

10 August 2025

India | Equity Research | Results Update

## India Shelter Finance Corporation

NBFCs

### RoE surpasses 17% in Q1FY26; steady growth and asset quality – key enablers

India Shelter reported >17% RoE in Q1FY26, sustaining eight straight quarters of steady performance; RoA climbed from 5.5% to 6% despite leverage (asset/equity) worsening from 2.6x to 2.9x in Q1FY26. Robust technology with one of the lowest TAT in the industry and end-to-end digital loan processing without any physical movement of loan files are key enablers of its industry-leading growth – AUM growth was at its highest at 34% YoY/6% QoQ. We expect a higher proportion of LAP portfolio (40% of AUM), resulting in better spreads than peers, ~40% fixed-rate loans (dual advantage of low BT-out and better yields during falling interest rate cycle) to help India Shelter in sustaining better profitability than peers. Retain **BUY** with a revised TP of INR 1,125 (vs. INR 1,060), valuing it at 3.5x (vs. 3.3x) Sep'26E BVPS.

### AUM growth continued to be strong at 34% YoY; maintain guidance of 30–35% growth in FY26

India Shelter's differentiated approach in the AHFC space, with its focus on low-ticket (~50% of loans in <INR 1mn ticket size), penetration in rural (>50% of customer sourcing from tier-3 and beyond markets) and end-to-end digital loan processing coupled with continued investment towards infrastructure (added >50 branches in the past year) have helped it sustain industry-leading growth. It delivered a >40% AUM CAGR during FY21–25 and sustained growth momentum with 6% QoQ/34% YoY growth during Q1FY26. HL growth remained marginally lower at 29% YoY while LAP grew by 41% YoY. Overall, India Shelter is maintaining its HL share in portfolio at 57% and the balance is towards LAP. Karnataka, Madhya Pradesh and Gujarat are seeing slower growth either due to stress or high competition; even so, the company is confident of delivering 30–35% growth in FY26.

### Spread widens 20bps QoQ; primed for falling rate cycle gains

India Shelter's ALM management has been the most effective, evident in the company keeping its borrowing cost flat at 8.8% for seven straight quarters despite rising rates. Now, in a falling rate cycle, its borrowing cost has started ebbing – shrinking 10bps in Q4FY25/Q1FY26 each to 8.6%. Also, its ~80% fixed-rate asset book enabled it to sustain portfolio yield at 14.9% – leading to 30bps of spread expansion in the past two quarters to 6.4%, as on Jun'25.

### Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Interest Income	4,141	5,874	7,601	9,815
PAT	2,476	3,770	4,709	5,945
EPS (INR)	23.1	34.9	43.6	55.1
% Chg YoY	30.3	51.1	24.9	26.3
P/E (x)	40.3	26.7	21.3	16.9
P/BV (x)	4.3	3.7	3.2	2.7
Gross Stage - 3 (%)	1.0	1.0	1.1	1.2
RoA (%)	4.3	4.9	4.5	4.3
RoE (%)	10.8	13.9	14.8	15.8

#### Renish Bhuvra

renish.bhuvra@icicisecurities.com  
+91 22 6807 7465

#### Chintan Shah

chintan.shah@icicisecurities.com

#### Gaurav Toshniwal

gaurav.toshniwal@icicisecurities.com

#### Market Data

Market Cap (INR)	101bn
Market Cap (USD)	1,148mn
Bloomberg Code	INDIASHL IN
Reuters Code	IDNI.BO
52-week Range (INR)	1,012 / 603
Free Float (%)	34.0
ADTV-3M (mn) (USD)	3.2

Price Performance (%)	3m	6m	12m
Absolute	9.5	33.4	31.7
Relative to Sensex	10.1	30.9	30.5

ESG Score	2023	2024	Change
ESG score	NA	69.9	NA
Environment	NA	43.7	NA
Social	NA	67.4	NA
Governance	NA	81.5	NA

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

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
PAT	-	-

#### Previous Reports

22-06-2025: [NBFCs Sector Update](#)

12-05-2025: [Q4FY25 results review](#)

## Improving trajectory in profitability to continue in near term; multiple levers in place for RoA expansion in near term

During the past 8–9 quarters, India Shelter sustained an improving trend in profitability – RoA expanded to 6% during Q1FY26, from 4.2% in Q1FY24. This was driven by 30bps of improvement in cost-assets and its ability to maintain spread at >6%, even during the rising rate cycle. Credit cost also remained within its guided range of 40–50bps, reflecting its tight control on delinquencies and robust risk-management. Management is guiding at a further 20bps reduction in cost of borrowing and 15–20bps improvement in cost to assets during FY26. This is likely to result in RoA expansion, from its current level of 6%, as on Jun'25, and drive RoE towards 18%.

Spread expansion of ~20bps during the remainder of FY26 would be largely driven by lower cost of funds. Of its total borrowing, 90% is floating and only 10% is fixed. Further, of its total floating borrowings, a-third is repo linked (benefit already reflected in Q1FY26) and two-thirds is MCLR linked (pass through is yet to visible). Overall, it expects cost of borrowing to improve by 20bps in FY26. Asset mix, as on Jun'25, is 55% fixed, 30 semi-variable (first 3 year fixed and then floating) and rest 15% variable. The company plans to change this to 35% fixed and 65% semi-variable over the next two years. Incrementally 50–60% of disbursements are at semi-variable rates. While current ALM position is positive for the company, in the medium term it plans to manage interest rate neutral ALM hence focusing on scaling semi-variable loans.

