

L&T Finance Holdings (LTFH IN)

Rating: SELL | CMP: Rs53 | TP: Rs50

May 18, 2020

Q4FY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	SELL		SELL	
Target Price	50		64	
NII (Rs.)	51,700	56,529	52,222	57,339
% Chng.	(1.0)	(1.4)		
PPoP (Rs.)	25,683	27,305	26,082	28,989
% Chng.	(1.5)	(5.8)		
EPS (Rs.)	3.0	5.7	3.8	5.7
% Chng.	(20.8)	(1.1)		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Int.Inc. (Rs m)	61,297	66,619	51,700	56,529
Growth (%)	65.2	8.7	(22.4)	9.3
Op. Profit (Rs m)	37,529	46,743	25,683	27,305
PAT (Rs m)	22,320	17,003	5,987	11,339
EPS (Rs.)	11.2	8.5	3.0	5.7
Gr. (%)	64.0	(24.0)	(64.8)	89.4
DPS (Rs.)	1.2	1.4	1.6	1.7
Yield (%)	2.3	2.7	3.0	3.2
Margin (%)	7.3	7.3	5.6	5.6
RoAE (%)	20.1	12.7	4.0	7.2
RoAA (%)	2.3	1.6	0.5	0.8
PE (x)	4.7	6.2	17.7	9.3
P/BV (x)	0.9	0.7	0.7	0.6
P/ABV (x)	1.0	0.8	0.8	0.7

Key Data

LTFH.BO | LTFH IN

52-W High / Low	Rs.138 / Rs.46	
Sensex / Nifty	30,029 / 8,823	
Market Cap	Rs.106bn/ \$ 1,390m	
Shares Outstanding	2,001m	
3M Avg. Daily Value	Rs.2170.39m	

Shareholding Pattern (%)

Promoter's	63.72
Foreign	10.60
Domestic Institution	5.22
Public & Others	20.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(19.5)	(46.0)	(55.0)
Relative	(15.3)	(27.5)	(43.1)

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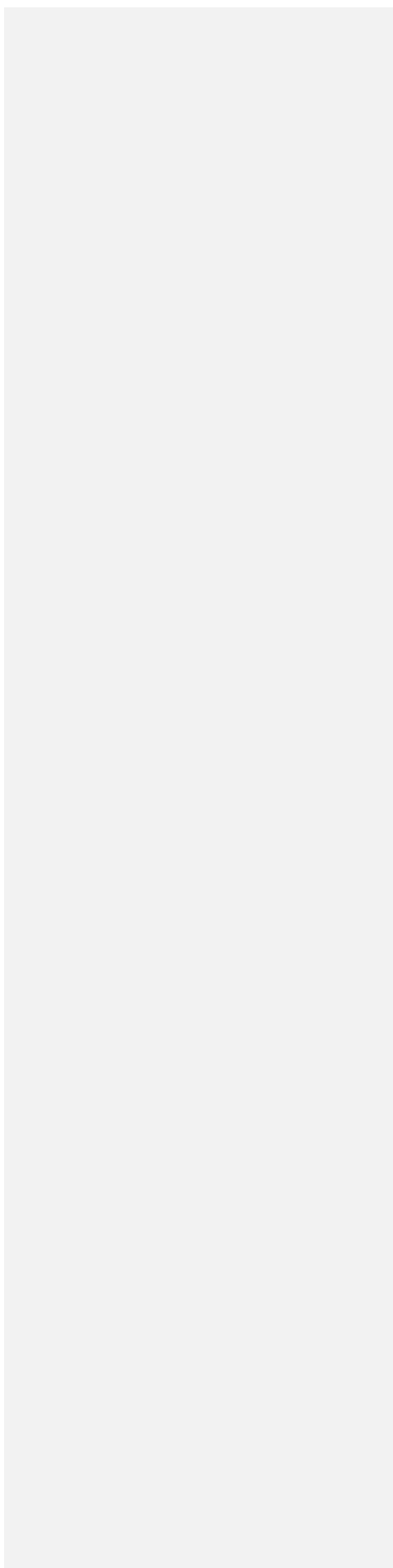
Structural weakness sets in

Quick Pointers:

- 100% microloans customer opt for morat; provisions buffer upped

LTFH Q4FY20 earnings (Rs2.69bn down 55%QoQ) stood weakened on several counts: (a) Hefty provisions in nature of Stage 2 provisions (Rs 1.1bn) and macro prudential provisions (Rs 3.5bn) over & above COVID provisions (Rs 2.1bn) (b) 14% decline in QoQ disbursements led by rural & infra (c) tepid loans translating into 11%QoQ NII decline, 32% dip in other income (d) core operating profit taking a beating (down 21% QoQ). While liquidity sufficiency (Rs85bn), tax benefits (down 47%QoQ) and improved infra NPAs & hence marginally better Stage 3 at 5.4% stood supportive of FY20 performance, going forward, structural balance sheet weakness cannot be ruled out. While Q4FY20 did not provide a clear picture on book vulnerability to pandemic shocks, we build in weak collection trends and higher provisions on rural & retail business side. Against this backdrop, we incorporate subdued growth (4-12%), high 6.5% NPA translating into structurally lower RoEs of 7% by FY22. Hence, we trim core book multiple to 0.7x arriving at a price target of Rs50, maintain SELL.

