

Jul-Sep'22 Earnings Preview

October 6, 2022

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
BAF IN	BUY	7,480	8,953
CIFC IN	BUY	736	792
LTFH IN	BUY	77	88
MGFL IN	BUY	99	126
MMFS IN	HOLD	201	200
MUTH IN	BUY	1,042	1,431
SBICARD IN	ACCUMULATE	892	1,087
SHTF IN	BUY	1,196	1,521

Source: PL

Exhibit 2: Change in Rating & TP

	Rating		TP (Rs)		% Chng.
	C	P	C	P	
BAF IN	BUY	BUY	8,953	8,953	0.0%
CIFC IN	BUY	BUY	792	792	0.0%
LTFH IN	BUY	BUY	88	88	0.0%
MGFL IN	BUY	BUY	126	126	0.0%
MMFS IN	HOLD	HOLD	200	200	0.0%
MUTH IN	BUY	BUY	1,431	1,431	0.0%
SBICARD IN	Acc	Acc	1,087	1,087	0.0%
SHTF IN	BUY	BUY	1,521	1,522	-0.1%

Source: PL

Acc=Accumulate / P=Previous / C=Current

Top Picks

BAF

CIFC

MGFL

Akshay Ashok

akshayashok@plindia.com | 91-22-66322245

Strong Loan Growth To Drive Earnings Across all NBFC's in Q2'23

We expect NBFCs under our coverage universe to report robust earnings, given strong AUM growth of ~4.19% QoQ led by strong vehicle financiers (CV upcycle) and gold financiers (gold AUM) performance. NBFCs should be able to slightly improve their QoQ margins by ~10.48% (vs 10.18% in Q1), given strong disbursements normalizing liquidity thereby negating rising cost of funds. However, with further REPO rate hikes (190bps rise already announced in May-October'22) margin pressures may come into play. Credit demand can also be affected if the rate hikes do not slow down. We expect better asset quality with pick-up in collections across board, now reaching at pre-covid levels for most companies. Credit costs should be flattish on QoQ basis and not see any negative surprise, in our view.

We expect vehicle financiers like SHTF and CIFC to maintain their momentum (as shown in the last quarter), given strong CV demand. BAF is expected to report a robust 7% QoQ AUM growth along with pristine asset quality, as their omni channel strategy is paying rich dividends towards customer acquisition. We draw comfort in players with strong parentage, market leadership, healthy capital and provision buffers. We rate Bajaj Finance (BAF), Cholamandalam Investment & Finance Corporation(CIF) and Manappuram Finance Ltd (MGFL) as our top picks in the NBFC space.

- Vehicle Financiers to have strong quarter on back of robust CV demand:**
CV sales for the months of July, August and September have been robust, primarily led by LCV segment. September month witnessed record monthly CV sales of 71,233 units. All segments of CV viz. LCV, MCV and HCV recorded growth of 12.24%, 16.43% and 23.11% respectively over Sept-19 (Pre covid month). HCV segment stands benefitted from strong demands in cement and steel sector in Q2. CV segment has been aided by lower supply side constraints, festive season and bulk fleet purchases.
- Gold Financiers to make strong comeback, valuations at attractive level:**
Muthoot Finance had a rough Q1'23, as its yields fell to lows of 17.3% resulting in NIM of 10.7%. At the same time Manappuram posted good set in Q1'23, with yields rebounding along with gold AUM growth of 1.5% QoQ. For Q2'23, we expect yields to have bottomed out, while both companies have already repriced their loans at a higher rate to support NIM's. Our channel checks indicate low competitive intensity, while new age disruptive players are forced to start hiking rates, given rise in opex costs and cost of funds. We expect Manappuram and Muthoot Finance's NIMs to rise to 13.2% and 11.4% respectively from 12.5% and 10.7% in Q1'23. Manappuram Finance has seen a steep correction and is 56% off its 52-week high price and trades at an attractive valuation of 0.8x/0.7x FY24/FY25 P/ABV. Muthoot Finance also trades at an attractive valuation of 1.8x/1.5x FY24/FY25 P/ABV. Both Manappuram and Muthoot are expected to show strong performances in the quarter.

