29 April 2022

4QFY22 Results Update | Sector: Financials

Shriram Transport Finance

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SHTF IN
Equity Shares (m)	227
M.Cap.(INRb)/(USDb)	325.2 / 4.3
52-Week Range (INR)	1696 / 1003
1, 6, 12 Rel. Per (%)	9/-13/-30
12M Avg Val (INR M)	1936

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Net Inc.	95.4	102.7	114.6
PPP	74.1	78.2	88.1
PAT	27.1	33.6	40.5
EPS (INR)	100	124	150
EPS Gr. (%)	1.8	24.0	20.7
BV/Sh (INR)	962	1,064	1,189
Ratios			
NIM (%)	7.9	7.8	7.8
C/I ratio (%)	22.3	23.8	23.1
RoA (%)	2.0	2.3	2.5
RoE (%)	11.4	12.3	13.3
Payout (%)	26.8	21.8	20.2
Valuations			
P/E (x)	12.0	9.7	8.0
P/BV (x)	1.2	1.1	1.0
Div. Yield (%)	1.9	1.9	2.1

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	26.5	26.1	26.5
DII	14.0	15.2	6.9
FII	53.9	53.2	61.0
Others	5.7	5.6	5.6

FII Includes depository receipts

CMP: INR1,202 TP: INR1,500 (+25%) Buy

Healthy momentum, but fuel price volatility can impact demand

SHTF earnings were buoyed by interest income write-back of ~INR1.1b and tax reversal of INR820m, which resulted in a lower effective rate. Momentum in disbursements has been strong, aided by a 20-35% increase in used CV prices across categories over the last one year. Asset quality improvement was impressive, with GS3 declining 130bp QoQ to 7.1%. The same was largely driven by write-offs, which were elevated at INR14.7b, relative to the run-rate of INR4-5b over the last six quarters. In the backdrop of the announced merger, the management will work on product integration over the next two quarters and securing all necessary approvals. Technical reasons (of a potential supply overhang after the merger) aside, the merged entity will emerge stronger than the respective standalone businesses. We maintain our Buy rating with a TP of INR1,500 per share (based on 1.3x FY24E BVPS).

- PAT grew 60% QoQ and 44% YoY to INR10.9b (18% beat) in 4QFY22, complemented by a 30bp QoQ and 15bp YoY improvement in reported NIM to ~7%.
- SHTF reported record levels of annual disbursements in FY22, which were 16% higher than FY18 levels, when it last delivered a new high in disbursements. Price hikes in both New and Used CVs (led by the shift to BS-VI emission standards and higher steel prices) continued to feed into higher ticket sizes and are aiding value growth in disbursements.
- Its customer/product segments cater to a benign competitive landscape. SHTF has not witnessed any undue pressure on spreads/margin, but has received sustained benefits on the cost of borrowings. We estimate a ~10bp compression in NIM over the next two years.
- We model an AUM CAGR of 11% during FY23-24E led by 8% CAGR in disbursements over the same period. Our estimates are largely unchanged. We model in ~22% PAT CAGR over FY22-24E, leading to a RoA/RoE of 2.5%/13% by FY24E. Concern around potential (partial/complete) exits by investors (such as PIEL, Apax, TPG, and Sanlam) after the merger is complete will remain an overhang on SHTF. We like both the standalone businesses and believe that the merged entity will emerge stronger than the respective standalone businesses.

Vehicle price inflation has aided value growth in disbursements, but an outlook on volumes still remains patchy

- Disbursements rose 10% QoQ and 13% YoY to ~INR170b, aided by higher ticket sizes (price inflation), but volume growth still remains muted.
- Geopolitical events aside, it is difficult to predict when a sustained new CV upcycle will begin, but we believe it is around the corner.
- AUM grew 2% QoQ and 8.4% YoY to INR1.27t. A volatility in fuel prices led to a postponement in new/used vehicle purchase decisions, which can affect demand.

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Improvement in asset quality primarily driven by elevated write-offs

- GS3 improved by ~130bp QoQ to 7.1%. NS3 declined by ~70bp QoQ to 3.7%. This led to PCR declining by 200bp QoQ to 50%.
- Restructured outstanding pool stood at INR8.5b (~67bp of AUM). The company utilized COVID-related provisions of ~INR8b in 4QFY22 and aggregate COVID provisions stood at INR20.5b (~160bp of AUM).
- Write-offs were elevated ~INR14.7b (v/s the run-rate of INR4-5b over the last six quarters).

Spreads/margin buoyed by write-back of interest income; expect liquidity to normalize gradually

- No significant pricing pressure, interest income write-back of ~INR1.1b, and improvement in CoB led to spreads/margin improving by ~75bp/30bp QoQ.
- STFH will maintain its current high liquidity levels on its Balance Sheet and will gradually wind it down over the next three quarters. Borrowing mix improved in favor of ECBs, with the proportion of securitization continuing to moderate.

Key highlights from the management commentary

- The management said a new vehicle cycle has commenced, after being delayed due to geopolitical issues and higher crude prices. It expects a strong CV cycle over the next three years.
- Utilization levels are very high at present and there is a shortage of vehicles in certain pockets. Fleet utilization levels are at its peak now.
- The management has guided at a cost-to-income ratio of 22-23%, normalized NIM of 7%, and AUM growth of 15%/12% for the merged entity/CV business.
- It expects a sequential decline in disbursements in 1QFY23. Higher crude prices will create doubts in the minds of customers, with no one rushing to buy new vehicles. Demand will remain suppressed till the time fuel prices keep going up.

