22 October 2024
2QFY25 Results Update | Sector: Financials

Bajaj Finance

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BAF IN
Equity Shares (m)	619
M.Cap.(INRb)/(USDb)	4133.6 / 49.2
52-Week Range (INR)	7885 / 6188
1, 6, 12 Rel. Per (%)	-7/-18/-39
12M Avg Val (INR M)	8951

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Net Income	363	450	565
PPP	239	300	380
PAT	144	165	213
EPS (INR)	234	267	344
EPS Gr. (%)	23	14	29
BV/Sh. (INR)	1,240	1,582	1,881
Ratios			
NIM (%)	10.4	9.8	9.9
C/I ratio (%)	34.0	33.3	32.8
RoA (%)	4.4	3.9	4.0
RoE (%)	22.0	18.9	19.9
Payout (%)	15.4	15.0	13.1
Valuations			
P/E (x)	28.6	25.0	19.4
P/BV (x)	5.4	4.2	3.6
Div. Yield (%)	0.5	0.6	0.7

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	54.7	54.7	55.9
DII	15.1	14.3	13.1
FII	20.9	21.2	20.5
Others	9.4	9.8	10.5

FII includes depository receipts

CMP: INR6,678 TP: INR7,320 (+10%) Neutral

Elevated credit costs remain a drag on earnings

Broad-based stress across retail and SME; credit cost guidance increased

- Bajaj Finance (BAF)'s reported PAT in 2QFY25 grew 13% YoY to ~INR40.1b (in line). NII grew 23% YoY to ~INR88.4b (in line). Non-interest income stood at ~INR21.1b (+3% QoQ). Fee income was lower QoQ due to the transfer of the collections activity to RBL Bank (in its co-branded credit cards). 1HFY25 PAT grew 13% YoY to ~INR79.3b and we estimate 2HFY25 PAT to grew 15% YoY.
- BAF's 2QFY25 NIM contracted ~5bp QoQ to ~9.7%. The company expects that the ~25bp reduction in repo rates will lead to a ~10-12bp expansion in the NIM. However, the company plans to leverage the NIM expansion to support the growth of some of its newer lines of business launched over the past two years. We estimate NIM at 9.8%/9.9% in FY25/FY26.
- The company has guided for AUM growth of ~27-28% in FY25, with newer businesses contributing 2-3% to this growth, while existing businesses are expected to grow at ~24-25% YoY in FY25. In the medium term, it has guided for AUM growth of ~25-27%.
- BAF is cautiously optimistic about the portfolio movement, observing that loan losses peaked in 2Q and are expected to decline to ~2% by 4Q. It has guided for credit costs of ~205bp in FY25 (vs. the earlier guidance of 1.75-1.85%) and credit costs of 185bp-195bp for FY26.
- We cut our FY25/FY26 PAT estimate by ~2%/5% to factor in higher credit costs. We estimate a CAGR of ~27%/24% in AUM/PAT over FY24-FY27 and expect BAF to deliver RoA/RoE of ~4.1%/21% in FY27.
- While the valuations are attractive at 3.6x P/BV and 19x FY26E P/E, we believe that the asset quality stress is becoming more broad-based and spilling over to product segments across its retail and SME offerings. We do not anticipate any significant upside catalysts until it successfully navigates the challenges on the horizon. Maintain Neutral with a TP of INR7,320.

AUM rose ~29% YoY; healthy new customer acquisitions

- BAF's total customer franchise stood at ~ 92.1m, up ~20% YoY and ~5% QoQ. New customer acquisitions stood at ~4m (vs. ~3.6m YoY and ~4.5m QoQ). The company now estimates new customer acquisitions of ~15-16m in FY25. New loans booked rose ~14% YoY to ~9.7m (vs. ~8.5m in 2QFY24).
- Total AUM grew 29% YoY and ~6% QoQ to INR3.74t.

Deterioration in asset quality; GNPA/NNPA rises ~20bp/10bp

- BAF's GS3/NS3 deteriorated with GNPA/NNPA rising ~20bp/10bp to ~1.1%/0.5%, respectively, and the Stage 3 PCR increased ~1pp QoQ to ~57%.
- Net credit costs in 2QFY25 stood at ~2.1% (PY: ~1.5%). During the quarter, stage 2 assets decreased ~INR3.6b, while stage 3 assets increased ~INR9b. The net increase in stage 2 & 3 assets was ~INR5.4b. **This increase was across all retail and SME lines of businesses.** We model net credit costs of 2.1%/2.0% in FY25/FY26E.

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Highlights from the management commentary

- The management believes that non Bajaj Auto 2W financing is a large opportunity and expects to significantly expand this business in the medium term. The company is also evaluating its strategy for the 3W business.
- Clients who have three or more live unsecured loans have a higher propensity to default and lower collection efficiencies. The proportion of non-B2B customers with 3+ unsecured loans is only ~9-10% (vs. 13% at its peak and ~8% pre-COVID).

