

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

CMP: INR795 TP: INR970 (+22%) Buy

Steady earnings momentum with healthy AUM growth

| Bloomberg | MASFIN IN |
|-----------------------|------------|
| Equity Shares (m) | 55 |
| M.Cap.(INRb)/(USD\$b) | 43.4 / 0.5 |
| 52-Week Range (INR) | 938 / 469 |
| 1, 6, 12 Rel. Per (%) | -1/38/69 |
| 12M Avg Val (INR M) | 82 |

Financials & Valuations (INR b)

| Y/E March | FY23E | FY24E | FY25E |
|--------------|-------|-------|-------|
| Total income | 4.8 | 6.2 | 7.7 |
| PPP | 3.2 | 4.0 | 5.0 |
| PAT | 2.0 | 2.6 | 3.2 |
| EPS (INR) | 36.9 | 46.9 | 59.4 |
| EPS Gr. (%) | 27.9 | 26.9 | 26.8 |
| BVPS (INR) | 261 | 299 | 348 |

Ratios (%)

| | | | |
|------------|------|------|------|
| NIM | 6.4 | 6.2 | 6.3 |
| C/I ratio | 34.1 | 35.5 | 34.5 |
| RoA on AUM | 2.8 | 2.8 | 2.8 |
| RoE | 15.0 | 16.7 | 18.4 |
| Payout | 18.5 | 19.1 | 18.5 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 21.5 | 17.0 | 13.4 |
| P/BV (x) | 3.0 | 2.7 | 2.3 |
| Div. yield (%) | 0.9 | 1.1 | 1.4 |

Shareholding pattern (%)

| As On | Dec-22 | Sep-22 | Dec-21 |
|----------|--------|--------|--------|
| Promoter | 73.7 | 73.7 | 73.6 |
| DII | 11.0 | 10.2 | 10.0 |
| FII | 1.5 | 1.5 | 1.6 |
| Others | 13.7 | 14.5 | 14.8 |

FII Includes depository receipts

- MASFIN's 3QFY23 PAT rose 28% YoY to INR513m (in line). NII grew 41% YoY to INR1.25b, while Opex at INR421m grew 50% YoY. PPOP rose 36% YoY to INR827m. 9MFY23 PAT grew 27% YoY to INR1.5b (PY: INR1.15b).
- Credit costs grew 17% QoQ to INR142m (est. INR76m).
- 3QFY23 disbursements grew 39% YoY but declined 2% QoQ to ~INR22.2b. 9MFY23 disbursements surged 61% YoY to INR66.4b (PY: INR41.2b).
- Asset quality was stable QoQ, with GS3/NS3 at 2.2%/1.6%. In MSME and SME lending, MASFIN is relatively better than its peers. Capital adequacy and liquidity on the balance sheet remained healthy.
- **Maintain BUY with a TP of INR970 (premised on 3x Sep'24E BV).**

AUM rose 7% sequentially; spreads improve ~50bp QoQ

- Standalone AUM increased by 7% QoQ and 33% YoY to INR76b. AUM of micro-enterprise loans (MEL)/SME/2W rose 31%/25%/38% YoY. AUM in its housing subsidiary rose 31% YoY to INR4b.
- MASFIN has started undertaking assignment transactions and the share of off-balance sheet loans increased by 100bp QoQ to 17%.
- Yields on loans (calculated) and CoF increased ~100bp/50bp QoQ to 14.5%/8.7%. This led to overall spreads increasing ~50bp QoQ.

Opex ratio moderated but will remain elevated; asset quality stable

- Operating expenses moderated, with the C/I ratio decreasing by ~120bp QoQ to ~34%, while the OPEX-to-AUM ratio improved by ~10bp to 2.3%.
- 1+dpd loans increased by ~20bp QoQ to 5.1% in 3QFY23. Total standalone Covid-related provisions stood at INR217m (~0.34% of on-book loans). The OTR pool declined to INR165m (~22bp of AUM).

Other highlights

- The average ticket size of SME loans declined to INR2m (PQ: INR2.3m).
- MASFIN's RoTA declined ~10bp QoQ to ~2.7% in 3QFY23.

HFC subsidiary:

- AUM grew 31% QoQ to INR4b. GS3 was largely stable sequentially at ~0.6% (PQ: 0.54%).
- MASFIN's housing finance subsidiary is expected to contribute meaningfully and grow at a pace of 25-30% over the next five years.
- The company continues to carry a Covid provision of 0.93% of the total on-book assets.

Key highlights from the management commentary

- The first phase of its digitization drive is expected to be completed by 1QFY24, post which all processes will be digitized, driving higher customer acquisition and reducing TAT.
- Guided for steady state opex/AUM of ~2.5%-3%. The higher opex will be offset by higher yields and the increase in cost ratios will not impact the RoA.
- Guided for margins of ~7% and RoA of ~2.75%-3.25%.

