

# MAS Financial Services

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	MASFIN IN
Equity Shares (m)	55
M.Cap.(INRb)/(USDb)	53.8 / 0.6
52-Week Range (INR)	1068 / 680
1, 6, 12 Rel. Per (%)	12/21/2
12M Avg Val (INR M)	64

## Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Total income	6.2	7.8	9.5
PPP	4.2	5.4	6.7
PAT	2.5	3.2	3.9
EPS (INR)	45.0	57.7	71.5
EPS Gr. (%)	22.3	28.4	23.9
BVPS (INR)	308	361	428
<b>Ratios (%)</b>	6.2	7.8	9.5
NIM	6.0	6.1	6.3
C/I ratio	31.9	31.2	30.0
RoA on AUM	2.8	2.9	3.0
RoE	15.6	17.2	18.1
Payout	8.8	7.8	7.0
<b>Valuations</b>	6.0	6.1	6.3
P/E (x)	22	17	14
P/BV (x)	3.2	2.7	2.3
Div. yield (%)	0.4	0.5	0.5

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	73.7	73.7	73.7
DII	8.4	8.6	11.0
FII	1.6	2.0	1.5
Others	16.2	14.1	13.7

FII Includes depository receipts

**CMP: INR985 TP: INR1160 (+18%) Buy**

## Continues to pivot towards direct retail distribution

### Surpasses a major milestone of ~INR100b consolidated AUM

- MAS Financial Services (MASF)'s 3QFY24 PAT grew 24% YoY to INR624m (in line). PPOP rose ~35% YoY to INR1.1b (in line).
- Operating expenses rose ~23% YoY to INR518m, with both the C/I ratio and Opex-to-AUM stable at 32% and 2.2%, respectively. Credit costs were at INR257m, translating into annualized credit costs of 1.1% (PQ: 1.1%).
- MASF recently took an enabling Board resolution to raise up to ~INR7b in one or more tranches through QIP or any other permissible mode. Despite capital adequacy of ~24.5% (Tier 1 of ~21%), this equity raise will be done at an opportune time for the next phase of growth.
- MASF has also declared the Bonus issue of shares in the ratio of 2:1. The record date has been fixed as 22<sup>nd</sup> Feb'24.
- **Reiterate BUY with a revised TP of INR1,160 (based on 2.7x FY26E BV).**

### Healthy disbursement momentum; AUM rose ~27% YoY

- Standalone AUM grew ~7% QoQ and ~27% YoY to ~INR97b. AUM in the HFC rose ~36% YoY to INR5.4b. AUM of micro-enterprise loans (MEL)/ SME loans/2Ws rose 15%/21%/34% YoY. Salaried personal loans were ~6% of the AUM mix, and MASF expects to keep them below 10% of the mix.
- MASF's thrust on distribution and branch expansion continued, with direct retail distribution contributing ~66% of the AUM mix as of Dec'23.

### Sequential compression in NIM and spreads

- CoF (calc.) increased ~50bp QoQ to 9.7% while yields (calc.) rose ~30bp to 14.8%, driving ~20bp contraction in spreads to ~5.1% (PQ: 5.3%).
- MASF borrows term loans from banks for lending to the PSL sector and doesn't foresee a significant increase in its CoB due to the RBI RWA circular. Management guided for a NIM of ~7.0% over FY25-FY26.

### Minor increase in 1+dpd; asset quality largely stable

- The 1+dpd loans rose ~25bp QoQ to 5.8% in 3QFY24. Total standalone Covid-related provisions stood at ~INR188m (~0.25% of on-book loans).
- On-book GNPA increased by ~5bp QoQ to 2.23%. NNPA was stable sequentially at 1.48%. PCR on Stage 3 assets increased ~30bp to ~41%.

### Other highlights

- Average ticket size of MEL declined further to ~INR42K (PQ: ~43K).
- RoTA declined ~5bp QoQ to ~2.9% in 3QFY24.

### HFC subsidiary:

- AUM grew 36% QoQ to INR5.4b. GS3 remained stable at ~0.8%.
- The company continues to carry Covid provisions of ~0.72% of the AUM.

### Key highlights from the management commentary

- The company plans to introduce used-car loans as a new product.
- Management guided for an AUM CAGR of 30-35% in its HFC subsidiary over the medium term. HFC AUM will be ~INR15b within the next three years and the parent will infuse equity capital as and when required.

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**Valuation and view**

- We model a standalone AUM/PAT CAGR of 22%/25% over FY23-FY26E with an RoA/RoE of 3.0%/18% in FY26E. The company has maintained a high earnings quality, backed by healthy AUM growth. With improvement in economic activity, we expect its earnings growth to be strong in future.
- MASF has developed a niche expertise to serve the MSME market and continues to demonstrate healthy loan growth momentum, while its asset quality is perhaps the best among MFI and SME lending peers.
- **Reiterate BUY with a TP of INR1,160 (premised on 2.7x FY26E BV).** Key risk: Slowdown in the economic environment leading to a sluggish loan growth and deterioration in asset quality.

