

Shriram City Union Finance

BSE SENSEX 30,477
S&P CNX 10,082

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Bloomberg	SCUF IN
Equity Shares (m)	65.9
M.Cap.(INR b)/(USD b)	141.0/2.1
52-Week Range (INR)	2650 / 1648
1, 6, 12 Rel. Per (%)	-7/7/5
Avg Val, (INR m)	99
Free float (%)	66.2

Financials & Valuations (INR b)

Y/E March	2017	2018E	2019E
NII	28.5	33.9	39.6
PPP	17.2	21.1	24.8
PAT	5.6	8.0	10.8
EPS (INR)	84	122	164
EPS Gr. (%)	5	44	35
BV/Sh. (INR)	763	863	1001
RoA (%)	2.7	3.4	4.0
RoE (%)	11.7	15.0	17.6
Payout (%)	7	18	16

Valuations

P/E (x)	27.5	19.1	14.1
P/BV (x)	3.0	2.7	2.3
Div. Yield (%)	0.6	0.8	0.9

CMP: INR2,326 TP: INR2,800 (+20%) BUY

Sluggish quarter; quantum of write-offs inching up

- Shriram City Union Finance's (SCUF) 1QFY18 PAT increased 7% YoY to INR1.9b. Operating profit was up 20% YoY (in line), driven by strong loan growth and controlled opex. However, sharp increase in provisions (higher write-offs) drove moderate profit growth.
- After strong performance in 1QFY17, disbursement growth in 1QFY18 moderated to 7% YoY. Disbursements were driven by gold loans only. Non-gold loan disbursements were flat YoY.
- 2W disbursement growth of 2.2% YoY was below our expectation. Even considering the impact of pre-buying in 4Q, disbursements for 1HCY17 v/s 1HCY16 were down 2% YoY. SCUF has been losing market share to some captive financiers. However, management expects growth to return to the mid-to-high teens by the end of the year.
- AUM grew 18% YoY (+4% QoQ) to INR241b, driven by 17% YoY growth MSME loans. Growth in the 2W and gold loan segments was 12% YoY.
- Asset quality remained stable, with the GNPL ratio increasing only 3bp sequentially to 6.76% (v/s 5.11% in 1QFY17 at 150dpd). PCR of 74% was a key positive in the quarter. Write-offs of INR1.4b were in line with 4QFY17, but much higher than the quarterly average in FY16/17.
- Shriram Housing Finance had a subdued quarter with 58% YoY decline in disbursements due to a difficult environment.
- Valuation and view:** SCUF is a niche play in the retail NBFC space with 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%. However, there are still lingering effects of demonetization. Plus, the impact of GST on both growth and asset quality is uncertain. We cut our FY18/19 estimates by 8%/4%. Maintain BUY with a TP of INR2,800 (2.8x FY19E BV).

QUARTERLY PERFORMANCE

Y/E MARCH	FY17				FY18				INR m	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY17	FY18E
Interest Income	10,535	11,153	11,557	11,071	12,175	12,601	13,231	12,735	43,796	50,742
Interest expenses	3,672	3,802	3,933	3,937	4,019	4,139	4,263	4,379	15,344	16,800
Net Interest Income	6,863	7,351	7,624	7,134	8,156	8,462	8,968	8,356	28,452	33,942
Y-o-Y Growth (%)	19.7	22.1	17.7	14.6	18.9	15.1	17.6	17.1	19.1	19.3
Fees and Other Income	15	3	6	5	17	25	25	33	76	100
Net Operating Income	6,878	7,354	7,630	7,139	8,174	8,487	8,993	8,389	28,528	34,042
Y-o-Y Growth (%)	19.2	22.1	17.8	11.8	18.8	15.4	17.9	17.5	18.2	19.3
Operating Expenses	2,739	2,829	2,977	2,815	3,197	3,181	3,323	3,280	11,359	12,981
Operating Profit	4,139	4,525	4,653	4,324	4,976	5,306	5,669	5,109	17,168	21,061
Y-o-Y Growth (%)	21.3	29.3	19.5	26.2	20.2	17.3	21.8	18.2	25.8	22.7
Provisions	1,356	1,390	2,242	4,118	1,998	1,800	2,200	2,741	8,632	8,740
Profit before Tax	2,784	3,135	2,412	206	2,978	3,506	3,469	2,367	8,536	12,321
Tax Provisions	966	1,090	835	86	1,040	1,227	1,214	814	2,976	4,295
Net Profit	1,818	2,045	1,577	120	1,939	2,279	2,255	1,553	5,561	8,026
Y-o-Y Growth (%)	23.1	34.3	-9.5	-78.4	6.6	11.4	43.0	1,193.3	5.0	44.3
Int Exp/ Int Earned (%)	34.9	34.1	34.0	35.6	33.0	32.8	32.2	34.4	35.0	33.1
Cost to Income Ratio (%)	39.8	38.5	39.0	39.4	39.1	37.5	37.0	39.1	39.8	38.1
Tax Rate (%)	34.7	34.8	34.6	41.6	34.9	35.0	35.0	34.4	34.9	34.9