- Weak business trends:** LTFH reported decline in disbursements for 6th quarter in a row and Q4 decline stood across all business largely led by 19% QoQ decline in rural followed by 9% de-growth in infra disbursements. While Mngt expects business volumes to stay subdued until Sep'20, we foresee structural weakness growing for LTFH. Such a weakness should emerge from: (a) de-focused book: Rs52bn that entails few high value NPA exposures), (b)critical infra biz: Rs389bn with anaemic growth(c)challenging microloans (Rs125bn) wherein 100% customers availed morat (d) anticipated 80% morat availed RE borrowers by Jun from 28% in Mar (e) biz consolidation exercises. Against this backdrop, our EPS estimates stands down by 21% for FY21. Hence, we trim our growth estimates from 14-16% earlier to 4-12% now over FY20-22E.
- Asset quality woes exasperate; RoE to decline to abysmally low levels:** LTFH's strong parent support and higher cash equivalents on BS strengths stand offset by vulnerable asset quality. Q4FY20 witnessed rural GNPA's marginally inching higher to 3.78% from 3.59% a quarter ago (additional provisions at Rs. 3.97bn), housing finance NPAs too climbing to 0.97% from 0.88% in Q3FY20 and infra NPAs at 9.02% that declined in Q4FY20 from 11.85% a quarter ago. Overall NPAs at 5.4% stood better than 5.9% a quarter ago. While asset impairments did not stand alarming for Q4FY20, chunky ticket sizes in critical wholesale-renewable and vulnerable microfinance, 2-wheeler (incremental focus on unfinanced customers), LAP, RE portfolios can prove EPS decreative. Moreover, with ~30-32% of borrower count of RE/infra business avails moratorium, another 30% of farm/TW/CL and 100% of micro loan borrowers opt for morat, asset quality woes would exasperate. Building in weak collection trends and higher NPAs ~7% into our EPS assumptions coupled with slowing loan trajectory ahead, RoE to decline to 7% in FY22.



PAT declines by -48.1% YoY to Rs2.69bn and also stood 50% down as against our estimates [vs. PLe of Rs4.29bn] primarily led by 200%+ provisions spike to Rs 5bn [PLE: Rs4.4bn] largely led by COVID-19 provisions of Rs 2.9bn and enhanced provisions for Stage 2 assets at Rs. 1bn and additional macro provisions of Rs 3.5bn.

NII at Rs15.5bn stood lower than our estimates [vs. PLe of Rs16.1bn] and declined 10.8% QoQ primarily due to 14% decline in disbursements led by 19% de-growth in rural disbursements followed by 9% de-growth in infra and 6% in housing.

PPoP at Rs9.6bn [vs. PLe of Rs10.1bn] dipped sequentially reporting 21% decline QoQ led by poor NII and higher opex.

Loans at Rs983bn stood higher than our estimates of Rs 975bn, but declined 1% QoQ; stagnant YoY with mere 3% YoY growth in infra business, 4% YoY growth in housing finance (LAP and RE finance AUMs declined 9% and 1%YoY resp) and 8% YoY in rural finance.

Overall NPAs at 5.4% stood better than 5.9% a quarter ago.

Exhibit 1: LTFH Q4FY20 Financials – PPoP weakens, provs dent PAT

Consolidated (in Rs. mn)	Q4FY20	Q4FY19	YoY gr.	Q3FY20	QoQ gr.
Income Statement					
Interest income	33,552	33,042	1.5%	36,289	-7.5%
Interest expense	18,031	18,325	-1.6%	18,896	-4.6%
NII	15,521	14,717	5.5%	17,393	-10.8%
Other Income	720	797	-9.7%	1,052	-31.5%
Total Income	16,241	15,514	4.7%	18,445	-11.9%
Staff expenses	2,704	2,158	25.3%	2,827	-4.4%
Other expenses	3,958	4,347	-9.0%	3,555	11.3%
Total Operating Expenses	6,662	6,505	2.4%	6,381	4.4%
Operating profit	9,579	9,009	6.3%	12,064	-20.6%
Provisions	5,020	1,516	231.2%	4,811	4.3%
PBT	4,559	7,494	-39.2%	7,252	-37.1%
Tax	711	1,972	-64.0%	1,338	-46.9%
PAT	3,849	5,521	-30.3%	5,915	-34.9%
PAT post associates/minority	2,687	5,177	-48.1%	5,923	-54.6%
<i>Tax rate (%)</i>	<i>15.6</i>	<i>26.3</i>		<i>18.4</i>	
Asset Quality at 90dpd					
GNPA (Rs m)	50,370	55,490	-9.2%	56,620	-11.0%
NNPA (Rs m)	20,780	21,740	-4.4%	24,580	-15.5%
GNPA (%)	5.4	5.9	(54)	5.9	(58)
NNPA (%)	2.3	2.4	(12)	2.7	(39)
Coverage ratio (%)	58.7%	60.8%	(2)	56.6%	22
Balance Sheet					
Net worth (excl. Preference Cap)	1,46,920	1,34,490	9.2%	1,46,060	0.6%
Borrowings	9,38,940	9,15,070	2.6%	9,29,970	1.0%
Loans & Advances	9,83,840	9,91,210	-0.7%	9,94,530	-1.1%
Disbursements	82,130	1,27,740	-35.7%	95,610	-14.1%
Profitability Ratios					
NIM (%)	6.28	6.07	20	6.97	(69)
RoAE (%)	10.41	16.57	(616)	16.51	(610)

