

# Muthoot Finance

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
35,149	10,683

<b>Bloomberg</b>	<b>MUTH IN</b>
Equity Shares (m)	400.0
M.Cap. (INR b) / (USD b)	168/2.5
52-Week Range (INR)	526 / 360
1, 6, 12 Rel. Per (%)	-9/-15/-10
12M Avg Val (INR m)	357.0
Free float (%)	26.4

## Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
NII	41.3	41.8	45.8
PPP	30.0	29.5	32.2
PAT	17.2	17.9	19.6
EPS (INR)	43.0	44.8	48.9
BV/Sh.(INR)	194.0	225.2	259.3
RoA on AUM%	6.2	6.0	5.9
RoE (%)	24.1	21.4	20.2
Div. Yld. (%)	2.4	2.7	2.9
P/E (x)	9.8	9.4	8.6
P/BV (x)	2.2	1.9	1.6

**CMP: INR414**
**TP: INR470 (+14%)**
**Neutral**

## PAT misses estimate as growth remains tepid; asset quality deteriorates

- Muthoot Finance's (MUTH) 4QFY18 PAT grew 40% YoY to INR4.5b (8% miss), driven by high opex and credit costs. AUM grew 3% QoQ/7% YoY to INR291b.
- NII declined 7% YoY, driven by 110bp YoY contraction in margins. Yields came in at 22% in the quarter. MUTH has grown its collections team as a strategy to focus more on repayments/renewals by customers rather than auctions.
- Cost of funds declined 10bp QoQ to 8.5% – we believe cost of funds has bottomed out now, and should stay put or even rise, going forward. Borrowings remained largely unchanged sequentially at INR213b. Sequentially, the share of term loans declined from 57% to 53%, while that of CPs increased from 7% to 13%.
- Increase in opex (+9% YoY) from run-rate levels (INR3-3.1b for previous seven quarters) was due to a) roping in a brand ambassador (Amitabh Bacchan), b) strengthening collections team and c) sponsoring an IPL team. With 9% YoY opex growth, the C/I ratio came in at 32% v/s 29% in 3QFY18.
- Asset quality deteriorated sharply – GNPLs were up 28% QoQ to INR15.9b. Note that GNPLs have gone up 4x from 4QFY17, as the company now prefers overdue collections/renewals by customers rather than auctions. The increase in GNPLs is in line with management guidance of an INR5b-6b rise post migration to 90dpd in 4QFY18.
- **Valuation and view:** Since demonetization, growth has been elusive for gold financiers. We believe growth will remain modest over the medium term. Asset quality, too, has witnessed some stress over the past two quarters. We largely maintain our FY19/20 estimates to factor in tepid growth. Maintain **Neutral** with a target price of INR470 (1.6x FY20E BV).

## Quarterly Performance

Y/E March	(INR Million)									
	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Income from operations	12,712	13,497	13,225	16,962	13,758	16,385	15,227	15,223	56,395	60,593
Other operating income	252	320	184	135	165	264	310	287	891	1,025
<b>Total Operating income</b>	<b>12,964</b>	<b>13,817</b>	<b>13,409</b>	<b>17,096</b>	<b>13,923</b>	<b>16,649</b>	<b>15,537</b>	<b>15,510</b>	<b>57,286</b>	<b>61,618</b>
YoY Growth (%)	13.7	21.6	17.8	18.2	7.4	20.5	15.9	-9.3	17.8	7.6
Other income	44	45	56	36	63	50	130	571	181	814
<b>Total Income</b>	<b>13,008</b>	<b>13,862</b>	<b>13,464</b>	<b>17,132</b>	<b>13,986</b>	<b>16,699</b>	<b>15,667</b>	<b>16,080</b>	<b>57,467</b>	<b>62,432</b>
YoY Growth (%)	13.8	21.6	18.0	18.0	7.5	20.5	16.4	-6.1	17.9	8.6
Interest Expenses	5,571	5,937	5,970	5,460	5,326	4,889	4,689	4,495	22,938	19,399
<b>Net Income</b>	<b>7,437</b>	<b>7,925</b>	<b>7,494</b>	<b>11,672</b>	<b>8,660</b>	<b>11,810</b>	<b>10,978</b>	<b>11,585</b>	<b>34,529</b>	<b>43,033</b>
Operating Expenses	3,025	3,130	3,000	3,349	3,075	3,114	3,212	3,664	12,503	13,066
<b>Operating Profit</b>	<b>4,413</b>	<b>4,795</b>	<b>4,495</b>	<b>8,323</b>	<b>5,585</b>	<b>8,696</b>	<b>7,766</b>	<b>7,921</b>	<b>22,026</b>	<b>29,967</b>
YoY Growth (%)	50.1	69.5	51.2	37.6	26.6	81.4	72.8	-4.8	48.9	36.1
Provisions	176	171	39	2,430	66	1,170	564	596	2,816	2,397
<b>Profit before Tax</b>	<b>4,237</b>	<b>4,624</b>	<b>4,456</b>	<b>5,893</b>	<b>5,518</b>	<b>7,526</b>	<b>7,202</b>	<b>7,324</b>	<b>19,211</b>	<b>27,572</b>
Tax Provisions	1,534	1,657	1,545	2,675	2,007	2,985	2,565	2,810	7,411	10,368
<b>Net Profit</b>	<b>2,703</b>	<b>2,967</b>	<b>2,911</b>	<b>3,218</b>	<b>3,511</b>	<b>4,542</b>	<b>4,636</b>	<b>4,514</b>	<b>11,799</b>	<b>17,204</b>
YoY Growth (%)	47.6	70.0	55.9	21.3	29.9	53.1	59.3	40.3	45.7	45.8

