BUY (Maintained)

CMP: **INR 109** Target Price: **INR 130 (INR 184)** ▲ 19%

ICICI Securities

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24 October 2024

India | Equity Research | Q2FY25 results review

Fedbank Financial Services

Financials

Second consecutive quarter of elevated credit cost; top-management change

Q2FY25 for Fedbank Financial Services (Fedfina) has been eventful with: 1) a change in top management; 2) RBI circular dated 4 Oct'24 (link) stressing upon carryout lending activities of similar products (except housing finance) under one entity [product overlap (Gold loans & LAP) between Federal Bank and Fedfina]; and 3) its second consecutive quarter of elevated credit cost. While some of these are transient, they do pose a risk on near-term profitability, especially given the ongoing stress in the sector. So far, Fedfina has remained insulated from system stress in unsecured loans, evident in GNPL of <1% for last eight quarters. Considering its inexpensive valuation at 1.1x FY26E BVPS and likely improvement in credit cost during H2FY25, we maintain **BUY** with a revised TP of INR 130 (earlier INR 184), as we trim our earnings estimates by 16%/5% for FY25/FY26 and also cut the multiple to 1.5x (earlier 2x) PBV on Sep'25E BVPS.

Top-management change

Fedfina announces change of guards at the top with Mr. Anil Kothuri stepping down as MD & CEO and Mr. Parvez Mulla taking charge from 11 Nov'24 for three years. Mr. Mulla brings 28 years of experience across lending, retail banking and insurance.

Credit cost remains elevated for second consecutive quarter

Higher delinquencies in small-ticket LAP and home loan (HL) due to cash-flow impact on the borrower. The informal segment resulted in elevated credit cost at 1.3% vs. 1.2% QoQ (much higher than guidance of 0.8%) for the second consecutive quarter. While 1+ DPD and 30+ DPD buckets have improved sequentially to 7.3% (8% QoQ) and 4% (4.8% QoQ), management highlighted that it increased PCR (by additionally providing INR 0.22bn during Q2FY25) in the mortgage business due to early signs of stress build up. Management also highlighted that it intends to improve PCR from the current level of 22%.

Overall, management revised its full year FY25 credit cost guidance to ~1% vs. 0.8% earlier. Credit cost during H1FY25 stood at ~1.25%, implying the quarterly run-rate in H2FY25 would be lower. Notably, despite the system-level stress in unsecured loans, Fedfina's unsecured business loan portfolio held quite well, evident in GNPL remaining lower at 0.7% during Q2FY25.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Interest Income (INR mn)	6,381	8,121	10,444	13,336
PAT (INR mn)	1,802	2,447	2,754	4,125
EPS (INR)	5.6	7.6	8.6	12.8
% Chg YoY	73.9	35.8	12.5	49.8
P/E (x)	19.6	14.4	12.8	8.5
P/BV (x)	2.6	1.6	1.4	1.2
Gross Stage - 3 (%)	2.0	1.7	1.7	1.7
RoA (%)	2.3	2.4	2.2	2.6
RoE (%)	14.4	13.5	11.5	15.0

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Market Data

Market Cap (INR)	41bn
Market Cap (USD)	484mn
Bloomberg Code	FEDFINA In Equity
Reuters Code	FEBD.BO
52-week Range (INR)	154 /107
Free Float (%)	29.0
ADTV-3M (mn) (USD)	0.9

Price Performance (%)	3m	6m	12m
Absolute	(11.4)	(12.5)	0.0
Relative to Sensex	(11.0)	(21.1)	0.0

ESG Score	2022	2023	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
PAT	(16)	(5)

Previous Reports

20-07-2024: Q1FY25 results review

01-05-2024: Q4FY24 results review

Q2FY25 performance: Higher opex and credit cost restrict PAT uptick

Fedfina reported NII growth of 6% QoQ/28% YoY led by 20bps QoQ improvement in spreads to 8.3% and robust AUM growth of 8% QoQ/42% YoY. Non-interest income also saw healthy growth of 3% QoQ/68% YoY led by robust growth in fee income of ~60% QoQ as well as YoY. The company invested in branches, taking the count to 665 (added 46 branches in Q2 vs. 46 in entire FY24) and added ~400 employees during the quarter. As a result, opex was up 12% QoQ/29% YoY, leading to elevated cost to income ratio at 58.6% vs. 55.4% QoQ. Overall, PPoP growth was largely flat QoQ and up by 37% YoY. However, a spike in credit cost to 1.5% (up 9bps QoQ and 77bps YoY) restricted PAT growth to 12% YoY/down 8% QoQ.

AUM growth was strong at 42% YoY/8% QoQ, primarily led by strong traction in gold loans, which registered growth of 51% YoY/8% QoQ, followed by 43% YoY/9% QoQ growth in mortgage. Disbursements, however, receded 24% QoQ (up 30% YoY) from its all-time-high in Q1. Asset quality performance was better with 10bps sequential dip in gross as well as net Stage-3; even lead indicators such as 1+ dpd fell 70bps QoQ and 30+dpd fell 80bps QoQ. Overall, it posted RoA of 2.1% and RoE of 10.9%.

AUM growth robust at 42% YoY led by gold and mortgage

Fedfina reported AUM growth of 42% YoY/8% QoQ led by strong growth of 51% YoY in gold loans, followed by growth of 43% YoY in mortgage, 20% YoY in business loan and 18% YoY for others. Its twin-engine strategy is working well, wherein it had some headwinds in MSME business, while strong traction gold loan continued in H1 with 24% YTD growth vs. 15% YTD in mortgage and overall, AUM growth of 17% YTD. Overall, for FY25, management now expects AUM growth of 30-35% post robust growth in H1FY25 led by its gold loans portfolio.

