

# AAVAS Financiers

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	AAVAS IN
Equity Shares (m)	79
M.Cap.(INRb)/(USD\$)	135 / 1.6
52-Week Range (INR)	1979 / 1307
1, 6, 12 Rel. Per (%)	1/-1/-8
12M Avg Val (INR M)	597

## Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	9.1	10.2	12.3
PPP	6.5	7.7	9.5
PAT	4.9	5.8	7.1
EPS (INR)	62	73	90
EPS Gr. (%)	14	18	23
BV/Sh. (INR)	477	550	640

## Ratios (%)

NIM	5.8	5.3	5.3
C/I ratio	45.6	43.9	42.0
Credit cost	0.19	0.20	0.20
RoA	3.3	3.2	3.3
RoE	13.9	14.2	15.2

## Valuation

P/E (x)	27.5	23.3	18.9
P/BV (x)	3.6	3.1	2.7

## Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	26.5	26.5	39.1
DII	25.6	24.4	14.2
FII	35.5	35.9	35.5
Others	12.5	13.3	11.2

FII Includes depository receipts

**CMP: INR1,706 TP: INR1,880 (+10%) Neutral**

## Disbursements weak; NIM compression continues

### Major tech transformation completed; unlikely to impact business ahead

- AAVAS Financiers (AAVAS)'s 2QFY25 PAT grew 22% YoY to ~INR1.48b (in line). 1HFY25 PAT grew 18% YoY to ~INR2.74b and we expect 2HFY25 PAT to also grow by ~18% YoY. 2Q NII grew 9% YoY to ~INR2.42b (in line).
- 2Q core NIM (calc.) declined ~25bp QoQ to ~6.6%. Reported spreads declined ~10bp QoQ to 4.9% (vs. ~5% as of Jun'24).
- Management shared that it has raised its prime lending rate (PLR) by ~25bp, effective Oct'24. The company guided for spreads of ~4.8%-5.0% in FY25. It aims to improve the disbursement yield by increasing the proportion of lower ticket size loans and self-employed customers/self-construction properties.
- The company exhibited operational efficiency with opex rising only ~5% YoY to INR1.4b (~7% lower than MOFSLe). The opex-to-avg. AUM declined to ~3% (PY: 3.5% and PQ: 3.1%). Employee expenses declined QoQ because of the reversal of ESOP expenses. Management shared that it will continue to optimize its cost ratios by ~20-30bp over the next few years to reach the steady state of ~3%. We estimate the opex-to-avg. assets ratio to decline to ~3.0% by FY27 (vs. ~3.6% in FY24).
- We estimate ~22% CAGR each in AUM and PAT over FY24-27, with RoA/RoE of 3.4%/16% by FY27E. AAVAS trades at 2.7x FY26E P/BV. We believe that the valuations largely reflect the key positives and the company's preparedness to accelerate disbursements/loan growth and achieve operating efficiencies, now that all the major technology transformations have been completed. **Maintain Neutral with a TP of INR1,880 (based on 2.7x Sep'26E BVPS).**

## AUM rises ~20% YoY; disbursements weaker than expectations

- AUM grew ~20% YoY to ~INR184b. Disbursements rose ~3% YoY to ~INR12.9b. Share of HL in 2Q disbursements stood at ~65%. The annualized run-off in the loan-book stood at ~16.6% (PY: ~16.1% and PQ: ~15.8%).
- Disbursements were weak during the quarter because of 1) elongated monsoons which impacted the construction activities, 2) regulatory change in terms of how lenders need to treat disbursements, and 3) go-live of loan management system (LMS) which temporarily impacted business activities in the quarter.
- Securitization during the quarter amounted to ~INR4.3b (PY: ~INR3.3b) and securitization margins rose ~20bp QoQ to 13.5%.

## Highlights from the management commentary

- Management shared that its disbursement yield in 1HFY25 was ~30bp lower than the portfolio yield. This compares to last year when the disbursement yield was ~50bp lower than the portfolio yield.
- AAVAS is making consistent efforts to optimize costs. This, along with operating leverage, will result in sustained improvement in cost ratios.

**Valuation and View**

- AAVAS reported RoA/RoE of ~3.3%/~14% in 2QFY25. The company's efforts to improve its technological edge and focus on asset quality have made it a standout player among peers. Notably, its 1+DPD remains within the guided levels, driven by its prudent underwriting process and efficient collection efforts.
- Now that the company has completed all the major tech transformations with the go-LIVE of its loan management system, we expect no disruptions to business activities in the future. Moreover, the improvement in TAT, should translate into stronger disbursement growth trajectory in the subsequent quarters.
- The stock trades at 2.7x FY26E P/BV and any re-rating in valuation multiples will depend on stronger AUM growth and delivery of operating efficiencies to further improve the RoA profile. **Maintain Neutral with a TP of INR1,880 (based on 2.7x Sep'26E BVPS).**

