

Rural Electrification Corp

| | |
|-----------------|--|
| Estimate change | |
| TP change | |
| Rating change | |

| Bloomberg | RECL IN |
|-----------------------|-------------|
| Equity Shares (m) | 2633 |
| M.Cap.(INRb)/(USDb) | 1025.6 / 12 |
| 52-Week Range (INR) | 654 / 357 |
| 1, 6, 12 Rel. Per (%) | -11/-27/-36 |
| 12M Avg Val (INR M) | 5932 |

Financials & Valuations (INR b)

| Y/E March | FY25 | FY26E | FY27E |
|------------------|------|-------|-------|
| NII | 209 | 226 | 256 |
| PPP | 209 | 226 | 256 |
| PAT | 157 | 175 | 194 |
| EPS (INR) | 59.7 | 66.4 | 73.6 |
| EPS Gr. (%) | 12 | 11 | 11 |
| BV/Shr (INR) | 295 | 343 | 397 |
| ABV/Shr (INR) | 293 | 342 | 396 |
| RoAA (%) | 2.7 | 2.7 | 2.6 |
| RoE (%) | 21.5 | 20.8 | 19.9 |
| Div. Payout (%) | 30.1 | 30.1 | 30.0 |
| Valuation | | | |
| P/E (x) | 6.5 | 5.9 | 5.3 |
| P/BV (x) | 1.3 | 1.1 | 1.0 |
| Div. Yield (%) | 4.6 | 5.1 | 5.7 |

Shareholding pattern (%)

| As On | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 52.6 | 52.6 | 52.6 |
| DII | 14.8 | 14.0 | 15.5 |
| FII | 20.5 | 21.7 | 19.9 |
| Others | 12.1 | 11.7 | 12.0 |

FII Includes depository receipts

CMP: INR390

TP: INR460 (+18%)

Buy

Weaker loan growth guidance; pre-payments remain elevated

Higher standard asset provisions on DISCOMs with rating downgrades

- Rural Electrification Corp's (RECL) 4QFY25 PAT grew ~5% YoY to INR42.4b (~21% beat). This earnings beat was aided by one-offs in interest income from higher (than outstanding) recoveries from the resolution of KSK Mahanadi. FY25 PAT grew ~12% YoY to INR157b. 4Q NII grew ~37% YoY to ~INR61.7b (~18% beat). Other income declined ~8% YoY to ~INR2.4b.
- Opex declined ~23% YoY to ~INR2.4b and cost-income ratio stood at ~3.1% (PQ: 5% and PY: ~5.6%). The decline in opex was driven by lower CSR and other expenses during the quarter. PPOp grew ~39% YoY to INR61.6b.
- Yields (calc.) rose ~50bp QoQ to ~10.5%, while CoB declined ~20bp QoQ to ~7.1%, resulting in spreads (calc.) increasing ~70bp QoQ to ~3.4%. Reported NIM for FY25 was largely stable at ~3.63% (9MFY25: 3.64%).
- GS3 improved ~60bp QoQ to ~1.35%, while NS3 improved ~35bp QoQ ~0.4%. PCR on Stage 3 rose ~10pp QoQ to ~72%. The improvement in asset quality was driven by the resolution of two large stressed assets (KSK Mahanadi and Corporate power) worth INR34b in 4QFY25.
- Credit costs stood at INR7.8b, which translated into annualized credit costs of 14bp (PY: -14bp and PQ: -2bp). The company has ~12 projects (PQ: 14 projects) that are classified as NPAs. Resolutions in ~11 NPA projects (PCR: 77%) are being pursued under NCLT, and 1 NPA project (PCR: 50%) outside NCLT. RECL guided for recoveries of INR8-10b in FY26 from the resolution of NPAs and has set a target to become a net zero NPA company by FY26 end.
- AUM stood at INR5.67t, up 11% YoY and flat QoQ. Loan growth was weak because of higher rundowns, which stood at ~31% (PQ: 26% and PY: 22%).
- Management guided for loan growth of ~12-13% (vs. earlier guidance of 15-16%) and disbursements of INR2.0-2.1t in FY26.**
- We cut our FY26 EPS estimates by ~5% to factor in lower loan growth and higher provisions. We model a CAGR of 11%/13%/11% in disbursement/loans/PAT over FY25- FY27E. We estimate RoA/RoE of 2.6%/20% and a dividend yield of ~5.7% in FY27. **Reiterate BUY with a TP of INR460 (premised on 1.2x Mar'27E BVPS).**
- **Key risks are:** 1) weaker loan growth from elevated pre-payments and business loss to peers from refinancing; 2) increasing exposure to the high-risk power projects without PPAs; and 3) compression in spreads and margins due to intensified competition.

Key highlights from the management commentary

- Management shared that the company's interest rates are highly competitive across generation, transmission, and distribution, even against bank financing. It offers post-construction discounts, strengthening its market positioning.
- Management highlighted that the company only finances renewable projects with signed PPAs, mitigating risk from unsigned PPAs.