While it has been able to improve cost-assets by 20bps YoY to 4.5% during Q1FY26 vs. 4.7% in Q1FY25, this is still higher than the industry average of 3%. Hence, management is putting in a lot of effort on improving productivity and driving operational efficiency. Employee attrition and motivation are two important pillars to drive productivity – it plans to cover 50% of the employee under the ESOP scheme in the near term and pare attrition by 10% from Q4FY25 to Q1FY26. Overall, it expects 15–20bps reduction in cost-assets in FY26.

## Strong Q1FY26 financial performance: Spread expansion and operating leverage offsets seasonal increase in credit cost

RoE for India Shelter surpassed 17% during Q1FY26 driven by steady core operating performance. PAT grew by 10% to INR 1.2bn driven by robust AUM growth at 6% QoQ/34% YoY, spread expansion and operating efficiency. While Q1 seasonality impacted asset quality, as reflects in credit cost surging to 48bps during Q1FY26, from 16bps in Q4FY25, RoA still expanded 20bps QoQ to 6% vs. 5.8% QoQ. Disbursement remained strong at INR 8.9bn, up 24% YoY, and notably, this was driven by 24% YoY growth in new customers, implying average ticket size remaining flat at INR1mn. LTV also remained steady at 52%. NII growth remained strong at 8% QoQ/35% YoY driven by 20bps QoQ spread expansion and strong AUM growth during Q1FY26. Spread expansion was driven by a 10bps QoQ reduction in CoF to 8.6% and 10bps QoQ increase in asset yields to 15.0%. Other income grew a sharp 26% QoQ driven by higher DA income at INR 356mn vs. INR 188mn QoQ. Other income growth was also supported by higher cross-sell (mainly insurance) income at INR 379mn vs. INR 147mn YoY. Key components of other income are: ~50% insurance income (>90% property insurance penetration and >80% credit insurance penetration), 20% foreclosure charges, 20% bounce charges, cash charges etc. and 10% co-lending fees (under CLM 2). DA, as a percentage of AUM, stands at 16%, as on Jun'25 and the same is within the guided figure of 18%.

Strong revenue growth coupled with contained opex growth at 8% QoQ helped India Shelter benefit from operating leverage – cost-assets fell to 4.5% vs. 4.7% YoY. Total provision increased to INR 102mn vs. INR 31mn QoQ, implying credit cost (calc) at 48bps highest in last 11 quarters but within guidance range of 40–50bps.

AUM stood at INR 87.1bn aided by disbursements growth 24% YoY. Growth was marginally tilted towards non-HL segment, as reflected in LAP portfolio growing by 41% YoY while HL book growth was at 29% YoY during Q1FY26. Management aims to achieve AUM of INR 300bn by FY30.

Asset quality deteriorated with gross stage-3 rising to 1.2% vs. 1% QoQ; even net stage-3 at 1% vs. 0.8% QoQ and credit cost on average AUM inched up sharply to 48bps vs. 16bpsQoQ. PCR remained flat QoQ at 25%. 30+ DPD portfolio saw an uptick to 4.5% vs 3.1% QoQ.

**Asset quality deteriorated, thus, sequentially higher credit cost; however, it is transitory, FY26 credit cost to remain within guidance range of 40–50bps**

Higher share of LAP (~43% and perceived to be more vulnerable than HL) within AHFC space and ongoing stress in unsecured business loans raised uncertainty on near-term asset quality performance for LAP players. While asset quality deteriorated in Q1FY26 with 30+ DPD increasing to 4.5% vs. 3.1% QoQ owing to higher stress in Madhya Pradesh and Tamil Nadu, management believes the same is transitory and expects higher recovery during the remainder of FY26. Conservative LTVs of ~52%, average FOIR at 48%, 98% self-occupied residential properties and 99% in-house sourcing are the key enablers for its recent steady asset quality outcomes, and the same would ensure the maintaining of credit cost within the guided range of 40–50bps in FY26.

**Operating efficiencies to drive opex to assets lower going ahead**

India Shelter has strategically front-loaded the expansion by adding 24 branches in Q1FY26, taking the total branch count to 290, as on Jun'25. It guides for adding 40-45 branches during FY26. Overall, as operating efficiency kicks in and the company is able to reap the benefits of its investments in branches – with branch vintage – we can expect consistent moderation in opex to assets over the medium term. It has been doing well on AUM as well as income growth fronts; hence, despite such rapid branch addition, cost to assets in Q1FY26 was at 4.5% vs. 4.6% in FY24.

**Key risks**

- Top three states (Rajasthan, Maharashtra and Madhya Pradesh) constitute ~58% of overall book. Any adverse effect in any of these states could have a subsequent impact on the business.
- Lower growth than guidance of 30–35% for FY26.

## Q1FY26 conference call takeaways

### Guidance (unchanged)

- 30-35% AUM growth
- 40-45 branch additions in FY26
- Spreads ~6% for FY26
- Credit cost 40-50bps for FY26

### Margins

- **Spreads likely to inch up further by 20bps in FY26 – aided by borrowing cost benefit**
- **Borrowings mix**
  - 90% variable
    - Of this, one-third is linked to repo rate and rest linked to MCLR
  - 10% fixed
- MCLR linked borrowing pass through yet to show in borrowing cost, while repo pass through largely done
- **Expect further 20bps reduction in borrowing cost going ahead**
- **Asset mix (%)**
  - 55 – fixed
  - 30 – semi-variable (started this product 18 months back)
  - 15 – variable
- 50-60% of incremental disbursements are happening at the semi-variable rate
- Incremental yields as well as portfolio yield is similar
- **Asset mix target over the next 2 years:**
  - **65% variable or semi-variable**
  - **35% fixed**
- Semi-fixed means loans are fixed for first 3 years and then variable
- It would look to pass rate cut benefits to customers only after it sees a meaningful reduction in its own borrowing cost
- It did not entirely pass on the repo rate hike to customers; hence, it is not in a hurry to pass rate cut benefit as well

