MOTILAL OSWAL
FINANCIAL SERVICES

12 December 2023
Update | Sector: Financials

Spandana Sphoorty

BSE SENSEX	S&P CNX
69,929	20,997

SPANDANA
SPANDANA SPHOORTY FINANCIAL LIMITED

Stock Info

Bloomberg	SPANDANA IN
Equity Shares (m)	71
M.Cap.(INRb)/(USDb)	72.3 / 0.9
52-Week Range (INR)	1080 / 470
1, 6, 12 Rel. Per (%)	-4/33/57
12M Avg Val (INR M)	132
Free float (%)	39.6

Financials Snapshot (INR b)

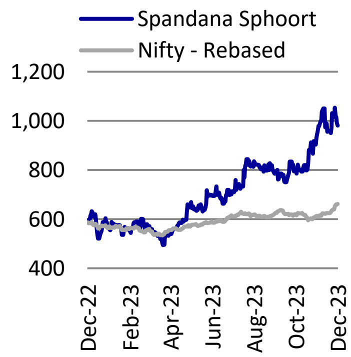
Y/E March	FY24E	FY25E	FY26E
NII	13.0	17.5	22.1
PPP	8.9	11.6	14.4
PAT	5.0	6.4	7.9
EPS (INR)	71.1	90.1	111.3
EPS Gr. (%)	-	27	24
BV/Sh. (INR)	508	598	709
Ratios (%)			
NIM	14.0	14.0	13.9
C/I ratio	42.1	41.2	40.6
Credit cost	2.2	2.4	2.4
RoA	4.6	4.5	4.4
RoE	15.1	16.3	17.0
Valuation			
P/E (x)	14.3	11.3	9.1
P/BV (x)	2.0	1.7	1.4

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	60.4	62.4	63.0
DII	13.0	8.4	8.6
FII	18.7	21.3	13.1
Others	7.8	7.9	15.3

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,017 **TP: INR1,200 (+18%)** **Buy**

Articulation of next five-year target from a position of strength

Targets AUM of ~INR280b by FY28 with RoA of >4.5% and RoE of >18%

- **At its analyst/investor meet, Spandana Sphoorty's senior management team outlined the company's vision for FY28 and talked about its strategies for distribution, risk management, liabilities, technology and people's practice.**
- **The management targets to achieve AUM of ~INR280b by FY28 and a customer base of ~6.2m. It plans to scale up its branch network to ~1,950 (~1520 now) and increase its employee strength to ~21k (~12K now). It has guided for credit costs of <2%, RoA of >4.5% and RoE of >18%, along with CRAR of ~25% (Refer Exhibit 11).**

Key takeaways from the meet:

- Guidance of FY28 AUM at ~INR280b implies a ~23% CAGR over FY25-FY28, which we believe is realistic and not aggressive. This growth will be driven by customer acquisitions while keeping ticket sizes lower (capped at ~INR80k) and closely monitoring total debt of a customer.
- Spandana expects 75-80% of its disbursements/collections to move to the weekly model by FY28 (vs. current level of ~7%). It expects short-tenor loans of 12-18 months to contribute 30-45% of the tenor mix.
- There is enough headroom for growth through the JLG model. The company may also offer individual retail lending, but it will be <5% of the AUM mix. The average ticket size (ATS) per borrower will remain in the current range of ~INR36k.
- As per the management, the current spread is ~12.2%, is not usurious. Spandana's lending rates have been steady for the last four quarters and it will pass on the benefits of lower borrowing costs to the customers.
- The management does not plan to take insurance coverage for its microfinance loans since its credit cost expectations of <2% does not warrant paying premiums for insurance, which typically gets triggered after a credit loss of >5%. At an appropriate stage, Spandana will be looking to build a management overlay and counter-cyclical provision buffers.
- Kedaara, the PE promoter of the company, will consider an exit when the opportunity arises, but it will be done smoothly with Spandana better off than what it is today.

Distribution: Improving productivity of branches and employees

- AUM per loan officer is INR11-12m and Spandana anticipates that it will improve to INR14-15m over the next few years. The number of loans per borrower is 1.1 and will increase once it moves to a weekly collection model.
- Improvement in efficiency will come from an increase in caseload for loan officers. Spandana has guided that borrowers per loan officer will increase to 360-365 by Mar'24 and 450-475 by Mar'28 (vs. ~320 as of Sep'23)
- The company will focus on the centers and group size, along with mandatory loan utilization checks (LUC).
- Rolled out two new products: 1) LAP, 2) nano-enterprise loans. It does not aspire to cross-sell LAP (ATS: INR400-450k) and nano-enterprise loans to MFI customers. **Guided for 50 Non-MFI branches by FY24 and 200 by FY25. Non-MFI AUM will grow to INR30-35b with 250-300K borrowers by FY28.**

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Risk Management: Higher diversification and better risk monitoring

- Monitoring the functioning of JLG is a core risk management function, which provides an early warning indicator on the group functioning. Geo-tagging also helps in ensuring that center meetings are happening on time.
- Top-3 states contribute ~44% to the AUM mix, which is likely to decline to ~36% by FY28. New businesses, LAP and nano enterprise loans, will increase to 10-15% of the AUM mix.
- Spandana already does risk scoring for branch expansions and plans to build capabilities for propensity models for collections.

Liabilities franchise continues to improve

- Spandana expects FY28 borrowing mix: ~60-70% from Banks, <10% from NBFCs, <15% from capital Market and 15-20% from FPIs and ECBs. It will be looking to add social bonds in its borrowing mix.
- Marginal CoB stood at 12.3% in 2QFY24 and should further decline to <11% by FY28. CoB is higher than peers', primarily because of CDR and the management transition. Few focus areas are: a) liability diversification and it has already reduced the reliance on the debt capital markets and b) direct assignments (up to 10-15% of the AUM).
- Leverage was 1.9x when the new management took over around Mar'22 and it hit a low of 1.3x in Sep'22. Since then the gearing has improved to 2.3x and is expected to be <4x by FY28. The next round of equity capital raise will be triggered when CRAR declines below ~25% (expected by FY28).

Technology: Will enable transition from rule-based to scorecard based lending

- Technology initiatives will enable faster approval and hassle-free loan process for customers. The current end-to-end processing time is 5 to 6 days and Spandana wants to reduce it to less than an hour. This will be done by incorporating e-KYC, rule engines and e-signing of documents.
- The company has a process excellence team, which champions all the process innovations at Spandana. It aims to have an integrated CRM, IVR and Chatbox with AI/ML.

People practices: Core to the sustainability of this franchise!

