

# L&T Finance

**BSE SENSEX**  
80,568

**S&P CNX**  
24,715



|                       |             |
|-----------------------|-------------|
| Bloomberg             | LTF IN      |
| Equity Shares (m)     | 2499        |
| M.Cap.(INRb)/(USDb)   | 567.6 / 6.4 |
| 52-Week Range (INR)   | 228 / 129   |
| 1, 6, 12 Rel. Per (%) | 12/53/34    |
| 12M Avg Val (INR M)   | 1259        |

## Financials & Valuations (INR b)

| Y/E March    | FY25 | FY26E | FY27E |
|--------------|------|-------|-------|
| Total Income | 86.7 | 98.9  | 122.2 |
| PPP          | 59.6 | 69.2  | 87.2  |
| PAT          | 26.4 | 31.1  | 41.2  |
| EPS (INR)    | 10.6 | 12.5  | 16.5  |
| EPS Gr. (%)  | 13.8 | 17.7  | 32.4  |
| BV/Sh. (INR) | 102  | 112   | 125   |

## Ratios

|               |      |      |      |
|---------------|------|------|------|
| NIM (%)       | 9.9  | 9.5  | 9.6  |
| C/I ratio (%) | 40.1 | 39.4 | 37.6 |
| RoAA (%)      | 2.4  | 2.4  | 2.7  |
| RoE (%)       | 10.8 | 11.6 | 13.9 |
| Payout (%)    | 26.0 | 26.0 | 25.0 |

## Valuation

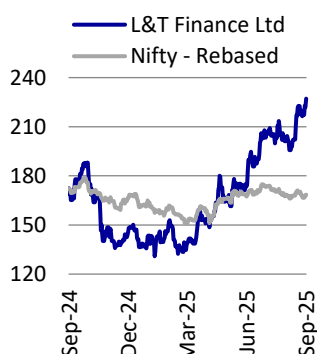
|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 21.4 | 18.2 | 13.7 |
| P/BV (x)       | 2.2  | 2.0  | 1.8  |
| Div. Yield (%) | 1.2  | 1.4  | 1.8  |

## Shareholding pattern (%)

| As On    | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 66.2   | 66.2   | 66.4   |
| DII      | 14.1   | 13.3   | 11.7   |
| FII      | 6.2    | 5.5    | 7.3    |
| Others   | 13.5   | 15.0   | 14.7   |

FII Includes depository receipts

## Stock performance (one year)



**CMP: INR227**

**TP: INR260 (+15%)**

**Buy**

## Balancing growth and asset quality amid macro headwinds

### Benefits of Cyclops will be more visible from 2HFY26

- LTF began FY26 on a stable footing, despite ongoing asset quality challenges in the MFI industry (more residual in nature), unsecured business loans and micro-LAP. The company continues to pursue a measured growth strategy, with a sharper focus on secured and prime segments, while effectively leveraging its proprietary underwriting platform, Project Cyclops, to reinforce credit discipline.
- In Mar'25, we [highlighted in our note](#) that although the company was also facing challenges in its MFI business, it will likely emerge out of the MFI credit cycle much less affected than its peers. Since Mar'25, the stock has delivered ~60% returns.
- LTF remains focused on acquiring high-quality customers through technology-driven underwriting and stringent credit controls while maintaining strong collection efficiency (CE) across all segments. Although credit costs were slightly elevated due to a slower-than-expected recovery in Karnataka, steady improvements have been observed, with CE strengthening in 1Q and further in Jul-Aug'25. CE is expected to stabilize during 2Q and return to normal levels by mid-3Q.
- LTF is harnessing technology as a structural advantage, making rapid progress with Project Cyclops, its AI-ML-powered underwriting engine. **With 100% of 2W disbursements now processed through Cyclops, asset quality has seen a sharp improvement, with net non-starters dropping to 0.34% in Jun'25 from 2.36% in Dec'24 (~2pp improvement in just five months).** The company is now rolling out Cyclops to its Farm Equipment and SME Finance businesses, with full deployment targeted by end-2QFY26, strengthening its position to deliver scalable and high-quality growth.
- LTF has swiftly completed the integration of Paul Merchants Finance's gold loan business in just two months, adding 130 branches, 700+ employees. It now has a gold loan book of ~INR13b. Gold loans, being a high-yield secured product, are expected to materially strengthen the retail franchise and offer significant cross-selling potential across its 26m+ customer base (driven by its 20,000+ field force). The company targets scaling up to 300+ gold loan branches by FY26, largely through its new 'Sampoorna' multi-product branches.
- LTF has been assigned a debut investment grade credit rating of 'BBB-/Positive' by S&P Global Ratings and 'BBB-/Stable' by Fitch Ratings, unlocking access to a wider pool of global capital at competitive costs.
- **We estimate a CAGR of ~22% in loans and ~25% in PAT over FY25-FY27, with consolidated RoA/RoE of 2.7%/~14% by FY27E. LTF will soon emerge out of the MFI credit cycle and will continue to deliver better profitability and RoA expansion. Reiterate BUY with a TP of INR260 (based on 2x Mar'27E BVPS).**

### Well positioned for stronger growth in 2H

- LTF remains focused on expanding its customer base by deepening penetration in existing segments and broadening its geographic presence. In Rural Business Finance, the approach has been calibrated to prevailing macro conditions, with disbursements now gradually regaining momentum. The 2W finance business is witnessing renewed traction, aided by policy changes and the reactivation of dealers to strengthen engagement with prime customers. Farmer Finance is set to pick up pace in the ongoing kharif season, while the Personal Loan portfolio continues to follow a risk-calibrated strategy, ensuring prudent growth.
- Digital partnerships with Amazon, CRED, and PhonePe continue to gain traction, delivering INR6.5b of personal loan disbursements in 1QFY26 (INR12.4b till date), with a strong focus on risk-calibrated growth.
- We expect LTF to sustain its growth momentum with healthy traction in 2Q, followed by a strong acceleration in 2H, supported by festive season demand. We model a CAGR of ~22% in the loan book over FY25-FY27E.

### Margin pressure from change in loan mix partly offset by decline in CoF

- NIMs are likely to remain under pressure through FY26, primarily due to a reduced share of high-yielding MFI loans in the portfolio mix and yield compression from a growing focus on prime and secured customer segments. However, this pressure is expected to be partially offset by a decline in borrowing costs, supported by the declining interest rate cycle.
- While the reported yields may moderate, we believe that the portfolio shift toward better-quality assets is expected to enhance risk-adjusted returns and support profitability over time.
- The planned expansion of the gold loan business, a high-yielding segment, will also provide support to overall yield levels and act as a key growth driver in the near-to-medium term, supported by favorable industry tailwinds. We model NIMs of ~9.5%/9.6% in FY26/FY27 (vs. ~9.9% in FY25).

### Asset quality better than MFI peers'; expect gradual moderation in credit costs

- LTF has demonstrated resilience in asset quality, maintaining stability despite industry-wide pressures in select segments. This has been driven by its disciplined underwriting standards and strategic focus on secured assets and prime customer profiles.
- While credit costs remained slightly elevated due to a slower-than-expected recovery in Karnataka, the company is now seeing steady improvement, with CE strengthening in 1Q and further in Jul'25. We expect the situation to stabilize in 2Q and normalize by mid-3Q.
- LTF has cumulatively utilized INR7b of macro-provisions, with INR4b utilized in FY25 and INR3b in 1QFY26. It now has an unutilized buffer of INR2.75b as of Jun'25. Looking ahead, the company expects further utilization of macro-provisions to address forward flows from Karnataka; however, such usage will remain measured and prudent. Over FY27-FY28, the company will re-build provision buffers, primarily utilizing the inflows/gains from SR resolutions.
- We expect asset quality to strengthen over FY26-FY27, with GNPA improving to 2.5%/2.4% from 3.3% in FY25. Correspondingly, credit costs are expected to moderate gradually to 2.7%/2.6% in FY26/FY27 from 2.8% in FY25.