## Quarterly performance

INR m

Y/E March	FY24				FY25E				FY24	FY25E	2QFY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Interest Income	4,128	4,259	4,373	4,586	4,797	4,906	5,137	5,522	17,347	20,363	4,980	-1
Interest Expenses	1,866	2,036	2,166	2,216	2,352	2,489	2,538	2,772	8,284	10,151	2,439	2
<b>Net Income</b>	<b>2,262</b>	<b>2,223</b>	<b>2,208</b>	<b>2,371</b>	<b>2,446</b>	<b>2,418</b>	<b>2,598</b>	<b>2,750</b>	<b>9,063</b>	<b>10,212</b>	<b>2,541</b>	<b>-5</b>
YoY Growth (%)	26	18	6	7	8	9	18	16	14	13	14	
Other income	540	716	719	882	628	898	888	1,044	2,856	3,459	829	8
<b>Total Income</b>	<b>2,802</b>	<b>2,938</b>	<b>2,926</b>	<b>3,252</b>	<b>3,074</b>	<b>3,316</b>	<b>3,487</b>	<b>3,794</b>	<b>11,919</b>	<b>13,671</b>	<b>3,370</b>	<b>-2</b>
YoY Growth (%)	28	16	12	14	10	13	19	17	17	15	15	
Operating Expenses	1,339	1,308	1,349	1,434	1,379	1,368	1,536	1,718	5,430	6,000	1,474	-7
YoY Growth (%)	30	14	12	19	3	5	14	20	19	10	13	
<b>Operating Profits</b>	<b>1,464</b>	<b>1,631</b>	<b>1,577</b>	<b>1,818</b>	<b>1,695</b>	<b>1,948</b>	<b>1,951</b>	<b>2,076</b>	<b>6,489</b>	<b>7,671</b>	<b>1,896</b>	<b>3</b>
YoY Growth (%)	27	17	11	10	16	19	24	14	15.6	18.2	16.3	
Provisions	57	65	80	43	86	48	72	99	245	305	89	-46
<b>Profit before Tax</b>	<b>1,407</b>	<b>1,565</b>	<b>1,497</b>	<b>1,775</b>	<b>1,609</b>	<b>1,900</b>	<b>1,879</b>	<b>1,977</b>	<b>6,244</b>	<b>7,366</b>	<b>1,807</b>	<b>5</b>
Tax Provisions	310	348	331	349	348	421	413	395	1,338	1,578	398	6
<b>Profit after tax</b>	<b>1,097</b>	<b>1,217</b>	<b>1,166</b>	<b>1,426</b>	<b>1,261</b>	<b>1,479</b>	<b>1,465</b>	<b>1,582</b>	<b>4,907</b>	<b>5,788</b>	<b>1,410</b>	<b>5</b>
YoY Growth (%)	23	14	9	13	15	22	26	11	14.1		15.8	

## Key Parameters (%)

Yield on loans	13.3	13.2	13.1	13.1	13.1	13.0	0.0	0.0	13.6	13.2	
Cost of funds	7.7	7.9	8.0	8.1	8.1	8.2	0.0	0.0	7.5	7.5	
Spread	5.6	5.3	5.1	5.1	5.0	4.9	0.0	0.0	6.1	5.7	
NIM - YTD	8.0	8.0	7.9	7.9	7.3	7.6	0.0	0.0	5.8	5.3	
Credit cost	0.2	0.2	0.20	0.1	0.2	0.1	0.2	0.2	0.2	0.2	
Cost to Income Ratio (%)	47.8	44.5	46.1	44.1	44.8	41.2	44.0	45.3	45.6	43.9	
Tax Rate (%)	22.0	22.2	22.1	19.7	21.7	22.2	22.0	20.0	21.4	21.4	

