

LTFH reported impressive performance in Q1FY25, with overall AUM growing ~13%/4% YoY/QoQ to Rs887bn (95% retail AUM) and overall RoAAUM at ~2.7% (expanding by 55bps YoY), driven largely by increased retailization. With its focus on credit underwriting and collections, the company saw broadly stable asset quality and collection efficiencies across business segments; it sees no challenges to its Rural Finance business. Company continues to sharpen focus on its 5-pillar strategy and expects continued growth on its clearly-laid path, with expansion into new geographies and deeper penetration in existing locations. Asset quality should remain stable, led by strong collection efficiency and prudent underwriting, supported by increasing share of prime and near-prime customers in the urban finance segment. To reflect Q1 developments, we marginally adjust our FY25-26E upwards, leading to minor earnings uptick. We keep Jun-25E TP of Rs210/sh (FY26E P/B of 1.8x), and reiterate ADD on LTF.

L&T Finance: Financial Snapshot (Consolidated)

| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|----------------------|--------|--------|--------|--------|--------|
| Net profits | 15,365 | 23,171 | 29,229 | 37,802 | 47,482 |
| AUM growths (%) | (8.4) | 5.8 | 21.9 | 21.5 | 21.1 |
| NII growths (%) | 13.7 | 11.4 | 18.2 | 22.0 | 21.6 |
| NIMs (%) | 8.9 | 10.4 | 10.9 | 10.8 | 10.8 |
| PPOP growth (%) | 72.1 | (30.2) | 18.1 | 24.1 | 23.2 |
| Adj. EPS (Rs) | 6.5 | 9.3 | 11.8 | 15.2 | 19.1 |
| Adj. EPS growth (%) | 51.4 | 42.1 | 26.9 | 29.1 | 25.5 |
| Adj. BV (INR) | 86.7 | 94.1 | 102.7 | 114.1 | 128.5 |
| Adj. BVPS growth (%) | 7.7 | 8.5 | 9.2 | 11.1 | 12.5 |
| RoA (%) | 1.5 | 2.2 | 2.6 | 2.9 | 3.1 |
| RoE (%) | 7.8 | 10.3 | 12.0 | 14.0 | 15.7 |
| P/E (x) | 28.2 | 19.8 | 15.6 | 12.1 | 9.7 |
| P/ABV (x) | 2.1 | 2.0 | 1.8 | 1.6 | 1.4 |

Source: Company, Emkay Research

Profitable growth momentum continues

LTF reported a good quarter with PAT at Rs6.8bn, beating our estimate by 4%. Beat was mainly due to lower-than-estimated opex registering a sequential decline of 1.5%, whereas Opex-to-AUM declined sequentially by ~25bps (4.45% vs 4.69%). Overall margins were intact with NIMs improving by 15bps, whereas NIMs+Fees were impacted due to lower quarterly fees income. Overall asset quality remains stable with no surprise in credit cost. Continuing on its target to deliver 2.8-3% ROA, LTF reported consolidated ROAAUM of 2.68% in Q1FY25, resulting in annualized ROE of 11.58% (Exhibits 1&4).

'Lakshya' led journey to continue; no signs of worry in Rural Finance

Management highlighted that Q1FY25 has been one of its best-ever Q1 ever and expects the growth trajectory to continue throughout FY25, supported by anticipation of good monsoons and increasing reach through partnership/geographic expansion. Regarding weakness in rural demand, Management expects it to recover on the back of good monsoons and enhanced financial support; it sees no stress in terms of asset quality driven by prudent underwriting and customer selection based on consumer leverage and group indebtedness. LTF emphasized that their 5-pillar strategy remains central, aiming to build a top-class, digitally-enabled, customer-focused retail finance business. Margins should remain stable as Company continues to focus on prime and near-prime customers in its urban finance segment, which come at a lower cost. The combined operating and credit cost is projected to stay ~7% as investments in technology and capability building are likely to continue over the next 3-4 quarters, and the share of prime and near-prime customers increase. Company is also committed to investing in promotion and branding. Regarding its wholesale book (SR), Management expects it to be liquidated over the next 10-14 quarters, with net gain anticipated by the end of the process.

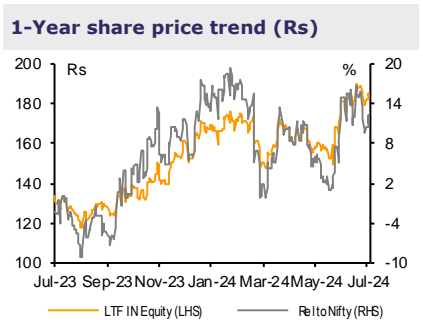
Minor revision to our estimates; reiterate ADD with TP of Rs210/share

Following impressive and broadly in-line Q1FY25 results, we marginally tweak our Opex estimate downwards by ~0-1.3% over FY25-27E, resulting in PAT improvement of 1-3% in the same period. As LTF continues to deliver through its established retail business, and drag from the wholesale book diminishes, we expect it to deliver consol. ROA of ~3%/16% ROE by FY27E. We reiterate ADD on the stock, with Jun-25E TP of Rs210/sh, implying FY26E P/B of 1.8x. (Exhibit 2&3)

| | |
|-------------------------|------------|
| Target Price – 12M | Jun-25 |
| Change in TP (%) | 5.0 |
| Current Reco. | ADD |
| Previous Reco. | ADD |
| Upside/(Downside) (%) | 13.9 |
| CMP (16-Jul-24) (Rs) | 184.4 |

| Stock Data | Ticker |
|-----------------------------|----------|
| 52-week High (Rs) | 194 |
| 52-week Low (Rs) | 117 |
| Shares outstanding (mn) | 2,489.8 |
| Market-cap (Rs bn) | 459 |
| Market-cap (USD mn) | 5,491 |
| Net-debt, FY25E (Rs mn) | 7,924 |
| ADTV-3M (mn shares) | 10 |
| ADTV-3M (Rs mn) | 1,813.2 |
| ADTV-3M (USD mn) | 21.7 |
| Free float (%) | - |
| Nifty-50 | 24,613 |
| INR/USD | 83.6 |
| Shareholding, Jun-24 | |
| Promoters (%) | 66.4 |
| FPIs/MFs (%) | 7.3/11.6 |

| Price Performance | | | |
|-------------------|-------|------|------|
| (%) | 1M | 3M | 12M |
| Absolute | 1.4 | 14.1 | 38.6 |
| Rel. to Nifty | (3.4) | 2.7 | 10.1 |



