

# L&T Finance Holdings

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR92**
**TP: INR110 (+19%)**
**Buy**

Bloomberg	LTFH IN
Equity Shares (m)	2469
M.Cap.(INRb)/(USD\$)	229.2 / 2.8
52-Week Range (INR)	98 / 66
1, 6, 12 Rel. Per (%)	8/16/3
12M Avg Val (INR M)	620

## Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Total Income	67.7	68.1	79.3
PPP	47.8	48.6	60.5
Adj. PAT	16.2	21.1	25.2
EPS (INR)	6.5	8.5	10.2
EPS Gr. (%)	51	30	20
BV/Sh. (INR)	87	94	103

## Ratios

NIM (%)	8.6	8.5	8.5
C/I ratio (%)	37.6	39.1	35.9
RoAA (%)	1.5	1.9	2.0
RoE (%)	7.8	9.4	10.3
Payout (%)	15.3	14.3	13.8

## Valuation

P/E (x)	14.1	10.9	9.1
P/BV (x)	1.1	1.0	0.9
Div. Yield (%)	1.1	1.3	1.5

## Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	66.1	66.2	66.3
DII	10.6	10.1	4.6
FII	7.3	7.2	6.9
Others	16.0	16.6	22.3

FII Includes depository receipts

## In-line earnings; rundown in wholesale book is positive

### Strong growth in the retail book; retail RoA/RoE of 2.5%/14% in FY23

- LTFH reported 4QFY23 consol. PAT of ~INR5b (in line), up 47% YoY. PPOP grew by 12% YoY to INR12.7b (in line), while credit costs came in at ~INR5.2b. FY23 consol. PAT grew 52% YoY to ~INR16.2b.
- 4QFY23 retail PAT grew 58% YoY to ~INR4.7b. FY23 retail PAT increased 87% YoY to INR13.8b. Retail RoA/RoE stood at ~2.5%/13.8% in FY23.
- Management targets to improve the retail mix to ~90% by Mar'24, which we believe could be achieved in the next few quarters. Considering the consistent rundown in the wholesale book, we model loan growth of 11%/22% in FY24/FY25E. We estimate a PAT CAGR of 25% over FY23-FY25, with consolidated RoA/RoE of 2%/10% in FY25.
- A strong liability franchise, a well-capitalized balance sheet and a keen intent to further accelerate the sell-down of the wholesale book augur well for LTFH to achieve its Lakshya 2026 goals. We believe **LTFH is set to transform itself into a primarily retail franchise, which could lead to profitability improvement and RoA expansion. Maintain BUY with a TP of INR110 (based on 1.1x FY25E consolidated BVPS).**

### Strong momentum in retail disbursements with ~40% YoY growth in 4QFY23

- Total disbursements in 4QFY23 declined by 16% YoY/6% QoQ to ~INR123b, primarily because of an ~84% YoY drop in wholesale disbursements. FY23 total disbursements grew 26% YoY to ~INR470b.
- FY23 retail disbursements grew ~70% YoY to ~INR421b. Retail assets contributed 75% to the portfolio mix (PY: 51%). LTFH has aggressively run down its wholesale book and sold ~INR270b of wholesale assets in FY23. It is confident of improving the retail mix to ~90% by FY24.
- Loan book declined ~9% QoQ/~8% YoY to INR805b, largely due to an accelerated reduction in the wholesale portfolio, which fell 53% YoY to INR195b (PY: ~INR417b). Infra book declined ~55% YoY to ~INR137b.
- Retail book grew 35% YoY, led by MFI, home loans and consumer finance.

### Wholesale asset quality deteriorated due to the rundown in this segment

- GS3 increased ~50bp QoQ to 4.7%, while NS3 declined ~20bp QoQ to 1.5%, due to a ~9pp increase in PCR to 69%.
- Retail GS3 improved ~5bp QoQ to 3.4%, while wholesale GS3 deteriorated by ~3pp QoQ to 8.4% due to a decline in the wholesale book. The company is witnessing consistent improvements in collection efficiency and expects the retail book's asset quality to further improve.
- LTFH is carrying additional provisions (including OTR provisions) of ~INR11.7b (~2.0% of standard assets) over and above the ECL provisions.

### Expansion in margins driven by improvement in retail mix

- NII grew by 7% YoY to INR17.7b. Retail NIMs+Fees improved ~15bp YoY to ~11.9%, while Consol NIMs+Fees improved ~80bp YoY to 8.4% in 4QFY23. Yield improvement was driven by a higher retail mix in the portfolio.

- Spreads (calculated) expanded 50bp QoQ to ~8.3%, led by a 30bp sequential gain in yields to ~15.2% and a ~20bp decline in CoF. The reduction in CoF was mainly due to low incremental borrowings and a rundown in the wholesale book.
- LTFH has been raising PSL borrowings under the on-lending guidelines, which should help it better manage the cost of borrowings.

#### Key highlights from the management commentary

- LTFH has applied to the regulator, stating that the sale of the mutual fund business should not be considered an extraordinary or one-off income for a CIC (Core Investment Company), and therefore, it should be allowed to distribute dividends out of the gain.
- According to regulatory guidelines, LTFH can have a 50% dividend payout ratio, and the board believes that it can manage its capital in the most efficient way.
- The company expects an uptick in fee income once it receives the corporate agency license to cross-sell insurance products.

