

MUTHOOT FINANCE

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	2,263
12 month price target (INR)	2,625
52 Week High/Low	2,445/1,580
Market cap (INR bn/USD bn)	908/10.6
Free float (%)	26.6
Avg. daily value traded (INR mn)	2,071.0

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	73.4%	73.4%	73.4%
FII	11.0%	10.3%	9.8%
DII	11.7%	13.0%	13.3%
Pledge	0%	0%	0%

FINANCIALS

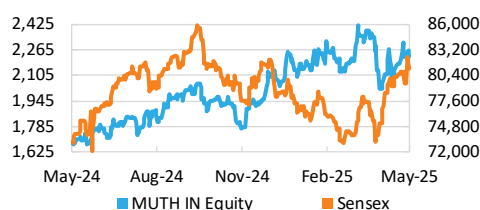
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
NII	77928	104482	129456	152478
PPoP	56466	78373	98694	116509
Adjusted profit	40497	52008	65061	76991
Diluted EPS (INR)	100.9	129.5	162.1	191.8
EPS growth (%)	16.6	28.4	25.1	18.3
RoAE (%)	17.9	19.7	20.9	20.9
P/E (x)	22.4	17.5	14.0	11.8
P/BV (x)	3.7	3.2	2.7	2.3
Dividend yield (%)	1.1	1.1	0	0

CHANGE IN ESTIMATES

	Revised estimates	% Revision
Year to March	FY26E	FY26E
NII	129456	3.7
PPOP	98694	2.9
Adjusted profit	65061	3.1
Diluted EPS (INR)	162.1	3.1

PRICE PERFORMANCE



Q4FY25 – Strong growth and RoA

Muthoot reported another strong quarter with robust AUM growth, a small decline in NIM and lower QoQ credit cost. Gold AUM growth accelerated to 41% YoY/11% QoQ (highest in our coverage) from 34% YoY in Q3FY25. Tonnage rose 3% QoQ, gold price jumped 17% QoQ and margin of safety improved 5% QoQ. Growth in customer count remained modest at 2% QoQ versus 4%/4% in Q1/Q2. NIM fell marginally (-33bp QoQ) due to higher CoF while asset quality improved.

Given Muthoot's consistent performance and firm gold prices, we retain 'BUY'. We are increasing TP to INR2,625/3.1x BV FY26E (from INR2,550). Management indicated NBFCs have suggested changes in draft RBI guidelines on LTV, which will benefit lenders and borrowers.

Strong AUM growth with a marginal decline in NIM

Gold AUM grew 11% QoQ/41% YoY, higher than 34% YoY in Q3. Non-gold AUM (PL/SME) rose 12% QoQ/131% YoY and stood at 5% of total AUM. Gold collateral grew 3% QoQ, gold price jumped 17% QoQ while margin of safety improved 5% QoQ. NIM dipped 33bp QoQ to 11.27% led by higher CoF. NII grew 36% YoY/7% QoQ. The sharp jump in directors' remuneration (seasonal) and higher other opex due to higher growth led to a sharp 19% QoQ/26% YoY jump in opex. There was a sharp jump in other income due to recovery from loans sold to ARC. Opex grew 27% YoY/10% QoQ. Credit cost fell to 47bp from 86bp QoQ. PAT increased 43% YoY/11% QoQ. In addition, to Muthoot Finance, gold loan growth was strong even in Muthoot Money (100% subsidiary). AUM at Muthoot Money soared 248% YoY led by growth in gold while the non-gold (vehicle finance) portfolio is being run down. Non-gold AUM at Muthoot Money was INR5bn/13% of AUM in Mar-25 and INR1.5bn in May-25.

GS2+GS3 decline QoQ; NBFCs pitch for changing LTV norms

GS3 loans fell 12% QoQ due to a write-off. Non-Gold NPLs rose from INR3bn to INR3.5bn QoQ while gold NPLs dipped 10% QoQ. Non-gold NPLs stood at 6% while gold NPL stood at 3.2%. Overall NPLs declined to 3.4% from 4.2% QoQ. Bad debt write-off rose to 7bp of AUM from 2bp QoQ. GS2 fell 17% QoQ. Muthoot auctioned INR0.8bn of gold in Q4, INR0.6bn in Q3 and INR4.6bn in FY25. ECL/EAD remained strong at 1.45%, though lower than 1.56% QoQ. Credit cost fell to 47bp from 86bp QoQ. Management explained they await RBI's final guidelines on gold loans before commenting on their impact on growth. The CEO indicated NBFCs have given their feedback to the RBI on draft gold norms and asked it to review draft norm on including interest accrued to calculate the LTV on bullet loans. If this norm does not change, it will push borrowers to go back to money lenders and will be a setback for the system.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	29039	21348	36.0	27214	6.7
Pre-provisioning Profits	21478	15095	42.3	20593	4.3
Reported Profits	15078	10563	42.7	13631	10.6
EPS	37.6	26.3	42.7	34.0	10.6

