Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,853	0.2	2.2
Nifty-50	22,402	0.2	3.1
Nifty-M 100	49,992	0.8	8.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,072	0.0	6.3
Nasdaq	15,713	0.1	4.7
FTSE 100	8,040	-0.1	4.0
DAX	18,089	-0.3	8.0
Hang Seng	6,100	2.4	5.8
Nikkei 225	38,460	2.4	14.9
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	89	0.3	14.5
Gold ($/OZ)	2,316	-0.3	12.3
Cu (US$/MT)	9,655	0.5	14.1
Almn (US$/MT)	2,591	0.0	10.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.3	0.0	0.1
USD/EUR	1.1	0.0	-3.1
USD/JPY	155.4	0.3	10.1
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	0.02	0.0
10 Yrs AAA Corp	7.6	0.02	-0.2
Flows (USD b)	**24-Apr**	**MTD**	**CYTD**
FIIs	-0.3	6.72	-0.2
DIIs	0.46	2.01	16.8
Volumes (INRb)	**24-Apr**	**MTD***	**YTD***
Cash	1,102	1087	1174
F&O	4,07,144	3,54,931	3,89,122

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Voltas: Strong volume growth; market share to increase

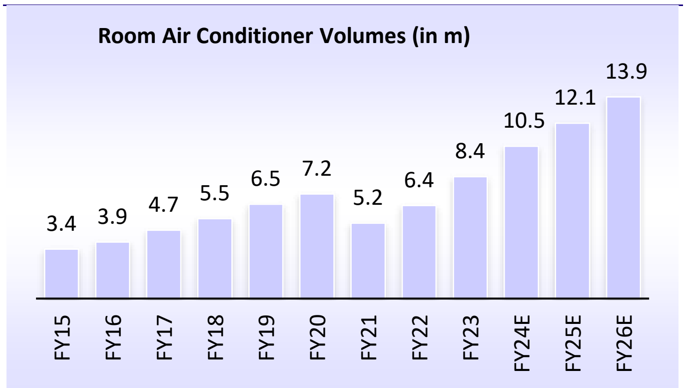
- Voltas (VOLT) stock has appreciated by 50%+ in the last six months and has performed well since the reinitiation of coverage in Sep'23. Interactions with dealers in a few regions indicate that there has been an increase in demand for cooling products in Mar & Apr'24. Industry estimates indicate that the demand for RAC has increased by over 30% during the period.
- VOLT indicated that its volume growth in RAC stood at 71% YoY in 4QFY24 and we believe that the company recently gained market share after the declines seen in the last 1.5 years. As per our estimate, market share of the company should be at ~22% in FY24.
- We believe that RAC is a long-term structural story, given the low penetration level in India, rising income levels, and thus, aspiration of middle-income group people and rising heatwaves across the globe. We expect the company to maintain its market share at ~22% in FY25/26 and expect the RAC industry to register a CAGR of 15% over FY24-26.
- We raise our EPS estimates by 20%/16%/11% for FY24/FY25/FY26, and expect the company to deliver EPS CAGR of 72% over FY24-26 after subdued performance in FY22-24 (earnings declined at 15% p.a. in this period). We maintain BUY on the stock with a revised price target of INR1,650 (vs. INR1,410 earlier) based on 50x FY26E EPS for the UCP segment, 35x FY26E EPS for PES and EMPS segments and INR38/share for Voltbek.

Research covered

Cos/Sector	Key Highlights
Voltas	Strong volume growth; market share to increase
Hindustan Unilever	In-line performance; expects better delivery in FY25
Kotak Mahindra Bank	The RBI restricts KMB's digital sourcing; bans issuance of fresh credit cards
Other Updates	Axis Bank | LTIMindtree | Tata Consumer Products | Indian Hotels | AU Small Finance Bank | 360ONE WAM | MCX | Equitas Small Finance | DCB Bank | Macrotech Developers | Dalmia Bharat | MAS Financial Services | EcoScope

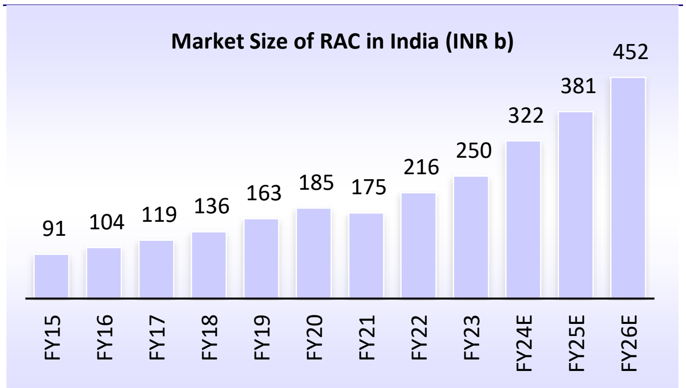
Chart of the Day: Voltas (Strong volume growth; market share to increase)

Volume CAGR of 15% over FY24-26E...



Source: MOFSL, Industry

...to result in 18% CAGR in value terms



Source: MOFSL, Industry

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

RBI crackdown on KMB poses first major challenge to Uday Kotak's successor Ashok Vaswani

The central bank's action will put the digital banking business on the backfoot for a while. Ban on adding new credit card customers will likely impact Kotak's positioning amid tough competition

2

Hindustan Unilever eyes modest margin improvement on better product mix, will invest in 6 growth areas

The FMCG bellwether is eyeing to clock a double-digit earnings per share (EPS) growth going ahead said chief financial officer Ritesh Tiwari

3

PepsiCo beats sales estimates on strong international demand; product recalls hurt US sales

PepsiCo posted net revenue for the quarter at $18,250 million, up 2.3 per cent as against $17,846 million during the same period last year.

4

ASK Automotive, AISIN Group enter into JV for passenger car segment

Auto parts maker ASK Automotive on Wednesday said it has entered into a joint venture pact with Japanese auto components supplier AISIN Group Companies in the passenger vehicle space.

5

Welspun Corp receives LOA for export of line pipes worth Rs 611 crore from India to Latin America

Welspun Corp has received a letter of award (LOA) for export of line pipes from India. The contract is valued at Rs 611 crore.

6

Credit card spends rise 27% to Rs 18.26 trillion in FY24: RBI data

As of March, the outstanding number of credit cards in the system was 101 million, inching up from 100.60 million at the end of February 2024

7

Electric car Tesla may set up manufacturing plants in India, Mexico in 2025

Elon Musk pointed out in Tuesday's earnings call that Tesla expects a 50 per cent increase in production over 2023

Voltas

BSE SENSEX	S&P CNX
73,853	22,402

VOLTAS

Bloomberg	VOLT IN
Equity Shares (m)	331
M.Cap.(INRb)/(USDb)	467.9 / 5.6
52-Week Range (INR)	1424 / 745
1, 6, 12 Rel. Per (%)	31/56/40
12M Avg Val (INR M)	1522
Free float (%)	69.7

Financials & Valuations (INR b)

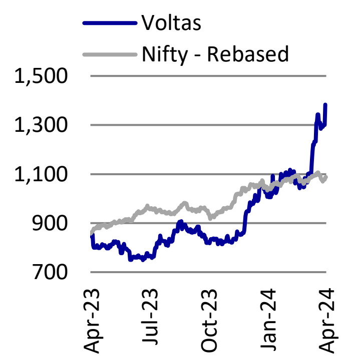
Y/E MARCH	FY24E	FY25E	FY26E
Sales	125.7	141.3	158.9
EBITDA	5.7	9.4	13.5
Adj. PAT	3.7	7.2	10.9
EBITA Margin (%)	4.5	6.7	8.5
Cons. Adj. EPS (INR)	11.1	21.8	33.0
EPS Gr. (%)	(3.0)	96.2	51.6
BV/Sh. (INR)	171.7	190.1	217.7
Ratios			
Net D:E	0.0	0.0	(0.1)
RoE (%)	6.5	11.5	15.2
RoCE (%)	8.1	12.4	15.4
Payout (%)	30.0	25.0	25.0
Valuations			
P/E (x)	127.3	64.9	42.8
P/BV (x)	8.2	7.4	6.5
EV/EBITDA (x)	82.2	49.6	34.3
Div Yield (%)	0.2	0.4	0.6
FCF Yield (%)	(0.2)	0.7	1.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	30.3	30.3	30.3
DII	40.6	37.2	33.4
FII	14.7	17.2	20.6
Others	14.4	15.3	15.8

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,414 TP: INR1,650 (+17%) Buy

Strong volume growth; market share to increase

RAC segment's market share is estimated at ~22% in FY24-26

- Voltas (VOLT) stock has appreciated by 50%+ in the last six months and has performed well since the reinitiation of coverage in Sep'23. Interactions with dealers in a few regions indicate that there has been an increase in demand for cooling products in Mar & Apr'24. Industry estimates indicate that the demand for RAC has increased by over 30% during the period.
- VOLT indicated that its volume growth in RAC stood at 71% YoY in 4QFY24 and we believe that the company recently gained market share after the declines seen in the last 1.5 years. As per our estimate, market share of the company should be at ~22% in FY24.
- We believe that RAC is a long-term structural story, given the low penetration level in India, rising income levels, and thus, aspiration of middle-income group people and rising heatwaves across the globe. We expect the company to maintain its market share at ~22% in FY25/26 and expect the RAC industry to register a CAGR of 15% over FY24-26.
- We raise our EPS estimates by 20%/16%/11% for FY24/FY25/FY26, and expect the company to deliver EPS CAGR of 72% over FY24-26 after subdued performance in FY22-24 (earnings declined at 15% p.a. in this period). We maintain BUY on the stock with a revised price target of INR1,650 (vs. INR1,410 earlier) based on 50x FY26E EPS for the UCP segment, 35x FY26E EPS for PES and EMPS segments and INR38/share for Voltbek.

RAC sales estimated to increase 25% YoY in FY24

- We expect RAC sales volumes to increase ~25% YoY in FY24 (five-year CAGR at 10%) and cross the mark of 10m units ACs. As per our estimates, volumes have registered a CAGR of 28% over FY22-24 after remaining almost flat in FY19-22. Our discussions with dealers in a few regions indicate that industry volumes have seen an uptick in Mar-Apr'24, with estimated growth surpassing 30% for RAC during this period.
- VOLT continues to be the Numero Uno brand in the RAC segment and the management indicated that its volume grew 71% in 4QFY24 in the RAC segment. The company also indicated that volumes growth was robust in other cooling products, including air cooler and commercial refrigeration products.
- We believe that RAC is a long-term structural play, given the low penetration level in India (the RAC segment is estimated to penetrate only about 16-18% of households with an overall penetration level of only 7-8%, much lower than the global average of ~30%), hotter summers, rising disposable income, and thus, aspiration levels, easy financing schemes, etc. We estimate RAC volumes to register a CAGR of 15% over FY24-26.

VOLT continues to be the market leader

- VOLT has remained the market leader in the RAC segment for a long time, though there has been some decline in its market share in the last six quarters. Its market share had gradually risen to 25.2% in FY21 (from 20.8% in FY15) before declining to 23.4%/21.6% in FY22/FY23.

- We estimate the company's market share in the RAC segment to be ~22% in FY24. Going forward, we believe that the company will continue to enjoy the leadership position and would maintain a market share of ~22% during FY25/26.

EMPS segment to recover, aided by strong order book

- Electrical, mechanical, and plumbing solutions (EMPS) segment caters to industrial customers in GCC as well as in domestic markets. The segment was hit in FY23-24, led by write-offs in the international business. However, we believe the strong order book of INR82b (INR52b of domestic and INR30b of international orders) will drive revenue growth and margin should start improving from FY25.
- The management had earlier indicated that provision were created for delay in the collection of the outstanding amounts and encashment of bank guarantee by a few customers. It remains hopeful for reversal of these provisions. We have estimated EBIT margin of this segment to be at (2%)/3% for FY25/26 vs. (2.4%)/(7.5%) in FY23/24E. Margins of this segment have been volatile historically, but average EBIT margin has been at 4.7% over FY06-22.

Strong traction in revenues for Voltbek

- Voltbek has seen strong traction in revenues, following the commencement of its operations in FY19. The company had sold 3.3m units of home appliances products cumulatively until FY23, achieving revenues of INR11b in FY23.
- The company has indicated that it has sold 2m units of home appliances products (Refrigerators & Washing Machines) in FY24 and achieved a volume growth of 52% in 4QFY24.
- Market share of Voltbek in home appliances had increased to 5.3% in Mar'23 from 4.4% earlier with an 8.9% market share in semi-automatic washing machine. The management targets to achieve a 10% market share in the home appliances segment by FY25. We expect Voltbek to turn EBITDA positive in FY26 and achieve PAT break-even in FY27.

Raised earnings estimates; maintain BUY rating

- In 4QFY24, we now expect VOLT's revenue/EBITDA/PAT to grow 45%/31%/61% YoY to INR42.9b/INR2.9b/INR2.3b. We expect VOLT's EBITDA/ adjusted profit to report a CAGR of 54%/72% over FY24-26, supported by a) volume growth and margin improvement in UCP segment; and b) reduction in losses of EMPS and Voltbek. RoE should be at 11.5%/15.2% in FY25E/FY26E vs. 6.5% in FY24E (average of 12.3% over FY13-23), while RoCE is likely to be at 12.4%/15.4% in FY25E/FY26E vs. 8.1% in FY24E (average of 12.8% over FY13-23).
- We maintain our BUY rating on the stock with a revised price target of INR1,650 (vs. INR1,410 earlier) based on 50x FY26E EPS for the UCP segment, 35x FY26E EPS for PES and EMPS segments and INR38/share for Voltbek.

Revisions to our estimates

(INR b)	Revised			Old			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	125.7	141.3	158.9	120.3	134.0	149.3	5%	5%	6%
EBITDA	5.7	9.4	13.5	5.1	8.2	12.1	11%	14%	11%
PAT	3.7	7.2	10.9	3.1	6.2	9.8	20%	16%	11%
EPS (INR)	11.1	21.8	33.0	9.3	18.8	29.7	20%	16%	11%

Source: Company, MOFSL estimate

Hindustan Unilever

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	HUVR IN
Equity Shares (m)	2349
M.Cap.(INRb)/(USDb)	5310.7 / 63.7
52-Week Range (INR)	2770 / 2170
1, 6, 12 Rel. Per (%)	-1/-25/-36
12M Avg Val (INR M)	4235
Free float (%)	38.1

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	619.0	663.5	721.7
Sales Gr. (%)	2.2	7.2	8.8
EBITDA	146.6	159.3	174.4
EBITDA mrg. (%)	23.7	24.0	24.2
Adj. PAT	102.7	113.5	124.8
Adj. EPS (INR)	43.7	48.3	53.1
EPS Gr. (%)	0.7	10.6	9.9
BV/Sh.(INR)	217.9	222.9	229.5
Ratios			
RoE (%)	20.2	21.9	23.5
RoCE (%)	27.9	29.9	32.0
Payout (%)	96.1	93.1	90.4
Valuations			
P/E (x)	51.7	46.8	42.5
P/BV (x)	11.7	11.4	11.1
EV/EBITDA (x)	35.7	32.9	30.0
Div. Yield (%)	1.6	1.8	1.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	61.9	61.9	61.9
DII	13.3	12.4	11.6
FII	12.7	13.7	14.4
Others	12.2	12.1	12.2

