

India Equity Analytics

Results Preview Q1FY20 - NBFC



Analyst

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CMP 3698
Target 3221
Upside -13%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	20.3%	22.5%	23.5%	24.3%
Roa%	3.6%	3.8%	3.7%	3.7%
Div Yield%	0.2%	0.1%	0.2%	0.2%
Book Value	287	342	427	537
P/B	6.2	10.8	8.7	6.9

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	82,422	115,889	150,656	195,852	93,314	115,889	125,974
<i>AUM Growth%</i>	37%	41%	30%	30%	35%	41%	35%
Borrowings	64,481	101,588	131,005	170,306	67,425	86,352	109,543
<i>Borrowings Growth%</i>	31%	58%	29%	30%	26%	40%	62%
GNPA%	1.5%	1.5%	1.6%	1.5%	1.4%	1.5%	1.6%
NNPA%	0.4%	0.6%	0.5%	0.5%	0.4%	0.6%	0.5%
Net Income	8,143	11,878	15,274	19,632	2,578	3,395	3,485
<i>Net Inc. Gr%</i>	31%	46%	29%	29%	46%	50%	35%
Opex	3,269	4,198	5,263	6,778	954	1,174	1,195
<i>Opex Growth%</i>	27%	28%	25%	29%	28%	31%	25%
Pre-provision Profit	4,874	7,681	10,011	12,855	1,624	2,221	2,290
<i>PPP Gr%</i>	34%	58%	30%	28%	60%	61%	41%
<i>Provisions</i>	1,030	1,501	1,997	2,509	327	409	453
Net Profits	2,496	3,995	5,209	6,725	836	1,176	1,194
<i>Profit Gr%</i>	36%	60%	30%	29%	81%	57%	43%
NIM% (Cal.)	11.4%	12.0%	11.4%	11.2%	12.6%	13.0%	12.2%
Cost to Income%	40%	35%	34%	35%	37%	35%	34%

Conso/Fig in Rs Cr

❑ PAT is expected to grow strongly at 43% YoY led by healthy AUM growth and stable margins. Normalization of liquidity and easing cost pressure will further support the margins. Moderating operating expenses will also boost the profitability going ahead.

❑ AUM growth is expected at 35% YoY led by strong growth in consumer finance and rural lending. Management is targeting 8-10% market share in home loan business over next few years. Strong parentage support and AAA credit rating will help BAF to take borrowings comfortably despite the liquidity issue in the market.

❑ Assets quality is expected to remain stable with stage 3 assets around 1.5%. With 60% ECL cover on stage 3 assets, credit cost is expected to remain at normal level of 1.5% in 1Q FY20. IL&FS exposure is fully recognized as NPA.

Key Trackable this Quarter

- ❑ Management commentary on rural business outlook.
- ❑ Borrowing mix trend.

We value the stock at 6x P/BV FY21E. NEUTRAL

CANF IN

CMP 355
Target 421
Upside 19%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	24.1%	24.9%	18.2%	18.8%
Roa%	1.9%	2.1%	1.7%	1.8%
Div Yield%	0.1%	0.6%	0.6%	0.6%
Book Value	81	101	134	159
P/B	5.2	4.8	2.7	2.2

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	15,743	18,381	22,425	27,358	16,199	18,381	18,953
AUM Growth%	18%	17%	22%	22%	17%	17%	17%
Borrowings	13,925	16,694	20,573	25,099	14,272	16,694	17,230
Borrowings Growth%	17%	20%	23%	22%	16%	20%	21%
Disbursement (Rs Cr)	5,207	5,479	6,624	8,081	1,164	1,554	1,516
GNPA%	0.4%	0.6%	0.3%	0.3%	0.7%	0.6%	0.4%
NNPA%	0.2%	0.4%	0.2%	0.2%	0.4%	0.4%	0.3%
Net Interest Income	510	530	633	782	126	138	143
NII Gr	21%	4%	19%	24%	1%	5%	13%
Opex	88	92	108	127	20	33	24
Opex Growth%	10%	4%	18%	18%	-3%	27%	23%
Pre-provision Profit	453	471	569	709	114	118	128
PPP Gr	16%	4%	21%	25%	1%	5%	12%
Provisions	22	1	12	25	-	1	2
Net Profits	286	297	367	452	75	67	83
Profit Gr%	22%	4%	24%	23%	8%	-9%	10%
NIM% (Cal.)	3.5%	3.1%	3.1%	3.1%	3.3%	3.2%	3.2%
Cost to Income%	16.2%	16.3%	16.0%	15.2%	14.9%	21.7%	15.5%

Std/Fig in Rs Cr

❑ AUM growth is expected to improve mainly on account of lower balance transfers as the competition eases. We expect AUM growth of 17% YoY in 1Q FY20. Excluding KARNATAKA loan growth has improved significantly. Positive sanctions growth in KARNATAKA during 4Q FY20 signals improvement in growth going ahead.

❑ NIM is expected to improve as CANF has increased rates from 8.5% in March 2018 to 8.95% in April 2018 and then 9.5% in October 2018. CANFINHOME is into annual resetting of interest rate and hence now yields are expected to improve going ahead.

❑ Fee income which was impacted under IND-AS accounting is expected to get normalize from 1Q FY20. C/I ratio is expected to remain stable despite management plans to add 20 branches in FY20 as productivity of earlier opened branches will improve.

❑ MD & CEO of the company has resigned due to appointment in NHB. KARNATAKA which has around 30% loan book exposure of CANF, is facing severe water crisis. Government is mulling to ban construction activity for 5 years which can impact the growth going ahead.

Key Trackable this Quarter

❑ Fund raising plan.

❑ Growth improvement in KARNATAKA book.

We value the stock at 2.2x P/BV FY21E. BUY

CIFC IN

CMP **283**
Target **339**
Upside **20%**
Rating **BUY**

	FY18	FY19	FY20E	FY21E
Roe%	20.6%	20.9%	21.1%	21.1%
Roa%	2.8%	2.4%	2.3%	2.3%
Div Yield%	0.4%	0.4%	0.5%	0.5%
Book Value	329	395	96	116
P/B	4.4	3.7	3.0	2.4

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	42,879	54,279	65,135	76,208	45,097	54,279	55,019
AUM Growth%	25%	27%	20%	17%	30%	26%	22%
Borrowings	31,902	50,567	61,448	72,579	40,980	50,567	51,180
Borrowings Growth%	32%	59%	22%	18%	34%	32%	25%
Disbursement (Rs Cr)	25,119	30,451	34,847	40,838	7,014	8,893	7,703
GNPA%	2.9%	2.7%	2.7%	2.3%	3.6%	2.7%	2.8%
NNPA%	1.7%	1.7%	1.6%	1.4%	2.3%	1.7%	1.7%
Net Income	3,195	3,403	4,121	4,785	819	899	941
Net Inc. Gr%	33%	7%	21%	16%	23%	21%	15%
Opex	1,363	1,270	1,531	1,650	282	382	369
Opex Growth%	34%	-7%	21%	8%	22%	22%	31%
Pre-provision Profit	1,834	2,134	2,590	3,135	537	517	572
PPP Gr	29%	16%	21%	21%	24%	21%	7%
Provisions	350	311	407	482	98	56	96
Net Profits	974	1,186	1,441	1,750	285	292	314
Profit Gr%	35%	22%	21%	22%	36%	2%	10%
NIM% (Cal.)	8.3%	7.0%	6.9%	6.8%	8.0%	7.3%	7.3%
Cost to Income%	42.6%	37.3%	37.2%	34.5%	34.4%	42.5%	39.2%

Std/Fig in Rs Cr

❑ AUM growth is expected to slowdown in 1Q FY20 at 22% YoY mainly on account lackluster auto sales in the country. However, CHOLAFIN is well placed with the diversification of assets and geography to offset the slowdown as home equity is expected to pick up the growth of 15% YoY. CV portfolio is expected to pick up in 2nd half of the year due to BS VI implementation.

