

# Equitas Holdings

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	EQUITAS IN
Equity Shares (m)	342
M.Cap.(INRb)/(USDb)	17 / 0.2
52-Week Range (INR)	144 / 33
1, 6, 12 Rel. Per (%)	25/-19/-45
12M Avg Val (INR M)	521

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
NII	15.0	16.0	17.8
OP	6.0	6.2	6.9
NP	2.4	1.6	2.6
NIM (%)	8.8	8.2	8.0
EPS (INR)	7.1	4.7	7.6
BV/Sh. (INR)	80.3	83.9	89.1
ABV/Sh. (INR)	75.6	75.6	78.5

## Ratios

RoE (%)	9.7	5.8	8.8
RoA (%)	1.4	0.8	1.1

## Valuations

P/E(X)	7.0	10.5	6.5
P/BV (X)	0.6	0.6	0.6
P/ABV (X)	0.7	0.7	0.6

## Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	0.0	0.0	0.0
DII	34.5	37.2	42.0
FII	28.7	26.1	18.6
Others	36.9	36.7	39.4

FII Includes depository receipts

**CMP: INR50 TP: INR65 (+31%) Buy**

## Moratorium book swells; Asset quality a key monitorable

### Credit cost to remain elevated

- In 4QFY20, EQUITAS provided higher than required provisions toward COVID-19, which affected earnings despite strong NII/PPoP growth. In spite of the lockdown in the last few days of Mar'20, AUM growth was steady at 31% YoY. We remain cautious of EQUITAS' asset quality trends in the near term as 98.3% of borrowers have availed moratorium (93% of portfolio value).
- We cut our FY21/FY22E PAT estimate to primarily factor in higher delinquency trend and moderation in loan growth. Maintain Buy.

### ~98% borrowers avail moratorium; high COVID-19 provisions affect earnings

- 4QFY20 PAT stood at ~INR430m (33% YoY decline, 41% below estimates) affected by higher provisions (INR996m) toward COVID-19. However, NII grew 35% YoY to INR4.2b led by gross AUM growth of 31% YoY. NIMs for FY20 improved by 56bp to 9.1%. During FY20, NII/PPoP/PAT grew ~30%/40%/16% YoY.
- Total opex increased 14% YoY to INR3.1b, led by ~28% YoY growth in staff expense while total revenues increased 26% YoY. Cost-income ratio improved to 62.1% (v/s 66.2% QoQ) while PPoP stood at INR1.9b (+54% YoY/ ~19% QoQ).
- Total AUM grew 31% YoY/5% QoQ to INR153.7b, with the share of MFI AUM at 23.5% (v/s ~26% in FY19). MFI AUM grew ~18% YoY to INR36.2b while growth in non-MFI AUM was at 36% YoY/6% QoQ led by 36% YoY growth in small business loans. Housing book grew 60% YoY while MSE finance surged 270% YoY (19% QoQ). Disbursements during 4QFY20 grew 8.6% YoY (15.5% YoY for FY20).
- Deposits increased ~20% YoY to INR107.9b, led by 37% YoY growth in TD while CASA declined 3% YoY resulting in CASA ratio moderating to 20.5% (v/s 20.9% in 3QFY20).
- On the asset quality front**, GNPA/NNPA ratio improved by 14bp/7bp QoQ. PCR improved ~170bp QoQ to 45.2%. Around 98.3% of customers availed moratorium (93% by portfolio value) as at end-Apr'20.

### Highlights from management commentary

- Measures announced by the government for MSMEs:** ~INR55b of exposure would qualify for additional 20% loan facility under the government's INR3t MSME package.
- COVID-19 impact:** As at end-Apr'20, 93% of EQUITAS' portfolio availed moratorium (98.3% of total borrowers).
- In case of overdue accounts**, 40% customers paid full EMIs while 25% have paid partial dues.

**Valuation and view**

■ EQUITAS has reported steady business growth despite the lockdown in the last few days of Mar'20. It has also increased the mix of non-MFI loans. Operating performance has remained strong led by higher NII growth. Further, it has made higher COVID-19 provisions as ~98% of borrowers have availed moratorium, which is significantly higher in comparison to peers. Management has indicated that INR55b of loans would qualify for additional lending under the government's MSME package; however, we still remain cautious on EQUITAS' asset quality. We estimate credit cost to rise sharply to 2.7% for FY21E. We, thus, cut our PAT estimates by 45%/37% for FY21/FY22E. We revise our TP to INR65 (0.8x FY22 ABV). Maintain Buy.

