2 November 2026
2QFY27 Results Update | Sector: Financials

Fusion Finance

Estimate change	↑
TP change	↓
Rating change	↔

Bloomberg	FUSION IN
Equity Shares (m)	39
M.Cap.(INRb)/(USDb)	23.6 / 0.2
52-Week Range (INR)	853 / 171
1, 6, 12 Rel. Per (%)	-18/74/205
12M Avg Val (INR M)	88

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Total Income	11.9	13.9	17.0
PPP	3.6	5.4	7.2
PAT	0.1	3.7	4.4
EPS (INR)	0.9	22.7	27
EPS Gr. (%)	-	-	21
BV (INR)	152	175	202
Valuations			
NIM (%)	14.1	15.2	15.5
C/I ratio (%)	69.7	61.4	57.4
RoAA (%)	0.2	4.1	4.2
RoE (%)	0.7	13.9	14.5
Valuations			
P/E (x)	-	5.9	4.9
P/BV (x)	0.9	0.8	0.7

Shareholding Pattern (%)

As of	Sep-26	Jun-26	Sep-25
Promoter	34.6	34.6	33.7
DII	17.4	17.2	18.6
FII	10.9	10.6	9.7
Others	37.1	37.6	38.0

FII includes depository receipts

CMP: INR133 **TP: INR190 (+42%)** **Buy**

Earnings beat; stronger growth and earnings recovery ahead

Collections trend in drought-affected districts a near-term monitorable

- Fusion Finance (FUSION)'s 2QFY27 PAT rose 39% QoQ to INR865m (~10% beat). NII in 2QFY27 grew ~10% YoY to ~INR2.7b (in line).
- Opex stood at INR2.1b (in line). The cost-to-income ratio declined ~420bp QoQ to ~62.7% (PQ: ~67% and PY: ~70%). PPoP rose ~40% YoY to ~INR1.25b (~5% beat). Net credit costs stood at ~INR385m (in line). Annualized credit costs in 2QFY27 stood at ~2.4% (PQ: ~2.4%).
- FUSION is focused on rebuilding its growth trajectory through a calibrated, branch-led expansion strategy, with greater emphasis on customer retention, portfolio diversification and disciplined underwriting rather than pursuing aggressive AUM growth.
- While the company's ambition of reaching ~INR100b in AUM may be deferred slightly amid macroeconomic uncertainty, management remains confident about the underlying growth opportunity, particularly in relatively stable geographies and differentiated customer segments. The immediate priority is to retain ~50% of eligible repeat-loan customers, while expanding its presence across premium JLG, individual lending and secured MSME lending. The integrated branch-led model is expected to support growth by improving productivity without requiring a commensurate increase in infrastructure or operating costs.
- FUSION MFI's improving asset quality, strengthening profitability and diversified lending franchise position it well to rebuild its business momentum, with disciplined underwriting and a calibrated growth strategy underpinning a more resilient and sustainable business model. We increase our FY27 PAT estimates by ~10%, primarily to factor in higher NIM and lower credit costs. We expect FUSION to deliver an AUM CAGR of ~26% over FY26E-28, with an RoA/RoE of ~4.2%/15% by FY28. **We reiterate our BUY rating with a TP of INR190 (based on 0.9x Sep'28E P/BV).**

Growth set to accelerate; diversification gathers steam

- Disbursements grew 33% YoY to ~INR17.3b. AUM grew ~14% YoY and rose 4% QoQ to ~INR80b. Borrower base declined to ~1.9m as of Sep'26 (down from ~2m as of Jun'26).
- The newly launched Vishwas product contributed ~20% of MFI disbursements over Sep- Oct'26, while MSME sourcing through MFI branches has increased to ~10% of disbursements, with the spoke network doubling to ~100 branches. Both MFI and MSME disbursements grew ~10% MoM in Oct'26. Going forward, FUSION aims to accelerate growth in stable markets while maintaining tighter underwriting in drought-affected districts.

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com) | **Pranav Nawale** (Pranav.Nawale@MotilalOswal.com)
Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Raghav Khemani (**Raghav.Khemani@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

NIM expansion to continue, driven by lower CoB and gradual yield accretion

- Reported NIM rose ~60bp QoQ to ~12.5%. Yields improved by ~30bp QoQ to 22.8%, while the CoB declined ~30bp QoQ to ~10.3%, resulting in a ~60bp QoQ improvement in spreads to ~12.5%.
- FUSION MFI expects margins to improve by ~15-20bp in 3QFY27 and remain stable over the subsequent two quarters, driven by lower borrowing costs, an increased share of lower-cost PTC funding and higher yields being progressively reflected in the portfolio. The marginal cost of borrowings declined to ~9.35% in 2QFY27 from 10.1% in 1QFY27, with further improvement expected amid the company's improving profitability and lender confidence. We expect FUSION to deliver NIMs of 15.2%/15.5% for FY27E/FY28E.

