Angel Broking™
Service Truly Personalized

April 18, 2011

Muthoot Finance

Gold at 'work'

Organized gold lending - a fast-growing and highly profitable niche: Organized gold loan NBFCs have grown at a tremendous rate of 76.2% CAGR over FY2007-10 and a reasonably large potential market still remains, considering: a) even as of FY2010, ~75% of the total market is with the unorganized money lenders and pawnshops (Source: RHP, CRISIL), b) relatively lower rates of interest and higher trust factor than unorganized players, c) increasing reach due to rapid branch expansion, d) fast and convenient service and e) increasing acceptability of gold loans aided by heavy advertising. Further, as of FY2010 only ~4.7% of India's gold holding is pledged for gold loans, highlighting further potential for future growth. Moreover, small-ticket gold loans are a highly profitable niche, as the target market for gold loan NBFCs are mainly un-banked customers and credit costs are also low due to the gold collateral.

Leading organized player with proven track record: Muthoot Finance Ltd. (MFL) has capitalized on this opportunity, growing its AUM at 93.8% CAGR over FY2008-8MFY2011 (~20% organized market share as of FY2010 as per IMaCS Industry Report). This growth has been underpinned by a strong branch network through rapid expansion (56.5% CAGR over FY2008-11MFY2011), a strong and trusted brand which has enabled swift customer acquisition, fast and convenient service and relatively more flexible products than banks.

Outlook and Valuation: While gold loan NBFCs like MFL have seen highly profitable growth so far, this has occurred in an environment of consistently rising gold prices. Any sharp decline in gold prices could pose downside risks to growth and asset quality. Moreover, recent developments regarding lending to relatively low-income segments have highlighted regulatory risks to MFL's business from any regulatory capping of its currently high yields (~19% in 8MFY2011). That said, post-correction, MFL's closest competitor Manappuram (MGF) is trading at 1.8x FY2013E BV (Bloomberg consensus) and MFL has been priced equivalent to MGF's valuations at the upper end of the price band. Considering the reasonably high growth potential and profitability, we expect moderate upsides at the upper band, also taking into account MFL's higher market share than MGF, better operating efficiency, higher leverage and a more extensive pan India branch network. Hence we recommend a Subscribe to the issue at the upper price band.

Key financials

Y/E March (₹ cr)	FY2010	FY2011E	FY2012E	FY2013E
NII	604	1,173	1,831	2,196
% chg	*103.6*	*94.4*	*56.0*	*19.9*
Net profit	229	471	777	906
% chg	*133.5*	*105.9*	*65.1*	*16.6*
NIM (%)*	11.1	10.0	9.3	8.2
EPS (₹)	7.6	14.7	20.9	24.4
P/E (x) #	23.1	11.9	8.4	7.2
P/ABV (x) #	9.4	4.4	2.3	1.8
RoA (%)*	3.5	3.6	3.5	3.0
RoE (%)	48.3	49.7	36.5	26.9

*Source: RHP, Angel Research. Note: # Valuations at the upper price band, *Calculated on total assets including bilateral assignments*

SUBSCRIBE

Issue Open: April18, 2011
Issue Close: April 21, 2011

Issue Details
Face Value: ₹10
Present Eq. Paid-up Capital: ₹320.2cr
Offer Size: 5.15cr Shares
Post Eq. Paid-up Capital: ₹371.7cr
Issue size (amount):** ₹824-901cr
Price Band: ₹160-175
Post-issue implied mkt cap**: ₹5,947cr-6,505cr
Promoters holding Pre-Issue: 93%
Promoters holding Post-Issue: 80.1%

*Note: **At the lower and upper price band, respectively*

Book Building	
QIBs	Up to 50%
Non-Institutional	At least 15%
Retail	At least 35%

Post Issue Shareholding Pattern	
Promoters Group	80.1
MF/Banks/Indian FIs/FIIs/Public & Others	19.9

Vaibhav Agrawal
022 – 3935 7800 Ext: 6808
vaibhav.agrawal@angelbroking.com

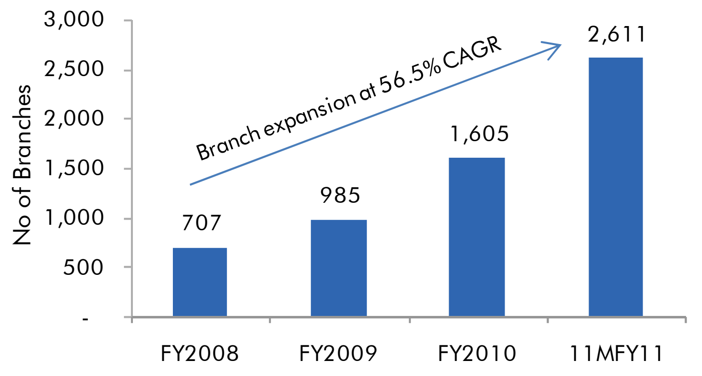
Shrinivas Bhutda
022 – 3935 7800 Ext: 6845
shrinivas.bhutda@angelbroking.com

Varun Varma
022 – 3935 7800 Ext: 6847
varun.varma@angelbroking.com

Company background

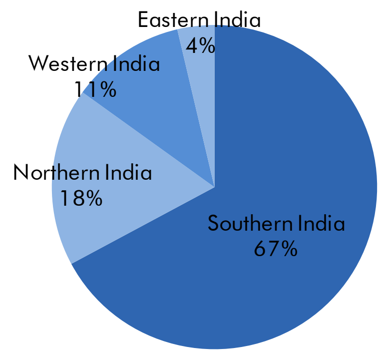
MFL is India's largest gold financing company (as of FY2010) in terms of loan portfolio, as per IMaCS Industry Report. MFL is a Systemically Important Non-deposit taking NBFC (NBFC-ND-SI) engaged in providing personal and business loans secured by gold jewelry, primarily to individuals who possess gold jewelry but do not have access formal credit within a reasonable time, or to whom credit may not be available at all, to meet unanticipated or other short-term liquidity requirements. According to the IMaCS Industry Report, as of FY2010 MFL's branch network of 1,605 branches was the largest among gold loan NBFCs in India. The branch network has been expanded to 2,611 branches as of February 2011 (it has further grown to 2,749 branches as of April 15, 2011 as per MFL website). MFL has a strong customer base as evident in ~4.1 million loan accounts as of 8MFY2011.

