

ICICI Securities Limited
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Q4FY23 result review
and TP revision

BFSI

Target price: Rs2,446

Target price revision

Rs2,446 from Rs2,249

Shareholding pattern

	Sep '22	Dec '22	Mar '23
Promoters	38.5	38.5	38.5
Institutional investors	23.9	23.9	24.2
MFs and others	12.4	10.1	10.1
FIs/Banks	0.0	0.0	0.0
Insurance Cos.	3.9	3.9	3.9
FII	7.6	9.9	10.2
Others	37.7	37.6	37.3

Source: BSE

ESG disclosure score

Year	2021	2022	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

Valuations limit the upside considering the
balanced growth approach

Rs2,545

Sundaram Finance (Sundaram) reported strong FY23 earnings in key parameters such as standalone AUM growth (up 17% YoY), home finance AUM growth (up 18% YoY), standalone NIMs (5.3%) sustenance in rising interest rate regime and better asset quality (gross stage 3 as on Mar'23 stood at 1.66% vs 2.2% in Mar'22). 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. Moderation in sequential disbursement and NIMs in Q4FY23 underline the same. There has been an improvement in management commentary on NIM outlook which was previously for a gradual decline to 4.5% and now is a range bound estimate between 4.5-5%. Maintain HOLD with a revised target price of Rs2,446 (earlier Rs2,249). The increase is driven largely by roll forward to FY25E.

- **Maintain HOLD.** We factor standalone AUM CAGR of 16% between FY23-FY25E with standalone NIM, opex, credit cost of ~5-5.2%/2.4%/0.5% in FY24/25E. This results in RoA/RoE of 2.8%/14.4% for FY24E and 3%/14.8% for FY25E, respectively.
- **SoTP:** We assign 2.5x/3.0x P/B on FY25E (earlier FY24E) BV of NBFC+HFC / insurance business and 12x P/E on AMC's FY24E PAT with 20% holding company discount for subsidiaries' valuation. Hence, NBFC+HFC / insurance / AMC / other businesses account for Rs2,147/Rs190/Rs95/Rs15 per share. Currently, Sundaram is trading at 3x FY25E 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 (12x 1 yr. fwd. P/E) from total market cap of Sundaram Finance.
- **QoQ modest disbursement decline and modest AUM growth in Q4FY23:** Standalone disbursement decreased 3% QoQ, but was still up 43% YoY to Rs53.8bn in Q4FY23. AUM grew 3%/16.9% QoQ/YoY to Rs345bn as of Mar'23. QoQ fall in disbursements was mainly because of decline in CV (-17% QoQ) and cars (-5% QoQ) offset by CE/tractor which grew 12%/14%, respectively. 'Others' segment showed strong growth of 77% QoQ after a decline in Q3FY23. QoQ AUM growth of 3% was broad-based with CV/CE/tractors growing at a stable rate while cars segment showing a decline.
- **NIMs declined 30bps to 5.1% in Q4FY23.** Net interest income (NII) declined 2% QoQ due to decline in gross yields from 10.95% in Q3FY23 to 10.8% in Q4FY23. Cost of funds declined to 6.2% in Q4FY23 from 6.3% in Q3FY23.
- **Operating expense (opex) moderated,** declining 2.1% QoQ (despite 3% QoQ AUM growth). Opex to AUM improved to 2.3% (annualised) in Q4FY23 vs 2.6%/2.4% in Q2FY23/Q3FY23, respectively.

Market Cap	Rs283bn/US\$3.4bn	Year to Mar (SA)	FY22	FY23	FY24E	FY25E
Reuters/Bloomberg	SNFN.BO/SUF IN	NII (Rs bn)	17	17	19	23
Shares Outstanding (mn)	111.1	Net Profit (Rs bn)	9	11	12	14
52-week Range (Rs)	2559/1604	EPS (Rs)	81.3	98.0	106.6	122.2
Free Float (%)	61.5	%change YoY	11.7%	20.5%	8.8%	14.6%
FII (%)	10.2	P/E (x)	31.3	26.0	23.9	20.9
Daily Volume (US\$'000)	983	P/BV (Rs)	4.1	3.7	3.3	2.9
Absolute Return 3m (%)	11.3	Credit Cost (%)	1.1%	0.4%	0.5%	0.5%
Absolute Return 12m (%)	58.1	GS3 (NBFC) (%)	2.2%	1.7%	2.0%	2.2%
Sensex Return 3m (%)	6.6	RoA (%)	2.6%	2.9%	2.8%	2.8%
Sensex Return 12m (%)	14.0	RoE (%)	13.8%	14.9%	14.4%	14.8%

