

Muthoot Finance Ltd.

Accumulate

Sector: NBFC

10th October 2024

Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	Target	Rs. 2,140
Mid Cap	MUTH:IN	81,467	MUTHOOTFIN	533398	12 Months	CMP	Rs.1,935
						Return	+11%

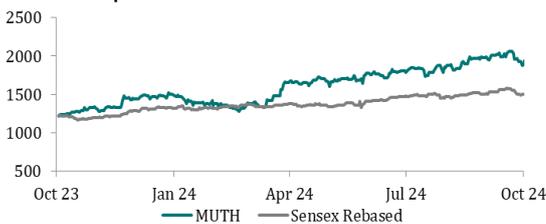
Data as of: 09-10 2024

Company Data	
Market Cap	77,631
52 Week High — Low (Rs.)	2,077- 1,217
Enterprise Value (Rs. cr)	1,38,974
Outstanding Shares (Rs cr)	40.1
Free Float (%)	26.7
Dividend Yield (%)	1.2
6m average volume (cr)	0.07
Beta	0.9
Face value (Rs)	10.0

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	73.35	73.35	73.35
FII's	8.34	8.33	8.68
MFs/Institutions	14.61	14.72	14.55
Public	3.72	3.59	3.41
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	5.6%	16.0%	58.8%
Absolute Sensex	2.0%	9.7%	23.3%
Relative Return	3.6%	6.2%	35.5%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
NII	7,793	9,204	10,795
Growth(%)	16.8	18.1	17.3
NIM(%)	11.2	10.9	11.2
Provisions	198	178	186
Adj. PAT	4,050	4,854	5,771
Growth(%)	16.6	19.9	18.9
Adj. EPS	101	121	144
Growth(%)	16.6	19.9	18.9
P/E	19.2	16.0	13.5
BVPS	605	700	816
Growth(%)	15.3	15.7	16.5
Adj. BVPS	605	700	816
Growth(%)	15.3	15.7	16.5
P/B	3.2	2.8	2.4
Adj. P/B	3.2	2.8	2.4
ROE (%)	18.1	18.5	19.1

Gold loan business on track following gold price.

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.

- ◆ We anticipate the loan AUM to grow at a CAGR of 16% over FY24-26E, driven by increasing gold prices, reduced competitive intensity, and a projected decline in unsecured lending options due to rising credit risks.
- ◆ Yields are expected to stabilize at current levels (~18.0%) due to decreased competition in the gold segment. In this lower yield scenario, the company anticipates a 19% CAGR in profits for FY24-26E, driven by higher AUM and improved operational leverage.
- ◆ Customer acquisition will be driven by branch expansion, with management planning 150-200 new branches annually. This scaling up will boost loan growth and support future growth.
- ◆ Muthoot maintains higher provisions than its closest peer due to a more conservative auction policy, aimed at preserving customer relationships. Despite this, asset quality risk remains low due to lower LTV ratios (LTV Q1FY25~63%) and the rally in gold prices.
- ◆ Given gold's stability as a secure asset class and the expected ROE improvement by FY26, Muthoot merits a premium valuation. We initiate coverage with an "Accumulate" rating and a target price of ₹2,140 based on the SOTP valuation method.

Gold Loan Operations Continue to Excel

The positive correlation between gold prices and gold loan growth indicates that the recent rally in gold prices is likely to generate additional loan AUM to the company. Muthoot currently lends at lower yields compared to peers; as they put lower yields, it attracts more customers and helps to compete with others. We expect Muthoot's gold loan book to grow at a pace of 16% CAGR over FY24-26E. The company maintains a capital adequacy ratio (CAR) well above the regulatory requirement of 10%, reporting a CAR of 30.4% at the end of FY24. Muthoot also boasts healthy return ratios, with an ROE of 18.1% and an ROA of 5.1% in FY24.

Outlook and Valuation

Given the resilience of gold as a secure investment and a projected ROE increase of 100bps to 19.1% by FY26, Muthoot is positioned to receive a premium valuation. We value the consolidated entity at 2.4x of FY26E BVPS, above the 5yr Avg. of 2.3x and initiate coverage with an "Accumulate" rating and a target price of ₹2,140 based on the SOTP valuation method.

Company Overview

Muthoot Finance is a prominent Indian financial corporation and the largest non-banking financial company (NBFC) specializing in gold loans, in India in terms of loan portfolio. The company entered the gold loan business in 1939, Muthoot is a south India based NBFC which is headquartered in Kochi, Kerala, and operates over 6,000 branches across India. with a primary goal was to address the credit needs of the underserved segments of the country.

Core Business and Services

Muthoot Finance primarily offers gold loans, where customers pledge their gold jewelry as collateral to secure loans. This service is particularly popular among individuals who lack access to formal credit channels. The company offers competitive interest rates, quick loan disbursement, and flexible repayment options, making it a preferred choice for individuals seeking immediate funds.

Other Services

In addition to the gold loan business, MFL also provides a wide range of other products and services to their customers, including multiple types of loans, insurance offerings, money transfer services, and the sale of gold coins through its various subsidiaries.

Subsidiaries

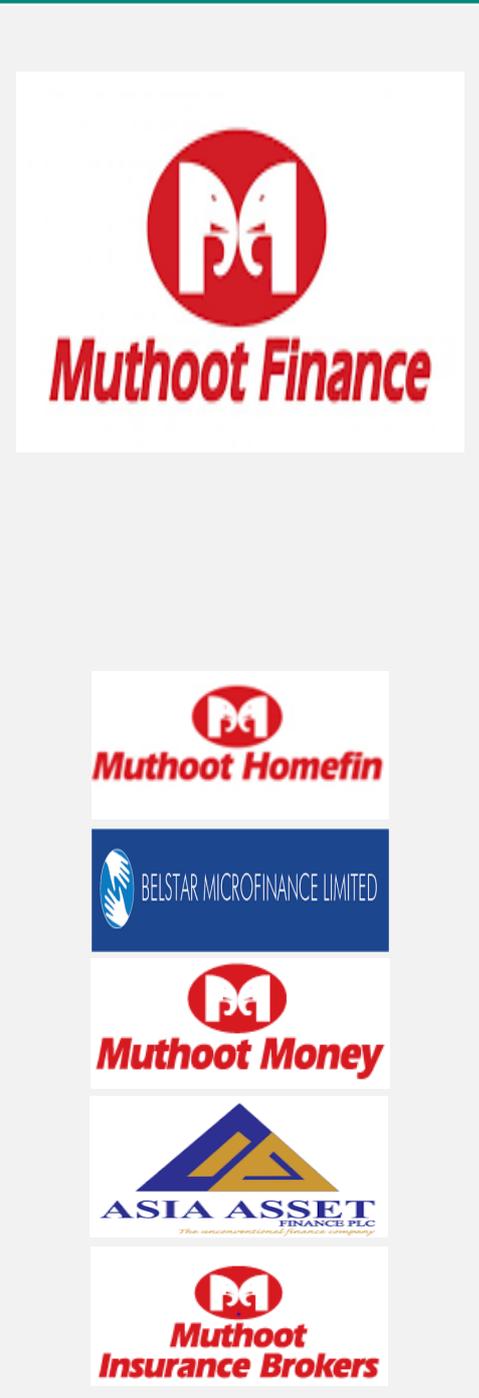
Muthoot Homefin (India) Ltd. is a housing finance company registered with the National Housing Bank (NHB). It focuses on providing affordable housing finance to customers belonging to the economically weaker sections (EWS) and lower-income groups (LIG) in Tier II & Tier III cities.