## Quarterly Performance

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	3QFY24E	Act. v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Revenue from Operations</b>	<b>1,983</b>	<b>2,300</b>	<b>2,515</b>	<b>2,703</b>	<b>2,801</b>	<b>2,982</b>	<b>3,258</b>	<b>3,465</b>	<b>9,491</b>	<b>12,505</b>	<b>3,231</b>	<b>1</b>
Interest Income	1,677	1,941	2,183	2,325	2,362	2,490	2,703	2,912	8,066	10,468	2,715	0
Gain on assignments	157	178	158	198	242	272	319	296	680	1,129	280	14
Other operating Income	150	182	173	180	196	219	236	256	745	908	237	-1
Interest expenses	928	1,108	1,276	1,435	1,428	1,461	1,638	1,761	4,748	6,287	1,607	2
<b>Total income</b>	<b>1,055</b>	<b>1,192</b>	<b>1,238</b>	<b>1,268</b>	<b>1,373</b>	<b>1,520</b>	<b>1,620</b>	<b>1,704</b>	<b>4,743</b>	<b>6,218</b>	<b>1,624</b>	<b>0</b>
Growth Y-o-Y (%)	34.3	47.5	39.7	36.1	30.2	27.6	30.8	34.4	40.5	31.1	31.2	
Operating Expenses	348	416	421	381	427	484	518	552	1,566	1,981	542	-5
<b>Operating Profits</b>	<b>707</b>	<b>775</b>	<b>818</b>	<b>887</b>	<b>946</b>	<b>1,036</b>	<b>1,102</b>	<b>1,152</b>	<b>3,177</b>	<b>4,236</b>	<b>1,082</b>	<b>2</b>
Growth Y-o-Y (%)	11.1	28.2	34.8	39.0	33.8	33.6	34.8	29.9	29.5	33.3	32.3	
Provisions	85	121	142	182	188	236	257	268	530	950	230	12
<b>Profit before tax</b>	<b>623</b>	<b>654</b>	<b>676</b>	<b>704</b>	<b>758</b>	<b>800</b>	<b>845</b>	<b>883</b>	<b>2,647</b>	<b>3,287</b>	<b>852</b>	<b>-1</b>
Growth Y-o-Y (%)	25.7	27.0	25.4	17.4	21.8	22.3	25.1	25.4	25.3	24.2	26.0	
Tax Provisions	157	164	170	149	186	200	221	222	637	828	213	4
<b>Net Profit</b>	<b>465</b>	<b>491</b>	<b>506</b>	<b>556</b>	<b>573</b>	<b>600</b>	<b>624</b>	<b>661</b>	<b>2,010</b>	<b>2,458</b>	<b>639</b>	<b>-2</b>
Growth Y-o-Y (%)	26.3	28.0	26.0	23.4	23.1	22.3	23.5	19.1	27.6	22.3	26.4	
<b>Key Operating Parameters (%)</b>												
Yield on loans (Cal)	12.7	13.5	14.2	14.5	14.3	14.5	14.8	14.8				
Cost of funds (Cal)	7.7	8.1	8.7	9.7	9.6	9.2	9.7	9.4				
Spreads (Cal)	5.0	5.4	5.5	4.8	4.7	5.3	5.1	5.4				
NIM on AUM (Cal)	6.5	6.9	6.7	6.5	6.7	7.0	6.9	6.9				
Credit Cost (%)	0.5	0.7	0.8	0.9	0.9	1.1	1.1	1.1				
Cost to Income Ratio	33.0	34.9	34.0	30.1	31.1	31.9	32.0	32.4				
Tax Rate	25.3	25.0	25.2	21.1	24.5	25.0	26.1	25.1				
<b>Balance Sheet Parameters</b>												
<b>Standalone AUM (INR B)</b>	<b>66.8</b>	<b>71.4</b>	<b>76.1</b>	<b>80.9</b>	<b>84.2</b>	<b>90.5</b>	<b>96.7</b>	<b>100.8</b>				
Change YoY (%)	29.5	30.1	32.5	29.5	25.9	26.7	27.2	24.6				
<b>Disbursements (INR B)</b>	<b>21.5</b>	<b>22.6</b>	<b>22.2</b>	<b>24.9</b>	<b>22.8</b>	<b>25.0</b>	<b>27.2</b>	<b>29.1</b>				
Change YoY (%)	106.8	53.2	39.0	27.0	5.8	10.5	22.6	16.6				
<b>Borrowings (INR B)</b>	<b>50.5</b>	<b>58.4</b>	<b>59.3</b>	<b>59.1</b>	<b>59.9</b>	<b>67.1</b>	<b>68.0</b>	<b>82.1</b>				
Change YoY (%)	42.6	43.0	36.2	29.8	18.5	15.0	14.5	39.0				
Debt/Equity (x)	3.7	4.3	4.2	3.9	3.8	4.1	4.0					
<b>Asset liability Mix</b>												
<b>AUM Mix (%)</b>												
Micro Enterprises	51.8	50.3	49.7	47.9	47.8	47.1	44.9					
SME loans	36.6	37.4	37.3	36.9	36.5	35.7	35.7					
2W loans	5.8	6.6	6.6	6.9	6.8	6.9	6.9					
CV loans	5.0	3.8	3.8	4.6	5.3	6.2	6.8					
<b>Borrowings Mix (%)</b>												
Direct Assignment	20.0	18.0	19.0	21.0	23.0	23.3	23.9					
Cash Credit	26.0	25.0	21.0	18.0	17.0	16.0	16.0					
Term Loan	43.0	45.0	47.0	50.0	48.0	50.6	51.9					
NCD	9.0	9.0	10.0	8.0	8.0	7.1	4.6					
Sub Debt	2.0	2.0	3.0	3.0	4.0	3.0	3.5					
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR m)	1,177	1,308	1,380	1,327	1,355	1,555	1,747					
GS 3 (%)	2.27	2.26	2.23	2.15	2.13	2.17	2.23					
NS 3 (INR m)	742	837	901	814	795	916	1,023					
NS 3 (%)	1.63	1.60	1.60	1.52	1.47	1.47	1.48					
PCR (%)	37.0	36.0	34.7	38.6	41.3	41.1	41.4					
<b>Return Ratios (%)</b>												
ROA	2.9	2.8	2.7	2.9	3.0	2.9	2.9					
Tier I ratio	22.5	21.2	21.2	20.8	21.1	21.2	20.6					