Valuation and view

- Earlier, we were under the impression that credit costs would remain elevated in FY25 and normalize from FY26 onwards. However, the company has increased its credit costs guidance to 185-195bp (vs. 175-185bp earlier) for FY26. BAF's key product segments (until now) have been the secular growth segments. However, its foray into multiple new areas, such as cars, tractors, CVs, and MFI, could (in future) make its growth and credit costs vulnerable to cyclicality, despite having a well-diversified product mix.
- Despite a healthy PAT CAGR of ~24% over FY24-FY27E and RoA/RoE of 4.1%/21% in FY27E, we see limited upside catalysts. Consequently, we maintain **our Neutral rating on the stock with a TP of INR7,320 (premised on 3.5x Sep'26E BVPS).**

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	2Q FY25E	Act V/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	1,08,211	1,17,340	1,25,233	1,32,301	1,40,492	1,49,870	1,58,862	1,67,743	4,83,066	6,16,968	149,764	0
Interest Expenses	41,025	45,371	48,680	52,171	56,839	61,493	65,183	69,043	1,87,247	2,52,558	61,215	0
Net Interest Income	**67,186**	**71,970**	**76,553**	**80,130**	**83,653**	**88,377**	**93,680**	**98,700**	**2,95,819**	**3,64,410**	**88,549**	0
YoY Growth (%)	27.4	30.0	29.3	28.1	24.5	22.8	22.4	23.2	28.7	23.2	23.0	
Other Operating Income	16,795	16,477	16,436	17,019	20,531	21,084	21,505	22,825	66,759	85,945	19,501	8
Net Income	**83,980**	**88,447**	**92,989**	**97,149**	**104,185**	**109,461**	**115,185**	**121,525**	**362,578**	**4,50,355**	**108,051**	**1**
YoY Growth (%)	33.3	26.3	25.1	25.0	24.1	23.8	23.9	25.1	25.7	24.2	22.2	
Operating Expenses	28,544	30,100	31,567	33,028	34,709	36,390	38,391	40,687	1,23,252	1,50,177	36,306	0
Operating Profit	**55,437**	**58,347**	**61,422**	**64,121**	**69,475**	**73,071**	**76,793**	**80,838**	**2,39,326**	**3,00,178**	**71,745**	2
YoY Growth (%)	37.0	30.0	26.6	25.3	25.3	25.2	25.0	26.1	27.9	25.4	23.0	
Provisions and Cont.	9,953	10,771	12,484	13,100	16,847	19,091	21,255	20,882	46,307	78,074	17,474	9
Profit before Tax	**45,512**	**47,578**	**48,955**	**51,051**	**52,654**	**53,980**	**55,539**	**59,973**	**1,93,036**	**2,22,121**	**54,270**	-1
Tax Provisions	11,143	12,070	12,566	12,806	13,534	13,877	14,273	15,174	48,584	56,859	14,056	-1
Net Profit	**34,369**	**35,508**	**36,390**	**38,245**	**39,120**	**40,103**	**41,265**	**44,799**	**1,44,452**	**1,65,262**	**40,214**	0
YoY Growth (%)	36.8	27.7	22.4	21.1	13.8	12.9	13.4	17.1	25.5	14.4	13.3	
Key Operating Parameters (%)												
Fees to Net Income Ratio	20.0	18.6	17.7	17.5	19.7	19.3	18.7	18.8	18.4	19.1		
Credit Cost	1.57	1.56	1.69	1.66	1.99	2.12	2.23	2.05	1.6	2.1		
Cost to Income Ratio	34.0	34.0	33.9	34.0	33.3	33.2	33.3	33.5	34.0	33.3		
Tax Rate	24.5	25.4	25.7	25.1	25.7	25.7	25.7	25.3	25.2	25.6		
Balance Sheet Parameters						5.6						
AUM (INR B)	2,701	2,903	3,110	3,306	3,542	3,739	3,990	4,232	3,306	3,542		
Change YoY (%)	42.3	32.9	34.7	33.6	38.4	28.8	28.3	28.0	33.6	38.4		
Loans (INR B)	2,653	2,857	3,064	3,263	3,497	3,692	3,950	4,193	3,263	3,497		
Change YoY (%)	44.1	34.3	35.9	34.7	39.2	29.2	28.9	28.5	34.7	39.2		
Borrowings (INR B)	2,352	2,544	2,639	2,895	3,048	3,192	3,423	3,669	2,895	3,048		
Change YoY (%)	47.8	38.8	31.1	34.4	35.7	25.5	29.7	26.7	34.4	35.7		
Loans/Borrowings (%)	112.8	112.3	116.1	112.7	114.7	115.7	115.4	114.3	112.7	114.7		
Asset Quality Parameters (%)												
GS 3 (INR B)	23.5	26.5	29.6	28.2	30.5	39.5	0.0	0.0	27.4	49.1		
Gross Stage 3 (% on Assets)	0.87	0.91	0.95	0.85	0.86	1.06	0.00	0.00	0.83	1.15		
NS 3 (INR B)	8.3	9.0	11.4	12.1	13.4	17.0	0.0	0.0	11.8	21.1		
Net Stage 3 (% on Assets)	0.31	0.31	0.37	0.37	0.38	0.46	0.00	0.00	0.36	0.50		
PCR (%)	77.4	66.0	61.7	57.0	85.5	57.1	#DIV/0!	0.0	56.8	57.0		
Return Ratios (%)												
ROAA (Rep)	5.42	5.16	4.92	4.84	4.63	4.48	0	0	4.4	3.9		
ROAE (Rep)	24.47	24.1	21.95	20.48	19.86	19.08	0	0	22.0	18.9		

