

Indices	Current Value	% 1 D	% YTD
Sensex	80,082	-0.2	10.9
Nifty	24,436	-0.1	12.4
BSE Midcap	46,196	0.5	25.4
BSE Small cap	54,030	0.9	26.6

Sectors – Performance (BSE)

IT	42,200	2.0	17.2
Tech	19,487	1.3	22.3
Telecom	2,952	0.4	30.3
Power	7,872	-1.4	35.3
Capital Goods	67,909	-1.2	22.0
Healthcare	42,710	-0.8	35.4

Nifty Gainers/Losers	CMP	% Chg
BAJFINANCE	6,996	4.8
TECHM	1,736	2.3
BAJAJ-AUTO	10,587	2.1
M&M	2,794	(3.2)
SUNPHARMA	1,839	(2.6)
POWERGRID	317	(1.8)

FII Trading activities in Cash

	Date	Net	MTD
FII	23-Oct-24	-5,685	-9,663
DII	23-Oct-24	6,040	11,909

Figs. in Rs Cr.

Global Indices	Current Value	% 1 D	% YTD
Dow Jones	42,515	(1.0)	12.7
Nasdaq	18,277	(1.6)	23.8
DAX	19,378	(0.2)	15.6
Nikkei 225	38,233	0.4	14.9
FTSE 100	8,259	(0.6)	6.9
Hang Seng	20,561	(1.0)	22.5
Shanghai	3,288	(0.4)	11.0

Source: Bloomberg; As on 7:30 am IST

Forex Rate			
INR/USD	84.1	-0.0	-1.0
INR/EUR	90.9	0.3	1.1
INR/GBP	109.1	0.4	-3.1
INR/YEN (100)	55.7	0.5	5.6

Market Commentary

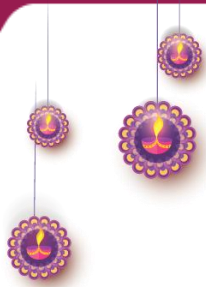
- **Asian markets** are trading mostly higher, following the US market's decline overnight, with the Dow Jones Industrial Average posting its worst day in over a month and South Korea narrowly avoiding a technical recession. The Nikkei is up by 0.17%, while the Hang Seng and Shanghai are trading lower by 1.08% and 0.66%, respectively.
- **Indian indices** are expected to open flat. GIFT Nifty was trading at 24,544 vs. yesterday's Nifty Futures close of 24,482.
- **US markets** ended lower amid rising treasury yields, which have moved sharply higher over the past few sessions. The Dow Jones fell by 409 points (0.96%) to close at 42,514, and the Nasdaq dropped by 296 points (1.6%) to close at 18,276.

What's Inside:

- **Highlights of Diwali Muhurat Picks SAMVAT 2081**
- **Q2FY25 Results Update:** Coforge (BUY), TVS Motors (BUY), Can Fin Homes (BUY), Hindustan Unilever (BUY), AU Small Finance Bank (BUY), KPIT Technologies (BUY), Karnataka Bank (BUY), Navin Fluorine International Ltd (HOLD), Birla Corporation (First Cut), VIP Industries Ltd (First Cut), MAS Financials Services Ltd (First Cut).
- **Q2FY25 Earnings Preview (Coverage):** ITC, NTPC, ACC, Colgate-Palmoliv, Nippon Life Ind., Aarti Drugs, Chalet Hotels, CIE Automotive India, Cyient, Ujjivan Small Finance Bank, Westlife Development, Apcotex Industries, DCB Bank.
- **Q2FY25 Earnings (Non-Coverage):** IndusInd Bank, JSW Energy, Adani Total Gas, Adani Wilmar, Bikaji Foods International, Castrol India, Coromandel International, CSB Bank, Cyient, DCB Bank, Dixon Technologies, GMR Airports Infrastructure, Indian Energy Exchange, Mahanagar Gas, Patanjali Foods, Petronet LNG, PNB Housing Finance, Tata Teleservices, United Breweries.

News in Focus

- **KEC International:** The company received new orders worth Rs 1,142 Cr across various businesses.
- **Emkay Global Financial Services:** The board will meet on Oct. 28 to consider raising Rs 100 Cr via NCDs.
- **Power Grid Corporation of India:** The company approved an investment worth Rs 284 Cr in the Rajasthan Transmission System Project.
- **Hindustan Unilever:** The company is to separate its ice cream business to sharpen its focus on the core business. The mode of separation is to be decided by the year-end.
- **State Bank of India:** The company signed a €150 Mn Line of Credit with the German Development Bank KfW Line of Credit with KfW to finance climate-friendly energy generation projects.
- **TVS Holdings:** The company approved increasing limits of borrowing by directors of the company for a sum of up to Rs 5,000 Cr.
- **Lemon Tree:** The company signed a license agreement for a 60-room hotel in Aurangabad, Maharashtra.
- **Escorts Kubota, Sona BLW Precision Forgings:** The company has a pact with Sona BLW to transfer the railway equipment business division for Rs 1,600 Cr.
- **GRM Overseas:** The company expanded its global presence through a pact with Solariz Invest in Chile. Solariz Invest is the exclusive distributor of its products in Chile.



*As we conclude the final chapter of Samvat 2080, we enthusiastically welcome Samvat 2081 and extend our warmest wishes for a **"Happy and Prosperous Diwali"** to all our valued readers. The Indian economy is currently in a favourable growth trajectory, well-positioned to surpass \$5 Trillion by FY27, according to IMF estimates. We hope this festival brings light to your financial prosperity and overall well-being. At this juncture, we are pleased to present our Diwali Muhurat picks for this year, with the aspiration that they will further enhance your investment portfolio.*

Samvat 2080 has proven to be a remarkable period for the Indian equity market, marked by the continuous achievement of new milestones each quarter. Notably, our benchmark index, the Nifty 50, reached the historic milestone of 26,216 on September 26, 2024, for the first time ever. This achievement has propelled the Indian market capitalization to surpass the \$5 Trillion mark, positioning it as the fourth largest market globally. This represents a significant success for the Indian equity market in recent times. Since last Diwali, the equity market has experienced a broad-based rally, with the Nifty 50 delivering returns of 25% (as of October 22, 2024). Meanwhile, the broader Midcap and Smallcap indices surged by 37% and 36%, respectively.