Spread, up 20bps QoQ, aided by benefit from borrowing cost

Fedfina reported spreads at 8.3%, up 20bps QoQ aided by 30bps QoQ decline in borrowing cost, while yields also fell 10bps QoQ. Going ahead, in a declining interest environment, Fedfina is better placed with ~85% of borrowings being linked to floating rate benchmarks. Moreover, ~40% borrowings are on EBLR and incrementally, in Q2, ~32% of borrowings were on EBLR and another 21% were short-term borrowings, which can be reset on maturity. Overall, Fedfina is well-placed from the cost perspective in a declining interest rate scenario.

Also, CRISIL has upgraded its long-term credit rating, (factoring in the strong support that Fedfina receives from its parent) from AA/ positive to AA+/Stable, in Oct'24, which will aid the company to further lower its funding cost with the passage of time.

Opex elevated, as Fedfina invests in strengthening franchise

Fedfina is targeting to open ~80 branches in FY25 vs. 46 in FY24. Of this, it has already opened 44 in H1FY25 (25 gold loan and 19 MSME hubs) and plans to open the remaining ones by November-end. These branches usually take 12-15 months to break even; hence, it would lead to elevated opex as well as cost to income in the interim. For the quarter, cost to income ratio rose to 58.6% vs. 55.4% QoQ. Overall, opex to assets stood at 5.8% in Q2FY25 vs. 5.4% for FY24 and management expects it to decline by ~30bps decline in FY26.

Key risks: Credit cost exceeding guidance; and slower AUM growth in H2 as compared to H1.

Q2FY25 earnings call takeaways

Asset quality

- Fedfina has seen some stress building up on small ticket mortgage; hence, has conservatively taken additional ECL provisions of INR 220mn during the quarter, after considering the current environment dynamics. **This is a kind of management overlay and is spread across buckets.**
- FedFina achieved good outcomes in the quarter on asset quality, due to intense activity on the field. It notes that people are finding it difficult to come up with monthly EMI vs. earlier.
- *Post covid, there was a pullback in terms of growth and cashflows. Now, it has witnessed that income levels are not increasing considerably, while there has been expense inflation across the board.*
- ***Stress is segment-specific wherein for example, on mortgage loan, if disposable income as a % of total income was 50%, then that has come down now due to rise in expenses on account of higher inflation.***
- *Portfolio management and collection has taken priority over collections in a few branches facing stress.*

Credit cost

- **Earlier credit cost guidance (as a % of average assets) was 80bps for FY25, but this could rise to ~100bps, considering the latest environment dynamics.** Also, its stated intent is to gradually increase PCR.
- *Gold loan business has nil to negligible credit cost and given that gold loan forms a sizeable part of total AUM, it is not worried on credit cost.*
- **Entity does an annual exercise of PD and LGD refresh which is expects to do this time in Q3. Hence, Q3 credit could be relatively higher at 100-110bps.**

Outlook

- **Given the environment dynamics, Fedfina believes that it would need to revise guidance. As of now, looking at H1, management believes that it would like to maintain this near FY24 levels.**
- Over a year back, there were three expected levers for NBFCs namely – growth, declining, interest rate environment and benign credit cycle. Of this, only growth has played out, while the other two did not play out as expected.
- **Medium ticket LAP RoE would be above entity RoE.**

AUM and Disbursements

- **Guidance is 25% AUM growth end anything above that would be opportunistic. However, for FY25, it would be looking at 30-35% AUM growth, considering that gold loan portfolio has seen strong growth in H1.**
- **Twin engine strategy is working well wherein it had some headwinds in MSME business, while gold loan has performed handsomely in H1.**
- Disbursements up 30% YoY for the quarter
- Origination in medium ticket LAP was 50% QoQ and 130% YoY
- **For the first time ever, it crossed AUM growth in quarter of INR 10bn (at INR 10.3bn)**
- **Business loans cater to a segment, which is prime segment. These customers have balance sheet, P&L, ITR etc.**
- Bulk of the lending is on medium ticket LAP for the quarter

- **Unsecured proportion** feedback has been similar to previous year. In contrast to the environment, FedFina portfolio quality is holding well. In fact, it sold down as much as it originated to banks.
- **Small ticket mortgage loans** – It will be a little more measured in terms of growth to ensure that it gets better portfolio outcome as compared to previous year. **Budling 30 new branches in small mortgage.**
- It has disbursed about INR 100-120bn of **mortgage loans** since its inception in 2011 and it has worked really well for the company in terms of revenue and profitability. PSU banks would like to do this business, but it doesn't have the ability to source the loan. 20.8% of the portfolio is off book, which it has sold down.

Gold loans

- **11 tons gold loan tonnage at the end of the quarter, which has grown 2.5 tonnages YoY. It was 10.3 tonnage in Q1-end and 8.3 tonnage YoY.**
- **Growth in gold loan is not a concern as of now. Structurally, don't see slowing down of co-lending on gold loans. Banks are also looking for gold loans, since it carries 0% risk weight. Hence, it is a win-win for bank as well as NBFCs.**
- **Gold loan is in a good place** and growth would be determined by two factors namely gold price and 50 additional branches in H2 vs. H1. As soon as new co-lending originations come in, then company would be able to further push the pedal on originations.

