

October 21, 2022

## Q2FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	8,953		8,953	
NII (Rs.)	3,37,817	3,80,796	3,38,266	3,80,796
% Chng.	(0.1)	-		
PPoP (Rs.)	2,23,080	2,55,285	2,23,690	2,55,462
% Chng.	(0.3)	(0.1)		
EPS (Rs.)	217.2	235.1	218.0	235.3
% Chng.	(0.3)	(0.1)		

### Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Int.Inc. (Rs m)	2,18,842	2,80,630	3,37,817	3,80,796
Growth (%)	26.8	28.2	20.4	12.7
Op. Profit (Rs m)	1,43,072	1,75,522	2,23,080	2,55,285
PAT (Rs m)	70,282	90,360	1,30,681	1,41,439
EPS (Rs.)	116.8	150.2	217.2	235.1
Gr. (%)	58.8	28.6	44.6	8.2
DPS (Rs.)	20.0	5.0	5.2	5.2
Yield (%)	0.3	0.1	0.1	0.1
Margin (%)	11.4	11.6	11.2	11.4
RoAE (%)	17.4	18.6	23.0	26.0
RoAA (%)	3.7	3.6	4.6	4.7
PE (x)	63.6	49.5	34.2	31.6
P/BV (x)	10.2	8.8	6.8	5.1
P/ABV (x)	10.4	9.1	7.0	5.3

### Key Data

[BJFN.BO](#) | [BAF IN](#)

52-W High / Low	Rs.8,100 / Rs.5,220
Sensex / Nifty	59,203 / 17,564
Market Cap	Rs.4,500bn/ \$ 54,376m
Shares Outstanding	605m
3M Avg. Daily Value	Rs.9161.22m

### Shareholding Pattern (%)

Promoter's	-
Foreign	-
Domestic Institution	-
Public & Others	-
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(2.7)	5.7	(4.2)
Relative	(1.8)	1.8	(0.9)

### Akshay Ashok

akshayashok@plindia.com | 91-22-66322245

## Business Momentum Maintained, Best in Class Asset Quality

### Quick Pointers:

- Gross NPA at 1.17% vs 1.25% (Q1FY23); NIM at 13.25% vs 13.23%(Q1FY23)

**BAF's Q2FY23 earnings were in line with our estimates (PAT at Rs27.8bn vs PLe: Rs28.7bn), led by robust NII traction due to strong AUM growth. Strong business momentum continued (loans grew 31% YoY/7% QoQ to Rs2183bn), funding costs CoF marginally increased to 6.91% in Q1FY23 vs 6.64% in Q1FY23 with improvement in asset quality (Gross NPA down to 1.17% from 1.25% in Q1FY23.NIM improved to 13.25% in Q1'23 vs 13.23% in Q1'23 as yields on advances improved to 18.9% in Q2'23 from 18.5% in Q1'23 mainly due to good QoQ AUM growth of 8% in consumer and SME lending. Company has stated that they are on track to go fully digital across all products and services on web by March 2023.**

**Given deep investments required to create Omni channel strategy (geo-expansion, app platform, web platform), BAF expects Opex-to-NII remain in the range of 35% - 36% in FY23 down from the earlier guidance of 36%-37%. Incorporating higher cost of funds into our estimates, our FY24 EPS stand marginally lower by 0.3% as company should be able to navigate rising cost of funds by passing on rate hikes to borrowers. Being valued as a profitable fintech lender, we value BAF at multiple of 8.4x Sep'24E ABV with TP maintained at Rs 8,953. Maintain BUY.**

- Improvement in asset quality:** BAF's asset quality exhibited improvement during Q2FY23 with (1) Decline in auto finance NPAs (GNPA % at 8.01% vs 10.15% (Q1FY23)) (2) ECL Stage 3 provs at 7.3bn vs Rs 7.5bn (Q1FY23) (3) largely stable PCR at 62% vs 60% (Q1FY23). With Covid behind us, we estimate credit costs at 2%/<2% and closer to 2% GNPA's over FY22-24.
- Healthy core performance; AUMs poised for 27% CAGR between FY22-24:** For Q2FY23, BAF has reported second highest ever customer franchise addition in a quarter only falling marginally short of Q1'23 customer addition by adding 2.61Mn customers and showing customer franchise growth of 4.3%QoQ to 62.9mn and AUMs at Rs2183bn with growth of 7%QoQ/31%YoY. On QoQ basis, AUM growth was driven by Consumer B2C business (8%+), Rural B2C (4%+) .SME business rose strongly 8%QoQ bettering the 6%QoQ growth shown in Q1'23. Geographic expansion into newer states of improving to high GDP (North, east: UP, Bihar), launch of insurance, investment marketplace and reward management system BAF is likely to maintain healthy growth traction ahead. Against this backdrop, we expect 27% AUM CAGR over FY22-24E.
- Rapid business amelioration through omni channel framework:** BAF is seeing healthy traction of its omni channel strategy, In Q2'23, the Company booked 664K(522K in Q1'23) new EMI card customers digitally. Cards In Force (CIF) of EMI cards acquired digitally now stand at 2.6 MM. In Q2'23, CIF delivered 269K(227K in Q1'23) loans. The Company booked 562K new loans from B2B marketplace as against 645K new loans in Q1 FY23.

**Exhibit 1: Q2FY23 – Strong AUM growth; robust NII growth and strong NIM's**

PAT at Rs 27.8bn increases by 7.1%QoQ/88%YoY below our ests [PLe of Rs28.7bn] on account of lower than expected other income.

NII growth stood strong with 5.0%QoQ/29.1%YoY growth at Rs55.3bn in line with our estimates [ PLe of Rs55.7bn] supported by healthy growth in AUM that grew 31% YoY/7% QoQ to Rs2,183bn [ PLe of Rs2,183bn]. NIM for Q2'23 at 13.25% vs 13.23% in Q1'23 and 13.10% in Q2'22

Operating expenses grew 5.6%QoQ and 24% YoY to Rs25.1bn [ PLe of Rs26.1bn]

PPoP aided by healthy NII grew 5.4%QoQ/35.8% YoY to Rs44.8bn [ PLe of Rs46.0bn]

Loan losses and provisions for Q2 FY23 stood at Rs7.3bn decreasing 2.7%QoQ and 43%YoY as collections have shown improvement [PLe: Rs7.6bn]

Asset quality improved QoQ as Gross NPA and Net NPA as of 30 Sep'22 stood at 1.17% and 0.44% respectively, as against 1.25% and .51% as of 30 June'22.

