

# Shriram City Union Finance

Estimate change



TP change



Rating change



Bloomberg	SCUF IN
Equity Shares (m)	66
M.Cap.(INRb)/(USDb)	54.2 / 0.7
52-Week Range (INR)	1572 / 617
1, 6, 12 Rel. Per (%)	-15/-6/-37
12M Avg Val (INR M)	35

## Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
NII	35.6	33.6	32.8
PPP	22.4	22.1	21.3
PAT	10.0	8.6	9.7
EPS (INR)	152	130	147
EPS Gr. (%)	1	-14	13
BV/Sh. (INR)	1,092	1,215	1,344
<b>Ratios</b>			
NIM (%)	12.1	12.4	12.7
C/I ratio (%)	40.3	37.2	39.1
RoA (%)	3.3	2.9	3.2
RoE (%)	14.7	11.3	11.5
Payout (%)	4.8	5.5	12.2
<b>Valuations</b>			
P/E (x)	5.7	6.6	5.8
P/BV (x)	0.8	0.7	0.6
Div. Yield (%)	0.7	0.7	1.7

## Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	34.6	33.9	33.9
DII	35.9	5.7	6.0
FII	27.1	26.8	26.1
Others	2.5	33.6	34.0

FII Includes depository receipts

CMP: INR860

TP: INR1,125 (+31%)

Buy

## Healthy improvement in asset quality

- SCUF's 2QFY21 PAT declined 14% YoY to INR2.6b (41% beat). While PPoP was in line with our estimates at INR5.6b, lower credit costs drove the PAT beat. Collection efficiency has been healthy across segments.
- In 1HFY21, NII/PPoP/PAT declined 6%/2%/18% YoY.

## Disbursements pick up, but AUM declines; Yield up 30bp QoQ

- Disbursements improved sequentially from INR13b to INR31b, but remained at ~60% of YoY levels. MSME disbursements remained muted at 25-30% of YoY levels.
- As a result, AUM declined 3%/7% QoQ/YoY to INR275b. Over the past year, the share of 2W loans has increased nearly 300bp to 21%, while that of personal loans has halved to 5%. **We expect run-down of AUM to continue in FY21, post which, the company should grow in mid-single digits.**
- While cost of funds was sequentially stable at 9.6%, yield improved 30bp to 19.6%. Calculated spreads of 10% were the highest in the past six quarters.

## Asset quality improves; Provision buffer increases

- Collection efficiency improved to 95% in Sep'20 from 82% in Aug'20. The GNPL ratio improved 60bp QoQ to 6.7% without the impact of the SC order and 130bp QoQ to 6% with impact of the SC order.
- The company took INR1b COVID-19 provisions in the quarter, taking the total to INR7.1b. Standard asset provisions amounted to 4.4% of loans, while Stage 3 PCR improved from 50% to 61% QoQ.

## Management commentary highlights

- 180k customers (1.5% of AUM) did not pay a single EMI during the moratorium period. Of this, 122k paid in Sep'20.
- Collection efficiency (CE): SME - 65% in Aug'20 and 93% in Sep'20. 2W – stable at 93% in Aug-Sep'20. Pre-COVID, CE stood at 95%.

## Other highlights

- Opex increased 2% QoQ (down 16% YoY) to INR3.2b.
- Shriram Housing Finance – Disbursements increased to INR5.2b (the highest-ever quarterly disbursements).

## Valuation and view

Since the IL&FS crisis, the company has faced issues on the liability front, leading to muted disbursements and loan book growth. While disbursements have picked up from 1QFY21 lows, they remain significantly below pre-COVID levels. We believe the loan book would continue to moderate over the next two quarters as the company remains cautious on growth. Improvement in collection efficiency, so far, has been encouraging. Additionally, Stage 1/2 provisions of 4.4% and Stage 3 provisions of 61% are higher v/s most peers. **We model 3.9%/3.2% credit costs for FY21/22E.** We have upgraded our EPS estimates by 14% for FY21E (due to lower credit costs) and 3% for FY22E. **SCUF is likely to deliver normalized RoA/RoE of 4%/13% in FY23E.** We maintain Buy with TP of 1,125 (0.8x Sep'22E BVPS).

