MOTILAL OSWAL FINANCIAL SERVICES

1 February 2025
3QFY25 Result Update| Sector: NBFCs

Poonawalla Fincorp

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	POONAWAL IN
Equity Shares (m)	778
M.Cap.(INRb)/(USDb)	241.5 / 2.8
52-Week Range (INR)	514 / 270
1, 6, 12 Rel. Per (%)	-1/-10/-43
12M Avg Val (INR M)	1049

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Total Income	27.5	37.2	50.1
PPOP	15.3	21.5	30.3
PAT	0.2	10.8	16.3
EPS (INR)	0.2	14.1	21.2
EPS Gr. (%)	-98.4	-	50.6
Standalone BV (INR)	104	117	136
Ratios			
NIM on AUM (%)	8.3	8.4	8.6
C/I ratio (%)	44.4	42.0	39.5
RoAA (%)	0.1	2.8	3.2
RoE (%)	0.2	12.7	16.7
Payout (%)	454.7	14.2	14.2
Valuations			
P/E (x)	-	22.0	14.6
P/BV (x)	3.0	2.6	2.3
Div. Yield (%)	0.3	0.6	1.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	62.4	61.9	62.1
DII	11.8	10.6	5.6
FII	8.8	8.4	7.8
Others	17.0	19.1	24.6

FII Includes depository receipts

CMP: INR310 TP: INR360 (+16%) Buy

Legacy book stress keeps credit costs elevated

AUM grew ~41% YoY; 1QFY26 launch of six new products on track

- Poonawalla Fincorp's (PFL) 3QFY25 PAT declined ~93% YoY to ~INR187m (vs. MOFSLe: INR1.52b).
- NII grew ~25% YoY to ~INR6.1b (in line), while PPoP grew ~7% YoY to ~INR3.7b (in line). Other income declined ~2% YoY and ~32% QoQ to ~INR581m, due to no assignment income or write-backs in 3Q.
- Opex in 3QFY25 rose 50% YoY to INR3b, with C/I ratio declining to ~45% (PQ: 57%). In 2QFY25, there was a one-time opex of INR710m.
- Provisions stood at INR3.5b (est. ~INR1.6b), translating into annualized credit costs of ~4.7% (PQ: 13% and PY: -0.1%). In 2QFY25, the company took a one-time provisioning of INR6.7b on the STPL book.
- The company outlined its vision to evolve into a multi-product lender, expanding its offerings from four to ten products. Additionally, it plans a phased rollout of 400 new branches starting from 1QFY26. The company remains on track to launch its six new products in new locations.
- Management has guided for AUM growth of ~30-35% in FY25 and ~30%-40% from FY26 onward, reaffirming its confidence in achieving these targets. We model AUM growth of ~34%/33% in FY26/FY27.
- We cut our FY25E/FY26E/FY27E PAT by 91%/1%/6% to factor in higher credit costs and high opex. We model a CAGR of 34%/16% in AUM/PAT over FY24-FY27E and expect PFL to deliver RoA/RoE of ~3.2%/~17% in FY27. The near-term outlook warrants a detailed understanding of the various pillars of execution, and we will look forward to more clarity from the company management. **Maintain BUY with a TP of INR360 (premised on 2.8x Sep'26E BVPS).**

Healthy AUM growth of ~41% YoY; new products to be launched

- AUM grew ~41% YoY and ~9% QoQ to ~INR310b. AUM mix consisted of ~36% MSME finance, ~24% personal and consumer finance, ~22% LAP and ~14% pre-owned cars.
- Equipment Lease Financing will be introduced as a new product, in addition to the six products the company had already announced. They will be launched in 1QFY26.

NIM rose ~15bp QoQ due to ~40bp expansion in yields

- NIM (calc.) rose ~15bp QoQ to ~9.35%, driven by improvement in yields. Spreads (calc.) rose ~40bp QoQ, driven by decline in CoB and improvement in yields. CoB (calc.) declined ~20bp QoQ to ~7.8%.
- We model a NIM of ~8.4%/8.6% in FY26E/FY27E.

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Credit costs elevated; GS3 improves ~25bp QoQ

- GS3 declined ~25bp QoQ to ~1.9%, while NS3 rose ~50bp QoQ to ~0.8%. PCR on S3 loans declined sharply to ~57% (PQ: ~85% and PY: ~47%). Management guided that credit costs will continue to decline in the subsequent quarters.
- We model credit costs of ~1.9%/1.7% in FY26/FY27 (vs. ~5.5% in FY25E).