E: MOSL Estimates

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**Exhibit 1: Quarterly performance v/s expectations and reasons for the deviation**

Particulars	4QFY18E	4QFY18A	v/s Est.	Comments
<b>Total Operating income</b>	<b>15,830</b>	<b>15,510</b>	<b>-2</b>	<b>Yield compression led to miss</b>
Other income	107	571		
<b>Total Income</b>	<b>15,937</b>	<b>16,080</b>	<b>1</b>	
Interest expenses	4,603	4,495	-2	
<b>Net Income</b>	<b>11,335</b>	<b>11,585</b>	<b>2</b>	
Operating Expenses	3,308	3,664	11	IPL team sponsorship & brand ambassador cost
<b>Operating Profit</b>	<b>8,026</b>	<b>7,921</b>	<b>-1</b>	
Provisions	515	596	16	90dpd transition led to higher credit loss
<b>Profit before Tax</b>	<b>7,512</b>	<b>7,324</b>	<b>-2</b>	
Tax Provisions	2,630	2,810	7	
<b>Net Profit</b>	<b>4,882</b>	<b>4,514</b>	<b>-8</b>	<b>PAT miss due to high opex and 90dpd transition</b>
Int Exp/ operating inc (%)	29.1	29.0		
Other Income / Total Income (%)	0.7	3.5		
Cost to Income Ratio (%)	29.2	31.6		
Tax Rate (%)	35.0	38.4		

E: MOSL Estimates

Loan growth was sluggish at  
3% QoQ/7% YoY

**Loan growth remains sluggish**

- AUM grew 3% QoQ/7% YoY to INR291b – best sequential growth since demonetization.
- MUTH ramped up its branch openings as it opened 22 branches in the quarter, taking the total count to 4,325.

Yields increased 360bp YoY  
to 21.6%

**Yields decline marginally sequentially; Opex increases**

- Yields decreased 360bp YoY to 21.6%.
- Cost of funds declined 10bp/190bp QoQ/YoY to 8.6% - we believe cost of funds has bottomed out now, and should stay put or even rise going forward.
- Consequently, NIM contracted 110bp YoY to 16.1%.
- Borrowings remained largely unchanged sequentially – this is a reflection that, in absence of growth, profits generated by the company are used to pay down debt. The share of term loans decreased from 57% to 53% sequentially, while that of CPs increased from 7% to 13%.
- With 9% YoY opex growth, C/I ratio came in at 32% v/s 29% in 3QFY18.

GNPL ratio up 135bp QoQ  
to 6.98%

**Asset quality under stress**

- Asset quality deteriorated sharply – GNPLs were up 28% QoQ to INR20.3b.
- GNPL ratio was up over 135bp sequentially to 6.98% - the highest level since FY10.
- Note that GNPLs have gone up 4x from 4QFY17. However, we note that this is in line with management guidance of increase in GNPLs by INR5-6b post migration to 90dpd in 4QFY18.
- Credit cost in the quarter was 83bp.
- RoA/RoE for the quarter was 6.3%/23%.

### Valuation and view

- Over FY12-15, the gold loan industry was dragged down by various regulatory pressures. Most regulatory hurdles are now behind. The RBI has also acknowledged the systemic importance of gold loan companies.
- However, since demonetization, growth has been elusive for gold financiers. We believe growth will remain modest over the medium term.
- Asset quality in the recent past has been under stress.
- We largely maintain our FY19/20E EPS estimates to factor in tepid growth. We maintain Neutral with a TP of INR470 (1.6x FY20E BV).

