

Price: 2,195

Recommendation: Buy

Industry: Non Banking Financial

Sector: Financial Services

Report Date: 13-Mar-2025

Muthoot Finance has demonstrated robust growth, with a 34% increase in consolidated loan assets, driven by a 37% rise in its core gold loan portfolio. The company has expanded its branch network by 800 through Muthoot Money's transformation into a gold loan company. It is diversifying with a non-gold loan portfolio of INR4,500 crores and partnerships with digital platforms like GPay and PhonePe. Muthoot Finance aims for 15% growth by 2026, focusing on digital engagement and maintaining asset quality.

Sales		Profit & Loss		Profitability Matrix	
Current Year	18756 Cr	Operating Profit(Year)	13680 Cr	Operating Profit Margin	72.9 %
Previous Year	11898 Cr	Operating Profit(Quarter)	3784 Cr	EBITDA Margin	61.53 %
Current Quarter	5190 Cr	PAT (Year)	4324 Cr	Net Profit Margin	29.7 %
Previous Quarter	4929 Cr	PAT (Quarter)	1389 Cr	EPS	124
Revenue (QYoY)	3820 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	17.7	Sales Growth	32.3 %	Sales Growth	5.3 %
PEG Ratio	1.12	PAT Growth	19.68 %	Sales Growth QYoY	35.86 %
EV/EBITDA	12.4	EPS Growth	14.81 %	PAT Growth	9.2 %
P/B	3.13	Dividend Yield	1.09	PAT Growth QYoY	25.82 %
Capital Allocation		Holdings		Leverage	
RoE	18.5 %	Promoter	73.4 %	Debt/Equity	3.16
RoA	5.06 %	FII	10.3 %	Debt	88236 Cr
RoCE	13.3 %	DII	13.0 %	Market Cap	88105 Cr
RoIC	13.3 %	Public	3.38 %	Enterprise value	171012 Cr
		No of Shares	40.2 Cr	Cash Equivalents	5329 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Muthoot Finance's recent meeting highlighted several strategic initiatives and business strategies aimed at sustaining growth and enhancing operational efficiency. The company reported a robust 34% year-on-year growth in consolidated loan assets under management, reaching INR1,11,308 crores. This growth was primarily driven by a 37% increase in the core gold loan portfolio, reflecting strong customer trust and the resilience of India's economic momentum. The company has also expanded its branch network significantly, adding close to 800 branches through its subsidiary, Muthoot Money, which has been transformed from a vehicle finance company to a gold loan company. This strategic shift was made to counter the competitive vehicle finance market and lower margins, focusing instead on the more lucrative gold loan sector.

In terms of diversification, Muthoot Finance has been actively growing its non-gold loan portfolio, which now stands at INR4,500 crores, alongside its gold loan book of INR92,000 crores. The company has also ventured into partnerships with digital payment platforms like GPay and PhonePe to enhance customer engagement and facilitate transactions through digital channels. This move is expected to strengthen customer relationships and drive further growth. Additionally, the company has been cautious in its microfinance sector, focusing on strengthening collections and enhancing the quality of its loan book, which is seen as a transitional issue expected to resolve in the coming quarters.

Looking ahead, Muthoot Finance remains optimistic about its growth prospects, with plans to continue expanding its branch network and leveraging digital platforms to increase customer engagement. The company has set a growth guidance of 15% for 2026, with expectations of stable or slightly better asset quality in the coming quarters. Despite the economic stress reported in various sectors, the demand for gold loans remains strong, as customers turn to Muthoot Finance for financial solutions. The company is also committed to maintaining its GNPA levels within the 4.2% to 4.3% range, with auctions as a last resort to manage non-performing assets.

While the company has demonstrated strong performance, there are areas for improvement. The non-gold NPA has increased to INR300 crores, primarily from personal loans, business loans, and LAP. The company is providing 100% provisioning for these NPAs, indicating a cautious approach to managing credit risk. Additionally, while the company has achieved significant growth, it remains vigilant about regulatory changes and economic conditions that could impact its operations. Overall, Muthoot Finance's strategic initiatives and focus on digital transformation position it well for future growth, but continuous monitoring of market dynamics and regulatory developments will be crucial to sustaining its success.

