

Home First Finance

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

CMP: INR1,193 TP: INR1,500 (+26%)

Buy

Operationally healthy quarter; sequential NIM expansion

Asset quality stable even as bounce-rates inched up a little

- HomeFirst's 4QFY25 PAT grew 25% YoY to INR1.05b (in line). FY25 PAT grew ~25% YoY to INR3.8b. 4Q NII grew 26% YoY to INR1.7b (in line). Other income jumped 52% YoY to INR533m, aided by higher assignment income of INR300m (PY: ~INR150m).
- Opex grew 38% YoY to INR803m (in line). PPOP rose ~28% YoY to INR1.46b (in line). Credit costs stood at INR77m (in line) and translated into annualized credit costs of ~25bp (PQ: ~34bp and PY: ~12bp).
- In Apr'25, HomeFirst successfully raised equity capital of INR12.5b via a QIP. After the capital raise, the proforma net worth stood at INR37.5b, leverage declined to ~3.3x and CRAR improved to ~51%.
- Reported NIMs rose ~20bp QoQ. Management stated that ~10bp of the NIM improvement was driven by lower surplus liquidity on the balance sheet, while the rest was due to mark-to-market adjustments. Additionally, the company is optimistic about getting a credit rating upgrade (to AA) within the next six months, which will further reduce its cost of borrowings.
- Management expects robust mortgage demand in FY26 and does not expect any major shifts in the competitive environment. It guided for AUM growth of ~27-30% for FY26 and reiterated its target of scaling up to ~INR350b in AUM by FY30.
- HOMEFIRST's execution has been consistently better than its peers, and the company is well-positioned to capitalize on opportunities in the affordable housing segment. We estimate a CAGR of ~27%/~30% in AUM/PAT over FY25-FY27E. Asset quality is expected to remain range-bound at current levels and credit costs are likely to remain benign at ~27-30bp over the near-to-medium-term. **Reiterate BUY with a TP of INR1,500 (based on 3.2x Mar'27E BV).**

Healthy AUM growth of ~31% YoY; BT-OUT rate inches up but lower YoY

- Disbursements grew 16% YoY to ~INR12.7b (+7% QoQ), leading to AUM growth of 31% YoY to ~INR127b. Management guided for disbursement growth of ~20-25% in FY26.
- The BT-OUT rate (annualized) in 4Q rose to 7.5% (PQ: ~7.3% and PY: ~8.3%) as competitive intensity tends to be higher in 4Q than in other quarters.

Reported NIM rose ~20bp QoQ; Minor spread compression

- Reported yield declined ~10bp QoQ to 13.5% and reported CoF was stable QoQ at 8.4%. Reported spreads (excl. co-lending) fell ~10bp QoQ to 5.1%. Management guided for spreads of ~5.0%-5.2% in FY26.
- Reported NIM rose ~20bp QoQ to 5.1%, driven by lower surplus liquidity on the balance sheet. Incremental CoF and origination yield in 4Q stood at 8.6% and 13.3%, respectively. We model an NIM of 6.2%/6.1% in FY26/FY27 (FY25: 5.7%). NIM expansion in FY26 will be driven by a decline in leverage after the equity capital raise.

Stock Info

| | |
|-----------------------|-------------|
| Bloomberg | HOMEFIRS IN |
| Equity Shares (m) | 103 |
| M.Cap.(INRb)/(USD\$) | 122.8 / 1.5 |
| 52-Week Range (INR) | 1383 / 777 |
| 1, 6, 12 Rel. Per (%) | 16/0/27 |
| 12M Avg Val (INR M) | 539 |
| Free float (%) | 87.5 |

Financials Snapshot (INR b)

| Y/E March | FY25 | FY26E | FY27E |
|---------------|------|-------|-------|
| NII | 6.4 | 9.0 | 11.1 |
| PPoP | 5.3 | 7.4 | 9.0 |
| PAT | 3.8 | 5.3 | 6.5 |
| EPS (INR) | 42.4 | 51.4 | 62.8 |
| EPS Gr. (%) | 22.8 | 21.2 | 22.2 |
| BV/Sh. (INR) | 280 | 413 | 472 |
| ABV/Sh. (INR) | 269 | 402 | 458 |

Ratios

| | | | |
|---------------|------|------|------|
| NIM (%) | 5.7 | 6.2 | 6.1 |
| C/I ratio (%) | 35.6 | 33.5 | 33.4 |
| RoAA (%) | 3.5 | 3.9 | 3.8 |
| RoAE (%) | 16.5 | 15.6 | 14.2 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 28.1 | 23.2 | 19.0 |
| P/BV (x) | 4.3 | 2.9 | 2.5 |
| P/ABV (x) | 4.4 | 3.0 | 2.6 |
| Div. Yield (%) | 0.3 | 0.3 | 0.4 |

Shareholding Pattern (%)

| As On | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 14.3 | 14.3 | 23.6 |
| DII | 19.8 | 18.3 | 11.9 |
| FII | 36.0 | 37.9 | 25.1 |
| Others | 29.9 | 29.5 | 39.5 |

FII includes depository receipts

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Improvement in 1+dpd and 30+dpd; Minor increase in bounce rates

- GS3 and NS3 remained largely stable QoQ at 1.7% and 1.3%, respectively. PCR was stable at ~25%.
- 1+dpd declined ~30bp QoQ to 4.5%. Bounce rates rose ~40bp QoQ to ~16.4% in 4QFY25 (vs. ~16% in 3QFY25). In Apr'25, bounce rates declined to 16.2%.

Highlights from the management commentary

- HomeFirst's new partnership with PhonePe started a few months back. In all the digital partnerships, the arrangement is to focus on new acquisitions.
- The company is very well capitalized and does not foresee the need to raise equity capital for the next four years.
- Co-lending guidelines are still under discussion, and currently, there is no cap on ticket size, which is a positive. If co-lending Model 2 is eliminated, the process may become slightly more tedious. Under Co-lending Model 1 (currently being followed by HomeFirst), disbursements must be made simultaneously by both lending entities.

