

Satin Creditcare

PAT miss due to lower DA income; CE improves

Satin results were a miss to estimates. AuM growth was slightly higher at 11% YoY though NIM was lower driven by higher funding cost as collections were weak. DA income was much lower due to the lockdown which was off-set by lower opex. Despite disbursements being weak for the quarter, July and August saw better performance with disbursements improving to Rs1.5-2bn and CE improving to 85% (vs 62% in June). Overall moratorium (defined by customers not paying a single EMI) has reduced to ~13% in value and 11% in volume and additional COVID-19 provisions are Rs90bn. CAR/CET-1 is healthy at 31.1%/23.7%. We see a re-bounce in FY22E with RoA/RoE scaling up to 2.2%/13.3%. Maintain BUY with multiple/TP at 0.5x/Rs115.

Q1FY21 results – Weak other income led to miss on PAT

NII lower at Rs1.2bn (est. Rs1.3bn) while AUM growth at 11% YoY was slightly higher to estimates of 10.5%. NIM (calc.) disappointed and came in at 6.5% was (est. of 7.4%) mainly driven by higher interest cost as collections were muted. Other income was much lower at Rs165mn (down 73.1% YoY) due to lower DA income owing to the standstill though this was offset to a small extent by lower than expected opex at Rs847mn (est. Rs1.1bn). Hence PPOP missed est. at Rs0.5bn (est. Rs1bn), down 40.5% YoY. Provisions were Rs320mn (est. Rs468mn) down 71.4% QoQ. Additional provisions on COVID made during Q1FY21 were Rs70mn. GNPA improved by 50bps to 2.4% while NNPA improved by 40bps to 0.2%. PAT consequently was down 68.9% YoY to Rs129mn (est. Rs407mn).

Overall business picked up in July/August

Disbursements/repayments at Rs540mn/930mn were pretty weak for the quarter owing to the lockdown and major operations only began in June'20. However, overall business is improving MoM and July and August saw much better performance. These two months' disbursements improved to Rs1.5-2bn while collection efficiency (CE) enhanced to 85% compared to 17% in May'20 and 62% in Jun'20. State-wise Assam saw 65%+ CE while UP and Bihar have a 90%+ CE. H1FY21 disbursements might be muted as focus would be on collections while credit flow in H2FY21 could rebound. We lower our loan growth estimates for FY21E as collections may outpace disbursements in H1FY21E.

Moratorium at 13% of AuM; additional provisions at Rs900mn

As of 30th June 2020, 11% of customers (~44000) or ~13% of AuM is under moratorium (this reflects customers who have paid no instalments). Of these, ~7000 have already started paying. Satin has overall Rs900mn additional provisions for COVID-19 (1.3% cover on moratorium). Credit costs for FY21E are expected to be in the 2.5-3% range., although we have conservatively baked in 3.2%. Satin has healthy on-book liquidity of Rs16.5bn and undrawn sanctions of Rs10.1bn. It raised Rs1.2bn through rights issue of which Rs0.3bn has been the first-call. The rights issue could lead to a capital accretion of 8-9%.

Valuation and risks

For FY21/22E we lower our loan growth/other income est. which would be partly offset by lower opex/provisions given better CE. Hence our FY21/22E PAT would be lower by ~16%/2%. We like Satin due to its MFI business and inexpensive valuations. Maintain BUY/multiple at 0.5x FY22 ABV and TP at Rs115. Risks: higher NPA, lower AuM growth.

