

Rural MFI pain to hurt for a few quarters; downgrade to REDUCE

BFSI - NBFCs ▶ Result Update ▶ **October 21, 2024**

TARGET PRICE (Rs): 150

LTF reported a mixed Q2FY25 result with PAT of Rs6.96bn broadly in line with our estimates, whereas it was ~3% above Consensus estimates. However, on the asset quality and credit cost front, the difficulties have started to emerge with: 1. Credit cost (on AuM) jumped by 36bps QoQ to 2.86% and was the highest in 8 quarters; 2. GS3 increased by 5bps QoQ to 3.19%, while NS3 jumped by 17bps QoQ to 0.96%, reflecting ~5ppts QoQ reduction in PCR to 70%; and 3. MFI disbursements declined 5% YoY (first YoY decline in the last 15 quarters). We see the pain in MFI segment in terms of asset quality and credit cost (despite the Rs9.8bn macro-prudential buffer) affecting overall growth and profitability meaningfully over the next few quarters. We have cut our FY25-27E EPS by 10-13% and downgrade the stock to REDUCE from Add with our revised Sep-25E TP of Rs150 (vs Rs210 earlier), implying FY26E P/ABV of 1.4x.

L&T Finance: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net profits	15,365	23,171	26,267	33,011	41,511
AUM growths (%)	(8.4)	5.8	18.3	21.9	20.3
NII growths (%)	13.7	11.4	15.0	20.5	21.3
NIMs (%)	8.9	10.4	10.6	10.5	10.5
PPOP growth (%)	72.1	(30.2)	11.0	20.5	22.3
Adj. EPS (Rs)	6.5	9.3	10.6	13.3	16.8
Adj. EPS growth (%)	51.3	42.0	14.4	25.5	25.6
Adj. BV (Rs)	84.8	92.6	100.3	109.6	121.2
Adj. BVPS growth (%)	7.7	8.7	8.2	9.4	10.7
RoA (%)	1.5	2.2	2.4	2.6	2.8
RoE (%)	7.8	10.3	10.8	12.5	14.3
P/E (x)	24.1	17.0	14.8	11.8	9.4
P/ABV (x)	1.9	1.7	1.6	1.4	1.3

Source: Company, Emkay Research

Q2FY25 results a mixed bag

Supported by improved Opex, LTF reported a broadly in-line PAT at Rs6.96bn. However, beyond this in-line profit, the results point to a number of weaknesses and challenges on the asset quality and credit cost front. GS3 inched up by 5bps QoQ to 3.19%, while NS3 jumped by 17bps QoQ to 0.96%, reflecting a 5ppts QoQ decline in Provision Coverage Ratio (PCR) to 70%. The PCR remains healthy, but a 5ppts decline in PCR and credit cost (on AuM) jumping by 36bps QoQ to 2.86% indicate a higher level of write-offs. Led by strong growth in 2W, SME, LAP, and Home Loan disbursements, overall retail disbursements grew 12% YoY/1.7% QoQ to Rs151bn, whereas Rural/MFI disbursements declined 5% YoY/5% QoQ to Rs54.3bn.

MFI challenges to impact growth and profitability over the coming quarters

This is the first time in the last 15 quarters that the disbursements in MFI segments have declined YoY (5%). Along with the declining disbursements, the higher write-offs and inching up of GS3 suggests rising stress in the MFI book. The management appears confident that the pain in their Rural/MFI book is limited and shall bottom out by Q3FY25-end as their risk management guardrails were in place much before MFIN (MFI industry body) recommended prudent practices for the industry in Jun-24. We acknowledge that the company is sitting on Rs9.8bn macro-prudential buffer on the MFI book; however, given that the company has 30% of retail AuM in the Rural/MFI segments which generates substantially higher profit, we see a substantial impact on its growth and profitability over coming quarters due to the MFI stress. Ex-MFI, the business continue to do well but profitability of these businesses are still sub-par.

We cut FY25-27E earnings by ~10-13%; downgrade to REDUCE

To reflect the Q2 results and the external developments in MFI segments, we have adjusted our disbursement and AUM growth estimates downwards and increased credit cost estimates, leading to a ~10-13% EPS cut over FY25-27E and ~150bps RoE cut over FY26-27E. We downgrade the stock to REDUCE (from Add) with our revised Sep-25E TP of Rs150 (from Rs210 earlier), implying FY26E P/ABV of 1.4x. Recent correction in share prices have limited further downside in the stock.

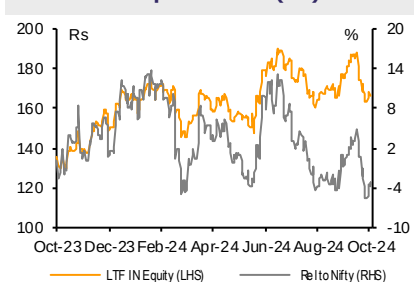
Target Price – 12M	Sep-25
Change in TP (%)	(28.6)
Current Reco.	REDUCE
Previous Reco.	ADD
Upside/(Downside) (%)	(5.0)
CMP (21-Oct-24) (Rs)	157.8

Stock Data	Ticker
52-week High (Rs)	194
52-week Low (Rs)	127
Shares outstanding (mn)	2,492.7
Market-cap (Rs bn)	393
Market-cap (USD mn)	4,679
Net-debt, FY25E (Rs mn)	9,870
ADTV-3M (mn shares)	8
ADTV-3M (Rs mn)	1,363.6
ADTV-3M (USD mn)	16.2
Free float (%)	-
Nifty-50	24,781
INR/USD	84.1
Shareholding, Sep-24	
Promoters (%)	66.3
FPIs/MFs (%)	6.7/12.3