E: MOFSL estimates



## Highlights from the management commentary

### Reflections on the consolidated AUM milestone of INR100b

- MASF is adequately leveraged and has generated good return on capital deployed over the last two decades.
- There is no sense of complacency. It has miles to go and is continuously working on strengthening the franchise.
- Utilized the capital very judiciously and has delivered non-dilutive growth so far.
- It is enabling technology capabilities in place to support future growth

### Equity raise

- Capital raise will depend on the right valuations and the right set of investors. The idea is to have the enabling resolution and then meet merchant bankers who can suggest the right time and right investors to raise equity capital.
- It has a capital adequacy of ~24% (based on on-book loans) and plan will be to keep the capital adequacy above 20% (based on AUM).
- MASF will look to raise equity capital within this calendar year, and it could be as early as this quarter or next quarter.
- Enabling Board resolution to raise ~INR7b of equity capital as and when required; this is for the next phase of growth and management will decide the opportune time and opportune amount (in one or more tranches) for this capital raise

### Financial performance

- Consolidated AUM stood at INR102.2b and consolidated PAT stood at INR640m
- Standalone AUM as of Dec'23 stood at ~INR97b
- MEL and SME contributed ~80%, Wheels (CV and 2W) contributed ~14% and salaried personal loans contributed ~6% to the AUM mix.
- GS3 stood at 2.23% and the company held ~INR190m of management overlay (~0.25% of the on-book loans)

### Guidance

- Guided for NIM of ~7% and RoA of 2.75%-3.25%
- NIM will improve, and so will the opex and credit costs, but the RoA/RoE will be along the guided lines
- The RoE is likely to be 16-18% over the medium term
- MASF will want to become a well-diversified lender. With economy entering a phase of steady growth, it sees the wheels portfolio and the Housing Loans portfolio also contributing to the strong growth
- Guided for an AUM mix of ~10-15% in Housing, 25% in Wheels, and ~60-65% in MEL and MSME

### Distribution

- It has 181 branches for direct distribution and 167 NBFC partnerships. Direct distribution is growing faster than NBFC partnerships.
- Will look to double the branches to 300-350

### Housing

- HFC's AUM stood at INR5.4b and grew 36% YoY. 3QFY24 PAT in the HFC stood at INR20m and grew 25% YoY
- GS3 stood at 0.81% (PQ: 0.79%). Management overlay was at ~INR30m in the HFC subsidiary

- Readiness from an operational standpoint and better understanding of the demography have now given confidence to the management to grow its Housing book at a strong pace
- Housing AUM will grow at 30-35% over the next few years. It has pristine portfolio quality in the HFC. The HFC AUM will be ~INR15b within the next three years (~30-35% AUM CAGR). The parent will infuse equity capital as and when required.
- In the HFC, profit growth is lagging loan growth because of higher operational costs from investments in distribution and building the franchise. HFC in steady-state can deliver an RoA of 2.0-2.5% and RoE of 14-16%.

#### **Salaried personal loans**

- Salaried personal loans was 5-6% of the overall AUM and it expects to keep it <10% of the AUM mix
- GS3 in salaried personal loans was ~2.38%. A majority of the sourcing in personal loans is done from feet on street and some sourcing is done through DSAs.

#### **Impact of the RBI RWA circular**

- The Priority Sector Lending has been excluding the increase in risk weights from bank loans to NBFCs. MASF receives term loans from banks for on-lending to the PSL sector. It does not expect any significant rise in its CoB because of the RBI RWA circular.
- Four states now contribute ~90% of the branches but it will have a more evenly spread branch network going ahead

#### **Liability management**

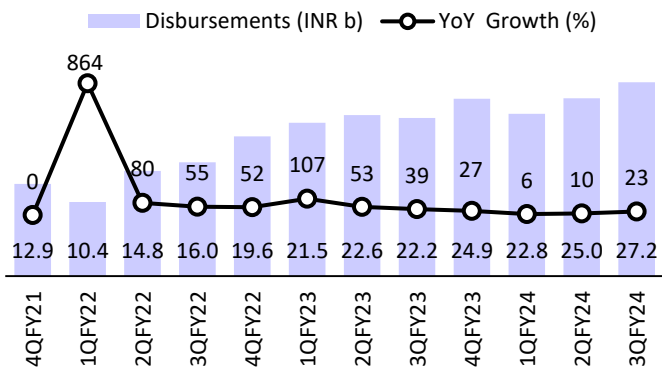
- Sanctions on hand of INR20b (including term loans, NCD and direct assignment)
- Liabilities: It has a very strong liability franchise and is focused on diversification of liabilities. Within 3-5 years, liabilities will also be very well diversified just like its assets.

