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Q3FY23 result review and earnings revision

BFSI

Target price: Rs2,249

Earnings revision

(%)	FY23E	FY24E
AUM (SA)	↑ 3.5	↑ 4.3
PAT (cons.)	↑ 3.2	↑ 2.3
PAT (SA)	↑ 1.6	↑ 1.7

Shareholding pattern

	Jun '22	Sep '22	Dec '22
Promoters	38.5	38.5	38.5
Institutional investors	24.1	23.9	23.9
MFs and others	11.9	12.4	10.1
FIs/Banks	0.0	0.0	0.0
Insurance Cos.	4.0	3.9	3.9
FIIIs	8.2	7.6	9.9
Others	37.4	37.7	37.6

Source: BSE

ESG disclosure score

Year	2020	2021	Chg
ESG score	33.6	33.6	0.0
Environment	0.0	0.0	0.0
Social	22.1	22.1	0.0
Governance	78.6	78.6	0.0

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

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INDIA



Sundaram Finance

HOLD

Maintain

Strong AUM growth with sustained NIM performance;
valuations limit upside

Rs2,322

Sundaram Finance (Sundaram) has reported strong Q3FY23 earnings in key parameters such as AUM growth (up 5% QoQ), NIMs (5.4%) sustenance in rising interest rate regime and opex moderation (down 1% QoQ despite AUM growth). This performance is contrasting to the moderate management commentary. Standalone PPOP excluding dividend income (in Q2FY23) was up 5% QoQ. In terms of key subsidiaries, while Sundaram Home delivered 5% QoQ PAT jump, AMC and insurance businesses' financial performances were impacted due to amortisation expense in AMC and MTM losses in insurance business. Despite good performance, we continue to believe that possible lower NIM outlook (especially because Sundaram operates in a highly competitive CV segment) limits the upside. Hence, maintain HOLD with an unchanged target price of Rs2,249.

- **Maintain HOLD.** We factor in standalone AUM CAGR of 19% (vs 17% earlier) between FY22-FY24E with standalone NIM, opex, credit cost of 4.9% (including estimated treasury income, it is 5.3%)/2.5%/0.5% in FY23E and 4.7%/2.2%/0.4% in FY24E, respectively. This results in RoA/RoE of 2.7%/13.9% for FY23E and 2.7%/14.0% for FY24E, respectively.
- **SoTP:** We assign 2.5x/3.0x P/B on FY24E BV of NBFC+HFC / insurance business and 15x P/E on AMC's FY24E PAT. 20% holding company discount is also applied for subsidiaries' valuation. Hence, NBFC+HFC / insurance / AMC / other businesses account for Rs1,925/Rs191/Rs119/Rs15 per share. Currently, Sundaram is trading at 2.7x FY24E derived P/B (same as long-term average) for lending business. We have arrived at P/B multiple for lending business by subtracting the assumed market cap of Royal Sundaram (3x 1 yr. fwd. P/B) and Sundaram AMC (15x 1 yr. fwd. P/E) from total market cap of Sundaram Finance.
- **Strong growth as against management's subdued commentary:** Standalone disbursement increased 8%/44% QoQ/YoY to Rs55.5bn in Q3FY23. This was the highest-ever quarterly disbursements for Sundaram. AUM grew 5%/12.6% QoQ/YoY to Rs336bn as of Dec'22. Disbursements growth was led by cars (14% QoQ), construction equipment (CE) (23% QoQ) and tractors segments (56% QoQ) whereas CV disbursements were up 2% QoQ and 'other' segment's disbursements declined sequentially. QoQ AUM growth of 5% was broad-based with cars/tractors growing a little faster and 'other' segment declining. Sundaram has strengthened its market share across geographies and asset classes.
- **NIMs sustained at 5.4% QoQ. Management guidance is that NIM should converge back to pre-covid level (4.5%) over medium term.** Net interest income (NII) grew 5.7% QoQ driven by yields and AUM growth. Funding cost increase of 27bps QoQ to 6.3% was offset by yields increase of 18bps QoQ to 10.9% and 5% AUM growth. However, NII was flat YoY due to lower yields marginally supported by strong AUM growth. Other income was down 46% QoQ due to the absence of dividend income (it was Rs884mn in Q2FY23) and lower securitisation income. However, it was up 10% YoY.