Please refer to important disclosures at the end of this report

- ▶ **Standalone PPOP adjusted for the other income was up 4.7% QoQ.** PPOP increased 18% QoQ to Rs4.2bn in Q4FY23 mainly due higher other income in Q4FY23. Excluding the same, PPOP grew 4.7% QoQ, in line with AUM growth. Sundaram's PPOP increased 20.7% YoY in Q4FY23.
- ▶ **Credit cost declined sharply by 55% QoQ and was 0.2% (annualised) of AUM in Q4FY23 vs 0.5% in Q3FY23.** Gross stage 3 (GS-3) improved to 1.66% as of Mar'23 from 2.4%/2.19% in Dec'22/Mar'22.
- ▶ **Standalone PAT increased 30% QoQ due to increase in PPOP and lower credit cost. PAT also grew 6% YoY to Rs3.1bn in Q4FY23 driven by improved credit cost.** Standalone RoA/RoE was 3.2%/14.9% vs 2.6%/14.2% in Q3FY23 and 3.4%/13.8% in Q4FY22, respectively.
- ▶ **Consolidated PAT increased by 28%/19% QoQ/YoY to Rs4.1bn in Q4FY23.** QoQ growth was led by an increase in interest income, other income and lower overall opex, higher profit from associates, and lower tax rate (23% in Q4FY23 vs 24% in Q2FY23). YoY growth was driven by higher other operating income and improved credit cost. Consolidated NII was up 9% YoY driven by improved NIMs in home finance business.
- ▶ **Key risks:** 1) Waning of the CV upcycle, 2) higher than expected NIMs compression, 3) weak performance in key subsidiaries.

Table 1: Subsidiaries' performance in Q4FY23

Sundaram Home	<ul style="list-style-type: none"> • Disbursement increased 25%/51% QoQ/YoY to Rs12bn in Q4FY23. • AUM grew 6%/18% QoQ/YoY to Rs111bn as of Mar'23. Company continues to see increased demand in tier 2 and 3 towns in southern market, a priority focus for the company. • Gross/net stage 3 assets declined sharply to 2.3%/1.1% in Q4FY23 vs 2.9%/1.6% in Q3FY23 and 2.8%/1.6% in Q2FY23, but improved from 3%/1.6% in Q4FY22. • NIMs to AUM ratio remained stable at 4.6% in Q4FY23 (vs 4.6% in Q3FY23). • 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, spreads may sustain with a potential upside. • It reported 24%/24% QoQ/YoY increase in PAT in Q4FY23 driven by NII growth and credit cost improvement (YoY).
Sundaram AMC	<ul style="list-style-type: none"> • AUM fell 4% QoQ in Q4FY23. Equity proportion remains high at around 83%. • PAT remained similar to FY22 level at Rs730mn in FY23. Profit in FY23 was impacted by amortisation of Rs2.34bn asset management rights consequent to the acquisition of Principal Mutual Fund. The charge to P&L in FY23 was Rs230mn.
Royal Sundaram	<ul style="list-style-type: none"> • GWP grew 0.5%/15% QoQ/YoY to Rs9,380mn in Q4FY23. • PAT was lower at Rs440mn in FY23 (Rs380mn in Q4FY23) as against Rs1,720mn in FY22. • While underlying operations remain profitable, FY23 PAT was impacted due to a mark-to-market loss of Rs780mn on equity investments as compared to mark to market gain of Rs330mn and reversal of bonds of Rs370mn in FY22.

