

Mahindra & Mahindra Financial

BSE SENSEX

58,992

S&P CNX

17,360

Mahindra FINANCE

Stock Info

Bloomberg	MMFS IN
Equity Shares (m)	615
M.Cap.(INRb)/(USDb)	286.2 / 3.5
52-Week Range (INR)	272 / 157
1, 6, 12 Rel. Per (%)	-8/24/46
12M Avg Val (INR M)	982
Free float (%)	47.8

Financials Snapshot (INR b)

Y/E March	FY23E	FY24E	FY25E
NII	64.0	75.6	88.1
PPP	37.4	45.6	54.6
PAT	18.1	20.8	25.0
EPS (INR)	14.7	16.8	20.2
EPS Gr. (%)	83	15	20
BV/Sh.(INR)	133	145	160

Ratios

NIM (%)	8.3	8.0	7.9
C/I ratio (%)	41.6	39.7	38.1
RoA (%)	2.1	2.0	2.0
RoE (%)	11.4	12.1	13.3
Payout (%)	31.5	30.5	27.0

Valuations

P/E (x)	15.8	13.8	11.5
P/BV (x)	1.7	1.6	1.5
Div. Yield (%)	2.0	2.2	2.4

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	52.2	52.2	52.2
DII	23.8	22.1	15.4
FII	16.3	17.1	19.5
Others	7.8	8.6	13.0

FII Includes depository receipts

CMP: INR232

TP: INR285 (+23%)

Buy

Pivoting to enhance performance stability

RoA/RoE to structurally improve to 2%/13% respectively by FY25

- Mahindra Finance (MMFS) has over the last 18 months embarked on multiple strategic initiatives, which we believe will lead to 1) lower operating cost ratios through improved productivity aided by higher efficiencies, 2) sustainable improvement in asset quality resulting in lower credit costs, 3) much better risk management by leveraging analytics/business intelligence, and 4) improvement in business volumes by targeting the affluent rural and semi-urban (RUSU) customer segment with relevant lifecycle products.
- Rural demand, which is already showing green-shoots of revival, should improve further, driven by higher rural spending (in the year leading up to the general elections), improvement in mining activity and the opening up of the contracting segment. A better minimum support price (MSP) and better agri yields for customers in the agri ecosystem should result in healthy rural cash-flows and would help to sustain demand even beyond the narrative of general elections.
- MMFS has significantly beefed up the processes around repossessions and additional safeguards have been built. The regulator has seen through all the measures undertaken by the company and has revoked the ban on deploying third-party collection agencies. This will now aid improvement in repossessions activity and prevent any volatility in asset quality (which could have otherwise been there).
- Mahindra & Mahindra Financial (MMFS) appointed Mr. Raul Rebello (current COO) as the MD & CEO designate and he will assume charge after Mr. Ramesh Iyer (the current MD & CEO) superannuates in Apr'24. We expect this to be a smooth and seamless transition given that Mr. Rebello (ex-Axis Bank) has been with MMFS for the last ~18 months and he has been at the forefront in strengthening the operational framework.
- We model an AUM/PAT CAGR of 18%/17% over FY23-FY25E with an RoA/RoE of 2.0%/13% in FY25E. We retain our BUY rating on the stock with a TP of INR285 (premised on 1.8x FY25E P/BV). Key risk to our call: external disruptions like COVID waves leading to volatility in asset quality and credit costs.

Demand momentum to sustain; M&M auto volumes are further enablers

- In addition to expected buoyancy in rural demand from election-related spending, MMFS is actively participating in M&M's urban vehicle segment. Catering to the RUSU affluent customer segment could hurt margins, which can be offset by lower opex and credit costs.
- The contribution of M&M's assets to MMFS' AUM stood at 43% in Dec'22 and has been in the range of 40-45% over the last four years. We expect MMFS to continue to benefit from higher volumes of M&M, particularly in the UV segment, which has always been the former's strength.
- Non-vehicle products like consumer loans, SME loans and leasing will also start contributing to the loan mix from FY25 onward. Management targets to grow this segment to 15% of the mix in the next three to five years.

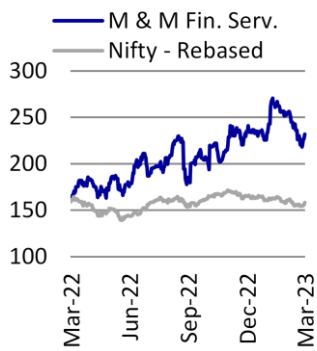
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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Stock performance (one-year)



Strategic initiatives to drive potential transformation

- To achieve its Vision 2025, MMFS has introduced multiple initiatives and formulated goals to firmly secure some of the articulated targets. These initiatives include: 1) scaling up new growth engines, 2) changing customer segment mix, 3) diversifying product mix, 4) having collection war-rooms and legal efforts, 5) leveraging AI/ML models by hiring quality tech and data science teams, and 6) empowering employees with the latest technology to improve productivity and drive process optimization.
- The company has also effected process-level changes in origination and collections. On the origination side, it aims to cut down the bottom 2% of tail customers, who exhibit the highest vulnerability. On the collection side, it is keeping a hawk-eye view on the performance of new originations and the field staff is better equipped with insights from data analytics.

Reduction in opex ratio to mitigate the impact of margin compression

- MMFS (as well as the other vehicle financiers) is expected to remain vulnerable to margin compression in FY24. Given that MMFS is targeting M&M's urban vehicle segment and the RUSU affluent segment, organic yields could be under pressure. Moreover, given that banks remain aggressive in retail loans, vehicle financiers have (until now) not been able to take significant IRR increases on new disbursements.
- The company has invested in scaling up teams in its new businesses like Digital Finance and Leasing. It has also invested in technology and data analytics to drive improvements across origination, underwriting and collections. We expect that productivity improvements and operating efficiencies should lead to a moderation in the cost ratio. We estimate the opex-to-average asset ratio to fall to 2.8% by FY25 from 3.1% in FY23E.

Volatility in asset quality to subside; credit costs at ~2% in FY24-FY25E

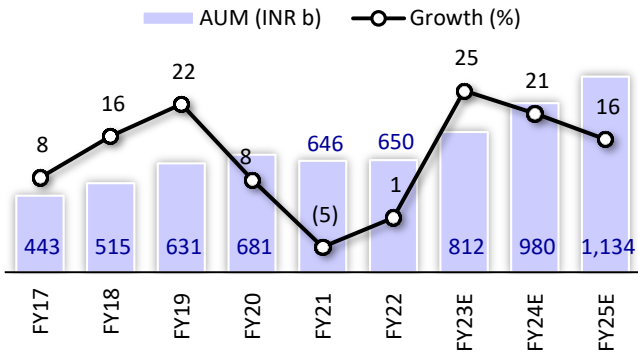
- After the implementation of the RBI NPA circular, we expect GNPA's (under IRACP) to be higher than Ind-AS Stage 3 (GS3) by ~INR12-15b on a steady state basis. Both the GS3 and GNPA's can be contained below 4% and 6%, respectively, and there will be no additional provisioning requirement.
- Given better customer selection (by culling out the most vulnerable segment) and the implementation of initiatives to monitor early warning signals and equip the field collection team with data insights, we expect that volatility in asset quality will significantly subside. We model credit costs of ~2% over FY24-25E.

