

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR6,055 TP: INR7,080 (+17%) Buy

On course for sustained earnings momentum

Management confident of protecting profitability despite NIM compression

Bloomberg	BAF IN
Equity Shares (m)	602
M.Cap.(INRb)/(USDb)	3665.8 / 44.8
52-Week Range (INR)	7777 / 5236
1, 6, 12 Rel. Per (%)	2/-16/-20
12M Avg Val (INR M)	7826

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Net Income	288	341	419
PPP	187	225	281
PAT	115	139	176
EPS (INR)	190	230	291
EPS Gr. (%)	63	21	26
BV/Sh. (INR)	890	1,085	1,336

Ratios

NIM (%)	10.6	10.2	10.1
C/I ratio (%)	35.1	34.1	32.9
RoA (%)	4.7	4.5	4.6
RoE (%)	23.7	23.3	24.0
Payout (%)	15.8	15.2	13.8

Valuations

P/E (x)	31.8	26.3	20.8
P/BV (x)	6.8	5.6	4.5
Div. Yield (%)	0.5	0.6	0.7

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	55.9	55.9	55.9
DII	13.0	12.4	11.2
FIIFIIII	19.3	20.0	21.8
Others	11.8	11.6	11.2

FII Includes depository receipts

- BAF's reported PAT grew 31% YoY to ~INR31.6b (in line) in 4QFY23. The good operational performance was driven by 1) a healthy run-rate in customer additions/new loans disbursed, 2) pristine asset quality driving a ~7bp QoQ moderation in credit costs, and 3) a moderation in opex ratios. FY23 PAT grew ~64% YoY to ~INR115b (PY: INR70b).
- NII grew 30% YoY to INR62.5b. Other operating income grew 20% YoY, and net total income (NTI) increased 28% YoY to INR77.7b.
- 4QFY23 NIM (calc.) declined ~25bp QoQ to ~13%. Driven by its liability strength, BAF was able to tide over FY23 without margin compression. However, we model NIM compression of ~40bp in FY24, due to the expected rise in the cost of borrowings and the difficulty in passing on interest rate hikes in unsecured business loans/personal loans.
- We estimate an AUM/PAT CAGR of ~26%/24% over FY23-FY25 and expect BAF to deliver a RoA/RoE of 4.6%/24% in FY25.
- **Key factors to watch out for in FY24:** 1) the evolution of its payments landscape and adoption of its payments offerings; 2) traction/momentum in the web platform, and 3) the degree to which the NIM compression can be offset with lower cost ratios and credit costs.
- **Maintain BUY with a TP of INR7,080 (premised on 5.3x FY25E BVPS).**

Strong customer acquisition run rate; core AUM growth of ~29% YoY

- Total customer franchise rose 20% YoY to ~69m. New loans booked grew 21% YoY to 7.6m (PY: 6.3m). The company delivered the highest customer acquisitions in FY23 of ~11.6m and is confident of adding 11-12m new customers in FY24.
- Reported total AUM grew 25% YoY and ~7% QoQ to INR2.47t. Sequential AUM growth was driven by Auto Finance (+10%), Urban B2C (+7%), SME (+9%) and Commercial (incl. LAS) (+10%).
- Focus on customer acquisition through multiple channels, diversified product suite and expansion of distribution in Tier II and Tier III cities have been the key drivers of its AUM growth in recent years.

Cost ratios should moderate despite investments in distribution

- The company added 19 new locations and 10,800 distribution points in 4QFY23. It added ~230 new locations in FY23. It plans to add 150 new locations and over 300 standalone gold branches in 1QFY24.
- Operating expenses grew 26% YoY to INR26.5b and the opex-to-NII declined ~60bp QoQ to ~34%.
- Operating leverage driven by economies of scale and relatively lower investments on the technology side will drive a moderation in the opex-to-NII ratio to ~34%/33% in FY24/FY25.

Widening the acquisition funnel by accelerated rollout of payments offerings

- In the past, BAF used to originate customers through the B2B business, the proportion of which is now down to ~9%. The contribution of B2B to the balance sheet will continue to decline. The seasonality effect (seen historically) on the balance sheet will largely go away now.
- **BAF aims** to dominate with 1) 100m customer franchise, 2) a market share of 3% of payments GMV, and 3) 3-4% of total credit and 4-5% of retail credit. **To this end, BAF has rolled out** scalable UPI infrastructure on its consumer app platform, which will help improve performance. It has accelerated merchant QR deployment and plans to deploy 2.1-2.4m merchant QRs in FY24. BAF will be launching Bajaj EDC machines in 1QFY24, which will be enabled with all payment instruments, including Bajaj Wallet, invoice financing and product financing.

Strong risk management underpins its healthy asset quality

- BAF maintained pristine asset quality, with GS3/NS3 improving by 20bp/7bp QoQ to 0.94%/0.34% and Stage 3 PCR broadly stable at ~64%. GS3 and NS3 are now at their historically lowest levels.
- The credit cost in 4QFY23 stood at ~145bp (v/s ~150bp YoY and QoQ).

Highlights from the management commentary

- Management has **guided for ~40-50bp NIM moderation in FY24, assuming one more rate hike**. However, this can be offset by lower opex and credit costs.
- It has guided for **AUM growth of 28-29%** and **NII-to-opex of ~34.0%** in FY24.
- BAF has a subvention market share of >50% (by value). The company has augmented its B2B infrastructure and it is likely to see its market share grow.
- BAF shared that it is indeed witnessing some moderation in mortgages. There is some slowdown in uptake in the ~INR5m ticket size segment. However, demand in the luxury and premium segments remains strong.