Price Performance

(%)	1M	3M	12M
Absolute	(13.0)	(10.3)	14.5
Rel. to Nifty	(9.4)	(11.2)	(9.7)

1-Year share price trend (Rs)



Avinash Singh

avinash.singh@emkayglobal.com
+91 22 6612 1327

Kishan Rungta

kishan.rungta@emkayglobal.com
+91 22 6624 2490

Exhibit 1: Actual vs Estimates

LTF Q2FY25					Actual	Change		Emkay Estimate	
(Rs mn)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ	YoY	2QFY25E	Variation
NII	18,436	19,529	19,875	21,012	21,781	4%	18%	22,068	-1%
Net Income	21,572	22,278	23,422	24,332	25,477	5%	18%	25,700	-1%
Opex	8,598	8,896	9,803	9,656	9,578	-1%	11%	10,125	-5%
PPOP	12,974	13,382	13,619	14,676	15,899	8%	23%	15,575	2%
Provision	5,000	5,142	6,679	5,453	6,504	19%	30%	6,282	4%
PBT	7,974	8,240	6,940	9,223	9,396	2%	18%	9,293	1%
PAT	5,951	6,402	5,530	6,853	6,967	2%	17%	6,905	1%
AUM	787,330	817,790	855,640	887,170	930,140	5%	18%	928,612	0.2%
Disbursement	136,960	148,650	153,660	150,190	151,640	1%	11%	162,218	-6.5%
Retail AUM	694,160	747,590	800,360	844,450	889,760	5%	28%	891,724	-0.2%
Retail Disbursement	135,000	145,310	150,430	148,390	150,920	2%	12%	162,218	-7.0%
NIMs +fees	10.97%	11.10%	11.20%	11.17%	11.22%	5bps	24bps	11.3%	-11bps
Credit Cost (calc.)	2.54%	2.56%	3.19%	2.50%	2.86%	36bps	32bps	2.8%	10bps
GS3	3.27%	3.21%	3.15%	3.14%	3.19%	5bps	-8bps	3.2%	-1bps
NS3	0.82%	0.81%	0.79%	0.79%	0.96%	17bps	14bps	0.8%	14bps

Source: Company, Emkay Research

Exhibit 2: Valuation matrix

	CMP/TP (Rs)	Upside	Mkt Cap (Rs bn)	P/ABV (x)			P/E (x)			RoA (%)			RoE (%)		
				FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
At CMP	157.8	-5.0%	393.4	1.6	1.4	1.3	14.8	11.8	9.4	2.4	2.6	2.8	10.8	12.5	14.3
At TP	150.0			1.5	1.4	1.2	14.1	11.2	9.0	2.4	2.6	2.8	10.8	12.5	14.3

Source: Company, Emkay Research

Exhibit 3: Changes in estimates

Y/E Mar (Rs mn)	FY25E			FY26E			FY27E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
AUM	1,043,354	1,012,267	-3.0%	1,267,635	1,233,546	-2.7%	1,534,992	1,483,645	-3.3%
Disbursement	698,934	637,860	-8.7%	847,067	736,763	-13.0%	1,035,391	882,353	-14.8%
Disbursement growth (%)	24.2	13.3	-1,085bps	21.2	15.5	-569bps	22	19.8	-247bps
AUM Growth (%)	21.9	18.3	-363bps	21.5	21.9	36bps	21	20.3	-82bps
Networth	256,456	253,495	-1.2%	284,957	277,206	-2.7%	320,719	306,996	-4.3%
Net interest income	89,096	86,694	-2.7%	108,659	104,473	-3.9%	132,077	126,695	-4.1%
Total Income	103,040	99,363	-3.6%	124,969	118,288	-5.3%	150,997	142,158	-5.9%
Operating Exp	41,980	41,980	0.0%	49,166	49,166	0.0%	57,613	57,613	0.0%
PPOP	61,060	57,383	-6.0%	75,804	69,123	-8.8%	93,383	84,545	-9.5%
Provision	21,721	22,030	1.4%	24,927	24,693	-0.9%	29,478	28,675	-2.7%
PAT	29,229	26,267	-10.1%	37,802	33,011	-12.7%	47,482	41,511	-12.6%
EPS (Rs)	11.8	10.6	-10.1%	15.3	13.3	-12.6%	19	16.8	-12.5%
BV (Rs)	103.0	101.8	-1.2%	114.5	111.4	-2.7%	129	123.3	-4.3%
NIM (%)	9.38	9.28	-10bps	9.40	9.30	-10bps	9.43	9.33	-10bps
NIMs + Fess (%)	10.85	10.64	-21bps	10.82	10.53	-28bps	10.78	10.46	-31bps
Cost-to-income ratio (%)	40.74	42.25	151bps	39.34	41.56	222bps	38.16	40.53	237bps
Opex-to-AUM	4.42	4.49	7bps	4.25	4.38	12bps	4.11	4.24	13bps
Credit Costs (%)	2.29	2.36	7bps	2.16	2.20	4bps	2.10	2.11	1bps
ROA (%)	2.64	2.40	-23bps	2.91	2.61	-30bps	3.06	2.76	-30bps
ROE (%)	11.99	10.85	-114bps	14.04	12.52	-152bps	15.74	14.28	-147bps

