

# Home First Finance

Estimate changes 

TP change 

Rating change 

Bloomberg	HOMEFIRS IN
Equity Shares (m)	88
M.Cap.(INRb)/(USDb)	89.2 / 1.1
52-Week Range (INR)	1061 / 655
1, 6, 12 Rel. Per (%)	0/17/18
12M Avg Val (INR M)	252

## Financials Snapshot (INR b)

Y/E MARCH	FY24E	FY26E	FY26E
NII	5.3	6.7	8.5
PPOP	4.3	5.2	6.7
NP	3.1	3.7	4.8
EPS (INR)	34.5	41.9	54.2
EPS Gr. (%)	33.1	21.5	29.3
BV/Share	237	276	326

## Ratios

NIM (%)	6.3	6.0	5.9
C/I ratio (%)	35.8	36.0	33.6
RoAA (%)	3.8	3.6	3.7
RoAE (%)	15.6	16.4	18.1

## Valuations

P/E (x)	29.2	24.1	18.6
P/BV (x)	4.2	3.7	3.1

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	23.6	30.2	33.5
DII	11.7	10.0	6.5
FII	24.8	17.0	9.4
Others	39.8	42.2	50.6

FII Includes depository receipts

**CMP: INR1009**

**TP: INR1180 (+17%)**

**Buy**

## Earnings in line despite NIM compression; BT-outs moderate

### Bounce rates rose QoQ but remain within a range

- Home First Finance's 3QFY24 PAT grew 35% YoY to INR788m (in line), while its 9MFY24 PAT rose ~35% YoY to INR2.2b. NII rose ~21% YoY to INR1.34b (in line). Non-interest income (25% beat) jumped 140% YoY, led primarily by higher assignment income and treasury income.
- Opex (in line) grew 38% YoY to INR611m while PPOP grew ~35% YoY to INR1.1b. Credit costs of INR70m (in line) translated into annualized credit costs of ~30bp (PQ: ~40bp).
- HomeFirst continued to build its distribution by taking steps to strengthen its presence in UP and MP. It has also been investing in technology and analytics to improve its underwriting and credit assessment capabilities. Steady execution has positioned HomeFirst well to capture the significant opportunity in the affordable housing segment.
- We model an AUM/PAT CAGR of ~31%/~28% over FY23-FY26E. Asset quality should strengthen, and credit costs are likely to remain benign over FY25-FY26E. **Reiterate BUY with a TP of INR1,180 (based on 3.6x FY26E BV).**

### Business momentum strong with sequential decline in BT-out rate

- Disbursements grew 29% YoY to ~INR10b, resulting in 34% YoY AUM growth to ~INR90.1b. Management targets to scale up its AUM to ~INR200b by Mar'27, through the expansion of touchpoints/branches and market share gains by leveraging its technological prowess.
- In 3QFY24, the company undertook direct assignments of INR1.3b (up ~102% YoY) and co-lending transactions of ~INR610m (up 127% YoY). It expects the share of co-lending to rise to ~10% (3QFY24: ~6%) of the disbursement mix.
- BT-out rate (annualized) declined sequentially but remained elevated at ~7.5% (PQ: ~8.6% and PY: ~4.8%). Management attributed this improvement to customer retention efforts, and anticipates its decline to historical levels.

### Spreads and NIM contract due to a moderation in yields and rise in CoF

- Reported yields moderated ~10bp QoQ to 13.5%, while the CoB rose ~10bp QoQ to 8.2%. Reported spreads contracted ~20bp QoQ to 5.3%. Portfolio yields declined due to: a) lower yields on NHB borrowings deployed for lending, and b) lower interest rates under co-lending.
- Reported NIM contracted ~35bp QoQ to 5.7%. Incremental CoF (excl. NHB borrowings) stood at 8.7%. Overall marginal CoF (incl. NHB borrowings) stood at 8.4% in 3QFY24. We model a NIM of 6.3%/6.0%/5.9% in FY24/FY25/FY26.

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | Gautam Rawtani (Gautam.Rawtani@MotilalOswal.com)

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

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**Marginal improvement in asset quality; bounce rate rises in 3QFY24/Jan'24**

- GS3 improved ~5bp to 1.7%, and NS3 remained stable at 1.2% as of Dec'23. PCR declined ~40bp QoQ to ~30% in 3QFY24.
- 1+dpd remained stable at 4.5% while bounce rates inched up to ~15% in 3QFY24 and ~15.3% in Jan'24 (vs. ~14.2% in 2QFY24). Management shared that it has already recovered ~11% out of the ~15% customers who bounced in Jan'24.
- We model credit costs of ~35bp/30bp in FY25/FY26E.

**Highlights from the management commentary**

- Management guided for spreads between 5.0% and 5.25%. The business model works best from a growth perspective with this range of spreads.
- The company guided for CoB to increase by ~10bp and it expects the CoB to stabilize at ~8.3% in the next quarter.
- Bounce rates rose QoQ but remained within a ~100-150bp range, and the increase in bounce rates is not specific to any particular region.