Asset quality strengthens further

- GS3 declined ~90bp QoQ to ~1.6% while NS3 declined ~40bp QoQ to 0.1%. Stage 3 PCR improved ~12pp QoQ to 93.4% (PQ: 81.4%). Stage 2 remained stable QoQ at 0.7% and S2 PCR improved ~140bp QoQ to ~67%. The company did not utilize any management overlay in the quarter and continued to maintain its management overlay of INR195m.
- Avg. CE (MFI) stood at 99.77% in 2QFY27 (vs 99.76% in 1QFY27). The net forward flow rate was ~0.16% in 2QFY27 and 0.07% in Sep'26.
- FUSION MFI's asset quality improvement is supported by tighter underwriting, enhanced household-level credit assessments and a greater emphasis on borrower indebtedness and repayment capacity rather than historical repayment behavior. In drought-affected districts, the company has adopted calibrated disbursement practices, tighter FOIR limits and lower ticket sizes. We model credit costs of ~2.3%/3% for FY27E/FY28E.

Highlights from the management commentary

- Barring Maharashtra, management does not see significant headwinds across the broader market, with growth opportunities remaining intact in the identified customer segments.
- Around 83% of newly onboarded MFI customers have no more than two lending relationships, including FUSION.

Valuation and view

- FUSION MFI delivered a strong quarter in 2QFY27, with continued improvement across asset quality, margins and operating performance. Having achieved two of its three strategic milestones ahead of schedule, the company is now shifting its focus towards rebuilding its AUM base while preserving portfolio quality. The gradual normalization of growth, coupled with continued funding cost benefits and higher portfolio yields, should support an improvement in earnings momentum over the coming quarters.
- The stock currently trades at ~ 0.7x FY28E P/B. We expect FUSION to deliver an AUM CAGR of ~26% over FY26E-28, with an RoA/RoE of ~4.2%/15% by FY28. **We reiterate our BUY rating with a TP of INR190 (based on 0.9x Sep'28E P/BV).**

Quarterly Performance (INR M)

Y/E March	FY26				FY27E				FY26	FY27E	2Q FY27E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	4,219	3,808	3,629	3,625	3,922	4,219	4,437	4,698	15,325	17,276	4,138	2
Interest Expenses	1,489	1,343	1,235	1,321	1,498	1,505	1,553	1,646	5,387	6,203	1,551	-3
Net Interest Income	**2,730**	**2,465**	**2,394**	**2,304**	**2,424**	**2,714**	**2,883**	**3,052**	**9,938**	**11,073**	**2,587**	**5**
YoY Growth (%)	*-31.4*	*-38.2*	*6.6*	*-14.4*	*-11.2*	*10.1*	*20.4*	*32.5*	*-23.0*	*11.4*	4.9	
Other Income	237	519	612	677	661	637	680	820	2,000	2,798	692	-8
Total Income	**2,967**	**2,984**	**3,006**	**2,980**	**3,085**	**3,352**	**3,563**	**3,872**	**11,938**	**13,871**	**3,279**	**2**
YoY Growth (%)	*-38.6*	*-37.4*	*11.8*	*0.5*	*4.0*	*12.3*	*18.5*	*29.9*	*-21.7*	*16.2*	10	
Operating Expenses	2,101	2,094	2,071	2,050	2,064	2,102	2,140	2,207	8,315	8,512	2,090	1
Operating Profit	**866**	**890**	**936**	**931**	**1,021**	**1,250**	**1,423**	**1,665**	**3,622**	**5,359**	**1,189**	**5**
YoY Growth (%)	*-70.9*	*-68.6*	*44.5*	*3.3*	*17.9*	*40.4*	*52.1*	*79.0*	*-50.8*	*47.9*	33.6	
Provisions & Loan Losses	1,789	1,112	795	556	397	385	424	489	4,252	1,695	401	-4
Profit before Tax	**-923**	**-221**	**141**	**374**	**624**	**865**	**1,000**	**1,176**	**-629**	**3,665**	**789**	**10**
Tax Provisions	0	0	0	-768	0	0	0	0	-768	0	0	
Net Profit	**-923**	**-221**	**141**	**1,142**	**624**	**865**	**1,000**	**1,176**	**139**	**3,665**	**789**	**10**
YoY Growth (%)	*159*	*-93*	*-102*	*-169*	*-168*	*-491*	*611*	*3*	*-101*	*2,545.9*	-456	
Key Parameters (%)												
Yield on loans	20.6	21.2	21.6	21.7	22.5	22.8						
Cost of funds	10.3	10.4	10.3	10.3	10.6	10.3						
Spread	10.3	10.9	11.3	11.4	11.9	12.5						
NIM	10.3	10.9	11.3	11.4	11.9	12.5						
Credit cost	2.30	1.50	1.00	0.90	0.60	0.60						
Cost to Income Ratio (%)	70.8	70.2	68.9	68.8	66.9	62.7						
Tax Rate (%)	0.0	0.0	0.0	-205.2	0.0	0.0						
Performance ratios (%)												
Avg o/s per borrower (INR '000)	25	25	27	31	35	38						
AUM/ RO (INR m)	0.8	8.0	9.0	10.0	11.0	12.0						
AUM/ Branch (INR m)	5	44	43	46	49	52						
Borrower/ Branch (INR m)	1,932	1,759	1,602	1,487	1,406	1,375						
Balance Sheet Parameters												
AUM (INR B)	**76.9**	**70.4**	**68.8**	**74.1**	**77.0**	**80.1**	**86.8**	**95.8**				
Change YoY (%)	-36.9	-39.2	-35.1	-17.5	0.2	13.8	26.2	29.4				
Disbursements (INR B)	**9.5**	**13.0**	**15.9**	**21.4**	**17.8**	**17.3**	**21.5**	**25.7**				
Change YoY (%)	-68.2	-21.9	36.5	85.2	87.7	33.0	35.0	19.9				
Borrowings (INR B)	**52.7**	**49.3**	**51.8**	**55.7**	**58.4**	**59.4**						
Change YoY (%)	-42.3	-42.9	-29.2	-13.0	10.9	20.3						
Borrowings/Loans (%)	81.4	83.1	91.8	92.8	91.2	87.4	83.7	79.7				
Debt/Equity (x)	2.7	2.6	2.2	2.3	2.3	2.3						
Asset Quality (%)												
GS 3 (INR M)	**3,830**	**2,940**	**2,620**	**2,010**	**1,670**	**1,120**						
G3 %	5.4	4.6	4.4	3.2	2.5	1.6						
NS 3 (INR M)	130	230	360	310	310	70						
NS3 %	0.20	0.39	0.64	0.52	0.48	0.10						
PCR (%)	**96.6**	**92.2**	**86.3**	**84.6**	**81.4**	**93.8**						
ECL (%)	8.2	7.0	5.9	4.3	3.5	3.0						
Return Ratios - YTD (%)												
ROA (Rep)	-4.7	-1.2	0.8	5.7	2.9	4.0	4.3	4.7				
ROE (Rep)	-20.6	-4.6	2.6	19.1	10.0	13.5	15.3	19.2				

