

## Oct-Dec'22 Earnings Preview

January 6, 2023

### Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
BAF IN	BUY	5,980	8,953
CIFC IN	BUY	668	792
LTFH IN	BUY	87	88
MGFL IN	BUY	119	144
MMFS IN	HOLD	234	230
MUTH IN	BUY	1,068	1,431
SBICARD IN	ACCUMULATE	775	1,013
SHFL IN	BUY	1,294	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	144	144	0.0%
MMFS IN	HOLD	HOLD	230	230	0.0%
MUTH IN	BUY	BUY	1,431	1,431	0.0%
SBICARD IN	Acc	Acc	1,013	1,013	0.0%
SHTF IN	BUY	BUY	1,521	1,521	0.0%

Source: PL

Acc=Accumulate / P=Previous / C=Current

## Top Picks

**BAF**

**CIFC**

**MGFL**

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## Mixed Bag But Margins To Sustain

We expect NBFCs under our coverage universe to report mixed earnings, given 1) strong AUM growth of ~4.25% QoQ led by vehicle financiers (CV upcycle) & retail loans and 2) slight moderation in margins due to rising cost of funds. However, as a whole we expect NBFC's under our coverage universe to report margins ~10.19% (vs 10.20% in Q2), as strong disbursements and yield transmission cushions rising cost of funds. We expect better asset quality and flat credit cost QoQ, as collections have reached pre-covid levels for most companies. 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 robust 5.7% QoQ AUM growth along with pristine asset quality, as their omni channel strategy is paying rich dividends towards customer acquisition (3.1mn new customers in Q3).

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 the back of robust CV demand:** CV sales for have continued with their strong momentum, primarily led by LCV segment. All segments of CV viz. LCV, MCV and HCV recorded MoM growth as well as YoY growth. CV upcycle is expected to continue with strong demand coming from rising infra projects and government spending. Replacement demand continued to pour in along with healthy inter-state passenger movement enabling bus sales. 2W segment is slowly turning the tides from negative to positive, as retail sales have witnessed significant growth due to festive and wedding season. On the back of strong industry volumes, vehicle financiers are expected to continue to report strong QoQ growth in AUM. NIMs of vehicle financiers are expected to decline by ~12 bps as funding cost rises, which would be cushioned by improvement in yields.
- Gold Financiers to show modest AUM growth; valuations attractive:** Muthoot Finance had a rough H1'23, as its yields continued to be benign at 17.38% in Q2'23 resulting in NIM of 11.0%. At the same time Manappuram yields rebounded to 21.9% in Q2'23 from 19.4% in Q1'23, but it came at the cost of gold AUM de-growth of 6.3% QoQ. For Q3'23, we expect yields to further improve, while both companies have already re-priced their loans at higher rate to support NIM's. Our channel checks indicate competitive intensity continuing from banks, 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 to play the waiting game and not sacrifice margins, even if gold AUM growth remains muted. NIM's of Manappuram and Muthoot to rise to 14.6% and 11.2% from 14.1% and 11.0% in Q2'23. Manappuram Finance has seen steep correction and is 30% off its 52-week high price and trades at an attractive valuation of 1.0x/0.9x FY24/FY25 P/ABV. Muthoot Finance also trades at an attractive valuation of 2.4x/2.1x FY24/FY25 P/ABV.

- **Loans to record 4.25% 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 ~4.25% on QoQ basis. BAF with 5.7% QoQ growth followed by Cholamandalam Finance at 5% QoQ, will drive loan aggregates for the quarter, in our view.
- **Flattish NIMs due to reduction in liquidity buffers:** NBFCs can see slight moderation in their margins but overall under our coverage we expect margins ~10.19% (vs 10.20% in Q2), given strong disbursements and yield transmission thereby negating rising cost of funds. Manappuram followed by Muthoot Finance should witness highest sequential NIM expansion by 0.51% and 0.12% respectively as their rates are now re-priced.
- **Credit costs to remain stable; NPA's to reduce due to high collections:** New RBI norms on NPA recognition and PCA framework guidelines have been implemented by all companies in our coverage universe including Mahindra Finance (GNPA higher than GS3 by 13bn but management has created sufficient provisioning). 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. Only LTFH to see higher credit cost, as it includes Rs25.5bn of windfall gain from MF business divestment. 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 ~142bps QoQ, with auto financiers reporting maximum QoQ improvement in asset quality. BAF is expected to report the best asset quality with GNPA of 1.15%.

