

May 31, 2024

RESULT REPORT Q4 FY24 | Sector: Financials

Muthoot Finance Limited

Growth and Yield were stronger

Stronger-than-expected performance

Muthoot' consolidated NII/PPOP/PAT were 8.5%/10.5%/4.2% ahead of our estimates driven by 1) solid growth in consolidated AUM (7.6% qoq/24.6% yoy v/s expectation of 4.7% qoq/21.2% yoy) with growth in Gold Loans (GL) being ahead of expectations too (5.3% qoq v/s 3.8% qoq), 2) significant portfolio yield improvement of 50 bps qoq in GL business on the back of AUM mix changes and focused price actions, and 3) adept management of funding cost (via BS liquidity optimization) allowing for material expansion in GL portfolio spread (stood at 9.8% v/s 9.2% in Q3). Growth in non-GL businesses (18% of AUM) continue to be significant with 14% qoq growth each in Belstar MFI and Muthoot Homefin. Opex growth was high in the quarter reflecting strong business activity (emp. cost higher 10% qoq in GL entity) and emphasis on marketing & outreach. Credit cost run-rate at the consolidated level increased to 1% annualized, essentially driven by stronger growth and increase of Stage-2 assets in GL business and continuance of elevated credit cost in Belstar MFI. Notwithstanding this, Muthoot delivered RoA/RoE of 5.4%/21% on consolidated basis in Q4 FY24.

Gold Loans growth metric was healthy; commentary is upbeat

In the mainstay GL segment, the AUM grew by 5.3% qoq/17.8% yoy underpinned by 2.2% qoq/6.6% yoy growth in active customer base, 2.2% qoq/4.4% yoy growth in tonnage and 3% qoq/13% yoy growth in loan/gram (largely reflects gold price increase). Notably, auctions were lower at Rs1.6bn in Q4 FY24 versus Rs3.8bn in Q3. While the trend in new customer acquisition remains encouraging (grew 11.7% yoy), the traction in old customer reactivation improved (grew 9% yoy versus 5-7% growth in preceding three quarters). GL customer/ticket mix shifted slightly higher with >Rs.3 lakh loans at 29% of portfolio (27% as of Q3), Rs.1-3 lakh loans at 37%, and <Rs.1 lakh loans at 34%. The portfolio yield improved to 18.3% from 17.8% in the preceding quarter. There was a three-fold increase in Stage-2 assets on sequentially basis (rose to 1.8% of AUM) while there was a slight reduction in Stage-3 loans (from 3.6% to 3.3%). In the earnings call, the management alluded to having witnessed sustained growth in the current quarter notwithstanding some frictional impact of the restriction on cash disbursement.

Earnings undergo mild upgrades; retain BUY with enhanced 12m PT of Rs2050

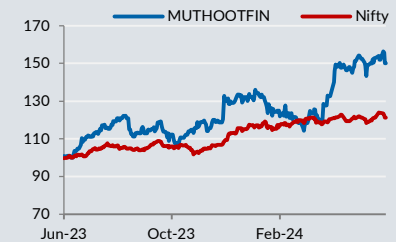
On the back of substantial momentum in non-GL AUM growth and resilience in GL yield, we upgrade FY25/26 earnings estimates by 2-3%. We expect 15-16% growth in GL portfolio in FY25 even after subsuming some loss of the cash loan customers to informal segment. Prevailing gold prices provide significant cushion to our growth estimate. On consolidated basis, we see 14-15% AUM CAGR over FY24-26 and steady RoE delivery of 20%+. The stock trades at 10x PE and 1.9x PABV on FY26 estimates. We expect further re-rating of the stock on 1) sustained traction in GL growth (tailwinds from gold price and stabilization of competition), 2) maintenance of GL Yield/Spread, and 3) likely moderation in Belstar's credit cost and improvement in its profitability.

Reco	: BUY
CMP	: Rs 1,674
Target Price	: Rs 2,050
Potential Return	: +22.4%

Stock data (as on May 30, 2024)

Nifty	22,489
52 Week h/l (Rs)	1763 / 1104
Market cap (Rs/USD mn)	698102 / 8384
Outstanding Shares (mn)	401
6m Avg t/o (Rs mn):	833
Div. yield (%):	1.3
Bloomberg code:	MUTH IN
NSE code:	MUTHOOTFIN

Stock performance



	1M	3M	1Y
Absolute return	-2.7%	28.4%	49.9%

Shareholding pattern

Promoter	73.4%
FII+DII	23.1%
Others	3.6%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	2,050	1,940

