

Result Preview



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Healthy improvement in disbursements and collections

Minor improvement in asset quality will lead to lower credit cost in 2QFY22

- Recovery momentum witnessed in Jul'21 continued well into Sep'21, despite fears of a potential third COVID wave in the early part of 2QFY22.
- 1QFY22 was impacted by the second COVID wave. Relative to 1QFY22, we expect disbursement volumes of 170-230% for most Affordable Housing/Vehicle Financiers. Impact on AUM growth is likely to be higher for short duration products like Vehicle loans as collections held up well in 2QFY22.
- Collection efficiencies were better for Housing Financiers (especially the Salaried segment) relative to other segments. For Vehicle Financiers, or MFIs, we expect CE in the 90-100% range. After the high levels of restructuring witnessed in 1Q, we expect a relatively lower incremental restructuring in 2QFY22E. Among the various product segments, restructuring was the highest in Vehicle Finance and the lowest in Housing Finance. Most companies suggest that they do not foresee the need for further buildup of management overlay provisions in 2QFY22 and would instead see some write-offs/repossession losses during the quarter.
- With a continued moderation in incremental cost of funds, we expect a slight decline (5-10bp) in the weighted cost of funds. Most financiers have started normalizing excess liquidity on the balance sheet, but it still remains elevated compared to pre-COVID levels. We expect this to reduce the consequent negative carry in 2HFY22E.
- New margin norms have impacted cash volumes, but the same has been offset by surge in F&O volumes. Capital market players will see a steady increase in revenue. Distribution income is expected to rise, led by higher AUMs. Within the Wealth Management space, inflows are likely to remain steady.
- Both collections and disbursements have held up well in 2QFY22. We expect credit costs to be front-ended in 1HFY22E and a relatively leaner credit cost structure in 2HFY22E. Reported asset quality (GNPA or Gross Stage 3) would remain stable or exhibit a minor improvement. Notably, we do not estimate asset quality deterioration in 2QFY22. We estimate a steady recovery in both demand/asset quality through 2HFY22E. We continue to favor franchises with strong balance sheets and those who have demonstrated resilience during external disruptions. The buoyancy in the equity capital market and higher levels of primary market issuances will continue to remain a tailwind for the Broking industry in the remainder of FY22E as well. Our top picks are HDFC, MUTH and ISEC.

HFCs: Demand buoyancy led to a sharp recovery in disbursements, restructuring has been incrementally lower in 2QFY22

Property registrations continued to witness a sharp recovery from Jul'21 to Sep'21. Good schemes/discounts by developers, demand for own home/bigger home, and record low interest rates will remain the key drivers. The Home loan segment will continue to witness heightened competitive intensity, especially from Banks. While we expect HDFC and LICHF (aided by their lower CoF) to deliver strong Retail Home loan disbursements, others like PNBHOUSI may continue to see relatively modest disbursements, while it aligns to its new business model. We expect overall disbursements to be supported by better Corporate/Developer disbursements for HDFC/LICHF. Affordable Housing Financiers could potentially deliver 165-230% of their 1QFY22 disbursements. Incremental restructuring for Affordable Housing

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financiers in 2QFY22 has been relatively low. We expect aggregate restructuring (including 1.0 and 2.0) for Affordable Housing players to be between 1% and 6%.

Vehicle Financiers – Though not as high as 1QFY22, restructuring was still pronounced in new Vehicle Finance

Business volumes in PVs (particularly Cars) were severely impacted on account of the chip shortage. 2Ws are yet to pick up meaningfully, but the build-up in Sep'21 has been good as we head into the festive season. M&HCV volumes have seen a recovery, but sales are still much below pre-COVID levels. Used CV sales have been relatively healthy due to unaffordability of new M&HCVs, aided by a strong pipeline from 1QFY22. MMFS reported quarterly disbursements of ~INR64.5b (up 67% QoQ on a low base) in 1QFY22. We estimate CIFC/SHTF to deliver relatively better QoQ growth in disbursements. Demand is improving in CVs, but it is still a far cry from pre-COVID levels. We estimate incremental restructuring of 150-200bp for MMFS/CIFC, while incremental restructuring in SHTF will continue to remain relatively lower (40-50bp).

Margins should be stable to improving

Normalized margins should be stable to improving as there were no major pressure on yields, despite only a minor decline in the incremental cost of borrowings in 2QFY22. While most companies have started dialing down excess liquidity on their balance sheets, it is still higher than pre-COVID levels. We expect this excess liquidity to fairly normalize by Mar'22E. The resultant negative carry should also reduce, which will support margins.

Gold financiers – Loan demand was muted (relative to our expectations) with high ticket size customer wins for MGFL; auctioning to remain low

Despite the regulatory arbitrage of higher LTV (90%) ending in Mar'21, Banks have continued to remain aggressive in Gold Financing. To this end, players like MGFL have embarked on offering competitive interest rates to high ticket-size Gold loan customers (ATS over INR0.1m) and have been able to win back such customers from Banks and some of the other Gold loan NBFCs. This will, however, result in moderation in spreads and margin for MGFL.

Gold prices were largely flat QoQ (Source: WGC), suggesting that portfolio LTVs of Gold loan NBFCs should largely remain stable. For MUTH, some of the Gold loans disbursed at the peak of gold prices in Aug'20 could come up for maturity/rollover in 2Q/3QFY22. We expect a healthy growth in the Gold loan portfolio for MGFL/MUTH given the various attractive interest schemes introduced by these gold financiers to attract high ticket-size gold loan customers. Since gold prices have been stable, we expect Gold Financiers to offer some reprieve to customers (especially those who continue to pay the interest component) to repay rather than rush to auction off their gold. This could lead to GNPA's remaining elevated during 2QFY22E, but should start declining from 3Q onwards. In the non-Gold portfolio, both MUTH/MGFL have started new disbursements in MFI and Vehicle Finance. Among non-Gold segments, the MFI segment is still the most vulnerable (basis collection efficiencies). We expect credit costs (also led by write-offs) from this segment to remain elevated in 2QFY22E.

Diversified financiers exhibited healthy collections and improving MoM disbursements during 2QFY22

Wholesale lenders continued their focus on existing projects and are still selective in evaluating new projects. For the first time after the COVID-19 outbreak, newer projects have been sanctioned during 2QFY22 and activity in Construction Finance is beginning to pick up pace. For some Real Estate lenders, there could also be potential projects (already in their watch list) which could slip into NPA in 2QFY22, leading to higher provisioning in the segment.

