# Can Fin Homes

| | |
|---|---|
| Estimate change | ↓ |
| TP change | ↑ |
| Rating change | ↓ |



| | |
|---|---|
| Bloomberg | CANF IN |
| Equity Shares (m) | 133 |
| M.Cap.(INRb)/(USDb) | 110.9 / 1.4 |
| 52-Week Range (INR) | 843 / 451 |
| 1, 6, 12 Rel. Per (%) | 5/49/39 |
| 12M Avg Val (INR M) | 606 |

**Financials & Valuations (INR b)**

| Y/E March | FY23 | FY24E | FY25E |
|---|---|---|---|
| NII | 10.1 | 12.0 | 13.7 |
| PPP | 8.7 | 10.1 | 11.7 |
| PAT | 6.2 | 7.4 | 8.4 |
| EPS (INR) | 46.6 | 55.7 | 62.7 |
| EPS Growth (%) | 32 | 19 | 13 |
| BVPS (INR) | 274 | 326 | 384 |
| **Ratios (%)** | | | |
| NIM | 3.5 | 3.5 | 3.5 |
| C/I ratio | 16.9 | 17.4 | 16.3 |
| RoAA | 2.0 | 2.1 | 2.0 |
| RoE | 18.5 | 18.6 | 17.7 |
| Payout | 7.5 | 7.2 | 7.2 |
| **Valuation** | | | |
| P/E (x) | 17.9 | 15.0 | 13.3 |
| P/BV (x) | 3.0 | 2.6 | 2.2 |
| Div. Yield (%) | 0.4 | 0.5 | 0.5 |

**Shareholding pattern (%)**

| As On | Mar-23 | Dec-22 | Mar-22 |
|---|---|---|---|
| Promoter | 30.0 | 30.0 | 30.0 |
| DII | 25.0 | 23.5 | 24.7 |
| FII | 10.4 | 10.0 | 0.0 |
| Others | 34.7 | 36.5 | 45.3 |

FII Includes depository receipts

**CMP: INR833 TP: INR900 (+8%) Downgrade to Neutral**

## Earnings beat driven by NIM expansion; downgrade to Neutral

- Can Fin Homes (CANF) reported a healthy operational performance in 1QFY24, with 13% YoY growth in PAT to ~INR1.84b, driven by lower opex. Credit costs stood at INR137m in 1QFY24 (our est. ~INR125m) because of slippages from the restructured pool of advances.
- Repricing of ~INR55b of loans in 1QFY24 and incremental disbursements at higher interest rates led to a sequential improvement of ~45bp in yields. Higher yields offset the 30bp QoQ rise in CoF, leading to a ~15bp QoQ improvement in NIM to ~3.6%. Further, repricing of ~INR125b of loans over the next two quarters will help CANF sustain (or even improve) the yields from hereon. We estimate NIM of ~3.5% in FY24/FY25.
- We model an AUM/PAT CAGR of 16% each over FY23-25E with RoA/RoE of 2%/~18% in FY25.
- CANF, in our view, is a robust franchise with strong moats on the liability side. We have long been constructive on CANF and have seen our thesis play out in the stock. At 2.2x FY25E P/BV, we believe the valuations are rich and largely price in positive factors. We downgrade our rating to Neutral with a TP of INR900 (2.3x FY25E BV). We will watch out for slippages from the restructured book, which could lead to deterioration in asset quality.

## Strong YoY growth in disbursements; run-off in loan book moderates

- Disbursements grew 14% YoY to INR19.7b (our est. ~INR21.5b). There was a QoQ decline of ~INR5.7b in absolute disbursements.
- Advances grew 18% YoY and ~3% QoQ to ~INR325b. The run-off in the loan book moderated to ~13% (flat YoY). With concerted efforts, CANF has brought down the BT-OUT quarterly run rate to ~INR1b over the last two quarters and does not foresee any extraordinary pressure on BT-OUTS.
- The management has guided for 20% growth in disbursements to ~INR105b (vs. last year). Considering prepayments, it expects net accretion of ~INR65b in loans, which translates into loan book growth of 18-20%.

## Margin improvement driven by re-pricing of loan book

- NIM (calc.) expanded sequentially by ~15bp to 3.6%, driven by interest rate hikes on INR55b of the loan book during the quarter.
- The share of CPs in the borrowing mix increased to ~7% as of 1QFY24 (PQ: 5%, PY: 11%). Overall debt market borrowings increased 1pp QoQ.

