HDFC securities

Sector Thematic

Gold Loan NBFCs

Gold Loan NBFCs

Beware the “Gold Rush”

Gold loans (GL), INR 18.6trn (11% of retail credit), have witnessed phenomenal growth (34% CAGR during FY21-FY26) driven by a surge in gold prices (24% CAGR) and increasing adoption of GL as a product. This has led to a “gold rush” among lenders with existing players increasing focus on GL and ramping up their distribution, and new players (diversified NBFCs) in various phases of launching their GL product. While the addressable market (based on gold holdings) remains huge (~10% penetration), GL growth is likely to remain cyclical with ~12-15% growth during stable gold prices. Further, while GL has lucrative unit economics for NBFCs (high yields and minimal credit risk), it is fraught with high execution risk with multiple operational challenges and high overhead costs. Incumbents, MUTHOOT and MGFL, with sustained moats, continue to deliver strong profitability; however, remain monoline plays with limited success in diversification of profit pools. We initiate on MUTHOOT with an ADD (TP: 3,020) and MGFL with REDUCE (TP: INR 310).

Deepak Shinde

Krishnan ASV

Ayush Pandit

Samarth Desai

INSTITUTIONAL RESEARCH

Gold Loan NBFCs

Beware the "Gold Rush"

Gold loans (GL), INR 18.6trn (11% of retail credit), have witnessed phenomenal growth (34% CAGR during FY21-FY26) driven by a surge in gold prices (24% CAGR) and increasing adoption of GL as a product. This has led to a "gold rush" among lenders with existing players increasing focus on GL and ramping up their distribution, and new players (diversified NBFCs) in various phases of launching their GL product. While the addressable market (based on gold holdings) remains huge (~10% penetration), GL growth is likely to remain cyclical with ~12-15% growth during stable gold prices. Further, while GL has lucrative unit economics for NBFCs (high yields and minimal credit risk), it is fraught with high execution risk with multiple operational challenges and high overhead costs. Incumbents, MUTHOOT and MGFL, with sustained moats, continue to deliver strong profitability; however, remain monoline plays with limited success in diversification of profit pools. We initiate on MUTHOOT with an ADD (TP: 3,020) and MGFL with REDUCE (TP: INR 310).

- **Large TAM; cyclical growth:** Gold loans has a massive addressable market in terms of collateral value (currently at ~10% penetration). However, GL growth is likely to remain cyclical with secular penetration/tonnage growth during periods of stable gold prices and disproportionate growth during surge in gold prices. The RBI's revised norms on LTV (based on end-use) further opens new opportunities for growth.
- **Competition headed towards the "gold rush"; need for cautious approach:** Rising gold prices and subsequently demand for GL since pandemic led to an onslaught of competition from Banks (particularly PSBs, which earlier were focused mostly on agri GL) and diversified NBFCs. However, expected moderation in GL growth is likely to drive longer break-even period for rapid expansion in distribution network.
- **Lucrative unit economics, but operationally challenging:** GL, particularly high-yielding loans by NBFCs, has lucrative unit economics with minimal credit risk. However, GL remains a branch-led model with multiple operational challenges (frauds, thefts, auctions etc.) and high operating leverage/overheads. Further, the rising competitive intensity is likely to put pressure on yields.
- **Near-term respite from regulatory oversight:** Periods of high surge in gold prices and GL has attracted regulatory scrutiny leading to disruptive changes such as removal of PSL status (NBFCs), caps on LTV etc. during 2012-14 and enhanced borrower disclosures, stricter norms on loans rollover, no repledging and detailed credit assessment for higher ticket size loan during 2024-26. While further intervention from the RBI in the near-term looks unlikely, loan pricing structure by NBFCs remains an overhang in our view.
- **Incumbents remain monoline plays; Initiate on MUTHOOT and MGFL:** Incumbents (MUTHOOT and MGFL) remain market leaders with a right-to-win in their core customer segments and healthy profitability. However, both franchises remain monoline players with limited success in diversification of profit pools. Our proprietary HSIE GL scorecard indicates higher score for MUTHOOT driving valuation premium over MGFL.

HSIE GL scorecard	MUTHOOT	MGFL
Productivity	●	◑
Customer retention	●	●
Capital allocation	◑	◑
Risk management	●	◕
Valuation	◑	◔

Source: Company, HSIE Research | For detailed methodology, please refer Page no. 27

Company	Mcap (INR bn)	CMP (INR)	Reco.	TP (INR)
MUTHOOT	1,262	3,144	ADD	3,020
MGFL	325	346	REDUCE	310

Deepak Shinde
deepak.shinde@hdfcsec.com
+91-22-6171-7323

Krishnan ASV
venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Ayush Pandit
ayush.pandit@hdfcsec.com
+91-22-6171-7366

Samarth Desai
samarth.desai@hdfcsec.com
+91-22-6171-7325

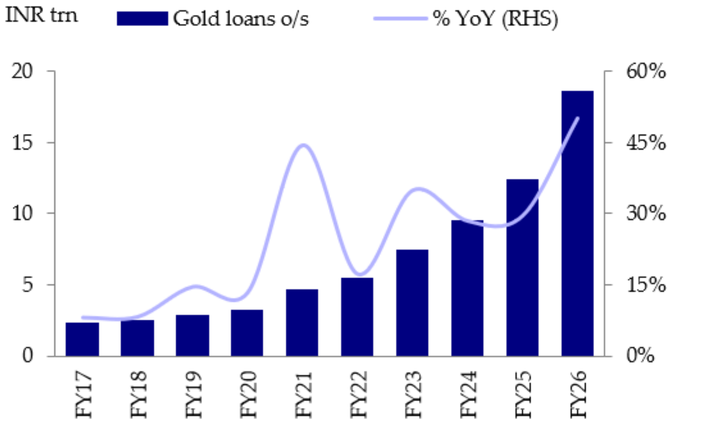
Focus charts

Exhibit 1: Large addressable market, with low penetration

	FY10	FY26	CAGR
Total Gold holdings (tonnes)	19,000	30,000	3%
Gold holdings - jewellery/ornaments (tonnes)	14,250	22,500	3%
Gold as collateral for loan (tonnes)	650	2,800	10%
Penetration (%)	5%	12%	
LTV (%)	65%	52%	
Gold price (INR/10g)	14,700	128,900	15%
Gold loans o/s (INR trn)	0.6	18.8	24%
TAM (Assuming 65% LTV) (INR trn)	14	189	18%
Gold loans o/s as % of TAM	5%	10%	

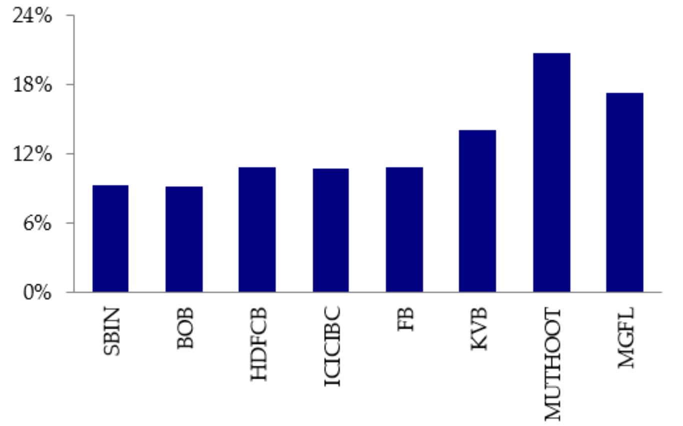
Source: World Gold Council, RBI, Company, CRIF Highmark, Bloomberg, HSIE Research | *Note: *Assuming ~75% of household gold in the form of jewellery/ornaments; Blended LTV of Banks and NBFCs; Gold price: 22 carat price as on Jun-26*

Exhibit 2: GL industry has grown at ~34% CAGR during FY21-FY26



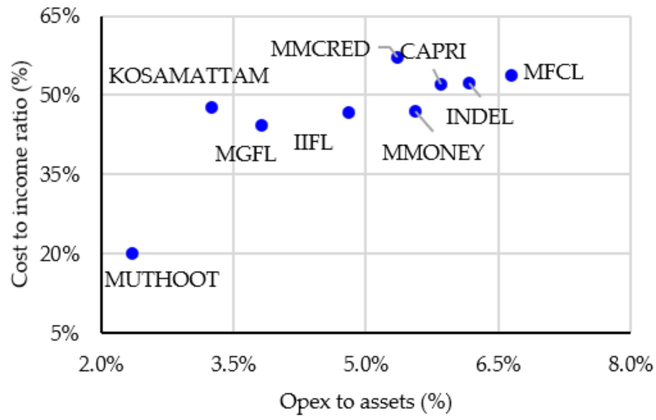
Source: CRIF Highmark, RBI, PIB, FEDFINA RHP, HSIE Research

Exhibit 3: Significant difference in GL yields across lenders (Q4FY26)



Source: Company, HSIE Research | *For Banks: Mean interest rate on GL for Q4FY26; For NBFCs: Yield on GL | Note: HDFC securities is a subsidiary of HDFC Bank*

Exhibit 4: High opex ratios for GL NBFCs except MUTHOOT (FY26)



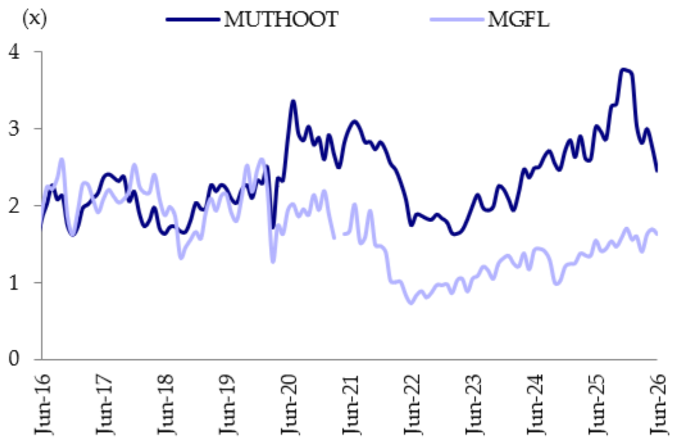
Source: Company, HSIE Research | IIFL: Standalone

Exhibit 5: Interest accrued hives off ~6-17% from loan eligibility under RBI's norms for bullet repayment loans

LTV	6-month		1 year	
	18%	22%	18%	22%
85%	78%	76%	71%	68%
80%	73%	72%	67%	64%
75%	69%	67%	63%	60%

Source: RBI, HSIE Research | *Numbers denote maximum permissible principal amount of GL (bullet repayment loan) to maintain LTV norms (including interest accrued)*

Exhibit 6: MUTHOOT trading at ~42% premium to MGFL



Source: Bloomberg, HSIE Research

Exhibit 7: Operating performance of GL NBFCs (FY26)

FY26	Units	MUTHOOT	MGFL	IIFL
AUM	INR bn	1,628	560	576
GL AUM	INR bn	1,541	488	526
PAT	INR bn	101	15	12
Growth (% YoY)				
AUM	%	50%	69%	109%
GL AUM	%	50%	98%	150%
Borrowers	%	1%	3%	54%
Tonnage	%	-6%	11%	49%
GL AUM/borrower	%	49%	92%	63%
Margins				
Yield on advances	%	19.5%	16.7%	20.4%
Cost of funds	%	8.7%	7.8%	10.3%
Spread	%	10.8%	8.9%	10.1%
NIM	%	11.4%	8.9%	8.3%
Cost efficiency				
Cost-to-income	%	20%	44%	47%
Opex-to-AUM	%	2.6%	4.6%	4.6%
Employee opex-to-AUM	%	1.4%	2.9%	2.5%
Other opex/branch (annualized)	INR mn	3.2	2.2	3.1
Monthly expense/employee	INR' 000	54	34	57
Employees per branch	x	6.4	8.5	5.7
Portfolio mix				
% non-gold loans (Standalone)	%	5%	13%	9%
% non-gold loans (Consolidated)	%	9%	20%	51%
Productivity (Gold loans)				
AUM/branch	INR mn	310	139	182
AUM/employee*	INR mn	49	16	32
AUM/borrower**	INR' 000	240	194	257
# Borrowers/branch	x	1,290	715	709
# Borrowers/employee	x	203	84	125
Tonnage per branch	Kg	39.5	17.1	21.4
Tonnage per employee	Kg	6.2	2.0	3.8
Tonnage per borrower	gm	30.6	24.0	30.1
Implied gold price***	INR/gm	7,861	8,088	8,525
Asset Quality				
GS III	%	2.3%	1.8%	1.3%
NS III	%	2.1%	1.6%	0.6%
GS II	%	0.7%	2.0%	2.0%
PCR - Stage III	%	13%	14%	57%
Credit costs	%	0.3%	1.2%	2.3%
LTV - Gold loans****	%	58%	60%	63%
Recovery rate (auctions)*****	%	92%	103%	106%
Frauds as % of PBT*****	%	0.1%	2.1%	NA
(% of average assets)				
Interest earned	%	18.0%	14.2%	15.8%
Interest expended	%	6.6%	5.6%	8.0%
Net interest income	%	11.4%	8.6%	7.7%
Non-interest income	%	0.4%	0.1%	2.5%
Operating expenses	%	2.4%	3.8%	4.8%
Pre-provisioning profit	%	9.4%	4.8%	5.5%
Provisions	%	0.3%	1.0%	1.8%
PBT	%	9.1%	3.8%	3.7%
ROAA	%	**6.7%**	**2.8%**	**2.8%**
Assets/Equity	x	4.6	3.9	5.8
RoAE	%	**30.6%**	**11.0%**	**16.4%**

Source: Company, HSIE Research | *Note: Standalone performance; * Total standalone employees; **IIFL: GL borrowers assumed as ~95% of total borrowers; *** Implied gold price = AUM divided by tonnage; **** Based on year-end 22 carat gold closing price; ***** metrics for FY25*

Exhibit 8: Valuation summary

	MCap (INR bn)	CMP (INR)	Rating	TP (INR)	P/E (x)		P/ABV (x)		Target multiple - P/ABV (Mar-28)
					FY27E	FY28E	FY27E	FY28E	
MUTHOOT	1,262	3,144	ADD	3,020	10	9	2.9	2.2	2.2
MGFL	325	346	REDUCE	310	12	11	2.1	1.8	1.6

Source: Company, HSIE Research

Exhibit 9: Operating performance metrics

	RoAE (%)			RoAA (%)			AUM growth (%)		
	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
MUTHOOT	31%	27%	24%	6.7%	5.9%	5.8%	49.9%	21.4%	11.7%
MGFL	11%	13%	14%	2.8%	3.1%	3.2%	69.4%	21.3%	11.9%

Source: Company, HSIE Research

Contents

Large TAM; cyclical growth 6
Competition headed for the "gold rush" 10
Strong profit pools – geared for disruption? 13
Near-term respite from regulatory oversight 20
Risks: Frauds, sharp gold price correction 23
Portfolio/profit pool diversification – back to square one 25
Recommendations 27

Companies Section
Muthoot Finance —Initiating Coverage (ADD) 33
Manappuram Finance — Initiating Coverage (REDUCE) 49

Large TAM; cyclical growth

Gold loans ("GL" or "loans against gold") has a massive addressable market in terms of collateral value of household gold holdings (currently at ~10% penetration). At INR 18.6trn (~11% of retail credit), GL has grown at ~34% CAGR during FY21-FY26 (50% YoY during FY26). Further, RBI's revised norms on GL LTV (based on end-use) further opens new opportunities for growth. However, GL growth has traditionally remained cyclical, with secular baseline growth driven by improving penetration (new-to-gold loan customers and shift from unorganized to organized) and strong growth uptick during periods of sharp rise in gold prices. We expect industry growth to moderate during FY27-FY28E with likely consolidation in gold prices.

- **Expanding TAM; significant headroom for penetration:** Our estimates indicate GL penetration on eligible household gold holdings at ~10%. Further, India imports ~700 tonnes of gold annually, out of which ~55-60% is for domestic jewellery consumption adding to the overall stock. Further, GL is also witnessing gradual shift from unorganized segment (informal money lenders, pawn brokers etc.) towards organized segment (Banks and NBFCs) with improving distribution network and increasing awareness among borrowers.

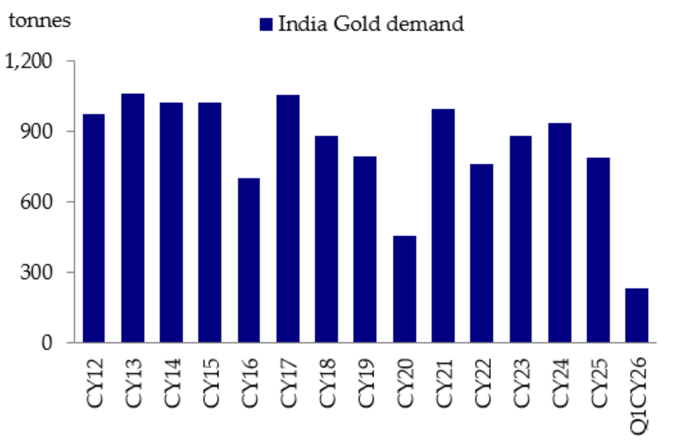
  However, we expect the GL penetration to remain significantly low among the high-income households.

Exhibit 10: Gold loan (GL) penetration at ~10%

	Units	FY10	FY26	CAGR
Total Gold holdings	tonnes	19,000	30,000	3%
Gold holdings - jewellery/ornaments*	tonnes	14,250	22,500	3%
Gold as collateral for loan	tonnes	650	2,800	10%
Penetration	%	5%	12%	
LTV	%	65%	52%	
Gold price (INR/10g)	INR	14,700	128,900	15%
Gold loans o/s	INR trn	0.6	18.8	24%
Total addressable market (assuming LTV @ 65%)	INR trn	14	189	18%
Gold loans o/s as % of TAM	%	5%	10%	

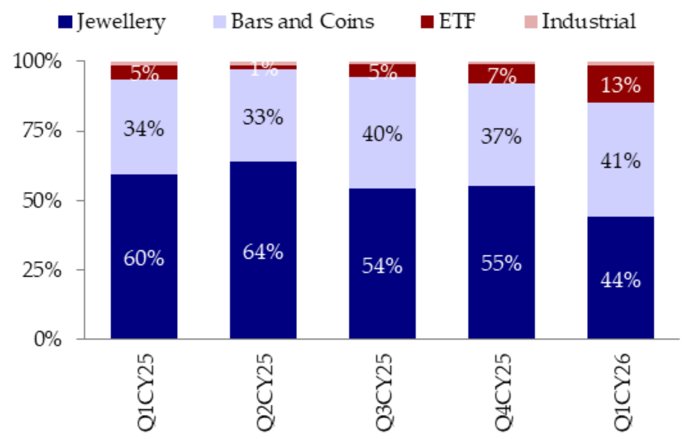
Source: World Gold Council, RBI, Company, CRIF Highmark, Bloomberg, HSIE Research | Note: *Assuming ~75% of household gold in the form of jewellery/ornaments; Blended LTV of Banks and NBFCs; Gold price: 22 Carat price as on Jun-26

Exhibit 11: India's gold demand remains steady at ~700-800 tonnes



Source: World Gold Council, Metas focus, CMIE, RBI, HSIE Research

Exhibit 12: Increasing share of investment demand in India's total gold demand; jewellery at ~45-65%



Source: World Gold Council, Metals focus, Bloomberg, HSIE Research

- **Policy interventions for curbing gold imports; demand remains inelastic:** Indian households' demand for gold is largely met through imports adding to balance of payment issues during crisis periods. The government has introduced several policy measures such as gold monetization schemes, sovereign gold bonds, tweaking of custom duty on gold imports and higher tax compliance through mandatory PAN on higher ticket size gold jewellery purchases. However, gold's proposition as an inflation hedge tool, along with people's strong affinity towards gold jewellery has kept the gold demand higher.

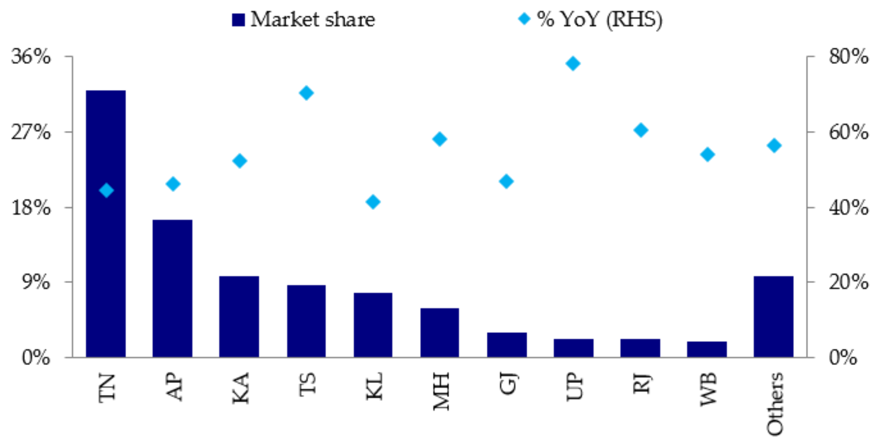
Exhibit 13: Customs duty on gold imports

Date	Customs Duty on Gold (%)
17-Jan-12	2%
16-Mar-12	4%
21-Jan-13	6%
5-Jun-13	8%
13-Aug-13	10%
6-Jul-19	12.5%
1-Feb-21	10.75%
30-Jun-22	15%
23-Jul-24	6%
13-May-26	15%

Source: PIB, Union Budget, HSIE Research

- **Regional disparity remains towards GL:** GL in India continues to be dominated by Southern states with Tamil Nadu contributing to ~32% and 5 states contributing to ~75% of GL. With increasing acceptance of GL for consumption and income generation purposes, share of other states is likely to increase gradually.

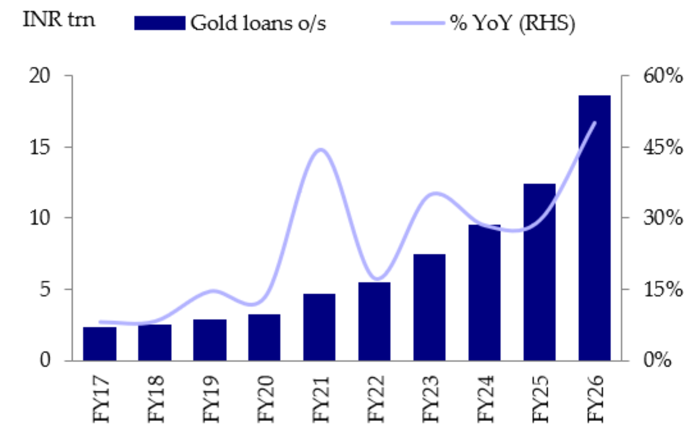
Exhibit 14: 5 states from South contribute to ~3/4th of gold loans outstanding (Mar-26)



Source: CRIF Highmark, HSIE Research

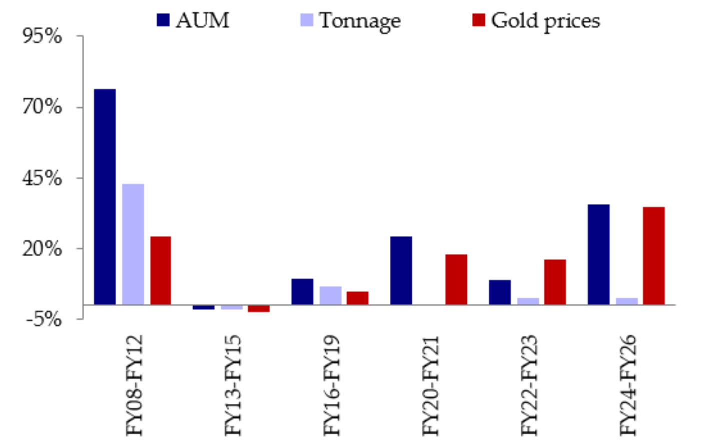
- **Cyclical business with some underlying secular trends**: GL remains a cyclical business with strong loan growth during periods of sharp rise in gold prices and steady secular growth during period of gold price consolidation. During periods of gold price consolidation, loan growth is driven by tonnage and customer acquisitions.

Exhibit 15: Industry's GL AUM grew at ~34% CAGR during FY21-FY26



Source: RBI, PIB, CRIF Highmark, FEDFINA RHP, Company, HSIE Research

Exhibit 16: AUM growth vs. tonnage growth and gold price for MUTHOOT (CAGR)



Source: Company, Bloomberg, HSIE Research | Note: Gold price: MCX 24 carat gold spot price

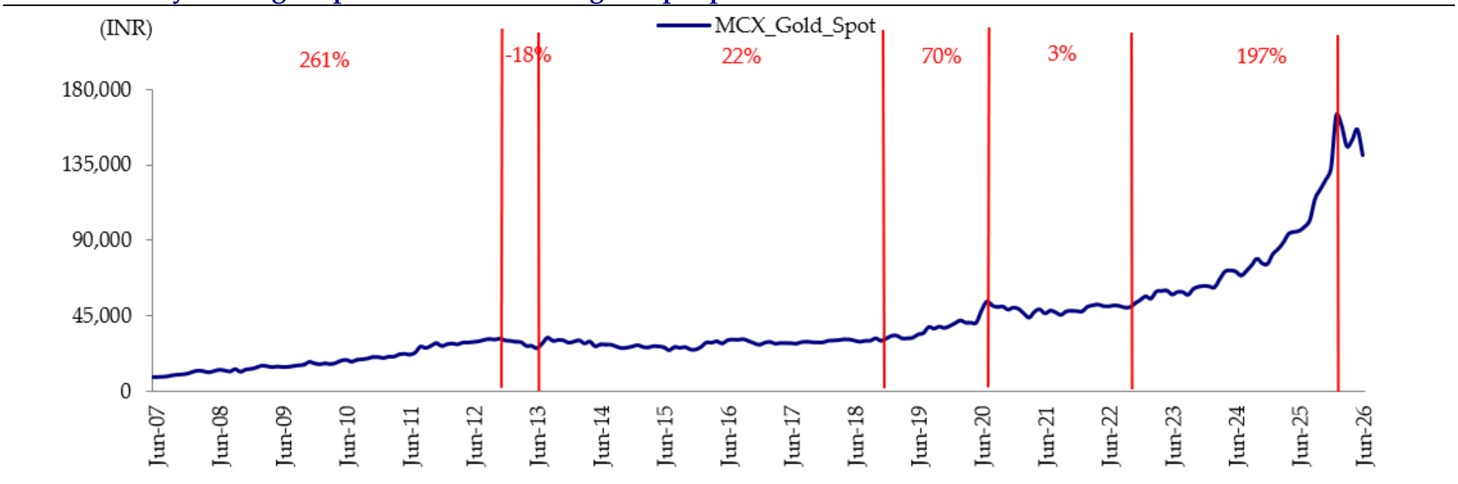
- **Gold prices – highly cyclical in nature:** Gold prices have been a major contributor to GL growth over the past couple of decades. Gold prices typically witness a surge during uncertain periods and have appreciated significantly during pandemic, Ukraine War, Tariff wars and West Asia Crisis, all of which have happened in a span of six years. However, historical trends indicate prolonged periods of consolidation in gold prices post major global events.

Exhibit 17: Cycles in gold prices

Phase	Period of gold price appreciation	Returns	Period of consolidation	Returns
Gold price de-regulation and Oil Embargo	1973-1980 (8 years)	~7.9x	1980 – 2001 (~22 years)	~0.4x
Consumption demand, Dot com crisis, GFC	2001-2012 (11 years)	~6.9x	2013 – 2019 (~7 years)	~0.8x
Pandemic, Ukraine War, West Asia Crisis, Tariffs (de-globalization)	2020-2026 (~6 years)	~3.0x	NA	NA

Source: Bloomberg, HSIE Research | *Note: Gold spot price per troy ounce in USD*

Exhibit 18: Cycles in gold prices (MCX 24 carat gold spot price)



Source: Bloomberg, HSIE Research | *Note: Percentages in red denote absolute increase in gold prices during the period*

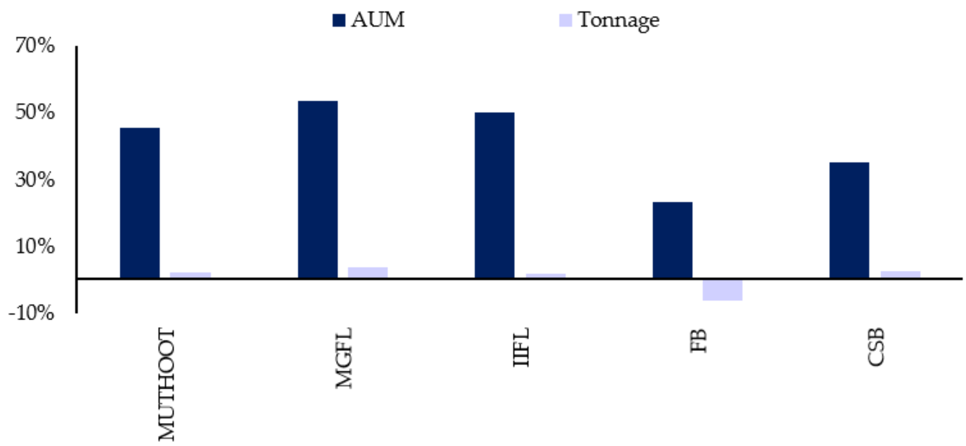
- **Gold loan – inverse relationship between price and tonnage:** Gold prices and gold loan tonnage typically have an inverse relationship. Higher gold prices drive muted tonnage growth as customers' credit demand gets addressed with lower volumes, with the inverse during downcycles.

