10 January 2025

Company Update | Sector: Financials

Shriram Finance

BSE SENSEX	S&P CNX
77,379	23,432

Bloomberg	SHFL IN
Equity Shares (m)	1880
M.Cap.(INRb)/(USDb)	1000.3 / 11.6
52-Week Range (INR)	730 / 439
1, 6, 12 Rel. Per (%)	-12/0/15
12M Avg Val (INR M)	4136

Financials &Valuations (INR b)

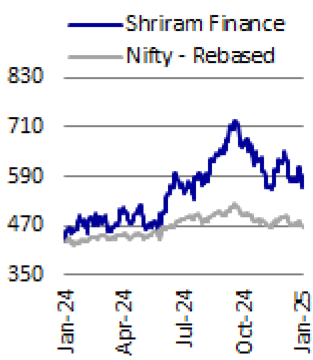
Y/E March	FY25E	FY26E	FY27E
Total Income	235	280	331
PPOP	163	196	236
PAT	83.6	99.9	120.5
EPS (INR)	45	53	64
EPS Gr. (%)	16	19	21
BV (INR)	306	357	419
Ratios			
NIM on AUM (%)	9.1	9.2	9.4
C/I ratio (%)	30.5	29.8	28.6
RoAA (%)	3.2	3.3	3.3
RoE (%)	15.8	16.0	16.5
Div. Payout (%)	23.3	23.0	22.2
Valuations			
P/E (x)	12.0	10.0	8.3
P/BV (x)	1.7	1.5	1.3
Div. Yield (%)	1.9	2.3	2.7

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	25.4	25.4	25.5
DII	16.2	15.2	15.2
FII	53.3	54.3	54.7
Others	5.1	5.1	4.7

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR532 TP: INR700 (+32%) Buy

A beacon of resilience and opportunity

Execution as a merged entity has been superior to its peers

- Shriram Finance (SHFL) offers a well-diversified product suite and has emerged as a strong player across all its product segments. It has demonstrated strong execution capabilities and asset quality resilience while navigating multiple credit and economic cycles.
- Even though things might appear to be moving slowly on the economic front in India, we believe that economic activity (such as infrastructure, real estate, and mining) will pick up in the next 3-6 months, resulting in healthy demand for commercial vehicles (CV). On the flipside, even if the new CV segment slows down, SHFL remains better positioned than its peers, owing to its strong foothold in the used CV segment.
- The diversified composition of the company's loan book has mitigated its exposure to the cyclicality of the CV business, a challenge faced in the past. By capitalizing on cross-selling opportunities within its non-auto portfolio, the company has strategically positioned itself to achieve a more balanced loan mix while maintaining healthy asset quality.
- SHFL has demonstrated higher stability in its asset quality compared to its peers. Unlike the broader industry, the company's CV and personal loan (PL) portfolios have healthy asset quality, with delinquencies well managed. We estimate credit costs to remain stable and range-bound between 2.3-2.4% (as % of gross loans) over FY26-27E.
- SHFL has completed the sale of its housing finance subsidiary to Warburg Pincus for ~INR39b. We estimate SHFL to realize a post-tax exceptional gain of ~INR13b from this sale. Higher capitalization on the balance sheet could help it engage constructively with credit rating agencies for an upgrade.
- We expect SHFL to deliver a PAT CAGR of ~19% over FY24-27E and RoA/RoE of 3.3%/17% in FY27E. SHFL's valuations have already re-rated from 1.2x to 1.5x 1-year forward P/BV over the last 12 months. We see scope for further re-rating if the company is able to sustain the execution on its AUM growth, margins and credit costs. SHFL is our TOP pick within our NBFC coverage with a TP of INR700, based on 1.7x FY27E P/BV.

Non-auto products to drive growth; diversification reduces cyclicality

- The merger has bolstered SHFL's position in non-CV loans, reflected in the improving contribution of gold loans, MSME loans, and personal loans in its AUM mix. Even if there is a downtrend in auto in the future, we expect non-auto products to emerge as a growth driver for SHFL. We model AUM CAGR of ~16% in CV and ~23% in non-CV product segments over FY24-27E. This will translate into a total AUM CAGR of ~18% over this period.
- SHFL has sustained its dominant position in the used CV segment. While recent demand for CVs has not been exuberant, we anticipate a rebound in 1HFY26, supported by higher government spending on infrastructure and improvement in economic activity.

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NIM to benefit from product mix improvement and expected cut in repo rates

- A shift in the product mix to high-yielding non-CV products is marginally accretive to the blended yields. A large proportion of this improvement in yields is expected to be driven by a higher proportion of gold loans and MSME loans in the AUM mix.
- With repo rate cuts expected in 1HCY25, SHFL is well equipped to reap the benefits of a declining interest rate environment. As of Sep'24, ~77% of its liabilities were linked to a fixed rate, while the remaining are linked to a floating rate, the majority of which are bank term loans linked to MCLR. Additionally, SHFL is actively engaging with credit rating agencies to secure a potential credit rating upgrade. We expect NIMs (on AUM) to improve to ~9.2%/9.4% in FY26/FY27 (from ~9.1% in FY25E).

Operating leverage to become more prominent over the next two years

- Over the past two years, the opex ratio for SHFL was higher because of post-merger activities (like gradual rollout of non-CV products in its CV branches) and expenses incurred toward advertising and branding activities. While it will gradually keep introducing its non-CV products like MSME and gold in several branches, a large part of this initial expansion activity is now nearing completion. We anticipate that the operating leverage will now become prominent over the next two years, driven by improvement in productivity.
- The company is leveraging cross-selling opportunities effectively, and with better branch and employee efficiency, it is set to keep improving its cost ratios going forward. We estimate the opex-to-average asset ratio to moderate to ~2.6% by FY27E from ~2.8% in FY25E.

Asset quality has been resilient relative to peers; credit costs to be range-bound

- Although the company has a higher proportion of its business in the cyclical CV segment, it has demonstrated lower asset quality stress compared to its peers, driven by strong underwriting and collection efforts.
- GS3 improved from ~6.9% in FY22 to ~5.3% as of Sep'24, while NS3 improved from ~3.3% to ~2.7% over the same period. SHFL is confident of sustaining healthy asset quality and is focused on improving Stage 3 to ~5%.
- Over the last year, the company's PL portfolio has remained resilient, exhibiting no deterioration (refer Exhibit 22), despite industry-wide stress in the unsecured retail credit segment. GNPA in the PL portfolio improved from ~5.2% as of Sep'23 to ~4.5% as of Sep'24.
- We expect a gradual improvement in GS3 to ~5% by FY27E and model credit costs to remain largely range-bound around 2.3%-2.4% over FY26-27E.

Valuation and view: Good execution and strong visibility on earnings

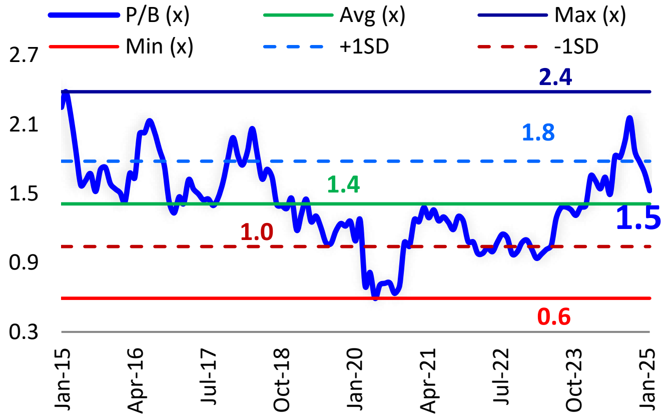
- SHFL is yet to fully tap its expanded distribution network (from the merger) to offer a much wider product bouquet to its customers. The company is effectively leveraging cross-selling opportunities to reach new customers and introduce new products, resulting in improved operating metrics and a solid foundation for sustainable growth.
- The current valuation of ~1.3x FY27E BVPS is attractive for a ~19% PAT CAGR over FY24-27E and RoA/RoE of ~3.3%/17% in FY27E. SHFL is our top pick in the NBFC sector with a TP of INR700 (based on 1.7x FY27E BVPS).