The merged entity will emerge stronger than the respective standalone businesses

- SHTF reported a strong momentum in disbursements, which was aided by higher ticket sizes. We model in ~11% AUM CAGR over FY22-24E. The liability-side challenges faced by the company (even before the COVID-19 pandemic broke out) have been addressed. It now has a relatively higher comfort in raising money from Banks, but the borrowing cost of debt market instruments still continues to remain higher.
- Concern around potential (partial/complete) exits by investors (such as PIEL, Apax, TPG, and Sanlam) after the merger is complete will remain an overhang on the stock. We have a Neutral view on the announced merger as we neither see any significant synergies nor can highlight any significant negatives. We believe that the merged entity will emerge stronger than the respective standalone businesses.
- Our earnings estimates are largely unchanged. We estimate credit costs to moderate to 2.5/2.3% over FY23/FY24. We model in ~22% PAT CAGR over FY22-24E, leading to a RoA/RoE of 2.5%/13% by FY24E. We maintain our **Buy** rating on the stock with a TP of INR1,500 (premised on 1.3x FY24E BV).

Quarterly performance (INR m)

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Interest Income	41,026	42,997	43,815	44,033	44,793	45,784	46,607	49,282	1,71,281	1,86,463	47,302	4
Interest expenses	22,672	22,629	22,363	22,879	24,981	24,352	23,973	24,037	90,543	97,343	24,179	-1
Net Interest Income	**18,354**	**20,368**	**21,452**	**21,154**	**19,812**	**21,432**	**22,634**	**25,244**	**80,739**	**89,120**	**23,122**	**9**
Change YoY (%)	-6.4	2.0	7.5	9.4	7.9	-0.1	5.5	19.3	1.0	10.4	9.3	
Other Operating Income	383	480	569	907	1,688	1,194	1,672	1,535	2,923	6,089	1,292	19
Other Income	38	35	48	39	34	50	45	60	160	191	47	26
Net Income	**18,775**	**20,883**	**22,069**	**22,100**	**21,534**	**22,676**	**24,351**	**26,839**	**83,821**	**95,399**	**24,461**	**10**
Change YoY (%)	-7.1	-0.9	4.9	10.1	14.7	2.8	10.3	21.4	0.9	13.8	10.7	
Operating Expenses	3,823	5,125	5,432	5,484	4,791	5,507	5,275	5,725	19,857	21,298	5,619	2
Operating Profit	**14,952**	**15,759**	**16,637**	**16,617**	**16,743**	**17,169**	**19,076**	**21,114**	**63,964**	**74,101**	**18,843**	**12**
Change YoY (%)	-3.1	-0.7	2.0	12.8	12.0	3.2	14.7	27.1	2.6	15.8	13.4	
Provisions	10,646	6,555	6,747	7,236	14,396	6,762	9,843	7,608	31,184	38,609	6,263	21
Profit before Tax	**4,306**	**9,204**	**9,890**	**9,380**	**2,347**	**10,407**	**9,233**	**13,506**	**32,780**	**35,493**	**12,580**	**7**
Tax Provisions	1,105	2,359	2,613	1,831	648	2,694	2,427	2,645	7,908	8,413	3,392	-22
Net Profit	**3,201**	**6,846**	**7,277**	**7,549**	**1,699**	**7,712**	**6,806**	**10,861**	**24,873**	**27,079**	**9,188**	**18**
Change YoY (%)	-49.5	-10.5	-17.2	238.0	-46.9	6.0	-6.5	43.9	-0.6	8.9	21.7	
Key Operating Parameters (%)												
Yield on loans (Cal.)	16.0	16.6	16.7	16.4	16.5	16.6	16.6	17.1	15.8	16.0		
Cost of funds (Cal.)	9.6	9.5	9.3	9.0	9.4	9.1	8.7	8.5	9.0	8.8		
Spreads (Cal.)	6.4	7.1	7.4	7.4	7.0	7.5	7.9	8.7	6.8	7.2		
NIMs (Reported)	6.4	6.7	6.9	6.8	6.4	6.4	6.7	7.0	6.7	6.7		
Credit Cost	3.8	2.3	2.3	2.5	4.9	2.2	3.2	2.4	2.8	3.2		
Cost-to-Income Ratio	20.4	24.5	24.6	24.8	22.2	24.3	21.7	21.3	23.7	22.3		
Tax Rate	25.7	25.6	26.4	19.5	27.6	25.9	26.3	19.6	24.1	23.7		
Balance Sheet parameters												
AUM (INR b)	1,118	1,133	1,149	1,172	1,193	1,216	1,246	1,270	1,172	1,270		
Change (YoY %)	5.1	4.8	5.5	6.8	6.8	5.8	8.4	8.4	6.8	8.4		
Loans (INR b)	1,034	1,043	1,059	1,083	1,091	1,115	1,136	1,167	1,083	1,167		
Change (YoY %)	4.6	3.6	4.0	5.9	5.5	5.3	7.3	7.7	5.9	7.7		
Disbursements (INR b)	10	65	126	150	127	149	155	170	350	601		
Change (YoY %)	-92.0	-51.2	10.5	37.8	1,192.1	17.9	22.9	13.4	-26.8	71.4		
Borrowings (INR b)	953	959	963	1,062	1,053	1,086	1,126	1,145	1,062	1,145		
Change (YoY %)	5.1	5.9	5.2	12.5	10.6	12.8	17.0	7.8	12.5	7.8		
Loans/borrowings (%)	108.5	108.8	110.0	102.0	103.6	102.6	100.8	101.9	102.0	101.9		
Debt/Equity ratio (x)	5.3	4.7	4.6	4.9	4.5	4.4	4.4	4.4	4.9	4.4		
Asset quality parameters (%)												
GS 3 (INR b)	89.3	82.2	81.7	83.0	96.6	94.4	103.6	88.9	82.9	88.9		
Gross Stage 3 (as a percentage of assets)	8.0	7.3	7.1	7.1	8.2	7.8	8.4	7.1	7.1	7.1		
NS 3 (INR b)	54.9	49.5	48.0	48.1	53.9	48.5	51.5	44.5	48.1	44.5		
Net Stage 3 (as a percentage of Assets)	5.1	4.5	4.3	4.2	4.7	4.2	4.4	3.7	4.3	3.7		
PCR (%)	38.6	39.7	41.2	42.1	44.2	48.6	50.3	50.0	42.0	50.0		
ECL (%)	6.5	6.6	6.7	6.8	7.6	7.6	7.9	7.2	6.5	6.6		
Return ratios (%)												
RoAA (Rep.)	1.1	2.2	2.3	2.3	0.5	2.2	1.9	2.9	2.0	2.0		
RoAE (Rep.)	7.1	14.2	14.1	14.2	3.0	12.8	10.9	17.0	12.7	11.4		

