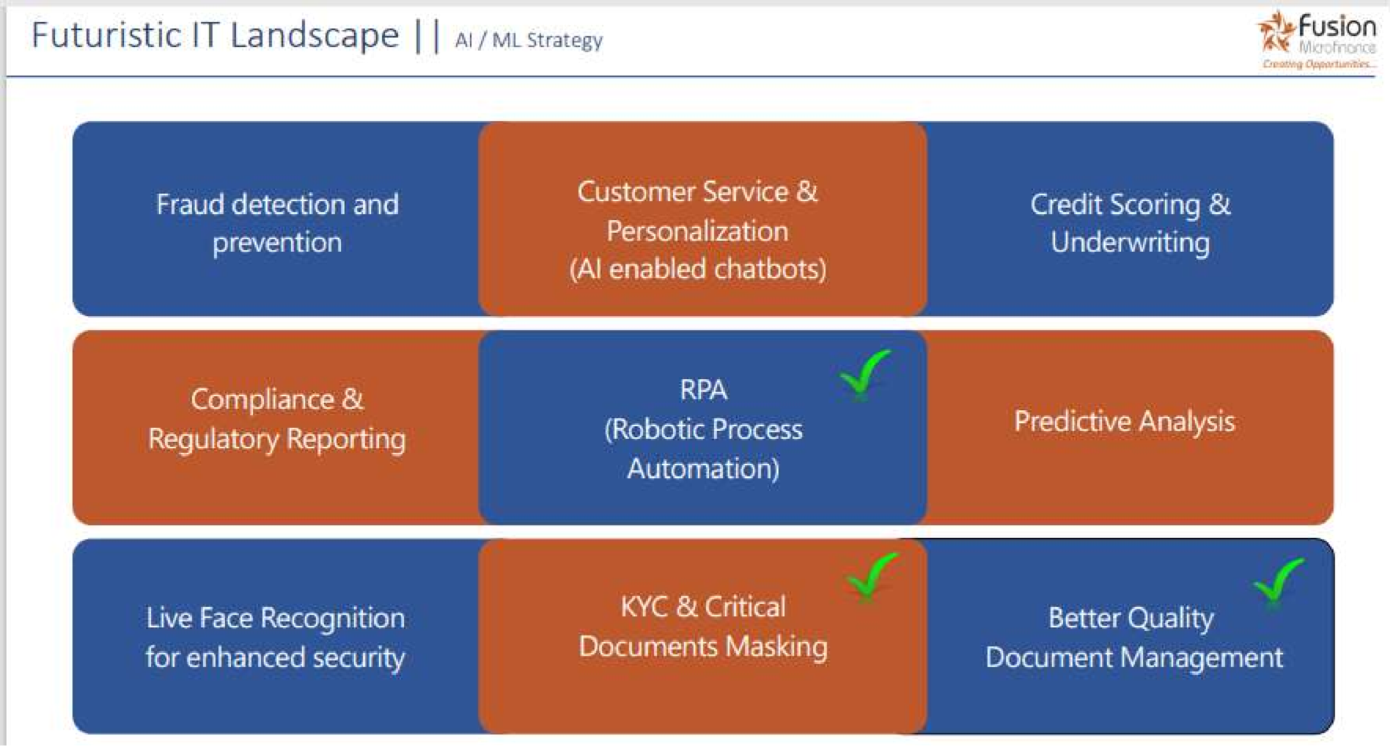
Exhibit 19: Robust IT systems controls to ensure both effectiveness and efficiency across operations



Source: MOFSL, Company

- Looking ahead, FUSION continues to push the boundaries of innovation, with ambitious plans to develop a new tech platform. This platform, built on a foundation of micro-services architecture, promises increased agility and flexibility, enabling FUSION to adapt swiftly to changing market dynamics.
- Additionally, its embrace of AI and machine learning technologies represents a strategic investment in the future, spanning critical areas such as fraud detection, compliance, customer service, and more. As FUSION charts its course forward, its unwavering dedication to technological advancement positions it as a trailblazer in the microfinance industry, poised to redefine the standards of excellence in the years to come.