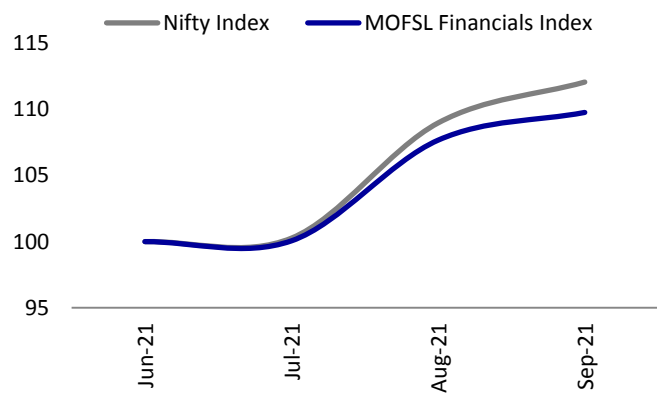
While disbursements were strong (back to pre-COVID levels), collections were robust all through 2QFY22, resulting in faster run-off in the loan book. Except for unsecured MSME/Personal loans, we expect collections to improve across product categories for both BAF and SCUF. For LTFH and SCUF, we expect asset quality to remain stable and do not estimate any further build-up in COVID-19/macro provision buffer in 2QFY22. If there are no new waves of the pandemic in the country, it will likely start utilizing the COVID-19 provisions from 3QFY22 onwards.

Capital market cash volumes decline on the back of margin norms

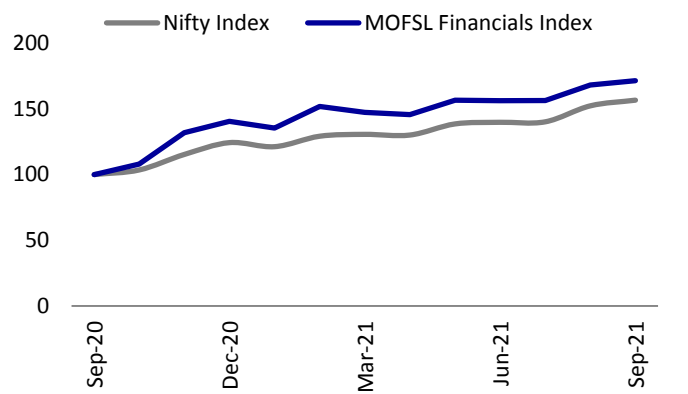
Retail segment cash ADTO fell 13% and 7% on a MoM basis in Jul'21 and Aug'21. Volumes are expected to be impacted further in Sep'21 on the back of implementation of 100% margin norms from 1st Sep'21. However, F&O volumes continue to gain traction (up 24%/6% MoM in Jul'21 and Aug'21), especially the Options segment. Trend in customer acquisition continues to remain strong in 2QFY22. For ISEC, we expect some pick up in revenue in the Distribution business as AUM in MFs has increased on the back of flows, MTM gains, and increase in Insurance sales. IIFLWAM will see steady trends post a stellar quarter in 1QFY22. TBR revenue is likely to remain stable, while ARR revenues will be dependent on traction in IIFL-ONE assets.

Exhibit 1: Quarterly performance

Sector	CMP (INR)	Rating	NII (INR m)			Operating profit (INR m)			Net profit (INR m)		
			Sep'21	Variance YoY (%)	Variance QoQ (%)	Sep'21	Variance YoY (%)	Variance QoQ (%)	Sep'21	Variance YoY (%)	Variance QoQ (%)
AAVAS Financiers	2604	Neutral	1,585	23.2	5.5	1,258	35.8	36.9	939	41.8	56.7
Bajaj Finance	7694	Buy	39,082	14.8	5.6	32,658	8.6	4.8	16,039	66.2	60.0
Can Fin Homes	711	Buy	1,929	-8.4	6.5	1,635	-12.6	7.2	1,178	-8.3	8.2
Chola. Inv. & Fin.	565	Buy	12,690	8.2	0.1	9,407	4.6	-5.2	5,771	33.6	76.6
HDFC	2725	Buy	40,636	12.8	-1.5	40,474	16.5	3.7	36,991	37.4	42.7
ICICI Securities	785	Buy	7,855	15.4	5.1	4,340	16.6	4.2	3,220	15.8	3.6
IIFL Wealth Mgt.	1607	Buy	2,927	38.1	3.3	1,352	73.1	3.7	1,218	39.7	4.2
L&T Fin. Holdings	91	Buy	13,792	-1.0	-8.0	10,069	-13.3	-12.0	2,301	-7.1	30.0
LIC Housing Fin	445	Buy	13,322	7.6	4.5	11,831	5.6	15.1	6,206	-21.5	304.5
M & M Financial	189	Buy	13,496	-3.0	16.5	9,272	-10.1	23.8	3,891	28.2	LP
Manappuram Finance	183	Buy	9,824	0.6	-4.5	6,469	-0.8	-8.7	4,149	2.3	-5.0
MAS Financial	788	Buy	865	5.2	10.0	665	-4.6	4.4	390	13.9	5.8
Muthoot Finance	1520	Buy	17,732	12.1	4.2	13,676	13.0	2.5	9,917	10.9	2.1
PNB Housing	632	Neutral	5,136	-17.2	1.0	5,127	-10.9	8.0	2,595	-17.2	6.7
Repco Home Fin.	315	Buy	1,442	3.3	-0.4	1,216	5.3	-0.4	743	-8.1	131.2
Shriram City Union	2151	Buy	8,997	5.7	2.3	5,872	4.5	3.2	2,827	10.0	35.9
Shriram Transport Fin.	1350	Buy	20,533	0.8	3.6	15,968	1.3	-4.6	7,082	3.5	316.7
NBFC			2,11,844	7.4	2.3	1,71,290	5.8	2.7	1,05,456	21.8	94.7

Exhibit 2: Relative performance — three-months (%)

Source: Bloomberg, MOFSL

Exhibit 3: Relative performance — one-year (%)

Source: Bloomberg, MOFSL

Exhibit 4: Change in EPS estimates for FY22-23E

Company	Old estimates (INR)		New estimates (INR)		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
AAVAS	42.9	54.0	43.8	56.2	2.2	4.0
BAF	117.7	168.6	120.2	174.0	2.2	3.2
CANF	34.8	39.8	35.1	39.7	0.9	-0.3
CIFC	21.5	29.4	21.5	29.6	-0.1	0.6
HDFC	60.8	68.4	60.8	68.4	-	-
ISEC	40.4	44.4	40.4	44.4	-	-
IIFWAM	57.0	68.0	57.0	68.0	-	-
LTFH	5.9	8.2	5.6	7.6	-4.6	-7.0
LICHF	35.6	52.7	36.9	52.5	3.6	-0.4
MMFS	5.6	19.2	5.6	19.2	-	-
MASFIN	28.2	32.6	31.7	37.9	12.1	16.2
MUTH	24.4	28.8	22.7	28.2	-7.3	-2.3
MGFL	107.4	126.8	105.3	119.7	-2.0	-5.6
PNBHOUSI	56.8	71.6	58.7	70.8	3.5	-1.1
REPCO	46.6	56.3	43.8	53.6	-6.0	-4.7
SCUF	169.0	202.3	169.0	202.3	-	-
SHTF	92.3	129.9	94.5	132.4	2.5	1.9

Source: MOFSL, Company; Note: HDFC's numbers are for the core mortgage business only

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Aavas Financiers

Neutral

CMP INR2,604 | TP: INR2,842 (9%)

EPS CHANGE (%): FY22|23: 2.2|4.0

- Expect AUM to grow by 23% YoY.
- Expect a largely stable margin QoQ, while upfront assignment income could be in the ~INR250m range.
- Expect a sequential increase in disbursement of ~125%.
- We expect improvement in the 1+dpd, led by an improvement in collection efficiency. Factoring in additional restructuring of 40-50bp.

