

# Mahindra & Mahindra Financial

Estimate change

TP change

Rating change



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Bloomberg	MMFS IN
Equity Shares (m)	615
M.Cap.(INRb)/(USD\$)	183 / 2.5
52-Week Range (INR)	224 / 113
1, 6, 12 Rel. Per (%)	-6/-25/-24
12M Avg Val (INR M)	1747

## Financials & valuations (INR b)

Y/E March	2021	2022E	2023E
NII	55.3	54.8	62.7
PPP	41.6	38.1	44.3
PAT	3.4	6.9	23.6
EPS (INR)	2.7	5.6	19.2
EPS Gr. (%)	-81.5	106.4	241.1
BV/Sh.(INR)	119	123	138

## Ratios

NIM (%)	9.1	9.3	9.9
C/I ratio (%)	28.2	33.0	32.1
RoA (%)	0.4	0.9	3.0
RoE (%)	2.6	4.6	14.7
Payout (%)	34.4	23.4	23.4

## Valuations

P/E (x)	54.0	26.4	7.7
P/BV (x)	1.2	1.2	1.1
Div. Yield (%)	0.5	0.8	2.6

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	52.2	52.2	51.2
DII	16.5	16.8	13.1
FII	18.2	20.5	23.9
Others	13.1	10.6	11.9

FII Includes depository receipts

CMP: INR148

TP: INR175 (+18%)

Buy

## Sharp deterioration in asset quality; stress pool getting bigger

### Weak operating performance and elevated credit costs led to a net loss

- **MMFS reported a net loss of INR15.3b v/s our PAT estimate of +INR2.9b.** While operating profit declined by 28% YoY to INR7.5b (31% miss), higher credit costs of INR28.2b (est. INR7b) drove the PAT miss. Elevated credit costs are a function of forward flows into S2/S3, higher provisions on restructured loans, and additional COVID-19 provisions to strengthen the ECL overlay.
- NII was down by 16% YoY/25% QoQ, driven by: a) interest income reversals on NPAs, b) 6% YoY decline in business assets, and c) some moderation in loan yields. NIM (calculated) stood at 8.04%, down 60bp YoY. Total credit costs stood at 4.84% (non-annualized).
- MMFS has always exhibited the highest volatility in asset quality and associated credit costs within its peer set. In an unfavorable external environment, its asset quality has exhibited vulnerability and has taken 12-18 months for some normalcy to return. On a low base, we cut estimates sharply for FY22E to factor in up-fronting of provisioning expenses. **We maintain our Buy rating with a TP of INR175 per share (1.3x FY23E BVPS).**

### Forward flows into S2/S3; restructuring at 3.5%; ECLGS muted

- **The GS 2/3 loan ratio increased by 680bp/650bp QoQ to 19.4%/15.5%.** Despite elevated provisions, PCR on S3 declined to ~54% (from ~58% QoQ). ECL/EAD stood at 11.3% and improved ~400bp QoQ.
- Write-offs stood ~INR3b (v/s INR630m QoQ). The company made additional COVID-19 provisions of INR3.93b (standalone) in 1QFY22, with **total COVID-19 provisions of INR28.1b (~4.3% of business assets).**
- MMFS restructured loans worth INR21.72b (standalone) in 1QFY22, with the total restructured pool at INR22.35b (3.5% of business assets). A large part of this was classified under Stage 2, and MMFS made **additional** provisions of INR1.57b on the restructured pool (PCR: ~17%).
- ECLGS disbursements in 1QFY22 remained muted (at INR270m), with total disbursements under the scheme at INR5.55b (~0.9% of loans).

### Moderation in yields leads to a decline in NIM; disbursements decent

- Interest income fell ~17% QoQ, with: a) interest income reversals of INR2b on NPAs, b) moderation of 15-20bp in incremental yields, and c) about 2% QoQ decline in business assets being the contributing factors. Despite the slight mitigation from lower CoF, NIM fell 210bp QoQ/60bp YoY.
- Disbursements were down 35% QoQ to INR38.7b. MMFS maintained its market share across product segments (ex-tractors) and remained conservative in the CV/CE segment. While agri-tractor demand has been robust, commercial-use/haulage tractor demand were impacted in the last 12-18 months. Pure agri-tractors form ~30% of its tractor portfolio.
- Collection efficiency was impacted in May'21. It recovered to 90% in Jun'21, leading to a collection efficiency of 80% in 1QFY22.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Management commentary and other highlights**

