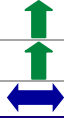


Bajaj Finance

Estimate change

TP change

Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Bloomberg	BAF IN
Equity Shares (m)	602
M.Cap.(INRb)/(USD\$)	3871 / 48.4
52-Week Range (INR)	8044 / 5236
1, 6, 12 Rel. Per (%)	9/-4/-4
12M Avg Val (INR M)	9128

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Net Income	219	270	327
PPP	143	174	214
PAT	70	105	129
EPS (INR)	116	173	213
EPS Gr. (%)	59	49	23
BV/Sh. (INR)	716	864	1,045
Ratios			
NIM (%)	10.4	10.0	9.8
C/I ratio (%)	34.6	35.6	34.5
RoA (%)	3.7	4.4	4.3
RoE (%)	17.7	22.0	22.3
Payout (%)	8.6	14.3	15.4
Valuations			
P/E (x)	54.9	36.9	30.0
P/BV (x)	8.9	7.4	6.1
Div. Yield (%)	0.3	0.4	0.5

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	55.9	55.9	56.0
DII	12.0	11.2	9.3
FIIFII	20.3	21.8	24.2
Others	11.8	11.2	10.4

FII Includes depository receipts

CMP: INR6,394
TP: INR7,320 (+14%)
Buy
Beat on earnings; momentum to only get stronger from hereon
Provided an ambitious guidance of doubling the AUM by FY25

- Bajaj Finance (BAF)'s 1QFY23 PAT grew 160% YoY/7% QoQ to ~INR26b (17% beat). The company posted a healthy operational performance driven by robust customer additions, new loan acquisitions and strong velocity aided by its omni-channel strategy and digital ecosystem.
- NIM (calculated) expanded ~40bp QoQ to 13.2% supported by a ~15bp QoQ decline in the cost of borrowings. We, however, estimate NIM to contract ~40bp YoY in FY23 due to BAF's limited ability to pass on the increase in borrowing costs against a large fixed-rate loan book and an absence of significant IPO financing (under the new RBI guidelines).
- GS3/NS3 improved ~35bp/~15bp QoQ to 1.25%/0.5%, respectively. OTR book classified under Stage 2 stood at INR4.74b (~23bp of AUM) and BAF carried provisions of ~INR1.1b (~23%) on this book in 1QFY23.
- We model an AUM CAGR of ~26% and PAT CAGR of 35% and expect BAF to deliver an RoA/RoE of 4.4%/22% in FY24E, respectively. We would remain watchful of the various developments on BAF's payment offerings and potential foray into the credit card business. **Reiterate BUY with a TP of INR7,320 (premised on 7x FY24E BVPS).**

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

- BAF's customer franchise rose to 60.3m (up 5% QoQ and 20% YoY). New loans booked grew 60% YoY to 7.4m (on a low base hurt by Covid). The number of new loans booked should be seen in the context of the strategic decision of BAF to originate a lower quantum of REMI and short-term wallet loans. Management guided for 9-10m new customer acquisition run-rate in FY23E.
- Core AUM (adjusted for IPO financing) increased ~INR119b in 1QFY23 and was up 31% YoY/6% QoQ to INR2.04t. Sequentially, growth was driven by Consumer B2B (+5%), Consumer B2C (+6%), Rural (+10%), SME (+6%) and Mortgages (6%). Auto Finance (-2% QoQ) and complete absence of IPO financing receivables were the drags in the quarter.

Opex to remain elevated in FY23E led by investments in technology and human capital

- Management guided for an Opex-to-NII of 35%-36% in FY23 due to investments in technology and aggressive onboarding of the talent pool across multiple domains (particularly in payments).
- Opex-to-NII ratio stood at ~36% in 1QFY23. We believe that the opex ratio will continue to remain elevated in FY23-FY24 as BAF invests in building capabilities for its payments ecosystem along with associated sales promotion/customer acquisition expenses.

Strong risk management underpinning healthy asset quality performance

- GS3/NS3 declined ~35bp/17bp QoQ to 1.25%/0.5%. PCR on S3 loans improved ~2pp QoQ to ~60%. GS3/NS3 levels were the best-ever in the past six years.
- Credit costs stood at ~150bp (annualized) and included the impact of INR1.9b towards one large B2B commercial account that was written-off in 1QFY23. Management guided for credit costs of 1.35%-1.45% (of average assets) in FY23.

Highlights from the management commentary

- BAF in its AGM guided that it would target an AUM of INR3.8-4.0t by FY25E.
- Management expects to deliver RoA higher than the guidance of 4.5% in FY23.
- BAF is already carrying out used-car financing and it will launch the new auto loan business in FY24; however, it will not venture into CV Finance.

Valuation and view: Omni-channel and digital ecosystem will reap rewards

- Customer acquisitions and new loans trajectory have been strong and the momentum will only get stronger from hereon with the digital ecosystem – app, web platform and the full-stack payment offerings – in place.
- We expect BAF to be able to deliver a healthy AUM CAGR of ~26% over FY22-FY24. Even though the management guided that it will prioritize margins over loan growth, we believe that NIM compression is likely in FY23 given that levers on borrowing costs have largely played out and it has limited ability to pass on the higher cost of funds on a large fixed-rate book.
- We increase our FY23E/FY24E PAT by 10%/4% to factor in higher fee income and lower credit costs. BAF should deliver an RoA/RoE of 4.4%/22% over the medium term. **Reiterate BUY with a TP of INR7,320 (premised on 7x FY24E BVPS).**
- Key things to watch out for in FY23E: a) evolution of its payments landscape and traction therein; b) velocity on the consumer app and the progress on the envisaged web platform; c) potential foray into credit card business from its own balance sheet and d) margin trajectory.


