

# Shriram City Union Fin Ltd.

Industry Financial  
Bloomberg SHUF IN  
BSE CODE 532498

## Continued Liquidity Pressure impacting the overall performance

| RATING           | ACCUMULATE |
|------------------|------------|
| CMP              | 1403       |
| Price Target     | 1613       |
| Potential Upside | 15%        |

|                 |   |
|-----------------|---|
| Rating Change   | ↓ |
| Estimate Change | ↓ |
| Target Change   | ↓ |

### Stock Info

|                     |           |
|---------------------|-----------|
| 52wk Range H/L      | 2060/1301 |
| Mkt Capital (Rs Cr) | 9065      |
| Free float (%)      | 46%       |
| Avg. Vol 1M (,000)  | 38        |
| No. of Shares (Cr)  | 7         |
| Promoters Pledged % |           |

Fig in Rs Cr

| Financial | FY19 | FY20E | FY21E |
|-----------|------|-------|-------|
| NII       | 3697 | 3785  | 4085  |
| PPP       | 2302 | 2353  | 2545  |
| PAT       | 989  | 1019  | 1133  |
| NIM %     | 13.0 | 12.2  | 12.0  |
| EPS (Rs)  | 150  | 154   | 172   |
| EPS       | 48.7 | 3.0   | 11.2  |
| ROE (%)   | 16.6 | 15.0  | 15.7  |
| ROA (%)   | 3.5  | 3.2   | 3.1   |
| BV        | 968  | 1096  | 1240  |
| P/B (X)   | 1.9  | 1.3   | 1.1   |
| P/E (x)   | 12.4 | 9.1   | 8.2   |

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### 1QFY20 Results Update

- NII has grown has remained almost flat on the back of sluggish AUM growth of 11% and margin pressure. Other income has shown strong growth YoY basis standing at Rs 28 Cr. The C/I ratio has improved by 25 bps from 39.27% to 39.02% YoY. PAT has growth has remained muted at 10% on the back of higher provisioning. NIM has declined to 12.85% from 13.18% YoY on the back of higher cost of borrowings.
- AUM growth has remained muted at 11% YoY. The growth has slowdown in the small enterprise segment to 8% YoY, 2 wheeler segment has grown at the rate of 4%, loan against gold has decreased by 11% while other segment(auto & personal loans) has grown strong at 79%.
- GNPA has remained almost stable at 8.89% from 8.91% QoQ along with stable NNPA at 5.03% from 5.02% QoQ. PCR stands at 43% as at 1QFY20. Management remains confident of maintaining the asset quality in this range on the back of improvement in the recovery numbers.

### Muted AUM Growth

AUM growth has remained muted at 11%/3% YoY/QoQ. The share of SME stands at 59%, two wheelers stood at 18%, gold loan stood at 10%, auto loans stood at 4% while personal loans stood at 9%. Disbursement growth has decreased by 2%/ 5% YoY/QoQ to Rs 6275 Cr. The disbursement growth stands negative in the entire segments except for personal & gold loan which has grown at the rate of 28% & 20% YoY. Management has optimistically maintained its AUM growth guidance of 15% for FY20.

### NII and Margin remained under pressure

NII growth has remained flat YoY basis on the back of muted AUM growth of 11% & NIM pressure. The yield stood at 19.95% a 20 bps increase QoQ while cost of fund stood at 9.49% an increase of 9 bps QoQ. Management has been facing liquidity pressure with drying of funding from CP & MF market. Management has guided the rate of bank term loans to further grow by another 10-15 bps. Management plans to keep the yield rate stable for next 1,2 quarter & waits to raise foreign borrowings and track the cost of borrowing trend before taking any rate hikes in the yield.

### Stable Assets quality

GNPA has remained almost stable at 8.89% from 8.91% QoQ along with stable NNPA at 5.03% from 5.02% QoQ. PCR stands at 43% as at 1QFY20. Credit cost has increased to 2.58% from 2.51% QoQ. The GNPA has increased in the SME segment from 9.24% from 9.33%, gold loan from 11.63% to 11.78%, auto loans from 11.04% from 11.28% while there is an improvement in th two wheeler portfolio from 9.61% to 9.37% QoQ.

### View and Valuation

Liquidity issue has been a major upset for SHRIRAMCIT with dried off funding from CP and MF sources, in addition to the above bargain the slowdown in the SME segment has been a sheer turn off for the growth. Margin has been under pressure owing to higher bank rates as management has not been able to pass the interest rate hike to the customer. However with diversification to foreign borrowings, which management claims to be at lower rate than domestic borrowings will alleviate margin pressure. Asset quality has shown improvement with lower credit cost, management has guided higher rate of recovery to drive lower credit cost going ahead. Management remains optimistic and has guided for 15% AUM growth for FY20. On the back of SME slowdown and high cost funding we have turned cautious of the growth and decrease the estimate by 10% for FY20. We value to stock at P/B 1.3x for FY21 & reduce our target price to Rs 1613. We downgrade the stock to ACCUMULATE.

### Key Risks to our rating and target

- Slowdown in the industry will hamper growth.
- Management inability to pass on the rise in cost of borrowings will affect margins.

