

Bajaj Finance

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BAF IN
Equity Shares (m)	602
M.Cap.(INRb)/(USDb)	4383.5 / 57.2
52-Week Range (INR)	8044 / 4662
1, 6, 12 Rel. Per (%)	4/-1/35
12M Avg Val (INR M)	10334

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Net Income	218.9	264.5	318.0
PPP	143.1	170.9	208.0
PAT	70.3	98.9	128.1
EPS (INR)	116.5	164.0	212.3
EPS Gr. (%)	58.6	40.7	29.5
BV/Sh. (INR)	725	865	1,045

Ratios

NIM (%)	10.4	10.1	9.9
C/I ratio (%)	34.6	35.4	34.6
RoA (%)	3.7	4.2	4.4
RoE (%)	17.5	20.6	22.2
Payout (%)	17.2	14.3	15.4

Valuations

P/E (x)	62.2	44.2	34.1
P/BV (x)	10.0	8.4	6.9
Div. Yield (%)	0.3	0.3	0.5

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	55.9	56.0	56.1
DII	11.2	10.1	9.1
FIIFIIII	21.8	23.0	24.2
Others	11.2	10.9	10.6

FII Includes depository receipts

CMP: INR7,241 **TP: INR8,350 (+15%)** **Buy**

In line performance; strengthening itself for a stronger FY23

- BAF's 4QFY22 earnings were in line, with a reported PAT of INR24.2b, led by healthy core AUM growth of 26% YoY and a pristine asset quality (GS3/NS3 stood at 1.6%/0.7% and credit cost moderated by ~150bp, despite having to provide INR1b on a large commercial account). Key things to watch out for in FY23 include: a) evolution of its Payments landscape and traction therein, b) velocity on the already launched app and the envisaged new web platform, c) potential foray into the Credit Cards business from its own Balance Sheet, d) Two-Wheeler marketplace and diversification to other non-captive OEMs, and e) margin trajectory in the face of aggressive competition, leading to a pressure on NIM. We maintain our Buy rating with a TP of INR8,350/share (based on 8x FY24E P/BV).
- BAF delivered an in line performance, despite a 7% miss on our NII estimate. PAT grew 80% YoY and 14% QoQ to INR24.2b in 4QFY22.
- NIM is likely to compress in FY23, driven by a pressure on yields, absence of large IPO financing (under new RBI guidelines), and expectations of an increase in borrowing cost. Part of the NIM compression in 4QFY22 was mitigated by a decline in surplus liquidity on its Balance Sheet.
- GNPA/NNPA ratio improved by ~13bp/~10bp QoQ to 1.6%/0.68%. OTR book classified under Stage 2 stood at INR14.53b (~36bp of AUM). BAF carried ECL provision of INR1.4b (~20%) in this book. Credit costs included provisions of INR1b on a large commercial account (gross exposure of INR3.83b), which slipped into NPA.
- We model an AUM/PAT CAGR of ~25%/35% and expect BAF to deliver a RoA/RoE of 4.2-4.4%/21-22% over FY23-24. **We remain watchful of various developments in its Payments offerings and potential foray into the Credit Card business. We reiterate our Buy rating with a TP of INR8,350 per share (8x FY24E BVPS).**

Confident of a healthy run-rate in customer acquisitions; AUM growth will track its long-term guidance

- Its customer franchise rose to 57.6m (up 4% QoQ and 19% YoY). New loans booked grew 15% YoY to 6.3m (a seasonal decline relative to 3QFY22). The same should be viewed in the context of the strategic decision of BAF to originate a lower quantum of REMI and short-term wallet loans. The management guided at a new customer acquisition run-rate of 8-9m in FY23.
- AUM grew 29% YoY and 9% QoQ to INR1.97t. On a QoQ basis, growth was driven by Consumer B2C (+7%), Rural (+6%), SME (+8%), LAS including IPO financing (+74%), and Commercial (+10%). Mortgages grew 6%.
- Consumer B2B – Auto Finance (-4% QoQ) and Sales Finance (flat QoQ) – continued to remain a drag in 4QFY22.

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OPEX to stay elevated in FY23 due to investments in technology and human capital

- The management guided at an OPEX-to NII ratio of 34.5-35.5% in FY23, led by investments in technology and aggressive onboarding of the talent pool across multiple domains (particularly in Payments).
- The OPEX-to-NII ratio stood ~35% in 4QFY22. The ratio will remain elevated in FY23 and FY24 as BAF invests in building capabilities for its Payments ecosystem and associated sales promotion/customer acquisition expenses (in the form of rewards/cashbacks).

Potential foray into the Credit Card business in late FY23 or early FY24

- The management did not rule out launching its own Credit Cards. This comes in light of RBI's master circular on Credit Cards, which allows NBFCs to issue the same on their balance sheet with prior approval from the regulator.
- BAF said it would seek clarification from the RBI and then evaluate whether it wants to launch its own Credit Cards. It categorically reiterated its commitment to the Credit Card co-branding arrangement that it has with RBK and DBS Bank.

Highlights from the management commentary

- Conversion to a bank is also not on the horizon for the next two-to-three years. The management's focus is on building a Payments and Financial Services business, with an expected customer franchise of 100m over the next five years.
- BAF is creating a brand called Bajaj Mall, which will house the EMI Store and will be launched on 1st Jul'22.
- A large B2B account in the Consumer Durable loan business, with an exposure of INR3.83b, slipped into NPA and contributed to the deterioration in asset quality.

