

"Mission 2025" profitability a tough ask despite good Q3 performance

BFSI - NBFCs ▶ Result Update ▶ January 31, 2024

TARGET PRICE (Rs): 280

MMFS reported a good performance in Q3FY24, with RoA of 2.1%, driven by a gradual improvement in asset yields, sharp reduction in credit cost (1.4% of business assets vs 2.8% in Q2FY24), and sustained improvement in asset quality (GS3/NS3 for Q3 at 3.97%/1.52%; for Q2 at 4.29%/1.71%). Improved asset quality-led lowering of credit cost appears to be an outcome of some structural improvement owing to Company's better underwriting and collections along with macro tailwinds benefiting the lenders. The management sounded reasonably confident about most targets of "Mission 2025", except the 2.5% RoA. In our view, MMFS's strong Q3 performance signals a sustained improvement in profitability over coming quarters; however, it is unlikely that FY25E RoA will hit 2%. To reflect the Q3 performance, we have changed our FY24-26 estimates that leads to ~23% EPS increase for FY24E and ~4-6% for FY25E-26E. We reiterate our REDUCE rating on the stock, with Dec-24E TP of Rs280/share (FY25E P/BV: 1.8x; increased from Rs240 earlier).

Mahindra Finance: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net profits	9,888	19,843	18,583	22,976	28,294
AUM growth (%)	(2.6)	36.3	19.0	18.1	18.9
NII growth (%)	0.4	9.9	11.3	21.5	20.0
NIMs (%)	7.6	7.6	6.8	6.9	7.0
PPOP growth (%)	(10.3)	0.7	12.1	23.7	23.0
Adj. EPS (Rs)	8.0	16.1	15.0	18.6	22.9
Adj. EPS growth (%)	164.7	100.6	(6.4)	23.6	23.1
Adj. BV (INR)	126.5	138.3	147.6	159.2	175.1
Adj. BVPS growth (%)	(4.7)	9.3	6.8	7.8	10.0
RoA (%)	1.3	2.3	1.7	1.8	1.9
RoE (%)	6.5	12.1	10.5	12.1	13.7
P/E (x)	34.9	17.4	18.6	15.1	12.2
P/ABV (x)	2.2	2.0	1.9	1.8	1.6

Source: Company, Emkay Research

Sharp reduction in credit cost and improved asset quality impress in Q3

MMFS reported a good performance in Q3, with the RoA hitting above 2%, driven by NIM expanding by 30bps QoQ to 6.8% and credit cost nearly halving QoQ to Rs3.28bn (1.4% from 2.8% in Q2). The sharp improvement in credit cost was helped by sustained gradual improvement in asset quality, with GS3/NS3 at 3.97%/1.52% (vs 4.29%/1.71% in Q2 and 5.93%/2.52% in Q3FY23) and a change in ECL model resulting in Rs0.86bn lowering of provisions. Collections efficiency remained broadly stable for the quarter, with a rebound in Dec-23 from some festive season slipping in Oct-Nov '23. For Q3FY24, overall disbursements grew ~16% QoQ/7% YoY to Rs154.4bn and the business asset grew 26% QoQ to Rs970.5bn.

Despite gradual progress, "Mission 2025" profitability remains a tough ask

MMFS's multipronged strategy to achieve ~2.5% RoA by FY25 seems to be gradually progressing; however, sustainability of performance is key to achieve such targets. 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 1.5-1.7% by Mar-24. This strategy will keep the Opex sticky in the near-to-medium term on account of investment in technology, people, and network. The management firmly believes the strategy will pay off in future and that the company is well on track to deliver on its FY25 targets.

We change estimates to reflect Q3 developments; reiterate REDUCE

MMFS's pleasing Q3 performance endorses the management's "Mission 2025" plan; however, sustainability remains key for MMFS. In our view, Management's vision of future outlook based on improvement in NII led by asset yields, playing out of the operating leverage, and improvement in credit cost will still fall short of delivering RoA above 2% on a sustainable basis. To account for the Q3FY24 developments, we have adjusted our FY24-26E asset growth and credit cost downward that leads to a ~23% increase in FY24E EPS and ~4-6% increase in FY25E-26E EPS. We reiterate our REDUCE rating on the stock, with our revised Dec-24E TP of Rs280/share (FY25E P/BV: 1.8x; increased from Rs240 earlier).

