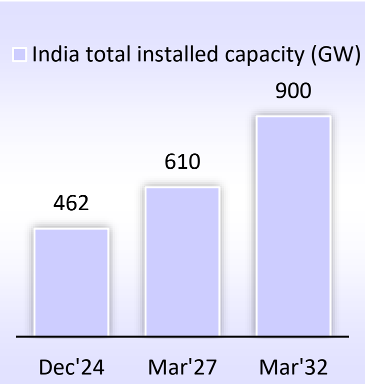
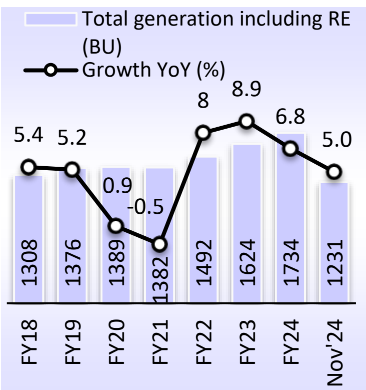
Sector Update | 19 January 2025

NBFC: Power Finance

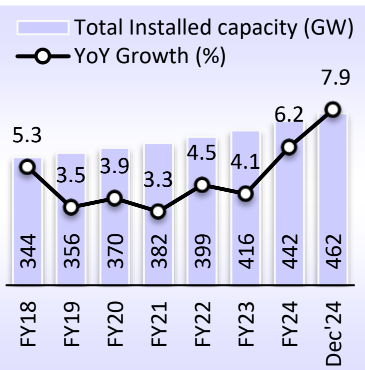
Total installed capacity to reach 900GW by FY32



Total energy demand grew ~5% YoY as of Nov'24



Total installed capacity grew ~8% YoY as of Dec'24



Structural opportunity in power finance intact

Minor weakness in loan growth in the near term

- Power financiers, PFC and REC, have a structural opportunity to finance India's ambitious energy transition goals, which necessitate a projected capex of ~INR42t over the next decade to expand generation infrastructure.
- Renewable energy (RE) will dominate the growth trajectory, with installed capacity expected to reach 596GW by FY32, comprising ~66% of total capacity. Transmission infrastructure, essential to support RE integration, will require investments of INR9.2t by FY32.
- PFC and REC collectively command ~44% market share in infrastructure (including power) financing and have filled the gap left by traditional banks, which have reduced their exposure to the power sector due to concerns over asset quality. Having said that, RE financing still remains highly competitive, with PFC/REC having to compete aggressively on pricing with banks.
- Government policies, such as the revamped distribution sector scheme (RDSS) and UDAY, are aimed at strengthening DISCOMs by improving operational efficiency and financial sustainability. The power sector will benefit from macroeconomic tailwinds, including rising energy demand (India's power demand to grow 8-9% over FY24-27E) and almost doubling of installed capacity to ~900GW over the next decade. The inclusion of infrastructure and logistics financing in PFC and REC's mandates has opened up avenues for diversification, reducing dependence solely on the power sector.
- Asset quality metrics of power financiers are improving, with GNPA ratios of PFC/REC declining to 2.7%/2.5% as of Sep'24, which reflects a lower risk profile. In the current power demand uptrend, many distressed power plants have been acquired by larger players, resulting in the resolution of multiple stressed projects. This trend is expected to continue, leading to further recoveries for lenders like PFC and REC. We do not see risks of incremental additions to the stress pool over the next 12-18 months, and this should keep credit costs benign at <5bp in FY26E as well.

Our view on loan growth and asset quality in the near term

Loan growth

- REC delivered loan growth of ~15% YoY as of Sep'24. With this, generation grew ~19% YoY, transmission remained flat YoY, and distribution rose ~5% YoY. Over the last two years, distribution in the loan mix has remained largely flat at ~40%, RE loans have clocked a ~37% CAGR, and RE in the loan mix now forms ~9%.
- PFC delivered loan growth of ~10% YoY as of Sep'24. With this, generation grew ~2% YoY, transmission grew 14% YoY, and distribution rose ~12% YoY. Over the last two years, distribution in the loan mix has improved from 35% to 41%, RE loans have seen a CAGR of ~30%, and RE in the loan mix now forms ~13%.
- In the near term, we expect some weakness in sanctions because of a slowdown in the overall economic activity, resulting in slower investments in power and infrastructure projects. Moreover, in distribution, a large part of loan growth

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seen over the last two years came from schemes like the late payment surge (LPS) and the liquidity infusion scheme (LIS). Currently, PFC and REC are disbursing to distribution companies, predominantly under the two schemes, RBPF and RDSS. RBPF is a revolving facility and acts more like working capital loans for the distribution companies. RDSS is linked to improvements exhibited by state-owned distribution companies in their AT&C losses and the ACS-ARR gap.

- In FY25, we expect PFC and REC to report loan book growth of ~13% and ~17%, respectively. We estimate Loan CAGR of ~15% and ~18% for PFC and REC over FY25E-27E.

In the near term, we expect some weakness in sanctions because of a slowdown in the overall economic activity, resulting in slower investments in power and infrastructure projects.

Asset Quality

- On 9th Jan'25, the Indian Renewable Energy Development Agency (IREDA) in 3QFY25 results reported a ~30bp QoQ deterioration in its gross NPA, which suggested that one RE exposure of ~INR4b slipped during the quarter. This naturally brought up the question of whether this had any implications for PFC/REC's RE loan book and whether we are already beginning to see new NPA formation in RE projects.
- Our discussions with few experts in the power ecosystem suggested that the RE space still continues to do well and there is nothing that suggests any structural deterioration brewing in the RE segment. They did, however, highlight that there could always be project-specific nuances in the RE power projects, which could lead to one-off slippages in the segment.
- Asset quality will continue to see improvement, aided by resolutions of stressed exposures. Both PFC and REC have shared a list of stressed projects with total exposures of ~INR50b and ~INR53.5b, respectively, which are in advanced stages in resolution. Lanco Amarkantak Power received NCLT approval for acquisition by Adani Power in Aug'24 and was resolved in Sep'24.
- Recently, JSW Energy announced that its resolution plan submitted for KSK Mahanadi has received a letter of intent (LoI) from the resolution professional. This will be followed by the approval of the CoC, NCLT and CCI. While NCLT approval will take its own course, we believe that KSK Mahanadi could be resolved in the next 3-4 months. Both PFC and REC will benefit from this as they have ~INR34b and ~INR27b outstanding to KSK Mahanadi. PFC and REC have made provisions of ~55% and ~50%, respectively, on this account. **Our estimates suggest that the resolution of KSK Mahanadi could translate into write-backs of ~INR8.2b for PFC and ~INR5.2b for REC.** Refer Exhibits 16, 17 and 18 for the detailed workings.

Our discussions with experts in the power ecosystem suggests that RE continues to do well and there is no structural deterioration in the RE segment.

Our estimates suggest that the resolution of KSK Mahanadi could translate into write-backs of ~INR8.2b for PFC and ~INR5.2b for REC.

Structural opportunity intact; still in the early part of the RE uptrend

- PFC and REC are pivotal players in India's energy transition journey, together commanding ~44% market share in infrastructure (including power) financing. With a combined loan disbursement of ~INR9t over FY20-24, both these government-backed NBFCs are driving growth in RE and infrastructure projects. PFC, with the largest RE loan book of INR643b (~30% CAGR in the last two years), and REC, with a robust portfolio of INR5.4t, are key enablers of India's ambitious INR42t power capex requirements.

PFC and REC will be beneficiaries of the revival in power sector capex. We do not see risks of incremental additions to the stress pool of PFC/REC over the next 12-18 months.

- Both PFC and REC have strong financial health, with GNPA ratios below 3%, high provisioning coverage, and impressive RoE of ~18% and ~21%, respectively. Backed by government initiatives like RDSS and expansion into logistics and infrastructure, PFC and REC are strategically positioned to capitalize on India's growing energy demand while maintaining sustainable growth and profitability.
- PFC and REC will be beneficiaries of the revival in power sector capex. We do not see risks of incremental additions to the stress pool over the next 12-18 months, and this should keep credit costs benign at <5bp over FY26E as well. For RoA 2.9%/2.6%, RoE of ~18%/21%, and dividend yields of ~4.3%/4.9% in FY27E, we believe current valuations of 0.9x and 1.2x FY27E P/ABV for PFC (standalone) and REC, respectively, are attractive.

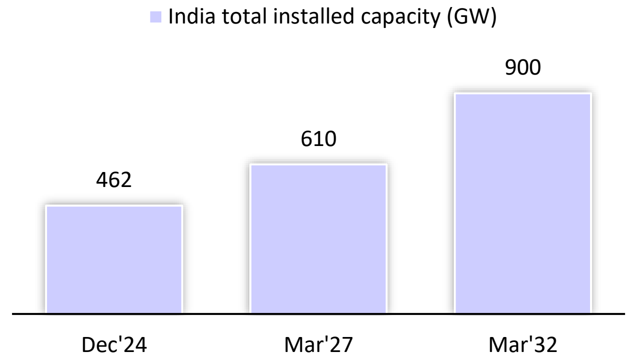
Exhibit 1: Valuation matrix for NBFCs in our coverage

