7 May 2024

4QFY24 Results Update | Sector: Financials

Fusion Microfinance

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	FUSION IN
Equity Shares (m)	101
M.Cap.(INRb)/(USDb)	49.3 / 0.6
52-Week Range (INR)	691 / 419
1, 6, 12 Rel. Per (%)	0/-29/-13
12M Avg Val (INR M)	218

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Total Income	16.2	19.4	23.3
PPP	10.3	12.2	14.8
PAT	5.1	6.7	8.3
EPS (INR)	50.2	66.3	82.8
EPS Gr. (%)	30	32	25
BV (INR)	283	349	432
Valuations			
NIM (%)	14.1	14.0	13.9
C/I ratio (%)	36.6	37.1	36.5
RoAA (%)	4.8	5.1	5.3
RoE (%)	19.5	21.0	21.2
Valuations			
P/E (x)	9.7	7.4	5.9
P/BV (x)	1.7	1.4	1.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	57.7	57.7	68.2
DII	23.3	22.8	13.6
FIIFIIFII	6.4	7.2	6.3
Others	12.6	12.3	12.0

FII Includes depository receipts

CMP: INR488 TP: INR605 (+24%) Buy

Earnings miss due to elevated credit costs; NIM rose ~5bp QoQ

Guidance for FY25 net credit costs revised upwards to ~3%

- Fusion's 4QFY24 PAT grew 16% YoY to ~INR1.33b (9% miss) because of elevated credit costs. NII grew 31% YoY to ~INR3.6b, while PPoP also grew 31% YoY to ~INR2.9b (7% beat). FY24 PAT grew 31% YoY to INR5.1b.
- Cost-income ratio stood at ~37% (PY: ~36%). Credit costs stood at INR1.2b (~50% higher than estimates) and annualized credit costs rose ~75bp QoQ to 4.8%. This included management overlay of ~INR180m in 4QFY24.
- Disbursements grew 24% YoY/9% QoQ to INR29.5b despite calibrating its growth in a few geographies and halting disbursements in Punjab since Dec'23. AUM grew 23% YoY/7% QoQ to ~INR114.8b.
- We cut our FY25/FY26 EPS estimates by ~3% each to account for higher credit costs. We model an AUM CAGR of ~24% and PAT CAGR of ~28% over FY24-FY26E, driven by strong borrower additions, operating leverage, and higher other income. We estimate RoA/RoE of ~5.3%/21% in FY26. Fusion currently trades at 1.1x FY26E P/BV and we believe its valuation re-rating will depend on its ability to demonstrate predictability around credit costs. We reiterate our **BUY rating on the stock with a TP of INR605 (based on 1.4x FY26E P/BV).**
- **Key risks include:** a) credit costs higher than guidance of ~3% in FY25, and b) increase in competitive intensity leading to NIM compression.

Spreads rose ~10bp QoQ despite decline in yields

- Yields declined ~10bp QoQ to ~21.8%, while CoF declined ~20bp QoQ to ~10.2%, leading to ~10bp increase in spreads to ~11.6%. Reported NIM rose ~5bp QoQ to 11.6%.
- The share of foreign borrowings in the borrowing mix dropped ~30bp to ~14.4% in 4QFY24 (PQ: 14.7%), while the share of private sector banks increased ~5pp QoQ to ~42%. The company aims to diversify its liability mix to reduce dependence on bank term loans.
- Marginal CoB declined ~20bp QoQ to ~10.25%. Fusion has well-established risk-based pricing and is very transparent in pricing disclosures. Further, there are no plans to reduce the lending rate in the immediate future. We model NIMs of 14.0%/13.9% in FY25/FY26.

Asset quality improved; collection efficiency stabilized in Punjab

- GS3/NS3 improved ~15bp/~20bp QoQ to 2.9%/0.6%. Stage 3 PCR rose ~5pp QoQ to ~80%.
- Stage 2 rose ~35bp QoQ to 1.2%. The company increased the PCR across all Stage 1, 2, and 3 loans, resulting in ECL/EAD (incl. management overlay of ~INR595m) of ~3.5% (PQ: 3.2%). The company added management overlay of INR180m in 4QFY24.