Δ in earnings estimates

	FY24	FY25e	FY26e
EPS (New)	111.3	139.9	164.2
EPS (Old)	110.4	137.1	161.0
% Change	0.8%	2.0%	2.0%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Op. income	97,327	1,17,787	1,36,096
PPOP	65,503	81,237	94,646
Net profit	44,676	56,161	65,924
Growth (%)	21.7	25.7	17.4
EPS (Rs)	111.3	139.9	164.2
ABVPS (Rs)	625.4	730.3	859.6
P/E (x)	15.0	12.0	10.2
P/ABV (x)	2.7	2.3	1.9
ROE (%)	19.1	20.6	20.7
ROA (%)	5.1	5.3	5.4

RAJIV MEHTA

Lead Analyst

rajiv.mehta@ysil.in



MANUJ OBEROI, Associate

Exhibit 1: Result table

(Rs mn)	Q4 FY24	Q3 FY24	% qoq	Q4 FY23	% yoy
Total Operating Income	41,638	38,200	9.0	32,749	27.1
Interest expended	(14,466)	(14,125)	2.4	(10,912)	32.6
Net Interest Income	27,172	24,075	12.9	21,837	24.4
Other Income	156	227	(31.1)	235	(33.5)
Total Income	27,328	24,302	12.5	22,071	23.8
Operating expenses	(9,394)	(7,900)	18.9	(7,645)	22.9
PPOP	17,934	16,402	9.3	14,427	24.3
Provisions	(2,082)	(1,058)	96.8	(878)	137.2
PBT	15,852	15,344	3.3	13,549	17.0
Tax	(4,029)	(3,890)	3.6	(3,456)	16.6
PAT	11,823	11,453	3.2	10,093	17.1

Source: Company, YES Sec

Exhibit 2: AUM Break-up

(Rs mn)	Q4 FY24	Q3 FY24	% qoq	Q4 FY23	% yoy
AUM	8,90,787	8,27,732	7.6	7,14,968	24.6
Gold Loans (Parent)	7,28,785	6,92,214	5.3	6,18,753	17.8
Other Loans (Parent)	29,485	19,607	50.4	13,345	120.9
Home Finance	20,353	17,834	14.1	14,381	41.5
Belstar MFI	1,00,232	88,346	13.5	61,925	61.9
Muthoot Money	11,227	8,176	37.3	3,870	190.1
Asia Asset Finance	5,705	4,855	17.5	5,294	7.8
Less: Intra group loan assets	(5,000)	(3,300)		(2,600)	

Source: Company, YES Sec

Exhibit 3: Key Ratios - Consolidated

Particulars	Q4 FY24	Q3 FY24	chg qoq	Q4 FY23	chg yoy
Op Income as % of Avg. AUM	19.4	18.8	0.5	19.2	0.2
Int. Expense as % of Avg. AUM	6.7	7.0	(0.2)	6.4	0.3
NII as % of Avg. AUM	12.6	11.9	0.8	12.8	(0.1)
Cost to Income (%)	34.4	32.5	1.9	34.6	(0.3)
Prov. as % of Avg. AUM	1.0	0.5	0.4	0.5	0.5
RoA (%)	5.8	5.9	(0.1)	6.0	(0.2)
Gross NPA (%) – Standalone	3.3	3.6	(0.3)	3.8	(0.5)

Source: Company, YES Sec

Exhibit 4: Gold Loans Customer Matrix

Particulars	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Loans to inactive customers (no.)	401,638	412,206	428,114	4,08,758	4,38,350
Loans to new customers (no.)	333,907	355,760	360,620	3,34,868	3,73,073
Loans to exist. cust. on new coll. (no)	660,475	744,800	739,138	6,93,915	7,07,256
No of loan accounts	8,146,997	8,335,866	8,494,596	85,81,654	87,35,375
No of active Customers	5,323,362	5,412,660	5,502,779	55,53,823	56,77,274
GL AUM (In mn)	618,753	660,388	675,171	6,92,214	7,28,785
GL tonnage (tons)	180	182	183	184	188
GL / loan account (Rs.)	75,949	79,222	79,482	80,662	83,429
GL / active customers (Rs.)	116,234	122,008	122,696	1,24,637	1,28,369

