

29 April 2025

India | Equity Research | Results Update

L&T Finance

NBFCs

Tough FY25 due to slowdown in RBF; healthy PAT CAGR of ~18% likely from FY25–27E

L&T Finance (LTF) reported PAT of INR 6.3bn, up 2% QoQ/15% YoY in Q4FY25, translating into RoA of 2.2% and RoE of 10%. In line with guidance, LTF utilised macro prudential buffer of INR 3bn (INR 1bn utilised in Q3FY25) for its rural business finance (RBF) portfolio. As a result, credit cost (before buffer utilisation) stood at 3.8%, while Q4FY25 reported credit cost (post buffer utilisation) was 2.54%. Overall, for FY25, it ended with 2.5% credit cost despite the challenging environment, especially for RBF. This is also in line with its historical credit cost average for the past decade. Considering the challenging RBF environment, LTF has consciously slow down on growth, wherein disbursements were lower 2–3% QoQ as well as YoY; while it ended FY25 with overall AUM growth of 14% and 19% in retail portfolio.

Management expects 20–25% AUM growth for FY26; we are also baking in AUM growth of 21%/22% for FY26E/FY27E. Given the tough operating environment in a few south states due to an industry event in the form of an ordinance, we raise our credit cost estimate, and thereby, cut our earnings by 9%/14% for FY26E/FY27E.

We expect LTF to deliver calculated RoA of 2.4%/2.4% and RoE of 12%/13% for FY26E/FY27E, which is still well above its past 10-year average of ~1.5%/11.5%, respectively. The stock currently trades at 1.5x one-year forward P/B, which is ~15% discount to its 10-year average. Given the relatively lower multiple vs. historical average coupled with improving RoA and PAT trajectories, we maintain **BUY** with a revised TP of INR 205 (from INR 185), as we roll over to FY27E ABV vs. FY26E with an unchanged target multiple of ~1.7x, which is equal to its one-year forward P/B mean of 10 years.

Q4FY25 – RoA at 2.2%, after utilising INR 3bn provision buffer

LTF reported retail loan growth of 3% QoQ and 19% YoY led by higher growth in its non-RBF portfolio, while the RBF portfolio's growth was contained at 6% YoY. Margins + fee income dipped further to 10.15%, lower 18bps QoQ due to a conscious approach towards shift in loan mix. Credit cost (excluding buffer utilisation of INR 3bn) was in-line with its historical average at 2.54%. Overall, it reported RoA/RoE of 2.2%/10% alongside healthy capital adequacy of 22%.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Interest Income	75,367	86,665	1,03,949	1,22,524
PAT	23,171	26,434	31,632	36,772
EPS (INR)	9.3	10.6	12.7	14.7
% Chg YoY	17.9	13.8	19.7	16.3
P/E (x)	18.0	15.8	13.2	11.4
P/BV (x)	1.8	1.6	1.5	1.3
Gross Stage - 3 (%)	3.2	3.1	3.0	3.1
Dividend Yield (%)	1.5	1.6	1.7	2.0
RoA (%)	2.2	2.4	2.4	2.4
RoE (%)	10.3	10.8	11.8	12.5

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Market Data

Market Cap (INR)	418bn
Market Cap (USD)	4,919mn
Bloomberg Code	LTF IN
Reuters Code	LTFL.BO
52-week Range (INR)	194 /129
Free Float (%)	32.0
ADTV-3M (mn) (USD)	9.1

Price Performance (%)	3m	6m	12m
Absolute	18.2	17.9	2.4
Relative to Sensex	12.5	17.6	(6.4)

ESG Score	2023	2024	Change
ESG score	80.2	80.0	(0.2)
Environment	65.3	71.6	6.3
Social	81.6	81.7	0.1
Governance	82.5	81.7	(0.8)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
EPS	(9)	(14)

Previous Reports

22-01-2025: [Q3FY25 results review](#)

26-11-2024: [Company Update](#)

CE (incl. Karnataka) to normalise by early Q2FY26E; carries INR 5.75bn buffer

Even though CE showed significant improvement for LTF in early Q4FY25, Q4FY25 witnessed another development in the industry in the form of an ordinance towards prevention of coercive practices (for unregistered financiers) in Karnataka. Due to this, Karnataka CE was impacted in Feb'25. However, CE has been showing signs of improvement through Mar–Apr'25. In the absence of any further events, we expect a return to normalised CE by early Q2FY26E for LTF.

LTF has ~INR 60bn in Tamil Nadu, which is ~23% of its overall RBF portfolio. Hence, any adverse developments related to the ordinance in this state could have a bearing on credit cost. On the contrary, LTF carries INR 5.75bn of unutilised buffer for RBL portfolio, which can come to the rescue.

On MFIN guard rails, management opined that the MFIN guard rails' implementation from 1 Apr'25 – of restricting borrower to 3 vs. 4 currently – would have an initial impact on disbursements, but this should improve the quality of growth over the long term.

Retail AUM growth at 19% YoY, despite RBF portfolio only up 6% YoY

Despite consciously choosing to slow down disbursements in segments where the risk-reward was not in its favour, LTF's retail book was up 3% QoQ/19% YoY. In terms of key growth drivers, SME finance (up 67% YoY), LAP (46% YoY), personal loans (34% YoY) and home loans (32% YoY) saw relative outperformance in terms of growth vs. other segments. With regard to its personal loan customer profile, LTF mentioned that it's largely to prime salaried segment. Rural--focused segments, namely rural business finance or microfinance portfolio, were up 6% YoY; the farmer finance portfolio was also up 10% YoY. Two-wheeler growth has been consciously slowed, down to 10% YoY, due to elevated credit cost and it would take another two quarters for normalisation of credit cost.