MUTHOOTFIN Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Muthoot Finance	88105.24	17.72	18.49%	5.29%	35.86%	9.25%	25.89%
Bajaj Finance	520648.52	32.60	22.07%	5.52%	27.33%	6.17%	16.70%
Bajaj Finserv	288939.98	33.72	15.28%	-4.93%	10.34%	6.90%	3.40%
Jio Financial	142249.98	88.50	1.27%	-36.79%	5.98%	-57.22%	0.33%
Bajaj Holdings	126732.59	16.90	14.77%	-54.73%	16.92%	21.72%	6.32%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a 34% increase in consolidated loan assets, driven by a 37% rise in its core gold loan portfolio. This indicates robust customer trust and economic resilience, supported by strategic branch expansion and digital partnerships, positioning the company for continued growth.
Profit & Loss	Operating profit margins are high, reflecting efficient cost management. The PAT growth of 19.68% year-on-year suggests strong profitability, supported by strategic focus on high-margin gold loans. The company's ability to maintain such margins is crucial for sustaining its financial health.
Profitability Matrix	The company exhibits strong profitability with an operating profit margin of 72.9% and a net profit margin of 29.7%. These figures highlight effective cost control and revenue generation strategies, essential for maintaining competitive advantage in the financial services sector.
Valuation Matrix	The valuation metrics, including a trailing P/E of 17.7 and a PEG ratio of 1.12, suggest the company is reasonably valued given its growth prospects. The EV/EBITDA of 12.4 indicates a solid earnings base, supporting the company's market position and future growth potential.
Growth (YoY)	Year-on-year growth is robust, with sales increasing by 32.3% and PAT by 19.68%. This growth is driven by strategic expansion and diversification efforts, particularly in the gold loan sector, which remains a key revenue driver for the company.
Growth (QoQ)	Quarter-on-quarter growth shows a positive trend with a 5.3% increase in sales and a 9.2% rise in PAT. This consistent growth underscores the company's ability to adapt to market conditions and leverage its core strengths in the gold loan market.
Capital Allocation	The company demonstrates effective capital allocation with a RoE of 18.5% and RoCE of 13.3%. These metrics indicate efficient use of equity and capital employed, crucial for sustaining long-term growth and shareholder value.
Holdings	Promoter holding is strong at 73.4%, indicating confidence in the company's prospects. Institutional holdings are also significant, reflecting investor trust. The diversified holding structure supports stability and potential for future investment.
Leverage	The debt/equity ratio of 3.16 suggests high leverage, which could pose risks if not managed carefully. However, the company's strong market cap and enterprise value indicate its ability to service debt, provided it maintains robust cash flows and asset quality.

Analyst viewpoint: Muthoot Finance showcases a compelling growth story, evidenced by a remarkable 34% year-on-year increase in consolidated loan assets and a 37% surge in the core gold loan portfolio. This growth, alongside a strategic expansion of its branch network and partnerships with digital giants like GPay and PhonePe, fortifies its position in the competitive financial services sector. The firm's valuation metrics—such as a trailing P/E of 17.7 and a PEG ratio of 1.12—align well with its robust growth prospects. Furthermore, a healthy RoE of 18.5% underscores efficient capital allocation, supporting sustained profitability and long-term shareholder value. As Muthoot diversifies its offerings while maintaining digital and asset quality focus, we see substantial potential in its strategies to capture market share and enhance financial fundamentals over the coming quarters.

However, it's crucial to remain aware of certain challenges, such as the increase in non-gold NPAs currently at INR 300 crores. But given the comprehensive 100% provisioning strategy for these assets, the company is demonstrating a prudent approach to managing credit risk. While these factors necessitate attention, they do not overshadow the overall bullish outlook driven by resilient performance in the gold loan sector and proactive business strategies, positioning Muthoot Finance as a strong candidate for growth in the short to mid-term.

Please read detailed disclosure on next page.

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

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