Quarterly performance

Y/E March	FY21				FY22				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY21	FY22E
Interest Income	2,286	2,430	2,577	2,470	2,630	2,736	2,859	3,185	9,764	11,410
Interest Expenses	1,118	1,144	1,169	1,152	1,128	1,150	1,208	1,467	4,582	4,954
Net Income	1,168	1,287	1,408	1,318	1,502	1,585	1,651	1,718	5,182	6,456
YoY Growth (%)	15	23	32	12	29	23	17	30	20	25
Other income	49	274	523	443	90	407	447	391	1,289	1,335
Total income	1,218	1,560	1,932	1,761	1,592	1,992	2,098	2,109	6,471	7,791
YoY Growth (%)	4	6	34	28	31	28	9	20	18	20
Operating Expenses	526	634	665	742	673	734	800	871	2,566	3,078
YoY Growth (%)	6	21	6	14	28	16	20	17	12	20
Operating Profit	692	927	1,267	1,019	919	1,258	1,298	1,238	3,905	4,713
YoY Growth (%)	2	-3	55	40	33	36	2	21	23.0	20.7
Provisions	60	81	162	70	170	70	80	91	371	411
Profit before Tax	632	846	1,105	950	749	1,188	1,218	1,147	3,533	4,302
Tax Provisions	131	184	249	74	150	250	244	217	638	860
Profit after tax	501	662	856	876	599	939	974	930	2,895	3,441
YoY Growth (%)	11	-13	26	46	20	42	14	6	16.2	18.9

Bajaj Finance

Buy

CMP INR7,694 | TP: INR8,750 (14%)

EPS CHANGE (%): FY22|23: 2.2|3.2

- Strong pickup in disbursements in 2QFY22, with new loans booked up by ~37% QoQ. Consequently, reported AUM was up ~22% YoY/~5% QoQ.
- Expect ~37% QoQ decline in credit costs in 2QFY22E. At 2.6% for FY22E, we expect credit costs to decline YoY.
- Excess surplus liquidity could be a drag on the margins but would be mitigated to an extent by low interest income reversals.
- Expect upgrades across asset quality buckets, led by higher collection efficiency. Commentary on the app ecosystem will be keenly watched.

Quarterly performance

Y/E March	FY21				FY22				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY21	FY22E
Interest Income	57,932	57,631	57,225	60,343	59,542	62,519	66,896	73,668	2,33,034	2,62,625
Interest expenses	24,976	23,581	23,627	21,956	22,536	23,437	24,492	25,360	94,140	95,824
Net Interest Income	32,956	34,050	33,598	38,388	37,007	39,082	42,404	48,308	1,38,894	1,66,802
YoY Growth (%)	10.3	8.4	-7.1	2.2	12.3	14.8	26.2	25.8	2.9	20.1
Other Operating Income	8,565	7,568	9,360	8,206	7,888	8,024	8,762	10,917	33,797	35,591
Net Income	41,521	41,618	42,958	46,594	44,895	47,107	51,166	59,225	1,72,691	2,02,393
YoY Growth (%)	12.4	4.1	-5.3	-0.5	8.1	13.2	19.1	27.1	2.1	17.2
Operating Expenses	11,567	11,559	13,896	16,060	13,733	14,449	15,633	17,570	53,082	61,385
Operating Profit	29,954	30,059	29,062	30,534	31,162	32,658	35,533	41,655	1,19,608	1,41,008
YoY Growth (%)	24.7	14.9	-3.2	-5.5	4.0	8.6	22.3	36.4	6.3	17.9
Provisions and Cont.	16,857	17,004	13,517	12,308	17,503	11,000	9,000	5,754	59,686	43,257
Profit before Tax	13,097	13,055	15,545	18,226	13,659	21,658	26,533	35,901	59,923	97,751
Tax Provisions	3,474	3,406	4,085	4,760	3,634	5,619	6,887	9,275	15,724	25,415
Net Profit	9,623	9,649	11,460	13,466	10,025	16,039	19,646	26,626	44,198	72,336
YoY Growth (%)	-19.5	-35.9	-29.0	42.0	4.2	66.2	71.4	97.7	-16.0	63.7

Can Fin Homes**Buy**

CMP INR711 | TP: INR 825 (+16%)

EPS CHANGE (%): FY22|23: 0.9|-0.3

- Expect a sequential increase of ~110% in disbursements.
- Expect credit costs of INR65m v/s INR150m in 2QFY21.
- Expect repayment rate to remain elevated, but similar to levels seen in 2HFY21.
- Watch out for commentary on margin and asset quality.

Quarterly performance

INR m

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	5,221	5,240	4,996	4,606	4,492	4,649	4,835	5,059	20,064	19,089
Interest Expenses	3,308	3,135	2,892	2,748	2,680	2,721	2,829	3,082	12,083	11,312
Net Interest Income	1,913	2,106	2,104	1,858	1,812	1,929	2,006	1,977	7,980	7,777
YoY Growth (%)	25.3	35.4	21.1	-1.4	-5.3	-8.4	-4.7	6.4	18.3	-2.5
Other income	4	18	31	68	16	51	51	100	121	164
Total Income	1,917	2,124	2,135	1,925	1,828	1,980	2,057	2,077	8,101	7,941
YoY Growth (%)	23.8	30.9	20.6	0.1	-4.6	-6.8	-3.7	7.9	18.0	-2.0
Operating Expenses	215	252	344	428	303	344	355	380	1,240	1,381
YoY Growth (%)	-7.4	0.7	28.2	31.8	40.8	36.5	2.9	-11.3	15.2	11.4
Operating Profit	1,702	1,872	1,791	1,497	1,526	1,635	1,702	1,697	6,861	6,560
YoY Growth (%)	29.4	36.4	19.3	-6.3	-10.4	-12.6	-5.0	13.4	18.6	-4.4
Provisions	441	151	16	77	65	65	100	89	685	319
Profit before Tax	1,260	1,720	1,775	1,420	1,460	1,570	1,602	1,608	6,176	6,240
Tax Provisions	329	436	456	394	372	393	401	395	1,615	1,560
Profit after tax	932	1,284	1,319	1,026	1,088	1,178	1,202	1,212	4,561	4,680
YoY Growth (%)	15.0	31.5	23.7	12.8	16.8	-8.3	-8.9	18.2	21.3	2.6