FII Includes depository receipts

CMP: INR2,260 TP: INR2900 (+28%) Buy

In-line performance; expects better delivery in FY25

- Hindustan Unilever's (HUVR) performance in 4QFY24 was in line with our estimates. Net revenue was up 1% YoY with 2% volume growth. Home care maintained mid-single-digit volume growth. Beauty & Personal Care (BPC) and Food & Refreshment (F&R) posted flat volume growth YoY. Demand drivers were steady in 2HFY24. Premium portfolio growth across categories was healthy, while the mass portfolio remained weak.
- Home care growth and margin (up 130bp QoQ) beat expectations. BPC was a miss, largely due to a volume contraction in the soap portfolio (mass segment). The company has addressed the issue by fixing the pricing gap. Horlicks & Boost portfolio saw high single-digit growth, driven by volume and price, along with share gains.
- Gross margin expanded by 320bp YoY to 52.3% in 4Q, out of which 200bp was reinvested in A&P (up 23% YoY in 4Q; up 32% in FY24). The termination of GSK consignment sales impacted EBITDA margin by 60bp (impact starts in Q4FY24). EBITDA margin moderated by 25bp YoY to 23% (in line).
- In the transition phase of last 12 months, volume growth was weak and value growth was affected by price cuts. We expect a gradual recovery in volume growth in FY25, driven by own initiatives and gradual improvement in demand. The impact of price cuts will persist in 1HFY25, but the volume print should improve during this phase and the full revenue recovery will be visible in 2HFY25, as highlighted in our recent sector thematic report. **Considering favorable risk-reward, we reiterate BUY rating on HUVR with a TP of INR2,900 (55x on FY26E EPS).**

Steady demand trends; home care continues to shine

- **HUVR reported 1% YoY growth in net sales** at INR150.4b (est. INR150.8b). EBITDA was down 1% YoY at INR35.4b (est. INR35.4b). PBT was down 2% YoY at INR33.4b (est. INR33.5b), and PAT (bei) declined 2% YoY to INR25.0b (est. INR25.1b). Underlying volumes grew 2% YoY (est. 3%), largely maintaining the trend.
- **Segmental performance**: Home care (38% of total sales) revenue grew 1.3% YoY to INR57.1b (5-year CAGR: 10%). BPC (35%) revenue was down 2.5% YoY at INR51.3b (5-year CAGR: 3%). F&R business sales (25%) rose 3.1% YoY to INR39.1b (5-year CAGR: 15%). Home care maintained mid-single-digit volume growth, slightly better than expected. In BPC, B&W clocked 4% sales growth, while PC sales declined 10% (pricing led). Oral care clocked double-digit sales growth, led by pricing and market share gain.
- **Segmental EBIT**: Home care margin expanded 40bp YoY to 19.5%, while Personal Care margin contracted 80bp YoY to 25.2%. Food & Refreshment margin expanded 100bp YoY to 18.9% during the quarter.
- Gross margin expanded 320bp YoY but declined 30bp QoQ to 52.3% (est. 50.6%). As a percentage of sales, an increase in ad spending (+200bp YoY to 10.6%), other expenses (+80bp YoY to 13%) and staff costs (+60bp YoY to 4.8%) resulted in a 30bp contraction in EBITDA margin to 23.2% (est. 23.1%).
- In FY24, HUVR's net sales/EBITDA/adj. PAT grew 2.2%/3.6%/0.7% YoY.

Management conference call highlights

- The demand for FMCG products is expected to gradually increase. The forecast of above-normal monsoons and positive trends in macroeconomic indicators augur well for the industry. The RM basket remains within a range and is witnessing deflation.
- HUVR expects a slight deceleration in price growth in the near term if commodity prices stay stable. It expects price growth to level off in the medium term and expects prices to grow in the low single digits by the end of FY25.
- There will be a moderate pace of improvement in EBITDA margin in the near term, and it is expected to remain around 23-24%.
- Soap saw an increase in A&P spending, along with enhancements in product formulation. The decline in volume was primarily due to the mass segment. Lifebuoy, previously off the value equation, has been corrected and is showing some benefits. Improvement is expected in the next quarter.
- Contribution of distribution channels: 70% through GT, 20% through MT, 7% through e-commerce, and 3% through quick commerce. The distribution mode stood at 1.2x to 1.25x the levels of FY20. There was 50% growth in e-commerce in FY24.

Valuation and view

- There is no material change in our EPS estimates for FY25 and FY26.
- We believe that HUVR's volume growth has bottomed out and expect a gradual volume recovery in FY25. HUVR's wide product basket and presence across price segments should help the company achieve a steady growth recovery.
- There is scope for a turnaround in part of BPC and F&R; we will monitor the execution in these segments under the new CEO.
- The valuation at <45x FY26E EPS is reasonable given its last five-year average P/E of 60x on one-year forward earnings. We reiterate our BUY rating with a TP of **INR2,900 based on 55x FY26E EPS.**

Quarterly performance (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Domestic volume growth (%)	**6.0**	**4.0**	**5.0**	**4.0**	**3.0**	**2.0**	**2.0**	**2.0**	**5.0**	**2.3**	**3.0**	
Total sales (Inc. Other Operating income)	**146.2**	**151.4**	**156.0**	**152.2**	**155.0**	**156.2**	**155.7**	**152.1**	**605.8**	**619.0**	**153.6**	-1.0%
YoY change (%)	*22.7*	*19.0*	*19.1*	*13.0*	*6.0*	*3.2*	*-0.2*	*0.0*	*15.5*	*2.2*	*1.0*	
Gross Profit	**69.6**	**69.5**	**74.9**	**74.7**	**78.2**	**82.8**	**80.9**	**79.5**	**288.6**	**321.4**	**77.7**	
Margin %	*47.6*	*45.9*	*48.0*	*49.1*	*50.4*	*53.0*	*52.0*	*52.3*	*47.6*	*51.9*	*50.6*	
EBITDA	**34.0**	**34.8**	**36.9**	**35.7**	**36.7**	**38.0**	**36.7**	**35.4**	**141.5**	**146.6**	**35.4**	-0.2%
YoY change (%)	*19.5*	*11.1*	*12.7*	*10.1*	*7.7*	*9.1*	*-0.8*	*-1.1*	*10.0*	*3.6*	*-0.9*	
Margins (%)	*23.3*	*23.0*	*23.7*	*23.5*	*23.7*	*24.3*	*23.5*	*23.2*	*23.4*	*23.7*	*23.1*	
Depreciation	2.8	2.7	2.9	2.9	2.9	3.0	3.1	3.2	11.4	12.2	3.1	
Interest	0.3	0.3	0.3	0.3	0.5	0.9	0.9	1.1	1.1	3.3	0.9	
Other income	1.3	1.1	1.1	1.6	1.8	1.8	2.1	2.3	5.1	8.1	2.1	
PBT	**32.3**	**32.9**	**34.8**	**34.1**	**35.1**	**36.0**	**34.8**	**33.4**	**134.1**	**139.2**	**33.5**	-0.4%
Tax	8.2	5.9	9.0	8.9	9.2	9.3	9.4	8.6	32.0	36.4	8.5	
Rate (%)	*25.5*	*17.9*	*25.8*	*26.1*	*26.1*	*25.9*	*27.0*	*25.7*	*23.9*	*26.2*	*25.2*	
PAT bei	**23.9**	**26.9**	**25.8**	**25.4**	**25.8**	**26.6**	**25.3**	**25.0**	**102.0**	**102.7**	**25.1**	-0.3%
YoY change (%)	*21.8*	*22.9*	*12.6*	*11.3*	*8.0*	*-1.1*	*-2.0*	*-1.6*	*15.2*	*0.7*	*-1.3*	
Reported Profit	**23.8**	**26.7**	**24.7**	**26.0**	**25.5**	**26.6**	**25.1**	**25.6**	**101.2**	**102.8**	**25.1**	

E: MOFSL Estimates

Kotak Mahindra Bank

Bloomberg	KMB IN
Equity Shares (m)	1980
M.Cap.(INRb)/(USDb)	3663.3 / 44
52-Week Range (INR)	2064 / 1667
1, 6, 12 Rel. Per (%)	2/-10/-29
12M Avg Val (INR M)	9053

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
NII	215.5	257.8	287.4
OP	148.5	191.5	210.8
NP	109.4	130.7	145.1
Cons. NP	150.9	177.9	202.4
NIM (%)	5.1	5.2	5.0
EPS (INR)	55.1	65.8	73.0
EPS Gr. (%)	27.5	19.4	11.0
ABV. (INR)	398	459	527
Cons. BV. (INR)	563	651	752
Ratios			
Cons. RoE (%)	13.5	13.7	13.5
RoE (%)	14.1	14.6	14.1
RoA (%)	2.4	2.5	2.4
Valuations			
P/BV (X) (Cons.)	3.3	2.8	2.5
P/ABV (X) (Adj)	3.2	2.8	2.4
P/E(X) (Adj)	23.0	19.3	17.4

*Adjusted for Investment subs

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	25.9	25.9	26.0
DII	25.1	21.4	23.0
FII	35.9	39.7	37.8
Others	13.1	12.9	13.3

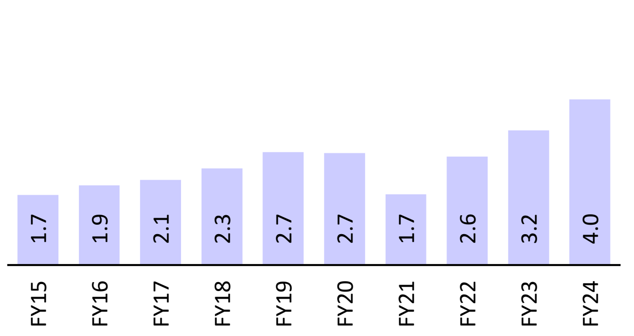
FII Includes depository receipts

CMP: INR1,843 TP: INR1,900 (+3%) Neutral

The RBI restricts KMB's digital sourcing; bans issuance of fresh credit cards

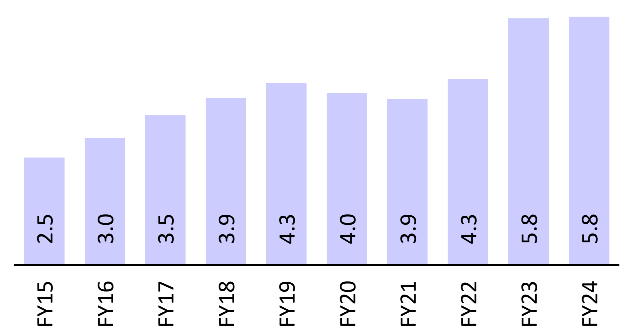
- The RBI has prohibited Kotak Mahindra Bank (KMB) from onboarding new customers through its online and mobile banking channels. The regulator further barred KMB from issuing fresh credit cards.
- The regulatory restrictions are driven by concerns arising out of the RBI's IT examination of the bank for the years 2022 and 2023 and the continued failure on part of KMB to address these concerns in a comprehensive and timely manner.
- We note that KMB has been aggressively growing its credit card business over the past few years, while the bank has also amassed significant number of customers on the back of its 811 digital strategy. KMB has a credit card market share of 5.8% (no. of cards) and spending market share of ~4%.
- About 99% of new credit cards sold and 95% of new PLs sold by volume were done digitally. As a result, the share of unsecured loans increased to 11.6% in 3QFY24. Management had previously guided increasing the mix of unsecured loans to mid-teens over the current fiscal.
- The RBI sighted that such rapid growth in the volume of the bank's digital/credit card transactions has put further load on the IT systems. The restrictions now being imposed will be reviewed upon completion of a comprehensive external audit to be commissioned by the bank with the prior approval of the RBI, and remediation of all deficiencies that may be pointed out in the external audit as well as the observations contained in the RBI Inspections.
- **Valuation and view:** KMB has been reporting stronger growth in retail products, aided by a higher mix of digital sourcing and a thrust on unsecured products. The bank has earlier guided to further increase the mix of unsecured products as the underlying asset quality remains under control, while high cross-selling and reduced costs of digital sourcing are aiding overall profitability. The RBI ban will thus disturb the growth trajectory of retail products and adversely impact overall margins and profitability. Besides, the IT deficiencies that have continued over the past couple of years, as mentioned by the regulator, do pose a concern, as KMB has been one of the most revered banks when it comes to risk management and overall governance practices. **We reiterate our Neutral rating on the stock with a revised TP of INR1,900.**

KMB has rapidly gained market share in credit card spending to 4% in FY24



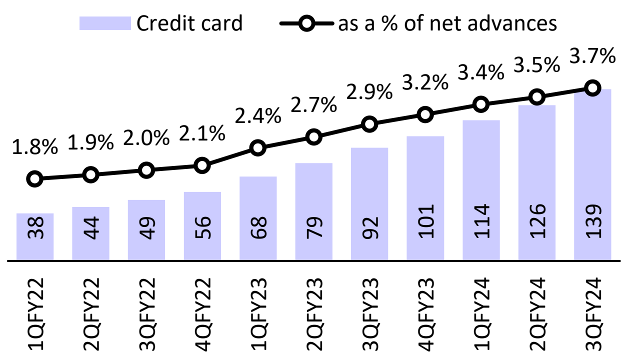
Source: MOFSL, Company

KMB's market share in outstanding credit cards also increased to 5.8%



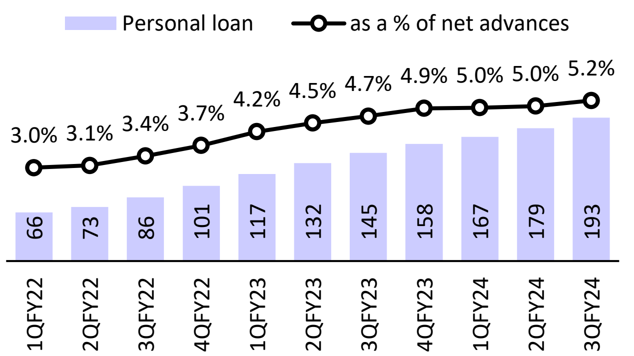
Source: MOFSL, Company

Credit cards as a % of net advances stood at 3.7% in 3QFY24



Source: MOFSL, Company

Personal loans as a % of net advances stood at 5.2% in 3QFY24



Source: MOFSL, Company

Motilal Oswal | Morning India

25 April 2024

4QFY24 Results Update | Sector: Financials

Axis Bank

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	AXSB IN
Equity Shares (m)	3077
M.Cap.(INRb)/(USDb)	3282.1 / 39.4
52-Week Range (INR)	1152 / 854
1, 6, 12 Rel. Per (%)	2/-6/-6
12M Avg Val (INR M)	10459

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	498.9	555.6	639.0
OP	371.2	419.9	497.1
NP	248.6	277.4	322.0
NIM (%)	3.8	3.7	3.7
EPS (INR)	80.7	89.9	104.3
EPS Gr. (%)	13.0	11.4	16.1
BV/Sh. (INR)	489	571	668
ABV/Sh. (INR)	472	553	648
Ratios			
RoE (%)	18.0	16.9	16.8
RoA (%)	1.8	1.8	1.8
Valuations			
P/E(X)	13.2	11.8	10.2
P/E(X)*	12.0	10.7	9.2
P/BV (X)	2.0	1.7	1.4
P/ABV (X)	2.0	1.7	1.5

* adjusted for subs

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	7.9	7.9	8.0
DII	29.1	27.9	31.2
FII	55.4	56.1	50.3
Others	7.5	8.0	10.5

FII Includes depository receipts

CMP: INR1,065 TP: INR1,200 (+13%) Neutral

Margins expand 5bp QoQ; treasury gains aid earnings

CD ratio moderates to ~90%

- AXSB reported healthy PAT beat at INR71.3b (up 7.6% YoY/17.4% QoQ), driven by healthy revenue growth and treasury gains.
- NIMs expanded 5bp QoQ to 4.06% on a favorable asset mix even as funding cost pressure is likely to continue until 1HFY25.
- Loan growth was healthy at 14% YoY/3.5% QoQ, while deposits grew 12.9% YoY/6.3% QoQ. The CD ratio moderated to 90.3%.
- Fresh slippages declined to INR34.7b, whereas healthy recoveries and upgrades led to a decline in the GNPA ratio. Restructured book was under control at 0.16%.
- **We raise our estimates while remaining watchful over cost and a high CD ratio at 90%. We estimate AXSB to deliver a 14.5% CAGR in loans over FY24-26. Accordingly, we estimate FY26 RoA/RoE of 1.8%/16.8%. We retain our Neutral rating with a revised TP of INR1,200 (1.7x FY26E ABV).**

Deposit growth healthy; CASA mix improves to 43%

- AXSB's 4QFY24 PAT grew 17.4% QoQ to INR71.3b, aided by healthy other income and improvement in margins, partly offset by higher provisions.
- NII grew modestly by 12% YoY (4.4% QoQ) to INR130.9b. Reported margins expanded 5bp QoQ to 4.06% due to improvement in yields. Fee income grew 23% YoY/9% QoQ, while treasury gains and provision reversal supported other income growth at 21.8% QoQ (17% above our estimate).
- Opex grew 25% YoY/4% QoQ (in line), owing to continued investments in digital and technology, employee increments, and expenses related to Citi's integration. Due to one-off other income, the C/I ratio improved sharply to 46.9%, while the cost-to-assets ratio continued to inch up. PPoP grew 15.3% QoQ to INR105.4b (14% above MOFSLe). The bank plans to continue to invest in the business as long as RoE stays at healthy levels above 18%.
- Loan book grew 14% YoY/3.5% QoQ, with Retail loans up 6.6%, corporate down 2.9% QoQ. SME loans grew at a healthy rate at 17% YoY/4.7% QoQ. Deposit growth gathered pace at 12.9% YoY/6.3% QoQ, led by healthy growth in retail and non-retail TDs. The CASA mix rose 100bp QoQ to 43%.
- On the asset quality front, fresh slippages moderated to INR34.7b (vs. INR37.2b in 3QFY24). The GNPA ratio improved by 15bp QoQ to 1.43%, while the net NPA ratio declined to 0.31%. PCR improved to 78.5%. Restructured loans edged lower to 0.16% of net advances.

