

# L&T Finance

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	LTF IN
Equity Shares (m)	2493
M.Cap.(INRb)/(USDb)	393.4 / 4.7
52-Week Range (INR)	194 / 127
1, 6, 12 Rel. Per (%)	-9/-14/-12
12M Avg Val (INR M)	1375

## Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	75.4	89.3	108.8
PPoP	51.7	63.9	77.7
NP	23.2	27.9	34.7
EPS (INR)	9.3	11.2	13.9
EPS Gr. (%)	42.4	20.3	24.3
BV/Share	94	103	114

## Ratios

NIM (%)	9.6	9.9	9.8
C/I ratio (%)	40.4	39.1	38.1
RoA (%)	2.2	2.5	2.6
RoE (%)	10.3	11.4	12.8
Payout (%)	26.9	26.0	24.5

## Valuations

P/E (x)	17.0	14.1	11.3
P/BV (x)	1.7	1.5	1.4

## Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	66.3	66.4	66.0
DII	12.3	11.7	8.2
FII	6.7	7.3	10.9
Others	14.7	14.7	14.9

FII Includes depository receipts

**CMP: INR158 TP: INR200 (+27%) Buy**

## MFI performance better than industry; in-line earnings

### Asset quality largely stable, aided by write-offs

- L&T Finance (LTF) reported 17% YoY growth in PAT to INR7b (in line) in 2QFY25. PPop grew ~23% YoY to ~INR15.9b (in line). Credit costs stood at INR6.5b (vs. MOFSLe of INR6b), translating into annualized credit costs of ~2.6% (vs. 2.4% in 1QFY25 and 2.6% in 2QFY24). Write-offs stood at INR6.6b (INR4.8b in 1Q). Consol. RoA/RoE stood at 2.6%/11.7% in 2Q.
- Retail assets contributed ~96% to the loan mix (95% in 1Q). Retail loans grew ~28% YoY, led by healthy growth in 2W, home loans, LAP, and SME. LTF has started to regrow its personal loans book, up 8% QoQ. Given the sectoral stress, rural business loans (microfinance) grew 3% QoQ.
- The management anticipates 3Q to be just as challenging as 2Q, with normalization expected in 4Q. Meanwhile, the management will focus on strengthening its other retail business segments. We model a CAGR of ~25% in total loans and ~26% in PAT over FY24-FY27E, with consolidated RoA/RoE of 2.8%/~15% in FY27E.
- In 1HFY25, PAT grew ~23% YoY, and we expect PAT to grow ~18% YoY in 2HFY25. There are sectoral headwinds and stress in the microfinance segment, which will result in muted loan growth and high credit costs in this segment over the next two quarters. NIM would also moderate over the next two quarters because of a lower share of microfinance loans in the disbursement mix. Thereafter, we expect LTF to overcome these headwinds and perform relatively better than its peers.
- LTF has transformed itself into a retail franchise and will continue to deliver a sustainable improvement in profitability and RoA expansion. **Retain BUY with a TP of INR200 (based on 1.6x Sept'26E BVPS).**

### Asset quality largely stable, significant decline in PCR due to write-offs

- Consol. GS3 grew ~5bp QoQ to ~3.2% and NS3 rose ~20bp QoQ to ~0.95%. PCR declined ~5pp to ~71%. Retail GS3 increased ~5bp QoQ to 2.8%.
- The management said that credit costs could remain high for the next few quarters because of sectoral stress in the microfinance segment. The management also added that it will decide at an opportune time whether it needs to utilize macro-economic provisions. We model total credit costs (as % of average loans) of ~3.0%/2.8% in FY25/FY26.

### NIM contracts ~40bp QoQ; fee income higher QoQ

- Reported NIM contracted ~40bp QoQ to 8.9%. However, consol NIMs + Fees contracted only ~20bp QoQ to 10.9%, aided by higher fee income.
- Spreads (calc.) remained stable at ~8.9%, while yields (calc.) grew 25bp QoQ to ~16.1%. CoB (calc.) rose ~25bp QoQ to ~7.1%. The Management guided that NIMs + Fee will be between ~10.75%-11.25% (slight lower over the next few quarters). We model NIMs of ~9.9%/9.8% in FY25/26.

**Key highlights from the management commentary**

- In the microfinance segment, there was localized impact on collection efficiency due to widespread floods in certain geographical pockets of Gujarat, North Bihar and parts of West Bengal.
- LTF expects a soft landing in microfinance in the latter part of 3Q or early 4Q, because of good monsoons and resumption of social welfare schemes.

**Valuation and view**

- LTF has invested in process automation, security, and customer journeys. This, along with partnerships with e-aggregators, should lead to a stronger and more sustainable retail loan growth. Stress in the microfinance sector is a near-term headwind, which the company will have to navigate and come out stronger.
- We estimate a PAT CAGR of 26% over FY24-27, with consolidated RoA/RoE of 2.8%/~15% in FY27. Reiterate our **BUY rating on the stock with a TP of INR200 (based on 1.6x Sep'26E BVPS)**.

