

# Shriram City Union Finance

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	SCUF IN
Equity Shares (m)	66
M.Cap.(INRb)/(USD\$)	113.8 / 1.5
52-Week Range (INR)	2600 / 1400
1, 6, 12 Rel. Per (%)	7/-17/3
12M Avg Val (INR M)	138

## Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	36.8	41.4	49.4
PPP	23.5	27.2	33.6
PAT	10.9	13.0	16.5
EPS (INR)	163	195	247
EPS Gr. (%)	6	20	27
BV/Sh. (INR)	1,347	1,502	1,702

## Ratios

NIM (%)	11.7	11.5	11.7
C/I ratio (%)	41.3	40.2	37.9
RoA (%)	2.9	3.1	3.4
RoE (%)	12.7	13.7	15.4
Payout (%)	22.7	20.5	19.0

## Valuations

P/E (x)	10.5	8.8	6.9
P/BV (x)	1.3	1.1	1.0
Div. Yield (%)	2.2	2.3	2.8

## Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	34.6	34.5	34.6
DII	4.0	4.1	3.5
FII	28.2	28.2	28.5
Others	33.2	33.3	33.4

FII Includes depository receipts

**CMP: INR1,708 TP: INR2,150 (+26%) Buy**

## Going from strength to strength; operationally strong quarter

SCUF reported a healthy disbursement momentum despite seasonality (relative to 3Q of the fiscal year). Product mix change in favor of personal loans has aided yields while improvement in borrowing costs has allowed SCUF to deliver healthy spreads/margins. Asset quality exhibited significant improvement with GS3 declining ~100bp QoQ without having to resort to elevated write-offs (like in SHTF) and is perhaps the best in the last six years. Shriram Housing continues to demonstrate a lot of promise in all aspects ranging from AUM growth, margins and asset quality. 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 INR2,150 (based on 1.3x FY24E BVPS).

## In line 4Q led by healthy growth in fee income and lower credit costs

- SCUF posted a 4QFY22 PAT of INR3b, up 7% YoY and 3% QoQ (in line). This was driven by healthy fee income from cross-sell of insurance products to customers and lower credit costs aided by utilization of COVID provisions.
- 4QFY22 was characterized by a healthy ~17% YoY and sequentially flat disbursement despite seasonality relative to 3Q of the fiscal year. AUM grew 12% YoY/3% QoQ to ~INR332b.
- GS3/NS3 declined ~100bp/70bp QoQ to 6.3%/3.3%, respectively. PCR on Stage 3 also improved 190bp QoQ to ~49%. Credit costs stood at 2.2% aided by utilization of COVID provisions (lower than the steady-state of 2.5%-3.0%).
- Access to liquidity has improved considerably for SCUF and it now appears on course to deliver a sustainable quarterly disbursement run-rate of INR70-80b. After two years of balance sheet consolidation, we now expect SCUF to deliver 17%/23% AUM/PAT CAGR during FY22-FY24E, respectively.
- Adequate provision buffers insulate the Balance Sheet from any unforeseen contingencies on asset quality. Our FY23 EPS estimate is unchanged and we have upgraded our FY24 estimate by 5%. We expect SCUF to deliver an RoE/RoA of ~15%/3.4% in FY24, respectively.

## Greater visibility on AUM growth driven by improved momentum

- Among the larger and older product segments, Gold/PL disbursements saw the highest sequential growth of 15%/13%, respectively. Personal loans rose 17% QoQ. The repayment rate was elevated at >20% (suggesting quicker run-off in gold loans and healthy collections).
- MSME financing, which had taken a backseat after the spread of COVID-19 (but has since picked up), continued to moderate as a proportion of AUM mix and declined ~100bp QoQ to 44%. PL was the standout as its proportion in AUM improved ~150bp QoQ to ~12%. This aided in sustaining spreads.

## Asset quality at its best in the last six years; PCR healthy at 49%

- GS3/NS3 declined ~100bp/70bp QoQ to 6.3%/3.3%, respectively.
- Credit costs stood at 2.2% aided by utilization of COVID provisions (lower than the steady-state of 2.5%-3.0%). During the quarter, SCUF utilized

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INR850m of COVID provisions and the total management overlay stood at ~INR4.3b (v/s INR5.1b at Dec'21).

- We estimate credit costs of ~2.7% (v/s 2.8% in FY22) including gradual utilization of COVID provisions over the course of FY23-24.

### Shriram Housing continues to demonstrate a lot of promise

- Shriram Housing (SHFL)'s AUM grew 16% QoQ to INR53.6b (up 36% YoY) while disbursements were up 11% YoY. GNPL ratio contracted 80bp QoQ to 1.7%, including the impact of the RBI circular.
- It will focus on the three southern states along with Rajasthan, Gujarat and Maharashtra in FY23E with 80% of disbursements from these six geographies and expects to reach the milestone of INR100b in AUM by mid-FY24.
- The company expects to grow to 150 branches by Mar'23. SHFL will be leveraging the investments in distribution it made in FY22 and also cross-sell from ~3,000 SCUF/STFC branches. It expects CIR to come down to 45% by FY23 and to 39%-40% by FY25.
- The management guided for steady-state yields of 12.2%-12.3%, fee income of 0.2%, margin of ~7.5%, cost-to-AUM of 3% and RoE of >3% by FY24.