- Collections efficiency (%) in Apr'21/May'21/Jun'21 stood at 70%/60%/90%. A similar trend as Jun'21 is being witnessed in Jul'21. **The management is optimistic about rollbacks from Stage 2/Stage 3 in coming quarters.**
- Expect positive AUM growth trajectory from Mar'22 onwards.
- Mahindra Rural Housing Finance (MRHFL) has restructured loans worth INR19.8b (~29% of its loan book). This restructuring is seen across ~193k loan contracts (ATS: ~INR100K).
- The management expects a provision write-back in 3Q/4QFY22, led by economic recovery and improving cash flow in the hands of the customer.

**Valuation and view**

- Asset quality deterioration was more pronounced (GNPA: 15.5%) and higher than expected, even after adjusting for seasonality. The restructuring was largely in line with our expectations ~3.5% of business assets. MMFS has tried to frontload its provisions and can realistically expect some write-backs, provided there are no more COVID resurgences in FY22. On the flip side, any fresh COVID wave has the potential to further prolong the expected gradual recovery in asset quality. Acceleration in disbursements may get pushed out by a further 1-2 quarters, and collection costs could increase further during FY22. Given its long lineage, strong parentage, and great liability franchise, MMFS is well-equipped to deal with the higher stress it is witnessing at present.
- Macro-economic situation remains highly volatile led by challenges posed by COVID. Management focused on recognizing pain upfront rather than restructuring, which led to high credit cost in the quarter. Rural economy still remains resilient and we expect significant recovery from NPA recognized in 1QFY22. Nevertheless, on a low ROA profile, even a marginal tweaking in NIMs or credit cost is leading to significant volatility in estimated profits. We remain conservative and cut our estimates sharply for FY22E to factor in up-fronting of provisioning expenses. If there is no incremental pain due to COVID then we might as well see upgrades going forward. While RoE is likely to remain subdued at ~5% in FY22E, it should touch ~15% in FY23E. We maintain our Buy rating with a TP of INR175 per share (1.3x FY23E BVPS).

## Quarterly performance

(INR m)