**Quarterly performance**

(INR M)

Y/E March	FY24				FY25E				FY24	FY25E	2QFY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	31,165	31,685	33,063	33,226	34,526	36,544	38,737	40,266	1,29,139	1,50,073	36,080	1
Interest Expenses	13,638	13,249	13,534	13,351	13,514	14,763	15,826	16,700	53,772	60,802	13,852	7
<b>Net Interest Income</b>	<b>17,527</b>	<b>18,436</b>	<b>19,529</b>	<b>19,875</b>	<b>21,012</b>	<b>21,781</b>	<b>22,911</b>	<b>23,567</b>	<b>75,367</b>	<b>89,271</b>	<b>22,228</b>	<b>-2</b>
Change YoY (%)	14.3	11.9	7.2	12.6	19.9	18.1	17.3	18.6	11.4	18.4	20.6	
Other Operating Income	1,068	453	2,277	3,492	3,318	3,649	3,466	4,578	6,667	15,012	2,786	31
<b>Net Operating Income</b>	<b>18,596</b>	<b>18,889</b>	<b>21,805</b>	<b>23,367</b>	<b>24,330</b>	<b>25,431</b>	<b>26,377</b>	<b>28,145</b>	<b>82,034</b>	<b>1,04,283</b>	<b>25,014</b>	<b>2</b>
Change YoY (%)	11.7	7.5	12.9	31.9	30.8	34.6	21.0	20.4	15.1	27.1	32.4	
Other income	1,535	2,682	473	56	2	47	237	284	4,745	569	536	-91
<b>Total Income</b>	<b>20,130</b>	<b>21,572</b>	<b>22,278</b>	<b>23,422</b>	<b>24,332</b>	<b>25,477</b>	<b>26,614</b>	<b>28,429</b>	<b>86,779</b>	<b>1,04,853</b>	<b>25,550</b>	<b>0</b>
Change YoY (%)	11.1	15.0	11.9	18.7	20.9	18.1	19.5	21.4	13.4	20.8	18.4	
Operating Expenses	7,782	8,598	8,896	9,803	9,656	9,578	10,141	11,595	35,079	40,970	10,231	-6
Change YoY (%)	18.3	25.2	19.9	24.6	24.1	11.4	14.0	18.3	22.1	16.8	19.0	
<b>Operating Profits</b>	<b>12,348</b>	<b>12,974</b>	<b>13,382</b>	<b>13,619</b>	<b>14,676</b>	<b>15,899</b>	<b>16,472</b>	<b>16,835</b>	<b>51,701</b>	<b>63,882</b>	<b>15,319</b>	<b>4</b>
Change YoY (%)	6.9	9.1	7.2	7.3	18.9	22.5	23.1	23.6	6.3	23.6	18.1	
Provisions	5,212	5,000	5,142	6,679	5,453	6,504	7,052	7,697	21,410	26,706	5,967	9
<b>Profit before Tax</b>	<b>7,136</b>	<b>7,974</b>	<b>8,240</b>	<b>6,940</b>	<b>9,223</b>	<b>9,396</b>	<b>9,420</b>	<b>9,138</b>	<b>30,290</b>	<b>37,177</b>	<b>9,353</b>	<b>0</b>
Tax Provisions	1,831	2,032	1,847	1,410	2,370	2,429	2,402	2,093	7,119	9,294	2,385	2
<b>Profit after tax</b>	<b>5,309</b>	<b>5,951</b>	<b>6,402</b>	<b>5,539</b>	<b>6,855</b>	<b>6,967</b>	<b>7,018</b>	<b>7,045</b>	<b>23,171</b>	<b>27,882</b>	<b>6,968</b>	<b>0</b>
Change YoY (%)	103	47	41	11	29	17	10	27	43	20	17	
<b>Key Operating Parameters (%)</b>												
Rep. Net Income (% of Avg Assets)	9.64	10.84	10.92	11.25	11.08	10.86						
<b>Rep. Cost of funds (%)</b>												
Cost to Income Ratio	38.7	39.9	39.9	41.9	39.7	37.6						
Rep Credit Cost	2.33	2.58	2.52	3.23	2.37	2.59						
<b>Tax Rate</b>	<b>25.7</b>	<b>25.5</b>	<b>22.4</b>	<b>20.3</b>	<b>25.7</b>	<b>25.9</b>						
<b>Balance Sheet Parameters</b>												
<b>Gross Customer Assets (INR B)</b>	<b>786</b>	<b>787</b>	<b>818</b>	<b>856</b>	<b>887</b>	<b>930</b>						
Change YoY (%)	-10.8	-12.6	-7.5	5.8	12.9	18.1						
Borrowings (INR B)	754	766	760	765	803	849						
Change YoY (%)	-7.8	-10.3	-11.9	-7.8	6.5	10.9						
Customer Assets /Borrowings (%)	104	103	108	112	110	110						
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR B)	31.7	25.8	26.3	27.0	27.9	29.6						
Gross Stage 3 (%)	4.0	3.3	3.2	3.2	3.1	3.2						
NS 3 (INR B)	9.1	6.3	6.5	6.6	6.9	8.7						
Net Stage 3 (%)	1.6	0.8	0.8	0.8	0.8	1.0						
PCR (%)	71.4	75.7	75.3	75.5	75.3	70.6						
<b>Return Ratios (%)</b>												
ROAA	2.1	2.4	2.5	2.2	2.7	2.6						
ROAE	9.4	10.8	11.4	9.5	11.6	11.7						

E: MOFSL Estimates



### Retail momentum stable; 2W, HL and LAP deliver strong growth

- Total disbursements grew 11% YoY to ~INR152b, driven by ~12% YoY growth in retail disbursements to ~INR151b. Wholesale disbursements declined ~64% YoY to INR710m.
- Total loan book grew ~18% YoY and ~5% QoQ to ~INR930b. Wholesale loans continued to run down and declined ~56% YoY to ~INR40b (~INR43b in 1Q).
- LTF is witnessing strong festive demand in its 2W and tractor segments. Personal loans saw significant growth QoQ, and the company plans to expand its personal loan portfolio by partnering with major digital platforms.
- In the retail segment, microfinance, home loans, 2Ws, and SME continued to clock strong growth, with retail now contributing ~96% to the loan mix. We model a total loan CAGR of ~25% over FY24-27E.