E: MOFSL estimates

CONFERENCE CALL

Highlights from the management commentary

Capacity utilization

- Utilization levels are very high at present and there is a shortage of vehicles in certain pockets. Fleet utilization levels are at its peak now. Few aggregators (with a local presence) are trying to smoothen the supply of vehicles throughout the year.

Demand outlook and guidance on AUM and disbursement

- SHTF witnessed early green shoots of new CV demand. The management said a new vehicle cycle has commenced, after being delayed due to geopolitical issues and higher crude prices. It expects a strong CV cycle over the next three years.
- It has guided at an AUM growth of 15%/12% for the merged entity/CV business.
- Higher ticket size (price of new/used vehicles) will aid disbursement growth. Of the guided growth of 12%, 5-6% will accrue from higher ticket size and another 5-6% will emerge from higher volumes.
- The management expects a sequential decline in disbursements in 1QFY23. Disbursements are typically split 40:60 between the first and the second half of the fiscal. Government spends generally begin in August and picks up in the second half of the fiscal. Higher crude prices will create doubts in the minds of customers and no one will be in a rush to buy new vehicles. Demand will remain suppressed till fuel prices keep on rising.

Asset quality

- Credit cost stood at 2%/2.7% in 4Q/FY22.
- Write-offs stood at INR14.7b, of which INR12.16b was for NPA accounts.

LGD and PD assumptions | Stage-wise EAD and corresponding PCR

- LGD stood at 44.68% (v/s 45% in 3QFY22.

	EAD (%)	PCR (%)	PD (%)
Stage 1	82.3%	3.3%	7.34%
Stage 2	10.6%	9.1%	21.72%
Stage 3	7.1%	50.0%	

Merger update

- Pilot branches have been started and product introduction will occur in a month or two.
- Joint MDs are set to take up their responsibilities. SHTF has carved out five geographical units, and these Joint MDs will take care of further product introduction.
- HR integration is largely completed and SHTF is well prepared for the IT integration.

Restructuring

- The balance outstanding in the restructured pool stood at INR8.52b, of which 1.67% was in the over 90dpd bucket.

Guidance

- The management guided at a C/I ratio of 22-23%.
- It guided at normalized NIM of 7%. The focus will be on NIM, and the benefit from lower CoB will be passed on to customers.

Liabilities

- The liability mix has improved in favor of deposits (19% of the borrowing mix). The share of bank loans has risen to ~20% (from 16% earlier). The cost of borrowing stood at 8.14% (down 83bp YoY and 31bp QoQ).
- The incremental cost of borrowings in 4QFY22 stood at 7.3% (down 20bp QoQ). Total fund mobilized stood at INR150b and included an ECB of INR30b. It raised INR2b via debt market borrowings in 4QFY22. The management said there is still scope for incremental cost of borrowings on debt market instruments to reduce.
- SHTF's dollar-denominated bond (ECB) is maturing in Oct'22. It will pare down liquidity to five months from six months at present and subsequently to four months.
- Bank deposits/CBLO is not accounted for in HQLA. Paring down liquidity will not impact HQLA/LCR. The management is maintaining a LCR of 148% (v/s the eventual requirement of 100%).

Macro commentary and RBI guidelines

- The Union Budget recognized Infrastructure as the key cornerstone.
- CPI has jumped to 6.95% in Mar'22 v/s 6.07% in Feb'22. This is the third month where retail inflation remained above the RBI's comfort zone.
- Higher fuel prices will be a challenge and will impact India's Balance of Payments (BoP) situation.
- The company has already complied with RBI's NPA circular and with the implementation of Core Financial Services Solution.
- SHTF is compliant with the requirement of CET1 of 9% for NBFC-UL (Scale Based Regulations for NBFCs).