Y/E March	FY21				FY22				FY21	FY22E	FY22E 1QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Operating Income	26,405	26,129	25,418	26,000	21,760	22,840	24,887	25,846	1,03,952	95,333	25,719	-15
Other Income	144	366	331	375	111	150	175	203	1,277	639	325	
<b>Total income</b>	<b>26,549</b>	<b>26,495</b>	<b>25,749</b>	<b>26,375</b>	<b>21,871</b>	<b>22,990</b>	<b>25,062</b>	<b>26,049</b>	<b>1,05,229</b>	<b>95,972</b>	<b>26,044</b>	-16
YoY Growth (%)	10.0	4.3	-1.6	-1.4	-17.6	-13.2	-2.7	-1.2	2.7	-8.8	-1.9	
Interest Expenses	12,646	12,216	11,583	10,887	10,179	9,874	9,677	9,283	47,332	39,013	10,506	-3
<b>Net Income</b>	<b>13,903</b>	<b>14,279</b>	<b>14,165</b>	<b>15,488</b>	<b>11,691</b>	<b>13,116</b>	<b>15,385</b>	<b>16,766</b>	<b>57,897</b>	<b>56,959</b>	<b>15,538</b>	-25
YoY Growth (%)	8.3	6.7	0.7	11.7	-15.9	-8.1	8.6	8.3	6.9	-1.6	11.8	
Operating Expenses	3,457	3,968	4,185	4,915	4,203	4,603	4,855	5,154	16,325	18,815	4,666	-10
<b>Operating Profit</b>	<b>10,447</b>	<b>10,311</b>	<b>9,980</b>	<b>10,573</b>	<b>7,488</b>	<b>8,513</b>	<b>10,531</b>	<b>11,613</b>	<b>41,573</b>	<b>38,144</b>	<b>10,872</b>	-31
YoY Growth (%)	44.2	25.9	12.4	9.4	-28.3	-17.4	5.5	9.8	22.3	-8.2	4.1	
Provisions	8,427	6,194	13,667	8,860	28,186	6,000	-1,000	-4,415	37,348	28,771	7,000	303
<b>Profit before Tax</b>	<b>2,020</b>	<b>4,117</b>	<b>-3,687</b>	<b>1,713</b>	<b>-20,698</b>	<b>2,513</b>	<b>11,531</b>	<b>16,028</b>	<b>4,224</b>	<b>9,374</b>	<b>3,872</b>	-
Tax Provisions	523	1,082	-946	214	-5,411	658	3,021	4,187	873	2,456	1,014	-
<b>Net Profit</b>	<b>1,497</b>	<b>3,035</b>	<b>-2,741</b>	<b>1,500</b>	<b>-15,288</b>	<b>1,855</b>	<b>8,510</b>	<b>11,841</b>	<b>3,352</b>	<b>6,918</b>	<b>2,858</b>	-
YoY Growth (%)	118.7	20.6	-175.0	-32.1	-1,121.3	-38.9	-410.4	689.5	-63.0	106.4	90.9	
<b>Key Operating Parameters (%)</b>												
Yield on loans (Cal.)	16.2	16.1	15.9	16.8	14.7	17.7	16.3	16.8	16.4	15.5		
Cost of funds (Cal.)	8.2	7.9	7.8	7.4	7.1	8.6	7.7	7.0	8.0	6.9		
Spreads (Cal.)	8.0	8.2	8.1	9.4	7.6	9.1	8.6	9.8	8.4	8.6		
Credit Cost (Cal.)	5.2	3.9	8.6	5.8	19.4	3.9	-0.6	-2.8	6.0	4.8		
Cost-to-Income Ratio	24.9	27.8	29.5	31.7	36.0	35.1	31.6	30.7	28.2	33.0		
Tax Rate	25.9	26.3	25.6	12.5	26.1	26.2	26.2	26.1	20.7	26.2		
<b>Balance Sheet parameters</b>												
Loans (INR b)	638	644	621	599	564				599	610		
Change YoY (%)	2.3	0.9	-5.1	-7.8	-11.6				-7.8	1.8		
Borrowings (INR b)	634	604	592	586	556				586	545		
Change YoY (%)	15.7	6.9	0.7	-1.5	-12.3				-1.5	-7.0		
Loans/Borrowings (%)	100.8	106.7	105.0	102.3	101.5				102.3	112.0		
Debt/Equity (x)	5.5	4.1	4.0	4.0	4.2				4.0	3.6		
<b>Asset Quality parameters (%)</b>												
GS 3 (INR b)	62.2	47.7	66.4	57.9	98.3				57.9	64.0		
Gross Stage 3 (% on Assets)	9.2	7.0	10.0	9.0	15.5				10.5	7.9		
NS 3 (INR b)	37.3	30.9	42.1	24.3	45.5				24.3	22.4		
Net Stage 3 (% on Assets)	5.7	4.7	6.6	4.0	7.8				4.1	3.9		
PCR (%)	40.1	35.1	36.6	57.9	53.7				57.9	65.0		
ECL (%)	5.5	4.9	6.4	7.0	10.6				7.4	8.8		
<b>Return Ratios (%)</b>												
RoAA	0.8	1.6	-1.4	0.8	-8.2				0.4	0.9		
RoAE	5.4	9.2	-7.4	4.1	-43.8				2.6	4.6		

E: MOFSL estimates



## Highlights from the management commentary

### Business updates

- OEMs are very bullish and are positive on supply-side matters. Footfalls at dealerships have been positive too.
- The management did not undertake aggressive repossession.
- **In Apr'21, there were only 10-12 days working days.**
- MMFS should benefit from Tractor sales in the contracting segment going forward. No market share pressures were witnessed in segments other than Tractors.
- **AUM growth will come in from Mar'22.**
- Volumes pressure faced in CV is much higher for MMFS vis-à-vis peers.
- Pure Agri Tractors are at 30% of the portfolio.

### Margin

- Reversal of income (INR2b in 1QFY22) and higher liquidity on the books has led to a dent in NIM.
- A maximum 15-20bp yield compression is possible due to changes in the product mix.
- The management does not expect CoF to come off going forward.