### Asset quality

- Delinquencies usually see an uptick in Q1 and due to this, there is some inch-up in Stage-2/Stage-3. This is the trend seen historically.
- **30+ DPD should largely be stable QoQ in Q2; and historically, Q3 has been better than Q2 and Q4 better than Q3**
- ~4.8% 30+ dpd for LAP
- ~4.1-4.2% 30+ DPD for HL
- Jul'25 30+ DPD is similar to Q1 levels
- **Expect that Stage-2 will likely sustain ~3.2-3.3% for FY26 (3.4% in Q1)**
- ~2.5 is close to bottom on Stage-2 front
- Stage-3 remains same for LAP as well as HL, due to SARFAESI
- Credit cost guidance unchanged, despite rise in 30+ DPD
- **Over the quarters, it has seen a rise in PD (Probability default) but LGD (Loss given default) has been declining, which is aiding overall ECL provisions**
- **Historically, while analysing resolution of 2,500 properties, it has 11% LGD**
- While computing LGD, principal as well as interest portion, both are included
- SARFAESI process takes 9-12 months
- On delinquency, the worry is not whether it is able to get the money back; rather, the worry is how early can it get the account resolved.

### Asset quality – geography

- **MP stress is little higher vs. the overall portfolio, since the past few quarters**
- Little uptick was seen in MP in Q1 in the overdue portfolio; but new leadership team is now settling down
- UP has one of the lowest delinquencies across the states, though book is relatively new
- TN, there is a slight uptick in Q1 in overdue portfolio, but this is not something bizarre and quite manageable. The uptick was largely seen in tandem with the rise seen across the country.

### AUM growth

- HL:LAP ratio would be maintained at 60:40
- LTV remains at 50-55 irrespective of HL/LAP
- Loan tenure
  - LAP 10-11 years (6 years behavioural)
  - Housing loan 15 years (7 years behavioural)
- Monthly income for its customers is between INR 30k-65k
- Traction is improving in the PMAY scheme
- 500-700 applications are still in progress in the PMAY scheme
- >200 customers have already got the first tranche of subsidy
- Going slow in Gujarat, since it is not able to get 6% spread in Gujarat
- Believe that there is good scope for future growth as well in affordable housing
- Market is enormous and India Shelter is still small in the overall markets
- Does not see much action in terms of under cutting, as market is huge

### Direct assignment

- **Direct assignment rangebound between 15-17% of overall AUM**
- Direct assignment income as a % average total assets at 1.8% vs. 1.7% YoY
- Direct assignment is only for LAP portfolio
- 30-35% growth in DA can be seen going ahead

### Opex

- Added 24 new branches during the quarter; guidance is addition of 40-45 branch in FY26
- There is scope for reducing cost to assets by 15-20bps in FY26
- As most of the sourcing is done directly, it has >1,700 loan officers in 290+ branches
- Employee productivity has improved for Q1FY26 vs. Q1FY25
- Productivity metrics are yet to improve further
- It is also putting a lot of thought into technology
- Attrition rate has improved vs. last year levels, but there is still scope for improvement
- There is an improvement of 10% in the attrition rate
- 25% employee currently have stock options, which would be taken to >50%
- 350 employees under ESOP scheme, which may go to 800 in Q2 itself

### Balance transfer

- BT-out remains rangebound between 5-6%; currently, it is near the lower end
- Maximum BT-out happens within 24-30 months of loan tenure

### Return ratios

- RoA up 20bps QoQ
- RoE crossed 17% for the first time since listing
- Leverage is 2.9x currently

## Q4FY25 conference call takeaways

### Guidance

- **30-35% AUM growth**
- INR 300bn AUM by Mar'30
- 40-45 branch addition in FY26
- Margins ~6% for FY26
- Credit cost 40-50bps for FY26
- Expect 4x leverage in two years
- **Expect RoA to be ~4.5% in two years**

### Margins

- Liabilities break-up:
  - **30% of total borrowings linked to RBI repo rate or T-bill**
  - 55% linked to MCLR (20% linked to 3M and 1Y linked to 6M/12M MCLR)
  - 15% are fixed rate liabilities
- 45% loans are floating in nature, wherein loans are semi variable in nature. They are fixed for initial 3 years and then variable
- Disbursement yield at 15%
- Incremental cost of funds for Q4 at 8.6% (had an element of NHB borrowings) and it is ~8.7% excluding NHB borrowing cost

### Asset quality

- ~6.3% portfolio in Karnataka, but no major impact as of now, except for some operational challenges
- ~5% of portfolio in Tamil Nadu, but there is nothing worrisome as of now
- Write-off of INR 80mn for FY25, while recovered INR 60mn from written-off accounts in FY25
- Some effect of restructured loans done during Covid-19 has an impact of 15-20bps on Stage-2 and Stage-3
- 1+ dpd at ~7%
- Unique customer CE is >97%
- **LGD on portfolio is 11-12% including principal and interest**
- **Comfortable with over 40-45bps credit cost on P&L**
- 3.5-4% overlap of total book with MFI customers