Exhibit 20: Embraces a futuristic IT landscape with robust controls

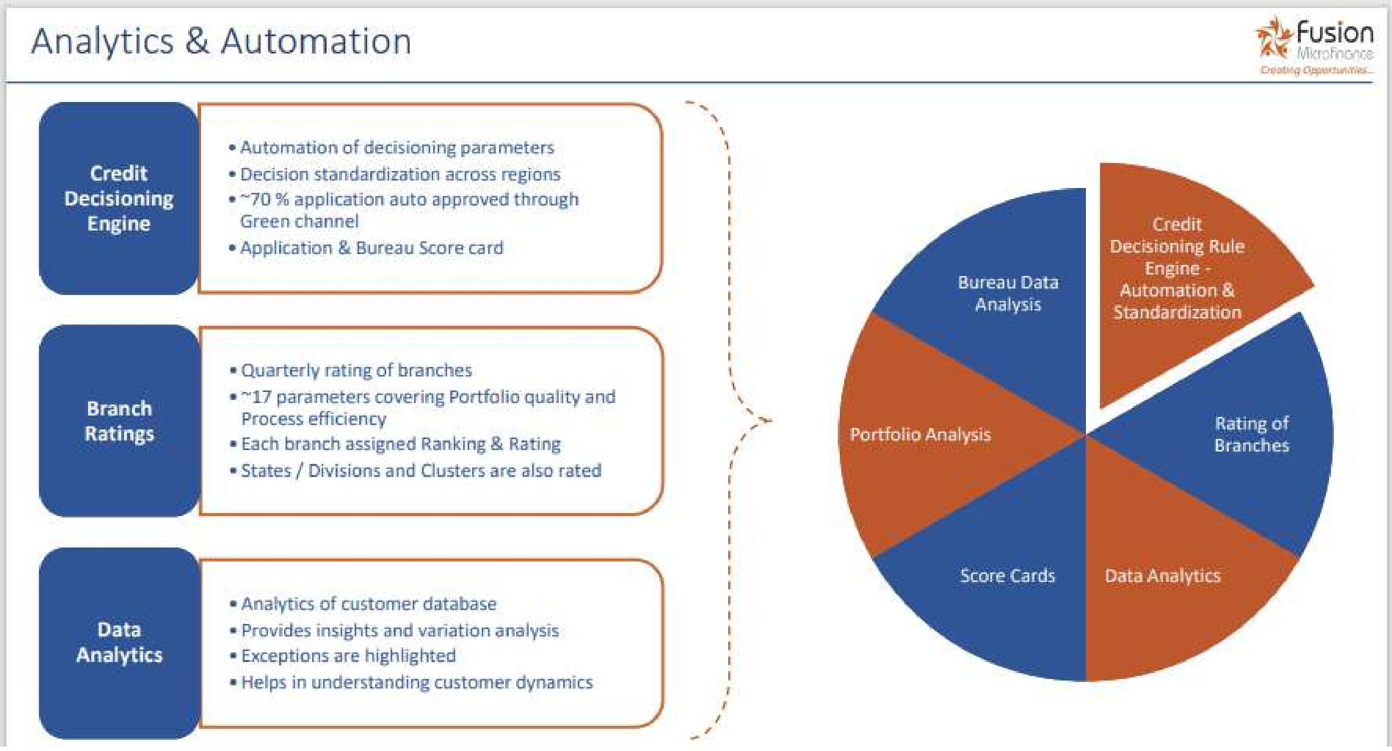


Source: MOFSL, Company

A unified approach to audit and risk management

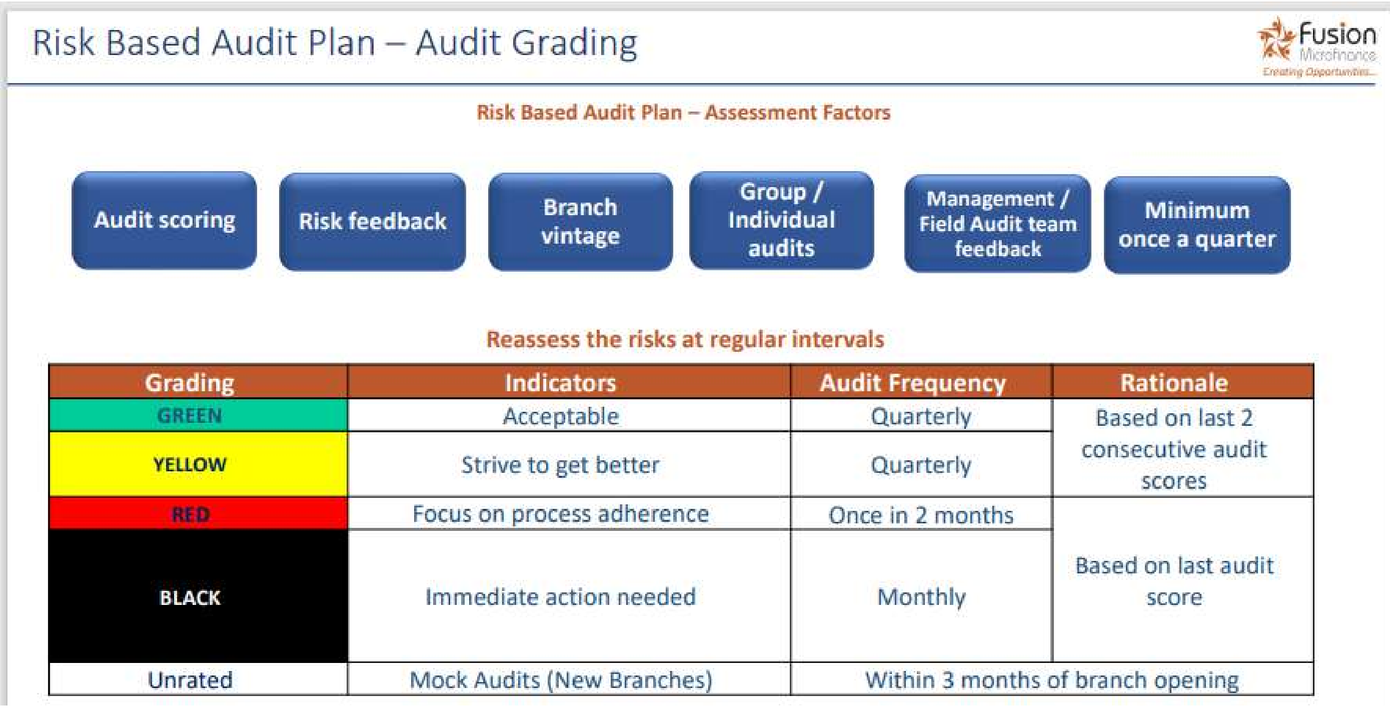
- FUSION Microfinance boasts a robust internal audit setup, spearheaded by an independent committee and a dedicated 400-member team, ensuring comprehensive oversight. This setup ensures complete access to data and systems, with audit frequency tailored to risk indicators, including mock audits conducted within three months of branch openings.
- Decisions regarding new branch openings are made collaboratively, involving both the audit and risk departments, to maintain a proactive approach to risk management. Emphasizing resilience and sustainability, FUSION prioritizes adaptability and agility while effectively balancing risks and opportunities across its operations.
- Risk management is deeply ingrained in decision-making processes, facilitated by a board-level committee chaired by an independent director, overseeing policies and frameworks.
- Regular quarterly reviews of the organizational risk environment further strengthen proactive risk management practices.
- Additionally, an extra credit assessment layer is implemented, restricting lending to customers with indebtedness exceeding INR 185K or involving more than four lenders, further mitigating potential risks.

Exhibit 21: Role of analytics in risk management



Source: MOFSL, Company

Exhibit 22: Comprehensive Audit Plan for Optimal Performance



Risk Based Audit Plan – Audit Grading

Fusion Microfinance
Creating Opportunities...