The beginning of Samvat 2080 was characterized by three significant events that positively influenced the equity market: 1) The results of assembly elections in three out of four key states, which raised expectations for policy continuity in 2024 and bolstered market confidence; 2) The RBI's decision to maintain the status quo during the Dec'23 Monetary Policy Committee meeting, along with a positive revision of FY24 GDP growth from 6.5% to 7%; and 3) A dovish stance taken by the US Federal Reserve during the Dec'23 FOMC. As we progressed, the outlook for Indian equities further strengthened due to several factors: 1) Continuous improvement in high-frequency indicators; 2) A superior growth outlook compared to other emerging market countries; 3) Sequential improvements in quarterly earnings; and 4) Sustained enhancements in domestic liquidity. Collectively, these developments have contributed to a positive market sentiment throughout the first half of the Samvat.

In the second half of the Samvat, investor sentiment further strengthened due to the ongoing narrative of policy continuity. However, on June 4, 2024, the market experienced incremental volatility following the Union election verdict, which fell below market expectations. In the subsequent weeks, positive sentiment returned with increased visibility regarding the formation of the NDA 3.0 government. This development bolstered confidence in sustained policy continuity, particularly concerning Capex spending, manufacturing, and infrastructure development in the country. Moreover, during the Union Budget presentation in Jul'24, the Finance Minister outlined a vision for "Viksit Bharat," focusing on comprehensive economic development. This vision emphasized infrastructure enhancement, fiscal prudence, and welfare schemes for rural India. These developments contributed to an upbeat domestic investor sentiment throughout the Samvat, clearly reflected in the continued influx of systematic investment plan (SIP) flows into mutual funds. Notably, monthly SIP flows crossed Rs 24,000 for the first time in Sep'24.



Samvat 2081 is set to be a pivotal year for the global economy. We begin this new Samvat amid a global rate cut cycle, with the US FED reducing interest rates by 50bps during its Sep'24 FOMC meeting and signalling two more rate cuts for the remainder of 2024, along with the possibility of four additional cuts in 2025. In response to this development, the RBI, in its recent MPC meeting, shifted its policy stance from “withdrawal of accommodation” to “neutral,” signalling that a rate cut could be expected within the next 6-9 months. For Samvat 2081, we anticipate one to two rate cuts from the RBI, contingent upon inflation trends and the broader growth dynamics. The RBI has retained its FY25 GDP growth forecast at 7.2%, driven by improved agricultural activities and a positive outlook for rural consumption. Additionally, rainfall during the monsoon season (Jun-Sep'24) was 4% above the long-period average (LPA), and reservoir levels across the country are higher than last year. These favourable conditions are expected to benefit the rural economy, enhancing the prospects of a strong second crop (Rabi) this year.

Key Monitorables in SAMVAT 2081: With two major domestic events—the Union Election and Union Budget—and the global "US FED rate cut cycle" now behind us, the market's focus will shift to closely tracking several key events: 1) Developments in the lead-up to the US election, 2) Economic recovery in China, 3) Activity during the festival season, 4) US bond yield movements, 5) Oil price trends, and 6) Fund flows. These factors are expected to introduce volatility to the Indian equity market, which could react in either direction depending on how these events unfold. In the near term, some capital allocation may shift towards China, given the latest developments there.

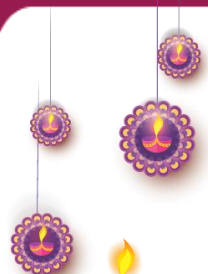
In any case, we continue to believe in the long-term growth story of the Indian equity market. However, with current valuations offering limited scope for further expansion, an increase in corporate earnings will be the primary driver of the market returns moving forward. Hence, bottom-up stock picking with a focus on ‘growth at a reasonable price’ and ‘Quality’ would be keys to generating satisfactory returns in the next one year. We also suggest a “Buy on Dips” strategy in the below stocks with an investment horizon of over 12 months.

We present the following themes for Samvat 2081:

- Companies with higher growth potential with reasonable valuations
- Leadership position in the respective business
- Companies with a proven track record of improving return ratios
- Right mix of Rate Cut Cycle, Defensive, Capex, Consumption and the Export-oriented themes

Based on these themes, our Diwali picks are: Gravita India; Arvind Smart Spaces; Inox Wind; KPIT Technologies; HG Infra; AU Small Bank; Lupin; Indian Hotels; UNO Minda





Long-Term Stock Ideas

Gravita India Ltd

CMP	Target	Upside (%)
2,174	3,000	38%

Arvind Smartspaces Ltd

CMP	Target	Upside (%)
789	1,085	37%

Inox Wind Ltd

CMP	Target	Upside (%)
206	270	31%

KPIT Technologies Ltd

CMP	Target	Upside (%)
1,690	2,150	27%

H.G.Infra Engineering Ltd

CMP	Target	Upside (%)
1,335	1,700	27%

AU Small Finance Bank Ltd

CMP	Target	Upside (%)
639	800	25%

Lupin Ltd

CMP	Target	Upside (%)
2,132	2,600	22%

The Indian Hotels Company Ltd

CMP	Target	Upside (%)
656	800	22%

UNO Minda Ltd

CMP	Target	Upside (%)
924	1,090	18%

Note: CMP as of 22nd Oct'24; We suggest a "Buy on Dips" strategy in the above stocks with an investment horizon of over 12 months.