❑ Amid the liquidity issue CHOLAFIN has been able to pass on the cost burden. Management is also planning to increase the share of high yield assets which will help in NIM expansion going ahead. Growth improvement in home equity segment will further boost the margins.

❑ Assets quality has been continuously improving led by focus on collection efficiency. We don't expect any major impact on assets quality going ahead. Further SARFAESI under home equity segment will boost the recovery.

Key Trackable this Quarter

- ❑ Pickup in higher yield segment portfolio.
- ❑ Management commentary on competition outlook.

We value the stock at 2.9x P/BV FY21E. BUY

CREDAG IN

CMP 516
Target 532
Upside 3%
Rating HOLD

	FY18	FY19	FY20E	FY21E
Roe%	20.0%	15.9%	14.5%	14.0%
Roa%	4.9%	5.2%	4.8%	4.3%
Div Yield%	-	-	-	-
Book Value	112	182	210	242
P/B	4.5	2.8	2.4	2.1

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	4,975	7,034	8,441	9,791	5,468	7,034	7,436
<i>AUM Growth%</i>	62%	41%	20%	16%	46%	41%	36%
Borrowings	3,603	4,886	6,594	7,896	4,090	4,886	5,312
<i>Borrowings Growth%</i>	35%	36%	35%	20%	32%	36%	30%
Disbursement (Rs Cr)	1,911	3,272	9,502	11,206	1,616	3,272	2,231
GNPA%	2.0%	0.6%	1.0%	1.0%	0.9%	0.6%	0.5%
NNPA%	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.1%
Net Interest Income	506	802	1,036	1,176	186	210	240
<i>NII Gr</i>	34%	58%	29%	14%	181%	28%	29%
Opex	203	294	388	437	62	82	90
<i>Opex Growth%</i>	27%	45%	32%	13%	84%	35%	45%
Pre-provision Profit	315	573	711	808	126	151	165
<i>PPP Gr</i>	40%	82%	24%	14%	258%	40%	31%
<i>Provisions</i>	(13)	75	85	110	14	34	20
Net Profits	213	322	407	454	72	76	94
<i>Profit Gr%</i>	182%	51%	26%	11%	798%	6%	31%
NIM% (Cal.)	12.6%	13.4%	13.4%	12.9%	16.2%	13.8%	14.6%
Cost to Income%	39.2%	33.9%	35.3%	35.1%	33.0%	35.2%	35.4%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

□ NII is expected to grow at 29% on the back of strong AUM growth. PAT growth stood at 31% YoY.

□ NIM is expected remain slightly under pressure as the incremental portfolio is at a lower rate than previous year as well as rise in direct assignment book. CREDITACC is not much affected by the liquidity issue, its present sanctions standss at Rs 1172 Cr.

□ AUM growth is expected to decline to 36% due to base effect as well as slowdown in rural portfolio.

□ Credit cost is expected to decline as management has already accounted incremental provision for new ECL method taken more aggressive approach it has categories stage 2 as more than 15 days & stage 3 as more than 60 days. Credit cost is expected to remain within 1%. Exposure to Odisha stood at Rs 40 Cr with presence limited to the affected areas. With strong collection efficiency of 98.9%, GNPA is expected to remain steady going ahead.

□ C/I ratio is expected to remain high as management set up branches in the first half of FY20.

Key Trackable this Quarter

- Rise in the Cost of Borrowings
- Strong disbursement growth will be key trackables

We value the stock at 2.2x P/BV FY21E. HOLD

HDFC IN

CMP 2247
Target 2217
Upside -1%
Rating HOLD

	FY18	FY19	FY20E	FY21E
Roe%	20.9%	13.5%	13.6%	14.9%
Roa%	3.0%	2.2%	2.2%	2.5%
Div Yield%	0.9%	0.8%	0.8%	1.0%
Book Value	389	449	490	536
P/B	4.7	4.4	4.6	4.2

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	399,511	461,913	531,200	608,224	419,503	461,913	482,428
AUM Growth%	18%	16%	15%	15%	18%	15%	15%
Borrowings	320,656	365,266	422,930	482,717	332,526	365,266	384,099
Borrowings Growth%	14%	14%	16%	14%	16%	14%	16%
GNPA%	1.1%	1.2%	1.4%	1.5%	1.2%	1.2%	1.3%
NNPA%	0.7%	0.7%	0.8%	1.1%	0.7%	0.7%	0.8%
Net Interest Income	9,624	11,457	14,325	17,374	2,749	3,139	3,275
NII Gr%	-3%	19%	25%	21%	21%	18%	19%
Opex	2,405	2,065	1,993	2,311	630	452	520
Opex Growth%	80%	-14%	-3%	16%	39%	-28%	-17%
Pre-provision Profit	15,305	14,054	16,198	19,120	3,090	4,089	4,213
PPP Gr	34%	-8%	15%	18%	41%	43%	36%
Provisions	2,115	935	1,168	1,135	20	398	413
Net Profits	10,959	9,632	10,972	13,129	2,190	2,862	2,774
Profit Gr%	47%	-12%	14%	20%	54%	27%	27%
Spread%	2.6%	2.7%	2.9%	3.0%	2.8%	2.9%	2.9%
Cost to Income%	13.6%	12.8%	11.0%	10.8%	16.9%	10.0%	11.0%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to grow at 19% YoY in 4QFY19, NII growth is expected to be driven by margin expansion. AUM growth is expected to still remain under pressure with 15% YoY in 1QFY20 driven by individual segment while we remain cautious on the non individual segment growth.

❑ NIM is expected to expand going ahead, driven by fall in marginal Cost of borrowing while Management has altogether taken 70 bps hikes in PLR from April which is expected to effect in portfolio yield as it resets.

❑ Given the strong relationship, HDFC has been able to raise money from various sources and comfortably managing the ALM. However it has also resulted in slightly higher rates for funds.

❑ HDFC's GNPA has been improving with strong collection efficiency in non individual segment while the GNPA in individual segment has slightly deteriorated we remain cautious on the asset quality front amid real estate crisis.

❑ Other Income is expected to boost PAT as final dividend income from HDFCBANK has been declared at Rs 15, HDFC AMC dividend per share is Rs 12 & GRUH has announced Rs 2 dividend per share.

Key Trackable this Quarter

- ❑ Growth may slow down as management is cautious on incremental growth rate.
- ❑ We remain cautious on asset quality amid real estate stress.