Valuation and view

- We model an AUM/PAT CAGR of 24%/27% over FY23-FY25E with an RoA/RoE of 2.8%/18% in FY25E. The company has maintained high earnings quality, backed by healthy growth. With the improvement in economic activity, we expect earnings growth to be strong in the coming years.
- MASFIN has successfully navigated a tough environment, with a large exposure to microloans and the MSME sector. It has developed a niche expertise to serve the MSME market and continues to demonstrate healthy loan growth momentum, while its asset quality is perhaps the best among MFI and SME lending peers.
- **Maintain BUY with a TP of INR970 (premised on 3.0x Sep'24E BV).**

| Quarterly Performance | | | | | | | | | | | | (INR M) |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|
| Y/E March | FY22 | | | | FY23E | | | | FY22 | FY23E | 3QFY23E | Act. v/s Est. (%) |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Revenue from Operations | 1,485 | 1,567 | 1,718 | 1,804 | 1,983 | 2,300 | 2,524 | 2,725 | 6,575 | 9,533 | 2,527 | 0 |
| Interest Income | 1,283 | 1,352 | 1,473 | 1,590 | 1,677 | 1,941 | 2,237 | 2,444 | 5,695 | 8,299 | 2,231 | 0 |
| Gain on assignments | 149 | 155 | 175 | 147 | 157 | 178 | 168 | 179 | 642 | 681 | 195 | -14 |
| Other operating Income | 53 | 61 | 70 | 67 | 150 | 182 | 119 | 102 | 237 | 553 | 101 | 18 |
| Interest expenses | 699 | 759 | 831 | 905 | 928 | 1,108 | 1,276 | 1,413 | 3,195 | 4,726 | 1,308 | -2 |
| Total income | 786 | 808 | 887 | 899 | 1,055 | 1,192 | 1,248 | 1,312 | 3,379 | 4,806 | 1,219 | 2 |
| Growth Y-o-Y (%) | -13.7 | -1.6 | 13.4 | 15.1 | 34.3 | 47.5 | 40.7 | 45.9 | 2.6 | 42.2 | 37.5 | |
| Operating Expenses | 149 | 203 | 280 | 294 | 348 | 416 | 421 | 455 | 921 | 1,640 | 439 | -4 |
| Operating Profits | 636 | 605 | 607 | 605 | 707 | 775 | 827 | 856 | 2,458 | 3,166 | 780 | 6 |
| Growth Y-o-Y (%) | -19.2 | -13.1 | -4.5 | 5.3 | 11.1 | 28.2 | 36.3 | 41.5 | -8.2 | 28.8 | 28.5 | |
| Provisions | 141 | 90 | 68 | 38 | 85 | 121 | 142 | 119 | 341 | 467 | 76 | 87 |
| Profit before tax | 495 | 515 | 539 | 567 | 623 | 654 | 685 | 737 | 2,117 | 2,699 | 704 | -3 |
| Growth Y-o-Y (%) | 1.3 | 12.9 | 11.4 | 13.5 | 25.7 | 27.0 | 27.2 | 29.9 | 9.7 | 27.5 | 30.6 | |
| Tax Provisions | 127 | 132 | 138 | 142 | 157 | 164 | 173 | 186 | 538 | 680 | 179 | -4 |
| Net Profit | 368 | 383 | 401 | 426 | 465 | 491 | 513 | 551 | 1,578 | 2,019 | 524 | -2 |
| Growth Y-o-Y (%) | 0.6 | 12.0 | 10.8 | 16.6 | 26.3 | 28.0 | 27.8 | 29.3 | 10.0 | 27.9 | 30.7 | |
| Key Operating Parameters (%) | | | | | | | | | | | | |
| Yield on loans (Cal) | 12.7 | 12.8 | 13.0 | 13.1 | 12.7 | 13.5 | 14.5 | | | | | |
| Cost of funds (Cal) | 7.8 | 8.0 | 7.9 | 8.1 | 7.7 | 8.1 | 8.7 | | | | | |
| Spreads (Cal) | 4.9 | 4.8 | 5.1 | 5.0 | 5.0 | 5.4 | 5.9 | | | | | |
| NIM on AUM (Cal) | 6.0 | 6.1 | 6.3 | 6.0 | 6.5 | 6.9 | 6.8 | | | | | |
| Credit Cost (%) | 1.1 | 0.7 | 0.5 | 0.3 | 0.5 | 0.7 | 0.8 | | | | | |
| Cost to Income Ratio | 19.0 | 25.1 | 31.6 | 32.7 | 33.0 | 34.9 | 33.7 | | | | | |
| Tax Rate | 25.7 | 25.6 | 25.6 | 25.0 | 25.3 | 25.0 | 25.2 | | | | | |
| Balance Sheet Parameters | | | | | | | | | | | | |
| Standalone AUM (INR B) | 51.6 | 54.9 | 57.4 | 62.5 | 66.8 | 71.4 | 76.1 | | | | | |
| Change YoY (%) | -8.8 | 3.5 | 13.6 | 16.3 | 29.5 | 30.1 | 32.5 | | | | | |
| Disbursements (INR B) | 10.4 | 14.8 | 16.0 | 19.6 | 21.5 | 22.6 | 22.2 | | | | | |
| Change YoY (%) | 864.2 | 80.0 | 55.0 | 51.6 | 106.8 | 53.2 | 39.0 | | | | | |
| Borrowings (INR B) | 35.4 | 40.8 | 43.6 | 45.5 | 50.5 | 58.4 | 59.3 | | | | | |
| Change YoY (%) | 18.3 | 26.5 | 45.6 | 24.3 | 42.6 | 43.0 | 36.2 | | | | | |
| Debt/Equity (x) | 2.9 | 3.3 | 3.4 | 3.5 | 3.7 | 4.3 | 0.4 | | | | | |
| Asset liability Mix | | | | | | | | | | | | |
| AUM Mix (%) | | | | | | | | | | | | |
| Micro Enterprises | 53.5 | 52.7 | 50.1 | 52.0 | 52.7 | 50.3 | 49.7 | | | | | |
| SME loans | 35.1 | 36.5 | 39.6 | 36.4 | 36.6 | 37.4 | 37.3 | | | | | |
| 2W loans | 7.3 | 6.6 | 6.3 | 6.0 | 5.8 | 6.6 | 6.6 | | | | | |
| CV loans | 4.1 | 4.2 | 4.0 | 5.5 | 5.0 | 3.8 | 3.8 | | | | | |
| Borrowings Mix (%) | | | | | | | | | | | | |
| Direct Assignment | 26.0 | 22.0 | 21.0 | 21.0 | 20.0 | 18.0 | 19.0 | | | | | |
| Cash Credit | 31.0 | 31.0 | 26.0 | 28.0 | 26.0 | 25.0 | 21.0 | | | | | |
| Term Loan | 32.0 | 34.0 | 37.0 | 40.0 | 43.0 | 45.0 | 47.0 | | | | | |
| NCD | 10.0 | 10.0 | 12.0 | 7.0 | 9.0 | 9.0 | 10.0 | | | | | |
| Sub Debt | 1.0 | 1.0 | 3.0 | 3.0 | 2.0 | 2.0 | 3.0 | | | | | |
| Asset Quality Parameters (%) | | | | | | | | | | | | |
| GS 3 (INR m) | 737 | 854 | 1,005 | 1,050 | 1,177 | 1,308 | 1,380 | | | | | |
| GS 3 (%) | 2.21 | 2.30 | 2.35 | 2.28 | 2.27 | 2.26 | 2.23 | | | | | |
| NS 3 (INR m) | 494 | 580 | 667 | 689 | 742 | 837 | 901 | | | | | |
| NS 3 (%) | 1.74 | 1.80 | 1.76 | 1.70 | 1.63 | 1.60 | 1.60 | | | | | |
| PCR (%) | 32.9 | 32.1 | 33.7 | 34.4 | 37.0 | 36.0 | 34.7 | | | | | |
| Return Ratios (%) | | | | | | | | | | | | |
| ROA | 2.9 | 2.9 | 2.8 | 2.9 | 2.9 | 2.8 | 2.7 | | | | | |
| Tier I ratio | 26.6 | 24.0 | 23.8 | 23.1 | 22.5 | 21.2 | 21.2 | | | | | |