Overall, LTF continues with its realisation strategy and with wholesale AUM receding, total AUM is likely to align with retail AUM growth. We are now building in overall loan growth of 21%/22% for FY26E/FY27E, which is in-line with management guidance of 20–25% AUM growth for FY26.

Cyclops currently live in two-wheeler and tractors

Cyclops is designed in such a way that it would help target probability of default more meaningfully and aid better appraisal of new to credit clients. LTF's credit underwriting engine, 'Project Cyclops', which was operationalised in Q2FY25 in the two-wheeler finance product, is now extended to 100% dealerships in two-wheeler finance. It has also now been extended to tractor business, where it is currently live with 24 scorecards. LTF aims to implement it in the personal loans business in Q1FY26 and in SMB Finance by Q2FY26. The full impact of Cyclops on the two-wheeler business, in terms of improved all-round metrics, is likely to be visible by Q4FY26, as the newly generated Cyclops portfolio replaces the old legacy portfolio.

Valuation and outlook: Maintain BUY; TP revised to INR 205

Over the past four years, LTF has transitioned well from a wholesale lender to a retail lender with now ~97% of its book being retail. LTF continues to granularly track and execute the 5-pillar execution strategy towards reaching a consolidated RoA of 2.8% to 3%; thereby, creating a sustainable and predictable retail franchise. A perfect blend of retail portfolio, enhanced digital architecture, well-diversified portfolio, stable retail asset quality, robust liability franchise make LTF stand well above its peers. We expect an earnings CAGR of ~18% over FY25–27E led by ~22% AUM CAGR – this should

translate into calculated RoA of 2.4%/2.4% for FY26E/FY27E, well above its past 10-year average of ~1.5%/11.5%.

Maintain **BUY** with a revised TP of INR 205 (from INR 185), as we roll over to FY27E ABV vs. FY26E with an unchanged target multiple of ~1.7x, which is equal to its one-year forward P/B mean of 10 years.

Key risks: Challenges to AUM growth due to competition, or pricing pressure; and higher than anticipated credit cost from rural business finance portfolio.

Q4FY25 earnings call takeaways

Outlook

- Expect disbursement momentum to pick up pace in urban finance from Q1 onwards and rural business to pick momentum from Q3 onwards
- Rural business finance and MFI shall resume growth in Q1 and pick up momentum in H2FY26
- **Expect 10-15% AUM growth in FY26 for MFI**
- **Expect 15-20% AUM growth in FY26 for two-wheeler**
- **Rural business finance disbursement likely to pick-up on the back of good monsoon**
- **Expect 20-25% AUM growth in FY26**
- **Safe growth range for MFI is 15-20%**
- **10-10.5% NIM + fee income guidance for FY26**
- Opex to be similar to FY25
- **Credit cost guidance at 230-250bps for FY26; after that, it is looking at 200bps credit cost steady state, post adoption of Nostradamus in Sep'25**
- **H2 would be better than H1 in terms of overall credit cost**
- **240-250bps RoA in FY26 with sequential improvement in H2 over H1**
- More or less confident on the guided RoA profile, assuming that business remains as usual
- 290k new customers

AUM

- Lakshay target was to achieve realisation of 95% by FY26 and it has achieved this with 97% in FY25-end
- Retail growth was at 19% YoY in FY25, which was satisfactory
- In macro-LAP, expanded presence in six states
- Expect gold loan business to add significant value to its franchise
- Personal loan business momentum continues to be well
- **Moving more towards LAP vs. home loan, just to balance out the yield**
- INR 8bn of loans were disbursed, but those were unbanked as of Mar'25. Now as per RBI directive, it can be included in AUM, only when the amount is debited
- If monsoon is good in 2025, then farm business would do exceptionally well in FY25

Asset quality

- LTF has utilised INR 4bn of macro prudential provisions towards MFI during the year; now the unutilised buffer stands at INR 5.75bn
- **Expect overall CE to stabilise and trend towards normalcy by early Q2FY26 in MFI**
- **Given its experience in Karnataka, TN bill does not seem to pose a risk to MFI business**

- **Barring Karnataka, pan India CE is at 99.6% for MFI**
- TN impact would not be as impactful as Karnataka, since Karnataka already had issues even before the passage of the bill
- **Impact from MFIN 2.0 guard rails would be limited for LTF**
- PL credit cost flat QoQ
- 2W needs two more quarters before coming back to normalcy on credit cost
- **MFI portfolio in TN at ~INR 60bn**
- CE continues to be 99.6% in TN

Personal loans

- PhonePe and Amazon tie-up is purely sourcing model and there is no credit cost sharing model
- ATS is INR 250k and average yield is 16% and processing fees is 1.5–2%
- As of now, it has done INR 6bn of disbursements so far
- Idea is to have largely salaried and very high income borrower customer profile in personal loans business

Wholesale book

- Wholesale book at INR 23bn, down 56% YoY
- SR book now at INR 58.62bn vs. >INR 65bn a year ago, mainly due to monetisation of assets
- Resolution during FY25 was at INR 13.5bn, while there was INR 5bn of addition to SR
- **FY27 and FY28 should see a sizeable reduction in SR book**
- **As the full book gets released, there should be release of capital. Moreover, release of provisions would be possible, which depends on the quantum of recovery**

Margins

- **Expect two more rate cuts from RBI**
- Margins + fee income at 10.15% vs. 10.33% QoQ on account of conscious shift in disbursements and loan mix. This includes 23bps of negative impact on account of INR 550mn refund for broken period interest to certain customers, as per RBI advice
- One-off item of tax gain of INR 350mn on account of closure of certain historical tax gains
- As disbursements in rural business loans start to pick-up, yields should improve. Hence, have a fair visibility of maintaining margins in the guided range of 10-10.5%
- Gold loan business should scale-up, which would be relatively of lesser margins