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- Write-offs for the quarter stood at ~INR750m. Collection efficiency (including arrears) declined to ~97.3% (PQ: 97.9%). Ex-Punjab, CE stood at 98.3% (PQ: 98.4%).
- Going forward, management expects minimum slippages from Punjab portfolio, subject to the collection efficiency holding up. Further, it expects net credit cost below ~3% and it will continue to create management overlay in FY25 as well. We model credit costs of 3.0%/2.7% for FY25 and FY26.

Adding strength to distribution through branch expansion

- The company's borrower base rose to 3.86m as on Mar'24 (up from 3.8m as on Dec'23).
- Fusion added 55 branches in the quarter and now has presence across 22 States (including 3 UT). With a branch count of ~1,300, Fusion remains committed to diversification and its entry into AP/Telangana will help it expand its presence in South India.
- Capital Adequacy stood at ~27.5% as on Mar'24.

Update on the developments in Punjab

- Punjab AUM stood at INR3.2b (~2.8% of the total AUM) as on Mar'24 and collection efficiency in the month of March stood at ~75%. Collection efficiency has stabilized at these levels in Apr'24 as well.
- PAR 60+ in Punjab stood at ~36% (PQ: ~13%).
- No new business was sourced in Punjab since Dec'23. Management shared that it will decide upon disbursing fresh loans in Punjab post elections.

Highlights from the management commentary

- Management remains confident of growing the AUM in the mid-20s in FY25 and guides C/I ratio of ~36-38% in FY25.
- Branch expansion pace will remain similar in FY25 as well. The company will be front-loading branch expansions in 1H. ~60% of the newer branches will come from outside the Top 5 states of Fusion.

Valuation and view

- Fusion has a stable and experienced management team. The company's digital orientation through its 'touch and tech' strategy has positioned it well to deliver a strong operating performance. It enjoys a strong rural presence with its portfolio comprising ~94% of rural AUM.
- Fusion, in our view, can deliver a calibrated CAGR of 24% in AUM and 28% in PAT over FY24-FY26E. It is also poised to deliver RoA/RoE of 5.3%/21% in FY26, aided by scale and productivity benefits, leading to a decline in the cost ratios. This is despite the guidance of higher net credit costs of ~3% in FY25. We reiterate our **BUY** rating on the stock **with a TP of INR605 (based on 1.4x FY26E P/BV).**

Fusion: Quarterly Performance (INR M)