E: MOFSL estimates



Highlights from the management commentary

Business updates

- Micro enterprise loans/SME loans/2W loans grew 31%/25%/38% YoY.
- Around 85% of the portfolio is MSME loans qualified as Priority Sector Lending. The company aims to maintain around 20%-25% of AUM as off-book through direct assignments and co-lending transactions.
- The write-offs for the quarter amounted to INR80m.
- The first phase of its digitization drive is expected to be completed by 1QFY24, post which all processes will be digitized, driving higher customer acquisition and reducing TAT.
- The second phase of digitization would be aimed at introducing AI to complement credit decision processes.
- Loan originations from fin-techs amounted to INR6b in the quarter; the loan quality is in line with the direct originations.

Operating expenses

- The share of employing own distribution network for loan originations has been increasing leading to higher employee expenses.
- The management has guided for the opex/AUM ratio to settle at a steady state level of ~2.5%-3%. The higher opex will be offset by higher yields, thus the increase in cost ratios will not affect RoA.
- The yields charged by the company are decided after considering the overall borrowing costs and operational costs of each product. The current yields are at 16.5%.

Guidance

- The company has guided for a 20-25% AUM CAGR and is reasonably confident of achieving the same.
- Considering the rising interest rates, the management expects the CoF to normalize in the range of ~9.25%-9.5%.
- The management has guided for margins of ~7% and RoA of ~2.75%-3.25%.
- It targets to open nearly 200 branches and 10k centers of penetration within the next two years.
- MASFIN plans to carry liquidity of ~4-5% of AUM, amounting to ~INR4-5b on a steady state basis.

Borrowings

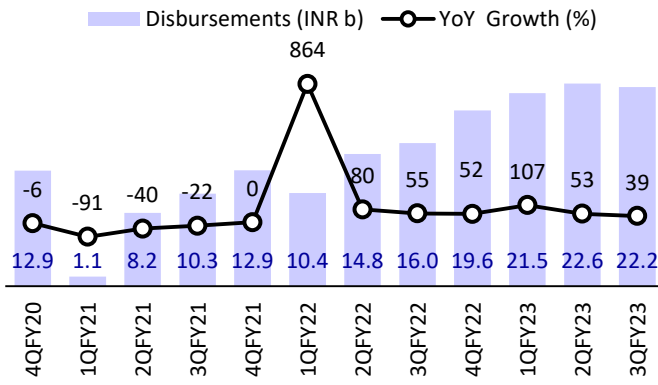
- Efficient liability management by the company has aided the company in maintaining healthy liquidity levels.
- The total Cash credit limit available to the company is INR18.25b spread across 14 banks. The utilization level is maintained at 65%-70%.
- The Direct Assignment and co-lending sanctions on hand stood at ~INR8.5b. The company will utilize the undrawn sanctions in the subsequent quarters.
- The company has tied up with Bank of India, Bank of Maharashtra and South India Bank for co-lending transactions.
- The company rolled over INR14.5b working capital loans and raised INR6.7b term loans in the quarter.