Source: Company Data, PL Research

Exhibit 2: LTFH loans slow, disbursements decline 6th quarter in a row

Loans portfolio (Rs mn)	Q4FY20	Q4FY19	YoY gr.	Q3FY20	QoQ gr.
Micro Loans	1,24,950	1,24,760	0%	1,28,890	-3%
2W Finance	65,750	57,390	15%	64,230	2%
Farm Equipment	84,380	73,620	15%	82,400	2%
Consumer Loans	1,540	-		420	
Rural Business	2,76,620	2,55,770	8%	2,75,940	0%
Housing Loans/LAP	1,16,510	1,04,920	11%	1,14,740	2%
Real Estate Finance	1,49,330	1,50,270	-1%	1,52,150	-2%
Housing Business	2,65,840	2,55,190	4%	2,66,890	0%
Structured Corp Finance	-	-	-	-	-
Supply Chain Finance	-	-	-	-	-
Infrastructure Finance	3,89,090	3,76,600	3%	3,96,730	-2%
Renewable power	2,05,920	1,93,140	7%	2,07,200	-1%
Power Corp	26,720	14,730	81%	28,280	-6%
Roads	95,880	92,370	4%	92,720	3%
DCM	-	-		-	
Thermal power	-	-	NA	-	NA
Others	60,570	76,360	-21%	68,530	-12%
Wholesale Business	3,89,090	3,76,600	3%	3,96,730	-2%
Total Lending Business	9,83,840	9,91,210	-1%	9,94,530	-1%
Loans portfolio mix					
Micro Finance	12.7	12.6	11	13.0	-26
2W Finance	6.7	5.8	89	6.5	22
Farm Equipment	8.6	7.4	115	8.3	29
Rural Business	28.1	25.8	231	27.7	37
Housing Loans/LAP	11.8	10.6	126	11.5	31
Real Estate Finance	15.2	15.2	2	15.3	-12
Housing Business	27.0	25.7	128	26.8	18
Structured Corp Finance	-	-	0	-	0
Supply Chain Finance	-	-	0	-	0
Infrastructure Finance	39.5	38.0	155	39.9	-34
Renewable power	20.9	19.5	144	20.8	10
Power Corp	2.7	1.5	123	2.8	-13
Roads	9.7	9.3	43	9.3	42
DCM	-	-	0	-	0
Others	6.2	7.7	-155	6.9	-73
Wholesale Business	39.5	38.0	155	39.9	-34
Defocused Business	5.3	10.5	-514	5.5	-21

Source: Company, PL

Note – Reclassification of loan book YoY due to IND-AS transition

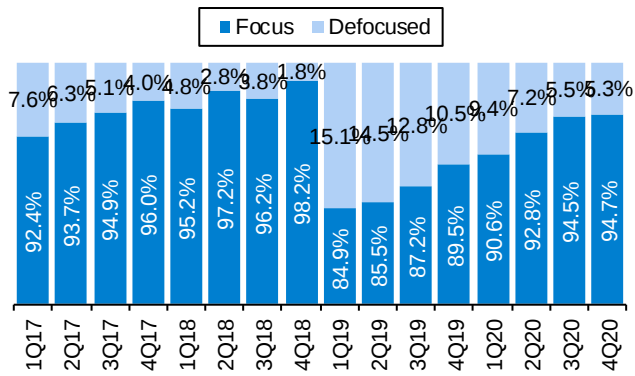
Exhibit 3: Key quarterly business trends across Retail and Infra portfolios