Y/E March	FY23				FY24				FY23	FY24	4QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	3,294	3,998	4,202	4,507	4,790	4,968	5,400	5,761	16,001	20,919	5,788	0
Interest Expenses	1,432	1,573	1,680	1,742	1,835	1,910	2,015	2,149	6,428	7,908	2,122	1
Net Interest Income	**1,862**	**2,424**	**2,522**	**2,765**	**2,955**	**3,058**	**3,386**	**3,612**	**9,573**	**13,011**	**3,666**	**-1**
YoY Growth (%)	*47.1*	*115.4*	*59.0*	*62.0*	*58.7*	*26.1*	*34.2*	*30.6*	*68.4*	*35.9*	33	
Other Income	311	526	463	700	738	745	732	991	1,999	3,205	742	33
Total Income	**2,173**	**2,950**	**2,985**	**3,465**	**3,693**	**3,803**	**4,118**	**4,603**	**11,572**	**16,216**	**4,408**	**4**
YoY Growth (%)	*53.5*	*97.4*	*67.3*	*46.8*	*70.0*	*28.9*	*38.0*	*32.8*	*64.1*	*40.1*	27	
Operating Expenses	971	1,077	1,147	1,253	1,339	1,385	1,515	1,696	4,448	5,935	1,681	1
Operating Profit	**1,202**	**1,873**	**1,838**	**2,211**	**2,354**	**2,418**	**2,603**	**2,907**	**7,124**	**10,281**	**2,728**	**7**
YoY Growth (%)	*61.1*	*156.3*	*91.8*	*47.8*	*95.8*	*29.1*	*41.6*	*31.5*	*81.2*	*44.3*	23	
Provisions & Loan Losses	201	612	499	692	759	762	938	1,190	2,004	3,649	776	53
Profit before Tax	**1,001**	**1,261**	**1,339**	**1,519**	**1,595**	**1,656**	**1,665**	**1,717**	**5,120**	**6,633**	**1,952**	**-12**
Tax Provisions	249	310	314	374	390	399	401	390	1,248	1,580	486	-20
Net Profit	**752**	**951**	**1,025**	**1,145**	**1,205**	**1,257**	**1,265**	**1,327**	**3,871**	**5,053**	**1,466**	**-9**
YoY Growth (%)	*1,605*	*2,860*	*10,835*	*768*	*60*	*32*	*23*	*16*	*1,680*	*31*	28	
Key Parameters (%)												
Yield on loans	19.5	20.3	20.7	21.0	21.5	21.7	21.9	21.8				
Cost of funds	10.1	10.1	10.4	10.4	10.6	10.6	10.4	10.2				
Spread	9.4	10.2	10.3	10.6	10.9	11.1	11.5	11.6				
NIM	9.4	10.2	10.3	10.6	10.9	11.1	11.5	11.6				
Credit cost	0.2	0.8	0.6	0.8	0.8	0.8	1.0	1.2				
Cost to Income Ratio (%)	44.7	36.5	38.4	36.2	36.3	36.4	36.8	36.8				
Tax Rate (%)	24.9	24.6	23.5	24.6	24.5	24.1	24.1	22.7				
Performance ratios (%)												
Avg o/s per borrower (INR '000)	25	25	25	26	26	26	27	29				
AUM/ RO (INR m)	12.0	12.5	12.9	14.0	14.0	14.0	13.0	13.0				
AUM/ Branch (INR m)	78	79	84	88	91	88	9	9				
Borrower/ Branch (INR m)	3,116	3,223	3,381	3,452	3,513	3,381	3,260	3,204				
Balance Sheet Parameters												
AUM (INR B)	**73.9**	**80.5**	**86.5**	**93.0**	**97.1**	**100.3**	**106.9**	**114.8**				
Change YoY (%)	59.6	54.5	44.5	37.0	31.4	24.6	23.6	23.5				
Disbursements (INR B)	**19.8**	**20.5**	**21.9**	**23.7**	**22.8**	**23.4**	**27.1**	**29.5**				
Change YoY (%)		27.4	22.2	17.7	15.2	14.2	24.0	24.4				
Borrowings (INR B)	**60.1**	**65.5**	**65.4**	**67.8**	**71.9**	**75.3**	**80.2**	**86.2**				
Change YoY (%)				17.4	19.6	15.0	22.7	27.1				
Borrowings/Loans (%)	90.4	93.0	86.5	84.3	85.5	86.6	85.8	86.6				
Debt/Equity (x)	4.2	4.3	3.0	2.9	2.9	2.9	3.0	3.0				
Asset Quality (%)												
GS 3 (INR M)	**2,529**	**2,803**	**2,894**	**2,889**	**2,790**	**2,411**	**2,939**	**2,973**				
G3 %	3.7	3.8	3.7	3.5	3.2	2.7	3.0	2.9				
NS 3 (INR M)	928	799	751	708	664	569	730	603				
NS3 %	1.4	1.1	1.0	0.9	0.8	0.7	0.8	0.6				
PCR (%)	**63.3**	**71.5**	**74.0**	**75.5**	**76.2**	**76.4**	**75.2**	**79.7**				
ECL (%)	3.5	3.9	3.7	3.7	3.8	3.3	3.2	3.4				
Return Ratios - YTD (%)												
ROA (Rep)	4.0	4.8	4.7	5.0	5.0	4.9	4.7	4.6				
ROE (Rep)	21.8	26.0	22.0	20.2	20.2	20.0	19.1	19.1				

E: MOFSL Estimates

CONFERENCE CALL

Highlights from the management commentary

Business Update

- AUM grew 23% YoY to INR114.8b (in line with the guidance of mid-20s growth in AUM).
- Added ~515K new customers in 4QFY24 (above the guidance of 10-12% new customer additions).
- Disbursements stood at ~INR29.5b and grew ~24% YoY, despite calibrating its growth in some geographies and maintaining one of the lowest ticket sizes in the industry.
- The total customer base stood at 3.86m, growing ~9% YoY (closer to the guidance of 10-12%).
- Cost-income ratio stood at ~37% in 4QFY24 (stable QoQ).
- 4QFY24 PAT grew ~16% YoY to ~INR1.33b and FY24 PAT grew ~31% YoY to INR5.1b.
- FY24 RoA/RoE stood at ~4.8%/19.6% despite elevated credit costs.

