Narnolia™

CAPITAL FIRST LTD.

UNDER REVIEW

20-Nov-17

INDUSTRY -	NBFC
BLOOMBERG	CAFL IN
BSE Code -	532938
NSE Code -	CAPF
NIFTY -	10283

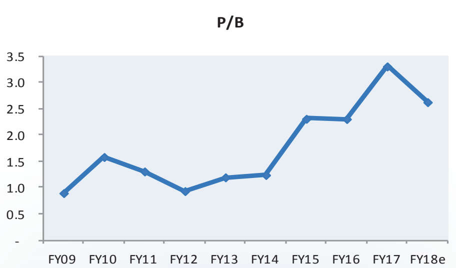
Company Data

CMP	695
Target Price	**Not Rated**
Previous Target Price	
Upside	
Change from Previous	
52wk Range H/L	839/465
Mkt Capital (Rs Cr)	6870
Av. Volume (,000)	49

Share Holding Pattern %

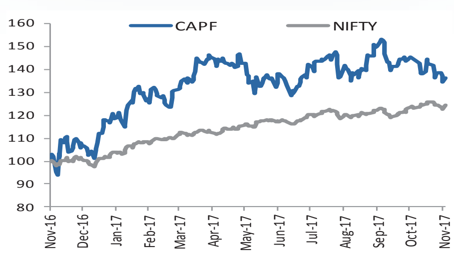
	2QFY18	1QFY18	4QFY17
Promoters	36.0	36.0	61.1
DII	13.1	10.9	6.2
FII	24.3	25.7	8.4
Others	26.6	27.4	24.3

CAPF is trading at 2.6x BV FY18e



Stock Performance %

	1Mn	3Mn	1Yr
Absolute	(6.8)	(4.8)	22.2
Rel.to Nifty	(7.7)	(9.3)	(0.0)



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Turnaround- *Emerging as a Diversified Retail Lender*

- ☑ Capital first is emerging as a diversified retail lender after a classic turnaround of the business since FY10. It has turned it 90% wholesale book in FY10 to 93% retail book till date.
- ☑ CAPF was founded by Mr Vaidyanathan who acquired a stake in existing NBFC-Future Capital Holding Ltd and was backed by private equity investor- Warburg Pincus with Rs 810 Crores.
- ☑ As a niche player in MSME segment it's AUM has grown at the rate of 26% CAGR successively for last 5 years. MSME portfolio constitute 57% of the AUM and has diversified into Consumer Durable and 2 Wheeler financing over a period of time.
- ☑ With the scaling of CD and 2 Wheeler businesses, AUM is expected to compound with 29% growth over FY17-20.
- ☑ CAPF enjoys one of the best assets quality among its peers. Its GNPA ratio has improved significantly to 1.63% in 2QFY18 from 5.3% in FY10. However credit cost remained at elevated level due to stringent write off policy by the management.
- ☑ CAPF over a period of time has significantly invested in its people, technology, processes and relationships. This has resulted in higher opex for the company taking the C/I ratio to the level of 50%, however CAPF the poised to reap the benefits from earlier investments getting matured.
- ☑ Margins have improved significantly form mere 4% in FY12 to 8% as on 1H FY18 due to change in loan mix towards higher retail products. We expect further improvement in margins backed by declining cost of fund and further push to the AUM mix towards higher yield CD/2W.
- ☑ **We expect the company can post higher return ratio of RoE in the range of 17-18% and RoA 1.9% by FY19.**
  CAPF- under review and stock- Not RATED.

Financials/Valuation	FY14	FY15	FY16	FY17	FY18E
NII	340	536	818	1301	1901
PPP	110	272	489	810	1133
PAT	53	114	166	239	323
NIM %	4.0	5.0	5.8	7.3	8.3
EPS (Rs)	6.5	12.6	18.2	24.5	33.0
EPS growth (%)	-27.4	94.8	45.1	34.5	34.7
ROE (%)	5.0	8.3	10.2	11.9	13.3
ROA (%)	0.6	1.1	1.3	1.5	1.6
BV	142	173	187	236	262
P/B (X)	1.2	2.3	2.3	3.3	2.6
P/E (x)	27.3	31.8	23.6	31.9	20.9

CAPITAL FIRST LTD- Overview

CAPF erstwhile Future Capital Holding limited was founded in 2012 via management buyout of an existing NBFC. Mr Vaidyanathan acquired a stake in the company with the equity backing from PE investor- Warburg Pincus for Rs 810 Crores and changed the business model from being wholesale NBFC to retail NBFC.

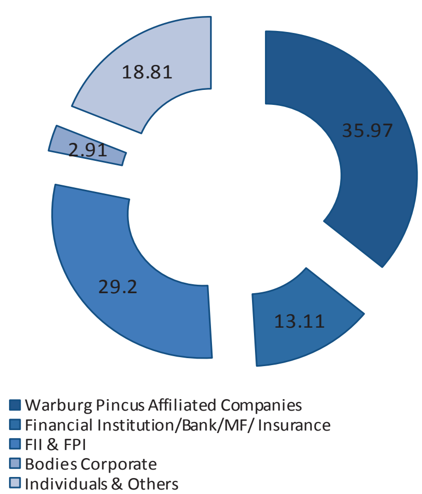
CAPF provides loans to Secured/ unsecured MSME, Consumer durable, 2 Wheeler and home loan. In FY14, the company ventured into the housing finance business through its wholly owned subsidiary, Capital First Home Finance Limited (CFHFL).

With the presence in 228 location (north, west -75%), CAPF is gradually expanding its network and has been scaling its retail operations. CAPF has 5.1 million customers with the AUM base of nearly Rs 23000 Cr. After Bajaj Finance, CAPF has become the 2nd largest player to finance consumer durables product on zero % financing model. Company has reported 18% earning CAGR over FY12-17 with one of the best assets quality of GNPA at 1.6% among the NBFC peers. CAPF enjoys AAA rating from BRICKWORKS and has improved from A+ in FY10.

CAPF - At a Glance

AUM 22874 Cr	CREDIT RATINGS AAA	GNPA 1.6%	2 wheeler 2000 Dealership
5.1MILLION CUSTOMER FINANCED	228 location Covered	CRAR 19%	Consumer Durable 4500 Dealership

Shareholding Pattern



Key Shareholders

Warburg Pincus, through its affiliate entities
V. Vaidyanathan
GIC, Sovereign Wealth Fund, Singapore
Government Pension Fund Global, Norway
Goldman Sachs Asset Management, USA
Birla Asset Management, India
HDFC Standard Life Insurance, India
HDFC Mutual Fund, India
Jupiter Asset Management, UK
Canara HSBC OBC Life Insurance, India
Ashburton Limited, UK
DNB Asset Management, Norway
Nomura Asset Management, Singapore

Transformation Journey- From Wholesale to retail

CAPF was formerly known as Future Capital Holdings Limited. Its portfolio mainly dominated in wholesale business in 2010. In 2012 since the entry of Mr. Vaidyanathan, the company has focused on diversifying and de-risking its balance sheet. He first acquired an equity stake in an existing NBFC, changing the business model, and then executing a Management Buyout by securing an equity backing of Rs 810 Cr in 2012 from PE Warburg Pincus which included:

(a) buyout of majority and minority shareholders through Open Offer to public;
(b) Fresh capital raise of Rs 100 Cr into the company;
(c) Reconstitution of the Board of Directors;
(d) Change of business from wholesale to retail lending Creation of a new brand “Capital First”. Post the buyout he holds shares and options totaling 10.5% of the equity of the company on a fully diluted basis.