### Highlights from the management commentary

- Pilots started in 40 branches of SCUF and SHTF for cross-selling and the monitored outcomes are encouraging. In another 15 days, it will extend this pilot to another 100 branches.
- SCUF has obtained a corporate broking license from IRDAI. Fee and Commission is derived from distribution of insurance products. It sells TATA AIG, CARE, Go-Digit, Shriram Life and Shriram General Insurance. SCUF targets 10% of the PAT to originate from cross-selling/distribution of products.

### Strongly positioned for a great run ahead – Maintain BUY

- SCUF has exhibited sustainable momentum in AUM growth that will feed into an improvement in asset quality. On the other hand, with an equity infusion from its parent, SHFL is now adequately capitalized and strongly positioned to deliver healthy loan growth and carving out a niche in Affordable Housing Finance.
- The only risk to our thesis is if SCUF, in its quest to deliver high disbursement/AUM growth, compromises on credit underwriting and which can then have severe implications on asset quality and credit costs two years hence.
- We have a neutral view on the merger as we neither see any notable synergies nor can highlight any significant negatives. We, however, believe that the merged entity will emerge stronger than the respective standalone businesses.
- We now expect an AUM/PAT CAGR of ~17%/23% over FY22-FY24E, respectively. We upgrade our FY24 PAT estimate by 5% to factor in higher loan growth and fee income. Given the visibility around loan growth/credit costs, we model an RoA/RoE of 3.4%/15% in FY24E, respectively. **We maintain our BUY rating with a TP of INR2,150 (premised on 1.3x FY24E BVPS).**

## Quarterly performance (INR m)

Y/E MARCH	FY21				FY22E				FY21	FY22	4QFY22E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	13,899	13,698	13,978	14,140	14,539	15,147	15,891	16,566	55,716	62,142	16,638	0
Interest expenses	5,375	5,190	5,215	5,559	5,746	6,158	6,486	6,936	21,339	25,325	7,069	-2
<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>8,989</b>	<b>9,406</b>	<b>9,630</b>	<b>34,377</b>	<b>36,817</b>	<b>9,569</b>	<b>1</b>
Y-o-Y Growth (%)	-6.7	-5.5	-1.3	1.1	3.1	5.6	7.3	12.2	-3.2	7.1	11.5	
Fees and Other Income	246	293	414	716	417	696	1,124	933	1,669	3,169	767	22
<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>9,685</b>	<b>10,530</b>	<b>10,562</b>	<b>36,046</b>	<b>39,986</b>	<b>10,336</b>	<b>2</b>
Y-o-Y Growth (%)	-8.2	-7.8	-2.4	3.3	5.0	10.0	14.7	13.6	-3.9	10.9	11.2	
Operating Expenses	3,105	3,182	3,575	3,781	3,517	3,890	4,472	4,628	13,644	16,507	4,196	10
<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>5,795</b>	<b>6,058</b>	<b>5,935</b>	<b>22,402</b>	<b>23,480</b>	<b>6,139</b>	<b>-3</b>
Y-o-Y Growth (%)	-1.9	-2.2	-2.2	7.2	0.5	3.1	8.1	7.6	0.1	4.8	11.3	
Provisions	3,102	2,015	1,755	1,638	2,901	2,029	2,184	1,762	8,509	8,876	1,968	-10
<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>3,766</b>	<b>3,873</b>	<b>4,173</b>	<b>13,893</b>	<b>14,604</b>	<b>4,172</b>	<b>0</b>
Tax Provisions	642	1,035	1,050	1,057	712	943	948	1,148	3,785	3,751	1,048	10
<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>2,823</b>	<b>2,925</b>	<b>3,025</b>	<b>10,109</b>	<b>10,853</b>	<b>3,124</b>	<b>-3</b>
Y-o-Y Growth (%)	-24.1	-13.7	-5.8	84.3	8.2	9.9	4.6	7.3	1.0	7.4	10.7	
<b>Key Operating Parameters (%)</b>												
Yield on loans (calc., %)	19.3	19.6	19.9	19.5	19.7	20.2	20.3	20.3	20.0	20.6	20.4	
Cost of funds (calc., %)	9.6	9.6	9.2	9.1	8.9	9.4	9.2	9.2	8.8	9.0	9.2	
Spreads (%)	9.7	10.0	10.7	10.4	10.8	10.8	11.1	11.1	11.3	11.6	11.1	
Cost to Income Ratio (%)	35.4	36.2	39.0	40.7	38.2	40.2	42.5	43.8	37.8	41.3	41.1	
Credit cost (calc., %)	4.4	2.9	2.5	2.3	3.9	2.7	2.8	2.2	2.9	2.8	2.7	
Tax Rate (%)	25.0	28.7	27.3	27.3	25.5	25.0	24.5	27.5	27.2	25.7	25.1	
<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>64.2</b>	<b>76.3</b>	<b>75.3</b>	<b>171.5</b>	<b>261.4</b>	<b>74.0</b>	
Growth (%)	-78.9	-41.1	6.5	21.3	243.9	109.8	23.1	14.6	-24.5	52.4	12.7	
<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>304.3</b>	<b>322.5</b>	<b>331.9</b>	<b>295.7</b>	<b>331.9</b>	<b>335.0</b>	
Growth (%)	-6.3	-7.4	-3.4	1.7	4.1	10.5	13.0	12.2	1.7	12.2	13.3	
Repayments (INR b)	19.7	39.7	51.9	55.4	45.3	56.0	58.1	65.9	166.7	225.2	61.6	
Rep. rate (annualized, %)	27.0	55.8	75.4	77.7	61.3	75.6	76.4	81.7	57.3	76.2	76.4	
Borrowings/AUM ratio (%)	76.2	79.1	81.9	86.5	88.5	87.1	92.2	92.3	86.5	92.3	95.1	
<b>Asset Quality Parameters (%)</b>												
Gross Stage 3 (INR b)	20.5	18.2	18.3	18.8	20.4	20.8	23.5	20.9	18.8	20.9		
Gross Stage 3 ratio (%)	7.3	6.7	6.5	6.4	6.9	6.9	7.3	6.3	6.4	6.3		
Net Stage 3 (INR b)	10.2	8.3	8.7	8.8	9.9	10.2	12.4	10.6	8.8	10.6		
Net Stage 3 ratio (%)	3.8	3.2	3.2	3.1	3.5	3.5	4.0	3.3	3.1	3.3		
ECL Stage 3 (INR b)	10.3	9.9	9.7	10.0	10.6	10.7	11.1	10.3	10.0	10.3		
PCR (%)	50.4	54.3	52.7	53.3	51.7	51.2	47.4	49.3	53.2	49.3		
<b>Segmental GS3 ratio (%)</b>												
SME loans	7.8	7.5	7.4	7.3	7.7	7.5	8.2	7.0				
2-wheeler	6.8	5.9	5.8	5.8	6.6	6.4	7.1	6.0				
Gold loans	4.4	3.5	3.0	2.9	3.5	3.6	2.1	2.0				
Personal Loans	11.7	10.9	10.7	10.5	11.1	10.9	11.3	9.1				
<b>Others</b>												
CRAR (%)	28.8	30.1	29.6	28.6	29.5	29.1	27.9	26.8				
Shriram HFC AUM (INR b)	23.7	27.2	31.4	39.3	39.1	42.6	46.1	53.6				