### Exhibit 2: We largely maintain our estimates

INR B	Old Est		Revised Est.		% Change	
	FY19	FY20	FY19	FY20	FY19	FY20
NII	41.7	46.1	41.8	45.8	0.2	(0.7)
Other Income	1.4	1.6	1.9	2.1		
<b>Net Income</b>	<b>43.2</b>	<b>47.8</b>	<b>43.7</b>	<b>48.0</b>	<b>1.3</b>	<b>0.4</b>
Operating Expenses	13.8	15.3	14.2	15.7	2.8	2.8
<b>Operating Profits</b>	<b>29.3</b>	<b>32.4</b>	<b>29.5</b>	<b>32.2</b>	<b>0.6</b>	<b>(0.7)</b>
Provisions	1.9	1.9	1.5	1.6		
<b>PBT</b>	<b>27.5</b>	<b>30.6</b>	<b>28.0</b>	<b>30.6</b>	<b>1.9</b>	<b>(0.1)</b>
Tax	9.6	10.7	10.1	11.0	4.8	2.8
<b>PAT</b>	<b>17.8</b>	<b>19.9</b>	<b>17.9</b>	<b>19.6</b>	<b>0.4</b>	<b>(1.6)</b>
Loans	312	350	317	348	1.3	(0.5)
Borrowings	231	257	229	250		
<b>Spreads (%)</b>	<b>11.58</b>	<b>11.60</b>	<b>11.60</b>	<b>11.20</b>		
<b>RoAA (%)</b>	<b>5.5</b>	<b>5.5</b>	<b>5.4</b>	<b>5.4</b>		
<b>RoAE (%)</b>	<b>20.9</b>	<b>20.0</b>	<b>21.4</b>	<b>20.2</b>		

Source: MOSL, Company

### Conference Call Highlights

#### Business Updates

- Share of subsidiaries on total to be around 15% by FY19 and 20% by FY20.
- Home finance has AUM of INR14b. Expected to reach INR25b by FY20.
- Microfinance has AUM of INR11b. Expected to be INR18b by FY20. MFI is on SHG model.
- Gold loan portfolio should grow at ~15%. Growth for subsidiaries to be in the range of ~50-60%.
- Expect ROA of ~4% over the medium term
- Insurance net profit of INR100m.
- Considering entering into vehicle finance and personal finance by 2HFY19.
- The following changes were made in the process of NPA classification
- Move to 90dpd from 120dpd – referred to as primary NPA (declined from INR15.89b in 3Q to INR12.91b in 4Q i.e. from 5.62% to 4.43%) – the impact was INR4b on account of change in the process from 120dpd to 90dpd. Secondary NPA: INR7.4b (due to standard loans from NPA borrowers classified as NPA).
- INR250m of losses/write-off due to theft/burglaries in North India.
- Recognizing standard assets of primary NPA as NPA as required by RBI – referred to as secondary NPA (INR1.42b classified as NPA).
- Never has any loss on account of NPA. NPA has reduced to ~INR16b as on current date.
- Borrowing cost is ~8.5% and will likely to remain around this level. CoF in 4QFY18 was 8.25%.