Belstar Microfinance Ltd. (BML) is a non-deposit-taking microfinance institution providing services to a 100% female clientele. It operates through diverse models, including self-help groups, small enterprise loans, and other offerings designed to meet the diverse needs of its female borrowers.

Muthoot Money Ltd. is a wholly-owned subsidiary of Muthoot Finance engaged in the business of extending Vehicle Finance. Muthoot Money primarily offers loans for the purchase of new and used vehicles, including two-wheelers, four-wheelers, and commercial vehicles, for their operations.

Muthoot Asia Asset Finance PLC is a deposit-taking institution registered with the Central Bank of Sri Lanka and listed in the Colombo Stock Exchange. The company's core offerings include gold loans, vehicle loans, and other forms of asset-backed financing, designed to help customers unlock the value of their assets and access the funds they need for various purposes.

Muthoot Insurance Brokers Ltd. serves as an insurance broker for both life and non-life insurance businesses across various insurance companies. Their product offerings include health insurance, home insurance, vehicle insurance, life insurance, and travel insurance.

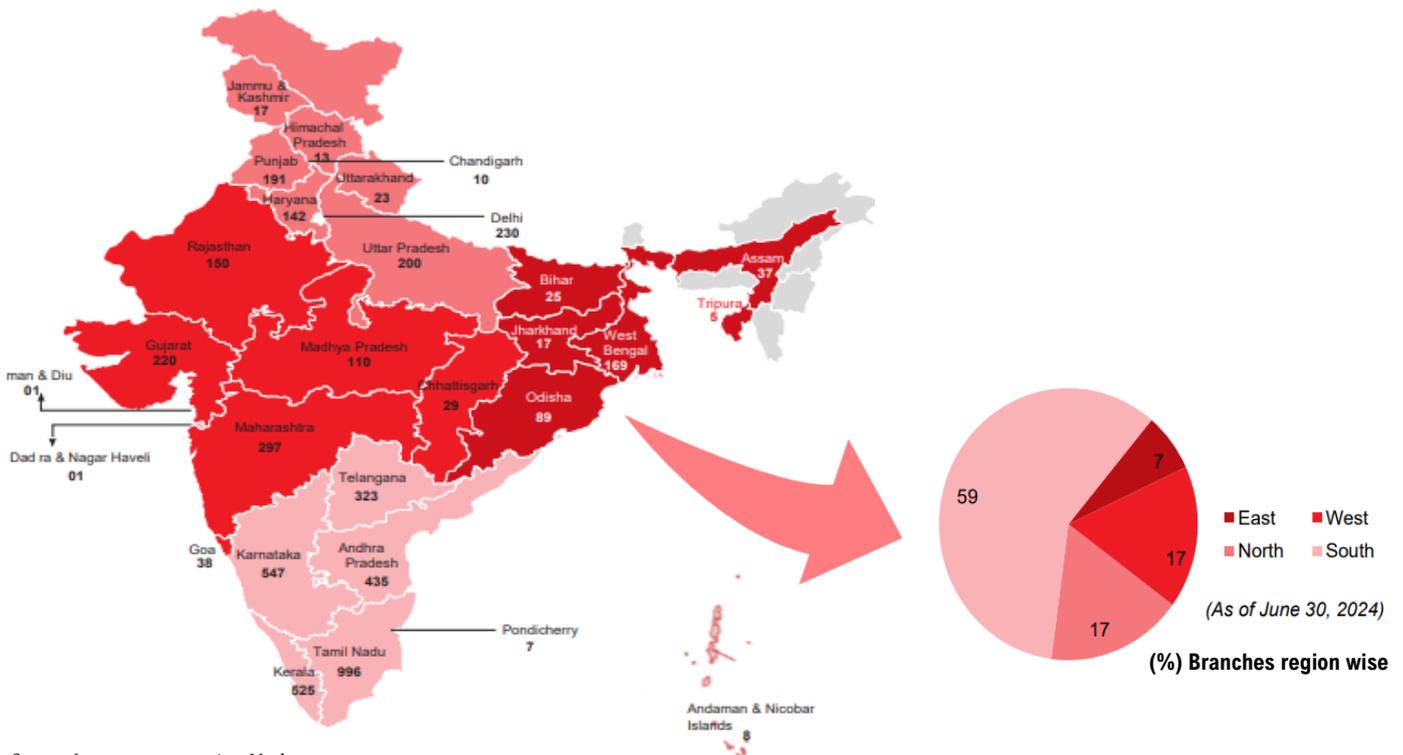


Company's holdings in its subsidiaries

Company	Holding (%)
Muthoot Finance	Parent Company
Homefin	100
Belstar	64
Muthoot Money	100
Asia Asset Finance	73
Muthoot Asset Management	100
Muthoot Trustee Private Ltd.	100
Muthoot Insurance Brokers Private Ltd.	100

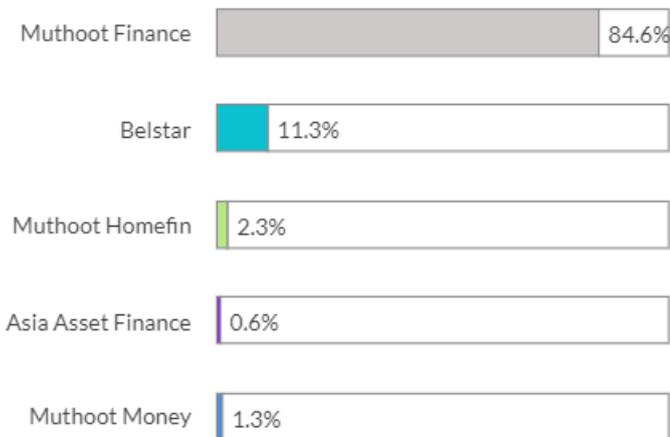
NB: Muthoot Asset Management and Muthoot Trustee Private Ltd. are yet to commence commercial operations.