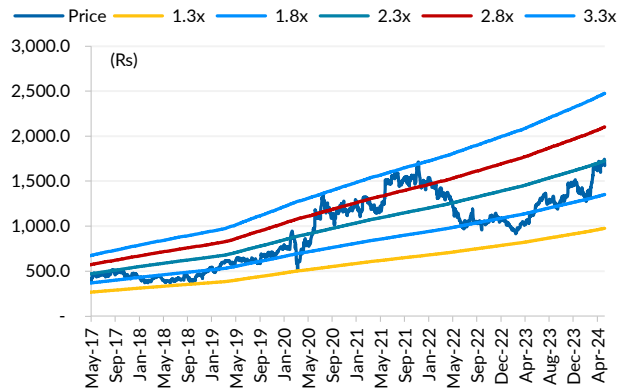
Source: Company, YES Sec

Exhibit 5: Funding Mix

(%)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Secured NCD's (M. Gold bonds)	0.2	0.1	0.0	0.0	0.0
Secured NCDs Listed	27.5	24.8	24.4	28.8	27.9
Banks / FI's borrowings	59.5	59.8	65.4	61.6	63.0
ECB-senior secured notes	9.1	5.2	-	-	-
Sub-ordinated debt – listed	0.2	0.1	0.1	0.1	0.1
Commercial Paper (CP)	2.3	7.7	8.3	8.0	7.9
Other loans	1.2	2.4	1.8	1.5	1.2

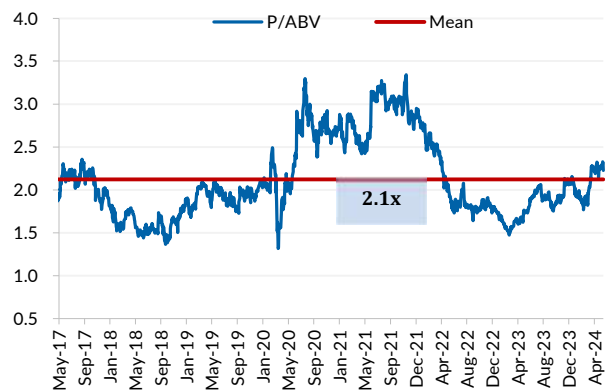
Source: Company, YES Sec

Exhibit 6: 1-yr rolling P/ABV band



Source: Company, YES Sec

Exhibit 7: 1-year rolling P/ABV vis-a-vis the mean



Source: Company, YES Sec

FINANCIALS

Exhibit 8: Balance Sheet

Y/e 31 Mar (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Capital	4,013	4,014	4,015	4,015	4,015
Reserves	1,83,844	2,12,643	2,47,057	2,89,188	3,41,081
Shareholder's funds	1,91,379	2,21,528	2,57,540	2,99,671	3,51,564
Current tax liabilities (net)	1,418	812	552	552	552
Provisions	3,680	3,619	3,733	3,733	3,733
Other non-financial liabilities	1,307	836	1,310	1,310	1,310
Total Non-Financial liabilities	6,405	5,267	5,595	5,595	5,595
Derivative financial instruments	4,798	1,922	139	139	139
Trade Payables	3,809	2,159	2,670	2,803	2,943
Debt Securities	1,31,740	1,46,046	1,74,762	2,11,462	2,30,494
Borrowings	4,08,553	4,05,975	5,00,520	6,05,629	6,60,135
Deposits	0	3,315	4,018	4,862	5,300
Subordinated Liabilities	2,997	2,547	3,310	4,005	4,365
Other Financial liabilities	13,483	12,732	16,141	19,530	21,288
Total Financial liabilities	5,65,381	5,74,694	7,01,559	8,48,430	9,24,664
Total Equities and Liabilities	7,63,165	8,01,489	9,64,694	11,53,695	12,81,823
Assets					
Cash and Bank Balances	1,03,150	80,357	62,720	82,533	93,016
Derivative financial instruments	605	0	0	0	0
Receivables	70	99	178	178	178
Loans	6,45,276	7,05,544	8,81,872	10,50,505	11,67,562
Investments	5,233	5,457	7,125	7,125	7,125
Other Financial Assets	2,807	3,453	4,136	4,343	4,560
Total Financial assets	7,57,141	7,94,910	9,56,031	11,44,684	12,72,441
Current tax assets (net)	110	475	725	797	877
Deferred tax assets (net)	1,090	641	976	976	976
Investment Property	93	82	91	91	91
Property, Plant and equipment	2,817	3,272	4,255	4,468	4,691
Other Intangible assets	1,030	1,176	1,356	1,356	1,356
Other non-financial assets	883	934	1,260	1,323	1,389
Total Non-Financial assets	6,023	6,580	8,663	9,012	9,381
Total Assets	7,63,165	8,01,489	9,64,694	11,53,695	12,81,823