### AUM

- ~67% is proportion of housing loan at on-book level
- It is largely catering to self-employed markets in tier-2 and tier-3 markets
- It continues to work between INR 0.5-3mn ticket size, majorly in affordable housing
- It shall continue to work in affordable housing segment
- **In another 4-5 years, Rajasthan's share in overall AUM should come below 25%, while southern states' share could increase in overall loan mix**



- **Entire customer servicing is done by the branch**
- It is also working towards digital sourcing, though they have not called out the % share in sourcing as of now
- Recent disbursement of cash salaried is quite minimal, but as of now, it is majorly focused on formal salaried
- Among salaried profile, ~8-9% is cash salaried of the total salaried customers
- It has nil portfolio above 80% LTV in LAP

#### **Non-interest income**

- Non-interest income break-up:
  - ~50% income coming from insurance cross-sell
    - Two types of insurance offered by India Shelter
      - Property insurance penetration is ~90%
      - Credit life insurance penetration is ~80%
    - Working with four insurance companies for life and property insurance
  - ~20% of income comes by foreclosure charges on loan-prepayments
  - ~20% of income from bounce charges, cash handling fees etc.
  - ~10% co-lending fees

#### **Co-lending**

- Average LAP yield is 15.5% and LAP yield for co-lending is also similar ~15-15.5%
- **PAT is largely similar, whether the company opts for co-lending or it does direct lending**

#### **Miscellaneous**

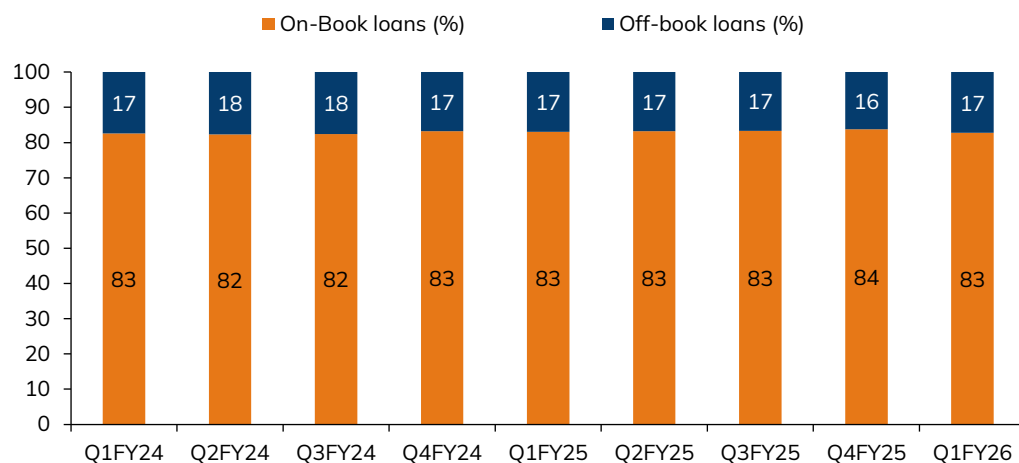
- **There is no regulatory challenge for leverage crossing beyond ~5x as well, but rating agencies and banks are comfortable with ~5x leverage**
- Regulatory requirement for CRAR is 15%
- There is some improvement in attrition, but not to the extent which the company aims for. To manage attrition, its board has approved an ESOP policy that will cover more employees