Particulars	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Retail Business (key portfolios)										
AUM (Rs mn)										
2-WHEELER	29,800	34,140	37,710	42,720	52,240	57,390	58,570	60,090	64,230	65,750
YoY gr.	47%	62%	68%	66%	75%	68%	55%	41%	23%	15%
QoQ gr.	16%	15%	10%	13%	22%	10%	2%	3%	7%	2%
TRACTOR	54,790	58,110	61,990	67,360	73,060	73,620	74,630	77,470	82,400	84,380
YoY gr.	26%	33%	33%	33%	33%	27%	20%	15%	13%	15%
QoQ gr.	8%	6%	7%	9%	8%	1%	1%	4%	6%	2%
MICRO FINANCE	62,190	78,190	91,090	104,250	115,920	124,760	125,240	128,410	1,28,890	1,24,950
YoY gr.	95%	120%	133%	115%	86%	60%	37%	23%	11%	0%
QoQ gr.	28%	26%	16%	14%	11%	8%	0%	3%	0%	-3%
Overall AUM (Rs mn)	777,420	853,540	863,210	912,010	947,110	991,210	999,040	1,002,580	9,94,530	9,83,840
YoY gr.	25%	28%	24%	24%	22%	16%	16%	10%	5%	-1%
QoQ gr.	6%	10%	1%	6%	4%	5%	1%	0.4%	-0.8%	-1.1%
AUM mix (%)										
2-WHEELER	4%	4%	4%	5%	6%	6%	6%	6%	6%	7%
TRACTOR	7%	7%	7%	7%	8%	7%	7%	8%	8%	9%
MICRO FINANCE	8%	9%	11%	11%	12%	13%	13%	13%	13%	13%
Retail as % of AUM	18.9%	20.0%	22.1%	23.5%	25.5%	25.8%	25.9%	26.5%	27.7%	28.0%
Infra Finance (Rs mn)										
Net worth	46,150	53,710	34,260	42,360	61,370	47,110	49,450	51,420	61,500	53,410
YoY gr.	-9%	1%	-24%	-10%	33%	-12%	44%	21%	49%	46%
PAT	1,060	650	770	670	1,590	630	2,300	1,960	1,720	1,400
YoY gr.	-17%	-64%	-52%	-53%	50%	-3%	199%	193%	146%	192%
Disbursements	67,900	83,860	33,480	38,430	40,600	45,970	32,520	31,080	20,690	18,910
YoY gr.	55%	46%	-22%	-34%	-40%	-45%	-3%	-19%	-47%	-59%
AUM	304,810	378,070	338,430	348,520	387,860	376,600	386,220	394,720	3,96,730	3,89,090
YoY gr.	5%	25%	9%	2%	27%	0%	14%	13%	13%	3%
Infra Finance as % of AUM	39%	44%	39%	38%	41%	38%	39%	39%	40%	40%
Key Ratios (%)										
Yield	10.02%	9.72%	9.29%	9.49%	10.31%	9.30%	10.64%	10.31%	9.92%	9.98%
NIM	2.65%	2.07%	1.99%	1.62%	2.52%	1.54%	2.85%	2.85%	2.44%	2.74%
Fee+NIM	3.08%	4.33%	3.51%	3.57%	3.24%	2.69%	4.01%	3.84%	3.84%	3.84%
Credit costs	1.59%	2.11%	1.67%	0.77%	0.95%	0.74%	0.04%	1.26%	0.98%	0.55%
Debt/Equity	6.9	7.7	8.67	7.1	6.47	6.83	6.68	6.68	5.34	0.92%
RoA	1.23%	0.56%	0.91%	0.74%	1.26%	0.67%	2.29%	1.97%	1.69%	4.72
ROE	9.14%	5.19%	9.03%	7.01%	10.22%	5.73%	19.31%	15.46%	12.79%	1.80%
Asset quality										
GS3 (Rs mn)	56,010	52,370	45,710	42,650	45,780	37,680	35,690	34,940	34,370	25,680
YoY gr.	298%	110%	-18%	-21%	-18%	-28%	-22%	-18%	-18%	-32%
NS3 (Rs mn)	23,480	18,110	16,990	15,830	16,550	15,320	15,940	15,100	14,660	10,360
YoY gr.	171%	4%	-33%	-32%	-30%	-15%	-6%	-5%	-4%	-32%
Provision (Rs mn)	32,530	34,260	28,720	26,820	29,230	22,360	19,750	19,840	19,710	15,320
YoY gr.	504%	352%	-5%	-13%	-10%	-35%	-31%	-26%	-26%	-31%
GS3 (%)	14.3%	11.9%	14.1%	12.8%	10.9%	10.5%	9.7%	9.2%	9.05%	9.02%
bps	0.10	0.05	0.00	-0.01	-0.03	-0.01	-0.04	-0.04	-0.03	-0.05
PCR (%)	58%	65%	63%	63%	64%	59%	55%	57%	57%	60%
bps	0.20	0.35	0.08	0.06	0.06	-0.06	-0.07	-0.06	-0.06	0.00