**Valuation and view**

- HomeFirst has invested in building a franchise, which positions the company well to capitalize on the strong growth opportunity in affordable housing finance. The company continues to expand its distribution network in a contiguous manner, covering Tier I and II cities within its existing states.
- We estimate HomeFirst to deliver a ~31% AUM CAGR over FY23-FY26, along with NIM (as a % of average AUM) of 6.3%/6.0%/5.9% in FY24/FY25/FY26. We expect cost efficiencies to kick in and drive a sustained improvement in its operating cost ratios.
- HomeFirst's asset quality is likely to strengthen and credit costs are expected to remain low over FY24-FY26, as the company prioritizes early bucket collections, thus driving improvement in asset quality. **We reiterate our BUY rating on the stock with a TP of INR1,180 (premised on 3.6x Mar'26E BVPS).**
- **Key downside risks:** a) a sharp contraction in spreads and margins in order to sustain the business momentum, and b) higher BT-outs leading to lower AUM growth.

Quarterly Performance												(INR m)
Y/E March	FY23				FY24E				FY23	FY24E	3Q FY24E	Act V/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	1,547	1,727	1,902	2,047	2,313	2,491	2,646	2,827	7,222	10,277	2,641	0
Interest expenses	607	712	796	929	1,068	1,170	1,302	1,423	3,043	4,963	1,261	3
<b>Net Interest Income</b>	<b>940</b>	<b>1,016</b>	<b>1,106</b>	<b>1,118</b>	<b>1,246</b>	<b>1,321</b>	<b>1,344</b>	<b>1,404</b>	<b>4,179</b>	<b>5,314</b>	<b>1,379</b>	-3
YoY Growth (%)	50.8	58.2	54.2	31.4	32.6	30.1	21.4	25.6	41.2	27.1	24.7	
Other Income	147	167	152	266	285	289	364	379	734	1,317	292	25
<b>Net Income</b>	<b>1,086</b>	<b>1,182</b>	<b>1,258</b>	<b>1,384</b>	<b>1,530</b>	<b>1,610</b>	<b>1,708</b>	<b>1,783</b>	<b>4,913</b>	<b>6,631</b>	<b>1,671</b>	<b>2</b>
YoY Growth (%)	22.3	31.8	30.5	35.4	40.9	36.1	35.7	28.8	29.3	35.0	32.8	
Operating Expenses	387	441	443	475	553	565	611	644	1,746	2,372	587	4
<b>Operating Profit</b>	<b>699</b>	<b>741</b>	<b>816</b>	<b>910</b>	<b>977</b>	<b>1,044</b>	<b>1,097</b>	<b>1,139</b>	<b>3,167</b>	<b>4,258</b>	<b>1,084</b>	<b>1</b>
YoY Growth (%)	15.3	24.3	25.3	38.1	39.8	40.9	34.5	25.3	24.8	34.4	32.9	
Provisions and Cont.	36	50	60	70	77	80	70	76	215	303	70	0
<b>Profit before Tax</b>	<b>663</b>	<b>692</b>	<b>756</b>	<b>840</b>	<b>900</b>	<b>964</b>	<b>1,027</b>	<b>1,063</b>	<b>2,952</b>	<b>3,955</b>	<b>1,014</b>	<b>1</b>
Tax Provisions	151	149	170	200	209	221	239	228	669	898	228	5
<b>Net Profit</b>	<b>512</b>	<b>543</b>	<b>586</b>	<b>640</b>	<b>691</b>	<b>743</b>	<b>788</b>	<b>835</b>	<b>2,283</b>	<b>3,058</b>	<b>786</b>	<b>0</b>
YoY Growth (%)	46.0	20.9	27.6	6.4	34.9	36.9	34.5	30.4	21.1	33.9	34.1	
<b>Key Operating Parameters (%)</b>												
Other income to Net Income Ratio	13.5	14.1	12.1	19.2	18.6	17.9	21.3	21.3	14.9	19.9		
Credit Cost	0.26	0.33	0.37	0.40	0.41	0.40	0.32	0.33	1.67	1.7		
Cost to Income Ratio	35.7	37.3	35.2	34.3	36.1	35.1	35.7	36.1	35.5	35.8		
Tax Rate	22.7	21.5	22.5	23.8	23.2	23.0	23.3	21.5	22.7	22.7		
<b>Balance Sheet Parameters</b>												
AUM (INR m)	58,319	62,750	67,512	71,980	77,760	83,654	90,137	96,802	71,980	96,802		
Change YoY (%)	35.8	35.9	35.2	33.8	33.3	33.3	33.5	34.5	33.8	34.5		
Loans (INR m)	47,222	51,454	55,955	59,957	65,194	70,253	75,479		59,957	80,792		
Change YoY (%)	39.1	41.5	41.5	39.3	38.1	36.5	34.9		39.3	34.7		
Borrowings (INR m)	48,387	52,282	58,045	59,556	68,215	72,792	82,514		48,135	69,481		
Change YoY (%)	22.9	30.5	44.5	32.5	41.0	39.2	42.2		38.8	44.3		
Loans/Borrowings (%)	97.6	98.4	96.4	100.7	95.6	96.5	91.5		125	116		
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR m)	1,020	1,001	1,008	974	1,077	1,233	1,295		974	1,300		
Gross Stage 3 (% on Assets)	2.1	1.9	1.8	1.6	1.6	1.7	1.7		1.6	1.59		
NS 3 (INR m)	791	737	715	643	743	859	908		643	897		
Net Stage 3 (% on Assets)	1.66	1.42	1.27	1.06	1.13	1.21	1.19		1.1	1.10		
PCR (%)	22.4	26.4	29.1	34.0	31.0	30.3	29.9		34.0	31.0		
ECL (%)	0.98	0.98	0.96	0.96	0.94	0.91	0.89		0.96	0.94		
<b>Return Ratios (%)</b>												
ROAA (Rep)	3.9	3.8	3.8	3.9	3.9	3.8	3.7		3.9	3.8		
ROAE (Rep)	12.8	13.1	13.7	14.4	15.0	15.6	15.8		13.5	15.6		

