Diversified Financials

India | Quarterly Preview

Credit and credit quality in jeopardy

10 January 2025

The Elara NBFC universe is bracing for turbulence in Q3FY25E – Earnings indicate a subdued outlook, with flat-to-negative sequential growth and a modest 14% YoY rise, down from 30% in Q3FY24. The sector is grappling with elevated credit costs, cautious growth trajectories, stalling NII and an increasingly stringent funding landscape. Optimizing funding costs has become a strategic imperative as the cost of bank borrowings escalates, particularly for A-rated and below players. Layered onto this are relentless regulatory interventions and geography-specific pressures, intensifying the challenges for non-banking financiers. Given the current circumstances, the focus should be on NBFCs with diversified product mix and resilient balance sheets. Selectivity is crucial – Prefer PSU financiers and opportunities with favorable risk-reward dynamics. So, we favor Housing & Urban Development Corporation (HUDCO IN), Power Finance Corporation (POWF IN), Muthoot Finance (MUTH IN), Bajaj Finance (BAF IN) and Shriram Finance (SHFL IN), while CreditAccess Grameen (CREDAG IN) and Mahindra Finance (MMFS IN) warrant caution.

Festival season fails to uplift aggregate growth: Aggregate growth for Elara NBFC universe may be restricted to 17.6% YoY/4% QoQ in Q3E. NBFCs' credit growth in Q3FY24 was very high at 20% YoY but has since decelerated rapidly. The growth moderation could prolong till FY25-end as NBFCs tackle challenges of funding, balance sheet risks and resultant business remodeling. While housing and gold financiers, given favorable tailwinds, should be better off on credit offtake, microfinanciers (MFI) are likely to lurch. MFI normalization may be expected only in H2FY26 as borrower indebtedness-led challenges may continue to add to MFI woes. Besides, commercial vehicle & consumer financiers are also likely to experience subdued growth, as borrowers continue to face cashflow constraints. Infra financiers may see steady credit demand, but FY25 growth may be soft due to a slowdown in GoI spending, which may pick up in the next fiscal. Given industry-wide challenges, we reckon largely diversified product-led business models (applicable for housing finance industry too) would be able to navigate the rough waters. Outliers for Q3FY25 are HUDCO, Cholamandalam Investment and Finance Company (CIFC IN) and BAF.

Pressing challenges pertaining to net interest margin: As against the popular belief of deceleration, bank borrowings continue to be the dominant source of borrowings for NBFCs, ranging within 37-38% and bond market being steady at ~40% (in Q2FY25). This is despite the fact that bank borrowings have become dearer by 20-50bps in the past three quarters as NBFCs prioritize ALM risk management. Nonetheless, the bond market may turn more attractive in the next few quarters given the expectation of a repo rate cut. This has been straining NBFCs' pricing power and with calibration in businesses would imply pressing NIM challenges. Expect aggregate NIM in Q3E to drop 2bps QoQ/13bps YoY, with MUTH, Rural Electrification Corporation (RECL IN) and POWF as outliers. Effective liability management, impending debt maturity and liquidity chest may determine the margin trajectory ahead.

Loan loss to max out; outlook gloomy on asset quality front: NBFCs' asset portfolios are beset by credit quality headwinds, given systemic overleveraging, regional challenges, & heightened regulatory scrutiny. The bulk of NBFC stress is concentrated in retail loans (35% of NBFC credit), with MFIs (representing 3.4% of total loans and 9.6% of retail loans), a key concern. Q3 may peak out in terms of credit cost, but Q4 credit cost outlook is also gloomy, given persistent industry headwinds and conservative provisioning strategies led by increased regulatory oversight. Expect NPAs for Elara NBFC universe to rise by 11bps QoQ/6bps YoY and credit cost at 2.0% to rise by 11bps QoQ/ 56bp YoY. YoY, Q3E may witness ~55bps spike. We closely monitor trends and commentaries. Expect GNPA for HUDCO, RECL and POWF to improve in the space.

Price performance

(%)	3M	6M	12M
Nifty	(5.3)	(2.6)	10.1
Bajaj Finance	(7.7)	8.1	0.0
Power Finance Corporation	(6.6)	(20.9)	7.2
Rural Electrification Corporation	(3.9)	(17.1)	15.8
Cholamandalam Investment	(16.7)	(9.7)	3.6
Shriram Finance	(12.9)	3.2	32.0
Muthoot Finance	15.7	22.1	46.3
SBI Cards and Payment Services	0.7	0.2	(4.0)
HUDCO	4.2	(28.4)	92.0
L&T Finance	(16.6)	(22.9)	(14.8)
Mahindra Finance	(3.5)	(7.9)	1.1
LIC Housing Finance	(5.3)	(25.5)	3.7
CreditAccess Grameen	(9.9)	(21.5)	(40.6)
AAVAS Financiers	(3.5)	(6.5)	8.3
Manappuram Finance	(1.6)	(12.9)	0.2
CAN FIN Homes	(17.4)	(20.5)	(8.5)

Note: as on 8 January 2025; Source: Bloomberg

Company	NII (INR mn)		
	FY25E	FY26E	FY27E
Bajaj Finance	453,729	570,134	693,275
Power Finance Corporation	183,419	210,272	236,762
Rural Electrification Corporation	196,261	226,829	255,772
Cholamandalam Investment	129,984	166,981	217,951
Shriram Finance	237,695	276,790	323,731
Muthoot Finance	93,341	111,843	127,690
SBI Cards & Payment Services	62,052	74,024	91,929
HUDCO	31,961	38,985	48,801
L&T Finance	85,950	100,339	123,176
Mahindra Finance	87,147	100,498	117,825
LIC Housing Finance	95,506	108,381	126,385
CreditAccess Grameen	37,669	43,331	50,371
AAVAS Financiers	12,496	14,597	16,753
Manappuram Finance	58,997	63,762	69,735
CAN FIN Homes	13,969	22,991	28,053

Company	PAT (INR mn)		
	FY25E	FY26E	FY27E
Bajaj Finance	164,336	214,153	271,399
Power Finance Corporation	163,070	174,528	197,656
Rural Electrification Corporation	156,499	174,696	190,301
Cholamandalam Investment	43,193	53,789	69,375
Shriram Finance	88,216	102,275	120,099
Muthoot Finance	51,022	61,872	70,358
SBI Cards & Payment Services	23,035	35,156	40,432
HUDCO	25,212	24,343	30,185
L&T Finance	26,140	31,055	41,046
Mahindra Finance	24,344	28,754	34,353
LIC Housing Finance	51,387	59,518	66,660
CreditAccess Grameen	11,771	18,606	21,136
AAVAS Financiers	5,912	5,807	6,841
Manappuram Finance	19,671	21,467	25,022
CAN FIN Homes	8,687	15,004	18,465

Source: Elara Securities Estimate

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Exhibit 1: NBFCs – Earnings to moderate; we prefer HUDCO, POWF, MUTH, SHFL and BAF

Company	Ticker	Rating	CMP	Mcap	TP	Upside	ROA (%)			ROE (%)			P/BV (x)		
			(INR bn)	(INR)	(INR)	(%)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Bajaj Finance	BAF IN	Accumulate	6,910	4,270	7,683	11	5.0	4.4	4.5	18.3	18.9	19.8	4.2	3.5	2.9
Power Finance Corporation	POWF IN	Buy	438	1,445	569	30	3.2	3.0	2.9	18.7	16.7	16.1	1.9	1.5	1.3
Rural Electrification Corporation	RECL IN	Buy	508	1,338	695	37	2.8	2.7	2.5	20.2	18.4	16.8	1.6	1.3	1.1
Cholamandalam Investment and Finance Company	CIFC IN	Reduce	1,372	1,153	1,434	5	2.5	2.4	2.4	22.3	22.3	23.1	6.0	4.9	3.9
Shriram Finance	SHFL IN	Accumulate	2,899	1,085	3,419	18	3.3	3.4	3.3	15.7	17.0	17.2	2.0	1.7	1.5
Muthoot Finance	MUTH IN	Buy	1,923	772	2,266	18	4.9	5.1	5.4	17.8	18.2	17.5	2.8	2.3	1.9
SBI Cards and Payment Services	SBICARD IN	Reduce	691	658	719	4	4.6	4.8	4.4	21.2	22.6	23.2	4.6	4.0	3.7
Housing & Urban Development Corporation	HUDCO IN	Buy	194	388	361	86	2.4	1.8	1.8	13.7	11.4	12.6	2.0	1.8	1.6
L&T Finance	LTF IN	Accumulate	140	349	200	43	2.2	2.4	2.5	10.5	11.1	13.0	1.4	1.2	1.0
Mahindra Finance	MMFS IN	Reduce	268	331	297	11	1.9	1.9	1.9	13.1	14.3	15.1	2.0	1.8	1.6
LIC Housing Finance	LICHF IN	Buy	598	329	821	37	1.7	1.7	1.7	15.5	15.8	16.6	1.0	0.9	0.8
CreditAccess Grameen	CREDAG IN	Accumulate	982	156	1,113	13	3.8	4.9	4.8	17.2	21.4	19.8	2.0	1.7	1.4
AAVAS Financiers	AAVAS IN	Accumulate	1,673	132	1,934	16	2.8	2.2	2.2	14.9	12.5	12.9	3.1	2.8	2.4
Manappuram Finance	MGFL IN	Accumulate	145	123	185	28	4.0	3.9	3.8	17.0	16.5	16.2	1.1	0.9	0.8
CAN FIN Homes	CANF IN	Accumulate	851	113	962	13	2.0	3.0	3.0	17.4	25.2	24.2	2.3	1.7	1.4

