

Indices	Current Value	% 1 D	% YTD
Sensex	82,201	-0.2	13.8
Nifty	25,145	-0.2	15.7
BSE Midcap	49,197	0.3	33.5
BSE Small cap	56,522	0.6	32.5

Sectors – Performance (BSE)

Consumer Dur	64,396	0.8	28.8
Telecom	3,266	0.7	44.2
IT	43,301	0.4	20.2
Realty	8,137	-1.0	31.5
Capital Goods	72,376	-0.6	30.1
Auto	58,417	-0.4	38.3

Nifty Gainers/Losers	CMP	% Chg
TITAN	3,723	3.2
LTIM	6,149	1.3
WIPRO	525	1.1
CIPLA	1,628	(1.5)
RELIANCE	2,986	(1.4)
DRREDDY	6,696	(1.3)

FII Trading activities in Cash

	Date	Net	MTD
FII	05-Sep-24	-689	287
DII	05-Sep-24	2,971	3,068

Figs. in Rs Cr.

Global Indices	Current Value	% 1 D	% YTD
Dow Jones	40,756	(0.5)	8.1
Nasdaq	17,128	0.3	16.0
DAX	18,577	(0.1)	10.8
Nikkei 225	36,697	0.1	10.2
FTSE 100	8,242	(0.3)	6.7
Hang Seng	17,444	0.0	3.9
Shanghai	2,799	0.4	(5.5)

Source: Bloomberg; As on 7:30 am IST

Forex Rate			
INR/USD	84.0	-0.0	-0.9
INR/EUR	93.2	-0.4	-1.3
INR/GBP	110.5	-0.3	-4.3
INR/YEN (100)	58.5	-0.4	0.5

Market Commentary

- **Asian Markets** are cautiously trading positively ahead of the US jobs data, while Japan's household spending misses expectations. Nikkei and Shanghai are trading higher by 0.12% and 0.38% respectively. Hong Kong markets are closed today due to Typhoon Yagi in the country.
- **Indian Indices** are expected to open in Red. GIFT Nifty was trading at 25,170 vs. yesterday's Nifty Futures' closing at 25,237.
- **US Markets** ended on a mixed note ahead of the monthly jobs data for August. Dow Jones ended lower by 219 points or 0.54% to close at 40,756 and the NASDAQ ended higher by 43 points or 0.25% to close at 17,128.

What's Inside:

- **Sector Report: Micro Finance Industry with Company Updates: CreditAccess Grameen Ltd (BUY), Ujvan Small Finance Bank Ltd (BUY), Bandhan Bank Ltd (HOLD)**

News in Focus

- **KEC International:** The company received new orders worth Rs 1,423 Cr for the supply and installation of 380 kV transmission lines in Saudi Arabia.
- **Rashtriya Chemicals & Fertilizers:** The company approved the issue of non-convertible debentures aggregating up to Rs 1,400 Cr in the period of the next twelve months through a private placement basis.
- **Aditya Birla Fashion And Retail:** The company will raise funds up to Rs 500 Cr through non-convertible debentures. It also approved the allotment of 5.57 Cr shares to shareholders of TCNS Holdings. The company will allot 11 ABFRL shares for every six held in TCNS Holding.
- **Ashoka Buildcon:** The company announced that its wholly-owned subsidiary, Viva Highways Ltd., has successfully monetised its land in Hinjewadi, Pune, for a total value of Rs 453 Cr.
- **L&T Finance:** The company has issued 17,500 listed, secured, rated, redeemable non-convertible debentures worth Rs 175 Cr to selected investors through a private placement on Sept 5, 2024.
- **Wipro:** The company has been enlisted by JFK International Air Terminal, the operator of JFK's Terminal 4, to help meet its net-zero targets.
- **Jindal Stainless:** The company has supplied high-strength tempered 301LN grade austenitic stainless steel for this prestigious government project. The coaches are manufactured by Integral Coach Factory and Bharat Earth Movers Ltd.

FY25 – A Year of Consolidation!

In the past decade, the Microfinance (MFI) Industry has faced 2 black-swan events – (a) Demonetization and (b) COVID-19, causing notable turbulence. However, the MFI sector demonstrated remarkable resilience during both these crises through effective strategic responses. As compared to demonetization where the recovery for microfinanciers was comparatively faster, COVID-19 had a more disruptive and long-lasting impact on the businesses and livelihood of borrowers, and the growth and asset quality of microfinanciers. However, most microfinanciers bounced back strongly and reported a robust performance over FY23-24. This was led by buoyant demand-led growth which was largely steered by strong customer addition and multi-year low asset quality metrics. Despite COVID headwinds, the microfinance industry has grown at a healthy pace of 17% CAGR over FY20-24, with a sharp growth recovery over FY23-24, as the industry reported a robust 23% CAGR over FY22-24.

- **RBI's revised norms created a level playing field for microfinanciers:** The RBI's steps towards harmonization of guidelines for all microfinance players created a level playing field for banks and NBFCs alike and was a key catalyst for the strong sector growth, largely driven by NBFCs. The primary focus for such change in regulations was primarily to (i) Avoid over-indebtedness and multiple lenders and (ii) Issues related to the pricing of microfinance loans for players.
- **NBFC-MFIs gain as banks and SFBs move away from MFI:** The industry has seen a gradual shift in share of banks and SFBs towards NBFC-MFIs. This shift has been stark post the RBI's harmonization of guidelines, with NBFC-MFIs accelerating growth resulting in a buoyant ~30% CAGR over FY22-24 vs Banks/SFBs growth of 12/16% CAGR over the same period. The share of NBFC-MFIs in the overall industry AUM has improved from 30% in Jun'19 to ~40% in Jun'24. This shift was also facilitated by SFBs and major Banks (mainly Bandhan) moving away from MFI to diversify their portfolios.
- **Concerns stemming led by aggressive growth by lenders:** Our interactions with microfinanciers indicate aggressive growth being pursued by lenders in Gujarat over the past 3-4 years. Similarly, the untapped states of Bihar and UP, where lenders were averse to lending earlier have seen increased interest and have facilitated the entry of multiple players contributing to customer over-leveraging. Bihar and Uttar Pradesh have reported a 25/31% CAGR GLP growth over FY20-24 (with stronger growth over FY22-24 of 35/39% CAGR respectively), despite COVID challenges. This growth has been largely led by aggressive customer onboarding (17-22% CAGR in both geographies) rather than a ticket size increase (~7-8% CAGR increase for both geographies). Industry data also suggests that the highest % of customers being over-leveraged is visible in Bihar (8.7% in Mar'24, vs peak of 10.4% in Jun'23), Uttar Pradesh (6.6% in Mar'24 vs peak of 7.7% in Jun'23), Odisha (9.8% in Mar'24 vs peak of 11.7% in Dec'23) and Tamil Nadu (11.8% in Mar'24 vs peak of 12.9% in Jun'23).
- **PAR levels rise:** Over the last 6-9 months, the sector has been grappling with multiple challenges in the form of 'Karza Mukti Abhiyan', Heatwaves, and General Assembly Elections collectively impacting collections for lenders and driving PAR levels higher. In Q1FY25, microfinanciers acknowledged customer over-leveraging and transitory issues having an impact on collections. Taking cognizance of the evolving stress in the sector, MFIN introduced 2 new guardrails which include (a) Limiting the indebtedness of microfinance borrowers at Rs 2 Lc and (b) Capping the number of microfinance lenders for each borrower at 4. While these steps are in the right direction, they will weigh on the near-term performance of lenders.