#### Valuation and view

- LTFH has been effectively utilizing cloud technology for scalability. It has invested in process automation, security and customer journeys through both assisted and direct-to-consumer (D2C) Planet app. This, along with fin-tech partnerships, should lead to stronger and sustainable retail loan growth.
- MFI, Home loans and Consumer businesses witnessed sequential improvements in disbursements. The company is witnessing green shoots of revival in its Retail loan book, even as it has accelerated the sell-down in the wholesale book.
- LTFH's strong growth in retail and an accelerated rundown in wholesale are positive factors that will make the portfolio granular and improve consolidated profitability.
- Our EPS estimates for FY24/25 remain largely unchanged. We estimate a PAT CAGR of 25% over FY23-FY25, with consolidated RoA/RoE of 2%/10% in FY25.  
**Maintain Buy with a TP of INR110 (based on 1.1x FY25E consolidated BVPS).**

## Quarterly performance

(INR m)

Y/E March	FY22				FY23				FY22	FY23	4QFY23E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	30,083	29,028	28,744	29,188	29,466	30,862	33,216	32,107	1,17,042	1,25,651	33,914	-5
Interest Expenses	15,089	14,417	14,066	13,923	14,132	14,385	15,007	14,449	57,494	57,972	15,990	-10
<b>Net Interest Income</b>	<b>14,994</b>	<b>14,611</b>	<b>14,678</b>	<b>15,265</b>	<b>15,334</b>	<b>16,477</b>	<b>18,209</b>	<b>17,658</b>	<b>59,548</b>	<b>67,679</b>	<b>17,924</b>	<b>-1</b>
Change YoY (%)	13.8	4.9	-7.1	-5.5	2.3	12.8	24.1	15.7	0.8	13.7	17.4	
Other Operating Income	1,318	1,490	1,964	1,281	1,318	1,090	1,109	53	6,053	3,569	582	-91
<b>Net Operating Income</b>	<b>16,313</b>	<b>16,101</b>	<b>16,642</b>	<b>16,546</b>	<b>16,652</b>	<b>17,567</b>	<b>19,318</b>	<b>17,711</b>	<b>65,601</b>	<b>71,248</b>	<b>18,505</b>	<b>-4</b>
Change YoY (%)	15.8	6.0	-4.6	-8.4	2.1	9.1	16.1	7.0	1.3	8.6	11.8	
Other income	614	826	1,284	1,204	1,474	1,193	585	2,016	3,928	5,268	1,658	22
<b>Total Income</b>	<b>16,926</b>	<b>16,928</b>	<b>17,925</b>	<b>17,749</b>	<b>18,126</b>	<b>18,760</b>	<b>19,903</b>	<b>19,726</b>	<b>69,529</b>	<b>76,515</b>	<b>20,163</b>	<b>-2</b>
Change YoY (%)	2.9	4.5	-3.8	-10.3	7.1	10.8	11.0	11.1	-2.2	10.0	13.6	
Operating Expenses	5,485	5,905	6,167	6,389	6,577	6,868	7,417	7,870	23,946	28,732	7,581	4
Change YoY (%)	31.4	28.8	25.5	5.1	19.9	16.3	20.3	23.2	21.3	20.0	18.7	
<b>Operating Profits</b>	<b>11,441</b>	<b>11,023</b>	<b>11,759</b>	<b>11,360</b>	<b>11,549</b>	<b>11,891</b>	<b>12,486</b>	<b>12,698</b>	<b>45,582</b>	<b>47,783</b>	<b>12,582</b>	<b>1</b>
Change YoY (%)	-6.8	-5.1	-14.3	-17.1	0.9	7.9	6.2	11.8	-11.2	4.8	10.8	
Provisions	9,062	7,830	7,418	6,524	7,989	5,765	6,417	5,232	30,833	25,404	4,991	5
<b>Profit before Tax</b>	<b>2,379</b>	<b>3,193</b>	<b>4,341</b>	<b>4,837</b>	<b>3,560</b>	<b>6,126</b>	<b>6,069</b>	<b>7,466</b>	<b>14,750</b>	<b>22,379</b>	<b>7,591</b>	<b>-2</b>
Tax Provisions	609	963	1,261	1,423	948	2,070	990	2,455	4,256	6,464	2,759	-11
<b>Profit after tax</b>	<b>1,779</b>	<b>2,240</b>	<b>3,261</b>	<b>3,422</b>	<b>2,612</b>	<b>4,056</b>	<b>4,538</b>	<b>5,011</b>	<b>10,704</b>	<b>16,216</b>	<b>4,832</b>	<b>4</b>
Change YoY (%)	20.6	-9.6	13.3	28.7	46.8	81.0	39.2	46.4	12.8	51.5	41.6	
<b>Key Operating Parameters (%)</b>												
Rep. Net Income (% of Avg Assets)	7.51	3.51	3.24	8.17	8.23	2.54	2.67	9.21				
<b>Rep. Cost of funds (%)</b>	7.64	7.53	7.47	7.34	7.27	7.33	7.54	7.71				
Cost to Income Ratio	32.4	34.9	34.4	36.0	36.3	36.6	37.3	39.9				
Rep Credit Cost	4.01	3.51	3.24	3.00	3.63	2.54	2.67	2.24				
<b>Tax Rate</b>	25.6	30.2	29.0	29.4	26.6	33.8	16.3	32.9				
Balance Sheet Parameters												
<b>Gross Customer Assets (INR B)</b>	884	869	856	883	881	901	884	809				
Change YoY (%)	-10.6	-12.0	-14.5	-6.0	-0.4	3.6	3.4	-8.4				
Borrowings (INR B)	843	845	830	852	818	853	862	830				
Change YoY (%)	-10.5	-9.0	-11.5	-3.8	-3.0	1.0	3.9	-2.5				
Customer Assets /Borrowings (%)	105	103	103	104	108	106	103	97				
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR B)	58.0	48.0	48.7	35.4	35.6	35.9	37.2	38.3				
Gross Stage 3 (%)	6.7	5.7	5.9	4.1	4.1	4.0	4.2	4.7				
NS 3 (INR B)	18.8	22.8	24.2	16.8	15.9	16.2	14.9	11.8				
Net Stage 3 (%)	2.3	2.8	3.0	2.0	1.9	1.9	1.7	1.6				
PCR (%)	67.6	52.4	50.3	52.6	55.3	55.0	60.1	69.3				
<b>Return Ratios (%)</b>												
ROAA	0.7	0.9	1.3	1.3	1.0	1.6	1.7	1.9				
ROAE	3.8	4.7	6.7	6.9	5.2	8.0	8.4	9.4				

