

India Equity Analytics

Results Preview 4QFY20 - Capital Market &
NBFC

Narnolia®

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HDFCAMC IN

CMP 2448
Target 2703
Upside 10%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	36.3%	31.6%	30.3%	33.1%
Roa%	32.5%	28.8%	28.9%	31.1%
P/B	-	-	10.6	13.1
P/E	-	-	35	40
EV/Ebdita	-	-	27.0	32.6

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AAUM	229,732	278,324	322,699	373,148	342,121	382,773	370,422
<i>AAUM Growth%</i>		21%	16%	16%	14%	14%	8%
Revenue	1,480	1,757	1,915	2,023	487	525	495
<i>RevenueGr%</i>	3%	19%	9%	6%	4%	10%	2%
Other Income	108	113	182	200	61	67	50
<i>Other Inc Gr%</i>	108%	5%	61%	10%	95%	20%	-18%
Ebdita	704	955	1,206	1,595	357	414	394
<i>Ebdita Gr%</i>	5%	36%	26%	32%	44%	31%	10%
Ebit	692	945	1,193	1,544	354	402	380
<i>Ebit Gr%</i>	5%	37%	26%	29%	44%	29%	8%
Net Profits	550	711	930	1,316	276	354	320
<i>Profit Gr%</i>	15%	29%	31%	41%	60%	46%	16%
Ebdita Margin%	47.6%	54.3%	63.0%	78.9%	73.4%	79.0%	79.5%
Net profit margin%	37.2%	40.5%	48.6%	65.0%	56.8%	67.4%	64.6%

Std/Fig in Rs Cr

- ❑ QAAUM is expected to grow by 8%/-3% YoY/QoQ on the account of macroeconomic conditions and decline in equity AUM QoQ on the account of selling in equity markets in March 2020.
- ❑ Equity AUM is expected to grow by 4% QoQ whereas debt AUM is expected to grow by 5% QoQ. Liquid funds are expected to decline in 4QFY20. The management believes allocation to equity as an asset class will continue to grow.
- ❑ Revenue is expected to be low at 2% YoY on the account of low AUM growth as well as certain regulatory changes regarding ticket size increase in PMS business.
- ❑ Other income is expected to decline sharply in 4QFY20 on the account of MTM impact on equity investment funds in 4QFY20.
- ❑ Operating profit is expected to grow by 8% YoY in 4QFY20 amid slow growth in revenue. Operating margins are expected to improve further in 4QFY20 on the account of stable cost.

Key Trackable this Quarter

- ❑ AAUM growth trend
- ❑ Fund raising cap(Regulatory Changes)

The company is currently trading at 40x FY20E EPS. BUY

NAM IN

CMP **287**
Target **319**
Upside **11%**
Rating **BUY**

	FY17	FY18	FY19	FY20E
Roe%	20.3%	19.3%	18.9%	20.1%
Roa%	17.9%	16.7%	17.5%	18.4%
P/B		6.4	5.0	6.4
P/E		33	26	32
EV/Ebdita		28.4	22.8	28.9

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AAUM	204,296	236,501	239,371	209,414	234,128	205,193	206066
AAUM Growth%		16%	1%	-13%	-5%	-13%	-12%
Revenue	1,308	1,592	1,479	1,217	343	303	288
RevenueGr%	9%	22%	-7%	-18%	-22%	-13%	-16%
Other Income	128	157	171	160	54	58	45
Other Inc Gr%	13%	22%	9%	-6%	NA	6%	-17%
Ebdita	471	509	539	587	202	156	148
Ebdita Gr%	14%	8%	6%	9%	4%	25%	-1%
Ebit	453	501	529	557	158	138	132
Ebit Gr%	11%	11%	6%	5%	4%	26%	-16%
Net Profits	402	456	486	549	151	149	135
Profit Gr%	1%	13%	7%	13%	34%	36%	-10%
Ebdita Margin%	36.0%	32.0%	36.5%	48.2%	41.2%	48.5%	48.5%
Net profit margin%	30.7%	28.6%	32.9%	45.1%	44.0%	49.3%	47.0%

Conso/Fig in Rs Cr

❑ Revenue is expected to degrow by 16% YoY on the account of degrowth in expected in QAAUM in 4QFY20. QAAUM is expected to decline by 12% YoY whereas it is expected to grow by 0.4% on QoQ basis. The degrowth in QAAUM mainly coming from equity AUM and debt AUM. The company wrote down its equity investments (75%) in Yes bank to its certain schemes to 0.

❑ Debt (including liquid funds) AUM is expected to decline by 26% YoY whereas Equity AUM is expected to marginally grow by 0.4% YoY.

❑ Other income is expected to decline in 4QFY20 on the account of MTM impact on equity investment funds.

❑ As per the management commission expenses are expected to further go down on the account of banning of payment of upfront commissions.

❑ Operating Margins are expected to improve QoQ to 45.9% on the account of stable cost.

Key Trackable this Quarter

- ❑ AAUM growth trend
- ❑ Other business growth
- ❑ Fund raising cap (Regulatory Changes)

The company is currently trading at 32 x FY20E EPS. BUY

BAF IN

CMP 2551
Target 3350
Upside 31.3%
Rating ACCUMULATE

	FY17	FY18	FY19	FY20E
Roe%	21.7%	20.3%	22.5%	22.0%
Roa%	3.3%	3.6%	3.8%	4.1%
Book Value	176	287	341	557
P/B	6.7	6.2	8.9	4.6

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	60,194	82,422	115,889	147,600	115,889	145,091	147,600
<i>AUM Growth%</i>	36%	37%	41%	27%	41%	35%	27%
Borrowings	49,250	64,481	101,588	124,034	86,352	97,173	124,034
<i>Borrowings Growth%</i>	33%	31%	58%	22%	40%	20%	44%
GNPA%	1.7%	1.5%	1.5%	1.8%	1.5%	1.6%	1.8%
NNPA%	0.4%	0.4%	0.6%	0.7%	0.6%	0.7%	0.7%
Net Income	6,200	8,143	11,878	16,933	3,395	4,537	4,702
<i>Net Inc. Gr%</i>	39%	31%	46%	43%	50%	42%	38%
Opex	2,564	3,269	4,198	5,862	1,174	1,536	1,650
<i>Opex Growth%</i>	32%	27%	28%	40%	31%	38%	41%
Pre-provision Profit	3,636	4,874	7,681	11,071	2,221	3,001	3,051
<i>PPP Gr%</i>	45%	34%	58%	44%	61%	44%	37%
<i>Provisions</i>	818	1,030	1,501	2,982	409	831	1,006
Net Profits	1,837	2,496	3,995	5,846	1,176	1,614	1,530
<i>Profit Gr%</i>	44%	36%	60%	46%	57%	52%	30%
NIM% (Cal.)	10.5%	11.4%	12.0%	12.8%	13.2%	13.8%	13.5%
Cost to Income%	41%	40%	35%	35%	35%	34%	35%

Conso/Fig in Rs Cr

☐ NII Growth is expected to be at 38% YoY to be driven by high AUM growth. AUM growth is expected to be at 27%.

☐ Consolidated liquidity surplus stood at ₹ 15,800 Cr as of March 31, 2020. The Company's liquidity position remains very strong. CP borrowing stood at less the Rs 2000 Cr with maturity over next 3 months. The undrawn line of credit stands at Rs 2500 Cr.

☐ As per the company, credit cost may hike to a certain level more than 50% in the near term on the account of macroeconomic concerns. Overall GNPA is expected to slightly deteriorate in the near term majorly coming from Retail and SME segment.

☐ The company is looking at cutting down the OPEX by 7-8% as lockdown lifts as an immediate measure to hold all fixed cost to current levels till October 2020.

