



Shriram City Union Finance

BSE SENSEX	S&P CNX
29,895	9,312
Bloomberg	SCUF IN
Equity Shares (m)	65.9
M.Cap.(INR b)/(USD b)	141.0/2.1
52-Week Range (INR)	2650 / 1507
1, 6, 12 Rel. Per (%)	-8/-23/11
Avg Val, (INR m)	124
Free float (%)	66.2

Financials & Valuations (INR b)

Y/E March	2017	2018E	2019E
NII	28.9	33.7	39.5
PPP	17.6	21.0	24.8
PAT	5.6	8.6	10.9
EPS (INR)	84	130	165
EPS Gr. (%)	5	55	26
BV/Sh. (INR)	750	859	997
RoA (%)	2.7	3.6	3.9
RoE (%)	11.8	16.2	17.8
Payout (%)	23	17	16
Valuations			
P/E (x)	25.3	16.4	13.0
P/BV (x)	2.9	2.5	2.1
Div. Yield (%)	0.7	0.8	1.0

CMP: INR2,138 TP: INR2,689 (+26%) Buy

Strong operating performance; estimates largely unchanged

- Shriram City Union Finance's (SCUF) 4QFY17 PAT declined 78% YoY to INR120m. However, this belies the strong operating performance in the quarter. Operating profit was up 26% YoY (est. of +11%), driven by strong loan growth, lower cost of funds and controlled opex.
- After a muted 3Q, disbursements picked up 20% YoY to INR62.5b. As a result, AUM grew 18% YoY (+2.6% QoQ) to INR231b, driven by MSME loans. Management continues to target 20%+ AUM growth in the non-gold financing portfolio.
- Total operating expenses declined 5% YoY/QoQ to INR2.8b, driven by a 9% decline in employee costs. Management is confident of improvement in opex ratios in FY18/19 as the impact of the new MSME loan sourcing strategy (under consultation with McKinsey) plays out.
- Asset quality performed better than expectations. GNPL ratio of 6.73% beat our estimate of 7.47%; however, write-offs were high at INR1.4b (2.5% annualized). Collections, which dipped 9.9% in 3QFY17, improved to 8.2% in the quarter. The company continues to make prudent provisions on its NPLs, with PCR of 73% at the end of the quarter. Note that SCUF's PCR is best-in-class among our NBFC coverage companies.
- Shriram Housing Finance, however, had a tough quarter with a decline in disbursements (30% QoQ, 53% YoY) due to a difficult environment. The company also sold loans (NPLs) worth INR500m to ARCIL, due to which GNPL ratio improved 95bp QoQ to 2.6% (5.3% incl. sold-down loans).
- Valuation and view:** SCUF is a niche play in the retail NBFC space with a focus on MSME lending. Its business model offers high growth potential with strong profitability. While we expect GNPL% to rise due to NPA migration by FY18, we believe loan loss provisioning will decline as SCUF has strong PCR of 73%. We believe this is a 3.5-4.0%+ RoA and 17-18% RoE business on a run-rate basis. We keep our estimates largely unchanged as lower opex in FY18/19 is offset by higher credit costs. **Buy** with a TP of INR2,689 (2.7x FY19E BVPS).

QUARTERLY PERFORMANCE

Y/E MARCH	FY16				FY17				INR m	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY16	FY17
Interest Income	9,129	9,455	10,008	9,757	10,535	11,153	11,557	11,071	37,723	44,317
Interest expenses	3,398	3,436	3,531	3,534	3,672	3,802	3,933	3,937	13,834	15,344
Net Interest Income	5,731	6,019	6,477	6,223	6,863	7,351	7,624	7,134	23,889	28,972
Y-o-Y Growth (%)	14.6	18.0	13.2	10.8	19.7	22.1	17.7	14.6	14.2	21.3
Fees and Other Income	42	5	3	163	15	3	6	5	250	29
Net Operating Income	5,772	6,024	6,480	6,386	6,878	7,354	7,630	7,139	24,139	29,001
Y-o-Y Growth (%)	12.6	13.5	11.9	11.9	19.2	22.1	17.8	11.8	12.6	20.1
Operating Expenses	2,361	2,524	2,584	2,961	2,739	2,829	2,977	2,815	10,494	11,359
Operating Profit	3,411	3,500	3,896	3,425	4,139	4,525	4,653	4,324	13,645	17,642
Y-o-Y Growth (%)	9.9	10.8	15.5	3.4	21.3	29.3	19.5	26.2	9.2	29.3
Provisions	1,167	1,179	1,257	2,561	1,356	1,390	2,242	4,118	5,577	9,105
Profit before Tax	2,244	2,321	2,639	864	2,784	3,135	2,412	206	8,068	8,536
Tax Provisions	767	798	896	309	966	1,090	835	86	2,771	2,976
Net Profit	1,477	1,523	1,743	555	1,818	2,045	1,577	120	5,298	5,561
Y-o-Y Growth (%)	15.6	10.5	13.9	-60.3	23.1	34.3	-9.5	-78.4	-5.1	5.0
Int Exp/Int Earned (%)	37.2	36.3	35.3	36.2	34.9	34.1	34.0	35.6	36.7	34.6
Cost to Income Ratio (%)	40.9	41.9	39.9	46.4	39.8	38.5	39.0	39.4	43.5	39.2
Tax Rate (%)	34.2	34.4	34.0	35.8	34.7	34.8	34.6	41.6	34.3	34.9

