Daily Morning Note

28 October 2024

Indices	Current Value	% 1 D	% YTD
Sensex	79,402	-0.8	9.9
Nifty	24,181	-0.9	11.3
BSE Midcap	45,453	-1.5	23.4
BSE Small cap	52,336	-2.4	22.6
Sectors – Performance (BSE)			
FMCG	21,400	0.5	4.6
Healthcare	42,834	-0.1	35.8
IT	41,727	-0.5	15.9
Oil & Gas	27,507	-3.1	19.5
Consumer Dur	61,183	-2.7	22.4
Telecom	2,853	-2.4	25.9

Nifty Gainers/Losers	CMP	% Chg
ITC	482	2.2
AXISBANK	1,189	1.9
BRITANNIA	5,669	1.0
INDUSINDBK	1,042	(18.6)
ADANIENT	2,693	(4.8)
BPCL	306	(4.7)

FII Trading activities in Cash

	Date	Net	MTD
FII	25-Oct-24	-3,037	-8,099
DII	25-Oct-24	4,159	7,780

Figs. in Rs Cr.

Global Indices	Current Value	% 1 D	% YTD
Dow Jones	42,114	(0.6)	11.7
Nasdaq	18,519	0.6	25.4
DAX	19,464	0.1	16.1
Nikkei 225	38,534	1.7	15.8
FTSE 100	8,249	(0.3)	6.8
Hang Seng	20,527	(0.3)	22.3
Shanghai	3,292	(0.2)	11.1

Source: Bloomberg; As on 7:30 am IST

Forex Rate			
INR/USD	84.1	-0.0	-1.0
INR/EUR	91.0	-0.2	1.0
INR/GBP	109.1	-0.1	-3.1
INR/YEN (100)	55.3	0.1	6.3

Market Commentary

- **Asian Markets** are trading mixed. Nikkei is trading positive by 1.62% whereas Hang Seng and Shanghai both are trading negative by 0.30% and 0.18% respectively.
- **Indian Indices** are expected to open in green. GIFT Nifty was trading at 24221 vs. Nifty Futures' close of 24192 on Friday.
- **US markets** ended on a mixed note. Dow Jones ended lower by 259 points or 0.61% to close at 42114 whereas NASDAQ ended higher by 103 points or 0.56% to close at 18518.

What's Inside:

- **Pick of the Week:** Abbott India Ltd (BUY)
- **Q2FY25 Results Update:** CIE Automotive (BUY), Chalet Hotels Ltd (BUY), Bandhan Bank (BUY), ICICI Bank (BUY), Bank of Baroda (BUY), Credit Access Grameen Ltd (BUY), SBI Life Insurance Ltd (BUY), Inox Wind Ltd (BUY), NLC India (BUY), PSP Projects Ltd (BUY), Arvind Smartspaces Ltd (BUY), NTPC (BUY), Apcotex (HOLD), IDFC First Bank (HOLD), Cholamandalam Investment & Finance Co Ltd (First Cut), Praj Industries (First Cut)
- **Q2FY25 Earnings Preview (Coverage):** Ambuja Cement, Bharti Airtel, Federal Bank, Welspun Living, Heidelberg Cement, JKumar Infraprojects, SIS Ltd.
- **Q2FY25 Earnings (Non-Coverage):** Adani Power, Bhel, IOCL, Punjab Nationalbank, Sun Pharma Industries, Ajanta Pharma, Indraprastha Gas, Indian Bank, LIC Housing Finance, Motilal Oswal Finance, Cams Services, FirstSource Solution, Gujarat Ambuja Exp, Gillette India, JBM Auto, KFin Technologies, Kalpataru Power, LMW Ltd, Pfizer, Poly Medicure, Quess Corp, Restaurant Brand, Sh. Renuka Sugar, Sapphire Foods, Sumitomo Chemicals.

News in Focus

- **Bandhan Bank:** The board approved the appointment of Partha Pratim Sengupta as managing director and chief executive officer for three years effective 1st Nov'24.
- **Power Mech Projects:** The company incorporated a step-down unit - PMTS Tech in Dubai for software development and tech services.
- **Aurobindo Pharma:** The company completed the acquisition of GLS Pharma for Rs ~23 Cr.
- **Suven Pharmaceuticals:** NCLT approved the merger of arm Casper Pharma with the company.
- **InterGlobe Aviation:** IndiGo operator InterGlobe Aviation Ltd. swung into loss during the three months ended September. The carrier reported a loss of Rs 987 Cr during the July-September period compared with a profit of Rs 189 Cr clocked YoY.
- **Balkrishna Industries:** The company reported a 7.4% rise in its revenue for the second quarter of FY25.
- **Shriram Finance:** The company has announced a stock split of its equity shares, with a ratio of 1:5, following a board meeting held on 25th Oct'24.

AXIS SECURITIES

Pick of the Week

26th October 2024

Abbott India Ltd.

Pharma

BUY

Target Price

31,420

Duration: 6-9 Months

CMP (Rs)	Target (Rs)	Potential Upside (%)
28,560	31,420	10%

MARKET DATA

No. of Shares	2.12 Cr
Market Cap (Rs Cr)	60,600 Cr
52-week High / Low	30,521/22,000
BSE Code	500488
NSE Code	ABBOTINDIA

Why Abbott India Ltd ?

- ✓ Outpacing IPM
- ✓ Upcoming Launches Set to Display Further Success
- ✓ Constant Dividend Payout
- ✓ NO Debt in the Balance Sheet

About the Company

Abbott India, a leading pharmaceutical company and subsidiary of Abbott Laboratories, focuses on developing and distributing a diverse range of healthcare products across key therapeutic areas, including gastroenterology, women's health, cardiology, CNS, and others. Known for its commitment to innovation, the company offers popular brands such as Digene and Thyronorm. With a robust distribution network and adherence to high-quality manufacturing standards, Abbott India plays a significant role in improving healthcare outcomes across the country.

A. **Robust Growth in Key Business Areas:** According to IQVIA, Abbott India Ltd. (AIL) outpaced the IPM in Q2FY25, with IPM growth at 8% compared to AIL's 10%. Key therapies, such as Udiliv and Cremaffin Plus, experienced robust growth, with QoQ increases of 22% and 35%, respectively. Other notable therapies, including RYZODEG and Duphalac, grew by 17% and 5%, while Vertinde posted 4% growth. The Vitamins segment saw an 11.4% growth, whereas the CNS segment recorded a decline of 1.4%.

B. **Healthy Cash Flow Generation:** Abbott India Ltd. (AIL) generated a robust cash flow of Rs 1,212 Cr, elevating its cash reserves to Rs 2,100 Cr in FY24. The company's branded business is expected to enhance overall profitability. With strong Free Cash Flow to Firm (FCFF), an EBITDA margin of 65%, and high return ratios, AIL is well-positioned for sustained financial stability and growth.

C. **New Launches & Debt Free:**. Abbott India Ltd. (AIL) has signed a non-exclusive patent license agreement with Takeda Pharmaceuticals Company Limited to commercialize Vonoprazan, a novel molecule in gastrointestinal therapy. Additionally, AIL has expanded its product portfolio with the introduction of Brufen Power Gel and Arachitol Gummies 300 IU. The company remains cash-rich with no net debt, consistently generating margins around 25%, and maintaining a 72% dividend payout ratio, underscoring its strong profitability and commitment to delivering shareholder value.

D. **Outlook:** Abbott India's 'Beyond the Pill' strategy, which encompasses consumer education, diagnosis, treatment, and compliance, is anticipated to drive continued growth. The company is growing 1.2 to 1.5 times faster than the IPM due to its strong brand recognition and excellent product portfolio. **We recommend a BUY with a target price of Rs 31,420/share (46.5x P/E for FY26E), implying an upside of 10% from the CMP.**

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/BV (X)	EV/EBITDA (X)
FY24	5,849	1,453	1,201	565.3	50.5	32.5	16.4	40.3
FY25E	6,515	1,629	1,295	609.6	46.8	30.1	14.1	35.6
FY26E	7,236	1,831	1,440	677.6	42.1	28.5	12.0	31.4

Source: Axis Securities; CMP as on 25th Oct 2024

Q2FY25 Earnings preview: Our Coverage

Year-end March (Rs Cr)	Q2FY25	Q1FY25	QoQ(%)	Q2FY24	YoY(%)
Ambuja Cement Limited					
Volume (mntpa)	13.62	15.80	-14%	13.10	4%
Revenues	7009	8311	-16%	7424	-6%
Gross Profit	2221	4667	-52%	2727	-19%
Gross margin (%)	31.7%	26.8%	490bps	36.7%	(500bps)
EBITDA	937	1280	-27%	1302	-28%
EBITDA margin (%)	13.4%	15.4%	(200bps)	17.5%	(410bps)
PAT	427	646	-34%	793	-46%
EPS (Rs)	1.74	2.62	-34%	3.99	-57%
EBITDA/Tonne	688	810	-15%	994	-31%
Realization/tonne	5,145	5,260	-2%	5,667	-9%
Cost/Tonne	4,457	4,450	0%	4,673	-5%

Result expectations

- Volume to grow YoY backed by higher sales under MSA with ACC & Sanghi
- Revenue to be lower due to lower Cement prices YoY.
- Gross margin to be lower owing to lower as realization contracts.
- Ebitda margin to be lower owing to lower realization and negative operating leverage.
- PAT to be marginally lower owing to lwer sales volume and margin contraction.
- EPS to be lower owing to above attributes and increase in number of shares post conversion of warrants.
- EBITDA/tonne to be lower on YoY owing to lower realization
- Realization to be lower YoY & QoQ as Cement prices declines.
- Cost/Tonne to be lower YoY.