Y/e March (Rs mn)	Q2FY23	Q2FY22	YoY gr.	Q1FY23	QoQ gr.
Interest Income	85,090	66,883	27.2%	79,209	7.4%
Interest Expenses	29,714	23,976	23.9%	26,451	12.3%
<b>Net Interest Income</b>	<b>55,376</b>	<b>42,908</b>	<b>29.1%</b>	<b>52,758</b>	<b>5.0%</b>
Other Income	14,637	10,466	39.9%	13,636	7.3%
Total Income	<b>70,013</b>	<b>53,373</b>	<b>31.2%</b>	<b>66,394</b>	<b>5.4%</b>
Total Operating Expenses	25,148	20,325	23.7%	23,819	5.6%
<b>Operating Profit (PPP)</b>	<b>44,865</b>	<b>33,048</b>	<b>35.8%</b>	<b>42,575</b>	<b>5.4%</b>
Provisions & Write Offs	7,342	13,003	-43.5%	7,547	-2.7%
<b>PBT</b>	<b>37,523</b>	<b>20,045</b>	<b>87.2%</b>	<b>35,028</b>	<b>7.1%</b>
Tax Expense	9,716	5,234	85.6%	9,065	7.2%
<b>Reported Profit</b>	<b>27,807</b>	<b>14,810</b>	<b>87.8%</b>	<b>25,963</b>	<b>7.1%</b>
<b>Asset Quality</b>					
Gross NPAs (Rs mn)	25,390	40,900	-37.9%	25,390	0.0%
Net NPAs (Rs mn)	10,170	18,363	-44.6%	10,170	0.0%
Gross NPA (%)	1.17%	2.45%	-1.3%	1.25%	-0.1%
Net NPA (%)	0.44%	1.10%	-0.7%	0.51%	-0.1%
NIM %	13.25%	13.10%	0.2%	13.23%	0.0%
ROE %	23.68%	15.47%	8.2%	23.07%	0.6%
ROA %	<b>2.65%</b>	<b>1.75%</b>	0.9%	3.35%	-0.7%
<b>AUM (Rs mn)</b>					
Consumer Lending	7,66,014	5,96,818	28.3%	7,09,273	8.0%
SME Lending	8,89,696	6,79,376	31.0%	8,23,793	8.0%
Commercial Lending	3,05,838	2,26,836	34.8%	2,94,075	4.0%
Rural Lending	2,21,562	1,66,340	33.2%	2,13,040	4.0%
<b>Total</b>	<b>21,83,660</b>	<b>16,69,370</b>	<b>30.8%</b>	<b>20,40,180</b>	<b>7.0%</b>
<b>AUM mix (%)</b>					
Consumer Lending	35%	36%	-1%	35%	0.3%
SME Lending	41%	41%	0.0%	40%	0.4%
Commercial Lending	14%	14%	0.4%	14%	-0.4%
Rural Lending	10%	10%	0.2%	10%	-0.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>0.0%</b>	<b>100%</b>	<b>0.0%</b>

Source: Company, PL

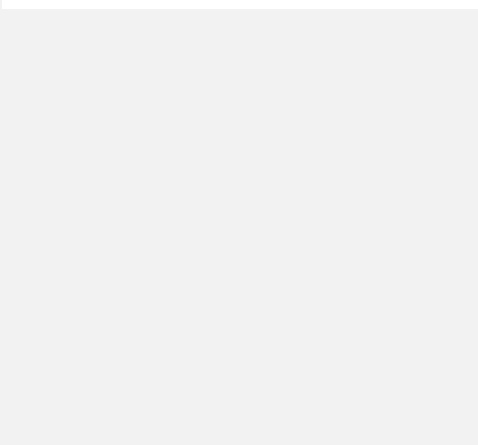
## Key Conference Call Highlights

- **Business Performance:** Another strong quarter with secular growth across all segments except auto finance business which is expected to show positive growth by Q4FY23. Company added 2.61 MN customers in the quarter
- **Asset Quality:** Asset quality has bettered pre-covid levels except for Auto Finance business which is expected to normalise in coming quarters. Mgt expects quarterly avg. credit costs to be in the range of Rs.750-825 crores
- **Digital Platform:** Phase 2 of the omni presence strategy is on track and will be completed by FY23. Once live, web and app platform will altogether offer 66 different products. Digital app platform has 26.6 MM net users as of 30 September 2022.
- **OPEX TO NII:** Opex to NII in Q2'FY23 was 35.9% and will remain high for next few quarters due to digital platform rollout. Post that, opex to NII guidance range is around 32-33%.
- **Gold Loans:** In terms of gold loan infrastructure, company intends to invest more in the next 9-12 months and open dedicated gold loan branches.
- **Competition Intensity:** Competition intensity continues to remain elevated with emergence of new competitors. Management reiterated its aim to protect margins.
- **Cost of funds:** Company expects deposits to touch Rs.50,000crs by the end of FY23. The Company is on track to deliver its long-term goal of 25% of consolidated borrowings from deposits in the medium term
- **FY23 Guidance:** The company has raised its guidance to add 10-11 MN new customers against 9-10 MN. Omni presence strategy will be key to increasing capabilities in customer acquisition and cross sell opportunities.