Quarterly Performance

(INR m)

Y/E March	FY22				FY23E				FY22	FY23E	1QFY23E	Act V/s Est
	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23				
Interest Income	59,542	66,873	72,623	73,659	79,197	83,949	89,825	96,827	2,72,698	3,49,797	77,342	2
Interest expenses	22,536	23,976	25,345	25,626	26,451	28,832	31,427	45,155	97,482	1,31,865	27,676	-4
Net Interest Income	37,007	42,898	47,277	48,034	52,745	55,117	58,398	51,672	1,75,215	2,17,932	49,667	6
YoY Growth (%)	12.3	26.0	40.7	25.1	42.5	28.5	23.5	7.6	26.2	24.4	34.2	
Other Operating Income	7,888	10,447	12,728	12,643	13,630	12,670	12,854	13,077	43,707	52,231	10,646	28
Net Income	44,895	53,345	60,005	60,677	66,376	67,786	71,253	64,749	2,18,922	2,70,163	60,313	10
YoY Growth (%)	8.1	28.2	39.7	30.2	47.8	27.1	18.7	6.7	26.8	23.4	34.3	
Operating Expenses	13,733	20,297	20,814	21,006	23,801	24,753	25,743	21,816	75,850	96,113	21,847	9
Operating Profit	31,162	33,048	39,192	39,671	42,575	43,033	45,509	42,933	1,43,072	1,74,050	38,466	11
YoY Growth (%)	4.0	9.9	34.9	29.9	36.6	30.2	16.1	8.2	19.6	21.7	23.4	
Provisions and Cont.	17,503	13,003	10,512	7,016	7,547	8,076	8,479	8,539	48,034	32,641	8,419	-10
Profit before Tax	13,659	20,045	28,680	32,655	35,028	34,958	37,030	34,394	95,038	1,41,410	30,047	17
Tax Provisions	3,634	5,235	7,427	8,460	9,065	9,089	9,628	8,985	24,756	36,767	7,812	16
Net Profit	10,025	14,810	21,253	24,195	25,963	25,869	27,402	25,410	70,282	1,04,643	22,235	17
YoY Growth (%)	4.2	53.5	85.5	79.7	159.0	74.7	28.9	5.0	59.0	48.9	121.8	
Key Operating Parameters (%)												
Fees to Net Income Ratio	17.6	19.6	21.2	20.8	20.5	18.7	18.0	20.2	20.0	19.3		
Credit Cost	4.67	3.31	2.51	1.53	1.55	1.60	1.59	1.47	2.84	1.5		
Cost to Income Ratio	30.6	38.0	34.7	34.6	35.9	36.5	36.1	33.7	34.6	35.6		
Tax Rate	26.6	26.1	25.9	25.9	25.9	26.0	26.0	26.1	26.0	26.0		
Balance Sheet Parameters												
AUM (INR B)	1,591	1,669	1,813	1,975	2,040	2,122	2,270	2,508	1,975	2,040		
Change YoY (%)	15.2	21.8	26.3	29.1	28.3	27.1	25.3	27.0	29.1	28.3		
Loans (INR B)	1,531	1,608	1,748	1,914	1,984	2,058	2,202	2,431	1,914	1,984		
Change YoY (%)	15.7	22.0	26.7	30.5	29.5	28.0	26.0	27.0	30.5	29.5		
Borrowings (INR B)	1,333	1,450	1,540	1,652	1,721	1,790	1,915	2,115	1,652	1,721		
Change YoY (%)	10.1	16.1	24.1	25.5	29.1	23.4	24.3	28.0	25.5	29.1		
Loans/Borrowings (%)	114.9	110.9	113.5	115.9	115.3	115.0	115.0	114.9	115.9	115		
Asset Quality Parameters (%)												
GS 3 (INR B)	47.4	41.0	31.1	31.3	25.4				31.3	39.1		
Gross Stage 3 (% on Assets)	2.96	2.45	1.73	1.60	1.25				1.57	1.56		
NS 3 (INR B)	23.1	18.3	13.8	13.2	10.2				13.1	14.9		
Net Stage 3 (% on Assets)	1.46	1.10	0.78	0.68	0.51				0.69	0.60		
PCR (%)	51.3	55.5	55.6	58.0	59.9				58.0	62.0		
Return Ratios (%)												
ROAA (Rep)	2.8	3.6	5.2	5.2	5.33				3.7	4.4		
ROAE (Rep)	10.8	15.2	21.2	22.8	23.07				17.7	22.0		