It diversified into SME Loans, consumer durable loans, two wheeler loans, gold loans (closed in FY15) & housing loan portfolio(started in 2015) through affordable housing loans. As a result, the loan mix has changed from 90% wholesale and 10% retail in FY10 to 93% retail and 7% 2QFY18. GNPL too has declined from 5%+ to 1.6%, while profit after tax increased from Rs 21 Cr in FY10 to Rs 78 in FY17. CAPF has transformed from a wholesale lending NBFC to a Strong Retail Focused NBFC.

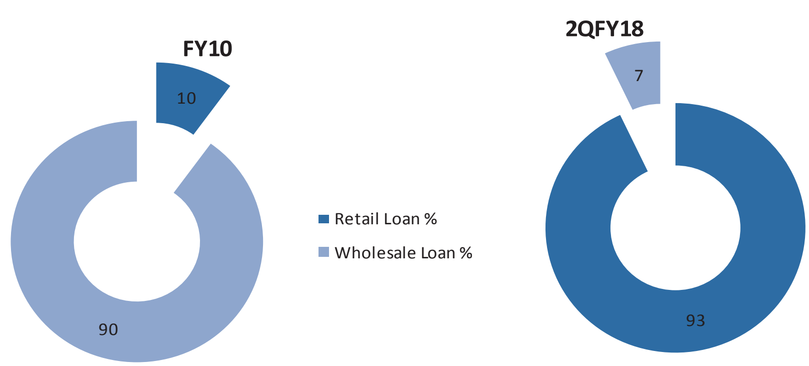
FY10	**Wholesale Lending was 90% (935 Cr) and Retail 10% (14 Cr).**
FY11	**1) Launched Durable financing Business with Credit Scoring 2) Launched Gold Loan business. 3) Divested Forex Business**
FY12	**1) Merged subsidiary NBFC with parent. 2) Launched two-wheelers financing Business**
FY13	**CAPF IS founded by way of buyout of existing shareholders including 26% minority shareholders (through Open Offer)with an initial investment of 8.10 billion from Warburg Pincus (sep 12).**
FY14	**1) Company raised 1.78 billion as fresh equity from Warburg Pincus (1.28 bn) and HDFC Standard Life (.5 bn) 2) Company subsidiary HFC License from NHB . 3) Closed Broking Business**
FY15	**1)Company AUM reached 12000 Cr. 2)Number of customer financed since inception crossed 1 million. 3)CAPF raised 3 billion of primary equity capital through QIP. 4)Closed Gold Loan business.**
FY17	**1)Wholesale Lending was 7% (19824 Cr) and Retail 93% (305 Cr). 2)Company AUM reached 200 billion. 3)Number of customer financed since inception crossed 4 million.**
H1FY18	**Promoter Warburg Pincus divested its 25% holding in the company.**

Management Details

Mr. V. Vaidyanathan	Chairman & Managing Director	Previously MD & CEO of ICICI Prudential Life Insurance and Executive Director on the Board of ICICI Bank. 25+ years of corporate work experience.
Mr. N.C. Singhal	Independent Director	Founding Vice Chairman & Managing Director of SCICI Ltd (merged with ICICI Ltd). 56 years of experience in the corporate sector.
Mr. Vishal Mahadevia	Non-Executive Director	Currently, Managing Director and Co-Head, Warburg Pincus India. Over 22 years of experience in the corporate sector.
Mr. M.S. Sundara Rajan	Independent Director	Former Chairman & Managing Director of Indian Bank. Over 40 years of work experience in the Banking industry.
Mr. Hemang Raja	Independent Director	Former Managing Director and Head-India, Credit Suisse Private Equity, and also MD & CEO of IL&FS Investsmart Ltd. 35+ years of work experience
Dr. Brinda Jagirdar	Independent Director	Former Chief Economist of SBI with over 35 years of experience in the Banking industry.
Mr. Dinesh Kanabar	Independent Director	Current CEO of Dhruva Advisors and former CEO of KPMG, India. Over 25 years of experience in the corporate sector.
Mr. Narendra Ostawal	Non-Executive Director	Managing Director of Warburg Pincus India. Around 15 years of experience in consulting and private equity.
Mr. Apul Nayyar	Executive Director	Executive Director with more than 20 years of work experience. Previously worked in leadership positions at IIFL, Merrill Lynch andCitigroup
Mr. Nihal Desai	Executive Director	Executive Director with over 22 years of work experience in the corporate sector. Previously worked in key positions at ICICI Bank and Serco

Balance Sheet- From Wholesale Book to Diversified Retail Book.

- ✓ CAPF's AUM has grown at the rate of 26% CAGR successively for last 5 years.
- ✓ Presently AUM stands at 22974 Cr. Out of which Retail Loan Book is at 21328 Cr (93% of total AUM)while Wholesale business is at 1645 Cr (7% of Total AUM). In FY10 Retail book was at 14 Cr (Only 10% of the AUM) while Wholesale Business was at 935 Cr (90% of Total AUM).
- ✓ CAPF has diversified its portfolio into Consumer Durable, 2-wheeler, Home Loan, LAP & Unsecured SME Segment apart from wholesale business.
- ✓ With the presence in 228 locations mainly in North and West region, CAPF has been targeting the urban customer.
- ✓ Management is targeting to scale the CD/2W business to reach at the mix of 16-17% each in AUM portfolio. While due to pressure in secured MSME segment it will shrink going forward.