## Smarter underwriting, stronger outcomes: Engineering the future with AI-ML

- With a strong emphasis on artificial intelligence (AI), machine learning (ML), and data-driven insights, LTF is transforming its financial services ecosystem. Flagship initiatives like Project Cyclops, the AI-powered credit underwriting engine, and Project Nostradamus, the predictive risk management platform, are set to revolutionize the company's credit assessment and portfolio monitoring capabilities.
- The company has fully deployed Project Cyclops in the 2W segment, delivering significant improvements in asset quality. A phased rollout in the farm business is in progress and is expected to be completed by end-2QFY26. Implementation in the SME and personal loan segments is also on track, with full deployment targeted by 2QFY26 and 3QFY26, respectively.
- The impact of Project Cyclops is expected to become more pronounced from 4QFY26 onward, as the portfolio originated under this framework matures and expands to account for a meaningful share of the overall book.

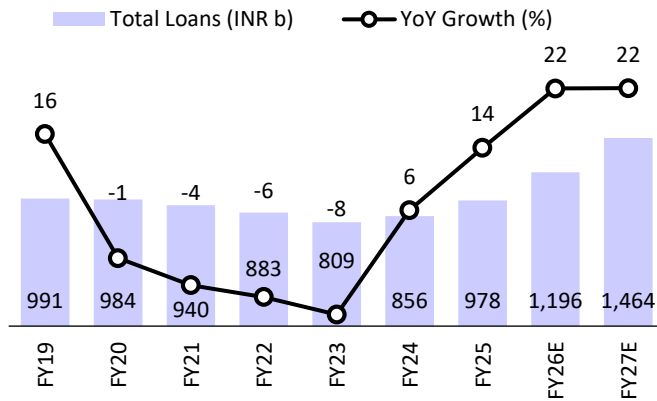
## Valuation and view

- LTF has invested in process automation and customer journeys. This, along with large partnerships with digital behemoths, should lead to stronger and more sustainable retail loan growth. While there is industry-wide stress in non-MFI retail segments like unsecured business loans and micro-LAP, we expect the stress to subside within the next few quarters. Going forward, we expect LTF's growth in MFI loans to be more opportunistic in nature, given that it targets to bring down the MFI loans in the loan mix to 20-22% over the long term.
- LTF's relatively better navigation of the MFI credit cycle and diversification into non-leveraged MFI markets demonstrate its resilience and adaptability. Supported by digital partnerships with major players such as Amazon and PhonePe, LTF is poised for sustainable earnings growth once the near-term headwinds in the MFI business subside.
- LTF can deliver a PAT CAGR of ~25% over FY25-FY27E, which will result in a RoA/RoE of 2.7%/14% in FY27E. **Reiterate our BUY rating on the stock with a TP of INR260 (based on 2x Mar'27 P/BV). Key risks:** 1) stress in microfinance lingering beyond the next 3-4 months, 2) asset quality deterioration in relatively vulnerable retail segments such as 2W, unsecured business loans and micro-LAP and 3) any near-term pressure on NIM and fee income.

Exhibit 1: Valuation matrix of LTF and its peers

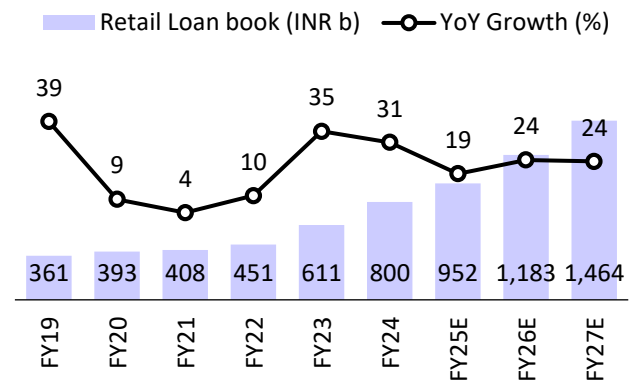
| Val summary   | Rating  | CMP (INR) | Mkt. Cap (INRb) | EPS (INR) |       | BV (INR) |       | RoA (%) |       | RoE (%) |       | P/E (x) |       | P/BV (x) |       |
|---------------|---------|-----------|-----------------|-----------|-------|----------|-------|---------|-------|---------|-------|---------|-------|----------|-------|
|               |         |           |                 | FY26E     | FY27E | FY26E    | FY27E | FY26E   | FY27E | FY26E   | FY27E | FY26E   | FY27E | FY26E    | FY27E |
| LTF           | Buy     | 227       | 567             | 12.5      | 16.5  | 112      | 125   | 2.4     | 2.7   | 11.6    | 13.9  | 18.2    | 13.8  | 2.0      | 1.8   |
| BAF           | Neutral | 897       | 5,566           | 33.0      | 42.4  | 184      | 220   | 4.0     | 4.1   | 19.5    | 21.0  | 27.1    | 21.2  | 4.9      | 4.1   |
| Poonawalla    | Buy     | 443       | 343             | 9.6       | 22.4  | 129      | 149   | 1.8     | 2.8   | 8.3     | 16.1  | 46.3    | 19.8  | 3.4      | 3.0   |
| ABCL          | Buy     | 279       | 729             | 14.9      | 18.6  | 129      | 144   | 0.0     | 0.0   | 12.1    | 13.6  | 18.7    | 15.0  | 2.2      | 1.9   |
| PIEL          | Neutral | 1,092     | 246             | 63.7      | 105.4 | 1,255    | 1,345 | 1.4     | 1.9   | 5.2     | 8.1   | 17.2    | 10.4  | 0.9      | 0.8   |
| MAS Financial | Buy     | 313       | 57              | 20.1      | 25.9  | 158      | 182   | 2.8     | 2.9   | 13.5    | 15.2  | 15.6    | 12.1  | 2.0      | 1.7   |
| IIFL Finance  | Buy     | 438       | 186             | 38.8      | 55.0  | 327      | 377   | 2.5     | 3.0   | 12.5    | 15.6  | 11.3    | 8.0   | 1.3      | 1.2   |
| HDB Financial | Neutral | 777       | 645             | 31.8      | 42.5  | 253      | 295   | 2.2     | 2.5   | 14.3    | 15.5  | 24.8    | 18.5  | 3.1      | 2.7   |