Exhibit 19: Cycles in gold prices and loan growth

CAGR	FY08-FY12	FY13-FY15	FY16-FY19	FY20-FY21	FY22-FY23	FY24-FY26
Gold prices*	**25%**	**-2%**	**5%**	**18%**	**16%**	**35%**
AUM						
MUTHOOT	77%	-1%	10%	24%	9%	36%
MGFL	255%	-7%	9%	21%	0%	37%
Tonnage						
MUTHOOT	43%	-1%	7%	1%	3%	3%
MGFL	NA	-7%	6%	-2%	-6%	1%
Customers						
MUTHOOT	NA	NA	NA	5%	1%	6%
MGFL	NA	2%	8%	4%	-6%	3%
Avg. RoE						
MUTHOOT	41%	21%	20%	28%	21%	23%
MGFL	28%	9%	19%	26%	16%	15%

Source: Bloomberg, Company, HSIE Research | Gold prices: MCX Gold spot price (24 carat)

Exhibit 20: Loan growth during FY25-FY26 driven by gold prices; tonnage growth muted (CAGR)



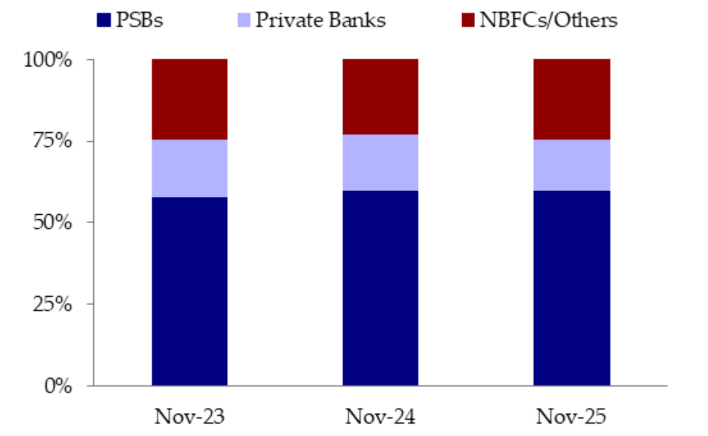
Source: Company, HSIE Research

Competition headed towards the "gold rush"; need for cautious approach

Strong loan growth with rising gold prices and improving borrower affinity towards GL has led to onslaught of competition from Banks and NBFCs. The first phase of competition (FY21-FY22) was led by Banks - particularly PSBs, which were hitherto mostly into agri gold loans (~90% of GL portfolio) aided by limited access for borrowers to unsecured credit and relaxation in LTV cap by RBI to 90%. The second phase (FY24 onwards) is driven by across lenders with plans to aggressively expand their distribution network going ahead. However, the "gold rush" could be headed towards disappointment with likely peaking out of gold prices which is typically followed by a phase of near-term correction and a long phase of consolidation. This is likely to drive longer break-even for newer players and could also lead to pressure on yields.

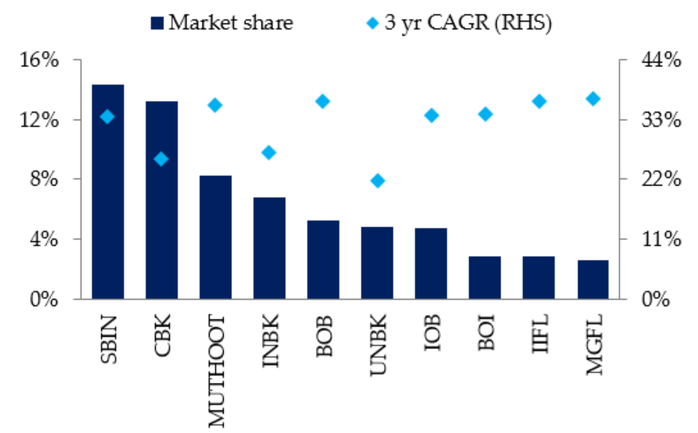
- **Bull cycle in gold prices increased competition curiosity:** Tailwinds such as surge in gold prices, increasing affinity towards gold loans, stress in unsecured segments such as MFI etc. and increase in LTV from 75% to 90% for Banks by RBI had evoked renewed focus of lenders on GL during pandemic, which had remained muted during FY13-FY19. This was further accelerated during FY25-FY26 with further surge in gold prices.
- **Banks remain dominant players in gold loans:** PSBs have a significant market share in GL followed by NBFCs. PSBs GL portfolio is pivoted towards agri gold loans (low-yielding) and medium yielding retail gold loans (~9-11%) with higher ticket sizes (> INR 2.5-3 lakhs). NBFCs are predominantly focused on higher yielding (~17-20%+) lower ticket size loans (average customer exposure at ~INR 1-1.5 lakhs).

Exhibit 21: PSBs have the highest market share in GL (loans outstanding)



Source: CRIF Highmark, HSIE Research

Exhibit 22: Fragmented market with top 10 players at ~67% of market share (Mar-26)

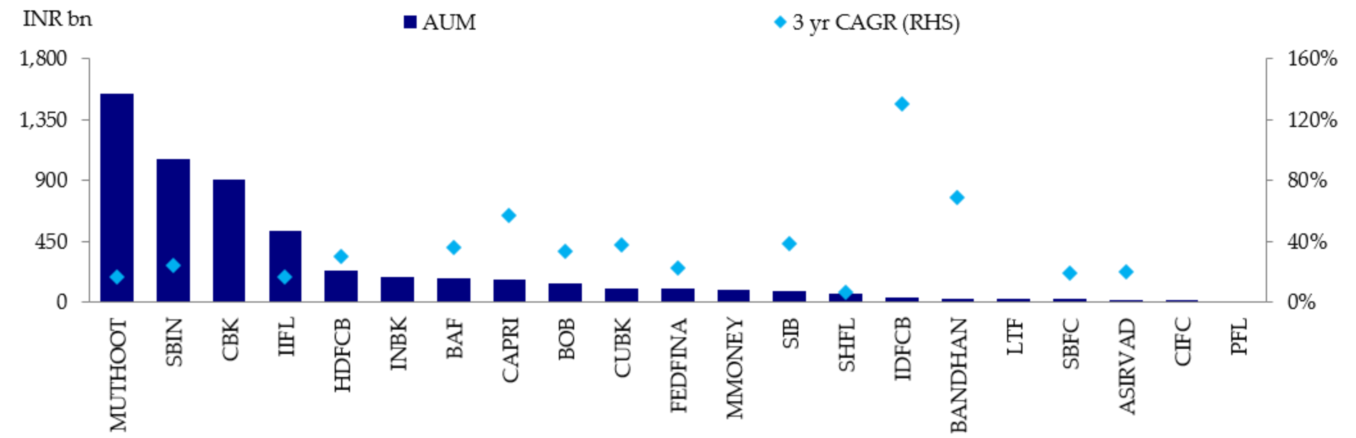


Source: CRIF Highmark, Company, HSIE Research

Prominent Banks in GL such as SBIN, CBK, INBK, BOB and IOB have ~60-85% of their GL portfolio as agri gold loans. The share of retail (non-agri) loans has been steadily increasing since pandemic from ~5% to 15-40%. The pan India branch network with higher presence in semi-urban and rural locations, large captive customer base and attractive yields (~9%), along with aggressive marketing has driven the scale up of their GL portfolio. We expect PSBs to maintain their dominant market share, particularly in agri gold loans and higher ticket retail/MSME loans.

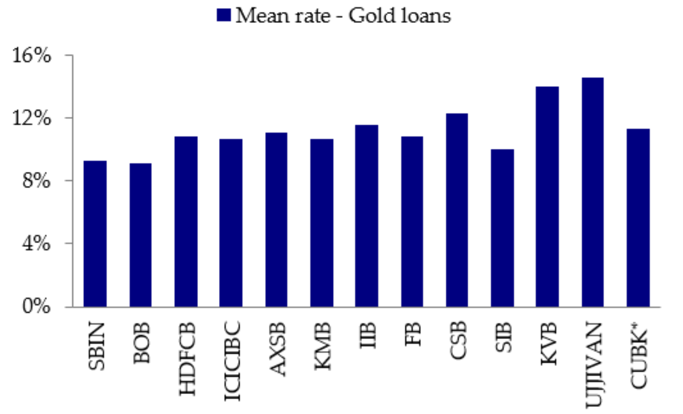
- **NBFCs focused on niche segments in retail GL**: NBFCs are predominantly focused on high yielding gold loans (~17%+) with granular ticket size (average customer exposure of INR 1-1.5 lakh) and a different customer profile vs. Banks. The high yields are an outcome of express customer service (TAT of ~15-20 minutes), flexibility in loan repayments (multiple schemes and structure for loan repayments) and strong brand (MUTHOOT, MGFL, etc.)

Exhibit 23: MUTHOOT, SBI and CBK major players in retail GL (Mar-26)



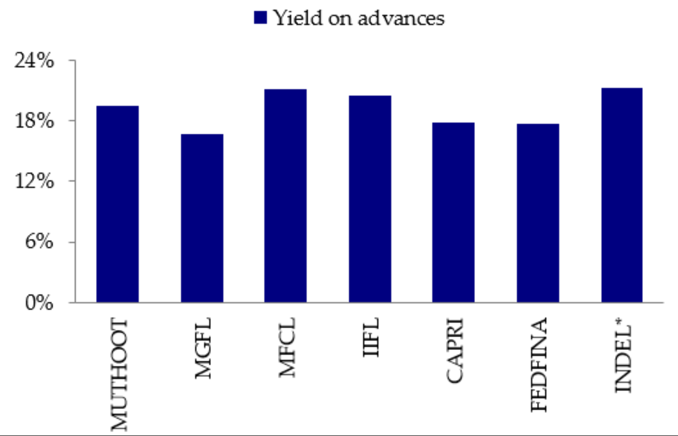
Source: Company, HSIE Research | *Note: CBK: 3-year CAGR: NA; HDFC securities is a subsidiary of HDFC Bank*

Exhibit 24: Banks' mean rate for retail GL at ~9%-11% (Q4FY26)



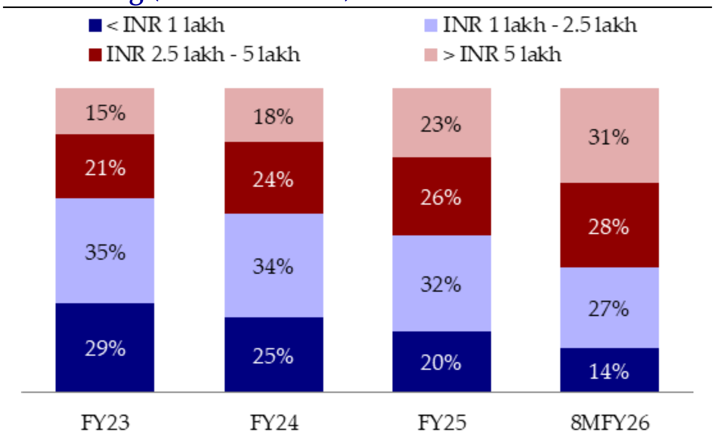
Source: Company, HSIE Research | Data for Q4FY26; *for Q3FY26 | Note: HDFC securities is a subsidiary of HDFC Bank

Exhibit 25: Yields of GL NBFCs at ~17-20% (FY26)



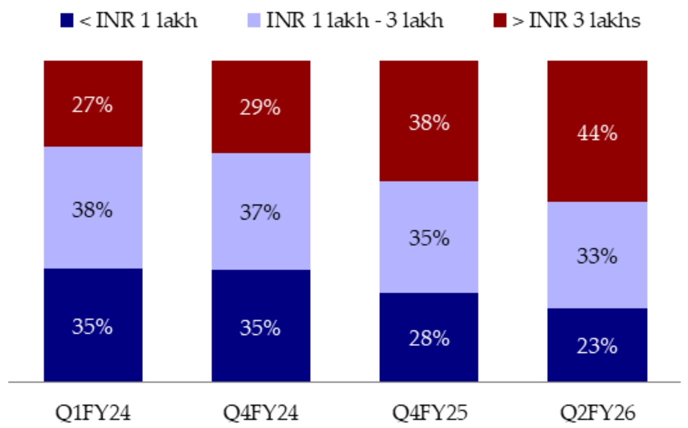
Source: Company, HSIE Research | Note: * for FY25

Exhibit 26: Share of GL above INR 5 lakh ticket size increasing (Disbursements)



Source: CRIF Highmark, HSIE Research

Exhibit 27: Increasing share of loans above INR 3 lakhs ticket size in AUM of MUTHOOT



Source: Company, HSIE Research

- **Expanding distribution network:** NBFCs are poised to add ~3K GL branches during FY27E driven by new and existing players. Several NBFCs have launched their gold loans business organically (CIFC, PIRAMALF, PFL etc.) or inorganically (LTF) during FY26, with a few more NBFCs in the pipeline (ABCAP, Godrej Finance etc.). These franchises are seeking to rapidly scale up their distribution network during FY27-FY28E to tap the growth opportunity. Further, the subsidiaries of GL NBFCs have pivoted towards gold loans as well (Muthoot Money, BELSTAR, ASIRVAD etc.).

  PSBs and Private Banks have also increased penetration of gold loans in the existing branches with SFBs in the foray as well (UJJIVAN and EQUITAS launched GL in FY21).

  We expect the competitive intensity to increase further during FY27E, exerting pressure on yields and loan growth.

Exhibit 28: GL branches – expanding distribution during FY27E

	Branches (x)				Branches to be added (x)
	FY23	FY24	FY25	FY26	FY27E
MUTHOOT	4,739	4,854	4,855	4,968	200-300
MGFL	3,524	3,524	3,524	3,524	500-550
IIFL	2,653	2,752	2,833	2,887	100
MFCL	3,619	3,683	3,736	3,900	
BAF	181	650	964	1,507	
FEDFINA	437	438	484	628	
CAPRI	562	750	803	999	350
MMONEY	149	470	992	998	0
SBFC	140	183	165	220	
ASIRVAD	461	520	520	520	
LTF				330	400
PFL				400	
PIRAMALF				22	180
CIFC				119	300
BELSTAR				81	200

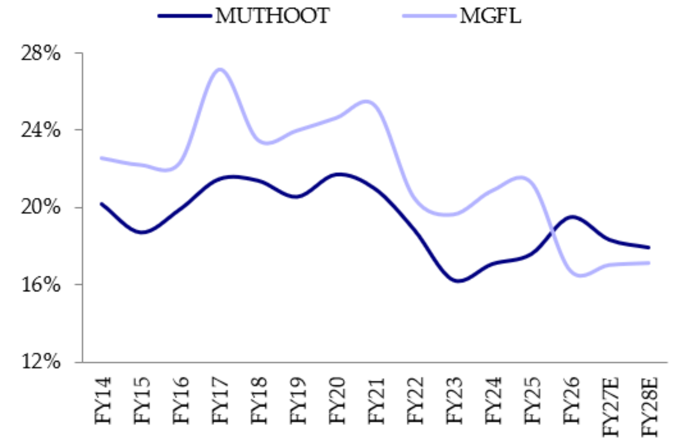
Source: Company, HSIE Research | *Note: Blank in FY27E indicates no specific guidance on number of branches to be opened*

Strong profit pools – geared for disruption?

GL has been one of the key profit pools for NBFCs. Banks' GL portfolio largely comprises of ETB customers skewed towards higher ticket sizes and moderate yields (~9-11%). NBFCs portfolio is skewed towards customers with lower ticket sizes (average customer exposure of INR 1-1.5 lakh) and significant pricing power (yields higher by ~700-800bps vs. Banks). However, high operational intensity and increasing competitive intensity are likely to drive longer break-even periods for new players. We expect the profitability for incumbents to moderate marginally in the near-term, with steady healthy profitability across cycles with gradual easing of competitive intensity.

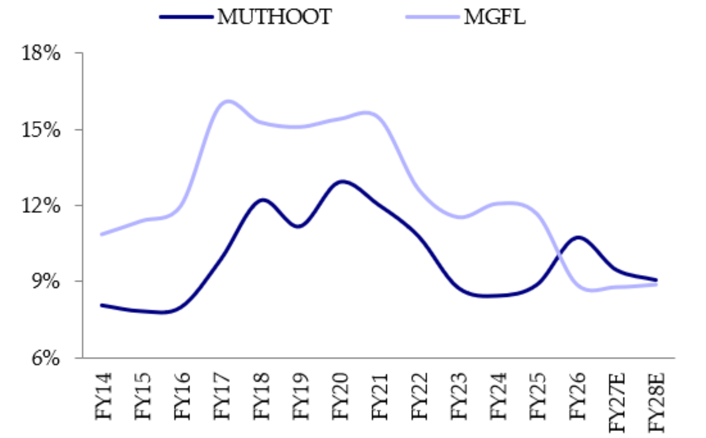
- **Yields under pressure; spreads remain lucrative:** GL yields have come under pressure since the pandemic, with increasing competitive intensity driven by Banks and challenger NBFCs (IIFL, CAPRI etc.). The yields have gradually reflated with easing competitive intensity during FY24-FY25. However, core spreads (and NIMs) remain attractive adjusted for very low credit risk.

Exhibit 29: MUTHOOT and MGFL's yields have moderated since pandemic



Source: Company, HSIE Research | IND AS from FY18 onwards

Exhibit 30: Core spreads expected to remain steady

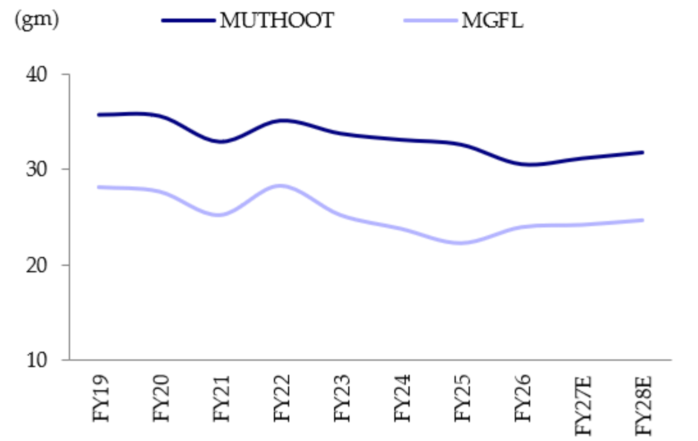


Source: Company, HSIE Research | IND AS from FY18 onwards

- **Volume throughput secular, unit tonnage cyclical**: With standardized and liquid collateral (with near real-time prices), asset (gold) price remains the same across lenders. Subsequently, branch tonnage productivity is the key monitorable, which in turn is a function of volume productivity (number of customers per branch) and unit tonnage (tonnage per customer).

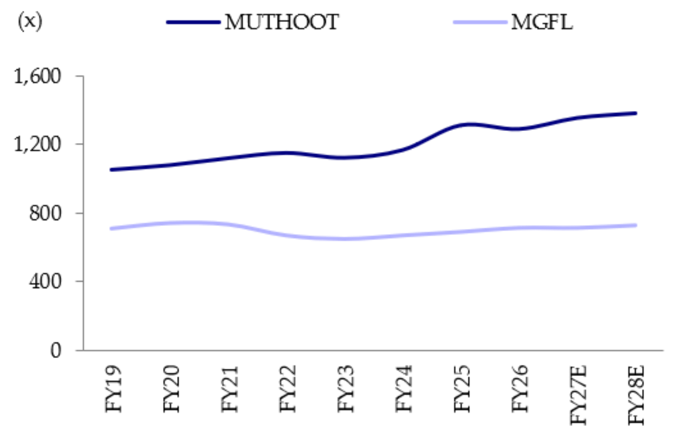
  During rising gold prices, tonnage at a customer level typically declines as lower quantum of gold addresses the customer's loan requirements. Customer acquisitions are largely driven by distribution strength, brand value and customer recall/referrals.

Exhibit 31: Gold tonnage per borrower lower for MGFL



Source: Company, HSIE Research | *Note: MGFL's standalone gold tonnage assumed as gold tonnage proportionate to consolidated GL AUM*

Exhibit 32: MUTHOOT remains the most superior in volume throughput (no. of customers per branch)



Source: Company, HSIE Research

- **High fixed cost model; branch productivity remains critical for profitability**: GL is likely to remain a branch-led model with branch as the key focal point for customer onboarding and safe storage of gold jewellery. Doorstep service model has withered away due to multiple reasons. High upfront investments and overheads for storing gold jewellery (security systems, vault, other infrastructure) necessitates high branch productivity, a critical factor for healthy profitability.

Exhibit 33: AUM metrics (FY26) – superior for MUTHOOT

	Units	MUTHOOT	MGFL	IIFL
AUM/branch	INR mn	310	139	182
AUM/employee	INR mn	49	16	32
AUM/borrower	INR' 000	240	194	257
Borrowers/branch	x	1,290	715	709
Borrowers/employee	x	203	84	125

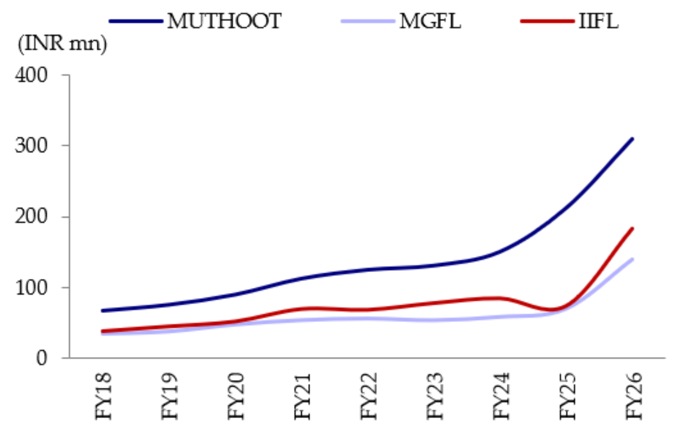
Source: Company, HSIE Research | *Note: IIFL: Assuming ~95% of borrowers as GL borrowers; Total standalone employees of MUTHOOT, MGFL and IIFL*

Exhibit 34: Tonnage metrics (FY26) – superior for MUTHOOT

	Units	MUTHOOT	MGFL	IIFL
Tonnage per branch	Kg	39.5	17.1	21.4
Tonnage per employee	Kg	6.2	2.0	3.8
Tonnage per borrower	gm	30.6	24.0	30.1
Implied gold price*	INR/gm	7,861	8,088	8,525

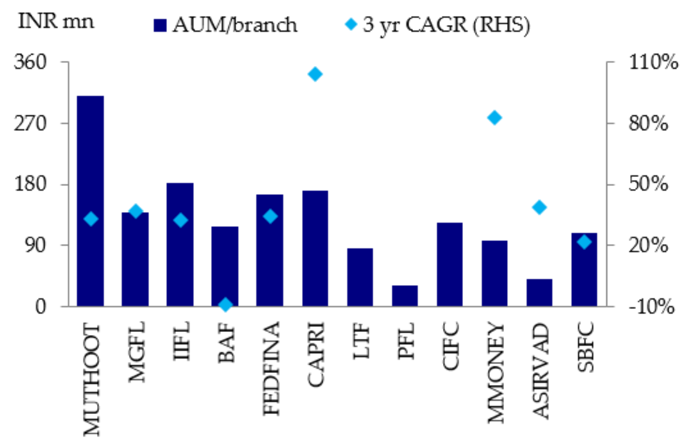
Source: Company, HSIE Research | *Note: * AUM divided by tonnage; MGFL's standalone gold tonnage assumed as gold tonnage proportionate to consolidated GL AUM; IIFL: Assuming ~95% of borrowers as GL borrowers; Total standalone employees of MUTHOOT, MGFL and IIFL*

Exhibit 35: MUTHOOT has the highest branch productivity (GL AUM/branch)



Source: Company, HSIE Research

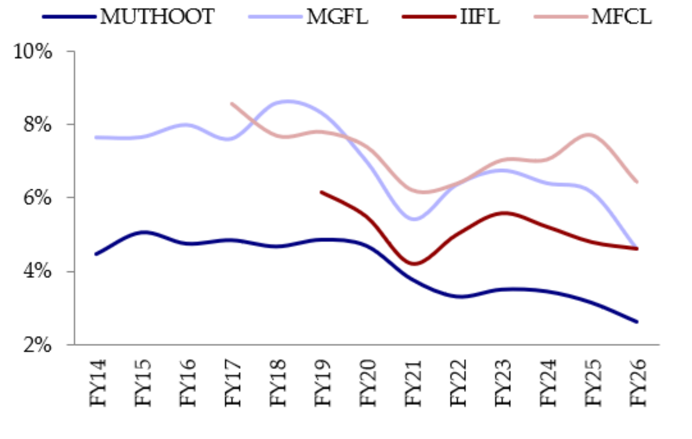
Exhibit 36: Branch productivity (GL AUM/branch) at average of ~120-150 INR mn (Mar-26)



Source: Company, HSIE Research

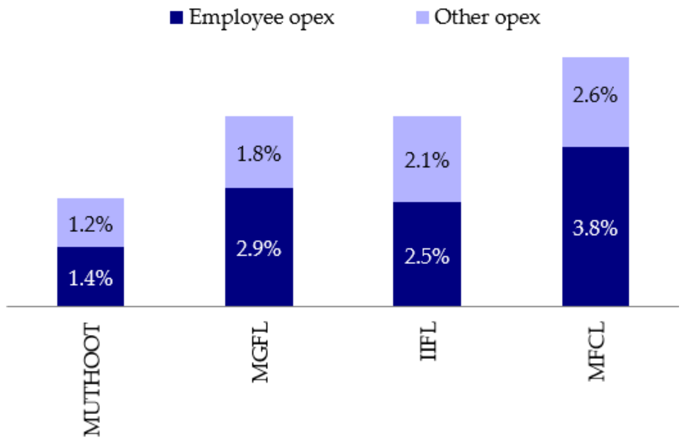
- **Low credit risk; high operational risk**: While GL has subdued credit risk due to highly liquid collateral and short tenure of loans, it has high operational risks compared to other loan products. Fraud risks (employee/customer, spurious gold, embezzlement etc.), storage and theft risks and need for a minimal TAT for customer retention amidst detailed assessment require necessary expertise of the business, driving higher opex ratios as well.

Exhibit 37: Opex to AUM for GL NBFCs at ~4-6% except MUTHOOT



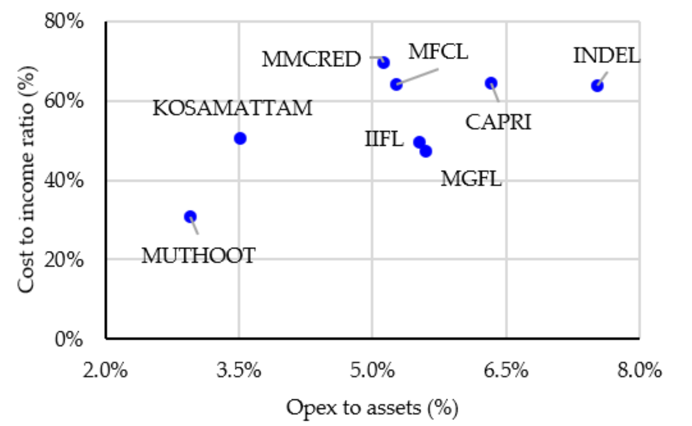
Source: Company, HSIE Research

Exhibit 38: Opex to AUM well split across employee and other expenses (FY26)



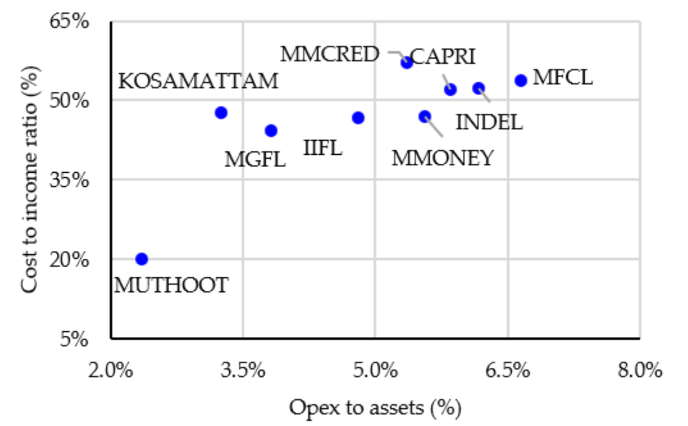
Source: Company, HSIE Research

Exhibit 39: Operating efficiency metrics (FY23)



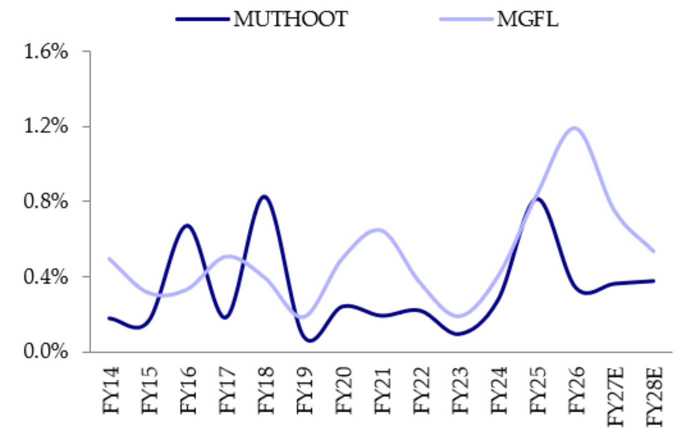
Source: Company, HSIE Research

Exhibit 40: Operating efficiency metrics (FY26)



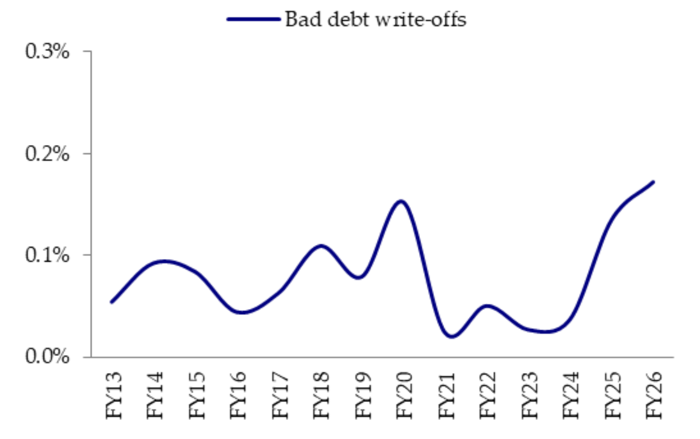
Source: Company, HSIE Research

Exhibit 41: Provisioning at ~35-50bps, partly impacted by non-gold segments



Source: Company, HSIE Research | *Note: IND AS from FY18 onwards; Provisions include standard asset provisioning and NPA provisioning for non-gold segments as well; FY17 provisioning excludes gold price fluctuation reserve created by MUTHOOT*

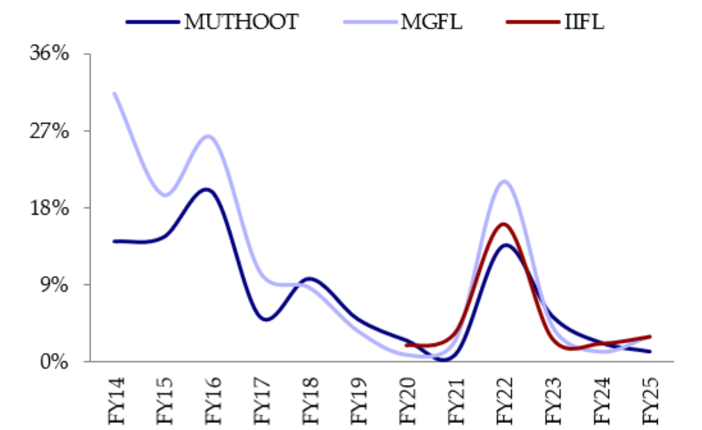
Exhibit 42: Bad debt write-offs at ~8bps for MUTHOOT



Source: Company, HSIE Research | Bad debts: Spurious gold, theft, embezzlement etc., loans > 180dpd

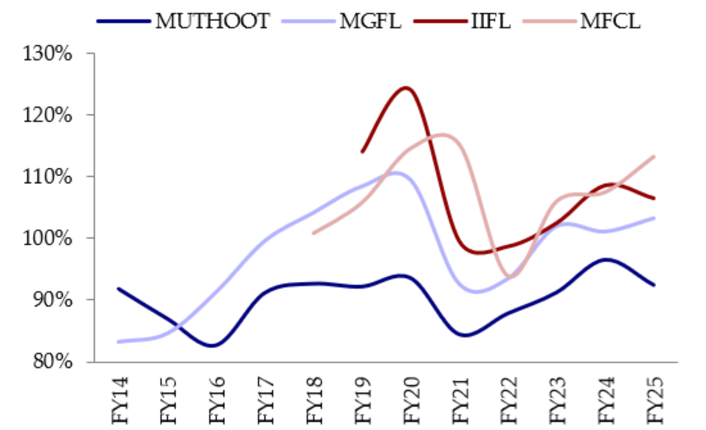
- **Low LGDs**: GL has one of the most liquid collateral among secured products, leading to one of the lowest LGDs in the industry. As can be seen from the exhibit below, GL NBFCs have recovery rate of ~100% (including interest accrued) from gold auctions, except MUTHOOT. The delinquencies remain low due to higher customer equity (LTV sub-75%, making charges and emotional value of gold jewellery to the customer) leading to only a minute portion of gold getting auctioned.