Based on our interactions with microfinanciers under our coverage, a consensus view has been of no significant improvement in collections efficiency over Jul-Aug'24. Lenders have upped their guard by tightening credit filters, limiting new customer sourcing and focusing on improving collections. With the MFIN guidelines being effective, lenders expect trends to stabilize by the end of Q3FY25 and an improvement to be visible from Q4FY25 onwards. Currently, the risk of stress spilling over to FY26E seems lower. Thus, growth in the microfinance segment will remain muted over the next couple of quarters and accelerate as lenders exit FY25 with additional support by healthy demand in a seasonally strong Q4. PAR is yet to peak out and slippages in Q2FY25 will continue to remain higher or similar to Q1FY25. Credit costs will also inch up to account for the incremental stress. Thus, near-term headwinds will limit the upside potential for microfinanciers. However, we continue to prefer CAGrameen amongst MFIs backed by its ability to deliver robust return ratios, adequate capitalization and a strong management team.

Our Microfinance Coverage

CreditAccess Grameen	BUY – Rs 1,655
Ujjivan Small Finance Bank	BUY – Rs 62
Bandhan Bank	HOLD – Rs 205

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Non-Core Geographies Exhibit Stress

Q1FY25 Recap: CAGrameen reported a steady quarter, largely in line with seasonal trends and reflecting the growing stress in the MFI sector. Disbursement growth tapered QoQ (-44% QoQ) owing to (I) Seasonal weakness generally seen in Q1, (II) Severe heat wave across several regions and (III) Operational limitations during general elections. AUM growth was slower than our expectation at 21% YoY and de-grew by 2% QoQ. Despite the temporary increase in delinquencies, GNPA (60+dpd) stood at 1.46% and NNPA at 0.45% (PCR of 69%) vs 1.2/0.4% QoQ. Collection Efficiency (CE) exd-arrears stood at 97.8% vs. 98.3% QoQ. PARO stood at 2.5% vs 1.7% QoQ.

Key Takeaways

- Collections face headwinds:** Though Jun'24 was the worst in terms of collections in Q1FY25, the company has seen a slight improvement in Jul-Aug'24 CE. However, forward flows will continue in Q2FY25 resulting in increased PAR. Resultantly, slippages would be largely in line with Q1FY25. However, CAGrameen expects some stability from Sep'24 onwards as the CE in the PAR customers is seeing signs of improvement. Centre meeting attendance continues to remain stable with no major variance. It currently stands at 65-70% (which is a new normal) vs pre-COVID levels of 75-80%. The company has not seen any major challenges on CE in the core states (MH, KA, most part on TN and MP) except in certain pockets of TN (mainly owing to over-leveraging, the industry also shows highest customer % having exposure to over 4 lenders). CAGrameen's stressed geographies have been Rajasthan (RJ, AUM of Rs 300 Cr), Jharkhand (JH, AUM of Rs 400 Cr), Kerala (KL, AUM of Rs 600-700 Cr), plus some stress in certain select pockets of Maharashtra (MH) and Madhya Pradesh (MP). In Q1FY25, some stress was visible in Gujarat (GJ, AUM of Rs 300 Cr), however trends have been stable currently. The company expects trends to stabilise in Q3FY25 and improve from Q4FY25 onwards.
- Delinquency trends vary:** PAR in the core geographies has continued to remain steady. However, in geographies where the company has a significant overlap with other lenders, PAR rates are higher. Thus, in the non-KA states, given that CAGrameen is a late entrant, PAR rates tend to be higher. The lowest delinquencies are visible in unique customers, while the highest is visible amongst customers with lower vintage and higher leverage. Currently, the stressed geographies form <10% of the AUM. While the company remains optimistic about maintaining credit costs in the guided range of 2.2-2.4% for FY25 (vs Q1FY25 credit cost of 2.6%), we could see the risk of an upward revision in Q2FY25. Assuming ~10% of the stressed pool to slip, the company expects credit costs to inch up by 50-100bps at max for FY25. We revise our credit costs estimates marginally higher for FY25, resulting in an earnings cut of ~4%, while broadly maintaining our FY26-27E estimates.
- MFIN guardrails to shift focus on NTC/lower leverage customers:** Taking cognizance of the rising stress in the sector, MFIN introduced 2 new guidelines for its members which include (a) Limiting the indebtedness of microfinance borrowers at Rs 2 Lc and (b) Capping the number of microfinance lenders for each borrower at 4. Currently, ~8% of CAGrameen's customer base has exposure to >4 lenders and CAGrameen can either graduate some of these borrowers to retail loans based on the customer vintage/track record or will have to allow them to mature. Hereon, the company is aiming at onboarding NTC customers or customers with 1-2 lenders.
- Holding on to GLP growth guidance:** While disbursements in Q2FY25 are likely to remain muted and similar to Q1FY25, the company remains confident of delivering GLP growth of 23-24% in FY25, with recovery in H2FY25. However, with the disbursement rate decelerating in stressed geographies along with increased rejection rates, we trim our growth estimates marginally for FY25 and expect improved performance from FY26E onwards, assuming no spillover. CAGrameen expects to push the growth pedal on disbursements from Sep'24 onwards as PAR levels stabilise. Additionally, the company does not face any challenges on the liability front contrary to certain other industry players. The company continues to witness strong demand and growth in the retail portfolio which has crossed AUM of Rs 500 Cr with PAR under control. We expect CAGrameen to deliver a healthy 23% CAGR growth over FY24-27E with the share of retail loans gradually improving.
- Refuting rumours of promoter stake sale:** Contrary to certain media reports, the company has refuted the speculations of a stake sale by the promoter. Currently, the promoter entity of CAGrameen is CreditAccess India, which was an outcome of the vertical demerger at the parent company level.