- **Loans to record 4.19% QoQ AUM Growth:** Channel checks suggest that disbursements trend continues to remain robust with opening up of the economy. For our coverage universe, aggregate loans growth should be ~4.19% on QoQ basis. BAF with 7% QoQ growth followed by Chola mandalam Finance at 5% QoQ, will drive loan aggregates for the quarter, in our view.
- **Marginal improvement in NIMs, as companies reduce liquidity buffers:** With disbursements showing strong traction and lending rate rising at faster pace than the actual cost of funds along with lower liquidity, we see meaningful rise in NII across our coverage companies. Resultantly, we expect aggregate NIMs to show ~29bps improvement on QoQ basis. Manappuram followed by Muthoot Finance should witness highest sequential NIM expansion as their rates are now re-priced (with less competitive intensity).
- **Credit costs to remain stable; NPA's to reduce as collection efficiencies are back to pre-covid levels:** New RBI norms on NPA recognition and PCA framework guidelines have been implemented by all companies in our coverage universe expect Mahindra Finance (who will implement by October1). With collections efficiencies reaching pre-pandemic levels and provision buffers in place, the ultimate credit loss is likely to stand flat compared to previous quarter. Hence we expect aggregate credit costs to be flat on QoQ basis for our coverage universe. As far as gross NPAs are concerned, they are expected to fall ~86bps QoQ, with auto financiers reporting maximum QoQ improvement in asset quality. BAF is expected to report the best asset quality with GNPA of 1.1%.

Our Top Picks

With strong AUM growth, we expect Q2'23 to be strong for NBFCs across board. Although rate hikes at a faster pace can play spoilsport and affect credit demand, yet NBFCs aggregate earnings are expected to inch higher on QoQ basis for better loan growth. **We like BAF, CIBC and MGFL from coverage universe and rate them as top picks.**

BAF (BUY): As per the company's business update, AUM growth in Q2'23 was very strong at 7% QoQ (above our expectation of 6.5%). Customer franchise as of 30th Sept-22 was 62.9mn (+19.1% YoY/+4.3% QoQ). New customers for Q2'23 stood at 2.6mn (-0.3% QoQ). Both these parameters have continued to show strength and company has managed to maintain its run rate achieved in Q1'23. Deposit momentum was also extremely strong and showed a 15.5% QoQ growth, at a time when there was intense competition for deposits between Banks and NBFCs. The omni-channel platform will provide a fully-integrated, seamless experience for customers to navigate between online and offline channels in a smooth manner and enable BAF to be preferred interface for users. Increasing customer acquisition through its omni channel is crucial and the company has been successful in doing so. Bajaj Finance has seen good traction in the non-captive two wheeler financing business launched in July. **We recommend 'BUY' on BAF at TP of Rs 8,953 (TP unchanged)**

CIFC (BUY): CIFC is expected to post strong QoQ AUM growth of 5% on the back of strong M&LCV, used vehicles and consumer/SME loans. Truck utilization levels have improved and fuel prices stabilizing have led to increase in profitability for the operators. New business disbursements saw strong traction in Q1'23 and we expect it to continue in Q2'23. We can see margin improvement sequentially on the back of strong growth in higher yield portfolio. **Recommend 'BUY' at TP of Rs 792 (TP unchanged)**

MGFL (BUY): Manappuram Finance has seen a steep correction and is 56% off its 52-week high price and trades at an attractive valuation of 0.8x/0.7x FY24/FY25 P/ABV. Margins to see improvement as we expect yields to continue with their uptick and rise to 19.7% levels from 19.4% in Q1'23. Manappuram's microfinance business should also see improving performance with strong disbursements and asset quality. The benefits of new RBI norms for microfinance companies such as 'removal of pricing cap' should start flowing in. We believe the worst is over for Manappuram Finance and the company is now one amongst our top pick. **Recommend BUY at TP of Rs 126 (TP unchanged)**

Exhibit 3: Valuations – We believe MGFL is attractively valued at 0.7 FY25P/ABV and the worst seems to be over