Margins

- **~85% of borrowings are on floating rate benchmark, which should aid the bank in a declining interest rate environment.**
- ~40% borrowings are on EBLR.
- Incrementally, in Q2, ~32% of borrowings are on EBLR and another 21% are short term borrowings and can be reset on maturity.
- CRISIL upgraded its long-term credit rating from AA/positive to AA+/Stable, in Oct'24. ***This benefits the company better in terms of securing better rates on long term borrowings.***

RBI circulars

- **RBI's 4 Oct'24 circular:** Similar draft circular came out in Nov'20. At that point of time, its parent bank had written to RBI and even other market participants would have also done the same. This time also, management believes that its parent bank as well as other banks will write to RBI. They will try to explain that parent entity and NBFC cater to different customer segment and hence they cannot umbrella them in the same entity.
- **It is reasonably compliant on gold loan related norms from RBI.**

Opex

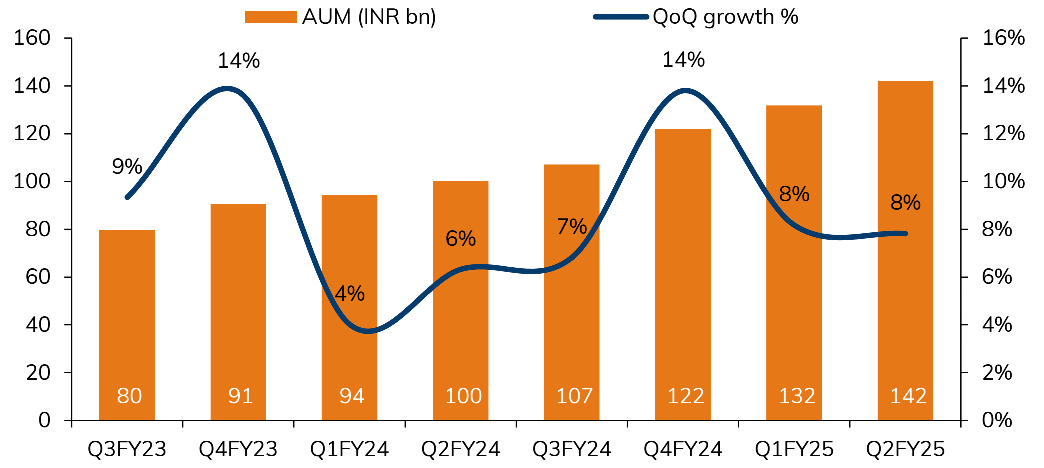
- 4,743 employees at the end of Q2.
- **Would be opening 80 branches during the course of the year, of which it has opened 44 in H1 and the remaining would be complete by November.**
- Fee and other income came out a tad higher.
- On the opex front, management had guided that it is investing for the long term and continued to invest in growth.
- Commissioned 46 new branches across gold loan and small ticket mortgage and added ~400 employees. These branches usually take 12-15 months to break even. As a result, opex rose and thereby C/I also inched up from ~55% to ~58%.
- **~30bps opex to assets decline expected in FY26.**

Exhibit 1: Q2FY25 result review

Income statement (INR mn)	Q2FY24	Q1FY25	Q2FY25	% YoY	% QoQ
Interest income	3,742	4,520	4,791	28.0	6.0
Interest expense	1,669	2,024	2,142	28.4	5.8
NII	2,073	2,496	2,649	**27.8**	**6.1**
Non-interest income	237	390	400	68.5	2.6
Total net income	**2,310**	**2,886**	**3,049**	**31.9**	**5.6**
Employee Benefit Expense	793	918	998	25.8	8.7
Depreciation	95	110	118	24.3	7.0
Fees and commission expense	58	45	61	6.1	35.0
Other expenses	443	524	609	37.4	16.1
Operating expenses	**1,389**	**1,598**	**1,786**	**28.6**	**11.8**
Pre-provisioning profit (PPoP)	**922**	**1,288**	**1,263**	**37.0**	**(2.0)**
Provisions and write offs	148	352	399	169.1	13.3
PBT	**774**	**936**	**864**	**11.7**	**(7.7)**
Tax expenses	196	234	219	11.7	(6.4)
PAT	**578**	**702**	**645**	**11.7**	**(8.1)**
EPS (INR)	**1.8**	**1.9**	**1.7**	**(2.2)**	**(8.4)**
Balance Sheet (INR mn)	**Q2FY24**	**Q1FY25**	**Q2FY25**	**% YoY**	**% QoQ**
Share capital	3,239	3,708	3,719	14.8	0.3
Reserves & surplus	11,724	19,515	20,305	73.2	4.0
Shareholders' funds	**14,963**	**23,223**	**24,024**	**60.6**	**3.4**
Borrowings	**81,525**	**92,797**	**98,313**	**20.6**	**5.9**
Other Liabilities and provisions	4,563	3,874	4,006	(12.2)	3.4
Total Liabilities and SHE	**1,01,052**	**1,19,894**	**1,26,342**	**25.0**	**5.4**
Cash & bank balances	9,226	5,388	4,219	(54.3)	(21.7)
Loans	**85,204**	**1,03,615**	**1,11,556**	**30.9**	**7.7**
Investments	3,567	7,344	6,870	92.6	(6.5)
Other financial assets & receivables	848	1,250	1,278	50.8	2.3
Non-Financial Assets	2,207	2,297	2,419	9.6	5.3
Total Assets	**1,01,052**	**1,19,894**	**1,26,342**	**25.0**	**5.4**
Key financial metrics	**Q2FY24**	**Q1FY25**	**Q2FY25**	**% YoY**	**% QoQ**
AUM (INR mn)	**1,00,304**	**1,31,881**	**1,42,185**	**41.8**	**7.8**
-Mortgage (INR mn)	50,062	65,834	71,758	43.3	9.0
-Gold loan (INR mn)	32,694	45,620	49,340	50.9	8.2
-Business loans (INR mn)	16,047	18,690	19,323	20.4	3.4
-Others (INR mn)	1,501	1,737	1,764	17.5	1.6
Disbursements (INR mn)	**29,329**	**50,046**	**38,105**	**29.9**	**-23.9**
-Mortgage (INR mn)	5,856	7,375	8,410	43.6	14.0
-Gold loan (INR mn)	20,073	39,706	26,103	30.0	-34.3
-Business loans (INR mn)	3,400	2,965	3,592	5.6	21.1
Reported yield (%)	17.3	17.4	17.3	0 bps	*-11 bps*
Reported borrowing cost (%)	8.5	9.3	9.0	50 bps	*-31 bps*
Spreads (%)	8.8	8.1	8.3	-50 bps	*19 bps*
Op cost as % of avg assets	5.7	5.5	5.8	*10 bps*	*30 bps*
Cost to income (%)	60.1	55.4	58.6	-150 bps	*319 bps*
Gross Stage 3	2.3	2.0	1.9	-40 bps	-10 bps
Net Stage 3	1.8	1.6	1.5	-30 bps	-10 bps
Provision coverage ratio (%)	22.5	19.3	21.9	-65 bps	253 bps
Credit cost as a % of avg AUM [annualised]	0.6	1.1	1.2	55 bps	5 bps