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	77,928	1,04,482	1,29,456	1,52,478
Non interest income	2,465	2,789	2,640	2,640
Net revenues	80,393	1,07,271	1,32,096	1,55,118
Operating expense	23,927	28,898	33,402	38,609
Employee exp.	13,869	16,966	19,680	22,829
Other opex	10,058	11,932	13,722	15,780
Preprovision profit	56,466	78,373	98,694	1,16,509
Provisions	1,978	7,667	10,838	12,464
PBT	54,488	70,706	87,856	1,04,046
Taxes	13,991	18,698	22,795	27,054
PAT	40,497	52,008	65,061	76,991
Extraordinaries	0	0	0	0
Reported PAT	40,497	52,008	65,061	76,991
Diluted EPS (INR)	100.9	129.5	162.1	191.8

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest margins	10.3	10.6	10.1	9.9
Cost-income	29.8	26.9	25.3	24.9
Tax rate	25.7	26.4	25.9	26.0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	22.4	17.5	14.0	11.8
Price/BV (x)	3.7	3.2	2.7	2.3

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Equity capital	4,015	4,015	4,015	4,015
Reserves	2,38,888	2,80,361	3,32,753	3,94,345
Net worth	2,42,903	2,84,375	3,36,767	3,98,360
Borrowings	5,87,328	8,98,011	10,77,613	12,93,136
Total	8,50,284	12,12,488	14,48,167	17,29,409
Assets				
Loans	7,70,014	10,86,810	13,04,172	15,65,006
Investments	22,683	44,991	55,239	66,771
Fixed assets	4,384	4,925	5,417	5,959
Other assets	53,202	75,763	83,340	91,673
Total	8,50,284	12,12,488	14,48,167	17,29,409
BV/share (INR)	605.1	708.4	838.9	992.3

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	19.8	41.1	20.0	20.0
Gross NPA ratio	3.6	3.4	3.5	3.5

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	9.9	10.1	9.7	9.6
Net revenues/assets	10.2	10.4	9.9	9.8
Opex/Assets	(3.0)	(2.8)	(2.5)	(2.4)
Provisions/Assets	(0.3)	(0.7)	(0.8)	(0.8)
Taxes/Assets	(1.8)	(1.8)	(1.7)	(1.7)
Total costs/Assets	(5.1)	(5.4)	(5.0)	(4.9)
RoA	5.1	5.0	4.9	4.8
Equity/Assets	28.8	25.6	23.3	23.1
RoAE	17.9	19.7	20.9	20.9

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	16.6	28.4	25.1	18.3
RoAE	17.9	19.7	20.9	20.9

Q4FY25 earnings call: Key takeaways

Management guidance

- The CEO conservatively guided for 15% AUM growth for FY26 and further added that this guidance may be revisited after Q2FY26.
- Management mentioned that there is a significant drop in borrowing costs post-Mar-25 so there should be some spread improvement Q1FY26 onwards.
- Management explained that interest spread has always been in the range of 9–10% and would continue to maintain that. If cost of borrowing comes down after a quarter or so, the company will pass on the benefit to the customer.

Loans

- AUM breakdown by ticket sizes – Above INR300K is 38%, INR100k to INR300k is 35%, INR50K to INR100K is 15% and below INR50K is 13%.

Credit cost and asset quality

- Of the total credit cost of INR7.6bn for FY25 (versus INR2bn in FY24), INR1.3bn relates to write-offs and the remaining relates to stage 1 & 2 provisions on new gold loans added—growth in FY25 was high at 41% leading to higher provisions.
- Of the total Stage 3 of INR37bn, INR33.47bn relates to gold loans.