### LTF faring better far than the industry in Microfinance

- LTF noted that only 5.4% of its customers have loans from five or more lenders (including LTF). ~95% of its microfinance book is in compliance with MFIN guardrails issued in Jul'24.
- As of Sep'24, about INR2.3b (>1%) of its microfinance portfolio included customers with 'LTF + >= 4' external associations and indebtedness of over INR200k.
- Collection efficiency stood at ~99.4% in Sep'24 (vs. 99.6% in Jun'24).

### Highlights from the management commentary

#### Business update

- Consol. PAT of INR6.96b grew 17% YoY.
- Total disbursements grew 11% YoY and retail disbursements rose 12% YoY.
- Retail book stood at INR889.8b, up 28% YoY.
- Execution momentum to transform into a retail financial services provider remains intact.

#### Benchmarking against Lakshya goals

- Retailisation of over 95% has been achieved as the wholesale book has declined to ~4% of the overall book.
- Improved portfolio quality by stable GS3/NS3 at retail levels and now it wants to achieve it at the consolidated level.
- Consol. 2QFY25 RoA stood at ~2.6% (up 18bp YoY).
- Consol. GS3/NS3 at 3.19%/0.96% - Slight erosion in GS3; macro economic deterioration in Rural finance and local adjacencies in the 2W business.

#### Guidance

- NIM + Fee of 10.75-11.25% (in the range of 10.5%-11% over the next few quarters).
- Opex + credit costs will be in the range of ~7% (slightly higher over the next few quarters).
- Guidance of 25% loan growth under the Lakshya goals.

### Business outlook

- Spreads and width of South-West monsoons have been unprecedented. Good rainfall augurs well for the reservoir levels across the country.
- Already seeing green-shoots in tractor offtake in Oct'24.
- Domestic growth story remains intact – higher govt expenditure in 2HFY25 and bountiful rain will add further fillip. On the back of a strong monsoon, the entire market is poised for a gradual recovery. Tightness, which was seen in 1HFY25, will start dissipating in the latter half of 3Q.
- Expect 3Q to be as intense a quarter as 2Q and can see normalization only in 4Q. Remains focused on building its other lines of business. Qualify that it is passing through an inclement weather, and as an organization it is perfectly capable of dealing with it.
- The company has enough provision buffers and macro-prudential provisions to navigate this period.
- Apart from Rural Business Finance (cautious stance), it expects that there will be growth bias in the current quarter and coming quarters as well.
- Seeing good festive demand in 2W and Tractors. Personal loans saw significantly QoQ growth. LTF will add large digital partners in its PL portfolio.

### Rural Business Finance (Microfinance)

- In the Rural Business Finance segment, there was localized impact on collection efficiencies due to widespread floods in certain geographical pockets namely Gujarat, North Bihar and parts of West Bengal. It also saw disturbances from certain unscrupulous elements hampering its collection efforts in the North East and UP. Headwinds in Odisha because of temporary disruption in local social welfare schemes.
- For LTF, incidents of customers with chronic overleverage are much lower than the industry.
- The industry is passing through a period of de-leverage and LTF will have an impact on the growth of this business segment in 3Q and 4Q.
- LTF did not need to dip into the macro-prudential provisions created for rural business finance.
- Floods impacted the Northern part of Bihar - Ended Sep'24 collection efficiency in Bihar at 99.5%.
- LTF does not lend to customers who are Odpd; Overall guard-rails are always judiciously maintained and it calculates leverages at the family level.
- If the customer's leverage goes above INR200k, then that customer is not eligible for new loans.
- MFIN guardrails came in Jul'24 and Aug'24: LTF has been compliant with them since Apr'20.
- Started cutting out INR750m-1b of repeat disbursements since Jan'24.
- Multi-axis action and the discipline with which this business has been built over the years.
- LTF has ~INR9.75b of provisions as macro-prudential provisions for the Rural Business Finance. PCR in Rural Business Finance is ~100% (all 90+ dpd in microfinance are 100% provided).

- Microfinance loans are 24-month loans. LTF realized that the industry was going through a weather as early as Jan'24. The industry has been going through a period of de-leveraging for the last 8-9 months. There will be a soft landing in the latter part of 3Q or early 4Q.
- Macro-prudential provisions are based on a board-approved policy - events like floods, famine, political instability and industry-wide events. Events which cannot be modelled in the ECL.
- CE in Bihar has not deteriorated to the extent that the company has to dip in its macro-prudential provisions.
- Microfinance lending rates are 18-24% (starts at ~24%). LTF has not received any communication from the RBI. Depending on the cycle of the customer and the customer credit behavior, the lending rates in microfinance are decided.
- ~5.4% of the MFI Loan-book of LTF has LTF + >=4 external associations.
- In Oct'24, CE is holding up at similar levels as the previous month. In Sep'24, Karnataka CE was 99.6% and TN CE was 99.45% (0dpd CE)
- CE of the cohort of customers with multiple lender associations stood at 97.5% in Sep'24 (vs. 98.4% in Jun'24)
- LTF expects a soft landing in microfinance because of good monsoons. Rabi crop will be a bumper crop and rural incomes will improve. Social Welfare Norms have also started flowing now.