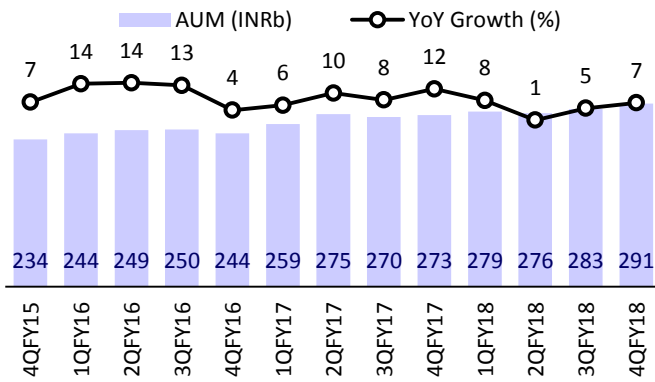
## Exhibit 3: Quarterly Snapshot

	FY17				FY18				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
<b>Profit and Loss (INR m)</b>										
Income from operations	12,712	13,497	13,225	16,962	13,758	16,385	15,227	15,223	(0)	(10)
Other operating income	252	320	184	135	165	264	310	287	(8)	113
Total operating income	12,964	13,817	13,409	17,096	13,923	16,649	15,537	15,510	(0)	(9)
Other Income	44	45	56	36	63	50	130	571	NM	NM
<b>Total Income</b>	<b>13,008</b>	<b>13,862</b>	<b>13,464</b>	<b>17,132</b>	<b>13,986</b>	<b>16,699</b>	<b>15,667</b>	<b>16,080</b>	<b>3</b>	<b>(6)</b>
Interest expenses	5,571	5,937	5,970	5,460	5,326	4,889	4,689	4,495	(4)	(18)
<b>Net income</b>	<b>7,437</b>	<b>7,925</b>	<b>7,494</b>	<b>11,672</b>	<b>8,660</b>	<b>11,810</b>	<b>10,978</b>	<b>11,585</b>	<b>6</b>	<b>(1)</b>
Total Opex	3,025	3,130	3,000	3,349	3,075	3,114	3,212	3,664	14	9
Employees	1,849	1,896	1,734	1,802	1,875	1,942	1,848	2,095	13	16
Rent	434	453	458	463	503	425	474	511	8	10
Depreciation and Amrt	117	111	122	133	104	106	115	114	(1)	(15)
Others	625	670	686	951	593	641	776	945	22	(1)
<b>Operating profits</b>	<b>4,413</b>	<b>4,795</b>	<b>4,495</b>	<b>8,323</b>	<b>5,585</b>	<b>8,696</b>	<b>7,766</b>	<b>7,921</b>	<b>2</b>	<b>(5)</b>
Provisions and write offs	176	171	39	2,430	66	1,170	564	596	6	(75)
<b>Profit before tax</b>	<b>4,237</b>	<b>4,624</b>	<b>4,456</b>	<b>5,893</b>	<b>5,518</b>	<b>7,526</b>	<b>7,202</b>	<b>7,324</b>	<b>2</b>	<b>24</b>
Taxes	1,534	1,657	1,545	2,675	2,007	2,985	2,565	2,810	10	5
<b>Profit after tax</b>	<b>2,703</b>	<b>2,967</b>	<b>2,911</b>	<b>3,218</b>	<b>3,511</b>	<b>4,542</b>	<b>4,636</b>	<b>4,514</b>	<b>(3)</b>	<b>40</b>
<b>Asset quality (Overall)</b>										
Gross NPA	5,618	6,016	7,863	5,621	6,279	12,593	15,897	20,329	28	262
Net NPA	4,599	1,019	6,844	4,602	5,260	11,021	13,922	17,951	29	290
GNPA (%)	2	2	3	2	2	5	6	7		
NNPA (%)	2	2	3	2	2	4	5	6		
Provisions	1,019	4,997	1,019	1,019	1,019	1,572	1,975	2,378	20	133
PCR (%)	18	83	13	18	16	12	12	12		
<b>Ratios (Calc)</b>										
Yields	21	21	20	25	20	24	22	22		
Cost of funds	12	11	11	10	10	9	9	8		
NIMs	12	12	11	17	13	17	16	16		
Spreads	9	9	8	15	10	15	14	13		
Cost income ratio	41	39	40	29	36	26	29	32		
Cost to average AUM	5	5	4	5	4	4	5	5		
<b>AUM related</b>										
Gold Stock Holding (In tonnes)	146	150	147	149	152	152	153	155	1	4
Avg gold loans per branch (INR Mn)	60	63	62	63	65	64	65	67	2	6
<b>Overall AUM</b>	<b>259</b>	<b>275</b>	<b>270</b>	<b>273</b>	<b>279</b>	<b>276</b>	<b>283</b>	<b>291</b>	<b>3</b>	<b>7</b>
On balance sheet	259	275	270	273	279	276	283	291	3	7
<b>Other details</b>										
CAR	24	24	25	25	26	26	28	27		
<b>Tier I</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>26</b>	<b>25</b>		
Tier II	3	3	2	3	3	3	2	2		
Book Value	148	155	162	163	172	183	195	194		
Leverage (x)	4	4	3	3	3	3	3	3		

