

Estimate change

TP change

Rating change



Bloomberg	LICHF IN
Equity Shares (m)	505
M.Cap.(INRb)/(USD\$b)	201.8 / 2.4
52-Week Range (INR)	444 / 292
1, 6, 12 Rel. Per (%)	-18/-13/-15
12M Avg Val (INR M)	1150

## Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	55.3	58.7	65.0
PPP	48.0	51.2	56.8
PAT	22.9	28.3	35.5
EPS (INR)	41.6	51.4	64.5
EPS Gr. (%)	-23.3	23.7	25.5
BV/Sh (INR)	448	483	530

## Ratios

NIM (%)	2.3	2.3	2.3
C/I ratio (%)	17.2	16.0	15.6
RoAA (%)	0.9	1.1	1.2
RoE (%)	10.1	11.0	12.7
Payout (%)	20.5	15.6	15.3

## Valuations

P/E (x)	8.8	7.1	5.7
P/BV (x)	0.8	0.8	0.7
Div. Yield (%)	2.3	2.2	2.7

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	45.2	45.2	45.2
DII	20.9	19.2	15.0
FII	20.8	20.7	24.1
Others	13.1	14.9	15.7

FII Includes depository receipts

**CMP: INR367**

**TP: INR460 (+25%)**

**Buy**

## Weak operational performance; asset quality broadly stable

- LICHF reported 2QFY23 PAT of INR3.05b, which grew 23% YoY (but declined 67% QoQ), driven by NIM compression of ~75bp QoQ, elevated cost-income ratio of ~22% (PQ: 12%), and annualized credit costs of ~90bp.
- 2QFY23 NII at INR11.6b was flat YoY (down 28% QoQ), while PPOP at INR9.45b was also flat YoY (but down 35% QoQ). 1HFY23 PAT stood at INR12.3b and grew 207% YoY (PY: INR4b). Disbursements for 1HFY23 stood at INR320b and grew ~29% YoY.
- We have cut our FY23/FY24 EPS estimate by ~13%/6%, respectively, to factor in higher opex, lower NII, and elevated credit costs in FY23. We remain wary of slippages from restructured loans, which can keep credit costs elevated and also result in interest income reversals in 2HFY23.
- LICHF reiterated its guidance of a YoY improvement in NIM in FY23. We model an advances/PAT CAGR of 11%/25% over FY22-24 for a RoA/RoE of 1.2%/13%. We reiterate our Buy rating with a TP of INR460 (0.9x FY24E P/BV).

## NIM compression included few one-offs; spread improved sequentially

- 2QFY23 NIM at ~1.8% declined ~20bp YoY and ~75bp QoQ, driven by a 4% sequential decline in the interest income and CoB increasing ~30bp QoQ. The spread, however, improved to 1.5% as on Sep'22 (v/s 1.4% as on Jun'22).
- Interest income included a modification loss of ~INR2.75b (on a loan pool of ~INR90b), resulting from the conversion of fixed-rate loans to floating rate loans. This conversion was on the back of various customer retention schemes and also the company's endeavor to migrate customers from fixed-rate to floating-rate in a rising interest rate environment. Also, developer loans declined ~INR7.2b sequentially, which led to a ~INR950m loss of interest income from the higher-yielding project loans.
- PLR re-pricing of ~60bp is reflecting in the yields for 2QFY23 and another ~115bp of re-pricing will reflect in the back-book and incremental loans from 3QFY23 onwards. In the absence of any new one-offs, we expect the margins to recover to 2.35%/2.25% in 3Q/4QFY23, respectively.

## Housing disbursements showing some fatigue; Loan growth was steady

- Disbursements in Individual Home loans (IHL) were flat YoY and non-Housing disbursements grew 44% YoY. Builder/Project loan disbursements grew 15% YoY. Total disbursements grew 4% YoY.
- Overall loan-book grew ~10.4% YoY/2.6% QoQ. Home loans grew 15% YoY/3% QoQ, while both LAP and developer book continued to consolidate.

## Retail asset quality improved but developer segment deteriorated

- Headline asset quality was stable with GS3 at 5.0% and NS3 improving ~20bp QoQ to 2.8%. PCR on S3 improved ~3pp QoQ to ~44%. COVID provisions declined to INR5.4b (~20bp of AUM) (PQ: INR6.2b).