■

### Wholesale

- On track to ensure the orderly run-down of wholesale loans and ARCs
- Will need to transfer one on-book asset to ARC in 3Q, but SR provisions done in 4QFY24 will be sufficient to take care of this asset resolution.

### Financial Performance

- NIM + Fees at 10.86%
- Weighted average CoB declined ~5bp QoQ
- Retail disbursements stood at INR151b, up 12% YoY
- RoA stood at 2.6%, up 18bp YoY; RoE at 11.65%, up 84bp YoY
- 60% of the 2W disbursements were contributed by Prime Customers
- Housing disbursements grew 46% YoY and the Housing book grew 42% YoY - Collaboration with prime developers across locations
- In the final stages of launching its supply chain financing business, which will be launched in 3QFY25

### Opex

- Opex ratios could exhibit quarterly volatility because of various technology investments, branding exercise and branch openings.

### Asset Quality

- PCR reduction was primarily because of write-offs taken by the company in the Rural Business Finance. Even now there are assets in Stage 3, which are 100% provided for.
- Deterioration in GS3 was because of macro-economic environment in Rural Business Finance, rationalization of Tractor Repo Policy and Localised reasons in 2W as well.

- Credit costs will be in the order of MFI, Tractor and 2W (highest to lowest).

### Credit Costs

- There will be some challenges on credit costs for the next few quarters because of the external environment.
- Cautious guidance is largely for micro-loans.

### LAP

- Team has been focusing on LAP in urban areas. LAP portfolio has slightly gone up.
- LTF also has INR1.8b of Rural LAP portfolio and ATS of INR500-600k.
- Focus has been on pushing up the yields on the LAP portfolio. Yields in Urban LAP of 10.0-10.5% and in Rural LAP of 17-18%.

### Two-Wheelers - Impact from Localised adjacencies

- In Surat, there were galloping delinquencies in Apr'24 and May'24. Deterioration has now stabilized and is on the pathway to resolution.
- ~55% of the 2W business is now going through cyclops and by Dec'24, ~100% of the 2W business will go through cyclops.
- The 2W segment now has 16 scorecards, and delinquencies in fresh acquisitions are 125bp lower than those underwritten by legacy algorithms.

### Personal Loans

- Completely focused on the prime salaried segment - Happy with the new portfolio it has garnered
- Growth will be gradual and calibrated with risk-focused scale-up; confident of being able to scale-up the PL book.

### Others

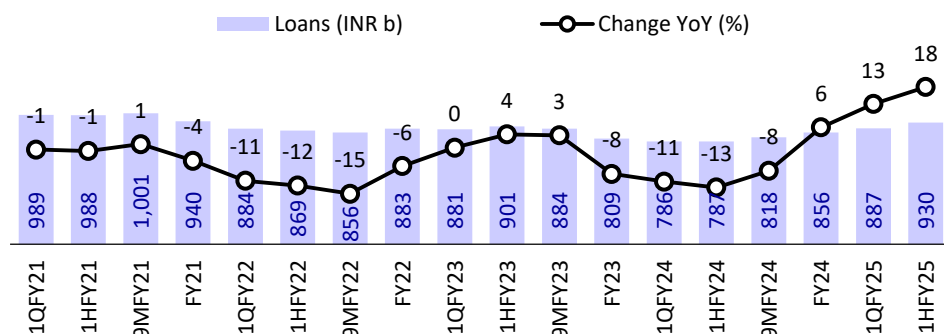
- Signed a contract with Jasprit Bumrah (part of Indian national cricket team) as a brand ambassador for LTF products.
- Rationalization has been made in Rural Business Finance, 2W and Tractor business - Cross-sell has been calibrated to exclude customers with high leverage.
- Wholesale book was coming down dramatically for the last 4-6 quarters. Yields were impacted because of lower disbursements in micro loans. To support the yields, it also has PL, SME and Micro-LAP.
- Impact of interest reversal was 5-6bp in 2QFY25.
- Fee income has the component of processing fees and the commission income on credit insurance. In 2QFY24, there was also a one-off item of income tax refund (INR150m-200m).