Exhibit 1: Valuation matrix: Comparison of SHFL with other vehicle financiers

Val. summary	Rating	CMP (INR)	TP (INR)	Upside (%)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
					FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Shriram Finance	**Buy**	**532**	**700**	**32**	**53.2**	**64.1**	**357**	**419**	**3.3**	**3.3**	**16.0**	**16.5**	**10.0**	**8.3**	**1.5**	**1.3**
Cholamandalam	Buy	1,255	1,470	17	68.4	90.0	366	452	2.6	2.8	21.3	22.0	18.3	13.9	3.4	2.8
MMFS	Buy	276	335	21	25.1	31.6	187	210	2.1	2.4	14.1	15.9	11.0	8.7	1.5	1.3

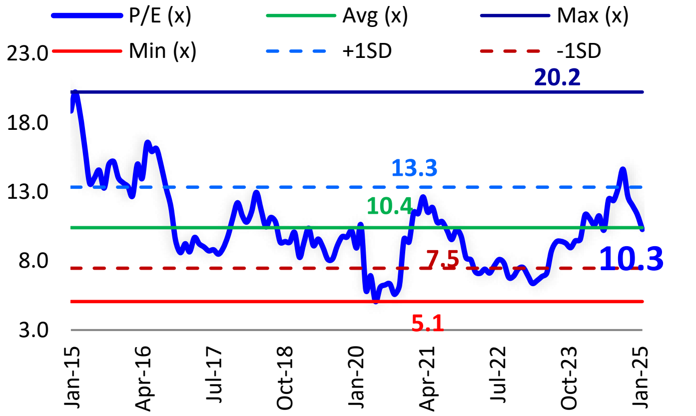
Source: MOFSL, Company

Exhibit 2: One-year forward P/B



Source: MOFSL, Company

Exhibit 3: One-year forward P/E



Source: MOFSL, Company

Story in charts

Exhibit 4: Expect AUM CAGR of 18% over FY24-27

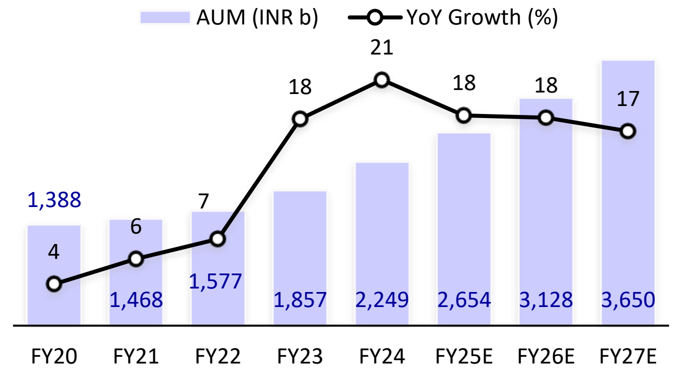


Exhibit 5: Expect spreads to improve in FY26/FY27

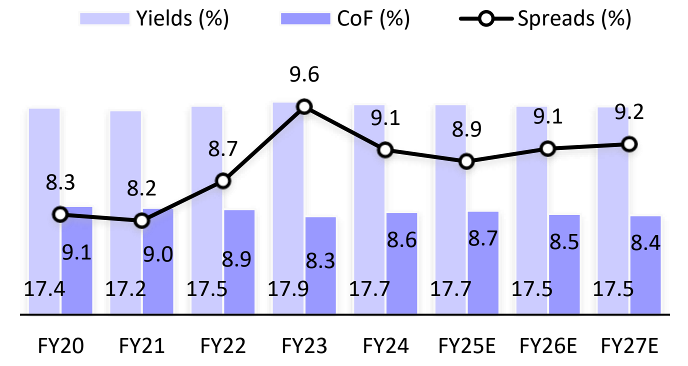


Exhibit 6: NIMs to expand by ~10bp/20bp in FY26E/FY27E

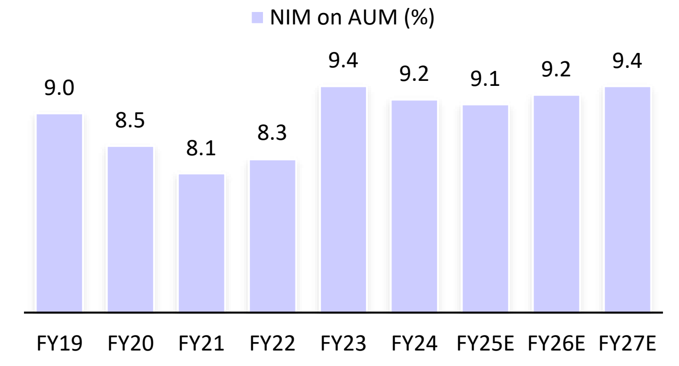


Exhibit 7: Gradual improvement in operating cost ratios

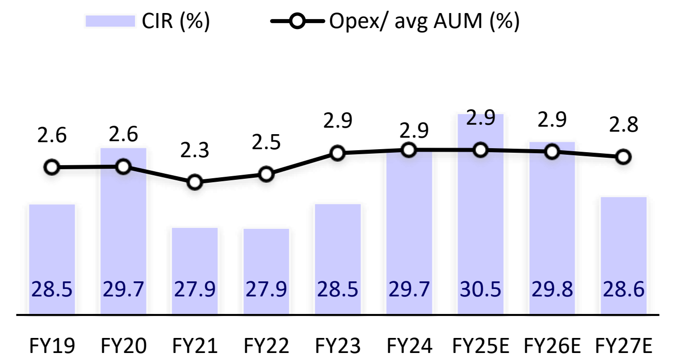


Exhibit 8: Expect improvement in asset quality

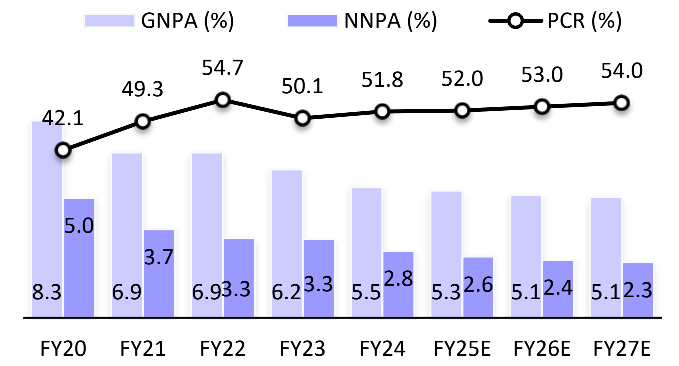


Exhibit 9: Credit costs to remain around 2.3-2.4%

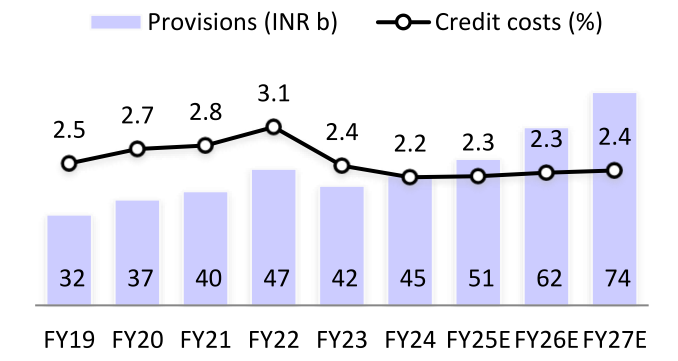
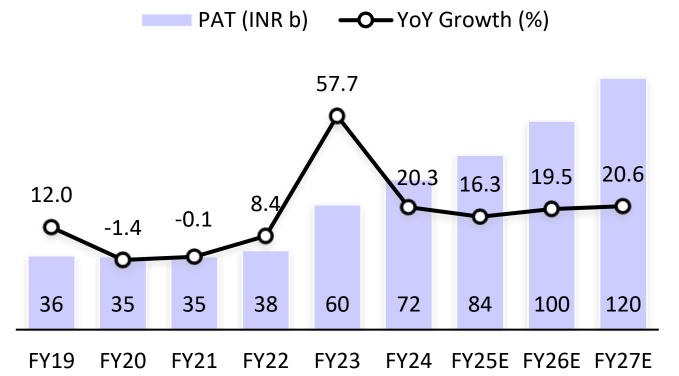
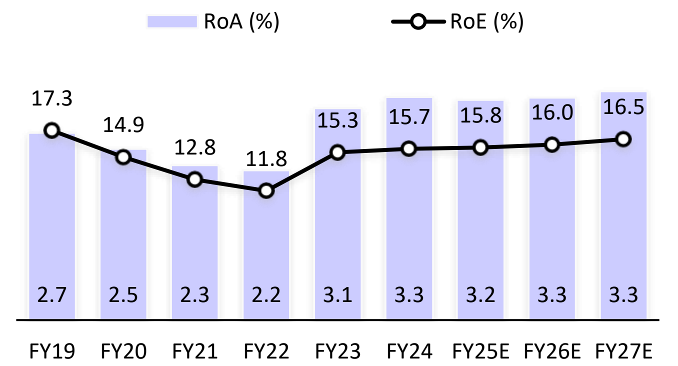