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | Parth Desai (Parth.Desai@MotilalOswal.com)

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- GS3 in Individual home loans (IHL) improved to 1.68% (PQ: 1.9%). However, LICHF reported new slippages of INR5.4b in the project segment (out of which ~INR3.5b was slippages from the restructured pool). Exacerbated by a significant decline in the project loan book, GS3 in project loans increased to ~42% (PQ: 35%)
- LICHF took technical write-offs of INR1.9b (on a pool of 950 retail accounts), which were fully provided for under IGAAP.

#### Highlights from the management commentary

- Outstanding OTR pool stood at INR34.7b (1.4%). This pool has still not exited the moratorium window and is therefore classified under the restructured pool. Corporate OTR pool stood at INR20.9b and Retail OTR stood at INR13.7b. The entire OTR pool is now classified under Stage 2.
- The OTR pool has performed better than expectations and the company does not anticipate any significant slippages from this pool.

#### Valuation and View

- LICHF has strong moats in both retail mortgages and on the liability side. However, we remain skeptical on the company's ability to successfully transmit the higher cost of borrowings to its customers. The company has had to resort to several such retention strategies despite banks and the other large HFC peer transmitting the entire repo rate increase to their customers. This could potentially lead to margins structurally stabilizing around ~2.25%.
- The stock's valuation, at 0.7x FY24E P/BV, reflects the volatility in LICHF's reported earnings and the asset quality stress, particularly in its developer book. We expect a RoA/RoE of 1.2%/13% in FY24 and reiterate our **Buy** rating on the stock with a TP of INR460 (based on 0.9x FY24E BVPS).
- **Key downside risks to the target price:** a) Slippages from restructured pool leading to higher credit costs; b) higher interest rates can result in a moderation in demand and potentially higher delinquencies and c) further rise in CoF adversely impacting the NIM.

## Quarterly Performance

(INR M)