## Key exhibits

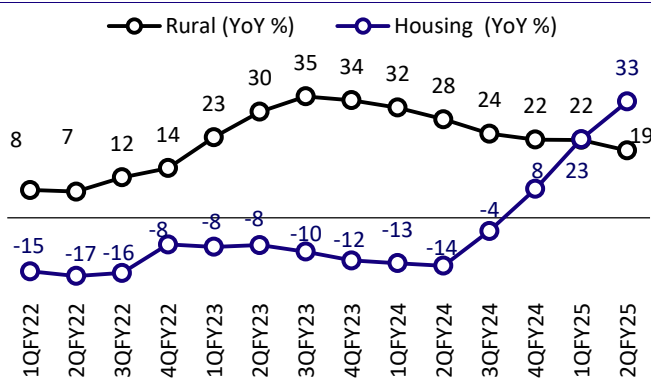
Loan book grew 18% YoY to  
~INR930b

Exhibit 1: Loan book grew 5% QoQ, driven by retail (%)



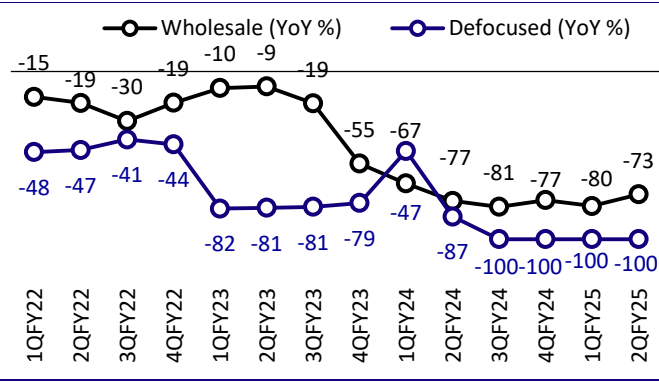
Source: MOFSL, Company

Exhibit 2: Housing finance book (including wholesale RE) increased 19% YoY



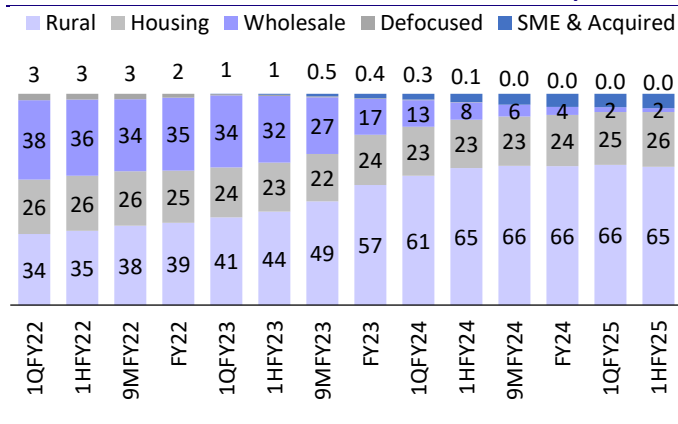
Source: MOFSL, Company

Exhibit 3: Wholesale book declined 73% YoY



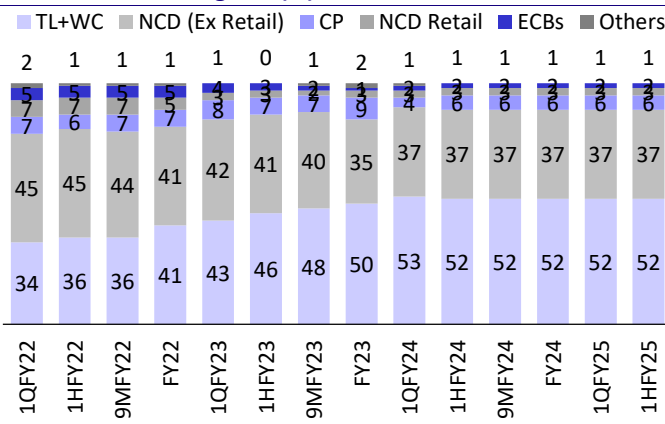
Source: MOFSL, Company

Exhibit 4: Rural Finance in loan mix declined ~100bp QoQ

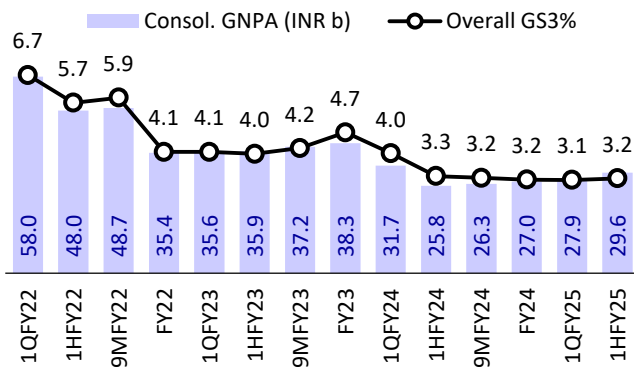


Source: MOFSL, Company

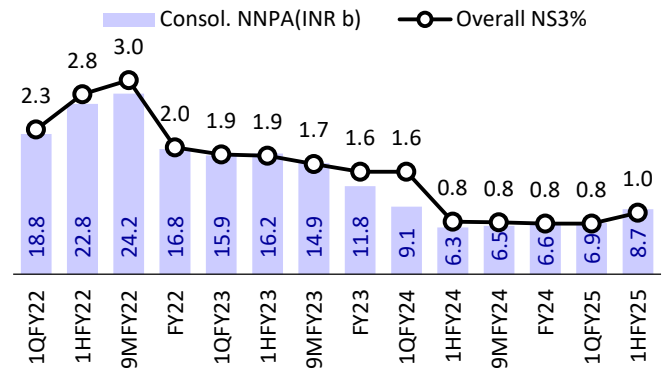
Exhibit 5: Borrowing mix (%)