Product-wise yields

| Product | 3QFY23 | 3QFY22 |
|-------------------------|--------|--------|
| Micro enterprise loans | 17% | 17% |
| SME loans | 15% | 14.75% |
| 2W loans | 15.5% | 16.5% |
| Salaried personal loans | 19% | 18.5% |

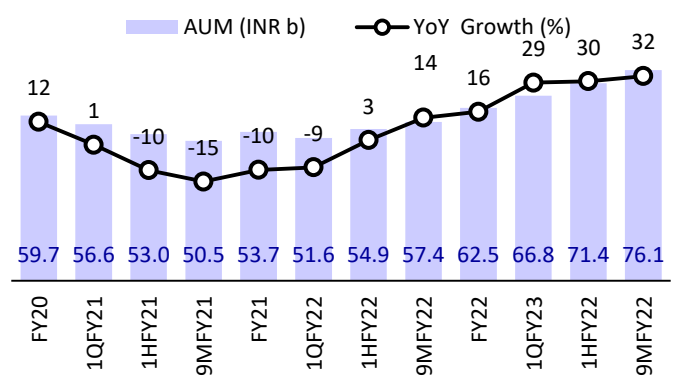
Key exhibits

Exhibit 1: Disbursements grew 39% YoY...



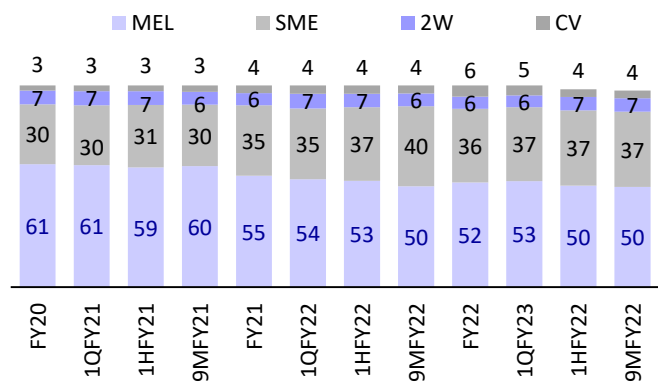
Source: MOFSL, Company

Exhibit 2: ...leading to a AUM growth of ~32% YoY



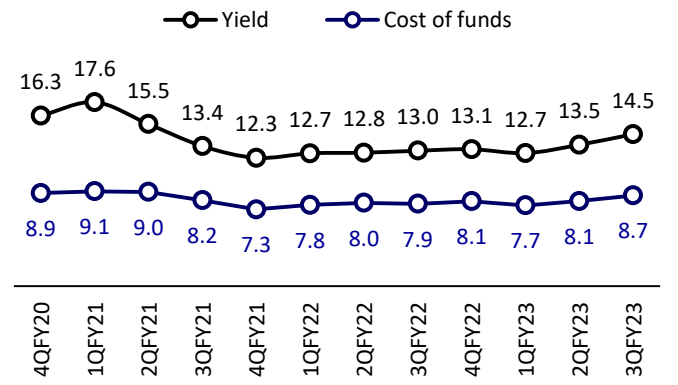
Source: MOFSL, Company

Exhibit 3: Share of MEL loans stable sequentially (%)



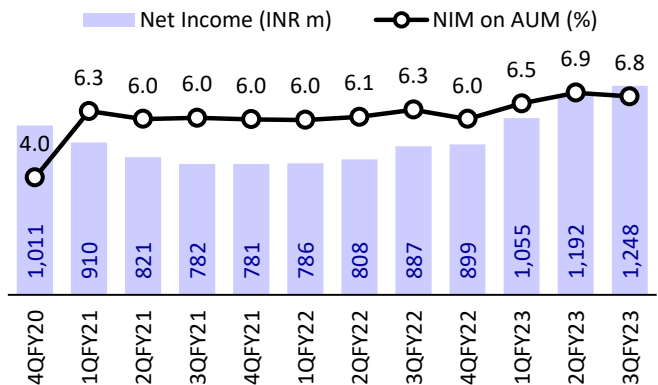
Source: MOFSL, Company

Exhibit 4: Spreads (calculated) expand ~50bp QoQ (%)