Risk Based Audit Plan – Assessment Factors

Audit scoring | Risk feedback | Branch vintage | Group / Individual audits | Management / Field Audit team feedback | Minimum once a quarter

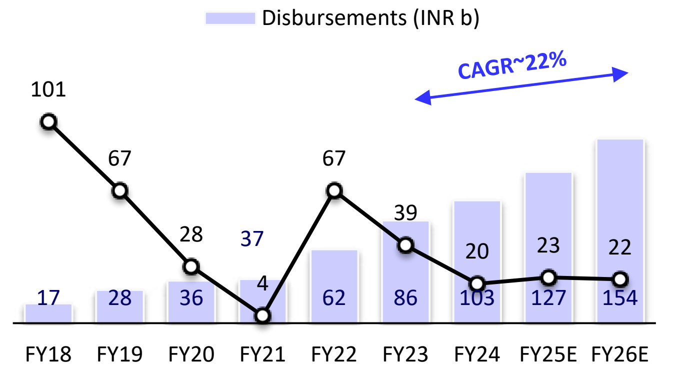
Reassess the risks at regular intervals

Grading	Indicators	Audit Frequency	Rationale
GREEN	Acceptable	Quarterly	Based on last 2 consecutive audit scores
YELLOW	Strive to get better	Quarterly	
RED	Focus on process adherence	Once in 2 months	Based on last audit score
BLACK	Immediate action needed	Monthly	
Unrated	Mock Audits (New Branches)	Within 3 months of branch opening	