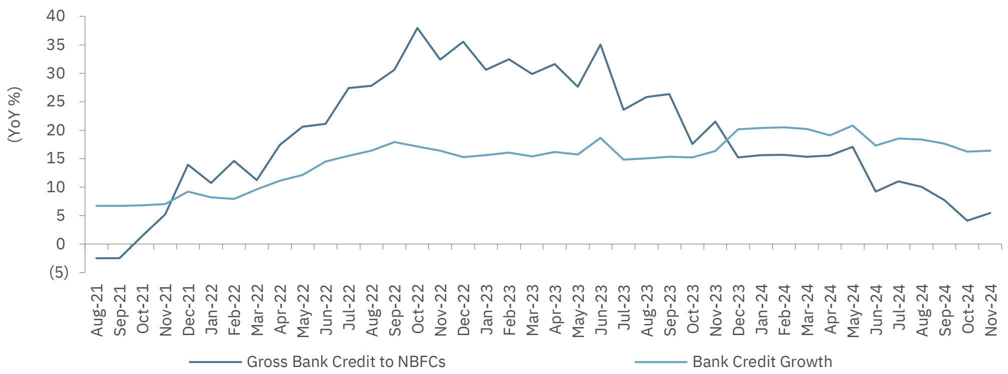
Note: Pricing as on 8 January 2025; TP and Rating as per last published note; Source: Company, Elara Securities Estimate

Loan growth calibrated in line with RBI oversight

NBFCs are cautiously expanding key credit segments, namely personal and educational loans, loans against property (LAP), and top-up loans. We foresee commercial vehicle and gold loans, alongside vanilla home loans, gathering momentum in the system. Regulatory headwinds and concerns over overleveraging have contributed to a decline in MFI and unsecured loans, while housing finance has sustained its growth momentum. There is an increased focus on liability diversification amid rising costs. Q3FY25E is expected to pressurize NIM, and credit costs are likely to see a spike. Companies are bolstering provisions and operational efficiency to sustain profitability, though a dip in ROA is expected this quarter.

Additionally, the flow of bank lending to NBFCs has been on the decline. The funding mix currently shows a marginal reduction in bank credit, with NBFCs seeking diversification through other channels. Despite these challenges, adequate capital reserves, significant provisioning, and renewed demand following the pandemic have helped sustain credit momentum.

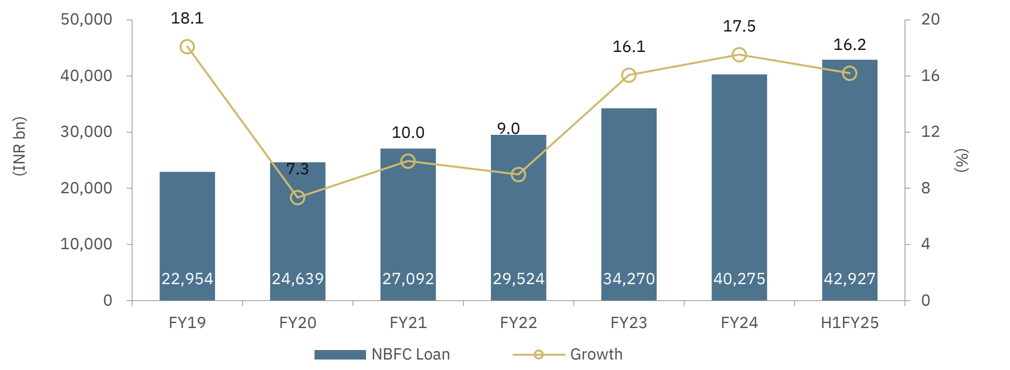
Exhibit 2: Flow of bank credit to NBFC moderates



Source: RBI, Elara Securities Research

After benefiting from a recovering credit demand environment, NBFCs experienced higher credit growth in FY24, returning to pre-Covid levels. However, the Reserve Bank of India's (RBI) decision to increase risk weights on NBFC lending to certain consumer credit categories, as well as on bank lending to NBFCs, significantly moderated loan growth for shadow banks in H1FY25. This moderation was further compounded by a deceleration in government capital expenditure, which had previously served as a core growth driver, slowing overall momentum in FY25.

Exhibit 3: Credit traction moderates



Source: RBI, Elara Securities Research

Besides, aggregate growth for Elara NBFC universe in Q3E is expected to be restricted at 17.6% YoY/4% QoQ. Interestingly, credit growth for NBFCs in Q3FY24 was remarkably high at 20% YoY but since, has decelerated at a rapid pace. The growth moderation could prolong till FY25-end as NBFCs tackle challenges of funding, balance sheet risks and resultant business remodeling. While housing and gold financiers, given favorable tailwinds, should be better off on credit offtake, microfinanciers (MFI) are likely to lurch. MFI normalization can be expected only in H2FY26 as borrower indebtedness-led challenges continued to add on to MFI woes. Besides, commercial vehicle and consumer financiers are also likely to experience subdued growth, as borrowers continue to face cashflow constraints. Infra financiers may see steady credit demand, but FY25 growth is likely to be soft due to a slowdown in GoI spending, which is expected to pick up in the next fiscal.

Exhibit 4: MFI, CDs, credit cards, education and auto loans plagued with challenges; 35% of AUM

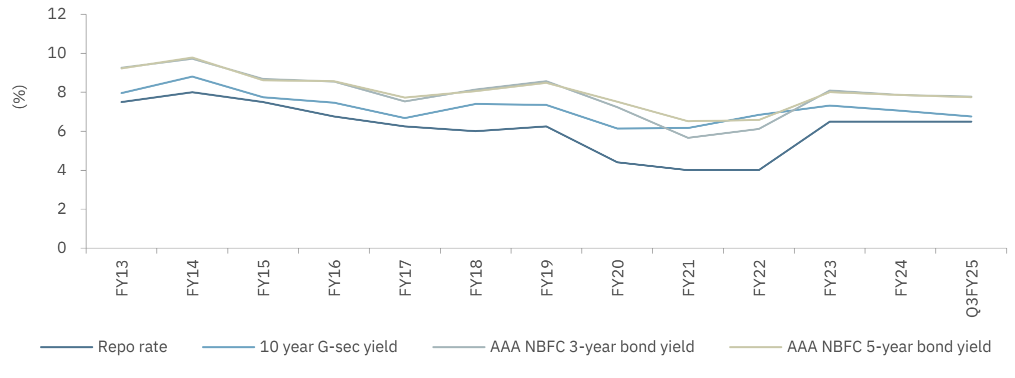
Particulars (INR bn)	Mar-22	Mar-23	Mar-24	Sep-24
Gross advances (1 to 5)	**28,957.5**	**33,996.6**	**40,275.3**	**42,927.1**
1. Agriculture and allied activities	**520.7**	**606.7**	**841.8**	**898.0**
As a % of gross advances	*1.8*	*1.8*	*2.1*	*2.1*
2. Industry (2.1 to 2.4)	**11,159.6**	**12,691.8**	**14,964.3**	**15,903.4**
As a % of gross advances	*38.5*	*37.3*	*37.2*	*37.0*
2.1 Micro and small	423.5	694.1	1,006.3	1,215.9
As a % of gross advances	*1.5*	*2.0*	*2.5*	*2.8*
2.2 Medium	160.1	194.8	209.6	215.0
As a % of gross advances	*0.6*	*0.6*	*0.5*	*0.5*
2.3 Large	8,901.0	10,213.7	12,324.3	13,003.6
As a % of gross advances	*30.7*	*30.0*	*30.6*	*30.3*
2.4 Others	1,674.9	1,589.1	1,424.0	1,468.9
As a % of gross advances	*5.8*	*4.7*	*3.5*	*3.4*
3. Services (3.1 to 3.10 equals 3.a to 3.d)	**3,921.2**	**4,680.1**	**5,669.3**	**6,082.5**
As a % of gross advances	*13.5*	*13.8*	*14.1*	*14.2*
3.1 Transport operators	1,032.8	1,202.5	1,328.1	1,412.9
As a % of gross advances	*3.6*	*3.5*	*3.3*	*3.3*
3.2 Computer Software	16.5	21.1	30.8	25.8
As a % of gross advances	*0.1*	*0.1*	*0.1*	*0.1*
3.3 Tourism, hotel and restaurants	59.7	75.2	74.4	78.6
As a % of gross advances	*0.2*	*0.2*	*0.2*	*0.2*
3.4 Shipping	1.7	1.9	2.7	2.2
As a % of gross advances	*0.0*	*0.0*	*0.0*	*0.0*
3.5 Professional services	201.5	235.8	252.4	293.8
As a % of gross advances	*0.7*	*0.7*	*0.6*	*0.7*
3.6 Trade	498.4	695.2	923.2	1,054.2
As a % of gross advances	*1.7*	*2.0*	*2.3*	*2.5*
3.6.1 Wholesale Trade (other than food procurement)	92.9	106.6	145.0	176.3
As a % of gross advances	*0.3*	*0.3*	*0.4*	*0.4*
3.6.2 Retail trade	405.5	588.6	778.2	877.8
As a % of gross advances	*1.4*	*1.7*	*1.9*	*2.0*
3.7 Commercial real estate	802.6	816.6	885.1	894.8