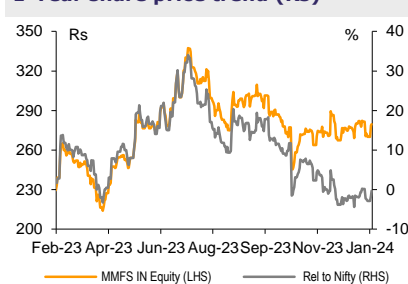
Target Price – 12M	Dec-24
Change in TP (%)	16.7
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	0.2
CMP (30-Jan-24) (Rs)	279.6

Stock Data	Ticker
52-week High (Rs)	347
52-week Low (Rs)	216
Shares outstanding (mn)	1,235.5
Market-cap (Rs bn)	345
Market-cap (USD mn)	4,156
Net-debt, FY24E (Rs mn)	14,060
ADTV-3M (mn shares)	5
ADTV-3M (Rs mn)	1,222.8
ADTV-3M (USD mn)	14.7
Free float (%)	-
Nifty-50	21,522
INR/USD	83.1
Shareholding, Dec-23	
Promoters (%)	52.2
FPIs/MFs (%)	12.7/27.0

Price Performance

(%)	1M	3M	12M
Absolute	1.0	13.9	23.9
Rel. to Nifty	2.0	1.3	1.6

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 Estimates

MMFS – Earnings Snapshot							
Q3FY24 (Rs mn)	3QFY23	Q2FY24	Q3FY24	Chg QoQ	Chg YoY	Q3FY24	Variation
	Actual	Actual	Actual			Estimate	vs Estimate
Business Assets	770,000	937,230	970,480	4%	26%	968,500	0%
Disbursement	144,670	133,150	154,360	16%	7%	154,500	0%
NII	15,528	15,865	16,983	7%	9%	16,701	2%
PPoP	9,983	9,428	10,625	13%	6%	9,766	9%
Provisions	1,551	6,266	3,284	-48%	112%	5,846	-44%
PBT	8,431	3,163	7,341	132%	-13%	3,920	87%
PAT	6,290	2,352	5,528	135%	-12%	2,917	90%
Credit cost	0.8%	2.8%	1.4%	-140bps	55bps	2.5%	-108bps
GS3	5.9%	4.3%	4.0%	-32bps	-196bps	4.0%	-3bps
NS3	2.5%	1.7%	1.5%	-19bps	-100bps	1.5%	6bps

Source: Company, Emkay Research

Exhibit 2: Change in estimates

Y/e Mar (Rs mn)	FY24E			FY25E			FY26E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Business Assets	1,060,823	1,026,735	-3.2%	1,300,777	1,235,758	-5.0%	1,594,841	1,483,407	-7.0%
Disbursement	613,757	577,954	-5.8%	763,022	688,575	-9.8%	935,424	824,391	-11.9%
Net interest income	70,712	67,941	-3.9%	87,274	82,528	-5.4%	103,670	99,017	-4.5%
PPOP	41,887	42,065	0.4%	54,430	52,022	-4.4%	65,204	63,968	-1.9%
Provisions	21,456	16,976	-20.9%	24,565	21,002	-14.5%	29,368	25,769	-12.3%
PBT	20,431	25,088	22.8%	29,864	31,020	3.9%	35,836	38,199	6.6%
Adj. PAT	15,133	18,583	22.8%	22,121	22,976	3.9%	26,544	28,294	6.6%
Adj. EPS (Rs)	12.2	15.0	22.7%	17.9	18.6	3.8%	21.5	22.9	6.4%
BVPS (Rs)	146	148	1.2%	157	159	1.3%	172	175	1.7%
Networth	180,390	182,558	1.2%	194,277	196,991	1.4%	212,875	216,827	1.9%
NIM + Fees	6.9%	6.8%	-13bps	7.0%	6.9%	-10bps	6.9%	7.0%	9bps
Cost-to-income ratio	43.8%	41.8%	-202bps	40.8%	40.8%	2bps	40.3%	39.4%	-92bps
Opex-to-AUM	2.9%	2.8%	-15bps	2.7%	2.8%	5bps	2.6%	2.7%	8bps
Loan book growth	28.2%	24.0%	-412bps	22.6%	20.4%	-226bps	22.6%	20.0%	-257bps
Credit costs (bps)	2.3%	1.8%	-44bps	2.1%	1.9%	-22bps	2.0%	1.9%	-13bps
ROA	1.4%	1.7%	34bps	1.7%	1.8%	12bps	1.7%	1.9%	20bps
ROE	8.6%	10.5%	190bps	11.8%	12.1%	30bps	13.0%	13.7%	64bps