E: MOFSL Estimates



## Highlights from the management commentary

### Guidance

- AUM CAGR of 30% in the medium term and management targets to achieve AUM of ~INR200b by FY27.
- Guided for yields between 13-13.5% and spreads between 5%-5.25%. The business model works best from a growth perspective with this range of spreads.
- Leverage [Assets/Equity] can go up to 5.5x-6.0x. Targets RoA of 3.5-3.6% and RoE of 17-18% with leverage of 5x. NIM will decline as the leverage/debt on the balance sheet increases.

- The company guided for CoB to increase by ~10bp and it expects the CoB to stabilize at ~8.3% in the next quarter.
- Management does not foresee any equity capital raise over the next two years.

### Yields and spreads

- There has not been any significant repricing of the back-book. Only a few customers who explicitly request for repricing get revised rates.
- Yields compressed by ~8bp QoQ of which NHB borrowings contributed ~5bp, co-lending contributed ~2bp and ~1bp from BT-out.
- New business from NHB, disbursed at 10.5% yields, contributed to lower yields for HFFC. Spreads of ~5.5% on the NHB borrowings deployed for lending. When the company receives NHB funds, customer interest rate is adjusted downward, leading to lower yields.
- Origination yields do not include co-lending yields. Yields are similar across ticket sizes, but as ticket sizes go up, yields would typically decline.
- CoF benefits will be passed on to customers. CoF have peaked out, but there are ongoing MCLR adjustments with banks.
- Incremental spreads at 5.3% are within the guided range. Any borrowing cost reductions will be passed on to customers, aiming to keep spreads between 5% and 5.3%.

### Asset Quality

- Asset quality looks very stable and there are no concerns on delinquencies in affordable housing segment
- The fluctuation in the bounce rates is within the 100-150bp range, but it is not a cause for concern. Increase in the bounce rate is not specific to any particular region.
- No headwinds seen in collections. No concerns in Rajasthan and MP markets; overall asset quality remains stable.
- BT-outs have declined marginally, predominantly due to efforts to retain customers, and BT-out is expected to decline to historical levels. The majority of BT-outs are directed towards banks.

### Underwriting

- Customer (bank) account statement received from an account aggregator guarantees authenticity and expedites the process.
- Only ~10% of business comes from customers with credit scores below 700.

### Branches

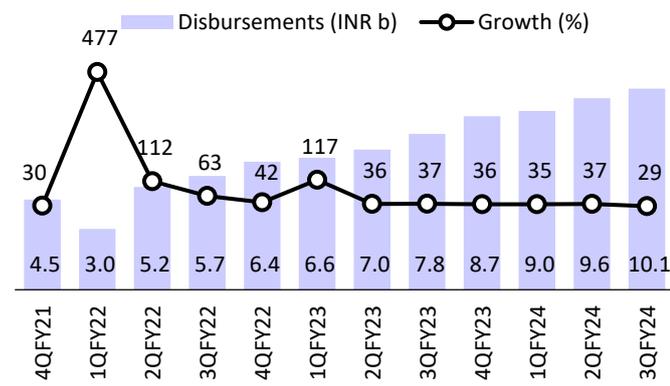
- The company has ~305 touchpoints and plans to increase it to ~500 over the next three years. Plans to add 25 branches each year to take the total to 200 over next three years.
- Gujarat disbursement market share stood at 3.0-4.0% and Maharashtra stood at 1.0-1.5%. Will endeavor to increase market share to ~3.0% where it is 1.0-1.5% and in areas with a 3.0-3.5% share, efforts will be made to increase it to ~5.0%.
- Management looks to expand in existing states and penetrate in northern states of Rajasthan, UP and MP. Currently, there are ~2,900 active connectors with 800 RMs.

