

**SELL** Mahindra Finance

Your success is our success

**Disappointing show; Downgrade to SELL**BFSI - NBFCs ▶ Result Update ▶ **October 28, 2023****TARGET PRICE (Rs): 235**

**MMFS reported disappointing numbers in Q2, with the lower asset yield and higher borrowing cost causing a miss on NII; also, a spike in credit cost led to net income missing Consensus/our estimate by 48%/34%. The management sounded confident about the future outlook and believes the poor Q2 performance is a temporary derailment due to seasonal factors. But in our view, MMFS' muted Q2 performance dashes hopes of seasonal fluctuations decreasing for its business; also, the management's assurance on performance improvements ahead—in terms of higher asset yields, improving opex and lower credit cost—is more of a pipedream and has lower visibility. To build-in the Q2 performance, we reduce FY24-26E EPS by ~22-25% and our BVPS by ~2-6%, downgrading the stock to SELL with Sep-24E TP of Rs235/share (FY25E P/BV: 1.5x)**

**Mahindra Finance: Financial Snapshot (Standalone)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net profits	9,888	19,843	15,133	22,121	26,544
AUM growths (%)	(2.6)	36.3	24.6	21.5	22.0
NII growths (%)	0.4	9.9	15.8	23.4	18.8
NIMs (%)	7.6	7.6	6.9	7.0	6.9
PPOP growth (%)	(10.3)	0.7	11.6	29.9	19.8
Adj. EPS (Rs)	8.0	16.1	12.2	17.9	21.5
Adj. EPS growth (%)	164.7	100.6	(23.8)	46.2	20.0
Adj. BV (INR)	126.5	138.3	145.9	157.1	172.2
Adj. BVPS growth (%)	(4.7)	9.3	5.5	7.7	9.6
RoA (%)	1.3	2.3	1.4	1.7	1.7
RoE (%)	6.5	12.1	8.6	11.8	13.0
P/E (x)	34.6	17.3	22.7	15.5	12.9
P/ABV (x)	2.2	2.0	1.9	1.8	1.6

Source: Company, Emkay Research

**Disappointing at present; future improvement a pipedream**

MMFS' performance was listless across all key parameters—PAT came in at Rs2.35bn (a 48% miss on Consensus and a 34% miss on Emkay estimates), which was prompted by a combination of a miss at the NII level (led by lower asset yield and higher cost of funds) and a spike of 2.78% in credit cost (~30bps higher vs Q1). Management attributed the weakness in NII and the spike in credit cost to seasonal factors and sounded confident about reversing the trends in both, NII and credit cost, led by their proactive measures and seasonal factor adjustments over the next two quarters.

**Management believes the Q2 shock is a temporary blip**

MMFS has been shifting its focus towards acquiring prime customers and reducing NTC and sub-prime customers, with a view to lowering its opex and bringing credit cost to the desirable range of 1.5-17% by Mar-24. But as things stand now, this strategy has only caused reduction in asset yields, with opex staying higher due to continued investments in tech, human resources and network, and the stronger impact of seasonal factors on credit cost leading to subpar profitability. The management firmly believes the strategy will pay off in future and that Company is well on track to deliver on its FY25 targets. It sees opex remaining higher near-term on investment in tech/infra, but credit cost seeing sharp moderation in H2, leading to FY24 credit cost ranging at 1.5-1.7%.

**Better future outlook wishful thinking; Downgrade to SELL**

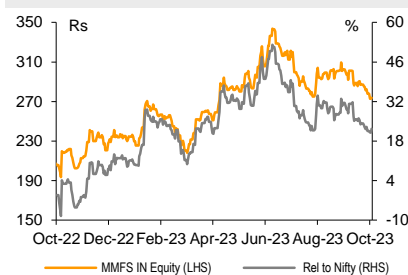
Over the last 2-3 quarters, MMFS' shares have been seeing a re-rating on account of expectations of reduced seasonality and a more robust business model. But the poor Q2 show materially challenges the hypothesis of reduced seasonality. Management optimism about future outlook based on improvement in NII led by asset yields, playing out of the operating leverage, and improvement in credit cost still seem an unrealistic goal. Against such a backdrop, the 2.5% RoA story remains a tough ask. To account for the Q2FY24 developments, we have adjusted our FY24-26 estimates that results in ~22-25% fall in EPS and a 2-6% drop in BVPS. We downgrade the stock to SELL, with Sep-24E TP of Rs235/share (implied FY25 P/BV: 1.5x) resulting in 15% downside from current levels.