### Asset quality

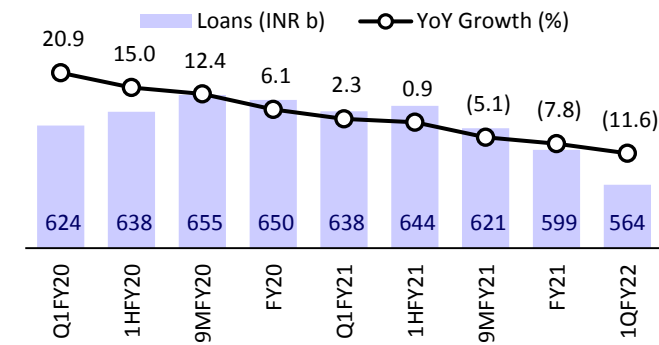
- **Write-offs during 1QFY22 stood at INR3b.**
- Taxi/Fleet/Bus operators opted for restructuring.
- MMFS could only execute telephonic conversations with clients, hence only cash collections were possible.
- Customers are hoarding cash due to the uncertainty of future/liquidity pressures.
- **Collections efficiency (%) in Apr'21/May'21/Jun'21 stood at 70%/60%/90%. A similar trend as Jun'21 is being witnessed in Jul'21.**
- The management expects PCR on S3 to stabilize around 35-40% in the ensuing quarters.
- **The management is optimistic about rollbacks in Stage 2 in coming quarters. Stage 3 will fall to 8-9% from the current levels of 15-16%. The overall target is to bring down Stage 2+3 to 25%.**
- Around 310k accounts have moved to Stage 2 in 1QFY22, of which 234k accounts have made some payments.

### Others

- MMFS has appointed a separate officer in each state, who will be responsible for collections (bucket-wise) and reversals.
- For a customer with a good credit history, the loan approval rate is anywhere between 80% and 85%.
- Commercial Tractors need registration unlike Agri Tractors.
- Agri Tractors have half yearly payments unlike Commercial Tractors (quarterly payments).