#### **Others**

- The record date for the bonus shares is 22<sup>nd</sup> Feb'24, and bonus shares will be credited within seven days of the record date.
- The company plans to introduce used-car loan as a new product
- It declared a dividend and bonus share to reward its shareholders. Management is in the process of strengthening the company for the next phase of business growth.
- It continues to enjoy the confidence of the core team. More than 500 people have been at MASF for more than five years, and the founding team has been with MASF for over 25 years.

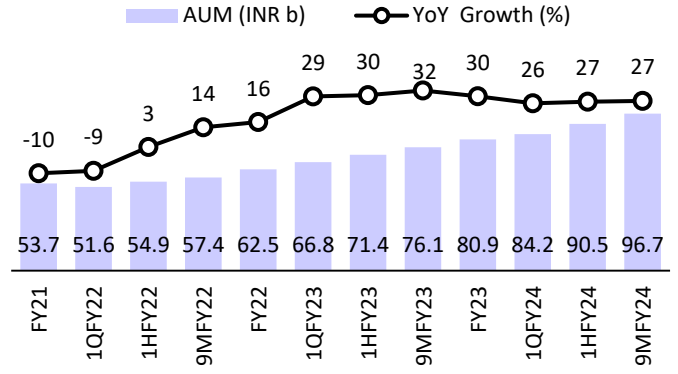
Key exhibits

Exhibit 1: Disbursements grew 23% YoY...



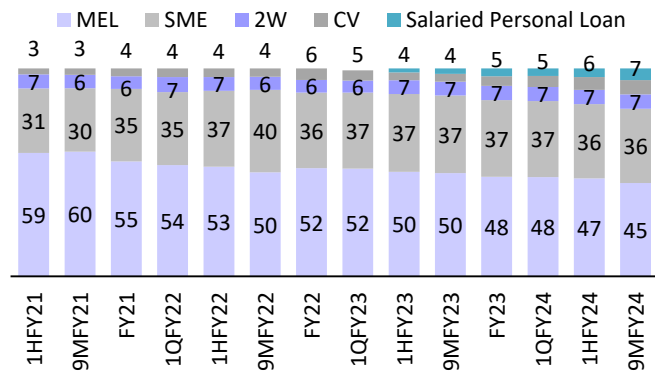
Source: MOFSL, Company

Exhibit 2: ...leading to an AUM growth of ~27% YoY



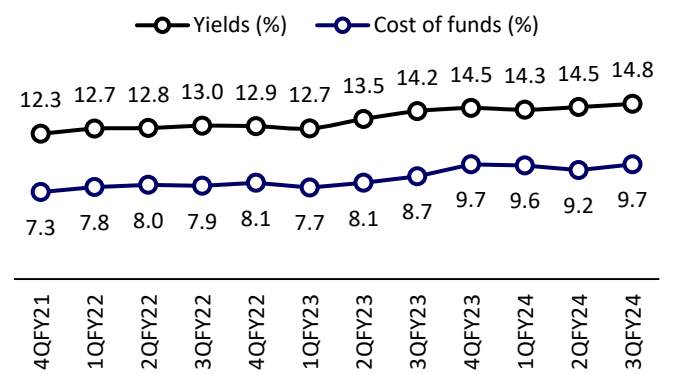
Source: MOFSL, Company

Exhibit 3: Share of MEL loan declined ~2pp QoQ (%)



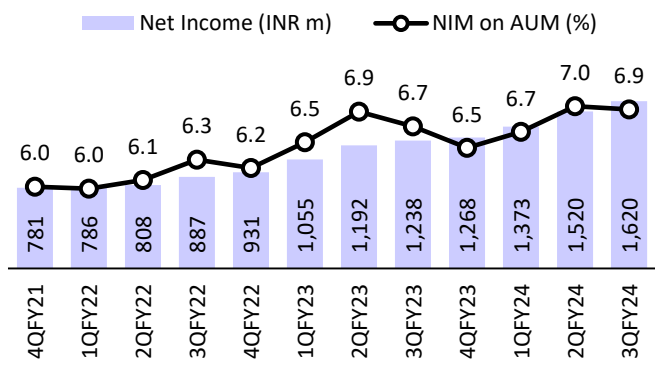
Source: MOFSL, Company

Exhibit 4: Spreads (calculated) declined ~20bp QoQ (%)