Source: MOFSL, Company

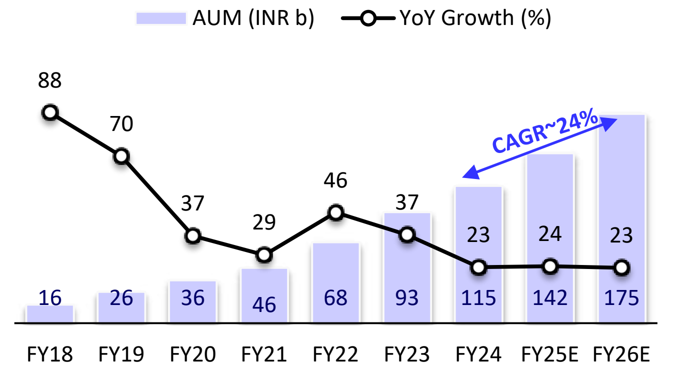
Key exhibits

Exhibit 1: Disbursements to grow at 22% CAGR…



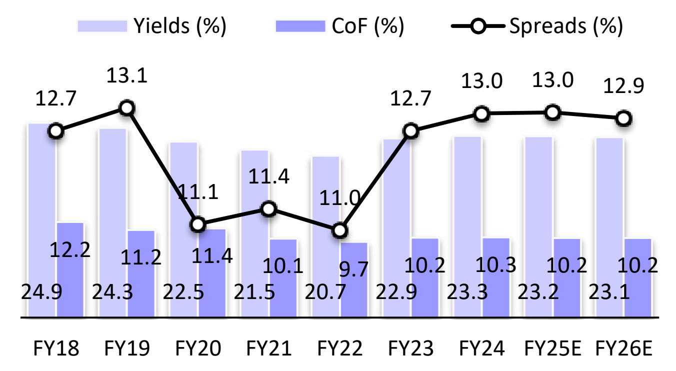
Source: MOFSL, Company

Exhibit 2: …driving 24% CAGR in AUM over FY24-FY26



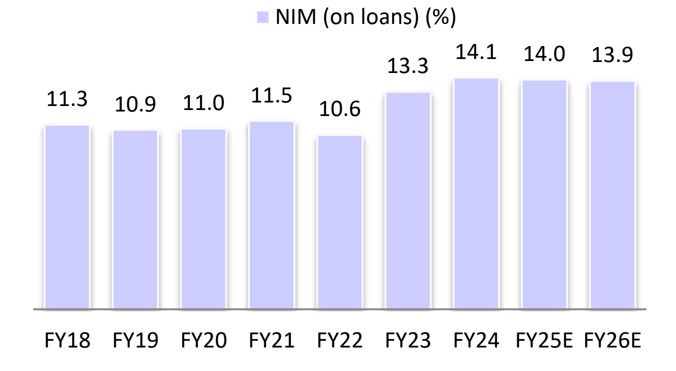
Source: MOFSL, Company

Exhibit 3: Expect spreads to remain stable in FY25



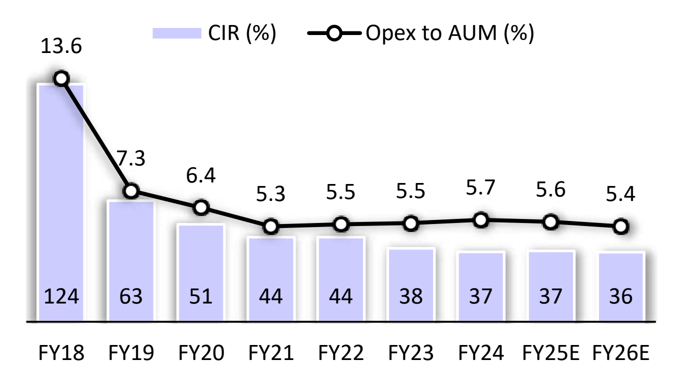
Source: MOFSL, Company

Exhibit 4: We continue to model a minor NIM compression



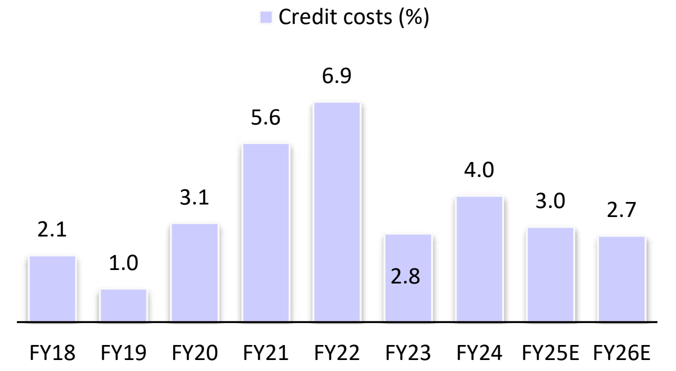
Source: MOFSL, Company

Exhibit 5: Cost ratios to improve going forward (%)



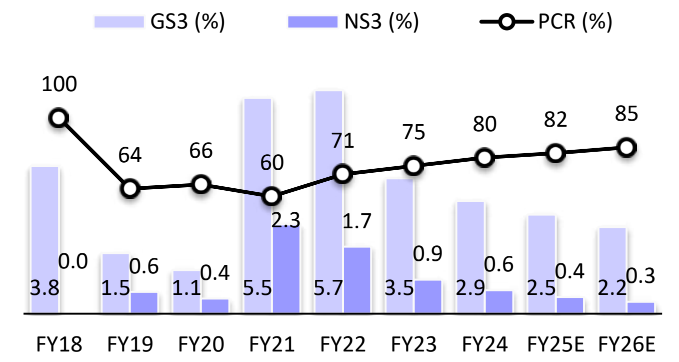
Source: MOFSL, Company

Exhibit 6: Expect credit costs to decline to ~2.7% by FY26E



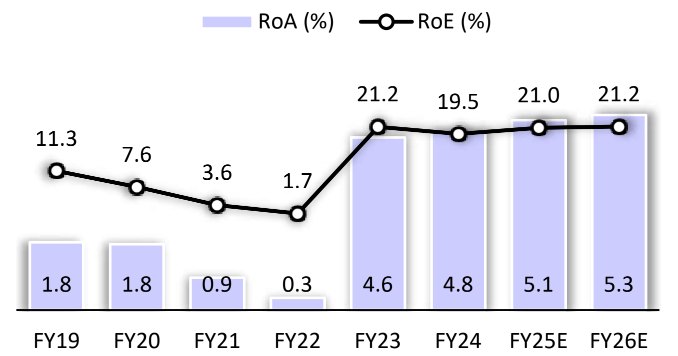
Source: MOFSL, Company

Exhibit 7: Asset quality to continue to improve (%)



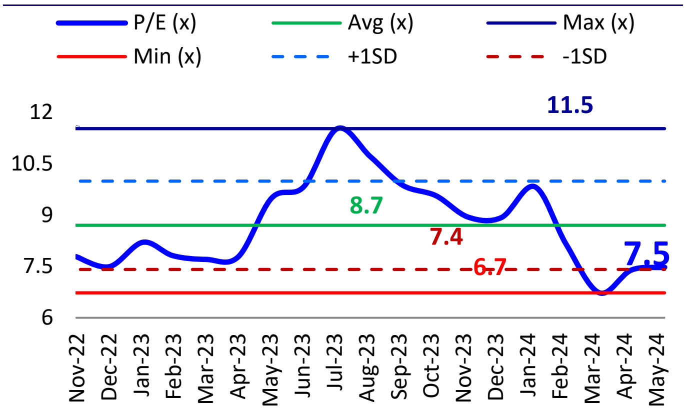
Source: MOFSL, Company

Exhibit 8: Expect ROA to improve to ~5.3% in FY26 (%)