- Spandana now has a stable management team and all the 14 members, including CEO, are veterans in the MFI business. Most members of the senior management team have joined Spandana from Bharat Financial.
- Attracting and retaining talent will be very important. Spandana is making efforts to make the life easier for its employees. Loan officers are paid INR17-20k, which is the upper end of the median salary in the MFI industry.
- Employee attrition is ~20% lower compared to the industry. It provides a psychological safety net to employees and provides employees with platforms to upskill.

Valuation and View

- The new management has successfully navigated various disruptions and consequent asset quality stress. With strengthened processes, it is now ready to capitalize on the strong opportunity in the MFI sector and deliver an AUM CAGR of 34% over FY23-FY26E.
- We estimate Spandana to deliver FY26 RoA/RoE of 4.4%/17%, aided by: a) operating leverage resulting in decline in operating cost ratios, and b) normalization in credit costs
- Spandana trades at 1.5x Sep'25E P/BV. Given the strong opportunity in the microfinance sector, we think that the company is poised for a further rerating if it executes well on its stated goal of quality growth. **Maintain BUY with a TP of INR1,200 (premised on 1.8x Sep'25E BV).**
- **Key downside risks:** 1) Poor execution on asset quality could increase the credit cost; and 2) inability to retain talent in the senior/middle management teams.

Highlights from the analyst meet

Vision 2025: On track to convincingly achieve them

- Branches: ~1500 (~1520 as on Sep'23 and ~1590 by Dec'23)
- Customers: 4m (2.7m as on Sep'23)
- AUM MicroFinance: INR150b (~INR98b as on Sep'23). Spandana crossed INR100b in MicroFinance AUM on 27/28th Nov'23.

FY26-28 (28 by 28)

- Guided for an AUM of ~INR280b by FY28
- Customers: ~6.2m
- NIM of >12%, Opex to AUM of ~5.5%, Credit costs of <2% and RoA and RoE of >4.5% and >18% respectively.
- CRAR of >25%
- Branches: ~1950
- Employees: ~21,000

Growth

- There is enough headroom for growth through the JLG model and Spandana offers the maximum ticket size of ~INR80k and it will stick to this until FY25. Spandana might do individual retail lending but it will be <5% of the AUM mix.
- Guided that the average ticket size will remain at current levels of ~INR36k.

Margins and Spreads

- Spreads at currently at 12.1-12.2% and it is not usurious by any stretch of imagination. Spandana interest rates are steady for the last 4 quarters and it will pass on the benefits of lower borrowing costs to the customers.

Asset Quality

- Expects credit costs of ~1.5% (if all goes well). At this stage, Spandana is comfortable with its business as is and It is confident that credit costs should not exceed 1.5%.
- 2011 - Andhra Ordinance, 2016 - Demonetization and 2020 - COVID. MFI industry is equipped to handle local disruptions.
- Risk of unsecured is a definite risk - which is why it will keep ticket sizes muted - Tracking indebtness of the customers very closely.
- At an appropriate stage, Spandana will be looking to build management overlay and counter-cyclical provision buffers.
- Introduced write-off policy that any loan which moves into 360+ dpd, it is fully provided for.

Productivity

- AUM per loan officer is INR11m-12m and it anticipates that it will improve to INR14-15m over the next few years.
- Number of loans per borrower is 1.1 and it will increase once it moves to a weekly collection model.

Newer Businesses

- Nano-enterprise and LAP business will require significant beefing up but the senior management team is now equipped to scale the company to INR280b by

FY28. No ambition to cross-sell LAP (ATS: INR400-450K) and Nano-Enterprise loans to MFI customers.

- Disbursements to Login ratio is at ~27-28% in the LAP business.

Return ratios

- RoE of >5% (consistently) might also be frowned upon by the RBI. Over a course of time, it will be looking to reduce the lending rates, margins will contract even as it builds up operating leverage.

Investment horizon for PE investor

- Kedaara will continue to support Spandana but as and when the opportunity arises it will evaluate an exit but it will be done with the company better off than what it is today.

Distribution

- Microfinance thrives on distribution - the kind of rural distribution that it has, it is difficult for even FMCG companies to get there
- Relationship officers/Loan officers earn about 17-20K per month.
- Whole lot of things have been done on the distribution side - It is now moving to a weekly collection model from the earlier monthly collection model.
- Well-poised as a business to deliver beyond FY25 and achieve its Vision FY28
- Village Survey, Compulsory Group Training (CGT), Group Recognition Test (GRT), Customer visit the branches along with their spouses where they are explained all the terms of the loan and followed by regular collections

Core Philosophy:

- Customer acquisition-led growth strategy will be the fuel for the growth of the business - Seven growth states will be important for scaling up; 50% of the business comes from new customer acquisition and ~50% comes from the existing customer base.

Shorter Tenures

- As it transitions from monthly to weekly, the tenors will continue to decline. Lend for a shorter tenor but keep meeting the demands of the customers;
- If a customer needs money or emergency funding, the lender has to be available; Top-ups/Emergency loans can be provided for shorter tenors.

Muted Ticket Sizes

- Maximum Ticket Size of ~INR80k

Scale-up, Productivity & Efficiency

- Rural Focus: ~90% of its distribution is in the rural areas.
- Improving efficiencies: Has to improve efficiency and will be looking to increase the caseload for the loan officers. Guided that borrowers per loan officer will increase to 360-365 by Mar'24 (v/s ~320 as on Sep'23).

- Growth geographies:

Standardizing Processes

- Focus on JLG: Strongly advocate JLG and its elements weekly center meetings and timely center meetings.
- ~400 branches are on the weekly schedule and the idea is to move ~70-75% to the weekly collection model by Mar'25.

- Input Management: Focus on center and Group Size, Focus on meeting 80-100 customers every day in 5 days of the week, Conducts LUC (Loan utilization check) after every disbursement.

Diversification

- Rolled out two new products - LAP and Nano-enterprise loans - which are very different
- Loan against Property: ATS of INR400-500K - Idea is not to upsell LAP products to MFI customers.
- Created separate branches for these two non-MFI products - Both products are housed in the subsidiary Criss Financial
- Nano-Enterprise Loans: ATS between INR50-100K in semi-urban areas;
- Guided for 50 branches by FY24 and 200 branches by FY25. Non-MFI AUM will grow to INR30-35b with 250-300K borrowers by FY28.

Cultural Shift

- Data-driven culture - Data Analytics - Leveraging data by leveraging Power BI, Data Lake and every user persona based reporting. Strong inhouse data engineering team - Branch Selection, loan approval and loan processing.
- Processing loans through the Rule Engine - It will automate the rule engine and move towards scorecard based process of loans.