## Balance Sheet Parameters

<b>AUM (INR B)</b>	<b>146.5</b>	<b>153.2</b>	<b>160.8</b>	<b>173.1</b>	<b>178.4</b>	<b>184.0</b>	<b>194.8</b>	<b>210.3</b>	<b>173.1</b>	<b>210.3</b>	
Change YoY (%)	23.2	22.1	22.9	22.2	21.8	20.1	21.1	21.5	22.2	21	
<b>AUM mix (%)</b>											
Home loans	69.8	69.7	69.3	69.3	69.0	69.0	0.0	0.0	69.3	68.4	
Mortgage loans	30.2	30.3	30.7	30.7	14.0	13.0	0.0	0.0	30.7	31.6	
<b>Loans (INR B)</b>	<b>119.1</b>	<b>124.0</b>	<b>129.9</b>	<b>140.0</b>	<b>144.4</b>	<b>147.1</b>	<b>155.8</b>	<b>168.2</b>	<b>140.0</b>	<b>168.2</b>	
% of AUM	81.3	81.0	80.8	80.9	81.0	80.0	80.0	80.0	22.0	20.1	
<b>Disbursements (INR B)</b>	<b>10.7</b>	<b>12.6</b>	<b>13.6</b>	<b>18.9</b>	<b>12.1</b>	<b>12.9</b>	<b>18.1</b>	<b>23.5</b>	<b>55.8</b>	<b>66.6</b>	
Change YoY (%)	-2.3	9.7	13.3	19.7	13.4	2.8	33.0	23.9	11.1	19	
<b>Borrowings (INR B)</b>	<b>106.8</b>	<b>111.4</b>	<b>114.7</b>	<b>124.0</b>	<b>126.0</b>	<b>124.8</b>	<b>132.1</b>	<b>148.1</b>	<b>123.4</b>	<b>148.1</b>	
Change YoY (%)		30.0	25.2	25.4		12.0	15.2	19.4	25.4	20	
Borrowings/Loans (%)	89.6	89.9	88.3	88.5	87.2	84.8	84.8	88.0	88.1	88.0	
Debt/Equity (x)	3.2	3.2	3.2	3.3	3.2	3.1	3.2	3.4	3.3	3.4	
<b>Asset Quality (%)</b>											
<b>GS 3 (INR M)</b>	<b>1,193.4</b>	<b>1,294.7</b>	<b>1,425</b>	<b>1,319</b>	<b>1,466.1</b>	<b>1,601.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,193</b>	<b>1,295</b>	
G3 %	1.0	1.0	1.09	0.94	1.0	1.1	0.0	0.0	1.00	1.04	
NS 3 (INR M)	871.8	938.7	1,033	939	1,043.4	1,142.0	0.0	0.0	872	939	
NS3 %	0.73	0.76	0.79	0.67	0.72	0.78	0.00	0.00	0.73	0.76	
<b>PCR (%)</b>	<b>26.9</b>	<b>27.5</b>	<b>27.5</b>	<b>28.8</b>	<b>28.8</b>	<b>28.7</b>	<b>0.0</b>	<b>0.0</b>	<b>26.9</b>	<b>27.5</b>	
ECL (%)	0.6	0.6	0.65	0.60	0.6	0.6	0.0	0.0	0.64	0.64	

## Return Ratios - YTD (%)

ROA (Rep)	3.2	3.3	3.2	3.3	3.0	3.3	0.0	0.0	3.3	3.2	
ROE (Rep)	13.2	13.6	13.5	13.9	13.1	14.0	0.0	0.0	13.9	14.2	

E: MOFSL Estimates

**Asset quality largely stable; 1+dpd stood at ~4%**

- Asset quality was largely stable, with GS3/NS3 rising by ~5bp each QoQ to 1.1%/0.8%. 1+dpd rose ~30bp QoQ to 4%.
- The credit cost was benign at INR48m, translating into an annualized credit cost of ~10bp (PY: ~17bp). Aavas guided for a credit cost of less than ~25bp and GNPA of <1.25% in FY25.
- 1+dpd in the vintage states remained below 4% and 1+dpd stood at 3.84% as of Oct'24. Aavas is strongly positioned to continue delivering industry-leading asset quality. We model a credit cost of ~20bp in FY25-26.

**Spreads remained under pressure; NIM contracted ~25bp QoQ**

- Reported spreads declined ~10bp QoQ to 4.9% (vs. ~5% as of Jun'24). 2QFY25 core NIM (calc.) declined ~25bp QoQ to ~6.6%.
- We model NIM to decline to ~5.3% in FY25 (vs. ~5.8% in FY24).

**Tech transformation completed; no disruptions ahead**

- During the quarter, the company has gone live with its loan management system on Oracle Flexcube to enable scalability. This has resulted in reduction of the login-to-sanction TAT to 8 days in 2QFY25.
- The company earlier also went live with its new digital loan origination platform (LOS) and customer service system to enable best-in-class customer experience. This has resulted in consolidating multiple processes into a single platform.
- Aavas has adopted a next-gen cloud ERP system for back-office process automations to enable monitoring and financial controls.
- The comprehensive tech transformation will enable the company to achieve greater scalability, improved data quality for decision-making, reduction in TAT by nearly ~50% and bank level systems for robust regulatory compliances.



## Highlights from the management commentary

### Business Update

- AUM grew 20% YoY to INR184b; Disbursements in 2QFY25 grew 3% YoY to INR12.9b.
- 2QFY25 PAT grew ~22% YoY to ~INR1.48b. PAT in 1HFY25 grew 18% YoY to INR2.74b.
- 1+ dpd was below ~4% and GNPA stood at 1.08%.
- Aavas live with LMS through Oracle FlexCube.

### Guidance

- Guided for AUM growth of 20-25% and credit costs in the range of ~20-25bp in FY25.
- Guided for spreads of 4.8%-5.0% in FY25 (without assuming any interest rate cuts).
- Aavas guided that it will continue to optimize its cost ratios by 20-30bp over the next few years, to reach steady-state of 3%.
- Guided for 1+dpd of <5%, GNPA of <1.25%, and credit costs below 25bp.
- The company shared that it has raised the PLR by ~25bp, effective Oct'24.
- Guided for repayment rates of ~17-18%, including ~5-6% of BT-OUT, ~6% from repayments as part of the customer's monthly EMI, and ~6% from customer pre-payments.

### Weak disbursements

- Disbursements during the quarter were weak because of 1) Elongated monsoons which impacted the construction activities, 2) Regulatory change in terms of how the lenders need to treat disbursements, and 3) Go-Live of LMS which temporarily impacted business activities.
- Disbursements in Sep'24 and Oct'24 combined grew ~22% YoY.
- Aavas is confident of covering the disbursements in 2H.

