

CMP: INR 289

Rating: Buy

Target Price: INR 437

Stock Info

BSE	541336
NSE	INDOSTAR
Bloomberg	INDOSTAR IN
Reuters	INDOSTAR.BO
Sector	NBFC
Face Value (INR)	10
Equity Capital (INR Cr)	124
Mkt Cap (INR Cr)	3,626
52w H/L (INR)	417 / 260
Avg Yearly Vol (in 000')	107

Shareholding Pattern %

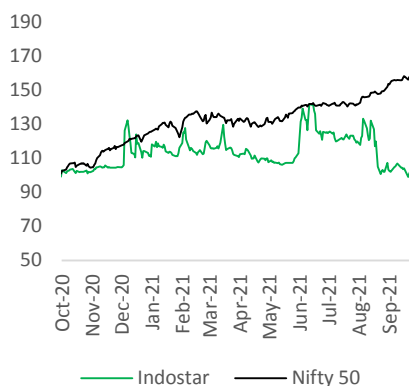
(As on June, 2021)

Promoters	93.2
FII	0.1
DII	2.1
Public & Others	4.6

Stock Performance (%)

	1m	3m	12m
Indostar Capital	4.3	-15.1	5.1
Nifty 50	7.7	13.2	59.6

Indostar Vs Nifty 50



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IndoStar Capital Finance(Indostar) incorporated in 2009 and commenced operations in 2011 is a leading NBFC company with focus on retail finance business. It is professionally managed and institutionally owned organisation. Over the past few years, Indostar has focused on balancing its loan book by diversifying into retail segment such as vehicle and housing finance. From being a corporate lender at inception, company has embarked upon strategy to diversify its business mix more towards the retail. As of Q1FY22, Retail book share stood at 77% which is expected to be a 100% in the medium term. Now, It has four lines of business: corporate, SME lending, CV financing and housing finance. Company has an AUM of INR 7,888 cr as of Q1FY22. Company has 240 branches in 19 states in India, with employee base of 2,044.

Diversification of the business mix; From wholesale lender to retail focused NBFC:

Traditionally being a wholesale lender, Indostar capital finance is transforming its business model to become a retail focused NBFC. Retail portfolio share of the company increased from 5% in FY16 to 77% as of Q1FY22. Company's focus on retail business (>90% of the book by FY22E) will help the company to boost its AUM growth. Within Retail, used CV (higher yield) is the main focus area. In 4QFY19, Indostar had purchased IIFL's CV business which currently comprising INR 3,514 cr of AUM. Low share of Corporate book minimize possible asset quality risk. It is also a key beneficiary of Scrappage policy.

Proficient management team: Indostar is promoted by Mauritius based PE Everstone Group, one of the well-known India & Southeast Asia focused PE firm. Co-promoter of the company Brookfield has invested INR 1,225 cr (in May'20) for ~56.55% stake which has help to improve its capital ratio. On Management front, Joining of Mr. R Sridhar, veteran in vehicle finance business as vice chairman and CEO in 2017 and other senior management team (+20 years of experience) bodes well for the company from growth perspective.

Asset quality impacted due to Covid, however, it is expected to back to normalcy:

The company has maintained stable asset quality. However, due to covid impact, NPAs and credit costs rose as on Q1FY22 (GNPA: 4.5%, NNPA: 2.2%). GNPA in Vehicle finance and SME has increased sharply while impairment recognition in the corporate portfolio seems to be over (GNPA at 0%). Management is building a separate vertical for collection which is a main focus area. Company has strong capital adequacy ratio of 34.6% as on Q1FY22.

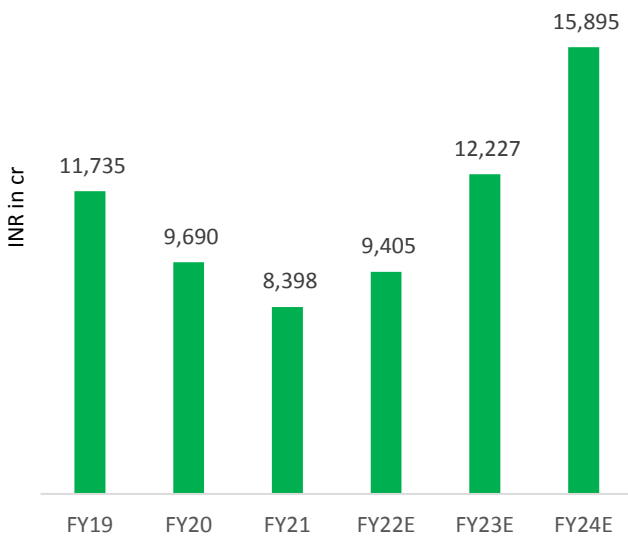
Valuation and Outlook: We initiate coverage on the stock with Buy rating and TP of INR 437 giving upside potential of 51%, based on 1.3x FY24E P/ABV. Strong management team, change in business mix towards retail which will lead to higher growth in advances, high capital ratio would drive re-rating in the stock. We forecast a advances growth of 24% CAGR over FY21-24E. Indostar trades at 0.8x FY24E ABV, which is cheapest among NBFCs.