Exhibit 1: Rapid Branch Expansion



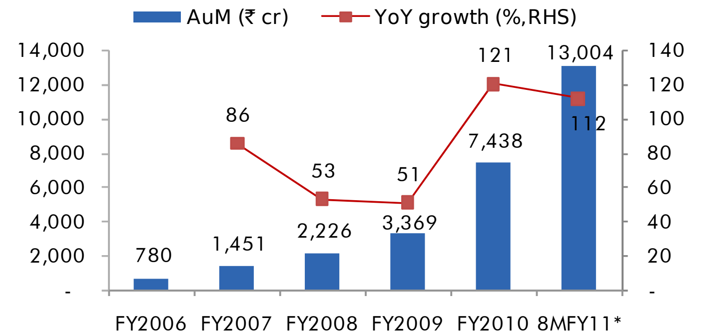
Source: RHP, Angel Research

Exhibit 2: Strong branch network in Southern India



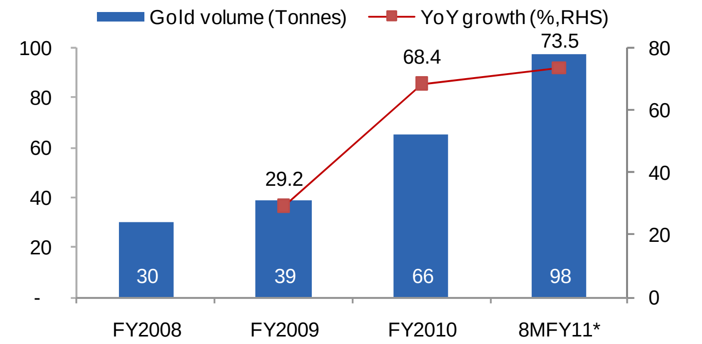
Source: RHP, Angel Research

Exhibit 3: Strong AuM growth over past 2 years...



Source: RHP, Angel Research; Note: growth for 8MFY11 annualized

Exhibit 4: ...led primarily by volume growth



Source: RHP, Angel Research; Note: growth for 8MFY11 annualized

Details of the issue

The IPO comprises an issue of 5.15cr equity shares of face value of ₹10 each in the price band of ₹160–175 per share. The company expects to raise between ₹824cr and ₹901cr at the lower and upper price band, respectively. The primary issue of shares would result in a dilution of the promoter's holding by 12.88% to 80.12%. The issue proceeds are planned to be utilized for augmenting the capital base to meet future capital requirements, to provide for funding of loans to borrowers; and for general corporate purposes.

Organized gold lending - a fast-growing and highly profitable niche

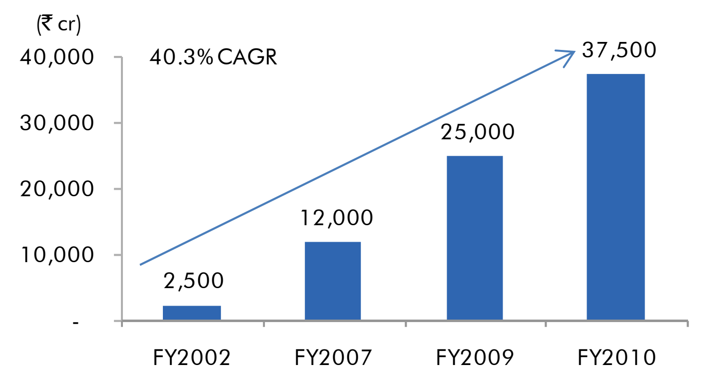
Indian gold loan market – an overview

Indian gold loan market has historically been predominantly controlled by the unorganized sector (accounting for ~75% of the total market according to the IMaCS Industry Report as of FY2010) comprising of local money lenders and pawnshops, which is highly fragmented, charge exorbitant rates, and often carry a social stigma associated with borrowing from them. The competitive edge for lenders in the unorganized sector lies in their ability to provide funds with minimum documentation, quick and hassle-free disbursement of loans.

The gold loan market in India is under-penetrated considering the abundant availability of gold as collateral with Indian private households (~17,500 tons or 10% of world's gold stock, according to the World Gold Council (WGC), valued at over ₹27,40,000cr as of FY2010) and the existing size of the gold loan market (~₹37,500cr for organized sector and ~₹1,12,500cr for unorganized sector). Further Indian households add ~700 tons to this holding each year of which ~75% is in the form of jewelry and this is expected to rise to ~1,200 tons by CY2020 according to the WGC. However, this penetration data has to be considered in the context of the likely concentration of gold holdings with high net worth individuals, perception of it being the last resort financing and the social stigma often attached to gold loans.