E: MOFSL Estimates



Highlights from the management commentary

Guidance

- FUSION MFI had initially outlined three key milestones of a) reaching INR100b in AUM, b) reducing credit costs to ~2-2.5% and c) achieving an exit-quarter ROA of 4%. The company has already achieved two of these milestones ahead of schedule, with credit costs at ~2% and annualized ROA at ~4% in 2QFY27. The INR100b AUM ambition may be moderated slightly, with achievement likely to be deferred due to macro-uncertainty.
- Management expects margins to improve by ~15-20bp in 3QFY27, followed by a sustained performance at these levels over the subsequent two quarters.
- The company expects to maintain credit costs within the guided range of ~2.0-2.5% for FY27.
- FUSION's immediate priority is to retain ~50% of eligible customers who are due for repeat loans, supporting customer retention and improving the quality of future growth.

Business updates and strategic priorities

- FUSION MFI's key priorities remain restoring growth, strengthening credit discipline, delivering sustainable profitability, and building a more diversified institution.
- The company is transitioning towards an integrated branch-led model covering core MFI, premium JLG and individual lending, alongside secured MSME lending. This approach will enable the company to diversify its lending portfolio while leveraging its existing infrastructure and customer relationships. The integrated model is expected to improve branch productivity and earning capacity without requiring a proportionate increase in infrastructure or operating expenses, thereby supporting better operating leverage.
- The company has identified specific customer segments and geographies for driving growth while maintaining stricter underwriting guardrails than the existing prescribed norms.
- FUSION MFI remains focused on expanding its business in markets where portfolio behavior supports growth, while ring-fencing geographies facing asset quality challenges through calibrated disbursements and tighter underwriting.

Growth and diversification

- Premium JLG, catering to borrowers with annual income above INR300k, and individual lending will enable the company to deepen customer relationships and address differentiated credit requirements.
- The Vishwas product, launched in 1QFY27, has witnessed an encouraging response and accounted for ~20% of MFI disbursements during September and October.
- In secured MSME lending, the company is leveraging its existing microfinance branch network, with ~10% of MSME disbursements now originating through MFI branches. The number of MFI branches acting as MSME spokes has increased from 50 to 100. The company remains focused on cash flow-based underwriting and secured lending to suitable MSME customers.

- The company has witnessed encouraging business momentum, with both MFI and MSME disbursements growing ~10% in October over September, despite five days of holidays during the month.

