

# Poonawalla Fincorp

Estimate changes

TP change

Rating change



Bloomberg	POONAWAL IN
Equity Shares (m)	778
M.Cap.(INRb)/(USD\$)	296 / 3.5
52-Week Range (INR)	509 / 267
1, 6, 12 Rel. Per (%)	8/29/-29
12M Avg Val (INR M)	1003

## Financials Snapshot (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Net Total Income	26.9	39.6	57.3
PPOP	13.2	21.4	33.1
PAT	-1.0	9.7	17.6
EPS (INR)	-1.3	12.6	22.7
EPS Gr. (%)	-109.5	-	80.4
Standalone BV (INR)	105	118	138

## Ratios

NIM on AUM (%)	7.8	8.0	8.2
C/I ratio (%)	50.9	46.1	42.2
RoAA (%)	-0.3	2.3	2.9
RoE (%)	-1.2	11.3	17.8
Payout (%)	0.0	15.9	13.2

## Valuations

P/E (x)	-	30.2	16.8
P/BV (x)	3.6	3.2	2.8
Div. Yield (%)	0.0	0.5	0.8

## Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	62.5	62.4	62.1
DII	11.1	11.8	5.8
FII	10.6	8.8	8.3
Others	15.7	17.0	23.8

FII Includes depository receipts

**CMP: INR380**

**TP: INR440 (+16%)**

**Buy**

## Elevated opex and NIM compression lead to earnings miss

### AUM rises ~43% YoY; opex intensity to remain elevated for two quarters

- Poonawalla Fincorp (PFL)'s 4QFY25 PAT declined ~81% YoY to ~INR623m (MOFSL: INR1.8b). FY25 loss was INR983m (vs. PAT of INR10.3b in FY24).
- NII in 4QFY25 grew ~8% YoY to ~INR6.1b (~12% miss). Other income rose ~34% YoY and ~80% QoQ to ~INR1b. The increase in other income is due to higher fee income and assignment income during the quarter.
- Opex rose 106% YoY to ~INR4.8b (~48% higher than MOFSL), with the C/I ratio rising to ~67% (PQ: 45% and PY: ~36%). PPoP declined ~42% YoY to ~INR2.4b (~47% miss).
- Provisions stood at INR1.6b (MOFSL: ~INR2.1b), translating into annualized credit costs of ~1.9% (PQ: 4.7% and PY: 0.4%).
- The company has successfully launched six businesses ahead of schedule. While the rollout of new businesses and plans to open 400 additional branches in 1QFY26 will keep operating expenses elevated over the next two quarters, however, the opex-to-AUM ratio is expected to start moderating from 2HFY26 onwards.
- Management highlighted that the erstwhile STPL book has declined to ~8% of the portfolio as of Mar'25 (from ~21% in Sep'24). Notably, ~80% of the STPL book is now Odpd, and the company does not anticipate any further stress from this segment, supported by improving collection efficiencies.
- Management continued to guide an AUM growth of 35-40% in FY26, reaffirming its confidence in achieving these targets. We model AUM growth of ~44%/41% in FY26/FY27. Management also indicated that FY26 would be focused on driving AUM growth, with an emphasis on building sustainable profitability from FY27 onwards.
- We cut our FY26E/FY27E PAT by 17%/10% to factor in higher operating expenses. We model a CAGR of 42% in AUM over FY25-FY27E and expect PFL to deliver RoA/RoE of ~2.9%/~18% in FY27. **Reiterate BUY with a TP of INR440 (premised on 3.2x Mar'27E BVPS).**

### Robust AUM growth of ~43% YoY; all six new businesses launched

- AUM grew ~43% YoY and ~15% QoQ to ~INR356b. The AUM mix consisted of ~36% in MSME finance, ~23% in personal and consumer finance, ~24% in LAP, and ~14% in pre-owned cars. Disbursements grew ~31% QoQ to ~INR94b in 4QFY25.
- The company has successfully launched all six businesses well ahead of its schedule. Each of the six new businesses follows a distinct distribution strategy – Gold Loans through dedicated branches (400 planned), Consumer Durables via 10,000–12,000 point-of-sale (PoS) outlets, Commercial Vehicles through dealership networks, Personal Loans through a DSA network/partnerships and a 24x7 digital platform for Prime PL targeting top corporates.

### NIM contracts ~130bp QoQ due to ~110bp compression in yields

- NIM (calc.) dipped ~130bp QoQ to ~8%, led by ~110bp QoQ decline in yields to ~14.1%. The CoB (calc.) declined ~5bp QoQ to ~7.75%.
- With ~70% of total borrowings in variable rate instruments, the company is well-positioned to benefit from a declining interest rate environment.
- We model a NIM of ~8%/8.2% in FY26/FY27 (vs. ~7.8% in FY25).