**Exhibit 1: Q1FY26 result review**

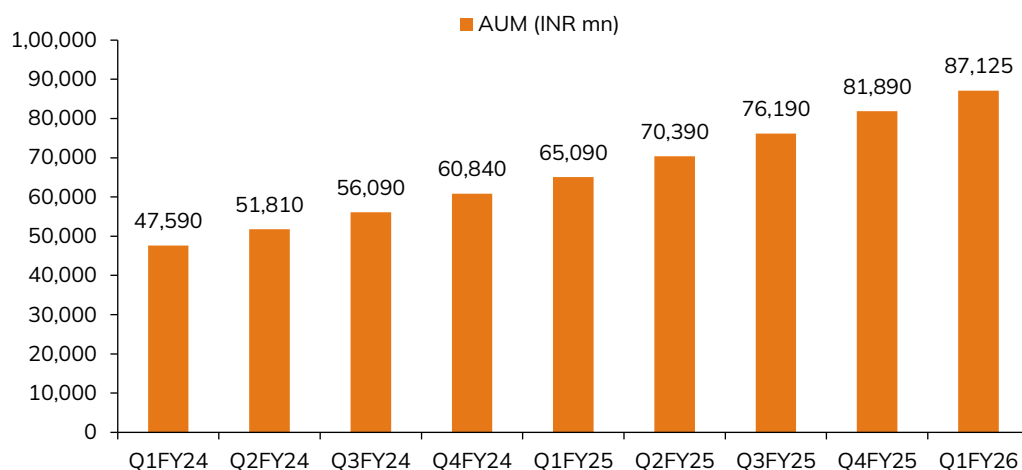
(INR mn)	Q1FY25	Q4FY25	Q1FY26	% YoY	% QoQ
<b>Income statement</b>					
Interest income	2,094	2,674	2,856	36.4	6.8
Interest expenses	766	1,016	1,065	38.9	4.8
<b>Net interest income</b>	<b>1,328</b>	<b>1,658</b>	<b>1,792</b>	<b>34.9</b>	<b>8.1</b>
Non-interest Income	510	598	754	47.8	26.1
<b>Total Income (net of interest expenses)</b>	<b>1,838</b>	<b>2,255</b>	<b>2,546</b>	<b>38.5</b>	<b>12.9</b>
Employee expenses	529	616	694	31.1	12.7
Depreciation and amortization	28	30	28	(1.3)	(6.7)
Other operating expenses	136	185	172	26.2	(7.2)
<b>Total Operating Expense</b>	<b>694</b>	<b>831</b>	<b>894</b>	<b>28.8</b>	<b>7.5</b>
<b>Pre-provisioning profit (PPoP)</b>	<b>1,144</b>	<b>1,424</b>	<b>1,652</b>	<b>44.4</b>	<b>16.0</b>
Provisions and write offs	66	31	102	54.2	229.0
<b>PBT</b>	<b>1,078</b>	<b>1,393</b>	<b>1,550</b>	<b>43.7</b>	<b>11.2</b>
Tax expenses	245	314	357	46.0	13.8
<b>PAT (Adjusted)</b>	<b>833</b>	<b>1,079</b>	<b>1,192</b>	<b>43.1</b>	<b>10.5</b>
<b>EPS (INR)</b>	<b>7.8</b>	<b>10.0</b>	<b>11.1</b>	<b>42.0</b>	<b>10.4</b>
<b>Balance Sheet</b>					
Share capital	536	539	540	0.7	0.1
Reserves & surplus	23,333	26,548	27,825	19.3	4.8
<b>Shareholders' funds</b>	<b>23,869</b>	<b>27,087</b>	<b>28,364</b>	<b>18.8</b>	<b>4.7</b>
<b>Borrowings</b>	<b>36,903</b>	<b>49,691</b>	<b>52,152</b>	<b>41.3</b>	<b>5.0</b>
Other Liabilities and provisions	894	698	1,350	51.0	93.3
<b>Total Liabilities and SHE</b>	<b>61,666</b>	<b>77,476</b>	<b>81,866</b>	<b>32.8</b>	<b>5.7</b>
Fixed assets	286	294	279	(2.4)	(5.0)
Loans	54,053	68,595	72,085	33.4	5.1
Cash & bank balances	2,077	3,434	2,402	15.7	(30.0)
Investments	3,536	3,153	4,867	37.7	54.4
Other Assets	1,714	2,000	2,232	30.2	11.6
<b>Total Assets</b>	<b>61,666</b>	<b>77,476</b>	<b>81,866</b>	<b>32.8</b>	<b>5.7</b>
<b>Key ratios</b>					
AUM (INR mn)	65,090	81,890	87,125	33.9	6.4
Disbursements (INR mn)	7,150	9,330	8,870	24.1	-4.9
Yields (%)	14.9	14.9	15.0	9 bps	9 bps
COB (%)	8.8	8.7	8.6	-21 bps	-10 bps
Spreads (%)	6.1	6.2	6.4	30 bps	20 bps
Gross Stage 3 (%)	1.1	1.0	1.2	14 bps	24 bps
Net Stage 3 (%)	0.7	0.8	1.0	25 bps	15 bps
DPD 30+	3.5	3.1	4.5	104 bps	144 bps
ECL Provision (%)	0.9	0.9	0.9	-1 bps	0 bps
Annualised credit cost (%)	0.42	0.16	0.48	6 bps	32 bps
Opex to AUM (%)	4.41	4.21	4.23	-18 bps	2 bps
ROA (%)	5.6	5.8	6.0	40 bps	20 bps
ROE (%)	14.3	16.3	17.2	290 bps	89 bps

