

Shriram Transport Fin Co

Performance Highlights

Particulars (₹ cr)	Q1FY20	Q4FY19	% chg (qoq)	Q1FY19	% chg (yoy)
NII	1,962	1,906	2.9	1,823	7.6
Pre.Prov. Profit	1,543	1,512	2.0	1,406	9.7
PAT	634	746	(15)	573	10.7

Source: Company, Angel Research

For Q1FY2020, STFC has reported in-line numbers. For the quarter, PAT increased 11% yoy, AUM growth continued to moderate at 6% yoy vs. 9% in Q4FY2019 and 22% in Q1FY2019. Key positive were stable asset quality with stage 3 at 8.5% and coverage +30% and credit cost for the quarter was 2.1%. Management maintained credit cost guidance of 2% for FY2020.

AUM growth moderated; stable NIM: during the quarter, STFC reported AUM growth of 6% yoy, led by working capital (53% yoy on low base) and used vehicle loan (6% yoy). Used vehicle AUM led by M&CV segment grew at healthy rate of 15% yoy. Management guided for AUM growth of 15% yoy if growth improves in 2HFY2020 and increasing presence in rural area coupled with festive season, which will support growth. NIM remained stable at 8.44% yoy (up 22bps qoq), as the company managed to pass incremental higher cost to borrowers.

Asset quality steady; credit cost guidance maintained at 2%: Gross stage 3 increased marginally by 4%/declined 3% qoq /yoy. Provision for stage 3 declined by 259/222 bps qoq/yoy as it reversed additional provision made during Kerala flood. Management continued to guide credit cost for FY2020 at 2%.

Outlook & Valuation: We expect STFC's AUM to grow at CAGR of 13% over FY2019-21E primarily owing to (1) post-election government to increase spending on infra project (macro recovery), and (2) pre-buying of CV before the BS VI will also improve the pricing of older vehicles. We expect STFC to report RoA/RoE to 2.7%/17.1% in FY2021E respectively. At CMP, the stock is trading at 1.2x FY2021E ABV and 7x FY2021E EPS, which we believe is reasonable for differentiated business model with return ratios. We recommend a BUY on the stock with a Target Price of ₹1,385.

Key Financials

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
NII	5,561	6,800	7,808	8,681	9,946
YoY Growth (%)	10.1	22.3	14.8	11.2	14.6
PAT	1,257	2,460	2,562	2,868	3,405
YoY Growth (%)	6.7	95.7	4.2	11.9	18.7
EPS	55	108	113	126	150
Adj Book Value	425	504	607	697	815
P/E	18	9	9	8	7
P/Adj.BV	2.4	2.0	1.6	1.4	1.2
ROE (%)	11.7	19.8	17.4	16.7	17.1
ROA (%)	1.8	2.9	2.5	2.6	2.7

Source: Company, Valuation done on closing price of 7/8/2019

BUY

CMP	1,000
Target Price	1,385

Investment Period	12 Months
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Stock Info

Sector	NBFC
Market Cap (₹ cr)	22,286
Beta	1.4
52 Week High / Low	1,450/903
Avg. Daily Volume	86,106
Face Value (₹)	10
BSE Sensex	36,690
Nifty	10,855
Reuters Code	SRTR.BO
Bloomberg Code	SHTF IN

Shareholding Pattern (%)

Promoters	26.1
MF / Banks / Indian Fls	8.1
FII / NRIs / OCBs	56.4
Indian Public / Others	9.4

Abs.(%)	3m	1yr	3yr
Sensex	(1.1)	(2.6)	30.2
SHTF	1.3	(29.5)	(22.4)

3 Year Price Chart



Source: Company

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Exhibit 1: Income Statement

Particular (₹ cr)	1QFY19	2QFY19	3QFY19	4QFY19	Q1FY20	% QoQ	% YoY
Total Interest Income	3,712	3,917	3,968	3,845	4,001	4	8
Interest Expenses	1,889	1,862	1,941	1,939	2,040	5	8
Net Interest Income (NII)	1,823	2,055	2,027	1,906	1,962	3	8
Other Income	18	24	26	35	27	(21)	56
Total Income	3,729	3,942	3,994	3,880	4,029	4	8
Net Income	1,841	2,080	2,053	1,941	1,989	2	8
Operating Expenses	435	458	433	429	446.50	4	3
Employee Expenses	225	232	222	204	233	14	3
Other Operating Expenses	210	226	211	225	213	(5)	2
Operating Profit	1,406	1,622	1,620	1,512	1,543	2	10
Provisions	523	684	636	540	561	4	7
PBT	883	938	984	972	982	1	11
Provisions for Tax	310	329	348	226	347	54	12
Tax Rate %	35.1	35.1	35.4	23.3	35.4	52	1
PAT	573	609	635	746	634.2	(15)	11

