

# M&M Financial Services (MMFS) BUY

On track to achieve vision 2025

## Summary

MMFS's AUM growth improved to 27% YoY vs 21% YoY (Q3FY24) led by strong disbursement growth (up 50% YoY) during Q4FY23. Management guided for 15% - 20% AUM growth for FY24 led by new business segments. Asset quality improved with GNPA at 4.5% vs 5.9% led by higher write offs. Management guided for volatility in asset quality to come down and stable credit cost for the future. NII grew by 10% YoY led by decline in NIMs. PPop grew by 5% YoY as cost to income ratio inched up. However, PAT grew by 14% YoY led by decline in provisions (down 99% YoY). MMFS on track to achieve vision 2025 of ~2.5% return on assets (achieved 2.3% FY23). We revised estimates upwards (up 7% FY25BV) and maintain 'BUY' on MMFS with target price of Rs.310 (earlier Rs.290), valuing it at 1.9x P/ABV FY25E ABV.

## Key Highlights and Investment Rationale

- AUM growth improved to 27% YoY:** AUM growth improved to 27% YoY as against 1% YoY FY22 led by 80% YoY growth in disbursements. Auto segment (33% of mix) grew by 31% YoY; Cars segment (20% of mix) grew by 16% YoY while tractor segment (14% of mix) grew by 12% YoY. SME & pre-owned portfolio (next growth drivers) grew by 80%/39% YoY respectively. Disbursement grew by 80% YoY FY23 led by growth across segment. Management guided for 15-20% AUM growth FY24.
- Asset quality best in many quarters:** Asset quality improved with GNPA declined to 4.5% vs 7.66% YoY led by better collection efficiency. Further, during FY23 stage 2 assets declined from 14% to 6% YoY which supports the lower flows to stage 3 assets going forward. GS3 stood at 5.9%; lower than 6% which is required by RBI. Asset quality volatility has been the concern for the company. Management has guided to arrest the volatility in asset quality and stabilize the same.

|                           |               |
|---------------------------|---------------|
| <b>TP</b>                 | <b>Rs 310</b> |
| <b>CMP</b>                | <b>Rs259</b>  |
| Potential upside/downside | +20%          |
| Previous Rating           | --            |

## Price Performance (%)

|               | -1m  | -3m  | -12m |
|---------------|------|------|------|
| Absolute      | 14.2 | 14.7 | 41.4 |
| Rel to Sensex | 8.8  | 11.7 | 34.3 |

## V/s Consensus

| EPS (Rs)     | FY24E | FY25E |
|--------------|-------|-------|
| IDBI Capital | 18    | 24    |
| Consensus    | 19    | 23    |
| % difference | (3.9) | 5.1   |

## Key Stock Data

|                                 |                 |
|---------------------------------|-----------------|
| Bloomberg / Reuters             | MMFS IN/MMFS.BO |
| Sector                          | NBFC            |
| Shares o/s (mn)                 | 1,236           |
| Market cap. (Rs mn)             | 319,940         |
| 3-m daily avg Trd value (Rs mn) | 32.2            |
| 52-week high / low              | Rs272 / 161     |
| Sensex / Nifty                  | 61,112 / 18,065 |

## Shareholding Pattern (%)

|           |      |
|-----------|------|
| Promoters | 52.2 |
| FII       | 14.9 |
| DII       | 25.1 |
| Public    | 7.8  |

## Financial snapshot

| Year            | FY2021 | FY2022 | FY2023 | FY2024E | FY2025E |
|-----------------|--------|--------|--------|---------|---------|
| NII             | 55,339 | 55,554 | 61,059 | 70,690  | 84,435  |
| Change (yoy, %) | 8%     | 0%     | 10%    | 16%     | 19%     |
| Net Profit      | 3,352  | 9,887  | 19,843 | 22,860  | 29,763  |
| Change (yoy, %) | -63%   | 195%   | 101%   | 15%     | 30%     |
| EPS (Rs)        | 3      | 8      | 16     | 18      | 24      |
| Change (yoy, %) | -82%   | 195%   | 101%   | 15%     | 30%     |
| ABV (Rs)        | 107    | 119    | 131    | 144     | 163     |
| PER (x)         | 95.2   | 32.3   | 16.1   | 14.0    | 10.8    |
| P/ABV (x)       | 2.4    | 2.2    | 2.0    | 1.8     | 1.6     |
| ROE (%)         | 2.6    | 6.5    | 12.1   | 12.7    | 14.9    |
| ROA (%)         | 0.4    | 1.3    | 2.3    | 2.2     | 2.4     |
| GNPA (%)        | 9.0    | 7.7    | 4.5    | 4.0     | 3.5     |
| NNPA (%)        | 4.1    | 3.5    | 1.9    | 1.6     | 1.4     |
| CAR (%)         | 26.0   | 27.8   | 22.5   | 21.7    | 21.1    |

Source: IDBI Capital Research

- NIMs to be maintain at 7.5% as per vision 2025:** Gross spread FY23 stood at 7.6% vs flat YoY; Q4FY23 stood at 7.4% stable QoQ. MMFS has been able to pass on rise in cost of borrowings to the borrowers during FY23 which depicts the pricing power. Going forward, depending upon the RBI rate hikes or pause, cost of borrowings should move, however management quite confident to maintain margins around 7.5% FY24.
- Cost to income ratio increased:** Cost to income ratio increased to 42% during FY23 as against 36% YoY due to higher employee expenses. Employee expense grew by 35% YoY due to addition of around 6300 number of employees to support growth. Management guided for cost to income ration to remain elevated around these levels for FY24 and will reap benefits in FY25. Some of the triggers for cost control include getting rid of processes which are no longer required, digitizing some of the manual processes and outsourcing activities wherever required.
- Mahindra rural housing Finance; subsidiary continue to bleed:** Housing finance subsidiary reported loss of Rs.26cr during Q4FY23 led by higher provisions. Loan book has declined to Rs.6,845 cr vs 7,029cr as focused remains on collection efficiency and bring down NPA. GS3 declined to 10.5% vs 11.33% YoY. We have not assumed any value in calculating valuation for the stock (MMFS).
- Outlook:** MMFS, with a strong presence in the rural and semi-urban areas of India, is play on rural India. With improvement in daily wage rate for rural segment along with decline in inflation, disbursement growth expected to remain strong (management guided for 15-20% growth for FY24). Asset quality volatility historically has been the concern for the company; however management has taken steps to bring the stability over the period. Management has designed the vision 2025 to bring down GS3 below 6% (@4.5% FY23) and ~2.5% return on assets.