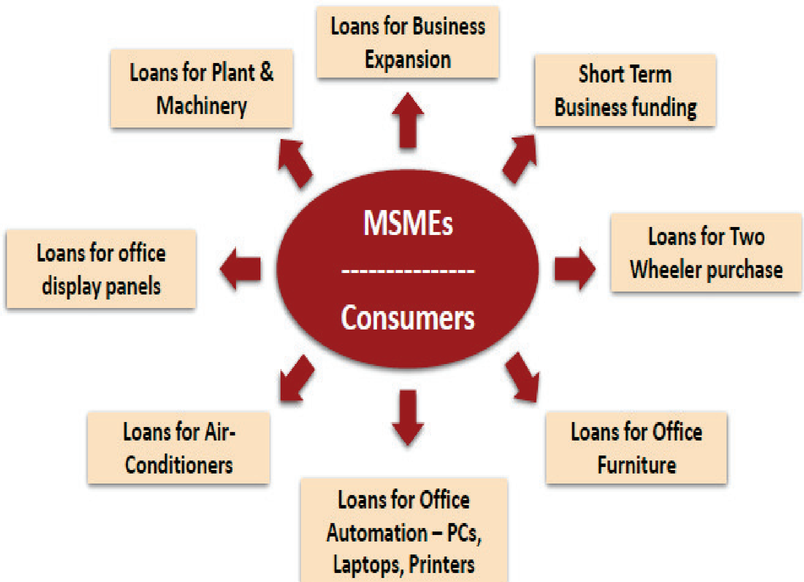
<u>Niche Target in MSME</u>

CAPF has created a niche in MSME loans with the ticket size of loan up to 20 Million which provided huge growth potential. MSME loan contributes to 57% of its AUM book of which LAP is 40% and 17% unsecured MSME. It targets to banked, urban customer in tier 1 and Tier 2 cities backed by cash flow of the borrowers. Around 70-75% of the loan book comes from North/West India and 80-85% of these loans are sourced primarily through the direct selling agents (DSAs). Company lends only against the collateral of residential or commercial properties with monthly amortizing products and no moratorium. The key risk in this segment lies in proper evaluation of cash flows and increased competition from other NBFC /Bank.

Secured SME loans have been the predominant segment for CAPF over a period of time; however with increasing competition and pressure on yields, it has started to shift towards unsecured MSME. Consequently the share of unsecured MSME loan has risen to 17% as on 2Q FY18 from 8% in FY15. Further management expects share of unsecured MSME book to increase to 20-22% range in medium term.

Products Offered Under MSME

Capital First provides financing to select segments that are traditionally underserved by the existing financing system



Ticket Size and Target Customer

Typical Loan Ticket Size From CFL	Typical Customer Profile
Rs. 1.0 Mn - Rs. 20.0 Mn	To Small and Medium Entrepreneurs financing based on customised cash flow analysis and references from the SME's customers, vendors, suppliers.
Rs. 100K - Rs. 1.0 Mn	To Small Entrepreneurs/ partnership firms in need of immediate funds, for say, purchase of additional inventory for an unexpected large order.
Rs. 15K - Rs. 100K	To Micro business owners and consumers for purchase of office PC, office furniture, Tablets, Two-Wheeler, etc.

Ticket size of various LAP players

Company	Ticket size Upto (Rs in Mn)
Indiabulls Housing Finance	8
Cholamanadalam Investment	5
Bajaj Finance	10
Repco Home	5
HDFC	N/A
LIC Housing Finance	2
Capital First	20
L&T Finance Holding	N/A
DHFL	4

Key Products Offering.

	Products	Key Features	Average Loan Ticket Size (Rs.)	Average Loan Tenor (Months)	Average Loan to Value Ratio (%)	Challenges
MSME Loans		■ CFL provides long term loans to MSMEs after proper evaluation of cash flows. ■ Backed by collateral of residential or commercial property. ■ Monthly amortizing products with no moratorium. ■ CFL also provides unsecured short tenure working capital loans to the MSMEs.	7,400,000 ($ 114,000)	60*	45%	Evaluation of cash flows is a key challenge for credit appraisal of MSMEs
Two Wheeler Loans		■ CFL provides financing to salaried segment as well as self employed individuals like small traders, shop keepers for purchase of new two-wheelers.	53,000 ($815)	24	72%	High collection cost as the collection efforts required are significant due to small ticket size and large number of customers running into millions. Operating expenditure is also very high.
Consumer Durable Loans		■ CFL provides financing to salaried and self-employed customers for purchasing of LCD/LED panels, Laptops, Air-conditioners and other such white good products. They are also availed by small entrepreneurs for official purposes.	22,000 ($338)	12	77%	High collection cost as the collection efforts required are significant due to small ticket size and large number of customers running into millions. Operating expenditure is also very high.

Concentrated Effort In 2W & CD Segment

CAPF started the Consumer durable and 2-wheeler financing business in 2010-11. With the focus on this segment and investments into technology, it has grown significantly and constitutes 24% of the book as on 2Q FY18 against 9% in FY14. This segment is scaling and management target to 35% of the total AUM.

Capital First provides finance for purchasing new two-wheelers, primarily to young salaried individuals and to micro entrepreneurs, shopkeepers, traders. Like other NBFC it is not a captive finance for any particular OEM. 2-wheeler AUM is 10% of the total AUM and management intends it to reach to 17% of the book. It targets to self employed segment in urban areas. Under the 2wheeler CAPF has tie-up with over 2000 dealer across the country.

CAPF has become the 2nd largest player in consumer durable financing with zero percent interest rate models. Bajaj Finance is the market leader in this space. Similar to Bajaj Finance, company offers interest-free CD loans to customers and earns yields via subvention from the manufacturer. The company is present in more than 200 locations across the country. CAPF has more than 4500 relationship with dealer to offer its CD loans to customer with the loan tenure of up to 12 months and average ticket size of Rs 22K. CAPF has heavily invested into technology, systems, process, people and even on relationships particularly on Consumer Durable segment. We believe that company is at growth phase and still needs more investment in CD segment, however earlier investment is scaling and the benefits has started to accrue in its profitability and return ratios. CD segment is higher margin business and focus of management in this segment will boost the earnings as we have seen in Bajaj Finance but key challenges will lies in costs control and credit underwriting skills.

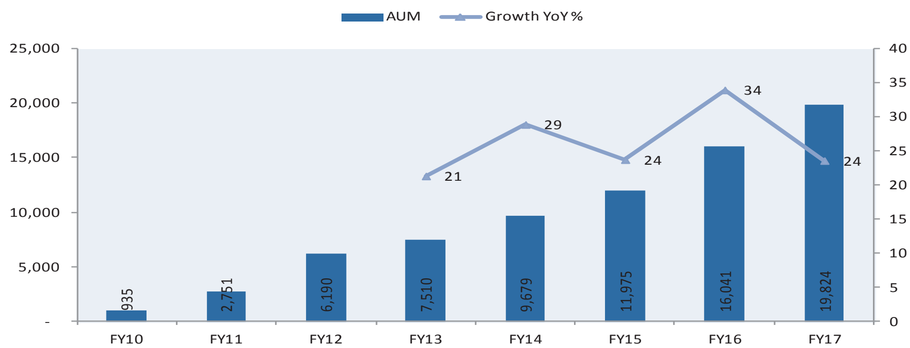
At a Glance- 2 Wheeler Operation and Consumer Durables

Nature	Description	
	2 Wheeler	Consumer Durable
Ticket Size	Rs 53 K	Rs 22K
Loan Tenure	24 Months	12 Months
Dealer Network	2000+	4500+
Geographies	North and West India	Pan India
Customer Segment	Urban/Semi Urban Self Employed	Urban/Semi Urban Self and Salaried Employed
AUM as of Date	Rs 2300 Crore	Rs 3200 Cr