YE March (INR Cr)	NII	PPOP	PAT	BVPS (INR)	RoAA (%)	RoAE (%)	P/BV(x)
FY21	571	239	-214	299	-2.2	-6.7	1.0
FY22E	665	293	110	305	1.0	2.9	0.9
FY23E	863	462	260	326	2.0	6.7	0.9
FY24E	1,070	639	367	356	2.2	8.7	0.8

Investment thesis

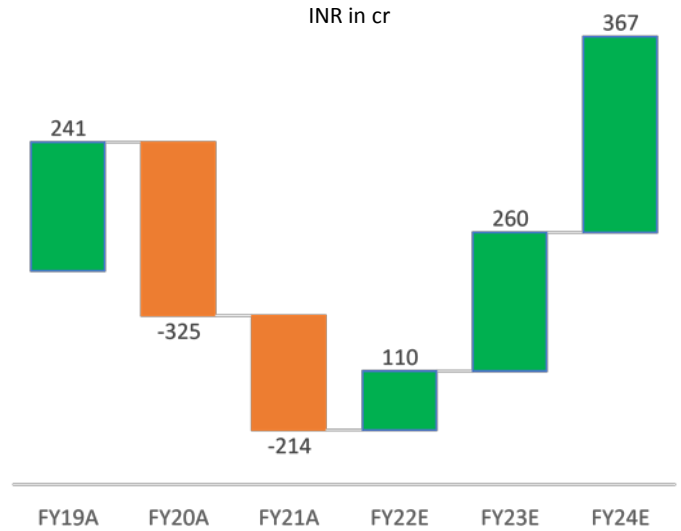
- Change in the business mix from corporate lender to retail lender to provide growth impetus.
- Change in the portfolios will lead to higher yield and profitability driven by strong focus on vehicle finance business. Margins are estimated to sustain above 6% levels.
- AUM to grow at strong pace of 24% CAGR over FY21-24E
- Credit cost expected to normalize going forward.
- Return profile are expected to improve after two years of negative return profile coupled with increasing leverage. RoAE are expected to be at 9% by FY24E as compared to -7% in FY21. ROA expected to reach at 2.2% by FY24E.
- Strong management team is in place
- Expectation of improving profitability and return profile coupled with change in business mix towards retail with high capital ratio all these factors put together would drive re-rating in the stock.