Highlights from the management commentary

- There were no one-off items affecting NIM and NII, which reflect a disciplined strategy. The bank has various mechanisms in place to uphold margins.
- Trading gains came from DCM, treasury and reversal of MTM losses booked in 3Q.

- Cost to assets – As long as the bank can deliver 18% RoE, it will continue to invest in the franchise.
- If the marginal CoF stays steady, deposit repricing should be completed by 2QFY25.

Valuation and view: Maintain Neutral with a TP of INR1,200

AXSB delivered a healthy earnings beat in 4QFY24, characterized by healthy other income and improvement in margins. NIMs improved 5bp QoQ, led by an improvement in asset mix and controlled rise in funding cost. We keep an eye on near-term growth as an elevated CD ratio will constrain credit growth, while continued re-pricing of deposits may keep margins in check. The bank has healthy LCR of 120% as it maintains industry-best outflow rates; however, the impact of a surge in non-retail deposits will need to be watched over the coming quarters. The bank has reiterated its guidance of growing by 300-400bp higher than the system over the medium term. AXSB has also suggested that it will continue to invest in the business, taking advantage of controlled credit costs. This will keep cost/asset ratios elevated over the near term. **We raise our estimates by 2-4% for FY25-26 while remaining watchful over cost and high CD ratio at 90%. We estimate AXSB to deliver a 14.5% CAGR in loans over FY24-26. Accordingly, we estimate FY26 RoA/RoE of 1.8%/16.8%. We maintain our Neutral rating with a revised TP of INR1,200 (1.7x FY26E ABV).**

Quarterly performance **(INR b)**

	FY23				FY24				FY23	FY24	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est
Net Interest Income	**93.8**	**103.6**	**114.6**	**117.4**	**119.6**	**123.1**	**125.3**	**130.9**	**429.5**	**498.9**	**127.2**	**3%**
% Change (Y-o-Y)	20.9	31.1	32.4	33.1	27.4	18.9	9.4	11.5	29.6	16.2	8.3	
Other Income	30.0	39.4	46.7	49.0	50.9	50.3	55.5	67.7	165.0	224.4	57.7	17%
Total Income	**123.8**	**143.0**	**161.2**	**166.4**	**170.5**	**173.5**	**180.9**	**198.5**	**594.5**	**723.4**	**184.9**	**7%**
Operating Expenses	65.0	65.9	68.5	74.7	82.3	87.2	89.5	93.2	273.0	352.1	92.8	0%
Operating Profit	**58.9**	**77.2**	**92.8**	**91.7**	**88.1**	**86.3**	**91.4**	**105.4**	**321.4**	**371.2**	**92.2**	**14%**
% Change (Y-o-Y)	-4.8	30.2	50.6	41.8	49.7	11.9	-1.5	14.9	29.9	15.5	0.5	
Provisions	3.6	5.5	14.4	3.1	10.3	8.1	10.3	11.9	28.8	40.6	7.3	63%
Profit before Tax	**55.3**	**71.7**	**78.4**	**88.6**	**77.8**	**78.2**	**81.1**	**93.5**	**292.6**	**330.6**	**84.9**	**10%**
Tax	14.0	18.4	19.9	22.4	19.8	19.5	20.4	22.2	73.3	82.0	21.4	4%
Net Profits	**41.3**	**53.3**	**58.5**	**66.3**	**58.0**	**58.6**	**60.7**	**71.3**	**219.3**	**248.6**	**63.5**	
% Change (Y-o-Y)	91.0	70.1	61.9	60.9	40.5	10.0	3.7	7.6	68.4	13.3	-4.1	
Operating Parameters												
Deposit (INR t)	8.0	8.1	8.5	9.5	9.4	9.6	10.0	10.7	9.5	10.7	10.8	-1%
Loan (INR t)	7.0	7.3	7.6	8.5	8.6	9.0	9.3	9.7	8.5	9.7	9.8	-1%
Deposit Growth (%)	12.6	10.1	9.9	15.2	17.2	17.9	18.5	12.9	15.2	12.9	13.8	
Loan Growth (%)	14.0	17.6	14.6	19.4	22.4	22.8	22.3	14.2	19.4	14.2	15.6	
Asset Quality												
Gross NPA (%)	2.8	2.5	2.4	2.0	2.0	1.7	1.6	1.4	2.2	1.5	1.6	
Net NPA (%)	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.4	
PCR (%)	77.3	79.9	80.8	80.9	79.6	79.5	77.8	78.5	80.0	78.5	77.0	

LTIMindtree

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	LTIM IN
Equity Shares (m)	296
M.Cap.(INRb)/(USDb)	1399.9 / 16.8
52-Week Range (INR)	6443 / 4148
1, 6, 12 Rel. Per (%)	-7/-25/-13
12M Avg Val (INR M)	2506
Free float (%)	31.4

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	355.2	378.3	429.0
EBIT Margin (%)	15.7	15.9	16.8
PAT	45.8	49.9	59.5
EPS (INR)	154.8	168.4	200.9
EPS Gr. (%)	2.0	8.8	19.3
BV/Sh. (INR)	676.0	773.5	890.0
Ratios			
RoE (%)	24.4	23.2	24.1
RoCE (%)	21.2	19.7	20.7
Payout (%)	42.0	42.0	42.0
Valuations			
P/E (x)	30.6	28.1	23.6
P/BV (x)	7.0	6.1	5.3
EV/EBITDA (x)	20.4	18.8	15.7
Div Yield (%)	1.4	1.5	1.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	68.6	68.6	68.7
DII	13.6	12.9	11.7
FII	7.9	8.7	8.4
Others	10.0	9.8	11.2

FII Includes depository receipts

CMP: INR4,727 TP: INR5,020 (+6%) Neutral

Weak quarter; near-term outlook remains bleak

Margin recovery to take time; reiterate Neutral

- LTIMindtree (LTIM)'s revenue declined 1.3% QoQ CC in 4QFY24 vs. our estimate of 1.4% QoQ CC growth. The growth was hit by two project cancellations in BFSI as clients reprioritized their spending. However, deal wins were strong at USD1.4b (1.4x Book-to-Bill), and the management commentary on the deal pipeline was robust. Management remained confident of a return to growth path in 1QFY25 aided by deal ramp-ups and referred to 4QFY24 as a one-off quarter.
- LTIM's 4QFY24 EBIT margin contracted 70bp QoQ to 14.7%, missing our estimate by 110bp. Profitability was hit by 80bp due to project cancellations in BFSI (expected to be reversed in 1QFY25). Attrition remained stable at 14.4%, while utilization declined to 86.9%. Management indicated that utilization should further go down by 50-100bp in FY25, so that it falls within the comfort band of 85-86%. The target margin band of 17-18% would only be achieved once growth returns.
- While the management indicated a return to growth path from 1QFY25, and its commentary is in line with its large-cap peers, LTIM still has to demonstrate growth benefits from the expansion of teams across its strong verticals. We expect the company to grow at 6.1% YoY in FY25 in USD terms, resulting in a 9.7% USD revenue CAGR over FY24-26E.
- Though 1QFY25 should see some margin uptick on account of reversal of one-time impact from project cancellations and operating leverage partly offset by higher visa costs, there is no meaningful upside to margin for FY25 unless growth picks up meaningfully. We now expect LTIM to deliver a 15.9% EBIT margin in FY25 before moving to 16.8% in FY26. This should result in a 13.9% PAT CAGR over FY24-26E, aided by a margin trough in FY24.
- We have reduced our FY25/26 earnings estimates by ~6/9% after cuts in revenue and profitability. LTIM is currently trading at 24x FY26E EPS, which adequately captures the growth opportunities ahead. Our TP of INR5,020 implies 25x FY26E EPS. We reiterate our **Neutral** rating on the stock.

A broad-based miss!

- LTIM's revenue decline of 1.3% QoQ CC was a big miss to our estimate of 1.4% QoQ CC growth; reported USD revenue declined 1.3% QoQ/grew 1.1% YoY.
- Technology and Healthcare (+5.1% and +4.5% QoQ) led the growth, while Manufacturing took a major hit (down 9.6% QoQ). NA and Europe were largely flat, while ROW posted double-digit decline (down 10.8% QoQ)
- EBIT margin at 14.7% (-70bp QoQ) missed our estimate of 15.8%.
- Employee metrics: Headcount declined by 821, utilization (ex-trainees) was down 50bp to 86.9%
- Order inflow remained strong at USD1.4b (1.4x BTB; -3% QoQ, +3% YoY)
- PAT came in at INR11b, down 6% QoQ (below our estimates of INR11.9b).
- The Board recommended a final dividend of INR45 per share.

Key highlights from the management commentary

- **BFSI –** The segment was hit by two project cancellations on account of reprioritization of spending by clients. The focus remains on regulatory and compliance spending. The impact of project cancellations should not be there in 1QFY25. Though the stance remains cautious, given the strong deals wins during the year, management is confident of returning to growth path from 1QFY25.
- Management has indicated that it has a good pipeline of deals, and the majority of them are cost-optimization and efficiency-related deals (80%). In FY24, LTIM has won a good number of larger tenure deals, which will take a few quarters to ramp up. These deals should start ramping up in 1QFY25.
- Management believes that 4QFY24 was a one-off quarter, and it is confident of returning to growth path from 1QFY25.
- The target of achieving 17-18% EBIT margin in the near term is still intact, and should be achieved as growth bounces back.

Valuation and view

- The near-term slowdown in discretionary spending and its meaningful exposure to BFS would have an adverse impact on its growth performance. We expect a 7.9% CAGR in USD revenue over FY23-26.
- Margin recovery is expected to take time. Margins should improve meaningfully only once growth revives. We estimate a PAT CAGR of 9.8% over FY23-26.
- We value the stock at 25x FY26E EPS. The current valuation of 24x FY26E EPS limits any meaningful upside from the CMP. **We reiterate our Neutral rating with a TP of INR5,020.**

Quarterly Performance **(INR m)**

Y/E March	FY23				FY24				FY24	FY25E	Est.	Var. (% /
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QFY24	bp)
Revenue (USD m)	**980**	**1,022**	**1,047**	**1,058**	**1,059**	**1,076**	**1,084**	**1,069**	**4,287**	**4,549**	**1,102**	**(2.9)**
QoQ (%)	3.7	4.3	2.4	1.0	0.1	1.6	0.8	-1.3	4.4	6.1	1.7	(299)
Revenue (INR m)	**76,442**	**82,278**	**86,200**	**86,910**	**87,021**	**89,054**	**90,166**	**88,929**	**3,55,170**	**3,78,305**	**91,448**	**(2.8)**
YoY (%)	32.9	29.6	25.3	21.9	13.8	8.2	4.6	2.3	7.0	6.5	5.2	(290)
GPM (%)	**31.1**	**30.8**	**28.6**	**29.9**	**31.6**	**31.4**	**29.9**	**29.8**	**30.7**	**30.7**	**30.4**	**(64)**
SGA (%)	11.6	11.0	11.7	11.4	12.8	13.1	12.3	12.5	12.7	12.7	12.5	4
EBITDA	**14,937**	**16,356**	**14,548**	**16,037**	**16,355**	**16,313**	**15,849**	**15,357**	**63,874**	**68,173**	**16,411**	**(6.4)**
EBITDA Margin (%)	**19.5**	**19.9**	**16.9**	**18.5**	**18.8**	**18.3**	**17.6**	**17.3**	**18.0**	**18.0**	**17.9**	**(68)**
EBIT	**13,273**	**14,397**	**12,767**	**14,214**	**14,508**	**14,231**	**13,859**	**13,087**	**55,685**	**60,229**	**14,491**	**(9.7)**
EBIT Margin (%)	**17.4**	**17.5**	**14.8**	**16.4**	**16.7**	**16.0**	**15.4**	**14.7**	**15.7**	**15.9**	**15.8**	**(113)**
Other income	1,465	1,233	1,139	228	856	962	1,588	1,396	4,802	5,395	1,280	9
ETR (%)	24.9	23.9	22.3	22.9	25.0	23.5	24.3	24.0	24.2	24.0	24.5	
Adj PAT	**11,066**	**11,890**	**10,807**	**11,141**	**11,523**	**11,623**	**11,693**	**11,007**	**45,846**	**49,876**	**11,907**	**(7.6)**
QoQ (%)	-0.2	7.4	-9.1	3.1	3.4	0.9	0.6	-5.9			1.8	
YoY (%)	31.7	25.1	2.9	0.5	4.1	-2.2	8.2	-1.2	2.1	8.8	6.9	
EPS (INR)	**36.1**	**40.1**	**35.4**	**37.6**	**38.9**	**39.2**	**39.4**	**37.1**	**154.8**	**168.4**	**40.2**	**(7.9)**

Motilal Oswal | Morning India

24 April 2024

4QFY24 Results Update | Sector: Consumer

Tata Consumer Products

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	TATACONS IN
Equity Shares (m)	922
M.Cap.(INRb)/(USDb)	1057.8 / 12.7
52-Week Range (INR)	1270 / 700
1, 6, 12 Rel. Per (%)	-3/10/25
12M Avg Val (INR M)	1592
Free float (%)	66.5

Financials & valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	152.1	178.3	194.2
EBITDA	22.8	28.5	31.3
Adj. PAT	14.0	17.7	19.7
EBITDA Margin (%)	15.0	16.0	16.1
Cons. Adj. EPS (INR)	14.6	17.9	19.9
EPS Gr. (%)	28.7	22.1	11.0
BV/Sh. (INR)	168.5	223.7	238.1
Ratios			
Net D:E	0.0	-0.1	-0.1
RoE (%)	8.6	9.7	9.2
RoCE (%)	10.7	11.5	11.4
Payout (%)	53.8	36.3	32.7
Valuations			
P/E (x)	75.8	62.1	55.9
EV/EBITDA (x)	44.9	35.5	31.9
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	1.5	1.9	1.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	33.6	34.4	34.4
DII	17.4	17.1	15.9
FII	25.5	25.6	25.1
Others	23.6	22.9	24.6

Note: FII includes depository receipts

CMP: INR1,110 TP: INR1,350 (+22%) Buy

International beverage and non-branded business drive profitability

Operating performance in line

- Tata Consumer Products (TATACONS) reported a strong operating performance in 4QFY24. EBIT growth of 20% YoY was led by a healthy performance in the international branded beverage segment (EBIT up 29% YoY), and non-branded business (up 3.6x YoY). However, the EBIT of the India branded business grew by only 3% YoY.
- We broadly maintain our FY25/FY26 EPS estimates. **Reiterate BUY with an SoTP-based TP of INR1,350.**

Broad-based revenue growth; Capital Foods integrated in 4Q

- TATACONS reported an in-line revenue of INR39.3b, up 8.5% YoY in 4QFY24. EBITDA margin improved 190bp YoY to 16.0% (est. of 15.4%), fueled by a higher gross margin (up 430bp YoY) of 46.1% (vs. 41.8% in 4QFY23). EBITDA rose 23% YoY to INR6.3b (in line). Margin expansion was led by pricing interventions in most of its international markets.
- The Indian branded business grew 10% YoY to INR24.8b, led by revenue growth of 3%/20% YoY in Indian branded beverage business/Indian food business to INR13.2b/INR11.6b. EBIT increased 3% YoY to INR3.2b during the quarter.
- Volumes in India beverage business were flat on YoY basis, while volumes in the foods business grew 4% YoY (excluding Capital Foods) in 4QFY24. The salt segment's revenue increased 5% YoY, led by ~3% YoY volume growth. The Tata Sampann portfolio grew 42% YoY.
- NourishCo's revenue grew ~13% YoY to ~INR2b in 4Q, and was primarily hurt by the delayed onset of summer. Tata Starbucks' revenue grew 7% YoY in 4QFY24.
- International branded beverage revenue grew 7% YoY to INR10.5b with EBIT growth of 29% YoY to INR1.6b, mainly driven by moderating input costs and pricing. Non-branded business revenue increased 7% YoY to INR4b, while EBIT jumped 3.6x YoY to INR919m due to higher coffee prices.
- Adjusted PAT stood at INR3.8b (in line), up 38% YoY in 4QFY24.
- For FY24, the company's revenue/EBITDA/Adj. PAT grew 10%/23%/29% to INR152b/INR22.8b/INR14b.