E: MOSL Estimates; * Quarterly nos and full year nos will not tally due to different way of reporting financial nos

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

Y/E MARCH	1QFY18E	1QFY18A	Var (%)	Comments
Interest Income	11,957	12,175	2%	
Interest expenses	4,036	4,019	0%	
Net Interest Income	7,921	8,156	3%	In line
Y-o-Y Growth (%)	15	19	22%	
Fees and Other Income	60	17	-72%	
Net Operating Income	7,981	8,174	2%	In line
Y-o-Y Growth (%)	16	19	17%	
Operating Expenses	3,012	3,197	6%	Unexpected one off expenses of INR100-120m
Operating Profit	4,969	4,976	0%	
Y-o-Y Growth (%)	20	20	1%	
Provisions	1,700	1,998	18%	High write-offs than expected
Profit before Tax	3,269	2,978	-9%	
Tax Provisions	1,144	1,040	-9%	
Net Profit	2,125	1,939	-9%	High provisions lead to PAT miss
Y-o-Y Growth (%)	17	7	-61%	
Int Exp/ Int Earned (%)	34	33.0	-2%	
Cost to Income Ratio (%)	38	39.1	4%	
Tax Rate (%)	35	34.9	0%	
E: MOSL Estimates				

Source: MOSL, Company

AUM growth remained
stable at 18% YoY.

Sluggish disbursements; AUM growth still in high-teens

- After a strong performance in 4QFY17, disbursement growth in 1QFY18 moderated to 7% YoY. Disbursements were driven by gold loans only. Non-gold loan disbursements were flat YoY.
- AUM grew 18% YoY (4% QoQ) to INR241b. Growth was driven by MSME loans (+17% YoY). Gold loans and 2W loans grew 12% YoY each.
- Management expects to see a pickup in gold loan financing due to return of demand.
- Loan mix remains largely unchanged with share of MSME loans at 55%, 2W loans at 17%, gold loans at 15% and other loans at 13%.
- Management targets 18-20% AUM growth in FY18 and 15-17% YoY growth in 2W by year end.

Employee expenses were
up 15% YoY

Spreads largely stable; Opex increase 17% QoQ

- Calculated spreads were largely stable YoY at 11.6% as the pressure on yields was offset by 80bp YoY reduction in cost of funds.
- Management expects up to 20-40bp further reduction in the cost of funds this year.
- Employee expenses increased 15% YoY. There were some one-offs (amounting to INR100-120m) in other opex which should normalize from 2QFY18.

Best-in-class PCR of 74%,
but quantum of write-offs
alarming

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

- GNPL ratio remained largely stable sequentially 6.76%.
- However, write-offs during the quarter were INR1.41b compared to INR4.5b in the whole of FY17.
- Management maintained a prudent approach to keep PCR at 74%.