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

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

Exhibit 1: Quarterly performance v/s our estimates and reasons for deviation (INR m)

Y/E MARCH	4QFY17E	4QFY17A	Var (%)	Comments
Interest Income	10,857	11,071	2	
Interest expenses	4,040	3,937	-3	
Net Interest Income	6,817	7,134	5	Better than expected margins
Y-o-Y Growth (%)	10	15	53	
Fees and Other Income	176	5	-97	
Net Operating Income	6,993	7,139	2	In-line
Y-o-Y Growth (%)	10	12	24	
Operating Expenses	3,110	2,815	-9	Lower employee expenses
Operating Profit	3,883	4,324	11	
Y-o-Y Growth (%)	13	26	96	
Provisions	2,945	4,118	40	High write-offs and higher PCR than expected
Profit before Tax	938	206	-78	
Tax Provisions	326	86	-74	
Net Profit	612	120	-80	High provisions lead to PAT miss
Y-o-Y Growth (%)	10	-78		
Int Exp/ Int Earned (%)	37.2	35.6		
Cost to Income Ratio (%)	44.5	39.4		
Tax Rate (%)	34.8	41.6		

Source: MOSL, Company

Disbursement growth
picked up sequentially to
20% YoY.

AUM growth robust despite demonetization

- n Disbursements picked up after a muted 3Q and were up 20% YoY to INR62.5b.
- n AUM grew 18% YoY (2.6% QoQ) to INR231b. Growth was driven by MSME loans (+20% YoY), auto loans (+21% YoY) and personal loans (+60% YoY).
- n Growth in the gold loan portfolio remains sluggish and is not expected to pick up anytime soon.
- n Loan mix remains largely unchanged with share of MSME loans at 55%, 2W loans and 18%, gold loans at 15% and other loans at 13%.
- n Management targets 20-25% AUM (ex-gold loans) growth in FY18, with MSME financing continuing to gain share.

Employee expenses were
down 9% YoY

Spreads decline 120bp sequentially; Opex declines 5% QoQ

- n Calculated spreads declined 120bp sequentially to 10% driven by lower yields due to interest reversals. However, on a YoY basis, spreads declined only 30bp.
- n Calculated cost of funds declined 50bp QoQ to 9.4% - the largest sequential drop in cost of funds in the last 16 quarters.
- n Employee expenses declined 9% YoY driven by lower incentive payouts. Other opex was largely stable YoY.

Best-in-class PCR of 73%.

Asset quality deteriorates marginally on an apples-to-apples basis

- n GNPL ratio increased ~225bp sequentially to 6.73%. Note that SCUF used the RBI relaxation on NPA recognition in 3Q, without which, GNPL ratio would have been 90bp higher at 5.4%. We, however, do not have clarity on how much from this 90bp slipped into NPL in 4Q and how much remained standard. Also, there was 55bp impact from migration to 120dpd NPA recognition.
- n Write-offs during the quarter were INR1.4b and for FY17 were INR4.5b.
- n Management took a prudent approach and maintained a robust PCR of 73%.



Conference call highlights

Business Updates

- n Management expects quarterly disbursements of INR28-30b in MSME financing segment going forward.
- n The reason for two wheeler disbursements slowing down in 4QFY17 was partially due to BS-III impact, where the company chose to stop disbursements in certain states.
- n Management expects some yield compression in urban markets in the coming quarters.
- n AUM (excluding gold loans) growth in FY18 is expected at 20-25%.
- n AUM growth in the housing finance subsidiary is expected to be 50-60% in FY18.
- n Management expects to maintain C/I ratio at 40% going forward.