Financial and valuation summary

YE Mar (Rs mn)	1QFY21A	1QFY20A	YoY (%)	4QFY20A	QoQ (%)	FY20A	FY21E	FY22E
NII	1,175	1,209	(2.9)	1,368	(14.1)	5,048	4,868	5,992
PPoP	494	829	(40.5)	1,287	(61.7)	4,020	3,152	4,346
Provisions	320	180	77.8	1,118	(71.4)	1,888	1,593	1,137
PAT	129	414	(68.9)	125	3.0	1,563	1,166	2,400
AUM growth (%)	11.0	19.8	(8.7)	13.3	(2.2)	13.3	12.0	18.0
NIM (%)	6.5	7.5	(1.1)	8.0	(1.5)	8.3	7.8	8.4
C / I (%)	63.2	54.5	8.7	46.5	16.6	51.4	56.4	53.1
GNPA (%)	2.4	2.8	(40bps)	2.9	(50bps)	2.1	3.6	3.1
RoA (%)	0.7	2.6	(1.9)	0.7	(0.0)	2.2	1.8	3.1
P/ABV (x)						1.2	0.4	0.3

Source: Company, Centrum Broking

Result Update

India | BFSI

03 September, 2020

BUY

Price: Rs77

Target Price: Rs115

Forecast return: 50%

Institutional Research

Market Data

Bloomberg:	SATIN IN
52 week H/L:	300/42
Market cap:	Rs4.0bn
Shares Outstanding:	52.0mn
Free float:	43.8%
Avg. daily vol. 3mth:	201,408
Source: Bloomberg	

Changes in the report

Rating:	Unchanged
Target price:	Unchanged at Rs115*
EPS:	(16%) in FY21E/(2%) in FY22E
Source: Centrum Broking. * Adjusted for rights	

Shareholding pattern

	Jun-20	Mar-20	Dec-19	Sep-19
Promoter	30.2	30.2	30.2	29.7
FIIs	7.6	7.6	7.8	13.5
DIIIs	18.3	23.3	25.3	23.2
Public/other	44.0	38.9	36.8	33.6

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q1FY21	Actual Q1FY21	Variance (%)
NII	1,175	1,263	(7.0)
PPoP	494	1,013	(51.3)
PAT	129	407	(68.5)
AuM growth	11.0	10.5	0.6

Source: Bloomberg, Centrum Broking



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Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY21E New	FY21E Old	Variance (%)	FY22E New	FY22E Old	Variance (%)
NII	4,868	4,942	(1.5)	5,992	6,398	(6.3)
PPoP	3,152	3,722	(15.3)	4,346	4,740	(8.3)
PAT	1,166	1,384	(15.7)	2,400	2,450	(2.0)
loan growth (%)	12.0	16.0	(4.0)	18.0	19.0	(1.0)
GNPA (%)	3.6	4.4	(84)	3.1	3.2	(13)

Source: Centrum Broking

Satin versus Nifty Midcap 100

	1m	6m	1 year
SATIN IN	5.5	(52.8)	(69.0)
Nifty Midcap 100	11.3	1.2	12.0

Source: Bloomberg, NSE

Key assumptions

YE Mar	FY21E	FY22E
Loan growth	12.0	18.0
NIM	7.8	8.4
Other inc / Assets	3.4	4.5
Cost / Assets	5.3	5.6
Provision costs	3.2	1.9

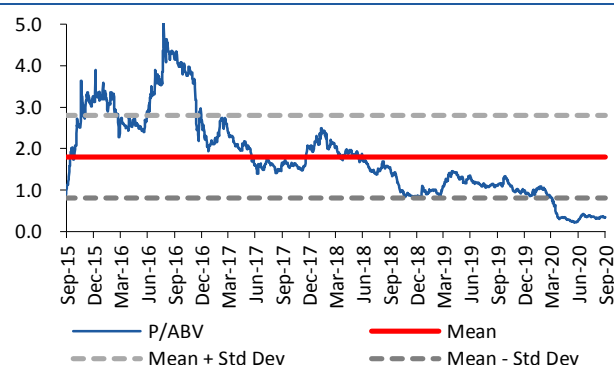
Source: Centrum Broking

Valuations

For FY21/22E we lower our loan growth/other income est. which would be partly offset by lower opex/provisions given better CE. Hence our FY21/22E PAT would be lower by ~16%/2%. We like Satin due to its MFI business and inexpensive valuations. Maintain BUY/multiple at 0.5x FY22 ABV and TP at Rs115. Risks: higher NPA, lower AuM growth.