Conference call highlights

Business Updates

- Business was affected in TN due to the High Court order on temporary ban of property registration for some properties
- Some pre-GST impact was felt in June on demand for loans. Demand for loans is primarily working capital, rather than for capex. Slowdown in demand has been experienced in July too.
- Management expects to see a pick-up in gold financing due to return of demand
- 1Q is generally slow across all products. Management expects 15-17% YoY growth in 2W by year-end
- Shriram Housing Finance – They have consciously moved away from LAP and construction finance. Focus is on retail business only. Management targets INR5b disbursements for the remaining three quarters of the year. Loan book – Construction Finance: INR1.3b; LAP: Almost nil
- 2W vehicles financed in 1Q – 242,000 (v/s 233,000 YoY). 100,000 Hero motorcycles were financed in the quarter. SCUF has moved away from certain manufacturers. Customer overlap with L&T Fin will be less than 10%, but overlap with TVS Credit and Hero Fincorp would be 60-70%
- There were some one-offs (amounting to INR100-120m) in 'other opex'. It should normalize from 2Q onwards
- Management is guiding to 18-20% AUM growth for FY18. Funding costs could decline another 20-40bp in the year. The company is incrementally moving towards to 'better quality' customer in MSME, which should slightly lower MSME yields

Asset Quality

- Auto segment write-offs have increased, due to lingering impact of demonetization
- Have written off loans where management felt the recovery process would take time.

Others

- Average ticket size in home loans is INR1.3m. Almost all retail loans qualify under the PMAY schemes.
- There is a limit of INR20,000 on cash disbursements for gold loans. Management is educating customers on cashless disbursements through IMPS.
- INR850m write-offs in 1QFY17

Valuation and view

- 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.
- 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.
- However, there are still lingering effects of demonetization. Plus, the impact of GST on both, growth and asset quality, is uncertain.

- We believe this is a 3.5% RoA business on a run-rate basis. After all the impact of NPA migration is over, we expect RoE of 17.6% in FY19. We believe a company growing at 17-18% YoY with a run-rate RoE of 16-18% warrants a re-rating.
- We cut our FY18/19 estimates 8%/4%. (2.8x FY19E BVPS). We use RI model with Rf: 7%, CoE: 13.3% and terminal growth rate of 5% to arrive at a target price of 2,800 (2.8x FY19E P/B). **BUY.**

Exhibit 2: We cut estimates for FY18/19 to factor in lower growth and higher provisions

INR B	Old Est.			New Est.			% Change		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
NII	33.8	40.0	47.2	33.9	39.6	46.7	0	-1	-1
Other Income	0.3	0.3	0.3	0.1	0.1	0.1			
Total Income	34.0	40.3	47.5	34.0	39.7	46.8	0	-1	-1
Operating Expenses	12.8	14.8	17.4	13.0	14.9	17.4	2	1	0
Operating Profits	21.3	25.4	30.1	21.1	24.8	29.4	-1	-3	-2
Provisions	7.8	8.1	9.6	8.7	8.2	9.6	11	1	0
PBT	13.4	17.3	20.5	12.3	16.6	19.8	-8	-4	-3
Tax	4.7	6.0	7.1	4.3	5.8	6.9	-8	-4	-3
PAT	8.8	11.3	13.3	8.0	10.8	12.9	-8	-4	-3
Loans	274	324	383	266	311	367	-3	-4	-4
Borrowings	204	241	286	196	227	268	-4	-6	-6
Margins	13.3	13.2	13.2	13.5	13.4	13.5	1	2	2
Credit Cost	3.0	2.6	2.6	3.4	2.7	2.7	13	4	4
RoA	3.6	4.0	4.0	3.4	4.0	4.0	-7	0	2
RoE	16.2	18.1	18.3	15.0	17.6	18.0	-8	-3	-1