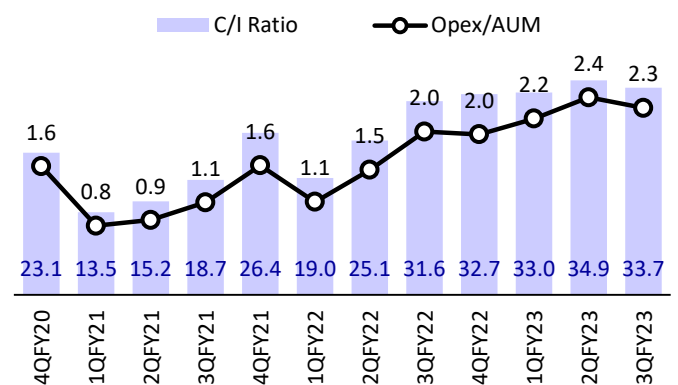
Source: MOFSL, Company

Exhibit 5: NIM on AUM contracted ~10bp sequentially



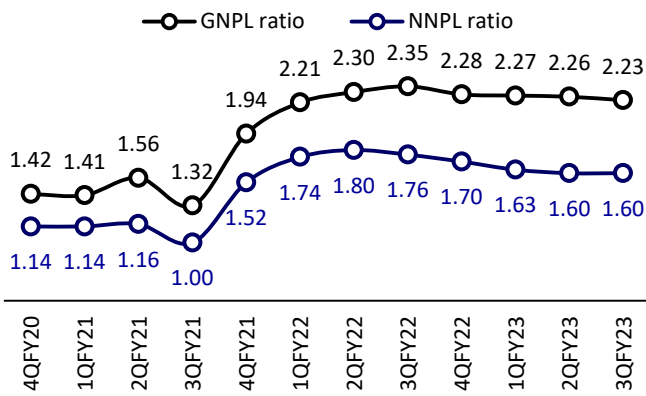
Source: MOFSL, Company; Note: including upfront assignment income

Exhibit 6: OPEX-to-AUM declined ~10bp QoQ (%)



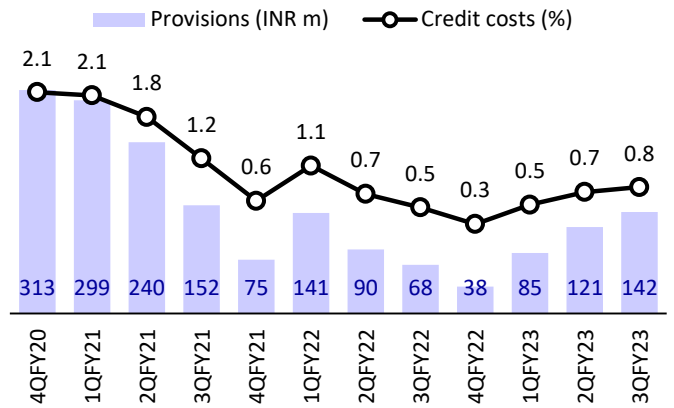
Source: MOFSL, Company

Exhibit 7: GNPL ratio (basis AUM) largely stable sequentially



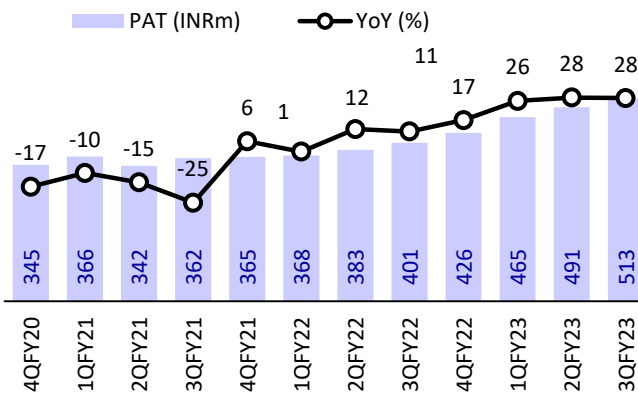
Source: MOFSL, Company

Exhibit 8: Credit costs increased ~10bp QoQ (%)



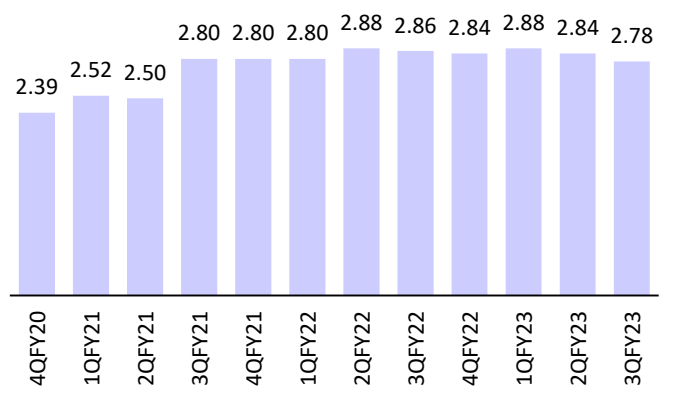
Source: MOFSL, Company

Exhibit 9: PAT up 4% sequentially and 28% YoY



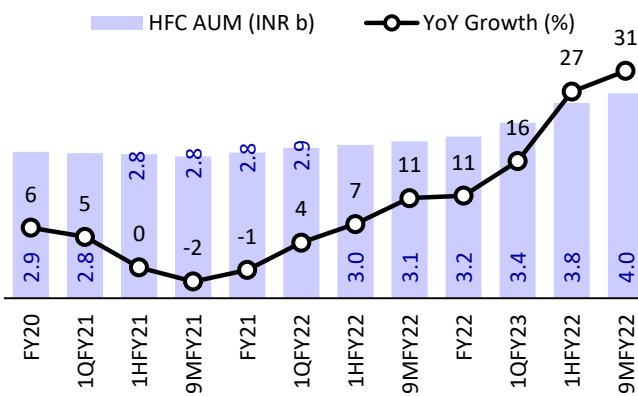
Source: MOFSL, Company

Exhibit 10: RoA (on AUM) (%)



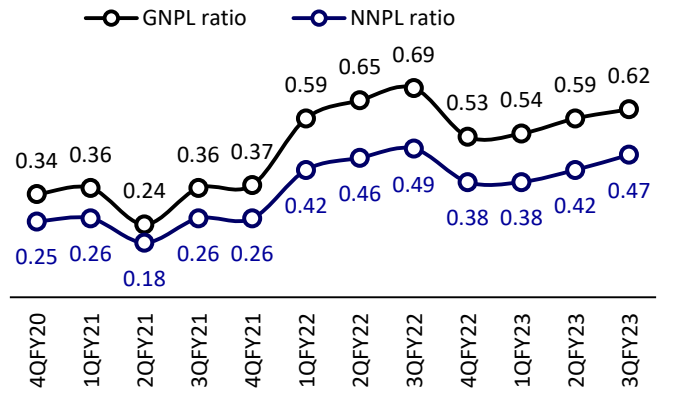
Source: MOFSL, Company. Reported RoA

Exhibit 11: HFC subsidiary's AUM grew 31% YoY...