|                  | NII (In Bn) |      | PPoP (In Bn) |      | PAT (In Bn) |      | AUM(In Bn) |      | Gross Spread |      | RoA (%) |      |
|------------------|-------------|------|--------------|------|-------------|------|------------|------|--------------|------|---------|------|
|                  | FY22        | FY23 | FY22         | FY23 | FY22        | FY23 | FY22       | FY23 | FY22         | FY23 | FY22    | FY23 |
| Mahindra Finance | 57          | 64   | 37           | 38   | 10          | 20   | 65         | 828  | 7.6          | 7.6  | 1.3     | 2.3  |

### Conference Call Highlights

- Growth momentum of the company started in Q2FY22 which resulted in strong growth in AUM (at around 27% from 64,961Cr in FY22 to 82,770Cr in FY23) supported by strong disbursement growth.
- Travelling is one of the most important costs for the company and the same is expected to come down and get reduced over time led by digitization of various processes.
- Cash Collections has down come to 35-40% in recent times (as compared to around 60% in past) and the same is expected to reduce going forward.
- Pre-Owned Vehicle is one of the most important (priority) segments for the company and it comes with better yield and better asset quality.
- In past SME products were offered in sectors like Auto/Engineering/Food Processing but now the company has also started focusing on micro segment as has launched LAP as a new products in semi urban and rural areas.
- There is no dependence of Mahindra Group on financing activity done by Mahindra Finance.
- Most of the business done today is PSL compliant which provides benefits in terms of lower cost of borrowing. While the company is ready to accept opportunities which are well in the framework as setup by the company, it will not chase assets (just for growth) which do not make sense for the company.
- Will focus on affluent customers in rural and semi urban areas which come with lower yield but also carry benefits in terms of lower credit cost and lower volatility in asset class.
- The company is not a metro player and does not see as a competitor to other players in metro cities.
- The company has been continuously reducing the gap between IRAC norms requirement and its GNPA levels (down from 3,674Cr in Dec'21 to 1,184Cr in Q4FY23).
- Identified certain sets of customers which brought volatility to the asset class and has started saying no to such customer so as to improve the predictability of the asset class and accordingly as per the company the segment of vulnerable segments of customers has started coming down.
- Expecting to come with IPO of Mahindra Housing Finance business in next 3 years.

**Exhibit 1: Quarterly Snapshot (Rs mn)**

| Year-end: March            | Q4FY23        | Q4FY22        | Q3FY23        | YoY (%)         | QoQ (%)        |
|----------------------------|---------------|---------------|---------------|-----------------|----------------|
| Interest Income            | 29,942        | 24,424        | 28,625        | 22.6            | 4.6            |
| Interest Expenses          | 13,340        | 9,357         | 12,419        | 42.6            | 7.4            |
| <b>Net Interest Income</b> | <b>16,602</b> | <b>15,067</b> | <b>16,206</b> | <b>10.2</b>     | <b>2.4</b>     |
| <b>NIM (%)</b>             | <b>8.3</b>    | <b>9.4</b>    | <b>8.6</b>    | <b>-106 bps</b> | <b>-28 bps</b> |
| Non-Interest Income        | 625           | 239           | 291           | 161.4           | 115.2          |
| <b>Operating Income</b>    | <b>17,227</b> | <b>15,306</b> | <b>16,496</b> | <b>12.5</b>     | <b>4.4</b>     |
| Staff Cost                 | 4,552         | 3,200         | 3,997         | 42.2            | 13.9           |
| Other Op Exp               | 3,233         | 3,127         | 2,517         | 3.4             | 28.5           |
| Total Operating Expenses   | 7,786         | 6,327         | 6,513         | 23.1            | 19.5           |
| <i>Cost to Income (%)</i>  | 45.2          | 41.3          | 39.5          | 386 bps         | 571 bps        |
| <i>Cost to AUM (%)</i>     | 3.8           | 3.9           | 3.4           | -13 bps         | 39 bps         |
| <b>Operating Profit</b>    | <b>9,441</b>  | <b>8,979</b>  | <b>9,983</b>  | <b>5.1</b>      | <b>-5.4</b>    |
| Provisions                 | 4             | 639           | 1,551         | -99.4           | -99.8          |
| <i>Credit Cost (%)</i>     | 0.0           | 0.4           | 0.8           | -39 bps         | -80 bps        |
| <b>PBT</b>                 | <b>9,437</b>  | <b>8,341</b>  | <b>8,431</b>  | <b>13.1</b>     | <b>11.9</b>    |
| Tax                        | 2,596         | 2,333         | 2,142         | 11.3            | 21.2           |
| <i>-effective tax rate</i> | 27.5          | 28.0          | 25.4          | -46 bps         | 211 bps        |
| <b>PAT</b>                 | <b>6,841</b>  | <b>6,008</b>  | <b>6,290</b>  | <b>13.9</b>     | <b>8.8</b>     |
| EPS (Rs)                   | 5.5           | 4.9           | 5.1           | 13.8            | 8.9            |
| BV (Rs)                    | 138.5         | 126.7         | 132.8         | 9.3             | 4.3            |
| AUM                        | 8,27,700      | 6,49,610      | 7,73,440      | 27.4            | 7.0            |
| Disbursement               | 1,37,780      | 92,020        | 1,44,670      | 49.7            | -4.8           |