As a % of gross advances	*2.8*	*2.4*	*2.2*	*2.1*
3.8 NBFCs	337.7	476.6	603.6	643.2
As a % of gross advances	*1.2*	*1.4*	*1.5*	*1.5*
3.9 Aviation	11.4	8.3	4.6	4.4
As a % of gross advances	*0.0*	*0.0*	*0.0*	*0.0*
3.10 Other services	958.7	1,147.0	1,564.4	1,672.7
As a % of gross advances	*3.3*	*3.4*	*3.9*	*3.9*
Total 3.a to 3.d	**3,921.2**	**4,680.1**	**5,669.3**	**6,082.5**
As a % of gross advances	*13.5*	*13.8*	*14.1*	*14.2*
3.a Micro and small	1,114.8	1,602.5	2,095.6	2,246.5
As a % of gross advances	*3.8*	*4.7*	*5.2*	*5.2*
3.b Medium	175.0	203.2	285.5	250.7
As a % of gross advances	*0.6*	*0.6*	*0.7*	*0.6*
3.c Large	769.2	785.2	807.0	953.7
As a % of gross advances	*2.7*	*2.3*	*2.0*	*2.2*
3.d Others	1,862.2	2,089.2	2,481.3	2,631.6
As a % of gross advances	*6.4*	*6.1*	*6.2*	*6.1*
4. Retail loans (4.1 to 4.10)	**8,194.3**	**10,451.7**	**13,698.2**	**15,027.0**
As a % of gross advances	*28.3*	*30.7*	*34.0*	*35.0*
4.1 Housing loans (incl. priority sector Housing)	223.4	321.7	336.0	384.7
As a % of gross advances	*0.8*	*0.9*	*0.8*	*0.9*
4.2 Consumer durables	247.7	315.4	409.6	481.4
As a % of gross advances	*0.9*	*0.9*	*1.0*	*1.1*
4.3 Credit card receivables	327.1	440.1	557.4	611.7
As a % of gross advances	*1.1*	*1.3*	*1.4*	*1.4*
4.4 Vehicle/auto loans	3,263.5	3,828.3	4,748.4	5,170.9
As a % of gross advances	*11.3*	*11.3*	*11.8*	*12.0*
4.5 Education loans	141.5	253.2	449.0	584.7
As a % of gross advances	*0.5*	*0.7*	*1.1*	*1.4*
4.6 Advances against fixed deposits (incl. FCNR(B), etc.)	0.4	2.1	1.5	2.0
As a % of gross advances	*0.0*	*0.0*	*0.0*	*0.0*
4.7 Advances to individuals against shares, bonds, etc.	114.7	133.9	217.8	239.9
As a % of gross advances	*0.4*	*0.4*	*0.5*	*0.6*
4.8 Advances to individuals against gold	1,185.0	1,287.7	1,534.8	1,743.3
As a % of gross advances	*4.1*	*3.8*	*3.8*	*4.1*
4.9 Micro finance loan/SHG Loan	762.2	1,151.9	1,485.0	1,441.6
As a % of gross advances	*2.6*	*3.4*	*3.7*	*3.4*
4.10 Other retail loans	1,928.8	2,717.4	3,958.7	4,366.8
As a % of gross advances	*6.7*	*8.0*	*9.8*	*10.2*
Retail - Housing, fixed deposits, gold	**6,785.5**	**8,840.1**	**11,825.9**	**12,897.0**
As a % of gross advances	*23.4*	*26.0*	*29.4*	*30.0*
5. Other credit	**5,161.7**	**5,566.3**	**5,101.7**	**5,016.3**
As a % of gross advances	*17.8*	*16.4*	*12.7*	*11.7*

Note: Data given for 2021-22, 2022-23, 2023-24 are for NBFCs (excluding CICs, HFCs and SPDs) falling in upper LAYER and middle layer as on 31 March 2024; Source: RBI, Elara Securities Research

Bond yields and G-Sec yields declined (per latest available data from Bloomberg), in anticipation of rate cuts by the RBI in the next MPC meeting. However, financial indicators reveal that several firms faced increased borrowing costs in H1FY25. With margins having already peaked in FY24, sustaining momentum has become a top priority. We believe NBFCs will focus on managing future debt obligations and diversifying liabilities to safeguard margins and ROA. Effective liability management, addressing upcoming debt maturities, and ensuring adequate liquidity will be critical in shaping the margin trajectory.

Exhibit 5: Bond yields decline in anticipation of a rate cut



Source: Bloomberg, Elara Securities Research

Since the IL&FS crisis, NBFCs have significantly relied on bank borrowings, which accounted for 37.8% of total borrowing share as of H1FY25 (source: RBI). Even after tightening measures by the RBI, banks continue to lend to NBFC. However, this lending has slowed or moderated, signaling an incoming shift in the funding landscape.

Exhibit 6: Banks continue to dominate borrowings

Particulars (%)	Mar-20	Mar-21	Mar-22	Sep-22	Mar-23	Sep-23	Mar-24	Sep-24
Bank	32.0	33.0	35.5	35.7	37.7	37.8	38.6	37.8
FIs	2.9	2.4	2.6	2.7	3.0	3.1	3.2	3.0
Debentures	41.7	41.8	39.5	39.1	37.0	36.1	35.7	36.0
Inter-corporate Borrowings	3.6	3.3	3.4	3.7	3.5	3.3	3.0	3.2
Commercial papers	3.0	3.1	2.7	2.8	2.8	3.6	3.1	3.1
Subordinated debts	3.4	2.9	2.8	2.6	2.4	2.2	2.2	2.1
GOI borrowings	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.5
Others	12.6	12.7	12.8	12.6	12.9	13.3	13.6	14.4

Source: RBI, Elara Securities Research

In FY24, NBFCs effectively transmitted elevated rates to borrowers to protect margins. However, competitive segments such as housing loans and CV financiers absorbed part of the rise in funding costs. We observed an average funding cost increase of ~72bps and a concurrent yield rise of ~71bps in FY23-24 for Elara NBFC universe, resulting in a stable NIM on an aggregate basis for FY24. Following the anticipated rate cut, we expect to see a temporary boost in margins, with higher NIM likely towards the end of FY25.

Exhibit 7: Margins expected to remain under pressure for remainder FY25

Company	Yield (%)					Cost of funds (%)					Net interest margin (%)				
Bloomberg ticker	FY23	FY24	FY25E	FY26E	FY27E	FY23	FY24	FY25E	FY26E	FY27E	FY23	FY24	FY25E	FY26E	FY27E
AAVAS	12.1	12.2	12.1	12.2	12.3	6.6	7.4	7.3	7.3	7.8	7.5	6.9	6.6	6.4	6.1
BAF	18.1	18.6	19.0	18.5	18.3	7.7	9.8	9.4	8.9	8.9	12.5	13.0	12.5	12.1	12.0
CANF	9.4	10.6	10.6	10.3	10.4	5.8	6.7	6.7	4.8	4.6	3.5	3.8	3.7	5.4	5.6
CIFC	13.3	16.6	18.3	19.4	20.5	6.8	7.9	7.5	7.2	6.8	7.3	7.2	7.1	7.3	7.5
CREDAG	18.0	20.4	20.2	21.2	21.1	8.3	9.1	9.1	10.4	10.3	11.4	13.2	13.0	13.1	13.3
HUDCO	8.8	8.8	9.3	9.1	9.2	7.2	7.2	7.8	7.7	7.9	3.1	3.1	3.0	2.9	2.9
LICHF	8.3	8.8	9.9	9.8	9.7	6.9	7.4	7.4	7.3	7.1	2.2	2.4	3.0	3.1	3.1
LTF	13.1	15.1	15.5	15.8	15.7	6.9	6.6	7.0	7.1	7.4	8.2	9.1	9.3	9.3	9.6
MGFL	23.0	19.8	18.4	24.3	21.0	10.4	10.6	10.5	10.3	10.4	15.5	13.8	13.4	15.0	13.0
MMFS	12.6	12.5	13.7	13.8	13.8	6.3	7.1	7.8	8.5	7.8	7.4	6.6	6.9	6.7	6.6
MUTH	21.9	19.8	17.1	18.0	17.9	7.4	8.6	9.0	9.1	9.1	14.1	12.9	11.0	11.0	11.1
POWF	10.0	10.2	10.5	10.7	10.7	6.8	7.3	7.3	7.6	7.9	3.6	3.5	3.6	3.6	3.5
RECL	9.5	9.8	9.8	9.8	9.8	5.8	6.3	6.2	6.3	6.4	3.7	3.5	3.5	3.5	3.4
SBICARD	17.7	17.9	17.4	17.1	18.9	6.1	7.3	7.4	7.4	8.2	13.0	12.1	11.4	11.2	12.4
SHFL	16.4	17.2	16.7	17.4	17.5	9.3	9.3	9.2	9.2	9.0	6.1	9.8	8.9	9.1	8.9

Note: Data for SHTF spans FY18-20; Source: Company, Elara Securities Research

Despite posting strong performance in FY24, NBFCs are poised for a slowdown in growth. Credit costs will be elevated, primarily in the MFI and unsecured loan segments, while the secured loan book is expected to remain well-protected.