Diversified Network with 4,855 branches ~ Standalone entity



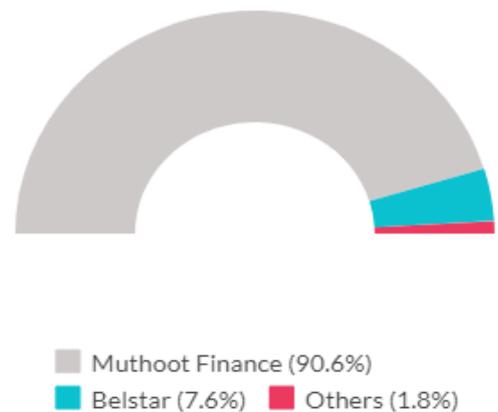
Source: Investor presentation, Muthoot

AUM breakdown



Source: Company, Geojit Research.

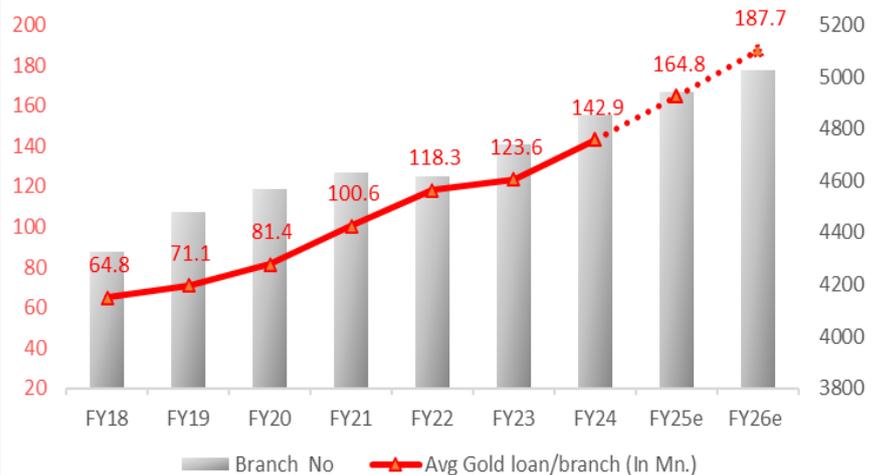
Profit breakdown



Source: Company, Geojit Research.

- ◆ In Q1FY25, the company reported ~6.7k branches on a group basis and ~4.8k branches for standalone entities.
- ◆ AUM per branch reported in Q1FY25 is Rs. 167 Mn., and it has reported a growth of 14% CAGR over the past 6 years in FY24.
- ◆ Muthoot plans to increase its branches by ~ 150-200 in each year.
- ◆ Higher geographical presence and expansion plans create more customers and drive growth.

Average Gold loan growth per branch (Standalone entity)



Source: Company, Geojit Research.

Industry overview

Non-banking financial institutions (NBFCs)

NBFCs, are specialised financial institutions engaged in varied financial activities and are part of the Indian financial system, providing a range of financial services. NBFCs play a vital role in India's financial ecosystem, catering to deep customer needs and filling gaps left by traditional banks, i.e., driving financial inclusion.

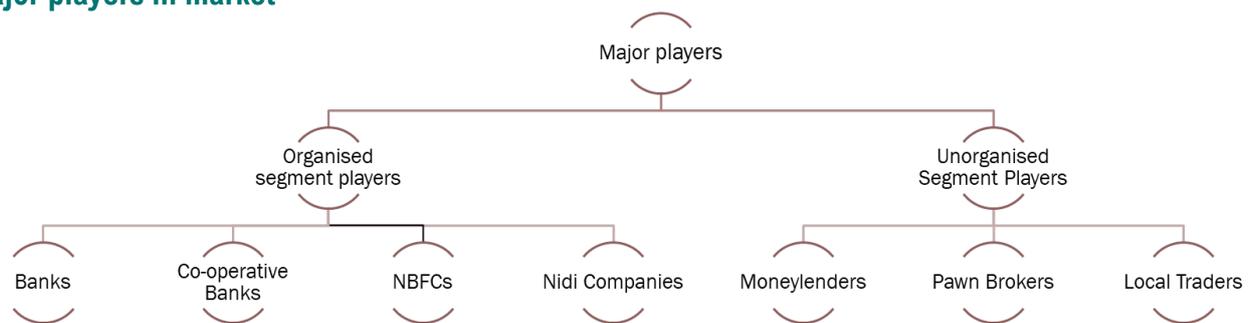
Gold Loan focused NBFCs

- ◆ Gold Loan NBFCs are specialized financial institutions that focus predominantly on providing gold loans. These companies have carved out a niche within the broader NBFC sector, catering to the specific needs of customers seeking quick and convenient access to credit against their gold assets.
- ◆ In a country where gold holds significant cultural importance and is considered a safe investment, leveraging gold as collateral for loans has become a popular and efficient means of accessing credit.
- ◆ The highly penetrated branch network of these NBFCs acts as an added advantage, as the borrowers may not desire to commute long distances with gold.
- ◆ Traditionally, southern India is the hub for gold loans. However, growing economic stability in India, coupled with increasing gold prices, is bolstering the specialised gold loan NBFCs across the nation.



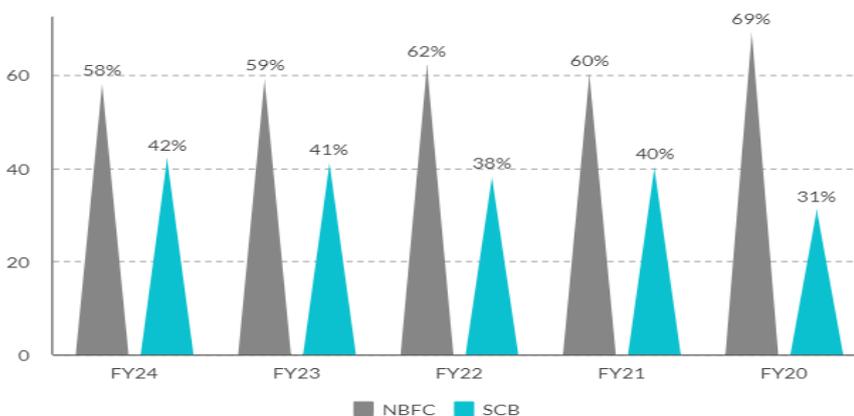
Source: The Daily Guardian

Major players in market



Source: Company, Geojit Research.