Valuation and view

- RECL reported a mixed quarter, with disbursements broadly in line; however, AUM growth was muted due to elevated repayments during the quarter. This has prompted a downward revision in loan growth guidance for FY26. However, asset quality continued to improve, aided by the resolution of stressed assets. The company has set a target to become a net zero NPA entity by FY26 end.
- RECL trades at 1x FY27E P/ABV, and we believe that valuations are attractive for this franchise, which offers decent earnings growth and ~20% RoE.
- The company is well equipped to achieve a loan book CAGR of ~13% and a PAT CAGR of ~11% over FY25-FY27. We estimate RoA/RoE of 2.6%/20% and a dividend yield of ~5.7% in FY27. Reiterate **BUY** with a TP of INR460 (premised on a target multiple of 1.2x Mar'27E P/ABV).

Quarterly Performance

| Y/E March | FY24 | | | | | | | | FY25 | | | | FY24 | FY25 | 4Q FY25E | v/s Est. |
|----------------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|------------|------|------|-------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| | Interest Income | 1,06,895 | 1,13,930 | 1,19,440 | 1,23,836 | 1,26,904 | 1,34,744 | 1,39,704 | 1,49,350 | 4,64,101 | 5,50,701 | 1,42,318 | 5 | 5 | 5 | 5 |
| Interest Expenses | 70,498 | 73,500 | 76,533 | 78,961 | 80,212 | 85,065 | 88,373 | 87,699 | 2,99,493 | 3,41,350 | 90,256 | -3 | | | | |
| Net Interest Income | 36,397 | 40,430 | 42,907 | 44,875 | 46,692 | 49,678 | 51,331 | 61,651 | 1,64,608 | 2,09,351 | 52,061 | 18 | | | | |
| YoY Gr (%) | -8.9 | 2.1 | 17.7 | 28.3 | 28.3 | 22.9 | 19.6 | 37.4 | 9 | 27 | 16.0 | | | | | |
| Other Operational Income | 195 | 546 | 531 | 924 | 469 | 483 | 757 | 2,228 | 7,198 | 8,410 | 2,328 | | | | | |
| Net Operational Income | 36,592 | 40,976 | 43,438 | 45,799 | 47,161 | 50,161 | 52,088 | 63,879 | 1,70,141 | 2,15,680 | 54,390 | 17 | | | | |
| YoY Gr (%) | -9.7 | 2.6 | 17.2 | 26.1 | 28.9 | 22.4 | 19.9 | 39.5 | 19 | 27 | 18.8 | | | | | |
| Other Income | 2,553 | 1,425 | 29 | 1,674 | 2,998 | 731 | 1,266 | 163 | 679 | 685 | 310 | -47 | | | | |
| Total Net Income | 39,144 | 42,401 | 43,467 | 47,473 | 50,159 | 50,892 | 53,354 | 64,042 | 1,70,819 | 2,16,365 | 54,700 | 17 | | | | |
| YoY Gr (%) | -4.3 | 0.5 | 21.5 | 30.9 | 28.1 | 20.0 | 22.7 | 34.9 | 19 | 27 | 15.2 | | | | | |
| Operating Expenses | 1,445 | 1,938 | 1,766 | 3,114 | 2,175 | 1,936 | 3,147 | 2,396 | 6,597 | 7,436 | 3,123 | -23 | | | | |
| YoY Gr (%) | -77.7 | -65.8 | -43.3 | 130.6 | 50.6 | -0.1 | 78.2 | -23.1 | 21 | 13 | 0.3 | | | | | |
| % to Income | 3.7 | 4.6 | 4.1 | 6.6 | 4.3 | 3.8 | 5.9 | 3.7 | 4 | 3 | 5.7 | | | | | |
| Operating Profit | 37,700 | 40,463 | 41,701 | 44,359 | 47,984 | 48,955 | 50,206 | 61,646 | 1,64,223 | 2,08,929 | 51,577 | 20 | | | | |
| YoY Gr % | 9.5 | 10.8 | 27.7 | 27.0 | 27.3 | 21.0 | 20.4 | 39.0 | 19 | 27 | 16.3 | | | | | |
| Provisions | 580 | -7,604 | 559 | -7,119 | 4,726 | -1,441 | -890 | 7,800 | (13,584) | 10,194 | 7,040 | 11 | | | | |
| PBT | 37,120 | 48,067 | 41,143 | 51,478 | 43,258 | 50,396 | 51,097 | 53,847 | 1,77,806 | 1,98,734 | 44,537 | 21 | | | | |
| YoY Gr (%) | 26.3 | 40.2 | 15.6 | 35.1 | 16.5 | 4.8 | 24.2 | 4.6 | 29 | 12 | -13.5 | | | | | |
| Tax | 7,512 | 10,338 | 8,449 | 11,315 | 8,834 | 10,342 | 10,806 | 11,485 | 37,614 | 41,466 | 9,391 | 22 | | | | |
| Tax Rate (%) | 20.2 | 21.5 | 20.5 | 22.0 | 17.6 | 20.5 | 21.1 | 21.3 | 21 | 21 | 21.1 | | | | | |
| PAT | 29,607 | 37,729 | 32,693 | 40,163 | 34,425 | 40,055 | 40,291 | 42,362 | 1,40,192 | 1,57,269 | 35,146 | 21 | | | | |
| YoY Gr (%) | 21.0 | 38.3 | 13.6 | 33.8 | 16.3 | 6.2 | 23.2 | 5.5 | 26.8 | 12.2 | -12.5 | | | | | |
| Key Parameters (Calc., %) | | | | | | | | | | | | | | | | |
| Yield on loans | 9.7 | 9.9 | 9.94 | 9.87 | 9.8 | 9.99 | 10.01 | 10.49 | | | | | | | | |
| Cost of funds | 7.3 | 7.2 | 7.24 | 7.26 | 7.2 | 7.28 | 7.32 | 7.17 | | | | | | | | |
| Spread | 2.4 | 2.7 | 2.7 | 2.61 | 2.7 | 2.7 | 2.7 | 3.32 | | | | | | | | |
| NIM | 3.2 | 3.4 | 3.6 | 3.5 | 3.5 | 3.7 | 3.7 | 4.3 | | | | | | | | |
| C/I ratio | 2.6 | 2.8 | 4.7 | 5.6 | 3.4 | 3.1 | 5.0 | 3.1 | | | | | | | | |
| Credit cost | 0.0 | -0.2 | 0.0 | -0.14 | 0.1 | 0.0 | -0.02 | 0.14 | | | | | | | | |
| Balance Sheet Parameters | | | | | | | | | | | | | | | | |
| Disbursements (INR b) | 341 | 416 | 464 | 394 | 437 | 473 | 547 | 455 | | | | | | | | |
| Growth (%) | 174.3 | 133.3 | 56.4 | 6.6 | 27.9 | 13.7 | 18.0 | 15.7 | | | | | | | | |
| AUM (INR b) | 4,544 | 4,743 | 4,975 | 5,094 | 5,297 | 5,461 | 5,656 | 5,669 | | | | | | | | |
| Growth (%) | 17.1 | 20.2 | 21.0 | 17.1 | 16.6 | 15.1 | 13.7 | 11.3 | | | | | | | | |
| Asset Quality Parameters | | | | | | | | | | | | | | | | |
| GS 3 (INR B) | 148.9 | 148.9 | 138.1 | 138.1 | 138.1 | 138.2 | 110.5 | 76.5 | | | | | | | | |
| GS 3 (%) | 3.3 | 3.1 | 2.8 | 2.7 | 2.6 | 2.5 | 2.0 | 1.4 | | | | | | | | |
| NS 3 (INR B) | 41.1 | 45.6 | 40.9 | 43.6 | 43.5 | 48.2 | 42.1 | 21.6 | | | | | | | | |
| NS 3 (%) | 1.0 | 1.0 | 0.8 | 0.9 | 0.8 | 0.9 | 0.7 | 0.38 | | | | | | | | |
| PCR (%) | 72.4 | 69.4 | 70.4 | 68.5 | 68.5 | 65.1 | 61.9 | 71.7 | | | | | | | | |

