

CRISIL IER Independent Equity Research

Satin Creditcare Network Ltd

Q3FY17 results first cut: Standalone earnings in line, net interest income above expectations

Industry: Microfinance

February 10, 2017

Satin Creditcare Network Ltd's standalone Q3FY17 earnings were in line, while net interest income was above our expectations. Highlights are mentioned below. This will be followed by a detailed quarterly update.

- Net interest income increased 34.6% y-o-y, but declined 12.7% q-o-q, to ₹912 mn. In 9MFY17, net interest income increased 62.6% y-o-y to ₹2,932 mn.
- Staff cost increased 100.2% y-o-y and 15.2 q-o-q to ₹439 mn.
- Cost-to-income ratio increased 1,269 bps y-o-y and 1,252 bps q-o-q to 68.3%.
- Provisions and write-offs decreased 42.2% y-o-y and 43.6% q-o-q to ₹48 mn.
- PAT increased 9.6% y-o-y, but declined 36.9% q-o-q, to ₹164 mn.

In our report dated January 11, 2017, we had assigned a fundamental grade of 3/5 (good fundamentals) and fair value of ₹518 per share. We are reviewing the results in detail and will release an update report after discussions with management. The outstanding fundamental grade and fair value may undergo a revision in the update report.

KEY FORECAST

(₹ mn)	FY14	FY15	FY16#	FY17E	FY18E
Total operating income	856	1,467	2,687	3,658	4,779
Pre-provision profit	332	581	1,112	1,494	1,975
Adjusted net profit	156	317	579	830	1,068
Adj. EPS (₹)	6.9	12.5	18.4	22.4	28.8
Adj. BV per share (₹)	58.7	71.6	96.5	185.7	214.3
P/E (x)	66.3	36.5	24.7	20.3	15.8
P/ABV (x)	7.7	6.3	4.7	2.4	2.1
Adj. ROE (%)	12.1%	20.1%	23.7%	16.7%	14.4%
Adj. ROA (%)	1.4%	1.6%	1.7%	1.8%	1.9%
Credit cost (as % of loan book)	1.6%	1.1%	0.6%	1.7%	1.8%

#: based on abridged financials

CMP: Current market price; NM: Not meaningful

Source: Company, CRISIL Research estimates

Q3FY17 Results Summary

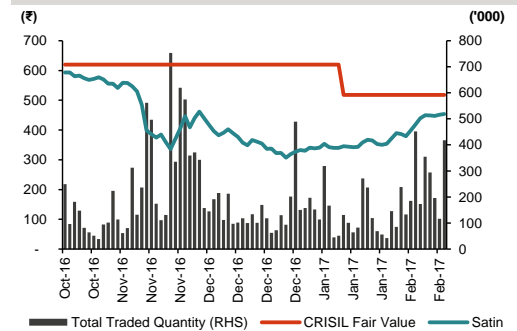
Standalone (₹ mn)	Q3FY17	Q2FY17	Q3FY16	q-o-q (%)	y-o-y (%)	9MFY17	9MFY16	y-o-y (%)
Interest Income	2,073	2,059	1,424	0.7	45.6	6,082	3,821	59.2
Interest Expense	1,161	1,015	746	14.5	55.6	3,151	2,018	56.2
Net Interest Income	912	1,044	677	(12.7)	34.6	2,932	1,803	62.6
Non-Interest Income	10	31	15	(65.9)	(30.5)	58	34	70.6
Total Operating Income	922	1,075	692	(14.2)	33.2	2,990	1,837	62.7
Operating Expenses	615	587	377	4.7	63.2	1,768	1,080	63.8
Staff Costs	439	381	219	15.2	100.2	1,120	546	105.3
Other Operating Expenses	176	207	158	(14.6)	11.8	648	534	21.4
<i>Cost to income</i>	<i>68.3%</i>	<i>55.7%</i>	<i>55.6%</i>	<i>1,252 bps</i>	<i>1,269 bps</i>	<i>60.3%</i>	<i>59.8%</i>	<i>57 bps</i>
Pre-provision profit (PPP)	307	487	315	(37.0)	(2.6)	1,221	757	61.3
Provisions and write offs	48	83	85	(42.2)	(43.6)	183	114	60.5
Profit before depreciation and tax	259	405	231	(36.0)	12.4	1,038	643	61.4
Depreciation On Fixed Assets	14	11	8	22.8	85.3	36	18	95.9
PBT	245	393	223	(37.7)	9.9	1,002	625	60.4
Provision for tax	81	133	73	(39.3)	10.6	332	209	58.8
Net Profit	164	260	150	(36.9)	9.6	671	416	61.2
EPS (₹)	4.0	8.1	4.6	(50.0)	(11.6)	19.8	13.4	47.8

Source: Company, CRISIL Research

KEY STOCK STATISTICS

NIFTY/SENSEX	8794/28334
NSE/BSE ticker	SATIN/SATIN
Face value (₹ per share)	10
Shares outstanding (mn)	37
Market cap (₹ mn)/(US\$ mn)	16,881/252
52-week range (₹)/(H/L)	716/245
Beta	1.3
Free float (%)	66%
Avg daily volumes (30-days)	172,172
Avg daily value (30-days) (₹ mn)	67

FAIR VALUE MOVEMENT SINCE INITIATION



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
SATIN	34%	-14%	-26%	20%
NIFTY 500	8%	4%	5%	26%

ANALYTICAL CONTACT

Bhaskar Bukrediwala bhaskar.bukrediwala@crisil.com
 Pratik Chheda pratik.chheda@crisil.com
 Arun Venkatesh arun.venkatesh@crisil.com

Client servicing desk

+91 22 3342 3561 clientservicing@crisil.com

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CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

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