Punjab Portfolio

- The company holds sufficient provisions on the Punjab portfolio - expects no further provisions subject to the collection efficiency holding up.
- Will take a call on fresh business in Punjab, post elections.
- With an unpick in PAR 60+, the slippages in Punjab portfolio during 4QFY24 were in line with expectations. Gross slippages from Punjab stood at INR180-200m and remaining slippages were business as usual.
- Going forward, it expects minimum slippages from the Punjab portfolio subject to the CE holding up.
- In Punjab, 35 branches (out of total 55 branches in the State), spread across 16 districts, have been adversely impacted. Impacted districts in Punjab are Amritsar and Gurdaspur.
- ~65% of the Punjab AUM has been impacted and ~35% has not been impacted.
- Collection efficiency is holding up at similar levels as that of Apr'24 (compared to Mar'24).
- Fusion carries ~25% provisions against ~INR3.2b of Punjab portfolio. Total provisions on the Punjab portfolio stood at ~INR0.8b.
- Moved ~INR200m of the Punjab portfolio from Stage 1 to Stage 3 in 4QFY24.

Guidance

- Remains confident in achieving mid-20s growth in AUM in FY25.
- Firmly established risk-based pricing with transparent pricing disclosures; no immediate plans to reduce lending rates.
- Management shared that it has visibility on further NIM expansion in the near-term
- Guiding for a cost-income ratio of 36-38% in FY25
- Will utilize NIM expansion and any opex optimization in 2HFY25 for creating management overlay keeping in mind the guided RoA/RoE. Efforts will be to keep increasing the management overlay.
- Branch expansion pace will remain similar in FY25 as well, with a front-loading strategy for expansions in 1H. Around 60% of the new branches will be established from outside the top five states of Fusion. The company remains committed to continue its diversification outside the top five states.
- Does not expect net credit costs to exceed ~3% (~2.5%-2.75%) in FY25. Management overlay will be over and above this guidance. Confident that the credit costs will decline in the subsequent quarters.

- Guided for a long-term RoA of 4.25-4.5% and RoE of 18-21%.

Yields, CoB, and Margins
- Marginal CoB declined ~20bp QoQ and ~45bp YoY to 10.2%. It will look to further diversify its liability mix (ECB and debt capital markets) to reduce dependence on bank loans.
- NIM expanded ~5bp QoQ to 11.6%.

Asset Quality
- PAR 60+ (inclusive of Punjab portfolio) stood at ~3.1%. 60+ dpd in Punjab was ~36% as of Mar'24
- GS3/NS3 stood at ~2.9%/0.6%
- Net credit costs for FY24 stood at ~3.5% (excluding management overlay)
- Impact of ~8-10bp on 4QFY24 credit costs from the Punjab portfolio
- Historical write-off recovery stood at ~5-7%. It expects a similar recovery pattern in the years to come.
- Management overlays will only be utilized for exceptional situations like that in Punjab.

Collections
- CE (ex-arrears) stood at ~95% (~95.2% in 3QFY24). CE (ex-Punjab) was steady at 98.3%.
- Other than Punjab, it has been able to stabilize and improve its CE in other states.
- In Bihar and UP, the CE is ~99%. Some parts of Rajasthan and Haryana have improved. As a Pan-India player, its CEs will be different from South-focused or regional MFI players.
- Post COVID, there is a pressure on center attendance.
- Completely revamping its Collection vertical - customers still remain committed - there is a demand for credit - customers are cognizant of their credit bureau.