Highlights from the management commentary

- **Guidance:** The management aims to increase the contribution of growth business from 18% in FY24 to 30% of its Indian business, with a 30% revenue CAGR. It targets 30% YoY growth in NourishCo in FY25. The short-term tea business volume growth is expected at 2-4%, while mid-single-digit growth is anticipated in the medium to long term. Margin improvement is expected in the international beverage business going forward.

- **Acquired businesses:** Capital Foods and Organic India are expected to be cash EPS accretive from FY25 and accounting EPS accretive from FY26.
- **Salt:** In line with the company's premiumization agenda, value-added salts grew 34% in FY24 and accounted for 9% of the India salts business. The salt business touched its highest-ever market share of 39.9% in Feb/Mar'24.

Valuation and view

- TATACONS's holistic strategy is aimed at: i) strengthening and accelerating its core business, ii) exploring new opportunities, iii) unlocking synergies, iv) digitizing the supply chain, v) expanding its product portfolio and innovation, vi) enhancing its focus on premiumization and health & wellness products, vii) embedding sustainability, and viii) expanding its sales and distribution infrastructure, supply chain, and capability building toward being a multi-category FMCG player.
- We expect TATACONS to clock a revenue/EBITDA/PAT CAGR of 13%/17%/19% during FY24-26. We broadly maintain our FY25/FY26 EPS estimates. **Reiterate BUY with an SoTP-based TP of INR1,350.**

Consolidated – Quarterly Earnings Model (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	(%)
Gross Sales	**33.3**	**33.6**	**34.7**	**36.2**	**37.4**	**37.3**	**38.0**	**39.3**	**137.8**	**152.1**	**39.6**	**-1**
YoY Change (%)	10.6	10.9	8.3	14.0	12.5	11.0	9.5	8.5	10.9	10.3	13.9	
Total Expenditure	28.7	29.3	30.2	31.1	32.0	32.0	32.3	33.0	119.3	129.2	33.5	
EBITDA	**4.6**	**4.3**	**4.5**	**5.1**	**5.5**	**5.4**	**5.7**	**6.3**	**18.6**	**22.8**	**6.1**	**3**
Margins (%)	13.7	12.9	13.1	14.1	14.6	14.4	15.0	16.0	13.5	15.0	15.4	
Depreciation	0.7	0.7	0.8	0.8	0.8	0.9	0.9	1.2	3.0	3.8	0.9	
Interest	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.9	1.3	0.3	
Other Income	0.4	0.3	0.5	0.6	0.6	0.9	0.6	0.4	1.7	2.5	0.6	
PBT before EO expense	**4.0**	**3.7**	**4.0**	**4.6**	**4.9**	**5.1**	**5.1**	**5.1**	**16.3**	**20.2**	**5.5**	
Extra-Ord expense	-0.2	1.1	0.8	-0.1	-0.1	-0.1	-0.9	-2.2	1.6	-3.3	0.0	
PBT	**3.8**	**4.8**	**4.8**	**4.5**	**4.9**	**4.9**	**4.2**	**2.9**	**17.9**	**17.0**	**5.5**	
Tax	1.0	1.3	1.1	1.0	1.3	1.3	1.1	0.3	4.5	3.9	1.5	
Rate (%)	27.1	26.3	23.4	23.2	26.7	26.8	25.2	8.8	24.9	23.3	27.0	
Minority Interest	0.2	0.6	0.1	0.2	0.2	0.3	0.2	0.0	1.2	0.7	0.0	
Profit/Loss of Asso. Cos.	0.0	0.3	-0.1	-0.6	-0.2	0.0	-0.1	-0.6	-0.3	-0.9	-0.2	
Reported PAT	**2.6**	**3.3**	**3.5**	**2.7**	**3.2**	**3.4**	**2.8**	**2.2**	**12.0**	**11.5**	**3.9**	
Adj PAT	**2.7**	**2.4**	**2.9**	**2.7**	**3.2**	**3.5**	**3.5**	**3.8**	**10.8**	**14.0**	**3.9**	**-2**
YoY Change (%)	45.4	-12.7	6.5	18.1	17.2	42.8	18.7	38.4	11.2	28.7	31.9	
Margins (%)	8.2	7.3	8.4	7.6	8.6	9.4	9.1	9.6	7.9	9.2	9.8	

Motilal Oswal | Morning India

25 April 2024

4QFY24 Results Update | Sector: Hotels

Indian Hotels

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	IH IN
Equity Shares (m)	1420
M.Cap.(INRb)/(USDb)	865.4 / 10.4
52-Week Range (INR)	623 / 331
1, 6, 12 Rel. Per (%)	8/37/53
12M Avg Val (INR M)	1675
Free float (%)	61.9

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	67.7	79.4	87.5
EBITDA	21.6	27.2	31.5
PAT	12.6	15.9	18.9
EBITDA (%)	31.9	34.2	36.0
EPS (INR)	8.9	11.2	13.3
EPS Gr. (%)	25.9	26.0	19.2
BV/Sh. (INR)	66.6	76.9	89.5
Ratios			
Net D/E	(0.2)	(0.3)	(0.4)
RoE (%)	14.4	15.6	16.0
RoCE (%)	13.6	15.4	15.7
Payout (%)	9.0	7.2	6.0
Valuations			
P/E (x)	68.6	54.4	45.7
EV/EBITDA (x)	39.4	30.9	26.1
Div Yield (%)	0.1	0.1	0.1
FCF Yield (%)	1.2	1.4	2.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	38.1	38.1	38.2
DII	20.8	22.3	27.6
FII	24.5	23.3	18.2
Others	16.6	16.3	16.0

FII Includes depository receipts

CMP: INR608 TP: INR680 (+12%) Buy

Buoyant demand continues to drive growth

Operating performance in line with our estimate

- Indian Hotels (IH) reported consolidated revenue growth of 17% YoY in 4QFY24, led by ~19% YoY revenue growth in the standalone business. Growth in the standalone business was driven by better occupancy (up 440bp YoY) and ARR (up 4% YoY; LFL 8% excluding Ginger Santacruz). Standalone management contract revenue rose 32% YoY to INR1.5b.
- We broadly maintain our FY25/FY26 EBITDA estimates and **reiterate BUY with our SoTP-based TP of INR680.**

New and reimagined business continues to deliver strong growth

- Consolidated revenue was up 17% YoY/down 3% QoQ at INR19.1b (in line). EBITDA grew 23% YoY but declined 10% QoQ to INR6.6b (in line). Adj. PAT was up 27% YoY/down 8% QoQ at INR4.2b (in line).
- Standalone revenue/EBITDA rose 19%/23% YoY to INR13.4b/INR5.9b (up 5% each QoQ), aided by strong OR growth (up 440bp YoY/230bp QoQ) to 79.1%. ARR grew 4% YoY but declined 3% QoQ to INR17,546. Like-for-like ARR growth in 4Q stood at 8%, excluding Ginger Santacruz, which became operational in Nov'23 having lower ARR of INR6,700. RevPar grew by 10% YoY.
- For subsidiaries (consol. less standalone), sales stood at INR5.6b (up 14% YoY/down 17% QoQ) and EBITDA came in at INR737m (up 27% YoY/down 58% QoQ).
- FY24 revenue/EBITDA/adj. PAT grew 17%/20%/26% to INR67.7b/INR21.6b/INR12.6b.
- IH's new and reimagined business verticals, comprising Ginger, Qmin, amã Stays & Trails, The Chambers (membership fee) and TajSATs, posted revenue of INR15.9b in FY24 (up 35% YoY; ~2x growth vs. core enterprise revenue).
- Revenue from key subsidiaries PIEM/Roots/Benares/St. James Court/UOH Inc. rose 13%/22%/31%/18%/2% YoY in FY24.
- In FY24, CFO stood at INR19.4b (vs. INR16.2b in FY23) and net cash stood at INR12.25b (vs. INR2.35b in FY23).

Highlights from the management commentary

- **Outlook**: The uptrend in the hospitality industry is expected to continue, with all India demand growth likely to be 10.6% over FY24-27 vs. supply growth of ~8%.
- **Guidance:** In FY25, IH expects to sustain double-digit revenue growth, with new businesses expected to grow 30%. It expects to sustain margins. IH targets to open ~25 hotels in FY25.
- **Gateway:** IH will introduce the reimagined brand 'Gateway' in FY25. The brand rollout will commence with launches in Bekal and Nashik in 1QFY25. The brand is expected to scale up to 100 hotels by 2030.

Valuation and view

- We expect the strong momentum to continue in FY25, led by: 1) an increase in ARR due to healthy demand, asset management strategy (upgrades in hotels), and corporate rate hikes; 2) sustaining higher occupancy levels led by favorable demand-supply dynamics; 3) strong room addition pipeline till FY28 in both owned/leased (2,779 rooms) and management hotels (10,174); 4) higher income from management contracts; and 5) value unlocking by scaling up reimagined and new brands.
- We broadly maintain our FY25/FY26 EBITDA estimates and **reiterate BUY with our SoTP-based TP of INR680.**

Consolidated - Quarterly Earning Model (INRm)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	(%)
Gross Sales	**12,661**	**12,326**	**16,858**	**16,254**	**14,664**	**14,332**	**19,638**	**19,053**	**58,099**	**67,688**	**18,692**	**2**
YoY Change (%)	267.5	69.2	51.7	86.4	15.8	16.3	16.5	17.2	90.1	16.5	15.0	
Total Expenditure	8,882	9,386	10,886	10,899	10,562	10,784	12,315	12,455	40,054	46,116	12,091	
EBITDA	**3,779**	**2,940**	**5,972**	**5,355**	**4,102**	**3,548**	**7,324**	**6,598**	**18,046**	**21,571**	**6,602**	**0**
Margins (%)	29.8	23.9	35.4	32.9	28.0	24.8	37.3	34.6	31.1	31.9	35.3	
Depreciation	1,026	1,026	1,033	1,076	1,091	1,112	1,143	1,197	4,161	4,543	1,170	
Interest	624	600	567	570	565	591	532	515	2,361	2,202	510	
Other Income	271	250	577	291	493	477	398	461	1,389	1,829	450	
PBT before EO expense	**2,401**	**1,564**	**4,949**	**4,000**	**2,939**	**2,322**	**6,047**	**5,347**	**12,914**	**16,655**	**5,372**	
Extra-Ord expense	91	-123	-1	0	0	0	0	0	-33	0	0	
PBT	**2,309**	**1,687**	**4,950**	**4,000**	**2,939**	**2,322**	**6,047**	**5,347**	**12,946**	**16,655**	**5,372**	
Tax	648	443	1,161	980	833	723	1,667	1,416	3,232	4,639	1,612	
Rate (%)	28.1	26.3	23.4	24.5	28.4	31.1	27.6	26.5	25.0	27.9	30.0	
Minority Interest & P/L of Asso. Cos.	-39	28	-38	-263	-118	-70	-140	-247	-312	-575	-289	
Reported PAT	**1,701**	**1,216**	**3,827**	**3,283**	**2,224**	**1,669**	**4,520**	**4,178**	**10,026**	**12,591**	**4,049**	
Adj PAT	**1,769**	**1,123**	**3,826**	**3,283**	**2,224**	**1,669**	**4,520**	**4,178**	**10,001**	**12,591**	**4,049**	**3**
YoY Change (%)	NA	NA	357.2	430.2	25.7	48.6	18.1	27.3	NA	25.6	23.3	
Margins (%)	14.0	9.1	22.7	20.2	15.2	11.6	23.0	21.9	17.2	18.6	21.7	

AU Small Finance Bank

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	AUBANK IN
Equity Shares (m)	667
M.Cap.(INRb)/(USDb)	459.7 / 5.5
52-Week Range (INR)	813 / 554
1, 6, 12 Rel. Per (%)	8/-27/-33
12M Avg Val (INR M)	1665

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	51.6	80.1	102.1
PPoP	25.1	39.1	52.7
PAT	15.3	21.5	29.4
NIM (%)	5.2	6.1	5.9
EPS (INR)	23.0	30.5	39.6
EPS Gr. (%)	4.3	32.6	30.1
BV/Sh. (INR)	187	231	271
ABV/Sh. (INR)	183	227	265
Ratios			
RoE (%)	13.1	14.5	15.8
RoA (%)	1.5	1.6	1.7
Valuations			
P/E(X)	27.0	20.4	15.6
P/BV (X)	3.3	2.7	2.3
P/ABV (X)	3.4	2.7	2.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	25.5	25.5	25.5
DII	22.8	20.8	20.6
FII	39.4	41.1	39.7
Others	12.4	12.6	14.1

FII Includes depository receipts

CMP: INR620 TP: INR735 (+19%) Buy

PPoP in line; asset quality improves

One-off charges related to the merger hurt reported earnings

- AU Small Finance Bank (AUBANK) reported a PAT of INR3.7b in 4QFY24 (down 13% YoY), due to the stamp duty and other transaction charges related to the merger with Fincare SFB. AUBANK's NII grew 10% YoY to INR13.37b (3% miss), while NIM contracted 40bp QoQ to 5.1%.
- PPoP grew 16% YoY to INR6.6b (in line) even as opex increased 26% YoY (4% above our estimate). C/I ratio thus increased to 65% from 63% in 3QFY24.
- Advances grew 25% YoY (~10% QoQ), led by growth in both retail and wholesale books. Deposits reported a healthy 26% YoY (8.8% QoQ) growth. C/D ratio was comfortable at 83.9% during the quarter.
- GNPA/NNPA improved 31bp/13bp QoQ to 1.67%/0.55%. Credit costs moderated to 0.47%. PCR increased 164bp QoQ to 67.6% in 4QFY24.
- We raise our FY25E/FY26E EPS by 4-5% and estimate FY26 RoA/RoE at 1.7%/15.8%. **Reiterate BUY with a TP of INR735 (based on 2.7x FY26E BV).**

Business growth healthy; margin contracted 40bp QoQ

- AUBANK reported a 4QFY24 PAT of INR3.71b (13% YoY decline). Provisions declined 17% QoQ to INR1.33b (19% lower than MOFSLe); however, the one-off charges towards stamp duty and other transaction-related expenses of INR570m (net of tax) impacted net earnings adversely.
- Other income jumped 67% YoY to INR5.56b (17% beat) even as treasury gains were muted at INR70m. PPoP thus grew 16% YoY to INR6.6b (in line). Margin contracted 40bp QoQ to 5.1%, and management expects the cost of funds to increase 40-45bp in FY25. Therefore, NIM will remain under watch.
- Opex grew 26% YoY (up 9.9% QoQ) as the bank continued to invest in building the franchise. Total income grew 22% YoY (up 6.7% QoQ), leading to a 194bp QoQ increase in the cost-to-income ratio to 65%.
- Advances grew 25% YoY (~10% QoQ), led by growth in both retail and wholesale books. Yield on advances remained stable at 13.2%; however, the incremental disbursement yield has improved 46bp YTD.
- Deposits grew at a healthy 26% YoY (8.8% QoQ), led by strong traction in CASA deposits. CASA mix, thus, remained stable at 33%. The cost of funds rose 8bp QoQ to 6.98%.
- GNPA/NNPA improved 31bp/13bp QoQ to 1.67%/0.55%. Credit costs moderated to 0.47%. PCR increased 164bp QoQ to 67.6% in 4QFY24.
- The outstanding restructured loans declined to INR4.4b (0.6% of loans vs. 0.7% in 3QFY24). The bank has additional INR700m of provisions against standard restructured assets, along with INR410m of floating provisions.