Cholamandalam Inv. & Fin.**Buy**

CMP INR565 | TP: INR650 (+15%)

EPS CHANGE (%): FY22|23: -0.1|0.6

- Expect a sharp decline QoQ and YoY in credit costs to ~INR1.65b.
- Expect some compression in yields and decline in CoF, leading to stable margin QoQ.
- Expect 4% YoY AUM growth, despite healthy disbursement growth of 32% YoY and 135% QoQ.
- Watch out for total stressed pool, including restructured loan pool and quantum of ECLGS loans.

Quarterly performance

(INR m)

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	20,710	23,580	24,263	23,690	23,712	23,949	24,428	25,491	92,242	97,579
Interest Expenses	11,307	11,852	11,404	11,197	11,038	11,259	11,597	11,663	45,759	45,557
Net Interest Income	9,403	11,728	12,859	12,493	12,674	12,690	12,831	13,828	46,483	52,023
YoY Growth (%)	14.1	35.3	38.6	37.2	34.8	8.2	-0.2	10.7	31.6	11.9
Other Income	427	818	786	924	958	955	1,055	1,150	2,955	4,119
Total Income	9,830	12,546	13,644	13,417	13,632	13,645	13,886	14,978	49,437	56,141
YoY Growth (%)	4.3	23.0	26.0	32.1	38.7	8.8	1.8	11.6	21.7	13.6
Operating Expenses	3,458	3,551	3,688	5,138	3,705	4,238	4,500	5,413	15,834	17,856
Operating Profit	6,372	8,996	9,956	8,279	9,927	9,407	9,386	9,565	33,603	38,285
YoY Growth (%)	7.5	45.5	51.3	34.8	55.8	4.6	-5.7	15.5	35.3	13.9
Provisions and Loan Losses	562	3,176	4,446	5,035	5,519	1,650	3,000	4,405	13,218	14,574
Profit before Tax	5,810	5,820	5,511	3,244	4,407	7,757	6,386	5,160	20,384	23,711
Tax Provisions	1,501	1,501	1,422	812	1,139	1,986	1,635	1,330	5,235	6,090
Net Profit	4,309	4,319	4,089	2,432	3,268	5,771	4,751	3,831	15,149	17,621
YoY Growth (%)	37.1	40.7	5.2	470.1	-24.2	33.6	16.2	57.5	44.0	16.3

HDFC**Buy****CMP INR2,725 | TP: INR3,277 (+35%)****EPS CHANGE (%): FY22|23: 0.0|0.0**

- AUM growth likely to remain healthy (~9%). Strong disbursements in Individual loans, with renewed traction in non-Individual loans as well.
- Margin to contract QoQ due to moderation in blended yields.
- Core PPOP is likely to grow by ~17% YoY, aided by strong core performance. ESOP expense stood at INR1.22b in 2QFY22 (lower than the recent quarterly run-rate).
- Watch out for asset quality in the Corporate segment.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	1,11,524	1,10,020	1,08,374	1,05,930	1,06,471	1,07,486	1,10,625	1,13,314	4,35,847	4,37,895
Interest Expense	78,171	73,991	68,327	65,660	65,219	66,850	68,688	70,534	2,86,148	2,71,291
Net Interest Income	33,353	36,028	40,047	40,271	41,252	40,636	41,936	42,780	1,49,700	1,66,605
YoY Change (%)	9.7	22.1	24.6	13.7	23.7	12.8	4.7	6.2	17.4	11.3
Assignment Income	1,834	1,590	4,103	4,375	2,675	4,150	3,750	3,239	11,903	13,814
NII (including assignment income)	35,188	37,619	44,150	44,646	43,926	44,786	45,686	46,020	1,61,602	1,80,419
YoY Change (%)	5.4	17.0	30.5	18.1	24.8	19.1	3.5	3.1	17.8	11.6
Other Operating Income	484	780	697	899	614	748	808	921	2,866	3,091
Core Income	35,672	38,399	44,847	45,545	44,540	45,534	46,495	46,941	1,64,468	1,83,510
YoY Change (%)	4.9	17.1	29.9	17.3	24.9	18.6	3.7	3.1	17.4	11.6
Operating Expenses	3,964	3,658	5,372	4,986	5,507	5,060	4,240	4,513	17,980	19,320
YoY Change (%)	3.8	-3.5	39.9	41.1	38.9	38.3	-21.1	-9.5	20.0	7.5
Core operating profit	31,708	34,741	39,476	40,558	39,033	40,474	42,255	42,428	1,46,488	1,64,190
YoY Change (%)	5.0	19.8	28.6	14.9	23.1	16.5	7.0	4.6	17.0	12.1
Provisions	2,990	4,360	5,940	7,190	6,860	6,000	5,500	5,192	20,480	23,552
Core PBT	28,718	30,381	33,536	33,368	32,173	34,474	36,755	37,236	1,26,008	1,40,638
YoY Change (%)	6.4	14.9	20.9	19.0	12.0	13.5	9.6	11.6	15.4	11.6
Profit on Sale of Inv./MTM on Inv.	13,352	1,660	3,874	4,661	6,652	1,000	1,500	2,045	23,542	11,197
Dividend income	2,982	3,230	22	1,106	164	11,700	4,000	-3,753	7,340	12,111
One off expense/Prov.	-9,000								-9,000	0
Other Income	16	47	93	104	57	65	65	75	261	261
PBT	36,068	35,318	37,525	39,239	39,046	47,239	42,320	35,602	1,48,151	1,64,207
YoY Change (%)	-9.5	-22.0	-59.0	45.7	8.3	33.8	12.8	-9.3	-27.2	10.8
Provision for Tax	5,553	6,617	8,267	7,441	9,039	8,975	8,041	6,786	27,878	32,841
PAT	30,515	28,701	29,258	31,798	30,007	38,264	34,279	28,816	1,20,273	1,31,365
YoY Change (%)	-4.7	-27.6	-65.1	42.4	-1.7	33.3	17.2	-9.4	-32.3	9.2

ICICI Securities**Buy****CMP INR785 | TP: INR915 (+17%)****EPS CHANGE (%): FY22|23: 0.0|0.0**

- Cash volumes have seen a sequential decline in Jul'21 and Aug'21 owing to implementation of margin norms.
- Distribution income should see a healthy improvement, led by strong growth in MF AUM and decent traction in LI sales.
- Distribution income should see a healthy improvement, led by strong growth in MF AUM and decent traction in LI sales.
- Expect cost-to-income ratio to be steady both YoY and QoQ.