Source: Company data, I-Sec research

Table 2: Q4FY23 result review (standalone)

(Rs mn)	Q4 FY 23	Q4 FY 22	% Change YoY	Q3 FY 23	% Change QoQ
Income statement					
Net interest Income	4,308	4,101	5.1%	4,396	-2.0%
Add: Other Income	1,842	1,274	44.6%	1,142	61.3%
Total Net income	6,151	5,375	14.4%	5,538	11.1%
Less: Operating expenses	1,933	1,880	2.9%	1,974	-2.1%
-Employee benefit expense	1,037	1,020	1.6%	1,155	-10.2%
-Depreciation & amortization	278	202	37.9%	252	10.5%
-Other expense	618	658	-6.0%	567	9.0%
Pre-provisioning profit	4,217	3,495	20.7%	3,564	18.3%
Less: Provisions & write-offs	168	284	-159.2%	373	-55.0%
PBT	4,050	3,779	7.2%	3,191	26.9%
Less: Taxes	886	791	12.0%	764	15.9%
PAT	3,164	2,988	5.9%	2,427	30.4%
Balance sheet key items (Rs mn)					
AUM	3,45,220	2,95,320	16.9%	3,35,580	2.9%
Networth	77,374	68,931	12.2%	75,579	2.4%
Borrowings	3,28,460	2,78,353	18.0%	3,02,548	8.6%
Asset Quality					
Gross stage 3	1.7%	2.2%	-53 bps	2.4%	-77 bps
Net stage 3	1.1%	1.1%	0 bps	1.4%	-28 bps
Credit cost (annualised)	0.2%	-0.4%	57 bps	0.5%	-26 bps
Key ratios (annualised)					
Yield on AUM	10.8%	11.1%	-25 bps	10.9%	-13 bps
Cost of funds	6.2%	6.0%	24 bps	6.3%	-5 bps
NIMs on AUM	5.1%	5.5%	-47 bps	5.4%	-31 bps
Other income on AUM	2.2%	1.7%	44 bps	1.4%	77 bps
Cost to income	31.4%	35.0%	-354 bps	35.6%	-421 bps
Opex to AUM	2.3%	2.5%	-27 bps	2.4%	-14 bps
RoA	3.2%	3.4%	-25 bps	2.6%	58 bps
RoE	16.5%	17.6%	-103 bps	13.1%	349 bps
Debt to Equity (times)	4.2	4.0	5.1%	4.0	6.0%
CAR	22.8%	24.2%	-140 bps	23.3%	-50 bps

Source: Company data, I-Sec research

Table 3: Q4FY23 result review (consolidated)

Income statement (Rs mn)	Q4 FY 23	Q4 FY 22	% Change YoY	Q3 FY 23	% Change QoQ
Net interest Income	5,521	5,051	9.3%	5,565	-0.8%
Add: Other Income	3,234	2,438	32.6%	2,324	39.1%
Total Net income	8,755	7,489	16.9%	7,889	11.0%
Less: Operating expenses	3,185	3,322	-4.1%	3,024	5.3%
-Employee benefit expense	1,652	1,690	-2.2%	1,717	-3.8%
-Depreciation & amortization	413	339	21.8%	362	14.1%
-Other expense	1,120	1,293	-13.4%	945	18.5%
Pre-provisioning profit	5,570	4,168	33.6%	4,865	14.5%
Less: Provisions & write-offs	237	-242	-197.9%	617	-61.6%
PBT	5,333	4,410	20.9%	4,249	25.5%
Less: Taxes	1,222	947	29.0%	1,028	18.9%
PAT	4,111	3,463	18.7%	3,221	27.6%
Add: Profit from JV/Associate	974	515	89.3%	601	62.0%
Final PAT	5,085	3,977	27.9%	3,822	33.0%

Source: Company data, I-Sec research.

Table 4: Q4FY23 result review (Sundaram Home)

Sundaram Home Income statement (Rs mn)	Q4 FY 23	Q4 FY 22	% Change YoY	Q3 FY 23	% Change QoQ
Net interest Income	1,255	963	30.2%	1,191	5.3%
Add: Other Income	179	132	34.8%	156	14.7%
Total Net income	1,433	1,096	30.8%	1,346	6.4%
Less: Operating expenses	528	420	25.9%	419	26.0%
Pre-provisioning profit	905	676	33.8%	927	-2.4%
Less: Provisions & write-offs	43	24	78.5%	244	-82.3%
PBT	862	652	32.2%	683	26.1%
Less: Taxes	209	121	71.9%	158	32.2%
PAT	653	531	23.1%	526	24.2%

Source: Company data, I-Sec research.