Auto industry

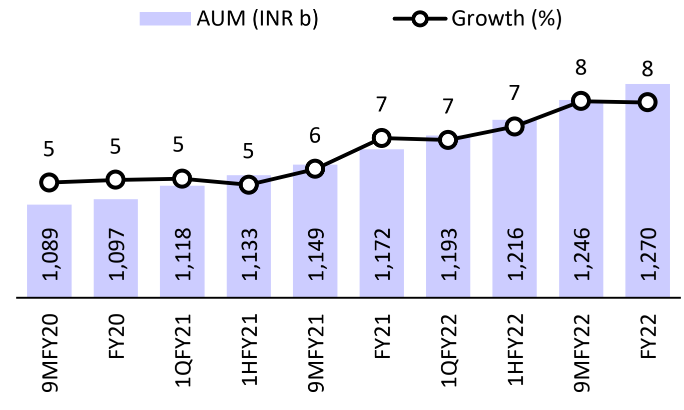
- CV sales rose 28% QoQ in 4Q and grew 26% YoY in FY22.
- Demand for Used CVs remains strong. The retail prices of Used LCVs/HCVs are up 30%/15-20%.
- New/Used SCV prices have risen by 35% over the last two years due to a shift to BS-VI emission norms and higher steel prices.
- ICV vehicles (8-9t Eicher/Tata/AL/Benz) prices have increased by 25%.
- Total registered CVs are INR11m. PVs constitute 3-4x of the CV population. Within PVs, one-third of PVs are used for transportation. There are 7-7.5m Tractors across the country.

Others

- There were interest income write-backs of INR1.06b and a tax reversal of INR820m due to provisions in earlier years, which were no longer required.
- The co-origination arrangement is primarily for New CVs.
- As long as truckers are able to pass on higher fuel prices, they are comfortable in discharging their repayment obligations.
- LTV has been curtailed at less than 70% for the last three years.

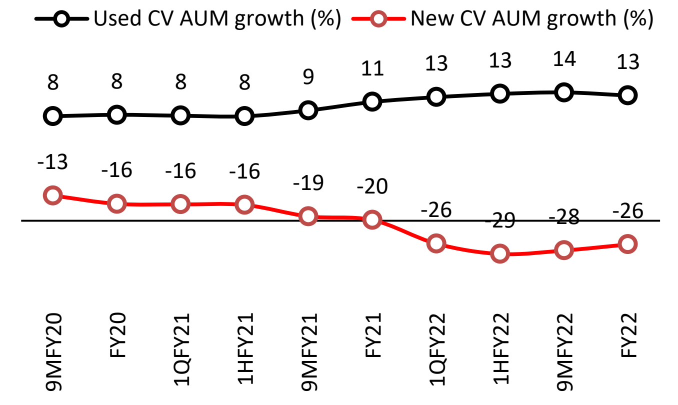
Key exhibits

Exhibit 1: AUM growth remains muted at 8% due to higher run-off driven by write-offs



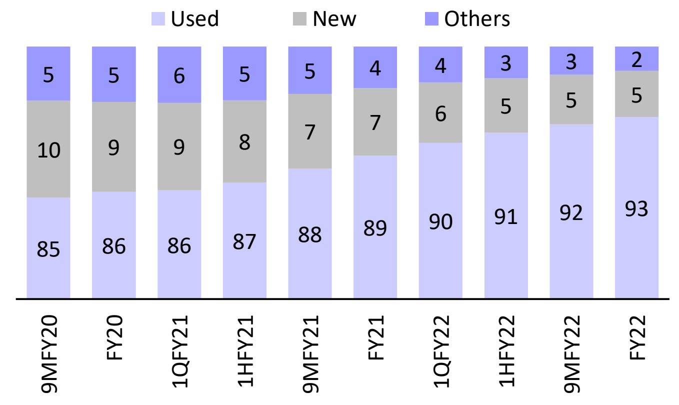
Source: MOFSL, Company

Exhibit 2: Used CV AUM rose 13% YoY; New CV AUM fell 26% YoY



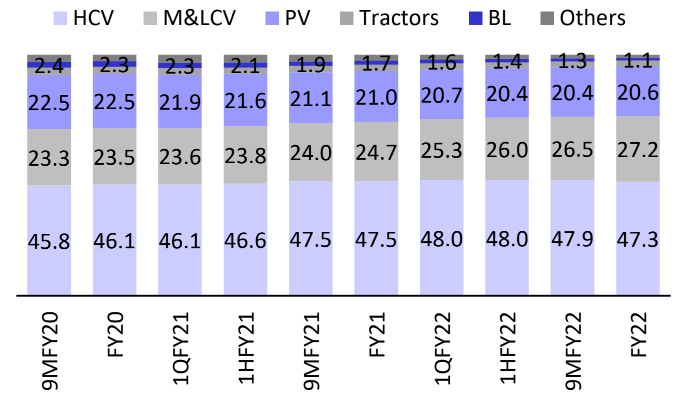
Source: MOFSL, Company

Exhibit 3: AUM mix improves further in favor of Used CVs (%)



