

Muthoot Finance

BSE SENSEX	S&P CNX
37,091	11,148
Bloomberg	MUTH IN
Equity Shares (m)	400
M.Cap.(INRb)/(USD\$)	219.1 / 3.1
52-Week Range (INR)	631 / 357
1, 6, 12 Rel. Per (%)	-7/13/21
12M Avg Val (INR M)	566
Free float (%)	26.5

CMP: INR547
TP: INR560 (+2%)
Neutral

AUM growth strong but asset quality disappoints

- Muthoot Finance's (MUTH) 4QFY19 PAT grew 1% YoY to INR5.1b (in-line). The quarter was characterized by a pick-up in gold loan AUM growth offset by higher delinquencies.
- **Standalone AUM increased 5% QoQ/18% YoY to INR342b** – the highest YoY growth in the past 25+ quarters. Growth was driven by both volume and value – gold stock holdings were up 9% YoY to 169 tonnes. Note that MUTH opened 155 gold loan branches in FY19.
- **Yields (calc.) improved 130bp QoQ to 22.5%, driven by stronger collections, while cost of funds was largely stable at 9.5%.** We do not foresee any further increase in cost of funds, as incremental borrowings are also being raised at ~9.5%. Borrowing mix was largely stable, except for the rise in the share of CPs from 16% to 18%.
- Operating expenses spiked 32% QoQ to INR4.5b, 24% ahead of our estimate. Management attributed this to higher employee incentives (given strong loan book growth) and higher advertising expenses.
- **Gross stage 3 loans increased by 75bp QoQ to 2.7%; however, this is not likely to impact eventual losses for the company. Total provisions on the balance sheet have remained unchanged for the past four quarters at INR8.1b.** Tier I capital ratio was robust at 26%.
- **Valuation and view:** Over the past few quarters, MUTH has received a tailwind to growth from increasing gold prices and stronger demand. Short loan tenure has ensured positive ALM. This, along with sufficient balance sheet liquidity, has helped it in accessing debt capital at competitive prices. The subsidiaries are also gaining scale and becoming key value contributors – though we do not expect profit from the subsidiaries to exceed 10% of consol. PAT over the near term. We largely maintain our estimates. Maintain **Neutral** with a **TP of INR560** (1.8x FY21E BVPS).

Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
NII	45.2	50.6	58.2
PPP	31.0	34.9	40.6
PAT	19.7	22.2	25.7
EPS (INR)	49.2	55.3	64.2
BV/Sh.(INR)	230	269	313
RoA on AUM (%)	6.1	6.0	6.1
RoE (%)	23.2	22.2	22.1
Div. Yld. (%)	2.2	2.5	2.9
P/E (x)	11.1	9.9	8.5
P/BV (x)	2.4	2.0	1.7

Quarterly Performance

Y/E March									(INR m)	
	FY18				FY19				FY18	FY19
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Income from operations	13,599	16,431	15,652	16,339	16,108	16,316	16,827	18,319	62,021	67,570
Other operating income	173	186	150	135	215	181	338	478	644	1,212
Total Operating income	13,773	16,616	15,802	16,474	16,323	16,496	17,165	18,797	62,665	68,782
YoY Growth (%)	6.2	20.3	17.9	-3.6	18.5	-0.7	8.6	14.1	9.4	9.8
Other income	1	2	112	552	6	5	6	7	666	24
Total Income	13,773	16,619	15,914	17,025	16,330	16,501	17,171	18,804	63,332	68,806
YoY Growth (%)	5.9	19.9	18.2	-0.6	18.6	-0.7	7.9	10.4	10.2	8.6
Interest Expenses	5,121	4,933	4,725	4,535	5,016	5,354	5,889	6,111	19,314	22,368
Net Income	8,652	11,686	11,190	12,490	11,314	11,148	11,282	12,694	44,017	46,438
Operating Expenses	3,103	3,119	3,254	3,699	3,738	3,669	3,440	4,547	13,174	15,394
Operating Profit	5,550	8,567	7,936	8,791	7,577	7,478	7,842	8,147	30,843	31,044
YoY Growth (%)	25.8	78.7	76.6	5.6	36.5	-12.7	-1.2	-7.3	40.0	0.6
Provisions	126	1,170	505	596	27	25	19	205	2,397	275
Profit before Tax	5,424	7,397	7,431	8,195	7,550	7,453	7,823	7,942	28,448	30,769
Tax Provisions	1,975	2,940	2,645	3,112	2,634	2,615	2,971	2,827	10,671	11,047
Net Profit	3,449	4,457	4,787	5,083	4,916	4,838	4,852	5,115	17,777	19,722
YoY Growth (%)	27.6	50.2	64.5	58.0	42.5	8.6	1.4	0.6	50.7	10.9