Val summary	Rating	CMP (INR)	TP (INR)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Power Financiers															
PFC	**Buy**	**433**	**560**	**55.9**	**63.3**	**314**	**358**	**3.0**	**2.9**	**19.0**	**18.8**	**7.8**	**6.8**	**1.4**	**1.2**
REC	**Buy**	**483**	**630**	**69.3**	**80.6**	**358**	**418**	**2.6**	**2.6**	**20.9**	**20.8**	**7.0**	**6.0**	**1.3**	**1.2**
Housing Finance															
LIC HF	Buy	563	760	96.1	103.6	721	803	1.6	1.6	14.1	13.6	5.9	5.4	0.8	0.7
PNB HF	Buy	905	1,160	89.4	108.5	726	820	2.5	2.6	13.0	14.0	10.1	8.3	1.2	1.1
Aavas	Neutral	1,637	1,800	89.6	109.6	639	749	3.3	3.4	15.1	15.8	18.3	14.9	2.6	2.2
HomeFirst	Buy	1,032	1,280	52.4	63.3	325	384	3.4	3.3	17.4	17.8	19.7	16.3	3.2	2.7
CanFin	Neutral	692	800	70.6	81.6	449	524	2.2	2.2	16.9	16.8	9.8	8.5	1.5	1.3
Repco	Neutral	409	480	69.9	77.9	596	670	2.8	2.8	12.4	12.3	5.8	5.2	0.7	0.6
Vehicle Finance															
Cholamandalam	Buy	1,258	1,470	68.4	90.0	366	452	2.6	2.8	21.3	22.0	18.4	14.0	3.4	2.8
MMFS	Buy	269	335	25.1	31.6	187	210	2.1	2.4	14.1	15.9	10.7	8.5	1.4	1.3
Shriram Finance	Buy	526	700	53.2	64.1	357	419	3.3	3.3	16.0	16.5	9.9	8.2	1.5	1.3
Indostar	Buy	279	300	16.4	24.8	260	285	1.5	1.9	6.7	9.1	17.1	11.3	1.1	1.0
Gold Finance															
Muthoot	Neutral	2,150	2,060	152.4	171.0	826	963	5.3	5.2	19.9	19.1	14.1	12.6	2.6	2.2
Manappuram	Neutral	194	205	28.8	35.9	182	213	4.3	4.6	16.9	18.1	6.7	5.4	1.1	0.9
Diversified															
BAF	Neutral	7,181	7,660	342.9	440.0	1,878	2,263	4.0	4.1	19.8	21.2	20.9	16.3	3.8	3.2
Poonawalla	Buy	314	390	14.2	22.6	120	140	2.9	3.5	12.5	17.4	22.1	13.9	2.6	2.2
ABCL	Buy	177	250	16.8	20.3	131	150	0.0	0.0	13.6	14.5	10.5	8.7	1.4	1.2
LTFH	Buy	143	180	13.6	18.5	113	128	2.5	2.7	12.7	15.3	10.5	7.7	1.3	1.1
PIEL	Neutral	1,031	1,090	57.4	75.3	1,253	1,314	1.3	1.5	4.7	5.9	18.0	13.7	0.8	0.8
MAS Financial	Buy	243	340	21.4	26.3	157	181	3.1	3.2	14.5	15.6	11.4	9.3	1.5	1.3
IIFL Finance	Buy	399	510	46.7	58.4	331	384	3.2	3.3	15.1	16.3	8.6	6.8	1.2	1.0
Microfinance															
CreditAccess	Buy	910	1,085	101.0	127.3	562	690	4.9	5.1	19.7	20.3	9.0	7.2	1.6	1.3
Fusion Finance	Neutral	187	165	30.7	51.7	248	300	2.8	4.0	13.2	18.8	6.1	3.6	0.8	0.6
Spandana Sphoorty	Buy	354	385	48.4	81.5	466	548	3.1	4.3	10.9	16.1	7.3	4.3	0.8	0.6

Source: MOFSL, Company

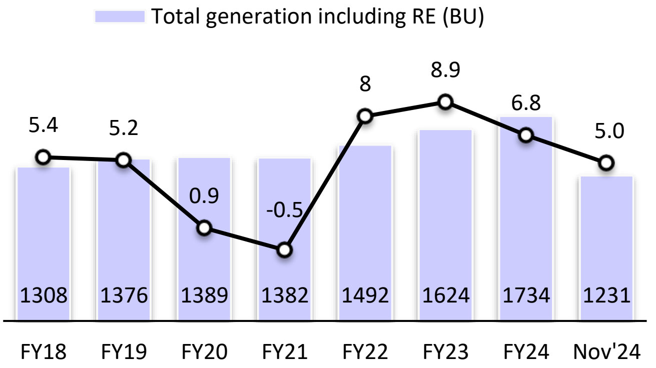
Story in charts: Industry overview

Exhibit 2: Total installed capacity to reach 900GW by FY32



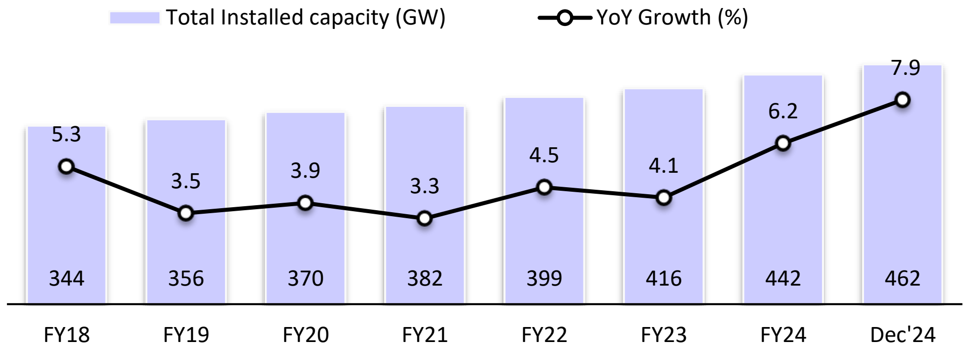
Source: CEA, MOFSL

Exhibit 3: Total energy demand grew ~5% YoY as of Nov'24



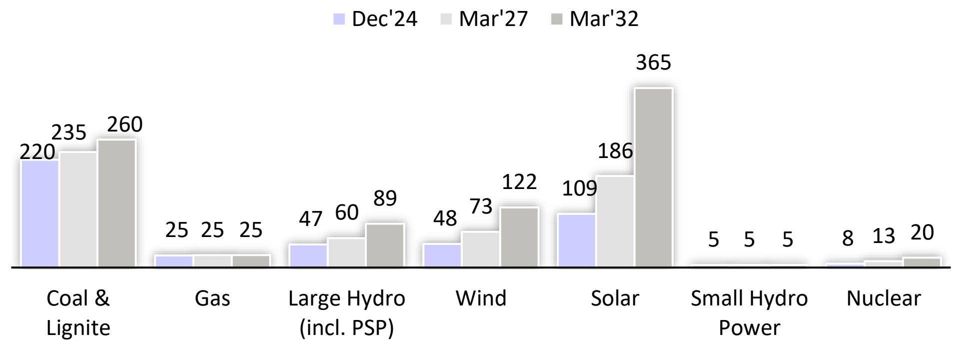
Source: CEA, MOFSL

Exhibit 4: Total installed capacity grew ~8% YoY as of Dec'24



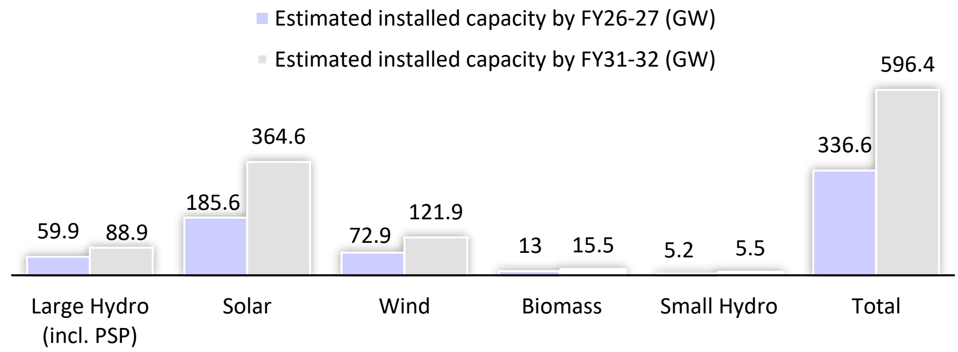
Source: CEA, MOFSL

Exhibit 5: India's RE installed capacity in 2027 and 2032 (GW)



Source: CEA, MOFSL

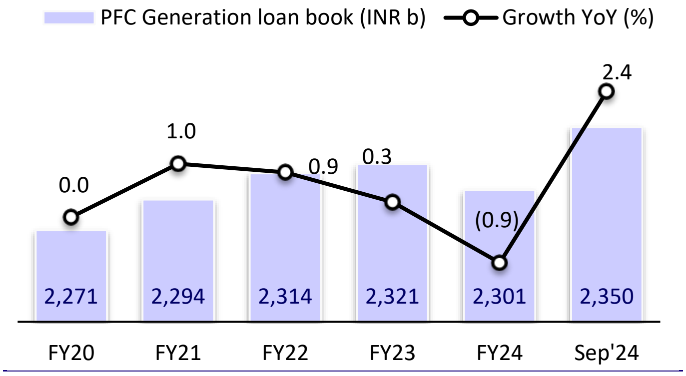
Exhibit 6: India's RE installed capacity in 2027 and 2032 (GW)