Source: MOFSL, Company



## Highlights from the management interaction

## Guidance

- CIR will move back to 39%-40% by the end of FY23. CIR was elevated in 2HFY22 because of higher festive disbursements.
- Guided for credit costs of 2.5-2.6% in FY23

## Merged Entity

- Focus will continue to be on SME but it also gives it a good opportunity to expand on the gold loan network. It should be present in most of the locations.

About 700 gold loans branches (600 branches in the South and 100 branches in the North) can increase to 2,500 branches over the next one year.

- Pilots started in 40 branches of SCUF and SHTF to depute the employees of the other company. This pilot has already been running for 45-50 days. Cross-selling is already happening in these pilot branches. In another 15 days, it will extend this pilot to another 100 branches.

#### Asset Quality

- **Personal Loans:** New book asset quality is very good and the old book is running down. SCUF will continue to keep personal loans as a cross-sell product. Average ticket size is INR60-65K. In future, it might look to enter the prime personal loans segment as well.

#### Liabilities

- Deposits formed 22% of the liability mix. Against the backdrop of the prospective merger, it wants to be comfortable on the liquidity front in the months leading up to the merger
- Incremental CoF stood at 8.40% in Mar'22 (v/s 8.67% in Mar'21) and has been steadily coming down.
- None of the bank term loans in SCUF are linked to Repo rates and only about 2-3 loans in SHFL are linked to the MCLR of banks that have an annual repricing.

#### Fee and Commission Income

- SCUF has obtained a corporate broking license from IRDAI. Fee and Commission is derived from distribution of insurance products. It sells TATA AIG, CARE, Go-Digit, Shriram Life and Shriram General Insurance. SCUF targets 10% of the PAT to come from cross-selling/distribution of products.

#### Gold Loans

- Introduced gold loans in 70 branches in North in the states of Punjab, Haryana, Rajasthan, Uttarakhand, Delhi and J&K
- Gold Loans run down quicker than other product segments. Gold loans have been in the range of 16%-17% as it does not offer teaser rates to attract customers. Majority of the business is through word of mouth and referrals.