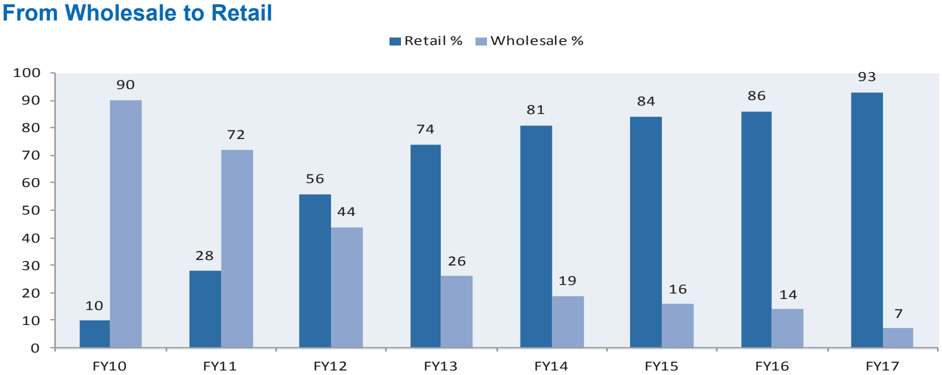
Home Loans- Started to build Book.

Capital First Home Finance Limited (CFHFL) which is a wholly owned subsidiary has Housing Finance Company license from National Housing Bank. CFHFL focuses on primarily the self-employed individuals to provide loans for buying houses in the affordable housing segment across the country. As its operations grew in the last financial year, CFHFL has built a loan book of more than Rs 600 Cr as of March 31, 2017.

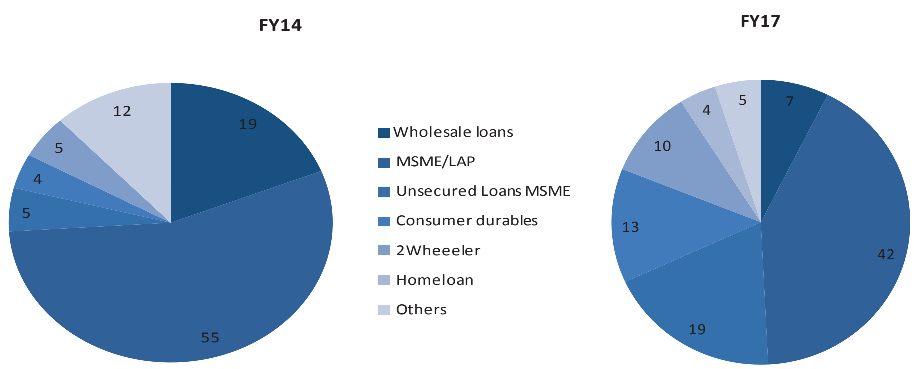
AUM Trend



From Wholesale to Retail



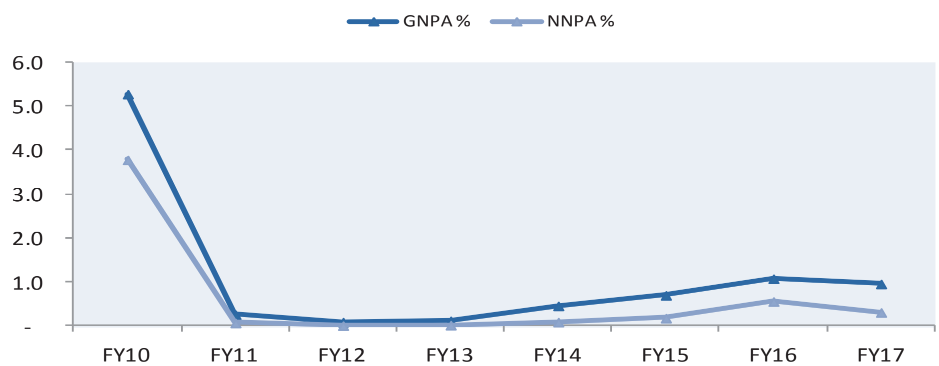
AUM MIX %



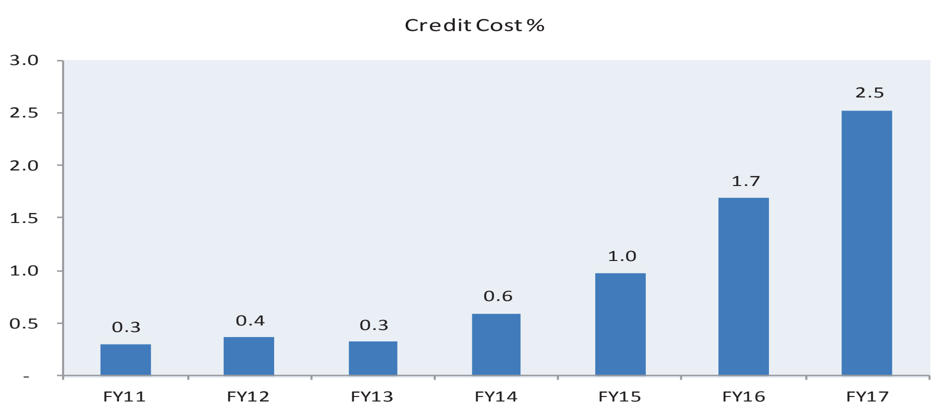
Assets Quality best among peers.

CAPF enjoys one of the best assets quality among its peers. Its GNPA ratio has improved significantly to 1.63% in 2QFY18 from 5.3% in FY10 due to stringent write off policy by the management. When new management took control on the company, it was wholesale lender with GNPA of more than 5% in FY10, however with the top priority to improve assets quality, management brought down the assets quality below 1% in FY12 by aggressively writing off its investment in its two subsidiaries, Future Hospitality Management Limited and Kshitij Property Solutions Private Limited as it planned to exit the non-core businesses. Due to this credit cost has also been on higher side as compared to its peers. From FY18, CAPF started to recognize NPA on 90 days and hence GNPA touched to the level of 1.6% as of date and PCR declined to the level of 39% as per estimation. Due to low PCR and shift of portfolio towards CD and 2W, we expect credit cost to remain elevated in near terms.