Quarterly performance

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue from Operations	5,460	6,807	6,201	7,393	7,453	7,855	8,104	8,540	25,862	31,953
Other Income	4	-2	-1	0	24	0	0	1	0	25
Total Income	5,464	6,805	6,200	7,393	7,477	7,855	8,104	8,541	25,862	31,978
Change YoY (%)	35.9	62.7	46.7	53.4	36.8	15.4	30.7	15.5	49.9	23.6
Operating Expenses	2,870	3,082	2,622	2,980	3,310	3,515	3,690	3,938	11,554	14,454
Change YoY (%)	26.9	31.6	10.4	8.7	15.3	14.1	40.7	32.2	18.9	25.1
PBT	2,594	3,723	3,578	4,413	4,167	4,340	4,414	4,603	14,308	17,524
Change YoY (%)	47.4	102.2	93.3	112.4	60.6	16.6	23.4	4.3	90.0	22.5
Tax Provisions	663	942	908	1,118	1,060	1,120	1,139	1,185	3,631	4,504
Net Profit	1,931	2,782	2,670	3,295	3,107	3,220	3,275	3,418	10,677	13,020
Change YoY (%)	69.7	105.9	94.6	111.4	60.9	15.8	22.7	3.7	97.0	21.9

IIFL Wealth Management**Buy****CMP INR1,607 | TP: INR1,775 (+10%)****EPS CHANGE (%): FY22|23: 0.0|0.0**

- Post a stellar growth in 1QFY22, we expect a moderation in the AUM growth rate
- Yields will continue to improve in IIFL-ONE as new assets earn higher yields.
- TBR revenue will continue to see flattish trends.
- Expect a marginal improvement in the cost-to-income ratio.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenue	1,988	2,120	2,392	2,656	2,834	2,927	3,059	3,198	9,154	12,018
Change (%)	-5.7	-8.5	8.2	3.6	42.6	38.1	27.9	20.4	-0.5	31.3
Income from ARR Assets	1,277	1,401	1,543	1,608	1,936	2,002	2,109	2,223	5,828	8,270
Income from TBR Assets	711	719	849	1,047	898	925	950	974	3,325	3,748
Operating Expenses	1,299	1,339	1,519	1,523	1,531	1,575	1,640	1,707	5,679	6,453
Change (%)	2.4	2.7	5.2	-6.5	17.8	17.7	8.0	12.1	0.6	13.6
Cost-to-Income Ratio (%)	65.4	63.2	63.5	57.3	54.0	53.8	53.6	53.4	62.0	53.7
Operating Profit	689	781	873	1,133	1,304	1,352	1,419	1,490	3,474	5,565
Change (%)	-18.0	-22.8	13.8	21.0	89.3	73.1	62.5	31.5	-2.3	60.2
Other Income	405	347	406	215	206	250	270	274	1,375	1,000
Profit Before Tax	1,093	1,128	1,279	1,348	1,510	1,602	1,689	1,764	4,849	6,565
Change (%)	21.3	37.5	27.9	851.5	38.1	42.0	32.0	30.9	69.3	35.4
Tax	271	257	314	315	341	385	405	422	1,157	1,553
Tax Rate (%)	24.8	22.8	24.6	23.4	22.6	24.0	24.0	23.9	23.9	23.7
PAT	823	871	965	1,033	1,169	1,218	1,283	1,343	3,692	5,012
Change (%)	33.8	27.3	30.1	NM	42.0	39.7	33.0	29.9	83.5	35.8
PAT Margins (%)	41.4	41.1	40.3	38.9	41.2	41.6	42.0	42.0	40.3	41.7

L&T Finance Holdings**Buy****CMP INR91 | TP: INR115 (+26%)****EPS CHANGE (%): FY22|23: -4.6|-7.0**

- Expect Home, Tractor, and Consumer loans to be the key growth drivers. Expect the loan book to contract by ~4% QoQ, driven by Wholesale Infra Finance.
- Expect the company to maintain its COVID-19/macro provisions and provide prudently in 2QFY22E.
- Adjusted for any one-offs, we expect a moderation in the margin by ~25bp. Fees likely to be under pressure due to lower wholesale disbursements.
- Watch out for commentary on asset quality in Infra and MFI segments.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	32,952	32,816	33,044	32,236	30,083	28,579	28,793	32,497	1,31,049	1,19,952
Interest Expenses	19,782	18,888	17,238	16,091	15,089	14,787	15,156	17,133	71,999	62,165
Net Interest Income	13,170	13,928	15,806	16,145	14,994	13,792	13,637	15,364	59,049	57,787
Change YoY (%)	-5.2	-0.3	7.7	9.3	13.8	-1.0	-13.7	-4.8	3.0	-2.1
Other Operating Income	918	1,265	1,633	1,916	1,318	1,250	2,025	2,878	5,732	7,397
Net Operating Income	14,089	15,193	17,439	18,060	16,313	15,042	15,662	18,241	64,782	65,184
Change YoY (%)	-15.7	-6.6	0.2	16.5	15.8	-1.0	-10.2	1.0	-1.7	0.6
Other income	2,361	1,008	1,187	1,720	614	664	1,325	1,424	6,276	4,026
Total Income	16,449	16,201	18,627	19,781	16,926	15,706	16,987	19,665	71,058	69,210
Change YoY (%)	-6.9	-6.2	0.9	21.9	2.9	-3.1	-8.8	-0.6	2.0	-2.6
Operating Expenses	4,175	4,583	4,913	6,078	5,485	5,637	5,896	6,216	19,749	23,234
Change YoY (%)	-5.9	-4.3	-7.3	15.5	31.4	23.0	20.0	2.3	-0.2	17.6
Operating Profit	12,275	11,618	13,713	13,703	11,441	10,069	11,091	13,450	51,309	45,976
Change YoY (%)	-7.2	-7.0	4.2	25.0	-6.8	-13.3	-19.1	-1.8	2.9	-10.4
Provisions	11,282	8,328	10,227	6,520	9,062	7,000	6,000	5,392	36,357	27,454
Profit before Tax	993	3,290	3,487	7,182	2,379	3,069	5,091	8,058	14,952	18,522
Tax Provisions	-482	813	609	4,523	609	767	1,273	2,019	5,463	4,668
Profit after tax	1,474	2,477	2,878	2,660	1,770	2,301	3,818	6,039	9,489	13,855
Change YoY (%)	-73.2	42.0	-51.4	-30.9	20.1	-7.1	32.7	127.1	-44.2	46.0

