11 Jun 2024

Company Update| Sector: NBFCs

Home First Finance

BSE SENSEX	S&P CNX
76,457	23,265

Bloomberg	HOMEFIRS IN
Equity Shares (m)	89
M.Cap.(INRb)/(USDb)	81.9 / 1
52-Week Range (INR)	1061 / 743
1, 6, 12 Rel. Per (%)	8/-20/-12
12M Avg Val (INR M)	231

Financials &Valuations (INR b)

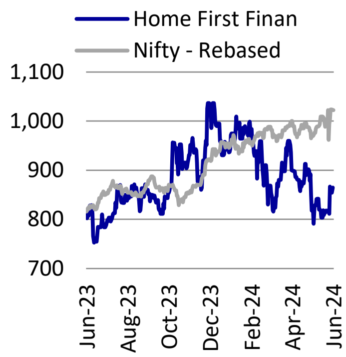
Y/E March	FY24	FY25E	FY26E
NII	5.3	6.3	7.8
PPoP	4.3	5.1	6.4
PAT	3.1	3.7	4.6
EPS (INR)	34.5	41.4	51.6
EPS Gr. (%)	33.2	19.8	24.8
BV/Sh. (INR)	240	277	323
ABV/Sh. (INR)	231	267	313
Ratios			
NIM (%)	6.2	5.6	5.4
C/I ratio (%)	35.2	37.2	36.8
RoAA (%)	3.8	3.4	3.4
RoAE (%)	15.5	16.0	17.2
Valuations			
P/E (x)	26.8	22.4	18.0
P/BV (x)	3.9	3.4	2.9
P/ABV (x)	4.0	3.5	3.0
Div. yield (%)	0.4	0.4	0.5

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	23.6	23.6	33.5
DII	11.9	11.7	8.4
FII	25.1	24.8	15.7
Others	39.5	39.8	42.4

FII Includes depository receipts

Stock performance (one-year)



CMP: INR925 TP: INR1080 (+17%) Buy

Leveraging tech effectively for next leg of growth

Well positioned for AUM CAGR of 30% over FY24-26 and RoE of ~17% in FY26

- Home First in May'24 crossed the AUM milestone of ~INR100b, delivering an AUM CAGR of ~28% over FY20-24. The company has identified Uttar Pradesh (UP), Madhya Pradesh (MP) and Rajasthan as its emerging states, which will help Home First sustain AUM growth.
- The company has created a strong technology bedrock and a robust risk management framework, which will enable the company to keep scaling up with the same pristine asset quality that it demonstrated in the past.
- Mortgage products, particularly small-ticket housing, are a structural opportunity in India. Home First, through its nimble approach and best-in-class processes and practices, is well placed to deliver industry-leading profitable growth.
- Home First has also managed its human capital well and has one of the best productivity metrics in the industry. The company hires the majority of its employees through a comprehensive campus recruitment program. It offers a well chalked out career trajectory to its employees, which helps keep attrition within manageable levels.
- In FY24, Home First reported a compression in spreads due to the rising cost of borrowings (CoB) and limited ability of passing on higher CoB to borrowers. This led to a decline in (calc.) spreads from 5.9% in FY23 to 5.5% in FY24. To offset some of the NIM compression due to high CoB and higher financial leverage, Home First can increase the proportion of LAP in its AUM mix to ~20% by FY27 (FY24: ~13%).
- Home First has consistently exceled in technology adoption, leading to healthy underwriting and a faster turnaround. It has expanded aggressively and continues to strengthen its risk and compliance monitoring practices as it grows. We estimate a CAGR of ~30%/~23% in AUM/PAT over FY24-26E.
- Home First's asset quality is expected to stay strong and credit cost is likely to remain benign. With RoA/RoE of 3.8%/15.6% by FY26, we believe that Home First will continue to command premium valuations over its listed affordable HFC peers. We reiterate our BUY rating with a TP of INR1,080 (premised on 3.3x FY26E BVPS). A key downside risk is a sharp contraction in spreads/margins due to its inability to pass on higher CoB to sustain business momentum.

Growth engine equipped to double AUM by FY27

- Home First has a diversified sourcing mix, which extensively leverages its connector network for sourcing home loans and other mortgage products. Its model of origination through connectors facilitates a grass-root connect with potential customers. This is the best origination model for Home First.

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- We believe that robust technology platform, competitive pricing and a well laid-out initiatives to delight customers have positioned the company's growth engine favorably to double its current AUM of >INR100b to ~INR200b by FY27. We estimate ~30% AUM CAGR over FY24-26.

Levers in place to partly offset NIM compression

- Home First's NIM (as % of avg. assets) compressed ~55bp YoY to ~6.5% in FY24 due to higher CoB and financial leverage. The company expects a further increase of ~15-20bp in CoB, with the weighted average CoB likely to stabilize at ~8.5%. It plans to absorb this increase in CoB rather than passing it on to customers through an increase in its retail PLR.
- To offset some of the NIM compression due to high CoB and higher financial leverage, Home First can increase the proportion of LAP in its AUM mix to ~20% by FY27 (FY24: ~13%). We expect NIMs to moderate to 5.9%/5.8% in FY25/FY26 (vs. ~6.5% in FY24).

Focus on emerging states as growth drivers

- Home First has started focusing on three emerging states, Rajasthan, UP, and MP, whose combined population exceeded 400m and showed significant economic improvements. The law and order and public infrastructure in these states have also improved substantially. All of these developments are catalysts for rapid urbanization and industrial growth, which, in turn, spur demand for affordable housing.
- There is a strong correlation of per capita income with Home First's business growth over the years. Home First's emerging states have two key growth drivers: increasing per capita income and large population.

Technology heft still the biggest strength of the company

- India's digital public infrastructure has helped Home First enhance its efficiency in customer sourcing, KYC verification, and collections. Home visits, combined with its digital approach to evaluating the customer, has enabled it to set an industry-leading TAT benchmark of 48 hours for loan approval.
- The account aggregator system has become mainstream and achieved a ~47% penetration rate in 4QFY24. Productivity enhancement tools like e-Sign and e-Stamps reached penetration levels of ~67% and ~64%, respectively, in FY24.

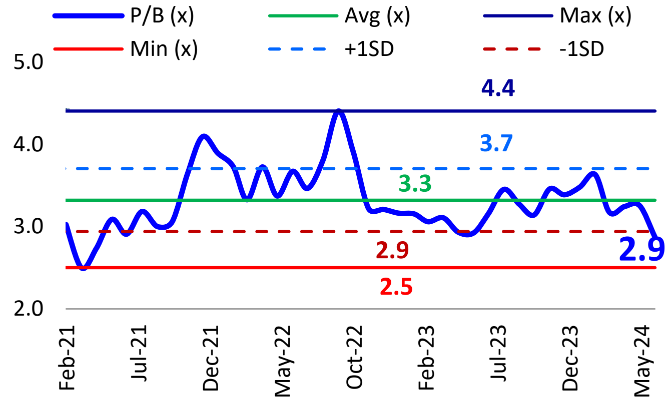
Operating ratios elevated in near term but benefits to accrue in medium term

- Notably, cost ratios have remained elevated for Home First because of investments in branches, people and technology. The company's opex-to-average assets ratio stood at ~2.8% in FY24.
- Given its lean physical distribution network and ability to effectively utilize its connector and builder channels, Home First enjoys the best productivity metrics (AUM/disbursement per branch or per employee) among its peers. This will increase cost efficiencies for the company.
- To enable sustainable AUM growth, Home First plans to expand its branch network by adding 20-25 branches every year and deepen its presence in key affordable housing markets. While we expect cost ratios to remain elevated in the near term, we expect significant operating leverage from scale benefits over the medium term. We model opex to average assets of 2.8%/2.7% in FY25/FY26.