**Exhibit 2: Total loan CAGR of ~22% over FY25-27E**



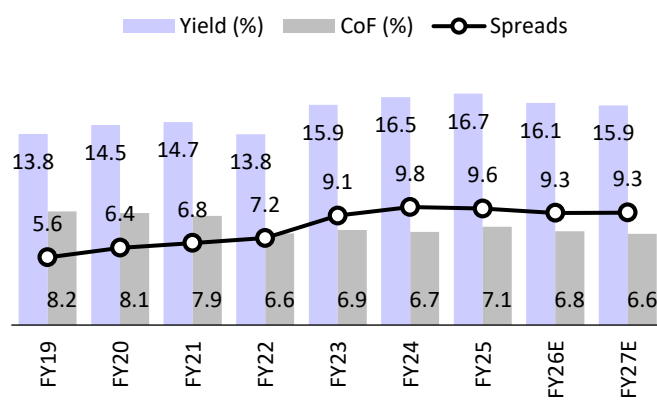
Source: MOFSL, Company

**Exhibit 3: Retail loan CAGR of ~24% over FY25-FY27E**



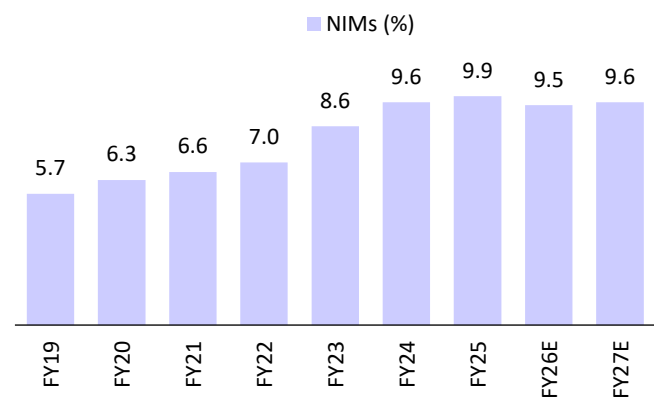
Source: MOFSL, Company

**Exhibit 4: Spreads to decline due to moderation in yields**



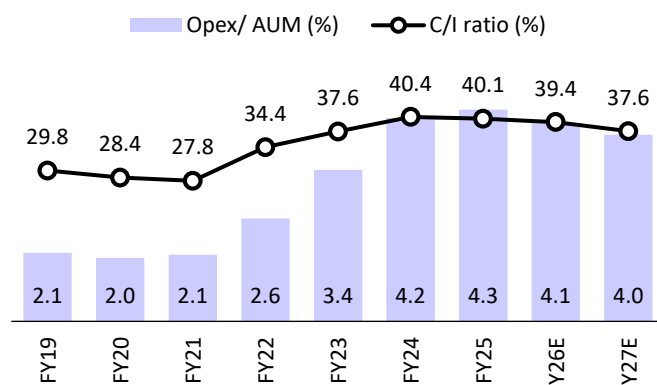
Source: MOFSL, Company

**Exhibit 5: NIM likely to moderate due to a higher share of secured loans in the mix**



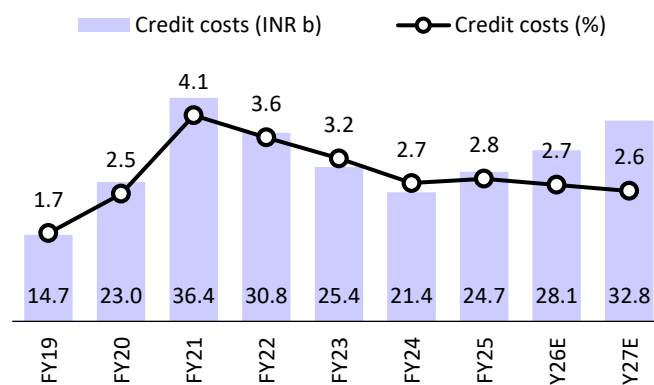
Source: MOFSL, Company

**Exhibit 6: Cost ratios to improve led by better productivity**



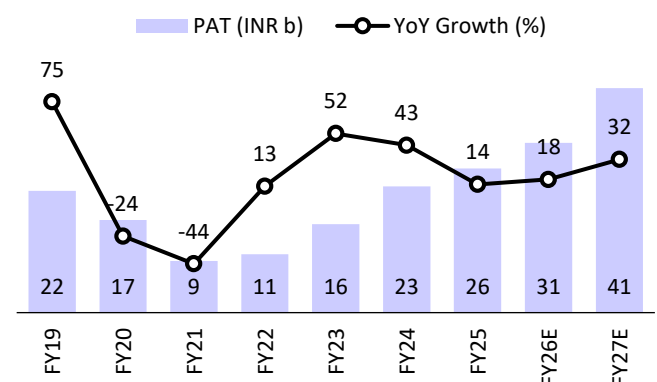
Source: MOFSL, Company

**Exhibit 7: Credit costs to decline further in FY26/FY27E**



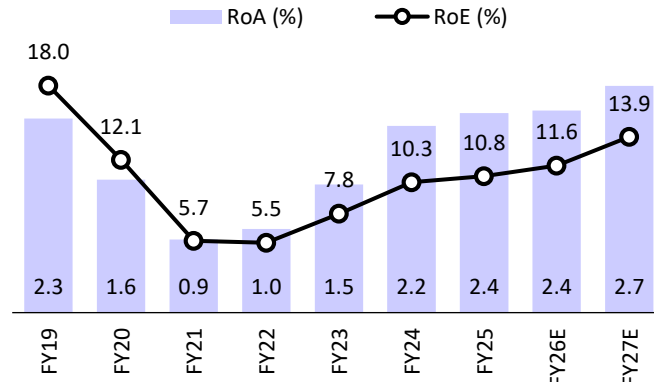
Source: MOFSL, Company

**Exhibit 8: Expect PAT CAGR of ~25% over FY25-27E**



Source: MOFSL, Company

**Exhibit 9: RoA/RoE to improve to 2.7%/14% by FY27E**

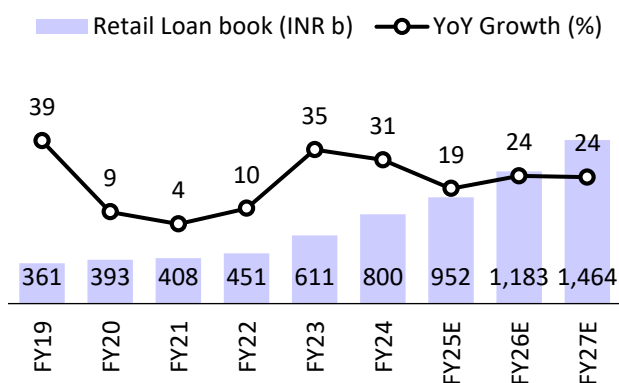


Source: MOFSL, Company

### Well positioned for stronger growth in 2HFY26

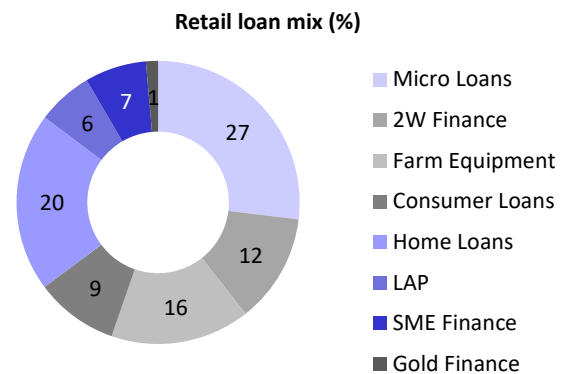
- LTF remains focused on expanding its customer base by deepening penetration in existing segments and broadening its geographic presence. In Rural Business Finance, the approach has been calibrated to prevailing macro conditions, with disbursements now gradually regaining momentum. The 2W finance business is witnessing renewed traction, aided by policy changes and the reactivation of dealers to strengthen engagement with prime customers. Farmer Finance is set to pick up pace in the ongoing kharif season, while the Personal Loan portfolio continues to follow a risk-calibrated strategy, ensuring prudent growth.
- Digital partnerships with Amazon Pay, Cred, and PhonePe continue to gain traction, delivering INR6.5b of personal loan disbursements in 1QFY26 (INR12.4b till date), with a strong focus on risk-calibrated growth.

**Exhibit 10: Retail loan CAGR at ~24% over FY25-FY27E**



Source: MOFSL, Company

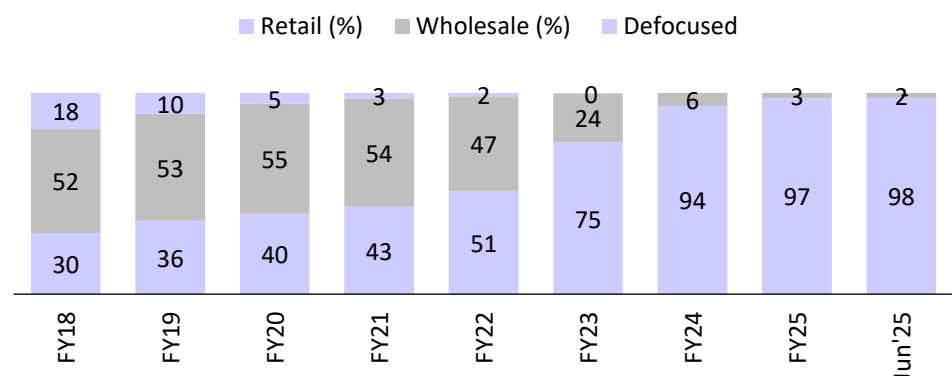
**Exhibit 11: Retail loan mix (%)**



Note: Data as of 1QFY26; Source: MOFSL, Company

- Earlier, the company had moderated its PL growth to recalibrate underwriting standards and improve customer quality. With this reset completed, LTF is now scaling up the PL business using its omnichannel digital platform, reimagined customer journeys, AI-ML-driven underwriting models, and end-to-end digital onboarding. By focusing on resilient borrowers, the company aims to deliver sustainable loan growth while keeping credit costs within acceptable limits. The company is likely to announce several new large partnerships over the next 3-12 months, which should significantly accelerate its scale.
- We expect growth momentum to remain healthy in 2QFY26 and accelerate in 2HFY26, aided by the festive season demand and any pickup in consumption demand from a potential GST rate cut. We model a CAGR of ~24% in retail loan book over FY25-27E.