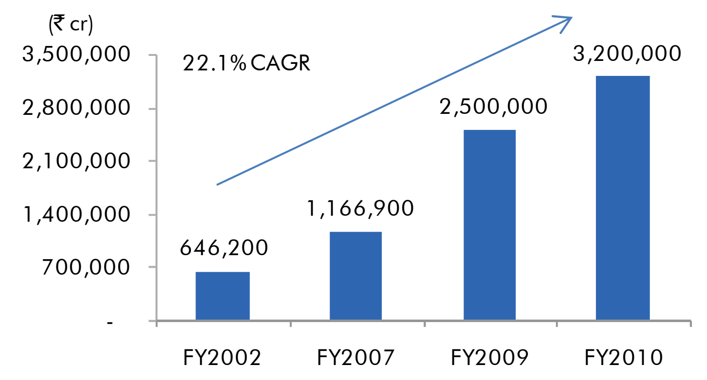
According to the IMaCS industry report, organised gold loan market size has grown significantly over the past decade growing at a healthy CAGR of ~40.3% during FY2002-FY2010 and has gained further momentum with CAGR of 46.2% during FY2007-FY2010 to ~₹37,500cr. During this period, growth in NBFCs was much higher at 72% while the portfolio of MFL grew at a CAGR of 73%.

Exhibit 5: Size of organized gold loans market in India



Source: RHP, Angel Research

Exhibit 6: Value of Gold Stock



Source: RHP, Angel Research

NBFCs such as MFL enjoy the highest credit rating from both CRISIL and ICRA for their short-term debt (AA- rating for long term debt) which enables them to borrow funds at highly competitive rates and price their lending aggressively compared to the unorganized sector.

Over the past few years, the organized sector led primarily by the gold loan NBFCs have grown their market share on the back of a) relatively lower rates of interest and higher trust factor than unorganized players, b) increasing reach due to rapid branch expansion, c) fast and convenient service and d) increasing acceptability of gold loans aided by heavy advertising.

Relatively higher yields

MFL is able to command relatively higher yields as compared to banks due to the convenience factor. NBFCs like MFL offer flexibility, quick disbursal with minimal documentation to their customers in return for a premium on the rates of interest charged. The loan-to-value (LTV) ratio for 22 carat jewelry typically varies from 55-65% by banks while it varies from 70-80% by NBFCs, which may be further adjusted subject to the purity of gold; this increases the attractiveness of borrowing from NBFCs compared to banks. As indicated by the management MFL does not charge any prepayment charges and calculation of interest is also done on the basis of number of days for which the loan was outstanding, these options offer flexibility to customers and increase relative appeal of their loan product.

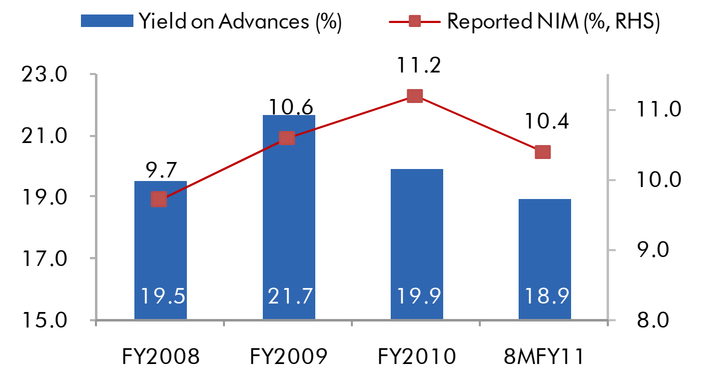
MFLs loan processing time is 5-10 minutes as it relies on its own staff for verification of purity and weight of gold jewelry. As the customers of MFL are mainly from lower and lower middle income groups and the loans are usually taken as bridge financing, the processing time is of paramount importance for the customers for which they generally do not mind shelling out extra interest. MFLs average yield on advances is ~20% p.a. compared to ~13% p.a. for banks. Though the term of loans is 12 months most of the loans get run down in 4-5 months and the average ticket size is just ~₹31,500. Hence the extra interest burden works out to just ~₹700-800 which the customers do not mind paying given the criticality of time. Further the rates charged by MFL are lower than those charged by the local unorganized moneylenders.

Low credit risks

On the asset quality front, loans given out are over collateralized by a) average LTV in the lower 70s and b) appraisal of gold jewelry on the basis of scrap value by ignoring the making charges of the jewelry as well as the weight of precious stones studded in the jewelry. In addition to this MFL lends only against household gold jewelry (at or above 20 carat purity only) and not against gold bars. The household jewelry generally has an emotional and sentimental value attached as it is generally passed on from generations to generations; this ensures that the loan is repaid at the first opportunity resulting in minimal credit risks.

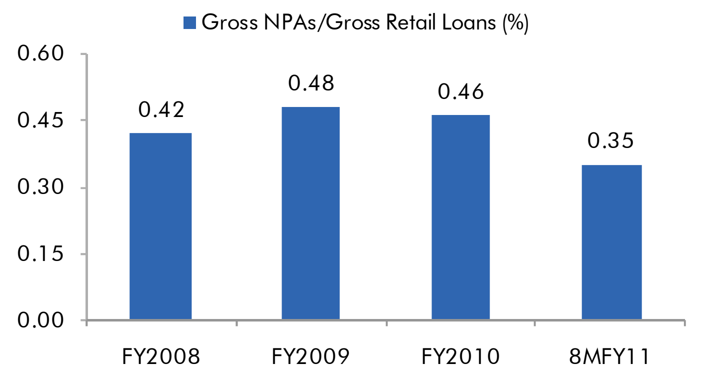
Even if a borrower defaults, MFL possesses adequate documentary support for auctioning the gold collateral in which, according to the management, it has historically never lost any portion of the principal and has been able to secure around one-third of the interest income accrued on the loan. This has ensured that the level of NPAs has been contained at the bare minimum as evident from the fact that as of November 30, 2010, MFL had a gross NPA ratio of 0.4% and it has been contained within 0.5% in each of the past three years. Even this NPA level could have been brought down to zero by selling the pledged jewelry but to ensure future business and as a good business measure, MFL has been giving an extension to certain borrowers for 2-3 months beyond the repayment date.