Valuation and view

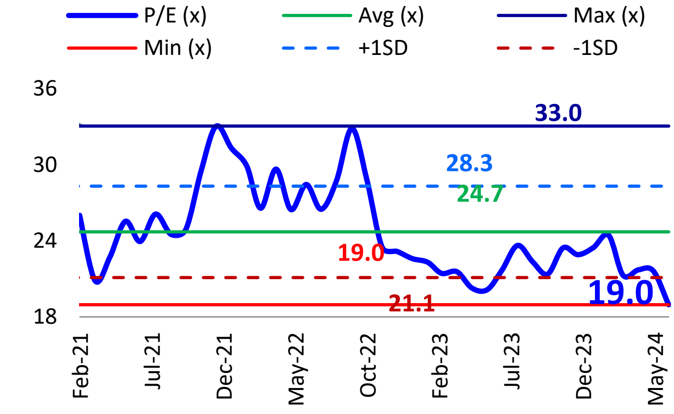
- Home First has consistently demonstrated healthy asset quality and we expect credit costs to remain benign at ~30bp over FY25-26. We estimate a CAGR of 30%/23% in AUM/PAT over FY24-26 and RoA/RoE of 3.4%/17% in FY26.
- Barring technical considerations such as a supply overhang from existing private equity promoters, we believe that the current valuation of 2.9x FY26E P/BV is reasonable for a franchise with high AUM growth and good asset quality. **We reiterate BUY with a TP of INR1,080 (premised on 3.3x FY26E BVPS).**

Exhibit 1: One-year forward P/B



Source: MOFSL, Company

Exhibit 2: One-year forward P/E



Source: MOFSL, Company

Key exhibits

Exhibit 3: Expect disbursement CAGR of ~23% over FY24-26E

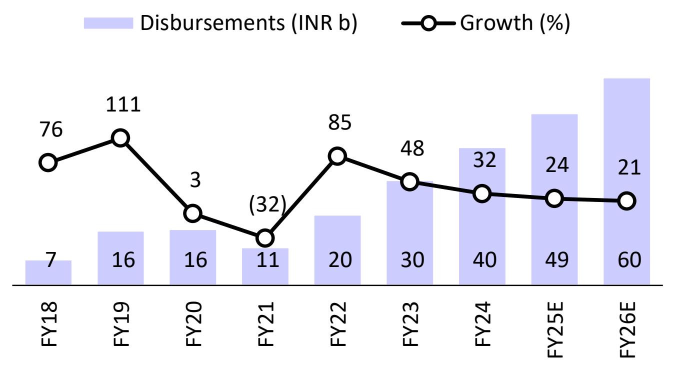


Exhibit 4: Estimate AUM CAGR of 30% over FY24-26E

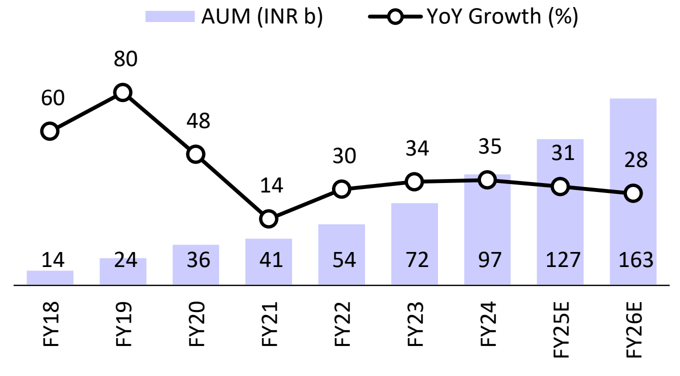


Exhibit 5: Spreads to decline due to the rise in CoF (%)

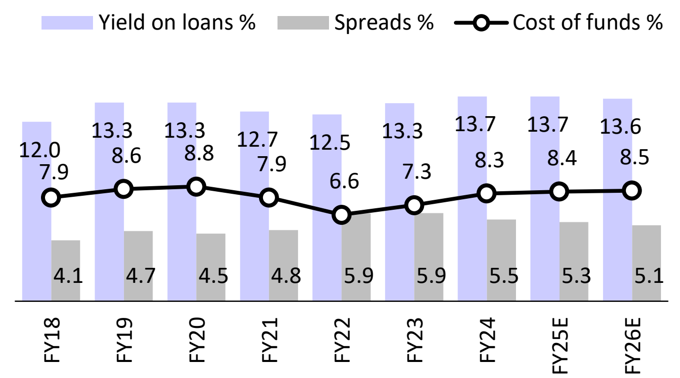


Exhibit 6: NIM expected to remain under pressure (%)