Year-end March (Rs Cr)	Q2FY25	Q1FY25	QoQ (%)	Q2FY24	YoY (%)
Bharti Airtel					
Revenues	41,009	38,506	6.50%	37,044	10.70%
EBIT	21,449	19,708	8.83%	19,514	9.92%
EBIT margin (%)	52%	52	17.82	52.7	-99.01%
PAT	5,138	4,718	8.90%	2,093	145.48%
EPS (Rs)	7.86	7.2	9%	2.4	227.50%

Result expectations

- QoQ improvement may be seen with increasing Indian mobile and digital revenue.
- A strong service mix and increase in ARPU may help in gaining margins
- Strong customer additions and conversion in 4G from 2G

Year-end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)
Welspun India Ltd					
Revenues	2,754	2,536	8.6%	2,509	9.7%
EBITDA	369	342	8.0%	358	3.0%
EBITDA margin (%)	13.4%	13.5%		14.3%	
PAT	211	186	13.5%	200	5.3%
EPS	2.2	1.9	13.5%	2.0	7.1%

Result Expectations

- We expect topline growth to be driven by demand from the export business and the execution of some orders that were delayed due to logistical challenges.
- EBITDA is anticipated to improve due to growth in emerging businesses and enhanced capacity utilization.
- Margins are expected to remain similar sequentially.
- PAT is projected to improve in line with the overall growth.
- We expect an EPS of Rs 2.17 per share.

Year-end March (Rs Cr)	Q2FY25E	Q1FY25	QoQ (%)	Q2FY24	YoY (%)
Federal Bank					
NII	2,362	2,292	3.1%	2,056	14.9%
Other Income	854	915	-6.6%	730	17.0%
PPOP	1,468	1,501	-2.2%	1,324	10.8%
Provision	168	144	16.6%	44	283.0%
Net Profit	967	1,010	-4.2%	954	1.4%
EPS	4.0	4.1	-4.2%	4.1	-2.6%

Result expectations

- Advances and Deposit growth remain strong
- Improvement in a mix of higher-yielding segments in the portfolio likely, Margins are expected to remain stable QoQ
- Opex ratios to moderate QoQ as wage settlement has been accounted for, PPOP growth to be strong
- Credit costs to gradually normalise, Asset Quality to remain stable
- Key monitorables: (1) Growth and NIM outlook (2) Comments on a seamless management transition

Year-end March (Rs Cr)	Q2FY25	Q1FY25	QoQ(%)	Q2FY24	YoY(%)
Heidelberg Cement India Ltd					
Volume (mntpa)	1.10	1.13	-2%	1.16	-5%
Revenues	509	532	-4%	566	-10%
Gross Profit	186	219	-15%	209	-11%
Gross margin (%)	36.5%	41.2%	(470bps)	36.8%	(30bps)
EBITDA	50	78	-37%	69	-29%
EBITDA margin (%)	9.7%	14.7%	(500bps)	12.3%	(260bps)
PAT	21	40	-48%	36	-42%
EPS (Rs)	0.9	1.8	-48%	1.6	-42%
EBITDA/Tonne	450	691	-35%	599	-25%
Realization/tonne	4,615	4,710	-2%	4,883	-5%
Cost/Tonne	4,166	4,019	4%	4,284	-3%

Result expectations

- Volume to de-grow owing to soft demand
- Revenue to de-grow owing to lower realization and volume degrowth.
- Gross margins to be lower YoY & QoQ owing to lower realization
- Ebitda margin to contractYoY owing to lower realization and negative operating leverage.
- PAT to be lower YoY & QoQ owing to flattish volume and lower realization
- EPS to be in line with PAT
- EBITDA/tonne to be lower YoY & QoQ.
- Realization to be lower YoY & QoQ as cement prices decline.
- Cost/Tonne to be lower YoY& QoQ

Year-end March (Rs Cr)	Q2FY25	Q1FY25	QoQ(%)	Q2FY24	YoY(%)
J Kumar Infraprojects Ltd					
Revenues	1204	1281	-6%	1104	9%
Gross Profit	295	295	0%	270	9%
Gross margin (%)	24.5%	23.0%	150bps	24.4%	(10bps)
EBITDA	173	184	-6%	160	9%
EBITDA margin (%)	14.4%	14.4%	0bps	14.5%	0bps
PAT	81	86	-7%	73	10%
EPS (Rs)	10.7	11.4	-7%	9.7	10%

Result Expectations

- Revenue to be higher YoY owing to higher executable order book.
-
- Gross margins to be flattish YoY
- EBITDA to be higher YoY as sales improves.
- Ebitda margin to be flattish YoY.
- PAT to be higher YoY as revenue increases.
- EPS to be in line with PAT

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)

NTPC Ltd - Q2FY25 Result Update; BUY; TP: Rs 450/share

Seasonally Weak Q2, Long-Term Drivers Intact; Retain BUY

Consensus Vs. Actual for Q2FY25: Revenue - MISS; EBITDA - MISS; PAT - BEAT

Change in Estimates post Q2FY25

FY25E/FY26E: Revenue: -1%/-1%, EBITDA: -7%/-6%, PAT: -10%/-10%

Recommendation Rationale

- **Thermal power projects target of 25 GW:** The government plans to add 80 GW of thermal capacity by 2032 to meet the growing power demand. Out of the 80 GW, NTPC will invest in 25 GW. Out of the 25 GW, 11.16 GW is currently under construction, and it will award 13.6 GW of projects by FY27. Out of 13.6 GW to be awarded, bids for 8.8 GW are out and these will be awarded by Q3FY25 and a balance of 4.8 GW will be awarded over the next two fiscal years. Out of the project pipeline, it plans to commission 2.7 GW in FY25 and 1.46 GW in FY26.
- **RE targets:** NTPC has an ambitious target of 60 GW of renewable capacity (RE) by 2032. NGEL will undertake capacity expansion of RE projects. It will add 3/5/8 GW of RE capacity over FY25/26/27, leading to a total operational RE capacity of 19.4 GW by FY27. PPAs are in place for projects commissioning up to FY26. The total visible RE pipeline stands at 25 GW, with 12 GW contracted and awarded, supported by firm PPAs. The remaining 11 GW is at various stages of PPA signing.
- **NGEL IPO:** NGEL IPO will proceed as per plan in Q3FY25. NGEL can also raise funds at a competitive finance cost like its parent (NTPC's standalone average interest rate on borrowing during H1FY25 was 6.63%) as it has a similar credit rating as of parent company. It will also have an edge to access multilateral loans from financial firms who are with an exclusive focus on green energy, renewable energy and ESG.

- **Sector Outlook: Positive**

Company Outlook & Guidance: NTPC has Rs 7 Lc Cr of Capex requirement for the 130 GW+ capacity addition by 2032. This will drive growth in regulated equity. It expects lower execution risk in setting up thermal projects due to its strong vendor network and management. The coal production target for FY25 is 40 MTPA and it is targeting to produce 67 MTPA by FY29.

Current Valuation: We roll forward our valuation to FY27 from FY26. We value NTPC using SoTP with the thermal business at 2.4x (from 2.5x) P/BV on FY27 consolidated regulated equity. RE business at 12x EV/EBITDA on FY27 EBITDA, PSP optionality at Rs 23/share, CWIP and cash at 1x P/BV of FY25.