E: MOFSL Estimates

## Performance against Lakshya 2026 Goals

**Vision: To be a top-class 'digitally enabled' retail finance company moving from a product-focus to a customer-focus approach**

- Lakshya 2026 Goals is a four-year journey started in Apr'22 and the company has made good progress toward the articulated targets.
- The retail mix has improved to 75% in FY23 from 51% in FY22, with the Retail loan book seeing 35% YoY growth. The Retail segment contributed 85% to the consolidated PAT (PY: 69%).
- Growth in the retail book was driven by Farmer Finance (up 15% YoY), Rural Business Finance (up 41% YoY), Urban Finance (up 36% YoY) and strong growth in SME Finance.
- The retail book witnessed meaningful improvements in asset quality, with GS3/NS3 declining by 40bp each YoY to 3.4%/0.7%.
- The company has sustainably scaled up Consumer Loans and the SME business, which saw strong momentum and loan growth.



## Highlights from management commentary

### Wholesale

- LTFH began with the goal of quickly liquidating its real estate and infrastructure book through transactions. The company has since decided to sell down its wholesale assets rapidly, even if it means accepting lower valuations.
- To this end, it has been selling the wholesale exposure on an asset-by-asset basis. It has set aside the entire profit from the MF sale to undertake the accelerated rundown in the wholesale book.
- It sold down ~INR280b of wholesale assets in FY23. The wholesale book declined 54% YoY, mainly led by a 55% YoY decline in Infra Finance and 48% YoY drop in Wholesale Real Estate Finance.
- The company is reasonably confident of improving the retail mix to ~90% by FY24.

### Timely execution of strategic initiatives

- LTFH has completed the sale of its mutual fund business for a consideration of ~INR42.5b, which includes the sale proceeds and surplus cash.
- Additionally, it had merged its infrastructure finance and housing finance companies about three years ago.
- More recently, it has received approval from the RBI, SEBI and the stock exchanges for the merger of L&T Finance Limited (LTF) and L&T Capital Markets Limited (LTCL) with LTFH. The company has filed an application with NCLT Mumbai and is confident of obtaining all necessary approvals to establish a single lending entity structure.
- LTFH has applied to the regulator, stating that the sale of its mutual fund business should not be considered an extraordinary or one-off income for a CIC (Core Investment Company), and therefore, it should be allowed to distribute dividends out of the gain. According to regulatory guidelines, LTFH can have a 50% dividend payout ratio, and the board believes that it can manage its capital in the most efficient way.

### Retail

- Retail GS3/NS3 improved ~40bp YoY to 3.4%/0.7%.
- The company is witnessing sustained improvements in collection efficiencies.

### Asset Quality

- Consolidated asset quality has gradually improved over the year.
- Further, the loan book is well provided for, with the company carrying macro-prudential provisions of 2% and total ECL provisions of 5%.

### Margins

- LTFH has passed on all rate increases to its home loans, which are currently being offered at an interest rate of 9.0-9.5%.
- However, the company has stated that it will not increase interest rates for microfinance loans, which are currently being offered at 24%.
- The company has selectively increased lending rates in two-wheelers and has passed on rate increases in other products in line with market dynamics.
- It has been raising PSL loans for on-lending.

### Retail RoA tree

- LTFH's NIMs + Fees for FY23 stood at 11.54% and are expected to decrease as the proportion of urban finance increases in the mix and interest costs rise by 30-40bp. So far, LTFH's CoF has only gone up by 70-80bp.
- The company's operating expenses for FY23 stood at 4.4%, but the company has guided that this figure will decline to 4% by FY26.
- It has also guided for retail RoA of 2.8%-3.0% by FY26.
- Guided for opex + credit costs in Retail to gradually moderate to 8% (PY: 7%).

Retail RoA Tree	FY23	FY26 [Guidance]
NIM + Fees	11.5%	11.0%
Opex	4.4%	4.0%
Credit Costs	3.60%	3.00%
RoA	2.5%	2.8-3.0%

### Creating a sustainable Retail franchise

- LTFH has focused on gaining market share and deepening customer engagement by leveraging technology and analytics extensively to target and underwrite customers.
- The company has also made strategic hires to strengthen its leadership team, including the appointment of Sanjay Garyali as Head of Urban Finance. Mr. Garyali, who previously headed Mortgages at Kotak, is expected to bring his expertise to LTFH and help the company further expand its presence in the urban finance segment.
- The company has identified its mature product segments, such as Tractors, Micro Finance, and 2W Finance, and recalibrated its strategies to ensure a competitive advantage in these segments.
- The company has been gaining strong foothold in the Micro-Loan segment, with 50% of customers having LTFH as the only lender, thus being new to credit (NTC). It has replaced or added to the unorganized sector borrowings, but it cannot be established since the unorganized lending data is not available with the bureaus.

- The company believes that good quality competition from players such as BAF is beneficial for the formal lending sector, as it helps improve the overall market share and customer reach of the formal sector.
- LTFH's distribution franchise has undergone an evolution over time, which involves changes in the organization structure, product mix, and cross-selling strategy.
- The company has moved from using assisted apps and centralized underwriting to a direct-to-consumer (D2C) planet app for sourcing, collections, and servicing.
- The planet app has been a success, with 43% of servicing done through this app and 71% on the digital channel. In addition, the company has made a D2C journey available on the planet app for 2W loans, which is expected to reduce customer acquisition costs.
- Analytics has been a tool for differentiated channel management, and LTFH has invested in dealer relationships and a dealer portal. The company has also developed assisted apps that provide end-to-end digital loans. These apps enable customers to apply for loans digitally, and the entire loan process is facilitated through the app.