Valuation and view

- HomeFirst delivered a healthy performance in 4Q, aided by robust AUM growth and stable asset quality, leading to benign credit costs. Even as spreads saw minor compression, the company reported an improvement in NIMs, driven by lower surplus liquidity on the balance sheet.
- We estimate a CAGR of ~27%/~30% in AUM/PAT over FY25-FY27E. While there will be a temporary RoE compression (on the back of the recent equity raise), we expect HomeFirst to steadily keep improving its RoE in the subsequent quarters and deliver RoE of 15.6%/14.2% in FY26/FY27.
- Asset quality is expected to remain range-bound at current levels and credit costs are likely to remain benign at ~25-30bp over the near-to-medium-term. HomeFirst trades at 2.5x FY27E P/BV and we believe that it will sustain its premium valuations over peers because of the strong execution that it has demonstrated over the last four years. **Reiterate our BUY rating on the stock with a TP of INR1,500 (premised on 3.2x Mar'27E BVPS).**
- **Key downside risks:** a) a sharp contraction in spreads and margins to sustain the business momentum; b) higher BT-outs, leading to lower AUM growth; and c) deterioration in asset quality in its LAP product and self-employed customer segments, resulting in higher credit costs.

Quarterly Performance

(INR m)

| Y/E March | FY24 | | | | FY25 | | | | FY24 | FY25 | 4Q FY25E | Act V/s Est |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Interest Income | 2,313 | 2,491 | 2,646 | 2,827 | 3,032 | 3,322 | 3,558 | 3,629 | 10,277 | 13,540 | 3,741 | -3 |
| Interest expenses | 1,068 | 1,170 | 1,302 | 1,459 | 1,568 | 1,756 | 1,926 | 1,903 | 4,999 | 7,153 | 2,035 | -7 |
| Net Interest Income | 1,246 | 1,321 | 1,344 | 1,368 | 1,464 | 1,566 | 1,631 | 1,726 | 5,278 | 6,388 | 1,706 | 1 |
| YoY Growth (%) | 32.6 | 30.1 | 21.4 | 22.4 | 17.5 | 18.6 | 21.4 | 26.2 | 26.3 | 21.0 | 24.7 | |
| Other Income | 285 | 289 | 364 | 351 | 382 | 421 | 517 | 533 | 1,289 | 1,852 | 572 | -7 |
| Net Income | 1,530 | 1,610 | 1,708 | 1,719 | 1,846 | 1,987 | 2,148 | 2,259 | 6,567 | 8,239 | 2,278 | -1 |
| YoY Growth (%) | 40.9 | 36.1 | 35.7 | 24.2 | 20.6 | 23.4 | 25.8 | 31.4 | 33.7 | 25.5 | 32.5 | |
| Operating Expenses | 553 | 565 | 611 | 584 | 655 | 726 | 752 | 803 | 2,313 | 2,936 | 816 | -2 |
| Operating Profit | 977 | 1,044 | 1,097 | 1,135 | 1,191 | 1,261 | 1,396 | 1,456 | 4,254 | 5,304 | 1,461 | 0 |
| YoY Growth (%) | 39.8 | 40.9 | 34.5 | 24.8 | 21.9 | 20.7 | 27.2 | 28.3 | 34.3 | 24.7 | 28.8 | |
| Provisions and Cont. | 77 | 80 | 70 | 27 | 56 | 57 | 98 | 77 | 254 | 288 | 80 | -4 |
| Profit before Tax | 900 | 964 | 1,027 | 1,107 | 1,135 | 1,204 | 1,298 | 1,379 | 4,000 | 5,016 | 1,381 | 0 |
| Tax Provisions | 209 | 221 | 239 | 273 | 258 | 281 | 324 | 332 | 942 | 1,195 | 342 | -3 |
| Net Profit | 691 | 743 | 788 | 835 | 878 | 922 | 974 | 1,047 | 3,057 | 3,821 | 1,040 | 1 |
| YoY Growth (%) | 34.9 | 36.9 | 34.5 | 30.4 | 27.0 | 24.1 | 23.5 | 25.4 | 33.9 | 25.0 | 24.6 | |

Key Operating Parameters (%)

| | | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|--|
| Other income to Net Income Ratio | 18.6 | 17.9 | 21.3 | 20.4 | 20.7 | 21.2 | 24.1 | 23.6 | 19.6 | 22.5 | |
| Credit Cost | 0.41 | 0.40 | 0.32 | 0.12 | 0.22 | 0.21 | 0.34 | 0.25 | 1.4 | 1.2 | |
| Cost to Income Ratio | 36.1 | 35.1 | 35.7 | 34.0 | 35.5 | 36.5 | 35.0 | 35.5 | 35.2 | 35.6 | |
| Tax Rate | 23.2 | 23.0 | 23.3 | 24.6 | 22.7 | 23.4 | 25.0 | 24.1 | 23.6 | 23.8 | |

Balance Sheet Parameters

| | | | | | | | | | | | |
|----------------------|--------|--------|--------|--------|----------|----------|----------|----------|--------|----------|--|
| AUM (INR m) | 77,760 | 83,654 | 90,137 | 96,978 | 1,04,781 | 1,12,294 | 1,19,494 | 1,27,127 | 96,978 | 1,27,127 | |
| Change YoY (%) | 33.3 | 33.3 | 33.5 | 34.7 | 34.7 | 34.2 | 32.6 | 31.1 | 34.7 | 31.1 | |
| Loans (INR m) | 65,194 | 70,253 | 75,479 | 81,434 | 87,940 | 94,465 | 1,00,649 | 1,06,487 | 81,434 | 1,06,487 | |
| Change YoY (%) | 38.1 | 36.5 | 34.9 | 35.8 | 34.9 | 34.5 | 33.3 | 30.8 | 35.8 | 30.8 | |
| Borrowings (INR m) | 68,215 | 72,792 | 82,514 | 87,954 | 95,120 | 1,05,869 | 1,10,391 | 1,15,592 | 73,021 | 95,507 | |
| Change YoY (%) | 41.0 | 39.2 | 42.2 | 47.7 | 39.4 | 45.4 | 33.8 | 31.4 | 51.7 | 30.8 | |
| Loans/Borrowings (%) | 95.6 | 96.5 | 91.5 | 92.6 | 92.5 | 89.2 | 91.2 | 92.1 | 112 | 111 | |