Risk Management

- JLG works as a social protection where the chances of default become lower.
- Monitoring how the JLG is functioning is a core Risk Management function which provides an early warning indicator (EWI) on the group functioning
- Geo-tagging also helps in ensuring that the Center meetings are happening on time;
- Tech-driven Risk monitoring for Stronger JLG support

Risk Diversification

- Geographic Diversification: Top-3 States are ~44% and it guided that it will decline to ~36% by FY28
- Product Diversification: New Business - LAP and Nano Enterprises - will increase to 10-15% of the AUM by FY28
- Exposure Sizing: Maximum Loan Ticket Size of ~INR80K;

Analytics and Decision

- Risk Scoring for Branch Expansion: Once it has the field knowledge which pin codes are lucrative for setting up new branches, then it applies it Risk Framework to decide which all locations it wants to set-up new branches
- Propensity Modelling for Collections: Data-based collection approach - Various data cuts are being used to ensure that the resources are directed well - It wants to move to a propensity based model for collections - wants to understand before a borrower or center goes into Stress from the early warning signals.

Risk Monitoring

- Biggest Risk is that of loan mis-utilization - instead of being utilized for an asset it could get utilized for personal consumption.

- Loan officer has to mandatorily go and check for the utilization of the loan within 10-45 days.
- Geo-tagging of the borrowers and the center meeting locations.
- Monitoring that Center meetings are happening on its designated time. 75-80% of the center meetings are happening on time which is better than the industry.

Governance: Process and Controls

- Strengthened the process and controls. Spandana has a ~175-member team which visits the field on a regular basis to ensure that the processes are being adhered to.
- Data Analysis is being done at the Head Office level and branch level audits are conducted at frequent intervals.
- Regulatory Compliances: Added a team for process and organization excellence. Tracks the compliance to all regulatory directives.

Liabilities

- Fund-raising started in Aug'22 - started getting positively engaged with the banking partners.
- Raised across the types of institutions - Public Sector - Private Sector Banks/ SFBs / Large NBFCs and across instruments- Term Loans, ECBs, Bonds and DA
- Spandana has 54 lending partners with ~50% from banks, ~21% from NBFCs, ~28% from Capital Markets and <2% from FPIs and ECB; Guided that by FY28 it will have a borrowing mix which will have ~60-70% from Banks, <10% from NBFCs, <15% from Capital Market and 15-20% from FPIs and ECBs. It will be looking to add social bonds in its borrowing mix.
- Gearing stood at 2.3x as on Sep'23 and will be <4x by FY28.
- Marginal CoB stood at 12.3% in 2QFY24 and it guided that it should be able to further bring down the CoB to <11% by FY28. CoB are higher than peers primarily because of the CDR and the management transition. Few focus areas are a) liability diversification and it has already reduced the reliance on the debt capital markets and b) Direct Assignments (up to 10-15% of the AUM).
- Debt Management: Leverage was 1.9x when management took and it touched a low of 1.3x in Sep'22. Since then the gearing has improved to 2.3x and it expects the gearing to be <4x by FY28.
- Thought process is that only when the CRAR hits ~25% it should look at the next round of equity capital raise.

Technology

IT Infra & Security

- All the tech infrastructure is completely cloud-native. Cloud gives robust levels of security.
- Security incident and event monitoring tool
- All its infrastructure - Pre-empted all future disruptions so that there is business continuity

Process Automation

- How quickly can one disburse a loan and how hassle-free can a lender disburse a loan to the customer;

- All activities during the day by the loan officers can be done on the various mobile apps of the company.
- OCR deployed in the mobile application - all the KYC document are read by the mobile application and the forms are pre-filled with the help of technology - this saves a lot of time for the loan officers.
- 10-member team - Process excellence team - with champions all the process innovations in Spandana

Using Tech for Control and Verification

- Changes the loan officers and branch managers for risk mitigation
- Through the app, it now knows how much has the Loan officer travelled and how much time he has spent at the Center
- E-sign - e-NACH and E-KYC - Started working on eKYC and expects it to be rolled out over the next few quarters

Analytics & Scorecard based lending

- 8500 LOs and 2.7m customers - Idea is to make life easier for Loan officers and customers.
- Faster approval matrix for hassle-free loan processing for the customers.

Becoming Future Ready

- CBDC - Digital Rupee - Started doing a POC how it can collect money without a smartphone and internet
- Endeavor is to an integrated CRM, IVR, Chatbox with AI/ML
- Digital transformation is a journey and not a destination
- Current end to end processing time - 5 to 6 days and by leveraging technology it wants to improve the new processing time to < 1 Hour. This can be done by incorporating E-KYC, Rule Engines and E-Signing of the documents.

People Practices

- 13 Key positions & Senior Management team already in place
- Spandana now has a Stable Management Team and all the 13 members (excluding the CEO) are veterans in the MFI business
- Cultural alignment was important for the incoming management team
- Attracting and Retaining Talent will be very important - Continuous effort directed towards making the life easier for its employees - Salary parity grids for the existing sales team and it is stabilized. Loan officer gets between INR17-20K and which is at the upper end of the median salary in MFI
- Majority of the loan officers reside in the branches - they are provided with cooking facilities so that they do not feel like they are away from home. Covered all its employees with medical insurance and life coverage.
- Employee attrition is ~20% lower compared to the industry. Needs to provide psychological safety net to the employees and provide platforms to upskill themselves.

Story in charts

Exhibit 1: Disbursement CAGR of ~31% over FY23-26E...

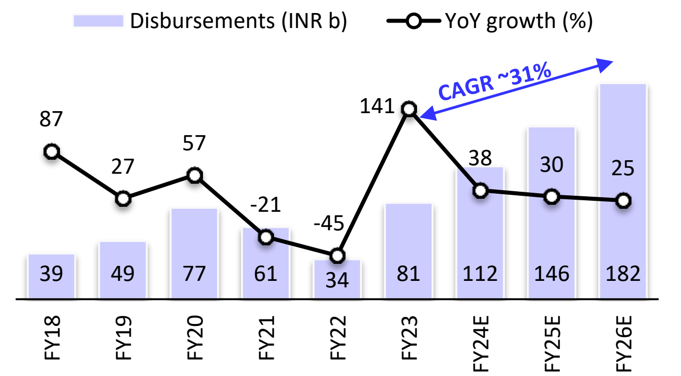


Exhibit 2: ...driving AUM CAGR of 34% over the same period

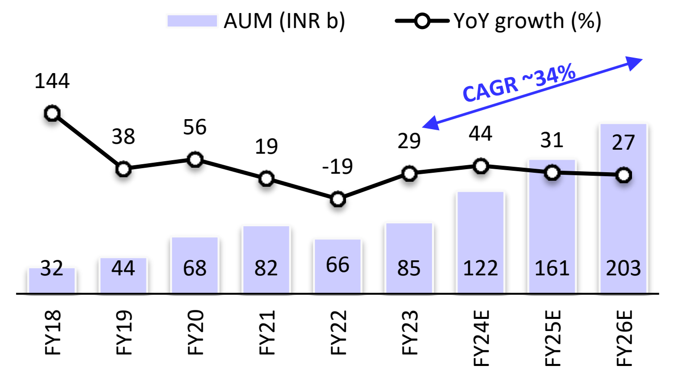


Exhibit 3: Spreads expected to normalize at ~11.5%...