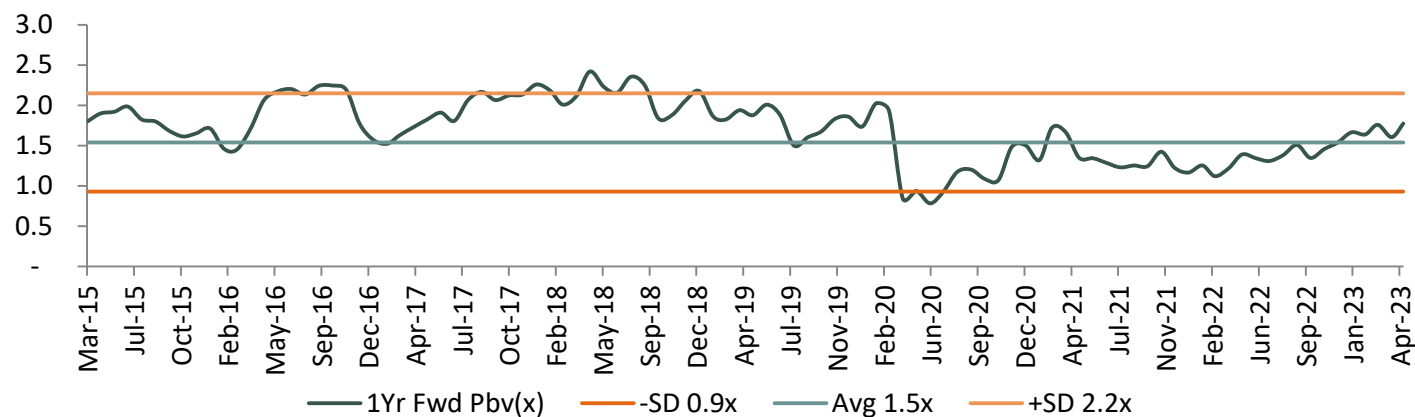
Source: Company; IDBI Capital Research

### Exhibit 2: ROE Decomposition

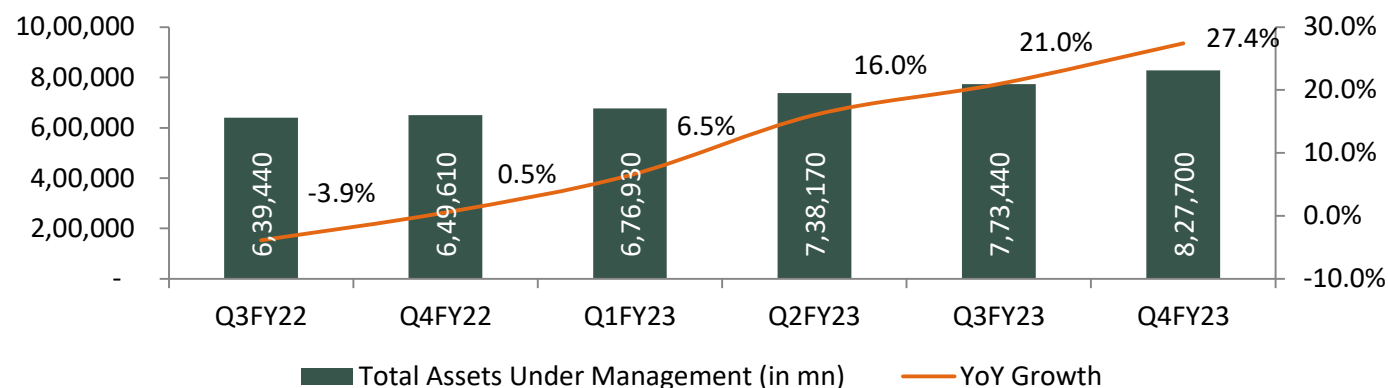
| (%)               | FY21       | FY22       | FY23        | FY24E       | FY25E       |
|-------------------|------------|------------|-------------|-------------|-------------|
| <b>NII</b>        | <b>7.3</b> | <b>7.3</b> | <b>7.1</b>  | <b>6.8</b>  | <b>6.9</b>  |
| Fees              | 0.3        | 0.2        | 0.3         | 0.3         | 0.3         |
| Other Income      | 0.1        | 0.1        | 0.1         | 0.1         | 0.1         |
| Net Revenue       | 7.7        | 7.6        | 7.6         | 7.2         | 7.3         |
| Op. Exp           | 2.2        | 2.7        | 3.2         | 3.0         | 3.0         |
| <b>Op. Profit</b> | <b>5.5</b> | <b>4.9</b> | <b>4.4</b>  | <b>4.1</b>  | <b>4.4</b>  |
| Provisions        | 4.9        | 3.1        | 1.2         | 1.2         | 1.1         |
| PBT               | 0.6        | 1.8        | 3.2         | 2.9         | 3.3         |
| Tax               | 0.1        | 0.5        | 0.8         | 0.7         | 0.8         |
| <b>PAT</b>        | <b>0.4</b> | <b>1.3</b> | <b>2.4</b>  | <b>2.2</b>  | <b>2.4</b>  |
| Leverage (x)      | 5.8        | 5.0        | 5.2         | 5.8         | 6.1         |
| <b>ROE</b>        | <b>2.5</b> | <b>6.5</b> | <b>12.5</b> | <b>12.7</b> | <b>14.9</b> |

Source: Company; IDBI Capital Research

### Exhibit 3: One-year forward P/BV



Source: Company; IDBI Capital Research

**Exhibit 4: AUM Growth continued to remain strong QoQ**

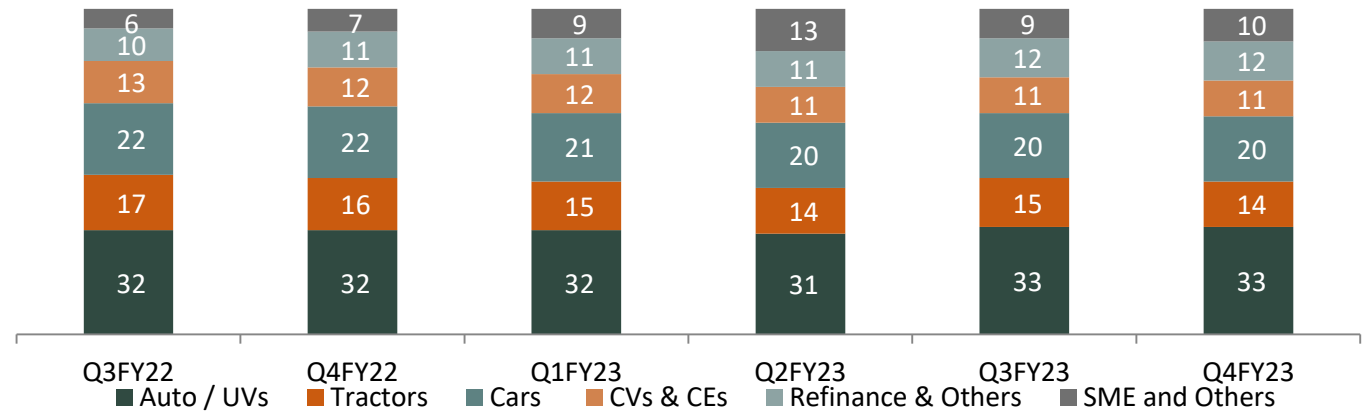
Source: Company; IDBI Capital Research

**Exhibit 5: AUM Composition (In Mn)**

| Product Wise Advances (In Mn) | Q4FY23          | Q4FY22          | Q3FY23          | YoY (%)     | QoQ (%)    |
|-------------------------------|-----------------|-----------------|-----------------|-------------|------------|
| Auto / UVs                    | 2,73,141        | 2,07,875        | 2,55,235        | 31.4        | 7.0        |
| Tractors                      | 1,15,878        | 1,03,938        | 1,16,016        | 11.5        | (0.1)      |
| Cars                          | 1,65,540        | 1,42,914        | 1,54,688        | 15.8        | 7.0        |
| CVs & CEs                     | 91,047          | 77,953          | 85,078          | 16.8        | 7.0        |
| Refinance & Others            | 99,324          | 71,457          | 92,813          | 39.0        | 7.0        |
| SME and Others                | 82,770          | 45,473          | 69,610          | 82.0        | 18.9       |
| <b>Total AUM</b>              | <b>8,27,700</b> | <b>6,49,610</b> | <b>7,73,440</b> | <b>27.4</b> | <b>7.0</b> |