Valuation and view

- Customer acquisition and the new loan trajectory have been strong. The momentum will only get stronger ahead, with the digital ecosystem – app, web platform and full-stack payment offerings – in place.
- BAF should be able to offset the NIM compression in FY24 with lower operating cost ratios and credit costs. Our FY24/FY25 estimates have seen a minor increase to factor in the higher AUM growth guidance. We expect BAF to deliver a PAT CAGR of 24% over FY23-FY25 and a RoA/RoE of 4.6%/24% in FY25. **Maintain BUY with a TP of INR7,080 (premised on 5.3x FY25E BVPS).**

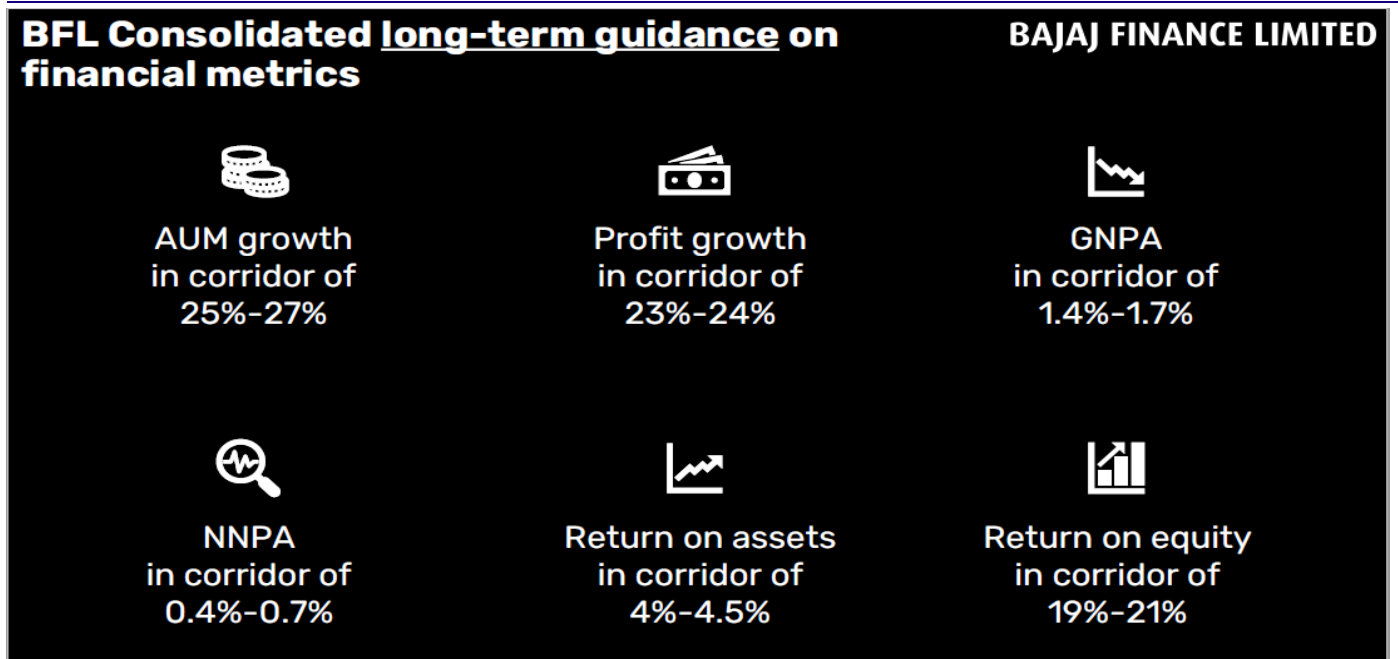
Quarterly Performance

(INR b)