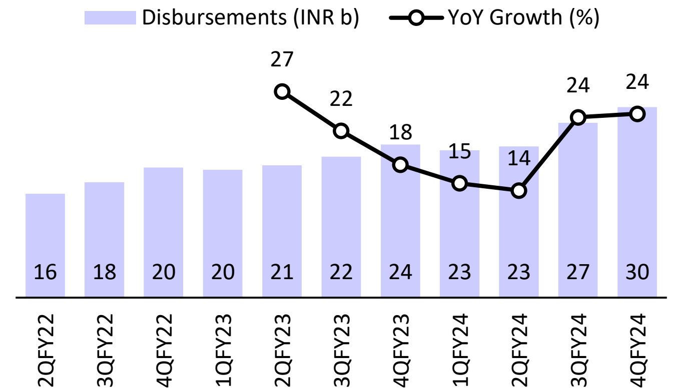
MSME
- MSME AUM of ~INR5.3b spread across 97 branches

Weekly vs. Monthly collection Model
- Difference in credit costs between weekly, fortnightly, and monthly collection model is not much
- ~20% of its branches are fortnightly - Geographies like AP and Telangana have been started on fortnightly models
- Fusion will follow a hybrid model between fortnightly and monthly

Others
- ~55 new branches added in 4Q.
- Marked an entry into AP/Telangana, and this will help the company expand its presence in South India
- Customers unique to Fusion: ~31%
- ~26% of the branches are <3-year vintage and will contribute to productivity as they scale up
- As the company is diversifying its overall book into MSME and as it plans to introduce newer products going forward, it is contemplating a name change to Fusion Finance
- Direct Assignments in 4QFY24 stood at ~INR5.1b

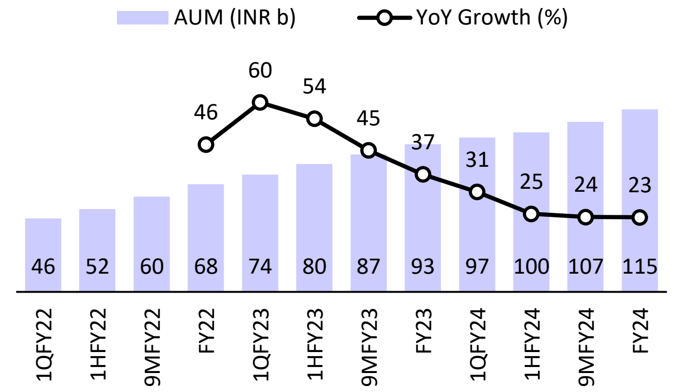
Story in charts

Exhibit 1: Disbursements grew 24% YoY…



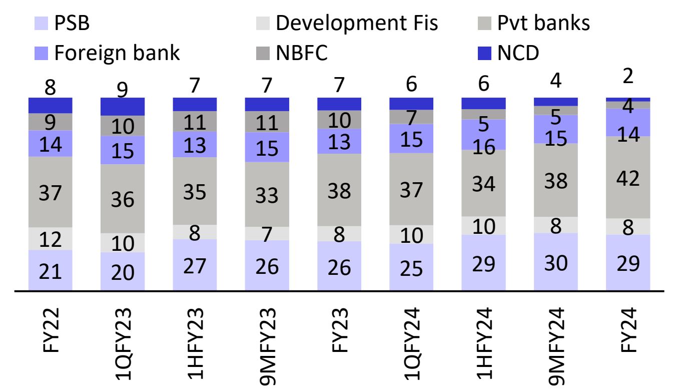
Source: MOFSL, Company

Exhibit 2: …driving 23% YoY growth in AUM



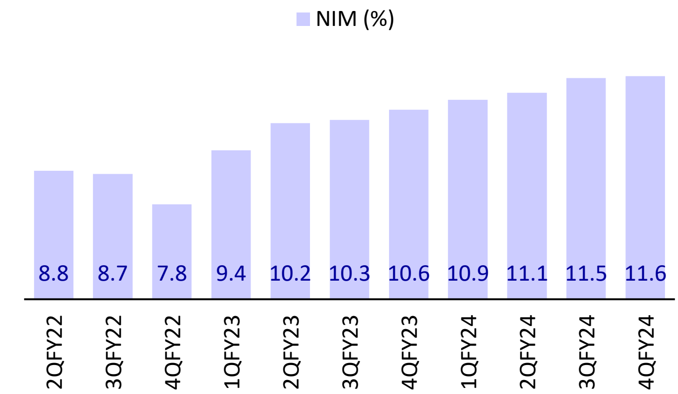
Source: MOFSL, Company

Exhibit 3: Borrowing mix (%)