Outlook:

Backed by an improving mix of non-MFI products and growth gradually picking up pace post-near-term headwinds, broadly steady NIMs and a controlled cost structure, we expect CAGrameen to deliver a GLP/NII/Earnings growth of 23/23/21% CAGR over FY24-27E. We value CAGrameen at 2.4x FY26E BV vs. its current valuation of 1.9x FY26E BV, to arrive at a revised target price of Rs 1,555/share, implying an upside of 31% from the CMP. We maintain our BUY recommendation on the stock, given that the risk-reward is favourable. Barring the near-term pain, we believe CAGrameen's premium valuations are justified owing to its ability to deliver robust return ratios, adequate capitalization and a strong management team.

(CMP as of 04 September, 2024)

CMP (Rs)	1,185
Upside/Downside (%)	31%
High/Low (Rs)	1,794/1,154
Market cap (Cr)	18,912
Avg. daily vol. (6m) Shrs.	3,11,661
No. of shares (Cr)	15.9

Shareholding (%)

	Dec-23	Mar-24	Jun-24
Promoter	66.7	66.6	66.5
FII	12.0	11.7	10.9
MFs / UTI	13.9	14.0	14.3
Others	7.4	7.7	8.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY26E	FY27E
Nil	3,934	4,811	5,936
PPOP	2,973	3,529	4,466
Net Profit	1,651	2,120	2,606
EPS (Rs)	103.6	133.0	163.5
BV (Rs)	515.8	638.6	800.2
P/BV (x)	2.3	1.8	1.5
RoA (%)	5.1	5.4	5.4
NNPA (%)	0.4	0.4	0.4

Change in Estimates (%)

Y/E Mar	FY26E	FY26E	FY27E
Nil	0.0	-0.2	0.2
PPOP	0.0	0.0	0.5
PAT	-3.6	-0.4	0.2

ESG disclosure Score**

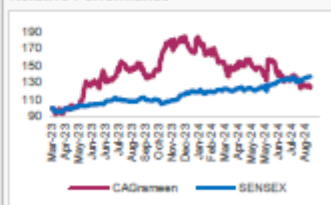
Environmental Disclosure	N/A
Social Disclosure Score	N/A
Governance Disclosure Score	N/A
Total ESG Disclosure Score	N/A

Sector Average 38.9

Source: Bloomberg, Scale: 0-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2023 disclosures.

Relative Performance



Source: AceEquity, Axis Securities Research

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Asset Quality Concerns to Remain a Near-Term Overhang!

Q1FY25 Recap: UJSFB reported numbers were better than our expectations across operational metrics. However, the growth momentum decelerated, with disbursements reporting flat YoY growth and a de-growth of 21% QoQ, largely on the back of a slowdown in the MFI disbursements (-5/-21% YoY/QoQ). Advances growth was in line with management guidance at 19/1% YoY/QoQ with the share of secured portfolio improving to 31.3% vs 30.2% QoQ. Credit costs are gradually normalizing and stood at 1.4%, higher QoQ, reflecting the asset quality stress in the MFI portfolio.

Key Takeaways

- Collections largely stable QoQ, geographical trends vary: UJSFB has not seen any meaningful improvement in Collection Efficiency (CE) in Jul-Aug'24 over Q1FY25, primarily owing to heavy rains and flood-like situations in certain geographies. Apart from this, the MFI guardrails have also had an impact on collections, with the restrictions barring customers from borrowing from other lenders to repay existing loans. While on an overall basis, CE is likely to remain stable QoQ, certain geographies – GJ, RJ, TN (certain pockets in southern TN) and KL continue to witness pain and contribute to higher PAR. Resultantly, forward flows have increased and the bank expects slippages in Q2FY25 to be higher sequentially. Consequently, credit costs are expected to inch up and range between 1.5-1.6% over the next couple of quarters vs 1.4% in Q1FY25. However, the bank is confident of containing credit costs at 1.7% for FY25, backed by expectations of trends improving from the end of Q3FY25 onwards. With the effect of the MFI guardrails visible in totality by Nov-Dec'24, the bank expects green shoots to be visible in terms of demand recovery and reduced customer over-leveraging.
- Pro-active measures taken to control stress: The bank has classified its branches into 3 tranches – 'Red' (5-6% of branch network), 'Amber' (50-60% of branch network) and 'Green' (balance of branch network) depending on the level of stress. The bank has completely stopped new customer sourcing in the Red branches and the focus remains solely on improving collections. In Jul'24, UJSFB witnessed a slight reduction in the proportion of 'Red' branches, which were classified as Amber. Having faced severe challenges in its MFI book during COVID, with PARD/GNPA sky-rocketing to ~18.9/11.8% in Sep'21 (peak PARD in Jun'21 was ~31%), the bank is now cautious in pursuing growth in the group MFI loans and has seen a significant increase in rejection rates in both the 'Amber' and 'Green' branches.
- Non-MFI book continues to grow well: While headwinds on group MFI loans will restrict growth (Q2FY25 group MFI loan growth likely to report flat-to-marginal de-growth QoQ) in the segment, individual loans continue to exhibit better repayment, PAR and business trends. The bank remains confident of pursuing growth in that segment which would support overall MFI growth. Similarly, the non-MFI secured businesses continue to tread well led by strong growth in housing loans (likely growth of ~40% in FY25) and a gradual pick-up in MSME loans with a focus on working capital and term loans to the semi-formal and formal segment. The newer segments (gold, vehicle finance) will continue their robust growth delivery albeit on a lower base. UJSFB remains confident of delivering on its guidance of 20% credit growth in FY25.
- Focus on maintaining the C-D Ratio at ~85%: Given that the bank has trimmed its credit growth guidance, UJSFB will look to maintain its deposit growth in line with credit growth. Thus, C-D Ratio is expected to be maintained at ~85% (+/-200bps) on a steady-state basis. In Q1FY25, the C-D Ratio stood at 83.4%. The bank has cut both TD and SA rates (in Rs 1-5 Lc bucket) by 25bps and expects to maintain CoF in a tight range of around ~7.5% (+/-5-10bps).
- Confident in maintaining NIMs at 9%: As the bank's portfolio mix shifts towards secured products, yields will come under pressure resulting in margin compression. Even as group MFI growth faces headwinds, the bank is confident of buoyant growth in the individual loans where yields are 75-100bps better than group loans, thereby supporting NIMs. Additionally, while margin compression is imminent, the bank's focus towards better-yielding products in certain segments should lend some support to NIMs. Thus, UJSFB remains confident in defending NIMs at 9% in FY25 with moderation from FY26E onwards.