Y/E March	FY22				FY23				FY22	FY23	4QFY23E	Act V/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	59.5	66.9	72.6	73.7	79.2	85.1	92.7	98.5	272.7	355.5	100.4	-2
Interest expenses	22.5	24.0	25.3	25.6	26.5	29.7	33.5	35.9	97.5	125.6	37.8	-5
Net Interest Income	37.0	42.9	47.3	48.0	52.7	55.4	59.2	62.5	175.2	229.9	63	0
YoY Growth (%)	12	26	41	25	43	29	25	30	26	31	30	
Other Operating Income	7.9	10.4	12.7	12.6	13.6	14.6	15.1	15.2	43.7	58.6	15.0	1
Net Income	44.9	53.3	60.0	60.7	66.4	70.0	74.3	77.7	218.9	288.5	77.7	0
YoY Growth (%)	8	28	40	30	48	31	24	28	27	32	28	
Operating Expenses	13.7	20.3	20.8	21.0	23.8	25.1	25.8	26.5	75.8	101.3	26.5	0
Operating Profit	31.2	33.0	39.2	39.7	42.6	44.9	48.5	51.2	143.1	187.2	51.2	0
YoY Growth (%)	4	10	35	30	37	36	24	29	20	31	29	
Provisions and Cont.	17.5	13.0	10.5	7.0	7.5	7.3	8.4	8.6	48.0	31.9	8.6	0
Profit before Tax	13.7	20.0	28.7	32.7	35.0	37.5	40.1	42.6	95.0	155.3	42.6	0
Tax Provisions	3.6	5.2	7.4	8.5	9.1	9.7	10.4	11.0	24.8	40.2	11.1	-1
Net Profit	10.0	14.8	21.3	24.2	26.0	27.8	29.7	31.6	70.3	115.1	31.5	0
YoY Growth (%)	4	53	85	80	159	88	40	30	59	64	30	
Key Operating Parameters (%)												
Fees to Net Income Ratio	17.6	19.6	21.2	20.8	20.5	20.9	20.3	19.5	20.0	20.3		
Credit Cost	4.67	3.31	2.51	1.53	1.55	1.43	1.54	1.47	2.84	1.5		
Cost to Income Ratio	30.6	38.0	34.7	34.6	35.9	35.9	34.7	34.1	34.6	35.1		
Tax Rate	26.6	26.1	25.9	25.9	25.9	25.9	25.9	25.9	26.0	25.9		
Balance Sheet Parameters												
AUM (INR B)	1,591	1,669	1,813	1,975	2,040	2,184	2,308	2,474	1,975	2,474		
Change YoY (%)	15.2	21.8	26.3	29.1	28.3	30.8	27.4	25.3	29.1	25		
Loans (INR B)	1,531	1,608	1,748	1,914	1,984	2,127	2,254	2,423	1,914	2,423		
Change YoY (%)	15.7	22.0	26.7	30.5	29.5	32.3	29.0	26.6	30.5	27		
Borrowings (INR B)	1,333	1,450	1,540	1,652	1,721	1,833	2,013	2,154	1,652	2,154		
Change YoY (%)	10.1	16.1	24.1	25.5	29.1	26.4	30.7	30.4	25.5	30		
Loans/Borrowings (%)	114.9	110.9	113.5	115.9	115.3	116.1	112.0	112.5	115.9	112		
Asset Quality Parameters (%)												
GS 3 (INR B)	47.4	41.0	31.1	31.3	25.4	25.3	26.1	23.1	31.3	23.1		
Gross Stage 3 (% on Assets)	2.96	2.45	1.73	1.60	1.25	1.17	1.14	0.94	1.60	0.94		
NS 3 (INR B)	23.1	18.3	13.8	13.2	10.2	9.5	9.3	8.4	13.1	8.4		
Net Stage 3 (% on Assets)	1.46	1.10	0.78	0.68	0.51	0.44	0.41	0.34	0.69	0.35		
PCR (%)	51.3	55.5	55.6	58.0	59.9	62.3	64.2	63.8	58.0	63.8		
Return Ratios (%)												
ROAA (Rep)	2.8	3.6	5.2	5.2	5.3	5.4	5.4	5.4	3.7	4.7		
ROAE (Rep)	10.8	15.2	21.2	22.8	23.1	23.6	24.0	23.9	17.7	23.7		

Source: Company, MOFSL

Exhibit 1: Long-term targets of the company



Source: Company

Exhibit 2: Omni-channel strategy, key metrics and FY23 estimates

Omnipresence strategy update (1/2)		BAJAJ FINANCE LIMITED			
Particulars	Unit	Q3 FY23	Q4 FY23	FY23 (A)	FY23 (E)
Geography					
New locations added – in the Qtr	#	29	19	229	400-450
Locations – Cumulative	#	3,714	3,733	3,733	3,900-3,950
Gold loan branches – Cumulative	#	179	181	181	375
App Metrics					
Downloads – In the Qtr	# in MM	14.84	13.43	51.87	53-55
Net Installs – Cumulative	# in MM	31.5	35.5	35.5	35-38
In-App programs – Cumulative	#	101	104	104	100+
Ranking in financial domain in Playstore	#	5	5	5	Top 5
Service requests initiated on app – In the Qtr	% of total SR	22%	26%	22%	23-25%
App Payments metrics					
UPI handles – Cumulative	# in MM	10.39	12.98	12.98	12
Bill pay transactions – In the Qtr	# in MM	5.00	5.27	15.92	12
QRs at merchant PoS – Cumulative	# in '000	214	627	627	600-700
Rewards issued – In the Qtr	# in MM	17.3	13.5	44.7	37-40

Source: Company

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

Particulars		Unit	Q3 FY23	Q4 FY23	FY23 (A)	FY23 (E)
App business metrics						
EMI cards acquired on App - In the Qtr		# in '000	100	99	368	300-325
Personal loan disbursed on App - In the Qtr		In ₹ cr	2,301	2,607	9.4K	9-10K
Credit card acquisition on App - In the Qtr		# in '000	59.2	72	209	175-200
Flexi loan transactions on App - In the Qtr		# in '000	1,481	1,554	4.9 MM	3.6-3.8 MM
DMS receipts on App - In the Qtr		# in '000	900	972	3.3 MM	3.0-3.2 MM
Marketplace metrics						
Bajaj Mall visits - In the Qtr		# in MM	44.2	47.1	156.7	140-150
Bajaj Mall loans - In the Qtr		# in '000	619	607	2.4 MM	2.6-2.8 MM
Insurance Bazaar policies - In the Qtr		# in '000	153.7	107.6	294.3	250-275
Investments Bazaar MF A/C - In the Qtr		# in '000	19.5	23.6	73.9	100-110
Digital EMI card metrics						
EMI cards acquired digitally - In the Qtr		# in '000	637	598	2.4 MM	2.0-2.2 MM
EMI cards acquired digitally - CIF		# in MM	3.1	3.6	3.6	3.8-4.0
B2B loans from digital EMI cards - in the Qtr		# in '000	284	291	1.07 MM	1.0-1.2 MM