Q3FY25 earnings call takeaways

Asset quality - rural business finance (microfinance)

- Slippages were higher in rural business finance (microfinance) for the quarter
- **It had created INR 8.75bn of macro prudential provisions during Covid in FY21 and FY22 towards rural business finance. Of this, it has utilised INR 1bn in Q3FY25 and peak credit cost on roll forward book in Q4FY25 suggests utilisation of another INR 3-3.5bn of macro prudential provisions.**
- Total credit cost for rural business finance would be in the range of INR 9.5-10bn for FY25, which is ~4% of portfolio.
- **Credit cost could peak in Q4FY25 and management is *cautiously optimistic that the worst is behind.***

- It is aiming to improve CE during Feb Mar'25 as well.
- *MIFIN guard rails from 1 Apr'25 restricting borrower to 3 vs. 4 currently will have an impact initially on disbursements. Management is hoping that entire industry will have a soft landing in Apr'25.*
- Onset of MFI guard rails would lead to better quality growth, though growth would be slightly impacted.
- *Write-offs at INR 3bn for microfinance business. Balance write-offs have been well distributed across businesses.*
- On an average, 1.5% of portfolio has been resolving for LTF + 3 portfolio and management expects this to wound down in next 2-3 quarters. 7% of portfolio which is LTF + 3 has 98.7% CE.
- It has added additional 900 collectors on the ground to largely manage LTF + >=3 and total team size now stands at 1,200, primarily for hard bucket collection team. **Overall, the idea was to bring account per collector, which has now reduced to 480 vs 550.**
- Rural business finance is 100% provided on 90+dpd.
- Jan'24 onwards, it had adopted tight leveraging standards. If particular meeting centre's CE dips below 98%, then it will stop disbursements there immediately and focus on collections. Business has been structurally designed to cater to non-leveraged customers.

Rural business finance (microfinance)

- There are certain markets where it can safely grow like AP, Telangana, Western UP and Western Maharashtra, which are relatively less penetrated.
- All MFI and JLG loans are sourced in-house.
- **Safe growth rate for MFI business is 15-20%, as per management.**
- It is looking to explore CGFMU to optimise unforeseen risk in microfinance business.

Asset quality - 2W

- **For next 2-3 quarters, farm and 2W portfolio would continue to see challenges due to overleveraging, post which it would normalise.**
- Full benefit of company shifting towards prime segment in two wheeler is yet to reflect in its balance sheet.
- 2W portfolio bounce on an indexed basis was 84% in Dec'24 vs 100 index level in Dec'23.
- In Dec'23 in absolute terms, if 100 people bounced their first EMI, it has reduced to 25 as of Dec'24.
- For 2W, during Apr/May'24, there was some spike in bounce rates and this normalised in Aug/Sep'24.

Margins + fee income

- Working on increasing insurance penetration, and thereby, improving fee income.
- Insurance income as a % of total assets has averaged around 1% over the past 3 quarters.
- RBI rate cut would ease the challenge a bit on margin front.
- **Except home loans, entire book is fixed in nature.**
- **Overall, it will stick with its RoA guidance of 2.8-3.0% in the medium-term**

Opex

- Opex was higher in Q3. As it is a festive quarter, it had higher festival-related spends.
- Technology expenses and collection-related expenses were also higher, which led to higher opex in Q3.

Disbursements

- **Diversified franchise has enabled it to achieve highest disbursements ever in Q3, despite slowdown in microfinance.**
- Personal loans monthly disbursements run-rate stood at INR 5.5bn.
- **69% of disbursements in Dec'24 were towards prime segment, which have improved to ~75% in Jan'25 so far.**

Loan growth

- Retail portfolio at 97% vs Lakshya target of 95%.
- **Consciously slowed disbursements where risk-reward ratio was not in favour and hence retail growth moderated to 23% YoY vs Lakshya target of 25%.**
- Remains committed to growing existing as well as new line of business.
- **Existing customer base is being leveraged and has been offered micro LAP, which is secured and high RoE product.**
- Micro LAP book has crossed the milestone of INR 3bn.
- Supply chain business was launched in Q3FY25.
- Growth in personal loans is coming from prime salaried segment.
- 49% of 2W portfolio is prime and ~75% of disbursements in 2W are prime.
- There was trade advance unwinding of INR 3.5bn in Q3.
- **Personal loans - average ticket size is INR 250k and average yield is 17% for personal loans and tenure is 30 months**

Cyclops

- Cyclops extended to 100% dealership in 2W finance and was also launched in farm equipment finance.
- Extended PhonePe partnership to personal loans.
- It would be implementing Cyclops in SME and PL in Q4FY25.
- Cyclops is designed in such a way that it helps company target probability of default.
- Maximum benefit of Cyclops would come in 2W, farm and SME businesses.

Security receipts

- INR 7.76bn was principal o/s of loan transfer.
- EAD stood at INR 8.15bn.
- Sold at INR 8.33bn.
- This was a real estate account.