Source: CEA, MOFSL

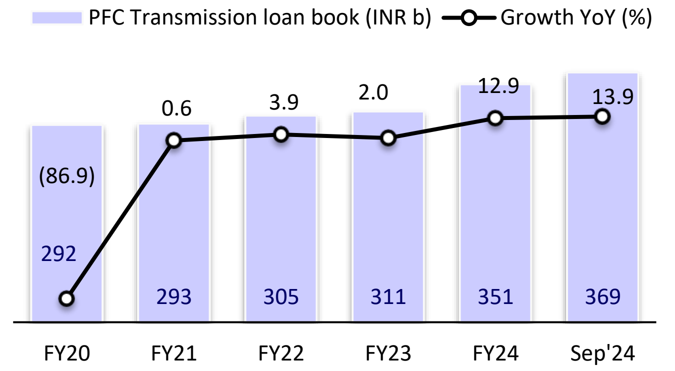
Story in charts: PFC

Exhibit 7: Generation loan book grew ~2% YoY as of Sep'24



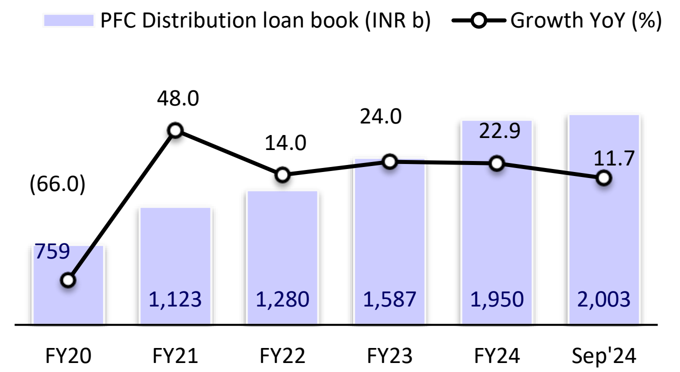
Source: Company, MOFSL

Exhibit 8: Transmission AUM grew ~14% YoY as of Sep'24



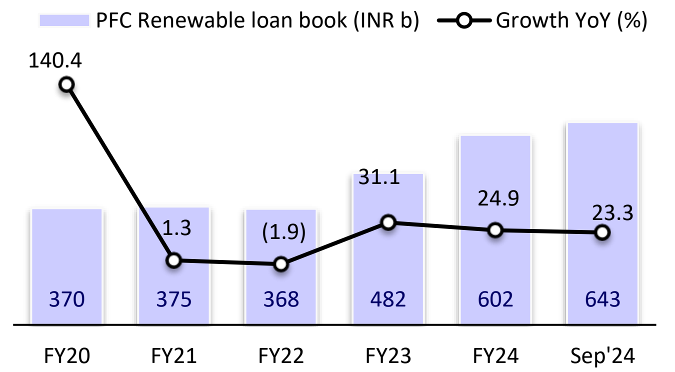
Source: Company, MOFSL

Exhibit 9: Distribution loan book grew ~12% YoY as of Sep'24



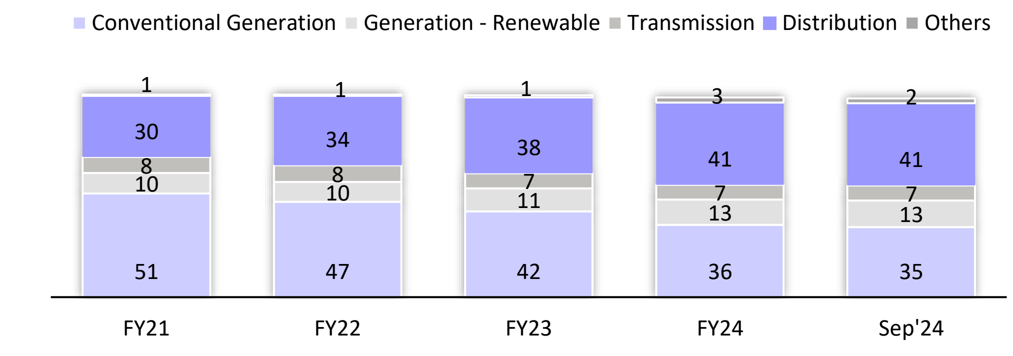
Source: Company, MOFSL

Exhibit 10: RE loan book grew ~23% YoY as of Sep'24



Source: Company, MOFSL

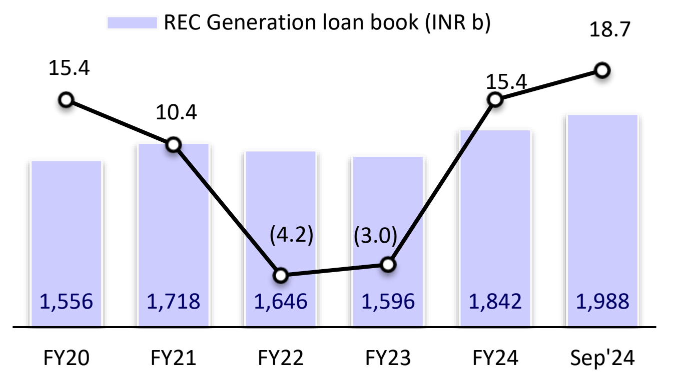
Exhibit 11: Share of RE in the loan mix has increased to ~13% from 10% in FY20 (%)



Source: Company, MOFSL

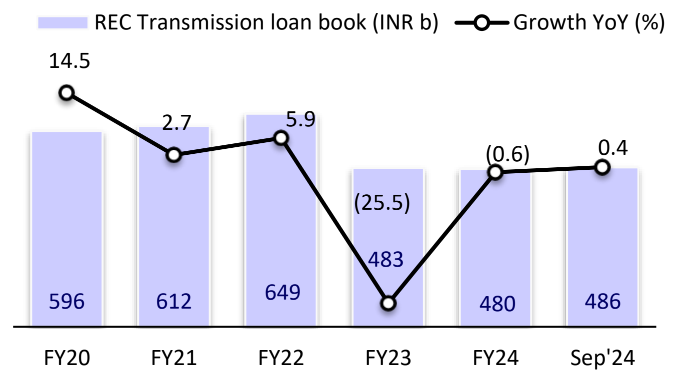
Story in charts: REC

Exhibit 12: Generation loan book grew ~19% YoY as of Sep'24



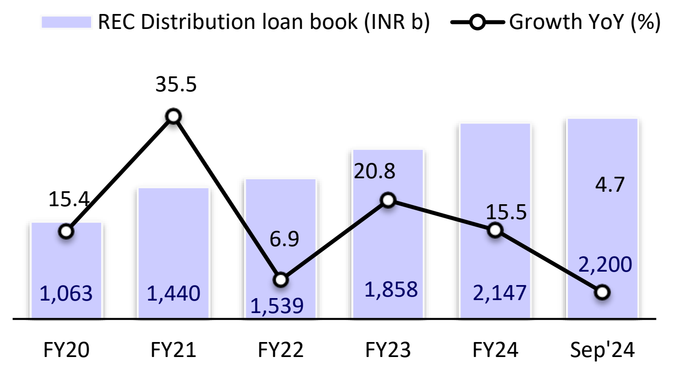
Source: Company, MOFSL

Exhibit 13: Transmission loans were flat YoY as of Sep'24



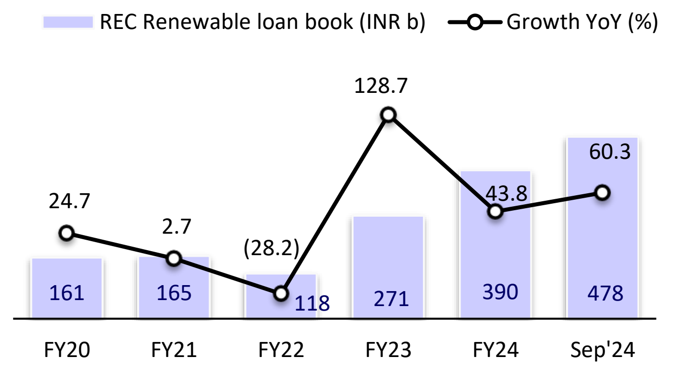
Source: Company, MOFSL

Exhibit 14: Distribution loan book grew ~5% YoY as of Sep'24



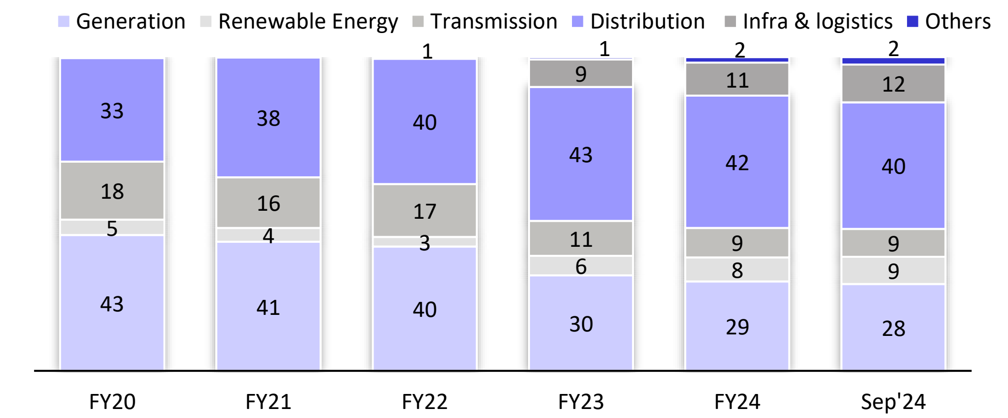
Source: Company, MOFSL

Exhibit 15: RE AUM grew ~60% YoY as of Sep'24



Source: Company, MOFSL

Exhibit 16: Share of renewable in the loan mix has increased to ~9% from ~5% in FY20



Source: Company, MOFSL

Exhibit 17: Overall recovery expected from KSK Mahanadi

KSK Mahanadi	INR b
Total owed	322.4
Distributed to lenders	62.4
Balance Claim	260
JSW Bid for KSK	160
% Recovery from the Balance Claim	61.5

Source: Company, MOFSL

Exhibit 18: PFC: Write-backs expected on resolution of KSK Mahanadi

PFC	INR b
Total outstanding to KSK	34.3
Received from surplus cash distribution (MOFSLe) [A]	6.6
Balance Claim	27.7
Expected Recovery (post resolution) from Balance Claim outstanding [B]	17.0
Provision Cover	55%
Net Value of the exposure to KSK [C]	15.4
Total Recoveries [D = A + B]	23.6
Write-backs [E = D-C]	8.2

Source: Company, MOFSL

Exhibit 19: REC: Write-backs expected on resolution of KSK Mahanadi

REC	INR b
Total outstanding to KSK	27.3
Received from surplus cash distribution (MOFSLe) [A]	5.3
Balance Claim	22.0
Expected Recovery (post resolution) from Balance Claim outstanding [B]	13.5
Provision Cover	50%
Net Value of the exposure to KSK [C]	13.7
Total Recoveries (D = A + B)	18.8
Write-backs [E= D-C]	5.2

Source: Company, MOFSL

17 January 2025

Sector: Financials - NBFC

Power Finance Corporation

BSE SENSEX	S&P CNX
76,619	23,203

CMP: INR433 **TP: INR560(+29%)** **Buy**

Resilient, profitable, and ready for the renewable boom

Stressed asset resolutions will keep the write-backs coming and credit costs benign

PFC is India's largest government-owned power financier and a leader in RE financing. PFC's RE loan book stands at INR643b, recording a ~30% CAGR over the last two years. Backed by robust financials (projected RoE of 19%) and healthy asset quality (GNPA of 2.7%), PFC is well-positioned to capitalize on India's INR42t energy capex pipeline. As a key enabler of India's energy transition, PFC supports critical government initiatives like RDSS, enhancing the power sector's efficiency and sustainability.

Strategic position in India's power growth story

PFC is at the forefront of India's evolving power sector, poised to benefit from the country's ambitious installed power capacity expansion plans. With a forecast of over ~450GW in new power generation capacity by 2032, including significant investments in RE, PFC is well-positioned as a key lender to power finance. Its focus on government-backed projects and secured PPAs (while avoiding exposure to segments where it does not have core expertise) will ensure stable loan growth. The increasing demand for electricity, driven by industrial growth, electrification, and emerging use cases like electric vehicles (EVs), underscores PFC's pivotal role in enabling this transformation.