Exhibit 10: PAT CAGR of ~19% over FY24-FY27E



Source: MOFSL, Company

Exhibit 11: RoA/RoE of 3.3%/17% in FY27E



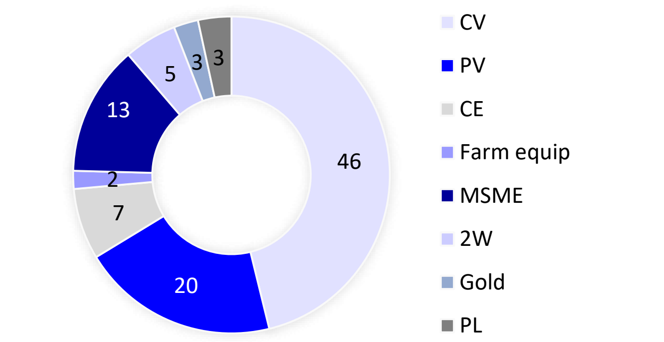
Source: MOFSL, Company

Product diversification driving resilience

Non-auto products to drive growth; diversification reduces cyclicality

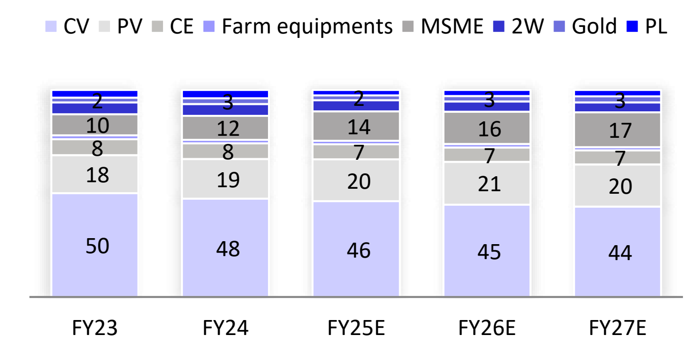
- The merger of Shriram Transport Finance (STF) and Shriram City Union Finance (SCUF) has positioned SHFL as a comprehensively diversified retail lending institution. This strategic integration has effectively reduced the cyclicality inherent in the CV segment while significantly enhancing the company's geographical presence and distribution capabilities.
- SHFL has effectively capitalized on cross-selling opportunities within its non-auto portfolio, creating a more favorable loan mix with an increased focus on MSME and gold loans. The company targets to expand its gold loan offering by extending it to additional ~50-100 branches each quarter, with the eventual objective of offering gold loans through over 2,000 branches.
- The share of non-CV products in the AUM mix rose to ~25% as of Sep'24 from ~20% in FY22, which we expect will increase to ~28% by FY27E.
- Even if there is a downtrend in auto in the future, we expect the non-auto products to emerge as a growth driver for the company. We model AUM CAGR of ~16% in CV and ~23% in non-CV product segments over FY24-27E. Overall, the company is set for robust AUM growth across its diverse product range and we expect total AUM CAGR of ~18% over FY24-27E.

Exhibit 12: AUM mix as of Sep'24 (%)



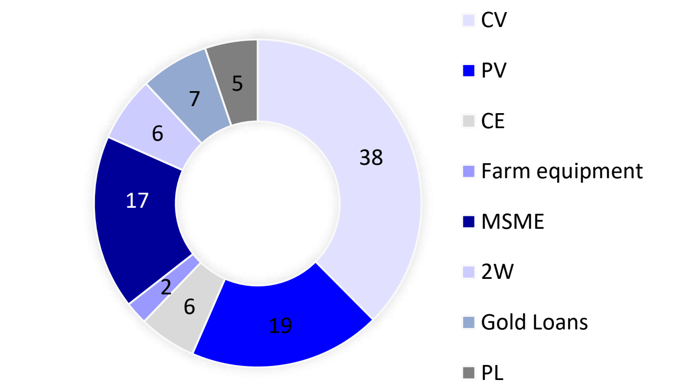
Source: MOFSL, Company

Exhibit 13: CV will remain dominant in the mix (%)



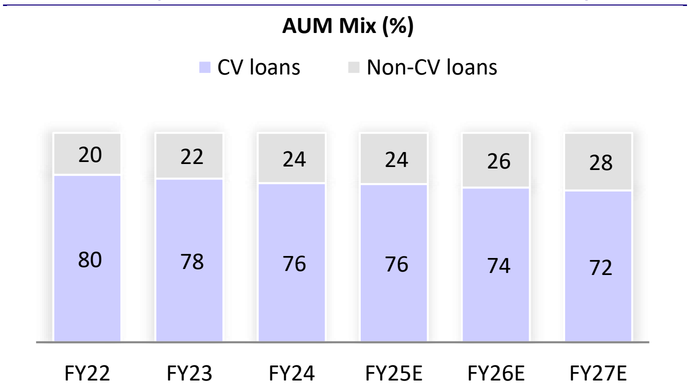
Source: MOFSL, Company

Exhibit 14: Disbursement mix as of Sep'24 (%)



Source: MOFSL, Company

Exhibit 15: Expect non-CV mix to increase to ~28% by FY27



Source: MOFSL, Company

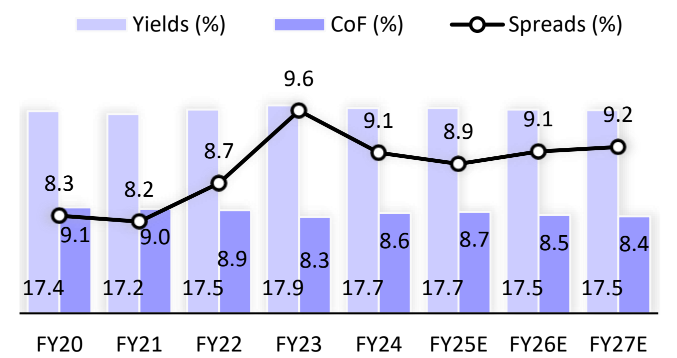
Shriram Green Finance: Aims to achieve AUM of INR50b

- SHFL has strengthened its commitment to green financing by funding initiatives beyond electric vehicles (EV). The company aims to build green finance portfolio through financing EVs, battery charging stations, renewable energy products and solutions, energy-efficient machinery, etc. The company has set the target to achieve AUM of ~INR50b in this vertical over the next three to four years.
- Shriram Green Finance will mobilize global and domestic green-focused funds for onward lending, marking a significant milestone in SHFL's commitment to sustainable and inclusive growth.
- Shriram Green Finance will initially focus on building the EV portfolio across India, with initial focus on Karnataka, Kerala, National Capital Region (NCR) and Maharashtra. The company is actively engaging with EV OEMs to establish long-term partnerships, ensuring seamless and accessible vehicle financing solutions.