**Exhibit 2: Core business trends strong**

AUM (Rs mn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Consumer B2B -Auto Finance Business</b>	<b>1,26,870</b>	<b>1,27,070</b>	<b>1,21,120</b>	<b>1,13,470</b>	<b>1,07,380</b>	<b>1,06,200</b>	<b>1,01,940</b>	<b>99,620</b>	<b>1,01,600</b>
YoY gr.	7%	-4%	-7%	-11%	-15%	-16%	-16%	-12%	-5%
QoQ gr.	-1%	0%	-5%	-6%	-5%	-1%	-4%	-2%	2%
AUM % mix	9%	9%	8%	7%	6%	6%	5%	5%	5%
<b>Consumer B2B - Sales Finance Businesses</b>	<b>79,180</b>	<b>1,01,860</b>	<b>1,15,260</b>	<b>1,11,750</b>	<b>1,25,550</b>	<b>1,49,200</b>	<b>1,49,770</b>	<b>1,64,750</b>	<b>1,62,590</b>
YoY gr.	-44%	-26%	-17%	21%	59%	46%	30%	47%	30%
QoQ gr.	-14%	29%	13%	-3%	12%	19%	0%	10%	-1%
AUM % mix	6%	7%	8%	7%	8%	8%	8%	8%	7%
<b>Consumer B2C Businesses</b>	<b>2,82,620</b>	<b>2,90,420</b>	<b>3,04,500</b>	<b>3,13,990</b>	<b>3,36,790</b>	<b>3,63,440</b>	<b>3,87,720</b>	<b>4,12,070</b>	<b>4,40,720</b>
YoY gr.	14%	8%	4%	7%	19%	25%	27%	31%	31%
QoQ gr.	-3%	3%	5%	3%	7%	8%	7%	6%	7%
AUM % mix	21%	20%	20%	20%	20%	20%	20%	20%	20%
<b>Rural B2B Business</b>	<b>18,080</b>	<b>24,380</b>	<b>28,830</b>	<b>29,140</b>	<b>32,580</b>	<b>39,930</b>	<b>41,290</b>	<b>45,640</b>	<b>43,290</b>
YoY gr.	-19%	-10%	8%	39%	80%	64%	43%	57%	33%
QoQ gr.	-13%	35%	18%	1%	12%	23%	3%	11%	-5%
AUM % mix	1%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Rural B2C Business</b>	<b>1,02,910</b>	<b>1,09,540</b>	<b>1,18,220</b>	<b>1,25,370</b>	<b>1,33,760</b>	<b>1,43,110</b>	<b>1,53,010</b>	<b>1,67,400</b>	<b>1,79,080</b>
YoY gr.	15%	10%	11%	22%	30%	31%	29%	34%	34%
QoQ gr.	0%	6%	8%	6%	7%	7%	7%	9%	7%
AUM % mix	8%	8%	8%	8%	8%	8%	8%	8%	8%
<b>SME Business</b>	<b>1,82,530</b>	<b>1,88,820</b>	<b>2,02,170</b>	<b>2,03,350</b>	<b>2,18,710</b>	<b>2,31,530</b>	<b>2,49,790</b>	<b>2,65,640</b>	<b>2,88,810</b>
YoY gr.	2%	1%	4%	11%	20%	23%	24%	31%	32%
QoQ gr.	0%	3%	7%	1%	8%	6%	8%	6%	9%
AUM % mix	13%	13%	13%	13%	13%	13%	13%	13%	13%
<b>Securities Lending Business</b>	<b>53,270</b>	<b>50,740</b>	<b>60,540</b>	<b>62,900</b>	<b>72,930</b>	<b>91,270</b>	<b>1,59,010</b>	<b>1,08,010</b>	<b>1,21,820</b>
YoY gr.	-26%	-22%	26%	59%	37%	80%	163%	72%	67%
QoQ gr.	35%	-5%	19%	4%	16%	25%	74%	-32%	13%
AUM % mix	4%	4%	4%	4%	4%	5%	8%	5%	6%
<b>Commercial Lending Business</b>	<b>65,550</b>	<b>75,100</b>	<b>82,930</b>	<b>90,110</b>	<b>98,010</b>	<b>1,04,780</b>	<b>1,14,980</b>	<b>1,20,400</b>	<b>1,33,780</b>
YoY gr.	5%	15%	29%	48%	50%	40%	39%	34%	36%
QoQ gr.	8%	15%	10%	9%	9%	7%	10%	5%	11%
AUM % mix	5%	5%	5%	6%	6%	6%	6%	6%	6%
<b>Mortgages</b>	<b>4,59,890</b>	<b>4,67,580</b>	<b>4,95,920</b>	<b>5,11,070</b>	<b>5,41,960</b>	<b>5,83,040</b>	<b>6,17,010</b>	<b>6,56,650</b>	<b>7,10,920</b>
YoY gr.	14%	6%	7%	11%	18%	25%	24%	28%	31%
QoQ gr.	0%	2%	6%	3%	6%	8%	6%	6%	8%
AUM % mix	34%	33%	32%	32%	32%	32%	31%	32%	33%
<b>Overall AUMs</b>				<b>29,420</b>	<b>1,700</b>	-	-	-	<b>1,050</b>
YoY gr.	<b>13,70,900</b>	<b>14,35,510</b>	<b>15,29,490</b>	<b>15,90,570</b>	<b>16,69,370</b>	<b>18,12,500</b>	<b>19,74,520</b>	<b>20,40,180</b>	<b>21,83,660</b>
QoQ gr.	2%	1%	4%	15%	22%	26%	29%	28%	31%

Source: Company, PL



**Exhibit 3: Second highest ever customer franchise addition in a quarter**

Key Data Metrics	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Total Customer Franchise</b>	<b>44.11</b>	<b>46.31</b>	<b>48.57</b>	<b>50.45</b>	<b>52.80</b>	<b>55.36</b>	<b>57.57</b>	<b>60.30</b>	<b>62.91</b>
YoY gr.	14%	15%	14%	18%	20%	20%	19%	20%	19%
QoQ gr.	4%	5%	5%	4%	5%	5%	4%	5%	4%
<b>Total Cross sell Franchise</b>	<b>23.87</b>	<b>25.25</b>	<b>26.89</b>	<b>27.43</b>	<b>29.37</b>	<b>31.26</b>	<b>32.77</b>	<b>34.66</b>	<b>36.39</b>
YoY gr.	5%	8%	11%	14%	23%	24%	22%	26%	24%
QoQ gr.	-1%	6%	6%	2%	7%	6%	5%	6%	5%
<b>New to BAF Customers (Nos)</b>	<b>12,18,724</b>	<b>21,92,461</b>	<b>22,60,681</b>	<b>18,80,000</b>	<b>23,50,000</b>	<b>23,60,000</b>	<b>22,10,000</b>	<b>27,30,000</b>	<b>62,43,626</b>
YoY gr.	-37%	-11%	19%	253%	93%	8%	-2%	45%	166%
QoQ gr.	129%	80%	3%	-17%	25%	0%	-6%	24%	129%
<b>Credit Card - CIF</b>	<b>18,70,000</b>	<b>19,00,000</b>	<b>20,50,000</b>	<b>21,30,000</b>	<b>21,90,000</b>	<b>25,90,000</b>	<b>27,50,000</b>	<b>29,60,000</b>	<b>31,50,000</b>
YoY gr.	25%	14%	11%	18%	17%	36%	34%	39%	44%
QoQ gr.	4%	2%	8%	4%	3%	18%	6%	8%	6%
<b>EMI Card - CIF in Mn</b>	<b>20.6</b>	<b>23.5</b>	<b>23.77</b>	<b>24.1</b>	<b>25.7</b>	<b>27.5</b>	<b>30</b>	<b>32.8</b>	<b>34.4</b>
YoY gr.	3%	15%	8%	12%	25%	17%	26%	36%	34%
QoQ gr.	-4%	14%	1%	1%	7%	7%	9%	9%	5%
<b>Wallets</b>	<b>16.8</b>	<b>18.3</b>	<b>19.8</b>	<b>20.9</b>	<b>21.3</b>	<b>21.8</b>	<b>22.07</b>	<b>22.3</b>	<b>26.6</b>
YoY gr.	42%	36%	30%	33%	27%	19%	11%	7%	25%
QoQ gr.	7%	9%	8%	6%	2%	2%	1%	1%	19%

Source: Company, PL

**Exhibit 4: Healthy liability management with largely stable mix, deposit growth momentum start**

Liability profile	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Overall Borrowings (rs mn)</b>	<b>12,49,000</b>	<b>12,41,620</b>	<b>13,16,450</b>	<b>13,32,980</b>	<b>14,50,200</b>	<b>15,40,410</b>	<b>16,52,320</b>	<b>17,20,970</b>	<b>18,32,730</b>
YoY gr.	28.0%	10.8%	1.4%	10.1%	16.1%	24.1%	25.5%	29.1%	26.4%
QoQ gr.	3.1%	-0.6%	6.0%	1.3%	8.8%	6.2%	7.3%	4.2%	6.5%
<b>Borrowings mix (%)</b>									
Banks	28.0%	26.0%	22.0%	30.0%	29.0%	29.0%	28.0%	31.0%	31.0%
NCDs	35.0%	35.0%	34.0%	36.0%	37.0%	38.0%	40.0%	37.0%	37.0%
Tier 2 Debt	4.0%	4.0%	4.0%	3.0%	3.0%	2.0%	2.0%	3.0%	3.0%
FD	22.0%	24.0%	26.0%	21.0%	20.0%	20.0%	19.0%	20.0%	22.0%
Short term borrowings (CP, CBLO, ECB)	11.0%	11.0%	11.0%	10.0%	11.0%	11.0%	11.0%	9.0%	7.0%

Source: Company, PL

**Exhibit 5: Opex to NII to remain in 35-36% range on increased investment in technology**

BAF CONSOLIDATED Key Metrics/Ratio Analysis	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Total Opex to Net Interest Income</b>	<b>27.8%</b>	<b>32.3%</b>	<b>35.3%</b>	<b>30.6%</b>	<b>38.1%</b>	<b>34.7%</b>	<b>34.6%</b>	<b>35.9%</b>	<b>35.9%</b>
YoY increase in bps	-680	-150	430	270	1030	240	-70	530	-220
QoQ increase in bps	-10	450	300	-470	750	-340	-10	130	0
<b>Loan loss to AUM*</b>	<b>1.3%</b>	<b>1.0%</b>	<b>1.1%</b>	<b>1.2%</b>	<b>0.8%</b>	<b>0.6%</b>	<b>0.4%</b>	<b>0.1%</b>	<b>0.4%</b>
YoY increase in bps	83	39	-30	-6	-46	-37	-71	-111	-47.25
QoQ increase in bps	6	-29	9	8	-34	-20	-25	-32	29.75
<b>Return on Average Assets</b>	<b>2.8%</b>	<b>3.6%</b>	<b>4.4%</b>	<b>2.8%</b>	<b>3.6%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.3%</b>	<b>5.4%</b>
YoY increase in bps	-200	-120	160	0	80	160	80	253	181
QoQ increase in bps	0	80	80	-160	80	160	0	13	8
<b>Return on Average Equity</b>	<b>11.6%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>10.8%</b>	<b>15.2%</b>	<b>21.2%</b>	<b>22.8%</b>	<b>23.1%</b>	<b>23.6%</b>
YoY increase in bps	-1640	-1040	160	-80	360	800	960	1227	840
QoQ increase in bps	0	160	0	-240	440	600	160	27	53

Source: Company, PL

**Exhibit 6: Asset quality improvement seen across board**

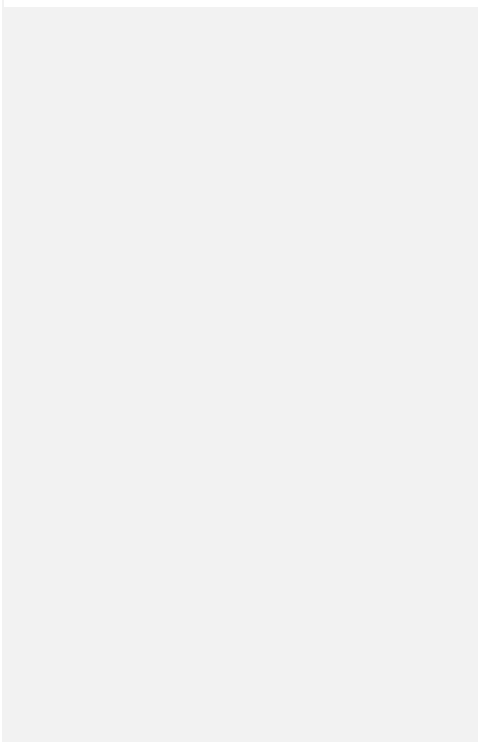
BAF CONSOLIDATED ASSET QUALITY PROFILE	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>GNPA (Rs mn)</b>									
<b>Auto Finance Business</b>	<b>6,310</b>	<b>16,170</b>	<b>12,270</b>	<b>24,260</b>	<b>19,190</b>	<b>13,040</b>	<b>12,380</b>	<b>11,100</b>	<b>8,780</b>
YoY gr.	-10%	103%	35%	195%	204%	-19%	1%	-54%	-54%
QoQ gr.	-23%	156%	-24%	98%	-21%	-32%	-5%	-10%	-21%
<b>Sale Finance Business</b>	<b>310</b>	<b>2,650</b>	<b>1,450</b>	<b>1,330</b>	<b>910</b>	<b>450</b>	<b>4,320</b>	<b>530</b>	<b>880</b>
YoY gr.	-84%	70%	-24%	22%	194%	-83%	198%	-60%	-3%
QoQ gr.	-72%	755%	-45%	-8%	-32%	-51%	860%	-88%	66%
<b>Consumer B2C Business</b>	<b>2,410</b>	<b>9,820</b>	<b>5,000</b>	<b>8,960</b>	<b>7,090</b>	<b>4,790</b>	<b>3,610</b>	<b>3,350</b>	<b>4,030</b>
YoY gr.	-42%	141%	-4%	135%	194%	-51%	-28%	-63%	-43%
QoQ gr.	-37%	307%	-49%	79%	-21%	-32%	-25%	-7%	20%
<b>Rural B2B Business</b>	<b>30</b>	<b>520</b>	<b>330</b>	<b>400</b>	<b>360</b>	<b>100</b>	<b>70</b>	<b>100</b>	<b>240</b>
YoY gr.	-89%	206%	120%	400%	1100%	-81%	-79%	-75%	-33%
QoQ gr.	-63%	1633%	-37%	21%	-10%	-72%	-30%	43%	140%
<b>Rural B2C Business</b>	<b>950</b>	<b>4,160</b>	<b>2,010</b>	<b>3,720</b>	<b>4,290</b>	<b>3,760</b>	<b>1,870</b>	<b>1,740</b>	<b>2,270</b>
YoY gr.	-27%	204%	20%	170%	352%	-10%	-7%	-53%	-47%
QoQ gr.	-31%	338%	-52%	85%	15%	-12%	-50%	-7%	30%
<b>SME Business</b>	<b>2,070</b>	<b>4,520</b>	<b>2,040</b>	<b>4,520</b>	<b>3,790</b>	<b>3,290</b>	<b>3,640</b>	<b>3,590</b>	<b>4,270</b>
YoY gr.	-24%	67%	-39%	62%	83%	-27%	78%	-21%	13%
QoQ gr.	-26%	118%	-55%	122%	-16%	-13%	11%	-1%	19%
<b>Securities Lending Business</b>					<b>20</b>	<b>50</b>	<b>20</b>	<b>20</b>	<b>20</b>
YoY gr.					-	-	-	-	-
QoQ gr.					-	-	-	-	-
<b>Commercial Lending Business</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440</b>	<b>440</b>	<b>440</b>	<b>360</b>	<b>360</b>
YoY gr.	-97%	-	-	-	-	-	-	-	-
QoQ gr.	-50%	-	-	-	-	-	-	-	-
<b>Mortgages</b>	<b>2,300</b>	<b>4,100</b>	<b>4,210</b>	<b>4,180</b>	<b>4,940</b>	<b>5,160</b>	<b>4,980</b>	<b>4,600</b>	<b>4,450</b>
YoY gr.	-47%	-22%	94%	110%	115%	26%	18%	10%	-10%
QoQ gr.	16%	78%	3%	-1%	18%	4%	-3%	-8%	-3%
<b>Overall GNPA</b>	<b>14,390</b>	<b>41,940</b>	<b>27,310</b>	<b>47,370</b>	<b>41,030</b>	<b>31,080</b>	<b>31,330</b>	<b>25,390</b>	<b>25,300</b>
YoY gr.	-35%	78%	16%	144%	185%	-26%	15%	-46%	-38%
QoQ gr.	-26%	191%	-35%	73%	-13%	-24%	1%	-19%	0%

Source: Company, PL

**Exhibit 7: QoQ reduction in GNPA across board**

GNPA (%)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Auto Finance Business</b>	<b>4.5%</b>	<b>11.5%</b>	<b>9.3%</b>	<b>19.2%</b>	<b>16.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>10.2%</b>	<b>8.0%</b>
YoY increase in bps	-112	586	284	1335	1155	-50	170	-900	-799
QoQ increase in bps	-135	709	-223	984	-315	-496	-3	-86	-214
<b>Sale Finance Business</b>	<b>0.3%</b>	<b>1.9%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>0.6%</b>	<b>0.3%</b>	<b>2.8%</b>	<b>0.3%</b>	<b>0.5%</b>
YoY increase in bps	-78	99	-22	2	34	-161	170	-73	-11
QoQ increase in bps	-73	161	-80	-6	-41	-34	251	-249	21
<b>Consumer B2C Business</b>	<b>0.8%</b>	<b>3.3%</b>	<b>1.7%</b>	<b>2.8%</b>	<b>2.1%</b>	<b>1.3%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>0.9%</b>
YoY increase in bps	-69	200	8	148	131	-201	-75	-201	-118
QoQ increase in bps	-56	254	-164	114	-73	-78	-38	-12	10
<b>Rural B2B Business</b>	<b>0.1%</b>	<b>2.1%</b>	<b>1.1%</b>	<b>1.4%</b>	<b>1.1%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.5%</b>
YoY increase in bps	-101	149	55	119	95	-184	-94	-114	-55
QoQ increase in bps	-2	194	-98	25	-26	-85	-8	5	33
<b>Rural B2C Business</b>	<b>0.9%</b>	<b>3.6%</b>	<b>1.7%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>2.6%</b>	<b>2.0%</b>	<b>1.0%</b>	<b>1.2%</b>
YoY increase in bps	-53	231	12	155	221	-109	31	-184	-186
QoQ increase in bps	-42	276	-199	120	24	-54	-59	-18.5	22
<b>SME Business</b>	<b>1.1%</b>	<b>2.3%</b>	<b>0.9%</b>	<b>2.2%</b>	<b>1.7%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.3%</b>	<b>1.5%</b>
YoY increase in bps	-41	92	-76	126	61	-94	49	-82	-24
QoQ increase in bps	19	125	-139	121	-46	-30	4	-10	12
<b>Securities Lending Business</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>1.0%</b>	<b>0.0%</b>	<b>0.0%</b>
YoY increase in bps	0	0	0	0	2	6	100	2	0
QoQ increase in bps	0	0	0	0	2	4	94	1	0
<b>Commercial Lending Business</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>38.0%</b>	<b>0.3%</b>	<b>0.3%</b>
YoY increase in bps	-56	-58	-3	-4	43	40	3800	29	-18
QoQ increase in bps	-2	0	-2	0	45	-3	3758	-9	-2
<b>Mortgages</b>	<b>0.6%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>0.7%</b>	<b>0.7%</b>
YoY increase in bps	-64	-41	39	19	41	0	-6	-14	-32
QoQ increase in bps	-13	39	-3	-4	9	-2	-9	-12	-9
<b>Overall GNPA</b>	<b>1.0%</b>	<b>2.9%</b>	<b>1.8%</b>	<b>3.0%</b>	<b>2.5%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.3%</b>	<b>1.2%</b>
YoY increase in bps	-58	125	18	156	142	-113	-19	-171	-128
QoQ increase in bps	-37	183	-107	117	-51	-72	-13	-35	-8

Source: Company, PL



**Exhibit 8: BHFL Asset quality among best in the industry**

BHFL Key Metrics/Ratio Analysis	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>NII (Rs mn)</b>	<b>2,480</b>	<b>3,920</b>	<b>3,690</b>	<b>3,350</b>	<b>3,960</b>	<b>4,290</b>	<b>4,520</b>	<b>5,940</b>	<b>5,900</b>
YoY gr.	-6%	38%	30%	38%	60%	9%	22%	77%	49%
QoQ gr.	2%	58%	-6%	-9%	18%	8%	5%	31%	-1%
<b>PAT (Rs mn)</b>	<b>830</b>	<b>1,990</b>	<b>1,790</b>	<b>1,610</b>	<b>1,660</b>	<b>1,850</b>	<b>1,980</b>	<b>3,160</b>	<b>3,060</b>
YoY gr.	-36%	52%	97%	75%	100%	-7%	11%	96%	84%
QoQ gr.	-10%	140%	-10%	-10%	3%	11%	7%	60%	-3%
<b>Total Opex to Net Interest Income</b>	<b>28%</b>	<b>26%</b>	<b>27%</b>	<b>27%</b>	<b>28%</b>	<b>29%</b>	<b>33%</b>	<b>33%</b>	<b>25%</b>
YoY increase in bps	-510	-730	120	-330	-40	230	590	530	-310
QoQ increase in bps	-230	-180	20	60	60	90	380	0	-780
<b>Loan loss to AUM</b>	<b>0.2%</b>	<b>0.4%</b>	<b>0.1%</b>	<b>7.0%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.2%</b>
YoY increase in bps	17	30	-24	684	-7	-22	-1	-694	7
QoQ increase in bps	7	13	-27	691	-684	-2	-6	-2	17
<b>RoE</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.7%</b>	<b>0.6%</b>
YoY increase in bps	-30	-20	-60	-70	10	10	-20	15.5	18
QoQ increase in bps	-90	0	30	-10	-10	0	0	25.5	-7
<b>RoA</b>	<b>1.5%</b>	<b>1.7%</b>	<b>3.0%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.9%</b>	<b>3.0%</b>	<b>3.9%</b>	<b>3.2%</b>
YoY increase in bps	-190	-160	-460	-380	110	120	0	127.75	55
QoQ increase in bps	-490	20	130	-40	0	30	10	87.75	-73

Source: Company, PL

**Exhibit 9: Trend in Cards in force Steady in Q2'23**

Particulars	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Credit Card - CIF</b>	<b>18,70,000</b>	<b>19,00,000</b>	<b>20,50,000</b>	<b>21,30,000</b>	<b>21,90,000</b>	<b>25,90,000</b>	<b>27,50,000</b>	<b>29,60,000</b>	<b>31,50,000</b>
QoQ gr.	4.0%	1.6%	7.9%	3.9%	2.8%	18.3%	6.2%	7.6%	6.4%
<b>EMI Card - CIF in Mn</b>	<b>21</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>26</b>	<b>28</b>	<b>30</b>	<b>33</b>	<b>34</b>
QoQ gr.	-4.2%	14.1%	1.1%	1.4%	6.6%	7.0%	9.1%	9.3%	4.9%