### Credit costs dip sequentially; GS3 stable QoQ

- GS3 was largely stable QoQ at ~1.85%, while NS3 rose ~4bp QoQ to ~0.85%. PCR on S3 loans declined ~230bp QoQ to ~55% (PQ: ~57% and PY: ~49%).
- The company will be implementing AI-based support tools for its credit and risk functions by 4QFY26. Additionally, it will deploy suspicious transaction reporting with AI/ML by 3QFY26.
- We model credit costs of ~2.0%/1.6% in FY26/FY27 (vs. ~5.1% in FY25).

### Highlights from the management commentary

- Collection processes have strengthened, driving a 9–10% improvement in forward collection efficiency, while early bucket flows have declined by >40%.
- The company recently raised INR15.25b through NCDs in Apr'25, increasing the share of NCDs in total borrowings to 12% (up from 6% in Mar'24).
- STPL credit costs declined to INR1.37b in 4QFY25 from INR2b in 3QFY25, which declined ~33% QoQ. Total write-offs for FY25 stood at INR15.5b, with 4QFY25 write-offs significantly lower compared to 2Q and 3Q.

### Valuation and view

- PFL reported healthy AUM growth during the quarter, even as the earnings missed expectations due to higher operating expenses, partially offset by a sequential reduction in credit costs. The company remains focused on growth in FY26, with an emphasis on improving profitability metrics from FY27 onwards. We remain watchful of the situation and the on-ground execution of the company's stated strategy. **Reiterate BUY with a TP of INR440 (premised on 3.2x Mar'27E 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				FY25				FY24	FY25	4Q 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	10,685	29,061	38,745	11,507	-7
Interest Expenses	2,348	2,155	2,237	2,811	3,201	3,516	3,850	4,584	9,503	15,151	4,541	1
<b>Net Interest Income</b>	<b>4,212</b>	<b>4,746</b>	<b>4,907</b>	<b>5,625</b>	<b>5,761</b>	<b>5,592</b>	<b>6,141</b>	<b>6,101</b>	<b>19,558</b>	<b>23,594</b>	<b>6,965</b>	<b>-12</b>
YoY Growth (%)	77.8	73.3	62.9	48.1	36.8	17.8	25.1	8.5	58.9	20.6	23.8	
Other Income	563	539	594	782	997	858	581	1,048	2,478	3,346	779	35
<b>Total Income</b>	<b>4,775</b>	<b>5,285</b>	<b>5,501</b>	<b>6,407</b>	<b>6,758</b>	<b>6,449</b>	<b>6,722</b>	<b>7,149</b>	<b>22,036</b>	<b>26,940</b>	<b>7,744</b>	<b>-8</b>
YoY Growth (%)	70.3	57.1	52.8	57.0	35.1	22.0	22.2	11.6	54.7	22.3	20.9	
Operating Expenses	1,834	1,929	1,998	2,313	2,436	3,657	2,991	4,765	8,074	13,713	3,227	48
<b>Operating Profit</b>	<b>2,941</b>	<b>3,356</b>	<b>3,502</b>	<b>4,094</b>	<b>4,321</b>	<b>2,792</b>	<b>3,731</b>	<b>2,384</b>	<b>13,962</b>	<b>13,228</b>	<b>4,517</b>	<b>-47</b>
YoY Growth (%)	185.0	167.0	124.8	103.09	46.9	-16.8	6.5	-41.77	128.8	-5.3	10.3	
Provisions & Loan Losses	266	281	-65	239	425	9,096	3,479	1,582	720	14,582	2,079	-24
<b>Profit before Tax</b>	<b>2,676</b>	<b>3,075</b>	<b>3,568</b>	<b>3,855</b>	<b>3,897</b>	<b>-6,305</b>	<b>252</b>	<b>802</b>	<b>13,242</b>	<b>-1,354</b>	<b>2,438</b>	<b>-67</b>
Exceptional items		6,560				0			6,560	0		
Tax Provisions	674	775	916	538	980	-1,594	65	179	2,907	-371	614	-71
<b>PAT (excl. exceptional)</b>	<b>2,002</b>	<b>2,300</b>	<b>2,651</b>	<b>3,317</b>	<b>2,916</b>	<b>-4,710</b>	<b>187</b>	<b>623</b>	<b>10,335</b>	<b>-983</b>	<b>1,824</b>	<b>-66</b>
<b>PAT (incl. exceptional)</b>	<b>2,002</b>	<b>8,861</b>	<b>2,651</b>	<b>3,317</b>	<b>2,916</b>	<b>-4,710</b>	<b>187</b>	<b>623</b>	<b>16,896</b>	<b>-983</b>	<b>1,824</b>	<b>-66</b>
YoY Growth (%)	86.0	76.7	76.3	83.6	45.7	-	-92.9	-81.2	73.9	-109.5	-45.0	
<b>Key Parameters (Calc., %)</b>												
Yield on loans	16.3	15.8	15.3	16.3	15.5	15.0	15.2	14.1				
Cost of funds	8.0	7.2	7.52	8.16	8.0	7.98	7.81	7.77				
Spread	8.3	8.6	7.8	8.1	7.6	7.0	7.4	6.3				
NIM on loans	10.4	10.9	10.51	10.85	10.0	9.18	9.34	8.05				
C/I ratio	38.4	36.5	36.3	36.10	36.1	56.7	44.5	66.7				
Credit cost	0.6	0.6	-0.1	0.4	0.7	13.1	4.7	1.9				
Tax rate	25.2	17.7	25.7	13.9	25.2	25.3	25.6	22.3				
<b>Balance Sheet Parameters</b>												
<b>Disbursements (INR b)</b>	<b>70.6</b>	<b>78.1</b>	<b>87.3</b>	<b>96.9</b>	<b>74.0</b>	<b>63.1</b>	<b>71.5</b>	<b>93.8</b>				
Growth (%)	169.1	151.0	159.2	52.1	-10.6	-19.1	-18.1	-3.2				
<b>AUM (INR b)</b>	<b>178</b>	<b>202</b>	<b>219</b>	<b>250</b>	<b>270</b>	<b>284</b>	<b>310</b>	<b>356</b>				
Growth (%)	60.4	53.6	57.6	54.9	59.7	40.5	41.2	42.5				
<b>AUM mix (%)</b>						5.3	9.1	15.0				
Focused	96.3	89.0	91.7	94.1	96.0	97.0	98.0	98.0				
Discontinued (Legacy and DA)	3.7	11.0	8.3	5.9	4.0	3.0	2.0	2.0				
<b>Asset Quality Parameters</b>												
GS 3 (INR m)	2,450	2,660	2,750	2,680	1,660	5,470	5,390	6,190				
GS 3 (%)	1.4	1.4	1.3	1.2	0.7	2.1	1.85	1.84				
NS 3 (INR m)	1,310	1,400	1,450	1,360	790	850	2,330	2,820				
NS 3 (%)	0.8	0.7	0.7	0.6	0.32	0.33	0.81	0.85				
PCR (%)	46.5	47.4	47.3	49.3	52.4	84.5	56.8	54.5				