Q2FY25 Earnings preview: Our Coverage

Year end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	Result expectations
ITC						
Revenues	17,609	16,858	4.5%	16,394	7.4%	<ul style="list-style-type: none"> → We expect 7% revenue growth as 1) We expect cigratte to grow 6% YoY (2% volume) , 2) FMCG to grow at 7% YoY, hotels 10% YoY, papers (decline) and agri to grow 15% → EBITDA Margins is expected to decline YoY on account of of subdued performance paper board business, → Key Monitorables - Demand outlook on rural vs urban, competitive intensity; RM trends, Hotels and Agri business outlook
EBITDA	6,262	6,295	-0.5%	6,042	3.7%	
EBITDA margin (%)	35.6	37.3	-178bps	36.9	-129bps	
PAT	4,987	4,917	1.4%	4,927	1.2%	
EPS (Rs)	4.0	3.9	1.4%	4.0	0.6%	

Year-end March (Rs Cr)	Q2FY25	Q1FY25	QoQ(%)	Q2FY24	YoY(%)	Result expectations
ACC Limited						
Volume (mntpa)	8.51	10.20	-17%	8.10	5%	<ul style="list-style-type: none"> → Volume to grow YoY driven by sale under MSA. → Revenue to be lower owing to lower realization. → Gross margin to contract owing to lower realization YoY. → Ebitda margin to contract on YoY owing to lower realization and negative operating leverage. → PAT to be lowerYoY owing to lower sales and margin. → EPS to be in line with PAT → EBITDA/tonne to be lower on YoY basis. → Blended realization to be lower YoY & QoQ. → Cost/Tonne to lower as cost pressure eases.
Revenues	4187	5155	-19%	4435	-6%	
Gross Profit	1118	1318	-15%	1306	-14%	
Gross margin (%)	26.7%	25.6%	90bps	29.4%	(180bps)	
EBITDA	416	679	-39%	549	-24%	
EBITDA margin (%)	9.9%	13.2%	(330bps)	12.4%	(490bps)	
PAT	182	361	-50%	388	-53%	
EPS (Rs)	9.7	19.2	-50%	20.6	-53%	
EBITDA/Tonne	489	666	-27%	678	-28%	
Realization/tonne	4,923	5,054	-3%	5,475	-10%	
Cost/Tonne	4,435	4,388	1%	4,797	-8%	

Year end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	Result expectations
Colgate						
Revenues	1,627	1,486	9.5%	1,462	11.2%	<ul style="list-style-type: none"> → Revenues is expected to 11% (8% volume growth) aided by 1) price increase, 2) premiumisation and distribution expansion initiatives → EBITDA Margin to expand 122bps YoY owing to benign RM, pricing. → Key Monitorables: Competitive scenario; RM trend, price hikes, A&P trajectory, Naturals portfolio performance; New product launches
EBITDA	556	508	9.4%	482	15.4%	
EBITDA margin (%)	34.2	34.2	-3bps	33.0	122bps	
PAT	395	364	8.7%	340	16.3%	
EPS (Rs)	14.5	13.4	8.7%	12.5	16.3%	

Year - end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	Result expectations
Nippon Life						
Net revenue	555	505	9.9%	397	39.6%	→ AUM growth momentum is expected to remain buoyant at ~13% QoQ
Operating Profit	484	447	8.2%	319	51.6%	→ Market share improvement expected to continue QoQ
PAT	69.8%	70.3%	-52 bps	67.2%	266 bps	→ Yields are expected to be marginally lower QoQ, Revenue growth to remain healthy
EPS						→ Opex ratio likely to remain broadly steady QoQ, higher tax rate to weigh on earnings
	320	332	-3.9%	244	30.7%	→ Key monitorables: (1) Outlook on AUM growth and improvement in share of Equity AUMs and (2) Sector outlook

Year-end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	Result expectations
Aarti Drugs						
Revenues	584	555	5.2%	642	-9.0%	→ API prices have stabilized at the bottom and are expected to rebound.
Gross Profit	204	196	4.5%	213	-3.8%	
Gross margin (%)	35.0	35.2		33.1		→ Price erosion is reflecting a decline on a YoY basis.
EBITDA	76	65	17.6%	68	11.9%	
EBITDA margin (%)	13.1	11.7		10.7		
PAT	35	33	6.5%	40	-10.4%	
EPS (Rs)	3.8	3.6	6.5%	4.3	-10.4%	

Year-end March (Rs Cr)	Q2FY25	Q1FY25	QoQ(%)	Q2FY24	YoY(%)	Result expectations
Chalet Hotels						
Revenues	367	361	1.7%	315	16.7%	→ Improved occupancies & ARR grew by 5-6% leading to revenue growth
Gross Profit	339	334	1.4%	291	16.6%	
Gross margin (%)	92%	93%		92%		→ Operating leverage could lead to improved EBITDA Margins
EBITDA	149	140	6.0%	126	18.0%	
EBITDA margin (%)	40.5	38.8		40.0		
PAT	65	61	7.6%	36	79.1%	
EPS (Rs)	2.4	2.5	-5.1%	1.5	60.0%	

Year-end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ(%)	Q2FY24	YoY(%)	Result expectations
CIE Automotive Ltd						→ Revenue is expected to decline slightly by 1% YoY in Q3CY24, led by continued weakness in EU business (Metalcastello) being partly offset by uptick in Indian 2W/PV industry (Bajaj/M&M).
Revenues	2,256	2,293	-1.6%	2,279	-1.0%	
EBITDA	345	360	-4.1%	345	-0.1%	
EBITDA margin (%)	15.3	15.7		15.2		
PAT	200	216	-7.6%	187	7.1%	→ Consolidated EBITDA margins is expected to slightly improve by 10 bps YoY due to cost optimization efforts being partly offset due to negative operating leverage in EU business.
EPS (Rs)	5.3	5.7	-7.6%	4.9	7.2%	

Year-end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	Result expectations
Ujjivan Small Fin. Bank						→ Credit growth momentum moderates led by a slowdown in MFI, the share of secured products improve
NII	942	942	0.0%	823	14.4%	
Other Income	197	197	0.2%	189	4.7%	→ NIMs expected to taper QoQ, NII growth likely to be muted
PPOP	485	510	-4.8%	483	0.4%	→ Elevated Opex ratios and credit costs to account for MFI stress to result in earnings moderation
Provision	128	110	16.8%	47	173.3%	→ Slippages likely to be higher QoQ, Asset quality to inch-up
Net Profit	269	302	-10.7%	328	-17.9%	→ Key Monitorable: (1) Growth outlook post management change and (2) Asset Quality Outlook
EPS	1.4	1.6	-10.7%	1.7	-16.9%	