Exhibit 43: Loans auctioned as % of opening gold loan advances



Source: Company, HSIE Research

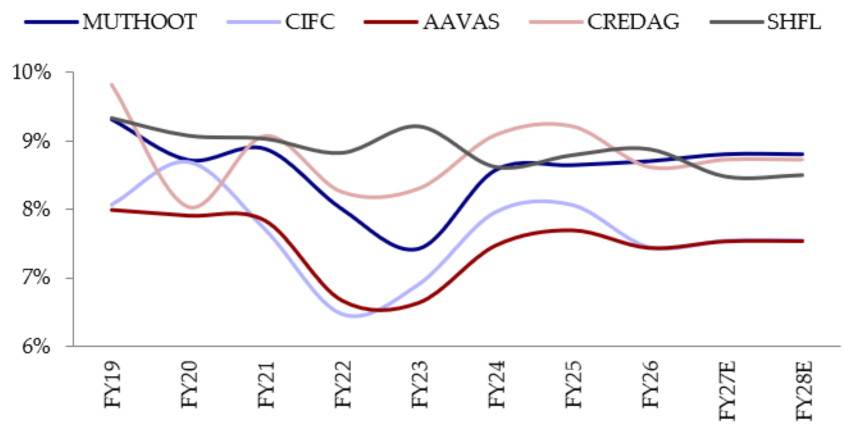
Exhibit 44: Recovery rate in auctions – lowest for MUTHOOT



Source: Company, HSIE Research | Recovery rate: Value fetched in auction divided by (Principal + Interest outstanding)

- **Liabilities handicap for GL NBFCs**: GL NBFCs have relatively higher cost of funds vs. peers in other loan products probably due to ineligibility of GL originated by NBFCs for priority sector lending for Banks. This measure taken by RBI in July-12 has led to little incentives for securitization and assignment of gold loans by NBFCs to Banks.

Exhibit 45: Cost of funds for MUTHOOT higher than CIFC and AAVAS



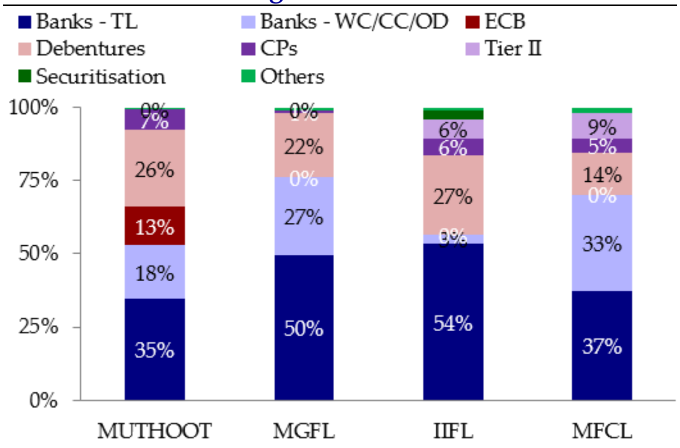
Source: Company, HSIE Research

Exhibit 46: Credit ratings of GL NBFCs

Company	Long-term rating	Short-term rating	Rating agency
MUTHOOT	AA+/Stable	A1+	CRISIL
MGFL	AA/Stable	A1+	CRISIL
MFCL	AA/Stable	A1+	CRISIL
IIFL	AA/Stable	A1+	CRISIL
MMONEY	AA+/Stable	A1+	CRISIL
ASIRVAD	AA-/Stable	A1+	CRISIL
FEDFINA	AA+/Stable	A1+	CRISIL
CAPRI	AA-/Stable	A1+	CRISIL

Source: CRISIL, HSIE Research

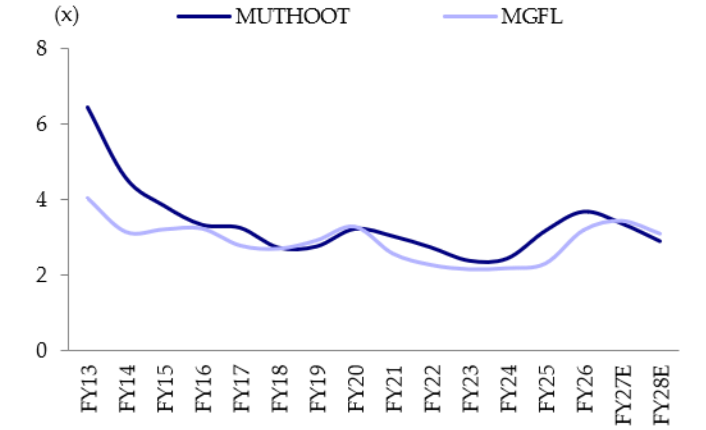
Exhibit 47: Borrowings mix (FY25)



Source: Company, HSIE Research | Standalone entities

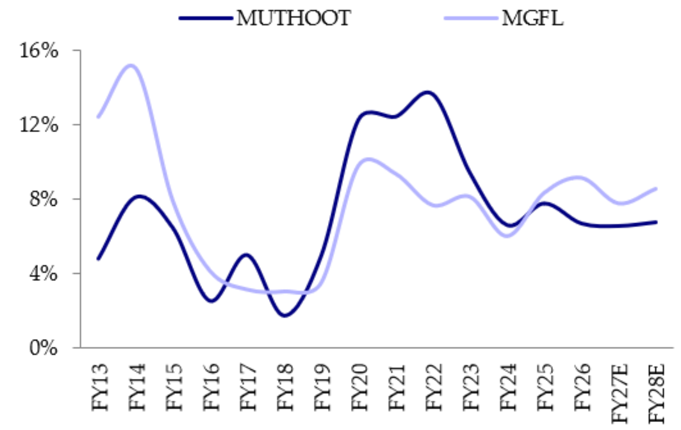
Medium growth prospects for gold loans during consolidation phases of gold prices, has led to accumulation of surplus capital, leading to lower leverage.

Exhibit 48: Low leverage (D/E) despite secured and liquid collateral



Source: Company, HSIE Research

Exhibit 49: High liquidity during uncertain periods



Source: Company, HSIE Research | *Note: Liquidity = Cash plus liquid investments as percentage of total assets*

- **Co-lending gaining traction**: Co-lending is gradually gaining traction among Banks and NBFCs for gold loans. NBFCs with higher cost of capital and aspiration for higher loan growth are entering into co-lending arrangements with Banks, particularly PSBs, for higher ticket-size and relatively lower yielding loans. IIFL Finance (17% of GL AUM) and Capri Global Capital (32% of GL AUM) are some of the leading NBFCs in co-lending for GL. We expect the co-lending in GL to scale up further.

Exhibit 50: Earnings profile of select GL NBFCs (average of FY22-FY26)

(% of average assets)	MUTHOOT	MGFL	IIFL	MFCL	KOSAMATTAM	MMCRED	INDEL
Total assets (Mar-26)	**1,799**	**676**	**496**	**527**	**83**	**75**	**37**
Interest earned	16.2%	17.0%	15.1%	15.6%	14.9%	16.0%	19.8%
Interest expended	5.9%	5.7%	6.8%	7.2%	8.7%	8.3%	10.0%
Net interest income	10.3%	11.3%	8.3%	8.3%	6.2%	7.7%	9.9%
Non-interest income	0.3%	0.2%	2.0%	1.2%	0.1%	0.5%	2.2%
Operating expenses	2.8%	5.0%	5.0%	5.9%	3.3%	5.3%	7.7%
Pre-provisioning profit	7.8%	6.5%	5.3%	3.6%	3.1%	2.9%	4.4%
Provisions	0.3%	0.5%	2.2%	0.4%	0.2%	0.2%	0.7%
Tax	1.9%	1.5%	0.6%	0.9%	0.7%	0.7%	1.0%
ROAA	**5.5%**	**4.5%**	**2.1%**	**2.4%**	**2.1%**	**2.1%**	**2.7%**
Assets/Equity (x)	3.9	3.5	5.2	6.8	6.7	6.1	6.1
ROAE	**22%**	**15%**	**11%**	**17%**	**14%**	**12%**	**16%**

Source: Company, HSIE Research

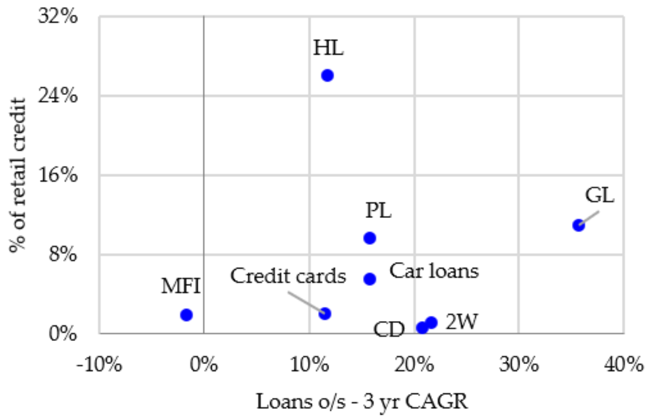
- **GL – higher on profitability vs. other loan products:** GL NBFCs' profitability is higher than other loan products despite similar yields predominantly due to significantly lower credit costs. GL typically is countercyclical in terms of loan growth to retail unsecured loans (PL, BL, MFI etc.).

Exhibit 51: Cross-cycle profitability vs. other loan products

Avg. of FY22-FY26	MUTHOOT	MGFL	FIVESTAR	SBICARD	CREDAG
AUM (Mar-26)	**1,628**	**560**	**132**	**569**	**296**
Yield on advances	17.8%	19.8%	24.4%	17.0%	20.1%
% of average assets					
Interest earned	16.2%	17.0%	20.5%	15.3%	18.2%
Interest expended	5.9%	5.7%	4.6%	4.4%	6.5%
Net interest income	10.3%	11.3%	15.9%	10.9%	11.7%
Non-interest income	0.3%	0.2%	0.7%	18.2%	1.0%
Operating expenses	2.8%	5.0%	5.4%	16.3%	4.3%
Pre-provisioning profit	7.8%	6.5%	11.2%	12.8%	8.5%
Provisions	0.3%	0.5%	0.7%	6.9%	4.1%
Others	0.0%	0.0%	0.0%	0.0%	0.0%
Tax	1.9%	1.5%	2.6%	1.5%	1.1%
ROAA	**5.5%**	**4.5%**	**7.8%**	**4.4%**	**3.3%**
Assets/Equity (x)	3.9	3.5	2.1	4.6	4.2
ROAE	**22%**	**15%**	**16%**	**20%**	**14%**

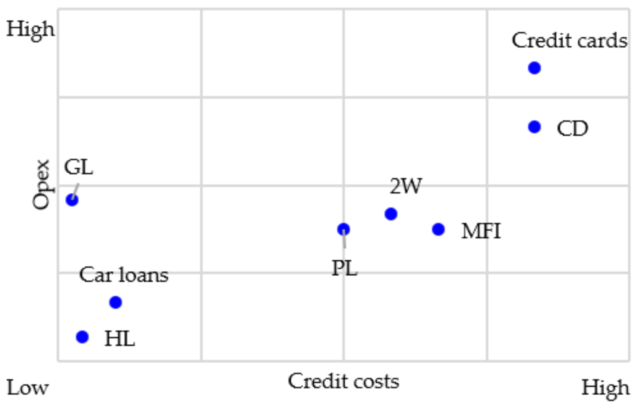
Source: Company, HSIE Research

Exhibit 52: GL has witnessed highest growth during FY23-FY26 compared to other products



Source: CRIF Highmark, HSIE Research | Data as on Mar-26

Exhibit 53: Opex vs. credit costs



Source: Industry, HSIE Research

Near-term respite from regulatory oversight

Periods of high surge in gold prices and GL has attracted regulatory scrutiny leading to disruptive changes such as removal of PSL status (NBFCs), caps on LTV etc. during 2012-14 and enhanced borrower disclosures, stricter norms on loans rollover, disallowance of gold repledging and detailed credit assessment for higher ticket size GL during 2024-26. RBI's concerns seem largely around unbridled growth and adherence to prudent risk management practices by lenders. Recent guidelines on GL towards a principle-based and harmonized regulatory framework (applicable from 1st April 2026) provide leeway for GL financiers in terms of LTV for income generation loans. While further RBI's intervention in the near-term looks unlikely, loan pricing structure by NBFCs remains an overhang, in our view.

- **Historical precedents – more regulations during phases of astronomical growth**: RBI's stance on GL NBFCs has been rather adverse – requirement of approval on opening of branches for large GL NBFCs (>1,000 branches), higher capital adequacy requirements, ineligibility for priority sector, caps on LTV etc. Most of these measures have been introduced during phases of astronomical growth (driven by sharp increase in gold prices) for the industry compared to other segments.
- **Latest guidelines provide significant respite on LTV, with some hurdles**: RBI's comprehensive guidelines from 1st April 2026 for Banks and NBFCs provide significant leeway on LTV. The segregation of loans into income generation (business requirements, farm credit etc.) and consumption loans provides enhanced disclosures on the portfolio. Income generation loans have no caps on LTV, while consumption loans below INR 5 lakhs have higher LTV, which could provide further leeway for growth during prolonged period of consolidation of gold prices.

  However, prohibition of repledging gold impacts wholesale lending, while tighter norms around rollover and renewal of loans, particularly impacts GL NBFCs. Further, detailed credit assessment for higher ticket size loans (above INR 2.5 lakhs) is likely to marginally reduce the lucrativeness of GL product.

Exhibit 54: List of key regulations for gold loans

Date	Circular	Key changes
Mar-12	NBFCs - Lending Against Security of Single Product – Gold Jewellery	For NBFCs: LTV <=60; Tier I of 12% for NBFCs with gold loans > 50% of total financial assets; no loan against gold coins and primary gold/bullion
Apr-12	RBI Monetary policy	For Banks: Exposure to a single NBFC (>50% of total financial assets in gold loans) reduced from 10% to 7.5%; Banks to have an internal sub-limit on their aggregate exposure to NBFCs with gold loans more than 50% of total financial assets
Jul-12	Lending to Priority Sector	Loans sanctioned to NBFCs for on-lending to individuals or other entities against gold jewellery, investments made by banks in securitized assets originated by NBFCs, where the underlying assets are loans against gold jewellery, and purchase/ assignment of gold loan portfolio from NBFCs are not eligible as direct/indirect finance to agriculture
Sep-13	Lending Against Security of Single Product – Gold Jewellery	NBFCs with more than 1,000 branches to seek RBI approval for opening branches; auction in same town/taluka; reserve price in auction > 85% of the previous 30 days average closing price of 22 carat gold price; details of auction in annual report; loan > INR 1lakh only through cheque; PAN compulsory for loans > INR 5 lakhs
Dec-13	Non-Agriculture Loans against Gold Ornaments and Jewellery	For Banks: Bullet repayment allowed - for loans < INR 1lakh; 12months of tenure; interest payment only at maturity (but monthly accrual)
Jan-14	Lending Against Security of Single Product – Gold Jewellery	For NBFCs: 75% LTV (based only on intrinsic value of gold - no making charges allowed)
Jan-14	Lending against Gold Jewellery	For Banks: LTV of 75% introduced (at the time of sanction)
Jul-14	Loans against Gold Ornaments and Jewellery for Non-Agricultural End-uses	For Banks: For bullet repayment loans, loan tenure <=12 months; LTV at 75% throughout the tenure (Non-agri)
Aug-20	Loans against Gold Ornaments and Jewellery for Non-Agricultural End-uses	For Banks: LTV on gold loans sanctioned till 31st Mar 2021 at 90% vs. 75% earlier (Non-agri)
Sep-24	Advisory to Gold loan entities	Gold loans - Irregular practices observed in grant of loans against pledge of gold ornaments and jewellery
Jun-25	Lending against Gold and Silver Collateral Directions, 2025	Loan categorization into Consumption and income generation loans (including agri); higher LTV limits on consumption loans based on ticket size; no LTV caps for income generation loans; credit assessment for loans > INR 2.5 lakh; disallowance of gold repledging, detailed KFS to be provided to borrowers; detailed gold auction guidelines
Apr-26	Reserve Bank of India (Non-Banking Financial Companies – Branch Authorization) Amendment Directions, 2026	For NBFCs: Can open branches without any prior approval of RBI

Source: RBI, HSIE Research

- **Isolated actions; no regulations around loan pricing:** RBI has taken severe actions on select GL NBFCs such as IIFL Finance (cease and desist GL sanctions and disbursements) in Mar-24 and Asirvad Microfinance (cease and desist loan disbursements) in Oct-24, with delay in approvals for opening GL branches post pandemic. However, there have been limited regulations impacting the profit pools of lenders such as imposing any caps on loan pricing etc. yet.
- **Loan pricing structure remains a concern:** RBI has selectively regulated loans pricing for vulnerable customer segments such as MFI (now unregulated) and specific schemes such as MUDRA, ECLGS, crop loans for subvention etc. However, high interest rates and staggered pricing structure for a secured and liquid collateral such as GL could invite further scrutiny, notwithstanding the high opex intensity in the business.

Exhibit 55: Gold loans pricing for a six-months consumption purpose bullet repayment loan (base interest rate of 22%)

Days past due	Interest rate p.a. (based on no. of days from last up-to-date interest paid date)	Rebate (based on frequency of interest payment)
0-30D*	22%	8%
>30-60D	25%	5%
>60-90D	27%	3%
>90-180D	28%	2%
>180D	30%	0%

Source: Company, HSIE Research | *Note: * D: No. of days from last up to date payment of interest or pledge date; Interest rate slabs will be applicable retrospectively from the pledge date or from the last up to date interest payment as the case may be. Also, loans will shift back to the original interest rate at which the loan was availed once the borrower remits the interest accrued in full.*

Exhibit 56: Illustrative select schemes of a GL NBFC

Scheme	Loan amount (INR)		Interest rate if paid within				
	Min.	Max.	1 month	2 months	3 months	6 -12 months	>12 months
A	1,500	50mn	23.0%				25%
B	1,500	50mn	21.0%			24.0%	26%
C	1,500	0.1mn	13.9%	16.0%	22.0%	24.0%	26%
D	2.5mn	50mn	12.5%	16.0%	22.0%	24.0%	26%
E	5mn	50mn	11.5%	16.0%	22.0%	24.0%	26%
F	2mn	50mn	15.5%	19.0%	22.0%	24.0%	26%

Source: Company, HSIE Research

- **New guidelines to drive pivot towards shorter-tenure loans**: Bullet repayment loans could witness some moderation in LTV under RBI's new guidelines. For example, a INR 1 lakh loan for 13gm 22 carat gold (principal LTV at 60%) has LTV of 67% (including interest) for a six months loan and 74% for a twelve months loan.

Exhibit 57: For a bullet repayment loan, interest accrued hives off ~6%-17% from loan amount eligibility

LTV	6-month		1 year	
	18%	22%	18%	22%
85%	78%	76%	71%	68%
80%	73%	72%	67%	64%
75%	69%	67%	63%	60%

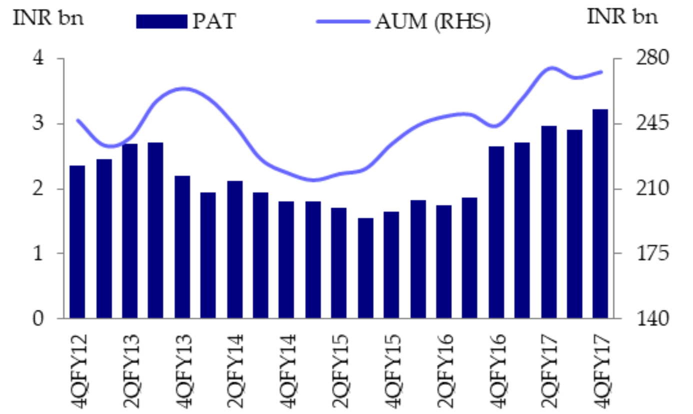
Source: HSIE Research | *Note: Numbers denote maximum permissible principal amount of GL to maintain LTV norms (including interest accrued)*

Risks: Frauds, sharp gold price correction

GL remains a high-risk business (despite low LGDs) requiring high opex intensity to avoid frauds (customer/employee, spurious/theft gold etc.), robberies etc. Further, sharp correction in gold prices impacts portfolio growth and profitability (operating leverage, uptick in auctions etc.). GL NBFCs such as MUTHOOT, MGFL etc. have taken prudent measures post 2012-14 crisis with short-tenure loans (up to 1 year; behavioral tenure at ~4-6 months), LTVs at ~60% and streamlined auction processes. However, a sharp gold price correction could lead to run-down of loan book (margin calls, auctions etc.) impacting portfolio growth.

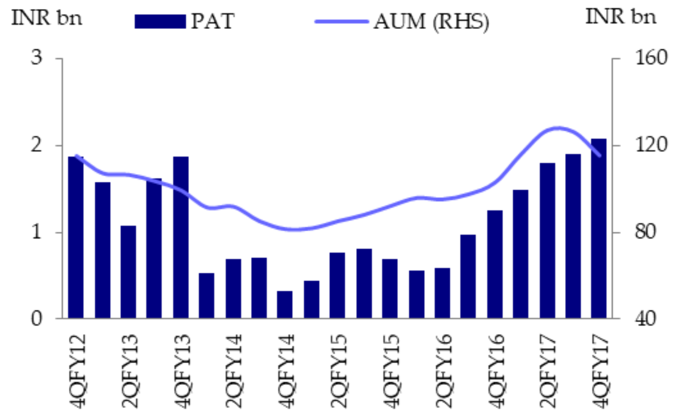
- **2012-14 crisis - ~20% price correction in gold prices led to collapse in profits**: GL NBFCs witnessed significant erosion in loan book and profitability during ~20% correction in gold prices in 2013. However, this period coincided with sudden onslaught of measures by the RBI to curb growth in GL such as introduction of 60% cap on LTV for NBFCs and removal of PSL status on gold loans by NBFCs etc. leading to run down of portfolio and higher cost of funds.

Exhibit 58: MUTHOOT – PAT and AUM witnessed 42%/19% drawdown from peak



Source: Company, HSIE Research

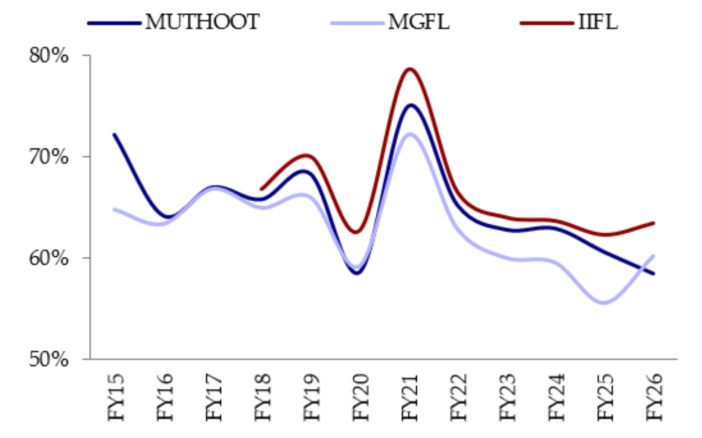
Exhibit 59: MGFL – PAT and AUM witnessed 83%/24% drawdown from peak



Source: Company, HSIE Research

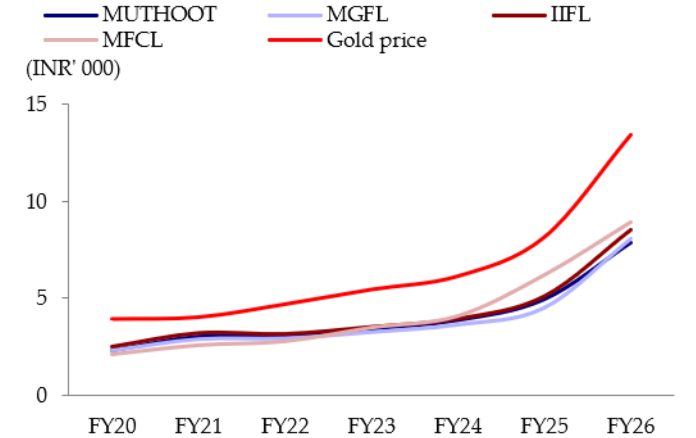
- **What's different this time in case of sharp gold price correction:** GL NBFCs have been more calibrated in the current cycle with LTV <=60% as on Mar-26. Further, the loan tenure has remained shorter with behavioral tenure at ~4-6 months, along with proactive monitoring of LTV and streamlined processes for auctions. However, the loan growth would be impacted in case of correction in gold prices.

Exhibit 60: Average GL LTV at around ~60%



Source: Company, HSIE Research | Note: LTV calculated based on the closing price of the last date of the financial year

Exhibit 61: Implied gold price (AUM/tonnage) vs. actual price



Source: Bloomberg, Company, HSIE Research | *Note: Gold price: 22 carat gold spot price – INR/gram*

~20% deterioration in gold prices could lead to breach in LTV for higher tenure loans.