We value the stock at 4.1x P/BV FY21E. HOLD

IHFL IN

CMP 622
Target 759
Upside 22%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	30.5%	27.4%	25.3%	25.5%
Roa%	3.3%	3.1%	3.3%	3.6%
Div Yield%	4.2%	5.9%	6.7%	8.1%
Book Value	315	386	437	489
P/B	3.9	1.7	1.5	1.4

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	122,600	120,525	142,220	167,819	125,963	120,525	122,184
<i>AUM Growth%</i>	34%	-2%	18%	18%	33%	-1%	-3%
Borrowings	110,260	104,988	120,525	142,220	115,990	104,988	106,247
<i>Borrowings Growth%</i>	29%	-5%	15%	18%	31%	-5%	-8%
Disbursement (Rs Cr)	48,060	32,231	51,371	60,617	10,044	7,300	8,553
GNPA%	0.8%	0.9%	0.8%	0.8%	0.8%	0.9%	0.9%
NNPA%	0.3%	0.7%	0.8%	0.7%	0.6%	0.7%	0.9%
Total Net Income	6,949	7,302	7,700	8,731	1,736	1,835	1,970
<i>Net Income Gr</i>	31%	5%	5%	13%	20%	-1%	13%
Opex	951	1,120	1,128	1,279	269	244	289
<i>Opex Growth%</i>	29%	18%	1%	13%	44%	9%	7%
Pre-provision Profit	5,998	6,182	6,572	7,452	1,467	1,592	1,681
<i>PPP Gr</i>	32%	3%	6%	13%	16%	-2%	15%
Provisions	1,120	578	605	696	65	164	152
Net Profits	3,895	4,091	4,445	5,031	1,055	1,006	1,139
<i>Profit Gr%</i>	34%	5%	9%	13%	30%	-7%	8%
NIM% (Cal.)	4.5%	4.8%	4.6%	4.2%	5.5%	6.3%	6.0%
Cost to Income%	13.7%	15.3%	14.7%	14.7%	15.5%	13.3%	14.7%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

- ❑ Net income is expected to grow at 13% YoY whereas PAT is expected to grow by 8%.
- ❑ IBULHSGFIN has handled liquidity crisis successfully and has been able to maintain NIM. We expect margin to remain steady with rising share of low cost foreign borrowings.
- ❑ Disbursement has normalised after a quarter of liquidity crisis. We expect disbursement to remain subdued as real estate sector is still under stress. Although Management is confident of Rs 10000 Cr disbursement in 1Q FY20. The focus will be on housing loans and SME book, while CRE exposure will be curtailed given impending merger with LVB.
- ❑ C/I are expected to trend on a higher range because of lower fee income resulted from muted disbursement. However management has guided for C/I ratio to improve by 70-100 bps in FY20.
- ❑ We remain cautious on the asset quality front due to rise in defaults by the developers. Management stated that it received an instalment of Rs 20-25 Cr on its Palais Royale loan and is now initiating SARFAESI to take over the project.

Key Trackable this Quarter

- ❑ Asset Quality trend going ahead.
- ❑ Disbursement & AUM growth outlook

We value the stock at 1.5x P/BV FY21E. BUY

INDOSTAR IN

CMP 364
Target 411
Upside 13%
Rating HOLD

	FY18	FY19	FY20E	FY21E
Roe%	10.6%	10.0%	10.1%	12.5%
Roa%	3.3%	2.6%	2.3%	2.5%
Div Yield%	-	0.3%	0.5%	0.5%
Book Value	266	328	361	406
P/B	0.0	1.1	1.0	0.9

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	6,060	11,735	14,669	18,336	7,470	11,735	12,326
<i>AUM Growth%</i>	32.1%	94%	25%	25%	79%	94%	65%
Borrowings	4,602	8,936	12,123	15,280	5,335	8,936	9,861
<i>Borrowings Growth%</i>	36%	94%	36%	26%	0%	94%	85%
Disbursement	2,174	2,028	2,200	2,750	2,252	2,028	2,465
GNPA%	1.3%	2.6%	2.0%	2.0%	1.2%	2.6%	2.4%
NNPA%	1.1%	1.7%	1.7%	1.8%	1.0%	1.7%	2.1%
Net Interest Income	461	616	910	1,165	109	167	194
<i>NII Gr</i>	14%	33%	48%	28%	0%	43%	77%
Opex	141	207	356	427	58	47	57
<i>Opex Growth%</i>	99%	46%	72%	20%	0%	29%	51%
Pre-provision Profit	320	409	555	739	65	110	126
<i>PPP Gr</i>	-4%	28%	36%	33%	0%	51%	94%
<i>Provisions</i>	(4)	16	71	69	7	(6)	10
Net Profits	212	255	320	442	38	71	77
<i>Profit Gr%</i>	1%	20%	25%	38%	0%	53%	103%
NIM% (Cal.)	8.7%	6.9%	6.9%	7.1%	7.6%	7.7%	7.8%
Cost to Income%	31%	34%	39%	37%	41%	34%	35%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII growth is expected to grow at the rate of 16% QoQ mainly driven by the acquisition of the CV portfolio by the IIFL. PAT is expected to grow at the rate of 8% QoQ.

❑ NIM pressure is expected to improve with the rising share of high yielding vehicle finance segment in the portfolio. Blended yield (including used and new vehicles) is between 16-17%. However management is getting incremental funding at a higher rate so margin pressure is expected in the near term.

❑ AUM growth on the old portfolio is expected to remain sluggish on a QoQ basis on the back of liquidity issue. AUM is expected to grow at the rate of 65% due to acquisition of Rs 3620 Cr of CV portfolio from IIFL .

❑ GNPA of the portfolio has increased to 2.6% level on acquisition of the IIFL CV portfolio, but INDOSTAR has loss protection clause with IIFL which management expects is sufficient to protect provisioning, thus we expect credit cost to remain at a lower range going ahead.

❑ INDOSTAR is expected to build 161 branches in FY20 so we expects C/I ratio to trend on the higher range of 35-40% going ahead.

Key Trackable this Quarter

❑ Cost of incremental funding

❑ Operating expenditure hike due to opening of CV branches

We value the stock at 1x P/BV FY21E. HOLD

LTFH IN

CMP 117
Target 134
Upside 15%
Rating ACCUMULATE

	FY18	FY19	FY20E	FY21E
Roe%	13.3%	18.9%	21.1%	20.4%
Roa%	1.6%	2.3%	2.5%	2.5%
Div Yield%	0.5%	0.7%	0.7%	0.7%
Book Value	57	61	75	90
P/B	2.7	2.5	2.0	1.7

	FY18	FY19E	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	83,654	99,122	114,982	133,379	86,570	99,122	100,421
<i>AUM Growth%</i>	26%	18%	16%	16%	24%	16%	16%
Borrowings	71,577	91,507	106,464	123,499	77,242	91,507	92,983
<i>Borrowings Growth%</i>	30%	28%	16%	16%	21%	28%	20%
Disbursement	22,664	12,774	13,157	13,552	15,603	12,774	15,915
GNPA%	4.8%	5.9%	5.8%	5.8%	7.9%	5.9%	5.6%
NNPA%	2.3%	2.4%	2.3%	2.3%	3.2%	2.4%	2.2%
Net Interest Income	4,640	6,055	5,618	6,621	1,018	1,226	1,315
<i>NII Gr</i>	53%	30%	-7%	18%	60%	26%	29%
Opex	1,423	2,305	2,407	2,864	499	565	558
<i>Opex Growth%</i>	12%	62%	4%	19%	40%	27%	12%
Pre-provision Profit	3,394	4,137	5,045	6,003	1,141	987	1,170
<i>PPP Gr</i>	27%	22%	22%	19%	42%	16%	3%
Provisions	1,948	1,085	1,164	1,472	411	237	274
Net Profits	1,278	2,232	2,872	3,352	540	552	663
<i>Profit Gr%</i>	23%	75%	29%	17%	59%	106%	23%
NIM% (Cal.)	6.1%	6.6%	5.2%	5.3%	5.2%	5.6%	5.9%
Cost to Income%	29.5%	35.8%	32.3%	32.3%	30.4%	36.4%	32.3%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑ NII is expected to grow at a rate of 29% YoY driven by healthy AUM growth of 16% YoY. PAT is expected to grow at the rate of 17% YoY.

