

# Shriram City Union Finance

Estimate change



TP change



Rating change



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Bloomberg	SCUF IN
Equity Shares (m)	66
M.Cap.(INRb)/(USDb)	45.3 / 0.6
52-Week Range (INR)	1572 / 617
1, 6, 12 Rel. Per (%)	-8/-45/-54
12M Avg Val (INR M)	24

## Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
NII	35.6	34.2	33.9
PPP	22.4	22.5	21.9
PAT	10.0	7.6	9.1
EPS (INR)	152	115	138
EPS Gr. (%)	1	-24	20
BV/Sh. (INR)	1,092	1,200	1,320

## Ratios

NIM (%)	12.1	11.9	12.2
C/I ratio (%)	40.3	37.4	39.1
RoA (%)	3.3	2.5	3.0
RoE (%)	14.7	10.0	11.0
Payout (%)	4.8	6.3	13.0

## Valuations

P/E (x)	4.5	6.0	5.0
P/BV (x)	0.6	0.6	0.5
Div. Yield (%)	0.9	0.9	2.2

## Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	33.9	33.9	33.7
DII	5.7	6.0	6.2
FII	26.8	27.4	26.1
Others	33.6	32.8	34.0

FII Includes depository receipts

**CMP: INR687**
**TP: INR910 (+33%)**
**Buy**

## Healthy improvement in collection efficiency

### PAT beat due to lower opex

- SCUF posted 1QFY21 PAT of INR1.9b (19% beat). While NII stood at INR8.5b (in-line), lower-than-expected opex (INR3.1b v/s est. INR3.6b) due to rationalization of branch expansion and employee recruitment, led the beat. Total 1QFY21 credit costs at INR3.1b include ~INR1.8b worth COVID-19 provisions (total COVID-19 outstanding provisions stand at ~INR6.1b).
- **Collection efficiency improved MoM (Apr/May/Jun/Jul'20 at 30%/52%/71%/80%). 26% of the book is under moratorium. ~22%/41% of the overall/HFC customers are under moratorium (~50% for HFC in Apr'20).**

### Disbursements sluggish; AUM declines modestly

- **In 1QFY21, SCUF did disbursements in only 2Ws/Gold loans. As a result, AUM declined 2% QoQ/6% YoY to INR285b.** While the AUM decline was witnessed across product segments, the 2W book was up 10% YoY. Disbursements are likely to pick up only after the moratorium period ends.
- In the HFC segment, loan book grew 23% YoY to INR23.7b. GNPL ratio was largely stable QoQ at 2.3% (2.9% YoY).

### Cost of funds stabilizes further; Asset quality improves

- Cost of funds has stabilized at 9.6-9.7% over the past few quarters. Calc. yields (on AUM) stand at 19.3% (+20bp QoQ) while spreads are at 9.7% (+38bp QoQ).
- In 1QFY21, SCUF raised ~INR5.5b from term loans (INR3.5b from SIDBI at 6.2% with the balance from banks at 9%) and ~INR5.1b from retail deposits. Liquidity on the book – INR15b (7% of borrowings).
- The GNPL ratio improved ~60bp/160bp QoQ/YoY to 7.3%. Sequential improvement in the ratio was driven by 50-135bp improvement in MSME and 2W lending. PCR inched up ~200bp QoQ to 50.4%.

### Management call highlights

- Prefer to give customers time to repay rather than restructure the loan. May restructure ~10% of loans.
- Apr/May/Jun/Jul'20 collections stood at INR5.6b/INR10b/INR14b/INR15.5b. Gold finance collections stood at 0/INR3b/INR4b for the three months of the quarter.
- Credit costs inched up further by 90-100bp due to COVID-19 dislocations.

### Valuation and view

Since the IL&FS crisis, the company has faced issues on the liability front, which has led to muted disbursements and loan book growth. While the loan book is vulnerable to the lockdown impact, improvement in collection efficiency so far is encouraging. In addition, Stage 1/2 provisions of 4.2% are higher than most peers. While disbursements are expected to gradually pick up, AUM is unlikely to grow because of the high repayment rate. We, thus, increase our FY22E EPS estimates by 20% to factor in the lower opex and credit costs. We expect SCUF to deliver normalized RoE of 12-13% in FY23E. Maintain **Buy** with TP of INR910 (0.7x FY22E BVPS).