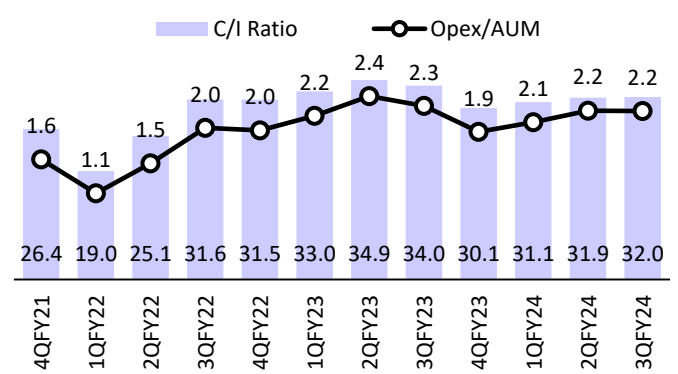
Source: MOFSL, Company

Exhibit 5: NIM on AUM declined ~10bp QoQ



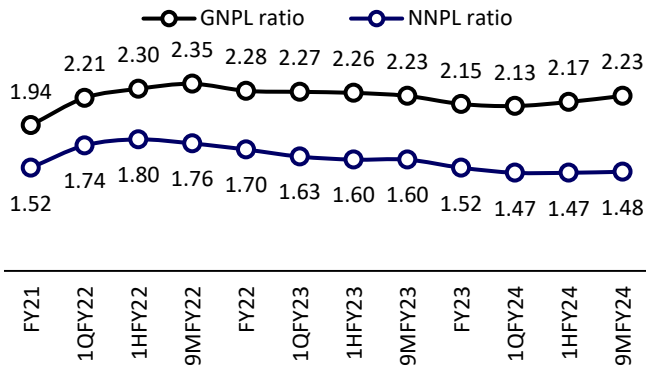
Source: MOFSL, Company; Note: including upfront assignment income