- 75% of INR 8.33bn was booked as an investment which is INR 7.08bn.
- Adjusted profit made against this which was INR 0.18bn and another INR 2.5bn provision was adjusted against this.
- Net carrying value stood at INR 4.4bn

Exhibit 1: Q4FY25 result review

Income Statement (INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY %	QoQ %
Income From Operation	36,722	37,859	40,193	40,976	40,229	10	(2)
Interest Income	33,226	34,526	36,544	38,064	37,499	13	(1)
Fee income and other income	3,496	3,332	3,649	2,912	2,730	(22)	(6)
Interest expenses	13,351	13,514	14,763	15,692	15,998	20	2
Net Interest Income (NII)	23,371	24,345	25,431	25,283	24,231	4	(4)
Other Income	56	2	47	76	43	(23)	(43)
Total Income	23,426	24,347	25,477	25,359	24,274	4	(4)
Operating expenses	9,803	9,656	9,578	10,578	10,034	2	(5)
Operating profit	13,623	14,691	15,899	14,781	14,240	5	(4)
Provisions	6,679	5,453	6,504	6,542	6,185	(7)	(5)
Profit before tax	6,944	9,237	9,396	8,239	8,055	16	(2)
Tax expenses	1,410	2,370	2,429	1,983	1,697	20	(14)
Profit after tax	5,543	6,870	6,956	6,264	6,362	15	2

Balance sheet data (INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY %	QoQ %
AUM	8,55,640	8,87,170	9,30,140	9,51,200	9,77,620	14	3
Retail	8,00,360	8,44,450	8,89,760	9,22,240	9,51,800	19	3
Others	55,280	42,720	40,380	28,960	25,820	(53)	(11)
Borrowings	7,65,410	8,02,950	8,49,120	8,61,610	9,22,470	21	7
Net Worth	2,34,380	2,35,290	2,42,680	2,49,100	2,55,640	9	3
Disbursements	1,53,660	1,50,190	1,51,640	1,52,100	1,49,140	(3)	(2)

Asset quality	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY %	QoQ %
Gross NPA (INR mn)	26,980	27,890	29,640	30,750	32,180	19	5
Net NPA (INR mn)	6,610	6,880	8,720	9,050	9,290	41	3
Gross NPAs (%)	3.15	3.14	3.19	3.23	3.29	14 bps	6 bps
Net NPAs (%)	0.79	0.79	0.96	0.97	0.97	18 bps	0 bps
PCR (%)	75.5	75.3	70.6	70.6	71.1	-437 bps	56 bps

Per share metrics (INR)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY %	QoQ %
Book value per share	94.2	94.5	97.4	99.9	102.5	9	3
Earnings per share	2.23	2.75	2.79	2.51	2.55	14	2

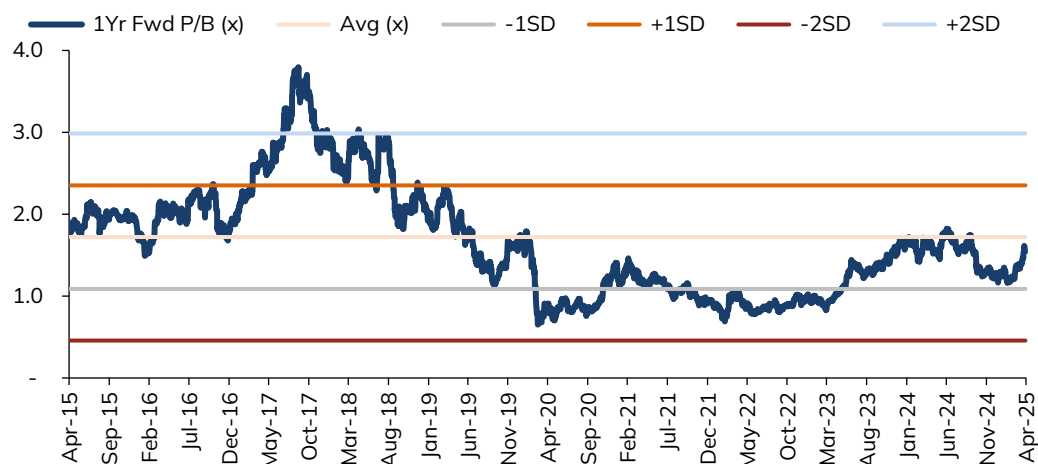
Key ratios (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY bps	QoQ bps
Yield	15.53	15.54	15.38	15.04	14.88	-65 bps	-16 bps
Borrowing cost	7.82	7.85	7.80	7.83	7.84	2 bps	1 bps
Net interest margin	9.14	9.31	8.94	8.50	8.15	-99 bps	-35 bps
Fee and other income	2.11	1.77	1.92	1.83	2.01	-10 bps	18 bps
NII + fee/other income	11.25	11.08	10.86	10.33	10.16	-109 bps	-17 bps
Operating expenses	4.69	4.45	4.17	4.41	4.22	-47 bps	-19 bps
Pre-provision operating profit	6.56	6.63	6.69	5.92	5.94	-62 bps	2 bps
Credit cost	3.23	2.37	2.59	2.49	2.54	-69 bps	5 bps
Opex + credit cost	7.92	6.82	6.76	6.90	6.76	-116 bps	-14 bps
Return on assets	2.19	2.68	2.60	2.27	2.22	3 bps	-5 bps
Return on equity	9.53	11.58	11.65	10.21	10.13	60 bps	-8 bps

Source: Company data, I-Sec Research

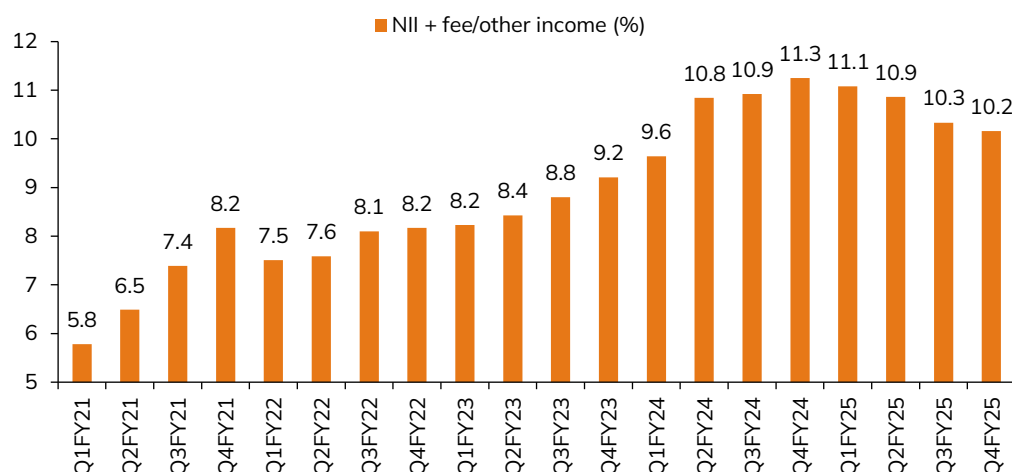
Exhibit 2: Disciplined underwriting and portfolio management guard rails have helped LTF contain associations in 'LTF + >=4' portfolio