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## Quarterly Performance

INR m

Y/E MARCH	FY20				FY21				FY20	FY21	1QFY21E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Interest Income	14,449	14,312	14,174	13,988	13,899	13,760	13,692	13,918	56,972	55,269	13,988	-0.6
Interest expenses	5,316	5,384	5,296	5,497	5,375	5,213	5,161	5,347	21,402	21,096	5,490	-2.1
<b>Net Interest Income</b>	<b>9,134</b>	<b>8,928</b>	<b>8,877</b>	<b>8,490</b>	<b>8,525</b>	<b>8,547</b>	<b>8,530</b>	<b>8,571</b>	<b>35,570</b>	<b>34,173</b>	<b>8,497</b>	<b>0.3</b>
Y-o-Y Growth (%)	-1.3	-8.6	-0.6	-5.3	-6.7	-4.3	-3.9	0.9	-3.6	-3.9	-7.5	
Fees and Other Income	423	590	525	514	246	400	500	565	1,901	1,711	300	-17.9
<b>Net Operating Income</b>	<b>9,557</b>	<b>9,518</b>	<b>9,402</b>	<b>9,004</b>	<b>8,771</b>	<b>8,947</b>	<b>9,030</b>	<b>9,135</b>	<b>37,471</b>	<b>35,884</b>	<b>8,797</b>	<b>-0.3</b>
Y-o-Y Growth (%)	2.1	-6.7	1.7	-3.9	-8.2	-6.0	-4.0	1.5	-1.9	-4.2	-8.6	
Operating Expenses	3,783	3,774	3,675	3,861	3,105	3,241	3,286	3,785	15,084	13,418	3,631	-14.5
<b>Operating Profit</b>	<b>5,774</b>	<b>5,744</b>	<b>5,727</b>	<b>5,143</b>	<b>5,666</b>	<b>5,706</b>	<b>5,744</b>	<b>5,350</b>	<b>22,387</b>	<b>22,466</b>	<b>5,166</b>	<b>9.7</b>
Y-o-Y Growth (%)	1.6	-8.0	2.3	-10.4	-1.9	-0.7	0.3	4.0	-3.8	0.4	-10.5	
Provisions	1,933	1,969	1,822	3,114	3,102	3,200	3,200	2,838	8,837	12,340	3,000	3.4
<b>Profit before Tax</b>	<b>3,841</b>	<b>3,775</b>	<b>3,905</b>	<b>2,029</b>	<b>2,564</b>	<b>2,506</b>	<b>2,544</b>	<b>2,512</b>	<b>13,550</b>	<b>10,126</b>	<b>2,166</b>	<b>18.4</b>
Tax Provisions	1,309	800	937	498	642	631	641	638	3,545	2,552	546	17.5
<b>Net Profit</b>	<b>2,532</b>	<b>2,975</b>	<b>2,968</b>	<b>1,531</b>	<b>1,923</b>	<b>1,874</b>	<b>1,903</b>	<b>1,874</b>	<b>10,005</b>	<b>7,574</b>	<b>1,620</b>	<b>18.7</b>
Y-o-Y Growth (%)	10.3	19.3	14.7	-39.1	-24.1	-37.0	-35.9	22.4	1.2	-24.3	-36.0	
<b>Key Operating Parameters. %</b>												
Yield on loans (calc., %)	19.3	19.1	19.1	19.1	19.3	19.5	19.7	19.9	19.7	19.6		
Cost of funds (calc., %)	9.5	9.9	9.8	9.7	9.6	9.6	9.5	9.6	9.4	9.2		
Spreads (%)	9.8	9.2	9.4	9.4	9.7	9.9	10.2	10.2	10.4	10.4		
Cost to Income Ratio (%)	39.6	39.7	39.1	42.9	35.4	36.2	36.4	41.4	40.3	37.4		
Credit cost (calc., %)	2.6	2.6	2.5	4.2	4.3	0.0	0.0	0.0	3.0	4.3		
Tax Rate (%)	34.1	21.2	24.0	24.6	25.0	25.2	25.2	25.4	26.2	25.2		
<b>Balance Sheet Parameters</b>												
<b>Disbursements (INR b)</b>	<b>62.8</b>	<b>52.0</b>	<b>58.2</b>	<b>54.2</b>	<b>13.3</b>	<b>27.5</b>	<b>48.0</b>	<b>58.3</b>	<b>227.1</b>	<b>147.1</b>		
Growth (%)	-2.1	-19.6	27.0	-18.1	-78.9	-47.1	-17.6	7.7	-5.7	-35.2		
<b>AUM (INR b)</b>	<b>303.5</b>	<b>297.2</b>	<b>295.5</b>	<b>290.9</b>	<b>284.5</b>	<b>278.8</b>	<b>277.4</b>	<b>283.1</b>	<b>290.9</b>	<b>283.1</b>		
Growth (%)	4.5	0.5	3.1	-1.7	-6.3	-6.2	-6.1	-2.7	-1.7	-2.7		
Repayments (INR b)	55.1	58.3	60.0	58.8	19.7	33.2	49.4	52.6	232.1	154.9		
Rep. rate (annualized, %)	74.4	76.8	80.7	79.6	27.0	46.7	70.9	75.9	78.5	53.2		
Borrowings/AUM ratio (%)	73.2	72.0	74.6	79.6	76.2	77.7	78.1	80.2	79.6	80.2		
<b>Asset Quality Parameters (%)</b>												
Gross Stage 3 (INR b)	26.5	25.2	24.6	22.6	20.5				22.6	24.0		
Gross Stage 3 ratio (%)	8.9	8.7	8.5	7.9	7.3				7.9	9.4		
Net Stage 3 (INR b)	15.0	14.2	13.9	11.7	10.2				11.7	7.8		
Net Stage 3 ratio (%)	5.4	5.3	5.1	4.4	3.9				4.4	3.1		
ECL Stage 3 (INR b)	11.5	10.9	10.7	11.0	10.3				11.0	16.1		
PCR (%)	43.4	43.5	43.6	48.5	50.4				48.5	67.3		
<b>Segmental GS3 ratio (%)</b>												
SME loans	9.3	9.0	8.9	8.3	7.8							
2-wheeler	9.4	9.1	8.9	8.1	6.8							
Gold loans	2.3	2.8	3.4	4.4	4.4							
Personal Loans	11.3	10.9	11.0	11.1	11.7							
Auto loans	11.78	12.1	9.1	5.4	0							
<b>Return ratios (Cumulative, Rep. %)</b>												
RoA	3.4	3.8	4.0	2.0	2.5				3.3	2.5		
RoE	15.4	16.7	17.1	8.6	10.5				14.7	10.0		
<b>Others</b>												
CRAR (%)	22.62	24.4	25.3	27.7	28.8							
Shriram HFC AUM (INR b)	19.3	18.8	21.0	23.0	23.7							