E: MOFSL Estimates

Disbursements up ~16% YoY; moderation in loan growth

- AUM stood at INR5.67t, up 11% YoY and flat QoQ. Loan growth was weak because of higher rundowns, which stood at ~31% (PQ: 26% and PY: 22%). Disbursements grew ~16% YoY to INR455b.
- The company received prepayments of INR200b during 9MFY25 and an additional INR150b in 4QFY25. Management shared that adjusting for these pre-repayments, the loan growth would have been ~18% YoY.
- Management guided for loan CAGR of ~12-13% over the next five years and reiterated its target of growing its loan book to ~INR10t by FY30.
- Sanctions stood at ~INR654b. Share of renewable in the sanction mix was ~40% and share of infrastructure in the sanction mix was only ~1%.

Improvement in asset quality; GS3 improves ~60bp QoQ

- GS3 improved ~60bp QoQ to ~1.35%, while NS3 improved ~35bp QoQ to ~0.4%. PCR on Stage 3 rose ~10pp QoQ to ~72%.
- Standard asset (Stage 1 and 2) provisions rose ~22bp QoQ to 0.95%. This rise was primarily driven by the rating downgrade of the Alaknanda project and its promoter during the quarter.
- Management indicated that only one minor new NPA was recognized during FY25 (the Bhavnagar project), with an exposure of INR130m. This account is expected to be resolved within the next two quarters.
- The company has ~12 projects (PQ: 14 projects) that are classified as NPAs. Resolutions in ~11 NPA projects (PCR: 77%) are being pursued under NCLT, and 1 NPA project (PCR: 50%) outside NCLT.



Highlights from the management commentary

Guidance

- RECL has guided for an AUM growth of ~12% YoY going forward.
- Reiterated its target of growing its loan book to INR10t by FY30.
- Reiterated its goal of achieving INR3t in renewable energy disbursements by FY30.
- Aims to maintain spreads in the range of ~2.75-3% and NIMs at ~3.5-3.75% for FY26.
- Expects to become a net-zero NPA company by the end of FY26.
- Anticipates recoveries of INR8b-10b from written-off projects during FY26.
- Disbursements guidance for FY26 stands at INR2t-2.1t
- Expects loan repayments of INR1t in FY26.
- All 12 remaining stressed projects are expected to be resolved by the end of FY26.