Market Cap	Rs255bn/US\$3.1bn	Year to Mar (SA)	FY21	FY22	FY23E	FY24E
Reuters/Bloomberg	SNFN.BO/SUF IN	NII (Rs bn)	14	17	16	18
Shares Outstanding (mn)	111.1	Net Profit (Rs bn)	8	9	10	11
52-week Range (Rs)	2498/1604	EPS (Rs)	72.8	81.3	91.5	102.7
Free Float (%)	61.5	%change YoY	11.8%	11.7%	12.6%	12.2%
FII (%)	9.9	P/E (x)	31.9	28.6	25.4	22.6
Daily Volume (US\$'000)	1,036	P/BV (Rs)	4.2	3.7	3.3	3.0
Absolute Return 3m (%)	(2.8)	Credit Cost (%)	1.0%	1.1%	0.5%	0.4%
Absolute Return 12m (%)	3.0	GS3 (NBFC) (%)	1.8%	2.2%	2.3%	1.9%
Sensex Return 3m (%)	(0.6)	RoA (%)	2.4%	2.6%	2.7%	2.7%
Sensex Return 12m (%)	4.5	RoE (%)	13.8%	13.8%	13.9%	14.0%

Please refer to important disclosures at the end of this report

- ▶ **Operating expense (opex) moderated as management tightens control on cost.** It declined 1.4% QoQ (despite 5% QoQ AUM growth). Opex to AUM improved to 2.4% (annualised) in Q3FY23 vs 2.6%/2.4% in Q2FY23/Q3FY22, respectively.
- ▶ **PPOP adjusted for the dividend income was up 5% QoQ.** PPOP declined 16% QoQ to Rs3.6bn in Q3FY23 mainly due to no dividend income in Q3FY23 (Rs884mn in Q2FY23). Excluding the same, PPOP grew 5% QoQ, in line with AUM growth. In comparison, Chola/MMFSL reported 4%/15.6% QoQ growth in its PPOPs, respectively. Sundaram's PPOP declined YoY by 2% due to NIMs compression.
- ▶ **Credit cost jumped 37% QoQ but remains lower at 0.5% (annualised) of AUM in Q3FY23 vs 0.3% in Q2FY23.** It declined 61% YoY from 1.3% in Q3FY22. Gross stage 3 (GS-3) improved to 2.4% as of Dec'22 from 2.5%/3.4% in Sep'22/Dec'21. **GNPA, as per new IRAC norms, also improved to 3.97% as of Dec'22 from 4.29% as of Sep'22.** The company adopted new norms effective from Apr'22, ahead of regulatory guideline of Oct'22.
- ▶ **Standalone PAT declined 20% QoQ due to lower PPOP and higher credit cost, but grew by 20% YoY to Rs2.4bn in Q3FY23 driven by improved credit cost.** Standalone RoA/RoE was 2.6%/13.1% vs 3.4%/16.8% in Q2FY23 and 2.4%/12.3% in Q3FY22, respectively.
- ▶ **Consolidated PAT increased by 15%/22% QoQ/YoY to Rs3.8bn in Q3FY23.** QoQ growth was led by higher NII in lending businesses, lower overall opex, higher profit from associates, and lower tax rate (24% in Q3FY23 vs 30% in Q2FY23). YoY growth was driven by higher other operating income and improved credit cost. Consolidated NII was up 4% YoY driven by improved NIMs in home finance business.
- ▶ **Key risks:** 1) Delay in expected CV upcycle, 2) higher than expected NIMs compression, 3) weak performance in key subsidiaries.

