Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	65,226	-0.4	7.2
Nifty-50	19,436	-0.5	7.4
Nifty-M 100	40,048	-1.4	27.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,264	0.8	11.0
Nasdaq	13,236	1.4	26.5
FTSE 100	7,412	-0.8	-0.5
DAX	15,100	0.1	8.4
Hang Seng	5,883	-1.1	-12.3
Nikkei 225	30,527	-2.3	17.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	92	-3.1	12.7
Gold ($/OZ)	1,821	-0.1	-0.1
Cu (US$/MT)	7,875	-0.7	-5.9
Almn (US$/MT)	2,210	-2.0	-6.0
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.2	0.0	0.6
USD/EUR	1.1	0.4	-1.9
USD/JPY	149.1	0.1	13.7
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	0.00	-0.1
10 Yrs AAA Corp	7.7	0.00	0.0
Flows (USD b)	**4-Oct**	**MTD**	**CYTD**
FIIs	-0.5	-0.63	14.7
DIIs	0.21	0.38	15.8
Volumes (INRb)	**4-Oct**	**MTD***	**YTD***
Cash	820	785	666
F&O	4,24,766	3,69,519	2,61,267

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Financials: Banks and Insurance - 2QFY24 Preview

Earnings to remain resilient despite NIM compression

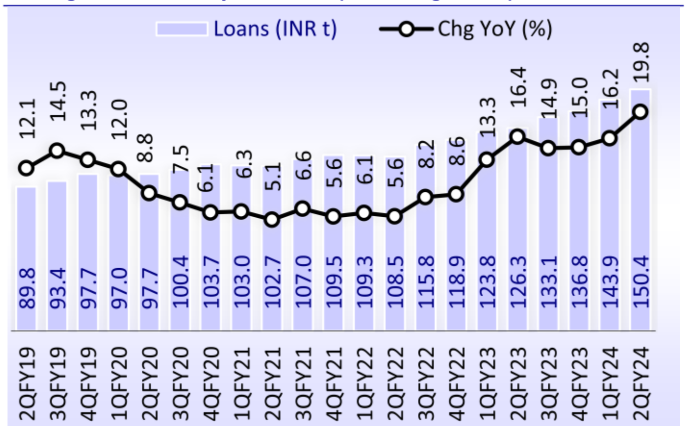
- We estimate systemic loan growth to remain healthy at 14% YoY in FY24, driven by continued traction in the Retail and SME segments.
- Systemic deposit growth has improved to 12.8% YoY (adjusted for merger), aided by a benign base, the discontinuance of the INR2k currency note and an improved real rate of return. Hence, the gap vs. credit growth has moderated further to 2.3% in Sep'23 (excluding HDFCB merger). We estimate sectoral margins to remain under pressure.
- We estimate slippages to remain under control, which, along with higher recoveries, should further aid the continuous improvement in asset quality.
- We expect our coverage banks to sustain PPoP growth at ~12% YoY in 2Q. Private/PSU banks are expected to post earnings growth of ~25%/~20% YoY in 2Q. We estimate MOFSL Banking Universe to report earnings growth of ~27%/18% YoY in FY24/FY25.

Research covered

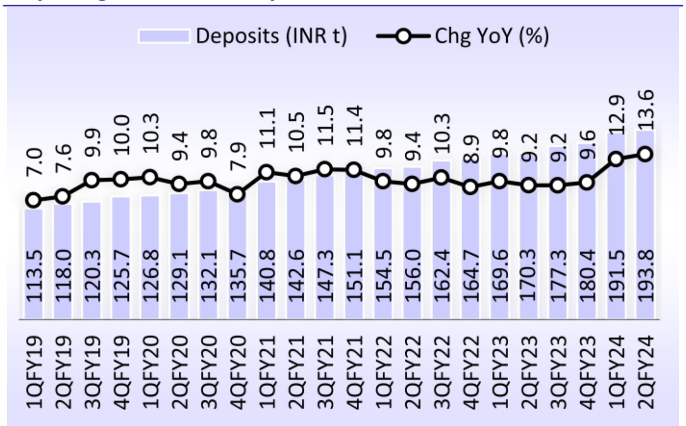
Cos/Sector	Key Highlights
BFSI Preview 2QFY24	Banks and Insurance: Earnings to remain resilient despite NIM compression
	NBFCs: Steady quarter but for weak trends in mortgages and gold loans
	Non Lending: Capital markets-linked companies to deliver strong performance
India Strategy	The Eagle Eye: India the sole gainer among key global markets in Sep'23
HDFC Bank	Business growth steady; CASA mix moderates sharply
Other Notes	Punjab National Bank | Marico | AU Small Finance Bank | Bandhan Bank | L&T Finance Holdings | NFIL | RBL Bank | Crisil | EcoScope (House Hold)

Chart of the Day: Financials (Banks and Insurance - 2QFY24 Preview)

Loan growth healthy at 19.8% (including HDFC)



Deposit growth inches up to 13.6%



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

HDFC Bank posts strong overall deposit growth in Q2 post merger

The bank's overall deposit growth remained strong in the second quarter of this financial year, showed performance data published at the end of the quarter. Deposits climbed 30% year-on-year to reach ₹21.7 lakh crore.

2

Centre raises cooking gas subsidy ahead of state, national elections

The Union cabinet on Wednesday raised cooking gas subsidy from ₹200 to ₹300 per cylinder for about 96 million low-income households, a move coinciding with upcoming assembly elections in five states and next year's national polls. Offering additional subsidies aimed at benefiting rural women comes barely a month after the government approved the expansion of the PM Ujjwala Yojana scheme to 7.5 million women to take the number of total beneficiaries to 103.5 million over the next three years.

3

GST panel not in favour of lowering taxes on tobacco products

The industry had sought uniform additional compensation cess on cigarettes, compensation cess on bidis, additional compensation cess on smokeless tobacco products and or lower compensation cess on cigarette sticks up to 70 mm.

4

L&T bags 'significant' order from West Bengal Power Development Corp

Larsen & Toubro's power business arm has secured an order worth up to Rs 2,500 crore from the West Bengal Power Development Corporation.

5

Oil falls more than $3 on demand fears, Saudi confirms cuts to year-end

Oil fell by over $3 a barrel on Wednesday, as demand fears stemming from macroeconomic headwinds offset pledges by Saudi Arabia and Russia to continue crude output cuts to the end of 2023.

6

ACC Incorporates Two Wholly Owned Subsidiaries

Adani Group-owned ACC Ltd. has incorporated two wholly owned subsidiary companies: ACC Concrete South Ltd. and ACC Concrete West Ltd. The subsidiaries have been incorporated "to carry on the business of manufacturing and dealing in cement, RMC, and allied products and by-products.

7

Reliance Retail Ventures plans another stake sale of $250-300 million

Reliance Retail Ventures Ltd (RRVL) is discussing a three-pronged plan that includes an additional divestment of $250-300 million this year, apart from what it has diluted in favour of the Qatar Investment Authority (QIA) and US-based private equity fund KKR recently.

Financials: Banks and Insurance

Earnings to remain resilient despite NIM compression

Controlled slippages to keep credit cost benign

- **Credit growth to remain steady; estimate 14% growth in FY24:** We estimate systemic loan growth to remain healthy at 14% YoY in FY24, driven by continued traction in the Retail and SME segments. The Corporate segment has also seen some recovery, while growth in Personal Loans and Real Estate has been robust at 31% and 39% YoY, respectively. The Home, Vehicle, Unsecured, and Small Business segments continue to do well, while demand for CV remains healthy. The Credit Card business is seeing strong momentum with robust growth in spending and new card issuance.
- **Deposit accretion remains key monitorable; margins to remain under pressure:** Systemic deposit growth has improved to 12.8% YoY (adjusted for merger), aided by a benign base, the discontinuance of the INR2k currency note and an improved real rate of return. Hence, the gap vs. credit growth has moderated further to 2.3% in Sep'23 (excluding HDFCB merger). In 2QFY24 so far, the banking system has added INR2.28t of deposits (INR845b adjusted for HDFC Ltd merger) and while we expect deposit mobilization to pick up significantly toward the quarter end, the overall accretion would still be important to monitor as HDFCB alone is going to account for a significant deposit market share. We estimate sectoral margins to remain under pressure due to rising funding costs.
- **Slippages and credit cost to remain under control:** We estimate slippages to remain under control, which, along with higher recoveries, should further aid the continuous improvement in asset quality. Restructured book is likely to moderate further, while low SMA book will keep credit costs in check.
- **We estimate our banking coverage universe (excluding HDFCB) to report earnings growth of ~22% YoY in 2QFY24**. We expect our coverage banks to sustain PPoP growth at ~12% YoY in 2Q. Private/PSU banks are expected to post earnings growth of ~25%/~20% YoY in 2Q. **We estimate MOFSL Banking Universe to report earnings growth of ~27%/18% YoY in FY24/FY25.**

Private Banks (excluding HDFCB) – PAT to grow ~25% YoY in 2QFY24

- **We estimate private banks (excluding HDFCB) to report PPoP growth of ~18% YoY (flat QoQ) and PAT growth of ~25% YoY (flat QoQ) in 2QFY24.** Earnings are poised to remain healthy, supported by healthy business growth and benign credit costs, but margin compression and elevated opex may pose challenges to the overall growth trajectory.
- **Margins are expected to moderate further** due to the rising cost of deposits and stagnating loan yields. However, healthy loan growth will continue to aid NII. **We estimate NII growth of ~21% YoY (flat QoQ) in 2QFY24,** with IDFCFB at ~31%, ICICIBC at ~24%, KMB at ~24%, IIB at ~18%, and AXSB at 16% YoY.
- **Slippages are likely to remain under control,** which should drive continued improvement in asset quality ratios. The growth rate and the performance of unsecured loans will be key to watch out for in the medium term.

2QFY24 earnings estimate (INR b)

PAT (INR b)	2Q FY24E	YoY (%)	QoQ (%)
Private Banks			
AUBANK	4.0	17.9	4.4
AXSB	59.3	11.3	2.3
BANDHAN	7.5	259.3	4.3
DCBB	1.3	15.6	2.3
EQUITAS	1.9	64.9	0.4
FB	8.4	19.1	-1.9
HDFCB	147.8	39.4	23.7
ICICIBC	96.6	27.8	0.1
IDFCFB	7.9	41.4	2.7
IIB	22.5	24.5	5.8
KMB	30.7	19.0	-11.0
RBK	3.1	51.5	6.0
Private Total	**391.0**	**29.8**	**7.7**
PSU Banks			
BOB	40.0	20.9	-1.6
CBK	35.2	39.5	-0.3
INBK	19.3	57.9	13.2
PNB	13.7	233.1	9.1
SBIN	133.4	0.6	-21.0
UNBK	29.5	59.9	-8.7
PSU Total	**271.3**	**20.1**	**-11.6**
Banks Total	**662.3**	**25.6**	**-1.1**
Other Financials			
SBICARD	6.5	23.4	9.3
Paytm	-2.8	NA	NA
Life Insurance			
HDFCLIFE	3.7	14.3	-8.8
IPRULIFE	2.4	22.8	18.4
SBILIFE	4.2	11.6	10.3
MAXF	1.2	117.3	11.8
Life Total	**11.5**	**20.7**	**4.9**

- **Opex should remain high** on account of branch expansion and technology-related expenditure. Consequently, we expect the C/I ratio to stay elevated for most banks.

PSBs – Earnings traction robust; estimate 20% YoY PAT growth in 2QFY24

- Earnings growth is likely to remain robust for PSBs in 2QFY24, aided by controlled credit costs, though margins may moderate due to rising funding costs. **PSBs are likely to deliver NII/PPoP growth of 12%/8% YoY and PAT growth of ~20% YoY**.
- **Opex** is likely to remain elevated as banks provide for wage revisions. **Treasury performance** should be sluggish during the quarter due to an increase in bond yields after a robust 1QFY24.
- **Loan growth** should recover on a sequential basis, led by improved corporate demand and ongoing traction in the retail and MSME segments.
- **Asset quality** improvement is likely to continue, while healthy PCR and a sharp decline in SMA asset pool will lead to further moderation in credit costs.

Small Finance Banks – Mixed performance; NIMs to moderate

- We expect **AUBANK** to report 25% YoY growth in loan book, which is lower than the average run rate as the bank continues with its sell-down approach.
- We estimate opex ratios to remain elevated (C/I ratio at ~63% for FY24), while margins may fall another 12bp QoQ to 5.6% after a 38bp decline in 1QFY24. We estimate 2QFY24 PAT to grow ~20% YoY to INR4.1b (29% CAGR in FY23-25E).
- **EQUITASB** is likely to report a healthy quarter with 32%/65% YoY growth in PPoP/PAT and ~33% YoY growth in advances (5.5% QoQ). However, margins are likely to moderate by another 32bp QoQ to 8.4%.