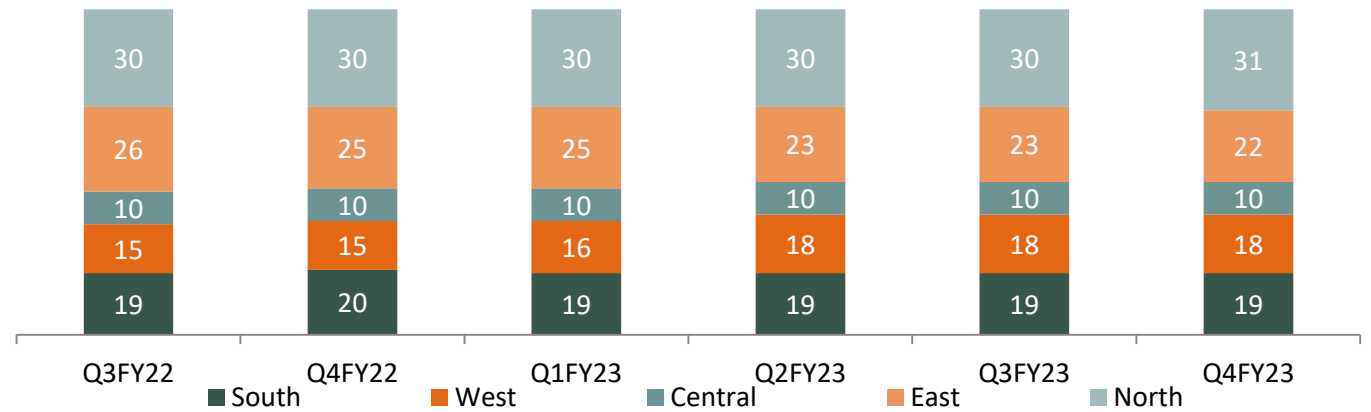
Source: Company; IDBI Capital Research

**Exhibit 6: AUM Mix-Product Category Wise**

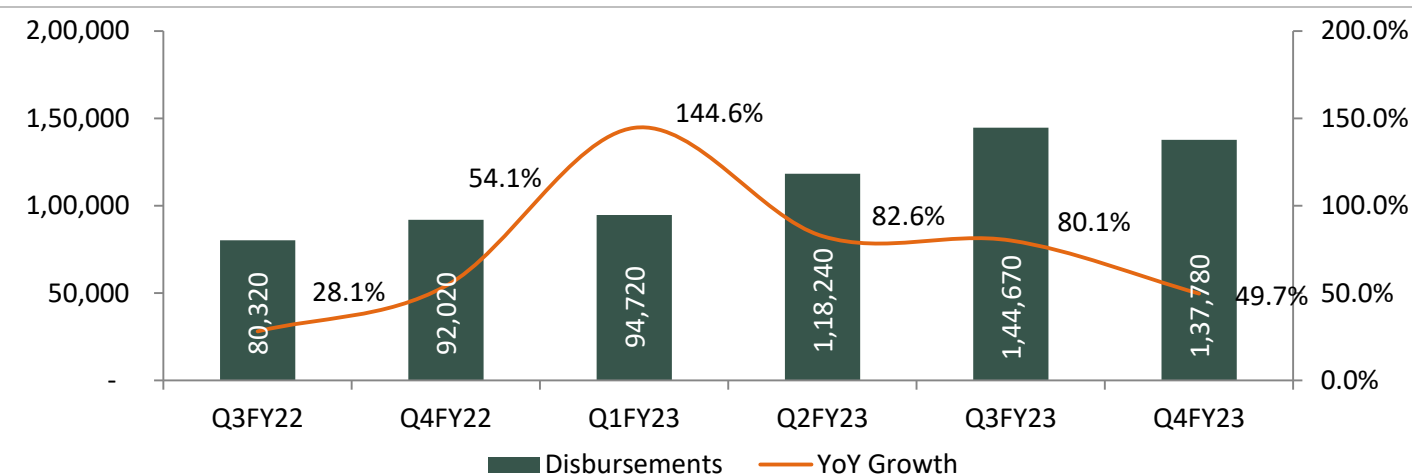


Source: Company; IDBI Capital Research

**Exhibit 7: AUM Mix-Geographical Mix Wise**



Source: Company; IDBI Capital Research

**Exhibit 8: Disbursement Growth moderated during the qtr**

Source: Company; IDBI Capital Research

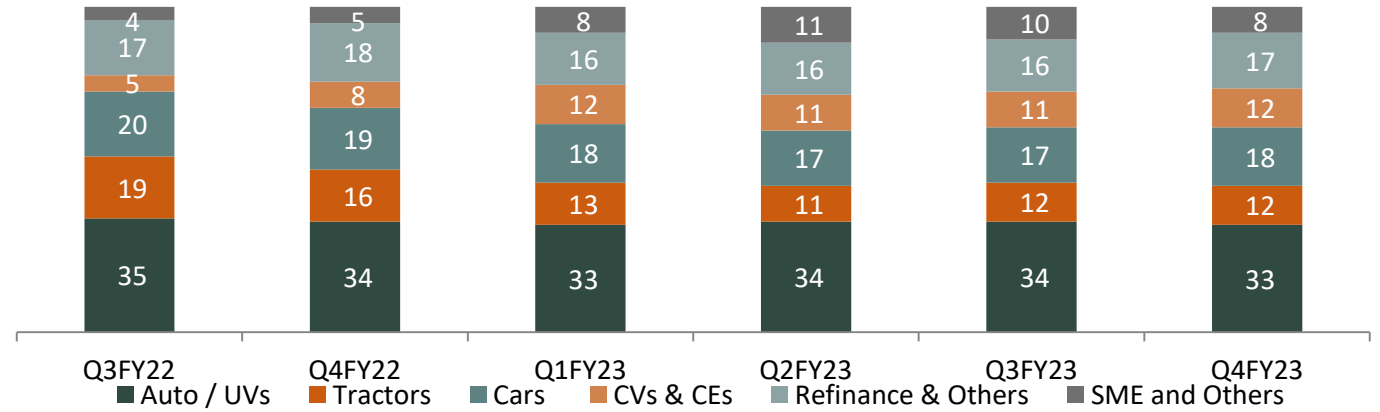
**Exhibit 9: Disbursement Mix- Product Wise Composition (In Mn)**

| Product Wise Disbursement (In Mn) | Q4FY23          | Q4FY22        | Q3FY23          | YoY (%)     | QoQ (%)      |
|-----------------------------------|-----------------|---------------|-----------------|-------------|--------------|
| Auto / UVs                        | 45,467          | 31,287        | 49,188          | 45.3        | (7.6)        |
| Tractors                          | 16,534          | 14,723        | 17,360          | 12.3        | (4.8)        |
| Cars                              | 24,800          | 17,484        | 24,594          | 41.8        | 0.8          |
| CVs & CEs                         | 16,534          | 7,362         | 15,914          | 124.6       | 3.9          |
| Refinance & Others                | 23,423          | 16,564        | 23,147          | 41.4        | 1.2          |
| SME and Others                    | 11,022          | 4,601         | 14,467          | 139.6       | (23.8)       |
| <b>Total AUM</b>                  | <b>1,37,780</b> | <b>92,020</b> | <b>1,44,670</b> | <b>49.7</b> | <b>(4.8)</b> |

