REDUCE (Maintain)

CMP: **INR 169** Target Price: **INR 160** ▼ -5%

ICICI Securities

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13 February 2025

India | Equity Research | Results update

Fusion Finance

Financial Services

Weak financial performance continues; stress pool remains bloated

Fusion Finance (Fusion) has bolstered its balance sheet by upping its provision cover across Stage-1/2/3 assets and de-recognising interest income on Stage-3 assets. Yet, PAR 0+ at 19% (one of the highest within MFI space) casts a shadow on near-term profitability. It recovered interest income to the tune of ~INR 1bn in Q3FY25, resulting in total interest income plunging 30% QoQ to INR 4.4bn vs. INR 6.3bn QoQ. Headline asset quality weakness persists as GNPL rose to >10% in Q3FY25. Management plans to strengthen the balance sheet by raising fresh equity worth INR 8bn via a rights issue. However, this is pending for four months; given no clarity on the issue price, we refrain from building in capital infusion at this point. With a likely top management change and an elevated stress pool at 19%, as on Dec'24, we believe profitability normalcy is yet distant. Retain **REDUCE**; INR 160 TP unchanged, based on 0.6x Sep'25E BVPS.

Weak financial performance persists; net loss mounts to INR 7bn vs. INR 3bn QoQ

Accelerated provisioning, reversal of DTA and de-recognition of interest income on Stage-3 assets resulted in net loss mounting to ~INR7bn during Q3FY25 vs. INR 3bn QoQ. Interest reversal worth ~INR 1bn and an 8% QoQ dip in AUM led to a sharp 44% QoQ decline in NII during Q3FY25. Disbursements were down 30% QoQ/57% YoY to INR 11.7bn during Q3FY25 – rooted in management's cautious stance on disbursements till the time on-ground situation improves, and also owing to tighter underwriting norms since Q2FY25 across lender criteria, exposure limits and credit policy. This resulted in AUM slipping 8% QoQ/1% YoY in Q3FY25. Weak revenue and 6% QoQ growth in operating expenses (higher collection cost, continued investment towards branch expansion etc.) led to cost-income ratio rising to 76% in Q3FY25, from 40% in Q2FY25. Thus, PPoP fell >70% QoQ. Management, in Q3FY25, decided to strengthen the balance sheet by upfronting provisions across buckets – provision cover on Stage-1 assets increased to 2.7% vs. 1.8% QoQ, Stage-2 to 72.5% vs. 59.7% QoQ and Stage-3 to 87.9% vs. 76.2% QoQ. Thus, total provisions remain elevated at INR 5.7bn translating into credit cost at 5.7% (non-annualised). Fusion has breached various financial covenants with respect to borrowings in Q2FY25. However, management highlighted that it obtained covenant waivers for ~80% of borrowings during Q3FY25, carrying adequate liquidity of INR 11.5bn as on Dec'24.

Financial Summary

Y/E March	FY24A	FY25E	FY26E	FY27E
Net Interest Income (INR	13,011	13,786	13,922	15,622
PAT (INR mn)	5,053	(10,417)	2,754	4,436
EPS (INR)	50.2	(103.5)	27.4	44.1
% Chg YoY	30.2	(306.2)	(126.4)	61.0
P/E (x)	3.4	(1.6)	6.2	3.8
P/BV (x)	0.6	0.9	0.8	0.7
Gross Stage - 3 (%)	2.9	15.0	5.0	4.0
RoAA (%)	4.8	(9.0)	2.3	3.3
RoAE (%)	19.5	(44.8)	14.2	19.3

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Market Data	
Market Cap (INR)	17bn
Market Cap (USD)	196mn
Bloomberg Code	FUSION IN
Reuters Code	FUSN.BO
52-week Range (INR)	572 /150
Free Float (%)	42.0
ADTV-3M (mn) (USD)	0.9

Price Performance (%)	3m	6m	12m
Absolute	(9.8)	(44.4)	(69.9)
Relative to Sensex	(7.8)	(40.9)	(76.3)

ESG Score	2023	2024	Change
ESG score	74.3	NA	NA
Environment	47.3	NA	NA
Social	74.5	NA	NA
Governance	82.1	NA	NA

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

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
PAT	NA	(34)

Previous Reports

18-11-2024: Q2FY25 results review

27-08-2024: Sector Update

Green shoots visible but PAR 0+ at 19% to keep credit cost elevated

Q3FY25 was a tough quarter for Fusion, wherein its credit cost continued to remain elevated at 5.7% (non-annualised). However, its corrective measures, initiated in Q2FY25, has started yielding positive outcomes, evident in X-bucket collection efficiency improving to 97.74% by Jan'25 vs. 97.73% in Dec'24 vs. 97.22% in Nov'24 vs. 96.53% in Oct'24 vs. 96.12% in Q2FY25. It also highlighted that net flow rate across buckets, since Oct'24, has been improving – flow forwards from current bucket to 1-30 DPD fell to 1.03% in Jan'25 vs. 1.07% in Dec'24 vs. 1.38% in Nov'24 vs. 2.94% in Oct'24 and 2.98% in Q2FY25. Similarly, flows from 1-30 DPD to 31-60 DPD declined to 41.05% in Jan'25 vs. 41.24% in Dec'24 vs. 47.36% in Nov'24 vs. 60.92% in Oct'24. Total collection team has grown to 650+ with it hiring ~100 new executives in Q3FY25.