E: MOFSL estimates



## Highlights from the management commentary

### Guidance

- Target RoA of 3.0-3.5% within three years from when the current new management joined. New businesses being constructed at 3%+ ROAs
- Expecting to raise primary equity capital early next calendar year
- Confidence in robust AUM growth maintained due to product diversification and digital journeys
- Opex will be elevated for two more quarters and OPEX to AUM ratio is expected to decline by Mar'26
- Six new businesses each have distinct distribution strategies: Gold loan: Dedicated branches (400 planned), Consumer durables: 10,000-12,000 point-of-sale outlets, Commercial vehicles: Dealership-based distribution, Personal loans: DSA network and 24x7 digital product for top corporates
- 80% of the residual STPL book (now 8% of the total) is at zero DPD. No more accelerated write-offs are expected from residual STPL book
- The company will focus on achieving sustainable profits from FY26-27. In FY25-26, the company will focus more on robust AUM growth.

### Opening Remarks

- AUM grew by 42.5% YoY and 15% QoQ to INR356.3b. The original guidance was 30-35% AUM growth for FY25 and 35-40% thereafter
- The company is witnessing three key critical strengths emerging as differentiators for PFL: 1) digital journey, house-developed models, and risk analytics, 2) Deep product and risk expertise that the organization has built on various asset classes, and 3) a seasoned senior management team.
- Successfully launched all six planned new businesses ahead of schedule
- Prioritizing the quality of processes for the first 4-6 months before scaling up, following a risk-first approach
- PL Prime program launched in Aug'24 and has scaled from 0 to INR1.2b by Dec'24 and INR2b+ by Mar'25. 75% of PL Prime business is with category A companies with salaries above INR75,000.