#### Shriram Housing

- Shriram Housing has registered its best ever performance in 4Q and FY22.
- AUM grew 36% YoY, PAT grew 39% YoY and GS3 improved to 0.97% (best since inception).
- It will focus on the three southern states apart from Rajasthan, Gujarat and Maharashtra in FY23E and 80% of the disbursements will be in these six geographies.
- Management expects yields of 12.2%-12.3% and 12.5% (including the processing fees). Expects steady NIM of 7.5%-7.6%, cost to AUM should settle at 3% and RoA of 2.6%-2.9% in FY23 and >3% in FY24.
- SHFL expects to reach the milestone of INR100b by mid-FY24.
- The company has 103 branches live as of Mar'22. It was operating through 178 branches of SCUF in AP/Telangana and 22 branches of STFC in Gujarat. Experience of cross-selling in SCUF/STFC branches has been good.
- Management expects to grow to 150 branches by Mar'23. SHFL will be leveraging the investments it has made in FY22 and also cross-sell from ~3000

SCUF/STFC branches. Expects CIR to come down to 45% by FY23 and to 39%-40% by mid-FY24 or FY25

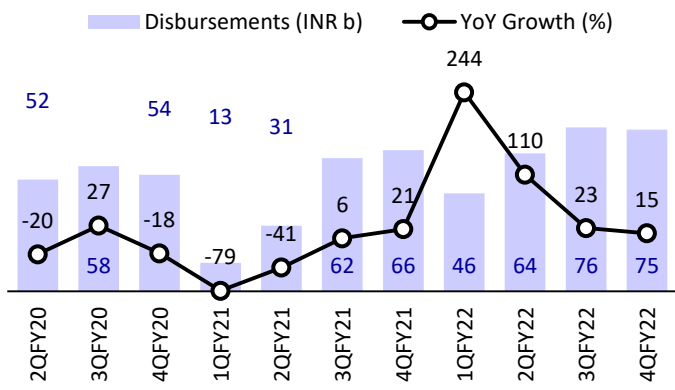
- The company raised NHB borrowings of INR5b at 4.5% in 4QFY22 and it has another INR1.3b of NHB sanctions in hand which it will draw down in 1QFY23.
- Repayment for Balance-transfer was 6% and repayment for contractual repayments stood at 5-6%. There were accelerated repayments on the construction finance book since it keeps a high degree of capitalization on these loans.

### **Strongly positioned for a great run ahead – Maintain BUY**

- SCUF has exhibited sustainable momentum in AUM growth that will feed into an improvement in asset quality. On the other hand, with an equity infusion from its parent, SHFL is now adequately capitalized and strongly positioned to deliver healthy loan growth and carving out a niche in Affordable Housing Finance.
- The only risk to our thesis is if SCUF, in its quest to deliver high disbursement/AUM growth, compromises on credit underwriting and which can then have severe implications on asset quality and credit costs two years hence.
- We have a neutral view on the merger as we neither see any notable synergies nor can highlight any significant negatives. We, however, believe that the merged entity will emerge stronger than the respective standalone businesses.
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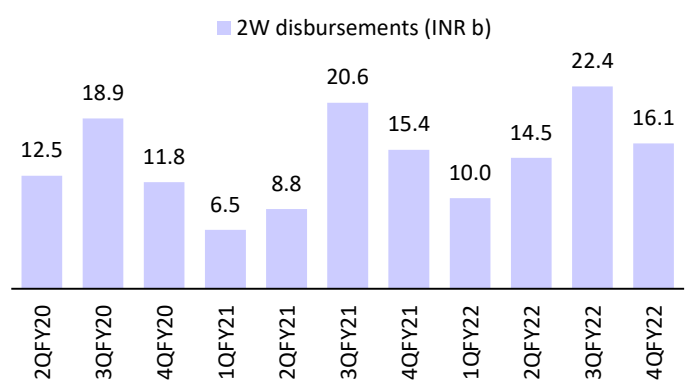
Key exhibits