Particulars	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Disbursements break-up										
Renewable Power	28,030	38,440	26,580	31,170	31,760	21,750	18,450	15,340	14,780	11,590
YoY gr.	11%	19%	99%	-3%	13%	-43%	-31%	-51%	-53%	-47%
Roads	2,860	4,080	1,150	1,680	4,130	21,060	2,630	2,840	1,590	4,120
YoY gr.	-75%	-80%	-96%	-50%	44%	416%	129%	69%	-62%	-80%
Power Transmission	500	3,860	490	1,190	1,640	2,210	10,300	9,730	2,120	1,100
YoY gr.	233%	-59%	-95%	10%	228%	-43%	2002%	718%	29%	-50%
Others	36,510	37,480	5,260	4,390	3,070	950	1,140	3,170	2,200	2,100
YoY gr.	475%	-950%	-174%	-80%	-92%	-97%	-78%	-28%	56%	121%
Overall disbursements	67,900	83,860	33,480	38,430	40,600	45,970	32,520	31,080	20,690	18,910
YoY gr.	55%	46%	-22%	-34%	-40%	-45%	-3%	-19%	-47%	-59%
Infra loan break-up										
Renewable Power	151,970	166,460	171,760	174,050	184,090	193,140	199,460	207,590	2,07,200	2,05,920
YoY gr.	25%	29%	36%	27%	21%	16%	16%	19%	14%	7%
QoQ gr.	11%	10%	3%	1%	6%	5%	3%	4%	0%	-1%
Roads	77,690	79,260	65,450	70,000	78,740	92,370	92,710	93,680	92,720	95,880
YoY gr.	5%	-1%	-34%	-19%	1%	17%	42%	34%	27%	4%
QoQ gr.	-10%	2%	-17%	7%	12%	17%	0%	1%	-1%	3%
Power Transmission	24,350	12,450	18,750	19,890	13,730	14,730	23,670	26,220	28,280	26,720
YoY gr.	11%	-57%	-35%	65%	-44%	18%	26%	32%	114%	81%
QoQ gr.	102%	-49%	51%	6%	-31%	7%	61%	11%	8%	-6%
Others	50,800	119,900	82,470	84,580	111,300	76,360	70,380	67,230	68,530	60,570
YoY gr.	52%	84%	43%	-22%	119%	-36%	-15%	-21%	-18%	-21%
Overall loans	304,810	378,070	338,430	348,520	387,860	376,600	386,220	394,720	3,96,730	3,89,090
YoY gr.	5.4%	24.7%	8.5%	1.6%	27.2%	-0.4%	14.1%	13.3%	12.8%	3.3%
QoQ gr.	-11%	24%	-10%	3%	11%	-3%	3%	2%	1%	-2%
Infra loan mix (%)										
Thermal Power										
Renewable Power	50%	44%	51%	50%	47%	51%	52%	53%	52%	53%
Roads	25%	21%	19%	20%	20%	25%	24%	24%	23%	25%
Power Transmission	8%	3%	6%	6%	4%	4%	6%	7%	7%	7%
Others	17%	32%	24%	24%	29%	20%	18%	17%	17%	16%