Source: Company

Exhibit 4: Customer franchise: Key metrics

Particulars		Unit	FY17	FY18	FY19	FY20	FY21	FY22	FY23
New loans booked		In MM	10.1	15.3	23.5	27.4	16.9	24.7	29.6
New customer addition		In MM	4.1	6.1	8.3	8.1	6.0	9.0	11.6
Existing customer mix		%	59.8%	60.3%	64.8%	70.4%	64.6%	63.5%	60.9%
Total franchise									
Total franchise		in MM	20.1	26.2	34.5	42.6	48.6	57.6	69.1
Cross sell franchise									
Cross sell franchise		in MM	11.0	15.4	20.7	24.1	26.9	32.8	40.6
Co-branded credit cards sold									
Co-branded credit cards sold		in MM	0.03	0.39	0.81	1.12	0.70	1.36	1.92
Other financial products sold to existing customers									
Other financial products sold to existing customers		in MM	0.06	0.08	0.19	0.27	0.67	2.23	2.36
AUM per cross sell franchise									
AUM per cross sell franchise		₹	54,722	53,417	56,066	60,983	56,879	58,617	60,991
PAT per cross sell franchise									
PAT per cross sell franchise		₹	1,670	1,618	1,933	2,182	1,644	2,145	2,837

Source: Company



Highlights from the management commentary

Performance Update

- Core AUM grew 29% YoY and New Loans booked grew 20% YoY to 29.6m.
- GNPA is the lowest ever in the history of the company. NNPA stood at 0.34%.
- In 4QFY23, B2B disbursements grew 21% YoY to INR159b and Apr'23 is tracking strong. This was despite a slowdown in smartphone shipments and sales volumes.
- 4QFY23 annualized RoA/RoE stood at 5.4%/24%.
- The board has recommended a dividend of INR30/share.

Customer Franchise and Geographic Footprint

- It added 19 new locations and 10,800 distribution points in 4QFY23. It added ~230 new locations in FY23. It will be adding 150 new locations and over 300 standalone gold branches in 1QFY23.
- The highest-ever customer additions of 11.57m in FY23. Confident of adding 11-12m new customers in FY24.
- 3Q and 1Q are peak quarters in terms of customer addition, but 4QFY23 was reasonably better than 4Q of previous many fiscal years.

Guidance

- There was no impact on margins in FY23. However, it expects a 40-50bp moderation in NIM in FY24, assuming one more rate hike. However, this can be offset by lower opex and credit costs.
- Guided for NII-to-opex of 33.7-34.0% in FY24. The credit cost should remain benign.
- It does not expect a significant impact on RoA/RoE. RoA could decline by 5-10bp.
- BAF expects to disburse 35m loans (up 20% YoY) in FY24.

Omnipresence Strategy

- The final sprint of its app platform has gone live in a staggered manner in Apr'23.
- The final release of its Web platform is on track for Apr'23 end. From 2QFY24 onward, features on the app and web platform will go live simultaneously.
- Rewards will go live between 3Q/4QFY24 and social will go live in 1QFY25.

Payments

- A scalable UPI infrastructure has gone live on the consumer app platform, which will help improve performance.
- BAF accelerated merchant QR deployment in 4Q. It deployed 413,000 merchant QRs in 4QFY23 and total QR deployed stood at 627,000 as on Mar'23. It plans to deploy 2.1-2.4m merchant QRs in FY24 (v/s 30m-31m merchant QRs across India).
- Bajaj EDC machines will be launched in 1QFY24 with features like merchant onboarding, merchant lifecycle management and merchant services. These will be enabled with CC/DC, EMI Card, Bajaj Wallet, UPI, invoice and product financing.

Penal Charges

- Penal charges, which it collects, are not for profiteering. It just collects these penal charges to account for the cost it incurs on collections. Large proportion of the Service and Admin charges (disclosed in annual report) is primarily from penal charges.

Impact of Bajaj Auto setting up its own NBFC

- The Auto business (which is essentially captive) is ~5% of AUM. Bajaj Auto has applied for an NBFC license. It does not expect any change over a 24-month horizon.
- It is clocking 11,000-13,000 accounts every month from the open architecture and expects this to scale up to 250,000-300,000 accounts.

B2B Sales Business and subvention Market Share

- The company has looked at capacity planning a lot more closely across business and more particularly in the sales finance. It has significantly ramped up staffing both at the stores as well as people who manage them.
- BAF has a subvention market share of >50% (by value). The company has augmented its B2B infrastructure and it is likely to see its market share grow.

Bajaj Housing

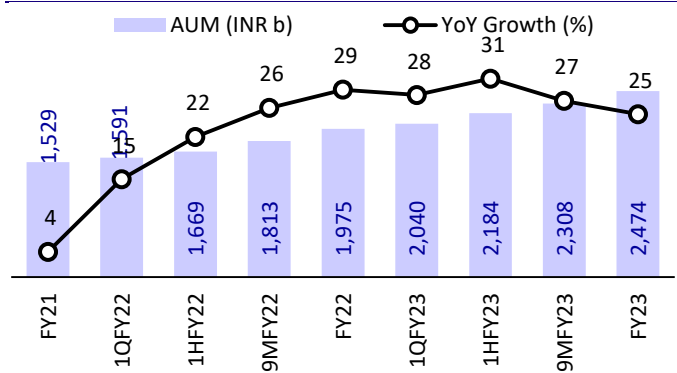
- Growth is slowing in Home Loans at the industry level. Despite this, BHFL AUM grew 30% YoY to INR692b.
- In 4QFY23, the overall approvals grew by 21% YoY.
- 4QFY23 PAT grew by 53% YoY to INR3.02b.
- The company shared that it is indeed witnessing some moderation in the mortgages segment. There has been slowness in uptake in the ~INR5m ticket size segment. Inventory is at an all-time low. Demand remains strong in the luxury and premium segments.