Year end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	Result expectations
Westlife Development						→ We expect flat revenue growth on back of store expansion, however expect 5% SSSG decline on account of weak consumer demand.
Revenues	619	616	0.4%	615	0.6%	
EBITDA	81	79	2.9%	98	-17.6%	
EBITDA margin (%)	13.1	12.8	32bps	16.0	-290bps	→ EBITDA margins to contract on back of subdued SSSG , upfront cost associated to store opening and higher royalty payment
PAT	2	3	-26.9%	22	-89.4%	
EPS (Rs)	0.2	0.2	-26.9%	1.4	-89.4%	

Year-end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	Result Expectations
Apcotex Industries Ltd.						
Revenues	348	337	3.5%	279	24.8%	→ We expect the topline to grow due to an increase in volume from expanded capacities.
EBITDA	33	32	4.2%	32	4.6%	→ EBITDA is also anticipated to increase marginally. However, EBITDA margins are expected to remain subdued on a YoY basis due to market oversupply, particularly in the nitrile latex/glove segment.
EBITDA margin (%)	9.5%	9.4%		11.3%		→ PAT is projected to be in line with the overall performance.
PAT	16	15	11.2%	15	7.5%	→ Key Monitorable: Update on the ramp-up of a new project; demand trends across key end-user industries
EPS (Rs)	3.2	2.9	11.2%	3.0	7.5%	

Year-end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	Result expectations
DCB Bank Ltd.						
NII	520	497	4.6%	476	9.2%	→ Expect business growth to remain healthy
Other Income	142	143	-0.8%	107	32.1%	→ NIMs likely to remain flattish QoQ, with the possibility of slight improvement
PPOP	221	205	7.5%	211	4.9%	→ Opex growth gradually coming off; however, Opex ratios to remain elevated on muted non-interest income growth
Provision	33	28	15.5%	40	-17.4%	→ Credit costs to remain stable QoQ, Asset quality expected to remain stable
Net Profit	140	131	6.3%	127	10.1%	→ Key Monitorables: (1) Cost Ratio and RoA/RoE Outlook (2) Growth Strategy with new management in place
EPS	4.5	4.2	6.3%	4.1	9.6%	

Note: Showcasing the Earnings preview (expectations) for the companies under our coverage whose results are expected by today or by tomorrow (If weekend or Holiday)

Hindustan Unilever Limited Q2FY25 Result Update; BUY; TP: Rs 2,920/share

Missed on all front; Maintain BUY

Est. Vs. Actual for Q2FY25: Revenue – **MISS** ; EBITDA – **MISS** ; PAT – **MISS**

Changes in Estimates post Q2FY25

FY26E/FY27E: Revenue: -2%/-3%; EBITDA: -2%/-5%; PAT: -2%/-5%

Recommendation Rationale

- **Anticipating a steady revival:** Adj. revenue (one off credit in base quarter) grew 3% YoY, with volume growth of 3% with flat pricing growth. Rural saw steady recovery while urban growth saw deceleration. Moreover, key RM - palm oil and tea saw inflation of 10% and 25% which resulted into decline in GM, however, management reiterate if the commodity prices hold steady, a modest single digit price increase could be implemented in H2FY25. Furthermore, the management reiterated that they will continue to set up investments in A&P while maintaining EBITDA margins at the current levels.
- **Market share gains continues through premiumisation:** Although, the company's overall Q2FY25 results missed our estimates on all front; it remained committed to premiumization through new innovations, thereby gaining market share. Home care saw an impressive 8% YoY growth driven by a robust liquid portfolio with strong double-digit gains. Meanwhile, Beauty & Wellbeing segment grew by 7% YoY, led by strong volumes across the key products. However, Personal Care declined by 5% yoy primarily due to price reductions and F&R de-grew 2% amid ongoing downtrading in tea and muted consumption in nutrition drinks.

Sector Outlook: Positive

Company Outlook & Guidance: We maintain a **BUY** rating on the stock as we continue to remain positive on the company's long-term prospects.

Current Valuation: 55xDec'26 EPS (Earlier Valuation: 56xSep'26 EPS).

Current TP: Rs 2,920/share (Earlier TP: Rs 3,030/share).

Recommendation: With an 10% upside from the CMP, we maintain our long-term BUY rating on the stock.

Karnataka Bank Limited – Result Update; BUY; TP Rs 275

Muted Quarter, Gearing for Growth!

Est. Vs. Actual for Q2FY25: NII – MISS; PPOP – MISS ; PAT – MISS

Changes in Estimates post Q2FY25

FY25E/FY26E/FY27E (in %): NII -6.0/-4.8/-1.1; PPOP -19.8/-17.3/-11.4; PAT -6.3/-6.8/-1.3

Recommendation Rationale

- **Firing up the Growth Engine:** KTKBANK's growth in Q2FY25 was muted owing to the bank's conscious decision of foregoing opportunities in the lower-yielding PSU/bulk advances. The bank has now beefed up its senior management team to ensure healthy growth in focus areas such as **retail (housing/mortgage, vehicle, gold and education loans) and direct-to-corporate advances**. The bank has also strengthened its team by bringing in a new Head – Retail Assets and also on Retail Collections. With the senior management team and processes in place, the bank will look to accelerate the pace of credit growth in H2. However, given its transitory phase, the management has lowered its credit growth guidance for FY25E to 15% and expects to accelerate to 18% from FY26E onwards. KTKBANK remains well placed on LDR (currently at 75%) with scope to improve it further to 80%.
- **NIM improvement levers present:** Despite the slight miss on NIMs vs guided range of 3.4-3.6%, the management remains confident of improving margins in the coming quarters as growth accelerates in the retail and mid-market corporate segment lending support to yields. Additionally, improving LDR and utilization of excess liquidity by deploying it to pursue retail growth should support NIMs. The management has guided for a gradual replacement of the lower-yielding loans over the next 3-4 quarters. Assuming a quarterly run-rate of loan book improvement to the tune of Rs 4-5K Cr, the management expects yields to improve by 70-90bps, positively impacting NIMs. We expect NIMs to remain range-bound between 3.3-3.5% over FY25-27E.