Source: Company, Emkay Research

Exhibit 4: Quarterly earnings summary

Particulars (Rs mn)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	% YoY	% QoQ
Income from operations	31,685	33,063	33,226	34,526	36,544	15.3%	5.8%
Interest Expenses	13,249	13,534	13,351	13,514	14,763	11.4%	9.2%
Net Interest Income	18,436	19,529	19,875	21,012	21,781	18.1%	3.7%
Other Income	3,135	2,750	3,547	3,320	3,696	17.9%	11.3%
Total Income	21,572	22,278	23,422	24,332	25,477	18.1%	4.7%
Operating Expenses	8,598	8,896	9,803	9,656	9,578	11.4%	-0.8%
PPoP	12,974	13,382	13,619	14,676	15,899	22.5%	8.3%
Provisions	5,000	5,142	6,679	5,453	6,504	30.1%	19.3%
Credit costs	2.5%	2.6%	3.2%	2.5%	2.9%	32bps	36bps
PBT	7,974	8,240	6,940	9,223	9,396	17.8%	1.9%
Tax	2,032	1,847	1,410	2,370	2,429	19.6%	2.5%
Tax rate (%)	25.5%	22.4%	20.3%	25.7%	25.9%		
Profit after tax	5,942	6,394	5,530	6,853	6,967	17.2%	1.7%
Share of profit from associates/MI	9	8	0	0	0		
PAT adjusting for one offs	5,951	6,402	5,530	6,853	6,967	17.1%	1.7%
AUM	787,330	817,790	855,640	887,170	930,140	18.1%	4.8%
Disbursement	136,960	148,650	153,660	150,190	151,640	10.7%	1.0%
Networth	221,854	228,600	234,384	235,290	242,678	9.4%	3.1%
Credit cost	2.54%	2.56%	3.19%	2.50%	2.86%	32bps	36bps
GS3	3.27%	3.21%	3.15%	3.14%	3.19%	-8bps	5bps
NS3	0.82%	0.81%	0.79%	0.79%	0.96%	14bps	17bps
PCR	75.7%	75.3%	75.5%	75.3%	70.6%	-507bps	-475bps

Source: Company, Emkay Research

Exhibit 5: AUM trend

AUM mix (Rs bn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Overall AUM	896	880	806	783	787	818	856	887	930
Retail	520	570	611	643	694	748	800	844	890
Retail growth	9%	10%	7%	5%	8%	8%	7%	6%	5%
Retail AUM as % of overall AUM	58%	65%	76%	82%	88%	91%	94%	95%	96%
Wholesale	376	310	195	140	93	70	55	43	40
Wholesale growth	-6%	-18%	-37%	-28%	-34%	-24%	-21%	-23%	-5%
Wholesale AUM as % of overall AUM	42%	35%	24%	18%	12%	9%	6%	5%	4%

Source: Company, Emkay Research

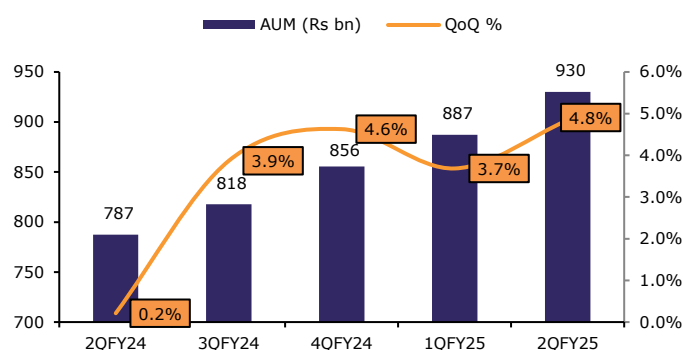
Exhibit 6: Disbursement trend

Disbursement Trend	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Retail Disbursement	102,380	116,090	112,820	111,920	135,000	145,310	150,430	148,390	150,920
Growth	14.5%	13.4%	-2.8%	-0.8%	20.6%	7.6%	3.5%	-1.4%	1.7%
Overall Disbursement	110,490	131,570	123,100	123,640	136,960	148,650	153,660	150,190	151,640
Growth	5.6%	19.1%	-6.4%	0.4%	10.8%	8.5%	3.4%	-2.3%	1.0%