Life Insurers: Premium growth healthy; VNB margins broadly stable

- We expect premium growth to remain steady after a muted 1QFY24. Demand for Annuity, Non-PAR and Credit Life segments is likely to fare relatively better, while Protection is witnessing a gradual recovery.
- **Premium growth:** We expect HDFCLIFE/SBILIFE/MAXF to post APE growth of 9%/29%/37% YoY in 2QFY24, while IPRU is likely to report tepid growth of 3% YoY.
- **VNB growth:** We estimate VNB growth of ~18% YoY for SBILIFE, 8% for HDFCLIFE and 32% for MAXF. We estimate IPRU's VNB to remain flat YoY in 2QFY24.

Payments & Fintech: Revenue growth to remain steady

- **SBICARDS:** The momentum in Credit Card spending and new account sourcing is likely to remain healthy. Margins may remain broadly stable (slight downward bias), aided by rising mix of EMI loans. The credit cost may stay elevated due to higher delinquency from CY19 vintage, but it is expected to improve in 2HFY24. We estimate 23% YoY growth in earnings after a muted 1QFY24.
- **Paytm:** We estimate 2QFY24 GMV to grow 46% YoY to INR4.7t, while the value of loans disbursed is likely to grow 135% YoY/16% QoQ to INR172b.
- We expect revenue from operations to grow 36% YoY to INR26b, while contribution profit is estimated to grow 72% YoY to INR14.5b (contribution margin of ~56%). We estimate EBITDA before ESOP costs to come in at INR1.75b.

Other monitorables

- **Outlook on unsecured loan growth and margins:** Watch out for commentaries on the growth outlook for unsecured loans and margin amid rising deposit costs.
- **Deposit traction** is another key monitorable factor amid liquidity tightening and the rise in funding costs/bulk deposits mix to support loan growth.
- **Technology-related spending and elevated opex:** Continued technology-related spending and investments in branch expansion/business could affect normalization in opex.
- **Fee income traction and treasury performance:** The traction in fee income and treasury outlook remains other key focus areas.

Top picks – ICICIBC, IIB, BOB and SBILIFE

ICICIBC: Financial snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	621	736	843
OP	491	565	656
NP	319	389	448
NIM (%)	4.7	4.7	4.6
EPS (INR)	45.8	55.7	64.1
EPS Gr (%)	36.0	21.6	15.1
ABV/Sh (INR)	267	313	369
Cons. BV/Sh (INR)	309	368	439
Ratios			
RoE (%)	17.5	18.2	18.0
RoA (%)	2.1	2.3	2.2
Valuations			
P/BV (x) (Cons)	3.1	2.6	2.2
P/ABV (x)*	2.9	2.5	2.1
P/E (x)	16.8	13.8	12.0

*Adjusted for investment in subs

ICICIBC (Buy)

- ICICIBC has reported strong growth and profitability for the past few years while increasing PCR to ~83% as of 1QFY24 – the highest in the industry. The bank carries Covid-related provisions of INR131b (~1.2% of loans).
- Slippages have moderated over the past few quarters and are likely to remain under control. ICICIBC is well-cushioned with higher provisions on its balance sheet and does not expect to utilize these provisions in the near term.
- Margins have peaked out in 4QFY23 (at ~4.9%), and the re-pricing of liabilities and SA deposits churning into TD would keep funding costs elevated and exert pressure on margins. With ~70% of book being floating in nature, most of the asset re-pricing has happened, and loan yields might stagnate going further.
- The bank is becoming a growth leader in the SME and Retail segments, aided by continued investments in technology and partnerships with new ecosystem players. We expect an 18% loan CAGR over FY23-25 for the bank.
- ICICIBC has room for re-rating as it continues to deliver solid return ratios and sustainable growth, led by its focus on core operating performance. We estimate RoA/RoE of 2.2%/18.0% in FY25. Adjusted for subsidiaries, the standalone bank trades at 2.1x FY25E ABV.

IIB: Financial snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
NII	175.9	208.3	253.3
OP	144.2	164.9	202.6
NP	74.4	92.3	118.0
NIM (%)	4.1	4.2	4.4
EPS (INR)	96.0	118.9	152.1
EPS Gr. (%)	54.7	23.9	27.9
BV/Sh. (INR)	707	810	946
ABV/Sh. (INR)	691	795	929
Ratios			
RoE (%)	14.5	15.7	17.4
RoA (%)	1.7	1.9	2.0
Valuations			
P/E (X)	14.9	12.0	9.4
P/BV (X)	2.0	1.8	1.5
P/ABV (X)	2.1	1.8	1.5

IIB (Buy)

- IIB has reported healthy 1QFY24 performance with earnings growth of 30% YoY, aided by healthy NII growth (up 18% YoY) and lower provisions (down 21% YoY). Margins have been flat for the last few quarters, with growth in advances driving the overall profitability.
- The bank has seen gradual improvements in asset quality, led by a moderation in slippages, particularly from the MFI/Corporate segments, leading to a GNPA of 1.9% and a healthy PCR of ~71% as of 1QFY24. IIB also carries contingent provisions of INR17b (56bp of advances) as of 1QFY24.
- Average COD for the bank stands at 6.1%, which is higher than that of its peers, but the bank's ability to sustain its retail deposit base as it steadily optimizes the deposit rates will be crucial for margin improvement. Its CASA ratio stood at 40%, while retail deposits form 43% of total deposits, which is likely to improve as the bank continues to ramp up by tapping other customer segments.
- The bank has maintained its market share of ~2% of net systemic advances, backed by its leadership position in the vehicle finance and MFI segments, which

constitute 26% and 10% of its advances, respectively, as on 1QFY24. The management has guided for 18-23% loan growth under PC-6, while a moderation in credit cost is expected to aid ROA expansion.

- We thus estimate RoA/RoE of 2.0%/17.4% in FY25. The stock trades at an attractive valuation of 1.5x FY25E ABV.

BOB (Buy)

BOB: Financial snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	413.6	458.6	527.2
OP	268.6	305.4	368.4
NP	141.1	170.4	207.6
NIM (%)	3.2	3.1	3.1
EPS (INR)	27.3	32.9	40.1
EPS Gr. (%)	94.0	20.8	21.8
BV/Sh. (INR)	183	211	245
ABV/Sh. (INR)	165	194	227
Ratios			
RoE (%)	15.3	16.2	17.1
RoA (%)	1.0	1.1	1.2
Valuations			
P/E(X)	7.8	6.5	5.3
P/BV (X)	1.2	1.0	0.9
P/ABV (X)	1.3	1.1	0.9

- BOB reported a mixed performance in 1QFY24 as PAT jumped 88% YoY, aided by higher other income, and NIMs declined 26bp QoQ. We expect NIMs to moderate further in 2QFY24 due to an increase in the funding cost.
- The bank has reported a strong improvement in asset quality, aided by improved underwriting and higher collection efficiency. Fresh slippages have moderated YoY, while PCR has improved to 79%. This, coupled with declining restructured book (1.3% of loans) and a low SMA book (29bp of loans), should drive a sustainable reduction in credit costs to ~68bp in FY24.
- Retail book growth is expected to be 1.5x higher than total loan growth and will gain share in the overall loan mix. This, along with a pick-up in the SME and Corporate books, should support loan growth and sustain it higher vs. peers.
- With a moderation in margins due to the rising cost of deposits, and a majority of the floating rate book being already re-priced, we expect NII to remain flat QoQ. However, a healthy CASA mix in the 40-42% range will limit the decline.
- We estimate FY25 RoA/RoE of 1.2%/17.1%. The stock trades at attractive valuations of 0.9x FY25E ABV.

SBILIFE (Buy)

SBILIFE: Financial snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
Net Premium	665.8	798.2	958.3
Sh. PAT	17.2	20.1	23.2
NBP gr-unwtd.(%)	16.2	20.0	20.0
NBP gr. – APE (%)	18.4	16.6	22.5
Premium gr. (%)	14.6	19.6	20.0
VNB margin. (%)	30.1	29.1	29.7
RoEV (%)	16.2	22.2	21.4
Total AUM (INR t)	3.1	3.7	4.3
VNB	50.7	57.0	71.2
EV per share	460	563	683
Valuations			
P/EV (x)	2.8	2.3	1.9
P/EVOP (x)	14.4	13.2	10.9

- SBILIFE has witnessed sluggish growth in premiums across segments, with 4% YoY growth in Individual WRP and flat YoY growth in Group WRP in 1QFY24. Both the agency and banca channels contribute to growth. We estimate a 20% APE CAGR over FY23-25, driven by continued momentum in Non-PAR and Protection products.
- The share of ULIP is likely to pick up, aided by a recovery in capital markets. Trends in the Protection and Non-PAR segments are likely to remain healthy. This will continue to keep margins buoyant.
- Persistency ratios are likely to remain healthy across cohorts. The cost ratios are also likely to remain in control thanks to a revival in business growth and operating leverage kicking in.
- We estimate a 19% VNB CAGR over FY23-25 and operating RoEV of ~21.3% by FY25, while VNB margins should be stable at ~30%. SBILIFE currently trades at 1.9x FY25E EV.

Financials – NBFCs

Company
Aavas Financiers
Bajaj Finance
Can Fin Homes
Chola Inv. & Fin.
CreditAccess Grameen
Fusion Microfinance
HomeFirst
LIC Housing Finance
L&T Finance Holdings
M&M Financial Services
Manappuram Finance
MAS Financial Services
Muthoot Finance
PNB Housing Finance
Repco Home Finance
Shriram Finance
Spandana Sphoorty

Steady quarter but for weak trends in mortgages and gold loans

NIM likely to bottom out in 2Q and exhibit stable/improving trajectory in 2HFY24

- **We expect our coverage universe of NBFC – Lending Financials to deliver 26%/28%/35% YoY growth in NII/PPoP/PAT in 2QFY24.**
- **Disbursement momentum remained buoyant in 2QFY24, except for minor demand weakness in affordable housing loans (ticket size of up to INR3m) and gold loans for mono-line gold loan companies like MGFL/MUTH. However, demand remained healthy for low-ticket mortgages with ticket size of INR1.0-1.5m and self-construction.**
- **Uneven monsoons did not have any significant impact on vehicle demand or the asset quality of vehicle financiers. However, the asset quality could have been better, but for floods in certain parts of the country in Jul-Aug'23, which had a marginal impact on collections.**
- **Low-ticket housing financiers (likes of HomeFirst and Aavas) and vehicle financiers continued to deliver healthy AUM growth. We expect gold financiers to report ~1-3% QoQ growth in gold loans. For MGFL in particular, we anticipate 1% QoQ growth in the gold loan book with a minor expansion in yields/margins. For our coverage universe, we estimate loan growth of ~17% YoY/~3.4% QoQ in 2QFY24.**
- **For vehicle financiers, NIM is likely to bottom out in 2QFY24 and may expand in 2HFY24 (vs. 1H) in the backdrop of a stable or declining interest rate environment. We estimate NIM to sequentially decline by ~10bp for MMFSL and ~5bp for SHFL, while we expect CIFC to report a ~10bp expansion in NIM.**
- **NBFC-MFIs as a cohort continued to exhibit steady disbursement momentum and strong AUM growth. While there were flows between asset quality buckets, overall collections and asset quality remained healthy. We expect higher write-offs for Fusion (leading to lower Stage 3) because of a change in its write-off policy.**
- **For AHFCs, we expect NIM to remain decline marginally because of rising CoF. While prime mortgages continue to exhibit healthy demand, we expect weak loan growth of ~7% YoY for LICHF. We expect NIM to contract QoQ for LICHF but to remain broadly stable for PNB Housing.**
- **The competitive landscape in Gold Lending again seemed to have turned adverse (particularly in Sep'23) with aggression from large banks and even NBFCs like IIFL Gold Loans and Bajaj Finance. Among gold financiers, we expect NIM to decline by ~5bp for MGFL and ~10bp for MUTH.**
- **Cash flows (both urban and rural) have held up well and contributed to (relatively) better collection efficiencies and should lead to benign credit costs across most of the NBFCs in 2QFY24 (similar to 1QFY24).**
- **Diversified lenders such as BAF, Poonawalla, LTFH, and non-vehicle segments of SHFL with presence in MSME, 2W, MFI, Consumer Finance, Pre-owned cars, and Personal loans are likely to see healthy disbursement momentum, minor to no impact on NIM, and improvement in asset quality.**
- **We remain constructive on Vehicle Finance and Microfinance relative to other niche segments such as mortgages or gold loans. We continue to prefer: a) franchises that can manage their liabilities better than others to mitigate the impact on margins and b) companies with strong balance sheets and higher visibility on earnings growth. Our top picks in the sector are CIFC, Fusion MFI and MMFS.**

Weak trends in affordable mortgages; new housing scheme to aid demand

- Demand for mortgages in affordable housing with ticket sizes below INR3m has been weaker than earlier anticipated. CANF, which has an average ticket size of ~INR2.2m in housing loans, could be impacted. We also expect CANF to report a one-time impairment of ~INR400m because of employee fraud reported in Jul'23 in addition to slippages from the restructured pool of loans.
- We anticipate credit costs for LICHF at ~55bp (similar levels as 1QFY24) since we do not estimate any further deterioration in asset quality. Margins could fall ~25bp QoQ, led by moderation in yields and a rise in CoF.
- We expect both Aavas and HomeFirst to report a strong QoQ improvement in disbursements, leading to healthy AUM growth. NIM would moderate for both AHFCs because of a rise in CoB (despite benefits of NHB borrowings at the end of the quarter). Asset quality is likely to remain stable with benign credit costs.
- We estimate that PNBHF was not impacted as much by weak trends in mortgages and expect it to report ~20% YoY growth in disbursements. PNBHF reported earlier that it had successfully resolved and fully recovered a large corporate NPA account of ~INR7.8b. This could lead to further improvement in asset quality, and credit costs could remain low for PNBHF.