Table 1: Subsidiaries' performance in Q3FY23

Sundaram Home	<ul style="list-style-type: none"> • Disbursement increased by 2%/54% QoQ/YoY to Rs9.6bn in Q3FY23 • AUM grew 4%/14% QoQ/YoY to Rs106bn as of Dec'22. Company continues to see increased demand in tier 2 and 3 towns in southern market, a priority focus for the company • GNPA/NNPA increased marginally to 2.9%/1.6% from 2.8%/1.6% in Q2FY23, but improved from 5.1%/3.1% in Q3FY22 • NIMs to AUM ratio improved to 4.6% in Q3FY23 (vs 4.4% in Q2FY23) led by 40bps increase in yields whereas funding cost also increased by 40bps • Considering the floating rate nature of home finance asset class, company's target market of tier 2 and 3 towns (higher yielding products), and better management of funding cost increase, the spreads could likely sustain with a potential upside. • Ultimately, it reported 5%/51% QoQ/YoY increase in PAT in Q3FY23 driven by NII growth and credit cost improvement (YoY)
Sundaram AMC	<ul style="list-style-type: none"> • AUM grew 8% QoQ in Q3FY23. Equity proportion remains high at around 85% • PAT remained lower at Rs540mn in 9MFY23 (vs Rs730mn in 9MFY22) due to amortisation of Rs2.34bn asset management rights consequent to the acquisition of Principal Mutual Fund. The charge to P&L for 9MFY23 was Rs180mn.
Royal Sundaram	<ul style="list-style-type: none"> • GWP grew 10%/28% QoQ/YoY to Rs9,340mn in Q3FY23 • PAT was lower at Rs60mn in 9MFY23 (Rs50mn in Q3FY23) as against Rs1,890mn in 9MFY22 • While underlying operations remain profitable, 9MFY23 PAT was impacted due to net loss of Rs700mn on fair value of equity investments as against net gain of Rs820mn in 9MFY22

Source: Company data, I-Sec research

Table 2: Q3FY23 result review (standalone)

(Rs mn)	Q3 FY23	Q3 FY22	% Change YoY	Q2 FY23	% Change QoQ
Income statement					
Net interest Income	4,396	4,399	-0.1%	4,160	5.7%
Add: Other Income	1,142	1,041	9.8%	2,105	-45.7%
Total Net income	5,538	5,440	1.8%	6,265	-11.6%
Less: Operating expenses	1,974	1,802	9.5%	2,002	-1.4%
-Employee benefit expense	1,155	1,041	10.9%	1,121	3.0%
-Depreciation & amortization	252	189	33.0%	219	14.9%
-Other expense	567	571	-0.8%	662	-14.3%
Pre-provisioning profit	3,564	3,638	-2.0%	4,263	-16.4%
Less: Provisions & write-offs	373	964	-61.3%	272	37.2%
PBT	3,191	2,674	19.3%	3,991	-20.0%
Less: Taxes	764	650	17.6%	956	-20.0%
PAT	2,427	2,024	19.9%	3,035	-20.0%
Balance sheet key items (Rs mn)					
AUM	3,35,580	2,97,960	12.6%	3,19,800	4.9%
Networth	75,579	67,095	12.6%	73,152	3.3%
Borrowings	3,02,548	2,71,881	11.3%	2,81,837	7.3%
Asset Quality					
Gross stage 3	2.4%	3.4%	-96 bps	2.5%	-11 bps
Net stage 3	1.4%	2.1%	-74 bps	1.4%	-2 bps
Credit cost (annualised)	0.5%	1.3%	-84 bps	0.3%	10 bps
Key ratios (annualised)					
Yield on AUM	10.9%	11.5%	-56 bps	10.8%	18 bps
Cost of funds	6.3%	6.2%	7 bps	6.0%	27 bps
NIMs on AUM	5.4%	5.9%	-54 bps	5.3%	4 bps
Other income on AUM	1.4%	1.4%	-1 bps	2.7%	-130 bps
Cost to income	35.6%	33.1%	252 bps	32.0%	368 bps
Opex to AUM	2.4%	2.4%	-1 bps	2.6%	-16 bps
RoA	2.6%	2.4%	23 bps	3.4%	-76 bps
RoE	13.1%	12.3%	80 bps	16.8%	-377 bps
Debt to Equity (times)	4.0	4.1	-1.2%	3.9	3.9%
CAR	23.3%	23.6%	-28 bps	24.3%	-100 bps

Source: Company data, I-Sec research

Table 3: Q3FY23 result review (consolidated)