Valuation and view

- 4QFY22 was a healthy quarter for BAF, with all-round momentum across key business parameters. Customer acquisitions and trajectory in new loans remain strong. This momentum will only get stronger with its digital ecosystem: app, web platform, and full-stack payment offerings.
- We expect BAF to deliver a healthy AUM CAGR of ~25% over the next two years. We expect it to contain credit costs ~1.7% in FY23. Even though the management has guided that it will prioritize margin over loan growth, NIM compression is likely in FY23, as levers like normalization in excess liquidity and borrowing costs have largely played out. The competitive landscape also continues to remain aggressive.
- We cut our FY23/FY24 PAT estimate by 4% each to factor in potential NIM compression and a higher OPEX ratio of ~35% over the next two years. BAF should deliver a RoA/RoE of 4.2-4.4%/21-22% over the medium term. We maintain our Buy rating with a TP of INR8,350 per share (8x FY24E BVPS).

Quarterly performance

(INR m)

Y/E March	FY21				FY22				FY21	FY22	FY22E 4QE	Var. (%)
	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22				
Interest Income	57,932	57,631	57,225	60,343	59,542	66,873	72,623	73,659	2,33,034	2,72,698	79,742	-8
Interest expenses	24,976	23,581	23,627	21,956	22,536	23,976	25,345	25,626	94,140	97,482	27,920	-8
Net Interest Income	32,956	34,050	33,598	38,388	37,007	42,898	47,277	48,034	1,38,894	1,75,215	51,823	-7
Growth (YoY %)	10.3	8.4	-7.1	2.2	12.3	26.0	40.7	25.1	2.9	26.2	35.0	
Other Operating Income	8,565	7,568	9,360	8,206	7,888	10,447	12,728	12,643	33,797	43,707	10,412	21
Net Income	41,521	41,618	42,958	46,594	44,895	53,345	60,005	60,677	1,72,691	2,18,922	62,235	-3
Growth (YoY %)	12.4	4.1	-5.3	-0.5	8.1	28.2	39.7	30.2	2.1	26.8	33.6	
Operating Expenses	11,567	11,559	13,896	16,060	13,733	20,297	20,814	21,006	53,082	75,850	21,707	-3
Operating Profit	29,954	30,059	29,062	30,534	31,162	33,048	39,192	39,671	1,19,608	1,43,072	40,528	-2
Growth (YoY %)	24.7	14.9	-3.2	-5.5	4.0	9.9	34.9	29.9	6.3	19.6	32.7	
Provisions and Cont.	16,857	17,004	13,517	12,308	17,503	13,003	10,512	7,016	59,686	48,034	7,634	-8
Profit before Tax	13,097	13,055	15,545	18,226	13,659	20,045	28,680	32,655	59,923	95,038	32,894	-1
Tax Provisions	3,474	3,406	4,085	4,760	3,634	5,235	7,427	8,460	15,724	24,756	8,476	0
Net Profit	9,623	9,649	11,460	13,466	10,025	14,810	21,253	24,195	44,198	70,282	24,418	-1
Growth (YoY %)	-19.5	-35.9	-29.0	42.0	4.2	53.5	85.5	79.7	-16.0	59.0	81.3	
Key Operating Parameters (%)												
Fees-to-Net Income Ratio	20.6	18.2	21.8	17.6	17.6	19.6	21.2	20.8	19.6	20.0		
Credit Cost	4.93	5.15	4.01	3.46	4.67	3.31	2.51	1.53	4.12	2.84		
Cost-to-Income Ratio	27.9	27.8	32.3	34.5	30.6	38.0	34.7	34.6	30.7	34.6		
Tax Rate	26.5	26.1	26.3	26.1	26.6	26.1	25.9	25.9	26.2	26.0		
Balance Sheet parameters												
AUM (INR b)	1,381	1,371	1,436	1,529	1,591	1,669	1,813	1,975	1,529	1,975		
Change (YoY %)	7.1	1.1	-1.1	3.9	15.2	21.8	26.3	29.1	3.9	29.1		
Loans (INR b)	1,324	1,318	1,379	1,467	1,531	1,608	1,748	1,914	1,467	1,914		
Change (YoY %)	5.8	0.7	-1.2	3.8	15.7	22.0	26.7	30.5	3.8	30.5		
Borrowings (INR b)	1,211	1,249	1,242	1,316	1,333	1,450	1,540	1,652	1,316	1,652		
Change (YoY %)	8.0	4.5	1.7	1.4	10.1	16.1	24.1	25.5	1.4	25.5		
Loans/Borrowings (%)	109.3	105.5	111.1	111.4	114.9	110.9	113.5	115.9	111.4	115.9		
Asset quality parameters (%)												
GS 3 (INR b)	19.4	14.4	41.9	27.3	47.4	41.0	31.1	31.3	27.3	31.8		
Gross Stage 3 (as a percentage of assets)	1.40	1.34	2.86	1.79	2.96	2.45	1.73	1.60	1.81	1.63		
NS 3 (INR b)	6.8	5.2	17.6	11.4	23.1	18.3	13.8	13.2	11.4	13.7		
Net Stage 3 (as a percentage of assets)	0.50	0.56	1.22	0.75	1.46	1.10	0.78	0.68	0.77	0.71		
PCR (%)	64.9	64.3	58.0	58.4	51.3	55.5	55.6	58.0	58.4	57.0		
Return Ratios (%)												
ROAA (Rep.)	2.8	2.8	3.6	3.6	2.8	3.6	5.2	5.2	2.6	3.7		
ROAE (Rep.)	11.6	11.6	13.2	14.8	10.8	15.2	21.2	22.8	12.8	17.5		