Vehicle Finance – Healthy demand trends and bottoming of NIM

- We expect vehicle finance companies to sustain strong domestic volume growth across product categories in FY24, as most of the challenges, such as supply constraints and raw material inflation, have either receded or been resolved.
- MMFS reported disbursements of ~INR133b in 2QFY24 (+12% YoY) but growth in business assets was higher than our estimates because of pre-festival trade advances. We expect credit costs for MMFS at ~2.1% in 2QFY24 (vs. 1.1% in 2QFY23). For CIFC/ SHTF, we estimate disbursements to remain healthy, which should translate into ~41%/19% YoY growth in AUM.
- MMFS reported a ~50bp QoQ improvement in its 30+dpd. However, strong growth in business assets masked net slippages of ~INR3.5b into Gross Stage 3 during the quarter. Margin compression is nearing an end and we expect NIM to expand in 2HFY24. For CIFC and SHTF, we expect vehicle finance asset quality to remain stable with improvement in Stage 2 loans.

Gold Finance – Seasonally weakest quarter but competitive intensity also high

- After strong growth in 4QFY23 and 1QFY24, we expect gold loan financiers to deliver a muted gold loan growth in 2QFY24. We estimate tonnage growth to also remain modest because of high gold ornament release requests from customers.
- We expect ~1-3% sequential growth in the gold loan portfolio of MUTH/MGFL. While MGFL is expected to report a minor improvement in margins, MUTH's margins are likely to contract due to a slight decline in yields and the rising cost of borrowings.

Microfinance – Going still good; No impact of upcoming elections as yet

- Disbursements have remained healthy for NBFC-MFIs, leading to a healthy GLP growth for all three NBFC-MFIs – CREDAG, Fusion and Spandana – in our coverage universe. Among the three, we expect disbursement growth to be the strongest for Spandana.
- While we estimate a ~10bp NIM compression for CREDAG (because of high CoF), we estimate a margin expansion for Fusion, driven by its stable cost of borrowings.
- While there would be flows across asset quality buckets, we expect asset quality to remain robust and credit costs to remain benign for NBFC-MFIs as well. We do not see any impact of the upcoming state elections on collections or asset quality as yet.

Diversified Financiers: Healthy demand in unsecured loans continues to drive strong loan growth

- For LTFH, we expect strong growth in retail loans, but since the wholesale segment (such as real estate and infrastructure) will continue to moderate, the consolidated loan book could decline ~1% QoQ in 2QFY24. We estimate credit costs to moderate for LTFH, leading to a sequential improvement in profitability.
- BAF reported ~33% YoY/7% QoQ growth in its AUM. We estimate a ~30bp contraction in NIM for BAF, along with asset quality improvement.
- We expect Poonawalla to deliver ~46% YoY growth in standalone AUM, driven by ~6% QoQ growth in disbursements. We estimate 15% QoQ growth in PAT for the company, excluding the capital gain on the sale of its HFC subsidiary, which we expect Poonawalla to report in this quarter.

Quarterly performance

Sector	CMP (INR)	Rating	NII (INR m)			Operating profit (INR m)			Net profit (INR m)		
			Sep-23	Variance YoY (%)	Variance QoQ (%)	Sep-23	Variance YoY (%)	Variance QoQ (%)	Sep-23	Variance YoY (%)	Variance QoQ (%)
AAVAS Financiers	1738	Neutral	2,340	24.7	3.4	1,534	10.0	4.8	1,163	8.9	6.0
Bajaj Finance	7809	Buy	71,956	29.9	7.1	58,901	31.3	6.3	36,488	31.2	6.2
Can Fin Homes	765	Neutral	2,949	17.4	3.4	2,547	17.9	2.9	1,576	11.2	-14.1
Chola. Inv & Fin.	1218	Buy	20,268	36.1	10.0	14,104	36.1	5.3	7,544	33.9	3.9
CreditAccess	1317	Buy	7,396	48.5	2.7	5,195	55.2	-4.5	3,300	86.9	-5.3
Fusion Micro	595	Buy	3,121	28.8	5.6	2,393	27.8	1.7	1,250	31.5	3.8
Home First Fin.	811	Buy	1,271	25.2	2.1	987	33.1	0.9	724	33.5	4.6
L&T Fin.Holdings	133	Buy	17,040	3.4	-2.8	12,675	6.6	2.6	5,550	36.8	4.6
LIC Housing Fin	464	Buy	20,411	75.5	-7.6	18,080	91.4	-10.0	11,405	274.0	-13.8
M & M Financial	301	Buy	16,657	15.1	5.1	10,464	21.2	4.6	4,183	-6.7	18.6
Manappuram Finance	150	Buy	13,490	25.0	4.7	7,905	24.8	-1.4	5,204	27.1	4.5
MAS Financial	904	Buy	1,490	25.0	8.5	1,007	29.9	6.5	609	24.1	6.4
Muthoot Finance	1252	Neutral	19,679	25.2	3.9	14,345	24.9	2.4	10,533	21.5	8.0
PNB Housing	693	Neutral	6,371	0.5	2.8	5,473	-6.2	7.9	3,738	42.3	7.6
Poonawalla Fincorp	380	Buy	4,643	69.6	10.2	3,332	165.0	13.3	2,304	77.0	15.1
Repco Home Fin	385	Neutral	1,577	15.0	2.0	1,285	12.6	3.0	918	29.0	3.0
Shriram Finance	1920	Buy	43,489	15.1	3.5	32,673	9.1	4.5	17,003	9.3	1.5
Spandana Sphoorty	835	Buy	3,093	67.1	5.4	2,021	83.6	6.8	1,186	114.9	-0.7
NBFC			**2,57,241**	**26.5**	**3.9**	**1,94,920**	**27.7**	**2.9**	**1,14,678**	**35.3**	**2.7**

Financials – Non Lending

Company
Angel One
BSE
CAMS
ICICI Lombard
ICICI Securities
360ONE WAM
MCX
Star Health

Capital markets-linked companies to deliver strong performance

Price hike to benefit health segment loss ratios

- In 2QFY24, Nifty surpassed the milestone of 20,000, translating into healthy trends in key parameters (volumes, orders, client additions, etc.) for capital markets-related companies. Both equity and commodity segments continued to witness better-than-expected trends in option volumes. ANGELONE and BSE would be the biggest beneficiaries of these trends.
- In the AMC sector, net equity inflows in Jul’23 and Aug’23 were the highest in the past 15 months. The growth in equity AUM was primarily backed by strong SIP flows (SIP flows reaching all-time high in Aug’23) and MTM gains (in Jul’23), resulting in MoM growth of 3.2%/1.4% in MF AUM for the industry in Jul’23/Aug’23. Increase in AUM would lead to improved performance for both CAMS and 360ONE.
- Ex-crop, the general insurance sector registered strong growth in Aug and Sep’23, with GWP growth of 18% YoY. The health segment reported a strong growth for 33%/15% YoY in Jul/Aug’23. The cut-throat pricing environment in the motor industry is beginning to ease. Thus, in Jul'23 and Aug'23, the Motor segment (supported by the Motor OD segment) maintained its growth momentum of 15% and 16% YoY. Amidst the ongoing price hikes, the claims ratio is expected to show improvement on a YoY basis. We expect STARHEAL and ICICIGI to report improvement in profitability.
- We remain positive on the long-term growth potential of the non-lending financials, given their broader themes of financialization and digitization of savings. Our top picks in this space are ANGELONE and STARHEAL.

Incremental demat account additions improves; momentum continued in cash volumes, whereas F&O volumes remained healthy in 2QFY24

- The retail segment cash ADTO at NSE grew 19% MoM in Jul’23, but it moderated in Aug’23 with 4% MoM growth. Compared to 1QFY24, the growth momentum of F&O ADTO was buoyant in 2QFY24 (retail F&O ADTO grew 17% MoM in Jul’23, whereas it remained flat in Aug’23).
- Incremental demat account additions improved to 3.0m in Jul’23 and 3.1m in Aug’23. For ANGELONE, the average customer additions inched up and Aug’23 recorded the highest ever increase since May’22 at 0.73m. The number of orders per day showed an increasing trend in Jul’23 and Aug’23. We expect a healthy increase in revenue and profitability for ANGELONE.
- BSE should also witness improvement in volumes sequentially. The introduction of derivatives on BSE has gained popularity and experienced an increase in volumes (on a lower base) in 2QFY24.
- MCX has seen strong traction in option volumes, although this has been partially offset by lower volumes in Futures. However, during the quarter, the payment of INR1.2b to 63moons will result in only marginal profits for 2QFY24.

Strong premium (ex-crop) growth for general insurance sector, Price hike to help reduce health segment loss ratios

- Ex-crop, the general insurance sector experienced strong growth in Jul and Aug'23, with a total GWP growth of 18% YoY. The health segment reported a strong cumulative growth for 33%/15% YoY over Jul/Aug'23, whereas the Motor segment maintained its growth momentum of 15% /16% YoY in Jul/Aug'23.
- For ICICIGI, the premium growth in Jul'23/Aug'23 stood at 22%/16% YoY. The GWP growth for ICICIGI was primarily led by strong YoY expansion in the health segment, with 21%/26% YoY growth in Jul/Aug'23.

Top of Form

- For Jul/Aug'23, STARHEAL saw a premium growth of 17%/19% YoY, driven by retail growth of 16%/18% and group health business of 35%/37% (given lower base).
- The cutthroat pricing environment in the motor industry is beginning to ease. Opex ratios are expected to benefit from operating leverage. Health segment loss ratios are expected to improve YoY, due to the implemented price hikes.

Strong SIP flows, positive net inflows and equity MTM gains drive Mutual fund AUM growth

- The mutual fund AUM grew 3.2% and 1.4% MoM in Jul'23 and Aug'23, respectively. Net equity inflows were the highest in the past 15 months for Jul'23 and Aug'23. The growth in equity AUM was primarily backed by strong SIP flows and MTM gains (higher in Jul'23), resulting in MoM growth of 4.6%/2.6% in Jul'23/Aug'23.
- The share of equity AUM improved ~60bp each month in Jul'23 & Aug'23. The SIP flows were strong for Jul'23 and Aug'23 (SIP flows reached its all-time high in Aug'23). The share of equity in overall industry AUM stood at 51.2% in Aug'23 vs. 49.8% for 1QFY24.
- This would translate into healthy operating performance for both CAMS and 360 ONE in 2QFY24.