Margins and cost of borrowings

- The marginal CoB declined to ~9.35% in 2QFY27 from 12.16% in 2QFY26, representing a ~280bp YoY improvement and a ~74bp QoQ decline from 10.1% in 1QFY27.
- The improvement in borrowing costs reflects increasing lender confidence following extensive discussions and due diligence, alongside the company's improving profitability profile.
- The company raised INR3.2b through PTC transactions during the quarter, taking their share in overall borrowings to ~10%. PTC funding was secured at an all-in cost of ~8.5%, making it one of the company's lowest-cost borrowing sources. FUSION MFI intends to gradually increase the share of PTC funding to manage its marginal and average borrowing costs, particularly in an environment of rising interest rates.
- Under the CGS scheme, the company has maintained a disciplined approach and refrained from accepting sanctions that did not offer adequate economic value or carried unfavorable commercial terms.
- Management believes there is further scope to reduce incremental borrowing costs, supported by multiple available funding levers and the improvement in the company's profitability.
- The yield increase undertaken by the company has so far translated into only 25-30bp of portfolio benefit. Another 12-15bp improvement is expected in each of the next two quarters as the higher yields progressively reflect in the portfolio.
- Management expects to sustain the current margin levels over the next two quarters, supported by lower-cost PTC funding and continued improvement in borrowing costs.
- Beyond this period, the company will evaluate the interest rate environment and may consider passing on any sustained increase in borrowing costs to customers.

Asset quality and credit underwriting

- Portfolio quality continued to improve, with GNPA declining to ~1.6% from 2.5% in the previous quarter.
- Credit costs remained stable sequentially despite heavy rainfall and floods across five states, which temporarily disrupted customer accessibility during July and August.
- Collection efficiency recovered to 99.75% by September, while net flow rates declined below 0.1%, reflecting a strong recovery following the weather-related disruptions.
- One of the key changes in the underwriting framework has been a greater focus on customer leverage and repayment capacity. Around ~83% of newly onboarded MFI customers have no more than two lending relationships, including FUSION.

- The company continues to monitor lender count, overall indebtedness and repayment capacity through differentiated credit templates and more rigorous customer assessments.
- The on-ground credit assessment program has expanded from ~200 branches to 950 branches, strengthening customer selection and providing greater visibility into household-level financial status.
- The company is increasingly evaluating customers' current household income and repayment capacity rather than relying solely on their historical repayment track record.
- In certain markets facing stress, the company has significantly tightened underwriting guardrails, including assuming a 20-30% reduction in customer income and substantially reducing FOIR limits and ticket sizes.
- In select branches across Karnataka and Maharashtra, the company has stopped onboarding new customers and/or adopted a highly cautious approach to disbursements. The objective of these measures is to build a more predictable credit portfolio over time rather than merely sustain strong collection efficiency in the near term.

Geographical performance and market outlook

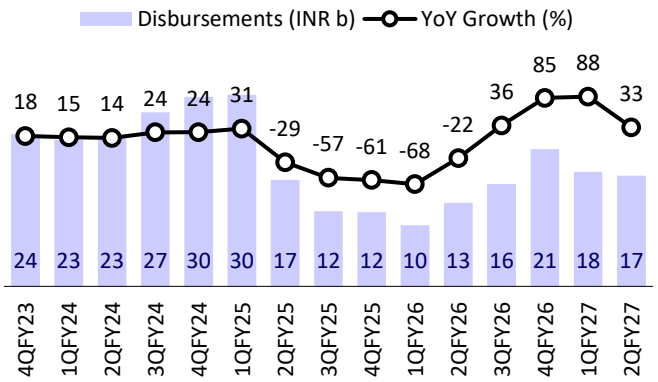
- FUSION indicated that the broader impact of floods was largely a postponement of customer demand rather than a structural deterioration in repayment capacity. Demand is now gradually returning across the affected markets.
- Barring Maharashtra, management does not see significant headwinds across the broader market, with growth opportunities remaining intact in the identified customer segments.
- In Karnataka, collection efficiency improved to ~99.95% in October and has remained strong over the past two to three quarters. The company had implemented tighter underwriting guardrails in Karnataka, including differentiated measures for rain-fed regions, which have helped maintain healthy collection performance.
- In certain markets, customers are adopting a cautious approach towards spending due to uncertainty around future income. However, the company has not observed any meaningful deterioration in household cash flows or widespread inability to repay loans.
- Markets facing challenges have been ring-fenced through calibrated disbursements, tighter FOIR limits and stricter customer selection, while the company continues to accelerate growth in relatively stable geographies.

Recoveries and legacy portfolio

- FUSION has brought recovery activities for the 90+ DPD portfolio in-house through dedicated teams supported by analytics and specialized recovery capabilities.
- Strengthening internal recovery capabilities is a key priority, particularly for managing higher delinquency buckets and improving recoveries from the legacy portfolio.