E: MOFSL Estimates

Highlights from the management commentary

Opening Remarks

- On a consolidated basis, it was a mixed quarter marked by strong AUM growth and operating efficiencies. However, credit costs and loan losses remained elevated in 2Q.
- New lines of businesses have started contributing 2%-3% to the AUM growth. AUM composition on a YoY basis remained stable.
- New loans booked were up ~14% YoY to 9.7m in 2QFY25 as against 8.5m in 2QFY24. BAF now estimates new customer acquisitions of 15-16m in FY25.
- Deposit growth is softer due to the significant price war for deposits.

Guidance

- In 2Q, the cost of funds was ~7.97%, an increase of 3bp QoQ. The company estimates that COF has peaked as of 2Q.
- BAF is cautiously optimistic and observed that loan losses peaked in 2Q and are expected to decline to ~2% by 4QFY25. It has guided for credit costs of 2.05% in FY25 (vs. the earlier guidance of 1.75-1.85%) and credit costs of 185bp-195bp for FY26.
- The company has guided for FY25 AUM growth of ~27-28%, with newer businesses contributing 2-3% to this AUM growth. Existing businesses will witness a growth of 24-25% YoY in FY25. In the medium term, it has guided for AUM growth of 25-27%.

Festive Demand

- In discretionary consumption businesses, the company experienced healthy momentum during the festive period.
- It witnessed ~8% YoY growth in 1Q and a 9% YoY growth in 2Q in terms of units sold.
- During the current festive period, the company has been witnessing volume growth of ~21% YoY and value growth of ~19-20% YoY.

Asset Quality

- Bounce (Default) rates are still lower while flow rates are higher.
- Close to 2,000 people in debt recovery have been added in deeper geographies, and the underwriting actions that it has taken over the past 4-5 months make it cautiously optimistic.
- Loan losses and provisions remained elevated in 2Q. During this quarter, stage 2 assets have reduced by INR3.6b and stage 3 assets have increased by INR9b. The net increase in stage 2 & 3 assets was INR5.4b. This increase was across all retail and SME lines of businesses.
- Gross loan loss to average AUF was 2.16% in 2Q, in line with Q1.
- Clients who have three or more live unsecured loans have a higher propensity to default and lower collection efficiencies. Non-B2B customers who come with 3+ unsecured loans is only ~9-10% (vs. 13% at its peak and ~8% pre-COVID)

Update on the 2W Business

- In Jun'22, BFL started the non-Bajaj Auto (BAL) 2W financing business. In Sep'22, BAL decided to set up its own captive financing unit, Bajaj Auto Credit (BACL). BACL started its operations in 4QFY24.
- In FY24, BFL financed 864K 2W and 199K Three-Wheelers (3W) of BAL. During 1HFY25, BFL financed 217K 2W and 55K 3W of BAL.
- BAF's financing to BAL customers has reduced considerably following the commencement of business operations by BACL.
- Over the past two years, BAF has grown its non-Bajaj Auto 2W financing business to 35K accounts per month. It expects to disburse 480K non-BAL 2W loans in FY25 and 720K loans in FY26.
- Non-BAL 2W financing is a large opportunity and the company expects to significantly expand this business in the medium term. The company is evaluating its strategy for the 3W business. The impact on 2W volumes will be completely mitigated by Mar'26, and the company is in the process of evaluating what its strategy should be in the 3W business.
- In terms of credit performance, all captive businesses are more volatile than non-captive businesses. The 2W Bajaj Auto Loan business will unwind completely over the next two years.
- 2W contributes ~4% to the AUM and ~18% to the consolidated GNPA. Eventually, as this book winds down, it will result in lower loan losses. The non-captive 2W business comes with lower credit costs.
- Long-term loan losses in 2W were ~4% compared to ~1.5% in FY24. It is now trending to be higher than its long-term loan loss average in 2W.

Opex

- The opex to net total income improved to ~33% as against ~34% YoY. The company continues to optimize its operating expenses and rapidly implement GenAI capabilities to improve productivity.
- It views operating costs as a lever and will continue to make progress, expecting this number to trend downward.
- Over the past 18 months, the company has launched several businesses and made investments in newer businesses. Going forward the investment intensity in the newer businesses are expected to be marginal and provide operating leverage in the subsequent years.
- The company seeks to bring down Opex to NII by 20-40bp YoY.