❑ NIM pressure is expected to ease out as the share of high yield portfolio increase (Rural segemnt). The incremental CoF is expected to decline as management incrementally have shifted its preference to ECB fund & masala bond to keep the CoB low as well as to diversify the funding for better ALM management.

❑ AUM growth is expected to be at the rate of 16% majorly driven by rural & housing segment. Whole sale growth rate is expected to remain little sluggish due to liquidity crisis & stress in real estate as well as conscious efforts of management to decline the share of wholesale in the portfolio to 40%(presently 51%).

❑ It has Rs 1800 Cr exposure to IL&FS 'Amber' accounts where the principal is entirely protected , therefore no provision is made on its behalf. Thus we expect credit cost to remain in lower range as theres is rise in collection efficiency across segments..

Key Trackable this Quarter

- ❑ Inadequacy of provision of IL&FS exposure
- ❑ Growth in Rural & Housing Segment will be important

We value the stock at 1.48x P/BV FY21E. ACCUMULATE

CMP **565**
Target **641**
Upside **13%**
Rating **BUY**

	FY18	FY19	FY20E	FY21E
Roe%	15.8%	15.9%	16.1%	17.1%
Roa%	1.2%	1.3%	1.3%	1.4%
Div Yield%	1.3%	1.4%	1.5%	1.5%
Book Value	282	322	369	427
P/B	1.9	1.7	1.5	1.3

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	166,363	194,646	225,789	259,658	168,652	194,646	197,323
<i>AUM Growth%</i>	15%	17%	16%	15%	15%	16%	17%
Borrowings	145,339	170,629	198,933	228,773	147,735	170,629	173,090
<i>Borrowings Growth%</i>	15%	17%	17%	15%	14%	17%	17%
Disbursement (Rs Cr)	49,385	55,293	65,678	76,648	9,594	18,649	12,037
GNPA%	0.8%	1.5%	1.6%	1.5%	1.2%	1.5%	1.6%
NNPA%	0.4%	1.1%	1.0%	0.9%	0.0%	1.1%	1.1%
Net Interest Income	3,522	4,269	5,287	6,214	980	1,201	1,222
<i>NII Gr</i>	-3%	21%	24%	18%	7%	21%	25%
Opex	440	473	645	753	85	166	140
<i>Opex Growth%</i>	-28%	8%	37%	17%	-37%	-26%	65%
Pre-provision Profit	3,257	3,998	4,906	5,771	949	1,091	1,143
<i>PPP Gr</i>	1%	23%	23%	18%	11%	24%	20%
Provisions	492	618	800	714	161	105	171
Net Profits	2,003	2,431	2,812	3,439	567	693	680
<i>Profit Gr%</i>	4%	21%	16%	22%	18%	17%	20%
NIM% (Cal.)	2.5%	2.5%	2.7%	2.7%	2.4%	2.7%	2.6%
Cost to Income%	11.9%	10.6%	11.6%	11.5%	8.2%	13.2%	10.9%

Std/Fig in Rs Cr

❑ Total loan book is expected to grow around 17% YoY where as individual home loan book is expected to pick up the growth of around 12% YoY. Increase in branch network and employee will drive the individual home loan segment. Ease in competitions and low balance transfer cases will also boost the growth going ahead. Composition of loan book is likely to remain stable.

❑ Despite the liquidity issue, borrowing growth is expected at par with loan book of around 17%. Strong parentage support and high credit rating is likely to benefit LICHF in borrowings amid liquidity issue in the industry.

❑ Assets quality in individual segment has deteriorated in last one year, however with the focus of management in improving collection efforts is likely to yield results going ahead.

❑ With the increase in PLR rates by 70 bps in last fiscal, yields are likely to improve. Softening borrowing rates in the market will also benefit LICHF to improve NIM marginally going ahead. We expect calculated NIM in the range of 2.6-2.7% in 1Q FY20..

Key Trackable this Quarter

❑ Softening prepayment rates will be important.

❑ Pick up in individual loan segment.

We value the stock at 1.5x P/BV FY21E. BUY

MMFS IN

CMP 390
Target 525
Upside 35%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	13.4%	15.2%	15.0%	15.6%
Roa%	2.2%	2.6%	2.4%	2.5%
Div Yield%	1.0%	1.2%	1.3%	1.3%
Book Value	156	177	199	226
P/B	2.5	2.2	2.0	1.7

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	52,793	67,078	77,140	88,711	58,711	67,078	70,453
<i>AUM Growth%</i>	13%	27%	15%	15%	21%	27%	20%
Borrowings	39,556	53,112	61,222	70,969	42,887	53,112	55,475
<i>Borrowings Growth%</i>	14%	34%	15%	16%	22%	34%	36%
Disbursement (Rs Cr)	37,773	46,210	48,089	60,600	10,339	11,726	10,216
GNPA%	8.5%	5.9%	5.5%	5.3%	9.4%	5.9%	6.5%
NNPA%	3.8%	4.8%	4.2%	4.0%	6.3%	4.8%	5.1%
Net Income	3,552	4,778	5,752	6,616	1,091	1,335	1,380
<i>Net Inc. Gr%</i>	7%	35%	20%	15%	45%	30%	27%
Opex	1,434	1,848	2,332	2,617	385	555	565
<i>Opex Growth%</i>	-1%	29%	26%	12%	18%	31%	47%
Pre-provision Profit	2,170	3,018	3,535	4,132	706	780	816
<i>PPP Gr</i>	12%	39%	17%	17%	66%	28%	16%
<i>Provisions</i>	568	635	858	987	294	(114)	275
Net Profits	1,011	1,557	1,740	2,044	269	588	351
<i>Profit Gr%</i>	153%	54%	12%	17%	34%	87%	31%
NIM% (Cal.)	7.0%	7.8%	8.0%	8.0%	8.3%	8.4%	8.3%
Cost to Income%	39.8%	38.0%	39.7%	38.8%	35.3%	41.6%	40.9%

Std/Fig in Rs Cr

❑ Due to auto industry slowdown and delay in monsoon in some part of the country, AUM growth is expected to moderate going ahead. We expect AUM growth of 20% (lower base) in 1Q FY20 as disbursement growth in passenger vehicle, tractor and SME is expected to get impacted. Management believes that if the OEMs grew by 6-7% then M&MFIN can grow by 10-12%.