### Technology Update

- Lead management system has gone live across branches and has stabilized.
- Login-to-Sanction TAT has declined to 8 days in 2QFY25.
- Loan management system on the platform Oracle Flexcube has gone live.
- Lead management solution (as part of Salesforce) has gone live and it will be fructifying into final operating efficiencies.
- Total technology investments of ~INR600m will be capitalized, which will be amortized.

### Spreads and NIM

- It aims to increase the disbursement yields from conscious efforts to increase the proportion of lower-ticket size loans and self-employed self-construction properties.
- Disbursement yields are lower by ~30bp than the portfolio yields (compared to last year when the disbursement yields were ~50bp lower than portfolio yields).
- Yield differential between the HL and the non-HL portfolio is ~200-250bp.

**Opex**

- Consistent efforts to optimize costs have resulted in a remarkable and sustained improvement in cost ratios.
- Adjusted for one-offs from ESOP reversals, the opex declined ~10bp YoY; Aavas is committed to bringing the opex ratio below 3%.
- Operating leverage and completion of large part of the investments in technology have helped reduce the opex ratios. Opex ratio in 2QFY25 stood at 3.37% (excl. one-time ESOP reversals).

**Asset Quality**

- Credit costs stood at 11bp (vs. 20bp in 1QFY25).
- Asset quality remains within the guided range with 1+dpd below 5%.
- GS3/NS3 stood at 1.08%/0.78%.
- 1+dpd in vintage states remained below 4%; 1+dpd stood at 3.84% as of Oct'24.
- Total ECL provisions (incl. for Covid and OTR) stood at INR946m as of Sep'24.

**Liabilities**

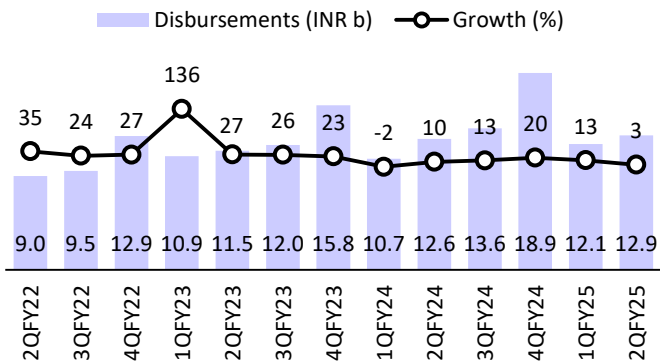
- The company raised ~INR25.7b at ~8.42% in 1HFY25.
- Borrowing mix: 50% from term loans, 25% from assignments and co-lending, 18% from NHB, and 6% from debt capital markets.
- Average CoB stood at 8.15%; Spreads declined ~10bp QoQ to 4.9%, driven by increase in cost of borrowings and compression in yields.
- Management guided for CoB to stabilize at current levels.
- Aavas has applied to the NHB for fresh sanctions for this fiscal year and it is yet to receive the current year re-finance limit from the NHB.

**Others**

- Employee count stood at 5,761 (on-roll, flat YoY) and ~1,800 employees off-roll.
- Unique HFC, which does MSME loans (small-ticket LAP). to cater to the working capital requirements of the self-employed non-professional.
- Company has been operating in Karnataka for the last four years and has now forayed into Tamil Nadu.
- BT-OUT stood at 5.2% (annualized). Retentions worth ~INR4b in 1HFY25, which resulted in yield compression of ~15bp in the period.
- Predictive model to retain its existing customers with a good track record. BT-OUT has been maintained at <6% for the last many years. Customers who take BT-OUT from Aavas are poorer (in credit track record) compared to the ones retained by Aavas.
- Non-home loans are primarily given to self-employed customers at ~200-250bp higher yields compared to home loans. Security is the self-occupied residential property (SORP). There is also seasoning that is happening in the non-HL book. It does not see any risk to the asset quality both in HL as well as non-HL.