Current TP: **Rs 450/share** (Unchanged)

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

Coal India Ltd - Q2FY25 Result Update; BUY; TP: Rs 520/share

Lower FSA Prices & E-auction Volumes Drive Miss

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

Change in Estimates post Q2FY25 Result

FY25E/FY26E: Revenue: -4%/-5%; **Adj. EBITDA:** -10%/-13%; **Attrib. PAT:** -5%/-10%

Recommendation Rationale

- **FSA price decline leads to a lower realisation:** CIL's Avg realization stood at Rs 1,622/t (down 6%/3% YoY/QoQ). It missed our and consensus by 5%/13% respectively. While e-auction prices stood at Rs 2,471/t, exceeding our assumption of Rs 2,350/t, the FSA price missed our estimate by 6% at Rs 1,463/t (down 5%/4% YoY/QoQ). This was a negative surprise leading to a miss across ASP/Revenue/EBITDA/PAT in Q2FY25.
- **E-auction volumes stood soft:** E-auction volumes in Q2FY25 stood at 15 MT (down 5%/35% YoY/QoQ) at 9% of total sales volume (against the company's target of 15%) while e-auction premium over FSA prices stood at 69% (vs. 58% in Q1FY25 and 84% in Q2FY25). The increase in premium is, however, due to the decline in the FSA prices.
- **Volume guidance:** In FY24, CIL achieved coal production of 774 MT (largely in line with its target of 770 MT). FY25 target is at 838 MT, out of which, ~661 MT will be for the regulated power sector. CIL has a coal production target of 1 BT by FY27. In H1FY25, coal offtake stood at 367 MT, which implies a steep 20% YoY increase in sales volume needed in H2FY25 to achieve the 838 MT sales volume target.

Sector Outlook: Cautiously positive

Company Outlook & Guidance: Citing slackening coal demand, CIL in Aug'24 relaxed coal supplies beyond ACQ (annual contracted quantity), relaxing the earlier norm of supply cap at 120% ACQ for the power plants. Captive coal percent of total coal production has increased to 15% in FY24 at 154 MT from 9% in FY20 (the government plans to achieve 20% captive coal out of 1.5 Bn T coal production target by 2030). We trim our EBITDA estimates post Q2 numbers on lower FSA prices, softer e-auction volumes and prices, but retain BUY as we roll forward our valuation to Sep'26 from Mar'26. Volume ramp-up in FY26/27 will be the key monitorable.

Current Valuation: 6.0 x EV/EBITDA on Adj. Sep'26E EBITDA (From Mar'26)

Current TP: **Rs 520/share** (**Earlier TP: Rs 575/share**)

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

ICICI Bank Ltd – Result Update; BUY; TP Rs 1,500

Strong Quarter; Remains a Preferred Pick!

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

Changes in Estimates post Q2FY25

FY25E/FY26E/FY27E (in %): NII -0.1/-0.9/-1.7; **PPOP** 2.9/1.0/-0.7; **PAT** 4.3/2.3/0.2

Recommendation Rationale

- **NIMs to stabilize:** In Q2FY25, margin compression of 9bps was higher than expected and the management attributed this to the higher number of days in Q2FY25, which should seasonally reverse in Q4FY25. ICICIB indicated that the retail deposit rates have largely stabilised and the management does not expect any meaningful increase hereon. However, the wholesale deposit rates continue to remain higher and are expected to stabilise as the systemic liquidity improves. Thus, the management expects NIMs to remain steady over the next few quarters until the start of the rate cut cycle. Currently, 51% of loans are repo-rate linked, 16% MCLR linked and 32% of loans are fixed rate. While the impact of a rate cut could be higher initially, in the event of a rate cut, we expect ICICIB's NIMs to remain stable at 4.2-4.3% over FY25.
- **Asset quality remains pristine:** Gauging the headwinds in the unsecured lending space, ICICIB gradually decelerated its pace of growth in the unsecured segment (~14% portfolio mix). In line with industry performance, the bank has also seen an inch-up in delinquencies in the Credit Card and Personal Loan portfolio. The bank has taken measures to improve the quality of underwriting and tightening credit filters for each category of customers sourced while adjusting the pricing. With these measures, the bank has been able to control slippages in the personal loans portfolio (slippages are flat QoQ). The management expects credit costs to be contained at 40-50bps on a normalised basis.
- **Growth momentum to sustain:** The bank has invested in building the business banking segment and continues to believe that there is a large headroom for growth in this vertical. Similarly, despite the asset quality challenges in the credit card segment, the bank will continue to pursue growth in this segment. The management indicated that the penetration of credit cards in the overall customer base is lower and the bank will continue to grow this segment. We expect ICICIB to deliver a healthy 16% CAGR broad-based credit growth over FY25-27E.

Sector Outlook: Positive

Company Outlook: We expect the bank to continue delivering a strong performance over the medium term enabling a consistent RoA/RoE delivery of 2.2%/17-18% supported by (1) strong business growth while maintaining a steady C-D Ratio, (2) focus on strengtheing fee income profile, (3) range-bound Opex ratios with no aggressive investments in sight, (4) pristine asset quality metrics and (5) adequate capitalisation. ICICIB remains our most preferred pick amongst banks.

Current Valuation: 2.75x Sep'26E ABV; Earlier Valuation: 2.8x FY26E ABV

Current TP: **Rs 1,500/share; Earlier TP: Rs 1,425/share**

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

Alternative BUY Ideas from our Sector Coverage

HDFC Bank (TP – Rs 2,025/share), **Kotak Mahindra Bank** (TP – Rs 2,150/share)

Bank of Baroda – Result Update; BUY; TP Rs 310

Earnings Beat Led by One-Off, RoA Delivery of 1+% to Continue!

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

Changes in Estimates post Q2FY25

FY25E/FY26E/FY27E (in %): NII: -1.3/-1.7/-2.0; **PPOP:** 4.4%/0.3/-1.2; **PAT:** -2.4/-2.3/-2.2

Recommendation Rationale

- **Asset Quality to remain stable:** BoB has seen a slight inch-up in SMA1 and SMA2 levels during the quarter, mainly owing to 2 state PSU accounts. However, the management does not expect any challenge on these accounts and expects them to pull-back and become standard at the earliest. The management also indicated that BoB is not seeing any slippages from any state or central PSU. In the aviation account which slipped into NPA in FY24, the bank has been able to recover the guarantees on ~33% of the exposure. An adequate proportion of the balance exposure is collateralised and the bank expects strong recoveries in this account. Gauging the stress in the unsecured space, the bank has cautiously discontinued growth in the smaller ticket size digital personal loans (PL) and tightened filters and strengthened the underwriting process for the non-salaries physically sourced PLs. PL GNPA stands at 3.2% vs Retail loan GNPA of 1.5%. The management remains confident of containing slippages within 1-1.25%, thereby enabling the bank to maintain credit costs of <0.75% in FY25.
- **NIMs to be maintained within guided range:** In Q2FY25, the reclassification of penal interest as charges impacted NIMs to the tune of ~7bps (out of the 9bps contraction). Going ahead, the management expects CoF to stabilise and improve marginally by late-Q3 or early-Q4FY25, supported by improving systemic liquidity. Margins in the international business are facing pressure with lending rates having re-priced while deposit repricing is happening with a lag. Thus, with a view to support margins and the bank prioritizing margins over growth, the bank is pruning its growth in the international book, where both assets and liabilities are floating rates. Thus, the management remains confident of maintaining margins at 3.15% (+/-5bps).

Sector Outlook: Positive

Company Guidance: For FY25, BoB has revised its guidance marginally downwards for business growth citing heightened competition for deposit accretion. Thus, the revised deposit/credit growth guidance stands at 9-11%/11-13%. The bank will look to deliver growth at the upper end of the guided range. Focus remains at protecting NIMs, driven by growth pursued in the retail loans. Margins are expected to be maintained at 3.15% (+/-5 bps). Asset quality trends appear to be encouraging and the management expects the improvement trend to continue. RoA guidance of 1.1% stays.

Current Valuation: 1.1x Sep'26E ABV; Earlier Valuation: 1.2x FY26E ABV

Current TP: **Rs 310/share; Earlier TP: Rs 320/share**

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

Alternative BUY Ideas from our Coverage:

HDFC Bank (TP – Rs 2,025)**, ICICI Bank** (TP – Rs 1,500)

IDFC First Bank – Result Update; HOLD; TP Rs 66

Elevated Provisions Dent Earnings, RoA Improvement Delayed!