Highlights from the management commentary

- Out of provisions of ~INR3.5b taken during the quarter, ~INR2b was toward the STPL book and the rest was spread across other products. Write-offs stood at ~INR6.8b, which was also spread across multiple products. However, the bulk of write-offs (~INR5.2b) were toward the old STPL book.
- PFL has calibrated even its STPL now and is confident of growing it.
- Management has guided for robust profit growth of ~26-27% and AUM growth of 30-40% over the medium term.

Valuation and view

- The near-term outlook will warrant a detailed understanding of the various pillars of execution, and we will look forward to more clarity from the company management. **Reiterate BUY with a TP of INR360 (premised on 2.8x Sep'26E BVPS).**
- **Key downside risks:** a) inability to execute its articulated strategy despite a new management team and investments in technology, distribution, and collections; and b) aggressive competitive landscape leading to pressure on spreads and margins and/or deterioration in asset quality.

Quarterly Performance (Standalone) **(INR M)**

Y/E March	FY24				FY25E				FY24	FY25E	3Q FY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	6,560	6,901	7,144	8,436	8,962	9,107	9,991	11,214	29,061	39,274	9,745	3
Interest Expenses	2,348	2,155	2,237	2,811	3,201	3,516	3,850	4,400	9,503	14,968	3,780	2
Net Interest Income	**4,212**	**4,746**	**4,907**	**5,625**	**5,761**	**5,592**	**6,141**	**6,813**	**19,558**	**24,306**	**5,965**	**3**
YoY Growth (%)	*77.8*	*73.3*	*62.9*	*48.1*	*36.8*	*17.8*	*25.1*	*21.1*	*58.9*	*24.3*	*21.6*	
Other Income	563	539	594	782	997	858	581	768	2,478	3,203	881	-34
Total Income	**4,775**	**5,285**	**5,501**	**6,407**	**6,758**	**6,449**	**6,722**	**7,581**	**22,036**	**27,509**	**6,846**	**-2**
YoY Growth (%)	*70.3*	*57.1*	*52.8*	*57.0*	*35.1*	*22.0*	*22.2*	*18.3*	*54.7*	*24.8*	*24.5*	
Operating Expenses	1,834	1,929	1,998	2,313	2,436	3,657	2,991	3,120	8,074	12,204	3,182	-6
Operating Profit	**2,941**	**3,356**	**3,502**	**4,094**	**4,321**	**2,792**	**3,731**	**4,462**	**13,962**	**15,305**	**3,664**	**2**
YoY Growth (%)	*185.0*	*167.0*	*124.8*	*103.1*	*46.9*	*-16.8*	*6.52*	*9.0*	*128.8*	*9.6*	*4.6*	
Provisions & Loan Losses	266	281	-65	239	425	9,096	3,479	2,085	720	15,085	1,637	112
Profit before Tax	**2,676**	**3,075**	**3,568**	**3,855**	**3,897**	**-6,305**	**252**	**2,376**	**13,242**	**220**	**2,027**	**-88**
Exceptional items		**6,560**				**0**			6,560	**0**		
Tax Provisions	674	775	916	538	980	-1,594	65	600	2,907	51	507	-87
PAT (excl. exceptional)	**2,002**	**2,300**	**2,651**	**3,317**	**2,916**	**-4,710**	**187**	**1,776**	**10,335**	**169**	**1,520**	**-88**
PAT (incl. exceptional)	*2,002*	*8,861*	*2,651*	*3,317*	*2,916*	*-4,710*	*187*	*1,776*	*16,896*	*169*	*1,520*	**-88**
YoY Growth (%)	*86.0*	*76.7*	*76.3*	*83.6*	*45.7*	*-*	*-92.9*	*-46.5*	*73.9*	*-98.4*	*-42.7*	
Key Parameters (Calc., %)												
Yield on loans	16.3	15.8	15.3	16.3	15.5	15.0	15.2		15.6	14.9		
Cost of funds	8.0	7.2	7.5	8.2	8.0	7.98	7.81		7.2	7.8		
Spread	8.3	8.6	7.8	8.1	7.6	7.0	7.4		8.4	7.1		
NIM on loans	10.4	10.9	10.5	10.9	10.0	9.18	9.34		9.5	8.3		
C/I ratio	38.4	36.5	36.3	36.1	36.1	56.7	44.50		36.6	44.4		
Credit cost	0.6	0.6	-0.1	0.4	0.7	13.1	4.7		0.4	5.5		
Tax rate	25.2	17.7	25.7	13.9	25.2	25.3	25.6		21.9	23.0		
Balance Sheet Parameters												
Disbursements (INR b)	**70.6**	**78.1**	**87.3**	**96.9**	**74.0**	**63.1**	**71.5**					
Growth (%)	169.1	151.0	159.2	52.1	-10.6	-19.1	-18.1					
AUM (INR b)	**178**	**202**	**219**	**250**	**270**	**284**	**310**					
Growth (%)	60.4	53.6	57.6	54.9	59.7	40.5	41.2					
AUM mix (%)						5.3	9.1					
Focused	96.3	89.0	91.7	94.1	96.0	97.0	98.2					
Discontinued (Legacy and DA)	3.7	11.0	8.3	5.9	4.0	3.0	1.8					
Asset Quality Parameters												
GS 3 (INR m)	2,450	2,660	2,750	2,680	1,660	5,470	5,390					
GS 3 (%)	1.4	1.4	1.3	1.2	0.7	2.1	1.9					
NS 3 (INR m)	1,310	1,400	1,450	1,360	790	850	2,330					
NS 3 (%)	0.8	0.7	0.7	0.6	0.3	0.3	0.8					
PCR (%	46.5	47.4	47.3	49.3	52.4	84.5	56.8					