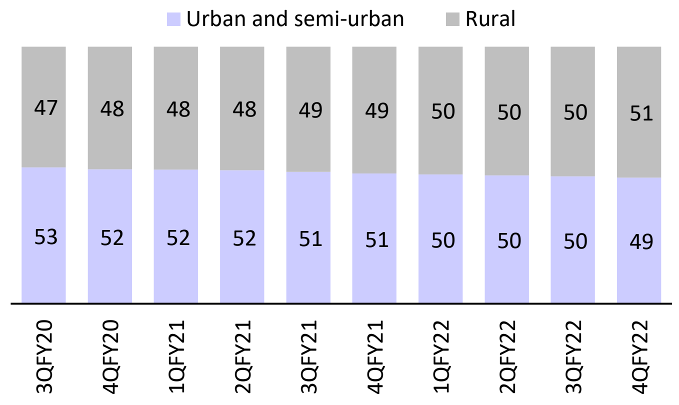
Source: MOFSL, Company

Exhibit 4: Vehicle category-wise AUM mix (%)



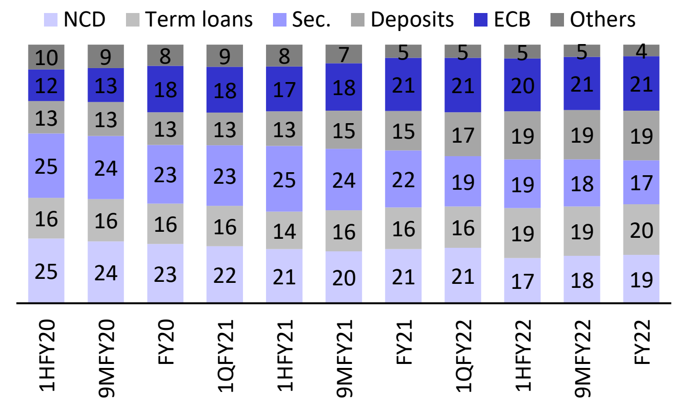
Source: MOFSL, Company

Exhibit 5: Rural AUM improves by ~300bp in the last eight quarters



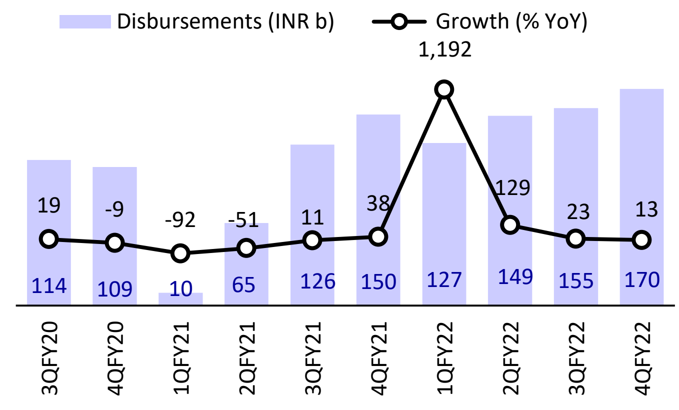
Source: MOFSL, Company

Exhibit 6: Further diversification of the borrowing mix (%)