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

Changes in Estimates post Q2FY25

FY25E/FY26E/FY27E (in %): NII: -1.3/-2.3/-1.2; **PPOP:** -0.7/-4.8/-2.5; **PAT:** -29.9/-18.3/-14.4

Recommendation Rationale

- **Elevated provisions are a RoA dampener** – IDFCFB's provisions were significantly higher on account of prudent provision buffer of Rs 568 Cr created for microfinance business (to the tune of Rs 315 Cr, which equals 99% of SMA1+2 portfolio) and one legacy infrastructure toll road account with the Maharashtra Government withdrawing toll charges at Mumbai Entry Point, which adversely affected the infra customer (to the tune of ~Rs 250 Cr). Excluding the provision buffer created on the microfinance and the legacy toll account, credit costs would have been at ~1.8% (vs 1.7% in Q1FY25), largely within the guided range. Microfinance continues to remain a pain point with slippages elevated in Q2 and credit costs climbing up to ~6% in H1FY25. While stress in the MFI book continues, the management indicated that stress has exhibited better or similar delinquency trends in Top-5 states, except Kerala, where it has pruned its exposure significantly. Surprisingly, the credit quality in the credit card portfolio continues to hold up well, with credit costs being stable. Similarly, asset quality across all other retail segments continues to show healthy trends. **Given the large hit on credit costs in Q2FY25, the management has revised its credit costs guidance for FY25 to 2.25% vs 1.8-1.85% earlier, with a possible (slight) moderation in H2FY25**. **Going ahead, credit costs are expected to normalise at ~1.85%.** The management has also highlighted that the impact of ECL norms on credit costs, if and when implemented would be ~10-20bps.
- **Eyeing meaningful C-D Ratio decline**: The management does not see any constraints on credit and deposit growth and expects the bank to continue its growth momentum. With a focus on retail granular deposits, the management believes IDFCFB remains well-placed to deliver a deposit growth of ~30+% in FY25, adequate to support the ~20% broad-based credit growth. On an incremental basis, the C-D Ratio stands at ~78%. We expect IDFCFB to deliver a healthy credit/deposit growth of 22/26% CAGR growth over FY24-27E.

Sector Outlook: Positive

Company Outlook: The negative surprise on the legacy account alongside persistent stress in the microfinance book has resulted in a sharp dent in the earnings for FY25E and has resultantly delayed the RoA improvement journey. We expect IDFCFB's RoA to be capped at ~1.2% by FY27E vs. our earlier expectations of ~1.4%.

Current Valuation: 1.1x Sep'26E ABV; Earlier Valuation: 1.6x FY26E ABV

Current TP: **Rs 66/share; Earlier TP: Rs 90/share**

Recommendation: We **downgrade the stock to HOLD** from BUY earlier.

Alternative BUY Ideas from our Sector Coverage

City Union Bank (TP – Rs 185/share), **DCB Bank** (TP – Rs 135/share)

Bandhan Bank Ltd – Result Update; BUY; TP Rs 200

Better Placed vs. Peers in the MFI Downcycle; Upgrade to BUY!

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

Changes in Estimates post Q2FY25

FY25E/FY26E/FY27E (in %): NII: -3.5/-3.3%/-3.9; **PPOP:** -6.3/-3.5/-4.3; **PAT:** -8.8/-4.1/-4.8

Recommendation Rationale

- **Microfinance stress better managed than peers:** In line with industry trends, Bandhan witnessed a decline in Collection Efficiency (CE) in the EEB book to 98.1% from 98.7% in Q1FY25. On the brighter side, the CE in the non-delinquent portfolio has improved in Oct'24 vs Sep'24. Thus, the bank will continue to maintain a cautious stance in Q3FY25 and with the expectation of trends stabilising by Jan'25, Bandhan will look to accelerate growth in the EEB book. The management indicated that the stress in the microfinance portfolio pertains to certain states, primarily the rest of India's portfolio, while the core states of West Bengal and Assam continue to hold up well. Of the Top-5 states (59% mix), West Bengal, Assam and Bihar continue to exhibit resilience, while stress is visible in certain pockets of MH, Odisha, RJ and UP. While the SMA0/1/2 book has seen an uptick in QoQ, the bank has intensified its collection efforts to restrict forward flows and improve early bucket delinquencies. In terms of portfolio composition, Bandhan's unique customers constitute 60% of the portfolio, while Bandhan +1 is ~20%. The over-leveraged customers with exposure to >4 lenders are lower at ~4.5%. We believe Bandhan is at a natural advantage given its dominant presence in West Bengal, where the proportion of customers having >4 lenders is significantly lower vs. other states and industry average.
- **Asset quality healthy in the non-EEB portfolio**: In the EEB book, the management has indicated that the Individual Portfolio (IL) continues to exhibit better asset quality trends vs. the Group Loan (GL) portfolio. Apart from the EEB portfolio, the other segments – Mortgage, Retail and commercial continue to see healthy asset quality. The slippages are likely to be elevated in Q3FY25, primarily from the EEB pool with some improvement expected as Bandhan exits FY25. **The management has retained its credit costs guidance at 1.8-2% for FY25, with EEB credit costs at ~3%.**

Sector Outlook: Positive

Company Outlook: With stringent guardrails in place and a conservative lending approach, we believe Bandhan has been able to control its stress in the EEB segment better than its peers. While EEB growth is expected to remain tepid, the secured businesses will continue to drive healthy growth. The overhangs on the stock have now been addressed with the appointment of the new MD CEO and a positive outcome of the CGFMU audit. However, strategy implementation by the new MD CEO would remain monitorable.

Current Valuation: 1.1x Sep'26E ABV; Earlier Valuation: 1.2x FY26E ABV

Current TP: **Rs 200/share; Earlier TP: Rs 205/share**

Recommendation: We **revise** our rating **BUY** from HOLD earlier.

Alternative BUY Ideas from our Sector Coverage

CreditAccess Grameen (TP – Rs 1,100/share); **Ujjivan SFB** (TP – Rs 41/share)

CreditAccess Grameen Ltd – Result Update; BUY; TP Rs 1,100

Weak Quarter; PAR Accretion Likely to Peak Out in Q2, Credit Costs in Q3!

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

Changes in Estimates post Q2FY25

FY25E/FY26E/27E (in %): NII: -3.5/-9.5/-10.6; **PPOP:** -4.8%/-10.6/-11.8; **PAT:** -30.2/-16.1/-15.4

Recommendation Rationale

- **PAR accretion likely to have peaked out:** The rise in delinquencies, which the management believes are transient largely on account of (i) Disruption in repayments owing to 3rd party interventions, (ii) Tight liquidity conditions and cashflow constraints with a decline in disbursements and (iii) Impact of severe rainfall in several regions. However, the management is confident that this MFI downcycle should be short-lived and expects the fresh PAR accretion to stabilise by Q3FY24 and trends to improve from Q4FY24 onwards. The management indicated that the Oct'24 PAR trends are similar to marginally better vs Sep'24, and expects Nov'24 and Dec'24 PAR trends to show gradual improvement. In terms of Top-5 geographies, the core states of KA, MH, and MP continue to hold up well comparatively, while Bihar and TN exhibit higher stress. Moreover, the newer states are seeing elevated PAR levels and the company is pruning its exposure in these states (RJ, KL, GJ) in an accelerated manner. CAGrameen continues to intensify its collection efforts and strengthen underwriting capabilities. Early stress recognition and higher provisioning rates should help CAGrameen recognise a bulk (~80-90%) of the stress in FY25 to ensure minimal spillover into FY26.
- **Customer over-leveraging trends visible in newly sourced customers**: Currently, 12.6% of the customer base has exposure to >5 lenders vs ~8% in the previous year, while CAGrameen's unique customer base stands at ~27%. The PAR trends in the unique and CAGrameen +1 and +2 borrowers continue to remain healthy, while a significant deterioration is seen in the CAGrameen +3 and +4 borrower base. Similarly, customers with lower vintage (on-boarded in the past couple of years) exhibit weaker trends vs. customers with higher vintage. This is on account of the lower ticket size offered by the company in its first cycle, that customers tend to borrow from multiple lenders. The contribution of the CAGrameen +4 borrowers to PAR of ~4.9% is 1.5%.

- **Sector Outlook: Cautious**

Company Guidance: Given current industry trends and short-term challenges encountered, CAG has revised its guidance for FY25 by trimming GLP growth to 8-12% vs. 23-24% earlier. However, on the operational front, the NIM and C-I Ratio guidance remains unchanged as NIMs are likely to remain healthy at 12.8-13% and the C-I Ratio remains steady at 30-32% during the year. Accounting for higher stress, the company has revised its credit cost guidance significantly upwards to 4.5-5% vs earlier guidance of 2.2-2.4%, thereby denting earnings growth. Resultantly, RoA/RoE is expected to range between 3.0-3.5%/12-14% in FY25. These estimates are based on CAGrameen expectations of delinquency stabilization in Q3FY25 and improvement in Q4FY25.

Current Valuation: 1.65x Sep'26E BV Earlier Valuation: 2.4x FY26E BV

Current TP: **Rs 1,100/share; Earlier TP: Rs 1,555/share**

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

Alternative BUY Ideas from our Sector Coverage:

Ujjivan SFB (TP – Rs 41/share)

SBI Life Insurance Company Ltd – Result Update; BUY; TP Rs 2,050

VNB Margin Remain Subdued Owing to Product Mix Change!