**Exhibit 12: Retail mix at 98% vs. Lakshya 2026 target of >95%**

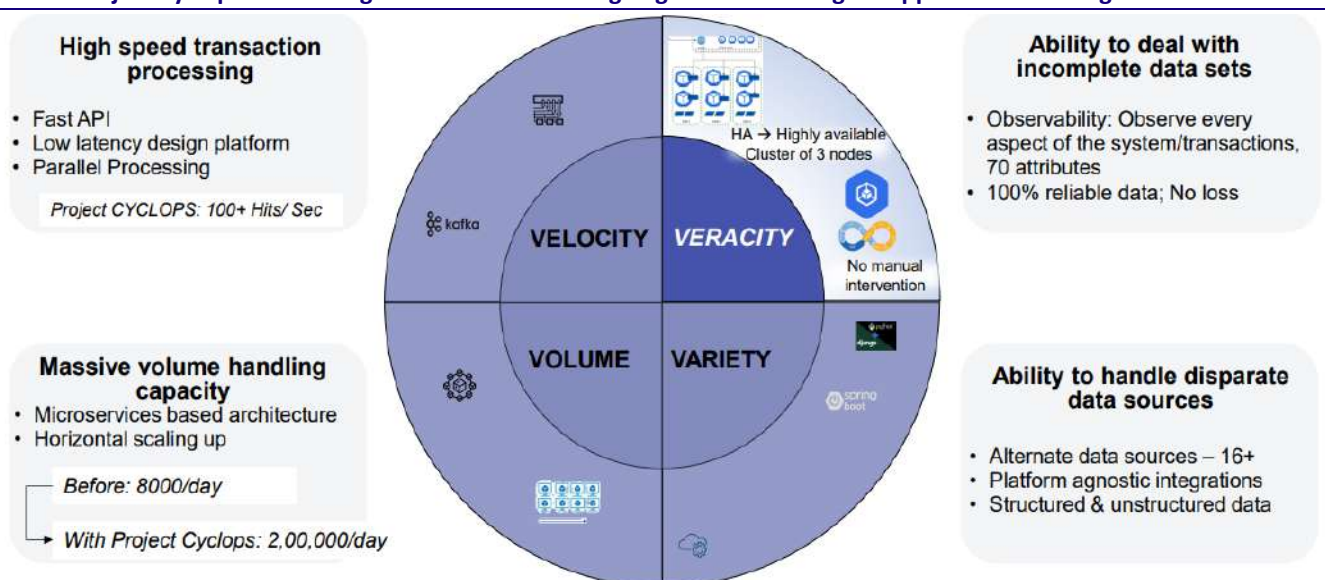




## Leading the way in technology/analytics through Project Cyclops and Project Nostradamus

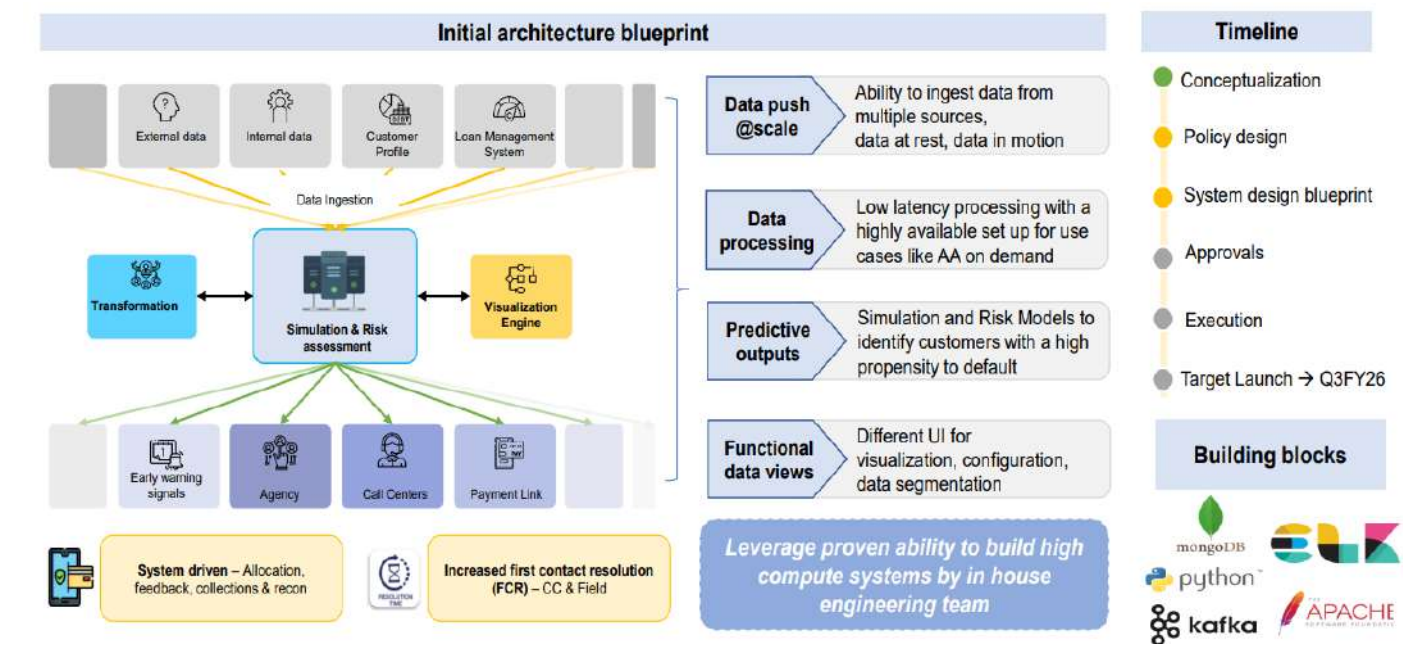
- LTF is revolutionizing its financial services ecosystem with cutting-edge initiatives, including an AI-driven credit-underwriting engine. At the forefront is Project Cyclops, which leverages high-speed computing to enhance underwriting precision, accelerate approvals, and improve TAT. It enables high-speed transaction processing, supports massive volume handling, seamlessly manages incomplete data sets, and integrates disparate data sources.
- LTF's credit intelligence system is built on four core pillars: Veracity, Variety, Velocity, and Volume. **Variety** refers to the ability to manage and integrate diverse data sources. **Volume** highlights the system's capacity to handle substantial data loads, with Project Cyclops processing up to 200k transactions daily. **Velocity** ensures rapid transaction processing, while **Veracity** enables effective handling of incomplete or inconsistent data sets.
- The company has observed significant benefits from Project Cyclops, particularly in 2W (where 100% dealer coverage has been completed). By integrating Credit Bureau data, Account Aggregator (AA) insights, and Trust Signals, Cyclops has improved credit decisions, leading to more accurate risk assessment and reduced early delinquencies. Early results depict that Net 0+ delinquency in the 2W segment has dropped 200bp in just five months, indicating enhanced portfolio quality.
- Further, the implementation in the farm business is underway in a phased manner and is expected to be completed by 2QFY26. Additionally, the rollout in the SME and personal loans segments is scheduled to be completed by 2QFY26 and 3QFY26, respectively.
- The benefits from the implementation of Project Cyclops are expected to become more meaningful from 4QFY26 onwards, as the portfolio originated under this framework seasons and contributes significantly to the total book.

**Exhibit 13: Project Cyclops: The next-gen credit underwriting engine aimed at higher approval rates & higher ROA**



- LTF has introduced a state-of-the-art automated portfolio management engine, Project Nostradamus, featuring predictive risk management. This transformative initiative is set to transform the company's credit evaluation and portfolio monitoring capabilities.
- The engine integrates data from multiple sources, utilizes real-time processing, and applies machine-learning models and deep analytics to identify customers with a high propensity for default. This initiative underscores LTF's commitment to leveraging next-generation technology for building a robust, future-ready financial ecosystem while driving sustainable growth.