Higher performance stability on the cards – Maintain BUY

- While MMFS has exhibited volatile operating performance and weak asset quality in the past, we believe that the various strategic initiatives undertaken by the management, if executed correctly, have the potential to script a credible transformation.
- Deep moats in rural/semi-urban customer segment position MMFS well to reap rewards of the hard work that is going into evolving this franchise.
- **We model an AUM/ PAT CAGR of 18%/17% over FY23-FY25E for an RoA/RoE of 2.0%/13% in FY25E, respectively. Maintain our BUY rating on the stock with a TP of INR285 (premised on 1.8x FY25E P/BV).**

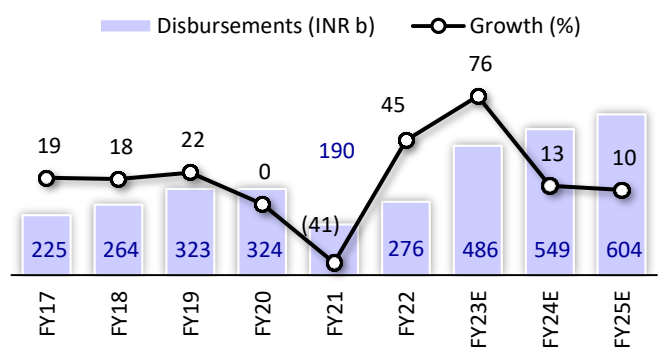
Story in Charts

Exhibit 1: AUM growth to remain strong



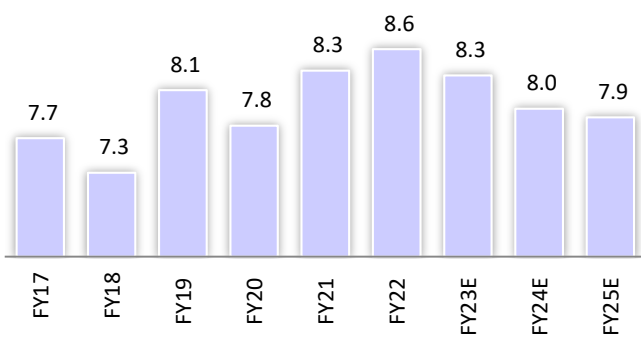
Source: MOFSL, Company

Exhibit 2: Disbursement CAGR of ~11% over FY23-25E



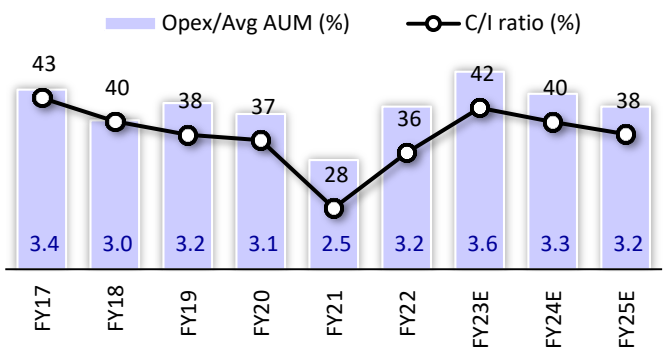
Source: MOFSL, Company

Exhibit 3: NIMs to compress ~30bp/10bp in FY24E/FY25E



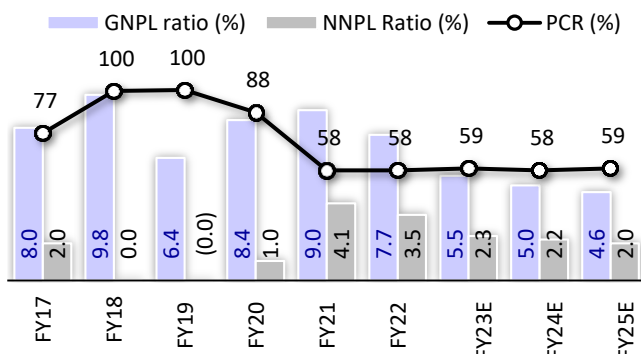
Source: MOFSL, Company

Exhibit 4: Opex-to-Avg AUM to moderate to 3.2% by FY25E



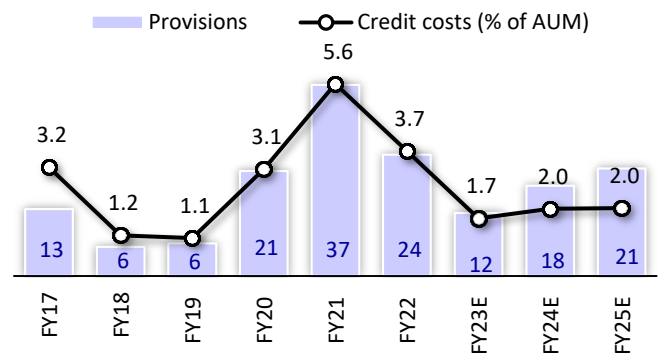
Source: MOFSL, Company

Exhibit 5: Expect to sustain asset quality improvement



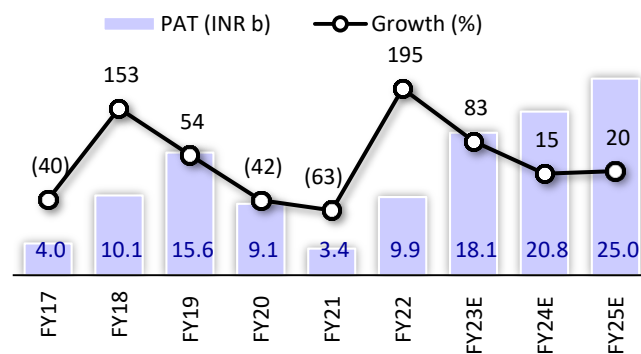
Source: MOFSL, Company

Exhibit 6: Credit costs to stay at ~2% in FY24E/FY25E



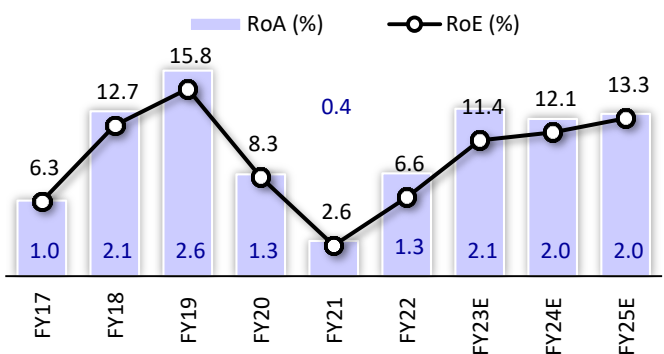
Source: MOFSL, Company

Exhibit 7: We model PAT CAGR of ~17% over FY23-25E...