Source: Company, Emkay Research

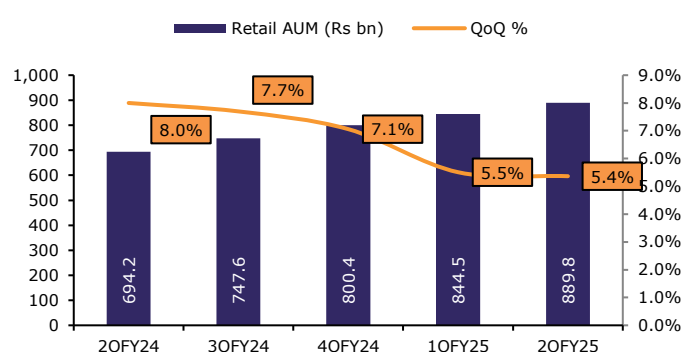
Result in Charts

Exhibit 7: Growth momentum continues with 4.8% QoQ growth during Q2FY25



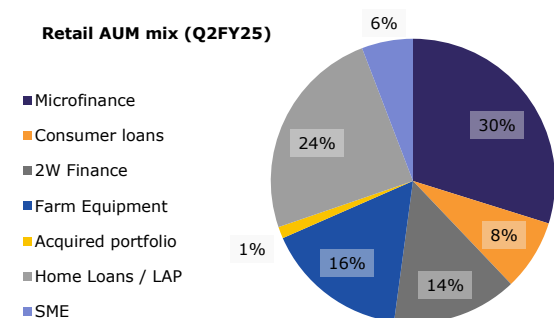
Source: Company, Emkay Research

Exhibit 8: Retail assets now contribute to 96% of the overall AUM



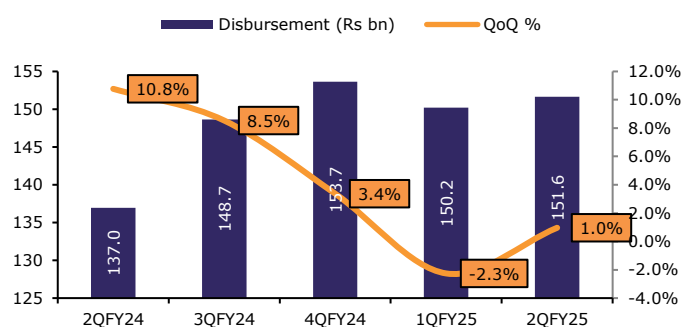
Source: Company, Emkay Research

Exhibit 9: Rural and Farm loans form 46% of the overall retail AUM



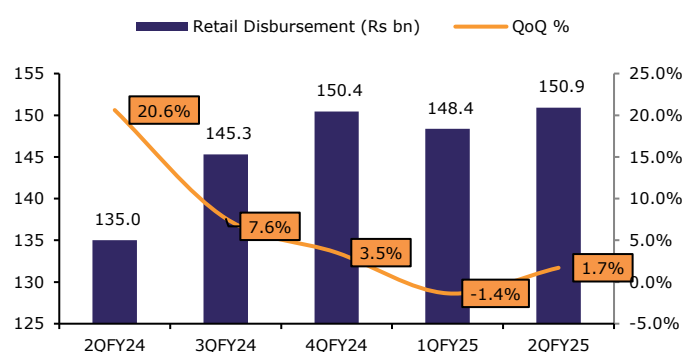
Source: Company, Emkay Research

Exhibit 10: Disbursements growth witnesses slight improvement sequentially



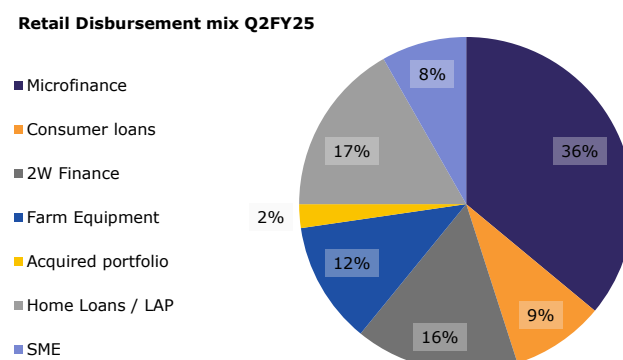
Source: Company, Emkay Research

Exhibit 11: Retail Disbursements grew 1.7% QoQ during Q2FY25

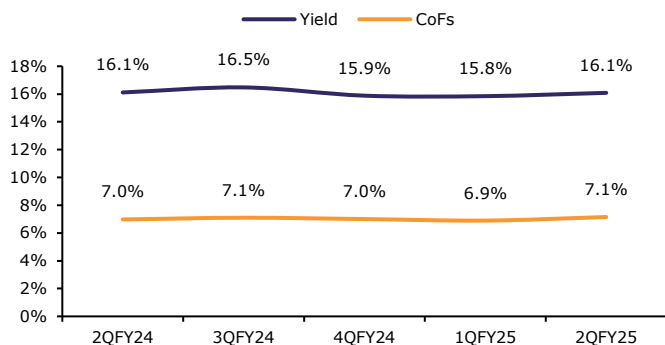


Source: Company, Emkay Research

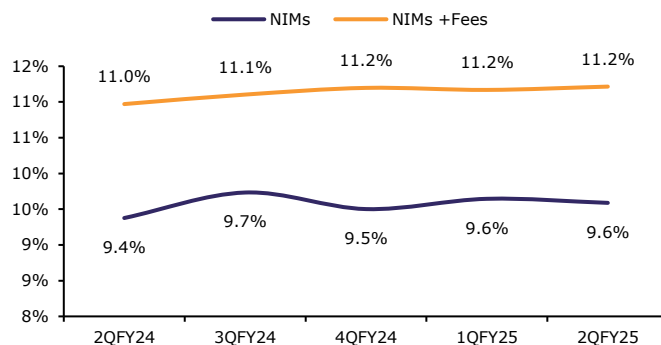
Exhibit 12: Micro Finance dominates the Retail Disbursement mix



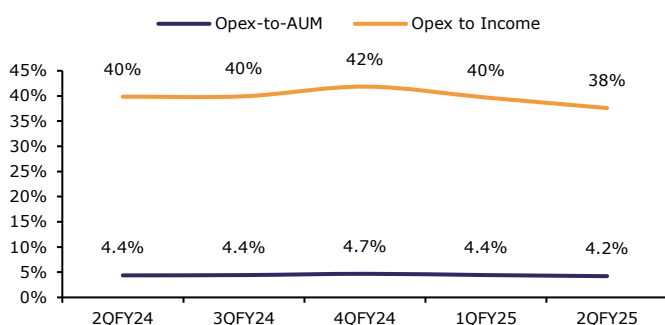
Source: Company, Emkay Research

Exhibit 13: Yields and CoFs see slight increase sequentially

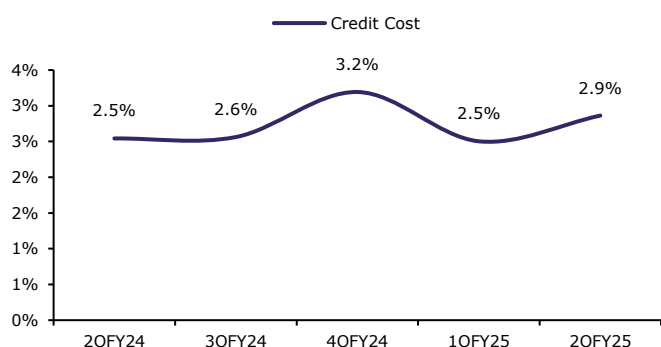
Source: Company, Emkay Research

Exhibit 14: NIMs remain broadly stable on a sequential basis

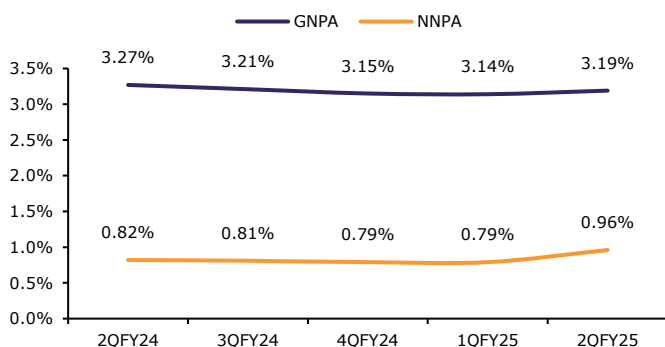
Source: Company, Emkay Research

Exhibit 15: Investments in tech and brand building are expected to result in elevated Opex