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Exhibit 1: Actual vs Estimate

| LTFH Q1FY25 | | | | | Actual | Change | | Emkay Estimate | |
|---------------------|---------|---------|---------|---------|---------|--------|---------|----------------|-----------|
| Result Update | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | QoQ | YoY | 1QFY25E | Variation |
| NII | 17,527 | 18,436 | 19,529 | 19,875 | 21,012 | 6% | 20% | 20,877 | 1% |
| Net Income | 20,130 | 21,572 | 22,278 | 23,422 | 24,332 | 4% | 21% | 24,540 | -1% |
| Opex | 7,782 | 8,598 | 8,896 | 9,803 | 9,656 | -1% | 24% | 10,310 | -6% |
| PPOP | 12,348 | 12,974 | 13,382 | 13,619 | 14,676 | 8% | 19% | 14,231 | 3% |
| Provision | 5,212 | 5,000 | 5,142 | 6,679 | 5,453 | -18% | 5% | 5,390 | 1% |
| PBT | 7,136 | 7,974 | 8,240 | 6,940 | 9,223 | 33% | 29% | 8,841 | 4% |
| PAT | 5,309 | 5,951 | 6,402 | 5,530 | 6,853 | 24% | 29% | 6,569 | 4% |
| AUM | 785,660 | 787,330 | 817,790 | 855,640 | 887,170 | 4% | 13% | 888,842 | -0.2% |
| Retail AUM | 642,740 | 694,160 | 747,590 | 800,360 | 844,450 | 6% | 31% | 844,400 | 0.0% |
| Retail Disbursement | 111,920 | 135,000 | 145,310 | 150,430 | 148,390 | -1% | 33% | 148,300 | 0.1% |
| Credit Cost (calc.) | 2.61% | 2.54% | 2.56% | 3.19% | 2.50% | -69bps | -11bps | 2.5% | 3bps |
| GS3 | 4.74% | 3.27% | 3.21% | 3.15% | 3.14% | -1bps | -160bps | 3.0% | 14bps |
| NS3 | 1.19% | 0.82% | 0.81% | 0.79% | 0.79% | 0bps | -40bps | 1.0% | -21bps |

Source: Company, Emkay Research

Exhibit 2: Valuation matrix

| | CMP/TP (Rs/sh) | | Upside | Mkt Cap (Rs bn) | P/BV (x) | | | P/E (x) | | | RoA (%) | | | RoE (%) | | | Book Value (Rs/sh) | | | Adj. EPS (Rs) | | |
|-------------------------|----------------|-------|--------|-----------------|----------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|--------------------|-------|-------|---------------|------|--|
| | FY25E | FY26E | | | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | | |
| At current market price | 184.4 | 13.9% | 459.0 | 1.8 | 1.6 | 1.4 | 15.6 | 12.1 | 9.7 | 2.6 | 2.9 | 3.1 | 12.0 | 14.0 | 15.7 | 102.7 | 114.1 | 128.5 | 11.8 | 15.2 | 19.1 | |
| At target price | 210.0 | | | 2.0 | 1.8 | 1.6 | 17.8 | 13.8 | 11.0 | 2.6 | 2.9 | 3.1 | 12.0 | 14.0 | 15.7 | 102.7 | 114.1 | 128.5 | 11.8 | 15.2 | 19.1 | |

Source: Company, Emkay Research

Exhibit 3: Change in estimates

| Y/E Mar (Rs m) | FY25E | | | FY26E | | | FY27E | | |
|--------------------------|-----------|-----------|--------|-----------|-----------|--------|-----------|-----------|--------|
| | Earlier | Revised | change | Earlier | Revised | change | Earlier | Revised | change |
| AUM | 1,043,354 | 1,043,354 | 0.0% | 1,267,635 | 1,267,635 | 0.0% | 1,534,992 | 1,534,992 | 0.0% |
| Disbursement | 698,934 | 698,934 | 0.0% | 847,067 | 847,067 | 0.0% | 1,035,391 | 1,035,391 | 0.0% |
| Disbursement growth (%) | 24.2 | 24.2 | 0bps | 21.2 | 21.2 | 0bps | 22 | 22.2 | 0bps |
| AUM Growth (%) | 21.9 | 21.9 | 0bps | 21.5 | 21.5 | 0bps | 21 | 21.1 | 0bps |
| Networth | 256,253 | 256,456 | 0.1% | 284,481 | 284,957 | 0.2% | 319,546 | 320,719 | 0.4% |
| Net interest income | 88,732 | 89,096 | 0.4% | 108,819 | 108,659 | -0.1% | 131,575 | 132,077 | 0.4% |
| Operating Exp | 41,980 | 41,980 | 0.0% | 49,816 | 49,166 | -1.3% | 58,361 | 57,613 | -1.3% |
| PPOP | 60,696 | 61,060 | 0.6% | 75,314 | 75,804 | 0.7% | 92,134 | 93,383 | 1.4% |
| Provision | 21,721 | 21,721 | 0.0% | 24,927 | 24,927 | 0.0% | 29,478 | 29,478 | 0.0% |
| PAT | 28,958 | 29,229 | 0.9% | 37,438 | 37,802 | 1.0% | 46,553 | 47,482 | 2.0% |
| EPS (Rs) | 11.7 | 11.8 | 0.9% | 15.1 | 15.2 | 1.0% | 19 | 19.1 | 2.0% |
| BV (Rs) | 102.6 | 102.7 | 0.1% | 114.0 | 114.1 | 0.2% | 128 | 128.5 | 0.4% |
| NIM (%) | 9.35 | 9.38 | 4bps | 9.42 | 9.40 | -1bps | 9.39 | 9.43 | 4bps |
| NIMs + Fess (%) | 10.81 | 10.85 | 4bps | 10.83 | 10.82 | -1bps | 10.74 | 10.78 | 4bps |
| Cost-to-income ratio (%) | 40.89 | 40.74 | -14bps | 39.81 | 39.34 | -47bps | 38.78 | 38.16 | -62bps |
| Opex-to-AUM | 4.42 | 4.42 | 0bps | 4.31 | 4.25 | -6bps | 4.16 | 4.11 | -5bps |
| Credit Costs (%) | 2.29 | 2.29 | 0bps | 2.16 | 2.16 | 0bps | 2.10 | 2.10 | 0bps |
| ROA (%) | 2.61 | 2.64 | 2bps | 2.88 | 2.91 | 3bps | 3.00 | 3.06 | 6bps |
| ROE (%) | 11.89 | 11.99 | 11bps | 13.92 | 14.04 | 12bps | 15.48 | 15.74 | 26bps |