E: MOFSL Estimates

Exhibit 1: Features to be rolled out under Phase II

Digital app platform – Phase 2 feature set											
Payments	UPI	Wallet	EMI Card	Credit Card	4-in-1 Payment checkout	Bill Payment	POS terminals	4-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	- Personal Loans (9)	- Home Loan	- Gold Loan(3)	- Prof. Loans (5)	- EMI Card	- Fixed Deposits(6)	- Credit health report (2.0)			
	- Mobile- NTB	- Salaried PL (15)	- LAP	- LAS	- SME Loans (2)	- Health Card	- SDP(2)	- GBS			
	- Lifestyle- NTB		- Sec. Enterprise Loan	- 2-Wheeler & Used Car. (1)	- Medical equipment	- RBL Bank Card	- Loan Against FD				
Rewards	Earn				Burn						
	- Offers	- Cashbacks	- Vouchers	- Merchant Sponsored Vouchers	- Bajaj Coins	- Convert to Cash	- Bill Payment	- Voucher Purchase			
Integrated Voice & Marketing Cloud	Customer Data Platform	Centralized Offer Repository	Multi Channel Orchestration	Multi Dialer Orchestration	One View for Backend Agents	Cloud Telephony Infra for Distributed Sales	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	- Limit & Enhancement	- Loan Stat.	- Invoice	- OD & Adv Pay	- FD Details	- PAN & DOB	- EMI & Flexi			
	- Deposit Info	- Card Status	- Repay Schedule	- LTS & Charge Slip	- Prepay, DD & FC	- Nominee addition	- Mobile & Email ID	- Loan Eligibility			
	- Flexi Loan Info	- Card Block/Unblock	- FD Statement	- App. Form	- GL – Part Release	- Renewal FD	- Address	- Shares & MF Cal			
Engagement Stack(100+)	- Mandate Services	- PIN Change	- NOC	- T & C	- EMI Vault	- TDS Walver	- Bank Details	- FD, SDP & GBS			
	- Mutual Fund	- EMI Card Trx history	- COI (10)	- Sanc Letter & Agmt	- Cash Pick-up 2.0	- Pre-Maturity FD	- Re-KYC	- Mortgage Cal			
			- GDR & FDR	- Form 15G	- Smart Debit 2.0	- Start Stop SDP					
	Travel (7+2)	Entertainment(2)	Food(7 + 5)	Utilities(4)	Shopping (34 + 8)	Gaming (10 + 10)	Health & Fitness (7 + 3)	Education(2)	Other networks (3)	Donate(1+1)	
Phase 1 Phase 2 Sprint 1 Phase 2 Sprint 2/3											

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Source: Company, MOFSL

Exhibit 2: Phase II will focus on new to Bajaj customer journeys, introducing new features and functionalities

Digital app platform – Phase 2 enablers								BAJAJ FINSERV	
Stimulation		Offers and Promotions	Search	Service	Sales	Engagement	Utilities		
Core Components- (23)	Notification Engine	- Dynamic Banners	- Search	- Raise a Request	- 5 Mins Call Back	- Social Share	- Locate Us- Maps		
	- Nudges	- Offers	- Content Streams	- FAQ	- Track and Resume Application	- NPS/Feedback	- QR		
	- Personalization	- Wishlist & Cart	- Geo Search	- Document Centre		- In-App Programs	- Calculators		
		- Segmented Banners					- Expense Manager		
							- PODs (4)		
Channels Data		Structured	Unstructured	Consent based App Data		Contextual Data			
Data	- Web	- Customer Demographics	- Cookies	- Device Info	- Personal Events				
	- Mobile	- Loan & Other Information	- Consent based SMS Data	- Appography					
	- IVR	- Banking & Collections Txns.	- Consent based Email Data	- Contacts Info	- External Events				
	- Dialer	- Financial Services Journey Heatmaps	- Click Streams	- Network Info					
	- Email	- External – Bureau, Acc Agg, etc.		- Location & Phone State					
APIs		600+ Digital APIs							
Loan/Deposit Origination Platform		Loan/ Deposit Booking Platform		Debt Management Platform		Loan/Deposit Service Management Platform			
Core Platform	- Loan/Deposit Sourcing APIs 2.0	- Loan Booking APIs	- Overdue Payment APIs	- Service APIs for Loans 2.0					
	- Journey Workflows 2.0	- Loan Disbursement APIs	- Advance Payment APIs	- Repayment APIs					
	- Journey Business Rules 2.0	- Deposit Booking APIs	- Loan Settlement APIs	- Service APIs for Deposits					
	- Decision Engine								
Core Infrastructure		High Availability (HA) Infrastructure	Disaster Recovery(DR) Infrastructure	Near DR Infrastructure	Cyber Security	Data Security			
Digital & Data Infrastructure		Data Lake	Enterprise Datawarehouse	Change Data Mgmt	APIs / Micro Services	Kubernetes	TechOps		
- Projected Cumulative addition of 1400+ Lateral and Fresh hires in Phase 1 and 2 of Digital Transformation Journey									
New Talent Onboarded	150+ UI/UX , Content Management, & Digital Domain specialist	400+ Payment Domain Resources	625+ Engineering Resources	130+ Data Resources	100+ Core Platform & Infra Resources				
Phase 1		Phase 2 Sprint 1	Phase 2 Sprint 2/3	There are 15 stacks and 117 features and components.					
64									