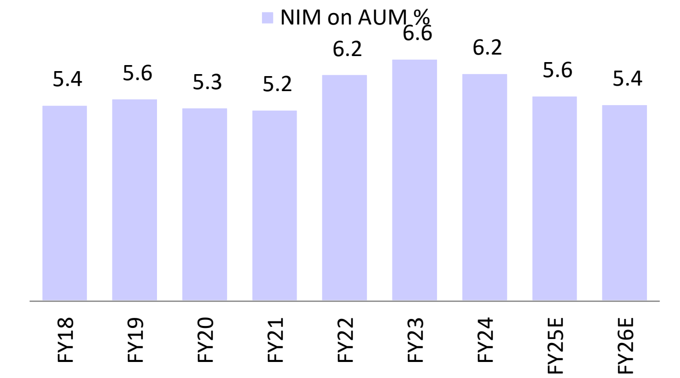


Exhibit 7: Cost ratios expected to moderate from FY26

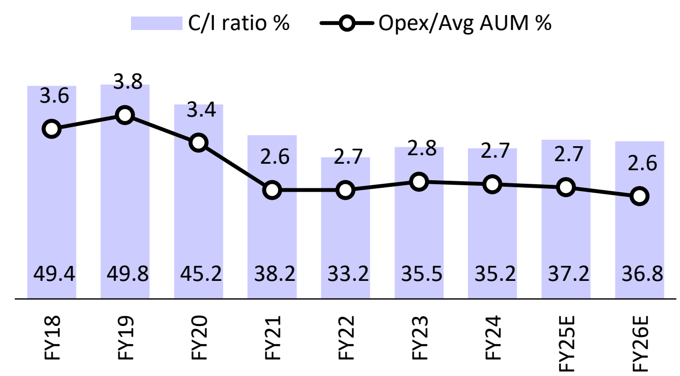


Exhibit 8: Credit costs to remain range-bound over FY25-26E

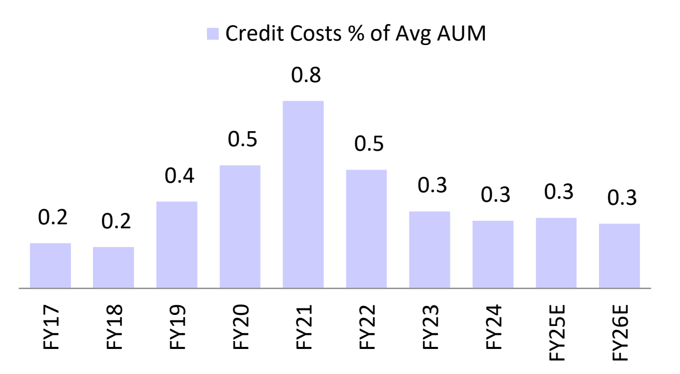
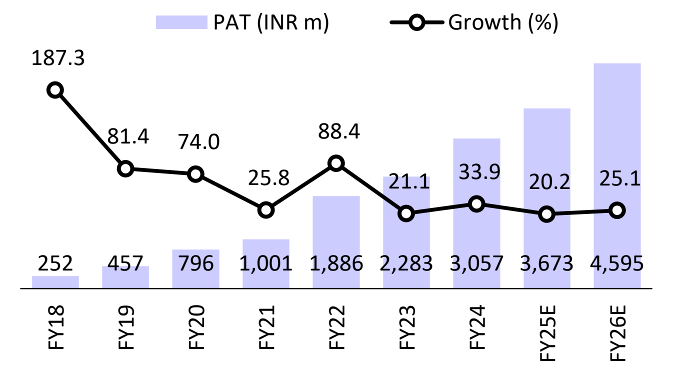
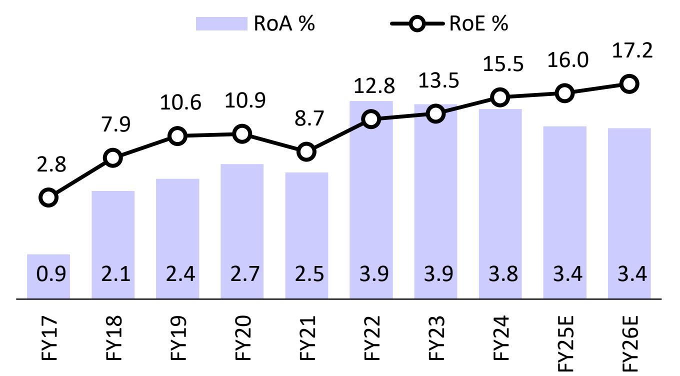


Exhibit 9: Expect PAT CAGR of ~23% over FY24-26E



Source: MOFSL, Company

Exhibit 10: ROE to improve to ~17% by FY26E

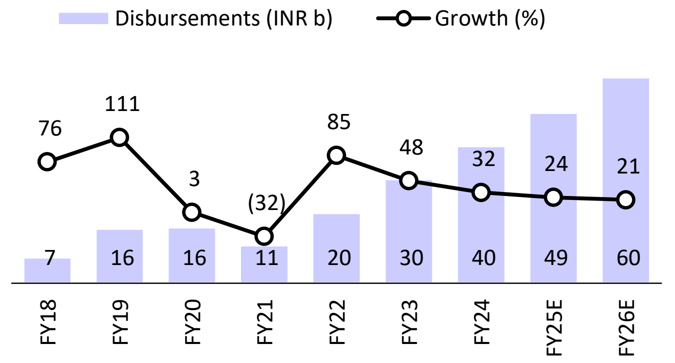


Source: MOFSL, Company

Expanding reach in India's affordable housing market

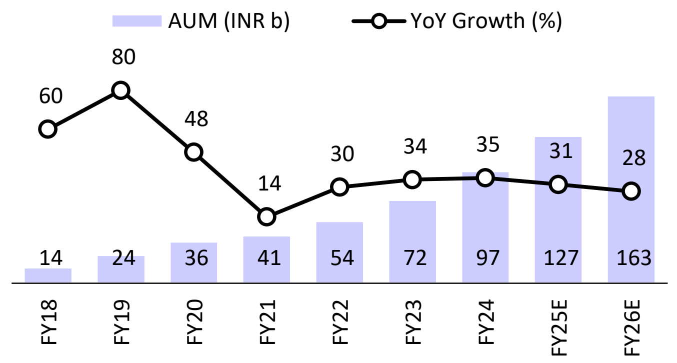
- Home First is a key player in the affordable housing segment. Its AUM crossed a significant milestone of ~INR100b in May'24 (vs. ~INR72b as of Mar'23). As of Mar'24, Home First had 133 branches and 321 touchpoints across 131 districts in 13 states/UTs. The company is contiguously expanding its presence in the key affordable housing markets in India.
- To enable sustainable AUM growth, Home First plans to expand its branch network by adding 20-25 branches every year and deepen its presence in key affordable housing markets. The company's efforts will be focused both on gaining market share in its new markets and penetrating deeper into its existing ones, with particular attention to its "emerging" markets of UP, MP, and Rajasthan.

Exhibit 11: Expect disbursement CAGR of ~23% over FY24-26E



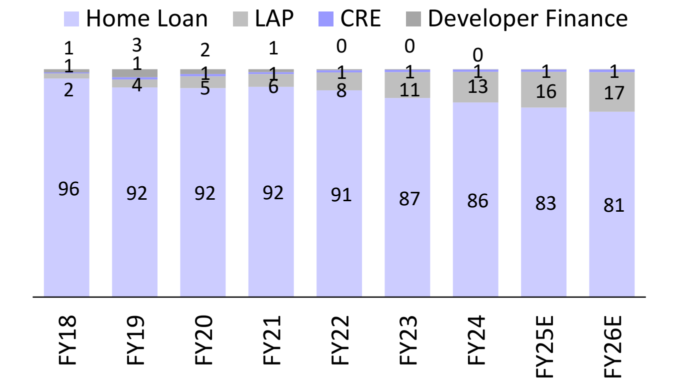
Source: MOFSL, Company

Exhibit 12: AUM CAGR of ~30% over FY24-26E



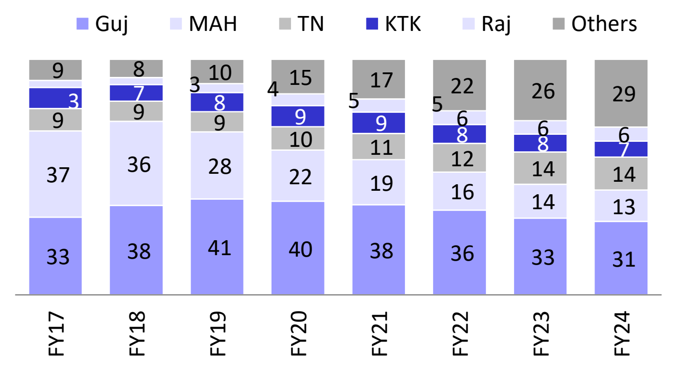
Source: MOFSL, Company

Exhibit 13: Proportion of LAP to gradually increase (%)



Source: MOFSL, Company

Exhibit 14: Diversification beyond top 5 states has been improving (%)



Source: MOFSL, Company

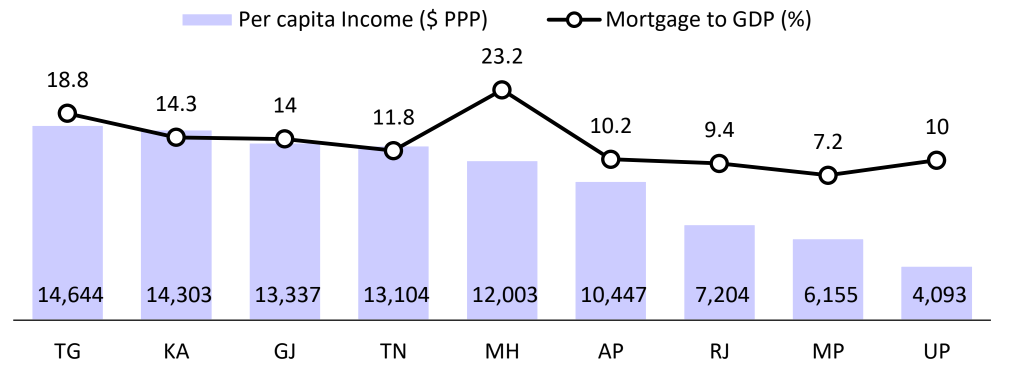
Home First targets increasing the proportion of LAP in the AUM mix to ~20% by FY27 (FY24: ~13%) and has guided for AUM growth of ~30% in FY25. We estimate AUM growth of 31%/29% in FY25/FY26 and AUM CAGR of ~30% over FY24-26, with LAP constituting ~17% of the portfolio by FY26.