E: MOFSL estimates

Highlights from the management commentary

Opening remarks:
- The company has invested significantly over the last few months in scaling up its secured and unsecured businesses.
- These products have a four-quarter (one-year) gestation period and that is why the opex is high. Therefore, the company expects robust profitability, risk-adjusted return and truly institutional scale and the company also has the required talent pool for the same.
- The company remains firmly on track to achieve its overall guidance. It will remain focused on building 10-12 businesses. AUM growth is likely to be a notch higher than the guidance. It expects a robust sustainable profit trajectory from FY26 and thereafter.

Guidance:
- AUM growth of 30-35% in FY25 and 30-40% from FY26 onwards. The company remains on track to achieve this.
- Expects robust profit growth of ~26-27% and RoA of 3.0-3.5% by the end of the third year.
- All these six businesses and the one announced today will have RoA of ~3.0-4.5%.
- Overall credit cost of the new book is expected to improve as the portfolio is well calibrated.
- The company is well-calibrated even on the STPL now and is confident of growing the AUM now.

Execution Update:
- **First building block is people:** 100% of the senior leadership is now on-boarded. This completes the leadership foundation of the organization.
- Across organization, the company is bringing in scalability and consistency in its people practices.
- Distribution team – ~90% of the hiring agents benefit from AI-based screening. This leads to an increase in the speed to the market dramatically.

Second building block: Product and distribution
- The company has laid out its vision to become multi-product lender. It is expanding from four products to 10 and is launching 400 new branches in a phased manner from 1QFY26.
- The company remains on track to launch six new product classes in new locations.
- **Prime PL-** Launched this business in Aug'24 and ramped up to a monthly run rate of INR1.2b catering to the middle-income segment across the country. It complements the play in consumer and education loans.
- 75% of the customers are CAT-A customers with net salary of above INR70k.
- The company is ready to launch industry-first 24/7 digital personal loan for prime salaried professionals in 4QFY25. The company will gradually build it over the next 2-3 quarters.
- **Gold loans**- Around ~400 new branches are committed to serving gold loans and cross-sell other retail and commercial products. The company has identified 263 branches already across four states with 75% of leadership already hired.

- **Consumer Durable:** The company has identified 104 locations for Phase 1 of launch, based on synergies of its place of presence and the micro-market potential. It will cater to both salaried and self-employed in Tier 2 and 3 cities.
- The company has identified 63 locations in used commercial vehicles.
- **Shop-keeper loans -** Identified 100 locations and 50% of the salesforce has been hired.
- **Education Loans -** The company has hired experienced management teams across products and sales.
- All these products will be launched in 1QFY26 at scale across multiple locations.
- Equipment lease financing is a new product to be added to the six products that the company has already announced. It will go live in 1QFY26.
- The company has made a fair amount of investments into these business and existing business productivity is going up.