Sector Outlook: Positive

Company Outlook: Post a pause on growth, KTKBANK is gearing to improve its growth momentum supported by processes and management team in place and support from comfort on LDR. We believe KTKBANK trades at attractive valuations for the healthy mid-teen growth delivery, improving asset quality, strengthening fee income profile and gradually declining cost ratios. The bank remains well positioned to deliver a steady RoA/RoE of 1.2-1.3%/13-15% over FY25-27E.

Current Valuation: 0.8x Sep'26E ABV; Earlier Valuation: 0.85x FY26E ABV

Current TP: Rs 275/share; Earlier TP: Rs 275/share

Recommendation: We maintain our **BUY** recommendation on the stock on inexpensive valuations

Alternative BUY Ideas from our Sector Coverage

City Union Bank (TP – Rs 185)

Can Fin Homes Limited – Result Update; BUY; TP Rs 1,000

Growth Visibility Improving, Maintain BUY!

Est. Vs. Actual for Q2FY25: NII – **BEAT**; PPOP – **INLINE**; PAT – **BEAT**

Changes in Estimates post Q2FY25

FY25E/FY26E/FY27E: NII 4.8%/4.5%/4.7%; PPOP 5.8%/4.6%/3.9%; PAT 6.3%/6.6%/6.1%

Recommendation Rationale

- **Growth momentum to improve:** CANF has seen a strong pick-up in the pace of sanctions and disbursements and expects the momentum to continue. Thus, the management has guided for healthy disbursements of ~Rs 10,000 Cr in FY25 translating into an improved AUM growth of ~13-14% in FY25 with further acceleration to 15-17% from FY26E onwards. Hereon, growth will be led by (a) branch additions of ~15-20 branches per annum, (b) augmenting geographical footprint into North and West India and (c) increase in ticket size with focus on Rs 20+ Lk segment. We expect CANF to deliver a healthy 16% CAGR AUM growth over FY24-27E.
- **NIMs to sustain over 3.5%:** CANF's management sees enough opportunities to support healthy yields by improving share of SENP customers and from increased mix of LAP loans in the portfolio. The management would look to improve the share of SENP customers to ~35% (AUM mix) vs ~29% currently and scale up the LAP book to ~7% from 5% currently over the next 2-3 years. Currently, the share of SENP customers in incremental disbursement stands at 35-38% vs 28% earlier. Moreover, the management expects benefit to accrue from liability re-pricing as ~25% of the borrowings which are repo-linked will see an immediate re-pricing in an event of a rate cut. Additionally, the company transitioned from a yearly to a quarterly reset on MCLR rate, which should further support spreads/NIMs. Thus, the management remains confident of maintaining Spread/NIMs at 2.5+/3.5+% on a normalised basis.
- **Asset Quality to remain stable:** CANF has seen an improvement across buckets in the restructured pool. The company saw a slight inch-up in the SMA0 pool owing to a regulatory change. The management remains confident of improvement in the SMA0 and SMA1 pool with intensified collection efforts. CANF is likely to maintain its credit costs between 10-15bps over the medium term

Sector Outlook: **Positive**

Company Guidance: Driven by an (a) improved growth outlook, (b) multiple levers to support margins, CANF remains well placed to deliver a sustainable NIM of over 3.5%, (c) range-bound cost ratios and (d) stable credit costs, we expect CANF to deliver a sustainable RoA/RoE of 2+%/17-18% over FY25-27E.

Current Valuation: 2.0x Sep'26E BV; **Earlier Valuation:** 2.1x FY26E BV

Current TP: Rs 1,000/share; **Earlier TP:** Rs 950/share

Recommendation: We maintain our BUY recommendation on the stock

MAS Financial Services Ltd – First Cut**(Current Reco – BUY; Current TP – Rs 360)****Estimates vs Actual in Q2FY25:****NII – BEAT; PPOP – BEAT; PAT – BEAT**

MAS' disbursements growth was strong at 20/11% YoY/QoQ. The share of sourcing from NBFC partners further reduced QoQ to 33.91% vs 34.2%. AUM grew by 22/6% YoY/QoQ (largely in-line with our expectations). The MSME segment grew by 16/5% YoY with Micro enterprise loans up 11/5% YoY/QoQ and SME up 23/5% YoY/QoQ. In the wheels portfolio, CVs were up 62/10% YoY/QoQ and 2-Wheelers grew by 14/6% YoY/QoQ. The salaried personal loans segment grew by 84/16% YoY/QoQ.

NII grew by 29/7% YoY/QoQ aided by healthy AUM growth and margin (calc.) improvement of ~17 bps QoQ. NIMs on on-book AUM (calc.) stood at 6.9% vs 6.7%. Non-interest income grew by 20/15% YoY/QoQ. Opex continued to reflect investment trends as the company shifts towards direct distribution model and grew by 30/11% YoY. C-I Ratio stood at 33% vs 32.4% QoQ. PPOP grew by 24/9% YoY/QoQ. Credit costs came in-line with expectations and stood at 137bps vs 130bps QoQ. Earnings growth was healthy at 28/10% YoY/QoQ.

Asset Quality inched up marginally with GNPA/NNPA at 2.36/1.57% vs 2.29/1.52% QoQ.

Concall scheduled at 4pm on 24th Oct**Key Monitorables:** Growth Guidance and Comments of direct distribution scale-up

Navin Fluorine International Ltd - Q2FY25 Result Update; HOLD; TP: Rs 3,570/share

HPP & CDMO Offset Specialty Chemicals Headwinds; Upgrade to HOLD

Est. Vs. Actual for Q2FY25: Revenue – MISS ; EBITDA– MISS; PAT – MISS

Change in Estimates post Q2FY25

FY25E/26E: Revenue: -1%/-7%; EBITDA: -7%/-9%; PAT: -6%/-10%

Recommendation Rationale

- **Strong Momentum in HPP and CDMO:** The company's HPP segment posted a 23% YoY growth during the quarter, with HFO and R32 operations running at an optimum level. This growth was driven by higher R32 sales and improved R22 realizations. The company is on track to commission AHF and additional R32 capacities and sees good momentum in the offtake of R32 capacities. There is also notable traction in the CDMO segment, which grew by 41% YoY during the quarter. Management stated that based on the order book and customer interactions, it anticipates a flattish Q3 YoY and strong revenue visibility in Q4, followed by an even stronger start to FY26.
- **Improved Visibility for Specialty Chemicals:** The specialty chemical business continued to be affected by the weak global macroeconomic environment, leading to subdued demand and ongoing competitive pressure, resulting in a decline of 15% YoY. Management reiterated its confidence in improved order visibility for H2, based on the firm orders received by the company for its three products, which are among the high-volume, high-value products entering the supply chain. The company is optimistic about normalization of demand from H2FY25 onwards and believes that long-term prospects remain robust due to the ramp-up in molecule launches and new project commissioning.