**Others**

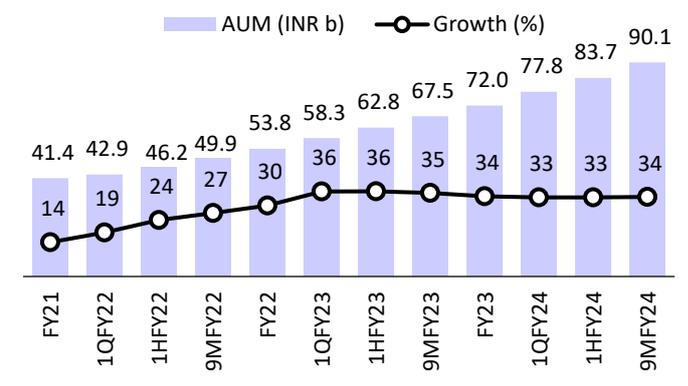
- Co-lending accounts for 5-6% of disbursements and targets to increase it to ~10%. If interest rates start trending down, spreads on the co-lending portfolio should improve, making it RoE-accretive
- INR1-2m ticket-size segments are growing faster than smaller ticket size segments.
- Employee attrition stood at 30-35%.
- Cautious stance on LAP but strong credit performance provides ample room for growth.
- Investments as on Dec'23 were higher than prior quarter. Liquid funds carry a ~100% risk weight and fixed deposits have a ~0% risk weight. Impact of ~2pp on CRAR was because of investments in liquid funds and ~3% from organic growth. This will revert back by Mar'24.
- There is no clarity on increase in risk-weights on the LAP product. If there is indeed an increase in the risk-weights on LAP, it will impact the CRAR of HomeFirst by ~2pp.

**Key Exhibits**

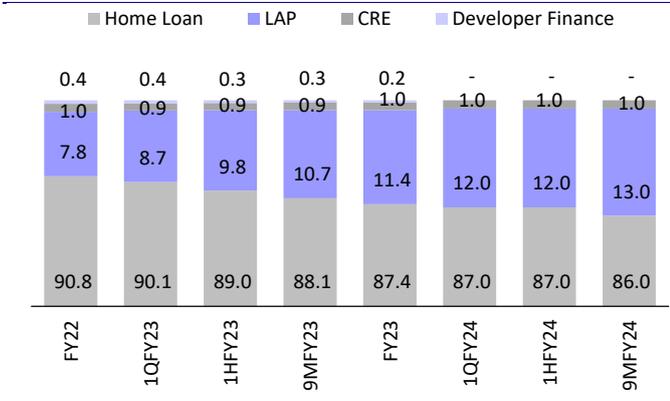
**Exhibit 1: Disbursements grew ~29% YoY**



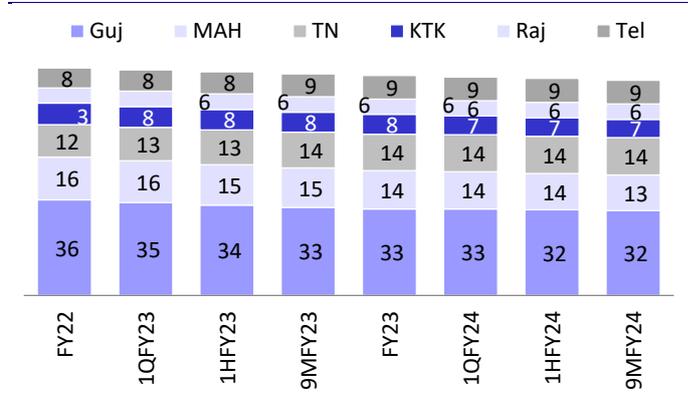
**Exhibit 2: AUM grew ~8% QoQ**



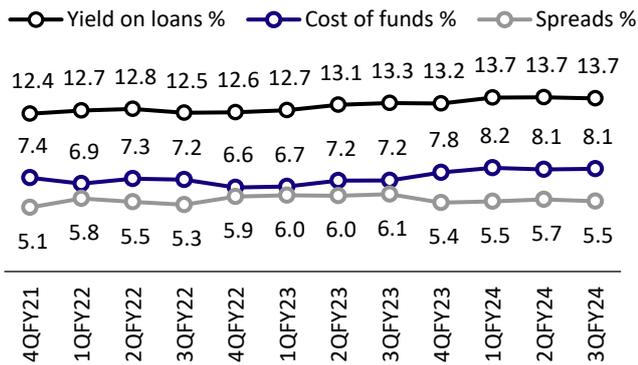
**Exhibit 3: Segment-wise loan mix (%)**



