

Equitas Small Finance

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	EQUITASB IN
Equity Shares (m)	1136
M.Cap.(INRb)/(USDb)	98.8 / 1.2
52-Week Range (INR)	117 / 82
1, 6, 12 Rel. Per (%)	-20/-35/-36
12M Avg Val (INR M)	483

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	30.8	34.7	42.4
OP	13.8	15.5	20.3
NP	8.0	7.1	11.4
NIM (%)	8.5	7.7	7.5
EPS (INR)	7.1	6.3	10.0
BV/Sh. (INR)	53	57	66
ABV/Sh. (INR)	50	55	64

Ratios

RoE (%)	14.4	11.4	16.3
RoA (%)	2.0	1.4	1.9

Valuations

P/E(X)	12.2	13.9	8.7
P/BV (X)	1.7	1.5	1.3
P/ABV (X)	1.7	1.6	1.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	45.4	45.2	43.0
FII	19.7	19.5	21.5
Others	34.9	35.3	35.6

FII Includes depository receipts

CMP: INR87 **TP: INR110 (+26%)** **Buy**

PPoP in line; earnings miss due to higher floating provisions

Growth outlook steady; MFI delinquencies to be monitored

- Equitas SFB (EQUITASB) reported a 1QFY25 PAT of ~INR0.3b (-87% YoY), 85% lower than MOFSLe amid higher floating provisions, as the bank reduced its NNPA to <1% and raised PCR to >70%. These were done to gain eligibility for a universal banking license. PPoP otherwise stood in line.
- Advances grew 16% YoY/3.1% QoQ to INR319b, led by SBL and Housing, partly offset by a decline in MFI book as the bank took a conservative approach.
- Deposit growth was healthy at 35% YoY/4% QoQ, led by growth in TDs and relatively slower growth in CASA. The CASA mix moderated to 31%, while the CoF rose 2bp to 7.46%. NIM contracted 20bp QoQ to 7.97%.
- Slippages were elevated, with fresh slippages increasing to INR3.8b/5.2% as the management indicated elevated stress in the MFI business. GNPA ratio thus increased 12bp to 2.7%, while prudential provisioning restricted NNPA at 0.8%. PCR thus increased sharply to ~70%.
- We cut our FY25E/FY26E EPS by 22.3%/ 9.1% and estimate an FY26 RoA/RoE of 1.9%/16.3%. **Reiterate BUY with a TP of INR110 (1.7x FY26E ABV).**

PPoP in line; builds PCR at 70% to gain eligibility for a univ. bank license

- EQUITASB reported a PAT of INR0.3b (down 87% YoY) dragged by higher floating provisions as it aimed to bring NNPA <1% and PCR>70% to make it eligible for a universal banking license.
- NII grew 8% YoY to INR8.01b (in line). Other income grew 22% YoY/ dipped 13% QoQ, while treasury income was largely flat.
- Opex grew 11% YoY/2.8% QoQ to INR6.7b, leading to an elevated C/I ratio of 66.3%. PPoP, thus, grew 9% YoY/dipped 9% QoQ to INR3.4b (in line).
- Total AUM jumped 17% YoY (up 3% QoQ) to INR346b, led by healthy traction across segments, barring MFI, as management took a cautious step amid rising stress in the segment.
- Disbursements stood at INR39.6b in 1QFY25, down 22.2% QoQ from the peak of 4Q. The small business/vehicle finance loans declined 20%/15% QoQ, while microfinance declined sharply by 29.4% QoQ. Housing finance disbursements too dipped 32.6% QoQ. The share of MFI AUM decreased sharply to 17.3% from 18.6% in 4QFY24. Management envisages a period of elongated stress in the MFI portfolio and will keep its share lower if the situation worsens.
- Deposits jumped 35% YoY to ~INR375b, led by 5% QoQ growth in term deposits. CASA mix moderated 73bp QoQ to 31.2% down from its peak of 52% in 4QFY22. CD ratio moderated to ~85% in 1QFY25.
- On the asset quality front, slippages were elevated at INR3.8b (5.2% annualized) amid higher stress in MFI. The GNPA ratio increased 12bp QoQ to 2.73%, while NNPA decreased 34bp to 0.83%. PCR spiked to 70.3% due to higher provisions in 1QFY25.