AUM Growth and Disbursements

- Higher repayments during the year moderated AUM growth.
- RECL received INR200b in repayments during 9MFY25 and an additional INR150b in Q4FY25.
- Adjusted for these repayments, loan book growth would have been closer to 18% YoY.
- Received prepayments of INR340b, of which INR240b were from RBPF loans.
- Notable prepayments: Adani – INR18b; ACME – as per public issue mandate; MSDCL – INR30b.
- Targeting RBPF disbursements of INR800-900b in FY26.
- Capex-led disbursements are expected to increase meaningfully as the RDSS grant component phases out.

Business Highlights

- Total loan book stood at INR5.67t, reflecting 11% YoY growth.
- Disbursements for FY25 reached INR1.91t, up 18% YoY, the highest-ever annual disbursement.
- Sanctions during FY25 stood at INR3.37t, with renewable energy comprising 31% and infrastructure 13%.
- In Sept'24, RECL successfully tapped the US bond market, raising USD500m via 144A bonds at a tight spread of 127.5bp over US Treasury yields.

Asset quality and stressed asset resolution

- RECL resolved two large stressed assets - KSK Mahanadi and Corporate Power — with total exposure of INR34b during the quarter.
- As a result, GS3 assets declined significantly from 2.7% to 1.35% as of Mar'25.
- No NPAs exist in the state sector portfolio.
- RECL has 11 projects undergoing resolution in NCLT with a 77% PCR, and one project outside NCLT with 50% provisioning.
- Only one minor new NPA was recorded during FY25 — the Bhavnagar project with INR130m exposure, which is expected to be resolved within two quarters.

- Additional provisioning was made for the Alaknanda project due to a rating downgrade of both the project and its promoter.
- There are four major projects - 1) Sinnar 2) Hiranmai 3) Bhadreshwar and 4) TRN Global where there will be good recoveries.

Industry Developments

- Outstanding legacy dues of generation and transmission companies have come down from INR1.35t to around INR250b over the past three years.
- The ACS-ARR gap has narrowed to INR0.39 per kilowatt-hour, and most DISCOMs now have tariff orders in place.
- RECL continues its role as the nodal agency under the RDSS scheme, overseeing the implementation in 32 DISCOMs across 19 states and union territories.
- A significant opportunity lies in the smart metering segment: contracts for ~11 crore smart meters have already been awarded. RECL expects to benefit from the broader INR500b opportunity in this space.

Borrowings

- 99.9% of external borrowings are fully hedged as per RBI-approved structures.
- The company plans to raise INR1.7t in incremental borrowings during FY26.
- Bank borrowings form a smaller part of the borrowing mix due to their relatively higher cost.

Renewable Energy Projects

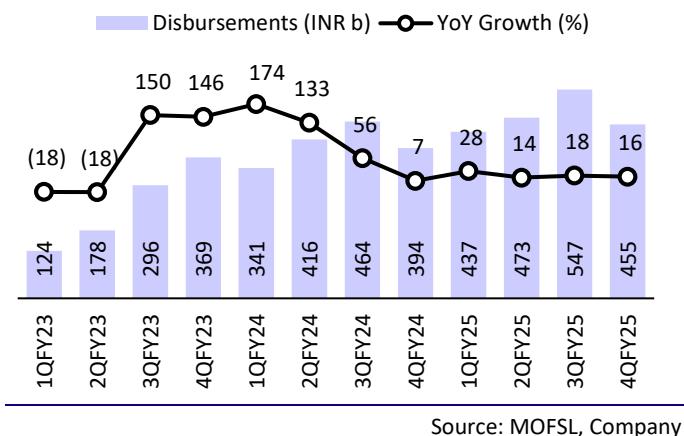
- RECL only finances renewable projects with signed PPAs, mitigating risk from unsigned PPAs.
- RECL's interest rates are highly competitive across generation, transmission, and distribution, even against bank financing. It offers post-construction discounts, strengthening its market positioning.
- Interest rate: ~8.5% for few state sector projects but generally it starts from 8.95% and ~9.2% for private sector projects.

Competition

- RECL has not yet seen refinancing of its projects by banks - this trend hasn't emerged.
- Some unexpected repayments occurred, particularly towards year-end.
- This is largely due to increased fiscal support from state governments to DISCOMs, a trend observed over the past 2-3 years, especially during Feb and March.