❑ NIM is expected to remain stable due to the reduction in cost of fund recently. With expansion of branches into deeper rural geographies, operating expenses is likely to stay elevated in near term.

❑ With the improved rural cash flow and collection efficiency we don't expect any major headwinds in assets quality in near term, however we are watchful with the progression of monsoon.

Key Trackable this Quarter

❑ Management commentary on rural cashflow/distress.

❑ Margin performance due to slowdown in portfolio.

We value the stock at 2.3x P/BV FY21E. BUY

CMP 132
Target 144
Upside 9%
Rating HOLD

	FY18	FY19	FY20E	FY21E
Roe%	11.4%	12.9%	11.5%	12.6%
Roa%	1.5%	1.9%	1.8%	2.0%
Div Yield%	0.5%	0.6%	0.9%	0.9%
Book Value	83	102	113	127
P/B	1.8	1.2	1.1	1.0

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	15,555	17,029	19,243	21,744	15,966	17,029	17,563
<i>AUM Growth%</i>	-3%	9%	13%	13%	1%	8%	10%
Borrowings	9,829	12,185	15,645	17,823	11,844	13,401	14,163
<i>Borrowings Growth%</i>	-3%	24%	28%	14%	-3%	9%	20%
Disbursement (Rs Cr)	2,233	2,586	3,079	3,697	1,840	2,586	2,459
GNPA%	7.0%	4.8%	4.7%	4.7%	9.5%	4.8%	4.7%
NNPA%	5.2%	3.1%	3.0%	3.0%	4.4%	3.1%	3.0%
Net Interest Income	1,009	1,128	1,193	1,352	321	291	289
<i>NII Gr</i>	-9%	12%	6%	13%	9%	10%	-10%
Opex	605	684	680	712	167	172	169
<i>Opex Growth%</i>	-2%	13%	-1%	5%	15%	2%	1%
Pre-provision Profit	605	707	716	870	173	168	170
<i>PPP Gr</i>	-7%	17%	1%	21%	7%	9%	-2%
Provisions	316	265	227	269	85	41	52
Net Profits	235	303	332	408	68	85	80
<i>Profit Gr%</i>	1753%	29%	10%	23%	76%	7%	33%
NIM% (Cal.)	6.4%	6.9%	6.6%	6.6%	8.1%	7.0%	6.8%
Cost to Income%	50.0%	49.2%	48.7%	45.0%	49.1%	50.6%	49.8%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑ NII is expected to remain flat on steady pace mainly on the back of NIM contraction. PAT is expected to grow at the rate of 33% YoY.

❑ NIM is expected to be under pressure in the medium term as management expects CoF to further increase by 15-20 bps, while due to competitive pressure management is not able to pass on the rise in cost to the customer.

❑ AUM is expected to revive & grow at the rate of 10% YoY mainly on the back of upstick in demand due to implementation of BS-VI. Management is confident and guided for more than 20% disbursement on the back of product diversity, lower repayment rates & market share gains.

❑ Asset Quality is expected to decline as management continues to focus on improving on improving the asset quality 4% by FY20. The collection efficiency remains impeccable at more than 100%. There is a significant improvement in the early warning signal & management expects this trend to continue. Credit cost is expected to remain in 1.20% range in 1QFY20e.

❑ C/I ratio is expected to reduce as management is not planning to open any branches in FY20.

Key Trackable this Quarter

❑ Rise in the Cost of Borrowings

❑ Strong disbursement growth will be key trackables

We value the stock at 1.1x P/BV FY21E. HOLD

MGFL IN

CMP 136
Target 140
Upside 3%
Rating HOLD

	FY18	FY19	FY20E	FY21E
Roe%	18.9%	22.1%	20.9%	19.2%
Roa%	4.2%	4.9%	4.9%	4.7%
Div Yield%	0.5%	1.8%	1.8%	1.8%
Book Value	45	54	70	88
P/B	2.4	2.6	2.0	1.6

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	15,765	19,438	23,326	27,991	16,618	19,438	20,274
AUM Growth%	15%	23%	20%	20%	24%	23%	22%
Borrowings	12,607	15,295	18,811	22,574	11,027	12,743	13,338
Borrowings Growth%	34%	21%	23%	20%	27%	24%	21%
GNPA%	0.7%	0.5%	0.6%	0.6%	0.7%	0.5%	0.5%
NNPA%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Net Income	2,390	2,797	3,202	3,815	653	750	762
Net Inc. Gr%	8%	17%	14%	19%	9%	18%	17%
Opex	1,235	1,386	1,541	1,804	328	364	372
Opex Growth%	28%	12%	11%	17%	14%	16%	29%
Pre-provision Profit	1,214	1,473	1,729	2,093	325	386	390
PPP Gr	-5%	21%	17%	21%	5%	22%	20%
Provisions	177	46	71	151	15	6	15
Net Profits	677	922	1,088	1,270	198	257	244
Profit Gr%	-10%	36%	18%	17%	19%	43%	23%
NIM% (Cal.)	16.2%	15.9%	15.0%	14.9%	16.9%	16.1%	16.0%
Cost to Income%	50.4%	48.5%	47.1%	46.3%	50.2%	48.5%	48.9%

Conso/Fig in Rs Cr

❑ Due to change in assets mix towards lower yield assets, NIM is expected to decline gradually going ahead. However, change in norm relating to RWA by RBI, will be positive for MANAPPURAM going ahead. Net total income is expected to grow by 17% YoY.

❑ Cost to income ratio is expected to improve with operating expenses growing slower than the income growth. Management expects the C/I ratio to improve by 100-150 bps in FY20. Assets quality is likely to remain stable with no major issues any segment.

❑ AUM is expected to grow around 22% YoY led by healthy growth in non-gold loan portfolio. With the diversification of assets into micro finance, CV and home loan, management expects moderate growth of 10% in gold loan business going ahead. Management targets to reduce gold loan business share to 50% from current 67% over the next 3-4 years.

Key Trackable this Quarter

- ❑ Incremental cost of borrowings.
- ❑ Borrowing trend amid liquidity issue.

We value the stock at 1.6x P/BV FY21E. HOLD

MASFIN IN

CMP **610**
Target **640**
Upside **5%**
Rating **HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	18.8%	18.1%	18.3%	18.7%
Roa%	4.4%	4.8%	4.4%	4.7%
Div Yield%	0.3%	0.6%	0.2%	0.2%
Book Value	142	166	192	226
P/B	4.2	3.7	3.2	2.7

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	4,114	5,293	6,563	7,876	4,258	5,293	5,407
AUM Growth%	30.4%	29%	24%	20%	30%	29%	27%
Borrowings	1,785	2,603	3,335	4,067	1,919	2,603	2,748
Borrowings Growth%	18%	46%	28%	22%	12%	46%	43%
Disbursement	3,891	4,772	5,727	6,872	996	1,371	1,195
GNPA%	1.2%	1.2%	1.3%	1.4%	1.2%	1.2%	1.2%
NNPA%	0.9%	0.9%	0.9%	1.0%	1.0%	0.9%	0.8%
Net Interest Income	269	352	420	527	79	95	98
NII Gr	42%	31%	19%	25%	51%	18%	24%
Opex	73	77	93	122	18	19	21
Opex Growth%	20%	7%	20%	31%	-16%	54%	15%
Pre-provision Profit	208	288	342	423	61	80	80
PPP Gr	60%	39%	18%	24%	65%	21%	32%
Provisions	43	55	68	96	14	16	13
Net Profits	103	152	178	212	30	42	43
Profit Gr%	54%	47%	17%	19%	82%	29%	42%
NIM% (Cal.)	7.3%	7.1%	6.7%	7.0%	8.1%	8.0%	7.7%
Cost to Income%	26%	21%	21%	22%	20%	19%	21%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to grow at 24% in 1QFY20 with AUM growth of 27% YoY. AUM growth is expected to be driven by micro enterprise loans. PAT is expected to grow at the rate of 42% YoY.