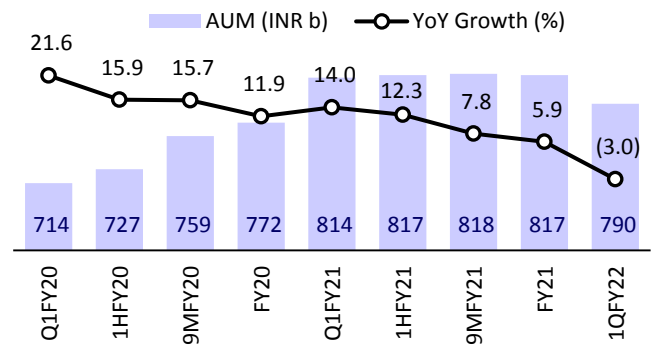
## Key exhibits

Exhibit 1: Loan growth continues to decline



Source: MOFSL, Company

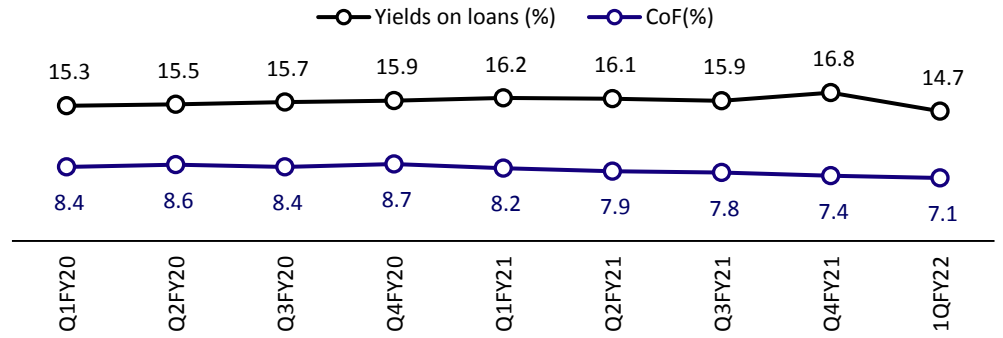
Exhibit 2: AUM growth trend



Source: MOFSL, Company

Exhibit 3: Yields compress sequentially impacting spreads

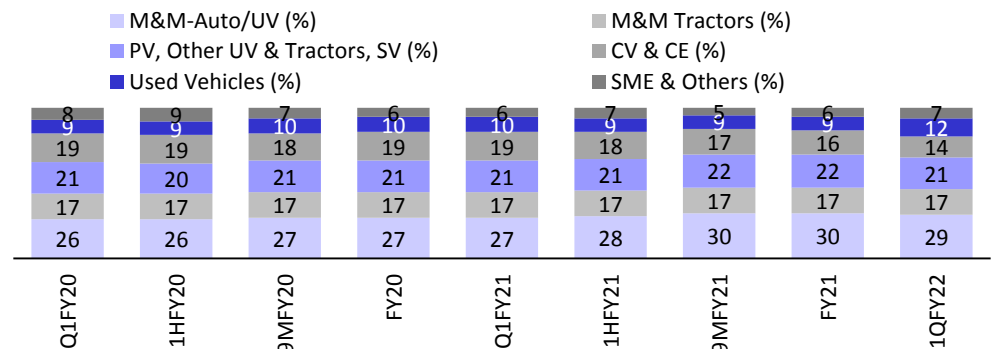
Spreads fell ~180bp QoQ



Source: MOFSL, Company

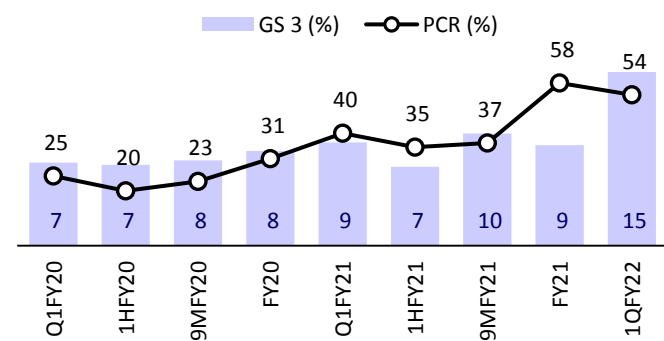
Share of used vehicles up  
300bp QoQ to 12%

Exhibit 4: AUM mix (%)



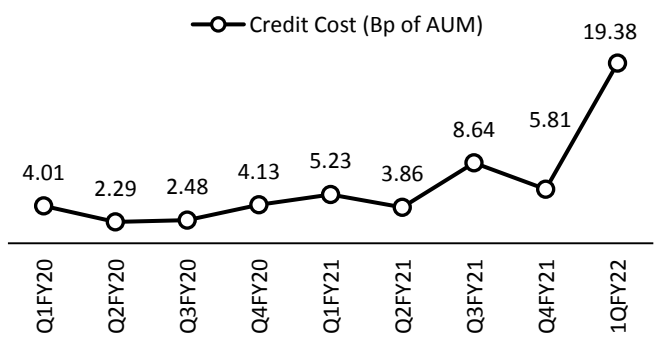
Source: MOFSL, Company

Exhibit 5: PCR decline to ~54%



Source: MOFSL, Company, GS 3 as a percentage of total assets

Exhibit 6: Credit cost spikes due to front loading of provision



Source: MOFSL, Company

### Valuation and view

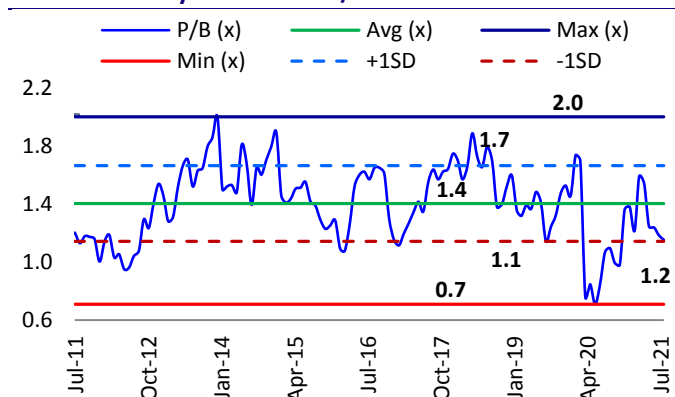
- The company is yet to recover from the pandemic in terms of disbursements. The latter in 4QFY21/1QFY22 was down 5%/35% QoQ. While we factor in ~2%/14% loan book growth over FY22E/FY23E, there is a downside risk to growth, stemming from any potential impact of a third COVID wave.
- Given its strong parentage, MMFS has been able to easily raise money from the Banking system and Capital Market. However, with higher liquidity on its books and no expectations of the management to have a lower incremental cost of funds, margin is likely to remain stable.
- We estimate ~4.8%/1.9% credit cost over FY22E/FY23E.
- On a low ROA profile, even a marginal tweaking in NIMs or credit cost is leading to significant volatility in estimated profits. We remain conservative and cut our estimates sharply for FY22E. If there is no incremental pain due to COVID, then we might as well see upgrades going forward.
- While RoE is currently subdued, it should reach ~15% in FY23E. We maintain our Buy rating with a TP of INR175 per share (1.3x FY23E BVPS).

