

# Shriram City Union Finance

Estimate change



TP change



Rating change



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Bloomberg	SCUF IN
Equity Shares (m)	66
M.Cap.(INRb)/(USD\$)	122.5 / 1.6
52-Week Range (INR)	2175 / 645
1, 6, 12 Rel. Per (%)	8/69/141
12M Avg Val (INR M)	74

## Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
NII	34.4	36.9	41.2
PPP	22.4	24.3	27.0
PAT	10.1	11.2	13.3
EPS (INR)	153	169	202
EPS Gr. (%)	1	10	20
BV/Sh. (INR)	1,230	1,369	1,541
<b>Ratios</b>			
NIM (%)	11.7	12.0	12.2
C/I ratio (%)	37.8	37.7	38.1
RoA (%)	3.1	3.2	3.6
RoE (%)	13.2	13.0	13.9
Payout (%)	25.9	17.8	14.8
<b>Valuations</b>			
P/E (x)	12.1	11.0	9.2
P/BV (x)	1.5	1.4	1.2
Div. Yield (%)	1.8	1.3	1.3

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	34.6	34.6	33.9
DII	3.8	3.5	5.7
FII	28.3	28.5	26.8
Others	33.3	33.4	33.6

FII Includes depository receipts

**CMP: INR1,856**
**TP: INR2,150 (+16%)**
**Buy**

## No major deterioration in asset quality; restructuring minimal

### Elevated credit costs drive PAT miss

- Shriram City Union Finance (SCUF) posted PAT of INR2.1b (up 8% YoY; 14% miss) in 1QFY22. PPOP was largely in-line at INR5.7b (flat YoY). While NII stood at INR8.8b (in-line), credit costs stood at INR2.9b (~16% above est.), leading to the PAT miss.
- 1QFY22 was characterized by a sequentially muted performance in disbursements (due to lockdowns) and ~55bp deterioration in GS3.
- The company should deliver RoE/RoA of ~14%/4% in FY23E. We maintain our Buy rating, with TP of INR2,150 per share (1.4x FY23E BVPS).

### Disbursements impacted by second COVID wave; AUM flat QoQ

- In 1QFY22, disbursements were impacted across products. Auto/LAP loans witnessed the highest sequential decline at 79%/52%; MSME/2W loans also fell 40%/20% QoQ to INR10.9b/INR12.3b. The repayment rate stood at 15% (down ~410bp QoQ). As a result, AUM was flat QoQ at INR296b.
- As MSME financing has taken a backseat in the past few quarters, its share in the AUM mix has declined ~935bp to 49% over the past year. In Shriram Housing, the loan book was flat QoQ at INR39.1b (up 65% YoY). The GNPL ratio deteriorated 43bp QoQ to 2.3%.

### Minor deterioration in GS3; restructuring still minimal; spreads improve

- GS 3 deteriorated by ~55bp QoQ to 6.9%.** In 1QFY22, SCUF made additional COVID-related provisions of INR34.68m. The total management overlay stood at INR7.2b (~2.4% of AUM).
- Total ECL provisions increased by INR640m QoQ to INR21b. SCUF holds 3.8% PCR on Stage 1 and 2 loans and 52% PCR on Stage 3 loans. ECL/EAD of 7.1% is among the highest in our NBFC Coverage Universe.
- Advances worth INR390m were restructured in 1QFY22. The total restructured pool, including that restructured under RBI OTR 1.0, stood at INR1.92b (~65bp of AUM).
- While cost of funds (calculated) declined ~21bp sequentially to 8.9%, calculated yields (on AUM) stood at 19.7% (up ~20bp QoQ). Spreads improved 40bp QoQ to 10.8%.

### Better performing 2W portfolio vis-à-vis peers

- The 2W loan portfolio of SCUF consists purely of 2W, and all other vehicle loans (including any 3W) are categorized as "auto" loans. It is important to highlight here that Bajaj Finance had suggested that it was seeing disproportionately high stress, particularly in its 3W loan portfolio.
- Hero and Honda 2W form 80–85% of the 2W portfolio, while Bajaj 2W forms only ~8%. Moreover, its 2W portfolio has ~35% scooters, and in SCUF's view, asset quality in the scooter portfolio has usually been better than in motorbikes – since scooters are used by the entire family.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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### Preparing for transformation from physical to hybrid model

- SCUF is looking to improve its digital presence by introducing digital personal loans (PL) and 2W loans on an app by Aug'21. Even digital gold loans are expected to be rolled out by Nov'21. However, personal loans would remain a cross-sell product.
- With this digital offering and its partnerships with fintechs, the company would look to acquire a new segment of customers, streamline its processes, and reduce the TAT for the current customer as well.

### Shriram Housing – aspiring for bigger and better

- Shriram City has already infused INR2b in its housing subsidiary and intends to infuse another INR3b over the remainder of FY22.
- The new book stands at 76% of the total loan book, and GNPA on the last three years of underwriting is 1.13%.
- Shriram Housing aspires to grow AUM to ~INR55b by end-FY22. The growth states would continue to be the six key states of Gujarat, Maharashtra, AP, Telangana, Karnataka, and Tamil Nadu. By Mar'22, it plans to open another 170 branches contiguous with the current branch network.