Exhibit 62: Sensitivity of LTV to loan interest rate and gold prices

Gold price Δ	Interest rate (%)			
	18%	20%	22%	24%
0%	65%	66%	67%	67%
-5%	69%	69%	70%	71%
-10%	73%	73%	74%	75%
-15%	77%	78%	78%	79%
-20%	82%	82%	83%	84%
-25%	87%	88%	89%	90%

Source: HSIE Research | Assumptions: INR 1 lakh loan for 13gm 22K gold for 6 months; bullet repayment loan with 100% interest paid at maturity

Exhibit 63: Sensitivity of LTV to loan tenure and gold prices

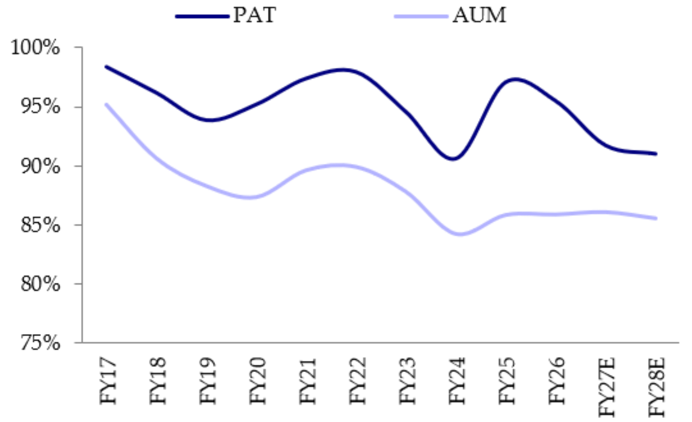
Gold price Δ	Loan tenure (months)			
	3	6	9	12
0%	63%	67%	70%	74%
-5%	66%	70%	74%	78%
-10%	70%	74%	78%	82%
-15%	74%	78%	83%	87%
-20%	79%	83%	88%	93%
-25%	84%	89%	94%	99%

Source: HSIE Research | Assumptions: INR 1 lakh loan for 13gm 22K gold at interest rate of 22% p.a.; bullet repayment loan with 100% interest paid at maturity

Portfolio/profit pool diversification – back to square one

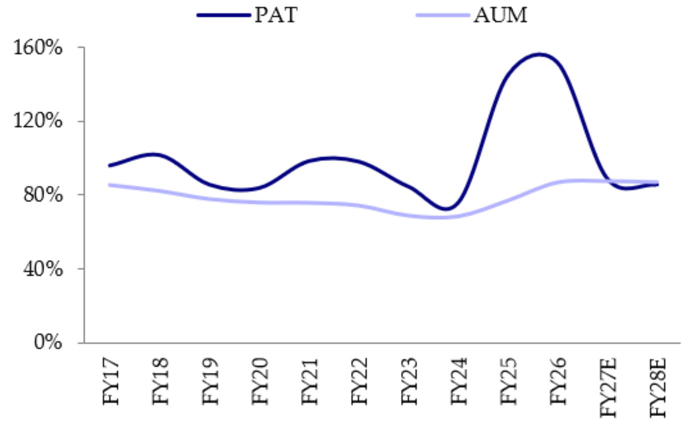
GL NBFCs have had little success in diversifying their profit pools beyond gold loans. Post 2012-14 shock due to regulation and sharp decline in gold prices, GL NBFCs such as MUTHOOT and MGFL gradually diversified their portfolio through acquisition/incubation of subsidiaries or through other loans in standalone loan book (HFC, MFI, vehicle, personal loans, LAP etc.) and fee income streams (insurance broking). However, the contribution of the standalone gold business remains more than 90% with limited scale up in these subsidiaries in a profitable manner.

Exhibit 64: MUTHOOT – standalone PAT > 90% of consolidated AUM



Source: Company, HSIE Research

Exhibit 65: MGFL – standalone PAT > 100% of consolidated PAT in FY25-FY26



Source: Company, HSIE Research

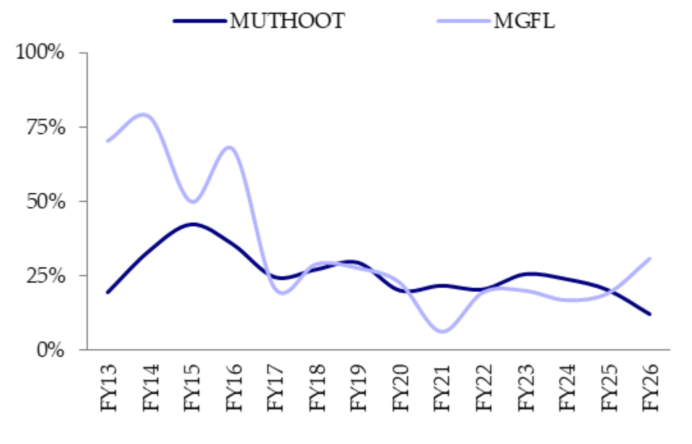
Exhibit 66: Performance of GL NBFC and their subsidiaries

	MUTHOOT	BELSTAR	HFC*	MMONEY	MGFL	HFC**	ASIRVAD
AUM (Mar-26)	**1,628**	**82**	**35**	**98**	**560**	**19**	**68**
3 yr AUM CAGR	37%	10%	34%	194%	32%	19%	-12%
% Gold loans	95%	2%	0%	99%	87%	0%	31%
% of average assets (average of FY24-FY26)							
Interest earned	16.7%	22.3%	11.5%	15.4%	17.0%	16.9%	20.5%
Interest expended	6.2%	7.7%	5.9%	5.0%	6.0%	8.1%	8.4%
Net interest income	10.5%	14.6%	5.6%	10.4%	11.0%	8.9%	12.2%
Non-interest income	0.3%	1.9%	2.8%	0.5%	0.2%	0.4%	1.8%
Operating expenses	2.7%	7.2%	5.7%	8.0%	4.8%	7.1%	7.4%
Pre-provisioning profit	8.0%	9.4%	2.6%	2.9%	6.4%	2.2%	6.6%
Provisions	0.4%	7.0%	0.6%	0.4%	0.7%	0.3%	10.6%
Others	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax	2.0%	0.5%	0.6%	0.6%	1.5%	0.5%	-1.0%
ROAA	**5.6%**	**1.9%**	**1.4%**	**1.9%**	**4.3%**	**1.4%**	**-2.9%**
Assets/Equity (x)	4.0	4.9	4.5	4.0	3.5	5.8	5.4
ROAE	**23%**	**10%**	**6%**	**8%**	**15%**	**8%**	**-13%**

Source: Company, HSIE Research | Note: * Muthoot Homefin (India); ** Manappuram Home Finance

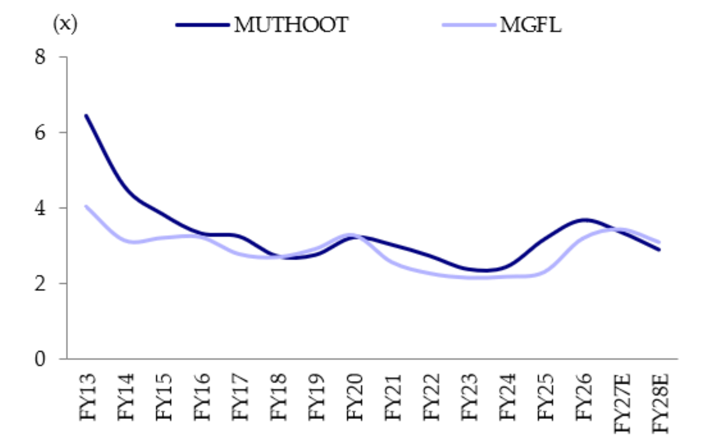
- **Limited avenues of capital allocation:** GL NBFCs, with high RoE and lower growth rate during periods of low gold price inflation, had relatively low dividend payout ratio, leading to declining financial leverage, subsequently impacting RoE. While the leverage has improved during FY25-FY26 due to high pace of growth, continued policy on dividend payout ratio, in the absence of significant investments in subsidiaries, is likely to lead to sub-optimal utilization of capital.

Exhibit 67: Lower dividend payout ratio



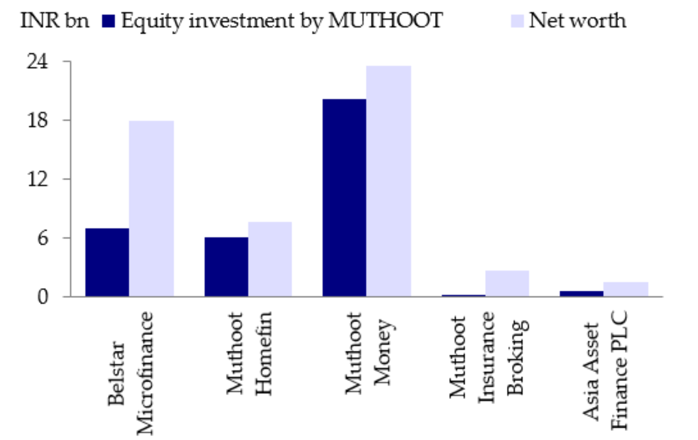
Source: Company, HSIE Research

Exhibit 68: Sub-par leverage (D/E), impacting return ratios



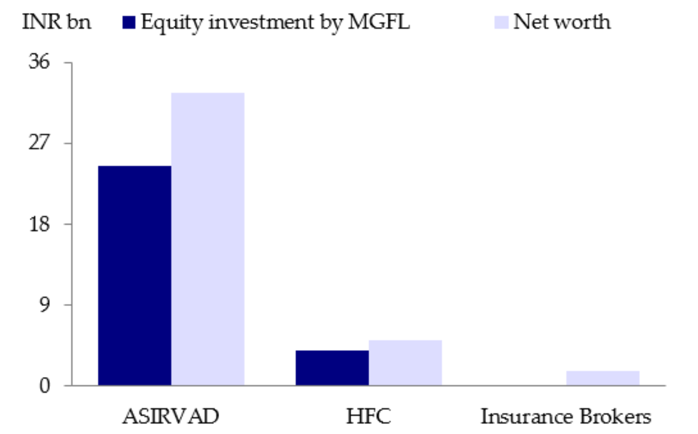
Source: Company, HSIE Research

Exhibit 69: Investment in subsidiaries by MUTHOOT at ~9% of net worth



Source: Company, HSIE Research

Exhibit 70: Investment in subsidiaries by MGFL at ~18% of net worth



Source: Company, HSIE Research | Includes Rights issue of ASIRVAD and HFC entity completed in Apr-26

Earnings moderation ahead; valuation limiting upside

MUTHOOT and MGFL, the leading GL-focused NBFCs and incumbents in high yielding GL, have delivered strong profitability metrics across cycles. We expect competitive moats in the core customer segment to sustain. However, GL loan growth is likely to remain cyclical with expected moderation during FY27-FY28E. Further, limited diversification of profit pools makes them monoline plays instead of a diversified NBFC.

- **Proprietary scorecard indicates superior score for MUTHOOT:** Comparison of MUTHOOT and MGFL on our proprietary HSIE GL scorecard that encompasses five key quantitative parameters - productivity, customer retention, capital allocation, risk management and valuation, indicates higher score for MUTHOOT. This is likely to drive the valuation premium (~39%) over MGFL.

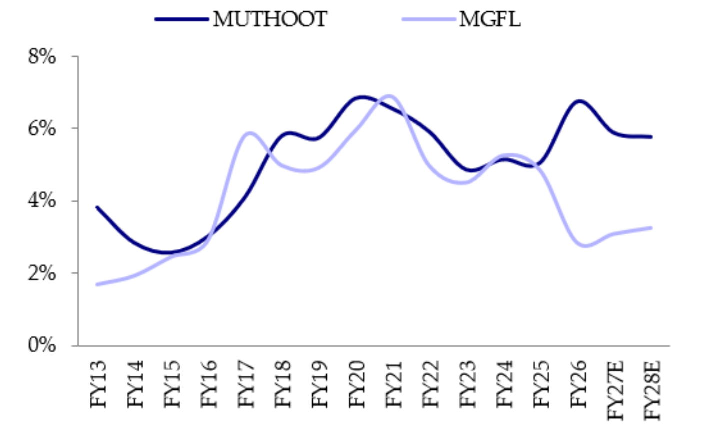
Exhibit 71: Gold loan franchise framework

HSIE GL scorecard	MUTHOOT	MGFL
Productivity	●	◑
Tonnage/Customer	●	◑
Customers/branch	●	◑
Customer retention	●	●
% Repeat customers	●	●
Pricing	●	◕
Capital allocation	◑	◑
Dividend payout	◕	◕
Investments in subsidiaries	◔	◑
Investments in distribution	◔	◔
Optimum leverage	◕	◑
Risk management	●	◕
LTV	●	●
Frauds	●	◕
Portfolio diversification	◔	◕
Valuation	◑	◔

Source: Company, HSIE Research | *Note: Full dark circle denotes highest rating; Productivity, capital allocation, LTV and portfolio diversification based on FY26 performance; Frauds based on FY25 annual report disclosures*

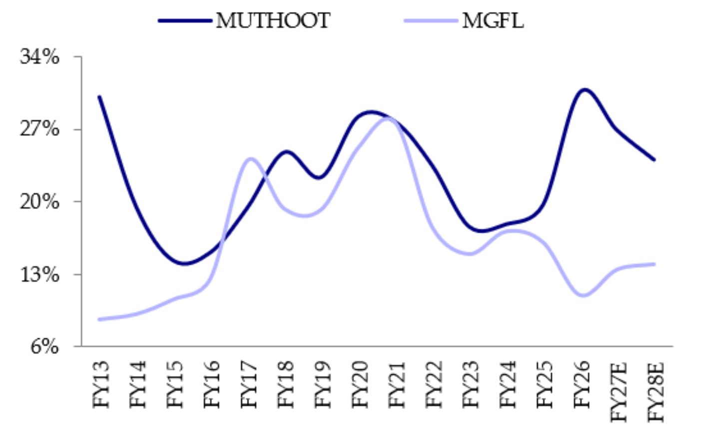
- **Wedge in profitability likely to sustain with marginal convergence:** Profitability metrics of MUTHOOT and MGFL have been largely similar during FY15 to FY25, with the wedge widening in FY26. We expect the wedge to sustain during FY27-FY28E with marginal convergence driven by reduction in drag from non-gold businesses and reflation in GL yields for MGFL.

Exhibit 72: Wedge in RoA emerging from FY25 onwards…



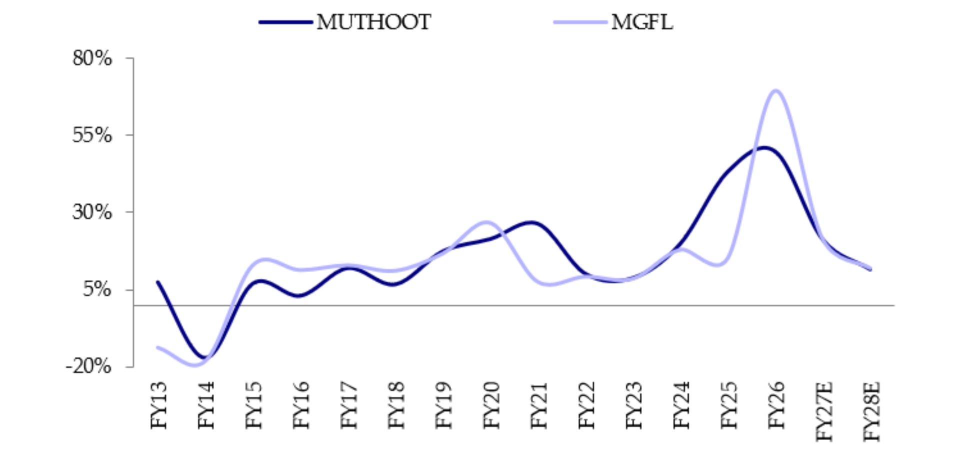
Source: Company, HSIE Research

Exhibit 73: … and for RoE as well



Source: Company, HSIE Research

Exhibit 74: AUM growth has largely been similar for MUTHOOT and MGFL



Source: Company, HSIE Research

Exhibit 75: Operating performance of GL NBFCs (FY26)

FY26	Units	MUTHOOT	MGFL	IIFL
AUM	INR bn	1,628	560	576
GL AUM	INR bn	1,541	488	526
PAT	INR bn	101	15	12
Growth (% YoY)				
AUM	%	50%	69%	109%
GL AUM	%	50%	98%	150%
Borrowers	%	1%	3%	54%
Tonnage	%	-6%	11%	49%
GL AUM/borrower	%	49%	92%	63%
Margins				
Yield on advances	%	19.5%	16.7%	20.4%
Cost of funds	%	8.7%	7.8%	10.3%
Spread	%	10.8%	8.9%	10.1%
NIM	%	11.4%	8.9%	8.3%
Cost efficiency				
Cost-to-income	%	20%	44%	47%
Opex-to-AUM	%	2.6%	4.6%	4.6%
Employee opex-to-AUM	%	1.4%	2.9%	2.5%
Other opex/branch (annualized)	INR mn	3.2	2.2	3.1
Monthly expense/employee	INR' 000	54	34	57
Employees per branch	x	6.4	8.5	5.7
Portfolio mix				
% non-gold loans (Standalone)	%	5%	13%	9%
% non-gold loans (Consolidated)	%	9%	20%	51%
Productivity (Gold loans)				
AUM/branch	INR mn	310	139	182
AUM/employee*	INR mn	49	16	32
AUM/borrower**	INR' 000	240	194	257
# Borrowers/branch	x	1,290	715	709
# Borrowers/employee	x	203	84	125
Tonnage per branch	Kg	39.5	17.1	21.4
Tonnage per employee	Kg	6.2	2.0	3.8
Tonnage per borrower	gm	30.6	24.0	30.1
Implied gold price***	INR/gm	7,861	8,088	8,525
Asset Quality				
GS III	%	2.3%	1.8%	1.3%
NS III	%	2.1%	1.6%	0.6%
GS II	%	0.7%	2.0%	2.0%
PCR - Stage III	%	13%	14%	57%
Credit costs	%	0.3%	1.2%	2.3%
LTV - Gold loans****	%	58%	60%	63%
Recovery rate (auctions)*****	%	92%	103%	106%
Frauds as % of PBT*****	%	0.1%	2.1%	NA
(% of average assets)				
Interest earned	%	18.0%	14.2%	15.8%
Interest expended	%	6.6%	5.6%	8.0%
Net interest income	%	11.4%	8.6%	7.7%
Non-interest income	%	0.4%	0.1%	2.5%
Operating expenses	%	2.4%	3.8%	4.8%
Pre-provisioning profit	%	9.4%	4.8%	5.5%
Provisions	%	0.3%	1.0%	1.8%
PBT	%	9.1%	3.8%	3.7%
ROAA	%	**6.7%**	**2.8%**	**2.8%**
Assets/Equity	x	4.6	3.9	5.8
RoAE	%	**30.6%**	**11.0%**	**16.4%**

Source: Company, HSIE Research | Note: Standalone performance; * Total standalone employees; **IIFL: GL borrowers assumed as ~95% of total borrowers; *** Implied gold price = AUM divided by tonnage; **** Based on year-end 22 carat gold closing price; ***** metrics for FY25

- **MUTHOOT:** Muthoot Finance (MUTHOOT), the largest GL NBFC (GL AUM of INR 1.5trn) and the third largest GL lender could be construed as the "gold standard" for GL. On the back of a strong brand (driving customer recall) and business vintage, MUTHOOT operates with the best-in-class productivity metrics, enabling the company to be the lowest cost service provider among peers. This enables MUTHOOT to provide competitive loan pricing, while maintaining superior profitability (RoE of ~20-25%). However, MUTHOOT's near-complete dependence on GL, with limited success in other loan products, exposes it to vagaries of gold cycle with expected moderation in loan growth during FY27-FY28E. We initiate on MUTHOOT with an ADD and SoTP-based TP of INR 3,020 (standalone entity at implied 2.2x Mar-28 ABVPS; ~39% premium to MGFL; 45% discount to CIFC).
- **MGFL:** Manappuram Finance (MGFL) is in transition phase with new co-promoter – Bain Capital seeking to steer the franchise towards improved growth and profitability. MGFL has been one of the leading GL NBFCs with strong cross-cycle profitability in the past (RoE of ~18%) with focus on small ticket size (ATS of sub-INR 60K till FY25), high yields (~20%+) and shorter-tenures. MGFL has now pivoted towards higher ticket size and longer tenure loans to arrest market share loss. However, compression in yields has taken a dent on profitability, which remains a key monitorable. Further, the diversification of profit pools beyond GL has been protracted despite AUM diversification with limited success in non-gold businesses. Appointment of a new CEO post the sudden exit of the previous CEO in a short period remains a near-term overhang. We initiate on MGFL with REDUCE and SoTP-based TP of INR 310 (standalone entity at implied 1.6x Mar-28 ABVPS; ~28% discount to MUTHOOT).

Exhibit 76: Valuation summary

	MCap (INR bn)	CMP (INR)	Rating	TP (INR)	P/E (x)		P/ABV (x)		Target multiple - P/ABV (Mar-28)
					FY27E	FY28E	FY27E	FY28E	
MUTHOOT	1,262	3,144	ADD	3,020	10	9	2.9	2.3	2.2
MGFL	325	346	REDUCE	310	12	11	2.1	1.8	1.6

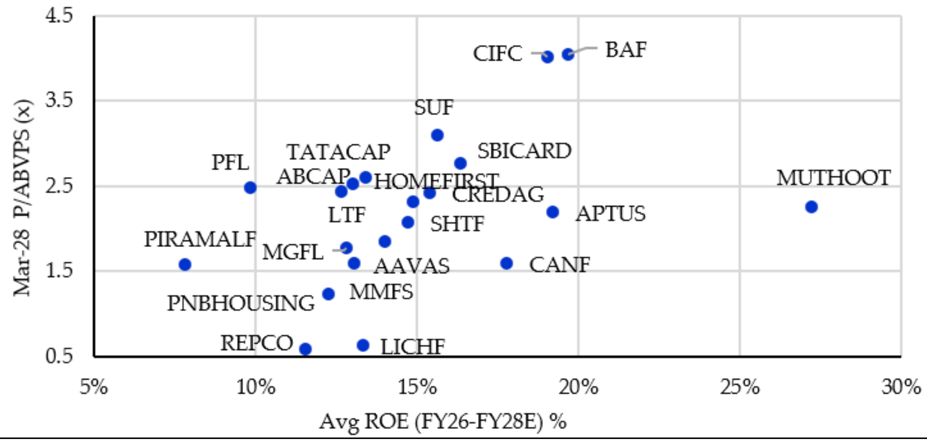
Source: Company, HSIE Research

Exhibit 77: Operating performance metrics

	RoAE (%)			RoAA (%)			AUM growth (%)		
	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
MUTHOOT	31%	27%	24%	6.7%	5.9%	5.8%	49.9%	21.4%	11.7%
MGFL	11%	13%	14%	2.8%	3.1%	3.2%	69.4%	21.3%	11.9%

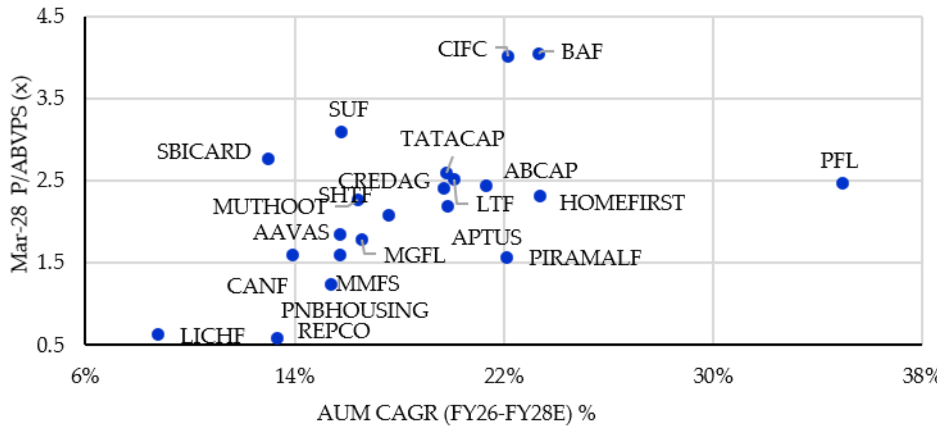
Source: Company, HSIE Research

Exhibit 78: Coverage universe – P/ABV vs. RoE



Source: Company, HSIE Research

Exhibit 79: Coverage universe – P/ABV vs. AUM CAGR



Source: Company, HSIE Research

COMPANIES SECTION

Muthoot Finance

"Gold standard", but a monoline play

Muthoot Finance (MUTHOOT), the largest GL NBFC (GL AUM of INR 1.5trn) and the third largest GL lender could be construed as the "gold standard" for GL. On the back of a strong brand (driving customer recall) and business vintage, MUTHOOT operates with the best-in-class productivity metrics, enabling the company to be the lowest cost service provider among peers. This enables MUTHOOT to provide competitive loan pricing, while maintaining superior profitability (RoE of ~20-25%). However, MUTHOOT's near-complete dependence on GL, with limited success in other loan products, exposes it to vagaries of gold cycle with expected moderation in loan growth during FY27-FY28E. We initiate on MUTHOOT with an ADD and SoTP-based TP of INR 3,020 (standalone entity at implied 2.2x Mar-28 ABVPS; ~39% premium to MGFL; 45% discount to CIFC).

- **Industry leading throughput metrics aiding pricing power**: MUTHOOT has the best-in-class opex ratios (Opex to AUM at 2.6%; C/I at 20%) driven by superior productivity metrics (tonnage and AUM per branch/employee). This enables MUTHOOT to provide competitive pricing vs. peers, while sustaining superior profitability across cycles. This also aids the company during periods of aggressive loan pricing by peers, reflecting in high customer retention.
- **Higher GNPAs; low LGDs:** MUTHOOT's strategy of providing longer time period to delinquent GL customers for loans regularization before auctions reflects in higher GNPA ratio. However, the LGDs remain low with recovery rate on auctions at ~91% (including interest accrued) and relatively lower auctions vs. peers. Credit costs are likely to remain range-bound at ~30-40bps (bad debt write-offs at ~8bps), driven by higher standard asset provisioning (~80bps) and non-gold segments.
- **Mono line play; diversification distant**: MUTHOOT's diversification strategy since 2015 is yet to play out with limited contribution of non-gold loans to standalone entity (~5% of AUM), sub-par performance across subsidiaries and very little contribution to SoTP. Further, the subsidiaries are pivoting towards GL increasing the concentration of MUTHOOT (at consolidated level) towards GL, exposing it to vagaries of gold cycle.
- **Best-in-class franchise; yet to become a secular play:** MUTHOOT remains best-in-class GL franchise with superior profitability and market leadership across cycles. We expect market leadership among NBFCs in the focus segments to sustain amidst increasing competitive intensity from challenger NBFCs. However, a mono-line business (GL at 95% of standalone AUM; 91% of consolidated AUM) exposes it to vagaries of gold cycle. While there is visibility of healthy loan growth in the near-term, we expect loan growth to moderate to ~16% CAGR during FY27-FY28E with expected consolidation in gold prices. To that extent, current valuation provides limited margin of safety.

Financial summary (Standalone)

Y/E Mar (INR bn)	FY23	FY24	FY25	FY26	FY27E	FY28E
NII	66.7	77.9	104.5	171.3	203.1	234.2
PPOP	47.3	56.5	78.4	141.2	162.9	186.1
PAT	34.7	40.5	52.0	101.3	116.9	133.2
EPS (INR)	86.5	100.9	129.5	252.4	291.1	331.8
ROAE (%)	17.6	17.9	19.7	30.6	26.9	24.1
ROAA (%)	4.9	5.1	5.0	6.7	5.9	5.8
ABVPS (INR)	448	508	577	771	1,006	1,295
P/ABV (x)	6.5	5.8	5.1	3.8	2.9	2.3
P/E (x)	33.8	29.0	22.6	11.6	10.1	8.8

Source: Company, HSIE Research

ADD

CMP *(as on 06 Jul 2026)*	**INR 3,144**
Target Price	**INR 3,020**
NIFTY	**24,430**

KEY STOCK DATA

Bloomberg code	MUTH IN
No. of Shares (mn)	401
MCap (INR bn) / ($ mn)	1,262/13,231
6m avg traded value (INR mn)	3,340
52 Week high / low	INR 4,150/2,477

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.4)	(20.2)	18.1
Relative (%)	(10.1)	(12.2)	24.3

SHAREHOLDING PATTERN (%)

	Dec-25	Mar-26
Promoters	73.4	73.4
FIs & Local MFs	11.1	10.4
FPIs	11.8	12.3
Public & Others	3.8	3.9
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

Deepak Shinde
deepak.shinde@hdfcsec.com
+91-22-6171-7323

Krishnan ASV
venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Ayush Pandit
ayush.pandit@hdfcsec.com
+91-22-6171-7366

Lowest cost service provider - the secret sauce

Muthoot Finance (MUTHOOT), on the back of vintage (and economies of scale) and strong brand recall, operates with the superior productivity metrics across branch, employee and borrower level (volume and value). This enables the company to be the most operationally efficient gold loan financier in the industry (opex-to-AUM at 2.6%; C/I at 20%). This competitive advantage on unit economics front enables MUTHOOT to offer one of the most competitive lending rates among peers, whilst maintaining strong profitability. Going ahead, we expect this competitive moat to sustain as the industry growth moderates significantly.

- **Execution flywheel:** MUTHOOT has the most superior productivity metrics across the board - in terms of unit tonnage, AUM etc. at branch, employee and borrower level. This is largely driven by vintage (economies of scale) and strong brand recall - customer service (low TAT), along with deep understanding of the business, making the necessary tweaks in policies across cycles.