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## Quarterly Performance

INR m

Y/E MARCH	FY20				FY21				FY20	FY21	2QFY21E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Interest Income	14,449	14,361	14,174	13,988	13,899	13,698	13,424	13,322	56,972	54,344	13,691	0.1
Interest expenses	5,316	5,359	5,296	5,497	5,375	5,190	5,034	5,125	21,402	20,724	5,213	-0.4
<b>Net Interest Income</b>	<b>9,134</b>	<b>9,002</b>	<b>8,877</b>	<b>8,490</b>	<b>8,525</b>	<b>8,508</b>	<b>8,390</b>	<b>8,197</b>	<b>35,570</b>	<b>33,620</b>	<b>8,478</b>	<b>0.4</b>
Y-o-Y Growth (%)	-1.3	-7.8	-0.6	-5.3	-6.7	-5.5	-5.5	-3.5	-3.6	-5.5	-5.0	
Fees and Other Income	423	541	525	514	246	293	400	582	1,901	1,521	400	-26.8
<b>Net Operating Income</b>	<b>9,557</b>	<b>9,543</b>	<b>9,402</b>	<b>9,004</b>	<b>8,771</b>	<b>8,801</b>	<b>8,790</b>	<b>8,779</b>	<b>37,471</b>	<b>35,141</b>	<b>8,878</b>	<b>-0.9</b>
Y-o-Y Growth (%)	2.1	-6.5	1.7	-3.9	-8.2	-7.8	-6.5	-2.5	-1.9	-6.2	-6.7	
Operating Expenses	3,783	3,799	3,675	3,861	3,105	3,182	3,391	3,378	15,084	13,056	3,241	-1.8
<b>Operating Profit</b>	<b>5,774</b>	<b>5,744</b>	<b>5,727</b>	<b>5,143</b>	<b>5,666</b>	<b>5,619</b>	<b>5,399</b>	<b>5,401</b>	<b>22,387</b>	<b>22,085</b>	<b>5,636</b>	<b>-0.3</b>
Y-o-Y Growth (%)	1.6	-8.0	2.3	-10.4	-1.9	-2.2	-5.7	5.0	-3.8	-1.3	-1.9	
Provisions	1,933	1,969	1,822	3,114	3,102	2,015	2,500	2,981	8,837	10,597	3,200	-37.0
<b>Profit before Tax</b>	<b>3,841</b>	<b>3,775</b>	<b>3,905</b>	<b>2,029</b>	<b>2,564</b>	<b>3,604</b>	<b>2,899</b>	<b>2,420</b>	<b>13,550</b>	<b>11,488</b>	<b>2,436</b>	<b>47.9</b>
Tax Provisions	1,309	800	937	498	642	1,035	731	487	3,545	2,895	614	68.6
<b>Net Profit</b>	<b>2,532</b>	<b>2,975</b>	<b>2,968</b>	<b>1,531</b>	<b>1,923</b>	<b>2,569</b>	<b>2,169</b>	<b>1,933</b>	<b>10,005</b>	<b>8,593</b>	<b>1,822</b>	<b>41.0</b>
Y-o-Y Growth (%)	10.3	19.3	14.7	-39.1	-24.1	-13.7	-26.9	26.3	1.2	-14.1	-38.7	
<b>Key Operating Parameters (%)</b>												
Yield on loans (calc., %)	19.3	19.1	19.1	19.1	19.3	19.6	19.8	20.5	19.7	20.2		
Cost of funds (calc., %)	9.5	9.8	9.8	9.7	9.6	9.6	9.3	9.6	9.4	9.4		
Spreads (%)	9.8	9.3	9.4	9.4	9.7	10.0	10.5	10.9	10.4	10.8		
Cost to Income Ratio (%)	39.6	39.8	39.1	42.9	35.4	36.2	38.6	38.5	40.3	37.2		
Credit cost (calc., %)	2.6	2.6	2.5	4.2	4.3	2.9	0.0	0.0	3.0	3.9		
Tax Rate (%)	34.1	21.2	24.0	24.6	25.0	28.7	25.2	20.1	26.2	25.2		
<b>Balance Sheet Parameters</b>												
<b>Disbursements (INR b)</b>	<b>62.8</b>	<b>52.0</b>	<b>58.2</b>	<b>54.2</b>	<b>13.3</b>	<b>30.6</b>	<b>39.7</b>	<b>45.4</b>	<b>227.1</b>	<b>129.0</b>		
Growth (%)	-2.1	-19.6	27.0	-18.1	-78.9	-41.1	-31.8	-16.1	-5.7	-43.2		
<b>AUM (INR b)</b>	<b>303.5</b>	<b>297.2</b>	<b>295.5</b>	<b>290.9</b>	<b>284.5</b>	<b>275.4</b>	<b>267.1</b>	<b>252.6</b>	<b>290.9</b>	<b>252.6</b>		
Growth (%)	4.5	0.5	3.1	-1.7	-6.3	-7.4	-9.6	-13.2	-1.7	-13.2		
Repayments (INR b)	55.1	58.3	60.0	58.8	19.7	39.7	48.0	60.0	232.1	167.3		
Rep. rate (annualized, %)	74.4	76.8	80.7	79.6	27.0	55.8	69.7	89.8	78.5	57.5		
Borrowings/AUM ratio (%)	73.2	72.0	74.6	79.6	76.2	79.1	79.9	83.8	79.6	83.8		
<b>Asset Quality Parameters (%)</b>												
Gross Stage 3 (INR b)	26.5	25.2	24.6	22.6	20.5	16.3			22.6	22.6		
Gross Stage 3 ratio (%)	8.9	8.7	8.5	7.9	7.3	6.0			7.9	9.6		
Net Stage 3 (INR b)	15.0	14.2	13.9	11.7	10.2	6.4			11.7	6.8		
Net Stage 3 ratio (%)	5.4	5.3	5.1	4.4	3.9	2.6			4.4	2.9		
ECL Stage 3 (INR b)	11.5	10.9	10.7	11.0	10.3	9.9			11.0	15.9		
PCR (%)	43.4	43.5	43.6	48.5	50.4	60.6			48.5	70.1		
<b>Segmental GS3 ratio (%)</b>												
SME loans	9.3	9.0	8.9	8.3	7.8	7.5						
2-wheeler	9.4	9.1	8.9	8.1	6.8	5.9						
Gold loans	2.3	2.8	3.4	4.4	4.4	3.5						
Personal Loans	11.3	10.9	11.0	11.1	11.7	10.9						
Auto loans	11.78	12.1	9.1	5.4	0	0.0						
<b>Return ratios (Cumulative, Rep. %)</b>												
RoA	3.4	3.8	4.0	2.0	2.5	2.9			3.3	2.9		
RoE	15.4	16.7	17.1	8.6	10.5	12.1			14.7	11.3		
<b>Others</b>												
CRAR (%)	22.62	24.4	25.3	27.7	28.8	30.1						
Shriram HFC AUM (INR b)	19.3	18.8	21.0	23.0	23.7	27.2						