It also highlighted that loans sourced since Aug'24 (5 MoB) have been showing strong asset quality and flows in this book is as good as FY23. While we note that the pace of incremental stressed asset formation is moderating, >1% flows from early bucket on monthly basis is still significantly higher than the normal range and the same is likely to keep credit cost elevated in the near-term.

Customer deleveraging visible

In terms of customer leverage, Fusion highlighted that its Fusion +>=4 customer exposure stands at 8.8%, down from 16.9%, as of Mar'24. Similarly, Fusion + >=3 customer exposure stands at 20.6%, down from 31.5% in Mar'24. Further, the share of customer with >INR 60,000 outstanding with Fusion stands at only 4%, as on Dec'24 and borrowers with >INR 60,000 outstanding at industry level stands at 50%, as on Dec'24.

GNPA spiked to 12.6% vs. 9.4% QoQ; annualised credit cost at >20%

Customers have taken multiple loans and there has been a significant rise in overall customer indebtedness levels. Credit profile of the customer has weakened due to over leverage and this has been the main reason for the higher stress for Fusion. Overall, GNPA for Fusion surged to 12.6% vs 9.4% QoQ while accelerated provision helped it bringing down NNPA to 1.70% vs. 2.4% QoQ. Fusion accelerated total ECL provisions on its Stage-3 portfolio to 87.9% vs. 76.2% QoQ. Write-offs for the quarter were elevated at ~INR 2bn (27% of Q2 GNPA). Credit cost (as a % of average AUM) stood at ~20%. In absolute terms,

Fusion initiated various measures to improve asset quality

In order to address ongoing challenges pertaining to asset quality, Fusion has resorted to a lot of course correction measures. It has strengthened its team by onboarding a new COO and Collections Head. In terms of collection infra, Fusion has improved analytics and is planning for state-specific events and ramped up its dedicated field team for collections. Moreover, it has recalibrated staff incentives with better alignment towards collections. It has further tightened customer onboarding beyond MFIN directive with respect to loan exposure, number of lenders and repayment behaviour. It is focusing on reducing field attrition with decreasing customer/RO metric to ~380 vs. erstwhile ~540. Overall, most of its measures are driven with a strong focus on improving collection efficiency and thereby, overall asset quality metrics.

Carrying 20% of borrowings as liquidity; CRAR at 24% currently

Fusion carries liquidity of INR 11.5bn and has sanctions of another INR 12bn. However, incrementally, Fusion's fund-raising strength via borrowings (excluding direct assignment) has decelerated, as reflected in its incremental fund raising of INR 4bn between Jan–Feb'25. However, management highlighted that until CE is holding at levels of 91–92%, Fusion would be able to service its liabilities as well as opex. On the capital front, Fusion CRAR stands at 22.2%, which would be further strengthened post competition of equity rights issue of INR 8bn.

Key risks

- Sooner-than-expected asset quality and business normalisation
- Faster-than-expected AUM growth uptick

Q3FY25 earnings conference call takeaways

Asset quality

- Pro-actively and swiftly put several initiatives to mitigate the impact of over leveraging in asset quality
- Due to tightening of underwiring norms, it has seen clear improvement in portfolio quality
- It has seen meaningful deleveraging of customers in its portfolio
- **Early green shoots clearly visible in Q3**
- **It should start to seeing portfolio stabilisation from Q1FY26**
- Minimal impact envisaged from new MFIN guard rails, which are expected to be implemented in Q4
- **Consistent improvement in net flow rates MoM and CE over the past three months ending Jan'25**
- Coverage on Stage-3 increased to 88% vs. 76% QoQ
- ***Feb'25 CE until now, is better than Jan'25***
- ***Historically, it has been able to recovery 5-6% from write-offs***
- Recovered ~INR 200-270mn in FY24; recovered INR 120mn in 9MFY25 so far from write-offs
- It has put out a separate team for recoveries from write-offs

Microfinance ordinance

- MFIN has been working very closely with the government
- MFIs also have a very stringent code of conduct and the guidelines are more related to the code of conduct
- This ordinance has come yesterday itself and it is still evaluating the ordinance
- **It has 1% portfolio in Karnataka and is cautious**

Capital adequacy

- **CRAR at 22% and it would be >30%, after capital raise of INR 8bn**
- Capital raise would be in two tranches of INR 4bn each
- There is no hesitancy to raise capital
- **It has received approval from both the exchanges for fund raise and is awaiting SEBI approval**

Borrowings

- **Successfully obtained waiver from majority of lenders for covenant breach, except five lenders with borrowings of INR 9bn, which is ~11% of borrowings**
- Raised INR 44.5bn, including INR 10.1bn of DA during 9MFY25
- Liquidity, as of Dec'24, was at INR 11.51bn and sanctions of INR 12.5bn
- As of 12 Feb'25, liquidity is at INR 12–14bn
- It is well-positioned from a cash flow perspective
- **Most of the lenders have agreed for extension till Q4FY25**

Employee retention

- It has taken many steps to control attrition
- It has reduced the number of customers to be handled per loan officer, which has now reduced to 400 customers per officer vs. 550 earlier
- Incentive structure has been tweaked
- For a new joiner, there are no targets for the initial three months and they are given fixed incentives for the these months