Outlook

Given the stress in the microfinance (group) segment, the bank is pursuing growth in a risk-calibrated manner. With asset quality concerns continuing over the next couple of quarters, we expect some recovery as the bank exits FY25. Even as growth in group loans is set to moderate, individual loans and housing loans will continue to drive growth for the bank. Despite slower growth, NIM pressures and higher credit costs, we expect RoA to remain at 2.5%+ in FY25 and a similar range over FY26-27E. UJSFB currently trades at 1.1x FY26E ABV and we value UJSFB at 1.3x FY26E ABV to arrive at a target price of Rs 52/share, implying an upside of 18% from CMP. We maintain our BUY recommendation on the stock owing to reasonable valuations for a RoA/RoE delivery of ~2.8%/20-22% over the medium term.

(CMP as of 04 September, 2024)

CMP (Rs)	44
Upside/Downside (%)	18%
High/Low (Rs)	63/40
Market cap (Cr)	8,493
Avg. daily vol. (6m) Shrs.	1,58,98,309
No. of shares (Cr)	193.2

Shareholding (%)

	Dec-23	Mar-24	Jun-24
Promoter	73.6	73.5	0.0
FII	3.7	3.5	24.7
MFs / UTI	1.3	0.6	4.1
Others	21.4	22.4	71.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY28E	FY27E
Nil	4,012	4,767	5,767
PPOP	2,156	2,599	3,236
Net Profit	1,227	1,523	1,905
EPS (Rs)	6.4	7.9	9.9
ABV (Rs)	33.5	40.0	48.3
PIABV (x)	1.3	1.1	0.9
RoA (%)	2.8	2.8	2.8
NNPA (%)	0.4	0.4	0.4

Change in Estimates (%)

Y/E Mar	FY26E	FY28E	FY27E
Nil	-	-	-
PPOP	-	-	-
PAT	-	-	-

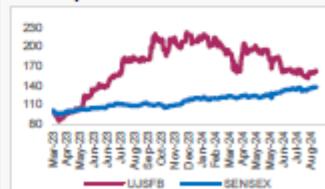
ESG disclosure Score**

Environmental Disclosure	N.A.
Social Disclosure Score	N.A.
Governance Disclosure Score	N.A.
Total ESG Disclosure Score	N.A.
Sector Average	38.8

Source: Bloomberg, Scale: 0-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2023 disclosures.

Relative performance



Source: Ace Equity, Axis Securities Research

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Challenges Surface After a Good Q1!

Q1FY25 Recap: Bandhan delivered a surprise in Q1FY25 with the bank's advances growing by 22% YoY and flat QoQ (better performance in a seasonally weak quarter vs the historical trend of sharp QoQ de-growth in Q1). Collection Efficiency (CE) for EEB loans was largely stable at 98.7% vs. 99% QoQ. GNPA/NNPA inched up to 4.2/1.2% vs 3.8/1.1% QoQ owing no write-offs and seasonality. Though slippages moderated sequentially, the slippage ratio was elevated at 2.8% vs 3.4% QoQ.

Key Takeaways:

- Challenging Q2FY25 in sight:** After a steady Q1FY25, Bandhan has witnessed an unencouraging start to Q2FY25 with CE faltering over Jul-Aug'24. Resultantly, the bank expects an inch-up in the SMA1 and SMA 2 pool which is likely to stabilize 2-2.5% on a steady state basis. Slippages during the quarter are expected to inch up and be higher QoQ. Resultantly, the bank expects a slowdown in growth growth on a sequential basis in the EEB book, though the non-EEB book growth will continue to tread well.
- Collections take a hit across most geographies:** West Bengal (WB), Bihar (BR) and Uttar Pradesh (UP) are key geographies having a double-digit share in the EEB advances mix. Other than these geographies, Bandhan is present in Rajasthan (RJ) and Assam (AS). Amidst challenges on collections, the CE in WB has continued to hold up well vs other geographies. However, CE in Tripura and Assam was impacted by floods. Similarly, some pockets in UP continue to exhibit stress. While Bihar has held up well, the bank has started seeing initial signs of stress in the state and is being closely monitored. The socio-political situation is currently evolving and the bank believes it is early to comment on the potential impact on collections.
- Lower share of customers with exposure to >4 lenders:** With a stringent policy of lending to borrowers having Bandhan +2 lenders, less than 5% of Bandhan's customer base has exposure to >4 lenders. We believe Bandhan also stands to benefit from its dominant presence in West Bengal (24% mix in advances in Q1FY25), where the proportion of customers having >4 lenders is significantly lower vs other states and industry average. Given an extended recovery from COVID-related stress, the bank had tightened its filters by keeping a cooling period of 90 days vs the industry norm of 30 days for NPA accounts. Similarly, Bandhan offers loans to customers with a credit score of 600-650. The bank has also segregated its sourcing, underwriting and collection teams. Moreover, Bandhan is also aiming to regularize the discipline in the centre meeting by restoring the meeting attendance to pre-COVID levels of 80-85% in the coming quarters. Currently, the centre meeting attendance stands at 70-75%, showing a recovery from 50-60% during COVID.
- Holding on to FY25 growth guidance:** Despite challenges on growth in Q2FY25, the bank expects trends to stabilize as it exits Q3FY25 and growth momentum to resume in Q4FY25. Thus, the bank continues to re-iterate its guidance of credit growth of 18-20% for FY25, with slower growth in the EEB book. We keep our credit growth estimates unchanged, given expectations of MFI growth improving in Q4, which is a seasonally strong quarter. We expect ~20% CAGR advances growth over FY24-27E, driven by improving share of non-EEB portfolio, with housing book growth (which has been a laggard) picking up meaningfully in FY26E.
- Multiple initiatives to ramp up deposit growth:** Bandhan plans to offer multiple products – CMS, Transaction banking (introduced in the current quarter), and Forex to ensure customer stickiness in CA Deposits. Similarly, the bank will look to enhance its SA proposition by introducing credit cards (over the next couple of quarters) and wealth management. Bandhan has added 500 branches over the past 12 months, mainly concentrated in deposit catchment areas which should augur well for the bank as it aims to accelerate deposit growth thereby gradually improving the C-D Ratio. The bank remains confident of maintaining NIMs between 7-7.5% given limited opportunities for yield improvement and some catch-up on CoF yet to happen. In Q1FY25, NIMs stood at 7.6%.
- Adequately Capitalized:** Despite the bank voluntarily increasing the risk weight on the EEB book to 125% vs 75% previously in Q1FY25, Bandhan remains confident that the current Tier I capital of 14.7% would be adequate to fuel medium-term growth. Going forward, credit growth would be driven by non-EEB segments and hence capital consumption would be lower.