Source: MOFSL, Company

Exhibit 8: ...leading to an RoA/RoE of 2%/~13% by FY25E

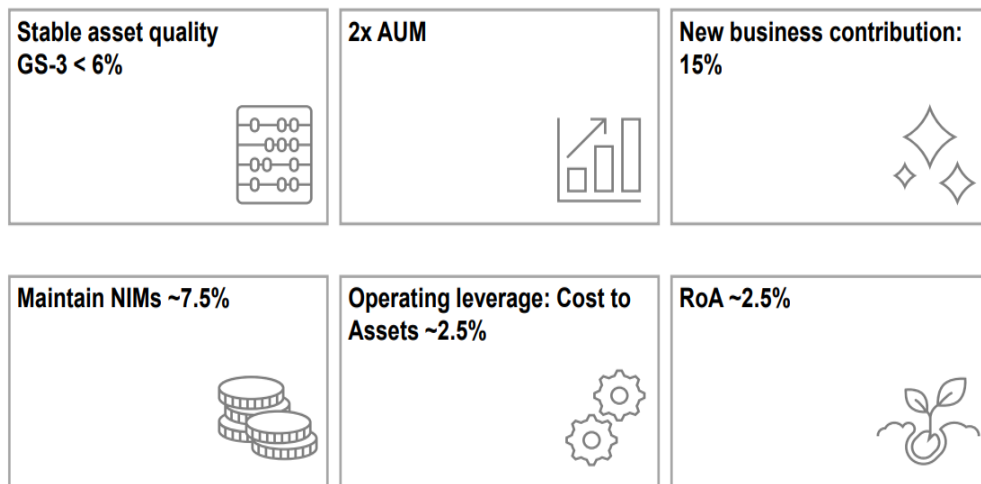


Source: MOFSL, Company

Vision 2025: MMFS is striving to achieve the stated goals

- As part of its Vision 2025, MMFS plans to achieve higher AUM growth, improve asset quality, maintain margins, and reduce opex ratios in order to boost RoA.
- We expect increased involvement of parent M&M in the strategic direction of the company.

Exhibit 9: Key goals under Vision 2025 transformation program



Source: MOFSL, Company

Exhibit 10: Priorities to be achieved through strategic initiatives

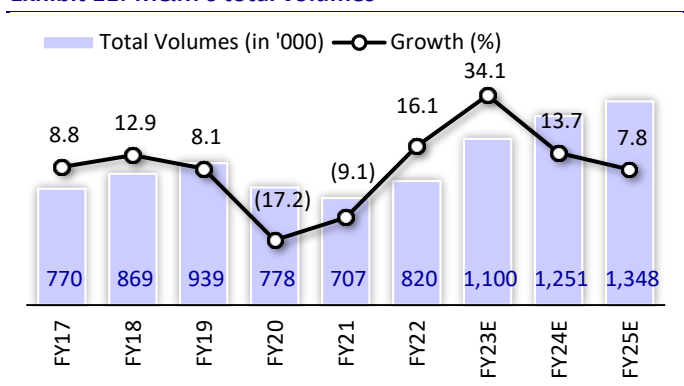


Source: MOFSL, Company

Demand momentum to sustain; M&M auto volumes are enablers

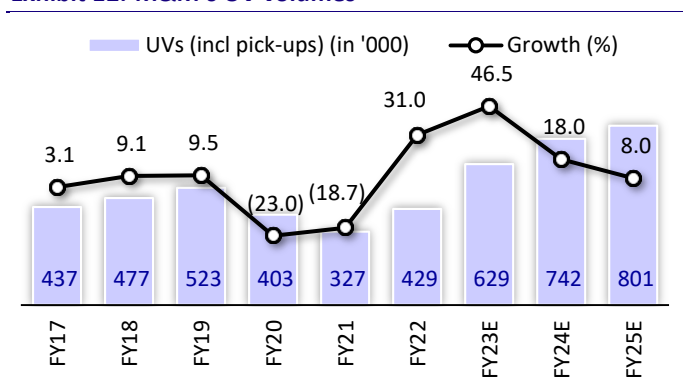
- In addition to expected buoyancy in rural demand from election-related spending, MMFS is actively participating in M&M’s urban vehicle segment. Catering to the RUSU affluent customer segment will hurt margins, which can be offset by lower opex and credit costs.
- A cyclical recovery in LCVs, along with the introduction of new products and the elimination of supply-side bottlenecks in the SUV segment, should stimulate growth momentum. The availability of new vehicles in the market is expected to lead to demand improvement for pre-owned vehicles, which should boost growth/margins.
- Contribution of M&M’s assets to MMFS’ AUM stood at 43% in Dec’22 and has been in the range of 40-45% over the last four years. We expect MMFS to continue to benefit from higher volumes of M&M, particularly in the UV segment, which has always been the former’s strength. We estimate M&M’s UVs to deliver a ~13% volume growth CAGR over FY23-FY25. Total volumes (including tractors) are estimated to see a ~11% CAGR in the same period.
- MMFS has again ventured into financing smaller NBFCs, which are engaged in vehicle/tractor financing and have a healthy operational performance. This would help MMFS expand its reach and diversify the loan book.

Exhibit 11: M&M’s total volumes



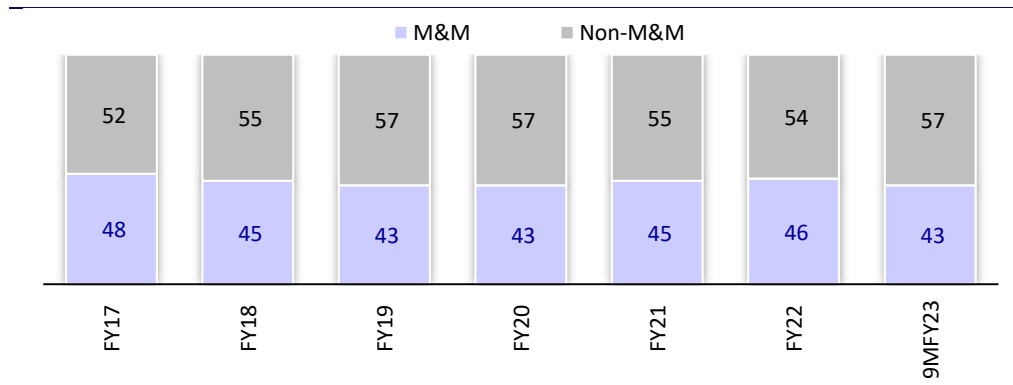
Source: MOFSL, Company

Exhibit 12: M&M’s UV volumes



Source: MOFSL, Company, borrowing mix %

Exhibit 13: Share of M&M’s assets in MMFS’ business assets



Source: MOFSL, Company

Strategic initiatives to drive transformation

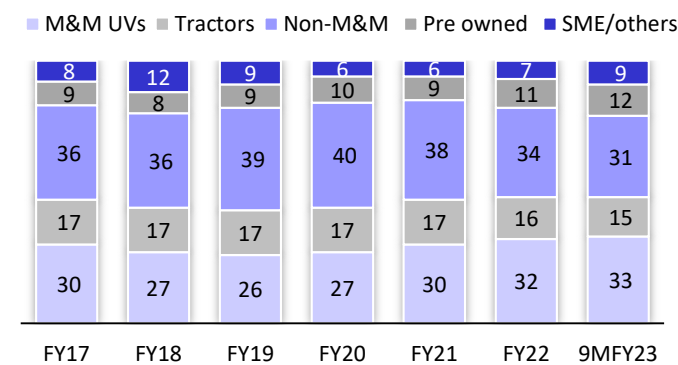
Reducing the tail risk by improving the customer mix