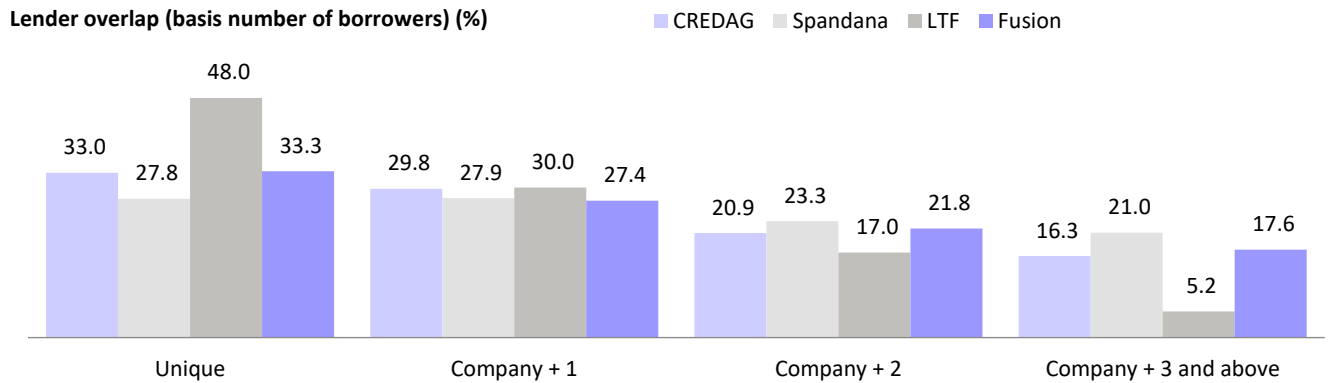
**Exhibit 14: Project Nostradamus: The state-of-the-art automated portfolio management engine with predictive risk management**



### Asset quality better than peers' in MFI; expect gradual moderation in credit costs

- LTF has demonstrated resilience in asset quality, maintaining stability despite industry-wide pressure in select segments. This has been driven by its disciplined underwriting and strategic focus on secured assets and prime customer profiles.
- The process of normalization in its MFI business in Karnataka is progressing steadily, aided by proactive measures such as increasing manpower to reduce accounts per collector and strengthening community outreach programs to educate borrowers on the importance of maintaining prudent credit behavior. Management indicated that CE in Karnataka is improving by 20-30bp on a monthly basis, and the region is expected to stabilize fully by Sep-Oct'25. The company further shared that the Tamil Nadu legislation has had negligible impact on operations.

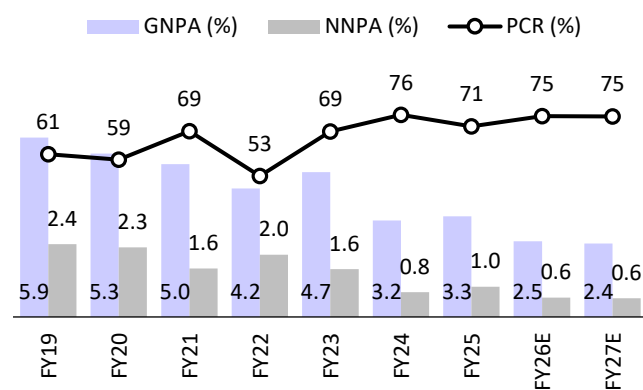
**Exhibit 15: LTF's exposure to customers with LTF+>=3 lender associations is lowest at ~5.2%. (vs. ~16-21% for MFI peers)**



Note: Data as of Jun'25, Source: MOFSL, Company

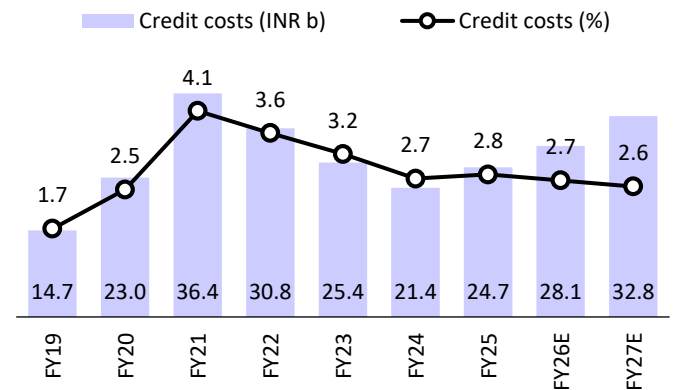
- The stringent implementation of MFIN guardrails significantly reduced LTF's exposure to customers with LTF+>=3 lender associations, which declined from ~8.2% in Mar'25 to ~5.2% in Jun'25. In contrast, NBFC-MFI peers reported a much higher range of ~16%-21% for four or more MFI lender associations as of Jun'25, underscoring LTF's proactive risk management and commitment to curbing customer overleveraging through strict adherence to MFIN guidelines.

**Exhibit 16: Expect asset quality to improve in FY26/FY27**



Source: MOFSL, Company

**Exhibit 17: Gradual decline in credit costs to 2.7% by FY27E**

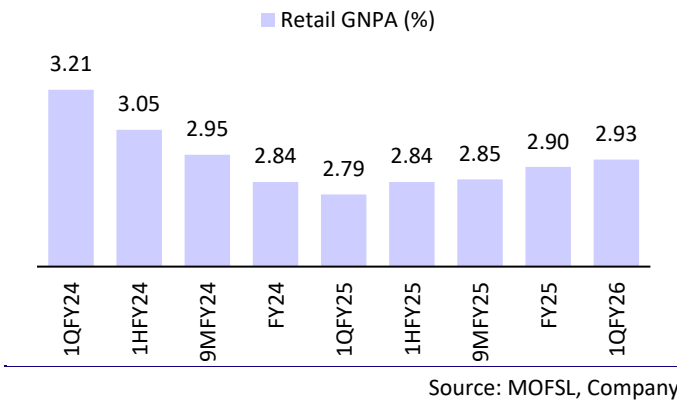


Source: MOFSL, Company

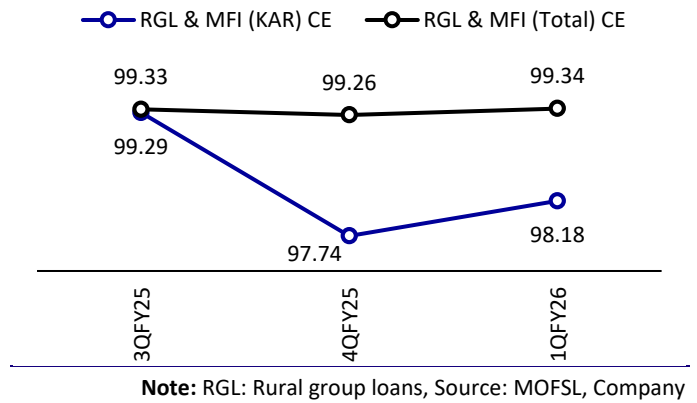
- LTF shared that the broader industry is still adjusting to the full implementation of MFIN guardrails, while a good monsoon and healthy kharif crop should support normalization in 2HFY26. Management guided that signs of a recovery should emerge in 3QFY26, with the full normalization expected by 4QFY26. Credit costs are expected to trend lower towards ~2.3-2.5% by 4QFY26, aided by encouraging outcomes from Project Cyclops, unless unforeseen shocks emerge.
- LTF has cumulatively utilized INR7b of macro-provisions, with INR4b drawn in FY25 and INR3b in 1QFY26, leaving an unutilized buffer of INR2.75b. Looking ahead, management expects some further utilization of macro-provisions to address forward flows from Karnataka; however, such usage will remain measured and prudent. Over FY27-28, the company is expected to rebuild additional buffers, supported by inflows from SRs.
- We expect asset quality to strengthen over FY26/FY27, with GNPA improving to 2.5%/2.4% from 3.3% in FY25. Correspondingly, credit costs are expected to moderate gradually to 2.7%/2.6% in FY26/FY27 from 2.8% in FY25.