**Quarterly performance**

(INR m)

Y/E March	FY19				FY20E				FY19	FY20	FY20E 4QE	v/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Net Interest Income</b>	<b>2,544</b>	<b>2,716</b>	<b>3,111</b>	<b>3,147</b>	<b>3,372</b>	<b>3,505</b>	<b>3,836</b>	<b>4,240</b>	<b>11,517</b>	<b>14,953</b>	<b>3,765</b>	<b>13</b>
% Change (YoY)	17.8	11.0	33.1	26.7	32.6	29.1	23.3	34.7	22.2	29.8	13.0	2,168
Other Income	612	717	709	790	592	639	857	736	2,829	2,824	781	-6
<b>Total Income</b>	<b>3,156</b>	<b>3,433</b>	<b>3,820</b>	<b>3,938</b>	<b>3,964</b>	<b>4,145</b>	<b>4,693</b>	<b>4,976</b>	<b>14,346</b>	<b>17,777</b>	<b>4,545</b>	<b>9</b>
Operating Expenses	2,395	2,372	2,605	2,713	2,738	2,862	3,108	3,092	10,085	11,801	2,936	5
<b>Operating Profit</b>	<b>761</b>	<b>1,061</b>	<b>1,215</b>	<b>1,225</b>	<b>1,225</b>	<b>1,282</b>	<b>1,584</b>	<b>1,884</b>	<b>4,261</b>	<b>5,976</b>	<b>1,609</b>	<b>17</b>
% Change (YoY)	6.1	1,392.3	195.6	81.7	61.1	20.9	30.4	53.8	127.5	40.2	27.5	2,635
Provisions	209	308	245	262	308	454	405	1,300	1,024	2,466	419	210
<b>Profit before Tax</b>	<b>552</b>	<b>753</b>	<b>970</b>	<b>963</b>	<b>917</b>	<b>829</b>	<b>1,180</b>	<b>584</b>	<b>3,237</b>	<b>3,509</b>	<b>1,190</b>	<b>-51</b>
Tax	198	265	348	321	327	353	239	154	1,132	1,073	462	-67
<b>Net Profit</b>	<b>354</b>	<b>487</b>	<b>622</b>	<b>642</b>	<b>590</b>	<b>476</b>	<b>941</b>	<b>430</b>	<b>2,106</b>	<b>2,436</b>	<b>728</b>	<b>-41</b>
% Change (YoY)	96.2	-389.6	-303.3	84.4	66.7	-2.4	51.2	-33.1	3,775.3	15.7	5.9	-3,901
<b>Operating Parameters</b>												
AUM (INR b)	93	100	107	117	123	132	146	154	117	154	150	2
Deposits (INR b)	57	70	79	90	91	100	105	108	90	108	111	-3
Loans (INR b)	84	94	106	116	120	130	137	137	116	137	147	-6
AUM Growth (%)	32	36	38	42	32	33	37	31	42	31	27	456
Deposit Growth (%)	154	125	114	91	60	44	33	20	91	20	26	-622
<b>Asset Quality</b>												
Gross NPA (%)	2.8	3.4	3.1	2.5	2.8	2.9	2.9	2.7	2.5	2.7	3.0	-28
Net NPA (%)	1.5	2.0	1.8	1.4	1.6	1.6	1.7	1.7	1.4	1.7	1.7	0
PCR (%)	46.9	40.9	44.2	43.4	44.1	43.8	43.5	45.2	43.4	45.2	40.7	455

E:MOFSL Estimates

**Quarterly snapshot**

	FY18				FY19				FY20				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>P/L, INR m</b>														
<b>Net Interest Income</b>	<b>2,160</b>	<b>2,446</b>	<b>2,337</b>	<b>2,485</b>	<b>2,544</b>	<b>2,716</b>	<b>3,111</b>	<b>3,147</b>	<b>3,372</b>	<b>3,505</b>	<b>3,836</b>	<b>4,240</b>	<b>35</b>	<b>11</b>
<b>Other Income</b>	<b>820</b>	<b>98</b>	<b>326</b>	<b>433</b>	<b>612</b>	<b>717</b>	<b>709</b>	<b>790</b>	<b>592</b>	<b>639</b>	<b>857</b>	<b>736</b>	<b>-7</b>	<b>-14</b>
<b>Total Income</b>	<b>2,980</b>	<b>2,545</b>	<b>2,663</b>	<b>2,918</b>	<b>3,156</b>	<b>3,433</b>	<b>3,820</b>	<b>3,938</b>	<b>3,964</b>	<b>4,145</b>	<b>4,693</b>	<b>4,976</b>	<b>26</b>	<b>6</b>
<b>Operating Expenses</b>	<b>2,263</b>	<b>2,474</b>	<b>2,252</b>	<b>2,244</b>	<b>2,395</b>	<b>2,372</b>	<b>2,605</b>	<b>2,713</b>	<b>2,738</b>	<b>2,862</b>	<b>3,108</b>	<b>3,092</b>	<b>14</b>	<b>-1</b>
Employee	1,352	1,600	1,327	1,220	1,381	1,346	1,329	1,456	1,664	1,725	1,839	1,869	28	2
Others	911	874	925	1,024	1,013	1,026	1,276	1,257	1,074	1,137	1,270	1,223	-3	-4
<b>Operating Profits</b>	<b>717</b>	<b>71</b>	<b>411</b>	<b>674</b>	<b>761</b>	<b>1,061</b>	<b>1,215</b>	<b>1,225</b>	<b>1,225</b>	<b>1,282</b>	<b>1,584</b>	<b>1,884</b>	<b>54</b>	<b>19</b>
<b>Core Operating Profits</b>	<b>717</b>	<b>71</b>	<b>411</b>	<b>553</b>	<b>631</b>	<b>1,059</b>	<b>1,214</b>	<b>1,067</b>	<b>1,222</b>	<b>1,274</b>	<b>1,580</b>	<b>1,866</b>	<b>75</b>	<b>18</b>
<b>Provisions</b>	<b>439</b>	<b>174</b>	<b>869</b>	<b>138</b>	<b>209</b>	<b>308</b>	<b>245</b>	<b>262</b>	<b>308</b>	<b>454</b>	<b>405</b>	<b>1,300</b>	<b>397</b>	<b>221</b>
<b>PBT</b>	<b>278</b>	<b>-103</b>	<b>-458</b>	<b>536</b>	<b>552</b>	<b>753</b>	<b>970</b>	<b>963</b>	<b>917</b>	<b>829</b>	<b>1,180</b>	<b>584</b>	<b>-39</b>	<b>-50</b>
Taxes	98	65	-152	187	198	265	348	321	327	353	239	154	-52	-35
<b>PAT</b>	<b>180</b>	<b>-168</b>	<b>-306</b>	<b>348</b>	<b>354</b>	<b>487</b>	<b>622</b>	<b>642</b>	<b>590</b>	<b>476</b>	<b>941</b>	<b>430</b>	<b>-33</b>	<b>-54</b>