Market share of NBFC and SCB on their total gold Lending



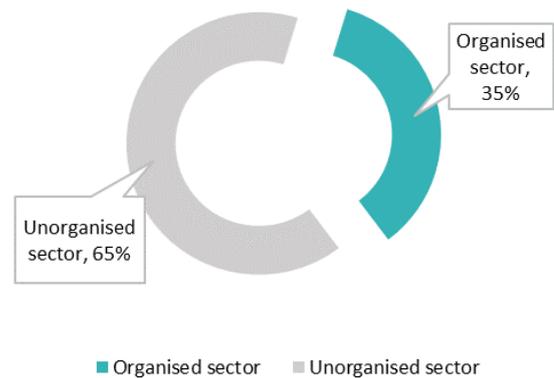
Source: Company, RBI, Geojit Research.

Despite the intensified competition from banks, NBFCs specializing in gold loans have managed to maintain a significant market share. Their deep understanding of local markets, established customer relationships, and specialized services provide them with a competitive advantage over banks, allowing them to continue playing a vital role in the gold loan sector.

- ◆ **Post-Pandemic Demand Surge:** The economic downturn and loss of income during the pandemic led many individuals to seek quick and accessible credit solutions. Gold loans, with their relatively simple approval process and quick disbursement, became an attractive option.
- ◆ **Secured Lending and Credit Risk Mitigation:** Gold loans are secured loans with the borrower's gold acting as collateral. This security lowers the credit risk for lenders, making it a safer lending option during uncertain economic times.
- ◆ **Regulatory Encouragement:** To support economic recovery, the Reserve Bank of India (RBI) urged banks to expand their lending activities. Gold loans, viewed as a secure and low-risk credit product, became a focal point for banks aiming to grow their loan portfolios responsibly.

Still Headroom for NBFCs and Other Organized Players

- ◆ Only 35% of household loans are with organized lenders, while 65% are managed by unorganized players, highlighting significant growth potential for the NBFC sector.
- ◆ The latest World Gold Council report (2023) states that Indian households hold 25,000 tons of gold.



Source: KPMG, Geojit Research.

Innovative Gold Loan Schemes

NBFCs have revolutionized the gold lending sector with innovative schemes that offer enhanced flexibility and convenience to meet diverse customer needs.

Customized loan products: Enhanced flexibility and convenience to cater to diverse customer needs. These schemes feature customized loan products with varying tenures, interest rates, and repayment options tailored to specific financial requirements.

Online gold loan schemes: Technological advancements have led to the creation of sophisticated online gold loan schemes, enabling seamless online application processes and instant loan approvals. These schemes are strategically designed to appeal to a younger, tech-savvy urban population. These are strategically designed to cater to a younger, tech-savvy urban population.

Home service models: Home service models, where representatives visit customers' residences to facilitate loan processing, further enhance convenience.

These advancements are setting new industry standards by improving accessibility and streamlining the loan process through modern technology. The integration of digital platforms and personalized services is driving the gold loan sector towards greater efficiency and customer-centricity. As a result, NBFCs are not only meeting but exceeding customer expectations, thereby solidifying their position as leaders in the financial services industry.

NBFCs: Outpacing Rivals with Unique Advantages

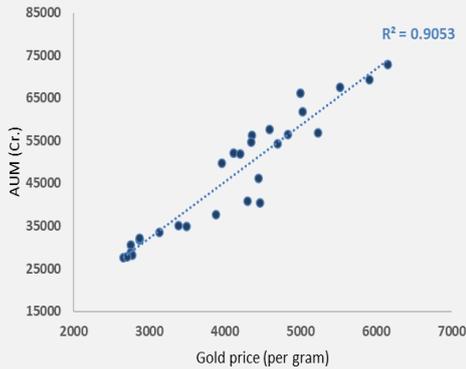
Parameter	Gold Loan NBFCs	Banks	Moneylender
Loan to Value (LTV)	Up to 75%	Up to 75%	Higher than 75%
Processing Fees	No/Minimal	Much higher than NBFC's	Nil
Interest Charges	~ 12 to 26% p.a	~ 8 to 15% p.a	~ 36 to 50%
Penetration	Highly penetrated	Only Selective Branches	Highly penetrated
Disbursement mode	Account transfer for above ₹20K	Account Transfer	Cash
Working Hours	Beyond banking hours	Typical banking hours	Beyond banking hours
Regulation	By RBI	By RBI	Not Regulated
Customer Service	High - Core Focus	Non-Core focus	Core Focus
Documentation	Minimal	Entire KYC Compliance	Minimal
Repayment Flexibility	Flexible	Rigid	Flexible
Turnaround time	>10 minutes	1-2 hours	>10 minute

Source: Company, Geojit Research.

The cost of loans, specifically the interest charges, is generally higher for NBFCs compared to banks. However, NBFCs offer greater convenience and flexibility to clients. Moreover, NBFCs are regulated by the RBI, ensuring safety, reliability, and they are also more affordable compared to unorganized lenders, such as moneylenders.

Scatter plot

Variables: Quarterly data from Q1 FY18 for Gold Loan AUM and Gold Price of Muthoot Finance is considered.



Source: Company, Geojit Research.

Positive relation between Gold price and Gold loan AUM

- ◆ Gold prices have had a direct impact on the growth of gold loans. The correlation between these two variables is 0.9, indicating a strong positive relationship.
- ◆ As gold prices rise, the value of collateral increases, thereby reducing lenders' risk exposure.
- ◆ increase in gold also allows borrowers to secure larger loan amounts against their gold holdings.
- ◆ The recent surge in gold prices will greatly increase the appeal of the gold loan segment.

Strong demand propels Gold prices higher.

Factors that expected to maintain upward pressure on gold demand are...