## Minor asset quality deterioration due to slippages from restructured pool

- Asset quality saw minor deterioration, with GS3/NS3 up 8bp each to ~0.63%/0.34% and PCR on S3 loans down ~6pp QoQ to ~47%.
- During the quarter, CANF reported total slippages of ~INR300m. Out of this, ~INR195m was because of slippages from the restructured book, while the remainder was due to seasonality in the first quarter of the fiscal year. CANF holds provisions of ~INR670m on the restructured book, along with an additional management overlay of INR170m.

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## Highlights from the management commentary

- CANF has guided for 18-20% loan growth. It expects a minor improvement in NIM, driven by re-pricing of loans.
- The company is currently observing an uptick in demand for higher ticket size properties and is confident that this demand will sustain.
- CANF pays ~43bp commission to DSAs for sourcing loans, with DSAs contributing ~80% to the channel mix in FY23. The company has been in talks with developers for tie-ups (APF) to ramp up direct sourcing and will endeavor to reduce DSAs in the channel mix to ~60%.

## Valuation and view

- CANF has successfully demonstrated its ability to maintain its pristine asset quality for many years; however, we remain wary of potential slippages in the restructured book now and conservatively estimate credit cost of ~20bp in FY25. We estimate a 16% CAGR in each of NII/PPOP/PAT over FY23-25 and RoA of 2% and RoE of 18% in FY25.
- **Downgrade to Neutral** with a TP of INR900 (based on 2.3x FY25E BVPS).

**Quarterly performance** **INR m**

| Y/E March | FY23 | | | | FY24E | | | | FY23 | FY24E | 1QFY24E | Act vs est. (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Interest Income | 6,065 | 6,522 | 7,046 | 7,521 | 8,181 | 8,467 | 8,721 | 9,117 | 27,154 | 34,486 | 7,957 | 3 |
| Interest Expenses | 3,561 | 4,010 | 4,529 | 4,908 | 5,330 | 5,517 | 5,710 | 5,978 | 17,009 | 22,534 | 5,203 | 2 |
| **Net Interest Income** | **2,504** | **2,512** | **2,517** | **2,613** | **2,851** | **2,951** | **3,012** | **3,139** | **10,146** | **11,952** | **2,755** | 3 |
| YoY Growth (%) | 38.2 | 31.0 | 22.2 | 10.1 | 13.9 | 17.5 | 19.6 | 20.1 | 24.3 | 17.8 | 10.0 | |
| Other income | 51 | 54 | 51 | 122 | 60 | 75 | 71 | 124 | 277 | 330 | 71 | -16 |
| **Total Income** | **2,555** | **2,566** | **2,568** | **2,735** | **2,911** | **3,026** | **3,082** | **3,263** | **10,423** | **12,282** | **2,826** | 3 |
| YoY Growth (%) | 39.8 | 30.2 | 20.9 | 12.7 | 13.9 | 17.9 | 20.1 | 19.3 | 24.8 | 17.8 | 10.6 | |
| Operating Expenses | 405 | 405 | 438 | 517 | 435 | 463 | 542 | 698 | 1,765 | 2,138 | 471 | -8 |
| YoY Growth (%) | 33.8 | 18.3 | 8.7 | 7.3 | 7.4 | 14.4 | 23.5 | 35.1 | 15.3 | 21.1 | 16.3 | |
| **Operating Profits** | **2,150** | **2,161** | **2,129** | **2,218** | **2,476** | **2,563** | **2,541** | **2,565** | **8,658** | **10,144** | **2,355** | **5** |
| YoY Growth (%) | 40.9 | 32.7 | 23.8 | 14.0 | 15.2 | 18.6 | 19.3 | 15.6 | 26.9 | 17.2 | 9.5 | |
| Provisions | -37 | 132 | 84 | 238 | 137 | 130 | 110 | 72 | 418 | 449 | 125 | 10 |
| **Profit before Tax** | **2,187** | **2,028** | **2,045** | **1,980** | **2,339** | **2,433** | **2,431** | **2,493** | **8,240** | **9,696** | **2,230** | 5 |
| Tax Provisions | 565 | 611 | 530 | 322 | 504 | 584 | 583 | 607 | 2,028 | 2,278 | 535 | -6 |
| **Profit after tax** | **1,622** | **1,417** | **1,515** | **1,658** | **1,835** | **1,849** | **1,847** | **1,886** | **6,212** | **7,417** | **1,695** | 8 |
| YoY Growth (%) | 49.0 | 14.6 | 30.9 | 34.9 | 13.1 | 30.5 | 22.0 | 13.8 | 31.9 | 19.4 | 4.5 | |