Source: Company; IDBI Capital Research

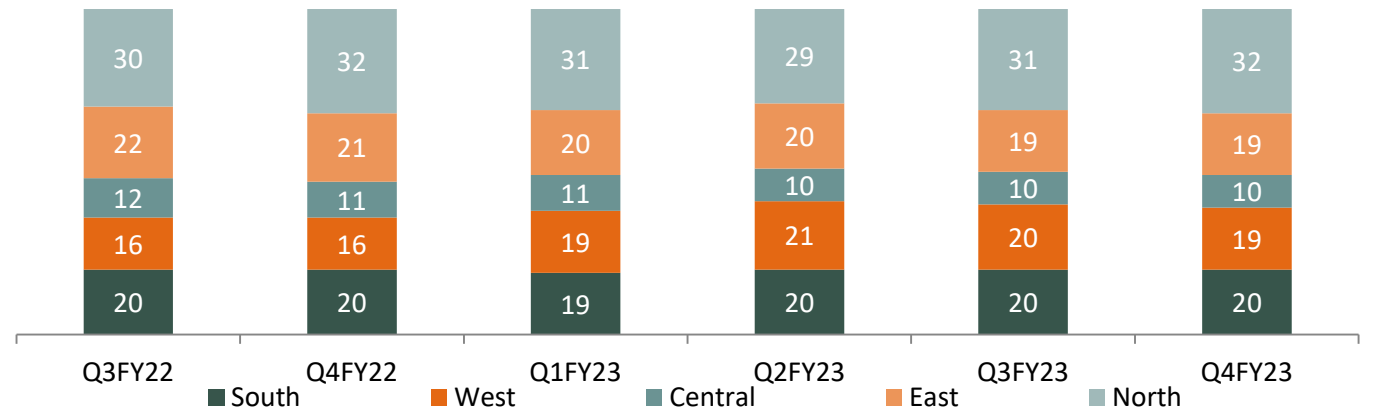


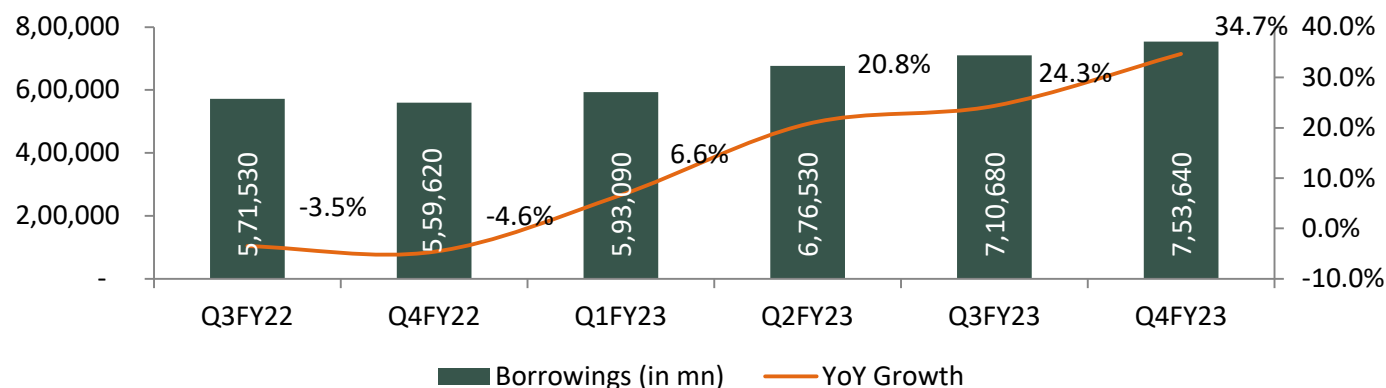
**Exhibit 10: Disbursement Mix-Product Category Wise**



Source: Company; IDBI Capital Research

**Exhibit 11: Disbursement Mix-Geographical Mix Wise**



**Exhibit 12: Borrowings Growth (YoY) continued to inched up sequentially**

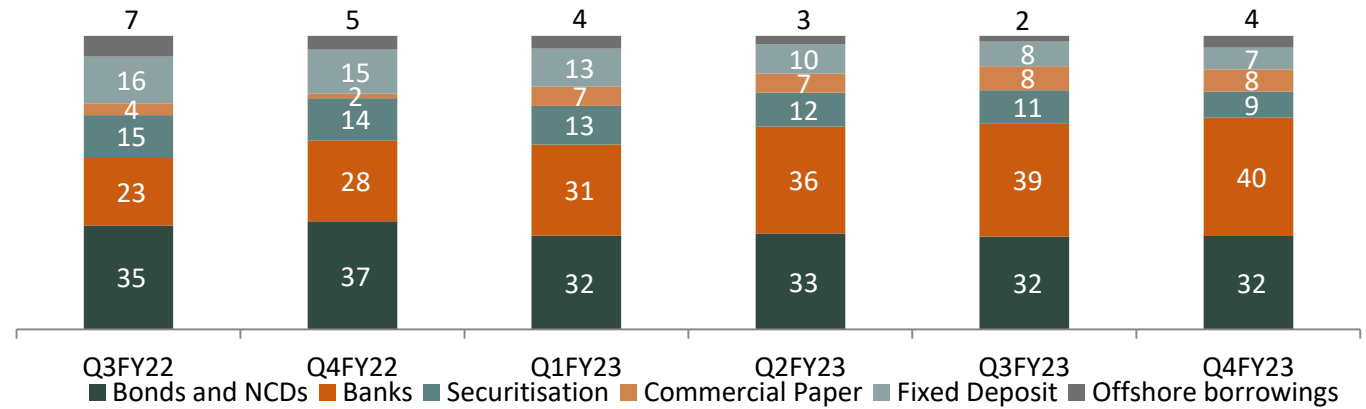
Source: Company; IDBI Capital Research

**Exhibit 13: Borrowing Mix-Product Wise Composition (In Mn)**

| Borrowing Mix-Product Wise(In Mn) | Q4FY23          | Q4FY22          | Q3FY23          | YoY (%)     | QoQ (%)    |
|-----------------------------------|-----------------|-----------------|-----------------|-------------|------------|
| Bonds and NCDs                    | 2,39,950        | 2,05,930        | 2,24,420        | 16.5        | 6.9        |
| Banks                             | 3,03,520        | 1,53,900        | 2,73,660        | 97.2        | 10.9       |
| Securitisation                    | 67,190          | 80,890          | 80,670          | (16.9)      | (16.7)     |
| Commercial Paper                  | 56,880          | 8,480           | 58,320          | 570.8       | (2.5)      |
| Fixed Deposit                     | 55,420          | 84,470          | 59,480          | (34.4)      | (6.8)      |
| Offshore borrowings               | 30,680          | 25,950          | 14,140          | 18.2        | 117.0      |
| <b>Total</b>                      | <b>7,53,640</b> | <b>5,59,620</b> | <b>7,10,690</b> | <b>34.7</b> | <b>6.0</b> |