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)

Research Analyst: Dixit Sankharva (Dixit.Sankharva@MotilalOswal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and

Highlights from the management commentary

- Disbursements stood lower, resulting in slower loan growth. The non-MFI loans grew 27% YoY, with Jul'24 looking promising and expected to see further improvements.
- MFI slippages are not showing any signs of improvement. If current practices continue, industry-wide challenges are expected, and greater discipline across the board is essential.
- Yields on advances: Micro LAP yields are similar to those of the MFI book. A 5% decrease in MFI disbursements could lead to a 1.5% drop in yields. However, the bank plans to offset this by focusing on other high-yielding businesses.

Valuation and view: Reiterate BUY with a TP of INR110

EQUITASB reported an in-line quarter, except for the elevated provisions, as it created floating provisions to gain eligibility for a universal banking license. While business growth was steady, NIM contracted amid a change in portfolio mix as well as a decline in disbursement yields. Deposit growth remained healthy, led by strong growth in retail term deposits, although the CASA mix deteriorated sharply over the past year. Asset quality deteriorated further due to higher slippages and lower recoveries. The bank stated that the system has been witnessing higher stress amid the overleveraging of the MFI customers; discipline among the lenders remains a key to avoid this stress. The bank had previously guided a credit cost of ~1.25% in FY25 and will re-evaluate it further after the next quarter. We cut our FY25E/FY26E EPS by 22.3%/ 9.1% amid higher provisions and a slight decline in the NII. We estimate an FY26 RoA/RoE of 1.9%/16.3%. **Reiterate BUY with a TP of INR110 (premised on 1.7x FY26E ABV).**

Quarterly performance

Y/E March	(INR m)								v/s Est
	FY24				FY25E				
	1Q	2Q	3Q	4Q	1QE	FY24	FY25E	FY25E 1QE	
Interest Income	12.5	13.6	14.3	14.4	15.0	54.9	66.5	15	2%
Interest Expense	5.1	5.9	6.4	6.6	7.0	24.1	31.9	7	3%
Net Interest Income	7.4	7.7	7.9	7.9	8.0	30.8	34.7	8	-1%
% Change (YoY)	28.0	25.6	21.3	11.2	7.9	21.0	12.6	8.9	
Other Income	1.7	1.8	2.1	2.4	2.1	8.0	9.5	2	-4%
Total Income	9.1	9.5	9.9	10.3	10.1	38.8	44.2	10	-2%
Operating Expenses	6.0	6.2	6.3	6.5	6.7	25.0	28.7	7	-3%
Operating Profit	3.1	3.3	3.6	3.7	3.4	13.8	15.5	3	1%
% Change (YoY)	16.4	36.3	29.1	-3.0	9.1	17.1	12.4	7.5	
Provisions	0.6	0.6	0.8	1.1	3.0	3.1	6.0	1	198%
Profit before Tax	2.5	2.7	2.8	2.7	0.4	10.6	9.5	2	-85%
Tax	0.6	0.7	0.7	0.6	0.1	2.6	2.4	1	-83%
Net Profit	1.9	2.0	2.0	2.1	0.3	8.0	7.1	2	-85%
% Change (YoY)	97.1	70.2	18.7	9.3	-86.5	39.3	-11.0	-8.7	
Operating Parameters									
AUM	296	312	328	337	346	337	415	346	0%
Deposits	277	308	324	361	375	361	444	375	0%
Loans	275	288	292	310	319	310	381	344	-7%
AUM Growth (%)	36	37	32	21	17	21	23	17	
Deposit Growth (%)	36	42	38	42	35	42	23	35	
Loan Growth (%)	34	32	25	20	16	20	23	25	
Asset Quality									
Gross NPA (%)	2.8	2.3	2.5	2.6	2.7	2.6	3.0	2.5	
Net NPA (%)	1.2	1.0	1.1	1.2	0.8	1.2	0.9	1.1	
PCR (%)	57.8	57.7	56.0	56.1	70.3	56.1	71.3	57.4	