Exhibit 7: NIM moderating due to declining yields



Source: RHP, Angel Research

Exhibit 8: Low credit risks



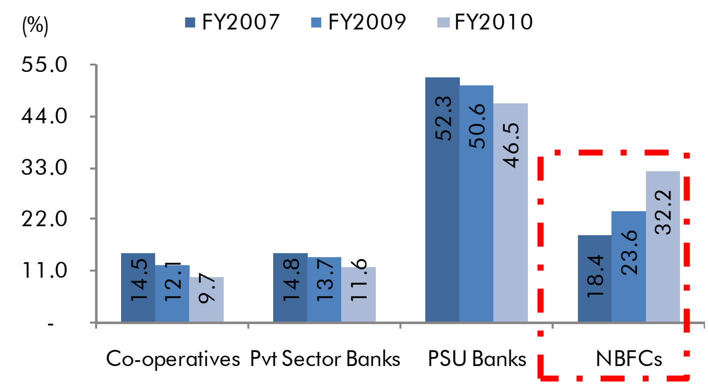
Source: RHP, Angel Research

Strong market share gains

According to the IMaCS Industry Report, the market share of NBFCs in gold loans has risen from 18.4% in FY2007 to 32.2% in FY2010, at a healthy CAGR of 20.5% while banks both PSU and private sector banks have lost market share from 52.3% to 46.5% and from 14.8% to 11.6%, respectively over the same period.

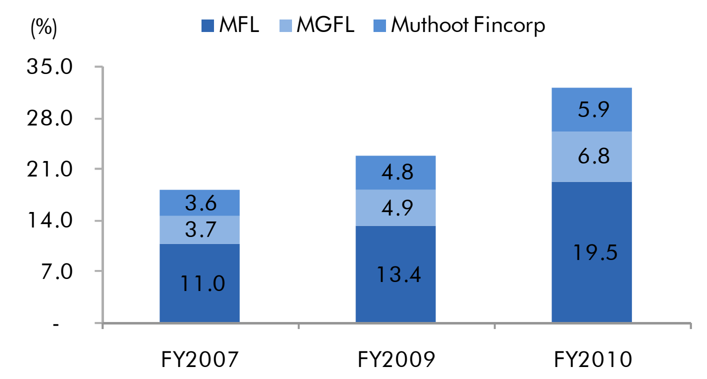
Among the gold loan NBFCs, MFL has continued to be a dominant leader enjoying ~60% of market share of NBFCs and ~20% (up from ~11% in FY2007) of the organized gold loan industry (as of FY2010). This healthy growth has been brought about by focused approach and rapid branch network expansion (42.8% CAGR over FY2007-10). The pace of branch expansion has been further accentuated in the 11MFY2011 to 63%, taking the network from 1,605 branches as of FY10 to over 2,600 branches as of February 2011. This strong branch expansion is expected to lead to further market share gains for MFL as the customers generally prefer to transact at the nearest branch.

Exhibit 9: NBFCs capturing the market share...



Source: RHP, Angel Research

Exhibit 10: ...led by MFL



Source: RHP, Angel Research

The total gold loan AUM (including assignment of receivables) of MFL has increased from ₹780cr to ₹13,004cr at a staggering CAGR of 82.7% over FY2006-8MFY2011 on the back of 47% CAGR in the number of branches (551 in FY2007, 2,263 in 8MFY2011). The increase in branch penetration has led to the AUM per branch increasing from ₹2.63cr to ₹5.75cr over the same period.

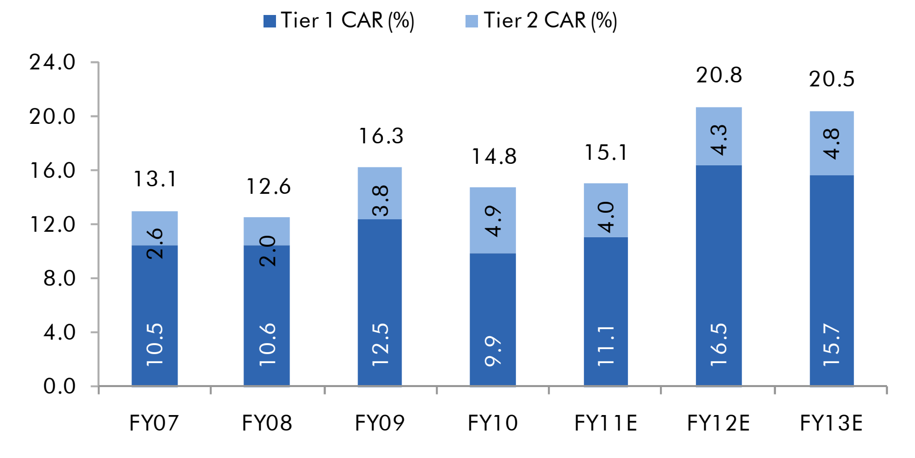
Competitive strengths

The success of MFL in gold financing has been a play of various competitive strengths that the company has developed since its inception. A large branch network of 2,611 branches ably supported by high quality customer service has created a strong brand image. The company also runs training centers to train new employees in appraisal skills, customer relations and communication skills. As the asset quality is critically based on the sanctity of the purity and weight verification process, MFL has set up training centers for building a talent pool to enable the company to staff new branches with qualified and skilled personnel. The training has also helped in shortening the turnaround time for loan disbursals. Loan of an average ticket size is appraised and disbursed in under 5 minutes by the company. Quick disbursal with minimal documentation provides a competitive edge against commercial banks that provide gold loans.