Margins

- BAF expects that the ~25bp drop in the Repo rates will lead to a 10-12bp expansion in NIM. However, it aims to leverage the NIM expansion to support the growth of some of its newer lines of business launched over the past two years.

Fee Income

- Fee income was lower QoQ due to the transfer of the collections activity to RBL Bank (in the co-branded credit cards).

Rural B2C

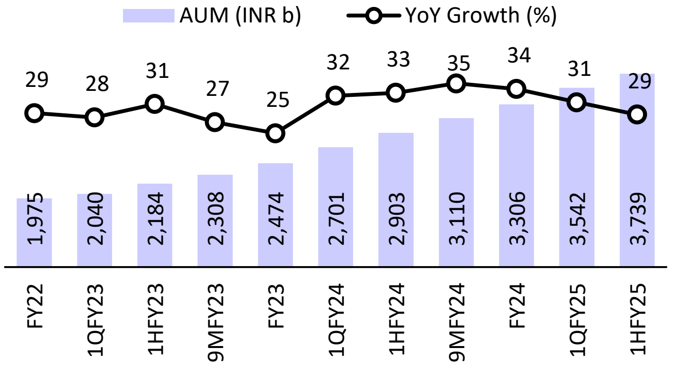
- The company expects this business to grow 12-14% in FY25.

Others

- New 2W, Tractors, Cars, CV (went live in July), and Gold Loans: These five lines of businesses have yet to break out, with some expected to do so in 4QFY25.
- In the Tractors segment, monthly volumes have been around INR650m-700m since Jan'24.
- 3-4% of the customers would qualify for an MFI loan with a household annual income below INR300k. For BAF, its rural business still operates in smaller towns and cities. Rural B2C also includes ~INR6b of the MFI JLG business.

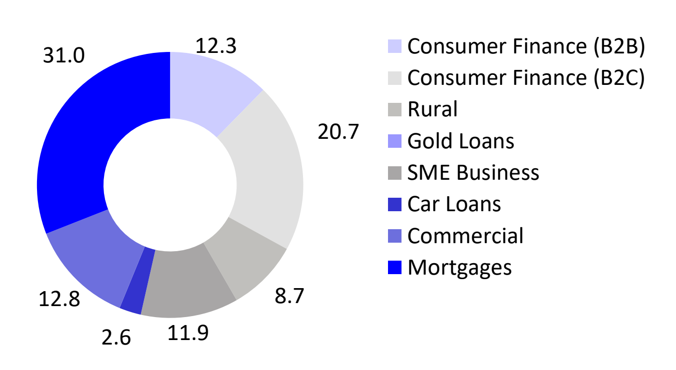
Story in charts

Exhibit 1: AUM growth healthy at 29% YoY



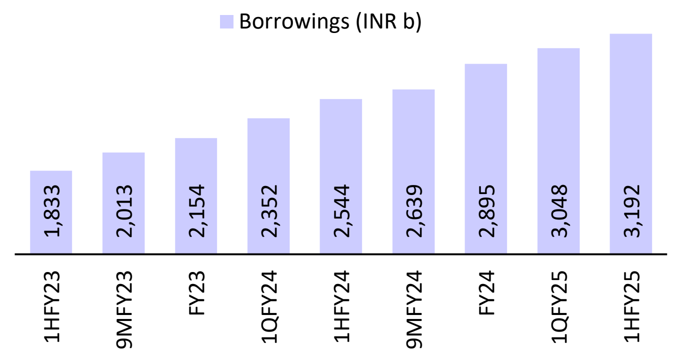
Source: MOFSL, Company

Exhibit 2: AUM mix (%)



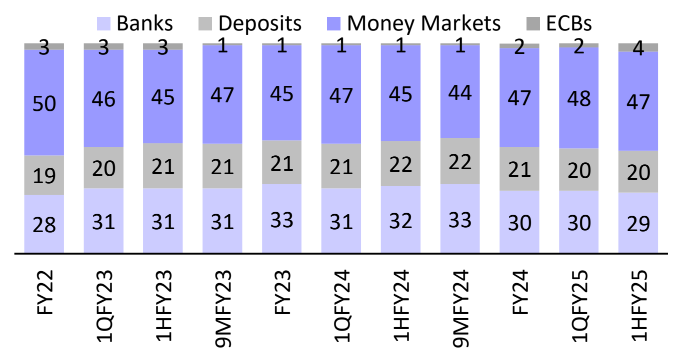
Source: MOFSL, Company; Note: Data as of 2QFY25