Geographical diversification: Focus on new emerging states as growth drivers

Until FY23, Home First primarily focused on states in the western and southern regions (Focus States) because of their high GDP contribution, industrialization, urbanization, and export growth. However, in FY23-24, it also started focusing on new three emerging states, Rajasthan, UP, and MP, whose combined population exceeded 400m and showed significant economic improvements. The per capita income in these states surpassed USD1,000 on a nominal basis and USD4,000 on a PPP basis in FY23.

The law and order and public infrastructure in these emerging states have also improved substantially. All of these developments are key catalysts for rapid urbanization and industrial growth, which, in turn, spur demand for affordable housing.

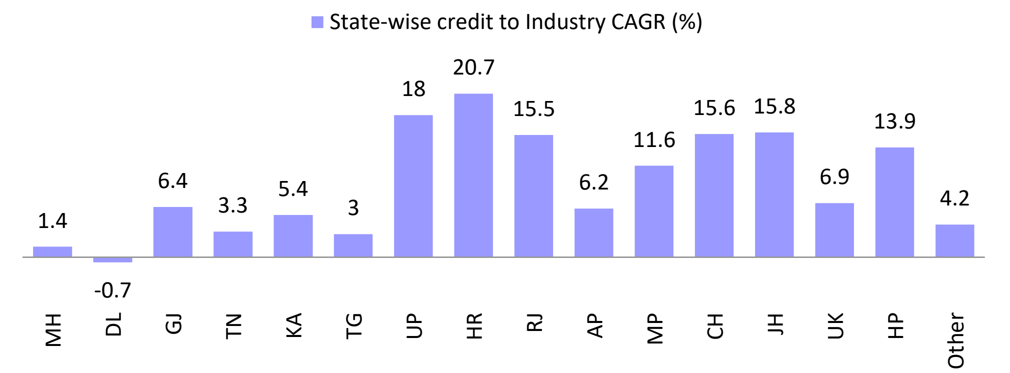
Exhibit 15: Focus states and emerging states together represent ~80% of addressable market opportunity in affordable housing



Source: NHB & Company

- Home First added seven new branches in these emerging states in FY24. These three emerging states contributed ~20% to the company's disbursals in FY24. The management expects that with the addition of touchpoints, branches and people, these emerging states are now poised to replace "Focus States" as growth drivers in the next 2-3 years.

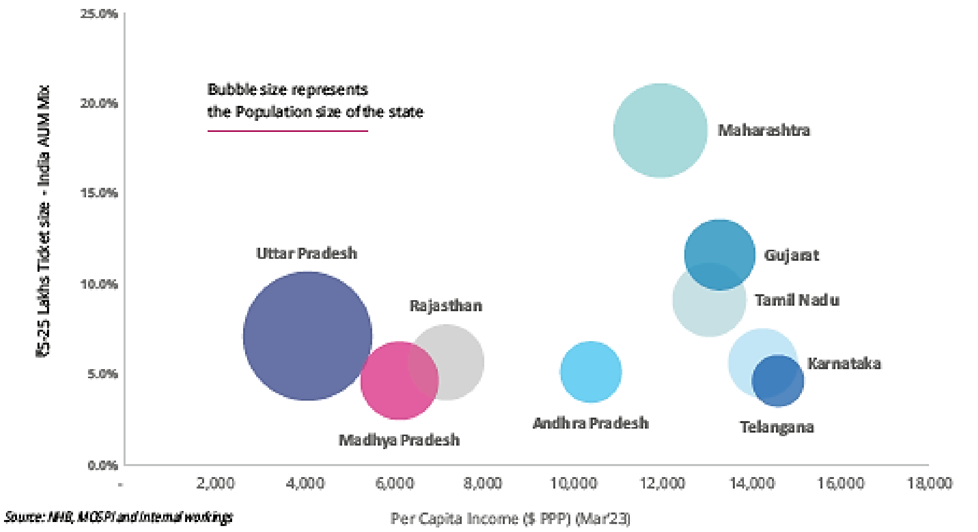
Exhibit 16: RBI's sector-wise lending status also shows that credit to "Industry's" has grown the most in Home First's emerging states between FY20 and 1HFY24



Source: RBI

As a strategy, Home First has had large business presence in industry-focused states. Due to the industrialization, per capita income of a state is usually higher than other states. Such dynamics help to create housing ecosystem and helped Home First emerge as a large player in its focus states. **Home First's emerging states have dual drivers for growth: increasing per capita income and large population.**

Exhibit 17: Per capita income of key states of Home First presence vs. population for opportunity



Source: NHB, MOSPI and HFFC Annual Report

There is a strong correlation of per capita income with Home First's business growth over the year.

Exhibit 18: TN disbursal vs. PCI (%)

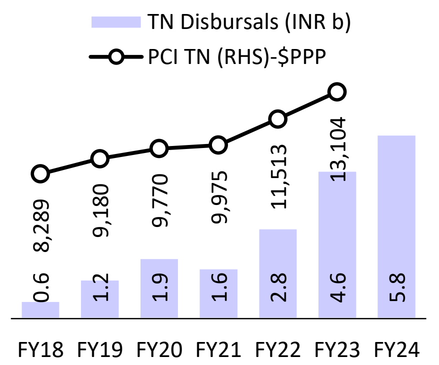


Exhibit 19: GJ disbursal vs. PCI (%)

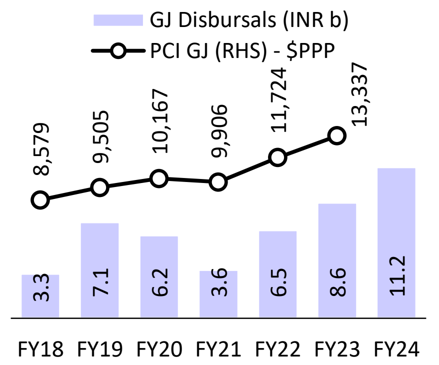
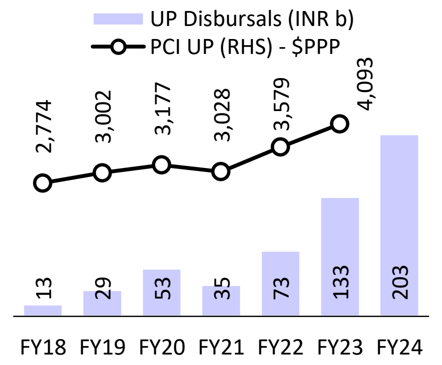