Est. Vs. Actual for Q2FY25: NBP – MISS; APE – MISS ; VNB – MISS; VNB Margin (%) – MISS

Changes in Estimates post Q2FY25

FY25E/FY26E/FY27E (in %): NBP -3.8/-5.3/-6.5; **APE** -0.9/-1.2/-0.7; **VNB** -4.8/-1.7/+1.4

Recommendation Rationale

- **Agency channel growth shaping up well:** The management indicated that with the company's renewed focus on the agency channel and with the strategic launch of Agency 2.0, SBILIFE has witnessed an improvement in agent activation, agency channel productivity and on-boarding of new agents. SBILIFE will continue to invest in the agency channel and expects to clock a 30+% in H2FY25. Apart from the agency channel, SBILIFE continues to focus on building the digital channel enabling customers to begin their purchasing journey on SBI's YONO platform.
- **New product launches in protection business to support margins**: In Q2FY25, the impact of delayed launch in the protection product impacted growth. However, the company has launched 2 new products, including a protection product for HNIs. These products offer better margins and should support VNB margins for the company going forward. Post the delayed launch in mid-Sep'24, the company has seen a good pick-up having sold ~30,000 policies throught he YONO channel. **The new product launches would be margin accretive in FY25. The management expects VNB to grow by 12-15% and VNB margins to remain in the range of 26-27%, with a positive bias. APE growth is expected to range between 15-17% for FY25.**
- **New product launches**: SBILIFE has recently launched 15 existing products, ensuring alignment with regulatory requirements, current market trends and customer expectations. The company has also introduced 9 new products of which 5 are ULIP, 2 trm insurance products and 1 endowment product. The management remains confident of growth driven by these product launches. The management indicated that SBILIFE will continue to maintain a steady product mix of ULIP's contributing ~60% while participating, Non-participating and Protection business contributing the balance 40% to the overall product mix.
- **Focus on improving persistency**: The company has taken multiple initiatives to ensure to ensure continuous connect with customers and to understand and address their challenges. The management believes this should help in improving persistency.

Sector Outlook: Positive

Company Outlook: While VNB Margins disappointed in Q2FY25 owing to an unfavourable product mix, the management expect the new launches in the protection products to support margins. SBILIFE's continued investments in the agency and digital channels by leveraging the YONO channel, should help the company sustain healthy growth momentum. Given the company's product mix, the impact of surrender value changes has been minimal. Thus, the management does not expect any changes in the commission structure. We tweak our estimates marginally and expect SBLIFe to deliver a healthy VNB/APE growth of 14/15% CAGR over FY24-27E.

Current Valuation: 2.3x Sep'26E EV Earlier Valuation: 2.4x FY26E EV

Current TP: **Rs 2,050/share Earlier TP: Rs 1,955/share**

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

Cholamandalam Investment & Finance Co Ltd. – Q2FY25 First Cut

Current Recommendation – BUY; Current TP – Rs 1,780

NII – INLINE; PPOP – INLINE; PAT – INLINE

Disbursements grew by 13% YoY and were flat QoQ. Disbursement growth was healthy across segments except Vehicles (-3% QoQ). Vehicle/LAP/HL/New Businesses disbursements grew by 5/35/6/16% YoY. AUM growth was ahead of our expectations at 36/9% YoY/QoQ, with growth being broad-based.

NII grew by 35/5% YoY/QoQ led by healthy AUM growth, though margins (calc.) compressed by ~19bps QoQ. NIMs (calc.) stood at 7.4% vs 7.6% QoQ. Non-interest income grew by 49/16% YoY/QoQ driven by healthy fee income growth of 141/9% YoY/QoQ. Opex grew by 39/11% QoQ, with employee expenses growth sharper at 16% QoQ, while other Opex growth was modest at 4% QoQ. C-I Ratio stood at 40.6% vs 40.0/39.0% YoY/QoQ. PPOP grew by 35/4% YoY/QoQ

Credit costs (calc.) remained steady at 154bps vs 155bps QoQ. PAT growth was healthy at 26/2% YoY/QoQ.

Asset Quality deteriorated with GNPA/NNPA at 3.8/2.5% vs 3.6/2.4% QoQ.

Concall at 10am on 28th Oct, 2024

Key Monitorables: Margin and Growth Outlook, Comments on Asset quality

Skipper Q2FY25 – Results Preview

Skipper will be releasing its Q2FY25 results today.

The company had a strong order book of Rs 5,844 Cr as on Jun'24. The company has an orderbook pipeline of Rs 18,000 Cr with an average order-win ratio of 25%.

We expect the company's Q2FY25 revenue to increase to Rs 1,103 Cr – up 43%/1% YoY/QoQ. We expect the EBITDA to increase by 46%/3% YoY/QoQ to Rs 108 Cr and the PAT to increase by 66%/1% YoY/QoQ to Rs 33 Cr.

We currently have a BUY rating on the company with a target price of Rs. 600. The conference call has been scheduled for tomorrow 12 PM. We shall update our target price post the results and the conference call. The key monitorables are update on the order book, update on additional capacity and developments from export markets.

Praj Industries Ltd Q2FY25 First Cut

Est. Vs. Actual for Q2FY25: Revenue: MISS; EBITDA: Largely INLINE ; PAT - MISS

Financial Performance: **The company reported revenue of Rs 816 Cr, down 7%/up 17% YoY/QoQ, and missing our estimate by 5%. EBITDA came in at Rs 94 Cr, up 21%/8% YoY/QoQ, largely in line with our estimate. The company's PAT stood at Rs 54 Cr (-36%/-14% YoY/QoQ) with overall performance missing our estimate by 19%. The PAT miss was primarily on account of the exchange loss of Rs 8 Cr. Order intake during the quarter was Rs 921 Cr vs Rs 888 Cr in the previous quarter.**

We Currently have a HOLD rating on the stock. We will revisit our estimates post the concall Scheduled on 28th oct, 2024 at 12:00 PM

Key Financials (Consolidated)

(Rs Cr)	Q2FY25	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	816	-7%	17%	855	-5%
EBITDA	94	21%	8%	96	-2%
EBITDA Margin	11.53%	271bps	-88bps	11.28%	26bps
Net Profit	54	-14%	-36%	67	-19%
EPS (Rs)	2.9	-14%	-36%	3.6	-19%

Apcotex Industries Ltd Q2FY25 Result Update; Hold; TP 415

Margins Pressures to Persist in Near Term; Maintain HOLD

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

Change in Estimates post Q2FY25

FY25E/FY26E: Revenue:0%/0%; **EBITDA:**-15%/-24%; **PAT:** -19%/-28%

Recommendation Rationale

- **Increase in freight costs adding to the woes:** Despite achieving 26% YoY revenue growth driven by increased volume and an improved product mix, the company reported a 13% drop in EBITDA for the quarter. EBITDA margins declined by 161bps QoQ and 351bps YoY. Management attributed this decline to ongoing margin and pricing pressures due to market dynamics and elevated ocean freight costs. Notably, beyond Nitrile Latex, the company also faced margin pressures in its Carpet and Paper product ranges, impacted by a significant drop in paper prices.
- **Margin pressures may persist for couple of quarters:** Looking ahead, management anticipates gradual improvement in market dynamics, though uncertainty around a recovery remains. The company has advocated for the addition of Anti-Dumping Duty (ADD) on NBR imports from China and is hopeful for a favorable outcome, though a resolution could take nine to 12 months. Additionally, the company sees potential for improvement in the gloves market, as the USA is set to impose a 50% ADD on Chinese gloves starting January 2025. Greater clarity around a recovery, supported by these and other market factors, is expected to emerge by the end of FY25.

Outlook & Guidance: We continue to monitor the prices for latex, NBR, and key raw materials such as Styrene and Butadiene. While the management is taking measures such as adding high-mragin speciality products to the product mix and passing on the raw material price increase to customers, the margins are likely to remain subdued during rest of the year.

- **Current Valuation: 15x FY27E (Earlier 15x FY26E)**
- **Current TP**: **Rs 415** (**Earlier TP: Rs 451**)

Recommendation: We maintain our HOLD rating on the stock.

Chalet Hotel Ltd - Q2FY25 Result Update – 28102024; BUY; TP: Rs 975/share

Riding the Upcycle; Maintain Buy

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

Changes in Estimates post Q2FY25:

FY25E/FY26E: Revenue: 26.7%/46.8%; EBITDA Abs:. 11.6%/24.6%; PAT: -4.3%/-5.5%

Recommendation Rationale:

- The hospitality business reported an 18% YoY growth, with ARR increasing to Rs 10,532 (+2.3% YoY) and occupancy reaching 74%, an improvement of 82 basis points YoY.
- The MMR and other regions reported RevPAR growth rates of 9% and 12% YoY, respectively. Rental annuity saw strong growth of 40%, driven by new leases made and signed.
- Consolidated margins stood at 39.7%, down by 39 basis points YoY due to one-time expenses such as advertising and credit rating fees. The company's Adjusted PAT was Rs 63 Cr, marking a 73% YoY increase.