Y/E March	FY22				FY23E				FY22	FY23E	2Q FY23E	Act. v/s est. (%)
	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23E	4QFY23E				
Interest Income	48,253	46,734	50,006	51,893	52,502	50,493	58,035	62,254	1,96,885	2,23,284	56,702	-11
Interest Expenses	35,500	35,060	35,460	35,518	36,400	38,864	42,439	46,881	1,41,537	1,64,585	40,040	-3
<b>Net Interest Income</b>	<b>12,753</b>	<b>11,674</b>	<b>14,546</b>	<b>16,375</b>	<b>16,102</b>	<b>11,629</b>	<b>15,595</b>	<b>15,373</b>	<b>55,348</b>	<b>58,700</b>	<b>16,662</b>	-30
YoY Growth (%)	4.5	-5.7	13.6	8.8	26.3	-0.4	7.2	-6.1	5.5	6.1	42.7	
Fees and other income	338	416	698	1,193	407	427	716	731	2,646	2,282	472	-9
<b>Net Income</b>	<b>13,091</b>	<b>12,090</b>	<b>15,244</b>	<b>17,568</b>	<b>16,509</b>	<b>12,056</b>	<b>16,311</b>	<b>16,104</b>	<b>57,994</b>	<b>60,981</b>	<b>17,134</b>	-30
YoY Growth (%)	7.9	-5.7	14.7	11.8	26.1	-0.3	7.0	-8.3	7.5	5.2	41.7	
Operating Expenses	2,815	2,609	2,070	2,500	2,029	2,610	2,505	2,628	9,994	9,771	2,244	16
<b>Operating Profit</b>	<b>10,276</b>	<b>9,481</b>	<b>13,174</b>	<b>15,069</b>	<b>14,481</b>	<b>9,447</b>	<b>13,806</b>	<b>13,476</b>	<b>48,000</b>	<b>51,210</b>	<b>14,890</b>	-37
YoY Growth (%)	-4.5	-15.4	13.5	12.7	40.9	-0.4	4.8	-10.6	2.3	6.7	57.1	
Provisions and Cont.	8,346	6,392	3,556	1,925	3,077	5,658	4,300	3,250	20,218	16,286	4,800	18
<b>Profit before Tax</b>	<b>1,929</b>	<b>3,090</b>	<b>9,619</b>	<b>13,144</b>	<b>11,404</b>	<b>3,789</b>	<b>9,506</b>	<b>10,226</b>	<b>27,782</b>	<b>34,924</b>	<b>10,090</b>	-62
Tax Provisions	395	611	1,945	1,958	2,149	739	1,806	1,942	4,909	6,636	1,917	-61
<b>Net Profit</b>	<b>1,534</b>	<b>2,479</b>	<b>7,673</b>	<b>11,186</b>	<b>9,255</b>	<b>3,050</b>	<b>7,700</b>	<b>8,284</b>	<b>22,873</b>	<b>28,289</b>	<b>8,173</b>	-63
YoY Growth (%)	-81.2	-68.7	5.5	180.4	503.2	23.0	0.4	-25.9	-16.3	23.7	229.7	
<b>Key Operating Parameters (%)</b>												
Yield on loans (Cal)	8.31	7.95	8.32	8.39	8.29	7.80			8.32	8.6		
Cost of funds (Cal)	6.86	6.75	6.68	6.46	6.47	6.78			6.56	7.0		
Spreads (Cal)	1.45	1.20	1.64	1.93	1.81	1.02			1.76	1.6		
Margins (Cal)	2.20	1.99	2.42	2.65	2.54	1.80			2.28	2.2		
Credit Cost (Cal)	1.44	1.09	0.59	0.31	0.49	0.87			0.85	0.6		
Cost to Income Ratio	21.5	21.6	13.6	14.2	12.3	21.6			17.2	16.0		
Tax Rate	20.5	19.8	20.2	14.9	18.8	19.5			17.7	19.0		
<b>Balance Sheet Parameters</b>												
Loans (INR B)	2,325	2,377	2,434	2,511	2,557	2,623			2,453	2717		
Change YoY (%)	10.8	11.4	10.5	8.2	10.0	10.4			7.5	10.8		
Indiv. Disb. (INR B)	84	158	175	189	149	164			605	681		
Change YoY (%)	147.4	35.4	9.2	-10.8	77.0	3.9			15.9	12.5		
Borrowings (INR B)	2,064	2,091	2,158	2,238	2,260	2,329			2,237	2473		
Change YoY (%)	9.6	9.9	10.3	7.8	9.5	11.4			7.6	10.6		
Loans/Borrowings (%)	112.7	113.7	112.8	112.2	113.2	112.6			109.7	109.9		
<b>Asset Quality Parameters</b>												
GS 3 (INR B)	137.9	122.2	122.7	116.5	126.8	128.5			116.5	119.2		
Gross Stage 3 (% on Assets)	5.9	5.1	5.0	4.6	5.0	4.9			4.7	4.3		
NS 3 (INR B)	91.8	69.2	73.9	66.3	75.6	72.3			66.3	66.6		
Net Stage 3 (% on Assets)	4.0	3.0	3.1	2.7	3.0	2.8			2.7	2.4		
PCR (%)	33.5	43.3	39.7	43.1	40.4	43.7			43.1	44.2		
ECL (%)	2.03	2.25	2.35	2.33	2.40	2.49			2.03	2.25		
<b>Loan Mix (%)</b>												
Home loans	78.3	79.3	80.5	81.3	82.0	82.6			78.3	79.3		
LAP	15.0	14.3	13.7	13.5	13.2	12.9			15.0	14.3		
Non Individual loans	6.7	6.5	5.8	5.2	4.8	4.5			6.7	6.5		
<b>Borrowing Mix (%)</b>												
Banks	26.0	27.0	27.4	30.0	33.0	34.0			26.0	27.0		
NCD	55.0	54.0	54.3	53.0	51.0	52.0			55.0	54.0		
Sub Debt	1.0	1.0	0.8	1.0	1.0	1.0			1.0	1.0		
Deposits	9.0	8.0	8.4	8.0	8.0	7.0			9.0	8.0		
NHB	5.0	5.0	4.2	4.0	4.0	4.0			5.0	5.0		
CP	4.0	5.0	4.8	4.0	3.0	2.0			4.0	5.0		

E: MOFSL Estimates



## Highlights from the management commentary

### Opening Remarks

- With RBI increasing the repo rate by 190bp, LICHF increased its retail PLR by ~175bp in FY23-YTD.
- The management reported a sharp decline in the NIM sequentially. The company has been consciously taking up some retention activities.
- Stage 3 stood at 4.9% (v/s 5.1% in 2QFY22). PCR stood at 44% (v/s 43% YoY).

