

ICICI Securities Limited
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Q4FY21 result review,
TP, reco and earnings
revision

Financials

Target price: Rs617

Earnings revision

(%)	FY22E	FY23E
PAT	↓ 3	↓ 1

Target price revision

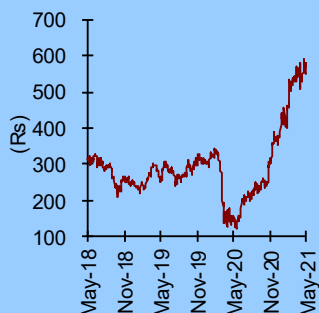
Rs617 from Rs465

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	51.6	51.6	51.6
Institutional investors	40.5	40.5	40.9
MFs and others	24.6	23.0	20.3
FPI	12.1	14.0	17.4
Other Institutions	3.8	3.5	3.2
Others	7.9	7.9	7.5

Source: NSE

Price chart



Cholamandalam Investment and Finance

ADD

Upgrade from Hold

Beefing-up buffer to cushion earnings; positioned to grow when normalcy returns

Rs554

Cholamandalam Investment's (Chola) Q4FY21 earnings surprised on few counts: 1) Despite retracement in collection efficiency, stage-2/3 went up QoQ (crossing 10% mark); however restructuring of ~2% was categorised as stage-2 assets; 2) its stance of creating further covid buffer of Rs3.5bn (against its Q3FY21 guidance of consuming the buffer); and 3) elevated employee cost of Rs2.7bn (vs Rs1.6bn quarterly run-rate). What helped offset this drag was sustained business momentum (14% AUM growth) and consistently declining funding cost. The way we read the earnings and the management's narrative – it is cautious of the second wave impact with visible (lower) disbursement/collection trends in Apr/May, but has created a cumulative provisioning of 3.6% to cushion earnings volatility. Strengthening its market positioning in tractors, cars, LCV, CE etc and investing in LAP segment can help lever opportunities when normalcy returns. Chola exiting FY21 pandemic with 7%-plus NIMs, <2.5% cost to assets, ~2% of credit cost and 17% RoE reinforces confidence on delivering 18-20% RoE profile over the medium term. This can help it command valuations at 3.75x FY23E book. We upgrade the stock to ADD (from Hold) with a revised target price of Rs617 (earlier: Rs465).

- **Stress pool (stage-2/3) crosses 10%; includes restructuring pool as well:** Stage-3 inched up QoQ from 3.75% to 3.96% primarily led by stage-3 vehicle financing at 3% (2.8% in Q3FY21), home equity at 7.25% (7.3%), and home loan at 3.2% (3.8%). Stage-2 pool too has risen from 5.24% to 6.2% - of the Rs42.5bn, vehicle financing constitutes Rs35bn (>7%). This compares with pre-covid average stage-3 at 3.0-3.5% and stage-2 at 3.5-4.0%. This suggests stress was elevated to the extent of 3-4% due to covid first wave pandemic. Management hinted it equally worries about the disruption in the second phase as it was in the first phase.
- **Collection efficiency retraced in March, but dipped in April amidst disruption:** Vehicle finance collection efficiency (CE) retraced from 103%/105%/108% in Oct/Nov/Dec, respectively to 116% in March (of Rs21.2bn of billing, it could collect Rs24.6bn). Cumulative CE (on collectible pool of Rs21.2bn of March billing and Rs18.8bn of other dues) thereby, settled at 62% (as it collected Rs24.6bn). Early bucket CE was 98.6% in March with roll-forwards being 1.4%. However, management indicated CE in April has been hampered due to the second wave – it collected Rs19.7bn on the same collectible pool implying 93% vehicle finance CE. Cumulative CE thereby, tends to be down to 50% and in early buckets roll-forwards have increased to 4.57% (95.4% CE). Also, the company is not actively resorting to repossession in current circumstances unless it is intentional or has business viability issues.

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Market Cap	Rs467bn/US\$6.3bn	Year to March	FY20	FY21P	FY22E	FY23E
Reuters/Bloomberg	CHLA.BO / CIFIC IN	NII (Rs mn)	40,604	49,401	56,718	64,529
Shares Outstanding (mn)	820.0	Net Income (Rs mn)	10,524	15,149	19,497	24,344
52-week Range (Rs)	601/120	EPS (Rs)	12.8	18.5	23.8	29.7
Free Float (%)	48.4	% Chg YoY	-15.3	44.0	28.7	24.9
FII (%)	17.4	P/E (x)	43.2	30.0	23.3	18.7
Daily Volume (US\$/'000)	36,051	P/BV (x)	5.6	4.8	4.0	3.4
Absolute Return 3m (%)	18.47	Net NPA (%)	2.3	2.3	2.3	2.0
Absolute Return 12m (%)	284.6	Dividend Yield (%)	0.3	0.0	0.3	0.4
Sensex Return 3m (%)	(3.4)	RoA (%)	1.7	2.2	2.5	2.7
Sensex Return 12m (%)	56.2	RoE (%)	14.7	17.2	18.9	19.7