Target Price – 12M	Sep-24
<b>Change in TP (%)</b>	<b>NA</b>
Current Reco.	SELL
Previous Reco.	
Upside/(Downside) (%)	(15.3)
CMP (27-Oct-23) (Rs)	277.3

Stock Data	Ticker
52-week High (Rs)	347
52-week Low (Rs)	191
Shares outstanding (mn)	1,235.5
Market-cap (Rs bn)	343
Market-cap (USD mn)	4,116
Net-debt, FY24E (Rs mn)	18,150
ADTV-3M (mn shares)	4
ADTV-3M (Rs mn)	1,280.4
ADTV-3M (USD mn)	15.4
Free float (%)	-
Nifty-50	19,047
INR/USD	83.2
<b>Shareholding, Sep-23</b>	
Promoters (%)	52.2
FPIs/MFs (%)	14.1/25.8

**Price Performance**

(%)	1M	3M	12M
Absolute	(7.0)	(11.1)	33.7
Rel. to Nifty	(3.7)	(8.2)	24.5

**1-Year share price trend (Rs)****Avinash Singh**

avinash.singh@emkayglobal.com  
+91 22 6612 1327

**Kishan Rungta**

kishan.rungta@emkayglobal.com  
+91 22 6624 2490

## Exhibit 1: Actual vs Estimate

(Rs mn)	Q2FY24	Q2FY24	Variation	Comments
	Actual	Estimate	Actual vs Estimate	
Business Assets	9,37,230	9,36,000		
Disbursement	1,33,150	1,33,000		
NII	15,865	16,888	-6%	Miss led by higher CoFs and lower than expected Yields
PPoP	9,428	10,101	-7%	Lower NII led to a miss on PPoP
PAT	2,352	3,575	-34%	PAT miss on account of higher than expected credit cost and lower than expected NIMs
Credit cost	2.8%	2.4%	42bps	Credit cost higher than expected, due to write-off and additional provisioning done on account of increase in share of the Tractor segment in NPAs
GS3	4.3%	4.4%	-11bps	
NS3	1.7%	1.8%	-12bps	

Source: Company, Emkay Research

## Exhibit 2: Revision in estimates

Y/e Mar (Rs mn)	FY24E			FY25E			FY26E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
AUM	12,41,016	12,41,016	0.0%	15,07,632	15,07,632	0.0%	18,40,003	18,40,003	0.0%
Disbursement	6,13,757	6,13,757	0.0%	7,63,022	7,63,022	0.0%	9,35,424	9,35,424	0.0%
Net interest income	75,985	70,712	-6.9%	95,351	87,274	-8.5%	1,14,517	1,03,670	-9.5%
PPOP	48,080	41,887	-12.9%	63,651	54,430	-14.5%	77,454	65,204	-15.8%
Provisions	20,762	21,456	3.3%	25,124	24,565	-2.2%	31,374	29,368	-6.4%
PBT	27,318	20,431	-25.2%	38,527	29,864	-22.5%	46,080	35,836	-22.2%
Adj. PAT	20,235	15,133	-25.2%	28,537	22,121	-22.5%	34,131	26,544	-22.2%
Adj. EPS (Rs)	16.4	12.2	-25.2%	23.1	17.9	-22.5%	27.6	21.5	-22.2%
BVPS (Rs)	149	146	-1.7%	163	157	-3.6%	182	172	-5.6%
Networth	1,83,592	1,80,390	-1.7%	2,01,508	1,94,277	-3.6%	2,25,422	2,12,875	-5.6%
NIM + Fees	7.4%	6.9%	-50bps	7.5%	7.0%	-50bps	7.4%	6.9%	-52bps
Cost-to-income	40.4%	43.8%	336bps	37.1%	40.8%	372bps	36.3%	40.3%	406bps
Opex-to-AUM	2.9%	2.9%	0bps	2.7%	2.7%	0bps	2.6%	2.6%	0bps
Loan book growth	24.6%	24.6%	0bps	21.5%	21.5%	0bps	22.0%	22.0%	0bps
Credit cost	2.2%	2.3%	11bps	2.1%	2.1%	1bps	2.1%	2.0%	-7bps