Income statement (Rs mn)	Q3 FY23	Q3 FY22	% Change YoY	Q2 FY23	% Change QoQ
Net interest Income	5,565	5,353	4.0%	5,239	6.2%
Add: Other Income	2,324	2,035	14.2%	2,376	-2.2%
Total Net income	7,889	7,388	6.8%	7,615	3.6%
Less: Operating expenses	3,024	2,666	13.4%	3,173	-4.7%
-Employee benefit expense	1,717	1,529	12.3%	1,678	2.3%
-Depreciation & amortization	362	253	43.0%	326	11.2%
-Other expense	945	884	6.9%	1,169	-19.2%
Pre-provisioning profit	4,865	4,722	3.0%	4,442	9.5%
Less: Provisions & write-offs	617	1,252	-50.8%	440	40.1%
PBT	4,249	3,469	22.5%	4,002	6.2%
Less: Taxes	1,028	841	22.2%	1,193	-13.8%
PAT	3,221	2,629	22.5%	2,810	14.6%
Add: Profit from JV/Associate	601	516	16.5%	506	18.8%
Final PAT	3,822	3,145	21.5%	3,316	15.3%

Source: Company data, I-Sec research.

Table 4: Q3FY23 result review (Sundaram Home)

Sundaram Home Income statement (Rs mn)	Q3 FY23	Q3 FY22	% Change YoY	Q2 FY23	% Change QoQ
Net interest Income	1,191	960	24.1%	1,093	8.9%
Add: Other Income	156	73	112.9%	147	5.9%
Total Net income	1,346	1,033	30.4%	1,240	8.6%
Less: Operating expenses	419	309	35.6%	428	-2.0%
Pre-provisioning profit	927	723	28.1%	812	14.1%
Less: Provisions & write-offs	244	285	-14.6%	154	57.7%
PBT	683	438	55.9%	658	3.9%
Less: Taxes	158	89	76.9%	155	2.0%
PAT	526	349	50.6%	503	4.5%

Source: Company data, I-Sec research.

Table 5: QoQ trend in vehicle finance disbursement

(Rsbn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Total Disbursements	31.7	43.3	33.1	20.6	36.2	38.4	37.5	49.0	51.4	55.5
CV	29%	30%	41%	43%	46%	45%	50%	51%	49%	46%
Car	25%	30%	26%	30%	30%	30%	24%	25%	27%	28%
CE	15%	11%	13%	13%	11%	12%	12%	11%	10%	11%
Tractor	14%	9%	9%	12%	9%	10%	7%	7%	7%	10%
Other	17%	19%	11%	3%	5%	4%	7%	5%	7%	4%

Source: Company data, I-Sec research

Table 6: QoQ trend in vehicle finance AUM

	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Total AUM (Rsbn)	305.7	312.3	308.8	298.2	298.1	298.0	295.3	305.5	319.8	335.6
CV	51%	48%	47%	47%	46%	46%	46%	46%	46%	46%
Car	24%	25%	25%	25%	25%	26%	26%	26%	26%	26%
CE	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Tractor	7%	7%	8%	8%	8%	8%	8%	8%	8%	8%
Other	7%	9%	9%	9%	10%	9%	10%	9%	9%	9%

Source: Company data, I-Sec research

Table 7: Sundaram AMC QoQ performance

Rs mn	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Equity AUM	2,56,270	3,17,090	3,42,140	3,42,360	3,76,790	4,60,730	4,16,530	4,49,820	4,80,340
Debt AUM	98,850	94,870	84,070	88,210	86,760	77,870	71,570	75,790	87,570
Average AUM	3,55,120	4,11,960	4,26,210	4,30,570	4,63,550	5,38,600	4,88,100	5,25,610	5,67,910
PAT	120	240	190	290	250	-10	180	160	200
Networth	2,310	2,540	2,580	2,860	3,620	3,640	3,430	3,620	3,850
Employees	367	359	359	354	343	346	369	375	377
Retail Investors (nos)	10,54,488	10,24,674	10,20,766	11,70,996	10,38,211	13,09,851	13,02,529	15,68,549	14,19,082
Branch	NA	NA	85	85	85	85	85	85	85

Source: Company data, I-Sec research.