Customer Association on Rural Group Loans and Microfinance loan book (%)	Q2FY25	Q3FY25	Q4FY25	Change (%)
LTF	40.5	43.0	45.0	2.0
LTF + 1	27.3	28.0	29.0	1.0
LTF + 2	18.4	18.0	18.0	-
LTF + 3	8.3	7.0	6.0	(1.0)
LTF + 4	3.3	2.5	1.7	(0.8)
LTF + 5	1.2	0.9	0.5	(0.4)
LTF + 6	0.5	0.3	-	(0.3)
LTF + 7	0.4	0.2	-	(0.2)

Source: Company data, I-Sec research

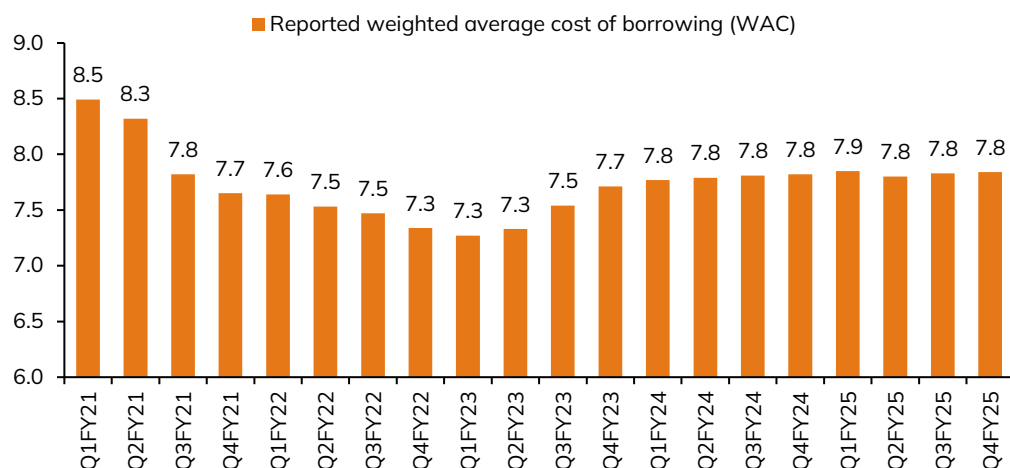
Exhibit 3: 1-year forward P/ABV multiple is ~15% below its historical average


Source: Bloomberg, Company data, I-Sec Research

Exhibit 4: Margins + fee income dips to 10.2% weighed by slow RBF business momentum


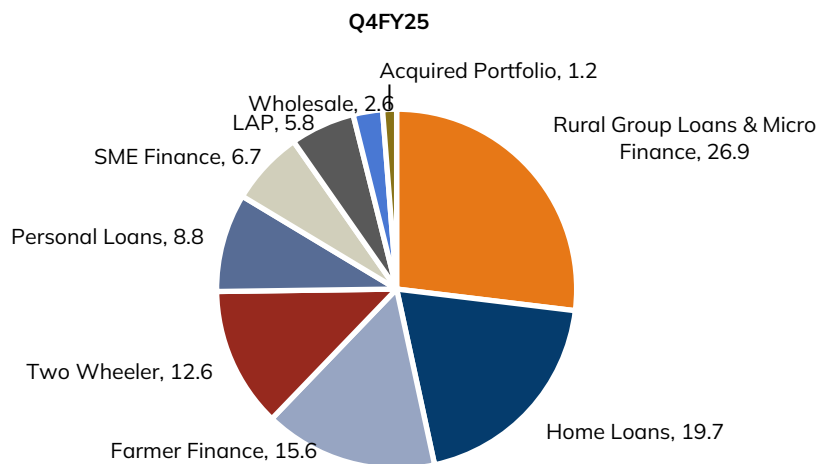
Source: Company data, I-Sec research

Exhibit 5: Cost of borrowings well managed despite rate hike due to longer tenure of past borrowings and strong parentage