E: MOFSL Estimates

Quarterly snapshot

Profit and Loss, INRb	FY24				FY25	Change (%)	
	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Net Interest Income	7.4	7.7	7.9	7.9	8.0	8	2
Other Income	1.7	1.8	2.1	2.4	2.1	22	-13
Trading profits	0.3	0.2	0.3	0.3	0.3	0	7
Total Income	9.1	9.5	9.9	10.3	10.1	10	-2
Operating Expenses	6.0	6.2	6.3	6.5	6.7	11	3
Employee	3.3	3.3	3.5	3.6	3.7	14	3
Others	2.7	2.9	2.8	2.9	3.0	8	2
Operating Profits	3.1	3.3	3.6	3.7	3.4	9	-9
Core Operating Profits	2.8	3.1	3.3	3.5	3.1	10	-10
Provisions	0.6	0.6	0.8	1.1	3.0	407	186
PBT	2.5	2.7	2.8	2.7	0.4	-86	-87
Taxes	0.6	0.7	0.7	0.6	0.1	-84	-83
PAT	1.9	2.0	2.0	2.1	0.3	-87	-88
Balance Sheet							
Deposits	277	308	324	361	375	35	4
CASA Deposits	106	103	106	116	117	10	1
-Savings	98	95	97	103	106	8	2
-Demand	8	8	9	12	12	39	-3
Loans	275	288	292	310	319	16	3
AUM's	296	312	328	337	346	17	3
Loan mix (%)							
MFI	19.0	18.8	18.5	18.6	17.3	-173	-130
Vehicles	24.8	24.9	24.7	24.7	24.5	-29	-18
Small Business loans (incl HF)	47.3	48.5	49.3	51.4	52.3	506	91
MSE Finance	3.7	3.3	3.4	3.6	3.6	-12	1
Corporate loans	4.0	3.3	2.7	2.1	1.9	-212	-26
Others	1.2	1.2	1.4	1.5	1.3	8	-14
Asset Quality (INRb)							
	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
GNPA	7.7	6.6	7.5	8.2	8.9	15	8
NNPA	3.3	2.8	3.3	3.6	2.6	-19	-27
Slippages	2.1	2.6	3.1	3.6	3.9	80	8
Asset Quality Ratios (%)							
	1Q	2Q	3Q	4Q	1Q	YoY (bp)	QoQ (bp)
GNPA (%)	2.75	2.27	2.53	2.61	2.73	-2	12
NNPA (%)	1.18	0.97	1.13	1.17	0.83	-35	-34
PCR (Calc, %)	57.8	57.7	56.0	56.1	70.3	1,250	1,423
Slippage ratio	3.6	4.1	4.8	4.7	5.2	162	45
Business Ratios (%)							
Loan/Deposit	99.3	93.3	90.2	85.7	85.1	-1,426	-62
CASA	38.4	33.6	32.7	32.0	31.2	-716	-73
Cost to Income	65.9	65.1	63.6	63.5	66.3	43	282
Cost to Assets	7.3	7.0	6.9	6.0	6.3	-91	34
Tax Rate	24.1	25.8	26.8	22.6	28.0	383	540
Capitalisation Ratios (%)							
Tier-1	21.4	20.7	19.7	20.7	19.6	-177	-112
CAR	22.1	21.3	20.2	21.7	20.6	-151	-115
LCR	64.0	62.6	63.0	0.0	0.0	-6,398	0
Profitability Ratios (%)							
Yield on Loans	17.1	17.4	17.6	17.0	0.0	-1,713	-1,701
Cost of Funds	6.9	7.2	7.4	7.4	7.5	52	2
Margins	8.8	8.4	8.4	8.2	8.0	-79	-20
Other Details							
Branches	927	956	963	964	969	42	5
Employees (K)	21.0	21.9	21.7	23	22.6	2	0



Highlights from the management commentary

Opening remarks by the MD & CEO Mr. P. N. Vasudevan

- Deposit growth was healthy, with a surge in retail deposits. CASA growth remained robust.
- SBL experienced a 27% YoY increase, while MFI growth was subdued at 6% YoY; the bank was consistent with its strategy to keep MFI growth below 20%.
- The CD ratio was 86.75% and may slightly decrease in the coming period.
- The mobile banking app is starting to show results and has become a valuable source of leads.
- Disbursements were lower, resulting in a slow loan growth. Non-MFI loans grew 27%. July looks promising and should see improvements.
- Credit cost is elevated, with PCR rising to over 70% to meet the requirements of having NNPA below 1% and applying for the universal banking license.
- Adjusted for PCR, credit costs remained high due to weaker collections and the seasonally weak first quarter.
- 4.49% of slippages were from MFI and CV, with MFI contributing INR850m compared to INR350m in 1QFY23. Slippages in CV are expected to rebound, and MFI will need to be monitored.
- Slower disbursements in MFI have led to a decline in NIMs and yields.
- Credit cost for the first quarter stood at 1.44%, excluding floating provisions.
- Loan growth guidance is 25%, with 1Q at 17%. The rest of the year should achieve the 25% target.
- CI is expected to remain at last year's levels.
- For SBL, 45% of the book grew by 27%, with CE remaining at 99.3%. Micro LAP should be expanded.
- VF's used car segment grew by 59% to INR13.39b, with CE at 96.4%. Credit costs are slightly elevated.
- AFH grew 35% YoY, with CE at 99.2%. The second quarter, being the festive season, is expected to improve AFH performance.
- Mass banking and existing customers have led to an increase in retail TD.
- The NR book displayed positive signs and has deepened relationships, with the fee-based activity gaining attention.
- The AD1 license is seen as a key opportunity for increasing deposits.
- PCR is at 70.29%, up from 56% QoQ, and the management aims to maintain these levels.
- The total CRAR was 14.99% in 1Q.