Source: MOFSL, Company

Exhibit 12: ...while asset quality improved sequentially (%)



Source: MOFSL, Company

Valuation and view

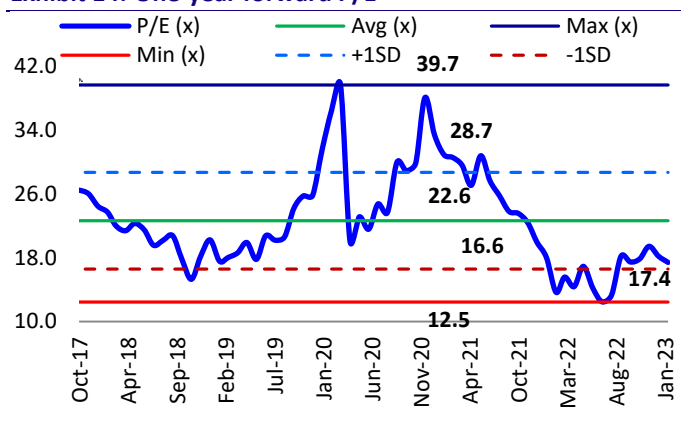
- We model an AUM/PAT CAGR of 24%/27% over FY23-FY25E, with an RoA/RoE of 2.8%/18% in FY25E. The company has maintained high earnings quality, backed by healthy growth. With the improvement in economic activity, we expect earnings growth to be strong in the coming years.
- MASFIN has successfully navigated a tough environment, with a large exposure to microloans and the MSME sector. It has developed a niche expertise to serve the MSME market and continues to demonstrate healthy loan growth momentum, while its asset quality is perhaps the best among MFI and SME lending peers.
- **Maintain BUY with a TP of INR970 (premised on 3.0x Sep'24E BV).**

Exhibit 13: Our PAT/EPS estimates are largely unchanged

| INR b | Old Est. | | | New Est. | | | Change (%) | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E |
| NII | 3.6 | 4.5 | 5.4 | 3.6 | 4.7 | 5.9 | 0.3 | 4.4 | 7.9 |
| Other Income | 1.2 | 1.5 | 1.8 | 1.2 | 1.5 | 1.8 | 3.3 | 1.5 | -0.3 |
| Total Income | 4.8 | 6.0 | 7.3 | 4.8 | 6.2 | 7.7 | 1.1 | 3.7 | 5.8 |
| Operating Expenses | 1.7 | 2.0 | 2.3 | 1.6 | 2.2 | 2.7 | -1.4 | 11.9 | 14.6 |
| Operating Profits | 3.1 | 4.0 | 5.0 | 3.2 | 4.0 | 5.0 | 2.4 | -0.4 | 1.6 |
| Provisions | 0.4 | 0.5 | 0.7 | 0.5 | 0.6 | 0.7 | 30.0 | 1.1 | 2.8 |
| PBT | 2.7 | 3.5 | 4.3 | 2.7 | 3.4 | 4.4 | -1.2 | -0.6 | 1.5 |
| Tax | 0.7 | 0.9 | 1.1 | 0.7 | 0.9 | 1.1 | -2.4 | -0.6 | 1.5 |
| PAT | 2.0 | 2.6 | 3.2 | 2.0 | 2.6 | 3.2 | -0.8 | -0.6 | 1.5 |
| AUM | 81 | 101 | 121 | 81 | 103 | 126 | 0.0 | 1.9 | 3.5 |
| NIM (%) | 5.0 | 4.9 | 4.9 | 5.0 | 5.1 | 5.1 | | | |
| ROAA (%) | 2.8 | 2.8 | 2.9 | 2.8 | 2.7 | 2.8 | | | |
| RoAE (%) | 15.1 | 16.8 | 18.0 | 15.0 | 16.7 | 18.4 | | | |