Source: Company, PL



**Exhibit 10: Stage 1 and 2 across business segments back to pre-covid levels**

Credit Quality- Portfolio Composition	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Consumer Durable</b>									
Bucket 0	92.10%	98.92%	99.52%	99.05%	99.58%	99.72%	97.89%	99.66%	99.63%
30+	7.80%	0.78%	0.25%	0.69%	0.27%	0.22%	0.25%	0.30%	0.30%
<b>2W &amp; 3W</b>									
Bucket 0	72.62%	76.15%	78.02%	71.14%	77.76%	82.86%	85.19%	86.02%	89.34%
30+	25.19%	17.59%	17.37%	16.35%	12.67%	11.01%	8.74%	8.41%	6.34%
<b>Lifestyle</b>									
Bucket 0	-	-	-	-	-	-	-	-	-
30+	-	-	-	-	-	-	-	-	-
<b>Digital Products</b>									
Bucket 0	98.78%	99.27%	98.71%	98.71%	99.56%	99.74%	99.66%	99.46%	99.49%
30+	0.88%	0.34%	0.95%	0.95%	0.27%	0.20%	0.30%	0.48%	0.40%
<b>Personal Loans cross sells</b>									
Bucket 0	-	-	-	-	-	-	-	-	-
30+	-	-	-	-	-	-	-	-	-
<b>Salaried Personal Loans</b>									
Bucket 0	-	-	-	-	-	-	-	-	-
30+	-	-	-	-	-	-	-	-	-
<b>Business &amp; professional</b>									
Bucket 0	93.43%	97.19%	98.50%	97.30%	98.51%	98.73%	98.93%	99.02%	99.06%
30+	6.10%	1.92%	1.18%	1.97%	1.04%	0.90%	0.69%	0.63%	0.55%
<b>Loan against property</b>									
Bucket 0	96.93%	97.31%	98.47%	96.23%	97.15%	97.88%	98.56%	98.44%	98.62%
30+	2.36%	1.78%	0.50%	2.69%	1.76%	1.29%	0.79%	0.98%	0.86%
<b>Home loans</b>									
Bucket 0	98.31%	98.67%	99.56%	98.31%	99.05%	99.07%	99.45%	99.37%	99.41%
30+	1.40%	1.03%	0.24%	1.36%	0.69%	0.62%	0.28%	0.42%	0.41%
<b>Rural lending B2B</b>									
Bucket 0	92.84%	99.21%	99.75%	98.89%	99.60%	99.82%	99.79%	99.73%	99.64%
30+	7.11%	0.52%	0.10%	0.80%	0.18%	0.14%	0.18%	0.24%	0.28%
<b>Rural lending B2C</b>									
Bucket 0	90.94%	94.75%	97.67%	95.47%	94.49%	95.83%	97.79%	98.05%	97.94%
30+	8.29%	3.44%	1.83%	3.59%	4.19%	2.73%	1.83%	1.65%	1.70%

Source: Company, PL

**Exhibit 11: EPS estimates of FY23 slightly increased as NII estimates increased upwards on strong growth, TP maintained with BUY call**

(Rs mn)	Old		Revised		Change in Estimates	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Net Interest Income	2,81,373	3,38,266	2,80,630	3,37,817	-0.3%	-0.1%
Operating Profit	1,72,837	2,23,690	1,75,522	2,23,080	1.6%	-0.3%
PAT	88,352	1,31,136	90,360	1,30,681	2.3%	-0.3%
EPS (Rs)	146.9	218.0	150.2	217.2	2.3%	-0.3%
<b>Price Target (Rs)</b>	<b>8,953</b>		<b>8,953</b>		<b>-</b>	
<b>Reco</b>	<b>BUY</b>		<b>BUY</b>			

Source: PL

**Exhibit 12: Target price maintained at Rs8,953**

PT calculation and upside	
Fair price - EVA	7,104
Fair price - P/ABV	10,802
<b>Average of the two</b>	<b>8,953</b>
<b>Target P/ABV</b>	<b>8.4</b>
<b>Target P/E</b>	<b>35.2</b>
Current price, Rs	7380
<b>Upside (%)</b>	<b>21%</b>
Dividend yield (%)	1%
<b>Total return (%)</b>	<b>22%</b>

Source: PL

**Income Statement (Rs. m)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
Int. Inc. / Opt. Inc.	3,16,324	3,98,568	4,78,282	5,73,939
Interest Expenses	97,482	1,17,938	1,40,465	1,93,143
<b>Net interest income</b>	<b>2,18,842</b>	<b>2,80,630</b>	<b>3,37,817</b>	<b>3,80,796</b>
Growth(%)	26.8	28.2	20.4	12.7
Non-interest income	80	1,950	4,540	5,694
Growth(%)	(46.6)	2,340.1	132.9	25.4
Net operating income	2,18,922	2,82,580	3,42,357	3,86,490
<b>Expenditures</b>				
Employees	35,897	52,866	55,675	78,421
Other Expenses	36,108	49,077	56,801	44,133
Depreciation	3,846	5,115	6,802	8,651
Operating Expenses	75,850	1,07,058	1,19,277	1,31,205
<b>PPP</b>	<b>1,43,072</b>	<b>1,75,522</b>	<b>2,23,080</b>	<b>2,55,285</b>
Growth(%)	19.6	22.7	27.1	14.4
Provisions	48,034	54,907	41,051	41,051
<b>Profit Before Tax</b>	<b>95,038</b>	<b>1,20,615</b>	<b>1,82,028</b>	<b>2,14,233</b>
Tax	24,756	30,256	51,347	72,795
Effective Tax rate(%)	26.0	25.1	28.2	34.0
<b>PAT</b>	<b>70,282</b>	<b>90,360</b>	<b>1,30,681</b>	<b>1,41,439</b>
Growth(%)	59.0	28.6	44.6	8.2

**Balance Sheet (Rs. m)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Source of funds</b>				
Equity	1,203	1,203	1,203	1,203
Reserves and Surplus	4,35,920	5,09,411	6,58,852	8,72,080
Networth	4,37,124	5,10,615	6,60,055	8,73,283
Growth (%)	18.4	16.8	29.3	32.3
Loan funds	16,67,432	17,42,678	20,86,419	26,28,570
Growth (%)	26.7	4.5	19.7	26.0
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	20,497	3,08,990	4,85,916	1,62,484
<b>Total Liabilities</b>	<b>21,25,052</b>	<b>27,17,232</b>	<b>33,08,343</b>	<b>36,60,287</b>
<b>Application of funds</b>				
Net fixed assets	12,959	16,237	18,022	20,409
Advances	19,14,233	25,47,021	31,76,724	39,81,062
Growth (%)	30.5	33.1	24.7	25.3
Investments	1,22,455	98,107	1,02,074	1,27,666
Current Assets	36,803	24,042	21,864	39,429
<b>Net current assets</b>	<b>36,803</b>	<b>24,042</b>	<b>21,864</b>	<b>39,429</b>
Other Assets	38,603	31,292	(10,722)	(5,08,278)
<b>Total Assets</b>	<b>21,25,052</b>	<b>27,16,700</b>	<b>33,07,962</b>	<b>36,60,287</b>
Growth (%)	23.9	27.8	21.8	10.7
<b>Business Mix</b>				
AUM	19,74,520	25,08,569	31,76,724	39,81,062
Growth (%)	29.1	27.0	26.6	25.3
On Balance Sheet	-	-	-	-
% of AUM	-	-	-	-
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