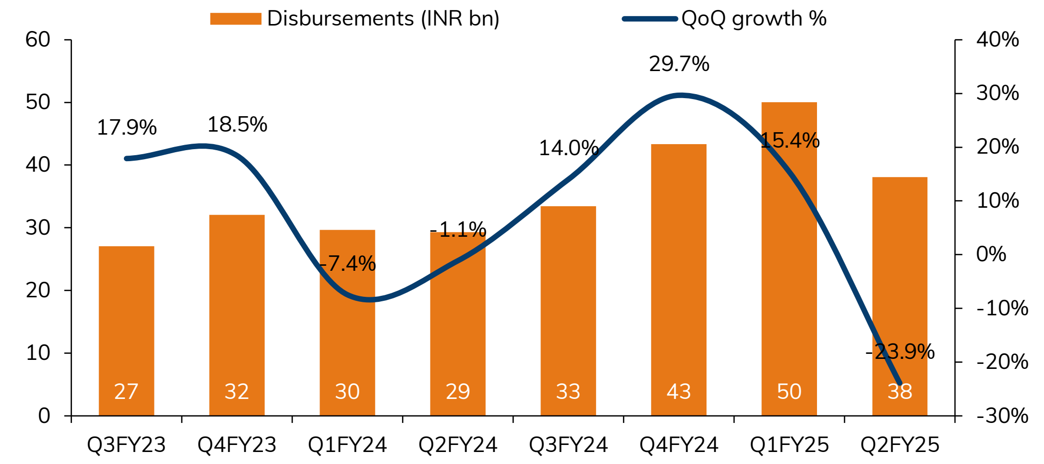
Source: Company data, I-Sec research

Exhibit 2: Robust AUM growth at 8%/42% QoQ/YoY



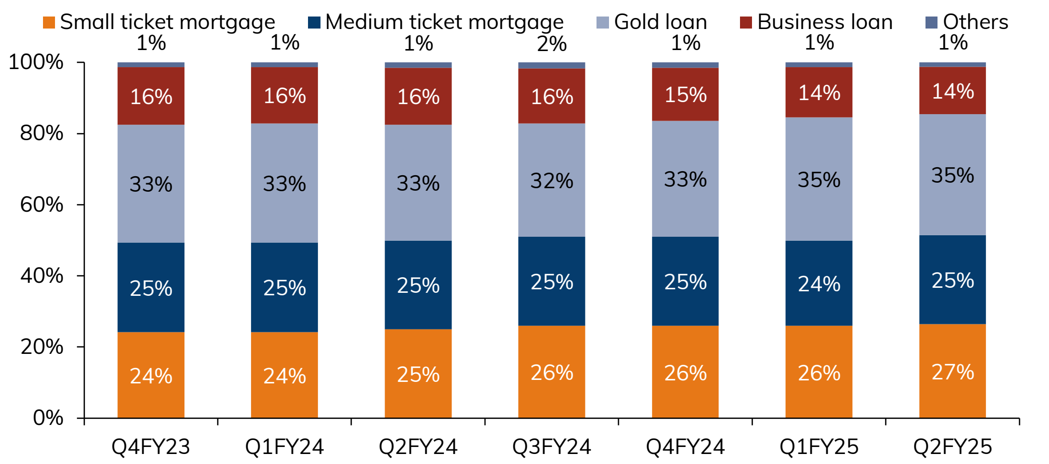
Source: Company data, I-Sec research

Exhibit 3: Disbursements decline QoQ due to low disbursement in small ticket LAP



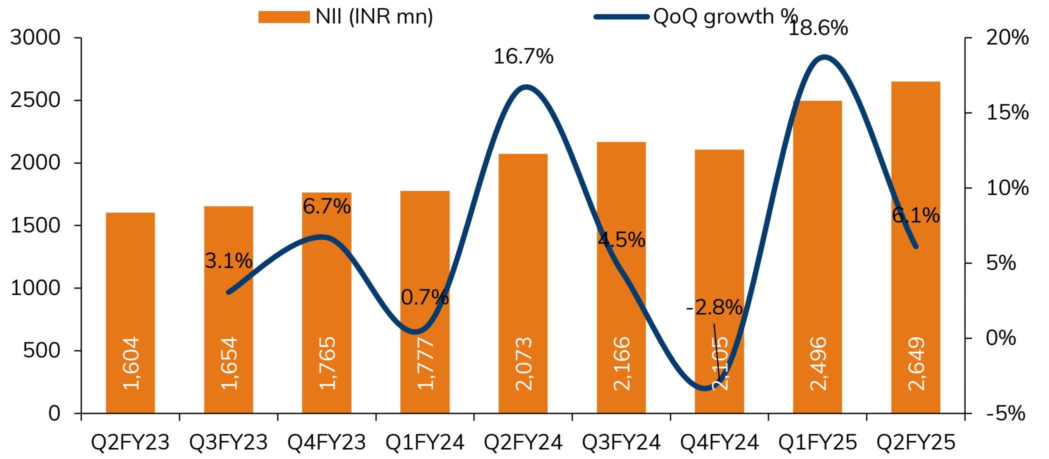
Source: Company data, I-Sec research