**Exhibit 4: Top 6 states contributed 81% to loan mix (%)**

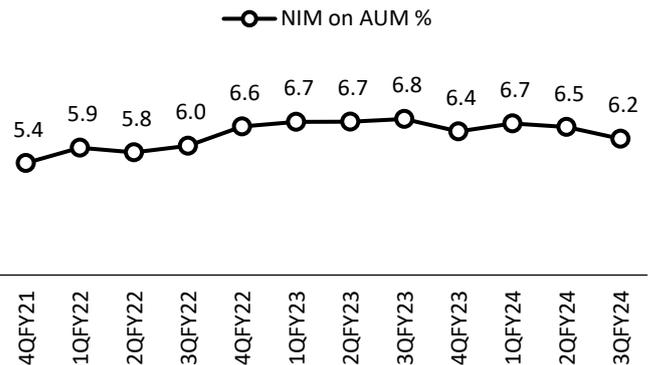


**Exhibit 5: Reported spreads contracted ~20bp QoQ (%)**



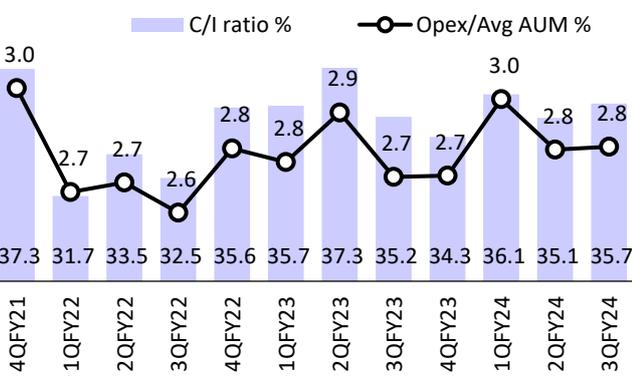
Sources: Company; MOFSL

**Exhibit 6: Reported margins contracted ~35bp QoQ (%)**



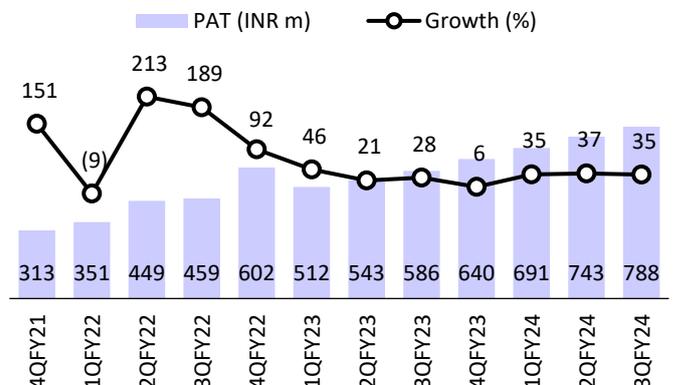
Sources: Company; MOFSL

**Exhibit 7: Cost-to-income ratio rose ~60bp QoQ (%)**



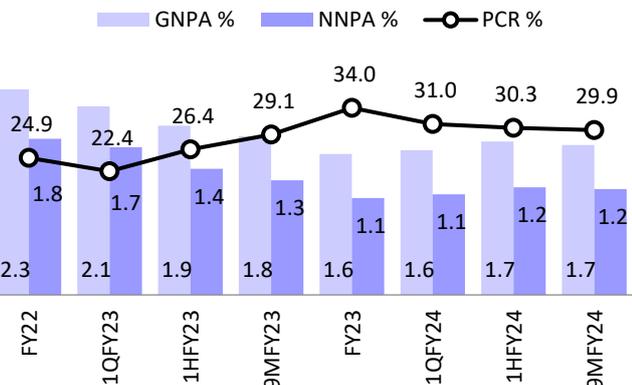
Sources: Company; MOFSL

**Exhibit 8: PAT rose 35% YoY**



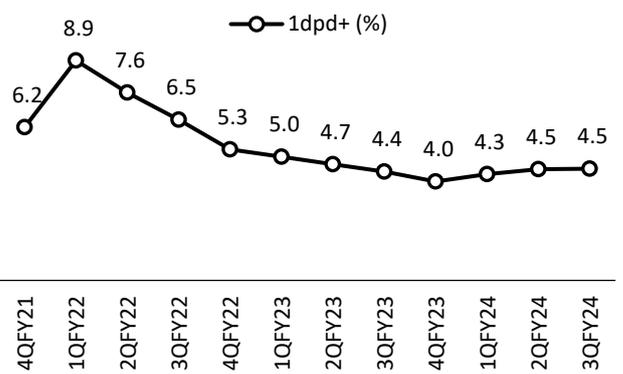
Sources: Company; MOFSL

**Exhibit 9: GS3 improved marginally by ~5bp QoQ (%)**



Sources: Company; MOFSL

**Exhibit 10: 1+dpd remained stable at ~4.5%**



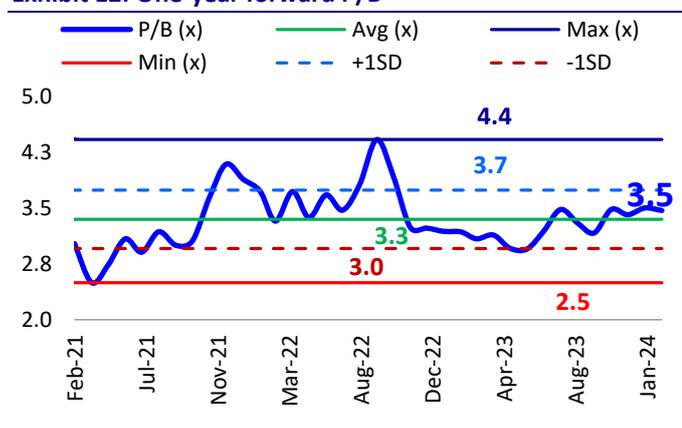
Sources: Company; MOFSL

**Exhibit 11: Our earnings estimates are largely unchanged**

INR B	Old Est.			New Est.			% Change		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
NII	5.4	6.8	8.6	5.3	6.7	8.5	-1.5	-1.8	-1.4
Other operating Income	0.7	0.7	0.8	0.8	0.9	1.0	15.3	19.5	17.2
Other Income	0.5	0.5	0.6	0.5	0.6	0.7	-0.1	11.0	6.0
<b>Total Income</b>	<b>6.6</b>	<b>8.0</b>	<b>10.0</b>	<b>6.6</b>	<b>8.1</b>	<b>10.1</b>	<b>0.4</b>	<b>0.9</b>	<b>0.6</b>
Operating Expenses	2.3	2.8	3.4	2.4	2.9	3.4	1.5	2.5	0.1
<b>Operating Profits</b>	<b>4.3</b>	<b>5.2</b>	<b>6.6</b>	<b>4.3</b>	<b>5.2</b>	<b>6.7</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.8</b>
Provisions	0.3	0.4	0.4	0.3	0.4	0.4	-7.9	-1.2	8.7
<b>PBT</b>	<b>3.9</b>	<b>4.8</b>	<b>6.2</b>	<b>4.0</b>	<b>4.8</b>	<b>6.3</b>	<b>0.4</b>	<b>0.1</b>	<b>0.3</b>
Tax	0.9	1.1	1.4	0.9	1.1	1.4	0.4	0.1	0.3
<b>PAT</b>	<b>3.0</b>	<b>3.7</b>	<b>4.8</b>	<b>3.1</b>	<b>3.7</b>	<b>4.8</b>	<b>0.4</b>	<b>0.1</b>	<b>0.3</b>
Loans	97	127	161	97	127	162	-0.5	0.0	0.4
Borrowings	68	89	114	69	92	117	2.7	2.6	2.1
<b>RoA</b>	<b>3.9</b>	<b>3.6</b>	<b>3.7</b>	<b>3.8</b>	<b>3.6</b>	<b>3.7</b>	<b>0.0</b>	<b>-0.1</b>	<b>-0.1</b>