Source: Company, Emkay Research

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Exhibit 4: Quarterly earnings summary

| Particulars (Rs mn) | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | % YoY | % QoQ |
|------------------------------------|---------|---------|---------|---------|---------|---------|--------|
| Income from operations | 31,165 | 31,685 | 33,063 | 33,226 | 34,526 | 10.8% | 3.9% |
| Interest Expenses | 13,638 | 13,249 | 13,534 | 13,351 | 13,514 | -0.9% | 1.2% |
| Net Interest Income | 17,527 | 18,436 | 19,529 | 19,875 | 21,012 | 19.9% | 5.7% |
| Other Income | 2,603 | 3,135 | 2,750 | 3,547 | 3,320 | 27.5% | -6.4% |
| Total Income | 20,130 | 21,572 | 22,278 | 23,422 | 24,332 | 20.9% | 3.9% |
| Operating Expenses | 7,782 | 8,598 | 8,896 | 9,803 | 9,656 | 24.1% | -1.5% |
| PPoP | 12,348 | 12,974 | 13,382 | 13,619 | 14,676 | 18.9% | 7.8% |
| Provisions | 5,212 | 5,000 | 5,142 | 6,679 | 5,453 | 4.6% | -18.4% |
| Credit costs | 2.6% | 2.5% | 2.6% | 3.2% | 2.5% | -11bps | -69bps |
| PBT | 7,136 | 7,974 | 8,240 | 6,940 | 9,223 | 29.2% | 32.9% |
| Tax | 1,831 | 2,032 | 1,847 | 1,410 | 2,370 | 29.5% | 68.1% |
| Tax rate (%) | 25.7% | 25.5% | 22.4% | 20.3% | 25.7% | | |
| Profit after tax | 5,305 | 5,942 | 6,394 | 5,530 | 6,853 | 29.2% | 23.9% |
| Share of profit from associates/MI | 4 | 9 | 8 | 0 | 0 | | |
| PAT adjusting for one offs | 5,309 | 5,951 | 6,402 | 5,530 | 6,853 | 29.1% | 23.9% |
| AUM | 785,660 | 787,330 | 817,790 | 855,640 | 887,170 | 12.9% | 3.7% |
| Disbursement | 123,640 | 136,960 | 148,650 | 153,660 | 150,190 | 21.5% | -2.3% |
| Networth | 220,596 | 221,854 | 228,600 | 234,384 | 235,290 | 6.7% | 0.4% |
| Credit cost | 2.61% | 2.54% | 2.56% | 3.19% | 2.50% | -11bps | -69bps |
| GS3 | 4.74% | 3.27% | 3.21% | 3.15% | 3.14% | -160bps | -1bps |
| NS3 | 1.19% | 0.82% | 0.81% | 0.79% | 0.79% | -40bps | 0bps |
| PCR | 71.4% | 75.7% | 75.3% | 75.5% | 75.5% | 409bps | 0bps |

Source: Company, Emkay Research

Exhibit 5: AUM trend

| AUM mix (Rs bn) | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Overall AUM | 896 | 880 | 806 | 783 | 787 | 818 | 856 | 887 |
| Retail | 520 | 570 | 611 | 643 | 694 | 748 | 800 | 844 |
| Retail growth | 9% | 10% | 7% | 5% | 8% | 8% | 7% | 6% |
| Retail as % of overall AUM | 58% | 65% | 76% | 82% | 88% | 91% | 94% | 95% |
| Wholesale | 376 | 310 | 195 | 140 | 93 | 70 | 55 | 43 |
| Wholesale growth | -6% | -18% | -37% | -28% | -34% | -24% | -21% | -23% |
| Wholesale as % of overall AUM | 42% | 35% | 24% | 18% | 12% | 9% | 6% | 5% |

Source: Company, Emkay Research

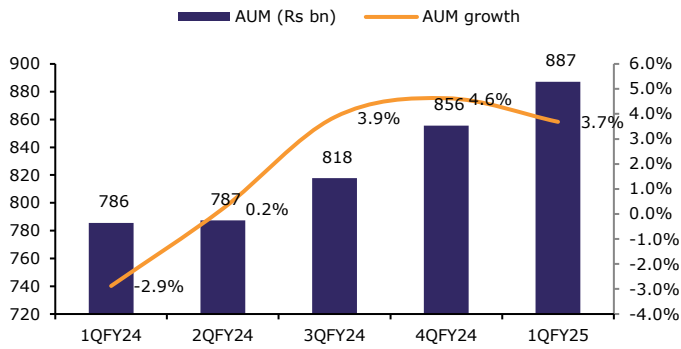
Exhibit 6: Disbursement trend

| Disbursement Trend | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Retail Disbursement | 102,380 | 116,090 | 112,820 | 111,920 | 135,000 | 145,310 | 150,430 | 148,390 |
| Growth | 14.5% | 13.4% | -2.8% | -0.8% | 20.6% | 7.6% | 3.5% | -1.4% |
| Overall Disbursement | 110,490 | 131,570 | 123,100 | 123,640 | 136,960 | 148,650 | 153,660 | 150,190 |
| Growth | 5.6% | 19.1% | -6.4% | 0.4% | 10.8% | 8.5% | 3.4% | -2.3% |