Asset Quality

- n Write-offs were INR1.41b for 4QFY17 and INR 4.46b for FY17.
- n Management expects that the shift from 120 dpd to 90 dpd will reduce PCR from 73% to 60%.
- n 4QFY17 GNPA is 9.72% on 90 dpd (9.5% in 3QFY17), 6.7% on 120 dpd (7.5% in 3QFY17) and 6.16% for 150 dpd (4.49% in 3QFY17).
- n The HFC subsidiary received SARFAESI late due to which they resorted to mortgage suits which took time and resulted in the need to sell to ARCs. HFC ARC sales involved a loss of INR26m.
- n Since the last two quarters, the HFC has slowed down on construction finance and also capped ticket size of the loans at INR3m. The existing retail housing loan portfolio average ticket size is between INR0.8m to INR1m and construction portfolio average ticket size is INR10m.
- n Out of the total RBI dispensation amount accounted for in 3QFY17, 60% - 70% has been recovered in 4QFY17 and the remaining should be recovered by 2QFY18
- n Interest reversal amounted to INR560m for 4QFY17.

Others

- n The impact of competition from small banks and newer NBFCs was not felt this quarter and they will still take around 3 to 4 years for them to give sizeable competition to SCUF.
- n The management said that 30% of AUM is constituted of customers outside South India. They also mentioned that they had a good experience outside South India in regions like U.P, Bihar, etc as far as the credit quality is concerned. In states of Maharashtra and Tamil Nadu the company has seen a fast growth in auto loan (used and new cars and used tractors).

Valuation and view

- n SCUF is a niche play in the retail NBFC space with the focus on MSME lending. Its business model offers high growth potential with strong profitability and low competition.
- n While SCUF has maintained GNPL (180dpd) <4.0% over the cycle, we expect it to rise to ~8% by FY19 on account of migration to 90dpd and some impact of demonetization. Yet, loan loss provisioning will decline as SCUF has strong PCR of 73%, more than peers.

- n We believe this is a 3.5-4.0%+ RoA business on a run-rate basis. After all the impact of NPA migration is over, we expect RoA/RoE of 3.9%/17.8% in FY19. We believe a company growing at 18-20% YoY with a run-rate RoE of 16-18% warrants a re-rating. We keep our FY18/19E estimates largely unchanged. We use RI model with Rf: 7%, CoE: 13.3% and terminal growth rate of 5% to arrive at a target price of 2,689 (2.7x FY19E P/B). **BUY.**

Exhibit 2: We cut estimates for FY17 to factor in higher provisions

INR B	Old Est.		New Est.		% Change	
	FY18	FY19	FY18	FY19	FY18	FY19
NII	33.8	40.1	33.7	39.5	0	-1
Other Income	0.3	0.3	0.3	0.3	0	0
Total Income	34.0	40.4	34.0	39.8	0	-1
Operating Expenses	13.8	16.2	12.9	15.0	-6	-7
Operating Profits	20.3	24.2	21.0	24.8	4	2
Provisions	6.6	7.5	7.8	8.1	18	8
PBT	13.6	16.7	13.2	16.7	-3	0
Tax	4.8	5.8	4.6	5.8	-4	-1
PAT	8.9	10.9	8.6	10.9	-3	0
Loans	266	320	270	320	2	0
Borrowings	200	240	202	238	1	-1
Margins	13.5	13.4	13.3	13.1	-1	-2
Credit Cost	2.6	2.4	3.0	2.6	17	8
RoA	3.7	3.9	3.6	3.9	-3	0
RoE	16.5	17.5	16.2	17.8	-2	1