- Attrition has now come down to under 50%

Interest income

- ***Not recognised interest on Stage-3 loans and prudently derecognised reversal of DTA***
- In Q2, it has de-recognized interest income only to the tune of the write-off
- Interest reversal, which is likely going to happen post write-off in Q4 wont impact P&L in Q4
- INR 950–980mn impact on interest income due to write-offs, interest income reversal and decline in portfolio
- Going forward, if it does any write-off, then it would not need to take any interest reversal towards those assets

Miscellaneous

- MSME portfolio continues to do well
- Punjab, since the past couple of months, has been doing well

Q2FY25 earnings conference call takeaways

Lenders' exposure and covenant breach

- Due to higher provisions, there were certain covenant breaches in Q1, for which it had received waiver from its lenders.
- ***Fusion expects similar waivers from its lenders in Q2 as well.***
- It received waivers from 12 lenders in Q1, of which a few had given waivers for entire FY and a few for H1 among others.
- ***Covenant breach largely pertains to GNPA, NNPA and rating downgrade***
- Top lenders (from whom Fusion has borrowed):
  - HSBC
  - Axis Bank
  - ICICI Bank
  - SIBDI
  - Yes Bank
  - IDFC First Bank
- Usually, the exposure from the top lenders is > INR 5bn per lender
- ***Due to higher provisions and requirement of covenant breach, Auditor has highlighted the comment related to going concern***

Asset quality

- ***When customer indebtedness goes beyond INR 150k and customer relationships with borrowers goes beyond four lenders, at those instances, usually there is a rise in stress level***
- **When customer breaches 30+ DPD more than twice in the past 12 months, then the customer's tendency to default increases**
- Credit profile of the customer has weakened due to over leverage and this has been the main reason for the higher stress for Fusion
- The states of Chhattisgarh, Rajasthan, Gujarat, Madhya Pradesh, Odisha and Jharkhand are a few of the places with higher stress
- It has seen pain easing in some parts of east Odisha and Punjab/Haryana

- Recently, sectoral measures (in terms of limiting lenders) have been showing results and over-indebtedness is declining
- **Write-off:**
  - INR 1.96bn in Q2FY25
  - INR 2.55bn in H1FY25
- **De-recognition of interest income pertaining to write-off in Q2 at INR 341.4mn.**
- ***In Fusion's management's assessment, credit cost has peaked out in Q2 and things should improve hereon***

Actions to improve asset quality

- Fusion has taken steps to motivate, incentivise and train team staff
- Incentive structure and rationalisation of staff at field-level has led to elevated operating expenses for the quarter. ***Average incentive is ~INR 3,500–INR 4,000 on a total salary of ~INR 15k.*** Moreover, it has a cap on the minimum fixed salary for the employee, so that salary is not entirely variable dependent
- Onboarded new COO and Collections Head
- Piloted customer loyalty program, incentivising customers for attendance and digital payments
- Improved analytics and planning for state specific events

Liquidity and borrowings

- **Liquidity remains strong at INR 18bn and has sanctions of another INR 15bn**
- **Total funds raised:**
  - INR 15.32bn, including DA of INR 4.35bn in Q2
  - INR 40.6bn, including DA of INR 9.15bn in H2
- Marginal cost of funds down 4bps/53bps QoQ/YoY
- ***If CE holds at 91–92%, Fusion should be able to service its liabilities and opex***

Capital

- **24.39% CRAR as of Sep'24**
- **Continues to remain adequately capitalised, which would be further strengthened with rights issue of INR 5.5bn**

Key focus areas

- **Emphasis on improving collection efficiency, and thereby, overall asset quality**
- Enhancing its IT capabilities for better operational efficiency
- Growth in MSME vertical
- Implemented new loan origination and customer management platform – once rolled out, would enhance operational efficiency

Disbursements

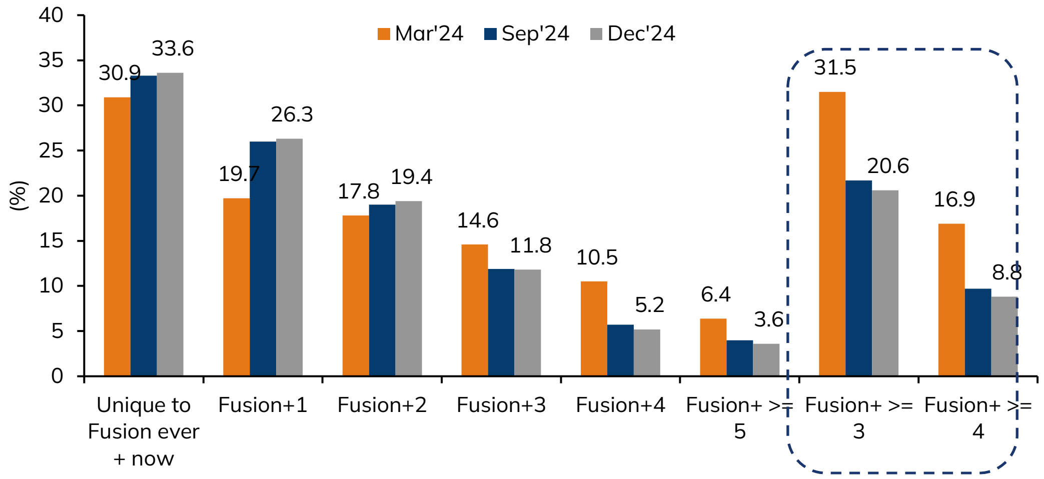
- Disbursements would continue to be subdued for some time