NIM expansion from improvement in loan mix and expected repo rate cuts

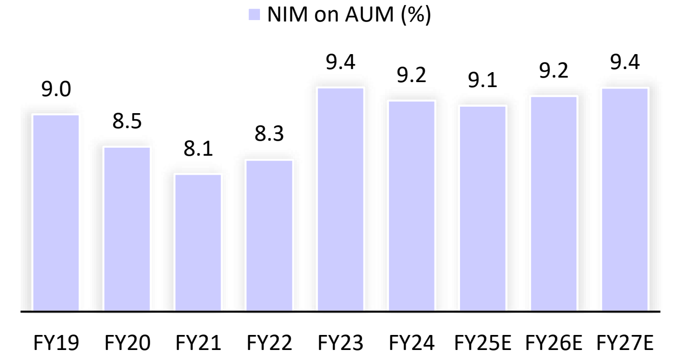
- SHFL has a well-diversified borrowing mix, with no individual borrowing source contributing more than ~25% as of Sep'24. The company recently achieved a significant milestone by successfully raising ~USD1.27b, including USD, EUR and AED through ECB loan transactions. This landmark deal was executed in partnership with 12 lending banks and prominent financial institutions. This achievement highlights the company's ability to navigate complex international financial market transactions and demonstrate its strategic acumen in diversifying funding sources while maintaining cost efficiency.
- SHFL stands to gain in a declining interest rate environment due to the fixed-rate nature of its vehicle finance loan book. While ~77% of its liabilities are fixed-rate, the remaining bank term loans are predominantly linked to MCLR, which will gradually get re-priced.
- SHFL's long-term debt is rated AA+ by CRISIL and BB/stable by Fitch Ratings and S&P Ratings. The management is actively engaging with credit rating agencies for a credit rating upgrade, which could reduce the cost of borrowings and improve NIMs.
- We expect a ~30bp NIM expansion over the next two years due to a favorable product mix and expansion in spreads from a cut in repo rates. We estimate NIM on AUM of 9.2%/9.4% in FY26/FY27 (vs. 9.1% in FY24).

Exhibit 16: Expect spreads to improve in FY26E/FY27E



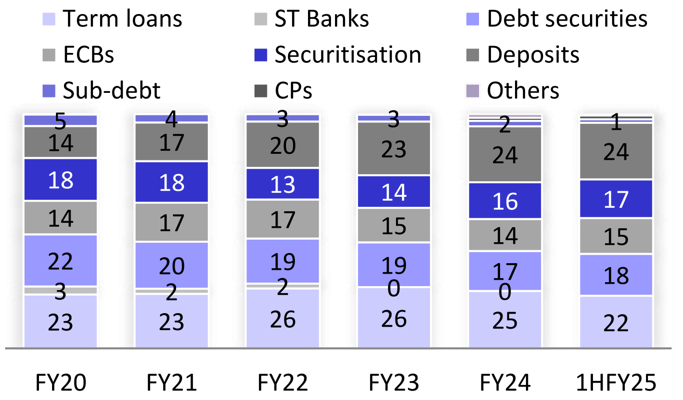
Source: MOFSL, Company

Exhibit 17: NIM to expand by ~20bp over next two years (%)



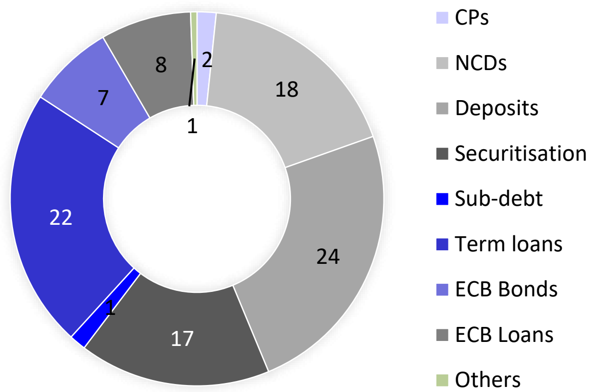
Source: MOFSL, Company

Exhibit 18: Share of deposits rose to ~24% as of Sep'24



Source: MOFSL, Company

Exhibit 19: Well diversified borrowing mix (%)



Source: MOFSL, Company, Note: Data as of Sep'24

Operating leverage to become more prominent over the medium term

- Over the past two years, the opex ratio for SHFL was higher because of post-merger activities (like gradual rollout of non-CV products in CV branches) and expenses incurred toward advertising and branding activities.
- While it will gradually keep introducing its non-CV products like MSME and gold in many more branches, a large part of this initial expansion activity is now nearing completion. We anticipate that operating leverage will now become prominent over the next two years, driven by improvement in productivity.
- The company is leveraging cross-selling opportunities effectively, and with better branch and employee efficiency, it is set to keep improving its cost ratios going forward. We estimate the opex-to-average asset ratio to moderate to ~2.6% by FY27E (compared to ~2.8% in FY25E).

Exhibit 20: SHFL (post-merger) has the lowest opex among vehicle financiers

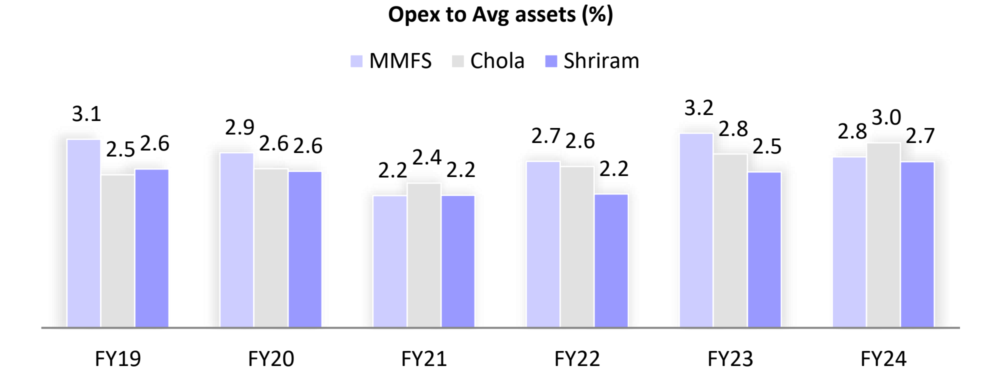
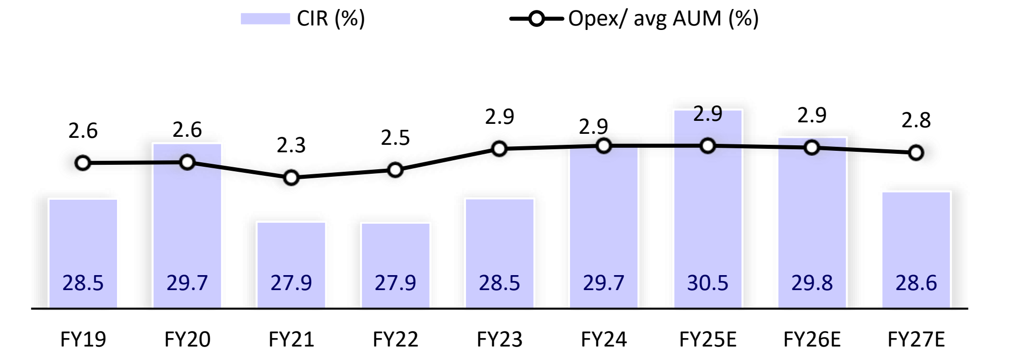


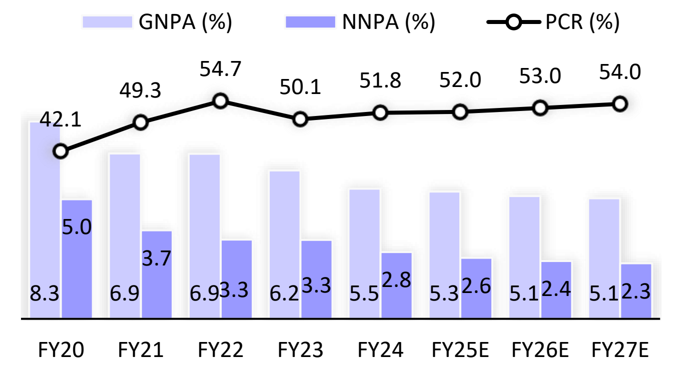
Exhibit 21: Opex ratios to gradually improve in FY26/FY27E



Asset quality more resilient vs. peers; credit costs to remain range-bound

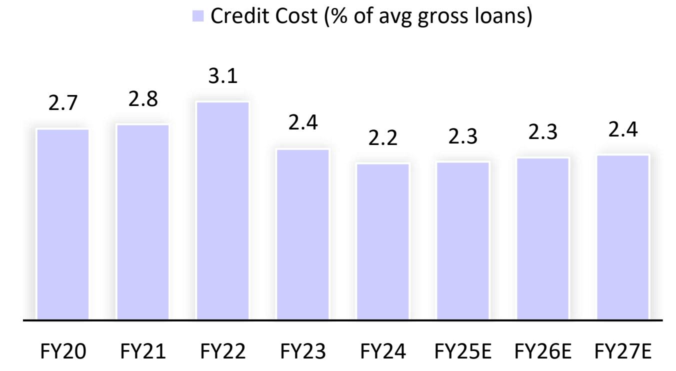
- SHFL has shown steady improvement in asset quality despite the industry exhibiting a seasonal deterioration in 1HFY25. GS3 improved from ~6.9% in FY22 to ~5.3% as of Sep'24, while NS3 improved from ~3.3% in FY22 to ~2.7% as of Sep'24. The company remains confident of maintaining stable asset quality and is focusing on improving Stage 3 assets to around ~5%.
- The company's PL portfolio has outperformed that of its peers, even during recent periods of industry-wide stress in the unsecured retail segment. Over the last year, the company's PL portfolio has remained resilient, demonstrating no deterioration (Refer Exhibit 22), despite challenges in the unsecured retail credit space. GNPA in the PL portfolio improved from ~5.2% as of Sep'23 to ~4.5% as of Sep'24.
- We expect a gradual improvement in GS3 to ~5% by FY26E/FY27E and model a credit cost of ~2.3%/2.4% in FY26/FY27.