Exhibit 4: Diversified portfolio mix with strategy of building up small-ticket mortgage book and gold loans



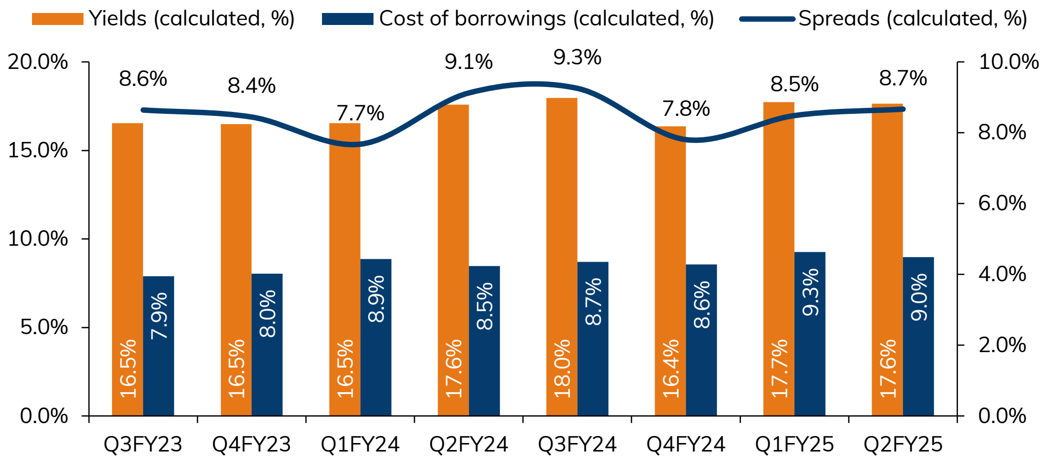
Source: Company data, I-Sec research

Exhibit 5: NII up 6% QoQ aided by uptick in spreads and robust AUM growth



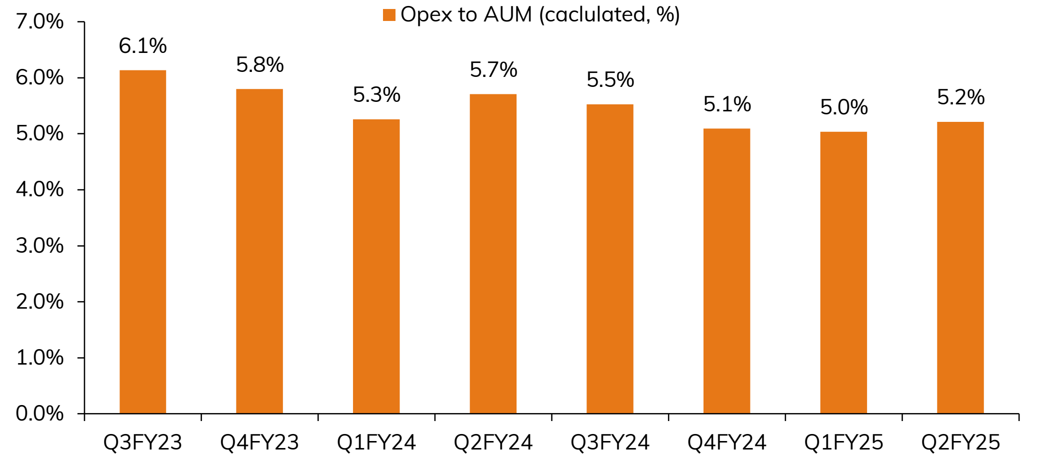
Source: Company data, I-Sec research

Exhibit 6: Spread expanded largely due to lower cost of borrowing decline of 30bps QoQ