Exhibit 1: Q3FY25 result review

(INR mn)	Q3FY25	Q3FY24	% chg YoY	Q2FY25	% chg QoQ
Interest Income	4,738	5,930	(20.1)	6,916	(31.5)
Interest Expended	2,137	2,015	6.1	2,274	(6.0)
Net interest income (NII)	**2,601**	**3,916**	**(33.6)**	**4,642**	**(44.0)**
Other income	87	202	(57.0)	122	(28.5)
Total income	**2,688**	**4,118**	**(34.7)**	**4,764**	**(43.6)**
Operating expenses	2,041	1,515	34.7	1,925	6.0
-Staff expenses	1,512	1,119	35.1	1,405	7.6
-Other expenses	529	397	33.4	520	1.7
Operating profit	**648**	**2,603**	**(75.1)**	**2,838**	**(77.2)**
Total provisions	5,723	938	510.4	6,941	(17.5)
Profit before tax	**(5,075)**	**1,665**	**(404.8)**	**(4,102)**	**23.7**
Tax	2,118	401	428.8	(1,052)	(301.4)
Profit after tax	**(7,193)**	**1,265**	**(668.9)**	**(3,050)**	**135.8**
Key statistic (INR mn)					
AuM	**1,05,990**	**1,06,934**	**(0.9)**	**1,15,710**	**(8.4)**
Borrowers (in mn)	3.6	3.8	(3.7)	3.8	(5.0)
Calc. Avg ticket size	29,118	28,289	2.9	30,211	(3.6)
Ratios (%)			**bps chg YoY**		**bps chg QoQ**
Profitability ratios					
Portfolio Yields	19.5	21.9	(240)	21.5	(200)
Cost of Funds	10.3	10.4	(10)	10.1	20
NIM	**8.9**	**11.5**	**(260)**	**11.5**	**(258)**
RoAum	**(26.0)**	**4.9**	(3,084)	**(10.3)**	(1,569)
Asset Quality					
Gross NPL ratio	12.6	3.0	956	9.4	320
Net NPL ratio	1.7	0.8	93	2.4	(70)
PCR	**86.5**	**74.7**	**1,184**	**74.5**	**1,204**
Business & Other Ratios					
Cost-income ratio	75.9	36.8	3,911	40.4	3,549
CAR	**22.2**	**27.9**	**(570)**	**24.4**	**(220)**