Source: Company, YES Sec

Exhibit 9: Income statement

Y/e 31 Mar (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E
Income from Operations	1,21,849	1,18,977	1,50,617	1,84,582	2,09,935
Interest expense	(42,559)	(42,092)	(54,301)	(67,604)	(74,708)
Net interest income	79,291	76,885	96,316	1,16,979	1,35,226
Non-interest income	526	773	1,011	809	869
Total op income	79,816	77,658	97,327	1,17,787	1,36,096
Total op expenses	(21,879)	(25,998)	(31,823)	(36,551)	(41,450)
PPoP	57,937	51,660	65,503	81,237	94,646
Provisions	(3,835)	(2,432)	(5,538)	(5,856)	(6,161)
Profit before tax	54,102	49,228	59,965	75,381	88,485
Taxes	(13,789)	(12,530)	(15,289)	(19,220)	(22,561)
Net profit	40,313	36,698	44,676	56,161	65,924

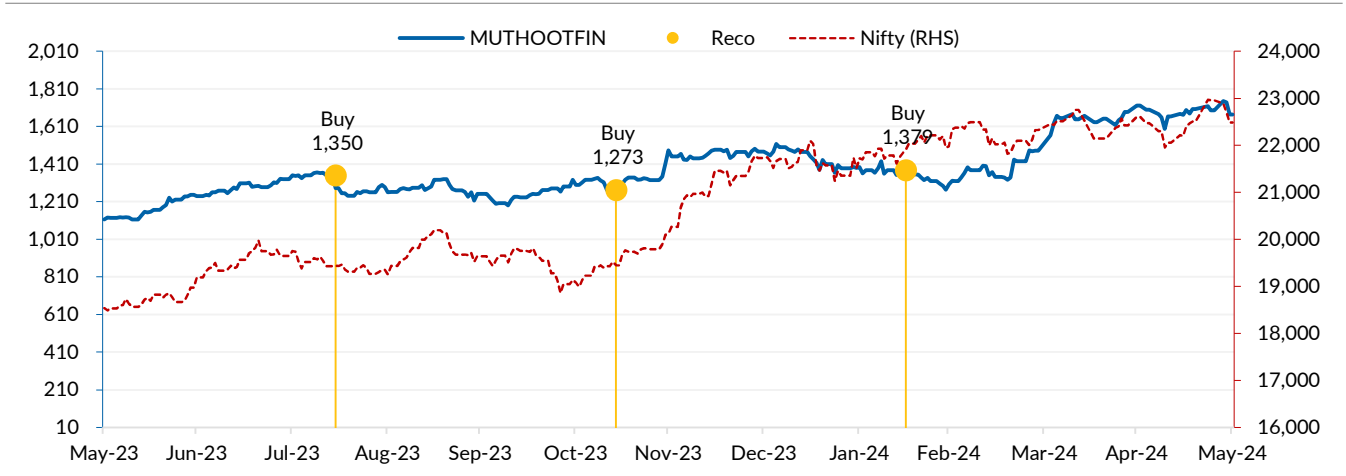
Source: Company, YES Sec

Exhibit 10: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)					
Net interest income	6.7	(3.0)	25.3	21.5	15.6
Total op income	6.8	(2.7)	25.3	21.0	15.5
Op profit (pre-provision)	7.6	(10.8)	26.8	24.0	16.5
Net profit	5.6	(9.0)	21.7	25.7	17.4
Loans	9.7	9.3	25.0	19.1	11.1
Borrowings	16.4	(0.6)	23.3	21.0	9.0
Total assets	11.2	5.0	20.4	19.6	11.1
Profitability Ratios (%)					
NIM	10.7	9.5	10.5	10.6	10.7
Non-int. Income/Total income	0.7	1.0	1.0	0.7	0.6
Return on Avg. Equity	23.5	18.1	19.1	20.6	20.7
Return on Avg. Assets	5.6	4.7	5.1	5.3	5.4
Per share ratios (Rs)					
EPS	100.4	91.4	111.3	139.9	164.2
ABVPS	468.1	539.7	625.4	730.3	859.6
DPS	20.0	22.0	24.0	30.0	30.0
Other key ratios (%)					
Cost/Income	27.4	33.5	32.7	31.0	30.5
Gross NPLs/Loans	3.0	3.8	3.3	2.4	2.3
Credit Cost (% of AUM)	0.6	0.4	0.7	0.6	0.6
Tax rate	25.5	25.5	25.5	25.5	25.5
Dividend yield	1.2	1.3	1.4	1.8	1.8

Source: Company, YES Sec

Recommendation Tracker



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Registered Address: 2nd Floor, North Side, YES BANK House,
Off Western Express Highway, Santacruz East,
Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 7th Floor, Urmi Estate Tower A, Ganpatrao
Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West),
Mumbai - 400 013, Maharashtra, India.

✉ research@yasil.in

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Email id: compliance@yasil.in, **Contact No:** 022- 65078127 (Extn: 718127)

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