Exhibit 20: UP disbursal vs. PCI (%)

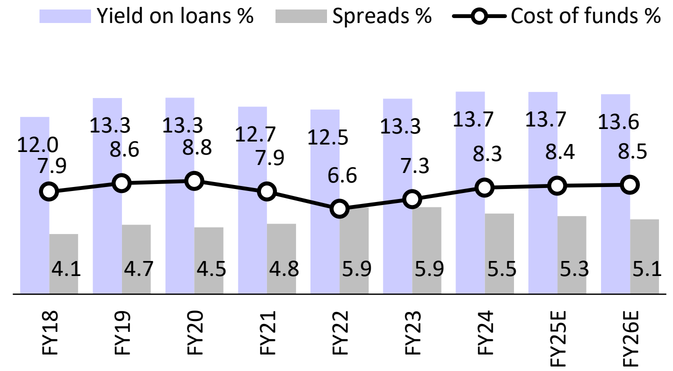


Source: Company, MOFSL;
Note: PCI refers to Per Capita Income and disbursals refer to HFFC's disbursals in the respective state

Levers in place to partly offset NIM compression

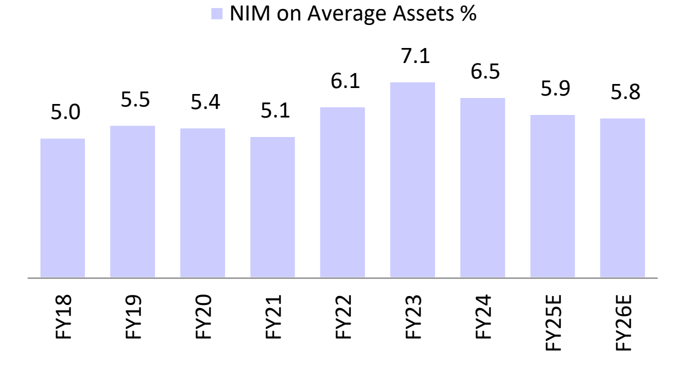
- In FY24, Home First reported a compression in spreads due to high CoB and limited ability of passing on higher CoB to borrowers. This led to a decline in (calc.) spreads from 5.9% in FY23 to 5.5% in FY24. Additionally, the company's NIM compressed ~40bp to 6.2% due to increased liquidity and higher financial leverage.

Exhibit 21: Spreads to decline due to the rise in CoF (%)



Source: MOFSL, Company

Exhibit 22: NIM expected to remain under pressure (%)



Source: MOFSL, Company

- Home First expects a further increase of ~15-20bp in its CoB, with the weighted average CoB likely to stabilize at ~8.5%. The company plans to absorb this increase in CoB rather than passing it on to customers through an increase in its retail PLR. **Home First's long-term rating outlook was upgraded from AA- (Stable) to AA (Positive) by India Ratings – one of its three credit rating agencies. This has started a very important journey for the company to move to the next higher rating category.**

Exhibit 23: Received outlook upgrade to "Positive" from India Ratings

Rating Agency	FY22	FY23	FY24
CARE Ratings	A+ (Stable)	AA- (Stable)	AA- (Stable)
ICRA Limited	A+ (Positive)	AA- (Stable)	AA- (Stable)
India Ratings & Research	AA- (Stable)	AA- (Stable)	AA- (Positive)

Source: MOFSL, Company

- To offset some of the NIM compression from rise in CoB and higher financial leverage, Home First can increase the proportion of LAP in its AUM mix. Home First targets increasing the proportion of LAP in the AUM mix to ~20% by FY27 (FY24: ~13%). While this will offset some of the NIM compression, we expect NIMs to moderate to 5.9%/5.8% in FY25/FY26 (v/s ~6.5% in FY24).

Liability franchise continues to strengthen with diversified borrowing mix

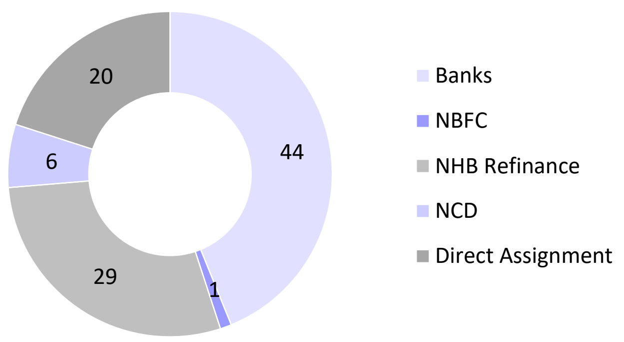
- Home First has a diversified borrowing profile, including direct assignment (DA), co-lending and securitization, and has funding relationships with 31 lenders. Additionally, the company has established refinance arrangements with NHB. Home First maintains strategic banking relationships with leading public sector banks, private banks, and foreign banks.
- Over the years, Home First has increased the proportion of bank loans in its borrowing mix. As of Mar'24, borrowing mix comprised of banks (60%), NBFCs (2%), NHB (18%), NCD (3%) and DA (17%).
- Moreover, a significant portion of the company's loan portfolio meets priority sector lending (PSL) criteria, enabling the company to explore securitization and assignment as supplementary avenues for fundraising.

Exhibit 24: Diversified borrowing relationships with 31 partners

Lender	FY20	FY21	FY22	FY23	FY24
Foreign Bank	0	0	1	3	3
MF	0	0	1	0	0
NBFC	1	1	2	2	3
NHB	1	1	1	1	1
Public Banks	5	6	6	6	9
Private banks	9	9	10	13	14
DFI	0	0	0	1	1
Total Lending Relationships	**16**	**17**	**21**	**26**	**31**

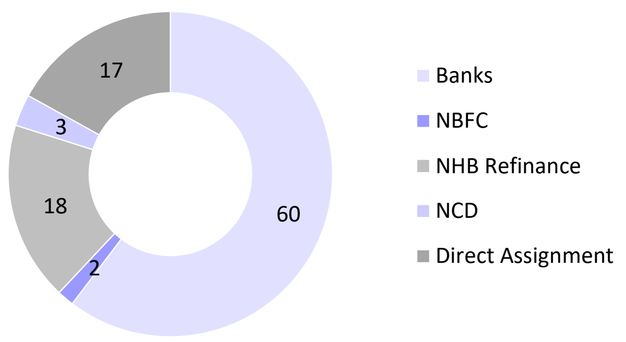
Source: MOFSL, Company

Exhibit 25: Borrowing mix as of FY21 (%)



Source: MOFSL, Company

Exhibit 26: Borrowing mix as of FY24 (%)