<b>RoE</b>	<b>15.5</b>	<b>16.4</b>	<b>18.0</b>	<b>15.6</b>	<b>16.4</b>	<b>18.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>

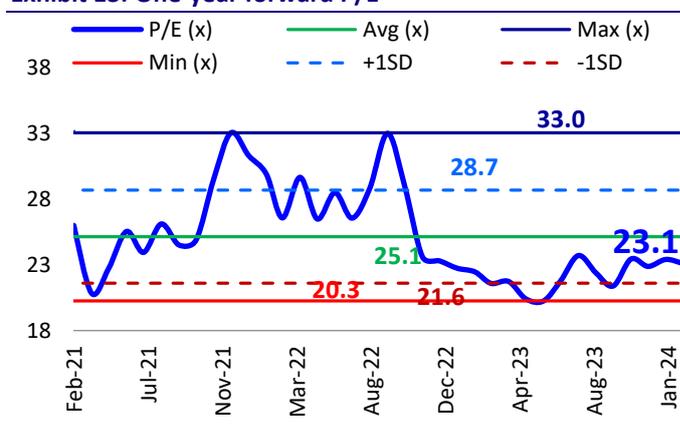
Sources: MOFSL, Company

**Exhibit 12: One-year forward P/B**



Source: MOFSL, Company

**Exhibit 13: One-year forward P/E**



Source: MOFSL, Company

## Financials and Valuation

Income statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	2,320	3,548	4,237	5,117	7,222	10,277	13,434	17,110
Interest Expenses	1,265	1,938	2,202	2,157	3,043	4,963	6,740	8,642
<b>Net Interest Income</b>	<b>1,055</b>	<b>1,610</b>	<b>2,035</b>	<b>2,960</b>	<b>4,179</b>	<b>5,314</b>	<b>6,694</b>	<b>8,467</b>
Change (%)	77.9	52.6	26.4	45.4	41.2	27.1	26.0	26.5
Gain on Direct assignment	215	371	439	678	380	688	719	827
Fee and Commissions	33	38	35	13	104	107	137	147
Other Income	142	239	180	148	249	523	568	651
<b>Total Income (net of interest expenses)</b>	<b>1,445</b>	<b>2,258</b>	<b>2,690</b>	<b>3,800</b>	<b>4,913</b>	<b>6,631</b>	<b>8,118</b>	<b>10,093</b>
Change (%)	81.2	56.3	19.1	41.3	29.3	35.0	22.4	24.3
Employee Expenses	432	611	661	808	1,070	1,525	1,851	2,078
Depreciation	46	72	76	75	91	116	128	140
Other Operating Expenses	241	337	291	379	585	731	941	1,177
<b>Operating Expenses</b>	<b>719</b>	<b>1,020</b>	<b>1,028</b>	<b>1,262</b>	<b>1,746</b>	<b>2,372</b>	<b>2,920</b>	<b>3,396</b>
<b>PPoP</b>	<b>726</b>	<b>1,238</b>	<b>1,662</b>	<b>2,538</b>	<b>3,167</b>	<b>4,258</b>	<b>5,198</b>	<b>6,697</b>
Change (%)	79.9	70.6	34.2	52.7	24.8	34.4	22.1	28.8
Provisions/write offs	73	165	322	250	215	303	376	443
<b>PBT</b>	<b>653</b>	<b>1,073</b>	<b>1,340</b>	<b>2,288</b>	<b>2,952</b>	<b>3,955</b>	<b>4,822</b>	<b>6,253</b>
Tax	196	278	339	402	669	898	1,095	1,420
Tax Rate (%)	30.0	25.9	25.3	17.6	22.7	22.7	22.7	22.7
<b>PAT</b>	<b>457</b>	<b>796</b>	<b>1,001</b>	<b>1,886</b>	<b>2,283</b>	<b>3,058</b>	<b>3,728</b>	<b>4,834</b>
Change (%)	81.4	74.0	25.8	88.4	21.1	33.9	21.9	29.7