### Highlights from management commentary and other highlights

- Demand for restructuring was fairly limited, and it processed INR390m of OTR during the quarter. The restructuring pipeline is not very high. It may end up doing an additional INR700–800m in restructuring in 2QFY22.
- Capital adequacy remained strong, with Tier I at 30% (up ~90bp QoQ).
- Opex declined 7% sequentially (up 13% YoY) to INR3.5b (est. INR3.4b), led by lower establishment expenses. Employee expenses were up 7% QoQ. The C/I ratio fell ~250bp QoQ to 38%, led by opex savings.

### Valuation and view

- The loan book growth was muted given the impact on disbursements (from lockdowns). However, the liability-side and liquidity issues faced by the company immediately after the pandemic outbreak have now receded into the sidelines. Despite its presence in vulnerable product segments such as MSME, 2W, and Personal Loans, asset quality performance has been encouraging, with minimal restructuring. With equity infusion of INR2b from the parent, Shriram Housing would look forward to strong growth and carving out its niche in the Affordable Housing Finance segment.
- SCUF has improved its underwriting across product segments. Also, its strong focus on collections has resulted in improving asset quality outcomes (despite a transient QoQ blip), with benign credit costs even in a pandemic-impacted year.
- While we expect AUM growth to remain muted at ~7% in FY22E, we build in a ~12% CAGR in AUM over FY21–24E. We cut our FY22E PAT estimates by ~10%, factoring in higher credit costs. Given the visibility around likely loan growth/credit costs, we model in RoA/RoE of 3.6%/14% in FY23E. We maintain our Buy rating, with TP of INR2,150 per share (1.4x FY23E BVPS).

## Quarterly Performance

INR m

Y/E MARCH	FY21				FY22E				FY21	FY22E	1QFY22E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Interest Income	13,899	13,698	13,978	14,140	14,539	14,829	15,126	15,101	55,716	59,596	14,246	2.1
Interest expenses	5,375	5,190	5,215	5,559	5,746	5,832	5,919	5,248	21,339	22,745	5,476	4.9
<b>Net Interest Income</b>	<b>8,525</b>	<b>8,508</b>	<b>8,763</b>	<b>8,581</b>	<b>8,793</b>	<b>8,997</b>	<b>9,207</b>	<b>9,853</b>	<b>34,377</b>	<b>36,850</b>	<b>8,771</b>	<b>0.3</b>
Y-o-Y Growth (%)	-6.7	-5.5	-1.3	1.1	3.1	5.7	5.1	14.8	-3.2	7.2	2.9	
Fees and Other Income	246	293	414	716	417	525	575	652	1,669	2,169	450	-7.4
<b>Net Operating Income</b>	<b>8,771</b>	<b>8,801</b>	<b>9,177</b>	<b>9,297</b>	<b>9,210</b>	<b>9,522</b>	<b>9,782</b>	<b>10,506</b>	<b>36,046</b>	<b>39,020</b>	<b>9,221</b>	<b>-0.1</b>
Y-o-Y Growth (%)	-8.2	-7.8	-2.4	3.3	5.0	8.2	6.6	13.0	-3.9	8.3	5.1	
Operating Expenses	3,105	3,182	3,575	3,781	3,517	3,600	3,600	3,993	13,644	14,711	3,425	2.7
<b>Operating Profit</b>	<b>5,666</b>	<b>5,619</b>	<b>5,602</b>	<b>5,516</b>	<b>5,693</b>	<b>5,922</b>	<b>6,182</b>	<b>6,512</b>	<b>22,402</b>	<b>24,309</b>	<b>5,796</b>	<b>-1.8</b>
Y-o-Y Growth (%)	-1.9	-2.2	-2.2	7.2	0.5	5.4	10.3	18.1	0.1	8.5	2.3	
Provisions	3,102	2,015	1,755	1,638	2,901	2,000	2,000	2,128	8,509	9,029	2,500	16.0
<b>Profit before Tax</b>	<b>2,564</b>	<b>3,604</b>	<b>3,847</b>	<b>3,878</b>	<b>2,792</b>	<b>3,922</b>	<b>4,182</b>	<b>4,384</b>	<b>13,893</b>	<b>15,281</b>	<b>3,296</b>	<b>-15.3</b>
Tax Provisions	642	1,035	1,050	1,057	712	1,059	1,129	1,226	3,785	4,126	890	-20.0
<b>Net Profit</b>	<b>1,923</b>	<b>2,569</b>	<b>2,797</b>	<b>2,821</b>	<b>2,080</b>	<b>2,863</b>	<b>3,053</b>	<b>3,159</b>	<b>10,109</b>	<b>11,155</b>	<b>2,406</b>	<b>-13.5</b>
Y-o-Y Growth (%)	-24.1	-13.7	-5.8	84.3	8.2	11.5	9.1	12.0	1.0	10.3	25.1	
<b>Key Operating Parameters (%)</b>												
Yield on loans (calc., %)	19.3	19.6	19.9	19.5	19.7	20.3	20.5	19.6	20.0	18.6		
Cost of funds (calc., %)	9.6	9.6	9.2	9.1	8.9	8.9	8.9	7.9	8.8	8.7		
Spreads (%)	9.7	10.0	10.7	10.4	10.8	11.4	11.6	11.8	11.3	9.9		
Cost to Income Ratio (%)	35.4	36.2	39.0	40.7	38.2	37.8	36.8	38.0	37.8	37.7		
Credit cost (calc., %)	4.3	2.9	2.5	2.3	3.9	2.7	2.7	2.8	2.9	3.0		
Tax Rate (%)	25.0	28.7	27.3	27.3	25.5	27.0	27.0	28.0	27.2	27.0		
<b>Balance Sheet Parameters</b>												
<b>Disbursements (INR b)</b>	<b>13.3</b>	<b>30.6</b>	<b>62.0</b>	<b>65.7</b>	<b>45.6</b>	<b>56.5</b>	<b>66.5</b>	<b>65.2</b>	<b>171.5</b>	<b>233.8</b>		
Growth (%)	-78.9	-41.1	6.5	21.3	243.9	84.6	7.3	-0.8	-24.5	36.3		
<b>AUM (INR b)</b>	<b>284.5</b>	<b>275.4</b>	<b>285.5</b>	<b>295.7</b>	<b>296.0</b>	<b>289.1</b>	<b>299.7</b>	<b>316.4</b>	<b>295.7</b>	<b>316.4</b>		
Growth (%)	-6.3	-7.4	-3.4	1.7	4.1	5.0	5.0	7.0	1.7	7.0		
Repayments (INR b)	19.7	39.7	51.9	55.4	45.3	63.4	55.9	48.5	166.7	213.1		
Rep. rate (annualized, %)	27.0	55.8	75.4	77.7	61.3	85.6	77.3	64.7	57.3	72.1		
Borrowings/AUM ratio (%)	76.2	79.1	81.9	86.5	88.5	91.5	89.1	84.5	86.5	84.5		
<b>Asset Quality Parameters (%)</b>												
Gross Stage 3 (INR b)	20.5	18.2	18.3	18.8	20.4				18.8	16.0		
Gross Stage 3 ratio (%)	7.3	6.7	6.5	6.4	6.9				6.8	5.5		
Net Stage 3 (INR b)	10.2	8.3	8.7	8.8	9.9				8.8	4.3		
Net Stage 3 ratio (%)	3.9	3.3	3.3	3.2	3.6				3.2	1.5		
ECL Stage 3 (INR b)	10.3	9.9	9.7	10.0	10.6				10.0	11.7		
PCR (%)	50.4	54.3	52.7	53.3	51.7				53.2	72.9		
<b>Segmental GS3 ratio (%)</b>												
SME loans	7.8	7.5	7.4	7.3	7.7							
2-wheeler	6.8	5.9	5.8	5.8	6.6							
Gold loans	4.4	3.5	3.0	2.9	3.5							
Personal Loans	11.7	10.9	10.7	10.5	11.1							
<b>Others</b>												
CRAR (%)	28.8	30.1	29.6	28.6	29.5							
Shriram HFC AUM (INR b)	23.7	27.2	31.4	39.3	39.1							