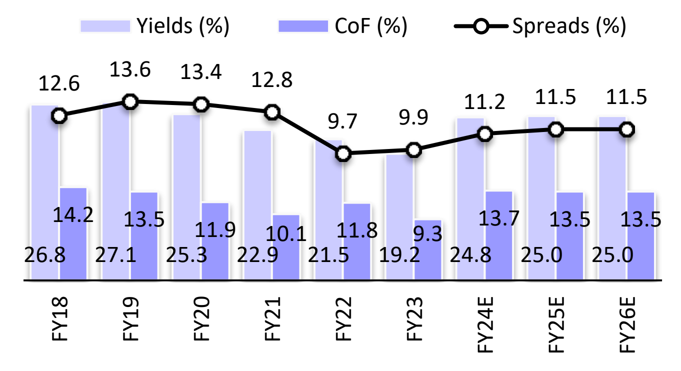


Exhibit 4: ...leading to NIM of ~14% over FY24/25E

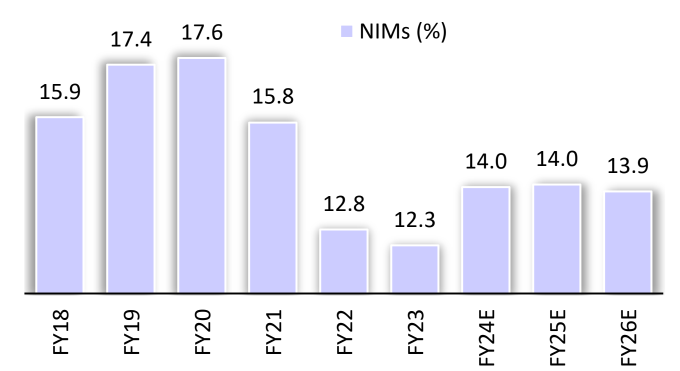


Exhibit 5: CIR to moderate to 41% in FY25/26E

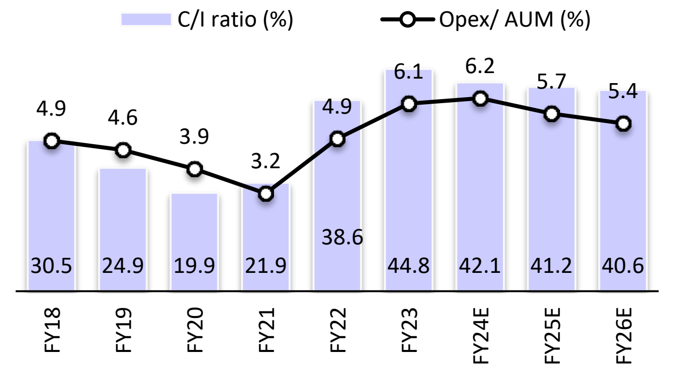


Exhibit 6: Productivity metrics continue to improve

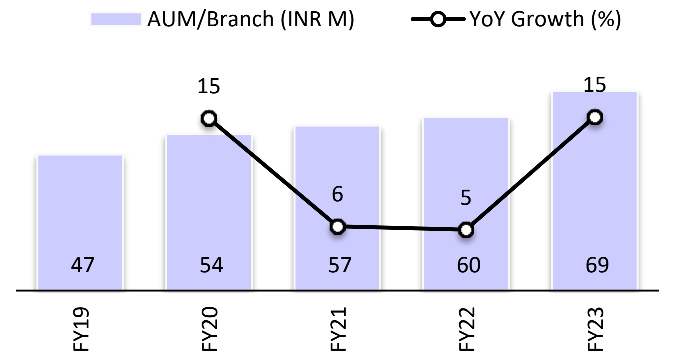


Exhibit 7: Expect credit costs to normalize at 2.2% over FY26

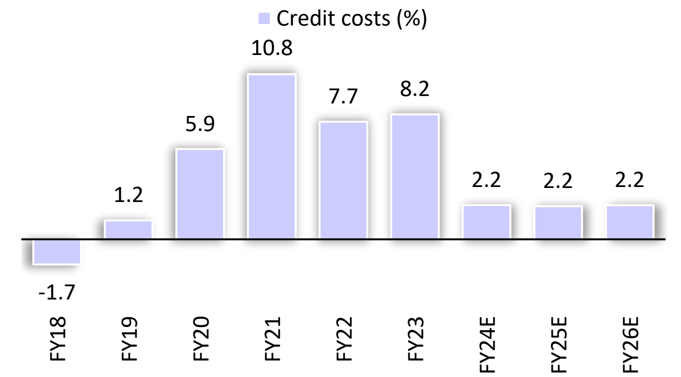
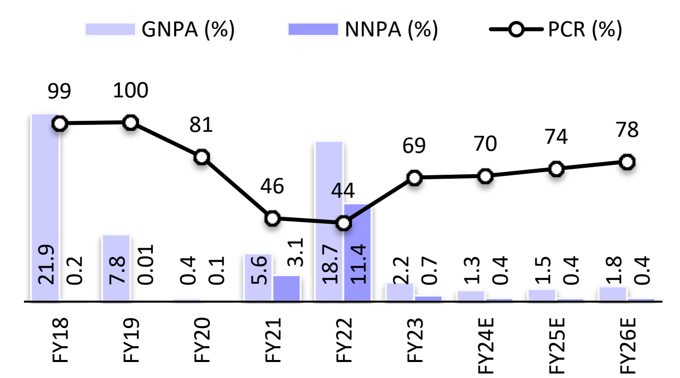