Asset Quality Parameters (%)

| | | | | | | | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|
| GS 3 (INR m) | 1,077 | 1,233 | 1,295 | 1,393 | 1,540 | 1,640 | 1,770 | 1,808 | 1,393 | 1,808 | |
| Gross Stage 3 (% on Assets) | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.74 | 1.68 | 1.70 | 1.68 | |
| NS 3 (INR m) | 743 | 859 | 908 | 979 | 1,116 | 1,202 | 1,319 | 1,353 | 979 | 1,353 | |
| Net Stage 3 (% on Assets) | 1.13 | 1.21 | 1.19 | 1.19 | 1.26 | 1.26 | 1.30 | 1.26 | 1.19 | 1.26 | |
| PCR (%) | 31.0 | 30.3 | 29.9 | 29.7 | 27.5 | 26.7 | 25.5 | 25.2 | 29.7 | 25.2 | |
| ECL (%) | 0.94 | 0.91 | 0.89 | 0.86 | 0.83 | 0.80 | 0.80 | 0.77 | 0.94 | 0.91 | |

Return Ratios (%)

| | | | | | | | | | | | |
|------------|------|------|------|------|------|------|------|------|------|------|--|
| ROAA (Rep) | 3.9 | 3.8 | 3.7 | 3.6 | 3.6 | 3.4 | 3.4 | 3.9 | 3.8 | 3.5 | |
| ROAE (Rep) | 15.0 | 15.6 | 15.8 | 16.1 | 16.3 | 16.5 | 16.6 | 18.7 | 15.5 | 16.5 | |

E: MOFSL Estimates



Highlights from the management commentary

Guidance

- Spreads to be in the range of ~5.0-5.2%; NIM will expand for the next few quarters as leverage has declined post the QIP
- Opex to Assets will remain in the same range and the company will be more focused on growth for the next few years.
- Guided for disbursement growth of 20-25%, repayment rate of 17-18% (including of BT-OUT of 7.0-7.5%) and AUM growth of 27%-30%; FY30 AUM guidance of INR350b.

NIM

- Out of the ~20bp QoQ expansion in NIM, ~10bp was due to lower surplus liquidity on the balance sheet and the rest was because of some mark-to-market (MtM) activity, which gets reflected in the interest expenses line.

Asset Quality

- ECL model is refreshed annually in Mar'25. On Stage 1, it uses 12-month probability of default. This year was BSR's first audit of HomeFirst and they have done full detailed audit of the ECL.
- Early delinquencies have improved in the quarter - 1+dpd has declined 30bp QoQ to 4.5% and 30+dpd declined 10bp QoQ to 3%.
- In FY25, write-offs stood at ~INR170m and recoveries stood at ~INR20m.
- LAP GS3 stood at 1.2-1.3% and HL GS3 stood at 1.8-1.9%.
- Management overlay of INR130m in the ECL provisions.

Liabilities and CoB

- For HomeFirst's bank borrowings, usually there is a ~60% transmission (over a 12-month period) of the Repo Rate cuts.
- Shorter-tenor linked borrowings have seen some repricing benefit. If the policy rate cut had not happened, then the CoB would have stood at 8.5%. So it has already received ~10bp benefit from the ~50bp cut in the Repo Rates.
- Choice between PSU/Private bank borrowings is largely driven by relationships, and because of a large line from SBI, it is bunched up in 4Q.
- NHB mix is 16% and it will remain in the range of 15-20%. Assignments are driven by liquidity needs and pricing; however, they will remain range-bound as a % of AUM.
- Liquidity buffer of ~INR24.7b (~INR12b on balance sheet and the remaining are unutilized lines).

Yields

- No PLR changes have been made despite two repo rate cuts.
- Yields stood at 13.3% and the origination yield was around 13.0-13.5%. When it sees benefits in CoB, it will pass them on to customers and it is confident of maintaining spreads of 5.0-5.2%.
- Incremental origination yields can be maintained at 13.0-13.5%.

Credit Rating Upgrade

- Hopeful that in the next 6 months, it should be able to see initial signs of a credit rating upgrade.

Competitive Landscape

- Private sector banks are not too much focused on mortgages as yet.
- FY26 should be a year of decent mortgage demand. Competition is very uniform across several years. From a competition perspective, it will be just like any other year - not very different.

Co-lending guidelines and the way forward

- Co-lending structure is RoE accretive. In P&L, it appears in the interest income and interest expense line.
- Draft guidelines do not have the mention of the co-lending model 2.
- Co-lending guidelines are still under discussion and there is no ticket-size cap in co-lending now, which is beneficial. If co-lending model 2 is eliminated, then it will make the co-lending a little more tedious. Under Co-lending model 1, disbursements have to be done simultaneously by both the entities.

No need to raise Equity Capital for the next 4 years

- HomeFirst can easily go up to leverage of 5x and it might not need to raise equity capital for the next 4 years.
- Milestone is to get to RoE of ~15%, which will happen over the next 6 quarters.

Financial Performance

- 4Q PAT stood at ~INR1.05b and RoE of 17%.
- Spreads for 4Q (excl. co-lending) stood at 5.1% and CoB was stable QoQ at 8.4%
- Borrowing profile continues to be well diversified, reflecting prudential liability management.
- CRAR stood at 32.8% (Tier 1: 32.4%). Post the QIP, leverage of ~3.3x; CRAR stood at 51% (proforma).
- Book spreads stood at 5.1% and it runs a fully floating rate book. As the CoB evolves, it will transmit the CoB benefit to customers.