	FY18				FY19				FY20				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>Balance Sheet (INRb)</b>														
Deposits	23	31	37	47	57	70	79	90	91	100	105	108	20	3
Loans	61	64	72	78	84	94	106	116	120	130	137	137	19	0
AUM's	70	73	77	82	93	100	107	117	123	132	146	154	31	5
<b>Loan mix (%)</b>														
MFI	42.0	36.1	32.0	27.8	26.1	27.1	27.6	26.2	25.3	24.2	24.0	23.5	-269	-44
Vehicles	27.7	28.3	28.0	27.3	25.5	24.8	25.4	25.2	24.5	24.5	24.5	24.5	-75	-8
Small Business loans	27.5	30.4	33.5	35.6	35.3	37.5	38.2	39.1	40.6	40.5	40.6	40.9	176	29
MSE Finance	2.0	3.4	4.4	5.0	5.6	0.6	1.0	1.5	2.3	3.3	3.9	4.4	281	50
Corporate loans	0.4	1.1	1.5	2.4	2.7	4.3	3.6	3.9	4.5	5.2	5.2	5.3	143	12
Others	0.2	0.3	0.7	1.9	4.4	5.7	4.2	4.0	2.8	2.3	1.9	1.5	-256	-40
<b>Asset Quality (INRb)</b>														
GNPA	3.0	3.7	3.6	2.1	2.4	3.2	3.4	3.0	3.3	3.8	4.2	4.2	41	0
NNPA	1.6	2.0	1.2	1.1	1.3	1.9	1.9	1.7	1.9	2.1	2.4	2.3	37	-3
Slippages	0.0	0.0	0.0	0.0	0.6	1.2	0.7	0.6	0.8	1.1	1.3	0.9	46	-26
<b>Asset Quality Ratios</b>														
GNPA (%)	4.9	5.8	5.0	2.7	2.8	3.4	3.1	2.5	2.8	2.9	2.9	2.7	19	-14
NNPA (%)	3.0	3.2	1.6	1.5	1.5	2.0	1.8	1.4	1.6	1.6	1.7	1.7	22	-7
PCR (Calc, %)	45.7	46.3	67.4	47.1	46.9	40.9	44.2	43.4	44.1	43.8	43.5	45.2	184	168
Credit Cost	2.9	1.1	5.1	0.7	1.0	1.6	1.0	0.9	1.0	1.6	1.2	3.8	284	257
<b>Business Ratios (%)</b>														
CASA	26.1	28.3	32.6	34.6	32.1	28.3	25.5	25.2	24.5	22.4	20.9	20.5	-476	-46
Cost to Income	75.9	97.2	84.6	76.9	75.9	69.1	68.2	68.9	69.1	69.1	66.2	62.1	-676	-410
Cost to assets	9.6	10.0	8.3	7.2	6.8	6.6	7.2	7.1	6.8	6.8	7.0	6.5	-56	-42
Tax Rate	35.1	-62.9	33.2	35.0	35.9	35.2	35.8	33.3	35.7	42.6	20.2	26.4	-692	618



## Highlights from management commentary

### COVID-19 related impact

- EQUITAS has made provisions of ~INR0.99b toward COVID-19, which are in excess of the RBI's requirement (INR29.8m represents the minimum provision of entire 10% on overdue accounts)
- **In case of overdue accounts (as at 29<sup>th</sup> Feb'20)**, 40% of customers have paid their full dues while 25% have made partial payments.
- **Moratorium update:** As at end-Apr'20, 93% of its portfolio availed moratorium, which includes 98.3% of total borrowers. The bank has encouraged customers to opt for moratorium to help preserve liquidity.
- Rural/semi-urban borrowers would be less impacted as 53% of the MFI, 50% of Small business loans and 5% of the Vehicle portfolio are located in semi-urban/rural locations.
- **Apr'20 is a complete washout with no disbursements made during the month.**
- **On the collection front,** Apr'20 was weak while some collections started post 5<sup>th</sup> May'20.
- Immediate top-up loans would be required by the MFI/ Small business customers to normalize. Thus, it has launched 'Bounce-Back Loan' scheme for top-up loans.