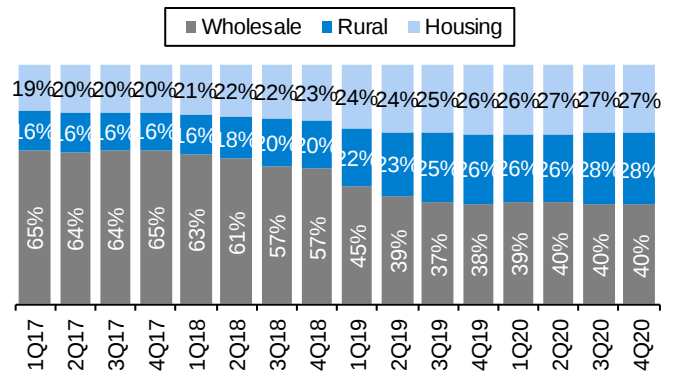
Source: Company, PL

Exhibit 4: De-focused shrinks, focused declines 1%YoY



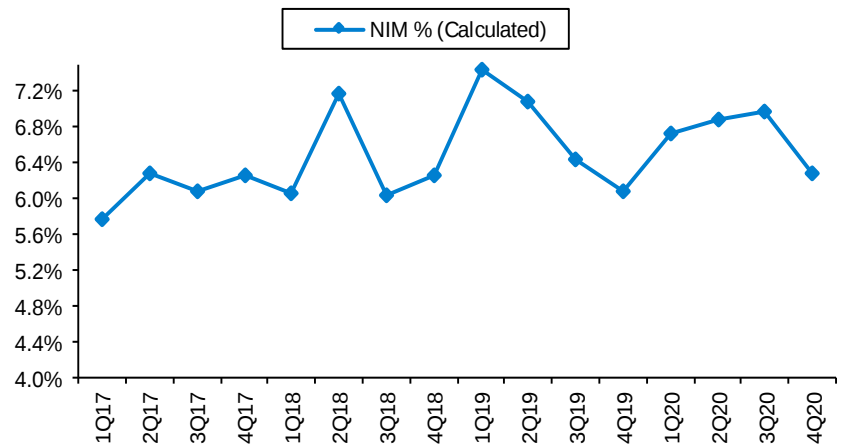
Source: Company, PL

Exhibit 5: Loan mix steady



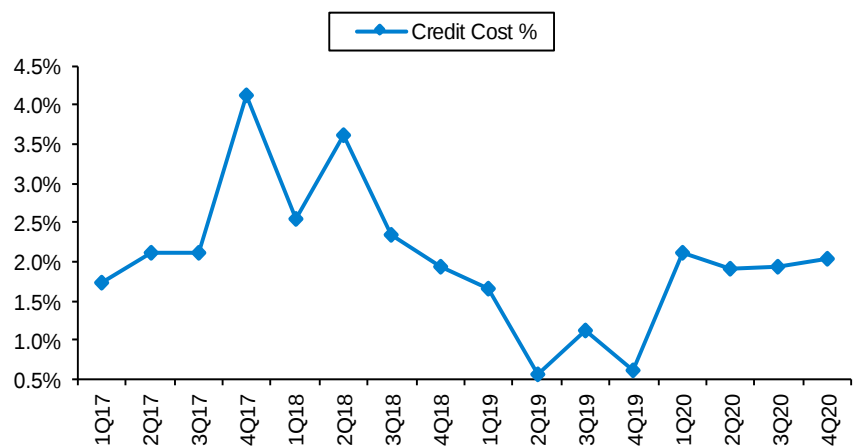
Source: Company, PL

Exhibit 6: NIM+fees come under pressure

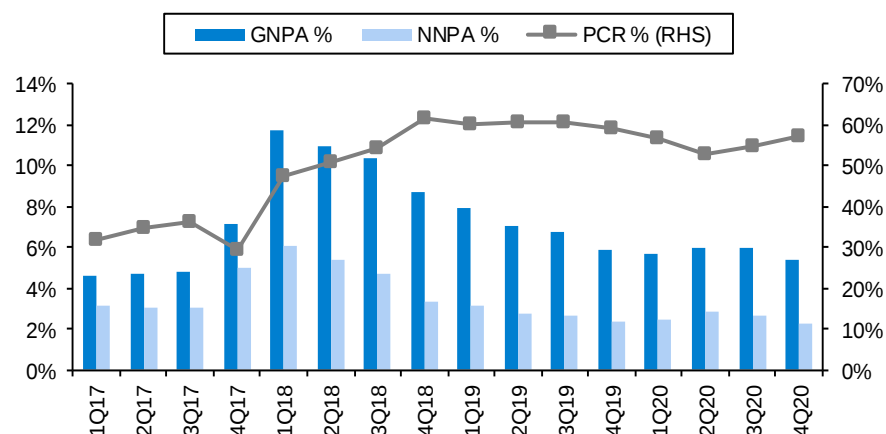


Source: Company Data, PL Research

Exhibit 7: Credit cost trajectory continue to stay elevated



Source: Company Data, PL Research

Exhibit 8: Asset quality for Q4FY20 stood marginally better


Source: Company Data, PL Research

Key Concall Highlights:

- Rural outlook: Rabi crop expected to be bumper; Mngt believes that recovery will be lead by rural India.
- Merger of L&T Housing Finance and L&T Infrastructure Finance with L&T Finance: (a) simplified structure (b) Infra being capital intensive biz (c) ILFS debacle
- ALM/Liquidity: Company and its subsidiaries have positive liquidity in all buckets till 1 year even after taking moratorium considerations. BS liquidity Rs. 85bn as at FY20-end,
- Lockdown: 76% of AUM in green and orange zone. For microfinance business; 95% of meeting centres have opened already ~50% branches are operational.
- Microloans: 36% of book under moratorium as of Mar'20. 100% Micro loan book under moratorium. Micro loan book growth remains flat due to focus on asset quality and rebalancing of portfolio. New to credit customers for micro loan book at 17%; existing customers accounts for 51% of book. Assam book now down to Rs. 5.24bn.
- Real estate: 28% borrowers granted moratorium as of Mar'20. Co. claims that this can increase to 80% by Jun.
- Housing Finance: share of salaried customers has increased to 64% from 48% last year.
- Infra: NPAs pertain prior to FY12 book, negligible incremental NPAs; positive ALM in infra CO. ; equity infusion in infra biz
- Defocused book de-grew 50% YoY; marginally down QoQ, will reduce further in FY21.
- 2W finance market share has increased to 11%.