Source: Company, MOFSL

Exhibit 3: Omni-channel strategy key metrics and FY23 estimates

Omnipresence strategy - Key metrics					BAJAJ FINANCE LIMITED
Particulars	Unit	Q4 FY22	Q1 FY23	FY23 estimates	
Geography					
New locations added - in the quarter	#	81	82	400-450	
Locations - Cumulative	#	3,504	3,586	3,900-3,950	
Gold loan branches - Cumulative	#	132	155	232	
App Metrics					
Downloads - In the quarter	# in MM	5.83	11.01	53-55	
Net Installs - Cumulative	# in MM	19.1	23.0	35-38	
In-App programs - Cumulative	#	48	62	100+	
App Payments metrics					
Wallet accounts - Cumulative	# in MM	6.44	8.91	18.50	
UPI handles - Cumulative	# in MM	1.66	3.61	12	
Bill pay transactions - in the quarter	# in MM	1.36	2.06	12	
QR deployment at merchant PoS - Cumulative	# in '000	-	18	100	
Rewards issued - In the quarter	# in MM	0.75	4.8	20-22	

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Source: Company, MOFSL

Exhibit 4: Omni-channel strategy key metrics and FY23 estimates

Omnipresence strategy - Key metrics					BAJAJ FINANCE LIMITED
Particulars	Unit	Q4 FY22	Q1 FY23	FY23 estimates	
App business metrics					
Digital EMI card acquisition - In the quarter	# in '000	12	69	300-325	
Personal loan disbursement - In the quarter	In ₹ cr	1,800	2,109	9,000-10,000	
Credit card acquisition - In the quarter	# in '000	29	30	175-200	
Flexi loan transactions - In the quarter	# in '000	780	866	3.6-3.8 MM	
DMS receipts - In the quarter	# in '000	385	644	3.0-3.2 MM	
Marketplace metrics					
Bajaj Mall visits - In the quarter	# in MM	36.9	31.8	140-150	
Bajaj Mall loans - In the quarter	# in '000	526	645	2.6-2.8 MM	
Insurance Bazaar policies sold - In the quarter	# in '000	-	9.5	250-275	
Investments Bazaar MF A/C - In the quarter	# in '000	-	10	100-110	
Digital EMI card metrics					
Digital EMI card acquisition - In the quarter	# in '000	455	522	2.0-2.2 MM	
Digital EMI card acquisition - In the CIF	# in MM	1.8	2.3	3.8-4.0	
B2B loans from digital EMI cards - in the quarter	# in '000	234	227	1.0-1.2 MM	

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Source: Company, MOFSL



Highlights from the management commentary

Business Updates

- On track to go fully digital across all products and services by Jan'23 and on the web platform by Mar'23.
- Launched non-captive 2W market place. Expects to book 3K-3.5K 2W loans in the first month from the 2W market place.
- Product mix is largely the same except for auto finance which declined to 5% (v/s 7% YoY)

Asset quality

- Flow basis credit costs was INR6.25b (excluding the utilization of management overlay and one-off of a large B2B commercial account)
- On portfolio credit quality, 10 portfolios are green and 1 is yellow (2W and 3W).

Omnipresence

- 11m app downloads during the quarter and total net installs (cumulative) stood at 23m. Expects 35-38m customers on the consumer app by Mar'23
- Loans originated through Bajaj Mall (EMI Store) - INR15b [645K loans with average ticket size of INR23K]

Digital EMI Card

- Activation rates on EMI Cards on a 12-month basis would be higher than the activation rate of credit cards.
- 60% of the Digital EMI Card customers are paying INR550/- annual fees for the card.
- From a 12 month vintage, it sees 45%-50% activation rates in Digital EMI Card.

Guidance

- Company will continue to focus on margins and growth in that order.
- Opex to NII will remain elevated between 35.5-36.0% in 2QFY23 and then it should start moderating from 3QFY23 onwards
- Write-offs (other than the one-offs) have remained flattish. Guided that credit costs should be similar to or lower than what it delivered in FY18-19
- Expects INR500-540b of core AUM growth in FY23
- Company in its AGM guided that it would reach INR3.8-4.0tn in AUM by FY25
- Expects to deliver RoA higher than the guidance of 4.7% in FY23.
- BAF is already doing used-car financing business and it will launch new auto loan business in FY24 as well but it will not venture into CV Finance.

BHFL (Housing Finance)

- AUM was up 40% at INR574.3b. Home Loans AUM grew by 41%, LAP grew by 33%, LRD by 43% and Developer Finance grew by 68%
- Total equity infusion of INR75b in BHFL and it is now well capitalized for INR1tn in AUM

Gold Loans

- BAF has 155 standalone gold loan branches; it will add another 75 standalone gold loan branches in this fiscal and expects 232 gold branches by Mar'23

- Gold loans are not dilutive to the return profile of Bajaj Finance and the company guided that it can be a reasonably large business over the next 3-4 years.

Credit Cards

- Deep strategic partnership with RBL Bank and remains committed to the partnership. Kicked off the DBS partnership and booking around 9K-10K accounts per month and expects to exit with 30-40K accounts per month

Housing Finance

- Risk profile is structurally different. Even through the pandemic, when offices were shut even then the asset quality performance of the LRD was very good.
- Within Developer Finance (DF), it will remain in the ticket size of INR250-500m. Only for select developer loans, it will be go up to INR1.0b-1.2b
- Assignment income of INR1.1b based on assignment of INR9.5b LAP portfolio

SME Lending business

- MSME with customers having turnover between INR20m-INR150m; 60-70% traders and remaining are manufacturers. This business is being done in 1800+ cities in India

Liabilities

- Banks are taking time in passing on increase in MCLR since the savings/fixed deposits interest rates have not gone up. Incrementally, banks are more receptive to doing MCLR-linked loans.