Valuations	Rs/share
FY22E ABVPS (Rs)	244
Historical P/ABV (x)	1.8
Premium assigned	(74%)
Ascribed P/ABV (x)	0.5
Fair value/share (Rs)	115

P/BV mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap Rs bn	CAGR FY20-FY22E (%)			P/BVPS			RoA (%)			RoE (%)		
		Total inc	PPOP	PAT	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Satin CreditCare	5.5	5.8	4.0	23.9	1.1	0.3	0.3	1.7	1.2	2.2	12.0	7.4	13.3
Ujjivan SFB	61.2	17.9	29.5	28.9	2.5	1.7	1.5	2.2	1.8	2.3	15.2	11.2	15.5
Bandhan Bank	503.7	23.3	31.6	25.1	3.6	3.1	2.7	4.4	2.8	3.3	24.3	16.4	19.7
Spandana Sphoorty	40.2	17.1	14.3	31.4	1.5	1.3	1.1	7.2	8.4	8.5	17.7	18.0	20.2
Equitas Holdings	16.8	23.3	57.8	38.8	0.6	0.6	0.5	1.5	1.6	1.5	10.4	12.5	12.7
AU SFB	226.0	25.2	23.1	29.3	5.3	4.5	3.9	1.8	1.3	1.5	18.1	14.5	16.2
CreditAccess	74.4	14.1	10.1	31.5	2.7	2.2	1.8	5.5	4.5	5.4	18.5	16.4	21.2

Source: Company, Centrum Broking

Exhibit 1: Key concall takeaways and metrics

FY21E Guidance	Q1FY21	Q4FY20	Our Comments
AuM growth	-	-	Disbursements were weak for the quarter although they picked up in July and August. Disbursements could be weak in Q2FY21E as focus would be on collections though growth is expected to pick up in H2FY21. Due to the extended lockdown, we lower our FY21 AuM growth to 12.0% YoY (vs 16.0% earlier). For FY22E each we see AuM growth resuming back to 19.0%.
NIM	-	-	Owing to higher slippages, NIM for FY21E might dip by 50bps YoY to 7.8% (vs.8.4% in FY22E).
Opex	-	-	Although we see lower AUM growth and contraction in NIMs, the company would aim to rationalise cost in areas like employee/branch additions, variable pay, rent, etc. For FY21E as income would be depressed owing to lower NIM, cost to income might spike to 56.4% (vs 51.4% in FY20) but improve to 53.1% in FY22E.
Provisions costs	2.5-3%	-	Given COVID-19 related lockdown impact, FY21 credit costs might spike. The management has guided a 2.5-3% provision cost for FY21E. Although we lower provision cost estimates to 330bps (vs 370bps earlier) due to the pace of recovery, we are yet conservative. We see provisions to taper down to 240bps in FY22E.
Consol. PAT		FY21 PAT > FY20	We see standalone FY21E PAT/RoA/RoE at Rs1.2bn/1.2%/7.4% though the same could scale up to Rs2.4bn/2.2%/13.3% by FY22E.