Source: Company, Emkay Research

Exhibit 3: Result snapshot

Quarterly Earnings Summary							
(Rs mn)	3QFY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	% YoY	% QoQ
Interest Income	27,947	29,344	30,349	31,530	33,733	20.7%	7.0%
Interest Expenses	12,419	13,340	14,505	15,665	16,750	34.9%	6.9%
Net Interest Income	15,528	16,004	15,844	15,865	16,983	9.4%	7.0%
Other Income	969	1,223	905	875	1,172	21.0%	33.9%
Total Income	16,496	17,227	16,750	16,740	18,155	10.1%	8.4%
Operating Expenses	6,513	7,786	6,750	7,312	7,530	15.6%	3.0%
Operating Profit	9,983	9,441	10,000	9,428	10,625	6.4%	12.7%
Provisions	1,551	4	5,264	6,266	3,283	111.6%	-48%
Credit cost (on avg. Business Assets)	0.8%	0.0%	2.5%	2.8%	1.4%	55bps	-140bps
PBT	8,431	9,437	4,735	3,163	7,341	-12.9%	132.1%
Tax	2,142	2,596	1,209	811	1,813	-15.3%	123.6%
Tax rate	25.4%	27.5%	25.5%	25.6%	24.7%		-1bps
Reported PAT	6,290	6,841	3,527	2,352	5,528	-12.1%	135.1%
Network	163,976	170,889	174,600	169,560	175,230	6.9%	3.3%
Business assets	770,000	827,700	867,320	937,230	970,480	26.0%	3.5%
Disbursements	144,670	137,780	121,650	133,150	154,360	6.7%	15.9%
GS3 %	5.9	4.5	4.4	4.3	4.0	-196bps	-32bps
NS3%	2.5	1.9	1.8	1.7	1.5	-100bps	-19bps
PCR%	59.0	59.5	60.1	61.2	62.7	372bps	154bps
ROA (calculated)	2.8	2.9	1.4	0.9	2.1	-77bps	115bps
ROE (calculated)	15.7	16.3	8.2	5.5	12.8	-283bps	736bps

Source: Company, Emkay Research

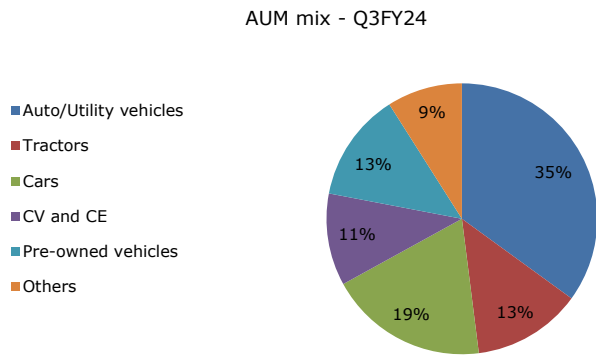
Exhibit 4: Valuation multiple

	CMP/TP (Rs/sh)	Upside	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	280	0%	345.4	1.9x	1.8x	1.6x	18.6x	15.1x	12.2x	1.7	1.8	1.9	10.5	12.1	13.7	147.6	159.2	175.1	15.0	18.6	22.9
AT target price	280		345.4	1.9x	1.8x	1.6x	18.6x	15.1x	12.3x	1.7	1.8	1.9	10.5	12.1	13.7	147.6	159.2	175.1	15.0	18.6	22.9