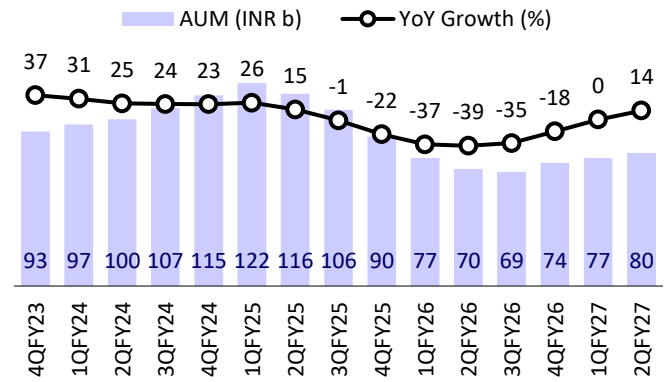
Story in charts

Exhibit 1: Disbursements grew ~33% YoY



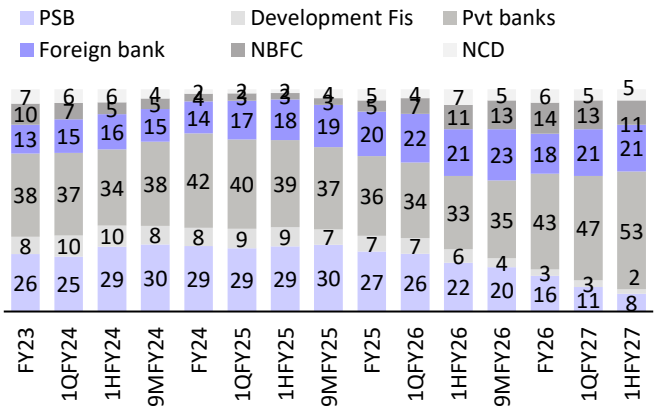
Source: MOFSL, Company

Exhibit 2: AUM grew ~14% YoY



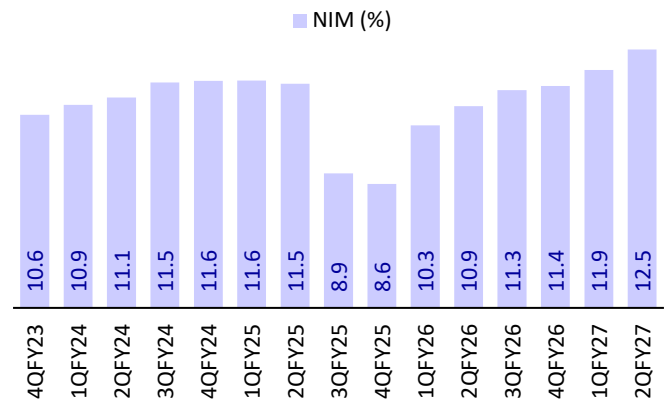
Source: MOFSL, Company

Exhibit 3: Borrowing mix (%)



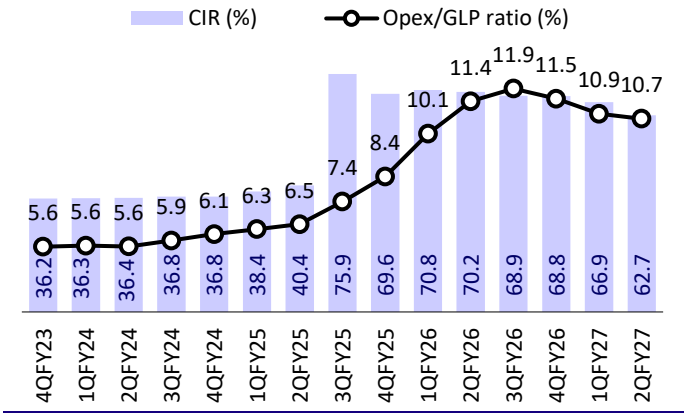
Source: MOFSL, Company

Exhibit 4: Reported NIM expanded ~60bp QoQ (%)



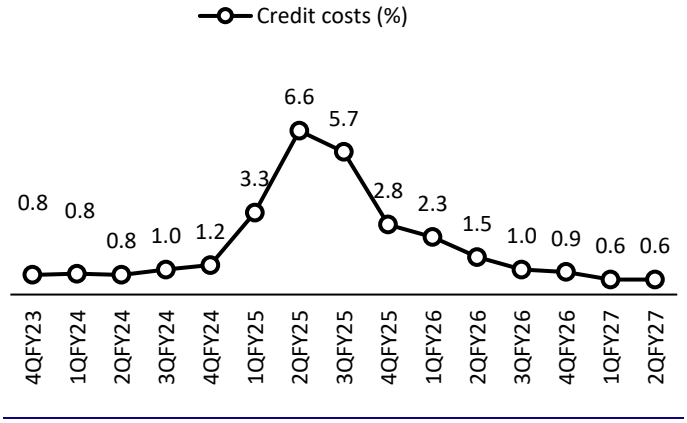
Source: MOFSL, Company

Exhibit 5: CI ratio declined ~420bp QoQ (%)



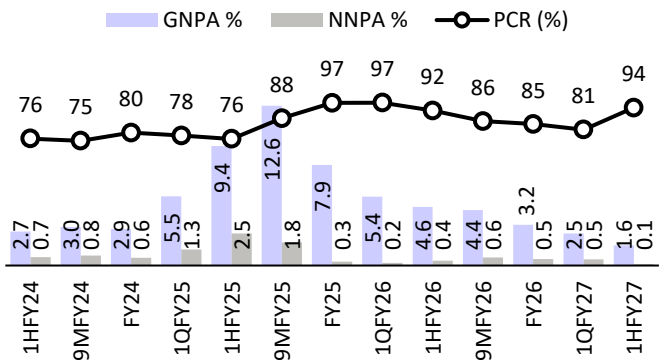
Source: MOFSL, Company

Exhibit 6: Credit costs stood at ~0.6% (non-annualized)