Technology advancements:

- Given the talent bench, it is trying to be AI-first in all its business models.
- Fleshed out a detailed AI and analytics roadmap. Vision is to sharpen its customer experience productivity and risk efficiency via deployments of Sharp AI. Plan is to go live with targeted use cases.
- The Intent is to reduce default rates and even if it gets a 5%-10% reduction in volumes, it can continue to get sharper in these areas. It will be a fusion of AI and Human interface.
- Across its website and apps, it is using AI to hyper-personalize the user experience, improving customer engagement and cross-sell rates.
- The company will launch its revamped website.
- As the organization scales, it will be leveraging industry-ready SaaS applications in the near term.
- Data is being re-architected on a domain-based approach - including risk, operations and sales.

Risk Management

- PFL 2.0 will focus on three specific areas: a) People, b) Design and c) Process
- **People:** Successfully on-boarded second- and third-level employees in credit and risk and debt management, supporting existing and new product launches.
- **Design:** Implementing risk frameworks on new product segments, which will leverage granular customer segmentation and customs algorithm.
- The company has implemented automated no-contact collections and cohort level analytical solutions.
- Gen1 design across the stages of collection lifecycle from review to recovery has already been designed. Now, it has been augmented with machine learning solutions.
- PFL has done collaboration with IIT to drive innovation and leverage unstructured data and cutting-edge technologies across multiple work streams. The aim is to strengthen its physical credit underwriting framework by creating an AI credit assessment. This will lead to reduction in operating cost of credit and bringing in standardization and creating different layers for assisting credit based on consumer risk.
- PFL aims to create industry-leading structural efficiencies and future of sustained growth and success.

Business updates

- Businesses have seen healthy and credit-calibrated growth.
- LAP is now at INR68b, up 86% YoY and 27% QoQ. Incremental growth has come at LVT of ~51%.
- New management comes with a distribution vintage and that strength is reflected here.
- Business Loans grew 42% YoY to INR50b, disbursed to vintage business with robust cash flows.
- The company has scaled down its STPL book last quarter and worked on re-calibrating the policy. The bounce rates in the new book has declined and it is in line with its credit calibration. The company is now ready to scale it up in a controlled manner.
- The company has shifted the nature and profile of used vehicle. It is focusing on risk-controlled loans.
- Philosophy is to keep the mix of secured and unsecured risks prudent and equally weighted.
- Bounce rates are down ~50%. The company took one-time provisions in 2Q; significant improvement in bounce rates from 2Q to 3Q.

Financial highlights:

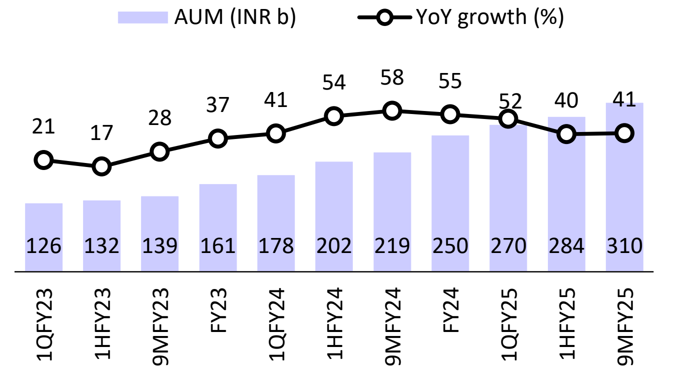
- AUM grew ~41% YoY and 9% QoQ to INR310b as of Dec'24.
- Total disbursement stood at INR71.5b, up 13% QoQ.
- Core retail disbursements doubled YoY to INR47b.
- The proportion mix between secured and unsecured improved to 54:46.
- NII was INR6.7b, up 22% YoY, despite the increase in secured loans in the overall lending book.
- PPoP was INR3.7b, even after adjusting for exceptional items in the previous quarter.
- Opex-to-AUM ratio was stable at 4.2%.
- GNPA declined ~25bp QoQ to 1.85% and NNPA was at 0.81%.
- CoF was lower by ~4bp QoQ at ~8.06%, despite tight liquidity and an elevated interest rate environment.
- Around 65% of the liabilities are on a variable rate.
- CRAR stood at 25.9% (of which Tier 1: 24.5%). LCR stood at 113%.
- Comfortable with positive cumulative mismatch across all buckets.