**Key Parameters (%)**

| Y/E March | FY23 | | | | FY24E | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Yield on loans | 8.9 | 9.3 | 9.6 | 9.8 | 10.2 | 10.2 | 10.1 | 10.1 |
| Cost of funds | 5.7 | 6.2 | 6.6 | 6.9 | 7.2 | 7.2 | 7.2 | 7.2 |
| Spread | 3.3 | 3.1 | 2.9 | 2.9 | 3.0 | 3.0 | 2.9 | 2.9 |
| NIM | 3.7 | 3.6 | 3.4 | 3.4 | 3.6 | 3.6 | 3.5 | 3.5 |
| Credit cost | -0.1 | 0.2 | 0.1 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 |
| Cost to Income Ratio (%) | 15.8 | 15.8 | 17.1 | 18.9 | 14.9 | 15.3 | 17.6 | 21.4 |
| Tax Rate (%) | 25.8 | 30.1 | 25.9 | 16.3 | 21.6 | 24.0 | 24.0 | 24.3 |
| **Balance Sheet Parameters** | | | | | | | | |
| **Loans (INR B)** | **275.4** | **288.2** | **301.2** | **315.6** | **325.1** | **337.7** | **352.0** | **367.8** |
| Growth (%) | 23.9 | 22.2 | 20.0 | 18.2 | 18.0 | 17.1 | 16.9 | 16.5 |
| **AUM mix (%)** | | | | | | | | |
| Home loans | 89.6 | 89.5 | 89.2 | 89.1 | 89.1 | | | |
| Non-housing loans | 10.4 | 10.5 | 10.8 | 10.9 | 10.9 | | | |
| Salaried customers | 74.3 | 74.1 | 73.6 | 73.1 | 72.7 | | | |
| Self-employed customers | 25.7 | 25.9 | 26.3 | 26.9 | 27.2 | | | |
| **Disbursements (INR B)** | **17.2** | **22.5** | **24.4** | **25.4** | **19.7** | **24.0** | **27.6** | **29.9** |
| Change YoY (%) | 92.6 | 1.7 | -1.1 | -6.2 | 14.2 | 6.8 | 12.9 | 17.8 |
| **Borrowing mix (%)** | | | | | | | | |
| Banks | 54.0 | 54.0 | 51.0 | 53.9 | 54.0 | | | |
| NHB | 22.0 | 22.0 | 23.0 | 22.5 | 22.0 | | | |
| Market borrowings | 22.0 | 22.0 | 24.0 | 22.1 | 23.0 | | | |
| Deposits | 2.0 | 2.0 | 2.0 | 1.5 | 1.0 | | | |
| **Asset Quality** | | | | | | | | |
| GNPL (INR m) | 1,798 | 1,787 | 1,811 | 1,738 | 2,052 | | | |
| NNPL (INR m) | 819 | 1,012 | 893 | 829 | 1,096 | | | |
| GNPL ratio % | 0.65 | 0.62 | 0.60 | 0.55 | 0.63 | | | |
| GNPL ratio % | 0.30 | 0.35 | 0.30 | 0.26 | 0.34 | | | |
| PCR % | 54 | 43 | 51 | 52 | 47 | | | |
| **Return Ratios (%)** | | | | | | | | |
| ROA (Rep) | 2.4 | 2.1 | 2.2 | 2.3 | 2.2 | | | |
| ROE (Rep) | 20.0 | 16.8 | 17.3 | 18.2 | 19.2 | | | |

E: MOFSL Estimates

CONFERENCE CALL

## Highlights from the management commentary

### Guidance

- The management has guided for RoA of ~2% and RoE in the range of 17-18%. The company plans to maintain a gearing ratio of 8x.
- It expects to maintain the PCR based on the provisions required under the ECL guidelines on a long-term basis.
- The management has guided for 20% growth (vs. las year) in disbursements to INR105b. Considering prepayments, it expects net accretion of ~INR65b in the loan book, which translates into 18-20% growth in loans.
- Around 10% of growth will flow from improving branch efficiency and remaining from an increase in ticket size and inflation.
- The credit cost is projected to be around 10bp.

### Asset quality and Restructured book

- In the quarter, CANF posted total slippages of INR300m. Out of this total, ~INR185m resulted from slippages in the restructured book, while the remaining was due to seasonal impact observed in the first quarter.

- Regarding the restructured book, an amount of INR4.75b exited the moratorium, and out of this, INR2.5b has been out of the moratorium for more than three months. Out of INR2.5b, INR185 slipped during the quarter.
- Presently, the company holds provisions of INR670m on the restructured book, along with an additional management overlay of INR170m.
- ~INR2.2b remains in the restructured book, and it is expected to exit the moratorium by Nov'23, with around 50% of it likely to be resolved by Aug'23.
- The company anticipates that slippages from the restructured pool will decrease in the coming quarters. Accordingly, it plans to reduce the provisions carried on the restructured pool after evaluating the performance of the restructured book.
- The management is confident in its ability to maintain NPAs below 0.7% levels.