Source: Company, Emkay Research

## Exhibit 3: Q2FY24 result snapshot

(Rs mn)	2QFY23	3QFY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ
Interest Income	25,163	27,947	29,344	30,349	31,530	25.3%	3.9%
Interest Expenses	10,688	12,419	13,340	14,505	15,665	46.6%	8.0%
Net Interest Income	14,475	15,528	16,004	15,844	15,865	9.6%	0.1%
Other Income	930	969	1,223	905	875	-5.9%	-3.3%
Total Income	15,405	16,496	17,227	16,750	16,740	8.7%	-0.1%
Operating Expenses	6,768	6,513	7,786	6,750	7,312	8.0%	8.3%
Operating Profit	8,637	9,983	9,441	10,000	9,428	9.2%	-5.7%
Provisions	1,985	1,551	4	5,264	6,266	215.7%	19%
Credit cost (%) of avg. Business Assets	1.1%	0.8%	0.0%	2.5%	2.8%	166bps	29bps
PBT	6,652	8,431	9,437	4,735	3,163	-52.5%	-33.2%
Tax	1,624	2,142	2,596	1,209	811	-50.1%	-32.9%
Tax rate	24.4%	25.4%	27.5%	25.5%	25.6%		0bps
Reported PAT	4,483	6,290	6,841	3,527	2,352	-47.5%	-33.3%
Networth	1,57,461	1,63,976	1,70,889	1,74,600	1,69,560	7.7%	-2.9%
Business assets	7,38,170	7,70,000	8,27,700	8,67,320	9,37,230	27.0%	8.1%
Disbursements	1,18,240	1,44,670	1,37,780	1,21,650	1,33,150	12.6%	9.5%
GS3 (%)	6.7	5.9	4.5	4.4	4.3	-241bps	-6bps
NS3 (%)	2.9	2.5	1.9	1.8	1.7	-120bps	-7bps
PCR (%)	58.2	59.0	59.5	60.1	61.2	299bps	105bps

Source: Company, Emkay Research

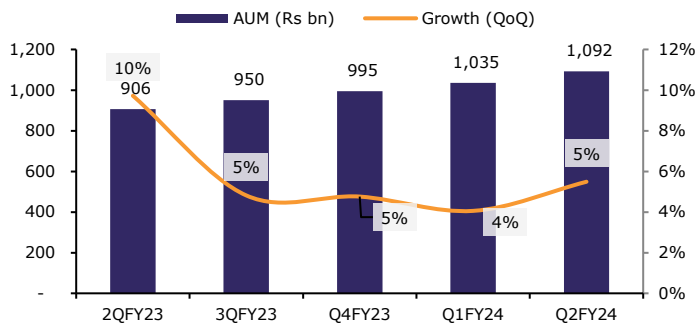
## Exhibit 4: Valuation

	CMP/TP (Rs/sh)	Up side	Mkt Cap (Rs bn)	P/BV			P/E			RoA (%)			RoE (%)			Book Value (Rs/sh)			EPS (Rs)		
				FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
At current market price	277	-15%	342.6	1.9x	1.8x	1.6x	22.7x	15.5x	12.9x	1.4	1.7	1.7	8.6	11.8	13.0	145.9	157.1	172.2	12.2	17.9	21.5
At target price	235		342.6	1.6x	1.5x	1.4x	19.2x	13.1x	10.9x	1.4	1.7	1.7	8.6	11.8	13.0	145.9	157.1	172.2	12.2	17.9	21.5

Source: Company, Emkay Research

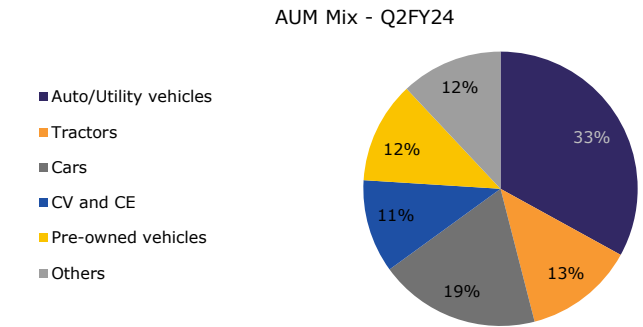
Result In Charts

Exhibit 5: Steady AUM growth continues



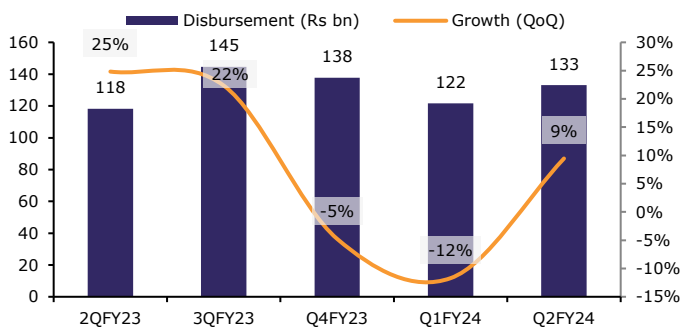
Source: Company, Emkay Research

Exhibit 6: Portfolio mix broadly the same, though Company shifting focus to the customer segment