### Margins

- The management reported a sharp decline in 2QFY23 NIM both QoQ/YoY. The company is trying to retain high quality customers and is making conscious effort to move those customers from the fixed-rate regime to a floating-rate regime. There was an upfront discount which was offered to the customers and the underlying thought process was to retain these high-quality customers.
- A pool of INR90b of fixed-rate loans were migrated to floating-rate loans. From that point onwards, it has increased the retail PLR by ~175bp. At current levels, this converted book will have yields of 8.5%.
- Sequential NII decline was on account of a modification loss of INR2.75b (because of the conversion of fixed-rate loans into floating-rate loans), lag in transmission of higher interest rates, and a INR0.95b reduction in the interest income on project loans. There is likely to be a significant increase in interest income in the coming quarters since the ~115bp PLR increase will be reflected in the interest income effective from October 1, 2022.
- For FY23, the company is still confident that it can still deliver a YoY increase in margins.
- The company does not expect any more conversions of fixed-rate customers to floating rate
- 2QFY23 spreads are reflecting a 7bp QoQ expansion (v/s Jun'22). Yields have increased ~47bp and the cost of borrowings has increased by ~40bp.
- Sequentially, there has been a ~INR7.2b decline in the project loans portfolio. This has also led to a decline in the interest income from project loans.

### Asset Quality

- There has been some improvement in the recovery through on-ground collections in retail loans. However, there was some deterioration in the asset quality in project loans.
- Technical write-offs include loans, which have been recorded as NPA for more than four years and have been fully provided for and written-off. Technical write-offs of INR1.9b were taken on 950 retail accounts, which were fully provided for under IGAAP. As per Ind-AS, the company has to pass it through the P&L, irrespective of the fact that they were fully provided for.
- LICHF reported an increase in project GNPA of INR5.4b (out of which ~INR3.5b is slippages from the restructured pool)
- Segmental split of Stage 3: Individual home loans: 1.68% | Non-Housing Commercial (NHC): 22.38% | Non-Housing Individual (NHI): 6.85% | Project/developer NPA: 42.24%

- Outstanding restructured pool of loans stood at INR34.7b (1.4%). This pool has still not exited the moratorium window and is therefore classified under the restructured pool. Corporate OTP pool stood at INR20.93b and Retail stood at INR13.74b. This entire OTR pool is now classified under Stage 2.
- The restructured pool has been stable and the management does not expect any significant slippages.

**Exhibit 1: Stage 3 (%)**

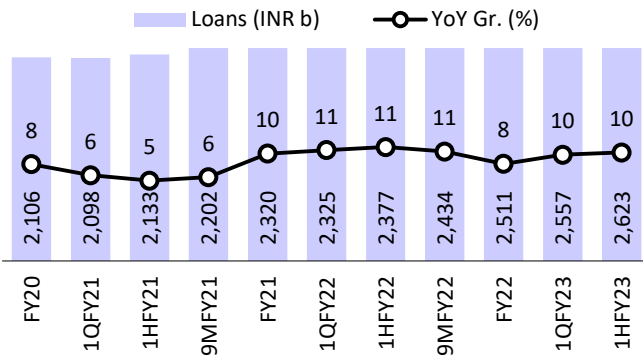
	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Individual Home Loans (IHL)	1.9%	2.6%	2.3%	2.1%	1.7%	1.9%	1.7%
Non-housing commercial (NHC)		18.9%	14.8%	15.9%	18.0%		22.4%
Non-housing individual (NHI)	5.8%	11.0%	9.8%	9.0%	8.1%	11.5%	6.9%
Project loans	18.0%	24.4%	23.9%	27.0%	31.8%	35%	42.2%

**Others**

- Requirement of Tier 1 is 9%. Overall leverage is still substantially within the allowable regulatory limits