Exhibit 1: AUM to grow at 24% CAGR over FY21-24E



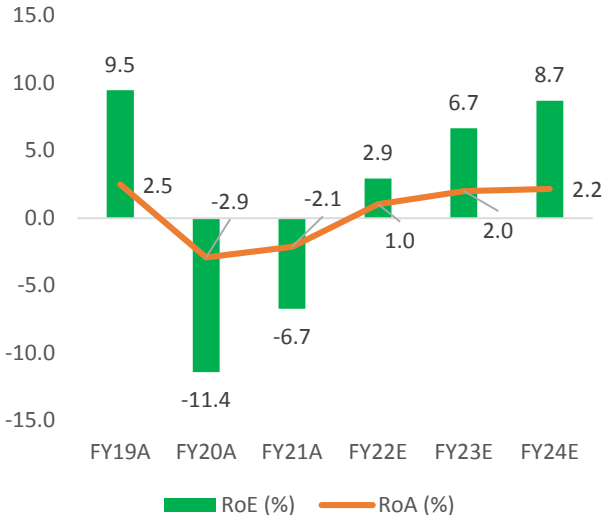
Source: Company, Aриhant research

Exhibit 2: Expectation of improvement in profitability



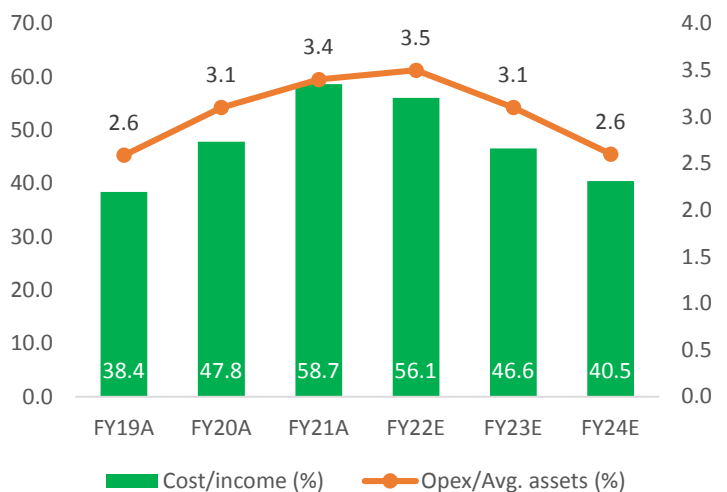
Source: Company, Aриhant research

Exhibit 3: Return ratios to improve



Source: Company, Aриhant research

Exhibit 4: Operating leverage set to play in the long run

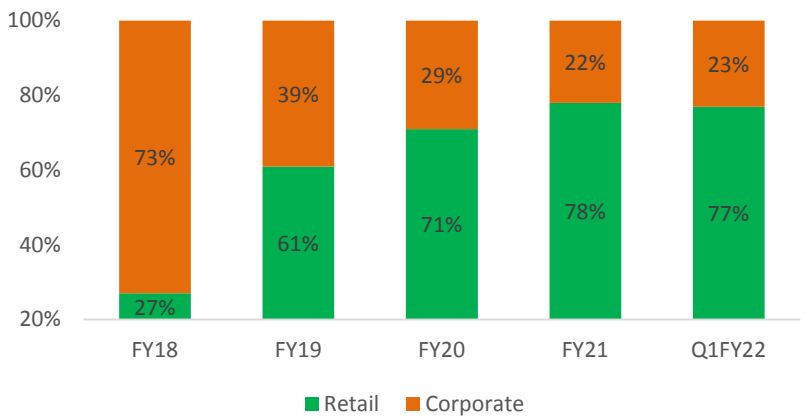


Source: Company, Aриhant research

Retail is the main focus area; target of reducing Corporate book share <10% by FY22E

Company has embarked on the strategy to diversify its loan mix towards retail loans including vehicle finance, home loans & small sized SME loans than highly concentrated corporate loan book earlier. The company’s major strategy is to focus on the retail segment with retail contributing 90% to AUM by FY22E and to be a 100% retail focused company by FY23E. As on Q1FY22, Retail and Corporate book share stood at 77% and 23%. This was a rapid change in the portfolio as in FY18 share of retail and corporate was 27% and 73%. Sharp reduction in corporate lending was mainly because of the company’s strategy to reduce wholesale lending due to asset-quality risk associated in wholesale book and sluggishness in the wholesale book (real estate lending). Company has recorded 11% CAGR AUM growth during FY18-21 to INR 8,398 cr.

Exhibit 5: AUM composition; Corporate share reduced drastically

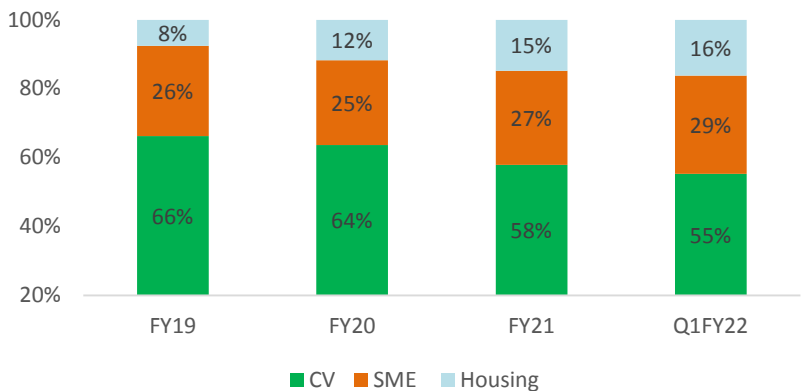


Source: Company, Aриhant research

Indostar has four business verticals –

- i) Corporate Lending (started in FY11)
- ii) SME (started in FY15)
- iii) Vehicle Financing (started in Nov’17) and
- iv) Housing Finance (started in Sep’17).

Exhibit 6: Break-up of retail loans



Source: Company, Aриhant research

CV has sizeable exposure in retail portfolio which will lead the advances growth going ahead

CV is the main focus for the company and it will lead the retail portfolio growth of the company. Currently, it contributes ~55% of the retail AUM as on Q1FY22. Company has forayed into vehicle financing business in Nov' 2017. The CV business is headquartered in Chennai and carried out in 19 states across India. Company's more focus is on financing on the used CV segment and customer segments such as small and medium fleet operators.

To increase the more focus or boost the CV business, Indostar has acquired IIFL's CV business in FY19 and also tie up with ICICI Bank to source CV loans. CV business has an outstanding AUM of INR 3,421 cr as on Q1FY22 (INR 511 cr from tie up with ICICI Bank). Currently, it is a mix of used and new CV financing with 37% in new CV and 63% in used CV financing. While calculating portfolio mix, IIFL portfolio has been included and ICICI co-lending has been excluded.

Going forward, company will focus on 100% used CV with creating a presence in tractors, passenger commercial vehicles and construction equipment, contributing each 5% and balance 85% will be used CV. Company is going to focus on 5 to 12 years segment where the penetration of the current players is less than 50%, which gives a scope to gain market share. Company will generate a yield of 17-18% in used commercial vehicle and from the other three products.

It follows a hub-and-spoke business model. Strong leadership of Mr. Sridhar, veteran in the CV industry who has scaled up the CV financing business at Shriram Transport should help Indostar to grow its vehicle financing business.

As on Q1FY22, Indostar's CV segment has 227 branches with employee base of 1,521. GNPA/NNPA in CV finance segment stood high at 8.2%/3.8%.

Scrappage policy to opened up the huge opportunity in CV space

With the implementation/announcement of scrappage policy, a huge opportunity in CV segment opened up. Under this policy, the life of a CV is capped at 15 years and 20 years for PV. After the capped period, fitness tests have to be conducted. If vehicle found unfit, fitness certificates will not be renewed. Vehicles will be deregistered and have to go off the road. This policy was announced in FY21 budget.

According to the company, 78 lakhs commercial vehicles in India are beyond 15 years old which will be phased out gradually and this will generate a huge replacement demand of INR 100,000 to INR 125,000 cr. The replacement demand will be nearly 1.5 times the average annual sales of new CVs.