E: MOFSL Estimates; Note: Sum of the quarters may not be equal to annual numbers due to change in reporting format

Research Analyst: **Alpesh Mehta** (Alpesh.Mehta@MotilalOswal.com); +91 22 6129 1526 | **Piran Engineer** (Piran.Engineer@MotilalOswal.com); +91 22 6129 1539
Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com); +91 22 6129 1542

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 1: Quarterly Performance v/s Estimates (INR m)

Particulars	4QFY19E	4QFY19A	v/s Est.	Comments
Income from operations	17,207	18,319	6	
Other operating income	327	478	46	
Total Operating income	17,535	18,797	7	130bp QoQ improvement in yields
Other income	8	7		
Total Income	17,542	18,804	7	
Interest expenses	6,137	6,111	0	
Net Income	11,406	12,694	11	Yield improvement drove NII beat
Operating Expenses	3,653	4,547	24	Higher employee incentives
Operating Profit	7,753	8,147	5	
Provisions	24	205	765	
Profit before Tax	7,729	7,942	3	
Tax Provisions	2,704	2,827	5	
Net Profit	5,025	5,115	2	In-line
Int Exp/ operating inc (%)	35.0	32.5		
Cost to Income Ratio (%)	32.0	35.8		
Tax Rate (%)	35.0	35.6		

Source: MOFSL, Company

Standalone AUM grew 5%
QoQ/18% YoY to INR342b

18% YoY AUM growth in gold loan segment

- **Standalone AUM grew 5% QoQ/18% YoY to INR342b.** Management targets 15% YoY AUM growth in FY20.
- Gold stock holdings were up 9% YoY to 169 tonnes. **In addition, average ticket size increased from INR38k to INR41k YoY.**
- MUTH opened 155 gold loan branches in FY19.
- Average gold loans per branch amounts to INR75m vs INR67m YoY (highest ever)

140bp sequential spread
improvement to 13.2%

Spreads improve sequentially, but opex spikes

- Yields (calc.) improved 130bp QoQ to 22.5% driven by stronger collections, while cost of funds remained largely stable at 9.5%. Hence, spreads improved ~140bp QoQ to 13.2%
- Operating expenses spiked 32% QoQ to INR4.5b, 24% more than our estimate. Management attributed this to higher employee incentives given the strong loan book growth coupled with higher advertising expenses.
- As a result, C/I ratio jumped 500bp+ QoQ to 35.8%.

GNPL ratio up 75bp QoQ to
2.7%

Asset quality deteriorates, but write-offs minimal

- Gross Stage 3 loans % increased 75bp QoQ to 2.7% - however, this is not expected to impact eventual losses for the company.
- The company wrote off INR190m in 4QFY19 and INR260m in FY19
- Total provisions on the balance sheet remains unchanged for the past four quarters at INR8.1b
- **RoA/RoE for the quarter was 6.2%/21.5%.**

Belstar Investment AUM up
62% YoY to INR18b

Subsidiaries

- **Muthoot Homefin:** In line with the prior quarter, AUM grew only 4% QoQ (31% YoY) to INR19b. Management expects business to normalize in FY20 (expect INR16b disbursements in FY20). PAT came in sequentially lower at INR65m (vs INR88m in 3QFY19).

- **Belstar Investment and Finance:** Loan book grew 18% QoQ/ 62% YoY to INR18.4b, while PAT sequentially declined from INR248m to INR167m.
- **Asia Asset Finance:** The loan book grew 26% YoY to LKR12.6b.
- **Muthoot Insurance Brokers:** First year premium collection jumped 42% QoQ to INR887m.

Valuation and view

- For two years post demonetization, growth eluded gold financiers and MUTH was no exception. This changed in the past few quarters, where there was a tailwind to growth from increasing gold prices and stronger demand.
- Positive ALM (due to short loan tenures of up to 12 months) and adequate balance sheet liquidity have helped MUTH access debt capital with relative ease.
- The company is well capitalized with a tier I ratio of 26% - we do not foresee any dilution in the medium term even with 20% AUM growth.
- The subsidiaries are also gaining scale and becoming key value contributors; however, PAT contribution would lag loan book contribution as subsidiaries have lower RoA than the parent.
- We largely maintain our estimates. Maintain **Neutral with a target price of INR560 (1.8x FY21E BVPS)**.