- ▶ **Restructuring at ~2% and ECLGS disbursements at ~3% came in higher than envisaged earlier:** Restructuring settled higher at Rs14.6bn of which Rs11.8bn is in MSME segment and Rs2.8bn towards retail loans. As a matter of prudence, restructured pool is classified in stage-2 assets. Disbursements under ECLGS scheme further rose to Rs20bn (2.9% of AUM) with disbursements equivalent to 2.4% in vehicle financing (Rs12bn) and 5.4% in LAP (Rs3.24bn). In vehicle financing, it is skewed towards HCVs attached to industrial segment and bus operators.
- ▶ **Beefed-up contingency buffer rather than consuming it amidst uncertainty:** Given the visible impact of disruption caused by the second wave on April and May collections and uncertainty going forward, it chose to beef up the buffer by Rs3.5bn. This is in contrast to its earlier stance of consuming the buffer in Q4FY21 and carrying forward only Rs2.5-3.0bn as reserves. In fact, cumulative covid buffer now stands at Rs11bn (1.6% of gross assets). This quarter's buffer was largely earmarked to stage-1 assets as coverage on this bucket increased QoQ from 0.67% to 0.88%; provisioning coverage on stage-2 and stage-3 was maintained at 17% and 44%, respectively. This implies that on stress pool (stage-2/3) of slightly more than 10%, it is carrying provisions to the extent of 3.6%. We anticipate asset quality to peak at 4.7% through FY22, though differentiated underwriting and strong collection focus will help Chola manage the cycle better. We also conservatively model credit cost of 1.8%/1.4% in FY22E/FY23E, respectively.
- ▶ **Diversified product bouquet with improved positioning can help it lever opportunities when situation normalises:** Vehicle finance disbursements for full year FY21 were down mere 13% driving 14% AUM growth - commendable amidst covid disruption. Q4FY21 witnessed momentum in LCV/HCV/CE, while used vehicles was down QoQ on a higher base. LAP disbursements were flat in FY21 over FY20 and LAP AUM too grew 14%. Home loan disbursements, too, were flat in FY21 but AUM on a low base grew 39%. It has gained market share in tractors, CEs while in CVs it has broadly remained stable. In LAP segment, it has hired manpower and added branches that is supporting disbursement growth in H2FY21. We are building in an AUM CAGR of 13-16% over FY21E-FY23E.
- ▶ **Funding cost benefit supports NIMs:** The groups standing, AA+ credit rating, well managed ALM and given 55% borrowing flowing from banks, the consistent reset in rates has helped steady decline in cost of funds QoQ. Finance cost was flat in FY21 despite 15% increase in total borrowings. As compared to this, relatively lower reset in yields further supported by securitised pool reset supported NIMs over 7%. We expect NIMs to moderate with stability in borrowing cost, competitive lending market and unwinding of securitised pool benefit.
- ▶ **Elevated employee cost pushes opex growth higher:** Elevated employee cost too led to earnings miss – it was up 68% YoY and 75% QoQ. Staff cost was higher as it added collection capacity and incentives kept on hold were released at the end of FY21 with improved performance. Management guided that headcount will further increase in coming quarters since the company is also entering newer products and geographies along with the collection team and so, employee cost will further go up in FY22 (over and above 14% growth in FY21). However, similar to this fiscal, it will be consistent with growth in AUM.

Table 1: Quarterly profit and loss (Ind-AS)

(Rs mn)	Q4FY20	Q3FY21	Q4FY21	YoY%	QoQ%
Income from operations	21,513	25,048	24,612	14.4	(1.7)
Interest expenses	11,359	11,404	11,197	(1.4)	(1.8)
Net interest income	10,154	13,644	13,415	32.1	(1.7)
Other income	1	0	2	50.0	500.0
Net Operating income	10,156	13,644	13,417	32.1	(1.7)
Employee cost	1,600	1,541	2,690	68.2	74.5
Depreciation / Amortization	266	243	247	(7.2)	1.7
Other expenditure	2,150	1,903	2,200	2.4	15.6
Operating expenses	4,016	3,688	5,138	27.9	39.3
Pre-provisioning profit (PPoP)	6,140	9,956	8,279	34.8	(16.8)
Provisions and loan losses	5,567	4,446	5,035	(9.5)	13.3
PBT	573	5,511	3,244	465.9	(41.1)
Tax	147	1,422	812	453.8	(42.9)
Tax Rate	26	26	25	(2.2)	(3.0)
Extraordinary items					
PAT	427	4,089	2,432	470.1	(40.5)

Source: Company data, I-Sec research

Table 2: Quarterly balance sheet (Ind-AS)

(Rs mn)	Q4FY20	Q3FY21	Q4FY21	YoY%	QoQ%
Equity capital	1,640	1,640	1,641	0.1	0.0
Reserves	80,079	92,450	92,322	15.3	(0.1)
Shareholder's Funds	81,718	94,090	93,962	15.0	(0.1)
Total Borrowings	5,50,050	6,20,470	6,37,300	15.9	2.7
Current liabilities & Provisions	8,162	11,960	14,222	74.2	18.9
Total sources of funds	6,39,930	7,26,520	7,45,484	16.5	2.6
Loans & advances	5,54,027	6,41,960	6,58,393	18.8	2.6
Investments	729	16,280	16,188	2,120.0	(0.6)
Other current assets	5,977	7,550	7,454	24.7	(1.3)
Cash and bank balances	69,591	50,000	52,319	(24.8)	4.6
Fixed assets	2,877	2,080	2,030	(29.4)	(2.4)
Deferred tax assets	5,208	6,820	7,638	46.7	12.0
Total uses of funds	6,39,930	7,26,520	7,45,484	16.5	2.6