### Impact of recent measures announced by government

- **Measures announced for the MSME segment by the government:** Nearly INR55b of exposure would qualify for an additional 20% loan facility covered under the INR3t government guaranteed loan scheme.
- Further, the government has announced interest subsidy on loans up to INR50k, and thus, majority of MFI/ street vendors would benefit under this scheme.

### Business segments

#### MFI Portfolio

- More than 50% of customers in livestock/farming related businesses.
- Post 3<sup>rd</sup> May'20, 60% of center meetings have started with 40-45% attendance.
- Only evaluation of customer is being done with no payment collection happening at center meetings.

#### Vehicle Finance

- Downward cycle should continue as supply chain has got impacted severely/broken.
- Reducing LTVs in the commercial vehicle (CV) portfolio.
- Heavy CV segment would remain vulnerable. Overall vehicle segment should see higher delinquencies. Total exposure to heavy CVs is ~INR15b.
- Higher focus on LCVs and Small CVs that depend on the local economy.
- Exposure to passenger vehicles minimal.

#### MSE

- Have contacted all 800 customers.
- ~16% customers engaged in healthcare, pharma, essential services, etc. have been positively impacted while 17-18% should see negative impact.
- Other customers would see minimal impact.

#### Small business loans

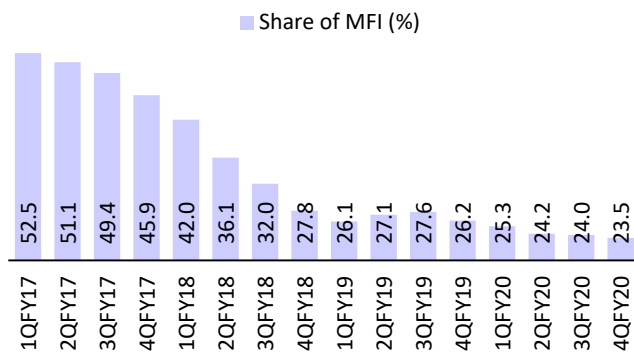
- 98% of customers have only single loan.
- There are three ticket size categories – (a) up to INR0.5m, (b) INR0.5m to INR1m, and (c) INR1m to INR2.5m. Majority of borrowers have exposure below INR1m.

#### Balance sheet related

- **On the liability front**, acquired 20k new accounts in Apr'20.
- Overall, the bank's customer profile is very different from other banks. ~90% of these customers cater to the informal segment.
- Retail TD forms 50% of the total term deposits. Retail TD + CASA forms ~65% of the total deposits.

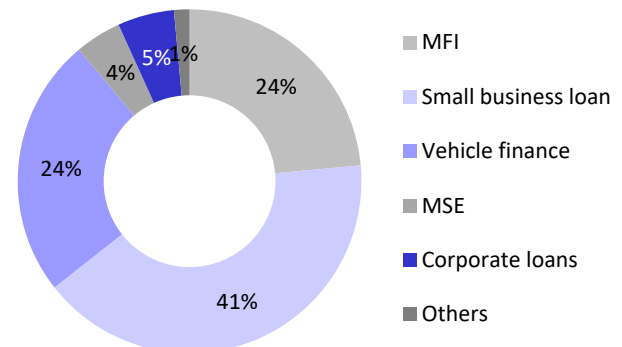
## Key Exhibits

**Exhibit 1: Share of micro finance portfolio declined to 23.5% v/s 26.2% in FY19**



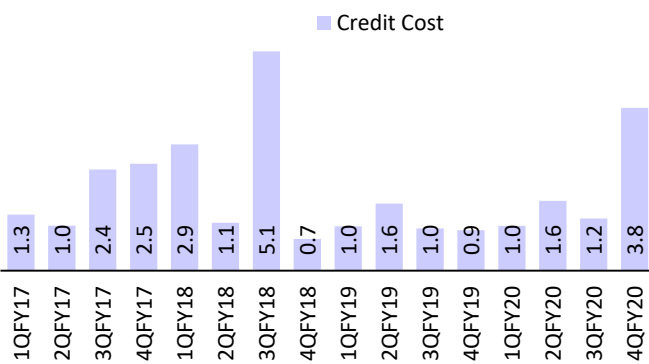
Source: MOFSL, Company

**Exhibit 2: Vehicle finance and small business loans form ~65% of the total book**



Source: MOFSL, Company

**Exhibit 3: Credit cost trends**



Source: MOSL, Company

**Exhibit 4: Moratorium across segments (% by borrowers)**

Business Segments	% of customers opting for moratorium
MFI	100.0
Small Business Loans	87.3
Housing Finance	71.5
Vehicle Finance	89.6
Working Capital	93.0
Corporate	3.4
Others	91.8
<b>Total</b>	<b>98.3</b>

Source: MOSL, Company

**Exhibit 5: A trend of segmental GNPA's (%)**

Segmental GNPA	2QFY19	3QFY19	4QFY19	1QFY20	3QFY20	4QFY20
MSE	2.63	4.29	4.84	1.08	1.07	1.19
Small business loans	3.08	2.79	2.56	2.72	2.96	2.73
Micro Finance	0.88	0.74	0.86	0.88	1.04	1.16
Vehicle Finance	6.83	6.27	4.02	4.36	4.48	4.03
<b>Total</b>	<b>3.36</b>	<b>3.14</b>	<b>2.53</b>	<b>2.75</b>	<b>2.86</b>	<b>2.72</b>