- ◆ **Geopolitical conflict:** During times of geopolitical instability, such as wars or political tensions, gold is often seen as a safe-haven asset. Investors flock to gold to preserve their wealth, leading to increased demand and higher prices. Gold demand is likely to persist in the near term from a possible continuation of Israel-Hamas conflict.
- ◆ **US Bond yield and Gold Price_ Inverse correlation:** There exist an moderate inverse relationship between gold and US bond yields (considering 20 years data correlation between the variables: -0.5). In recent, as real yields have risen while, at the same time, gold prices have climbed amid increased geopolitical risk brought on by the Hamas-Israel conflict and higher central banks demands. So, we expect the rate cuts will also help to hold gold at higher levels.
- ◆ **Central banks are increasing their gold reserves:** The increased demand for gold from central banks worldwide continues, potentially supporting a gold rally. The 2024 Central Banks Gold Reserves (CBGR) survey report from the World Gold Council (WGC) reveals that nearly 30% of central banks plan to increase their gold reserves within the next year. Geopolitical tensions and macroeconomic factors such as inflation and interest rates are significant concerns for many central bank reserve managers. Additionally, there is growing pessimism among respondents from advanced economies about the future share of the US dollar in global reserves.

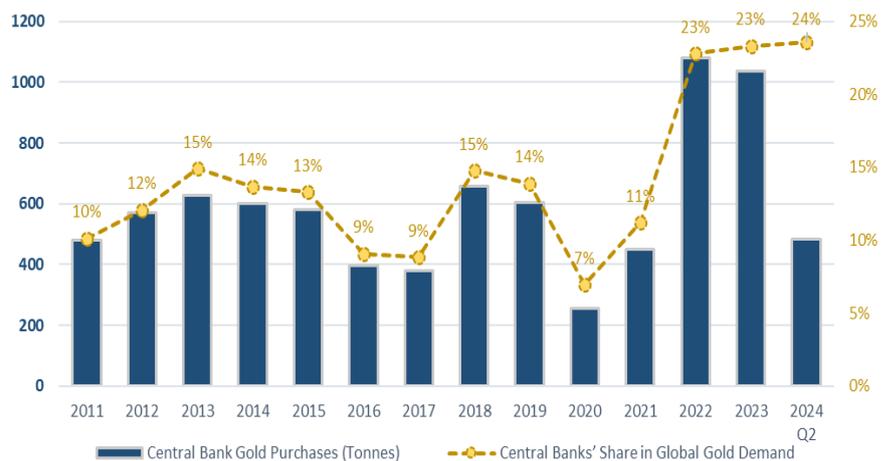
Existence of moderate negative correlation

Variables: Gold price and US bond yield



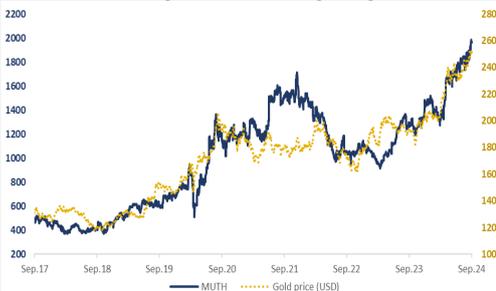
Source: Bloomberg, Geojit Research.

Role of central banks in global gold consumption



Source: WGC, Geojit Research.

Muthoot stock price mirrors gold price trends

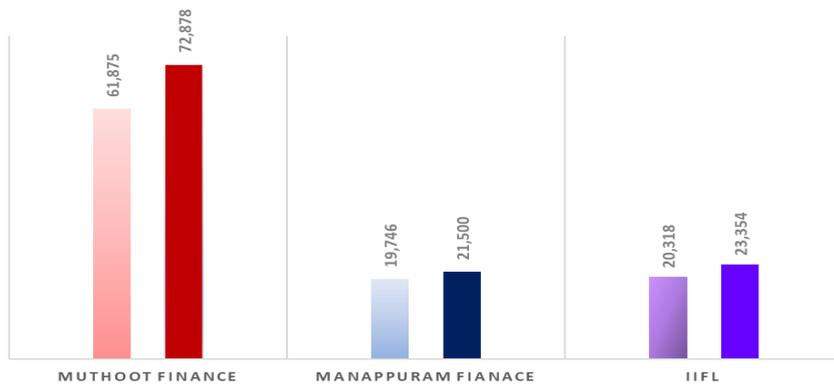


Source: Bloomberg, Geojit Research.

- ◆ **Cultural factors:** Cultural factors significantly influence gold demand and prices in India, where gold is deeply embedded in social and religious practices. Gold symbolizes prosperity and status, playing a central role in weddings and festivals. This cultural significance drives up demand and prices during auspicious times. Additionally, gold's role as a secure investment and safeguard against economic uncertainty further boosts its market value.

Investment rationale

Top Gold loan NBFCs: Muthoot leads the pack



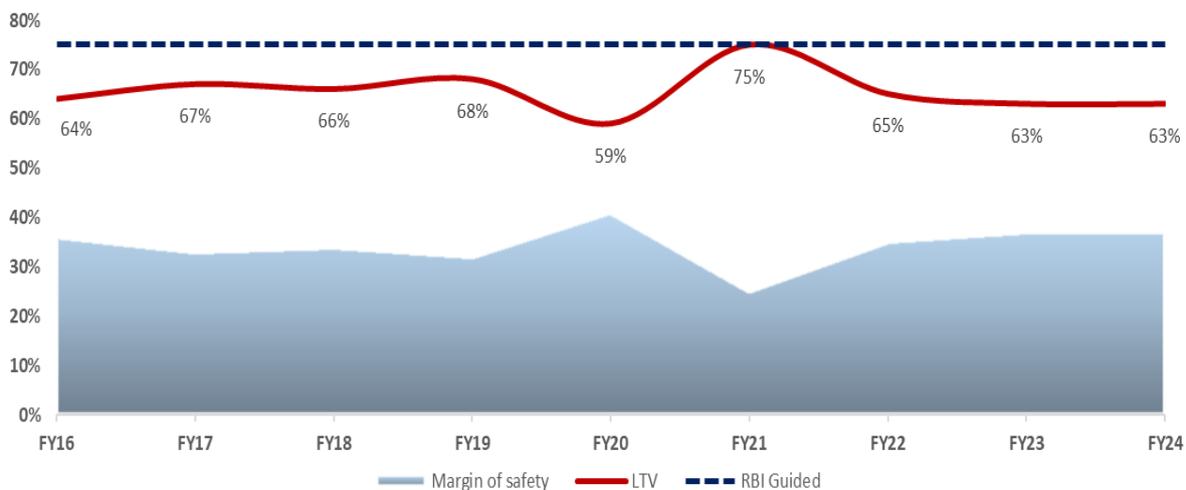
*AUM for FY23 & FY24 respectively in million

Source: Company, Geojit Research.