Others

- BAF does not expect the product mix to change significantly and it can grow profitably with the current product mix.
- It has an unsecured credit market share of 7-8% and there is very strong opportunity in this segment. However, there is a reason to be worried, given how some of the peers are growing in unsecured PL.
- The company continues to augment the leadership bench. Both Anup Saha and Rakesh Bhatt are senior leaders and Deputy CEOs. They have been appointed on the Board to augment the leadership bench.
- BAF had taken rate hikes of 60-70bp until Dec'22. It did not take any rate hikes in 4QFY23.
- At a design level, BAF was very tight in terms of risk filters over the last three years. The risk filters are data determined and that is how it continues to do business.

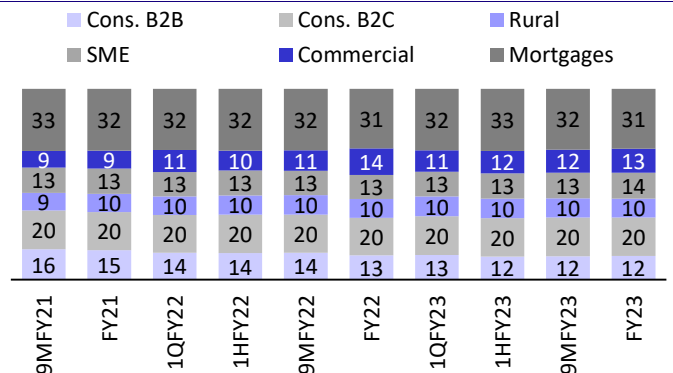
Story in charts

Exhibit 5: AUM growth healthy at 25% YoY (%)



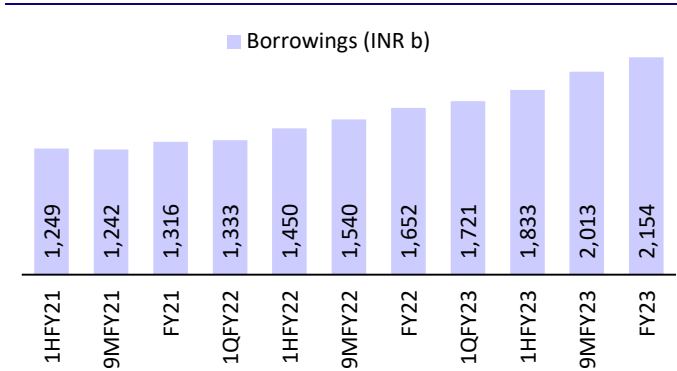
Source: MOFSL, Company

Exhibit 6: AUM mix was largely stable (%)



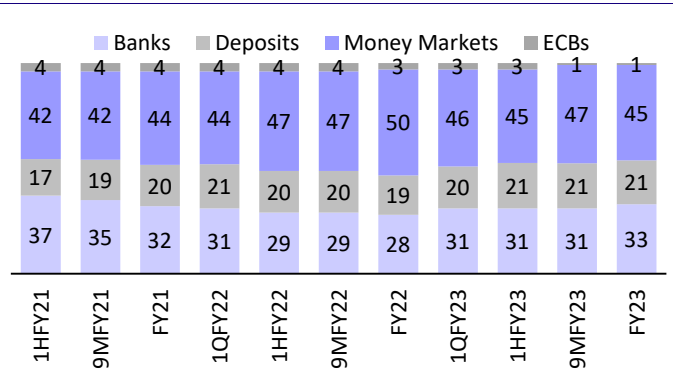
Source: MOFSL, Company

Exhibit 7: Borrowings grew by 30% YoY



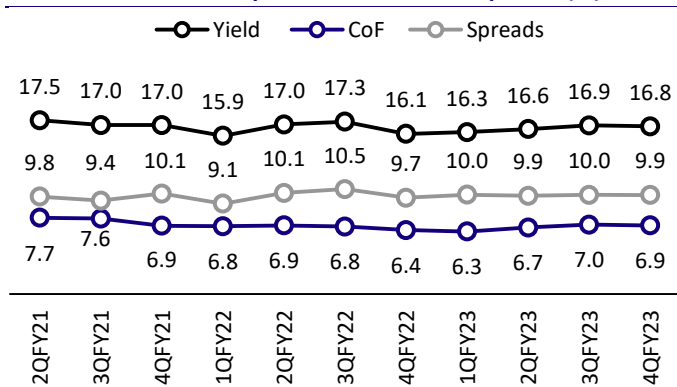
Source: MOFSL, Company

Exhibit 8: Borrowing mix (%)