❑ NIM is expected to remain under pressure as management has guided CoF to further increased by 50-75 bps going ahead. .

❑ AUM growth is expected to slow down from its high growth of 30% to 20% kind of range due to base effect. Due to liquidity issue MASFIN has been resorting to securitization & direct assignment for incremental growth of the portfolio. Management has guided 2W portfolio to grow at the rate of 20-25% going ahead.

❑ MASFIN has been able to maintain asset quality at 1.2% range. GNPA has been sequentially improving we expect the trend to continue further.

❑ C/I ratio is expected to trend on a higher range as management has plans to double the number of branches by FY20.

Key Trackable this Quarter

❑ Availability of Incremental funding to aid loan book growth.

❑ NIM contraction as management has not been able to pass on the hike in interest cost due to competition.

We value the stock at 2.82x P/BV FY21E. HOLD

MUTH

CMP 616
Target 705
Upside 14%
Rating ACCUMULATE

	FY18	FY19	FY20E	FY21E
Roe%	24.8%	22.4%	21.6%	20.9%
Roa%	5.8%	5.7%	5.7%	5.7%
Div Yield%	1.8%	1.2%	1.2%	1.2%
Book Value	196	245	294	352
P/B	2.1	2.6	2.2	1.8

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	29,138	34,246	39,383	44,897	30,997	34,246	35,646
AUM Growth%	7%	18%	15%	14%	11%	18%	15%
Borrowings	21,268	26,922	30,768	35,075	23,229	26,922	27,849
Borrowings Growth%	1%	27%	14%	14%	5%	27%	20%
GNPA%	7.0%	2.7%	2.0%	2.0%	2.9%	2.7%	2.7%
NNPA%	6.2%	0.9%	0.2%	0.2%	1.0%	0.9%	0.8%
Net Interest Income	4,335	4,641	5,301	6,036	1,124	1,269	1,264
NII Gr%	30%	7%	14%	14%	32%	6%	12%
Opex	1,317	1,539	1,566	1,701	374	455	401
Opex Growth%	27%	5%	14%	14%	20%	23%	7%
Pre-provision Profit	3,084	3,104	3,750	4,352	758	815	867
PPP Gr%	41%	1%	21%	16%	37%	-7%	14%
Provisions	240	28	165	210	3	20	39
Net Profits	1,778	1,972	2,330	2,692	492	512	538
Profit Gr%	51%	11%	18%	16%	43%	1%	9%
NIM% (Cal.)	15.4%	14.6%	14.4%	14.3%	15.5%	15.6%	15.0%
Cost to Income%	29.9%	33.2%	29.5%	28.1%	33.0%	35.8%	31.6%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to grow at the rate of 12% YoY which is expected to be mainly driven by better yield via stronger collection & lower discounts while PAT is expected to grow at the rate of 9%.

❑ NIM is expected to remain steady as MUTHOOTFIN has passed on 100 bps in borrowing cost were passed on to the customers. Management has guided spreads to be maintained in FY20.

❑ Amid the liquidity stress we have expected loan growth of 15% in 1QFY20e. However management has guided gold loan growth to be around at 16-20% in FY20. Overall loan book growth is expected to be at 20% in FY20. Management plans to increase the contribution of non-gold loans to 15% of consolidated of AUM.

❑ We have increased the credit cost of 1QFY20e to 30 bps, as management has guided stage III assets % to be fluctuating going ahead.

Key Trackable this Quarter

- ❑ Strong interest collection with lower discounts.
- ❑ Quantum of Stage 3 assets delinquency.

We value the stock at 2x P/BV FY21E. ACCUMULATE

POWF IN

CMP 129
Target 168
Upside 30%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	11.9%	17.3%	16.8%	17.4%
Roa%	1.6%	2.2%	2.0%	2.0%
Div Yield%	9.1%	5.8%	6.6%	6.6%
Book Value	140	164	167	188
P/B	0.6	0.8	0.8	0.7

	FY18	FY19E	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	278,914	314,666	355,573	401,797	284,849	314,666	321,879
<i>AUM Growth%</i>	14%	13%	13%	13%	13%	13%	13%
Borrowings	229,539	275,692	309,194	355,573	233,418	275,692	277,482
<i>Borrowings Growth%</i>	13%	20%	12%	15%	14%	20%	19%
Disbursement (Rs Cr)	26,852	22,544	24,890	32,144	12,981	22,544	19,313
GNPA%	9.6%	9.4%	8.0%	7.0%	9.6%	9.4%	9.2%
NNPA%	7.4%	4.6%	3.8%	3.4%	4.5%	4.6%	4.4%
Net Interest Income	8,874	9,608	10,973	12,509	2,074	2,679	2,695
<i>NII Gr</i>	-10%	8%	14%	14%	-17%	44%	30%
Opex	382	405	529	599	68	131	120
<i>Opex Growth%</i>	0%	6%	31%	13%	9%	-23%	75%
Pre-provision Profit	8,236	8,944	11,629	13,223	2,043	2,406	2,622
<i>PPP Gr</i>	-19%	9%	30%	14%	-19%	47%	28%
Provisions	2,391	(871)	828	935	2	(510)	199
Net Profits	4,387	6,953	7,237	8,232	1,373	2,118	1,623
<i>Profit Gr%</i>	106%	58%	4%	14%	22%	166%	18%
NIM% (Cal.)	3.4%	3.2%	3.3%	3.3%	3.1%	3.6%	3.5%
Cost to Income%	4%	4%	4%	4%	3%	5%	4%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

□ NII is expected to grow at the rate of 30% largely driven by healthy loan book growth & NIM expansion, as the share of operational asset has been continuously increasing in the portfolio. PAT is expected to grow at the 18% YoY.

□ NIM is expected to improve due to reduction in the incremental CoF which is mainly result of replacement high cost borrowings by low cost foreign borrowings in addition to the increasing share of operational project.

□ Management is optimistic about the growth prospects & has guided loan book to grow at the rate of more than 13% going ahead. The mix is expected to be more distributed towards T&D & renewal projects. Incrementally management is resorting to commissioned projects.

□ There is no further private asset in the stage 2 category. Going ahead we expect large number of provision reversal as restructuring projects get resolved. The projects under restructuring have already been provided up to 72% so going ahead not much credit cost is envisioned.