Table 8: Royal Sundaram QoQ performance (as per IND-AS)

Rsmn	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Gross written Premium	8,240	8,020	6,650	7,550	7,270	8,190	7,980	8,470	9,340
PAT	480	240	830	690	370	-170	-340	350	50
Networth	15,070	14,290	15,030	16,070	15,890	15,470	13,750	13,890	14,040
Cumulative Combined Ratio (%)	107.0	110.0	118.0	118.0	117.5	117.0	117.0	117.0	115.0
Employees	2,306	2,323	2,320	2,374	2,362	2,413	2,424	2,421	2,424

Source: Company data, I-Sec research.

Table 9: Capital allocation within group

	FY20	FY21	FY22	Q1 FY23	Q2 FY23	Q3 FY23
Sundaram Finance	68%	65%	62%	63%	62%	61%
Subsidiaries:						
<i>Sundaram Finance Holdings (Conso)</i>	5%	5%	6%	6%	7%	7%
<i>Sundaram AMC (Conso)</i>	3%	3%	3%	3%	3%	3%
<i>Sundaram Home</i>	17%	16%	15%	15%	14%	14%
<i>Sundaram Funds Services</i>	0%	0%	0%	0%	0%	0%
<i>Sundaram Trustees</i>	0%	0%	0%	0%	0%	0%
<i>LGF Services</i>	0%	0%	0%	0%	0%	0%
<i>Sundaram Finance Employees</i>	0%	0%	0%	0%	0%	0%
<i>Non-Controlling interest in subsidiaries*</i>	18%	18%	21%	21%	22%	22%
Joint Control in entities						
<i>Royal Sundaram General Insurance</i>	7%	8%	7%	6%	6%	6%
<i>Sundaram Home</i>	0%	0%	0%	0%	0%	0%
<i>Sundaram Funds Services</i>	0%	0%	0%	0%	0%	0%
Total	119%	116%	115%	115%	114%	114%
Adjustment arising out of consolidation	-19%	-16%	-15%	-15%	-14%	-14%
Total Networkth including Minority Interest	100%	100%	100%	100%	100%	100%

Source: Company data, I-Sec research. *Estimated

Table 10: PAT contribution within group

	FY20	FY21	FY22	Q1 FY23	Q2 FY23	Q3 FY23
Sundaram Finance	86%	66%	70%	81%	92%	63%
Subsidiaries:						
<i>Sundaram Finance Holdings (Conso)</i>	2%	1%	3%	3%	2%	4%
<i>Sundaram AMC (Conso)</i>	4%	5%	6%	7%	5%	5%
<i>Sundaram Home</i>	20%	16%	13%	17%	15%	14%
<i>Sundaram Funds Services</i>	2%	0%	0%	0%	0%	0%
<i>Sundaram Trustees</i>	0%	0%	0%	0%	0%	0%
<i>LGF Services</i>	0%	0%	0%	0%	0%	0%
<i>Sundaram Finance Employees</i>	0%	0%	0%	0%	0%	0%
<i>Non-Controlling interest in subsidiaries</i>	6%	5%	9%	11%	8%	13%
Joint Control in entities						
<i>Royal Sundaram General Insurance</i>	-5%	13%	7%	-6%	5%	1%
<i>Sundaram Home</i>	0%	0%	0%	0%	0%	0%
<i>Sundaram Funds Services</i>	0%	0%	0%	0%	0%	0%
Total	116%	105%	108%	114%	127%	100%
Adjustment arising out of consolidation	-16%	-5%	-8%	-14%	-27%	0%
Total	100%	100%	100%	100%	100%	100%

Source: Company data, I-Sec research

Financial summary (standalone)