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## 1QFY20 Results Below Expectations

## Muted Growth

Fig in Rs Cr

| Financials    | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY %  | QoQ%   | FY18  | FY19  | YoY %  |
|---------------|--------|--------|--------|--------|--------|--------|--------|-------|-------|--------|
| Interest Inc. | 1,389  | 1,472  | 1,413  | 1,403  | 1,450  | 4.4%   | 3.4%   | 5,083 | 5,677 | 11.7%  |
| Interest Exp. | 464    | 495    | 530    | 499    | 532    | 14.6%  | 6.5%   | 1,668 | 1,980 | 18.7%  |
| NII           | 925    | 977    | 883    | 904    | 919    | -0.7%  | 1.7%   | 3,416 | 3,697 | 8.2%   |
| Other Income  | 11     | 44     | 15     | 35     | 28     | 158.6% | -19.4% | 18    | 104   | 471.6% |
| Total Income  | 936    | 1,021  | 898    | 939    | 947    | 1.1%   | 0.9%   | 3,434 | 3,801 | 10.7%  |
| Opex Exp.     | 368    | 396    | 361    | 365    | 370    | 0.5%   | 1.3%   | 1,362 | 1,499 | 10.0%  |
| PPP           | 569    | 624    | 536    | 574    | 577    | 1.6%   | 0.6%   | 2,071 | 2,302 | 11.1%  |
| Provisions    | 215    | 251    | 134    | 183    | 193    | -10.2% | 5.6%   | 1,054 | 782   | -25.8% |
| PBT           | 353    | 374    | 403    | 391    | 384    | 8.8%   | -1.7%  | 1,018 | 1,520 | 49.4%  |
| Tax           | 124    | 124    | 144    | 140    | 131    | 6%     | -6.3%  | 353   | 531   | 50.5%  |
| Extra Items   | -      | -      | -      | -      | -      | -      | -      | -     | -     | -      |
| Net Profit    | 229    | 249    | 259    | 251    | 253    | 10.3%  | 0.8%   | 665   | 989   | 49%    |

### Concall Highlights

- Management says it has not taken any hike in the PLR in 1QFY20 and it not planning to take any hike in 2QFY20 also, it will be waiting to see the rates trends in the borrowing cost and then in accordance to the rate it will take rates hikes in the portfolio. Management expects another 10-15 bps increase in the CoB with conversion of short term borrowing to long term borrowings. The rise in incremental cost of borrowings without any hike in interest rate will further put pressure in the NIM margin. The NIM pressure is expected to get off setted by rise in operational efficiency.
- MTM loss in the foreign investment in Sri Lanka insurance company stands at Rs 10.5 Cr.
- C/I ratio is expected to improve with rise in operational efficiency, management has guided C/I ratio to remain in the range of 38-39% going head.
- Credit cost is expected to improve going ahead on the back of improvements in recovery. Credit cost and provisioning is improving at the rate 15% YoY every year.
- Management has guided AUM growth of 15% for FY20. The growth is expected to be majorly driven by SME & PL segment while in 2W segment management expects muted growth for next 2,3 quarters . Limited availability of liquidity has prompt management to channelize incremental disbursement in high yielding segments.
- Management has guided AUM growth of 15% for FY20. The growth is expected to be majorly driven by SME & PL segment while in 2W segment management expects muted growth for next 2,3 quarters . Limited availability of liquidity has prompt management to channelize incremental disbursement in high yielding segments.
- SME segment consist of corporate and smaller size exposure (Rs 7-8 Lakhs). Management has curtailed exposure to above Rs 1 Cr ticket size in corporate exposure.
- Personal loan is basically a cross sell product to other segment. Personal loan customer is either a 2W customer or an existing fully repaid Personal Loan customer. The difference in credit cost between market customer and existing customer is around 400-500 bps.
- 2W segment has slowed down with the price hike up to Rs 5000. Number of vehicle financed has decreased from 2.9 lakh to 2.75 lakh YoY.
- Management plans to raise up to 750\$ mn of ECB in 6-7 weeks.
- Management has rationalized the number of branches in the housing finance subsidiary; previously it was operating in 17 states now it's operation has come off to 7 states like Gujarat, Maharashtra, Andhra Pradesh, Telangana, Rajasthan, Tamil Nadu and Karnataka.
- Management has raised Rs 2700 Cr in 1QFY20, Out of which Rs 1300 Cr is from bank term loans, Rs 700 Cr from CP and Rs 700 Cr from retail NCD.
- SHRIRAMCIT has Rs 2000 Cr of CC lines.
- Customer in the MSME segment is mostly service providers & traders with little exposure to the manufacturing segment.
- The absence of liquidity market in CP & MF will replaced by
  - Public issue in the retail NCD
  - Accelerate Fixed FD program
  - Rise overseas Borrowings
  - Management plans to do securitization to amount up to Rs 1000-1200 Cr per quarter.
- The reverse merger talk has not taken any further developments.