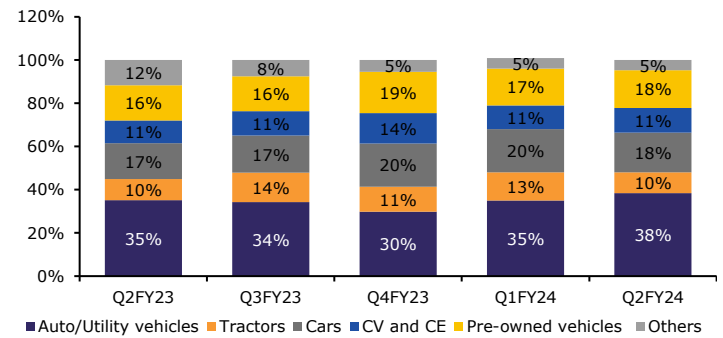
Source: Company, Emkay Research

Exhibit 7: Disbursement growth led by the Auto/Utility segments



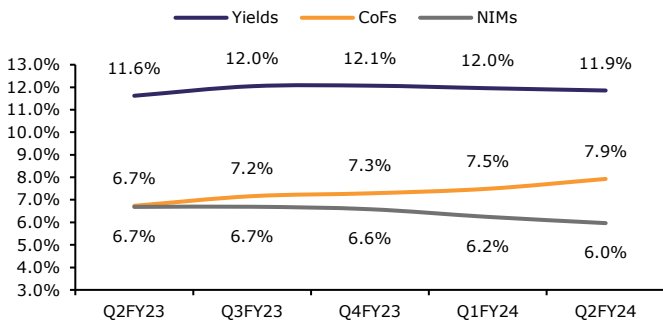
Source: Company, Emkay Research

Exhibit 8: Segmental disbursement mix



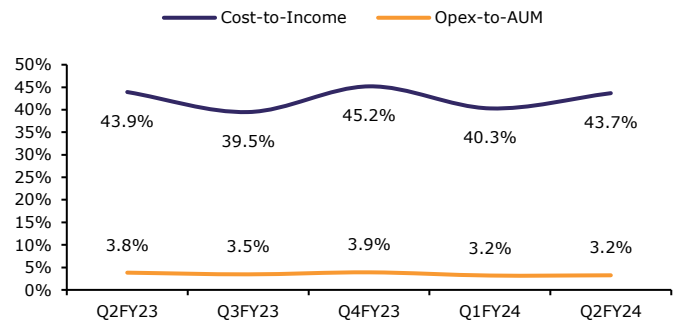
Source: Company, Emkay Research

Exhibit 9: NIM compression led by increasing CoFs and lower Yields



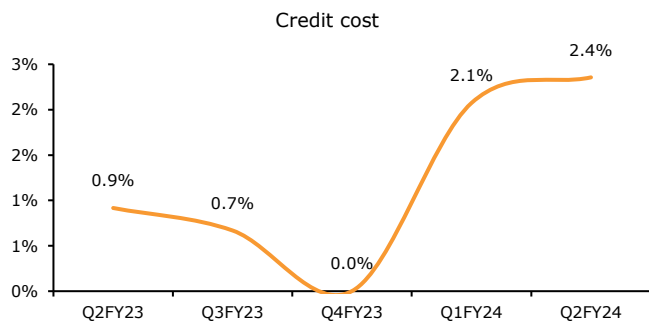
Source: Company, Emkay Research

Exhibit 10: Near-term cost-to-income to retain at current levels



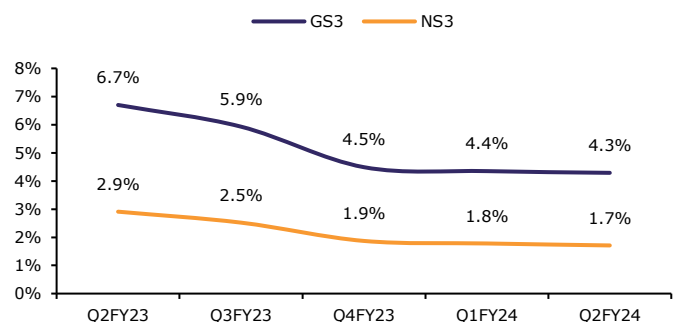
Source: Company, Emkay Research

Exhibit 11: Increased credit cost due to impact of monsoons in some segments leading to higher provision



Source: Company, Emkay Research

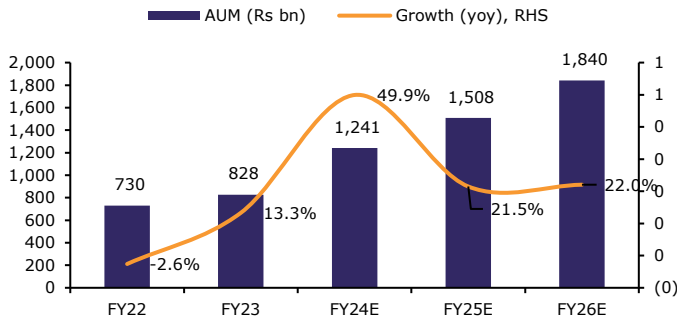
Exhibit 12: Marginal improvement in asset quality