## Highlights from management commentary

### Business Updates

- MSME disbursements should pick up (INR2.5b in Oct'20 v/s INR7.5b in 2QFY21). 2W disbursements in the festival season is expected to be good (Dushera season witnessed 100k 2Ws being funded).
- Number of employees is down by ~2,000. However, may add another 500-600 employees.
- No branch expansion needed. Opened 100 rural centers to service 2W and MSME customers. These rural centers could be converted to branches in the future.
- Will add 10 branches in the HFC subsidiary over the next two quarters.
- Expect flattish AUM on YoY basis in FY21.
- Pre-owned 2W segment – ATS is INR30-40k. 60-70% customers are self-employed. Vehicle vintage is up to 3 years, typically. Working with pre-owned 2W dealers. This segment could have INR30-40b annual disbursements. Yields are 300-400bp higher than new 2Ws.
- ECLGS scheme – Disbursements of INR400-500m and sanctions of INR1.5b.

### Asset Quality

- Sub-1% of the book could be restructured (hotels, hospitals, schools, garment retailers, real estate, etc.).
- Shriram Housing Finance – CE of 94% in Sep'20.
- Collection efficiency (CE): SME - 65% in Aug'20 and 93% in Sep'20. 2W – stable at 93% in Aug-Sep'20. Pre-COVID, CE was 95%.
- 180k customers (1.5% of AUM) did not pay a single EMI during the moratorium period. Of this, 122k paid in Sep'20.
- Stage 2 loans: 4-5% in 1Q-2QFY21.
- May not need any incremental provisioning. Credit costs should stabilize at 2.8-3% over the next few quarters.

### Funding

- INR31.47b fresh funding was raised in the quarter.
- Launched recurring deposit facility for public deposit holders. Expect INR250-300m new recurring deposits on a monthly basis.
- Did one securitization transaction in 2QFY21. Will do 2-3 securitization transactions worth INR10b per quarter, going forward.
- Overall liquidity situation is improving across borrowing sources. Incremental CoF is 9%.