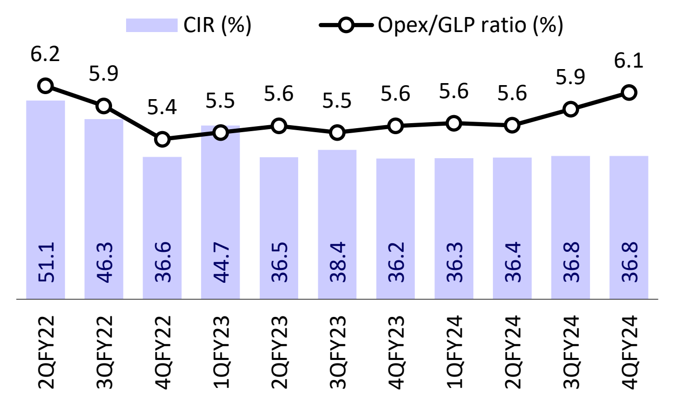
Source: MOFSL, Company

Exhibit 4: Reported NIM expanded ~5bp QoQ (%)



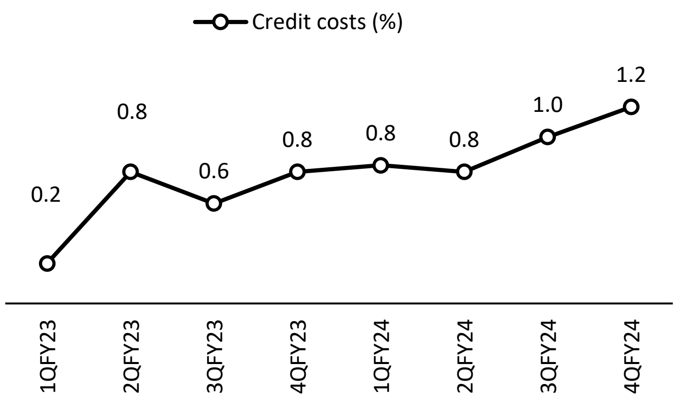
Source: MOFSL, Company

Exhibit 5: Opex/AUM elevated due to branch expansion (%)



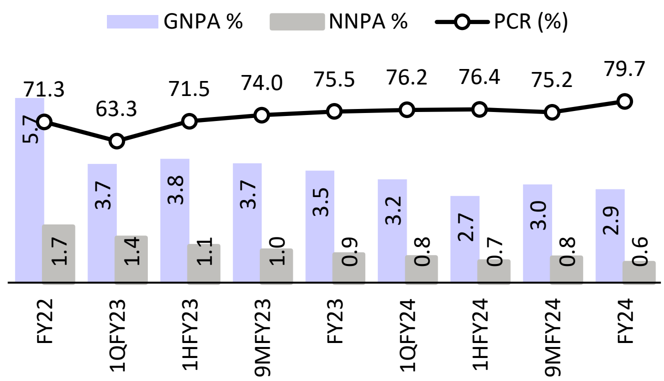
Source: MOFSL, Company

Exhibit 6: Credit costs (non-annualized) remained elevated at ~1.2% due to stress from Punjab portfolio (%)



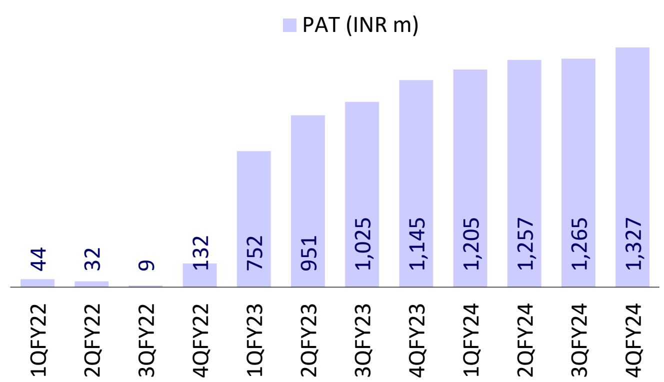
Source: MOFSL, Company

Exhibit 7: GS3 declined ~15bp QoQ (%)



Source: MOFSL, Company

Exhibit 8: 4QFY24 PAT stood at ~INR1.33b



Source: MOFSL, Company

Exhibit 9: Cut our FY25/FY26 EPS estimates by ~3% each to factor in higher credit costs