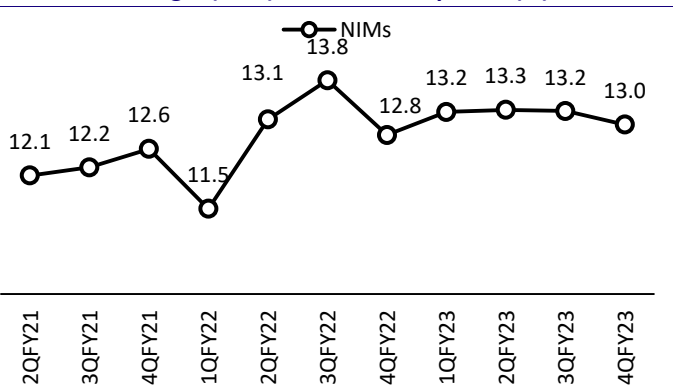
Source: MOFSL, Company

Exhibit 9: Calculated spreads declined ~10bp QoQ (%)



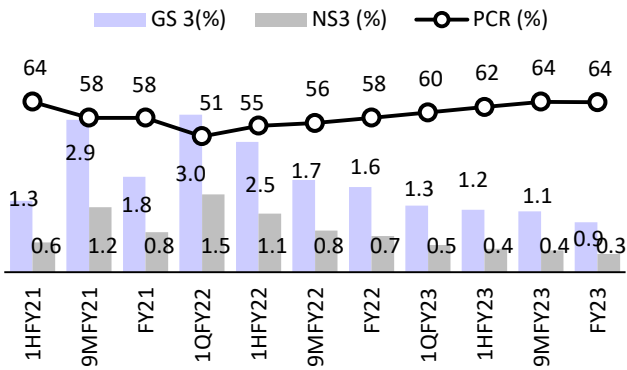
Source: MOFSL, Company

Exhibit 10: Margin (calc.) declined ~25bp QoQ (%)



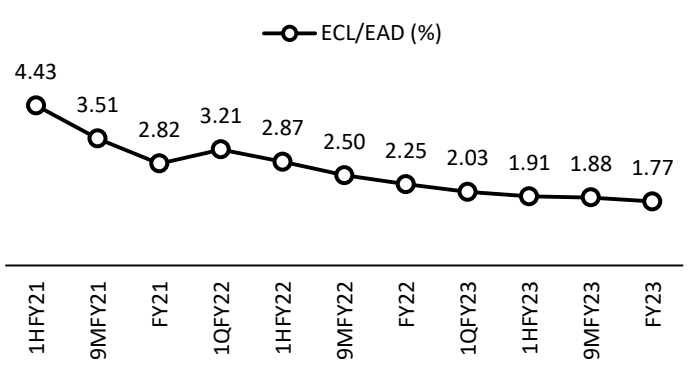
Source: MOFSL, Company

Exhibit 11: GS3 declined ~20bp QoQ to ~0.9%



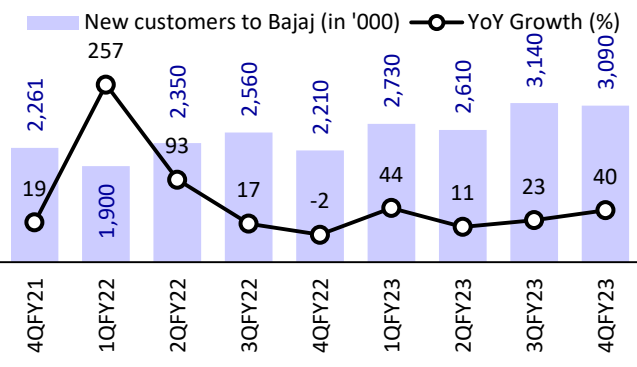
Source: MOFSL, Company; Note: Without SC dispensation, GNPA ratio would be 1.8%