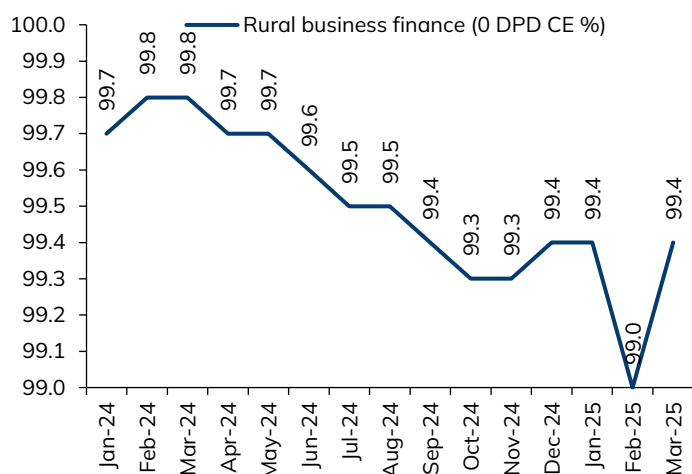
Source: Company data, I-Sec research

Exhibit 6: Broad-based portfolio with 97% retail



Source: Company data, I-Sec research

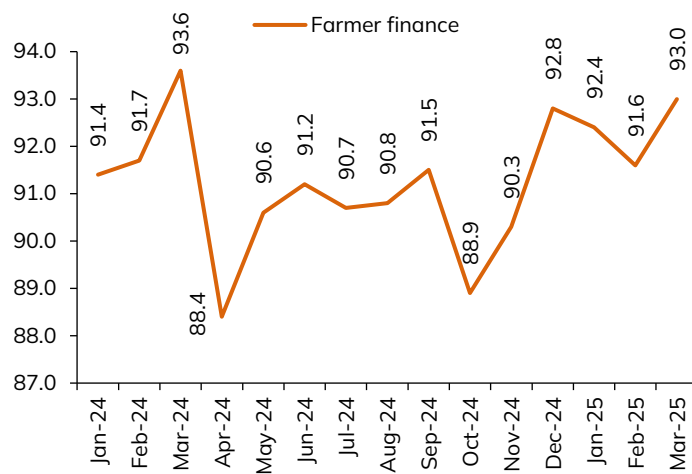
Exhibit 7: RBF CE sees steep uptick from Feb low



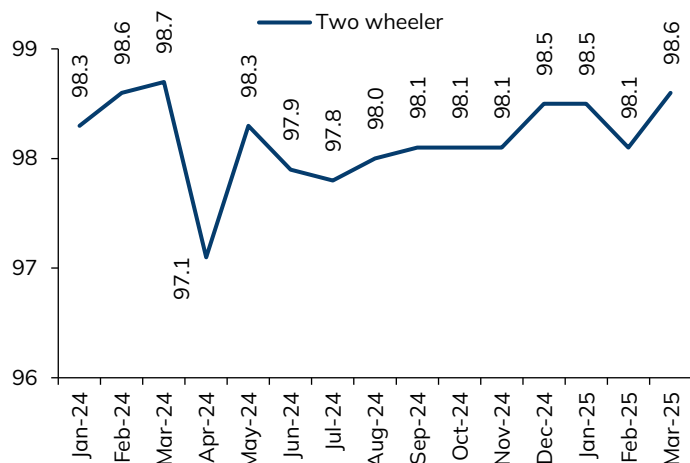
Source: Company data, I-Sec research

Note: Regular CE = cashflow received from 0 DPD customer for billing / billing of 0 DPD customer

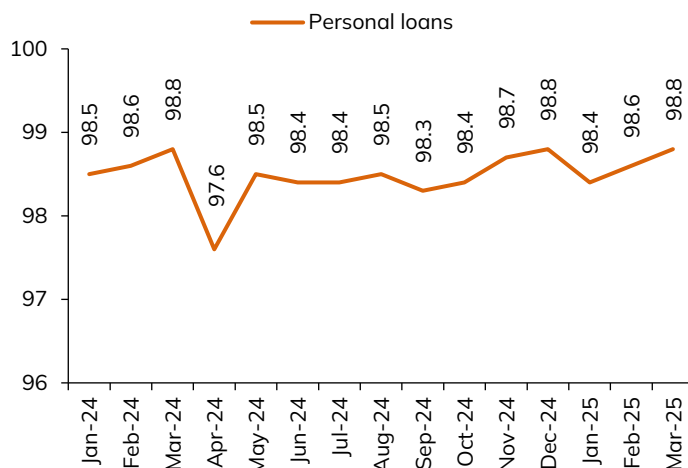
Exhibit 8: Farmer finance CE sustain around higher levels



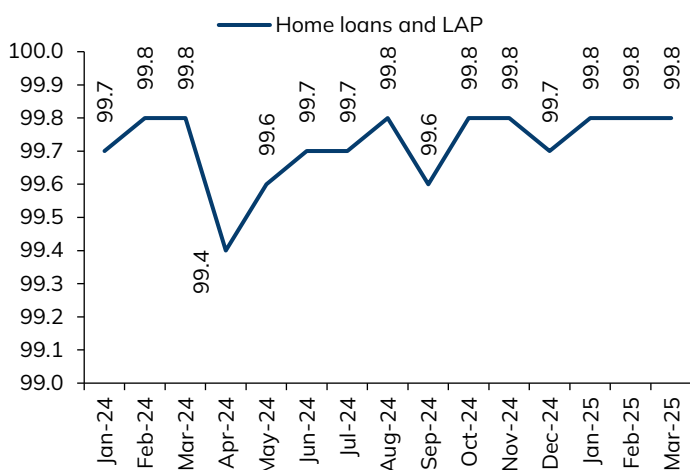
Source: Company data, I-Sec research

Exhibit 9: Two-wheeler CE up from Apr'24 lows

Source: Company data, I-Sec research

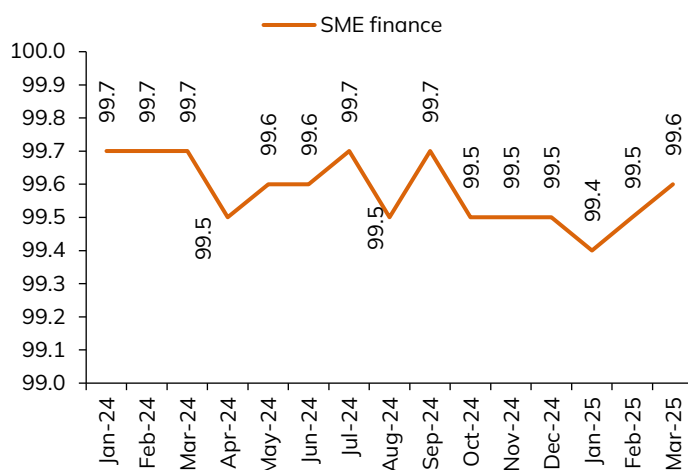
Exhibit 10: Personal loans CE rangebound