Exhibit 2: We keep our estimates largely unchanged

INR B	Old Est		New Est		% Change	
	FY20	FY21	FY20	FY21	FY20	FY21
NII	49.2	56.1	50.6	58.2	2.7	3.7
Other Income	1.2	1.4	1.4	1.5		
Net Income	50.5	57.5	51.9	59.7	2.9	3.8
Operating Expenses	16.2	18.2	17.1	19.1	5.0	4.9
Operating Profits	34.2	39.3	34.9	40.6	1.9	3.3
Provisions	0.2	0.4	0.7	1.1		
PBT	34.0	38.9	34.1	39.6	0.3	1.7
Tax	11.9	13.6	11.9	13.8	0.3	1.7
PAT	22.1	25.3	22.2	25.7	0.3	1.7
Loans	374	412	395	454		
Borrowings	262	282	304	347		
Spread (%)	11.3	11.3	11.6	11.5		
RoA (%)	5.7	6.0	5.5	5.7		
RoE (%)	22.3	21.9	22.2	22.1		

Source: MOFSL, Company

Conference call highlights

Business Updates

- **Raised INR7.09b via retail NCDs in Muthoot Finance and INR3b in Muthoot Homefin.**
- Operating expenses were elevated in the quarter due to higher employee incentives in line with strong business growth.
- **Incremental cost of funds – 9.5%. CP rates incrementally @ 8.0-8.1%. Will restrict CPs to INR50b.**
- **HFC subsidiary** – Headwinds are behind and disbursements will be back on track in FY20. Will focus more on self-construction segment hereon. Incremental CoF: 9.5%. Expect spreads of 300-350bp.
- ECL Stage 1,2 - 1.52%; ECL Stage 3 – 13.89% (v/s 1.5%/14.77% YoY).
- Average ticket size in gold loans has increased YoY from INR38K to INR41K.

Guidance

- **15% YoY growth in gold loan AUM regardless of gold prices.**
- Target INR8.5b AUM in Muthoot Money (vehicle finance business) by end-FY20.
- Will maintain spreads at 11-12%.
- **FY20 guidance: Belstar – AUM growth of INR6b; HFC – Will do disbursal of INR16b (AUM growth of INR13b).**

Asset Quality

- No underlying asset quality issues.

Others

- **No. of gold loan accounts – 8.1m v/s 7.6m YoY.**
- HFC loan mix: ~100% home loans. LAP is just minimal (INR35m). No builder finance.
- Yields improved QoQ due to stronger collections in the quarter and lower customer discounts/rebates.
- The company does not recognize interest on entire NPLs under Ind-AS.
- INR1m+ ticket size book is still very small.
- All disbursements above INR200,000 happen in non-cash modes.
- Insurance broking – 200 employees; Most business comes through the gold loan branches.