Exhibit 3: Borrowings grew 25% YoY



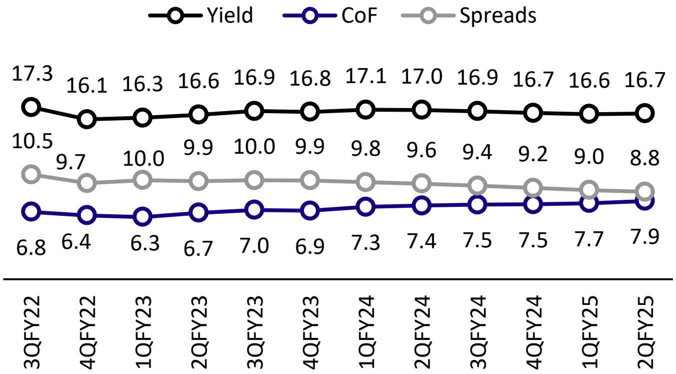
Source: MOFSL, Company

Exhibit 4: Increase in ECB borrowings (%)



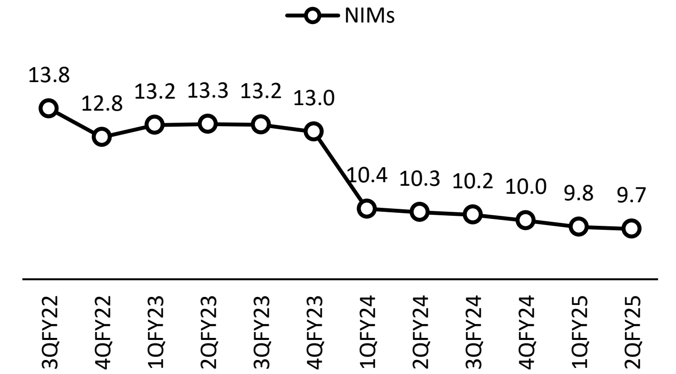
Source: MOFSL, Company

Exhibit 5: Calculated spreads declined ~20bp QoQ (%)



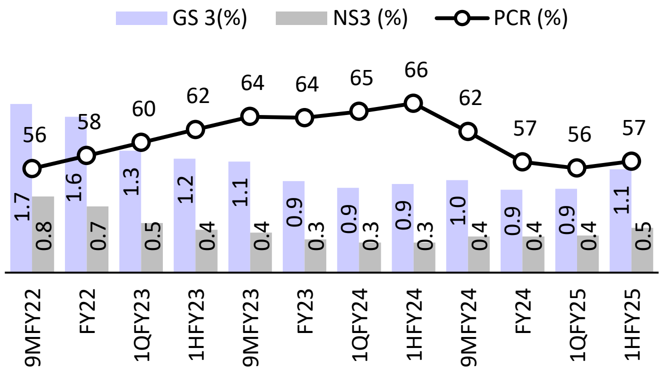
Source: MOFSL, Company

Exhibit 6: NIMs contracted ~5bp QoQ (%)



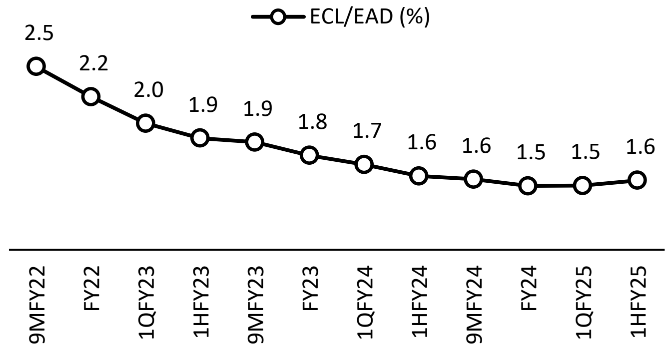
Source: MOFSL, Company

Exhibit 7: GS3 deteriorated ~20bp QoQ (%)