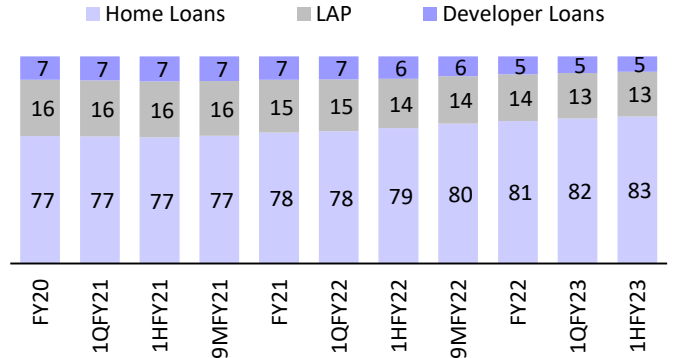
## Story in charts

**Exhibit 2: Loan book up 10% YoY and ~3% QoQ**



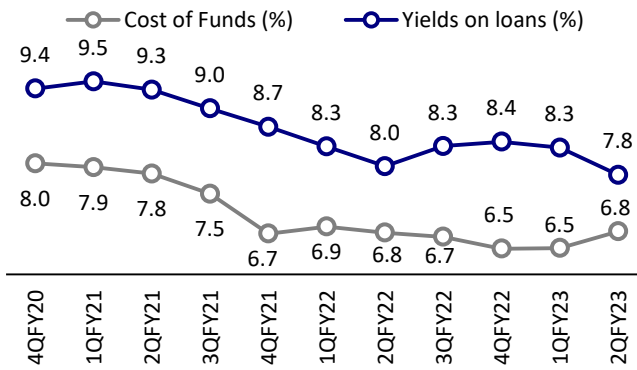
Source: MOFSL, Company

**Exhibit 3: Share of home loans continues to increase (%)**



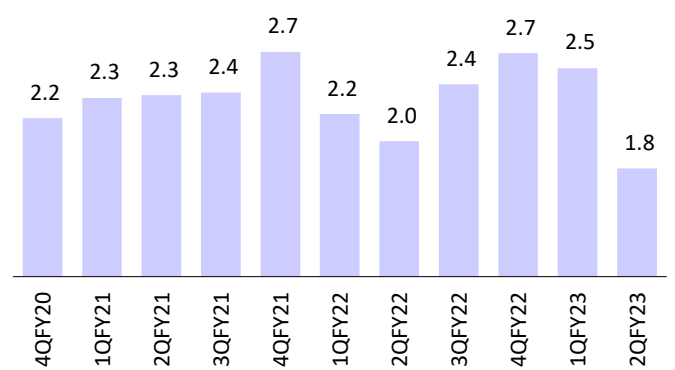
Source: MOFSL, Company

**Exhibit 4: Calculated spreads declined ~80bp QoQ to 1%**



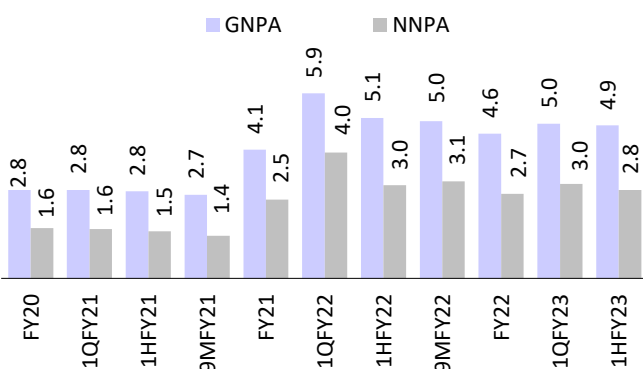
Source: MOFSL, Company

**Exhibit 5: NIMs declined ~70bp QoQ (%)**



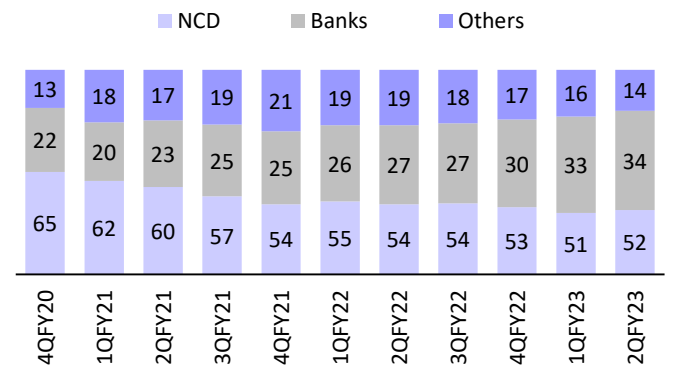
Source: MOFSL, Company

**Exhibit 6: GS3 was stable sequentially (%)**



Source: MOFSL, Company

**Exhibit 7: Proportion of bank term loans and NCD increased in the borrowing mix (%)**



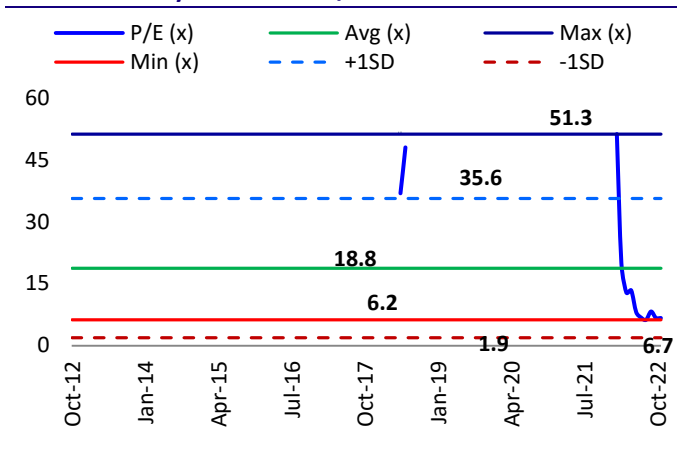
Source: MOFSL, Company

**Exhibit 8: Cut our FY23/FY24 EPS by ~15%/6%, respectively, to factor in higher opex and lower NII**

INR B	Old Est.		New Est.		% Change	