Source: Company, MOSL

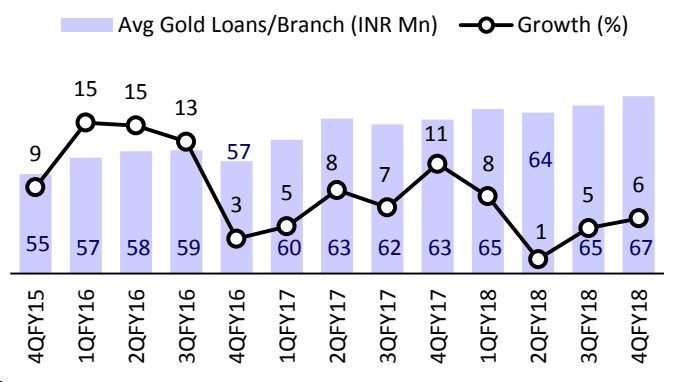
Story in charts

Exhibit 4: AUM growth remains tepid



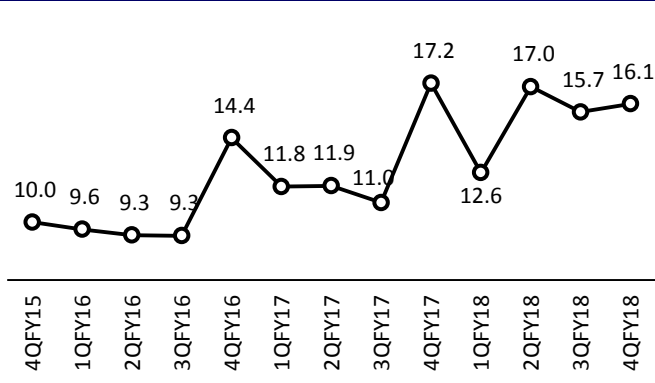
Source: Company, MOSL

Exhibit 5: Avg. gold loan/branch at INR67m



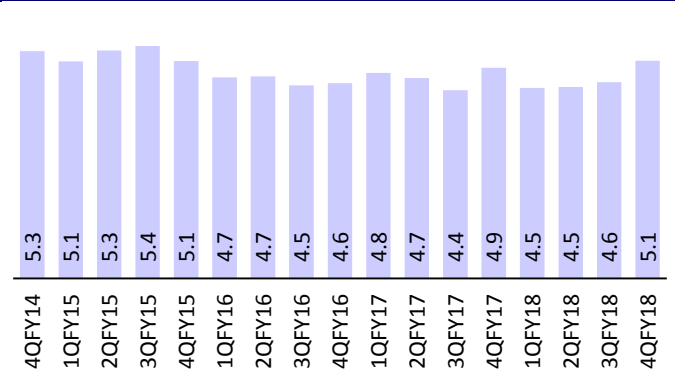
Source: Company, MOSL

Exhibit 6: NIM shrunk 110bp YoY



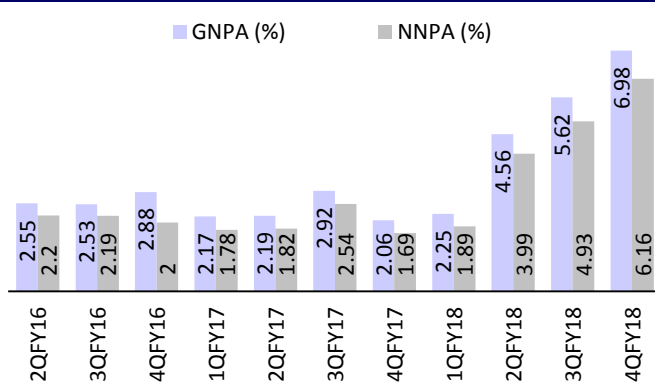
Source: Company, MOSL

Exhibit 7: Cost to average AUM trend (%)



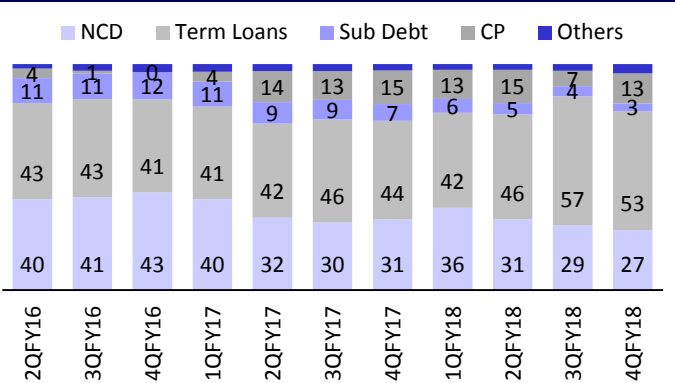
Source: Company, MOSL

Exhibit 8: Asset quality sharply deteriorates



Source: Company, MOSL

Exhibit 9: Share of bank term loans decreases (%)