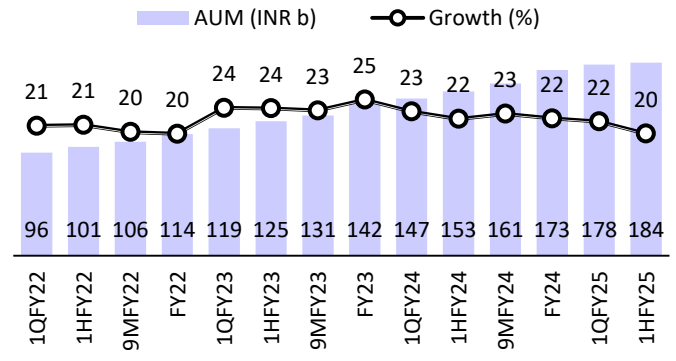
## Key exhibits

**Exhibit 1: Disbursements rose ~3% YoY**



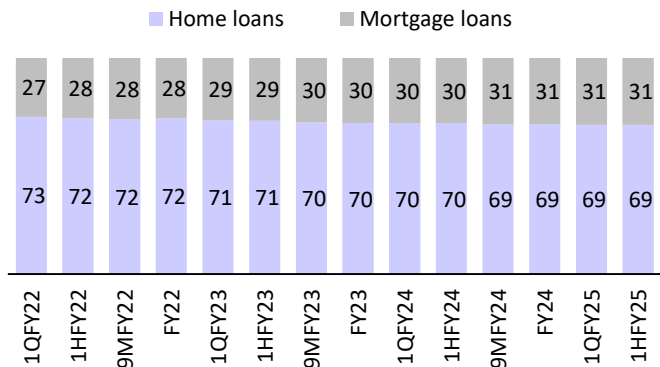
Source: MOFSL, Company

**Exhibit 2: AUM grew 20% YoY**



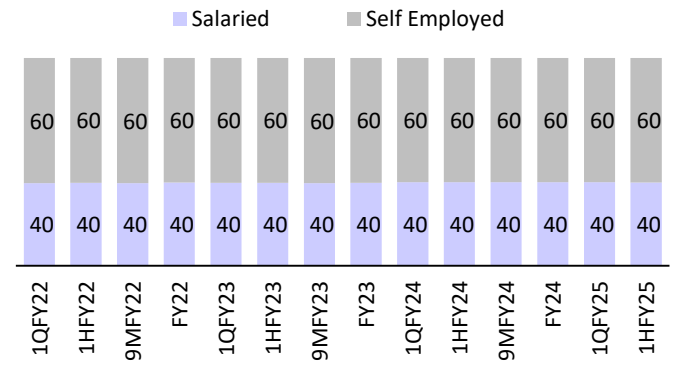
Source: MOFSL, Company

**Exhibit 3: Share of home loans stable QoQ (%)**



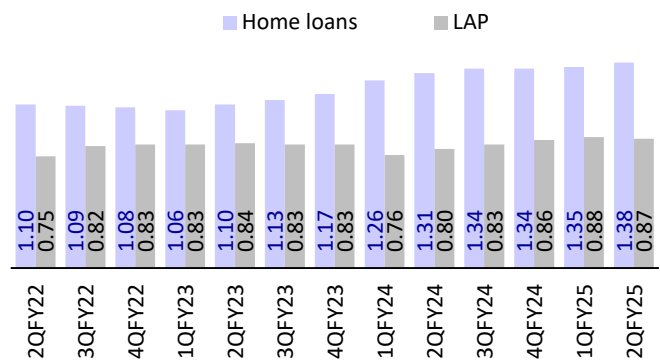
Source: MOFSL, Company

**Exhibit 4: Stable customer mix (%)**



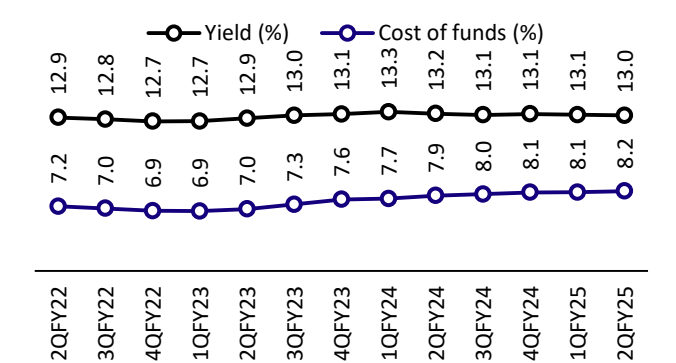
Source: MOFSL, Company

**Exhibit 5: ATS in Home loans increased QoQ (INR m)**

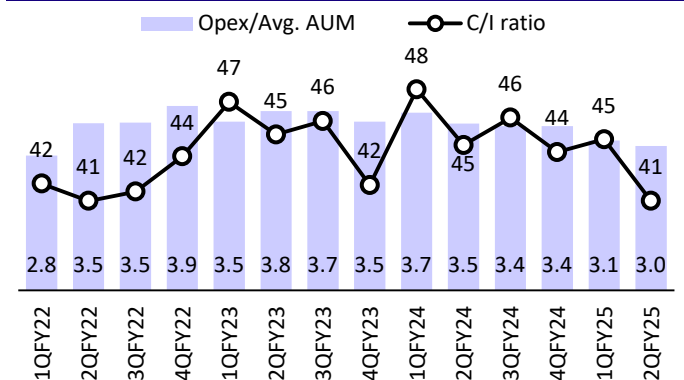


Source: MOFSL, Company

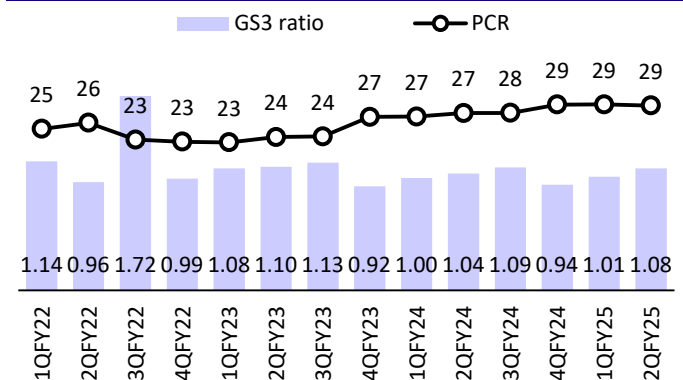
**Exhibit 6: Reported spreads declined ~10bp QoQ**