Source: Company data, I-Sec research

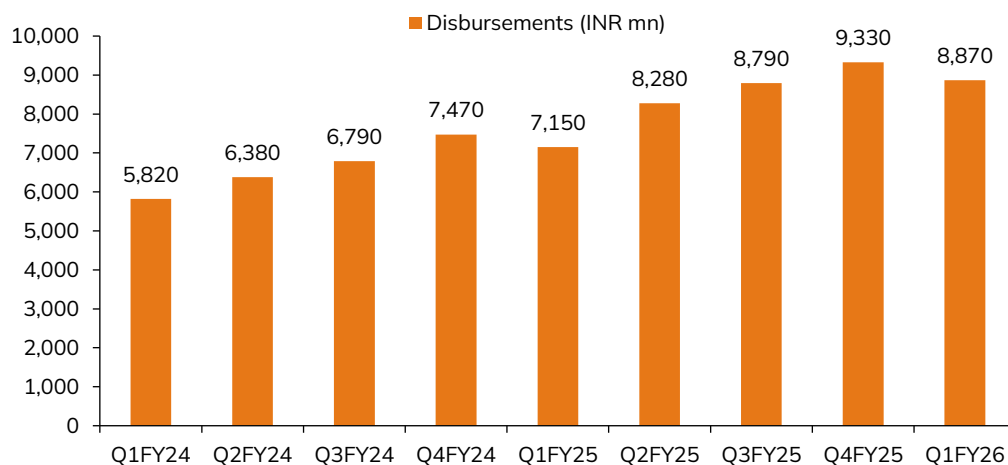


**Exhibit 2: Off-book loan share steady in the range of 16-18%**

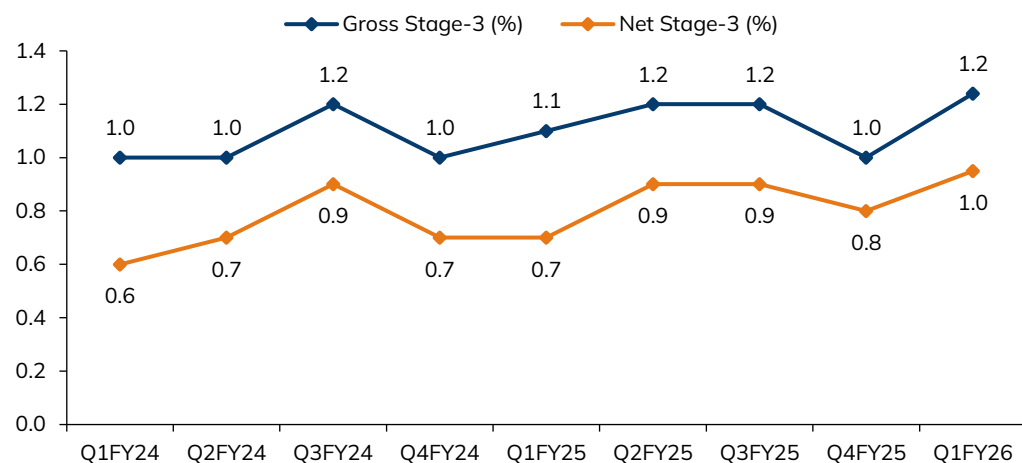
Source: Company data, I-Sec research

**Exhibit 3: AUM sees gradual and consistent uptick**

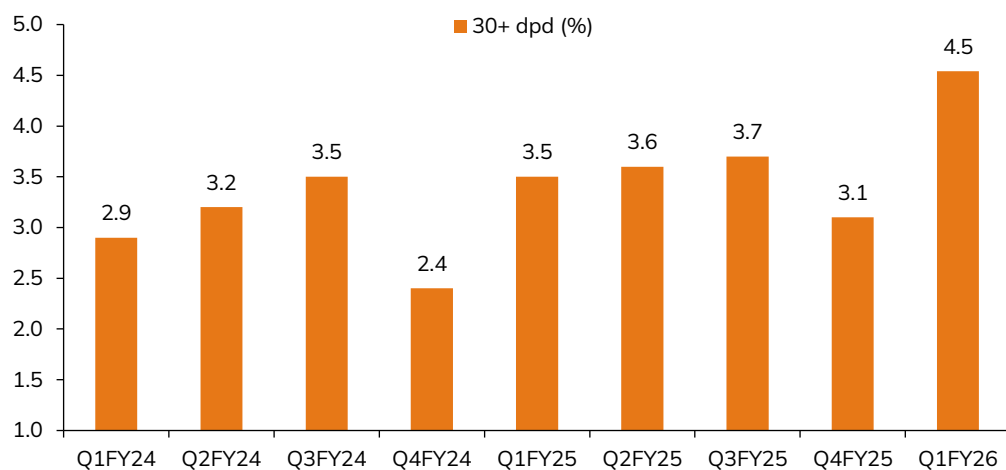
Source: Company data, I-Sec research

**Exhibit 4: Disbursements dipped on account of Q1 seasonality**

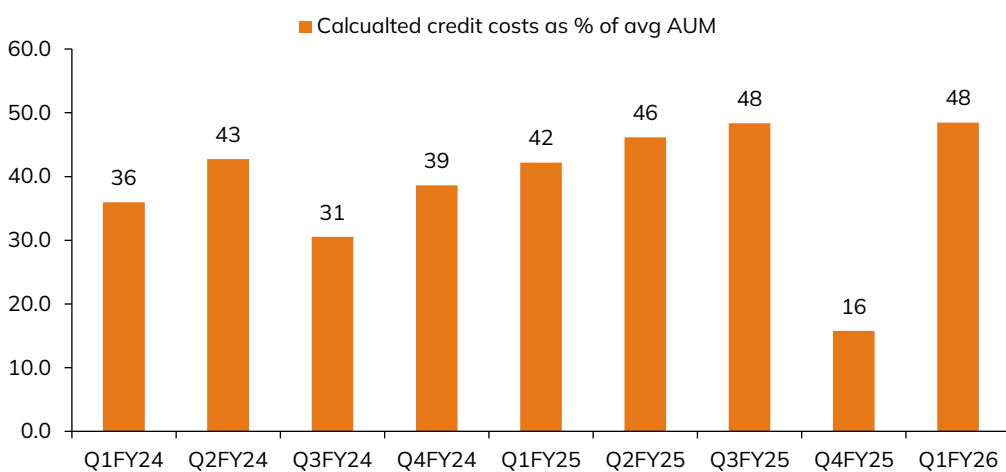
Source: Company data, I-Sec research

**Exhibit 5: Gross as well as net stage-3 deteriorated QoQ**

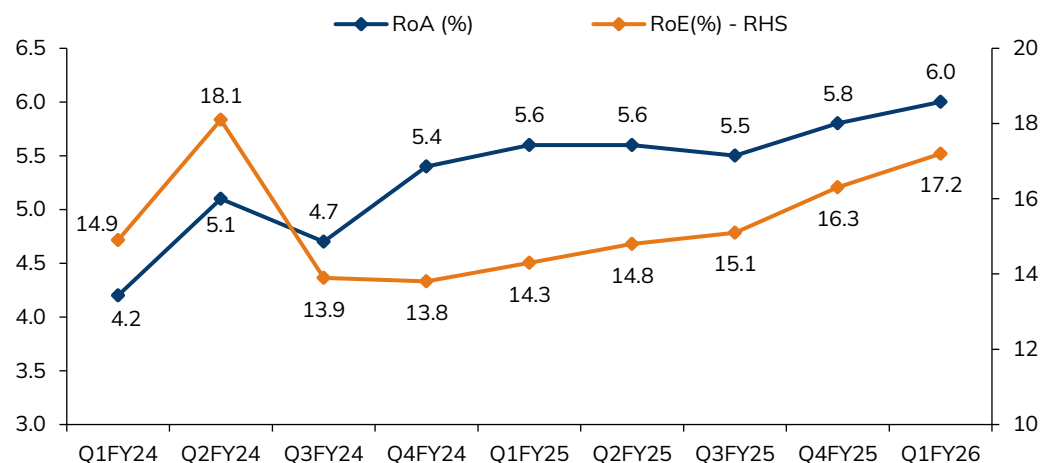
Source: Company data, I-Sec research

**Exhibit 6: Significant increase of 144bps QoQ in 30+ dpd**

Source: Company data, I-Sec research

**Exhibit 7: Credit cost at 48bps, largely within the guided range**

Source: Company data, I-Sec research

**Exhibit 8: RoA touching 6% mark for the first time in last 11 quarters**

Source: Company data, I-Sec research

**Exhibit 9: Shareholding pattern**

%	Dec'24	Mar'25	Jun'25
Promoters	48.0	47.9	47.9
Institutional investors	26.9	25.5	25.6
MFs and others	14.0	12.3	11.5
FIs/Banks	0.0	0.8	0.8
Insurance	6.1	5.4	5.4
FIIIs	6.8	6.9	8.0
Others	25.1	26.6	26.5

Source: Bloomberg, I-Sec research

**Exhibit 10: Price chart**

Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Interest Income	7,026	9,423	12,644	16,787
Interest Expenses	(2,885)	(3,549)	(5,043)	(6,973)
<b>Net Interest Income (NII)</b>	<b>4,141</b>	<b>5,874</b>	<b>7,601</b>	<b>9,815</b>
Other Income	-	-	-	-