### Others

- Started a new online platform for 2W loans. Disbursed 5k 2Ws via this platform.
- Transactions done on digital platform up from 1.8m to 2.2m QoQ. This should help reduce collection cost.
- Yields in the HFC subsidiary have spiked due to one-off assignment income. Average yields are 13.5-14%.
- Gold loans – Doing it in five states (AP, TL, TN, KN, MH). But recently opened 20 branches in the north. Tenure of 5-6 months. 60% LTV on book (70% incremental).

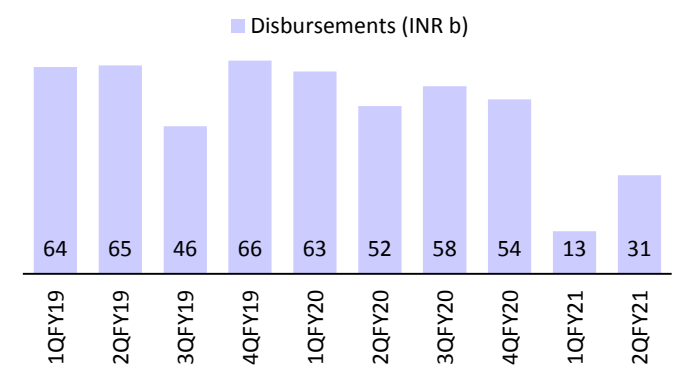
## Valuation and view

- Over the past two years, SCUF has overhauled its MSME underwriting model. It has standardized its sourcing and underwriting process across regions. This has started to reflect in improving asset quality trends. Over the past two years, the GNPL ratio has declined from 9%+ to 6%.
- However, since the IL&FS crisis, the company has faced issues on the liability front. It has increased its securitization program to improve funding and also kept more liquidity on the balance sheet.
- Tightness in liquidity has also led to muted disbursements and loan book growth. Total AUM has been range-bound at ~INR300b for the past 7-8 quarters.
- Given the current crisis, we expect the tough situation to continue. While disbursements should pick up gradually, the high book churn would keep total AUM largely flat/modestly down.
- Asset quality has been improving over the past few quarters. While the outlook remains uncertain given the vulnerable nature of its customers, the improving collection efficiency trend is encouraging. **We expect 3.9%/3.2% credit costs in FY21/FY22E.**
- We have upgraded our EPS estimates by 14% for FY21 and 3% for FY22E. SCUF is likely to deliver normalized RoA/RoE of 4%/13% in FY23E. We maintain Buy with TP of 1,125 (0.8x Sep'22E BVPS).

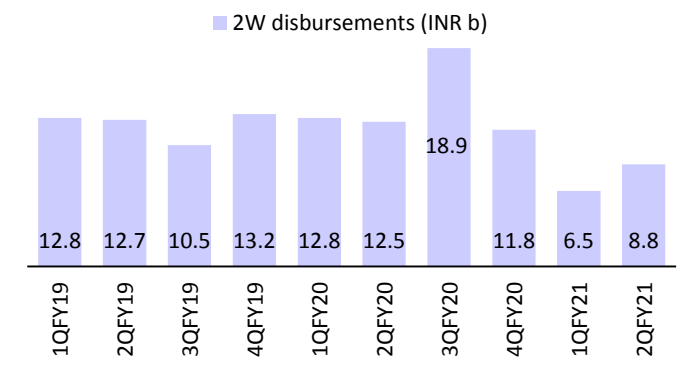
**Exhibit 1: Upgrade FY21E EPS estimates to factor in lower credit costs; FY22E EPS estimates largely unchanged**