Yields and Margins

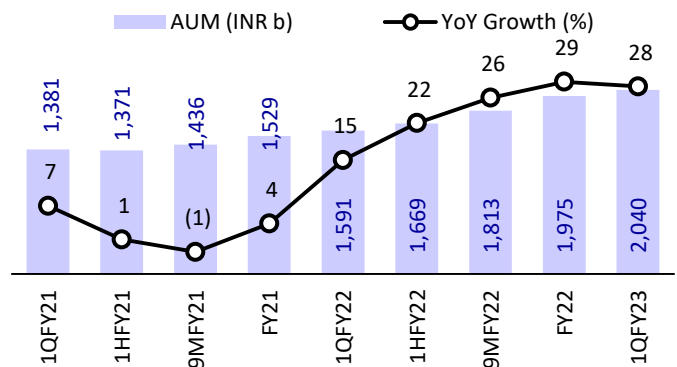
- BAF took four interest-rate hikes and it has increased deposit rates by 55-75bp depending on the maturity.
- Increased interest rates by 25-40bp for all the incremental acquisitions;

Others

- BAF had 35,400 employees as on Mar'22. There was an addition of 2400 employees in 1QFY23.
- BAF still has 65%-68% manufacture subvention pool in CD and 55-57% manufacture subvention pool in digital. No material change has been seen in this recently.

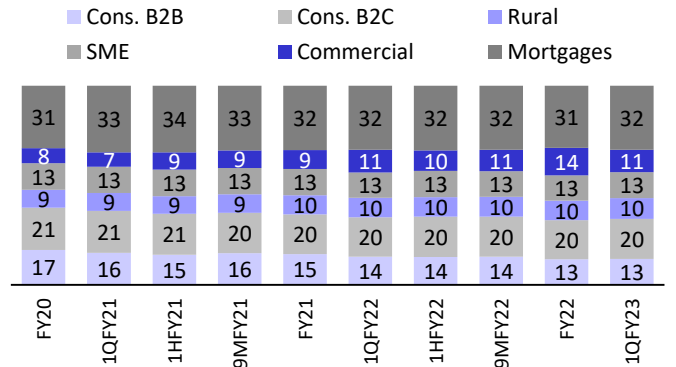
Story in charts

Exhibit 5: AUM growth healthy at 28% YoY, likely to sustain at ~25-26% over FY23-FY24 (%)



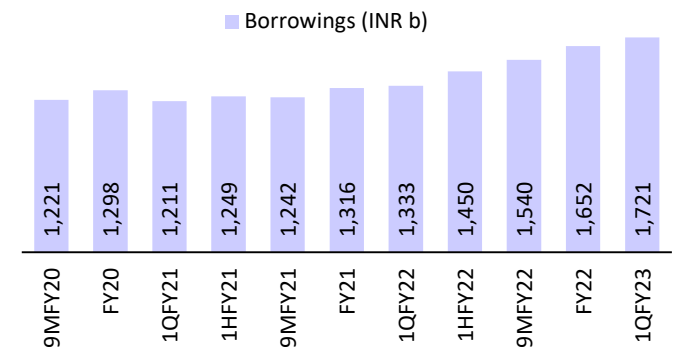
Source: MOFSL, Company

Exhibit 6: AUM mix was largely stable except for absence of IPO financing and lower proportion of auto finance (%)



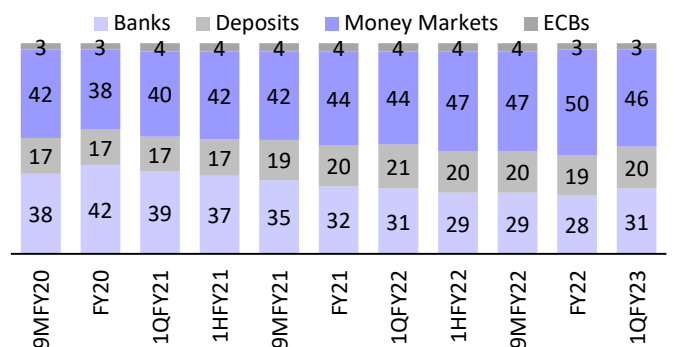
Source: MOFSL, Company

Exhibit 7: Surplus liquidity increased to ~INR115b leading to growth in borrowings



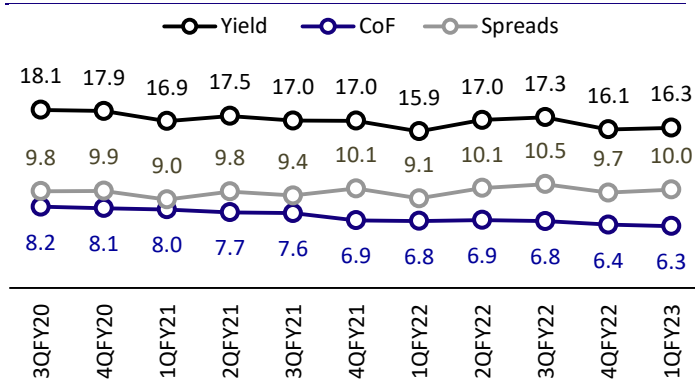
Source: MOFSL, Company

Exhibit 8: Bank borrowings increasing in a rising interest rate environment (%)