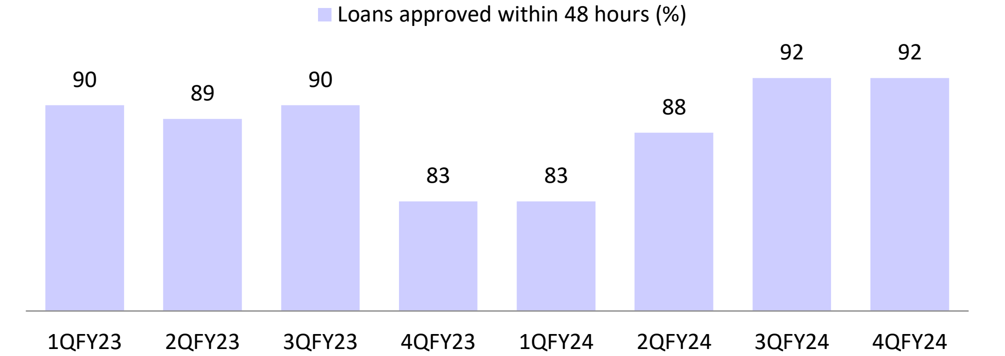


Source: MOFSL, Company

Technology heft still the biggest strength of the company

- India's digital public infrastructure has enhanced Home First's efficiency in customer sourcing, KYC verification, and collections. Home First has leveraged technology to drive operational efficiency, deliver a faster turnaround as an important differentiator, and reduce costs. Home First has maintained its lead in technology usage in business and customer service.
- The account aggregator system has become mainstream and reached a ~47% penetration rate in 4QFY24. Productivity enhancement tools like e-Sign and e-Stamps reached higher penetration levels of ~67% and ~64%, respectively, in FY24.
- Home First has built unique capabilities to originate, underwrite and collect payments from affordable housing loan customers. Its model of origination through 'connectors' facilitates grass-root connect with potential customers.
- The company has also refined its underwriting methods over the years to include digital imprints of its customers and their properties. Home visits, combined with its digital approach to evaluating the ability and intention of the customer, has enabled it to set an industry-leading TAT benchmark of 48 hours for loan approval.
- Technology is also one of the strategic priorities for the company. To that end, the company's internal processes are constantly upgraded and automated for better efficiency and accuracy. By leveraging technology, it tries to eliminate routine tasks to enhance productivity across all its branches and among employees.

Exhibit 27: 92% of the loans were approved within 48 hours in Q4FY24



Source: MOFSL, Company

Exhibit 28: End-to-end digital process for housing loans

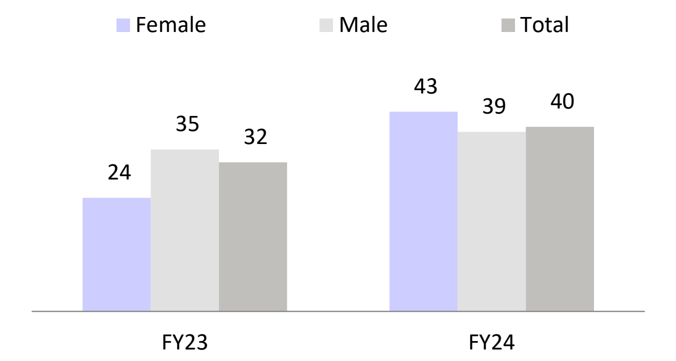
Mobility	Digital Marketing	Data Analytics	Tech-Infra
❖ Home First App for all stakeholders ❖ 360 degree view of customer for employees ❖ Electronic payments ❖ Income module for easy assessment of customers' income	❖ Digital marketing on major online media ❖ Alliances with digital players ❖ 10,000+ leads generated every month. ❖ Kaisys: Internally developed lead management system with omni-channel communication	❖ API integration with third-party database ❖ Proprietary property price predictor ❖ Machine learning models to assist underwriting ❖ E-Signature ❖ Tableau server for easy visualization	❖ Data on cloud ❖ Integrated CRM and loan management system ❖ Legal and technical portal ❖ Payment automation via Bharat Bill Pay Services and Fino Payments Bank ❖ Digital document management

Source: MOFSL, Company

Human capital management – one of the best at its game

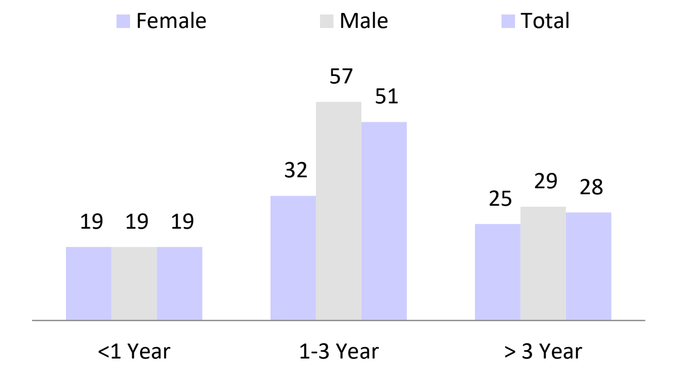
- The company employs a multifaceted recruitment strategy, targeting both new graduates and experienced professionals. A significant portion of the workforce is recruited through a comprehensive campus recruitment program, which includes active participation from management team members. Additionally, lateral hiring is used to fill existing vacancies. Understanding the importance of nurturing internal talent, the company creates numerous opportunities for career growth through internal job postings and role enhancements.
- Recently, the company has initiated an internship program for college students. This program allows interns to work on live projects, offering them practical experience and an opportunity to evaluate their fit with the company for potential future placements. The on-boarding process is thorough, focusing on the first six months to ensure new hires are well-integrated and continuously learning.
- Employee retention is a key priority, with employee tenure serving as a measure of stability and loyalty. About ~16% of employees have completed over five years with the company, reflecting their long-term commitment and the company's ability to maintain a stable and loyal workforce.

Exhibit 29: Gender-wise attrition rate (%)



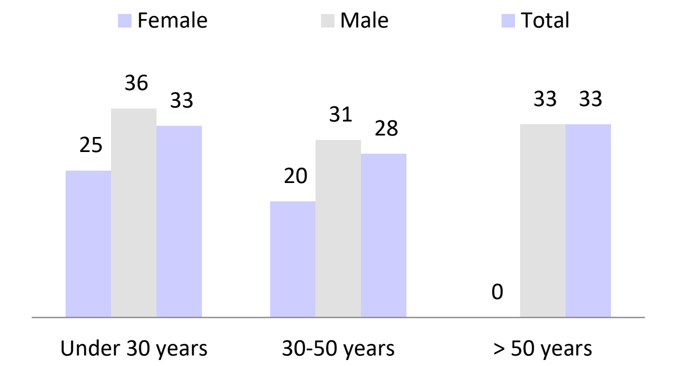
Source: MOFSL, Company

Exhibit 30: Vintage and gender-wise attrition rate (%)



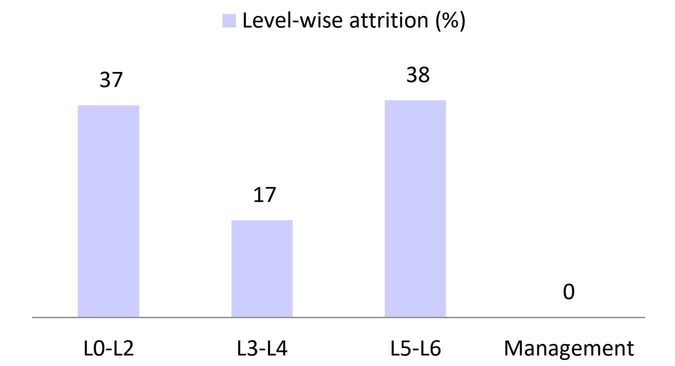
Source: MOFSL, Company; Note: Data as of FY24

Exhibit 31: Age and gender-wise attrition rate (%)



Source: MOFSL, Company; Note: Data as of FY24

Exhibit 32: Employee level-wise attrition rate (%)