## Highlights from management commentary

### Business Updates

- **118k lac 2W disbursements in May-Jun'20.**
- Exploring option of ECLGS, now that it is open to individuals too. This will be done on a case-by-case basis. It is not looking at a large quantum of disbursement. In two months, it expects INR3-4b disbursements at best.
- **Prefer to give customers time to repay rather than restructure loans. May restructure ~10% of loans.**
- Cost reduction is due to manpower rationalization (stopped recruitment coupled with usual attrition). No new hiring for the next two quarters.
- No comments on the Shriram Group merger (probably shelved for now).
- **Waiting for moratorium period to end before kick-starting disbursements properly.**
- Guiding C/I ratio of 37-38% when business picks up.
- Do not foresee a big impact on the gold loan business due to increase in LTV cap to 90% for banks. In fact, banks may be wary of giving loans at high LTVs due to gold price volatility.
- In the HFC segment, ~60% of business volumes were achieved in Jun'20.

### Asset Quality/ Moratorium

- Will take a call on incremental COVID provisions depending on the situation post lifting of the moratorium.
- Collection efficiency in Jul'20 improved to 80% of which overdue collections comprise 3-4%. In 2W lending, it was 90%. In MSME financing, it was 70% (should normalize by end-Sep'20).
- **Collections in Apr/May/Jun/Jul'20 stood at INR5.6b/INR10b/INR14b/INR15.5b. Gold finance collections stood at 0/INR3b/INR4b for the three months of the quarter.**
- **~20-22% of customers by number and 25-26% by value have taken full moratorium – i.e. they have not paid a single installment. This number would be higher in case of MSME financing (~30-35%).**
- Expect incremental credit cost of 90-100bp due to COVID-19.

### Liquidity/Funding

- Want to increase liquidity buffer to INR20b.
- Currently, comfortable for the next 3-4 months on the liquidity front. Its debt obligations are not that high.
- Raised ~INR5.5b in 1QFY21 from banks (of which, it raised INR3.5b from SIDBI at 6.2%, balance were term loans at 9%). Also raised ~INR5b from retail fixed deposits. Plan is to raise INR10b worth of borrowings every month.
- From Sep'20 (i.e. post moratorium), it expects to do securitization transactions on 2Ws. In 2HFY20, SCUF will do securitization of the MSME book.
- Raised INR3.5b from SIDBI in 1QFY21 (at 6.2%). Expect to draw down some sanctions from banks over the next 10-15 days.

### Others

- All, but 18-20 branches are open. Some branches are open only for part of the day.

- In Gold loans, business has improved in urban areas compared to pre-COVID levels. Witnessing redemptions in rural/semi-urban Gold loans on the back of improved cash flows.
- Write-offs are across all products.
- Have not done any MSME restructuring so far.
- During Diwali, NBFCs do offer discounted yields in 2W financing.
- The company does rationalize branches sometimes (for e.g. NCR branches were reduced from 13-14 to 9-10). Branch network will not expand unless the company moves to new geographies.
- Just expanded to East India (Bihar: 10-12 branches, WB: 8-10 branches and few in Orissa). Slowing increasing focus on North India.
- School, doctors with small clinics, restaurants, etc. have taken moratorium.
- Received INR50m as fee income (from cross-selling of insurance products) during the quarter.