Assets related

- In housing finance, disbursements occur in tranches based on the progress of construction, which generally results in smaller ticket sizes.
- There is a significant concern regarding MFI, and vehicle finance should return to more reasonable levels. Advances growth is not an issue, and PL and CC will be introduced once they are ready.
- MFI slippages are not showing any signs of improvement. If current practices continue, industry-wide challenges are expected, and greater discipline across the board is essential.
- If slippages remain high over the next 2-3 months, the bank may reduce its MFI share.

- RWA for Micro LAP is 75%. If the end use is not for business purposes, the loans will be classified as personal and subject to a 125% risk weight.
- The bank has not engaged in securitization, and any changes in yield are solely due to shifts in the business mix.
- The focus has increased on Micro-LAP, which is a fully PSL product and can partially offset the SMF category.

With respect to Yields, CoF, and margins

- NIM contracted due to an 11bp drop in the portfolio.
- Yields on housing finance book are at 12%.
- The goal is to achieve an RoA of 2.25%.
- The CoF is influenced by the cost of savings accounts and the volume of retail deposits, which have been repriced at higher rates. Consequently, the impact on CoF is only 2bp. In 1QFY25, the bank reduced interest rates by 200bp in some segments.
- Disbursement yields have increased; SBL was at 16.29% in 4QFY23 and has risen to 17.49%. VF was at 16.69%. This increase is primarily due to changes in the product mix.
- Yields on advances: Micro LAP yields are similar to those of the MFI book. A 5% decrease in MFI disbursements could lead to a 1.5% drop in yields. However, the bank plans to offset this by focusing on other high-yielding businesses.
- MFI yields stood at 25% for personal loans.

On Asset Quality

- The PCR was at 70%. While the bank had previously projected a credit cost of 1.25%, it expects to provide a more accurate forecast post-2Q.
- In response to collection stress, the bank increases its investment in collection resources. The SBL segment is performing well, but VF requires attention.
- Collection in July, excluding the bucket, remains stable. VF collection rates range between 95-99%, with the 94% rate in 1Q attributed to seasonal factors.
- MFI delinquencies are elevated. While MFI performance was stable last year, the past 10 months have seen increased delinquencies spreading to other regions. This issue may be linked to the recent RBI guideline changes, which could have led to over-leveraging and higher customer eligibility, resulting in increased delinquencies. A similar issue occurred in 2010. Maintaining discipline is essential in the MFI business across peers.
- Current slippage levels have not been seen since the demonetization period. Even during COVID, collections improved once the moratorium ended. However, recent months have experienced significantly higher slippage rates.
- Stress is observed in Punjab, Haryana, Gujarat, and some branches in Tamil Nadu and Maharashtra.
- The CE for July, excluding the bucket, has been 98.8%, and efforts are being made to increase it.