Exhibit 1: Disbursements strong despite seasonality



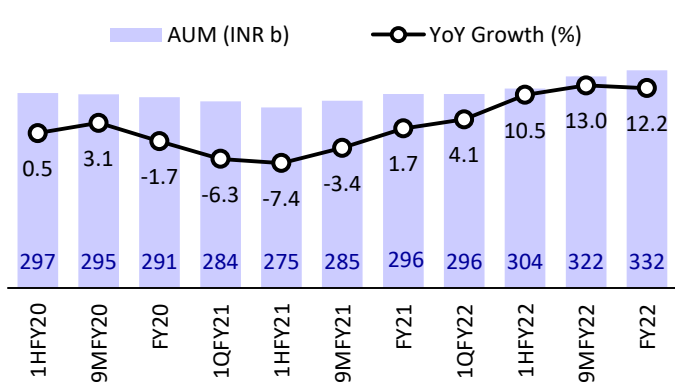
Source: MOFSL, Company

Exhibit 2: 2W disbursements declined 28% QoQ



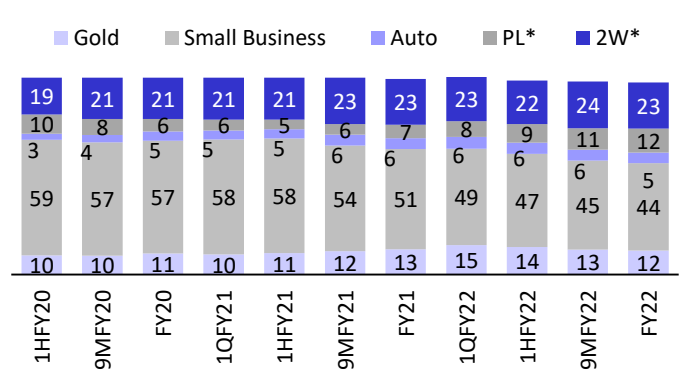
Source: MOFSL, Company

Exhibit 3: AUM up 3% sequentially and 12% YoY



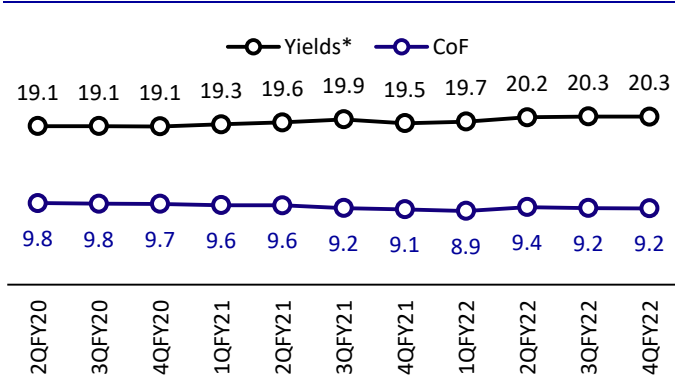
Source: MOFSL, Company

Exhibit 4: Share of personal loans up ~150bp QoQ (%)



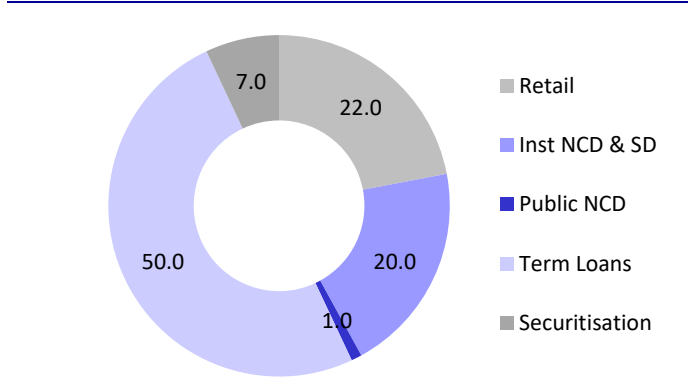
Source: MOFSL, Company, \*PL: Personal loan, \*2W: Two-Wheeler; Used 2W has been clubbed under auto loans

Exhibit 5: Spreads were stable QoQ (%)



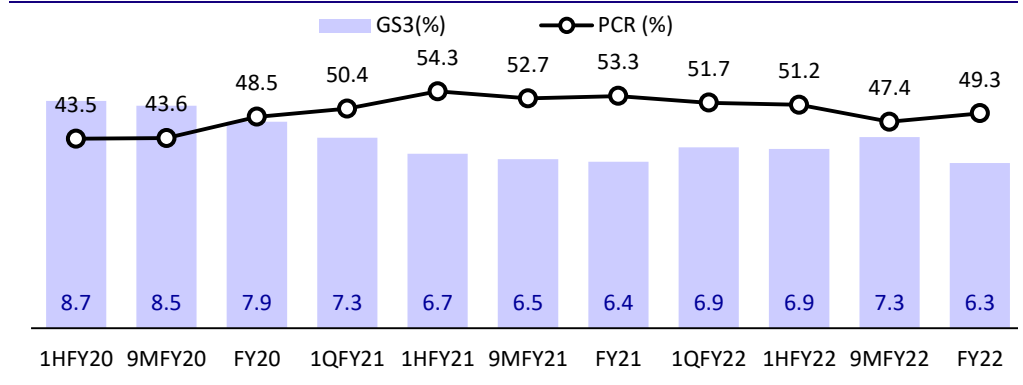
Source: MOFSL, Company, \*on AUM

Exhibit 6: Borrowing mix with higher proportion of bank loans (%)