Source: MOSL, Company

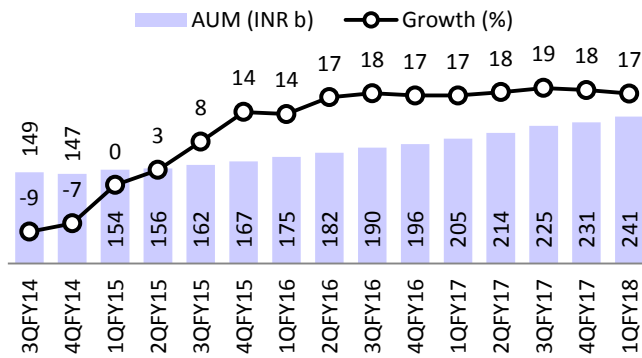
Exhibit 3: Quarterly Snapshot

	FY16				FY17				FY18	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	QoQ	YoY
Profit and Loss (INR m)											
Interest Income	9,129	9,455	10,008	9,757	10,535	11,153	11,557	11,071	12,175	10	16
Interest Expenses	3,398	3,436	3,531	3,534	3,672	3,802	3,933	3,937	4,019	2	9
Net Income	5,731	6,019	6,477	6,223	6,863	7,351	7,624	7,134	8,156	14	19
Other Income	42	5	3	163	15	3	6	5	17	249	13
Operating Expenses	2,361	2,524	2,584	2,961	2,739	2,829	2,977	2,815	3,197	14	17
Employee	1,151	1,243	1,210	1,528	1,376	1,345	1,394	1,388	1,581	14	15
Others	1,210	1,281	1,374	1,433	1,363	1,484	1,583	1,427	1,616	13	19
Operating Profits	3,411	3,500	3,896	3,425	4,139	4,525	4,653	4,324	4,976	15	20
Provisions	1,167	1,179	1,257	2,561	1,356	1,390	2,242	4,118	1,998	-51	47
PBT	2,244	2,321	2,639	864	2,784	3,135	2,412	206	2,978	1,348	7
Taxes	767	798	896	309	966	1,090	835	86	1,040	1,114	8
Reported PAT	1,477	1,523	1,743	555	1,818	2,045	1,577	120	1,939	1,514	7
Asset Quality											
GNPA (INR m)	5,320	5,820	6,320	9,800	10,240	10,340	9,930	15,370	16,050	4	57
NNPA (INR m)	1,090	1,150	1,230	2,970	2,930	2,820	1,250	4,100	4,210	3	44
GNPA ratio (%)	3.2	3.3	3.4	5.2	5.1	5.0	4.5	6.7	6.8		
NNPA ratio (%)	0.7	0.7	0.7	1.6	1.5	1.4	0.6	1.8	1.8		
PCR (%)	79.6	80.2	80.6	70.0	70.0	72.8	80.6	73.3	73.8		
Ratios (%)											
Cost to Income	40.9	41.9	39.9	46.4	39.8	38.5	39.0	39.4	39.1		
Tax Rate	34.2	34.4	34.0	35.8	34.7	34.8	34.6	41.6	34.9		
CAR	28.0	27.8	27.1	26.6	25.7	25.8	24.7	23.9	23.4		
Tier I	24.1	0.0	0.0	23.8	23.2	23.4	22.6	22.3	21.9		
RoA	3.2	3.2	3.5	2.7	3.4	3.7	2.7	0.2	3.1		
RoE	14.2	14.1	15.6	12.2	15.8	17.1	12.9	1.0	15.3		
Key Details (INR m)											
AUM	174,830	181,650	190,160	195,760	204,730	213,900	225,440	231,320	240,530	4	17
Disbursements	42,340	45,270	46,650	52,230	53,980	55,670	51,460	62,450	57,990	-7	7
AUM Mix (%)											
MSME	53	53	53	54	55	56	55	55	55		
2W	19	16	18	18	18	18	18	18	17		
Gold	15	20	18	17	16	14	15	15	15		
Others	13	11	11	11	11	12	12	13	13		

Source: Company, MOSL

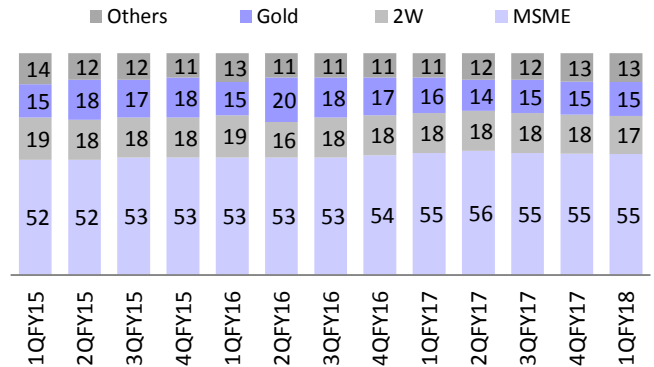
Story in charts

Exhibit 4: Strong AUM growth on a YoY basis



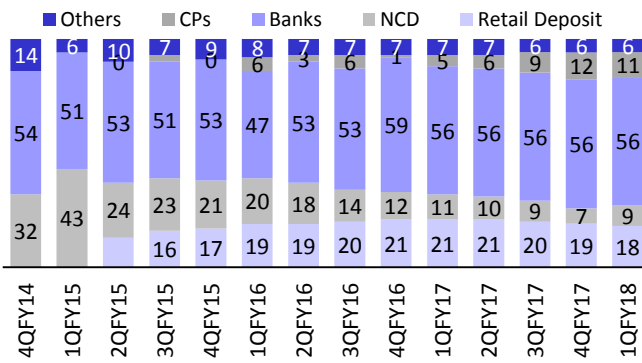
Source: MOSL, Company

Exhibit 5: AUM mix largely stable (%)