Trend In Assets Quality



Higher Credit Cost



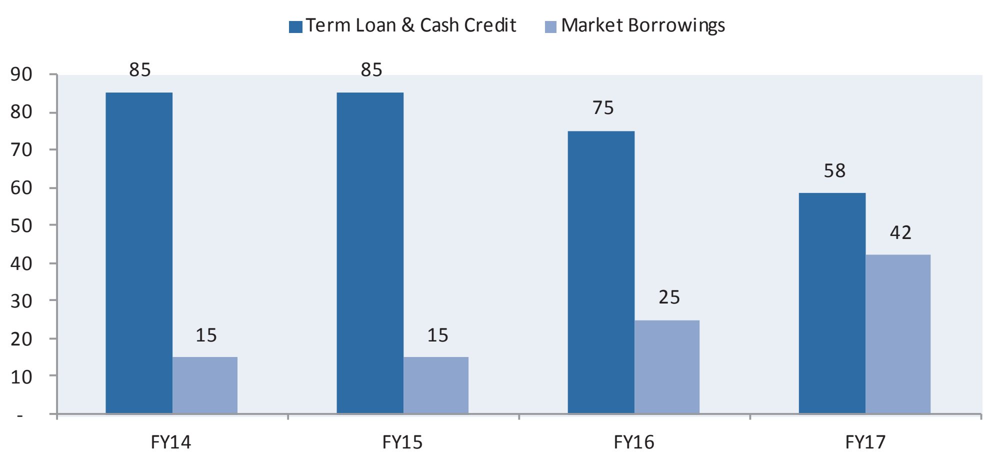
Credit Rating and Borrowing profile

From A+ rating profile in FY11, CAPF has been upgraded to AA+ in FY13. Recently it has been upgraded to AAA by Brickworks. Due to better rating profile, CAPF enjoys competitive rates on market borrowing. Recently management has shifted its focus on increasing the market borrowing share due to fall in G-Sec yields.

In FY12 CAPF has 56% share in Term Loan, 20% share in NCD and 24% share in commercial paper. Over the years, the company has increased its share of Market borrowings to 44% in 2QFY18 .Now the borrowing mix is 52% share in Term Loan, 44% in NCD and 4% share in commercial paper. Management intends to reduce its dependence on bank borrowing and targets to reduce the share of bank borrowings to 40% by FY19.

Capital Position

With the backing of PE investor, CAPF has raised capital several times in the past since change of management to support the continuous growth and improving assets quality. Warburg Pincus infused Rs 100 Cr and 128 Cr in FY13 and FY14 respectively. HDFC Standard Life Insurance also invested Rs 50 Cr in FY13. It against did QIP of Rs 300 Cr in FY15. Recently in FY17 GIC also invested to the tune of Rs 340 Cr via preferential allotment. As on FY17 its Tier I ratio is at 16% and total CRAR is at 20%. Company has also approval of RS 500 Cr capital raising approval from its Board.



Margins- On a track of improvement

In last few years CAPF has placed itself as a diversified retail lender which has helped to improve its margin significantly from 4% in FY12 to 7% in FY17. Change in loan mix as well as change in borrowing profile has helped the company to improve its margins over a period of time.

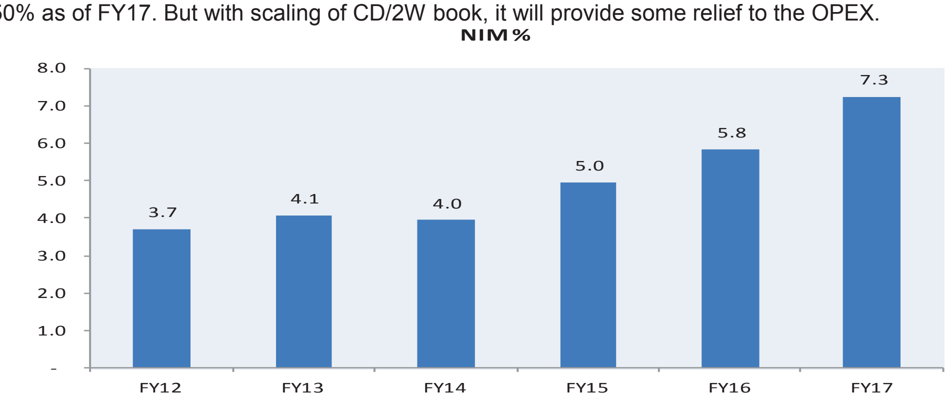
a) mix shift from low-yielding LAP to higher-yielding 2W/CD financing and unsecured MSME.

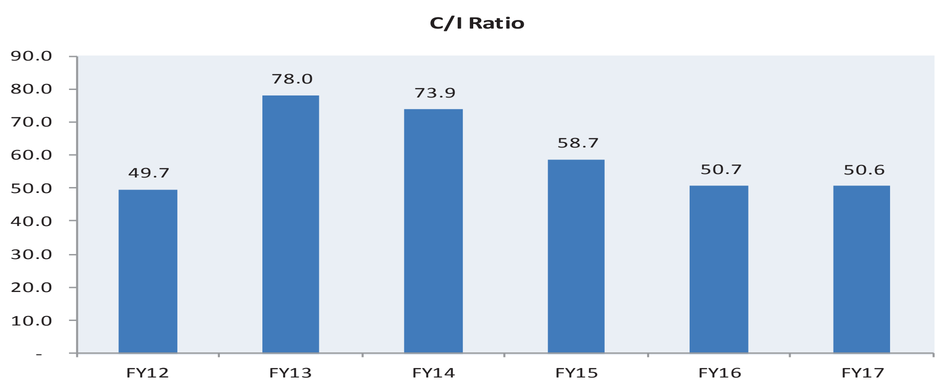
b) benefits in terms of cost of funds due to MCLR cuts and shift towards market borrowing and lowering bank borrowing.

Due to focus of management to built Consumer durable business and 2 Wheeler segment will further boost the margins. Incremental borrowing from NCDs will also support in reducing cost of funds. CAPF has generally long term NCD in its borrowing book at a higher rate ranging from 10-12%, which according to our estimate a significant amount should mature in FY19-20 thus, giving the further support to margins from refinance at current lower rates.

Opex may decline due to Scaling of the business

CAPF over a period of time has significantly invested in its people, technology, processes and relationships. These investments were mainly incurred to build retail franchise where credit underwriting process is necessary for quick turnaround time for the leads. Apart from this, loan origination cost is also higher due to lower ticket size of retail products. Cost to income ratio has touched to the level of 50% as of FY17. But with scaling of CD/2W book, it will provide some relief to the OPEX.