Sector Outlook: Positive

Company Outlook & Guidance: The hospitality industry upcycle is expected to be long and sustained. According to Horwath HTL's prediction, demand is projected to grow over 10% annually for the next 3-4 years, while supply, at 7%, will continue to lag behind demand. Foreign Tourist Arrivals (FTA) reached 92 Lc in FY24, and corporate travel expenses under MICE remain below pre-COVID levels.

Current Valuation: PE 29.4x for FY26E earnings

Current TP: Rs 975/share (Earlier TP: Rs 975/share)

Recommendation: BUY

Inox Wind Ltd - Q2FY25 Result Update; BUY; TP: Rs 270/share

Strong Execution; Growth Outlook Remains Intact

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

Change in Estimates post Q2FY25:

FY25E/FY26E: Revenue: 0%/0%; **EBITDA:** 0%/0%, **PAT:** 0%/0%

Recommendation Rationale

- **Strong Order Book of >3.3 GW:** The company secured new orders of ~1.2 GW in H1FY25 and now holds its largest-ever order book of 3,328 MW. The orderbook comprises a diversified client base including PSUs and Independent power producers as well as commercial and industrial players. The orderbook is expected to grow further as the company is in constant discussions with both existing and potential customers.
- **Ramp-up in Execution:** Despite the seasonal monsoon challenges, the company has continued to maintain its improved execution capabilities. The execution in Q2FY25 stood at 140 MW, up 82% YoY. The execution target of 800 MW for FY25 is well on track, and the 1,200 MW guidance for FY26 may be exceeded due to a substantial order book and additional orders expected. The Management expects the company to be able to execute 2 GW by FY27.
- **Improved EBITDA margins:** The company's royalty payments on its 3 MW wind turbines shall cease from FY26 onwards, increasing the profitability by Rs 6 Lc/MW. It is also focusing on backward integration, manufacturing critical components in-house. Furthermore, additional profitability is expected from its Cranes business. Considering these factors, management has revised its EBITDA margins guidance upwards from 15% to 17% for FY25.
- **Net-Cash Status:** Following a series of promoter fund infusions through stake sales, the company reached zero interest-bearing debt in Q1FY25. Following the same, the company has achieved the Net-cash status as of 30th Sep'24. Interest expense will be near zero by Q4FY25.

Sector Outlook: Positive

Company Outlook & Guidance: The company has execution guidance of 800 and 1,200 MW for FY25 and FY26 respectively. Amidst strong sector tailwinds and its improved execution capability, it sees upside risk to the 1,200 MW execution guidance for FY26 and it has a target of 2 GW of annual execution for FY27. Its supply chain is ready for 1 GW execution and it will be ready for 2 GW by the end of FY25. The company has 2 GW of sites available on a plug-and-play basis along with substations and infrastructure ready for higher execution. The annual capex guidance for FY25/26 remains unchanged at Rs 50-75 Cr, and the full-year working capital guidance is at 90 days.

Current Valuation: 35x FY26 EPS adjusted for promoter's fund infusion and minority interest. (Unchanged)

Current TP: **Rs 270/share** (Unchanged)

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

PSP Projects Ltd - Q2FY25 Result Update; BUY; TP: Rs 665/share

Performance to Improve in H2FY25

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

Change in Estimates post Q2FY25 (Abs.)

FY25E/FY26E- Revenue: -9%/-9%; **EBITDA:** -20%/-13%; **PAT:** -33%/-19%

Recommendation Rationale

- **Robust order book:** As of 30th Sep 2024, the company's order book stood at Rs 6,546 Cr, with an order inflow of Rs 1,445 Cr in H1FY25. This healthy and robust order book provides revenue visibility for the next two years. The company is expected to report a revenue CAGR of 10% over FY24-26E.
- **Strong bidding pipeline:** The current bidding pipeline is strong, exceeding Rs 7,000 Cr. Key projects include a government project worth Rs 2,000 Cr and an airport development project in Mumbai valued at Rs 1,000 Cr. The company anticipates an order inflow of Rs 3,500 Cr in FY25.
- **Revenue to pick up in H2FY25:** H1FY25 revenue was impacted by the ongoing monsoons and delays in receivables from certain projects. However, in H2FY25, execution is expected to accelerate, with many large projects, previously in the initial stages, anticipated to contribute to EBITDA and PAT growth. Consequently, EBITDA and PAT growth CAGR of 13% and 21%, respectively, over FY24-26 is anticipated, with EBITDA margins projected to be in the range of 10-11%.

- **Sector Outlook: Positive**

Company Outlook & Guidance: The company has guided for revenue of approximately Rs 2,800 Cr in FY25, with an EBITDA margin expected to be in the range of 10-11%. Additionally, it has projected an order inflow of Rs 3,500 Cr in FY25.

Current Valuation: **14.5x FY26 EPS** (Earlier Valuation: 14.5x FY26E EPS)

Current TP: **Rs 665/share (Earlier TP: Rs 810/share)**

Recommendation: We maintain our recommendation to **BUY** on the stock.

Arvind Smartspaces Ltd - Q2FY25 Result Update; BUY; TP: Rs 665/share

At a Turning Point; Maintain BUY

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

Changes in Estimates post Q2FY25

FY25E/FY26E: Revenue: 0%/0%; **EBITDA:**0%/0%; **PAT:** 0%/0%

Recommendation Rationale

- **New Launches and Business Development:** The management has guided a pre-sales CAGR of 30%-35%, maintaining confidence in achieving this target. In Q2FY25, the company launched 'Arvind Aqua City,' with total bookings at Rs 500 Cr for the quarter, bringing cumulative bookings to approximately Rs 600 Cr, including Rs 93 Cr from Q1FY25. Projects valued at Rs 4,000-5,000 Cr are expected to be added during the fiscal year, with the majority of launches concentrated in H2FY25 following Aqua City (~Rs 1,000 Cr). Management remains optimistic about achieving these targets through upcoming launches, which include: a) A high-rise in Bannerghatta, Bangalore, b) A new phase of Greatlands, c) An additional phase for Orchards, and d) A new Surat project. These projects are expected to collectively add approximately Rs 1,500 Cr in GDV. Additionally, the management has guided toward an MMR deal, which is progressing and anticipated to be announced soon, despite some delays. The NH47 project has seen strong traction, with 2/3rd of the Rs 900 Cr launch value sold. The company is also actively scouting for new projects that align with its strategic criteria and is well-positioned to undertake such expansions.
- **Balance Sheet Strength and Low Leverage:** The company reported a net debt of Rs (195) Cr and an operating cash flow of Rs 106 Cr as of Q2FY25. Booking values for the quarter stood at Rs 464 Cr, with collections at Rs 249 Cr. The company can add leverage in the range of Rs 250-300 Cr on its books, complemented by unutilized capital of ~Rs 600 Cr from its HDFC platform. This capital flexibility enables the company to pursue new projects and meet its pre-sales guidance of Rs 4,500-5,000 Cr in BD for the fiscal year.
- **Strong execution capabilities and sales performance:** The management remains confident in deploying these resources to support upcoming years' growth targets. The company's execution capabilities and strong sales performance have resulted in faster bookings and collections. Its estimated unrealized operating cash flow stands at Rs 2,986 Cr as of Q2FY25, positioning the company at a key inflexion point. With robust operational momentum, it is well-prepared to undertake major upcoming launches and projects comfortably, aligning with its growth objectives.
- **Sector Outlook: Positive**

Company Outlook & Guidance: We continue to remain positive on the company's long-term prospects.

Current Valuation: EV/EBITDA based valuation

Current TP: **Rs 1,085/share** (**Earlier TP: Rs 1,085/share**).

Recommendation: With a 40% upside from the CMP, we **maintain our long-term BUY** rating on the stock.

CIE Automotive India Ltd Q3CY24 results update; BUY; TP: Rs 600/share

Navigating Challenges with Strategic Growth in Indian Operations

Est. Vs. Actual for Q3CY24: Revenue – Miss EBITDA – Miss; PAT – Miss.

Change in Estimates post Q3CY24

CY24E/CY25E: Revenue: -7%/-6.9%; **EBITDA:** -7.3%/-6.9%; **PAT:** -9%/-7.9%

Recommendation Rationale

- **Indian Business Outlook:** The light vehicles market (<6 tons) largely experienced flat volumes YoY in Q3CY24 and the companies Indian operations were inline with the industry (marginal 1.5% YoY growth). Inspite of a weakened demand environment (on CY23 high base), we expect ramp up of new orders and pick up in EV export orders to aid CIEAUTO's Indian operations going ahead. We expect the company to report revenue growth of 10% CAGR over CY24-26E in the Indian operations.
- **European Business Outlook:** In Q3CY24, EU operations experienced a 19% YoY decline, primarily due to a 7% downturn in the light vehicle market. This decline can be attributed to uncertainties surrounding EV policy, the upcoming implementation of an emission tax in January 2025, and intensified competition from an influx of Chinese vehicles. Additionally, lower exports from the Metalcastello division, linked to a slowdown in the US off-highway vehicle market, contributed to this decline. We estimate a 5.5% CAGR revenue growth over CY24-26E in the EU business.
- **EBITDA Margins:** The company has successfully mitigated the impact of declining sales on margins, which fell by 1-2%, through ongoing cost reduction initiatives. These include temporarily halting factory operations one day per week, implementing stricter policies, reducing overtime, and cutting back on the contract workforce. As a result, the company has managed to control costs and sustain profitability. We expect the company to maintain EBITDA margins of 15-16% in CY25/26E.

- **Company Outlook & Guidance:** The management indicated that the company will continue to outperform the overall Indian industry in the medium term, with the European businesses expected to stay depressed, and then gradually recover along with industry growth.

Current Valuation: 1-year forward 26xPE (unchanged) on Indian and 8x (earlier 9x) PE on European CY26 EPS (unchanged).

Current TP: **Rs 600/share** (earlier Rs 650/share)

Recommendation: We maintain our BUY rating on the stock.

NLC India Ltd - Q2FY25 Result Update; BUY; TP: Rs 305/share

Robust Q2, Despite Seasonally Weak Quarter

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

Change in Estimates post Q2FY25:

FY25E/FY26E: Revenue -9%/-11%; EBITDA: -18%/-21%, PAT: -25%/-29%

Recommendation Rationale

- **Robust Q2 with allround beat:** NLCIL reported robust numbers despite Q2 being a seasonally weak quarter. Revenue at Rs 3,657 Cr (up 23%/8% YoY/QoQ) beat our estimates by 15%. EBITDA stood robust at Rs 1,076 Cr (up 29%, flat QoQ), a 26% beat vs. our estimates. PAT at Rs 982 Cr (down 10% YoY, up 73% QoQ) was buoyed by higher other income which jumped at Rs 713 Cr (up 170%+ YoY/QoQ).
- **Improved power generation:** H1FY25 Gross power generation rose by 9% YoY to 14,192 MU, (This includes 1,136 MU of RE power). This implies Q2FY25 gross power generation of 6,638 MU (including 589 MU of RE power), up 8% YoY, down 12% QoQ. With the expected commissioning of the Ghatampur Plant, ramping up of renewable capacity, and resolution of PLF issues, power generation is anticipated to further increase going forward. In H1FY25, PAF improved to 79.19%, up 12% YoY.
- **Improved coal and lignite production:** Lignite production grew by 15% YoY to 12.24 MnT in H1FY25, which implies a Q2FY25 run rate of 6.1 MT, up 8% YoY but down 2% QoQ. Thermal coal production grew by 30% YoY to 5.96 MnT in H1FY25, which implies Q2FY25 volumes at 3.12 MnT, up 25%/9 YoY/QoQ.

Sector Outlook: Positive

Company Outlook & Guidance: NLCIL has ambitious capacity expansion plans. It aims to increase its current mining capacity from 50 MTPA to 102 MTPA by 2030, thermal power capacity from 4,640 MW to 10,465 MW, and renewable energy (RE) capacity from 1,431 MW to 8,059 MW. These capacity additions will require a substantial Capex of Rs 1 Lc Cr, which is expected to drive growth in regulated equity.

Current Valuation: SOTP - Thermal business at 1.3x (from 1.8x) on our consolidated regulated equity projections of FY33 discounted to FY26; Regulated Mining business at 1.9x FY26 regulated equity; RE business at EV/EBITDA of 9.0x on FY26 EBITDA, and the merchant coal business at 7.0x EV/EBITDA on FY26 EBITDA (Unchanged)

Current TP: **Rs 305/share** (From Rs 340/share)

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

Result Calendar - Q2FY25

Oct-2024

NSE 500 + Axis Universe

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	28-Oct-24	29-Oct-24	30-Oct-24	31-Oct-24	01-Nov-24	02-Nov-24
Large Cap	Adani Power **Ambuja Cements** **Bharti Airtel** B H E L I O C L Punjab Natl.Bank Sun Pharma.Inds.	Adani Enterp. Adani Ports **Cipla** **Maruti Suzuki**	**Dabur India** Larsen & Toubro Tata Power Co.			
Mid Cap	Ajanta Pharma **Federal Bank** Indraprastha Gas Indian Bank LIC Housing Fin. Motil.Oswal.Fin.	Apar Inds. **APL Apollo Tubes** Container Corpn. Gujarat Fluoroch Glaxosmi. Pharma Honeywell Auto H U D C O Marico Hitachi Energy **Prestige Estates** **SBI Cards** Star Health Insu	Aditya Birla Cap AIA Engineering **Biocon** New India Assura P & G Hygiene	Tata Inv.Corpn.		
Small Cap	Cams Services Firstsour.Solu. Guj. Ambuja Exp Gillette India JBM Auto KFin Technologies Kalpataru Power LMW Ltd Pfizer Poly Medicure Quess Corp Restaurant Brand Sh.Renuka Sugar Sapphire Foods Sumitomo Chemi. **Welspun Living** **Heidelberg Cem.** **J.Kumar Infraprojects** **SIS Ltd** **Skipper**	Asahi India Glas Deepak Fertiliz. Engineers India Five-Star Business Finar Laxmi Organic Vedant Fashions MTAR Technologie Redington India Sheela Foam Symphony V-Guard Industri **V-Mart Retail** **Genus Power Infrastru**	Carborundum Uni. DCM Shriram Grindwell Norton Sterlite Tech. TTK Prestige Vardhman Textile **Automotive Axles**	Narayana Hrudaya		

Bold Companies: Axis Securities Coverage

Axis Intellect: Intraweek Stocks for the week 28 Oct 2024 to 04 Nov 2024`

Name of Stock	Sector	Mcap
AUROBINDO PHARMA LTD.	Healthcare	Mid Cap
BHARAT PETROLEUM CORPN. LTD.,	Oil & gas	Large Cap
TATA CONSUMER PRODUCTS LIMITED	Staples	Large Cap
METROPOLIS HEALTHCARE LIMITED	Healthcare	Small Cap
SIEMENS LTD.,	Industrials	Large Cap
FIVE-STAR BUSINESS FINANCE LTD.	NBFC	Small Cap
ADANI ENERGY SOLUTIONS LIMITED	Utilities	Large Cap
CYIENT LIMITED	IT	Small Cap
GODREJ CONSUMER PRODUCTS LTD.	Staples	Large Cap
ALKEM LABORATORIES LIMITED	Healthcare	Mid Cap