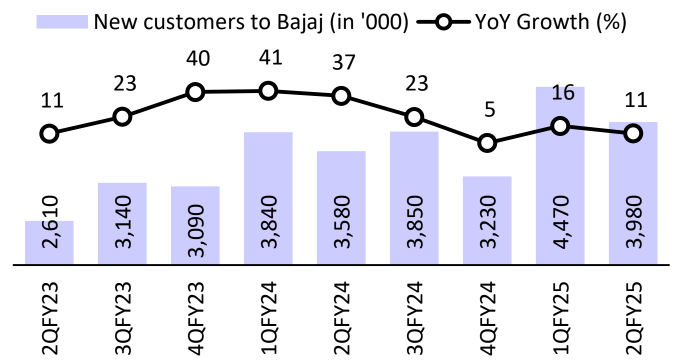
Source: MOFSL, Company

Exhibit 8: Total ECL provisions stood at ~160bp of EAD



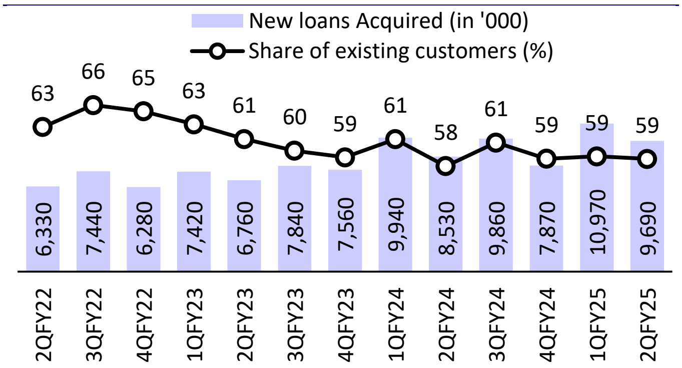
Source: MOFSL, Company

Exhibit 9: New customer additions grew ~11% YoY



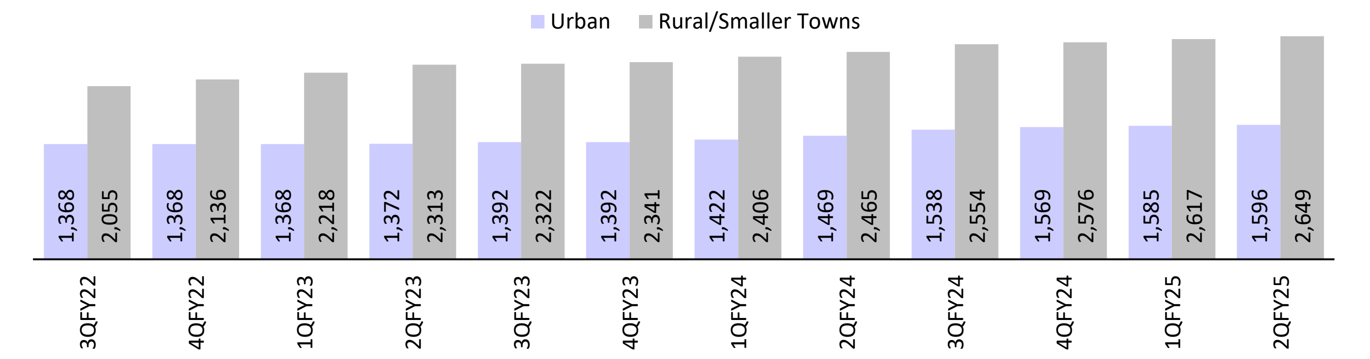
Source: MOFSL, Company

Exhibit 10: Share of existing customers in new loans booked was stable at ~59%



Source: MOFSL, Company

Exhibit 11: Trend in branch expansion



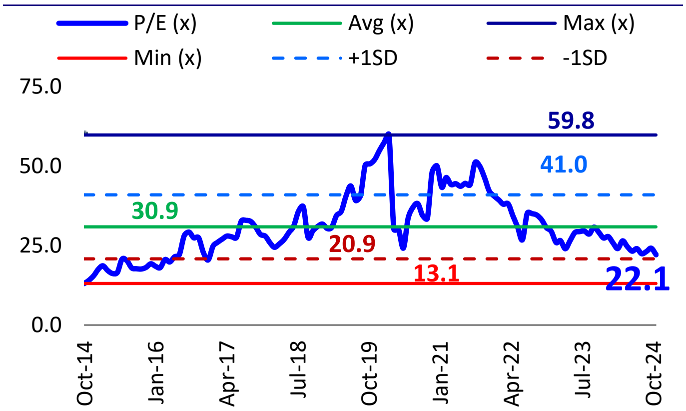
Source: MOFSL, Company

Exhibit 12: We cut our FY25E/FY26E EPS by 2%/5% to factor in higher credit costs

INR B	Old Est.			New Est.			% Change		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
NII	366.0	475.9	606.2	364.4	472.6	599.1	-0.4	-0.7	-1.2
Other Operating Income	79.3	89.8	105.3	85.8	92.0	104.5	8.1	2.5	-0.8
Other Income	0.2	0.2	0.3	0.2	0.2	0.3	0.0	0.0	0.0
Total Income	**445.5**	**565.9**	**711.8**	**450.4**	**564.9**	**703.9**	**1.1**	**-0.2**	**-1.1**
Operating Expenses	149.7	182.4	220.9	150.2	185.4	227.7	0.3	1.7	3.0
Operating Profits	**295.8**	**383.6**	**490.8**	**300.2**	**379.5**	**476.2**	**1.5**	**-1.1**	**-3.0**
Provisions	69.6	82.5	97.0	78.1	94.7	110.8	12.2	14.8	14.2
PBT	**226.3**	**301.1**	**393.8**	**222.1**	**284.8**	**365.4**	**-1.8**	**-5.4**	**-7.2**
Tax	57.0	75.9	99.2	56.9	71.8	92.1	-0.3	-5.4	-7.2
PAT	**169.2**	**225.2**	**294.6**	**165.2**	**213.0**	**273.3**	**-2.4**	**-5.4**	**-7.2**
Loans	4,225	5,388	6,815	4,193	5,346	6,763	-0.8	-0.8	-0.8
Borrowings	3,697	4,714	5,936	3,669	4,667	5,883	-0.8	-1.0	-0.9
RoA	**4.0**	**4.2**	**4.4**	**3.9**	**4.0**	**4.1**			
RoE	**19.6**	**21.3**	**23.0**	**18.9**	**19.9**	**21.3**			