## Valuation view

- Asset quality to remain under pressure:** COVID-19 would severely impact multiple segments due to the contagion effect. We expect potential increase in delinquencies in the MFI/Business loans and the CV portfolio. Thus, we expect slippage/credit cost trend to rise sharply to 4.5%/2.7% in FY21E.
- Maintain Buy with target price of INR65:** EQUITAS has reported steady business growth despite the lockdown in the last few days of Mar'20. It has also increased the mix of non-MFI loans. Operating performance has remained strong led by higher NII growth. Further, it has made higher COVID-19 provisions as ~98% of borrowers have availed moratorium, which is significantly higher in comparison to peers. Management has indicated that INR55b of loans would qualify for additional lending under the government's MSME package; however, we still remain cautious on EQUITAS' asset quality. We estimate credit cost to rise sharply to 2.7% for FY21E. We, thus, cut our PAT estimates by 45%/37% for FY21/FY22E. We revise our TP to INR65 (0.8x FY22 ABV). Maintain Buy.

**Exhibit 6: We cut our PAT estimate for FY21/FY22 by 45%/37%, primarily to factor in higher credit cost, moderation in loan growth & fee income trends**

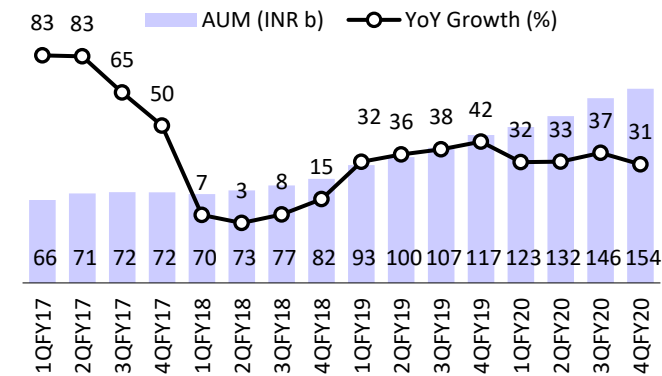
INR B	Old Est.		Rev. Est.		Chg. (%)/bps	
	FY21	FY22	FY21	FY22	FY21	FY22
<b>Net Interest Income</b>	<b>16.2</b>	<b>20.3</b>	<b>16.0</b>	<b>17.8</b>	<b>-0.9</b>	<b>-12.5</b>
Other Income	3.6	4.3	3.0	3.4	-16.5	-22.1
<b>Total Income</b>	<b>19.8</b>	<b>24.6</b>	<b>19.0</b>	<b>21.1</b>	<b>-3.8</b>	<b>-14.2</b>
Operating Expenses	13.4	16.5	12.8	14.2	-4.3	-13.9
<b>Operating Profit</b>	<b>6.4</b>	<b>8.1</b>	<b>6.2</b>	<b>6.9</b>	<b>-2.6</b>	<b>-14.7</b>
Provisions	2.4	2.6	4.0	3.5	66.0	34.4
<b>PBT</b>	<b>3.9</b>	<b>5.6</b>	<b>2.2</b>	<b>3.5</b>	<b>-44.9</b>	<b>-37.5</b>
Tax	1.0	1.4	0.5	0.9	-44.9	-37.5
<b>PAT</b>	<b>2.9</b>	<b>4.2</b>	<b>1.6</b>	<b>2.6</b>	<b>-44.9</b>	<b>-37.5</b>
Loans	179	227	155	180	-13.4	-20.6
Deposits	139	181	123	145	-11.6	-19.7
Margins (%)	7.7	7.8	8.2	8.0	50	25
Credit Cost (%)	1.4	1.2	2.7	2.0	130	84
<b>RoA (%)</b>	<b>1.4</b>	<b>1.5</b>	<b>0.8</b>	<b>1.1</b>	<b>-56</b>	<b>-42</b>
<b>RoE (%)</b>	<b>10.4</b>	<b>13.2</b>	<b>5.8</b>	<b>8.8</b>	<b>-457</b>	<b>-445</b>
EPS	8.6	12.2	4.7	7.6	-45.0	-37.5
<b>BV</b>	<b>87.0</b>	<b>96.9</b>	<b>83.9</b>	<b>89.1</b>	<b>-3.6</b>	<b>-8.0</b>
ABV	79.6	88.8	75.6	78.5	-5.0	-11.7

