



Quick Insight Update

Q3FY22 Update – Steady Quarter

Result Snapshot

- Gold AUM at ₹54,688Cr vs. ₹50,391Cr, up 9% YoY (down 1% QoQ)
- Robust disbursement growth at 22% YoY
- Interest spread at 12.61% vs. 12.64% QoQ (vs. 13.85% YoY)
- Asset quality will stabilize at the end of Q4FY22; GNPA at 3.82% vs 1.85% QoQ
- Management remains optimistic about growth in gold loans.

Advances

- The company had a subdued quarter, although advances were up 9% yoy, with aggressive repayments and higher auctioning of ₹2,800Cr.
- The company mentioned that things are started to looking up in Q4 and it should reflect in AUM growth.
- The company mentioned that it will try to achieve the growth guidance of 15% given at the beginning of the fiscal.

Margins

- The management does not expect huge surge in borrowing cost; it's borrowing cost is down by 200 bps in last 2 years. It expects borrowing cost to go down by 15-20 bps more on an assumption of stable interest rate scenario.
- It also mentioned that it would be able to pass on the increase in interest rate by tweaking their product offerings to maintain spread.
- It is of the view that small ticket gold loan customers are not interest rate sensitive.

Asset Quality

- The rise in Stage 3 assets at 3.82% vs 1.85% QoQ was not due to RBI circular w.r.t. daily recognition of NPA.
- A large part of the default has been auctioned during the quarter as customers were facing cashflow challenges and could not meet their repayment commitments.
- Stage 3 assets will get stabilize by the end of Q4 as some part of the default has not been auctioned as customers have asked for more time.
- **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 company during the quarter concentrated on loan recovery especially gold loans, however, it continues to remain optimistic about growth in gold loans as stable gold prices, pick up in economic activities will generate strong demand.

Muthoot Finance deserves attention considering strong return ratios and healthy capital adequacy ratio.

We recommend investors to ACCUMULATE the stock.

Nifty	17,322.20
Sensex	57,996.68
Key Stock Data	
CMP	₹1,356.00
Market Cap (₹ bn)	539.19
52W High/Low	1,721.95 / 1,121.00
Shareholding pattern (%) Dec'21	
Promoter	73.37%
FII	13.67%
DII	8.49%
Public	4.48%

Source: Company Data, Way2Wealth Research

Financials

	Q3FY22	Q3FY21	% YoY	Q2FY22	%QoQ	FY21
Net Interest Income	2108	1968	7%	1987	6%	6636
PAT	1043	1006	4%	1002	4%	3722
EPS	25.91	25.15	-	24.98	-	92.8
BV	434	353	-	408	-	379.7
P/BV	3.2	3.9	-	3.4	-	3.6
ROA %	7.5%	8.1%	-	7.4%	-	~8%
ROE %	24.4%	29.0%	-	25.0%	-	27.80%
GNPA %	3.82%	1.30%	-	1.85%	-	0.90%
CAR %	29.94%	26.38%	-	27.60%	-	27.40%

Source - Company Data, Way2Wealth Research

Comparison of Q3FY22 results

Particulars	Muthoot	Manappuram
AUM	54,687	20,500
AUM Growth YoY/QoQ	9%/1%	1.2%/8.8%
AUM/Branch (In Cr)	11.7	5.75
Gold Holdings	178 tonnes	70 tonnes
Opex/Assets	3.84%	7.00%
GNPA	3.82%	1.40%
ROE	24.36%	20.30%
ROA	7.50%	3.90%
Gold Business Mix	90%	67%
Book Value	434	96
Trailing P/B	3.06	1.32

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
Conflict of Interest	No
Receipt of Compensation	No
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