With the upcoming huge opportunity in CV space, Company have strengthened the senior management team by bringing in Deep Jaggi (Joined in Oct'20) as a Chief Business Officer who has put in 20 years in CV space and recently Mr. Ravi Kumar (Joined in Apr'21), another 20-year veteran from Chola have joined as a business head (Asset finance)

Growth in consumption and e-commerce sectors to drive logistics demand. Government focus on road infrastructure, rural income, scrappage policy, production linked incentive scheme to make India an automotive hub to boost sales. Upon transition to BS VI emission norms in Apr'20, CV prices have increased by 10-15%. This has translated into a 5-6% rise in used CV prices. Due to higher cost of BS VI vehicles, it is leading to higher demand for used CVs.

Yield by segment

Customer	Product	New CV	Pre-owned CV
Large Fleet operator	MHCV	11-12%	12-13%
Medium Fleet operator	LCV	15-16%	16-17%
Small Fleet operator	LCV	16-18%	18-20%

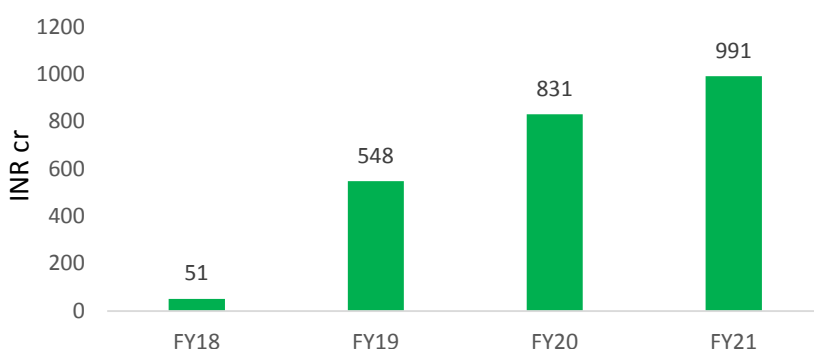
Source: Company DRHP

Housing Finance is another focus area for the company

Indostar through its subsidiary, Indostar Capital Housing Finance forayed into housing finance business in H2FY18. Housing finance business of the company is primarily in nature of affordable housing and retail housing finance. As on Q1FY22, Housing finance AUM stood at INR 1,005 cr. The business is carried out of 69 branches and 303 employees. Under this segment, IndoStar provides home loans to self-employed and salaried individuals for purchase and construction of residential properties.

Affordable housing segment involves projects where the property cost is typically INR 5 mn and loan amount capped at INR 3 mn. Loans are provided to salaried as well as self-employed customers. The company leverages relationships with the real estate developers' customers to build this portfolio. Branches of vehicle finance network are utilized for operations of housing finance loan. The housing finance portfolio was INR 1,005 cr at the end of Q1FY22 (INR 145 cr is the assigned portfolio). Housing financing constituted 16% of the retail AUM as on Q1FY22.

Exhibit 7: HF portfolio; Strong growth of 35% CAGR over FY19-21



Source: Company, Arianth research

Industry Dynamics: The Indian housing finance market clocked a healthy CAGR of ~13% (growth in loan outstanding) over Fiscals 2018 to 2020. Historically also, housing finance market has shown secular growth with outstanding loans increasing from INR 9.9 tn as of FY15 to INR 16 tn as of FY18, translating into a CAGR of 17.4%. Total home loans outstanding in India is estimated at ~INR 20.4 tn as of March 2020. It is expected to reach towards INR 32 tn by FY25 (as per CRISIL estimates). However, Mortgage penetration as % of GDP in India, has remained low at 9-10%. Thus, Industry has huge potential to grow owing to rise in disposable income, healthy demand emanating from smaller cities markets, attractive interest rates and government impetus on housing.

Moreover, with much discussed Housing for all Scheme, 2022 by Government of India, overall housing industry is expected to witness strong growth. PMAY (Pradhan Mantri Aavas Yojana) was launched with a target of building 12 million houses in urban areas across the country over seven years from 2015 to 2022. As of Mar'21, total 11.07 mn houses are sanctioned under this scheme.

High Capital adequacy augurs well for growth

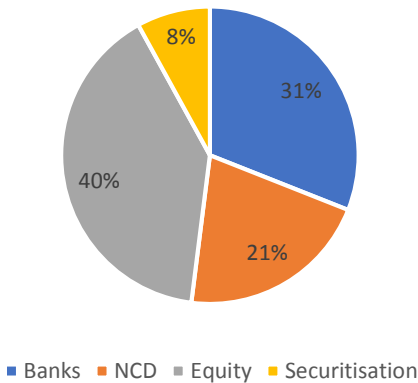
The company has been adequately capitalised. Its capital-adequacy ratio was 34.6% as on Q1FY22, well above the minimum 15% capital requirement for NBFCs, as per Basel III norms. The average CRAR in the past 4 years has been ~28%. Post investment by Brookfield, CAR of the company increased from 25.3% in FY20 to 37.7% in Q1FY21.