INR B	Old Est.		New Est.		% Change	
	FY21	FY22	FY21	FY22	FY21	FY22
NII	34.2	33.9	33.6	32.8	-1.6	-3.2
Other Income	1.7	2.1	1.5	2.1	-11.1	3.7
<b>Total Income</b>	<b>35.8</b>	<b>36.9</b>	<b>35.1</b>	<b>34.9</b>	<b>-1.8</b>	<b>-5.2</b>
Operating Expenses	13.4	14.0	13.1	13.7	-2.5	-2.5
<b>Operating Profits</b>	<b>22.4</b>	<b>22.8</b>	<b>22.1</b>	<b>21.3</b>	<b>-1.3</b>	<b>-6.9</b>
Provisions	12.3	10.2	10.6	8.3	-14.1	-18.6
<b>PBT</b>	<b>10.0</b>	<b>12.7</b>	<b>11.5</b>	<b>13.0</b>	<b>14.3</b>	<b>2.6</b>
Tax	2.5	3.2	2.9	3.3	14.3	2.6
<b>PAT</b>	<b>7.5</b>	<b>9.5</b>	<b>8.6</b>	<b>9.7</b>	<b>14.3</b>	<b>2.6</b>
Loans	255	269	235	247	-7.8	-8.1
Borrowings	227	234	212	218	-6.8	-7.0
Margins	11.9	12.0	12.4	12.7		
Credit Cost	4.3	3.5	3.9	3.2		
<b>RoA</b>	<b>2.4</b>	<b>3.0</b>	<b>2.9</b>	<b>3.2</b>		
<b>RoE</b>	<b>9.9</b>	<b>11.4</b>	<b>11.3</b>	<b>11.5</b>		