Resilient business model given India's energy transition goals

PFC's resilience is supported by its alignment with India's energy policy goals and its strategic role in funding state-led projects. While potential risks, such as exposure to merchant RE projects or regulatory changes, remain, PFC is insulated by its sovereign-backed status and limited competition in power financing. The gradual improvement in DISCOMs' financial health, supported by government initiatives like RDSS, further enhances repayment stability. As India continues to navigate its energy transition, PFC's strong market position and focus on sustainable financing make it a reliable play in power finance.

Lower risks to asset quality

- PFC now has significantly reduced NPA risks compared to previous cycles, with ~81% of its lending directed toward government entities and ~13% to RE projects, both of which feature secure cash flows and lower execution risks. RE projects benefit from shorter execution timelines, back-ended capital requirements, and strong receivables mechanisms through entities like Solar Energy Corporation of India (SECI). Furthermore, the resolution of distressed thermal power assets has strengthened PFC's portfolio, with three major assets already resolved over the last 18 months and more under process, highlighting its effective risk management. PFC has no NPAs in state-backed projects. All the 18 projects that are classified as NPAs are from the private sector. Resolutions in 12 NPA projects are being pursued under the NCLT, and PFC is trying to get a resolution in the remaining six NPA projects outside the NCLT.

Stock info

Bloomberg	POWF IN
Equity Shares (m)	3300
M.Cap.(INRb)/(USDb)	1430.4 / 16.5
52-Week Range (INR)	580 / 352
1, 6, 12 Rel. Per (%)	-8/-15/3
12M Avg Val (INR M)	6938
Free float (%)	44.0

Financials snapshot (INR b)

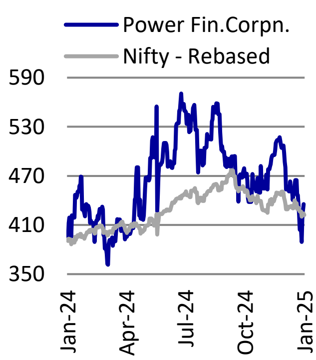
Y/E March	FY25E	FY26E	FY27E
NII	181	202	229
PPP	198	226	255
PAT	164	187	205
EPS (INR)	49.7	56.6	62.0
EPS Gr. (%)	14	14	10
BV/Sh. (INR)	275	314	358
ABV/Sh. (INR)	231	270	314
RoAA (%)	3.1	3.1	2.9
RoAE (%)	19.3	19.2	18.4
Div Payout (%)	30.0	30.0	30.0
Valuations			
P/E (x)	8.7	7.6	7.0
P/BV (x)	1.6	1.4	1.2
Core P/E (x)	5.6	4.9	4.5
Core P/BV (x)	1.2	1.0	0.9
Div. Yld (%)	3.4	3.9	4.3

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	56.0	56.0	56.0
DII	17.5	17.1	17.9
FII	17.7	17.9	16.9
Others	8.8	9.0	9.3

FII Includes depository receipts

Stock performance (one-year)



- Among the stressed projects, two accounts with total outstanding of ~INR45b are at advanced stages of resolution - TRN Energy with outstanding exposure of ~INR11.4b and KSK Mahanadi with outstanding exposure of ~INR34.3b. Our estimates suggest that the resolution of KSK Mahanadi (which could happen in the next 3-6 months) will translate into write-backs of ~INR8.2b for PFC.

Valuation and view

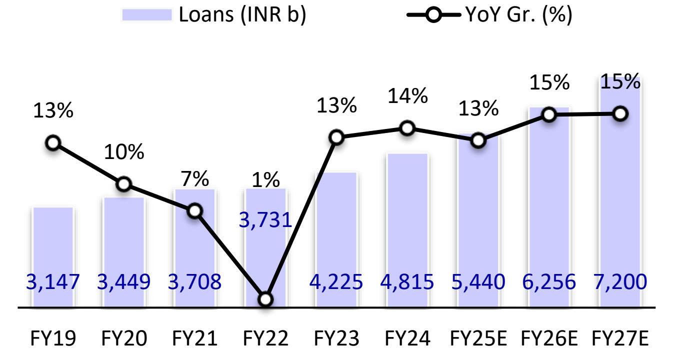
- PFC offers a compelling investment case as we estimate robust financial performance over FY24-27E, with loan CAGR of ~14% and PAT CAGR of ~13%. There are upside risks to our estimates based on the quant of write-backs from the resolution of stressed assets. Trading at a FY27E P/BV (standalone) of just 0.9x, PFC is significantly cheaper than its power sector peers, despite having an expected ROE of ~18-19% over FY26-27E. The company's strategic focus on high-yielding loans to DISCOMs and other state-backed initiatives ensures stable profitability, even as it continues to scale up its RE financing.
- We maintain BUY on PFC with our SoTP (Sep'26E)-based TP of INR560 (based on 1.2x target multiple for the PFC standalone business and INR211/share for PFC's stake in REC after holdco discount of 20%).
- The key downside risks to our investment thesis include: 1) slowdown in loan growth in the distribution segment; 2) the RBI's proposed stricter provisioning norms for project financing that would increase the provisioning requirement to ~5.0% from ~0.4%, which would be gradually brought down, subject to conditions; and 3) asset quality risks from deterioration in the health of state power distribution companies.

PFC: SOTP - Sep'26E

	Stake	Target multiple	Value (INR B)	INR per share	% To Total	Rationale
PFC Standalone	100	1.2	1,157	350	62	1.2x Sep'26 PBV
REC Stake (Pre-holdCo)	53	1.6	873	**265**		1.6x Sep'26 PBV
Hold Co Discount (20%)			175			
REC Stake (Post Hold-CO)			**698**	**211**	38	
Target Value			**1,856**	**560**	**100**	

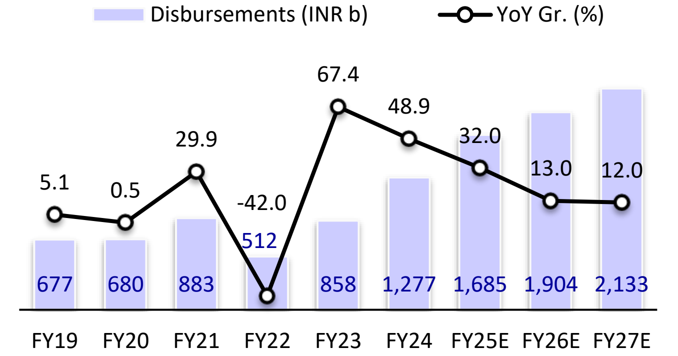
PFC - Story in charts

Exhibit 20: Expect ~14% AUM CAGR over FY24-27E



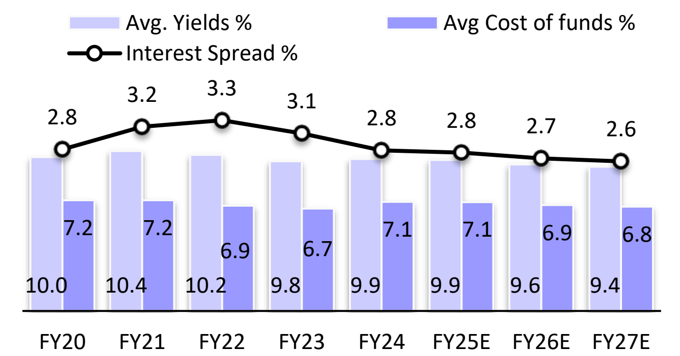
Source: MOFSL, Company

Exhibit 21: Disbursements CAGR of ~19% over FY24-27E



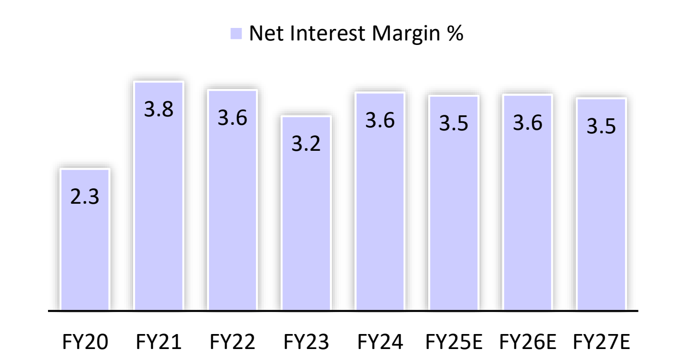
Source: MOFSL, Company

Exhibit 22: Expect spreads of ~2.7%/2.6% in FY26E/FY27E



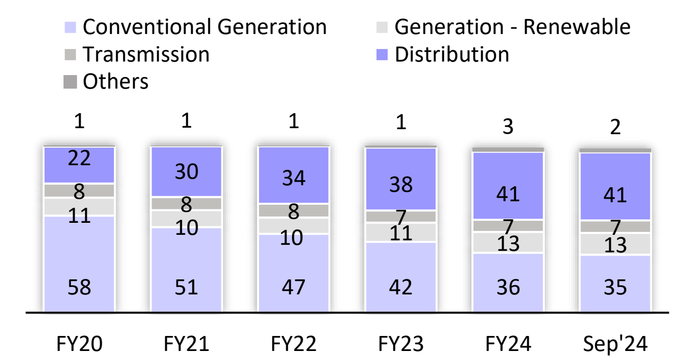
Source: MOFSL, Company

Exhibit 23: NIMs to stabilize at ~3.6/3.5 in FY26E/FY27E



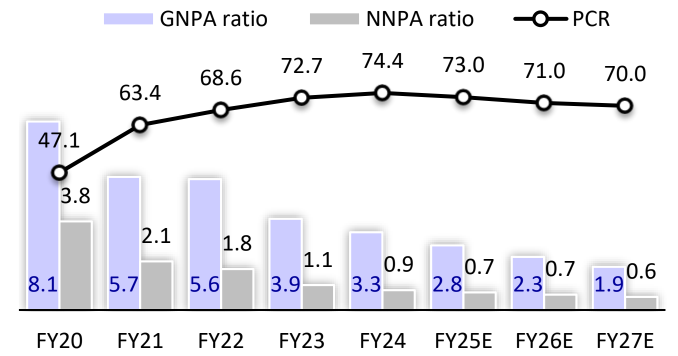
Source: MOFSL, Company

Exhibit 24: Loan mix for PFC (%)