Source: Company, MOSL

## Financials: Valuation metrics

	Rating	CMP	Mcap	P/E (x)			P/BV (x)			RoA (%)			RoE (%)		
		(INR)	(USDb)	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
ICICIBC*	Buy	298	28.2	19.8	10.9	8.1	1.3	1.1	1.0	0.8	1.2	1.4	6.7	10.8	13.5
HDFCB	Buy	2,024	77.5	29.9	25.5	21.4	4.9	3.8	3.3	1.8	1.8	1.8	17.9	16.9	16.7
AXSB	Buy	549	20.8	494.4	28.3	15.4	2.2	2.0	1.8	0.0	0.7	1.1	0.5	7.4	12.3
KMB*	Buy	1,282	36.0	39.4	31.6	25.6	4.8	4.4	3.8	1.5	1.5	1.6	10.9	12.0	13.3
YES	Buy	350	11.9	19.0	14.4	10.9	3.1	2.6	2.2	1.6	1.6	1.6	17.7	19.9	21.9
IIB	Buy	1,927	17.1	32.0	23.2	18.5	4.9	4.3	3.3	1.8	2.1	2.2	16.5	19.6	20.3
IDFC Bk	Neutral	42	2.1	13.8	12.9	10.8	0.9	0.9	0.8	0.9	0.8	0.9	6.8	6.9	7.8
FB	Buy	84	2.4	17.6	14.5	10.2	1.4	1.3	1.1	0.7	0.8	0.9	8.3	9.0	11.7
DCBB	Neutral	189	0.9	23.7	19.4	16.4	2.3	2.0	1.8	0.9	0.9	0.9	10.9	11.1	11.7
JKBK	Buy	52	0.4	5.9	5.2	3.6	0.5	0.5	0.4	0.5	0.6	0.7	9.1	9.9	12.9
SIB	Buy	26	0.7	14.1	7.9	5.7	0.9	0.9	0.8	0.4	0.7	0.8	6.6	11.0	14.0
Equitas	Buy	166	0.8	178.9	22.1	14.0	2.5	2.3	2.0	0.3	1.6	1.9	1.4	10.7	15.1
RBL	Buy	514	3.2	34.0	23.3	17.4	3.2	3.0	2.6	1.1	1.3	1.3	11.6	13.3	16.0
<b>Private Aggregate</b>															
SBIN (cons)*	Buy	243	32.1	74.0	11.1	6.5	0.8	0.8	0.7	0.0	0.3	0.7	-0.3	5.7	12.5
PNB	Neutral	76	3.1	-1.5	-7.9	9.4	0.5	0.6	0.6	-1.7	-0.3	0.3	-29.6	-6.8	5.8
BOI	Neutral	95	2.8	-5.1	15.1	7.9	0.5	0.5	0.5	-0.4	0.2	0.3	-7.7	3.0	5.5
BOB	Buy	132	5.2	38.8	14.9	8.5	0.8	0.8	0.7	0.1	0.3	0.5	2.0	5.0	8.4
CBK	Neutral	241	2.6	-3.8	28.9	6.0	0.5	0.6	0.5	-0.7	0.1	0.4	-12.2	1.8	8.3
UNBK	Neutral	84	1.5	-1.5	-56.8	14.8	0.4	0.4	0.4	-1.1	0.0	0.1	-23.8	-0.7	2.6
INBK	Buy	301	2.1	11.5	8.1	6.6	0.9	0.8	0.7	0.5	0.7	0.7	8.3	11.0	12.5
<b>Public Aggregate</b>															
<b>Banks Aggregate</b>															
HDFC*	Buy	1,915	47.3	42.5	35.2	29.4	6.9	5.5	4.9	1.9	2.0	2.0	18.4	17.5	17.7
LICHF	Neutral	497	3.7	12.6	11.0	9.3	2.0	1.8	1.5	1.3	1.3	1.4	17.0	17.2	17.8
IHFL	Buy	1,187	7.4	13.2	10.9	9.0	3.9	3.4	2.9	3.5	3.3	3.1	30.7	33.2	34.3
PNBHF	Buy	1,271	3.1	25.5	19.3	14.6	3.4	3.0	2.6	1.6	1.5	1.4	14.3	16.5	19.1
GRHF	Neutral	682	3.7	68.7	59.0	49.0	20.2	16.7	13.9	2.4	2.4	2.4	32.6	31.0	31.0
REPCO	Buy	592	0.5	18.0	15.2	12.8	2.8	2.4	2.0	2.2	2.3	2.3	16.7	16.9	17.0
DEWH	Buy	614	2.8	16.4	11.9	9.7	2.2	1.9	1.7	1.2	1.4	1.4	14.1	17.4	18.6
<b>Housing Finance</b>															
SHTF	Buy	1,438	4.8	20.8	12.2	10.2	2.6	2.2	1.8	2.2	3.2	3.2	13.1	19.5	19.8
MMFS	Buy	466	4.2	32.1	22.5	17.6	3.1	2.8	2.5	1.9	2.3	2.5	10.5	13.1	15.1
BAF	Buy	1,919	16.2	42.9	31.1	23.2	6.8	5.7	4.7	3.4	3.6	3.7	20.2	19.9	22.3
CIFC	Buy	1,538	3.5	24.7	20.5	17.2	4.7	3.9	3.2	3.0	2.9	2.9	20.6	20.7	20.4
SCUF	Buy	2,198	2.1	21.8	15.1	12.5	2.6	2.3	2.0	2.8	3.4	3.5	12.7	16.3	17.0
LTFH	Buy	174	5.1	25.7	18.7	12.5	2.8	2.5	2.1	1.7	1.9	2.3	13.4	14.1	18.3
MUTH	Neutral	420	2.5	9.8	9.4	8.6	2.2	1.9	1.6	5.5	5.4	5.4	24.1	21.4	20.2
CAFL	Buy	561	0.8	16.4	12.6	9.9	2.1	1.8	1.6	1.7	1.8	1.8	13.7	15.6	17.2
<b>Asset Finance</b>															
<b>NBFC Aggregate</b>															
<b>Financials</b>															