Investment Picks

Company	Recommendation	CMP	Target Price	% Upside
Aarti Drugs Ltd	BUY	475	555	16.8
Aarti Industries Ltd	BUY	488	815	67.0
Ahluwalia Contracts (India) Ltd	BUY	1,032	1,340	29.9
Ambuja Cements Ltd	BUY	553	750	35.5
APL Apollo Tubes Ltd	BUY	1,474	1,650	11.9
Aptus Value Housing Finance India Ltd	BUY	338	385	13.9
Archean Chemical Industries Ltd	BUY	596	829	39.1
Arvind Smartspaces Ltd	BUY	778	1,085	39.5
AU Small Finance Bank Ltd	BUY	604	800	32.4
Aurobindo Pharma Ltd	BUY	1,427	1,730	21.2
Automotive Axles Ltd	BUY	1,771	2,210	24.8
Bajaj Finance Ltd	BUY	6,908	7,655	10.8
Bank of Baroda Ltd	BUY	240	320	33.6
Bharti Airtel Ltd	BUY	1,664	1,900	14.2
Biocon Ltd	BUY	313	390	24.8
Birla Corporation Ltd	BUY	1,120	1,390	24.1
Britannia Industries Ltd	BUY	5,667	6,350	12.1
Can Fin Homes Ltd	BUY	850	1,000	17.6
CCL Products (India) Ltd	BUY	629	760	20.8
Chalet Hotels Ltd.	BUY	847	975	15.2
Cholamandalam Investment & Finance Company Ltd	BUY	1,375	1,780	29.5
CIE Automotive India Ltd	BUY	497	650	30.7
Cipla Ltd	BUY	1,489	1,800	20.9
Coal India Ltd	BUY	461	575	24.7
CreditAccess Grameen Ltd	BUY	982	1,555	58.3
Dabur India Ltd	BUY	539	710	31.8
Dalmia Bharat Ltd	BUY	1,772	2,040	15.1
DCB Bank Ltd	BUY	116	135	16.0
Eicher Motors Ltd	BUY	4,589	5,060	10.3
Ethos Ltd	BUY	2,671	3,600	34.8
Federal Bank Ltd	BUY	187	230	23.3
G R Infraprojects Ltd	BUY	1,513	1,820	20.3
Genus Power Infrastructures Ltd	BUY	388	505	30.0
Global Health Ltd	BUY	1,060	1,245	17.4
Gravita India Ltd	BUY	1,994	3,000	50.4
H. G. Infra Engineering Ltd	BUY	1,305	1,700	30.2
Happiest Minds Technologies Ltd	BUY	769	930	21.0
HCL Technologies Ltd	BUY	1,851	2,045	10.5
HDFC Bank Ltd	BUY	1,743	2,025	16.2
Hero MotoCorp Ltd	BUY	4,974	6,015	20.9
Hindustan Unilever Ltd	BUY	2,528	2,920	15.5
ICICI Bank Ltd	BUY	1,256	1,425	13.5
IDFC First Bank Ltd	BUY	66	90	37.3
IndiaMART InterMESH Ltd	BUY	2,438	3,620	48.5
Indian Hotels Company Ltd	BUY	692	800	15.7
Infosys Ltd	BUY	1,853	2,200	18.7
Inox Wind Ltd	BUY	203	270	33.0
ITC Ltd	BUY	482	550	14.1
J K Cements Ltd	BUY	4,124	4,920	19.3
J.Kumar Infraprojects Ltd	BUY	697	950	36.2
JK Lakshmi Cement Ltd	BUY	774	950	22.7
JTL Industries Ltd	BUY	189	260	37.8
Juniper Hotels Ltd.	BUY	329	475	44.2

Investment Picks

Company	Recommendation	CMP	Target Price	% Upside
Jyothy Labs Ltd	BUY	487	600	23.2
Karnataka Bank Ltd	BUY	202	275	35.8
Kotak Mahindra Bank Ltd	BUY	1,768	2,150	21.6
KPIT Technologies Ltd	BUY	1,372	2,150	56.7
Lupin Ltd	BUY	2,154	2,600	20.7
Man Infraconstruction Ltd.	BUY	176	240	36.6
MAS Financial Services Ltd	BUY	284	355	25.2
Minda Corporation Ltd	BUY	479	575	20.0
Mold-Tek Packaging Ltd	BUY	682	882	29.3
Nestle India Ltd	BUY	2,261	2,640	16.7
Nippon Life India Asset Management Ltd	BUY	681	815	19.8
NLC India Ltd	BUY	239	340	42.3
NTPC Ltd	BUY	399	450	12.8
Pitti Engineering Ltd	BUY	1,255	1,572	25.2
Prestige Estates Projects Ltd	BUY	1,708	2,195	28.5
PSP Projects Ltd	BUY	600	810	35.0
Sansera Engineering Ltd	BUY	1,502	1,875	24.9
SBI Life Insurance Company Ltd	BUY	1,617	1,955	20.9
SIS Ltd	BUY	386	540	39.8
Skipper Ltd	BUY	504	600	19.0
Star Cement Ltd	BUY	195	250	28.3
State Bank of India	BUY	781	1,030	31.9
Steel Strips Wheels Ltd	BUY	195	300	53.9
TVS Motor Company Ltd	BUY	2,450	2,890	18.0
Ujjivan Small Finance Bank Ltd	BUY	36	41	14.7
UNO Minda Industries Ltd	BUY	935	1,090	16.5
Varun Beverages Ltd	BUY	611	700	14.6
Welspun Living Ltd	BUY	148	224	51.8
Westlife Foodworld Ltd	BUY	775	890	14.8
Zomato Ltd	BUY	254	350	37.9

Trading Insights

Insight from trading volumes

Script	CMP	Total Volume (x1000)	Monthly Avg Volume(x1000)	% Change
INDUSINDBK	1,042	59,421	5,831	919.1%
ITC	482	32,666	13,850	135.9%
ULTRACEMCO	10,995	535	351	52.2%
HINDUNILVR	2,528	2,887	1,922	50.3%
COALINDIA	461	10,639	7,300	45.7%
HCLTECH	1,852	4,173	2,903	43.8%
LT	3,326	3,470	2,487	39.6%

Insight from delivery

Script	CMP	Total Delivery Volume(x1000)	Monthly Avg Delivery Volume(x1000)	%Change
HINDUNILVR	2,528	5,416	1,344	303.1%
SBILIFE	1,617	2,597	1,037	150.5%
NESTLEIND	2,261	1,981	839	136.1%
HINDALCO	679	5,190	2,880	80.2%
SHREECEM	24,957	34	19	78.0%
TCS	4,058	1,972	1,655	19.2%
GRASIM	2,615	430	362	18.9%

*CMP-Closing Market Price

Daily Support/ Resistance of Nifty Companies

Company	CMP	Pivot Point	R1	R2	S1	S2
NIFTY 50	24,181	24,232	24,389	24,598	24,023	23,865
ADANIPORTS	1,319	1,330	1,356	1,394	1,293	1,266
ASIANPAINT	2,958	2,975	2,998	3,039	2,935	2,912
AXISBANK	1,189	1,187	1,204	1,219	1,172	1,155
BAJAJ-AUTO	10,206	10,166	10,408	10,610	9,965	9,723
BAJAJFINSV	1,707	1,719	1,740	1,773	1,686	1,665
BAJFINANCE	6,910	6,954	7,016	7,121	6,849	6,788
BHARTIARTL	1,666	1,669	1,683	1,699	1,653	1,639
BPCL	306	311	319	332	298	291
BRITANNIA	5,669	5,658	5,718	5,766	5,610	5,551
CIPLA	1,489	1,492	1,505	1,521	1,476	1,463
COALINDIA	461	467	474	488	453	446
DIVISLAB	5,781	5,783	5,833	5,884	5,731	5,682
DRREDDY	6,515	6,516	6,581	6,648	6,449	6,384
EICHERMOT	4,592	4,591	4,673	4,755	4,509	4,427
GAIL	206	207	211	215	202	198
GRASIM	2,615	2,631	2,661	2,707	2,585	2,554
HCLTECH	1,852	1,855	1,869	1,886	1,838	1,823
HDFCBANK	1,743	1,743	1,758	1,773	1,729	1,714
HDFCLIFE	709	710	719	729	700	690
HEROMOTOCO	4,973	4,999	5,124	5,274	4,849	4,725
HINDALCO	679	681	693	707	667	654
HINDUNILVR	2,528	2,523	2,545	2,563	2,505	2,483
ICICIBANK	1,255	1,253	1,272	1,288	1,237	1,218
INDUSINDBK	1,042	1,089	1,153	1,264	978	914
INFY	1,862	1,861	1,877	1,892	1,846	1,831
IOC	146	149	152	157	143	140
ITC	482	483	492	503	473	464
JSWSTEEL	944	944	960	977	927	910
KOTAKBANK	1,769	1,771	1,785	1,800	1,755	1,741
LT	3,326	3,359	3,403	3,479	3,283	3,239
LTIM	5,903	5,903	5,983	6,062	5,823	5,744
M&M	2,721	2,744	2,808	2,895	2,657	2,592
MARUTI	11,503	11,580	11,725	11,947	11,358	11,213
NESTLEIND	2,261	2,268	2,279	2,298	2,250	2,239
NTPC	399	399	407	415	391	383
ONGC	264	266	269	275	260	256
POWERGRID	316	317	320	325	312	309
RELIANCE	2,656	2,663	2,682	2,708	2,637	2,618
SBILIFE	1,617	1,625	1,645	1,674	1,596	1,575
SBIN	781	785	797	813	768	756
SHREECEM	24,957	24,953	25,186	25,415	24,724	24,490
SUNPHARMA	1,860	1,862	1,874	1,888	1,848	1,837
TATAMOTORS	864	869	881	898	852	840
TATASTEEL	146	147	149	152	144	141
TCS	4,058	4,061	4,089	4,120	4,030	4,001
TECHM	1,716	1,723	1,736	1,755	1,704	1,691
TITAN	3,267	3,281	3,329	3,392	3,218	3,169
ULTRACEMCO	10,995	11,020	11,090	11,185	10,925	10,855
UPL	522	525	533	545	514	506
WIPRO	543	545	550	557	539	534

Source: Axis Direct.

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