Source: Company, Emkay Research

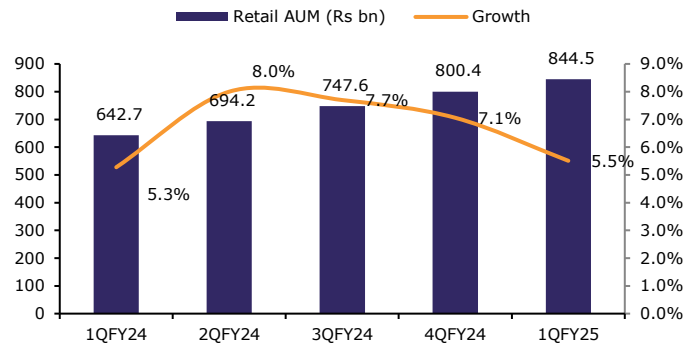
Result in charts

Exhibit 7: Growth momentum continues



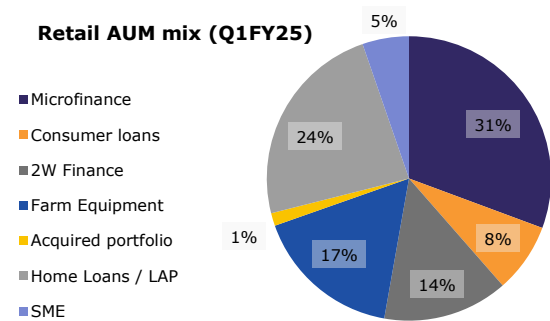
Source: Company, Emkay Research

Exhibit 8: Retail assets now forming 95% of the overall AUM



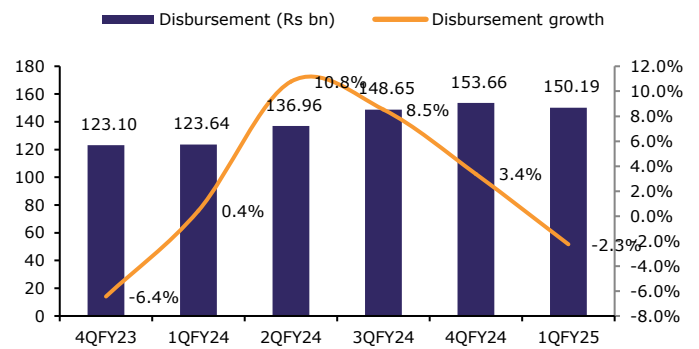
Source: Company, Emkay Research

Exhibit 9: Rural and Farm loans form 47% of the overall retail AUM



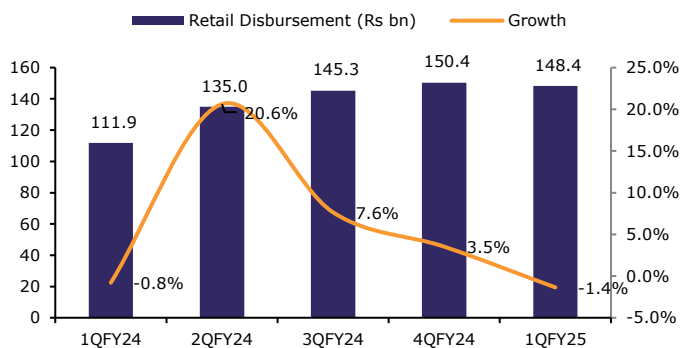
Source: Company, Emkay Research

Exhibit 10: Moderate disbursement on account of seasonally-weak quarter



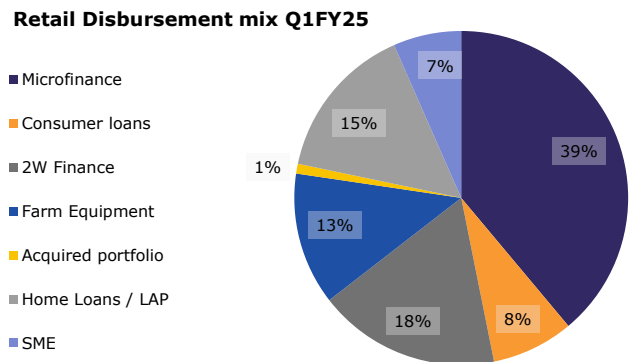
Source: Company, Emkay Research

Exhibit 11: Consumer and farm equipment disbursement registered a sequential growth more than 20% QoQ



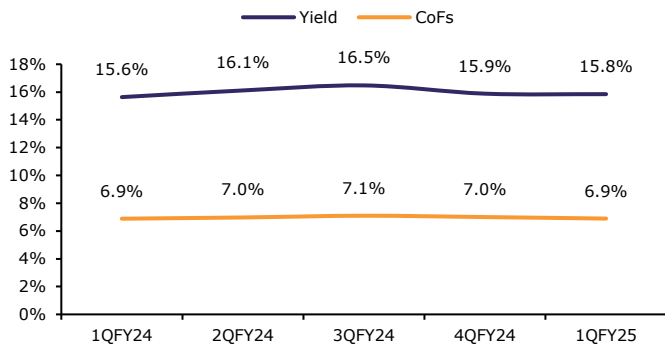
Source: Company, Emkay Research

Exhibit 12: Disbursement mix



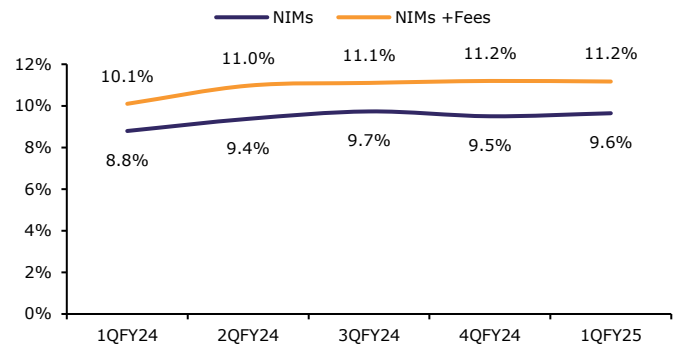
Source: Company, Emkay Research

Exhibit 13: Stable Yield and CoFs



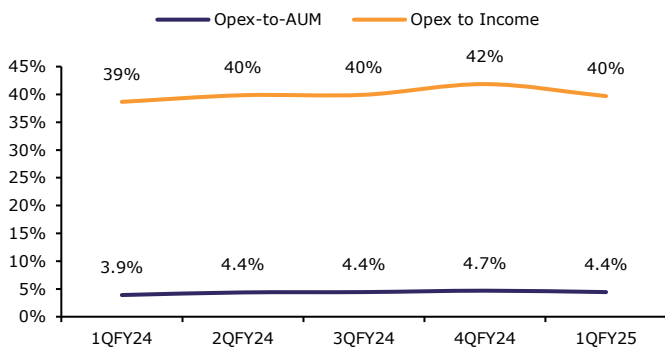
Source: Company, Emkay Research

Exhibit 14: NIMs improved by 15bps sequentially



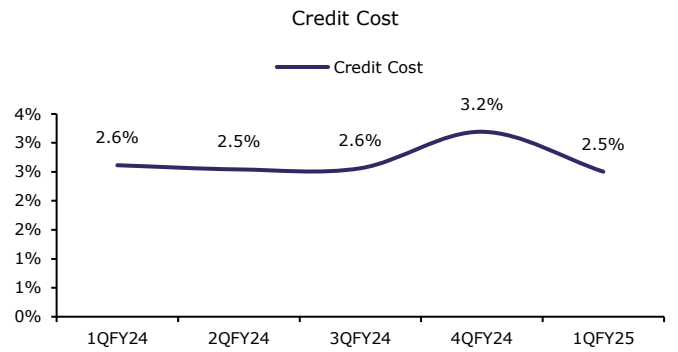
Source: Company, Emkay Research

Exhibit 15: Investment in tech and capability building is expected to continue for next 3-4 quarters