Others

- Guided for an average of 10-11 employees per branch.
- Attrition declined by 2-3% YoY. Hiring is bunched up in 1Q, since it does campus hiring. The number of people joining in the last quarter is never very high.
- The company will be able to maintain its average productivity at the same levels.
- Active Connectors stood at 3,800 and number of RMs stood at 1,200 (Top 10 contributed <4% of the business)
- Ambition is to reach from 2% (currently) to 4.0-5.0% market share in the medium term.
- Newer branches scale up to AUM of INR300m-500m within 2 years.
- Smaller branches (<INR250m AUM), mid-sized branches (INR250m-INR750m) and large branches (>INR750m AUM) - Number of branches is roughly 1/3rd each among smaller, mid-sized and large branches.
- HomeFirst pays commissions of 40-50bp to connectors. In an adhoc way, the connectors sometimes help in recoveries.

- Sweet spot for HomeFirst is in the ticket size of INR1.0m-2.5m. Average ticket size is INR1.17m and incremental ticket size on disbursement was INR1.3m-1.4m.
- LAP LTV will be <60%. LTV of >80% is in the developer-led apartment segment. Over a course of time, its participation in the developer segment has been gradually coming down.
- ~30% of the LAP customers are those who would have started the construction by borrowing from someone else and now they want to repay the loan and the remaining use it for consumption or business purposes.
- HomeFirst's new partnership with PhonePe was started a few months back. In all the digital partnerships, the arrangement is to focus on new acquisitions.
- Tamil Nadu: It has 24 branches in Tamil Nadu and it is taking a step back to see where it can expand. Some leadership changes in TN and there is recalibration happening in the state. Looking at making some changes and it will come back stronger. It has plans of re-energizing some of the states like TN and Gujarat.

Key Exhibits

Exhibit 1: Disbursements grew ~16% YoY

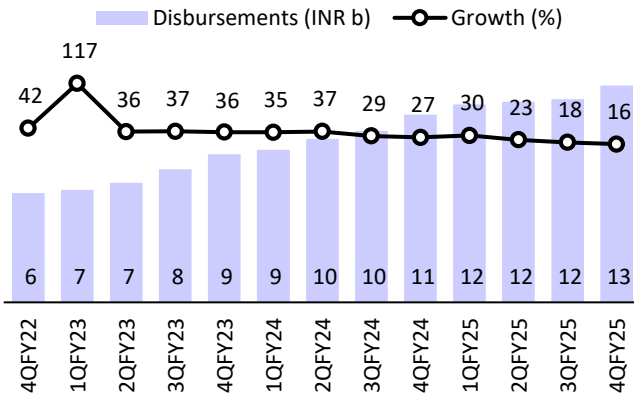


Exhibit 2: AUM grew ~31% YoY

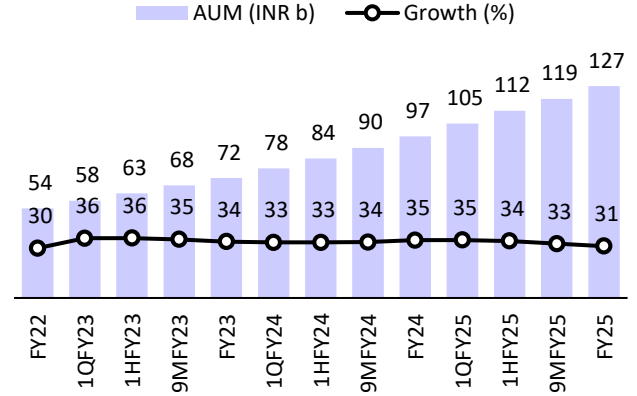


Exhibit 3: Segment-wise loan mix (%)

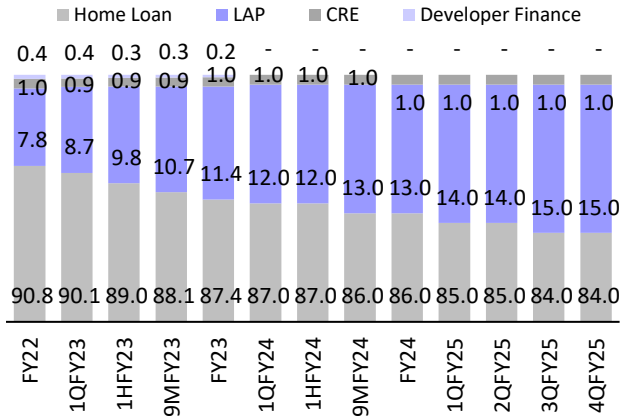


Exhibit 4: Top 6 states contributed ~77% to the loan mix (%)

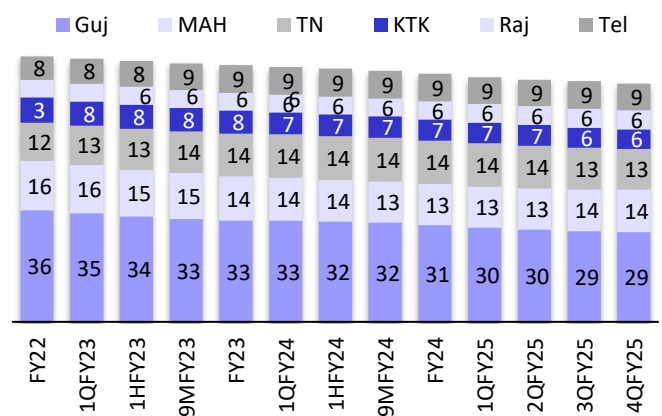
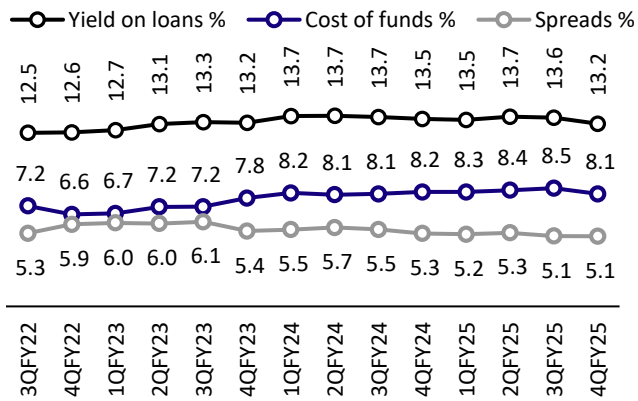
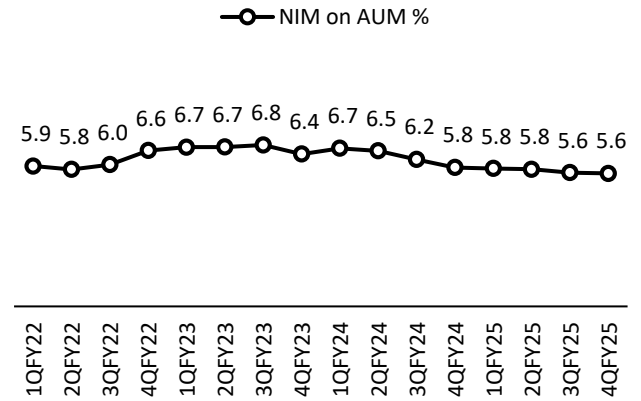