Capital adequacy to be strengthened further post IPO

Post IPO, MFL will be well positioned for the next phase of growth. As of 9MFY2011, the CRAR stood at 15.2% with a Tier- I CRAR of 10.7%. Post capital infusion though the IPO, the Tier-I ratio is expected to jump to ~21% compared to the mandatory requirement of 15% by the Reserve Bank of India, making the company well-capitalized to increase its gold AUM at a CAGR of 37.3% in FY2011E-FY2013E. The risk-weightage prescribed by the RBI on loans against gold given out by NBFCs is 100% while for the gold loans for agri disbursed by banks is only 50%. If this apparent regulatory inconsistency is normalized in the future, gold financing NBFCs are expected to grow even faster and is likely to lead to aggressive market share gains for them.

Exhibit 11: Well positioned for the next phase of growth

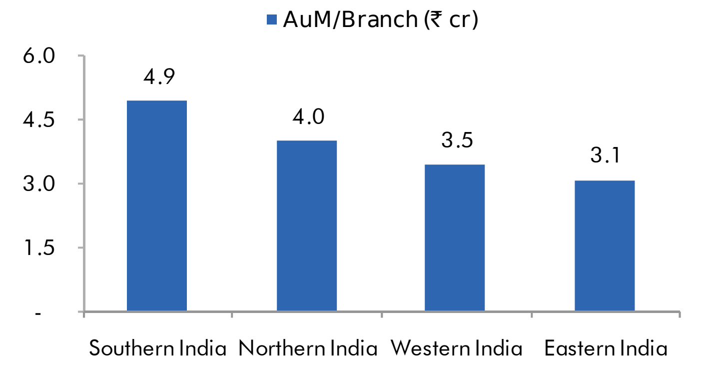


Source: RHP, Angel Research

Aggressive expansion into other regions to reduce concentration risks

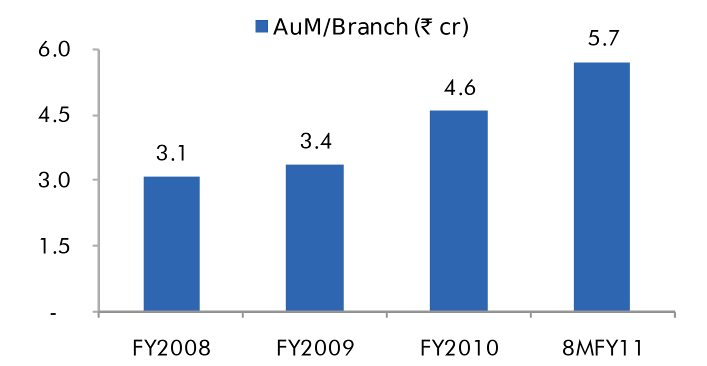
As most of India's gold holding is concentrated in south India (~40%), 75.4% of AUM for MFL comes from the southern region. While the gold holdings are relatively lower in western and northern regions (~25% each), the combined AUM in these regions is just above 22%, highlighting the cultural averseness in pledging gold. With the southern market also being heavily competed for by other major market players such as MGF, IOB and Indian Bank, MFL has been aggressively expanding in northern and western regions. During FY2008-11MFY2011, the company opened 409 branches in the northern region (106.6% CAGR) and 256 branches in the western region (97.2% CAGR). The AUM over FY2008-8MFY2011 grew by 98.4% CAGR in the northern region to 1,811cr and 146.6% CAGR in the western region to ₹1,036cr. The company opened 1,151 branches in the southern region in FY2008-11MFY2011 at 44.3% CAGR leading to a more than double 89.0% CAGR growth in AUM to ₹9,709cr, highlighting the importance of brand building in attaining higher branch penetration and the potential to do the same in the other regions of India.

Exhibit 12: Region-wise AUM per Branch (FY2010)



Source: RHP, Angel Research

Exhibit 13: Optimisation of branch network



Source: RHP, Angel Research

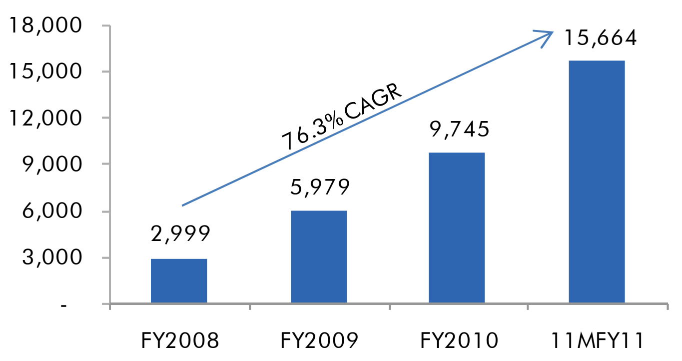
While MFL's branches and consequently business have been concentrated in the southern region, the management has aggressively expanded into all the three remaining regions over the past 3 years with a view to reduce the concentration risks and grab the opportunities in the other regions as well. MFL has opened ~40% of the incremental branches during FY2008-11MFY2011 in the northern, western and eastern region which accounted for just 15% of the total branch network as of FY2008. As a result, proportion of southern region in the incremental loans during FY2008-8MFY2011 has reduced to ~74% from over 82% of the total loan book as of FY2008.

MFL has grabbed the first mover advantage primarily in the northern region with setting up of 548 branches (~20% of total branch network) compared to just 177 branches (~9% of total branch network) of MGF in the northern region. This aggressive expansion into other regions is expected to help the company to reduce the dependence on the southern region and open up further growth avenues for MFL, going forward.