### Balance sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Capital	127	157	175	175	176	177	178	178
Reserves & Surplus	5,135	9,178	13,631	15,562	17,997	20,861	24,316	28,870
<b>Net Worth</b>	<b>5,262</b>	<b>9,334</b>	<b>13,805</b>	<b>15,737</b>	<b>18,173</b>	<b>21,038</b>	<b>24,494</b>	<b>29,048</b>
<b>Borrowings</b>	<b>19,256</b>	<b>24,938</b>	<b>30,537</b>	<b>34,668</b>	<b>48,135</b>	<b>69,481</b>	<b>91,570</b>	<b>1,16,677</b>
Change (%)	88.8	29.5	22.5	13.5	38.8	44.3	31.8	27.4
Other liabilities	297	530	759	764	1,062	1,221	1,405	1,615
<b>Total Liabilities</b>	<b>24,815</b>	<b>34,802</b>	<b>45,102</b>	<b>51,169</b>	<b>67,370</b>	<b>91,741</b>	<b>1,17,468</b>	<b>1,47,341</b>
E: MOSL Estimates								
<b>Loans</b>	<b>21,347</b>	<b>30,139</b>	<b>33,265</b>	<b>43,049</b>	<b>59,957</b>	<b>80,792</b>	<b>1,05,861</b>	<b>1,34,887</b>
Change (%)	63.1	41.2	10.4	29.4	39.3	34.7	31.0	27.4
<b>Investments</b>	<b>1,029</b>	<b>1,456</b>	<b>3,750</b>	<b>0</b>	<b>2,808</b>	<b>2,948</b>	<b>3,096</b>	<b>3,251</b>
Change (%)		41.4	157.6	-100.0		5.0	5.0	5.0
Fixed Assets	174	210	167	202	257	296	340	391
Cash and cash equivalents	1,920	2,221	6,799	6,678	2,984	6,207	6,527	7,006
Other assets	345	777	1,121	1,239	1,364	1,497	1,644	1,806
<b>Total Assets</b>	<b>24,815</b>	<b>34,802</b>	<b>45,102</b>	<b>51,169</b>	<b>67,370</b>	<b>91,741</b>	<b>1,17,468</b>	<b>1,47,341</b>

E: MOSL Estimates

## Financials and Valuation

### Ratios

Growth %	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
AUM	80.2	48.1	14.4	29.9	33.8	34.5	31.3	27.4
Disbursements	111.0	2.9	-32.2	85.2	48.4	31.3	23.3	20.9
Loan book (on balance sheet)	63.3	41.6	10.9	29.1	39.1	34.7	31.0	27.4
Total Assets	81.9	40.2	29.6	13.5	31.7	36.2	28.0	25.4
NII	77.9	52.6	26.4	45.4	41.2	27.1	26.0	26.5
PPOP	79.9	70.6	34.2	52.7	24.8	34.4	22.1	28.8
PAT	81.4	74.0	25.8	88.4	21.1	33.9	21.9	29.7
EPS	47.8	40.7	12.7	87.9	20.5	33.1	21.5	29.3

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Spreads and margin (%)</b>								
Avg yield on loans	13.3	13.3	12.7	12.5	13.3	13.7	13.6	13.5
Avg. cost of funds	8.6	8.8	7.9	6.6	7.3	8.4	8.4	8.3
Interest Spread	4.7	4.5	4.8	5.9	5.9	5.2	5.2	5.2
NIM on AUM	5.6	5.3	5.2	6.2	6.6	6.3	6.0	5.9

Capital Structure & Profitability Ratios (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Debt-Equity ratio	3.7	2.7	2.2	2.2	2.6	3.3	3.7	4.0
CAR	38.0	49.0	56.2	58.6	49.4	39.3	35.1	33.2
Tier-I	37.4	47.7	55.2	58.1	48.9	38.9	34.8	32.9
Leverage	4.7	3.7	3.3	3.3	3.7	4.4	4.8	5.1
RoAA	2.4	2.7	2.5	3.9	3.9	3.8	3.6	3.7
RoAE	10.6	10.9	8.7	12.8	13.5	15.6	16.4	18.1
ROAAUM	2.4	2.6	2.6	4.0	3.6	3.6	3.3	3.3
Int. Expended/Int. Earned	54.5	54.6	52.0	42.1	42.1	48.3	50.2	50.5
Other Inc./Net Income	9.8	10.6	6.7	3.9	5.1	7.9	7.0	6.5