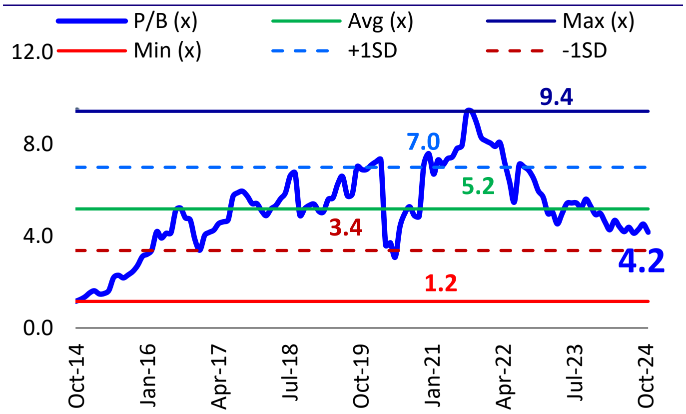
Source: MOFSL, Company

Exhibit 13: One-year forward P/E



Source: MOFSL, Company

Exhibit 14: One-year forward P/B



Source: MOFSL, Company

Financials and valuations

Income Statement									INR m
Y/E MARCH	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Interest Income	1,63,488	2,29,704	2,33,034	2,72,698	3,55,502	4,83,066	6,16,968	7,83,134	9,86,841
Interest Expended	66,236	94,732	94,140	97,482	1,25,599	1,87,247	2,52,558	3,10,506	3,87,728
Net Interest Income	**97,252**	**1,34,972**	**1,38,894**	**1,75,215**	**2,29,903**	**2,95,819**	**3,64,410**	**4,72,627**	**5,99,113**
Change (%)	39.5	38.8	2.9	26.2	31.2	28.7	23.2	29.7	26.8
Other Operating Income	21,384	34,034	33,647	43,627	58,472	66,629	85,776	92,037	1,04,531
Other Income	130	118	150	80	83	130	169	212	264
Net Income	**1,18,766**	**1,69,124**	**1,72,691**	**2,18,922**	**2,88,458**	**3,62,578**	**4,50,355**	**5,64,876**	**7,03,909**
Change (%)	45.9	42.4	2.1	26.8	31.8	25.7	24.2	25.4	24.6
Operating Expenses	41,961	56,608	53,082	75,850	1,01,300	1,23,252	1,50,177	1,85,372	2,27,676
Operating Profits	**76,805**	**1,12,516**	**1,19,608**	**1,43,072**	**1,87,158**	**2,39,326**	**3,00,178**	**3,79,505**	**4,76,233**
Change (%)	57.6	46.5	6.3	19.6	30.8	27.9	25.4	26.4	25.5
Provisions and W/Offs	15,014	39,295	59,686	48,034	31,897	46,307	78,074	94,733	1,10,801
PBT	**61,792**	**73,221**	**59,923**	**95,038**	**1,55,279**	**1,93,019**	**2,22,104**	**2,84,772**	**3,65,432**
Tax	21,842	20,584	15,724	24,756	40,202	48,584	56,859	71,763	92,089
Tax Rate (%)	35.3	28.1	26.2	26.0	25.9	25.2	25.6	25.2	25.2
PAT	**39,950**	**52,638**	**44,198**	**70,282**	**1,15,077**	**1,44,435**	**1,65,245**	**2,13,009**	**2,73,343**
Change (%)	60.0	31.8	-16.0	59.0	63.7	25.5	14.4	28.9	28.3
Proposed Dividend	4,320	7,254	6,026	6,036	18,540	22,248	24,707	27,798	33,977