Table 5: QoQ trend in vehicle finance disbursement

(Rsbn)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total Disbursements	43.3	33.1	20.6	36.2	38.4	37.5	49.0	51.4	55.5	53.8
CV	30%	41%	43%	46%	45%	50%	51%	49%	46%	40%
Car	30%	26%	30%	30%	30%	24%	25%	27%	28%	28%
CE	11%	13%	13%	11%	12%	12%	11%	10%	11%	13%
Tractor	9%	9%	12%	9%	10%	7%	7%	7%	10%	12%
Other	19%	11%	3%	5%	4%	7%	5%	7%	4%	8%

Source: Company data, I-Sec research

Table 6: QoQ trend in vehicle finance AUM

	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total AUM (Rsbn)	312.3	308.8	298.2	298.1	298.0	295.3	305.5	319.8	335.6	345.2
CV	48%	47%	47%	46%	46%	46%	46%	46%	46%	47%
Car	25%	25%	25%	25%	26%	26%	26%	26%	26%	25%
CE	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Tractor	7%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Other	9%	9%	9%	10%	9%	10%	9%	9%	9%	10%

Source: Company data, I-Sec research

Table 7: Sundaram AMC's QoQ performance

Rs mn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Equity AUM	3,17,090	3,42,140	3,42,360	3,76,790	4,60,730	4,16,530	4,49,820	4,80,340	4,57,420
Debt AUM	94,870	84,070	88,210	86,760	77,870	71,570	75,790	87,570	90,620
Average AUM	4,11,960	4,26,210	4,30,570	4,63,550	5,38,600	4,88,100	5,25,610	5,67,910	5,48,040
PAT	240	190	290	250	-10	180	160	200	190
Networth	2,540	2,580	2,860	3,620	3,640	3,430	3,620	3,850	4,040
Employees	359	359	354	343	346	369	375	377	377
Retail Investors (nos)	10,24,674	10,20,766	11,70,996	10,38,211	13,09,851	13,02,529	15,68,549	14,19,082	13,19,288
Branch	NA	85	85	85	85	85	85	85	85

Source: Company data, I-Sec research.

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

Rsmn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Gross written Premium	8,020	6,650	7,550	7,270	8,190	7,980	8,470	9,340	9,380
PAT	240	830	690	370	-170	-340	350	50	380
Networth	14,290	15,030	16,070	15,890	15,470	13,750	13,890	14,040	14,430
Cumulative Combined Ratio (%)	110.0	118.0	118.0	117.5	117.0	117.0	117.0	115.0	111.0
Employees	2,323	2,320	2,374	2,362	2,413	2,424	2,421	2,424	2,910

Source: Company data, I-Sec research.

Table 9: Capital allocation within group

	FY 21	FY 22	Q1FY 23	Q2FY23	Q3FY23	Q4FY23
Sundaram Finance	65%	62%	63%	62%	61%	61%
Subsidiaries:						
<i>Sundaram Finance Holdings (Conso)</i>	5%	6%	6%	7%	7%	7%
<i>Sundaram AMC (Conso)</i>	3%	3%	3%	3%	3%	3%
<i>Sundaram Home</i>	16%	15%	15%	14%	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%	21%	21%	22%	22%	22%
Joint Control in entities						
<i>Royal Sundaram General Insurance</i>	8%	7%	6%	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	116%	115%	115%	114%	114%	113%
Adjustment arising out of consolidation	-16%	-15%	-15%	-14%	-14%	-13%
Total Networkth including Minority Interest	100%	100%	100%	100%	100%	100%