Exhibit 5: Spreads (calc.) remained stable QoQ (%)



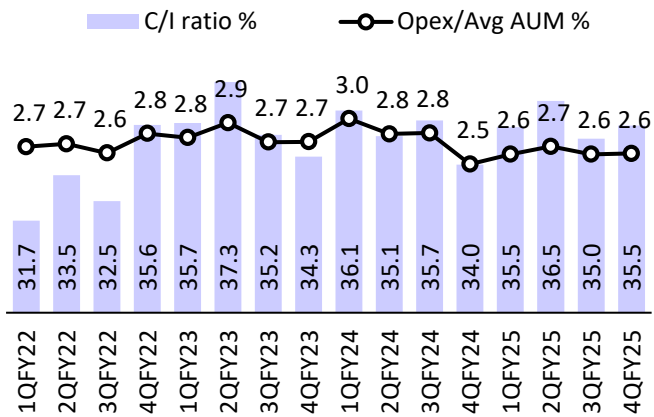
Sources: Company, MOFSL

Exhibit 6: NIMs (Calc.) was stable QoQ (%)



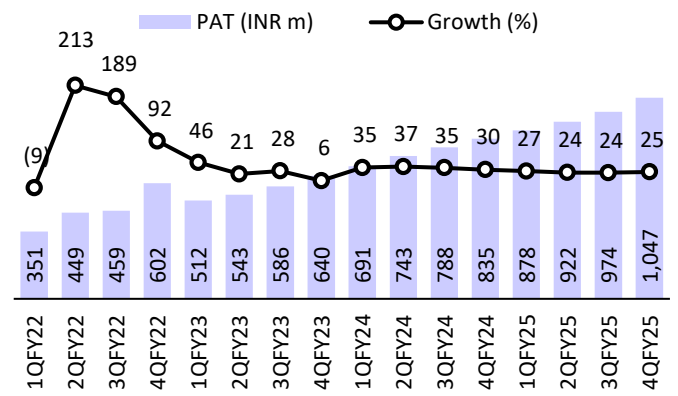
Sources: Company, MOFSL

Exhibit 7: Opex/AUM was stable QoQ (%)



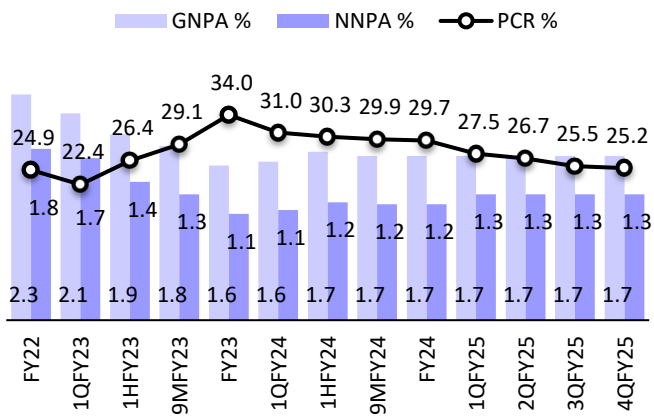
Sources: Company, MOFSL

Exhibit 8: PAT rose ~25% YoY



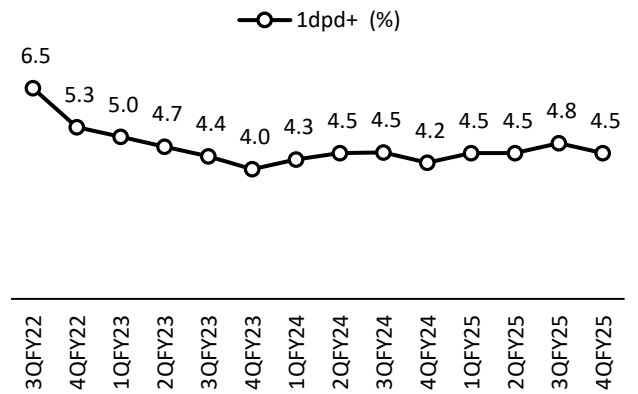
Sources: Company, MOFSL

Exhibit 9: GS3 remained stable QoQ (%)