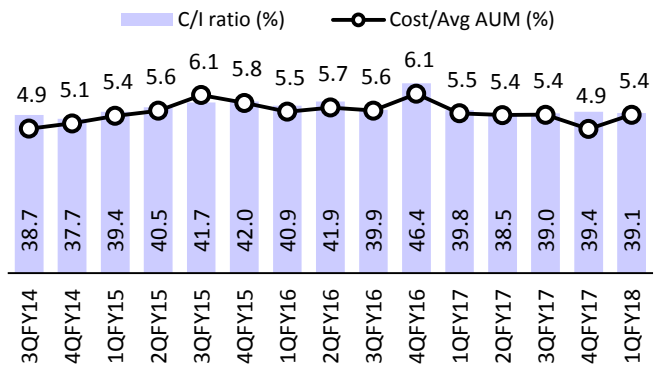
Source: MOSL, Company

Exhibit 6: Liability profile stable (%)



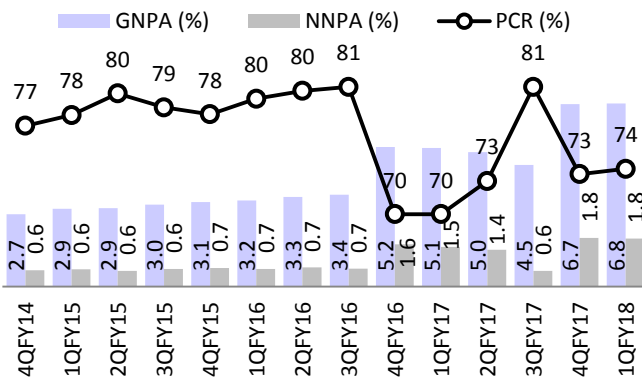
Source: MOSL, Company

Exhibit 7: Cost/Avg AUM ratio remains stable YoY



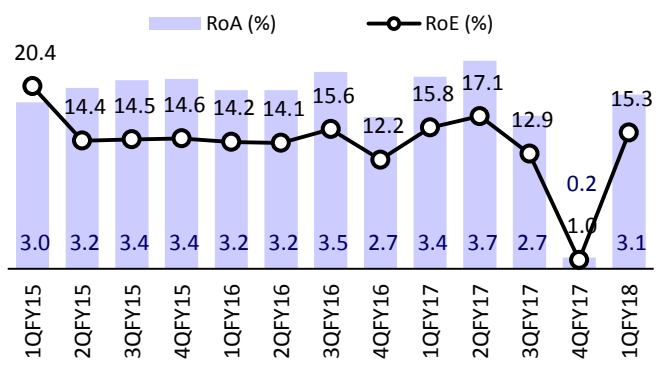
Source: MOSL, Company

Exhibit 8: Stable PCR in the quarter



Source: MOSL, Company

Exhibit 9: RoA/RoE back to normal levels



Source: MOSL, Company

Exhibit 10: Financials: Valuation metrics

	Rating	CMP (INR)	Mcap (USDb)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
				FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
ICICI* [*]	Buy	302	30.4	14.9	17.0	14.3	11.6	146.0	158.1	1.46	1.25	1.17	1.18	8.9	9.5
HDFCB	Buy	1,795	72.3	68.2	82.1	26.3	21.9	388	451	4.62	3.98	1.84	1.84	18.8	19.6
AXSB	Neutral	516	19.4	21.8	38.1	23.6	13.6	243	274	2.13	1.88	0.81	1.19	9.3	14.7
KMB*	Buy	1,010	29.3	32.4	41.0	31.1	24.6	232	272	4.35	3.71	1.84	1.99	15.0	16.3
YES	Buy	1,830	13.1	92.3	114.5	19.8	16.0	542	633	3.37	2.89	1.78	1.80	18.3	19.5
IIB	Buy	1,659	15.6	61.9	76.8	26.8	21.6	383	446	4.33	3.72	1.90	1.95	17.3	18.5
IDFC Bk	Neutral	58	3.2	2.8	3.2	21.0	18.1	45	48	1.29	1.22	0.74	0.71	6.3	6.9
FB	Buy	115	3.1	5.4	6.8	21.4	16.8	62	68	1.85	1.70	0.82	0.86	10.0	10.5
DCBB	Neutral	199	1.0	8.4	10.4	23.8	19.2	83	93	2.39	2.15	0.95	0.96	11.4	11.8
JKBK	Neutral	83	0.7	3.8	8.2	21.6	10.1	112	118	0.74	0.70	0.23	0.44	3.5	7.2
SIB	Buy	30	0.6	2.9	3.7	10.4	8.1	28	30	1.08	0.98	0.65	0.74	10.8	12.7
Equitas	Buy	163	0.9	1.7	6.1	94.3	26.7	68	73	2.42	2.23	0.59	1.67	2.6	8.7
RBL	Under Review	528	3.1	18.0	23.7	29.3	22.3	160	180	3.29	2.93	1.34	1.35	13.6	13.9
SBIN (cons)*	Buy	308	41.9	17.9	23.3	15.4	11.7	230	249	1.20	1.09	0.44	0.50	8.7	10.0
PNB	Buy	159	5.3	10.3	14.5	15.5	11.0	187	199	0.85	0.80	0.29	0.37	5.6	7.5