E: MOFSL estimates

Exhibit 1: Features rolled out under Phase I of BAF’s consumer app

‘3-in-1’ digital platform – Phase 1 feature set										BAJAJ FINSERV	
Payments	UPI	Wallet	EMI Card	Credit Card	6-in-1 Payment Checkout	Bill Payment					
Network	CD Network	DPF Network	REMI Network	LSF Network	LCF Network	E-Com Network	Coaching Network				
Marketplace & Proprietary Apps	No cost EMI Marketplace		Insurance Marketplace	Investment Marketplace	Health RX	Demat and Broking					
3-in-1 Financial Services	No Cost EMI	Unsecured Loans	Mortgage Loans	Other Secured	SME/Prof. Lending	Cards	Deposits	Fee based Services			
	• Consumer Durable • Mobile • Lifestyle	• Personal Loans(2) • Salaried PL-Lead	• Home Loan • LAP	• Gold Loan • LAS • Used Car	• Professional Loans • SME Loans • Medical equipment	• EMI Card • RBL Bank Card	• Fixed Deposit • Systematic Dep Plan (SDP)	• Fin fitness report • Credit health report			
Rewards	Earn For “Payment transactions”				Burn						
	• Offers	• Cashbacks	• Vouchers	• Bajaj Coins	• Convert to Cash	• Bill Payment	• Voucher Purchase				
Integrated Voice and Marketing Cloud	Customer Data Platform		Centralized Offer Repository	Multi Channel Orchestration	Multi Dialler Orchestration	Cloud Telephony Infra for Distributed Sales Workforce					
Productivity Apps	Sales One App			Debt management One App			Partner One App 1.0				
Services	Information	EMI , Credit Card	Statement	Documents	Repayment	FD & SDP	Profile Update	Calculators			
	• Loan Info • Deposit Info • Flexi Loan Info • Mandate Services • Mutual Fund	• Card Limit • Card Status • Card Block/Unblock • PIN Change	• Loan Statement • Repay Schedule • FD Statement • NOC • Cert. of Insurance • Gold receipt	• Invoice • EMI Charge Slip • App. Form • T & C • Agreement • Form 15G	• Overdue, Advance Payments • Prepayments • Drawdown	• FD Details • TDS Waiver • Nominee addition	• PAN Update • Mobile Update • Email ID Update • Address Update • DOB Update	• EMI Calculator • Flexi Calculator • Loan Eligibility • FD Calculator			
Engagement Stack (31)	Travel (4)	Entertainment (3)	Food (3)	Utilities(4)	Shopping(6)	Health & Wellness(4)	Education(1)	Other Networks(6)			

Source: Company, MOFSL

Exhibit 2: Incremental features that are to be rolled out under Phase II of BAF’s consumer app (highlighted in blue)

Digital app platform – Phase 2 feature set										BAJAJ FINSERV	
Payments	UPI	Wallet	EMI Card	Credit Card	6-in-1 Payment Checkout	Bill Payment	POS terminals	6-in-1 Check Out for Partners	QR Based P2M Transaction		
Network	CD Network	DPF Network	REMI Network	LSF Network	LCF Network	E-Com Network	Coaching Network	P2M Network	QR Network		
Marketplace & Proprietary Apps	No cost EMI Marketplace	Insurance Marketplace	Investment Marketplace	2-Wheeler Marketplace	Health RX	Doctor RX	Demat and Broking				
3-in-1 Financial Services	No Cost EMI	Unsecured Lending	Mortgage	Other Secured	SME/Prof. Lending	Cards	Deposits	Fee based Services			
	• Cons. Durable- NTB • Mobile- NTB • Lifestyle- NTB	• Personal Loans (9) • Salaried PL (15) • Short Term Wallet Loan	• Home Loan • LAP • Secured Enterprise Loan	• Gold Loan(3) • LAS • 2-Wheeler & Used Car	• Prof. Loans (5) • SME Loans (2) • Medical equipment	• EMI Card • Health Card • RBL Bank Card • DBS Bank Card	• Fixed Deposits(6) • SDP(2) • GBS • Loan Against FD	• Credit health report 2.0			
Rewards	Earn				Burn						
	• Offers	• Cashbacks	• Vouchers • Merchant Sponsored Vouchers	• Bajaj Coins	• Convert to Cash	• Bill Payment	• Voucher Purchase				
Integrated Voice and Marketing Cloud	Customer Data Platform	Centralized Offer Repository	Multi Channel Orchestration	Multi Dialler Orchestration	One View for Backend Agents	Cloud Telephony Infra for Distributed Sales Workforce		Voice Call Governance			
Productivity Apps	Sales One App		Debt management One App		Partner One App 2.0		Merchant One App				
	• Enhanced Engage & Compliance Frames		• Compliance, Legal & Repo Mgmt.		• Loan Sourcing , Dashboards		• Onboarding, Payment Dashboards				
Services	Information	EMI, Credit Card	Statement	Documents	Repayments	FD & SDP	Profile Update	Calculators			
	• Loan Info • Deposit Info • Flexi Loan Info • Mandate Services • Mutual Fund • Assisted Chat	• Limit & Enhancement • Card Status • Card Block/Unblock • PIN Change • EMI Card Trx history • EMI Card accepted check	• Loan Stat. • Repay Schedule • FD Statement • NOC • COI (10) • GDR & FDR	• Invoice • LTS & Charge Slip • App. Form • T & C • Sanc Letter & Agmt • Form 15G	• OD & Adv Pay • Prepay, DD & FC • GL – Part/Full Rel • EMI Vault • Cash Pick-up 2.0 • Smart Debit 2.0	• FD Details • Nominee addition • Renew FD • TDS Waiver • Pre-Maturity, Start Stop SDP	• PAN & DOB • Mobile & Email ID • Address • Bank Details • Re-KYC	• EMI & Flexi • Loan Eligibility • Shares + MF cal • FD, SDP & GBS • Mortgage Cal • GST Cal			
Engagement Stack(58)	Travel (6)	Entertainment(5)	Food(11)	Utilities(4)	Shopping (18)	Gaming (10)	Health & Fitness (4)	Education(1)	Other Networks (7)	Donate(2)	30+ Engagement Apps