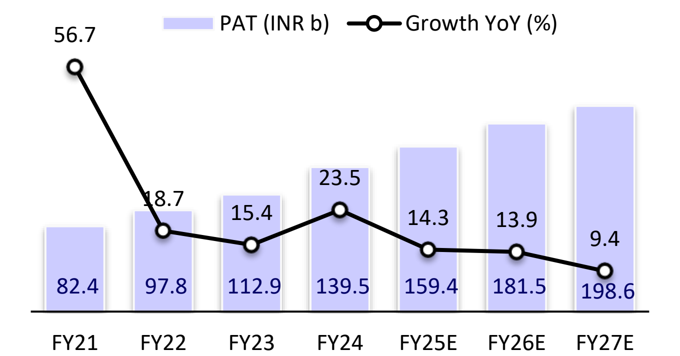
Source: MOFSL, Company

Exhibit 25: Asset quality continues to improve



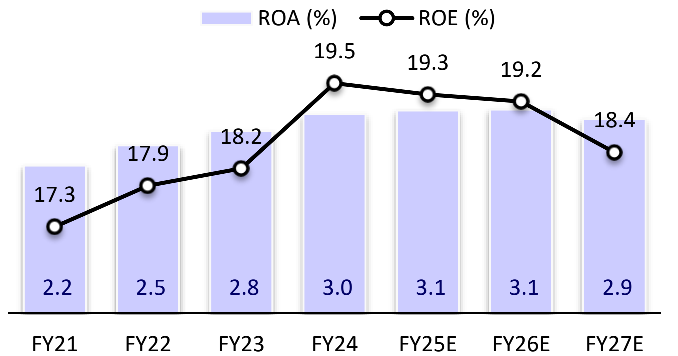
Source: MOFSL, Company

Exhibit 26: Expect ~13% PAT CAGR over FY24-27E



Source: MOFSL, Company

Exhibit 27: Expect healthy ~18-19% ROE over FY26-27E



Source: MOFSL, Company

Exhibit 28: DuPont analysis

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	9.0	9.6	9.3	9.0	9.2	9.2	9.0	8.9
Interest Expended	6.2	6.2	5.8	5.5	5.9	5.8	5.7	5.6
Net Interest Income	**2.9**	**3.4**	**3.6**	**3.4**	**3.3**	**3.4**	**3.3**	**3.3**
Other Operating Income	0.6	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Other Income	-0.7	0.0	-0.2	-0.5	0.0	-0.1	0.0	0.0
Net Income	**2.7**	**3.8**	**3.8**	**3.5**	**3.8**	**3.8**	**3.9**	**3.8**
Operating Expenses	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating Income	**2.6**	**3.6**	**3.7**	**3.3**	**3.7**	**3.7**	**3.7**	**3.7**
Provisions/write offs	0.3	0.9	0.6	-0.1	0.0	-0.1	-0.1	0.1
PBT	**2.3**	**2.7**	**3.1**	**3.4**	**3.7**	**3.8**	**3.8**	**3.6**
Tax	0.7	0.5	0.6	0.6	0.7	0.7	0.7	0.7
Reported PAT	**1.6**	**2.2**	**2.5**	**2.8**	**3.0**	**3.1**	**3.1**	**2.9**
Leverage	8.0	7.7	7.0	6.6	6.4	6.3	6.2	6.3
RoE	**12.8**	**17.3**	**17.9**	**18.2**	**19.5**	**19.3**	**19.2**	**18.4**

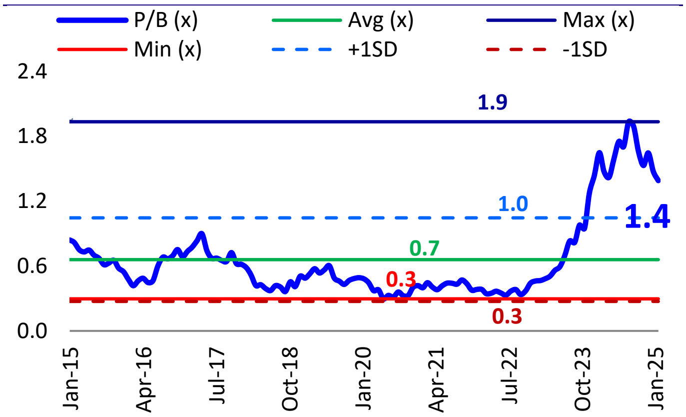
Source: MOFSL, Company

Exhibit 29: Our EPS estimates are largely unchanged

INR B	Old Est.			New Est.			% change		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
NII	180.7	204.1	235.4	180.7	201.8	229.3	0.0	-1.2	-2.6
Other Income	24.4	31.8	34.3	24.4	31.8	34.3	0.0	0.0	0.0
Net Income	**205.1**	**235.9**	**269.7**	**205.1**	**233.5**	**263.6**	**0.0**	**-1.0**	**-2.3**
Operating Expenses	7.4	8.0	8.8	7.4	8.0	8.8	0.0	0.0	0.0
Operating Profits	**197.7**	**227.9**	**260.9**	**197.7**	**225.5**	**254.8**	**0.0**	**-1.0**	**-2.3**
Provisions	-4.1	1.6	4.6	(4.1)	(3.7)	3.8	-	-	-18
PBT	**201.9**	**226.3**	**256.3**	**201.9**	**229.2**	**251.0**	**0.0**	**1.3**	**-2.1**
Tax	37.7	41.9	47.4	37.7	42.4	46.4	0.0	1.3	-2.1
PAT	**164.1**	**184.4**	**208.9**	**164.1**	**186.8**	**204.6**	**0.0**	**1.3**	**-2.1**
Loans	5,440	6,387	7,415	5,440	6,256	7,200			
RoAA (%)	**3.1**	**3.0**	**2.9**	**3.1**	**3.1**	**2.9**			

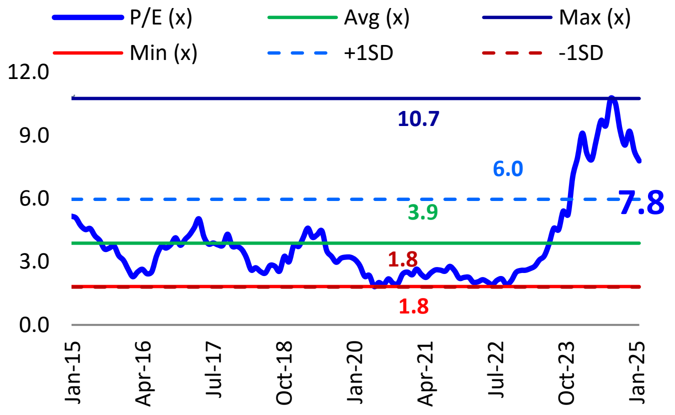
Source: MOFSL, Company

Exhibit 30: Trend in P/B ratio (one-year forward)



Source: MOFSL, Company

Exhibit 31: Trend in P/E ratio (one-year forward)



Source: MOFSL, Company

Financials and valuations

Income Statement									(INR b)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Interest on loans	284	320	361	367	376	436	492	544	618
Interest exp & other charges	190	219	232	227	233	280	311	342	388
Net Interest Income	**94**	**101**	**130**	**140**	**144**	**156**	**181**	**202**	**229**
Change (%)	7.8	6.9	28.3	8.3	2.4	8.8	15.6	11.7	13.6
Other operating income	4	21	11	19	21	23	28	30	33
Exchg Gain/(loss) on Forex loans	-5	-26	2	-9	-20	2	-4	1	1
Other Income	0	0	0	0	0	0	0	0	0
Net Income	**93**	**96**	**142**	**150**	**145**	**181**	**205**	**234**	**264**
Change (%)	-9.5	2.6	48.4	5.7	-3.6	25.2	13.2	13.9	12.9
Employee Cost	2	2	2	2	2	2	3	3	3
Administrative Exp	2	2	3	3	4	4	5	5	6
Depreciation	0	0	0	0	0	0	0	0	0
Operating Income	**89**	**92**	**137**	**144**	**139**	**175**	**198**	**226**	**255**
Change (%)	-10.2	2.7	49.2	5.4	-4.0	25.8	13.3	14.1	13.0
Total Provisions	**-9**	**10**	**35**	**22**	**-3**	**-2**	**-4**	**-4**	**4**
% to operating income	-9.7	10.8	25.5	15.4	-2.1	-1.0	-2.1	-1.6	1.5
PBT	**98**	**82**	**102**	**122**	**142**	**176**	**202**	**229**	**251**
Prior period Adjustments	0	0	0	0	0	0	0	0	0
PBT (post prior period adj)	**98**	**82**	**102**	**122**	**142**	**176.3**	**202**	**229**	**251**
Tax (Incl Deferred tax)	29	25	18	22	26	33	38	42	46
Tax Rate (%)	29.2	31.0	17.3	18.0	18.1	18.5	18.7	18.5	18.5
PAT	**70**	**57**	**84**	**100**	**116**	**144**	**164**	**187**	**205**
Change (%)	4.2	-18.7	49.3	18.7	15.8	23.8	14.2	13.8	9.5
Extraordinary item	0	0	0	0	0	0	0	0	0
Reported PAT	**70**	**57**	**84**	**100**	**116**	**144**	**164**	**187**	**205**
Adjusted PAT (Excluding REC Dividend)	**73**	**53**	**82**	**98**	**113**	**139**	**159**	**182**	**199**
Change (%)	12.4	-28.2	56.7	18.7	15.4	23.5	14.3	13.9	9.4
Proposed Dividend (Incl Tax)	0	25	26	32	35	45	49	56	61

Balance Sheet									(INR b)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Capital	26	26	26	26	26	33	33	33	33
Reserves & Surplus	406	425	498	567	656	759	874	1,005	1,148
Net Worth	**433**	**452**	**524**	**594**	**682**	**792**	**907**	**1,038**	**1,181**
Deferred Tax Liability	0	0	0	0	0	0	0	0	0
Networth (incl DTL)	**433**	**452**	**524**	**594**	**682**	**792**	**907**	**1,038**	**1,181**
Interest subsidy from GoI	0	0	0	0	0	0	0	0	0
Borrowings	**2,952**	**3,103**	**3,330**	**3,274**	**3,704**	**4,164**	**4,597**	**5,312**	**6,113**
Change (%)	24.7	5.1	7.3	-1.7	13.1	12.4	10.4	15.5	15.1
Total Liabilities	**3,385**	**3,554**	**3,854**	**3,868**	**4,386**	**4,956**	**5,504**	**6,349**	**7,294**
Investments	166	165	160	161	173	202	222	234	245
Change (%)	558.2	-0.7	-3.0	0.7	7.6	16.9	10.0	5.0	5.0
Loans	**3,032**	**3,341**	**3,601**	**3,609**	**4,108**	**4,699**	**5,284**	**6,101**	**7,042**
Change (%)	14.0	10.2	7.8	0.2	13.8	14.4	12.4	15.5	15.4
Forex monetary reserves	0	0	0	0	0	0	0	0	0
Net Fixed Assets	0	1	1	1	1	1	1	1	1
Net Current Assets	142	2	48	40	16	2	-4	20	18
Total Assets	**3,340**	**3,509**	**3,809**	**3,811**	**4,298**	**4,905**	**5,503**	**6,355**	**7,306**