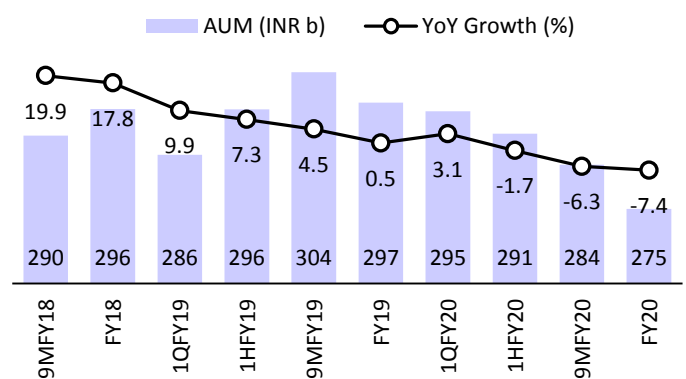
Source: MOFSL, Company

**Key exhibits****Exhibit 2: Disbursements pick up QoQ**

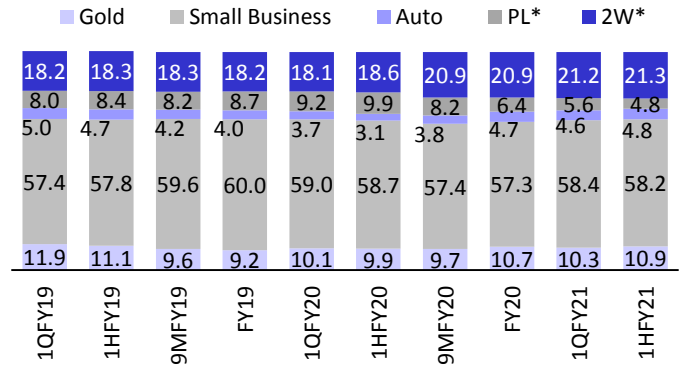
Source: MOFSL, Company

**Exhibit 3: 2W disbursement trend**

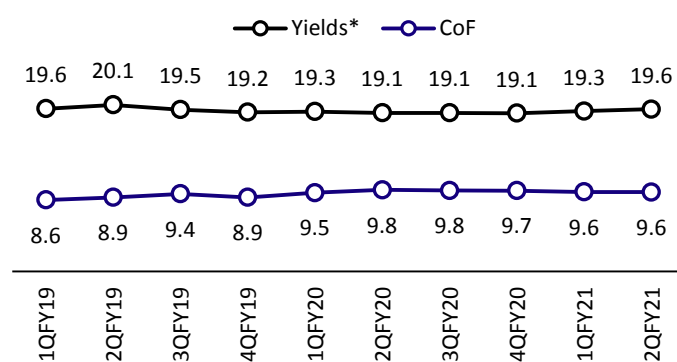
Source: MOFSL, Company

**Exhibit 4: AUM down 7% YoY**

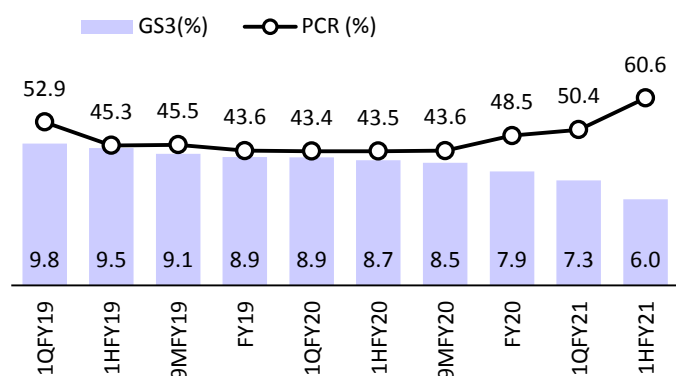
Source: MOFSL, Company

**Exhibit 5: AUM mix largely stable (%)**

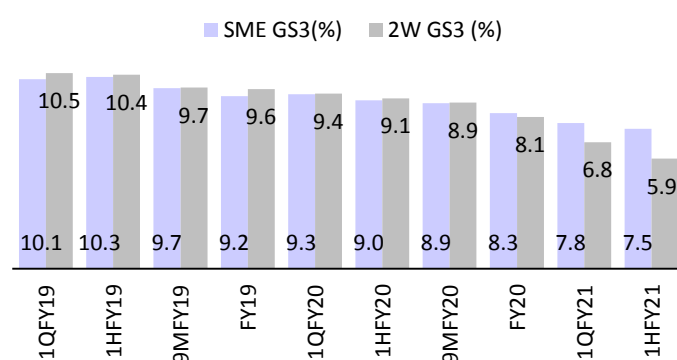
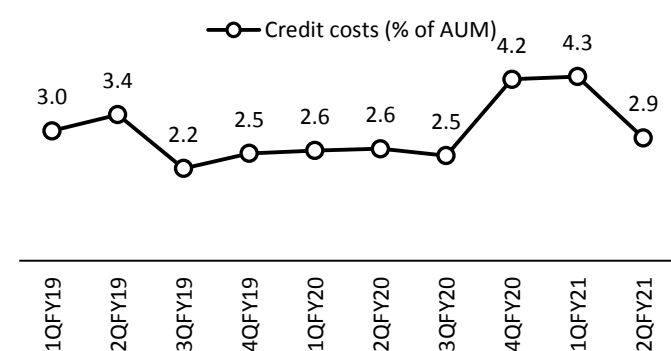
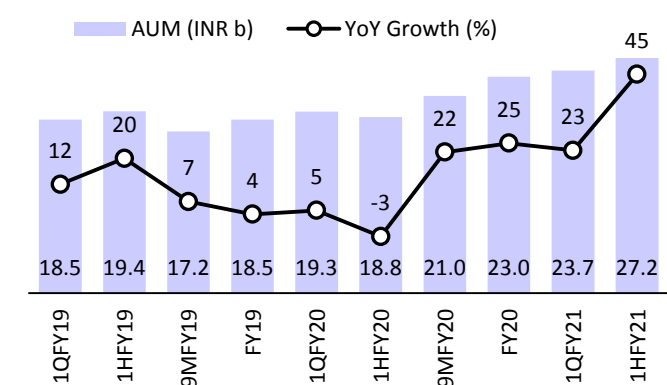
Source: MOFSL, Company, PL : Personal loan, 2W two wheeler

**Exhibit 6: Spreads improve 30bp QoQ (%)**

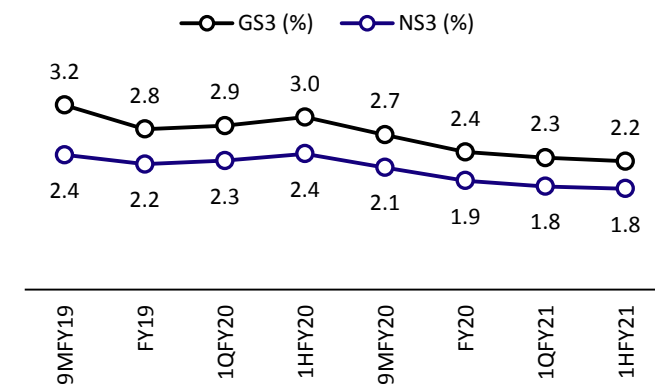
Source: MOFSL, Company, \*on AUM

**Exhibit 7: Reduction in GNPL ratio and increase in PCR**

Source: MOFSL, Company

**Exhibit 8: Improvement in SME/2W asset quality (%)****Exhibit 9: Credit cost down QoQ****Exhibit 10: HFC subsidiary AUM picks up sharply**