Diversified nature of funding profile

Company has maintained a diversified source of funding options comprising bank loans, NCDs and commercial paper. Company enjoys good credit rating for its borrowings profile – term loans and redeemable NCDs have rating of AA- (CARE) while CP have rating of A1+. Strong credit rating, high CAR level and strong management augurs well for the company. This should enable the company to draw borrowings at lower cost going forward as well.

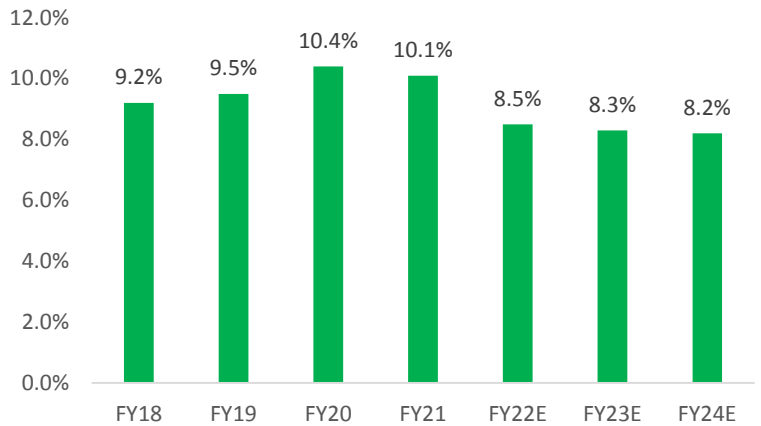
Funding mix source (As on Q1FY22) – i) 31% from banks ii) 21% from NCDs iii) 40% from equity iv) 8% from securitization and Nil from CP. Cost of borrowings of the company stood at 9.4% as on Q1FY22 which is expected to come down to below ~9%.

Exhibit 8: Diversified Borrowing profile



Source: Company, Aриhant research

Exhibit 9: Cost of borrowings expected to come down

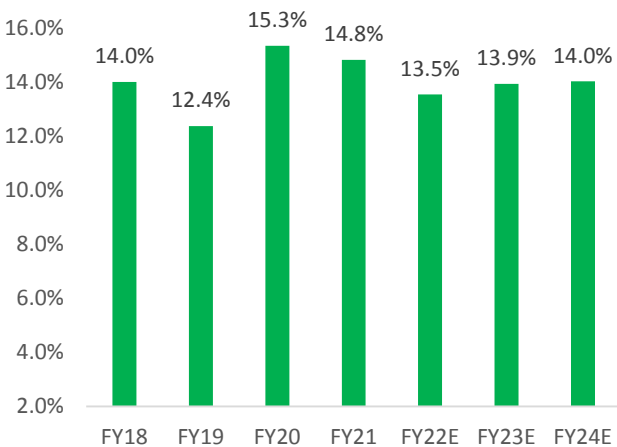


Source: Company, Aриhant research

Margins to remain above 6%

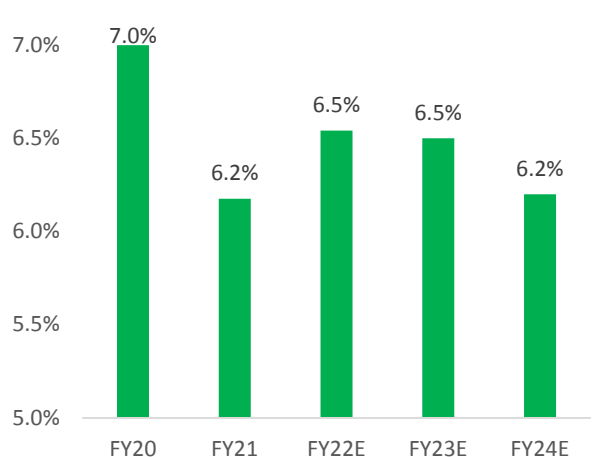
As of Q1FY22, NIM of the company stood at 5.1%. The company has been carrying excess liquidity due to the current environment which is impacting margins up to some extent. Company is making a conscious efforts to reduce it. As the book starts growing, this will normalise. Also, Company’s focus more towards used vehicle financing which are high yield business will help to improve the yield. Overall, NIM would be remain in the range of 6-6.5% in FY22E owing to high growth in retail segment and gradual decline in cost of borrowings.

Exhibit 10: Yields are expected to remain high



Source: Company, Aриhant Research

Exhibit 11: Margins to remain above 6%



Source: Company, Aриhant Research

ALM remains well managed

Indostar continues to manage its ALM effectively with positive ALM till Q4FY22 as illustrated in the table below.

ALM mismatch for less than the 1-year bucket should be negligible. Indostar is largely matched in terms of ALM. In the past years, ALM mismatch in less than the 1 year bucket remained negative, implying that its short-term liabilities are adequate to meet short-term assets.