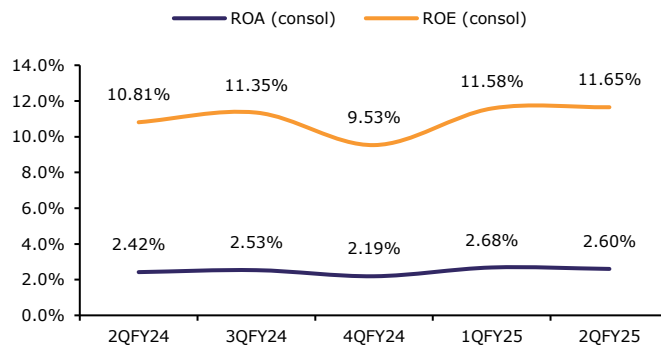
Source: Company, Emkay Research

Exhibit 16: Credit costs increased during the quarter

Source: Company, Emkay Research

Exhibit 17: NNPA for Q2FY25 increases sequentially

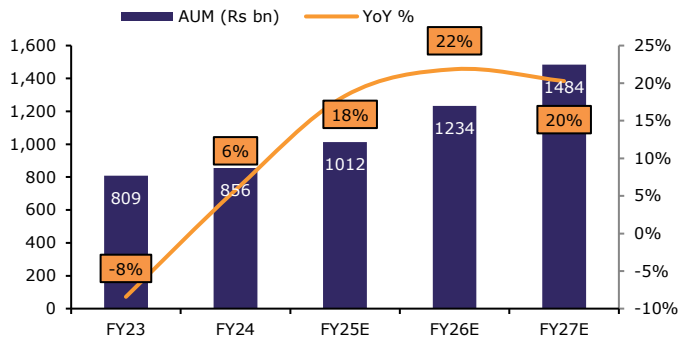
Source: Company, Emkay Research

Exhibit 18: RoA and RoE will see gradual improvement, led by strong retailization

