

# Muthoot Finance Ltd.

*India's Largest Gold Loan NBFC*

**HUMAN FRIENDLY | SUSTAINABLE**

PRIVATE USE ONLY | FOR PMS & PMS ADVISORY CLIENTS

## BASIC INFORMATION

ENTRY DATE	<b>01<sup>st</sup> Januray'25</b>
ENTRY PRICE	<b>2,213.96</b>
SECTOR	<b>BFSI</b>
FUND NAME	<b>Wealth Mantra</b>
MARKET CAP	<b>89,001.19</b>
D/E	<b>3.1</b>
P/E	<b>18.92</b>
ALLOCATION	<b>5%</b>
EXIT POINT*	<b>1,600</b>

## KEY HIGHLIGHTS

Muthoot Finance reported the highest ever profit after tax (PAT) on quarterly and YOY basis.

Muthoot Finance achieved the highest ever average gold loan assets under management per branch of Rs 17.75 Crores as on 30<sup>th</sup> September.

Muthoot Finance achieved the highest ever loan assets under management with a 31% YoY increase at Rs 1,04,149 Crores as on 30<sup>th</sup> September.

Muthoot Finance focus is to cater under-served rural and urban market through strong presence.

Muthoot Finance as on September 2024, Rs 199 tonnes of jewellery is kept as security.

*"Our Endeavour is to have that **80%+** of our portfolio remains in the **ADD** and **HOLD** categories."*



## **ADD: Super Performers**

### **Meet ALL 3 Criteria:**

- ATH Price
- ATH Profit
- Outperformance relative to its sector and BSE 500



## **HOLD: Performers**

### **Meet ANY 2 Criteria:**

- ATH Profit
- Outperformance relative to its sector and BSE 500
- Stock Above Turtle Exit Price



## **EXIT/REPLACE: Under Performers**

### **Meet NONE or ANY 1 Criteria:**

- ATH Profit
- Outperformance relative to its sector and BSE 500
- Stock Above Turtle Exit Price

How It Works?

## BUSINESS MODEL

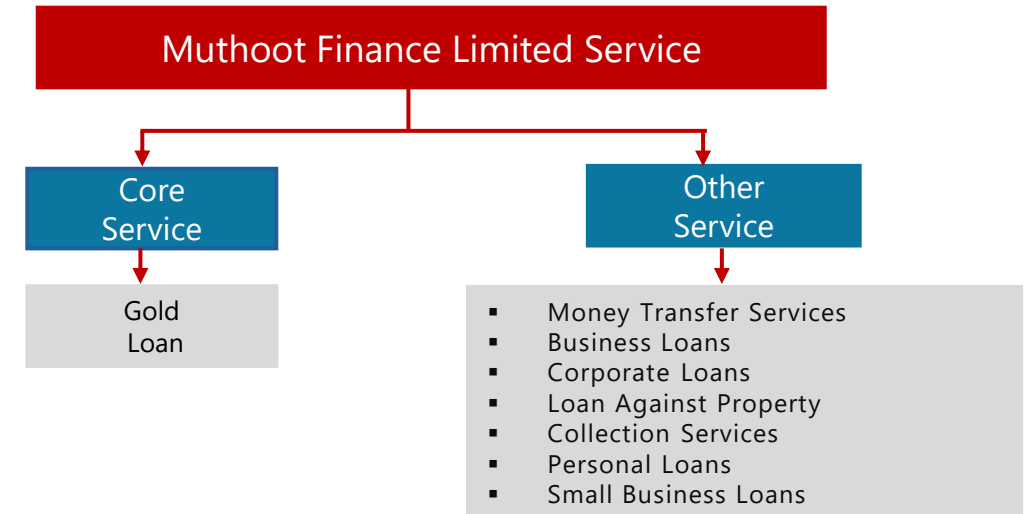
- **Muthoot Finance Limited** stands as India's largest and most trusted **gold loan NBFC**, with an extensive network of over 6,541+ branches nationwide. Established on March 14, 1997, as a private limited company under the name The Muthoot Finance Pvt Ltd., it transitioned into a public limited company on November 18, 2008.
- **Headquartered in Kochi, Kerala**, the company specializes in providing personal and business loans secured by gold jewelry, addressing the short-term liquidity needs of individuals and businesses.
- The Company's operating history evolved over a period of **70 years since M George Muthoot, the father of the promoters founded a gold loan business in 1939** under the heritage of a trading business established by his father, Ninan Mathai Muthoot, in 1887.
- This **diversified portfolio of subsidiaries** enables Muthoot Finance to cater to a wide range of financial needs, strengthening its position as a leading player in the financial services sector.