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

Table 10: PAT contribution within group

	FY 21	FY 22	Q1FY 23	Q2FY23	Q3FY23	Q4FY23
Sundaram Finance	66%	70%	81%	92%	63%	62%
Subsidiaries:						
<i>Sundaram Finance Holdings (Conso)</i>	1%	3%	3%	2%	4%	5%
<i>Sundaram AMC (Conso)</i>	5%	6%	7%	5%	5%	4%
<i>Sundaram Home</i>	16%	13%	17%	15%	14%	13%
<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>	5%	9%	11%	8%	13%	15%
Joint Control in entities						
<i>Royal Sundaram General Insurance</i>	13%	7%	-6%	5%	1%	4%
<i>Sundaram Home</i>	0%	0%	0%	0%	0%	0%
<i>Sundaram Funds Services</i>	0%	0%	0%	0%	0%	0%
Total	105%	108%	114%	127%	100%	102%
Adjustment arising out of consolidation	-5%	-8%	-14%	-27%	0%	-2%
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)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	28,929	33,510	34,375	33,755	34,721	40,206	47,163
Interest expense	17,665	20,720	20,307	17,001	17,771	21,449	24,635
Net interest income	11,264	12,789	14,067	16,754	16,950	18,758	22,528
Non-Interest income	4,492	5,760	5,767	5,149	6,381	7,442	8,221
Total net income	15,756	18,549	19,835	21,904	23,331	26,200	30,749
Operating expenses	5,730	6,234	6,111	6,949	7,789	8,796	10,464
PPOP	10,026	12,315	13,724	14,954	15,542	17,403	20,285
Provisions	1,073	2,864	3,161	3,185	1,343	1,820	2,180
PBT	8,953	9,451	10,563	11,769	14,200	15,583	18,104
Tax	3,614	2,212	2,473	2,735	3,317	3,740	4,526
PAT*	5,339	7,239	8,090	9,034	10,883	11,843	13,578
EPS	101.4	65.2	72.8	81.3	98.0	106.6	122.2
DPS	20	26	15	16	27	21	37

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

Table 12: Balance sheet

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Liabilities							
Share capital	1,111	1,111	1,111	1,111	1,111	1,111	1,111
Reserves and surplus	49,327	54,363	60,683	67,820	76,263	85,775	95,323
Networth	50,438	55,474	61,795	68,931	77,374	86,886	96,434
Borrowings	2,50,058	2,73,367	2,82,134	2,78,353	3,27,549	3,53,365	4,16,487
Other liabilities	5,996	5,354	5,596	5,592	5,664	6,117	6,606
Total Liabilities	3,06,492	3,34,195	3,49,525	3,52,875	4,10,587	4,46,368	5,19,527
Assets							
Net Block	3,051	3,596	3,309	3,604	5,131	5,644	6,209
Loans	2,72,715	2,80,447	2,94,039	2,84,002	3,37,552	3,82,871	4,41,880
Other assets	30,726	50,152	52,177	65,269	67,904	57,853	71,438
Total Assets	3,06,492	3,34,195	3,49,525	3,52,875	4,10,587	4,46,368	5,19,527

Source: Company data, I-Sec research

Table 13: RoE DuPont analysis*(Rs mn, year ending Mar 31)*

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Gross AUM (Rs mn)	2,89,840	2,99,360	3,08,820	2,95,320	3,45,220	3,99,342	4,66,036
Interest Income	10.2%	10.5%	10.1%	9.6%	9.1%	9.4%	9.8%
Interest Expense	6.3%	6.5%	5.9%	4.8%	4.7%	5.0%	5.1%
Net Interest Income	4.0%	4.0%	4.1%	4.8%	4.4%	4.4%	4.7%
Other Income	1.6%	1.8%	1.7%	1.5%	1.7%	1.7%	1.7%
Total Net Income	5.6%	5.8%	5.8%	6.2%	6.1%	6.1%	6.4%
Operating Expenses	2.0%	1.9%	1.8%	2.0%	2.0%	2.1%	2.2%
Pre Provision Operating Profit	3.6%	3.8%	4.0%	4.3%	4.1%	4.1%	4.2%
Provisions	0.4%	0.9%	0.9%	0.9%	0.4%	0.4%	0.5%
PBT	3.2%	3.0%	3.1%	3.4%	3.7%	3.6%	3.7%
Tax	1.3%	0.7%	0.7%	0.8%	0.9%	0.9%	0.9%
Reported PAT	1.9%	2.3%	2.4%	2.6%	2.9%	2.8%	2.8%
Extraordinary items	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reported PAT after extraordinary items	4.0%	2.3%	2.4%	2.6%	2.9%	2.8%	2.8%
Leverage (average assets/average equity)	6.2	6.0	5.8	5.4	5.2	5.2	5.3
RoE	24.5%	13.7%	13.8%	13.8%	14.9%	14.4%	14.8%