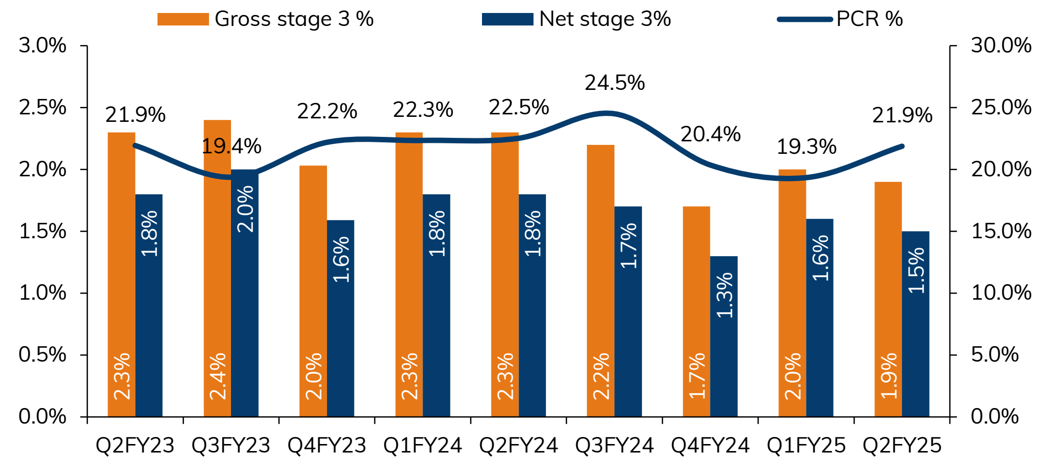
Source: Company data, I-Sec research

Exhibit 7: Opex to AUM elevated by ~20bps QoQ to 5.2%, as it added 46 new branches for the quarter



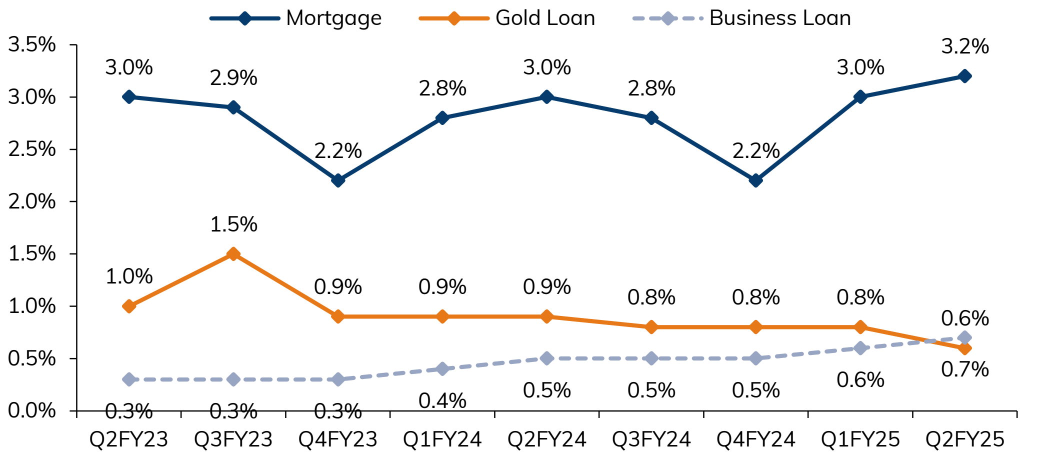
Source: Company data, I-Sec research

Exhibit 8: Overall gross stage 3 as well as net stage 3 has improved by 10bps QoQ as well as YoY