Table 11: Profit and loss statement

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	23,636	28,929	33,510	34,375	33,755	33,813	42,600
Interest expense	13,460	17,665	20,720	20,307	17,001	17,957	24,440
Net interest income	10,175	11,264	12,789	14,067	16,754	15,856	18,160
Non-Interest income	4,918	4,492	5,760	5,767	5,149	7,086	7,203
Total net income	15,094	15,756	18,549	19,835	21,904	22,943	25,362
Operating expenses	5,742	5,730	6,234	6,111	6,949	7,943	8,512
PPOP	9,352	10,026	12,315	13,724	14,954	14,999	16,850
Provisions	855	1,073	2,864	3,161	3,185	1,619	1,637
PBT	8,497	8,953	9,451	10,563	11,769	13,381	15,213
Tax	2,863	3,614	2,212	2,473	2,735	3,211	3,803
PAT*	5,634	5,339	7,239	8,090	9,034	10,169	11,410
EPS	50.7	101.4	65.2	72.8	81.3	91.5	102.7
DPS	7	20	26	15	16	18	21

Source: Company data, I-Sec research. *Before extraordinary income

Table 12: Balance sheet

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Liabilities							
Share capital	1,111	1,111	1,111	1,111	1,111	1,111	1,111
Reserves and surplus	40,225	49,327	54,363	60,683	67,820	75,988	85,154
Networth	41,336	50,438	55,474	61,795	68,931	77,099	86,265
Borrowings	2,11,092	2,50,058	2,73,367	2,82,134	2,78,353	3,13,309	3,70,333
Other liabilities	5,679	5,996	5,354	5,596	5,592	6,039	6,522
Total Liabilities	2,58,107	3,06,492	3,34,195	3,49,525	3,52,875	3,96,447	4,63,120
Assets							
Net Block	2,941	3,051	3,596	3,309	3,604	3,965	4,361
Loans	2,20,030	2,72,715	2,80,447	2,94,039	2,84,002	3,37,116	4,02,090
Other assets	35,136	30,726	50,152	52,177	65,269	55,366	56,669
Total Assets	2,58,107	3,06,492	3,34,195	3,49,525	3,52,875	3,96,447	4,63,120

Source: Company data, I-Sec research

Table 13: RoE DuPont analysis

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Gross AUM (Rs mn)	2,49,640	2,89,840	2,99,360	3,08,820	2,95,320	3,51,826	4,18,518
Interest Income	10.5%	10.2%	10.5%	10.1%	9.6%	9.0%	9.9%
Interest Expense	6.0%	6.3%	6.5%	5.9%	4.8%	4.8%	5.7%
Net Interest Income	4.5%	4.0%	4.0%	4.1%	4.8%	4.2%	4.2%
Other Income	2.2%	1.6%	1.8%	1.7%	1.5%	1.9%	1.7%
Total Net Income	6.7%	5.6%	5.8%	5.8%	6.2%	6.1%	5.9%
Operating Expenses	2.6%	2.0%	1.9%	1.8%	2.0%	2.1%	2.0%
Pre Provision Operating Profit	4.2%	3.6%	3.8%	4.0%	4.3%	4.0%	3.9%
Provisions	0.4%	0.4%	0.9%	0.9%	0.9%	0.4%	0.4%
PBT	3.8%	3.2%	3.0%	3.1%	3.4%	3.6%	3.5%
Tax	1.3%	1.3%	0.7%	0.7%	0.8%	0.9%	0.9%
Reported PAT	2.5%	1.9%	2.3%	2.4%	2.6%	2.7%	2.7%
Extraordinary items	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Reported PAT after extraordinary items	2.5%	4.0%	2.3%	2.4%	2.6%	2.7%	2.7%
Leverage (average assets/average equity)	5.7	6.2	6.0	5.8	5.4	5.1	5.3
RoE	14.3%	24.5%	13.7%	13.8%	13.8%	13.9%	14.0%

Source: Company data, I-Sec research

Table 14: Key ratios

(Year ending Mar 31)