UR=Under Review\* Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

## Financials and valuations

Income Statement									(INR Million)
Y/E MARCH	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
Interest Income	45,158	53,360	48,920	42,623	48,007	56,586	60,668	61,715	68,133
Interest Expense	23,699	28,194	26,260	21,064	22,577	22,938	19,399	19,915	22,313
<b>Net Interest Income (Incl Sec.)</b>	<b>21,459</b>	<b>25,166</b>	<b>22,661</b>	<b>21,559</b>	<b>25,430</b>	<b>33,648</b>	<b>41,269</b>	<b>41,801</b>	<b>45,819</b>
Change (%)	72.3	17.3	-10.0	-4.9	18.0	32.3	22.6	1.3	9.6
Other income	333	511	554	624	743	881	1,764	1,940	2,134
<b>Net Income</b>	<b>21,792</b>	<b>25,677</b>	<b>23,214</b>	<b>22,183</b>	<b>26,173</b>	<b>34,529</b>	<b>43,033</b>	<b>43,741</b>	<b>47,953</b>
Change (%)	70.6	17.8	-9.6	-4.4	18.0	31.9	24.6	1.6	9.6
Operating Expenses	8,059	9,667	10,841	11,533	11,381	12,503	13,066	14,218	15,748
<b>Pre Provision Profits</b>	<b>13,732</b>	<b>16,010</b>	<b>12,374</b>	<b>10,650</b>	<b>14,792</b>	<b>22,026</b>	<b>29,967</b>	<b>29,523</b>	<b>32,206</b>
Change (%)	72.7	16.6	-22.7	-13.9	38.9	48.9	36.1	-1.5	9.1
Provisions	420	895	438	371	1,624	2,816	2,397	1,537	1,646
<b>PBT</b>	<b>13,312</b>	<b>15,114</b>	<b>11,936</b>	<b>10,279</b>	<b>13,168</b>	<b>19,210</b>	<b>27,571</b>	<b>27,986</b>	<b>30,560</b>
Tax	4,392	5,072	4,135	3,573	5,072	7,412	10,368	10,075	11,002
Tax Rate (%)	33.0	33.6	34.6	34.8	38.5	38.6	37.6	36.0	36.0
<b>PAT</b>	<b>8,920</b>	<b>10,042</b>	<b>7,801</b>	<b>6,705</b>	<b>8,096</b>	<b>11,798</b>	<b>17,203</b>	<b>17,911</b>	<b>19,558</b>
Change (%)	80.5	12.6	-22.3	-14.0	20.7	45.7	45.8	4.1	9.2
Proposed Dividend	1,487	1,673	2,230	2,410	2,393	2,400	4,000	4,478	4,890

Balance Sheet									(INR Million)
Y/E MARCH	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
Equity Share Capital	3,717	3,717	3,717	3,980	3,990	3,995	4,000	4,000	4,000
Reserves & Surplus	25,540	33,639	38,929	46,855	52,202	61,170	73,604	86,097	99,738
<b>Networth</b>	<b>29,257</b>	<b>37,356</b>	<b>42,646</b>	<b>50,835</b>	<b>56,192</b>	<b>65,164</b>	<b>77,604</b>	<b>90,097</b>	<b>103,739</b>
<b>Borrowings</b>	<b>193,764</b>	<b>240,807</b>	<b>194,776</b>	<b>194,361</b>	<b>185,670</b>	<b>211,861</b>	<b>213,180</b>	<b>229,368</b>	<b>250,490</b>
Change (%)	62.4	24.3	-19.1	-0.2	-4.5	14.1	0.6	7.6	9.2
<b>Other liabilities</b>	<b>10,701</b>	<b>16,000</b>	<b>18,517</b>	<b>22,496</b>	<b>28,625</b>	<b>30,105</b>	<b>23,032</b>	<b>25,336</b>	<b>27,869</b>
Change (%)	136.4	49.5	15.7	21.5	27.2	5.2	-23.5	10.0	10.0
<b>Total Liabilities</b>	<b>233,722</b>	<b>294,163</b>	<b>255,939</b>	<b>267,693</b>	<b>270,487</b>	<b>307,131</b>	<b>313,817</b>	<b>344,801</b>	<b>382,098</b>
<b>Loans</b>	<b>214,699</b>	<b>265,176</b>	<b>219,964</b>	<b>235,412</b>	<b>245,241</b>	<b>274,242</b>	<b>293,082</b>	<b>316,528</b>	<b>348,181</b>
Change (%)	82.0	23.5	-17.0	7.0	4.2	11.8	6.9	8.0	10.0
<b>Investments</b>	<b>975</b>	<b>825</b>	<b>354</b>	<b>454</b>	<b>983</b>	<b>2,091</b>	<b>3,838</b>	<b>4,222</b>	<b>4,644</b>
Net Fixed Assets	2,682	3,030	3,270	2,642	2,274	2,182	2,062	2,268	2,495
Other assets	15,366	25,131	32,351	29,185	21,990	28,615	14,835	21,782	26,778
<b>Total Assets</b>	<b>233,722</b>	<b>294,163</b>	<b>255,939</b>	<b>267,693</b>	<b>270,487</b>	<b>307,131</b>	<b>313,817</b>	<b>344,801</b>	<b>382,098</b>

E: MOSL Estimates

## Financials and valuations

### Ratios

Y/E MARCH	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
<b>Spreads Analysis (%)</b>									
Avg Yield on loans	27.4	22.4	20.3	18.8	20.1	21.9	21.8	20.6	20.5
Avg Cost of funds	15.1	13.0	12.1	10.8	11.9	11.5	9.1	9.0	9.3
Spreads on loans	12.2	9.4	8.2	8.0	8.2	10.4	12.7	11.6	11.2
NIMs on AUM	10.6	9.9	9.4	9.5	10.6	13.0	14.9	14.0	13.8