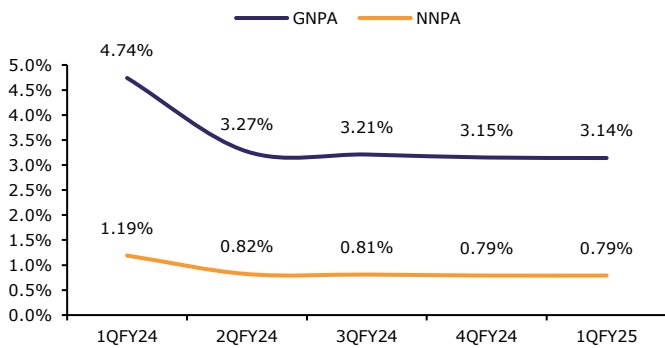
Source: Company, Emkay Research

Exhibit 16: Credit cost remained stable



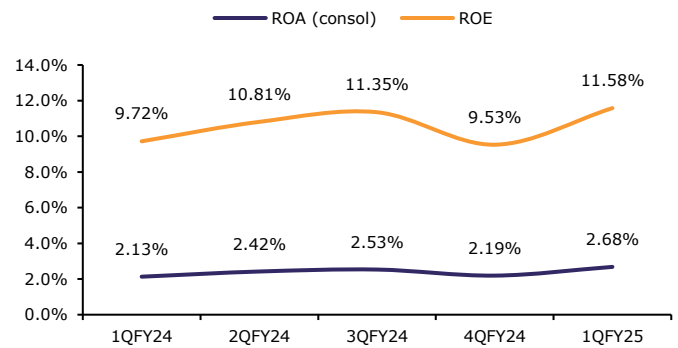
Source: Company, Emkay Research

Exhibit 17: Asset quality remains range bound



Source: Company, Emkay Research

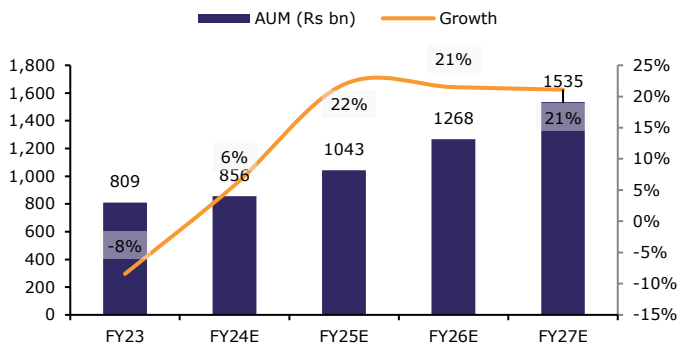
Exhibit 18: ROA/ROE continues to improve, led by strong retailization