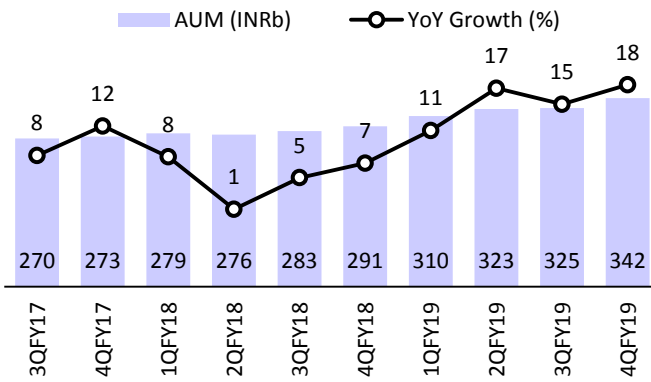
Exhibit 3: Quarterly Snapshot

	FY18				FY19				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss (INR m)										
Income from operations	13,599	16,431	15,652	16,339	16,108	16,316	16,827	18,319	9	12
Other operating income	173	186	150	135	215	181	338	478	42	255
Total operating income	13,773	16,616	15,802	16,474	16,323	16,496	17,165	18,797	10	14
Other Income	1	2	112	552	6	5	6	7	17	(99)
Total Income	13,773	16,619	15,914	17,025	16,330	16,501	17,171	18,804	10	10
Interest expenses	5,121	4,933	4,725	4,535	5,016	5,354	5,889	6,111	4	35
Net income	8,652	11,686	11,190	12,490	11,314	11,148	11,282	12,694	13	2
Total Opex	3,103	3,119	3,254	3,699	3,738	3,669	3,440	4,547	32	23
Employees	1,858	1,947	1,889	2,130	2,169	2,086	1,980	2,741	38	29
Rent	503	425	474	511	475	493	503	503	0	(2)
Depreciation and Amrt	104	106	115	114	91	100	110	119	8	5
Others	637	641	776	945	1,003	991	847	1,184	40	25
Operating profits	5,550	8,567	7,936	8,791	7,577	7,478	7,842	8,147	4	(7)
Provisions and write offs	126	1,170	505	596	27	25	19	205	973	(66)
Profit before tax	5,424	7,397	7,431	8,195	7,550	7,453	7,823	7,942	2	(3)
Taxes	1,975	2,940	2,645	3,112	2,634	2,615	2,971	2,827	(5)	(9)
Profit after tax	3,449	4,457	4,787	5,083	4,916	4,838	4,852	5,115	5	1
Asset quality (Overall)										
Gross Stage 3	14,320	19,353	21,481	12,872	8,835	6,170	6,372	9,326	46	(28)
GS3 (%)	5.1	7.0	7.6	4.4	2.9	1.9	2.0	2.7	76bp	-170bp
ECL Provisions	6,131	6,673	7,089	6,089	5,892	5,795	5,835	6,359	9	4
ECL Provisions (%)	2.2	2.4	2.5	2.1	1.9	1.8	1.8	1.9	6bp	-23bp
Provisions outstanding in books	6,071	7,197	7,640	8,096	8,096	8,096	8,096	8,096	0	0
Ratios (Calc, %)										
Yields	20.0	24.0	22.6	23.0	21.7	20.8	21.2	22.5		
Cost of funds	9.5	8.9	8.7	8.6	9.0	9.0	9.5	9.4		
NIMs	12.6	16.9	16.0	17.4	15.1	14.1	13.9	15.2		
Spreads	10.5	15.1	13.9	14.4	12.7	11.8	11.7	13.2		
Cost income ratio	35.9	26.7	29.1	29.6	33.0	32.9	30.5	35.8		
Cost to average AUM	4.5	4.5	4.7	5.2	5.0	4.6	4.2	5.5		
AUM related										
Gold Stock Holding (In tonnes)	152	152	153	155	161	168	166	169	2	9
Avg gold loans per branch (INR Mn)	65	64	65	67	70	73	72	75	4	12
Overall AUM (INR b)	279	276	283	291	310	323	325	342	5	18
Other details										
CAR	25.6	26.5	27.7	26.6	26.4	25.9	25.7	26.1		
Tier I	22.7	23.6	25.5	24.8	24.8	25.3	25.2	25.7		
Tier II	3.0	2.9	2.1	1.8	1.7	0.6	0.5	0.4		
Book Value	172	183	195	194	207	219	231	244		
Leverage (x)	3.3	3.2	2.9	3.0	3.0	2.9	2.7	2.7		