Exhibit 8: Credit costs to remain elevated for NBFCs

Credit costs by company (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
AAVAS	0.2	0.4	0.2	0.1	0.2	0.2	0.3	0.4
BAF	2.7	3.9	2.4	1.3	1.1	1.9	1.9	1.6
CANF	1.2	1.3	0.8	0.6	1.4	0.7	0.5	0.7
CIFC	1.6	2.0	1.1	0.8	0.9	1.2	1.2	1.2
CREDAG	2.5	6.0	4.0	2.1	1.9	4.2	2.1	2.3
HUDCO	0.2	-0.1	-0.3	-0.1	-0.2	-0.3	0.3	0.3
LICHF	0.5	0.6	0.9	0.8	0.6	0.5	0.5	0.6
LTFH	2.0	2.7	1.6	1.5	1.2	1.7	2.0	2.3
MGFL	1.1	1.7	1.7	0.9	1.5	1.2	1.3	1.0
MMFS	3.3	6.0	3.9	1.4	2.0	1.9	1.8	1.6
MUTH	0.3	0.2	0.2	0.1	0.3	0.1	0.1	0.1
POWF	0.3	1.0	0.6	-0.1	-0.0	0.1	0.2	0.2
RECL	0.3	0.7	0.9	0.0	-0.3	0.0	0.1	0.1
SBICARD	8.5	10.3	7.3	5.4	6.3	7.8	6.8	6.0
SHFL*	2.6	2.3	2.5	2.7	2.2	2.3	2.2	2.2

Note: Data for SHTF spans FY18-20; Source: Company, Elara Securities Estimate

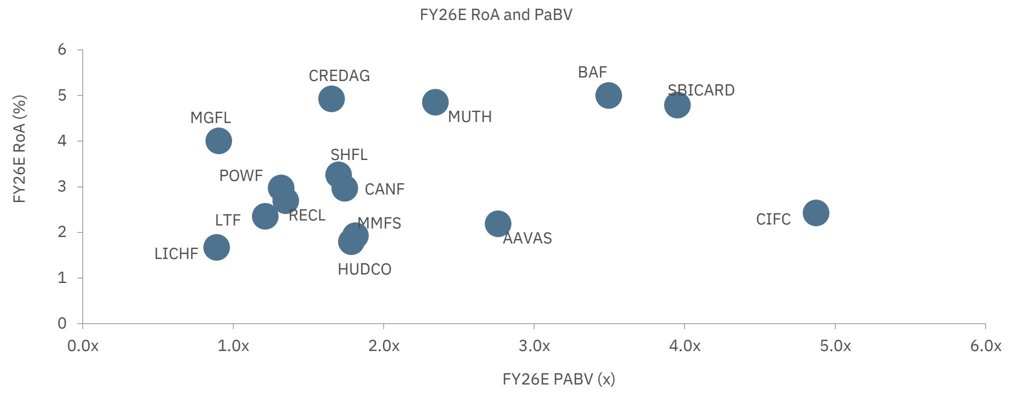
Moreover, while the NBFC sector has seen strong price momentum in the past quarter, current valuation of several NBFCs suggest significant room for future price appreciation.

Exhibit 9: Several NBFCs currently undervalued yet staying selective should be the norm

NBFCs	P/BV (FY26E) (x)	P/BV (FY24) (x)	Six-year median P/BV (FY19-24) (x)	Six-year median ROE (%)	FY24 ROE (%)	FY26E ROE (%)
AAVAS	2.8	2.8	4.7	13.3	13.9	12.5
BAF	3.9	5.2	7.0	21.4	23.5	18.9
CANF	1.7	2.4	2.5	18.6	18.8	25.2
CIFC	4.9	5.5	5.3	20.3	20.8	22.3
CREDAG	1.7	3.5	3.0	15.3	24.8	21.4
HUDCO	1.8	2.3	0.6	12.4	13.2	11.4
LICHF	0.9	1.2	1.2	14.0	11.2	15.8
LTF	1.2	1.8	1.2	10.7	7.5	11.1
MGFL	0.9	1.3	1.4	21.6	20.7	16.5
MMFS	1.8	2.0	1.9	9.1	10.0	14.3
MUTH	2.3	2.6	2.6	23.4	16.7	18.2
POWF	1.6	1.7	0.5	17.6	19.5	16.7
RECL	1.3	1.8	0.5	20.8	22.2	18.4
SBICARD	4.0	5.4	10.6	24.3	22.0	22.6
SHFL	1.7	1.8	1.6	16.1	17.3	17.0

Source: Company, Elara Securities Estimate

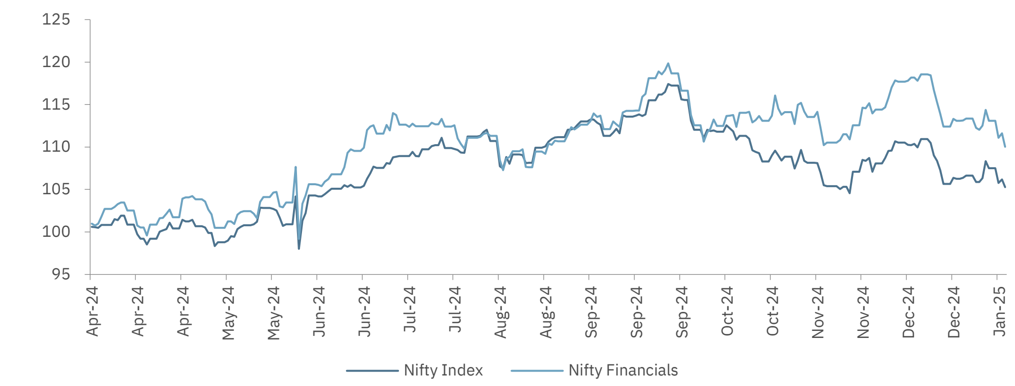
Exhibit 10: HUDCO, RECL, MUTH ahead of Elara NBFC universe on stout ROA at attractive valuation



Source: Company, Elara Securities Research

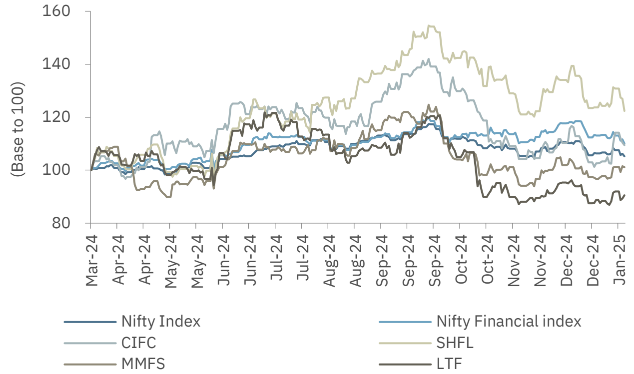
YTDFY25, Nifty rose 5.9% versus Nifty Financials' 12%. Price performance has been moderate for our NBFC coverage universe since the start of the fiscal. MUTH posted the best stock performance.

Exhibit 11: Nifty Financials outpacing Nifty Index

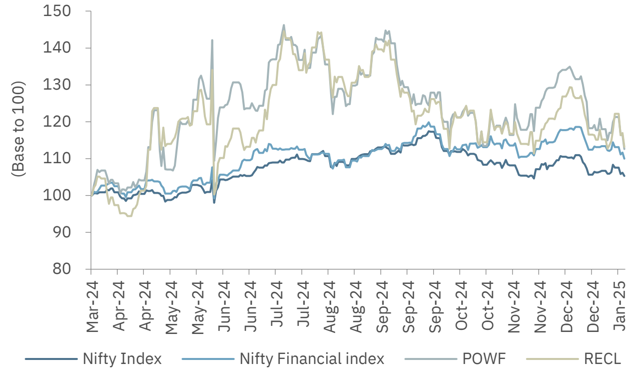


Source: Company, Elara Securities Research

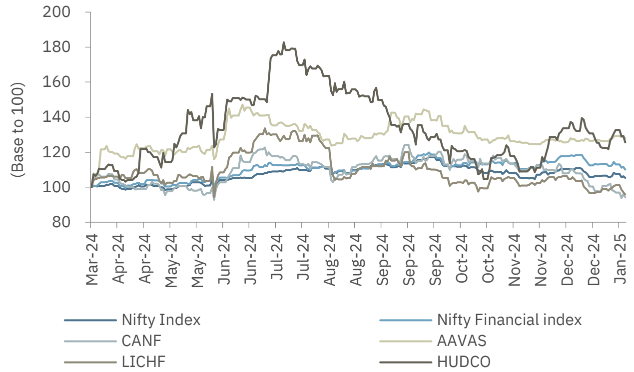
Exhibit 12: Expect MUTH and HUDCO to continue with bullish run



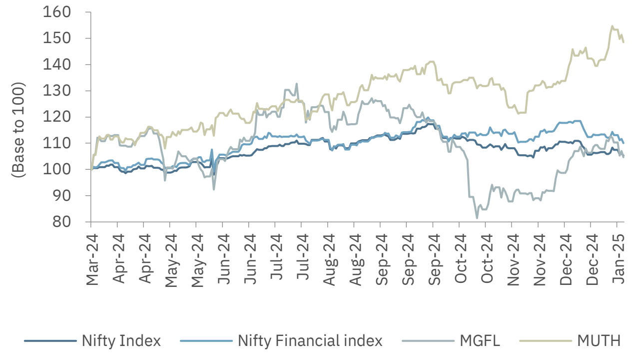
Source: Bloomberg, Elara Securities Research