Sources: Company, MOFSL

Exhibit 10: 1+dpd declined ~30bp QoQ to 4.5%

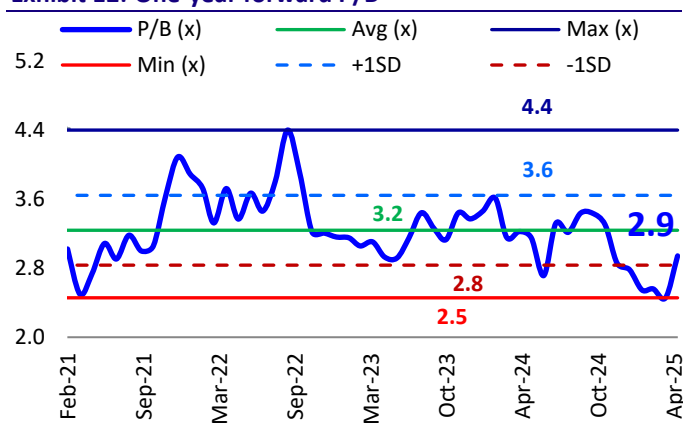


Sources: Company, MOFSL

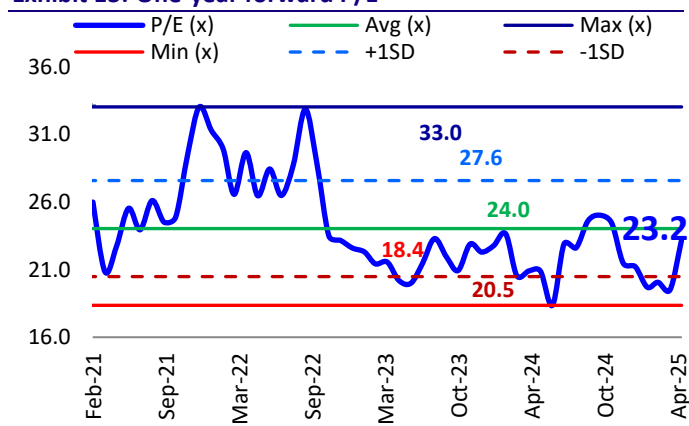
Exhibit 11: Our FY25/FY26/FY27 EPS estimates are largely unchanged

| INR B | Old Est. | | New Est. | | % Change | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | FY26 | FY27 | FY26 | FY27 | FY26 | FY27 |
| NII | 8.8 | 11.2 | 9.0 | 11.1 | 1.6 | -0.7 |
| Other operating Income | 1.6 | 1.6 | 1.6 | 1.8 | 1.6 | 8.6 |
| Other Income | 0.7 | 0.8 | 0.6 | 0.7 | -17.2 | -13.2 |
| Total Income | 11.1 | 13.6 | 11.1 | 13.6 | 0.4 | -0.2 |
| Operating Expenses | 3.7 | 4.5 | 3.7 | 4.5 | 1.0 | -0.2 |
| Operating Profits | 7.4 | 9.1 | 7.4 | 9.0 | 0.1 | -0.3 |
| Provisions | 0.4 | 0.4 | 0.4 | 0.5 | 15.1 | 14.0 |
| PBT | 7.0 | 8.6 | 7.0 | 8.5 | -0.6 | -1.0 |
| Tax | 1.7 | 2.1 | 1.7 | 2.0 | -2.7 | -3.0 |
| PAT | 5.3 | 6.5 | 5.3 | 6.5 | 0.0 | -0.4 |
| Loans | 162 | 203 | 162 | 203 | 0.2 | 0.4 |
| Borrowings | 108 | 138 | 107 | 137 | -0.6 | -0.1 |
| RoA | 3.9 | 3.8 | 3.9 | 3.8 | 0.0 | 0.0 |
| RoE | 15.9 | 14.4 | 15.6 | 14.2 | -0.2 | -0.2 |

Sources: MOFSL, Company

Exhibit 12: One-year forward P/B


Source: MOFSL, Company

Exhibit 13: One-year forward P/E


Source: MOFSL, Company

| Dupont % | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|--------------------------------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income | 11.9 | 10.6 | 10.6 | 12.2 | 12.6 | 12.5 | 12.7 | 12.4 |
| Interest Expenses | 6.5 | 5.5 | 4.5 | 5.1 | 6.1 | 6.6 | 6.1 | 5.9 |
| Net Interest Income | 5.4 | 5.1 | 6.1 | 7.1 | 6.5 | 5.9 | 6.6 | 6.6 |
| Gain on DA | 1.2 | 1.1 | 1.4 | 0.6 | 0.8 | 0.8 | 0.7 | 0.6 |
| Other Income (incl fees) | 0.9 | 0.5 | 0.3 | 0.6 | 0.8 | 0.9 | 0.9 | 0.8 |
| Total Income (net of int exp) | 7.6 | 6.7 | 7.9 | 8.3 | 8.1 | 7.6 | 8.1 | 8.0 |
| Operating Expenses | 3.4 | 2.6 | 2.6 | 2.9 | 2.8 | 2.7 | 2.7 | 2.7 |
| Cost to Income Ratio (%) | 45.2 | 38.2 | 33.2 | 35.5 | 35.2 | 35.6 | 33.5 | 33.4 |
| Employee Expenses | 2.0 | 1.7 | 1.7 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Other Expenses | 1.4 | 0.9 | 0.9 | 1.1 | 1.0 | 0.9 | 0.9 | 0.9 |
| PPoP | 4.2 | 4.2 | 5.3 | 5.3 | 5.2 | 4.9 | 5.4 | 5.3 |
| Provisions/write offs | 0.6 | 0.8 | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 |
| PBT | 3.6 | 3.4 | 4.8 | 5.0 | 4.9 | 4.6 | 5.1 | 5.0 |
| Tax provisions | 0.9 | 0.8 | 0.8 | 1.1 | 1.2 | 1.1 | 1.2 | 1.2 |
| RoAA | 2.7 | 2.5 | 3.9 | 3.9 | 3.8 | 3.5 | 3.9 | 3.8 |
| Leverage (x) | 4.1 | 3.5 | 3.3 | 3.5 | 4.1 | 4.7 | 4.0 | 3.7 |
| RoAE | 10.9 | 8.7 | 12.8 | 13.5 | 15.5 | 16.5 | 15.6 | 14.2 |