Exhibit 8: Asset quality (GS3) to remain below 2%



Source: MOFSL, Company

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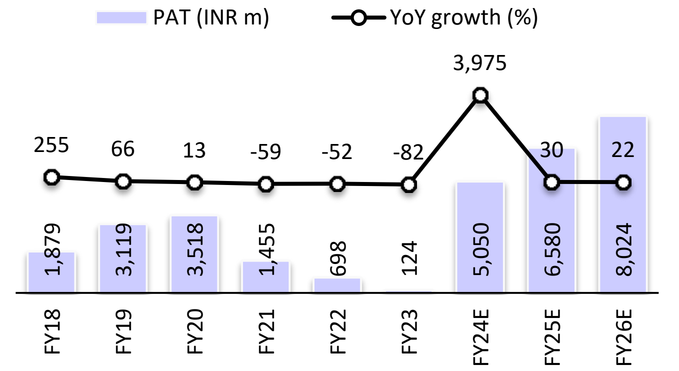
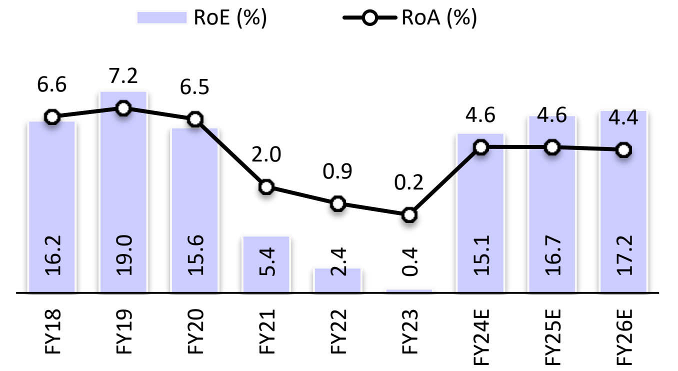
Exhibit 9: Profitability expected to improve gradually



Source: MOFSL, Company

Exhibit 10: RoA/RoE of ~4.5%/17% in FY25/FY26



Source: MOFSL, Company

Exhibit 11: Targets for FY28

Targets	FY28
AUM (INR b)	280
Customers (m)	~6.2
NIM	>12%
RoA	>4.5%
RoE	>18%
Opex to AUM	~5.5%
Credit Costs	<2%
CRAR	>25%
Branches	1950
Employees	~21000

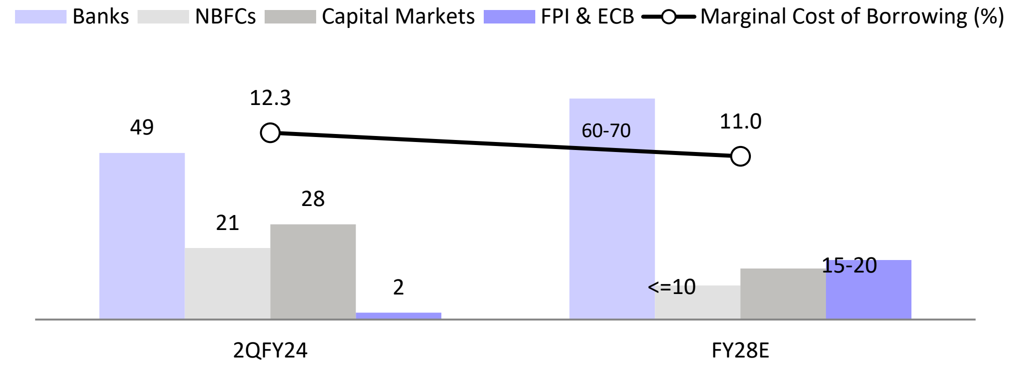
Source: MOFSL, Company

Exhibit 12: Increase our FY25/FY26 EPS estimates by 3%/2% to factor in lower credit costs

INR B	Old Est.			New Est.			% change		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
NII	13.0	17.5	22.1	13.0	17.5	22.1	0.0	-0.1	-0.3
Other Income	2.3	2.2	2.1	2.3	2.2	2.1	0.0	0.0	0.0
Total Income	**15.4**	**19.7**	**24.3**	**15.4**	**19.7**	**24.2**	**0.0**	**-0.1**	**-0.3**
Operating Expenses	6.5	8.1	9.9	6.5	8.1	9.9	0.0	0.0	0.0
Operating Profits	**8.9**	**11.6**	**14.4**	**8.9**	**11.6**	**14.4**	**0.0**	**-0.1**	**-0.5**
Provisions	2.1	3.0	3.8	2.1	2.7	3.6	0.0	-8.9	-6.2
PBT	**6.8**	**8.6**	**10.6**	**6.8**	**8.9**	**10.8**	**0.0**	**2.9**	**1.6**
Tax	1.7	2.2	2.7	1.7	2.3	2.8	0.0	2.9	1.6
PAT	**5.0**	**6.4**	**7.9**	**5.0**	**6.6**	**8.0**	**0.0**	**2.9**	**1.6**
AUM	122	161	203	122	161	203	0.0	0.0	0.0
Borrowings	87	116	148	87	115	147	0.0	-0.1	-0.5
RoA	4.6	4.5	4.4	4.6	4.6	4.4	0.0	2.9	1.6
RoE	15.1	16.3	17.0	15.1	16.7	17.2	0.0	2.7	1.0

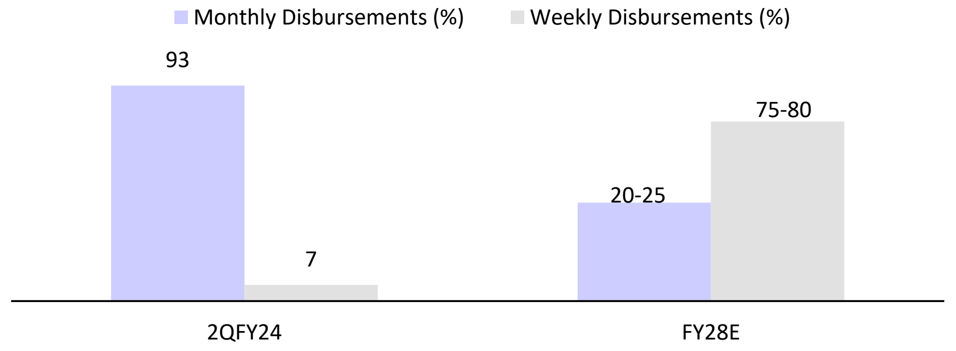
Source: MOFSL, Company

Exhibit 13: Spandana anticipates raising the proportion of bank borrowings within the overall borrowing mix (%)



