

## Performance of Finance Companies – Q3 FY19

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*Note: The following study includes analysis of company's performance that announced results on or before January 31, 2019.*

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NBFCs have been in focus in the last few months given the liquidity challenges that were encountered by some of them during September-October. Conditions have however moved gradually to normalcy on the liquidity front with the RBI taking steps to increase the flow of funds. The study on the performance of the NBFCs in Q2 of FY19 has been presented in 3 parts:

1. Finance companies – NBFCs
2. Finance companies - Housing Finance Companies (HFCs)
3. Finance companies – Others (includes asset management companies, Investment companies, Stock broking companies and Term Lending companies)

### Highlights:

- The industry has been going through a tough phase in Q3. This has been affecting the sector both in terms of borrowing ability as well as in terms of the overall performance.
- For NBFCs, the companies have been able to maintain their net sales while the HFCs have seen y-o-y higher growth in terms of net sales during Q3 FY19.
- However, in terms of operating profits, NBFCs continue to register a double-digit growth, while HFCs witnessed only about 4.5% y-o-y growth vis-à-vis a sharp 30% growth registered a year ago.
- While HFCs have been able to maintain its net sales, net profits witnessed a sharp de-growth of over 37% during the quarter on back of increased interest cost along with increased depreciation outgo.

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**Table 1: Performance of Finance – NBFCs**

44 companies (Rs Crore)	FY17	FY18	FY19	Growth rates (%)	
				FY18	FY19
Net Sales	10,691	13,235	16,322	23.8	23.3
Expenditure	3,958	4,183	4,988	5.7	19.3
Other Income	100	53	80	(46.5)	49.0
<b>Operating Profit (PBDIT)</b>	<b>6,838</b>	<b>9,106</b>	<b>11,412</b>	<b>33.2</b>	<b>25.3</b>
Operating Profit Margin (%)	64.0	68.8	69.9		
Interest	4,425	5,228	6,603	18.1	26.3
Depreciation	78	96	113	21.9	18.5
Tax	724	1,245	1,603	72.1	28.7
<b>Net Profit (PAT)</b>	<b>1,611</b>	<b>2,602</b>	<b>3,093</b>	<b>61.6</b>	<b>18.8</b>
Net Profit Margin (%)	15.1	19.7	18.9		

Source: AceEquity

- Of the 44 companies, top 5 companies namely, Bajaj Finance, Shriram Transport Finance Company, Mahindra 7 Mahindra Financial Services, Cholamandalam Investment & Finance Company and Shriram City Union Finance Ltd., account for about 87% share

**Table 2: Performance of Finance – Housing Finance Companies**

9 companies (Rs Crore)	FY17	FY18	FY19	Growth rates (%)	
				FY18	FY19
Net Sales	19,160	21,817	26,363	13.9	20.8
Expenditure	1,392	3,600	1,810	158.6	(49.7)
Other Income	487	5,521	259	1,034.4	(95.3)
<b>Operating Profit (PBDIT)</b>	<b>18,255</b>	<b>23,738</b>	<b>24,812</b>	<b>30.0</b>	<b>4.5</b>
Operating Profit Margin (%)	95.3	108.8	94.1		
Interest	12,917	14,690	18,032	13.7	22.8
Depreciation	36	39	50	8.2	28.9
Tax	1,708	1,462	1,981	(14.4)	35.5
<b>Net Profit (PAT)</b>	<b>3,594</b>	<b>7,547</b>	<b>4,748</b>	<b>110.0</b>	<b>(37.1)</b>
Net Profit Margin (%)	18.8	34.6	18.0		

Source: AceEquity

- Of the 9 companies, top 5 companies namely, HDFC Ltd, LIC Housing Finance, Indiabulls Housing Finance, Dewan Housing Finance and PNB Housing Finance, account for 91% share
- In Q3 FY18, one company had made provisions for expected credit loss and is included in the expenditure, thereby increasing total expenditure by over 158% during the period
- Other income grew by over 1,000% during Q3 FY18 on back of one-time gains posted by 3 companies in the set by selling stake in their holdings during the quarter

Table 3: Performance of Finance - Others

57 companies (Rs Crore)	FY17	FY18	FY19	Growth rates (%)	
				FY18	FY19
Net Sales	757	1,046	940	38.1	(10.1)
Expenditure	469	675	592	44.0	(12.3)
Other Income	94	139	159	47.2	14.6
<b>Operating Profit (PBDIT)</b>	<b>388</b>	<b>511</b>	<b>508</b>	<b>31.7</b>	<b>(0.6)</b>
Operating Profit Margin (%)	51.2	48.9	54.0		
Interest	69	72	87	3.4	21.0
Depreciation	17	19	22	13.4	12.0
Tax	93	123	106	32.3	(13.3)
<b>Net Profit (PAT)</b>	<b>209</b>	<b>289</b>	<b>293</b>	<b>38.3</b>	<b>1.5</b>
Net Profit Margin (%)	27.6	27.6	31.2		

Note: Others include 2 Asset management companies, 12 Stock broking companies, 41 Investment companies and 2 Term Lending companies

Source: AceEquity