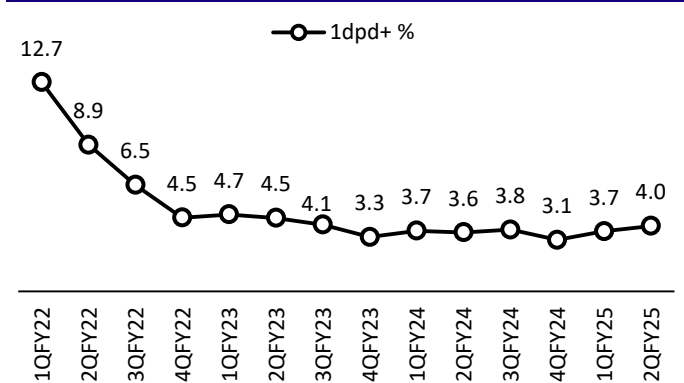
Source: MOFSL, Company

**Exhibit 7: Opex/AUM declined to ~3% (%)**

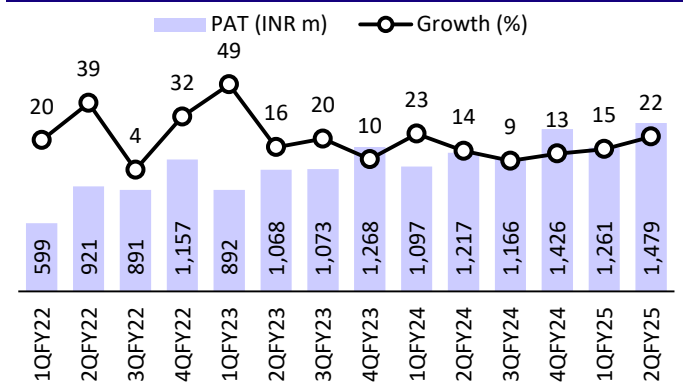
Source: MOFSL, Company

**Exhibit 8: GS3 rose ~5bp QoQ (%)**

Source: MOFSL, Company, PCR in %

**Exhibit 9: 1+dpd increased ~30bp QoQ to ~4%**

Source: MOFSL, Company

**Exhibit 10: 2QFY25 PAT grew 22% YoY**

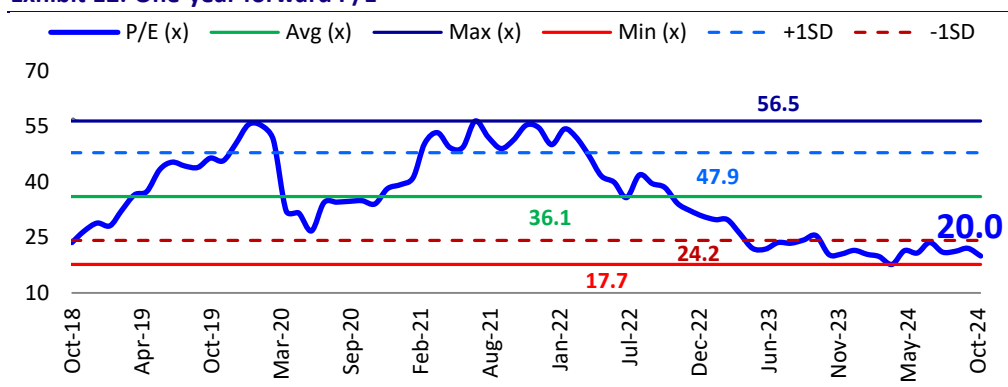
Source: MOFSL, Company



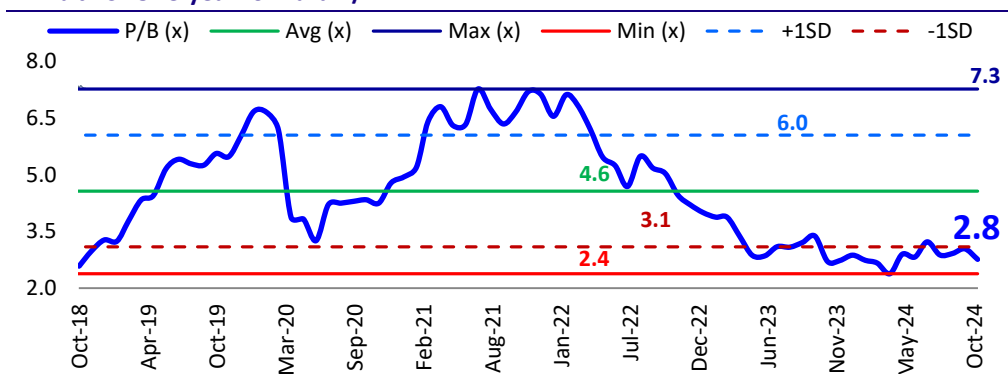
**Exhibit 11: We keep our FY26/FY27 EPS estimates broadly unchanged**