**Profitability & Capital (%)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
NIM	11.4	11.6	11.2	11.4
ROAA	3.7	3.6	4.6	4.7
ROAE	17.4	18.6	23.0	-

Source: Company Data, PL Research

**Quarterly Financials (Rs. m)**

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Int. Inc. / Operating Inc.	72,623	73,659	79,209	85,090
Income from securitization	12,703	12,606	13,618	14,594
Interest Expenses	25,345	25,626	26,451	29,714
<b>Net Interest Income</b>	<b>59,980</b>	<b>60,640</b>	<b>66,376</b>	<b>69,970</b>
Growth (%)	39.7	30.3	47.9	31.1
Non-Interest Income	25	37	18	42
<b>Net Operating Income</b>	<b>60,005</b>	<b>60,677</b>	<b>66,394</b>	<b>70,013</b>
Growth (%)	39.7	30.2	47.9	31.2
Operating expenditure	19,848	19,962	22,705	23,939
<b>PPP</b>	<b>39,192</b>	<b>39,671</b>	<b>42,575</b>	<b>44,865</b>
Growth (%)	21.3	16.2	25.2	27.9
Provision	10,512	7,016	7,547	7,342
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	28,680	32,655	35,028	37,523
Tax	7,427	8,460	9,065	9,716
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	25.9	25.9	25.9	25.9
<b>PAT</b>	<b>21,253</b>	<b>24,195</b>	<b>25,963</b>	<b>27,807</b>
Growth	85	80	159	88
AUM	18,12,500	19,74,520	20,40,180	21,83,660
YoY growth (%)	26.3	29.1	28.3	30.8
Borrowing	14,25,587	14,70,201	-	-
YoY growth (%)	14.8	-	-	-

**Key Ratios**

Y/e Mar	FY22	FY23E	FY24E	FY25E
CMP (Rs)	7,432	7,432	7,432	7,432
EPS (Rs)	116.8	150.2	217.2	235.1
Book value (Rs)	726.6	848.8	1,097.2	1,463.0
Adj. BV(Rs)	712.1	819.0	1,061.8	1,407.3
P/E(x)	63.6	49.5	34.2	31.6
P/BV(x)	10.2	8.8	6.8	5.1
P/ABV(x)	10.4	9.1	7.0	5.3
DPS (Rs)	20.0	5.0	5.2	5.2
Dividend Payout Ratio(%)	0.0	0.0	-	-
Dividend Yield(%)	0.3	0.1	0.1	0.1

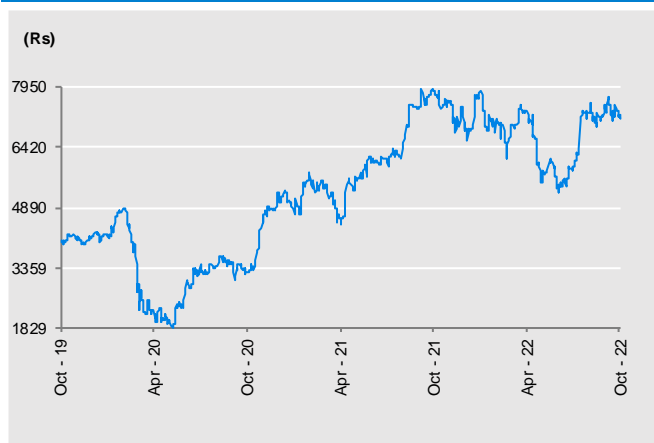
**Asset Quality**

Y/e Mar	FY22	FY23E	FY24E	FY25E
Gross NPAs(Rs m)	30,628	58,581	70,841	91,963
Net NPA(Rs m)	13,017	26,744	31,767	39,811
Gross NPAs to Gross Adv.(%)	1.6	2.3	2.2	2.3
Net NPAs to net Adv.(%)	0.7	1.1	1.0	1.0
NPA coverage(%)	57.5	54.3	55.2	56.7

**Du-Pont as a % of AUM**

Y/e Mar	FY22	FY23E	FY24E	FY25E
NII	11.4	11.6	11.2	11.3
NII INCL. Securitization	11.4	11.6	11.2	11.3
Total income	11.4	11.7	11.3	11.4
Operating Expenses	4.0	4.4	3.9	4.1
PPOP	7.5	7.3	7.4	7.3
Total Provisions	2.5	2.3	1.4	1.5
RoAA	3.7	3.6	4.6	4.7
Avg. Assets/Avg. net worth	4.8	5.1	5.2	4.6
RoAE	17.4	18.6	23.0	26.0

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	BUY	8,953	7,480
2	28-Jul-22	BUY	8,953	6,396
3	07-Jul-22	BUY	8,953	5,917
4	27-Apr-22	BUY	8,953	7,241
5	12-Apr-22	BUY	8,950	7,332
6	19-Jan-22	BUY	8,953	7,744
7	11-Jan-22	BUY	8,953	7,731
8	26-Oct-21	BUY	9,092	7,856

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	BUY	8,953	7,480
2	Cholamandalam Investment and Finance Company	BUY	792	736
3	L&T Finance Holdings	BUY	88	77
4	Mahindra & Mahindra Financial Services	Hold	200	201
5	Manappuram Finance	BUY	126	99
6	Muthoot Finance	BUY	1,431	1,042
7	SBI Cards and Payment Services	Accumulate	1,087	892
8	Shriram Transport Finance	BUY	1,521	1,196

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## ANALYST CERTIFICATION

### (Indian Clients)

We/I, Mr. Akshay Ashok- BTech, IT Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### (US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## DISCLAIMER

### Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Akshay Ashok- BTech, IT Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

[www.plindia.com](http://www.plindia.com)