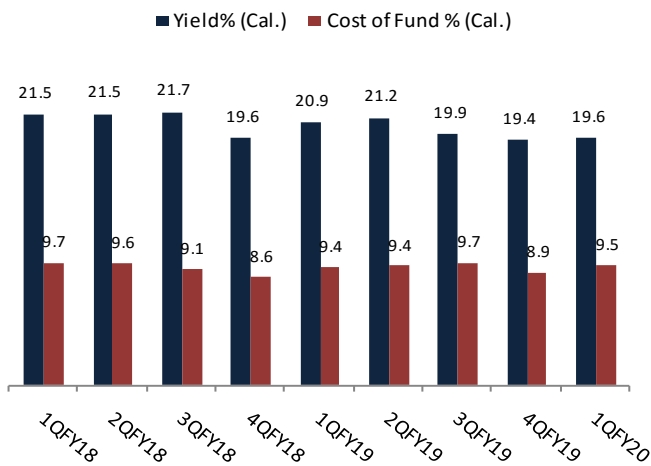
## Profitability Matrix

|                         | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY (+/-) | QoQ (+/-) |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| C/I Ratio %             | 40.3   | 38.3   | 39.3   | 38.8   | 40.3   | 38.9   | 39.0   | -0.25     | 0.17      |
| Empl. Cost/ Tot. Exp. % | 50.6   | 56.0   | 55.7   | 53.4   | 57.4   | 58.9   | 56.6   | 0.90      | -2.32     |
| Other Exp/Tot. Exp.%    | 35.5   | 34.3   | 29.2   | 32.3   | 32.7   | 30.8   | 27.0   | -2.10     | -3.79     |
| Provision/PPP %         | 32.4   | 93.0   | 37.9   | 40.1   | 24.9   | 31.9   | 33.5   | -4.41     | 1.59      |
| Tax Rate %              | 33.8   | 41.0   | 35.0   | 33.3   | 35.7   | 35.0   | 35.0   | -0.02     | 0.00      |
| Int Exp./Int Inc. (%)   | 31.7   | 33.9   | 33.4   | 33.6   | 37.5   | 35.6   | 36.7   | 3.26      | 1.06      |
| Other Inc./NII %        | 0.1    | 0.1    | 0.0    | 0.1    | 0.1    | 0.1    | 0.1    | 0.05      | -0.03     |
| PPP/ Net Income %       | 59.7   | 61.7   | 60.7   | 61.2   | 59.7   | 61.1   | 61.0   | 0.25      | -0.17     |
| PAT/ Net Income %       | 26.7   | 2.6    | 24.5   | 24.4   | 28.8   | 26.8   | 26.7   | 2.23      | -0.03     |
| NII Growth % (YoY)      | 19.9   | 17.1   | 12.4   | 13.1   | (3.4)  | 8.1    | (0.7)  | -13.09    | -8.83     |
| PPP Growth YoY %        | 22.1   | 22.6   | 12.8   | 14.6   | (5.6)  | 8.3    | 1.6    | -11.22    | -6.73     |
| PAT Growth %            | 61.0   | 83.0   | 14.7   | 6      | 1.9    | 1041.1 | 10.3   | -4.38     | -1030.77  |

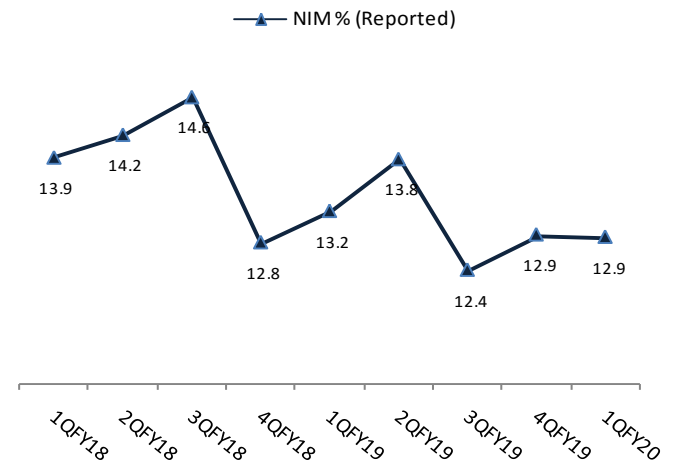
## Margin Performance

| Margin %          | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY (+/-) | QoQ (+/-) |
|-------------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| Yield on Advances | 21.7   | 19.6   | 20.9   | 21.2   | 19.9   | 19.4   | 19.6   | -1.30     | 0.17      |
| Cost Of Funds     | 9.1    | 8.6    | 9.4    | 9.4    | 9.7    | 8.9    | 9.5    | 0.11      | 0.52      |
| Spreads           | 12.6   | 11.0   | 11.5   | 11.8   | 10.2   | 10.5   | 10.1   | -1.41     | -0.35     |
| NIM               | 14.6   | 12.8   | 13.2   | 13.8   | 12.4   | 12.9   | 12.9   | -0.33     | -0.03     |