- Better customer selection (by culling out the most vulnerable customer segment) can significantly reduce the tail risk for the company.
- Management will offer various products and propositions to the affluent RUSU customer segment to increase their share in this segment. These customers have a proven credit history with good CIBIL score and stable cash-flows with better ability to repay in a timely manner. Though catering to this segment could lead to margin compression, the improvement in the asset quality and resultant lower credit costs should offset the impact of margin compression on the profitability.
- The company will continue to strengthen its position in the ‘earn-and-pay’ customer segment; however, the diversified customer profile should reduce vulnerability to extreme fragile customer segments.

Diversified product mix to overcome cyclical

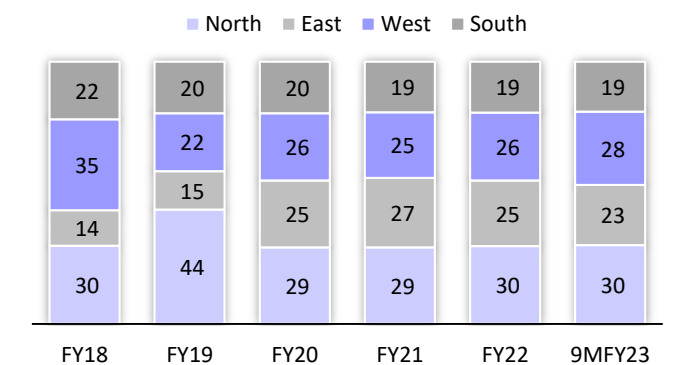
- For MMFS, vehicle finance contributes ~91% to the loan mix. Vehicle financing is cyclical in nature and is affected by changes in economic growth. In order to counter the deep cyclical in the vehicle financing segment, the company has ventured into complementary business segments viz. SME, leasing business and Digi FinCo. These complementary businesses can provide counter-cyclical benefits and expand the potential for delivering consistent growth.
- Management plans to leverage the existing customer base of the franchise to expand the SME portfolio in the engineering, agriculture and automotive segments. In our view, the SME segment is promising and the Mahindra group’s strength positions MMFS well to participate in this growth journey.

Exhibit 14: Targets to increase the share of new products (SME, LAP and Digi Finco) to 15% by 2025E



Source: MOFSL, Company

Exhibit 15: Region-wise credit concentration



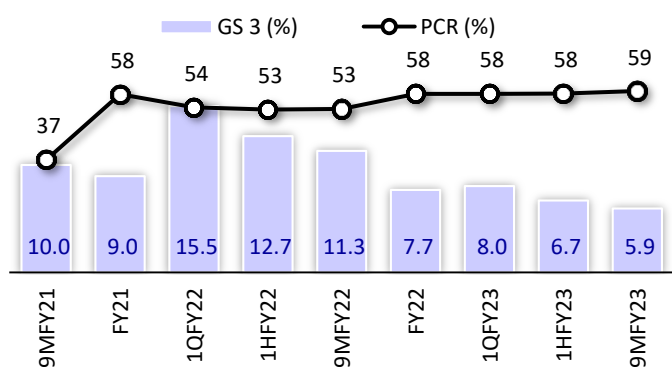
Source: MOFSL, Company

- The Leasing and Subscription platform, ‘Quiklyz’, will help customers to access new cars without the hassle of car ownership. MMFS plans to scale both the Corporate and Personal segments through this venture.
- **MMFS plans to raise the business share of new products (SME loans, LAP, Leasing & Digi Finco products) to 15% by 2025E.**

Efforts to reduce volatility in asset quality by upping collection efforts

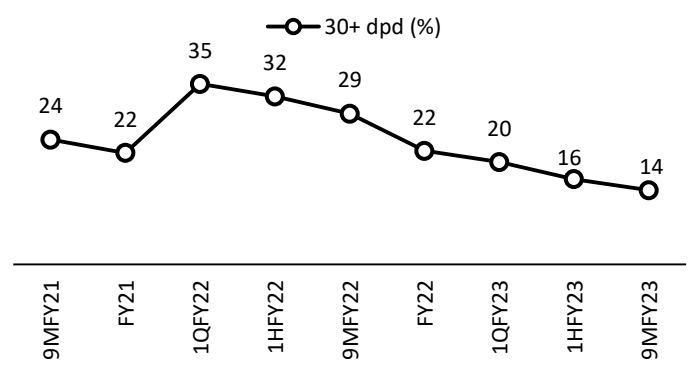
- Gross stage 3 assets improved to 5.9% as of Dec'22 (v/s 11.3% as of Dec'21), aided by MMFS's consistent efforts to improve collection efficiency.
- The company has set up collection war rooms to upgrade its collection efforts, developed curated collection processes for different customer segments, and employed stringent arbitration for bad debts and loan pools.
- MMFS has started using analytics to gauge some early warning signals about exposures that could potentially slip into NPA. The company tries to activate the collection machinery in advance to prevent slippages into the NPA pool.

Exhibit 16: GS3 improved by ~5pp over last 12 months



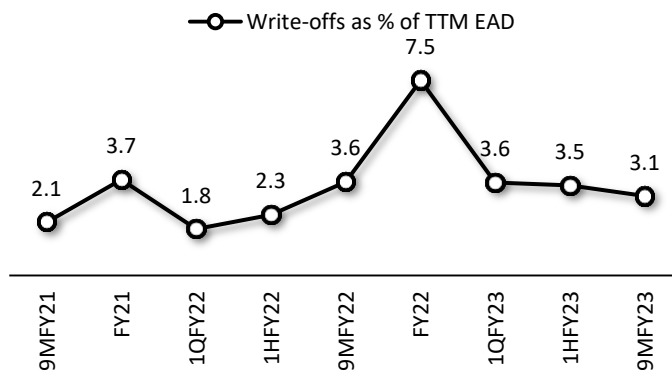
Source: MOFSL, Company, Note: 9MFY23 GS3 basis business update

Exhibit 17: Improved collection efficiency to arrest flows to higher buckets



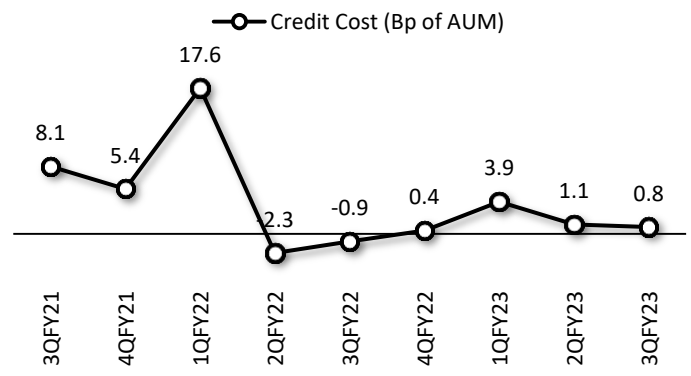
Source: MOFSL, Company

Exhibit 18: Significant improvement in write-offs...