Better operating efficiency compared to MGF

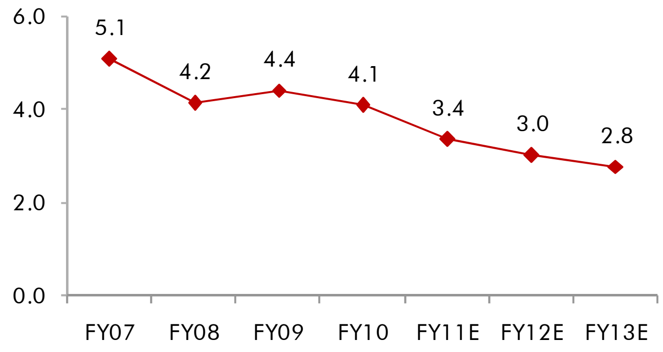
Operating costs for gold financing NBFCs are high given the granularity of the disbursals (average ticket size of ~₹31,500). Gold financing NBFC is a labour-intensive business requiring recruitment at large scale. In the month of February, 2011, MFL served an average of ~68,000 customers per day through its extensive network of 2,611 branches and an employee base of over 15,600 employees. However amongst MFL and MGF, MFL enjoys a competitive edge with operating costs to average assets ratio of 4.1% compared to MGF's 6.2% during FY10. Even these are expected to normalize downward, as the business starts reaping benefits of economies of scale and provide some cushion against falling yields.

Exhibit 14: Strong increase in employee base



Source: RHP, Angel Research

Exhibit 15: Operating efficiency to continue



Note: RHP, Angel Research; Note: Opex to avg. assets (%) incl. bilateral assignments

Investment concerns

Regulatory risks

Since the entire model of NBFCs is relatively new to the Indian economy, regulations concerning them have changed frequently and are bound to do so in the near future. The agri-gold loans given by banks to gold loan financing NBFCs by purchasing their receivables, until recently were accorded agricultural priority sector status. However, on February 3, 2011 the Reserve Bank of India has removed this status leading to a likely negative impact on the entire sectors profitability. The priority sector funds used to come at a cost of ~200bps lower than normal bank borrowings. Although the major source of funding for MFL is working capital loans (38% as of FY2010) and proceeds from issuance of Non Convertible Debentures also known as Muthoot gold bonds (27% as of FY2010), borrowings by assigning receivables also contributes significantly to the funding mix (26% as of FY2010). Taking into account the normal bank borrowings that would also be affected by this rule, the total effect of the regulatory change would be on ~37% of the funding mix. Hence, we expect the increased cost of bank borrowings to affect the NIMs negatively by ~60bps.

Also, according to RBI's draft guidelines (June 2010) loan issuers would be required to hold loans for a minimum period of 12 months (on a maturity of up to 24 months) before being able to securitise their loans. If these guidelines are implemented in future and were to apply to bilateral assignments also, it would restrict the funding through assignment of receivables for MFL as the maximum loan duration for the company is 12 months. MFL would then have to rely on normal bank borrowings which would have higher costs attached.

Interest rates charged by MFL on gold loans range from 12% to 30% per annum depending on the LTV with an average yield of ~19% for 8MF20Y11. Although, currently the gold loan NBFCs are regulated by RBI, some state governments require compliance by the NBFCs with relevant state money lending statutes. One of the technical committees set up by RBI recently recommended that NBFCs should not come under state money lender's act, however if the state governments have their way, it would lead to capping of interest rates which could adversely affect the margins of MFL. The Kerala Money-Lenders Act, 1958 requires interest rates to be capped at 2% higher than the maximum rate of interest charged by commercial banks on loans granted by them.

The Malegam committee recently had recommended capping of interest rates at 24% for MFIs, bearing in mind that the target market for MFIs are low income individuals or households. Gold financing NBFCs also have been subject to such scrutiny in past and considering that most of their customers also belong to the low income group, any future regulatory measures requiring capping of interest rates for MFIs could also apply to gold loan financing NBFCs.

Business growth and asset quality directly linked to gold prices

One of the core drawbacks of specialized lending is that the business risk is entirely coupled to either the specific sector or the target market. In case of Muthoot finance the risk is entailed in the prices of collateral.

The growth for both MFL and MGF has largely been in the last 4-5 years, a period where gold prices increased consistently. The volume growth (gold pledged) over the FY08-8MFY11 has been 56.1% CAGR, while the Gold AUM growth over the same period has been higher at 95.1% CAGR , implying that ~25% CAGR growth in AUM has been due to the rise in gold prices keeping the LTV ratio constant. Assuming, over the same period, if the volumes would have grown at the same rate of 56.1% CAGR, but the gold prices would have declined by 25% CAGR, the growth in AUM would have been only ~17% CAGR. Considering that higher gold prices lead to higher pledging of gold and hence higher volumes, any significant drop in gold prices would not only lead to decline in AUM growth rate but also a decline in the volume growth rate. Also once the price of the collateral drops below the loan proceeds, delinquencies would also start rising.

However, although not fully insulated, the sector has several safeguards to absorb the impact of a sharp decline in gold prices. The loan to value ratio (LTV) for MFL is between 60%-85% giving it a cushion against ~15% drop in gold prices. Moreover the collateral is appraised solely based on the weight of the gold content while the production and design costs and the costs associated with additional gems studded into the jewelry are excluded, providing further cushion of ~5-10% (as indicated by the management, though in our view it is unlikely that in any auction, the lender would be able to recover anything more than the scrap value).

Another advantage which plays into the hands of the company is the emotional quotient attached with the family jewelry that is pledged by the borrowers. The tenure of all gold loans for MFL is 12 months, however on an average repayments occur between 90 and 180 days. MFL also possesses the right to sell off the collateral even before a loan becomes past due in the event the market value of the underlying collateral becomes less than the amount outstanding on the loan.

Increase in competition from other players

Banks have a funding advantage versus NBFCs given the access to low-cost fixed rate funding in the form of current account and savings account (CASA) balances. Hence, they can afford to compete on pricing and try to take market share. However, since ~75% of the total market is with the unorganised money lenders and pawnshops and NBFCs are targeting customers that usually don't have access to bank finance or have a very urgent need, the potential offered by this sector for organized players such as MFL is still reasonably large. However, that said, due to the attractive ROEs currently being offered by the sector, other NBFCs have also started entering this segment. In light of expected increase in competition, we have factored in a drop in NIMs from 11.1% in FY2010 to 8.2% in FY2013E.