**Stage-wise classification of gross loans**

| | INR b |
|---|---|
| Stage 1 | 303 |
| Stage 2 (incl. restructured book of INR6.7b) | 19 |
| Stage 3 | 2 |
| **Total** | **324** |

## Yields and Margins

- Margin improvement was driven by the effect of rate hikes on INR55b of the loan book in the quarter. Going forward, the company expects a ~5bp gain in margins.
- The entire loan book is anticipated to reprice by Dec'23. The lending rate currently commences at ~9.6%.
- Contrary to the expected yield expansion of 30bp, the actual increase in yields was moderate. This was due to the attractive rates offered on incremental lending, as well as the absence of income recognition on INR300m of slippages.

## CoF and borrowings

- The majority of bank borrowings are linked to repo rates and CANF is in talks with banks to moderate the spreads on repo rates.
- The company is able to raise incremental NCDs at lower rates. The above factors aided the company in improving CoF in the quarter.
- The loan book grew by ~INR10b in the quarter, while borrowings increased by ~INR7b. Total borrowings at the end of 1QFY24 stood at INR297b.
- HDFC and SBI are the two primary bank lenders, from whom the borrowing is five times higher compared to Canara Bank.

## Branches

- Out of the 15 planned branch additions by the company, a survey has been conducted for 12 branches, and four of them are in the advanced stage of opening.
- Eight out of the 12 surveyed branches are scheduled to be opened in the next two quarters, while the last three branches will be opened in the fourth quarter of the year.

- The distribution of the new branches will be as follows: four branches in southern India, two in the eastern region, and nine in western and northern India. All the branches will be located in cities.

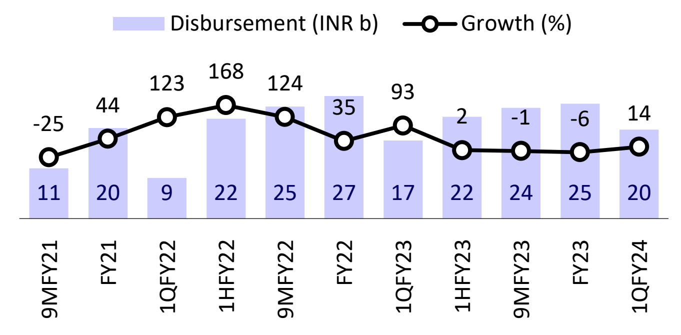
**Opex**
- The board has approved a budget of INR2.5b, which includes INR600m for capex and the remaining for opex spread over seven years.
- The company pays ~43bp to DSAs for sourcing loans, with DSA dependence of ~80% in FY23.
- The company has been in talks with developers for tie-ups to ramp up its internal sourcing and reduce DSA dependence to 60%.
- Once the IT project is implemented, the company would be able to push digital sourcing to further reduce the dependence on DSAs.

**Average ticket size (ATS)**
- Regarding ATS of home loans, it currently stands at INR2.2m (vs. INR2.4m in previous year), and 5% of growth is anticipated to come from an increase in ATS.
- The company expects ATS to rise to the range of INR2.5-2.7m in the future.
- Further, once the ATF projects and builder tie-ups are executed, the company expects to witness improving traction in the INR2.5m-10m ATS segment.

**Others**
- In each quarter, normal pre-payments typically amount to INR1-1.5b, out of which ~250-300m is through BT-OUTs.
- The mix of salaried to non-salaried borrowers is expected to remain largely unchanged.
- The company is currently observing an uptick in demand for higher ticket size properties and is confident that this demand will be sustained.