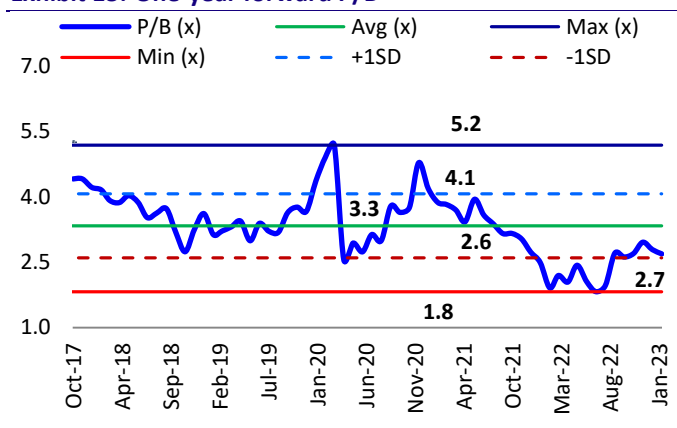
Source: MOFSL, Company

Exhibit 14: One-year forward P/E



Source: MOFSL, Company

Exhibit 15: One-year forward P/B



Source: MOFSL, Company

Financials and valuations

| Income Statement | | | | | | | | | INR m |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E MARCH | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | FY25E |
| Interest Income | 3,148 | 3,594 | 4,645 | 5,551 | 4,831 | 5,695 | 8,299 | 11,424 | 14,277 |
| Interest Expense | 1,513 | 1,705 | 2,067 | 2,722 | 2,645 | 3,195 | 4,726 | 6,741 | 8,411 |
| Net Financing income | 1,634 | 1,889 | 2,579 | 2,829 | 2,186 | 2,499 | 3,572 | 4,683 | 5,867 |
| Change (%) | 20.5 | 15.6 | 36.5 | 9.7 | -22.7 | 14.3 | 42.9 | 31.1 | 25.3 |
| Gains on Assignment | 0 | 801 | 941 | 1,012 | 806 | 642 | 681 | 783 | 901 |
| NII incl assignment income | 1,634 | 2,689 | 3,520 | 3,841 | 2,992 | 3,142 | 4,253 | 5,466 | 6,767 |
| Change (%) | 20.3 | 64.6 | 30.9 | 9.1 | -22.1 | 5.0 | 35.4 | 28.5 | 23.8 |
| Fees and Others | 268 | 115 | 139 | 165 | 302 | 237 | 553 | 725 | 942 |
| Total Income | 1,902 | 2,804 | 3,659 | 4,005 | 3,294 | 3,379 | 4,806 | 6,191 | 7,709 |
| Change (%) | 17.5 | 47.4 | 30.5 | 9.5 | -17.8 | 2.6 | 42.2 | 28.8 | 24.5 |
| Operating Expenses | 604 | 725 | 775 | 899 | 616 | 921 | 1,640 | 2,198 | 2,661 |
| Change (%) | -11.3 | 20.1 | 6.8 | 16.0 | -31.4 | 49.5 | 78.0 | 34.0 | 21.1 |
| Operating Profits | 1,298 | 2,079 | 2,885 | 3,106 | 2,678 | 2,458 | 3,166 | 3,993 | 5,048 |
| Change (%) | 38.4 | 60.2 | 38.7 | 7.7 | -13.8 | -8.2 | 28.8 | 26.1 | 26.4 |
| Total Provisions | 267 | 428 | 545 | 825 | 749 | 341 | 467 | 554 | 687 |
| % to operating income | 20.6 | 20.6 | 18.9 | 26.5 | 28.0 | 13.9 | 14.7 | 13.9 | 13.6 |
| PBT | 1,031 | 1,652 | 2,339 | 2,282 | 1,929 | 2,117 | 2,699 | 3,439 | 4,361 |
| Tax | 357 | 617 | 818 | 616 | 494 | 538 | 680 | 877 | 1,112 |
| Tax Rate (%) | 34.6 | 37.4 | 35.0 | 27.0 | 25.6 | 25.4 | 25.2 | 25.5 | 25.5 |
| PAT | 674 | 1,034 | 1,521 | 1,666 | 1,435 | 1,578 | 2,019 | 2,562 | 3,249 |
| Change (%) | 56.1 | 53.5 | 47.1 | 9.5 | -13.8 | 10.0 | 27.9 | 26.9 | 26.8 |
| Proposed Dividend | 132 | 200 | 279 | 437 | 82 | 164 | 374 | 489 | 601 |

| Balance Sheet | | | | | | | | | INR m |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| Y/E MARCH | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | FY25E |
| Equity Share Capital | 430 | 547 | 547 | 547 | 547 | 547 | 547 | 547 | 547 |
| Reserves & Surplus (Ex OCI) | 1,147 | 6,674 | 7,859 | 8,807 | 10,724 | 12,083 | 13,728 | 15,801 | 18,449 |
| Networth (Ex OCI) | 1,576 | 7,221 | 8,406 | 9,354 | 11,271 | 12,629 | 14,275 | 16,348 | 18,996 |
| OCI | 159 | 376 | 455 | 455 | 455 | 455 | 455 | 455 | 455 |
| Networth (Incl OCI) | 1,735 | 7,596 | 8,861 | 9,809 | 11,726 | 13,085 | 14,730 | 16,803 | 19,451 |
| Change (%) | 24.4 | 337.7 | 16.6 | 10.7 | 19.5 | 11.6 | 12.6 | 14.1 | 15.8 |
| Minority Interest | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 10 |
| Other Capital Instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Borrowings | 18,433 | 18,871 | 27,438 | 34,870 | 39,264 | 46,896 | 68,665 | 86,306 | 1,04,851 |
| Change (%) | 10.6 | 2.4 | 45.4 | 27.1 | 12.6 | 19.4 | 46.4 | 25.7 | 21.5 |
| Other liabilities | 101 | 509 | 736 | 1,038 | 786 | 770 | 847 | 932 | 1,025 |
| Change (%) | -92.8 | 405.8 | 44.5 | 41.0 | -24.3 | -2.0 | 10.0 | 10.0 | 10.0 |
| Total Liabilities | 20,269 | 26,977 | 37,036 | 45,718 | 51,775 | 60,750 | 84,242 | 1,04,040 | 1,25,326 |
| Loans | 19,342 | 25,463 | 32,185 | 33,485 | 38,051 | 45,538 | 66,605 | 83,716 | 1,01,705 |
| Change (%) | 12.1 | 31.6 | 26.4 | 4.0 | 13.6 | 19.7 | 46.3 | 25.7 | 21.5 |
| Investments | 133 | 134 | 223 | 375 | 2,350 | 5,381 | 5,381 | 5,381 | 5,381 |
| Net Fixed Assets | 72 | 565 | 572 | 603 | 609 | 647 | 712 | 769 | 830 |
| Other assets | 722 | 815 | 4,056 | 11,255 | 10,765 | 9,185 | 11,545 | 14,175 | 17,421 |
| Total Assets | 20,269 | 26,977 | 37,036 | 45,718 | 51,776 | 60,750 | 84,242 | 1,04,040 | 1,25,337 |