#### **Leveraging state of the art tech to build a fintech at scale**

- LTFH is leveraging cloud technology to increase scalability and has invested in automating processes, enhancing security, and improving customer journeys through both assisted and D2C Planet app channels.
- The company is also utilizing fintech to deliver a strong customer value proposition and using analytics for sourcing, underwriting, and collections.
- One of the biggest challenges in rural lending is high employee turnover and difficulty in locating customers. LTFH is addressing this issue by using technology such as geo-tagging.
- Bounce prediction is an important aspect of their collection process, which helps identify customers who need pre-presentation reminder calls based on their behavior.
- The company uses a normative grid based on asset values to determine whether to proceed with recovery proceedings if the recovery amount is above the suggested value.

#### **Cross-sell and upsell franchise**

- One out of every three loans that it gives is to an existing/repeat customer.
- It expects to get the Corporate Agency license in 1QFY24 and then it can start cross-selling insurance products to non-customers as well, which could boost fee income.

#### **Impact of El-Nino**

- Data shows that reservoir levels are high.
- Market rates of commodities show that farmers are getting good money.
- The availability of granular data on the ground allows it to take granular decisions in the Tractor portfolio. Within tractors, it can now transition from carpet bombing to day-light precision bombing.

#### **Tractor Financing**

- NBFCs have gained market share and MMFS has also started gaining market share over the last two quarters.

- Kotak and IndusInd Bank have also gained market share in Tractors.

### Housing

- Previously, LTFH primarily focused on serving salaried customers.
- Now, with a strong team led by Sanjay Gariyali and Rajan Suri, LTFH is expanding its offerings to include self-employed non-professionals (SENP) and loan against property (LAP) customers.
- The current portfolio consists of 60% salaried customers and 40% SENP customers, with LAP accounting for approximately 50% of incremental disbursements.

### Collections Capability

- Around 27k people are employed in collections teams.
- The company maintains high PCR on MFI loans since they are unsecured in nature.

### Fee Income

- There was some CLI (insurance) income booked in 4QFY23 (spillover from 3QFY23).

### Others

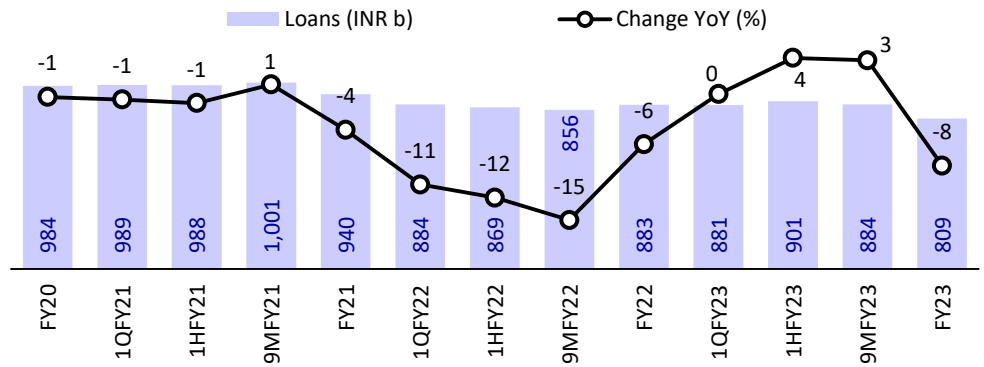
- The likelihood of external shocks/cyclicality will be there in both the touch-and-feel model and the centralized underwriting model.
- Analytical models can preempt some customer behavior.
- Underwriting models work during shock events as well. It has not had to utilize its management overlays.
- Growth will come from both urban and rural areas. Among mature products, two of these products are rural, while 2W is an urban product.
- It expects the retail mix to improve to 90% and guides for loan growth of >50%.
- Except for Cars, NBFC is the first recall in all other vehicle finance segments.
- AIF JV now has exposure of ~INR2b and it is confident of doing those deals and closing it down.



**Key exhibits**

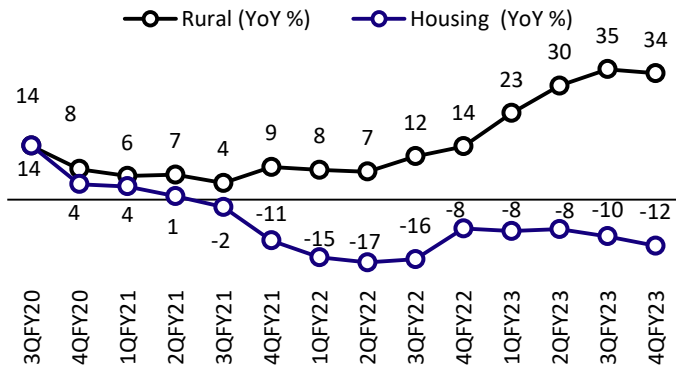
Loan book declined 8% YoY / 9% QoQ to ~INR80b