**Exhibit 7: DuPont Analysis: Return ratios to remain under pressure in the near term**

	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Income	19.2	18.3	14.1	14.4	15.1	13.8	13.6
Interest Expense	8.1	7.5	5.8	6.6	6.6	5.9	6.0
<b>Net Interest Income</b>	<b>11.11</b>	<b>10.86</b>	<b>8.24</b>	<b>7.87</b>	<b>8.53</b>	<b>7.85</b>	<b>7.68</b>
Fee income	1.23	1.11	1.47	1.93	1.61	1.19	1.20
Trading and others	0.21	0.34	0.00	0.00	0.00	0.28	0.24
<b>Other Income</b>	<b>1.44</b>	<b>1.45</b>	<b>1.47</b>	<b>1.93</b>	<b>1.61</b>	<b>1.46</b>	<b>1.45</b>
<b>Total Income</b>	<b>12.56</b>	<b>12.31</b>	<b>9.70</b>	<b>9.81</b>	<b>10.14</b>	<b>9.31</b>	<b>9.13</b>
<b>Operating Expenses</b>	<b>6.65</b>	<b>7.81</b>	<b>8.07</b>	<b>6.89</b>	<b>6.73</b>	<b>6.28</b>	<b>6.13</b>
Employees	4.32	5.08	4.80	3.77	4.05	3.82	3.78
Others	2.33	2.73	3.26	3.13	2.68	2.46	2.35
<b>Operating Profits</b>	<b>5.91</b>	<b>4.50</b>	<b>1.64</b>	<b>2.91</b>	<b>3.41</b>	<b>3.03</b>	<b>3.00</b>
<b>Core operating Profits</b>	<b>5.69</b>	<b>4.16</b>	<b>1.64</b>	<b>2.91</b>	<b>3.41</b>	<b>2.76</b>	<b>2.75</b>
<b>Provisions</b>	<b>1.09</b>	<b>1.31</b>	<b>1.42</b>	<b>0.70</b>	<b>1.41</b>	<b>1.97</b>	<b>1.50</b>
NPA	0.77	1.25	0.22	0.70	0.00	1.93	1.45
Othes	0.33	0.06	1.20	0.00	1.41	0.04	0.05
<b>PBT</b>	<b>4.81</b>	<b>3.20</b>	<b>0.22</b>	<b>2.21</b>	<b>2.00</b>	<b>1.06</b>	<b>1.50</b>
Tax	1.72	1.17	0.17	0.77	0.61	0.27	0.38
<b>RoA</b>	<b>3.09</b>	<b>2.02</b>	<b>0.05</b>	<b>1.44</b>	<b>1.39</b>	<b>0.79</b>	<b>1.12</b>
Leverage (x)	4.3	4.4	5.1	6.5	7.0	7.3	7.8
<b>RoE</b>	<b>13.3</b>	<b>8.9</b>	<b>0.2</b>	<b>9.3</b>	<b>9.7</b>	<b>5.8</b>	<b>8.8</b>