**Exhibit 7: Cut our FY22E EPS sharply to account for lower topline growth and higher credit cost**

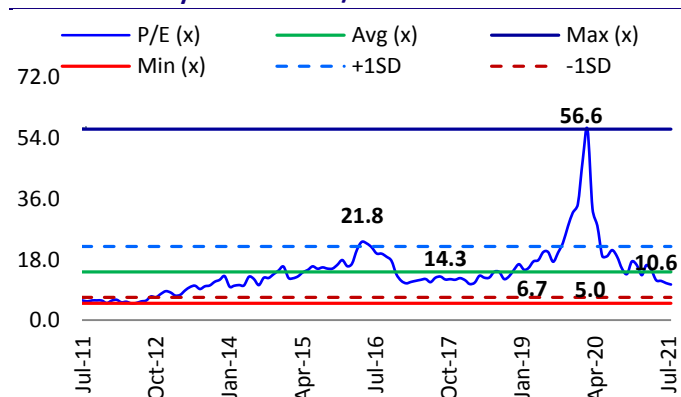
INR b	Old estimate			New estimate			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
NII (incl. Sec. Inc.)	61.7	67.1	73.4	56.3	64.5	74.1	-8.8	-3.9	1.0
Other Income	1.4	1.5	1.7	0.6	0.7	0.8	-54.5	-52.5	-50.3
<b>Total Income</b>	<b>63.1</b>	<b>68.6</b>	<b>75.1</b>	<b>57.0</b>	<b>65.2</b>	<b>74.9</b>	<b>-9.8</b>	<b>-5.0</b>	<b>-0.2</b>
Operating Expenses	18.7	20.8	23.2	18.8	20.9	23.3	0.6	0.6	0.5
<b>Operating Profit</b>	<b>44.4</b>	<b>47.8</b>	<b>51.9</b>	<b>38.1</b>	<b>44.3</b>	<b>51.7</b>	<b>-14.1</b>	<b>-7.4</b>	<b>-0.5</b>
Provisions	22.1	19.4	14.6	28.8	12.3	14.2	30.2	-36.7	-2.9
<b>PBT</b>	<b>22.3</b>	<b>28.4</b>	<b>37.3</b>	<b>9.4</b>	<b>32.0</b>	<b>37.4</b>	<b>-58.0</b>	<b>12.6</b>	<b>0.5</b>
Tax	5.9	7.4	9.8	2.5	8.4	9.8	-58.0	12.6	0.5
<b>PAT</b>	<b>16.5</b>	<b>21.0</b>	<b>27.5</b>	<b>6.9</b>	<b>23.6</b>	<b>27.6</b>	<b>-58.0</b>	<b>12.6</b>	<b>0.5</b>
Loans	621	684	787	610	693	788	-1.6	1.3	0.1
Borrowings	530	590	684	545	602	685	2.7	2.2	0.1
Margin	10.1	10.3	10.0	9.3	9.9	10.0			
Credit Cost	3.6	3.0	2.0	4.8	1.9	1.9			
<b>RoA on AUM</b>	<b>2.2</b>	<b>2.7</b>	<b>3.1</b>	<b>0.9</b>	<b>3.0</b>	<b>3.1</b>			
<b>RoE</b>	<b>10.8</b>	<b>12.5</b>	<b>14.7</b>	<b>4.6</b>	<b>14.7</b>	<b>15.2</b>			

