

Muthoot Finance Ltd.

Accumulate

Sector: NBFC

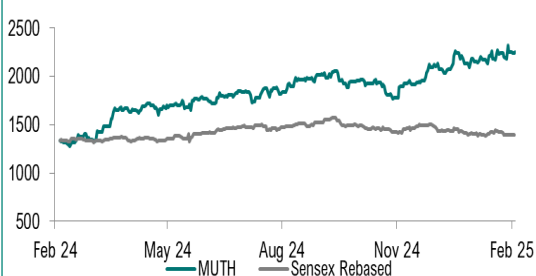
20th February 2025

Key Changes	Target ▲	Rating ●	Earnings ▲	Target	Rs.2,512
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	MUTH:IN	75,939	MUTHOOTFIN	533398	12 Months
				CMP	Rs.2,269
				Return	+11%

Data as of: 19-02-2025

Company Data			
Market Cap (Rs. cr)	90,345		
52 Week High — Low (Rs.)	2,335 — 1,262		
Enterprise Value (Rs. cr)	1,73,364		
Outstanding Shares (cr)	40.1		
Free Float (%)	26.7		
Dividend Yield (%)	1.1		
6m average volume (cr)	0.06		
Beta	0.89		
Face value (Rs.)	10.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	73.4	73.4	73.4
FII's	8.7	9.8	10.3
MFs/Institutions	14.5	13.3	12.9
Public	3.4	3.5	3.4
Total	100.0	100.0	100.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	18.6%	18.6%	68.4%
Absolute Sensex	-1.1%	-5.9%	4.4%
Relative Return	19.8%	24.5%	64.0%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
NII	9,992	12,262	13,945
Growth (%)	28.2	22.7	13.7
NIM(%)	11.1	11.1	11.4
Provisions	829	820	881
PAT Adjusted	4,962	6,270	7,218
Growth (%)	22.5	26.4	15.1
Adjusted EPS	124	156	180
Growth (%)	22.5	26.4	15.1
BVPS	703	831	983
Adj BVPS	703	831	983
P/E	18.0	14.2	12.4
P/B	3.2	2.7	2.3
Adj. P/B	3.2	2.7	2.3
ROE(%)	18.9	20.4	19.8

Gold Loans Thrive as Unsecured Lending Slows

Muthoot Finance, India's largest NBFC in gold loans by loan portfolio, operates over 6,759 branches nationwide. Besides gold loans, it offers various loans, insurance, money transfer services, and gold coin sales through its subsidiaries.

- The consolidated loan AUM, grew by 34%YoY to Rs. 1,11,308 cr in Q2FY25, primarily driven by the growth in standalone gold business.
- The gold loan portfolio increased to Rs. 92,964 cr, registering a 34% YoY growth. This was supported by accelerated demand for gold loans, especially during the festive season, and a slowdown in unsecured lending.
- The expansion of branch network and the increasing adoption of our digital platform further strengthened customer engagement.
- Asset quality in the gold book improved marginally, with the Gross loan asset stage 3 ratio standing at 4.2% in Q3FY25, down from 4.3% in Q2FY25. Auctions during the quarter were Rs. 600mn vs Rs. 2500mn Q2FY25.
- The gold loan business reported a current yield of 18.62%, earning Rs. 4,369 cr as interest income. Net Interest Income (NII) stood at Rs. 2,721 cr, showing a 43% YoY growth in Q3FY25.

Outlook & Valuation

We anticipate continued outperformance in the gold loan segment in the near term. The expansion of gold loans through the subsidiary, Muthoot Money, combined with elevated gold prices and a slowdown in unsecured lending options, is expected to support growth. Credit costs have increased by 23 bps YoY, primarily due to substantial provisions resulting from a less aggressive auction policy. With rising gold prices, asset quality risks remain limited. **Considering the favourable outlook for gold, we value the consolidated entity at 2.4 times FY26E BVPS. We maintain our "Accumulate" rating with a rolled-forward target price of Rs. 2,512 based on the SOTP valuation method.**

Quarterly Financials Consol.

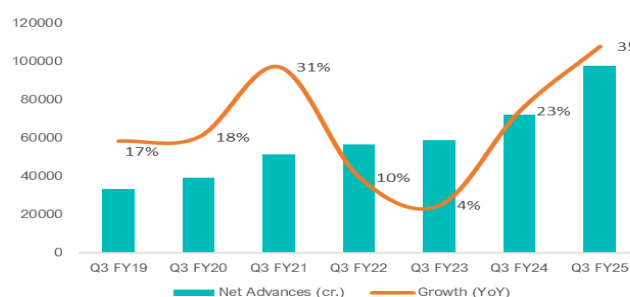
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net Interest Income(NII)	2,721	1,906	42.8	2,518	8.1	7,544	5,658	33.3
Total Income	2,784	1,964	41.7	2,576	8.1	7,718	5,844	32.1
Expenditure	72	57	27.2	66	9.6	203	171	18.9
Pre-Provision Profit	2,059	1,394	47.7	1,915	7.5	5,690	4,137	37.5
Provision	209	14	1,419.2	207	0.8	639	112	471.8
PBT	185	138	34.1	171	8.3	505	403	25.5
Reported PAT	1,363	1,027	32.7	1,251	8.9	3,693	2,993	23.4
Adjusted PAT	1,363	1,027	32.7	1,251	8.9	3,693	2,993	23.4
Diluted EPS(Rs)	34.0	25.6	32.7	31.2	8.9	92.0	74.6	23.4