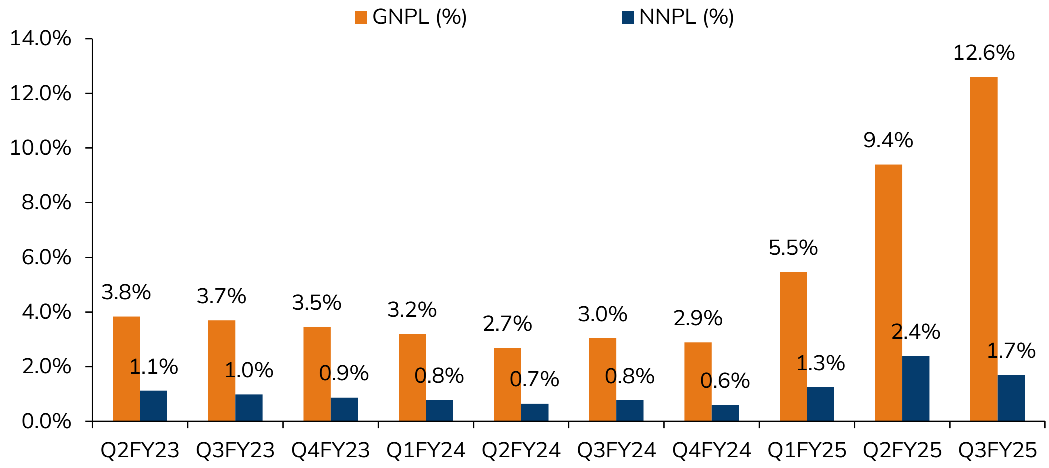
Source: Company data, I-Sec research

Exhibit 2: Customer deleveraging visible



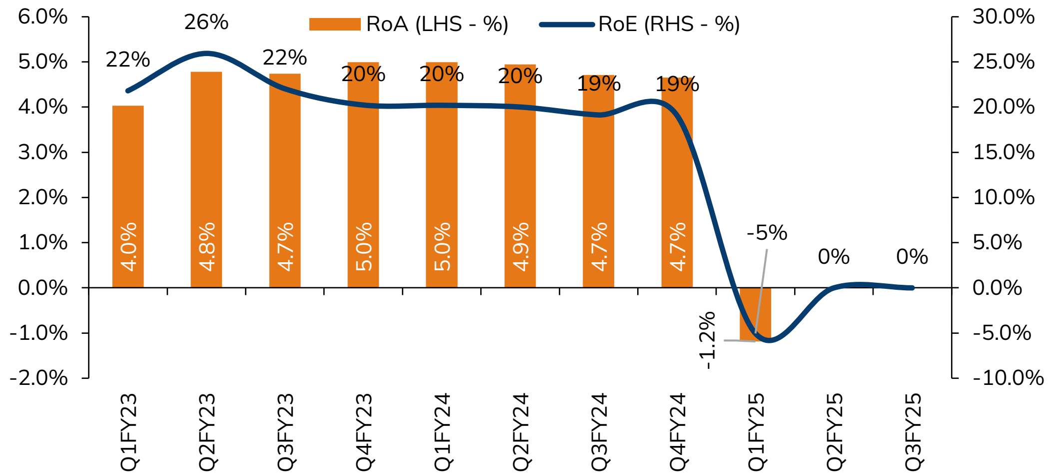
Source: Company data, I-Sec research

Exhibit 3: Gross NPAs spiked to 12.6% vs. 9.4% QoQ



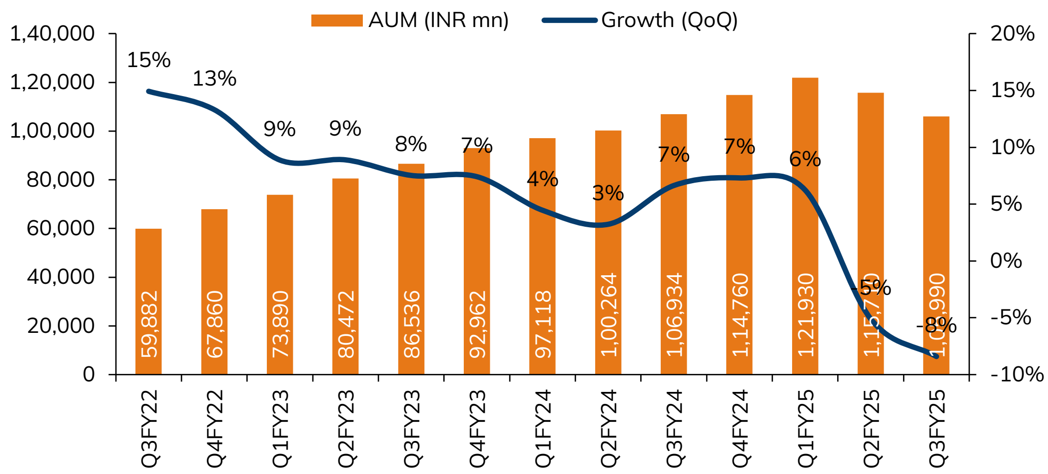
Source: Company data, I-Sec research

Exhibit 4: RoA in negative due to elevated provisions, interest derecognition and DTA reversal