Exhibit 12: Total ECL provisions stood ~180bp of EAD



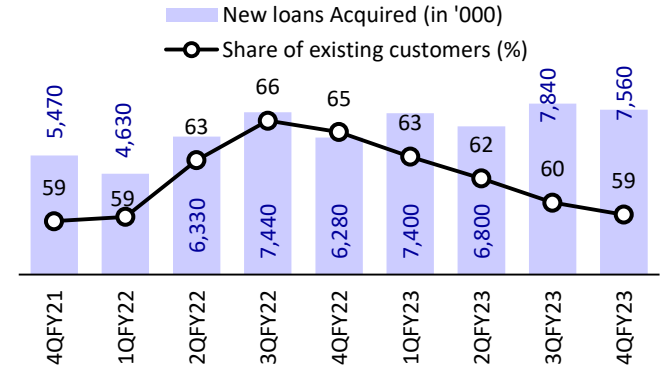
Source: MOFSL, Company

Exhibit 13: New customer additions grew ~40% YoY



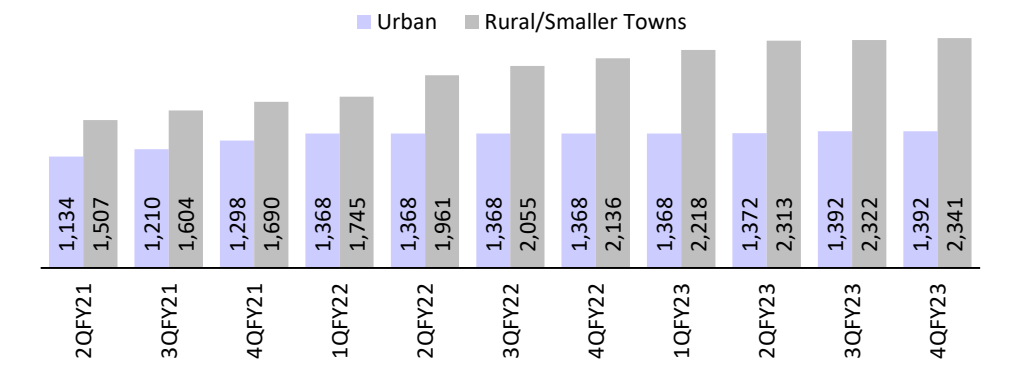
Source: MOFSL, Company

Exhibit 14: Share of existing customers in new loans booked declined to ~59%



Source: MOFSL, Company

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



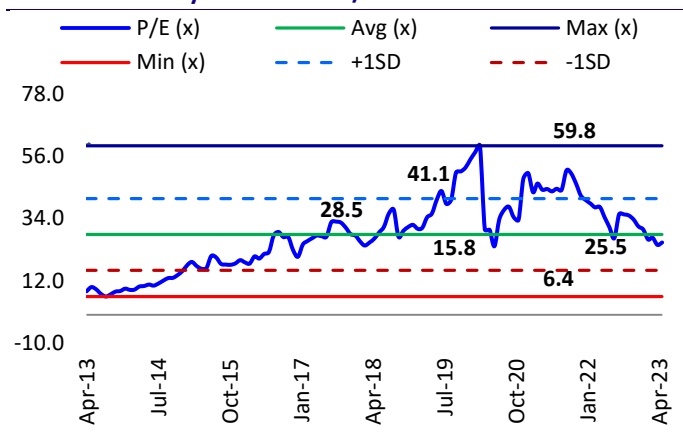
Source: MOFSL, Company

Exhibit 16: Our FY24/FY25 EPS estimates have seen a minor increase to factor in a slightly higher loan growth

INR B	Old Est.		New Est.		% Change	
	FY24	FY25	FY24	FY25	FY24	FY25
NII	281.6	347.5	281.1	349.3	-0.2	0.5
Other operating Income	57.8	68.2	59.4	70.0	2.7	2.6
Other Income	0.1	0.1	0.1	0.1		
Total Income	339.5	415.8	340.6	419.4	0.3	0.9
Operating Expenses	116.9	135.5	116.1	137.9	-0.7	1.8
Operating Profits	222.6	280.3	224.5	281.4	0.8	0.4
Provisions	37.3	45.2	36.6	43.8	-1.8	-3.3
PBT	185.3	235.1	187.9	237.7	1.4	1.1
Tax	48.2	61.1	48.8	61.8	1.4	1.1
PAT	137.2	173.9	139.0	175.9	1.4	1.1
Loans	3,070	3,838	3,077	3,846	0.2	0.2
Borrowings	2,668	3,339	2,674	3,346	0.2	0.2
RoA	4.5	4.6	4.5	4.6		
RoE	23.2	23.9	23.3	24.0		

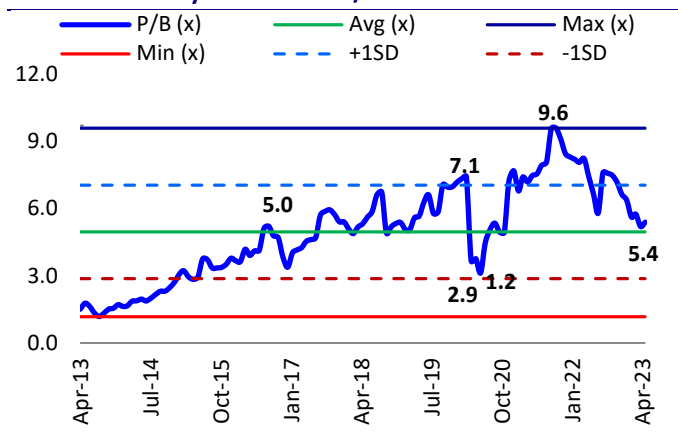
Source: MOFSL, Company

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	FY23	FY24E	FY25E
Interest Income	65.5	87.1	115.9	163.5	229.7	233.0	272.7	355.5	461.4	582.6
Interest Expended	29.3	38.0	46.1	66.2	94.7	94.1	97.5	125.6	180.3	233.3
Net Interest Income	36.2	49.0	69.7	97.3	135.0	138.9	175.2	229.9	281.1	349.3
Change (%)	37.0	35.4	42.2	39.5	38.8	2.9	26.2	31.2	22.3	24.3
Other Operating Income	7.5	12.7	11.6	21.4	34.0	33.6	43.6	58.5	59.4	70.0
Other Income	0.4	0.3	0.1	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	288.5	340.6	419.4
Change (%)	39.0	40.7	31.3	45.9	42.4	2.1	26.8	31.8	18.1	23.1
Operating Expenses	19.0	25.6	32.7	42.0	56.6	53.1	75.8	101.3	116.1	137.9
Operating Profits	25.1	36.4	48.7	76.8	112.5	119.6	143.1	187.2	224.5	281.4
Change (%)	44.0	45.0	34.1	57.6	46.5	6.3	19.6	30.8	20.0	25.4
Provisions and W/Offs	5.4	8.2	10.3	15.0	39.3	59.7	48.0	31.9	36.6	43.8
PBT	19.6	28.2	38.4	61.8	73.2	59.9	95.0	155.3	187.9	237.7
Tax	6.9	9.8	13.5	21.8	20.6	15.7	24.8	40.2	48.8	61.8
Tax Rate (%)	34.9	34.8	35.0	35.3	28.1	26.2	26.0	25.9	26.0	26.0
PAT	12.8	18.4	25.0	39.9	52.6	44.2	70.3	115.1	139.0	175.9
Change (%)	42.4	43.6	35.9	60.0	31.8	-16.0	59.0	63.7	20.8	26.5
Proposed Dividend	1.6	2.5	2.8	4.3	7.3	6.0	6.0	18.1	21.1	24.2