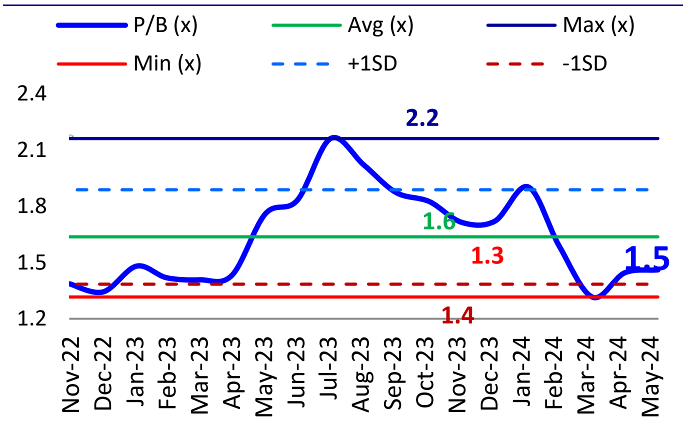
Source: MOFSL, Company

Exhibit 9: P/E Chart (%)



Source: MOFSL, Company

Exhibit 10: P/BV chart (%)



Source: MOFSL, Company

Financials and valuations

Income Statement								(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**
Interest Income	4,694	6,665	8,276	10,643	16,001	20,919	25,600	31,193
Interest Expenses	2,540	3,377	3,751	4,960	6,428	7,908	9,685	11,720
Net Interest Income	**2,154**	**3,288**	**4,525**	**5,684**	**9,573**	**13,011**	**15,915**	**19,473**
Change (%)	82.7	52.7	37.6	25.6	68.4	35.9	22.3	22.4
Other Operating Income	249	538	282	869	1,418	2,248	2,501	2,785
Other Income	27	100	173	501	580	957	995	1,035
Net Income	**2,431**	**3,926**	**4,980**	**7,054**	**11,572**	**16,216**	**19,411**	**23,293**
Change (%)	86.0		26.8	41.6	64.1	40.1	19.7	20.0
Operating Expenses	**1,540**	**1,999**	**2,204**	**3,123**	**4,448**	**5,935**	**7,195**	**8,491**
Change (%)	-5.2		10.2	41.7	42.5	33.4	21.2	18.0
Employee Expenses	1,033	1,483	1,686	2,331	3,255	4,312	5,218	6,157
Depreciation	24	26	39	54	74	90	108	128
Other Operating Expenses	483	490	479	738	1,119	1,532	1,870	2,206
Operating Income	**891**	**1,927**	**2,776**	**3,931**	**7,124**	**10,281**	**12,216**	**14,802**
Change (%)	-381.4		44.0	41.6	81.2	44.3	18.8	21.2
Provisions and w/offs	**207**	**927**	**2,208**	**3,687**	**2,004**	**3,649**	**3,397**	**3,784**
PBT	**684**	**1,000**	**568**	**244**	**5,120**	**6,633**	**8,819**	**11,019**
Tax Provisions	177	304	128	27	1,248	1,580	2,152	2,689
Tax Rate (%)	25.9	30.4	22.6	10.9	24.4	23.8	24.4	24.4
PAT	**507**	**696**	**439**	**218**	**3,871**	**5,053**	**6,667**	**8,330**
Change (%)	-229	37	-37	-50	1,680	31	32	25
Proposed Dividend (Incl Tax)		0.0	0.0	0.0				