### Update on the six new businesses

- New STPL: The risk-calibrated approach has resulted in declining cheque bounces to 1/3rd. The company will slowly grow the same.
- Successfully launched six new business lines: Gold Loans, Commercial Vehicles, Education Loans, Consumer Durables, and Shopkeeper Loans.
- Gold Loan: Planning 400 branches by the end of FY26 across Gujarat, Maharashtra, Rajasthan, and Haryana. Build strategic Hubs in tier 2 and tier 3 cities that provide major opportunities and are underserved. These branches will be multi-product distribution branches.
- Commercial Vehicle: Commenced operations in Pune, Mumbai, Calcutta; deploying mobility solutions with 25+ integrations
- Education Loans: 300+ customer files logged in first 45 days; aim to build a network of 500+ educational consultants. Offering industry-first instant sanction solution for education loans
- Consumer Durables: Targeting 210 locations with 10,000-12,000 dealer points by FY26 end. Introduced PFL EMI card for pre-approved consumer durable offers
- Shopkeeper Loans: Operational in 44 locations for small retailers and Kirana stores

- Building a full suite of AI capabilities across the marketing lifecycle to improve efficiency and personalization. Credit underwriting AI tools delivering a 35-40% increase in credit manager efficiency.

### **Risk management**

- Implementing AI-based support tools for the credit and risk department by 4QFY26. Deploying suspicious transaction reporting with AI/ML by 3QFY26.
- Building an early warning system to predict employee attrition
- Infrastructure solutions for 400 gold loan branches to be implemented in 1QFY26

### **Collections and Debt Management**

- Collection processes enhanced with 9-10% improvement in forward collection efficiency.
- Early bucket flows moderated by more than 40%
- Collection team using technology including field app, real-time monitoring, and persona-based digital engagement. Implementing industry-first technology for real-time allocation systems
- A robust liability management strategy includes raising long-term funds through NCDs
- Recently raised INR15.25b through NCDs in April 2025. NCD contribution increased to 12% of total borrowings (from 6% in March 2024)
- Focus on balancing long-term funding and the cost of borrowing.

### **Asset quality and financial performance**

- Disbursements in 4QFY25 stood at INR93.7b, up ~21% QoQ.
- Overall credit costs reduced to INR2.53b in 4QFY25 from INR3.5b in 3QFY25 (-27%)
- The company has launched six businesses and will open 400 branches in 1QFY26; hence, the operating costs will see an increase in the next two quarters. However, from 4QFY26, the opex as a % of AUM will stabilize at a prudent level, reflecting operational efficiency. Opex to average AUM: 4.8% for the quarter and 4.6% for FY25
- PAT stood at INR620m (vs INR190m in 3QFY25)
- Asset quality stable: Gross NPA at 1.84%, Net NPA at 0.85%, Write-off stood at INR15.5b for FY25, and 4QFY25 write-offs were significantly down as compared to 2Q and 3Q.
- With ~70% of total borrowings in variable rate instruments, the company is well-positioned to benefit from a declining interest rate environment.

### **STPL Book**

- The erstwhile STPL portfolio which constituted ~21% as of Sep'24 of the total AUM has now come down to ~8% of the total AUM as of Mar'25.
- STPL credit cost reduced to INR1.37b in 4QFY25 from INR2b in 3QFY25 (33% reduction)
- The important thing to note is ~80% of the residual book is 0dpd and the company does not expect any further stress in the STPL book.
- 80% of residual STPL book is zero DPD with no expected increased stress. 4QFY25 had INR1.41b policy write-off with no accelerated write-off (vs INR1.63b accelerated write-off in 3Q)

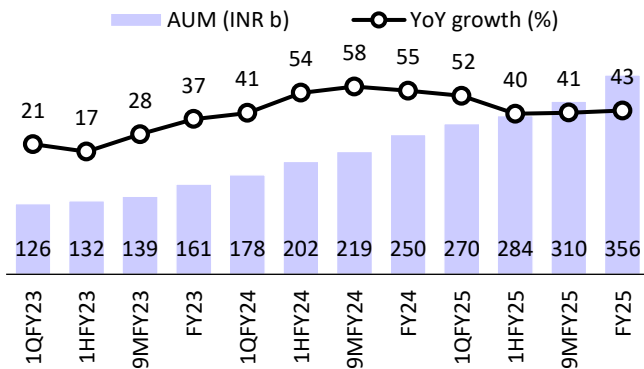
- The erstwhile STPL issue has been resolved and is resulting in improved collection efficiency.

### **Collections**

- In the last 6 months, the company has improved collection efficiency by 9-10%.
- The bounce rates and collections track well and the company reaches customers 2x faster.
- The first EMI bounce has improved by more than 25%.
- The company is focused on achieving well-calibrated AUM growth with risk diversification led by the launches of various products while continuously strengthening the existing ones.
- The calibration is showing good results in terms of bounce rates and it is showing better results than the industry.