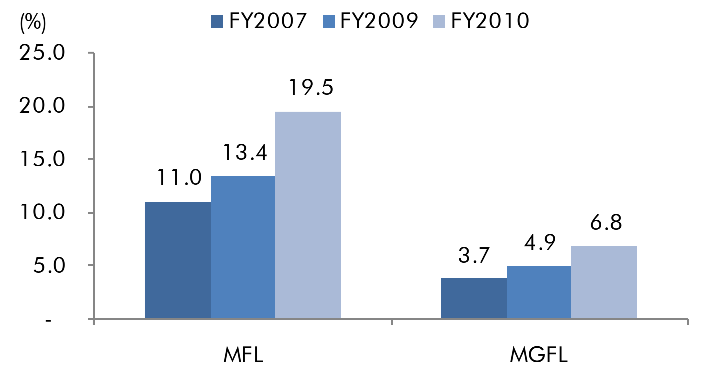
MFL vs. MGF

Exhibit 16: Competitive advantage analysis

	MFL	MGF
Business growth		
AUM growth (FY2008-9MFY2011, %) $	93.8	115.4
Market share (FY2010, %)	19.5	6.8
Branches (9MFY2011)	2,263	1,795
Asset quality		
Net NPAs (9MFY2011, %) $	0.4	0.1
Credit cost (FY2010, %)*	0.0	0.6
CAR (9MFY2011, %)	15.2	32.5
Cost ratios		
Opex to average assets (FY2010, %)*	4.1	6.2
Cost to Income ratio (FY2010, %)	43.4	66.3
Profitability ratios		
NII growth (FY2008-FY2010, %)	84.1	129.7
PAT growth (FY2008-FY2010, %)	91.6	182.8
ROA (FY2010, %)*	3.5	5.1
NIM (FY2010, %)*	11.1	15.2
Valuation ratio		
P/ABV (FY2013E)	1.8	1.8

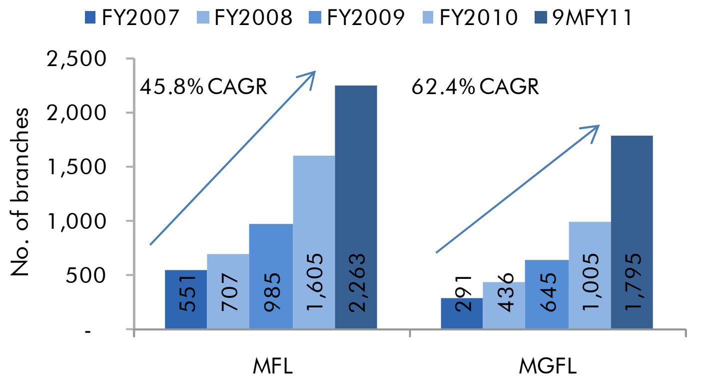
Source: RHP, MGF, Bloomberg, Angel Research ; Note: $8MFY11 for MFL, * Calculated on total assets including bilateral assignments

Exhibit 17: MFL enjoys ~3x MGF's market share as of FY10



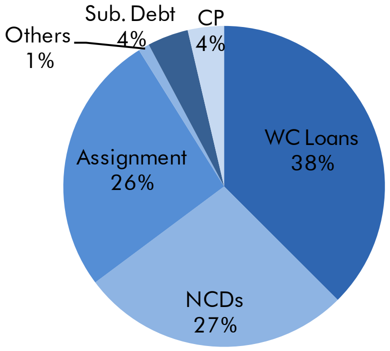
Source: RHP, Angel Research

Exhibit 18: Branch growth of MGF higher than MFL



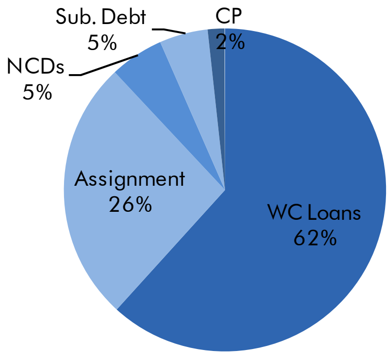
Source: MGF, Angel Research

Exhibit 19: MFL – retail NCDs a stable base of funding



Source: RHP, Angel Research; Note: as of 8MFY2011

Exhibit 20: MGF – more reliance on bank funding



Source: MGF, Angel Research; Note: as of 9MFY2011

Outlook and valuation

While gold loan NBFCs like MFL have seen highly profitable growth so far, this has occurred in an environment of consistently rising gold prices. Any sharp decline in gold prices could pose downside risks to growth and asset quality. Moreover, recent developments regarding lending to relatively low-income segments have highlighted regulatory risks to MFL's business from any regulatory capping of its currently high yields (~19% in 8MFY2011). That said, post-correction, MFL's closest competitor Manappuram (MGF) is trading at 1.8x FY2013E BV (Bloomberg consensus) and MFL has been priced equivalent to MGF's valuations at the upper end of the price band. Considering the reasonably high growth potential and profitability, we expect moderate upsides at the upper band, also taking into account MFL's higher market share than MGF, better operating efficiency, higher leverage and a more extensive pan India branch network. **Hence we recommend a Subscribe to the issue at the upper price band.**