Key Trackable this Quarter

- Resolution of NPA cases (Dans Energy, Shiga Energy, SR Transmission & GMR Chhattisgarh).
- Incremental cost of foreign borrowings.

We value the stock at 0.9x P/BV FY21E. BUY

PNBHOUSI IN

CMP **767**
Target **932**
Upside **22%**
Rating **BUY**

	FY17	FY18	FY19E	FY20E
Roe%	13.9%	15.4%	16.8%	18.4%
Roa%	1.6%	1.5%	1.5%	1.5%
Div Yield%	0.4%	0.8%	0.8%	0.8%
Book Value	397	449	523	621
P/B	3.5	1.7	1.5	1.2

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	62,252	84,722	105,055	125,016	68,578	84,722	89,151
<i>AUM Growth%</i>	50%	36%	24%	19%	47%	36%	30%
Borrowings	54,268	72,362	89,791	107,772	60,440	72,362	76,198
<i>Borrowings Growth%</i>	52%	33%	24%	20%	53%	33%	26%
Disbursement (Rs Cr)	33,195	36,079	36,818	37,670	9,767	8,562	8,915
GNPA%	0.3%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%
NNPA%	0.3%	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%
Net Interest Income	1,585	1,930	2,617	3,376	424	558	583
<i>NII Gr</i>	87%	22%	36%	29%	25%	18%	38%
Opex	441	551	641	815	127	153	146
<i>Opex Growth%</i>	23%	25%	16%	27%	32%	2%	15%
Pre-provision Profit	1,511	1,767	2,335	2,985	389	557	526
<i>PPP Gr</i>	67%	17%	32%	28%	24%	21%	35%
Provisions	277	189	284	346	44	10	65
Net Profits	842	1,081	1,354	1,742	235	371	304
<i>Profit Gr%</i>	61%	28%	25%	29%	38%	47%	30%
NIM% (Cal.)	3.1%	2.6%	2.8%	2.9%	2.8%	2.9%	2.9%
Cost to Income%	22.6%	23.8%	21.5%	21.5%	24.5%	21.6%	21.7%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to grow at 38% YoY backed by healthy AUM growth of 30%. AUM growth is expected to be driven by Individual segment as well as lower balance transfer. PAT is expected to grow at 30% YoY.

❑ NIM pressure is expected to improve on the back of several interest rate hikes taken by the management as well as decline in the incremental borrowing for PNBHOUSING by 10-20 bps.

❑ AUM is expected to decline from its high 40% growth rate to 30% as at 1QFY20e. PNB Housing is facing moderation in disbursement growth however growth is well supported by lower repayment rates.

❑ We remain cautious on the asset quality front on the back of recent real estate crisis; however with superior credit underwriting management has been able to maintain almost NIL NPA on the wholesale book till 4QFY19.

Key Trackable this Quarter

❑ Delinquency in the Individual segment .

❑ Rise in incremental CoB as PNB Housing has exhausted it NHB refinance.

We value the stock at 1.5x P/BV FY21E. BUY

RECL IN

CMP 162
Target 200
Upside 23%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	13.5%	17.3%	17.9%	18.8%
Roa%	2.0%	2.1%	2.0%	2.1%
Div Yield%	7.3%	6.4%	6.9%	6.4%
Book Value	164	174	195	222
P/B	0.8	0.9	0.8	0.7

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	239,449	281,210	326,204	378,396	241,913	281,210	283,038
<i>AUM Growth%</i>	18.6%	17%	16%	16%	16%	17%	17%
Borrowings	198,791	239,286	281,210	326,204	200,225	239,286	243,998
<i>Borrowings Growth%</i>	19%	20%	18%	0%	19%	20%	22%
Disbursement (Rs Cr)	22,285	19,896	19,572	20,812	8,316	19,896	16,982
GNPA%	7.2%	7.2%	7.0%	6.0%	8.1%	7.2%	7.2%
NNPA%	5.7%	3.8%	3.6%	3.1%	4.3%	3.8%	3.7%
Net Interest Income	8,752	9,329	10,316	11,735	2,113	2,389	2,464
<i>NII Gr</i>	-8%	7%	11%	14%	-7%	25%	17%
Opex	356	489	635	736	124	111	128
<i>Opex Growth%</i>	1%	37%	30%	16%	-61%	7%	3%
Pre-provision Profit	8,181	8,341	9,670	11,566	2,243	1,652	1,949
<i>PPP Gr</i>	-18%	2%	16%	20%	6%	-25%	-13%
Provisions	2,297	240	357	522	132	18	49
Net Profits	4,420	5,764	6,519	7,731	1,469	1,256	1,330
<i>Profit Gr%</i>	-29%	30%	13%	19%	37%	50%	-9%
NIM% (Cal.)	4.0%	3.6%	3.4%	3.3%	3.7%	3.6%	3.6%
Cost to Income%	4%	6%	6%	6%	5%	6%	6%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII growth is expected to remain strong at 17% YoY largely driven by healthy AUM growth of 17% YoY. PAT is expected to grow at the rate of 6% QoQ..

❑ NIM is expected to remain under pressure due to high CoF & pressure in the yield (low yield renewables, operational projects). Yield is expected to improve as the GNPA has been continuously declining & the share of operational projects been improving

❑ AUM growth is expected to remain healthy as the sanctions number has remained strong. Disbursement has remained healthy backed by strong renewables segment. The growth is expected to be mainly driven by Transmission & Distribution segment followed by generation & renewable.

❑ The GNPA has been trending downwards for last 4 quarter; REC has witnessing provision reversal with resolution of the stressed asset. We expect this trend to continue & expect lower credit cost going ahead.

Key Trackable this Quarter

- ❑ NIM contraction due to rising share of T&D segment & Operational projects.
- ❑ Combined efficiency with REC & PFC merger

We value the stock at 0.8x P/BV FY21E. BUY

SATIN IN

CMP 292
Target 306
Upside 5%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	9.8%	19.8%	18.4%	17.3%
Roa%	1.4%	3.1%	2.9%	2.6%
Div Yield%	0.0%	0.0%	0.0%	0.0%
Book Value	185	235	273	325
P/B	2.2	1.2	1.1	0.9

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	5,757	7,067	8,834	11,042	6,026	7,067	7,533
<i>AUM Growth%</i>	42%	23%	25%	25%	43%	23%	25%
Borrowings	4,411	5,200	7,067	8,834	5,000	5,200	5,706
<i>Borrowings Growth%</i>	14%	18%	36%	25%	24%	18%	14%
Disbursement (Rs Cr)	6,386	6,021	5,676	7,966	1,333	2,083	1,507
GNPA%	4.4%	2.9%	1.5%	1.5%	3.9%	2.9%	3.1%
NNPA%	2.6%	1.3%	0.3%	0.3%	0.4%	1.3%	1.6%
Net Interest Income	480	634	883	1,015	174	195	199
<i>NII Gr</i>	102%	32%	39%	15%	40%	30%	14%
Opex	337	437	466	534	97	122	105
<i>Opex Growth%</i>	25%	30%	7%	14%	28%	32%	9%
Pre-provision Profit	160	368	417	481	77	75	93
<i>PPP Gr</i>	66%	130%	13%	16%	57%	31%	21%
<i>Provisions</i>	44	52	70	97	36	(12)	11
Net Profits	75	201	229	254	28	56	54
<i>Profit Gr%</i>	201%	169%	14%	11%	-133%	49%	98%
NIM% (Cal.)	9.8%	9.9%	11.1%	10.2%	13.2%	11.1%	11.8%
Cost to Income%	67.8%	54.3%	52.8%	52.6%	55.6%	62.1%	53.0%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII & PAT is expected to remain steady QoQ, majorly on the back subdued growth & NIM pressure.