Exhibit 12: Liquidity and ALM profile

Particulars (in cr.)	Jul-21	Aug-21	Sep-21	Q3FY22	Q4FY22
Opening cash & equivalents*	1,150	1,109	1,124	889	526
Loan repayment inflows [Principal]	63	63	69	284	297
Total inflow	1,213	1,172	1,193	1,173	823
Liability repayment [Principal]					
- NCDs	--	14.8	80	315	290
- Term Loans and others	104	33	224	332	258
Total outflow	104	48	304	647	548
Closing cash and equivalents	1,109	1,124	889	526	275

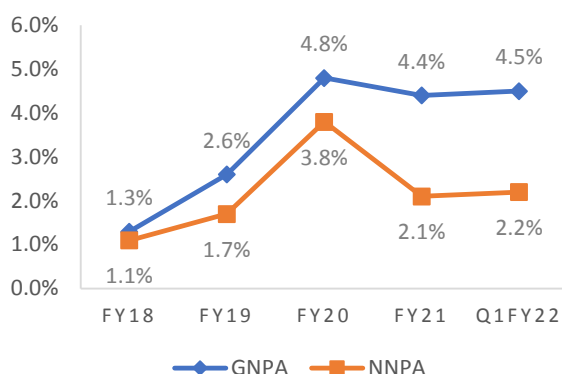
Source: Company, Arianth Research

Asset Quality Trend - Majority of stress has recognized, way towards normalisation

The company maintained stable asset quality with GNPA and NNPA below 3% and 2% respectively over FY16-19. However, In FY21, its GNPA/NNPA increased to 4.4%/2.1% respectively due to Covid. As of Q1FY22, GNPA/NNPA stood at 4.5%/2.2%. Credit costs (calculated) was below 1% historically. However, the additional Covid-19 provisions hit FY20 and FY21 credit cost and it rose to 9.9% and 6.4% respectively.

As on Q1FY22, Corporate lending GNPA was Nil from the two quarter, SME lending GNPA was at 3.1% (2.6% in FY21), Housing finance GNPA at 3% (vs 1.9% in FY21). CV finance has increased sharply from 2.3% in Q3FY21 to 8.2% in Q1FY22. Restructuring book of the company stood at 4.7% of the total AUM as on Q1FY22.

Management has stated that company have been conservative in cleaning the book, so they have taken credit cost as a proactive basis. Going ahead, credit cost is expected to normalize. Credit cost for the book which have built upto Oct'20 are largely provided for and the new book which has been built from Nov'20, most of the portfolio i.e. more than 95% of the book are in stage 1. So, incremental provision will be low for new book.

Exhibit 13: NPA Trend

Source: Company, Arianth Research

Exhibit 14: Retail book collection update (in cr.)

Month	Billing	Collections	%
Oct-20	215	215	99.8
Nov-20	209	238	113.9
Dec-20	205	281	137.1
Jan-21	199	187	94.1
Feb-21	201	219	108.9
Mar-21	200	274	137.3
Apr-21	198	248	125.3
May-21	194	248	127.4
Jun-21	195	283	145.0
Jul-21	185	269	145.3

Source: Company, Arianth Research

Strong management team at the helm

In 2017, Company has appointed Mr. R Sridhar as Executive Chairman & CEO of the company who was instrumental in building Shriram Transport Finance vehicle finance business. With the right knowledge and expertise in place, we expect management to deliver quality growth in vehicle business at Indostar.

For its retail business, Indostar has hired highly experienced people both at the top management and at the branch level from various companies including Shriram Transport, Cholamandalam and HDB Financial.

To further strengthen the team, three key people were hired

- i) Deep Jaggi (Chief Business officer)
- ii) Jaya Janardanan (COO).
- iii) B. Ravi Kumar (Business head - Asset Finance)

Exhibit 15: Recent hiring in senior management

Name	Designation	Date of Joining	Previous employment details
Deep Jaggi	Chief Business Officer (Retail)	Oct'20	Head of Asset Finance at HDB Financial (served 10 years), and was responsible for the P&L of CV, Construction Equipment, Passenger Vehicles and the Tractor businesses.
Jaya Janardanan	Chief Operating officer	Aug'20	25 years of experience in banking. Worked with multiple Banks like ICICI , ING Vysya, Dhanlaxmi bank, JP Morgan Chase, Bank of America , Aditya Birla Payments Bank and Ujjivan Small Finance Bank
B. Ravi Kumar	Business head - Asset Finance	Apr'21	Overall experience of 27 years. Prior to IndoStar, he was associated with Cholamandalam Investment & Finance Co Ltd., since 2002.

Source: Company, Arianth Research

Exhibit 16: Management Profile

Name	Designation	Previous organisation work experience
Mr Sridhar	Executive Vice-Chairman and CEO	Over 3 decades of experience, served as MD of Shriram Transport Finance
Deep Jaggi	Head of Retail business	He was head of asset finance at HDB for past 10 years
Jaya Janardanan	Chief Operating Officer	Over 25 years of banking experience at many banks
Amol Joshi	Chief Financial Officer	Over 21 years of experience in various areas of Finance, He has previously worked in Citicorp, Standard Chartered Bank, American Express and L&T Financial Services.
Hansraj Thakur	Business Head - SME Finance	Several years of experience in the fields of SME, commercial banking, worked with IDFC Bank and Standard Chartered Bank
Shreejit Menon	Business Head – Home Finance	On Indostar board since 2017, Worked with Religare Housing, HSBC, Muthoot Finance
Mohit Mairal	Chief Risk Officer	Over 20 years of experience in Underwriting, Collections, Risk Management and Sales.
Jitendra Bhati	Company Secretary	He has been associated with the company since Aug'11.