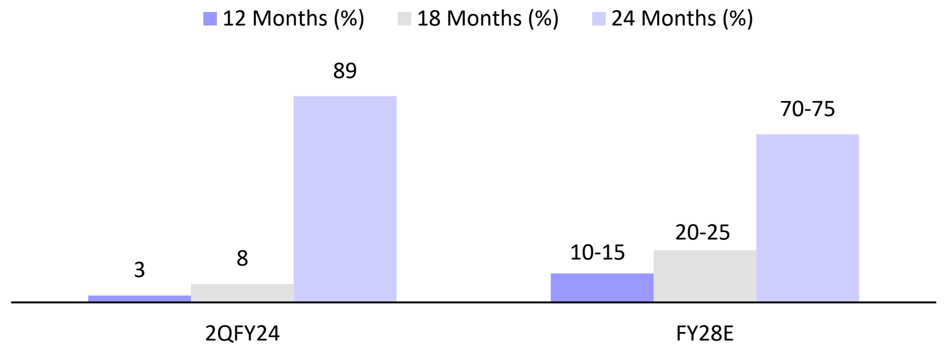
Source: MOFSL, Company

Exhibit 14: Plans to increase the weekly collections model to 75-80% by FY28



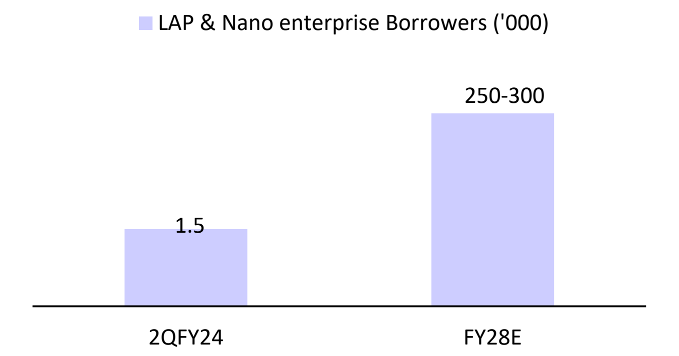
Source: Company, MOFSL

Exhibit 15: ...and also improve share of shorter tenure MFI loans



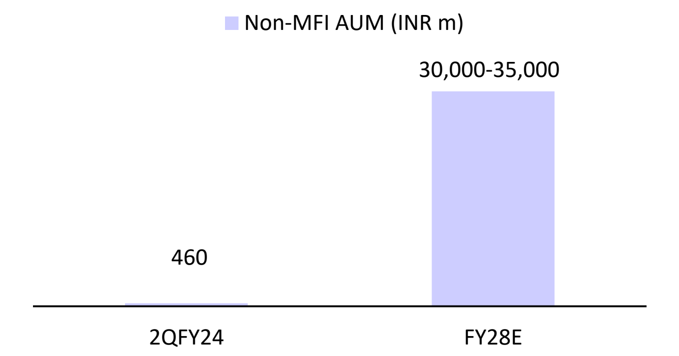
Source: Company, MOFSL

Exhibit 16: Target expanding LAP and Nano borrower base…



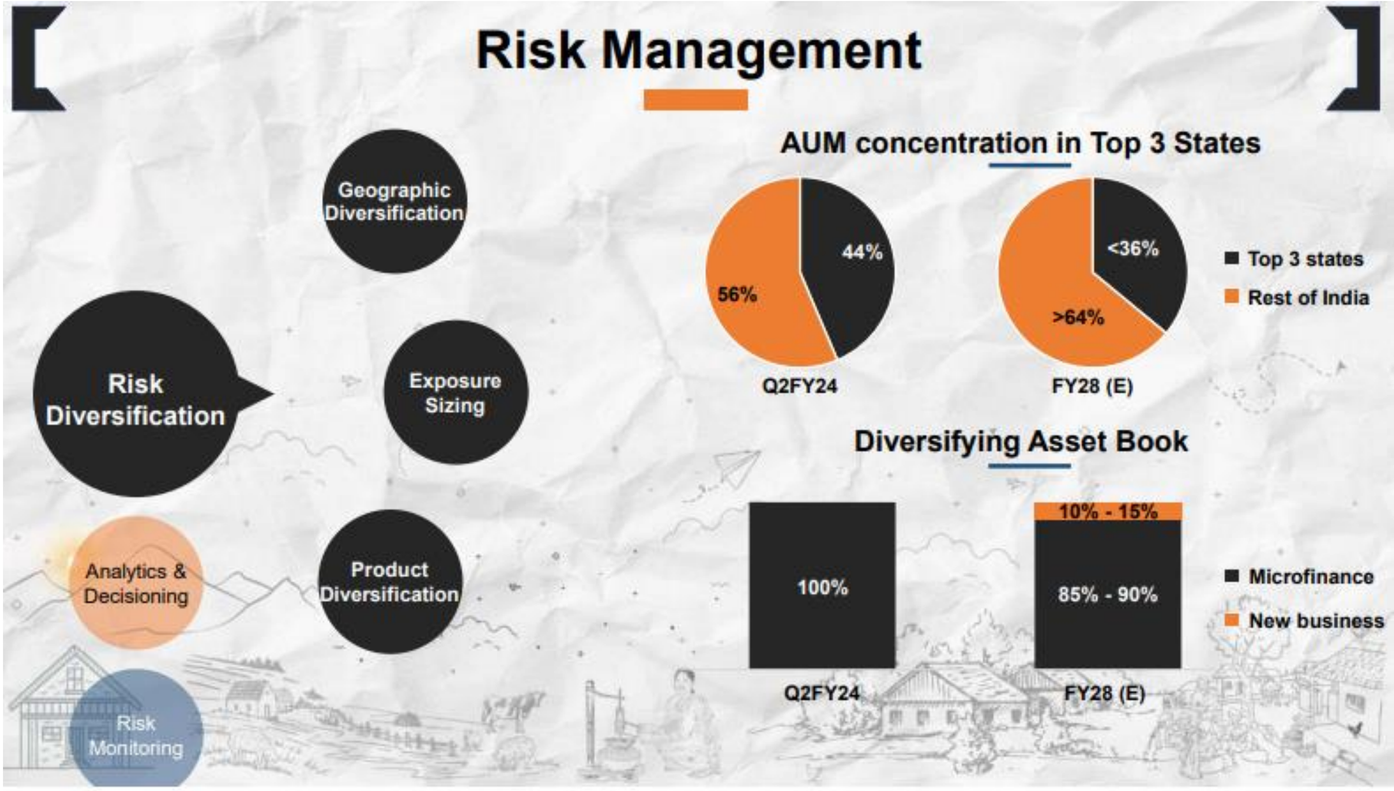
Source: MOFSL, Company