### Exhibit: Calculated Yield and Cost Declined Spreads



### Exhibit: Net Interest Margin NIM has remained stable



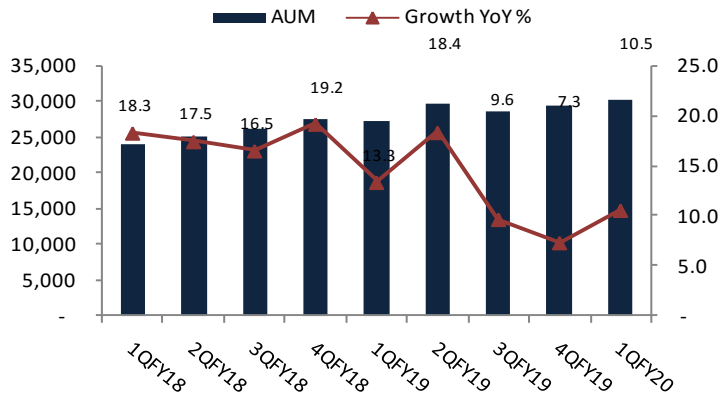
## Asset & Borrowings Growth Trend

Fig in Rs Cr

|               | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Disbursements | 5799   | 6137   | 6137   | 6633   | 6410   | 6468   | 4583   | 6610   | 6275   |
| Growth YoY %  | 7      | 10     | 19     | 6      | 11     | 5      | -25    | 0      | -2     |
| AUM           | 24227  | 25127  | 26272  | 27582  | 27461  | 29748  | 28795  | 29582  | 30352  |
| Growth YoY %  | 18     | 17     | 17     | 19     | 13     | 18     | 10     | 7      | 11     |
| Borrowings    | 18126  | 19830  | 21401  | 21677  | 22686  | 22395  | 22572  | 22226  | 23666  |
| Growth YoY %  | 17     | 21     | 26     | 24     | 25     | 13     | 5      | 3      | 9      |

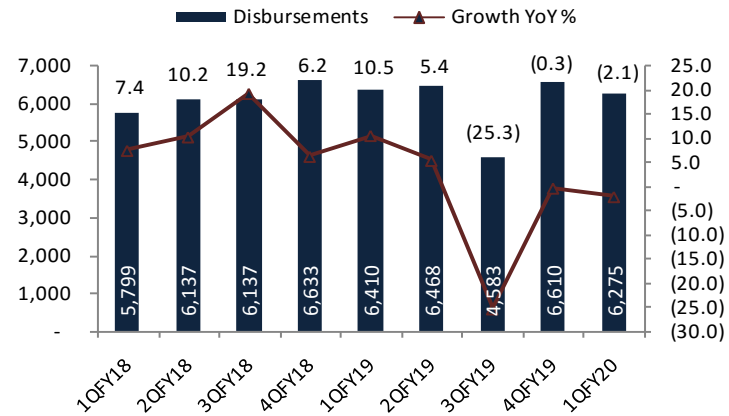
## Exhibit: AUM Growth %

AUM growth has Improved Sequentially



## Exhibit: Disbursement Growth %

Disbursement growth declined



## Asset Mix

|                       | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| SME (%)               | 55     | 55     | 55     | 56     | 57     | 58     | 60     | 60     | 59     |
| 2W (%)                | 17     | 17     | 18     | 18     | 18     | 18     | 18     | 18     | 18     |
| Loan Against Gold (%) | 15     | 15     | 13     | 12     | 12     | 11     | 10     | 9      | 10     |
| Others (%)            | 13     | 13     | 13     | 14     | 13     | 13     | 12     | 13     | 13     |
| Auto Loans (%)        | 6      | 6      | 6      | 6      | 5      | 5      | 4      | 4      | 4      |
| Personal Loan (%)     | 7      | 7      | 8      | 8      | 8      | 8      | 8      | 9      | 9      |

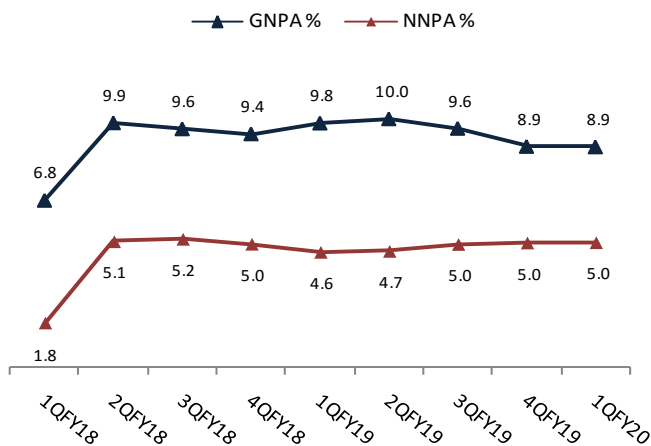
## Disbursement Mix

Fig in Rs Cr

|                   | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| SME               | 2,330  | 2,516  | 2,327  | 3,093  | 2,830  | 2,852  | 1,774  | 3,001  | 2,278  |
| 2W                | 1,031  | 1,059  | 1,586  | 1,327  | 1,284  | 1,267  | 1,049  | 1,319  | 1,284  |
| Loan Against Gold | 1,808  | 1,888  | 1,551  | 1,420  | 1,495  | 1,558  | 1,308  | 1,367  | 1,790  |
| Others            | 630    | 674    | 674    | 793    | 800    | 791    | 452    | 924    | 922    |
| Auto Loans        | 213    | 213    | 210    | 227    | 195    | 177    | 55     | 203    | 146    |
| Personal Loan     | 417    | 461    | 464    | 566    | 605    | 614    | 397    | 721    | 776    |