Exhibit 80: AUM metrics (FY26) – superior for MUTHOOT

	Units	MUTHOOT	MGFL	IIFL
AUM/branch	INR mn	310	139	182
AUM/employee	INR mn	49	16	32
AUM/borrower	INR' 000	240	194	257
Borrowers/branch	x	1,290	715	709
Borrowers/employee	x	203	84	125

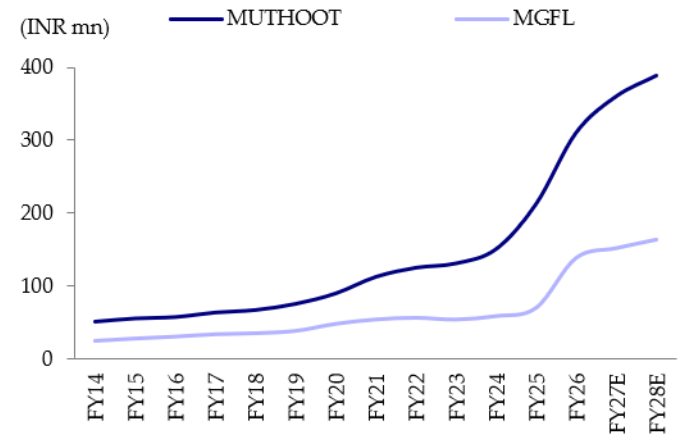
Source: Company, HSIE Research | *Note: IIFL: Assuming ~95% of borrowers as GL borrowers; Total standalone employees of MUTHOOT, MGFL and IIFL*

Exhibit 81: Tonnage metrics (FY26) – superior for MUTHOOT

	Units	MUTHOOT	MGFL	IIFL
Tonnage per branch	Kg	39.5	17.1	21.4
Tonnage per employee	Kg	6.2	2.0	3.8
Tonnage per borrower	gm	30.6	24.0	30.1
Implied gold price*	INR/gm	7,861	8,088	8,525

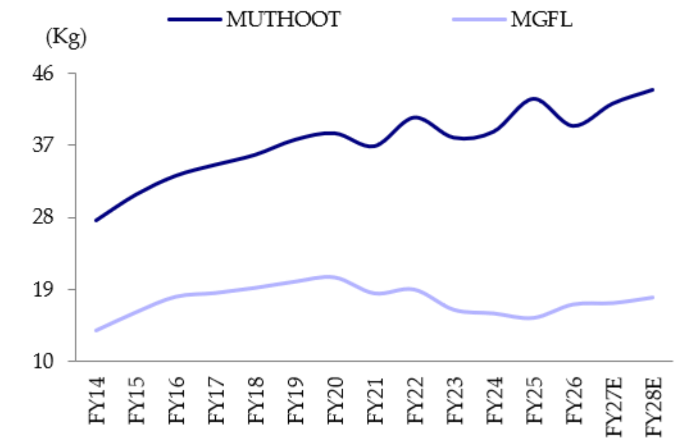
Source: Company, HSIE Research | *Note: * AUM divided by tonnage; MGFL's standalone gold tonnage assumed as gold tonnage proportionate to consolidated GL AUM; IIFL: Assuming ~95% of borrowers as GL borrowers; Total standalone employees of MUTHOOT, MGFL and IIFL*

Exhibit 82: Consistently highest AUM/branch…



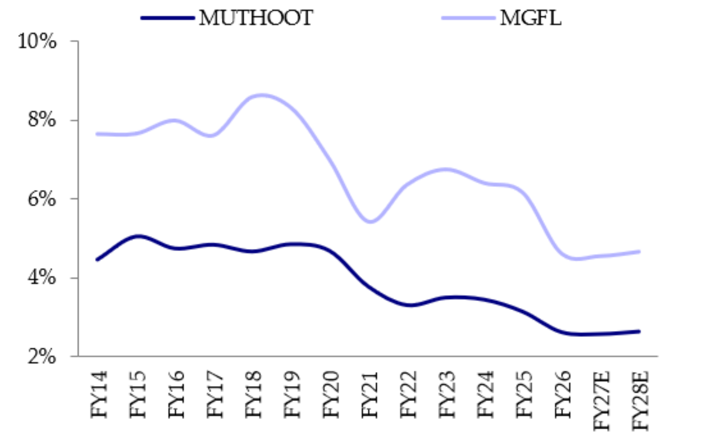
Source: Company, HSIE Research

Exhibit 83: … driven by branch tonnage productivity (Tonnage per branch)



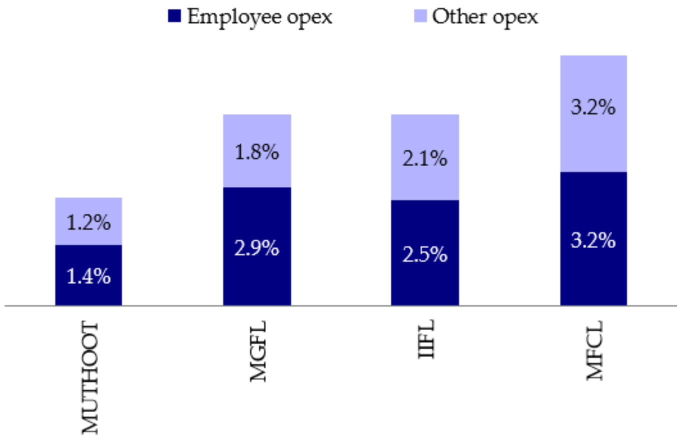
Source: Company, HSIE Research | *Note: MGFL's standalone gold tonnage assumed as gold tonnage proportionate to consolidated GL AUM*

Exhibit 84: Opex-to-AUM – consistently superior for MUTHOOT



Source: Company, HSIE Research

Exhibit 85: Opex-to-AUM ratio (FY26)



Source: Company, HSIE Research

The superior operating efficiency ratios of MUTHOOT are largely an outcome of the superior productivity. As can be seen from the exhibit below, operating expenses incurred at employee level and at branch level for MUTHOOT are higher than those of MGFL.

Exhibit 86: MUTHOOT's operating expenses at unit level (per employee, per branch) are higher than those of MGFL…

Opex metrics	Units	MUTHOOT				MGFL			
		FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Monthly expense/employee	INR' 000	33	37	42	49	26	29	28	31
Depreciation & amortization/branch	INR mn	0.1	0.1	0.1	0.2	0.4	0.5	0.5	0.6
Other opex/branch	INR mn	1.6	1.8	2.0	2.3	1.1	1.2	1.4	1.5
Rentals/branch	INR mn	0.7	0.8	0.8	0.9	0.2	0.2	0.3	0.5
Non-employee, non-rental expenses/branch	INR mn	0.9	1.1	1.2	1.4	0.9	0.9	1.0	1.0
Ads/promotion as % of AUM	bps	21.8	29.5	25.6	26.3	41.7	29.9	30.6	29.8

Source: Company, HSIE Research | *Note: Rentals include rents, rates and taxes and energy costs*

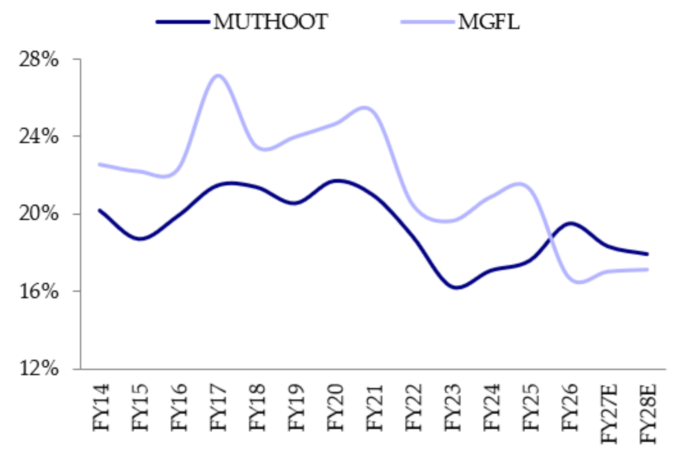
Exhibit 87: … however MUTHOOT's operating expenses as % of AUM are lower than those of MGFL

Opex metrics (% of AUM)	Units	MUTHOOT				MGFL			
		FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Opex to AUM	%	**3.3%**	**3.5%**	**3.4%**	**3.1%**	**6.4%**	**6.7%**	**6.4%**	**6.2%**
Employee expenses	%	1.9%	2.0%	2.0%	1.8%	3.8%	4.3%	3.9%	3.8%
Depreciation & amortization	%	0.1%	0.1%	0.1%	0.1%	0.7%	0.7%	0.7%	0.7%
Other operating expenses	%	1.3%	1.4%	1.4%	1.2%	1.9%	1.8%	1.8%	1.7%
Rentals	%	0.6%	0.6%	0.5%	0.5%	0.2%	0.2%	0.2%	0.3%
Non-employee, non-rental expenses	%	0.7%	0.8%	0.8%	0.8%	1.6%	1.5%	1.6%	1.5%
Ads/promotion	bps	21.8	29.5	25.6	26.3	41.7	29.9	30.6	29.8
Cost to income ratio	%	25%	31%	30%	27%	43%	47%	42%	42%

Source: Company, HSIE Research | *Note: Rentals include rents, rates and taxes and energy costs*

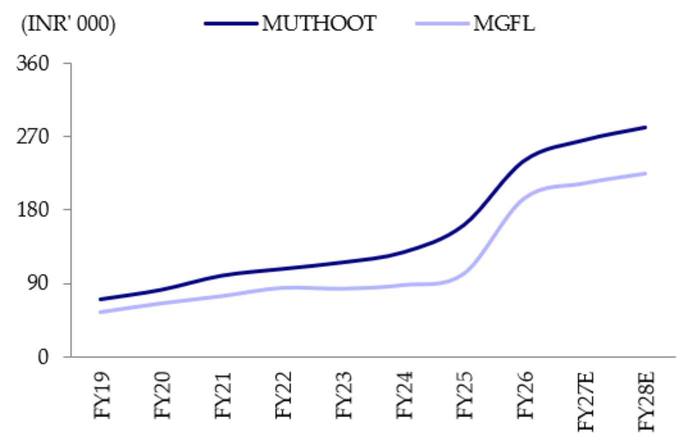
- **Operating efficiencies drive optimal pricing and better customer selection:** MUTHOOT's superior operating efficiency metrics offer a cost advantage to price its loans lower than that of peers to attract better-profile customers (higher ticket sizes), drive loan growth, and maintain strong profitability. Customer selection is reflected in higher customer exposure and higher tonnage per customer.

Exhibit 88: Lowest yields among peers; convergence during FY26



Source: Company, HSIE Research

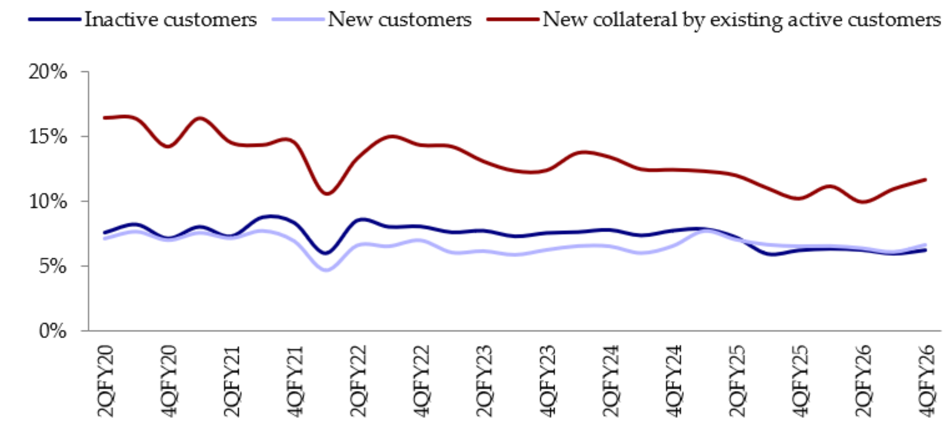
Exhibit 89: Average customer exposure higher than MGFL (GL AUM/borrower)



Source: Company, HSIE Research

- **High share of repeat business:** MUTHOOT has high customer stickiness with steady share of new customers at ~6-7% on a quarterly basis. This drives low CAC at portfolio level, driving lower opex and higher profitability.

Exhibit 90: Steady share of new customers and inactive customers; reducing share of additional collateral by existing customers



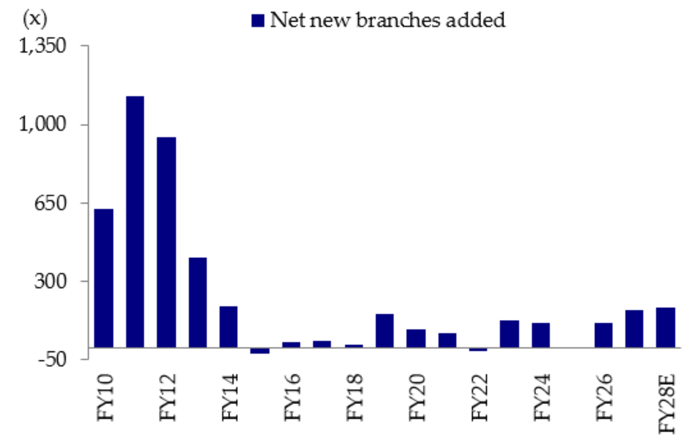
Source: Company, HSIE Research

- **Muted distribution expansion; room for geographic diversification:** MUTHOOT has expanded its distribution network in a moderate manner post RBI's regulations for opening of new branches by GL NBFCs (NBFCs with more than 1,000 GL branches).

  The geographical mix has been stable with ~43%/51% contribution to branches/AUM from non-South branches. With the contribution of Southern states at ~75% for the industry, MUTHOOT's portfolio is relatively more diversified compared to the industry. However, there is still room to increase contribution of non-South states, with increasing acceptability of GL in these states.

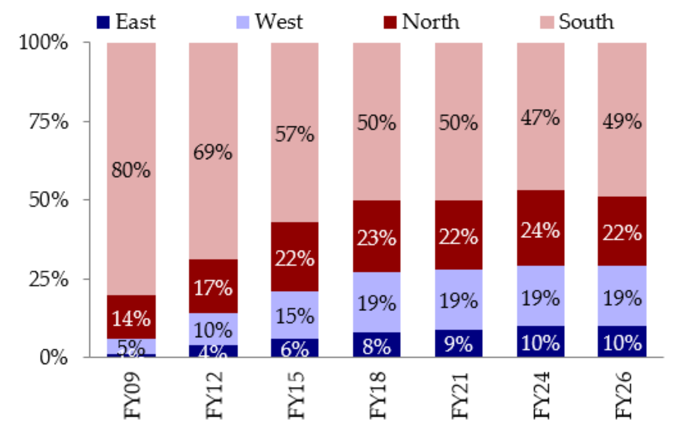
  MUTHOOT is likely to ramp up the branch network post RBI's doing away with approval for opening of new branches and sizable AUM of existing GL branches.

Exhibit 91: Branch additions gradual since FY14



Source: Company, HSIE Research

Exhibit 92: AUM mix largely steady since FY18



Source: Company, HSIE Research

Productivity of non-South branches is higher than those in South due to granular presence in towns and villages in South, compared to largely urban and metro presence in other regions.

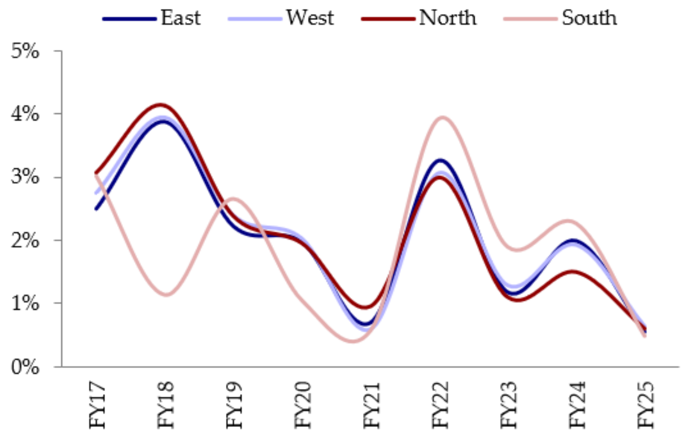
Exhibit 93: Region-wise branch productivity (AUM per branch)

(INR mn)	FY14	FY17	FY20	FY23	FY26
AUM/branch	51	63	89	131	310
East	61	74	115	187	388
West	47	76	106	146	327
North	70	85	121	177	401
South	46	53	73	106	267

Source: Company, HSIE Research

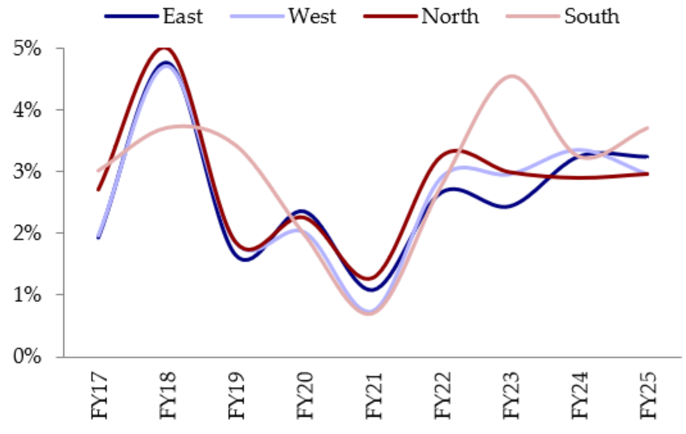
However, the asset quality metrics remain similar across regions.

Exhibit 94: Muted GS II during FY25



Source: Company, HSIE Research

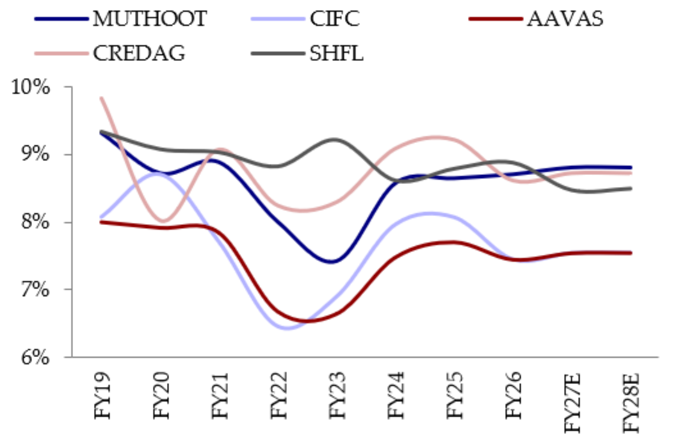
Exhibit 95: High GS III across regions



Source: Company, HSIE Research

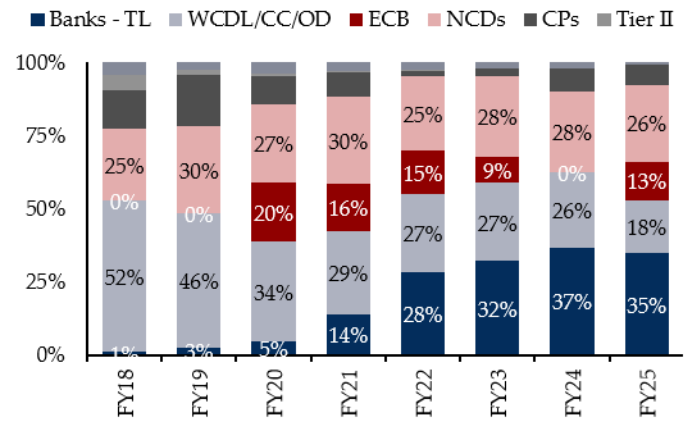
- **Higher cost of funds despite superior credit rating:** MUTHOOT has the highest credit rating among peers (CRISIL AA+ Stable). However, the cost of funds remains higher than other NBFCs such as Vehicle financiers and HFCs with similar ratings, despite higher share of short-term borrowings (due to short tenure loans). This is likely due to ineligibility of PSL status for onlending by Banks for GL or assignment/ securitization.

Exhibit 96: Higher cost of funds vs. AA+ rated vehicle financiers and HFCs



Source: Company, HSIE Research

Exhibit 97: Borrowings mix skewed towards bank borrowings



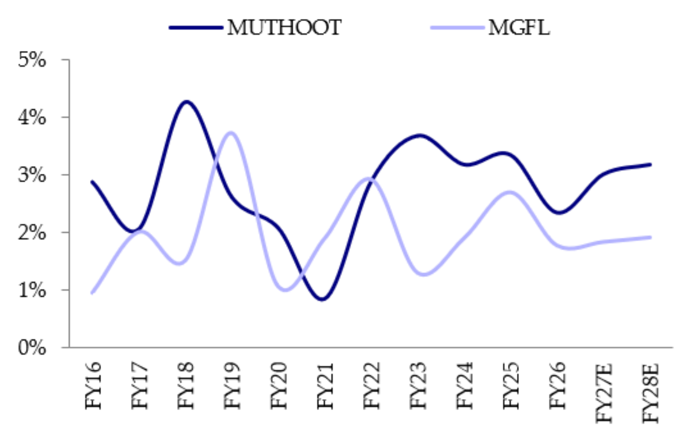
Source: Company, HSIE Research

High GNPA; low LGDs

- **Optically higher GNPA; low LGDs:** MUTHOOT's strategy of offering longer time period to delinquent GL customers for loans regularization before auctioning drives higher GNPA ratio vs. peers. However, the LGDs remain low with recovery rate on auctions at ~91% (including interest accrued) and relatively lower auctions vs. peers. With highly liquid collateral and no access to surplus amount from auctions, lenders need to have a calibrated approach towards gold auctions.

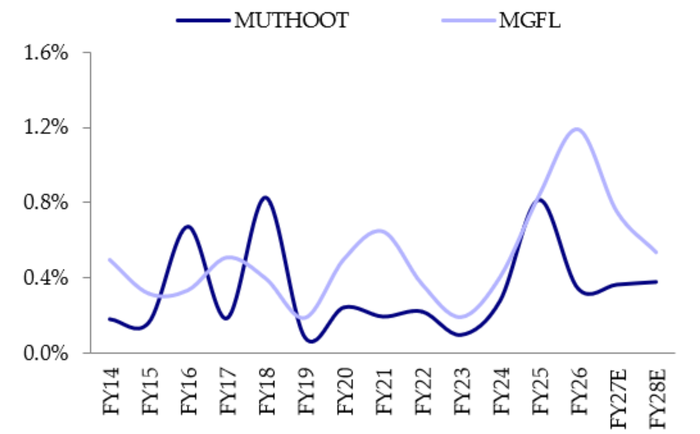
  Credit costs remain subdued are likely to remain range-bound at ~30-40bps (bad debt write-offs at ~8bps), driven by higher standard asset provisioning (~80bps) and non-gold segments.

Exhibit 98: Higher GS III vs. peers



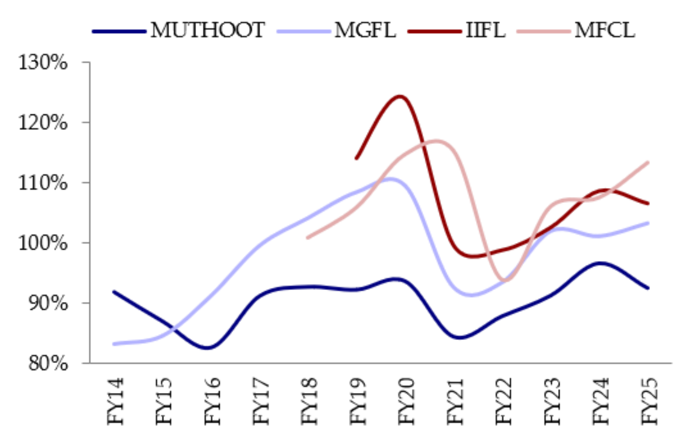
Source: Company, HSIE Research

Exhibit 99: Provisioning expected to remain range-bound



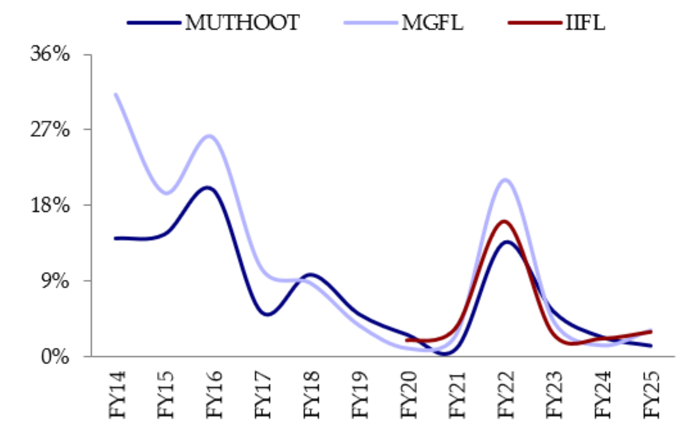
Source: Company, HSIE Research | *Note: IND AS from FY18 onwards; Provisions include standard asset provisioning and NPA provisioning for non-gold segments as well; FY17 provisioning excludes gold price fluctuation risk provisions created by MUTHOOT*

Exhibit 100: Lowest recovery rate probably due to delayed auctions



Source: Company, HSIE Research | Recovery rate = Value fetched in auctions divided by principal plus interest outstanding

Exhibit 101: % of loans auctioned (% of opening GL AUM)

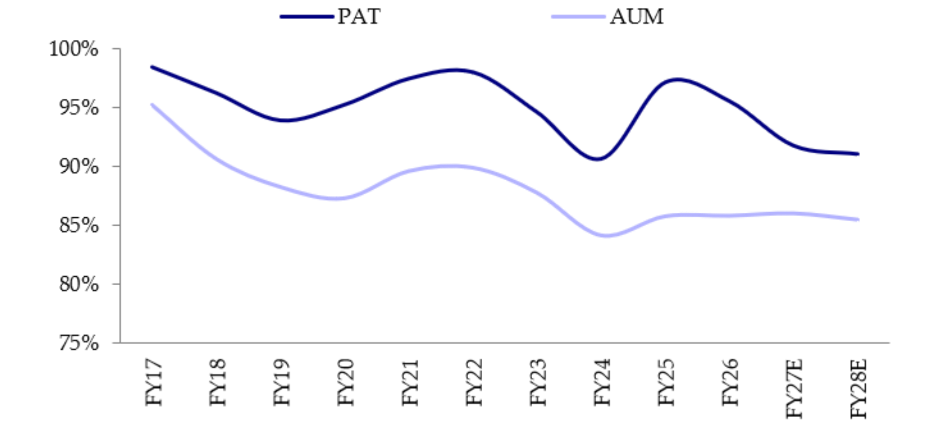


Source: Company, HSIE Research

Diversification to remain a challenge

MUTHOOT has struggled with replicating the success in GL into other lending products such as mortgages, MFI, vehicle finance etc., leading to dilutive returns from non-gold loan segments. The investments in these subsidiaries have been in a protracted manner. Further, MUTHOOT is seeking to scale up GL portfolio in subsidiaries such as Muthoot Money and Belstar Microfinance to drive profitability, driving more concentration towards GL. We expect MUTHOOT's profit pools to remain concentrated around GL with limited diversification in the near to medium term.

Exhibit 102: Share of MUTHOOT in consolidated PAT to remain >90%



Source: Company, HSIE Research

- **Leadership changes at the subsidiaries:** MUTHOOT has initiated leadership changes at its key subsidiaries with new CEO appointments in the last few years to drive higher loan growth and improved profitability.

Exhibit 103: Leadership changes at the subsidiaries

Subsidiary	Name	Designation	Initial Appointment	Years of experience	Previous experience
Muthoot Homefin (India)	Alok Aggarwal	CEO	Jan-23	25 years	MD & CEO - National Trust Housing Finance, EVP & Business Head – Mortgages – Equitas SFB, SVP – HL & Mortgages – Fullerton Home Finance
Belstar Microfinance	Jayaraman Balakrishnan	CEO	Jun-25	39 years	GM – IOB
Muthoot Money	Murali V	CEO	Nov-24	37 years	SBI

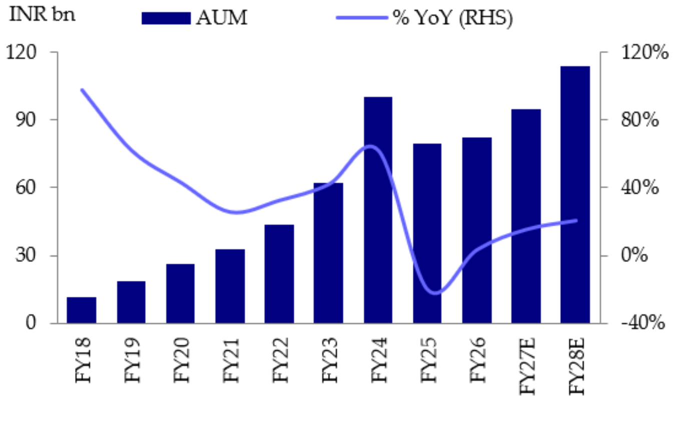
Source: Company, HSIE Research

- **Diversification, but no diversification:** MUTHOOT's diversification beyond GL remains a distant journey with the subsidiaries incrementally focusing on GL as well (GL at ~91% of consolidated AUM). Muthoot Money has pivoted towards gold loans from vehicle finance, while BELSTAR has commenced GL from Apr-25. Asia Asset Finance remains skewed towards GL beyond mortgages.

- **BELSTAR (AUM: INR 82.2 bn; 66% stake): MFI subsidiary – cyclical woes:** Belstar Microfinance (BELSTAR), an NBFC-MFI, is a subsidiary of MUTHOOT with ~66% stake. BELSTAR has a healthy mix of SHG and MFI loans, a key differentiator vs. its MFI peers. While BELSTAR was also impacted during FY25-FY26 MFI crisis, the extent of losses was materially lower than peers such as ASIRVAD, FUSION, SPANDANA etc.

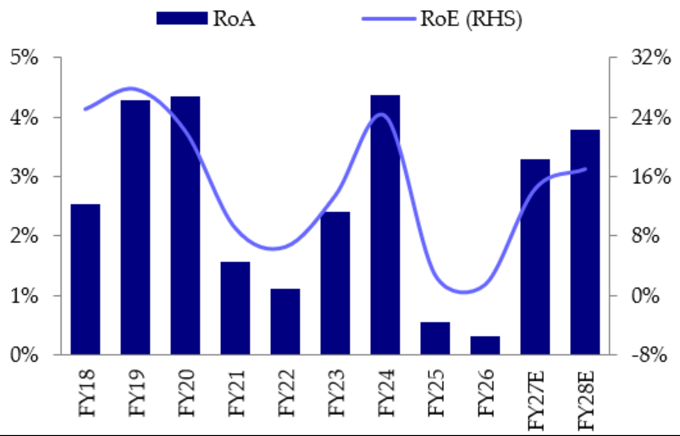
  With RBI's relaxed norms on portfolio mix for NBFC-MFIs (25% of total assets as non-MFI loans), BELSTAR has commenced GL since Apr-25, with INR 1.6bn portfolio as on Mar-26. We expect profitability to revive sharply during FY27E driven by improving disbursements and asset quality. However, the cross-cycle RoE is likely to remain sub-14%.