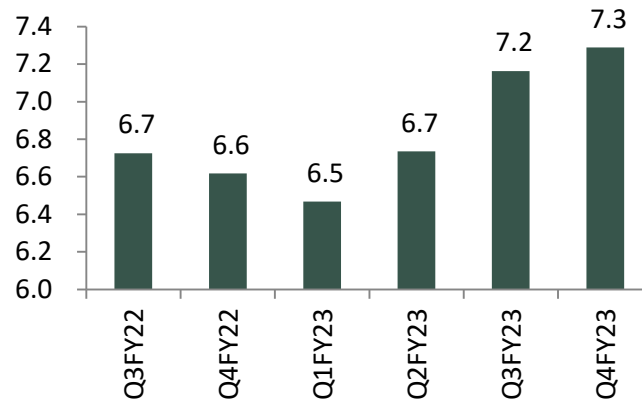
Source: Company; IDBI Capital Research

**Exhibit 14: Borrowing Mix-Instrument Mix Wise**



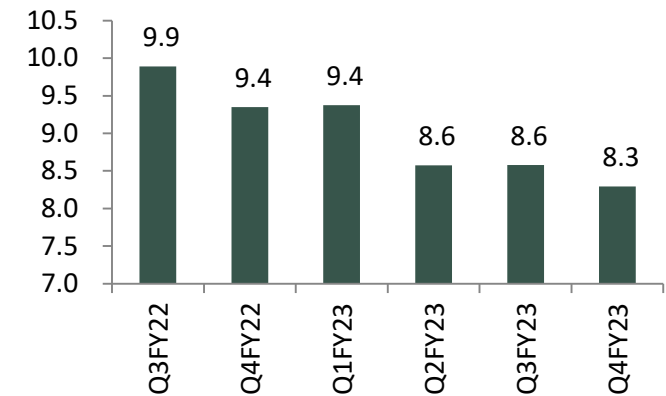
Source: Company; IDBI Capital Research

**Exhibit 15: Cost of Borrowings continued to inch up led by RBIs repo rate hikes**



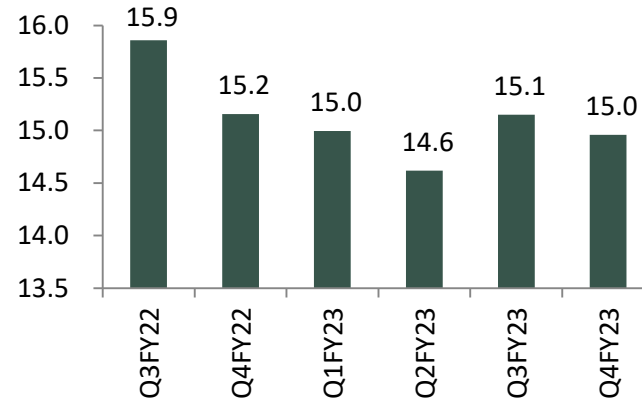
Source: Company; IDBI Capital Research

**Exhibit 16: NIMs continued to moderate on account of increased cost of fund**



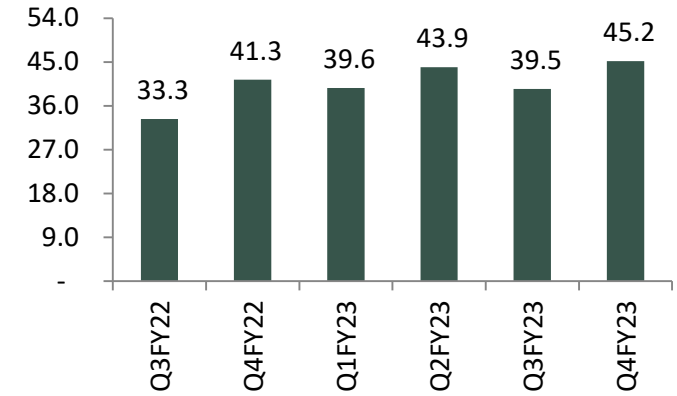
Source: Company; IDBI Capital Research

**Exhibit 17: Yield on AAUM remained range bound between 15-16%**



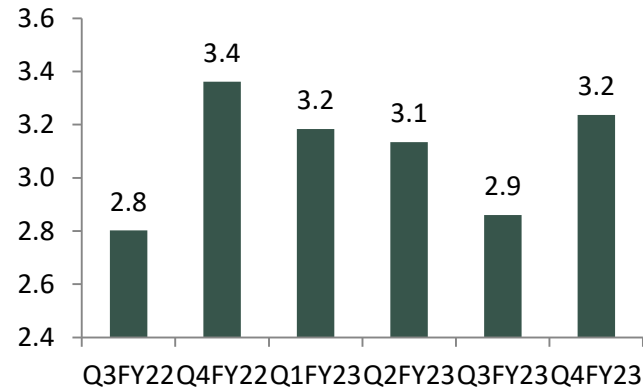
Source: Company; IDBI Capital Research

**Exhibit 18: Cost to Income inched up on account of higher operating expenses**



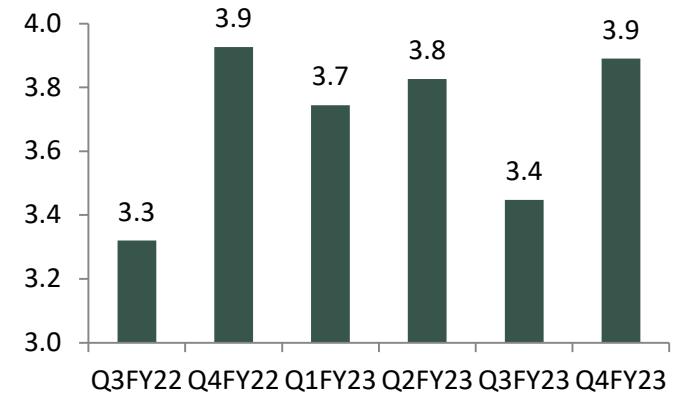
Source: Company; IDBI Capital Research

**Exhibit 19: Cost to Assets inched up QoQ**



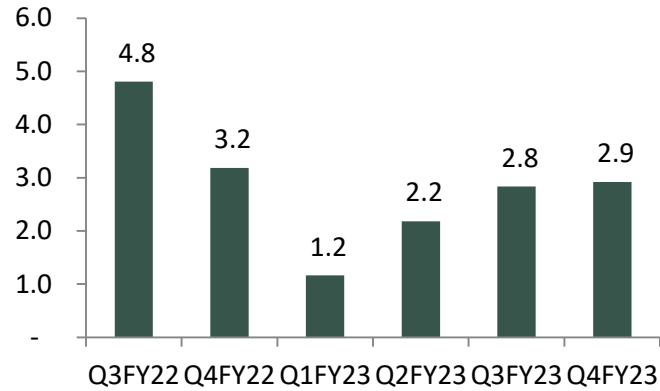
Source: Company; IDBI Capital Research

**Exhibit 20: Cost to AAUM too inched up QoQ**



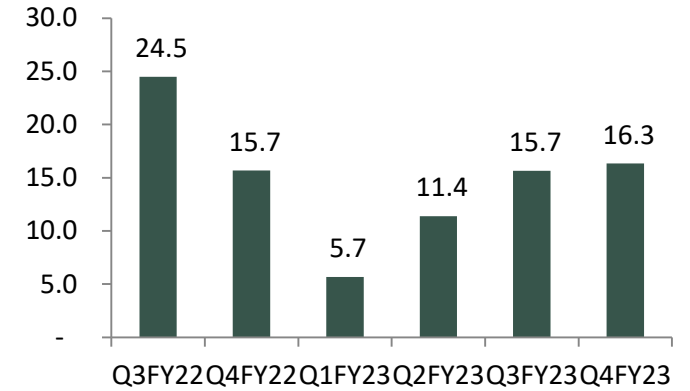
Source: Company; IDBI Capital Research

**Exhibit 21: RoA, supported by lower credit cost, continued to inch up**



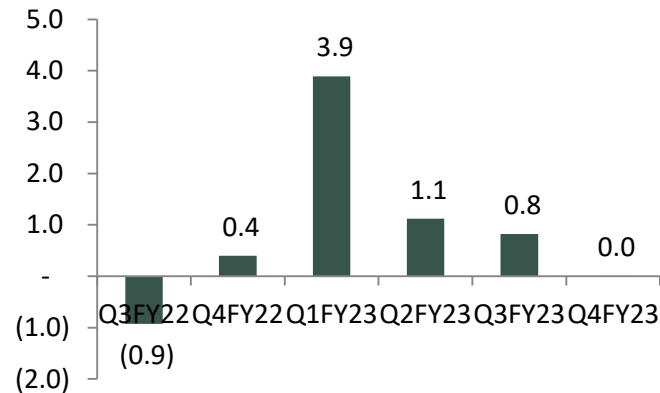
Source: Company; IDBI Capital Research

**Exhibit 22: RoE inched in line with growth in RoA**



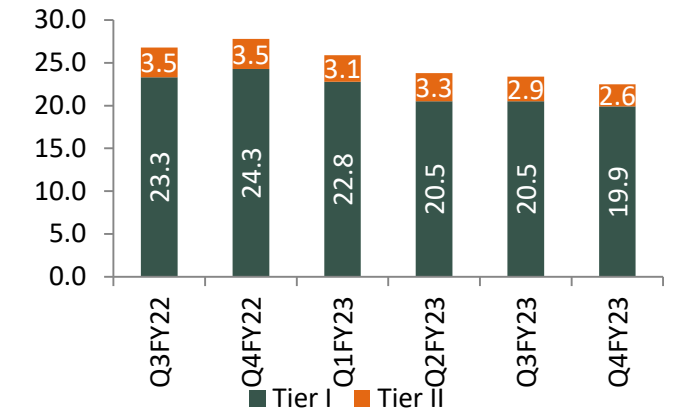
Source: Company; IDBI Capital Research

**Exhibit 23: Credit Cost continued to improved led by better improved recoveries and lower slippages**



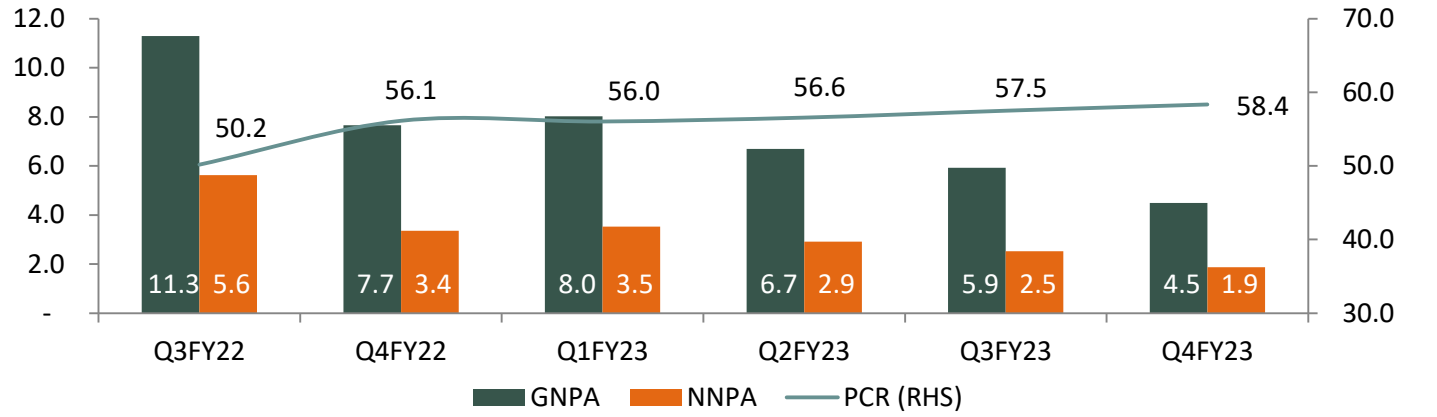
Source: Company; IDBI Capital Research

**Exhibit 24: CAR continued to remain strong**



Source: Company; IDBI Capital Research

**Exhibit 25: Asset Quality volatility to decline going forward**



Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

| Year-end: March               | FY20          | FY21          | FY22          | FY23          | FY24E         | FY25E         |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Net interest income</b>    | 51,130        | 55,339        | 55,554        | 61,059        | 70,690        | 84,435        |
| <i>Change (yoy, %)</i>        | 9%            | 8%            | 0%            | 10%           | 16%           | 19%           |
| Fees                          | 1,561         | 1,891         | 1,824         | 2,462         | 2,684         | 3,149         |
| Other Income                  | 1,473         | 607           | 608           | 1,273         | 1,388         | 1,628         |
| Net Revenue                   | 54,164        | 57,837        | 57,986        | 64,794        | 74,762        | 89,212        |
| Operating expenses            | 20,182        | 16,325        | 20,734        | 27,276        | 31,723        | 35,978        |
| Employee expenses             | 11,484        | 10,152        | 11,714        | 15,843        | 18,132        | 20,205        |
| Other expenses                | 8,697         | 6,172         | 9,020         | 11,433        | 13,591        | 15,774        |