STPL book:

- Out of provisions of INR3.5b during the quarter, INR2.b was for STPL book and the rest was for other products. Write-offs stood at INR6.8b for multiple products. However, the bulk of them were for the old STPL book (~INR5.2b).
- The company is confident that credit costs will keep coming down sequentially. For the broad guidance, it will wait for 4Q.

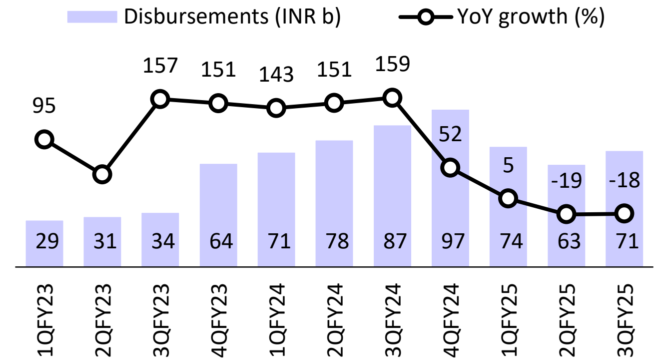
Story in charts

Exhibit 1: Healthy AUM growth at 41% YoY (%)



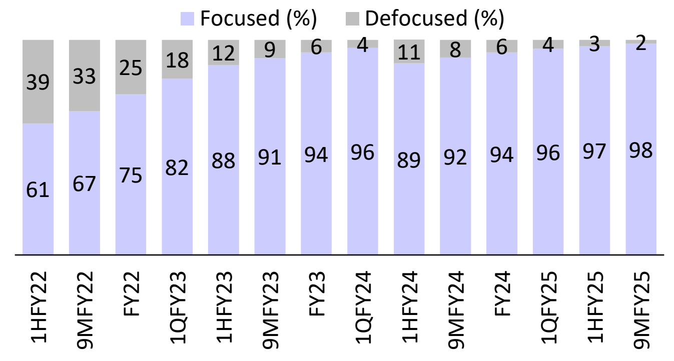
Source: MOFSL, Company

Exhibit 2: Disbursements declined ~18% YoY



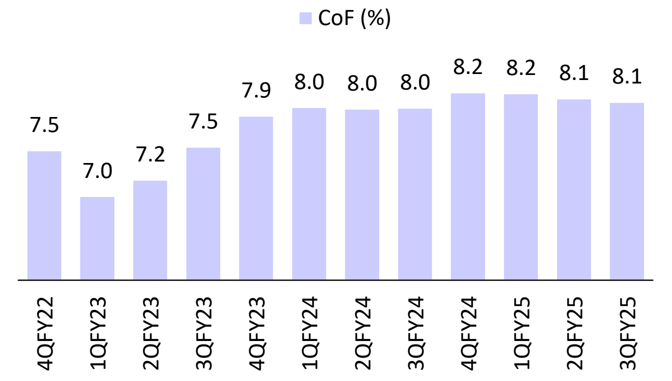
Source: MOFSL, Company

Exhibit 3: Focused products exhibiting healthy loan growth



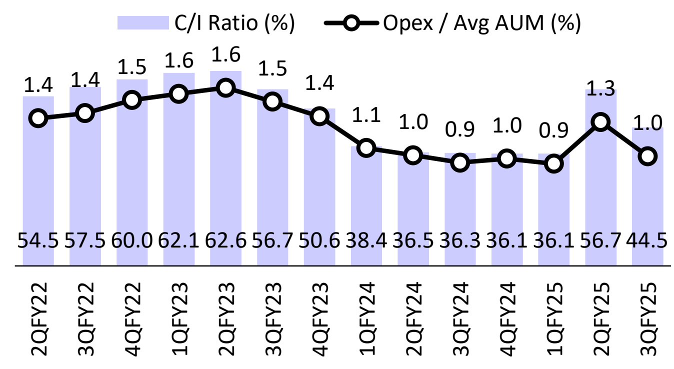
*Note: Change in classification from 2QFY24; Source: MOFSL, Company

Exhibit 4: CoF (reported) declined ~5bp QoQ to ~8.05% (%)