Exhibit 104: BELSTAR's AUM growth moderated during FY25-FY26



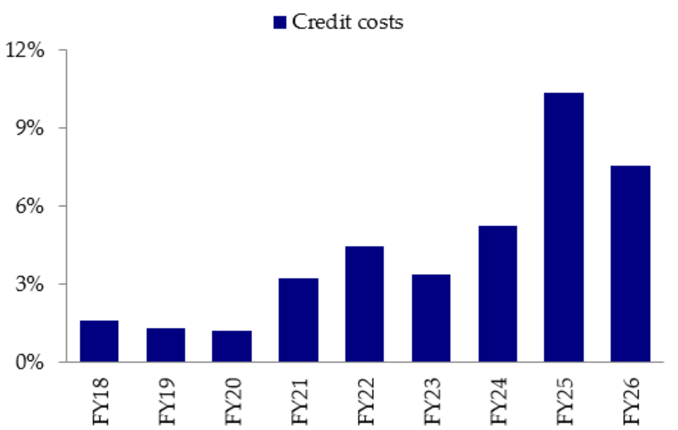
Source: Company, HSIE Research

Exhibit 105: Subdued profitability during FY25-FY26; expected to revive during FY27-FY28E



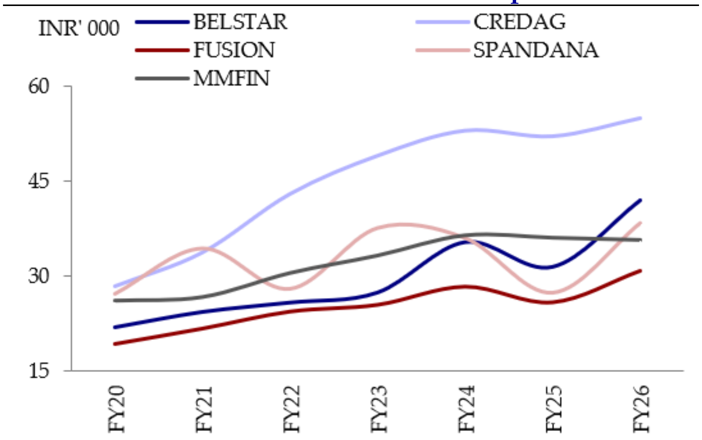
Source: Company, HSIE Research

Exhibit 106: Credit costs spiked during FY25-FY26



Source: Company, HSIE Research

Exhibit 107: AUM/borrower in line with peers

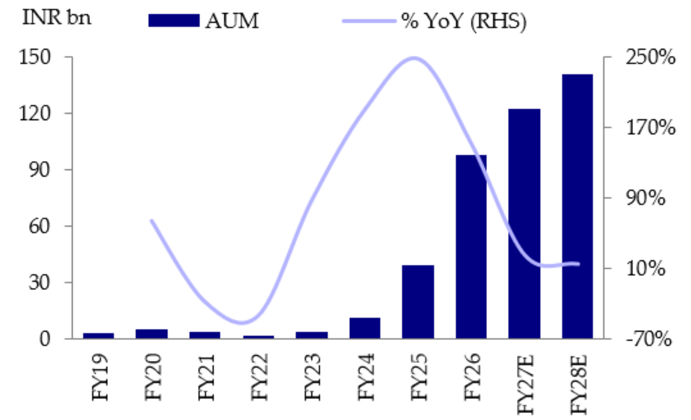


Source: Company, HSIE Research | *Note: Includes only JLG loans*

- **MUTHOOT MONEY (AUM: INR 97.9 bn; 100% stake): vehicle financing NBFC pivoted towards GL:** Muthoot Money, a wholly owned subsidiary of MUTHOOT, was acquired in Oct-18. Initially the company started with vehicle financing (2-wheeler and new and used car loans) but met with limited success due to high opex structure (sub-par productivity) and elevated credit costs.

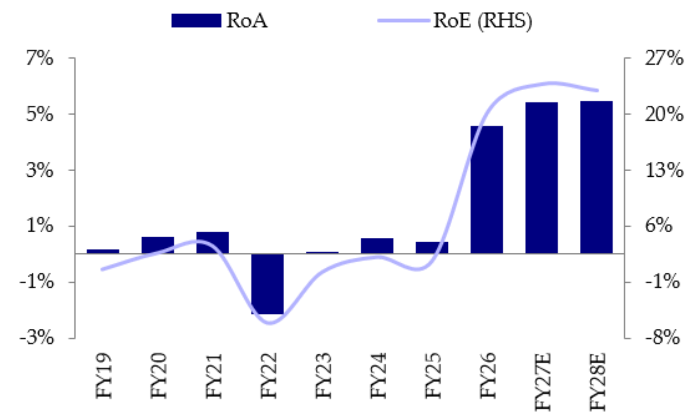
  Since FY22, the company has pivoted towards GL with ~1K branches and AUM of INR 98bn as on Mar-26. The company reported strong profitability during FY26 (RoA of ~4.6%) on the back of strong growth in GL portfolio and is expected to sustain its profitability, with healthy growth in the near-term.

Exhibit 108: Strong AUM growth during FY25-FY26



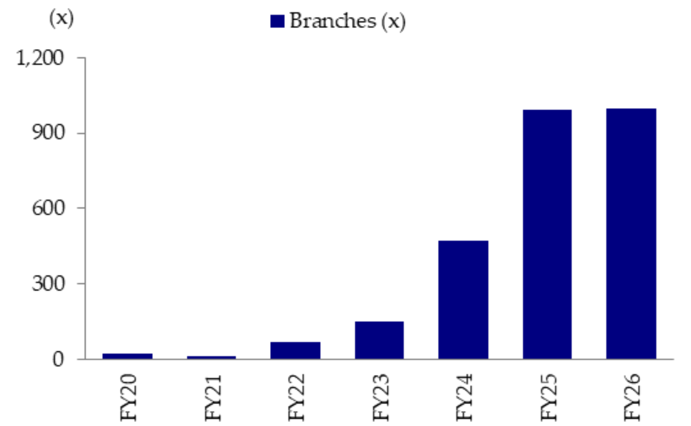
Source: Company, HSIE Research

Exhibit 109: Sharp reflation in profitability; expected to sustain



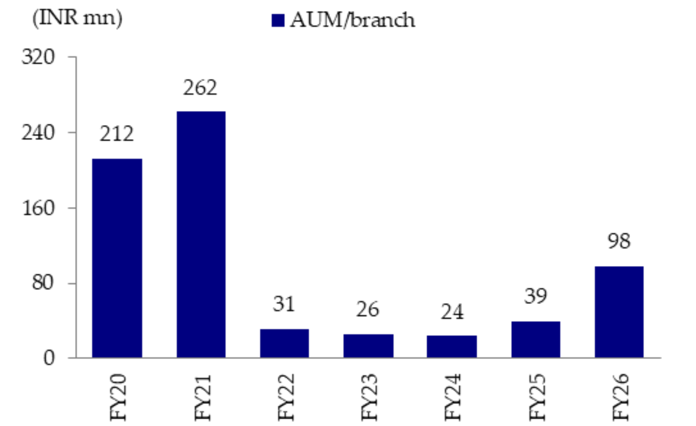
Source: Company, HSIE Research

Exhibit 110: Sharp ramp up in branches during FY24-FY25



Source: Company, HSIE Research

Exhibit 111: Branch productivity gradually improving post pivot from vehicles to GL



Source: Company, HSIE Research

Exhibit 112: Productivity metrics of MUTHOOT MONEY vs. MUTHOOT and MGFL for GL (Mar-26)

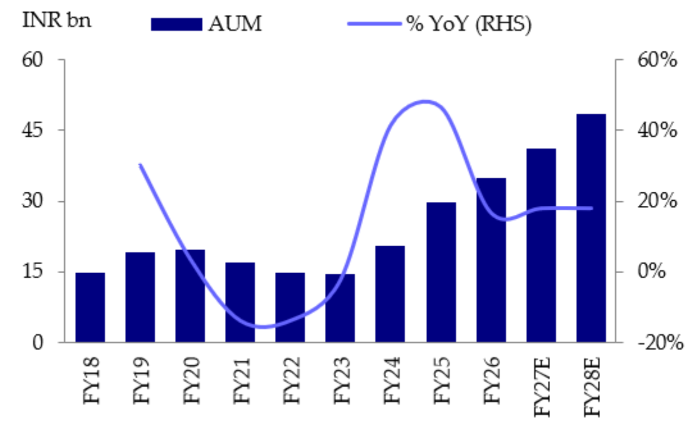
FY26 (Gold loans)	Units	MUTHOOT	MGFL	MUTHOOT MONEY
AUM/branch	INR mn	310	139	97
Tonnage/branch	Kg	39	16	12
AUM/borrower	INR' 000	240	194	208
Tonnage/borrower	gm	30.6	24.0	25.6

Source: Company, HSIE Research | *Note: MGFL's standalone gold tonnage assumed as gold tonnage proportionate to consolidated GL AUM*

- **HFC subsidiary – protracted progress:** Muthoot Homefin is a wholly owned subsidiary of MUTHOOT, acquired in FY16. Focused on affordable housing segment (average yield of ~13%; ~30% non-housing loans), predominantly in West (MH, GJ, RJ etc.), the company has faced several challenges such as asset quality during FY20-FY23 and sub-par productivity (AUM/branch of INR ~200mn; >50% lower than peers), leading to poor opex ratios and subsequently profitability.

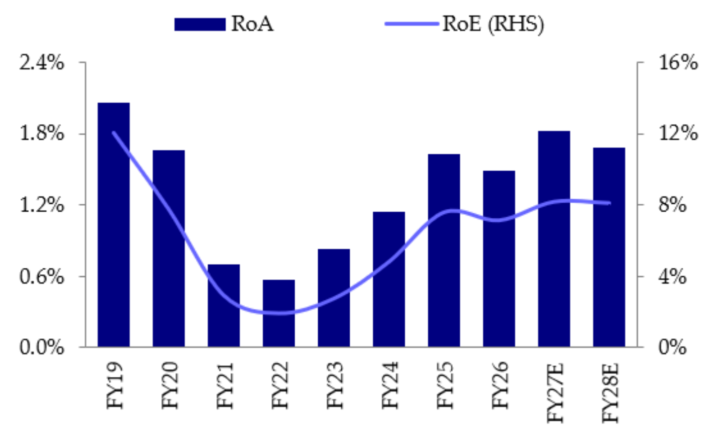
  We expect the HFC entity to scale up in a protracted manner going ahead.

Exhibit 113: AUM growth picked up during FY25-FY26



Source: Company, HSIE Research

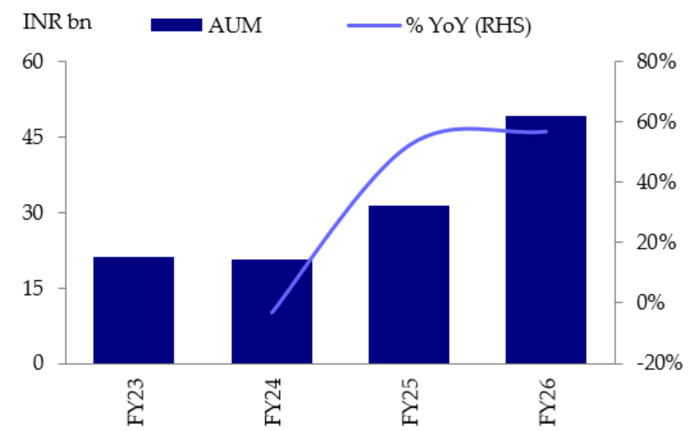
Exhibit 114: Profitability likely to remain subdued



Source: Company, HSIE Research

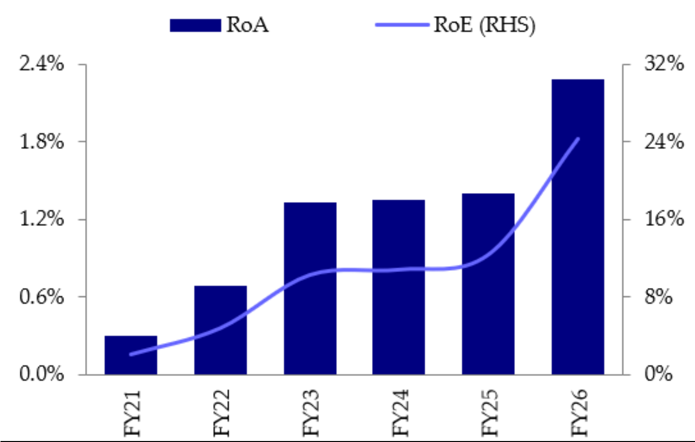
- **Asia Asset Finance PLC:** Asia Asset Finance PLC is a subsidiary of Muthoot Finance, based in Sri Lanka, focusing predominantly on GL, mortgages and vehicle leasing.

Exhibit 115: Strong loan growth during FY25-FY26



Source: Company, HSIE Research

Exhibit 116: Improving profitability



Source: Company, HSIE Research

Exhibit 117: Peer comparison

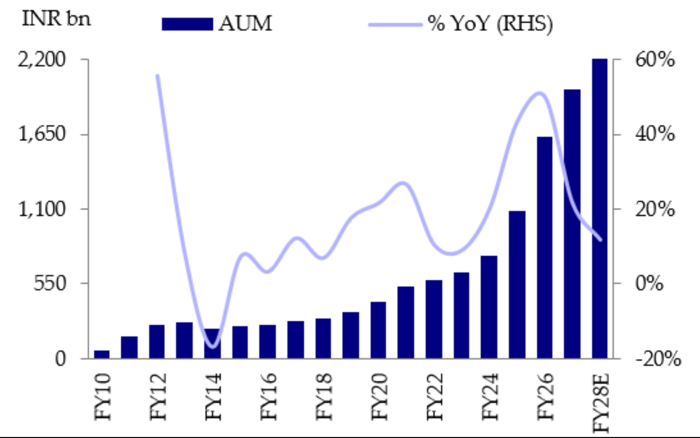
FY26	Units	MUTHOOT	MGFL	IIFL
AUM	INR bn	1,628	560	576
GL AUM	INR bn	1,541	488	526
PAT	INR bn	101	15	12
Growth (% YoY)				
AUM	%	50%	69%	109%
GL AUM	%	50%	98%	150%
Borrowers	%	1%	3%	54%
Tonnage	%	-6%	11%	49%
GL AUM/borrower	%	49%	92%	63%
Margins				
Yield on advances	%	19.5%	16.7%	20.4%
Cost of funds	%	8.7%	7.8%	10.3%
Spread	%	10.8%	8.9%	10.1%
NIM	%	11.4%	8.9%	8.3%
Cost efficiency				
Cost-to-income	%	20%	44%	47%
Opex-to-AUM	%	2.6%	4.6%	4.6%
Employee opex-to-AUM	%	1.4%	2.9%	2.5%
Other opex/branch (annualized)	INR mn	3.2	2.2	3.1
Monthly expense/employee	INR' 000	54	34	57
Employees per branch	x	6.4	8.5	5.7
Portfolio mix				
% non-gold loans (Standalone)	%	5%	13%	9%
% non-gold loans (Consolidated)	%	9%	20%	51%
Productivity (Gold loans)				
AUM/branch	INR mn	310	139	182
AUM/employee*	INR mn	49	16	32
AUM/borrower**	INR' 000	240	194	257
# Borrowers/branch	x	1,290	715	709
# Borrowers/employee	x	203	84	125
Tonnage per branch	Kg	39.5	17.1	21.4
Tonnage per employee	Kg	6.2	2.0	3.8
Tonnage per borrower	gm	30.6	24.0	30.1
Implied gold price***	INR/gm	7,861	8,088	8,525
Asset Quality				
GS III	%	2.3%	1.8%	1.3%
NS III	%	2.1%	1.6%	0.6%
GS II	%	0.7%	2.0%	2.0%
PCR - Stage III	%	13%	14%	57%
Credit costs	%	0.3%	1.2%	2.3%
LTV - Gold loans****	%	58%	60%	63%
Recovery rate (auctions)*****	%	92%	103%	106%
Frauds as % of PBT*****	%	0.1%	2.1%	NA
(% of average assets)				
Interest earned	%	18.0%	14.2%	15.8%
Interest expended	%	6.6%	5.6%	8.0%
Net interest income	%	11.4%	8.6%	7.7%
Non-interest income	%	0.4%	0.1%	2.5%
Operating expenses	%	2.4%	3.8%	4.8%
Pre-provisioning profit	%	9.4%	4.8%	5.5%
Provisions	%	0.3%	1.0%	1.8%
PBT	%	9.1%	3.8%	3.7%
ROAA	%	**6.7%**	**2.8%**	**2.8%**
Assets/Equity	x	4.6	3.9	5.8
RoAE	%	**30.6%**	**11.0%**	**16.4%**

Source: Company, HSIE Research | Note: Standalone performance; * Total standalone employees; **IIFL: GL borrowers assumed as ~95% of total borrowers; *** Implied gold price = AUM divided by tonnage; **** Based on year-end 22 carat gold closing price; ***** metrics for FY25

Best-in-class GL franchise; growth to moderate

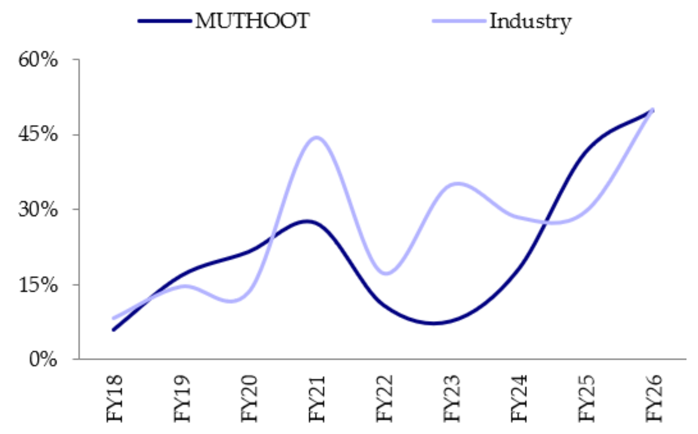
- **Best-in-class GL franchise:** MUTHOOT continues to remain best-in-class GL franchise with strong profitability metrics. However, MUTHOOT's journey towards a diversified franchise remains distant, despite several efforts over the last decade (MFI, HFC, vehicle financing, unsecured loans etc.). Further, we expect the strong profitability to moderate during FY27-FY28E with moderation in yields and loan growth.
- **Steady growth post moderation from current levels**: MUTHOOT has delivered ~45% GL AUM CAGR during FY25-FY26 on the back of rising gold prices, augmented by customer acquisitions (~6% CAGR). With LTV at comfortable levels (~59%), there is visibility of healthy loan growth in the near-term. However, we expect the loan growth to moderate to ~16% CAGR during FY27-FY28E, with incremental growth driven by tonnage.

Exhibit 118: AUM growth to moderate in the near-term



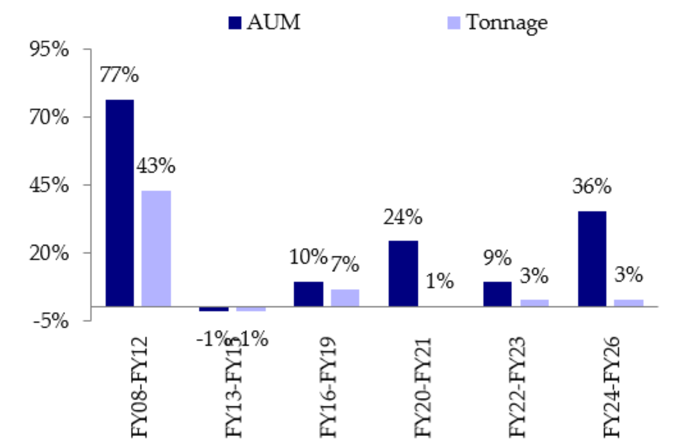
Source: Company, HSIE Research

Exhibit 119: MUTHOOT has recouped some market share losses during FY21-FY24



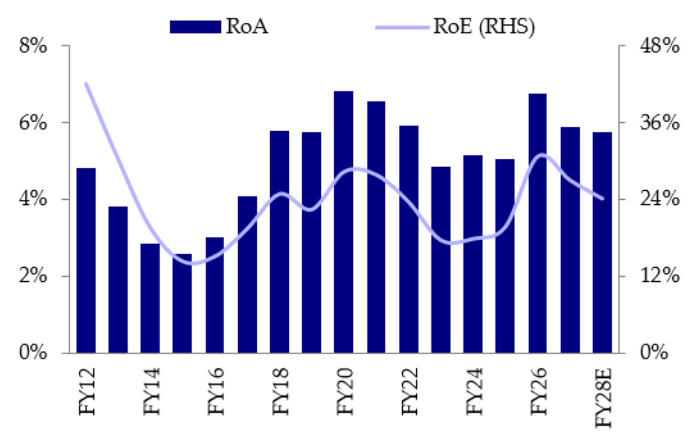
Source: CRIF Highmark, Company, HSIE Research

Exhibit 120: AUM growth vs. tonnage growth for MUTHOOT (CAGR)



Source: Company, HSIE Research

Exhibit 121: Strong profitability; marginal moderation ahead



Source: Company, HSIE Research

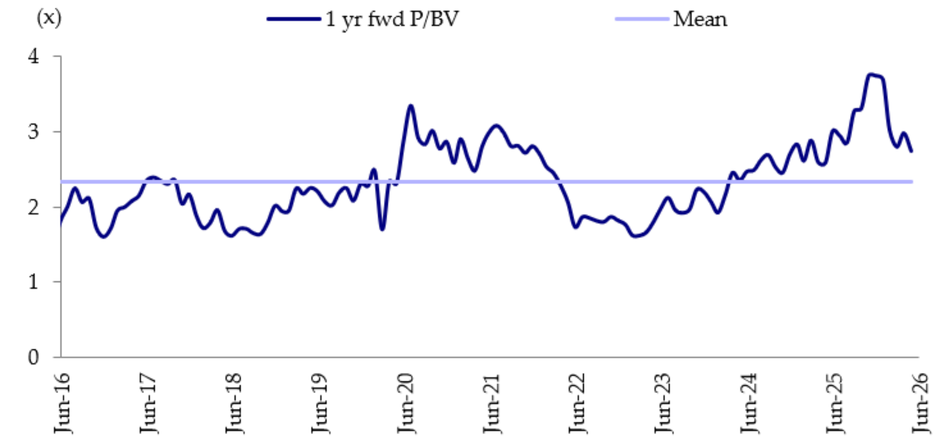
We initiate coverage on MUTHOOT with an ADD and SoTP-based TP of INR 3,020 per share (standalone entity at implied 2.2x Mar-28 ABVPS; ~39% premium to MGFL; 45% discount to CIFC).

Exhibit 122: SoTP-based valuation indicates limited upside from current levels

SoTP valuation	Value (INR bn)	% Stake	Total (INR bn)	per share (INR)	% of TP	Valuation methodology
MUTHOOT (standalone, Mar-28 ABV)	1,131	100%	1,131	2,817	93%	RI-based
Belstar Microfinance	30	66%	20	49	2%	RI-based (implying 1.3x Mar-28 ABVPS)
Muthoot Homefin	9	100%	9	23	1%	1.1x Mar-28 ABVPS
Muthoot Insurance Brokers	4	100%	4	11	0%	10x FY28 EPS
Muthoot Money	50	100%	50	125	4%	1.4x Mar-28 ABVPS
Asia Asset Finance PLC	3	73%	2	5	0%	1.2x Mar-28 BVPS
Total value of subsidiaries			**86**	**213**	**7%**	
Less: Holding company discount			4	11	0%	20% Hold co discount for non-wholly owned subsidiaries
Total SoTP valuation			**1,212**	**3,020**	100%	

Source: Company, HSIE Research

Exhibit 123: MUTHOOT trading at ~5% above 10-year mean P/BV



Source: Bloomberg, HSIE Research

Financials (Standalone)

Income Statement

(INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest earned	103,686	124,476	168,770	270,665	336,487	384,783
Interest expended	36,991	46,548	64,288	99,410	133,415	150,537
Net interest income	**66,695**	**77,928**	**104,482**	**171,255**	**203,072**	**234,246**
Other income	1,751	2,465	2,789	5,334	5,961	6,752
Total income	68,446	80,393	107,271	176,589	209,033	240,998
Operating expenditure	21,177	23,927	28,898	35,435	46,168	54,930
Pre-provisioning operating profit	**47,270**	**56,466**	**78,373**	**141,153**	**162,865**	**186,069**
Non-tax provisions	605	1,978	7,667	4,698	6,605	8,002
Profit before tax	46,664	54,488	70,706	136,455	156,260	178,067
Share of net profit of associates and joint ventures	0	0	0	0	0	0
Exceptional gain/(loss)	0	0	0	0	0	0
Tax expenditure	11,929	13,991	18,698	35,114	39,378	44,873
Profit attributable to non-controlling interests	0	0	0	0	0	0
Reported Profit after tax	34,735	40,497	52,008	101,341	116,883	133,194
Adjusted Profit after tax	**34,735**	**40,497**	**52,008**	**101,341**	**116,883**	**133,194**

Source: Company, HSIE Research

Balance Sheet

(INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Share capital	4,014	4,015	4,015	4,015	4,015	4,015
Reserves and surplus	206,585	238,877	280,356	373,410	486,124	611,431
Net worth	210,619	242,903	284,375	377,424	490,139	615,446
Borrowings	497,343	587,831	898,198	1,384,431	1,643,638	1,773,380
Other liabilities and provisions	18,236	19,551	29,915	37,590	49,311	55,245
Total equity and liabilities	**726,198**	**850,284**	**1,212,488**	**1,799,445**	**2,183,088**	**2,444,071**
Cash and cash equivalents	64,612	50,459	71,912	117,066	100,193	95,191
Investments	13,169	22,683	44,991	38,546	78,232	105,259
Advances	642,649	770,014	1,086,810	1,616,021	1,972,435	2,209,802
Fixed assets	3,392	4,384	4,925	5,244	6,030	6,935
Other assets	2,377	2,744	3,851	22,568	26,197	26,885
Total assets	**726,198**	**850,284**	**1,212,488**	**1,799,445**	**2,183,088**	**2,444,071**

Source: Company, HSIE Research

Key Ratios

	FY23	FY24	FY25	FY26	FY27E	FY28E
VALUATION RATIOS						
EPS	87	101	130	252	291	332
Earnings Growth (%)	-12.2%	16.6%	28.4%	94.9%	15.3%	14.0%
BVPS (ex reval.)	502	563	652	853	1,134	1,446
Adj. BVPS (ex reval. & 100% cover)	448	508	577	771	1,006	1,295
ROAA (%)	4.9%	5.1%	5.0%	6.7%	5.9%	5.8%
ROAE (%)	17.6%	17.9%	19.7%	30.6%	26.9%	24.1%
P/E (x)	33.8	29.0	22.6	11.6	10.1	8.8
P/ABV (x)	6.5	5.8	5.1	3.8	2.9	2.3
P/PPOP (x)	26.6	22.3	16.1	8.9	7.7	6.8
Dividend yield (%)	0.7%	0.8%	0.8%	1.0%	1.3%	1.5%
PROFITABILITY (%)						
Yield on Advances (%)	16.2%	17.0%	17.6%	19.5%	18.3%	17.9%
Cost of Funds (%)	7.4%	8.6%	8.7%	8.7%	8.8%	8.8%
Core Spread (%)	8.8%	8.5%	8.9%	10.8%	9.5%	9.1%
NIM (%)	9.3%	9.9%	10.1%	11.4%	10.3%	10.2%
OPERATING EFFICIENCY						
Cost to average AUM ratio (%)	3.5%	3.4%	3.1%	2.6%	2.6%	2.6%
Cost-income ratio (%)	30.9%	29.8%	26.9%	20.1%	22.1%	22.8%
BALANCE SHEET STRUCTURE RATIOS						
Loan growth (%)	8.2%	19.8%	41.1%	48.7%	22.1%	12.0%
AUM growth (%)	8.9%	20.0%	43.3%	49.9%	21.4%	11.7%
Borrowing growth (%)	-0.2%	18.2%	52.8%	54.1%	18.7%	7.9%
Debt/Equity (x)	2.4	2.4	3.2	3.7	3.4	2.9
Equity/Assets (%)	29.0%	28.6%	23.5%	21.0%	22.5%	25.2%
Equity/Loans (%)	32.8%	31.5%	26.2%	23.4%	24.8%	27.9%
Total Capital Adequacy Ratio (CAR) (%)	31.8%	30.4%	23.7%	20.8%	21.2%	23.6%
Tier I CAR (%)	31.0%	29.6%	23.0%	19.8%	20.8%	23.3%
ASSET QUALITY						
GS III (INR mn)	23,986	24,845	37,004	38,239	59,694	71,324
NS III (INR mn)	21,521	21,970	30,367	33,225	51,555	60,795
Slippages (%)	3.6%	2.8%	3.1%	2.5%	3.1%	3.2%
GS III (%)	3.7%	3.2%	3.4%	2.3%	3.0%	3.2%
NS III (%)	3.3%	2.9%	2.8%	2.1%	2.6%	2.8%
Coverage Ratio (%)	10.3%	11.6%	17.9%	13.1%	13.6%	14.8%
Provision/AUM (%)	0.1%	0.3%	0.8%	0.3%	0.4%	0.4%
Provision/Gross advances (%)	0.1%	0.3%	0.8%	0.3%	0.4%	0.4%
(% of average assets)						
Interest earned	14.5%	15.8%	16.4%	18.0%	16.9%	16.6%
Interest expended	5.2%	5.9%	6.2%	6.6%	6.7%	6.5%
Net interest income	**9.3%**	**9.9%**	**10.1%**	**11.4%**	**10.2%**	**10.1%**
Non-interest income	0.2%	0.3%	0.3%	0.4%	0.3%	0.3%
Operating expenses	3.0%	3.0%	2.8%	2.4%	2.3%	2.4%
Pre-provisioning profit	6.6%	7.2%	7.6%	9.4%	8.2%	8.0%
Non-tax provisions	0.1%	0.3%	0.7%	0.3%	0.3%	0.3%
Others	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provision for tax	1.7%	1.8%	1.8%	2.3%	2.0%	1.9%
ROAA	**4.9%**	**5.1%**	**5.0%**	**6.7%**	**5.9%**	**5.8%**
Average assets/Average equity (x)	3.6	3.5	3.9	4.6	4.6	4.2
ROAE	**17.6%**	**17.9%**	**19.7%**	**30.6%**	**26.9%**	**24.1%**

Source: Company, HSIE Research

Manappuram Finance

Transition underway; uphill task to profitability

Manappuram Finance (MGFL) is in transition phase with a new co-promoter – Bain Capital - seeking to steer the franchise towards improved growth and profitability. MGFL has been one of the leading GL NBFCs with strong cross-cycle profitability in the past (RoE of ~18%), with focus on small ticket size (ATS of sub-INR 60K until FY25), high yields (~20%+) and shorter-tenures. MGFL has now pivoted towards higher ticket size and longer tenure loans to arrest market share loss. However, compression in yields has taken a dent on profitability, which remains a key monitorable. Further, despite AUM diversification the diversification of profit pools beyond GL has been protracted with limited success in non-gold businesses. Appointment of a new CEO post the sudden exit of the earlier CEO in a short period remains a near-term overhang. We initiate on MGFL with REDUCE and SoTP-based TP of INR 310 (standalone entity at implied 1.6x Mar-28 ABVPS; ~28% discount to MUTHOOT).