E: MOSL Estimates

Financials and Valuation

Income statement

(INR M)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|--|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Interest Income | 3,548 | 4,237 | 5,117 | 7,222 | 10,277 | 13,540 | 17,334 | 21,100 |
| Interest Expenses | 1,938 | 2,202 | 2,157 | 3,043 | 4,999 | 7,153 | 8,378 | 9,991 |
| Net Interest Income | 1,610 | 2,035 | 2,960 | 4,179 | 5,278 | 6,388 | 8,956 | 11,109 |
| Change (%) | 52.6 | 26.4 | 45.4 | 41.2 | 26.3 | 21.0 | 40.2 | 24.0 |
| Gain on Direct assignment | 371 | 439 | 678 | 380 | 631 | 912 | 920 | 1,008 |
| Fee and Commissions | 38 | 35 | 13 | 104 | 99 | 453 | 664 | 783 |
| Other Income | 239 | 180 | 148 | 249 | 558 | 486 | 572 | 654 |
| Total Income (net of interest expenses) | 2,258 | 2,690 | 3,800 | 4,913 | 6,567 | 8,239 | 11,112 | 13,554 |
| Change (%) | 56.3 | 19.1 | 41.3 | 29.3 | 33.7 | 25.5 | 34.9 | 22.0 |
| Employee Expenses | 611 | 661 | 808 | 1,070 | 1,483 | 1,944 | 2,470 | 2,967 |
| Depreciation | 72 | 76 | 75 | 91 | 117 | 155 | 191 | 231 |
| Other Operating Expenses | 337 | 291 | 379 | 585 | 712 | 836 | 1,060 | 1,328 |
| Operating Expenses | 1,020 | 1,028 | 1,262 | 1,746 | 2,313 | 2,936 | 3,721 | 4,526 |
| PPoP | 1,238 | 1,662 | 2,538 | 3,167 | 4,254 | 5,304 | 7,391 | 9,028 |
| Change (%) | 70.6 | 34.2 | 52.7 | 24.8 | 34.3 | 24.7 | 39.4 | 22.1 |
| Provisions/write offs | 165 | 322 | 250 | 215 | 254 | 288 | 411 | 501 |
| PBT | 1,073 | 1,340 | 2,288 | 2,952 | 4,000 | 5,016 | 6,980 | 8,527 |
| Tax | 278 | 339 | 402 | 669 | 942 | 1,195 | 1,675 | 2,046 |
| Tax Rate (%) | 25.9 | 25.3 | 17.6 | 22.7 | 23.6 | 23.8 | 24.0 | 24.0 |
| PAT | 796 | 1,001 | 1,886 | 2,283 | 3,057 | 3,821 | 5,305 | 6,480 |
| Change (%) | 74 | 26 | 88 | 21 | 34 | 25 | 39 | 22 |

Balance sheet

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|---------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|
| Equity Capital | 157 | 175 | 175 | 176 | 177 | 180 | 206 | 206 |
| Reserves & Surplus | 9,178 | 13,631 | 15,562 | 17,997 | 21,038 | 25,033 | 42,431 | 48,447 |
| Net Worth | 9,334 | 13,805 | 15,737 | 18,173 | 21,215 | 25,213 | 42,637 | 48,653 |
| Borrowings | 24,938 | 30,537 | 34,668 | 48,135 | 73,021 | 95,507 | 1,06,868 | 1,37,415 |
| Change (%) | 29.5 | 22.5 | 13.5 | 38.8 | 51.7 | 30.8 | 11.9 | 28.6 |
| Other liabilities | 530 | 759 | 764 | 1,062 | 1,104 | 1,397 | 1,606 | 1,847 |
| Total Liabilities | 34,802 | 45,102 | 51,169 | 67,370 | 95,340 | 1,22,117 | 1,51,111 | 1,87,915 |
| Loans | 30,139 | 33,265 | 43,049 | 59,957 | 81,434 | 1,06,487 | 1,35,964 | 1,70,490 |
| Change (%) | 41.2 | 10.4 | 29.4 | 39.3 | 35.8 | 30.8 | 27.7 | 25.4 |
| Investments | 1,456 | 3,750 | 0 | 2,808 | 3,788 | 3,602 | 3,963 | 4,359 |
| Change (%) | 41.4 | 157.6 | -100.0 | | 34.9 | -4.9 | 10.0 | 10.0 |
| Fixed Assets | 210 | 167 | 202 | 257 | 302 | 461 | 530 | 610 |
| Cash and cash equivalents | 2,221 | 6,799 | 6,678 | 2,984 | 8,215 | 9,382 | 8,252 | 9,814 |
| Other assets | 777 | 1,121 | 1,239 | 1,364 | 1,600 | 2,184 | 2,402 | 2,642 |
| Total Assets | 34,802 | 45,102 | 51,169 | 67,370 | 95,340 | 1,22,117 | 1,51,111 | 1,87,915 |

E: MOFSL Estimates

| AUM and Disbursements (in INR m) | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|----------------------------------|--------|--------|--------|--------|--------|----------|----------|----------|
| AUM | 36,184 | 41,411 | 53,800 | 71,980 | 96,978 | 1,27,127 | 1,62,148 | 2,03,364 |
| On-book Loans | 30,407 | 33,718 | 43,515 | 60,521 | 82,126 | 1,07,308 | 1,37,015 | 1,71,843 |
| Off-book Loans | 5,777 | 7,693 | 10,285 | 11,459 | 14,852 | 19,819 | 25,133 | 31,521 |
| Disbursements | 16,183 | 10,966 | 20,304 | 30,127 | 39,632 | 48,052 | 58,227 | 70,549 |

Financials and Valuation

Ratios

| Growth % | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|------------------------------|------|-------|------|------|------|------|-------|-------|
| AUM | 48.1 | 14.4 | 29.9 | 33.8 | 34.7 | 31.1 | 27.5 | 25.4 |
| Disbursements | 2.9 | -32.2 | 85.2 | 48.4 | 31.6 | 21.2 | 21.2 | 21.2 |
| Loan book (on balance sheet) | 41.6 | 10.9 | 29.1 | 39.1 | 35.7 | 30.7 | 27.7 | 25.4 |
| Total Assets | 40.2 | 29.6 | 13.5 | 31.7 | 41.5 | 28.1 | 23.7 | 24.4 |
| NII | 52.6 | 26.4 | 45.4 | 41.2 | 26.3 | 21.0 | 40.2 | 24.0 |
| PPOP | 70.6 | 34.2 | 52.7 | 24.8 | 34.3 | 24.7 | 39.4 | 22.1 |
| PAT | 74.0 | 25.8 | 88.4 | 21.1 | 33.9 | 25.0 | 38.8 | 22.2 |
| EPS | 40.7 | 12.7 | 87.9 | 20.5 | 33.2 | 22.8 | 21.2 | 22.2 |