**Exhibit 1: Loan book declined due to rundown of wholesale book (%)**



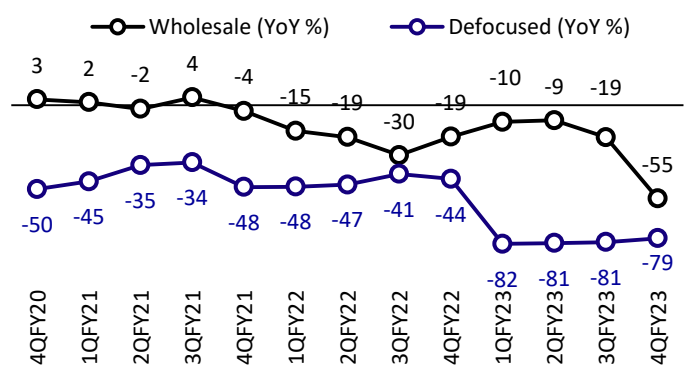
Source: MOFSL, Company

**Exhibit 2: Housing Finance book (including wholesale RE) declined 12% YoY**



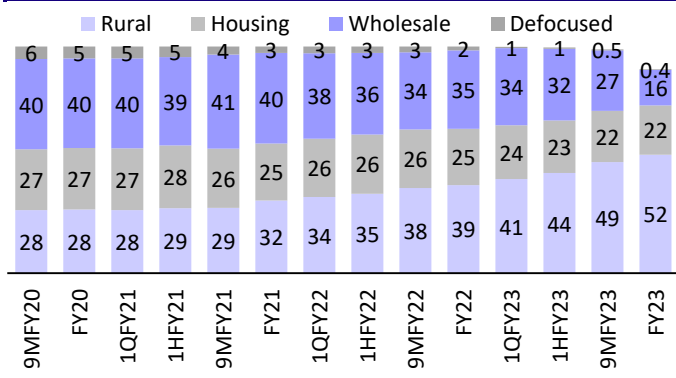
Source: MOFSL, Company

**Exhibit 3: Wholesale book declined 55% YoY**



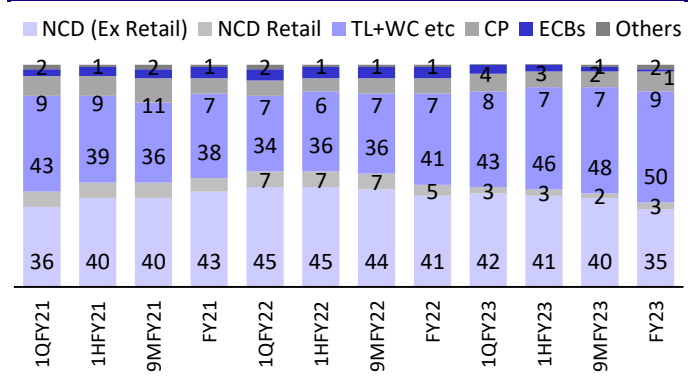
Source: MOFSL, Company

**Exhibit 4: Rural Finance in loan mix continued to improve (up ~300bp sequentially)**



Source: MOFSL, Company

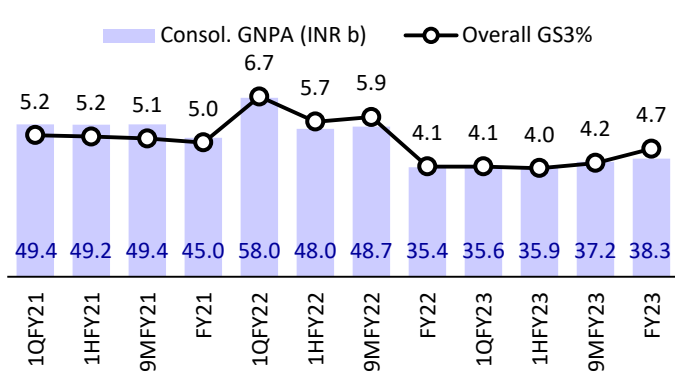
**Exhibit 5: Borrowing mix (%)**



Source: MOFSL, Company

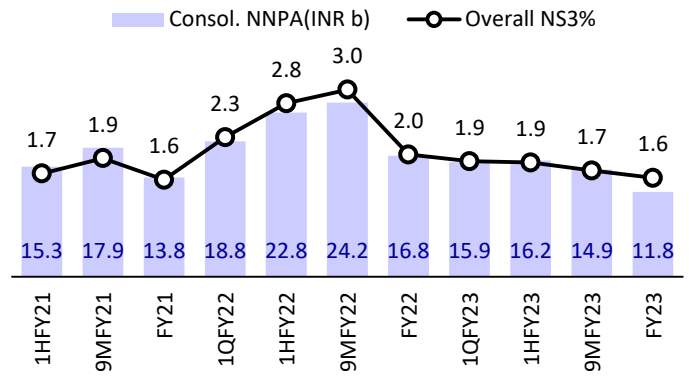


**Exhibit 6: GS3 increased by ~50bp sequentially (%)**



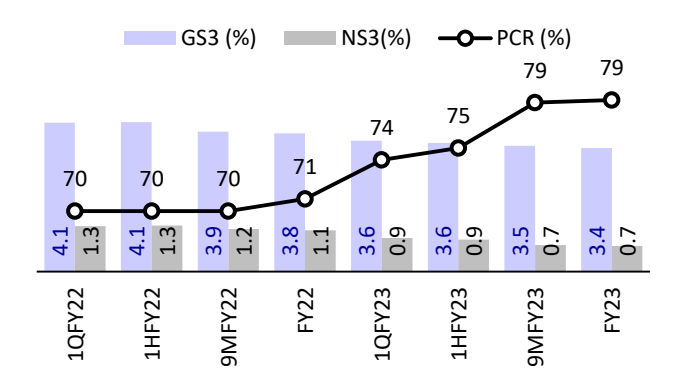
Source: MOFSL, Company

**Exhibit 7: NS3 declined QoQ (%)**



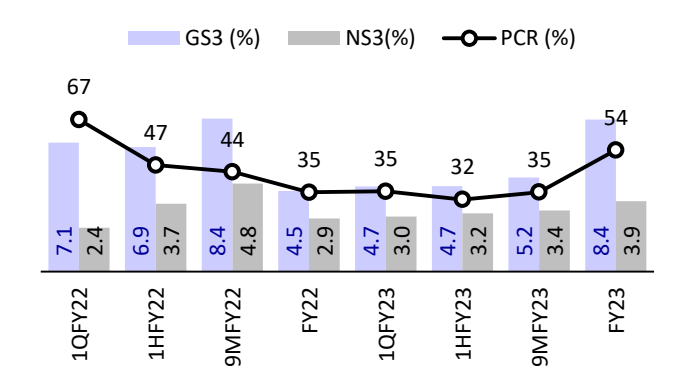
Source: MOFSL, Company

**Exhibit 8: Retail loan book asset quality**



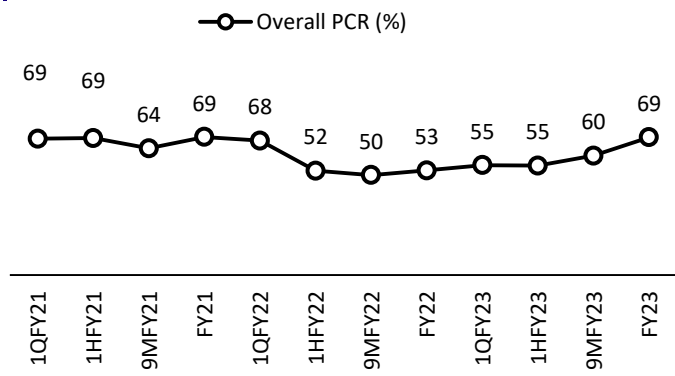
Source: MOFSL, Company, GS3 as on 1QFY23 is 3.5%

**Exhibit 9: Wholesale loan book asset quality**



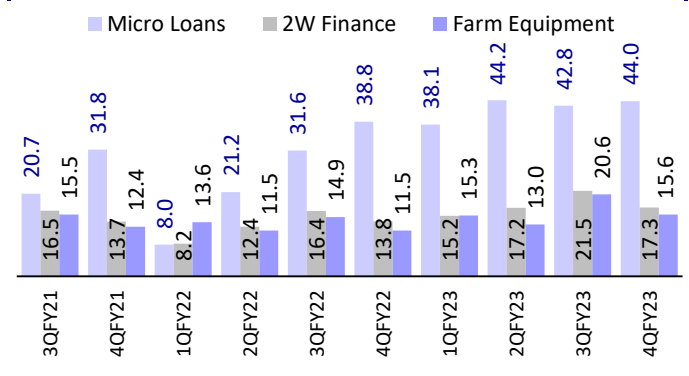