Story in charts

Exhibit 1: AUM grew 17% YoY to INR346b

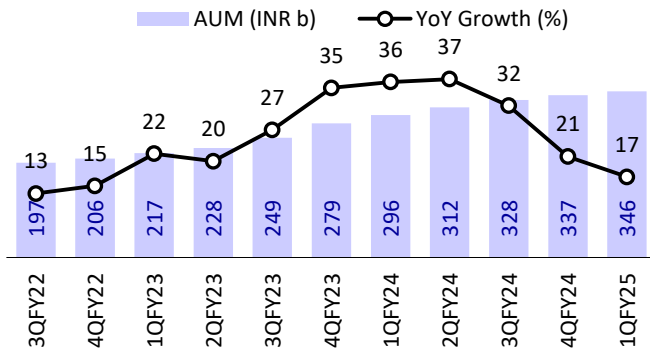


Exhibit 2: Loans/deposits grew 16%/35% QoQ in 1QFY25

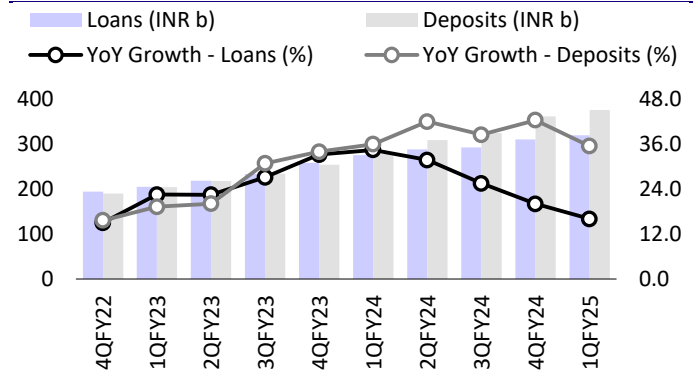


Exhibit 3: NIM moderated 20bp QoQ to 7.97%

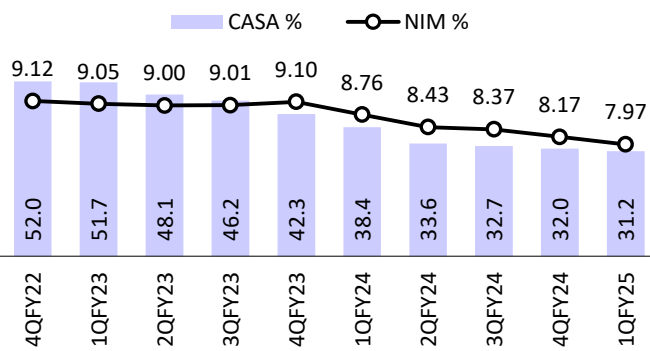


Exhibit 4: Yields inched up to 16.45%, while costs increased slightly to 7.46%

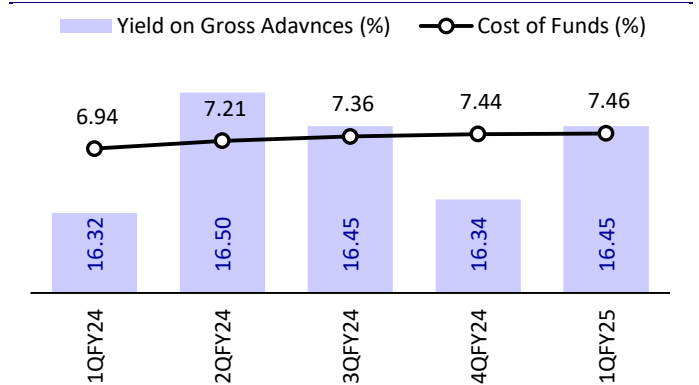


Exhibit 5: CD ratio improved to 85.1% in 1Q

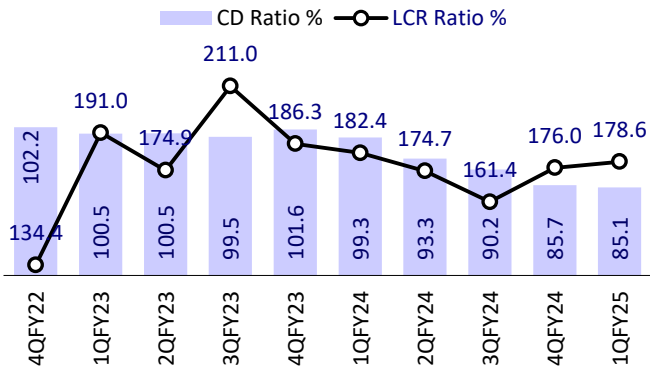


Exhibit 6: C/I ratio declined to 66.3% in 1QFY25

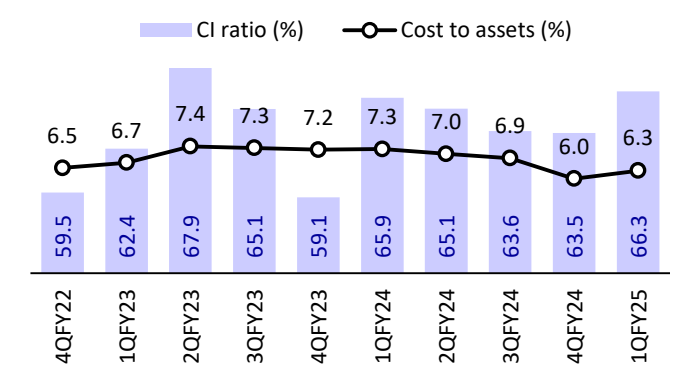


Exhibit 7: Credit cost stood elevated at 3.9% in 1QFY25

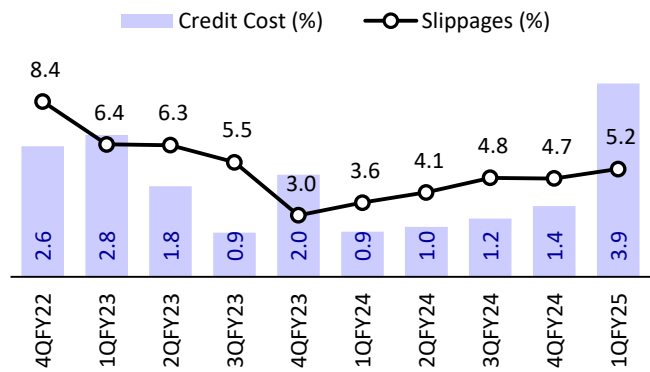
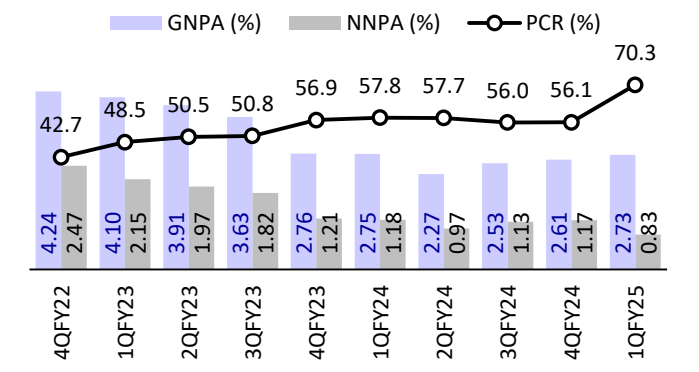


Exhibit 8: GNPA ratio increased 12bp, while NNPA decreased 34bp in 1QFY25



Source: MOFSL, Company

Source: MOFSL, Company

Valuation and view: Reiterate BUY with a TP of INR110

- EQUITASB reported an in-line quarter, except for the elevated provisions, as it created floating provisions to gain eligibility for a universal banking license. While business growth was steady, NIM contracted amid a change in portfolio mix as well as a decline in disbursement yields.
- Deposit growth remained healthy, led by strong growth in retail term deposits, although the CASA mix deteriorated sharply over the past year.