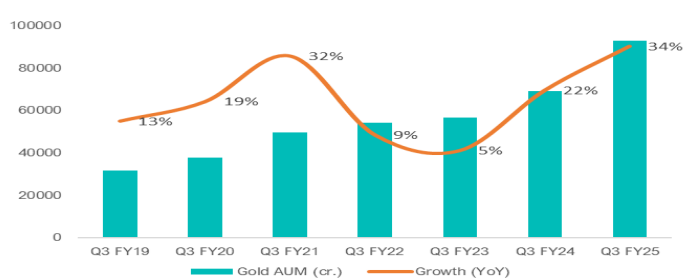
Key concall highlights

- **Microfinance:** Assets Under Management (AUM) decreased to Rs. 9,221cr reflecting an 8% decline. Management emphasized their ongoing focus on strengthening collections and enhancing the and loan book quality.
- **Partnerships:** Collaborated with PhonePe and Google Pay for lead generation in various loan categories. This collaboration is expected to further drive growth and performance.
- **Muthoot Money:** Pivoting to gold loans due to unprofitable vehicle finance business. Management indicated that the vehicle finance business was not profitable, prompting this strategic shift.
- **RBI Circular** (regarding gold loan lending practices): management stated that no changes were required in their processes.
- **Gold loan business:** The expansion of gold loans through the subsidiary, which operates 1,000 branches, along with elevated gold prices and a slowdown in unsecured lending options, is expected to support medium-term growth.

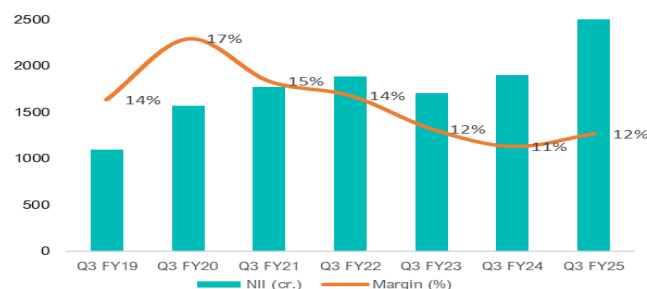
Net Advances



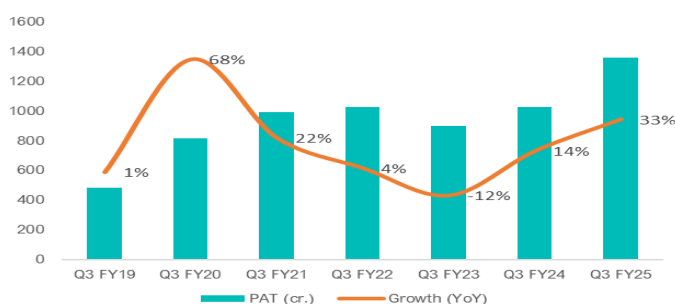
Gold AUM



Net Interest Income



PAT



SOTP

Segments	Basis	Multiple	% holding	Value (Rs. cr.)	Value/ share (Rs.)
a) Muthoot Finance (Gold segment)	FY27E P/Bk	2.5x	100	98,974	2,465
b) Total value of subsidiaries				2,322	57
Homefin	FY27E P/Bk	1.0x	100	606	15
Belstar (MFI)	FY27E P/Bk	1.0x	64	1,298	32
Muthoot Insurance Brokers	FY27E P/E	10x	100	419	10
c) 20% holding discount					11
Total Value(a+b-c)				1,00,941	2,512

Change in Estimates

Year / Rs cr.	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Net Interest Income (NII)	9,204	10,795	9,992	12,262	13,945	8.6	13.6
Net Interest Margin (%)	10.9	11.2	11.1	11.1	11.4	0bps	0bps
Pre-Provision Profit	6,711	7,933	7,507	9,236	10,569	11.9	16.4
Adj. PAT	4,854	5,771	4962	6270	7218	2.2	8.6
Diluted EPS (Rs)	121	144	124	156	180	2.1	8.5



Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Interest Income	10,369	12,448	16,288	19,873	21,999
Interest Expense	3,699	4,655	6,296	7,611	8,054
Net Int. Income	6,669	7,793	9,992	12,262	13,945
Change(%)	-6.3	16.8	28.2	22.7	13.7
Non Int. Income	175	246	277	378	418
Total Income	6,845	8,039	10,269	12,639	14,363
Change(%)	-5.8	17.5	27.7	23.1	13.6
Operating Exp.	2,118	2,393	2,762	3,404	3,794
Pre Prov. Profit	4,727	5,647	7,507	9,236	10,569
Prov. & Conting.	61	198	829	820	881
PBT	4,666	5,449	6,678	8,416	9,688
Change(%)	-12.1	16.8	22.6	26.0	15.1
Tax	1,193	1,399	1,716	2,146	2,470
Tax Rate (%)	26	26	26	26	26
Reported PAT	3,474	4,050	4,962	6,270	7,218
Adj*	0	0	0	0	0
Adj. PAT	3,474	4,050	4,962	6,270	7,218
Change(%)	-12.2	16.6	22.5	26.4	15.1
No. of shares (Cr)	40	40	40	40	40
EPS (Rs)	87	101	124	156	180
Change(%)	-12.2	16.6	22.5	26.4	15.1
DPS (Rs)	22	24	26	28	28

Balance Sheet

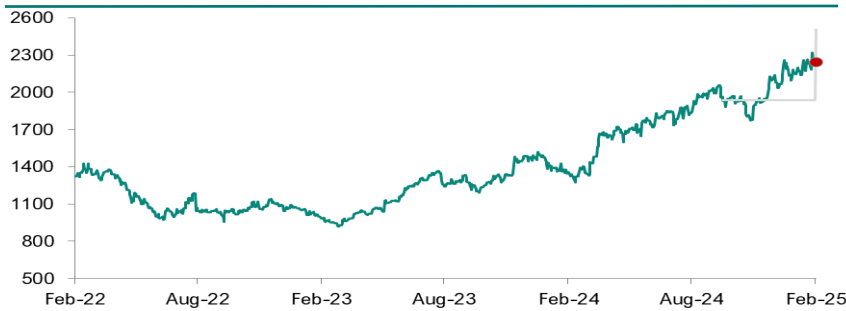
Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	6,429	5,037	1,879	5,249	5,719
Loans & Advances	64,265	77,001	1,04,920	1,17,077	1,25,876
Investments	1,317	2,268	4,138	3,272	4,114
Gross Fixed Assets	540	681	798	933	1077
Net Fixed Assets	268	346	391	444	493
CWIP	67	88	80	98	113
Intangible Assets	4	4	5	7	9
Def. Tax (Net)	40	33	40	50	58
Other Assets	230	251	314	328	352
Total Assets	72,620	85,028	1,11,767	1,26,525	1,36,734
Deposits	49,734	58,783	81,145	90,677	94,719
Other Liabilities	1,472	1,607	1,993	2,049	2,140
Provisions	352	348	420	445	428
Equity Capital	401	401	401	401	401
Reserves & Surplus	20,660	23,889	27,807	32,953	39,046
Shareholder's Funds	21,062	24,290	28,208	33,354	39,448
Total Liabilities	72,620	85,028	1,11,767	1,26,525	1,36,734
BVPS (Rs)	525	605	703	831	983
Change(%)	14.8	15.3	16.1	18.2	18.3
Adj. BVPS (Rs)	525	605	703	831	983
Change(%)	14.8	15.3	16.1	18.2	18.3

Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
Interest yield (%)	17.7	17.9	18.0	18.1	18.0
Cost of funds (%)	7.8	8.5	8.8	8.9	8.5
Spread.(%)	9.9	9.4	9.2	9.1	9.5
NIM (%)	11.4	11.2	11.1	11.1	11.4
ROE (%)	17.9	18.1	18.9	20.4	19.8
ROA(%)	5.1	5.1	5.0	5.3	5.5
Business Growth (YoY)					
Gold Loan AUM (%)	8.9	20.0	36.3	11.0	8.6
Microfinance AUM (%)	41.8	61.9	-8.0	7.0	5.0
Total AUM (%)	8.9	20.0	36.3	11.0	8.6
Operating Ratios					
Cost to Income (%)	30.9	29.8	26.9	26.9	26.4
Cost to AUM (%)	3.6	3.4	3.1	3.1	3.1
Asset Quality					
GNPA (%)	3.8	3.3	4.3	3.0	3.5
ECL Provision (%)	3.5	2.9	3.8	2.6	3.1
Capital Adequacy					
CAR (%)	31.8	30.4	26.0	27.5	30.1
Valuation ratios					
P/E (x)	17.1	22.1	18.0	14.2	12.4
P/B (x)	2.8	3.7	3.2	2.7	2.3
Adj. P/B (x)	2.8	3.7	3.2	2.7	2.3






Recommendation Summary (last 3 years)



Dates	Rating	Target
10.Oct.24	Accumulate	1,935
20.Feb.25	Accumulate	2,512

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			
Definition:			
Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; Accumulate: Partial buying or to accumulate as CMP dips in the future; Hold: Hold the stock with the expected target mentioned in the note.; Reduce: Reduce your exposure to the stock due to limited upside.; Sell: Exit from the stock; Not rated/Neutral: The analyst has no investment opinion on the stock.			
Symbols definition:			
	Upgrade		No Change
			Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, Anil R, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd(P2P lending) Geojit IFSC Ltd (a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Anil R, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. For grievances: **Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