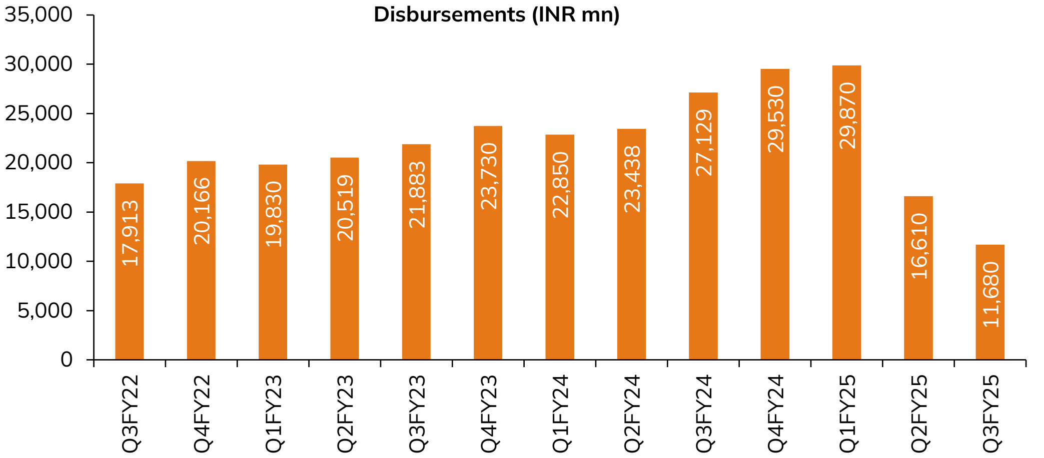
Source: Company data, I-Sec research

Exhibit 5: Deceleration in AUM due to subdued disbursement…



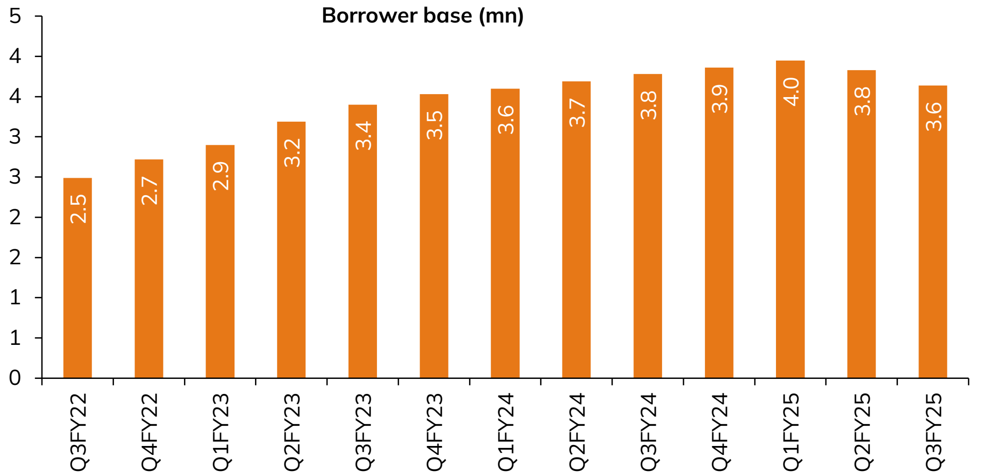
Source: Company data, I-Sec research

Exhibit 6: Disbursements tepid as company cuts back on growth



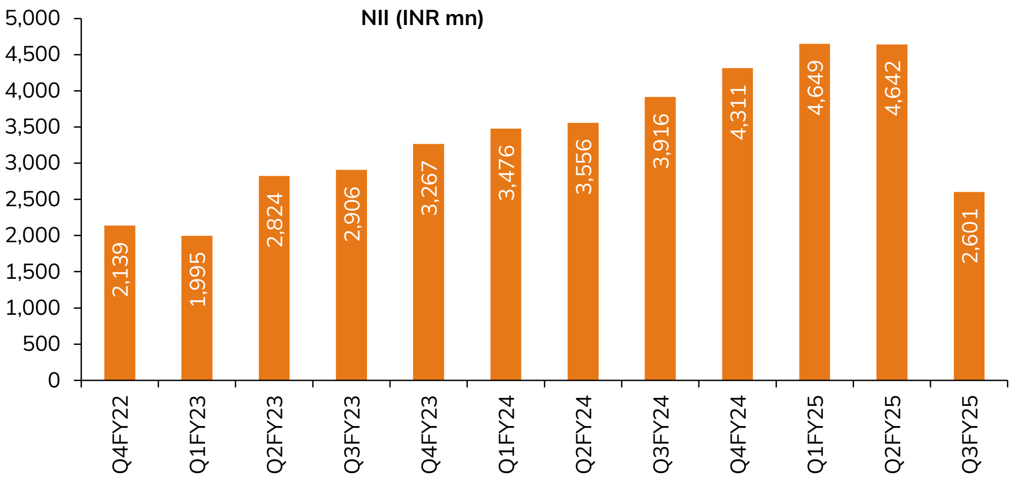
Source: Company data, I-Sec research

Exhibit 7: Slowdown in new customer acquisitions continues



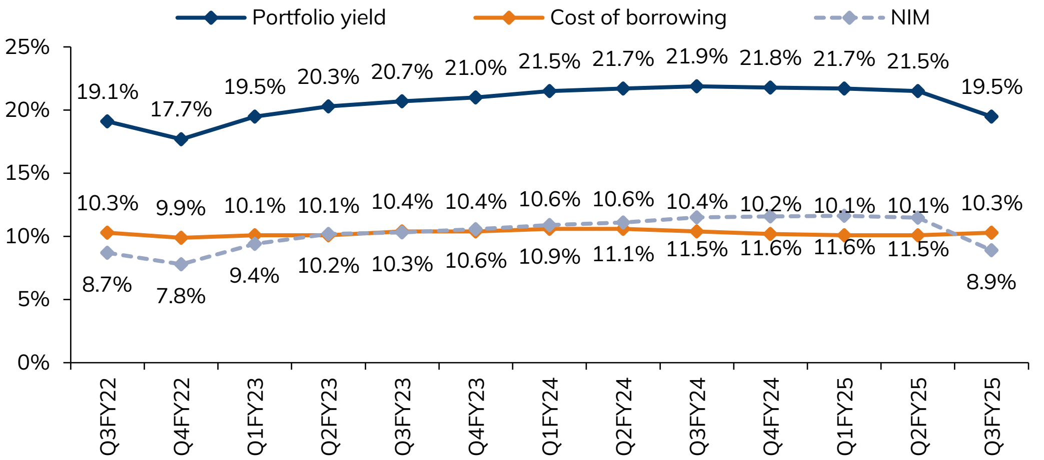
Source: Company data, I-Sec research

Exhibit 8: NII sees a steep cut due to interest derecognition on stressed assets



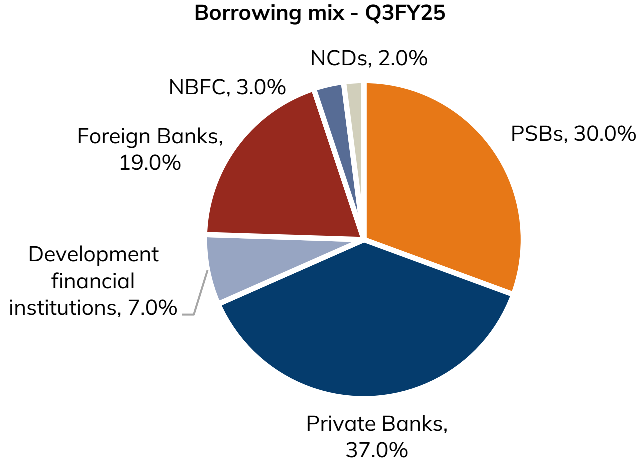
Source: Company data, I-Sec research

Exhibit 9: Margins plunge due to interest derecognition on stressed assets



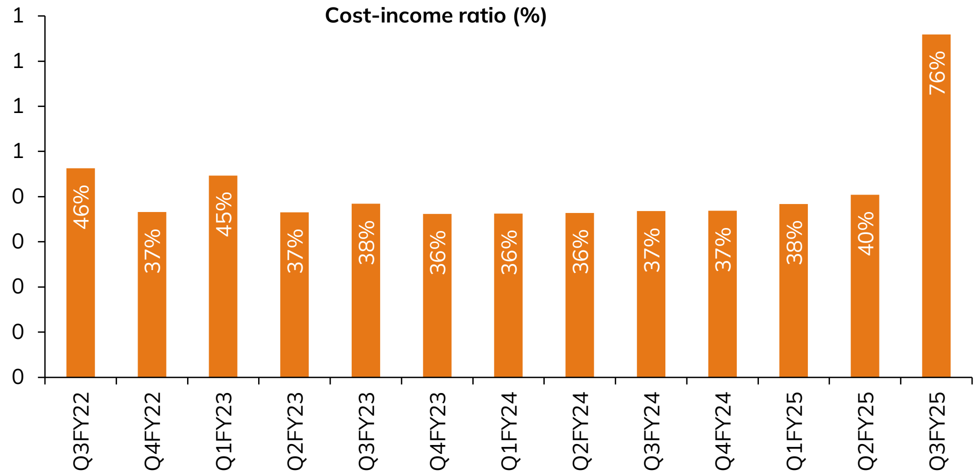
Source: Company data, I-Sec research

Exhibit 10: Bank borrowing remains the major source of funding



Source: Company data, I-Sec research

Exhibit 11: Spike in cost to income due to lower income



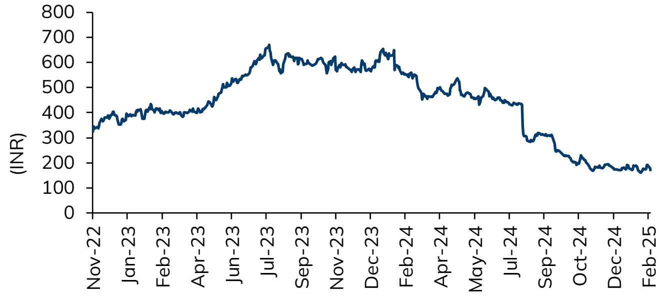
Source: Company data, I-Sec research

Exhibit 12: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	57.7	57.7	57.7
Institutional investors	26.9	22.1	18.7
MFs and other	16.3	12.9	12.2
FIs/ Banks	0.0	0.0	2.3
Insurance Cos.	4.1	4.1	3.7
FIIs	6.5	5.1	0.6
Others	15.4	20.2	23.6

Source: Bloomberg, I-Sec research

Exhibit 13: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Interest Income	20,919	22,869	23,651	26,479