Source: Company, Emkay Research

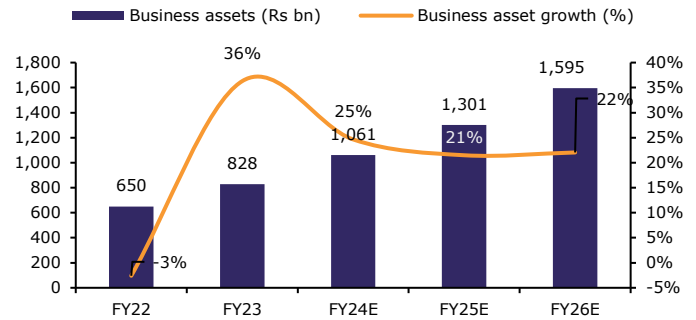
Story in charts

Exhibit 1: AUM to grow above 20% levels over FY24-26E



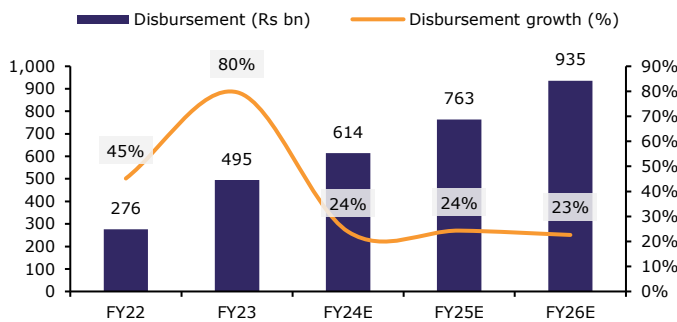
Source: Company, Emkay Research

Exhibit 2: Business assets



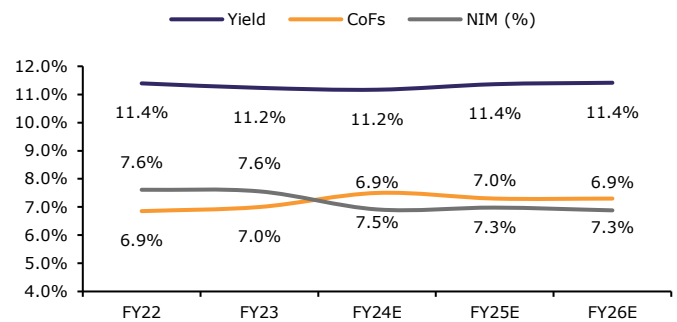
Source: Company, Emkay Research

Exhibit 3: Disbursement growth to continue across all product segments



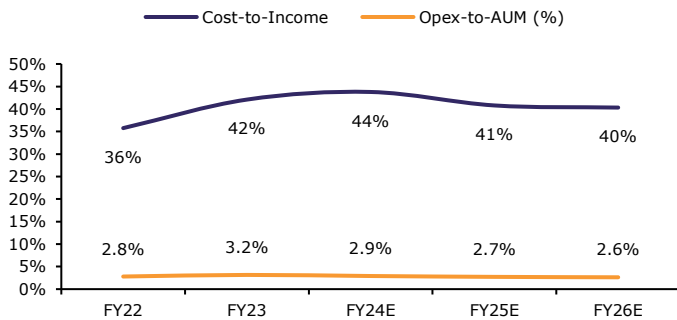
Source: Company, Emkay Research

Exhibit 4: NIM improvement to come from reducing CoFs and increasing mix of high-yielding product



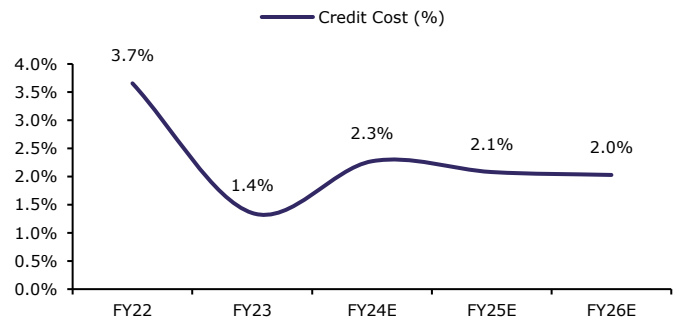
Source: Company, Emkay Research

Exhibit 5: Investment in tech and infra resulting in higher opex; expected to moderate in FY26E



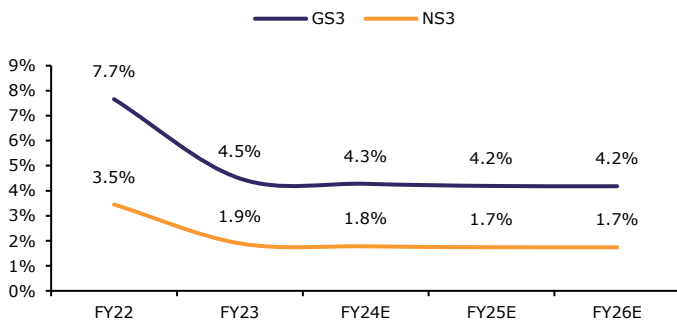
Source: Company, Emkay Research

Exhibit 6: We believe credit cost will remain at around 2% vs the management guidance of 1.5-1.7%



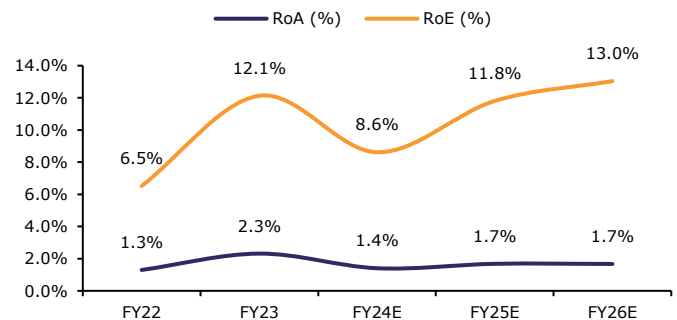
Source: Company, Emkay Research

Exhibit 7: Asset quality to remain stable, with GS3/NS3 at 4.2%/1.7%



Source: Company, Emkay Research

Exhibit 8: Profitability improvement owing to improving customer profile leading to overall cost reduction and improving product mix



Source: Company, Emkay Research

## Management call highlights

- Ground checks suggest overall positive sentiment in the market, with inventory building up at dealer level. Footfall at dealerships remains robust, indicating good retail volumes in light of the festive season. OEMs are excited and preparing well for the upcoming *Diwali* festival (good business accomplished during *Dushera*).
- On account of a good monsoon, festive demand and continued infra spend, MMFS sees a good cashflow trend, which would drive business in terms of both, disbursement and improved collection & collection efficiency, resulting in enhanced asset quality.
- In Q2FY24, GS3 remained stable and below Mar-23 levels, while Stage 2 is showing a declining trend, leading to overall improved asset quality. With the stable Stage 3, though, charge on P/L has been higher which the management assured is temporarily impacting PAT; this was on account of deferred cashflows, owing to the delayed monsoon in some geographies coupled with increase in the tractor portfolio that, hence, requires additional provision. Management expects credit cost to come down to 1.5-17% by end-FY24.
- Business assets registered growth above 20%, which is expected to continue, led by strong disbursement.
- Management is confident about achieving its FY25 guidance.
- Opex to track current level for the near term, given MMFS' commitment to building its tech and infra which would help it in longer-term growth.
- NIM to see some near-term pressure on account two key factors: i) The management believes CoFs would sustain current trend or increase going forward. ii) Shift in customer mix, focusing on high-quality customers.
- NIM Guidance of ~6.8% by end-FY24, led by marginal rate hike in some geographies, segments and products; improved mix of high-yielding assets like used vehicles and improved customer quality leading to lower opex and credit cost.
- Expects benign H2 results on account of improved rural cashflow.
- Trade advance for the quarter is ~Rs50bn (non-interest yielding, which was ~Rs33bn in Q2FY23); Company expects this to be converted to interest-yielding assets during next-quarter festivity.
- Impact of the rate hike to be seen in Nov/Dec-23, but most of the impact to come from Q4FY24.
- Loan loss provision for NPA in Q2 was ~Rs2.5bn; the ~Rs1bn excess provision was on account of increase in the tractor portfolio. Expects the provision to see reversal in coming quarter, as ground checks have indicated no deterioration.
- MMFS expects a marginal decline in growth of the pre-owned vehicle segment, on account of low availability of pre-owned vehicles being a challenge.
- Disbursement growth is primarily led by OEM and dealers; the branch plays a service role. MMFS expects to open some branches in the next 6 months. Overall disbursement will not be impacted.
- Write-off to taper out, as the management focus is more on prime customer acquisition and lowering its NTC and subprime customers.
- ROA guidance of 2.5% by end-FY25.