INR B	Old Est.			New Est.			% change		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
NII	13.1	15.8	19.4	13.0	15.9	19.5	-0.4	0.8	0.6
Other Income	3.0	3.2	3.5	3.2	3.5	3.8	8.4	8.7	8.9
Total Income	**16.0**	**19.0**	**22.9**	**16.2**	**19.4**	**23.3**	**1.2**	**2.1**	**1.9**
Operating Expenses	5.9	7.2	8.5	5.9	7.2	8.5	0.3	0.4	0.0
Operating Profits	**10.1**	**11.8**	**14.4**	**10.3**	**12.2**	**14.8**	**1.8**	**3.1**	**3.0**
Provisions	3.2	2.7	3.0	3.6	3.4	3.8	12.8	25.8	26.3
PBT	**6.9**	**9.1**	**11.4**	**6.6**	**8.8**	**11.0**	**-3.4**	**-3.5**	**-3.1**
Tax	1.7	2.2	2.8	1.6	2.2	2.7	-5.7	-3.9	-3.5
PAT	**5.2**	**6.9**	**8.6**	**5.1**	**6.7**	**8.3**	**-2.7**	**-3.4**	**-3.0**
AUM	115	144	177	115	142	175	-0.4	-1.2	-1.2
Borrowings	84	101	122	86	104	126	2.4	3.0	3.1
RoA	4.9	5.4	5.5	4.8	5.1	5.3	-3.4	-4.7	-4.2
RoE	20.1	21.7	21.7	19.5	21.0	21.2	-2.8	-3.3	-2.3

Source: MOFSL, Company

Financials and valuations

Income Statement								(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	4,694	6,665	8,276	10,643	16,001	20,919	25,600	31,193
Interest Expenses	2,540	3,377	3,751	4,960	6,428	7,908	9,685	11,720
Net Interest Income	**2,154**	**3,288**	**4,525**	**5,684**	**9,573**	**13,011**	**15,915**	**19,473**
Change (%)	82.7	52.7	37.6	25.6	68.4	35.9	22.3	22.4
Other Operating Income	249	538	282	869	1,418	2,248	2,501	2,785
Other Income	27	100	173	501	580	957	995	1,035
Net Income	**2,431**	**3,926**	**4,980**	**7,054**	**11,572**	**16,216**	**19,411**	**23,293**
Change (%)	86.0		26.8	41.6	64.1	40.1	19.7	20.0
Operating Expenses	**1,540**	**1,999**	**2,204**	**3,123**	**4,448**	**5,935**	**7,195**	**8,491**
Change (%)	-5.2		10.2	41.7	42.5	33.4	21.2	18.0
Employee Expenses	1,033	1,483	1,686	2,331	3,255	4,312	5,218	6,157
Depreciation	24	26	39	54	74	90	108	128
Other Operating Expenses	483	490	479	738	1,119	1,532	1,870	2,206
Operating Income	**891**	**1,927**	**2,776**	**3,931**	**7,124**	**10,281**	**12,216**	**14,802**
Change (%)	-381.4		44.0	41.6	81.2	44.3	18.8	21.2
Provisions and w/offs	**207**	**927**	**2,208**	**3,687**	**2,004**	**3,649**	**3,397**	**3,784**
PBT	**684**	**1,000**	**568**	**244**	**5,120**	**6,633**	**8,819**	**11,019**
Tax Provisions	177	304	128	27	1,248	1,580	2,152	2,689
Tax Rate (%)	25.9	30.4	22.6	10.9	24.4	23.8	24.4	24.4
PAT	**507**	**696**	**439**	**218**	**3,871**	**5,053**	**6,667**	**8,330**
Change (%)	-229	37	-37	-50	1,680	31	32	25