E: MOFSL Estimates

Financials and valuations

Loans and Disbursements	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross Loans (INR b)	3,147	3,449	3,708	3,731	4,225	4,815	5,440	6,256	7,200
YoY Growth (%)	13	10	7	1	13	14	13	15	15
Disbursements (INR b)	677	680	883	512	858	1,277	1,685	1,904	2,133
YoY Growth (%)	5	0	30	-42	67	49	32	13	12

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Spreads Analysis (%)									
Avg. Yields	10.0	10.0	10.4	10.2	9.8	9.9	9.9	9.6	9.4
Avg Cost of funds	7.1	7.2	7.2	6.9	6.7	7.1	7.1	6.9	6.8
Interest Spread	2.9	2.8	3.2	3.3	3.1	2.79	2.75	2.65	2.60
NIM	3.1	2.3	3.8	3.6	3.2	3.6	3.5	3.6	3.5
Profitability Ratios (%)									
RoE	17.3	12.8	17.3	17.9	18.2	19.5	19.3	19.2	18.44
RoA	2.2	1.6	2.2	2.5	2.8	3.0	3.1	3.1	2.9
Efficiency Ratios (%)									
Int. Expended/Int.Earned	66.8	68.4	64.2	61.8	61.8	64.2	63.3	62.9	62.9
Other operating Inc./Net Inc.	4.3	22.0	7.6	12.3	14.3	12.5	13.5	13.1	12.5
Other Income/Net Income	0.2	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.2
Op. Exps./Net Income	4.3	4.2	3.6	3.8	4.2	3.7	3.6	3.4	3.3
Empl. Cost/Op. Exps.	43.5	48.5	37.9	37.1	36.3	36.3	35.2	34.6	34.2
Asset-Liability Profile (%)									
Loans/Borrowings Ratio (x)	103	108	108	110	111	113	115	115	115
Assets/Networth (x)	7.7	7.8	7.3	6.4	6.3	6.2	6.1	6.1	6.2
Debt/Equity (x)	6.8	6.9	6.4	5.5	5.4	5.3	5.1	5.1	5.2
Asset Quality (%)									
Gross Stage 3	9.4	8.1	5.7	5.6	3.9	3.3	2.8	2.3	1.9
Net Stage 3	4.6	3.8	2.1	1.8	1.1	0.9	0.7	0.7	0.6
PCR	51.5	47.1	63.4	68.6	72.7	74.4	73.0	71.0	70.0
Credit costs	-0.31	0.31	1.01	0.62	-0.08	-0.04	-0.08	-0.06	0.06

Valuations	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (INR)	164	171	198	225	258	240	275	314	358
BV Growth (%)	17.1	4.3	16.0	13.3	14.9	-7.1	14.5	14.4	13.8
Price-BV (x)	**2.6**	**2.5**	**2.2**	**1.9**	**1.7**	**1.8**	**1.6**	**1.4**	**1.2**
Adjusted Book Value (INR)	150	116	144	170	203	196	231	270	314
ABV Growth (%)	24.8	-22.8	23.6	18.4	19.7	-3.6	17.8	17.2	16.0
Price-ABV (x)	**1.8**	**2.3**	**1.9**	**1.6**	**1.3**	**1.4**	**1.2**	**1.0**	**0.9**
EPS (INR)	26.3	21.4	32.0	38.0	44.0	43.5	49.7	56.6	62.0
EPS Growth (%)	4.2	-18.7	49.3	18.7	15.8	-1.0	14.2	13.8	9.5
Price-Earnings (x)	**16.4**	**20.2**	**13.5**	**11.4**	**9.9**	**9.9**	**8.7**	**7.6**	**7.0**
Core EPS (INR)	27.7	19.9	31.2	37.0	42.8	42.3	48.3	55.0	60.2
Adj Core EPS Growth (%)	12.4	-28.2	56.7	18.7	15.4	-1.2	14.3	13.9	9.4
Adj. Price-Core EPS (x)	**9.7**	**13.5**	**8.6**	**7.3**	**6.3**	**6.4**	**5.6**	**4.9**	**4.5**
DPS	0.0	9.5	10.0	12.0	13.3	13.5	14.9	17.0	18.6
Dividend Yield (%)	**0.0**	**2.2**	**2.3**	**2.8**	**3.1**	**3.1**	**3.4**	**3.9**	**4.3**

E: MOFSL Estimates

17 January 2025

Sector: Financials - NBFC

Rural Electrification corp.

BSE SENSEX	S&P CNX
76,619	23,203

Stock info

Bloomberg	RECL IN
Equity Shares (m)	2633
M.Cap.(INRb)/(USDb)	1270.1 / 14.7
52-Week Range (INR)	654 / 408
1, 6, 12 Rel. Per (%)	-8/-16/6
12M Avg Val (INR M)	7462
Free float (%)	47.4

Financials snapshot (INR b)

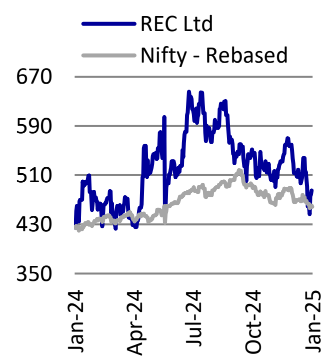
Y/E March	FY25E	FY26E	FY27E
NII	198	224	261
PPP	198	225	262
PAT	161	184	209
EPS (INR)	61.0	69.8	79.4
EPS Gr. (%)	15	14	14
BV/Shr (INR)	306	358	417
ABV/Shr (INR)	302	355	414
RoAA (%)	2.7	2.7	2.6
RoE (%)	21.5	21.0	20.5
Div. Payout (%)	29.5	29.4	29.6
Valuation			
P/E (x)	7.9	6.9	6.1
P/BV (x)	1.6	1.3	1.2
Div. Yield (%)	3.7	4.2	4.9

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	52.6	52.6	52.6
DII	14.3	14.7	14.1
FII	21.2	20.4	20.4
Others	11.8	12.2	12.9

FII Includes depository receipts

Stock performance (one-year)



CMP: INR482 **TP: INR630(+31%)** **Buy**

Driving the future of India's energy transition

Empowering healthy loan growth while delivering reliable returns

REC stands as a cornerstone in India's energy sector, strategically aligned with the nation's RE transition and infrastructure development. REC will play a pivotal role in India's ambitious energy targets, including the addition of over 450GW of power capacity by 2032. The company's focus on government-backed and RE projects ensures stable returns, leveraging robust cash flows secured through power purchase agreements (PPAs) and central agency guarantees.

REC will benefit from its strategic alignment with India's evolving policy landscape. Government initiatives like RDSS and the National Infrastructure Pipeline (NIP) will ensure a steady pipeline of projects, enabling REC to maintain its dominance in the sector. With a growing focus on clean energy, REC is well-positioned to capitalize on India's RE ambitions, further solidifying its role in shaping the country's energy future.

Superior asset quality and risk management

- REC's asset quality is strong in the current power cycle due to its shift toward government-sponsored and RE projects. RE loans, which constitute only ~9% of REC's portfolio, are supported by PPAs that ensure revenue certainty. Additionally, shorter execution timelines and back-ended capex for RE projects mitigate risks. REC's gross and net NPA ratios stood at 2.5% and 0.9%, respectively, as of Sep'24, reflecting prudent risk management. The expected resolution of distressed assets will further strengthen its financial position, offering upside risks to our estimates from provision reversals and resulting in improved profitability.
- For REC, the exposures to Nagai Power and Lanco Amarkantak have been resolved. The company has indicated that it is in the advanced stages of resolution for Sinnar Power Nashik, Hiranmaye, KSK Mahanadi in Chhattisgarh, TRN Energy, Bhadreshwar Corporate Power, and Konaseema Gas Power. Our estimates suggest that the resolution of KSK Mahanadi (which could happen in the next 3-6 months) will translate into write-backs of ~INR5.2b for REC.

Loan growth to remain healthy with ~17% CAGR over FY24-27E

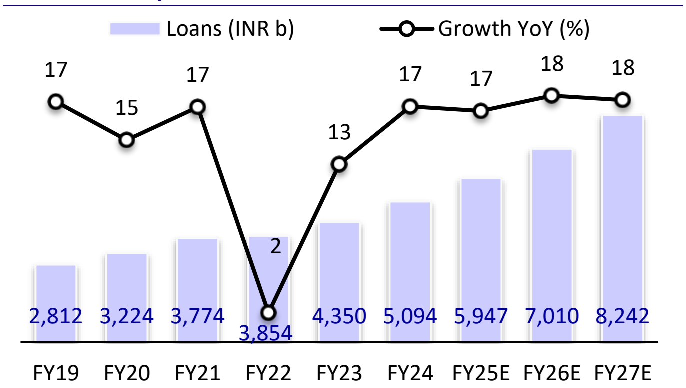
REC's alignment with the central government's initiatives ensures a steady pipeline of projects and minimizes competitive pressures. The gradual improvement in DISCOMs' financial health further enhances repayment stability. With a diversified loan portfolio, sovereign-backed operations, and strong capitalization, REC is well-equipped to maintain its leading position in India's power financing landscape. We have cut our loan growth estimate for FY25 to 17% (from ~18% earlier) because of near-term weakness in the sanctions pipeline amid muted macro-economic conditions. We estimate that loan growth will remain strong over the next two years to deliver a ~17% loan CAGR over FY24-27E.