Balance Sheet										INR b
Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Capital	0.5	1.1	1.2	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	536.5	654.4	806.1
Net Worth	74.3	90.5	158.6	197.0	324.2	364.4	431.8	537.7	655.6	807.3
OCI	0.0	0.0	-0.1	0.0	-0.9	-1.2	-0.7	0.0	0.0	0.0
Net Worth (Including OCI)	74.3	90.5	158.5	197.0	323.3	363.2	431.1	537.7	655.6	807.3
Change (%)	54.7	21.9	75.1	24.3	64.1	12.3	18.7	24.7	21.9	23.1
Borrowings	370.2	508.9	665.6	1,015.9	1,298.1	1,316.3	1,652.5	2,166.9	2,673.8	3,346.0
Change (%)	38.7	37.5	30.8	52.6	27.8	1.4	25.5	31.1	23.4	25.1
Other liabilities	25.2	19.9	23.9	29.5	22.6	35.2	41.4	47.7	54.8	63.1
Total Liabilities	469.7	619.4	848.0	1,242.3	1,643.9	1,714.7	2,125.1	2,752.3	3,384.2	4,216.4
Investments	10.3	41.3	31.4	86.0	175.4	184.0	122.5	227.5	227.5	227.5
Change (%)	211.2	299.5	-24.0	173.9	104.0	4.9	-33.4	85.8	0.0	0.0
Loans	438.3	564.0	800.0	1,137.1	1,428.0	1,466.9	1,914.2	2,422.7	3,076.8	3,846.0
Change (%)	40.5	28.7	41.8	42.1	25.6	2.7	30.5	26.6	27.0	25.0
Other assets	21.1	14.1	16.6	19.2	40.5	63.9	88.4	102.1	79.9	142.8
Total Assets	469.7	619.4	848.0	1,242.3	1,643.9	1,714.7	2,125.1	2,752.3	3,384.2	4,216.4

E: MOFSL Estimates

Financials and valuations

Ratios											(%)
Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	
Spreads Analysis (%)											
Yield on Advances	17.5	17.4	17.0	16.9	17.9	16.1	16.1	16.4	16.8	16.8	
Cost of borrowings	9.2	8.7	7.9	7.9	8.2	7.2	6.6	6.6	7.5	7.8	
Interest Spread	8.3	8.7	9.1	9.0	9.7	8.9	9.6	9.8	9.3	9.1	
Net Interest Margin	9.7	9.8	10.2	10.0	10.5	9.6	10.4	10.6	10.2	10.1	
Profitability Ratios (%)											
Cost/Income	43.1	41.4	40.1	35.3	33.5	30.7	34.6	35.1	34.1	32.9	
Empl. Cost/Op. Exps.	33.2	36.3	43.9	46.2	45.0	47.0	47.3	49.9	51.4	53.7	
RoE	20.9	22.3	20.0	22.5	20.2	12.8	17.7	23.7	23.3	24.0	
RoA	3.2	3.4	3.4	3.8	3.6	2.6	3.7	4.7	4.5	4.6	
Asset Quality (%)											
GNPA	5.4	9.8	11.6	18.0	23.6	27.3	31.3	23.1	28.4	38.1	
NNPA	1.2	2.6	3.5	7.3	9.4	11.4	13.1	8.4	10.0	12.2	
GNPA %	1.2	1.7	1.4	1.6	1.6	1.8	1.6	0.9	0.9	1.0	
NNPA %	0.3	0.5	0.4	0.6	0.7	0.8	0.7	0.3	0.3	0.3	
PCR %	77.2	74.0	69.6	59.7	60.3	58.4	58.0	63.8	65.0	68.0	
Capitalisation (%)											
CAR	19.5	19.5	24.0	20.7	25.0	28.3	27.2	25.0	24.9	24.6	
Tier I	16.1	13.3	18.4	16.3	21.3	25.1	24.8	23.2	23.5	23.6	
Tier II	3.4	6.2	5.5	4.4	3.7	3.2	2.5	1.8	1.4	1.0	
Average Leverage on Assets (x)	6.5	6.6	5.9	5.9	5.5	4.9	4.8	5.0	5.1	5.2	
Valuation											
Book Value (INR)	139	165	276	341	540	606	716	890	1,085	1,336	
Price-BV (x)					11.2	10.0	8.5	6.8	5.6	4.5	
EPS (INR)	23.9	33.6	43.4	69.3	87.7	73.5	116.5	190.4	230.0	291.0	
EPS Growth (%)	33.0	40.7	29.2	59.6	26.7	-16.3	58.6	63.4	20.8	26.5	
Price-Earnings (x)					69.0	82.4	52.0	31.8	26.3	20.8	
Dividend per Share (INR)	2.5	3.6	4.0	6.0	10.0	10.0	20.0	30.0	35.0	40.0	
Dividend Yield (%)					0.2	0.2	0.3	0.5	0.6	0.7	

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
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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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