Exhibit 22: Asset quality to remain stable



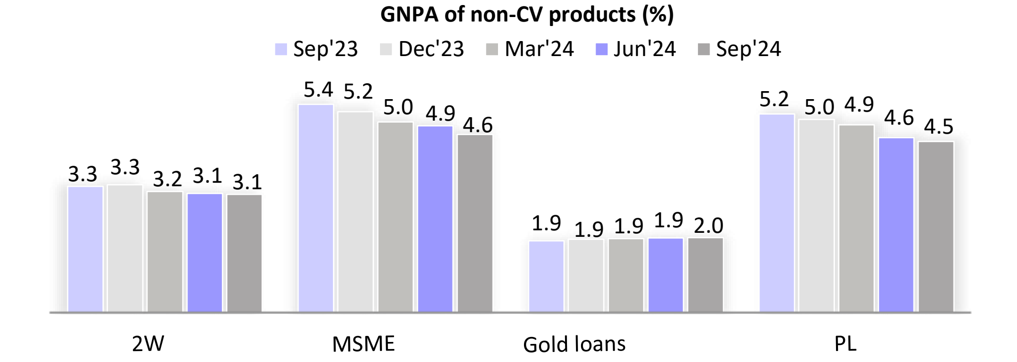
Source: MOFSL, Company

Exhibit 23: Range-bound credit costs of 2.3-2.4% in FY26-27



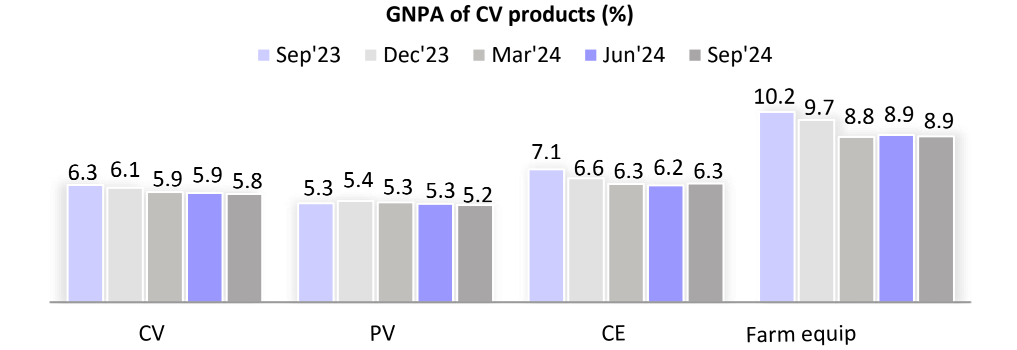
Source: MOFSL, Company

Exhibit 24: GNPA in MSME and personal loans has improved over the last five quarters



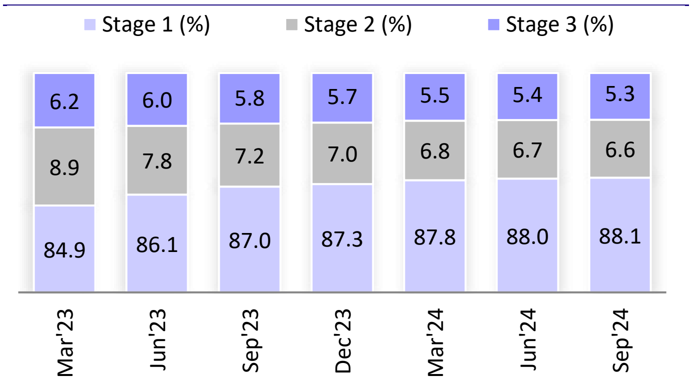
Note: Non-CV products for SHFL includes MSME, Gold Loans, PL and 2W

Exhibit 25: GNPA in auto products has gradually improved over the last five quarters



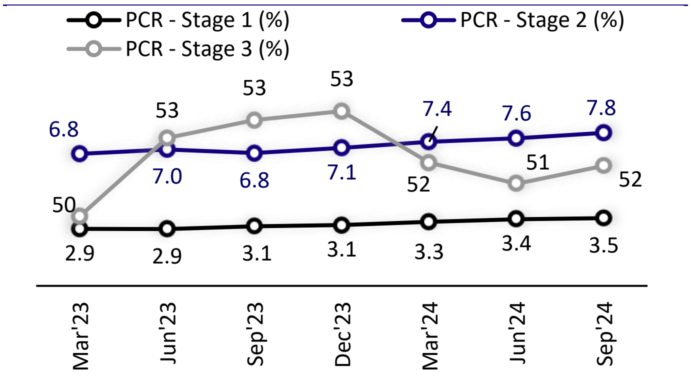
Note: CV products for SHFL includes M&HCVS, LCVs, SCVs, PV, CE and Tractors

Exhibit 26: Gross Loans - Stage-wise (%)



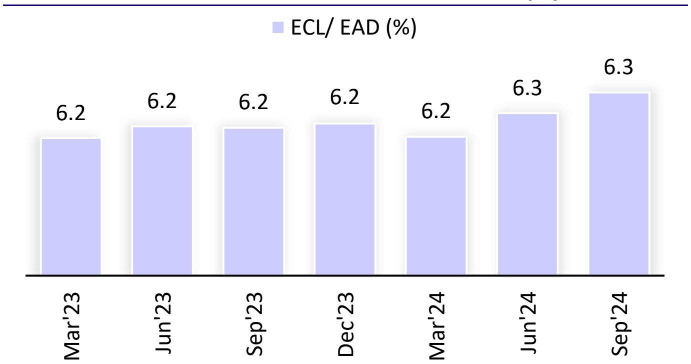
Source: MOFSL, Company

Exhibit 27: Adequate provisions on Stage 3 with PCR of ~52%



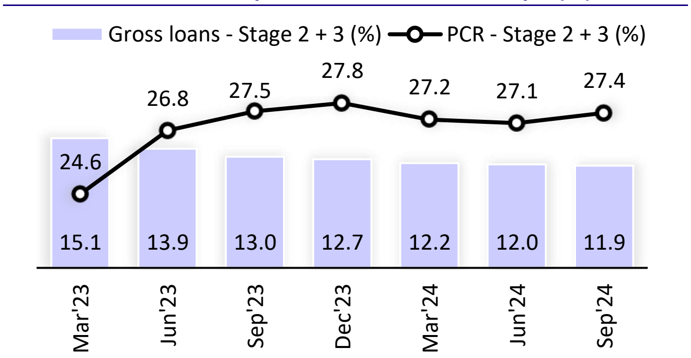
Source: MOFSL, Company

Exhibit 28: ECL/EAD exhibited minor increases (%)



Source: MOFSL, Company

Exhibit 29: Gradual improvement seen in 30+dpd (%)