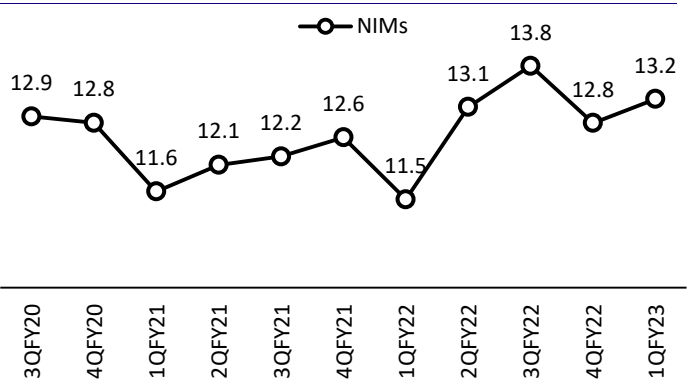
Source: MOFSL, Company

Exhibit 9: Lower CoF led to expansion in spreads

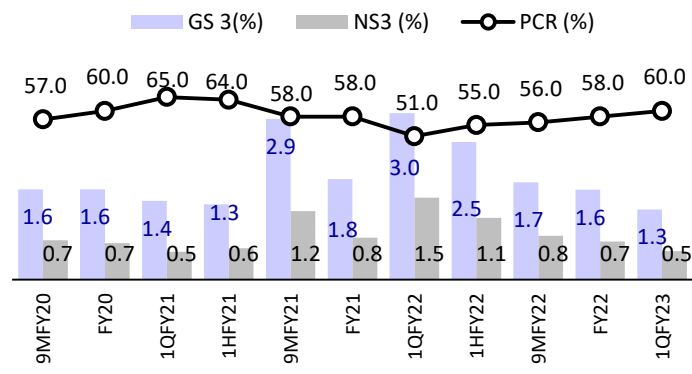


Source: MOFSL, Company

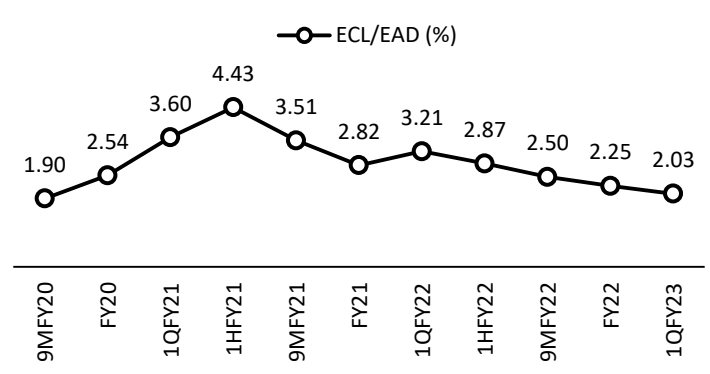
Exhibit 10: Margin (calculated) up 40bp QoQ



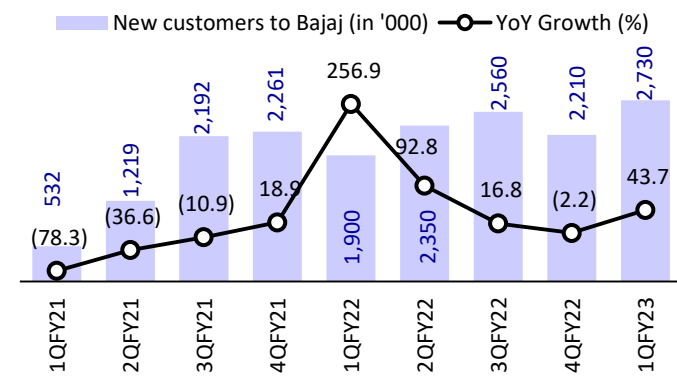
Source: MOFSL, Company

Exhibit 11: PCR on S3 increased 200bp QoQ to 60%

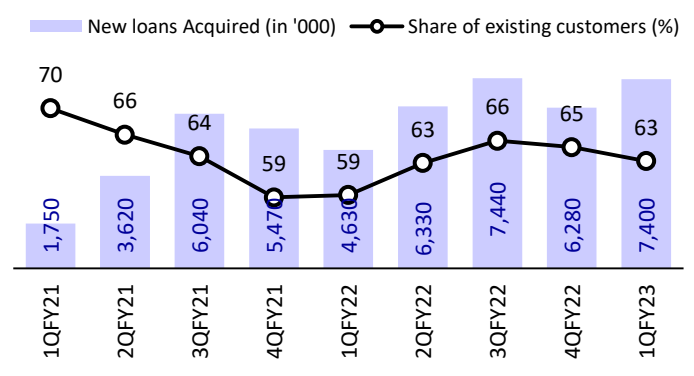
Source: MOFSL, Company; Note: Without SC dispensation, GNPA ratio would be 1.8%