Source: Company, MOFSL

Exhibit 19: ...leading to moderation in credit costs



Source: Company, MOFSL

Gaining competitive advantage by widening digital and technological capabilities

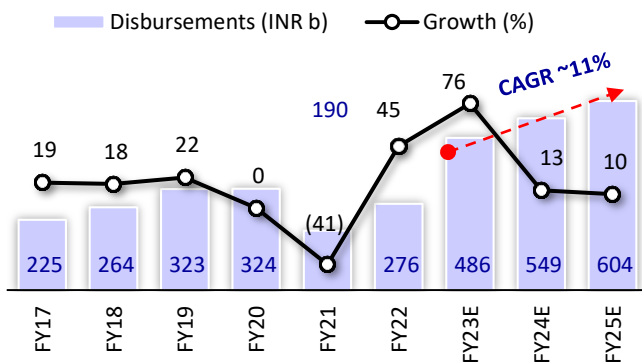
- MMFS continues to focus on strengthening its core via real time digital utilities for KYC, NPA Stamping, e-NACH. The 'OneApp' application has empowered the field employees with decision making abilities allowing them to do efficient collections. This has changed the way in which MMFS did business earlier.
- The company continues to expand its ML/AI penetration through business intelligence dashboards and insights which have aided the company in rolling out business and collections strategic initiatives.
- MMFS has launched its proprietary algorithms to offer faster loan approvals at dynamic interest rates to low-risk customers, which would help in gaining market share and improving portfolio quality and profitability.

Eyes performance stability

Strong demand momentum to drive growth

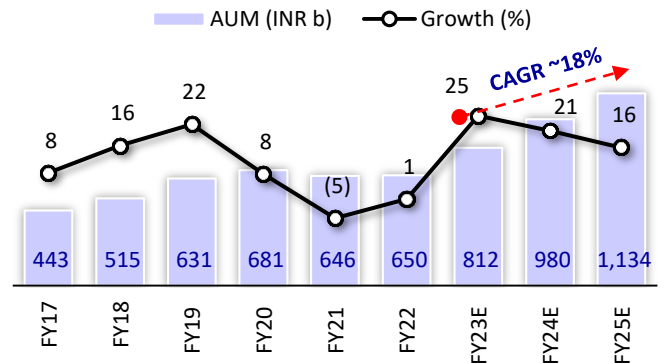
- MMFS has growth levers in place and is prepared to accelerate disbursements to ride the sectoral tailwinds.
- Rural demand and improved cash-flows combined with the removal of supply-side bottlenecks in the auto industry should help MMFS deliver healthy disbursement/AUM CAGRs of 11%/18% over FY23-FY25E.

Exhibit 20: Disbursements CAGR of ~11%...



Source: MOFSL, Company

Exhibit 21: ...leading to AUM CAGR of ~18% over FY23-FY25E

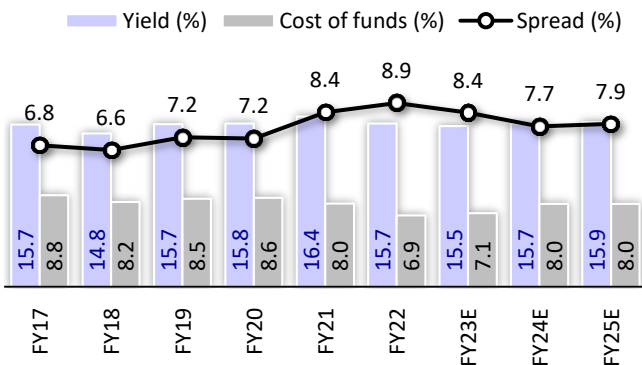


Source: MOFSL, Company

Margin compression could be the Achilles' heel

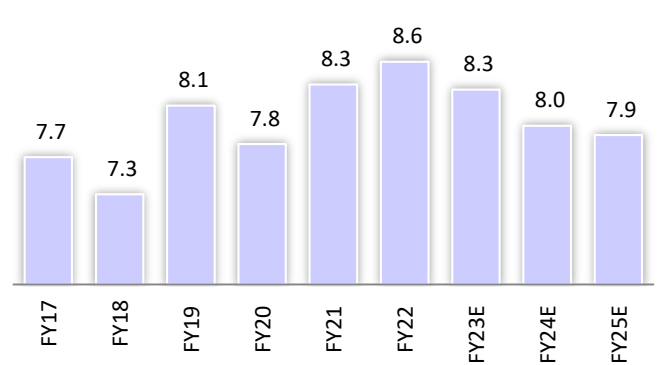
- MMFS (as well as the other vehicle financiers) is expected to remain vulnerable to margin compression in FY24. Given that MMFS is targeting the M&M urban vehicle segment and the RUSU affluent segment, organic yields could remain under pressure.
- Moreover, given that banks remain aggressive in retail loans, vehicle financiers have (until now) not been able to take significant IRR increases on new disbursements.
- We model in NIM compression of ~30bp/10bp in FY24E/FY25E.

Exhibit 22: Expect compression in spreads to lead to...