- Asset quality deteriorated further due to higher slippages and lower recoveries. The bank stated that the system has been witnessing higher stress amid the overleveraging of the MFI customers; discipline among the lenders remains a key to avoid this stress. The bank had previously guided a credit cost of ~1.25% in FY25 and will re-evaluate it further after the next quarter.
- We cut our FY25E/FY26E EPS by 22.3%/ 9.1% amid higher provisions and a slight decline in the NII. We estimate an FY26 RoA/RoE of 1.9%/16.3%. **Reiterate BUY with a TP of INR110 (premised on 1.7x FY26E ABV).**

Exhibit 9: Changes to our estimates

INR B	Old Est.		Rev. Est.		Chg. (%)/bps	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Interest Income	36.1	45.7	34.7	42.4	-4.0	-7.3
Other Income	9.7	11.7	9.5	11.3	-2.5	-3.3
Total Income	45.9	57.4	44.2	53.7	-3.7	-6.5
Operating Expenses	29.2	35.0	28.7	33.4	-1.7	-4.6
Operating Profit	16.7	22.4	15.5	20.3	-7.1	-9.5
Provisions	4.4	5.7	6.0	5.1	34.6	-11.0
PBT	12.2	16.7	9.5	15.2	-22.3	-9.1
Tax	3.1	4.2	2.4	3.8	-22.3	-9.1
PAT	9.2	12.5	7.1	11.4	-22.3	-9.1
Loans	382	475	381	472	-0.4	-0.5
Deposits	452	565	444	551	-1.6	-2.4
Credit Cost (%)	1.2	1.2	1.7	1.1	45	-14
RoA (%)	1.8	2.0	1.4	1.9	-39	-15
RoE (%)	14.4	17.2	11.4	16.3	-304	-98
EPS	8.1	11.0	6.3	10.0	-22.3	-9.1
BV	59.2	68.7	57.4	65.9	-3.0	-4.1
ABV	56.6	66.2	55.3	63.6	-2.4	-3.9