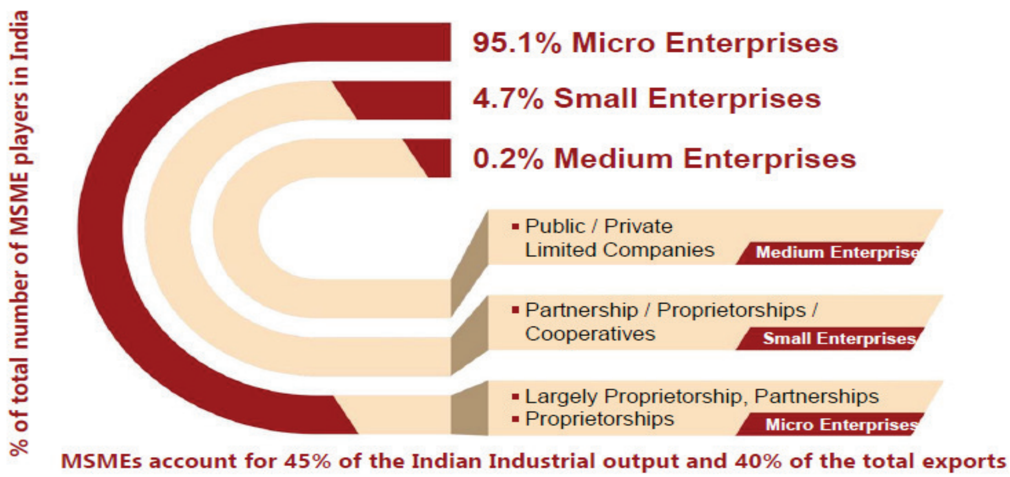




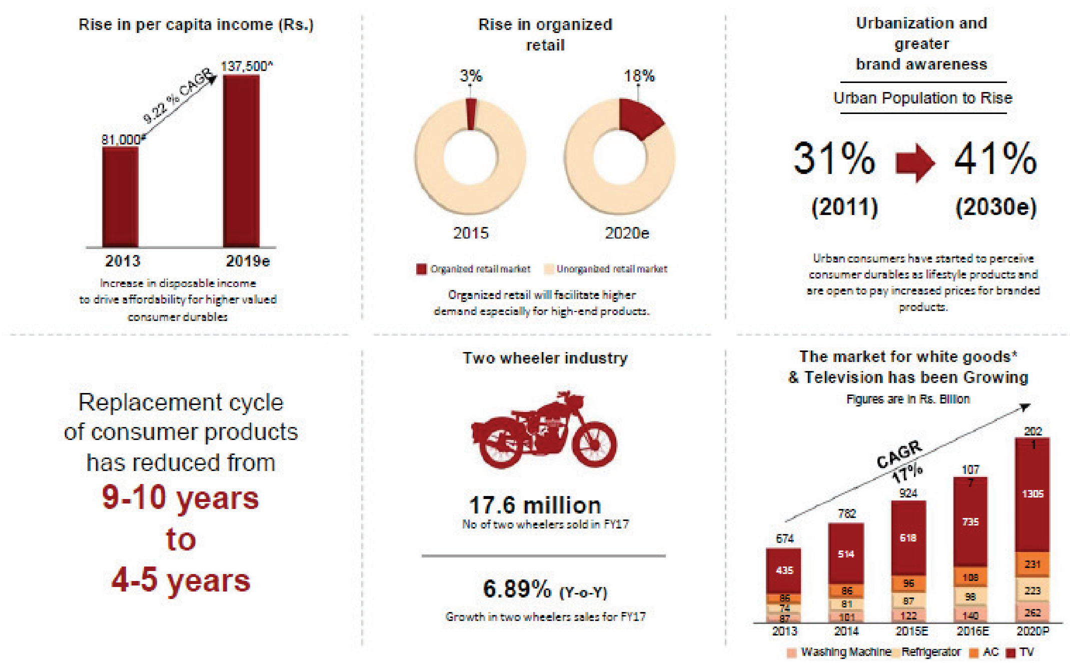
Tapping the Huge Opportunity in Indian Market

There exists a large opportunity to finance the MSME Segment in India

Micro, Small and Medium enterprises form a large part of the Indian Economy. They generate employment and act as a catalyst for socio-economic transformation in India. There are more than 29 million MSME enterprises across India employing more than 69 million people



The Indian Consumer financing market is a huge and growing opportunity.



Outlook and Valuation

From being a wholesale financier NBFC, CAPF has transformed itself into a diversified retail finance company after a buyout of management in 2012. AUM has grown at a CAGR of 26% over FY12 to FY17 with being a niche player in MSME segment. With the huge investment in technology and network, CAPF has also diversified towards consumer durable and 2Wheeler portfolio. Scaling of the operation in retail provides huge growth potential with strong profitability as CAPF is the only second player after BAJFINANCE in consumer durable market finance. Recent result has given the sign of recovery in AUM growth after temporarily impacted by Demonetization. However hangover of GST may still impact the MSME growth in near term. Nevertheless, we see company has a potential to tap the opportunity in Consumer market in India.

Assets Quality remains one of the best in the industry despite strong AUM growth. From nearly 5% of GNPA in FY10, CAPF has improved its assets quality to the level of 1% in FY17. However credit cost remains on the higher side due to aggressive write off policy of the company. We see credit cost to decline materially in longer terms which will boost the return ratio significantly.

Margin has improved significantly due to change in business model towards retail book. Change in loan mix (more towards higher yield retail assets) and reducing bank borrowing can further support the margins to improve.

We expect the company can post higher return ratio of RoE in the range of 17-18% and RoA 1.9% by FY19. CAPF- under review and stock- Not RATED.

Recent Update -2Q FY18 Results Review

Quarterly Performance

Financials	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	YoY %	QoQ%	FY16	FY17	YoY %
Interest Inc.	611	642	655	721	793	29.7%	9.9%	1,715	2,462	43.5%
Interest Exp.	296	308	280	307	327	10.4%	6.6%	897	1,161	29.4%
NII	315	333	375	415	466	47.9%	12.4%	818	1,301	59.0%
Other Income	75	94	102	99	98	30.9%	-0.9%	174	340	95.5%
Total Income	390	428	477	514	564	44.6%	9.8%	992	1,640	65.4%
Ope Exp.	207	210	242	274	289	39.9%	5.5%	503	830	65.1%
PPP	184	217	235	240	275	50.0%	14.6%	489	810	65.7%
Provisions	103	124	126	141	158	52.9%	11.9%	236	453	91.6%
PBT	81	93	108	99	118	46.3%	18.5%	253	357	41.5%
Tax	23	32	37	32	39	71.7%	21.4%	85	119	39.7%
Exceptional Item	-	-	-	-	-					
Net Profit	58	61	71	67	78	36.2%	17.1%	166	239	43.6%

Strong all round performance with margin expansion.

AUM has a robust growth of 28% YOY, it grew to 22974 Cr in 2QFY18 from 17937 Cr in 2QFY17.Its Retail Book stands at 93% while its Wholesale Business is at 7% of the total AUM.

MSME(LAP)book has maintained its stable growth of 57% in 2QFY18. MSME loan book stands at 9189 Cr in 2QFY18 while it was at 8072 Cr in 2QFY17. Consumer Durable has a strong growth of 63% YOY though on a lower base, CD loan book grew to 3216 Cr from 1973 Cr. 2 wheeler book grew at a rate 36.3% YOY , 2W loan book stand at 2297 Cr in 2QFY18 while it was at 1686 Cr in 2QFY17

Borrowing Profile mix has changed due to decrease in MCLR rate and fall in interest rate of market borrowings .The borrowing mix stands at 52% in Term Loan, 44% in NCD & 5% Commercial Paper in 2QFY18 .Share of NCD has risen significantly from 2QFY17 , the borrowing mix was at 68% Term Loan, 27% NCD and 8% Commercial paper.