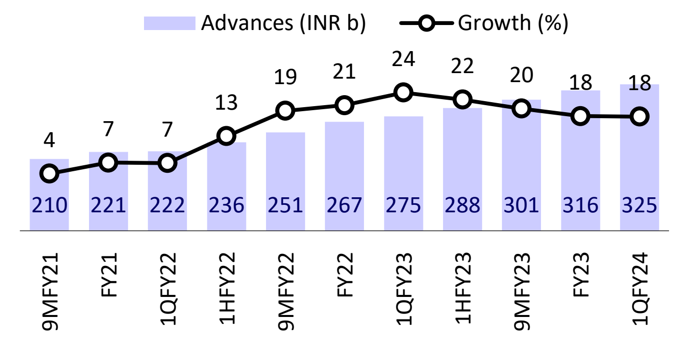
## Key exhibits

**Exhibit 1: Disbursements grew 14% YoY**



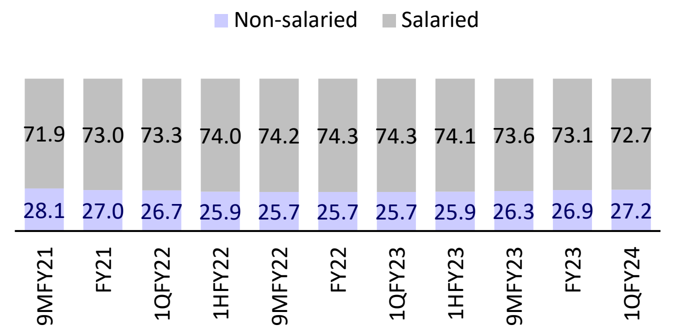

Sources: MOFSL, Company reports

**Exhibit 2: Advances grew 18% YoY**



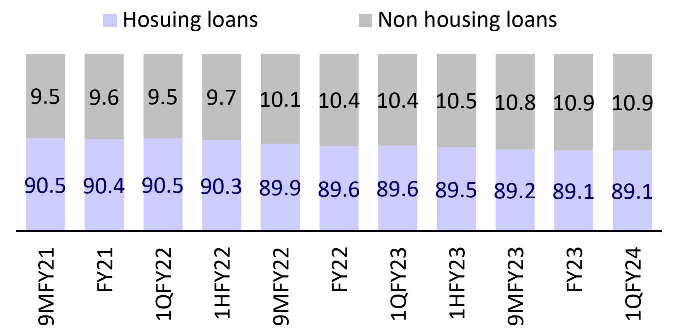

Sources: MOFSL, Company reports

**Exhibit 3: Share of salaried customers largely stable at ~73%**



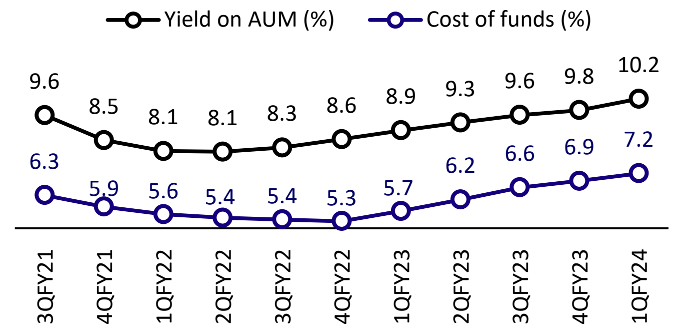

Sources: MOFSL, company reports

**Exhibit 4: Share of Housing loans stable at ~89%**



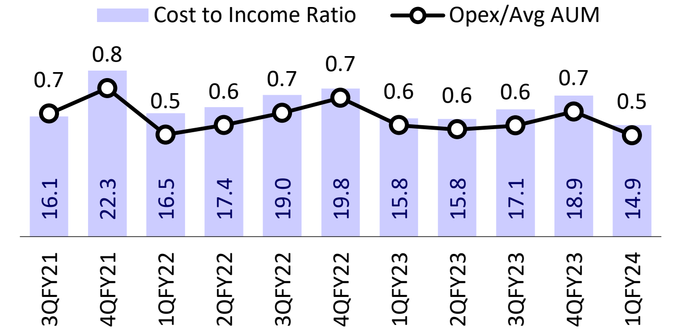

Sources: MOFSL, company reports

**Exhibit 5: Calculated spreads improved ~10bp QoQ**



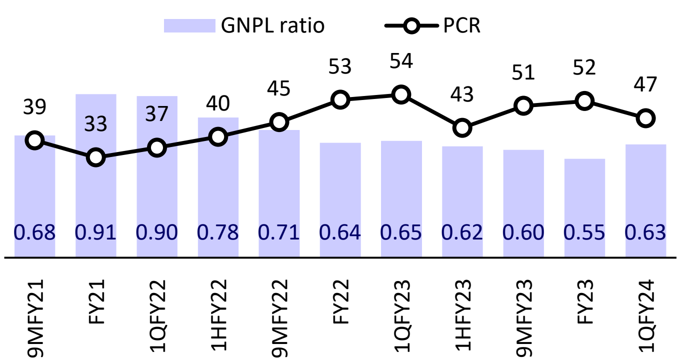

Sources: MOFSL, company reports

**Exhibit 6: C/I ratio improved ~100bp YoY**



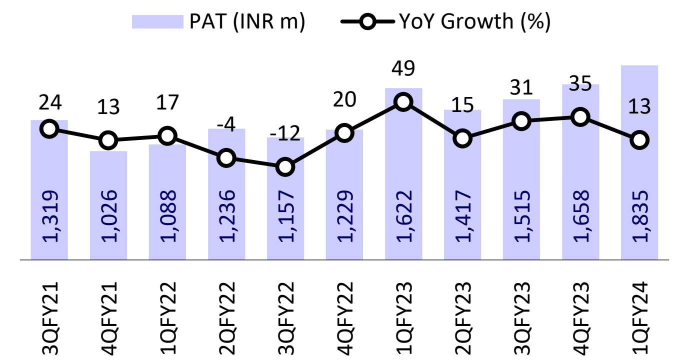

Sources: MOFSL, company reports

**Exhibit 7: GNPA witnessed minor sequential deterioration**




Sources: MOFSL, company reports

**Exhibit 8: PAT grew ~13% YoY**




Sources: MOFSL, company reports

## Valuation and view

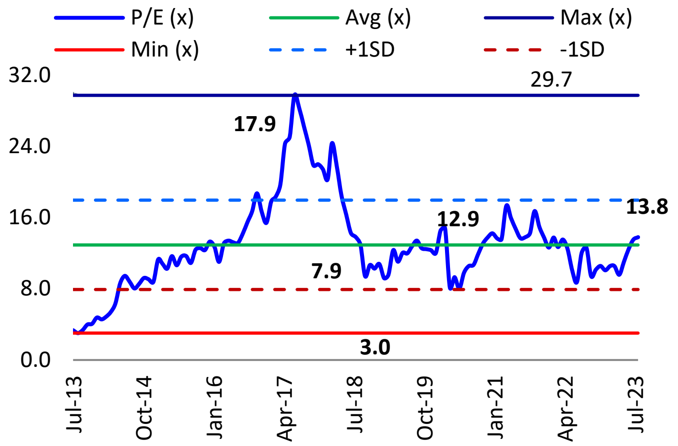
- CANF has successfully demonstrated its ability to maintain its pristine asset quality for many years; however, we remain wary of potential slippages in the restructured book now and conservatively estimate credit cost of ~20bp in FY25. We estimate a 16% CAGR in each of NII/PPOP/PAT over FY23-25 and RoA of 2% and RoE of 18% in FY25.