| <b>Pre-Provision Profit</b>   | <b>33,982</b> | <b>41,512</b> | <b>37,252</b> | <b>37,518</b> | <b>43,039</b> | <b>53,234</b> |
| <i>Change (yoy, %)</i>        | 13%           | 22%           | -10%          | 1%            | 15%           | 24%           |
| Provision                     | 20,545        | 37,348        | 23,683        | 9,992         | 12,477        | 13,444        |
| PBT                           | 13,438        | 4,225         | 13,569        | 26,981        | 30,562        | 39,790        |
| Taxes                         | 4,374         | 873           | 3,682         | 7,138         | 7,702         | 10,027        |
| <i>Effective tax rate (%)</i> | 33%           | 21%           | 27%           | 26%           | 25%           | 25%           |
| <b>Net profit</b>             | <b>9,064</b>  | <b>3,352</b>  | <b>9,887</b>  | <b>19,843</b> | <b>22,860</b> | <b>29,763</b> |
| <i>Change (yoy, %)</i>        | -42%          | -63%          | 195%          | 101%          | 15%           | 30%           |
| EPS                           | 15            | 3             | 8             | 16            | 18            | 24            |
| Return on Equity (%)          | 8.1           | 2.6           | 6.5           | 12.1          | 12.7          | 14.9          |
| Return on Assets (%)          | 1.3           | 0.4           | 1.3           | 2.3           | 2.2           | 2.4           |

**Balance Sheet**

(Rs mn)

| Year-end: March                 | FY20            | FY21            | FY22            | FY23            | FY24E            | FY25E            |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Capital                         | 1,231           | 2,464           | 2,466           | 2,467           | 2,474            | 2,478            |
| Reserves                        | 1,12,409        | 1,44,651        | 1,53,815        | 1,68,422        | 1,85,609         | 2,09,610         |
| <b>Networth</b>                 | <b>1,13,640</b> | <b>1,47,115</b> | <b>1,56,281</b> | <b>1,70,889</b> | <b>1,88,083</b>  | <b>2,12,088</b>  |
| Borrowings                      | 5,60,444        | 5,54,274        | 5,26,841        | 7,15,037        | 8,32,096         | 9,71,373         |
| Sub-ordinated debt              | 34,179          | 31,493          | 31,299          | 34,421          | 49,433           | 57,707           |
| Other Liabilities               | 32,449          | 37,482          | 38,467          | 41,818          | 58,619           | 61,025           |
| <b>Total Liab. &amp; Equity</b> | <b>7,40,712</b> | <b>7,70,365</b> | <b>7,52,887</b> | <b>9,62,166</b> | <b>11,28,231</b> | <b>13,02,193</b> |
| Cash                            | 14,258          | 33,220          | 41,507          | 28,321          | 39,669           | 46,309           |
| Investments                     | 59,110          | 1,17,054        | 84,403          | 99,886          | 1,04,881         | 1,10,125         |
| Advances                        | 6,49,935        | 5,99,474        | 6,04,446        | 7,94,547        | 9,37,797         | 10,94,766        |