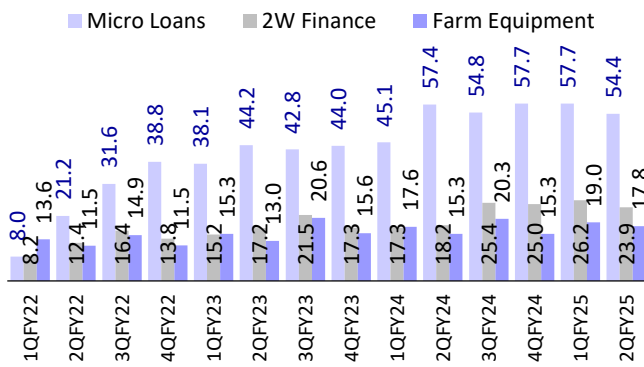
Source: MOFSL, Company

**Exhibit 6: GS3 rose ~5bp QoQ (%)**

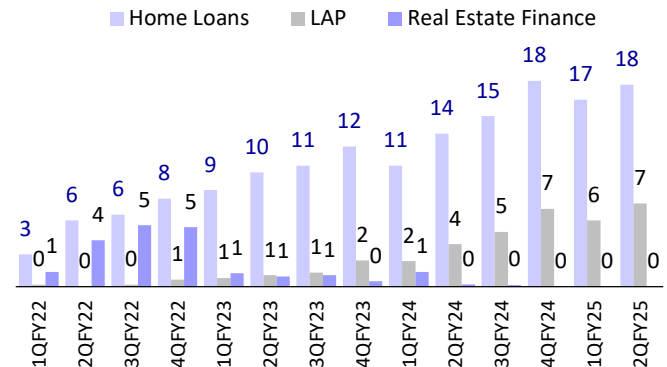
Source: MOFSL, Company

**Exhibit 7: NS3 rose ~15bp QoQ (%)**

Source: MOFSL, Company

**Exhibit 8: Micro-loan disbursement was muted because of sectoral stress (INR b)**

Source: MOFSL, Company

**Exhibit 9: LAP disbursements gradually picking up (INR b)**

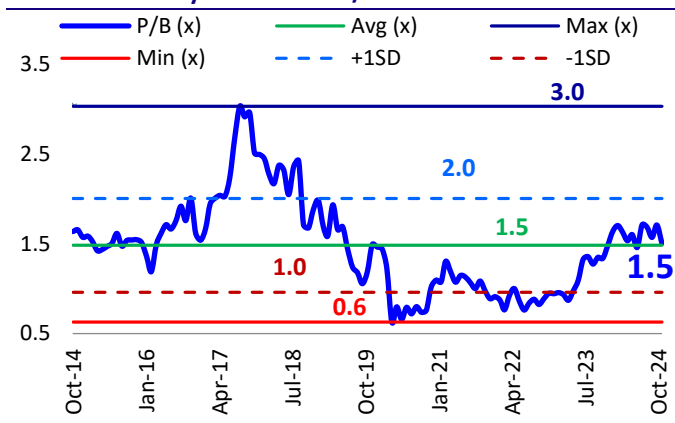
Source: MOFSL, Company



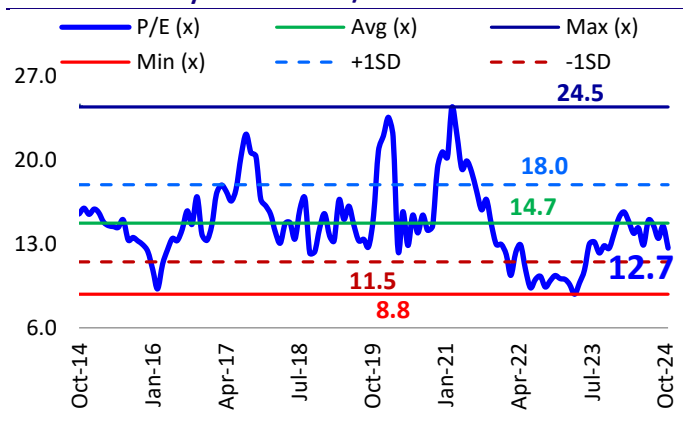
**Exhibit 10: We cut our FY25/FY26 EPS by ~2% each to factor in higher credit costs and lower growth in the MFI business**

INR b	Old estimates			New estimates			% change		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
<b>Total Income</b>	<b>103.4</b>	<b>126.0</b>	<b>154.4</b>	<b>104.9</b>	<b>125.6</b>	<b>154.1</b>	<b>1.4</b>	<b>-0.3</b>	<b>-0.1</b>
Operating Expenses	41.5	47.9	54.6	41.0	47.9	54.6	-1.3	0.0	0.0
<b>Operating Profits</b>	<b>61.9</b>	<b>78.1</b>	<b>99.8</b>	<b>63.9</b>	<b>77.7</b>	<b>99.5</b>	<b>3.1</b>	<b>-0.5</b>	<b>-0.2</b>
Provisions	24.2	30.9	38.7	26.7	31.5	38.1	10.3	2.2	-1.7
<b>PBT</b>	<b>37.7</b>	<b>47.2</b>	<b>61.0</b>	<b>37.2</b>	<b>46.2</b>	<b>61.5</b>	<b>-1.5</b>	<b>-2.2</b>	<b>0.7</b>
Tax	9.4	11.8	15.3	9.3	11.6	15.4	-1.5	-2.2	0.7
<b>PAT</b>	<b>28.3</b>	<b>35.4</b>	<b>45.8</b>	<b>27.9</b>	<b>34.7</b>	<b>46.1</b>	<b>-1.5</b>	<b>-2.2</b>	<b>0.7</b>
Loan book	1,013	1,273	1,596	985	1,243	1,576	-2.8	-2.3	-1.2
Borrowings	962	1,209	1,516	931	1,181	1,497	-3.3	-2.3	-1.2