Income statement

Y/E March (₹ cr)	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Net Interest Income	124	178	296	604	1,173	1,831	2,196
- *YoY Growth (%)*	*58.6*	*44.0*	*66.4*	*103.6*	*94.4*	*56.0*	*19.9*
Other Income	10	11	14	12	14	16	19
- *YoY Growth (%)*	*98.3*	*3.1*	*32.4*	*(15.8)*	*18.1*	*16.7*	*17.5*
Operating Income	134	189	311	616	1,188	1,847	2,215
- *YoY Growth (%)*	*61.1*	*40.9*	*64.5*	*98.2*	*92.9*	*55.5*	*19.9*
Operating Expenses	67	92	162	267	447	671	839
- *YoY Growth (%)*	*59.5*	*36.5*	*76.3*	*65.2*	*67.5*	*50.0*	*25.0*
Pre - Provision Profit	67	97	149	349	740	1,176	1,376
- *YoY Growth (%)*	*62.6*	*45.2*	*53.4*	*133.9*	*112.3*	*58.9*	*17.0*
Prov. and Cont.	0	1	1	2	36	26	35
- *YoY Growth (%)*	*70.5*	*821.3*	*(0.9)*	*206.3*	*1,598.0*	*(27.2)*	*33.7*
Profit Before Tax	67	96	148	346	705	1,150	1,341
- *YoY Growth (%)*	*62.6*	*44.3*	*53.8*	*133.6*	*103.3*	*63.2*	*16.6*
Provision for Taxation	23	33	50	118	234	373	435
- *as a % of PBT*	*34.4*	*34.6*	*34.0*	*34.0*	*33.2*	*32.4*	*32.4*
PAT	44	63	98	229	471	777	906
- *YoY Growth (%)*	*63.1*	*43.8*	*55.2*	*133.5*	*105.9*	*65.1*	*16.6*

Balance sheet

Y/E March (₹ cr)	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Share Capital	5	5	49	301	320	372	372
Reserve & Surplus	154	208	312	283	990	2,574	3,415
Net Borrowings	1,383	1,915	3,166	5,281	12,001	17,416	23,523
- *Growth (%)*	*71.6*	*38.5*	*65.3*	*66.8*	*127.3*	*45.1*	*35.1*
Other Liabilities & Provisions	67	156	231	572	1,055	1,268	1,691
Total Liabilities	**1,609**	**2,285**	**3,758**	**6,436**	**14,366**	**21,630**	**29,000**
Investments	24	18	9	8	8	8	8
Gross Advances (AUM)	1,470	2,238	3,385	7,466	16,053	23,276	30,259
less : Assignment of receivables	81	434	813	2,008	3,670	4,524	4,998
Net Advances	1,389	1,804	2,572	5,458	12,382	18,753	25,261
- *Growth (%)*	*74.8*	*29.9*	*42.6*	*112.2*	*126.9*	*51.4*	*34.7*
Fixed Assets	63	109	129	153	271	392	510
Other Assets	132	354	1,049	818	1,706	2,477	3,222
Total Assets	**1,609**	**2,285**	**3,758**	**6,436**	**14,366**	**21,630**	**29,000**
- *Growth (%)*	*71.1*	*42.0*	*64.5*	*71.3*	*123.2*	*50.6*	*34.1*

RatioAnalysis

Y/E March	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Profitability ratios (%)							
NIMs*	10.9	9.6	10.5	11.1	10.0	9.3	8.2
Cost to Income Ratio	50.1	48.6	52.0	43.4	37.7	36.3	37.9
RoA*	3.3	2.9	2.7	3.5	3.6	3.5	3.0
RoE	35.1	33.9	34.1	48.3	49.7	36.5	26.9
B/S ratios (%)							
AUM/ Gross borrowing	100.4	95.3	85.1	102.4	102.4	106.1	106.1
CAR	13.1	12.6	16.3	14.8	15.1	20.8	20.5
- Tier I	10.5	10.6	12.5	9.9	11.1	16.5	15.7
Asset Quality (%)							
Gross NPAs*	0.2	0.4	0.5	0.5	0.5	0.5	0.6
Net NPAs*	0.1	0.4	0.4	0.4	0.4	0.5	0.5
Loan Loss Prov./Avg. Assets*	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Provision Coverage	10.0	10.0	10.0	10.8	11.0	15.0	20.0
Per Share Data (₹)							
EPS	2.0	2.9	3.9	7.6	14.7	20.9	24.4
ABVPS (75% cover. NPAs)	4.6	6.7	7.1	10.2	18.7	39.4	77.2
DPS	-	-	-	-	-	1.0	1.5
Valuation Ratios #							
PER (x)	86.2	59.9	45.1	23.1	11.9	8.4	7.2
P/ABVPS (x)	26.3	24.7	17.2	9.4	4.4	2.3	1.8
Dividend Yield	-	-	-	-	-	0.6	0.9
DuPont Analysis (%) *							
NII	9.4	8.1	8.1	9.3	8.9	8.3	7.3
(-) Prov. Exp.	0.0	0.0	0.0	0.0	0.3	0.1	0.1
Adj NII	9.4	8.0	8.1	9.2	8.6	8.2	7.2
Other Inc.	0.8	0.5	0.4	0.2	0.1	0.1	0.1
Op. Inc.	10.2	8.5	8.5	9.4	8.7	8.2	7.2
Opex	5.1	4.2	4.4	4.1	3.4	3.0	2.8
PBT	5.1	4.4	4.1	5.3	5.3	5.2	4.5
Taxes	1.7	1.5	1.4	1.8	1.8	1.7	1.4
ROA	**3.3**	**2.9**	**2.7**	**3.5**	**3.6**	**3.5**	**3.0**
Leverage	10.5	11.8	12.7	13.8	14.0	10.4	8.9
ROE	**35.1**	**33.9**	**34.1**	**48.3**	**49.7**	**36.5**	**26.9**

*Note; # Valuations at the upper price band, * Calculated on total assets including bilateral assignments*

Research Team Tel: 022 - 39357800 E-mail: research@angelbroking.com Website: www.angelbroking.com

DISCLAIMER