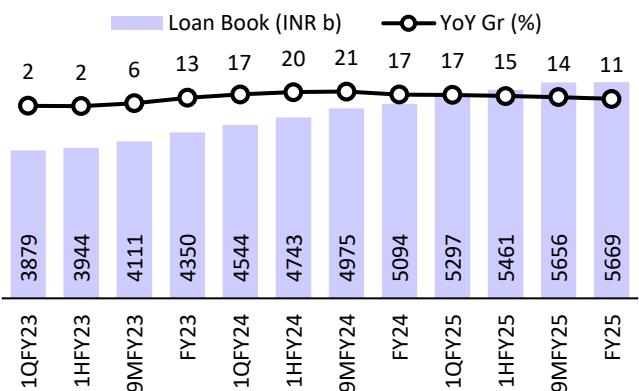
Key exhibits

Exhibit 1: Disbursements rose ~16% YoY



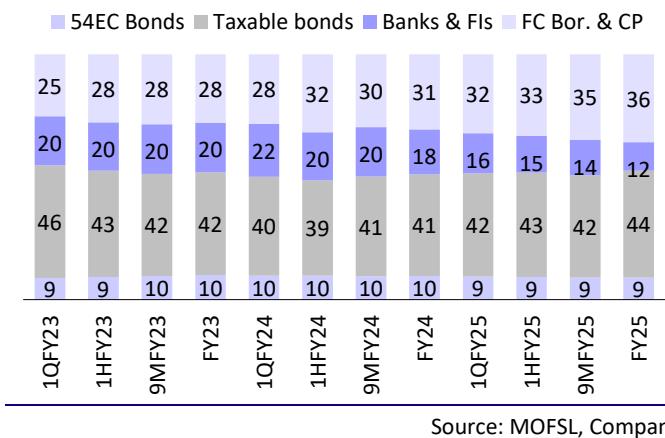
Source: MOFSL, Company

Exhibit 2: Loan book grew 11% YoY



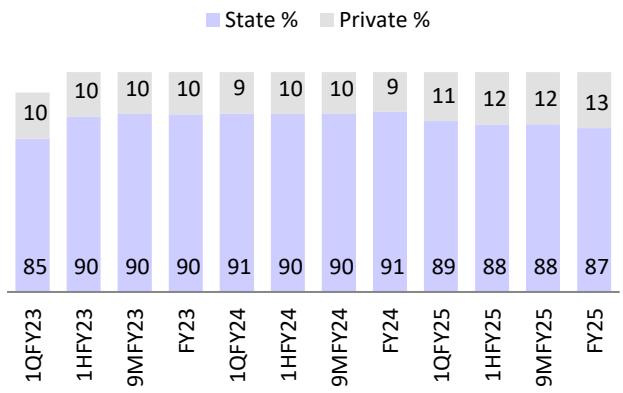
Source: MOFSL, Company

Exhibit 3: Borrowing mix (%)



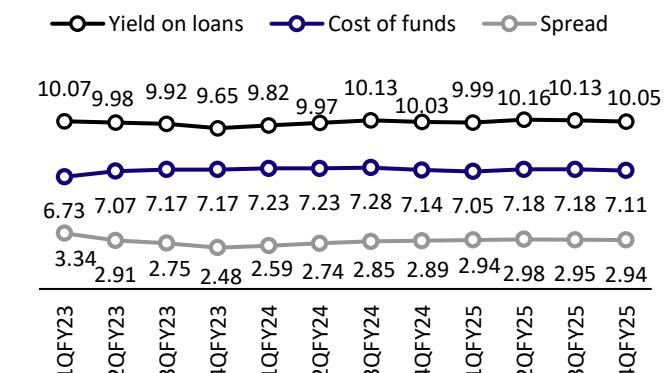
Source: MOFSL, Company

Exhibit 4: Only 13% of loans are given to private players (%)



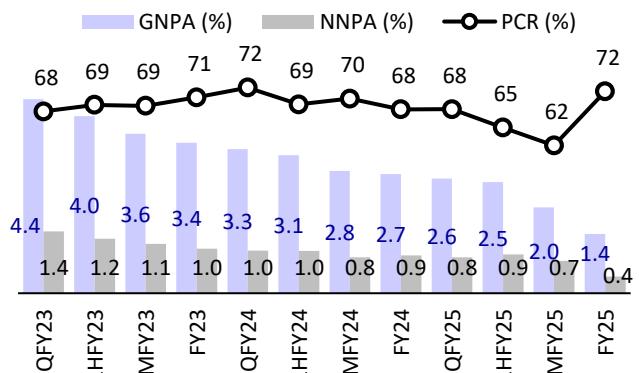
Source: MOFSL, Company

Exhibit 5: Spreads largely stable QoQ



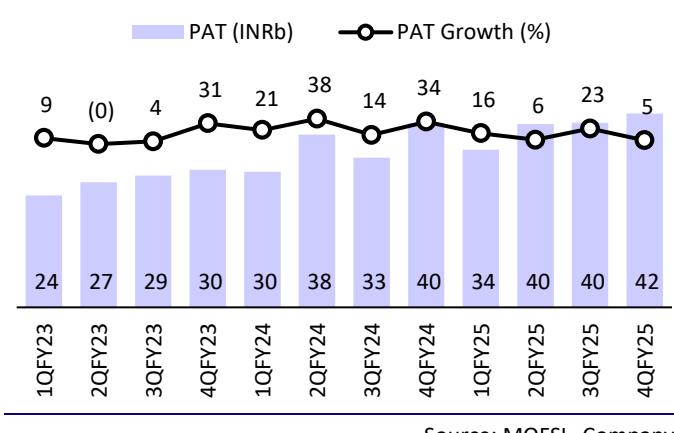
Source: MOFSL, Company

Exhibit 6: Asset quality continues to improve



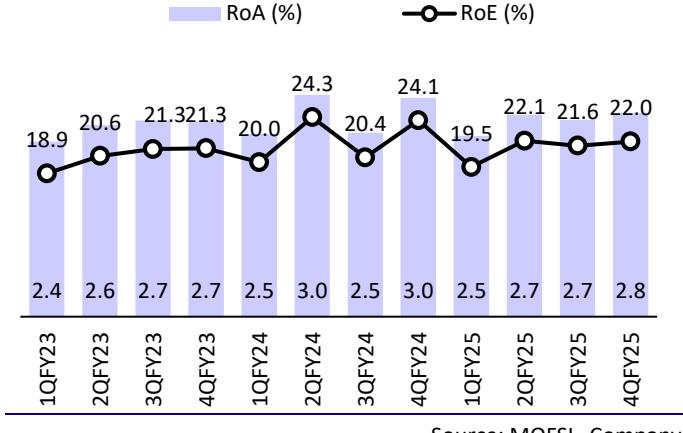
Source: MOFSL, Company

Exhibit 7: PAT grew ~5% YoY



Source: MOFSL, Company

Exhibit 8: RoA/RoE trends (%)