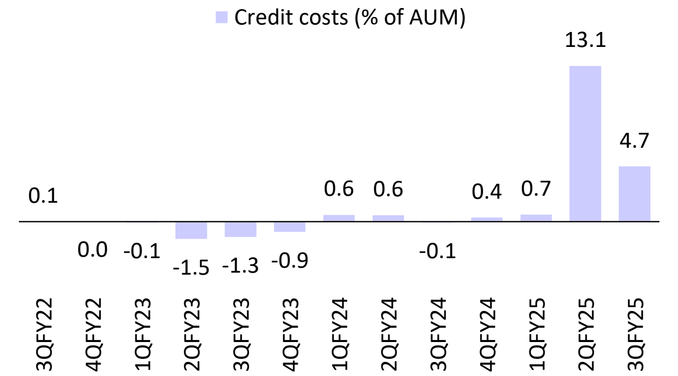
Source: MOFSL, Company

Exhibit 5: C/I declined to ~44.5% (%)



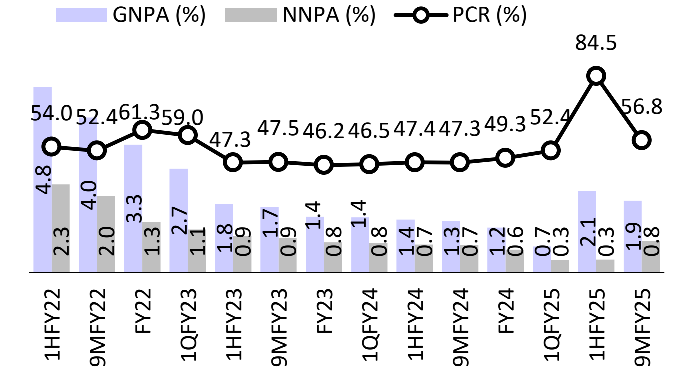
Source: MOFSL, Company

Exhibit 6: Credit costs stood at ~4.7% in 3QFY25 (%)



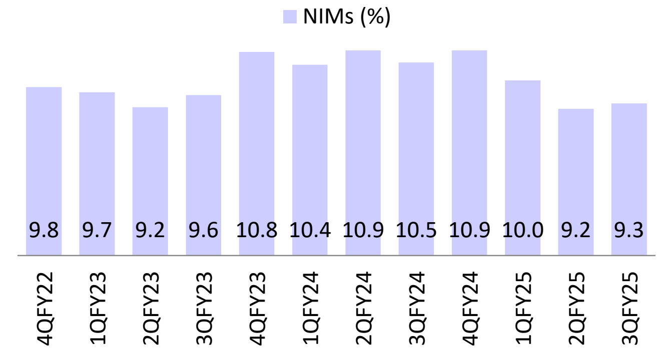
Source: MOFSL, Company

Exhibit 7: GNPA improved ~25bp QoQ (%)



Source: MOFSL, Company

Exhibit 8: NIMs (calc.) rose ~15bp QoQ (%)



Source: MOFSL, Company

Exhibit 9: We cut our FY26/FY27 EPS estimates by ~1%/6% to factor in lower other income and higher credit costs

INR b	Old Est.			New Est.			% change		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
NII (incl. assignments)	23.8	32.1	44.0	24.3	33.3	45.5	2.0	3.9	3.4
Other Income	3.6	4.2	5.0	3.2	3.9	4.6	-9.8	-9.0	-7.5
Total Income	**27.4**	**36.3**	**49.0**	**27.5**	**37.2**	**50.1**	**0.5**	**2.4**	**2.3**
Operating Expenses	12.8	15.6	18.5	12.2	15.6	19.8	-4.3	0.4	7.1
Operating Profits	**14.6**	**20.7**	**30.5**	**15.3**	**21.5**	**30.3**	**4.6**	**3.9**	**-0.6**
Provisions	12.2	6.5	7.9	15.1	7.1	8.6	23.7	8.4	8.6
PBT	**2.4**	**14.2**	**22.6**	**0.2**	**14.5**	**21.8**	**-91.0**	**1.8**	**-3.8**
Tax	0.6	3.3	5.2	0.1	3.6	5.4	-91.0	10.7	4.6
Normalized PAT	**1.9**	**10.9**	**17.4**	**0.2**	**10.8**	**16.3**	**-91.0**	**-0.8**	**-6.3**
AUM	327	439	592	337	453	602	3.1	3.2	1.7
Loans	297	408	551	306	422	562	3.3	3.5	1.9
Borrowings	222	321	443	233	333	451	4.6	3.9	1.7
NIM	8.3	8.4	8.5	8.3	8.4	8.6			
Credit Cost	4.5	1.8	1.6	5.5	1.9	1.7			
RoA	0.7	2.9	3.5	0.1	2.8	3.2			
RoE	**2.3**	**12.5**	**17.4**	**0.2**	**12.7**	**16.7**			