Source: Company, Centrum Research

Exhibit 2: Quarterly Financials

Rs mn	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Profit & Loss								
Interest earned	3,152	3,022	2,575	2,715	2,627	2,728	2,715	2,730
Interest expended	1,681	1,666	1,510	1,506	1,468	1,416	1,347	1,555
Net interest income	1,472	1,356	1,065	1,209	1,158	1,312	1,368	1,175
Other income	316	792	726	614	825	745	1,040	165
Total income	1,788	2,148	1,791	1,824	1,983	2,057	2,408	1,340
Operating expenses	914	909	1,065	994	1,080	978	1,121	847
Employees	617	703	731	730	761	721	754	667
Others	298	206	333	265	318	257	366	180
Operating profit	874	1,239	726	829	904	1,079	1,287	494
Provisions	184	99	(121)	180	140	529	1,118	320
Profit before tax	690	1,139	847	649	764	550	169	174
Tax	246	439	292	236	215	74	45	45
Profit after tax	444	700	555	414	549	477	125	129
Balance sheet								
AUM (Rs mn)	55,612	55,900	63,740	64,670	64,140	63,900	72,200	71,810
AUM growth (%)	39.5	29.9	25.4	19.8	15.3	14.3	13.3	11.0
Total CRAR (%)	25.2	30.1	28.5	30.5	30.1	32.2	30.5	31.1
Profitability ratios (reported %)								
Gross yield	25.7	27.4	22.1	20.7	21.4	21.7	20.6	16.1
Financial cost	12.3	12.0	10.1	9.4	9.1	8.9	8.4	8.6
NIM	10.7	9.7	7.1	7.5	7.2	8.2	8.0	6.5
Opex ratio	6.9	6.5	7.1	6.4	6.7	6.0	6.1	4.7
Loan loss ratio	1.5	0.7	-0.8	1.1	0.9	3.4	3.0	1.8
ROA	3.2	5.0	3.7	2.6	3.4	3.0	0.7	0.7
Leverage	5.4	5.1	4.6	3.9	3.6	3.4	3.7	3.6
ROE	18.0	26.9	20.0	13.5	16.5	13.8	10.1	10.1
Cost to income	51.1	42.3	59.5	54.5	54.4	47.5	46.5	63.2
Asset quality ratios (%)								
GNPA	4.1	3.2	2.9	2.8	3.1	3.1	2.9	2.4
ECL	3.2	2.0	1.6	1.6	1.7	2.2	2.3	2.2

Source: Company, Centrum Research estimates

P&L					
YE Mar (Rs mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Interest income	9,573	11,795	10,784	10,272	11,578
Interest expense	5,317	6,390	5,737	5,403	5,586
NII	4,256	5,405	5,048	4,868	5,992
Other income	194	1,935	3,225	2,360	3,271
Total income	4,450	7,340	8,272	7,228	9,263
Operating expenses	2,740	3,763	4,252	4,076	4,918
Employee	1,892	2,648	2,967	2,791	3,378
Others	848	1,115	1,286	1,284	1,540
PPOP	1,711	3,577	4,020	3,152	4,346
Provisions	445	521	1,888	1,593	1,137
PBT	1,266	3,056	2,132	1,559	3,209
Tax	445	1,107	569	393	809
PAT	821	1,949	1,563	1,166	2,400

Ratios					
YE Mar	FY18A	FY19A	FY20A	FY21E	FY22E
Growth (%)					
AUM	40.6	25.3	13.3	12.0	18.0
Borrowings	0.0	30.0	36.0	34.5	32.5
NII	41.6	27.0	(6.6)	(3.6)	23.1
Other income	(52.6)	895.9	66.6	(26.8)	38.6
Opex	7.9	37.4	13.0	(4.2)	20.7
PPoP	95.1	109.1	12.4	(21.6)	37.9
Provisions	(12.0)	17.1	262.7	(15.7)	(28.6)
PAT	235.3	137.3	(19.8)	(25.4)	105.8
Profitability (%)					
Yield on advances	18.1	19.5	17.7	16.4	16.3
Cost of funds	13.0	14.0	11.5	11.0	11.2
NIM (on AuM)	8.1	8.9	8.3	7.8	8.4
Other Income/ Total Income	4.4	26.4	39.0	32.6	35.3
Other Income / Total Assets	0.4	3.0	4.7	3.4	4.5
Cost/Income	61.6	51.3	51.4	56.4	53.1
Employee	42.5	36.1	35.9	38.6	36.5
Others	19.1	15.2	15.5	17.8	16.6
Opex/ Avg AuM	6.3	6.6	6.3	5.3	5.6
Provisions	1.0	1.1	4.2	3.2	1.9
Tax Rate	35.1	36.2	26.7	25.2	25.2
RoA	1.3	2.9	2.2	1.8	3.1
RoE	12.2	19.1	12.0	7.4	13.3