Outlook

Post navigating the COVID-related headwinds for an extended period, Bandhan is gradually getting back its growth momentum. Taking cognizance of the MFI sector headwinds, we believe Bandhan's near-term performance will remain impacted, with recovery in sight only as the bank exits FY25. However, growth momentum in the non-EEB secured portfolio will continue to remain healthy and the portfolio mix shifting towards secured products would help reduce the element of cyclicality. Though the stock trades at reasonable valuations, for a potential RoA/RoE delivery of 2.1-2.2%/17-20% over FY25-27E, we continue to maintain a HOLD recommendation on the stock given ambiguity relating to the strategy implementation as the bank awaits clarity on the appointment of the new MD CEO along with the outcome of the CGFMU audit. We value Bandhan at 1.2x FY26E ABV to arrive at a target price of Rs 205/share, implying an upside of 3% from the CMP.

(CMP as of 04 Sep, 2024)

CMP (Rs)	200
Upside/Downside (%)	3%
High/Low (Rs)	263/169
Market cap (Cr)	31,003
Avg. daily vol. (6m) Shrs.	1,70,55,486
No. of shares (Cr)	161.1

Shareholding (%)

	Dec-23	Mar-24	Jun-24
Promoter	40.0	40.0	40.0
FIs	34.8	31.2	28.3
MFs / FIs	9.6	8.1	7.8
Others	15.6	20.8	23.9

Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY26E	FY27E
Nil	12,516	14,801	17,854
PPOP	8,212	9,641	11,828
Net Profit	4,132	4,887	6,188
EPS (Rs)	25.7	30.3	38.4
ABV (Rs)	145.4	169.0	199.0
PIABV (x)	1.4	1.2	1.0
RoA (%)	2.1	2.1	2.2
NNPA (%)	1.1	1.0	1.0

Change in Estimates (%)

Y/E Mar	FY26E	FY26E	FY27E
Nil	-	-	-
PPOP	-	-	-
PAT	-	-	-

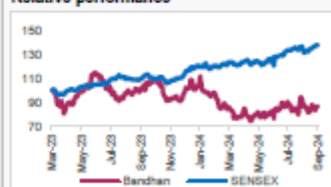
ESG disclosure Score**

Environmental Disclosure	2.4
Social Disclosure Score	26.8
Governance Disclosure Score	78.6
Total ESG Disclosure Score	38.0
Sector Average	38.8

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2023 disclosures.

Relative performance



Source: Ace Equity, Axis Securities Research

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Axis Intellect: Intraweek Stocks for the week 02 Sep 2024 to 09 Sep 2024`

Name of Stock	Sector	Mcap
TATA CONSUMER PRODUCTS LIMITED	Staples	Large Cap
BHARAT PETROLEUM CORPN. LTD.,	Oil & gas	Large Cap
METROPOLIS HEALTHCARE LIMITED	Healthcare	Small Cap
MAHINDRA & MAHINDRA LTD.	Auto & Anc	Large Cap
SIEMENS LTD.	Industrials	Large Cap
GLAXOSMITHKLINE PHARMACEUTICALS	Healthcare	Mid Cap
EICHER MOTORS LTD.	Auto & Anc	Large Cap
ADANI ENERGY SOLUTIONS LIMITED	Utilities	Large Cap
TATA CHEMICALS LTD	Agri & Chem	Mid Cap
SHYAM METALICS AND ENERGY LIMITED	Metals & min	Small Cap

Investment Picks

Company	Recommendation	CMP	Target Price	% Upside
Aarti Industries Ltd	BUY	617	815	32.1
Ambuja Cements Ltd	BUY	632	750	18.7
APL Apollo Tubes Ltd	BUY	1,440	1,650	14.6
Aptus Value Housing Finance India Ltd	BUY	328	385	17.4
Archean Chemical Industries Ltd	BUY	729	829	13.7
Aurobindo Pharma Ltd	BUY	1,533	1,730	12.9
Automotive Axles Ltd	BUY	1,986	2,210	11.3
Bank of Baroda Ltd	BUY	244	320	31.3
Bharti Airtel Ltd	BUY	1,547	1,750	13.1
Birla Corporation Ltd	BUY	1,353	1,505	11.2
Cholamandalam Investment & Finance Company Ltd	BUY	1,533	1,710	11.6
CIE Automotive India Ltd	BUY	574	650	13.2
Cipla Ltd	BUY	1,628	1,800	10.6
Coal India Ltd	BUY	497	575	15.6
CreditAccess Grameen Ltd	BUY	1,180	1,555	31.8
Dabur India Ltd	BUY	645	710	10.2
Dalmia Bharat Ltd	BUY	1,914	2,120	10.8
DCB Bank Ltd	BUY	122	150	22.7
Federal Bank Ltd	BUY	190	230	21.2
G R Infraprojects Ltd	BUY	1,607	1,820	13.2
H. G. Infra Engineering Ltd	BUY	1,522	1,800	18.3
Happiest Minds Technologies Ltd	BUY	802	930	16.0
HDFC Bank Ltd	BUY	1,645	1,950	18.5
ICICI Bank Ltd	BUY	1,236	1,425	15.3
IDFC First Bank Ltd	BUY	75	90	20.0
IndiaMART InterMESH Ltd	BUY	3,031	3,620	19.4
J.Kumar Infraprojects Ltd	BUY	793	950	19.8
JK Lakshmi Cement Ltd	BUY	793	950	19.9
Juniper Hotels Ltd.	BUY	400	475	18.6
Karnataka Bank Ltd	BUY	224	275	22.8
Kotak Mahindra Bank Ltd	BUY	1,778	2,040	14.7
KPIT Technologies Ltd	BUY	1,722	2,150	24.9
Man Infraconstruction Ltd.	BUY	196	240	22.5
Manappuram Finance Ltd	BUY	210	250	18.9
MAS Financial Services Ltd	BUY	287	360	25.5
Nestle India Ltd	BUY	2,510	2,800	11.6
NLC India Ltd	BUY	281	340	21.1
NTPC Ltd	BUY	404	450	11.5
P I Industries Ltd	BUY	4,511	4,980	10.4
Pitti Engineering Ltd	BUY	1,311	1,572	19.9
Prestige Estates Projects Ltd	BUY	1,781	2,195	23.2
PSP Projects Ltd	BUY	672	810	20.6
Sansera Engineering Ltd	BUY	1,411	1,875	32.9
SIS Ltd	BUY	406	540	33.1
Star Cement Ltd	BUY	223	250	12.3
State Bank of India	BUY	819	1,030	25.8
Steel Strips Wheels Ltd	BUY	228	300	31.9
TVS Motor Company Ltd	BUY	2,760	3,100	12.3
Ujjivan Small Finance Bank Ltd	BUY	44	52	18.3
Varun Beverages Ltd	BUY	1,505	1,800	19.6
Welspun Living Ltd	BUY	190	224	18.2
Westlife Foodworld Ltd	BUY	819	915	11.8