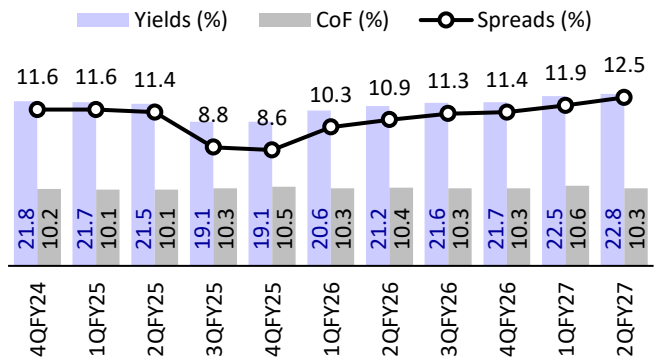
Source: MOFSL, Company

Exhibit 7: GS3 declined ~90bp QoQ to 1.6%



Source: MOFSL, Company

Exhibit 8: Spreads rose ~60bp QoQ

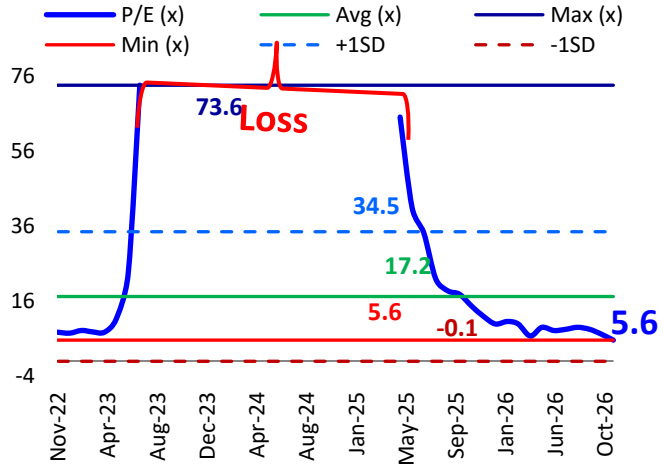


Source: MOFSL, Company

Exhibit 9: We increase our FY27 PAT estimates by ~10%, primarily to factor in higher NIM and lower credit costs

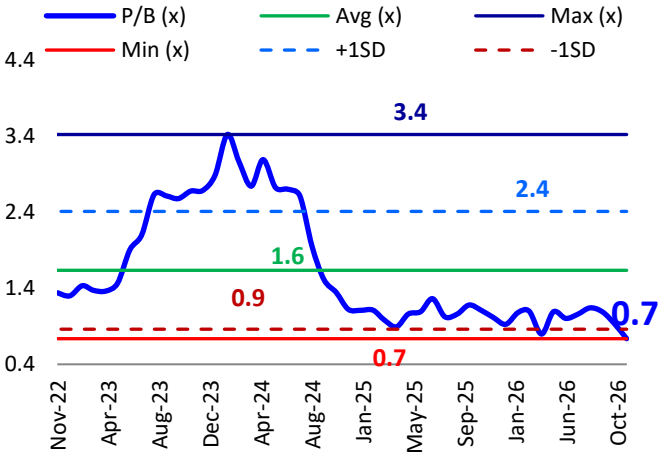
INR B	Old Est.		New Est.		% change	
	FY27	FY28	FY27	FY28	FY27	FY28
NII	10.7	14.3	11.1	14.6	3.4	1.7
Other Income	2.9	2.6	2.8	2.5	-2.6	-7.0
Total Income	**13.6**	**17.0**	**13.9**	**17.0**	**2.2**	**0.3**
Operating Expenses	8.4	9.6	8.5	9.8	1.3	2.2
Operating Profits	**5.2**	**7.4**	**5.4**	**7.2**	**3.6**	**-2.0**
Provisions	1.8	2.9	1.7	2.8	-7.7	-0.8
PBT	**3.3**	**4.5**	**3.7**	**4.4**	**9.9**	**-2.8**
Tax	0.0	0.0	0.0	0.0		
PAT	**3.3**	**4.5**	**3.7**	**4.4**	**9.9**	**-2.8**
AUM	96	119	96	118	-0.6	-0.6
Borrowings	65	80	65	79	-0.6	-0.6
RoA	3.7	4.3	4.1	4.2	9.9	-2.7
RoE	12.7	15.1	13.9	14.5	9.2	-3.7

Exhibit 10: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 11: One-year forward P/B ratio