Among all other NBFCs Muthoot finance is the largest player in terms of gold lending.

Maintaining a lower LTV to mitigate price fluctuations

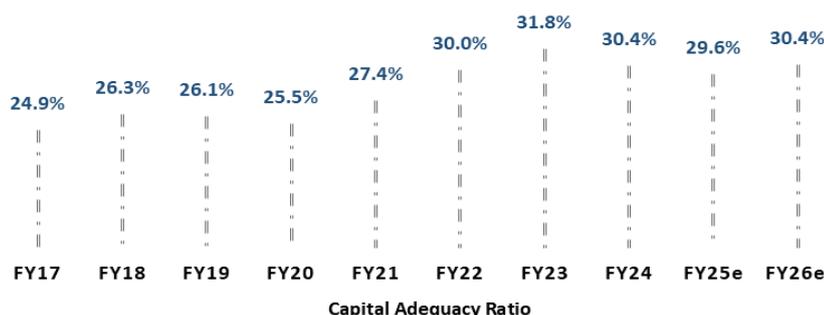
- ◆ Gold loan NBFCs typically offer greater safety compared to other lending companies because they are backed by tangible collateral - gold.
- ◆ The Loan-to-Value (LTV) ratio for these loans is fixed by the RBI at a maximum of 75%, ensuring that the loan amount is securely backed by the gold's value. This conservative LTV ratio provides a cushion against fluctuations in gold prices, enhancing the security of the loan.
- ◆ To ensuring further safety, associated with the gold price fluctuations, Muthoot is maintaining lower LTV of 63% on FY24 and in Q1 FY25 it is at 53%.



Source: Company, Geojit Research.

*The permissible LTV ratio for loans against the pledge of gold ornaments and jewelry for non-agricultural purposes was increased from 75% to 90% for SCBs from August to March 31, 2021. This change compelled Muthoot Finance to maximize its LTV ratio(75%)

Healthy capital adequacy ratio maintained above requirement

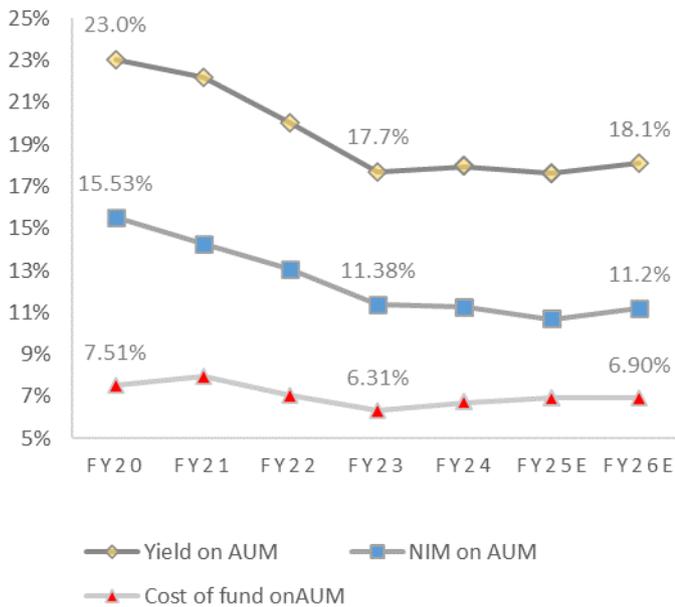


Source: Company, Geojit Research.

NBFCs – ND – SI* shall maintain a minimum Capital to Risk-weighted Assets Ratio (CRAR) of 10% as per RBI guideline. The company maintained CRAR well above regulatory requirements.

* Non-Banking Financial Companies – Non-Deposit taking – Systemically Important.

Lower yield approach: A new strategy for customer attraction

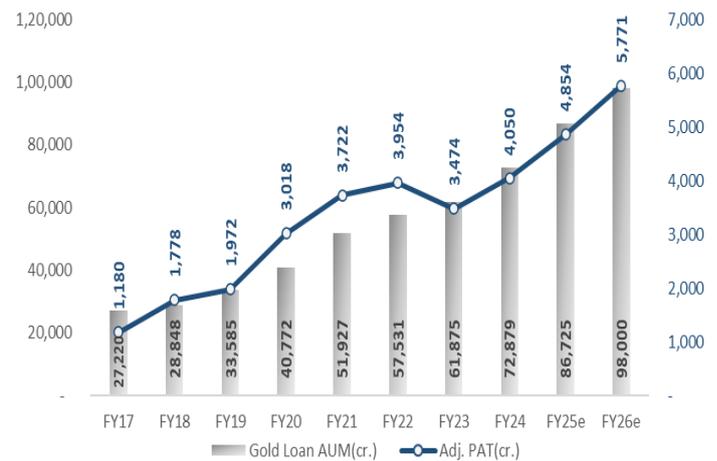


Source: Company, Geojit Research.

- ◆ Increased competition from SCB and other players in the gold loan lending segment has intensified when the COVID starts.
- ◆ As a dedicated gold loan lending company, Muthoot has responded by offering loans at lower rates compared to previous years, starting in FY21. This strategy of lowering yields aims to attract more customers, even in a competitive environment.
- ◆ We anticipate stable yields without further reductions, supported by decreased competition in the gold segment. This will benefit Muthoot in the near term.

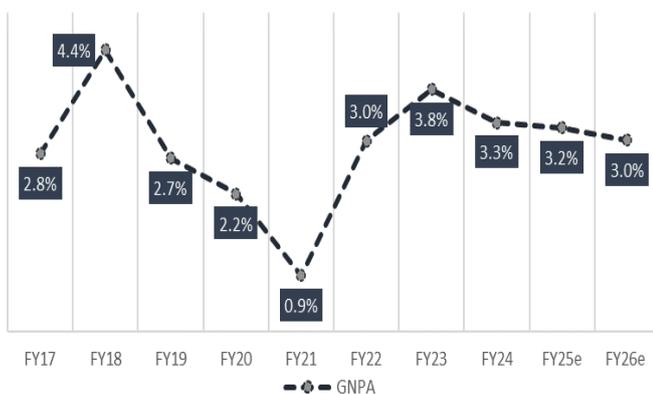
PAT is expected to grow at 19% CAGR in FY24-26

- ◆ Despite higher costs and lower yields, the company has managed to generate increased profits by fostering AUM growth.
- ◆ In FY23, the combination of lower yields and reduced AUM growth, driven by weak gold prices, resulted in a decline in profits by 12%.
- ◆ A rally in gold prices is expected to support AUM growth. We forecast AUM to grow at a CAGR of 16% in FY24-26E, driven by both value and volume growth.
- ◆ AUM growth, coupled with improved operational leverage, is likely to lead to double-digit growth in PAT (19% CAGR in FY24-26).



