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BROKER'S CALL.

Jefferies

ADITYA BIRLA CAPITAL (BUY)

Target: ₹215
CMP: ₹176.05

We believe AB Capital is poised to double profits in the next 3 years, capitalising on wider network and higher cross-sells. NBFC can gain from MSME lending opportunity as it expands branches, leverages low CoF and shifts to lower ticket loans. Over FY23-26, this should drive 29 per cent EPS CAGR & lift ROE to 16 per cent at NBFC; in Life Insurance, strong APE growth, better VNB margins due to scale gains can drive 26 per cent VNB CAGR.

Aditya Birla Finance Ltd (ABFL) (AUM ₹85,900 crore) has re-oriented its portfolio from wholesale to MSME/retail loans (69 per cent of AUM). We expect profit to grow at 29 per cent CAGR and ROE to rise 140bps to 16 per cent over FY23-26. Aditya Birla Housing Finance Ltd (AUM ₹14,500 crore) offers prime, affordable home loans with ATS of ₹26 lakh like other large HFCs. Iqf AB Group, a mid-sized player in life (LI) & health insurance (HI), is seeing good growth. Our SOTP-based PT values NBFC/HFC at 1.8/1.6x BV (Sept 25E), LI at 1.7x EV & HI at 1.5x P/GWP. Aditya Birla Finance Ltd, being an upper layer NBFC, has to list by Sept 2025 per current norms. We ascribe 20 per cent holdco discount to ABFL & other listed subs. Risks: slower growth, asset quality issues in NBFC, changes in holdco structure.

Yes Securities

SHRIRAM FINANCE (BUY)

Target: ₹2,300
CMP: ₹1,867.65

Post-merger entity Shriram Finance is a multi-product play having synergistic growth spurt at disposal. Its stronger AUM growth of 4 per cent qoq/18.6 per cent yoy in Q1-FY24 surprised many. In our view, the growth momentum could likely continue through the year aided by: residual benefits of value growth in used CV/PV financing (5Q/19 per cent of AUM); firm replacement demand for used Pvs; phased roll-out of MSME Loans (10 per cent of AUM) in vehicle financing branches; distribution of Gold Loans (3 per cent of AUM) taken to substantial number of vehicle financing branches, and sustained momentum in Personal Loans (4 per cent of AUM).

In longer run, the growth levers would be stronger volume growth in used CV/PV financing, availability/supply of used BS VI vehicles, operational policy driven emphasis on realisation of cross-sell/distribution synergies, tapping of market outside Shriram ecosystem customers for erstwhile SCUF products and conversion of rural centers into full-fledged branches.

Management expects to deliver a 15 per cent AUM CAGR over the next three years with a diversified product portfolio offering growth fungibility. The AUM mix is expected to move meaningfully towards Used PV, MSME and Gold Loans.

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