- **Growth capital in place; leadership transition WIP:** Equity capital infusion by Bain Capital is likely to provide fresh impetus to steady state growth in the core GL segment and efforts to turnaround other businesses (vehicle, MSME, MFI, HFC etc.). Under the terms of the agreement, Bain Capital would have active role in strategic decisions and SMP appointments across businesses. MGFL has already engineered leadership changes along with other key changes in the subsidiaries.
- **Pivot in GL model to arrest market share loss**: MGFL's focus on short-tenure GL (~3 months) post 2012-14 had led to higher opex ratios due to high churn and lower portfolio (and tonnage) growth. It also led to chasing higher yields (and lower ticket sizes) to maintain healthy profitability. The pivot towards longer-tenure (~12 months) and higher ticket sizes, although at lower yields is likely to augment loan growth, although this shift has disrupted profitability in the near-term.
- **Non-gold businesses – sub-par so far, room for improvement**: MGFL's non-gold businesses - vehicle finance, MSME, MFI and HFC have delivered subdued operating performance, with limited scale-up over the last decade. While the improving credit environment and stricter underwriting norms are likely to drive better performance during FY27-FY28E, structural concerns around steady-state profitability remain.
- **New CEO appointment near-term overhang; uphill journey ahead**: MGFL has partly addressed the concerns around succession with a new co-promoter, while the appointment of a new CEO remains a near-term overhang. This has accelerated further leadership changes across businesses, along with some strategy shifts. While loan growth is likely to moderate with consolidation in gold prices, competitive loan pricing is likely to drive higher steady state growth. However, sustaining high profitability amidst sharp moderation in yields in GL and meaningful turnaround in non-gold businesses is likely to remain an uphill journey.

Financial summary (Standalone)

Y/E Mar (INR bn)	FY23	FY24	FY25	FY26	FY27E	FY28E
NII	32.6	38.9	44.9	45.9	62.5	73.3
PPOP	17.5	23.3	26.4	25.7	34.9	40.5
PAT	12.7	16.6	17.8	15.2	22.7	27.5
EPS (INR)	15.0	19.6	21.1	16.2	24.1	26.6
ROAE (%)	15.0	17.2	16.1	11.0	13.5	14.0
ROAA (%)	4.5	5.2	4.8	2.8	3.1	3.2
ABVPS (INR)	89.5	99.7	112.6	136.4	143.0	166.0
P/ABV (x)	3.3	3.0	2.6	2.2	2.1	1.8
P/E (x)	19.7	15.1	14.0	18.2	12.2	11.1

Source: Company, HSIE Research

REDUCE

CMP *(as on 06 Jul 2026)*	INR 346
Target Price	INR 310
NIFTY	24,430

KEY STOCK DATA	
Bloomberg code	MGFL IN
No. of Shares (mn)	939
MCap (INR bn) / ($ mn)	325/3,408
6m avg traded value (INR mn)	1,536
52 Week high / low	INR 349/245

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	33.1	12.3	25.1
Relative (%)	27.5	20.2	31.3

SHAREHOLDING PATTERN (%)	Dec-25	Apr-26
Promoters	31.8	41.7
FIs & Local MFs	13.1	13.0
FPIs	23.2	23.4
Public & Others	32.0	22.0
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

Deepak Shinde
deepak.shinde@hdfcsec.com
+91-22-6171-7323

Krishnan ASV
venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Ayush Pandit
ayush.pandit@hdfcsec.com
+91-22-6171-7366

New co-promoter: fresh capital; revamped leadership

- **Growth capital in place; leadership transition WIP:** Preferential allotment of equity shares and warrants to Bain Capital for INR 43.8bn (~18% of post-issue share capital) in Mar-26, post all regulatory and statutory approvals, provides significant growth capital to MGFL. Bain Capital will have the right to appoint the SMPs along with a role in strategic decision making. MGFL has already engineered leadership changes along with other key changes in the subsidiaries.

Exhibit 124: Key changes in the senior management since announcement of Bain Capital deal

Name	Designation	Initial Appointment	Years of experience	Previous experience
Mr. Buvanesh Tharashankar	Chief Financial Officer	Dec-25	30 years	RBL Bank - CFO, Jana SFB - CFO, Citi India & Global
Mr. Ashish N Chandak	Chief Compliance Officer	Dec-25	30 years	Yes Bank – Chief Compliance Officer
Mr. Sanjay Nambiar	General Counsel	Dec-25	31 years	Yes Bank, ICICI Bank, IDBI Bank
Mr. G D Manoj Pasangha	CEO - Asirvad Microfinance	Oct-25	22 years	Deputy CEO - Samasta Microfinance, COO - Bharat Financial, EVP - ING Life India
Mr. Rakesh Sharma	CEO - Manappuram Home Finance	Mar-26	23 years	CEO - Tyger Capital, MD & CEO - Cent Housing, AAVAS, IIFL, CITI Financial, ICICI HFC

Source: Company, HSIE Research

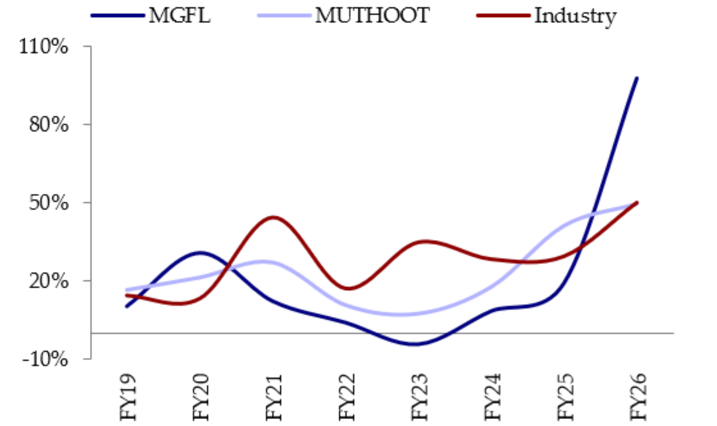
- **Leadership transition WIP; business execution underway:** MGFL's leadership transition has hit a temporary blip with the resignation of Mr. Deepak Reddy as CEO, within a year of his appointment. With Bain Capital's active role in leadership appointments, a new CEO search is underway post which Mr. V. P. Nandakumar is likely to transition to Non-executive Chairman after being at the helm in an executive position since the company's inception in 1992.

Gold loans – efforts to arrest market share loss

MGFL is focusing on recouping the lost market share in GL during FY21-FY25, driven by elevated competitive intensity from Banks and challenger NBFCs (IIFL, CAPRI, BAF etc.). Being focused on short-tenure GL (mostly 3 months) post 2012-14 crisis, MGFL had a handicap of high opex intensity due to high churn, driving shift towards higher yielding (and lower ticket size) loans to sustain high profitability. MGFL has pivoted towards higher-ticket size loans, with sharp drop in yields (by ~340bps) to drive loan growth in GL in FY26 (+98% YoY). However, MGFL has to drive improved operational efficiency to offset lower yields, which amidst elevated competitive intensity, remains a key monitorable.

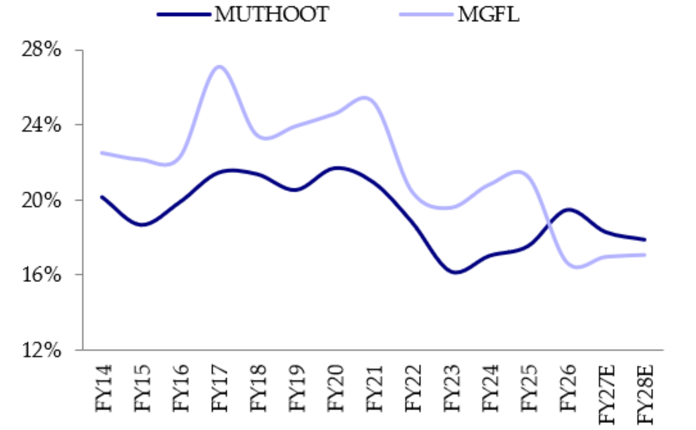
- **Focus on arresting market share loss:** MGFL has lost market share particularly since pandemic, with rapid growth acceleration by MUTHOOT, challenger NBFCs and PSBs. This could be attributed to limited expansion in distribution network, sustained focus on lower ticket size (and higher yields) and short-tenure loans and elevated competitive intensity by peers through aggressive pricing, superior customer service (low TAT) etc.

Exhibit 125: MGFL's GL growth lower than industry loan growth during FY21-FY25



Source: CRIF Highmark, Company, HSIE Research

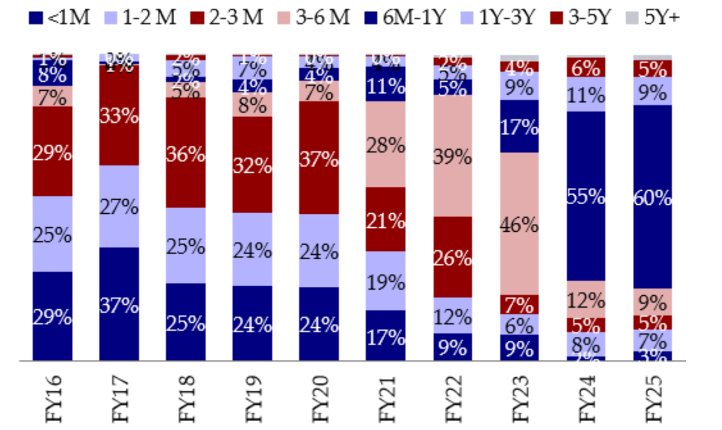
Exhibit 126: Significant moderation in yields



Source: Company, HSIE Research | *Note: IND AS from FY18 onwards*

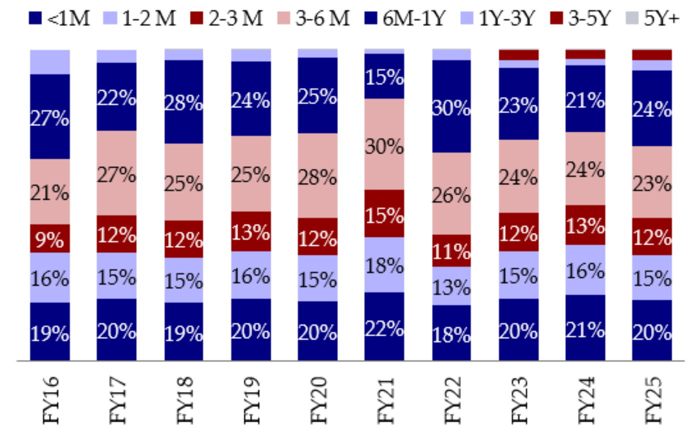
- **Key pain points – lower volume throughput, limited distribution expansion:** MGFL's short-tenure loans had led to high churn leading to sub-par volume throughput (at customer level) compared to peers. This was further exacerbated by limited expansion in branch network (partly due to RBI approval related). Further, the focus on higher yields had led to inferior customer acquisition (lower unit tonnage vs. peers). These factors, along with drag from sub-scale non-gold businesses (vehicle finance, MSME etc.) contribute to higher opex ratios and lower GL growth.

Exhibit 127: MGFL's loans maturity pattern indicates pivot towards longer tenure loans



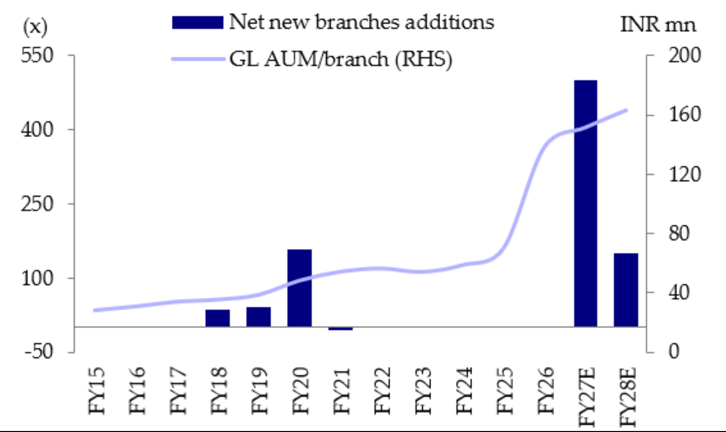
Source: Company, HSIE Research | *Note: Contractual maturity pattern*

Exhibit 128: MUTHOOT's loans maturity pattern



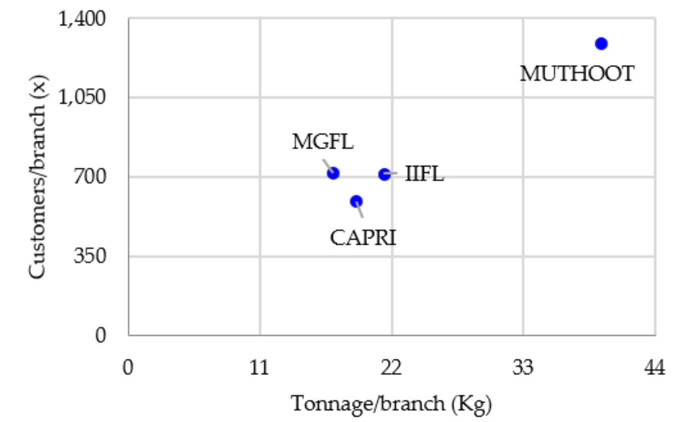
Source: Company, HSIE Research | *Note: Behavioral maturity pattern for GL; contractual maturity for other loans*

Exhibit 129: Muted branch additions; branch throughput uptick only in FY26



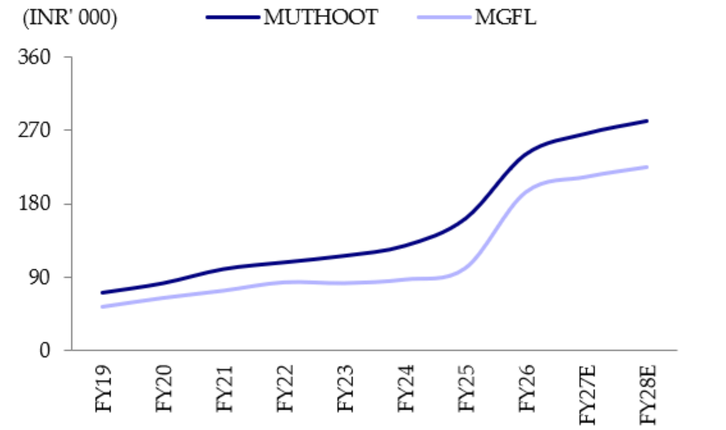
Source: Company, HSIE Research

Exhibit 130: Muted branch productivity vs. peers (FY26)



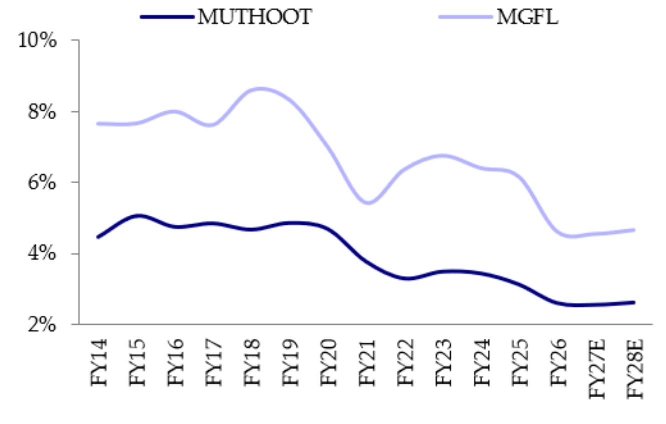
Source: Company, HSIE Research | *Note: IIFL: Assuming ~95% of borrowers as GL borrowers; MGFL's standalone gold tonnage assumed as gold tonnage proportionate to consolidated GL AUM*

Exhibit 131: Average customer exposure consistently below MUTHOOT (GL AUM/customer)



Source: Company, HSIE Research

Exhibit 132: Opex to AUM wedge between MUTHOOT and MGFL likely to sustain



Source: Company, HSIE Research

Exhibit 133: MGFL's operating expenses at unit level (per employee, per branch) are lower than those of MUTHOOT…

Opex metrics	Units	MGFL				MUTHOOT			
		FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Monthly expense/employee	INR' 000	26	29	28	31	33	37	42	49
Depreciation & amortization/branch	INR mn	0.4	0.5	0.5	0.6	0.1	0.1	0.1	0.2
Other opex/branch	INR mn	1.1	1.2	1.4	1.5	1.6	1.8	2.0	2.3
Rentals/branch	INR mn	0.2	0.2	0.3	0.5	0.7	0.8	0.8	0.9
Non-employee, non-rental expenses/branch	INR mn	0.9	0.9	1.0	1.0	0.9	1.1	1.2	1.4
Ads/promotion as % of AUM	bps	41.7	29.9	30.6	29.8	21.8	29.5	25.6	26.3

Source: Company, HSIE Research | *Note: Rentals include rents, rates and taxes and energy costs*

Exhibit 134: … however MGFL's operating expenses as % of AUM are higher than those of MUTHOOT

Opex metrics (% of AUM)	Units	MGFL				MUTHOOT			
		FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Opex to AUM	%	**6.4%**	**6.7%**	**6.4%**	**6.2%**	**3.3%**	**3.5%**	**3.4%**	**3.1%**
Employee expenses	%	3.8%	4.3%	3.9%	3.8%	1.9%	2.0%	2.0%	1.8%
Depreciation & amortization	%	0.7%	0.7%	0.7%	0.7%	0.1%	0.1%	0.1%	0.1%
Other operating expenses	%	1.9%	1.8%	1.8%	1.7%	1.3%	1.4%	1.4%	1.2%
Rentals	%	0.2%	0.2%	0.2%	0.3%	0.6%	0.6%	0.5%	0.5%
Non-employee, non-rental expenses	%	1.6%	1.5%	1.6%	1.5%	0.7%	0.8%	0.8%	0.8%
Ads/promotion	bps	41.7	29.9	30.6	29.8	21.8	29.5	25.6	26.3
Cost to income ratio	%	43%	47%	42%	42%	25%	31%	30%	27%

Source: Company, HSIE Research | *Note: Rentals include rents, rates and taxes and energy costs*

- **Shift in earnings profile:** MGFL's FY26 earnings profile reflects the pivot in GL business towards higher ticket sizes and lower yields and is likely to sustain going ahead. Incrementally, we expect opex ratios to witness only marginal improvement with investments across segments, while credit costs is expected to normalize by FY28E. Further, the financial leverage is likely to be subdued in the near-term with equity infusion, keeping a check on the RoEs at ~14-15%.

Exhibit 135: RoE profile of MGFL

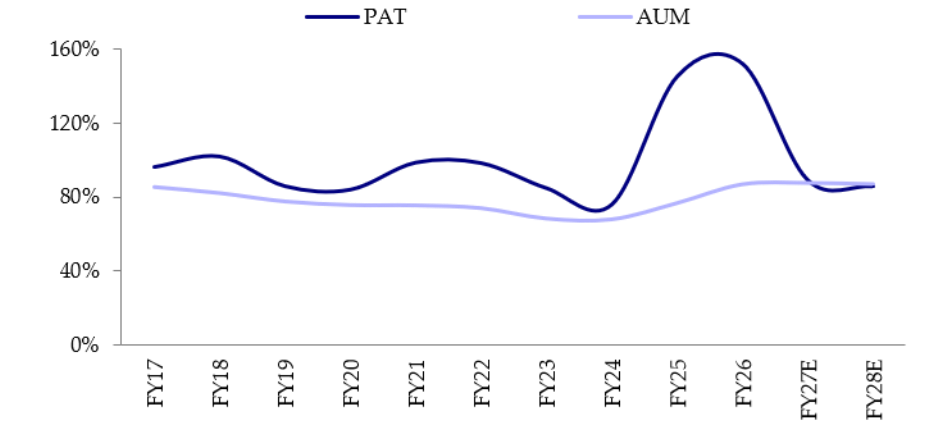
(% of average assets)	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest earned	16.9%	18.1%	18.6%	14.2%	14.7%	14.8%
Interest expended	5.3%	5.8%	6.4%	5.6%	6.2%	6.2%
Net interest income	11.6%	12.3%	12.2%	8.6%	8.5%	8.7%
Non-interest income	0.3%	0.4%	0.1%	0.1%	0.1%	0.1%
Operating expenses	5.6%	5.4%	5.2%	3.8%	3.8%	4.0%
Pre-provisioning profit	6.2%	7.4%	7.2%	4.8%	4.7%	4.8%
Provisions	0.2%	0.3%	0.7%	1.0%	0.6%	0.5%
Others	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Tax	1.6%	1.8%	1.7%	1.0%	1.0%	1.1%
ROAA	**4.5%**	**5.2%**	**4.8%**	**2.8%**	**3.1%**	**3.2%**
Assets/Equity (x)	3.3	3.3	3.3	3.9	4.4	4.3
ROAE	**15.0%**	**17.2%**	**16.1%**	**11.0%**	**13.5%**	**14.0%**

Source: Company, HSIE Research

Non-gold businesses: challenges galore

MGFL's diversification strategy since 2015 has had limited success so far, with GL remaining the single major profit pool and drag from other businesses. While standalone GL's contribution to consolidated AUM dropped to ~49% in Mar-24, profitability of the subsidiaries (HFC, MFI) and vehicle/MSME segments has been subdued during FY25-FY26, implying inferior cross-cycle profitability in these businesses. We expect profitability to gradually normalize in the MFI subsidiary and vehicle finance portfolio with reduction in credit costs. However meaningful turnaround of non-gold businesses with improving scale and healthy cross-cycle profitability is likely to remain an uphill task.

Exhibit 136: Share of MGFL in consolidated PAT significantly higher due to losses in subsidiaries during FY25-FY26



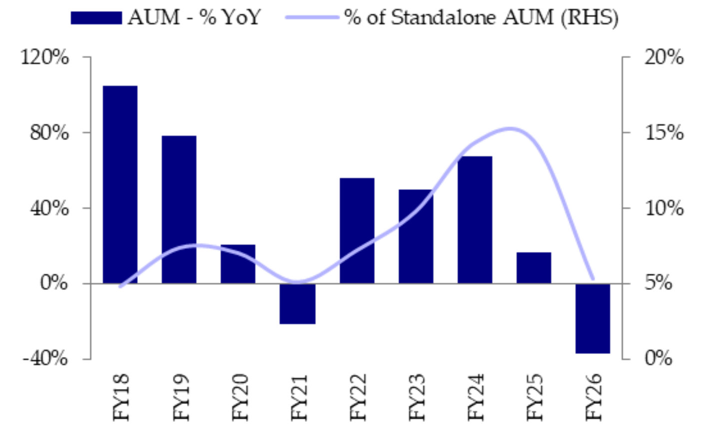
Source: Company, HSIE Research

- **Leadership changes done; meaningful turnaround an uphill task:** MGFL has announced changes in leadership in the subsidiaries post the announcement of new co-promoter to revive their operating performance. However, the meaningful turnaround of these subsidiaries to drive sustainable healthy operating performance is likely to remain an uphill task.

- **Vehicle finance – back to square one:** MGFL's vehicle finance portfolio (~5.3% of standalone AUM; ~4.6% of consolidated AUM), since its launch in 2015, has failed to scale up meaningfully with ~INR 30bn of AUM as on Mar-26 and GNPA of ~10.4%. Focused on high yielding loans (>16%) – CV, 2-wheeler loans and used car loans, the portfolio had phases of high loan growth, followed by high delinquencies. The business was marred with multiple challenges including inadequate dedicated resources (collections etc.), shift between centralized and decentralized underwriting, volatile product segments etc.

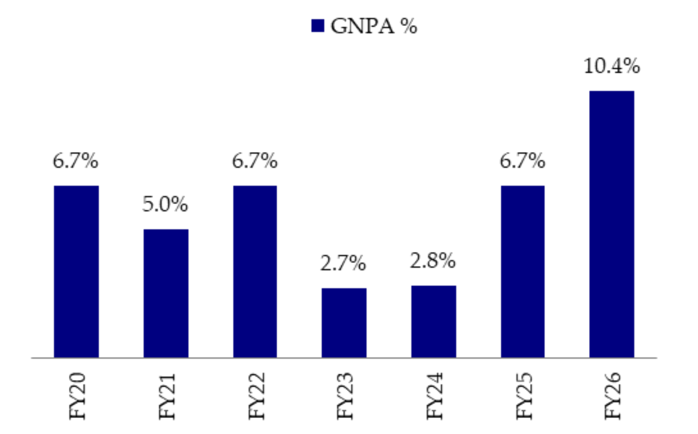
  The vehicle finance loan book is likely to run down further during FY27, with gradual uptick from FY28 with a revamped strategy, which remains to be seen.

Exhibit 137: Share of standalone AUM down to ~5% from peak of 14.5% in Mar-25



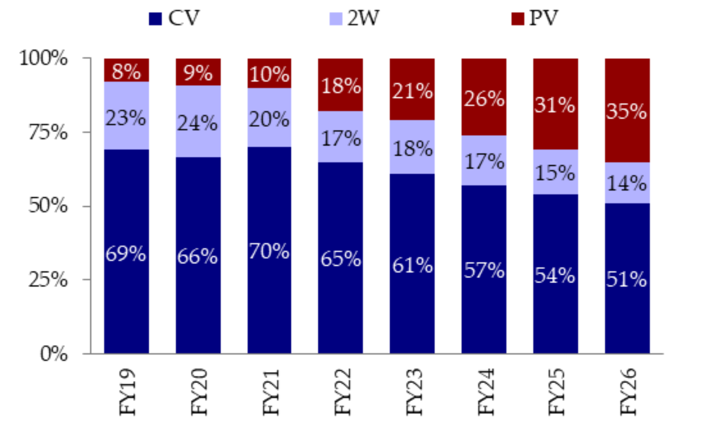
Source: Company, HSIE Research

Exhibit 138: GNPA spike post moderation in FY23-FY24



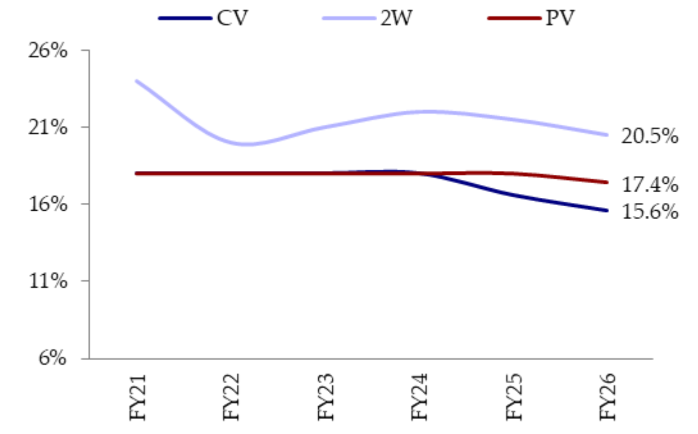
Source: Company, HSIE Research

Exhibit 139: Vehicle finance portfolio mix shifting towards PVs



Source: Company, HSIE Research

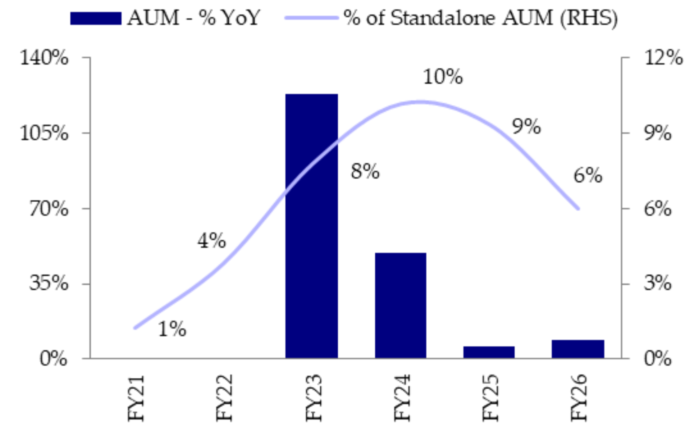
Exhibit 140: High yielding loans across products



Source: Company, HSIE Research

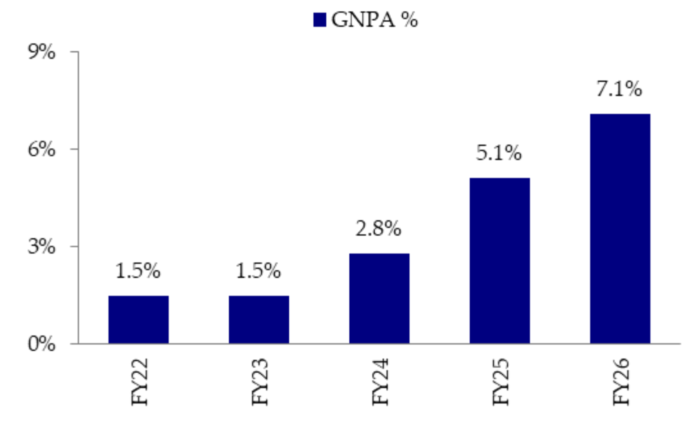
- **MSME & allied business – similar fate:** MSME & allied business – MSME, micro-housing, secured personal loans (and erstwhile unsecured personal loans) have also witnessed moderation in growth during FY25-FY26, post strong growth during FY23-FY24, due to uptick in delinquencies in the portfolio.