Exhibit 17: … taking the total non-MFI AUM to INR30-35b by FY28E



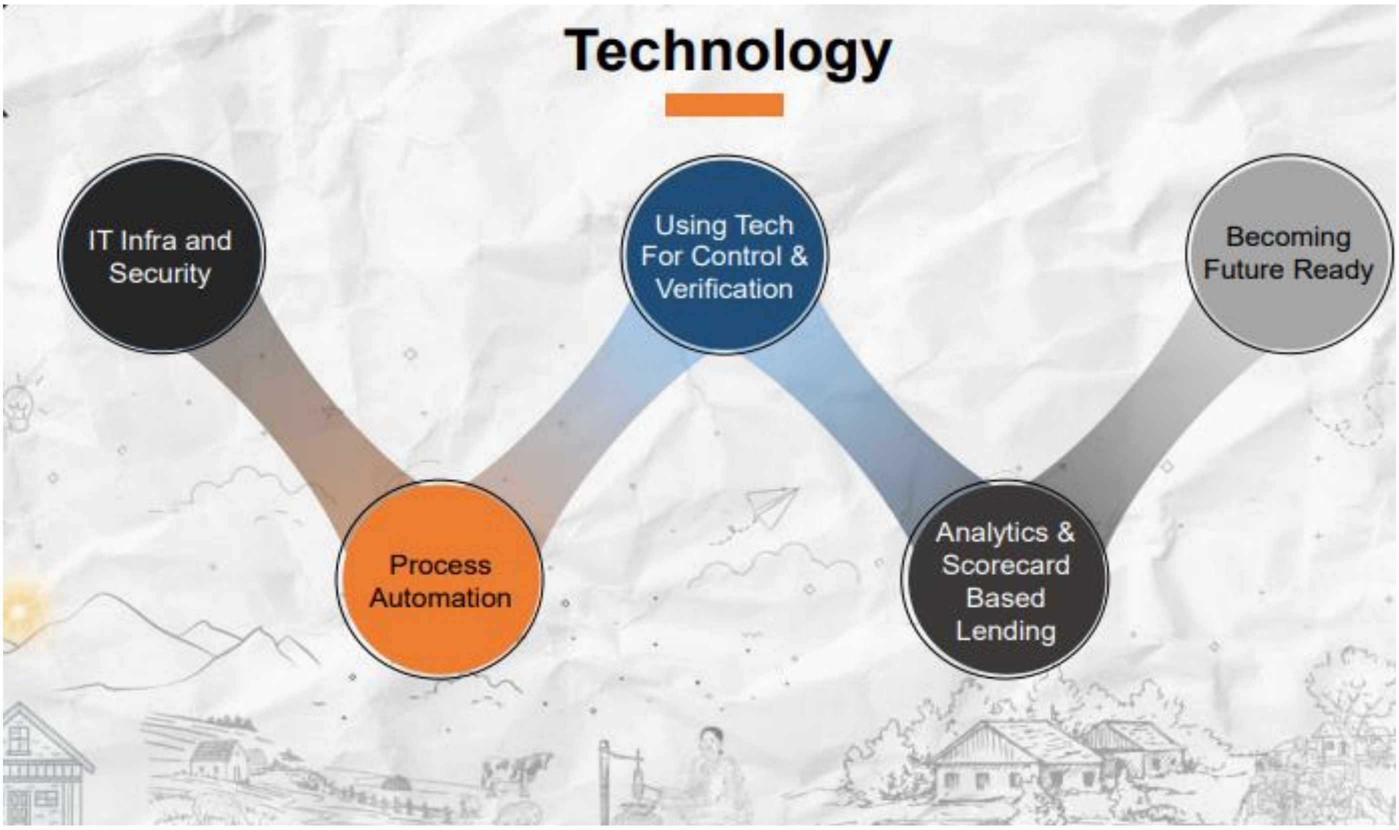
Source: MOFSL, Company

Exhibit 18: Plans to manage risk by reducing AUM concentration and diversify loan book



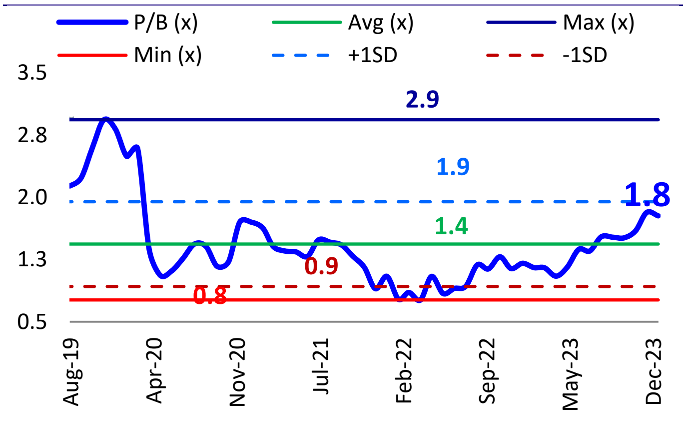
Source: MOFSL, Company

Exhibit 19: Innovative technology for enhanced efficiency



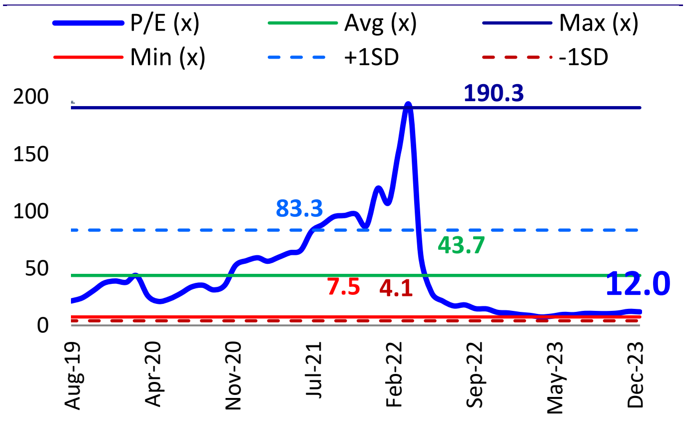
Source: MOFSL, Company

Exhibit 20: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 21: One-year forward P/E ratio