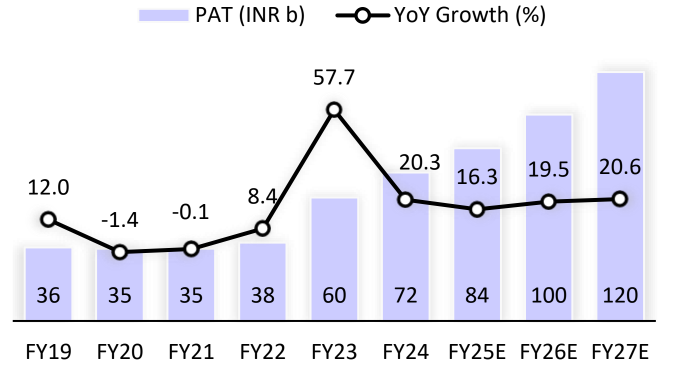


Source: MOFSL, Company

Good execution and strong visibility on earnings; SHFL is our top pick

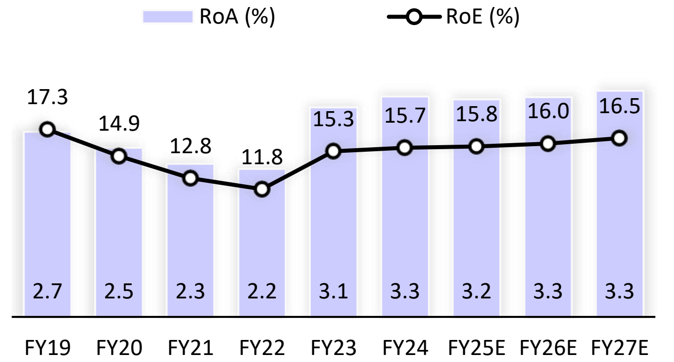
- SHFL is yet to fully tap its expanded distribution network (from the merger) to offer a much wider product bouquet to its customers. The company is effectively leveraging cross-selling opportunities to reach new customers and introduce new products, resulting in improved operating metrics and a solid foundation for sustainable growth.
- The current valuation of ~1.3x FY27E BVPS is attractive for a ~19% PAT CAGR over FY24-27E and RoA/RoE of ~3.3%/17% in FY27E. SHFL is our top pick in the NBFC sector with a TP of INR700 (based on 1.7x FY27E BVPS).

Exhibit 30: PAT CAGR of ~19% over FY24-FY27E…



Source: MOFSL, Company

Exhibit 31: …leading to RoA/RoE of 3.3%/17% in FY27E

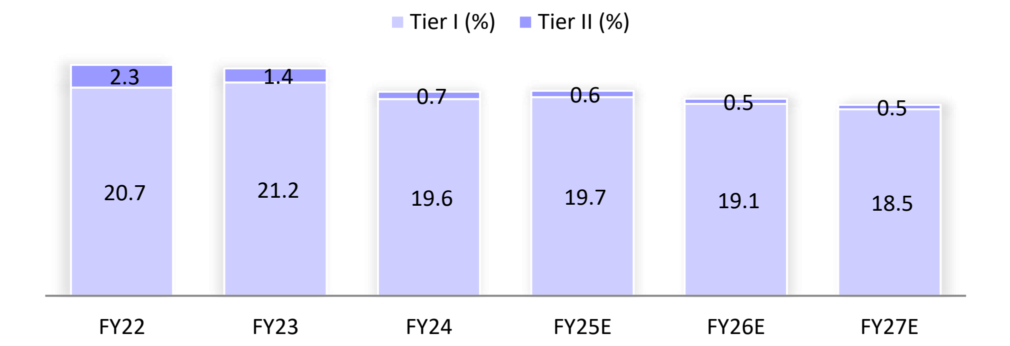


Source: MOFSL, Company

Shriram Housing: Sale of HFC subsidiary to Warburg Pincus

- SHFL has completed the sale of its stake in the housing finance subsidiary to Warburg Pincus for INR39.3b.
- This strategic divestment reflects the company's commitment to realigning its focus on core business areas and accelerating growth in key sectors. The monetization of its stake is also expected to improve its capital adequacy ratio by ~60-70bp. Further, it will also help the company engage constructively with credit rating agencies for a credit rating upgrade.

Exhibit 32: SHFL has a strong capital adequacy ratio



Used CVs: Industry outlook

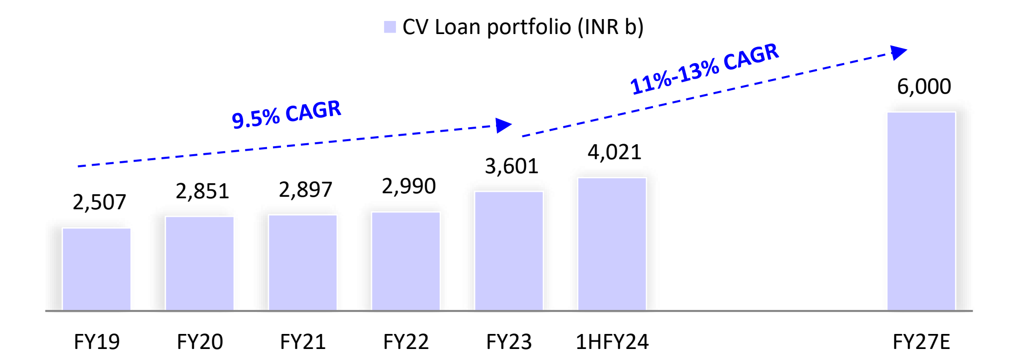
Higher government expenditure expected to drive CV demand

- During 1HFY25, government spending was subdued, primarily due to the general elections, which temporarily constrained fiscal activity. However, we anticipate a significant uptick in government outlays during CY25. This increased spending is expected to stimulate demand for CVs, particularly as infrastructure and developmental projects gain momentum.
- Moreover, favorable monsoon conditions have resulted in a strong Kharif harvest and boosted rural incomes. These factors are expected to significantly accelerate growth from FY26 onward, creating a favorable outlook for CVs and related segments.

Emerging opportunities in used vehicle financing: A growth frontier

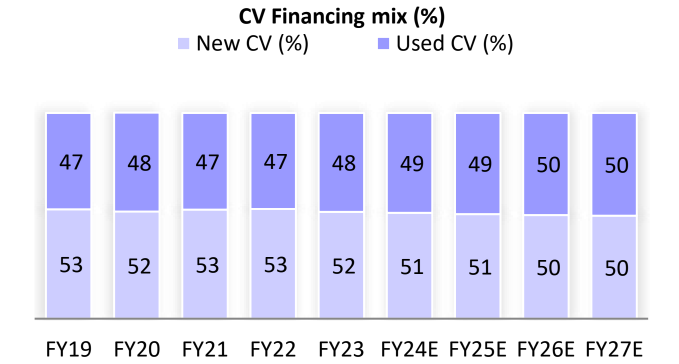
- **Overall CV financing market size:** The total market size of CV financing stood at ~INR4t as of Sep'23 and is projected to reach ~INR5.5t-INR6t by FY27.
- **Segment composition:** Within this, used CVs represented ~48% of the overall CV financing as of Sep'23, which is expected to grow to ~50% by FY27. In unit terms, the used-to-new vehicle ratio stood at ~1.4x in FY23 and is expected to rise to ~1.6x by FY27.
- The share of used vehicle financing in total vehicle AUM has increased to ~41% in FY24 from ~33% in FY19. During FY19-24, new vehicle AUM saw a ~7% CAGR and used vehicle AUM clocked a CAGR of ~16%.
- **Market potential:** The financing market size for used CVs (excluding M&HCVs) is estimated to reach ~INR800b-INR1t by FY27.