Source: Company, Emkay Research

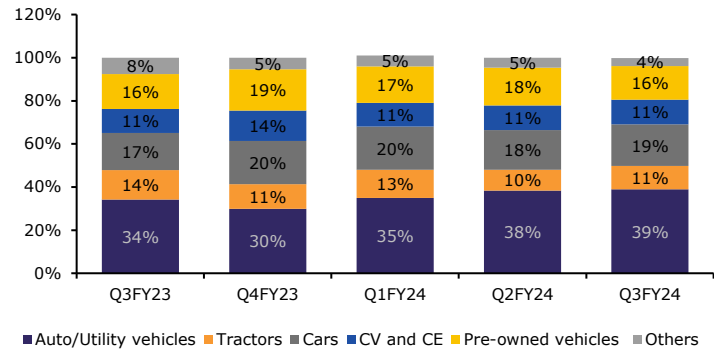
Result in Charts

Exhibit 5: Holds leadership position in most of the product segments



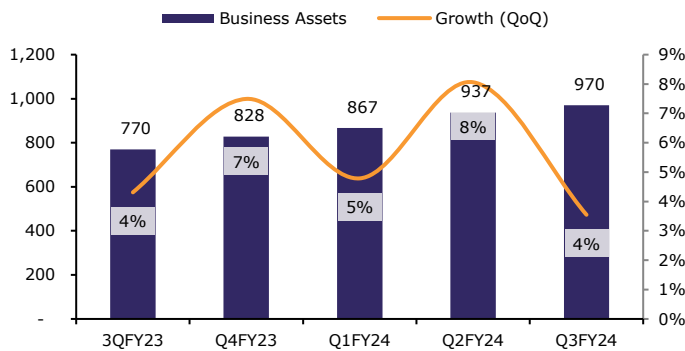
Source: Company, Emkay Research

Exhibit 6: Disbursement mix



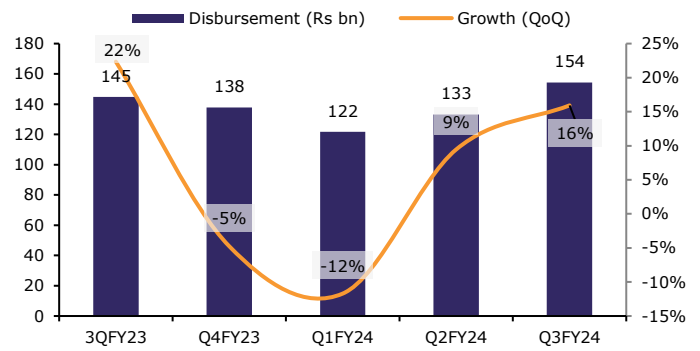
Source: Company, Emkay Research

Exhibit 7: Business assets continue to grow



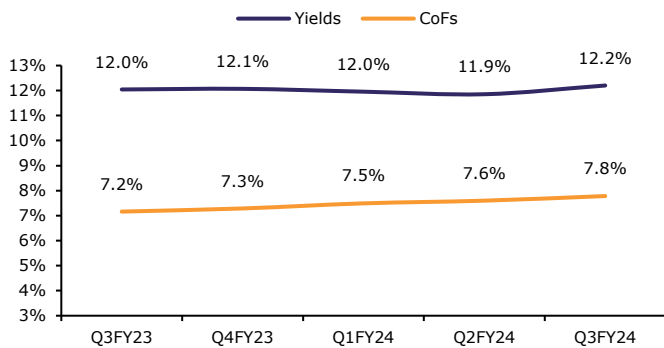
Source: Company, Emkay Research

Exhibit 8: Strong disbursement across all product segments



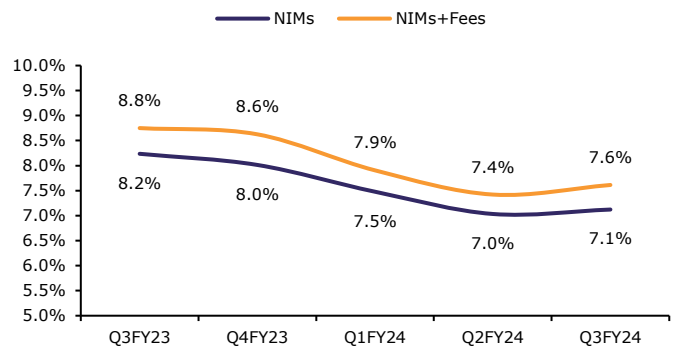
Source: Company, Emkay Research

Exhibit 9: Yield improvement negating the impact of rising CoFs



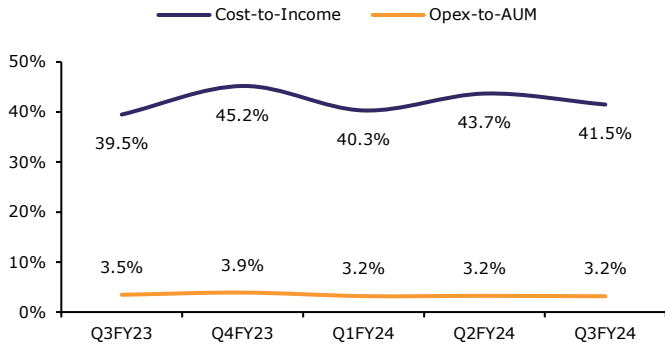
Source: Company, Emkay Research

Exhibit 10: Margin improvement led to higher fee-based income



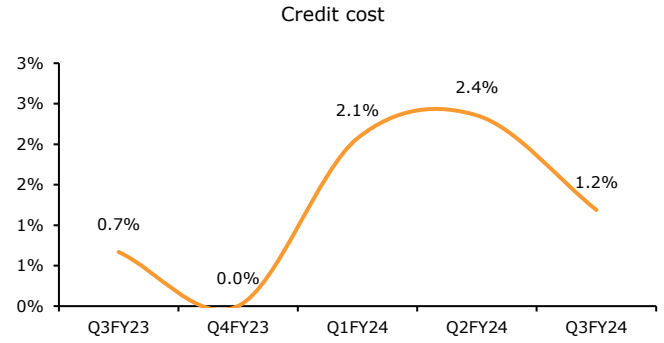
Source: Company, Emkay Research

Exhibit 11: Stable opex-to-AUM



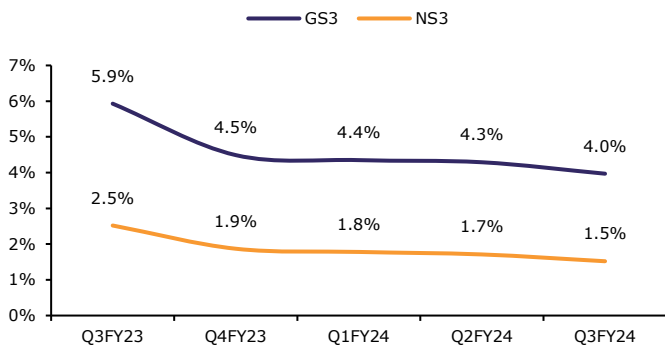
Source: Company, Emkay Research

Exhibit 12: Credit cost improvement led by the recalibrated product base ECL model