LIC Housing Finance**Buy****CMP INR445 | TP: INR525 (+18%)****EPS CHANGE (%): FY22|23: 3.6|-0.4**

- Expect loan growth at 11% YoY, with a largely stable mix.
- Expect lower CoF and pressure on yields. Factor in a QoQ improvement of ~7bp in spreads on a lower base.
- Estimate provisions of INR4b v/s INR8.3b QoQ.
- Watch out for commentary on growth and asset quality.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	49,851	49,382	48,761	48,978	48,253	48,112	49,074	53,454	1,96,971	1,98,893
Interest Expenses	37,645	37,002	35,951	33,929	35,500	34,790	35,486	40,649	1,44,526	1,46,424
Net Interest Income	12,206	12,380	12,810	15,049	12,753	13,322	13,589	12,806	52,445	52,470
YoY Growth (%)	3.3	-1.1	2.2	32.7	4.5	7.6	6.1	-14.9	8.8	0.0
Fees and other income	-76	437	479	666	338	350	275	337	1,506	1,300
Net Income	12,130	12,817	13,289	15,715	13,091	13,672	13,864	13,143	53,951	53,770
YoY Growth (%)	0.7	0.3	3.7	40.0	7.9	6.7	4.3	-16.4	10.4	-0.3
Operating Expenses	1,367	1,615	1,686	2,347	2,815	1,841	1,889	2,379	7,015	8,924
Operating Profit	10,763	11,202	11,603	13,368	10,276	11,831	11,975	10,764	46,936	44,846
YoY Growth (%)	-2.0	-1.2	1.5	49.5	-4.5	5.6	3.2	-19.5	9.9	-4.5
Provisions and Cont.	587	1,109	1,907	9,848	8,346	4,000	3,500	3,408	13,450	19,254
Profit before Tax	10,177	10,093	9,696	3,520	1,929	7,831	8,475	7,356	33,486	25,592
Tax Provisions	2,002	2,184	2,426	-469	395	1,625	1,759	1,532	6,142	5,310
Net Profit	8,175	7,909	7,270	3,989	1,534	6,206	6,717	5,824	27,343	20,281
YoY Growth (%)	33.9	2.4	21.7	-5.3	-81.2	-21.5	-7.6	46.0	13.8	-25.8

Mahindra Financial Services**Buy****CMP INR189 | TP: INR220 (+17%)****EPS CHANGE (%): FY22|23: 0.0|0.0**

- Disbursements stood ~170% of 1QFY22 levels. Lower Passenger Vehicle volumes were a drag on disbursements.
- Credit costs would be lower QoQ after abnormally high provisions reported in 1QFY22.
- Margin likely to improve QoQ, but lower by ~20bp YoY.
- Total stress pool, including restructured contracts and asset quality, will be a key monitorable.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	26,405	26,129	25,418	26,000	21,760	23,268	24,209	26,097	1,03,952	95,333
Interest Expenses	144	366	331	375	111	300	175	53	1,277	639
Net Interest Income	26,549	26,495	25,749	26,375	21,871	23,568	24,384	26,149	1,05,229	95,972
YoY Growth (%)	10.0	4.3	-1.6	-1.4	-17.6	-11.0	-5.3	-0.9	2.7	-8.8
Fees and other income	12,646	12,216	11,583	10,887	10,179	9,772	9,870	9,191	47,332	39,013
Net Income	13,903	14,279	14,165	15,488	11,691	13,796	14,514	16,958	57,897	56,959
YoY Growth (%)	8.3	6.7	0.7	11.7	-15.9	-3.4	2.5	9.5	6.9	-1.6
Operating Expenses	3,457	3,968	4,185	4,915	4,203	4,524	4,896	5,191	16,325	18,815
Operating Profit	10,447	10,311	9,980	10,573	7,488	9,272	9,617	11,767	41,573	38,144
YoY Growth (%)	44.2	25.9	12.4	9.4	-28.3	-10.1	-3.6	11.3	22.3	-8.2
Provisions and Cont.	8,427	6,194	13,667	8,860	28,186	4,000	-1,000	-2,415	37,348	28,771
Profit before Tax	2,020	4,117	-3,687	1,713	-20,698	5,272	10,617	14,182	4,224	9,374
Tax Provisions	523	1,082	-946	214	-5,411	1,381	2,782	3,703	873	2,456
Net Profit	1,497	3,035	-2,741	1,500	-15,288	3,891	7,836	10,479	3,352	6,918
YoY Growth (%)	118.7	20.6	-175.0	-32.1	-1,121.3	28.2	-385.8	598.7	-63.0	106.4

MAS Financial**Buy****CMP IN788 | TP: INR1,030 (+31%)****EPS CHANGE (%): FY22|23: 12.1|16.2**

- Expect AUM to grow by 6.5% QoQ and ~4% YoY.
- Watch out for commentary on asset quality in partnered NBFCs.
- Net interest income is likely to improve QoQ.
- Expect provisions of INR140m in 2QFY22E, similar to 1Q levels.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22E				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue from Operations	1,604	1,523	1,421	1,391	1,485	1,606	1,676	2,112	5,939	6,879
Interest expenses	1,416	1,199	1,080	1,141	1,283	1,334	1,401	1,887	4,831	5,904
Total income	910	821	782	781	786	865	882	1,169	3,294	3,701
YoY Growth (%)	-4.4	-14.2	-26.4	-22.8	-13.7	5.2	12.9	49.7	-17.8	12.4
Operating Expenses	122	125	163	206	149	200	200	190	616	739
Operating Profit	788	696	619	575	636	665	682	979	2,678	2,963
YoY Growth (%)	4.2	-4.0	-24.8	-26.0	-19.2	-4.6	10.3	70.4	-13.8	10.6
Provisions	299	240	135	75	141	140	150	201	749	632
Profit before tax	489	456	484	500	495	525	532	778	1,929	2,331
YoY Growth (%)	-21.9	-8.7	-25.4	7.8	1.3	15.0	10.0	55.8	-15.5	20.8
Tax Provisions	123	114	122	134	127	135	137	200	494	599
Net Profit	366	342	362	365	368	390	396	578	1,435	1,732
YoY Growth (%)	-10.2	-14.9	-25.2	5.9	0.6	13.9	9.3	58.3	-13.8	20.7

Muthoot Finance**Buy****CMP INR 1,520 | TP: INR1,825 (+20%)****EPS CHANGE (%): FY22|23: -2.0|-5.6**

- Factor in a QoQ AUM growth of ~6% on the back of higher volumes since gold prices has remained stable.
- NIM bias remains positive, but we are building in a minor compression in spreads.
- Given that gold prices were stable in 2QFY22, we expect auctions to remain in the normal range.
- Watch out for commentary on demand for Gold loans and potential auctions in 2HFY22.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Income from operations	23,160	25,066	27,168	27,891	26,837	28,045	30,288	31,682	1,03,285	1,16,853
Other operating income	691	768	480	348	301	600	800	815	2,287	2,516
Total Operating income	23,851	25,834	27,649	28,239	27,138	28,645	31,088	32,497	1,05,572	1,19,368
YoY Growth (%)	28.4	20.9	19.1	17.6	13.8	10.9	12.4	15.1	21.1	13.1
Other income	3	11	116	42	11	20	20	29	171	80
Total Income	23,854	25,845	27,765	28,281	27,149	28,665	31,108	32,526	1,05,744	1,19,448
YoY Growth (%)	28.3	20.7	19.6	17.7	13.8	10.9	12.0	15.0	21.2	13.0
Interest Expenses	8,715	9,241	9,455	9,513	9,822	10,313	10,725	10,982	36,924	41,842
Net Income	15,139	16,603	18,309	18,768	17,327	18,352	20,383	21,544	68,819	77,606
Operating Expenses	3,738	4,496	4,410	5,160	3,989	4,676	4,939	6,021	17,804	19,625
Operating Profit	11,400	12,107	13,900	13,608	13,338	13,676	15,444	15,523	51,015	57,981
YoY Growth (%)	39.0	12.7	20.1	23.5	17.0	13.0	11.1	14.1	22.8	13.7
Provisions	146	107	585	111	337	400	350	359	950	1,446
Profit before Tax	11,255	12,000	13,314	13,496	13,001	13,276	15,094	15,164	50,065	56,535
Tax Provisions	2,847	3,056	3,401	3,540	3,290	3,359	3,819	3,836	12,843	14,303
Net Profit	8,408	8,944	9,914	9,957	9,712	9,917	11,275	11,328	37,222	42,231
YoY Growth (%)	58.6	4.2	21.6	22.1	15.5	10.9	13.7	13.8	23.3	13.5

Manappuram Finance**Buy****CMP INR183 | TP: INR220 (+20%)****EPS CHANGE (%): FY22|23: -7.3|-2.3**

- Expect 10% QoQ growth in consolidated AUM. Expect 11% QoQ growth in Gold loans.
- Factor in a margin/spread compression of ~80bp/~100bp in the consolidated book.
- Watch out for commentary on demand in Gold loans and asset quality in MFI and Vehicle segment.
- Credit costs to decline QoQ and YoY and a large part of it will be attributable to the MFI and Housing segment.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	14,758	15,473	15,919	15,746	15,216	14,607	15,630	19,108	61,896	64,561
Interest Expenses	5,668	5,710	5,573	5,239	4,931	4,783	5,070	6,356	22,190	21,141
Net Interest Income	9,089	9,763	10,347	10,507	10,285	9,824	10,560	12,752	39,706	43,421
YoY Growth (%)	20.3	17.4	16.2	17.9	13.2	0.6	2.1	21.4	15.1	9.4
Other income	407	307	581	557	521	542	572	617	1,851	2,252
Total Income	9,496	10,070	10,928	11,063	10,806	10,366	11,132	13,368	41,557	45,673
Operating Expenses	3,121	3,545	3,553	3,777	3,720	3,897	4,056	4,056	13,996	15,730
Operating Profit	6,376	6,524	7,375	7,287	7,086	6,469	7,076	9,312	27,561	29,943
YoY Growth (%)	44.5	12.9	21.2	11.0	11.1	-0.8	-4.1	27.8	22.8	8.6
Provisions	1,453	1,080	802	1,066	1,223	900	950	1,138	4,401	4,211
Profit before Tax	4,923	5,444	6,573	6,221	5,864	5,569	6,126	8,174	23,160	25,732
Tax Provisions	1,243	1,390	1,741	1,537	1,495	1,420	1,562	2,084	5,911	6,562
Net Profit	3,680	4,054	4,832	4,684	4,369	4,149	4,564	6,089	17,250	19,170
YoY Growth (%)	37.9	-8.2	15.5	17.6	18.7	2.3	-5.6	30.0	16.5	11.1

PNB Housing Finance**Neutral****CMP INR632 | TP: INR700 (+11%)****EPS CHANGE (%): FY22|23: 3.5|-1.1**

- Rebalancing portfolio towards Retail to result in a moderation in AUM growth (-14% YoY).
- Expect provisions at INR1.8b v/s INR1.6b QoQ.
- Watch out for commentary around progress made on the capital raise (which is under litigation).
- Watch out for commentary around the quantum of restructuring under RBI OTR 2.0 and asset quality in the Corporate loan book.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	18,015	19,603	17,579	16,701	16,114	16,275	16,519	16,338	71,898	65,247
Interest Expenses	13,635	13,397	12,462	11,504	11,029	11,139	11,278	10,800	50,998	44,246
Net Interest Income	4,380	6,206	5,116	5,198	5,085	5,136	5,241	5,538	20,901	21,001
YoY Growth (%)	-6.2	25.5	19.2	23.0	16.1	-17.2	2.4	6.6	15.3	0.5
Other income	708	612	1,385	1,638	815	1,250	1,500	1,875	4,343	5,440
Total Income	5,088	6,818	6,501	6,835	5,900	6,386	6,741	7,414	25,243	26,441
YoY Growth (%)	-29.3	-3.8	5.9	19.5	16.0	-6.3	3.7	8.5	-3.5	4.7
Operating Expenses	1,042	1,067	996	1,448	1,152	1,259	1,295	1,656	4,554	5,363
YoY Growth (%)	-26.4	-18.9	-26.0	0.4	10.6	18.0	30.0	14.4	-17.5	17.8
Operating Profit	4,046	5,751	5,505	5,387	4,748	5,127	5,446	5,758	20,689	21,078
YoY Growth (%)	-30.0	-0.4	14.9	26.0	17.3	-10.9	-1.1	6.9	0.3	1.9
Provisions	751	1,796	2,567	3,506	1,595	1,800	2,200	2,810	8,619	8,405
Profit before Tax	3,295	3,956	2,938	1,881	3,153	3,327	3,246	2,948	12,070	12,673
Tax Provisions	723	823	614	611	720	732	714	622	2,978	2,788
Profit after tax	2,572	3,133	2,324	1,270	2,433	2,595	2,532	2,326	9,092	9,885
YoY Growth (%)	-9.6	-14.6	-2.0	-152.5	-5.4	-17.2	8.9	83.1	53.9	8.7

Repro Home Finance

Buy
CMP INR315 | TP: INR440 (+40%)
EPS CHANGE (%): FY22|23: -6.0|-4.7

- Expect disbursements to grow by 130% QoQ and 18% YoY.
- AUM to decline by ~1% YoY. Expect incremental restructuring of 50-60bp in 2QFY22E.
- Calculated NIM likely to see a 12-14bp improvement QoQ.
- Watch out for commentary around asset quality and incremental restructuring of loans in 2QFY22E.