Exhibit 6: Opex-to-AUM remained stable at ~2.2%



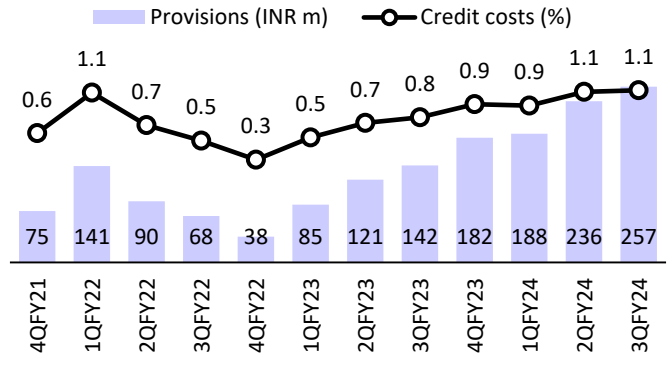
Source: MOFSL, Company

**Exhibit 7: GNPL ratio increased 5bp QoQ (%)**



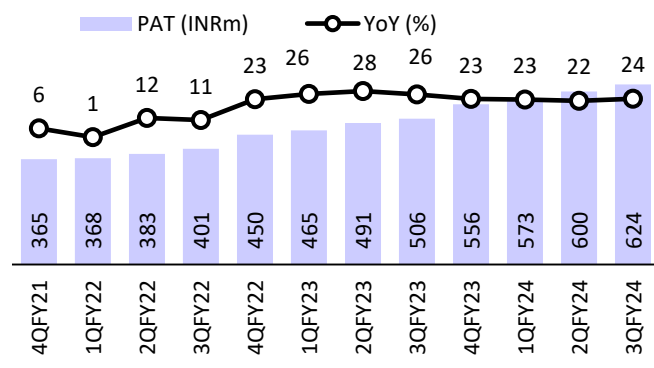
Source: MOFSL, Company

**Exhibit 8: Credit costs remained stable at ~1.1%**



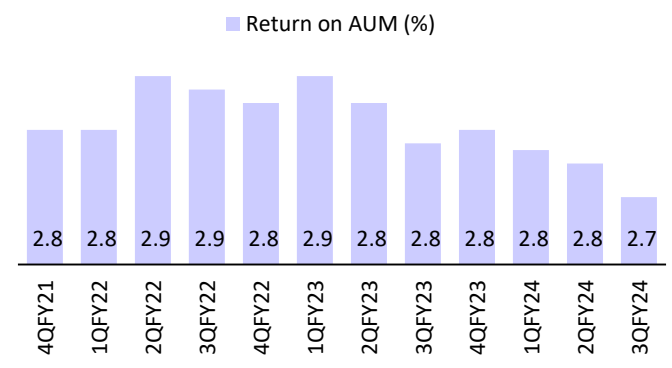
Source: MOFSL, Company

**Exhibit 9: PAT up 4% QoQ and 24% YoY**



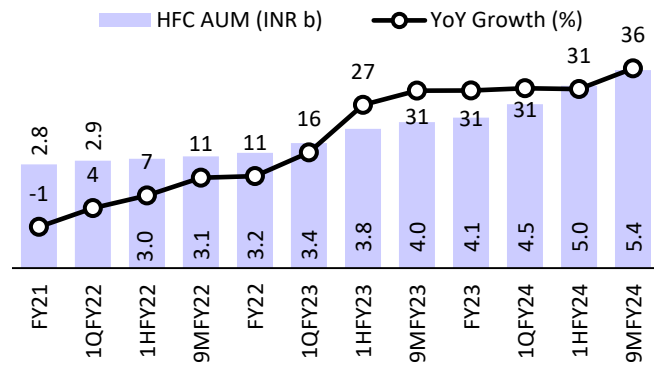
Source: MOFSL, Company

**Exhibit 10: Return on AUM (%)**



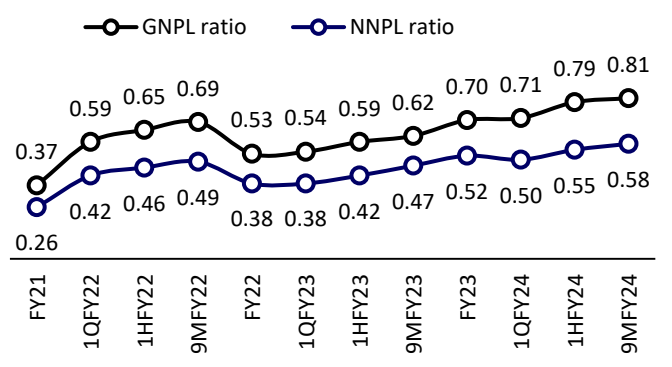
Source: MOFSL, Company. Reported RoA

**Exhibit 11: HFC subsidiary's AUM grew 36% YoY...**



Source: MOFSL, Company

**Exhibit 12: ...while asset quality was largely stable (%)**



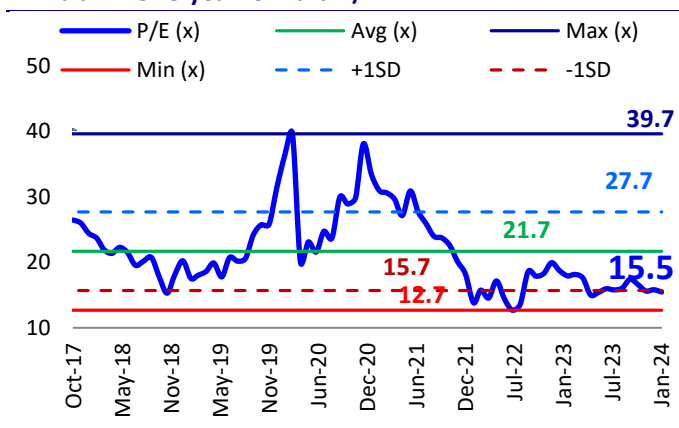
Source: MOFSL, Company

**Exhibit 13: Our earnings estimates are broadly unchanged**

INR b	Old Est.			New Est.			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
NII	4.2	5.6	6.8	4.2	5.5	6.7	-1.5	-2.5	-1.6
Other Income	2.0	2.2	2.5	2.0	2.4	2.8	3.4	7.5	10.1
<b>Total Income</b>	<b>6.2</b>	<b>7.8</b>	<b>9.4</b>	<b>6.2</b>	<b>7.8</b>	<b>9.5</b>	<b>0.0</b>	<b>0.4</b>	<b>1.5</b>
Operating Expenses	2.1	2.6	2.9	2.0	2.5	2.9	-3.8	-3.9	-2.3
<b>Operating Profits</b>	<b>4.2</b>	<b>5.3</b>	<b>6.4</b>	<b>4.2</b>	<b>5.4</b>	<b>6.7</b>	<b>1.9</b>	<b>2.4</b>	<b>3.3</b>
Provisions	0.8	1.0	1.2	0.9	1.2	1.4	15.5	15.6	15.7
<b>PBT</b>	<b>3.3</b>	<b>4.3</b>	<b>5.2</b>	<b>3.3</b>	<b>4.2</b>	<b>5.2</b>	<b>-1.4</b>	<b>-0.7</b>	<b>0.4</b>
Tax	0.8	1.1	1.3	0.8	1.1	1.3	-1.4	-0.7	0.4
<b>PAT</b>	<b>2.5</b>	<b>3.2</b>	<b>3.9</b>	<b>2.5</b>	<b>3.2</b>	<b>3.9</b>	<b>-1.4</b>	<b>-0.7</b>	<b>0.4</b>
<b>AUM</b>	<b>102</b>	<b>125</b>	<b>150</b>	<b>101</b>	<b>124</b>	<b>149</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-0.9</b>
<b>NIM (%)</b>	<b>4.6</b>	<b>4.9</b>	<b>5.0</b>	<b>4.6</b>	<b>4.9</b>	<b>4.9</b>			
<b>ROAA (%)</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>			
<b>RoAE (%)</b>	<b>15.8</b>	<b>17.3</b>	<b>18.0</b>	<b>15.6</b>	<b>17.2</b>	<b>18.1</b>			