Balance Sheet								(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**
Equity Share Capital	616	790	790	828	1,003	1,006	1,006	1,006
Reserves & Surplus	5,643	11,199	11,673	12,552	22,216	27,475	34,142	42,472
Net Worth	**6,259**	**11,989**	**12,464**	**13,380**	**23,219**	**28,482**	**35,148**	**43,479**
Borrowings	**29,286**	**29,737**	**44,323**	**57,758**	**67,784**	**86,159**	**1,03,744**	**1,26,062**
Change (%)	83.3		49.0	30.3	17.4	27.1	20.4	21.5
Other liabilities	561	674	1,593	1,767	2,632	3,103	3,878	4,848
Total Liabilities	**36,105**	**42,400**	**58,379**	**72,905**	**93,635**	**1,17,743**	**1,42,771**	**1,74,389**
Cash and Bank balance	**9,905**	**8,177**	**13,353**	**11,536**	**10,650**	**15,532**	**18,515**	**22,133**
Investments	5	5	0	0	0	0	0	0
Loans	**25,720**	**33,430**	**43,607**	**59,182**	**80,416**	**99,479**	**1,21,212**	**1,48,859**
Change (%)	99.2		30.4	35.7	35.9	23.7	21.8	22.8
Fixed Assets	55	60	183	192	212	224	251	281
Other Assets	420	727	1,237	1,995	2,357	2,508	2,793	3,115
Total Assets	**36,105**	**42,400**	**58,379**	**72,905**	**93,635**	**1,17,743**	**1,42,771**	**1,74,389**

E: MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Spreads Analysis (%)								
Avg. Yield on Loans	24.3	22.5	21.5	20.7	22.9	23.3	23.2	23.1
Avg Cost of Funds	11.2	11.4	10.1	9.7	10.2	10.3	10.2	10.2
Spread of loans	13.1	11.1	11.4	11.0	12.7	13.0	13.0	12.9
NIM (on gross loans)	10.9	11.0	11.5	10.6	13.3	14.1	14.0	13.9
Profitability Ratios (%)								
RoA	1.8	1.8	0.9	0.3	4.6	4.8	5.1	5.3
RoE	11.3	7.6	3.6	1.7	21.2	19.5	21.0	21.2
Debt: Equity (x)	4.7	2.5	3.6	4.3	2.9	3.0	3.0	2.9
Leverage (x)	5.8	3.5	4.7	5.4	4.0	4.1	4.1	4.0
CAR	26.9	35.8	27.3	21.9	27.9	26.1	25.4	25.5
o/w Tier 1	23.8	33.1	25.5	19.9	26.6	25.5	25.0	25.2
Int. Expended / Int.Earned	54.1	50.7	45.3	46.6	40.2	37.8	37.8	37.6
Other Inc. / Net Income	11.4	16.3	9.1	19.4	17.3	19.8	18.0	16.4
Efficiency Ratios (%)								
Int. Expended/Int.Earned								
CIR	63.4	50.9	44.3	44.3	38.4	36.6	37.1	36.5
Opex/ AUM	7.3	6.4	5.3	5.5	5.5	5.7	5.6	5.4
Empl. Cost/Op. Exps.	67.1	74.2	76.5	74.6	73.2	72.7	72.5	72.5
Asset-Liability Profile (%)								
Loans/Borrowings Ratio	0.9	1.1	1.0	1.0	1.2	1.2	1.2	1.2
Leverage (x)	5.8	3.5	4.7	5.4	4.0	4.1	4.1	4.0
Asset Quality								
GNPA (INR m)	404	384	2,559	3,584	2,889	2,973	3,271	3,513
NNPA (INR m)	145	130	1,024	1,030	708	603	589	527
GNPA (%)	1.5	1.1	5.5	5.7	3.5	2.9	2.5	2.2
NNPA (%)	0.6	0.4	2.3	1.7	0.9	0.6	0.4	0.3
PCR (%)	64	66	60	71	75	80	82	85
Credit costs (%)	1.0	3.1	5.6	6.9	2.8	4.0	3.0	2.7

Valuations	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (INR)	102	152	158	162	231	283	349	432
BV Growth (%)	64	49	4	3	43	22	23	24
P/BV	**4.7**	**3.2**	**3.1**	**3.0**	**2.1**	**1.7**	**1.4**	**1.1**
EPS (INR)	8	9	6	3	39	50	66	83
EPS Growth (%)		7	-37	-53	1368	30	32	25
Price-Earnings (x)	**58.6**	**54.7**	**86.7**	**183.4**	**12.5**	**9.6**	**7.3**	**5.8**

E: MOFSL Estimates

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

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