Quarterly performance

Sector	CMP (INR)	Rating	Revenue/NEP (INR m)			EBITDA/PBT/UP (INR m)			Net profit (INR m)		
			Sep-23	Variance YoY (%)	Variance QoQ (%)	Sep-23	Variance YoY (%)	Variance QoQ (%)	Sep-23	Variance YoY (%)	Variance QoQ (%)
Angel One	1,851	BUY	6,689	47	29	3,776	32	27	2,832	33	28
BSE	1,298	Neutral	2,237	13	4	815	38	13	745	154	-83
CAMS	2,511	BUY	2,787	15.0	6.7	1,223	15.3	11.2	847	17.4	11.9
ICICI Lombard	1,308	BUY	40,975	7	5	-2378	N.A	N.A	3,271	-29	-16
ICICI Securities	621	Under review	9,787	13	5	4,090	1	12	3,076	2	14
360ONE WAM	502	BUY	4,306	13	6	2,301	13	17	1,811	4	-2
MCX	2049	Neutral	1,619	27.1	11.1	-141	N.A	N.A	16	-97.6	-92.0
Star Health	601	BUY	32,480	16	7	-39	N.A	N.A	1,841	98	36
Non-Lending NBFC			**100,880**	**13.3**	**7.2**	**9,649**	**0.7**	**10.2**	**14,376**	**2.4**	**-5**

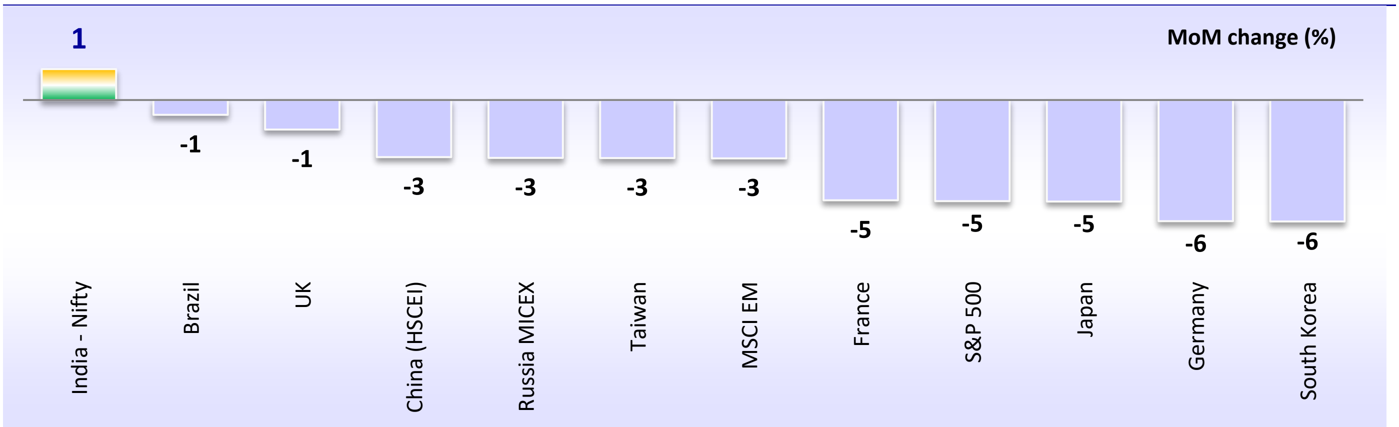
India Strategy

The Eagle Eye (Oct'23): India the sole gainer among key global markets in Sep'23

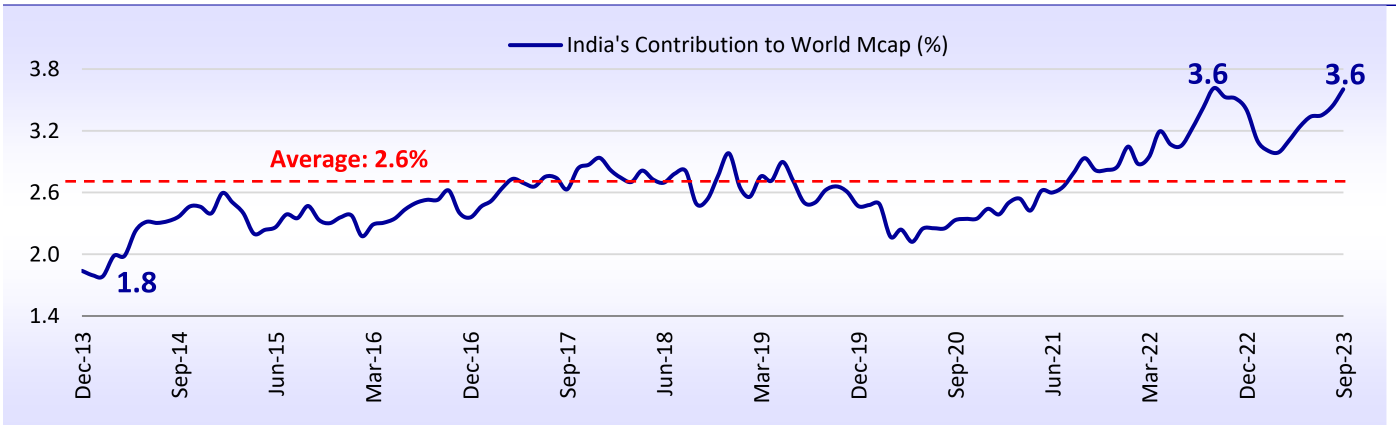
The key highlights of our Oct'23 edition of 'The Eagle Eye' are as follows:

- a) India the sole gainer among major global markets in Sep'23; b) MSCI India's outperformance continues since Jan'22; other EMs remain weak; c) World M-cap above USD100t; India's contribution at a new high; d) Billion dollar club: Contribution to Indian M-cap at a peak; e) PSU Banks gain notably in Sep'23; Real Estate/Auto top gainers in CY23YTD; f) FII flows weaken, DII flows strong during the month; g) Average daily cash volumes at an all-time high; h) The 10-year yield spread between India and the US at a 17-year low
- Notable Published reports in Sep'23: a) Global Health: INITIATING COVERAGE - Crafting a differentiated ecosystem in healthcare; b) VOLTAS: REINITIATING COVERAGE - Beating the heat with a flair for air!; c) Healthcare Thematic: US generics – turning the tide?

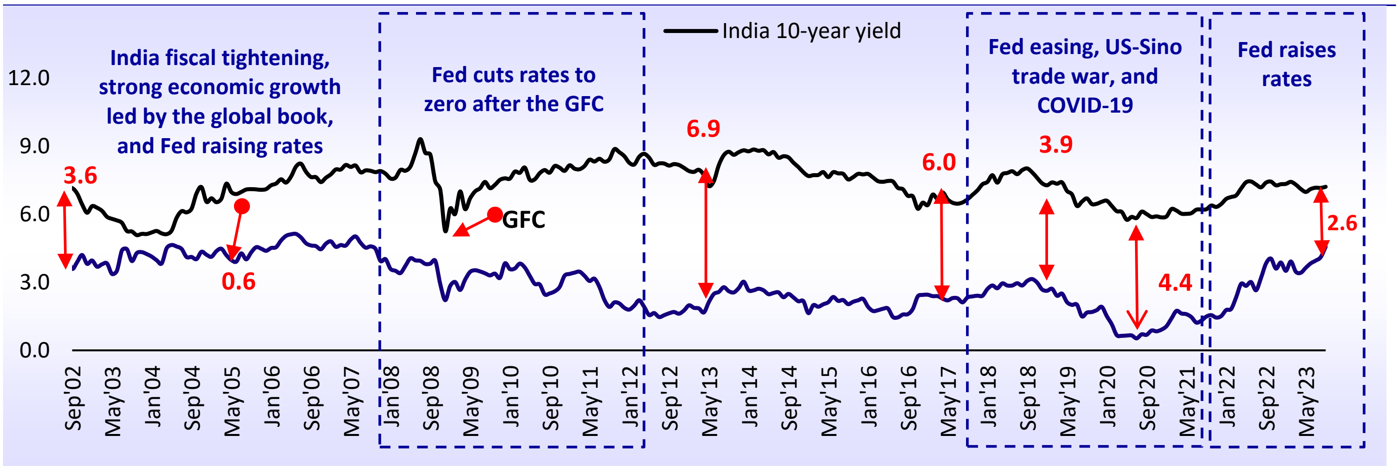
World equity indices (MoM) in USD terms (%)



World M-cap above USD100t; India's contribution at a new high



The 10-year yield spread between India and the US at a 17-year low



Top ideas within MOFSL Universe

Company	MCap USDb	CMP (INR)	EPS (INR)			EPS CAGR (%) FY23-25	PE (x)			PB (x)			ROE (%)		
			FY23	FY24E	FY25E		FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Preferred large cap stocks															
ICICI Bank	79.3	952	46	56	63	17.3	20.8	17.1	15.1	3.3	2.9	2.5	17.5	18.2	17.7
ITC	65.1	444	15	17	19	13.3	29.5	26.1	22.9	8.2	7.8	7.3	29.0	30.5	32.9
Bajaj Fin.	56.3	7,809	190	240	302	26.0	41.0	32.6	25.8	8.8	7.1	5.8	23.7	24.1	24.7
Larson & Tubro	51.3	3,010	74	96	112	23.4	42.9	32.8	28.1	5.0	4.5	4.1	12.0	14.4	15.6
HCL Technologies	40.6	1,236	55	58	67	10.8	22.6	21.4	18.4	5.1	5.2	5.3	23.3	24.1	28.4
Titan Company	33.8	3,150	37	44	55	22.2	85.6	71.2	57.4	23.5	19.2	15.8	30.8	29.8	30.3
Avenue Supermarts	28.6	3,674	37	44	59	27.2	100.1	82.8	61.8	14.3	12.1	10.1	16.0	16.4	18.4
UltraTech Cem.	28.3	8,258	175	244	286	27.7	47.1	33.9	28.8	4.4	4.0	3.5	9.7	12.3	13.0
M & M	22.5	1,554	65	86	93	19.7	24.0	18.0	16.7	4.3	3.6	3.1	19.1	21.9	20.0
Bank of Baroda	13.1	214	27	33	39	20.1	7.8	6.6	5.4	1.2	1.0	0.9	15.3	16.0	16.9
Zomato	10.3	102	-1.2	0.1	1.0	LP	NM	686.4	104.8	4.2	4.4	4.3	-5.4	0.6	4.2
Preferred midcap/smallcap stocks															
Indian Hotels	6.9	411	7	9	10	20.9	58.4	46.3	39.9	7.3	6.4	5.6	13.3	14.7	14.9
Ashok Leyland	6.2	177	5	10	12	64.1	39.2	18.5	14.6	6.2	4.9	3.8	16.8	29.4	29.4
Godrej Properties	5.1	1,555	22	28	44	40.1	69.6	55.8	35.4	4.7	4.4	3.8	6.9	8.1	12.5
M & M Fin. Serv.	4.3	301	16	18	23	20.3	18.7	17.1	12.9	2.3	2.1	1.9	12.6	12.8	15.4
Metro Brands	3.6	1,128	13	13	18	17.6	84.8	83.8	61.3	19.4	16.8	14.3	25.7	22.0	25.8
Kajaria Ceramics	2.5	1,325	21	29	36	30.3	62.0	46.0	36.5	9.1	8.3	7.5	15.2	18.8	21.6
CreditAccess	2.5	1,317	52	90	108	43.9	25.3	14.7	12.2	4.1	3.2	2.5	18.2	24.5	23.2
Global Health	2.3	716	12	16	19	26.3	58.9	44.3	37.0	7.9	6.9	6.0	16.1	16.7	17.3
Craftsman Auto	1.2	4,622	118	187	233	40.7	39.3	24.7	19.9	7.1	5.6	4.4	19.7	25.4	25.0

Note: LP = Loss to profit; Largecap, Midcap and Smallcap Stocks listed above are as per SEBI Categorization

HDFC Bank

BSE SENSEX	S&P CNX
65,226	19,436

Bloomberg	HDFCB IN
Equity Shares (m)	7538
M.Cap.(INRb)/(USDb)	11596.8 / 139.3
52-Week Range (INR)	1758 / 1384
1, 6, 12 Rel. Per (%)	-3/-17/-7
12M Avg Val (INR M)	22544
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	868	1,156	1,372
OP	704	936	1,131
NP	441	615	748
NIM (%)	4.1	3.6	3.7
EPS (INR)	79.3	81.7	99.4
EPS Gr. (%)	18.6	3.0	21.7
BV/Sh. (INR)	502	577	656
ABV/Sh. (INR)	489	561	639
Ratios			
RoE (%)	17.0	14.8	16.1
RoA (%)	1.9	1.8	1.9
Valuations			
P/E(X)	19.1	18.5	15.2
P/BV (X)	3.0	2.6	2.3
P/ABV (X)	2.7	2.3	2.0

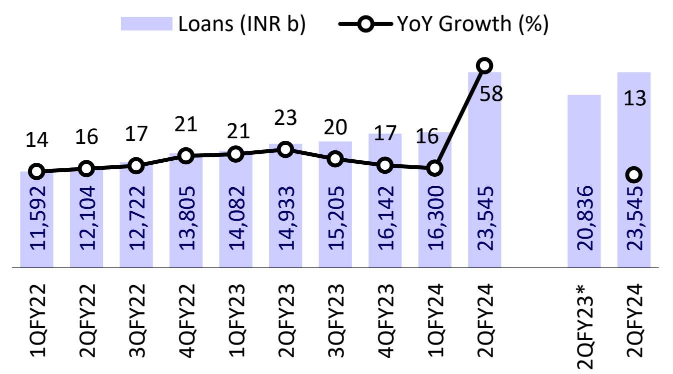
CMP: INR1,530 Buy

Business growth steady; CASA mix moderates sharply

HDFC Bank (HDFCB) released its 2QFY24 business update. Following are the key takeaways:

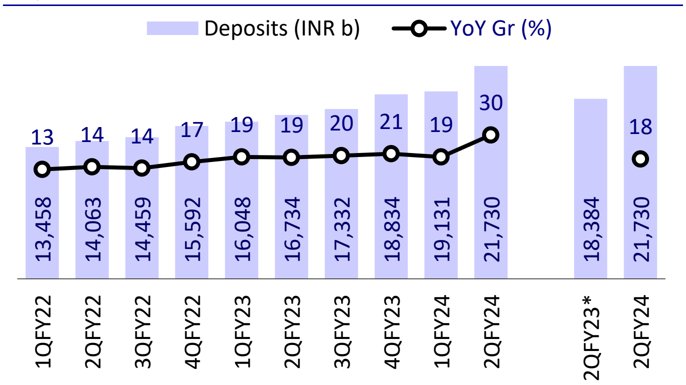
- **Loan book grew 57.7% YoY (+44% QoQ) to INR23.5t. Gross of transfers through inter-bank participation certificates (IBPCs) and bills rediscounted, its loan book was up 60% YoY (+43% QoQ). As per the bank's internal classification, domestic retail loans jumped 111.5% YoY (+85% QoQ) and commercial & rural banking grew 29.5% YoY (+9.5% QoQ). Corporate book rose 8% YoY (6% QoQ) and non-individual loans of the erstwhile HDFC Ltd (e-HDFCL) aggregated to ~INR1t as of 2QFY24.**
- Deposits grew 29.9% YoY (+13.6% QoQ) to INR21.7t. CASA deposits rose 7.6% YoY (+0.6% QoQ). Thus, the CASA ratio moderated sharply by 490bp QoQ to ~37.6%.
- Gross advances (excluding e-HDFCL's non-individual loans) grew 17.6% YoY to INR23.3t from INR19.8t in Sep'22 (pro forma merged advances) and increased 5.5% QoQ from the pro forma merged advances of INR22.0t in Jun'23. Gross advances of the merged entity grew 13% YoY to INR23.5t from INR20.8t (Sep'22 pro forma merged).
- Deposits grew 18.2% YoY to INR21.7t from 18.4t in Sep'22 (merged deposits) and rose 5.3% QoQ from the pro forma merged deposits of 20.6t in Jun'23. Home loan disbursals during the first quarter (post-merger) were the best ever at INR480b – a growth of 14% QoQ (+10.5% YoY).

Loans grew 13% YoY over pro forma (merged) Sep'22 loans (+4.9% QoQ)



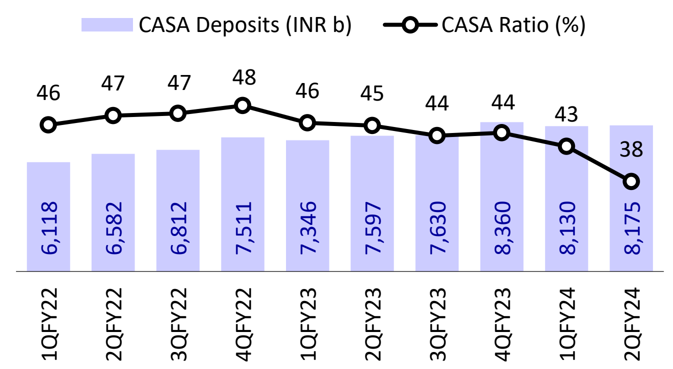
*Pro forma merged Source: MOFSL, Company

Deposits grew 18% YoY over pro forma (merged) Sep'22 deposits (+5.3% QoQ)



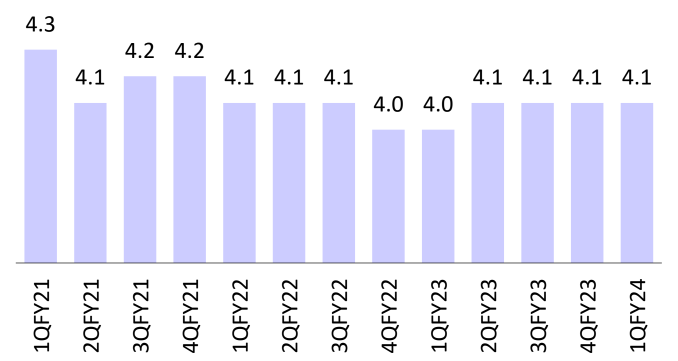
*Pro forma merged Source: MOFSL, Company

CASA ratio moderated QoQ at 37.6%



Source: MOFSL, Company

Margin stood at 4.1% in 1QFY24



Source: MOFSL, Company

4 October 2023

Update | Sector: Financials - Bank

Punjab National Bank

BSE SENSEX	S&P CNX
65,226	19,436

Bloomberg	PNB IN
Equity Shares (m)	11011
M.Cap.(INRb)/(USDb)	878.1 / 10.5
52-Week Range (INR)	84 / 35
1, 6, 12 Rel. Per (%)	19/57/106
12M Avg Val (INR M)	4267
Free float (%)	26.9

Financials Snapshot (INR b)

Y/E Mar	FY23	FY24E	FY25E
NII	344.9	393.7	429.7
OP	225.3	258.6	283.5
NP	25.1	61.4	101.5
NIM (%)	2.6	2.7	2.7
EPS (INR)	2.3	5.6	9.2
EPS Gr. (%)	-29.2	145.1	65.1
BV/Sh. (INR)	86	93	101
ABV/Sh. (INR)	68	82	90
Ratios			
RoE (%)	2.6	5.9	9.1
RoA (%)	0.2	0.4	0.6
Valuations			
P/E(X)	35.1	14.3	8.7
P/BV (X)	0.9	0.9	0.8
P/ABV (X)	1.2	1.0	0.9

CMP: INR80 — Neutral

Business growth steady; CASA Ratio improves QoQ

PNB released its quarterly business numbers for 2QFY24. Here are the highlights:

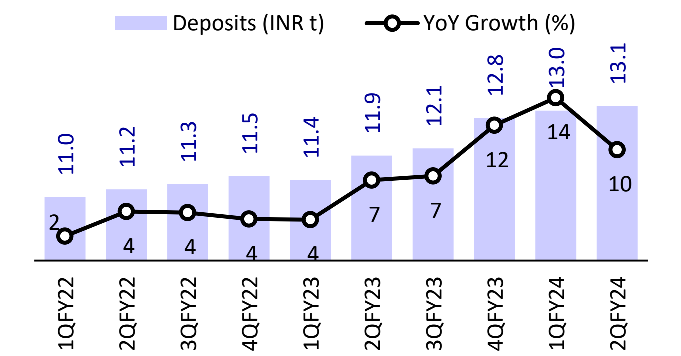
- Gross global advances grew 14% YoY to ~INR9.45t (up 3% QoQ). Domestic advances, which form 96% of total advances, also grew 14% YoY (up 3% QoQ) to INR9.08t as on 2QFY24, while the international book grew 10% YoY to INR367b.
- The total deposit base grew at a steady 10% YoY (flat QoQ) to INR13.09t. Domestic deposits grew by 9% YoY (flat QoQ), with CASA registering a modest increase of 2.6% YoY (1.4% QoQ). As a result, CASA ratio grew 27bp QoQ to 42.2%.
- CD ratio for the bank thus increased ~154bp QoQ to 72.2% vs 70.6% in 1QFY24.

Key business trends

INR b	2QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
Total Business	20,237	22,147	22,534	11.3%	1.7%
Total Deposits	11,935	12,979	13,087	9.7%	0.8%
Domestic Deposits	11,679	12,670	12,760	9.3%	0.7%
CASA Deposits	5,244	5,308	5,381	2.6%	1.4%
CASA Ratio	44.9%	41.9%	42.2%	-274 bps	27 bps
Global Gross Advances	8,302	9,168	9,447	13.8%	3.0%
Domestic Advances	7,968	8,824	9,079	13.9%	2.9%
CD Ratio	69.6%	70.6%	72.2%	262 bps	154 bps

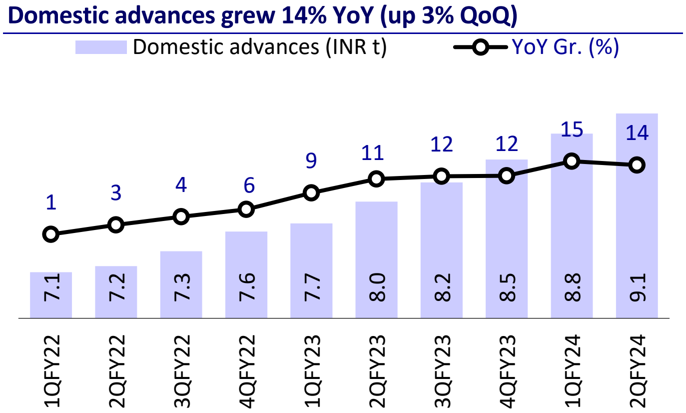
Source: MOSL, Company

Total deposit grew ~10% YoY (flat QoQ)



Source: MOFSL, Company

Domestic advances grew 14% YoY (up 3% QoQ)



Source: MOFSL, Company

4 October 2023

Update | Sector: Consumer

Marico

BSE SENSEX	S&P CNX
65,226	19,436

Stock Info

Bloomberg	MRCO IN
Equity Shares (m)	1290
M.Cap.(INRb)/(USDb)	738.4 / 8.9
52-Week Range (INR)	595 / 463
1, 6, 12 Rel. Per (%)	-1/7/-4
12M Avg Val (INR M)	790
Free float (%)	40.6

Financials & Valuations (INR b)

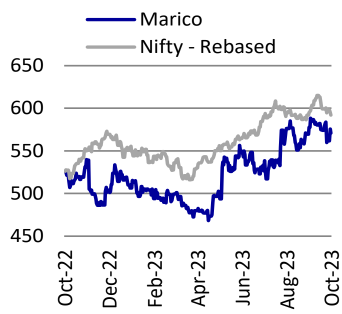
Y/E March	2023	2024E	2025E
Sales	97.6	103.1	114.0
Sales Gr. (%)	2.6	5.6	10.6
EBITDA	18.1	21.1	23.9
Margin (%)	18.5	20.5	20.9
Adj. PAT	13.0	15.0	17.1
Adj. EPS (INR)	10.1	11.6	13.3
EPS Gr. (%)	6.3	14.9	14.4
BV/Sh.(INR)	29.4	35.1	41.0
Ratios			
RoE (%)	36.1	35.9	34.9
RoCE (%)	31.4	30.3	30.0
Payout (%)	44.6	51.5	55.1
Valuations			
P/E (x)	55.7	48.5	42.3
P/BV (x)	19.1	16.0	13.7
EV/EBITDA (x)	39.5	33.6	29.3
Div. Yield (%)	0.8	1.1	1.3

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	59.4	59.4	59.5
DII	10.5	10.4	8.8
FII	25.2	25.1	25.3
Others	5.0	5.1	6.5

FII Includes depository receipts

Stock performance (one-year)



CMP: INR570 TP: INR690 (+21%) Buy

Revenue marginally lower; operating profit grow in low double-digit YoY

Key highlights from Marico (MRCO)'s 2QFY24 pre-quarterly update:

Macro view: Rising food prices and below-normal rainfall distribution

- Demand trends reflected the previous quarter's patterns, indicating stability in market dynamics.
- Rural demand recovery is facing challenges, with rising food prices and uneven rainfall hindering anticipated progress.
- There are positive signs for 2HFY24 rural consumption, fueled by factors such as controlled retail inflation, MSP increases, a healthy sowing season, eased liquidity pressures, and heightened government spending.

Consolidated revenue marginally lower

- **Consolidated revenue was marginally lower YoY**, dragged down by price corrections in key domestic portfolios over the last 12 months, which will progressively come into the base going ahead.
- **Currency depreciation** in some of the overseas markets had an adverse effect on the reported INR growth in the international business.

International business: Double-digit growth in constant currency terms

- In 2QFY24, MRCO's international business maintained its healthy growth momentum, with **double-digit** constant currency growth.
- International markets exhibited resilience in a volatile global operating environment.

Costs and margins: Gross margin to expand

- **RM costs** – Copra and edible oil prices stayed in a favorable range, although the latter continued to exhibit some volatility. Crude derivatives remained firm with an upward bias.
- Moderating RM costs would lead to **gross margin** expansion YoY.
- **A&P spending** continued to increase for strategic brand building in core and new categories.
- Operating profit is expected to grow in low double-digits.

Segments

- Domestic volumes grew in **low-single digits** YoY.
- Parachute Coconut Oil and Saffola Edible Oils saw **low single-digit volume growth.**
- **VAHO** exhibited **low single-digit** growth in terms of value.
- **Foods and Premium Personal Care** (including Digital-First) remained on course to achieve full-year targets.