Highlights from the management commentary

- The bank's RoA is likely to be ~1.8% by FY27, led by improvements in: 1) operating leverage and 2) asset mix towards high-margin businesses.
- On a pro-forma basis, the microfinance business accounted for 8.3% of the merged loan portfolio as of 4QFY24. Over the next three years, AUBANK expects the MFI business to be ~10% of the loan portfolio.
- The bank will provide a credit cost of 2.5-3.0% p.a. on the MFI business every year. Any unutilized portion of this credit cost, in any year, shall be used to create a countercyclical buffer for the MFI.

Valuation and view: Reiterate BUY with a TP of INR735

AUBANK reported a mixed quarter as stamp duty and other transaction charges related to the merger with Fincare SFB dragged earnings even as PPoP stood in line. Margins continued to compress further as the cost of funds rose 8bp QoQ, while the disbursement yield remained broadly unchanged. On the business front, disbursement growth was healthy, led by both retail and commercial asset books. The traction in deposits also stood healthy. The asset quality improved, enabling a moderation in provisioning expenses while the bank further carried floating provisions of INR410m. We raise our FY25E/FY26E EPS by 4-5% and estimate the operating performance to improve gradually, thus resulting in an FY26 RoA/RoE of 1.7%/15.8%. **Reiterate BUY with a TP of INR735 (based on 2.7x FY26E BV).**

Quarterly performance (INR m)

	FY23				FY24				FY23	FY24	FY24E	v/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Net Interest Income	**9,760**	**10,833**	**11,527**	**12,132**	**12,462**	**12,490**	**13,249**	**13,370**	**44,253**	**51,571**	**13,720**	**-2.5**
% Change (Y-o-Y)	34.8	43.8	40.5	29.5	27.7	15.3	14.9	10.2	36.8	16.5	13.1	
Other Income	1,592	2,474	2,949	3,331	3,151	4,255	4,497	5,556	10,345	17,459	4,752	16.9
Total Income	**11,352**	**13,307**	**14,476**	**15,463**	**15,613**	**16,744**	**17,746**	**18,926**	**54,597**	**69,030**	**18,472**	**2.5**
Operating Expenses	7,411	8,319	8,919	9,753	10,153	10,267	11,175	12,285	34,403	43,880	11,776	4.3
Operating Profit	**3,941**	**4,988**	**5,557**	**5,709**	**5,461**	**6,477**	**6,571**	**6,642**	**20,195**	**25,150**	**6,697**	**-0.8**
% Change (Y-o-Y)	-18.2	27.1	21.2	18.4	38.6	29.9	18.2	16.3	11.3	24.5	17.3	
Provisions	384	430	326	409	330	1,143	1,589	1,325	1,548	5,155	1,637	-19.1
Profit before Tax	**3,557**	**4,558**	**5,231**	**5,300**	**5,131**	**5,334**	**4,981**	**6,084**	**18,646**	**19,994**	**5,060**	**20.3**
Tax	878	1,132	1,302	1,054	1,262	1,315	1,229	841	4,367	4,647	1,218	-30.9
Net Profit	**2,679**	**3,426**	**3,928**	**4,246**	**3,869**	**4,018**	**3,752**	**5,243**	**14,279**	**15,347**	**3,842**	**36.5**
% Change (Y-o-Y)	31.8	23.0	30.1	22.7	44.4	17.3	-4.5	23.5	26.4	7.5	-9.5	
Operating Parameters												
Deposit (INR b)	546.3	583.4	611.0	693.6	693.2	757.4	801.2	871.8	693.6	871.8	871.8	
Loan (INR b)	486.5	517.4	556.0	584.2	628.6	641.7	667.4	731.6	584.2	731.6	727.5	
Deposit Growth (%)	47.6	49.4	38.0	31.9	26.9	29.8	31.1	25.7	31.9	25.7	25.7	
Loan Growth (%)	43.3	44.4	38.4	26.7	29.2	24.0	20.0	25.2	26.7	25.2	24.5	
Asset Quality												
GNPA (%)	2.0	1.9	1.8	1.7	1.8	1.9	2.0	1.7	1.7	1.7	2.0	
NNPA (%)	0.6	0.6	0.5	0.4	0.6	0.6	0.7	0.6	0.5	0.5	0.7	
PCR (%)	71.7	71.1	72.1	75.0	69.0	69.1	66.0	67.6	70.8	67.6	64.7	

E: MOFSL Estimates

Motilal Oswal | Morning India

24 April 2024

4QFY24 Results Update | Sector: Financials

360ONE WAM

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	360ONE IN
Equity Shares (m)	356
M.Cap.(INRb)/(USDb)	287.6 / 3.5
52-Week Range (INR)	901 / 398
1, 6, 12 Rel. Per (%)	19/34/66
12M Avg Val (INR M)	341

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Net Revenues	18.5	21.7	24.6
Opex	9.6	10.7	11.7
Core PBT	8.9	11.1	12.9
PAT	8.0	9.7	11.3
EPS	22.4	26.9	31.5
EPS Grw (%)	21.3	20.1	16.9
BV	96.1	101.5	107.8
Ratios			
PBT margin (bp)	22.0	22.6	23.7
PAT margin (bp)	19.9	19.7	20.7
RoE (%)	24.5	27.2	30.1
Div. Payout (%)	74.9	80.0	80.0
Valuations			
P/E (x)	35.6	29.6	25.3
P/BV (x)	8.3	7.9	7.4
Div. Yield (%)	2.1	2.7	3.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	17.8	17.8	22.0
DII	8.3	8.9	2.2
FII	63.2	62.5	64.8
Others	10.7	10.9	11.0

FII Includes depository receipts

CMP: INR800 TP: INR950 (+18%) Buy

Transaction revenues drive earnings beat

- In 4QFY24, 360ONE's total revenue grew 46% YoY to INR5.7b (25% above our estimates). The beat was on account of a surge in TBR income (109% above our estimates), which jumped 91% YoY.
- Total AUM rose 37% YoY to INR4.67t, with strong growth in both ARR and TBR assets.
- Total opex jumped 62% YoY to ~INR3b, which was 26% higher than our estimates, led by higher variable employee costs. The cost-to-income ratio rose ~520bp YoY to 52.3% (vs. our est. of 51.9%).
- PAT grew 57% YoY to INR2.4b (26% above our estimates) in 4QFY24. For FY24, 360ONE's revenue/PAT grew 18%/23% YoY to INR18.5b/INR8.0b.
- The Board approved a dividend of INR3.5 per share.
- We have increased our EPS estimates by 6.3%/3.2% for FY25/FY26 to factor in higher transaction revenues. Also, we have built in higher costs relating to new business initiatives (mid-market segment and global platform). **We retain our BUY rating with a one-year TP of INR950 (based on 30x Mar'26E EPS).**

Strong AUM growth of 37%; yields decline YoY for ARR assets

- Total AUM rose 37% YoY to INR4.67t, with strong growth across ARR and TBR. ARR AUM jumped 36% YoY to INR2.28t, and the yields stood at 64bp in 4QFY24. The TBR AUM increased 38% YoY to INR2.39t, and yields jumped to 37bp from 18bp in 3QFY24.
- In 4QFY24, AAUM for 360ONE plus (IIFL ONE) grew 95% YoY to INR737b, led by a sharp rise in non-discretionary AUM (+205% YoY to INR533b) and advisory AUM (+10% YoY to INR109b). However, discretionary AUM declined 9% YoY to INR94b.
- Yields on ARR assets stood at 64bp in 4QFY24 vs. 70bp in 4QFY23. Yields on ARR assets for wealth management stood at 62bp (vs. 67bp in 4QFY23) and for the asset management segment, it stood at 74bp (vs. 75bp in 4QFY23).
- Yields in 360ONE Plus witnessed a marginal decline sequentially to 18bp (26bp in 4QFY23) as yields on discretionary AUM declined to 42bp in 4QFY24.
- Yields in AIF were flat sequentially at 93bp (92bp in 4QFY23) as increase in yields on credit & real estate asset were offset by Listed Equity AUM.

Highlights from the management commentary

- Active ARR AUM should grow at annualized growth of 25% (including MTM gains). 360ONE expects net-flows (inactive ARR flows cloud witness volatility) growth of 10-15% on an annual basis. Yields are expected to remain steady between 68bp and 72bp. TBR asset income is expected to stay between ~INR 4b and INR 6b depending upon capital market sentiments.

- For the HNI segment, the first set of target customers will be the 3,000+ existing families with less than INR100m of net worth. The second set will be the circle of influence of the UHNI customer base and the third set would be the acquisition of new customers by RMs.
- Over the next three years, the new business should contribute 15-20% of the total revenues. The mid-market segment should start contributing from FY25, while the launch of Global platform is expected from Oct'24 (not much revenue contribution in FY25).

Valuation and view: Strong 4Q performance; reiterate BUY

360ONE is looking to diversify its presence in terms of client segment (mass affluent) and geography (lower tier cities). It is also building a global platform. Resultant investments into team building has kept the costs at elevated levels. The benefits of these investments are likely to be back ended. We have increased our EPS estimates by 6.3%/3.2% for FY25/FY26 to factor in higher transaction revenues. Also, we have built in higher costs relating to new business initiatives (mid-market segment and global platform). **We retain our BUY rating with a one-year TP of INR950 (based on 30x Mar'26E EPS).**

Quarterly performance

Y/E March	FY23				FY24				FY23	FY24	4Q	Act. Vs
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY24E	Est. (%)
Net Revenues	**3,747**	**3,825**	**4,150**	**3,929**	**4,060**	**4,270**	**4,400**	**5,740**	**15,650**	**18,470**	**4,585**	**25**
Change (%)	32.2	21.7	9.7	-7.1	8.4	11.6	6.0	46.1	11.9	18.0	16.7	
ARR Assets Income	3,017	2,843	3,053	2,797	3,240	3,110	3,390	3,580	11,710	13,320	3,551	1
TBR Assets Income	730	982	1,097	1,132	820	1,160	1,010	2,160	3,941	5,150	1,033	109
Operating Expenses	**1,670**	**1,794**	**1,863**	**1,850**	**2,090**	**2,140**	**2,310**	**3,000**	**7,178**	**9,540**	**2,380**	**26**
Change (%)	9.1	3.7	-16.1	-21.3	25.1	19.3	24.0	62.1	-8.5	32.9	28.6	
Cost to Income Ratio (%)	44.6	46.9	44.9	47.1	51.5	50.1	52.5	52.3	45.9	51.7	51.9	36bps
Operating Profits	**2,077**	**2,031**	**2,286**	**2,079**	**1,970**	**2,130**	**2,090**	**2,740**	**8,473**	**8,930**	**2,205**	**24**
Change (%)	59.3	43.7	46.4	10.7	-5.1	4.9	-8.6	31.8	37.9	5.4	6.1	
Other Income	-60	225	-54	-78	290	140	270	500	33	1,200	150	
Profit Before Tax	**2,017**	**2,255**	**2,232**	**2,001**	**2,260**	**2,270**	**2,360**	**3,240**	**8,505**	**10,130**	**2,355**	**38**
Change (%)	33.6	19.1	12.7	-6.6	12.1	0.7	5.7	61.9	13.2	19.1	17.7	
Tax	449	512	517	447	403	408	429	803	1,924	2,043	424	
Tax Rate (%)	22.2	22.7	23.2	22.3	17.8	18.0	18.2	24.8	22.6	20.2	18.0	
PAT	**1,568**	**1,744**	**1,715**	**1,554**	**1,857**	**1,862**	**1,931**	**2,437**	**6,581**	**8,087**	**1,931**	**26**
Change (%)	34.2	21.5	12.0	-6.2	18.4	6.8	12.6	56.8	13.8	22.9	24.3	
PAT Margins (%)	41.9	45.6	41.3	39.6	45.7	43.6	43.9	42.5	42.1	43.8	42.1	33bps
Key Operating Parameters (%)												
AUM (INR b)	**3,147**	**3,333**	**3,447**	**3,408**	**3,827**	**4,125**	**4,539**	**4,669**	**3,408**	**4,669**	**4,665**	**0**
Change (%)	33.8	29.9	31.2	30.2	21.6	23.8	31.7	37.0	30.2	37.0	36.9	
ARR Assets	1,429	1,550	1,665	1,672	1,904	2,025	2,208	2,279	1,672	2,279	2,334	-2
TBR Assets	1,718	1,783	1,782	1,737	1,923	2,100	2,331	2,390	1,737	2,390	2,331	3
Yield on AUM - Calculated (%)	**0.52**	**0.47**	**0.49**	**0.46**	**0.45**	**0.43**	**0.41**	**0.50**	**0.52**	**0.46**	**0.40**	
ARR Assets	0.84	0.76	0.76	0.67	0.72	0.63	0.64	0.64	0.75	0.67	0.63	
TBR Assets	0.20	0.22	0.25	0.26	0.18	0.23	0.18	0.37	0.27	0.25	0.18	

MCX

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	MCX IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	195.8 / 2.4
52-Week Range (INR)	4073 / 1285
1, 6, 12 Rel. Per (%)	14/57/136
12M Avg Val (INR M)	2297
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	6.8	9.2	11.0
EBIT Margin (%)	4.2	55.6	58.7
PAT	0.8	4.7	5.9
EPS (INR)	16.3	92.8	115.6
EPS Gr. (%)	-44.2	469.4	24.6
BV/Sh. (INR)	270.3	288.9	312.0
Ratios			
RoE (%)	5.8	33.2	38.5
Valuations			
P/E (x)	235.6	41.4	33.2
P/BV (x)	14.2	13.3	12.3
Div Yield (%)	0.0	0.9	0.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
DII	56.9	53.0	52.7
FII	23.4	26.8	27.1
Others	19.7	20.2	20.2

FII Includes depository receipts

CMP: INR3,839 TP: INR4,400(15%) Buy

Weak revenue led to a 5% PAT miss; cost broadly in line

- MCX reported PAT of INR878m, 5% lower than our estimates of INR923m. Total revenue came in at INR1.8b, up 35% YoY (~13.4% miss). The miss was due to lower non-transaction revenues and lower-than-expected premium to notional turnover in the options segment.
- Overall volumes improved significantly, rising by 97% YoY to INR83t. Futures volumes came in at INR11.1t, down 15% YoY and 16% QoQ. Option volumes jumped 148% YoY and 18% QoQ to INR71.6t.
- For FY24, revenue increased 33% YoY to INR 6.8b and PAT declined 44% YoY to INR831m.
- We have raised our FY25 and FY26 EPS estimates to factor in a stronger volume trajectory and anticipated new product launches. We reiterate our BUY rating with a one-year TP of INR4,400 (premised on 38x FY26E EPS).

Energy and bullion drive overall volume growth

- Volumes in the Energy segment jumped 121% YoY, fueled by a 127% YoY surge in crude oil volumes in 4QFY24.
- Bullion volumes rose 56% YoY, driven by 69%/42% YoY rise in gold/silver volumes.
- Overall base metal volumes dropped 53% YoY, due to a 60% YoY decline in each Aluminum/Copper volumes in 4QFY24.
- Futures volumes came in at INR11t, down 15% YoY/16% QoQ. Options volumes surged 148% YoY/18% QoQ to INR71.6t.
- Overall volumes improved 97% YoY to INR83t. Total revenue for 4QFY24 grew 35% YoY to INR1.81b (~13.4% miss), mainly led by non-transaction revenues.
- Staff costs increased 31% YoY to INR307m (in line). Software expenses stood at INR233m, down 73% YoY (in line) and 84% QoQ.
- Other income declined 9% YoY but grew 3% QoQ to INR183m (broadly in line with our expectations).