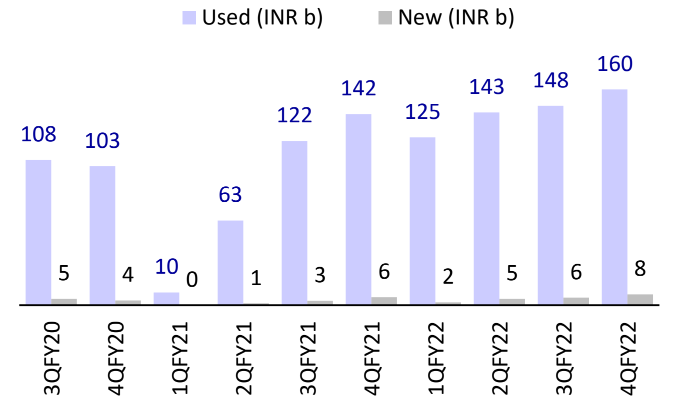
Source: MOFSL, Company

Exhibit 7: Disbursements grew at 10% QoQ…



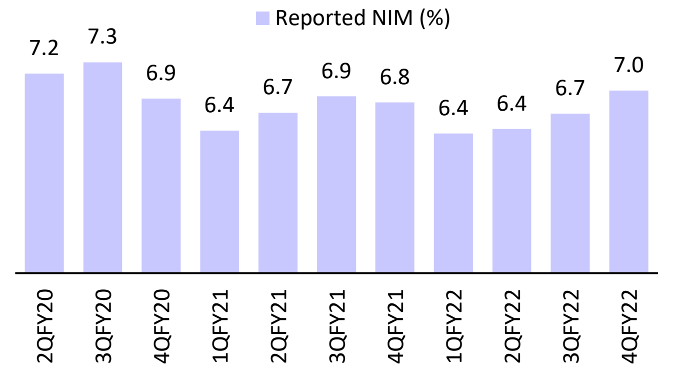
Source: MOFSL, Company

Exhibit 8: …dominated by Used CV disbursements



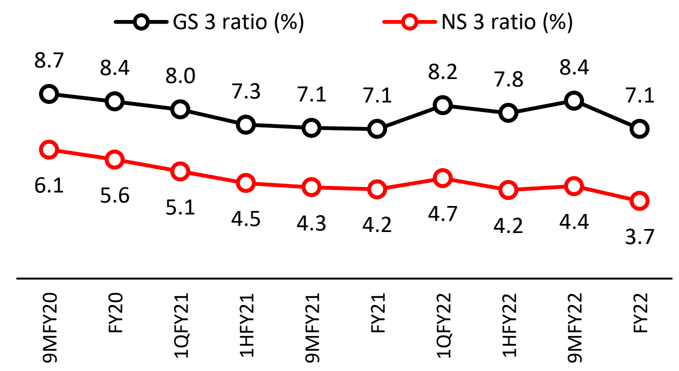
Source: MOFSL, Company

Exhibit 9: Margin improves by ~30bp QoQ to 7%



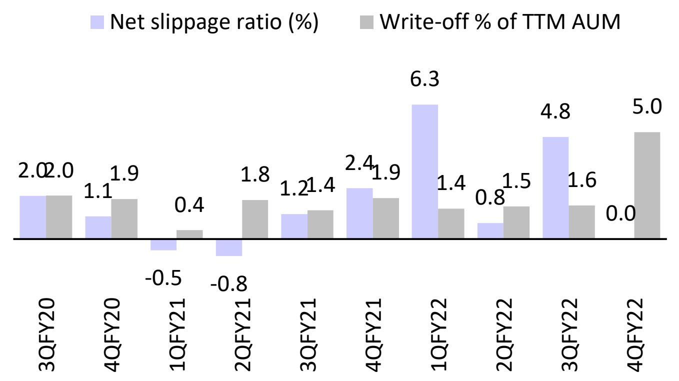
Source: MOFSL, Company

Exhibit 10: GS3 declines by ~130bp QoQ



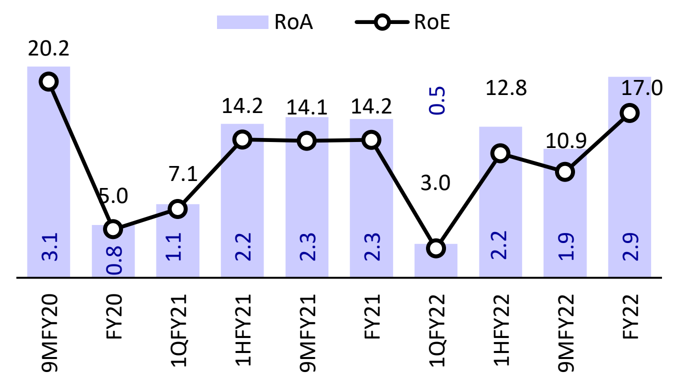
Source: MOFSL, Company

Exhibit 11: Write-offs were elevated in 4QFY22



Source: MOFSL, Company

Exhibit 12: RoA and RoE trends



Source: MOFSL, Company, Reported

Valuation and view

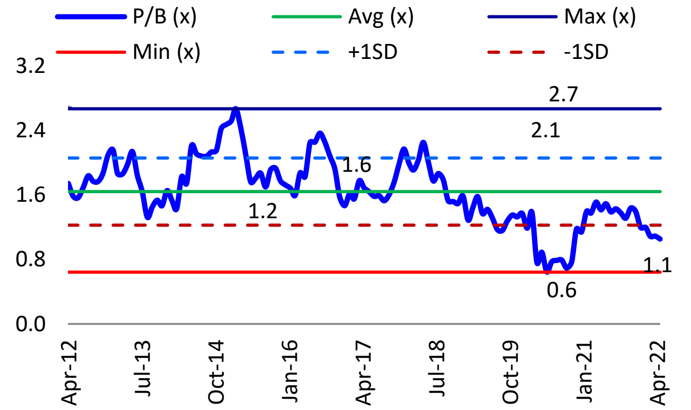
- SHTF reported a strong momentum in disbursements, which was aided by higher ticket sizes. We model in ~11% AUM CAGR over FY22-24E. The liability-side challenges faced by the company (even before the COVID-19 pandemic broke out) have been addressed. It now has a relatively higher comfort in raising money from Banks, but the borrowing cost of debt market instruments still continues to remain higher.
- Concern around potential (partial/complete) exits by investors (such as PIEL, Apax, TPG, and Sanlam) after the merger is complete will remain an overhang on the stock. We have a Neutral view on the announced merger as we neither see any significant synergies nor can highlight any significant negatives. We believe that the merged entity will emerge stronger than the respective standalone businesses.
- Our earnings estimates are largely unchanged. We estimate credit costs to moderate to 2.3/2.5% over FY23/FY24. We model in ~22% PAT CAGR over FY22-24E, leading to a RoA/RoE of 2.5%/13% by FY24E. We maintain our **Buy** rating on the stock with a TP of INR1,500 (premised on 1.3x FY24E BV).