## Highlights from the management interaction

## Business updates

- Apr–Jun'21 was under the shadow of COVID due to localized lockdowns across India.
- SCUF was able to do INR10b in disbursements in May'21. Disbursements during the quarter were 25–30% below management expectations.
- Demand for ELGS was tepid during the quarter. INR900m of ECLGS disbursements were undertaken during the quarter.
- As per the management, the top-up disbursements undertaken during the quarter were limited to 5–6%.
- Of the total SME/2W customers, ~60%/20–25% would be repeat customers.

- In the 2W segment, 80% of the portfolio is associated with Hero and Honda, while ~8% with Bajaj.
- An INR3b capital infusion is intended by the year-end in the subsidiary (already approved by the board).

### Asset quality

- SCUF was unable to carry out effective collections due to the second COVID wave. Staff / Frontline officers were unable to reach out to customers.
- **Rollbacks are expected in ECL and COVID provisions in 2QFY22.**
- Collection efficiency stood at 86%/93% in May/Jun'21.
- During the quarter, write-offs in Stage 3 stood at INR2.26b (similar to 1QFY21).
- The restructuring requests received by SCUF were minuscule (processed INR390m during the quarter). The management mentioned that the maximum restructuring going forward would be limited to INR700–800m.
- **Of the total restructuring of 3%, ~1% of customers were in the current bucket.**
- No customer has been offered total moratorium; as per the management, there is an element of interest involved in such accounts.
- **Stage 2 stood at 7.83%/11.68% in Mar/Jun'21 (of which 7% was in 31–60dpd). 2W Stage 2 stood at 8.50%/11.95%.**
- As per the management, the performance of the Scooter segment was better v/s the Motorbike segment.
- Stage 2 stood at 16% in December'19.

### Subsidiary housing arm

- ~80% of customers are self-employed.
- 7–8% of customers are new to credit. The balance customers have a credit score of 700+.
- ATS stood at INR1.5m in cities other than Mumbai/Delhi.
- The average LTV in the subsidiary arm stood at 55–60% (range of 30–80%).
- **Stage 2/3 stood at 4.36%/2.08% (v/s 3.20%/1.67% in the previous quarter).**
- The new book is 76% of the total loan book, and GNPA on the last three years of underwriting is 1.13%.
- It expects to grow AUM to ~INR55b by end-FY22. The growth states would be the top six states highlighted earlier. By Mar'22, it would open up an additional 170 locations contiguous with the current branch network.

### Liabilities and margins

- NIM could have been higher, but was offset by higher negative carry from the liquidity buffer of INR50b.
- It mobilized INR43.5b with door-to-door maturity of 34 months and continues not to borrow via CPs. Retail FDs make up 22% of its liabilities.