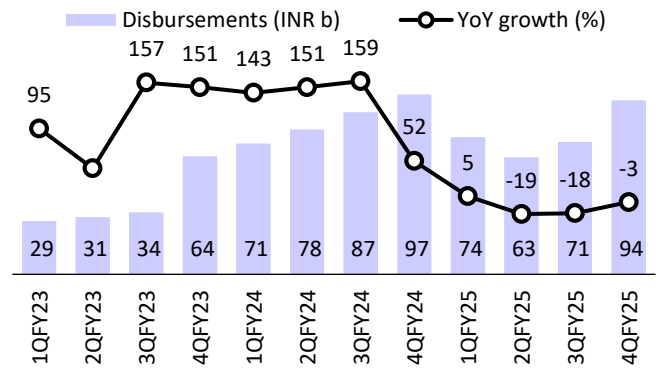
## Story in charts

**Exhibit 1: Healthy AUM growth at 43% YoY**



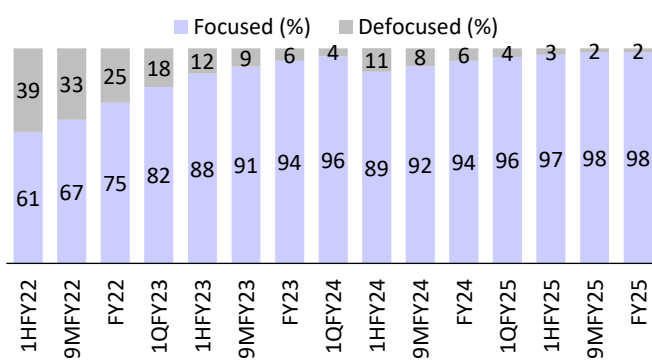
Source: MOFSL, Company

**Exhibit 2: Disbursements rose ~31% QoQ**



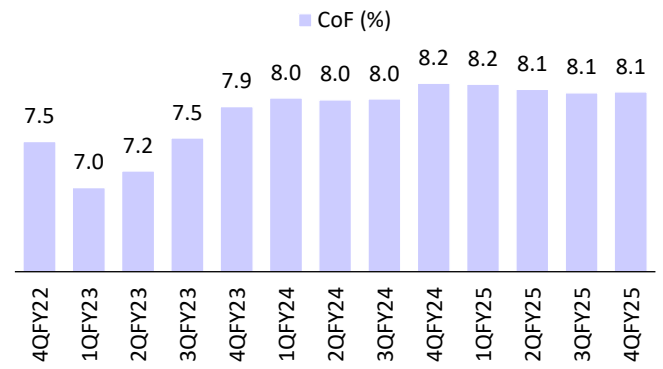
Source: MOFSL, Company

**Exhibit 3: Focused products exhibiting healthy loan growth**



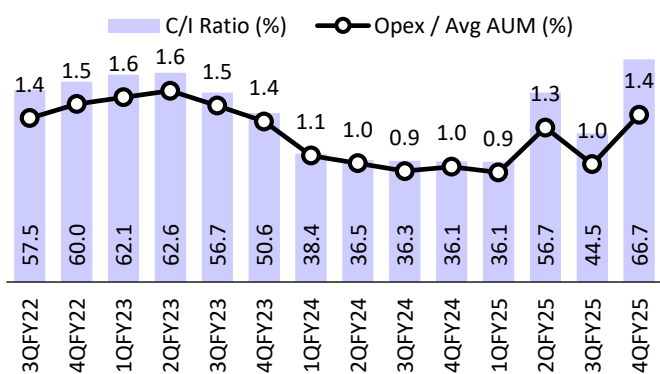
\*Note: Change in classification from 2QFY24; Source: MOFSL, Company