Source: Company, MOFSL



Highlights from the management commentary

Business updates

- B2B consumption businesses: Divergence between volume growth and value growth has narrowed. In 4QFY22, volume growth in the B2B consumption businesses was 15% and disbursements growth was 27%. B2B disbursements stood at INR131.9b in 4QFY22 as against INR104b in 4QFY21.
- The company is comfortable adding 8-9m new customers in FY23.
- The management continued to protect margin in 4QFY22 as well, with core AUM/NIM growth of 26%/30% YoY.
- Given the deep investments being committed to the omnichannel strategy (geo-expansion, app platform, and web platform), BAF expects the opex-to-NII ratio to remain elevated in FY23.
- Loan losses and provisions stood at INR7b. This includes an additional charge of INR1b for one large commercial account, which slipped into NPA. Its total exposure stood at INR3.83b, towards which it has made provisions of INR2b (including INR1b in 4QFY22). BAF has a management overlay of INR10.6b as of Mar'22. If the next six months are stable, then it will look at dialing this down.
- The management expects asset quality in the 2W and 3W portfolio to move into the green by the end of 2QFY23 (from yellow at present).
- RBI regulations allow distribution of dividends between 15% and 25% of a company's profit. BAF distributed 19.1% of its standalone profit in FY22, with a dividend of INR20/share.

Payments

- Mr. Nitin Asthana (formerly with Pine Labs) joined BAF in Mar'22 and is driving its payment initiatives.

Master circular on Credit Cards and co-branding partnerships

- BAF will seek clarification from the RBI and then decide if it wants to undertake the Credit Cards business from its own Balance Sheet.
- The management remains committed to the co-lending partnerships with both RBK and DBS Bank.

Operating expenses

- OPEX-to-NII ratio remains elevated and will eventually lead to a better ratio from FY24 onwards. The same should remain in the 34.5-35.5% range in FY23.
- It has been investing in the last 18 months and will do so in FY23 as well.
- The management said that a higher OPEX-to-NII ratio may not necessarily result in lower RoA/RoE or profit growth.

Burn-rate of customer acquisition in the Payments business

- In FY20, sales promotion expenses stood at INR1.8-2b.
- BAF is creating a brand called Bajaj Mall, which will house the EMI Store and will be launched on 1st Jul'22.

Conversion into a bank

- The management's focus is on building a Payments and Financial Services business, with an expected customer franchise of 100m over the next five years.

- Mr. Sanjeev Bajaj, Chairman, Bajaj Finserv, is against conversion into a bank. Conversion to a bank is also not on the horizon for the next two-to-three years.
- RBI has clearly articulated scale-based regulations for NBFCs. BAF will meet all bank-like regulation requirements and will not dilute its business model.

Omnipresence strategy update

Digital app platform

- In FY23, its omnipresence strategy will expand to include creation of a digital web platform from a geography and a digital app platform. The cost of building the web platform will be significantly less than the app platform.
- Phase I/II of the web platform will go live by Oct'22/Mar'23. After both phases go live, customers will receive a full-service, platform-agnostic experience (commence on the app, conclude on the web, and vice versa).

Geography and distribution

- In FY22, the company added 516 new locations. It continues to invest deeply in Uttar Pradesh, Bihar, and north-eastern states.

Insurance and investment marketplace

- The Insurance marketplace went live in Mar'22 offering four/nine/eight/345 Motor/Health/Asset/pocket Insurance products. The market place has products from nine Insurance companies.
- The Investments marketplace, in partnership with Bajaj Finserv Direct, went live in Feb'22 and offers customers various Mutual Funds and Fixed Deposit options.

Rewards Management System (RMS)

- The system went live in Mar'22. RMS delivers rewards in the form of reward points, cash back to the wallet, and vouchers for online and offline purchases.
- In 4QFY22, the rewards program was implemented for all payment products. The plan is to deploy the same for all loans as it delivers Phase II by 3QFY23.
- The RMS will significantly accelerate the usage of wallets as all cashback promotion initiatives across BAF will be routed through wallets, helping create a virtuous cycle of engagement and velocity.