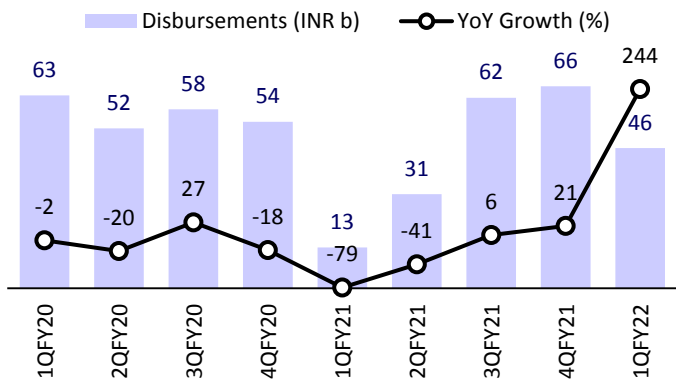
### Others

- SCUF is in the process of launching a “no-contact loan processing” platform by Aug'21. Leads for PL and 2W are generated on the mobile app itself. Collections are already being done online.
- It is looking to acquire a new segment of customers, streamline the processes, and reduce the TAT for the current customer as well.

- As a practice, CIBIL scores are a check parameter only for MSME customers. On an overall basis, ~80% would have no CIBIL score.
- Personal loans would be offered only to existing customers.
- No top-up is provided for 90% of the 2W portfolio.
- 30% of the 2W portfolio consists of scooters.
- It is deploying multiple analytics in its digital journey and has also developed a business rule engine.