- Downgrade to Neutral with a TP of INR900 (based on 2.3x FY25E BVPS).

**Exhibit 9: Decrease our FY25 estimates by 2% to factor in elevated credit costs**

| INR b | Old Est. | | New Est. | | Change (%) | |
|---|---|---|---|---|---|---|
| | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E |
| NII | 11.8 | 13.8 | 12.0 | 13.7 | 1.5 | -0.7 |
| Other Income | 0.3 | 0.4 | 0.3 | 0.4 | 0.0 | 0.0 |
| **Total Income** | **12.1** | **14.1** | **12.3** | **14.0** | **1.5** | **-0.7** |
| Operating Expenses | 2.0 | 2.3 | 2.1 | 2.3 | 6.8 | 1.9 |
| **Operating Profits** | **10.1** | **11.9** | **10.1** | **11.7** | **0.4** | **-1.2** |
| Provisions | 0.5 | 0.7 | 0.4 | 0.8 | -8.0 | 11.1 |
| **PBT** | **9.6** | **11.1** | **9.7** | **10.9** | **0.9** | **-2.0** |
| Tax | 2.3 | 2.6 | 2.3 | 2.6 | 0.9 | -2.0 |
| **PAT** | **7.4** | **8.5** | **7.4** | **8.4** | **0.9** | **-2.0** |
| AUM | 368 | 422 | 368 | 422 | 0.0 | 0.0 |
| Borrowings | 337 | 382 | 339 | 384 | 0.6 | 0.5 |
| NIM (%) | 3.5 | 3.5 | 3.5 | 3.5 | | |
| ROA (%) | 2.1 | 2.1 | 2.1 | 2.0 | | |
| RoE (%) | 18.4 | 18.0 | 18.6 | 17.7 | | |