Source: MOFSL, Company

Exhibit 23: ...moderation in margins over FY24-FY25E

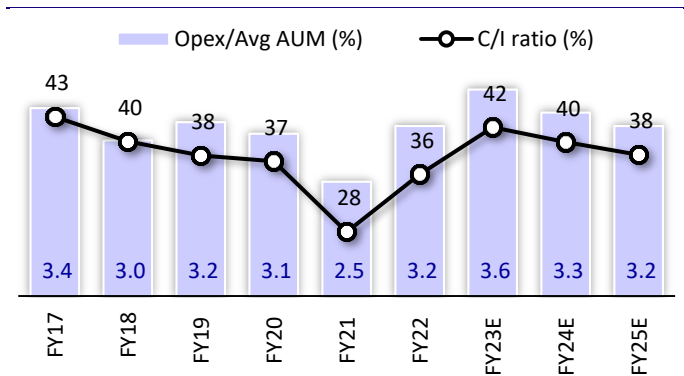


Source: MOFSL, Company

Opex levers to offset margin compression

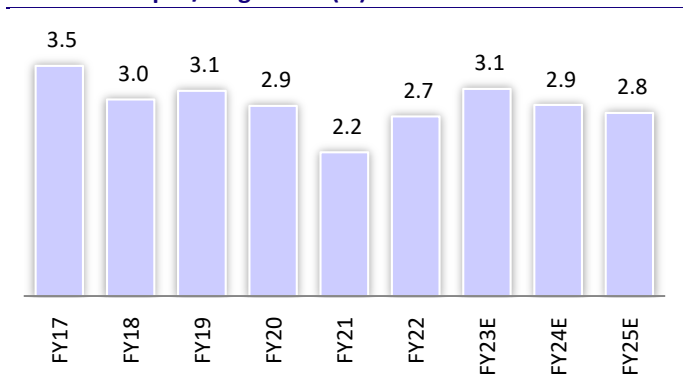
- The company has invested in scaling up teams in new businesses like Digital Finance and Leasing. It has also invested in technology and data analytics to drive improvements across origination, underwriting and collections.
- We expect productivity improvements and operating efficiencies to lead to a moderation in the cost ratio. We estimate the opex to average assets to decline to 2.8% by FY25E (from 3.1% in FY23E).

Exhibit 24: Operating efficiencies to help improve cost ratios over FY24-FY25E



Source: MOFSL, Company

Exhibit 25: Opex/ Avg assets (%)

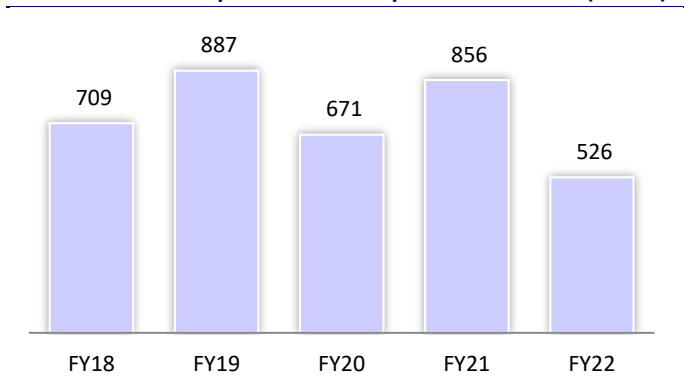


Source: MOFSL, Company

Asset quality to see more stability; Credit costs at ~2% in FY24-FY25

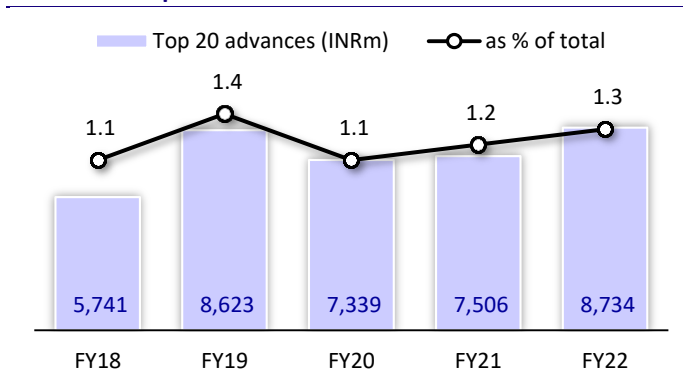
- The impact of the pandemic on the asset quality of MMFS was much more pronounced (relative to its peers such as CIFC and SHTF), with the company reporting write-offs of ~INR62b over the last 10 quarters. However, MMFS has now enhanced its business model and set up mechanisms to detect early warning signals to improve its collections processes.
- The company has further aligned the incentives of field employees to collections and the asset quality of the portfolio. This has helped arrest slippages to higher buckets and resulted in improvement of Stage 2 and Stage 3 over the last four quarters.

Exhibit 26: Total exposure to the top 4 NPA accounts (INR m)



Source: MOFSL, Company

Exhibit 27: Top-20 advances as a % of total

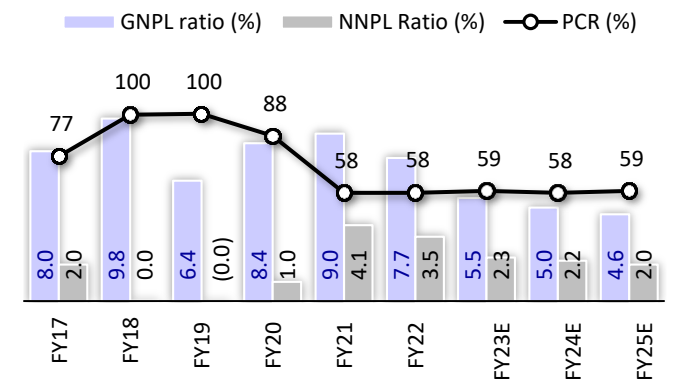


Source: MOFSL, Company

- What has remained largely constant is the granularity of loans, as well as non-performing exposures. As is evident from the exhibits above, the top-20 advances as a % of the total gross loans have remained range-bound at ~1%.

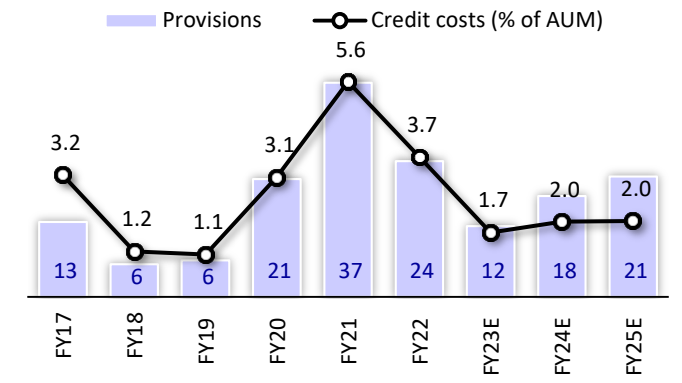
- MMFS is undertaking efforts to deliver a stable asset quality and achieve its Vision 2025 of maintaining GS3 below 6% across credit and economic cycles. We believe the company has the processes in place to deliver on its target. We model credit costs of ~2% in FY24-FY25E (vs 1.7%/3.7%/5.6%/3.1% in FY23E/FY22/FY21/FY20).

Exhibit 28: Expect stable asset quality...