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|-----------|------|------|------|------|------|------|-------|-------|
|-----------|------|------|------|------|------|------|-------|-------|

Spreads and margin (%)

| | | | | | | | | |
|--------------------|------|------|------|------|------|------|------|------|
| Avg yield on loans | 13.3 | 12.7 | 12.5 | 13.3 | 13.7 | 13.6 | 13.3 | 13.0 |
| Avg. cost of funds | 8.8 | 7.9 | 6.6 | 7.3 | 8.3 | 8.5 | 8.3 | 8.2 |
| Interest Spread | 4.5 | 4.8 | 5.9 | 5.9 | 5.5 | 5.1 | 5.0 | 4.8 |
| NIM on AUM | 5.3 | 5.2 | 6.2 | 6.6 | 6.2 | 5.7 | 6.2 | 6.1 |

Capital Structure & Profitability Ratios (%)

| | | | | | | | | |
|--------------------------|------|------|------|------|------|------|------|------|
| Debt-Equity ratio | 2.7 | 2.2 | 2.2 | 2.6 | 3.4 | 3.8 | 2.5 | 2.8 |
| CAR | 49.0 | 56.2 | 58.6 | 49.4 | 39.5 | 33.2 | 47.4 | 43.5 |
| Tier-I | 47.7 | 55.2 | 58.1 | 48.9 | 39.1 | 32.8 | 47.0 | 43.2 |
| Leverage | 3.7 | 3.3 | 3.3 | 3.7 | 4.5 | 4.8 | 3.5 | 3.9 |
| RoAA | 2.7 | 2.5 | 3.9 | 3.9 | 3.8 | 3.5 | 3.9 | 3.8 |
| RoAE | 10.9 | 8.7 | 12.8 | 13.5 | 15.5 | 16.5 | 15.6 | 14.2 |
| ROAAUM | 2.6 | 2.6 | 4.0 | 3.6 | 3.6 | 3.4 | 3.7 | 3.5 |
| Int. Expended/Int.Earned | 54.6 | 52.0 | 42.1 | 42.1 | 48.6 | 52.8 | 48.3 | 47.4 |
| Other Inc./Net Income | 10.6 | 6.7 | 3.9 | 5.1 | 8.5 | 5.9 | 5.2 | 4.8 |

Cost/Productivity Ratios (%)

| | | | | | | | | |
|--|------|------|------|------|------|------|------|-------|
| Cost/Income | 45.2 | 38.2 | 33.2 | 35.5 | 35.2 | 35.6 | 33.5 | 33.4 |
| Op. Exps./Avg Assets | 3.4 | 2.6 | 2.6 | 2.9 | 2.8 | 2.7 | 2.7 | 2.7 |
| Op. Exps./Avg AUM | 3.4 | 2.6 | 2.7 | 2.8 | 2.7 | 2.6 | 2.6 | 2.5 |
| Non interest income as % of Total income | 10.6 | 6.7 | 3.9 | 5.1 | 8.5 | 5.9 | 5.2 | 4.8 |
| AUM/employee (INR m) | 52 | 60 | 63 | 72 | 78 | 78 | 91 | 104 |
| AUM/ branch (INR m) | 532 | 575 | 673 | 648 | 729 | 820 | 937 | 1,082 |
| Empl. Cost/Op. Exps. (%) | 60 | 64 | 64 | 61 | 64 | 66 | 66 | 66 |

Asset Quality (INR m)

| | | | | | | | | |
|--------------------------------|------|------|-------|------|-------|-------|-------|-------|
| Gross NPA | 315 | 622 | 1,015 | 974 | 1,393 | 1,808 | 2,123 | 2,501 |
| GNPA % | 1.0 | 1.8 | 2.3 | 1.6 | 1.7 | 1.7 | 1.5 | 1.5 |
| Net NPA | 234 | 398 | 763 | 643 | 979 | 1,353 | 1,571 | 1,826 |
| NNPA % | 0.8 | 1.2 | 1.8 | 1.1 | 1.2 | 1.3 | 1.1 | 1.1 |
| PCR % | 25.8 | 36.0 | 24.9 | 34.0 | 29.7 | 25.2 | 26.0 | 27.0 |
| Credit cost % of avg AUM (bps) | 54 | 83 | 53 | 34 | 30 | 26 | 28 | 27 |

1.5

Valuation

| | | | | | | | | |
|--------------------|-------|-------|------|------|------|------|-------|-------|
| No. of Shares (m) | 78.3 | 87.4 | 87.6 | 88.0 | 88.5 | 90.1 | 103.2 | 103.2 |
| EPS | 10.2 | 11.5 | 21.5 | 25.9 | 34.5 | 42.4 | 51.4 | 62.8 |
| P/E (x) | 117.3 | 104.1 | 55.4 | 46.0 | 34.5 | 28.1 | 23.2 | 19.0 |
| BV (INR) | 119 | 158 | 180 | 206 | 240 | 280 | 413 | 472 |
| Price-BV (x) | 10.0 | 7.5 | 6.6 | 5.8 | 5.0 | 4.3 | 2.9 | 2.5 |
| Adjusted BV (INR) | 117 | 155 | 173 | 201 | 231 | 269 | 402 | 458 |
| Price-ABV (x) | 10.2 | 7.7 | 6.9 | 5.9 | 5.2 | 4.4 | 3.0 | 2.6 |
| DPS (INR) | 0.0 | 0.0 | 0.0 | 2.6 | 3.4 | 3.7 | 4.0 | 4.5 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.2 | 0.3 | 0.3 | 0.3 | 0.4 |

E: MOFSL Estimates

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|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
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| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp@grievances@motilaloswal.com.