<b>Total Income (net of interest expenses)</b>	<b>5,729</b>	<b>8,199</b>	<b>10,244</b>	<b>13,354</b>
Employee benefit expenses	(1,794)	(2,291)	(2,447)	(2,916)
Depreciation and amortization	(99)	(116)	(139)	(167)
Other operating expenses	(452)	(647)	(1,256)	(1,992)
<b>Total Operating Expense</b>	<b>(2,345)</b>	<b>(3,054)</b>	<b>(3,842)</b>	<b>(5,075)</b>
<b>Pre Provisioning Profits (PPoP)</b>	<b>3,384</b>	<b>5,145</b>	<b>6,403</b>	<b>8,280</b>
Provisions and write offs	(192)	(264)	(281)	(551)
<b>Profit before tax (PBT)</b>	<b>3,192</b>	<b>4,881</b>	<b>6,122</b>	<b>7,729</b>
Total tax expenses	(716)	(1,110)	(1,413)	(1,784)
<b>Profit after tax (PAT)</b>	<b>2,476</b>	<b>3,770</b>	<b>4,709</b>	<b>5,945</b>

Source Company data, I-Sec research

### Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Share capital	535	539	539	539
Reserves & surplus	22,451	26,529	31,237	37,183
<b>Shareholders' funds</b>	<b>22,987</b>	<b>27,068</b>	<b>31,777</b>	<b>37,722</b>
<b>Borrowings</b>	<b>34,151</b>	<b>49,691</b>	<b>72,707</b>	<b>100,929</b>
Provisions & Other Liabilities	804	697	871	796
<b>Total Liabilities and Stakeholder's Equity</b>	<b>57,942</b>	<b>77,456</b>	<b>105,355</b>	<b>139,447</b>
Cash and balance with RBI	3,777	3,291	8,283	11,076
Fixed assets	295	283	297	312
<b>Loans</b>	<b>50,624</b>	<b>68,595</b>	<b>92,030</b>	<b>123,063</b>
Investments	1,578	3,273	2,618	2,749
Deferred tax assets (net)	31	62	66	69
Other Assets	1,637	1,952	2,061	2,179
<b>Total Assets</b>	<b>57,942</b>	<b>77,456</b>	<b>105,355</b>	<b>139,447</b>