### Valuation and view

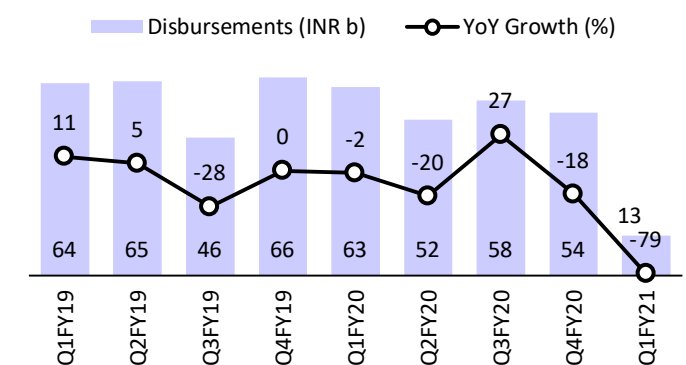
- Over the past two years, SCUF has overhauled its MSME underwriting model. It has standardized its sourcing and underwriting process across regions. This has started to reflect in improving asset quality trends. Over the past two years, the GNPL ratio has declined from 9.8% to 7.3%.
- However, since the IL&FS crisis, the company has faced issues on the liability front. It has increased its securitization program to improve funding and also kept more liquidity on the balance sheet.
- Tightness in liquidity has also led to muted disbursements and loan book growth. Total AUM has been range-bound at ~INR300b for the past 7-8 quarters.
- Given the current crisis, we expect the tough situation to continue. While disbursements would pick up gradually, the high book churn will keep total AUM largely flat.
- Asset quality has been improving over the past few quarters. While the outlook remains uncertain given the vulnerable nature of its customers, the improving collection efficiency trend is encouraging. **We expect our FY21/FY22E credit costs to be at 4.3%/3.5%.**
- Hence, we have upgraded our EPS estimates by 5% for FY21 and 20% for FY22E. SCUF is likely to deliver normalized RoA/RoE of 3.7%/13% in FY23E. We maintain Buy with TP of 910 (0.7x FY22E BVPS).

**Exhibit 1: Upgrade FY22E EPS estimates by ~20% to factor in lower opex and credit costs**

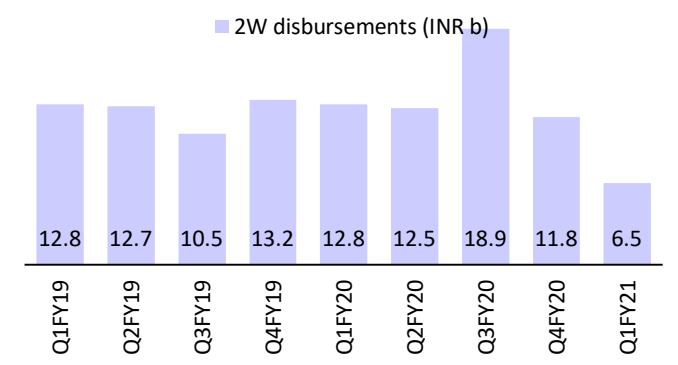
INR B	Old Est.			New Est.			% Change		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
NII	34.4	35.1	39.0	34.2	33.9	36.4	-0.6	-3.4	-6.5
Other Income	1.7	1.9	2.1	1.7	2.1	2.5	0.0	7.1	14.8
<b>Total Income</b>	<b>36.1</b>	<b>37.0</b>	<b>41.1</b>	<b>35.9</b>	<b>35.9</b>	<b>38.9</b>	<b>-0.6</b>	<b>-2.8</b>	<b>-5.4</b>
Operating Expenses	14.8	15.5	17.0	13.4	14.0	15.1	-9.4	-9.4	-11.0
<b>Operating Profits</b>	<b>21.3</b>	<b>21.5</b>	<b>24.1</b>	<b>22.5</b>	<b>21.9</b>	<b>23.8</b>	<b>5.6</b>	<b>1.9</b>	<b>-1.5</b>
Provisions	11.6	11.3	8.0	12.3	9.7	8.1	6.1	-14.3	0.9
<b>PBT</b>	<b>9.7</b>	<b>10.2</b>	<b>16.1</b>	<b>10.1</b>	<b>12.2</b>	<b>15.7</b>	<b>4.8</b>	<b>19.9</b>	<b>-2.7</b>
Tax	2.4	2.6	4.1	2.6	3.1	4.0	4.8	19.9	-2.7
<b>PAT</b>	<b>7.2</b>	<b>7.6</b>	<b>12.1</b>	<b>7.6</b>	<b>9.1</b>	<b>11.7</b>	<b>4.8</b>	<b>19.9</b>	<b>-2.7</b>
Loans	261	275	314	255	244	276	-2.5	-11.2	-12.1
Borrowings	235	247	276	227	212	235	-3.6	-14.2	-15.0
Margins	11.8	11.8	11.9	11.9	12.2	12.6			
Credit Cost	4.0	3.8	2.5	4.3	3.5	2.8			
<b>RoA</b>	<b>2.3</b>	<b>2.3</b>	<b>3.4</b>	<b>2.5</b>	<b>3.0</b>	<b>3.7</b>			
<b>RoE</b>	<b>9.6</b>	<b>9.2</b>	<b>13.2</b>	<b>10.0</b>	<b>11.0</b>	<b>12.7</b>			