Source: MOSL, Company

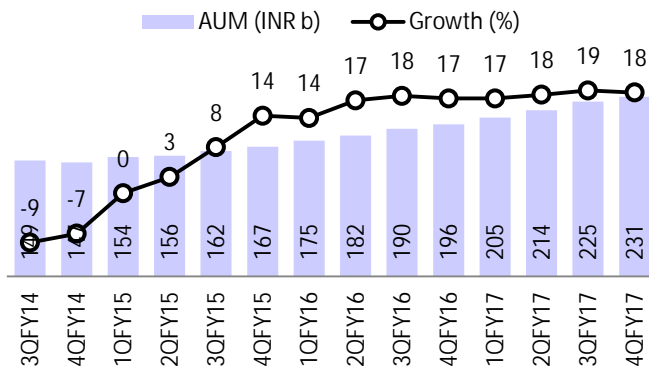
Exhibit 3: Quarterly Snapshot

	FY15				FY16				FY17				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss (INR m)														
Interest Income	8,465	8,482	8,956	8,920	9,129	9,455	10,008	9,757	10,535	11,153	11,557	11,071	-4	13
Interest Expenses	3,463	3,382	3,235	3,303	3,398	3,436	3,531	3,534	3,672	3,802	3,933	3,937	0	11
Net Income	5,001	5,100	5,721	5,617	5,731	6,019	6,477	6,223	6,863	7,351	7,624	7,134	-6	15
Other Income	126	207	69	92	42	5	3	163	15	3	6	5	-18	-97
Operating Expenses	2,023	2,150	2,416	2,396	2,361	2,524	2,584	2,961	2,739	2,829	2,977	2,815	-5	-5
Employee	786	1,004	1,108	1,218	1,151	1,243	1,210	1,528	1,376	1,345	1,394	1,388	0	-9
Others	1,236	1,146	1,309	1,178	1,210	1,281	1,374	1,433	1,363	1,484	1,583	1,427	-10	0
Operating Profits	3,105	3,157	3,373	3,313	3,411	3,500	3,896	3,425	4,139	4,525	4,653	4,324	-7	26
Provisions	1,208	1,089	1,171	1,070	1,167	1,179	1,257	2,561	1,356	1,390	2,242	4,118	84	61
PBT	1,897	2,069	2,202	2,243	2,244	2,321	2,639	864	2,784	3,135	2,412	206	-91	-76
Taxes	620	691	773	748	767	798	896	309	966	1,090	835	86	-90	-72
Reported PAT	1,277	1,378	1,429	1,496	1,477	1,523	1,743	555	1,818	2,045	1,577	120	-92	-78
Asset Quality														
GNPA (INR m)	3,860	4,150	4,610	4,910	5,320	5,820	6,320	9,800	10,240	10,340	9,930	15,370	55	57
NNPA (INR m)	840	830	970	1,070	1,090	1,150	1,230	2,970	2,930	2,820	1,250	4,100	228	38
GNPA ratio (%)	2.9	2.9	3.0	3.1	3.2	3.3	3.4	5.2	5.1	5.0	4.5	6.7		
NNPA ratio (%)	0.6	0.6	0.6	0.7	0.7	0.7	0.7	1.6	1.5	1.4	0.6	1.8		
PCR (%)	78.2	80.0	79.0	78.4	79.5	80.2	80.5	69.7	71.4	72.7	87.4	73.3		
Ratios (%)														
Cost to Income	39.4	40.5	41.7	42.0	40.9	41.9	39.9	46.4	39.8	38.5	39.0	39.4		
Tax Rate	32.7	33.4	35.1	33.3	34.2	34.4	34.0	35.8	34.7	34.8	34.6	41.6		
CAR	29.2	30.4	30.4	29.5	28.0	27.8	27.1	26.6	25.7	25.8	24.7	23.9		
Tier I	24.0	25.2	25.5	0.0	24.1	0.0	0.0	23.8	23.2	23.4	22.6	22.3		
RoA	3.0	3.2	3.4	3.4	3.2	3.2	3.5	2.7	3.4	3.7	2.7	0.2		
RoE	20.4	14.4	14.5	14.6	14.2	14.1	15.6	12.2	15.8	17.1	12.9	1.0		
Key Details (INR m)														
AUM	153,930	155,570	161,770	167,170	174,830	181,650	190,160	195,760	204,730	213,900	225,440	231,320	3	18
Disbursements	0	41,550	45,370	46,680	42,340	45,270	46,650	52,230	53,980	55,670	51,460	62,450	21	20
AUM Mix (%)														
MSME	52	52	53	53	53	53	53	54	55	56	55	55		
2W	19	18	18	18	19	16	18	18	18	18	18	18		
Gold	15	18	17	18	15	20	18	17	16	14	15	15		
Others	14	12	12	11	13	11	11	11	11	12	12	13		