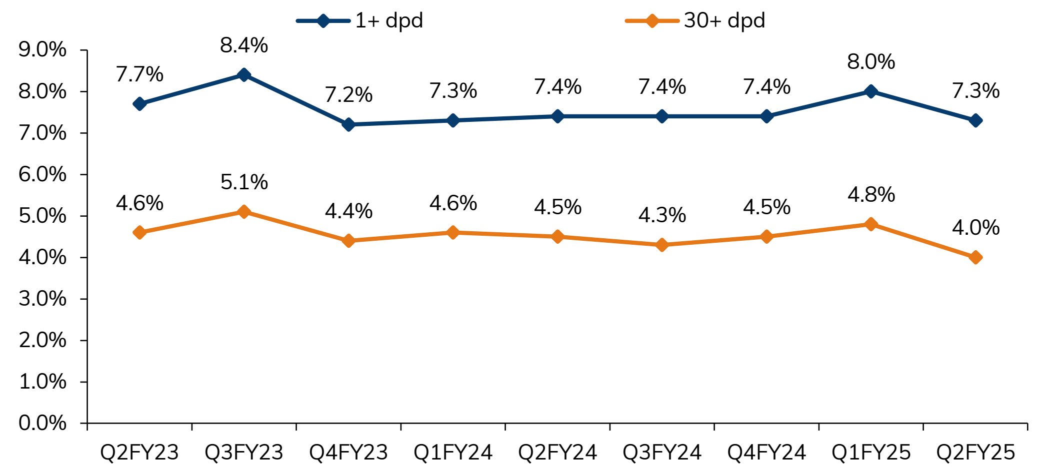
Source: Company data, I-Sec research

Exhibit 9: ...driven by reduction in gold loans GNPAs



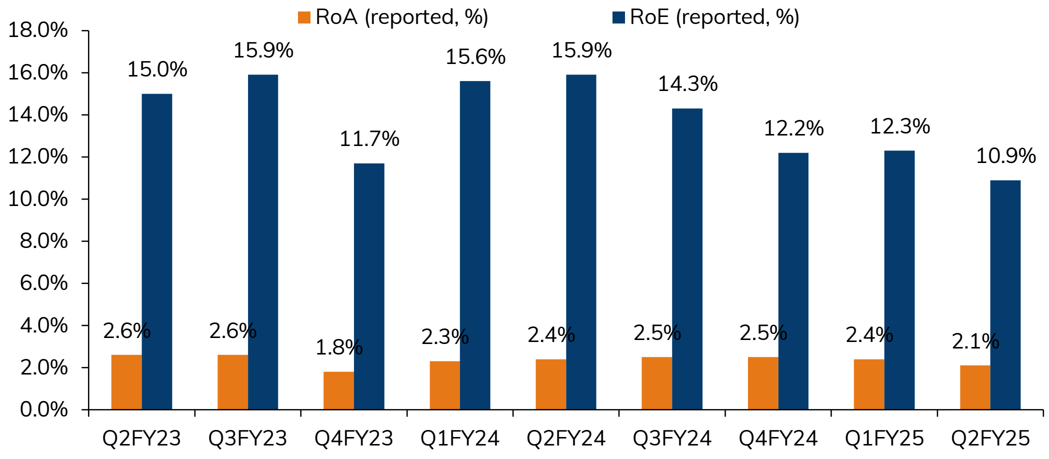
Source: Company data, I-Sec research

Exhibit 10: Early delinquencies has posted improvements in current quarter owing to collection efforts



Source: Company data, I-Sec research

Exhibit 11: RoA fell to ~2.1% vs. 2.4% QoQ due to higher credit cost



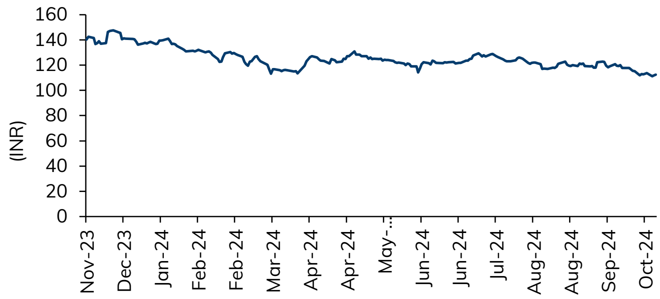
Source: Company data, I-Sec research

Exhibit 12: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	61.6	61.4	61.2
Institutional investors	24.3	24.3	23.2
MFs and others	2.6	2.5	2.8
FIs/Banks	0.0	15.3	14.4
Insurance	6.6	5.6	5.4
FIIs	15.1	0.9	0.6
Others	14.1	14.3	15.6

Source: Bloomberg

Exhibit 13: Price chart



Source: Bloomberg

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Interest Income	11,102	14,917	19,153	24,357
Net gain on fair value changes	126	199	251	317
Interest Expenses	(4,722)	(6,796)	(8,709)	(11,022)
Net Interest Income (NII)	**6,381**	**8,121**	**10,444**	**13,336**
Other Income	359	458	556	701
Total Income (net of interest expenses)	**7,426**	**9,434**	**12,066**	**15,375**
Employee benefit expenses	(2,476)	(3,178)	(3,973)	(4,966)
Depreciation and amortization	(419)	(374)	(448)	(538)
Fee and commission expenses	(233)	(229)	(320)	(448)
Other operating expenses	(1,225)	(1,715)	(2,058)	(2,469)
Total Operating Expense	**(4,352)**	**(5,495)**	**(6,799)**	**(8,421)**
Pre Provisioning Profits (PPoP)	**3,073**	**3,939**	**5,267**	**6,954**
Provisions and write offs	(489)	(659)	(1,552)	(1,389)
Profit before tax (PBT)	**2,431**	**3,281**	**3,715**	**5,565**
Total tax expenses	(629)	(834)	(961)	(1,440)
Profit after tax (PAT)	**1,802**	**2,447**	**2,754**	**4,125**

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Share capital	3,219	3,694	3,694	3,694
Reserves & surplus	10,338	18,914	21,668	25,794
Shareholders' funds	**13,557**	**22,608**	**25,362**	**29,487**
Borrowings	71,358	82,146	1,03,154	1,36,450
Provisions & Other Liabilities	5,795	6,624	15,168	12,690
Deferred tax liabilities (net)	-	-	-	-
Current Liabilities and short-term provisions	-	-	-	-
Total Liabilities and Stakeholder's Equity	**90,710**	**1,11,378**	**1,43,684**	**1,78,628**
Cash and balance with RBI	946	1,855	9,893	12,347
Fixed assets	1,463	1,458	1,604	1,765
Loans	**79,997**	**98,225**	**1,23,538**	**1,54,181**
Investments	6,806	7,513	6,177	7,709
Deferred tax assets (net)	218	22	24	26
Current Assets including cash and bank	-	-	-	-
Other Assets	1,279	2,306	2,448	2,600
Total Assets	**90,710**	**1,11,378**	**1,43,684**	**1,78,628**