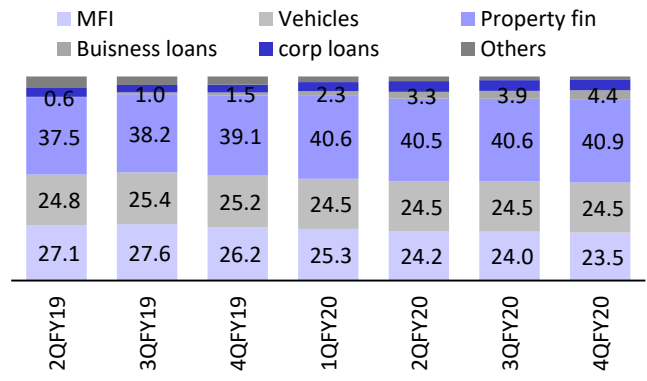
## Story in Charts

**Exhibit 8: AUM grew 31%/5% YoY/QoQ to INR154b**



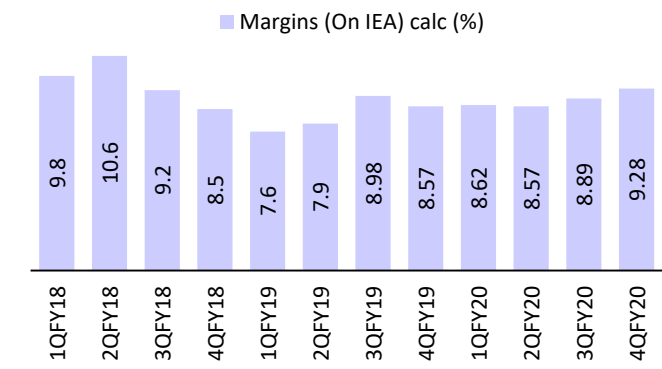
Source: MOFSL, Company

**Exhibit 9: Share of Small Business loans inches up to 40.9%**



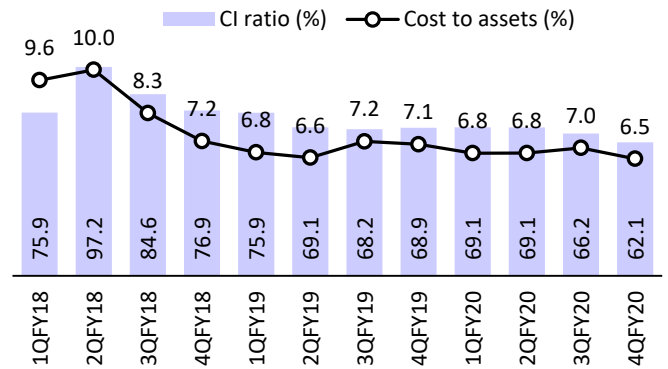
Source: MOFSL, Company

**Exhibit 10: NIMs trends over the last few quarters**



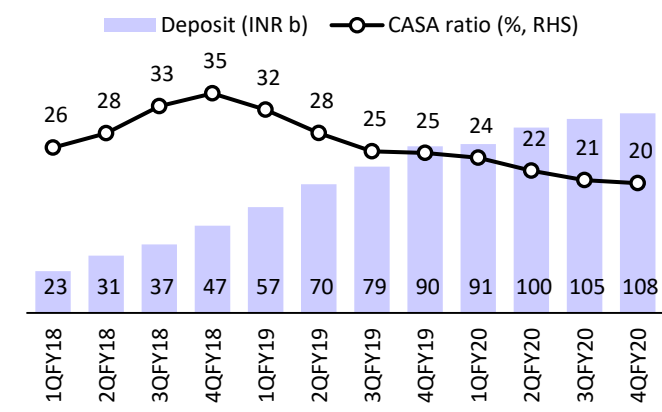
Source: MOFSL, Company

**Exhibit 11: C/I ratio improved 410bp QoQ to 62.1%**



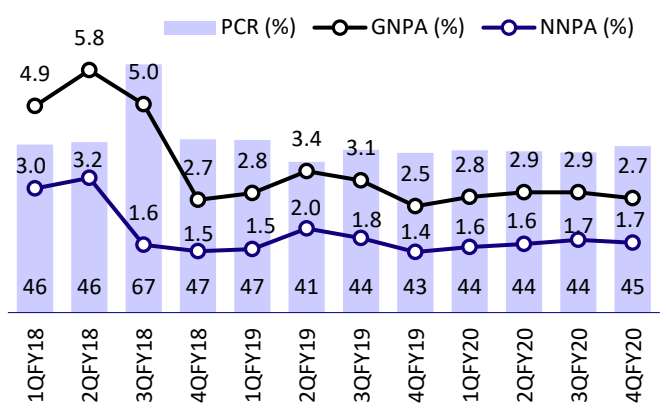
Source: MOFSL, Company

**Exhibit 12: CASA ratio declined to 20.5% as TD growth was higher than CASA growth**



Source: MOFSL, Company

**Exhibit 13: GNPA/NNPA ratio improved by 14bp/7bp QoQ; PCR improved to 45.2%**



Source: MOFSL, Company



## Financials and Valuations

Income Statement							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	
Interest Income	10,368	14,426	16,120	21,119	26,454	28,165	31,530	
Interest Expense	4,359	5,871	6,691	9,602	11,501	12,116	13,764	
<b>Net Interest Income</b>	<b>6,009</b>	<b>8,555</b>	<b>9,428</b>	<b>11,517</b>	<b>14,953</b>	<b>16,049</b>	<b>17,766</b>	
Growth (%)	69.3	42.4	10.2	22.2	29.8	7.3	10.7	
Non Interest Income	781	1,140	1,677	2,829	2,824	2,993	3,352	
<b>Total Income</b>	<b>6,790</b>	<b>9,695</b>	<b>11,106</b>	<b>14,346</b>	<b>17,777</b>	<b>19,042</b>	<b>21,118</b>	
Growth (%)	47.2	42.8	14.5	29.2	23.9	7.1	10.9	
Operating Expenses	3,597	6,150	9,233	10,085	11,801	12,840	14,179	
<b>Pre Provision Profits</b>	<b>3,193</b>	<b>3,545</b>	<b>1,873</b>	<b>4,261</b>	<b>5,976</b>	<b>6,202</b>	<b>6,938</b>	
Growth (%)	49.2	11.0	-47.2	127.5	40.2	3.8	11.9	
<b>Core PPOP</b>	<b>3,077</b>	<b>3,279</b>	<b>1,873</b>	<b>4,261</b>	<b>5,976</b>	<b>5,636</b>	<b>6,372</b>	
Growth (%)	48.2	6.6	-42.9	127.5	40.2	-5.7	13.1	
Provisions (excl tax)	591	1,029	1,621	1,024	2,466	4,033	3,467	
<b>PBT</b>	<b>2,602</b>	<b>2,516</b>	<b>252</b>	<b>3,237</b>	<b>3,509</b>	<b>2,169</b>	<b>3,471</b>	
Tax	930	922	198	1,132	1,073	546	874	
Tax Rate (%)	35.7	36.6	78.5	35.0	30.6	25.2	25.2	
<b>PAT</b>	<b>1,672</b>	<b>1,594</b>	<b>54</b>	<b>2,106</b>	<b>2,436</b>	<b>1,623</b>	<b>2,597</b>	
Growth (%)	56.8	-4.7	-96.6	3,775.3	15.7	-33.4	60.0	