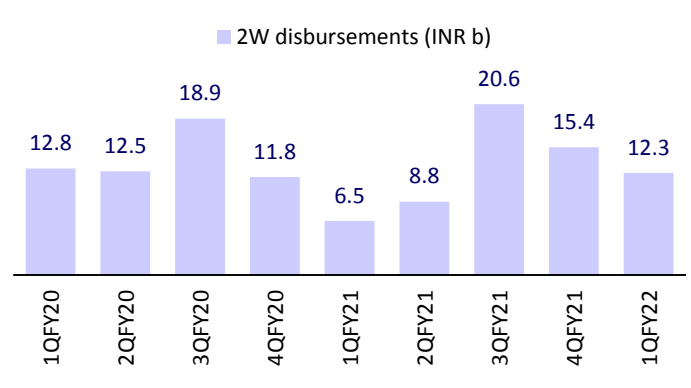
## Key exhibits

**Exhibit 1: Lockdown impacts disbursements in 1Q**



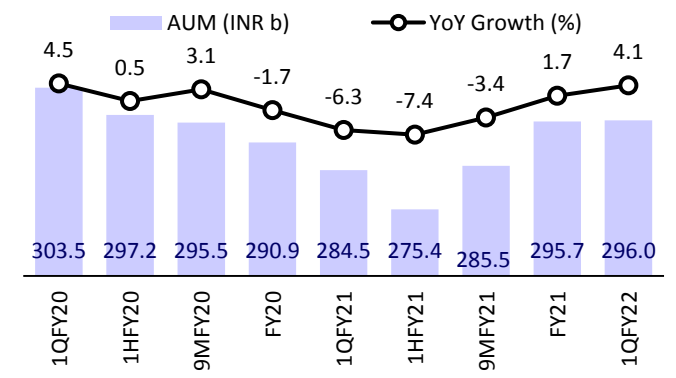
Source: MOFSL, Company

**Exhibit 2: 2W disbursements decline 20% QoQ**



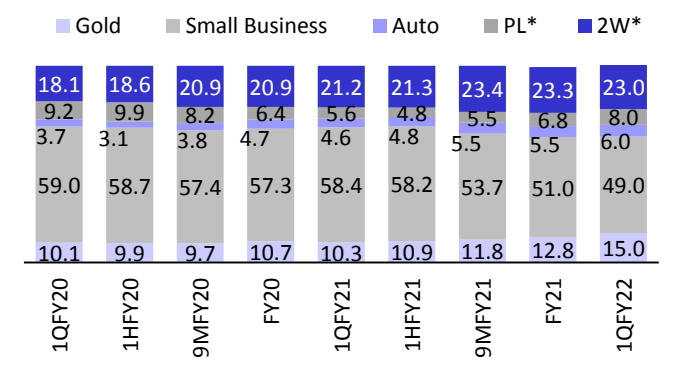
Source: MOFSL, Company

**Exhibit 3: AUM flat sequentially**



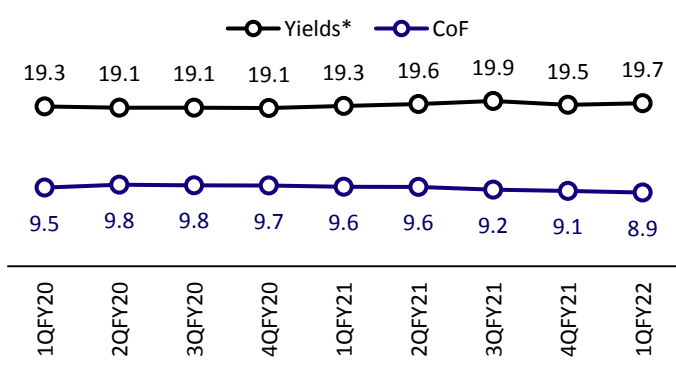
Source: MOFSL, Company

**Exhibit 4: Share of gold loans up ~220bp sequentially (%)**



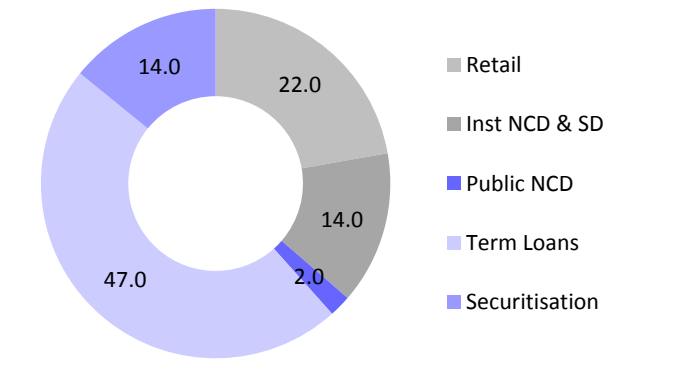
Source: MOFSL, Company, \*PL: Personal loan, \*2W: Two-Wheeler; Used 2W has been clubbed under auto loans

**Exhibit 5: Spreads improve ~40bp QoQ (%)**



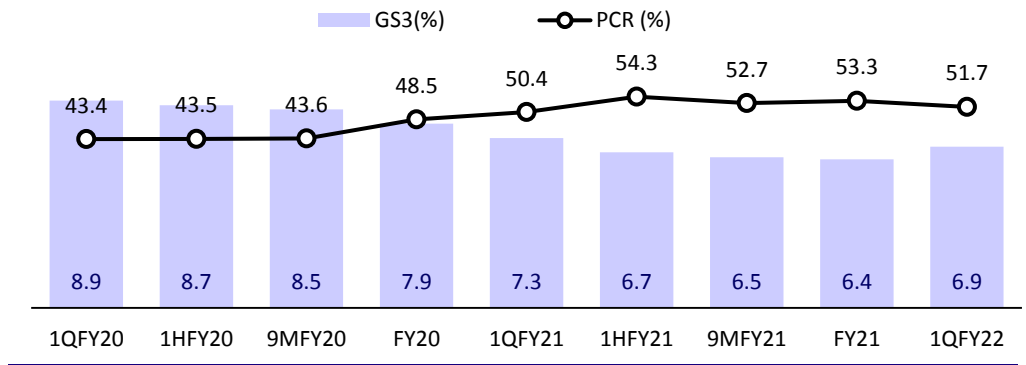
Source: MOFSL, Company, \*on AUM

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



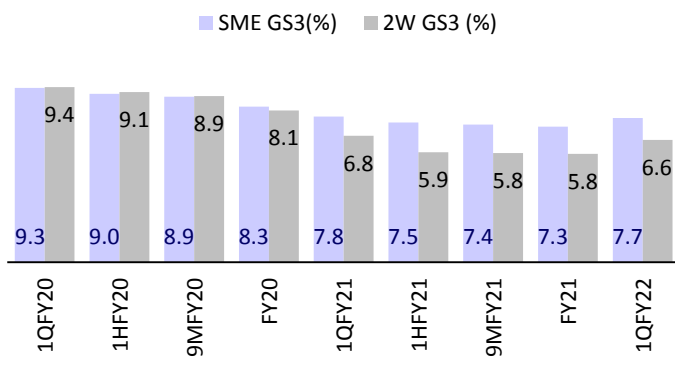
Source: MOFSL, Company

**Exhibit 7: PCR down ~155bp QoQ to ~52%**

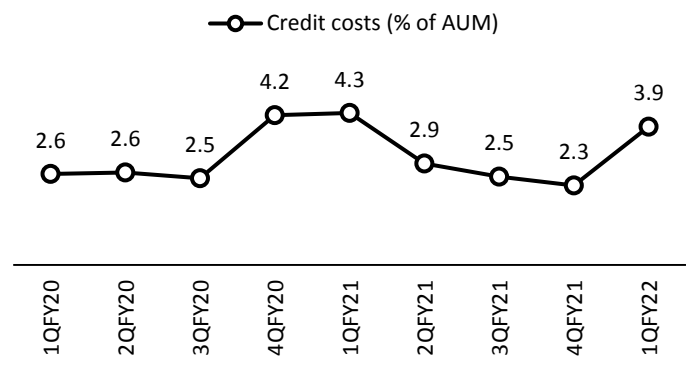


Source: MOFSL, Company

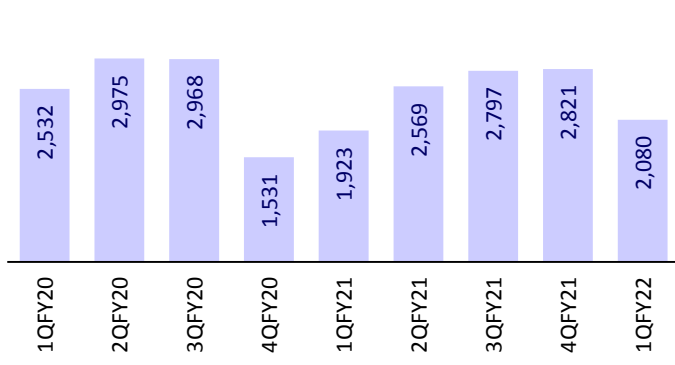
**Exhibit 8: ~45bp/75bp deterioration in asset quality in SME/2W resp. (%)**