Financials and Valuation

Income Statement									(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Interest Income	20,365	20,228	17,570	14,586	18,265	29,061	39,274	55,026	75,292
Interest Expenses	10,176	11,240	8,746	5,093	5,953	9,503	14,968	21,719	29,788
Net Interest Income	**10,189**	**8,988**	**8,824**	**9,493**	**12,312**	**19,558**	**24,306**	**33,307**	**45,504**
Change (%)	10.8	-11.8	-1.8	7.6	29.7	58.9	24.3	37.0	36.6
Non-interest income and Other Income	2,308	1,962	1,199	1,085	1,931	2,478	3,203	3,853	4,640
Net Total Income	**12,497**	**10,951**	**10,023**	**10,578**	**14,243**	**22,036**	**27,509**	**37,160**	**50,143**
Change (%)	15.1	-12.4	-8.5	5.5	34.6	54.7	24.8	35.1	34.9
Total Operating Expenses	**6,018**	**5,968**	**4,563**	**6,046**	**8,139**	**8,074**	**12,204**	**15,624**	**19,810**
Change (%)	9.0	-0.8	-23.5	32.5	34.6	-0.8	51.2	28.0	26.8
Employee Expenses	3,804	3,741	3,060	4,099	5,148	4,444	6,133	7,850	9,813
Depreciation	502	716	522	495	614	593	629	723	831
Other Operating Expenses	1,712	1,487	981	1,453	2,268	3,036	5,222	7,050	9,165
PPoP	**6,479**	**4,982**	**5,460**	**4,532**	**6,104**	**13,962**	**15,305**	**21,537**	**30,334**
Change (%)	21.4	-23.1	9.6	-17.0	34.7	128.8	9.6	40.7	40.8
Total Provisions	**2,450**	**4,640**	**13,186**	**686**	**-1,445**	**720**	**15,085**	**7,087**	**8,573**
PBT	**4,029**	**342**	**-7,727**	**3,846**	**7,761**	**13,242**	**220**	**14,450**	**21,761**
Exceptional items						6,560	0	0	0
Tax Provisions	1,278	442	-1,943	914	1,816	2,907	51	3,613	5,440
PAT (excl. exceptional)	**2,751**	**-100**	**-5,784**	**2,932**	**5,945**	**10,335**	**169**	**10,838**	**16,320**
PAT (incl. exceptional)	**2,751**	**-100**	**-5,784**	**2,932**	**5,945**	**16,896**	**169**	**10,838**	**16,320**

Balance Sheet									(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Equity Share Capital	539	539	539	1,530	1,536	1,541	1,541	1,541	1,541
Reserves & Surplus	25,019	24,614	18,881	55,615	62,711	80,130	78,758	88,825	1,03,604
Net Worth	**25,558**	**25,153**	**19,421**	**57,145**	**64,247**	**81,671**	**80,299**	**90,366**	**1,05,146**
Borrowings	**1,17,497**	**1,00,595**	**79,487**	**67,734**	**1,12,092**	**1,52,157**	**2,32,613**	**3,32,985**	**4,50,917**
Change (%)									
Other liabilities	6,820	3,803	4,512	3,217	3,880	7,041	11,970	17,955	26,932
Total Liabilities	**1,49,876**	**1,29,552**	**1,03,420**	**1,28,097**	**1,80,218**	**2,40,869**	**3,24,882**	**4,41,305**	**5,82,995**
Loans	**1,31,379**	**1,11,749**	**85,653**	**1,06,784**	**1,52,295**	**2,20,464**	**3,06,412**	**4,22,104**	**5,61,776**
Change (%)	8.1	-14.9	-23.4	24.7	42.6	44.8	39.0	37.8	33.1
Cash and Bank Balances	9,327	6,484	6,124	5,372	6,574	2,685	3,242	2,484	2,635
Fixed Assets	1,871	2,267	1,715	1,748	2,117	1,944	2,138	2,309	2,494
Investments	3,024	4,024	4,289	8,197	3,109	8,783	4,000	3,500	3,000
Other assets	4,275	5,028	5,638	5,996	16,123	6,992	9,090	10,908	13,090
Total Assets	**1,49,876**	**1,29,552**	**1,03,420**	**1,28,097**	**1,80,218**	**2,40,869**	**3,24,882**	**4,41,305**	**5,82,995**

