



Quick Insight Update

Q1FY23 Update – Soft Quarter

Q1FY23 Result Snapshot –

- Gold AUM at ₹56,689Cr vs ₹52,493Cr, up 8% YoY (down 2% QoQ)
- Decline in margin due to teaser loans; significant teaser loans customers migrated to higher rates
- Interest spread at 9.37% vs 10.91% QoQ; guidance of spread at 10%+ in coming quarters
- Sequential improvement expected in the remaining quarters of FY23
- Management remains optimistic about growth in gold loans; Maintains guidance of 10-15% growth in AUM

Advances

- The company saw advance growth of 8% YoY (down 2% QoQ) for Q1FY23 – reason being branches were more focussing on migration of teaser loan customers to higher rate schemes as well as auctions worth ~₹13bn.
- The company mentioned that going forward AUM will improve as demand is picking up as recovery in the economy is gathering pace leading to higher demand for gold loans.
- The company re-iterated that it will try to achieve the growth guidance of 10-15% for FY23.

Margins

- The company saw decline in net interest margin sequentially to 10.74% vs 12.21%, reason being attributed to teaser gold loans started in Q3FY22.
- The ultimate aim of teaser gold loan campaign was to acquire customers and grow AUM. The company has discontinued the low interest scheme as on 31st March, 2022 and efforts are on to retain the customers and see yields inching up in couple of quarters.
- A significant part of teaser loan customers have been migrated to higher rate schemes by 30th June, 2022.
- The company gave the guidance of maintaining spread at ~10% (9.37% vs 10.91% QoQ) and expects borrowing cost to go up gradually during the year.

Asset Quality

- The company saw decline in Stage 3 assets at 2.13% vs 2.99% QoQ due to higher auctioning of gold loans at ~₹13bn.
- A large part of the default has been auctioned during the last three 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.

Nifty	17,577.50
Sensex	59,031.30
Key Stock Data	
CMP	₹1,035.80
Market Cap (₹ Cr)	41,366
52W High/Low	1,721.95 / 960.40
Shareholding pattern (%)	
Promoter	73.37%
FII	10.96%
DII	10.47%
Public & Others	5.20%

Source: Company Data, Way2Wealth Research

View

The stock has seen double whammy of soft growth and squeeze in margins leading to steep correction.

Overall, we believe investors should exit the stock at current levels given the uncertainty w.r.t. improvement in yield and growth in near term leading to earnings pressure. The same is also reflected in 16% drop in PAT for Q1FY23.

Further, we would be closely watching company's performance and we may re-initiate our coverage based on any positive development in coming quarters.

Financials

	Q1FY23	Q1FY22	% YoY	Q4FY22	%QoQ	FY22	FY21	% YoY
Net Interest Income	1539	1701	-10%	1720.2	-11%	7120	6636	7%
PAT	802	971	-17%	960	-16%	3954	3722	6%
EPS	19.98	24.21		24.85		98.55	92.8	
BV	457	383		457		457	379.7	
P/BV	2.3	2.7		2.5		2.5	3.0	
ROA %	5.6%	7.4%		6.8%		7.24%	~8%	
ROE %	17.5%	25.4%		21.5%		23.55%	27.80%	
GNPA %	2.13%	1.22%		2.99%		2.99%	0.90%	
CAR %	30.62%	27.32%		29.97%		29.97%	27.40%	

Source - Company Data, Way2Wealth Research

Comparison of Q1FY23 Results

	(₹ Cr)	
Particulars	Muthoot	Manappuram
AUM	56,689	20,400
AUM Growth YoY/QoQ	8%/-2%	23.6%/1.5%
AUM/Branch (In Cr)	12.46	5.69
Gold Holdings	178	67
Opex/Assets	3.30%	6.00%
GNPA	2.13%	1.40%
ROE	17.50%	14.40%
ROA	5.59%	4.40%
Gold Business Mix	89%	67%
Book Value	457	101
Trailing P/B	2.25	1.00

Source - Company Data, Way2Wealth Research

24th August 2022**Disclaimer**

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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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