DuPont (% avg assets)					
YE Mar	FY18A	FY19A	FY20A	FY21E	FY22E
Interest income	16.4	15.6	11.8	10.4	10.6
Interest expense	9.1	8.5	6.3	5.5	5.1
NII	7.3	7.1	5.5	4.9	5.5
Other income	0.3	2.6	3.5	2.4	3.0
Total income	7.6	9.7	9.1	7.3	8.5
Operating expenses	4.7	5.0	4.7	4.1	4.5
Employee	3.2	3.5	3.2	2.8	3.1
Others	1.5	1.5	1.4	1.3	1.4
PPOP	2.9	4.7	4.4	3.2	4.0
Provisions	0.8	0.7	2.1	1.6	1.0
PBT	2.2	4.0	2.3	1.6	2.9
Tax	0.8	1.5	0.6	0.4	0.7
PAT	1.4	2.6	1.7	1.2	2.2

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Financial assets	61,096	66,082	70,149	65,732	76,937
Cash	4,458	10,039	11,074	7,940	6,440
Bank balance	6,374	6,940	6,543	5,294	6,440
Loans	48,452	44,601	47,094	46,855	57,221
Investment	1,486	4,219	5,133	5,294	6,440
Other financial assets	326	284	305	350	397
Non-financial assets	1,467	960	1,211	1,641	1,063
Current tax assets	0	0	315	0	0
Deferred tax assets	887	312	(114)	371	451
Fixed Assets	554	617	903	1,270	612
Other Non-fin. assets	25	31	106	0	0
Total Assets	62,563	67,042	71,359	67,373	77,999
Financial liabilities	53,436	55,230	56,714	50,232	58,445
Debt securities	9,193	9,759	8,639	7,636	8,888
Borrowings	38,624	37,200	40,021	35,378	41,176
Subordinated Debt	3,692	5,392	5,431	4,801	5,587
Other financial liabilities	1,927	2,879	2,623	2,417	2,794
Non-financial liabilities	270	329	186	276	320
Provisions	102	135	109	161	186
Other Non-fin liabilities	77	76	78	115	133
Total equity	8,919	11,514	14,528	16,865	19,234
Share capital	473	485	517	717	717
Other equity	8,446	11,029	14,011	16,148	18,517
Total Liabilities	62,626	67,073	71,429	67,373	77,999
Balance Sheet ratios (%)					
Debt / Equity	5.8	4.5	3.7	2.8	2.9
Assets / Equity	7.0	5.8	4.9	4.0	4.1
Cash / Borrowings	21.0	32.4	32.6	27.7	23.1
Capital Adequacy (%)					
CRAR	21.2	28.5	30.5	36.6	34.1
Tier-1	14.6	19.9	22.1	28.2	25.7
Tier-2	6.6	8.6	8.4	8.4	8.4
Asset quality (%)					
GNPA (Rs mn)	2,152	1,779	1,505	2,904	2,922
NNPA (Rs mn)	742	1,061	850	1,672	1,755
GNPA	4.2	2.8	2.1	3.6	3.1
NNPA	1.5	1.7	1.2	2.1	1.8
PCR	65.5	40.4	43.5	42.4	39.9
NNPA / Equity	8.3	9.2	5.8	9.9	9.1
Per share (Rs)					
EPS	17.4	40.2	30.2	16.3	33.5
BVPS	188.7	237.3	280.9	235.2	268.3
ABVPS	173.0	215.4	264.5	211.9	243.8
Valuation (x)					
P/E	8.8	10.2	15.7	4.7	2.3
P/BV	1.5	1.1	1.1	0.3	0.3
P/ABV	1.6	1.2	1.2	0.4	0.3

Source: Company, Centrum Broking

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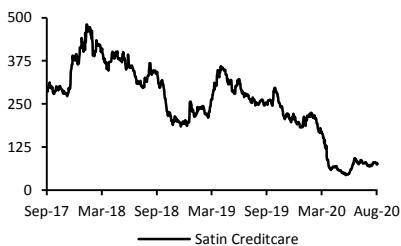
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Satin Creditcare



Source: Bloomberg

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