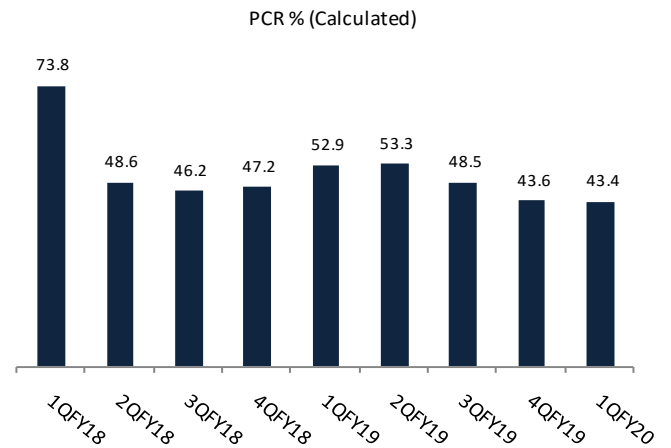
## Exhibit: Asset Quality

Asset Quality remained Stable

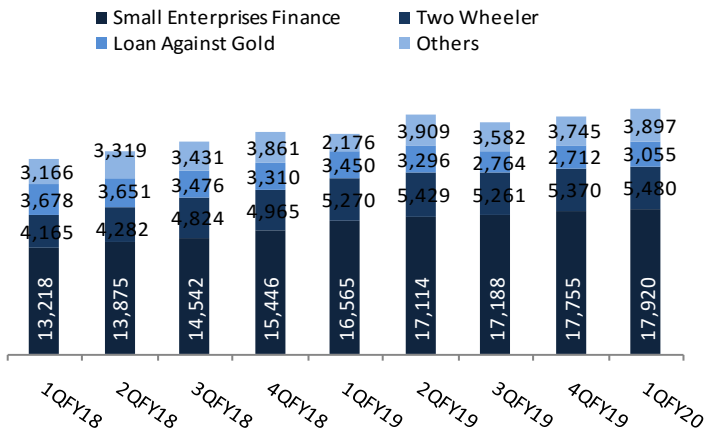


## Exhibit: Provisions

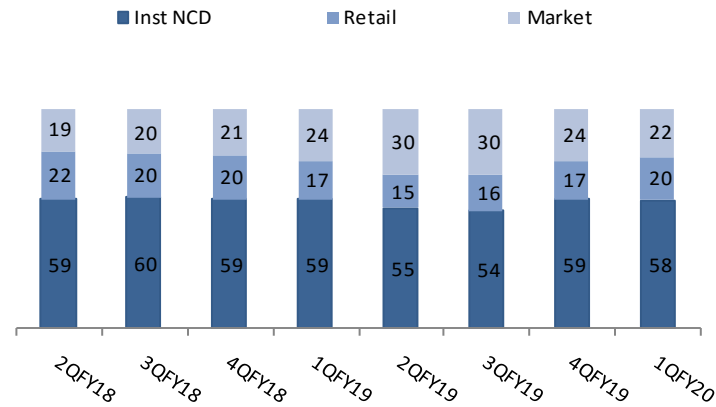
PCR Remained Stable



## Exhibit: AUM Break Up



## Exhibit: Borrowing Break Up



## AUM Break Up Region Wise

|          | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|
| South(%) | 67     | 69     | 67     | 67     | 61     | 61     | 59     | 59     |
| West(%)  | 26     | 21     | 23     | 23     | 31     | 31     | 38     | 32     |
| North(%) | 7      | 10     | 10     | 10     | 8      | 8      | 3      | 9      |

## Liability Break UP

|                         | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fixed Borrowing (%)     | 50     | 44     | 9      | 44     | 43     | 44     | 43     | 47     |
| Semi-Fixed Borrowing(%) | 36     | 43     | 47     | 48     | 50     | 50     | 52     | 49     |
| Floating Rate(%)        | 14     | 13     | 44     | 8      | 7      | 6      | 5      | 4      |

## Asset Quality

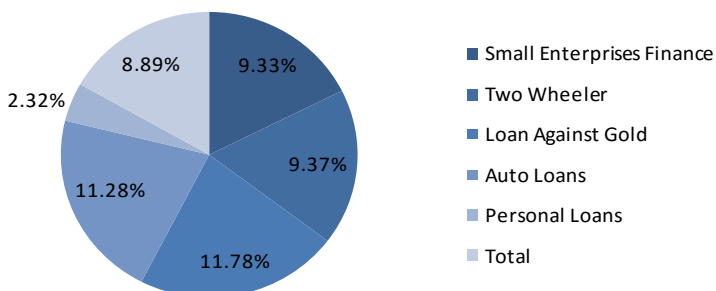
Fig in Rs Cr

|                                | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Gross NPA (Stage 3)            | 2,471  | 2,523  | 2,594  | 2,872  | 2,960  | 2,716  | 2,577  | 2,654  |
| Less: ECL Provisions (Stage 3) | 1,201  | 1,164  | 1,223  | 1,518  | 1,577  | 1,318  | 1,124  | 1,153  |
| Net NPA (Stage 3)              | 1,270  | 1,358  | 1,370  | 1,353  | 1,383  | 1,398  | 1,453  | 1,501  |
| Coverage Ratio (%) Stage 3     | 48.6   | 46.2   | 47.2   | 52.9   | 53.3   | 48.5   | 43.6   | 43.4   |
| Gross Stage 1 & 2              | 22,606 | 23733  | 24985  | 26321  | 26606  | 25489  | 26339  | 27196  |
| ECL provision-Stage 1 & 2      | 440    | 414    | 568    | 613    | 653    | 748    | 803    | 791    |
| Net Stage 1 & 2                | 22166  | 23320  | 24417  | 25708  | 25952  | 24741  | 25536  | 26404  |
| ECL provision (%) Stage 1 & 2  | 2.0    | 1.7    | 2.3    | 2.3    | 2.5    | 2.9    | 3.1    | 2.9    |