Key takeaways from the management commentary

- The launch of new products is still work in progress. MCX has approval for 10g gold futures monthly contracts. Currently, 10g gold monthly contract is in the testing phase.
- The run rate of total operating technology cost (including AMC cost to TCS) and depreciation shall be in range of INR600m. Going forward, costs will no longer be linked to volumes, resulting in relatively stable costs going forward.
- When volatility is higher, maximum trades happen in long-dated contracts, which carry lower premium realization, leading to a decline in the premium-to-notional turnover ratio.

Valuation and view – Maintain BUY

We expect MCX to deliver a CAGR of 27%/231%/166% in revenue/EBITDA/PAT over FY24-26, led by a 53% CAGR in options volumes. We highlight several near- to medium-term drivers of volume growth: 1) new product launches – futures & options (short-duration contracts); 2) continued volatility in key commodity prices (gold, crude oil & natural gas) amid global uncertainties; and 3) a rise in retail participation in the options market. Additionally, the company has launched direct market access for Category II FPIs, which would drive volumes in the medium term. We expect no impact from competition on MCX's volumes, as similar products are currently available on other exchanges. With the technology overhang behind MCX and near-term potential drivers in place, we see meaningful re-rating potential. We maintain our BUY rating with a TP of INR4,400 (based on 38x FY26E EPS).

Quarterly Performance

	FY23				FY24				FY24	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QFY24	(%/bp)
Sales	**1,088**	**1,274**	**1,436**	**1,338**	**1,458**	**1,651**	**1,915**	**1,811**	6,835	2,091	(13.4)
Yo-Y Gr. (%)	24.2	53.1	60.3	25.6	34.0	29.6	33.4	35.4	33.1	56.3	
Staff Costs	227	229	229	234	253	274	290	307	1,123	305	0.7
Other expenses	368	389	879	1,083	1,098	1,664	1,822	484	5,069	616	(21.4)
EBITDA	493	656	327	21	107	-287	-197	1,020	643	1,170	(12.8)
Depreciation	58	58	43	58	43	66	113	138	359	161	(14.7)
EBIT	**435**	**598**	**285**	**-37**	**64**	**-353**	**-310**	**882**	**283**	1,009	(12.6)
Margins (%)	40.0	47.0	19.8	-2.8	4.4	-21.4	-16.2	48.7	4.1	48.2	
Interest Costs	1	0	1	1	1	1	1	1	3	0	
Other Income	93	182	201	201	204	189	177	183	754	188	(2.5)
PBT bef. Exceptional items	**527**	**781**	**485**	**163**	**267**	**-164**	**-133**	**1,065**	**1,035**	**1,196**	(11)
Tax	106	135	90	86	58	16	-91	205	189	273	(24.9)
Rate (%)	20.1	17.2	18.5	52.6	21.6	-9.9	68.3	19.3	18.2	22.8	
Profit from associate	-6	-5	-7	-23	-13	-10	-11	19	-15	0.0	
PAT	**415**	**641**	**388**	**55**	**197**	**-191**	**-54**	**878**	**831**	**923**	(5)
Y-o-Y Gr. (%)	4	96	13	-85	-53	-130	-114	1,512	-44	1,594	
EPS (INR)	**8.2**	**12.6**	**7.6**	**1.1**	**3.9**	**-3.7**	**-1.1**	**17.3**	**16.3**	**18.1**	(5)
Total volumes (INR t)	**28.7**	**35.9**	**40.7**	**42.0**	**51.8**	**67.0**	**73.6**	**82.7**	**275.0**	**88.0**	(6.1)
Q-o-Q Gr. (%)	9.8	25.4	13.4	3.0	23.4	29.3	9.9	12.4		19.6	
Y-o-Y Gr. (%)	49.6	71.2	89.0	60.7	80.7	86.3	80.6	97.1	86.7	109.8	

25 April 2024

3QFY24 Results Update | Sector: Financials

Equitas Small Finance

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	EQUITASB IN
Equity Shares (m)	1113
M.Cap.(INRb)/(USDb)	110.7 / 1.3
52-Week Range (INR)	117 / 68
1, 6, 12 Rel. Per (%)	4/-13/16
12M Avg Val (INR M)	530

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	30.8	37.4	46.7
OP	13.8	17.3	22.6
NP	8.0	9.7	12.7
NIM (%)	8.5	8.2	8.2
EPS (INR)	7.1	8.6	11.2
BV/Sh. (INR)	53	60	69
ABV/Sh. (INR)	50	57	67
Ratios			
RoE (%)	14.4	15.3	17.4
RoA (%)	2.0	1.9	2.0
Valuations			
P/E(X)	13.7	11.4	8.7
P/BV (X)	1.9	1.6	1.4
P/ABV (X)	1.9	1.7	1.5

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	0.0	0.0	0.0
DII	45.2	45.7	43.0
FII	19.5	19.6	22.7
Others	35.3	34.8	34.3

FII Includes depository receipts

CMP: INR98 TP: INR125 (+28%) Buy

Earnings in line despite one-offs; business growth steady

Asset quality ratios deteriorate slightly

- Equitas SFB (EQUITASB) reported in-line earnings for 4QFY24 at INR2.08b (up 9.3% YoY). However, adjusted for one-off items, the bank reported a PAT of INR2.33b.
- AUM growth was steady at 21% YoY/3% QoQ to INR337b, driven by healthy traction in most segments (barring NBFC and new CV). The management expects credit growth to remain robust at 25% YoY in FY25.
- Deposit growth was strong at 42% YoY/12% QoQ, led by healthy growth in TDs and CASA. The CASA mix moderated 74bp QoQ to 32%. Cost of funds (COF) rose 8bp QoQ to 7.44%, while NIMs dropped 20bp QoQ to 8.17%.
- Slippages were elevated on one-time classification of the co-borrower NPA. GNPA/NNPA ratios, thus, increased 8bp/4bp QoQ to 2.61%/1.17%. PCR was stable at 56%.
- We maintain our FY24E/FY25E EPS and estimate FY26 RoA/RoE of 2.0%/17.4%. **Maintain BUY with a TP of INR125 (1.9x FY26E ABV).**

PPoP in line; NIMs compress 20bp QoQ

- EQUITASB reported PAT of INR2.08b (up 9.3% YoY), dragged down by the co-borrower provision and change in ESOP accounting policy. Adjusted for one-off items, PAT stood at INR2.33b.
- NII grew 11% YoY to INR7.85b (in line). Other income rose 1% YoY/17% QoQ as fee income increased 14% QoQ and Treasury income declined to INR270m (vs. INR300m in 3QFY24).
- Opex grew 17% YoY/3.4% QoQ to INR6.5b, leading to an elevated C/I ratio of 63.5%. PPoP, thus, declined 3% YoY (up 4% QoQ) to INR3.7b.
- Total AUM jumped 21% YoY (3% QoQ) to INR337b, led by healthy traction across segments (barring NBFC and new CV). Disbursements stood at INR50.9b in 4QFY24, up 7.5% QoQ. Small business loans/vehicle finance grew 12%/1% QoQ, and microfinance declined by 12.5% YoY (up 6% QoQ). Housing finance grew by 7.1% QoQ. The share of MFI AUM stood at 18.6% (vs. 18.5% in 3QFY24).
- Deposits jumped 42% YoY to ~INR361b, led by 13% QoQ growth in term deposits. CASA mix moderated 74bp QoQ to 32%, down from its peak of 52% in 4QFY22. The management has guided for a CD ratio of ~85% by FY25 vs. 86% in FY24.
- On the asset quality front, slippages were elevated at INR3.6b (4.7% annualized) as the bank took a one-time impact of co-borrower NPA (wherein if the primary loan A/C becomes NPA, the co-borrower is also classified as NPA), resulting in higher credit cost in 4QFY24. GNPA/NNPA ratios increased 8bp/4bp QoQ to 2.61%/1.17%, while PCR was flat at 56%. Provisions jumped 26% QoQ to INR1.1b (18% higher than our estimate).

Highlights from the management commentary

- Going forward, the bank aims for an 80% secured and 20% unsecured composition in its loan portfolio.
- The bank expects to sustain RoA at 2% in future, supported by growth in high-yielding assets.
- Interest rates have peaked, and the CoF could potentially increase by 10-12bp in 1HFY25.
- Previous pressure on NIMs stemmed from the bank's focus on reducing the CD ratio. NIMs are anticipated to remain stable in FY25 compared to current levels.

Valuation and view: Maintain Buy with a TP of INR125

EQUITASB reported an in-line performance in 4QFY24, with strong AUM growth driven by healthy traction across segments. However, slippages increased but NIMs declined slightly. Deposit growth remained robust, fueled by healthy growth in retail term deposits, although the CASA mix deteriorated sharply over the past year. While margins are likely to witness a bit pressure due to rising CoF, the rise in disbursement yields and the nearing end of deposit re-pricing would help the bank limit the impact. Asset quality deteriorated further amid higher slippages and lower recoveries. The bank has guided for a moderation in the slippage run rate as collection efficiency improves. It expects credit cost at ~1.25% in FY25. We raise our estimates by 4%/3% in FY25/FY26, translating into RoA/RoE of 2%/17.4% in FY26E. **Maintain BUY with a TP of INR125 (premised on 1.9x FY26E ABV).**

Quarterly performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY23	v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est
Net Interest Income	**5,806**	**6,097**	**6,475**	**7,070**	**7,431**	**7,656**	**7,851**	**7,859**	**25,447**	**30,798**	**7,962**	**-1**
% Change (YoY)	25.9	26.0	19.7	28.0	28.0	25.6	21.3	11.2	24.8	21.0	12.6	
Other Income	1,332	1,450	1,526	2,387	1,714	1,814	2,055	2,405	6,696	7,987	2,279	6
Total Income	**7,138**	**7,547**	**8,001**	**9,456**	**9,145**	**9,470**	**9,906**	**10,263**	**32,143**	**38,784**	**10,241**	**0**
Operating Expenses	4,456	5,124	5,210	5,593	6,024	6,168	6,303	6,516	20,383	25,011	6,561	-1
Operating Profit	**2,682**	**2,423**	**2,791**	**3,864**	**3,121**	**3,302**	**3,603**	**3,748**	**11,760**	**13,774**	**3,680**	**2**
% Change (YoY)	63.1	21.8	24.2	36.1	16.4	36.3	29.1	-3.0	34.9	17.1	-4.8	
Provisions	1,416	901	499	1,256	601	632	844	1,066	4,072	3,142	906	18
Profit before Tax	**1,266**	**1,522**	**2,292**	**2,608**	**2,521**	**2,670**	**2,759**	**2,682**	**7,688**	**10,631**	**2,774**	**-3**
Tax	296	358	591	707	609	689	739	605	1,952	2,642	663	-9
Net Profit	**970**	**1,164**	**1,701**	**1,900**	**1,912**	**1,982**	**2,020**	**2,076**	**5,736**	**7,990**	**2,111**	**-2**
% Change (YoY)	713.4	182.6	57.4	59.0	97.1	70.2	18.7	9.3	104.3	39.3	11.1	
Operating Parameters												
AUM (INR b)	217	228	249	279	296	312	328	337	279	337	337	
Deposits (INR b)	204	217	234	254	277	308	324	361	254	361	361	
Loans (INR b)	205	218	233	258	275	288	292	310	258	310	307	
AUM Growth (%)	22	20	27	35	36	37	32	21	35	21	21	
Deposit Growth (%)	19	20	31	34	36	42	38	42	34	42	42	
Loan Growth (%)	22	22	27	33	34	32	25	20	33	20	19	
Asset Quality												
Gross NPA (%)	4.1	3.9	3.6	2.8	2.8	2.3	2.5	2.6	2.8	2.6	2.4	
Net NPA (%)	2.2	2.0	1.8	1.2	1.2	1.0	1.1	1.2	1.2	1.2	1.1	
PCR (%)	48.5	50.5	50.8	56.9	57.8	57.7	56.0	56.1	56.9	56.1	56.5	

E: MOSL Estimates

MOTILAL OSWAL | MORNING INDIA

25 April 2024

4QFY24 Results Update | Sector: Financials

DCB Bank

Estimate change	↑
TP change	⟷
Rating change	⟷

Bloomberg	DCBB IN
Equity Shares (m)	312
M.Cap.(INRb)/(USDb)	42.6 / 0.5
52-Week Range (INR)	163 / 101
1, 6, 12 Rel. Per (%)	11/0/7
12M Avg Val (INR M)	316

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	19.3	22.8	27.0
OP	8.6	10.7	13.2
NP	5.4	6.3	7.7
NIM (%)	3.7	3.7	3.7
EPS (INR)	17.1	20.3	24.5
EPS Gr. (%)	14.6	18.4	20.7
BV/Sh. (INR)	157	175	197
ABV/Sh. (INR)	147	164	185
Ratios			
RoE (%)	11.9	12.6	13.5
RoA (%)	0.9	0.9	1.0
Valuations			
P/E (x)	8.2	6.9	5.7
P/BV (x)	0.9	0.8	0.7
P/ABV (X)	1.0	0.9	0.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	14.8	14.8	14.8
DII	29.7	34.2	40.0
FII	12.8	13.0	12.3
Others	42.8	38.0	32.9

FII Includes depository receipts

CMP: INR140 TP: INR155 (+11%) Neutral

NIM expansion and lower provisions drive earnings

Asset quality improves

- DCB Bank (DCBB) reported 9.5% YoY/23% QoQ growth in PAT to INR1.6b (18% beat) in 4QFY24, driven by a sharp decline in provisions.
- NII grew 4% YoY to INR5.1b (up 7% QoQ; 4% beat), aided by 14bp QoQ expansion in margins to 3.62%.
- Advances grew 19% YoY, supported by healthy growth in mortgages, agri, and gold loans. Deposits rose 19.7% YoY/4.7% QoQ, led by growth in both CASA and term deposits. CASA mix stood at 26% in 4QFY24.
- GNPA ratio improved 20bp QoQ, while NNPA ratio improved 11bp QoQ to 1.11%. PCR improved 130bp QoQ to 66.4% during the quarter.
- We raise our earnings estimates by 3.9%/3.5% for FY25/FY26. We estimate FY26E RoA/RoE at 0.95%/13.5%. **Reiterate Neutral with a TP of INR155 (based on 0.8x FY26E ABV).**

Business growth healthy; asset quality improves

- DCBB reported 9.5% YoY/23% QoQ growth in PAT to INR1.6b (18% beat), driven by a sharp decline in provisions. In 4QFY24, provisions stood at INR241m (down 54% YoY; 53% lower than MOFSLe).
- NII grew 4% YoY to INR5.1b (up 7% QoQ, 4% beat). Other income rose 11% YoY (in line), resulting in a 6% YoY growth in total revenue (in line). This growth was driven by a 14bp QoQ improvement in margin to 3.62%.
- Opex was up 13% YoY as the bank continued to invest in the business and ramped up the employee count. PPoP declined 4.2% YoY (in line).
- Advances grew 19% YoY/5.1% QoQ, supported by healthy growth in mortgages, agri, and gold loans. Deposits grew 19.7% YoY (+4.7% QoQ), led by growth in both CASA and term deposits. CASA ratio stood at ~26%.
- Slippages moderated to INR3.22b (vs. INR4.26b in 3QFY24). GNPA ratio thus improved 20bp QoQ, while NNPA ratio improved 11bp QoQ to 1.11%. PCR nevertheless improved 130bp QoQ to 66.4%. The restructured book stood at INR10.7b (2.6% of loans).