Source: MOFSL, Company, GS3 as on 1QFY23 is 4.5%

**Exhibit 10: Overall PCR increased ~9pp sequentially**



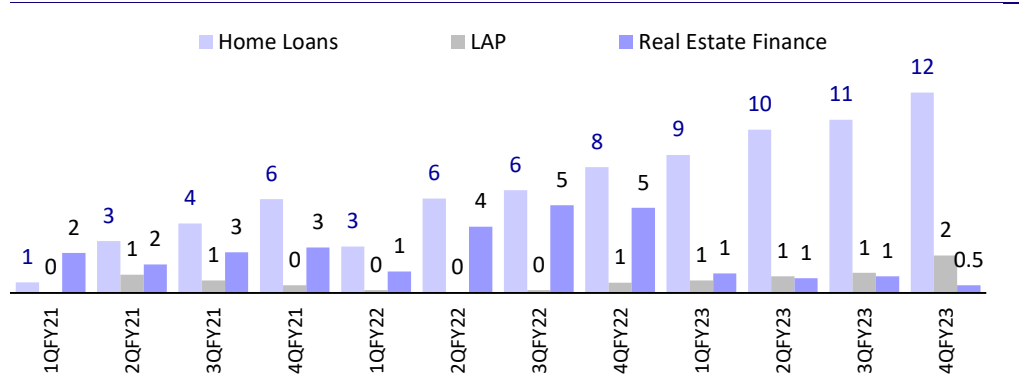
Source: MOFSL, Company

**Exhibit 11: Micro-loan disbursements back to run-rate levels**



Source: MOFSL, Company

**Exhibit 12: LAP disbursements have also started picking up now (INR b)**



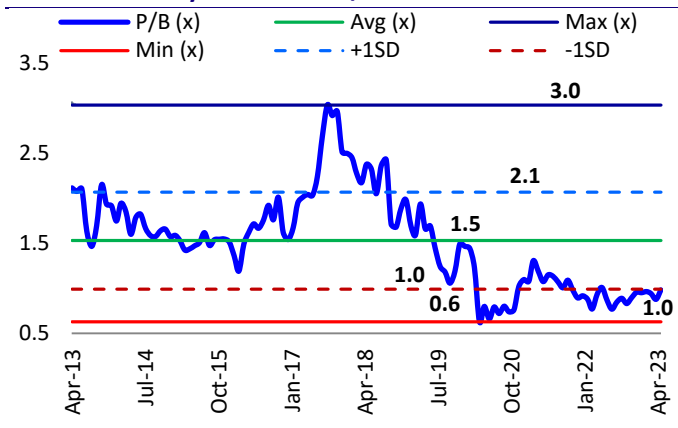
Source: MOFSL, Company

**Exhibit 13: Our EPS estimates for FY24/25 are largely unchanged**

INR b	Old estimates		New estimates		% change	
	FY24	FY25	FY24	FY25	FY24	FY25
<b>Total Income</b>	<b>79.2</b>	<b>89.1</b>	<b>79.8</b>	<b>94.4</b>	<b>0.7</b>	<b>6.0</b>
Operating Expenses	31.1	33.7	31.2	33.9	0.1	0.6
<b>Operating Profits</b>	<b>48.1</b>	<b>55.4</b>	<b>48.6</b>	<b>60.5</b>	<b>1.1</b>	<b>9.2</b>
Provisions	19.1	21.1	19.1	25.2	0.1	19.6
<b>PBT</b>	<b>28.9</b>	<b>34.3</b>	<b>29.5</b>	<b>35.3</b>	<b>1.8</b>	<b>2.8</b>
Tax	8.1	9.6	8.4	10.1	3.6	4.7
<b>PAT</b>	<b>20.8</b>	<b>24.7</b>	<b>21.1</b>	<b>25.2</b>	<b>1.1</b>	<b>2.1</b>
Loan book	880	1,039	843	1,027	-4.2	-1.1
Borrowings	880	1,028	902	1,068	2.6	3.9