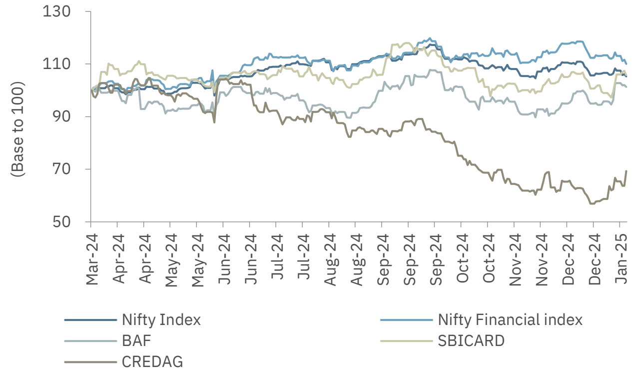
Source: Bloomberg, Elara Securities Research



Source: Bloomberg, Elara Securities Research



Source: Bloomberg, Elara Securities Research



Source: Bloomberg, Elara Securities Research

Q3FY25 earnings preview

The Elara NBFC universe is bracing for turbulence – Q3FY25E earnings outlook is subdued, with flat-to-negative sequential growth and a modest 14% YoY rise, down from 30% in Q3FY24. The sector is navigating choppy waters, grappling with elevated credit costs, cautious growth trajectories, stalling NII, and an increasingly stringent funding landscape. Optimizing funding costs has become a strategic imperative as the cost of bank borrowings escalates, particularly for A-rated and below players. Layered onto this are relentless regulatory interventions and geography-specific pressures, intensifying the challenges for non-banking financiers. Given the current circumstances, the focus should be on NBFCs with a diversified product mix and resilient balance sheets. Selectivity is crucial – We prefer PSU financiers and opportunities with favorable risk-reward dynamics. Hence, we favor HUDCO, POWF, MUTH, BAF, and SHFL, while CREDAG and MMFS warrant caution.

Exhibit 13: Regulatory headwinds to slow down momentum, underpinned by rising credit costs and costs of funds

INR mn	NII	QoQ (%)	YoY (%)	PPOP	QoQ (%)	YoY (%)	PAT	QoQ (%)	YoY (%)
AAVAS	3,288	9.5	23.8	2,084	7.0	32.2	1,561	5.5	33.8
BAF	116,826	6.8	25.7	78,037	6.8	27.0	41,823	4.2	14.9
CANF	3,530	3.9	7.3	2,972	3.2	3.7	2,184	3.3	9.1
CIFC	32,902	3.7	30.5	19,848	3.3	30.9	10,034	4.2	20.9
CREDAG	9,277	(0.6)	15.6	6,868	2.2	14.1	1,845	(0.8)	(47.8)
HUDCO IN	8,322	4.4	24.7	7,977	4.0	25.2	6,318	(8.3)	21.7
LICHF	19,961	1.1	(4.8)	17,407	(0.1)	(7.6)	12,418	(6.6)	6.8
LTF	21,264	(2.4)	16.0	14,134	(0.1)	5.6	5,960	(14.5)	(6.9)
MGFL	14,694	(10.1)	1.2	8,536	(17.4)	(8.8)	4,302	(24.8)	(25.2)
MMFS	19,511	7.8	9.7	13,228	10.6	24.5	5,138	39.1	(7.0)
MUTH	27,798	10.4	45.9	20,805	8.6	49.2	13,710	9.6	33.5
POWF	46,131	4.6	11.0	55,480	4.1	25.7	40,651	(7.0)	20.4
RECL	52,066	11.2	25.2	54,227	10.8	30.0	39,921	(0.3)	22.1
SBICARD	15,711	4.6	13.3	18,842	7.2	16.3	4,782	18.2	(12.9)
SHFL	58,226	3.9	14.3	41,385	3.8	12.2	21,359	3.1	17.5
Total NBFCs (including HFCs)	**449,507**	**5.0**	**19.1**	**361,830**	**5.1**	**21.2**	**212,006**	**(0.4)**	**13.8**

INR bn	Loans	QoQ (%)	YoY (%)	Margins (%)	QoQ (bps)	YoY (bps)	Credit cost (%)	QoQ (bps)	YoY (bps)	GNPA (%)	QoQ (bps)	YoY (bps)
AAVAS	193	5.0	20.1	7.0	35	21	0.2	9	(1)	1.1	1	0
BAF	3,980	6.4	28.0	12.1	9	(26)	2.2	14	58	1.2	9	20
CANF	379	3.5	11.2	3.8	(9)	2	0.2	(0)	(21)	0.9	0	(3)
CIFC	1,714	4.1	28.1	7.8	(9)	2	1.5	(5)	39	3.9	14	0
CREDAG	268	6.5	14.5	14.3	(21)	30	6.7	20	453	2.9	50	197
HUDCO	1,156	3.9	36.9	2.9	(3)	(28)	(0.2)	70	12	1.9	(14)	(124)
LICHF	3,049	3.5	8.4	2.7	(4)	(34)	0.1	0	(52)	3.2	14	(106)
LTF	953	2.4	16.5	9.0	(55)	(10)	2.6	53	6	3.2	5	3
MGFL	448	(1.9)	11.0	13.0	(145)	(166)	2.5	16	95	3.4	97	141
MMFS	1,149	2.2	18.4	6.9	25	(59)	2.2	(34)	85	3.8	0	(14)
MUTH	950	(8.8)	14.8	11.2	120	177	0.9	10	85	4.2	(10)	58
POWF	5,185	5.1	13.5	3.6	1	(2)	0.1	19	(14)	2.7	(1)	(82)
RECL	5,734	5.0	15.3	3.7	24	30	0.1	17	2	2.5	(8)	(33)
SBICARD	562	4.9	19.2	11.4	14	(58)	9.1	(5)	141	3.2	(7)	56
SHFL	2,523	3.8	17.8	9.4	14	(58)	2.1	1	(31)	5.4	12	(22)
Total NBFCs (including HFCs)	**28,243**	**4.0**	**17.6**	**7.9**	**(1)**	**(12)**	**2.0**	**12**	**57**	**2.9**	**11**	**6**

Source: Company, Elara Securities Estimate

Exhibit 14: Loan growth for NBFCs trending downwards and decelerated sharply YoY

Loan growth YoY (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
AAVAS	22.9	22.2	21.8	20.1	20.1
BAF	34.7	33.6	31.1	28.8	28.0
CANF	13.1	10.9	9.4	9.7	11.2
CIFC	28.9	36.7	35.4	32.5	28.1
CREDAG	31.5	27.0	20.6	11.8	14.5
HUDCO	6.5	14.8	30.0	36.4	36.9
LICHF	4.8	4.3	4.4	6.0	8.4
LTF	(7.5)	5.8	12.6	18.0	16.5
MGFL	26.7	18.7	21.2	17.4	11.0
MMFS	25.5	24.0	22.6	20.0	18.4
MUTH	27.2	24.6	27.7	31.0	14.8
POWF	16.2	14.0	9.9	9.8	13.5
RECL	21.0	17.1	16.6	15.1	15.3
SBICARD	26.3	24.7	21.5	23.0	19.2
SHFL	20.7	21.1	20.8	19.9	17.8
Average	**19.9**	**20.0**	**20.4**	**20.0**	**18.2**

Source: Company, Elara Securities Estimate

Exhibit 15: Rising cost of funds and tepid growth in topline impacting NII traction

NII growth YoY (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
AAVAS	(1.3)	10.0	(5.8)	9.2	9.5
BAF	25.0	25.0	24.1	23.7	25.7
CANF	30.6	25.5	12.7	7.3	7.3
CIFC	41.6	44.5	47.7	42.2	30.5
CREDAG	48.5	42.3	28.7	22.2	15.6
HUDCO	18.9	11.7	11.7	27.1	24.7
LICHF	31.3	12.4	(10.0)	(6.3)	(4.8)
LTF	(5.1)	18.4	27.8	26.0	16.0
MGFL	33.0	32.8	20.7	19.8	1.2
MMFS	9.8	9.1	9.1	10.0	9.7
MUTH	11.8	15.2	21.7	35.5	45.9
POWF	16.4	21.9	23.5	18.2	11.0
RECL	18.0	22.2	31.3	21.2	25.2
SBICARD	21.2	21.4	19.7	15.8	13.3
SHFL	15.0	20.0	20.6	16.4	14.3
Average	**21.0**	**22.2**	**18.9**	**19.2**	**16.3**

Source: Company, Elara Securities Estimate

Exhibit 16: Earnings growth to disappoint in Q3

PAT growth YoY (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
AAVAS	8.7	12.5	14.9	21.5	33.8
BAF	22.4	21.1	13.8	13.0	14.9
CANF	32.1	26.1	8.8	33.8	9.1
CIFC	28.0	24.1	29.8	26.3	14.5
CREDAG	63.8	33.9	14.1	(46.4)	(47.8)
HUDCO	104.1	9.5	25.1	52.5	21.7
LICHF	142.1	(7.6)	(1.8)	11.9	6.8
LTF	(27.3)	10.4	29.0	17.1	(6.9)
MGFL	46.2	35.7	11.7	2.0	(25.2)
MMFS	(12.1)	(9.5)	45.5	57.1	(7.0)
MUTH	13.9	17.0	10.6	26.2	33.5
POWF	12.4	18.4	23.6	13.6	20.4
RECL	13.6	33.8	16.3	5.9	22.1
SBICARD	7.8	11.0	0.2	(33.0)	(12.9)
SHFL	2.3	48.7	18.2	18.3	17.5
Average	**30.5**	**19.0**	**17.3**	**14.7**	**6.3**