Source: Company data, I-Sec research

Table 3: Key performance indicators

(Rs mn)	Q4FY20	Q3FY21	Q4FY21	YoY%	QoQ%
Disbursement	56,630	79,260	80,710	42.5	1.8
Total AUM	6,05,490	6,87,450	6,99,960	15.6	1.8
-Vehicle	4,42,060	4,99,360	5,04,150	14.0	1.0
-Home Equity & Others	1,29,600	1,44,570	1,47,770	14.0	2.2
-Others including HL and SME	2,580	4,200	4,590	77.9	9.3
NIM (Reported) (Cumulative)	6.8	7.1	7.2	40bps	10bps
Tier I	15.3	15.4	15.1	-16bps	-31bps
Tier II	5.4	3.8	4.0	-142bps	16bps
CAR (%)	20.7	19.3	19.1	-158bps	-15bps
Gross stage-3 (Ind-AS) (%)	3.8	3.8	4.0	16bps	20bps
Net stage-3 (Ind-AS) (%)	2.2	2.1	2.2	-2bps	8bps
Provisioning Coverage (%)	41.5	43.5	44.3	273bps	72bps

Source: Company data, I-Sec research

Table 4: Quarterly du-pont analysis (annualised basis, on average loan AUM)

(Rs mn)	Q4FY20	Q3FY21	Q4FY21	YoY%	QoQ%
Interest earned	14.2	14.7	14.2	0bps	-56bps
Interest expended	7.5	6.7	6.5	-104bps	-26bps
Gross Interest Spread	6.7	8.0	7.7	103bps	-30bps
Credit cost	3.7	2.6	2.9	-77bps	28bps
Net Interest Spread	3.0	5.4	4.8	180bps	-59bps
Operating cost	2.6	2.2	3.0	31bps	79bps
Lending spread	0.4	3.2	1.9	149bps	-138bps
Non-interest income	0.0	0.0	0.0	0bps	0bps
Operating spread	0.4	3.2	1.9	149bps	-138bps
Tax	0.1	0.8	0.5	37bps	-37bps
ROAAUM	0.3	2.4	1.4	112bps	-101bps
Effective leverage (AAUM/ AE)	7.9	7.4	7.4	-56bps	-2bps
RoAE	2.2	17.8	10.3	811bps	-744bps

Source: Company data, I-Sec research

Table 5: Stage-2 pool includes restructuring of 2%; stage-3 too rises marginally

(Rs bn)	Mar-20	%	Dec-20	%	Mar-20	%
Gross Assets	569	100.0	662	100.0	683	100.0
Stage 1	527	92.6	603	91.0	613	89.8
Stage 2	20	3.5	35	5.2	42	6.2
Stage 3	22	3.8	25	3.8	27	4.0
Provision	15	2.7	21	3.1	24	3.6
Stage 1	4	0.7	4	0.7	5	0.9
Stage 2	2	11.4	6	16.1	7	16.8
Stage 3	9	41.7	11	43.4	12	44.3
Net Assets	554	97.3	642	96.9	658	96.4
Stage 1	524	99.3	599	99.3	608	99.1
Stage 2	18	88.6	29	83.9	35	83.2
Stage 3	13	58.8	14	56.2	15	55.7

Source: Company data, I-Sec research

Table 6: 3.6% AUM coverage – almost double of pre-covid run-rate of 1.75%

(Rs bn)	Asset	Normal prov.	Addn prov.	Total prov.	Total coverage ratio
Stage 1	613	1.67	3.71	5.38	0.88%
Stage 2	42	4.13	2.97	7.1	16.78%
Stage 3	27	7.65	4.33	11.98	44.29%
Total	683	13.45	11.01	24.46	3.58%

Source: Company data, I-Sec research

Table 7: Managed to grow AUM at 16% despite challenging macro

(Rs bn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY (%)	QoQ (%)
Vehicle Finance	442	468	493	499	504	14	1
Home Equity	130	131	139	145	148	14	2
Home Loans	31	33	36	39	43	39	11
Others	3	3	4	4	5	78	9
Total AUM	605	635	672	687	700	16	2
Mix (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21		
Vehicle Finance	73%	74%	73%	73%	72%		
Home Equity	21%	21%	21%	21%	21%		
Home Loans	5%	5%	5%	6%	6%		
Others	0%	0%	1%	1%	1%		
Total AUM	100%	100%	100%	100%	100%		

Source: Company data, I-Sec research

Q4FY21 Conference Call Takeaways

On 2nd covid wave

- **Company is more worried about the 2nd wave than it was during the 1st wave**
- **Lockdown is affecting earnings potential and company's collections as well**
- **Till 10th April, things were looking very normal and collections were better. Post that, collections have been impacted.**
- *Post that, due to lockdowns, staff is not able to meet customers and not collect money. Most of the collections post 10th April are via calls or in digital mode.*
- Need to see whether the lockdown is extended beyond May or not
- *April & May would be impacted in terms of growth & collections. Post that, things should improve from June onwards*

On Stage 2/3 pool

- *Vehicle Finance - 3%, Home Equity - 7.25%, Home Loan - 3.2%.*
- **Across the industry on a relative basis, used CV GNPA is better than New CV** – In used vehicle doing it across the country and in new focused on SRT0 and middle of the pyramid – with industrial production getting hit, EMI affordability of STRP was impacted. For Used vehicle, they are utilizing the fleet in tier-2/3 towns and for essential items – that segment has not been impacted much.
- **Stage 2 - Rs 42.31bn including Rs 15bn which are restructured.** Restructured has been classified under Stage 2 as a matter of prudence. **Stage 2 vehicle finance at Rs 35bn**

On collection efficiency (CE)

- *1.42% roll forward for March - 99% first bucket CE in March*
- *4.57% roll forward for April - 95% first bucket CE in April*
- **Cumulative CE for March was 62% and 50% for April.** *Cumulative CE is total collected amount for the month as a % of total collectable pool (total collectable pool includes customers which are due to 6 EMI, 10 EMI etc.)*
- **Monthly CE - billed Rs 21.2bn and collected Rs 24.2bn which is 115% for April, while the same was 93% for April.**
- *Repossession of vehicles is done when company believes that there is no customer intention of the customer to pay on time*

On Restructuring

- **Restructured loans is less than 2% of the overall book** as of March 2021 at Rs 15.6bn
- *No overlap between ECLGS & Restructuring*
- *Majority of the restructured pool is heavy CV*

On ECLGS

- ***Disbursed Rs 8bn in ECLGS during FY21 for LAP segment and over ECLGS disbursements were Rs20bn***

On provisioning

- Rs 3.5bn provisions towards covid, taking total covid provisions to Rs 11bn
- ***Total provisions against 3.58% as against normal of 1.75% pre-covid***
- Write-off - Rs 600mn for the quarter

On LAP portfolio

- Hired manpower, expanded branches pre covid. This is contributing to higher disbursements over the past 2 quarters.
- *Average ticket size in LAP is Rs 5mn*

On Interest reversal

- Interest on interest reversal was Rs 350mn for the quarter

On PMAY subsidy

- Rs 213.9mn PMAY subsidy received during FY21 of which Rs 165mn in Q4

On ALM & liquidity

- ***Has sufficient liquidity*** – Holds Rs 64.28bn in cash including g-sec investments of ~Rs 10bn
- ***ALM is comfortable with no mismatch*** across buckets

On Capital adequacy

- *CAR>19% against regulatory requirement of 15%*

On Market share across segments

- Market share remains largely stable across CV, old vehicles, tractors

On key focus areas

- **Front-line productivity** - both for sales & collections
- **Talent management** - putting significant emphasis on this and the training given to its employees
- **Process improvement** - looking at lean implementation for its processes

On Cost of funds

- Incremental cost of funds was ~6.3% during Q4

On Employee expenses

- Staff cost was higher as it has added collection manpower as collectible pool has gone up; incremental which were not given earlier were released in Q4 as FY21 performance has been good.
- Headcount will increase in coming quarters since company is also entering into new products and geographies – alongwith collection team – so employee cost will go up even in FY22. However it will be in line with AUM growth.

Q3FY21 Conference Call Takeaways

On slippages

- **Including proforma slippages, Gross Stage 3 at 3.75% and Net Stage 3 at 2.12%**
- **Segment-wise Gross Stage 3 (including proforma slippages) at 2.78% for vehicle finance, 7.3% for home equity and 3.8% for home loan**

On provisions

- **Company provided Rs 4.4bn during the quarter, which was lower than what the company had anticipated, especially in vehicle finance business**
- *Total provisions on overall book at 3.09%, against an average of 1.75% which company used to carry pre-covid*
- **Total covid provisions at Rs 7.51bn as of Dec'20**
- **Macro & overlay provisions amounting to Rs 2.503bn would be held as reserve, while the rest will either be consumed or reversed as required in the forthcoming quarters**
- *Current stage 1 provision is around 67bps and going forward, it won't not be maintained at such higher levels*
- *Incremental provisions during the quarter is largely on account of restructuring*

On collection efficiency

- **Stage 1 assets collection efficiency: 93% Sep, 95% Oct, 97% Oct & 98% Dec (calculated against billing vs demand for the month excluding arrears)**
- *Stage 1 assets collection efficiency: 59% Sep, 61% Oct, 61% Oct & 62% Dec (calculated as billing vs demand for the month including arrears)*
- *Vehicle Finance business collection efficiency: 87% Sep, 103% Oct, 105% Nov & 108% Dec (calculated as billing vs demand for the month excluding arrears). Company is likely to maintain similar levels going ahead as well.*

On ECLGS

- **Overall company has disbursed Rs 15bn during Q3 towards ECLGS**
- **Vehicle finance - Rs 11.62bn (11-12% of vehicle finance book)**
- **LAP - Rs 3.84bn (13% of the book)**

On Restructuring

- *Company is looking at overall 2% restructuring*

On liquidity

- *Total liquidity at Rs 102.93bn (including undrawn lines)*

On home loan growth

- *94% of assets & branches are in Tier 2/3/4*
- **Company doesn't focus on under construction properties**

- Focusing on self-construction, ready and resale properties
- Home loan segment which the company caters to is Rs 3tn in market size

On vehicle finance business

- YTD vehicle finance disbursements are down 25% YTD, due to lower disbursements in 1Q
- Tractors we are not losing, which cars & MUV, company might have lost a bit of market share
- ***In tractor finance, company's market share has improved to 5.4% as against 5.1% YoY***
- There is a small increase in terms of LAP disbursements QoQ
- Company is not doing LAP business with tours & travels segment. On LAP, it is focusing on retail and segments involved in FMCG, food business etc.

On management

- Company needs to wait for some regulatory directions and till then company is comfortable working in the current mode
- ***Company will develop clear outline on leadership, once the company gets clear regulatory directions on the same***

On future growth

- Company is definitely looking at lot of opportunities in the ecosystem
- It is current evaluating certain proposals and It might make some new announcement in the coming 2-3 quarters

On used CV business

- Used heavy vehicles business has been slow, due to scarcity of vehicles for sales
- With replacement cycle likely to begin for heavy vehicles (considering better macro), it will result in increased supply of used heavy vehicles for sale and thereby improved market for used heavy vehicle financing.

On company's performance

- Total AUM crossed Rs 750bn during the quarter
- PAT up 5% YoY at R 4.09bn
- ***Interim dividend of Rs 1.3/share for the quarter***

Chart 1: Improved market share in vehicle finance in a challenging environment

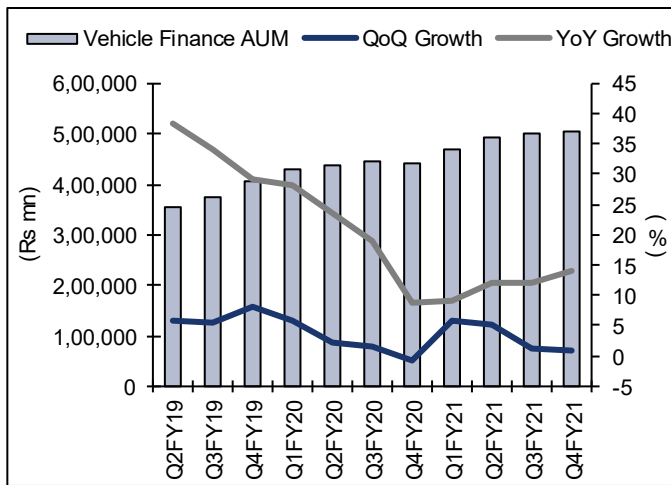


Chart 2: Vehicle finance disbursements flat QoQ, up YoY led by lower base

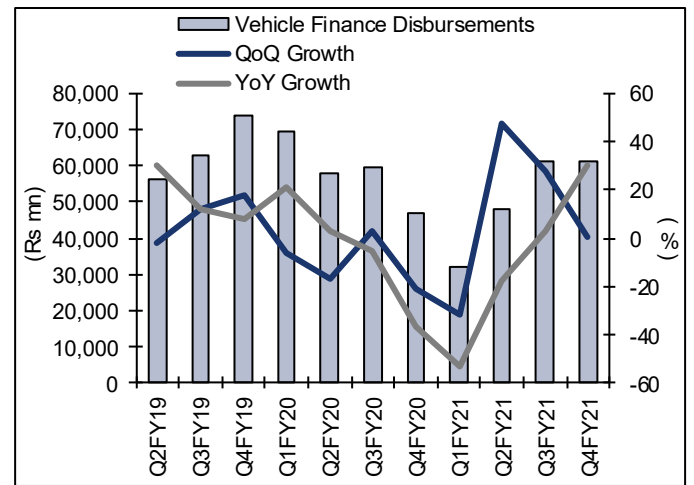


Chart 3: Investments in LAP segment aids uptick in disbursements in H2FY21

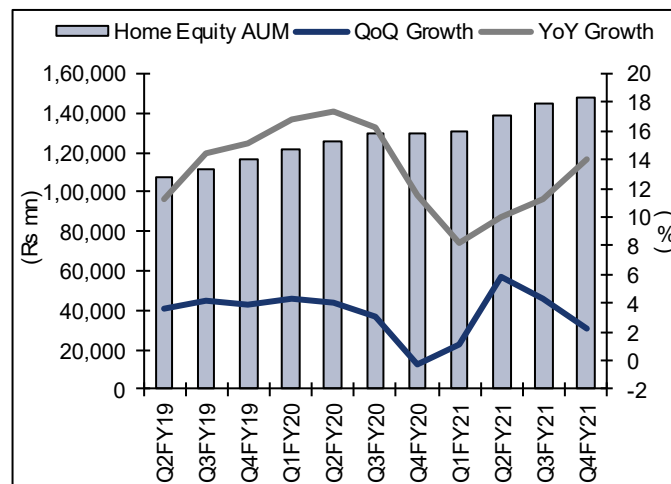
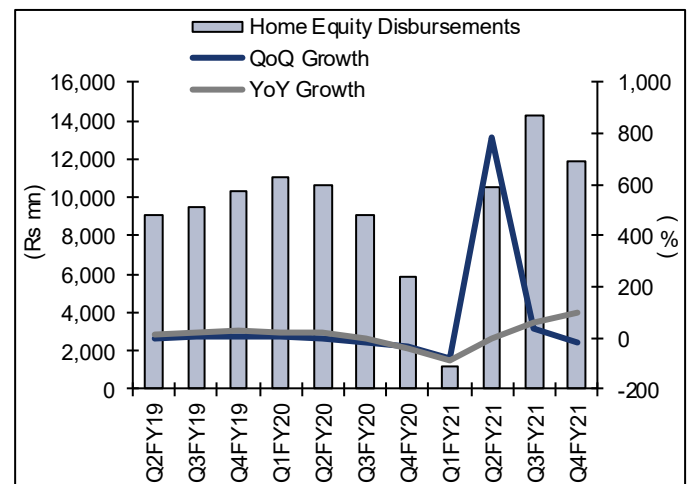
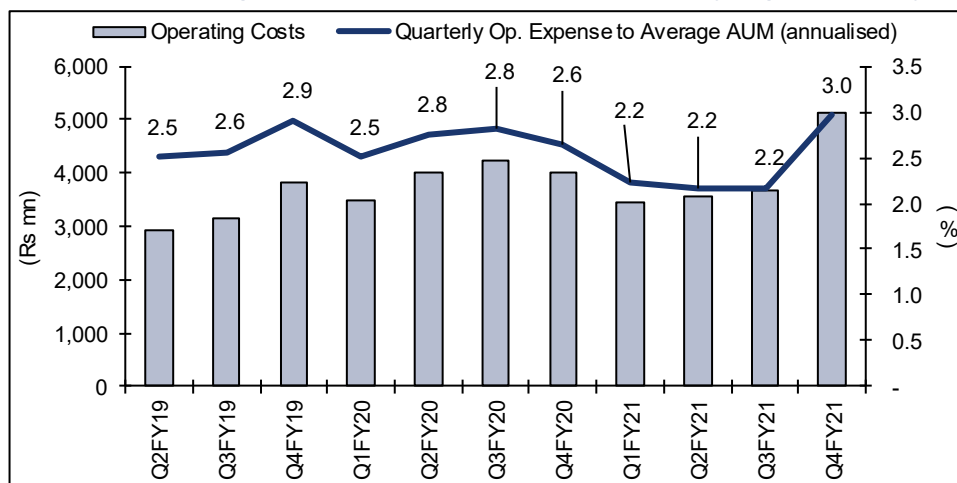


Chart 4: YoY disbursements growth almost double in Q4 for Home Equity



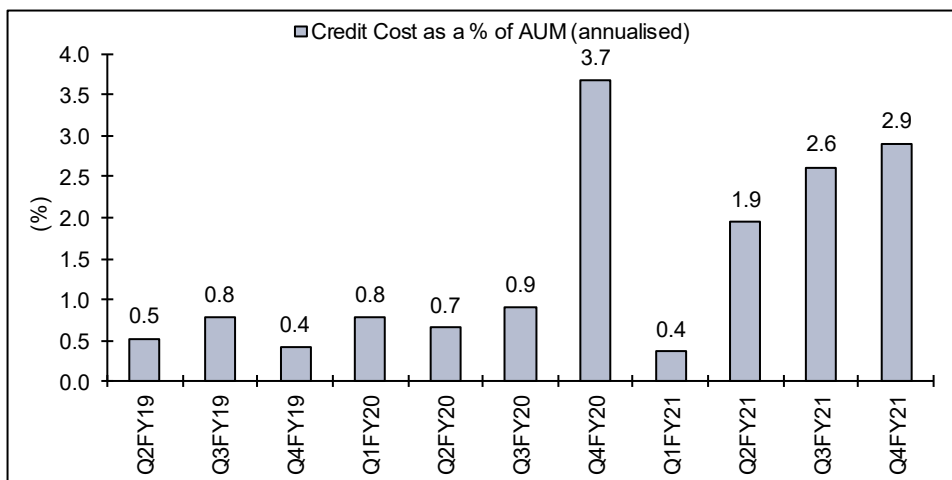
Source: Company data, I-Sec research

Chart 5: Operating costs to AUM sees an uptick led by higher employee cost



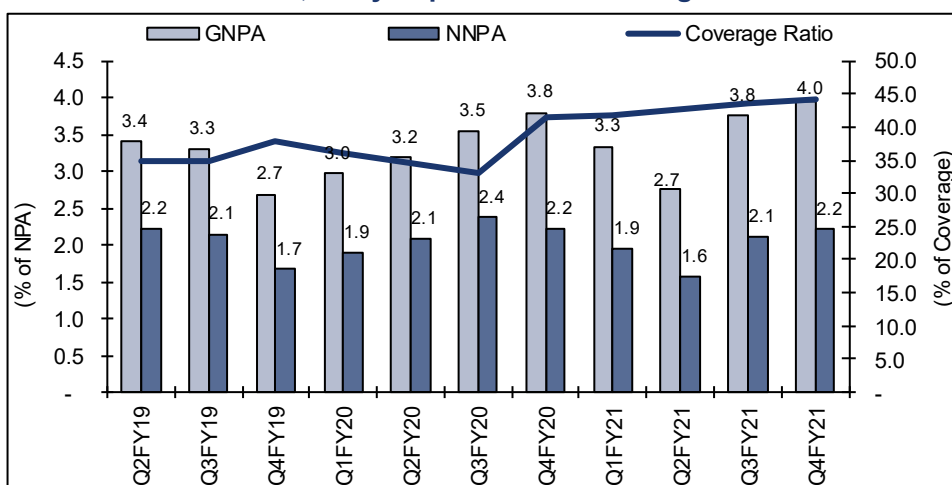
Source: Company data, I-Sec research

Chart 6: Credit costs of 1.8%/1.4% in FY22E/FY23E should manage stress



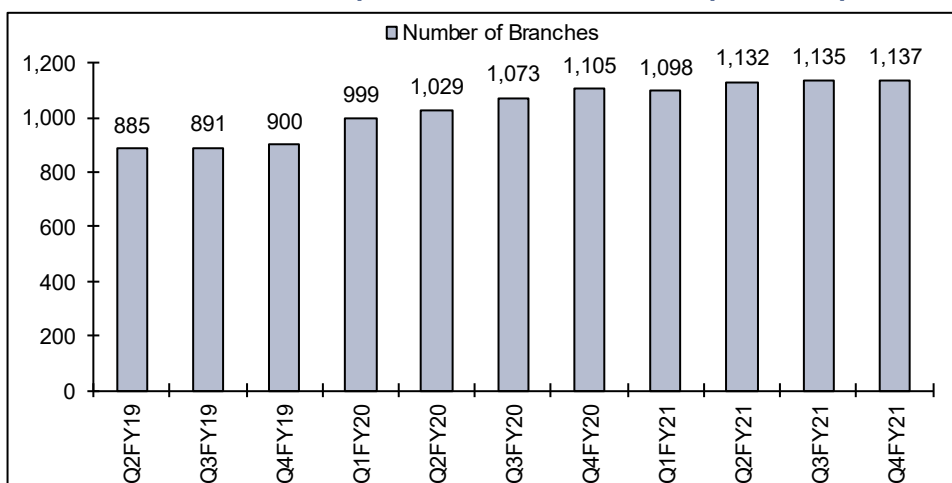
Source: Company data, I-Sec research

Chart 7: GNPA at 4.1%, likely to peak at 4.7% through FY22E



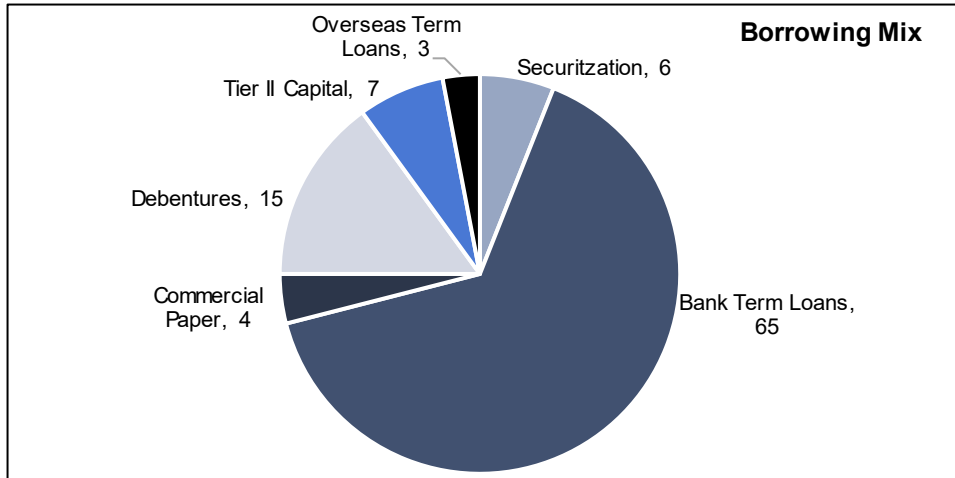
Source: Company data, I-Sec research

Chart 8: Pace of branch expansion has slowed since past few quarters



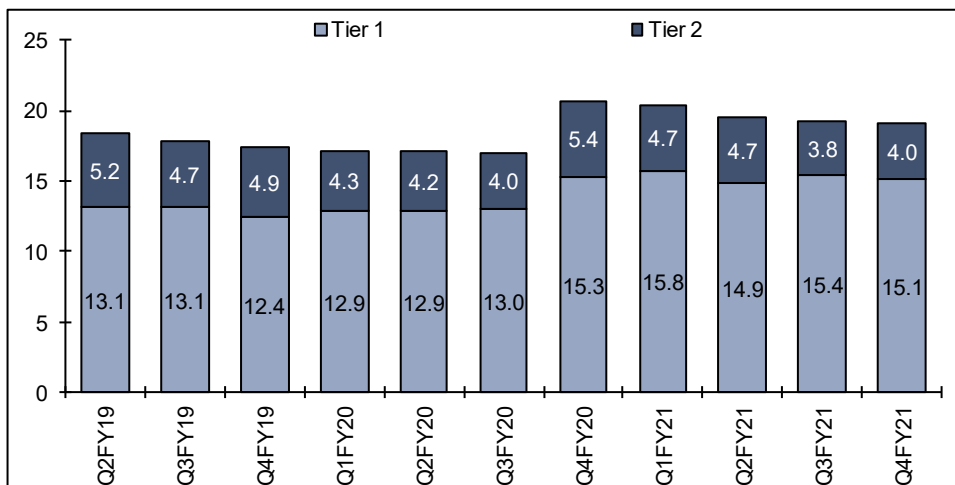
Source: Company data, I-Sec research

Chart 9: Levers available to further diversify borrowing mix



Source: Company data, I-Sec research

Chart 10: CAR well above regulatory requirements, provides comfort



Source: Company data, I-Sec research

Financials

Table 8: Profit and loss statement

(Rs mn, year ending March 31)

Particulars	FY19	FY20	FY21P	FY22E	FY23E
Interest earned	69,889	86,526	95,160	1,04,920	1,19,191
Interest expended	35,932	45,922	45,759	48,202	54,662
Net interest income	33,957	40,604	49,401	56,718	64,529
Other income	7	3	36	42	48
Staff cost	5,906	6,550	7,494	8,221	9,239
Depreciation	555	1,075	983	1,027	1,090
Other operating expenses	6,247	8,151	7,358	8,348	9,597
Total operating cost	12,707	15,776	15,834	17,596	19,925
Pre-provisioning op profit	21,257	24,831	33,603	39,164	44,652
Provisions & contingencies	3,034	8,973	13,218	13,108	12,119
Profit before tax & exceptional items	18,223	15,857	20,384	26,056	32,532
Exceptional items	-	-	-	-	-
Profit before tax & exceptional items	18,223	15,857	20,384	26,056	32,532
Income taxes	6,370	5,334	5,235	6,558	8,188
PAT	11,853	10,524	15,149	19,497	24,344

Source: Company data, I-Sec research

Table 9: Balance sheet

(Rs mn, year ending March 31)

Particulars	FY19	FY20	FY21P	FY22E	FY23E
<i>Capital</i>	1,564	1,640	1,641	1,641	1,641
<i>Reserves & surplus</i>	60,193	80,079	92,322	1,10,589	1,33,292
Net worth	61,757	81,718	93,962	1,12,229	1,34,932
Pref. shares/ Share application money	0	0	0	0	0
Total borrowings	5,05,670	5,50,050	6,37,300	7,04,218	8,04,557
Provisions	740	851	979	1,126	1,295
Other Liabilities	6,096	7,311	13,243	14,572	16,033
Total liabilities & stockholders' equity	5,74,263	6,39,930	7,45,484	8,32,146	9,56,817
Loans & advances	5,26,223	5,54,027	6,58,393	7,45,831	8,65,109
Investments	734	729	16,188	14,036	14,606
Cash and Balance	36,749	69,591	52,319	51,273	53,354
Fixed Assets	1,754	2,877	2,030	2,375	2,778
Current & other assets	8,804	12,706	16,554	18,631	20,970
Total Assets	5,74,263	6,39,930	7,45,484	8,32,146	9,56,817

Source: Company data, I-Sec research

Table 10: Key ratios*(Year ending March 31)*

Particulars	FY19	FY20	FY21P	FY22E	FY23E
Growth (%):					
AUM	26.5	11.6	15.6	13.0	16.3
Disbursements	21.3	(4.5)	(10.5)	32.6	23.7
Loan book (on balance sheet)	24.5	6.6	18.5	12.2	16.0
Net Interest Income (NII)	19.8	19.6	21.7	14.8	13.8
Non-interest income	55.8	(61.2)	1,288.5	15.0	15.0
Pre provisioning operating profits (PPoP)	23.6	16.8	35.3	16.5	14.0
PAT	29.0	(11.2)	44.0	28.7	24.9
EPS	28.9	(15.3)	44.0	28.7	24.9
Yields, interest costs and spreads (%)					
NIM	7.0	7.1	7.6	7.6	7.5
Yield on loan assets (on -book)	13.8	15.5	15.0	14.4	14.3
Average cost of funds	8.1	8.7	7.7	7.2	7.2
Interest Spread on loan assets (on -book)	5.8	6.8	7.3	7.2	7.1
Spread on securitisation					
Operating efficiencies					
Non-interest income as % of net income	0.0	0.0	0.1	0.1	0.1
Cost to income ratio (%)	37.4	38.9	32.0	31.0	30.9
Op.costs / avg AUM (%)	2.6	2.7	2.4	2.4	2.3
No of employees (including off rolls)	23,000	26,558	26,363	27,431	27,705
Average annual salary (Rs)	2,56,778	2,46,630	2,84,247	2,99,703	3,33,468
Annual inflation in average salary(%)	-5.3	-4.0	15.3	5.4	11.3
Salaries as % of non-int. costs (%)	46.5	41.5	47.3	46.7	46.4
NII /employee (Rs mn)	1.48	1.53	1.87	2.07	2.33
AUM/employee(Rs mn)	23.6	22.8	26.6	28.8	33.2
Capital Structure					
Debt-Equity ratio	8.2	6.7	6.8	6.3	6.0
Leverage (x)	9.3	7.8	7.9	7.4	7.1
CAR (%)	17.4	20.7	18.6	19.3	20.1
Tier 1 CAR (%)	12.4	15.3	14.1	15.3	16.1
Tier 2 CAR (%)	4.9	5.4	4.5	4.0	4.0
Tier 1 Capital (Rs mn)	61,344	76,510	86,324	1,03,633	1,25,257
Tier 2 Capital (Rs mn)	24,253	27,645	27,593	27,159	31,097
RWA	4,93,033	5,11,939	6,13,181	6,78,976	7,77,423
Asset quality and provisioning					
GNPA (% of AUM)	2.7	3.8	4.0	4.1	4.0
NNPA (% of AUM)	1.7	2.2	2.2	2.2	2.1
GNPA (estimate)	14,390	21,630	27,050	30,950	30,405
NNPA (estimate)	8,930	12,650	15,080	17,332	16,966
GNPA estimate (% of on-book AUM)	2.7	3.9	4.1	4.1	3.5
NNPA estimate (% of on-book AUM)	1.7	2.3	2.3	2.3	2.0
Coverage ratio (%)	37.9	41.5	44.3	47.2	47.4
Credit costs as % of average AUM	0.6	1.6	2.0	1.8	1.4
Return ratios & capital management					
RoAA (%)	2.3	1.7	2.2	2.5	2.7
RoAE (%)	21.0	14.7	17.2	18.9	19.7
Payout ratio (%)	8.6	12.6	0.0	6.3	6.7
Valuation Ratios					
EPS (Rs)	15.2	12.8	18.5	23.8	29.7
Price to Earnings	36.6	43.2	30.0	23.3	18.7
BVPS (Rs)	79.0	99.7	114.6	136.9	164.6
Price to Book	7.0	5.6	4.8	4.0	3.4
Dividend yield (%)	0.2	0.3	0.0	0.3	0.4

Source: Company data, I-Sec research

Table 11: Du-Pont analysis

Particulars	FY19	FY20	FY21P	FY22E	FY23E
Interest earned	14.4	15.1	14.6	14.1	13.9
Interest expended	7.4	8.0	7.0	6.5	6.4
Gross Interest Spread	7.0	7.1	7.6	7.6	7.5
Credit cost	0.6	1.6	2.0	1.8	1.4
Net Interest Spread	6.4	5.5	5.5	5.9	6.1
Operating cost	2.6	2.7	2.4	2.4	2.3
Lending spread	3.7	2.8	3.1	3.5	3.8
Non-interest income	0.0	0.0	0.0	0.0	0.0
Operating spread	3.7	2.8	3.1	3.5	3.8
Exceptional items	0.0	0.0	0.0	0.0	0.0
Final Spread	3.7	2.8	3.1	3.5	3.8
Tax rate (%)	35.0	33.6	25.7	25.2	25.2
ROAAUM	2.4	1.8	2.3	2.6	2.8
Effective leverage (AAUM/ AE)	8.6	8.0	7.4	7.2	6.9
RoAE	21.0	14.7	17.2	18.9	19.7

Source: Company data, I-Sec research

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