Exhibit 12: Total ECL provisions stood ~200bp of EAD

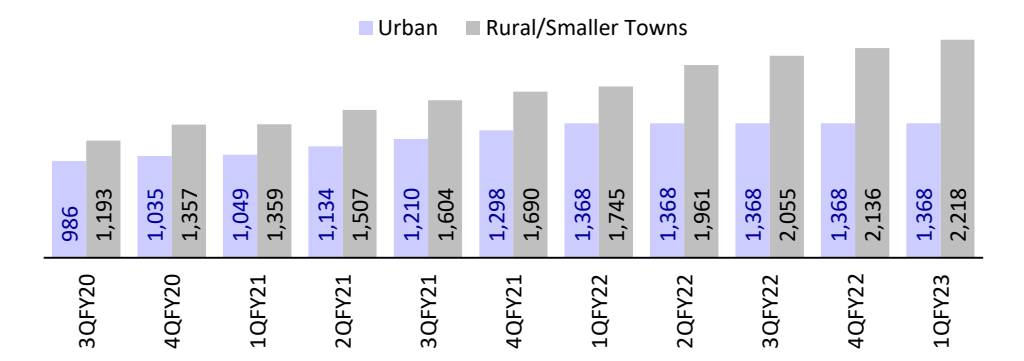
Source: MOFSL, Company

Exhibit 13: Quarterly new customer addition run-rate at historical high

Source: MOFSL, Company

Exhibit 14: Share of existing customers in new loans booked declined to ~63%

Source: MOFSL, Company

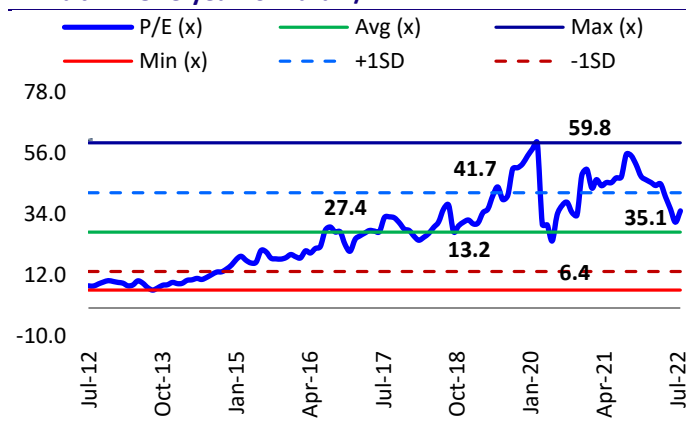
Exhibit 15: Trend in branch expansion: Additions primarily in rural/smaller towns

Source: MOFSL, Company

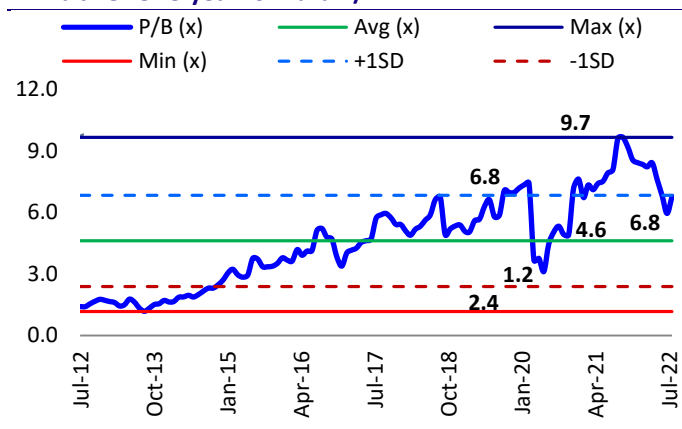
Exhibit 16: Increase our FY23/FY24E EPS estimate by ~10%/4% to factor in higher fee income and lower credit costs

INR B	Old Est.		New Est.		% Change	
	FY23	FY24	FY23	FY24	FY23	FY24
NII	216.0	263.5	217.9	270.1	0.9	2.5
Other operating Income	46.4	53.9	52.1	57.2	12.3	6.2
Other Income	0.1	0.1	0.1	0.1		
Total Income	262.6	317.5	270.2	327.4	2.9	3.1
Operating Expenses	92.0	108.1	96.1	113.0	4.5	4.5
Operating Profits	170.6	209.4	174.1	214.4	2.0	2.4
Provisions	42.3	41.6	32.6	40.5	-22.8	-2.7
PBT	128.3	167.7	141.4	173.9	10.2	3.7
Tax	33.4	43.6	36.8	45.2	10.2	3.7
PAT	95.0	124.1	104.6	128.7	10.2	3.7
Loans	2,393	2,967	2,431	3,063	1.6	3.2
Borrowings	2,082	2,581	2,115	2,665	1.6	3.2
RoA	4.0	4.2	4.4	4.3		
RoE	20.1	21.9	22.0	22.3		