Source: Company, MOFSL

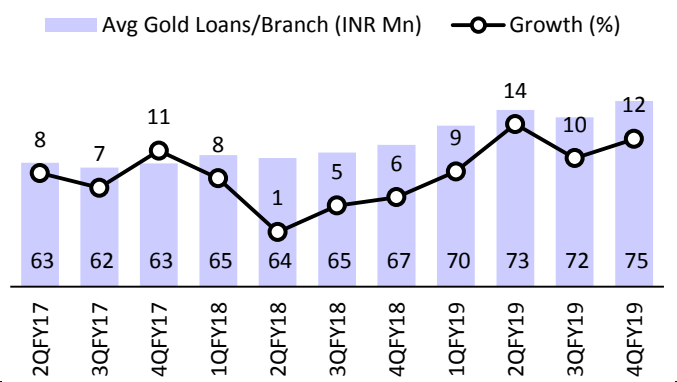
Story in charts

Exhibit 4: AUM growth at multi-quarter high



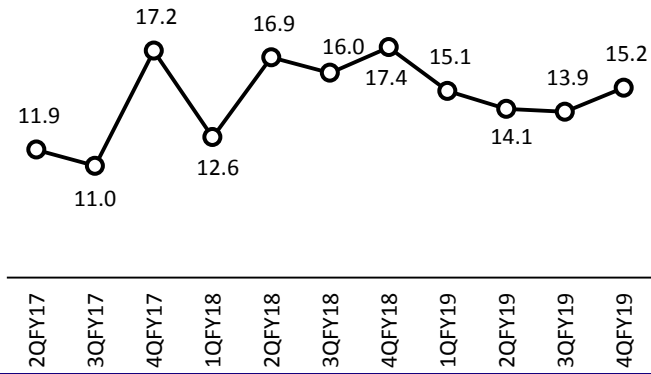
Source: Company, MOFSL

Exhibit 5: Avg. gold loan/branch at all-time high



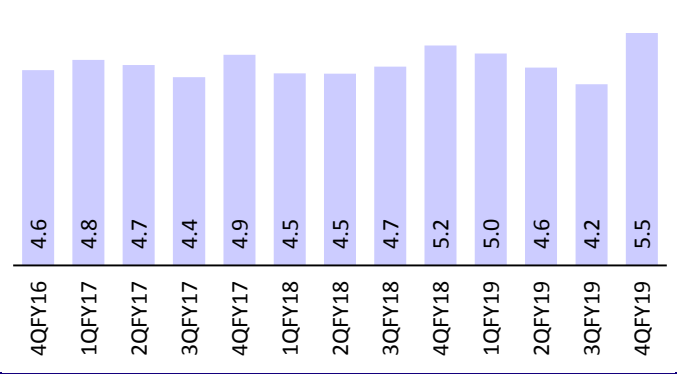
Source: Company, MOFSL

Exhibit 6: NIM expands sequentially (%)



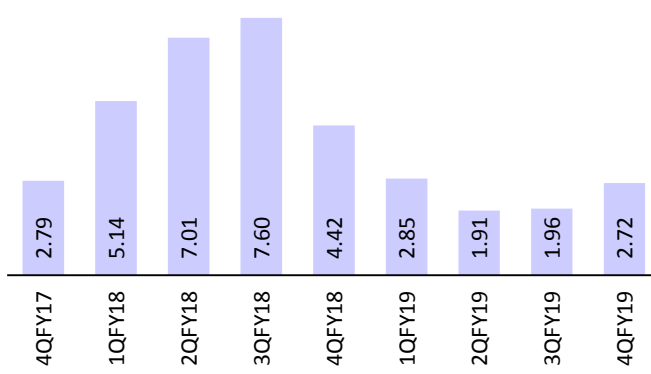
Source: Company, MOFSL

Exhibit 7: Cost to average AUM trend (%)



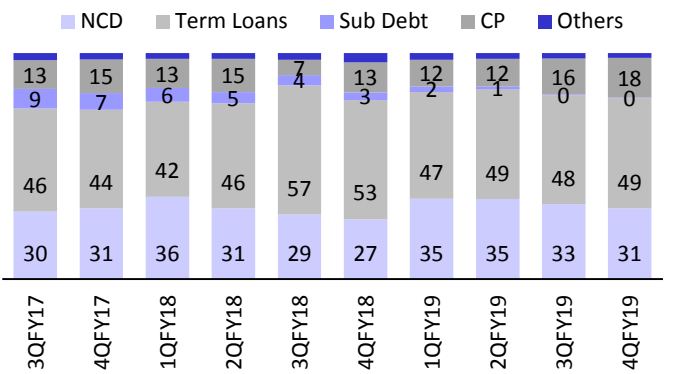
Source: Company, MOFSL

Exhibit 8: Gross Stage 3 ratio up 75bp QoQ (%)



Source: Company, MOFSL

Exhibit 9: Liability mix – Share of CPs increases (%)