Source: MOFSL, Company

**Exhibit 8: One-year forward P/B**



**Exhibit 9: One-year forward P/E**



## Financials and valuations

### Income Statement

INR m

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	56,163	60,127	65,842	86,146	99,417	1,02,670	93,769	1,04,263	1,20,310
Interest Expended	26,393	28,574	30,816	39,446	48,287	47,332	39,013	41,597	48,285
<b>Net Interest Income</b>	<b>29,770</b>	<b>31,553</b>	<b>35,025</b>	<b>46,700</b>	<b>51,130</b>	<b>55,338</b>	<b>54,756</b>	<b>62,666</b>	<b>72,025</b>
Change (%)	7.8	6.0	11.0	33.3	9.5	8.2	-1.1	14.4	14.9
Other Operating Income	2,368	1,612	493	1,084	1,561	1,283	1,565	1,799	2,069
Other Income	519	636	517	869	1,473	1,277	639	734	844
<b>Net Income</b>	<b>32,658</b>	<b>33,801</b>	<b>36,036</b>	<b>48,653</b>	<b>54,164</b>	<b>57,897</b>	<b>56,959</b>	<b>65,199</b>	<b>74,939</b>
Change (%)	5.8	3.5	6.6	35.0	11.3	6.9	-1.6	14.5	14.9
Operating Expenses	11,781	14,509	14,336	18,476	20,182	16,325	18,815	20,930	23,284
<b>Operating Profit</b>	<b>20,877</b>	<b>19,292</b>	<b>21,700</b>	<b>30,177</b>	<b>33,982</b>	<b>41,573</b>	<b>38,144</b>	<b>44,270</b>	<b>51,655</b>
Change (%)	0.3	-7.6	12.5	39.1	12.6	22.3	-8.2	16.1	16.7
Provisions	10,495	13,091	5,681	6,352	20,545	37,348	28,771	12,296	14,214
<b>PBT</b>	<b>10,382</b>	<b>6,201</b>	<b>16,019</b>	<b>23,824</b>	<b>13,438</b>	<b>4,224</b>	<b>9,374</b>	<b>31,974</b>	<b>37,441</b>
Tax	3,656	2,198	5,907	8,254	4,374	873	2,456	8,377	9,810
Tax Rate (%)	35.2	35.5	36.9	34.6	32.5	20.7	26.2	26.2	26.2
<b>PAT</b>	<b>6,726</b>	<b>4,002</b>	<b>10,111</b>	<b>15,571</b>	<b>9,064</b>	<b>3,352</b>	<b>6,918</b>	<b>23,597</b>	<b>27,632</b>
Change (%)	-19.1	-40.5	152.6	54.0	-41.8	-63.0	106.4	241.1	17.1
Proposed Dividend (Incl. Tax)	2,713	1,610	2,938	4,779	0	986	1,384	4,719	5,526

### Balance Sheet

INR m

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	1,129	1,130	1,229	1,230	1,231	2,464	2,464	2,464	2,464
Reserves and Surplus (excluding OCI)	59,752	64,994	92,052	1,03,072	1,12,408	1,43,666	1,49,200	1,68,077	1,90,182
<b>Net Worth</b>	<b>60,881</b>	<b>66,124</b>	<b>93,281</b>	<b>1,04,221</b>	<b>1,13,558</b>	<b>1,46,049</b>	<b>1,51,583</b>	<b>1,70,541</b>	<b>1,92,646</b>
Other Comprehensive Income		0	0	81	81	81	81	81	81
<b>Net Worth</b>	<b>60,881</b>	<b>66,124</b>	<b>93,281</b>	<b>1,04,302</b>	<b>1,13,639</b>	<b>1,46,130</b>	<b>1,51,664</b>	<b>1,70,622</b>	<b>1,92,727</b>
Change (%)	7.4	8.6	41.1	11.8	9.0	28.6	3.8	12.5	13.0
<b>Borrowings</b>	<b>2,94,523</b>	<b>3,52,656</b>	<b>4,00,932</b>	<b>5,28,469</b>	<b>5,94,623</b>	<b>5,85,767</b>	<b>5,45,039</b>	<b>6,02,471</b>	<b>6,85,132</b>
Change (%)	12.1	19.7	13.7	31.8	12.5	-1.5	-7.0	10.5	13.7
Other liabilities	40,391	24,404	33,715	38,009	32,451	38,469	44,239	50,875	58,506
<b>Total Liabilities</b>	<b>3,95,795</b>	<b>4,43,185</b>	<b>5,27,927</b>	<b>6,70,780</b>	<b>7,40,712</b>	<b>7,70,365</b>	<b>7,40,942</b>	<b>8,23,886</b>	<b>9,36,284</b>
Investments	15,351	19,843	27,341	37,917	59,110	1,16,073	75,447	82,992	91,291
Change (%)	41.4	29.3	37.8	38.7	55.9	96.4	-35.0	10.0	10.0
<b>Loans and Advances</b>	<b>3,62,189</b>	<b>4,06,000</b>	<b>4,85,470</b>	<b>6,12,496</b>	<b>6,49,935</b>	<b>5,99,474</b>	<b>6,10,444</b>	<b>6,92,841</b>	<b>7,87,901</b>
Change (%)	11.7	12.1	19.6	26.2	6.1	-7.8	1.8	13.5	13.7
Other assets	18,255	17,342	15,116	20,367	31,668	54,818	55,051	48,053	57,091
<b>Total Assets</b>	<b>3,95,795</b>	<b>4,43,185</b>	<b>5,27,927</b>	<b>6,70,780</b>	<b>7,40,712</b>	<b>7,70,365</b>	<b>7,40,942</b>	<b>8,23,886</b>	<b>9,36,284</b>