Exhibit 10: DuPont analysis

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	15.1	14.5	13.4	13.4	13.7	13.3	13.3
Interest Expense	6.6	6.3	5.5	5.2	6.0	6.4	6.3
Net Interest Income	8.53	8.17	7.89	8.22	7.67	6.94	6.98
Fee income	1.59	1.70	1.92	2.09	1.85	1.79	1.77
Trading and others	0.02	0.20	0.17	0.07	0.14	0.11	0.09
Other Income	1.61	1.90	2.08	2.16	1.99	1.90	1.86
Total Income	10.14	10.07	9.97	10.38	9.66	8.84	8.84
Operating Expenses	6.73	6.04	6.60	6.58	6.23	5.74	5.50
Employees	4.05	3.60	3.48	3.54	3.33	3.08	2.96
Others	2.68	2.45	3.12	3.04	2.90	2.66	2.54
Operating Profits	3.41	4.03	3.38	3.80	3.43	3.10	3.34
Core operating Profits	3.39	3.83	3.21	3.73	3.29	2.99	3.24
Provisions	1.41	1.71	1.91	1.32	0.78	1.20	0.83
PBT	2.00	2.32	1.46	2.48	2.65	1.90	2.50
Tax	0.61	0.58	0.38	0.63	0.66	0.48	0.63
RoA	1.39	1.75	1.09	1.85	1.99	1.42	1.87
Leverage (x)	7.0	7.2	6.8	6.6	7.2	8.0	8.7
RoE	9.7	12.5	7.3	12.2	14.4	11.4	16.3

Financials and valuations

Income Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	26.5	31.9	34.6	41.6	54.9	66.5	80.7
Interest Expense	11.5	14.0	14.2	16.2	24.1	31.9	38.3
Net Interest Income	15.0	18.0	20.4	25.4	30.8	34.7	42.4
-growth (%)	29.8	20.2	13.4	24.8	21.0	12.6	22.3
Non-Interest Income	2.8	4.2	5.4	6.7	8.0	9.5	11.3
Total Income	17.8	22.2	25.8	32.1	38.8	44.2	53.7
-growth (%)	23.9	24.7	16.2	24.8	20.7	13.9	21.6
Operating Expenses	11.8	13.3	17.0	20.4	25.0	28.7	33.4
Pre Provision Profits	6.0	8.9	8.7	11.8	13.8	15.5	20.3
-growth (%)	40.2	48.4	-1.7	34.9	17.1	12.4	30.9
Core PPOp	5.9	8.4	8.3	11.5	13.2	14.9	19.7
-growth (%)	40.5	41.7	-1.5	39.2	14.4	12.9	32.0
Provisions	2.5	3.8	4.9	4.1	3.1	6.0	5.1
PBT	3.5	5.1	3.8	7.7	10.6	9.5	15.2
Tax	1.1	1.3	1.0	2.0	2.6	2.4	3.8
Tax Rate (%)	30.6	24.8	25.8	25.4	24.8	25.2	25.2
PAT	2.4	3.8	2.8	5.7	8.0	7.1	11.4
-growth (%)	15.7	57.7	-26.9	104.3	39.3	-11.0	60.0

Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	10.5	11.4	12.5	11.1	11.3	11.3	11.3
Reserves & Surplus	16.9	22.6	29.9	40.5	48.3	53.7	63.4
Net Worth	27.4	34.0	42.5	51.6	59.7	65.1	74.8
Deposits	107.9	163.9	189.5	253.8	361.3	444.4	551.0
-growth (%)	19.8	51.9	15.6	33.9	42.3	23.0	24.0
-CASA Dep	22.1	56.1	98.6	107.3	115.5	138.2	175.2
-growth (%)	-2.9	154.2	75.6	8.9	7.6	19.6	26.8
Borrowings	51.3	41.7	26.2	29.7	17.9	20.0	23.6
Other Liabilities & Prov.	6.3	7.5	11.4	14.5	14.2	16.6	19.6
Total Liabilities	193.0	247.1	269.5	349.6	453.0	546.1	669.0
Current Assets	25.4	33.8	21.3	12.4	35.8	35.3	38.5
Investments	23.4	37.1	44.5	66.6	90.7	111.5	137.1
-growth (%)	-0.1	58.2	20.1	49.8	36.0	23.0	23.0
Loans	137.3	168.5	193.7	258.0	309.6	380.9	472.3
-growth (%)	18.4	22.7	15.0	33.2	20.0	23.0	24.0
Fixed Assets	2.1	1.9	2.0	3.8	6.0	8.4	10.9
Other Assets	4.8	5.9	7.9	8.7	10.9	10.1	10.2
Total Assets	193.0	247.1	269.5	349.6	453.0	546.1	669.0
Total AUM	153.7	179.3	206.0	278.6	337.1	414.7	514.2
-growth (%)	31.3	16.7	14.9	35.3	21.0	23.0	24.0