BFSL

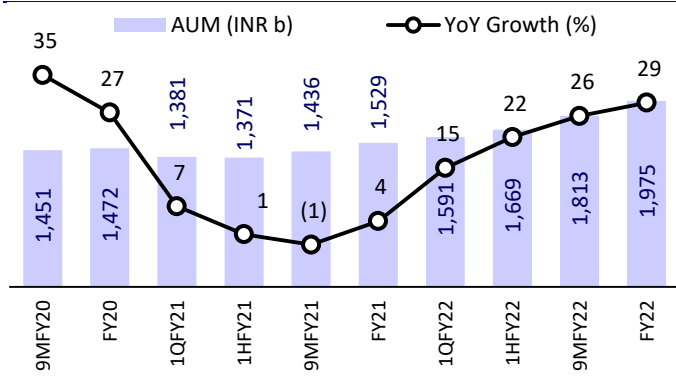
- The 60-day activation rate of customers is 35-37% in BFSL.

Others

- The purpose of building the technology stock is to monetize its own customer franchise.
- BHFL: Since 3QFY22, BHFL accelerated its investment in geographic expansion and deepened organizational structures to meet the next level of growth.
- The Consumer Durable (CD) business clocked its best ever performance. A large B2B account, with an exposure of INR3.83b, slipped into NPA and contributed to the deterioration in asset quality.

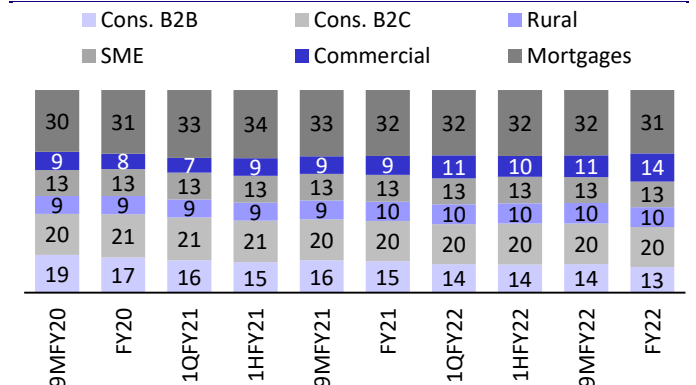
Story in charts

Exhibit 3: AUM growth healthy at 29% YoY, likely to sustain ~25% over FY23-24 (%)



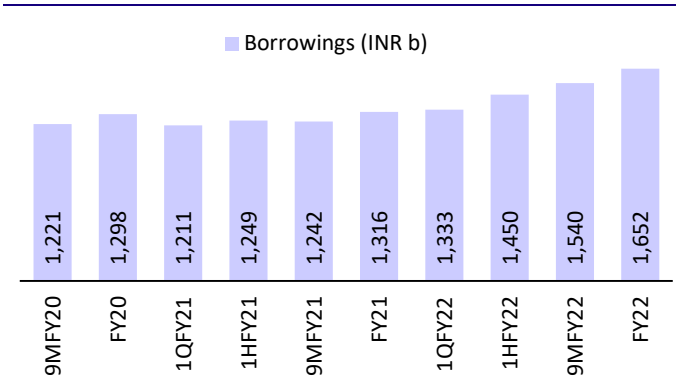
Source: MOFSL, Company

Exhibit 4: AUM mix was largely stable, with strong growth in Commercial driven by the IPO financing book (%)



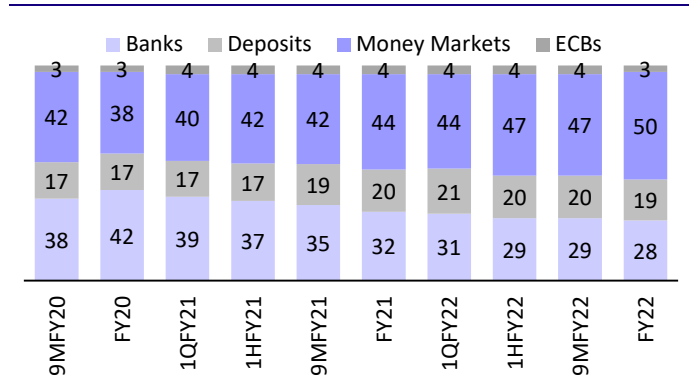
Source: MOFSL, Company

Exhibit 5: Surplus liquidity fell to ~INR101b, leading to a moderation in borrowings and lower interest expenses



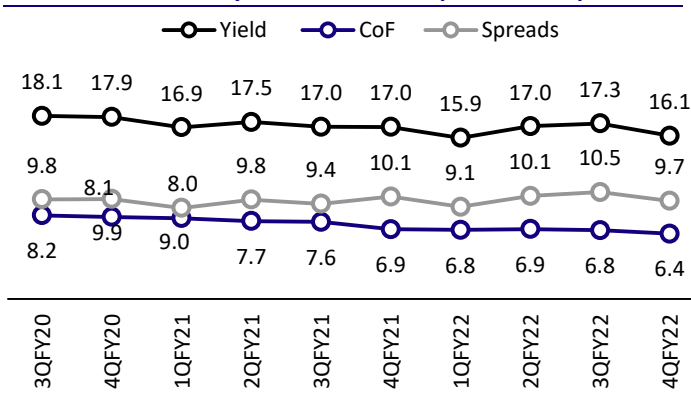
Source: MOFSL, Company

Exhibit 6: Increasing share of debt market borrowings resulted in a stable CoF (%)