Exhibit 13: Our FY23/FY24E EPS estimates are largely unchanged

INR b	Old estimate			New estimate			Change (%)		
	FY22E	FY23	FY24	FY22A	FY23	FY24	FY22	FY23	FY24
NII (incl. Sec. Inc.)	87.0	94.1	105.0	89.1	95.8	106.9	2.4	1.8	1.9
Other Income	6.0	6.6	7.3	6.3	6.9	7.6			
Total Income	**93.0**	**100.7**	**112.3**	**95.4**	**102.7**	**114.6**	**2.6**	**2.0**	**2.0**
Operating Expenses	21.2	24.0	26.8	21.3	24.4	26.4	0.5	1.8	-1.4
Operating Profit	**71.8**	**76.7**	**85.5**	**74.1**	**78.2**	**88.1**	**3.2**	**2.0**	**3.1**
Provisions	37.3	31.1	31.8	38.6	33.5	34.1	3.6	7.7	7.2
PBT	**34.6**	**45.6**	**53.7**	**35.5**	**44.8**	**54.0**	**2.7**	**-1.9**	**0.7**
Tax	9.2	11.9	14.0	8.4	11.2	13.5	-8.2	-5.6	-3.2
PAT	**25.4**	**33.8**	**39.7**	**27.1**	**33.6**	**40.5**	**6.6**	**-0.5**	**2.1**
AUM	1,271	1,410	1,553	1,270	1,410	1,553	0.0	0.0	0.0
Loans	1,164	1,298	1,429	1,167	1,298	1,429	0.2	0.0	0.0
Borrowings	1,141	1,224	1,348	1,145	1,224	1,348	0.3	0.0	0.0
NIM (%)	7.7	7.6	7.7	7.9	7.8	7.8			
Credit Cost (%)	3.1	2.3	2.1	3.2	2.5	2.3			
RoA	**2.0**	**1.9**	**2.3**	**2.0**	**2.0**	**2.3**			

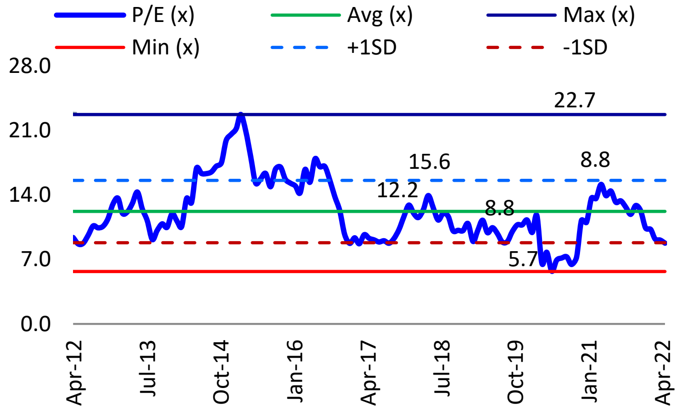
Source: MOFSL, Company

Exhibit 14: One-year forward P/B



Source: MOFSL, Company

Exhibit 15: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income Statement										(INR m)
Y/E March	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**
Interest Income	77,779	95,300	98,013	1,31,935	1,53,843	1,62,675	1,71,281	1,86,463	2,02,977	2,25,913
Interest Expenses	44,029	50,744	52,094	63,688	75,113	82,703	90,543	97,343	1,07,199	1,18,964
Net Interest Income	**33,750**	**44,556**	**45,919**	**68,248**	**78,730**	**79,972**	**80,739**	**89,120**	**95,778**	**1,06,949**
Change (%)	42.5	32.0	3.1	48.6	15.4	1.6	1.0	10.4	7.5	11.7
Other Operating Income	7,379	6,171	9,293	1,051	1,382	2,880	2,923	6,089	6,698	7,368
Other Income	707	762	758	2,027	233	203	160	191	213	239
Net Income	**41,836**	**51,489**	**55,970**	**71,326**	**80,344**	**83,055**	**83,821**	**95,399**	**1,02,689**	**1,14,556**
Change (%)	9.7	23.1	8.7	27.4	12.6	3.4	0.9	13.8	7.6	11.6
Operating Expenses	10,783	13,089	12,288	16,085	18,739	20,720	19,857	21,298	24,441	26,415
Operating Profit	**31,054**	**38,400**	**43,682**	**55,241**	**61,605**	**62,336**	**63,964**	**74,101**	**78,248**	**88,141**
Change (%)	8.7	23.7	13.8	26.5	11.5	1.2	2.6	15.8	5.6	12.6
Provisions	12,630	20,586	24,443	17,223	23,823	27,949	31,184	38,609	33,482	34,095
PBT	**18,424**	**17,814**	**19,239**	**38,018**	**37,783**	**34,387**	**32,780**	**35,493**	**44,766**	**54,046**
Tax	6,046	6,032	6,666	13,413	12,143	9,368	7,908	8,413	11,192	13,512
Tax Rate (%)	32.8	33.9	34.6	35.3	32.1	27.2	24.1	23.7	25.0	25.0
PAT	**12,378**	**11,782**	**12,573**	**24,605**	**25,640**	**25,018**	**24,873**	**27,079**	**33,575**	**40,535**
Change (%)	-2.1	-4.8	6.7	95.7	4.2	-2.4	-0.6	8.9	24.0	20.7
Proposed Dividend	2,151	2,731	2,995	3,006	3,282	3,037	4,555	6,055	6,109	6,822