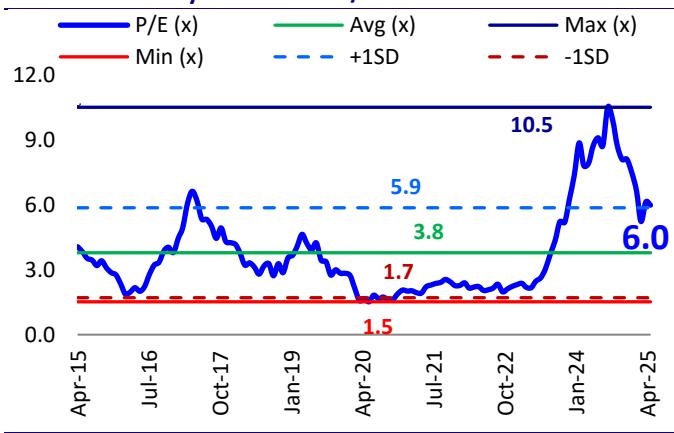
Source: MOFSL, Company

Exhibit 9: We cut out FY26 EPS estimates by ~5% to factor in lower loan growth and higher provisions

| INR B | Old Est. | | New Est. | | % Change | |
|--------------------------|--------------|--------------|--------------|--------------|-------------|-------------|
| | FY26 | FY27 | FY26 | FY27 | FY26 | FY27 |
| NII | 223.2 | 255.6 | 226.2 | 256.1 | 1.3 | 0.2 |
| Other Income | 9.7 | 11.4 | 8.9 | 10.0 | -8.1 | -12.5 |
| Net Income | 232.9 | 267.0 | 235.1 | 266.1 | 0.9 | -0.4 |
| Operating Expenses | 9.7 | 11.5 | 8.8 | 10.4 | -9.3 | -9.6 |
| Operating Profits | 223.2 | 255.5 | 226.2 | 255.7 | 1.4 | 0.1 |
| Provisions | -7.5 | 9.6 | 5.6 | 10.9 | - | 13 |
| PBT | 230.7 | 245.9 | 220.7 | 244.8 | -4.3 | -0.4 |
| Tax | 46.1 | 49.2 | 45.9 | 50.9 | -0.5 | 3.6 |
| PAT | 184.5 | 196.7 | 174.8 | 193.9 | -5.3 | -1.4 |
| Loans | 6,662 | 7,727 | 6,430 | 7,294 | | |
| Spreads (%) | 2.58 | 2.53 | 2.74 | 2.69 | | |
| RoAA (%) | 2.8 | 2.6 | 2.7 | 2.6 | | |
| RoAE (%) | 21.4 | 19.6 | 20.8 | 19.9 | | |