Balance Sheet									INR m
Y/E MARCH	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Capital	1,154	1,200	1,203	1,207	1,209	1,236	1,239	1,239	1,239
Reserves & Surplus (Ex OCI)	1,95,809	3,22,951	3,69,179	4,36,643	5,43,349	7,65,198	9,78,680	11,63,892	14,03,258
Net Worth	**1,96,963**	**3,24,150**	**3,70,382**	**4,37,850**	**5,44,558**	**7,66,434**	**9,79,919**	**11,65,131**	**14,04,497**
OCI	7	-874	-1,198	-723	-839	519	519	519	519
Net Worth (Including OCI)	**1,96,970**	**3,23,276**	**3,69,184**	**4,37,127**	**5,43,720**	**7,66,954**	**9,80,438**	**11,65,650**	**14,05,016**
Change (%)	24.3	64.1	14.2	18.4	24.4	41.1	27.8	18.9	20.5
Borrowings	**10,15,879**	**12,98,064**	**13,16,335**	**16,52,549**	**21,67,399**	**29,34,052**	**36,68,761**	**46,66,978**	**58,83,439**
Change (%)	52.6	27.8	1.4	25.5	31.2	35.4	25.0	27.2	26.1
Other Liabilities	29,476	22,573	29,185	35,378	41,168	56,411	64,872	74,603	85,793
Total Liabilities	**12,42,325**	**16,43,914**	**17,14,704**	**21,25,054**	**27,52,287**	**37,57,416**	**47,14,071**	**59,07,231**	**73,74,249**
Investments	**85,990**	**1,75,439**	**1,83,969**	**1,22,455**	**2,27,518**	**3,08,807**	**3,24,247**	**3,40,459**	**3,57,482**
Change (%)	173.9	104.0	4.9	-33.4	85.8	35.7	5.0	5.0	5.0
Loans	**11,37,115**	**14,27,989**	**14,66,869**	**19,14,233**	**24,22,689**	**32,62,933**	**41,92,869**	**53,45,908**	**67,62,574**
Change (%)	42.1	25.6	2.7	30.5	26.6	34.7	28.5	27.5	26.5
Other assets	19,220	40,485	63,866	88,366	1,02,079	1,85,677	1,96,955	2,20,863	2,54,193
Total Assets	**12,42,325**	**16,43,914**	**17,14,704**	**21,25,054**	**27,52,287**	**37,57,416**	**47,14,071**	**59,07,231**	**73,74,249**

E: MOFSL Estimates

Financials and valuations

Ratios									(%)
Y/E MARCH	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Spreads Analysis (%)									
Yield on Advances	16.9	17.9	16.1	16.1	16.4	17.0	16.6	16.4	16.3
Cost of Borrowings	7.9	8.2	7.2	6.6	6.6	7.3	7.7	7.5	7.4
Interest Spread	9.0	9.7	8.9	9.6	9.8	9.7	8.9	9.0	9.0
Net Interest Margin	10.0	10.5	9.6	10.4	10.6	10.4	9.8	9.9	9.9
Profitability Ratios (%)									
Cost/Income	35.3	33.5	30.7	34.6	35.1	34.0	33.3	32.8	32.3
Empl. Cost/Op. Exps.	46.2	45.0	47.0	47.3	49.9	51.9	53.7	55.2	56.6
RoE	22.5	20.2	12.7	17.4	23.4	22.0	18.9	19.9	21.3
RoA	3.8	3.6	2.6	3.7	4.7	4.4	3.9	4.0	4.1
Asset Quality (%)									
GNPA (INR m)	18,035	23,626	27,304	31,331	23,125	27,373	49,057	79,688	1,16,703
NNPA (INR m)	7,271	9,373	11,354	13,144	8,361	11,816	21,095	31,875	43,180
GNPA %	1.6	1.6	1.8	1.6	0.9	0.8	1.2	1.5	1.7
NNPA %	0.6	0.7	0.8	0.7	0.3	0.4	0.5	0.6	0.6
PCR %	59.7	60.3	58.4	58.0	63.8	56.8	57.0	60.0	63.0
Total Provisions/Loans %	2.1	2.9	3.0	2.6	2.0	1.8	1.9	2.206	2.5
Capitalisation (%)									
CAR	20.7	25.0	28.3	27.2	25.0	22.8	21.7	21.2	0.0
Tier I	16.3	21.3	25.1	24.8	23.2	21.6	20.8	20.5	0.0
Tier II	4.4	3.7	3.2	2.5	1.8	1.2	0.9	0.7	0.0
Average Leverage on Assets (x)	5.9	5.5	4.8	4.8	5.0	5.0	4.9	5.0	5.2

Valuation	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (INR)	341	540	616	726	901	1,240	1,582	1,881	2,267
Price-BV (x)	19.6	12.4	10.8	9.2	7.4	5.4	4.2	3.6	2.9
Adjusted BV (INR)	333	529	602	711	891	1,227	1,558	1,845	2,218
Price-ABV (x)	20.1	12.6	11.1	9.4	7.5	5.4	4.3	3.6	3.0
EPS (INR)	69	88	73	116	190	234	267	344	441
EPS Growth (%)	59.6	26.7	-16.3	58.6	63.4	22.8	14.1	28.9	28.3
Price-Earnings (x)	96.4	76.1	90.9	57.3	35.1	28.6	25.0	19.4	15.1
OPS (INR)	133	188	199	237	310	387	485	613	769
OPS Growth (%)	57.1	40.9	6.0	19.3	30.6	25.1	25.1	26.4	25.5
Price-OP (x)	50.1	35.6	33.6	28.2	21.6	17.2	13.8	10.9	8.7
Dividend per Share (INR)	6.0	10.0	10.0	20.0	30.0	36.0	40.0	45.0	55.0
Dividend Yield (%)	0.1	0.1	0.1	0.3	0.4	0.5	0.6	0.7	0.8

E: MOFSL Estimates

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
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