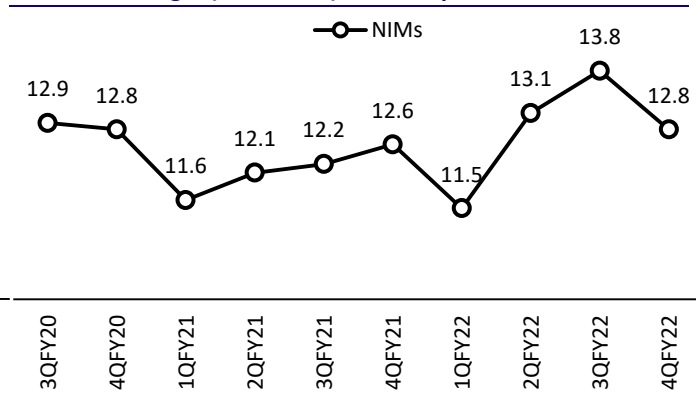
Source: MOFSL, Company

Exhibit 7: Decline in yields led to a compression in spreads



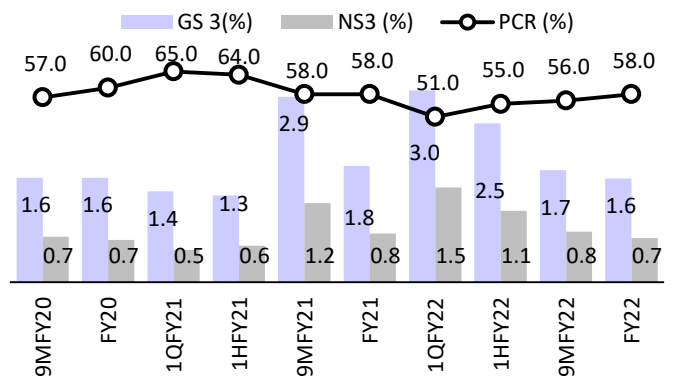
Source: MOFSL, Company

Exhibit 8: Margin (calculated) fell 100bp QoQ



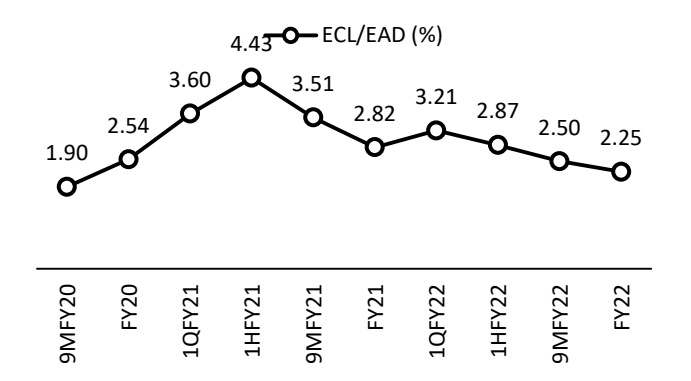
Source: MOFSL, Company

Exhibit 9: PCR on S3 rose 200bp QoQ to 58%



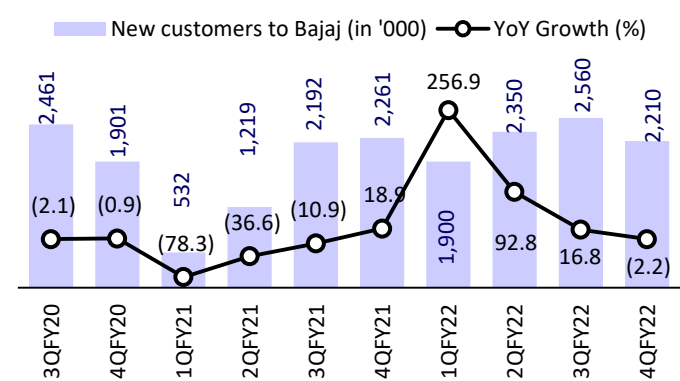
Source: MOFSL, Company; Note: Without SC dispensation, GNPA ratio would be 1.8%

Exhibit 10: Total ECL provisions stood ~225bp of EAD



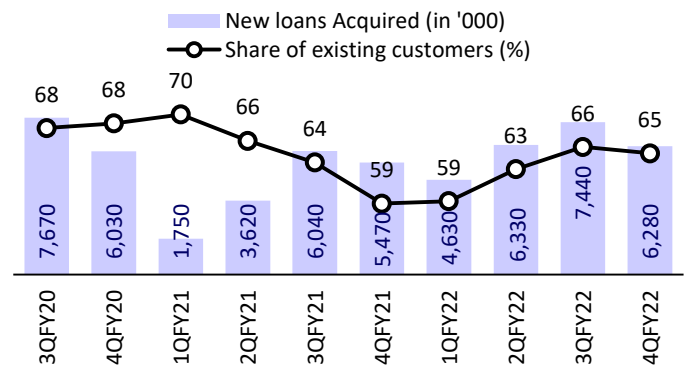
Source: MOFSL, Company

Exhibit 11: New customer additions slowed in 4QFY22



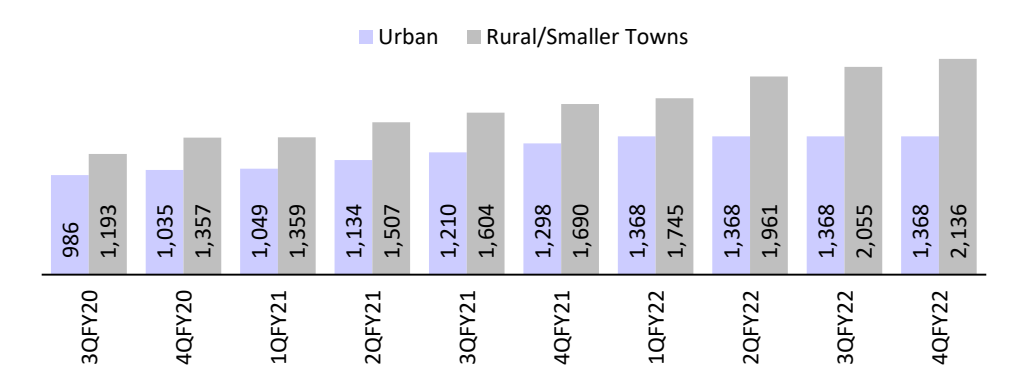
Source: MOFSL, Company

Exhibit 12: Share of existing customers in new loans booked stable ~65%



Source: MOFSL, Company

Exhibit 13: Trend in branch expansion: Additions primarily in rural/smaller towns in FY22