Source: MOFSL, Company

Financials and valuations

Income Statement (INR M)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	8,276	10,643	16,001	20,919	21,342	15,325	17,276	22,151	26,988
Interest Expenses	3,751	4,960	6,428	7,908	8,439	5,387	6,203	7,572	9,222
Net Interest Income	**4,525**	**5,684**	**9,573**	**13,011**	**12,904**	**9,938**	**11,073**	**14,579**	**17,766**
Change (%)	37.6	25.6	68.4	35.9	-0.8	-23.0	11.4	31.7	21.9
Other Operating Income	282	869	1,418	2,248	1,855	1,034	1,716	1,916	2,058
Other Income	173	501	580	957	491	966	1,082	541	271
Net Income	**4,980**	**7,054**	**11,572**	**16,216**	**15,250**	**11,938**	**13,871**	**17,036**	**20,095**
Change (%)	26.8	41.6	64.1	40.1	-6.0	-21.7	16.2	22.8	18.0
Operating Expenses	**2,204**	**3,123**	**4,448**	**5,935**	**7,886**	**8,315**	**8,512**	**9,787**	**11,177**
Change (%)	10.2	41.7	42.5	33.4	32.9	5.5	2.4	15.0	14.2
Employee Expenses	1,686	2,331	3,255	4,312	5,732	6,169	6,385	7,343	8,371
Depreciation	39	54	74	90	117	96	77	86	95
Other Operating Expenses	479	738	1,119	1,532	2,037	2,050	2,050	2,358	2,711
Operating Income	**2,776**	**3,931**	**7,124**	**10,281**	**7,365**	**3,622**	**5,359**	**7,249**	**8,918**
Change (%)	44.0	41.6	81.2	44.3	-28.4	-50.8	47.9	35.3	23.0
Provisions and w/offs	**2,208**	**3,687**	**2,004**	**3,649**	**18,695**	**4,252**	**1,695**	**2,830**	**3,288**
PBT	**568**	**244**	**5,120**	**6,633**	**-11,330**	**-629**	**3,665**	**4,419**	**5,630**
Tax Provisions	128	27	1,248	1,580	915	-768	0	0	0
Tax Rate (%)	22.6	10.9	24.4	23.8	-8.1	122.0	0.0	0.0	0.0
PAT	**439**	**218**	**3,871**	**5,053**	**-12,245**	**139**	**3,665**	**4,419**	**5,630**
Change (%)	-37	-50	1,680	31	-342	-	2,546	21	27

Balance Sheet (INR M)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Equity Share Capital	790	828	1,003	1,006	1,006	1,615	1,615	1,615	1,615
Reserves & Surplus	11,673	12,552	22,216	27,475	15,427	22,944	26,609	31,028	36,658
Net Worth	**12,464**	**13,380**	**23,219**	**28,482**	**16,433**	**24,559**	**28,224**	**32,643**	**38,273**
Borrowings	**44,323**	**57,758**	**67,784**	**86,159**	**64,020**	**55,708**	**64,967**	**79,261**	**96,065**
Change (%)	49.0	30.3	17.4	27.1	-25.7	-13.0	16.6	22.0	21.2
Other liabilities	1,593	1,767	2,632	3,103	2,473	2,681	3,217	3,861	4,633
Total Liabilities	**58,379**	**72,905**	**93,635**	**1,17,743**	**82,927**	**82,948**	**96,408**	**1,15,765**	**1,38,971**
Cash and Bank balance	**13,353**	**11,536**	**10,650**	**15,532**	**8,531**	**20,054**	**12,121**	**11,967**	**13,614**
Investments	0	0	0	21	21	21	21	21	21
Loans	**43,607**	**59,182**	**80,416**	**99,479**	**72,612**	**60,008**	**81,483**	**1,00,830**	**1,22,215**
Change (%)	30.4	35.7	35.9	23.7	-27.0	-17.4	35.8	23.7	21.2
Fixed Assets	183	192	212	224	298	451	496	545	600
Other Assets	1,237	1,995	2,357	2,488	1,466	2,414	2,287	2,402	2,522
Total Assets	**58,379**	**72,905**	**93,635**	**1,17,743**	**82,927**	**82,948**	**96,408**	**1,15,765**	**1,38,971**