❑ NIM is expected to remain under pressure with the declining share of high yielding portfolio.

❑ Operating expense is expected to grow at the rate of 9% YoY.

❑ AUM is expected to grow at the rate of 25% YoY as at 1QFY20e. Management remain cautious on the growth front by curtailing disbursement in few regions & grow only where the portfolio quality is stable.

❑ We remain cautious in the credit cost as Odisha loan book stood at 5% of the total portfolio with Rs 330 Cr portfolio. Management has guided it may take 2,3 months for situation to normalize. GNPA % is expected to remain elevated in 1QFY20e.

❑ C/I ratio is expected to improve with the rise in the operation efficiency.

Key Trackable this Quarter

❑ Disbursement growth will be important.

❑ Delinquency rate in the portfolio.

We value the stock at 0.9x P/BV FY20E. NEUTRAL

SCUF IN

CMP 1581
Target 1901
Upside 20%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	12.6%	16.6%	16.5%	17.0%
Roa%	2.6%	3.5%	3.5%	3.3%
Div Yield%	0.8%	1.2%	1.5%	1.5%
Book Value	842	968	1113	1274
P/B	2.5	1.9	1.4	1.2

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	27,461	29,582	34,019	39,122	27,461	29,582	30,207
<i>AUM Growth%</i>	19%	8%	15%	15%	13%	7%	10%
Borrowings	20,421	22,572	26,705	31,214	21,677	22,572	23,666
<i>Borrowings Growth%</i>	20%	11%	18%	17%	24%	5%	9%
Disbursement (Rs Cr)							
GNPA%	9.0%	8.7%	8.0%	8.0%	8.9%	8.7%	8.5%
NNPA%	3.4%	2.7%	2.4%	2.4%	3.4%	2.7%	2.6%
Net Interest Income	3,416	3,697	3,956	4,444	925	904	949
<i>NII Gr</i>	18%	8%	7%	12%	12%	8%	3%
Opex	1,362	1,499	1,574	1,751	368	365	379
<i>Opex Growth%</i>	20%	10%	5%	11%	15%	11%	3%
Pre-provision Profit	2,071	2,302	2,447	2,768	569	574	585
<i>PPP Gr</i>	17%	11%	6%	13%	13%	8%	3%
Provisions	1,054	782	704	852	215	183	149
Net Profits	665	989	1,133	1,245	229	251	283
<i>Profit Gr%</i>	20%	49%	15%	10%	15%	1041%	23%
NIM% (Cal.)	13.5%	13.0%	12.4%	12.2%	13.9%	12.5%	12.8%
Cost to Income%	40%	39%	39%	38.7%	40%	39%	39%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to remain steady due to slowdown in the AUM growth & margin pressure while PAT is expected to grow at the rate of 23% YoY on the back of lower provisioning.

❑ NIM is expected to remain under pressure due to pricing issue. However management is confident of decline in the cost of borrowings by 50 bps & maintaining NIM in the of 13% range.

❑ Management expects disbursement to normalize as there is an improvement in the liquidity scenario. Management has guided 20% growth in the SME segment while 15% growth in the two wheeler segment. However we remain cautious on the SME growth front & expect an 11% YoY loan growth as at 1QFY20e.

❑ As the Collection efficiency stood at 90% level. Management has guided credit cost to improve by 20-25 bps Thus we expect credit cost to decline to 2% as at 1QFY20 & PCR to improve as the LGD is coming down.

❑ Piramal enterprise has expressed its interest to sell its entire stake in Shriram Capital Limited, it holds 9.97% of stake in Shriram city union.

Key Trackable this Quarter

❑ Pricing pressure in the SME

❑ Contained collection efficiency at 90% level

We value the stock at 1.5x P/BV FY21E. BUY

SHTF IN

CMP 1054
Target 1214
Upside 15%
Rating BUY

	FY17	FY18	FY19E	FY20E
Roe%	13.1%	19.6%	16.9%	17.6%
Roa%	1.9%	2.5%	2.6%	2.7%
Div Yield%	0.9%	0.9%	1.0%	1.0%
Book Value	554	698	811	953
P/B	2.6	1.8	1.3	1.1

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	95,306	104,482	120,155	138,178	100,972	104,482	109,050
<i>AUM Growth%</i>	21%	9%	15%	15%	22%	9%	8%
Borrowings	63,320	87,968	100,129	115,148	85,300	87,968	90,875
<i>Borrowings Growth%</i>	19%	7%	14%	15%	19%	7%	7%
Disbursement (Rs Cr)	50,730	48,733	67,302	79,939	13,425	11,959	14,722
GNPA%	9.2%	8.4%	7.5%	7.5%	9.1%	8.4%	7.8%
NNPA%	2.8%	5.5%	5.0%	5.0%	6.1%	5.5%	5.1%
Net Interest Income	6,735	7,808	8,598	10,253	1,840	1,906	2,006
<i>NII Gr</i>	22%	15%	10%	19%	20%	3%	9%
Opex	1,489	1,750	1,929	2,252	437	429	449
<i>Opex Growth%</i>	21%	17%	10%	17%	31%	1%	3%
Pre-provision Profit	5,494	6,158	6,790	8,093	1,414	1,512	1,588
<i>PPP Gr</i>	26%	12%	10%	19%	16%	-6%	12%
Provisions	3,122	2,382	2,348	2,685	533	540	561
Net Profits	1,568	2,562	2,887	3,515	572	746	668
<i>Profit Gr%</i>	25%	4%	13%	22%	24%	-22%	17%
NIM% (Cal.)	7.7%	7.8%	7.7%	7.9%	7.9%	7.4%	7.6%
Cost to Income%	21.3%	22.1%	22.1%	21.8%	23.6%	22.1%	22.1%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to grow at the rate of 9% on back of liquidity pressure while PAT is expected to grow at the rate of 17% YoY as at 1QFY20.

❑ NIM is expected to remain under pressure due to higher CoB & yield pressure. Management has guided NIM would remain at present level, at around 7.2% level. Management is not expecting decrease in cost of fund for company going ahead.

❑ AUM growth is expected to slowdown to 8% YoY as at 1QFY20e. The slowdown in the commercial vehicle is expected majorly due to real estate stress which led to decline in bulk movement of cement, steel and sand & liquidity issue. Management expects demand to pick up in 2HFY20 due to pre demand of BS-VI implementation.

❑ Asset quality has been steadily improving as management cautious of the incremental portfolio; management has declined the LTV of the incremental disbursement.

❑ C/I ratio is expected to remain on the higher range as management has expansion plans to add around 250 branches and 3000 people this year also.

Key Trackable this Quarter

❑ Improvement in LGD & PD thus lower credit cost.

❑ Successfully passing of the interest rate to the customer.

We value the stock at 1.3x P/BV FY21E. BUY

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