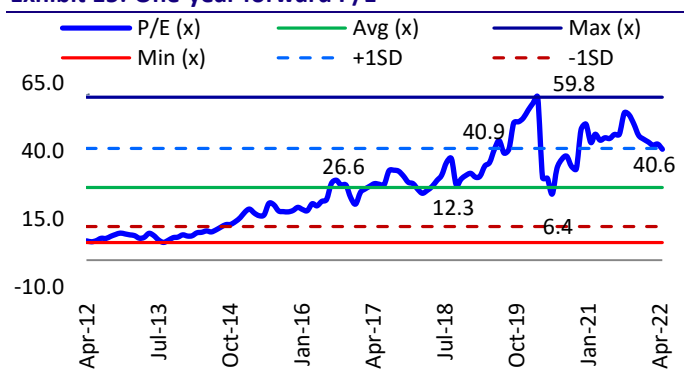
Source: MOFSL, Company

Exhibit 14: Cut our FY23/FY24 EPS estimate by ~4% each to factor in margin compression and a higher OPEX ratio

INR b	Old estimate			New estimate			Change (%)		
	FY22E	FY23E	FY24E	FY22A	FY23E	FY24E	FY22	FY23E	FY24E
NII	179.0	224.4	273.7	175.2	218.0	264.0	-2.1	-2.8	-3.6
Other operating Income	41.4	44.4	51.5	43.6	46.4	53.9	5.4	4.5	4.6
Other Income	0.1	0.1	0.1	0.1	0.1	0.1			
Total Income	220.5	268.9	325.4	218.9	264.5	318.0	-0.7	-1.6	-2.3
Operating Expenses	76.6	92.8	110.6	75.8	93.6	110.0	-0.9	0.9	-0.5
Operating Profit	143.9	176.1	214.8	143.1	170.9	208.0	-0.6	-2.9	-3.2
Provisions	48.7	37.2	34.6	48.0	37.2	34.9	-1.3	0.1	0.7
PBT	95.3	138.8	180.2	95.0	133.7	173.1	-0.3	-3.7	-3.9
Tax	24.8	36.1	46.8	24.8	34.8	45.0	-0.1	-3.7	-3.9
PAT	70.5	102.7	133.3	70.3	98.9	128.1	-0.3	-3.7	-3.9
Loans	1,915	2,375	2,945	1,914	2,393	2,967	-0.1	0.7	0.7
Borrowings	1,666	2,031	2,489	1,652	2,070	2,552	-0.8	1.9	2.5
RoA	3.7	4.3	4.6	3.7	4.2	4.4			
RoE	17.8	21.6	22.8	17.5	20.6	22.2			

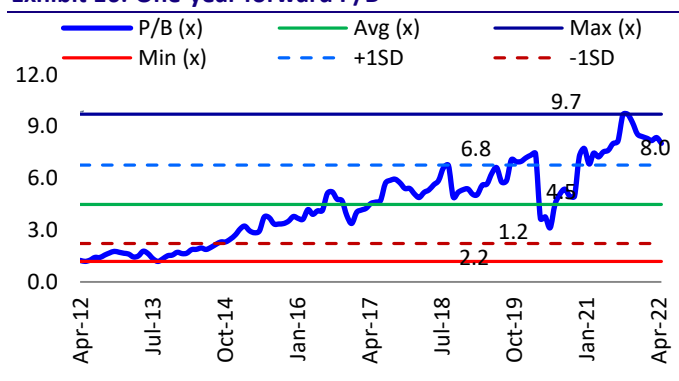
Source: MOFSL, Company

Exhibit 15: One-year forward P/E



Source: MOFSL, Company

Exhibit 16: One-year forward P/B



Source: MOFSL, Company

Financials and valuations

Income Statement									INR b
Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	65.5	87.1	115.9	163.5	229.7	233.0	272.7	344.6	423.4
Interest Expended	29.3	38.0	46.1	66.2	94.7	94.1	97.5	126.6	159.4
Net Interest Income	36.2	49.0	69.7	97.3	135.0	138.9	175.2	218.0	264.0
Change (%)	37.0	35.4	42.2	39.5	38.8	2.9	26.2	24.4	21.1
Other Operating Income	7.5	12.7	11.6	21.4	34.0	33.6	43.6	46.4	53.9
Other Income	0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net Income	44.1	62.0	81.4	118.8	169.1	172.7	218.9	264.5	318.0
Change (%)	39.0	40.7	31.3	45.9	42.4	2.1	26.8	20.8	20.2
Operating Expenses	19.0	25.6	32.7	42.0	56.6	53.1	75.8	93.6	110.0
Operating Profit	25.1	36.4	48.7	76.8	112.5	119.6	143.1	170.9	208.0
Change (%)	44.0	45.0	34.1	57.6	46.5	6.3	19.6	19.5	21.7
Provisions and W/Offs	5.4	8.2	10.3	15.0	39.3	59.7	48.0	37.2	34.9
PBT	19.6	28.2	38.4	61.8	73.2	59.9	95.0	133.7	173.1
Tax	6.9	9.8	13.5	21.8	20.6	15.7	24.8	34.8	45.0
Tax Rate (%)	34.9	34.8	35.0	35.3	28.1	26.2	26.0	26.0	26.0
PAT	12.8	18.4	25.0	39.9	52.6	44.2	70.3	98.9	128.1
Change (%)	42.4	43.6	35.9	60.0	31.8	-16.0	59.0	40.7	29.5
Proposed Dividend	1.6	2.5	2.8	4.3	7.3	6.0	12.1	14.1	19.7