Source: Company data, I-Sec research

Table 14: Key ratios*(Year ending Mar 31)*

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Valuations							
EPS	101.4	65.2	72.8	81.3	98.0	106.6	122.2
BVPS	454.0	499.3	556.2	620.4	696.4	782.1	868.0
Yields, Interest income & spreads							
Yield on AUM	10.7%	11.4%	11.3%	11.2%	10.8%	10.8%	10.9%
Cost of funding	7.7%	7.9%	7.3%	6.1%	5.9%	6.3%	6.4%
NIM on AUM	4.2%	4.3%	4.6%	5.5%	5.3%	5.0%	5.2%
Operating efficiency							
Cost to income	36.4%	33.6%	30.8%	31.7%	33.4%	33.6%	34.0%
Opex to AUM	2.1%	2.1%	2.0%	2.3%	2.4%	2.4%	2.4%
AUM per branch (Rs Mn)	440.5	490.8	525.2	477.9	514.5	555.6	611.2
Asset Quality							
GS-3	1.3%	2.5%	1.8%	2.2%	1.7%	2.0%	2.2%
NS-3	0.8%	1.9%	1.3%	4.6%	2.1%	1.4%	1.6%
Credit cost on AUM	0.4%	1.0%	1.0%	1.1%	0.4%	0.5%	0.5%
Profitability							
ROAA	4.0%	2.3%	2.4%	2.6%	2.9%	2.8%	2.8%
ROE	24.5%	13.7%	13.8%	13.8%	14.9%	14.4%	14.8%
Capital							
Tier 1	14.6%	13.2%	15.2%	17.5%	17.4%	18.0%	17.2%
Tier 2	4.8%	5.2%	6.9%	6.9%			0.0%
RWA/ Total Assets	0.9	0.8	0.8	0.8	0.9	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)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	28,926	38,588	44,081	42,675	46,372	53,844	62,893
Interest expense	17,664	24,275	26,594	22,362	24,064	28,926	33,423
Net interest income	11,262	14,314	17,487	20,313	22,308	24,918	29,470
Non-Interest income	8,956	8,637	9,087	8,782	9,073	10,745	11,893
Total net income	20,219	22,951	26,574	29,095	31,380	35,663	41,363
Operating expenses	9,667	9,654	9,595	10,829	12,251	13,544	15,596
PPOP	10,552	13,297	16,979	18,266	19,130	22,119	25,768
Provisions	1,033	3,301	3,683	4,099	2,020	2,673	3,546
PBT	9,519	9,996	13,296	14,166	17,110	19,446	22,222
Tax	3,880	2,105	3,275	3,500	4,392	4,818	5,556
PAT	5,640	7,891	10,020	10,666	12,717	14,628	16,667
Extraordinary item/Associate /JV share	6,945	563	2,210	2,296	2,278	2,200	1,425
PAT	12,585	8,454	12,230	12,963	14,996	16,828	18,092
EPS	104.5	71.2	104.9	105.6	118.6	133.1	143.1

Source: Company data, I-Sec research

Table 16: Balance sheet

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share capital	1,101	1,102	1,102	1,102	1,102	1,102	1,102
Reserves and surplus	61,492	65,667	76,201	86,846	97,997	1,11,410	1,24,328
Networth	62,593	66,768	77,303	87,948	99,098	1,12,512	1,25,430
Minority Interest	17,389	14,555	17,203	22,941	27,286	30,528	32,411
Borrowings	2,50,129	3,59,393	3,64,611	3,63,616	4,26,939	4,69,865	5,54,082
Other liabilities	6,388	6,493	6,810	7,035	7,335	7,855	8,553
Total Liabilities	3,36,499	4,47,209	4,65,925	4,81,540	5,60,659	6,20,759	7,20,476
Assets							
Net Block	3,138	4,292	3,906	6,409	7,280	8,008	8,809
Loans	2,72,723	3,72,218	3,81,509	3,74,764	4,46,311	5,11,428	5,89,913
Other assets	60,638	70,700	80,511	1,00,368	1,07,068	1,01,324	1,21,754
Total Assets	3,36,499	4,47,209	4,65,925	4,81,540	5,60,659	6,20,759	7,20,476