Source: MOFSL, Company

**Exhibit 11: One-year forward P/B**

Source: MOFSL, Company

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

Source: MOFSL, Company

## Financials and Valuation

Income statement									(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	1,16,403	1,32,447	1,31,049	1,17,042	1,25,651	1,29,139	1,50,073	1,83,776	2,29,727
Interest Expended	68,600	75,136	71,999	57,494	57,972	53,772	60,802	74,951	93,723
<b>Net Interest Income</b>	<b>47,803</b>	<b>57,311</b>	<b>59,049</b>	<b>59,548</b>	<b>67,679</b>	<b>75,367</b>	<b>89,271</b>	<b>1,08,826</b>	<b>1,36,004</b>
Change (%)	39.8	19.89	3.0	0.8	13.7	11.4	18.4	21.9	25.0
Other Operating Income	13,494	8,594	5,732	6,053	3,569	6,667	15,012	16,150	17,383
<b>Net Operating Income</b>	<b>61,297</b>	<b>65,905</b>	<b>64,782</b>	<b>65,601</b>	<b>71,248</b>	<b>82,034</b>	<b>1,04,283</b>	<b>1,24,976</b>	<b>1,53,386</b>
Change (%)	28.7	7.5	-1.7	1.3	8.6	15.1	27.1	19.8	22.7
Other Income	3,118	3,726	6,276	3,928	5,268	4,745	569	655	753
<b>Net Income</b>	<b>64,415</b>	<b>69,632</b>	<b>71,058</b>	<b>69,529</b>	<b>76,515</b>	<b>86,779</b>	<b>1,04,853</b>	<b>1,25,631</b>	<b>1,54,139</b>
Change (%)	33.7	8.1	2.0	-2.2	10.0	13.4	20.8	19.8	22.7
Operating Expenses	19,215	19,785	19,749	23,946	28,732	35,079	40,970	47,898	54,598
<b>Operating Profits</b>	<b>45,200</b>	<b>49,846</b>	<b>51,309</b>	<b>45,582</b>	<b>47,783</b>	<b>51,701</b>	<b>63,882</b>	<b>77,732</b>	<b>99,542</b>
Change (%)	31.8	10.3	2.9	-11.2	4.8	8.2	23.6	21.7	28.1
Provisions/write offs	14,681	23,046	36,357	30,833	25,404	21,410	26,706	31,520	38,053
<b>PBT</b>	<b>30,520</b>	<b>26,801</b>	<b>14,952</b>	<b>14,750</b>	<b>22,379</b>	<b>30,290</b>	<b>37,177</b>	<b>46,212</b>	<b>61,489</b>
Tax	8,200	9,798	5,463	4,256	6,464	7,119	9,294	11,553	15,372
Tax Rate (%)	26.9	36.6	36.5	28.9	28.9	23.5	25.0	25.0	25.0
<b>PAT before pref dividend</b>	<b>22,320</b>	<b>17,003</b>	<b>9,489</b>	<b>10,494</b>	<b>15,915</b>	<b>23,171</b>	<b>27,882</b>	<b>34,659</b>	<b>46,117</b>
Change (%)	74.7	-23.8	-44.2	10.6	51.7	45.6	20.3	24.3	33.1
Preference Dividend	0	0	0	0	0	0	0	0	0
<b>PAT to equity shareholders (incl. extraordinary items)</b>	<b>22,320</b>	<b>17,003</b>	<b>9,489</b>	<b>10,704</b>	<b>16,216</b>	<b>23,171</b>	<b>27,882</b>	<b>34,659</b>	<b>46,117</b>
Change (%)	75	-24	-44	13	52	43	20	24	33
<b>Proposed Dividend</b>	<b>2,319</b>	<b>2,093</b>	<b>0</b>	<b>1,237</b>	<b>4,959</b>	<b>6,222</b>	<b>7,249</b>	<b>8,491</b>	<b>10,146</b>

