



Quick Insight Update

Q4FY22 Update- Steady Quarter

Q4FY22 Result Snapshot –

- Gold AUM at ₹58,005Cr vs ₹52,394Cr, up 11% YoY (up 6.1% QoQ)
- Robust disbursement growth at 35% YoY
- Interest spread at 10.91% vs 12.61% QoQ; guidance of spread at ~10-11%
- Decline in margin due to teaser loans
- Management remains optimistic about growth in gold loans

Advances

- The company saw advance growth of 11% for FY22 vis-à-vis guidance of 15% given- reason being headwinds such as covid wave and higher auctioning in last two quarters.
- The company mentioned that demand is picking up as recovery in the economy is gathering pace and small businesses are opening up leading to higher demand for gold loans.
- The company mentioned that it will try to achieve the growth guidance of 12-15% for FY23 and was also of view that rate hike by RBI would not dampen demand.

Margins

- The company saw decline in net interest margin sequentially to 18.74% vs 20.68%, reason being attributed to teaser gold loans started in last few months.
- The ultimate aim of teaser gold loan campaign was to acquire customers and grow AUM. The company has discontinued the low interest scheme and will try and retain the customers and see yields inching up in couple of quarters.
- The company gave the guidance of maintaining spread at ~10% (10.91% vs 12.61% qoq) and expects borrowing cost to go up gradually during the year.

Asset Quality

- The company saw decline in Stage 3 assets at 2.99% vs 3.82% QoQ due to higher auctioning of gold loans at ₹2,100Cr.
- A large part of the default has been auctioned during the last two quarters as customers were facing cashflow challenges and could not meet their repayment commitments.
- The company is giving more time to customers to repay and are not unduly concerned about losing money.
- **Considering the nature of the business, asset quality will take a back seat because the loans are backed by strong and highly liquid collateral asset i.e., gold.**

View

The stock has seen steep correction of ~33% from its 52 week high factoring in short term headwinds such as growth, margin pressure and heightened competition.

The company continues to remain optimistic about growth in gold loans as stable gold prices, pick up in economic activities will generate strong demand.

Considering the solid past track record and the long term trajectory of the gold financing business we recommend investors to utilise the current weak phase of the market to Accumulate the stock.

Nifty	15,522.75
Sensex	55,381.17
Key Stock Data	
CMP	₹1,117.70
Market Cap (₹ bn)	446.76
52W High/Low	1,721.95/1,026.70
Shareholding pattern (%)	
Promoter	73.37%
FII	12.13%
DII	9.68%
Public & Others	4.83%

Source: Company Data, Way2Wealth Research

Financials

	(₹ Cr)							
	Q4FY22	Q4FY21	% YoY	Q3FY22	%QoQ	FY22	FY21	% YoY
Net Interest Income	1720.2	1837.8	-6%	1886	-9%	7120	6636	7%
PAT	960	995.7	-4%	1028.9	-7%	3954	3722	6%
EPS	24.85	24.81		25.91		98.55	92.8	
BV	457	379.7		434		457	379.7	
P/BV	2.5	3.6		3.2		2.5	3.0	
ROA %	6.8%	7.7%		7.5%		7.24%	~8%	
ROE %	21.5%	27.1%		24.4%		23.55%	27.80%	
GNPA %	2.99%	0.90%		3.82%		2.99%	0.90%	
CAR %	29.97%	27.39%		29.94%		29.97%	27.40%	

Source - Company Data, Way2Wealth Research

Comparison of Q4FY22 results

	(₹ Cr)	
Particulars	Muthoot	Manappuram
AUM	57,531	20,200
AUM Growth YoY/QoQ	11%/6%	5.7%/-1.4%
AUM/Branch (In Cr)	12.46	5.64
Gold Holdings	187	68
Opex/Assets	3.19%	6.00%
GNPA	2.99%	3.00%
ROE	21.48%	13.50%
ROA	6.81%	4.00%
Gold Business Mix	90%	67%
Book Value	457	98.9
Trailing P/B	2.49	0.98

Source - Company Data, Way2Wealth Research

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Name of the Security	Muthoot Finance Ltd.
Name of the analyst	Harshil Gandhi
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
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Receipt of Compensation	No
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