Sector Outlook: Neutral

Company Outlook & Guidance: The company continues to add capacities and views the CDMO segment as a key growth driver, aiming to build long-term partnerships to ensure revenue visibility. NFIL expects a stronger performance in H2FY25, supported by continued momentum in the HPP segment and a recovery in the specialty chemicals business. With ongoing expansion, launches of new molecules, and anticipated tie-ups in the CDMO space, the company is poised to deliver a strong performance in FY26 and FY27.

Current Valuation: 27x FY27E (Earlier Valuation: 27x FY26E).

Current TP: Rs 3,570/share (Earlier TP: 3,135/share).

Recommendation: We upgrade the stock to HOLD from SELL rating as we roll over the estimates to FY27 which factors in the expected growth from ongoing expansion initiatives.

KPIT Technologies Q2 FY25 Result Update; BUY; TP: 2,150/share

Robust Execution; Resilient Outlook to Support Growth

Est. Vs. Actual for Q2FY25: Revenue – **BEAT** ; EBITDA Margin – **BEAT**; PAT – **BEAT**; Deal Wins – **BEAT**

Changes in Estimates post Q2FY25

FY25E/FY26E: Revenue 1%/1%; EBITDA Margins 1%/1%; PAT 1%/1%

Recommendation Rationale

- The management has highlighted **robust and broad-based growth across various verticals**, supported by a solid deal pipeline and enhanced client engagement.
- **Total Contract Value (TCV) remained strong in Q2FY25**, with deal wins amounting to \$207 Mn.
- The management is **optimistic about gaining medium-term demand momentum** due to deals secured in previous quarters and anticipates improvements in margins.

Sector Outlook: Cautiously positive

Company Outlook & Guidance: Strong revenue growth momentum will continue backed by robust deal wins and strong addition of capabilities. FY25 revenue growth guidance retained at 18% to 22%. EBITDA Outlook retained at 20.5%+.

Current Valuation: 58x FY26E P/E; Earlier Valuation: 58x FY26E

Current TP: 2,150/share (Earlier TP: Rs 2,150/share)

Recommendation: Given the company's strong growth potential backed by robust deal wins and superior execution capabilities, **we recommend a BUY rating on the stock.**

TVS Motors Q2 FY25 Result Update; BUY; TP: Rs 2,890/share

EBITDA/ PAT miss Estimates; Rural and Exports Recovery Monitorable

Est. Vs. Actual for Q2FY25: Revenue – MISS; EBITDA – MISS; Adj.PAT – MISS

Change in Estimates post Q2FY25:

FY25E/FY26E: Revenue: -2.0%/-4.5%; EBITDA: -2.1%/1.9%; PAT: -5%/-11.4%

Recommendation Rationale

- **Robust Demand Momentum:** In Q2FY25, TVS Motor Co Ltd (TVS) saw two-wheeler (2W) domestic volumes grow by 15% YoY, outperforming the industry's 10% YoY growth. The 2W export volume also increased by 16% YoY. We anticipate TVS's total volumes to rise by 13% YoY in FY25E, driven by factors such as a favourable festive season, a recovery in rural demand (boosted by high water reservoir levels), and an expanded international presence in regions like the Middle East, LATAM, and ASEAN. The African taxi market (particularly Nigeria), is expected to gradually rebound from the macroeconomic currency shocks experienced in earlier years.
- **EV Strategy:** In Q2FY25, sales of the TVS iQUBE electric two-wheeler (e2W) grew by 31% YoY, increasing from 57.5k units to 75k units. Management highlighted that the TVS iQUBE is now available at over 750 dealerships across India as of Sep'24, with exports having begun to Asian markets. TVS is also preparing to launch one new electric two-wheeler and one electric three-wheeler, catering to a variety of customer preferences. Although all models qualify for the PLI scheme, the company has yet to recognize PLI benefits in its income statement. We expect these benefits to have a cumulative positive impact on the financials by year-end.
- **EBITDA growth outlook:** This improvement was driven by commodity softening, operational leverage and cost reduction initiatives throughout the year; though partially offset by a slight decline in realization due to heightened competitive pressure. We estimate EBITDA to grow at a CAGR of 18.5% over FY24E-27E.

Sector Outlook: Positive.

Company Outlook & Guidance: The company expects to grow faster than the industry, driven by premium two-wheeler models (Raider, Apache, Ronin, and Jupiter125) and new product launches in both the EV and ICE portfolios over the next two years. We anticipate total sales volume to grow at an 11% CAGR over FY24E-27E.

Current Valuation: 31x P/E on core Mar' 27 EPS (earlier 33xPE on core Sep' 26 EPS) and other investments at 1x P/BV and TVS Credit Services at 1.5X P/BV.

Current TP: Rs 2,890/share (earlier Rs 2,890/share)

Recommendation: We maintain our **BUY** rating on the stock.

TVS MOTOR CO LTD - Q2FY25 First Cut

Est. Vs. Actual for Q2FY25: Revenue – Miss; EBITDA – Miss; Adj.PAT – Miss

Financial Performance: TVS Motors Q2FY25 results missed our Revenue, EBITDA and PAT estimates by 3%/5.5%/6% respectively. Revenue grew by ~13%/10% YoY/QoQ, mainly led by ~13% YoY growth in volumes. EBITDA demonstrated a growth of ~20%/12.5% YoY/QoQ, primarily attributable to gross margin expansion (resulting from gross margin expansion), sustained cost reduction efforts throughout the year being partly offset by higher personnel costs. PAT grew by ~23.5%/14.8% YoY/QoQ on account of fair valuation gain (Rs 23.5 Cr) included in the other income. (The PLI benefit has not yet been accrued by the company in H1FY25).