	FY23	FY24	FY23	FY24	FY23	FY24
NII	64.0	68.9	58.7	65.0	-8.2	-5.8
Other Income	2.3	2.3	2.3	2.3		
<b>Net Income</b>	<b>66.3</b>	<b>71.2</b>	<b>61.0</b>	<b>67.2</b>	<b>-8.0</b>	<b>-5.6</b>
Operating Expenses	9.5	10.1	9.8	10.5	3.2	3.5
<b>Operating Profits</b>	<b>56.8</b>	<b>61.1</b>	<b>51.2</b>	<b>56.8</b>	<b>-9.8</b>	<b>-7.1</b>
Provisions	15.5	14.4	16.3	12.9	4.9	-10.2
<b>PBT</b>	<b>41.3</b>	<b>46.7</b>	<b>34.9</b>	<b>43.8</b>	<b>-15.4</b>	<b>-6.1</b>
Tax	7.8	8.9	6.6	8.3		
<b>PAT</b>	<b>33.4</b>	<b>37.8</b>	<b>28.3</b>	<b>35.5</b>	<b>-15.4</b>	<b>-6.1</b>
Loans	2,721	3,038	2,717	3,031	-0.1	-0.2
Borrowings	2,476	2,750	2,473	2,759	-0.1	0.3
<b>Spreads (%)</b>	<b>1.85</b>	<b>1.71</b>	<b>1.65</b>	<b>1.59</b>		
<b>RoAA (%)</b>	<b>1.2</b>	<b>1.3</b>	<b>1.1</b>	<b>1.2</b>		
<b>RoAE (%)</b>	<b>12.9</b>	<b>13.3</b>	<b>11.0</b>	<b>12.7</b>		