Balance Sheet								(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	616	790	790	828	1,003	1,006	1,006	1,006
Reserves & Surplus	5,643	11,199	11,673	12,552	22,216	27,475	34,142	42,472
Net Worth	**6,259**	**11,989**	**12,464**	**13,380**	**23,219**	**28,482**	**35,148**	**43,479**
Borrowings	**29,286**	**29,737**	**44,323**	**57,758**	**67,784**	**86,159**	**1,03,744**	**1,26,062**
Change (%)	83.3		49.0	30.3	17.4	27.1	20.4	21.5
Other liabilities	561	674	1,593	1,767	2,632	3,103	3,878	4,848
Total Liabilities	**36,105**	**42,400**	**58,379**	**72,905**	**93,635**	**1,17,743**	**1,42,771**	**1,74,389**
Cash and Bank balance	**9,905**	**8,177**	**13,353**	**11,536**	**10,650**	**15,532**	**18,515**	**22,133**
Investments	5	5	0	0	0	0	0	0
Loans	**25,720**	**33,430**	**43,607**	**59,182**	**80,416**	**99,479**	**1,21,212**	**1,48,859**
Change (%)	99.2		30.4	35.7	35.9	23.7	21.8	22.8
Fixed Assets	55	60	183	192	212	224	251	281
Other Assets	420	727	1,237	1,995	2,357	2,508	2,793	3,115
Total Assets	**36,105**	**42,400**	**58,379**	**72,905**	**93,635**	**1,17,743**	**1,42,771**	**1,74,389**

E: MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Spreads Analysis (%)								
Avg. Yield on Loans	24.3	22.5	21.5	20.7	22.9	23.3	23.2	23.1
Avg Cost of Funds	11.2	11.4	10.1	9.7	10.2	10.3	10.2	10.2
Spread of loans	13.1	11.1	11.4	11.0	12.7	13.0	13.0	12.9
NIM (on gross loans)	10.9	11.0	11.5	10.6	13.3	14.1	14.0	13.9
Profitability Ratios (%)								
RoA	1.8	1.8	0.9	0.3	4.6	4.8	5.1	5.3
RoE	11.3	7.6	3.6	1.7	21.2	19.5	21.0	21.2
Debt: Equity (x)	4.7	2.5	3.6	4.3	2.9	3.0	3.0	2.9
Leverage (x)	5.8	3.5	4.7	5.4	4.0	4.1	4.1	4.0
CAR	26.9	35.8	27.3	21.9	27.9	26.1	25.4	25.5
o/w Tier 1	23.8	33.1	25.5	19.9	26.6	25.5	25.0	25.2
Int. Expended / Int.Earned	54.1	50.7	45.3	46.6	40.2	37.8	37.8	37.6
Other Inc. / Net Income	11.4	16.3	9.1	19.4	17.3	19.8	18.0	16.4
Efficiency Ratios (%)								
Int. Expended/Int.Earned								
CIR	63.4	50.9	44.3	44.3	38.4	36.6	37.1	36.5
Opex/ AUM	7.3	6.4	5.3	5.5	5.5	5.7	5.6	5.4
Empl. Cost/Op. Exps.	67.1	74.2	76.5	74.6	73.2	72.7	72.5	72.5
Asset-Liability Profile (%)								
Loans/Borrowings Ratio	0.9	1.1	1.0	1.0	1.2	1.2	1.2	1.2
Leverage (x)	5.8	3.5	4.7	5.4	4.0	4.1	4.1	4.0
Asset Quality								
GNPA (INR m)	404	384	2,559	3,584	2,889	2,973	3,271	3,513
NNPA (INR m)	145	130	1,024	1,030	708	603	589	527
GNPA (%)	1.5	1.1	5.5	5.7	3.5	2.9	2.5	2.2
NNPA (%)	0.6	0.4	2.3	1.7	0.9	0.6	0.4	0.3
PCR (%)	64	66	60	71	75	80	82	85
Credit costs (%)	1.0	3.1	5.6	6.9	2.8	4.0	3.0	2.7

Valuations	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Book Value (INR)	102	152	158	162	231	283	349	432
BV Growth (%)	64	49	4	3	43	22	23	24
P/BV	**4.8**	**3.2**	**3.1**	**3.0**	**2.1**	**1.7**	**1.4**	**1.1**
EPS (INR)	8	9	6	3	39	50	66	83
EPS Growth (%)		7	-37	-53	1368	30	32	25
Price-Earnings (x)	**59.3**	**55.3**	**87.8**	**185.6**	**12.6**	**9.7**	**7.4**	**5.9**

E: MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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