Source: Company, Emkay Research

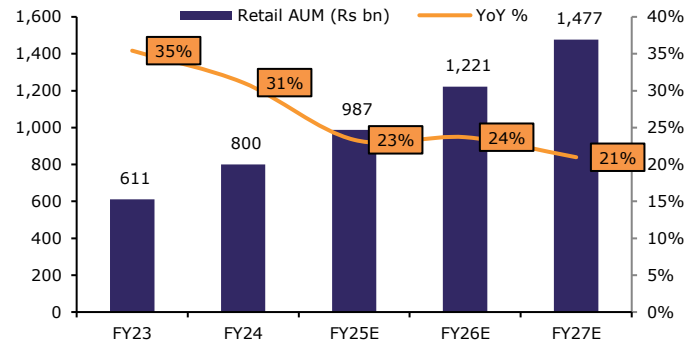
Story in charts

Exhibit 19: Overall AUM is expected to grow in 18-22% range over FY25-27E



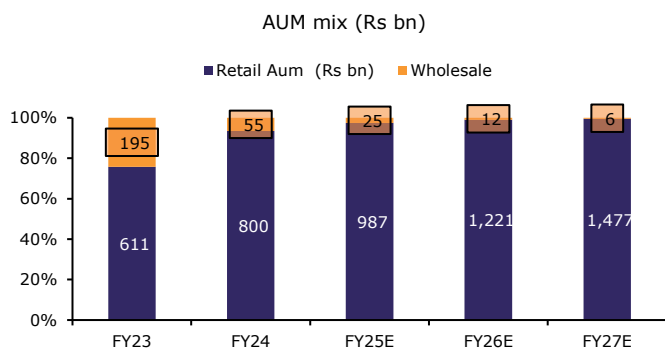
Source: Company, Emkay Research

Exhibit 20: We expect LTF to achieve 99% retailization by FY26E



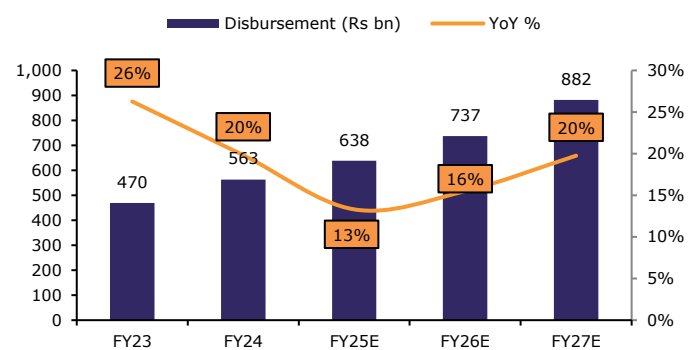
Source: Company, Emkay Research

Exhibit 21: As on Q2FY25, retail asset forms 96% of the overall loan book



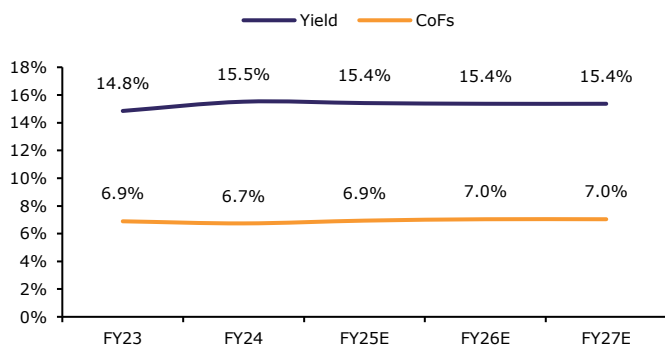
Source: Company, Emkay Research

Exhibit 22: We expect the disbursement momentum to slow down in FY25E



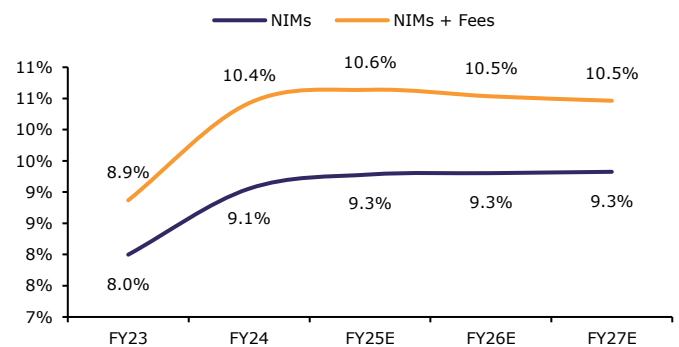
Source: Company, Emkay Research

Exhibit 23: Yield to remain stable on account of change in asset mix

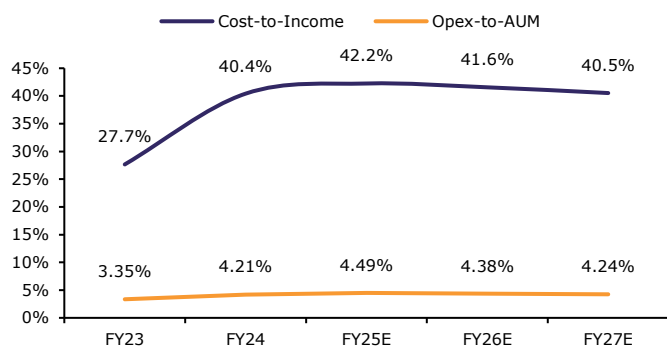


Source: Company, Emkay Research

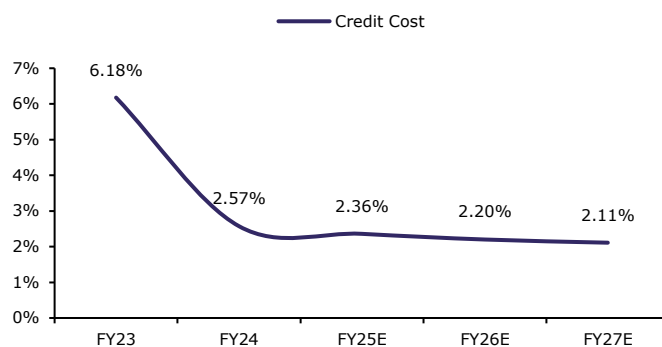
Exhibit 24: NIMs and NIMs+Fees to hover at 9-11%