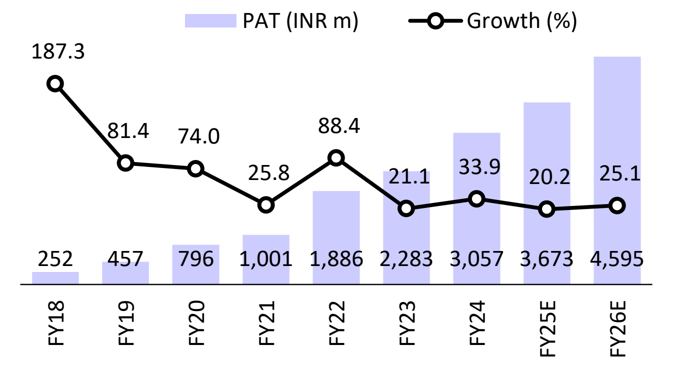


Source: MOFSL, Company; Note: Data as of FY24

Growth momentum to remain intact without any undue asset quality risks

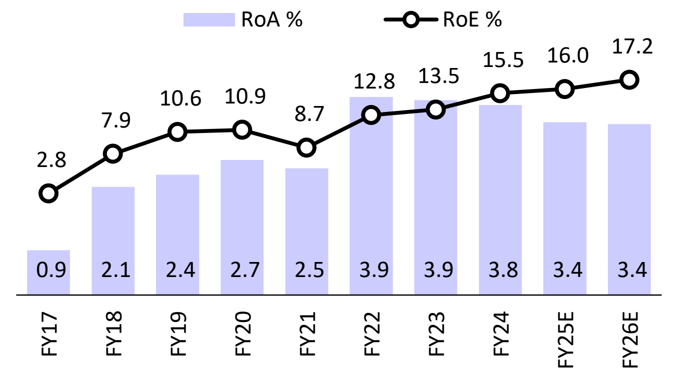
- Home First is well prepared to capitalize on the strong growth opportunity in affordable housing finance. The company continues to expand its distribution network aggressively, covering Tier I and II cities within its existing states.
- We estimate Home First to deliver a CAGR of ~30%/23% in AUM/PAT over FY24-26, with NIM (as % of average AUM) of 5.6%/5.4% in FY25/FY26 (FY24: ~6.2%).
- Home First's asset quality is likely to strengthen and credit cost is expected to remain benign over FY25-26, as the company prioritizes early bucket collections, thus driving improvement in asset quality. **We reiterate our BUY rating on the stock with a TP of INR1,080 (premised on 3.3x Mar'26E BVPS).**

Exhibit 33: Expect PAT CAGR of ~23% over FY24-26E



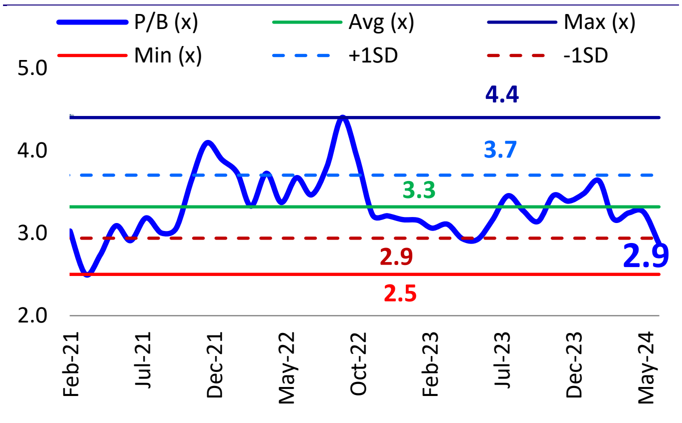
Source: MOFSL, Company

Exhibit 34: ROE to improve to 17% by FY26E



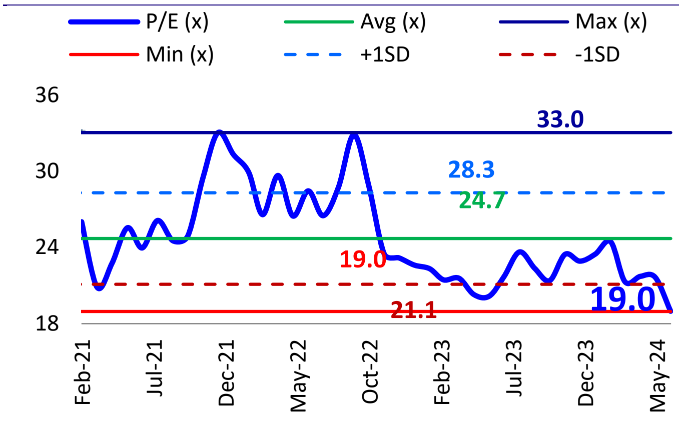
Source: MOFSL, Company

Exhibit 35: One-year forward P/B



Source: MOFSL, Company

Exhibit 36: One-year forward P/E



Source: MOFSL, Company

Financials and Valuation

Income statement (INR M)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	2,320	3,548	4,237	5,117	7,222	10,277	13,335	16,985
Interest Expenses	1,265	1,938	2,202	2,157	3,043	4,999	7,013	9,151
Net Interest Income	**1,055**	**1,610**	**2,035**	**2,960**	**4,179**	**5,278**	**6,321**	**7,834**
Change (%)	77.9	52.6	26.4	45.4	41.2	26.3	19.8	23.9
Gain on Direct assignment	215	371	439	678	380	631	714	767
Fee and Commissions	33	38	35	13	104	99	128	149
Other Income	142	239	180	148	249	558	958	1,318
Total Income (net of interest expenses)	**1,445**	**2,258**	**2,690**	**3,800**	**4,913**	**6,567**	**8,121**	**10,067**
Change (%)	81.2	56.3	19.1	41.3	29.3	33.7	23.7	24.0
Employee Expenses	432	611	661	808	1,070	1,483	1,945	2,365
Depreciation	46	72	76	75	91	117	147	170
Other Operating Expenses	241	337	291	379	585	712	927	1,170
Operating Expenses	**719**	**1,020**	**1,028**	**1,262**	**1,746**	**2,313**	**3,018**	**3,705**
PPoP	**726**	**1,238**	**1,662**	**2,538**	**3,167**	**4,254**	**5,103**	**6,362**
Change (%)	79.9	70.6	34.2	52.7	24.8	34.3	20.0	24.7
Provisions/write offs	73	165	322	250	215	254	351	417
PBT	**653**	**1,073**	**1,340**	**2,288**	**2,952**	**4,000**	**4,752**	**5,945**
Tax	196	278	339	402	669	942	1,079	1,349
Tax Rate (%)	30.0	25.9	25.3	17.6	22.7	23.6	22.7	22.7
PAT	**457**	**796**	**1,001**	**1,886**	**2,283**	**3,057**	**3,673**	**4,595**
Change (%)	81.4	74.0	25.8	88.4	21.1	33.9	20.2	25.1