☐ There might be a slight drag on margins QoQ, since it has borrowed more than required to support high growth because funds were available at an attractive cost.

Key Trackable this Quarter

- ☐ Credit cost trend may impact growth
- ☐ C/I ratio trend

The company is currently trading at 4.6x P/BV FY20E. ACCUMULATE

CANF IN

CMP 285
Target 330
Upside 16%
Rating ACCUMULATE

	FY17	FY18	FY19	FY20E
Roe%	22.6%	24.9%	18.2%	20.0%
Roa%	2.0%	2.1%	1.7%	2.0%
Book Value	90	101	134	161
P/B	4.7	4.8	2.6	1.8

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	13,313	15,743	18,381	20,587	18,381	20,172	20,587
<i>AUM Growth%</i>	25%	18%	17%	12%	17%	15%	12%
Borrowings	11,872	13,925	16,694	18,547	16,694	17,800	18,547
<i>Borrowings Growth%</i>	25%	17%	20%	11%	20%	15%	11%
Disbursement (Rs Cr)	4,792	5,207	5,479	5,425	1,554	1,477	1,338
GNPA%	0.2%	0.4%	0.6%	0.8%	0.6%	0.8%	0.8%
NNPA%	0.0%	0.2%	0.4%	0.5%	0.4%	0.6%	0.5%
Net Interest Income	422	510	530	638	138	168	167
<i>NII Gr%</i>	40%	21%	4%	20%	5%	24%	21%
Opex	80	88	92	104	33	27	29
<i>Opex Growth%</i>	19%	10%	4%	13%	27%	25%	-12%
Pre-provision Profit	389	453	471	568	118	150	150
<i>PPP Gr%</i>	42%	16%	4%	21%	5%	24%	27%
Provisions	20	22	1	26	1	5	6
Net Profits	235	286	297	392	67	107	108
<i>Profit Gr%</i>	50%	22%	4%	32%	-9%	41%	60%
NIM% (Cal.)	3.5%	3.5%	3.1%	3.3%	3.2%	3.5%	3.4%
Cost to Income%	17.0%	16.2%	16.3%	15.4%	21.7%	15.2%	16.0%

Std/Fig in Rs Cr

❑ Loan growth is expected to decline at 12%/2% YoY/QoQ with focus continue to be on individual segment. The management is conservative in growth in next 2 years and non-disbursement in last few days on the account of macro-economic factors may have impact on growth.

❑ The company has plan of raising of fresh equity up to Rs.1000 Cr through Rights Issue/QIP / Pref Share in next 3-6 months.

❑ GNPA's in SEMP segment has been double the GNPA's in Salaried class. However Asset quality is expected to remain stable going ahead on the account of most of the portfolio composition in salaried class.

❑ The company reported better margins in the last quarter on the account of lower cost of funds. Reduction in cost of funds on the account of Rate cut by banks may have impact on margins in the near term.

Key Trackable this Quarter

- ❑ GNPA trend
- ❑ Capital raising plan
- ❑ Loan Growth trend

The company is currently trading at 1.8x P/BV FY20E. ACCUMULATE

CIFC IN

CMP 172
Target 230
Upside 34%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	18.0%	20.6%	21.0%	19.0%
Roa%	2.5%	2.8%	2.3%	2.2%
Div Yield%	0.6%	0.6%	0.4%	-
BVPS	276	329	395	104
P/B	3.3	4.4	3.9	1.7

	FY17	FY18	FY19	FY20E	Q4FY19	Q3FY20	Q4FY20E
AUM	34,167	42,879	54,279	61,335	54,279	60,778	61,335
<i>AUM Growth%</i>	15%	25%	27%	13%	26%	20%	13%
Borrowings	24,207	38,293	50,567	57,863	50,567	54,941	57,863
<i>Borrowings Growth%</i>	7%	58%	32%	14%	32%	16%	14%
Disbursement	18,591	25,119	30,451	30,553	8,893	7,475	6,134
GNPA%	4.7%	2.9%	2.7%	3.6%	2.7%	3.5%	3.6%
NNPA%	3.2%	1.7%	1.7%	2.4%	1.7%	2.2%	2.4%
Net Income	2,403	2,820	3,403	4,133	899	1,082	1,088
<i>Net Inc. Gr%</i>	13%	17%	21%	21%	21%	24%	21%
Opex	1,013	1,115	1,270	1,595	382	424	419
<i>Opex Growth%</i>	20%	10%	14%	26%	22%	34%	10%
Pre-provision Profit	1,416	1,705	2,134	2,538	517	658	669
<i>PPP Gr%</i>	9%	20%	25%	19%	21%	18%	30%
Provisions	311	304	311	523	56	136	183
Net Profits	719	918	1,186	1,374	292	389	364
<i>Profit Gr%</i>	26%	28%	29%	16%	2%	28%	25%
NIM% (Cal.)	7.5%	7.3%	7.0%	7.2%	7.3%	7.5%	7.3%
Cost to Income%	42%	40%	37%	39%	42%	39%	38%

Std/Fig in Rs Cr

☐ NII is expected to grow by 21% YoY on account of lower NIM owing to lower yields in both vehicle finance and home finance segment and high cost of fund.

☐ Asset quality is expected to be affected on account of the adverse economic conditions and stress in the Commercial Vehicle segment.

☐ The cost to income ratio is expected to be around 38% with company looking to expand branches to 1200 from current 999 in FY20.

☐ Cholafin has performed well amongst the peer in conditions of stress and has managed to grow healthy however with stress in economy growth and lockdown growth is expected to moderate to 13%/1% on YoY/QoQ Basis.

☐ Profitability is expected to be impacted on account of higher credit cost due to stress in the CV segment. CV segment contributes 35% to the Vehicle finance portfolio.

Key Trackable this Quarter

- ☐ AUM growth amid slowdown in the industry
- ☐ Assets quality trend.
- ☐ Liquidity Position

Company is currently trading at 1.7x P/BV FY20E. BUY

CREDAIG IN

CMP	345
Target	550
Upside	59%
Rating	ACCUMULATE

	FY17	FY18	FY19	FY20E
Roe%	13.0%	20.0%	16.9%	16.1%
Roa%	2.4%	4.9%	5.2%	4.8%
Div Yield%	-	-	-	-
Book Value	81	112	165	194
P/B	-	0.0	3.0	1.8

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	3,075	4,975	7,159	9,909	7,159	8,872	9,909
<i>AUM Growth%</i>	21%	62%	44%	38%	44%	46%	38%
Borrowings	2,668	3,603	4,867	7,078	4,867	6,439	7,078
<i>Borrowings Growth%</i>	16%	35%	35%	45%	35%	51%	45%
Disbursement	3,403	1,911	3,272	8,959	3,272	2,977	1,486
GNPA%	0.1%	2.0%	0.6%	1.0%	0.6%	0.9%	1.0%
NNPA%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Interest Income	377	506	802	1,057	210	271	300
<i>NII Gr%</i>	51%	34%	58%	32%	28%	29%	43%
Opex	160	203	294	412	82	107	113
<i>Opex Growth%</i>	39%	27%	45%	40%	35%	40%	37%
Pre-provision Profit	225	315	573	732	151	201	214
<i>PPP Gr%</i>	56%	40%	82%	28%	40%	22%	42%
Provisions	109	(13)	75	164	34	55	66
Net Profits	75	213	322	414	76	108	110
<i>Profit Gr%</i>	-10%	182%	51%	29%	6%	8%	44%
NIM% (Cal.)	13.4%	12.6%	13.2%	12.4%	12.7%	12.9%	12.8%
Cost to Income%	41.5%	39.2%	33.9%	36.0%	35.2%	34.8%	34.5%

Conso/Fig in Rs Cr

- ❑ NII growth is expected to remain healthy at 34% YoY on the back of strong AUM growth. PAT growth is expected to grow at 34% YoY.
- ❑ NIM is expected to remain steady at 12% range on the back of the lower incremental cost of funds. Marginal cost of borrowing has declined to 9.4%.
- ❑ The C/I ratio is expected to improve going ahead as most of the targeted branches are opened in 1HFY20. With the rising efficiency of the existing branches and lower operating expenses, we expect the C/I ratio to decline to go ahead.
- ❑ AUM growth as remained strong at 38% as per recent disclosure. As 70-80% of the portfolio is rural oriented growth remained unaffected.
- ❑ CREDITACC has acquired 75.64% of Madura microfinance at Rs 661 Cr. After acquisition also it has enough liquidity (Rs 530 Cr) to caters to operational & liability repayment for the next 4-5 months
- ❑ Asset quality has remained pristine as collection efficiency stood at 100% before 20 march 2020.

Key Trackable this Quarter

- ❑ Impact of flood on assets quality
- ❑ C/I ratio improving with rise in efficiency.

CREDDITACC is trading at 1.8x PB in FY20E. ACCUMULATE

HDFC IN

CMP 1701
Target 2559
Upside 50%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	20.2%	20.9%	13.5%	21.0%
Roa%	2.4%	3.0%	2.2%	3.6%
Div Yield%	1.1%	1.0%	0.9%	1.1%
Book Value	249	389	449	527
P/B	6.0	4.7	4.4	3.2

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	338,500	399,511	461,913	521,962	461,913	505,401	521,962
<i>AUM Growth%</i>	16%	18%	16%	13%	15%	14%	13%
Borrowings	280,534	320,656	365,266	414,255	365,266	395,128	414,255
<i>Borrowings Growth%</i>	18%	14%	14%	13%	14%	11%	13%
GNPA%	0.8%	1.1%	1.2%	1.4%	1.2%	1.4%	1.4%
NNPA%	0.6%	0.8%	0.8%	1.0%	0.8%	1.2%	1.0%
Net Interest Income	9,954	9,624	11,457	12,734	3,139	3,240	3,393
<i>NII Gr%</i>	14%	-3%	19%	11%	18%	9%	8%
Opex	1,339	2,405	2,065	2,154	452	572	462
<i>Opex Growth%</i>	13%	80%	-14%	4%	-28%	7%	2%
Pre-provision Profit	11,427	15,305	14,054	25,488	4,089	12,138	3,190
<i>PPP Gr%</i>	6%	34%	-8%	81%	43%	307%	-22%
Provisions	700	2,115	935	5,024	398	2,995	385
Net Profits	7,443	10,959	9,632	17,638	2,862	8,373	2,100
<i>Profit Gr%</i>	5%	47%	-12%	83%	27%	296%	-27%
Spread%	3.2%	2.6%	2.7%	2.6%	2.9%	2.7%	2.7%
Cost to Income%	10.5%	13.6%	12.8%	7.8%	10.0%	4.5%	12.6%

Std/Fig in Rs Cr

- ❑ NII growth is expected to remain muted at 8% on the back of sluggish AUM growth. PAT is expected to degrow as HDFC register higher dividend income in the same quarter last year.
- ❑ Margin is expected to remain muted on the back of high balance sheet liquidity. With no growth in high yielding corporate loans.
- ❑ Other income is expected to remain muted as there is no dividend income or sale of an investment. The decline in the value RBL investment has a negative effect of Rs 184 Cr.
- ❑ HDFC has assigned Rs 5479 Cr v/s Rs 2418 Cr YoY during the quarter.
- ❑ HDFC growth is expected to be driven by the individual segment on the back of strong approval rates in the affordable home loans. Loan growth of 13% is expected for 4QFY20.
- ❑ Asset quality is expected to remain affected by the liquidity squeeze and slow down in the real estate sector. We expect GNPA to remain in 0.4% as at 4QFY20.
- ❑ China central bank raises a stake in HDFC to 1.01% from 0.8%.

Key Trackable this Quarter

- ❑ Margin pressure on the back of higher competitive intensity
- ❑ Delinquency in the Non-Individual segment.

HDFC is trading at 3.2x PB for FY20E. BUY

INDOSTAR IN

CMP 256
Target 225
Upside -12%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	12.1%	10.6%	10.0%	3.7%
Roa%	4.1%	3.3%	2.6%	1.0%
Div Yield%	-	-	0.4%	0.8%
Book Value	243	266	328	338
P/B	-	0.0	0.8	0.8

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	4,587	6,060	11,735	9,975	11,735	10,222	9,975
<i>AUM Growth%</i>	13.4%	32%	94%	-15%	94%	32%	-15%
Borrowings	3,373	4,602	8,936	6,650	8,936	6,354	6,650
<i>Borrowings Growth%</i>	12%	36%	94%	-26%	9418%	2%	-26%
Disbursement	1,429	2,174	2,028	1,496	2,028	876	1,496
GNPA%	1.4%	1.3%	2.6%	3.3%	2.6%	4.4%	3.3%
NNPA%	1.2%	1.1%	1.7%	3.1%	1.7%	3.5%	3.1%
Net Interest Income	403	461	616	711	167	174	154
<i>NII Gr%</i>	14%	14%	33%	15%	43%	5%	-8%
Opex	71	141	207	257	66	71	65
<i>Opex Growth%</i>	26%	99%	46%	24%	29%	38%	-3%
Pre-provision Profit	333	320	409	454	110	109	99
<i>PPP Gr%</i>	13%	-4%	28%	11%	51%	-8%	-10%
<i>Provisions</i>	12	(4)	16	293	(6)	110	50
Net Profits	209	212	255	114	71	(1)	35
<i>Profit Gr%</i>	9%	1%	20%	-55%	53%	-101%	-51%
NIM% (Cal.)	9.3%	8.7%	6.9%	6.6%	7.7%	6.3%	5.9%
Cost to Income%	18%	31%	34%	36%	34%	38%	36%

Std/Fig in Rs Cr

□ The margin is expected to remain under pressure as the cost of the fund has not yet come down. The incremental cost of borrowings remains in the range of 9.75%. NII growth is expected to decline going ahead due to upfrontisation of assignment income. Higher provisioning and tax rate is expected to led to profit degrowth.

□The targeted C/I ratio stands at 25% which management has guided to achieve in the long term. We expect C/I to remain in 36% as at 4QFY20.

□ Management has guided to bring down the corporate book to Rs 2800 Cr by Mar 20 (with Rs 2000 Cr book in real estate segment). INDOSTAR is majorly focusing on the used vehicle which will provide NIM improvement. The present book has 70% used & 30% new.

□ Incremental lending is majorly through banks, securitization and co-origination agreement (partnership agreement of CV financing with ICICI Bank). We expect growth to decrease sequentially by 2% in 4QFY20 on the back of liquidity availability.

□ Brookfield is planning for equity infusion from Rs 1225 cr. Out of these equity Shares (Rs 875 Cr) & compulsorily convertible preference shares (Rs 350 Cr). Apart from these, it will buy shares from existing shareholders. Brookfield is likely to have a minimum 40% shareholding.

Key Trackable this Quarter

□ Delinquency on the corporate & CV portfolio.

□ Management commentary on liquidity

INDOSTAR is trading at 0.8x P/B in FY20E. NEUTRAL

LTFH IN

CMP 57
Target 119
Upside 109%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	14.1%	13.4%	18.0%	13.8%
Roa%	9.2%	8.4%	7.8%	7.5%
Div Yield%	0.6%	0.5%	0.7%	1.8%
Book Value	44	57	67	76
P/B	2.8	2.7	2.3	0.8

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	75,715	83,654	99,142	101,125	99,142	99,454	101,125
<i>AUM Growth%</i>	30%	10%	19%	2%	27%	15%	2%
Borrowings	55,231	71,577	91,507	92,775	91,507	92,997	92,775
<i>Borrowings Growth%</i>	26%	30%	28%	1%	28%	6%	1%
Disbursement	18,313	22,664	12,774	12,774	12,774	9,561	9,500
GNPA%	7.1%	4.8%	5.9%	6.0%	5.9%	6.2%	6.5%
NNPA%	5.0%	2.3%	2.4%	2.4%	2.4%	2.6%	2.6%
Net Interest Income	3,022	3,188	4,781	5,538	1,348	1,405	1,419
<i>NII Gr%</i>	16%	5%	50%	16%	31%	9%	5%
Opex	1,276	1,424	2,305	2,048	565	532	526
<i>Opex Growth%</i>	-3%	12%	62%	-11%	27%	9%	-7%
Pre-provision Profit	2,668	3,485	4,658	5,442	1,206	1,330	1,394
<i>PPP Gr%</i>	31%	31%	34%	17%	19%	11%	16%
Provisions	1,590	2,040	1,606	2,426	457	605	602
Net Profits	1,041	1,287	2,232	1,908	552	591	593
<i>Profit Gr%</i>	22%	24%	73%	-15%	104%	2%	7%
NIM% (Cal.)	4.5%	4.1%	5.4%	5.5%	6.1%	5.6%	5.7%
Cost to Income%	32.4%	29.0%	33.1%	27.3%	31.9%	28.6%	27.4%

Conso/Fig in Rs Cr

□ NII is expected to remain muted on the back of steady AUM growth. NII growth is expected to remain at 5% YoY as of 4QFY20. PAT growth is expected to remain muted at a 7.5% range.

□ The Other income is expected to remain healthy as the disbursement is expected to be less affected. Total income is expected to grow at 8% YoY. Management is entering into newer geography due to over-leveraging in certain pockets thus C/I ratio is expected to remain buoyant in 4QFY20. APIS partners have terminated the deal to acquire stake in L&T IDF

□ The growth was majorly dragged by slowdown in the wholesale segment. The rundown of the defocused business has impacted portfolio growth. Defocused stood at 5500 Cr as at 3QFY20.

□ It has a liquidity cushion of Rs 13911 Cr and along with it a lower cost of borrowings is expected to support NIM. NIM is expected to be a 5.6% range in 4QFY20.

□ The asset quality is expected to slightly increase without availing of RBI moratorium on the term loans. We expect the credit cost to remain slightly upward in the higher range of 2.4% range in 4QFY20.

Key Trackable this Quarter

- Asset Quality Trend.
- Effect of corporate restructuring on the growth.

L&TFH is trading at 0.8x PB in FY20E. BUY

LICHF IN

CMP 255.6
Target 350
Upside 37%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	19.1%	15.8%	15.9%	14.6%
Roa%	1.4%	1.2%	1.3%	1.2%
Div Yield%	1.2%	1.3%	1.8%	0.0%
Book Value	219	282	322	363
P/B	2.8	1.9	1.3	0.7

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	144,534	166,363	194,646	215,084	194,646	205,692	215,084
<i>AUM Growth%</i>	15%	15%	17%	11%	16%	13%	11%
Borrowings	126,335	145,339	170,629	192,039	170,629	184,966	192,039
<i>Borrowings Growth%</i>	14%	15%	17%	13%	17%	15%	13%
Disbursement (Rs Cr)	41,541	49,385	55,315	49,592	18,649	13,177	13,980
GNPA%	0.4%	0.8%	1.5%	2.8%	1.5%	2.7%	2.8%
NNPA%	0.1%	0.4%	1.1%	1.4%	1.1%	1.5%	1.4%
Net Interest Income	3,645	3,522	4,269	4,923	1,201	1,254	1,263
<i>NII Gr%</i>	24%	-3%	21%	15%	21%	16%	5%
Opex	612	440	473	567	168	138	180
<i>Opex Growth%</i>	31%	-28%	8%	20%	-25%	18%	7%
Pre-provision Profit	3,237	3,257	3,998	4,526	1,091	1,143	1,129
<i>PPP Gr%</i>	19%	1%	23%	13%	24%	14%	3%
Provisions	281	492	618	1,353	105	398	421
Net Profits	1,931	2,003	2,431	2,533	693	598	530
<i>Profit Gr%</i>	16%	4%	21%	4%	17%	-1%	-24%
NIM% (Cal.)	2.9%	2.4%	2.5%	2.5%	2.7%	2.5%	2.5%
Cost to Income%	15.9%	11.9%	10.6%	11.1%	13.4%	10.8%	13.7%

Std/Fig in Rs Cr

❑ Loan growth is expected to remain slow in 4QFY20 amid macroeconomic concerns along with stress in retail as well as developer segments. This growth is expected to be driven by individual loan segment. The company continues to focus on affordable housing segment going ahead.

❑ The undrawn credit limit from banks stood at Rs 10000 Cr and if financing from NHB is included it stood at Rs 16000 Cr at the end of 3QFY20.

❑ Pre Provisioning Profit is expected to degrow by 1% QoQ however PAT is expected to degrow by 11% QoQ on the account of high provisioning on the account of stress in some of the segments.

❑ Asset quality is expected to remain under pressure on the account of stress in some of the segments i.e. developer loans and LAP segments. Retail segment also reported some delinquencies in the last quarter.

❑ Credit cost is expected to remain high in 4QFY20.

❑ Margins are expected to decline YoY on the account of deterioration in yield and Repo rate cut from RBI.

Key Trackable this Quarter

- ❑ Loan growth trend
- ❑ Delinquencies in retail segment

The company is currently trading at 0.7x P/BV FY20E. NEUTRAL

MMFS IN

CMP 166
Target 250
Upside 51%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	6.4%	13.4%	15.2%	9.3%
Roa%	0.9%	2.2%	2.6%	1.5%
Div Yield%	0.8%	0.9%	1.0%	-
Book Value	114	156	177	195
P/B	2.8	3.0	2.4	0.9

	FY17	FY18	FY19	FY20E	Q4FY19	Q3FY20	Q4FY20E
AUM	46,776	52,793	67,078	76,469	67,078	75,884	76,469
<i>AUM Growth%</i>	14%	13%	27%	14%	27%	16%	14%
Borrowings	36,347	39,556	53,112	60,212	53,112	58,950	60,212
<i>Borrowings Growth%</i>	18%	14%	34%	13%	34%	18%	13%
Disbursement	31,659	37,773	46,210	42,303	11,726	12,781	9,176
GNPA%	9.0%	8.5%	5.9%	7.8%	5.9%	7.6%	7.8%
NNPA%	3.6%	3.8%	4.8%	6.2%	4.8%	6.0%	6.2%
Net Income	3,316	3,552	4,778	5,329	1,335	1,407	1,421
<i>Net Inc. Gr%</i>	3%	7%	35%	12%	30%	15%	6%
Opex	1,451	1,434	1,848	2,129	555	519	530
<i>Opex Growth%</i>	23%	-1%	29%	15%	31%	7%	-4%
Pre-provision Profit	1,929	2,170	3,018	3,323	780	888	891
<i>PPP Gr%</i>	-8%	12%	39%	10%	28%	19%	14%
Provisions	1,309	568	635	1,761	(114)	400	381
Net Profits	400	1,011	1,557	1,067	588	365	382
<i>Profit Gr%</i>	-40%	153%	54%	-31%	87%	15%	-35%
NIM% (Cal.)	7.6%	7.0%	7.8%	7.4%	8.3%	7.6%	7.6%
Cost to Income%	42.9%	39.8%	38.0%	39.0%	41.6%	36.9%	37.3%

Std/Fig in Rs Cr

□ Amid the slowdown in auto industry and rural consumption and other stress prevailing in the economy AUM growth for M&MFIN is likely to slow down to 14% in 3Q FY20. Disbursements going forward into Q1FY20 will be affected on account of lockdown which will impact AUM growth.

□ Asset quality is expected to be below par even in the traditionally healthy quarter for the company as rural cash flows are expected to be under pressure on account of the stress in the economy and lockdown would effect the collection efficiency .

□ NIM is expected to be subdued during Q4FY20 with lower yield on advance. NII growth is expected to moderate down to 8% YoY on account of moderation in the advance growth and Lower NIM.

□ Cost to income ratio is expected to remain around 37%.

□ Profitability is expected to be affected on account of higher credit cost owing to stress in the CV segment and overall economic growth being impacted. The CV segment contributes 18% to the total AUM as of 3QFY20.

Key Trackable this Quarter

- Collection efficiency
- AUM growth
- Liquidity Position

Company is currently trading at 0.85x P/BV FY20E. NEUTRAL

MGMA IN

CMP 17
Target 25
Upside 47%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	0.9%	11.4%	12.9%	2.9%
Roa%	0.1%	1.5%	1.9%	0.5%
Div Yield%	0.8%	0.5%	4.4%	6.7%
Book Value	92	83	102	104
P/B	1.2	1.8	0.2	0.2

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	16,101	15,555	17,029	17,199	17,029	16,574	17,199
<i>AUM Growth%</i>	-11%	-3%	9%	1%	8%	0%	1%
Borrowings	10,096	9,829	12,185	13,437	13,401	13,091	13,437
<i>Borrowings Growth%</i>	-15%	-3%	24%	10%	9%	9%	0%
Disbursement (Rs Cr)	1,478	2,233	2,586	2,752	2,586	2,014	2,752
GNPA%	6.7%	7.0%	4.8%	7.5%	4.8%	6.7%	7.0%
NNPA%	5.6%	5.2%	3.1%	4.9%	3.1%	4.5%	4.5%
Net Interest Income	1,105	1,009	1,128	1,010	291	253	226
<i>NII Gr%</i>	-3%	-9%	12%	-10%	10%	-7%	-22%
Opex	620	605	684	668	172	174	142
<i>Opex Growth%</i>	-2%	-2%	13%	-2%	2%	-1%	-17%
Pre-provision Profit	654	605	707	595	168	148	140
<i>PPP Gr%</i>	-4%	-7%	17%	-16%	9%	-14%	-17%
Provisions	607	316	265	490	41	120	118
Net Profits	13	235	303	76	85	22	16
<i>Profit Gr%</i>	-94%	1753%	29%	-75%	7%	-70%	-81%
NIM% (Cal.)	6.4%	6.4%	6.9%	5.9%	7.0%	6.0%	5.4%
Cost to Income%	48.7%	50.0%	49.2%	52.9%	50.6%	54.0%	50.4%

Conso/Fig in Rs Cr

❑ The cost of borrowings has gone up by 120 bps but management has not been able to pass on the entire rise in cost to the borrowers. Cost of borrowing has remain elevated as management focus has been on shifting short term borrowings to long term borrowings.

❑ Liquidity crunch and slow down in the auto demand has affected MAGMA loan growth, we expect loan growth to remain muted in the medium term. It has entered into a co-origination agreement with ICICI Bank.

❑ Management has tried to keep the OPEX numbers at check YoY. Management states growth in the AUM is expected to further bring operating efficiency

❑ Repayment behavior in used vehicle is superior so we expect incremental portfolio is expected to have better credit performance. Longer than usual monsoon season has stalled the economic activities which translated to a rise in delinquencies on the back of higher repossessed vehicles.

❑The credit rating outlook is revised to negative from stable with reduced collection efficiency in certain geographies and loan segments. Customers are basically earn & pay customers.

Key Trackable this Quarter

- ❑ Availability of liquidity
- ❑ Delinquency and repossessed assets

MAMGA is trading at 0.2x P/B in FY20E. NEUTRAL

MGFL IN

CMP 112
Target 170
Upside 52%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	24.7%	18.9%	22.1%	28.6%
Roa%	5.4%	4.2%	4.9%	6.6%
Div Yield%	2.6%	0.5%	1.4%	2.2%
Book Value	40	45	54	68
P/B	2.5	2.4	3.3	1.6

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	13,657	15,765	19,438	24,687	19,438	24,100	24,687
<i>AUM Growth%</i>	19%	15%	23%	27%	23%	36%	27%
Borrowings	9,403	12,607	15,295	21,282	15,295	19,781	21,282
<i>Borrowings Growth%</i>	-2%	34%	21%	39%	21%	39%	39%
GNPA%	2.0%	0.7%	0.5%	0.5%	0.5%	0.5%	0.5%
NNPA%	1.7%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%
Net Income	2,219	2,326	2,698	3,562	750	968	966
<i>Net Inc. Gr%</i>	58%	5%	16%	32%	18%	30%	29%
Opex	965	1,235	1,386	1,453	364	374	382
<i>Opex Growth%</i>	16%	28%	12%	5%	16%	17%	20%
Pre-provision Profit	1,275	1,214	1,473	2,195	386	593	584
<i>PPP Gr%</i>	116%	-5%	21%	49%	22%	50%	51%
<i>Provisions</i>	109	177	46	213	6	49	98
Net Profits	756	677	922	1,469	257	399	364
<i>Profit Gr%</i>	114%	-10%	36%	59%	43%	63%	42%
NIM% (Cal.)	17.7%	15.8%	15.3%	16.1%	16.1%	18.4%	16.6%
Cost to Income%	43.1%	50.4%	48.5%	39.8%	48.5%	38.7%	39.6%

Conso/Fig in Rs Cr

❑ Loan growth is expected to be 27% YoY in 4QFY20 driven by gold loan with volatility in gold prices. On the account of stress in MFI segment the company expects MFI to reduce to 15% of total book going ahead. Gold loan continues to be an area of focus for the company.

❑ The company raised Rs 1500 Cr of NCD from various banks and financial institutions. CP limits have been reduced from 25% earlier to 15% now. Even Asirwad Microfinance as well liquidity is there as they securitized in March 2020. So Company is having enough of liquidity.

❑ Assets quality is expected to be maintained going ahead. However delinquencies in MFI segment may remain an area of concern in the near term. 1-1.5% is the normal GNPA number for MFI segment going ahead as per the management. But due to macroeconomic concerns this number may rise. However management is focusing on collections online for other segments.

❑ C/I ratio is expected to improve YoY in 4QFY20 on the account of consolidation in some of the branches.

❑ Margins are likely to decline QoQ in 4QFY20 on the account of no business from MFI segment along with lower yield due to rate cut transmission expected.

Key Trackable this Quarter

- ❑ Gold Loan Growth
- ❑ NPA in MFI segment

The company is currently at 1.6x P/BV FY20E. BUY

MASFIN IN

CMP 591
Target 700
Upside 18%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	26.7%	18.8%	18.1%	19.6%
Roa%	3.5%	4.4%	4.8%	4.7%
Div Yield%	0.0%	0.3%	0.6%	0.3%
Book Value	76	142	166	194
P/B	0.0	4.2	3.5	3.0

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	3,156	4,114	5,338	6,299	5,338	5,960	6,299
<i>AUM Growth%</i>	23%	30%	30%	18%	28%	21%	18%
Borrowings	1,513	1,785	2,567	3,255	2,567	3,053	3,255
<i>Borrowings Growth%</i>	2%	18%	44%	27%	44%	21%	27%
Disbursement	3,119	3,891	4,772	5,254	1,371	1,322	1,371
GNPA%	1.1%	1.3%	1.4%	1.3%	1.4%	1.3%	1.3%
NNPA%	1.0%	1.2%	1.1%	0.9%	1.1%	1.1%	0.9%
Net Interest Income	189	269	352	403	95	111	110
<i>NII Gr%</i>	19%	42%	31%	15%	18%	12%	16%
Opex	60	73	77	88	19	22	24
<i>Opex Growth%</i>	10%	20%	7%	13%	54%	-5%	33%
Pre-provision Profit	130	208	288	331	80	92	91
<i>PPP Gr%</i>	24%	60%	39%	15%	21%	12%	13%
<i>Provisions</i>	27	43	55	73	16	19	19
Net Profits	67	103	152	197	42	55	55
<i>Profit Gr%</i>	26%	54%	47%	29%	29%	21%	31%
NIM% (Cal.)	6.6%	7.3%	7.1%	6.5%	7.9%	7.8%	7.4%
Cost to Income%	31.8%	25.9%	21.2%	20.9%	18.9%	19.6%	20.6%

Std/Fig in Rs Cr

- ❑ NII & PAT is expected to grow at 10% & 23% as at 4QFY20. Operating expenditure is expected to remain in 1.8-2% range. C/I ratio is expected to remain steady at 21% as at 4QFY20.
- ❑ AUM Growth is expected to remain steady as most of its liability profile is through the direct assignment route. We expect AUM growth to be at 24% YoY.
- ❑ Asset quality is expected to remain stable as management states it has also collected most of the installments for the month of March. Collection efficiency stood at 93-94%
- ❑ Management states it has enough liquidity to cover interest obligations for a year. Management says its NBFC partners have sufficient capital adequacy of 20% with leverage of 4-5x to manage in this turbulent time.
- ❑ We expect there might be a slight rise in the GNPA number temporarily but management has guided it will be to maintain GNPA in 1.25-1.5% range while NNPA at 1-1.25% range. Collection efficiency stood at 93-94% range.

Key Trackable this Quarter

- ❑ Margin pressure with higher share of DA & securitisation.
- ❑ Ability of NBFC partners for loss bearing.

MASFIN is trading at 3x P/B in FY20E. NEUTRAL

MUTH

CMP 735
Target 876
Upside 19%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	19.4%	24.8%	22.4%	26.5%
Roa%	4.1%	5.8%	5.7%	6.9%
Div Yield%	2.0%	1.8%	1.1%	1.1%
Book Value	163	196	245	309
P/B	2.3	2.1	3.0	2.4

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	27,279	29,138	34,246	39,725	34,246	38,498	39,725
<i>AUM Growth%</i>	12%	7%	18%	16%	18%	19%	16%
Borrowings	21,096	21,268	26,922	33,105	26,922	32,594	33,105
<i>Borrowings Growth%</i>	13%	1%	27%	23%	27%	29%	23%
GNPA%	2.1%	7.0%	2.7%	2.5%	2.7%	2.5%	2.5%
NNPA%	1.7%	6.2%	0.9%	0.8%	0.9%	0.7%	0.8%
Net Interest Income	3,346	4,335	4,641	5,873	1,269	1,616	1,574
<i>NII Gr%</i>	32%	30%	7%	27%	6%	43%	24%
Opex	1,267	1,317	1,539	1,767	455	475	498
<i>Opex Growth%</i>	32%	27%	5%	27%	23%	38%	10%
Pre-provision Profit	2,186	3,084	3,104	4,115	815	1,144	1,077
<i>PPP Gr%</i>	48%	41%	1%	33%	-7%	46%	32%
<i>Provisions</i>	265	240	28	161	20	64	67
Net Profits	1,180	1,778	1,972	2,939	512	803	747
<i>Profit Gr%</i>	46%	51%	11%	49%	1%	66%	46%
NIM% (Cal.)	13.0%	15.4%	14.6%	15.9%	15.6%	17.9%	16.8%
Cost to Income%	36.7%	29.9%	33.2%	30.0%	35.8%	29.3%	31.6%

Std/Fig in Rs Cr

- ❑ NII is expected to remain strong on the back of strong AUM growth (16% YoY as at 4QFY20). Lower collection on the back of lockdown is expected to be offset by strong gold prices. NII is expected to grow at 24% as at 4QFY20.
- ❑ NIM is expected to remain at par with no respite on the cost of borrowing front. The recent credit rating downgrade along with high liquidity in balance sheet has put the margin under pressure.
- ❑ OPEX is expected to remain elevated on the back of strong advertisement expense and branch expansion. Other expense is expected to grow at 19% YoY. Management has guided to increase the branch number by 100-200 branches per year. Management focuses on the rationalization of branches and an increase in the average loan per branch.
- ❑ The disbursement is expected to remain strong as management was able to raise liquidity in 3QFY20. The growth in the AUM was driven by strong liquidity demand even with conservative LTV of 60%.
- ❑ Asset quality is expected to be strong driven by strong recovery from auctions. We expect GNPA & NNPA to stand at 2.75% & 75 bps as at 4QFY20.

Key Trackable this Quarter

- ❑ The hindrance in the AUM growth due to Kerala strike.
- ❑ The fluctuation in the gold prices may increase quantum of losses.

MUTHOOTFIN is trading at 2.4x P/B FY20E. BUY

POWF IN

CMP 91
Target 120
Upside 32%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	5.9%	11.9%	17.3%	15.6%
Roa%	0.8%	1.6%	2.2%	1.9%
Div Yield%	3.8%	9.1%	8.2%	9.3%
Book Value	138	140	164	165
P/B	0.53	0.61	0.55	0.55

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	245,524	278,914	314,666	349,279	314,666	332,963	349,279
<i>AUM Growth%</i>	3%	14%	13%	11%	13%	12%	11%
Borrowings	202,589	229,539	275,692	306,385	275,692	289,264	306,385
<i>Borrowings Growth%</i>	1%	13%	20%	11%	20%	16%	11%
Disbursement (Rs Cr)	28,384	26,852	22,544	17,464	22,544	18,413	17,464
GNPA%	3.2%	9.6%	9.4%	8.0%	9.4%	8.3%	8.0%
NNPA%	2.4%	7.4%	4.6%	3.8%	4.6%	3.9%	3.8%
Net Interest Income	9,837	8,874	9,608	10,220	2,679	2,715	2,710
<i>NII Gr%</i>	-7%	-10%	8%	6%	44%	11%	1%
Opex	381	382	405	435	131	83	161
<i>Opex Growth%</i>	17%	0%	6%	7%	-23%	-12%	23%
Pre-provision Profit	10,205	8,236	8,944	10,316	2,406	2,342	3,692
<i>PPP Gr%</i>	-5%	-19%	9%	15%	47%	-5%	53%
Provisions	5,094	2,391	(871)	814	(510)	(53)	256
Net Profits	2,126	4,387	6,953	6,763	2,118	1,680	2,543
<i>Profit Gr%</i>	-65%	106%	58%	-3%	166%	-19%	20%
NIM% (Cal.)	4.1%	3.4%	3.2%	3.1%	3.6%	3.4%	3.3%
Cost to Income%	4%	4%	4%	4%	5.2%	3.4%	4.2%

Std/Fig in Rs Cr

- ❑ NII is expected to remain steady on the back of steady AUM growth. PAT is expected to grow at a strong rate of 20% on the back of lower provisioning.
- ❑ Management states it was able to maintain yield at a similar range of 10.62%. While we expect NIM remains affected on the back of higher cost of borrowings.
- ❑ Other income growth is expected to remain strong with Rs 11 dividend from subsidiary RECLTD aggregating to Rs 1143 Cr. Net income is expected to grow at 52% as at 4QFY20.
- ❑ AUM is expected to grow at 11% YoY majorly on the back of generation and T&D segment. Management has guided it has been able to maintain stable disbursement growth.
- ❑ PFC has sufficient capital adequacy of 28% and has been able to raise funds in the liquidity crisis situation..
- ❑ We expect asset quality will remain steady at 8% as at 4QFY20. We expect resolution of stress asset will take more time for resolution, we expect credit cost to be in 30bps range.

Key Trackable this Quarter

- ❑ Delinquency due to dishonouring of renewable PPA agreements by AP state government.
- ❑ PFC & REC merger synergy going ahead

We value the stock at 0.55x P/BV FY21E. NEUTRAL

PNBHOU SI IN

CMP 170
Target 190
Upside 12%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	13.6%	13.9%	15.4%	11.9%
Roa%	1.4%	1.6%	1.5%	1.1%
Div Yield%	0.0%	0.4%	3.5%	3.5%
Book Value	337	397	449	498
P/B	3.5	3.5	0.4	0.3

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	41,492	62,252	84,722	84,722	84,722	86,297	84,722
<i>AUM Growth%</i>	51%	50%	36%	0%	36%	8%	0%
Borrowings	35,657	54,268	72,362	67,778	72,362	70,559	67,778
<i>Borrowings Growth%</i>	36%	52%	33%	-6%	33%	2%	-6%
Disbursement (Rs Cr)	20,639	33,195	36,079	20,883	8,562	3,196	5,083
GNPA%	0.2%	0.3%	0.5%	1.9%	0.5%	1.8%	1.9%
NNPA%	0.2%	0.3%	0.4%	1.7%	0.4%	1.4%	1.7%
Net Interest Income	846	1,585	1,930	2,201	558	540	474
<i>NII Gr%</i>	41%	87%	22%	14%	18%	7%	-15%
Opex	357	441	551	492	153	131	99
<i>Opex Growth%</i>	42%	23%	25%	-11%	2%	-6%	-35.5%
Pre-provision Profit	907	1,511	1,767	1,889	557	478	421
<i>PPP Gr%</i>	55%	67%	17%	7%	21%	6%	-24%
Provisions	103	277	189	667	10	180	171
Net Profits	524	842	1,081	929	371	235	188
<i>Profit Gr%</i>	61%	61%	28%	-14%	47%	-12%	-49%
NIM% (Cal.)	2.5%	3.1%	2.6%	2.6%	2.9%	2.5%	2.2%
Cost to Income%	28.3%	22.6%	23.8%	20.7%	21.6%	21.5%	19.0%

Std/Fig in Rs Cr

❑ NII is expected to remain muted on the back of a slowdown in AUM growth. NII is expected to degrow at 15% as at 4QFY20.

❑ NIM is expected to remain under pressure on the back of higher cost of borrowings. NIM is expected to be 2.5% as at 4QFY20. Downgrade of credit rating is further putting stress on the cost of borrowing profile.

❑ Liquidity stood strong at Rs 7588 Cr as at 4QFY20. PNBHOUSING is resorting to securitization through the direct assignment route for incremental growth.

❑ Management has stated AUM growth is expected to be at Rs 84000 Cr as at FY20. AUM growth is expected to be muted on the back of sluggish disbursement growth in both retail & corporate segment. Incremental disbursement is further driven by the retail segment.

❑ The asset quality concern is expected to continue with stress in the corporate segment. We expect higher credit costs as PCR stood at 28% as of 4QFY20.

❑ PNB has guided to keep at a 26% level while ensuring its subsidiary has sufficient Capital. PNB states it does not have any plan to sell PNBHOUSING.

Key Trackable this Quarter

- ❑ Rise in delinquency due to increased stress in real estate segment
- ❑ Availability of incremental fund .

We value the stock at 0.3x P/BV in FY20E. NEUTRAL

RECL IN

CMP 89
Target 110
Upside 24%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	20.2%	13.5%	17.3%	17.8%
Roa%	3.0%	2.0%	2.1%	2.0%
Div Yield%	5.3%	7.3%	6.4%	12.1%
Book Value	169	164	174	195
P/B	0.54	0.76	0.88	0.46

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	201,929	239,449	281,210	317,767	281,210	307,424	317,767
<i>AUM Growth%</i>	0.3%	19%	17%	13%	17%	14%	13%
Borrowings	167,517	198,791	239,286	271,596	239,286	262,740	271,596
<i>Borrowings Growth%</i>	-1%	19%	20%	14%	20%	16%	14%
Disbursement (Rs Cr)	20,572	22,285	19,896	19,066	19,896	19,856	19,066
GNPA%	2.4%	7.2%	7.2%	6.3%	7.2%	6.4%	6.3%
NNPA%	1.6%	5.7%	3.8%	3.2%	3.8%	3.2%	3.2%
Net Interest Income	9,485	8,752	9,329	10,571	2,389	2,764	2,718
<i>NII Gr%</i>	3%	-8%	7%	13%	25%	9%	14%
Opex	352	356	489	457	111	110	121
<i>Opex Growth%</i>	4%	1%	37%	-7%	7%	3%	9%
Pre-provision Profit	9,969	8,181	8,341	9,356	1,652	2,422	2,720
<i>PPP Gr%</i>	9%	-18%	2%	12%	-25%	30%	65%
Provisions	1,109	2,297	240	507	18	78	156
Net Profits	6,246	4,420	5,764	6,296	1,256	1,642	1,846
<i>Profit Gr%</i>	11%	-29%	30%	9%	50%	29%	47%
NIM% (Cal.)	4.7%	4.0%	3.6%	3.5%	3.6%	3.7%	3.6%
Cost to Income%	3%	4%	6%	5%	6%	4%	4%

Std/Fig in Rs Cr

- ❑ NII is expected to remain steady on the back of stable AUM growth. NII is expected to grow at 14% as at 4QFY20.
- ❑ We expect NIM remain affected on the back of the higher cost of borrowings. However rising of operational projects is expected to drive margin expansion.
- ❑ REC has sufficient capital adequacy of 18% and has been able to raise funds in the liquidity crisis situation.
- ❑ AUM is expected to grow at 11% YoY on the generation and T&D segment. Management has guided it has been able to maintain stable disbursement growth. The new sanctions was majorly towards generation segment. The share of renewable is expected to increase to 7% of the portfolio as at 4QFY20.
- ❑ We expect asset quality will remain steady at 6.4% as at 4QFY20. Management has already done provision of 50.68% on the stressed impaired loans we expect credit cost to remain at 20 bps as at 4QFY20

Key Trackable this Quarter

- ❑ PFC & REC merger
- ❑ Resolution of the stressed projects.

RECLTD is trading at 0.46x P/B FY20E. BUY

SATIN IN

CMP	74
Target	100
Upside	35%
Rating	NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	5.2%	9.8%	19.8%	13.6%
Roa%	0.6%	1.4%	3.1%	2.4%
Div Yield%	0.0%	0.0%	0.0%	0.0%
Book Value	170	185	235	269
P/B	2.1	2.2	0.3	0.3

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	4,067	5,757	7,067	7,775	7,067	7,284	7,775
<i>AUM Growth%</i>	24%	42%	23%	10%	23%	17%	10%
Borrowings	3,864	4,411	5,200	5,399	4,972	4,972	5,399
<i>Borrowings Growth%</i>	41%	14%	18%	4%	-12%	-1%	4%
Disbursement (Rs Cr)	4,133	6,386	7,762	7,691	2,873	2,144	1,555
GNPA%	14.5%	4.4%	2.9%	2.7%	2.9%	3.1%	3.2%
NNPA%	12.8%	2.6%	1.3%	1.2%	1.3%	0.9%	2.0%
Net Interest Income	237	425	544	383	86	105	94
<i>NII Gr%</i>	32%	79%	28%	-29%	-23%	-9%	9%
Opex	269	337	437	474	122	115	116
<i>Opex Growth%</i>	68%	25%	30%	8%	32%	8%	-5%
Pre-provision Profit	97	160	368	387	75	115	90
<i>PPP Gr%</i>	-11%	66%	130%	5%	31%	-8%	21%
<i>Provisions</i>	59	44	52	153	(12)	61	56
Net Profits	25	75	201	173	57	47	26
<i>Profit Gr%</i>	-57%	201%	-169%	-14%	50%	-33%	-55%
NIM% (Cal.)	6.5%	8.7%	8.5%	7.9%	5.4%	5.9%	5.1%
Cost to Income%	73.6%	67.8%	54.3%	55.1%	62.1%	50.0%	56.3%

Std/Fig in Rs Cr

NIM is expected to remain under pressure as the cost of the fund has not come down significantly. Management has guided NIM to be in the range of 12.25% range. Management has been able to pass on the rise in the cost to the customer.

Management is making many structural changes. The rejection rates are up by 35-40%, but with operational efficiency C/I ratio has not increased. We expect operational efficiency to come along with the maturity of the newly opened branches in the 4QFY20.

We expect AUM growth to be steady at 10% YoY. The share of MFI stood at 80% as at 4QFY20.

We remain cautious on the asset quality front as delinquencies have increased in Assam, MP, Bhopal, and Indore. The Assam portfolio stood at Rs 250 Cr where the collection efficiency dropped to around 50% in the ongoing protest scenario. The collection efficiency slowly improved to 75-80%. We have taken 3% as at 4QFY20.

Management is focusing on diversifying its loan portfolio geographically and has guided to bring every district down to about less than 1%.

Key Trackable this Quarter

Asset Quality concerns.

Liquidity availability may impact the growth.

SATIN is trading at 0.30x P/B in FY20E. NEUTRAL

SCUF IN

CMP 750
Target 900
Upside 20%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	11.7%	12.6%	16.6%	16.4%
Roa%	2.5%	2.6%	3.5%	3.7%
Div Yield%	0.7%	0.8%	1.2%	3.1%
Book Value	763	842	968	1112
P/B	3.0	2.5	1.9	0.7

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	23,132	27,461	29,582	29,878	29,582	29,547	29,878
<i>AUM Growth%</i>	18%	19%	8%	1%	7%	3%	1%
Borrowings	17,042	20,421	22,572	23,084	22,572	22,030	23,084
<i>Borrowings Growth%</i>	18%	20%	11%	2%	5%	-2%	2%
Disbursement (Rs Cr)	6,245	6,632	6,610	6,573	6,610	5,822	6,573
GNPA%	6.7%	9.4%	8.9%	8.4%	8.9%	8.5%	8.4%
NNPA%	1.8%	5.0%	5.0%	4.6%	5.0%	5.0%	4.6%
Net Interest Income	2,897	3,416	3,697	3,603	904	895	896
<i>NII Gr%</i>	18%	18%	8%	-3%	8%	1%	-1%
Opex	1,136	1,362	1,499	1,490	365	375	368
<i>Opex Growth%</i>	8%	20%	10%	-1%	11%	4%	1%
Pre-provision Profit	1,764	2,071	2,302	2,276	574	573	552
<i>PPP Gr%</i>	24%	17%	11%	-1%	8%	7%	-4%
Provisions	911	1,054	782	759	183	182	187
Net Profits	556	665	989	1,125	251	297	277
<i>Profit Gr%</i>	5%	20%	49%	14%	1041%	15%	10%
NIM% (Cal.)	13.6%	13.5%	13.0%	12.1%	12.5%	12.0%	0.0%
Cost to Income%	39%	40%	39%	39.6%	40%	40%	40%

Std/Fig in Rs Cr

❑ Interest income is expected to remain muted on the back of muted AUM growth. PAT is expected to remain at 10% mainly supported by strong delinquency control.

❑ NIM is expected to remain under pressure on the back of slow growth & higher cost of borrowing. Further ECB raised are in the 10.25-10.5% range which is expected to keep NIM under pressure. NIM is expected to remain 11.9% range.

❑ Liquidity has improved and Company has raised about Rs 2200 Cr during the quarter and in Jan it has raised about Rs 450 Cr from State bank of India through PCG route (partial credit guarantee) route.

❑ AUM growth is expected to remain steady as the SME continues to remain under pressure due to liquidity crunch. There is a slowdown in the 2 wheeler segment with decline in market share on Hero & Honda segment.

❑ Asset quality is expected to remain in a steady range as management continues to keep a strong hold on the delinquencies. We expect GNPA & NNPA level at 8.4% & 4.6% as at 4QFY20. But, delinquency may increase after moratorium period is over

Key Trackable this Quarter

❑ Availability of liquidity

❑ Assets Quality Trend

SHRIRAMCIT is trading at 0.7x P/B in FY20E. NEUTRAL

SHTF IN

CMP 676
Target 819
Upside 21%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	11.7%	13.1%	17.4%	17.8%
Roa%	1.8%	1.9%	2.5%	2.8%
Div Yield%	0.8%	0.9%	0.9%	1.6%
Book Value	498	554	698	819
P/B	2.2	2.6	1.8	0.8

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
AUM	78,761	95,306	104,482	109,706	104,482	108,931	109,706
<i>AUM Growth%</i>	8%	21%	9%	5%	9%	5%	5%
Borrowings	53,110	63,320	87,968	91,422	87,968	91,516	91,422
<i>Borrowings Growth%</i>	7%	19%	7%	4%	7%	2%	4%
Disbursement (Rs Cr)	39,100	50,730	48,733	47,994	11,959	11,607	10,971
GNPA%	8.2%	9.2%	8.4%	8.8%	8.4%	8.7%	8.8%
NNPA%	2.7%	2.8%	5.7%	6.0%	5.7%	6.1%	6.0%
Net Interest Income	5,521	6,735	7,808	8,115	1,906	2,055	2,061
<i>NII Gr%</i>	8%	22%	15%	4%	3%	1%	8%
Opex	1,229	1,489	1,750	1,960	429	512	509
<i>Opex Growth%</i>	-6%	21%	17%	12%	1%	18%	19%
Pre-provision Profit	4,368	5,494	6,158	6,365	1,512	1,631	1,604
<i>PPP Gr%</i>	12%	26%	12%	3%	-6%	1%	6%
Provisions	2,444	3,122	2,382	2,240	540	444	574
Net Profits	1,257	1,568	2,562	3,062	746	879	783
<i>Profit Gr%</i>	7%	25%	4%	20%	-22%	38%	5%
NIM% (Cal.)	7.3%	7.7%	7.8%	7.6%	7.4%	7.7%	7.6%
Cost to Income%	22.0%	21.3%	22.1%	23.5%	22.1%	23.9%	24.1%

Std/Fig in Rs Cr

□ NIM is expected to remain under pressure as it has majorly resorted to foreign borrowings for incremental funding. It has been able to pass on a partial hike in the cost of funds to the customers. PAT has growth is expected to 8% YoY.

□ We expect the C/I ratio to remain in the higher range as management has been continuously expanding into newer geography.

□ NII is expected to remain subdued on the back of muted growth for subdued demand related issues. Loan growth is expected to remain 5% YoY. Slow economic growth and weaker economic activity are affecting utilization levels of the vehicle thus leading to a decline in the cash flows of road transport operators thus affecting their EMI repayment.

□ Credit rating agencies have revised the rating to negative on account of a higher share of repossession of vehicles. Provisioning growth is expected to be around 9% YoY.

□ Asset quality is expected to remain spiked at 8.8% range as at 4QFY20. Sudden announcement of lockdown has affected truck drivers viability.

Key Trackable this Quarter

□ Extent of slower economic growth Impact on AUM.

□ Rise in delinquency level.

SHTF is trading at 0.8x P/B in FY20E. NEUTRAL

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Disclosure of Interest Statement-

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