Source: Company data, I-Sec research

Table 17: RoE DuPont analysis

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Gross AUM (Rs mn)	2,89,840	3,95,740	4,00,550	3,90,270	4,57,030	5,29,936	6,17,525
Interest Income	8.6%	9.8%	9.7%	9.0%	8.9%	9.1%	9.4%
Interest Expense	5.2%	6.2%	5.8%	4.7%	4.6%	4.9%	5.0%
Net Interest Income	3.3%	3.7%	3.8%	4.3%	4.3%	4.2%	4.4%
Other Income	2.6%	2.2%	2.0%	1.9%	1.7%	1.8%	1.8%
Total Net Income	6.0%	5.9%	5.8%	6.1%	6.0%	6.0%	6.2%
Operating Expenses	2.9%	2.5%	2.1%	2.3%	2.4%	2.3%	2.3%
Pre Provision Operating Profit	3.1%	3.4%	3.7%	3.9%	3.7%	3.7%	3.8%
Provisions	0.3%	0.8%	0.8%	0.9%	0.4%	0.5%	0.5%
PBT	2.8%	2.6%	2.9%	3.0%	3.3%	3.3%	3.3%
Tax	1.1%	0.5%	0.7%	0.7%	0.8%	0.8%	0.8%
Reported PAT	1.7%	2.0%	2.2%	2.3%	2.4%	2.5%	2.5%
Extraordinary items*	2.1%	0.1%	0.5%	0.5%	0.4%	0.4%	0.2%
Reported PAT after extraordinary items	3.7%	2.2%	2.7%	2.7%	2.9%	2.8%	2.7%
Leverage (average assets/average equity)	4.2	4.9	5.2	4.6	4.4	4.4	4.5
RoE	15.8%	10.5%	13.9%	12.6%	12.6%	12.5%	12.0%

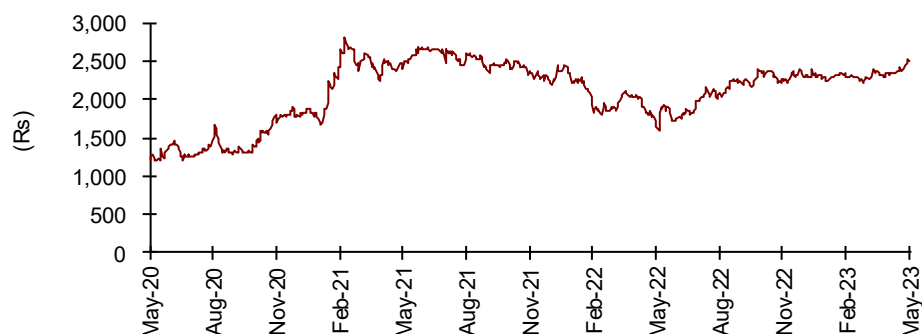
Source: Company data, I-Sec research. *Includes profit share in JV/associates

Table 18: Key ratios

(Year ending Mar 31)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Valuations							
EPS	104.5	71.2	104.9	105.6	118.6	133.1	143.1
BVPS	563.4	601.0	695.8	791.6	892.0	1,012.7	1,129.0
Yields, Interest income & spreads							
Yield on AUM	10.7%	11.3%	11.1%	10.8%	10.9%	10.9%	11.0%
Cost of funding	7.7%	8.0%	7.3%	6.1%	6.1%	6.5%	6.5%
NIM on AUM	4.2%	4.2%	4.4%	5.1%	5.3%	5.0%	5.1%
Operating efficiency							
Cost to income	47.8%	42.1%	36.1%	37.2%	39.0%	38.0%	37.7%
Opex to AUM	3.6%	2.8%	2.4%	2.7%	2.9%	2.7%	2.7%
Asset Quality							
GS-3 (NBFC)	1.3%	2.5%	1.8%	2.2%	1.7%	2.0%	2.2%
NS-3 (NBFC)	0.8%	1.9%	1.3%	4.6%	2.1%	1.4%	1.6%
GS-3 (HFC)	3.0%	4.8%	4.5%	3.0%	2.6%	2.6%	2.7%
NS-3 (HFC)	1.6%	1.6%	1.1%	1.6%	0.0%	1.0%	0.7%
Credit cost on AUM	0.4%	1.0%	0.9%	1.0%	0.5%	0.5%	0.6%
Profitability							
ROAA	3.7%	2.2%	2.7%	2.7%	2.9%	2.8%	2.7%
ROE	15.8%	10.5%	13.9%	12.6%	12.6%	12.5%	12.0%

Source: Company data, I-Sec research

Price chart

Source: Bloomberg

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