Source: Company, Geojit Research.

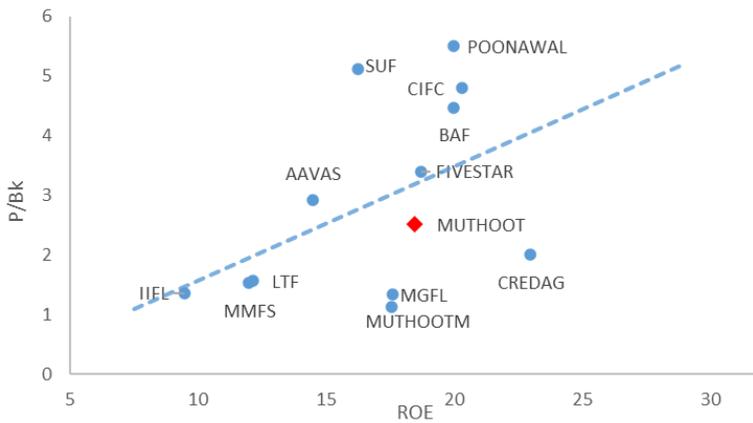
Strong asset quality foster safety



Source: Company, Geojit Research.

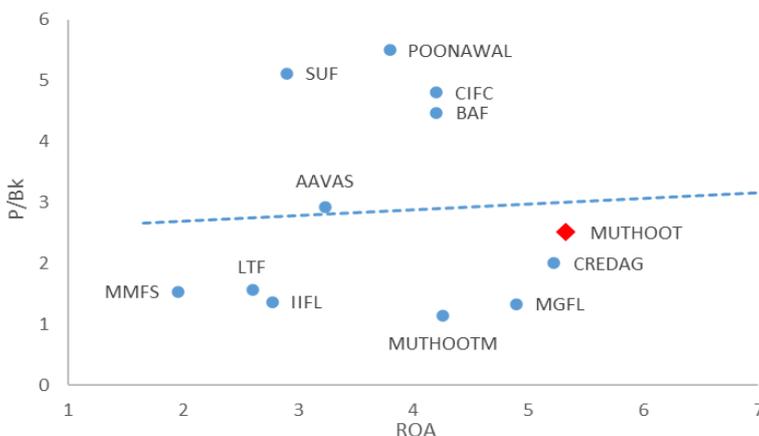
- ◆ Gold loan NBFCs are among the most secure in the NBFC space due to their collateral-backed nature.
- ◆ Compared to its nearest peers, Muthoot maintains slightly higher provisions, primarily due to its less aggressive auction policy for pledged gold loans, aimed at preserving customer relationships.
- ◆ The company's Gross Non-Performing Assets (GNPA), or stage III assets, have exhibited significant fluctuations over the years. The GNPA was reported at 3.3% in FY24 and increased to 4.0% in Q1FY25.
- ◆ Despite the higher GNPA, the asset quality risk remains low due to the maintenance of lower LTV ratios and the rally in gold prices. Additionally, the company has the option to conduct auctions to reduce GNPA. Therefore, we expect recoveries over the upcoming months.

ROE & Price to Book (1 yr fwd.); Comparison to Peers



Source: Bloomberg, Geojit Research.

ROA & Price to Book (1 yr fwd.); Comparison to Peers



Source: Bloomberg, Geojit Research.

- ◆ Attractive return ratios (for FY24)
ROE = 18.1
ROA = 5.1
- ◆ With higher ROA and ROE Muthoot is trading at a discount compared to peers.
- ◆ Compared to its peers, the company not only offers higher returns but also ensures greater safety. NBFCs are currently facing credit bubble risks, gold loan companies like Muthoot benefit from loans backed by collateral. Therefore, a premium valuation can be justified for the company.
- ◆ We anticipate that return ratios will improve further in the upcoming fiscal year 2026. Specifically, we expect:
ROE = 19.1
ROA = 5.5

Segment of major subsidiaries

Microfinance business:

The company's microfinance business has shown impressive growth, with its AUM reaching ₹10,023 crore in FY24—a remarkable 62% YoY increase. Over the past seven years ending FY24, the AUM has grown at a robust 51% CAGR. In Q1FY25, the AUM continued to grow, recording a 42% YoY increase. Company maintaining an adequate capital adequacy ratio of 21%. However, there is a cautionary note: as credit risk associated with unsecured loans rises across the sector, a moderation in AUM growth is expected.

Home finance:

In the home finance segment, the AUM increased to ₹2,198 crore in Q1FY25, reflecting a 47% YoY growth. Notably, the CAGR growth over the seven years from FY17 has been reported at 24%. Despite a contraction of 14 bps in NIM, the company has improved its cost-to-income ratio. Furthermore, the ROE has seen positive progress, standing at 6.45, higher than the 4.12 reported in Q1FY25.

The credit bubble risk associated with unsecured loans in the finance sector could potentially reduce advances growth, particularly for the MFI segment. Given that the Belstar MFI segment constitutes only 11% of the combined entity's AUM, the overall risk exposure remains relatively limited. In light of this, we anticipate that the gold loan segment will perform well during this period, offering a potential avenue for growth and stability.

Industry Risks

◆ Reduction in collateral value

A decrease in gold prices, which in a way diminishes the sentimental attachment to the collateral, can pose a serious threat to the gold loan business.

◆ Adverse Regulatory Changes

Even though ample guidelines have been framed for regulating the industry, any further change in the regulations can have the capacity to adversely affect the growth of gold loan business.