## Mahindra Finance: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	94,756	1,06,826	1,35,144	1,66,466	2,01,253
Interest Expense	39,202	45,767	64,432	79,193	97,583
<b>Net interest income</b>	<b>55,554</b>	<b>61,059</b>	<b>70,712</b>	<b>87,274</b>	<b>1,03,670</b>
NII growth (%)	0.4	9.9	15.8	23.4	18.8
Non interest income	2,432	3,735	3,796	4,655	5,580
<b>Total income</b>	<b>57,986</b>	<b>64,794</b>	<b>74,508</b>	<b>91,928</b>	<b>1,09,251</b>
Operating expenses	20,734	27,276	32,621	37,499	44,047
<b>PPOP</b>	<b>37,252</b>	<b>37,518</b>	<b>41,887</b>	<b>54,430</b>	<b>65,204</b>
PPOP growth (%)	(10.3)	0.7	11.6	29.9	19.8
Provisions & contingencies	23,683	9,992	21,456	24,565	29,368
<b>PBT</b>	<b>13,569</b>	<b>27,526</b>	<b>20,431</b>	<b>29,864</b>	<b>35,836</b>
Extraordinary items	0	(545)	0	0	0
Tax expense	3,682	7,138	5,298	7,744	9,292
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>9,888</b>	<b>19,843</b>	<b>15,133</b>	<b>22,121</b>	<b>26,544</b>
PAT growth (%)	206.2	100.7	(23.7)	46.2	20.0
<b>Adjusted PAT</b>	<b>9,888</b>	<b>20,388</b>	<b>15,133</b>	<b>22,121</b>	<b>26,544</b>
<b>Diluted EPS (Rs)</b>	<b>8.0</b>	<b>16.1</b>	<b>12.2</b>	<b>17.9</b>	<b>21.5</b>
Diluted EPS growth (%)	164.7	100.6	(23.8)	46.2	20.0
<b>DPS (Rs)</b>	<b>3.6</b>	<b>6.0</b>	<b>4.6</b>	<b>6.7</b>	<b>6.4</b>
<b>Dividend payout (%)</b>	<b>44.9</b>	<b>37.3</b>	<b>37.3</b>	<b>37.3</b>	<b>30.0</b>
Effective tax rate (%)	27.1	25.9	25.9	25.9	25.9
Net interest margins (%)	7.6	7.6	6.9	7.0	6.9
Cost-income ratio (%)	35.8	42.1	43.8	40.8	40.3
PAT/PPOP (%)	26.5	52.9	36.1	40.6	40.7
Shares outstanding (mn)	1,233.0	1,233.6	1,233.6	1,233.6	1,233.6

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Asset quality</b>					
GNPL - Stage 3	49,760	37,170	45,376	54,518	66,663
NNPL - Stage 3	20,860	15,070	18,150	21,807	26,665
GNPL ratio - Stage 3 (%)	7.7	4.5	4.3	4.2	4.2
NNPL ratio - Stage 3 (%)	3.5	1.9	1.8	1.7	1.7
ECL coverage - Stage 3 (%)	58.1	59.5	60.0	60.0	60.0
ECL coverage - 1 & 2 (%)	2.7	1.4	1.4	1.4	1.4
Gross slippage - Stage 3	0	0	0	0	0
Gross slippage ratio (%)	0.0	0.0	0.0	0.0	0.0
Write-off ratio (%)	3.9	3.4	1.6	1.5	1.4
Total credit costs (%)	3.7	1.4	2.3	2.1	2.0
NNPA to networth (%)	13.3	8.8	10.1	11.2	12.5
<b>Capital adequacy</b>					
Total CAR (%)	27.8	22.5	22.7	20.7	19.3
Tier-1 (%)	24.3	19.9	18.9	16.9	15.5
<b>Miscellaneous</b>					
Total income growth (%)	0.3	11.7	15.0	23.4	18.8
Opex growth (%)	27.0	31.5	19.6	15.0	17.5
PPOP margin (%)	5.0	4.3	3.7	4.0	3.9
Credit costs-to-PPOP (%)	63.6	26.6	51.2	45.1	45.0
Loan-to-Assets (%)	80.3	82.6	85.5	86.8	88.5
Yield on loans (%)	13.1	13.1	13.0	13.1	13.1
Cost of funds (%)	6.9	7.0	7.5	7.3	7.3
Spread (%)	6.2	6.1	5.5	5.8	5.8