INR b	Old Est.			New Est.			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
NII	10.7	12.8	15.6	10.2	12.3	14.9	-4.5	-3.9	-4.6
Other Income	3.4	3.9	4.6	3.5	4.1	4.7	2.7	2.9	3.0
<b>Total Income</b>	<b>14.1</b>	<b>16.7</b>	<b>20.2</b>	<b>13.7</b>	<b>16.3</b>	<b>19.6</b>	<b>-2.7</b>	<b>-2.3</b>	<b>-2.9</b>
Operating Expenses	6.2	7.2	8.3	6.0	6.9	7.8	-3.9	-5.1	-5.9
<b>Operating Profits</b>	<b>7.8</b>	<b>9.5</b>	<b>11.9</b>	<b>7.7</b>	<b>9.5</b>	<b>11.8</b>	<b>-1.9</b>	<b>-0.2</b>	<b>-0.8</b>
Provisions	0.3	0.4	0.4	0.3	0.4	0.4	-4.7	-1.3	-1.5
<b>PBT</b>	<b>7.5</b>	<b>9.1</b>	<b>11.4</b>	<b>7.4</b>	<b>9.1</b>	<b>11.4</b>	<b>-1.7</b>	<b>-0.2</b>	<b>-0.7</b>
Tax	1.6	1.9	2.5	1.6	1.9	2.4	-1.7	-0.2	-0.7
<b>PAT</b>	<b>5.9</b>	<b>7.2</b>	<b>9.0</b>	<b>5.8</b>	<b>7.1</b>	<b>8.9</b>	<b>-1.7</b>	<b>-0.2</b>	<b>-0.7</b>
AUM	212	259	315	210	256	311	-1.0	-1.2	-1.3
Borrowings	153	187	229	148	183	224	-3.3	-2.0	-2.2
NIM (%)	5.5	5.4	5.4	5.3	5.3	5.2			
ROA (%)	3.2	3.2	3.3	3.2	3.3	3.4			
RoE (%)	14.5	15.2	16.3	14.2	15.2	16.2			

Source: MOFSL, Company

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

Source: MOFSL, Company

**Exhibit 13: One-year forward P/B**

Source: MOFSL, Company

## Financials and valuations

### Income statement

INR m

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	3,926	5,935	7,864	9,764	11,288	13,882	17,347	20,363	24,361	29,468
Interest Expended	1,931	2,554	3,561	4,582	4,775	5,910	8,284	10,151	12,111	14,615
<b>Net Interest Income</b>	<b>1,995</b>	<b>3,382</b>	<b>4,304</b>	<b>5,182</b>	<b>6,513</b>	<b>7,971</b>	<b>9,063</b>	<b>10,212</b>	<b>12,251</b>	<b>14,852</b>
Change (%)	56.0	69.5	27.3	20.4	25.7	22.4	13.7	12.7	20.0	21.2
Gain on Securitisation	602	783	766	864	1,240	1,518	1,795	2,083	2,395	2,754
Other Operating Income	417	391	401	426	539	701	1,061	1,376	1,660	1,975
<b>Total Income</b>	<b>3,014</b>	<b>4,556</b>	<b>5,470</b>	<b>6,471</b>	<b>8,293</b>	<b>10,191</b>	<b>11,919</b>	<b>13,671</b>	<b>16,306</b>	<b>19,581</b>
Change (%)	85.3	51.2	20.1	18.3	28.2	22.9	17.0	14.7	19.3	20.1
Operating Expenses	1,645	1,890	2,296	2,566	3,506	4,577	5,430	6,000	6,851	7,787
<b>Operating Income</b>	<b>1,369</b>	<b>2,666</b>	<b>3,174</b>	<b>3,905</b>	<b>4,787</b>	<b>5,614</b>	<b>6,489</b>	<b>7,671</b>	<b>9,455</b>	<b>11,794</b>
Change (%)	43.6	94.7	19.1	23.0	22.6	17.3	15.6	18.2	23.3	24.7
Provisions	26	89	153	371	226	124	245	305	369	439
<b>PBT</b>	<b>1,343</b>	<b>2,577</b>	<b>3,020</b>	<b>3,533</b>	<b>4,561</b>	<b>5,490</b>	<b>6,244</b>	<b>7,366</b>	<b>9,086</b>	<b>11,355</b>
Tax	412	818	529	638	981	1,189	1,338	1,578	1,946	2,432
Tax Rate (%)	30.7	31.7	17.5	18.1	21.5	21.7	21.4	21.4	21.4	21.4
<b>PAT</b>	<b>931</b>	<b>1,759</b>	<b>2,491</b>	<b>2,895</b>	<b>3,580</b>	<b>4,301</b>	<b>4,907</b>	<b>5,788</b>	<b>7,140</b>	<b>8,923</b>
Change (%)	60.9	89.0	41.6	16.2	23.7	20.1	14.1	18.0	23.4	25.0