Source: Company, Emkay Research

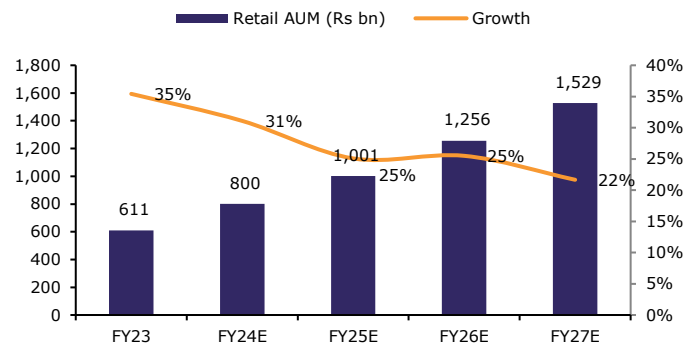
Story in charts

Exhibit 19: Overall AUM is expected to grow above 20% in FY25-27E



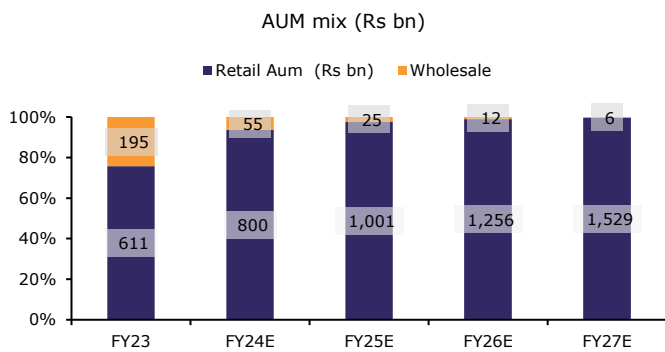
Source: Company, Emkay Research

Exhibit 20: We expect LTF to achieve 99% retailization by FY26E



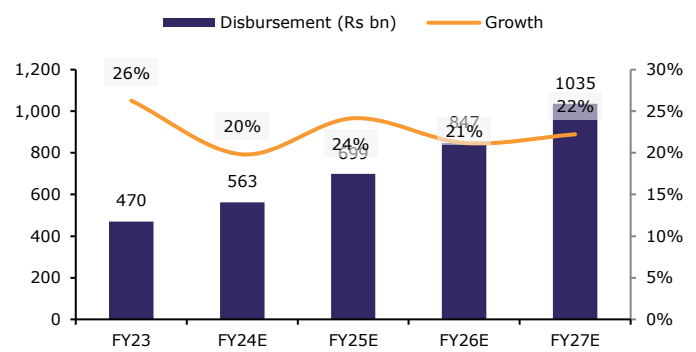
Source: Company, Emkay Research

Exhibit 21: As on Q1FY25, retail asset forms 95% of the overall loan book



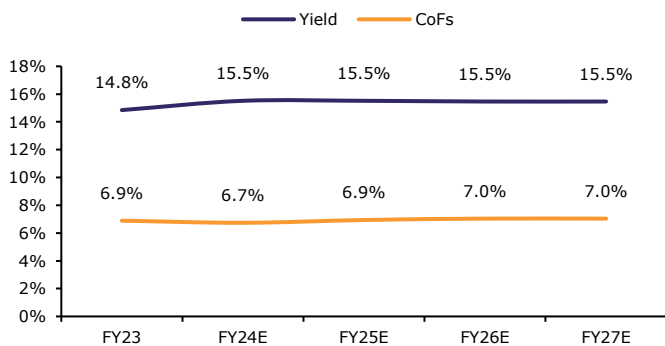
Source: Company, Emkay Research

Exhibit 22: Strong disbursement across product segments



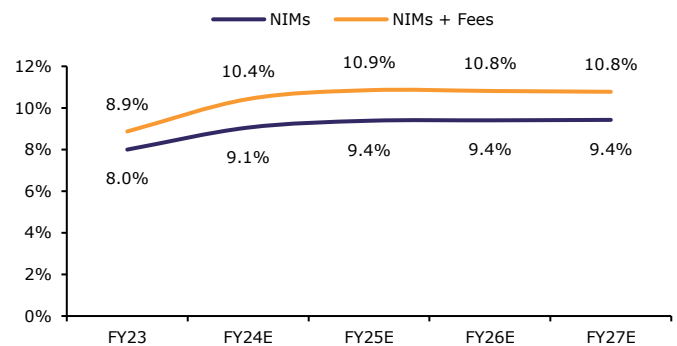
Source: Company, Emkay Research

Exhibit 23: Yield to remain stable on account of change in asset mix



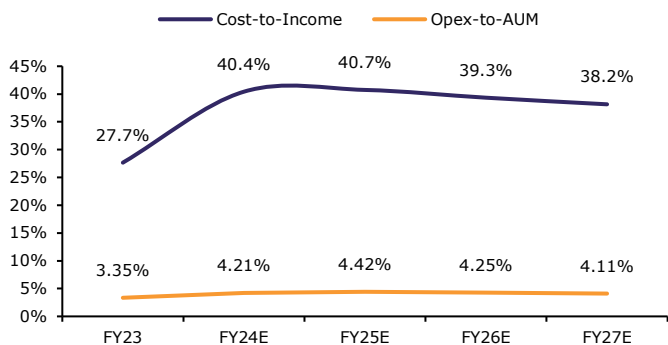
Source: Company, Emkay Research

Exhibit 24: NIMs and NIMs+Fee to hover at ~ 9-11%



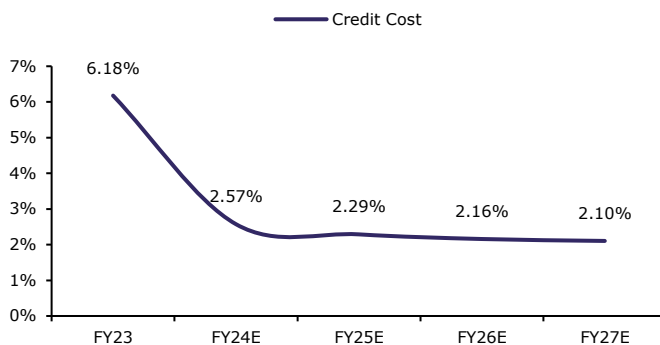
Source: Company, Emkay Research

Exhibit 25: Opex to moderate as the retail book continues to grow



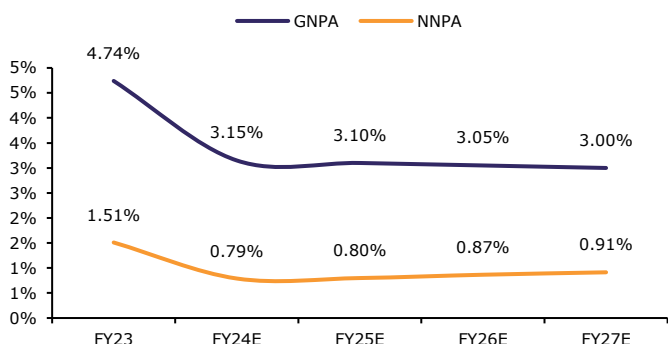
Source: Company, Emkay Research

Exhibit 26: Credit cost to moderate to ~2% by FY27E



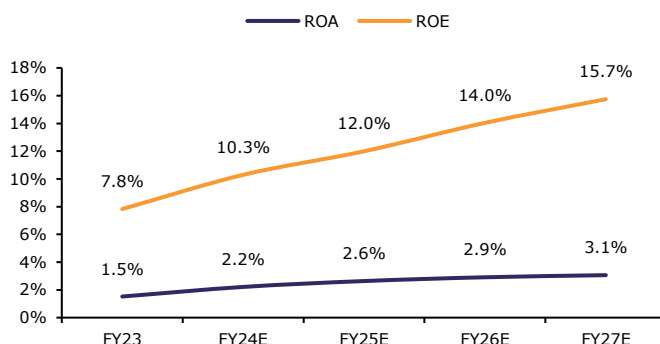
Source: Company, Emkay Research

Exhibit 27: We expect asset quality to continue improving



Source: Company, Emkay Research

Exhibit 28: ROA to reach 3% levels by FY27E



Source: Company, Emkay Research

Earnings Conference Call Highlights

- Management highlighted that the company has reported its highest-ever PAT in Q1FY25 of Rs68.6bn.
- Q1FY25 reflects the strength of the retail franchise that LTF has created over the years, which has been further sharpened by its 5-pillar execution strategy. The company is now sustainably accelerating its journey toward being a top-class, digitally enabled, and a customer-focused retail franchise.
- Management is working toward converging its overall GS3/NS3 below 3% and 1%. Retail GS3/NS3 stood at 2.79%/0.62% each, whereas at consol. level GS3/NS3 stood at 3.14%/0.79% with a comfortable PCR of 75%.
- The SR book is expected to generate net profit after completion of the process, which is expected to conclude over the next 10-14 quarters.
- Weakening rural demand is expected to recover on account of good monsoon progression and distribution estimates for the country, coupled with the expectation of enhanced fiscal support to aid rural consumption. The urban demand is expected to remain steady over FY25.
- Retail loans in the non-agri space are projected to grow healthily during the year, aided by positive macro indicators and steady appetite for home loans, 2-wheelers and SME loans.
- Company is continuously working on deepening the customer acquisition funnel by increasing its geographical coverage horizontally and vertically, as well as increasing dealer connect and DSA channels.
- LTF is expected to continue its investment toward building its tech and capability. It has launched a beta version of its new credit engine 'cyclops' — a next-gen omni-product and omni-customer underwriting engine. The new underwriting engine helps better analysis by using AI&ML and increasing the efficiency of credit underwriting (it has developed 14ML score card).
- Company has continuously invested in brand building and advertising and will not shy away from any opportunity.
- The company launched its first integrated marketing campaign for its housing finance business, 'The Complete Home Loan', which generated substantial leads and significantly increased brand awareness. This integrated home décor finance proposition is the first of its kind in the industry, addressing a gap in the home buying process for customers. The home decor finance package of the complete home loans program has seen good customer acceptance and the company expects increased penetration of this add-on to lead to greater customer stickiness as well as higher portfolio yields.
- LTF expects the PL book to grow in a risk-calibrated manner, driven by its tech capability and channel expansion. The focus will be on prime and near-prime salaried customers. LTF is also doing manual underwriting for certain ticket size PLs.
- In the TWL segment, growth is driven primarily by two factors: overall vehicle sales and increased ticket size. Company intends to increase its dealer penetration to 85% from the current 75%.
- Overall AUM mix of secured and unsecured loans to remain at similar levels.
- Yield of Wholesale book is ~11-11.5%, whereas overall yield is ~16%. In TWL segment, yield for prime customer (52%) is ~15%, whereas for non-prime it is ~19%, resulting in a blended yield of ~17.5%. Yield on HL book is ~9%.
- In its MFI segment, the management highlighted that MFI guard rail is not impacting them as their internal policy is somewhat stringent and it has been following the same for many quarters.
- MFI: Overall collection has remained robust and LTF has a strong team of ~800 employees in their risk-control team, which does a parallel check even after the case is approved. Thus leading to lower delinquencies compared to the industry. Also, LTF checks the customer leverage position before onboarding — ~60% of its customers have negligible retail overlap.