Source: MOFSL, Company

Exhibit 29: ...allowing for credit costs of ~2% in FY24/FY25E

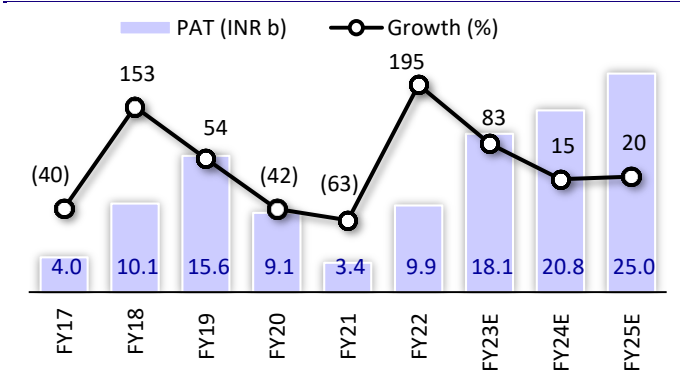


Source: MOFSL, Company

Sustainable improvement in return ratios; RoA/RoE of 2%/13% in FY25E

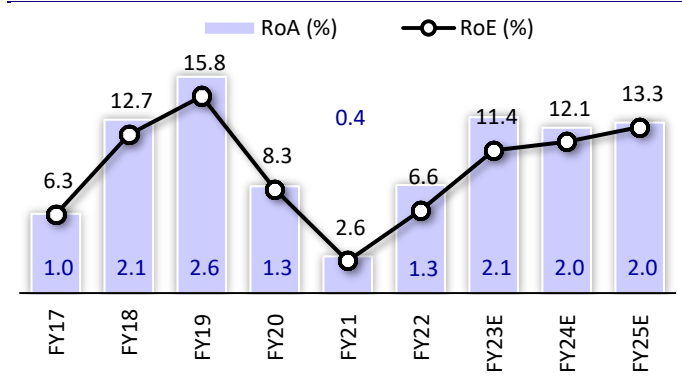
- As we explained earlier, margin compression (due to change in customer mix) can be offset by lower operating cost ratios and lower credit costs.
- The company has effected changes in its origination and collection processes, aligned the KPIs of employees and invested in technology/analytics. This will improve productivity and equip it with actionable insights, which can help the company deliver sustainable improvement in profitability.
- We estimate a PAT CAGR of 17% over FY23-FY25 and RoA/RoE of 2%/13% by FY25E.

Exhibit 30: We model PAT CAGR of ~17% over FY23-25E...



Source: MOFSL, Company

Exhibit 31: ...leading to RoA/RoE of 2%/13% by FY25E



Source: MOFSL, Company

Valuation and view

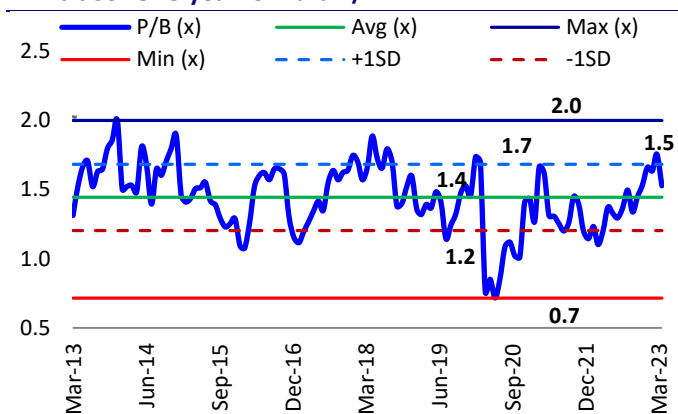
- MMFS has managed to maintain its leadership position in the Tractor and Mahindra UV financing segments, which has always been its strength. While the company has exhibited volatile operating performance and weak asset quality in the past, we believe that the various strategic initiatives undertaken by management could script a credible transformation.
- Deep moats in the rural/semi-urban customer segment position MMFS well to reap rewards of the hard work that it has put into evolving this franchise.
- **We model an AUM/ PAT CAGR of 18%/17% over FY23-FY25E with RoA/RoE of 2.0%/13% in FY25E. Maintain our BUY rating on the stock with a TP of INR280 (premised on 1.8x FY25E P/BV).**
- Key risks to our thesis: 1) inability to improve the customer/product mix, which may result in continued exposure to highly vulnerable and volatile cash-flow customer segments and loan growth remaining susceptible to cyclical of vehicle finance, and 2) sharp slowdown in vehicle demand driven by macro and economic indicators.

Exhibit 32: Increase our FY23/FY24 PAT estimates by ~8%/4% to factor in lower credit costs

INR B	Old Est			New Est			% Change		
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
NII (incl. Sec. Inc)	62.9	75.0	88.2	63.1	74.5	86.9	0.4	-0.7	-1.5
Other Income	0.9	1.1	1.3	0.9	1.1	1.3	0.0	0.0	0.0
Total Income	63.8	76.1	89.5	64.0	75.6	88.1	0.4	-0.7	-1.5
Operating Expenses	26.8	30.5	34.1	26.6	30.0	33.6	-0.5	-1.7	-1.7
Operating Profits	37.0	45.6	55.4	37.4	45.6	54.6	1.0	0.0	-1.4
Provisions	13.7	18.6	21.1	12.3	17.6	21.0	-10.3	-5.1	-0.4
PBT	23.3	27.0	34.3	25.1	28.0	33.6	7.7	3.5	-2.0
Tax	6.0	6.9	8.8	6.4	7.2	8.6	7.7	3.5	-2.0
PAT	17.3	20.1	25.5	18.6	20.8	25.0	7.7	3.5	-2.0
Loans	779	946	1,098	774	940	1,089	-0.5	-0.7	-0.8
Borrowings	735	901	1,046	745	903	1,047	1.4	0.3	0.2
Margins	8.2	8.0	7.9	8.3	8.0	7.9			
Credit Cost	1.9	2.1	2.0	1.7	2.0	2.0			
RoA on AUM	2.0	1.9	2.1	2.1	2.0	2.0			
RoE	10.6	11.8	13.7	11.4	12.1	13.3			