Asset Quality	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
GNPA (INR m)	4.2	6.4	8.4	7.2	8.2	11.8	13.5
NNPA (INR m)	2.3	2.7	4.8	3.1	3.6	3.4	3.6
Slippage (INR m)	4.1	5.9	13.9	10.9	11.4	15.5	17.1
GNPA Ratio	3.00	3.73	4.24	2.76	2.61	3.04	2.80
NNPA Ratio	1.67	1.58	2.47	1.21	1.16	0.89	0.77
Slippage Ratio	3.23	3.86	7.67	4.81	3.90	4.50	4.00
Credit Cost	1.61	2.07	2.19	1.43	0.97	1.65	1.10
PCR (Excl Tech. write off)	45.2	58.6	42.7	56.9	56.1	71.3	73.1

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Yield and Cost Ratio (%)							
Avg. Yield- on Earning Assets	16.0	15.3	14.6	14.8	15.1	14.7	14.3
Avg. Yield on loans	19.1	19.0	17.3	16.7	17.3	16.8	16.7
Avg. Yield on Investments	6.7	7.3	6.1	5.7	6.9	6.7	6.8
Avg. Cost of Int. Bear. Liab.	8.0	7.7	6.7	6.5	7.3	7.6	7.4
Avg. Cost of Deposits	7.5	7.1	6.4	6.1	6.8	7.3	7.1
Interest Spread	8.1	7.7	7.9	8.3	7.8	7.1	6.9
NIM (on IEA)	9.1	8.6	8.6	9.0	8.5	7.7	7.5

Capitalisation Ratios (%)

CAR	23.6	24.2	25.2	23.8	21.7	18.8	17.5
<i>Tier I</i>	22.4	23.2	24.5	23.1	20.7	18.3	17.2
<i>Tier II</i>	1.2	1.0	0.6	0.7	1.0	0.5	0.4

Business Ratios (%)

Loans/Deposit Ratio	127.2	102.8	102.2	101.6	85.7	85.7	85.7
CASA Ratio	20.5	34.2	52.0	42.3	32.0	31.1	31.8
Cost/Assets	6.1	5.4	6.3	5.8	5.5	5.3	5.0
Cost/Total Income	66.4	60.0	66.2	63.4	64.5	65.0	62.3
Cost/Core income	-73.8	-3.1	-4.3	-11.2	-4.7	-5.5	-6.5
Int. Expense/Int. Income	43.5	43.7	41.1	38.9	43.9	47.9	47.5
Fee Income/Total Income	15.7	16.8	19.2	20.2	19.1	20.2	20.0
Other Inc./Total Income	15.9	18.9	20.9	20.8	20.6	21.5	21.1
Empl. Cost/Total Expense	60.1	59.5	52.7	53.8	53.5	53.6	53.8

Efficiency Ratios (INRm)

Employee per branch (in nos)	18.9	19.2	20.4	22.3	23.8	25.4	27.4
Staff cost per employee	0.4	0.5	0.5	0.5	0.6	0.6	0.6
CASA per branch	25.9	65.2	114.5	116.4	121.6	139.9	169.0
Deposits per branch	126.3	190.4	220.1	275.3	380.4	449.9	531.4
Business per Employee	15.2	20.1	21.8	24.9	29.7	32.9	36.1
Profit per Employee	0.2	0.2	0.2	0.3	0.4	0.3	0.4

Profitability Ratios and Valuation

RoE	9.7	12.5	7.3	12.2	14.4	11.4	16.3
RoA	1.4	1.7	1.1	1.9	2.0	1.4	1.9
Book Value (INR)	26	30	34	46	53	57	66
-growth (%)	16.2	14.4	13.8	36.9	13.2	9.1	14.9
Price-BV (x)	3.3	2.9	2.6	1.9	1.7	1.5	1.3
Adjusted BV (INR)	25	28	31	44	50	55	64
Price-ABV (x)	3.5	3.1	2.8	2.0	1.7	1.6	1.4
EPS (INR)	2.4	3.5	2.3	4.9	7.1	6.3	10.0
-growth (%)	13.0	48.1	-33.0	106.8	46.6	-12.0	60.0
Price-Earnings (x)	36.8	24.8	37.1	17.9	12.2	13.9	8.7

E: MOFSL Estimates

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

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.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://online-reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf> MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

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

Regional Disclosures (outside India)

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

For Hong Kong:

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

For U.S.

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

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

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

Specific Disclosures

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

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months

- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

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

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

Analyst Certification

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

Terms & Conditions:

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

Disclaimer:

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

This report is meant for the clients of Motilal Oswal only.

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

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

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

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

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

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

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