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
AUM and Disbursements (INR mn)				
AUM	90,696	1,21,919	1,55,897	1,94,568
On-book Loans	81,027	99,163	1,24,718	1,55,654
Off-book Loans	9,669	22,756	31,179	38,914
Disbursements	1,07,487	1,35,788	1,76,334	2,18,345
Sanctions	-	-	-	-
Repayments	-	-	-	-
Growth (%):				
Total AUM (%)	46.6	34.4	27.9	24.8
Disbursements (%)	43.9	26.3	29.9	23.8
Sanctions (%)	-	-	-	-
Repayments (%)	-	-	-	-
Loan book (on balance sheet) (%)	40.6	22.4	25.8	24.8
Total Assets (%)	38.4	22.8	29.0	24.3
Net Interest Income (NII) (%)	34.5	27.3	28.6	27.7
Non-interest income (%)	60.6	21.3	23.1	25.6
Total Income (net of interest expenses) (%)	38.5	27.1	27.9	27.4
Operating Expenses (%)	39.1	26.3	23.7	23.9
Employee Cost (%)	41.2	28.4	25.0	25.0
Non-Employee Cost (%)	42.3	40.0	20.0	20.0
Pre provisioning operating profits (PPoP) (%)	37.8	28.2	33.7	32.0
Provisions (%)	(41.7)	34.7	135.7	(10.5)
PBT (%)	74.6	35.0	13.2	49.8
PAT (%)	74.1	35.8	12.5	49.8
EPS (%)	73.9	35.8	12.5	49.8
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	9.4	9.1	9.4	9.6
NIM on IEA (%)	8.2	7.5	7.2	7.2
NIM on AUM (%)	8.4	7.6	7.5	7.6
Yield on loan assets (%)	16.3	16.7	17.3	17.5
Yield on IEA (%)	14.3	13.8	13.2	13.1
Yield on AUM (%)	14.6	14.0	13.8	13.9
Cost of borrowings (%)	7.8	8.9	9.4	9.2
Interest Spreads (%)	8.5	7.9	7.9	8.3
Operating efficiencies				
Non interest income as % of total income	52.5	50.0	50.3	50.5
Cost to income ratio	58.6	58.2	56.3	54.8
Op.costs/avg assets (%)	5.6	5.4	5.3	5.2
Op.costs/avg AUM (%)	5.7	5.2	4.9	4.8
No of employees (estimate) (x)	3,570	-	-	-
No of branches (x)	575	-	-	-
Salaries as % of non-interest costs (%)	56.9	57.8	58.4	59.0
NII /employee (INR mn)	1.8	-	-	-
AUM/employee(INR mn)	25.4	-	-	-
AUM/ branch (INR mn)	157.7	-	-	-
Capital Structure				
Average gearing ratio (x)	5.3	3.6	4.1	4.6
Leverage (x)	6.7	4.9	5.7	6.1
CAR (%)	17.9	17.1	15.4	14.9
Tier 1 CAR (%)	15.1	14.7	13.6	13.5
Tier 2 CAR (%)	2.9	2.3	1.8	1.4
RWA (estimate) - INR mn	81,402	99,949	1,28,939	1,60,298
RWA as a % of loan assets	101.8	101.8	104.4	104.0

Source Company data, I-Sec research

	FY23A	FY24A	FY25E	FY26E
Asset quality and provisioning				
GNPA (%)	2.0	1.7	1.7	1.7
NNPA (%)	1.6	1.3	1.3	1.3
GNPA (INR mn)	1,645	1,646	2,070	2,584
NNPA (INR mn)	1,280	1,311	1,649	2,058
Coverage ratio (%)	22.2	20.4	20.4	20.4
Credit Costs as a % of avg AUM (bps)	64	62	112	79
Credit Costs as a % of avg on book loans (bps)	71	73	139	99
Return ratios				
RoAA (%)	2.3	2.4	2.2	2.6
RoAE (%)	14.4	13.5	11.5	15.0
ROAAUM (%)	2.4	2.3	2.0	2.4
Dividend Payout ratio (%)	-	-	-	-
Valuation Ratios				
No of shares	322	322	322	322
No of shares (fully diluted)	322	322	322	322
ESOP Outstanding	-	-	-	-
EPS (INR)	5.6	7.6	8.6	12.8
EPS fully diluted (INR)	5.6	7.6	8.6	12.8
Price to Earnings (x)	19.6	14.4	12.8	8.5
Price to Earnings (fully diluted) (x)	19.6	14.4	12.8	8.5
Book Value (fully diluted)	42	70	79	92
Adjusted book value	39	67	75	87
Price to Book	2.6	1.6	1.4	1.2
Price to Adjusted Book	2.8	1.6	1.5	1.3
DPS (INR)	-	-	-	-
Dividend yield (%)	-	-	-	-

Source Company data, I-Sec research

Exhibit 17: Key metrics

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
DuPont Analysis				
Average Assets (INR mn)	78,133	1,01,044	1,27,531	1,61,156
Average Loans (INR mn)	68,223	89,111	1,10,881	1,38,859
Average Equity (INR mn)	12,546	18,083	23,985	27,425
Interest earned (%)	14.2	14.8	15.0	15.1
Net gain on fair value changes (%)	0.2	0.2	0.2	0.2
Interest expended (%)	6.0	6.7	6.8	6.8
Gross Interest Spread (%)	**8.2**	**8.0**	**8.2**	**8.3**
Credit cost (%)	0.6	0.7	1.2	0.9
Net Interest Spread (%)	**7.5**	**7.4**	**7.0**	**7.4**
Operating cost (%)	5.3	5.2	5.1	4.9
Lending spread (%)	**2.3**	**2.2**	**1.9**	**2.5**
Non interest income (%)	1.2	1.1	1.1	1.1
Operating Spread (%)	**3.4**	**3.3**	**3.0**	**3.5**
Tax rate (%)	25.9	25.4	25.9	25.9
ROAA (%)	**2.3**	**2.4**	**2.2**	**2.6**
Effective leverage (AA/ AE)	6.2	5.6	5.3	5.9
RoAE (%)	**14.4**	**13.5**	**11.5**	**15.0**

Source Company data, I-Sec research

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