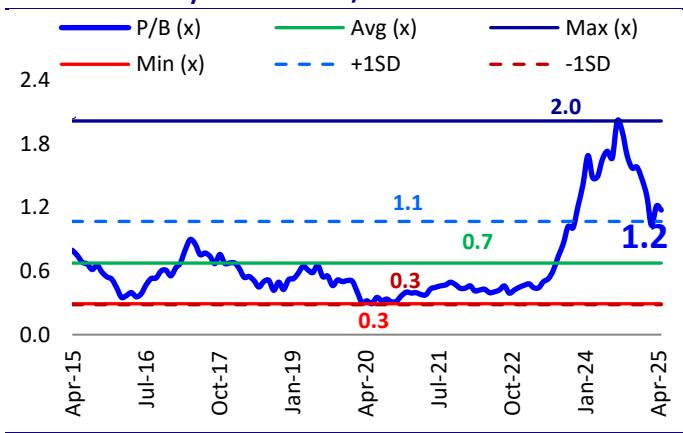
Source: MOFSL, Company

Exhibit 10: One-year forward P/E



Source: MOFSL, Company

Exhibit 11: One-year forward P/B



Source: MOFSL, Company

Financials and valuations

| Income Statement | | | | | | | | | | (INR b) |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | |
| Interest on Loans | 249.7 | 296.6 | 346.8 | 381.9 | 388.4 | 464.1 | 550.7 | 600.3 | 674.3 | |
| Interest Exp and Other Charges | 156.4 | 190.0 | 214.9 | 220.5 | 237.4 | 299.5 | 341.3 | 374.1 | 418.2 | |
| Net Interest Income | 93.3 | 106.7 | 131.9 | 161.3 | 151.0 | 164.6 | 209.4 | 226.2 | 256.1 | |
| Change (%) | 6.6 | 14.3 | 23.7 | 22.3 | -6.4 | 9.0 | 27.2 | 8.0 | 13.3 | |
| Forex Gains/(Losses) | -5.2 | -23.6 | -3.3 | -8.0 | -11.1 | -1.7 | -2.1 | -1.5 | -1.5 | |
| Net Interest Income (including forex gains/losses) | 88.1 | 83.1 | 128.6 | 153.3 | 139.8 | 162.9 | 207.3 | 224.7 | 254.6 | |
| Other Operating Income | -0.1 | 1.0 | 7.0 | 9.5 | 3.7 | 7.2 | 8.4 | 9.7 | 10.6 | |
| Other Income | 0.3 | 0.6 | 0.2 | 1.0 | 0.4 | 0.7 | 0.7 | 0.8 | 0.8 | |
| Net Total Income | 88.3 | 84.7 | 135.9 | 163.8 | 144.0 | 170.8 | 216.4 | 235.1 | 266.1 | |
| Change (%) | 3.4 | -4.0 | 60.4 | 20.5 | -12.1 | 18.6 | 26.7 | 8.6 | 13.2 | |
| Employee Cost | 1.6 | 1.8 | 1.4 | 1.6 | 1.8 | 2.1 | 2.4 | 2.8 | 3.2 | |
| Administrative Exp | 3.2 | 4.2 | 2.6 | 3.0 | 3.4 | 4.2 | 4.7 | 5.8 | 6.9 | |
| Depreciation | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | |
| Total Operating Expenses | 4.9 | 6.0 | 4.2 | 4.8 | 5.5 | 6.6 | 7.4 | 8.8 | 10.4 | |
| PPoP | 83.4 | 78.7 | 131.8 | 159.0 | 138.5 | 164.2 | 208.9 | 226.2 | 255.7 | |
| Change (%) | 2.0 | -5.6 | 67.4 | 20.7 | -12.9 | 18.5 | 27.2 | 8.3 | 13.0 | |
| Total Provisions | 2.4 | 8.9 | 24.2 | 34.7 | 1.1 | -13.6 | 10.2 | 5.6 | 10.9 | |
| % to Operating Income | 2.9 | 11.3 | 18.4 | 21.8 | 0.8 | -8.3 | 4.9 | 2.5 | 4.2 | |
| PBT | 81.0 | 69.8 | 107.6 | 124.2 | 137.4 | 177.8 | 198.7 | 220.7 | 244.8 | |
| Tax (Incl Deferred tax) | 23.4 | 21.0 | 23.9 | 23.8 | 26.8 | 37.6 | 41.5 | 45.9 | 50.9 | |
| Tax Rate (%) | 28.8 | 30.0 | 22.3 | 19.1 | 19.5 | 21.2 | 20.9 | 20.8 | 20.8 | |
| PAT | 57.6 | 48.9 | 83.6 | 100.5 | 110.5 | 140.2 | 157.3 | 174.8 | 193.9 | |
| Change (%) | 30.4 | -15.2 | 71.1 | 20.1 | 10.0 | 26.8 | 12.2 | 11.1 | 11.0 | |

| Balance Sheet | | | | | | | | | | (INR b) |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | |
| Capital | 20 | 20 | 20 | 20 | 26 | 26 | 26 | 26 | 26 | |
| Reserves & Surplus | 323 | 331 | 418 | 493 | 550 | 661 | 750 | 877 | 1,019 | |
| Net Worth | 343 | 351 | 438 | 513 | 577 | 688 | 776 | 904 | 1,045 | |
| Borrowings | 2,395 | 2,815 | 3,228 | 3,263 | 3,808 | 4,456 | 4,963 | 5,546 | 6,284 | |
| Change (%) | 13.5 | 17.5 | 14.7 | 1.1 | 16.7 | 17.0 | 11.4 | 11.8 | 13.3 | |
| Total Liabilities | 2,738 | 3,166 | 3,666 | 3,776 | 4,385 | 5,144 | 5,739 | 6,450 | 7,329 | |
| Investments | 24 | 23 | 19 | 22 | 31 | 53 | 66 | 80 | 92 | |
| Change (%) | -6.9 | -3.5 | -17.4 | 13.0 | 45.4 | 69.5 | 24.8 | 20.0 | 15.0 | |
| Loans | 2,705 | 3,121 | 3,653 | 3,719 | 4,221 | 4,992 | 5,591 | 6,331 | 7,192 | |
| Change (%) | 12.9 | 15.4 | 17.0 | 1.8 | 13.5 | 18.3 | 12.0 | 13.2 | 13.6 | |
| Net Fixed Assets | 4 | 5 | 6 | 6 | 6 | 7 | 7 | 7 | 7 | |
| Net current assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Assets | 2,732 | 3,148 | 3,678 | 3,747 | 4,259 | 5,052 | 5,664 | 6,418 | 7,291 | |

E: MOFSL Estimates

Financials and valuations

| Loans and Disbursements | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Gross Loans (INR b) | 2,812 | 3,224 | 3,774 | 3,854 | 4,350 | 5,094 | 5,669 | 6,430 | 7,294 |
| YoY Growth (%) | 17 | 15 | 17 | 2 | 13 | 17 | 11 | 13 | 13 |
| Disbursements (INR b) | 722 | 757 | 930 | 642 | 968 | 1,615 | 1,912 | 2,122 | 2,343 |
| YoY Growth (%) | 17 | 5 | 23 | -31 | 51 | 67 | 18 | 11 | 10 |