**Exhibit 9: Credit costs (annualized) at 3.9% of AUM**

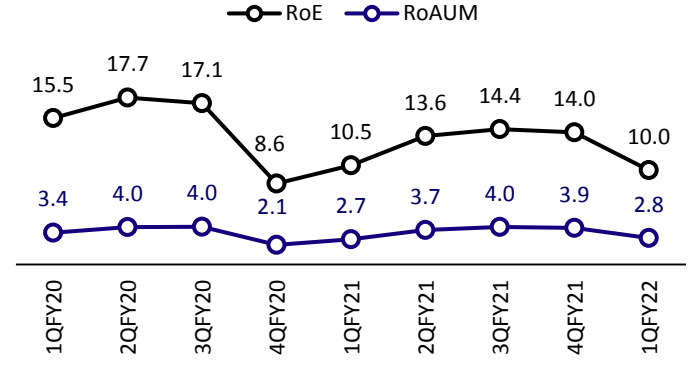


**Exhibit 10: Trend in PAT (INR m)**



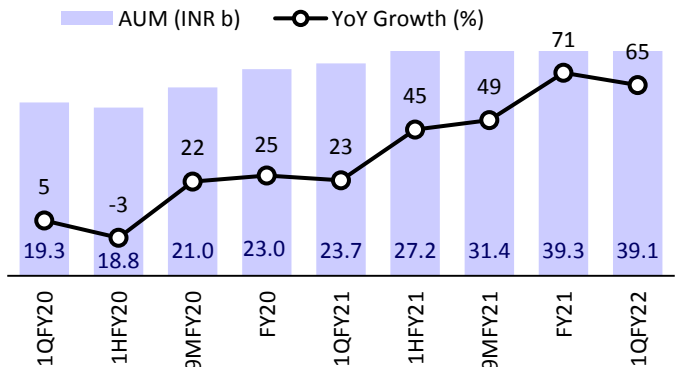
Source: MOFSL, Company

**Exhibit 11: RoE/RoAUM (%)**



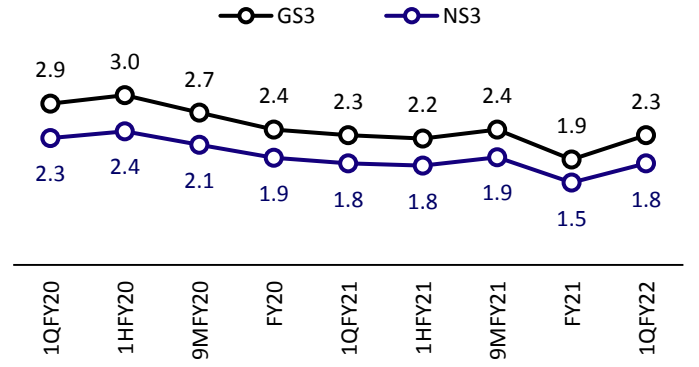
Source: MOFSL, Company

**Exhibit 12: AUM for HFC subsidiary flat QoQ**



Source: MOFSL, Company

**Exhibit 13: Asset quality trend in HFC subsidiary (%)**



Source: MOFSL, Company

### Valuation and view

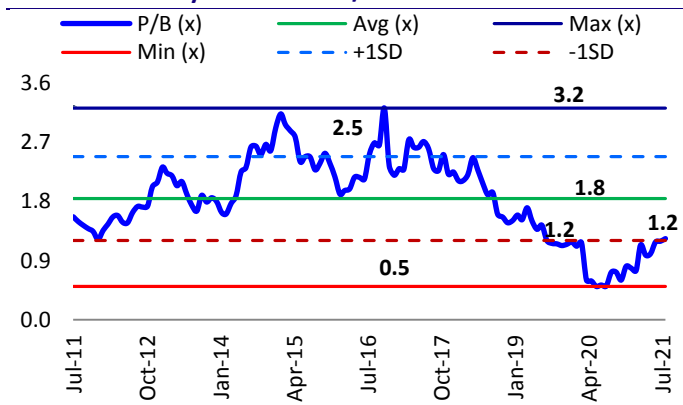
- Over the past two years, SCUF has overhauled its MSME underwriting model. It has standardized its sourcing and underwriting processes across regions. This has started to reflect in the form of improving asset quality trends. Over the past two years, the GNPL ratio has declined to 6.9% from 8.9%.
- The liability-side and liquidity issues faced by the company immediately after the IL&FS crisis and post the pandemic outbreak have now receded into the sidelines.
- There were visible signs of a strong pickup in disbursements over 2HFY21. While the company did face disbursement hurdles in 1QFY22 due to partial lockdowns across states, it should return to its usual quarterly run-rate in disbursements over the remaining three quarters of FY22. **We model in 7%/13% AUM growth in FY22E/FY23E.**
- Barring the transitory blip in 1QFY22, asset quality has been improving over the past few quarters. **Given the encouraging collection efficiency trend and adequate provisioning on the balance sheet, we expect credit costs to normalize to 2.9/2.6% in FY22E/FY23E.** As a result, SCUF is on track to deliver 3.6% RoA/14% RoE in FY23E.
- However, we cut our FY22E EPS by ~10%, factoring in lower loan growth and higher credit costs. We maintain our Buy rating, with TP of INR2,150 per share (1.4x FY23E BVPS).