Balance Sheet										(INR m)
Y/E March	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**
Capital	2,269	2,269	2,269	2,269	2,269	2,269	2,531	2,705	2,705	2,705
Reserves and Surplus (excl. OCI)	90,111	99,272	1,10,247	1,31,871	1,54,228	1,75,965	2,12,265	2,57,644	2,85,109	3,18,822
Net Worth	**92,380**	**1,01,541**	**1,12,516**	**1,34,140**	**1,56,497**	**1,78,234**	**2,14,796**	**2,60,349**	**2,87,814**	**3,21,527**
Other Comprehensive Income			-13	-26	-49	-97	-1,027	-1,027	-1,027	-1,027
Net Worth	**92,380**	**1,01,541**	**1,12,503**	**1,34,114**	**1,56,448**	**1,78,137**	**2,13,769**	**2,59,322**	**2,86,788**	**3,20,500**
Change (%)	11.7	9.9	10.8	19.2	16.7	13.9	20.0	21.3	10.6	11.8
Borrowings	**4,42,762**	**4,97,907**	**6,87,982**	**8,21,308**	**8,79,144**	**9,43,718**	**10,61,964**	**11,44,967**	**12,24,077**	**13,48,125**
Change (%)	23.2	12.5	38.2	19.4	7.0	7.3	12.5	7.8	6.9	10.1
Other Liabilities	58,130	80,185	16,627	17,028	17,333	19,432	21,055	16,772	17,107	17,449
Total Liabilities	**5,93,272**	**6,79,633**	**8,17,112**	**9,72,450**	**10,52,925**	**11,41,286**	**12,96,789**	**14,21,061**	**15,27,972**	**16,86,075**
Investments	33,272	13,562	22,587	23,415	39,991	27,985	31,979	68,092	74,901	82,391
Change (%)	22.1	-59.2	66.5	3.7	70.8	-30.0	14.3	112.9	10.0	10.0
Loans	**5,07,638**	**6,37,701**	**7,40,157**	**9,07,456**	**9,67,515**	**10,22,316**	**10,83,030**	**11,66,652**	**12,97,522**	**14,29,013**
Change (%)	30.5	25.6	16.1	22.6	6.6	5.7	5.9	7.7	11.2	10.1
Other Assets	52,362	28,371	54,369	41,579	45,419	90,985	1,81,780	1,86,318	1,55,550	1,74,671
Total Assets	**5,93,272**	**6,79,633**	**8,17,112**	**9,72,450**	**10,52,925**	**11,41,286**	**12,96,789**	**14,21,061**	**15,27,972**	**16,86,075**

E: MOFSL estimates

Financials and valuations

Ratios										(%)
Y/E March	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**
Spreads Analysis (%)										
Yield on loans	16.2	16.1	13.9	15.7	16.0	15.8	15.8	16.0	16.0	16.1
Cost of funds	11.0	10.8	8.8	8.4	8.8	9.1	9.0	8.8	9.1	9.3
Spread on loans	5.2	5.3	5.1	7.2	7.2	6.7	6.8	7.2	7.0	6.9
NIM	7.5	7.8	6.7	8.3	8.4	8.0	7.7	7.9	7.8	7.8
Profitability Ratios (%)										
Cost/Income	25.8	25.4	22.0	22.6	23.3	24.9	23.7	22.3	23.8	23.1
Emp./Operating Exp.	39.8	45.0	44.6	44.3	47.1	48.8	45.6	46.8	46.1	46.9
RoE	14.1	12.2	11.7	20.0	17.6	15.0	12.7	11.4	12.3	13.3
RoA	2.3	1.9	1.7	2.7	2.5	2.3	2.0	2.0	2.3	2.5
RoA (On AUM)	2.2	1.8	1.7	2.8	2.6	2.3	2.2	2.2	2.5	2.7
Asset quality (%)										
GNPA	18,941	38,702	88,597	89,345	86,163	91,771	82,928	88,876	1,02,772	1,14,617
NNPA	3,791	11,437	56,419	58,401	56,465	59,911	48,067	44,461	51,386	57,308
GNPA (%)	3.6	5.8	11.1	9.3	8.4	8.5	7.1	7.1	7.3	7.4
NNPA (%)	0.7	1.8	7.4	6.3	5.7	5.7	4.3	3.7	3.8	3.9
PCR (%)	80.0	70.4	36.3	34.6	34.5	34.7	42.0	50.0	50.0	50.0
Capitalization (%)										
CAR	23.4	20.6	16.6	17.4	20.3	22.0	22.5	22.6	22.5	23.0
Tier I	17.7	16.4	14.3	14.5	15.6	18.1	19.9	20.4	20.8	21.5
Tier II	5.7	4.1	2.4	2.9	4.7	3.9	2.6	2.1	1.7	1.4
Average Leverage on Assets (x)	6.2	6.6	7.0	7.3	7.0	6.6	6.2	5.7	5.4	5.3

Valuations	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**
Book Value (INR)	407	448	496	591	690	786	849	962	1,064	1,189
BV Growth (%)	11.7	9.9	10.8	19.2	16.7	13.9	8.0	13.4	10.5	11.7
Price-to-BV (x)					**1.7**	**1.5**	**1.4**	**1.2**	**1.1**	**1.0**
Adjusted BV (INR)	395	412	322	411	516	601	716	847	931	1,040
Price-to-ABV (x)					**2.3**	**2.0**	**1.7**	**1.4**	**1.3**	**1.2**
OPS (INR)	137	169	193	243	272	275	253	274	289	326
Growth (%)	8.7	23.7	13.8	26.5	11.5	1.2	-8.0	8.4	5.6	12.6
Price-to-Earnings (x)					**4.4**	**4.4**	**4.8**	**4.4**	**4.2**	**3.7**
EPS (INR)	55	52	55	108	113	110	98	100	124	150
Growth (%)	-2.1	-4.8	6.7	95.7	4.2	-2.4	-10.9	1.8	24.0	20.7
Price-to-Earnings (x)					**10.6**	**10.9**	**12.2**	**12.0**	**9.7**	**8.0**
Dividend	8.0	10.0	10.0	11.0	12.0	13.4	18.0	22.4	22.6	25.2
Dividend Yield (%)					**1.0**	**1.1**	**1.5**	**1.9**	**1.9**	**2.1**

E: MOFSL estimates

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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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