Ratios

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Spreads Analysis (%) | | | | | | | | | |
| Avg. Yield - on Financing Portfolio | 9.7 | 10.1 | 10.1 | 10.3 | 9.7 | 9.9 | 10.2 | 9.9 | 9.8 |
| Avg Cost of Funds | 6.9 | 7.3 | 7.1 | 6.8 | 6.7 | 7.2 | 7.2 | 7.1 | 7.1 |
| Interest Spread | 2.8 | 2.8 | 3.0 | 3.5 | 2.9 | 2.7 | 3.0 | 2.7 | 2.7 |
| Net Interest Margin | 3.7 | 3.7 | 3.9 | 4.4 | 3.8 | 3.6 | 4.0 | 3.8 | 3.8 |
| Profitability Ratios (%) | | | | | | | | | |
| RoE | 17.0 | 14.1 | 21.2 | 21.1 | 20.3 | 22.2 | 21.5 | 20.8 | 19.9 |
| RoA | 2.1 | 1.5 | 2.2 | 2.5 | 2.5 | 2.8 | 2.7 | 2.7 | 2.6 |
| Efficiency Ratios (%) | | | | | | | | | |
| Int. Expended/Int.Earned | 62.6 | 64.0 | 62.0 | 57.8 | 61.1 | 64.5 | 62.0 | 62.3 | 62.0 |
| Other operating Inc./Net Income | -0.1 | 1.2 | 5.2 | 5.8 | 2.6 | 4.2 | 3.9 | 4.1 | 4.0 |
| Other Income/Net Income | 0.4 | 0.8 | 0.2 | 0.6 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 |
| Op. Exps./Net Income | 5.5 | 7.1 | 3.1 | 2.9 | 3.8 | 3.9 | 3.4 | 3.8 | 3.9 |
| Empl. Cost/Op. Exps. | 32.2 | 29.2 | 34.9 | 33.1 | 33.2 | 32.4 | 32.9 | 31.6 | 30.6 |
| Asset-Liability Profile (%) | | | | | | | | | |
| Loans/Borrowings Ratio | 112.9 | 110.9 | 113.1 | 114.0 | 110.8 | 112.0 | 112.7 | 114.2 | 114.4 |
| Assets/Networth | 8.0 | 9.0 | 8.4 | 7.3 | 7.4 | 7.3 | 7.3 | 7.1 | 7.0 |
| Debt/Equity Ratio | 7.0 | 8.0 | 7.4 | 6.4 | 6.6 | 6.5 | 6.4 | 6.1 | 6.0 |
| Asset Quality (%) | | | | | | | | | |
| Gross Stage 3 | 7.2 | 6.6 | 4.8 | 4.5 | 3.4 | 2.7 | 1.3 | 0.8 | 0.7 |
| Net Stage 3 | 3.8 | 3.3 | 1.7 | 1.5 | 1.0 | 0.9 | 0.4 | 0.2 | 0.1 |
| PCR | 47.7 | 49.6 | 64.6 | 67.4 | 70.6 | 68.5 | 71.7 | 74.0 | 78.0 |
| Credit costs | 0.1 | 0.3 | 0.7 | 0.9 | 0.0 | -0.3 | 0.2 | 0.1 | 0.2 |

Valuations

| | | | | | | | | | |
|---------------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|
| Book Value (INR) | 174 | 178 | 222 | 260 | 219 | 261 | 295 | 343 | 397 |
| BV Growth (%) | 2.8 | 2.3 | 24.8 | 17.3 | -15.7 | 19.3 | 12.9 | 16.4 | 15.6 |
| Price-BV (x) | 2.2 | 2.2 | 1.8 | 1.5 | 1.8 | 1.5 | 1.3 | 1.1 | 1.0 |
| Adjusted Book Value (INR) | 160 | 164 | 213 | 253 | 215 | 257 | 293 | 342 | 396 |
| ABV Growth (%) | 1.4 | 2.4 | 30.1 | 18.4 | -15.0 | 19.6 | 13.9 | 16.8 | 15.8 |
| Price-ABV (x) | 2.4 | 2.4 | 1.8 | 1.5 | 1.8 | 1.5 | 1.3 | 1.1 | 1.0 |
| EPS (INR) | 29.2 | 24.7 | 42.3 | 50.9 | 42.0 | 53.2 | 59.7 | 66.4 | 73.6 |
| EPS Growth (%) | 30.4 | -15.2 | 71.1 | 20.1 | -17.5 | 26.8 | 12.2 | 11.1 | 11.0 |
| Price-Earnings (x) | 13.4 | 15.8 | 9.2 | 7.7 | 9.3 | 7.3 | 6.5 | 5.9 | 5.3 |
| Dividend | 11.0 | 11.0 | 12.7 | 15.3 | 12.6 | 16.0 | 18.0 | 20.0 | 22.1 |
| Dividend Yield (%) | 2.8 | 2.8 | 3.3 | 3.9 | 3.2 | 4.1 | 4.6 | 5.1 | 5.7 |

E: MOFSL Estimates

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|----------------------------------|--|
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