Source: MOFSL, Company

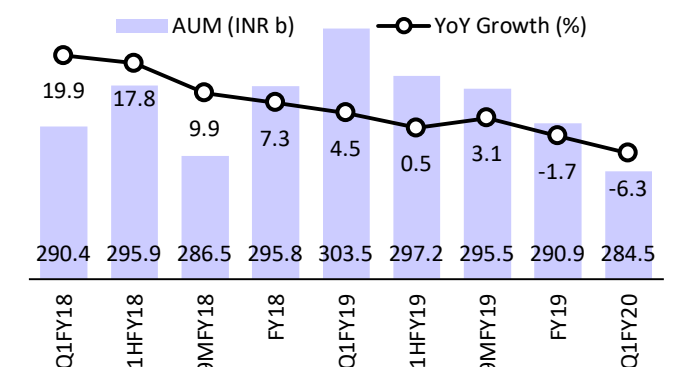
## Key exhibits

**Exhibit 1: Disbursements continue to decline**

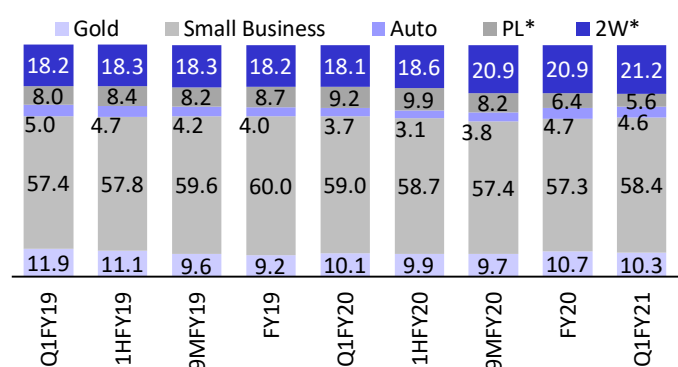
Source: MOFSL, Company

**Exhibit 2: 2W disbursements modest due to lockdown impact**

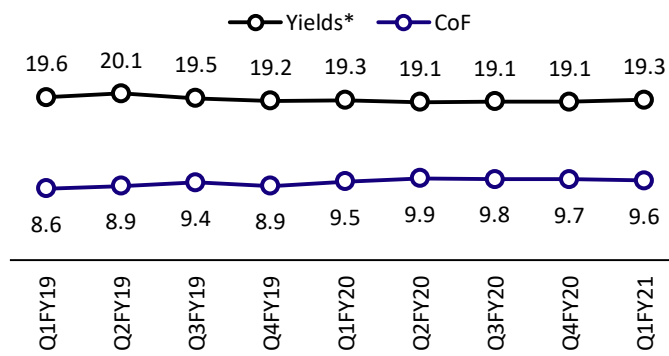
Source: MOFSL, Company

**Exhibit 3: AUM down by 6% YoY**

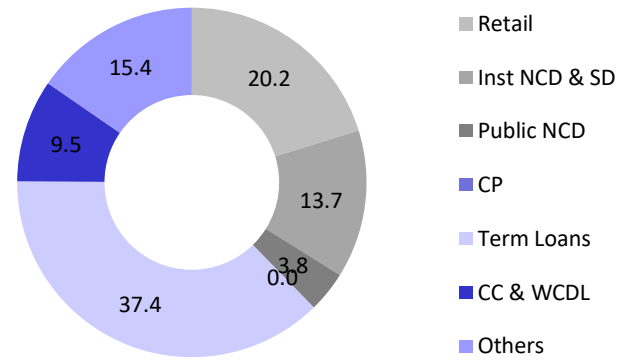
Source: MOFSL, Company

**Exhibit 4: Share of SME up 110bp sequentially (%)**

Source: MOFSL, Company, PL : Personal loan, 2W two wheeler

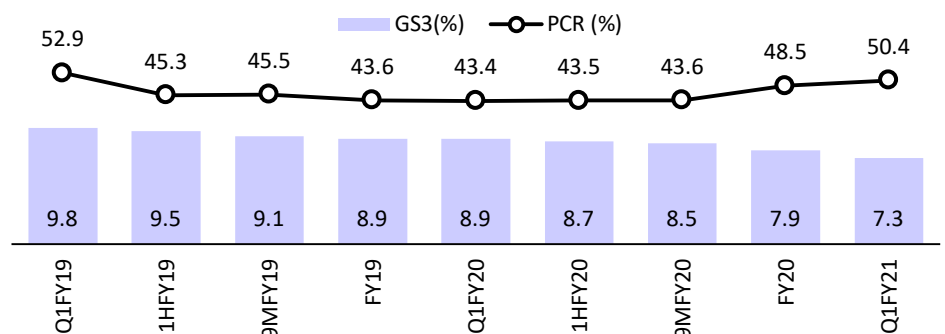
**Exhibit 5: Spreads improve ~38bp QoQ (%)**