Source Company data, I-Sec research

**Exhibit 13: Key Ratios**

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>AUM and Disbursements (INR mn)</b>				
AUM	60,840	81,892	109,871	146,920
On-book Loans	50,624	68,595	92,030	123,063
Off-book Loans	10,216	13,297	17,840	23,856
Disbursements	26,460	33,550	45,225	60,182
Repayments	9,617	13,419	17,247	23,133
<b>Growth (%):</b>				
Total AUM (%)	39.6	34.6	34.2	33.7
Disbursements (%)	34.7	26.8	34.8	33.1
Repayments (%)	41.8	39.5	28.5	34.1
Loan book (on balance sheet) (%)	40.3	35.5	34.2	33.7
Total Assets (%)	34.9	33.7	36.0	32.4
Net Interest Income (NII) (%)	41.3	41.9	29.4	29.1
Non-interest income (%)	53.7	46.4	13.7	33.9
Total Income (net of interest expenses) (%)	44.5	43.1	24.9	30.4
Operating Expenses (%)	30.0	30.2	25.8	32.1
Employee Cost (%)	33.3	27.7	6.8	19.2
Non-Employee Cost (%)	20.2	43.3	94.0	58.6
Pre provisioning operating profits (PPoP) (%)	56.6	52.1	24.4	29.3
Provisions (%)	36.3	37.8	6.4	95.8
PBT (%)	58.0	52.9	25.4	26.3
PAT (%)	59.4	52.3	24.9	26.3
EPS (%)	30.3	51.1	24.9	26.3
<b>Yields, interest costs and spreads (%)</b>				
NIM on loan assets (%)	9.6	9.9	9.5	9.1
NIM on IEA (%)	7.3	7.8	7.5	7.1
NIM on AUM (%)	7.9	8.2	7.9	7.6
Yield on loan assets (%)	16.2	15.8	15.7	15.6
Yield on IEA (%)	12.4	12.6	12.4	12.2
Yield on AUM (%)	13.5	13.2	13.2	13.1
Cost of borrowings (%)	9.0	8.5	8.2	8.0
Interest Spreads (%)	7.2	7.3	7.5	7.6
<b>Operating efficiencies</b>				
Non interest income as % of total income	48.1	50.0	49.7	48.3
Cost to income ratio	40.9	37.2	37.5	38.0
Op.costs/avg assets (%)	4.6	4.5	4.2	4.1
Op.costs/avg AUM (%)	4.5	4.3	4.0	4.0
No of employees (estimate)	3,323,000	3,818,000	4,454,268	5,179,378
(x)	000	000	066	418
No of branches (x)	223	266	319	380
Salaries as % of non-interest costs (%)	76.5	75.0	63.7	57.5
NII /employee (INR mn)	1.2	1.5	1.7	1.9
AUM/employee (INR mn)	18.3	21.4	24.7	28.4
AUM/ branch (INR mn)	272.8	307.9	344.8	386.2
<b>Capital Structure</b>				
Average gearing ratio (x)	1.5	1.8	2.3	2.7
Leverage (x)	2.5	2.9	3.3	3.7
CAR (%)	71.0	60.6	53.8	48.3
Tier 1 CAR (%)	70.5	60.2	53.5	48.1
Tier 2 CAR (%)	0.5	0.4	0.3	0.2
RWA (estimate) - INR mn	30,814	41,527	55,541	74,146
RWA as a % of loan assets	60.9	60.5	60.4	60.2

Source Company data, I-Sec research

	FY24A	FY25A	FY26E	FY27E
<b>Asset quality and provisioning</b>				
GNPA (%)	1.0	1.0	1.1	1.2
NNPA (%)	0.7	0.8	0.8	0.9
GNPA (INR mn)	501	694	1,012	1,477
NNPA (INR mn)	376	523	763	1,113
Coverage ratio (%)	25.0	24.6	24.6	24.6
Credit Costs as a % of avg AUM (bps)	37	37	29	43
Credit Costs as a % of avg on book loans (bps)	44	44	35	51
<b>Return ratios</b>				
RoAA (%)	4.9	5.6	5.2	4.9
RoAE (%)	14.0	15.1	16.0	17.1
ROAAUM (%)	4.7	5.3	4.9	4.6
Dividend Payout ratio (%)	-	-	-	-
<b>Valuation Ratios</b>				
No of shares	107	108	108	108
No of shares (fully diluted)	107	108	108	108
EPS (INR)	23.1	34.9	43.6	55.1
EPS fully diluted (INR)	23.1	34.9	43.6	55.1
Price to Earnings (x)	40.3	26.7	21.3	16.9
Price to Earnings (fully diluted) (x)	40.3	26.7	21.3	16.9
Book Value (fully diluted)	215	251	295	350
Adjusted book value	212	247	289	342
Price to Book	4.3	3.7	3.2	2.7
Price to Adjusted Book	4.4	3.8	3.2	2.7
DPS (INR)	-	-	-	-
Dividend yield (%)	-	-	-	-

Source Company data, I-Sec research

**Exhibit 14: Key Metrics**

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>DuPont Analysis</b>				
Average Assets (INR mn)	50,449	67,699	91,405	122,401
Average Loans (INR mn)	43,358	59,609	80,312	107,547
Average Equity (INR mn)	17,696	25,027	29,423	34,750
Interest earned (%)	13.9	13.9	13.8	13.7
Interest expended (%)	5.7	5.2	5.5	5.7
<b>Gross Interest Spread (%)</b>	<b>8.2</b>	<b>8.7</b>	<b>8.3</b>	<b>8.0</b>
Credit cost (%)	0.4	0.4	0.3	0.4
<b>Net Interest Spread (%)</b>	<b>7.8</b>	<b>8.3</b>	<b>8.0</b>	<b>7.6</b>
Operating cost (%)	4.6	4.5	4.2	4.1
<b>Lending spread (%)</b>	<b>3.2</b>	<b>3.8</b>	<b>3.8</b>	<b>3.4</b>
Non interest income (%)	3.1	3.4	2.9	2.9
<b>Operating Spread (%)</b>	<b>6.3</b>	<b>7.2</b>	<b>6.7</b>	<b>6.3</b>
Tax rate (%)	22.4	22.7	23.1	23.1
<b>ROAA (%)</b>	<b>4.9</b>	<b>5.6</b>	<b>5.2</b>	<b>4.9</b>
Effective leverage (AA/ AE)	2.9	2.7	3.1	3.5
<b>RoAE (%)</b>	<b>14.0</b>	<b>15.1</b>	<b>16.0</b>	<b>17.1</b>

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com and Kadambari\_balachandran@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
**BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return**

## ANALYST CERTIFICATION

I/We, Renish Bhuva, CFA (ICFAI); Chintan Shah, CA; Gaurav Toshniwal, CA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icidirect.com](http://icidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

---

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report.

SEBI Guidelines for Research Analyst (RA) requires all RAs to disclose terms and conditions pertaining to Research Services to all clients. Please go through the "Mandatory terms and conditions" and "Most Important Terms and Conditions. ([Link](#))

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: [Mr. Bhavesh Soni](#) Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

---