Source: Company, Elara Securities Estimate

Exhibit 17: Asset quality deteriorates; expect elevated credit costs

Credit costs (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
AAVAS	0.2	0.1	0.2	0.1	0.2
BAF	1.7	1.6	2.0	2.1	2.2
CANF	0.4	0.0	0.3	0.2	0.2
CIFC	4.7	4.7	4.9	4.8	4.7
CREDAG	2.2	2.4	2.6	6.5	6.7
HUDCO	(0.3)	(0.4)	(0.1)	(0.9)	(0.2)
LICHF	0.6	0.6	0.2	0.1	0.1
LTF	2.6	1.9	1.6	2.1	2.6
MGFL	1.5	1.8	2.1	2.3	2.5
MMFS	1.4	1.4	1.7	2.6	2.2
MUTH	0.1	0.5	1.1	0.9	1.0
POWF	0.2	(0.3)	0.1	(0.1)	0.1
RECL	0.0	(0.6)	0.4	(0.1)	0.1
SBICARD	7.8	7.9	8.8	9.3	9.1
SHFL	2.4	2.3	2.1	2.1	2.1
Average	**1.7**	**1.6**	**1.9**	**2.1**	**2.2**

Source: Company, Elara Securities Estimate

Exhibit 18: Q3FY25E preview

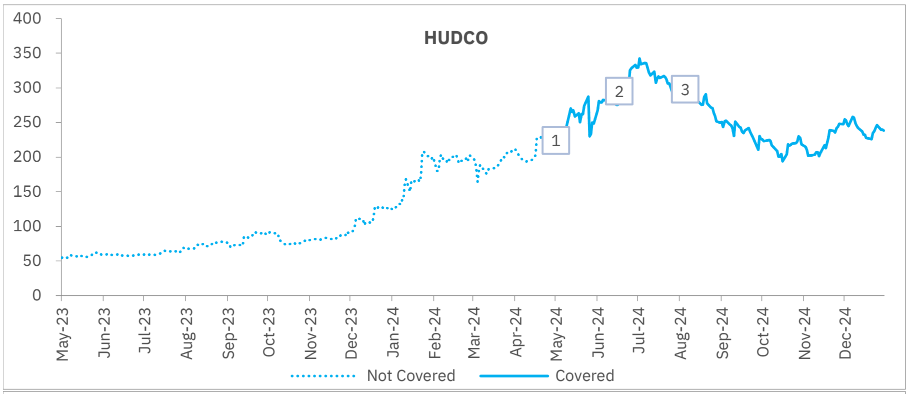
Company		Q3FY25	Q3FY24	*YoY Chg (%)*	Q2FY25	*QoQ Chg (%)*	Remarks
CIFC	NII (INR mn)	32,902	25,207	*30.5*	31,715	*3.7*	Yields steady across portfolio while expanding into new geographies
	PPOP (INR mn)	19,848	15,157	*30.9*	19,221	*3.3*	Operating expenses are expected to remain stable
	Provisions (INR mn)	6,329	3,588	*76.4*	6,235	*1.5*	
	PAT (INR mn)	10,034	8,301	*20.9*	9,631	*4.2*	Expect PAT to grow 4.2% sequentially, in line with AUM growth
	Loans (INR mn)	1,714,046	1,337,940	*28.1*	1,646,420	*4.1*	CIFC aims to achieve its medium-term AUM growth guidance of 25%+ for the year
	Margin (%)	7.8	7.8	*2bps*	7.9	*(9)bps*	
	GNPA (%)	3.9	3.9	-	3.8	*14bps*	
	Credit cost (%)	1.5	1.1	*39bps*	1.6	*(5)bps*	Credit costs are projected to decrease in H2FY25
MGFL	NII (INR mn)	14,694	14,524	*1.2*	16,354	*(10.1)*	Yields in the gold loan business will likely remain stable but NII will suffer due to business slowdown
	PPOP (INR mn)	8,536	9,361	*(8.8)*	10,331	*(17.4)*	Operating expenses are projected to remain flat, aligned with the previous quarter
	Provisions (INR mn)	2,786	1,496	*86.2*	2,604	*7.0*	
	PAT (INR mn)	4,302	5,753	*(25.2)*	5,721	*(24.8)*	PAT to suffer due to elevated credit costs and declining margins
	Loans (INR mn)	448,290	403,851	*11.0*	457,164	*(1.9)*	MGFL expects gold loan business to grow 15% YoY for FY25, but consolidated growth will face pressure
	Margin (%)	13.0	14.6	*(166)bps*	14.4	*(145)bps*	Consolidated margins will face pressure due to challenges at MFI subsidiary's
	GNPA (%)	3.4	2.0	*141bps*	2.4	*97bps*	
	Credit cost (%)	2.5	1.5	*95bps*	2.3	*16bps*	Credit costs to remain elevated amid MFI concerns
MUTH	NII (INR mn)	27,798	19,057	*45.9*	25,180	*10.4*	Yields are expected to stabilize at higher levels as low-yield lending schemes have phased out
	PPOP (INR mn)	20,805	13,942	*49.2*	19,150	*8.6*	With borrowing costs peaking in Q2, the company anticipates a dip in the cost of funds
	Provisions (INR mn)	2,278	137	*1,557.8*	2,071	*10.0*	
	PAT (INR mn)	13,710	10,273	*33.5*	12,511	*9.6*	Expect PAT to grow 9.6% sequentially, driven by margin expansion
	Loans (INR mn)	949,886	827,732	*14.8*	1,041,492	*(8.8)*	MUTH has revised its growth guidance from 15% to 25%, led by surpassing its initial expectations
	Margin (%)	11.2	9.4	*177bps*	10.0	*120bps*	Margins are projected to benefit from stable yields and a reduction in borrowing costs
	GNPA (%)	4.2	3.6	*58bps*	4.3	*(10)bps*	
	Credit cost (%)	0.9	0.1	*85bps*	0.8	*10bps*	MUTH is confident in its ability to recover and maintain stable credit costs
BAF	NII (INR mn)	116,826	92,955	*25.7*	109,410	*6.8*	Yields are expected to stabilize in the near term, while the cost of funds has peaked
	PPOP (INR mn)	78,037	61,422	*27.0*	73,071	*6.8*	Operating expenses are expected to trend downward, with continued efforts to improve efficiency
	Provisions (INR mn)	21,610	12,484	*73.1*	19,091	*13.2*	
	PAT (INR mn)	41,823	36,390	*14.9*	40,137	*4.2*	PAT boosted by healthy growth in topline and stable margin
	Loans (INR mn)	3,980,000	3,109,680	*28.0*	3,739,240	*6.4*	BAF anticipates full-year AUM growth of 27-28%
	Margin (%)	12.1	12.4	*(26)bps*	12.0	*9bps*	NIM is expected to remain steady at current levels, with potential improvement as the cost of funds declines

Company		Q3FY25	Q3FY24	*YoY Chg (%)*	Q2FY25	*QoQ Chg (%)*	Remarks
	GNPA (%)	1.2	1.0	*20bps*	1.1	*9bps*	
	Credit cost (%)	2.2	1.7	*58bps*	2.1	*14bps*	Credit costs are expected to stabilize and return to a range of 185-195bps
SBICARD	NII (INR mn)	15,711	13,870	*13.3*	15,021	*4.6*	The cost of funds has likely peaked and may decline as 'interest rate easing' cycle begins
	PPOP (INR mn)	18,842	16,205	*16.3*	17,574	*7.2*	Opex may normalize and decrease in Q4; Q2 and Q3 are usually high opex
	Provisions (INR mn)	12,449	8,829	*41.0*	12,120	*2.7*	
	PAT (INR mn)	4,782	5,491	*(12.9)*	4,046	*18.2*	PAT to improve sequentially due to the festival season
	Loans (INR mn)	562,222	471,640	*19.2*	535,960	*4.9*	Interest-bearing assets are expected to grow at 15-19%, slightly trailing the overall asset growth according to the firm
	Margin (%)	11.4	12.0	*(58)bps*	11.3	*14bps*	Margins may soften slightly in Q3 due to expenses in the festival season
	GNPA (%)	3.2	2.6	*56bps*	3.3	*(7)bps*	
	Credit cost (%)	9.1	7.7	*141bps*	9.1	*(5)bps*	Credit costs are projected to remain elevated in the next two quarters
SHFL	NII (INR mn)	58,226	50,939	*14.3*	56,067	*3.9*	Overall yields are expected to remain consistent
	PPOP (INR mn)	41,385	36,893	*12.2*	39,865	*3.8*	Funding costs are unlikely to improve in the short term
	Provisions (INR mn)	12,906	12,497	*3.3*	12,350	*4.5*	
	PAT (INR mn)	21,359	18,183	*17.5*	20,713	*3.1*	PAT to rise by 3.4% QoQ and 17.5% YoY, led by stable margin and moderate growth in AUM
	Loans (INR mn)	2,522,781	2,142,335	*17.8*	2,430,425	*3.8*	Cautious approach to personal loans while expecting 17-18% growth in the CV portfolio
	Margin (%)	9.4	9.8	*(37)bps*	9.4	*(1)bps*	Margins are expected to remain stable in the next year, with any benefits from RBI rate cuts likely delayed
	GNPA (%)	5.4	5.7	*(22)bps*	5.3	*12bps*	No further improvement in asset quality is anticipated at this time
	Credit cost (%)	2.1	2.4	*(31)bps*	2.1	*1bps*	Credit costs to remain stable
AAVAS	NII (INR mn)	3,288	2,655	*23.8*	3,003	*9.5*	Higher-disbursement yields to improve NII growth
	PPOP (INR mn)	2,084	1,577	*32.2*	1,948	*7.0*	A 25bps hike in PLR effective October is expected to offset rising CoF
	Provisions (INR mn)	92	80	*16.0*	48	*91.3*	Full-year guidance for opex-to-asset ratio is 3.3%, with expectations to reduce it further to below 3% in the coming quarters.
	PAT (INR mn)	1,561	1,166	*33.8*	1,479	*5.5*	PAT to rise both QoQ and YoY, backed by margin expansion and topline growth
	Loans (INR mn)	193,154	160,795	*20.1*	183,956	*5.0*	Expect 20%+ YoY AUM Growth in FY25
	Margin (%)	7.0	6.8	*21bps*	6.6	*35bps*	Hike in PLR is expected to improve yields, helping maintain spreads in 4.8-5% range.
	GNPA (%)	1.1	1.1	-	1.1	*1bps*	AAVAS guided for GNPA to remain below 1.25% and credit cost below 25bps for FY25
	Credit cost (%)	0.2	0.2	*(1)bps*	0.1	*9bps*	
CREDAG	NII (INR mn)	9,277	8,029	*15.6*	9,331	*(0.6)*	Efforts to pass on cost increases and improve disbursement yields will drive yield recovery
	PPOP (INR mn)	6,868	6,018	*14.1*	6,721	*2.2*	The cost of funds is expected to be stable, with potential easing once the interest rate cycle turns favorable.
	Provisions (INR mn)	4,370	1,262	*246.2*	4,202	*4.0*	Operational efficiencies and cost management initiatives are expected to bring the opex-to-asset ratio down
	PAT (INR mn)	1,845	3,533	*(47.8)*	1,861	*(0.8)*	PAT to decline on yearly basis while remain flat sequentially on account of high credit costs
	Loans (INR mn)	267,666	233,820	*14.5*	251,330	*6.5*	CREDAG is confident of achieving its 8-12% AUM growth guidance for FY25
	Margin (%)	14.3	14.0	*30bps*	14.5	*(21)*	Expect margins to decline
	GNPA (%)	2.9	1.0	*197bps*	2.4	*50*	
	Credit cost (%)	6.7	2.2	*453bps*	6.5	*20*	Credit costs are expected to remain elevated
MMFS	NII (INR mn)	19,511	17,787	*9.7*	18,106	*7.8*	Continued improvement in yields as MMFS leverages growth in both loan and fee income
	PPOP (INR mn)	13,228	10,625	*24.5*	11,961	*10.6*	Cost of funds remains stable for the time being, with no immediate relief expected
	Provisions (INR mn)	6,331	3,284	*92.8*	7,035	*(10.0)*	
	PAT (INR mn)	5,138	5,528	*(7.0)*	3,695	*39.1*	PAT growth to look optically high due to a disappointing Q2FY25
	Loans (INR mn)	1,149,000	970,480	*18.4*	1,124,540	*2.2*	Despite recent sluggish disbursements, MMFS is confident of achieving an 18% AUM growth for the year.
	Margin (%)	6.9	7.5	*(59)bps*	6.6	*25bps*	MMFS anticipates NIMs to remain within 6.5-6.7% range for the full year.
	GNPA (%)	3.8	4.0	*(14)bps*	3.8	-	
	Credit cost (%)	2.2	1.4	*85bps*	2.6	*(34)bps*	MMFS is committed to keeping credit costs low, aided by improvements in collection efficiency
LTF	NII (INR mn)	21,264	18,330	*16.0*	21,781	*(2.4)*	Yields are expected to improve through strategic focus on higher-yielding products
	PPOP (INR mn)	14,134	13,380	*5.6*	14,146	*(0.1)*	LTF is targeting continued optimization of its cost of funds
	Provisions (INR mn)	6,175	5,140	*20.1*	4,750	*30.0*	Operational efficiency will remain a priority, with LTF targeting to maintain the opex + credit cost ratio at ~7%

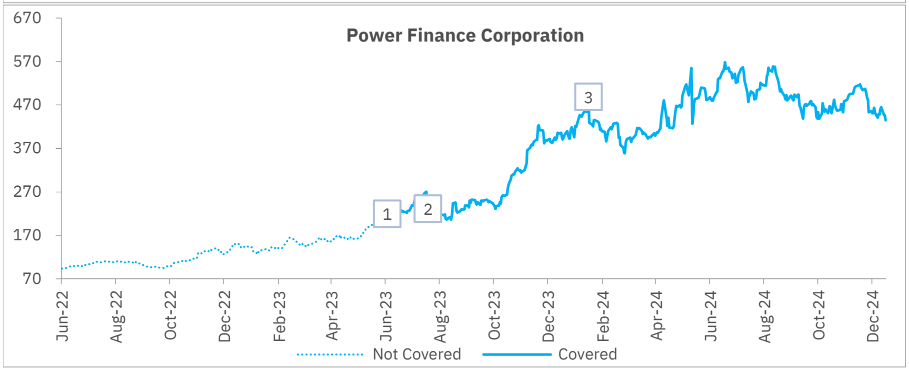
Company		Q3FY25	Q3FY24	*YoY Chg (%)*	Q2FY25	*QoQ Chg (%)*	Remarks
	PAT (INR mn)	5,960	6,400	*(6.9)*	6,967	*(14.5)*	PAT to decline both QoQ and YoY given margin compression and abysmal growth in AUM
	Loans (INR mn)	952,803	817,800	*16.5*	930,150	*2.4*	AUM growth of 17% YoY appears plausible, with retail segment growth projected at 22% YoY
	Margin (%)	9.0	9.1	*(10)bps*	9.6	*(55)bps*	NIM plus fee income expected to stabilize in 10.5-11% range in the near term
	GNPA (%)	3.2	3.2	*3bps*	3.2	*5bps*	
	Credit cost (%)	2.6	2.6	*6bps*	2.1	*53bps*	Credit costs to spike sequentially due to turmoil in MFI
LICHF	NII (INR mn)	19,961	20,972	*(4.8)*	19,739	*1.1*	Incremental lending rates, currently at 9.4% annualized, are expected to support profitability
	PPOP (INR mn)	17,407	18,845	*(7.6)*	17,417	*(0.1)*	
	Provisions (INR mn)	812	4,358	*(81.4)*	773	*5.0*	
	PAT (INR mn)	12,418	11,629	*6.8*	13,289	*(6.6)*	PAT to decrease by 6.6% QoQ while rise 6.8% YoY
	Loans (INR mn)	3,048,986	2,812,060	*8.4*	2,945,880	*3.5*	LICHF expects double-digit AUM growth rate by leveraging traditionally stronger quarters in Q3 and Q4
	Margin (%)	2.7	3.0	*(34)bps*	2.7	*(4)bps*	NIMs are projected to improve by 5-10bps in Q3 and Q4
	GNPA (%)	3.2	4.3	*(106)bps*	3.1	*14bps*	
	Credit cost (%)	0.1	0.6	*(52)bps*	0.1	*0bps*	Credit costs stable
POWF	NII (INR mn)	46,131	41,578	*11.0*	44,083	*4.6*	NII to grow as margins stabilise and traction continues
	PPOP (INR mn)	55,480	44,121	*25.7*	53,284	*4.1*	
	Provisions (INR mn)	1,156	2,626	*(56.0)*	(1,241)	*(193.1)*	
	PAT (INR mn)	40,651	33,772	*20.4*	43,704	*(7.0)*	PAT to improve YoY by 20.4% while QoQ, it may be low because of high PAT in Q2 due to write-backs
	Loans (INR mn)	5,185,256	4,570,268	*13.5*	4,933,640	*5.1*	POWF anticipates 14% loan book growth in FY25, supported by robust project sanction pipeline
	Margin (%)	3.6	3.7	*(2)bps*	3.6	*1bps*	Margins are expected to remain stable in 3-3.5% range
	GNPA (%)	2.7	3.5	*(82)bps*	2.7	*(1)bps*	
	Credit cost (%)	0.1	0.2	*(14)bps*	(0.1)	*19bps*	Credit costs to increase sequentially
RECL	NII (INR mn)	52,066	41,587	*25.2*	46,804	*11.2*	NII to grow as margins expand
	PPOP (INR mn)	54,227	41,701	*30.0*	48,955	*10.8*	RECL expects the cost of funds to decrease by the end of the year, with a potential rate cut by the RBI in Q4
	Provisions (INR mn)	900	559	*61.1*	(1,441)	*(162.5)*	
	PAT (INR mn)	39,921	32,693	*22.1*	40,055	*(0.3)*	Higher provisions may lead to flat PAT growth QoQ
	Loans (INR mn)	5,734,229	4,974,660	*15.3*	5,461,170	*5.0*	AUM is likely to grow at 15-20% in the next 3-4 years
	Margin (%)	3.7	3.4	*30bps*	3.5	*24bps*	RECL expects to maintain NIM of >3.6%, with a broad range of 3.5-3.75%
	GNPA (%)	2.5	2.8	*(33)bps*	2.5	*(8)bps*	
	Credit cost (%)	0.1	0.0	*2bps*	(0.1)	*17bps*	Credit costs increase sequentially
CANF	NII (INR mn)	3,530	3,288	*7.3*	3,398	*3.9*	
	PPOP (INR mn)	2,972	2,865	*3.7*	2,878	*3.2*	CANF expects its annual opex to rise by once the new IT project is implemented
	Provisions (INR mn)	141	308	*(54.4)*	137	*2.3*	
	PAT (INR mn)	2,184	2,001	*9.1*	2,115	*3.3*	PAT to improve with healthy traction and stable margins
	Loans (INR mn)	378,717	340,530	*11.2*	365,910	*3.5*	AUM growth to reach 11-12% by the end of Q3. CANF aims to achieve 13-14% growth by the end of Q4
	Margin (%)	3.8	3.9	*(11)bps*	3.8	*2bps*	CANF does not expect any deterioration in spreads, going forward
	GNPA (%)	0.9	0.9	*(3)bps*	0.9	-	Asset quality stable
	Credit cost (%)	0.2	0.4	*(21)bps*	0.2	*(0)bps*	
HUDCO	NII (INR mn)	8,322	6,674	*24.7*	7,973	*4.4*	NII growth robust with growth in AUM
	PPOP (INR mn)	7,977	6,371	*25.2*	7,669	*4.0*	
	Provisions (INR mn)	(462)	(590)	*(21.7)*	(2,332)	*(80.2)*	
	PAT (INR mn)	6,318	5,192	*21.7*	6,886	*(8.3)*	PAT looks optically low due to high profits in previous quarters due to write-backs
	Loans (INR mn)	1,156,075	844,240	*36.9*	1,112,680	*3.9*	Loans to grow on the back of healthy sanctions pipeline
	Margin (%)	2.9	3.2	*(28)bps*	3.0	*(3)bps*	Margins stable QoQ
	GNPA (%)	1.9	3.1	*(124)bps*	2.0	*(14)bps*	Asset quality to improve
	Credit cost (%)	(0.2)	(0.3)	*12bps*	(0.9)	*70bps*	