**Exhibit 4: CoF (reported) was stable QoQ at ~8.1%**



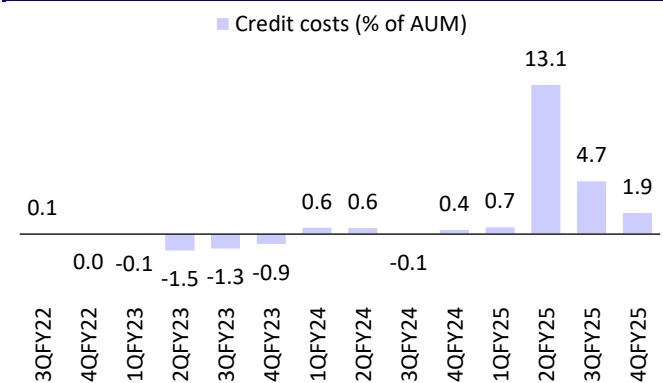
Source: MOFSL, Company

**Exhibit 5: C/I rose to ~67%**



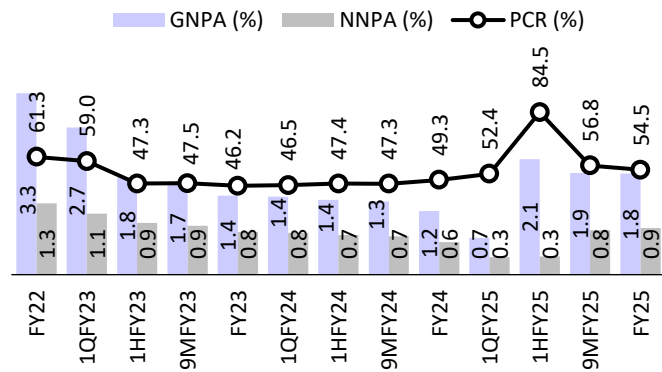
Source: MOFSL, Company

**Exhibit 6: Credit costs declined to ~1.9% in 4QFY25**



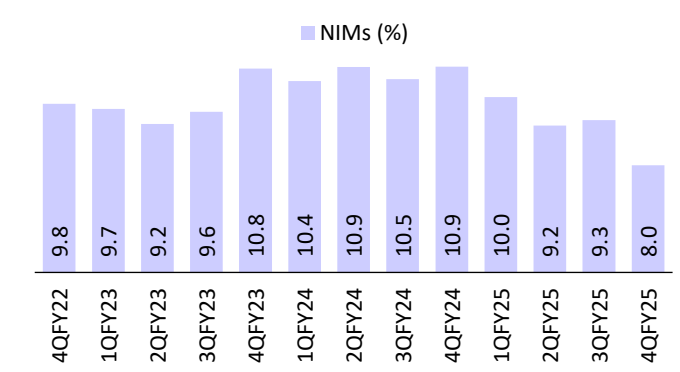
Source: MOFSL, Company

**Exhibit 7: GNPA was stable QoQ (%)**



Source: MOFSL, Company

**Exhibit 8: NIM (calc.) declined ~130bp QoQ (%)**



Source: MOFSL, Company

**Exhibit 9: We cut our FY26/FY27 EPS estimates by ~17%/10% to factor in higher operating expenses**

INR B	Old Est.		New Est.		% change	
	FY26	FY27	FY26	FY27	FY26	FY27
NII (incl. assignments)	35.2	50.2	34.9	50.9	-0.9	1.4
Other Income	4.1	5.2	4.7	6.4	15.5	23.8
<b>Total Income</b>	<b>39.3</b>	<b>55.4</b>	<b>39.6</b>	<b>57.3</b>	<b>0.8</b>	<b>3.5</b>
Operating Expenses	15.8	20.0	18.3	24.2	15.8	20.9
<b>Operating Profits</b>	<b>23.6</b>	<b>35.4</b>	<b>21.4</b>	<b>33.1</b>	<b>-9.3</b>	<b>-6.4</b>
Provisions	7.9	9.3	8.4	9.7	6.2	4.2
<b>PBT</b>	<b>15.7</b>	<b>26.1</b>	<b>13.0</b>	<b>23.4</b>	<b>-17.1</b>	<b>-10.1</b>
Tax	3.9	6.5	3.2	5.9	-17.1	-10.1
<b>Normalized PAT</b>	<b>11.7</b>	<b>19.6</b>	<b>9.7</b>	<b>17.6</b>	<b>-17.1</b>	<b>-10.1</b>
AUM	502	692	514	722	2.3	4.3
Loans	468	647	480	683	2.6	5.7
Borrowings	383	540	400	577	4.3	6.9
NIM	8.2	8.4	8.0	8.2		
Credit Cost	1.9	1.6	2.0	1.6		
RoA	2.8	3.3	2.3	2.9		
<b>RoE</b>	<b>13.6</b>	<b>19.3</b>	<b>11.3</b>	<b>17.8</b>		