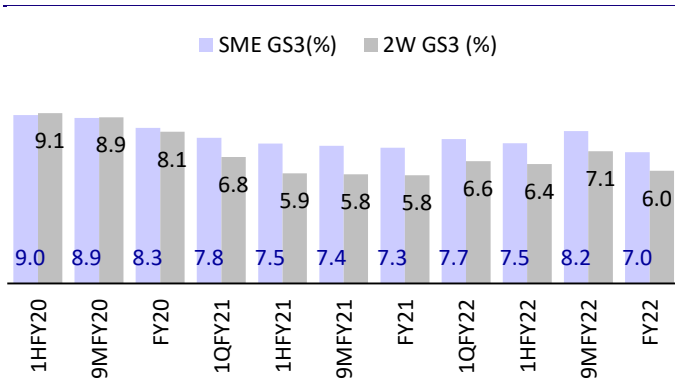
Source: MOFSL, Company

**Exhibit 7: PCR up ~190bp QoQ to ~49%**

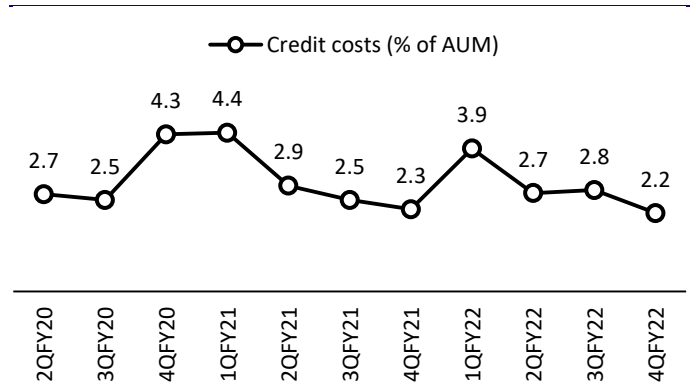


Source: MOFSL, Company

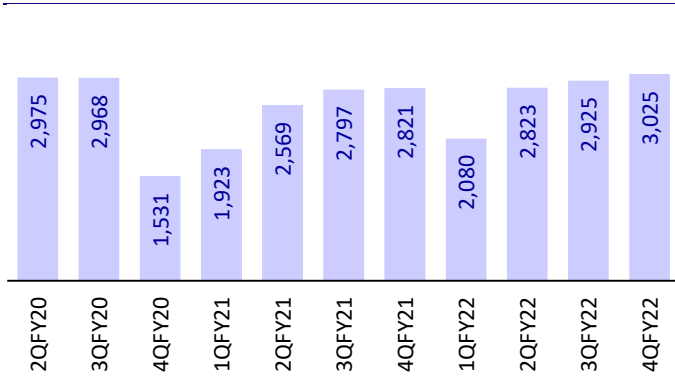
**Exhibit 8: ~110-120bps improvement in GS3 in SME/2W (%)**