Valuations

MRCO has clocked a ~9.1% earning CAGR over FY18-23 and is expected to achieve similar growth over FY24-25E and RoE of ~35%, led by volume growth, improvement in brand image of core franchises, higher growth in the food portfolio and premium personal care segment. With attractive valuations and a healthy return on equity, we maintain our BUY rating with a **TP of INR690**.

AU Small Finance Bank

BSE SENSEX	S&P CNX
65,226	19,436
Bloomberg	AUBANK IN
Equity Shares (m)	667
M.Cap.(INRb)/(USDb)	470 / 5.6
52-Week Range (INR)	795 / 548
1, 6, 12 Rel. Per (%)	-1/13/3
12M Avg Val (INR M)	1234
Free float (%)	74.5

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	44.3	53.4	67.5
PPoP	20.2	24.8	32.8
PAT	14.3	17.5	23.1
NIM (%)	5.6	5.4	5.5
EPS (INR)	22.0	26.2	34.6
EPS Gr. (%)	22.3	19.1	31.9
BV/Sh. (INR)	159	185	220
ABV/Sh. (INR)	157	182	217
Ratios			
RoE (%)	15.8	15.2	17.1
RoA (%)	1.8	1.8	1.9
Valuations			
P/E(X)	31.9	26.8	20.3
P/BV (X)	4.4	3.8	3.2
P/ABV (X)	4.5	3.9	3.2

CMP: INR704 Buy

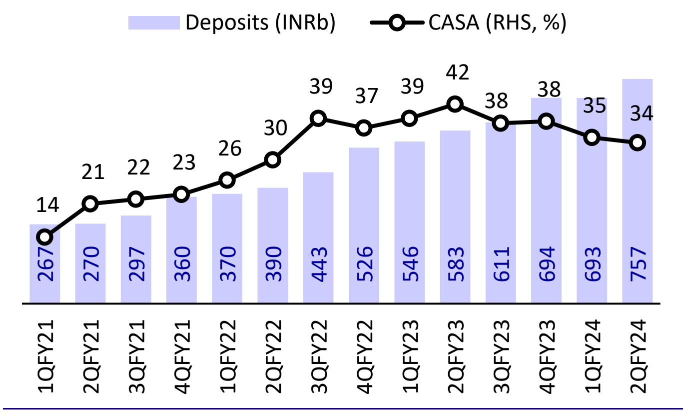
Loan growth modest on high securitization; deposit growth steady

Average cost of funds rises 12bp QoQ to 6.7% as of 2QFY24

AU Small Finance Bank (AUBANK) released its business update for 2QFY24. Here are the key highlights:

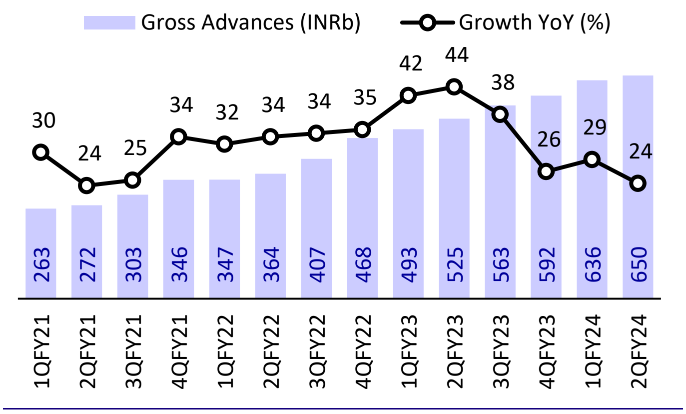
- AUBANK reported a sequential growth of 2% (up 24% YoY) in gross advances to ~INR650.3b. The bank has securitized its asset portfolio of INR29.2b in 2QFY24 taking the total assigned book to INR65.9b vs. INR43.7b as of 1Q. Including the securitized book total AUM grew by 5.3% QoQ to INR716b.
- Credit card base has now reached 0.7m+ with monthly spends surpassing INR13.5b in Sep'23. During the quarter, the bank opened 54,000+ savings accounts via Video Banking + AU 0101.
- On the liability front, total deposits grew 30% YoY and 9% QoQ to INR757b. This was fueled by robust ~11% QoQ growth in term deposits (up 66% YoY) while CASA deposit growth was modest at 6% QoQ (+4% YoY). Thus, CASA ratio moderated 110bp QoQ to 33.9% as of 2QFY24.
- Average cost of funds increased 12bp QoQ to 6.7% in 2Q as against 6.58% in 1QFY24 (6.64% for 1HFY24). Management has indicated that an uptick in funding cost with marginal increase in disbursement yields might have some slight impact on spreads. However, the endeavor remains to prioritize risk-adjusted yields and calibrated growth.

Deposits grew 30% YoY (CASA ratio moderated to 34%)



Source: Company, MOFSL

Gross advances rose 24% YoY (up 2% QoQ)



Source: Company, MOFSL

Bandhan Bank

BSE SENSEX	S&P CNX
65,226	19,436

Bloomberg	BANDHAN IN
Equity Shares (m)	1611
M.Cap.(INRb)/(USDb)	408.9 / 4.9
52-Week Range (INR)	276 / 182
1, 6, 12 Rel. Per (%)	8/13/-18
12M Avg Val (INR M)	2308
Free float (%)	60.0

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	92.6	105.1	129.8
OP	70.9	71.8	88.3
NP	21.9	34.3	44.1
NIM (%)	6.9	6.7	7.0
EPS (INR)	13.6	21.3	27.4
EPS Gr. (%)	NM	56.3	28.7
BV/Sh. (INR)	122	137	157
ABV/Sh. (INR)	116	131	152
Ratios			
RoE (%)	11.9	16.5	18.6
RoA (%)	1.5	2.0	2.2
Valuations			
P/E(X)	18.6	11.9	9.2
P/BV (X)	2.1	1.8	1.6
P/ABV (X)	2.2	1.9	1.7

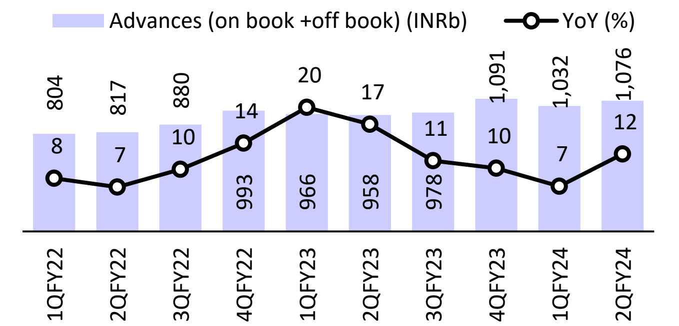
CMP: INR253 — Neutral

Business growth steady; CASA ratio improved

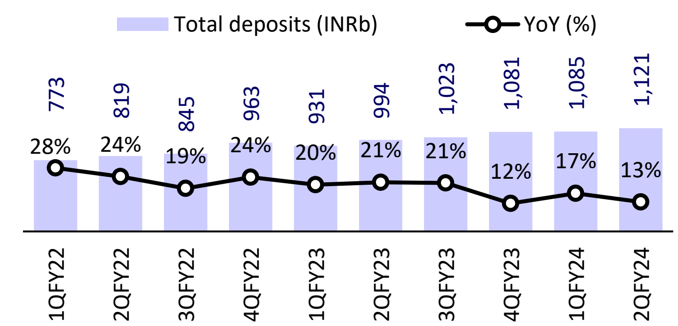
BANDHAN released its quarterly business update, highlighting the key trends for 2QFY24:

- Gross advances (on and off the book and TLTRO investments) grew ~12.3% YoY (+4.3% QoQ) to ~INR1.08t vs. 5.5% QoQ decline in 1QFY24.
- The deposit base stood at INR1.12t, growing 13% YoY (3.3% QoQ). CASA deposits grew 11% QoQ (6.5% YoY), while bulk deposits declined ~7% QoQ (up 13.2% YoY). The CASA ratio thus increased ~250bp QoQ to 38.5% vs. 36.0% in 1QFY24.
- Retail deposits (including CASA) grew 7.4% QoQ (up 12.6% YoY). The share of Retail deposits increased to 74% (vs. 71% in 1QFY24). LCR ratio stood at 163%.
- On the asset quality front, overall CE remained steady QoQ at 98%, with an increase in collection efficiency in the Non-EEB segment to 99%.

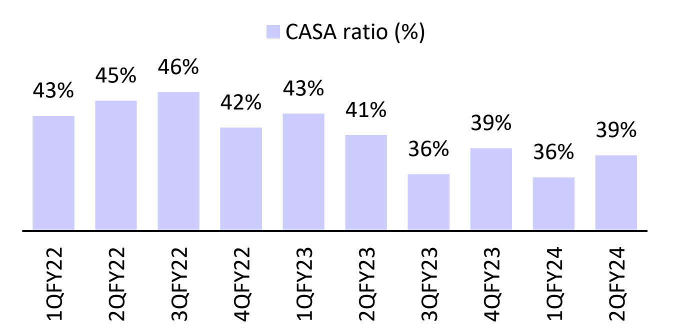
Advances grew 12% YoY (4.3% QoQ) to ~INR1.08t



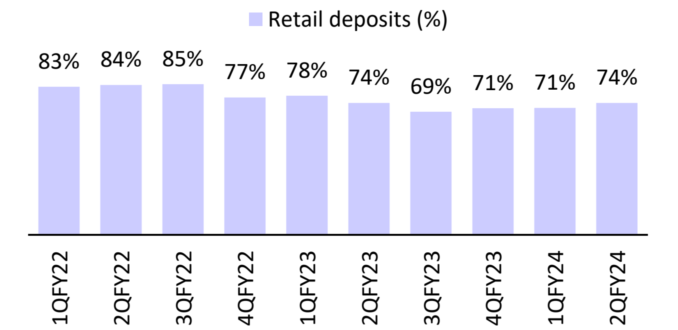
Deposits grew 13% YoY (3.3% QoQ) to INR1.12t



CASA ratio increased ~250bp QoQ to 38.5%



Retail deposit mix increased to 74% in 2QFY24



Collection efficiency in the MFI book improved to 98% vs. 97% in Sep'22 (%)

Collection efficiency – excluding NPA	Jun'22	Sep'22	Dec'22	Mar'23	Jun'23	Sep'23
EEB	94	95	98	98.5	98	98
Non-EEB	99	99	99	98.5	98	99
Overall bank	**96**	**97**	**98**	**98.5**	**98**	**98**

Source: MOFSL, Company

L&T Finance Holdings

BSE SENSEX	S&P CNX
65,226	19,436
Bloomberg	LTFH IN
Equity Shares (m)	2469
M.Cap.(INRb)/(USDb)	320.3 / 3.8
52-Week Range (INR)	140 / 73
1, 6, 12 Rel. Per (%)	0/42/55
12M Avg Val (INR M)	969
Free float (%)	33.9

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
Net Income	67.7	68.9	78.8
PPP	47.8	50.2	59.6
PAT	16.2	22.5	26.0
EPS (INR)	6.5	9.1	10.5
EPS Gr. (%)	51.2	39.1	15.1
BV/Sh. (INR)	87	94	100
Ratios			
NIM (%)	8.6	9.0	9.2
C/I ratio (%)	37.6	38.5	36.5
RoA (%)	1.5	2.1	2.3
RoE (%)	7.8	10.1	10.8
Payout (%)	30.6	50.0	30.0
Valuations			
P/E (x)	20.3	14.6	12.7
P/BV (x)	1.5	1.4	1.3
Div. Yield (%)	1.5	3.4	2.4

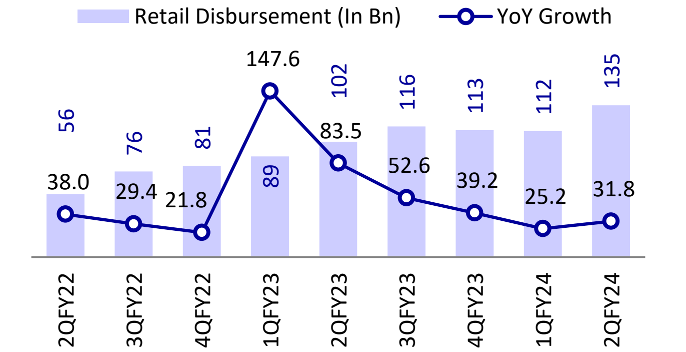
CMP:INR129 Buy

Retail loans grew 33% YoY with Retail mix improving to ~88%

Wholesale loans could have potentially declined to <INR100b

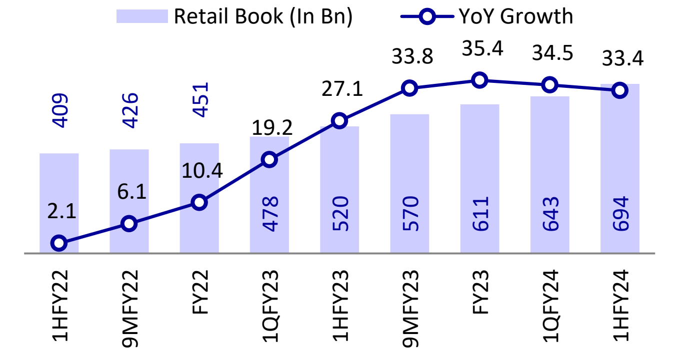
- Retail disbursements rose 32% YoY to INR134.9b (PY: INR102.4b). Rural Business disbursements grew 30% YoY while Farmer Finance and Urban Finance each grew 17% YoY.
- Retail loan book grew 33% YoY and 8% QoQ to INR694b (3% higher than our estimates)
- Retail Loan mix increased to ~88% (PQ: 82% and PY: 58%) and well ahead of Lakshya FY26 retail mix target of >80%. This implies that the wholesale book could have declined to ~INR97b.