**Exhibit 18: Retail asset quality has exhibited minor deterioration over the last few quarters (%)**



**Exhibit 19: MFI collection efficiency improved in Jun'25**



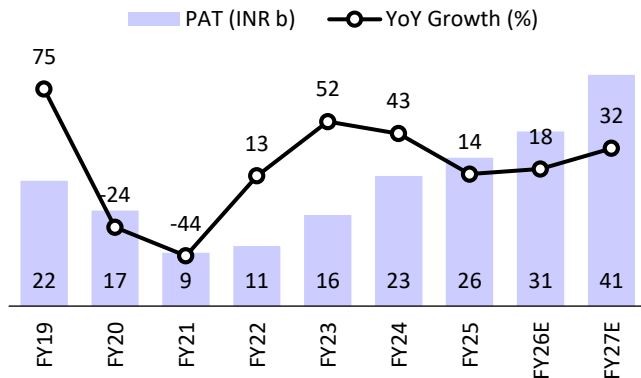
### Gold Finance: Entry into the gold loan business to be RoA-accretive

- LTF has completed the integration of Paul Merchants Finance's gold loan business within just two months, encompassing ~130 branches, 700+ employees, and a loan book of ~INR13b.
- Gold loans, being a high-yield secured product, will significantly strengthen its retail franchise and create substantial cross-sell opportunities across its ~6.5m active RGL, MFI, and farm equipment customers, as well as its broader 26m customer franchise, which already has outstanding gold loans of ~INR160b. The company expects its field force of 20,000+ officers to act as a strong origination engine for gold loans by channeling leads and directing gold loan business to its branches.
- Looking ahead, LTF plans to expand its gold loan footprint with ~175 new branches over the coming quarters, taking its total distribution strength to over 300 branches by end-FY26. Most of these branches will be in its new 'Sampoorna' branch format, which will also distribute products such as micro-LAP, SME loans, and personal loans. Branch expansion will be focused on high cross-selling potential regions, particularly in the company's traditional strongholds in eastern and southern India, apart from select northern markets.

### Valuation and view

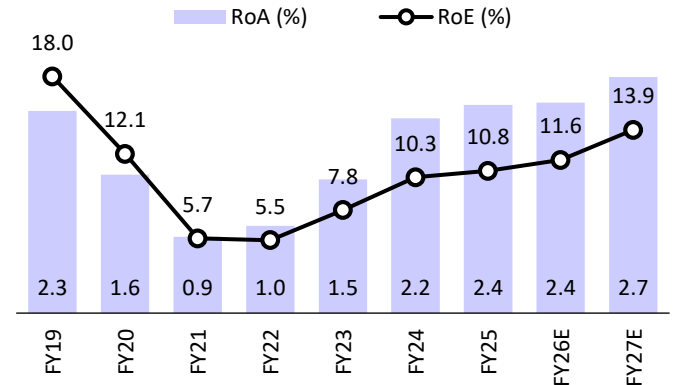
- LTF has invested in process automation and customer journeys. This, along with large partnerships with digital behemoths, should lead to stronger and more sustainable retail loan growth.
- While there is industry-wide stress in non-MFI retail segments like unsecured business loans and micro-LAP, we expect the stress to subside within the next few quarters. Going forward, we expect LTF's growth in MFI loans to be more opportunistic in nature, given that it targets to bring down the MFI loans in the loan mix to 20-22% over the long term.
- LTF's relatively better navigation of the MFI credit cycle and diversification into non-leveraged MFI markets demonstrate its resilience and adaptability. Supported by digital partnerships with major players such as Amazon and PhonePe, LTF is poised for sustainable earnings growth once the near-term headwinds in the MFI business subside.
- LTF can deliver a PAT CAGR of ~25% over FY25-FY27E, which will result in RoA/RoE of 2.7%/14% in FY27E. **Reiterate our BUY rating on the stock with a TP of INR260 (based on 2x Mar'27 P/BV).**
- **Key risks:** 1) stress in microfinance lingering beyond the next 3-4 months, 2) asset quality deterioration in relatively vulnerable retail segments such as 2W, unsecured business loans and micro-LAP, and 3) any near-term pressure on NIM and fee income.