E: MOFSL Estimates

Financials and Valuation

AUM									
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
AUM (INR b)	138.7	128.5	102.5	117.7	161.4	250.0	337.1	453.0	602.0
YoY growth (%)	**-1**	**-7**	**-20**	**15**	**37**	**55**	**35**	**34**	**33**
Disbursements (INR b)	76.7	50.5	24.2	75.2	157.5	332.9	289.6	362.0	452.5
YoY growth (%)	**14**	**-34**	**-52**	**210**	**109**	**111**	**-13**	**25**	**25**

E: MOFSL Estimates

Ratios									
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Spreads Analysis (%)									
Avg. Yield on Loans	15.8	16.3	17.5	14.9	14.0	15.6	14.9	15.1	15.3
Avg Cost of Funds	8.9	10.3	9.7	6.9	6.6	7.2	7.8	7.7	7.6
Spread on loans	6.9	6.0	7.8	8.0	7.4	8.4	7.1	7.4	7.7
NIM (on AUM)	7.3	6.7	7.6	8.6	8.8	9.5	8.3	8.4	8.6
Profitability Ratios (%)									
RoE	12.6	-0.4	-26.0	7.7	9.8	14.2	0.2	12.7	16.7
RoA	1.9	-0.1	-5.0	2.5	3.9	4.9	0.1	2.8	3.2
Int. Expended / Int.Earned	50.0	55.6	49.8	34.9	32.6	32.7	38.1	39.5	39.6
Other Inc. / Net Income	18.5	17.9	12.0	10.3	13.6	11.2	11.6	10.4	9.3
Efficiency Ratios (%)									
Op. Exps. / Net Income	48.2	54.5	45.5	57.2	57.1	36.6	44.4	42.0	39.5
Opex/ Avg AUM	4.3	4.5	4.0	5.5	5.8	3.9	4.2	4.0	3.8
Empl. Cost/Op. Exps.	63.2	62.7	67.1	67.8	63.2	55.0	50.3	50.2	49.5
Asset-Liability Profile (%)									
Loans/Borrowings Ratio	1.1	1.1	1.1	1.6	1.4	1.4	1.3	1.3	1.2
Debt/Equity (x)	4.6	4.0	4.1	1.2	1.7	1.9	2.9	3.7	4.3
Assets/Equity (x)	5.9	5.2	5.3	2.2	2.8	2.9	4.0	4.9	5.5
Asset quality									
GNPA (INR m)	0	8,357	4,190	3,720	2,250	2,680	5,387	6,959	9,247
GNPA (%)	0.0	0.0	4.3	3.3	1.4	1.2	1.7	1.6	1.6
NNPA (INR m)	0	0	1,240	1,440	1,210	1,360	2,694	3,131	3,884
NNPA (%)	0.0	0.0	1.3	1.3	0.8	0.6	0.9	0.7	0.7
PCR (%)	0.0	0.0	70.4	61.3	46.2	49.3	50.0	55.0	58.0
Credit costs (%)	1.9	3.8	13.4	0.7	-1.1	0.4	5.5	1.9	1.7

Valuations	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Book Value (INR)	95	93	72	75	84	106	104	117	136
BV Growth (%)	24.2	-1.7	-22.8	3.7	12.0	26.7	-1.7	12.5	16.4
Price-BV (x)	**3.3**	**3.3**	**4.3**	**4.1**	**3.7**	**2.9**	**3.0**	**2.6**	**2.3**
EPS (INR)	10.2	-0.4	-21.5	3.8	7.7	13.4	0.2	14.1	21.2
EPS Growth (%)	20.3	-103.6	5,675.2	-117.9	102.0	73.3	-98.4	6,295.4	50.6
Price-Earnings (x)	**30.3**	**-834.6**	**-14.5**	**80.9**	**40.0**	**23.1**	**1,409.6**	**22.0**	**14.6**
Dividend per share	0.0	0.0	0.0	0.4	2.0	2.0	1.0	2.0	3.0
Dividend Yield (%)	**0.0**	**0.0**	**0.0**	**0.1**	**0.6**	**0.6**	**0.3**	**0.6**	**1.0**

E: MOFSL Estimates

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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