Source: Company, Arianth Research

Valuation and View

Indostar Capital Finance is new age NBFC promoted by Everstone Group and co-promoted by Brookfield. Company has embarked upon strategy to diversify its business mix completely towards the retail including housing, vehicle finance. Past 2 years performance of the company was impacted due to reshuffle in loan book, higher credit cost in vehicle finance due to higher stress in the book on account of Covid, lower growth due to lower sales volume. However, Management has stated that credit cost upcycle has largely been over and it is expected to normalize going forward.

With company's strategy on the growth in the newer segment of Vehicle finance, Housing finance and SME with proficient management team & their expertise and robust capital position, we firmly believe that Indostar is well on track for a growth from H2FY22E. Levers are in place for superior growth.

We initiate coverage on Indostar Capital Finance with a Buy rating and target price of INR 437 (valued at 1.3x FY24E P/ABV). RoE of the company too remain low in the near term as operating leverage to increase gradually with increasing focus on retail portfolio. The stock is among the cheapest NBFCs in terms of valuation. It is available at steep discount of more than 50% to its vehicle finance peers. At CMP, it is trading at 0.8x FY24E P/BV. We forecast a operating profit of the company to increase by to 39% over FY21-24E, led by strong loan growth of 24% CAGR over the same period. We expect re-rating in the stock given cheap valuations, strong management, improvement anticipated in return ratios & change in business mix towards retail assets.

Key risks: a) Pressure on yields and spreads due to increased competition; b) liquidity risks; c) asset quality risk; and d) change in government policies.

Exhibit 17: Peer group comparison

Company	CMP	Mcap (in Crs)	Advances (in Crs)	CoB	NIM	GNPA
Asset financiers						
Indostar Capital	289	3,626	8,398	10.8%	6.2%	4.4%
Sundaram Finance	2,420	27,058	30,882	6.9%	6.5%	1.8%
Mahindra Finance	181	23,080	59,947	8.0%	9.0%	9.0%
Cholamandalam Investment	571	48,747	69,996	6.7%	7.2%	4.0%
Shriram Transport	1,347	36,815	1,17,243	9.0%	6.7%	7.1%
Housing Finance						
Can Fin Homes	654	9,074	22,105	6.7%	3.9%	0.9%
Repco Home finance	304	2,011	12,122	7.1%	4.7%	3.7%
Aavas Financiers	2,416	20,087	9,454	7.4%	7.7%	1.0%

Source: Company, Arianth Research; CMP is as on 22nd September 2021.

Exhibit 17: Peer group comparison (continued)

Company	RoA (%)				RoE (%)				P/BV (x)			
	FY21A	FY22E	FY23E	FY24E	FY21A	FY22E	FY23E	FY24E	FY21A	FY22E	FY23E	FY24E
Asset financiers												
Indostar Capital	-2.2	1.0	2.0	2.2	-6.7	2.9	6.7	8.7	1.0	0.9	0.9	0.8
Sundaram Finance	2.4	2.5	2.6	2.2	13.8	14.0	14.6	14.0	4.4	3.9	3.7	3.3
Mahindra Finance	0.4	0.8	2.2	2.5	2.6	4.0	11.5	12.4	1.5	1.5	1.4	1.3
Chola Investment	2.2	2.5	2.9	3.0	17.1	18.9	20.3	20.4	4.9	4.2	3.5	2.9
Shriram Transport	2.0	2.1	2.6	2.6	12.6	12.0	13.7	13.9	1.6	1.4	1.3	1.1
Housing Finance												
Can Fin Homes	2.1	1.9	2.0	2.0	19.2	16.4	16.7	16.6	3.3	2.8	2.4	2.1
Repco finance	2.4	2.2	2.5	2.6	15.0	13.1	13.8	13.8	0.9	0.8	0.7	0.6
Aavas Financiers	3.5	3.2	3.4	3.3	12.9	13.0	14.6	14.9	7.9	7.0	6.0	5.2

Source: Company, Bloomberg consensus (peer valuation taken from Bloomberg), Financials are as on FY21.

About the Company

IndoStar Capital Finance Ltd is a non-banking finance company registered with RBI as a non-deposit taking company. It operates four business segments namely, SME lending, corporate lending, vehicle financing and housing financing. Indostar had commenced operations in 2011 and focused on financing corporate sector. In 2015, Indostar entered into SME finance business and in 2016, it has diversified its business from corporate lender to retail focused NBFC.

Indostar came out with IPO during May'2018. The issue size of IPO was INR 1,844 cr at price band of INR 570-572 and issue was subscribed 6.8x.

At inception, Indostar focused only on corporate lending, providing structured term financing in both real estate and non-real estate segments. Later in 2015, it expanded the business line into SME financing. Over the past year, it has diversified into vehicle financing and housing financing, enabling it to transform from a corporate lender to a retail lender. As on Q1FY22, AUM stood at INR 7,888 cr. As on Jun'21, it had 240 branches in 19 states in India, with ~2,044 employee base. The AUM mix consists of corporate & Retail lending. The corporate and retail lending mix stood at 23:77 as on Q1FY22. The company's focus is to reduce corporate lending book and become a retail NBFC company.