Balance sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Capital	127	157	175	175	176	177	178	178
Reserves & Surplus	5,135	9,178	13,631	15,562	17,997	21,038	24,395	28,621
Net Worth	**5,262**	**9,334**	**13,805**	**15,737**	**18,173**	**21,215**	**24,572**	**28,799**
Borrowings	**19,256**	**24,938**	**30,537**	**34,668**	**48,135**	**73,021**	**93,959**	**1,22,127**
Change (%)	88.8	29.5	22.5	13.5	38.8	51.7	28.7	30.0
Other liabilities	297	530	759	764	1,062	1,104	1,214	1,396
Total Liabilities	**24,815**	**34,802**	**45,102**	**51,169**	**67,370**	**95,340**	**1,19,745**	**1,52,322**
E: MOFSL Estimates								
Loans	**21,347**	**30,139**	**33,265**	**43,049**	**59,957**	**81,434**	**1,06,168**	**1,35,696**
Change (%)	63.1	41.2	10.4	29.4	39.3	35.8	30.4	27.8
Investments	**1,029**	**1,456**	**3,750**	**0**	**2,808**	**3,788**	**4,167**	**4,584**
Change (%)		41.4	157.6	-100.0		34.9	10.0	10.0
Fixed Assets	174	210	167	202	257	302	347	400
Cash and cash equivalents	1,920	2,221	6,799	6,678	2,984	8,215	7,275	9,679
Other assets	345	777	1,121	1,239	1,364	1,600	1,788	1,964
Total Assets	**24,815**	**34,802**	**45,102**	**51,169**	**67,370**	**95,340**	**1,19,745**	**1,52,322**

E: MOFSL Estimates

Financials and Valuation

Ratios

Growth %	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
AUM	80.2	48.1	14.4	29.9	33.8	34.7	31.3	27.8
Disbursements	111.0	2.9	-32.2	85.2	48.4	31.6	24.4	20.9
Loan book (on balance sheet)	63.3	41.6	10.9	29.1	39.1	35.7	30.3	27.8
Total Assets	81.9	40.2	29.6	13.5	31.7	41.5	25.6	27.2
NII	77.9	52.6	26.4	45.4	41.2	26.3	19.8	23.9
PPOP	79.9	70.6	34.2	52.7	24.8	34.3	20.0	24.7
PAT	81.4	74.0	25.8	88.4	21.1	33.9	20.2	25.1
EPS	47.8	40.7	12.7	87.9	20.5	33.2	19.8	24.8

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Spreads and margin (%)								
Avg yield on loans	13.3	13.3	12.7	12.5	13.3	13.7	13.7	13.6
Avg. cost of funds	8.6	8.8	7.9	6.6	7.3	8.3	8.4	8.5
Interest Spread	4.7	4.5	4.8	5.9	5.9	5.5	5.3	5.1
NIM on AUM	5.6	5.3	5.2	6.2	6.6	6.2	5.6	5.4

Capital Structure & Profitability Ratios (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Debt-Equity ratio	3.7	2.7	2.2	2.2	2.6	3.4	3.8	4.2
CAR	38.0	49.0	56.2	58.6	49.4	39.5	34.6	31.9
Tier-I	37.4	47.7	55.2	58.1	48.9	39.1	34.2	31.5
Leverage	4.7	3.7	3.3	3.3	3.7	4.5	4.9	5.3
RoAA	2.4	2.7	2.5	3.9	3.9	3.8	3.4	3.4
RoAE	10.6	10.9	8.7	12.8	13.5	15.5	16.0	17.2
ROAAUM	2.4	2.6	2.6	4.0	3.6	3.6	3.3	3.2
Int. Expended/Int.Earned	54.5	54.6	52.0	42.1	42.1	48.6	52.6	53.9
Other Inc./Net Income	9.8	10.6	6.7	3.9	5.1	8.5	11.8	13.1

Cost/Productivity Ratios (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Cost/Income	49.8	45.2	38.2	33.2	35.5	35.2	37.2	36.8
Op. Exps./Avg Assets	3.7	3.4	2.6	2.6	2.9	2.8	2.8	2.7
Op. Exps./Avg AUM	3.8	3.4	2.6	2.7	2.8	2.7	2.7	2.6
Non-interest income as % of Total income	9.8	10.6	6.7	3.9	5.1	8.5	11.8	13.1
AUM/employee (INR m)	36	52	60	63	72	78	91	106
AUM/ branch (INR m)	407	532	575	673	648	729	861	998
Empl. Cost/Op. Exps. (%)	60	60	64	64	61	64	64	64

Asset Quality (INR m)								
Gross NPA	170	315	622	1,015	974	1,393	1,607	1,867
GNPA %	0.8	1.0	1.8	2.3	1.6	1.7	1.5	1.4
Net NPA	128	234	398	763	643	979	1,109	1,270
NNPA %	0.6	0.8	1.2	1.8	1.1	1.2	1.0	0.9
PCR %	24.9	25.8	36.0	24.9	34.0	29.7	31.0	32.0
Credit cost % of avg AUM (bps)	38	54	83	53	34	30	31	29

Valuation	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
No.of Shares (m)	**63.3**	**78.3**	**87.4**	**87.6**	**88.0**	**88.5**	**88.8**	**89.0**
EPS	7.2	10.2	11.5	21.5	25.9	34.5	41.4	51.6
P/E (x)	**128.4**	**91.2**	**80.9**	**43.1**	**35.7**	**26.8**	**22.4**	**18.0**
BV (INR)	83	119	158	180	206	240	277	323
Price-BV (x)	**11.2**	**7.8**	**5.9**	**5.2**	**4.5**	**3.9**	**3.4**	**2.9**
Adjusted BV (INR)	82	117	155	173	201	231	267	313
Price-ABV (x)	**11.4**	**7.9**	**6.0**	**5.4**	**4.6**	**4.0**	**3.5**	**3.0**
DPS (INR)	0.0	0.0	0.0	0.0	2.6	3.4	4.0	4.5
Dividend yield (%)	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.4**	**0.4**	**0.5**

E: MOFSL Estimates

Dupont %	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	12.1	11.9	10.6	10.6	12.2	12.6	12.4	12.5
Interest Expenses	6.6	6.5	5.5	4.5	5.1	6.1	6.5	6.7
Net Interest Income	**5.5**	**5.4**	**5.1**	**6.1**	**7.1**	**6.5**	**5.9**	**5.8**
Gain on DA	1.1	1.2	1.1	1.4	0.6	0.8	0.7	0.6
Other Income (incl fees)	0.9	0.9	0.5	0.3	0.6	0.8	1.0	1.1
Total Income (net of int exp)	**7.5**	**7.6**	**6.7**	**7.9**	**8.3**	**8.1**	**7.6**	**7.4**
Operating Expenses	**3.7**	**3.4**	**2.6**	**2.6**	**2.9**	**2.8**	**2.8**	**2.7**
Cost to Income Ratio (%)	*49.8*	*45.2*	*38.2*	*33.2*	*35.5*	*35.2*	*37.2*	*36.8*
Employee Expenses	2.2	2.0	1.7	1.7	1.8	1.8	1.8	1.7
Other Expenses	1.5	1.4	0.9	0.9	1.1	1.0	1.0	1.0
PPoP	**3.8**	**4.2**	**4.2**	**5.3**	**5.3**	**5.2**	**4.7**	**4.7**
Provisions/write offs	0.4	0.6	0.8	0.5	0.4	0.3	0.3	0.3
PBT	**3.4**	**3.6**	**3.4**	**4.8**	**5.0**	**4.9**	**4.4**	**4.4**
Tax provisions	1.0	0.9	0.8	0.8	1.1	1.2	1.0	1.0
RoAA	**2.4**	**2.7**	**2.5**	**3.9**	**3.9**	**3.8**	**3.4**	**3.4**
Leverage (x)	4.5	4.1	3.5	3.3	3.5	4.1	4.7	5.1
RoAE	**10.6**	**10.9**	**8.7**	**12.8**	**13.5**	**15.5**	**16.0**	**17.2**

E: MOFSL Estimates

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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