L&T Finance: Consolidated Financials and Valuations

| Profit & Loss | | | | | |
|----------------------------|----------------|---------------|----------------|----------------|----------------|
| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
| Interest Income | 125,651 | 129,139 | 147,326 | 178,711 | 216,730 |
| Interest Expense | 57,972 | 53,772 | 58,230 | 70,053 | 84,653 |
| Net interest income | 67,679 | 75,367 | 89,096 | 108,659 | 132,077 |
| NII growth (%) | 13.7 | 11.4 | 18.2 | 22.0 | 21.6 |
| Non interest income | 34,759 | 11,412 | 13,944 | 16,311 | 18,919 |
| Total income | 102,438 | 86,779 | 103,040 | 124,969 | 150,997 |
| Operating expenses | 28,334 | 35,079 | 41,980 | 49,166 | 57,613 |
| PPOP | 74,104 | 51,701 | 61,060 | 75,804 | 93,383 |
| PPOP growth (%) | 72.1 | (30.2) | 18.1 | 24.1 | 23.2 |
| Provisions & contingencies | 52,276 | 21,410 | 21,721 | 24,927 | 29,478 |
| PBT | 21,828 | 30,290 | 39,339 | 50,877 | 63,905 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Tax expense | 6,463 | 7,119 | 10,110 | 13,075 | 16,424 |
| Minority interest | 868 | (30) | 200 | 200 | 200 |
| Income from JV/Associates | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 15,365 | 23,171 | 29,229 | 37,802 | 47,482 |
| PAT growth (%) | 80.9 | 50.8 | 26.1 | 29.3 | 25.6 |
| Adjusted PAT | 15,365 | 23,171 | 29,229 | 37,802 | 47,482 |
| Diluted EPS (Rs) | 6.5 | 9.3 | 11.8 | 15.3 | 19.2 |
| Diluted EPS growth (%) | 51.5 | 42.0 | 27.2 | 29.1 | 25.5 |
| DPS (Rs) | 1.3 | 2.5 | 3.0 | 3.8 | 4.8 |
| Dividend payout (%) | 20.0 | 26.9 | 25.0 | 25.0 | 25.0 |
| Effective tax rate (%) | 29.6 | 23.5 | 25.7 | 25.7 | 25.7 |
| Net interest margins (%) | 8.9 | 10.4 | 10.9 | 10.8 | 10.8 |
| Cost-income ratio (%) | 27.7 | 40.4 | 40.7 | 39.3 | 38.2 |
| PAT/PPOP (%) | 21.9 | 44.8 | 48.2 | 50.1 | 51.1 |
| Shares outstanding (mn) | 2,479.7 | 2,488.9 | 2,488.9 | 2,488.9 | 2,488.9 |

Source: Company, Emkay Research

| Asset quality and other metrics | | | | | |
|---------------------------------|--------|--------|--------|--------|--------|
| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
| Asset quality | | | | | |
| GNPL - Stage 3 | 38,320 | 26,980 | 32,344 | 38,663 | 46,050 |
| NNPL - Stage 3 | 11,780 | 6,610 | 7,924 | 10,439 | 13,354 |
| GNPL ratio - Stage 3 (%) | 4.7 | 3.2 | 3.1 | 3.1 | 3.0 |
| NNPL ratio - Stage 3 (%) | 1.5 | 0.8 | 0.8 | 0.9 | 0.9 |
| ECL coverage - Stage 3 (%) | 69.3 | 75.5 | 75.5 | 73.0 | 71.0 |
| ECL coverage - 1 & 2 (%) | 3.9 | 2.7 | 2.8 | 2.8 | 2.8 |
| Gross slippage - Stage 3 | 0 | 0 | 0 | 0 | 0 |
| Gross slippage ratio (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Write-off ratio (%) | 0.4 | 0.6 | 0.7 | 0.9 | 1.0 |
| Total credit costs (%) | 6.2 | 2.6 | 2.3 | 2.2 | 2.1 |
| NNPA to networth (%) | 5.5 | 2.8 | 3.1 | 3.7 | 4.2 |
| Capital adequacy | | | | | |
| Total CAR (%) | 24.5 | 22.8 | 21.4 | 20.5 | 19.1 |
| Tier-1 (%) | 22.1 | 21.0 | 19.6 | 18.7 | 17.3 |
| Miscellaneous | | | | | |
| Total income growth (%) | 55.9 | (15.3) | 18.7 | 21.3 | 20.8 |
| Opex growth (%) | 25.2 | 23.8 | 19.7 | 17.1 | 17.2 |
| PPOP margin (%) | 8.8 | 6.2 | 6.4 | 6.6 | 6.7 |
| Credit costs-to-PPOP (%) | 70.5 | 41.4 | 35.6 | 32.9 | 31.6 |
| Loan-to-Assets (%) | 70.7 | 79.2 | 82.3 | 85.7 | 85.6 |
| Yield on loans (%) | 14.8 | 15.5 | 15.5 | 15.5 | 15.5 |
| Cost of funds (%) | 6.9 | 6.7 | 6.9 | 7.0 | 7.0 |
| Spread (%) | 8.0 | 8.8 | 8.6 | 8.4 | 8.4 |