Strong momentum in retail disbursements



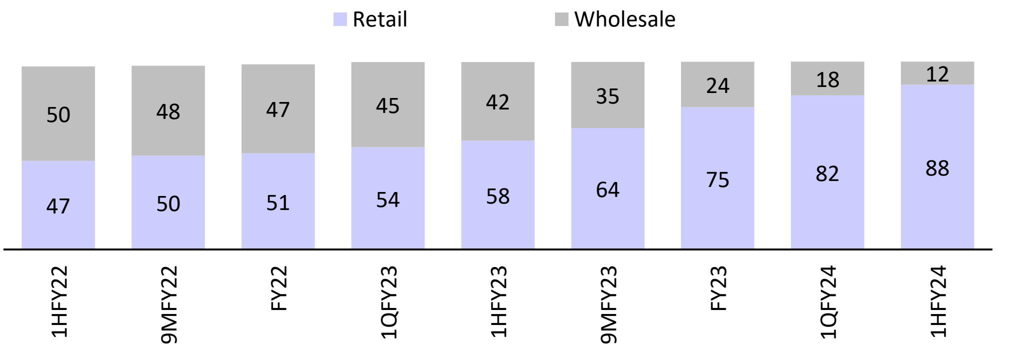
Source: MOFSL, Company

Retail loans grew ~33% YoY



Source: MOFSL, Company

Wholesale Mix declined to ~12% (v/s 50% around two years back)



Source: MOFSL, Company

Navin Fluorine International

BSE SENSEX	S&P CNX
65,226	19,436

Navin Fluorine International Limited

Stock Info

Bloomberg	NFIL IN
Equity Shares (m)	50
M.Cap.(INRb)/(USDb)	189.6 / 2.3
52-Week Range (INR)	4950 / 3727
1, 6, 12 Rel. Per (%)	-16/-21/-28
12M Avg Val (INR M)	774
Free float (%)	71.2

Financials Snapshot (INR b)

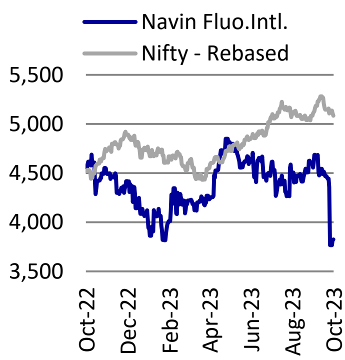
Y/E March	FY23	FY24E	FY25E
Sales	20.8	26.6	33.2
EBITDA	5.5	7.1	8.9
PAT	3.8	4.6	6.0
EPS (INR)	75.7	91.9	121.3
EPS Gr. (%)	42.6	21.4	32.0
BV/Sh.(INR)	441.0	518.3	620.4
Ratios			
Net D:E	0.4	0.4	0.3
RoE (%)	18.6	19.2	21.3
RoCE (%)	15.7	15.0	16.5
Payout (%)	15.8	15.8	15.8
Valuations			
P/E (x)	50.5	41.6	31.5
P/BV (x)	8.7	7.4	6.2
EV/EBITDA (x)	35.9	27.8	22.3
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	-4.3	0.2	0.7

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	28.8	28.8	29.7
DII	26.0	24.8	20.8
FII	18.5	19.6	21.4
Others	26.7	26.8	28.1

FII Includes depository receipts

Stock performance (one-year)



CMP: INR3,825 TP: INR4,245 (+11%) Neutral

Long-term growth unfazed by near-term hiccup

- **On 28th Sep'23, Mr. Radhesh Welling had tendered his resignation as the Managing Director of the company for personal reasons. The resignation would be effective from 15th Dec'23 and he would continue to serve the company till then ensuring smooth transition.**
- **The company is searching for an external candidate as Mr. Radhesh's replacement. In the interim, Mr. Vishad P. Mafatlal would steer the operations of the company.**
- **The company doesn't expect any material impact on the company's existing relationship with customers or on the ongoing and future capex plans of the company due to change in leadership.**
- **The stock is trading at 31.5x FY25E EPS of INR121 and we value the company at 35x FY25E EPS to arrive at our TP of INR4,245. Valuations are rich and hence, we maintain our Neutral rating on the stock owing to limited upside.**

Change in leadership to have minimal impact

- NFIL has maintained strong relationship with customers and suppliers with all large clients having multiple touch points in the company. Hence, the company doesn't expect any impact on existing relationships due to change in leadership. Discussions with existing customers are in place for supply of incremental volumes by the company.
- NFIL's operating model of having three different CEOs for three verticals has served the company well since its implementation at beginning of FY23 and the same would continue under the new leadership. Mr. Rajendra Sahu, Mr. Partha Roy Chowdhury and Mr. Amrit Singh are the CEOs of CDMO, HPP and Specialty Chemicals respectively.
- The future capex plans will also remain unchanged despite change in leadership. Moreover, ongoing discussions with customers for future projects would also not be impacted and the company would continue to grow as guided earlier by the management.

Capex plans in place for driving next leg of growth

- The company plans to commission a new Fluorospecialty molecule by Dec'23, with a capital expenditure of ~INR5.4b. Subsequently, it anticipates that revenues from the Specialty Chemicals segment will surpass INR10b by FY24 itself and we expect the segment to contribute 43% to the total revenues by FY25.
- The management is also considering replacement of older, lower-margin products at its MPP plant in Surat with alternative products that have the potential to generate higher profit margins. This proposal is expected to be presented to the board for consideration by the end of CY23.
- In addition to the ongoing expansion projects slated for completion in FY24E, the senior leadership is also formulating a business plan for two new initiatives that will be presented to the Board for approval in CY23. These projects consist of CDMO (cGMP-4) and another venture within the Specialty Chemicals segment.

- Although, all the ongoing projects are on track, the management believes there may be delay of couple of months due to macro headwinds. Hence, we cut our revenue/EBITDA/EPS estimates by 5%/6%/8% for FY24 and by 7%/10%/12% for FY25 respectively. Even as the company is facing short term headwinds our view still remains positive on NFIL's business.

Valuation and view

- The HPP and the Specialty Chemicals segments will drive robust growth (at 33-36% CAGR over FY23-25), with increasing use of fluorine in the Pharma and Agro space, battery chemicals and performance materials. The company has already identified various opportunities in the above mentioned spaces.
- Management expects peak revenue for: a) the Agrochemical Intermediate to be achieved in FY24, and b) the MPP plant to be achieved in FY25. Two new molecules at the MPP plant are expected to be commissioned in CY23.
- The stock is trading at 31.5x FY25E EPS of INR121, with an expected improvement in RoE to 19-21%, despite a huge capex (INR8b) over the next two years. We value the company at 35x FY25E EPS to arrive at our TP of INR4,245. Valuations are rich and hence, we maintain our Neutral rating on the stock owing to limited upside.

Estimate Change

Particulars	Actual/ Revised			Previous			Change (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Revenue (INR m)	20,774	26,597	33,177	20,774	27,953	35,771	0%	-5%	-7%
EBITDA (INR m)	5,503	7,147	8,873	5,503	7,609	9,881	0%	-6%	-10%
PAT (INR m)	3,752	4,553	6,009	3,752	4,956	6,817	0%	-8%	-12%
EPS (INR)	75.7	91.9	121.3	75.7	100.0	137.6	0%	-8%	-12%

Source: MOFSL

4 October 2023

Update | Sector: Financials - Bank

RBL Bank

BSE SENSEX	S&P CNX
65,226	19,436

Bloomberg	RBK IN
Equity Shares (m)	600
M.Cap.(INRb)/(USDb)	149.9 / 1.8
52-Week Range (INR)	256 / 113
1, 6, 12 Rel. Per (%)	7/61/99
12M Avg Val (INR M)	2354
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	44.5	54.4	67.2
OP	22.0	28.2	37.2
NP	8.8	12.6	16.8
NIM (%)	4.3	4.7	4.9
EPS (INR)	14.7	21.0	28.1
BV/Sh. (INR)	226	243	264
ABV/Sh. (INR)	215	234	256
Ratios			
RoE (%)	6.7	8.9	11.1
RoA (%)	0.8	1.0	1.2
Valuations			
P/E(X)	16.9	11.9	8.9
P/BV (X)	1.1	1.0	0.9
P/ABV (X)	1.2	1.1	1.0

CMP: INR249 — Neutral

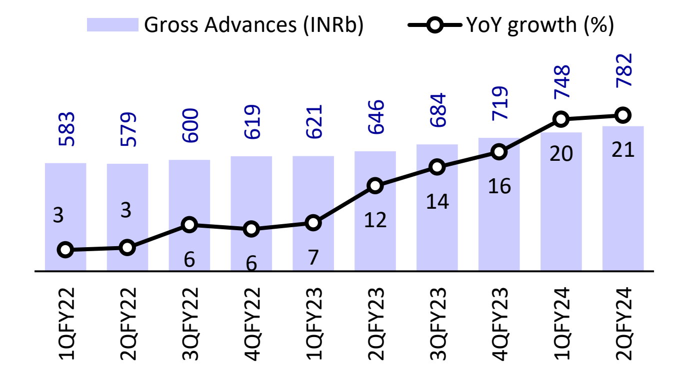
Loan growth witnessing healthy traction; CASA ratio moderates

LCR ratio improves to 142%

RBL Bank (RBK) has released its quarterly business update for 2QFY24. Here are the key highlights:

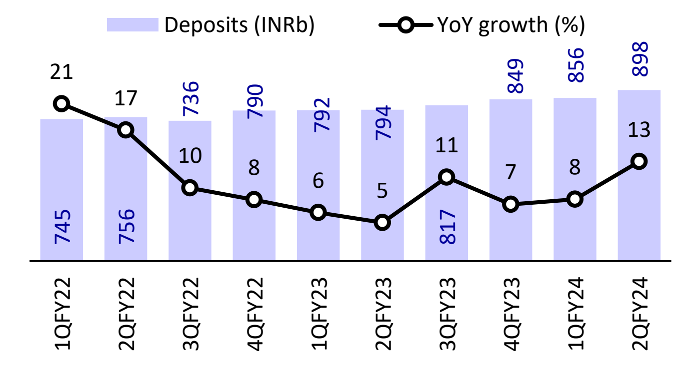
- **RBK reported 21% YoY/5% QoQ increase in gross advances to INR782b. Among segments, retail advances saw a robust growth of 34% YoY, while wholesale loans grew 7% YoY. The mix of retail to wholesale stands at 58:42 (vs. 56:44 in 1QFY24).**
- **The deposit base grew 5% QoQ (up 13% YoY) to INR898b, with minimal fluctuation in CASA Deposits compared to the previous quarter (up 12% YoY). Thus, the CASA ratio moderated to 35.7% in 2QFY24 vs 37.3% in 1QFY24. Further, retail deposits (as per LCR) saw a growth of 4% QoQ. RBK plans to continue with its strategy of improving the share of retail deposits, which has increased to 44.2% vs 42.0% in 2QFY22.**
- **LCR for the bank stands at a healthy 142% (vs. 129% in 1QFY24).**
- **Overall, in 2QFY24, RBK witnessed healthy traction in loan growth, led by robust trends in the retail segment. Traction in deposits remained healthy though CASA mix moderated.**

Gross advances grew 5% QoQ (up 21% YoY)



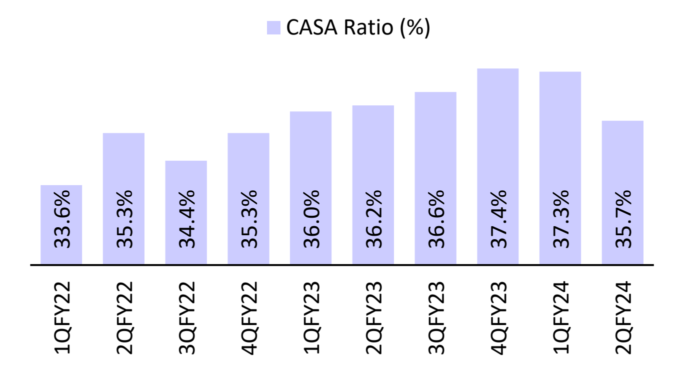
Source: MOFSL, Company

Deposits grew 5% QoQ (up 13% YoY)