VIP Industries Q2FY25 First Cut –

REVENUE- **MISS**; EBITDA- **MISS**; PAT - **MISS**,

Vip Industries has posted a subdued performance in Q2FY25. Its consolidated Revenue stood at Rs 544Cr, down by 0.3% YoY. The company's gross margins declined by 1043bps YoY to 45.1% and EBITDA margins fell 1008bps at -0.4% on the account of higher opex. The company incurred a net loss of Rs 33Cr.

We currently have a HOLD rating with a TP of Rs 490. We will revisit our est. post concall scheduled at 12 pm on 24th Oct,24.

	2QFY24	1QFY25	Axis Est.	2QFY25	% Change (Y-o-Y)	% Change (Q-o-Q)	Var (%) Axis Sec Est.
Net Sales	546	639	-	544	(0.3)	(14.8)	#DIV/0!
Gross Profit	303	283	(313)	245	(19.1)	(13.4)	(178.3)
Gross Margin (%)	55.5	44.3	#DIV/0!	45.1	-1043 bps	76 bps	#DIV/0!
EBITDA	53	49	(613)	(2)	(104.1)	(104.4)	(99.6)
EBITDA Margin (%)	9.7	7.7	#DIV/0!	(0.4)	-1008 bps	-813 bps	#DIV/0!
PAT	13	4	(580)	(37)	(375.8)	(986.9)	(93.7)
EPS	0.9	0.3	(41.1)	(2.3)	(348.9)	(900.2)	(94.3)

Result Calendar - Q2FY25

Oct-2024

NSE 500 + Axis Universe

	Thursday	Friday	Saturday	Monday	Tuesday	Wednesday
	24-Oct-24	25-Oct-24	26-Oct-24	28-Oct-24	29-Oct-24	30-Oct-24
Large Cap	Adani Total Gas Godrej Consumer IndusInd Bank ITC JSW Energy NTPC	Bank of Baroda Bharat Electron B P C L Cholaman.Inv.&Fn Coal India DLF IDBI Bank	ICICI Bank	Adani Power Ambuja Cements Bharti Airtel B H E L I O C L Sun Pharma.Inds.	Adani Enterp. Adani Ports Cipla Maruti Suzuki	Dabur India Larsen & Toubro Tata Power Co.
Mid Cap	ACC Adani Wilmar Colgate-Palmoliv Coromandel Inter Dixon Technolog. GMR Infra. Nippon Life Ind. Oracle Fin.Serv. Patanjali Foods Petronet LNG United Breweries	Balkrishna Inds Bandhan Bank H P C L NLC India Phoenix Mills Poonawalla Fin	IDFC First Bank J K Cements Yes Bank	Ajanta Pharma Federal Bank Indraprastha Gas Indian Bank LIC Housing Fin. Motil.Oswal.Fin.	Apar Inds. APL Apollo Tubes Container Corpn. Gujarat Fluoroch Honeywell Auto H U D C O Marico Hitachi Energy Prestige Estates Star Health Insu Voltas	Aditya Birla Cap AIA Engineering Biocon New India Assura P & G Hygiene
Small Cap	Aarti Drugs Bikaji Foods Internationa Castrol India Chalet Hotels CIE Automotive India CSB Bank Cyient Finolex Inds. Glenmark Life Home First Finan Indian Energy Ex Laurus Labs Mahanagar Gas PNB Housing Radico Khaitan Tata Tele. Mah. Ujjivan Small Westlife Develop Apcotex Industri DCB Bank	Aegis Logistics Atul CreditAcc. Gram. ERIS Lifescience Go Fashion (I) Intellect Design JM Financial Jubilant Pharmova Mahindra Life. Mahindra Holiday Orient Electric Praj Industries Sharda Cropchem UTI AMC PSP Projects Inox Wind	Godawari Power	Cams Services Firstsour.Solu. Guj. Ambuja Exp Gillette India JBM Auto KFin Technologies Pfizer Poly Medicure Quess Corp Restaurant Brand Sh.Renuka Sugar Sapphire Foods Sumitomo Chemi. Welspun Living Heidelberg Cem. J.Kumar Infraprojects SIS Ltd	Asahi India Glas Deepak Fertiliz. Engineers India Five-Star Business Finan Laxmi Organic Vedant Fashions MTAR Technologie Symphony V-Guard Industri V-Mart Retail Genus Power Infrastructu	Carborundum Uni. DCM Shriram Grindwell Norton Sterlite Tech. TTK Prestige

Bold Companies: Axis Securities Coverage

Axis Intellect: Intraweek Stocks for the week 21 Oct 2024 to 28 Oct 2024`

Name of Stock	Sector	Mcap
GLOBAL HEALTH LIMITED	Healthcare	Small Cap
TATA CONSUMER PRODUCTS LIMITED	Staples	Large Cap
SIEMENS LTD.,	Industrials	Large Cap
ADANI ENERGY SOLUTIONS LIMITED	Utilities	Large Cap
BHARAT PETROLEUM CORPN. LTD.,	Oil & gas	Large Cap
GODREJ CONSUMER PRODUCTS LTD.	Staples	Large Cap
FIVE-STAR BUSINESS FINANCE LTD.	NBFC	Small Cap
CYIENT LIMITED	IT	Small Cap
PIRAMAL PHARMA LIMITED	Healthcare	Small Cap
METRO BRANDS LIMITED	Discretionary	Mid Cap