Source: Company, Angel Research

Exhibit 2: Quarterly performance

AUM Mix (%)	1QFY19	2QFY19	3QFY19	4QFY19	Q1FY20	% QoQ	% YoY
New CV Loans	13	13	12	12	11	(35.7)bp	(123.3)bp
Used CV loans	87	87	88	88	89	35.7bp	124.3bp
Profitability (%)							
NIM	7.44	7.52	7.44	7.22	7.44	22bp	0bp
C/I	23.6	22.0	21.1	22.1	22.4	35.3bp	(118)bp
ROE	17.2	17.0	17.2	19.4	15.8	(352.4)bp	(134.9)bp
Calc -Yield - AUM	15.16	15.29	15.25	14.77	15.18	41.7bp	2.3bp
Calc -Yield - Advance	18.31	18.40	18.42	18.13	18.86	72.4bp	54.5bp
Calc - COF	9.02	8.59	8.74	8.74	9.14	39.9bp	11.3bp
Spread	9.3	9.8	9.7	9.4	9.7	32.5bp	43.1bp

Source: Company, Angel Research

Exhibit 3: Break Up

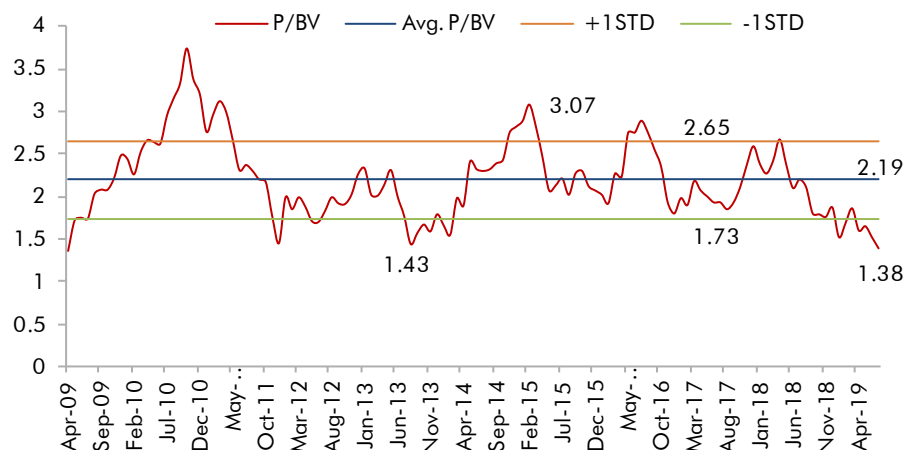
Particular (₹ cr)	1QFY19	2QFY19	3QFY19	4QFY19	Q1FY20	% QoQ	% YoY
New	12,140	12,719	12,077	11,594	11,450	(1)	(6)
Used	83,919	86,057	86,126	87,050	89,021	2	6
Business Loan	2,978	3,314	3,182	2,971	2,912	(2)	(2)
Working Capital	1,895	2,171	2,365	2,807	2,898	3	53
Others	46	119	68	60	62	4	35
Total AUM	1,00,978	1,04,380	1,03,818	1,04,482	1,06,343	2	5

Source: Company, Angel Research

Exhibit 4: Asset Quality & Business Details

Particular (₹ Cr)	1QFY19	2QFY19	3QFY19	4QFY19	Q1FY20	% QoQ	% YoY
Credit Cost (Annualised) AUM (%)	2.1	2.6	2.5	2.1	2.1	(38)	166
GS 3	9,157	9,092	9,033	8,623	8,926	4	(3)
GS 3 %	9.11	8.71	8.70	8.25	8.52	26.7bp	(58.8)bp
ECL Prov. stage 3	3,118	3,113	3,187	2,967	2,841	(4)	(9)
Net Stage 3	6,039	5,979	5,846	5,656	6,085	8	1
Coverage Ratio Stage 3 (%)	34	34	35	34	32	(258.5)bp	(222.6)bp
GS 1 & 2	91,879	96,173	93,875	94,358	95,889	2	4
ECL Prov. stage 1 & 2	2,341	2,604	2,651	2,604	2,762	6	18
Net Stage 1 & 2	89,538	93,568	91,224	91,755	93,127	1	4
ECL Prov. (%) Stage 1&2	2.55	2.71	2.82	2.76	2.88	12bp	33bp
Business Details ()							
AUM	1,00,541	1,04,380	1,03,818	1,04,482	1,06,343	2	6
Disbursement	13,425	13,799	9,550	11,959	12,300	3	(8)
New	2,470	2,300	400	8,100	890	(89)	(64)
Old	10,960	11,510	9,020	11,020	11,260	2	3
On book Loans	82,462	87,815	84,533	85,085	84,661	(0)	3
Off book (Securitization)	18,079	16,565	19,285	17,223	19,750	15	9
DA	38	24	1,721	2,175	1,942	(11)	5,011