Quarterly performance

(INR m)

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	3,384	3,486	3,568	3,297	3,205	3,173	3,205	3,105	13,518	12,689
Interest Expenses	2,104	2,090	2,024	1,855	1,757	1,731	1,740	1,840	8,072	7,068
Net Income	1,280	1,396	1,544	1,442	1,448	1,442	1,465	1,265	5,446	5,621
YoY Growth (%)	0.7	12.9	17.1	4.6	13.1	3.3	-5.1	-12.3	10.6	3.2
Other income	35	16	30	107	19	60	90	195	404	364
Total Income	1,315	1,412	1,574	1,549	1,467	1,502	1,555	1,460	5,850	5,985
YoY Growth (%)	3.6	11.2	19.0	10.7	11.5	6.4	-1.2	-5.7	11.2	2.3
Operating Expenses	235	257	292	361	246	286	326	378	1,144	1,237
YoY Growth (%)	0.1	3.2	6.3	17.6	4.5	11.3	12.0	4.9	7.5	8.1
Operating Profit	1,080	1,155	1,282	1,188	1,221	1,216	1,229	1,082	4,706	4,748
YoY Growth (%)	4.4	13.1	22.3	8.7	13.0	5.3	-4.2	-8.9	12.1	0.9
Provisions	221	72	222	292	783	210	40	-2	808	1,031
Profit before Tax	859	1,083	1,061	896	437	1,006	1,189	1,084	3,898	3,717
Tax Provisions	219	275	265	264	116	264	312	283	1,022	974
Profit after tax	640	808	796	632	321	743	877	801	2,876	2,742
YoY Growth (%)	2.6	-19.7	14.2	32.5	-49.8	-8.1	10.2	26.8	2.6	-4.6

Shriram City Union Finance

Buy
CMP INR2,151 | TP: INR2,540 (+18%)
EPS CHANGE (%): FY22|23: 0.0|0.0

- Estimate disbursements of ~INR62b led by MSME and Personal loans. 2Ws could see some moderation in 2QFY22E.
- CoF likely to be stable QoQ. With no pressure on yields, margin could exhibit a marginal (~10bp) improvement.
- Expect a QoQ growth of ~2% in AUM (up ~10% YoY).
- Watch out for commentary on growth and asset quality in the MSME, 2W, and PL segment. It is important to monitor the company's commentary on digital play.

Quarterly performance

(INR m)

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	13,899	13,698	13,978	14,140	14,539	14,829	15,126	15,101	55,716	59,596
Interest expenses	5,375	5,190	5,215	5,559	5,746	5,832	5,919	5,248	21,339	22,745
Net Interest Income	8,525	8,508	8,763	8,581	8,793	8,997	9,207	9,853	34,377	36,850
YoY Growth (%)	-6.7	-5.5	-1.3	1.1	3.1	5.7	5.1	14.8	-3.2	7.2
Fees and Other Income	246	293	414	716	417	525	575	652	1,669	2,169
Net Operating Income	8,771	8,801	9,177	9,297	9,210	9,522	9,782	10,506	36,046	39,020
YoY Growth (%)	-8.2	-7.8	-2.4	3.3	5.0	8.2	6.6	13.0	-3.9	8.3
Operating Expenses	3,105	3,182	3,575	3,781	3,517	3,650	3,600	3,943	13,644	14,711
Operating Profit	5,666	5,619	5,602	5,516	5,693	5,872	6,182	6,562	22,402	24,309
YoY Growth (%)	-1.9	-2.2	-2.2	7.2	0.5	4.5	10.3	19.0	0.1	8.5
Provisions	3,102	2,015	1,755	1,638	2,901	2,000	2,000	2,128	8,509	9,029
Profit before Tax	2,564	3,604	3,847	3,878	2,792	3,872	4,182	4,434	13,893	15,281
Tax Provisions	642	1,035	1,050	1,057	712	1,046	1,129	1,239	3,785	4,126
Net Profit	1,923	2,569	2,797	2,821	2,080	2,827	3,053	3,195	10,109	11,155
YoY Growth (%)	-24.1	-13.7	-5.8	84.3	8.2	10.0	9.1	13.3	1.0	10.3

Shriram Transport Finance**Buy****CMP INR1,350 | TP: INR1,600 (+18%)****EPS CHANGE (%): FY22|23: 2.5|1.9**

- While Stage 3 could remain broadly stable QoQ, we expect some upgrades from Stage 2 to Stage 1.
- Bake in provisions of INR6.5b (v/s INR14.4b QoQ), including prudential provisions.
- Expect spreads to be stable QoQ and YoY.
- Watch out for commentary around the merger in the Shriram group, AUM growth, and asset quality.

Quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	41,026	42,997	43,815	44,033	44,793	45,689	47,059	50,332	1,71,281	1,87,873
Interest expenses	22,672	22,629	22,363	22,879	24,981	25,156	25,911	26,576	90,543	1,02,624
Net Interest Income	18,354	20,368	21,452	21,154	19,812	20,533	21,149	23,756	80,739	85,249
Change YoY (%)	-6.4	2.0	7.5	9.4	7.9	0.8	-1.4	12.3	1.0	5.6
Other Operating Income	383	480	569	907	1,688	700	700	712	2,923	3,800
Other Income	38	35	48	39	34	45	50	55	160	183
Net Income	18,775	20,883	22,069	22,100	21,534	21,278	21,899	24,522	83,821	89,232
Change YoY (%)	-7.1	-0.9	4.9	10.1	14.7	1.9	-0.8	11.0	0.9	6.5
Operating Expenses	3,823	5,125	5,432	5,484	4,791	5,310	5,847	6,357	19,857	22,305
Operating Profit	14,952	15,759	16,637	16,617	16,743	15,968	16,052	18,165	63,964	66,927
Change YoY (%)	-3.1	-0.7	2.0	12.8	12.0	1.3	-3.5	9.3	2.6	4.6
Provisions	10,646	6,555	6,747	7,236	14,396	6,500	6,000	5,759	31,184	32,655
Profit before Tax	4,306	9,204	9,890	9,380	2,347	9,468	10,052	12,406	32,780	34,272
Tax Provisions	1,105	2,359	2,613	1,831	648	2,386	2,533	3,139	7,908	8,705
Net Profit	3,201	6,846	7,277	7,549	1,699	7,082	7,519	9,267	24,873	25,567
Change YoY (%)	-49.5	-10.5	-17.2	238.0	-46.9	3.5	3.3	22.8	-0.6	2.8

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