Source: Company data, I-Sec research

Exhibit 11: Home loans and LAP CE volatile

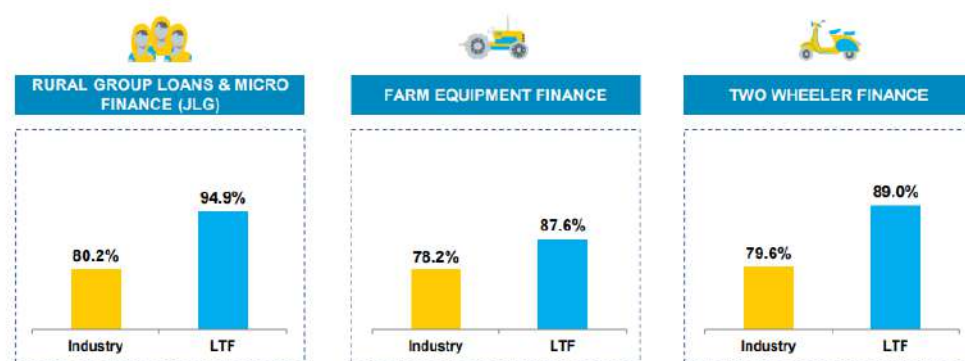
Source: Company data, I-Sec research

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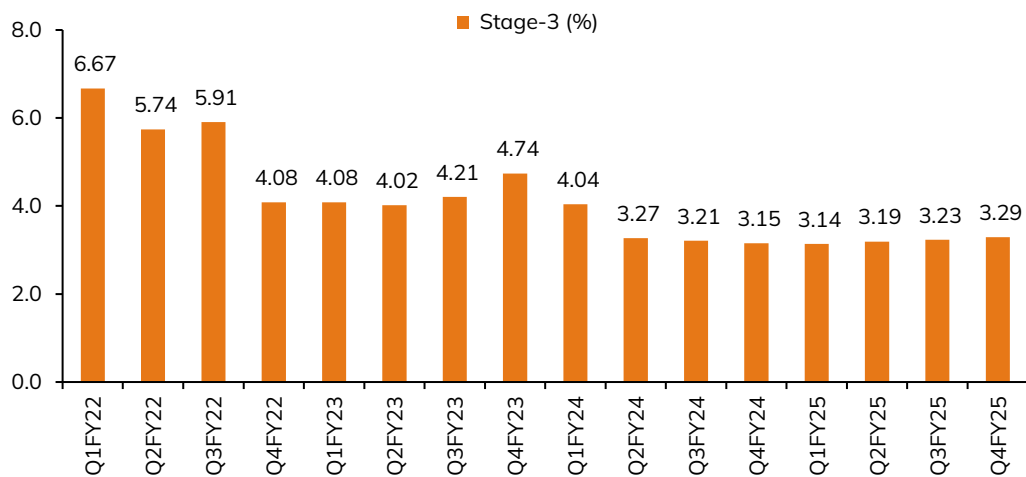
Exhibit 12: SME finance CE stable in Q4FY25

Source: Company data, I-Sec research

Note: Regular CE = cashflow received from 0 DPD customer for billing / billing of 0 DPD customer

Exhibit 13: 0 dpd for its three key fulcrum products is better vs industry peers

Source: Company data, I-Sec research

Exhibit 14: Gross stage-3 inches up QoQ, but well within range

Source: Company data, I-Sec research

Exhibit 15: Shareholding pattern

(%)	Sep'24	Dec'24	Mar'25
Promoters	66.3	66.3	66.2
Institutional investors	19.0	17.5	18.8
MFs and others	7.5	6.4	7.1
Insurance Cos	4.8	5.8	6.2
FIIIs	6.7	5.3	5.5
Others	14.7	16.3	15.0

Source: Bloomberg, I-Sec research

Exhibit 16: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 17: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Interest Income	1,29,139	1,46,633	1,78,372	2,15,436
Interest Expenses	(53,772)	(59,968)	(74,423)	(92,913)
Net Interest Income (NII)	75,367	86,665	1,03,949	1,22,524
Other Income	4,745	167	201	221
Total Income (net of interest expenses)	86,779	99,442	1,16,588	1,36,766
Employee benefit expenses	(18,064)	(22,165)	(28,266)	(35,866)
Depreciation and amortization	(1,148)	(1,389)	(1,493)	(1,605)
Other operating expenses	(15,867)	(16,292)	(19,178)	(22,576)
Total Operating Expense	(35,079)	(39,846)	(48,937)	(60,046)
Pre Provisioning Profits (PPoP)	51,701	59,597	67,651	76,720
Provisions and write offs	(21,410)	(24,684)	(25,874)	(28,154)
Profit before tax (PBT)	30,290	34,913	41,777	48,566
Total tax expenses	(7,119)	(8,478)	(10,145)	(11,794)
Profit after tax (PAT)	23,171	26,434	31,632	36,772

Source Company data, I-Sec research

Exhibit 18: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Share capital	24,889	24,949	24,949	24,949
Reserves & surplus	2,09,495	2,30,692	2,55,463	2,85,118
Shareholders' funds	2,34,384	2,55,641	2,80,412	3,10,067
Borrowings	7,65,409	9,22,469	11,43,209	14,00,362
Provisions & Other Liabilities	27,383	30,254	28,210	9,666
Total Liabilities and Stakeholder's Equity	10,27,176	12,08,363	14,10,304	16,68,737
Cash and balance with RBI	46,760	1,08,329	1,13,746	1,19,433
Fixed assets	5,550	6,860	7,203	7,563
Loans	8,13,594	9,37,731	11,35,776	13,91,257
Investments	1,23,849	1,18,760	1,24,698	1,30,933
Other Assets	37,423	36,684	28,882	19,551
Total Assets	10,27,176	12,08,363	14,10,304	16,68,737