Strong loan growth and benign credit costs provide good visibility on earnings

- REC combines attractive valuations with strong operational metrics, trading at 1.2x FY27E P/BV while delivering ROE of ~21% over FY26-27E. REC is sweetly positioned to benefit from India's evolving energy landscape. Its sovereign backing and access to long-term financing tools allow it to maintain cost competitiveness and mitigate asset-liability mismatches. Furthermore, the reversal of provisions on previously distressed thermal assets adds a financial cushion and will enhance future profitability.
- We believe that the risk-reward is attractive considering the strong visibility on loan growth, earnings growth, and healthy return ratios. All these factors support a healthy outlook on asset quality. **Maintain BUY on REC with a TP of INR630 (premised on 1.6x Sep'26E P/BV).**
- Downside risks are the same as PFC: 1) slowdown in loan growth in the distribution segment; 2) the RBI's proposed stricter provisioning norms for project financing that would increase the provisioning requirement to ~5.0% from ~0.4%, which would be gradually brought down, subject to conditions; and 3) asset quality risks from deterioration in the health of state power distribution companies.

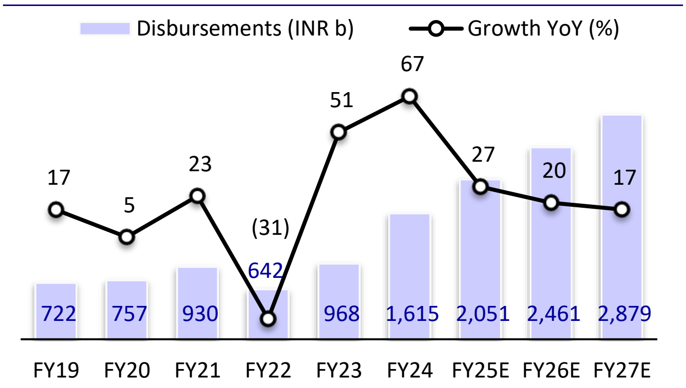
Story in charts

Exhibit 32: Expect ~17% AUM CAGR over FY24-27E



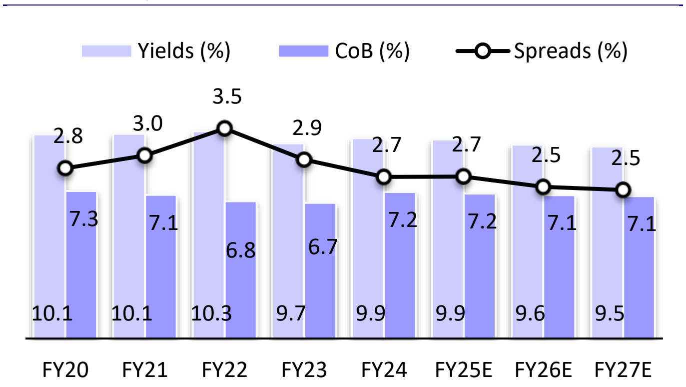
Source: MOFSL, Company

Exhibit 33: Disbursements CAGR of ~21% over FY24-27E



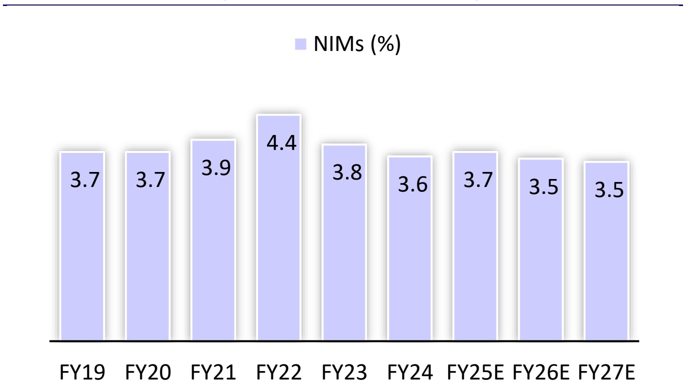
Source: MOFSL, Company

Exhibit 34: Spreads to stabilize at ~2.5% in FY26/FY27E



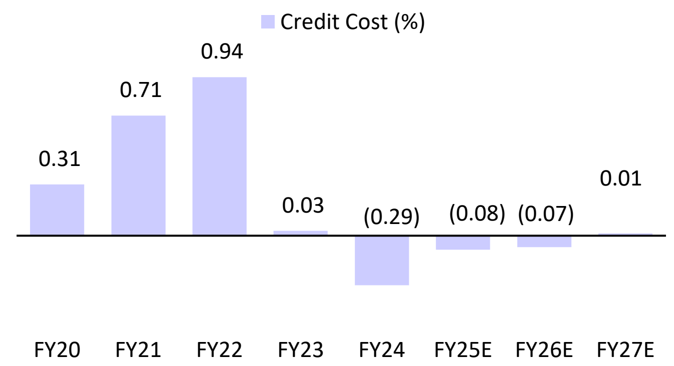
Source: MOFSL, Company

Exhibit 35: NIMs expected to decline ~15bp in FY26E



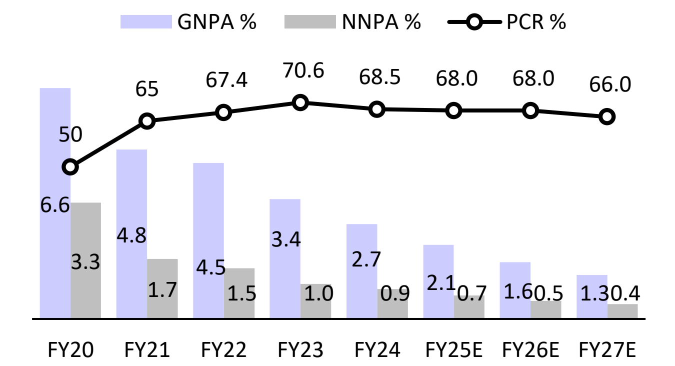
Source: MOFSL, Company

Exhibit 36: Credit costs to remain benign (%)



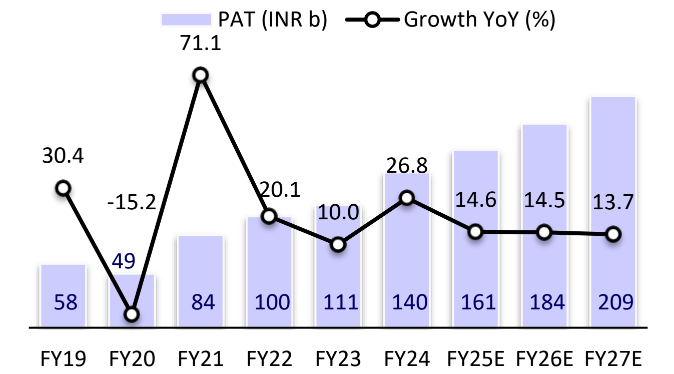
Source: MOFSL, Company

Exhibit 37: Asset quality will continue to improve



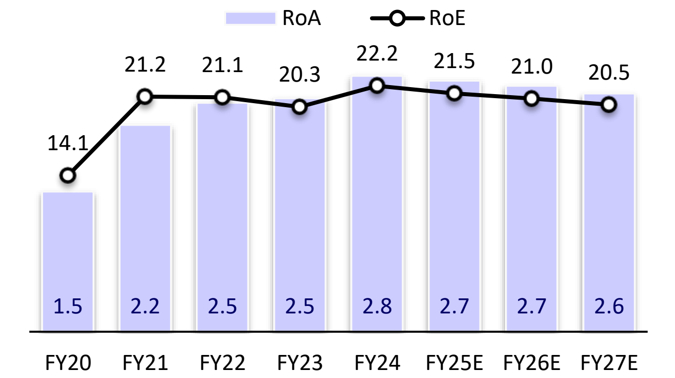
Source: MOFSL, Company

Exhibit 38: Expect ~14% PAT CAGR over FY24-27E



Source: MOFSL, Company

Exhibit 39: Expect healthy ~20-21% ROE over FY26-27E



Source: MOFSL, Company

Exhibit 40: DuPont analysis

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	9.2	9.3	9.4	8.9	9.2	9.2	9.0	9.0
Interest Expended	5.9	5.8	5.4	5.4	5.9	5.8	5.8	5.8
Net Interest Income	**3.3**	**3.5**	**4.0**	**3.4**	**3.3**	**3.3**	**3.2**	**3.2**
Other Operating Income	-0.7	0.1	0.0	-0.2	0.1	0.1	0.1	0.1
Other Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	**2.6**	**3.6**	**4.0**	**3.3**	**3.4**	**3.5**	**3.4**	**3.4**
Operating Expenses	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating Income	**2.4**	**3.5**	**3.9**	**3.2**	**3.2**	**3.3**	**3.3**	**3.2**
Provisions/write offs	0.3	0.6	0.9	0.0	-0.3	-0.1	-0.1	0.0
PBT	**2.2**	**2.9**	**3.1**	**3.1**	**3.5**	**3.4**	**3.3**	**3.2**
Tax	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.6
Reported PAT	**1.5**	**2.2**	**2.5**	**2.5**	**2.8**	**2.7**	**2.7**	**2.6**
Leverage	9.3	9.5	8.5	8.0	8.0	7.9	7.9	7.9
RoE	**14.1**	**21.2**	**21.1**	**20.3**	**22.2**	**21.5**	**21.0**	**20.5**

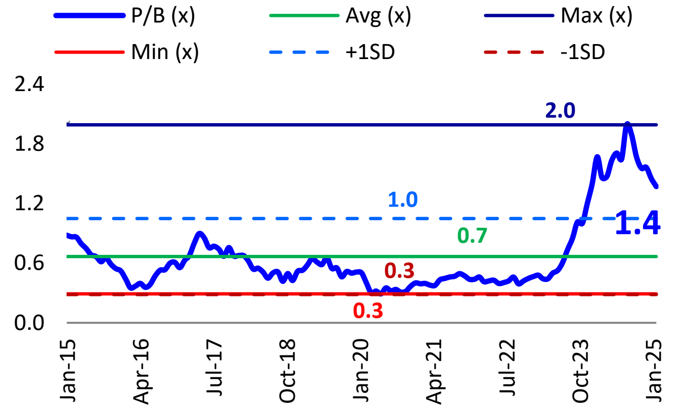
Source: MOFSL, Company

Exhibit 41: Our EPS estimates are largely unchanged

INR B	Old Est.			New Est.			% change		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
NII	198.6	226.5	265.2	197.8	224.2	260.5	-0.4	-1.0	-1.8
Other Income	7.6	9.9	11.6	7.6	9.9	11.6	0.0	0.0	0.0
Net Income	**206.2**	**236.4**	**276.8**	**205.4**	**234.1**	**272.1**	**-0.4**	**-1.0**	**-1.7**
Operating Expenses	7.6	8.7	9.8	7.6	8.7	9.8	0.0	0.0	0.0
Operating Profits	**198.6**	**227.7**	**267.0**	**197.8**	**225.4**	**262.3**	**-0.4**	**-1.0**	**-1.8**
Provisions	-4.2	-0.5	1.7	-4.5	-4.4	1.1	-	-	-35
PBT	**202.8**	**228.2**	**265.3**	**202.3**	**229.8**	**261.2**	**-0.2**	**0.7**	**-1.6**
Tax	41.8	45.6	53.1	41.7	46.0	52.2	-0.2	0.7	-1.6
PAT	**161.0**	**182.6**	**212.3**	**160.6**	**183.9**	**209.0**	**-0.2**	**0.7**	**-1.6**
Loans	5,989	7,103	8,434	5,947	7,010	8,242			
Spreads (%)	**2.67**	**2.50**	**2.45**	**2.67**	**2.50**	**2.45**			
RoAA (%)	**2.7**	**2.6**	**2.6**	**2.7**	**2.7**	**2.6**			
RoAE (%)	**21.5**	**20.9**	**20.8**	**21.5**	**21.0**	**20.5**			