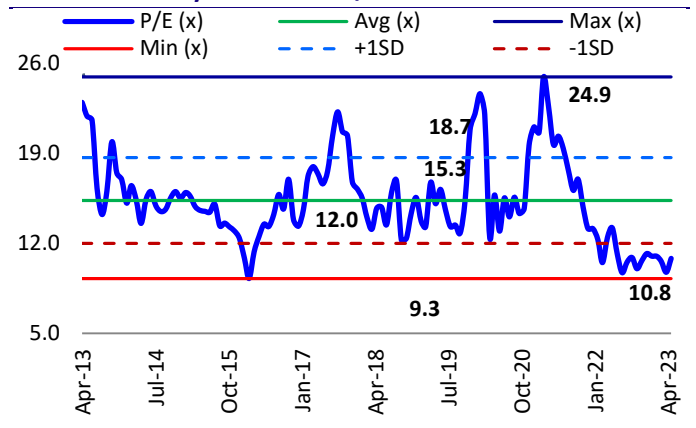
Source: MOFSL, Company

**Exhibit 14: One-year forward P/B**



Source: MOFSL, Company

**Exhibit 15: One-year forward P/E**



Source: MOFSL, Company

## Financials and valuations

Income statement								(INR M)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	88,692	1,16,403	1,32,447	1,31,049	1,17,042	1,25,651	1,31,787	1,55,963
Interest Expended	54,492	68,600	75,136	71,999	57,494	57,972	63,666	76,639
<b>Net Interest Income</b>	<b>34,200</b>	<b>47,803</b>	<b>57,311</b>	<b>59,049</b>	<b>59,548</b>	<b>67,679</b>	<b>68,121</b>	<b>79,324</b>
Change (%)	12.7	39.8	19.89	3.0	0.8	13.7	0.7	16.4
Other Operating Income	13,435	13,494	8,594	5,732	6,053	3,569	4,519	5,515
<b>Net Operating Income</b>	<b>47,635</b>	<b>61,297</b>	<b>65,905</b>	<b>64,782</b>	<b>65,601</b>	<b>71,248</b>	<b>72,639</b>	<b>84,840</b>
Change (%)	28.3	28.7	7.5	-1.7	1.3	8.6	2.0	16.8
Other Income	535	3,118	3,726	6,276	3,928	5,268	7,111	9,600
<b>Net Income</b>	<b>48,170</b>	<b>64,415</b>	<b>69,632</b>	<b>71,058</b>	<b>69,529</b>	<b>76,515</b>	<b>79,751</b>	<b>94,440</b>
Change (%)	22.1	33.7	8.1	2.0	-2.2	10.0	4.2	18.4
Operating Expenses	13,867	19,215	19,785	19,749	23,946	28,732	31,155	33,922
<b>Operating Profits</b>	<b>34,303</b>	<b>45,200</b>	<b>49,846</b>	<b>51,309</b>	<b>45,582</b>	<b>47,783</b>	<b>48,595</b>	<b>60,517</b>
Change (%)	28.5	31.8	10.3	2.9	-11.2	4.8	1.7	24.5
Provisions/write offs	19,845	14,681	23,046	36,357	30,833	25,404	19,134	25,246
<b>PBT</b>	<b>14,458</b>	<b>30,520</b>	<b>26,801</b>	<b>14,952</b>	<b>14,750</b>	<b>22,379</b>	<b>29,461</b>	<b>35,271</b>
Tax	1,682	8,200	9,798	5,463	4,256	6,464	8,396	10,052
Tax Rate (%)	11.6	26.9	36.6	36.5	28.9	28.9	28.5	28.5
<b>PAT before pref dividend</b>	<b>12,775</b>	<b>22,320</b>	<b>17,003</b>	<b>9,489</b>	<b>10,494</b>	<b>15,915</b>	<b>21,065</b>	<b>25,219</b>
Change (%)	22.6	74.7	-23.8	-44.2	10.6	51.7	32.4	19.7
Preference Dividend	0	0	0	0	0	0	0	0
<b>PAT to equity shareholders (incl. extraordinary items)</b>	<b>12,775</b>	<b>22,320</b>	<b>17,003</b>	<b>9,489</b>	<b>10,704</b>	<b>16,216</b>	<b>21,065</b>	<b>25,219</b>
Change (%)	39.2	74.7	-23.8	-44.2	12.8	51.5	29.9	19.7
<b>Proposed Dividend</b>	<b>2,315</b>	<b>2,319</b>	<b>2,093</b>	<b>0</b>	<b>1,237</b>	<b>2,481</b>	<b>3,012</b>	<b>3,480</b>
<b>Balance sheet</b>								<b>(INR M)</b>
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	19,957	19,988	20,048	24,695	24,740	24,797	24,797	24,797
Reserves & Surplus	94,111	1,14,498	1,26,876	1,63,038	1,74,737	1,90,487	2,08,539	2,30,278
<b>Borrowings</b>	<b>7,52,483</b>	<b>9,15,070</b>	<b>9,38,945</b>	<b>8,85,558</b>	<b>8,52,012</b>	<b>8,30,435</b>	<b>9,01,985</b>	<b>10,68,168</b>
Change (%)	19.3	21.6	2.6	-5.7	-3.8	-2.5	8.6	18.4
Other liabilities	11,220	10,995	9,577	16,427	17,533	17,903	21,305	25,387
<b>Total Liabilities</b>	<b>8,77,770</b>	<b>10,60,551</b>	<b>10,95,447</b>	<b>10,89,717</b>	<b>10,69,022</b>	<b>10,63,621</b>	<b>11,56,626</b>	<b>13,48,630</b>
<b>Loans</b>	<b>7,70,883</b>	<b>9,13,246</b>	<b>9,14,625</b>	<b>8,70,303</b>	<b>8,24,694</b>	<b>7,51,546</b>	<b>8,42,977</b>	<b>10,27,085</b>
Change (%)	27.8	18.5	0.2	-4.8	-5.2	-8.9	12.2	21.8
<b>Investments</b>	<b>53,015</b>	<b>86,408</b>	<b>59,793</b>	<b>88,721</b>	<b>1,19,169</b>	<b>1,43,662</b>	<b>1,58,028</b>	<b>1,73,831</b>
Change (%)	-19.3	63.0	-30.8	48.4	34.3	20.6	10.0	10.0
Net Fixed Assets	11,701	11,660	11,621	11,621	5,306	5,573	5,852	6,145
Other assets	42,171	49,237	1,09,408	1,19,071	1,19,852	1,62,841	1,49,769	1,41,570
<b>Total Assets</b>	<b>8,77,770</b>	<b>10,60,551</b>	<b>10,95,447</b>	<b>10,89,717</b>	<b>10,69,022</b>	<b>10,63,621</b>	<b>11,56,626</b>	<b>13,48,630</b>