Earnings Change Underlying Assumptions

Exhibit 9: Change in Estimates

Rs mn	Old Estimates			Revised Estimates			% Change		
	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Net Interest Income	67,386	52,222	57,339	66,619	51,700	56,529	-1.1%	-1.0%	-1.4%
Operating Profit	47,280	26,082	28,989	46,743	25,683	27,305	-1.1%	-1.5%	-5.8%
Net Profit	17,448	7,532	11,429	17,003	5,987	11,339	-2.6%	-20.5%	-0.8%
EPS (Rs)	8.7	3.8	5.7	8.5	3.0	5.7	-2.8%	-20.8%	-1.1%
Price Target (Rs)		64			50			-22.6%	
Reco		SELL			SELL				

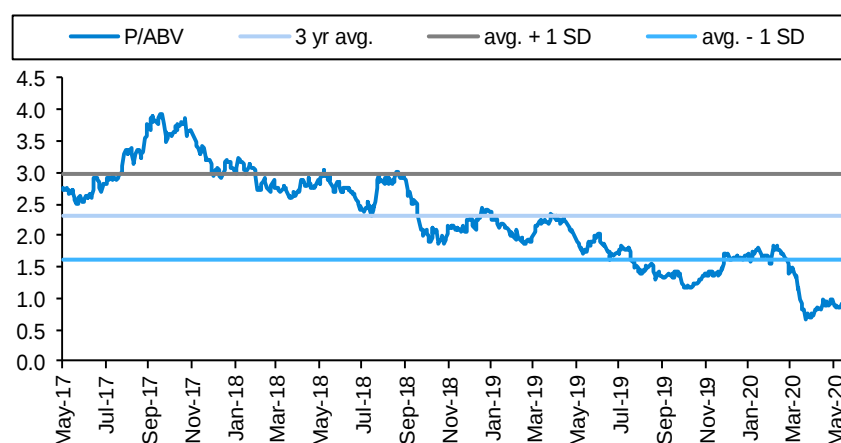
Source: PL

Exhibit 10: We revised our TP downwards to Rs50 (from Rs64) based on 0.7x core book multiple

PT calculation and upside	
Fair value of Consol Biz - P/ABV	48
Fair value of AMC	2
Fair value of PE/wealth management	-
Total - Fair value of LTFH	50
Target P/ABV - lending business on FY20 basis	0.7
Target P/E	5.6
Current price, Rs	53
Upside (%)	-6%
Dividend yield (%)	2%
Total return (%)	-4%

Source: Company Data, PL Research

Exhibit 11: LTFH – One year forward P/ABV trends



Source: Company Data, PL Research

Income Statement (Rs. m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Int. Inc. / Opt. Inc.	1,29,897	1,41,755	1,30,593	1,55,819
Interest Expenses	68,600	75,136	78,893	99,290
Net interest income	61,297	66,619	51,700	56,529
Growth(%)	65.2	8.7	(22.4)	9.3
Non-interest income	3,118	3,726	3,526	4,196
Growth(%)	(71.8)	19.5	(5.4)	19.0
Net operating income	64,415	70,345	55,226	60,725
Expenditures				
Employees	8,247	10,623	11,787	13,202
Other Expenses	18,143	12,164	17,755	19,353
Depreciation	496	816	840	866
Operating Expenses	26,390	22,787	29,543	32,555
PPP	37,529	46,743	25,683	27,305
Growth(%)	31.0	24.6	(45.1)	6.3
Provisions	7,009	19,942	17,683	15,131
Profit Before Tax	30,520	26,801	8,000	12,174
Tax	8,200	9,798	2,014	834
Effective Tax rate(%)	26.9	36.6	25.2	6.9
PAT	22,320	17,003	5,987	11,339
Growth(%)	74.6	(23.8)	(64.8)	89.4

Balance Sheet (Rs. m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Source of funds				
Equity	19,988	20,048	20,048	20,048
Reserves and Surplus	1,14,498	1,26,876	1,32,862	1,44,202
Networth	1,36,709	1,49,126	1,55,113	1,66,453
Growth (%)	17.5	9.1	4.0	7.3
Loan funds	7,22,456	9,38,945	10,99,379	12,93,154
Growth (%)	15.5	30.0	17.1	17.6
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	2,01,386	7,219	6,167	6,684
Total Liabilities	10,60,550	10,95,290	12,60,659	14,66,291
Application of funds				
Net fixed assets	11,660	11,621	16,429	17,406
Advances	9,13,246	9,14,625	9,47,164	10,70,296
Growth (%)	18.5	0.2	3.6	13.0
Investments	86,408	59,793	92,679	1,15,848
Current Assets	31,466	94,722	1,81,866	2,32,788
Net current assets	31,466	94,722	1,81,866	2,32,788
Other Assets	17,770	14,530	22,521	29,953
Total Assets	10,60,550	10,95,290	12,60,659	14,66,291
Growth (%)	20.8	3.3	15.1	16.3
Business Mix				
AUM	9,13,246	9,14,625	9,47,164	10,70,296
Growth (%)	18.5	0.2	3.6	13.0
On Balance Sheet	-	-	-	-
% of AUM	-	-	-	-
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY19	FY20	FY21E	FY22E
NIM	7.3	7.3	5.6	5.6
ROAA	2.3	1.6	0.5	0.8
ROAE	20.1	12.7	4.0	7.2