Index	CMP	% Chng	S2	S1	P	R1	R2
Nifty	25,145.10	-0.21%	25035	25090	25185	25240	25330
Sensex	82,201.16	-0.18%	81830	82015	82315	82500	82805
Bank Nifty	51,473.05	0.14%	51250	51365	51500	51610	51745



Nifty opened with an upward gap but witnessed selling from an opening hour, ending on a negative note. Nifty closed at 25145 on 5th September, marking a loss of 54 points.

On the daily chart, the index has formed a bearish candle but is currently trading at near all-time highs, indicating that the current price action might be just a pullback. The index is moving in a higher top and higher bottom formation on the daily chart, suggesting a sustained uptrend. The chart pattern suggests that if Nifty crosses and sustains above the 25250 level, it could witness buying, potentially leading the index toward the 25350-25500 levels. Important support for the day is around 25000. However, if the index sustains below 25000, it may see profit booking, which could push the index toward the 24800-24900 levels. Nifty is trading above the 20, 50, 100, and 200-day SMAs, indicating a positive bias in the short to medium term. Nifty remains in an uptrend for the short term, making buying on dips our preferred strategy.

The daily strength indicator RSI remains flat and is below its reference line, indicating a lack of momentum in either direction.

The trend-deciding level for the day is 25185. If Nifty trades above this level, we may witness a further rally up to the 25240-25330-25385 levels. However, if Nifty trades below 25185, we may see some profit booking, which could correct Nifty down to the 25090-25035-24940 levels.



Bank Nifty opened with an upward gap and experienced extreme volatility on both sides throughout the day. It closed at 51473 on 5th September with a gain of 73 points.

On the daily chart, the index formed a small bearish candle with shadows on both sides, indicating indecisiveness among participants regarding direction. The index is trading below the 61.8% Fibonacci retracement level of the fall from 53357 to 49659, positioned at 51947, which is crucial as it often acts as significant resistance. The chart pattern suggests that if Bank Nifty crosses and sustains above the 51650 level, it could see buying momentum, pushing the index toward the 51800-52000 levels. Important support for the day is around 51350. However, if the index sustains below 51350, it could witness profit booking, pulling the index toward the 51250-51000 levels. Bank Nifty is trading below its 50-day SMAs, indicating a negative bias in the short term. It remains in a downtrend, making exiting on small pullback rallies our preferred strategy.

The daily strength indicator RSI remains flat and is above its reference line, indicating a lack of momentum in either direction.

The trend-deciding level for the day is 51500. If Bank Nifty trades above this level, we may witness a further rally up to 51610-51745-51860 levels. However, if it trades below 51500, profit booking may correct Bank Nifty down to the 51365-51250-51115 levels.

Trading Insights

Insight from trading volumes

Script	CMP	Total Volume (x1000)	Monthly Avg Volume(x1000)	% Change
TITAN	3,723	3,643	1,299	180.4%
IOC	181	50,150	18,307	173.9%
NESTLEIND	2,505	1,214	787	54.3%
LT	3,624	3,032	1,966	54.2%
ULTRACEMCO	11,543	422	308	37.2%
ASIANPAINT	3,238	1,536	1,121	37.0%
UPL	619	3,740	2,868	30.4%

Insight from delivery

Script	CMP	Total Delivery Volume(x1000)	Monthly Avg Delivery Volume(x1000)	%Change
JSWSTEEL	925	1,523	958	58.9%
WIPRO	525	5,221	3,300	58.2%
COALINDIA	497	8,755	5,614	55.9%
MARUTI	12,299	534	347	53.8%
DRREDDY	6,696	314	206	52.5%
ASIANPAINT	3,238	854	583	46.3%
BAJAJ-AUTO	10,850	231	167	37.8%