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Valuations							
EPS	50.7	101.4	65.2	72.8	81.3	91.5	102.7
BVPS	372.1	454.0	499.3	556.2	620.4	694.0	776.5
Yields, Interest income & spreads							
Yield on AUM	10.3%	10.7%	11.4%	11.3%	11.2%	10.5%	11.1%
Cost of funding	7.7%	7.7%	7.9%	7.3%	6.1%	6.1%	7.2%
NIM on AUM	4.5%	4.2%	4.3%	4.6%	5.5%	4.9%	4.7%
Operating efficiency							
Cost to income	38.0%	36.4%	33.6%	30.8%	31.7%	34.6%	33.6%
Opex to AUM	2.5%	2.1%	2.1%	2.0%	2.3%	2.5%	2.2%
AUM per branch (Rs Mn)	401.4	440.5	490.8	525.2	477.9	528.0	591.4
Asset Quality							
GS-3	1.3%	1.3%	2.5%	1.8%	2.2%	2.3%	1.9%
NS-3	0.7%	0.8%	1.9%	1.3%	4.6%	2.6%	1.4%
Credit cost on AUM	0.4%	0.4%	1.0%	1.0%	1.1%	0.5%	0.4%
Profitability							
ROAA	2.5%	4.0%	2.3%	2.4%	2.6%	2.7%	2.7%
ROE	14.3%	24.5%	13.7%	13.8%	13.8%	13.9%	14.0%
Capital							
Tier 1	12.5%	14.6%	13.2%	15.2%	17.5%	17.8%	17.0%
Tier 2	5.6%	4.8%	5.2%	6.9%	6.9%		
RWA/ Total Assets	0.9	0.9	0.8	0.8	0.8	0.9	0.9

Source: Company data, I-Sec research

Financial summary (consolidated)

Table 15: Profit and loss statement

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	23,630	28,926	38,588	44,081	42,675	44,109	55,200
Interest expense	13,444	17,664	24,275	26,594	22,362	24,186	32,438
Net interest income	10,186	11,262	14,314	17,487	20,313	19,923	22,763
Non-Interest income	39,810	8,956	8,637	9,087	8,782	10,518	10,832
Total net income	49,996	20,219	22,951	26,574	29,095	30,441	33,595
Operating expenses	38,983	9,667	9,654	9,595	10,829	12,265	12,977
PPOP	11,013	10,552	13,297	16,979	18,266	18,176	20,618
Provisions	869	1,033	3,301	3,683	4,099	2,415	2,276
PBT	10,144	9,519	9,996	13,296	14,166	15,760	18,342
Tax	3,479	3,880	2,105	3,275	3,500	3,923	4,575
PAT	6,665	5,640	7,891	10,020	10,666	11,838	13,767
Extraordinary item/Associate /JV share	1,768	6,945	563	2,210	2,296	1,800	2,200
PAT	8,433	12,585	8,454	12,230	12,963	13,638	15,967
EPS	65.7	104.5	71.2	104.9	105.6	111.1	130.1

Source: Company data, I-Sec research

Table 16: Balance sheet

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share capital	1,101	1,101	1,102	1,102	1,102	1,102	1,102
Reserves and surplus	55,391	61,492	65,667	76,201	86,846	98,364	1,11,153
Networth	56,492	62,593	66,768	77,303	87,948	99,466	1,12,254
Minority Interest	23,071	17,389	14,555	17,203	22,941	25,724	28,819
Borrowings	2,10,686	2,50,129	3,59,393	3,64,611	3,63,616	4,09,934	4,81,452
Other liabilities	49,220	6,388	6,493	6,810	7,035	7,652	8,326
Total Liabilities	3,39,469	3,36,499	4,47,209	4,65,925	4,81,540	5,42,776	6,30,851
Assets							
Net Block	3,325	3,138	4,292	3,906	6,409	7,050	7,755
Loans	2,20,039	2,72,723	3,72,218	3,81,509	3,74,764	4,42,228	5,23,002
Other assets	1,16,106	60,638	70,700	80,511	1,00,368	93,498	1,00,095
Total Assets	3,39,469	3,36,499	4,47,209	4,65,925	4,81,540	5,42,776	6,30,851