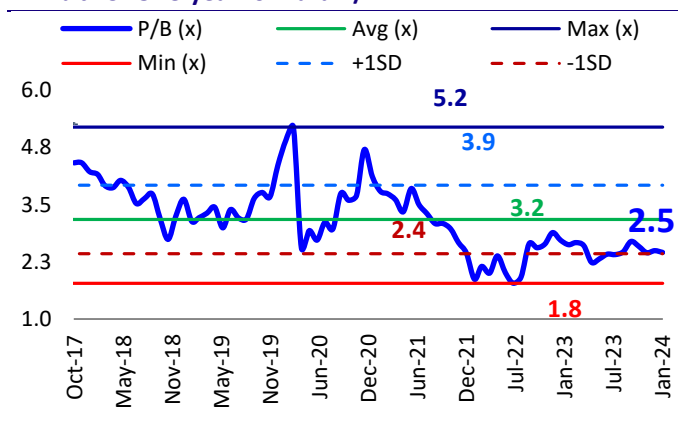
Source: MOFSL, Company

**Exhibit 14: One-year forward P/E**



Source: MOFSL, Company

**Exhibit 15: One-year forward P/B**



Source: MOFSL, Company



## Financials and valuations

INCOME STATEMENT										INR m
Y/E MARCH	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	3,148	3,594	4,645	5,551	4,831	5,611	8,066	10,468	13,545	16,340
Interest Expense	1,513	1,705	2,067	2,722	2,645	3,195	4,748	6,287	8,094	9,611
<b>Net Financing income</b>	<b>1,634</b>	<b>1,889</b>	<b>2,579</b>	<b>2,829</b>	<b>2,186</b>	<b>2,416</b>	<b>3,318</b>	<b>4,181</b>	<b>5,451</b>	<b>6,728</b>
Change (%)	20.5	15.6	36.5	9.7	-22.7	10.5	37.3	26.0	30.4	23.4
Gains on Assignment	0	801	941	1,012	806	639	680	1,129	1,299	1,494
<b>NII incl assignment income</b>	<b>1,634</b>	<b>2,689</b>	<b>3,520</b>	<b>3,841</b>	<b>2,992</b>	<b>3,054</b>	<b>3,998</b>	<b>5,310</b>	<b>6,750</b>	<b>8,222</b>
Change (%)	20.3	64.6	30.9	9.1	-22.1	2.1	30.9	32.8	27.1	21.8
Fees and Others	268	115	139	165	302	321	745	908	1,100	1,294
<b>Total Income</b>	<b>1,902</b>	<b>2,804</b>	<b>3,659</b>	<b>4,005</b>	<b>3,294</b>	<b>3,375</b>	<b>4,743</b>	<b>6,218</b>	<b>7,849</b>	<b>9,516</b>
Change (%)	17.5	47.4	30.5	9.5	-17.8	2.5	40.5	31.1	26.2	21.2
<b>Operating Expenses</b>	<b>604</b>	<b>725</b>	<b>775</b>	<b>899</b>	<b>616</b>	<b>921</b>	<b>1,566</b>	<b>1,981</b>	<b>2,450</b>	<b>2,858</b>
Change (%)	-11.3	20.1	6.8	16.0	-31.4	49.5	69.9	26.5	23.7	16.6
<b>Operating Profits</b>	<b>1,298</b>	<b>2,079</b>	<b>2,885</b>	<b>3,106</b>	<b>2,678</b>	<b>2,454</b>	<b>3,177</b>	<b>4,236</b>	<b>5,399</b>	<b>6,658</b>
Change (%)	38.4	60.2	38.7	7.7	-13.8	-8.4	29.5	33.3	27.4	23.3
<b>Total Provisions</b>	<b>267</b>	<b>428</b>	<b>545</b>	<b>825</b>	<b>749</b>	<b>341</b>	<b>530</b>	<b>950</b>	<b>1,180</b>	<b>1,431</b>
% to operating income	20.6	20.6	18.9	26.5	28.0	13.9	16.7	22.4	21.9	21.5
<b>PBT</b>	<b>1,031</b>	<b>1,652</b>	<b>2,339</b>	<b>2,282</b>	<b>1,929</b>	<b>2,113</b>	<b>2,647</b>	<b>3,287</b>	<b>4,219</b>	<b>5,227</b>
Tax	357	617	818	616	494	538	637	828	1,063	1,317
Tax Rate (%)	34.6	37.4	35.0	27.0	25.6	25.5	24.1	25.2	25.2	25.2
<b>PAT</b>	<b>674</b>	<b>1,034</b>	<b>1,521</b>	<b>1,666</b>	<b>1,435</b>	<b>1,575</b>	<b>2,010</b>	<b>2,458</b>	<b>3,156</b>	<b>3,910</b>
Change (%)	56.1	53.5	47.1	9.5	-13.8	9.7	27.6	22.3	28.4	23.9
Proposed Dividend	132	200	279	437	82	164	197	216	246	274