Source: Company, MOSL

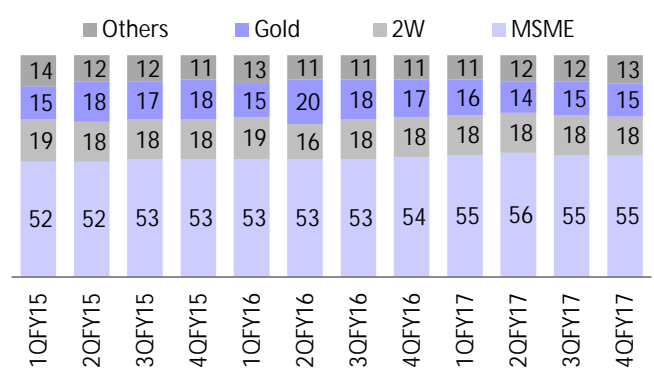
Story in charts

Exhibit 4: Strong AUM growth on a YoY basis



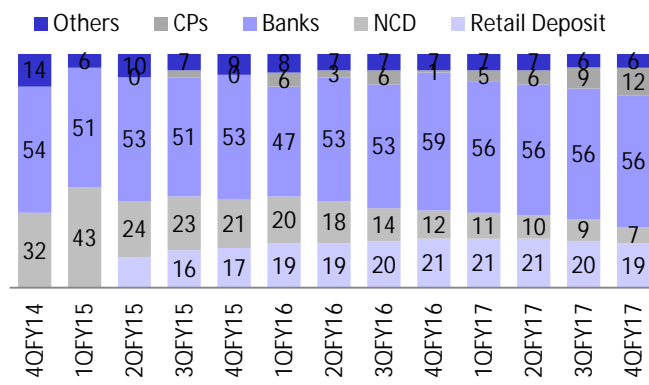
Source: MOSL, Company

Exhibit 5: AUM mix largely stable (%)



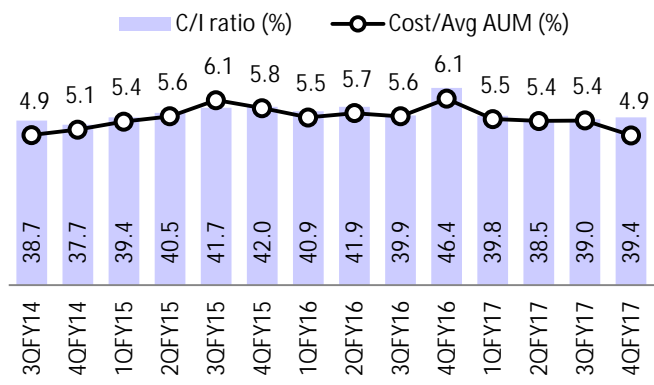
Source: MOSL, Company

Exhibit 6: Liability profile stable (%)