### Profitability Ratios (%)

RoE	41.9	30.2	19.5	14.3	15.1	19.4	24.1	21.4	20.2
RoA	4.8	3.8	2.8	2.6	3.0	4.1	5.5	5.4	5.4
RoA on AUM	4.4	3.9	3.2	3.0	3.4	4.6	6.2	6.0	5.9
Cost to Income	37.0	37.6	46.7	52.0	43.5	36.2	30.4	32.5	32.8
Empl. Cost/Op. Exps.	51.4	56.4	54.6	54.7	56.4	58.2	59.1	58.6	58.2

### Asset-Liability Profile (%)

Net NPAs to Adv.	0.5	1.7	1.6	1.9	1.9	2.4	1.8	1.5	1.3
Debt/Equity (x)	6.6	6.4	4.6	3.8	3.3	3.3	2.7	2.5	2.4
Average leverage	7.3	6.5	5.4	4.2	3.6	3.3	3.0	2.6	2.5

### Valuations

Book Value (INR)	78.7	100.5	114.7	127.7	140.8	163.1	194.0	225.2	259.3
<b>Price-BV (x)</b>						<b>2.6</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>
Adjusted BV (INR)	77.6	96.2	111.5	123.9	135.6	157.3	189.4	221.0	255.4
<b>Price-ABV (x)</b>						<b>2.7</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>
EPS (INR)	24.0	27.0	21.0	16.8	20.3	29.5	43.0	44.8	48.9
EPS Growth (%)	55.5	12.6	-22.3	-19.7	20.4	45.6	45.6	4.1	9.2
<b>Price-Earnings (x)</b>						<b>14.2</b>	<b>9.8</b>	<b>9.4</b>	<b>8.6</b>
Dividend	4.0	4.5	6.0	6.0	6.0	6.0	10.0	11.2	12.2
<b>Dividend Yield (%)</b>						<b>1.4</b>	<b>2.4</b>	<b>2.7</b>	<b>2.9</b>

E: MOSL Estimates

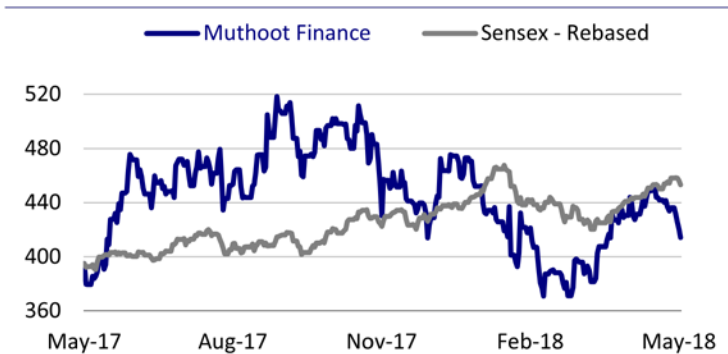


## Corporate profile

### Company description

Kerala-headquartered Muthoot Finance is a non-deposit taking NBFC and the flagship company of the Muthoot Group. Muthoot Finance has a long and established track record and has been in the lending against gold business for the last 70 years, when Mr M. George Muthoot founded a gold loan business in 1939. MUTH's gold loan portfolio comprises over 7m loan accounts in India, which are serviced through 4,000+ branches across 26 states and union territories.

### Exhibit 11: Sensex rebased



### Exhibit 12: Shareholding pattern (%)

	Dec-17	Sep-17	Dec-16
Promoter	73.6	73.7	74.6
DII	10.5	11.0	7.5
FII	11.8	11.4	13.8
Others	4.1	3.9	4.1

Note: FII Includes depository receipts

### Exhibit 13: Top holders

Holder Name	% Holding
Reliance Capital Trustee Company Limited A/C	3.3
Aditya Birla Sun Life Trustee Private Limited A/C Aditya	1.6
Icici Prudential Focused Bluechip Equity Fund	1.6
Sbi Magnum Global Fund	1.2
Goldman Sachs India Limited	1.1

### Exhibit 14: Top management

Name	Designation
M G George Muthoot	Chairman
George Alexander Muthoot	Managing Director
Maxin James	Company Secretary

### Exhibit 15: Directors

Name	Name
M G George Muthoot	Pamela Anna Mathew*
George Alexander Muthoot	George Jacob Muthoot
George Joseph*	George Thomas Muthoot
John K Paul*	Alexander M George
K John Mathew*	

\*Independent

### Exhibit 16: Auditors

Name	Type
Rangamani & Co	Statutory
Varma & Varma	Statutory

### Exhibit 17: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	44.8	44.4	0.8
FY20	48.9	48.4	1.1

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

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**Muthoot Finance**

Analyst ownership of the stock

No

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