Balance Sheet							
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	2,699	3,378	3,404	3,415	3,418	3,418	3,418
Reserves & Surplus	10,714	18,928	19,359	19,129	24,024	25,247	27,045
<b>Net Worth</b>	<b>13,413</b>	<b>22,306</b>	<b>22,763</b>	<b>22,543</b>	<b>27,441</b>	<b>28,665</b>	<b>30,463</b>
<b>Deposits</b>		<b>18,850</b>	<b>47,190</b>	<b>90,067</b>	<b>107,884</b>	<b>122,988</b>	<b>145,126</b>
Growth (%)			150.3	90.9	19.8	14.0	18.0
<b>of which CASA Dep</b>		<b>3,320</b>	<b>16,340</b>	<b>22,720</b>	<b>22,082</b>	<b>29,517</b>	<b>37,733</b>
Growth (%)			392.2	39.0	-2.8	33.7	27.8
Borrowings	46,579	46,579	58,877	39,730	51,349	56,484	62,132
Other Liabilities & Prov.	3,497	6,264	6,118	5,286	6,471	7,571	9,237
<b>Total Liabilities</b>	<b>63,489</b>	<b>93,999</b>	<b>134,948</b>	<b>157,627</b>	<b>193,145</b>	<b>215,708</b>	<b>246,957</b>
Current Assets	9,469	10,642	11,940	12,606	25,368	23,331	22,798
<b>Investments</b>	119	18,959	38,569	23,445	23,425	28,110	33,170
Growth (%)	-93.2	15,831.9	103.4	-39.2	-0.1	20.0	18.0
<b>Loans</b>	<b>50,702</b>	<b>58,351</b>	<b>78,001</b>	<b>115,950</b>	<b>137,472</b>	<b>155,344</b>	<b>180,199</b>
Growth (%)	46.3	15.1	33.7	48.7	18.6	13.0	16.0
Fixed Assets	623	3,288	3,304	2,373	2,128	2,996	3,295
Other Assets	2,576	2,759	3,133	3,253	4,752	5,927	7,495
<b>Total Assets</b>	<b>63,489</b>	<b>93,999</b>	<b>134,947</b>	<b>157,627</b>	<b>193,145</b>	<b>215,708</b>	<b>246,957</b>

Asset Quality	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
GNPA (INR m)	681	2,060	2,125	2,957	4,173	7,840	9,792
NNPA (INR m)	478	860	1,126	1,674	2,286	4,017	5,196
GNPA Ratio	1.34	3.46	2.69	2.52	2.99	4.93	5.30
NNPA Ratio	0.94	1.47	1.44	1.44	1.66	2.59	2.88
Slippage Ratio	0.72	2.53	4.89	3.27	3.23	4.50	3.50
Credit Cost	0.97	1.80	1.67	0.81	1.68	2.70	2.00
PCR (Excl Tech. write off)	29.8	58.3	47.0	43.4	45.2	48.8	46.9



## Financials and Valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Yield and Cost Ratio (%)</b>							
<b>Avg. Yield- on Earning Assets</b>	<b>20.3</b>	<b>19.5</b>	<b>14.9</b>	<b>15.1</b>	<b>15.6</b>	<b>14.3</b>	<b>14.2</b>
Avg. Yield on loans	24.0	25.9	20.6	18.8	19.1	18.0	17.5
Avg. Yield on Investments	12.4	2.0	7.2	8.3	6.7	6.8	6.7
<b>Avg. Cost of Int. Bear. Liab.</b>	<b>11.2</b>	<b>10.5</b>	<b>7.8</b>	<b>8.1</b>	<b>8.0</b>	<b>7.2</b>	<b>7.1</b>
<b>Interest Spread</b>	<b>9.0</b>	<b>9.0</b>	<b>7.1</b>	<b>6.9</b>	<b>7.7</b>	<b>7.2</b>	<b>7.1</b>
<b>NIM (on IEA)</b>	<b>11.8</b>	<b>11.5</b>	<b>8.7</b>	<b>8.2</b>	<b>8.8</b>	<b>8.2</b>	<b>8.0</b>
<b>Business and Efficiency Ratios (%)</b>							
Loans/Deposit Ratio	NM	309.6	165.3	128.7	127.4	126.3	124.2
CASA Ratio	NM	17.6	34.6	25.2	20.5	24.0	26.0
Cost/Assets	5.7	6.5	6.8	6.4	6.1	6.0	5.7
Cost/Total Income	53.0	63.4	83.1	70.3	66.4	67.4	67.1
Cost/Core income	53.9	65.2	83.1	70.3	66.4	69.5	69.0
Int. Expense/Int.Income	42.0	40.7	41.5	45.5	43.5	43.0	43.7
Fee Income/Total Income	9.8	9.0	15.1	19.7	15.9	12.7	13.2
Non Int. Inc./Total Income	11.5	11.8	15.1	19.7	15.9	15.7	15.9
Empl. Cost/Total Expense	65.0	65.0	59.6	54.7	60.1	60.8	61.7
Investment/Deposit Ratio	NM	100.6	81.7	26.0	21.7	22.9	22.9
<b>Profitability Ratios and Valuation</b>							
RoE	13.3	8.9	0.2	9.3	9.7	5.8	8.8
RoA	3.1	2.0	0.0	1.4	1.4	0.8	1.1
Book Value (INR)	49.7	66.0	66.9	66.0	80.3	83.9	89.1
Growth (%)	14.1	32.9	1.3	-1.3	21.6	4.5	6.3
<b>Price-BV (x)</b>			<b>0.7</b>	<b>0.8</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
Adjusted BV (INR)	48.5	64.3	64.6	62.6	75.6	75.6	78.5
<b>Price-ABV (x)</b>			<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
EPS (INR)	6.2	5.2	0.2	6.2	7.1	4.7	7.6
Growth (%)	-0.6	-15.5	-96.9	3,754.5	15.5	-33.4	60.0
<b>Price-Earnings (x)</b>		<b>9.5</b>	<b>310.2</b>	<b>8.0</b>	<b>7.0</b>	<b>10.5</b>	<b>6.5</b>

E: MOSL Estimates

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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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