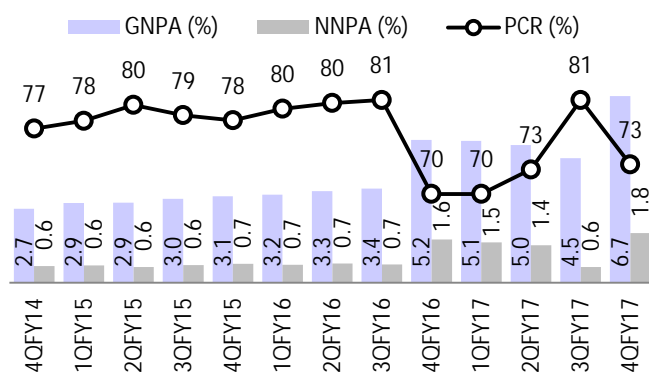
Source: MOSL, Company

Exhibit 7: Cost/Avg AUM ratio continues to decline



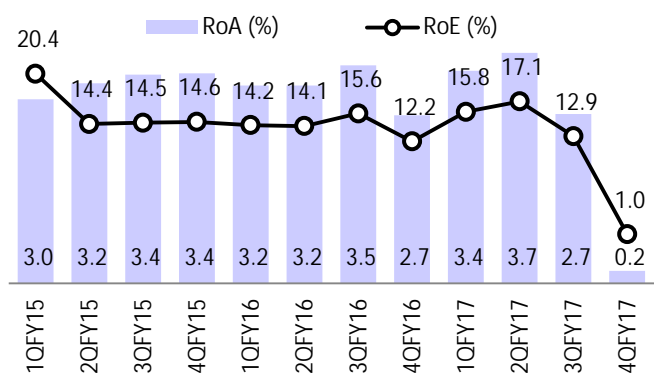
Source: MOSL, Company

Exhibit 8: Lowered PCR in the quarter



Source: MOSL, Company

Exhibit 9: Dip in RoA/RoE due to high credit costs



Source: MOSL, Company

Exhibit 10: Financials: Valuation metrics

	Rating	CMP	Mcap	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
ICICI* [*]	Buy	273	25.0	17.8	20.5	15.3	13.3	158.0	172.4	1.73	1.58	1.23	1.22	9.8	10.5
HDFCB	Buy	1,541	61.6	67.1	79.4	23.0	19.4	387	448	3.98	3.44	1.81	1.78	18.2	19.0
AXSB	Neutral	501	18.9	23.4	41.2	21.4	12.2	244	278	2.05	1.80	0.86	1.26	9.9	15.7
KMB*	Buy	914	26.2	32.3	40.5	28.3	22.6	239	278	3.83	3.29	1.75	1.88	14.5	15.7
YES	Buy	1,632	11.6	92.2	116.2	17.7	14.0	468	635	3.49	2.57	1.78	1.84	18.0	19.7
IIB	Buy	1,437	13.4	59.4	72.0	24.2	19.9	385	447	3.73	3.21	1.87	1.88	16.5	17.3
IDFC Bk	Neutral	65	3.5	3.3	4.3	19.7	15.3	46	49	1.43	1.33	0.88	0.93	7.4	9.0
FB	Buy	112	3.0	5.8	7.3	19.5	15.4	55	61	2.03	1.83	0.78	0.81	10.9	12.5
DCBB	Neutral	194	0.9	8.8	11.2	22.1	17.3	75	85	2.59	2.28	0.94	0.97	12.4	14.0
JKBK	Neutral	80	0.6	13.0	15.4	6.2	5.2	117	129	0.69	0.62	0.69	0.72	11.6	12.5
SIB	Neutral	26	0.5	3.1	3.8	8.3	6.8	32	35	0.80	0.73	0.54	0.59	10.0	11.3
Equitas	Buy	162	0.9	6.2	7.4	26.1	22.0	73	80	2.22	2.02	1.92	1.66	8.9	9.6
RBL	Under Review	586	3.4	17.6	23.8	33.2	24.6	128	148	4.58	3.97	1.21	1.26	14.6	17.3
Private Aggregate															
SBIN (cons)*	Buy	289	34.9	16.9	23.3	15.2	10.9	243	262	1.06	0.97	0.36	0.45	7.3	9.3
PNB	Buy	174	5.7	12.4	16.6	14.0	10.5	191	205	0.91	0.85	0.36	0.43	6.7	8.3
BOI	Neutral	185	3.0	14.5	23.7	12.8	7.8	249	267	0.74	0.69	0.23	0.33	6.0	9.2
BOB	Buy	190	6.8	19.0	26.1	10.0	7.3	167	187	1.14	1.02	0.60	0.75	11.9	14.8
CBK	Neutral	368	3.1	35.9	57.6	10.3	6.4	525	569	0.70	0.65	0.31	0.43	7.0	10.5
UNBK	Neutral	179	1.8	30.5	45.3	5.8	3.9	328	368	0.54	0.48	0.45	0.59	9.7	13.0
OBC	Neutral	175	0.9	21.0	26.0	8.4	6.7	413	433	0.42	0.40	0.28	0.31	5.2	6.1
INBK	Buy	336	2.4	33.3	38.1	10.1	8.8	327	356	1.03	0.94	0.71	0.72	10.6	11.1
Public Aggregate															
Banks Aggregate															
HDFC*	Buy	1,571	38.9	38.4	43.2	23.7	18.8	225	283	4.03	2.86	1.78	1.83	18.1	17.1
LICHF	Neutral	707	5.6	44.6	51.2	15.9	13.8	249	290	2.84	2.44	1.52	1.54	19.3	19.0
IHFL	Buy	1,083	7.0	82.2	101.6	13.2	10.7	322	364	3.36	2.97	3.15	3.09	27.0	29.6
GRHF	Neutral	402	2.2	10.3	12.5	39.1	32.1	37	44	10.94	9.08	2.49	2.49	30.6	30.9
REPCO	Buy	760	0.8	34.0	40.2	22.3	18.9	210	247	3.62	3.08	2.14	2.09	17.5	17.6
DEWH	Buy	444	2.2	36.7	42.7	12.1	10.4	278	311	1.60	1.43	1.37	1.31	13.9	14.5
Housing Finance															
RECL	Neutral	211	6.5	35.0	40.4	6.0	5.2	196	227	1.07	0.93	3.10	3.12	19.1	19.1
POWF	Neutral	161	6.7	27.2	30.2	5.9	5.3	169	191	0.95	0.84	2.76	2.72	17.0	16.8
Infra Finance															
SHTF	Buy	1,017	3.6	77.4	98.6	13.1	10.3	556	638	1.83	1.59	2.56	2.91	14.5	16.3
MMFS	Buy	328	2.9	12.9	16.4	25.3	20.0	122	132	2.68	2.48	1.59	1.73	10.9	12.9
BAF	Buy	1,270	10.6	47.5	64.0	26.8	19.9	207	261	6.15	4.86	3.59	3.66	25.5	27.3
SCUF	Buy	2,138	2.2	134.5	164.6	15.9	13.0	870	1,008	2.46	2.12	3.73	3.85	16.5	17.5
MUTH	Buy	396	2.4	34.5	40.0	11.5	9.9	182	207	2.18	1.91	4.11	4.12	20.2	20.6
SKSM	Neutral	783	1.7	32.4	45.3	24.2	17.3	210	255	3.73	3.07	3.54	3.69	16.7	19.5
Asset Finance															