## Exhibit: Provisions/Average AUM

GNPA segmentwise

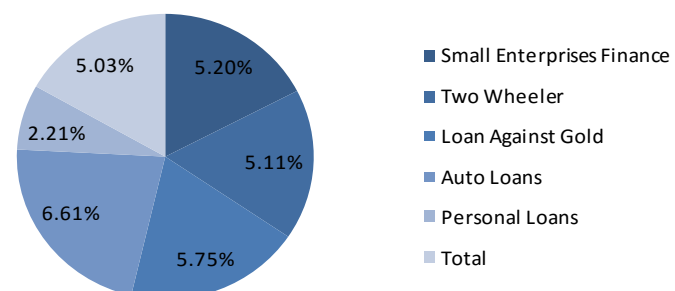
GS3



## Exhibit: Branch

NNPA segmentwise

NS3



## Financial Details

## Balance Sheet

Fig in Rs Cr

| Y/E March                | FY14           | FY15         | FY16           | FY17           | FY18           | FY19           | FY20E          | FY21E          |
|--------------------------|----------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Share Capital</b>     | <b>59</b>      | <b>66</b>    | <b>66</b>      | <b>66</b>      | <b>66</b>      | <b>66</b>      | <b>66</b>      | <b>66</b>      |
| >> Equity Capital        | 59             | 66           | 66             | 66             | 66             | 66             | 66             | 66             |
| >> Preference Capital    |                |              |                |                |                |                |                |                |
| Reserves & Surplus       | 2,839          | 4,035        | 4,446          | 4,962          | 5,489          | 6,325          | 7,170          | 8,120          |
| <b>Networth</b>          | <b>2,898</b>   | <b>4,101</b> | <b>4,512</b>   | <b>5,028</b>   | <b>5,555</b>   | <b>6,391</b>   | <b>7,235</b>   | <b>8,186</b>   |
| Change (%)               | 29             | 42           | 10             | 11             | 10             | 15             | 13             | 13             |
| Total Borrowings         | 12,049         | 12,402       | 14,408         | 17,042         | 20,421         | 22,572         | 25,544         | 28,559         |
| Change (%)               | (5)            | 3            | 16             | 18             | 20             | 11             | 13             | 12             |
| Provisions               | 375            | 532          | 848            | 1,218          | 24             | 25             | 29             | 32             |
| Other Liabilities        | 708            | (1,003)      | (1,547)        | 1,248          | 1,326          | 427            | 1,224          | 1,369          |
| <b>Total Liabilities</b> | <b>16383.1</b> | <b>18038</b> | <b>20854.4</b> | <b>24536.5</b> | <b>27325.7</b> | <b>29415.3</b> | <b>34032.1</b> | <b>38145.6</b> |
| Investments              | 168            | 982          | 792            | 715            | 736            | 866            | 953            | 1,048          |
| Loans                    | 12,875         | 15,890       | 19,141         | 22,961         | 25,787         | 26,989         | 29,688         | 32,656.8       |
| Change (%)               | (4)            | 23           | 20             | 20             | 12             | 5              | 10             | 10             |
| Fixed Assets             | 101            | 82           | 85             | 78             | 79             | 81             | 89             | 98             |
| Other Assets             | 766            | 302          | 195            | 145            | 390            | 497            | 214            | 236            |
| Cash Balances            | 2,473          | 781          | 642            | 637            | 334            | 982            | 3,088          | 4,107          |
| <b>Total Assets</b>      | <b>16383.1</b> | <b>18038</b> | <b>20854.4</b> | <b>24536.5</b> | <b>27325.7</b> | <b>29415.3</b> | <b>34032.1</b> | <b>38145.6</b> |

## Income Statement

Fig in Rs Cr

| Y/E March                 | FY14  | FY15  | FY16  | FY17  | FY18  | FY19  | FY20E | FY21E |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Interest income           | 3,191 | 3,482 | 3,835 | 4,432 | 5,083 | 5,677 | 6,007 | 6,620 |
| Interest expended         | 1,351 | 1,327 | 1,383 | 1,534 | 1,668 | 1,980 | 2,221 | 2,536 |
| Net Interest Income       | 1,841 | 2,155 | 2,451 | 2,897 | 3,416 | 3,697 | 3,785 | 4,085 |
| Change (%)                | 10    | 17    | 14    | 18    | 18    | 8     | 2     | 8     |
| Other Income              | 47    | 49    | 21    | 3     | 18    | 104   | 77    | 70    |
| Change (%)                | 152   | 4     | (57)  | (86)  | 528   | 472   | (27)  | (9)   |
| Total Net Income          | 1,888 | 2,204 | 2,473 | 2,900 | 3,434 | 3,801 | 3,862 | 4,155 |
| Change (%)                | 12    | 17    | 12    | 17    | 18    | 11    | 2     | 8     |
| Operating Expenses        | 724   | 909   | 1,049 | 1,136 | 1,362 | 1,499 | 1,509 | 1,610 |
| Change (%)                | 13    | 26    | 15    | 8     | 20    | 10    | 1     | 7     |
| >> Employee Expenses      | 271   | 412   | 513   | 550   | 704   | 839   | 815   | 850   |
| Change (%)                | 18    | 52    | 25    | 7     | 28    | 19    | (3)   | 4     |
| >> Other Expenses         | 424   | 455   | 499   | 551   | 626   | 474   | 470   | 528   |
| Pre-provisioning Profit   | 1,164 | 1,295 | 1,423 | 1,764 | 2,071 | 2,302 | 2,353 | 2,545 |
| Change (%)                | 11    | 11    | 10    | 24    | 17    | 11    | 2     | 8     |
| Provisions                | 384   | 454   | 616   | 911   | 1,054 | 782   | 790   | 802   |
| Change (%)                | (0)   | 18    | 36    | 48    | 16    | (26)  | 1     | 1     |
| PBT                       | 780   | 841   | 807   | 854   | 1,018 | 1,520 | 1,562 | 1,743 |
| Tax                       | 259   | 283   | 277   | 298   | 353   | 531   | 543   | 610   |
| Profit After Tax          | 521   | 558   | 530   | 556   | 665   | 989   | 1,019 | 1,133 |
| Change (%)                | 16    | 7     | (5)   | 5     | 20    | 49    | 3     | 11    |
| Adjusted Profit After Tax | 521   | 558   | 530   | 556   | 665   | 989   | 1,019 | 1,133 |
| Change (%)                | 16    | 7     | (5)   | 5     | 20    | 49    | 3     | 11    |