Exhibit 14: Cut FY22E EPS by ~10%, factoring in lower loan growth and higher credit costs

INR B	Old Est.			New Est.			% Change		
	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24
NII	37.4	42.6	49.4	36.9	41.2	47.4	-1.4	-3.2	-3.9
Other Income	2.2	2.5	2.9	2.2	2.5	2.9	0.0	0.0	0.0
<b>Total Income</b>	<b>39.6</b>	<b>45.1</b>	<b>52.2</b>	<b>39.0</b>	<b>43.7</b>	<b>50.3</b>	<b>-1.3</b>	<b>-3.0</b>	<b>-3.7</b>
Operating Expenses	14.4	16.3	18.5	14.7	16.7	18.9	2.1	2.2	2.2
<b>Operating Profits</b>	<b>25.1</b>	<b>28.8</b>	<b>33.7</b>	<b>24.3</b>	<b>27.0</b>	<b>31.4</b>	<b>-3.3</b>	<b>-5.9</b>	<b>-6.9</b>
Provisions	8.1	8.2	8.6	9.0	8.8	9.2	11.0	7.1	7.4
<b>PBT</b>	<b>17.0</b>	<b>20.6</b>	<b>25.2</b>	<b>15.3</b>	<b>18.3</b>	<b>22.2</b>	<b>-10.2</b>	<b>-11.1</b>	<b>-11.7</b>
Tax	4.6	5.6	6.8	4.1	4.9	6.0	-10.2	-11.1	-11.7
<b>PAT</b>	<b>12.4</b>	<b>15.0</b>	<b>18.4</b>	<b>11.2</b>	<b>13.3</b>	<b>16.2</b>	<b>-10.2</b>	<b>-11.1</b>	<b>-11.7</b>
Loans	295	337	386	293	331	380	-0.6	-1.6	-1.5
Borrowings	263	286	328	267	292	335	1.6	1.9	2.0
Margins	12.2	12.5	12.7	12.0	12.2	12.4			
Credit Cost	2.7	2.4	2.2	3.0	2.6	2.4			
<b>RoA</b>	<b>3.6</b>	<b>4.0</b>	<b>4.4</b>	<b>3.2</b>	<b>3.6</b>	<b>3.8</b>			
<b>RoE</b>	<b>14.4</b>	<b>15.3</b>	<b>16.3</b>	<b>13.0</b>	<b>13.9</b>	<b>14.9</b>			

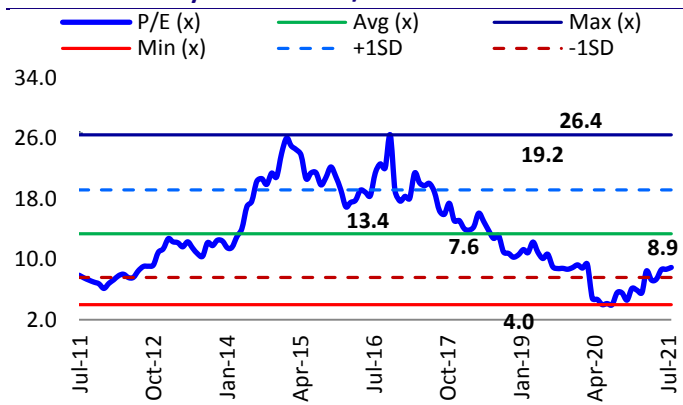
Source: MOFSL, Company

Exhibit 15: One-year forward P/B



Source: MOFSL, Company

Exhibit 16: One-year forward P/E



Source: MOFSL, Company

## Financials and valuations

Income Statement								(INR m)
Y/E March	2017	2018	2019	2020	2021	2022E	2023E	2024E
Interest Income	43,344	50,840	56,564	56,972	55,716	59,596	66,370	76,429
Interest Expense	15,344	16,641	19,862	21,402	21,339	22,745	25,155	28,984
<b>Net Interest income</b>	<b>28,000</b>	<b>34,199</b>	<b>36,702</b>	<b>35,569</b>	<b>34,377</b>	<b>36,850</b>	<b>41,215</b>	<b>47,445</b>
Change (%)	20.5	22.1	7.3	-3.1	-3.4	7.2	11.8	15.1
Fee & Other Income	549	744	1,249	1,900	1,669	2,169	2,495	2,869
<b>Total Income</b>	<b>29,001</b>	<b>34,943</b>	<b>37,951</b>	<b>37,469</b>	<b>36,046</b>	<b>39,020</b>	<b>43,710</b>	<b>50,314</b>
Change (%)	20.1	20.5	8.6	-1.3	-3.8	8.3	12.0	15.1
Employee Cost	5,503	7,063	8,379	8,477	7,637	8,248	9,485	10,907
Other Operating Exp.	5,857	6,764	6,548	6,607	6,007	6,463	7,180	7,980
<b>Operating Income</b>	<b>17,642</b>	<b>21,116</b>	<b>23,024</b>	<b>22,386</b>	<b>22,402</b>	<b>24,309</b>	<b>27,045</b>	<b>31,426</b>
Change (%)	29.3	19.7	9.0	-2.8	0.1	8.5	11.3	16.2
<b>Total Provisions</b>	<b>9,105</b>	<b>10,232</b>	<b>7,821</b>	<b>8,837</b>	<b>8,509</b>	<b>9,029</b>	<b>8,758</b>	<b>9,208</b>
% to operating income	51.6	48.5	34.0	39.5	38.0	37.1	32.4	29.3
<b>PBT</b>	<b>8,536</b>	<b>10,885</b>	<b>15,203</b>	<b>13,549</b>	<b>13,894</b>	<b>15,281</b>	<b>18,287</b>	<b>22,218</b>
Tax	2,976	3,775	5,314	3,545	3,784	4,126	4,938	5,999
Tax Rate (%)	34.9	34.7	35.0	26.2	27.2	27.0	27.0	27.0
<b>PAT</b>	<b>5,561</b>	<b>7,109</b>	<b>9,889</b>	<b>10,004</b>	<b>10,109</b>	<b>11,155</b>	<b>13,350</b>	<b>16,219</b>
Change (%)	5.0	27.9	39.1	1.2	1.1	10.3	19.7	21.5
Proposed Dividend	989	1,187	1,452	396	2,178	1,650	1,650	1,650