Interest Expenses	(7,908)	(9,083)	(9,730)	(10,857)
Net Interest Income (NII)	**13,011**	**13,786**	**13,922**	**15,622**
Other Income	3,205	2,789	3,041	3,404
Total Income (net of interest expenses)	**16,216**	**16,575**	**16,962**	**19,027**
Employee benefit expenses	(4,312)	(5,578)	(5,406)	(5,926)
Depreciation and amortization	(90)	(97)	(98)	(109)
Other operating expenses	(1,532)	(1,785)	(1,802)	(2,017)
Total Operating Expense	(5,935)	(7,460)	(7,306)	(8,053)
Pre Provisioning Profits (PPoP)	**10,281**	**9,115**	**9,657**	**10,974**
Provisions and write offs	(3,649)	(20,080)	(6,757)	(6,305)
Profit before tax (PBT)	**6,633**	**(10,965)**	**2,899**	**4,669**
Total tax expenses	(1,580)	548	(145)	(233)
Profit after tax (PAT)	**5,053**	**(10,417)**	**2,754**	**4,436**

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Share capital	1,006	1,006	1,006	1,006
Reserves & surplus	27,475	17,059	19,813	24,248
Shareholders' funds	**28,482**	**18,065**	**20,819**	**25,255**
Borrowings	87,923	93,742	1,00,850	1,16,290
Provisions & Other Liabilities	1,339	1,339	1,339	1,339
Total Liabilities and Stakeholder's Equity	**1,17,743**	**1,13,146**	**1,23,007**	**1,42,883**
Cash and balance with RBI	15,532	11,973	12,917	14,950
Fixed assets	224	236	247	260
Loans	**99,479**	**92,101**	**99,360**	**1,14,996**
Deferred tax assets (net)	917	926	935	944
Other Assets	1,592	7,910	9,548	11,733
Total Assets	**1,17,743**	**1,13,146**	**1,23,007**	**1,42,883**