Source: Company, MOFSL

Exhibit 10: Valuation matrix

	Rating	CMP (INR)	Mcap (USDb)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
				FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
ICICIBC*	Buy	376	35.2	5.2	21.2	52.2	12.9	166	181	1.6	1.5	0.4	1.3	3.2	12.4
HDFCB	Buy	2,289	88.7	79.3	94.4	28.9	24.2	548	624	4.2	3.7	1.8	1.9	16.5	16.1
AXSB	Buy	732	26.8	18.2	40.0	40.2	18.3	259	301	2.8	2.4	0.6	1.2	7.2	14.3
KMB*	Neutral	1,390	37.7	37.7	44.1	36.8	31.5	303	346	4.6	4.0	1.7	1.8	12.2	13.2
YES	Buy	155	5.4	7.5	14.1	20.8	11.0	116	138	1.3	1.1	0.5	0.8	6.5	11.0
IIB	Buy	1,395	12.3	53.8	99.4	25.9	14.0	427	541	3.3	2.6	1.4	2.2	13.1	20.6
FB	Buy	96	2.7	6.3	8.0	15.3	12.1	67	73	1.4	1.3	0.8	0.9	9.8	11.4
DCBB	Buy	214	0.9	10.5	14.0	20.4	15.3	96	110	2.2	2.0	1.0	1.1	12.0	14.1
SIB	Buy	14	0.4	1.4	2.2	10.1	6.1	29	30	0.5	0.5	0.3	0.4	4.7	7.4
Equitas	Buy	126	0.6	6.3	6.5	19.8	19.4	73	78	1.7	1.6	1.5	1.2	9.0	8.6
RBL	Buy	658	4.1	20.3	25.2	32.4	26.1	177	245	3.7	2.7	1.2	1.3	12.2	12.4
Private Aggregate															
SBIN (cons)*	Buy	307	39.0	2.6	33.5	105.4		247	278	1.1		0.0	0.7	0.4	13.4
PNB	Neutral	80	4.6	-14.6	5.8	-5.5	13.8	112	117	0.7	0.7	-0.6	0.3	-11.2	4.8
BOI	Neutral	81	2.1	-22.0	3.2	-3.7	25.5	121	122	0.7	0.7	-0.9	0.2	-14.1	2.4
BOB	Buy	106	4.3	7.8	14.8	13.5	7.1	164	177	0.6	0.6	0.3	0.5	4.7	8.4
CBK	Neutral	243	2.8	17.0	42.3	14.3	5.8	448	484	0.5	0.5	0.2	0.4	3.5	8.2
UNBK	Neutral	76	1.4	4.5	12.8	17.0	5.9	236	246	0.3	0.3	0.1	0.3	2.1	5.5
Public Aggregate															
Banks Aggregate															
HDFC*	Buy	1,952	45.9	41.2	47.0	23.8	20.8	325	357	3.0	2.7	1.7	1.8	14.9	14.9
LICHF	Buy	475	3.4	48.1	54.3	9.9	8.7	320	364	1.5	1.3	1.3	1.3	16.0	15.9
IHFL	Under Review	660	4.2	95.9	101.9	6.9	6.5	396	442	1.7	1.5	3.4	3.5	25.7	24.3
PNBHF	Buy	755	1.8	71.1	73.2	10.6	10.3	440	502	1.7	1.5	1.6	1.4	17.8	15.6
REPCO	Buy	383	0.4	38.4	43.3	10.0	8.8	243	284	1.6	1.3	2.3	2.3	17.1	16.5
Housing Finance															
SHTF	Buy	987	3.3	113.1	129.7	8.7	7.6	698	812	1.4	1.2	2.5	2.6	17.6	17.2
MMFS	Buy	370	3.3	25.3	29.5	14.6	12.6	170	191	2.2	1.9	2.5	2.3	15.8	16.3
BAF	Neutral	2,929	23.8	67.5	86.2	43.4	34.0	329	405	8.9	7.2	3.8	3.7	22.6	23.5
CIFC	Under Review	1,247	2.9	76.8	88.6	16.2	14.1	392	472	3.2	2.6	2.4	2.3	21.4	20.5
SCUF	Buy	1,447	1.4	149.9	165.5	9.7	8.7	969	1,116	1.5	1.3	3.5	3.5	16.7	15.9
LTFH	Buy	115	3.4	11.2	13.1	10.3	8.8	68	80	1.7	1.4	2.3	2.3	18.0	17.7
MUTH	Neutral	547	3.3	49.1	55.2	11.1	9.9	228	267	2.4	2.1	5.7	5.7	23.2	22.3
INDOSTAR	Buy	342	0.5	24.7	39.2	13.8	8.7	335	377	1.0	0.9	2.1	2.3	8.7	11.0
MAS	Buy	520	0.4	28.1	33.0	18.5	15.8	165	193	3.2	2.7	4.5	4.2	18.3	18.4

UR=Under Review*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Financials and valuations