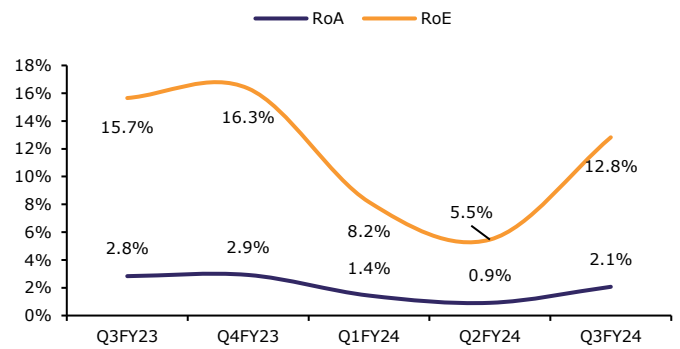
Source: Company, Emkay Research

Exhibit 13: Improving asset quality



Source: Company, Emkay Research

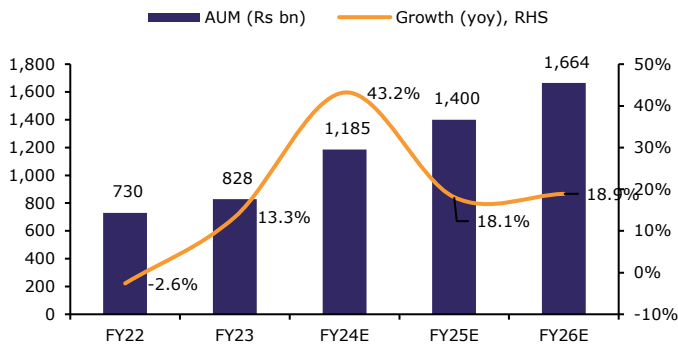
Exhibit 14: ROE and ROA



Source: Company, Emkay Research

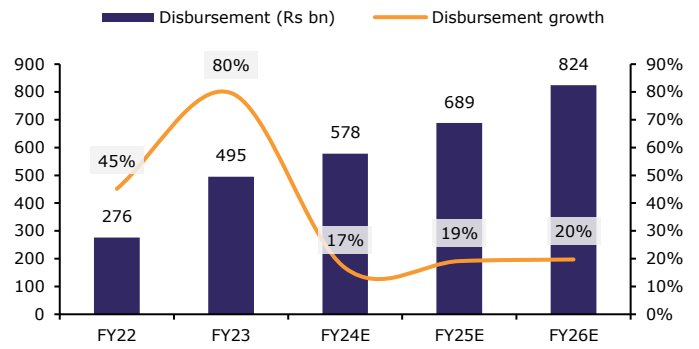
Story in charts

Exhibit 15: Higher AUM growth expectation in FY24



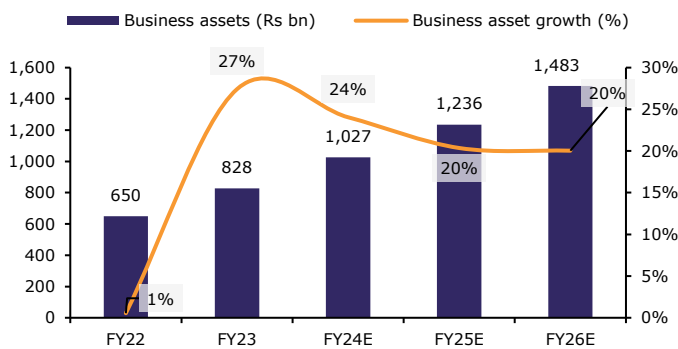
Source: Company, Emkay Research

Exhibit 16: Strong disbursement growth to continue



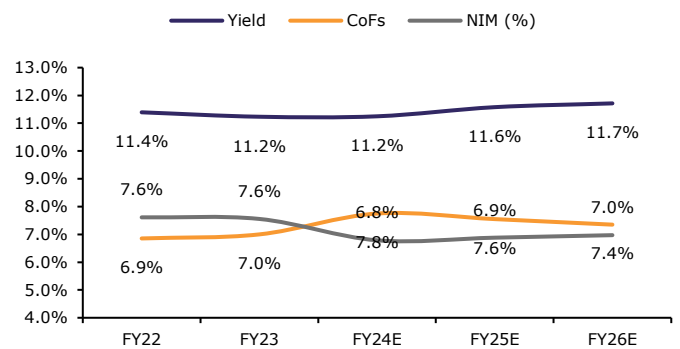
Source: Company, Emkay Research

Exhibit 17: On-book asset to grow ~18%



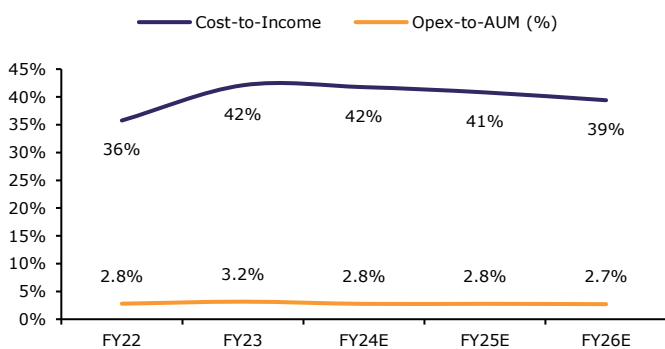