*CMP-Closing Market Price

Daily Support/ Resistance of Nifty Companies

Company	CMP	Pivot Point	R1	R2	S1	S2
NIFTY 50	25,145	25,183	25,238	25,330	25,090	25,035
ADANI PORTS	1,466	1,468	1,474	1,482	1,460	1,455
ASIANPAINT	3,238	3,237	3,258	3,278	3,217	3,196
AXISBANK	1,181	1,179	1,184	1,188	1,175	1,170
BAJAJ-AUTO	10,850	10,898	10,971	11,092	10,777	10,705
BAJAJFINSV	1,865	1,863	1,876	1,888	1,852	1,839
BAJFINANCE	7,243	7,268	7,343	7,443	7,168	7,093
BHARTIARTL	1,547	1,550	1,560	1,572	1,538	1,529
BPCL	361	360	365	369	356	352
BRITANNIA	5,854	5,869	5,905	5,956	5,818	5,782
CIPLA	1,628	1,637	1,651	1,674	1,614	1,600
COALINDIA	497	500	505	513	492	487
DIVISLAB	5,107	5,119	5,152	5,197	5,074	5,041
DRREDDY	6,696	6,744	6,801	6,906	6,638	6,581
EICHERMOT	4,800	4,817	4,847	4,895	4,770	4,740
GAIL	228	229	231	234	226	224
GRASIM	2,742	2,753	2,771	2,799	2,724	2,706
HCLTECH	1,791	1,785	1,803	1,816	1,773	1,755
HDFCBANK	1,645	1,646	1,650	1,654	1,642	1,638
HDFCLIFE	752	754	757	762	749	745
HEROMOTOCO	5,734	5,728	5,805	5,877	5,656	5,579
HINDALCO	670	670	673	675	667	665
HINDUNILVR	2,838	2,839	2,854	2,870	2,823	2,808
ICICIBANK	1,236	1,237	1,243	1,251	1,230	1,224
INDUSINDBK	1,423	1,430	1,441	1,459	1,412	1,400
INFY	1,933	1,928	1,946	1,958	1,915	1,897
IOC	181	181	184	187	178	175
ITC	511	510	513	515	508	505
JSWSTEEL	925	931	939	952	918	910
KOTAKBANK	1,778	1,775	1,790	1,801	1,763	1,748
LT	3,624	3,634	3,659	3,693	3,599	3,574
LTIM	6,149	6,137	6,213	6,276	6,073	5,997
M&M	2,723	2,736	2,759	2,795	2,699	2,676
MARUTI	12,299	12,299	12,369	12,440	12,229	12,159
NESTLEIND	2,505	2,512	2,533	2,560	2,485	2,464
NTPC	403	405	407	411	401	398
ONGC	311	313	316	320	309	306
POWERGRID	331	332	334	336	329	327
RELIANCE	2,987	3,004	3,035	3,082	2,957	2,926
SBILIFE	1,908	1,910	1,920	1,932	1,898	1,888
SBIN	819	818	823	826	815	811
SHREECEM	25,662	25,855	26,087	26,513	25,430	25,197
SUNPHARMA	1,827	1,830	1,840	1,854	1,816	1,806
TATAMOTORS	1,069	1,074	1,081	1,093	1,062	1,055
TATASTEEL	152	152	153	154	151	150
TCS	4,476	4,476	4,499	4,521	4,454	4,432
TECHM	1,640	1,644	1,655	1,671	1,628	1,617
TITAN	3,723	3,692	3,785	3,846	3,631	3,538
ULTRACEMCO	11,543	11,625	11,740	11,937	11,428	11,314
UPL	619	616	626	632	609	600
WIPRO	525	523	527	530	521	517

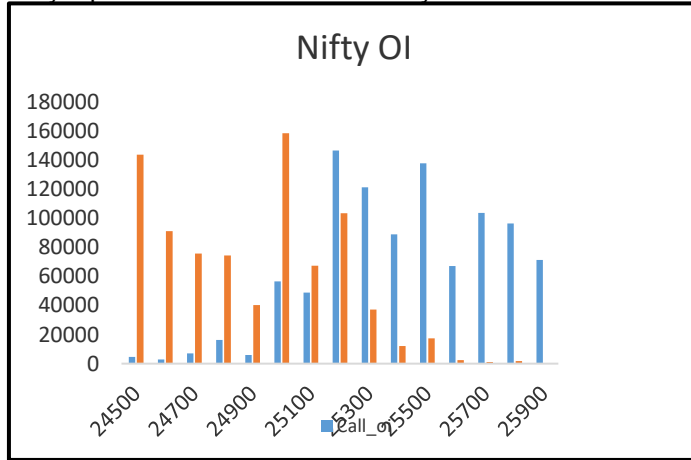
Source: Axis Direct.

Nifty Futures View	
Nifty Futures	25236.75
Nifty Futures OI	16158525
Change in OI	-3,16,100
Premium / Discount	91.65
Inference	Long_Unwinding

Volatility	
India VIX Index	14.21
Nifty ATM Avg IV	12.09
BankNifty ATM Avg IV	12.99
PCR NIFTY	0.97
PCR BANKNIFTY	0.79

BankNifty Futures View	
BankNifty Futures	51727.6
BankNifty Futures OI	2570955
Change in OI	-39,525
Premium / Discount	254.55
Inference	Short_Covering

Nifty Options OI Distribution-Weekly



HIGHLIGHTS:

Nifty Futures closed at 25237 yesterday on a negative note, with a price cut of 0.04% and 1.92% decrease in the open interest, indicating a Long Unwinding. It closed at a premium of 92 points compared to its previous day's premium of 49 points.

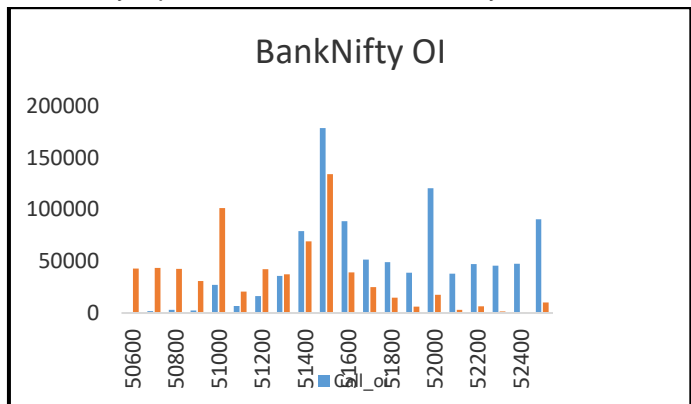
Bank Nifty closed at 51728 yesterday on a positive note with price gain of 0.23% & 1.51% decrease in open interest indicating Short Covering. It closed at a premium of 255 points compared to its previous day's premium of 207 points.

In Yesterday's Trading Session FI's

Sold Index Futures to the tune of 670 Cr,
Sold Index Option worth 58671 Cr,
Sold Stock Futures to the tune of 4200 Cr,
Sold Stock Options to the tune of 2698 Cr,
Net Sold in the derivative segment to the tune of **66240 Cr**.
In Cash Segment
FI Sold 688.69 Cr & DI Bought 2970.74 Cr.