Source: MOFSL, Company

Exhibit 17: One-year forward P/E

Source: MOFSL, Company

Exhibit 18: 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	349.8	450.5
Interest Expended	29.3	38.0	46.1	66.2	94.7	94.1	97.5	131.9	180.4
Net Interest Income	36.2	49.0	69.7	97.3	135.0	138.9	175.2	217.9	270.1
Change (%)	37.0	35.4	42.2	39.5	38.8	2.9	26.2	24.4	23.9
Other Operating Income	7.5	12.7	11.6	21.4	34.0	33.6	43.6	52.1	57.2
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	270.2	327.4
Change (%)	39.0	40.7	31.3	45.9	42.4	2.1	26.8	23.4	21.2
Operating Expenses	19.0	25.6	32.7	42.0	56.6	53.1	75.8	96.1	113.0
Operating Profits	25.1	36.4	48.7	76.8	112.5	119.6	143.1	174.1	214.4
Change (%)	44.0	45.0	34.1	57.6	46.5	6.3	19.6	21.7	23.2
Provisions and W/Offs	5.4	8.2	10.3	15.0	39.3	59.7	48.0	32.6	40.5
PBT	19.6	28.2	38.4	61.8	73.2	59.9	95.0	141.4	173.9
Tax	6.9	9.8	13.5	21.8	20.6	15.7	24.8	36.8	45.2
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	104.6	128.7
Change (%)	42.4	43.6	35.9	60.0	31.8	-16.0	59.0	48.9	23.0
Proposed Dividend	1.6	2.5	2.8	4.3	7.3	6.0	6.0	15.0	19.8

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 & Surplus (Ex OCI)	73.7	89.4	157.4	195.8	323.0	363.2	430.6	520.3	629.2
Net Worth	74.3	90.5	158.6	197.0	324.2	364.4	431.8	521.5	630.4
OCI	0.0	0.0	-0.1	0.0	-0.9	-1.2	-0.7	-0.7	-0.7
Net Worth (Including OCI)	74.3	90.5	158.5	197.0	323.3	363.2	431.1	520.8	629.7
Change (%)	54.7	21.9	75.1	24.3	64.1	12.3	18.7	20.8	20.9
Borrowings	370.2	508.9	665.6	1,015.9	1,298.1	1,316.5	1,652.5	2,115.0	2,664.9
Change (%)	38.7	37.5	30.8	52.6	27.8	1.4	25.5	28.0	26.0
Other liabilities	25.2	19.9	23.9	29.5	22.6	35.6	41.4	47.6	54.7
Total Liabilities	469.7	619.4	848.0	1,242.3	1,643.9	1,715.3	2,125.1	2,683.4	3,349.4
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	2,431.1	3,063.2
Change (%)	40.5	28.7	41.8	42.1	25.6	2.7	30.5	27.0	26.0
Other assets	21.1	14.1	16.6	19.2	40.5	64.4	88.4	129.9	163.8
Total Assets	469.7	619.4	848.0	1,242.3	1,643.9	1,715.3	2,125.1	2,683.4	3,349.4

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	16.1	16.4
Cost of borrowings	9.2	8.7	7.9	7.9	8.2	7.2	6.6	7.0	7.6
Interest Spread	8.3	8.7	9.1	9.0	9.7	8.9	9.6	9.1	8.9
Net Interest Margin	9.7	9.8	10.2	10.0	10.5	9.6	10.4	10.0	9.8
Profitability Ratios (%)									
Cost/Income	43.1	41.4	40.1	35.3	33.5	30.7	34.6	35.6	34.5
Empl. Cost/Op. Exps.	33.2	36.3	43.9	46.2	45.0	47.0	47.3	48.6	49.6
RoE	20.9	22.3	20.0	22.5	20.2	12.8	17.7	22.0	22.3
RoA	3.2	3.4	3.4	3.8	3.6	2.6	3.7	4.4	4.3
Asset Quality (%)									
GNPA	5.4	9.8	11.6	18.0	23.6	27.3	31.3	39.1	50.6
NNPA	1.2	2.6	3.5	7.3	9.4	11.4	13.1	14.9	17.7
GNPA %	1.2	1.7	1.4	1.6	1.6	1.8	1.6	1.6	1.6
NNPA %	0.3	0.5	0.4	0.6	0.7	0.8	0.7	0.6	0.6
PCR %	77.2	74.0	69.6	59.7	60.3	58.4	58.0	62.0	65.0
Capitalisation (%)									
CAR	19.5	19.5	24.0	20.7	25.0	28.3	27.2	25.4	24.3
Tier I	16.1	13.3	18.4	16.3	21.3	25.1	24.8	23.6	23.0
Tier II	3.4	6.2	5.5	4.4	3.7	3.2	2.5	1.8	1.4
Average Leverage on Assets (x)	6.5	6.6	5.9	5.9	5.5	4.9	4.8	5.0	5.2
Valuation									
Book Value (INR)	138.7	165.5	275.7	341.4	540.3	605.7	715.8	864.4	1,044.9
Price-BV (x)					11.8	10.6	8.9	7.4	6.1
EPS (INR)	23.9	33.6	43.4	69.3	87.7	73.5	116.5	173.5	213.3
EPS Growth (%)	33.0	40.7	29.2	59.6	26.7	-16.3	58.6	48.9	23.0
Price-Earnings (x)					72.9	87.0	54.9	36.9	30.0
Dividend per Share (INR)	2.5	3.6	4.0	6.0	10.0	10.0	20.0	24.9	32.9
Dividend Yield (%)					0.2	0.2	0.3	0.4	0.5

E: MOFSL Estimates

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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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