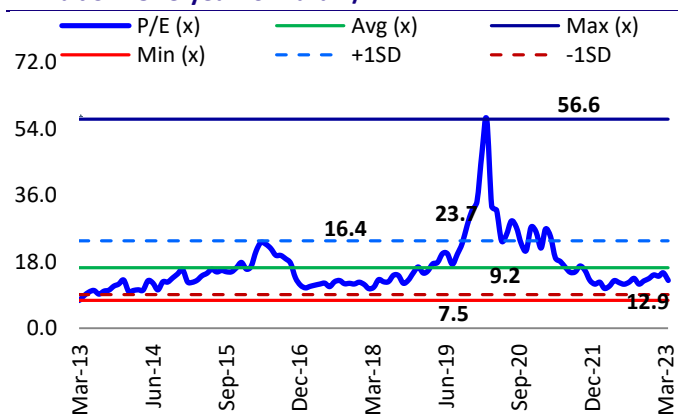
Source: MOFSL, Company

Exhibit 33: One-year forward P/B



Source: MOFSL, Company

Exhibit 34: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income Statement									INR m
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	60,127	65,842	86,146	99,417	1,02,670	94,756	1,06,867	1,34,809	1,60,795
Interest Expended	28,574	30,816	39,446	48,287	47,332	39,359	46,250	63,452	77,549
Net Interest Income	31,553	35,025	46,700	51,130	55,338	55,398	60,616	71,357	83,246
Change (%)	6.0	11.0	33.3	9.5	8.2	0.1	9.4	17.7	16.7
Other Operating Income	1,612	493	1,084	1,561	1,283	1,824	2,517	3,146	3,618
Other Income	636	517	869	1,473	1,277	609	883	1,059	1,271
Net Income	33,801	36,036	48,653	54,164	57,897	57,830	64,015	75,562	88,135
Change (%)	3.5	6.6	35.0	11.3	6.9	-0.1	10.7	18.0	16.6
Operating Expenses	14,509	14,336	18,476	20,182	16,325	20,577	26,624	29,999	33,551
Operating Profits	19,292	21,700	30,177	33,982	41,573	37,253	37,392	45,563	54,584
Change (%)	-7.6	12.5	39.1	12.6	22.3	-10.4	0.4	21.9	19.8
Provisions	13,091	5,681	6,352	20,545	37,348	23,683	12,321	17,609	20,989
PBT	6,201	16,019	23,824	13,438	4,224	13,570	25,071	27,954	33,595
Tax	2,198	5,907	8,254	4,374	873	3,682	6,443	7,184	8,634
Tax Rate (%)	35.5	36.9	34.6	32.5	20.7	27.1	25.7	25.7	25.7
PAT	4,002	10,111	15,571	9,064	3,352	9,888	18,082	20,770	24,961
Change (%)	-40.5	152.6	54.0	-41.8	-63.0	195.0	82.9	14.9	20.2
Proposed Dividend (Incl Tax)	1,610	2,938	4,779	0	986	4,439	5,696	6,335	6,739

Balance Sheet									INR m
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	1,130	1,229	1,230	1,231	2,464	2,466	2,466	2,466	2,466
Reserves & Surplus (Ex OCI)	64,994	92,052	1,03,072	1,12,408	1,43,666	1,49,376	1,61,763	1,76,197	1,94,419
Net Worth	66,124	93,281	1,04,221	1,13,558	1,46,049	1,51,761	1,64,229	1,78,663	1,96,885
Other Comprehensive Income	0	0	81	81	81	81	81	81	81
Net Worth	66,124	93,281	1,04,302	1,13,639	1,46,130	1,51,842	1,64,309	1,78,744	1,96,966
Change (%)	8.6	41.1	11.8	9.0	28.6	3.9	8.2	8.8	10.2
Borrowings	3,52,656	4,00,932	5,28,469	5,94,623	5,85,767	5,58,139	7,44,690	9,03,426	10,47,499
Change (%)	19.7	13.7	31.8	12.5	-1.5	-4.7	33.4	21.3	15.9
Other liabilities	24,404	33,715	38,009	32,451	38,469	42,906	47,197	51,916	58,146
Total Liabilities	4,43,185	5,27,927	6,70,780	7,40,712	7,70,365	7,52,887	9,56,115	11,34,006	13,02,530
Investments	19,843	27,341	37,917	59,110	1,16,073	84,403	92,843	1,00,270	1,08,292
Change (%)	29.3	37.8	38.7	55.9	96.4	-27.3	10.0	8.0	8.0
Loans and Advances	4,06,000	4,85,470	6,12,496	6,49,935	5,99,474	6,04,446	7,74,477	9,39,563	10,89,399
Change (%)	12.1	19.6	26.2	6.1	-7.8	0.8	28.1	21.3	15.9
Other assets	17,342	15,116	20,367	31,668	54,818	64,038	88,795	94,172	1,04,839
Total Assets	4,43,185	5,27,927	6,70,780	7,40,712	7,70,365	7,52,887	9,56,115	11,34,006	13,02,530

E: MOFSL Estimates

Financials and valuations

Ratios	(%)								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Spreads Analysis (%)									
Yield on Portfolio	15.7	14.8	15.7	15.8	16.4	15.7	15.5	15.7	15.9
Cost of Borrowings	8.8	8.2	8.5	8.6	8.0	6.9	7.1	8.0	8.0
Interest Spread	6.8	6.6	7.2	7.2	8.4	8.9	8.4	7.7	7.9
Net Interest Margin	7.7	7.3	8.1	7.8	8.3	8.6	8.3	8.0	7.9
Profitability Ratios (%)									
Cost/Income	42.9	39.8	38.0	37.3	28.2	35.6	41.6	39.7	38.1
Empl. Cost/Op. Exps.	46.9	58.1	59.0	56.9	62.2	56.9	57.2	57.4	57.5
RoE	6.3	12.7	15.8	8.3	2.6	6.6	11.4	12.1	13.3
RoA	1.0	2.1	2.6	1.3	0.4	1.3	2.1	2.0	2.0
Asset Quality (%)									
GNPA	35,341	50,270	40,706	57,467	57,857	49,760	44,795	49,085	52,651
NNPA	7,968	139	-63	6,695	24,339	20,860	18,366	20,616	21,587
GNPA %	8.0	9.8	6.4	8.4	9.0	7.7	5.5	5.0	4.6
NNPA %	2.0	0.0	0.0	1.0	4.1	3.5	2.3	2.2	2.0
PCR %	77.5	99.7	100.2	88.3	57.9	58.1	59.0	58.0	59.0
Total Provisions/loans %	8.9	6.7	3.4	4.9	7.4	7.5	5.5	4.7	4.4
Capitalisation (%)									
CAR	18.1	22.7	20.3	19.6	26.0	27.8	21.8	18.9	17.9
Tier I	13.6	17.0	15.5	15.4	22.2	24.3	19.5	17.3	16.5
Tier II	4.5	5.7	4.8	4.2	3.8	3.5	2.3	1.7	1.3
Average Leverage on Assets (x)	6.6	6.1	6.1	6.5	5.8	5.1	5.4	6.1	6.5
Valuation									
Book Value (INR)	117	152	169	185	119	123	133	145	160
BV Growth (%)	8.5	29.7	11.7	8.9	-35.8	3.8	8.2	8.8	10.2
Price-BV (x)					2.0	1.9	1.7	1.6	1.5
Adjusted BV (INR)	107	152	170	176	104	110	122	133	147
Price-ABV (x)					2.2	2.1	1.9	1.7	1.6
OPS (INR)	34.1	35.3	49.1	55.2	33.7	30.2	30.3	37.0	44.3
OPS Growth (%)	-7.7	3.4	39.0	12.5	-38.9	-10.5	0.4	21.9	19.8
Price-OP (x)					6.9	7.7	7.6	6.3	5.2
EPS (INR)	7.1	16.5	25.3	14.7	2.7	8.0	14.7	16.8	20.2
EPS Growth (%)	-40.5	132.3	53.9	-41.8	-81.5	194.8	82.9	14.9	20.2
Price-Earnings (x)				15.7	85.2	28.9	15.8	13.8	11.5
Dividend	2.4	4.0	6.5	0.0	0.8	3.6	4.6	5.1	5.5
Dividend Yield (%)					0.3	1.6	2.0	2.2	2.4

E: MOFSL Estimates

NOTES

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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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