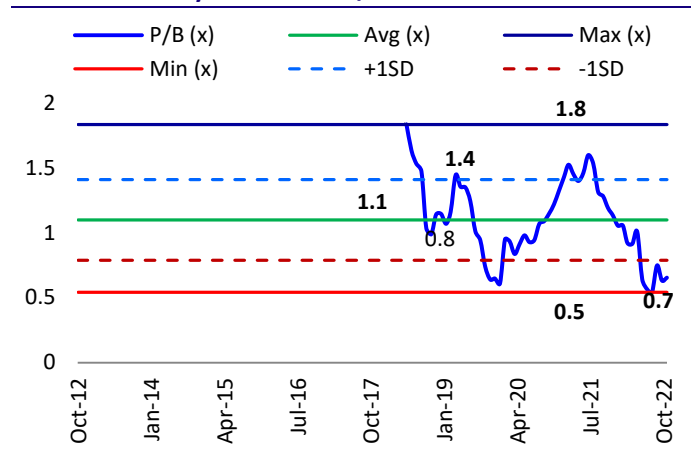
Source: MOFSL, Company

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



Source: MOFSL, Company

**Exhibit 10: One-year forward P/B**



Source: MOFSL, Company

## Financials and valuations

Income Statement									(INR M)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	1,22,509	1,38,767	1,46,662	1,71,628	1,96,054	1,96,971	1,96,885	2,23,284	2,58,518
Interest Expense	93,068	1,02,315	1,11,439	1,28,915	1,47,839	1,44,526	1,41,537	1,64,585	1,93,554
<b>Net Interest Income</b>	<b>29,441</b>	<b>36,452</b>	<b>35,223</b>	<b>42,713</b>	<b>48,215</b>	<b>52,445</b>	<b>55,348</b>	<b>58,700</b>	<b>64,964</b>
Change (%)	31.6	23.8	-3.4	21.3	12.9	8.8	5.5	6.1	10.7
Fee Income	1,453	1,102	356	348	394	788	982	1,200	1,290
Other Income	893	934	1,388	1,669	250	718	1,664	1,082	973
<b>Net Income</b>	<b>31,787</b>	<b>38,489</b>	<b>36,968</b>	<b>44,730</b>	<b>48,859</b>	<b>53,951</b>	<b>57,994</b>	<b>60,981</b>	<b>67,227</b>
Change (%)	27.7	21.1	-4.0	21.0	9.2	10.4	7.5	5.2	10.2
Operating Expenses	4,687	6,118	4,396	4,754	6,167	7,015	9,994	9,771	10,466
<b>Operating Profits</b>	<b>27,100</b>	<b>32,371</b>	<b>32,572</b>	<b>39,976</b>	<b>42,692</b>	<b>46,936</b>	<b>48,000</b>	<b>51,210</b>	<b>56,761</b>
Change (%)	28.5	19.4	0.6	22.7	6.8	9.9	2.3	6.7	10.8
Provisions/write offs	1,465	2,813	4,917	6,181	10,002	13,450	20,218	16,286	12,934
<b>PBT</b>	<b>25,636</b>	<b>29,558</b>	<b>27,655</b>	<b>33,796</b>	<b>32,690</b>	<b>33,486</b>	<b>27,782</b>	<b>34,924</b>	<b>43,827</b>
Tax	9,028	10,247	7,630	9,486	8,672	6,142	4,909	6,636	8,327
Tax Rate (%)	35.2	34.7	27.6	28.1	26.5	18.3	17.7	19.0	19.0
<b>PAT</b>	<b>16,608</b>	<b>19,311</b>	<b>20,025</b>	<b>24,310</b>	<b>24,018</b>	<b>27,343</b>	<b>22,873</b>	<b>28,289</b>	<b>35,500</b>
Change (%)	19.8	16.3	3.7	21.4	-1.2	13.8	-16.3	23.7	25.5
<b>Adjusted PAT</b>	<b>16,608</b>	<b>19,311</b>	<b>20,025</b>	<b>24,310</b>	<b>24,018</b>	<b>27,343</b>	<b>22,873</b>	<b>28,289</b>	<b>35,500</b>
Change (%)	23.3	16.3	3.7	21.4	-1.2	13.8	-16.3	23.7	25.5
<b>Proposed Dividend</b>	<b>3,333</b>	<b>3,759</b>	<b>3,998</b>	<b>4,471</b>	<b>4,040</b>	<b>4,292</b>	<b>4,678</b>	<b>4,413</b>	<b>5,432</b>

Balance Sheet									(INR M)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Capital	1,010	1,010	1,010	1,010	1,010	1,010	1,101	1,101	1,101
Reserves & Surplus	90,450	1,25,110	1,41,402	1,61,583	1,80,921	2,04,203	2,45,618	2,64,815	2,90,470
<b>Net Worth</b>	<b>91,460</b>	<b>1,26,120</b>	<b>1,42,412</b>	<b>1,62,593</b>	<b>1,81,931</b>	<b>2,05,213</b>	<b>2,46,718</b>	<b>2,65,916</b>	<b>2,91,571</b>
<b>Borrowings</b>	<b>11,09,310</b>	<b>12,63,170</b>	<b>14,53,099</b>	<b>17,06,670</b>	<b>19,13,317</b>	<b>20,78,615</b>	<b>22,36,582</b>	<b>24,72,561</b>	<b>27,58,625</b>
Change (%)	14.9	13.9	15.0	17.5	12.1	8.6	7.6	10.6	11.6
Other liabilities	0	1,15,526	1,15,387	1,36,572	72,808	72,505	62,375	68,612	75,473
<b>Total Liabilities</b>	<b>12,00,769</b>	<b>15,04,816</b>	<b>17,10,898</b>	<b>20,05,835</b>	<b>21,68,056</b>	<b>23,56,333</b>	<b>25,45,675</b>	<b>28,07,089</b>	<b>31,25,669</b>
Investments	2,768	33,694	19,722	35,951	54,964	46,356	61,986	55,787	50,209
Change (%)	16.7	1,117.1	-41.5	82.3	52.9	-15.7	33.7	-10.0	-10.0
<b>Loans</b>	<b>12,51,730</b>	<b>14,47,167</b>	<b>16,61,623</b>	<b>19,29,927</b>	<b>20,79,880</b>	<b>22,81,143</b>	<b>24,52,963</b>	<b>27,17,100</b>	<b>30,31,456</b>
Change (%)	15.5	15.6	14.8	16.1	7.8	9.7	7.5	10.8	11.6
Net Fixed Assets	920	965	971	1,359	2,544	2,470	2,876	3,308	3,804
Other assets	-54,649	22,990	28,582	38,598	30,669	26,364	27,849	30,894	40,201
<b>Total Assets</b>	<b>12,00,769</b>	<b>15,04,816</b>	<b>17,10,898</b>	<b>20,05,835</b>	<b>21,68,056</b>	<b>23,56,333</b>	<b>25,45,675</b>	<b>28,07,089</b>	<b>31,25,669</b>