Exhibit 33: CV loan portfolio expected to clock 11-13% CAGR between FY23 and FY27



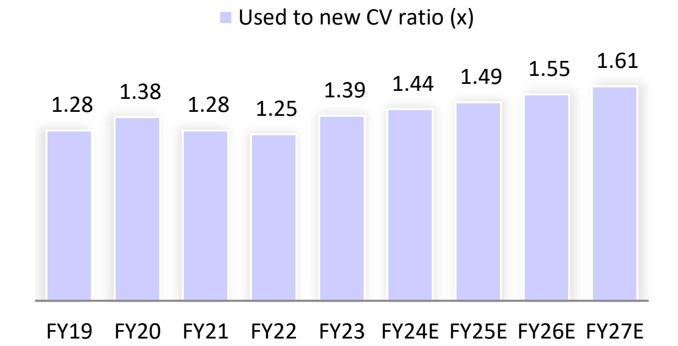
Source: MOFSL, CRISIL

Exhibit 34: Share of used CVs to increase to 50% by FY27



Source: MOFSL, CRISIL

Exhibit 35: Used to new CV ratio to increase to 1.6x by FY27 (Based on no. of units sold)



Source: MOFSL, CRISIL

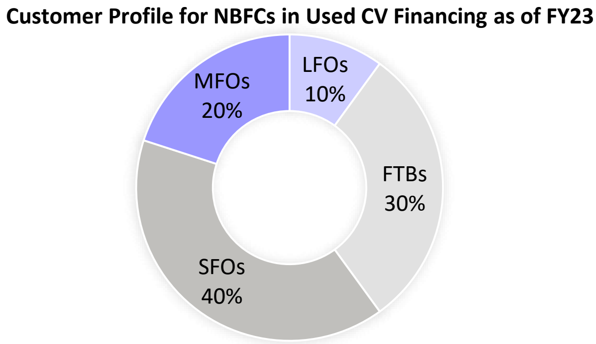
Growth drivers for used CV financing

- Increasing M&HCV sales are driven by improved industrial activity, steady agricultural output, and infrastructure development by the government.
- Disbursements in the used-CV space have gained traction, with many small fleet operators preferring used vehicles to new ones, even in FY25.
- Rising private consumption, low penetration, growing redistribution freight, and enhanced financing options support demand for used CVs.

Key buyer segments in the used CV market

- Most of the used-CV buyers are driver-turned-owners, first-time buyers (FTBs), and small road transport operators/small fleet operators.
- Limited availability of income documents and the lack of repayment track records make these customers relatively risky; however, SHFL's extensive on-the-ground presence and connect with customers help the company in catering to this customer segment in an effective manner.
- While a majority of borrowers in the segment are daily operators and the vehicles are typically used to ferry essential commodities to the last mile, few borrowers in the segment also depend on large fleet operators for contracts.

Exhibit 36: Small fleet operators dominate customer profile for NBFCs in used CV financing



Note: - Large fleet operators (LFOs) having more than 20 vehicles, medium fleet operators (MFOs) having 4-20 vehicles, small fleet operators (SFOs) having 1-4 vehicles and FTBs are first time buyers

Exhibit 37: State-wise share of used CV financing as of FY23

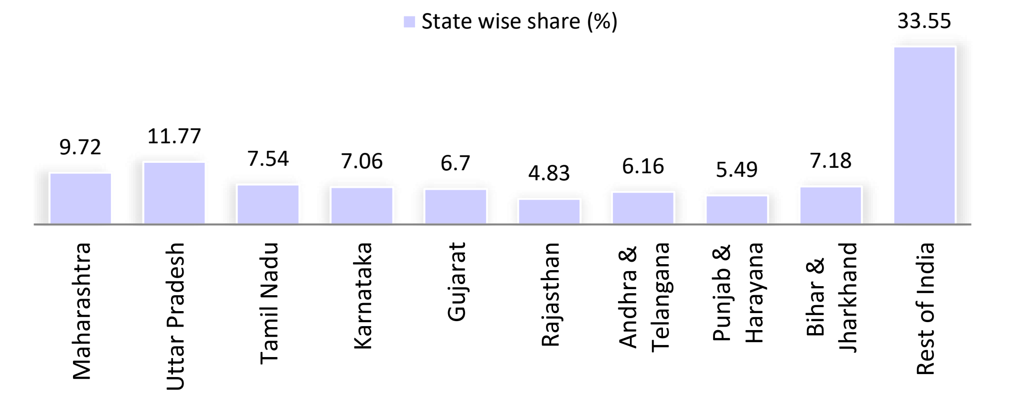


Exhibit 38: Shriram Finance- Du-Pont analysis

Y/E MARCH	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	16.2	15.7	14.7	14.4	14.8	15.2	15.4	15.3	15.4
Interest Expended	7.3	7.4	7.2	7.1	6.5	6.7	6.9	6.6	6.6
Net Interest Income	**8.9**	**8.3**	**7.5**	**7.3**	**8.3**	**8.5**	**8.6**	**8.7**	**8.8**
Non-interest income	0.2	0.4	0.3	0.5	0.6	0.6	0.5	0.4	0.4
Net Total Income	**9.1**	**8.6**	**7.8**	**7.8**	**8.9**	**9.2**	**9.0**	**9.1**	**9.2**
Operating Expenses	**2.6**	**2.6**	**2.2**	**2.2**	**2.5**	**2.7**	**2.8**	**2.7**	**2.6**
- Employee expenses	1.3	1.3	1.1	1.1	1.3	1.5	1.5	1.5	1.5
- Other expenses	1.3	1.2	1.1	1.0	1.2	1.3	1.2	1.2	1.1
PPoP	**6.5**	**6.1**	**5.6**	**5.6**	**6.4**	**6.4**	**6.3**	**6.4**	**6.6**
Provisions/write offs	2.4	2.6	2.6	2.7	2.2	2.0	2.0	2.0	2.1
PBT	**4.1**	**3.4**	**3.0**	**2.9**	**4.2**	**4.4**	**4.3**	**4.4**	**4.5**
Tax	1.3	0.9	0.8	0.7	1.1	1.1	1.1	1.1	1.1
RoA	**2.7**	**2.5**	**2.3**	**2.2**	**3.1**	**3.3**	**3.2**	**3.3**	**3.3**
Avg. Leverage	6.3	5.9	5.7	5.4	4.9	4.8	4.9	4.9	4.9
RoE	**17.3**	**14.9**	**12.8**	**11.8**	**15.3**	**15.7**	**15.8**	**16.0**	**16.5**

Source: MOFSL, Company

Exhibit 39: Our earnings estimates are largely unchanged

INR B	Old Est.			New Est.			Change (%)		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
NII (incl. assignments)	223.0	273.4	326.1	222.6	266.7	316.9	-0.2	-2.5	-2.8
Other Income	12.7	13.3	14.0	12.2	12.9	13.8	-3.8	-3.2	-1.7
Total Income	**235.7**	**286.8**	**340.2**	**234.8**	**279.6**	**330.7**	**-0.4**	**-2.5**	**-2.8**
Operating Expenses	71.2	83.3	95.0	71.5	83.4	94.7	0.5	0.1	-0.3
Operating Profits	**164.5**	**203.4**	**245.2**	**163.3**	**196.1**	**236.0**	**-0.7**	**-3.6**	**-3.7**
Provisions	51.1	69.8	83.7	51.0	62.0	74.3	-0.1	-11.2	-11.2
PBT	**113.4**	**133.6**	**161.6**	**112.3**	**134.1**	**161.7**	**-1.0**	**0.4**	**0.1**
Tax	28.9	34.1	41.2	28.6	34.2	41.2	-1.0	0.4	0.1
PAT	**84.5**	**99.5**	**120.4**	**83.6**	**99.9**	**120.5**	**-1.0**	**0.4**	**0.1**
AUM	2,651	3,129	3,676	2,654	3,128	3,650	0.1	0.0	-0.7
Loans	2,459	3,082	3,610	2,456	2,914	3,412	-0.1	-5.5	-5.5
Borrowings	2,187	2,723	3,147	2,216	2,618	3,048	1.4	-3.8	-3.1
NIM	9.1	9.5	9.6	9.1	9.2	9.4			
Credit Cost (%)	2.3	2.5	2.5	2.3	2.3	2.4			
RoA	3.3	3.2	3.3	3.2	3.3	3.3			
RoE	**16.3**	**16.8**	**17.6**	**15.8**	**16.0**	**16.5**			