## Financial Details

## Key Ratios

Fig in Rs Cr

| Y/E March                    | FY14  | FY15  | FY16  | FY17  | FY18  | FY19  | FY20E | FY21E |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Balance Sheet Metrics</b> |       |       |       |       |       |       |       |       |
| AUM                          | 14668 | 16717 | 19577 | 23132 | 27461 | 29582 | 32540 | 35794 |
| >> Off-Book AUM              | 1793  | 827   | 436   | 171   | 1674  | 2593  | 2852  | 3137  |
| AUM Growth (%)               | (7.3) | 14.0  | 17.1  | 18.2  | 18.7  | 7.7   | 10.0  | 10.0  |
| Borrowing Growth (%)         | (5.3) | 2.9   | 16.2  | 18.3  | 19.8  | 10.5  | 13.2  | 11.8  |
| Loan/Borrowing (%)           | 1.1   | 1.3   | 1.3   | 1.3   | 1.3   | 1.2   | 1.2   | 1.1   |
| Disbursement (Rs Cr)         | 4454  | 4668  | 5222  | 6245  | 6632  | 6610  | 7159  | 7875  |
| Disbursement Growth (%)      | 1.0   | 19.9  | 3.7   | 1.4   | (6.3) | (5.3) | (2.8) | (1.6) |
| CRAR (%)                     | 26    | 29    | 27    | 24    | 21    | 23    | 25    | 25    |
| >> Tier 1 (%)                | 20.2  | 24.8  | 23.8  | 22.3  | 20.6  | 22.8  | 23.6  | 23.8  |
| >> Tier 2 (%)                | 5.9   | 4.2   | 2.8   | 1.7   | 0.8   | 0.4   | 1.2   | 1.1   |
| Debt/Equity(x)               | 4.2   | 3.0   | 3.2   | 3.4   | 3.7   | 3.5   | 3.5   | 3.5   |

## Assets Quality Metrics

|                                 |     |     |     |      |      |      |      |      |
|---------------------------------|-----|-----|-----|------|------|------|------|------|
| Gross NPA (Rs)                  | 340 | 491 | 980 | 1537 | 2464 | 2577 | 2603 | 2864 |
| Gross NPA (%)                   | 2.7 | 3.1 | 5.2 | 6.7  | 9.4  | 8.9  | 8.0  | 8.0  |
| Net NPA (Rs)                    | 76  | 107 | 297 | 410  | 938  | 1453 | 781  | 859  |
| Net NPA (%)                     | 0.6 | 0.7 | 1.6 | 1.8  | 5.0  | 5.0  | 2.4  | 2.4  |
| Specific Provision Coverage (%) | 78  | 78  | 70  | 73   | 62   | 44   | 70   | 70   |
| Provision/Average Advances (%)  | 2.5 | 2.9 | 3.4 | 4.3  | 4.2  | 2.7  | 2.5  | 2.3  |

## Margin Metrics

|                       |      |      |      |      |      |      |      |      |
|-----------------------|------|------|------|------|------|------|------|------|
| Yield On Advances (%) | 20.9 | 22.2 | 21.1 | 20.8 | 20.1 | 19.9 | 19.3 | 19.4 |
| Cost Of Funds (%)     | 10.9 | 10.9 | 10.3 | 9.8  | 8.6  | 8.9  | 9.2  | 9.4  |
| Spread (%)            | 10.0 | 11.3 | 10.8 | 11.0 | 11.5 | 11.0 | 10.1 | 10.0 |
| NIM on AUM (%)        | 12.1 | 13.7 | 13.5 | 13.6 | 13.5 | 13.0 | 12.2 | 12.0 |

## Profitability &amp; Efficiency Metrics

|                                 |      |      |      |      |      |      |      |      |
|---------------------------------|------|------|------|------|------|------|------|------|
| Int. Expense/Int.Income (%)     | 42.3 | 38.1 | 36.1 | 34.6 | 32.8 | 34.9 | 37.0 | 38.3 |
| Other Income/NII (%)            | 2.6  | 2.3  | 0.9  | 0.1  | 0.5  | 2.8  | 2.0  | 1.7  |
| Operating Profit/Net Income (%) | 61.7 | 58.7 | 57.6 | 60.8 | 60.3 | 60.6 | 60.9 | 61.3 |
| Net Profit/Net Income (%)       | 27.6 | 25.3 | 21.4 | 19.2 | 19.4 | 26.0 | 26.4 | 27.3 |
| Cost to Income (%)              | 38.3 | 41.3 | 42.4 | 39.2 | 39.7 | 39.4 | 39.1 | 38.7 |
| Employee Exp/Net Income (%)     | 14.3 | 18.7 | 20.8 | 19.0 | 20.5 | 22.1 | 21.1 | 20.4 |
| Cost on Average Assets (%)      | 4.4  | 5.3  | 5.4  | 5.0  | 5.3  | 5.3  | 4.8  | 4.5  |
| Provision/PPP (%)               | 33.0 | 35.0 | 43.3 | 51.6 | 50.9 | 34.0 | 33.6 | 31.5 |
| Tax Rate (%)                    | 33.2 | 33.6 | 34.3 | 34.9 | 34.7 | 35.0 | 34.8 | 35.0 |