Source: Company, Elara Securities Estimate

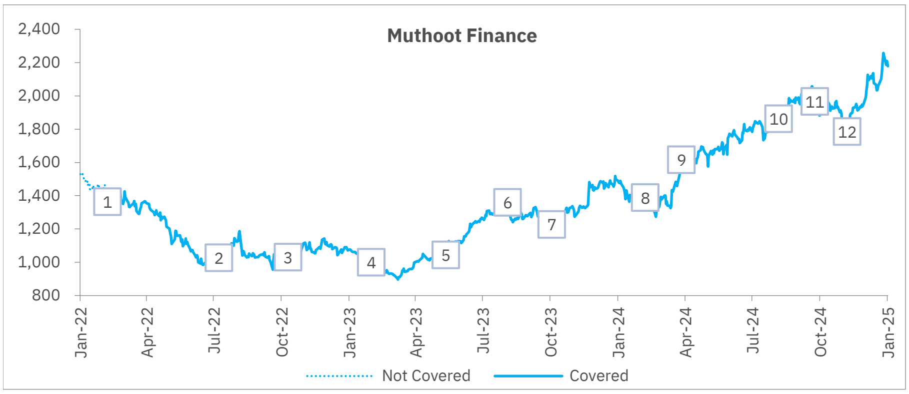
Coverage History



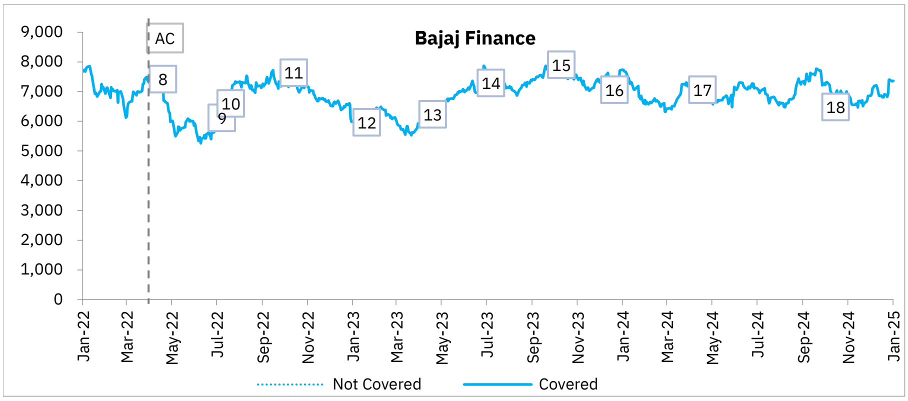
	Date	Rating	Target Price	Closing Price
1	10-May-2024	Buy	INR 297	INR 214
2	26-Jun-2024	Buy	INR 350	INR 285
3	14-Aug-2024	Buy	INR 361	INR 289



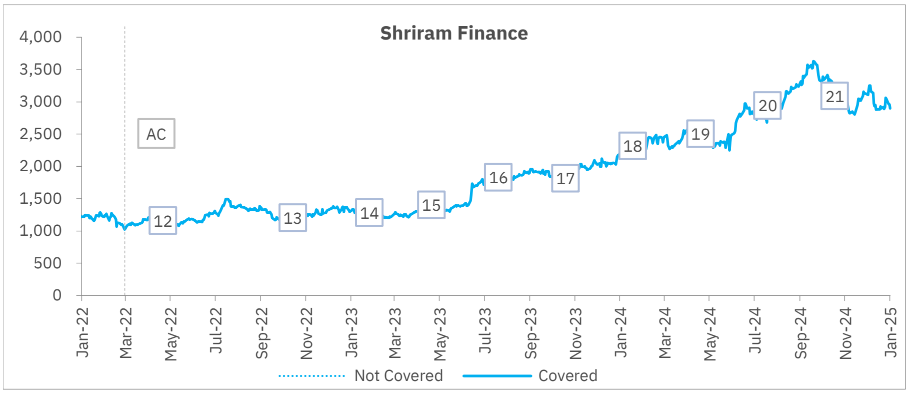
	Date	Rating	Target Price	Closing Price
1	26-Jun-2023	Buy	INR 326	INR 200
2	11-Aug-2023	Buy	INR 343	INR 264
3	8-Feb-2024	Buy	INR 569	INR 469



	Date	Rating	Target Price	Closing Price
1	14-Feb-2022	Buy	INR 1,657	INR 1,355
2	15-Jul-2022	Buy	INR 1,522	INR 1,018
3	14-Oct-2022	Accumulate	INR 1,200	INR 1,014
4	7-Feb-2023	Accumulate	INR 1,156	INR 1,011
5	19-May-2023	Accumulate	INR 1,200	INR 1,035
6	11-Aug-2023	Accumulate	INR 1,404	INR 1,350
7	10-Oct-2023	Buy	INR 1,520	INR 1,218
8	14-Feb-2024	Accumulate	INR 1,520	INR 1,379
9	3-Apr-2024	Buy	INR 1,948	INR 1,630
10	13-Aug-2024	Buy	INR 2,214	INR 1,853
11	1-Oct-2024	Accumulate	INR 2,214	INR 1,956
12	14-Nov-2024	Buy	INR 2,266	INR 1,776



	Date	Rating	Target Price	Closing Price
8	26-Apr-2022	Accumulate	INR 8,197	INR 7,241
9	15-Jul-2022	Accumulate	INR 6,561	INR 5,915
10	27-Jul-2022	Accumulate	INR 6,800	INR 6,396
11	20-Oct-2022	Reduce	INR 7,203	INR 7,432
12	27-Jan-2023	Buy	INR 7,006	INR 5,761
13	27-Apr-2023	Accumulate	INR 7,006	INR 6,056
14	14-Jul-2023	Accumulate	INR 8,681	INR 7,482
15	17-Oct-2023	Accumulate	INR 9,000	INR 8,093
16	28-Dec-2023	Buy	INR 9,000	INR 7,259
17	25-Apr-2024	Accumulate	INR 8,053	INR 7,295
18	22-Oct-2024	Accumulate	INR 7,683	INR 6,678



	Date	Rating	Target Price	Closing Price
12	29-Apr-2022	Buy	INR 1,478	INR 1,202
13	21-Oct-2022	Accumulate	INR 1,438	INR 1,198
14	2-Feb-2023	Accumulate	INR 1,391	INR 1,265
15	27-Apr-2023	Accumulate	INR 1,487	INR 1,406
16	27-Jul-2023	Accumulate	INR 1,903	INR 1,812
17	26-Oct-2023	Buy	INR 2,152	INR 1,798
18	25-Jan-2024	Accumulate	INR 2,540	INR 1,307
19	26-Apr-2024	Accumulate	INR 2,778	INR 2,500
20	26-Jul-2024	Accumulate	INR 3,140	INR 2,925
21	25-Oct-2024	Accumulate	INR 3,419	INR 3,093

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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