Branches and Muthoot Money

- The company has approval to open 115 more branches for the standalone parent entity and will seek RBI approval to open new branches under Muthoot Money at a later stage.
- The CEO explained that Muthoot Money (a 100% subsidiary) started as a used vehicle lending business. Post-pandemic, the company started seeing stress in this business and is now winding it up. As the portfolio is running out, Muthoot Money is foraying into gold loans, which is the group's strength. The branches of Muthoot Money follow processes same as those of the parent. As of Mar-25, of the total AUM of INR 39bn at Muthoot Money, INR5bn is non-gold while the rest is gold. In May-25, the non-gold AUM has further declined to INR1.5bn. AUM of Muthoot Money is equal to 3.6% of standalone Muthoot Finance AUM.

Comments on draft guidelines

- The company along with many other NBFCs has given its suggestions to the regulator on the draft gold lending guidelines. One key suggestion is to review the draft norm on LTV. If NBFCs have to include interest accrued as part of LTV of bullet loans, borrowers will again move to unorganised lenders, which is a setback for the system.
- Management believes rising gold prices and entry of quite a few players in the gold loan business, (including banks that were not keen on pursuing this earlier) has prompted the regulator to tighten lending norms.
- The company's average LTV for gold loans at current price is 62%.

Microfinance

- The company's microfinance subsidiary Belstar opened 57 branches in FY25 and reported a profit of INR464mn despite a turbulent year for the microfinance industry. Stage-II and stage-III stands at 3.17% and 4.98%, respectively.

Others highlights

- S&P & Moody's upgraded its long-term rating for the company.
- The downloads for mobile app iMuthoot are ~15mn.
- Principal amount of auction during FY25 is INR4.61bn.
- Interest accrued is INR17.40bn.

Exhibit 1: Changes in estimates

	FY26E	FY26E	FY27E	FY26E
	Old	New	Introduced	% change
NII, INR M	1,24,895	1,29,456	1,52,478	3.7%
PAT, INR M	63,076	65,061	76,991	3.1%
EPS, INR	157.1	162.1	191.8	3.1%
Target Price, INR	2,550	2,625		2.9%
CMP		2,263		
% Change to CMP		16.0%		
Rating	BUY	BUY		

Source: Company, Nuvama Research

Exhibit 2: Movement in yield, CoF and spread

%	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Yield	18.6	18.6	18.7	18.3	18.3
Cost of funds	9.0	8.8	9.0	8.7	8.5
Unadjusted Spread	9.6	9.8	9.6	9.5	9.8

Source: Company, Nuvama Research

Exhibit 3: Stress loans and provisioning coverage

INR mn	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Stage I Loan Assets	10,44,433	9,27,604	8,51,124	7,83,009	7,19,867
Stage II Loan Assets	5,042	6,089	12,034	26,697	13,557
Stage III Loan Assets	37,004	41,179	38,807	33,532	24,845
% Stage III Assets on Gross Loan Assets	3.4	4.2	4.3	4.0	3.3
ECL Provision on Gross Loan Assets	15,731	15,211	13,373	11,459	9,350
ECL Provision as % of Gross Loan Assets	1.45	1.56	1.48	1.36	1.23
Excess Provision outstanding in books	2,954	2,954	2,954	2,954	2,954

Source: Company, Nuvama Research

Exhibit 4: Income statement summary

INR mn	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24	QoQ	YoY
Operating income	47,836	43,690	40,685	36,560	33,575	9.5%	42.5%
Interest expended	18,797	16,476	15,505	13,511	12,228	14.1%	53.7%
Net operating income	29,039	27,214	25,180	23,049	21,348	6.7%	36.0%
Other Income	1,049	622	577	541	609	68.7%	72.3%
Net revenues	30,088	27,836	25,758	23,590	21,956	8.1%	37.0%
Operating Expenses	8,610	7,243	6,608	6,437	6,861	18.9%	25.5%
PPoP	21,478	20,593	19,150	17,153	15,095	4.3%	42.3%
Provisions & write-offs	1,274	2,088	2,070	2,236	860	-39.0%	48.2%
Profit before tax	20,204	18,505	17,080	14,917	14,236	9.2%	41.9%
Tax	5,126	4,874	4,568	4,130	3,673	5.2%	39.6%
Profit after tax	15,078	13,631	12,511	10,787	10,563	10.6%	42.7%
Diluted EPS (INR)	37.6	34.0	31.2	26.9	26.3	10.6%	42.7%

Source: Company, Nuvama Research

Company Description

Muthoot is the largest gold-financing NBFC with an operating history of more than 70 years when M George Muthoot (father of promoters) founded a gold loan business in 1939. At present, it is a closely held family-owned business with promoters (sons of M. George Muthoot and their family) continuing to hold a substantial stake. Headquartered in Kerala, the gold loan NBFC is majorly located in southern India. Muthoot has created a leadership position in lending against gold jewellery. The Muthoot group has interests in diversified businesses in areas of hospitality, media, education, healthcare, information technology, etc. However, gold loans continue to be the mainstay; hence, Muthoot Finance continues to be the flagship company.