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Int. Inc. / Operating Inc.	35,945	36,113	36,289	33,552
Income from securitization	-	-	-	-
Interest Expenses	19,229	18,980	18,896	18,031
Net Interest Income	16,716	17,134	17,393	15,521
Growth (%)	4.9	9.1	16.4	5.5
Non-Interest Income	950	1,005	1,052	720
Net Operating Income	17,666	18,139	18,445	16,241
Growth (%)	6.5	9.7	16.8	4.7
Operating expenditure	4,934	5,771	6,381	6,662
PPP	12,732	12,369	12,064	9,579
Growth (%)	-	-	-	-
Provision	5,305	4,806	4,811	5,020
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	7,426	7,563	7,252	4,559
Tax	1,932	5,818	1,338	711
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	26.0	76.9	18.4	15.6
PAT	5,494	1,745	5,915	3,849
Growth	2	(69)	2	(30)
AUM	9,99,040	10,02,580	9,94,530	9,83,840
YoY growth (%)	15.7	9.9	5.0	(0.7)
Borrowing	9,28,870	9,00,500	9,29,970	9,38,940
YoY growth (%)	20.3	3.8	5.9	2.6

Key Ratios

Y/e Mar	FY19	FY20	FY21E	FY22E
CMP (Rs)	53	53	53	53
EPS (Rs)	11.2	8.5	3.0	5.7
Book value (Rs)	61.8	74.5	77.4	83.0
Adj. BV(Rs)	50.9	64.1	66.2	70.4
P/E(x)	4.7	6.2	17.7	9.3
P/BV(x)	0.9	0.7	0.7	0.6
P/ABV(x)	1.0	0.8	0.8	0.7
DPS (Rs)	1.2	1.4	1.6	1.7
Dividend Payout Ratio(%)	13.0	19.9	64.6	36.2
Dividend Yield(%)	2.3	2.7	3.0	3.2

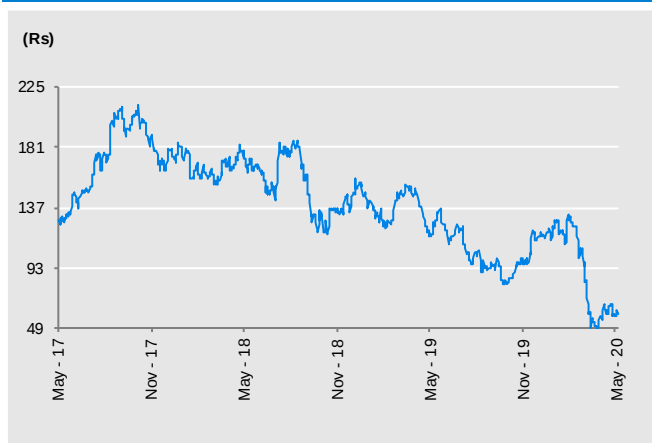
Asset Quality

Y/e Mar	FY19	FY20	FY21E	FY22E
Gross NPAs(Rs m)	55,490	50,370	56,414	63,184
Net NPA(Rs m)	21,740	20,780	22,404	25,391
Gross NPAs to Gross Adv.(%)	5.9	5.4	6.5	6.4
Net NPAs to net Adv.(%)	2.4	2.3	2.6	2.6
NPA coverage(%)	60.8	58.7	60.3	59.8

Du-Pont as a % of AUM

Y/e Mar	FY19	FY20	FY21E	FY22E
NII	6.3	6.2	4.4	4.1
NII INCI. Securitization	6.3	6.2	4.4	4.1
Total income	6.6	6.5	4.7	4.5
Operating Expenses	2.8	2.2	2.5	2.5
PPOP	3.9	4.3	2.2	2.0
Total Provisions	0.7	1.9	1.5	1.1
RoAA	2.3	1.6	0.5	0.8
Avg. Assets/Avg. net worth	8.7	8.0	7.9	8.6
RoAE	20.1	12.7	4.0	7.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	17-Apr-20	Sell	64	66
2	21-Jan-20	Sell	99	118
3	03-Jan-20	Hold	88	118
4	22-Oct-19	Hold	88	86
5	03-Oct-19	Hold	91	84
6	04-Jul-19	Accumulate	178	120

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	BUY	3,582	2,308
2	Cholamandalam Investment and Finance Company	BUY	229	177
3	Edelweiss Capital	NR	-	276
4	HDFC	Accumulate	2,201	1,681
5	L&T Finance Holdings	Sell	64	66
6	LIC Housing Finance	Reduce	282	278
7	Mahindra & Mahindra Financial Services	Reduce	171	168
8	Manappuram Finance	Accumulate	142	123
9	SBI Cards and Payment Services	BUY	643	562
10	Shriram Transport Finance	BUY	940	802

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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