Source: Company, Emkay Research

| Balance Sheet | | | | | |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
| Share capital | 24,797 | 24,889 | 24,889 | 24,889 | 24,889 |
| Reserves & surplus | 190,487 | 209,495 | 231,567 | 260,068 | 295,829 |
| Net worth | 215,284 | 234,384 | 256,456 | 284,957 | 320,719 |
| Borrowings | 830,435 | 765,409 | 912,935 | 1,077,490 | 1,327,768 |
| Other liabilities & prov. | 17,903 | 27,382 | 35,042 | 44,940 | 58,067 |
| Total liabilities & equity | 1,063,621 | 1,027,176 | 1,204,433 | 1,407,387 | 1,706,554 |
| Net loans | 751,546 | 813,594 | 991,131 | 1,205,614 | 1,460,606 |
| Investments | 146,777 | 123,849 | 104,335 | 86,199 | 119,499 |
| Cash, other balances | 127,489 | 46,760 | 65,261 | 68,757 | 74,150 |
| Interest earning assets | 1,025,812 | 984,203 | 1,160,728 | 1,360,571 | 1,654,255 |
| Fixed assets | 2,324 | 5,416 | 6,770 | 8,462 | 10,578 |
| Other assets | 35,486 | 37,557 | 36,935 | 38,354 | 41,721 |
| Total assets | 1,063,621 | 1,027,176 | 1,204,433 | 1,407,387 | 1,706,554 |
| BVPS (Rs) | 86.7 | 94.1 | 102.7 | 114.1 | 128.5 |
| Adj. BVPS (INR) | 86.7 | 94.1 | 102.7 | 114.1 | 128.5 |
| Gross loans | 808,930 | 855,640 | 1,043,354 | 1,267,635 | 1,534,992 |
| Total AUM | 808,930 | 855,640 | 1,043,354 | 1,267,635 | 1,534,992 |
| On balance sheet | 0 | 0 | 0 | 0 | 0 |
| Off balance sheet | 0 | 0 | 0 | 0 | 0 |
| Disbursements | 469,790 | 562,930 | 698,934 | 847,067 | 1,035,391 |
| Disbursements growth (%) | 26.3 | 19.8 | 24.2 | 21.2 | 22.2 |
| Loan growth (%) | (8.9) | 8.3 | 21.8 | 21.6 | 21.2 |
| AUM growth (%) | (8.4) | 5.8 | 21.9 | 21.5 | 21.1 |
| Borrowings growth (%) | (2.5) | (7.8) | 19.3 | 18.0 | 23.2 |
| Book value growth (%) | 7.7 | 8.5 | 9.2 | 11.1 | 12.5 |

Source: Company, Emkay Research

| Valuations and key Ratios | | | | | |
|-----------------------------|------------|-------------|-------------|-------------|-------------|
| Y/E Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
| P/E (x) | 28.2 | 19.8 | 15.6 | 12.1 | 9.7 |
| P/B (x) | 2.1 | 2.0 | 1.8 | 1.6 | 1.4 |
| P/ABV (x) | 2.1 | 2.0 | 1.8 | 1.6 | 1.4 |
| P/PPOP (x) | 6.2 | 8.9 | 7.5 | 6.1 | 4.9 |
| Dividend yield (%) | 0.7 | 1.4 | 1.6 | 2.1 | 2.6 |
| Dupont-RoE split (%) | | | | | |
| NII/avg AUM | 8.0 | 9.1 | 9.4 | 9.4 | 9.4 |
| Other income | 4.1 | 1.4 | 1.5 | 1.4 | 1.4 |
| Securitization income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Opex | 1.7 | 2.0 | 2.1 | 2.1 | 2.1 |
| Employee expense | 1.7 | 2.2 | 2.3 | 2.2 | 2.0 |
| PPOP | 8.8 | 6.2 | 6.4 | 6.6 | 6.7 |
| Provisions | 6.2 | 2.6 | 2.3 | 2.2 | 2.1 |
| Tax expense | 0.8 | 0.9 | 1.1 | 1.1 | 1.2 |
| RoAUM (%) | 1.9 | 2.8 | 3.1 | 3.3 | 3.4 |
| Leverage ratio (x) | 4.1 | 3.7 | 3.9 | 4.3 | 4.6 |
| RoE (%) | 7.8 | 10.3 | 12.0 | 14.0 | 15.7 |
| Quarterly data | | | | | |
| Rs mn, Y/E Mar | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 |
| NII | 18,436 | 18,436 | 19,529 | 19,875 | 21,012 |
| NIM(%) | 11.0 | 11.0 | 11.1 | 11.2 | 11.2 |
| PPOP | 12,974 | 12,974 | 13,382 | 13,619 | 14,676 |
| PAT | 5,951 | 5,951 | 6,402 | 5,530 | 6,853 |
| EPS (Rs) | 2.40 | 2.40 | 2.57 | 2.23 | 2.75 |

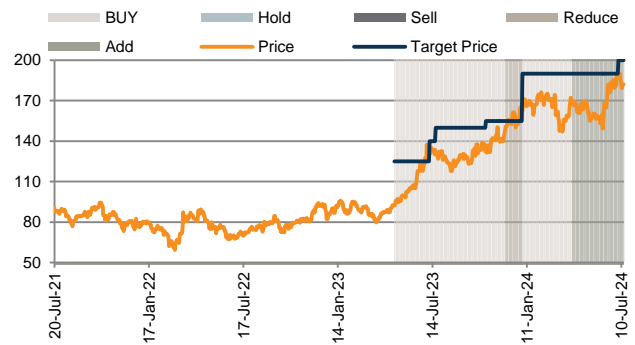
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

| Date | Closing Price (INR) | TP (INR) | Rating | Analyst |
|-----------|---------------------|----------|--------|---------------|
| 04-Jul-24 | 188 | 200 | Add | Avinash Singh |
| 05-Jun-24 | 157 | 190 | Add | Avinash Singh |
| 30-Apr-24 | 167 | 190 | Add | Avinash Singh |
| 06-Apr-24 | 170 | 190 | Add | Avinash Singh |
| 24-Jan-24 | 161 | 190 | Buy | Avinash Singh |
| 05-Jan-24 | 171 | 190 | Buy | Avinash Singh |
| 02-Jan-24 | 162 | 190 | Buy | Avinash Singh |
| 30-Nov-23 | 148 | 155 | Reduce | Avinash Singh |
| 24-Oct-23 | 133 | 155 | Buy | Avinash Singh |
| 20-Jul-23 | 131 | 150 | Buy | Avinash Singh |
| 08-Jul-23 | 131 | 140 | Buy | Avinash Singh |
| 02-May-23 | 92 | 125 | Buy | Avinash Singh |

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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|---------------|---|
| BUY | >15% upside |
| ADD | 5-15% upside |
| REDUCE | 5% upside to 15% downside |
| SELL | <15% downside |

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