Source: Company, Emkay Research

Exhibit 18: Margins to remain broadly stable



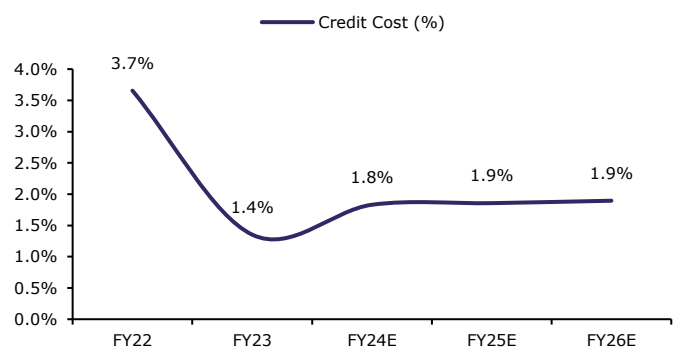
Source: Company, Emkay Research

Exhibit 19: Management guided for Opex-to Asset of ~2.5%



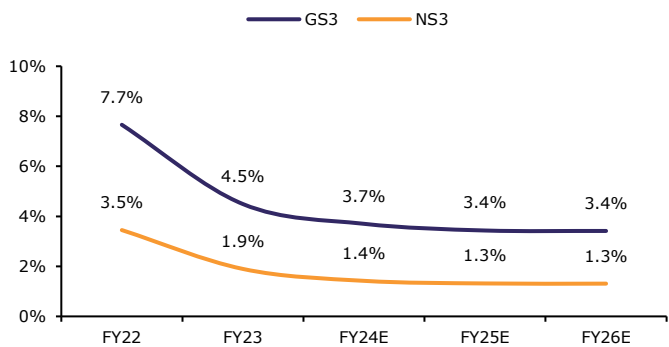
Source: Company, Emkay Research

Exhibit 20: We expect credit cost to remain stable at 1.9%



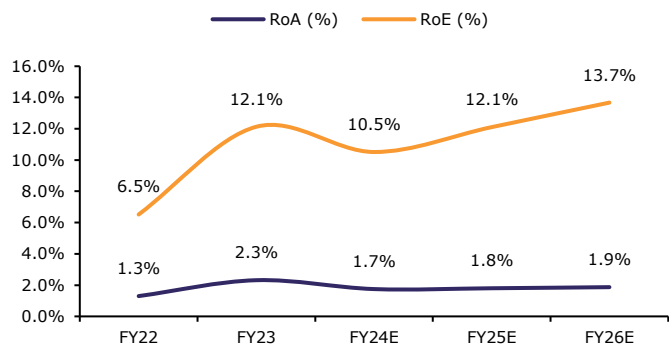
Source: Company, Emkay Research

Exhibit 21: Asset quality to see improvement over FY24-26E



Source: Company, Emkay Research

Exhibit 22: We expect ROA to reach ~2% by FY26E



Source: Company, Emkay Research

Management call highlights

Business update:

- MMFS maintains its leadership position in the Tractors, Pre-owned vehicles, Passenger vehicles, and Three-wheelers segments.
- NIMs for the quarter improved by 30bps QoQ, largely on account of improved yields led by winding up of trade advance segment, increased feed-based income, and passing on the increased cost. NIMs declined by 90bps YoY mainly due to increased CoFs.
- CoFs stood at 7.8% levels, with incremental cost of borrowing at 8% and management expects it to remain at similar levels in Q4. In terms of Borrowing, ~46% of the total borrowing is floating-rate linked to EBLR and MCLR. To keep the CoFs in control, the management indicated that recalibration of liability is an ongoing process, in which company either company negotiates with banks or maximizing its PSL lending.
- Credit cost for Q3 came in at ~1.2%, which was well below the guidance of 1.5-1.7%, while the GS3/N3 saw reduction in GS2 and GS3, resulting in provision write-back of Rs 1.21bn (Rs3.43bn in Q3FY23, which was on account of sharp reduction in GS2 & GS3 in that period).
- MMFS has refreshed its ECL model, with the objective of having a much higher product-wise granularity to the ECL model, not impacting provisions materially. The refreshment has in fact increased the PCR on stage3 by 50bps QoQ, on Stage 2 remaining constant, and 10bps reduction on Stage 1 assets.
- Write-off for 9M was ~Rs11.2bn, with write-off in Q3 of Rs4.8bn. There has been Rs5bn worth of reduction YoY on 9M basis, indicating improving asset quality and roll-backs.
- Disbursement for the quarter was strong on account of a low base, which was on account of supply-side constraints that were absent in Q3FY24.
- Overall collection efficiency has been panning out as per plan, at around 95%.
- The Vehicles segment seen a shift in trend, with preference for SUV increasing, which was observed in companies' PV segment, along with strong growth momentum in the Car and CV segments. Management informed that the company is not losing its market share in the tractor business; the de-growth is in line with the industry's.
- It foresees sub-10% growth in the PV segment, and 2 months of inventory at the dealer level. Expected growth to come from premiumization and increasing ticket size, while keeping the LTV at similar levels.
- Share of M&M in disbursement stood at ~45% on YTD basis.
- Sourcing mix of new NTC, Prime and near-Prime customers is resulting in a considerably healthy new book, with an all-time low X-bucket.
- On digital transformation, Company is on track and has gone live with various end-to-end digital journeys—on i) personal loans for existing customers, ii) fixed deposits, and iii) part digital journeys for its vehicle loans—are all progressing well. MMFS has increased its composition of the used-vehicle business which will drive growth (used-vehicles contribute 17% of Company's origination).
- SME to be the new growth engine which is progressing well. Partnerships, currently at an early stage, are adding low volume to total disbursement and will be a key growth driver.
- Housing Business: Currently, the objective is to improve the asset quality further.
- In the SME segment, the target segment is small and micro enterprise with turnover of less than Rs250mn, and intends to grow the business, for which a new team is already setup with a new business head and separate RCU, Credit and collection team.

Guidance:

- Management recalibrated its NIM guidance to ~7% (Mission FY25: 7.5%).
- Opex-to-Assets to stabilize at 2.5%, incl. branch expansion & continued investment in tech.
- Plans to add 150-200 branches in the next 12-18 months.
- Maintains its guidance of credit cost ranging at ~1.5-1.7%, and should be around ~1% in order to reach its targeted ROA of 2.3%.
- New business contribution to reach ~15%, currently slightly below the target.

Mahindra Finance: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	94,756	106,826	133,400	161,228	191,611
Interest Expense	39,202	45,767	65,459	78,700	92,594
Net interest income	55,554	61,059	67,941	82,528	99,017
NII growth (%)	0.4	9.9	11.3	21.5	20.0
Non interest income	2,432	3,735	4,284	5,364	6,539
Total income	57,986	64,794	72,225	87,892	105,557
Operating expenses	20,734	27,276	30,160	35,870	41,588
PPOP	37,252	37,518	42,065	52,022	63,968
PPOP growth (%)	(10.3)	0.7	12.1	23.7	23.0
Provisions & contingencies	23,683	9,992	16,976	21,002	25,769
PBT	13,569	27,526	25,088	31,020	38,199
Extraordinary items	0	(545)	0	0	0
Tax expense	3,682	7,138	6,505	8,043	9,905
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	9,888	19,843	18,583	22,976	28,294
PAT growth (%)	206.2	100.7	(6.4)	23.6	23.1
Adjusted PAT	9,888	20,388	18,583	22,976	28,294
Diluted EPS (Rs)	8.0	16.1	15.0	18.6	22.9
Diluted EPS growth (%)	164.7	100.6	(6.4)	23.6	23.1
DPS (Rs)	3.6	6.0	5.6	6.9	6.9
Dividend payout (%)	44.9	37.3	37.3	37.3	30.0
Effective tax rate (%)	27.1	25.9	25.9	25.9	25.9
Net interest margins (%)	7.6	7.6	6.8	6.9	7.0
Cost-income ratio (%)	35.8	42.1	41.8	40.8	39.4
PAT/PPOP (%)	26.5	52.9	44.2	44.2	44.2
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
Asset quality					
GNPL - Stage 3	49,760	37,170	38,001	42,434	50,660
NNPL - Stage 3	20,860	15,070	14,060	15,701	18,744
GNPL ratio - Stage 3 (%)	7.7	4.5	3.7	3.4	3.4
NNPL ratio - Stage 3 (%)	3.5	1.9	1.4	1.3	1.3
ECL coverage - Stage 3 (%)	58.1	59.5	63.0	63.0	63.0
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	1.5	1.5	1.4
Total credit costs (%)	3.7	1.4	1.8	1.9	1.9
NNPA to networth (%)	13.3	8.8	7.7	8.0	8.6
Capital adequacy					
Total CAR (%)	27.8	22.5	23.4	21.6	20.5
Tier-1 (%)	24.3	19.9	19.6	17.8	16.7
Miscellaneous					
Total income growth (%)	0.3	11.7	11.5	21.7	20.1
Opex growth (%)	27.0	31.5	10.6	18.9	15.9
PPOP margin (%)	5.0	4.3	3.9	4.0	4.2
Credit costs-to-PPOP (%)	63.6	26.6	40.4	40.4	40.3
Loan-to-Assets (%)	80.3	82.6	84.8	85.9	87.3
Yield on loans (%)	13.1	13.1	13.0	13.1	13.1
Cost of funds (%)	6.9	7.0	7.8	7.6	7.4
Spread (%)	6.2	6.1	5.3	5.5	5.7