Source: MOFSL, Company

Financials and valuations

Income Statement									(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Interest Income	2,10,407	2,19,646	2,26,997	2,48,605	2,86,074	3,35,997	4,00,689	4,70,943	5,53,491
Interest Expenses	94,975	1,04,105	1,11,881	1,22,668	1,25,458	1,48,061	1,78,066	2,04,264	2,36,565
Net Interest Income	**1,15,432**	**1,15,541**	**1,15,116**	**1,25,936**	**1,60,616**	**1,87,935**	**2,22,623**	**2,66,679**	**3,16,925**
Change (%)	12.7	0.1	-0.4	9.4	27.5	17.0	18.5	19.8	18.8
Other Operating Income	2,605	4,748	4,514	9,214	11,648	13,648	11,796	12,479	13,302
Other Income	258	235	237	227	307	332	382	431	483
Total Income	**1,18,295**	**1,20,524**	**1,19,867**	**1,35,378**	**1,72,571**	**2,01,915**	**2,34,801**	**2,79,589**	**3,30,710**
Change (%)	11.3	1.9	-0.5	12.9	27.5	17.0	16.3	19.1	18.3
Total Operating Expenses	**33,666**	**35,803**	**33,500**	**37,805**	**49,131**	**59,895**	**71,518**	**83,443**	**94,665**
Change (%)	12.6	6.3	-6.4	12.8	30.0	21.9	19.4	16.7	13.4
Employee Expenses	17,210	18,585	16,699	19,695	25,061	32,156	39,552	47,462	55,056
Depreciation	742	2,232	2,172	2,137	5,242	5,688	6,167	6,569	6,962
Other Operating Expenses	15,715	14,986	14,629	15,973	18,828	22,051	25,800	29,411	32,647
Operating Profit	**84,629**	**84,721**	**86,367**	**97,573**	**1,23,441**	**1,42,020**	**1,63,283**	**1,96,147**	**2,36,046**
Change (%)	10.8	0.1	1.9	13.0	26.5	15.1	15.0	20.1	20.3
Total Provisions	**31,643**	**36,786**	**39,693**	**47,485**	**41,592**	**45,183**	**51,021**	**62,023**	**74,326**
% Loan loss provisions to Avg loans ratio	2.5	2.7	2.8	3.1	2.4	2.2	2.3	2.3	2.4
PBT	**52,986**	**47,935**	**46,674**	**50,088**	**81,849**	**96,836**	**1,12,261**	**1,34,124**	**1,61,720**
Tax Provisions	17,457	12,913	11,692	12,164	22,056	24,932	28,627	34,202	41,239
Tax Rate (%)	*32.9*	*26.9*	*25.1*	*24.3*	*26.9*	*25.7*	*25.5*	*25.5*	*25.5*
PAT	**35,529**	**35,022**	**34,982**	**37,925**	**59,793**	**71,905**	**83,635**	**99,922**	**1,20,481**
Change (%)	12.0	-1.4	-0.1	8.4	57.7	20.3	16.3	19.5	20.6
PAT (including exceptional gains)	**35,529**	**35,022**	**34,982**	**37,925**	**59,793**	**71,905**	**96,735**	**99,922**	**1,20,481**

Balance Sheet									(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Equity Share Capital	2,929	2,929	3,191	3,371	3,744	3,758	3,758	3,758	3,758
Reserves & Surplus	2,17,432	2,47,288	2,91,764	3,43,760	4,29,322	4,81,926	5,71,370	6,67,170	7,82,679
Net Worth	**2,20,361**	**2,50,217**	**2,94,954**	**3,47,132**	**4,33,066**	**4,85,684**	**5,75,128**	**6,70,928**	**7,86,437**
Borrowings	**11,04,851**	**11,75,376**	**13,17,617**	**14,51,285**	**15,79,063**	**18,58,411**	**22,16,314**	**26,18,340**	**30,47,895**
Change (%)	6.7	6.4	12.1	10.1	8.8	17.7	19.3	18.1	16.4
Other liabilities	**21,865**	**25,436**	**26,317**	**23,320**	**24,509**	**28,665**	**31,531**	**34,684**	**38,153**
Total Liabilities	**13,47,077**	**14,51,029**	**16,38,888**	**18,21,754**	**20,36,639**	**23,72,760**	**28,22,973**	**33,23,952**	**38,72,484**
Cash and bank balances	**52,657**	**1,03,773**	**2,16,562**	**2,29,679**	**1,58,174**	**1,08,126**	**1,78,055**	**2,18,194**	**2,60,895**
Investments	48,653	35,326	42,152	86,455	85,651	1,06,566	1,04,435	1,01,302	99,276
Loans	**12,37,406**	**12,88,442**	**13,57,232**	**14,76,890**	**17,19,846**	**20,79,294**	**24,55,949**	**29,13,980**	**34,11,627**
Change (%)	6.2	4.1	5.3	8.8	16.5	20.9	18.1	18.6	17.1
Fixed Assets	2,283	7,181	6,599	6,467	6,997	8,458	8,881	9,325	9,791
Deferred tax Assets	1,241	694	6,964	9,109	17,439	28,840	25,956	20,765	16,612
Goodwill					14,067	14,067	14,067	14,067	14,067
Other Assets	4,838	15,613	9,379	13,137	34,465	27,408	35,630	46,319	60,215
Total Assets	**13,47,077**	**14,51,029**	**16,38,888**	**18,21,737**	**20,36,639**	**23,72,760**	**28,22,973**	**33,23,952**	**38,72,484**

E: MOFSL Estimates

Financials and valuations

AUM Mix (%)									(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
AUM	13,40,643	13,88,342	14,68,128	15,77,122	18,56,829	22,48,620	26,54,268	31,28,244	36,50,173
Change (%)	8	4	6	7	18	21	18	18	17
Disbursements	7,28,076	7,05,733	5,21,985	8,62,135	11,06,899	14,21,675	16,32,382	18,79,932	21,59,378
Change (%)	-5	-3	-26	65	28	28	15	15	15

E: MOFSL Estimates

Ratios									(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Spreads Analysis (%)									
Avg. Yield on Loans	17.5	17.4	17.2	17.5	17.9	17.7	17.7	17.5	17.5
Avg Cost of Funds	8.9	9.1	9.0	8.9	8.3	8.6	8.7	8.5	8.4
Spread of loans	8.6	8.3	8.2	8.7	9.6	9.1	8.9	9.1	9.2
NIM (on loans)	9.6	9.1	8.7	8.9	10.0	9.9	9.8	9.9	10.0
NIM (on AUM)	9.0	8.5	8.1	8.3	9.4	9.2	9.1	9.2	9.4
C/I ratio	28.5	29.7	27.9	27.9	28.5	29.7	30.5	29.8	28.6
Profitability Ratios (%)									
RoE	17.3	14.9	12.8	11.8	15.3	15.7	15.8	16.0	16.5
RoA	2.7	2.5	2.3	2.2	3.1	3.3	3.2	3.3	3.3
Int. Expended / Int.Earned	45.1	47.4	49.3	49.3	43.9	44.1	44.4	43.4	42.7
Other Inc. / Net Income	2.4	4.1	4.0	7.0	6.9	6.9	5.2	4.6	4.2
Efficiency Ratios (%)									
Op. Exps. / Net Income	28.5	29.7	27.9	27.9	28.5	29.7	30.5	29.8	28.6
Empl. Cost/Op. Exps.	51.1	51.9	49.8	52.1	51.0	53.7	55.3	56.9	58.2
Asset-Liability Profile (%)									
Loans/Borrowings Ratio	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1
Assets/Equity	6.1	5.8	5.6	5.2	4.7	4.9	4.9	5.0	4.9
Asset quality (%)									
GNPA	1,11,930	1,14,400	1,01,688	1,09,762	1,13,822	1,20,812	1,39,653	1,59,321	1,82,549
NNPA	65,678	66,256	51,523	49,731	56,749	58,244	67,034	74,881	83,972
GNPA ratio	8.5	8.3	6.9	6.9	6.2	5.5	5.3	5.1	5.1
NNPA ratio	5.2	5.0	3.7	3.3	3.3	2.8	2.6	2.4	2.3
PCR	41.3	42.1	49.3	54.7	50.1	51.8	52.0	53.0	54.0
Credit Costs (% of loans)	2.5	2.7	2.8	3.1	2.4	2.2	2.3	2.3	2.4

Valuations	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (INR)	150	171	185	206	231	258	306	357	419
BV Growth (%)	16	14	8	11	12	12	18	17	17
P/BV	3.5	3.1	2.9	2.6	2.3	2.1	1.7	1.5	1.3
EPS (INR)	24	24	22	22	32	38	45	53	64
EPS Growth (%)	12.0	-1.4	-8.3	2.6	42.0	19.8	16.3	19.5	20.6
P/E	21.9	22.2	24.3	23.6	16.7	13.9	12.0	10.0	8.3
DPS	3	1	4	5	7	9	10	12	14
Dividend Yield (%)	0.5	0.2	0.8	0.9	1.3	1.7	1.9	2.3	2.7

E: MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
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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