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

Financials and valuations

Income Statement							(INR Million)		
Y/E March	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Financing Income	17,824	27,012	29,312	33,104	37,065	43,819	50,357	59,264	70,092
Financing charges	9,286	14,105	13,507	13,432	13,834	15,465	17,200	20,460	24,216
Net Financing income	8,538	12,907	15,805	19,672	23,231	28,355	33,157	38,803	45,876
Change (%)	24.3	51.2	22.4	24.5	18.1	22.1	16.9	17.0	18.2
Income from securitisation	2,624	3,460	2,207	1,243	658	497	559	665	787
Net Income (Incl Secur)	11,162	16,367	18,012	20,915	23,889	28,852	33,716	39,469	46,663
Change (%)	45.1	46.6	10.1	16.1	14.2	20.8	16.9	17.1	18.2
Fee & Other Income	76	75	487	519	250	29	250	300	300
Net Income	11,238	16,442	18,500	21,434	24,139	29,001	33,966	39,769	46,963
Change (%)	46.1	46.3	12.5	15.9	12.6	20.1	17.1	17.1	18.1
Employee Cost	924	2,239	2,708	4,116	5,132	5,503	6,273	7,340	8,588
Other Operating Exp.	3,330	3,987	4,531	4,820	5,362	5,857	6,643	7,645	8,997
Operating Income	6,985	10,215	11,261	12,499	13,645	17,641	21,050	24,784	29,379
Change (%)	46.6	46.2	10.2	11.0	9.2	29.3	19.3	17.7	18.5
Total Provisions	1,743	3,559	3,462	4,088	5,577	9,105	7,848	8,110	9,601
% to operating income	25.0	34.8	30.7	32.7	40.9	51.6	37.3	32.7	32.7
PBT	5,242	6,657	7,799	8,411	8,068	8,536	13,202	16,674	19,778
Tax	1,816	2,160	2,587	2,830	2,771	2,976	4,602	5,813	6,895
Tax Rate (%)	34.7	32.5	33.2	33.6	34.3	34.9	34.9	34.9	34.9
PAT	3,425	4,496	5,211	5,581	5,298	5,560	8,600	10,861	12,883
Change (%)	42.4	31.3	15.9	7.1	-5.1	5.0	54.7	26.3	18.6
Proposed Dividend	335	464	611	1,028	989	1,055	1,187	1,450	1,582

Balance Sheet							(INR Million)		
Y/E March	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Capital	524	554	593	659	659	659	659	659	659
Reserves & Surplus	15,982	21,537	28,390	40,352	44,457	48,750	55,925	65,044	76,027
Net Worth	16,506	22,092	28,983	41,011	45,116	49,410	56,584	65,703	76,686
Net Worth	17,350	22,528	29,017	41,036	45,136	49,430	56,604	65,724	76,707
Borrowings	97,914	127,287	120,491	124,017	144,084	168,330	201,555	238,451	282,326
Change (%)	71.5	30.0	-5.3	2.9	16.2	16.8	19.7	18.3	18.4
Other Liabilities & Prov.	0	0	0	0	0	0	0	0	0
Total Liabilities	115,264	149,815	149,508	165,054	189,220	217,760	258,159	304,175	359,032
Investments	178	730	6,276	9,817	7,923	8,716	9,587	10,546	11,601
Change (%)	223.0	309.9	759.5	56.4	-19.3	10.0	10.0	10.0	10.0
Loans	110,900	137,795	129,835	160,275	191,406	225,537	270,092	319,573	378,415
Change (%)	58.0	24.3	-5.8	23.4	19.4	17.8	19.8	18.3	18.4
Net Fixed Assets	525	884	1,014	823	849	929	930	851	692
Net Current Assets	3,660	10,407	12,384	-5,861	-11,309	-17,422	-22,451	-26,795	-31,675
Total Assets	115,264	149,815	149,508	165,054	188,869	217,760	258,159	304,175	359,032

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Spreads Analysis (%)									
Yield on loans	19.0	20.9	21.2	21.9	20.7	20.7	20.0	19.8	19.8
Cost of funds	12.0	12.5	10.9	11.0	10.3	9.9	9.3	9.3	9.3
Interest Spread	7.0	8.4	10.3	11.0	10.4	10.8	10.7	10.5	10.5
NIMs (incl Securitisation inc) on AUM	10.4	11.2	11.8	13.3	13.2	13.5	13.3	13.1	13.0