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	153,815	168,422	180,091	194,524	214,360
Net worth	156,281	170,889	182,558	196,991	216,827
Borrowings	558,139	749,459	939,763	1,144,941	1,374,554
Other liabilities & prov.	38,467	41,818	43,909	46,104	48,409
Total liabilities & equity	752,887	962,166	1,166,230	1,388,036	1,639,791
Net loans	604,446	794,547	989,225	1,192,647	1,431,827
Investments	84,403	99,886	109,875	120,862	132,949
Cash, other balances	41,507	28,321	23,520	26,487	21,921
Interest earning assets	730,356	922,754	1,122,620	1,339,996	1,586,697
Fixed assets	3,929	6,956	7,999	8,799	9,679
Other assets	18,603	32,456	35,612	39,241	43,415
Total assets	752,887	962,166	1,166,230	1,388,036	1,639,791
BVPS (Rs)	126.5	138.3	147.6	159.2	175.1
Adj. BVPS (INR)	126.5	138.3	147.6	159.2	175.1
Gross loans	649,608	827,700	1,026,735	1,235,758	1,483,407
Total AUM	730,500	995,650	1,185,301	1,399,755	1,664,244
On balance sheet	649,608	827,700	1,026,735	1,235,758	1,483,407
Off balance sheet	80,892	167,950	158,565	163,997	180,837
Disbursements	275,810	495,410	577,954	688,575	824,391
Disbursements growth (%)	45.2	79.6	16.7	19.1	19.7
Loan growth (%)	0.8	31.5	24.5	20.6	20.1
AUM growth (%)	(2.6)	36.3	19.0	18.1	18.9
Borrowings growth (%)	(4.7)	34.3	25.4	21.8	20.1
Book value growth (%)	(4.7)	9.3	6.8	7.8	10.0

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	34.9	17.4	18.6	15.1	12.2
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)	0.8	0.7	0.7	0.5	0.4
Dividend yield (%)	1.3	2.1	2.0	2.5	2.5
Dupont-RoE split (%)					
NII/avg AUM	7.5	7.1	6.2	6.4	6.5
Other income	0.3	0.4	0.4	0.4	0.4
Securitization income	0.0	0.0	0.0	0.0	0.0
Opex	1.2	1.3	1.1	1.2	1.2
Employee expense	1.6	1.8	1.6	1.6	1.5
PPOP	5.0	4.3	3.9	4.0	4.2
Provisions	3.2	1.2	1.6	1.6	1.7
Tax expense	0.5	0.8	0.6	0.6	0.6
RoAUM (%)	1.3	2.4	1.7	1.8	1.8
Leverage ratio (x)	4.9	5.3	6.2	6.8	7.4
RoE (%)	6.5	12.1	10.5	12.1	13.7

Quarterly data

Rs mn, Y/E Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
NII	15,528	16,004	15,844	15,865	16,983
NIM(%)	7.4	7.4	6.8	6.5	6.8
PPOP	9,983	9,441	10,000	9,428	10,625
PAT	6,290	6,841	3,527	2,352	5,528
EPS (Rs)	5.10	5.55	2.86	1.90	4.48

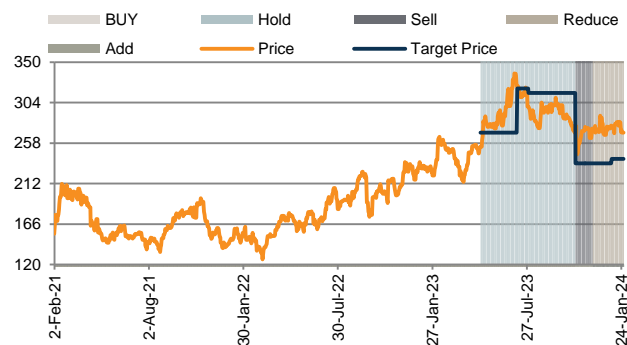
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
05-Jan-24	277	240	Reduce	Avinash Singh
30-Nov-23	274	235	Reduce	Avinash Singh
28-Oct-23	277	235	Sell	Avinash Singh
30-Jul-23	300	315	Hold	Avinash Singh
08-Jul-23	323	320	Hold	Avinash Singh
29-Apr-23	254	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 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.

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 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 persons¹ 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 Interests² 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.

¹ 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.

² 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 January 31, 2024
- 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 January 31, 2024
- 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 January 31, 2024
- 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.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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 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.