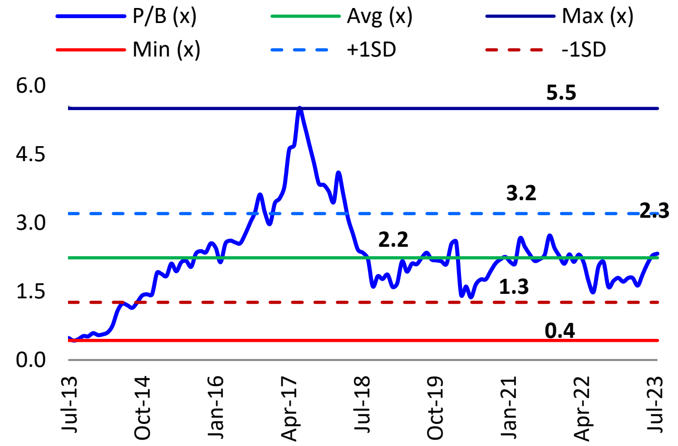
Sources: MOFSL, company reports

**Exhibit 10: One-year forward P/E ratio**




Sources: MOFSL, company reports

**Exhibit 11: One-year forward P/B ratio**




Sources: MOFSL, company reports

# Financials and valuations

**Income statement** INR m

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|---|---|---|---|---|
| Interest Income | 13,060 | 14,906 | 17,134 | 20,189 | 20,064 | 19,697 | 27,154 | 34,486 | 39,859 |
| Interest Expended | 8,840 | 9,810 | 11,693 | 13,442 | 12,083 | 11,535 | 17,009 | 22,534 | 26,197 |
| **Net Interest Income** | **4,220** | **5,096** | **5,441** | **6,747** | **7,980** | **8,162** | **10,146** | **11,952** | **13,662** |
| Change (%) | 40.2 | 20.8 | 6.8 | 24.0 | 18.3 | 2.3 | 24.3 | 17.8 | 14.3 |
| Other Income | 471 | 314 | 179 | 115 | 121 | 188 | 277 | 330 | 378 |
| **Net Income** | **4,691** | **5,410** | **5,621** | **6,862** | **8,101** | **8,350** | **10,423** | **12,282** | **14,040** |
| Change (%) | 37.9 | 15.3 | 3.9 | 22.1 | 18.0 | 3.1 | 24.8 | 17.8 | 14.3 |
| Operating Expenses | 807 | 878 | 915 | 1,076 | 1,240 | 1,530 | 1,765 | 2,138 | 2,294 |
| **Operating Income** | **3,884** | **4,532** | **4,706** | **5,786** | **6,861** | **6,820** | **8,658** | **10,144** | **11,747** |
| Change (%) | 42.1 | 16.7 | 3.8 | 23.0 | 18.6 | -0.6 | 26.9 | 17.2 | 15.8 |
| Provisions/write offs | 188 | 221 | 11 | 603 | 685 | 469 | 418 | 449 | 825 |
| **PBT** | **3,696** | **4,311** | **4,695** | **5,183** | **6,176** | **6,351** | **8,240** | **9,696** | **10,921** |
| Tax | 1,349 | 1,449 | 1,728 | 1,422 | 1,615 | 1,640 | 2,028 | 2,278 | 2,567 |
| Tax Rate (%) | 36.5 | 33.6 | 36.8 | 27.4 | 26.2 | 25.8 | 24.6 | 23.5 | 23.5 |
| **Reported PAT** | **2,347** | **2,862** | **2,967** | **3,761** | **4,561** | **4,711** | **6,212** | **7,417** | **8,355** |
| Change (%) | 49.4 | 22.0 | 3.7 | 26.8 | 21.3 | 3.3 | 31.9 | 19.4 | 12.6 |
| Proposed Dividend (incl. tax) | 321 | 321 | 321 | 321 | 266 | 399 | 466 | 533 | 599 |

**Balance sheet**

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|---|---|---|---|---|
| Capital | 266 | 266 | 266 | 266 | 266 | 266 | 266 | 266 | 266 |
| Reserves & Surplus | 11,771 | 14,604 | 17,556 | 21,234 | 25,832 | 30,400 | 36,206 | 43,091 | 50,847 |
| **Net Worth** | **12,037** | **14,870** | **17,822** | **21,501** | **26,098** | **30,666** | **36,473** | **43,357** | **51,113** |
| Borrowings | 1,18,675 | 1,39,210 | 1,67,974 | 1,87,484 | 1,92,929 | 2,46,477 | 2,90,681 | 3,38,763 | 3,83,907 |
| Change (%) | 30.8 | 17.3 | 20.7 | 11.6 | 2.9 | 27.8 | 17.9 | 16.5 | 13.3 |
| Other liabilities | 2,168 | 3,215 | 1,500 | 1,451 | 1,710 | 2,300 | 3,551 | 4,262 | 5,114 |
| **Total Liabilities** | **1,32,880** | **1,57,295** | **1,87,295** | **2,10,436** | **2,20,737** | **2,79,443** | **3,30,705** | **3,86,382** | **4,40,134** |
| **Loans** | **1,32,241** | **1,56,440** | **1,82,342** | **2,05,257** | **2,18,915** | **2,63,781** | **3,11,933** | **3,64,261** | **4,17,290** |
| Change (%) | 23.4 | 18.3 | 16.6 | 12.6 | 6.7 | 20.5 | 18.3 | 16.8 | 14.6 |
| Investments | 160 | 160 | 163 | 243 | 496 | 11,260 | 14,590 | 16,779 | 19,296 |
| Change (%) | 7.1 | 0.0 | 1.9 | 49.1 | 104.1 | 2,169.9 | 29.6 | 15.0 | 15.0 |
| Net Fixed Assets | 102 | 96 | 99 | 379 | 378 | 346 | 454 | 595 | 781 |
| Other assets | 377 | 600 | 4,692 | 4,557 | 948 | 4,057 | 3,727 | 4,746 | 2,767 |
| **Total Assets** | **1,32,880** | **1,57,295** | **1,87,295** | **2,10,436** | **2,20,737** | **2,79,443** | **3,30,705** | **3,86,382** | **4,40,134** |