### Key Subsidiaries and Their Roles

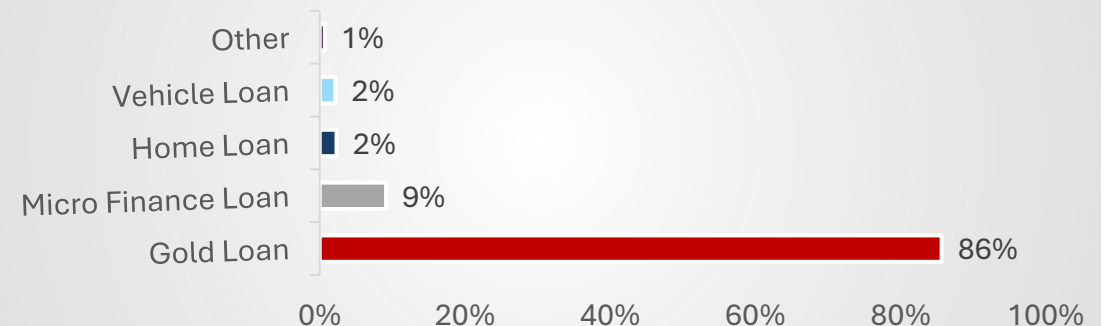
1. **Muthoot Homefin (India) Limited:** A housing finance company specializing in affordable housing finance.
2. **Muthoot Insurance Brokers Pvt. Limited (MIBPL):** A wholly-owned subsidiary licensed as a direct insurance broker by IRDAI since 2013, distributing both life and non-life insurance products from various insurers.
3. **Belstar Microfinance Limited:** A microfinance company in which Muthoot Finance holds a 66.61% equity stake.
4. **Asia Asset Finance PLC (AAF), Colombo:** A foreign subsidiary engaged in retail finance, hire purchase, and business loans.
5. **Muthoot Money:** Provides financial services to meet diverse customer needs.

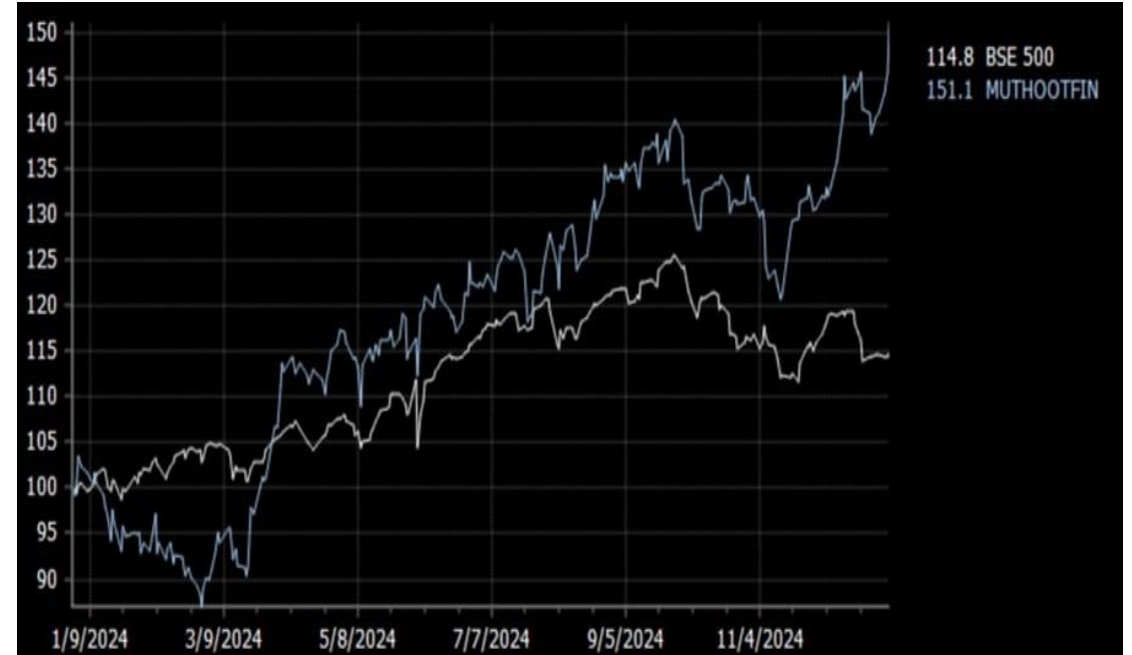
Source: A.R, Website & publicly available data & TWM research team

## SERVICE OFFERINGS



## LOAN AUM BREAK-UP





**Muthoot Finance:** Is in the short-term swing breakout, with the company currently **outperforming BSE 500** with its Long-term Support at **1600, it is our Exit Point.**