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	2,466	2,467	2,467	2,467	2,467
Reserves & surplus	1,53,815	1,68,422	1,77,922	1,91,810	2,10,407
<b>Net worth</b>	<b>1,56,281</b>	<b>1,70,889</b>	<b>1,80,390</b>	<b>1,94,277</b>	<b>2,12,875</b>
<b>Borrowings</b>	<b>5,58,139</b>	<b>7,49,459</b>	<b>9,68,677</b>	<b>12,00,923</b>	<b>14,72,514</b>
<b>Other liabilities &amp; prov.</b>	<b>38,467</b>	<b>41,818</b>	<b>43,909</b>	<b>46,104</b>	<b>48,409</b>
<b>Total liabilities &amp; equity</b>	<b>7,52,887</b>	<b>9,62,166</b>	<b>11,92,975</b>	<b>14,41,304</b>	<b>17,33,798</b>
Net loans	6,04,446	7,94,547	10,19,660	12,50,961	15,33,869
Investments	84,403	99,886	1,09,875	1,20,862	1,32,949
Cash, other balances	41,507	28,321	19,830	21,440	13,887
<b>Interest earning assets</b>	<b>7,30,356</b>	<b>9,22,754</b>	<b>11,49,365</b>	<b>13,93,264</b>	<b>16,80,705</b>
Fixed assets	3,929	6,956	7,999	8,799	9,679
Other assets	18,603	32,456	35,612	39,241	43,415
<b>Total assets</b>	<b>7,52,887</b>	<b>9,62,166</b>	<b>11,92,975</b>	<b>14,41,304</b>	<b>17,33,798</b>
BVPS (Rs)	126.5	138.3	145.9	157.1	172.2
Adj. BVPS (INR)	126.5	138.3	145.9	157.1	172.2
Gross loans	6,49,608	8,27,700	10,60,823	13,00,777	15,94,841
<b>Total AUM</b>	<b>7,30,500</b>	<b>9,95,650</b>	<b>12,41,016</b>	<b>15,07,632</b>	<b>18,40,003</b>
On balance sheet	6,49,608	8,27,700	10,60,823	13,00,777	15,94,841
Off balance sheet	80,892	1,67,950	1,80,193	2,06,855	2,45,162
Disbursements	2,75,810	4,95,410	6,13,757	7,63,022	9,35,424
Disbursements growth (%)	45.2	79.6	23.9	24.3	22.6
Loan growth (%)	0.8	31.5	28.3	22.7	22.6
AUM growth (%)	(2.6)	36.3	24.6	21.5	22.0
Borrowings growth (%)	(4.7)	34.3	29.3	24.0	22.6
Book value growth (%)	(4.7)	9.3	5.5	7.7	9.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	34.6	17.3	22.7	15.5	12.9
P/B (x)	2.2	2.0	1.9	1.8	1.6
P/ABV (x)	2.2	2.0	1.9	1.8	1.6
P/PPOP (x)	0.7	0.7	0.7	0.5	0.4
Dividend yield (%)	1.3	2.2	1.6	2.4	2.3
<b>Dupont-RoE split (%)</b>					
NII/avg AUM	7.5	7.1	6.3	6.4	6.2
Other income	0.3	0.4	0.3	0.3	0.3
Securitization income	0.0	0.0	0.0	0.0	0.0
Opex	1.2	1.3	1.2	1.2	1.2
Employee expense	1.6	1.8	1.7	1.5	1.5
<b>PPOP</b>	<b>5.0</b>	<b>4.3</b>	<b>3.7</b>	<b>4.0</b>	<b>3.9</b>
Provisions	3.2	1.2	1.9	1.8	1.8
Tax expense	0.5	0.8	0.5	0.6	0.6
<b>RoAUM (%)</b>	<b>1.3</b>	<b>2.4</b>	<b>1.4</b>	<b>1.6</b>	<b>1.6</b>
Leverage ratio (x)	4.9	5.3	6.4	7.3	8.2
<b>RoE (%)</b>	<b>6.5</b>	<b>12.1</b>	<b>8.6</b>	<b>11.8</b>	<b>13.0</b>
<b>Quarterly data</b>					
Rs mn, Y/E Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
NII	14,475	15,528	16,004	15,844	15,865
NIM(%)	7.5	7.4	7.4	6.8	6.5
PPOP	8,637	9,983	9,441	10,000	9,428
PAT	5,028	6,290	6,841	3,527	2,352
EPS (Rs)	3.64	5.10	5.55	2.86	1.90

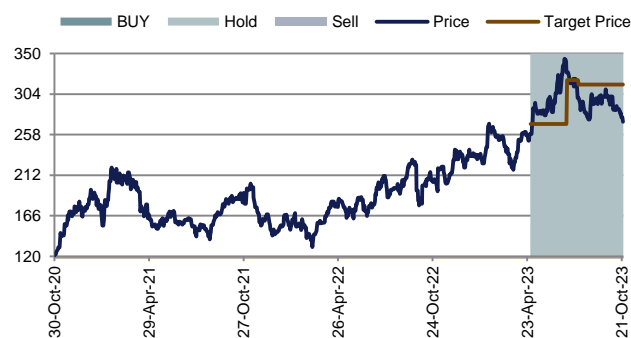
Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
30-Jul-23	300	315	Hold	Avinash Singh
08-Jul-23	329	320	Hold	Avinash Singh
29-Apr-23	259	270	Hold	Avinash Singh

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Company, Bloomberg, Emkay Research



**GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.emkayglobal.com](http://www.emkayglobal.com).

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst 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.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities 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 including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

**Disclaimer for U.S. persons only:** Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, 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 Financial Institutions Regulatory Authority (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 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. Emkay Global Financial Services Ltd. has entered into a chaperoning 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.

**RESTRICTIONS ON DISTRIBUTION**

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

**ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)**

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons<sup>1</sup> may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

<sup>1</sup> An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of October 28, 2023
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report  
**Disclosure of previous investment recommendation produced:**
- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of October 28, 2023
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the October 28, 2023
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

**Emkay Rating Distribution**

Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	Over 15%
<b>HOLD</b>	Between -5% to 15%
<b>SELL</b>	Below -5%

**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

**OTHER DISCLAIMERS AND DISCLOSURES:****Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) -:**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.