Exhibit 141: Share of standalone AUM down to ~6% from peak of 10% in Mar-24



Source: Company, HSIE Research

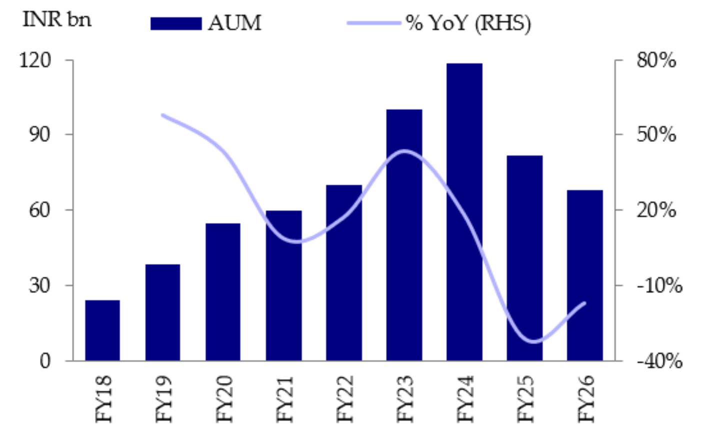
Exhibit 142: GNPA spike during FY25-FY26



Source: Company, HSIE Research

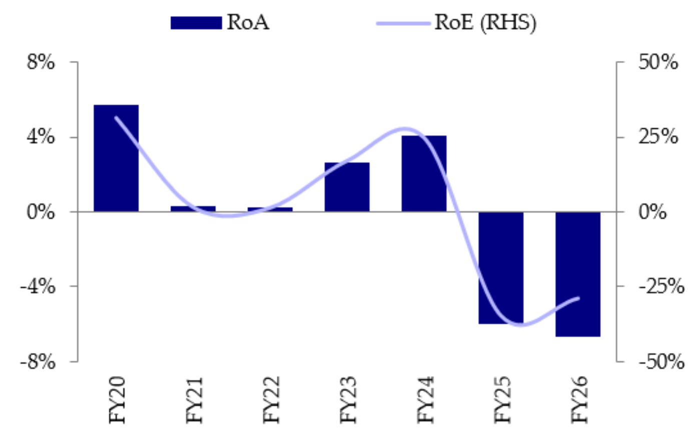
- **MFI subsidiary – a fresh start after deep losses:** Asirvad Microfinance (ASIRVAD), acquired by MGFL in 2015 through Rights issue (along with the promoters) has witnessed significant erosion in profitability during FY25 MFI crisis, compared to peers such as CREDAG and MMFIN. ASIRVAD has a pan India presence across 27 states and union territories, with high exposure to states such as Bihar, West Bengal, Karnataka and UP, along with significant share of non-MFI loans at ~31% of AUM. However, sub-par underwriting, exacerbated by RBI embargo on fresh sanction of loans during Oct-24 to Dec-24, led to enormous losses during FY25-FY26.

Exhibit 143: ASIRVAD's AUM has come off to INR 68bn in Mar-26 vs. INR 123bn in Jun-24…



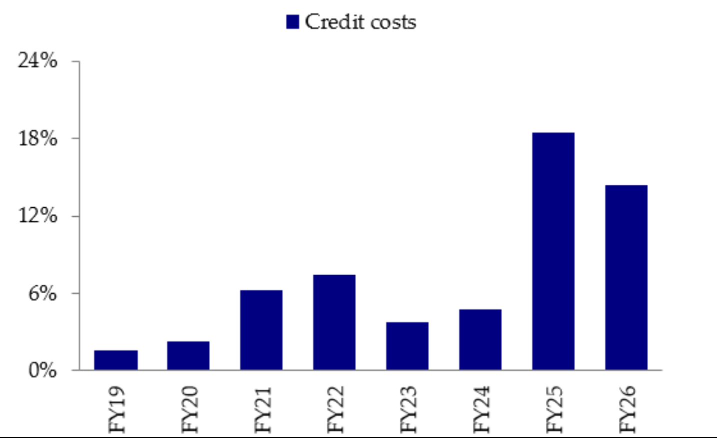
Source: Company, HSIE Research

Exhibit 144: … due to significant losses during FY25-FY26 from the MFI portfolio



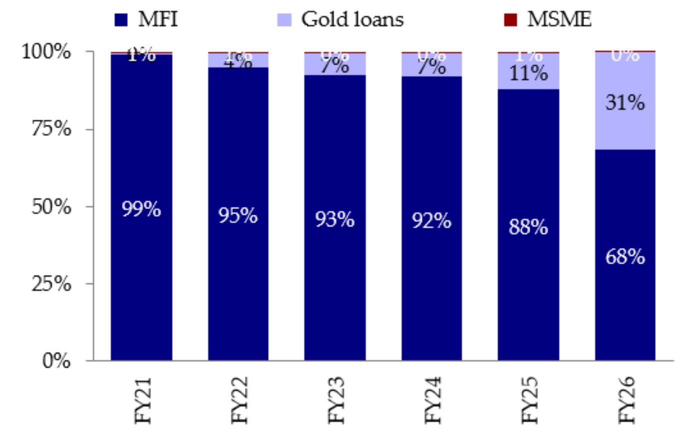
Source: Company, HSIE Research

Exhibit 145: Credit costs at staggering ~14-18% during FY25-FY26



Source: Company, HSIE Research

Exhibit 146: AUM mix – diversifying into gold loans



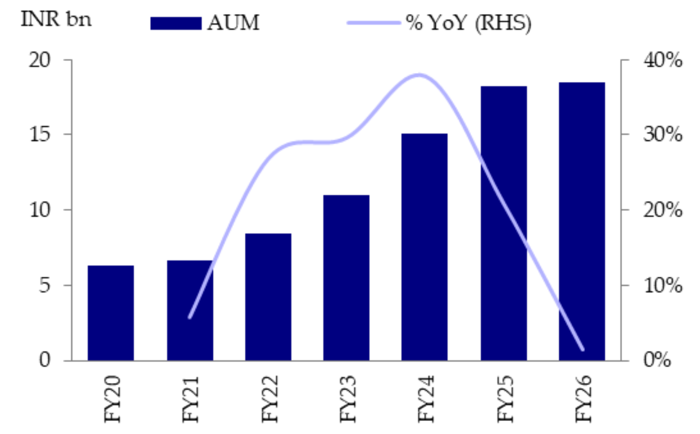
Source: Company, HSIE Research

The bulk of the impairment recognition and provisioning is now behind with equity capital infusion by MGFL, taking capital adequacy to 31.4%. With new CEO - Mr. G D Manoj Pasangha (ex IIFL Samasta, Bharat Financial) in place, the company is likely to deliver significant improvement in profitability during FY27-FY28E, driven by revival in MFI portfolio and gold loans portfolio (through co-lending). However, the cross-cycle profitability is likely to remain sub-14%.

- **HFC subsidiary – yet to make any meaningful progress:** Manappuram Home Finance (MOHFC), commencing operations in 2015, is a wholly owned subsidiary of MGFL. Focused on high yielding mortgage loans (HL: ~17.6%; LAP: ~20.4%) with low ticket sizes (ATS of INR 0.6mn), the company is yet to scale up meaningfully (AUM of ~INR 19bn). Operating leverage is yet to materialize due to sub-par productivity (at branch/employee level), leading to muted profitability.

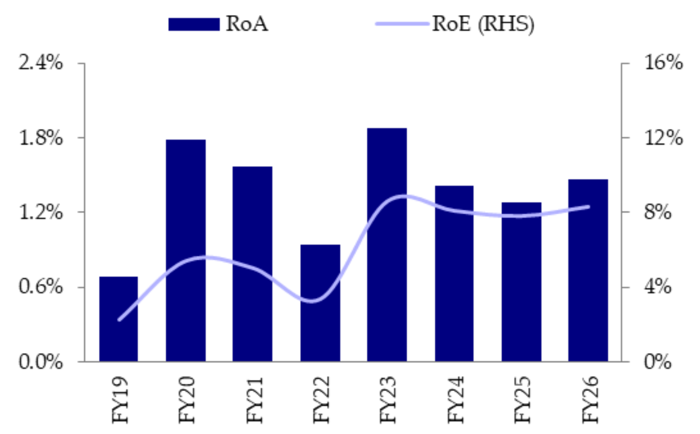
  Mr. Rakesh Sharma is the new CEO of the HFC subsidiary. With over 23 years of experience across Tyger Capital, Cent Home Finance, Aavas, IIFL etc., the new CEO is expected to scale up the portfolio along with improvement in profitability, although the target segment (high yielding or medium yielding, geography) remains unclear.

Exhibit 147: MOHFC's AUM growth moderated during FY25-FY26 despite low base



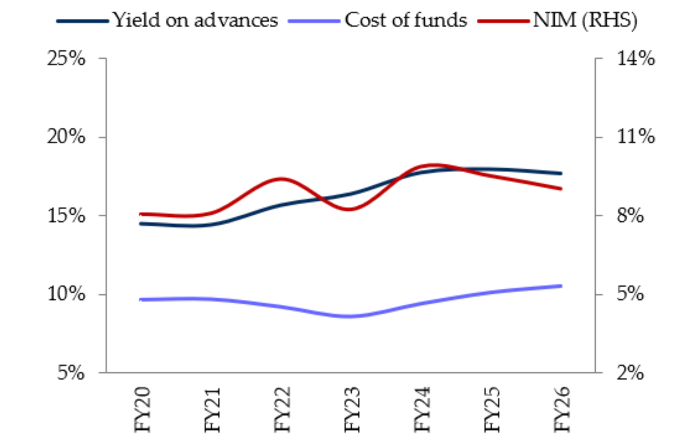
Source: Company, HSIE Research

Exhibit 148: RoA/RoE remains sub-par



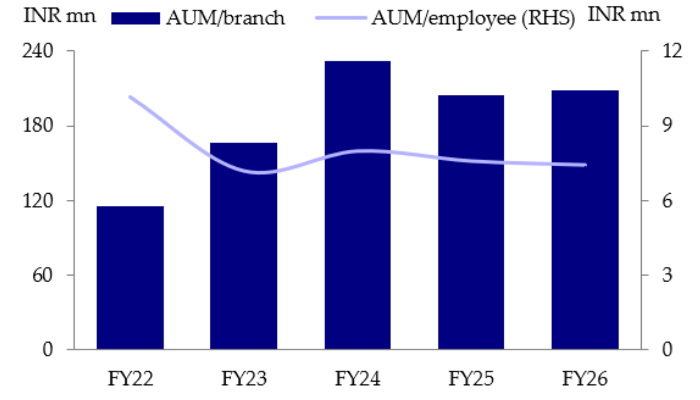
Source: Company, HSIE Research

Exhibit 149: MOHFC operating in very high yield segments



Source: Company, HSIE Research

Exhibit 150: Sub-par productivity at branch and employee level vs. other affordable-focused HFCs



Source: Company, HSIE Research

Exhibit 151: Peer comparison (FY26)

FY26	Units	MUTHOOT	MGFL	IIFL
AUM	INR bn	1,628	560	576
GL AUM	INR bn	1,541	488	526
PAT	INR bn	101	15	12
Growth (% YoY)				
AUM	%	50%	69%	109%
GL AUM	%	50%	98%	150%
Borrowers	%	1%	3%	54%
Tonnage	%	-6%	11%	49%
GL AUM/borrower	%	49%	92%	63%
Margins				
Yield on advances	%	19.5%	16.7%	20.4%
Cost of funds	%	8.7%	7.8%	10.3%
Spread	%	10.8%	8.9%	10.1%
NIM	%	11.4%	8.9%	8.3%
Cost efficiency				
Cost-to-income	%	20%	44%	47%
Opex-to-AUM	%	2.6%	4.6%	4.6%
Employee opex-to-AUM	%	1.4%	2.9%	2.5%
Other opex/branch (annualized)	INR mn	3.2	2.2	3.1
Monthly expense/employee	INR' 000	54	34	57
Employees per branch	x	6.4	8.5	5.7
Portfolio mix				
% non-gold loans (Standalone)	%	5%	13%	9%
% non-gold loans (Consolidated)	%	9%	20%	51%
Productivity (Gold loans)				
AUM/branch	INR mn	310	139	182
AUM/employee*	INR mn	49	16	32
AUM/borrower**	INR' 000	240	194	257
# Borrowers/branch	x	1,290	715	709
# Borrowers/employee	x	203	84	125
Tonnage per branch	Kg	39.5	17.1	21.4
Tonnage per employee	Kg	6.2	2.0	3.8
Tonnage per borrower	gm	30.6	24.0	30.1
Implied gold price***	INR/gm	7,861	8,088	8,525
Asset Quality				
GS III	%	2.3%	1.8%	1.3%
NS III	%	2.1%	1.6%	0.6%
GS II	%	0.7%	2.0%	2.0%
PCR - Stage III	%	13%	14%	57%
Credit costs	%	0.3%	1.2%	2.3%
LTV - Gold loans****	%	58%	60%	63%
Recovery rate (auctions)*****	%	92%	103%	106%
Frauds as % of PBT*****	%	0.1%	2.1%	NA
(% of avg. assets)				
Interest earned	%	18.0%	14.2%	15.8%
Interest expended	%	6.6%	5.6%	8.0%
Net interest income	%	11.4%	8.6%	7.7%
Non-interest income	%	0.4%	0.1%	2.5%
Operating expenses	%	2.4%	3.8%	4.8%
Pre-provisioning profit	%	9.4%	4.8%	5.5%
Provisions	%	0.3%	1.0%	1.8%
PBT	%	9.1%	3.8%	3.7%
ROAA	%	**6.7%**	**2.8%**	**2.8%**
Assets/Equity	x	4.6	3.9	5.8
RoAE	%	**30.6%**	**11.0%**	**16.4%**

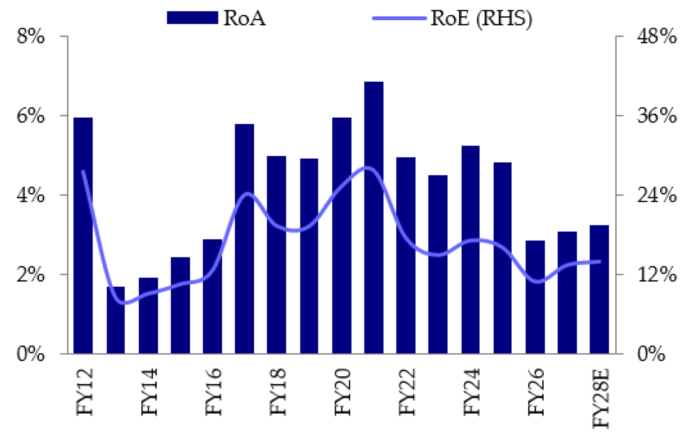
Source: Company, HSIE Research | Note: Standalone performance; * Total standalone employees; **IIFL: GL borrowers assumed as ~95% of total borrowers; *** Implied gold price = AUM divided by tonnage; **** Based on year-end 22 carat gold closing price; ***** metrics for FY25

Meaningful turnaround critical for re-rating; Initiate with REDUCE

MGFL's operating performance has been chequered post pandemic with concerns around loan growth, subdued performance in non-gold loan segments, muted profitability in FY26 and management succession overhang. The company has made strides in addressing these challenges with a new co-promoter, equity infusion, pivot in GL strategy and key leadership changes, except the announcement of a new CEO. Sharp drop in profitability during FY26 is likely to improve with moderation in credit costs in non-gold loan segments and marginal reflation in GL yields. However, strong sustainable growth in GL amidst rising competitive intensity and consolidation in gold prices and meaningful turnaround in non-gold loan businesses are likely to remain a challenge, which are critical for re-rating above historical mean valuation.

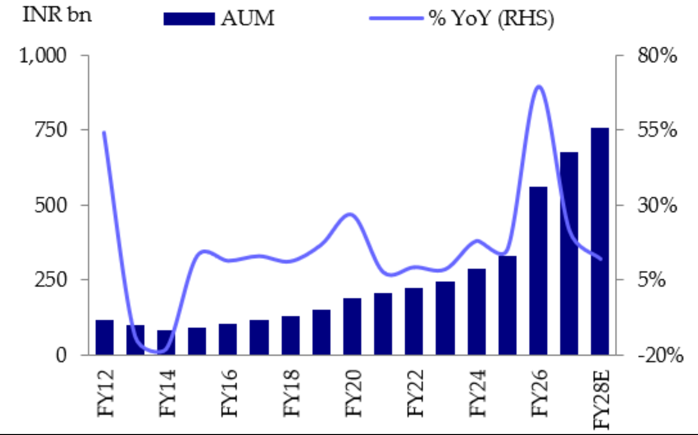
We initiate on MGFL with REDUCE and RI-based TP of INR 310 per share (standalone entity at implied 1.6x Mar-28 ABVPS). The implied valuation is at a ~28% discount to MUTHOOT.

Exhibit 152: Profitability to revive marginally during FY27-FY28E



Source: Company, HSIE Research | IND AS from FY18 onwards

Exhibit 153: AUM growth to moderate during FY27-FY28E



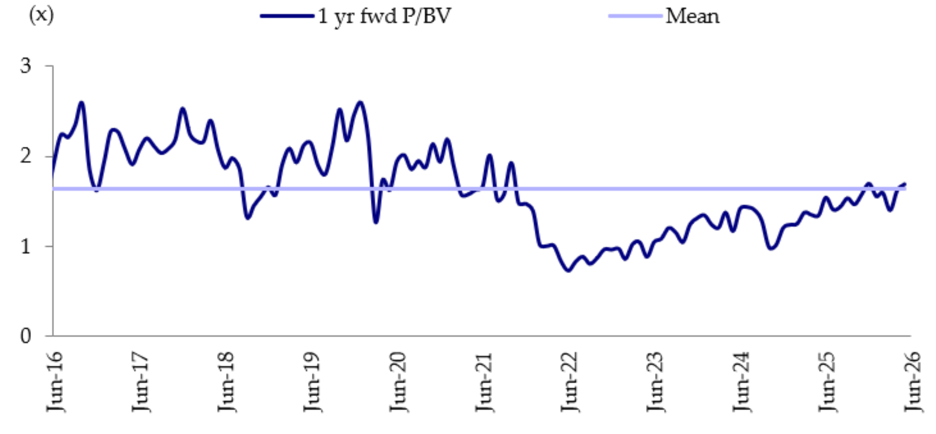
Source: Company, HSIE Research

Exhibit 154: SoTP-based valuation indicates limited upside for MGFL

SoTP valuation	Value (INR bn)	% Stake	Total (INR bn)	per share (INR)	% of TP	Valuation methodology
MGFL (standalone, Mar-28 ABV)	276	100%	276	268	86%	RI-based
Asirvad Microfinance	30	99%	30	29	9%	RI-based (implying 1.1x Mar-28 ABVPS)
Manappuram Home Finance	6	100%	6	6	2%	1.1x Mar-28 ABV
Manappuram Insurance Broking	7	100%	7	7	2%	10x FY28 EPS
Total value of subsidiaries			**43**	**42**	**14%**	
Less: Holding company discount			0	0	0%	0% Hold co discount
Total SoTP valuation			**320**	**310**	100%	

Source: Company, HSIE Research

Exhibit 155: MGFL is trading at 10-year mean P/BV



Source: Bloomberg, HSIE Research

Financials (Standalone)

Income Statement

(INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest earned	47,542	57,206	68,707	76,228	108,138	125,521
Interest expended	14,984	18,281	23,761	30,284	45,662	52,173
Net interest income	32,558	38,924	44,946	45,945	62,476	73,348
Other income	727	1,341	438	306	554	650
Total income	33,285	40,265	45,383	46,251	63,030	73,997
Operating expenditure	15,771	16,965	18,995	20,506	28,133	33,479
Pre-provisioning operating profit	17,514	23,300	26,388	25,745	34,897	40,519
Non-tax provisions	451	1,084	2,630	5,353	4,676	3,876
Profit before tax	17,063	22,216	23,758	20,392	30,222	36,643
Share of net profit of associates and joint ventures	0	0	0	0	0	0
Exceptional gain/(loss)	0	0	198	0	0	0
Tax expenditure	4,401	5,639	6,123	5,146	7,555	9,161
Profit attributable to non-controlling interests	0	0	0	0	0	0
Reported Profit after tax	12,663	16,578	17,833	15,247	22,666	27,482
Adjusted Profit after tax	**12,663**	**16,578**	**17,635**	**15,247**	**22,666**	**27,482**

Source: Company, HSIE Research

Balance Sheet

(INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Share capital	1,693	1,693	1,693	1,879	1,879	2,065
Reserves and surplus	87,968	101,800	116,236	157,496	175,466	213,616
Net worth	89,799	103,493	117,928	159,375	177,345	215,680
Borrowings	192,293	224,668	270,459	506,116	606,473	664,875
Other liabilities and provisions	11,283	10,770	9,968	10,053	13,546	16,696
Total equity and liabilities	**293,375**	**338,931**	**398,356**	**675,544**	**797,364**	**897,252**
Cash and cash equivalents	20,795	17,368	30,146	49,309	37,177	49,090
Investments	14,542	17,656	18,219	35,134	56,852	59,721
Advances	245,584	290,589	334,030	557,933	677,315	758,912
Fixed assets	8,855	8,486	8,637	8,394	10,073	11,584
Other assets	3,599	4,832	7,324	24,774	15,947	17,945
Total assets	**293,375**	**338,931**	**398,356**	**675,544**	**797,364**	**897,252**

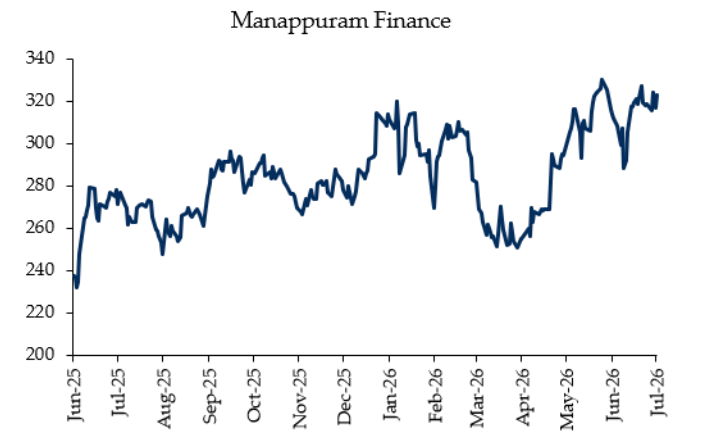
Source: Company, HSIE Research

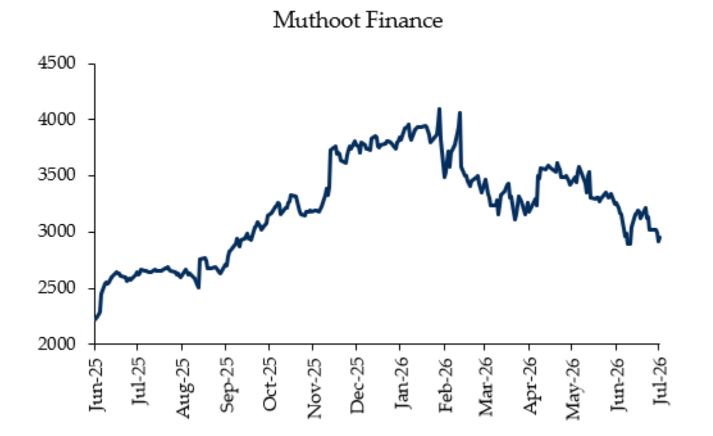
Key Ratios

	FY23	FY24	FY25	FY26	FY27E	FY28E
VALUATION RATIOS						
EPS	15	20	21	16	24	27
Earnings Growth (%)	-2.9%	30.9%	6.4%	-13.5%	48.7%	21.2%
BVPS (ex reval.)	93	105	121	146	155	178
Adj. BVPS (ex reval. & 100% cover)	90	100	113	136	143	166
ROAA (%)	4.5%	5.2%	4.8%	2.8%	3.1%	3.2%
ROAE (%)	15.0%	17.2%	16.1%	11.0%	13.5%	14.0%
P/E (x)	19.7	15.1	14.0	18.2	12.2	11.1
P/ABV (x)	3.3	3.0	2.6	2.2	2.1	1.8
P/PPOP (x)	16.7	12.6	11.1	12.6	9.3	8.8
Dividend yield (%)	0.9%	1.0%	1.2%	1.4%	1.7%	2.0%
PROFITABILITY (%)						
Yield on Advances (%)	19.6%	20.8%	21.3%	16.7%	17.0%	17.1%
Cost of Funds (%)	8.1%	8.8%	9.6%	7.8%	8.2%	8.2%
Core Spread (%)	11.5%	12.1%	11.7%	8.9%	8.8%	8.9%
NIM (%)	12.0%	12.8%	12.6%	8.9%	8.8%	8.9%
OPERATING EFFICIENCY						
Cost to average AUM ratio (%)	6.7%	6.4%	6.2%	4.6%	4.5%	4.7%
Cost-income ratio (%)	47%	42%	42%	44%	45%	45%
BALANCE SHEET STRUCTURE RATIOS						
Loan growth (%)	8.1%	18.3%	14.9%	67.0%	21.4%	12.0%
AUM growth (%)	8.5%	17.9%	15.1%	69.4%	21.3%	11.9%
Borrowing growth (%)	7.3%	16.8%	20.4%	87.1%	19.8%	9.6%
Debt/Equity (x)	2.1	2.2	2.3	3.2	3.4	3.1
Equity/Assets (%)	30.6%	30.5%	29.6%	23.6%	22.2%	24.0%
Equity/Loans (%)	36.6%	35.6%	35.3%	28.6%	26.2%	28.4%
Total Capital Adequacy Ratio (CAR) (%)	31.7%	30.6%	31.0%	21.0%	19.6%	20.0%
Tier I CAR (%)	31.7%	30.6%	31.0%	21.0%	19.6%	20.0%
ASSET QUALITY						
GS III (INR mn)	3,211	5,467	8,906	10,064	12,828	14,217
NS III (INR mn)	2,554	4,553	7,527	8,686	11,001	12,330
Slippages (%)	0.9%	1.6%	2.2%	1.8%	2.4%	1.7%
GS III (%)	1.3%	1.9%	2.7%	1.8%	1.9%	1.9%
NS III (%)	1.1%	1.7%	2.6%	1.6%	1.6%	1.6%
Coverage Ratio (%)	13.5%	12.3%	12.9%	13.7%	14.2%	13.3%
Provision/AUM (%)	0.2%	0.4%	0.9%	1.2%	0.8%	0.5%
Provision/Gross advances (%)	0.2%	0.4%	0.8%	1.2%	0.8%	0.5%
(% of average assets)						
Interest earned	16.9%	18.1%	18.6%	14.2%	14.7%	14.8%
Interest expended	5.3%	5.8%	6.4%	5.6%	6.2%	6.2%
Net interest income	11.6%	12.3%	12.2%	8.6%	8.5%	8.7%
Non-interest income	0.3%	0.4%	0.1%	0.1%	0.1%	0.1%
Operating expenses	5.6%	5.4%	5.2%	3.8%	3.8%	4.0%
Pre-provisioning profit	6.2%	7.4%	7.2%	4.8%	4.7%	4.8%
Non-tax provisions	0.2%	0.3%	0.7%	1.0%	0.6%	0.5%
Others	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Provision for tax	1.6%	1.8%	1.7%	1.0%	1.0%	1.1%
ROAA	**4.5%**	**5.2%**	**4.8%**	**2.8%**	**3.1%**	**3.2%**
Average assets/Average equity (x)	3.3	3.3	3.3	3.9	4.4	4.3
ROAE	**15.0%**	**17.2%**	**16.1%**	**11.0%**	**13.5%**	**14.0%**

Source: Company, HSIE Research

Price History





Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:
We, **Krishnan ASV, PGDM, Deepak Shinde, PGDM, Ayush Pandit, CA & Samarth Desai, MSc** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.
Any holding in stock – YES
HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:
This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. This report may have been refined using AI tools to enhance clarity and readability.
Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from 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. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.
This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.
If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.
Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.
This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.
HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (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.
HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.
HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.
HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.
HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.
Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.
Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.
HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400
HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193
Investment in securities market are subject to market risks. Read all the related documents carefully before investing.
Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.
Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC Securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com