E: MOFSL Estimates

AUM and Disbursements (INR M)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
AUM	46,378	67,860	92,960	1,14,761	89,800	74,070	95,821	1,18,300	1,43,380
YoY Growth (%)	**29**	**46**	**37**	**23**	**-22**	**-18**	**29**	**23**	**21**
Disbursements	37,103	61,798	85,962	1,02,945	69,710	59,830	82,266	1,02,010	1,24,452
YoY Growth (%)	**4**	**67**	**39**	**20**	**-32**	**-14**	**38**	**24**	**22**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Spreads Analysis (%)									
Avg. Yield on Loans	21.5	20.7	22.9	23.3	24.8	23.1	24.4	24.3	24.2
Avg Cost of Funds	10.1	9.7	10.2	10.3	11.2	9.0	10.3	10.5	10.5
Spread of loans	11.4	11.0	12.7	13.0	13.6	14.1	14.1	13.8	13.7
NIM (on gross loans)	11.5	10.6	13.3	14.1	14.3	14.1	15.2	15.5	15.4
Profitability Ratios (%)									
RoA	0.9	0.3	4.6	4.8	-12.2	0.2	4.1	4.2	4.4
RoE	3.6	1.7	21.2	19.5	-54.5	0.7	13.9	14.5	15.9
Debt: Equity (x)	3.6	4.3	2.9	3.0	3.9	2.3	2.3	2.4	2.5
Leverage (x)	4.7	5.4	4.0	4.1	5.0	3.4	3.4	3.5	3.6
CAR	27.3	21.9	27.9	26.1	19.2	36.3	30.4	0.0	0.0
o/w Tier 1	25.5	19.9	26.6	25.5	18.6	35.5	29.9	0.0	0.0
Int. Expended / Int.Earned	45.3	46.6	40.2	37.8	39.5	35.2	35.9	34.2	34.2
Other Inc. / Net Income	9.1	19.4	17.3	19.8	15.4	16.8	20.2	14.4	11.6
Efficiency Ratios (%)									
Int. Expended/Int.Earned									
CIR	44.3	44.3	38.4	36.6	51.7	69.7	61.4	57.4	55.6
Opex/ AUM	5.3	5.5	5.5	5.7	7.7	10.1	10.0	9.1	8.5
Empl. Cost/Op. Exps.	76.5	74.6	73.2	72.7	72.7	74.2	75.0	75.0	74.9
Asset Quality									
GNPA (INR m)	2,559	3,584	2,889	2,973	6,457	2,010	1,595	1,562	1,884
NNPA (INR m)	1,024	1,030	708	603	224	313	159	156	188
GNPA (%)	5.5	5.7	3.5	2.9	7.9	3.2	1.8	1.5	1.4
NNPA (%)	2.3	1.7	0.9	0.6	0.3	0.4	0.2	0.1	0.1
PCR (%)	60	71	75	80	97	84	90	90	90
Credit costs (%)	5.6	6.9	2.8	4.0	20.7	6.1	2.3	3.0	2.9

Valuations	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Book Value (INR)	158	162	231	283	163	152	175	202	237
BV Growth (%)	4	3	43	22	-42	-7	15	16	17
P/BV	**0.8**	**0.8**	**0.6**	**0.5**	**0.8**	**0.9**	**0.8**	**0.7**	**0.6**
EPS (INR)	6	3	39	50	-122	0.9	23	27	35
EPS Growth (%)	-37	-53	1368	30	-	-	-	21	27
Price-Earnings (x)	**23.9**	**50.6**	**3.4**	**2.6**	**-**	**-**	**5.9**	**4.9**	**3.8**

E: MOFSL Estimates

RoA Tree

Y/E March (%)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	16.4	16.2	19.2	19.8	21.3	18.5	19.3	20.9	21.2
Interest Expended	7.4	7.6	7.7	7.5	8.4	6.5	6.9	7.1	7.2
Net Interest Income	**9.0**	**8.7**	**11.5**	**12.3**	**12.9**	**12.0**	**12.3**	**13.7**	**13.9**
Other Operating Income	0.6	1.3	1.7	2.1	1.8	1.2	1.9	1.8	1.6
Other Income	0.3	0.8	0.7	0.9	0.5	1.2	1.2	0.5	0.2
Net Income	**9.9**	**10.7**	**13.9**	**15.3**	**15.2**	**14.4**	**15.5**	**16.1**	**15.8**
Operating Expenses	4.4	4.8	5.3	5.6	7.9	10.0	9.5	9.2	8.8
Operating Income	**5.5**	**6.0**	**8.6**	**9.7**	**7.3**	**4.4**	**6.0**	**6.8**	**7.0**
Provisions/write offs	4.4	5.6	2.4	3.5	18.6	5.1	1.9	2.7	2.6
PBT	**1.1**	**0.4**	**6.1**	**6.3**	**-11.3**	**-0.8**	**4.1**	**4.2**	**4.4**
Tax	0.3	0.0	1.5	1.5	0.9	-0.9	0.0	0.0	0.0
RoA	**0.9**	**0.3**	**4.6**	**4.8**	**-12.2**	**0.2**	**4.1**	**4.2**	**4.4**
Leverage	4.1	5.1	4.6	4.1	4.5	4.0	3.4	3.5	3.6
RoE	**3.6**	**1.7**	**21.2**	**19.5**	**-54.5**	**0.7**	**13.9**	**14.5**	**15.9**

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

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

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

Disclosures

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

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

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

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

Regional Disclosures (outside India)

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

For Hong Kong:

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

For U.S.

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

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

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore.This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL .

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

.

Specific Disclosures

1. Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies).
   MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.
   Nature of Financial interest is holding equity shares or derivatives of the subject company
2. Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.
   MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report:No
3. Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.
   MOFSL may have received compensation from the subject company(ies) in the past 12 months.
4. Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.
   MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
5. Research Analyst has not served as an officer, director or employee of subject company(ies).
6. MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
7. MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
8. MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
9. MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
10. MOFSL has not engaged in market making activity for the subject company.

****

The associates of MOFSL may have:

financial interest in the subject company
actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
received compensation/other benefits from the subject company in the past 12 months
any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
Served subject company as its clients during twelve months preceding the date of distribution of the research report.
The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report
Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

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

Terms & Conditions:

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

Disclaimer:

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

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

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

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

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

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

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

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

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