# Price - Profits - People

MUTHOOT FINANCE LTD (Values in Cr.)	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	TTM
<b>SALES</b>	4,325	4,920	5,911	6,713	7,594	9,687	11,535	12,186	11,898	15,062	17,386
<b>SALES GROWTH</b>		14%	20%	14%	13%	28%	19%	6%	-2%	27%	15%
INTEREST	2,114	2,288	2,374	2,132	2,543	3,180	4,109	4,268	4,225	5,452	6,261
EXPENSES	1,110	1,268	1,554	1,656	1,747	2,214	2,263	2,490	2,749	3,623	4,543
<b>OPERATING PROFIT</b>	3,215	3,652	4,357	5,057	5,847	7,473	9,272	9,695	9,148	11,439	12,843
OTHER INCOME	12	21	28	69	7	26	36	53	77	101	85
DEPRECIATION	84	59	52	52	52	59	67	70	78	92	101
<b>PROFIT BEFORE TAX</b>	1,029	1,327	1,959	2,942	3,260	4,260	5,131	5,410	4,923	5,997	6,566
TAX	357	509	751	1,098	1,157	1,092	1,313	1,379	1,253	1,529	1,723
<b>NET PROFIT</b>	672	818	1,207	1,844	2,103	3,169	3,819	4,031	3,670	4,468	4,844
<b>NET PROFIT GROWTH</b>		22%	48%	53%	14%	51%	21%	6%	-9%	22%	8%
NET PROFIT AFTER OTHER INCOME	660	797	1,180	1,775	2,096	3,143	3,783	3,979	3,592	4,367	4,758
EPS	17	20	30	46	52	78	95	100	90	108	117
<b>RATIOS</b>											
OPM	74.34%	74.23%	73.71%	75.33%	77.00%	77.14%	80.38%	79.56%	76.89%	75.95%	-
NPM	15.53%	16.62%	20.42%	27.47%	27.69%	32.71%	33.11%	33.08%	30.84%	29.66%	-

Source: ACE Equity  
 Figures in ₹ Crores  
 YoY : Year on Year

OPM : Operating Profit Margin  
 NPM : Net Profit Margin  
 EPS : Earning Per Share



## INVESTMENT RATIONALE & TURNAROUND STORIES

- The growing preference for secured loans, especially gold loans, is driven by their speed and accessibility, with many seeking quick credit solutions post-pandemic. **Gold loans, with their relatively simple approval process and quick disbursement, became an attractive option.**
- Currently, **only 35% of household loans are provided by organized lenders**, with 65% managed by unorganized players, **presenting a significant growth opportunity for the NBFC sector.**
- Gold prices have had a direct impact on the growth of gold loans. **The appreciation in gold prices during the last few quarters of FY24 gave an attractive proposition** to borrowers and increased the visibility of gold loan as a convenient and hassle free borrowing option.
- Muthoot Finance is in line with RBI's efforts to promote financial inclusion by extending credit to underserved populations, including individuals with limited or no credit history. **The company is also expanding its presence in rural areas, thereby increasing access to essential services such as gold loans, microfinance, and affordable housing finance.**
- Muthoot Finance adopted a conservative approach by maintaining an **LTV (Loan-to-Value) ratio of 63% in FY24, significantly lower than the RBI-mandated 75%**. This strategy effectively mitigates risks associated with gold price volatility, enhances customer confidence, accelerates loan recoveries, and reinforces the company's position as a stable and reliable gold loan NBFC.
- **Muthoot Finance maintains slightly higher provisions compared to its peers. This is primarily due to its more conservative auction policy for pledged gold loans**, aimed at preserving customer relationships rather than aggressively auctioning collateral. This approach helps minimize customer defaults and maintain goodwill.
- The integration of **digital solutions and personalized services is enhancing operational efficiency and customer-centricity in the gold loan market.** This technological approach allows Muthoot Finance to engage with a younger, tech-savvy audience, facilitating seamless loan processing and rapid approvals, thus exceeding customer expectations.
- Due to **regulatory shifts, NBFCs like Muthoot Finance have seen substantial growth in their customer base.** With the relaxation of loan norms and increased access to financial services, Muthoot Finance has been able to cater to a larger segment of the population, especially in rural and semi-urban regions.



*Muthoot Finance holds a dominant position in the gold loan sector, driven by regulatory support for financial inclusion, a diversified portfolio, and a customer-focused strategy, positioning the company for sustained success in the financial services industry.*

*Given these factors and ongoing expansion plans, Muthoot Finance value far exceeds its current prices, justifying its inclusion in our fund due to its potential for high growth, steady cash flow & its Leadership position.*

**ROHAN MEHTA**  
**CEO & PORTFOLIO MANAGER**



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