Balance sheet									(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	19,988	20,048	24,695	24,740	24,797	24,889	24,889	24,889	24,889
Reserves & Surplus	1,14,498	1,26,876	1,63,038	1,74,737	1,90,487	2,09,495	2,31,155	2,58,565	2,96,190
<b>Borrowings</b>	<b>9,15,070</b>	<b>9,38,945</b>	<b>8,85,558</b>	<b>8,52,012</b>	<b>8,30,435</b>	<b>7,65,409</b>	<b>9,30,606</b>	<b>11,80,681</b>	<b>14,97,115</b>
Change (%)	21.6	2.6	-5.7	-3.8	-2.5	-7.8	21.6	26.9	26.8
Other liabilities	10,995	9,577	16,427	17,533	17,903	27,383	28,707	30,098	31,558
<b>Total Liabilities</b>	<b>10,60,551</b>	<b>10,95,447</b>	<b>10,89,717</b>	<b>10,69,022</b>	<b>10,63,621</b>	<b>10,27,176</b>	<b>12,15,357</b>	<b>14,94,233</b>	<b>18,49,751</b>
<b>Loans</b>	<b>9,13,246</b>	<b>9,14,625</b>	<b>8,70,303</b>	<b>8,24,694</b>	<b>7,51,546</b>	<b>8,13,594</b>	<b>9,84,768</b>	<b>12,42,822</b>	<b>15,75,910</b>
Change (%)	18.5	0.2	-4.8	-5.2	-8.9	8.3	21.0	26.2	26.8
<b>Investments</b>	<b>86,408</b>	<b>59,793</b>	<b>88,721</b>	<b>1,19,169</b>	<b>1,43,662</b>	<b>1,23,849</b>	<b>1,30,041</b>	<b>1,36,543</b>	<b>1,43,371</b>
Change (%)	63.0	-30.8	48.4	34.3	20.6	-13.8	5.0	5.0	5.0
Net Fixed Assets	11,660	11,621	11,621	5,306	5,573	5,550	5,827	6,119	6,425
Other assets	49,237	1,09,408	1,19,071	1,19,852	1,62,841	84,183	94,720	1,08,748	1,24,046
<b>Total Assets</b>	<b>10,60,551</b>	<b>10,95,447</b>	<b>10,89,717</b>	<b>10,69,022</b>	<b>10,63,621</b>	<b>10,27,176</b>	<b>12,15,357</b>	<b>14,94,233</b>	<b>18,49,751</b>

E: MOSL Estimates

## Financials and Valuation

AUM Mix							(%)		
AUM Details	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Asset Under Management	9,91,220	9,83,850	9,40,140	8,83,400	8,08,930	8,55,640	10,36,598	13,08,234	16,58,853
Change (%)	16.1	-0.7	-4.4	-6.0	-8.4	5.8	21.1	26.2	26.8
Rural	25.8	28.1	32.0	39.0	58.5	70.3	69.3	68.9	67.9
Housing	25.7	27.0	25.2	24.8	23.7	24.3	26.7	27.4	28.0
Focused - Wholesale	38.0	39.5	39.9	34.5	17.0	3.7	1.2	0.5	0.2
Defocused - Wholesale	10.5	5.3	2.9	1.7	0.4	0.0	0.0	0.0	0.0
Ratios							(%)		
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Spreads Analysis (%)									
Avg. Yield on Loans	13.8	14.5	14.7	13.8	15.9	16.5	16.7	16.5	16.3
Avg. Cost-Int. Bear. Liab.	8.2	8.1	7.9	6.6	6.9	6.7	7.2	7.1	7.0
Loan Spreads	5.6	6.4	6.8	7.2	9.1	9.8	9.5	9.4	9.3
NIM on loans	5.7	6.3	6.6	7.0	8.6	9.6	9.9	9.8	9.7
Profitability Ratios (%)									
Int. Expended/Int.Earned	58.9	56.7	54.9	49.1	46.1	41.6	40.5	40.8	40.8
Other Inc./Net Income	25.8	17.7	16.9	14.4	11.5	13.2	14.9	13.4	11.8
Op. Exps./Net Income	29.8	28.4	27.8	34.4	37.6	40.4	39.1	38.1	35.4
Empl. Cost/Op. Exps.	42.9	53.7	51.0	47.5	49.1	51.5	52.9	54.3	55.3
Provisions/PPoP (%)	32.5	46.2	70.9	67.6	53.2	41.4	41.8	40.5	38.2
Asset Quality (%)									
Gross NPAs	55,490	50,370	45,040	35,430	38,320	26,980	27,243	30,649	37,530
Gross NPAs to Adv.	5.9	5.3	5.0	4.2	4.7	3.2	2.7	2.4	2.3
Net NPAs	21,740	20,780	13,770	16,780	11,780	6,610	7,337	7,665	9,475
Net NPAs to Adv.	2.4	2.3	1.6	2.0	1.6	0.8	0.7	0.6	0.6
PCR (%)	60.8	58.7	69.4	52.6	69.3	75.5	73.1	75.0	74.8
ECL/EAD (%)									
Return ratios and Capitalisation (%)									
RoE	18.0	12.1	5.7	5.5	7.8	10.3	11.4	12.8	15.3
RoA	2.3	1.6	0.9	1.0	1.5	2.2	2.5	2.6	2.8
CAR									
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Debt to Equity (x)	6.8	6.4	4.7	4.3	3.9	3.3	3.6	4.2	4.7
Average Assets/Equity (x)	7.8	7.7	6.5	5.6	5.1	4.6	4.6	5.0	5.5
VALUATION									
Book Value (INR)	67.3	73.3	76.0	80.6	86.8	94.2	102.9	113.9	129.0
Price-BV (x)	2.3	2.2	2.1	2.0	1.8	1.7	1.5	1.4	1.2
EPS (INR)	11.2	8.5	3.8	4.3	6.5	9.3	11.2	13.9	18.5
EPS Growth YoY	74.4	-24.1	-54.7	12.6	51.2	42.4	20.3	24.3	33.1
Price-Earnings (x)	14.1	18.6	41.1	36.5	24.2	17.0	14.1	11.3	8.5
Dividend per share (INR)	1.0	0.9	0.0	0.5	2.0	2.5	2.9	3.4	4.1
Dividend yield (%)	0.6	0.6	0.0	0.3	1.3	1.6	1.8	2.2	2.6
E: MOSL Estimates									

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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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Exhibit 1: 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.

Exhibit 2: 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.

Exhibit 3: