Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

SBI Cards and Payment Services (SBICARD IN)

Rating: ACCUMULATE | CMP: Rs815 | TP: Rs1,162

January 24, 2022

Q3FY22 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,162		1,162	
NII (Rs.)	47,550	55,863	47,974	56,625
% Chng.	*(0.9)*	*(1.3)*		
PPoP (Rs.)	52,005	54,770	49,609	54,926
% Chng.	*4.8*	*(0.3)*		
EPS (Rs.)	25.0	30.0	23.7	29.8
% Chng.	*5.7*	*0.4*		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Int.Inc. (Rs m)	38,843	39,382	47,550	55,863
Growth (%)	*9.7*	*1.4*	*20.7*	*17.5*
Op. Profit (Rs m)	39,623	45,213	52,005	54,770
PAT (Rs m)	9,845	16,141	23,520	28,171
EPS (Rs.)	10.5	17.2	25.0	30.0
Gr. (%)	*(21.0)*	*63.9*	*45.7*	*19.8*
DPS (Rs.)	-	2.0	3.1	3.7
Yield (%)	*-*	*0.2*	*0.4*	*0.5*
Margin (%)	*14.8*	*13.2*	*13.3*	*12.8*
RoAE (%)	*16.9*	*23.0*	*26.9*	*25.6*
RoAA (%)	*3.8*	*5.4*	*6.6*	*6.5*
PE (x)	77.8	47.5	32.6	27.2
P/BV (x)	12.2	9.9	7.9	6.3
P/ABV (x)	12.7	10.4	8.0	6.5

Key Data	SBIC.BO | SBICARD IN
52-W High / Low	Rs.1,188 / Rs.800
Sensex / Nifty	57,492 / 17,149
Market Cap	Rs.768bn/ $ 10,296m
Shares Outstanding	943m
3M Avg. Daily Value	Rs.1799.75m

Shareholding Pattern (%)

Promoter's	69.47
Foreign	10.28
Domestic Institution	11.92
Public & Others	8.33
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.3)	(14.9)	(21.2)
Relative	(10.8)	(21.6)	(33.0)

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Mixed earnings performance

Quick Pointers:

- RBI RE stock declines to 2%; write-offs at 2.8% vs 2.5% (Q2FY22)

SBICARD's Q3FY22 earnings (PAT at Rs 3.8bn up 12%QoQ/84%YoY but below ests) exhibited mixed earnings show as seasonality played out on business and costs metrics. While receivables at Rs291bn (PLe: Rs278bn) grew healthy 13%YoY/9.0%QoQ and stood marginally higher than our estimates (PLe: Rs278bn), opex increased 24%QoQ/28%YoY due to festive season with cost-income trending as high as 60%. Yields stood under tad pressure as higher yielding revolver mix stood stagnant at 27% of overall receivables. While GNPAs stood lower at 2.4% vs 3.4% in Q2FY22 led by aggressive write-offs, credit costs at 9% continues to remain elevated despite earlier guidance of declining trends. Corporate spends traction continues to stay robust clocking 53%QoQ growth aiding fees/others (15%QoQ/31%YoY).

Going forward, while credit costs pressures are expected to recede (7-8% from current 9%) in commensurate with reduction in RBI RE stock (already down to 2% of overall loans from 9% a year ago), the increased costs (200-300bps rise in cost-income over FY22-24 to 62%) to offset the same. Moreover, as normalization returns, we foresee strong fees traction (16%CAGR) to compensate for tepid NIMs (13%+) over FY22-24. Improving asset quality trends to compensate for growing cost pressures especially led by competition & regulatory hindrances (regulation on MDR) and incorporating above thesis, our FY22 estimates stand marginally down by 3%, FY23 up by 6%. We maintain Accumulate rating on the stock as SBICARD maintains high return profile (6.5%+RoA/ 26%RoE) with 32% EPS CAGR over FY22-24. Our valuation multiple at 42x PE Sep'23E results into price target of Rs1,162 and that remains unchanged.

Seasonality aids business momentum but dents costs: Corporate spends maintain strong momentum (53%QoQ growth) cushioning overall spends traction (27%QoQ) as travel & entertainment begin to witness initial signs of uptick. Led by CIF (5%QoQ growth) and healthy receivables traction (9%QoQ), overall business momentum is back to pre-pandemic levels. Transactor share in overall loans inches higher to 38% vs 37% (Q2FY22) and 33% (Q3FY21), revovler share remains steady QoQ at 27% and EMI share to overall loans back to 33% as envisaged by the Co. However, stagnant higher yielding revolver share & 2% RBI RE stock put tad pressure on yields resulting in lower than expected NII (8.4%QoQ/9.9%YoY to Rs 9.9bn vs PLe of Rs 11.0bn). Opex stood higher than our estimates [PLe: Rs15.4bn] at Rs 17.1bn increasing 24.3%QoQ/27.5%YoY with cost-income climbing as high as 60%. While festive season aided strong business traction, it came at higher costs led by higher cash backs, rewards and recognition also in light of growing competition. Going forward, we expect CIF to grow at ~avg 18% and spends at ~avg 23% YoY over FY22-FY24.

Asset quality improvement stark; credit costs stagnant: On asset quality front, headline GNPA declines to 2.4% from 3.4% (Q2FY22), RBI RE stock declines to 2% vs 4% (Q2FY22) while credit costs at 9.2% remained at elevated levels as previous quarter and RBI RE 90dpd book decreases 38%QoQ. Management attributes the same to higher management overlay kept aside for contingencies arising out of further pandemic challenges. Said that, credit costs pressures are expected to recede (7-8% from current 9%) in commensurate with reduction in RBI RE stock ahead. While revolver share continues to grow, incremental sourcing from banca channel (50.7% share in Q3FY22) to support book quality. Against this backdrop, we maintain our credit costs estimates at 7%-8% and NPA forecasts at 3-4% over FY22-24E. With improving spends trajectory and controlled asset quality, we expect with 32% EPS CAGR over FY22-24 for SBICARD translating into robust 6.5% RoA and 26% RoE.

PAT at Rs 3.8bn missed our estimates [PLe: Rs 4.9bn] due to higher opex and provisions.

NII increased 8.4%QoQ/9.9%YoY to Rs 9.9bn but stood below our estimates [PLe of Rs 11.0bn] largely on account of slight yield pressures and certain percnetage of revolver book sitting in RBI RE.

Other income grew 22.6% QoQ/36.1% YoY led by robust fee income that grew 15%QoQ/31%YoY during Q3FY22. Corporate spends traction continues to stay robust clocking 53%QoQ growth and retail spends recording 21%QoQ growth

Receivables book at Rs291bn stood marginally higher than our estimates [PLe: Rs278bn] growing healthy 13%YoY/9.0%QoQ. Transactor share in overall loans inches higher to 38% vs 37% (Q2FY22) and 33% (Q3FY21), revovler share remains steady QoQ at 27% and EMI share to overall loans back to 33% as envisaged by the Co.

Opex stood higher than our estimates [PLe: Rs15.4bn] at Rs 17.1bn increasing 24.3%QoQ/27.5%YoY

PPoP at Rs11.4bn stood almost in line with our estimates [vs. PLe of Rs11.9bn] increased 22.9%YoY and 8.1% QoQ weighed down by higher opex and lower than expected NII.

Provisions at Rs6.2bn stood higher than (our estimates of Rs5.3bn) declined 3.5% YoY and increased 5.3% QoQ. Mngt overlays stood at Rs 1.62bn.

NPA at 2.4% stood lower than our estimates [PLe: 3.5%] vs 3.4% in Q2FY22. Total RBI RE book at 2% vs 4 % as of Sep'21. Credit costs down from 9% in Q2FY22 to 7.9% in Q3FY22.

Exhibit 1: Higher Provisions/opex dent PAT; NPAs decline, CC remain high

Y/e March	Q3FY22	Q3FY21	*YoY gr.*	Q2FY22	*QoQ gr.*
Interest Income	12,733	11,681	*9.0%*	11,732	*8.5%*
Interest Expenses	2,768	2,609	*6.1%*	2,541	*8.9%*
Net Interest Income	**9,965**	**9,071**	***9.9%***	**9,190**	***8.4%***
Other Income	18,663	13,717	*36.1%*	15,223	*22.6%*
Total Income	**28,629**	**22,788**	***25.6%***	**24,413**	***17.3%***
Total Operating Expenses	17,189	13,477	*27.5%*	13,833	*24.3%*
Operating Profit (PPP)	**11,440**	**9,311**	***22.9%***	**10,580**	***8.1%***
Provisions & Write Offs	6,255	6,483	*-3.5%*	5,939	*5.3%*
PBT	**5,185**	**2,829**	***83.3%***	**4,641**	***11.7%***
Tax Expense	1,327	732	*81.3%*	1,192	*11.3%*
Reported Profit	**3,858**	**2,097**	***84.0%***	**3,449**	***11.9%***
Asset Quality					
Gross NPAs	6,991	11,613	*-39.8%*	8,985	*-22.2%*
Net NPAs	2,418	4,068	*-40.6%*	2,224	*8.7%*
Gross NPA (%)	2.40%	4.5%	*-211*	3.36%	*-96*
Net NPA (%)	0.83%	1.6%	*-75*	0.9%	*-8*
Yields	17.9%	18.6%	*-70*	18.0%	*-10*
CoF	5.4%	6.1%	*-70*	5.5%	*-10*
NIM %	14.0%	14.5%	*-50*	14.1%	*-10*
Cost to Income	60.0%	59.1%	*90*	56.7%	*338*
ROE %	5.0%	3.3%	*170*	4.9%	*10*
ROA %	21.2%	13.8%	***740***	20.1%	*110*
Cards Outstanding (Units mn)	13.16	11.49	*14.5%*	12.60	*4.5%*
Total spends	553970	377970	*46.6%*	435600	*27.2%*
Gross Loans	291290	257490	*13.1%*	267410	*8.9%*

Source: Company, PL

Conference Call Highlights

Business Update:

- New account sourcing is highest during the quarter. In Q1FY22 banca share was less, Q2FY22 onwards it has picked up, sourcing has increased, banca comes largely from tier 3 and 4 cities. Competitive intensities have increased among credit card players.
- 1mn new accounts added during Q3FY22. 34% YoY growth in discretionary spends; which was highest since onset of COVID. Co witnessed higher quarterly spends in Q3FY22, driven by corporate spends.
- During the quarter Co. partnered with Paytm for tokenisation.
- Travel segment is yet to pick up where interchange is higher that impacted interchange, asset markup on international travel is higher and that segment is yet to pick up.
- Collections infrastructure - extensive network is in place, combination of tele calling team and agency and large field agency, 500+ agencies, robust collections system – work flow management, physical collections etc
- Corporate vs retail spends profitability - corporate profitability is lower than retail as it is pass through biz, where corporate uses card to get benefit instead of bank transfer, but gives entry point to Co. into corporate account as they initially use for utility payments and later high ticket payments (travel etc).
- Tech related investment continues especially on digital front.
- Higher revolver mix led by spends, customer ability to pay, utilization on card and as lot of customers converting into instalment products.

MDR:

- RBI's verdict on MDR is awaited. Management is confident of cost levers in place to offset MDR reduction pressures.
- As an acquirer when dealing with merchants Co. have contract with merchants and MDR is decided by type of card, so interchange is protected.

P&L:

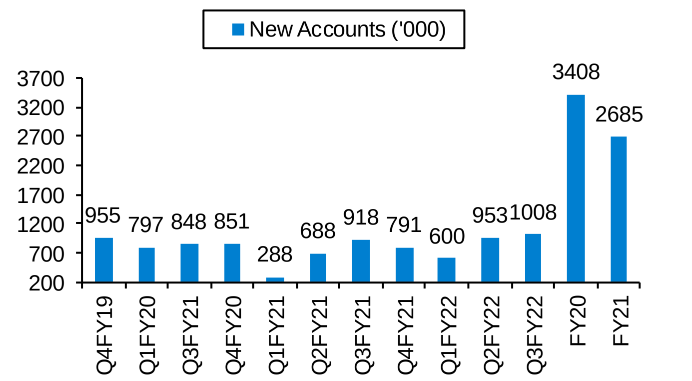
- Other income of Rs 2500 mn includes recoveries of Rs 1500 mn, and Rs 1080 mn was GST refund.
- Overall spends based fees pre covid used to be at 1.6% but since last 2 quarters its 1.4%. During Q3FY22 corporate spends were higher than retail spends.
- Opex was higher driven by higher business volumes, festive campaigns and future business expansion plans.

- C/I spike as Q3 is seasonally high opex period, mktg campaigns, extending cash backs to customers, business related investments, new account sourcing stood robust. CI will come down in coming quarters
- COF declined QoQ to 5-5.5%.
- Gross credit costs stood at 9%. It was higher due to overlay provisions and not due to any identified stress. But RBI RE flow rates were higher than expected and there may be some increase in NPAs hence contingent provisions are created.
- As the RBI RE book continues to decline, credit cost is likely to improve gradually.

Asset Quality:

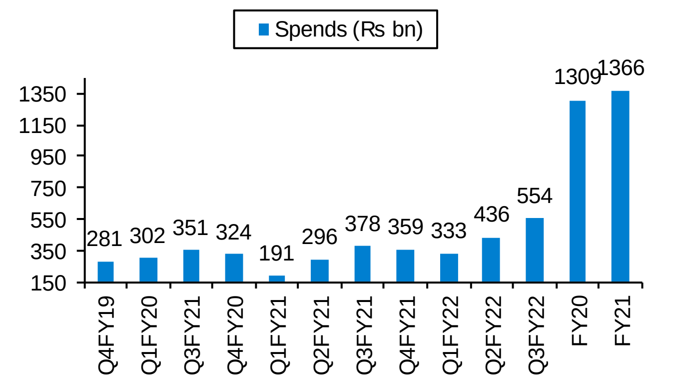
- Management has created additional overlay of Rs 760mn for wave 3. Total management overlay provisions stood at 1620mn.
- Majority of incremental business is in stage 1.
- No impact of RBI norms on AQ as Co is already following the norms.
- Bad loan formation rate stagnated at 10% (net slippages at Rs 6000mn) broadly at similar levels as it was in last 2 quarters.
- Total write offs during Q3FY22 were Rs 8120mn (accelerated w/offs Rs 2260mn).
- 30day spend activation rate stood at 52% (from Visa, MasterCard, and also festive season led to better no.) which is higher than industry.
- GNPA ratio has been gradually moderating, and the management expects this trend to continue in coming quarters. RBI RE book at 2%, down from 4% in Q2FY22.

Exhibit 2: New accounts crossed 1mn mark in Q3FY22



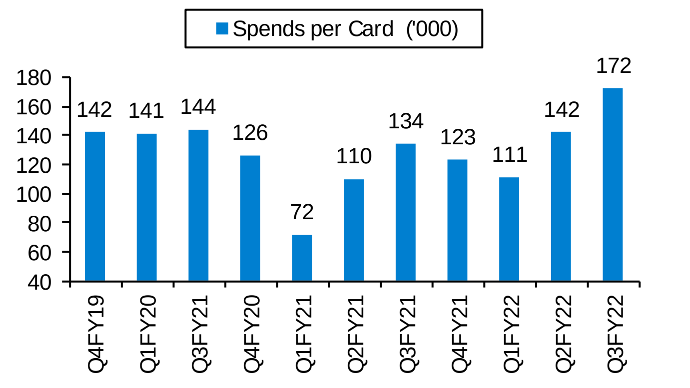
Source: Company, PL

Exhibit 3: Spends growth led by corporate segment



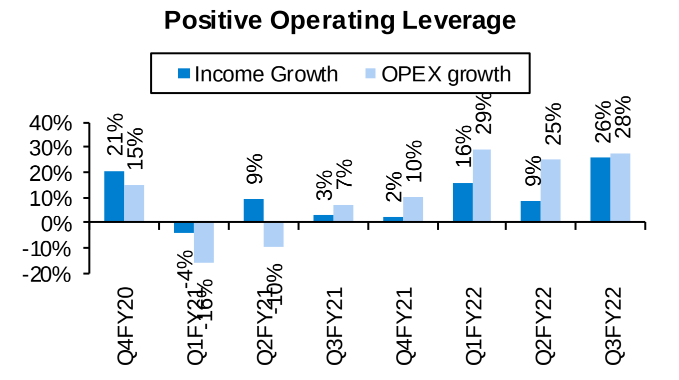
Source: Company, PL

Exhibit 4: Spends per cards increased



Source: Company, PL

Exhibit 5: Higher growth in opex vs income growth



Source: Company, PL

Exhibit 6: CoF and NIMs largely at similar levels QoQ

Revenue (Rs mn)	Q3FY22	Q3FY21	*YoY gr.*	Q2FY22	*QoQ gr.*
Revenue from Operations	**28,895**	**24,032**	***7.2%***	**25,762**	***12.2%***
Other Income	2,502	1,366	*-12.7%*	1,192	*109.9%*
Total Income	28,629	22,788	*7.1%*	24,413	*17.3%*
Finance Costs	2,768	2,609	*-2.6%*	2,541	*8.9%*
Net Revenue	**25,860**	**20,179**	***8.4%***	**21,872**	***18.2%***
Interest Income Yield	**17.9%**	**18.6%**	***-60***	**18.0%**	***-10***
Cost of Funds	5.4%	6.1%	*-60*	5.5%	*-10*
Net Interest Margin	*14.0%*	*14.5%*	*-40*	*14.1%*	*-10*

Source: Company, PL

Exhibit 7: Credit costs sequentially decline

Asset Quality (Rs mn)	Q3FY22	Q3FY21	*YoY gr.*	Q2FY22	*QoQ gr.*
Impairment and losses	6,250	6,480	*-4%*	5,940	*5.2%*
Gross Credit Costs	6,250	6,480	*-4%*	5,940	*5.2%*
Recoveries	(1,400)	(1,250)	*12%*	(1,180)	*18.6%*
Net Credit Costs	4,860	5,240	*-7%*	4,760	*2.1%*
Gross Credit Cost %	9.0%	10.4%	*-140*	9.3%	*-30*
Net Credit Cost %	*7.0%*	*8.4%*	*-140*	*7.4%*	*-40*
ECL (%)	*4.0%*	*8.0%*	*-400*	*5.0%*	*-100*
GNPA (%)	*2.4%*	*4.5%*	*-211*	*3.4%*	*-96*
NNPA (%)	*0.8%*	*1.6%*	*-77*	*0.9%*	*-8*
PCR	*65.9%*	*65.6%*	*30*	*73.7%*	*-780*

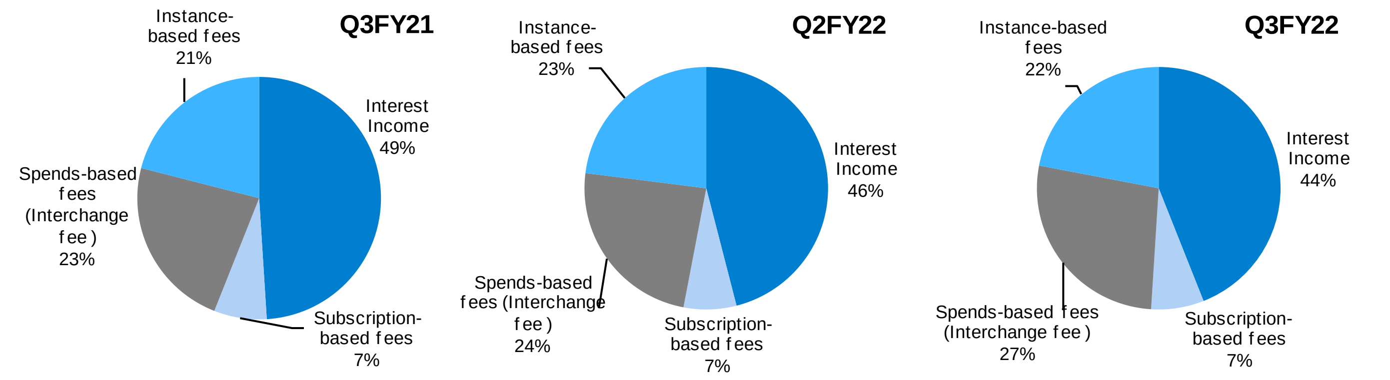
Source: Company, PL

Exhibit 8: Quarterly Business Parameters for SBICARD

Biz Parameters	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Cards In Force (unit mn)	**10.5**	**10.6**	**11.0**	**11.5**	**11.8**	**12.0**	**12.6**	**13.2**
Growth YoY	*26.5%*	*20.5%*	*15.8%*	*9.5%*	*11.5%*	*9.1%*	*14.5%*	*14.8%*
Growth QoQ	*5.0%*	*1.0%*	*3.8%*	*4.5%*	*2.8%*	*1.5%*	*5.0%*	*4.8%*
Receivable Mix (%)								
Transactor	*27.0%*	*25.0%*	*30.0%*	*33.0%*	*35.0%*	*33.0%*	*37.0%*	*38.0%*
Revolver	*40.0%*	*45.0%*	*34.0%*	*29.0%*	*28.0%*	*29.0%*	*27.0%*	*27.0%*
EMI	*32.0%*	*30.0%*	*27.0%*	*29.0%*	*29.0%*	*32.0%*	*32.0%*	*33.0%*
RBI RE			*9.0%*	*9.0%*	*8.0%*	*6.0%*	*4.0%*	*2.0%*
30 day activity rate	54.0%	40.0%	47.0%	51.0%	49.0%	46.0%	49.9%	52.0%
Loans per Card (Rs)	22888	22005	21781	22409	21244	20290	21223	22133
Growth YoY	*2.2%*	*-8.6%*	*-10.6%*	*-2.1%*	*-3.5%*	*-6.8%*	*-2.6%*	*-1.2%*
Growth QoQ	*-7.3%*	*-3.9%*	*-1.0%*	*2.9%*	*-5.2%*	*-4.5%*	*4.6%*	*4.3%*
Spend per Cards (Rs)	126	72	110	134	123	111	142	172
Growth YoY	*11.3%*	*48.9%*	*24.1%*	*6.3%*	*70.8%*	*0.9%*	*29.1%*	*28.4%*
Growth QoQ	*12.5%*	*42.9%*	*52.8%*	*21.8%*	*-8.2%*	*-9.8%*	*27.9%*	*21.1%*
New Accounts Sourcing ('000)	851	288	688	918	791	609	953	1008
Growth YoY	*10.9%*	*63.9%*	*24.6%*	*7.9%*	*174.7%*	*-11.5%*	*38.5%*	*9.8%*
Growth QoQ	*0.4%*	*66.2%*	*138.9%*	*33.4%*	*-13.8%*	*-23.0%*	*56.5%*	*5.8%*
New Accounts Sourcing by Channel								
SBI Sourcing	54.0%	55.0%	58.0%	52.0%	54.0%	62.0%	52.2%	49%
OM Sourcing	46.0%	45.0%	42.0%	48.0%	46.0%	38.0%	47.8%	51%
Sourcing by City Tier (%)								
Tier 1		38.0%	40.0%	42.0%	38.0%	42.0%	40.0%	46.0%
Tier 2		33.0%	32.0%	31.0%	31.0%	32.0%	33.0%	26.0%
Tier 3		11.0%	11.0%	12.0%	10.0%	10.0%	12.0%	16.0%
Others		17.0%	16.0%	15.0%	21.0%	16.0%	16.0%	12.0%
Retail Spends (Rs mn)	263730	166080	248630	310790	298630	270980	350700	424170
Growth QoQ		*37.0%*	*49.7%*	*25.0%*	*-3.9%*	*-9.3%*	*29.4%*	*20.9%*
Corporate Spends (Rs mn)	60560	24770	47280	67180	60800	61620	84910	129800
Growth QoQ		*59.1%*	*90.9%*	*42.1%*	*-9.5%*	*1.3%*	*37.8%*	*52.9%*
New to Credit New Acquisition	29.2%		23.4%	26.0%	37.9%			
Online Spend		56.1%	54.6%	53.4%	51.9%	54.9%	53.7%	53.8%
Yields	22.1%	23.9%	21.4%	18.6%	17.1%	18.5%	18.0%	17.9%
Cost of Funds	7.5%	6.6%	6.6%	6.1%	5.5%	5.2%	5.5%	5.4%
Cost to Income	56.3%	47.2%	49.3%	59.1%	57.8%	52.5%	56.7%	60.0%
Gross NPA	2.0%	1.4%	4.3%	4.5%	5.0%	3.9%	3.4%	2.4%
ROAA	1.3%	6.3%	3.4%	3.3%	2.6%	4.5%	4.9%	5.0%
ROAE	6.5%	28.3%	14.1%	13.8%	11.2%	18.7%	20.1%	21.2%
ECL %	5.5%	6.0%	8.6%	8.0%	6.6%	5.7%	5.0%	4.0%

Source: Company, PL

Exhibit 9: Instant based fees calibrating share of Interest income: Spends fees slightly increased



Source: Company, PL

Exhibit 10: Stage 3 assets on declining trend

Stage Wise NEA	Q3FY21	Q2FY22	Q3FY22
Stage 1	79.9%	85.4%	88.2%
Stage 2	15.5%	11.2%	9.4%
Stage 3	4.5%	3.4%	2.4%

Source: Company, PL

Exhibit 11: Change in Estimates – FY22 EPS stands marginally down by 3% but FY23 up 6% factoring higher opex, receding credit costs pressures; TP stands unchanged at Rs1,162

Rs mn	Old			Revised			*Change in Estimates*		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	*FY22E*	*FY23E*	*FY24E*
Net Interest Income	40,386	47,974	56,625	39,382	47,550	55,863	*-2%*	*-1%*	*-1%*
Operating Profit	44,913	49,609	54,926	45,213	52,005	54,770	*1%*	*5%*	*0%*
Net Profit	16,604	22,244	28,061	16,141	23,520	28,171	*-3%*	*6%*	*0%*
EPS (Rs)	17.7	23.7	29.8	17.2	25.0	30.0	*-3%*	*6%*	*0%*
Price Target (Rs)		**1,162**			**1,162**			**-**	
Reco		**Accumulate**			**Accumulate**				

Source: PL

Income Statement (Rs. m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Int. Inc. / Opt. Inc.	49,277	50,049	65,159	78,833
Interest Expenses	10,434	10,667	17,609	22,970
Net interest income	**38,843**	**39,382**	**47,550**	**55,863**
Growth(%)	*9.7*	*1.4*	*20.7*	*17.5*
Non-interest income	47,859	66,756	83,124	91,828
Growth(%)	*(2.5)*	*39.5*	*24.5*	*10.5*
Net operating income	86,702	1,06,139	1,30,674	1,47,690
Expenditures				
Employees	4,916	4,814	5,629	6,494
Other Expenses	40,931	54,633	71,301	84,282
Depreciation	1,233	1,478	1,739	2,145
Operating Expenses	47,079	60,926	78,669	92,920
PPP	**39,623**	**45,213**	**52,005**	**54,770**
Growth(%)	*8.0*	*14.1*	*15.0*	*5.3*
Provisions	26,386	23,643	20,573	17,123
Profit Before Tax	**13,237**	**21,570**	**31,432**	**37,647**
Tax	3,392	5,429	7,911	9,475
Effective Tax rate(%)	*25.6*	*25.2*	*25.2*	*25.2*
PAT	**9,845**	**16,141**	**23,520**	**28,171**
Growth(%)	*(20.9)*	*63.9*	*45.7*	*19.8*

Balance Sheet (Rs. m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Source of funds				
Equity	-	-	-	-
Reserves and Surplus	53,615	67,740	88,203	1,12,734
Networth	63,020	77,145	97,608	1,22,140
Growth (%)	*18.0*	*22.4*	*26.5*	*25.1*
Loan funds	1,80,680	2,17,775	2,62,186	3,19,867
Growth (%)	*2.8*	*20.5*	*20.4*	*22.0*
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	19,400	24,661	33,584	37,304
Other Liabilities	7,028	8,083	-	-
Total Liabilities	**2,70,129**	**3,27,665**	**3,93,378**	**4,79,311**
Application of funds				
Net fixed assets	3,182	3,278	4,077	4,214
Advances	2,34,591	2,89,231	3,44,913	4,11,296
Growth (%)	*2.8*	*23.3*	*19.3*	*19.2*
Investments	9,576	9,576	9,576	13,576
Current Assets	7,181	7,540	8,311	9,596
Net current assets	**(12,219)**	**(17,121)**	**(25,273)**	**(27,708)**
Other Assets	15,599	18,040	26,502	40,629
Total Assets	**2,70,129**	**3,27,665**	**3,93,378**	**4,79,311**
Growth (%)	*6.7*	*21.3*	*20.1*	*21.8*
Business Mix				
AUM	2,34,591	2,89,231	3,44,913	4,11,296
Growth (%)	*2.8*	*23.3*	*19.3*	*19.2*
On Balance Sheet	-	-	-	-
% of AUM	-	-	-	-
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY21	FY22E	FY23E	FY24E
NIM	14.8	13.2	13.3	12.8
ROAA	3.8	5.4	6.6	6.5
ROAE	16.9	23.0	26.9	25.6

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Int. Inc. / Operating Inc.	10,721	11,535	11,732	12,733
Income from securitization	12,366	12,085	14,031	16,161
Interest Expenses	2,437	2,290	2,541	2,768
Net Interest Income	**20,650**	**21,329**	**23,221**	**26,127**
Growth (%)	*(1.6)*	*13.6*	*8.0*	*22.0*
Non-Interest Income	1,595	890	1,192	2,502
Net Operating Income	**22,245**	**22,219**	**24,413**	**28,629**
Growth (%)	*2.2*	*15.8*	*8.6*	*25.6*
Operating expenditure	13,127	11,353	13,435	16,819
PPP	**8,776**	**10,540**	**10,580**	**11,440**
Growth (%)	*19.0*	*17.0*	*32.4*	*18.4*
Provision	6,432	6,437	5,939	6,255
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	2,344	4,103	4,641	5,185
Tax	590	1,057	1,192	1,327
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	25.2	25.8	25.7	25.6
PAT	**1,754**	**3,046**	**3,449**	**3,858**
Growth	*110*	*(23)*	*67*	*84*
AUM	2,51,140	2,44,380	2,67,410	2,78,106
YoY growth (%)	4.0	4.7	11.5	8.0
Borrowing	1,78,950	1,80,680	1,90,230	2,01,644
YoY growth (%)	*1.8*	*12.4*	*21.2*	*11.1*

Key Ratios

Y/e Mar	FY21	FY22E	FY23E	FY24E
CMP (Rs)	815	815	815	815
EPS (Rs)	10.5	17.2	25.0	30.0
Book value (Rs)	67.0	82.0	103.8	129.9
Adj. BV(Rs)	64.1	78.0	101.6	124.6
P/E(x)	77.8	47.5	32.6	27.2
P/BV(x)	12.2	9.9	7.9	6.3
P/ABV(x)	12.7	10.4	8.0	6.5
DPS (Rs)	-	2.0	3.1	3.7
Dividend Payout Ratio(%)	-	*11.8*	*12.5*	*12.5*
Dividend Yield(%)	-	*0.2*	*0.4*	*0.5*

Asset Quality

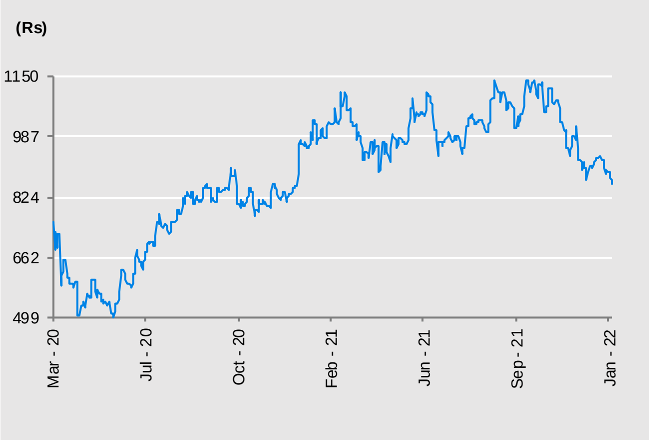
Y/e Mar	FY21	FY22E	FY23E	FY24E
Gross NPAs(Rs m)	11,706	11,569	13,452	12,750
Net NPA(Rs m)	2,698	3,760	2,069	4,936
Gross NPAs to Gross Adv.(%)	5.0	4.0	3.9	3.1
Net NPAs to net Adv.(%)	1.2	1.3	0.6	1.2
NPA coverage(%)	77.0	67.5	84.6	61.3

Du-Pont as a % of AUM

Y/e Mar	FY21	FY22E	FY23E	FY24E
NII	14.8	13.2	13.3	12.8
NII INCI. Securitization	31.5	33.1	33.7	31.2
Total income	33.1	35.5	36.7	33.8
Operating Expenses	19.9	19.4	**16.4**	18.9
PPOP	15.1	15.1	14.6	12.6
Total Provisions	10.1	7.9	5.8	3.9
RoAA	3.8	5.4	6.6	6.5
Avg. Assets/Avg. net worth	24.8	24.2	25.3	26.7
RoAE	16.9	23.0	26.9	25.6

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-22	Accumulate	1,162	905
2	29-Oct-21	Accumulate	1,199	1,126
3	05-Oct-21	Accumulate	1,205	1,097
4	25-Jul-21	Accumulate	1,073	957
5	06-Jul-21	Accumulate	1,018	988
6	27-Apr-21	Accumulate	1,018	919
7	19-Apr-21	Accumulate	1,080	943
8	06-Apr-21	Accumulate	1,080	943

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	BUY	3,454	2,734
2	Bajaj Finance	BUY	8,953	7,744
3	Cholamandalam Investment and Finance Company	BUY	721	562
4	HDFC	BUY	3,322	2,660
5	L&T Finance Holdings	Reduce	81	80
6	LIC Housing Finance	Reduce	359	380
7	Mahindra & Mahindra Financial Services	Reduce	146	155
8	Manappuram Finance	Hold	194	169
9	Muthoot Finance	BUY	1,905	1,539
10	SBI Cards and Payment Services	Accumulate	1,162	905
11	Shriram Transport Finance	Accumulate	1,453	1,335

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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