E: MOFSL estimates



## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Spreads Analysis (%)</b>									
Yield on Portfolio	16.4	15.7	14.8	15.7	15.8	16.4	15.5	16.0	16.3
Cost of Borrowings	9.5	8.8	8.2	8.5	8.6	8.0	6.9	7.3	7.5
Interest Spread	6.9	6.8	6.6	7.2	7.2	8.4	8.6	8.8	8.8
Net Interest Margin	9.4	8.6	8.0	8.7	8.3	9.1	9.3	9.9	10.0

### Profitability Ratios (%)

Cost/Income	36.1	42.9	39.8	38.0	37.3	28.2	33.0	32.1	31.1
Empl. Cost/Op. Exps.	47.4	46.9	58.1	59.0	56.9	62.2	62.1	62.5	62.9
RoE	11.4	6.3	12.7	15.8	8.3	2.6	4.6	14.7	15.2
RoA	1.8	1.0	2.1	2.6	1.3	0.4	0.9	3.0	3.1

### Asset Quality (%)

GNPA	32,242	68,311	50,270	40,706	57,467	57,857	63,990	55,027	48,274
NNPA	12,351	40,938	33,109	32,907	39,665	24,339	22,396	26,138	30,171
GNPA (%)	8.4	15.5	9.8	6.4	8.4	9.0	10.5	7.9	6.1
NNPA (%)	3.4	10.1	6.8	5.4	6.1	4.1	3.9	3.9	3.9
PCR %	61.7	40.1	34.1	19.2	31.0	57.9	65.0	52.5	37.5

### Capitalization (%)

CAR	17.3	18.1	22.7	20.3	19.6	26.0	25.6	24.5	23.7
Tier I	14.6	13.6	17.0	15.5	15.4	22.2	22.3	22.0	21.7
Tier II	2.7	4.5	5.7	4.8	4.2	3.8	3.3	2.5	2.0
Average Leverage on Assets (x)	6.3	6.6	6.1	6.1	6.5	5.8	5.1	4.9	4.8

Valuation	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Book Value (INR)	107.8	117.0	151.8	169.5	184.5	118.5	123.0	138.4	156.4
BV Growth (%)	7.3	8.5	29.7	11.7	8.9	-35.8	3.8	12.5	13.0
<b>Price-to-BV (x)</b>						<b>1.2</b>	<b>1.2</b>	<b>1.1</b>	<b>0.9</b>
Adjusted BV (INR)	92.5	66.3	114.1	132.0	136.2	103.7	109.4	122.5	139.2
<b>Price-to-ABV (x)</b>						<b>1.4</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>
OPS (INR)	37.0	34.1	35.3	49.1	55.2	33.7	31.0	35.9	41.9
OPS Growth (%)	0.2	-7.7	3.4	39.0	12.5	-38.9	-8.2	16.1	16.7
<b>Price-to-OP (x)</b>						<b>4.4</b>	<b>4.8</b>	<b>4.1</b>	<b>3.5</b>
EPS (INR)	11.9	7.1	16.5	25.3	14.7	2.7	5.6	19.2	22.4
EPS Growth (%)	-19.2	-40.5	132.3	53.9	-41.8	-81.5	106.4	241.1	17.1
<b>Price-to-Earnings (x)</b>						<b>54.0</b>	<b>26.4</b>	<b>7.7</b>	<b>6.6</b>
Dividend	4.0	2.4	4.0	6.5	0.0	0.8	1.1	3.8	4.5
<b>Dividend Yield (%)</b>						<b>0.5</b>	<b>0.8</b>	<b>2.6</b>	<b>3.0</b>

E: MOFSL estimates



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

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