E: MOFSL Estimates

# Financials and valuations

| Ratios | | | | | | | | | (%) |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY17** | **FY18** | **FY19** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24E** | **FY25E** |
| Yield on loans | 10.9 | 10.3 | 10.1 | 10.4 | 9.44 | 8.14 | 9.4 | 10.2 | 10.2 |
| Cost of funds | 8.4 | 7.6 | 7.6 | 7.6 | 6.35 | 5.25 | 6.3 | 7.2 | 7.3 |
| Spread | 2.5 | 2.7 | 2.5 | 2.8 | 3.1 | 2.9 | 3.1 | 3.0 | 3.0 |
| Net Interest Margin | 3.5 | 3.5 | 3.2 | 3.5 | 3.8 | 3.4 | 3.5 | 3.5 | 3.5 |
| | | | | | | | | | |
| **Profitability Ratios (%)** | | | | | | | | | |
| RoE | 22.5 | 21.3 | 18.2 | 19.1 | 19.2 | 16.6 | 18.5 | 18.6 | 17.7 |
| RoA | 2.0 | 2.0 | 1.7 | 1.9 | 2.1 | 1.9 | 2.0 | 2.1 | 2.0 |
| C/I ratio | 17.2 | 16.2 | 16.3 | 15.7 | 15.3 | 18.3 | 16.9 | 17.4 | 16.3 |
| | | | | | | | | | |
| **Asset Quality (%)** | | | | | | | | | |
| Gross NPAs | 279 | 675 | 1,135 | 1,571 | 2,019 | 1,706 | 1,738 | 1,990 | 2,625 |
| Gross NPAs to Adv. | 0.2 | 0.4 | 0.6 | 0.8 | 0.9 | 0.6 | 0.6 | 0.5 | 0.6 |
| Net NPAs | 0 | 316 | 795 | 1,118 | 1,343 | 807 | 829 | 995 | 1,181 |
| Net NPAs to Adv. | 0.0 | 0.2 | 0.4 | 0.5 | 0.6 | 0.3 | 0.3 | 0.3 | 0.3 |
| PCR | 100.0 | 53.2 | 30.0 | 28.8 | 33.5 | 52.7 | 52.3 | 50.0 | 55.0 |
| | | | | | | | | | |
| **VALUATION** | | | | | | | | | |
| Book Value (INR) | 90 | 112 | 134 | 161 | 196 | 230 | 274 | 326 | 384 |
| **Price-BV (x)** | **9.2** | **7.5** | **6.2** | **5.2** | **4.3** | **3.6** | **3.0** | **2.6** | **2.2** |
| EPS (INR) | 17.6 | 21.5 | 22.3 | 28.2 | 34.2 | 35.4 | 46.6 | 55.7 | 62.7 |
| EPS Growth YoY | 49.4 | 21.9 | 3.7 | 26.8 | 21.3 | 3.3 | 31.9 | 19.4 | 12.6 |
| **Price-Earnings (x)** | **47.3** | **38.8** | **37.4** | **29.5** | **24.3** | **23.5** | **17.9** | **15.0** | **13.3** |
| Dividend per share (INR) | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.5 | 4.0 | 4.5 |
| **Dividend yield (%)** | **0.2** | **0.2** | **0.2** | **0.2** | **0.2** | **0.4** | **0.4** | **0.5** | **0.5** |

E: MOFSL Estimates

# NOTES

| Explanation of Investment Rating | |
|---|---|
| **Investment Rating** | **Expected return (over 12-month)** |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*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.

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