Highlights from the management commentary

- Management guided for an RoA of 1% or above and an RoE closer to 14% in the near term.
- The bank guided for a C/I ratio of 55% or below in the near term, and cost-to-average assets of 2.4-2.5%.
- NIM expanded 14bp QoQ to 3.6%. Mix change in both deposits and advances is likely to aid NIM going forward.
- Mortgages (Home Loan + LAP), MSME/SME, Gold Loans, Co-lending, AIB, and Construction Finance are expected to lead the growth trajectory.

Valuation and view: Maintain Neutral with a TP of INR155

DCBB reported a steady quarter, with earnings exceeding our estimates due to lower provisions. Margin improved 14bp QoQ to 3.62%, and management guided NIM to sustain at 3.65-3.75% in the medium term, benefitting from mix change in both deposits and advances. Loan growth was steady due to a healthy growth in mortgages, agri and gold loans, while deposits grew strongly, led by both CASA and term deposits. Fresh slippages moderated, while the restructured book stood under control at 2.6% of loans. We raise our earnings estimates by 3.9%/3.5% for FY25/FY26. We estimate FY26E RoA/RoE at 0.95%/13.5%. **Reiterate Neutral with a TP of INR155 (based on 0.8x FY26E ABV).**

Quarterly performance (INR m)

	FY23				FY24E				FY23	FY24	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est
Net Interest Income	**3,740**	**4,111**	**4,460**	**4,860**	**4,707**	**4,757**	**4,740**	**5,075**	**17,170**	**19,279**	**4,885**	**3.9**
% Change (Y-o-Y)	21.1	27.2	29.3	27.7	25.9	15.7	6.3	4.4	26.5	12.3	0.5	
Other Income	924	992	954	1,223	1,069	1,074	1,237	1,362	4,094	4,742	1,369	-0.5
Total Income	**4,664**	**5,103**	**5,414**	**6,083**	**5,777**	**5,831**	**5,977**	**6,437**	**21,264**	**24,021**	**6,254**	**2.9**
Operating Expenses	3,002	3,278	3,473	3,643	3,690	3,725	3,862	4,100	13,397	15,377	3,965	3.4
Operating Profit	**1,661**	**1,826**	**1,941**	**2,439**	**2,087**	**2,105**	**2,115**	**2,337**	**7,867**	**8,644**	**2,289**	**2.1**
% Change (Y-o-Y)	-17.8	4.2	-2.4	10.5	25.6	15.3	9.0	-4.2	-1.3	9.9	-6.1	
Provisions	350	310	407	525	377	397	410	241	1,787	1,425	513	-53.1
Profit before Tax	**1,311**	**1,516**	**1,534**	**1,915**	**1,709**	**1,708**	**1,705**	**2,097**	**6,080**	**7,220**	**1,776**	**18.0**
Tax	340	392	396	493	440	441	439	540	1,424	1,860	460	17.4
Net Profit	**971**	**1,124**	**1,139**	**1,422**	**1,269**	**1,268**	**1,266**	**1,557**	**4,656**	**5,360**	**1,316**	**18.3**
% Change (Y-o-Y)	187.8	73.0	51.1	25.4	30.7	12.9	11.2	9.5	61.9	15.1	-7.5	
Operating Parameters												
Deposit (INR b)	350.8	369.6	395.1	412.4	430.1	455.0	471.2	493.5	412.4	493.5	491.2	0.5
Loan (INR b)	298.1	312.9	329.7	343.8	354.7	372.8	389.5	409.2	343.8	409.2	407.1	0.5
Deposit Growth (%)	14.6	16.3	22.6	18.9	22.6	23.1	19.3	19.7	18.9	19.7	19.1	0.6
Loan Growth (%)	17.9	17.9	20.6	18.2	19.0	19.1	18.2	19.0	18.2	19.0	18.4	0.6
Asset Quality												
Gross NPA (%)	4.2	3.9	3.6	3.2	3.3	3.4	3.4	3.2	3.2	3.2	3.4	-0.1
Net NPA (%)	1.8	1.5	1.4	1.0	1.2	1.3	1.2	1.1	1.0	1.1	1.2	-0.1
PCR (%)	57.8	61.3	63.0	68.2	64.1	62.8	65.1	66.4	68.2	66.3	65.3	1.1

E: MOFSL Estimates

Macrotech Developers

BSE SENSEX	S&P CNX
73,853	22,402

Conference Call Details

Date: 25 April 2024
Time: 13:00 IST
Dial-in details:
+91-22 6280 1342

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	103.2	140.6	182.3
EBITDA	26.8	37.3	51.9
EBITDA Margin (%)	25.9	26.5	28.5
PAT	16.3	25.9	37.9
EPS (INR)	16.9	26.9	39.4
EPS Gr. (%)	6.0	58.7	46.6
BV/Sh. (INR)	183.5	207.3	241.7
Ratios			
RoE (%)	10.7	13.7	17.5
RoCE (%)	8.6	11.1	15.1
Payout (%)	18.6	18.6	17.8
Valuations			
P/E (x)	73.9	46.6	31.8
P/BV (x)	6.8	6.0	5.2
EV/EBITDA (x)	46.9	32.0	22.6
Div yld (%)	0.2	0.4	0.6

CMP: INR1,250 Buy

Achieves guidance on pre-sales and debt

…targeting 20% bookings growth in FY25

Operational performance

- The company achieved bookings of INR42.3b (in line with estimates), up 40%/24% YoY/QoQ. Further, the company achieved its pre-sales guidance, recording pre-sales of INR145b for FY24, up 20% YoY.
- Sales volumes for 4Q increased 32% YoY to 3.3msf and blended realization rose 6% during the same period. In FY24, the company achieved volume of 11msf, up 19% YoY, and raised prices by 5% at the portfolio level.
- In 4Q, the company launched 5msf of projects, including its second project in Bengaluru. On the back of strong response to both its projects in Bengaluru, LODHA generated INR12b in sales in its first year of operation (8% of overall sales).

Cash flow performance

- Collections increased 20%/36% YoY/QoQ to INR35b. OCF increased 32%/100% YoY/QoQ to INR21b. In FY24, the company registered OCF of INR57b, flat YoY.
- Net debt further reduced by INR41b (INR11b from operations and INR30b from capital raise) to INR30b, which is <0.2x of equity.
- LODHA expended INR14b on land acquisitions and JV-related investments. In FY24, the company achieved business development of INR203b – higher than its guidance of INR175b – with an investment of INR41b.

Financial performance

- LODHA reported the highest ever quarterly revenue of INR40b, up 23% YoY (8% above estimate). For FY24, revenue stands at INR103b, up 9% YoY.
- EBITDA (excl. other income) increased 36% YoY to INR10.5b, 13% above our estimate. Reported EBITDA margin improved 250bp YoY to 26.1%. The management reported that the embedded EBITDA margin for pre-sales in 4Q stood at ~31%. Adjusted EBITDA (excluding interest charge-off and capitalized interest) stood at INR13.4b, at a margin of 33%.
- PAT came in at INR6.6b, down 11% YoY, on account of higher depreciation and tax. Full-year PAT stood at INR16b, up 5% YoY.

Guidance

- The company intends to launch ~10msf in FY25 with GDV of INR121b (vs. INR182b launched in FY24) and is aiming to achieve pre-sales of INR175b (20% higher than in FY24).
- The company aims to generate OCF of INR65b in FY25.
- Given the recent capital raise, it also intends to sustain the BD momentum as the management is targeting new project additions worth INR210b.

Quarterly Performance

Y/E March	FY23				FY24E				FY23	FY24	FY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%/bp)
Gross Sales	**26,758**	**17,654**	**17,738**	**32,554**	**16,174**	**17,496**	**29,306**	**40,185**	**94,704**	**1,03,161**	**37,262**	**8**
YoY Change (%)	67	-17	-14	-5	-40	-1	65	23	2.6	8.9	14.5	
Total Expenditure	22,091	13,414	13,701	24,837	12,874	13,335	20,479	29,716	74,042	76,404	27,989	
EBITDA	**4,667**	**4,240**	**4,038**	**7,717**	**3,300**	**4,161**	**8,827**	**10,469**	**20,661**	**26,757**	**9,273**	**13**
Margins (%)	17.4	24.0	22.8	23.7	20.4	23.8	30.1	26.1	21.8	25.9	24.9	
Adj. EBITDA (as per co.)	**9,030**	**5,250**	**5,700**	**9,800**	**4,600**	**5,500**	**10,800**	**13,400**	**29,780**	**34,300**	**9,273**	**45**
Margins (%)	33.7	29.7	32.1	30.1	28.4	31.4	36.9	33.3	31.4	33.2	24.9	
Depreciation	196	219	217	296	240	293	333	1,173	928	2,039	212	
Interest	1,193	1,249	1,176	1,172	1,241	1,231	1,168	1,158	4,791	4,798	1,101	**5**
Other Income	0	-42	1,286	163	544	55	281	654	1,408	1,534	376	**74**
PBT before EO expense	**3,278**	**2,730**	**3,931**	**6,412**	**2,363**	**2,692**	**7,607**	**8,792**	**16,350**	**21,454**	**8,335**	**5**
Extra-Ord expense	0	-11,774	0	0	0	0	1,049	0	-11,774	-1,049	0	
PBT	**3,278**	**-9,044**	**3,931**	**6,412**	**2,363**	**2,692**	**6,558**	**8,792**	**4,576**	**20,405**	**8,335**	**5**
Tax	559	270	-119	-1,080	556	624	1,439	2,115	-370	4,734	2,368	
Rate (%)	17.0	-3.0	-3.0	-16.8	23.5	23.2	21.9	24.1	-0.1	0.2	28.4	
Minority Interest & Profit/Loss of Asso. Cos.	6	16	0	58	15	40	67	7	80	180	33	
Reported PAT	**2,713**	**-9,330**	**4,050**	**7,434**	**1,792**	**2,028**	**5,052**	**6,670**	**4,866**	**15,491**	**5,934**	**12**
Adj PAT (as per co.)	**1,200**	**3,670**	**3,000**	**7,500**	**1,700**	**2,100**	**5,700**	**6,670**	**15,370**	**16,170**	**5,934**	**12**
YoY Change (%)	-2	28	8	31	42	-43	90	-11	21.9	5.2	-20.9	
Margins (%)	4.5	20.8	16.9	23.0	10.5	12.0	19.4	16.6	16.2	15.7	15.9	67bp

Source: Company, MOFSL

Quarterly Performance

Key metrics	FY23				FY24				FY23	FY24	FY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	(%/bp)
Sale Volume (msf)	2.2	2.1	2.5	2.5	2.8	2.6	2.6	3.3	9.3	10.9	2.9	**13**
Sale Value (INRb)	28.1	31.5	30.7	30.3	33.5	35.3	34.1	42.3	120.6	144.5	41.6	**2**
Collections (INRb)	26.2	23.8	26.8	29.3	24.0	27.5	25.9	35.1	106.0	119.9	35.4	**-1**
Realization (INR/sft)	11,027	13,743	11,920	11,680	11,429	13,308	12,192	12,394	12,056	13,223	14,206	**-13**

Source: Company, MOFSL

Dalmia Bharat

BSE Sensex	S&P CNX
73,853	22,402

Conference Call Details

Date: 25 April 2024
Time: 10:30 IST
Dial-in details:
+91 22 6280 1536,
+91 22 7115 8344
Link for the call

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	146.9	158.7	176.2
EBITDA	26.4	31.1	38.1
Adj. PAT	6.8	9.7	13.1
EBITDA Margin (%)	18.0	19.6	21.6
Adj. EPS (INR)	36.4	51.8	70.0
EPS Gr. (%)	-0.3	42.2	35.2
BV/Sh. (INR)	864	903	955
Ratios			
Net D:E	0.1	0.1	0.1
RoE (%)	4.3	5.9	7.5
RoCE (%)	5.4	6.2	7.5
Payout (%)	27.4	25.1	25.7
Valuations			
P/E (x)	53.8	37.8	28.0
P/BV (x)	2.3	2.2	2.1
EV/EBITDA(x)	14.0	11.6	9.8
EV/ton (USD)	100	93	91
Div. Yield (%)	0.5	0.7	0.9
FCF Yield (%)	-0.3	-0.9	1.7

CMP: INR1,959 **Buy**

Weak performance led by lower realization

- Dalmia Bharat (DALBHARA)'s 4QFY24 EBITDA declined 7% YoY to INR6.5b (~18% below our estimates) and EBITDA/t was down 22% YoY to INR743 (est. INR965). OPM declined 2.9pp YoY to 15.2% (est. 19.2%). Adj. Profit (after MI) stood at INR2.5b (down 3% YoY), in line with our estimate, led by higher other income (up 2.9x YoY).
- DALBHARA's clinker/grinding capacity stood at 22.6mtpa/44.6mtpa as of FY24-end. The company has commenced trial run production at Ariyalur, Tamil Nadu and Kadapa, Andhra Pradesh, of 1mtpa grinding capacity (each) in Mar'24. The company's net debt (ex-IEX investments) stood at INR22.7b vs. 23.6b in Mar'23; its net-debt to EBITDA stood at 0.9x vs. 1.0x in Mar'23. It recommended a final dividend of INR5 per share (total payout ratio including interim dividend stands at ~22% in FY24).
- **We have a BUY rating on the stock**; we would review our assumptions post the conference call.

Volume grew 19% YoY; EBITDA/t came to INR743 (est. INR965)

- Consolidated revenue/EBITDA/adj. PAT stood at INR43b/INR6.5b/INR2.5b (up 10%/down 7%/3% YoY and up 3%/ down 18%/1% vs. our estimates) in 4QFY24. Sales volumes grew 19% YoY to 8.8mt (6% above our estimate). Realization at INR4,894/t (down 7.7% QoQ) was 3% lower than estimate.
- Variable cost was down 8% YoY (1% higher than our estimate). Other expense/t was down 2% YoY, while Freight cost/t increased 4%. Opex/t was down 4% YoY (flat QoQ; 2% higher than our estimate). OPM declined 2.9pp YoY to 15.2% and EBITDA/t declined 22% YoY to INR743. Other income grew 2.9x YoY and finance cost grew 47% YoY.
- In FY24, the company's revenue grew 9% YoY, driven by 12% YoY growth in volume and ~3% YoY decline in realization. EBITDA grew 14% YoY to INR26b, due to higher volumes and easing cost pressures (Opex/t declined 4% YoY). OPM increased 1pp YoY to 18% and EBITDA/t was up 2% YoY to INR917. Adjusted PAT (after MI) grew 13% YoY to INR7.7b.
- The company's CFO stood at INR26.4b vs. INR22.5 in FY23 and capex stood at INR28.3b vs. INR27.1b in FY23.

Valuation and View

- DALBHARA's volume growth was higher than our estimate; however, lower-than-estimated realization led to an EBITDA miss. The stock currently trades at 11.6x/9.8x FY25E/FY26E EV/EBITDA and at an EV/t of USD93/USD91. We have a **BUY** rating on the stock; however, we would like to review our assumptions post the con-call on 25th Apr'24 at 10:30 IST (**Link for the call**).