## Financials and Valuation

Income Statement									(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	20,365	20,228	17,570	14,586	18,265	29,061	38,745	58,805	85,816
Interest Expenses	10,176	11,240	8,746	5,093	5,953	9,503	15,151	23,883	34,913
<b>Net Interest Income</b>	<b>10,189</b>	<b>8,988</b>	<b>8,824</b>	<b>9,493</b>	<b>12,312</b>	<b>19,558</b>	<b>23,594</b>	<b>34,923</b>	<b>50,904</b>
Change (%)	10.8	-11.8	-1.8	7.6	29.7	58.9	20.6	48.0	45.8
Non-interest income and Other Income	2,308	1,962	1,199	1,085	1,931	2,478	3,346	4,718	6,386
<b>Net Total Income</b>	<b>12,497</b>	<b>10,951</b>	<b>10,023</b>	<b>10,578</b>	<b>14,243</b>	<b>22,036</b>	<b>26,940</b>	<b>39,641</b>	<b>57,289</b>
Change (%)	15.1	-12.4	-8.5	5.5	34.6	54.7	22.3	47.1	44.5
<b>Total Operating Expenses</b>	<b>6,018</b>	<b>5,968</b>	<b>4,563</b>	<b>6,046</b>	<b>8,139</b>	<b>8,074</b>	<b>13,713</b>	<b>18,258</b>	<b>24,165</b>
Change (%)	9.0	-0.8	-23.5	32.5	34.6	-0.8	69.8	33.2	32.4
Employee Expenses	3,804	3,741	3,060	4,099	5,148	4,444	6,362	8,589	10,994
Depreciation	502	716	522	495	614	593	651	749	861
Other Operating Expenses	1,712	1,487	981	1,453	2,268	3,036	5,755	8,921	12,311
<b>PPoP</b>	<b>6,479</b>	<b>4,982</b>	<b>5,460</b>	<b>4,532</b>	<b>6,104</b>	<b>13,962</b>	<b>13,228</b>	<b>21,383</b>	<b>33,124</b>
Change (%)	21.4	-23.1	9.6	-17.0	34.7	128.8	-5.3	61.7	54.9
<b>Total Provisions</b>	<b>2,450</b>	<b>4,640</b>	<b>13,186</b>	<b>686</b>	<b>-1,445</b>	<b>720</b>	<b>14,582</b>	<b>8,392</b>	<b>9,686</b>
<b>PBT</b>	<b>4,029</b>	<b>342</b>	<b>-7,727</b>	<b>3,846</b>	<b>7,761</b>	<b>13,242</b>	<b>-1,354</b>	<b>12,990</b>	<b>23,438</b>
Exceptional items						6,560	0	0	0
Tax Provisions	1,278	442	-1,943	914	1,816	2,907	-371	3,248	5,859
<b>PAT (excl. exceptional)</b>	<b>2,751</b>	<b>-100</b>	<b>-5,784</b>	<b>2,932</b>	<b>5,945</b>	<b>10,335</b>	<b>-983</b>	<b>9,743</b>	<b>17,578</b>
<b>PAT (incl. exceptional)</b>	<b>2,751</b>	<b>-100</b>	<b>-5,784</b>	<b>2,932</b>	<b>5,945</b>	<b>16,896</b>	<b>-983</b>	<b>9,743</b>	<b>17,578</b>

Balance Sheet									(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	539	539	539	1,530	1,536	1,541	1,546	1,546	1,546
Reserves & Surplus	25,019	24,614	18,881	55,615	62,711	80,130	79,694	89,437	1,05,469
<b>Net Worth</b>	<b>25,558</b>	<b>25,153</b>	<b>19,421</b>	<b>57,145</b>	<b>64,247</b>	<b>81,671</b>	<b>81,240</b>	<b>90,982</b>	<b>1,07,015</b>
<b>Borrowings</b>	<b>1,17,497</b>	<b>1,00,595</b>	<b>79,487</b>	<b>67,734</b>	<b>1,12,092</b>	<b>1,52,157</b>	<b>2,58,806</b>	<b>4,00,029</b>	<b>5,76,558</b>
Change (%)									
Other liabilities	6,820	3,803	4,512	3,217	3,880	7,041	9,747	14,621	21,931
<b>Total Liabilities</b>	<b>1,49,876</b>	<b>1,29,552</b>	<b>1,03,420</b>	<b>1,28,097</b>	<b>1,80,218</b>	<b>2,40,869</b>	<b>3,49,793</b>	<b>5,05,632</b>	<b>7,05,504</b>
<b>Loans</b>	<b>1,31,379</b>	<b>1,11,749</b>	<b>85,653</b>	<b>1,06,784</b>	<b>1,52,295</b>	<b>2,20,464</b>	<b>3,26,950</b>	<b>4,80,020</b>	<b>6,83,225</b>
Change (%)	8.1	-14.9	-23.4	24.7	42.6	44.8	48.3	46.8	42.3
Cash and Bank Balances	9,327	6,484	6,124	5,372	6,574	2,685	323	6,943	1,010
Fixed Assets	1,871	2,267	1,715	1,748	2,117	1,944	2,542	2,745	2,965
Investments	3,024	4,024	4,289	8,197	3,109	8,783	13,416	8,050	8,855
Other assets	4,275	5,028	5,638	5,996	16,123	6,992	6,562	7,875	9,450
<b>Total Assets</b>	<b>1,49,876</b>	<b>1,29,552</b>	<b>1,03,420</b>	<b>1,28,097</b>	<b>1,80,218</b>	<b>2,40,869</b>	<b>3,49,793</b>	<b>5,05,632</b>	<b>7,05,504</b>