E: MOSL Estimates

Balance Sheet								(INR m)
Y/E March	2017	2018	2019	2020	2021	2022E	2023E	2024E
Capital	659	660	660	660	660	660	660	660
Reserves & Surplus	49,029	54,887	63,253	71,420	80,525	89,698	1,01,066	1,15,303
<b>Net Worth</b>	<b>49,688</b>	<b>55,563</b>	<b>63,930</b>	<b>72,096</b>	<b>81,202</b>	<b>90,375</b>	<b>1,01,743</b>	<b>1,15,980</b>
<b>Borrowings</b>	<b>1,80,397</b>	<b>2,14,011</b>	<b>2,25,707</b>	<b>2,31,658</b>	<b>2,55,653</b>	<b>2,67,223</b>	<b>2,91,776</b>	<b>3,34,916</b>
Change (%)	25.2	18.6	5.5	2.6	10.4	4.5	9.2	14.8
<b>Total Liabilities</b>	<b>2,30,085</b>	<b>2,69,574</b>	<b>2,89,637</b>	<b>3,03,754</b>	<b>3,36,855</b>	<b>3,57,598</b>	<b>3,93,519</b>	<b>4,50,895</b>
Investments	7,131	7,355	8,662	7,341	10,174	10,683	11,217	11,778
Change (%)	-10.0	3.1	17.8	-15.2	38.6	5.0	5.0	5.0
<b>Loans</b>	<b>2,16,487</b>	<b>2,57,873</b>	<b>2,69,891</b>	<b>2,66,125</b>	<b>2,74,201</b>	<b>2,93,405</b>	<b>3,31,292</b>	<b>3,80,287</b>
Change (%)	13.1	19.1	4.7	-1.4	3.0	7.0	12.9	14.8
Net Fixed Assets	782	789	808	2,292	2,226	2,271	2,316	2,362
Net Current Assets	6,945	6,074	13,326	31,131	53,425	51,240	48,694	56,468
<b>Total Assets</b>	<b>2,31,345</b>	<b>2,72,091</b>	<b>2,92,687</b>	<b>3,06,890</b>	<b>3,40,026</b>	<b>3,57,598</b>	<b>3,93,519</b>	<b>4,50,895</b>

E: MOFSL Estimates



## Financials and valuations

Ratios	(%)							
Y/E March	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>Spreads Analysis (%)</b>								
Yield on loans	21.0	21.1	21.1	20.9	20.1	20.5	20.8	21.0
Cost of funds	9.5	8.4	9.0	9.4	8.8	8.7	9.0	9.3
Interest Spread	11.5	12.7	12.1	11.5	11.3	11.8	11.8	11.8
NIMs on AUM	13.3	13.5	12.8	12.1	11.7	12.0	12.2	12.4
<b>Profitability Ratios (%)</b>								
RoE	11.7	13.5	16.6	14.7	13.2	13.0	13.9	14.9
RoA	2.6	2.8	3.5	3.3	3.1	3.2	3.6	3.8
Int. Expended/Int.Earned	35.4	32.7	35.1	37.6	38.3	38.2	37.9	37.9
Other Inc. / Net Income	3.5	2.1	3.3	5.1	4.6	5.6	5.7	5.7
<b>Efficiency Ratios (%)</b>								
Op. Exps./Net Income	39.2	39.6	39.3	40.3	37.8	37.7	38.1	37.5
Empl. Cost/Op. Exps.	48.4	51.1	56.1	56.2	56.0	56.1	56.9	57.7
<b>Asset-Liability Profile (%)</b>								
Loans/Borrowings Ratio	120.0	120.5	119.6	114.9	107.3	109.8	113.5	113.5
Leverage	4.7	4.9	4.6	4.3	4.2	4.0	3.9	3.9
Average leverage	4.4	4.8	4.7	4.4	4.2	4.1	3.9	3.9
<b>Valuations</b>								
Book Value (INR)	754	842	969	1,092	1,230	1,369	1,541	1,757
BV Growth (%)	10.1	11.7	15.0	12.8	12.6	11.3	12.6	14.0
Price-BV (x)					1.5	1.4	1.2	1.1
EPS (INR)	84	108	150	152	153	169	202	246
EPS Growth (%)	5.0	27.8	39.0	1.1	1.1	10.3	19.7	21.5
Price-Earnings (x)					12.1	11.0	9.2	7.6
DPS (INR)	15.0	18.0	22.0	6.0	33.0	25.0	25.0	25.0
Dividend Yield (%)					1.8	1.3	1.3	1.3

E: MOFSL Estimates

NOTES

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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