Source: MOFSL, Company, \*on AUM

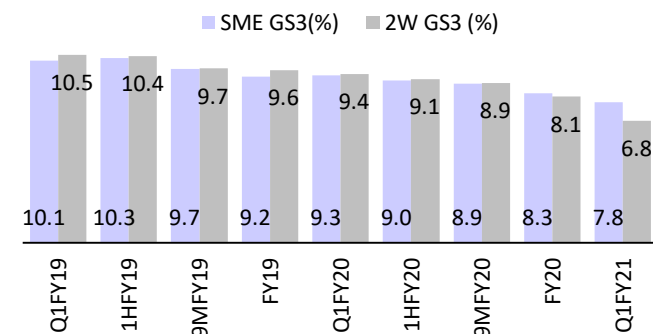
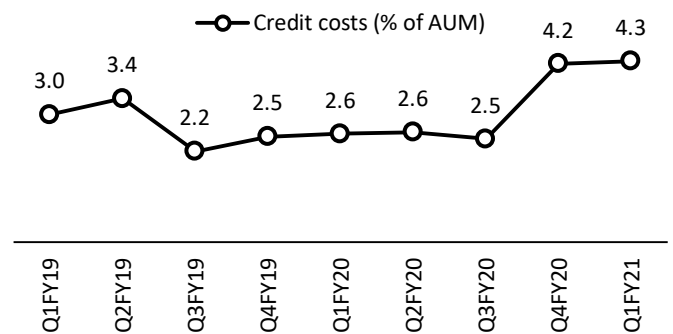
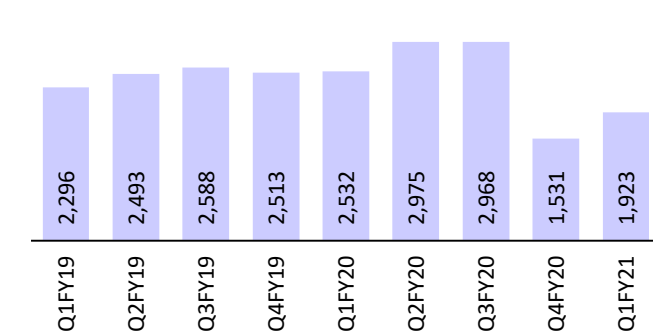
**Exhibit 6: Borrowing mix (%)**


Source: MOFSL, Company

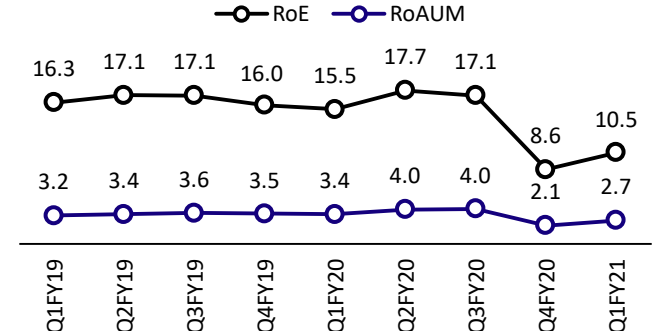
GS3 improved 60bp QoQ to 7.3%.

**Exhibit 7: Improving asset quality**


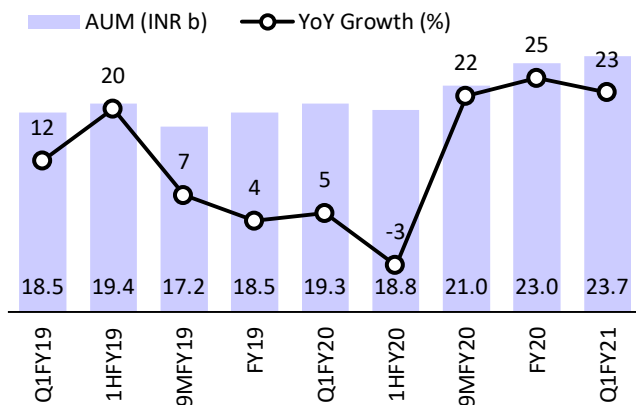
Source: MOFSL, Company

**Exhibit 8: Improvement in SME/2W asset quality (%)**

**Exhibit 9: Credit cost elevated due to COVID-19 provisions (%)**

**Exhibit 10: Trend in PAT (INR m)**


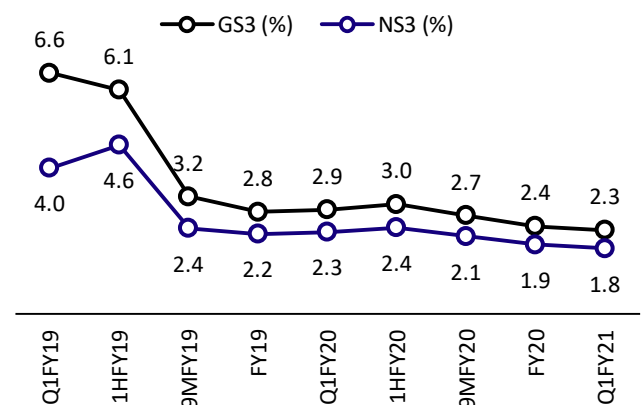
Source: MOFSL, Company

**Exhibit 11: Profitability improves due to lower opex (%)**


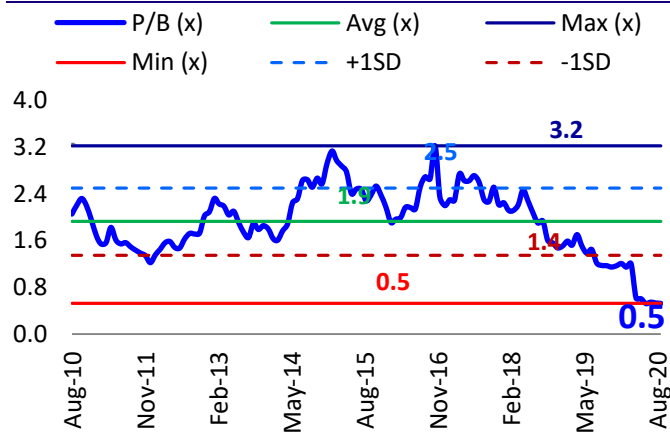
Source: MOFSL, Company

**Exhibit 12: HFC subsidiary AUM growth slows**

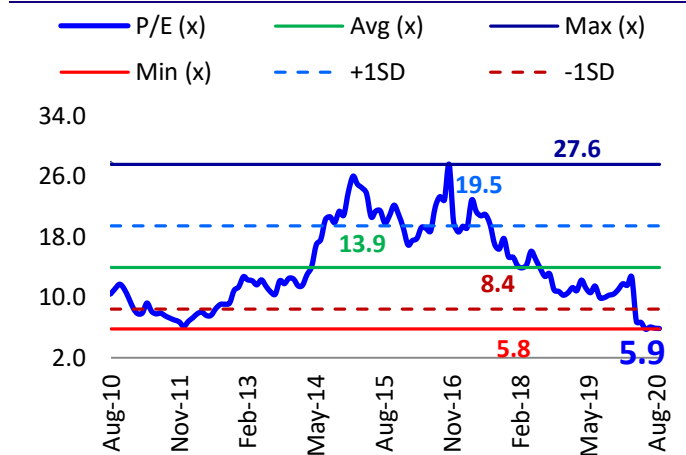
Source: MOFSL, Company

**Exhibit 13: Asset quality in HFC subsidiary stabilizes**

Source: MOFSL, Company

**Exhibit 14: One-year forward P/B**

Source: MOFSL, Company

**Exhibit 15: One-year forward P/E**

Source: MOFSL, Company

## Valuation Matrix

	Rating	CMP	Mcap	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
HFCs											
LICHF	Buy	267	1.8	6.3	5.6	0.7	0.6	1.0	1.1	11.5	11.8
PNBHF	Neutral	234	0.5	5.2	3.9	0.5	0.4	1.0	1.3	9.1	11.3
Vehicle fin.											
SHTF	Buy	665	2.0	9.9	5.8	0.8	0.7	1.5	2.6	8.7	13.0
MMFS	Buy	133	1.1	18.0	14.8	1.1	1.0	1.2	1.5	6.8	7.0
CIFC	Buy	209	2.3	14.6	10.6	1.9	1.6	1.8	2.2	13.8	16.6
Diversified											
BAF	Neutral	3,419	27.7	46.3	28.3	5.6	4.8	2.5	3.6	12.9	18.3
SCUF	Buy	687	0.6	6.3	6.0	0.6	0.5	2.3	2.3	9.6	9.2
LTFH	Buy	65	1.7	13.2	6.8	0.9	0.8	0.9	1.7	6.7	12.0
MUTH	Neutral	1,148	6.3	12.8	11.2	3.2	2.6	6.7	6.7	27.7	25.6
MAS	Buy	665	0.5	21.6	18.0	3.2	2.9	3.7	4.0	16.0	16.9



## Financials and valuations

Income Statement								(INR M)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Interest Income	37,065	43,344	50,112	54,457	54,692	52,882	51,266	53,722
Interest Expense	13,834	15,344	16,677	19,862	21,402	21,096	19,876	19,901
<b>Net Financing income</b>	<b>23,231</b>	<b>28,000</b>	<b>33,435</b>	<b>34,595</b>	<b>33,290</b>	<b>31,786</b>	<b>31,390</b>	<b>33,821</b>
Change (%)	18.1	20.5	19.4	3.5	-3.8	-4.5	-1.2	7.7
Income from securitisation	658	452	246	2,107	2,279	2,387	2,493	2,599
Fee & Other Income	250	549	658	1,249	1,901	1,711	2,053	2,464
<b>Total Income</b>	<b>24,139</b>	<b>29,001</b>	<b>34,339</b>	<b>37,951</b>	<b>37,471</b>	<b>35,884</b>	<b>35,936</b>	<b>38,884</b>
Change (%)	12.6	20.1	18.4	10.5	-1.3	-4.2	0.1	8.2
Employee Cost	5,132	5,503	7,035	8,379	8,477	7,968	8,367	9,036
Other Operating Exp.	5,362	5,857	6,588	6,548	6,607	5,450	5,681	6,070
<b>Operating Income</b>	<b>13,645</b>	<b>17,642</b>	<b>20,715</b>	<b>23,024</b>	<b>22,387</b>	<b>22,466</b>	<b>21,888</b>	<b>23,778</b>
Change (%)	9.2	29.3	17.4	11.1	-2.8	0.4	-2.6	8.6
<b>Total Provisions</b>	<b>5,577</b>	<b>9,105</b>	<b>10,537</b>	<b>7,821</b>	<b>8,837</b>	<b>12,340</b>	<b>9,694</b>	<b>8,087</b>
% to operating income	40.9	51.6	50.9	34.0	39.5	54.9	44.3	34.0
<b>PBT</b>	<b>8,068</b>	<b>8,536</b>	<b>10,178</b>	<b>15,203</b>	<b>13,550</b>	<b>10,126</b>	<b>12,194</b>	<b>15,691</b>
Tax	2,771	2,976	3,531	5,314	3,545	2,552	3,073	3,954
Tax Rate (%)	34.3	34.9	34.7	35.0	26.2	25.2	25.2	25.2
<b>PAT</b>	<b>5,298</b>	<b>5,561</b>	<b>6,647</b>	<b>9,889</b>	<b>10,005</b>	<b>7,574</b>	<b>9,121</b>	<b>11,737</b>
Change (%)	-5.1	5.0	19.5	48.8	1.2	-24.3	20.4	28.7
Proposed Dividend	989	989	1,187	1,188	396	396	990	1,188