E: MOFSL Estimates

| Assumptions | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | FY25E |
|-------------------|--------|--------|--------|--------|--------|--------|--------|----------|----------|
| AUM (INR M) | 31,561 | 41,570 | 53,384 | 59,663 | 53,724 | 62,468 | 81,225 | 1,03,354 | 1,25,562 |
| Change (%) | 16.9 | 31.7 | 28.4 | 11.8 | -10.0 | 16.3 | 30.0 | 27.2 | 21.5 |
| On Balance Sheet | 61.3 | 61.8 | 60.9 | 55.7 | 75.4 | 81.4 | 82.0 | 81.0 | 81.0 |
| Off Balance Sheet | 38.7 | 38.2 | 39.1 | 44.3 | 24.6 | 18.6 | 18.0 | 19.0 | 19.0 |

E: MOFSL Estimates

Financials and valuations

| RATIOS | (%) | | | | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Y/E MARCH | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | FY25E |
| Spreads Analysis (%) | | | | | | | | | |
| Yield on loans | 17.2 | 16.0 | 16.1 | 16.9 | 13.5 | 13.6 | 14.8 | 15.2 | 15.4 |
| Cost of Funds | 8.6 | 9.1 | 8.9 | 8.7 | 7.1 | 7.4 | 8.2 | 8.7 | 8.8 |
| Spreads (On books) | 8.6 | 6.9 | 7.2 | 8.2 | 6.4 | 6.2 | 6.6 | 6.5 | 6.6 |
| NIMs (On Books) | 8.9 | 8.4 | 8.9 | 8.6 | 6.1 | 6.0 | 6.4 | 6.2 | 6.3 |
| Profitability Ratios (%) | | | | | | | | | |
| RoE | 45.3 | 23.5 | 19.5 | 18.8 | 13.9 | 13.2 | 15.0 | 16.7 | 18.4 |
| RoA | 3.4 | 4.4 | 4.8 | 4.0 | 2.9 | 2.8 | 2.8 | 2.7 | 2.8 |
| RoA (on AUM) | 2.3 | 2.8 | 3.2 | 2.9 | 2.5 | 2.7 | 2.8 | 2.8 | 2.8 |
| Op. Exps./Net Income | 31.8 | 25.9 | 21.2 | 22.4 | 18.7 | 27.3 | 34.1 | 35.5 | 34.5 |
| Empl. Cost/Op. Exps. | 43.4 | 52.4 | 60.9 | 58.3 | 48.2 | 45.8 | 36.8 | 37.1 | 37.7 |
| Asset-Liability Profile (%) | | | | | | | | | |
| Net NPAs to Adv. | 1.3 | 1.7 | 1.6 | 1.4 | 1.0 | 1.2 | 0.7 | 0.6 | 0.6 |
| Debt/Equity (x) - On BS | 11.7 | 2.6 | 3.3 | 3.7 | 3.5 | 3.7 | 4.8 | 5.3 | 5.5 |
| Average leverage | 11.8 | 4.2 | 3.0 | 3.5 | 3.6 | 3.6 | 4.3 | 5.1 | 5.4 |
| CAR | 16.9 | 31.9 | 29.1 | 31.0 | 26.9 | 27.9 | 24.2 | 21.7 | 20.7 |
| Valuations | | | | | | | | | |
| Book Value (INR) | 37 | 132 | 154 | 171 | 206 | 231 | 261 | 299 | 348 |
| Price-BV (x) | | | | 4.6 | 3.9 | 3.4 | 3.0 | 2.7 | 2.3 |
| Adjusted BV (INR) | 32.6 | 126.5 | 147.0 | 165.2 | 201.1 | 223.3 | 254.2 | 291.1 | 337.7 |
| Price-ABV (x) | | | | 4.8 | 4.0 | 3.6 | 3.1 | 2.7 | 2.4 |
| EPS (INR) | 15.7 | 18.9 | 27.8 | 30.5 | 26.3 | 28.9 | 36.9 | 46.9 | 59.4 |
| EPS Growth (%) | -42 | 21 | 47 | 9 | -14 | 10 | 28 | 27 | 27 |
| Price-Earnings (x) | | | 28.6 | 26.1 | 30.3 | 27.5 | 21.5 | 17.0 | 13.4 |
| Dividend per share | 3.3 | 3.7 | 5.1 | 8.0 | 1.5 | 1.5 | 6.8 | 9.0 | 11.0 |
| Dividend yield (%) | | | | 1.0 | 0.2 | 0.2 | 0.9 | 1.1 | 1.4 |

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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