Investment Picks

Company	Recommendation	CMP	Target Price	% Upside
Aarti Drugs Ltd	BUY	488	555	13.7
Aarti Industries Ltd	BUY	493	815	65.3
Ahluwalia Contracts (India) Ltd	BUY	1,063	1,340	26.0
Ambuja Cements Ltd	BUY	555	750	35.0
APL Apollo Tubes Ltd	BUY	1,478	1,650	11.6
Archean Chemical Industries Ltd	BUY	620	829	33.6
Arvind Smartspace Ltd	BUY	815	1,085	33.1
AU Small Finance Bank Ltd	BUY	652	800	22.8
Aurobindo Pharma Ltd	BUY	1,435	1,730	20.6
Automotive Axles Ltd	BUY	1,789	2,210	23.5
Bank of Baroda Ltd	BUY	238	320	34.5
Bharti Airtel Ltd	BUY	1,685	1,900	12.8
Biocon Ltd	BUY	325	390	19.9
Birla Corporation Ltd	BUY	1,135	1,500	32.1
Britannia Industries Ltd	BUY	5,745	6,350	10.5
CCL Products (India) Ltd	BUY	628	760	21.0
Chalet Hotels Ltd.	BUY	838	975	16.4
Cholamandalam Investment & Finance Company Ltd	BUY	1,410	1,780	26.3
CIE Automotive India Ltd	BUY	514	650	26.5
Cipla Ltd	BUY	1,485	1,800	21.2
City Union Bank Ltd	BUY	167	185	10.8
Coal India Ltd	BUY	474	575	21.2
CreditAccess Grameen Ltd	BUY	994	1,555	56.5
Dabur India Ltd	BUY	558	710	27.1
Dalmia Bharat Ltd	BUY	1,761	2,040	15.8
DCB Bank Ltd	BUY	112	150	34.2
Ethos Ltd	BUY	2,866	3,600	25.6
Federal Bank Ltd	BUY	188	230	22.0
G R Infraprojects Ltd	BUY	1,551	1,820	17.4
Genus Power Infrastructures Ltd	BUY	399	505	26.7
Global Health Ltd	BUY	1,046	1,245	19.0
Gravita India Ltd	BUY	2,142	3,000	40.0
H. G. Infra Engineering Ltd	BUY	1,349	1,700	26.0
Happiest Minds Technologies Ltd	BUY	778	930	19.6
HCL Technologies Ltd	BUY	1,846	2,045	10.8
HDFC Bank Ltd	BUY	1,736	2,025	16.7
Hero MotoCorp Ltd	BUY	5,153	6,015	16.7
Hindustan Unilever Ltd	BUY	2,658	3,030	14.0
ICICI Bank Ltd	BUY	1,252	1,425	13.9
IDFC First Bank Ltd	BUY	67	90	35.2
IndiaMART InterMESH Ltd	BUY	2,480	3,620	46.0
Indian Hotels Company Ltd	BUY	658	800	21.6
Infosys Ltd	BUY	1,873	2,200	17.5
Inox Wind Ltd	BUY	208	270	29.7
ITC Ltd	BUY	481	550	14.5
J K Cements Ltd	BUY	4,228	4,920	16.4
J.Kumar Infraprojects Ltd	BUY	722	950	31.6
JK Lakshmi Cement Ltd	BUY	770	950	23.3
JTL Industries Ltd	BUY	197	260	31.7
Juniper Hotels Ltd.	BUY	346	475	37.1
Jyothy Labs Ltd	BUY	501	600	19.8
Karnataka Bank Ltd	BUY	214	275	28.5
Kotak Mahindra Bank Ltd	BUY	1,766	2,150	21.8

Investment Picks

Company	Recommendation	CMP	Target Price	% Upside
KPIT Technologies Ltd	BUY	1,632	2,150	31.7
Lupin Ltd	BUY	2,074	2,600	25.4
Man Infraconstruction Ltd.	BUY	179	240	33.8
MAS Financial Services Ltd	BUY	293	360	22.8
Minda Corporation Ltd	BUY	509	575	12.9
Mold-Tek Packaging Ltd	BUY	701	882	25.9
Nestle India Ltd	BUY	2,327	2,640	13.4
NLC India Ltd	BUY	243	340	39.8
NTPC Ltd	BUY	408	450	10.2
Pitti Engineering Ltd	BUY	1,282	1,572	22.7
Prestige Estates Projects Ltd	BUY	1,719	2,195	27.7
PSP Projects Ltd	BUY	594	810	36.4
Sansera Engineering Ltd	BUY	1,550	1,875	21.0
SBI Life Insurance Company Ltd	BUY	1,715	1,955	14.0
SIS Ltd	BUY	391	540	38.0
Skipper Ltd	BUY	541	600	11.0
Star Cement Ltd	BUY	201	250	24.4
State Bank of India	BUY	786	1,030	31.1
Steel Strips Wheels Ltd	BUY	203	300	47.6
TVS Motor Company Ltd	BUY	2,565	3,150	22.8
Ujjivan Small Finance Bank Ltd	BUY	38	52	36.6
UltraTech Cement Ltd	BUY	10,752	12,000	11.6
UNO Minda Industries Ltd	BUY	935	1,090	16.6
Varun Beverages Ltd	BUY	629	717	14.0
Welspun Living Ltd	BUY	159	224	40.7
Westlife Foodworld Ltd	BUY	823	915	11.2
Zomato Ltd	BUY	264	350	32.7

Trading Insights

Insight from trading volumes

Script	CMP	Total Volume (x1000)	Monthly Avg Volume(x1000)	% Change
BAJFINANCE	6,996	2,697	1,282	110.3%
M&M	2,794	7,998	4,122	94.0%
BAJAJ-AUTO	10,587	1,341	841	59.6%
TECHM	1,736	4,277	2,840	50.6%
BAJAJFINSV	1,740	2,663	1,788	49.0%
COALINDIA	474	11,015	7,434	48.2%
INDUSINDBK	1,274	4,938	3,419	44.4%

Insight from delivery

Script	CMP	Total Delivery Volume(x1000)	Monthly Avg Delivery Volume(x1000)	%Change
M&M	2,794	5,069	2,393	111.8%
TECHM	1,736	2,693	1,437	87.4%
BAJAJ-AUTO	10,587	682	367	86.0%
GRASIM	2,633	634	397	59.8%
INDUSINDBK	1,274	2,849	1,895	50.3%
BAJFINANCE	6,996	901	606	48.6%
COALINDIA	474	5,500	3,892	41.3%

*CMP-Closing Market Price

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