Source: Company, Angel Research

Exhibit 5: 1 year forward P/B


Source: Company, Angel Research

Income Statement

Y/E March (₹cr)	FY17	FY18	FY19	FY20E	FY21E
Nil	5,561	6,800	7,808	8,681	9,946
- YoY Growth (%)	10.1	22.3	14.8	11.2	14.6
Other Income	82	215	101	111	126
- YoY Growth (%)	-55.5	162.8	-53.0	9.9	13.1
Operating Income	5,643	7,015	7,909	8,793	10,072
- YoY Growth (%)	7.8	24.3	12.7	11.2	14.5
Operating Expenses	1,275	1,492	1,750	1,996	2,265
- YoY Growth (%)	-5.4	17.0	17.3	14.0	13.5
Pre - Provision Profit	4,368	5,524	6,159	6,797	7,806
- YoY Growth (%)	12.3	26.4	11.5	10.4	14.9
Prov. & Cont.	2,444	1,722	2,382	2,452	2,647
- YoY Growth (%)	16.0	-29.5	38.3	2.9	8.0
Profit Before Tax	1,924	3,801	3,776	4,345	5,159
- YoY Growth (%)	8.0	97.6	-0.7	15.1	18.7
Prov. for Taxation	667	1,341	1,214	1,477	1,754
- as a % of PBT	34.6	35.3	32.1	34.0	34.0
PAT	1,257	2,460	2,562	2,868	3,405
- YoY Growth (%)	6.7	95.7	4.2	11.9	18.7

Balance Sheet

Y/E March (₹cr)	FY17	FY18	FY19	FY20E	FY21E
Share Capital	227	227	227	227	227
Reserve & Surplus	11,075	13,349	15,609	18,186	21,246
Net worth	11,302	13,576	15,836	18,413	21,473
Borrowing	53,110	82,131	87,968	97,644	1,11,315
- YoY Growth (%)	6.7	54.6	7.1	11.0	14.0
Other Liab. & Prov.	9,998	1,539	1,487	1,524	1,744
Total Liabilities	74,410	97,245	1,05,291	1,17,581	1,34,532
Investment	1,549	2,341	3,999	3,999	3,999
Cash	4,441	3,675	3,981	4,615	5,242
Advance	65,463	90,738	96,751	1,08,361	1,24,615
- YoY Growth (%)	5.8	38.6	6.6	12.0	15.0
Fixed Asset	84	120	147	154	162
Other Assets	2,874	383	413	452	513
Total Asset	74,410	97,257	1,05,291	1,17,581	1,34,532
Growth (%)	9.5	30.7	8.3	11.7	14.4

Exhibit 6: Key Ratio

Y/E March	FY17	FY18	FY19	FY20E	FY21E
Profitability ratios (%)					
NIMs	8.5	8.5	8.1	8.1	8.3
Cost to Income Ratio	22.6	21.3	22.1	22.7	22.5
RoA	1.8	2.9	2.5	2.6	2.7
RoE	11.7	19.8	17.4	16.7	17.1
Asset Quality (%)					
Gross NPAs	8.20	9.15	8.3	8.0	7.5
GNPA (₹ Cr)	5,408	7,376	7,100	8,669	9,346
Net NPAs (%)	2.7	2.83	2.6	2.4	2.4
NPA (₹ Cr)	1,659	2,131	2,055	2,601	2,991
Provision Coverage	67.1	69.1	69.2	70.0	68.0
Credit Cost (AUM)	3.1	1.8	2.3	2.1	1.9
Per Share Data (₹)					
EPS	55	108	113	126	150
ABVPS	425	504	607	697	815
DPS	10	11	11	13	15
BVPS	498	598	698	812	946
Valuation Ratios					
PER (x)	18.0	9.2	8.9	7.9	6.7
P/ABVPS (x)	2.4	2.0	1.6	1.4	1.2
P/BVPS	2.0	1.7	1.4	1.2	1.1
Dividend Yield	1.0	1.1	1.1	1.3	1.5
DuPont Analysis					
NII	7.8	7.9	7.7	7.8	7.9
(-) Prov. Exp.	3.4	2.0	2.4	2.2	2.1
Adj. NII	4.4	5.9	5.4	5.6	5.8
Other Inc.	0.1	0.3	0.1	0.1	0.1
Op. Inc.	4.5	6.2	5.5	5.7	5.9
Opex	1.8	1.7	1.7	1.8	1.8
PBT	2.7	4.4	3.7	3.9	4.1
Taxes	0.9	1.6	1.2	1.3	1.4
RoA	1.8	2.9	2.5	2.6	2.7
Leverage	6.6	6.9	6.9	6.5	6.3
RoE	11.7	19.8	17.4	16.7	17.1

Valuation done on closing price of 07/08/2019

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Shriram Transport Fin

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

**Ratings (Based on expected returns
Over 12 months investment period):**

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)