Indostar Capital Finance, is the holding company of Mauritius-based Indostar Capital, which again is owned by Everstone (38.45% stake) and co promoted by Brookfield (52.03% stake). Also the NBFC has two fully owned 100% subsidiaries namely Indostar Home Finance (housing loans business is done via this subsidiary) and Indostar Asset Advisory.

With the acquisition of IIFL's Commercial Vehicle financing business, company have gained a significant foothold in North and West parts of India. In the southern region too, company gradually expanding the footprint. Now, with a plan to establish presence in North-Eastern India, where there is high demand but under-penetration of organized credit, Indostar is setting up first branch in Guwahati.

Exhibit 18: Key milestones

FY11 (Inception)	FY12-14	FY15	FY16-17	FY17-18	FY19-21
<ul style="list-style-type: none"> Started corporate lending business 	<ul style="list-style-type: none"> Corporate business has recorded strong growth of 72% CAGR over FY12-14 	<ul style="list-style-type: none"> Forayed into SME financing business 	<ul style="list-style-type: none"> Expanded geographically NHB issued HFC license 	<ul style="list-style-type: none"> Appointment of R Sridhar as CEO Commenced CV/Housing finance business Stock listed in May'18 	<ul style="list-style-type: none"> In Q4FY19, acquired IIFL's CV business In May'20, Brookfield invested INR 1225 cr in company Corporate share gone down to 22% in FY21 from 73% in FY18 Currently, has a branch network of 240 branches across 19 states

Source: Company

Key Financials

Profit & Loss Statement (in INR Cr)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Interest Income	1,206	1,528	1,280	1,262	1,687	2,207
Interest Expended	564	794	709	596	824	1,137
Net Interest Income	642	734	571	665	863	1,070
Other Income	0	1	7	1	1	3
Operating Income	642	736	579	667	865	1,073
Operating Expenses	247	352	339	374	403	434
Employee Expenses	149	189	174	191	203	217
Other Operating Expenses	97	163	166	183	200	217
PPOP	395	384	239	293	462	639
Provisions	16	820	458	146	114	149
PBT	379	-437	-219	147	347	490
Tax Expenses	138	-112	-5	37	87	123
Net Income	241	-325	-214	110	260	367

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

Balance Sheet (in INR Cr)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Equity & Liabilities						
Net Worth	3,006	2,681	3,698	3,776	4,036	4,403
Borrowings	9,062	7,142	6,008	7,054	10,043	13,899
Other Liabilities and Provisions	232	306	376	467	607	789
Total Capital & Liabilities	12,300	10,129	10,082	11,297	14,685	19,091
Assets						
Investments	1,420	776	2,112	2,292	2,980	3,874
Advances	10,364	8,293	7,139	7,996	10,395	13,513
Fixed Assets	370	383	366	435	566	735
Other Assets	146	677	465	573	745	968
Total Assets	12,300	10,129	10,082	11,297	14,685	19,091

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

Key Ratios

Ratios	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Growth rates						
Advances (%)	71.0%	-20.0%	-13.9%	12.0%	30.0%	30.0%
Total assets (%)	74.7%	-17.7%	-0.5%	12.1%	30.0%	30.0%
NII (%)	42.1%	14.3%	-22.2%	16.5%	29.7%	24.0%
Pre-provisioning profit (%)	32.2%	-3.0%	-37.7%	22.5%	57.6%	38.3%
PAT (%)	20.2%	NA	NA	NA	136.0%	41.1%
Balance sheet ratios						
Leverage (x) (Asset/Shareholder's Fund)	4.1%	3.8%	2.7%	3.0%	3.6%	4.3%
CAR (%)	23.5%	25.3%	34.6%	35.4%	31.8%	28.8%
Operating efficiency						
Cost/income (%)	38.4%	47.8%	58.7%	56.1%	46.6%	40.5%
Opex/total assets (%)	2.6%	3.1%	3.4%	3.5%	3.1%	2.6%
Profitability						
NIM (%)	5.4%	8.1%	6.2%	6.5%	6.5%	6.2%
RoA (%)	2.5%	-2.9%	-2.1%	1.0%	2.0%	2.2%
RoE (%)	9.5%	-11.4%	-6.7%	2.9%	6.7%	8.7%
Asset quality						
Gross NPA (%)	2.6%	4.8%	4.4%	3.5%	3.1%	2.7%
Net NPA (%)	1.7%	3.8%	2.1%	1.6%	1.7%	1.4%
PCR (%)	34.6%	20.8%	52.3%	53.5%	46.5%	47.2%
Credit cost (%)	0.2%	9.9%	6.4%	1.8%	1.1%	1.1%
Per share data / Valuation						
EPS (INR)	26.1	-35.1	-17.3	8.9	21.0	29.6
BVPS (INR)	326	290	299	305	326	356
ABVPS (INR)	315	254	286	293	311	337
P/E (x)	11.1	-8.2	-16.7	32.5	13.8	9.8
P/BV (x)	0.9	1.0	1.0	0.9	0.9	0.8
P/ABV (x)	0.9	1.1	1.0	1.0	0.9	0.9

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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