**Exhibit 20: Expect PAT CAGR of ~25% over FY25-27E**



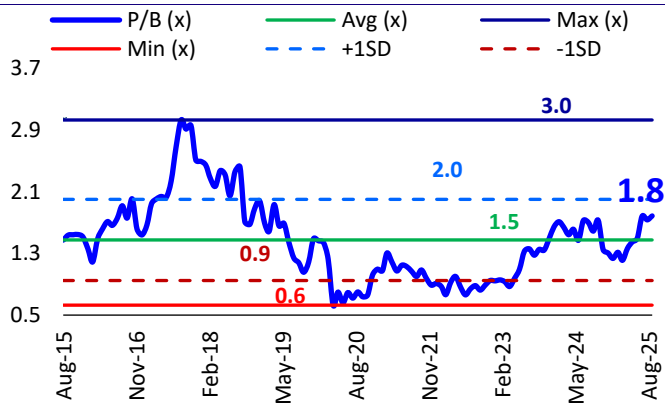
Source: MOFSL, Company

**Exhibit 21: RoA/RoE to improve to 2.7%/14% by FY27E**



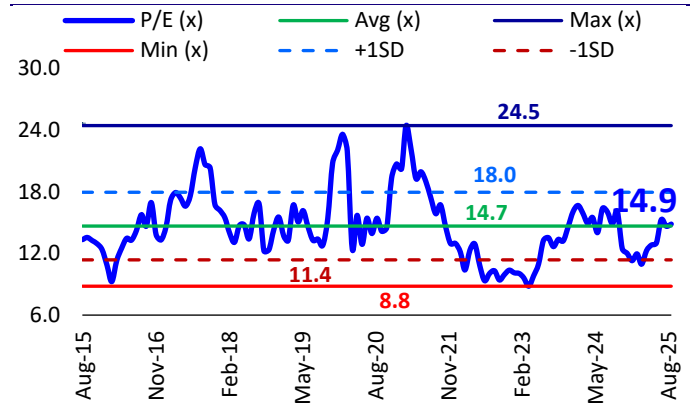
Source: MOFSL, Company

**Exhibit 22: One-year forward P/B**



Source: MOFSL, Company

**Exhibit 23: One-year forward P/E**



Source: MOFSL, Company

**Exhibit 24: DuPont Analysis**

|                                 | FY19        | FY20        | FY21       | FY22       | FY23       | FY24        | FY25        | FY26E       | FY27E       |
|---------------------------------|-------------|-------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| Interest Income                 | 12.0        | 12.3        | 12.0       | 10.8       | 11.8       | 12.4        | 13.1        | 12.9        | 13.2        |
| Interest Expended               | 7.1         | 7.0         | 6.6        | 5.3        | 5.4        | 5.1         | 5.4         | 5.3         | 5.2         |
| <b>Net Interest Income</b>      | <b>4.9</b>  | <b>5.3</b>  | <b>5.4</b> | <b>5.5</b> | <b>6.3</b> | <b>7.2</b>  | <b>7.8</b>  | <b>7.6</b>  | <b>8.0</b>  |
| Other Operating Income          | 1.4         | 0.8         | 0.5        | 0.6        | 0.3        | 0.6         | 1.1         | 1.2         | 1.1         |
| Other Income                    | 0.3         | 0.3         | 0.6        | 0.4        | 0.5        | 0.5         | 0.0         | 0.0         | 0.0         |
| <b>Net Income</b>               | <b>6.6</b>  | <b>6.5</b>  | <b>6.5</b> | <b>6.4</b> | <b>7.2</b> | <b>8.3</b>  | <b>8.9</b>  | <b>8.8</b>  | <b>9.1</b>  |
| <b>Operating Expenses</b>       | <b>2.0</b>  | <b>1.8</b>  | <b>1.8</b> | <b>2.2</b> | <b>2.7</b> | <b>3.4</b>  | <b>3.6</b>  | <b>3.5</b>  | <b>3.4</b>  |
| Cost to Income Ratio (%)        | 29.8        | 28.4        | 27.8       | 34.4       | 37.6       | 40.4        | 40.1        | 39.4        | 37.6        |
| Employee Expenses               | 0.9         | 1.0         | 0.9        | 1.1        | 1.3        | 1.7         | 2.0         | 2.0         | 2.0         |
| Other Expenses                  | 1.1         | 0.8         | 0.9        | 1.2        | 1.4        | 1.6         | 1.6         | 1.5         | 1.4         |
| <b>Operating Profit</b>         | <b>4.7</b>  | <b>4.6</b>  | <b>4.7</b> | <b>4.2</b> | <b>4.5</b> | <b>4.9</b>  | <b>5.3</b>  | <b>5.3</b>  | <b>5.7</b>  |
| Provisions/write offs           | 1.5         | 2.1         | 3.3        | 2.9        | 2.4        | 2.0         | 2.2         | 2.2         | 2.1         |
| <b>PBT</b>                      | <b>3.1</b>  | <b>2.5</b>  | <b>1.4</b> | <b>1.4</b> | <b>2.1</b> | <b>2.9</b>  | <b>3.1</b>  | <b>3.2</b>  | <b>3.6</b>  |
| Tax                             | 0.8         | 0.9         | 0.5        | 0.4        | 0.6        | 0.7         | 0.8         | 0.8         | 0.9         |
| Tax Rate (%)                    | 26.9        | 36.6        | 36.5       | 28.9       | 28.9       | 23.5        | 24.3        | 24.3        | 24.3        |
| <b>PAT before pref dividend</b> | <b>2.3</b>  | <b>1.6</b>  | <b>0.9</b> | <b>1.0</b> | <b>1.5</b> | <b>2.2</b>  | <b>2.4</b>  | <b>2.4</b>  | <b>2.7</b>  |
| Adjusted PAT                    | 2.3         | 1.6         | 0.9        | 1.0        | 1.5        | 2.2         | 2.4         | 2.4         | 2.7         |
| Leverage                        | 7.8         | 7.7         | 6.5        | 5.6        | 5.1        | 4.6         | 4.6         | 4.8         | 5.2         |
| <b>RoE</b>                      | <b>18.0</b> | <b>12.1</b> | <b>5.7</b> | <b>5.5</b> | <b>7.8</b> | <b>10.3</b> | <b>10.8</b> | <b>11.6</b> | <b>13.9</b> |

## Financials and Valuation

| Income statement  |               |               |               |               |               |               |               |                 | (INR M)         |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| Y/E March   | FY19          | FY20          | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E           | FY27E           |
| Interest Income   | 1,16,403      | 1,32,447      | 1,31,049      | 1,17,042      | 1,25,651      | 1,29,139      | 1,46,633      | 1,67,120        | 2,01,936        |
| Interest Expended   | 68,600        | 75,136        | 71,999        | 57,494        | 57,972        | 53,772        | 59,968        | 68,256          | 79,724          |
| <b>Net Interest Income</b>                                    | <b>47,803</b> | <b>57,311</b> | <b>59,049</b> | <b>59,548</b> | <b>67,679</b> | <b>75,367</b> | <b>86,665</b> | <b>98,864</b>   | <b>1,22,212</b> |
| Change (%)  | 39.8          | 19.89         | 3.0           | 0.8           | 13.7          | 11.4          | 15.0          | 14.1            | 23.6            |
| Other Operating Income  | 13,494        | 8,594         | 5,732         | 6,053         | 3,569         | 6,667         | 12,610        | 15,104          | 17,338          |
| <b>Net Operating Income</b>                                   | <b>61,297</b> | <b>65,905</b> | <b>64,782</b> | <b>65,601</b> | <b>71,248</b> | <b>82,034</b> | <b>99,275</b> | <b>1,13,968</b> | <b>1,39,550</b> |
| Change (%)  | 28.7          | 7.5           | -1.7          | 1.3           | 8.6           | 15.1          | 21.0          | 14.8            | 22.4            |
| Other Income  | 3,118         | 3,726         | 6,276         | 3,928         | 5,268         | 4,745         | 167           | 193             | 221             |
| <b>Net Income</b>   | <b>64,415</b> | <b>69,632</b> | <b>71,058</b> | <b>69,529</b> | <b>76,515</b> | <b>86,779</b> | <b>99,442</b> | <b>1,14,160</b> | <b>1,39,772</b> |
| Change (%)  | 33.7          | 8.1           | 2.0           | -2.2          | 10.0          | 13.4          | 14.6          | 14.8            | 22.4            |
| Operating Expenses  | 19,215        | 19,785        | 19,749        | 23,946        | 28,732        | 35,079        | 39,846        | 44,973          | 52,570          |
| <b>Operating Profits</b>                                      | <b>45,200</b> | <b>49,846</b> | <b>51,309</b> | <b>45,582</b> | <b>47,783</b> | <b>51,701</b> | <b>59,597</b> | <b>69,187</b>   | <b>87,202</b>   |
| Change (%)  | 31.8          | 10.3          | 2.9           | -11.2         | 4.8           | 8.2           | 15.3          | 16.1            | 26.0            |
| Provisions/write offs   | 14,681        | 23,046        | 36,357        | 30,833        | 25,404        | 21,410        | 24,684        | 28,079          | 32,767          |
| <b>PBT</b>  | <b>30,520</b> | <b>26,801</b> | <b>14,952</b> | <b>14,750</b> | <b>22,379</b> | <b>30,290</b> | <b>34,913</b> | <b>41,108</b>   | <b>54,435</b>   |
| Tax   | 8,200         | 9,798         | 5,463         | 4,256         | 6,464         | 7,119         | 8,478         | 9,989           | 13,228          |
| Tax Rate (%)  | 26.9          | 36.6          | 36.5          | 28.9          | 28.9          | 23.5          | 24.3          | 24.3            | 24.3            |
| <b>PAT before pref dividend</b>                               | <b>22,320</b> | <b>17,003</b> | <b>9,489</b>  | <b>10,494</b> | <b>15,915</b> | <b>23,171</b> | <b>26,434</b> | <b>31,119</b>   | <b>41,207</b>   |
| Change (%)  | 74.7          | -23.8         | -44.2         | 10.6          | 51.7          | 45.6          | 14.1          | 17.7            | 32.4            |
| Preference Dividend   | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0               | 0               |
| <b>PAT to equity shareholders (incl. extraordinary items)</b> | <b>22,320</b> | <b>17,003</b> | <b>9,489</b>  | <b>10,704</b> | <b>16,216</b> | <b>23,171</b> | <b>26,434</b> | <b>31,119</b>   | <b>41,207</b>   |
| Change (%)  | 75            | -24           | -44           | 13            | 52            | 43            | 14            | 18              | 32              |
| <b>Proposed Dividend</b>                                      | <b>2,319</b>  | <b>2,093</b>  | <b>0</b>      | <b>1,237</b>  | <b>4,959</b>  | <b>6,222</b>  | <b>6,861</b>  | <b>8,091</b>    | <b>10,302</b>   |