Bloomberg Code	Rating	CMP (Rs)	TP (Rs)	PL Return (%)	EPS (Rs)				Adjusted Book Value (Rs.)				P/E (x)			
					FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
BAF IN	BUY	7,480	8,953	19.7%	116.8	146.9	218.0	235.3	712.1	817.6	1061.2	1406.9	64.0	50.9	34.3	31.8
CIFC IN	BUY	736	792	7.7%	26.2	32.5	37.7	41.9	118.2	150.5	188.0	218.0	28.1	22.6	19.5	17.6
LTFH IN	BUY	77	88	14.3%	3.4	5.7	8.1	8.8	74.5	79.2	87.0	95.4	22.4	13.5	9.5	8.8
MGFL IN	BUY	99	126	27.3%	15.8	19.0	21.5	22.6	93.7	102.4	120.2	148.7	6.3	5.2	4.6	4.4
MMFS IN	HOLD	201	200	-0.6%	8.0	12.3	13.1	14.8	96.9	102.4	114.0	125.2	25.0	16.3	15.3	13.6
MUTH IN	BUY	1,042	1,431	37.4%	98.5	91.4	100.1	107.6	439.9	508.6	584.8	707.2	10.6	11.4	10.4	9.7
SBICARD IN	ACCUMULATE	892	1,113	24.7%	17.1	28.2	35.4	39.5	79.7	104.3	132.2	139.0	52.1	31.6	25.2	22.6
SHTF IN	BUY	1,196	1,521	27.1%	103.4	125.2	159.1	171.5	964.6	1089.7	1248.8	1420.4	11.6	9.6	7.5	7.0

Bloomberg Code	Rating	CMP (Rs)	TP (Rs)	PL Return (%)	P/ABV (x)				ROAE %				ROAA (%)			
					FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
BAF IN	BUY	7,480	8,953	19.7%	10.5	9.1	7.0	5.3	17.4	18.4	23.0	26.0	3.7	3.6	4.6	4.7
CIFC IN	BUY	736	792	7.7%	6.2	4.9	3.9	3.4	20.2	20.6	19.7	19.4	2.7	2.9	2.9	2.7
LTFH IN	BUY	77	88	14.3%	1.0	1.0	0.9	0.8	4.6	6.9	8.0	8.2	0.8	1.2	1.5	1.6
MGFL IN	BUY	99	126	27.3%	1.1	1.0	0.8	0.7	16.9	18.3	18.4	18.2	4.1	4.3	4.0	4.1
MMFS IN	HOLD	201	200	-0.6%	2.1	2.0	1.8	1.6	6.5	9.4	9.4	9.9	1.3	1.9	1.8	1.9
MUTH IN	BUY	1,042	1,431	37.4%	2.4	2.0	1.8	1.5	21.6	17.4	16.7	17.0	5.9	4.9	4.6	4.7
SBICARD IN	ACCUMULATE	892	1,087	21.9%	11.2	8.6	6.7	6.4	23.0	29.8	29.0	29.4	5.2	6.8	7.3	7.5
SHTF IN	BUY	1,196	1,521	27.1%	1.2	1.1	1.0	0.8	11.4	12.2	13.6	13.7	2.0	2.2	2.4	2.6

Source: Company, PL

Exhibit 4: Q2 earnings to be cushioned by strong AUM growth and stable credit costs

Rs Million	Nil	QoQ	YoY	PPOP	QoQ	YoY	PAT	QoQ	YoY
Bajaj Finance	72,204	8.8%	35.4%	46,041	8.1%	39.3%	28,768	10.8%	94.2%
Cholamandalam	17,337	7.4%	24.5%	11,635	9.7%	33.0%	6,356	12.4%	4.8%
L&T Finance Holding	16,208	2.9%	7.1%	9,960	2.4%	232.8%	2,292	3.4%	32.8%
Manappuram	10,291	7.6%	4.3%	5,642	10.8%	-6.4%	3,206	13.7%	-13.3%
MMFSL	16,072	3.4%	7.7%	9,741	3.0%	-4.1%	2,344	5.2%	-77.1%
Muthoot Finance	16,452	6.8%	-9.2%	11,139	8.8%	-21.2%	8,279	3.2%	-16.7%
SBI Cards	11,699	8.4%	27.3%	13,673	5.9%	29.2%	6,795	8.4%	97.0%
Shriram Tran.	26,455	3.3%	23.4%	21,880	3.6%	27.4%	10,055	4.2%	30.4%
Total	1,86,718	6.6%	19.7%	1,29,711	6.6%	26.1%	68,095	8.4%	18.2%
Rs Billion	Loans	QoQ	YoY	Margins	QoQ	YoY	Credit Cost	QoQ	YoY
Bajaj Finance	2,183	7.0%	30.8%	13.68%	0.5%	0.6%	1.40%	-0.1%	-1.7%
Cholamandalam	860	5.0%	22.8%	8.26%	0.1%	0.2%	1.42%	0.0%	1.1%
L&T Finance Holding	898	2.0%	3.3%	7.29%	0.1%	0.4%	3.06%	0.0%	2.9%
Manappuram	314	2.0%	10.4%	13.25%	0.7%	-0.2%	1.67%	0.0%	0.2%
MMFSL	656	4.0%	14.7%	8.34%	0.0%	-0.2%	4.01%	-0.1%	6.6%
Muthoot Finance	584	3.0%	5.9%	11.44%	0.7%	-2.0%	0.07%	0.5%	-0.5%
SBI Cards	355	7.0%	32.9%	13.61%	0.2%	-0.8%	5.17%	-0.3%	-3.7%
Shriram Tran.	1,353	3.5%	11.2%	7.96%	0.0%	0.8%	2.45%	0.0%	0.2%
Total	7,204	4.6%	17.5%	10.48%	0.3%	-0.1%	2.40%	0.0%	0.6%

Source: Company, PL

Exhibit 5: Margins to marginally improve QoQ

	Q1FY23	Q2FY22	Q2FY23	YoY	QoQ
Bajaj Finance	13.22%	13.09%	13.68%	0.59%	0.45%
Cholamandalam	8.13%	8.08%	8.26%	0.18%	0.13%
L&T Finance Holding	7.14%	6.90%	7.29%	0.39%	0.15%
Manappuram	12.54%	13.41%	13.25%	-0.16%	0.71%
MMFSL	8.37%	8.57%	8.34%	-0.23%	-0.03%
Muthoot Finance	10.74%	13.46%	11.44%	-2.02%	0.70%
SBI Cards	13.38%	14.37%	13.61%	-0.75%	0.23%
Shriram Tran.	7.95%	7.12%	7.96%	0.84%	0.01%
Average	10.18%	10.62%	10.48%	-0.15%	0.29%

Source: Company, PL

Exhibit 6: Credit costs to be flat QoQ

	Q1FY23	Q2FY22	Q2FY23	YoY	QoQ
Bajaj Finance	1.48%	3.12%	1.40%	-1.72%	-0.08%
Cholamandalam	1.46%	0.33%	1.42%	1.08%	-0.04%
L&T Finance Holding	3.03%	0.20%	3.06%	2.86%	0.03%
Manappuram	1.67%	1.52%	1.67%	0.15%	0.00%
MMFSL	4.09%	-2.57%	4.01%	6.58%	-0.08%
Muthoot Finance	-0.41%	0.5%	0.07%	-0.47%	0.48%
SBI Cards	5.42%	8.88%	5.17%	-3.72%	-0.25%
Shriram Tran.	2.46%	2.22%	2.45%	0.23%	-0.01%
Average	2.40%	1.78%	2.40%	0.62%	0.00%

Source: Company, PL

Q2FY23 Earnings Expectations

Exhibit 7: Q2FY23 Result Review – With credit demand very strong, expect strong growth in loans and also strong asset quality numbers from NBFC's in Q2'23

Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
Bajaj Finance	NII (Rs mn)	55,769	42,898	30.0	52,745	5.7	Strong NII growth on back of strong loan growth
	PPOP (Rs mn)	46,041	33,048	39.3	42,575	8.1	Strong PPOP growth on the back of strong topline and better operating efficiency
	Provisions (Rs mn)	7,623	13,003	(41.4)	7,547	1.0	Provisions to remain stable on a sequential basis
	PAT (Rs mn)	28,768	14,810	94.2	25,963	10.8	PAT improvement on strong NII growth and stable credit cost
	Loans (Rs bn)	2,183	1,669	30.8	2,040	7.0	Industry leading loan growth on a high base
	Margin (%)	13.7	13.1	59	13.2	45	Loan yield expansion at a higher rate than increase in cost of funds and strong disbursements can result into positive surprise on margins
	GNPA (%)	1.1	2.5	(135)	1.3	(15)	
	Credit Cost (%)	1.40%	3.12%	(172)	1.48%	(8)	Asset quality to remain pristine. Credit costs to remain flattish as collection efficiency remains high
Cholamandalam	NII (Rs mn)	17,337	13,928	24.5	16,142	7.4	NII growth to be healthy on strong loan traction
	PPOP (Rs mn)	11,635	8,750	33.0	10,604	9.7	Healthy top-line to aid PPOP
	Provisions (Rs mn)	3,046	584	421.4	2,986	(2.0)	Marginal downtick in provisions on improving collection efficiency
	PAT (Rs mn)	6,356	6,065	4.8	5,657	12.4	PAT growth to be strong led by strong top line
	Loans (Rs bn)	860	700	22.8	819	5.0	Loan book growth(QoQ) should continue to show strong growth on back of strong M&LCV, used vehicle sales and consumer/SME loans
	Margin (%)	8.3	8.1	18	8.1	13	Expect marginal improvement in NIM on the back of strong growth in higher yield portfolio.
	GNPA (%)	4.1	6.2	(211)	4.2	(11)	Expect asset quality improvement on improving collection efficiency in vehicle finance business
	Credit Cost (%)	1.42%	0.33%	108	1.46%	(4)	Credit cost to trend downward on better asset quality

Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
L&T Finance Holdings	NII (Rs mn)	16,208	15,130	7.1	15,752	2.9	NII to show growth on good loan traction in retail segment
	PPOP (Rs mn)	9,960	2,993	232.8	9,731	2.4	Strong NII growth to lead towards decent growth in PPOP
	Provisions (Rs mn)	6,863	435	1,479.2	6,663	3.0	Marginal rise in provisions on QoQ basis, as one time provision can be taken in the OTR book
	PAT (Rs mn)	2,292	1,726	32.8	2,217	3.4	PAT increase on NII growth
	Loans (Rs bn)	898	869	3.3	881	2.0	Loan book can see modest expansion on QoQ basis, as strong disbursement is seen in retail/microfinance loans
	Margin (%)	7.3	6.9	39	7.1	15	
	GNPA (%)	4.05	5.7	(169)	4.1	(3)	NIMs to marginally improve on the back of expansion in higher yield retail portfolio.
	Credit Cost (%)	3.06%	0.20%	286	3.03%	3	Asset Quality to remain stable Credit Cost to remain flattish
Mannapuram	NII (Rs mn)	10,291	9,863	4.3	9,566	7.6	NII to show strong growth on better yields
	PPOP (Rs mn)	5,642	6,028	(6.4)	5,091	10.8	Better yields and AUM growth to aid in strong PPOP growth
	Provisions (Rs mn)	1,309	1,078	21.4	1,283	2.0	Marginal rise in provisions on QoQ basis
	PAT (Rs mn)	3,206	3,699	(13.3)	2,819	13.7	Sequential PAT to show strong growth on better NII growth, led by higher yields
	Loans (Rs bn)	314	284	10.4	308	2.0	Sequential loan growth to be better than Q1'23, primarily to be led by gold loans
	Margin (%)	13.2	13.4	(16)	12.5	71	Margins to see improvement as we expect yields to continue uptick and rise to 19.7% levels from 19.4% in Q1'23
	GNPA (%)	1.3	1.6	(30)	1.4	(10)	Asset quality set to improve with improving collections
	Credit Cost (%)	1.67%	1.52%	15	1.67%	(0)	Credit Cost to remain flattish
MMFSL	NII (Rs mn)	16,072	14,928	7.7	15,544	3.4	NII growth to be seen led by loan growth as disbursements have been strong this quarter
	PPOP (Rs mn)	9,741	10,163	(4.1)	9,458	3.0	Strong NII growth to lead to decent growth in PPOP
	Provisions (Rs mn)	6,582	(3,668)	(279.4)	6,453	2.0	Marginal rise in provisions on QoQ basis
	PAT (Rs mn)	2,344	10,229	(77.1)	2,229	5.2	PAT growth on the back of NII growth led by good AUM growth.
	Loans (Rs bn)	656	572	14.7	631	4.0	Loan traction seen in Q1'23 to sustain on back of strong disbursements and used vehicles segment
	Margin (%)	8.3	8.6	(23)	8.4	(3)	Margin to sustain on back of strong disbursements.
	GNPA (%)	7.8	12.7	(488)	8.0	(23)	Asset quality improvement can be seen on better collection efficiency
	Credit Cost (%)	4.01%	-2.57%	658	4.09%	(8)	Flattish credit costs as collections expected to be strong

Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
Muthoot Finance	NII (Rs mn)	16,452	18,125	(9.2)	15,400	6.8	NII to show good growth led by better yields and traction in gold loans as competitive pressures have eased out
	PPOP (Rs mn)	11,139	14,142	(21.2)	10,241	8.8	NII growth to aid PPOP growth
	Provisions (Rs mn)	100	744	(86.56)	(577)	117.3	Marginal uptick in provisions, as in Q1'23 there was a reversal in provisions
	PAT (Rs mn)	8,279	9,940	(16.7)	8,020	3.2	PAT to grow sequentially on better NII growth, led by better yields and loan growth
	Loans (Rs bn)	584	551	5.9	567	3.0	Gold Loan traction to improve after the 2.4% sequential fall seen in last quarter
	Margin (%)	11.4	13.5	(202)	10.7	70	Margins to see improvement as we expect yields to improve to 18.5% from 17.3% seen in Q1'23 as teaser rates are repriced
	GNPA (%)	2.1	1.9	22	2.1	(6)	Asset quality to show improvement on QoQ basis
	Credit Cost (%)	0.07%	0.54%	(47)	-0.41%	48	Marginal uptick in credit costs
SBI Cards	NII (Rs mn)	11,699	9,190	27.3	10,789	8.4	Healthy NII led by receivables traction and strong spends as SBI cards saw market share gain in August
	PPOP (Rs mn)	13,673	10,580	29.2	12,912	5.9	NII growth to aid PPOP
	Provisions (Rs mn)	4,593	5,939	(22.7)	4,503	2.0	Minor uptick to be seen in provisions on a QoQ basis
	PAT (Rs mn)	6,795	3,449	97.0	6,269	8.4	NII growth to aid PAT
	Loans (Rs bn)	355	267	32.9	332	7.0	Receivables to see strong traction as festive season kicks in
	Margin (%)	13.6	14.4	(75)	13.4	23	Marginal improvement in margins as company could see a minor increase in EMI and revolver accounts
	GNPA (%)	2.2	3.4	(115)	2.2	(3)	Expect NPA to stay largely stable on a sequential basis
	Credit Cost (%)	5.17%	8.88%	(372)	5.42%	(25)	Credit costs to marginally decline as collections are strong
Shriram Transport	NII (Rs mn)	26,455	21,432	23.4	25,618	3.3	Strong NII growth on back of strong loan growth driven by strong CV market. PPOP growth driven by NII growth
	PPOP (Rs mn)	21,880	17,169	27.4	21,120	3.6	Slight uptick in QoQ provisions
	Provisions (Rs mn)	8,293	6,762	22.6	8,052	3.0	Strong topline aided by strong NII growth to aid profitability
	PAT (Rs mn)	10,055	7,712	30.4	9,653	4.2	Loan Growth traction of Q1'23 can be maintained led by used CV sales
	Loans (Rs bn)	1,353	1,216	11.2	1,307	3.5	Margins to be stable as incremental cost of borrowings will be offset by higher yields in used CV segment
	Margin (%)	8.0	7.1	84	8.0	1	
	GNPA (%)	6.9	7.8	(97)	7.0	(15)	Improvement in asset quality sequentially on improving collections
	Credit Cost (%)	2.45%	2.22%	23	2.46%	(1)	Flattish credit costs as collections are expected to be strong

Source: Company, PL

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	BUY	8,953	6,396
2	Cholamandalam Investment and Finance Company	BUY	792	734
3	L&T Finance Holdings	BUY	88	71
4	Mahindra & Mahindra Financial Services	Hold	200	187
5	Manappuram Finance	BUY	126	102
6	Muthoot Finance	BUY	1,431	1,187
7	SBI Cards and Payment Services	Accumulate	1,087	929
8	Shriram Transport Finance	BUY	1,522	1,380

PL's Recommendation Nomenclature

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

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