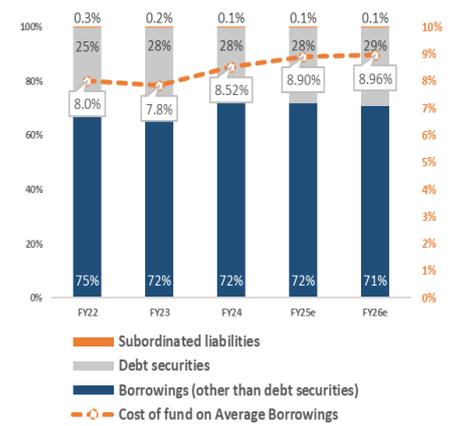
◆ Alternate loan products

Popularization and availability of other loan products like personal loan, loan against property and home loan, among others can reduce the demand for gold loan.

◆ Competition

Banks, which have a significant advantage in cost of funds and can grow their gold loan business by offering lower interest rates compared to NBFCs, thereby imposing a threat to the NBFCs gold loan business. Besides. Also, even today, the unorganized sector caters to a large segment of customers and retains their niche customer segment, thus limiting the growth opportunities of NBFCs.

Borrowing cost may stay higher over a medium-term.



Source: Company, Geojit Research.

Valuation



Source: Bloomberg, Geojit Research.

We anticipate the loan AUM to expand at a CAGR of 16% over FY24-26E, with stable margins supported by rising gold prices and decreasing competitive intensity. PAT is projected to grow at 20% and 19% over FY25E and FY26E, respectively, driven by improved AUM growth and operational efficiency. The company is currently trading at a premium of 2.5x on FY25E BVPS, higher than its five-year average. Given the strength of gold as an asset class and an ROE improvement of 100 bps from FY24 to 19.1% in FY25, along with enhanced safety, a premium valuation is justified.

Compared to other NBFC peers, the stock is currently trading at a discount, and it also offers greater safety as it is backed by gold. Therefore, **we are evaluating the standalone entity at 2.5x of FY26E BVPS and the valuation for the consolidated entity as a whole at ~2.4 of FY26E BVPS. We initiate coverage with an Accumulate rating, with a target price of Rs 2,140 based on the SOTP.**

Segments	Basis	Multiple	% holding	Value (Rs. cr.)	Value/ share (Rs.)
a) Muthoot Finance (Gold segment)	FY26E P/Bk	2.5x	100	83,342	2,076
b) Total value of subsidiaries				3,014	75
Homefin	FY26E P/Bk	1.0x	100	532	13
Belstar (MFI)	FY26E P/Bk	1.2x	63	2,007	50
Muthoot Insurance Brokers	FY26E P/E	10x	100	475	12
c) 15% holding discount					11
Total Value(a+b-c)				86,356	2,140

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Interest Income	10,956	10,369	12,448	15,051	17,471
Interest Expense	3,836	3,699	4,655	5,847	6,676
Net Int. Income	7,120	6,669	7,793	9,204	10,795
Change(%)	7.3	-6.3	16.8	18.1	17.3
Non Int. Income	142	175	246	283	332
Total Income	7,263	6,845	8,039	9,487	11,127
Change(%)	5.5	-5.8	17.5	18.0	17.3
Operating Exp.	1,826	2,118	2,393	2,776	3,195
Pre Prov. Profit	5,436	4,727	5,647	6,711	7,933
Prov. & Conting.	127	61	198	178	186
PBT	5,309	4,666	5,449	6,533	7,746
Change(%)	6.0	-12.1	16.8	19.9	18.6
Tax	1,355	1,193	1,399	1,679	1,975
Tax Rate (%)	26	26	26	26	26
Reported PAT	3,954	3,474	4,050	4,854	5,771
Adj*	0	0	0	0	0
Adj. PAT	3,954	3,474	4,050	4,854	5,771
Change(%)	6.2	-12.2	16.6	19.9	18.9
No. of shares (Cr)	40	40	40	40	40
EPS (Rs)	99	87	101	121	144
Change(%)	6.2	-12.2	16.6	19.9	18.9
DPS (Rs)	20	22	24	26	28

BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	9,179	6,429	5,037	4,545	5,085
Loans & Advances	59,384	64,265	77,001	91,723	1,03,558
Investments	1,320	1,317	2,268	2,374	2,586
Gross Fixed Assets	480	540	681	798	933
Net Fixed Assets	264	268	346	391	444
CWIP	46	67	88	80	98
Intangible Assets	4	4	4	5	7
Def. Tax (Net)	49	40	33	39	46
Other Assets	310	230	251	274	290
Total Assets	70,555	72,620	85,028	99,432	1,12,114
Deposits	49,811	49,734	58,783	69,222	77,161
Other Liabilities	2,039	1,472	1,607	1,743	1,812
Provisions	360	352	348	367	394
Equity Capital	401	401	401	401	401
Reserves & Surplus	17,943	20,660	23,889	27,699	32,346
Shareholder's Funds	18,345	21,062	24,290	28,100	32,747
Total Liabilities	70,555	72,620	85,028	99,432	1,12,114
BVPS (Rs)	457	525	605	700	816
Change(%)	20.3	14.8	15.3	15.7	16.5
Adj. BVPS (Rs)	457	525	605	700	816
Change(%)	20.3	14.8	15.3	15.7	16.5

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
Interest yield (%)	20.1	17.7	17.9	17.8	18.1
Cost of funds (%)	8.0	7.8	8.5	8.9	9.0
Spread.(%)	12.0	9.9	9.4	8.9	9.1
NIM (%)	13.0	11.4	11.2	10.9	11.2
ROE (%)	23.9	17.9	18.1	18.5	19.1
ROA(%)	5.9	5.1	5.1	5.3	5.5
Business Growth (YoY)					
Gold Loan AUM (%)	10.3	8.9	20.0	19.2	12.3
Microfinance AUM (%)	32.3	41.8	61.9	28.0	25.0
Total AUM (%)	10.3	8.9	20.0	19.2	12.3
Operating Ratios					
Cost to Income (%)	25.1	30.9	29.8	29.3	28.7
Cost to AUM (%)	3.3	3.6	3.4	3.3	3.3
Asset Quality					
GNPA (%)	3.0	3.8	3.3	3.2	3.0
ECL Provision (%)	2.6	3.5	2.9	2.8	2.6
Capital Adequacy					
CAR (%)	30.0	31.8	30.4	29.6	30.4
Valuation ratios					
P/E (x)	10.8	17.1	19.2	16.0	13.5
P/B (x)	2.3	2.8	3.2	2.8	2.4
Adj. P/B (x)	2.3	2.8	3.2	2.8	2.4

Price History



Source: Bloomberg, Geojit Research.

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.

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.

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