E: MOFSL Estimates

## Financials and valuations

AUM Mix							AUM Mix (%)	
AUM Details	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Asset Under Management	8,53,540	9,91,220	9,83,850	9,40,140	8,83,400	8,05,710	8,96,784	10,92,643
Change (%)	28.1	16.1	-0.7	-4.4	-6.0	-8.8	11.3	21.8
Rural	20.0	25.8	28.1	32.0	39.0	58.7	70.4	75.0
Housing	22.4	25.7	27.0	25.2	24.8	23.8	22.7	22.2
Focused - Wholesale	39.8	38.0	39.5	39.9	34.5	17.0	6.7	2.8
Defocused - Wholesale	17.9	10.5	5.3	2.9	1.7	0.4	0.2	0.0
Ratios							Ratios (%)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Spreads Analysis (%)</b>								
Avg. Yield on Loans	12.9	13.8	14.5	14.7	13.8	15.9	16.5	16.7
Avg. Cost-Int. Bear. Liab.	7.9	8.2	8.1	7.9	6.6	6.9	7.4	7.8
Loan Spreads	5.0	5.6	6.4	6.8	7.2	9.1	9.2	8.9
NIM on loans	5.0	5.7	6.3	6.6	7.0	8.6	8.5	8.5
<b>Profitability Ratios (%)</b>								
Int. Expended/Int.Earned	61.4	58.9	56.7	54.9	49.1	46.1	48.3	49.1
Other Inc./Net Income	29.0	25.8	17.7	16.9	14.4	11.5	14.6	16.0
Op. Exps./Net Income	28.8	29.8	28.4	27.8	34.4	37.6	39.1	35.9
Empl. Cost/Op. Exps.	29.5	42.9	53.7	51.0	47.5	49.1	49.8	50.3
Provisions/PPoP (%)	57.9	32.5	46.2	70.9	67.6	53.2	39.4	41.7
<b>Asset Quality (%)</b>								
Gross NPAs	70,430	55,490	50,370	45,040	35,430	38,320	31,948	36,240
Gross NPAs to Adv.	8.6	5.9	5.3	5.0	4.2	4.9	3.7	3.4
Net NPAs	25,540	21,740	20,780	13,770	16,780	11,780	10,405	11,758
Net NPAs to Adv.	3.3	2.4	2.3	1.6	2.0	1.6	1.2	1.1
PCR (%)	63.7	60.8	58.7	69.4	52.6	69.3	67.4	67.6
ECL/EAD (%)								
<b>Return ratios and Capitalisation (%)</b>								
RoE	13.9	18.0	12.1	5.7	5.5	7.8	9.4	10.3
RoA	1.6	2.3	1.6	0.9	1.0	1.5	1.9	2.0
CAR								
Tier I								
Debt to Equity (x)	6.6	6.8	6.4	4.7	4.3	3.9	3.9	4.2
Average Assets/Equity (x)	8.6	7.8	7.7	6.5	5.6	5.1	4.9	5.1
VALUATION								
	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Book Value (INR)	57.2	67.3	73.3	76.0	80.6	86.8	94.1	102.9
Price-BV (x)				1.2	1.1	1.1	1.0	0.9
Adjusted Book Value (INR)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Price-BV (x)				9.2	9.2	9.2	9.2	9.2
OPS (INR)	6.4	11.2	8.5	3.8	4.2	6.4	8.5	10.2
EPS Growth YoY	7.8	74.4	-24.1	-54.7	10.4	51.3	32.4	19.7
Price-Earnings (x)				24.1	21.8	14.4	10.9	9.1
EPS (INR)	6.4	11.2	8.5	3.8	4.3	6.5	8.5	10.2
EPS Growth YoY	22.5	74.4	-24.1	-54.7	12.6	51.2	29.9	19.7
Price-Earnings (x)				24.1	21.4	14.1	10.9	9.1
Dividend per share (INR)	1.0	1.0	0.9	0.0	0.5	1.0	1.2	1.4
Dividend yield (%)				0.0	0.5	1.1	1.3	1.5

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at

<http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263;

www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000.

Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.