**Exhibit 9: Credit costs (annualized) at 2.2% of AUM**

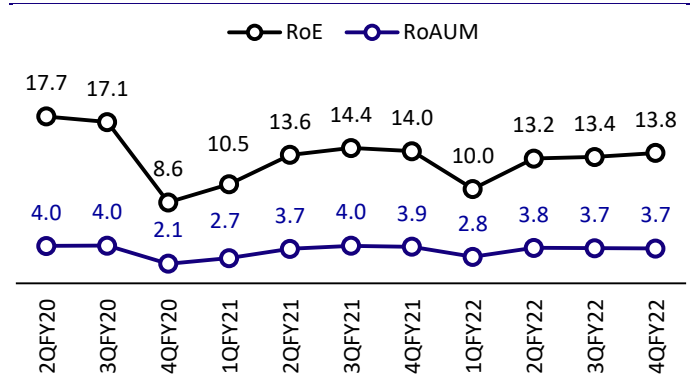


**Exhibit 10: Trend in PAT (INR m)**



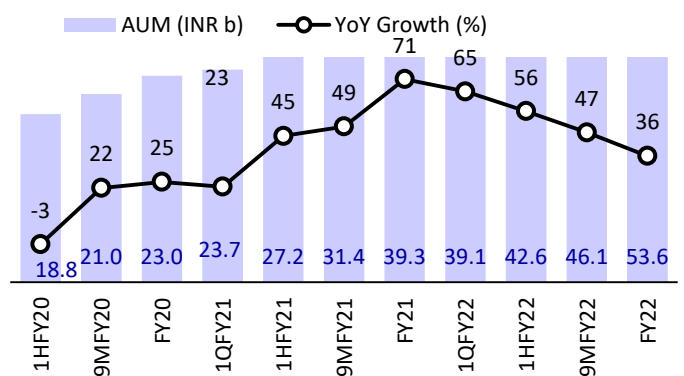
Source: MOFSL, Company

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



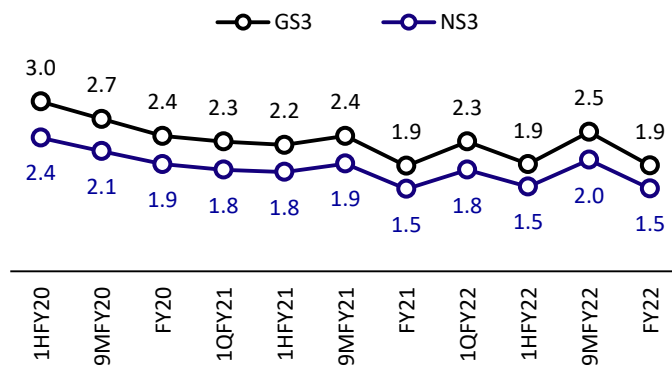
Source: MOFSL, Company

**Exhibit 12: AUM for HFC subsidiary up 36% YoY**



Source: MOFSL, Company

**Exhibit 13: 60bp decline in GS3 of HFC subsidiary (%)**



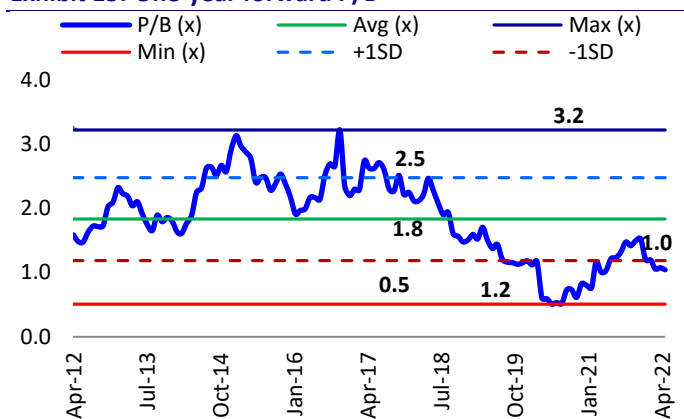
Source: MOFSL, Company

**Exhibit 14: Upgrade FY24E EPS by ~5% to factor in higher loan growth and fee income**

INR B	Old Est.			New Est.			% Change		
	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24
NII	36.8	41.6	47.8	36.8	41.4	49.4	0.2	-0.3	3.5
Other Income	3.0	3.5	4.0	3.2	4.0	4.6	5.5	14.7	14.7
<b>Total Income</b>	<b>39.8</b>	<b>45.0</b>	<b>51.7</b>	<b>40.0</b>	<b>45.4</b>	<b>54.0</b>	<b>0.6</b>	<b>0.8</b>	<b>4.4</b>
Operating Expenses	16.1	17.9	19.8	16.5	18.2	20.4	2.7	1.9	3.4
<b>Operating Profits</b>	<b>23.7</b>	<b>27.1</b>	<b>32.0</b>	<b>23.5</b>	<b>27.2</b>	<b>33.6</b>	<b>-0.9</b>	<b>0.2</b>	<b>5.0</b>
Provisions	9.1	9.6	11.0	8.9	9.7	11.4	-2.3	0.7	3.1
<b>PBT</b>	<b>14.6</b>	<b>17.5</b>	<b>20.9</b>	<b>14.6</b>	<b>17.5</b>	<b>22.2</b>	<b>0.0</b>	<b>-0.1</b>	<b>6.0</b>
Tax	3.7	4.4	5.2	3.8	4.5	5.7	2.7	2.6	8.8
<b>PAT</b>	<b>11.0</b>	<b>13.1</b>	<b>15.7</b>	<b>10.9</b>	<b>13.0</b>	<b>16.5</b>	<b>-0.9</b>	<b>-1.0</b>	<b>5.0</b>
Loans	316	362	415	310	363	428	-1.9	0.4	3.4
Borrowings	316	351	402	306	349	407	-3.2	-0.6	1.2
Margins	11.7	11.6	11.7	11.7	11.5	11.7			
Credit Cost	2.9	2.7	2.7	2.8	2.7	2.7			
<b>RoA</b>	<b>2.9</b>	<b>3.1</b>	<b>3.3</b>	<b>2.9</b>	<b>3.1</b>	<b>3.4</b>			
<b>RoE</b>	<b>12.8</b>	<b>13.8</b>	<b>14.8</b>	<b>12.7</b>	<b>13.7</b>	<b>15.4</b>			