## Valuation Ratio Metrics

|                     |      |       |       |      |      |      |      |      |
|---------------------|------|-------|-------|------|------|------|------|------|
| EPS (Rs)            | 88   | 85    | 80    | 84   | 101  | 150  | 154  | 172  |
| Change (%)          | 8.4  | (3.7) | (5.1) | 4.9  | 19.5 | 49   | 3.0  | 11.2 |
| ROAE (%)            | 20.3 | 15.9  | 12.3  | 11.7 | 12.6 | 16.6 | 15.0 | 15.7 |
| ROAA (%)            | 3.2  | 3.2   | 2.7   | 2.5  | 2.6  | 3.5  | 3.2  | 3.1  |
| Dividend Payout (%) | 11.4 | 17.7  | 18.7  | 17.8 | 17.9 | 14.7 | 14.9 | 13.4 |
| Dividend yield (%)  | 0.9  | 0.8   | 1.0   | 0.7  | 0.8  | 1.2  | 1.6  | 1.6  |
| DPS                 | 10.0 | 15.0  | 15.0  | 15.0 | 18.0 | 22.0 | 23.0 | 23.0 |
| Book Value(Rs)      | 489  | 622   | 684   | 763  | 842  | 968  | 1096 | 1240 |
| Change (%)          | 21   | 27    | 10    | 11   | 10   | 15   | 13   | 13   |
| P/B (X)             | 2.3  | 3.2   | 2.2   | 3.0  | 2.5  | 1.9  | 1.3  | 1.1  |
| P/E (X)             | 12.5 | 23.2  | 18.7  | 27.3 | 21.2 | 12.4 | 9.1  | 8.2  |

## Financial Details

## Exhibit: DuPont Analysis

|                                   | FY14        | FY15        | FY16        | FY17        | FY18        | FY19        | FY20E       | FY21E       |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>Interest Income</i>            | 19.6        | 20.2        | 19.7        | 19.5        | 19.6        | 20.0        | 18.9        | 19.5        |
| <i>Interest expended</i>          | 8.3         | 7.7         | 7.1         | 6.8         | 6.4         | 7.0         | 7.0         | 7.5         |
| <i>Net Interest Income</i>        | <b>11.3</b> | <b>12.5</b> | <b>12.6</b> | <b>12.8</b> | <b>13.2</b> | <b>13.0</b> | <b>11.9</b> | <b>12.0</b> |
| <i>Non-Fund Based Income</i>      | 0.3         | 0.3         | 0.1         | 0.0         | 0.1         | 0.4         | 0.2         | 0.2         |
| <i>Total Income</i>               | 11.6        | 12.8        | 12.7        | 12.8        | 13.2        | 13.4        | 12.2        | 12.2        |
| <i>Total Operating Expenses</i>   | 4.4         | 5.3         | 5.4         | 5.0         | 5.3         | 5.3         | 4.8         | 4.7         |
| <i>&gt;&gt; Employee Expenses</i> | 1.7         | 2.4         | 2.6         | 2.4         | 2.7         | 3.0         | 2.6         | 2.5         |
| <i>&gt;&gt; Other Expenses</i>    | 2.8         | 2.9         | 2.8         | 2.6         | 2.5         | 2.3         | 2.2         | 2.2         |
| <i>Operating Profit</i>           | 7.1         | 7.5         | 7.3         | 7.8         | 8.0         | 8.1         | 7.4         | 7.5         |
| <i>Provisions</i>                 | 2.4         | 2.6         | 3.2         | 4.0         | 4.1         | 2.8         | 2.5         | 2.4         |
| <i>Others</i>                     |             |             |             |             |             |             |             |             |
| <i>PBT</i>                        | 4.8         | 4.9         | 4.1         | 3.8         | 3.9         | 5.4         | 4.9         | 5.1         |
| <i>Tax</i>                        | 1.6         | 1.6         | 1.4         | 1.3         | 1.4         | 1.9         | 1.7         | 1.8         |
| <b>PAT/RoAA</b>                   | <b>3.2</b>  | <b>3.2</b>  | <b>2.7</b>  | <b>2.5</b>  | <b>2.6</b>  | <b>3.5</b>  | <b>3.2</b>  | <b>3.3</b>  |
| <i>Equity Multiplier (x)</i>      | 6.3         | 4.9         | 4.5         | 4.8         | 4.9         | 4.7         | 4.7         | 4.7         |
| <b>ROAE</b>                       | <b>20.3</b> | <b>15.9</b> | <b>12.3</b> | <b>11.7</b> | <b>12.6</b> | <b>16.6</b> | <b>15.0</b> | <b>15.7</b> |



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