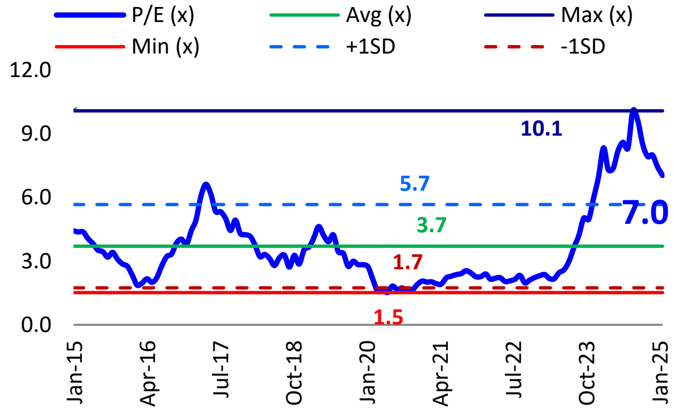
Source: MOFSL, Company

Exhibit 42: Trend in P/B ratio (one-year forward)



Source: MOFSL, Company

Exhibit 43: Trend in P/E ratio (one-year forward)



Source: MOFSL, Company

Financials and valuations

Income Statement									(INR b)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Interest on Loans	249.7	296.6	346.8	381.9	388.4	464.1	543.1	623.8	728.6
Interest Exp and Other Charges	156.4	190.0	214.9	220.5	237.4	299.5	345.3	399.5	468.1
Net Interest Income	**93.3**	**106.7**	**131.9**	**161.3**	**151.0**	**164.6**	**197.8**	**224.2**	**260.5**
Change (%)	6.6	14.3	23.7	22.3	-6.4	9.0	20.2	13.3	16.2
Forex Gains/(Losses)	-5.2	-23.6	-3.3	-8.0	-11.1	-1.7	-1.9	-1.5	-1.5
Net Interest Income (including forex gains/losses)	**88.1**	**83.1**	**128.6**	**153.3**	**139.8**	**162.9**	**195.9**	**222.7**	**259.0**
Other Operating Income	-0.1	1.0	7.0	9.5	3.7	7.2	8.6	10.4	11.9
Other Income	0.3	0.6	0.2	1.0	0.4	0.7	0.8	1.0	1.2
Net Total Income	**88.3**	**84.7**	**135.9**	**163.8**	**144.0**	**170.8**	**205.4**	**234.1**	**272.1**
Change (%)	3.4	-4.0	60.4	20.5	-12.1	18.6	20.3	14.0	16.2
Employee Cost	1.6	1.8	1.4	1.6	1.8	2.1	2.5	2.8	3.2
Administrative Exp	3.2	4.2	2.6	3.0	3.4	4.2	4.9	5.6	6.4
Depreciation	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3
Total Operating Expenses	**4.9**	**6.0**	**4.2**	**4.8**	**5.5**	**6.6**	**7.6**	**8.7**	**9.8**
PPoP	**83.4**	**78.7**	**131.8**	**159.0**	**138.5**	**164.2**	**197.8**	**225.4**	**262.3**
Change (%)	2.0	-5.6	67.4	20.7	-12.9	18.5	20.5	14.0	16.3
Total Provisions	**2.4**	**8.9**	**24.2**	**34.7**	**1.1**	**-13.6**	**-4.5**	**-4.4**	**1.1**
% to Operating Income	2.9	11.3	18.4	21.8	0.8	-8.3	-2.3	-1.9	0.4
PBT	**81.0**	**69.8**	**107.6**	**124.2**	**137.4**	**177.8**	**202.3**	**229.8**	**261.2**
Tax (Incl Deferred tax)	23.4	21.0	23.9	23.8	26.8	37.6	41.7	46.0	52.2
Tax Rate (%)	28.8	30.0	22.3	19.1	19.5	21.2	20.6	20.0	20.0
PAT	**57.6**	**48.9**	**83.6**	**100.5**	**110.5**	**140.2**	**160.6**	**183.9**	**209.0**
Change (%)	30.4	-15.2	71.1	20.1	10.0	26.8	14.6	14.5	13.7

Balance Sheet									(INR b)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Capital	20	20	20	20	26	26	26	26	26
Reserves & Surplus	323	331	418	493	550	661	780	916	1,071
Net Worth	**343**	**351**	**438**	**513**	**577**	**688**	**806**	**943**	**1,098**
Borrowings	**2,395**	**2,815**	**3,228**	**3,263**	**3,808**	**4,456**	**5,162**	**6,092**	**7,187**
Change (%)	13.5	17.5	14.7	1.1	16.7	17.0	15.8	18.0	18.0
Total Liabilities	**2,738**	**3,166**	**3,666**	**3,776**	**4,385**	**5,144**	**5,969**	**7,035**	**8,285**
Investments	24	23	19	22	31	53	72	86	99
Change (%)	-6.9	-3.5	-17.4	13.0	45.4	69.5	35.0	20.0	15.0
Loans	**2,705**	**3,121**	**3,653**	**3,719**	**4,221**	**4,992**	**5,823**	**6,887**	**8,121**
Change (%)	12.9	15.4	17.0	1.8	13.5	18.3	16.6	18.3	17.9
Net Fixed Assets	4	5	6	6	6	7	7	7	7
Net current assets	0	0	0	0	0	0	0	0	0
Total Assets	**2,732**	**3,148**	**3,678**	**3,747**	**4,259**	**5,052**	**5,901**	**6,981**	**8,227**

E: MOSL Estimates

Financials and valuations

Loans and Disbursements	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross Loans (INR b)	2,812	3,224	3,774	3,854	4,350	5,094	5,947	7,010	8,242
YoY Growth (%)	17	15	17	2	13	17	17	18	18
Disbursements (INR b)	722	757	930	642	968	1,615	2,051	2,461	2,879
YoY Growth (%)	17	5	23	-31	51	67	27	20	17

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Spreads Analysis (%)									
Avg. Yield - on Financing Portfolio	9.7	10.1	10.1	10.3	9.7	9.9	9.9	9.6	9.5
Avg Cost of Funds	6.9	7.3	7.1	6.8	6.7	7.2	7.2	7.1	7.1
Interest Spread	2.8	2.8	3.0	3.5	2.9	2.7	2.7	2.5	2.5
Net Interest Margin	3.7	3.7	3.9	4.4	3.8	3.6	3.7	3.5	3.5
Profitability Ratios (%)									
RoE	17.0	14.1	21.2	21.1	20.3	22.2	21.5	21.0	20.5
RoA	2.1	1.5	2.2	2.5	2.5	2.8	2.7	2.7	2.6
Efficiency Ratios (%)									
Int. Expended/Int.Earned	62.6	64.0	62.0	57.8	61.1	64.5	63.6	64.1	64.2
Other operating Inc./Net Income	-0.1	1.2	5.2	5.8	2.6	4.2	4.2	4.4	4.4
Other Income/Net Income	0.4	0.8	0.2	0.6	0.3	0.4	0.4	0.4	0.4
Op. Exps./Net Income	5.5	7.1	3.1	2.9	3.8	3.9	3.7	3.7	3.6
Empl. Cost/Op. Exps.	32.2	29.2	34.9	33.1	33.2	32.4	32.4	32.3	32.5
Asset-Liability Profile (%)									
Loans/Borrowings Ratio	112.9	110.9	113.1	114.0	110.8	112.0	112.8	113.1	113.0
Assets/Networth	8.0	9.0	8.4	7.3	7.4	7.3	7.3	7.4	7.5
Debt/Equity Ratio	7.0	8.0	7.4	6.4	6.6	6.5	6.4	6.5	6.5
Asset Quality (%)									
Gross Stage 3	7.2	6.6	4.8	4.5	3.4	2.7	2.1	1.6	1.3
Net Stage 3	3.8	3.3	1.7	1.5	1.0	0.9	0.7	0.5	0.4
PCR	47.7	49.6	64.6	67.4	70.6	68.5	68.0	68.0	66.0
Credit costs	0.1	0.3	0.7	0.9	0.0	-0.3	-0.1	-0.1	0.0

Valuations									
Book Value (INR)	174	178	222	260	219	261	306	358	417
BV Growth (%)	2.8	2.3	24.8	17.3	-15.7	19.3	17.2	16.9	16.4
Price-BV (x)	**2.8**	**2.7**	**2.2**	**1.9**	**2.2**	**1.8**	**1.6**	**1.3**	**1.2**
Adjusted Book Value (INR)	160	164	213	253	215	257	302	355	414
ABV Growth (%)	1.4	2.4	30.1	18.4	-15.0	19.6	17.6	17.3	16.6
Price-ABV (x)	**3.0**	**2.9**	**2.3**	**1.9**	**2.2**	**1.9**	**1.6**	**1.4**	**1.2**
EPS (INR)	29.2	24.7	42.3	50.9	42.0	53.2	61.0	69.8	79.4
EPS Growth (%)	30.4	-15.2	71.1	20.1	-17.5	26.8	14.6	14.5	13.7
Price-Earnings (x)	**16.5**	**19.5**	**11.4**	**9.5**	**11.5**	**9.1**	**7.9**	**6.9**	**6.1**
Dividend	11.0	11.0	12.7	15.3	12.6	16.0	18.0	20.5	23.5
Dividend Yield (%)	**2.3**	**2.3**	**2.6**	**3.2**	**2.6**	**3.3**	**3.7**	**4.2**	**4.9**

E: MOFSL Estimates

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