BOI	Neutral	162	2.7	13.7	22.0	11.8	7.4	233	255	0.70	0.64	0.22	0.33	6.1	9.0
BOB	Buy	163	5.9	18.4	22.5	8.9	7.3	162	179	1.01	0.91	0.59	0.66	11.9	13.2
CBK	Neutral	360	3.1	30.1	47.0	12.0	7.6	498	540	0.72	0.67	0.29	0.41	6.2	9.1
UNBK	Neutral	150	1.7	24.6	34.5	6.1	4.3	315	345	0.48	0.43	0.37	0.47	8.1	10.5
OBC	Neutral	144	0.8	17.1	21.4	8.4	6.7	382	404	0.38	0.36	0.22	0.26	4.6	5.4
INBK	Buy	311	2.3	34.4	38.3	9.0	8.1	327	357	0.95	0.87	0.73	0.72	10.9	11.2
HDFC*	Buy	1,766	43.9	41.4	47.0	25.0	19.7	228	287	4.53	3.23	1.86	1.87	19.3	18.4
LICHF	Neutral	692	5.5	41.6	48.9	16.7	14.1	245	285	2.82	2.43	1.44	1.51	18.2	18.5
IHFL	Buy	1,199	8.1	86.3	108.4	13.9	11.1	324	368	3.71	3.25	3.28	3.24	28.2	31.3
GRHF	Neutral	502	2.9	9.9	12.1	50.4	41.6	33	40	15.13	12.41	2.43	2.43	33.0	32.8
REPCO	Buy	761	0.7	35.8	42.5	21.2	17.9	214	253	3.55	3.01	2.25	2.21	18.1	18.2
DEWH	Buy	460	2.3	37.7	47.1	12.2	9.8	282	321	1.63	1.44	1.25	1.33	14.1	15.6
RECL	Neutral	172	5.4	35.0	40.4	4.9	4.3	196	227	0.88	0.76	3.10	3.12	19.1	19.1
POWF	Neutral	122	5.1	27.2	30.2	4.5	4.0	169	191	0.72	0.64	2.76	2.72	17.0	16.8
SHTF	Buy	1,018	3.7	80.0	102.4	12.7	9.9	560	644	1.82	1.58	2.67	3.06	15.0	16.9
MMFS	Buy	399	3.6	13.9	17.8	28.8	22.5	120	131	3.32	3.05	1.73	1.90	12.0	14.2
BAF	Buy	1,706	14.7	47.6	62.9	35.8	27.1	216	270	7.89	6.32	3.51	3.51	24.3	25.9
CIFC	Buy	1,174	2.9	56.0	67.3	21.0	17.4	325	384	3.62	3.06	2.85	2.90	18.6	19.0
SCUF	Buy	2,326	2.4	121.7	164.1	19.1	14.2	863	1,001	2.69	2.32	3.39	3.96	15.0	17.6
LTFH	Buy	176	5.0	7.3	10.6	24.0	16.6	51	60	3.45	2.93	1.87	2.32	15.6	19.1
MUTH	Buy	465	2.9	41.0	43.3	11.3	10.7	189	217	2.46	2.14	4.99	4.61	23.2	21.4
CAFL	Buy	781	1.2	33.0	43.3	23.7	18.0	264	303	2.96	2.58	1.75	1.86	13.2	15.3
SKSM	Neutral	842	1.8	31.8	68.7	26.5	12.2	219	272	3.85	3.10	3.44	5.29	16.1	28.0