### Balance sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Capital	692	781	783	785	789	791	791	791	791	791
Reserves & Surplus	11,207	17,589	20,196	23,229	27,297	31,906	36,942	42,730	49,870	58,793
<b>Net Worth</b>	<b>11,899</b>	<b>18,370</b>	<b>20,979</b>	<b>24,014</b>	<b>28,086</b>	<b>32,697</b>	<b>37,733</b>	<b>43,521</b>	<b>50,661</b>	<b>59,584</b>
<b>Borrowings</b>	<b>27,376</b>	<b>36,533</b>	<b>53,520</b>	<b>63,454</b>	<b>79,725</b>	<b>98,407</b>	<b>1,23,365</b>	<b>1,48,052</b>	<b>1,82,844</b>	<b>2,24,273</b>
Change (%)	52.6	33.4	46.5	18.6	25.6	23.4	25.4	20.0	23.5	22.7
Other liabilities	1,126	1,366	2,081	2,132	2,392	3,002	4,096	4,711	5,653	6,784
<b>Total Liabilities</b>	<b>40,401</b>	<b>56,268</b>	<b>76,580</b>	<b>89,600</b>	<b>1,10,204</b>	<b>1,34,105</b>	<b>1,65,195</b>	<b>1,96,283</b>	<b>2,39,158</b>	<b>2,90,640</b>
<b>Loans</b>	<b>33,334</b>	<b>47,245</b>	<b>61,808</b>	<b>75,233</b>	<b>90,534</b>	<b>1,14,763</b>	<b>1,40,044</b>	<b>1,68,240</b>	<b>2,04,752</b>	<b>2,48,639</b>
Change (%)	54.1	41.7	30.8	21.7	20.3	26.8	22.0	20.1	21.7	21.4
<b>Investments</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>675</b>	<b>1,231</b>	<b>1,822</b>	<b>2,459</b>	<b>3,197</b>	<b>4,156</b>
Change (%)	NM	0.0	0.0	0.0	1,400.4	82.3	48.0	35.0	30.0	30.0
Other assets	7,022	8,978	14,727	14,323	18,994	18,112	23,329	25,584	31,209	37,845
<b>Total Assets</b>	<b>40,401</b>	<b>56,268</b>	<b>76,580</b>	<b>89,600</b>	<b>1,10,204</b>	<b>1,34,105</b>	<b>1,65,195</b>	<b>1,96,283</b>	<b>2,39,158</b>	<b>2,90,640</b>

E: MOFSL Estimates

## Financials and valuations

Ratios	(%)									
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Spreads Analysis (%)</b>										
Avg Yield on Loan portfolio	14.2	13.9	13.5	14.1	13.8	13.7	13.6	13.2	13.0	12.9
Avg. Cost of borrowings	8.5	8.0	7.9	7.8	6.7	6.6	7.5	7.5	7.3	7.2
Interest Spread	5.7	5.9	5.6	6.3	7.1	7.1	6.1	5.7	5.7	5.7
Net Interest Margin (AUM)	5.9	6.8	6.3	6.0	6.3	6.2	5.8	5.3	5.3	5.2
<b>Profitability Ratios (%)</b>										
RoE	10.6	11.6	12.7	12.9	13.7	14.2	13.9	14.2	15.2	16.2
RoA	2.9	3.6	3.8	3.5	3.6	3.5	3.3	3.2	3.3	3.4
Loans/Equity (x)	2.8	2.6	2.9	3.1	3.2	3.5	3.7	3.9	4.0	4.2
Cost/Income	54.6	41.5	42.0	39.7	42.3	44.9	45.6	43.9	42.0	39.8
<b>Asset Quality (%)</b>										
Gross NPAs	107	158	210	739	904	1,067	1,319	1,585	2,045	2,574
Gross NPAs to Adv.	0.3	0.3	0.3	1.0	1.0	0.9	0.9	0.9	1.0	1.0
Net NPAs	83	112	171	538	695	780	939	1,141	1,472	1,853
Net NPAs to Adv.	0.2	0.2	0.3	0.7	0.8	0.7	0.7	0.7	0.7	0.7
<b>VALUATION</b>										
Book Value (INR)	172	235	268	306	356	414	477	550	640	753
<b>Price-BV (x)</b>	<b>9.9</b>	<b>7.2</b>	<b>6.4</b>	<b>5.6</b>	<b>4.8</b>	<b>4.1</b>	<b>3.6</b>	<b>3.1</b>	<b>2.7</b>	<b>2.3</b>
EPS (INR)	13.5	22.5	31.8	36.9	45.4	54.4	62.0	73.1	90.2	112.7
EPS Growth YoY	35	67	41	16	23	20	14	18.0	23.4	25.0
<b>Price-Earnings (x)</b>	<b>126.6</b>	<b>75.7</b>	<b>53.6</b>	<b>46.2</b>	<b>37.6</b>	<b>31.3</b>	<b>27.5</b>	<b>23.3</b>	<b>18.9</b>	<b>15.1</b>
Dividend per share (INR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Dividend yield (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

E: MOFSL Estimates

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