Source: MOFSL, Company

**Exhibit 11: Asset quality in HFC subsidiary stabilizes**

Source: MOFSL, Company

## Valuation Matrix

	Rating	CMP	Mcap	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
HFCs											
HDFC*	Buy	2,131	47.3	34.7	30.1	3.8	3.4	1.8	1.8	12.3	11.9
LICHF	Buy	302	2.0	5.5	5.7	0.8	0.7	1.2	1.1	14.7	12.6
PNBHF	Neutral	361	0.8	6.3	5.4	0.7	0.6	1.2	1.4	11.4	12.2
Vehicle fin.											
SHTF	Buy	763	2.3	7.6	6.6	0.9	0.8	2.1	2.4	12.7	12.6
MMFS	Buy	126	1.0	15.8	13.9	1.0	1.0	1.3	1.4	7.3	7.0
CIFC	Buy	297	3.2	14.9	12.8	2.6	2.2	2.4	2.5	18.7	18.4
Diversified											
BAF	Neutral	3,491	27.5	48.4	26.4	5.8	4.8	2.6	4.2	12.6	19.9
SCUF	Buy	860	0.7	7.6	6.0	0.7	0.6	2.4	3.0	9.9	11.4
LTFH	Buy	65	1.8	13.9	6.0	0.9	0.8	0.8	1.9	6.4	13.4
MUTH	Buy	1,190	6.7	14.0	11.9	3.3	2.7	6.5	6.9	26.4	25.2
MAS	Buy	831	0.6	27.0	22.6	4.1	3.6	3.7	4.0	16.0	16.9
Wholesale											
PIEL	Buy	1,299	3.7	11.8	10.1	1.0	0.9	0.0	0.0	8.4	9.4
ABCL	Buy	68	2.2	10.2	6.5	0.7	0.5	1.2	1.4	7.2	8.3

## Financials and valuations

Income Statement								(INR M)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Interest Income	37,065	43,344	50,112	54,457	54,692	52,436	50,869	53,492
Interest Expense	13,834	15,344	16,677	19,862	21,402	20,724	19,325	19,525
<b>Net Financing income</b>	<b>23,231</b>	<b>28,000</b>	<b>33,435</b>	<b>34,595</b>	<b>33,290</b>	<b>31,712</b>	<b>31,543</b>	<b>33,966</b>
Change (%)	18.1	20.5	19.4	3.5	-3.8	-4.7	-0.5	7.7
Income from securitisation	658	452	246	2,107	2,279	1,908	1,270	1,335
Fee & Other Income	250	549	658	1,249	1,901	1,521	2,129	2,981
<b>Total Income</b>	<b>24,139</b>	<b>29,001</b>	<b>34,339</b>	<b>37,951</b>	<b>37,471</b>	<b>35,141</b>	<b>34,943</b>	<b>38,283</b>
Change (%)	12.6	20.1	18.4	10.5	-1.3	-6.2	-0.6	9.6
Employee Cost	5,132	5,503	7,035	8,379	8,477	7,375	7,743	8,208
Other Operating Exp.	5,362	5,857	6,588	6,548	6,607	5,681	5,924	6,179
<b>Operating Income</b>	<b>13,645</b>	<b>17,642</b>	<b>20,715</b>	<b>23,024</b>	<b>22,387</b>	<b>22,085</b>	<b>21,275</b>	<b>23,895</b>
Change (%)	9.2	29.3	17.4	11.1	-2.8	-1.3	-3.7	12.3
<b>Total Provisions</b>	<b>5,577</b>	<b>9,105</b>	<b>10,537</b>	<b>7,821</b>	<b>8,837</b>	<b>10,597</b>	<b>8,296</b>	<b>7,084</b>
% to operating income	40.9	51.6	50.9	34.0	39.5	48.0	39.0	29.6
<b>PBT</b>	<b>8,068</b>	<b>8,536</b>	<b>10,178</b>	<b>15,203</b>	<b>13,550</b>	<b>11,488</b>	<b>12,980</b>	<b>16,811</b>
Tax	2,771	2,976	3,531	5,314	3,545	2,895	3,271	4,236
Tax Rate (%)	34.3	34.9	34.7	35.0	26.2	25.2	25.2	25.2
<b>PAT</b>	<b>5,298</b>	<b>5,561</b>	<b>6,647</b>	<b>9,889</b>	<b>10,005</b>	<b>8,593</b>	<b>9,709</b>	<b>12,575</b>
Change (%)	-5.1	5.0	19.5	48.8	1.2	-14.1	13.0	29.5
Proposed Dividend	989	989	1,187	1,188	396	396	990	1,188