BALANCE SHEET										INR m
Y/E MARCH	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	430	547	547	547	547	547	547	547	547	547
Reserves & Surplus (Ex OCI)	1,147	6,674	7,859	8,807	10,724	12,404	14,056	16,298	19,207	22,843
<b>Networth (Ex OCI)</b>	<b>1,576</b>	<b>7,221</b>	<b>8,406</b>	<b>9,354</b>	<b>11,271</b>	<b>12,951</b>	<b>14,602</b>	<b>16,844</b>	<b>19,754</b>	<b>23,390</b>
OCI	159	376	455	455	455	455	455	455	455	455
<b>Networth (Incl OCI)</b>	<b>1,735</b>	<b>7,596</b>	<b>8,861</b>	<b>9,809</b>	<b>11,726</b>	<b>13,406</b>	<b>15,057</b>	<b>17,299</b>	<b>20,209</b>	<b>23,845</b>
Change (%)	24.4	337.7	16.6	10.7	19.5	14.3	12.3	14.9	16.8	18.0
Minority Interest	0	0	0	0	1	0	0	0	10	10
Other Capital Instruments	0	0	0	0	0	0	0	0	0	0
<b>Borrowings</b>	<b>18,433</b>	<b>18,871</b>	<b>27,438</b>	<b>34,870</b>	<b>39,264</b>	<b>46,896</b>	<b>61,432</b>	<b>82,109</b>	<b>97,751</b>	<b>1,15,837</b>
Change (%)	10.6	2.4	45.4	27.1	12.6	19.4	31.0	33.7	19.1	18.5
<b>Other liabilities</b>	<b>101</b>	<b>509</b>	<b>736</b>	<b>1,038</b>	<b>786</b>	<b>341</b>	<b>276</b>	<b>304</b>	<b>334</b>	<b>368</b>
Change (%)	-92.8	405.8	44.5	41.0	-24.3	-56.7	-18.9	10.0	10.0	10.0
<b>Total Liabilities</b>	<b>20,269</b>	<b>26,977</b>	<b>37,036</b>	<b>45,718</b>	<b>51,775</b>	<b>60,642</b>	<b>76,765</b>	<b>99,712</b>	<b>1,18,294</b>	<b>1,40,050</b>
<b>Loans</b>	<b>19,342</b>	<b>25,463</b>	<b>32,185</b>	<b>33,485</b>	<b>38,051</b>	<b>45,538</b>	<b>59,102</b>	<b>80,467</b>	<b>97,751</b>	<b>1,15,837</b>
Change (%)	12.1	31.6	26.4	4.0	13.6	19.7	29.8	36.2	21.5	18.5
<b>Investments</b>	<b>133</b>	<b>134</b>	<b>223</b>	<b>375</b>	<b>2,350</b>	<b>5,381</b>	<b>8,261</b>	<b>8,261</b>	<b>8,261</b>	<b>8,261</b>
Net Fixed Assets	72	565	572	603	609	647	730	817	899	971
Other assets	722	815	4,056	11,255	10,765	9,077	8,673	10,167	11,393	14,991
<b>Total Assets</b>	<b>20,269</b>	<b>26,977</b>	<b>37,036</b>	<b>45,718</b>	<b>51,776</b>	<b>60,642</b>	<b>76,765</b>	<b>99,712</b>	<b>1,18,304</b>	<b>1,40,060</b>

E: MOFSL Estimates

Assumptions	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
AUM (INR M)	31,561	41,570	53,384	59,663	53,724	62,468	80,926	1,00,832	1,23,939	1,48,639
Change (%)	16.9	31.7	28.4	11.8	-10.0	16.3	29.5	24.6	22.9	19.9
On Balance Sheet	61.3	61.8	60.9	55.7	75.4	81.4	81.0	81.0	80.0	79.0
Off Balance Sheet	38.7	38.2	39.1	44.3	24.6	18.6	19.0	20.2	21.1	22.1

E: MOSL Estimates

## Financials and valuations

RATIOS										(%)
Y/E MARCH	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Spreads Analysis (%)</b>										
Yield on loans	17.2	16.0	16.1	16.9	13.5	13.4	15.4	15.0	15.2	15.3
Cost of Funds	8.6	9.1	8.9	8.7	7.1	7.4	8.8	8.8	9.0	9.0
Spreads (On books)	8.6	6.9	7.2	8.2	6.4	6.0	6.6	6.2	6.2	6.3
NIMs (On Books)	8.9	8.4	8.9	8.6	6.1	5.8	6.3	6.0	6.1	6.3
<b>Profitability Ratios (%)</b>										
RoE	45.3	23.5	19.5	18.8	13.9	13.0	14.6	15.6	17.2	18.1
RoA	3.4	4.4	4.8	4.0	2.9	2.8	2.9	2.8	2.9	3.0
RoA (on AUM)	2.3	2.8	3.2	2.9	2.5	2.7	2.8	2.7	2.8	2.9
Op. Exps./Net Income	31.8	25.9	21.2	22.4	18.7	27.3	33.0	31.9	31.2	30.0
Empl. Cost/Op. Exps.	43.4	52.4	60.9	58.3	48.2	45.8	39.9	43.1	43.5	42.9
<b>Asset-Liability Profile (%)</b>										
Net NPAs to Adv.	1.3	1.7	1.6	1.4	1.0	1.2	1.2	1.1	1.0	0.9
Debt/Equity (x) - On BS	11.7	2.6	3.3	3.7	3.5	3.6	4.2	4.9	4.9	5.0
Average leverage	11.8	4.2	3.0	3.5	3.6	3.6	3.9	4.6	4.9	5.0
CAR	16.9	31.9	29.1	31.0	26.9	26.4	25.3	22.9	21.7	21.4
<b>Valuations</b>										
Book Value (INR)	37	132	154	171	206	237	267	308	361	428
Price-BV (x)	26.8	7.5	6.4	5.8	4.8	4.2	3.7	3.2	2.7	2.3
Adjusted BV (INR)	33	126	147	165	201	229	257	294	346	410
Price-ABV (x)	30.2	7.8	6.7	6.0	4.9	4.3	3.8	3.3	2.8	2.4
EPS (INR)	15.7	18.9	27.8	30.5	26.3	28.8	36.8	45.0	57.7	71.5
EPS Growth (%)	-42	21	47	9	-14	10	28	22	28	24
Price-Earnings (x)	62.8	52.1	35.4	32.3	37.5	34.2	26.8	21.9	17.1	13.8
Dividend per share	3.3	3.7	5.1	8.0	1.5	3.0	3.0	4.0	4.5	5.0
Dividend yield (%)	0.3	0.4	0.5	0.8	0.2	0.3	0.3	0.4	0.5	0.5

E: MOFSL Estimates

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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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Contact Person	Contact No.	Email ID
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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSDL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.