| Fixed Assets                    | 3,635           | 3,405           | 3,929           | 6,956           | 8,376            | 10,096           |
| Other Assets                    | 13,775          | 17,212          | 18,603          | 32,456          | 37,509           | 40,898           |
| <b>Total assets</b>             | <b>7,40,712</b> | <b>7,70,365</b> | <b>7,52,887</b> | <b>9,62,166</b> | <b>11,28,231</b> | <b>13,02,193</b> |



## Financial Ratios

(%)

| Year-end: March             | FY20   | FY21   | FY22   | FY23  | FY24E | FY25E |
|-----------------------------|--------|--------|--------|-------|-------|-------|
| <b>Growth</b>               |        |        |        |       |       |       |
| Advances                    | 6.1    | (7.8)  | 0.8    | 31.5  | 18.0  | 16.7  |
| NII                         | 9.5    | 8.2    | 0.4    | 9.9   | 15.8  | 19.4  |
| Pre-Provision Profit        | 12.6   | 22.2   | (10.3) | 0.7   | 14.7  | 23.7  |
| Net Profit                  | (41.8) | (63.0) | 195.0  | 100.7 | 15.2  | 30.2  |
| <b>Spreads</b>              |        |        |        |       |       |       |
| Yield on AUM                | 15.8   | 16.4   | 15.7   | 15.3  | 15.0  | 14.9  |
| Cost of Borrowing           | 8.6    | 8.0    | 6.9    | 7.0   | 7.2   | 7.0   |
| NIM (on AUM)                | 8.1    | 8.9    | 9.2    | 8.7   | 8.2   | 8.3   |
| Spread                      | 5.7    | 5.8    | 5.9    | 5.9   | 5.7   | 5.9   |
| <b>Operating Efficiency</b> |        |        |        |       |       |       |
| Cost-to-Income              | 37.3   | 28.2   | 35.8   | 42.1  | 42.4  | 40.3  |
| Cost-to-Assets              | 2.9    | 2.2    | 2.7    | 3.2   | 3.0   | 3.0   |
| <b>Asset Quality</b>        |        |        |        |       |       |       |
| GNPA                        | 8.3    | 9.0    | 7.7    | 4.5   | 4.0   | 3.5   |
| NNPA                        | 6.1    | 4.1    | 3.5    | 1.9   | 1.6   | 1.4   |
| Provision Coverage          | 30.1   | 57.9   | 58.1   | 59.5  | 59.0  | 59.0  |
| Credit Cost                 | 3.3    | 6.0    | 3.9    | 1.4   | 1.4   | 1.3   |
| <b>Capital Adequacy</b>     |        |        |        |       |       |       |
| CAR                         | 19.6   | 26.0   | 27.8   | 22.5  | 21.7  | 21.1  |
| Tier I                      | 15.4   | 22.2   | 24.3   | 19.9  | 17.8  | 17.2  |
| <b>Valuation</b>            |        |        |        |       |       |       |
| EPS                         | 14.7   | 2.7    | 8.0    | 16.1  | 18.5  | 24.0  |
| ABV                         | 132.3  | 106.8  | 119.3  | 130.6 | 144.3 | 163.0 |
| P/E                         | 17.6   | 95.2   | 32.3   | 16.1  | 14.0  | 10.8  |
| P/ABV                       | 2.0    | 2.4    | 2.2    | 2.0   | 1.8   | 1.6   |
| ROE                         | 8.1    | 2.6    | 6.5    | 12.1  | 12.7  | 14.9  |
| ROA                         | 1.3    | 0.4    | 1.3    | 2.3   | 2.2   | 2.4   |

Source: Company; IDBI Capital Research



# Notes

Dealing

(91-22) 6836 1111

dealing@idbicapital.com

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