*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	43,344	50,286	57,780	67,433
Financing charges	9,286	14,105	13,507	13,432	13,834	15,344	16,800	18,824	21,527
Net Financing income	8,538	12,907	15,805	19,672	23,231	28,000	33,486	38,956	45,907
Change (%)	24.3	51.2	22.4	24.5	18.1	20.5	19.6	16.3	17.8
Income from securitisation	2,624	3,460	2,207	1,243	658	452	456	648	760
Net Income (Incl Secur)	11,162	16,367	18,012	20,915	23,889	28,452	33,942	39,604	46,667
Change (%)	45.1	46.6	10.1	16.1	14.2	19.1	19.3	16.7	17.8
Fee & Other Income	76	75	487	519	250	76	100	120	144
Net Income	11,238	16,442	18,500	21,434	24,139	28,528	34,042	39,724	46,811
Change (%)	46.1	46.3	12.5	15.9	12.6	18.2	19.3	16.7	17.8
Employee Cost	924	2,239	2,708	4,116	5,132	5,503	6,493	7,467	8,588
Other Operating Exp.	3,330	3,987	4,531	4,820	5,362	5,857	6,488	7,477	8,812
Operating Income	6,985	10,215	11,261	12,499	13,645	17,168	21,061	24,779	29,412
Change (%)	46.6	46.2	10.2	11.0	9.2	25.8	22.7	17.7	18.7
Total Provisions	1,743	3,559	3,462	4,088	5,577	8,632	8,740	8,174	9,613
% to operating income	25.0	34.8	30.7	32.7	40.9	50.3	41.5	33.0	32.7
PBT	5,242	6,657	7,799	8,411	8,068	8,536	12,321	16,605	19,799
Tax	1,816	2,160	2,587	2,830	2,771	2,976	4,295	5,789	6,902
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	5,561	8,026	10,817	12,897
Change (%)	42.4	31.3	15.9	7.1	-5.1	5.0	44.3	34.8	19.2
Proposed Dividend	335	464	611	1,028	989	330	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	49,624	56,225	65,300	76,297
Net Worth	16,506	22,092	28,983	41,011	45,116	50,284	56,884	65,959	76,956
Net Worth	17,350	22,528	29,017	41,036	45,136	50,300	56,901	65,976	76,972
Borrowings	97,914	127,287	120,491	124,017	144,084	170,420	195,996	227,014	267,856
Change (%)	71.5	30.0	-5.3	2.9	16.2	18.3	15.0	15.8	18.0
Other Liabilities & Prov.	0	0	0	0	0	0	0	0	0
Total Liabilities	115,264	149,815	149,508	165,054	189,220	220,720	252,896	292,989	344,829
Investments	178	730	6,276	9,817	7,923	7,145	7,860	8,646	9,510
Change (%)	223.0	309.9	759.5	56.4	-19.3	-9.8	10.0	10.0	10.0
Loans	110,900	137,795	129,835	160,275	191,406	229,614	266,492	310,792	366,722
Change (%)	58.0	24.3	-5.8	23.4	19.4	20.0	16.1	16.6	18.0
Net Fixed Assets	525	884	1,014	823	849	782	855	849	763
Net Current Assets	3,660	10,407	12,384	-5,861	-11,309	-16,837	-22,311	-27,298	-32,167
Total Assets	115,264	149,815	149,508	165,054	188,869	220,704	252,896	292,989	344,829