E: MOFSL Estimates



## Financials and valuations

<b>Ratios</b>	<b>(%)</b>								
<b>Y/E March</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
<b>Spreads Analysis (%)</b>									
Yield on loans	10.5	10.3	9.4	9.6	9.8	9.0	8.3	8.6	9.0
Cost of funds	9.0	8.6	8.2	8.2	8.2	7.2	6.6	7.0	7.4
Spreads Analysis (%)	1.52	1.7	1.2	1.4	1.6	1.8	1.76	1.65	1.59
<b>Margins</b>	<b>2.5</b>	<b>2.7</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.34</b>	<b>2.27</b>	<b>2.26</b>
<b>Profitability Ratios (%)</b>									
Adj RoAE	19.6	17.8	14.9	15.9	13.9	14.1	10.1	11.0	12.7
Adj RoAA	1.5	1.4	1.2	1.3	1.2	1.2	0.9	1.1	1.2
Int. Expended/Int.Earned	76.0	73.7	76.0	75.1	75.4	73.4	71.9	73.7	74.9
Other Inc./Net Income	2.8	2.4	3.8	3.7	0.5	1.3	2.9	1.8	1.4
<b>Efficiency Ratios (%)</b>									
Fees/Operating income	1.2	0.8	0.2	0.2	0.2	0.4	0.5	0.5	0.5
Op. Exps./Net Income	14.7	15.9	11.9	10.6	12.6	13.0	17.2	16.0	15.6
Empl. Cost/Op. Exps.	32.1	40.2	50.8	52.1	48.5	41.8	56.4	46.3	47.1
<b>Asset-Liability Profile (%)</b>									
Loans/Borrowings Ratio	112.8	114.6	114.4	113.1	108.7	109.7	109.7	109.9	109.9
Debt/Equity (x)	12.1	10.0	10.2	10.5	10.5	10.1	9.1	9.3	9.5
Gross NPAs (Rs m)	5,678	6,271	13,036	30,754	59,594	95,585	1,16,520	1,19,237	1,20,753
Gross NPAs to Adv.	0.5	0.4	0.8	1.6	2.8	4.1	4.7	4.3	3.9
Net NPAs (Rs m)	2,705	2,053	7,117	15,514	33,474	57,414	66,314	66,564	68,046
Net NPAs to Adv.	0.2	0.1	0.4	0.8	1.6	2.5	2.7	2.4	2.2
<b>Valuation</b>									
Book Value (INR)	181	250	282	322	360	406	448	483	530
Growth (%)	17.0	37.9	12.9	14.2	11.9	12.8	10.3	7.8	9.6
<b>Price-BV (x)</b>	<b>2.0</b>	<b>1.5</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>
EPS (INR)	32.9	38.2	39.7	48.1	47.6	54.2	41.6	51.4	64.5
Growth (%)	19.8	16.3	3.7	21.4	-1.2	13.8	-23.3	23.7	25.5
<b>Price-Earnings (x)</b>	<b>11.2</b>	<b>9.6</b>	<b>9.3</b>	<b>7.6</b>	<b>7.7</b>	<b>6.8</b>	<b>8.8</b>	<b>7.1</b>	<b>5.7</b>
Adj. EPS (INR)	32.9	38.2	39.7	48.1	47.6	54.2	41.6	51.4	64.5
Growth (%)	23.3	16.3	3.7	21.4	-1.2	13.8	-23.3	23.7	25.5
<b>Price-Earnings (x)</b>	<b>11.2</b>	<b>9.6</b>	<b>9.3</b>	<b>7.6</b>	<b>7.7</b>	<b>6.8</b>	<b>8.8</b>	<b>7.1</b>	<b>5.7</b>
Dividend Per Share	5.5	6.2	6.8	7.6	8.0	8.5	8.5	8.0	9.9
<b>Dividend Yield (%)</b>	<b>1.5</b>	<b>1.7</b>	<b>1.9</b>	<b>2.1</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>	<b>2.7</b>

E: MOFSL Estimates

NOTES

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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