Profitability Ratios (%)

RoE	23.2	22.5	20.2	15.9	12.3	11.8	16.2	17.8	18.1
RoA	3.7	3.4	3.5	3.5	3.0	2.7	3.6	3.9	3.9
Int. Expended/Int. Earned	52.1	52.2	46.1	40.6	37.3	35.3	34.2	34.5	34.5
Other Inc. (incl. Sec. Inc.) / Net Income	24.0	21.5	14.6	8.2	3.8	1.8	2.4	2.4	2.3

Efficiency Ratios (%)

Op. Exps./Net Income	37.8	37.9	39.1	41.7	43.5	39.2	38.0	37.7	37.4
Empl. Cost/Op. Exps.	21.7	36.0	37.4	46.1	48.9	48.4	48.6	49.0	48.8

Asset-Liability Profile (%)

Loans/Borrowings Ratio	113.3	108.3	107.8	129.2	132.8	134.0	134.0	134.0	134.0
Leverage	7.0	6.8	5.2	4.0	4.2	4.4	4.6	4.6	4.7
Average leverage	6.4	6.9	5.9	4.5	4.1	4.3	4.5	4.6	4.7

Valuations

Book Value (INR)	331.3	406.5	489.5	622.7	684.6	749.8	858.6	996.9	1,163.5
BV Growth (%)	35.4	22.7	20.4	27.2	10.0	9.5	14.5	16.1	16.7
Price-BV (x)	6.5	5.3	4.4	3.4	3.1	2.9	2.5	2.1	1.8
Adjusted BV (INR)	328.6	399.7	484.9	617.0	668.9	728.0	817.1	948.9	1,112.8
Price-ABV (x)	6.5	5.3	4.4	3.5	3.2	2.9	2.6	2.3	1.9
EPS (INR)	65.4	81.1	87.9	84.7	80.4	84.3	130.4	164.7	195.4
EPS Growth (%)	34.7	24.0	8.3	-3.7	-5.1	5.0	54.7	26.3	18.6
Price-Earnings (x)	32.7	26.4	24.3	25.2	26.6	25.3	16.4	13.0	10.9
DPS (INR)	6.4	8.4	10.0	15.0	15.0	16.0	18.0	22.0	24.0
Dividend Yield (%)	0.3	0.4	0.5	0.7	0.7	0.7	0.8	1.0	1.1

E: MOSL Estimates

Corporate profile: Shriram City Union Finance

Company description

Shriram City Union Finance (SCUF) is a deposit-taking NBFC focusing on retail lending. Established in 1986 as Shriram Hire Purchase Finance, it is a part of three-decade old Shriram Group. It offers loans to small and medium business enterprises, two-wheeler loans, loans against gold and home loans via its subsidiary Shriram Housing Finance in rural and semi-urban areas of India. In 2014, Piramal Enterprises picked up a 10% stake at INR1,200 per share. The company has an AUM of over INR230b with ~1,000 branches spread across the country..

Exhibit 10: Sensex rebased



Exhibit 11: Shareholding pattern (%)

	Mar-17	Dec-16	Mar-16
Promoter	33.8	33.8	33.8
DII	6.0	6.2	1.8
FII	21.9	20.1	17.4
Others	38.4	39.9	47.0

Note: FII Includes depository receipts

Exhibit 12: Top holders

Holder Name	% Holding
Dynasty Acquisition FPI Ltd	20.4
Piramal Enterprises Limited	10.0
EAST BRIDGE CAPITAL MASTER FUND	3.9
MATTHEWS INDIA FUND	2.8
MORGAN STANLEY ASIA (SINGAPORE)	2.3

Exhibit 13: Top management

Name	Designation
R Duruvasan	Managing Director
Vipen Kapur	Director
Ranvir Dewan	Director
P P Pattanayak	Director
S Krishnamurthy	Director

Exhibit 14: Directors

Name	Name
R Duruvasan	Maya S Sinha *
Vipen Kapur *	Shashank Singh *
Ranvir Dewan *	Khushru B Jijina *
P P Pattanayak *	Debendranath Sarangi *
S Krishnamurthy *	Gerrit Lodewyk Van Heerde *
G S Sundararajan *	C R Dash *
Venkataraman Murali *	

*Independent

Exhibit 15: Auditors

Name	Type
Pijush Gupta & Co	Statutory

Exhibit 16: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY17	84.3	104.8	-19.6
FY18	130.4	131.4	-0.8
FY19	164.7	175.2	-6.0

NOTES

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