Source: MOFSL, Company

Financials and valuations

Income Statement									(INR M)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**
Interest Income	5,730	9,979	11,692	13,627	13,365	12,775	23,094	31,183	39,813
Interest Expenses	2,318	3,579	3,563	4,232	5,401	4,579	10,077	13,661	17,749
Net Interest Income	**3,413**	**6,400**	**8,129**	**9,395**	**7,964**	**8,196**	**13,016**	**17,522**	**22,064**
Change (%)	110.9	87.5	27.0	15.6	-15.2	2.9	58.8	34.6	25.9
Other Operating Income	143	452	2,661	1,199	1,263	1,233	1,800	1,727	1,804
Other Income	2	54	342	230	172	763	534	427	342
Total Income	**3,557**	**6,907**	**11,132**	**10,824**	**9,399**	**10,192**	**15,350**	**19,676**	**24,210**
Change (%)	67.7	94.1	61.2	-2.8	-13.2	8.4	50.6	28.2	23.0
Total Operating Expenses	**1,084**	**1,719**	**2,211**	**2,369**	**3,625**	**4,570**	**6,464**	**8,114**	**9,856**
Change (%)	13.7	58.5	28.7	7.1	53.0	26.1	41.4	25.5	21.5
Employee Expenses	759	1,310	1,707	1,715	2,284	3,057	4,647	6,041	7,491
Depreciation	57	70	88	76	92	109	174	200	230
Other Operating Expenses	269	339	416	577	1,249	1,404	1,643	1,873	2,135
Operating Profit	**2,473**	**5,188**	**8,920**	**8,456**	**5,774**	**5,621**	**8,886**	**11,562**	**14,354**
Change (%)	111.7	109.8	71.9	-5.2	-31.7	-2.6	58.1	30.1	24.1
Total Provisions	**-354**	**453**	**2,736**	**6,451**	**4,806**	**5,443**	**2,090**	**2,705**	**3,554**
% Loan loss provisions to Avg loans ratio	-1.7	1.2	5.9	10.8	7.7	8.2	2.2	2.2	2.2
PBT	**2,827**	**4,735**	**6,185**	**2,004**	**969**	**178**	**6,797**	**8,856**	**10,800**
Tax Provisions	948	1,616	2,666	550	270	54	1,747	2,276	2,776
Tax Rate (%)	33.5	34.1	43.1	27.4	27.9	30.5	25.7	25.7	25.7
PAT	**1,879**	**3,119**	**3,518**	**1,455**	**698**	**124**	**5,050**	**6,580**	**8,024**
Change (%)	255.0	66.0	12.8	-58.7	-52.0	-82.3	3,974.6	30.3	21.9

Balance Sheet									(INR M)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**
Equity Share Capital	298	596	643	643	691	710	710	710	710
Reserves & Surplus	13,609	18,298	25,616	26,848	30,185	30,280	35,330	41,911	49,935
Non-controlling interest	0	9	13	20	24	2	2	2	2
Net Worth	**13,906**	**18,904**	**26,272**	**27,511**	**30,899**	**30,992**	**36,042**	**42,623**	**50,647**
Borrowings	**23,314**	**29,677**	**30,253**	**53,733**	**37,721**	**60,743**	**86,912**	**1,15,475**	**1,47,477**
Change (%)	149.8	27.3	1.9	77.6	-29.8	61.0	43.1	32.9	27.7
Other Liabilities	422	736	3,248	4,526	2,143	2,091	2,296	2,521	2,770
Total Liabilities	**37,642**	**49,317**	**59,774**	**85,769**	**70,763**	**93,826**	**1,25,250**	**1,60,620**	**2,00,893**
Cash and Bank	2,078	3,518	2,571	13,810	12,022	10,045	10,475	12,946	15,566
Investments	1	1	4,875	23	24	1,894	1,304	1,732	2,212
Loans	**30,896**	**42,678**	**49,767**	**69,330**	**55,184**	**77,598**	**1,08,640**	**1,40,824**	**1,77,683**
Change (%)	158.6	38.1	16.6	39.3	-20.4	40.6	40.0	29.6	26.2
Fixed Assets	85	268	339	380	313	249	274	301	331
Other Assets	4,583	2,853	2,221	2,225	3,220	4,040	4,558	4,817	5,102
Total Assets	**37,642**	**49,317**	**59,774**	**85,769**	**70,763**	**93,826**	**1,25,250**	**1,60,620**	**2,00,893**

E: MOFSL Estimates

Financials and valuations

Ratios									
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Spreads Analysis (%)									
Avg. Yield on Loans	26.8	27.1	25.3	22.9	21.5	19.2	24.8	25.0	25.0
Avg Cost of Funds	14.2	13.5	11.9	10.1	11.8	9.3	13.7	13.5	13.5
Spread of loans	12.6	13.6	13.4	12.8	9.7	9.9	11.2	11.5	11.5
NIM (on loans)	15.9	17.4	17.6	15.8	12.8	12.3	14.0	14.0	13.9
Profitability Ratios (%)									
RoE	16.2	19.0	15.6	5.4	2.4	0.4	15.1	16.7	17.2
RoA	6.6	7.2	6.5	2.0	0.9	0.2	4.6	4.6	4.4
Int. Expended / Int.Earned	40.4	35.9	30.5	31.1	40.4	35.8	43.6	43.8	44.6
Other Inc. / Net Income	4.1	7.3	27.0	13.2	15.3	19.6	15.2	10.9	8.9
Efficiency Ratios (%)									
Op. Exps. / Net Income	30.5	24.9	19.9	21.9	38.6	44.8	42.1	41.2	40.7
Empl. Cost/Op. Exps.	70.0	76.2	77.2	72.4	63.0	66.9	71.9	74.5	76.0
Asset-Liability Profile (%)									
Loans/Borrowings Ratio	1.3	1.4	1.6	1.3	1.5	1.3	1.3	1.2	1.2
Assets/Equity	2.7	2.6	2.3	3.1	2.3	3.0	3.5	3.8	4.0
Asset Quality (%)									
GNPA (INR m)	8,654	3,628	180	4,095	11,489	1,775	1,452	2,111	3,249
GNPA (%)	21.9	7.8	0.4	5.6	18.7	2.2	1.3	1.5	1.8
NNPA (INR m)	57.9	5.5	34.6	2,193.8	6,442.7	549.1	435.6	549.0	714.8
NNPA (%)	0.2	0.0	0.1	3.1	11.4	0.7	0.4	0.4	0.4
PCR (%)	99.3	99.8	80.8	46.4	43.9	69.1	70.0	74.0	78.0
Credit costs	-1.7	1.2	5.9	10.8	7.7	8.2	2.2	2.2	2.2

Valuations	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (INR)	467	317	408	427	447	437	508	600	713
BV Growth (%)	43	-32	29	5	5	-2	16	18	19
P/BV	**2.2**	**3.2**	**2.5**	**2.4**	**2.3**	**2.3**	**2.0**	**1.7**	**1.4**
EPS (INR)	63.2	52.3	54.7	22.6	10.1	1.7	71.1	92.7	113.0
EPS Growth (%)	239	-17	5	-59	-55	-83	3,975	30	22
P/E	**16.1**	**19.4**	**18.6**	**45.0**	**100.6**	**582.5**	**14.3**	**11.0**	**9.0**

E: MOFSL Estimates

NOTES

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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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