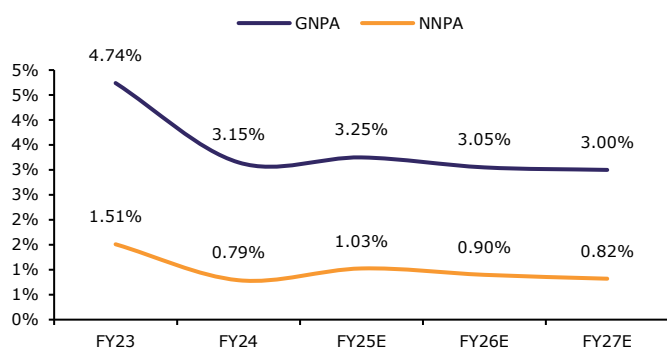
Source: Company, Emkay Research

Exhibit 25: Opex to moderate as the retail book continues to grow

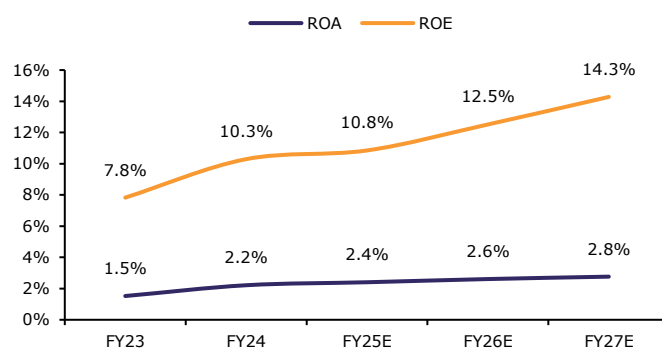
Source: Company, Emkay Research

Exhibit 26: Credit cost to moderate to ~2% by FY27E

Source: Company, Emkay Research

Exhibit 27: GNPA to remain elevated during FY25E

Source: Company, Emkay Research

Exhibit 28: We expect LTF to deliver RoA of ~3% by FY27E

Source: Company, Emkay Research

Earnings call highlights

- The company surpassed the FY26 Lakshya target of retailization greater than 95% during Q2FY25, with retailization at 96%. While maintaining Retail GS3 and NS3 within threshold levels, the management aims to reduce consolidated GS3 and NS3 to below 3% and 1%, respectively. They also target a consolidated RoA in the 2.8-3% range by FY26.
- Despite a challenging operating environment, the company's acquisition engine and steady execution strategy resulted in a sequential 2% growth in disbursements compared to the last quarter.
- The slight erosion in GS3 performance over Q1FY25 was mainly due to macroeconomic factors, a rationalized tractor repossession policy, and localized adjacencies in the 2W business. The collection efficiency in the Rural business stood at 99.43% (-13bps QoQ) for Q2FY25, compared to 99.56% in Q1FY25.
- The company has maintained a Macro Prudential provision of Rs9.75bn for the MFI business. Management indicated that if pressures increases in the MFI book, this provision may be utilized, though creation and utilization would require consent from the Board.
- Management noted some green shoots with improved tractor offtake in October positively impacting the rural business. Favorable monsoons are expected to support a strong Kharif crop season with government schemes and improving rural liquidity suggesting a gradual recovery, with a soft landing anticipated between the end of Q3FY25 and the beginning of Q4FY25.
- Collection efficiency in the Rural business was impacted by floods in parts of Gujarat, North Bihar, and West Bengal. Management also highlighted disruptions from certain elements affecting collections in the North East and UP, as well as challenges in Odisha due to temporary disruptions in social welfare schemes.
- Collection efficiency in Bihar stood at 99.5%, driven by a strong focus on collections. Management mentioned that collection efficiency in October remained stable. For Sep-24, collection efficiency in Karnataka and Tamil Nadu stood at 99.6% and 99.4%, respectively.
- The company maintains one of the lowest over-leverage ratios in the industry, with customers holding more than four external borrowings accounting for just 5.4% of the overall Rural book.
- Management has rationalized the dealer network for the 2W, tractor, and farm equipment businesses, focusing on new customer acquisition in rural areas to expand into non-leveraged customer segments.
- Project Cyclops, operational since Q1FY25, now covers 55% of the 2W business with plans to extend it to the tractor business in Q3FY25, and other areas thereafter. Deep integration with Cred has driven significant growth in the Personal Loan book.
- The company remains on track for an orderly rundown of the book. Many residential projects have seen accelerated resolutions, and the provision coverage is expected to be sufficient for handling these resolutions. One asset may be sold to an ARC during Q3.
- Management stated that Q2FY25 was among the most challenging quarters post-COVID, with Q3FY25 also expected to present difficulties. Normalization is anticipated by Q4FY25.
- Given industry challenges, the management believes that ~70% deleveraging has already occurred, though some residual impact from deleveraging may still flow through.
- On a QoQ basis, Opex may increase due to investments in branding and technology. Opex + Credit Cost is likely to remain around 7%, with Credit Costs facing external pressures. Branding expenditures will also depend on external factors. RoA is projected to be in the 2.8-3% range in the medium-to-long term.
- Fee income for the quarter experienced moderation due to slower Rural disbursements. Additionally, cross-selling fee income was impacted by the overall slowdown in disbursements.

L&T Finance: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	125,651	129,139	143,981	172,549	208,765
Interest Expense	57,972	53,772	57,286	68,076	82,070
Net interest income	67,679	75,367	86,694	104,473	126,695
NII growth (%)	13.7	11.4	15.0	20.5	21.3
Non interest income	34,759	11,412	12,669	13,815	15,463
Total income	102,438	86,779	99,363	118,288	142,158
Operating expenses	28,334	35,079	41,980	49,166	57,613
PPOP	74,104	51,701	57,383	69,123	84,545
PPOP growth (%)	72.1	(30.2)	11.0	20.5	22.3
Provisions & contingencies	52,276	21,410	22,030	24,693	28,675
PBT	21,828	30,290	35,353	44,430	55,869
Extraordinary items	0	0	0	0	0
Tax expense	6,463	7,119	9,086	11,418	14,358
Minority interest	868	(30)	200	200	200
Income from JV/Associates	0	0	0	0	0
Reported PAT	15,365	23,171	26,267	33,011	41,511
PAT growth (%)	80.9	50.8	13.4	25.7	25.7
Adjusted PAT	15,365	23,171	26,267	33,011	41,511
Diluted EPS (Rs)	6.5	9.3	10.6	13.3	16.8
Diluted EPS growth (%)	51.5	42.0	14.4	25.5	25.6
DPS (Rs)	1.3	2.5	3.0	3.8	4.8
Dividend payout (%)	19.9	26.9	25.0	25.0	25.0
Effective tax rate (%)	29.6	23.5	25.7	25.7	25.7
Net interest margins (%)	8.9	10.4	10.6	10.5	10.5
Cost-income ratio (%)	27.7	40.4	42.2	41.6	40.5
PAT/PPOP (%)	21.9	44.8	46.1	48.0	49.3
Shares outstanding (mn)	2,479.7	2,488.9	2,488.9	2,488.9	2,488.9

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Asset quality					
GNPL - Stage 3	38,320	26,980	32,899	37,623	44,509
NNPL - Stage 3	11,780	6,610	9,870	10,534	11,572
GNPL ratio - Stage 3 (%)	4.7	3.2	3.3	3.1	3.0
NNPL ratio - Stage 3 (%)	1.5	0.8	1.0	0.9	0.8
ECL coverage - Stage 3 (%)	69.3	75.5	70.0	72.0	74.0
ECL coverage - 1 & 2 (%)	3.9	2.7	2.8	2.8	2.8
Gross slippage - Stage 3	0	0	0	0	0
Gross slippage ratio (%)	0.0	0.0	0.0	0.0	0.0
Write-off ratio (%)	0.4	0.6	1.0	0.9	0.9
Total credit costs (%)	6.2	2.6	2.4	2.2	2.1
NNPA to networth (%)	5.5	2.8	3.9	3.8	3.8
Capital adequacy					
Total CAR (%)	24.5	22.8	21.7	20.5	19.0
Tier-1 (%)	22.1	21.0	19.9	18.6	17.2
Miscellaneous					
Total income growth (%)	55.9	(15.3)	14.5	19.0	20.2
Opex growth (%)	25.2	23.8	19.7	17.1	17.2
PPOP margin (%)	8.8	6.2	6.1	6.2	6.2
Credit costs-to-PPOP (%)	70.5	41.4	38.4	35.7	33.9
Loan-to-Assets (%)	70.7	79.2	81.9	85.6	85.6
Yield on loans (%)	14.8	15.5	15.4	15.4	15.4
Cost of funds (%)	6.9	6.7	6.9	7.0	7.0
Spread (%)	8.0	8.8	8.5	8.3	8.3