INCOME STATEMENT								(INR Million)
Y/E MARCH	2015	2016	2017	2018	2019	2020E	2021E	2022E
Interest Income	42,623	47,995	56,369	62,021	67,570	78,128	89,113	102,480
Interest Expense	21,064	22,577	22,938	19,314	22,368	27,565	30,883	35,246
Net Interest Income	21,559	25,418	33,431	42,707	45,202	50,563	58,230	67,234
Change (%)	-4.9	17.9	31.5	27.7	5.8	11.9	15.2	15.5
Other income	624	755	1,098	1,310	1,236	1,358	1,491	1,638
Net Income	22,183	26,173	34,529	44,017	46,438	51,921	59,721	68,872
Change (%)	-4.4	18.0	31.9	27.5	5.5	11.8	15.0	15.3
Operating Expenses	11,533	11,381	12,503	13,174	15,394	17,062	19,106	21,172
Pre Provision Profits	10,650	14,792	22,026	30,843	31,044	34,860	40,615	47,701
Change (%)	-13.9	38.9	48.9	40.0	0.6	12.3	16.5	17.4
Provisions	371	1,624	2,816	2,397	275	744	1,061	2,145
PBT	10,279	13,168	19,210	28,447	30,768	34,116	39,554	45,556
Tax	3,573	5,072	7,411	10,671	11,047	11,940	13,844	15,944
Tax Rate (%)	34.8	38.5	38.6	37.5	35.9	35.0	35.0	35.0
PAT	6,705	8,096	11,799	17,776	19,721	22,175	25,710	29,611
Change (%)	-14.0	20.7	45.7	50.7	10.9	12.4	15.9	15.2
Proposed Dividend	2,410	2,393	2,397	4,000	4,812	5,544	6,427	7,403

BALANCE SHEET								(INR Million)
Y/E MARCH	2015	2016	2017	2018	2019	2020E	2021E	2022E
Equity Share Capital	3,980	3,990	3,995	4,000	4,007	4,007	4,007	4,007
Reserves & Surplus	46,855	52,202	61,170	74,120	88,151	103,618	121,551	142,205
Networth	50,835	56,192	65,164	78,120	92,158	107,625	125,557	146,211
Borrowings	144,732	185,670	209,855	226,248	279,729	303,648	346,529	395,490
Change (%)	11.6	28.3	13.0	7.8	23.6	8.6	14.1	14.1
Other liabilities	72,125	28,625	32,112	3,554	8,800	10,120	11,638	13,384
Change (%)	-13.7	-60.3	12.2	-88.9	147.6	15.0	15.0	15.0
Total Liabilities	267,693	270,487	307,131	307,923	380,687	421,393	483,725	555,085
Loans	235,412	245,241	274,242	295,068	349,329	394,742	453,953	522,046
Change (%)	7.0	4.2	11.8	7.6	18.4	13.0	15.0	15.0
Investments	385	983	2,091	3,954	9,826	9,826	10,808	11,889
Net Fixed Assets	2,642	2,274	2,182	1,922	1,867	2,053	2,259	2,484
Other assets	29,254	21,990	28,615	6,978	19,666	14,772	16,705	18,665
Total Assets	267,693	270,487	307,131	307,923	380,687	421,393	483,725	555,085

E: MOFSL Estimates

Financials and valuations

RATIOS

Y/E MARCH	2015	2016	2017	2018	2019	2020E	2021E	2022E
Spreads Analysis (%)								
Avg Yield on loans	18.8	20.1	21.8	21.8	21.0	21.0	21.0	21.0
Avg Cost of funds	15.4	13.7	11.6	8.9	8.8	9.5	9.5	9.5
Spreads on loans	3.5	6.4	10.2	13.0	12.1	11.6	11.5	11.5
NIMs on AUM	9.5	10.6	12.9	15.0	14.0	13.6	13.7	13.8
Profitability Ratios (%)								
RoE	14.3	15.1	19.4	24.8	23.2	22.2	22.1	21.8
RoA	2.6	3.0	4.1	5.8	5.7	5.5	5.7	5.7
RoA on AUM	3.0	3.4	4.6	6.2	6.1	6.0	6.1	6.1
Cost to Income	52.0	43.5	36.2	29.9	33.2	32.9	32.0	30.7
Empl. Cost/Op. Exps.	54.7	56.4	61.1	59.4	58.3	57.9	56.8	56.4
Asset-Liability Profile (%)								
Net NPAs to Adv.	1.9	2.5	1.7	6.2	1.0	0.9	0.7	0.5
Debt/Equity (x)	2.8	3.3	3.2	2.9	3.0	2.8	2.8	2.7
Average leverage	2.9	3.1	3.3	3.0	3.0	2.9	2.8	2.7
Valuations								
Book Value (INR)	127.7	140.8	163.1	195.3	230.0	268.6	313.4	364.9
Price-BV (x)					2.4	2.0	1.7	1.5
Adjusted BV (INR)	123.9	135.6	159.1	179.6	226.8	265.5	310.5	362.5
Price-ABV (x)					2.4	2.1	1.8	1.5
EPS (INR)	16.8	20.3	29.5	44.4	49.2	55.3	64.2	73.9
EPS Growth (%)	-19.7	20.4	45.6	50.4	10.8	12.4	15.9	15.2
Price-Earnings (x)					11.1	9.9	8.5	7.4
Dividend	6.0	6.0	6.0	10.0	12.0	13.8	16.0	18.5
Dividend Yield (%)					2.2	2.5	2.9	3.4