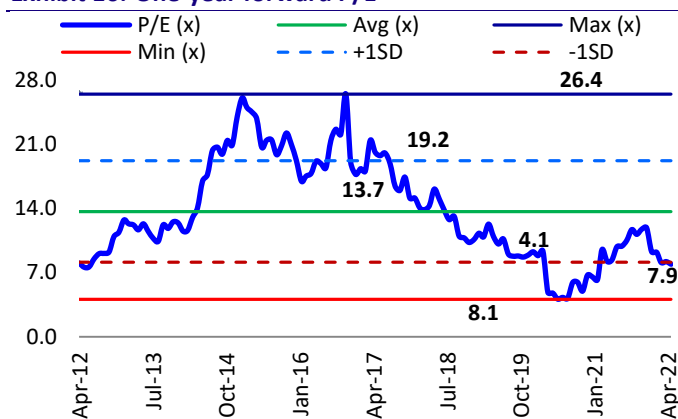
Source: MOFSL, Company

**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	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	43,344	50,840	56,564	56,972	55,716	62,142	71,588	84,622
Interest Expense	15,344	16,641	19,862	21,402	21,339	25,325	30,147	35,173
<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>36,817</b>	<b>41,441</b>	<b>49,449</b>
Change (%)	20.5	22.1	7.3	-3.1	-3.4	7.1	12.6	19.3
Fee & Other Income	549	744	1,249	1,900	1,669	3,169	3,962	4,556
<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>39,986</b>	<b>45,403</b>	<b>54,005</b>
Change (%)	20.1	20.5	8.6	-1.3	-3.8	10.9	13.5	18.9
Employee Cost	5,503	7,063	8,379	8,477	7,637	9,724	10,890	12,524
Other Operating Exp.	5,857	6,764	6,548	6,607	6,007	6,783	7,359	7,925
<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>23,480</b>	<b>27,153</b>	<b>33,556</b>
Change (%)	29.3	19.7	9.0	-2.8	0.1	4.8	15.6	23.6
<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>8,876</b>	<b>9,698</b>	<b>11,372</b>
% to operating income	51.6	48.5	34.0	39.5	38.0	37.8	35.7	33.9
<b>PBT</b>	<b>8,536</b>	<b>10,885</b>	<b>15,203</b>	<b>13,549</b>	<b>13,894</b>	<b>14,604</b>	<b>17,455</b>	<b>22,184</b>
Tax	2,976	3,775	5,314	3,545	3,784	3,751	4,483	5,697
Tax Rate (%)	34.9	34.7	35.0	26.2	27.2	25.7	25.7	25.7
<b>PAT</b>	<b>5,561</b>	<b>7,109</b>	<b>9,889</b>	<b>10,004</b>	<b>10,109</b>	<b>10,853</b>	<b>12,973</b>	<b>16,487</b>
Change (%)	5.0	27.9	39.1	1.2	1.1	7.4	19.5	27.1
Proposed Dividend	989	1,187	1,452	396	2,178	2,465	2,665	3,132

Balance Sheet							(INR M)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Capital	659	660	660	660	660	666	666	666
Reserves & Surplus	49,029	54,887	63,253	71,420	80,525	89,059	99,366	1,12,721
<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>89,741</b>	<b>1,00,049</b>	<b>1,13,404</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>3,06,318</b>	<b>3,49,051</b>	<b>4,07,357</b>
Change (%)	25.2	18.6	5.5	2.6	10.4	19.8	14.0	16.7
<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>3,96,059</b>	<b>4,49,100</b>	<b>5,20,761</b>
Investments	7,131	7,355	8,662	7,341	10,174	18,363	21,117	23,229
Change (%)	-10.0	3.1	17.8	-15.2	38.6	80.5	15.0	10.0
<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>3,10,239</b>	<b>3,63,323</b>	<b>4,28,498</b>
Change (%)	13.1	19.1	4.7	-1.4	3.0	13.1	17.1	17.9
Net Fixed Assets	782	789	808	2,292	2,226	2,286	2,332	2,379
Net Current Assets	6,945	6,074	13,326	31,131	53,425	67,645	62,327	66,655
<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>3,98,532</b>	<b>4,49,100</b>	<b>5,20,761</b>

E: MOFSL Estimates

## Financials and valuations

Ratios	(%)							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Spreads Analysis (%)</b>								
Yield on loans	21.0	21.1	21.1	20.9	20.1	20.6	20.8	20.9
Cost of funds	9.5	8.4	9.0	9.4	8.8	9.0	9.2	9.3
Interest Spread	11.5	12.7	12.1	11.5	11.3	11.6	11.6	11.6
NIMs on AUM	13.3	13.5	12.8	12.1	11.7	11.7	11.5	11.7
<b>Profitability Ratios (%)</b>								
RoE	11.7	13.5	16.6	14.7	13.2	12.7	13.7	15.4
RoA	2.5	2.8	3.5	3.3	3.1	2.9	3.1	3.4
Int. Expended/Int.Earned	35.4	32.7	35.1	37.6	38.3	40.8	42.1	41.6
Other Inc. / Net Income	3.5	2.1	3.3	5.1	4.6	7.9	8.7	8.4
<b>Efficiency Ratios (%)</b>								
Op. Exps./Net Income	39.2	39.6	39.3	40.3	37.8	41.3	40.2	37.9
Empl. Cost/Op. Exps.	48.4	51.1	56.1	56.2	56.0	58.9	59.7	61.2
<b>Asset-Liability Profile (%)</b>								
Loans/Borrowings Ratio	120.0	120.5	119.6	114.9	107.3	101.3	104.1	105.2
Leverage	4.7	4.9	4.6	4.3	4.2	4.4	4.5	4.6
Average leverage	4.6	4.8	4.7	4.4	4.2	4.3	4.5	4.5
<b>Valuations</b>								
Book Value (INR)	754	842	969	1,092	1,230	1,347	1,502	1,702
BV Growth (%)	10.1	11.7	15.0	12.8	12.6	9.5	11.5	13.3
Price-BV (x)					<b>1.4</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>
EPS (INR)	84	108	150	152	153	163	195	247
EPS Growth (%)	5.0	27.8	39.0	1.1	1.1	6.4	19.5	27.1
Price-Earnings (x)					<b>11.2</b>	<b>10.5</b>	<b>8.8</b>	<b>6.9</b>
DPS (INR)	15.0	18.0	22.0	6.0	33.0	37.0	40.0	47.0
Dividend Yield (%)					<b>1.9</b>	<b>2.2</b>	<b>2.3</b>	<b>2.8</b>

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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