## Top Picks

With strong AUM growth, we expect Q3'23 to be strong for NBFCs across board. Although rate hikes at a faster pace and another wave of covid 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, CIFC and MGFL from coverage universe and rate them as top picks.**

**BAF:** As per the company's business update, AUM growth in Q3'23 was strong at 5.7% QoQ (marginally below our expectation of 6.5%). Customer franchise as of 31<sup>st</sup>Dec-22 was 66.0mn (+19.1% YoY/+4.9% QoQ). New customers for Q3'23 stood at 3.1mn (+19.2% QoQ). Both these parameters have continued to show strength and company has managed to better the run rate achieved in Q2'23. Deposit momentum was also strong and showed a 9.1% QoQ growth, at a time when there is 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. Full roll-out of omni channel platform by FY23 will provide a fully-integrated, seamless experience for customers with improved UI/UX platform, upgraded web experience and increased penetration of Super App. 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:** 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 operators. New business (consumer and MSME segments) disbursements saw strong traction in Q2'23 and we expect it to continue in Q3'23. We can see margin protected sequentially on the back of strong growth in higher yield portfolio.

**Recommend 'BUY' at TP of Rs 792(TP unchanged)**

**MGFL:** Manappuram Finance has seen a steep correction and is 30% off its 52-week high price and trades at an attractive valuation of 1.0x/0.9x FY24/FY25 P/ABV. Margins to see improvement as we expect yields to continue with their uptick and rise to 22.1% levels from 21.9% in Q2'23. Manappuram's microfinance business and non-gold business(combined> 35% of AUM) should see strong performance with strong disbursements and asset quality, although gold AUM to remain flattish. The benefits of new RBI norms for microfinance companies such as 'removal of pricing cap' should start flowing in. We believe worst is over for Manappuram Finance and the company is now one amongst our top pick.

**Recommend 'BUY' at TP of Rs 144 (TP unchanged)**

**Exhibit 3: Valuations – MGFL valued attractively at 0.9 FY25P/ABV**

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	5,980	8,953	49.7%	116.8	149.8	208.2	230.6	712.1	827.1	1072.9	1429.7	51.2	39.9	28.7	25.9
CIFC IN	BUY	668	792	18.7%	26.2	32.5	37.7	41.9	118.2	150.5	188.0	218.0	25.5	20.6	17.7	16.0
LTFH IN	BUY	87	88	1.2%	3.4	5.7	8.1	10.1	74.5	79.2	87.0	96.8	25.3	15.2	10.8	8.6
MGFL IN	BUY	119	144	21.1%	15.8	19.6	22.7	22.7	93.7	103.3	122.4	140.8	7.5	6.0	5.2	5.2
MMFS IN	HOLD	234	230	-1.6%	8.0	12.7	13.7	15.4	96.9	101.9	117.0	131.6	29.2	18.5	17.1	15.2
MUTH IN	BUY	1,068	1,431	33.9%	98.5	91.4	100.1	107.6	439.9	508.6	584.8	692.0	10.8	11.7	10.7	9.9
SBICARD IN	ACCUMULATE	775	1,013	30.7%	17.1	26.4	33.5	37.6	79.7	102.4	128.3	135.8	45.2	29.4	23.1	20.6
SHTF IN	BUY	1,294	1,521	17.6%	103.4	125.2	159.1	171.5	964.6	1089.7	1248.8	1420.4	12.5	10.3	8.1	7.5

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	5,980	8,953	49.7%	8.4	7.2	5.6	4.2	17.4	19.4	23.0	26.0	3.7	3.9	4.6	4.7
CIFC IN	BUY	668	792	18.7%	5.7	4.4	3.6	3.1	20.2	20.6	19.7	19.4	2.7	2.9	2.9	2.7
LTFH IN	BUY	87	88	1.2%	1.2	1.1	1.0	0.9	4.6	6.9	8.0	8.2	0.8	1.2	1.5	1.8
MGFL IN	BUY	119	144	21.1%	1.3	1.1	1.0	0.8	16.9	17.0	17.2	17.4	4.1	4.3	4.4	4.5
MMFS IN	HOLD	234	230	-1.6%	2.4	2.3	2.0	1.8	6.5	9.7	9.8	10.2	1.3	1.9	1.9	2.0
MUTH IN	BUY	1,068	1,431	33.9%	2.4	2.1	1.8	1.5	21.6	17.4	16.7	17.0	5.9	4.9	4.6	4.7
SBICARD IN	ACCUMULATE	775	1,013	30.7%	9.7	7.6	6.0	5.7	23.0	28.1	28.0	29.4	5.2	6.0	6.9	7.5
SHTF IN	BUY	1,294	1,521	17.6%	1.3	1.2	1.0	0.9	11.4	12.2	13.6	13.7	2.0	2.2	2.4	2.6

Source: Company, PL

**Exhibit 4: Q3 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	74,383	6.3%	24.0%	47,962	6.9%	22.4%	30,032	8.0%	41.3%
Cholamandalam	17,269	4.8%	16.4%	10,833	4.5%	11.7%	5,938	5.4%	13.4%
L&T Finance Holding	17,049	0.3%	9.0%	34,609	260.2%	289.3%	3,892	8.0%	51.7%
Manappuram	11,224	4.0%	22.7%	6,685	5.6%	47.6%	4,345	6.1%	66.5%
MMFSL	15,822	4.3%	0.1%	9,041	4.7%	-14.9%	5,078	13.3%	-43.2%
Muthoot Finance	16,124	2.6%	-14.5%	11,804	2.8%	-19.5%	8,868	2.3%	-13.8%
SBI Cards	12,282	10.0%	23.3%	13,132	4.9%	14.8%	5,537	5.3%	43.5%
Shriram Tran.	25,715	2.0%	13.6%	21,473	1.6%	12.6%	10,815	1.4%	58.9%
<b>Total</b>	<b>1,89,868</b>	<b>4.6%</b>	<b>13.8%</b>	<b>1,55,540</b>	<b>24.5%</b>	<b>31.7%</b>	<b>74,504</b>	<b>6.1%</b>	<b>21.0%</b>
Rs Billion	Loans	QoQ	YoY	Margins	QoQ	YoY	Credit Cost	QoQ	YoY
Bajaj Finance	2,308	5.7%	27.3%	13.25%	0.0%	-0.5%	1.36%	0.0%	-1.0%
Cholamandalam	921	5.0%	26.6%	7.69%	-0.1%	-0.6%	1.22%	0.0%	-0.2%
L&T Finance Holding	910	1.0%	6.4%	7.53%	-0.1%	0.3%	12.90%	11.1%	10.5%
Manappuram	310	1.0%	1.9%	14.57%	0.5%	2.1%	1.05%	0.0%	-0.3%
MMFSL	726	4.3%	24.5%	7.51%	-0.2%	-1.3%	1.17%	0.0%	2.2%
Muthoot Finance	584	2.0%	6.7%	11.16%	0.1%	-2.6%	-0.05%	0.0%	-0.7%
SBI Cards	415	10.0%	42.5%	12.40%	-0.2%	-1.9%	5.53%	-0.3%	-3.1%
Shriram Tran.	1,403	3.7%	12.6%	7.47%	-0.1%	0.1%	1.96%	0.0%	-1.2%
<b>Total</b>	<b>7,575</b>	<b>4.3%</b>	<b>19.0%</b>	<b>10.20%</b>	<b>0.0%</b>	<b>-0.5%</b>	<b>3.14%</b>	<b>1.4%</b>	<b>0.8%</b>

Source: Company, PL

**Exhibit 5: Margins to remain flattish on a QoQ basis**

	Q2FY23	Q3FY22	Q3FY23	YoY	QoQ
Bajaj Finance	13.25%	13.78%	13.25%	-0.53%	0.00%
Cholamandalam	7.77%	8.32%	7.69%	-0.63%	-0.08%
L&T Finance Holding	7.63%	7.25%	7.53%	0.28%	-0.10%
Manappuram	14.06%	12.44%	14.57%	2.12%	0.51%
MMFSL	7.67%	8.81%	7.51%	-1.30%	-0.17%
Muthoot Finance	11.04%	13.74%	11.16%	-2.58%	0.12%
SBI Cards	12.59%	14.27%	12.40%	-1.87%	-0.19%
Shriram Tran.	7.59%	7.35%	7.47%	0.11%	-0.12%
<b>Average</b>	<b>10.20%</b>	<b>10.75%</b>	<b>10.20%</b>	<b>-0.55%</b>	<b>0.00%</b>

Source: Company, PL

**Exhibit 6: Credit costs to be flat QoQ (excl. LTFH)**

	Q2FY23	Q3FY22	Q3FY23	YoY	QoQ
Bajaj Finance	1.34%	2.32%	1.36%	-0.96%	0.02%
Cholamandalam	1.27%	1.46%	1.22%	-0.24%	-0.05%
L&T Finance Holding	1.80%	2.43%	12.90%	10.47%	11.10%
Manappuram	1.05%	1.38%	1.05%	-0.33%	0.00%
MMFSL	1.14%	-1.01%	1.17%	2.18%	0.03%
Muthoot Finance	-0.09%	0.7%	-0.05%	-0.70%	0.04%
SBI Cards	5.79%	8.59%	5.53%	-3.06%	-0.26%
Shriram Tran.	1.99%	3.16%	1.96%	-1.20%	-0.03%
<b>Average</b>	<b>1.79%</b>	<b>2.37%</b>	<b>3.14%</b>	<b>0.77%</b>	<b>1.36%</b>

Source: Company, PL

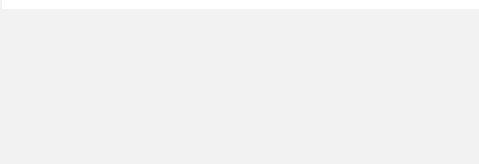
**Q3FY23 Earnings Expectations**
**Exhibit 7: Q3FY23 Result Preview – Strong loan growth, stable credit costs to drive Q3'FY23 earnings**

Company Name	Q3FY23E	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	Remark
Bajaj Finance	NII (Rs mn)	58,913	47,277	24.6	55,376	6.4 Strong NII growth on back of strong loan growth
	PPOP (Rs mn)	47,962	39,192	22.4	44,865	6.9 Strong PPOP growth on the back of strong topline and better operating efficiency
	Provisions (Rs mn)	7,856	10,512	(25.3)	7,342	7.0 Marginal increase in provisions on QoQ basis as credit cost is expected to be flat.
	PAT (Rs mn)	30,032	21,253	41.3	27,807	8.0 PAT improvement on strong NII growth and stable credit cost
	Loans (Rs bn)	2,308	1,813	27.3	2,184	5.7 Rural segment and mortgages to drive industry leading loan growth
	Margin (%)	13.2	13.8	(53)	13.3	(0) Margins to remain stable as marginal increase in cost of funds to be passed on
	GNPA (%)	1.15	1.7	(58)	1.2	(2) Asset quality to remain pristine
	Credit Cost (%)	1.36%	2.32%	(96)	1.34%	2 Credit costs to remain flattish as collection efficiency remains high
Cholamandalam	NII (Rs mn)	17,269	14,841	16.4	16,476	4.8 NII growth to be healthy on strong loan traction
	PPOP (Rs mn)	10,833	9,696	11.7	10,362	4.5 Healthy top-line to aid PPOP
	Provisions (Rs mn)	2,810	2,653	5.9	2,782	1.0 Provisioning to remain flattish on QoQ basis as collection efficiency remains high
	PAT (Rs mn)	5,938	5,238	13.4	5,634	5.4 PAT growth to be strong led by strong top line
	Loans (Rs bn)	921	727	26.6	877	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 (%)	7.7	8.3	(63)	7.8	(8) High yield consumer/SME loans to help in protecting margins
	GNPA (%)	3.6	5.9	(225)	3.8	(24) Expect asset quality improvement on improving collection efficiency in vehicle finance business
	Credit Cost (%)	1.22%	1.46%	(24)	1.27%	(5) Credit cost to trend marginally downward on better asset quality and sufficient provisioning buffers

Company Name		Q3FY23E	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	Remark
L&T Finance Holdings	NII (Rs mn)	17,049	15,642	9.0	16,996	0.3	NII to show decent growth on good loan traction in retail segment
	PPOP (Rs mn)	34,609	8,891	289.3	9,608	260.2	Strong NII growth to lead growth in PPOP, includes Rs25.5bn gains from MF business divestment
	Provisions (Rs mn)	29,350	5,200	464.4	4,053	624.2	Provisioning to trend lower on QoQ basis, as sufficient buffers are in place and optically higher. Gains from sale of MF business included
	PAT (Rs mn)	3,892	2,565	51.7	3,603	8.0	PAT increase on NII growth and lower provisions
	Loans (Rs bn)	910	856	6.4	901	1.0	Loan book can see decent expansion on QoQ basis with retail segment compensating for fall in wholesale segment
	Margin (%)	7.5	7.3	28	7.6	(10)	NIMs to remain on the back of expansion in higher yield retail portfolio.
	GNPA (%)	4.00	5.9	(191)	4.0	(2)	Asset quality to remain stable
	Credit Cost (%)	12.90%	2.43%	1,047	1.80%	1,110	Optically higher, as credit cost include Rs25.5bn of gain from MF business divestment
Mannapuram	NII (Rs mn)	11,224	9,151	22.7	10,795	4.0	NII to show good growth on transition of portion of low yield gold loan segment to higher yields
	PPOP (Rs mn)	6,685	4,530	47.6	6,333	5.6	Better yields and AUM growth in high yield microfinance segment to aid in strong PPOP growth
	Provisions (Rs mn)	813	1,048	(22.4)	805	1.0	Flattish provisions on QoQ basis
	PAT (Rs mn)	4,345	2,610	66.5	4,095	6.1	Sequential PAT to show strong growth on better NII growth, led by higher yields
	Loans (Rs bn)	310	304	1.9	307	1.0	Sequential loan growth to be better than Q2'23, primarily to be led by microfinance segment. Gold loans to remain flattish
	Margin (%)	14.6	12.4	212	14.1	51	Margins to see improvement as we expect continuation in gold yields uptick and rise to 22.1% levels from 21.9% in Q2'23
	GNPA (%)	1.7	1.4	30	2.0	(30)	Asset quality set to improve with improving collections
	Credit Cost (%)	1.05%	1.38%	(33)	1.05%	(0)	Credit Cost to remain flattish
MMFSL	NII (Rs mn)	15,822	15,802	0.1	15,170	4.3	NII growth to be seen led by loan growth as disbursements have been strong this quarter
	PPOP (Rs mn)	9,041	10,622	(14.9)	8,637	4.7	Strong NII growth to lead to decent growth in PPOP
	Provisions (Rs mn)	2,123	(1,474)	(244.1)	1,985	7.0	Marginal rise in provisions on QoQ basis
	PAT (Rs mn)	5,078	8,938	(43.2)	4,483	13.3	PAT growth on the back of NII growth led by good AUM growth.
	Loans (Rs bn)	726	583	24.5	696	4.3	Stable loan growth seen sequentially but QoQ loan growth to moderate in comparison to 10% QoQ growth seen in Q2'23
	Margin (%)	7.5	8.8	(130)	7.7	(17)	Margin to moderate slightly on higher cost of funds and product mix
	GNPA (%)	6.2	11.3	(510)	6.7	(50)	Asset quality improvement can be seen on stable collection efficiency
	Credit Cost (%)	1.17%	-1.01%	218	1.14%	3	Flattish credit costs

Company Name	Q3FY23E	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	Remark	
Muthoot Finance	NII (Rs mn)	16,124	18,861	(14.5)	15,720	2.6	NII to show decent growth on better gold loan yields
	PPOP (Rs mn)	11,804	14,666	(19.5)	11,487	2.8	NII growth to aid PPOP growth
	Provisions (Rs mn)	(67)	889	(107.59)	(127)	47.1	Lower reversal of provisions compared to Q2'23
	PAT (Rs mn)	8,868	10,289	(13.8)	8,672	2.3	PAT to grow sequentially on better NII growth led by better yields and loan growth
	Loans (Rs bn)	584	547	6.7	572	2.0	Gold Loan traction to improve after muted 0.6% QoQ gold loan growth seen in Q2'23
	Margin (%)	11.2	13.7	(258)	11.0	12	Margins to see improvement as we expect yields to improve to 18% from 17.38% seen in Q2'23, as teaser rates are repriced
	GNPA (%)	1.5	3.8	(232)	1.7	(17)	Asset quality to show improvement on QoQ basis
	Credit Cost (%)	-0.05%	0.65%	(70)	-0.09%	4	Marginal uptick in credit costs
SBI Cards	NII (Rs mn)	12,282	9,965	23.3	11,168	10.0	Healthy NII led by receivables traction and strong spends, as SBI cards saw market share gain in all three months of Q2'23
	PPOP (Rs mn)	13,132	11,440	14.8	12,517	4.9	NII growth to aid PPOP
	Provisions (Rs mn)	5,733	6,255	(8.3)	5,460	5.0	Minor uptick to be seen in provisions on QoQ basis
	PAT (Rs mn)	5,537	3,858	43.5	5,257	5.3	NII growth to aid PAT
	Loans (Rs bn)	415	291	42.5	377	10.0	Receivables to show strong traction as seen in Q2'23
	Margin (%)	12.4	14.3	(187)	12.6	(19)	Marginal drop in margins on higher cost of funds
	GNPA (%)	2.1	2.4	(30)	2.1	(4)	Expect NPA to stay largely stable on sequential basis
	Credit Cost (%)	5.53%	8.59%	(306)	5.79%	(26)	Credit costs to marginally decline as collections are strong
Shriram Finance	NII (Rs mn)	25,715	22,634	13.6	25,215	2.0	Strong NII growth on back of strong loan growth driven by strong CV market
	PPOP (Rs mn)	21,473	19,076	12.6	21,131	1.6	PPoP growth driven by NII growth
	Provisions (Rs mn)	6,858	9,843	(30.3)	6,724	2.0	Slight uptick in QoQ provisions
	PAT (Rs mn)	10,815	6,806	58.9	10,669	1.4	Strong topline aided by strong NII growth to aid profitability
	Loans (Rs bn)	1,403	1,246	12.6	1,352	3.7	Loan Growth traction of Q2'23 can be maintained led by used CV sales
	Margin (%)	7.5	7.4	11	7.6	(12)	Margins to be stable as incremental cost of borrowings will be offset by higher yields in used CV segment
	GNPA (%)	6.8	8.4	(160)	6.9	(13)	Improvement in asset quality sequentially on improving collections
	Credit Cost (%)	1.96%	3.16%	(120)	1.99%	(3)	Flattish credit costs as collections 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	7,432
2	Cholamandalam Investment and Finance Company	BUY	792	745
3	L&T Finance Holdings	BUY	88	80
4	Mahindra & Mahindra Financial Services	Hold	230	220
5	Manappuram Finance	BUY	144	117
6	Muthoot Finance	BUY	1,431	1,105
7	SBI Cards and Payment Services	Accumulate	1,013	858

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<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



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