NII Growth is at 47.9% it grew strongly from 611 Cr to 793 Cr YOY. Cost /Income ratio has decline yoy by 174 bps in continuance with the past trend. Net Profit grew at 50% YOY. PAT growth 36.2% YOY.

Yield has increased by 38 bps from 13.91% to 14.29% . Cost of fund has declined by 99 bps from 8.73% to 7.73% in 2QFY18 YOY.NIM has increased by 123 bps to 8.4 % in 2QFY18.

Capital Adequacy ratio is stable at 19% in 2QFY18. GNPA ratio is at 1.63% it has declined by 9 bps QOQ.While NNPA% is at 1% it has declined by 4 bps QOQ. PCR is at 38.7% in 2QFY18 .Credit cost is at 2.84% with respect to 2.73 % QOQ.

Profitability Metrix	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	YoY(+/-)	QoQ(+/-)	FY16	FY17	YoY %
C/I Ratio %	52.9	49.2	50.8	53.3	51.2	**-1.74**	**-2.07**	50.7	50.6	**-0.10**
Empl. Cost/ Tot. Exp. %	28.4	30.4	24.7	25.5	26.9	**-1.49**	**1.38**	17.8	14.6	**-3.23**
Other Exp/Tot. Exp.%	69.3	67.8	73.2	72.3	70.8	**1.50**	**-1.52**	62.9	69.1	**6.28**
Provision/PPP %	56.2	57.1	53.8	58.6	57.2	**1.08**	**-1.39**	48.4	55.9	**7.54**
Tax Rate %	28.4	34.3	34.3	32.6	33.4	**4.94**	**0.79**	33.6	33.2	**-0.42**
Int Exp./Int Inc. (%)	48.4	48.0	42.8	42.5	41.2	**-7.23**	**-1.28**	52.3	47.2	**-5.15**
Other Income/NII %	23.8	28.3	27.2	23.9	21.1	**-2.74**	**-2.82**	21.2	26.1	**4.87**
PPP/ Net Income %	47.1	50.8	49.2	46.7	48.8	**1.74**	**2.07**	49.3	49.4	**0.10**
PAT/ Net Income %	14.8	14.3	14.9	13.0	13.9	**-0.86**	**0.87**	16.8	14.6	**-2.21**
NII Growth % (YoY)	70.3	53.2	46.8	49.3	47.9	**-22.44**	**-1.38**	52.5	59.0	**6.46**
PPP Growth YoY %	67.7	67.7	58.4	37.4	50.0	**-17.74**	**12.57**	79.9	65.7	**-14.20**
PAT Growth % YoY	40.4	38.0	49.4	36.2	36.2	**-4.24**	**0.02**	45.5	43.6	**-1.91**

Performance in Charts and Graphs

Business Analysis (Rs in Cr)

	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18
AUM	13604	14973	16041	17213	17937	18784	19824	21410	22974
>> Growth YoY %	23.2	28.0	34.0	36.1	31.8	25.5	23.6	24.4	28.1
Borrowings	9988	10965	11955	12961	14185	13705	14108	16308	17501
>> Growth YoY %	20.7	24.3	41.7	46.8	42.0	25.0	18.0	25.8	23.4

AUM Composition %

	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18
Retail Loan Book	14	15	14	11	10	9	7	7	7
Wholesale Loan Book	86	85	86	89	90	91	93	93	93

AUM Composition %

MSME	63	61	61	60	61	60	61	58	57
Consumer durables	8	10	10	12	11	12	13	15	14
2Wheeeler	8	8	9	9	9	10	10	10	10
Others	21	21	20	19	19	18	16	17	19

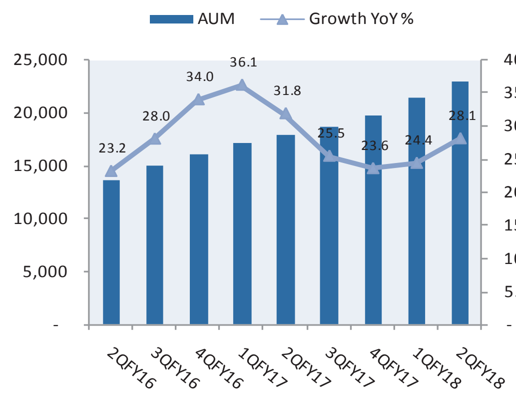
AUM Profile %

On Book Loan Port %	77	79	78	79	77	77	76	77	80
Off Book Loan Port %	23	21	22	21	23	23	24	23	20