Balance Sheet									INR b
Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Capital	0.5	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Reserves and Surplus (excluding OCI)	73.7	89.4	157.4	195.8	323.0	363.2	435.9	520.7	629.0
Net Worth	74.3	90.5	158.6	197.0	324.2	364.4	437.1	521.9	630.2
OCI	0.0	0.0	-0.1	0.0	-0.9	-1.2	0.0	0.0	0.0
Net Worth (Including OCI)	74.3	90.5	158.5	197.0	323.3	363.2	437.1	521.9	630.2
Change (%)	54.7	21.9	75.1	24.3	64.1	12.3	20.4	19.4	20.8
Borrowings	370.2	508.9	665.6	1,015.9	1,298.1	1,316.5	1,652.3	2,069.8	2,551.7
Change (%)	38.7	37.5	30.8	52.6	27.8	1.4	25.5	25.3	23.3
Other liabilities	25.2	19.9	23.9	29.5	22.6	35.6	35.6	40.9	47.1
Total Liabilities	469.7	619.4	848.0	1,242.3	1,643.9	1,715.3	2,125.1	2,632.6	3,229.0
Investments	10.3	41.3	31.4	86.0	175.4	184.0	122.5	122.5	122.5
Change (%)	211.2	299.5	-24.0	173.9	104.0	4.9	-33.4	0.0	0.0
Loans	438.3	564.0	800.0	1,137.1	1,428.0	1,466.9	1,914.2	2,392.8	2,967.1
Change (%)	40.5	28.7	41.8	42.1	25.6	2.7	30.5	25.0	24.0
Other assets	21.1	14.1	16.6	19.2	40.5	64.4	88.4	117.4	139.5
Total Assets	469.7	619.4	848.0	1,242.3	1,643.9	1,715.3	2,125.1	2,632.6	3,229.0

E: MOFSL estimates

Financials and valuations

Ratios	(%)								
Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Spreads Analysis (%)									
Yield on Advances	17.5	17.4	17.0	16.9	17.9	16.1	16.1	16.0	15.8
Cost of borrowings	9.2	8.7	7.9	7.9	8.2	7.2	6.6	6.8	6.9
Interest Spread	8.3	8.7	9.1	9.0	9.7	8.9	9.6	9.2	8.9
Net Interest Margin	9.7	9.8	10.2	10.0	10.5	9.6	10.4	10.1	9.9
Profitability Ratios (%)									
Cost-to-Income ratio	43.1	41.4	40.1	35.3	33.5	30.7	34.6	35.4	34.6
Empl. Cost/Op. Exps.	33.2	36.3	43.9	46.2	45.0	47.0	47.3	47.9	48.9
RoE	20.9	22.3	20.0	22.5	20.2	12.8	17.5	20.6	22.2
RoA	3.2	3.4	3.4	3.8	3.6	2.6	3.7	4.2	4.4
Asset quality (%)									
GNPA	5.4	9.8	11.6	18.0	23.6	27.3	31.8	41.9	49.5
NNPA	1.2	2.6	3.5	7.3	9.4	11.4	13.7	16.8	19.8
GNPA (%)	1.2	1.7	1.4	1.6	1.6	1.8	1.6	1.7	1.6
NNPA (%)	0.3	0.5	0.4	0.6	0.7	0.8	0.7	0.7	0.7
PCR (%)	77.2	74.0	69.6	59.7	60.3	58.4	57.0	60.0	60.0
Capitalization (%)									
CAR	19.5	19.5	24.0	20.7	25.0	28.3	23.4	22.4	21.8
Tier I	16.1	13.3	18.4	16.3	21.3	25.1	21.3	20.7	20.6
Tier II	3.4	6.2	5.5	4.4	3.7	3.2	2.2	1.7	1.3
Average Leverage on Assets (x)	6.5	6.6	5.9	5.9	5.5	4.9	4.8	5.0	5.1
Valuation									
Book Value (INR)	138.7	165.5	275.7	341.4	540.3	605.7	724.6	865.1	1,044.7
Price-to-BV (x)					13.4	12.0	10.0	8.4	6.9
EPS (INR)	23.9	33.6	43.4	69.3	87.7	73.5	116.5	164.0	212.3
EPS Growth (%)	33.0	40.7	29.2	59.6	26.7	-16.3	58.6	40.7	29.5
Price-to-Earnings (x)					82.5	98.6	62.2	44.2	34.1
Dividend per Share (INR)	2.5	3.6	4.0	6.0	10.0	10.0	20.0	23.5	32.8
Dividend Yield (%)					0.1	0.1	0.3	0.3	0.5

E: MOFSL estimates

NOTES

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Investment Rating	Expected return (over 12-month)
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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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