E: MOFSL Estimates

Balance Sheet								(INR M)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Capital	659	659	660	660	660	660	660	660
Reserves & Surplus	44,457	49,029	54,887	63,253	71,420	79,537	88,057	99,204
<b>Net Worth</b>	<b>45,136</b>	<b>49,688</b>	<b>55,563</b>	<b>63,930</b>	<b>72,096</b>	<b>80,213</b>	<b>88,733</b>	<b>99,881</b>
<b>Borrowings</b>	<b>1,44,084</b>	<b>1,80,397</b>	<b>2,14,011</b>	<b>2,25,707</b>	<b>2,31,659</b>	<b>2,11,631</b>	<b>2,17,821</b>	<b>2,23,432</b>
Change (%)	16.2	25.2	18.6	5.5	2.6	-8.6	2.9	2.6
<b>Total Liabilities</b>	<b>1,89,220</b>	<b>2,30,085</b>	<b>2,69,574</b>	<b>2,89,637</b>	<b>3,03,754</b>	<b>2,91,844</b>	<b>3,06,554</b>	<b>3,23,313</b>
Investments	7,923	7,131	7,355	8,662	7,341	8,076	8,883	9,771
Change (%)	-19.3	-10.0	3.1	17.8	-15.2	10.0	10.0	10.0
<b>Loans</b>	<b>1,91,406</b>	<b>2,16,487</b>	<b>2,57,873</b>	<b>2,69,891</b>	<b>2,66,125</b>	<b>2,34,921</b>	<b>2,47,276</b>	<b>2,59,533</b>
Change (%)	19.4	13.1	19.1	4.7	-1.4	-11.7	5.3	5.0
Net Fixed Assets	849	782	789	808	2,292	494	172	-149
Net Current Assets	-10,958	6,945	6,074	13,326	31,131	48,354	50,222	54,158
<b>Total Assets</b>	<b>1,89,220</b>	<b>2,31,345</b>	<b>2,72,091</b>	<b>2,92,687</b>	<b>3,06,890</b>	<b>2,91,844</b>	<b>3,06,554</b>	<b>3,23,313</b>

E: MOFSL Estimates



## Financials and valuations

Ratios	(%)							
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>Spreads Analysis (%)</b>								
Yield on loans	20.7	21.0	20.9	20.2	19.7	20.2	19.9	19.8
Cost of funds	10.3	9.5	8.5	9.0	9.4	9.4	9.0	8.9
Interest Spread	10.4	11.5	12.5	11.2	10.4	10.8	10.9	11.0
NIMs on AUM	13.2	13.3	13.3	12.8	12.1	12.4	12.7	13.0
<b>Profitability Ratios (%)</b>								
RoE	12.3	11.7	12.6	16.6	14.7	11.3	11.5	13.3
RoA	3.0	2.6	2.6	3.5	3.3	2.9	3.2	4.0
Int. Expended/Int.Earned	37.3	35.4	33.3	36.5	39.1	39.5	38.0	36.5
Other Inc. / Net Income	3.8	3.5	2.6	8.8	11.2	9.8	9.7	11.3
<b>Efficiency Ratios (%)</b>								
Op. Exps./Net Income	43.5	39.2	39.7	39.3	40.3	37.2	39.1	37.6
Empl. Cost/Op. Exps.	48.9	48.4	51.6	56.1	56.2	56.5	56.7	57.0
<b>Asset-Liability Profile (%)</b>								
Loans/Borrowings Ratio	132.8	120.0	120.5	119.6	114.9	111.0	113.5	116.2
Leverage	4.2	4.7	4.9	4.6	4.3	3.6	3.5	3.2
Average leverage	4.1	4.4	4.8	4.7	4.4	3.9	3.5	3.3
<b>Valuations</b>								
Book Value (INR)	685	754	842	969	1,092	1,215	1,344	1,513
BV Growth (%)	10.0	10.1	11.7	15.0	12.8	11.3	10.6	12.6
Price-BV (x)					0.8	0.7	0.6	0.6
EPS (INR)	80	84	101	150	152	130	147	191
EPS Growth (%)	-5.1	5.0	19.5	48.7	1.2	-14.1	13.0	29.5
Price-Earnings (x)					5.7	6.6	5.8	4.5
DPS (INR)	15.0	15.0	18.0	18.0	6.0	6.0	15.0	18.0
Dividend Yield (%)					0.7	0.7	1.7	2.1
E: MOFSL Estimates								

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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