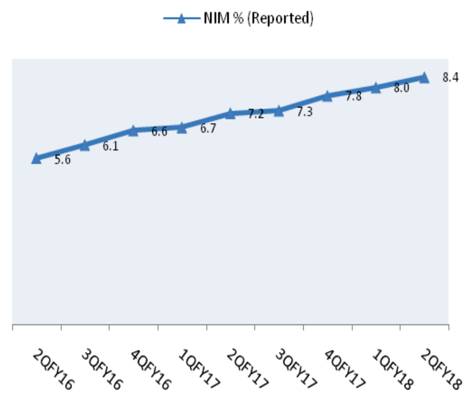
Asset Quality

GNPA	0.86	0.89	1.07	1.18	0.98	0.95	0.95	1.72	1.63
NNPA	0.48	0.46	0.55	0.60	0.45	0.37	0.30	1.04	1.00

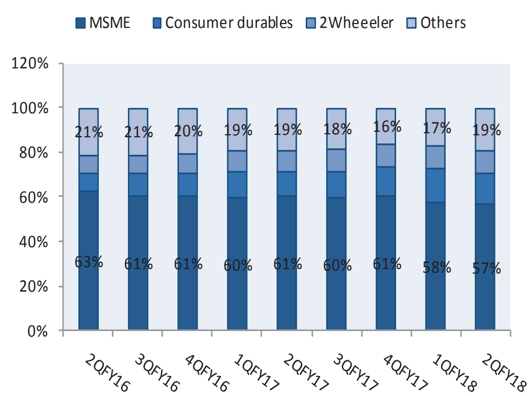
AUM growth trend



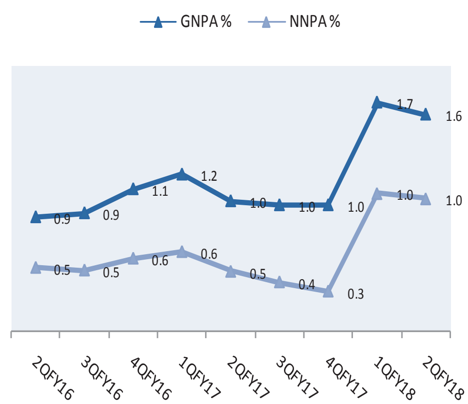
NIM growth trend



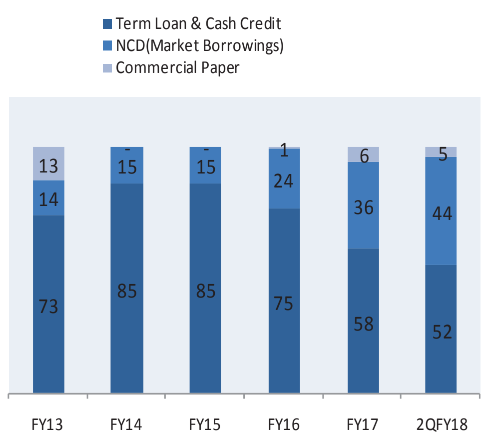
Assets Mix trend



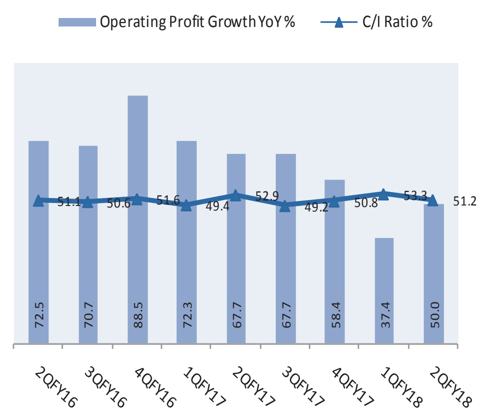
Improving Assets Quality



Borrowing Mix Trend



Opex remain elevated



Financials Snap Shot

Balance Sheet

Rs in Crores

Y/E March	FY15	FY16	FY17	FY18E
Share Capital	91	91	97	98
>> Equity Capital	*91*	*91*	*97*	*98*
>> Preference Capital				
Reserves & Surplus	*1,483*	*1,612*	*2,206*	*2,466*
Networth	**1,574**	**1,703**	**2,304**	**2,564**
Change (%)	*34.0*	*8.2*	*35.3*	*11.3*
Total Borrowing	8,437	11,955	14,108	18,819
Change (%)	*0.2*	*41.7*	*18.0*	*33.4*
Provisions	185	219	263	351
Other Liability	486	648	980	1,221
Total Liabilities	**10,682**	**14,525**	**17,655**	**22,954**
Assets Side				
Investments	95	184	259	301
Loans	8,785	12,525	15,091	20,256
Change (%)	*26.0*	*42.6*	*20.5*	*34.2*
Fixed Assets	19	29	65	81
Other Assets	727	675	647	822
Cash Balance	1,057	1,113	1,594	1,493
Total Assets	**10,682**	**14,525**	**17,655**	**22,954**

Income Statement

in Rs Crores

Y/E March	FY15	FY16	FY17	FY18E
Interest income	1,324	1,715	2,462	3,259
Interest expended	788	897	1,161	1,358
Net Interest Income	**536**	**818**	**1,301**	**1,901**
Change (%)	*58.0*	*52.5*	*59.0*	*46.1*
Other Income	123	174	340	417
Change (%)	*47.9*	*41.8*	*95.5*	*22.8*
Total Net Income	659	992	1,640	2,318
Change (%)	*56*	*51*	*65*	*41*
Operating Expenses	387	503	830	1,185
Change (%)	*24.0*	*29.9*	*65.1*	*42.8*
> Employee Expenses	136	177	239	310
Change (%)	*7.1*	*30.2*	*35.4*	*29.7*
> Other Expenses	251	326	591	874
Pre-provisioning Profit	**272**	**489**	**810**	**1,133**
Change (%)	146.8	*79.9*	*65.7*	*39.8*
Provisions	105	236	453	647
Change (%)	106.8	*124.2*	*91.6*	*42.8*
PBT	166	253	357	486
Tax	52	85	119	163
Profit After Tax	**114**	**168**	**239**	**323**
Change (%)	*114.5*	*46.7*	*42.4*	*35.3*
Adjusted PAT	**114**	**168**	**239**	**323**
Change (%)	*114.5*	*46.7*	*42.4*	*35.3*

Key Ratios & Assumptions

Y/E March	FY15	FY16	FY17	FY18E
Balance sheet Metrics				
AUM	11,975	16,041	19,824	25,970
>> Off-Book AUM	3,191	3,516	4,733	5,713
AUM Growth (%)	24	34	24	31
Loan/Borrowing Ratio	1.0	1.0	1.1	1.1
Borrowing Growth (%)	0.2	41.7	18.0	33.4
Bank Borrowings	85.0	75.0	58.4	48.0
Market Borrowings	15	25	42	52
CRAR (%)	*23.5*	*19.8*	*20.3*	*17.9*
>> Tier 1 (%)	18.8	14.5	16.0	13.7
>> Tier 2 (%)	4.7	5.3	4.4	4.3
Debt/Equity (x)	5.4	7.0	6.1	7.3
Assets Quality Metrics				
Gross NPA (Rs)	59	131	138	314
Gross NPA (%)	0.7	1.1	1.0	1.6
Net NPA (Rs)	15	67	44	173
Net NPA (%)	0.2	0.6	0.3	0.9
Specific Provision Coverage (%	75	49	68	45
Prov. Exp/Average Loan (%)	1.0	1.7	2.5	2.8
Margin Metrics				
Yield On Advances (%)	12	12	14	14
Cost Of Funds (%)	9.3	8.8	8.9	8.2
Spread (%)	2.9	3.4	4.8	6.0
NIM (%)	5.0	5.8	7.3	8.3
Profitability & Effeciency Metrics				
Int. Expended/Int.Earned (%)	59.5	52.3	47.2	41.7
Other Income/NII (%)	22.8	21.2	26.1	21.9
Operating Profit/ Net Income (%	41.3	49.3	49.4	48.9
Net Profit/Net Income (%)	17.4	16.8	14.6	13.9
Cost to Income (%)	58.7	50.7	50.6	51.1
Employee Exp/ Net Income (%)	20.6	17.8	14.6	13.4
Cost on Average Assets (%)	3.6	3.6	4.6	5.2
Provisions/PPP (%)	38.8	48.4	55.9	57.1
Tax Rate (%)	31.3	33.6	33.2	33.5
Valuation Ratio Metrics				
EPS (Rs)	12.6	18.2	24.5	33.0
Change (%)	95.0	45.1	34.5	34.7
ROE (%)	8.3	10.2	11.9	13.3
ROA (%)	1.1	1.3	1.5	1.6
Dividend Payout (%)	21.1	15.8	12.7	10.2
Dividend yield (%)	0.7	0.6	0.4	0.4
DPS	2.2	2.4	2.6	2.8
Book Value (Rs)	173.0	186.7	236.5	262.1
Change (%)	22	8	27	11
P/B (X)	1.2	2.3	2.3	3.3
P/E (X)	31.8	23.6	31.9	20.9