Cost/Productivity Ratios (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Cost/Income	49.8	45.2	38.2	33.2	35.5	35.8	36.0	33.6
Op. Exps./Avg Assets	3.7	3.4	2.6	2.6	2.9	3.0	2.8	2.6
Op. Exps./Avg AUM	3.8	3.4	2.6	2.7	2.8	2.8	2.6	2.4
Non-interest income as % of Total income	9.8	10.6	6.7	3.9	5.1	7.9	7.0	6.5
AUM/employee (INR m)	36	52	60	63	72	77	95	113
AUM/ branch (INR m)	407	532	575	673	648	717	847	981
Empl. Cost/Op. Exps. (%)	60	60	64	64	61	64	63	61

Asset Quality (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Gross NPA	170	315	622	1,015	974	1,300	1,513	1,772
GNPA %	0.8	1.0	1.8	2.3	1.6	1.6	1.4	1.3
Net NPA	128	234	398	763	643	897	1,029	1,187
NNPA %	0.6	0.8	1.2	1.8	1.1	1.1	1.0	0.9
PCR %	24.9	25.8	36.0	24.9	34.0	31.0	32.0	33.0
Credit cost % of avg AUM (bps)	38	54	83	53	34	36	34	31

Valuation	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
No. of Shares (m)	63.3	78.3	87.4	87.6	88.0	88.6	88.9	89.1
EPS	7.2	10.2	11.5	21.5	25.9	34.5	41.9	54.2
P/E (x)	139.8	99.3	88.1	46.9	38.9	29.2	24.1	18.6
BV (INR)	83	119	158	180	206	237	276	326
Price-BV (x)	12.1 (x)	8.5	6.4	5.6	4.9	4.2	3.7	3.1
Adjusted BV (INR)	82	117	155	173	201	230	267	316
Price-ABV (x)	12.4 (x)	8.6	6.5	5.8	5.0	4.4	3.8	3.2
DPS (INR)	0.0	0.0	0.0	0.0	2.6	3.0	3.5	3.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3

E: MOSL Estimates

Dupont %	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	12.1	11.9	10.6	10.6	12.2	12.9	12.8	12.9
Interest Expenses	6.6	6.5	5.5	4.5	5.1	6.2	6.4	6.5
<b>Net Interest Income</b>	<b>5.5</b>	<b>5.4</b>	<b>5.1</b>	<b>6.1</b>	<b>7.1</b>	<b>6.7</b>	<b>6.4</b>	<b>6.4</b>
Gain on DA	1.1	1.2	1.1	1.4	0.6	0.9	0.7	0.6
Other Income (incl fees)	0.9	0.9	0.5	0.3	0.6	0.8	0.7	0.6
<b>Total Income (net of int exp)</b>	<b>7.5</b>	<b>7.6</b>	<b>6.7</b>	<b>7.9</b>	<b>8.3</b>	<b>8.3</b>	<b>7.8</b>	<b>7.6</b>
<b>Operating Expenses</b>	<b>3.7</b>	<b>3.4</b>	<b>2.6</b>	<b>2.6</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>	<b>2.6</b>
<i>Cost to Income Ratio (%)</i>	<i>49.8</i>	<i>45.2</i>	<i>38.2</i>	<i>33.2</i>	<i>35.5</i>	<i>35.8</i>	<i>36.0</i>	<i>33.6</i>
Employee Expenses	2.2	2.0	1.7	1.7	1.8	1.9	1.8	1.6
Other Expenses	1.5	1.4	0.9	0.9	1.1	1.1	1.0	1.0
<b>PPoP</b>	<b>3.8</b>	<b>4.2</b>	<b>4.2</b>	<b>5.3</b>	<b>5.3</b>	<b>5.4</b>	<b>5.0</b>	<b>5.1</b>
Provisions/write offs	0.4	0.6	0.8	0.5	0.4	0.4	0.4	0.3
<b>PBT</b>	<b>3.4</b>	<b>3.6</b>	<b>3.4</b>	<b>4.8</b>	<b>5.0</b>	<b>5.0</b>	<b>4.6</b>	<b>4.7</b>
Tax provisions	1.0	0.9	0.8	0.8	1.1	1.1	1.0	1.1
<b>RoAA</b>	<b>2.4</b>	<b>2.7</b>	<b>2.5</b>	<b>3.9</b>	<b>3.9</b>	<b>3.8</b>	<b>3.6</b>	<b>3.7</b>
Leverage (x)	4.5	4.1	3.5	3.3	3.5	4.1	4.6	4.9
<b>RoAE</b>	<b>10.6</b>	<b>10.9</b>	<b>8.7</b>	<b>12.8</b>	<b>13.5</b>	<b>15.6</b>	<b>16.4</b>	<b>18.1</b>

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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.

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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/NCDX); 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.

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