Investment Theme

With consistent performance from Muthoot and firm gold price, we maintain BUY. We increase TP to INR 2,625 /3.1x BV FY26E from INR 2,550. Management indicated that NBFC have suggested changes in draft RBI guidelines on LTV, which will benefit lenders and borrowers.

Key Risks

- Competition from banks and fintechs
- Fluctuation in gold prices
- High NPLs in non-gold business

Additional Data

Management

CEO	George Alexander Muthoot
CFO	Oommen K Mammen
CS	Rajesh A
Auditor	Elias George & Co

Holdings – Top 10*

	% Holding	% Holding
SBI MF	6.27	
Gov PF	1.19	

*Latest public data

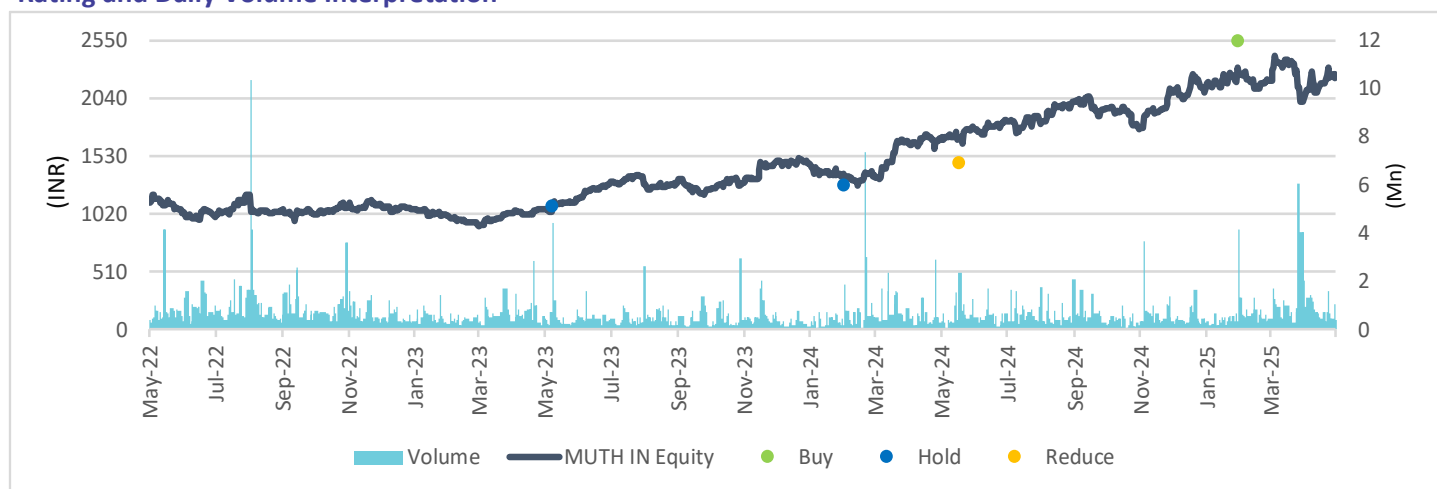
Recent Company Research

Date	Title	Price	Reco
12-Feb-25	Q3FY25 – Another solid quarter; <i>Result Update</i>	2,183	Buy
14-Nov-24	Q2FY25 – Solid quarter; <i>Result Update</i>	1,770	Reduce
13-Aug-24	Solid quarter with stable NIM; <i>Result Update</i>	1,853	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
28-Apr-25	L&T Finance	Credit cost in MFI and 2W to peak in H1; <i>Result Update</i>
26-Apr-25	Cholamandalam	Q4FY25 – A mixed set; <i>Result Update</i>
25-Apr-25	Shriram Finance	Miss on NIM, credit cost; FY26E healthy; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	63
Reduce	<-5%	34

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