E: MOFSL Estimates

Balance Sheet								(INR M)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Capital	659	659	660	660	660	660	660	660
Reserves & Surplus	44,457	49,029	54,887	63,253	71,420	78,518	86,451	96,761
<b>Net Worth</b>	<b>45,136</b>	<b>49,688</b>	<b>55,563</b>	<b>63,930</b>	<b>72,096</b>	<b>79,195</b>	<b>87,127</b>	<b>97,437</b>
<b>Borrowings</b>	<b>1,44,084</b>	<b>1,80,397</b>	<b>2,14,011</b>	<b>2,25,707</b>	<b>2,31,659</b>	<b>2,26,955</b>	<b>2,12,302</b>	<b>2,34,911</b>
Change (%)	16.2	25.2	18.6	5.5	2.6	-2.0	-6.5	10.6
<b>Total Liabilities</b>	<b>1,89,220</b>	<b>2,30,085</b>	<b>2,69,574</b>	<b>2,89,637</b>	<b>3,03,754</b>	<b>3,06,149</b>	<b>2,99,429</b>	<b>3,32,348</b>
Investments	7,923	7,131	7,355	8,662	7,341	8,076	8,883	9,771
Change (%)	-19.3	-10.0	3.1	17.8	-15.2	10.0	10.0	10.0
<b>Loans</b>	<b>1,91,406</b>	<b>2,16,487</b>	<b>2,57,873</b>	<b>2,69,891</b>	<b>2,66,125</b>	<b>2,54,781</b>	<b>2,43,779</b>	<b>2,76,094</b>
Change (%)	19.4	13.1	19.1	4.7	-1.4	-4.3	-4.3	13.3
Net Fixed Assets	849	782	789	808	2,292	494	172	-149
Net Current Assets	-10,958	6,945	6,074	13,326	31,131	42,799	46,595	46,632
<b>Total Assets</b>	<b>1,89,220</b>	<b>2,31,345</b>	<b>2,72,091</b>	<b>2,92,687</b>	<b>3,06,890</b>	<b>3,06,149</b>	<b>2,99,429</b>	<b>3,32,348</b>

E: MOFSL Estimates

## Financials and valuations

Ratios	(%)							
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>Spreads Analysis (%)</b>								
Yield on loans	20.7	21.0	20.9	20.2	19.7	19.6	19.6	19.6
Cost of funds	10.3	9.5	8.5	9.0	9.4	9.2	9.1	8.9
Interest Spread	10.4	11.5	12.5	11.2	10.4	10.4	10.5	10.7
NIMs on AUM	13.2	13.3	13.3	12.8	12.1	11.9	12.2	12.6
<b>Profitability Ratios (%)</b>								
RoE	12.3	11.7	12.6	16.6	14.7	10.0	11.0	12.7
RoA	3.0	2.6	2.6	3.5	3.3	2.5	3.0	3.7
Int. Expended/Int.Earned	37.3	35.4	33.3	36.5	39.1	39.9	38.8	37.0
Other Inc. / Net Income	3.8	3.5	2.6	8.8	11.2	11.4	12.7	13.0
<b>Efficiency Ratios (%)</b>								
Op. Exps./Net Income	43.5	39.2	39.7	39.3	40.3	37.4	39.1	38.8
Empl. Cost/Op. Exps.	48.9	48.4	51.6	56.1	56.2	59.4	59.6	59.8
<b>Asset-Liability Profile (%)</b>								
Loans/Borrowings Ratio	132.8	120.0	120.5	119.6	114.9	112.3	114.8	117.5
Leverage	4.2	4.7	4.9	4.6	4.3	3.9	3.4	3.4
Average leverage	4.1	4.4	4.8	4.7	4.4	4.1	3.6	3.4
<b>Valuations</b>								
Book Value (INR)	685	754	842	969	1,092	1,200	1,320	1,476
BV Growth (%)	10.0	10.1	11.7	15.0	12.8	9.8	10.0	11.8
Price-BV (x)					0.6	0.6	0.5	0.5
EPS (INR)	80	84	101	150	152	115	138	178
EPS Growth (%)	-5.1	5.0	19.5	48.7	1.2	-24.3	20.4	28.7
Price-Earnings (x)					4.5	6.0	5.0	3.9
DPS (INR)	15.0	15.0	18.0	18.0	6.0	6.0	15.0	18.0
Dividend Yield (%)					0.9	0.9	2.2	2.6
E: MOFSL Estimates								

Explanation of Investment Rating	
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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