Quarterly Performance (Consolidated) (INR b)

Y/E March	FY23				FY24				FY24	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4QE	(%)
Net Sales	**33.0**	**29.7**	**33.6**	**39.1**	**36.3**	**31.5**	**36.0**	**43.1**	**41.7**	3
YoY Change (%)	27.4	15.1	22.7	15.7	10.0	6.0	7.4	10.1	6.5	
Total Expenditure	27.2	25.9	27.1	32.1	30.1	25.6	28.3	36.5	33.7	8
EBITDA	**5.9**	**3.8**	**6.4**	**7.1**	**6.2**	**5.9**	**7.8**	**6.5**	**8.0**	-18
Margins (%)	17.7	12.8	19.2	18.1	17.0	18.7	21.6	15.2	19.2	-403
Depreciation	3.1	3.3	3.3	3.4	4.0	4.0	3.7	3.3	3.8	-14
Interest	0.5	0.6	0.7	0.6	0.8	1.0	1.1	0.9	1.1	-14
Other Income	0.2	0.4	0.4	0.4	0.5	0.9	0.6	1.2	0.7	82
PBT before EO Expense	**2.5**	**0.3**	**2.9**	**3.5**	**1.9**	**1.7**	**3.6**	**3.5**	**3.8**	-6
Extra-Ordinary items	0.0	0.0	0.0	-3.9	0.0	0.0	0.0	0.0	0.0	
PBT after EO Expense	**2.5**	**0.3**	**2.9**	**7.3**	**1.9**	**1.7**	**3.6**	**3.5**	**3.8**	-6
Prior period tax adjustment	0.6	-0.2	0.7	1.3	0.4	0.5	1.0	0.3	1.0	
Tax	0.0	-0.3	0.0	0.0	0.0	0.0	0.1	-0.6	0.0	
Rate (%)	25.5	23.3	25.5	36.5	22.2	27.9	24.7	26.7	27.1	
Reported PAT (pre minority)	**1.9**	**0.5**	**2.1**	**6.1**	**1.4**	**1.2**	**2.7**	**3.2**	**2.7**	17
Minority + associate	-0.1	-0.1	0.1	0.2	0.1	0.1	0.0	0.1	0.2	
PAT Adj for EO items (post MI)	**2.0**	**0.3**	**2.0**	**2.6**	**1.3**	**1.2**	**2.7**	**2.5**	**2.6**	-1
YoY Change (%)	-30.4	-87.4	286.5	-1.9	-33.3	325.0	33.8	-3.1	-1.9	
Per ton analysis (blended) INR/t										
Sales Volumes (m ton)	**6.2**	**5.8**	**6.3**	**7.4**	**7.0**	**6.2**	**6.8**	**8.8**	**8.3**	6
YoY Change (%)	26.8	13.7	10.5	12.1	12.4	6.9	7.9	18.9	12.2	
Net realisation	**5,326**	**5,122**	**5,325**	**5,286**	**5,209**	**5,079**	**5,300**	**4,894**	**5,021**	-3
YoY Change (%)	0.5	1.2	11.0	3.2	-2.2	-0.8	-0.5	-7.4	-5.0	
RM Cost	677	760	587	1,014	812	860	921	1,111	885	26
Employee Expenses	319	326	306	258	319	365	325	230	276	-17
Power, Oil & Fuel	1,535	1,538	1,530	1,177	1,294	1,126	1,068	898	1,098	-18
Freight and Handling Outward	1,100	1,028	1,114	1,111	1,161	1,018	1,093	1,159	1,121	3
Other Expenses	748	817	765	772	739	761	749	753	677	11
Total Expenses	**4,381**	**4,469**	**4,303**	**4,331**	**4,324**	**4,129**	**4,154**	**4,151**	**4,057**	2
EBITDA	**945**	**653**	**1,022**	**955**	**885**	**950**	**1,146**	**743**	**965**	-23

Source: Company, MOFSL Estimates

MAS Financial Services

BSE Sensex	S&P CNX
73,853	22,402

Conference Call Details

Date: 25 April 2024

Time: 03:30 PM IST

Dial-in details:

Link for the Call

Number: +91 22 6280 1384

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Total income	6.1	7.7	9.5
PPP	4.2	5.3	6.8
PAT	2.5	3.1	4.0
EPS (INR)	15.1	18.8	24.5
EPS Gr. (%)	23.3	24.6	30.1
BVPS (INR)	105	122	145
Ratios (%)			
NIM	6.2	6.2	6.3
C/I ratio	31.0	30.5	28.5
RoA on AUM	3.0	2.9	3.1
RoE	15.6	16.5	18.3
Payout	3.4	7.8	7.0
Valuations			
P/E (x)	20	16	12
P/BV (x)	2.9	2.4	2.1
Div. yield (%)	0.2	0.5	0.6

CMP: INR298 | Buy

Earnings in line; spreads and NIM expand sequentially

Good control over borrowing costs; asset quality stable

- MASFIN's PAT grew 23% YoY to INR681m (in line) in 4QFY24. FY24 PAT at INR2.48b rose ~23% YoY. Total net income grew ~33% YoY to INR1.68b (in line), while opex rose 46% YoY to INR555m (in line). PPoP stood at INR1.13b (in line) and grew 27% YoY.
- Provisions stood at INR214m (22% below our estimate), translating into annualized credit costs of 0.9% (PQ: 1.1% and PY: 0.9%).
- GNPA and NNPA (based on AUM) were stable QoQ at 2.25% and 1.5%, respectively. PCR on Stage 3 assets declined ~250bp QoQ to ~39%. Capital adequacy stood at 24.1%, with Tier 1 at ~20.3%.

AUM rises ~25% YoY; spreads and NIM expand sequentially

- Standalone AUM stood at ~INR101.3b, up ~25% YoY. Within this, the AUM of Micro-enterprise/SME/2W rose 13%/25%/21% YoY. The contribution of direct retail distribution to the standalone AUM stood at ~67% (PY: ~62%)
- Yields (calc.) declined ~25bp to 14.3%, driving ~15bp QoQ expansion in spreads to ~5.0% (PQ: 4.8%). NIM expanded ~10bp QoQ. The impact on yields is optical due to the netting-off of the commission expenses on lending done through Fintech partners.
- CoF (calc.) declined ~40bp QoQ to 9.3%, while reported CoF dipped ~4bp QoQ.

Other highlights

- The average ticket size of Micro-enterprise loans rose to ~INR53K (PQ: ~42K).
- RoTA increased ~5bp QoQ to ~2.95% in 4QFY24.
- MASFIN's credit rating was upgraded to CARE AA- (Stable) from CARE A+ (Positive).
- The Board declared a final dividend of INR0.51/share. This was in addition to its interim dividend of INR1/share (ex-bonus).

HFC subsidiary:

- MAS Housing reported AUM of ~INR6b, which grew ~44% YoY.
- GS3 increased to ~0.9% (PQ: ~0.8%)

Valuation and view

- MASFIN has a niche expertise to serve the MSME market and continues to demonstrate healthy loan growth momentum, while its asset quality is perhaps the best among (M)SME lending peers.
- The company is well positioned to achieve its target AUM CAGR of 20-25%, supported by robust liability management, a strong capital base, and a healthy asset quality.
- Historically, MASFIN has managed its liquidity well and still continues to have an adequate liquidity buffer on its balance sheet. We will look to revise our estimates after the analyst call on 25th Apr'24.

Quarterly Performance (INR m)

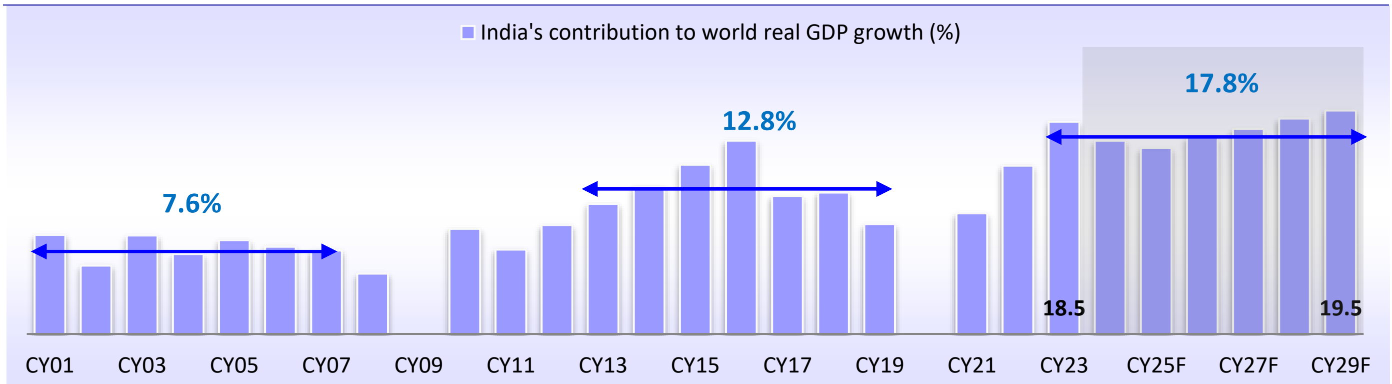
Y/E March	FY23				FY24E				FY23	FY24	4QFY24E	Act. v/s Est. (%)
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24				
Revenue from Operations	**1,983**	**2,300**	**2,515**	**2,703**	**2,801**	**2,982**	**3,206**	**3,295**	**9,491**	**12,246**	**3,567**	**-8**
Interest Income	1,677	1,941	2,183	2,325	2,362	2,490	2,651	2,757	8,066	10,223	2,974	-7
Gain on assignments	157	178	158	198	242	272	319	336	680	1,170	337	0
Other operating Income	150	182	173	180	196	219	236	202	745	853	256	-21
Interest expenses	928	1,108	1,276	1,435	1,428	1,461	1,638	1,615	4,748	6,142	1,857	-13
Total income	**1,055**	**1,192**	**1,238**	**1,268**	**1,373**	**1,520**	**1,569**	**1,680**	**4,743**	**6,104**	**1,710**	-2
Growth Y-o-Y (%)	*34*	*48*	*40*	*36*	*30*	*28*	*27*	*33*	*41*	*29*	*35*	
Operating Expenses	348	416	421	381	427	484	467	555	1,566	1,894	549	1
Operating Profits	**707**	**775**	**818**	**887**	**946**	**1,036**	**1,102**	**1,125**	**3,177**	**4,210**	**1,161**	**-3**
Growth Y-o-Y (%)	*11*	*28*	*35*	*39*	*34*	*34*	*35*	*27*	*29*	*33*	*31*	
Provisions	85	121	142	182	188	236	257	214	530	896	276	-22
Profit before tax	**623**	**654**	**676**	**704**	**758**	**800**	**845**	**911**	**2,647**	**3,314**	**886**	**3**
Growth Y-o-Y (%)	*26*	*27*	*25*	*17*	*22*	*22*	*25*	*29*	*25*	*25*	*26*	
Tax Provisions	157	164	170	149	186	200	221	230	637	837	223	4
Net Profit	**465**	**491**	**506**	**556**	**573**	**600**	**624**	**681**	**2,010**	**2,478**	**663**	**3**
Growth Y-o-Y (%)	*26*	*28*	*26*	*23*	*23*	*22*	*24*	*23*	*28*	*23*	*19*	
Key Operating Parameters (%)												
Yield on loans (Cal)	12.7	13.5	14.2	14.5	14.3	14.5	14.5	14.3				
Cost of funds (Cal)	7.7	8.1	8.7	9.7	9.6	9.2	9.7	9.3				
Spreads (Cal)	5.0	5.4	5.5	4.8	4.7	5.3	4.8	5.0				
NIM on AUM (Cal)	6.5	6.9	6.7	6.5	6.7	7.0	6.7	6.8				
Credit Cost (%)	0.5	0.7	0.8	0.9	0.9	1.1	1.1	0.9				
Cost to Income Ratio	33.0	34.9	34.0	30.1	31.1	31.9	29.7	33.0				
Tax Rate	25.3	25.0	25.2	21.1	24.5	25.0	26.1	25.3				
Balance Sheet Parameters												
Standalone AUM (INR B)	**66.8**	**71.4**	**76.1**	**80.9**	**84.2**	**90.5**	**96.7**	**101.3**				
Change YoY (%)	29.5	30.1	32.5	29.5	25.9	26.7	27.2	25.1				
Disbursements (INR B)	**21.5**	**22.6**	**22.2**	**24.9**	**22.8**	**25.0**	**27.2**	**27.9**				
Change YoY (%)	106.8	53.2	39.0	27.0	5.8	10.5	22.6	11.9				
Borrowings (INR B)	**50.5**	**58.4**	**59.3**	**59.1**	**59.9**	**67.1**	**68.0**	**70.8**				
Change YoY (%)	42.6	43.0	36.2	29.8	18.5	15.0	14.5	19.9				
Debt/Equity (x)	3.7	4.3	4.2	3.9	3.8	4.1	4.0	4.0				
Asset liability Mix												
AUM Mix (%)												
Micro Enterprises	51.8	50.3	49.7	47.9	47.8	47.1	44.9	43.3				
SME loans	36.6	37.4	37.3	36.9	36.5	35.7	35.7	36.9				
2W loans	5.8	6.6	6.6	6.9	6.8	6.9	6.9	6.6				
CV loans	5.0	3.8	3.8	4.6	5.3	6.2	6.8	7.4				
Borrowings Mix (%)												
Direct Assignment	20.0	18.0	19.0	21.0	23.0	23.3	23.9	24.0				
Cash Credit	26.0	25.0	21.0	18.0	17.0	16.0	16.0	11.9				
Term Loan	43.0	45.0	47.0	50.0	48.0	50.6	51.9	54.0				
NCD	9.0	9.0	10.0	8.0	8.0	7.1	4.6	6.8				
Sub Debt	2.0	2.0	3.0	3.0	4.0	3.0	3.5	3.3				
Asset Quality Parameters (%)												
GS 3 (INR m)	1,177	1,308	1,380	1,327	1,355	1,555	1,747	1,906				
GS 3 (%)	2.27	2.26	2.23	2.15	2.13	2.17	2.23	2.25				
NS 3 (INR m)	742	837	901	814	795	916	1,023	1,164				
NS 3 (%)	1.63	1.60	1.60	1.52	1.47	1.47	1.48	1.51				
PCR (%)	37.0	36.0	34.7	38.6	41.3	41.1	41.4	38.9				
Return Ratios (%)												
ROA	2.9	2.8	2.7	2.9	3.0	2.9	2.9	3.0				
Tier I ratio	22.5	21.2	21.2	20.8	21.1	21.2	20.6	20.3				

E: MOFSL estimates

A one-stop guide to the key macro/financial indicators

- **In 1QCY24, global financial markets witnessed a mixed landscape, with buoyant equity markets alongside rising bond yields and a strengthening US Dollar (USD). While equity markets have witnessed a decline in Apr'24, bond yields and USD continue to strengthen.**
- **World real GDP growth was stable at 2.8% in CY23, with India posting the highest growth among key economies last year. In Jan-Feb'24, global retail sales appear to have weakened, although industrial production shows some encouraging signs.**
- **At the same time, global headline inflation seems to have stabilized in the past four months (up to Feb'24), with continued deceleration in core inflation. US inflation readings, however, came in higher during the last two months (Feb-Mar'24).**
- **Although monetary stimulus is wearing off globally (reflected by the shrinking size of central banks' balance sheet), global fiscal deficit widened in 4QCY23 (led by AEs) and US fiscal deficit remained very strong in 1QCY24 (assuming nominal GDP growth of 6% YoY in 1Q).**
- **Lastly, there are indications of a slight softening in the US housing market and its labor market; however, these developments are not currently posing significant threats.**
- **As against its contribution of less than 10% in the 2000s decade and about 13% in the pre-pandemic years, India's contribution to world real GDP growth increased to its all-time high of 18.5% in CY23 (FY24) and is projected to be ~18% over the next few years.**
- **India's contribution to the world GDP growth is expected to rise to ~20% by the end of this decade, similar to that of China's (down from 30% in CY23), and higher than that of the US and European Union. It is also expected to be the third largest nation by CY27/FY28.**
- **A comparison of key emerging economies suggests that the macro vulnerability is expected to fall (i.e., improve) in most of them over the next two years.**
- **Just when the markets were getting ready for rate cuts, hotter-than-expected US inflation in the past two months have poured cold water on rate-cut expectations. Market participants expect only two rate cuts now in CY24 by the US Federal Reserve, much lower than as many as seven cuts anticipated a quarter ago (and four in Oct'23).**
- **We believe that strong domestic fundamentals make it even more unlikely for the Reserve Bank of India to cut rates this year (CY24).**

India's contribution to world real GDP growth rate stood at 18.5% in 2023/FY24, the highest since 1980



Tata Consumer : Expect 30% Growth in Sampann & Soulfull in FY25; Sunil D’Souza, MD & CEO

- Growth businesses will be 30% of sales in FY25
- See strong double- digit growth in capital foods and organic India
- Starbucks growth was tepid in Q4, but march & April have seen improvement
- Expect 30% Growth in Sampann & Soulfull in FY25

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- Expect large pipeline to get converted in FY25
- Order pipeline is in excess of $1 bn

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- 2ws there is no divide between rural and urban markets
- Domestic market has stabilized and improved in last 3-4 quarters
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