Source Company data, I-Sec research

Exhibit 19: Key Ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
AUM and Disbursements (INR mn)				
AUM	8,23,730	9,63,600	11,67,109	14,29,638
On-book Loans	8,13,594	9,37,731	11,35,776	13,91,257
Off-book Loans	10,136	25,869	31,333	38,381
Growth (%):				
Total AUM (%)	22.7	17.0	21.1	22.5
Loan book (on balance sheet) (%)	8.3	15.3	21.1	22.5
Total Assets (%)	(3.4)	17.6	16.7	18.3
Net Interest Income (NII) (%)	11.4	15.0	19.9	17.9
Non-interest income (%)	54.9	12.0	(1.1)	12.7
Total Income (net of interest expenses) (%)	15.6	14.6	17.2	17.3
Operating Expenses (%)	23.8	13.6	22.8	22.7
Employee Cost (%)	28.5	22.7	27.5	26.9
Non-Employee Cost (%)	20.6	2.7	17.7	17.7
Pre provisioning operating profits (PPoP) (%)	10.7	15.3	13.5	13.4
Provisions (%)	(15.7)	15.3	4.8	8.8
PBT (%)	42.2	15.3	19.7	16.3
PAT (%)	18.3	14.1	19.7	16.3
EPS (%)	17.9	13.8	19.7	16.3
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	9.3	9.2	9.2	8.8
NIM on IEA (%)	7.8	7.9	8.0	7.9
NIM on AUM (%)	10.1	9.7	9.8	9.4
Yield on loan assets (%)	15.9	15.6	15.7	15.5
Yield on IEA (%)	13.3	13.4	13.7	14.0
Yield on AUM (%)	17.3	16.4	16.7	16.6
Cost of borrowings (%)	6.7	7.1	7.2	7.3
Interest Spreads (%)	9.1	8.5	8.5	8.2
Operating efficiencies				
Non interest income as % of total income	13.2	12.8	10.8	10.4
Cost to income ratio	40.4	40.1	42.0	43.9
Op.costs/avg assets (%)	3.4	3.6	3.7	3.9
Op.costs/avg AUM (%)	4.7	4.5	4.6	4.6
Salaries as % of non-interest costs (%)	51.5	55.6	57.8	59.7
NII /employee (INR mn)	2.5	2.4	2.4	2.4
AUM/employee (INR mn)	27.0	26.3	26.9	27.9
Capital Structure				
Average gearing ratio (x)	3.3	3.6	4.1	4.5
Leverage (x)	4.4	4.7	5.2	5.5

Source Company data, I-Sec research

	FY24A	FY25A	FY26E	FY27E
Asset quality and provisioning				
GNPA (%)	3.2	3.1	3.0	3.1
NNPA (%)	0.8	0.8	0.8	0.8
GNPA (INR mn)	26,980	27,890	35,047	43,957
NNPA (INR mn)	6,610	7,780	9,188	11,085
Coverage ratio (%)	74.9	74.8	72.7	73.7
Credit Costs as a % of avg AUM (bps)	286	276	243	217
Credit Costs as a % of avg on book loans (bps)	274	282	250	223
Return ratios				
RoAA (%)	2.2	2.4	2.4	2.4
RoAE (%)	10.3	10.8	11.8	12.5
ROAAUM (%)	3.1	3.0	3.0	2.8
Dividend Payout ratio (%)	26.9	26.0	22.5	22.5
Valuation Ratios				
No of shares	2,489	2,495	2,495	2,495
No of shares (fully diluted)	2,489	2,495	2,495	2,495
ESOP Outstanding	-	-	-	-
EPS (INR)	9.3	10.6	12.7	14.7
EPS fully diluted (INR)	9.3	10.6	12.7	14.7
Price to Earnings (x)	18.0	15.8	13.2	11.4
Price to Earnings (fully diluted) (x)	18.0	15.8	13.2	11.4
Book Value (fully diluted)	94	102	112	124
Adjusted book value	92	100	110	121
Price to Book	1.8	1.6	1.5	1.3
Price to Adjusted Book	1.8	1.7	1.5	1.4
DPS (INR)	2.5	2.8	2.9	3.3
Dividend yield (%)	1.5	1.6	1.7	2.0

Source Company data, I-Sec research

Exhibit 20: Key Metrics

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
DuPont Analysis				
Average Assets (INR mn)	10,45,399	11,17,770	13,09,334	15,39,520
Average Loans (INR mn)	7,82,570	8,75,662	10,36,753	12,63,517
Average Equity (INR mn)	2,24,834	2,45,013	2,68,026	2,95,239
Interest earned (%)	12.4	13.1	13.6	14.0
Interest expended (%)	5.1	5.4	5.7	6.0
Gross Interest Spread (%)	7.2	7.8	7.9	8.0
Credit cost (%)	2.0	2.2	2.0	1.8
Net Interest Spread (%)	5.2	5.5	6.0	6.1
Operating cost (%)	3.4	3.6	3.7	3.9
Lending spread (%)	1.8	2.0	2.2	2.2
Non interest income (%)	1.1	1.1	1.0	0.9
Operating Spread (%)	2.9	3.1	3.2	3.2
Tax rate (%)	23.5	24.3	24.3	24.3
ROAA (%)	2.2	2.4	2.4	2.4
Effective leverage (AA/ AE)	4.6	4.6	4.9	5.2
RoAE (%)	10.3	10.8	11.8	12.5

Source Company data, I-Sec research

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