E: MOFSL Estimates

## Financials and Valuation

<b>AUM</b>									
<b>Y/E March</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>
<b>AUM (INR b)</b>	138.7	128.5	102.5	117.7	161.4	250.0	356.3	513.5	721.6
YoY growth (%)	-1	-7	-20	15	37	55	43	44	41
<b>Disbursements (INR b)</b>	76.7	50.5	24.2	75.2	157.5	332.9	302.4	417.3	567.5
YoY growth (%)	14	-34	-52	210	109	111	-9	38	36

E: MOFSL Estimates

<b>Ratios</b>									
<b>Y/E March</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>
<b>Spreads Analysis (%)</b>									
Avg. Yield on Loans	15.8	16.3	17.5	14.9	14.0	15.6	14.2	14.5	14.7
Avg Cost of Funds	8.9	10.3	9.7	6.9	6.6	7.2	7.4	7.3	7.2
Spread on loans	6.9	6.0	7.8	8.0	7.4	8.4	6.8	7.3	7.6
NIM (on AUM)	7.3	6.7	7.6	8.6	8.8	9.5	7.8	8.0	8.2
<b>Profitability Ratios (%)</b>									
RoE	12.6	-0.4	-26.0	7.7	9.8	14.2	-1.2	11.3	17.8
RoA	1.9	-0.1	-5.0	2.5	3.9	4.9	-0.3	2.3	2.9
Int. Expended / Int.Earned	50.0	55.6	49.8	34.9	32.6	32.7	39.1	40.6	40.7
Other Inc. / Net Income	18.5	17.9	12.0	10.3	13.6	11.2	12.4	11.9	11.1
<b>Efficiency Ratios (%)</b>									
Op. Exps. / Net Income	48.2	54.5	45.5	57.2	57.1	36.6	50.9	46.1	42.2
Opex/ Avg AUM	4.3	4.5	4.0	5.5	5.8	3.9	4.5	4.2	3.9
Empl. Cost/Op. Exps.	63.2	62.7	67.1	67.8	63.2	55.0	46.4	47.0	45.5
<b>Asset-Liability Profile (%)</b>									
Loans/Borrowings Ratio	1.1	1.1	1.1	1.6	1.4	1.4	1.3	1.2	1.2
Debt/Equity (x)	4.6	4.0	4.1	1.2	1.7	1.9	3.2	4.4	5.4
Assets/Equity (x)	5.9	5.2	5.3	2.2	2.8	2.9	4.3	5.6	6.6
<b>Asset quality</b>									
GNPA (INR m)	0	8,357	4,190	3,720	2,250	2,680	6,190	7,395	9,799
GNPA (%)	0.0	0.0	4.3	3.3	1.4	1.2	1.8	1.5	1.4
NNPA (INR m)	0	0	1,240	1,440	1,210	1,360	2,820	3,180	4,116
NNPA (%)	0.0	0.0	1.3	1.3	0.8	0.6	0.9	0.7	0.6
PCR (%)	0.0	0.0	70.4	61.3	46.2	49.3	54.5	57.0	58.0
Credit costs (%)	1.9	3.8	13.4	0.7	-1.1	0.4	5.1	2.0	1.6

<b>Valuations</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>
Book Value (INR)	95	93	72	75	84	106	105	118	138
BV Growth (%)	24.2	-1.7	-22.8	3.7	12.0	26.7	-0.8	12.0	17.6
<b>Price-BV (x)</b>	<b>4.0</b>	<b>4.1</b>	<b>5.3</b>	<b>5.1</b>	<b>4.6</b>	<b>3.6</b>	<b>3.6</b>	<b>3.2</b>	<b>2.8</b>
EPS (INR)	10.2	-0.4	-21.5	3.8	7.7	13.4	-1.3	12.6	22.7
EPS Growth (%)	20.3	-103.6	5,675.2	-117.9	102.0	73.3	-109.5	-1,090.7	80.4
<b>Price-Earnings (x)</b>	<b>37.3</b>	<b>-1,025.7</b>	<b>-17.8</b>	<b>99.4</b>	<b>49.2</b>	<b>28.4</b>	<b>-299.4</b>	<b>30.2</b>	<b>16.8</b>
Dividend per share	0.0	0.0	0.0	0.4	2.0	2.0	0.0	2.0	3.0
<b>Dividend Yield (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>	<b>0.8</b>

E: MOFSL Estimates

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

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts", and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com).

Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

Contact: (+65) 8328 0276

#### Specific Disclosures

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies).  
MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.  
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.  
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.  
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.  
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as an officer, director or employee of subject company(ies).
- MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
- MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
- MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
- MOFSL has not engaged in market making activity for the subject company.

The associates of MOFSL may have:  
financial interest in the subject company

- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

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

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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.