E: MOFSL Estimates

Corporate profile

Company description

Kerala-headquartered Muthoot Finance is a non-deposit taking NBFC and the flagship company of the Muthoot Group. Muthoot Finance has a long and established track record and has been in the lending against gold business for the last 70 years, when Mr M. George Muthoot founded a gold loan business in 1939. MUTH's gold loan portfolio comprises over 8m loan accounts in India, which are serviced through 4,000+ branches across 26 states and union territories.

Exhibit 11: Sensex rebased

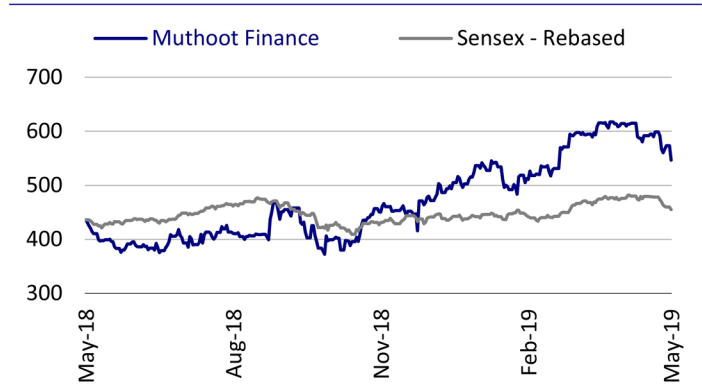


Exhibit 12: Shareholding pattern (%)

	Mar-19	Dec-18	Mar-18
Promoter	73.5	73.5	73.6
DII	9.8	11.1	10.9
FII	12.4	11.0	11.1
Others	4.3	4.4	4.4

Note: FII Includes depository receipts

Exhibit 13: Top holders

Holder Name	% Holding
Sbi Equity Hybrid Fund	2.4
Reliance Capital Trustee Company Limited A/C	1.6
Tata Mutual Fund- Tata Equity P/E Fund	1.3

Exhibit 14: Top management

Name	Designation
M G George Muthoot	Chairman & Wholetime Director
George Alexander Muthoot	Managing Director
Alexander M George	Whole-time Director
George Jacob Muthoot	Whole-time Director
George Thomas Muthoot	Whole-time Director
Maxin James	Company Secretary

Exhibit 15: Directors

Name	Name
George Joseph	Jose Mathew
Jacob Benjamin Koshy	K George John
John K Paul	Pamela Anna Mathew
John K Paul*	Alexander M George
K John Mathew*	

*Independent

Exhibit 16: Auditors

Name	Type
KSR & Co	Secretarial Audit
Varma & Varma	Statutory

Exhibit 17: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	55.3	53.4	3.5
FY21	64.2	60.0	7.0

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd., (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.asp>

MOFSL, its associates, Research Analyst or their relative may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the past 12 months. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may, (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the past 12 months. MOFSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the past 12 months, MOFSL or any of its associates may have:

- managed or co-managed public offering of securities from subject company of this research report,
- received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
- Subject Company may have been a client of MOFSL or its associates in the past 12 months.

MOFSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, it does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e. holding client securities, collateral, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	Muthoot Finance
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from Research Analyst research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal Capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal Capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.:

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited, ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered/qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. No. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore, as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisers Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions including those involving futures, options, other derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.

CIN No.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai-400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579; PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.