The India VIX index is at 14.21 vs 14.23, **Nifty ATM IV** is trading at 12.09, while BankNifty IV is quoting at 12.99

Bank Nifty Options OI Distribution-Weekly



Index options PCR is at 0.97 v/s 0.82 to its previous day closing.

Nifty Put options OI distribution shows that 25000 has the highest OI concentration followed by 24800 and 25200 which may act as support for current expiry.

Nifty Call options OI shows that 26000 has the highest OI followed by 25300 which may act as resistance for current expiry.

BankNifty Put options OI distribution shows that 51000 has the highest OI concentration followed 51500 which may act as support for the current expiry.

BankNifty Call strike 52000 followed by 51500 witnessed significant OI concentration and may act as resistance for the current expiry.

SECURITIES IN BAN PERIOD: ABFRL, BALRAMCHINI, BANDHANBNK, BIOCON, CHAMBALFERT, HINDCOPPER, RBLBNK

Stock Futures - Long Build

Symbol	Open Interest	% Chg	Future Price	% Chg
SYNGENE	6697000	14.77%	911.5	3.06%
MUTHOOTFIN	3919850	11.27%	1998.1	1.85%
GMRINFRA	334991250	9.07%	96.38	2.82%
IPCALAB	3110250	8.58%	1447.7	2.05%

Stock Futures - Short Build Up

Symbol	Open Interest	% Chg	Future Price	% Chg
MFSL	9381600	54.00%	1123.35	-1.43%
CHAMBALFERT	14683200	15.79%	515.1	-3.29%
RELIANCE	55088250	7.28%	2999.45	-1.25%
BATAINDIA	3286125	6.96%	1444.65	-0.57%

Nifty 50 Open Interest (OI) Dashboard - Support / Resistance

HIGHEST OPEN INTEREST IN NIFTY 50 – STOCKS CE & PE					
NIFTY 50	CE STRIKE	CE OI	CMP	PE Strike	PE OI
NIFTY 50	CE STRIKE	CE OI	3029.5	2800	1670400
ADANIEN	3200	2227800	1470.9	1460	868000
ADANIPTS	1500	2460800	6956.7	7000	88500
APOLLOHOSP	7000	197375	3247.05	3200	378400
ASIANPAINT	3400	734400	1183.8	1200	1450625
AXISBANK	1200	3564375	10912.65	10000	207150
BAJAJ-AUTO	11000	140250	1872.5	1700	750000
BAJAJFINSV	1900	1591000	7270.55	7000	387125
BAJFINANCE	8000	843375	1555.25	1500	1218375
BHARTIARTL	1600	3140700	362.4	350	3090600
BPCL	370	7813800	5874.45	5500	77000
BRITANNIA	6000	167000	1632.35	1640	480350
CIPLA	1660	788450	499.9	500	4771200
COALINDIA	540	6864900	5129.35	5000	121600
DIVISLAB	5100	216800	6731.4	6500	126000
DRREDDY	7000	398500	4806.3	5000	101325
EICHERMOT	5000	419825	2755.8	2700	160500
GRASIM	2800	458500	1793.9	1700	470400
HCLTECH	1840	1124900	1654.1	1600	2731300
HDFCBANK	1700	6852450	754.05	700	710600
HDFCLIFE	770	4522100	5750.55	5500	213750
HEROMOTOCO	5800	299550	672.2	650	1642200
HINDALCO	700	4291000	2846.95	2600	453000
HINDUNILVR	3000	1313100	1241.6	1200	1982400
ICICIBANK	1240	2005500	1431.2	1400	1045500

HIGHEST OPEN INTEREST IN NIFTY 50 – STOCKS CE & PE					
NIFTY 50	CE STRIKE	CE OI	CMP	PE Strike	PE OI
INFY	2000	2440000	1939.35	1900	1225600
ITC	520	9814400	512.6	500	4865600
JSWSTEEL	950	1169100	929.95	900	609525
KOTAKBANK	1900	2042800	1782.85	1800	841200
LT	3800	1434300	3634.25	3600	619950
LTIM	6200	236700	6181.65	6000	120000
M&M	2800	1383200	2738.5	2700	821450
MARUTI	12500	510850	12331	12000	198650
NESTLEIND	2600	352400	2512.35	2440	153200
NTPC	420	9552000	405.55	400	2259000
ONGC	330	12067825	312.9	300	4510275
POWERGRID	340	6102000	332.8	340	3196800
RELIANCE	3100	7992250	2999.45	3000	4151250
SBILIFE	1920	912000	1914.45	1900	328500
SBIN	820	7801500	821.45	800	4786500
SUNPHARMA	1860	2663150	1831.6	1800	562450
TATACONSUM	1200	1375296	1193.15	1200	1008216
TATAMOTORS	1100	7630700	1072	1000	3492500
TATASTEEL	155	34727000	152.44	155	15026000
TCS	5000	2892575	4497.05	4400	519400
TECHM	1700	471600	1644.65	1600	687600
TITAN	3800	667100	3732.6	3600	364350
ULTRACEMCO	11800	244800	11576.1	11000	92600
UPL	630	1445600	621.75	600	1001000
WIPRO	550	5496000	527	520	3034500

Participant wise Change in Open Interest for Today.

PARTICIPANT WISE OPEN INTEREST									
FII	TODAY	PREV DAY	NET	Net 1 Day Ago	DII	TODAY	PREV DAY	NET	Net 1 Day Ago
INDEX FUT	-10380	-18740	201819	212199	INDEX FUT	-15491	1600	-62383	-46892
INDEX CALL	-128952	176634	527716	656668	INDEX CALL	0	0	2078	2078
INDEX PUT	-185847	149181	744024	929871	INDEX PUT	43000	132500	629166	586166
STK FUT	-52676	-72810	662552	715228	STK FUT	-14619	3219	-3031196	-3016577
CLIENTS	TODAY	PREV DAY	NET	Net 1 Day Ago	PRO	TODAY	PREV DAY	NET	Net 1 Day Ago
INDEX FUT	19290	30681	-104538	-123828	INDEX FUT	6581	-13541	-34898	-41479
INDEX CALL	57003	56305	-983240	-1040243	INDEX CALL	71949	-232939	453446	381497
INDEX PUT	-23658	-363467	-1338789	-1315131	INDEX PUT	166505	81786	-34401	-200906
STK FUT	35549	22335	1951593	1916044	STK FUT	31746	47256	417051	385305

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- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

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In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

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