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	24,797	24,889	24,889	24,889	24,889
Reserves & surplus	190,487	209,495	228,605	252,316	282,107
Net worth	215,284	234,384	253,495	277,206	306,996
Borrowings	830,435	765,409	885,734	1,048,514	1,283,353
Other liabilities & prov.	17,903	27,382	35,042	44,940	58,067
Total liabilities & equity	1,063,621	1,027,176	1,174,271	1,370,660	1,648,416
Net loans	751,546	813,594	962,306	1,173,570	1,410,412
Investments	146,777	123,849	101,227	83,881	115,502
Cash, other balances	127,489	46,760	67,033	66,392	70,204
Interest earning assets	1,025,812	984,203	1,130,566	1,323,844	1,596,118
Fixed assets	2,324	5,416	6,770	8,462	10,578
Other assets	35,486	37,557	36,935	38,354	41,721
Total assets	1,063,621	1,027,176	1,174,271	1,370,660	1,648,416
BVPS (Rs)	86.7	94.2	101.8	111.4	123.3
Adj. BVPS (INR)	84.8	92.6	100.3	109.6	121.2
Gross loans	808,930	855,640	1,012,267	1,233,546	1,483,645
Total AUM	808,930	855,640	1,012,267	1,233,546	1,483,645
On balance sheet	0	0	0	0	0
Off balance sheet	0	0	0	0	0
Disbursements	469,790	562,930	637,860	736,763	882,353
Disbursements growth (%)	26.3	19.8	13.3	15.5	19.8
Loan growth (%)	(8.9)	8.3	18.3	22.0	20.2
AUM growth (%)	(8.4)	5.8	18.3	21.9	20.3
Borrowings growth (%)	(2.5)	(7.8)	15.7	18.4	22.4
Book value growth (%)	7.7	8.7	8.2	9.4	10.7

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	24.1	17.0	14.8	11.8	9.4
P/B (x)	1.9	1.7	1.6	1.4	1.3
P/ABV (x)	1.9	1.7	1.6	1.4	1.3
P/PPOP (x)	5.3	7.6	6.8	5.7	4.6
Dividend yield (%)	0.8	1.6	1.9	2.4	3.0
DuPont-RoE split (%)					
NII/avg AUM	8.0	9.1	9.3	9.3	9.3
Other income	4.1	1.4	1.4	1.2	1.1
Securitization income	0.0	0.0	0.0	0.0	0.0
Opex	1.7	2.0	2.2	2.2	2.1
Employee expense	1.7	2.2	2.3	2.2	2.1
PPOP	8.8	6.2	6.1	6.2	6.2
Provisions	6.2	2.6	2.4	2.2	2.1
Tax expense	0.8	0.9	1.0	1.0	1.1
RoAUM (%)	1.9	2.8	2.8	3.0	3.1
Leverage ratio (x)	4.1	3.7	3.8	4.2	4.7
RoE (%)	7.8	10.3	10.8	12.5	14.3
Quarterly data					
Rs mn, Y/E Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
NII	18,436	19,529	19,875	21,012	21,781
NIM (%)	11.0	11.1	11.2	11.2	11.2
PPOP	12,974	13,382	13,619	14,676	15,899
PAT	5,951	6,402	5,530	6,853	6,967
EPS (Rs)	2.40	2.57	2.23	2.75	2.79

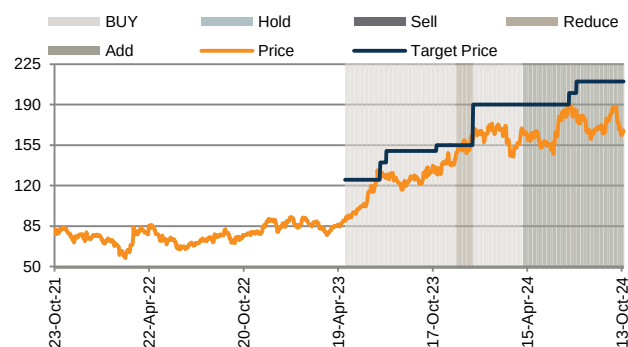
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
04-Oct-24	175	210	Add	Avinash Singh
02-Sep-24	171	210	Add	Avinash Singh
20-Aug-24	167	210	Add	Avinash Singh
18-Jul-24	185	210	Add	Avinash Singh
04-Jul-24	188	200	Add	Avinash Singh
05-Jun-24	155	190	Add	Avinash Singh
30-Apr-24	164	190	Add	Avinash Singh
06-Apr-24	168	190	Add	Avinash Singh
24-Jan-24	159	190	Buy	Avinash Singh
05-Jan-24	169	190	Buy	Avinash Singh
02-Jan-24	160	190	Buy	Avinash Singh
30-Nov-23	146	155	Reduce	Avinash Singh
24-Oct-23	131	155	Buy	Avinash Singh
20-Jul-23	127	150	Buy	Avinash Singh
08-Jul-23	127	140	Buy	Avinash Singh
02-May-23	90	125	Buy	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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