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	20.3	20.1	19.8	19.7
Cost of funds	12.0	12.5	10.9	11.0	10.3	9.8	9.2	8.9	8.7
Interest Spread	7.0	8.4	10.3	11.0	10.4	10.6	10.9	10.9	11.0
NIMs (incl Securitisation inc) on AUM	10.4	11.2	11.8	13.3	13.2	13.3	13.5	13.4	13.5

Profitability Ratios (%)

RoE	23.2	22.5	20.2	15.9	12.3	11.7	15.0	17.6	18.0
RoA	3.7	3.4	3.5	3.5	3.0	2.7	3.4	4.0	4.0
Int. Expended/Int.Earned	52.1	52.2	46.1	40.6	37.3	35.4	33.4	32.6	31.9
Other Inc. (incl. Sec. Inc.) / Net Income	24.0	21.5	14.6	8.2	3.8	1.9	1.6	1.9	1.9

Efficiency Ratios (%)

Op. Exps./Net Income	37.8	37.9	39.1	41.7	43.5	39.8	38.1	37.6	37.2
Empl. Cost/Op. Exps.	21.7	36.0	37.4	46.1	48.9	48.4	50.0	50.0	49.4

Asset-Liability Profile (%)

Loans/Borrowings Ratio	113.3	108.3	107.8	129.2	132.8	134.7	136.0	136.9	136.9
Leverage	7.0	6.8	5.2	4.0	4.2	4.4	4.4	4.4	4.5
Average leverage	6.4	6.9	5.9	4.5	4.1	4.3	4.4	4.4	4.5

Valuations

Book Value (INR)	331.3	406.5	489.5	622.7	684.6	763.0	863.1	1,000.7	1,167.5
BV Growth (%)	35.4	22.7	20.4	27.2	10.0	11.4	13.1	15.9	16.7
Price-BV (x)	7.1	5.8	4.8	3.8	3.4	3.1	2.7	2.3	2.0
Adjusted BV (INR)	328.6	399.7	484.9	617.0	668.9	741.2	814.7	945.6	1,109.7
Price-ABV (x)	7.1	5.9	4.8	3.8	3.5	3.2	2.9	2.5	2.1
EPS (INR)	65.4	81.1	87.9	84.7	80.4	84.3	121.7	164.1	195.6
EPS Growth (%)	34.7	24.0	8.3	-3.7	-5.1	5.0	44.3	34.8	19.2
Price-Earnings (x)	35.8	28.9	26.7	27.7	29.2	27.8	19.3	14.3	12.0
DPS (INR)	6.4	8.4	10.0	15.0	15.0	15.0	18.0	22.0	24.0
Dividend Yield (%)	0.3	0.4	0.4	0.6	0.6	0.6	0.8	0.9	1.0

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 INR240b with ~1,000 branches spread across the country..

Exhibit 1: Exhibit 10: Sensex rebased

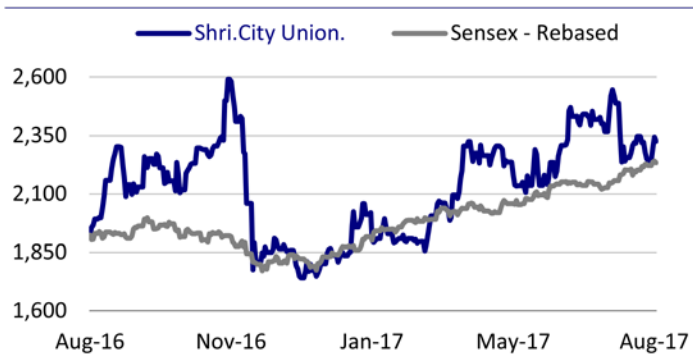


Exhibit 11: Shareholding pattern (%)

	Jun-17	Mar-17	Jun-16
Promoter	33.8	33.8	33.8
DII	5.8	6.0	2.0
FII	22.3	21.9	16.1
Others	38.2	38.4	48.1

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 (%)
FY18	121.7	133.1	-8.6
FY19	164.1	178.1	-7.9
FY20	195.6	273.7	-28.5

NOTES

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