Source Company data, I-Sec research

Exhibit 16: Key Ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
AUM and Disbursements (INR mn)				
AUM	1,14,760	1,08,354	1,16,894	1,35,290
On-book Loans	1,14,760	1,08,354	1,16,894	1,35,290
Disbursements	1,02,940	72,058	86,470	1,12,410
Repayments	81,140	78,464	77,930	94,015
Growth (%):				
Total AUM (%)	23.5	(5.6)	7.9	15.7
Disbursements (%)	19.8	(30.0)	20.0	30.0
Repayments (%)	33.3	(3.3)	(0.7)	20.6
Loan book (on balance sheet) (%)	23.5	(5.6)	7.9	15.7
Total Assets (%)	25.7	(3.9)	8.7	16.2
Net Interest Income (NII) (%)	35.9	6.0	1.0	12.2
Non-interest income (%)	60.4	(13.0)	9.0	12.0
Total Income (net of interest expenses) (%)	40.1	2.2	2.3	12.2
Operating Expenses (%)	33.4	25.7	(2.1)	10.2
Employee Cost (%)	32.5	29.4	(3.1)	9.6
Non-Employee Cost (%)	36.9	16.5	1.0	12.0
Pre provisioning operating profits (PPoP) (%)	44.3	(11.3)	5.9	13.6
Provisions (%)	82.1	450.4	(66.3)	(6.7)
PBT (%)	29.5	(265.3)	(126.4)	61.0
PAT (%)	30.5	(306.2)	(126.4)	61.0
EPS (%)	30.2	(306.2)	(126.4)	61.0
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	12.5	12.4	12.4	12.4
NIM on IEA (%)	11.1	11.0	11.1	11.2
NIM on AUM (%)	12.5	12.4	12.4	12.4
Yield on loan assets (%)	20.1	20.5	21.0	21.0
Yield on IEA (%)	17.9	18.3	18.9	18.9
Yield on AUM (%)	20.1	20.5	21.0	21.0
Cost of borrowings (%)	10.0	10.0	10.0	10.0
Interest Spreads (%)	10.1	10.5	11.0	11.0
Operating efficiencies				
Cost to income ratio	36.6	45.0	43.1	42.3
Op.costs/avg assets (%)	5.6	6.5	6.2	6.1
Op.costs/avg AUM (%)	5.7	6.7	6.5	6.4
Salaries as % of non-interest costs (%)	72.7	74.8	74.0	73.6
Capital Structure				
Average gearing ratio (x)	3.1	5.2	4.8	4.6
Leverage (x)	4.1	6.3	5.9	5.7
CAR (%)	23.7	14.3	13.7	13.0
Tier 1 CAR (%)	22.7	13.3	12.9	12.4
Tier 2 CAR (%)	1.0	1.0	0.8	0.6
RWA (estimate) - INR mn	1,21,256	1,28,173	1,53,279	1,95,851
RWA as a % of loan assets	121.9	139.2	154.3	170.3

	FY24A	FY25E	FY26E	FY27E
Asset quality and provisioning				
GNPA (%)	2.9	15.0	5.0	4.0
NNPA (%)	0.6	2.0	0.8	0.8
GNPA (INR mn)	3,317	16,253	5,845	5,412
NNPA (INR mn)	689	2,167	935	1,082
Coverage ratio (%)	79.2	86.7	84.0	80.0
Credit Costs as a % of avg AUM (bps)	351	1,800	600	500
Credit Costs as a % of avg on book loans (bps)	351	1,800	600	500
Return ratios				
RoAA (%)	4.8	(9.0)	2.3	3.3
RoAE (%)	19.5	(44.8)	14.2	19.3
ROAAUM (%)	4.9	(9.3)	2.4	3.5
Dividend Payout ratio (%)	-	-	-	-
Valuation Ratios				
No of shares	101	101	101	101
No of shares (fully diluted)	101	101	101	101
EPS (INR)	50.2	(103.5)	27.4	44.1
EPS fully diluted (INR)	50.2	(103.5)	27.4	44.1
Price to Earnings (x)	3.4	(1.6)	6.2	3.8
Price to Earnings (fully diluted) (x)	3.4	(1.6)	6.2	3.8
Book Value (fully diluted)	283	180	207	251
Adjusted book value	278	164	200	243
Price to Book	0.6	0.9	0.8	0.7
Price to Adjusted Book	0.6	1.0	0.8	0.7
DPS (INR)	-	-	-	-
Dividend yield (%)	-	-	-	-

Source Company data, I-Sec research

Exhibit 17: Key Metrics

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
DuPont Analysis				
Average Assets (INR mn)	1,05,689	1,15,445	1,18,077	1,32,945
Average Loans (INR mn)	89,947	95,790	95,731	1,07,178
Average Equity (INR mn)	25,850	23,273	19,442	23,037
Interest earned (%)	19.8	19.8	20.0	19.9
Interest expended (%)	7.5	7.9	8.2	8.2
Gross Interest Spread (%)	12.3	11.9	11.8	11.8
Credit cost (%)	**3.5**	**17.4**	**5.7**	**4.7**
Net Interest Spread (%)	8.9	(5.5)	6.1	7.0
Operating cost (%)	**5.6**	**6.5**	**6.2**	**6.1**
Lending spread (%)	3.2	(11.9)	(0.1)	1.0
Non interest income (%)	**3.0**	**2.4**	**2.6**	**2.6**
Operating Spread (%)	6.3	(9.5)	2.5	3.5
Tax rate (%)	**23.8**	**5.0**	**5.0**	**5.0**
ROAA (%)	4.8	(9.0)	2.3	3.3
Effective leverage (AA/ AE)	**4.1**	**5.0**	**6.1**	**5.8**
RoAE (%)	19.5	(44.8)	14.2	19.3

Source Company data, I-Sec research

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