Source: Company data, I-Sec research

Table 17: RoE DuPont analysis

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Gross AUM (Rs mn)	2,49,640	2,89,840	3,95,740	4,00,550	3,90,270	4,61,018	5,44,089
Interest Income	7.3%	8.6%	9.8%	9.7%	9.0%	8.6%	9.4%
Interest Expense	4.2%	5.2%	6.2%	5.8%	4.7%	4.7%	5.5%
Net Interest Income	3.1%	3.3%	3.7%	3.8%	4.3%	3.9%	3.9%
Other Income	12.3%	2.6%	2.2%	2.0%	1.9%	2.1%	1.8%
Total Net Income	15.5%	6.0%	5.9%	5.8%	6.1%	5.9%	5.7%
Operating Expenses	12.0%	2.9%	2.5%	2.1%	2.3%	2.4%	2.2%
Pre Provision Operating Profit	3.4%	3.1%	3.4%	3.7%	3.9%	3.5%	3.5%
Provisions	0.3%	0.3%	0.8%	0.8%	0.9%	0.5%	0.4%
PBT	3.1%	2.8%	2.6%	2.9%	3.0%	3.1%	3.1%
Tax	1.1%	1.1%	0.5%	0.7%	0.7%	0.8%	0.8%
Reported PAT	2.1%	1.7%	2.0%	2.2%	2.3%	2.3%	2.3%
Extraordinary items*	0.5%	2.1%	0.1%	0.5%	0.5%	0.4%	0.4%
Reported PAT after extraordinary items	2.6%	3.7%	2.2%	2.7%	2.7%	2.7%	2.7%
Leverage (average assets/average equity)	4.8	4.2	4.9	5.2	4.6	4.3	4.4
RoE	12.5%	15.8%	10.5%	13.9%	12.6%	11.6%	12.0%

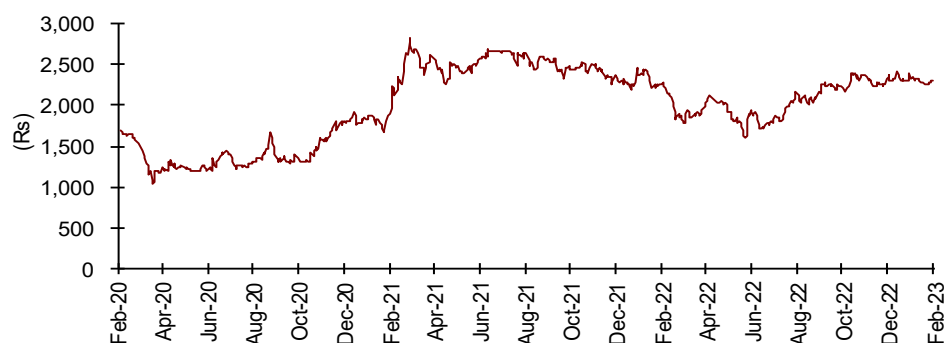
Source: Company data, I-Sec research. *Includes profit share in JV/associates

Table 18: Key ratios

(Year ending Mar 31)

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Valuations							
EPS	65.7	104.5	71.2	104.9	105.6	111.1	130.1
BVPS	508.5	563.4	601.0	695.8	791.6	895.3	1,010.4
Yields, Interest income & spreads							
Yield on AUM	8.9%	10.7%	11.3%	11.1%	10.8%	10.4%	11.0%
Cost of funding	6.5%	7.7%	8.0%	7.3%	6.1%	6.3%	7.3%
NIM on AUM	3.8%	4.2%	4.2%	4.4%	5.1%	4.7%	4.5%
Operating efficiency							
Cost to income	78.0%	47.8%	42.1%	36.1%	37.2%	40.3%	38.6%
Opex to AUM	14.6%	3.6%	2.8%	2.4%	2.7%	2.9%	2.6%
Asset Quality							
GS-3 (NBFC)	1.3%	1.3%	2.5%	1.8%	2.2%	2.3%	1.9%
NS-3 (NBFC)	0.7%	0.8%	1.9%	1.3%	4.6%	2.6%	1.4%
GS-3 (HFC)	3.3%	3.0%	4.8%	4.5%	3.0%	2.9%	2.8%
NS-3 (HFC)	1.1%	1.6%	1.6%	1.1%	1.6%	1.3%	1.1%
Credit cost on AUM	0.3%	0.4%	1.0%	0.9%	1.0%	0.6%	0.5%
Profitability							
ROAA	2.6%	3.7%	2.2%	2.7%	2.7%	2.7%	2.7%
ROE	12.5%	15.8%	10.5%	13.9%	12.6%	11.6%	12.0%

Source: Company data, I-Sec research

Price chart

Source: Bloomberg

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