| Balance sheet            |                  |                  |                  |                  |                  |                  |                  |                  | (INR M)          |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Y/E March                | FY19             | FY20             | FY21             | FY22             | FY23             | FY24             | FY25             | FY26E            | FY27E            |
| Equity Share Capital     | 19,988           | 20,048           | 24,695           | 24,740           | 24,797           | 24,889           | 24,949           | 24,949           | 24,949           |
| Reserves & Surplus       | 1,14,498         | 1,26,876         | 1,63,038         | 1,74,737         | 1,90,487         | 2,09,495         | 2,30,692         | 2,54,950         | 2,88,066         |
| <b>Borrowings</b>        | <b>9,15,070</b>  | <b>9,38,945</b>  | <b>8,85,558</b>  | <b>8,52,012</b>  | <b>8,30,435</b>  | <b>7,65,409</b>  | <b>9,22,469</b>  | <b>10,85,066</b> | <b>13,30,802</b> |
| Change (%)               | 21.6             | 2.6              | -5.7             | -3.8             | -2.5             | -7.8             | 20.5             | 17.6             | 22.6             |
| Other liabilities        | 10,995           | 9,577            | 16,427           | 17,533           | 17,903           | 27,383           | 25,984           | 27,250           | 28,579           |
| <b>Total Liabilities</b> | <b>10,60,551</b> | <b>10,95,447</b> | <b>10,89,717</b> | <b>10,69,022</b> | <b>10,63,621</b> | <b>10,27,176</b> | <b>12,04,094</b> | <b>13,92,215</b> | <b>16,72,396</b> |
| <b>Loans</b>             | <b>9,13,246</b>  | <b>9,14,625</b>  | <b>8,70,303</b>  | <b>8,24,694</b>  | <b>7,51,546</b>  | <b>8,13,594</b>  | <b>9,37,731</b>  | <b>11,42,175</b> | <b>13,97,902</b> |
| Change (%)               | 18.5             | 0.2              | -4.8             | -5.2             | -8.9             | 8.3              | 15.3             | 21.8             | 22.4             |
| <b>Investments</b>       | <b>86,408</b>    | <b>59,793</b>    | <b>88,721</b>    | <b>1,19,169</b>  | <b>1,43,662</b>  | <b>1,23,849</b>  | <b>1,18,760</b>  | <b>1,24,698</b>  | <b>1,30,933</b>  |
| Change (%)               | 63.0             | -30.8            | 48.4             | 34.3             | 20.6             | -13.8            | -4.1             | 5.0              | 5.0              |
| Net Fixed Assets         | 11,660           | 11,621           | 11,621           | 5,306            | 5,573            | 5,550            | 6,860            | 7,203            | 7,563            |
| Other assets             | 49,237           | 1,09,408         | 1,19,071         | 1,19,852         | 1,62,841         | 84,183           | 1,40,744         | 1,18,139         | 1,35,999         |
| <b>Total Assets</b>      | <b>10,60,551</b> | <b>10,95,447</b> | <b>10,89,717</b> | <b>10,69,022</b> | <b>10,63,621</b> | <b>10,27,176</b> | <b>12,04,094</b> | <b>13,92,215</b> | <b>16,72,396</b> |

E: MOFSL Estimates

## Financials and Valuation

| AUM Mix                |          |          |          |          |          |          |          |           | (%)       |
|------------------------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| AUM Details            | FY19     | FY20     | FY21     | FY22     | FY23     | FY24     | FY25     | FY26E     | FY27E     |
| Asset Under Management | 9,91,220 | 9,83,850 | 9,40,140 | 8,83,400 | 8,08,930 | 8,55,640 | 9,77,620 | 11,95,995 | 14,63,771 |
| Change (%)             | 16.1     | -0.7     | -4.4     | -6.0     | -8.4     | 5.8      | 14.3     | 22.3      | 22.4      |
| Rural                  | 25.8     | 28.1     | 32.0     | 39.0     | 58.5     | 70.3     | 70.6     | 70.8      | 71.0      |
| Housing                | 25.7     | 27.0     | 25.2     | 24.8     | 23.7     | 24.3     | 26.7     | 27.7      | 28.2      |
| Focused - Wholesale    | 38.0     | 39.5     | 39.9     | 34.5     | 17.0     | 3.7      | 1.4      | 0.6       | 0.0       |
| Defocused - Wholesale  | 10.5     | 5.3      | 2.9      | 1.7      | 0.4      | 0.0      | 0.0      | 0.0       | 0.0       |

| Ratios                               |        |        |        |        |        |        |        |        | (%)    |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Y/E March                            | FY19   | FY20   | FY21   | FY22   | FY23   | FY24   | FY25   | FY26E  | FY27E  |
| Spreads Analysis (%)                 |        |        |        |        |        |        |        |        |        |
| Avg. Yield on Loans                  | 13.8   | 14.5   | 14.7   | 13.8   | 15.9   | 16.5   | 16.7   | 16.1   | 15.9   |
| Avg. Cost-Int. Bear. Liab.           | 8.2    | 8.1    | 7.9    | 6.6    | 6.9    | 6.7    | 7.1    | 6.8    | 6.6    |
| Loan Spreads                         | 5.6    | 6.4    | 6.8    | 7.2    | 9.1    | 9.8    | 9.6    | 9.3    | 9.3    |
| NIM on loans                         | 5.7    | 6.3    | 6.6    | 7.0    | 8.6    | 9.6    | 9.9    | 9.5    | 9.6    |
| Profitability Ratios (%)             |        |        |        |        |        |        |        |        |        |
| Int. Expended/Int. Earned            | 58.9   | 56.7   | 54.9   | 49.1   | 46.1   | 41.6   | 40.9   | 40.8   | 39.5   |
| Other Inc./Net Income                | 25.8   | 17.7   | 16.9   | 14.4   | 11.5   | 13.2   | 12.8   | 13.4   | 12.6   |
| Op. Exps./Net Income                 | 29.8   | 28.4   | 27.8   | 34.4   | 37.6   | 40.4   | 40.1   | 39.4   | 37.6   |
| Empl. Cost/Op. Exps.                 | 42.9   | 53.7   | 51.0   | 47.5   | 49.1   | 51.5   | 55.6   | 57.2   | 58.7   |
| Provisions/PPoP (%)                  | 32.5   | 46.2   | 70.9   | 67.6   | 53.2   | 41.4   | 41.4   | 40.6   | 37.6   |
| Asset Quality (%)                    |        |        |        |        |        |        |        |        |        |
| Gross NPAs                           | 55,490 | 50,370 | 45,040 | 35,430 | 38,320 | 26,980 | 32,180 | 28,723 | 34,150 |
| Gross NPAs to Adv.                   | 5.9    | 5.3    | 5.0    | 4.2    | 4.7    | 3.2    | 3.3    | 2.5    | 2.4    |
| Net NPAs                             | 21,740 | 20,780 | 13,770 | 16,780 | 11,780 | 6,610  | 9,290  | 7,170  | 8,567  |
| Net NPAs to Adv.                     | 2.4    | 2.3    | 1.6    | 2.0    | 1.6    | 0.8    | 1.0    | 0.6    | 0.6    |
| PCR (%)                              | 60.8   | 58.7   | 69.4   | 52.6   | 69.3   | 75.5   | 71.1   | 75.0   | 74.9   |
| ECL/EAD (%)                          |        |        |        |        |        |        |        |        |        |
| Return ratios and Capitalisation (%) |        |        |        |        |        |        |        |        |        |
| RoE                                  | 18.0   | 12.1   | 5.7    | 5.5    | 7.8    | 10.3   | 10.8   | 11.6   | 13.9   |
| RoA                                  | 2.3    | 1.6    | 0.9    | 1.0    | 1.5    | 2.2    | 2.4    | 2.4    | 2.7    |
| Debt to Equity (x)                   | 6.8    | 6.4    | 4.7    | 4.3    | 3.9    | 3.3    | 3.6    | 3.9    | 4.3    |
| Average Assets/Equity (x)            | 7.8    | 7.7    | 6.5    | 5.6    | 5.1    | 4.6    | 4.6    | 4.8    | 5.2    |

| VALUATION                | FY19 | FY20  | FY21  | FY22 | FY23 | FY24 | FY25  | FY26E | FY27E |
|--------------------------|------|-------|-------|------|------|------|-------|-------|-------|
| Book Value (INR)         | 67.3 | 73.3  | 76.0  | 80.6 | 86.8 | 94.2 | 102.5 | 112.2 | 125.5 |
| Price-BV (x)             | 3.4  | 3.1   | 3.0   | 2.8  | 2.6  | 2.4  | 2.2   | 2.0   | 1.8   |
| EPS (INR)                | 11.2 | 8.5   | 3.8   | 4.3  | 6.5  | 9.3  | 10.6  | 12.5  | 16.5  |
| EPS Growth YoY           | 74.4 | -24.1 | -54.7 | 12.6 | 51.2 | 42.4 | 13.8  | 17.7  | 32.4  |
| Price-Earnings (x)       | 20.3 | 26.8  | 59.1  | 52.5 | 34.7 | 24.4 | 21.4  | 18.2  | 13.7  |
| Dividend per share (INR) | 1.0  | 0.9   | 0.0   | 0.5  | 2.0  | 2.5  | 2.8   | 3.2   | 4.1   |
| Dividend yield (%)       | 0.4  | 0.4   | 0.0   | 0.2  | 0.9  | 1.1  | 1.2   | 1.4   | 1.8   |

E: MOFSL Estimates

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| 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  |
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