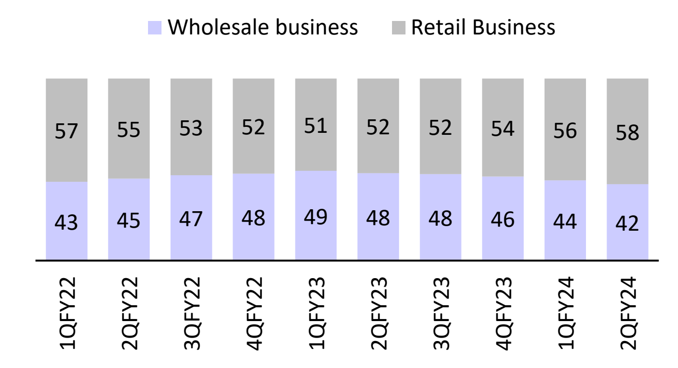
Source: MOFSL, Company

CASA ratio moderated to 35.7% in 2QFY24



Source: MOFSL, Company

Retail: Wholesale mix stands at 58:42



Source: MOFSL, Company

Financials - Crisil

CRISIL Ratings roundup 1HFY24: Credit growth to sustain at 13-13.5%; earnings outlook robust

GNPA to moderate to ~3% by FY24-end from its current 3.9%

CRISIL Ratings hosted a webinar titled "Ratings Roundup 1HFY24" to discuss the industry rating actions, credit growth, asset quality, and profitability outlook. The webinar was presented by Mr. Krishnan Sitaraman (Senior Director and Chief Ratings Officer) and Mr. Somasekhar Vemuri (Senior Director, Regulatory Affairs & Operations and Chief Criteria Officer) and other senior team members. Following are the key insights from the session.

India to be the fastest growing large economy

- India's GDP growth is expected to recover to 6.9% in FY25, backed by robust domestic demand and increased government capex. The outlook for domestic demand is promising, especially considering the slowdown in inflation, with CPI inflation projected to moderate to 5.5% in FY24 vs. 6.7% in FY23.
- The global economy is currently under considerable threat of slower growth and tight financial conditions, with expectations of a 3.1% growth rate, down from the previous year's 3.5%. This deceleration is exacerbated by the persistent issue of high inflation, which is affecting purchasing power and exerting pressure on overall goods exports.

Rating upgrade continues to outpace downgrades – credit outlook positive

- The upgrade rate stands at 12.7% as of 1HFY24 and continues to be higher than the 10-year average of 10.4%, largely benefiting from growth in domestic demand and increased government spending, while the downgrade rate is starting to inch up to 6.65% and is now closer to the 10-year average of 6.8%.
- Credit ratio has remained high at 1.91 times for 1HFY24, but dips marginally from 2.19 times in 2HFY23. Corporate credit quality outlook remains positive for the rest of this fiscal as propelled by government-led capital expenditure on infra and steady domestic demand. Private sector capex is picking up but is largely limited to brownfield capex while balance sheet is expected to remain strong.

Bank credit growth to sustain at 13%-13.5% for FY24

Systemic credit growth is expected to moderate to 13%-13.5% over FY24 (16% YoY in FY23), driven by expected moderation in GDP growth to 6% from 7.2% in FY23. Wholesale credit (Corporate + MSME, ~60% share) is expected to slow down after witnessing a significant pickup in FY23, which was driven by inflation-linked higher working capital requirements and bond market substitution. While, the retail book, which constitutes 29% of the loan book, is expected to grow at a steady 19%-20% over FY24. Within the retail loan book, demand for home and vehicle loans should be healthy, but unsecured loans are expected to grow faster than secured loan book. The share of unsecured book in the retail is expected to increase to ~26% in FY24 from 21% in FY19 – please refer Exhibit 2.

Corporate loans: infrastructure and linked sectors seeing robust activity

Infrastructure and related sectors have undergone significant transformation, with the government acknowledging its pivotal role as a growth catalyst. The upgrade rate of infrastructure and linked sectors stands at 15%, which is much higher than the overall upgrade rate. This shift is marked by substantial budget allocations toward infrastructure, especially roads and railways, along with enhanced risk-sharing mechanisms in contracts awarded to central agencies. Additionally, the increasing acceptance of investment instruments such as InvITs has led to more robust price discovery. In the renewable energy space, upgrades have been spurred by improved cash flows and accelerated realization from partners. The residential real estate sector is thriving, buoyed by the liquidation of existing inventory and the introduction of new projects amidst robust sales growth. The top five infrastructure and linked sectors make up ~29% of all NPA upgrades.

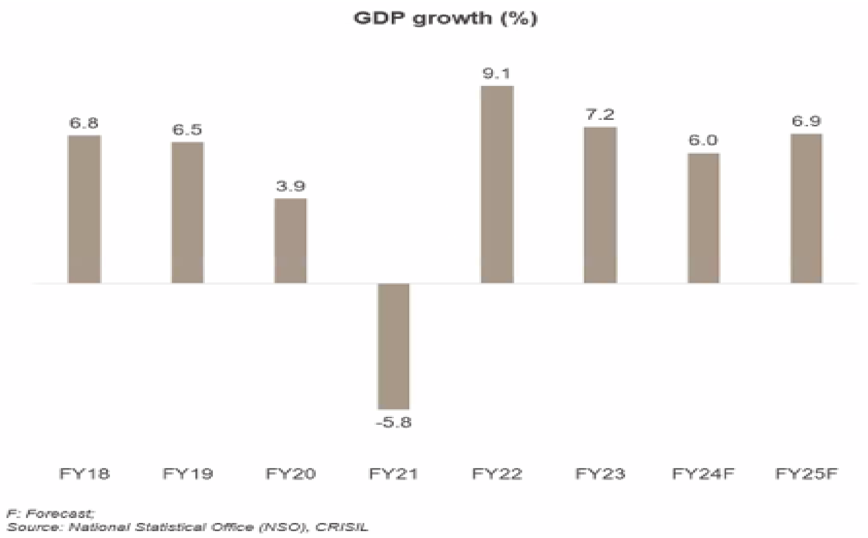
Asset quality on an improving trend; GNPA ratio to decline to ~3% in FY24

- Over the past few years, aggressive cleanup by the banks has resulted in a sharp decline in stressed assets.
- Total restructuring book for the system is expected to moderate to ~1% of loans in FY24. GNPA ratio is estimated to further trend lower at ~3% in FY24 after touching its decadal low of 3.9% in FY23.
- Despite the rising share of unsecured loans in the total loan book, mix slippages are not expected to increase sharply. However, retail loan delinquencies are expected to rise marginally from their current levels by 20-25bp.

Margin to witness compression; RoA to improve to 1.1% in FY24

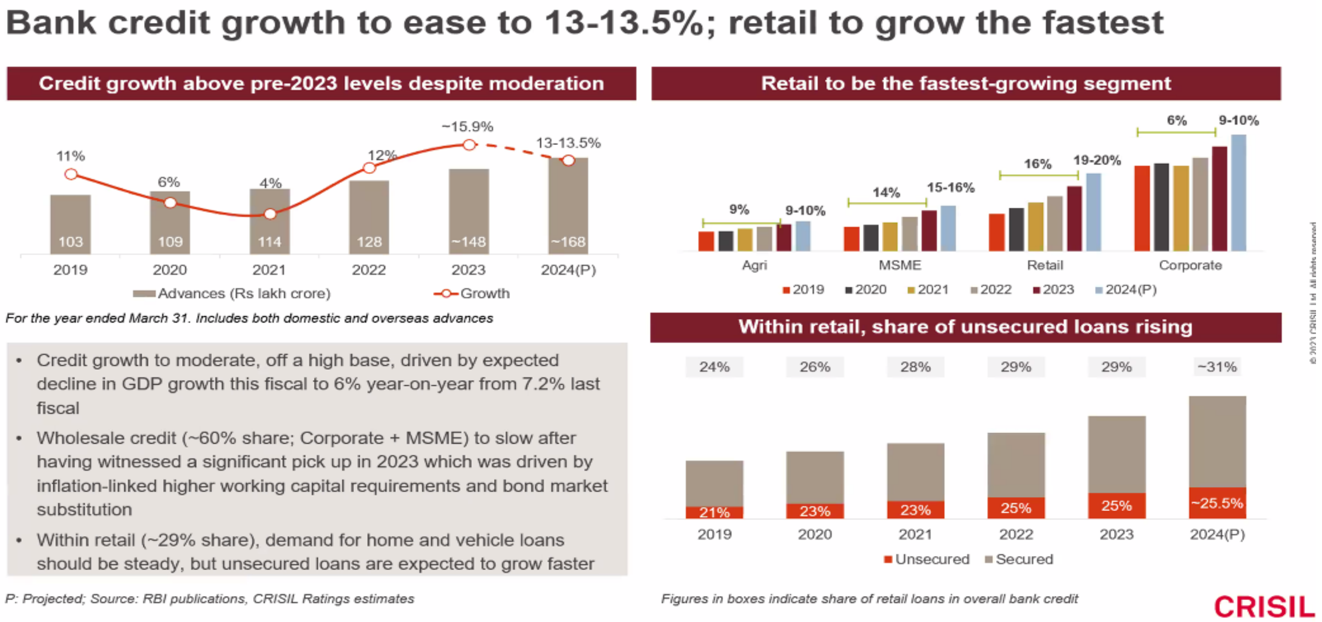
Margins are expected to moderate by 10-20 bp from 3.2% in FY23 to ~3-3.1% in FY24, due to rising deposit rates. However, robust asset quality will enable further improvement in credit costs, thereby offsetting NIM pressure and supporting overall profitability. Hence, PAT for the banking sector is expected to grow to INR2.60t in FY24 from INR2.29t in FY23 and ROA is expected to increase to ~1.1%. Additionally, there is sufficient capital cushion in place to support continued growth with PSU banks having a 100bp buffer and private banks having a ~250-300bp buffer on their Tier 1 capital adequacy ratios.

GDP growth to witness moderation in FY24 but recover in FY25E



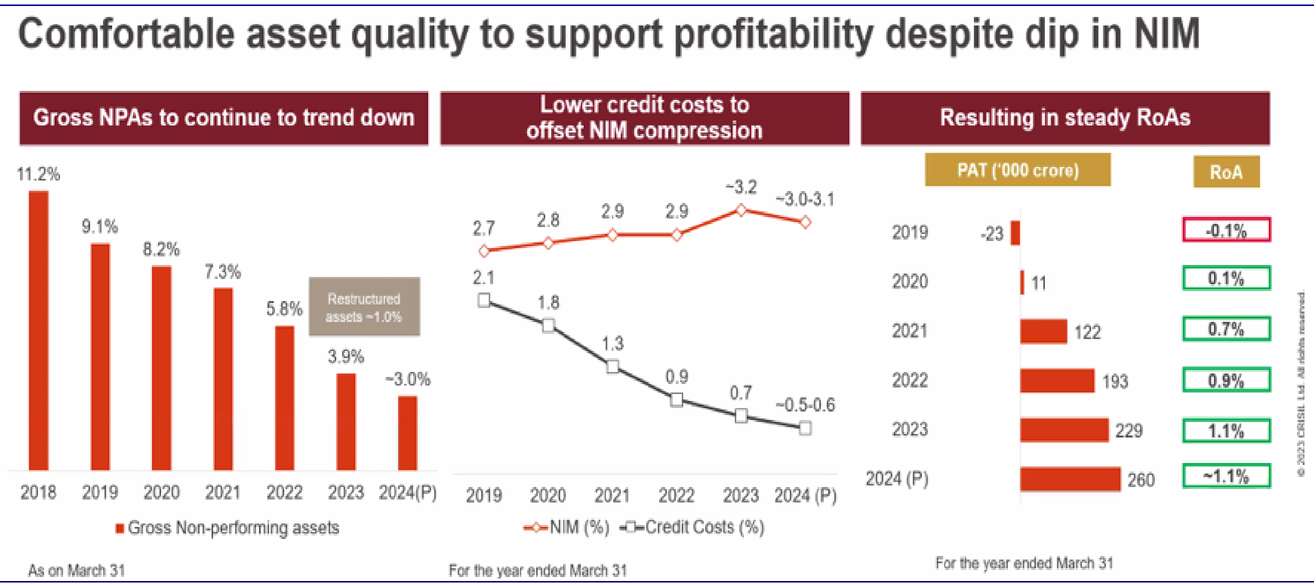
Source: MOFSL, CRISIL

Bank credit to grow at 13-13.5% over FY24, led by retail, which will grow by 19%-20%



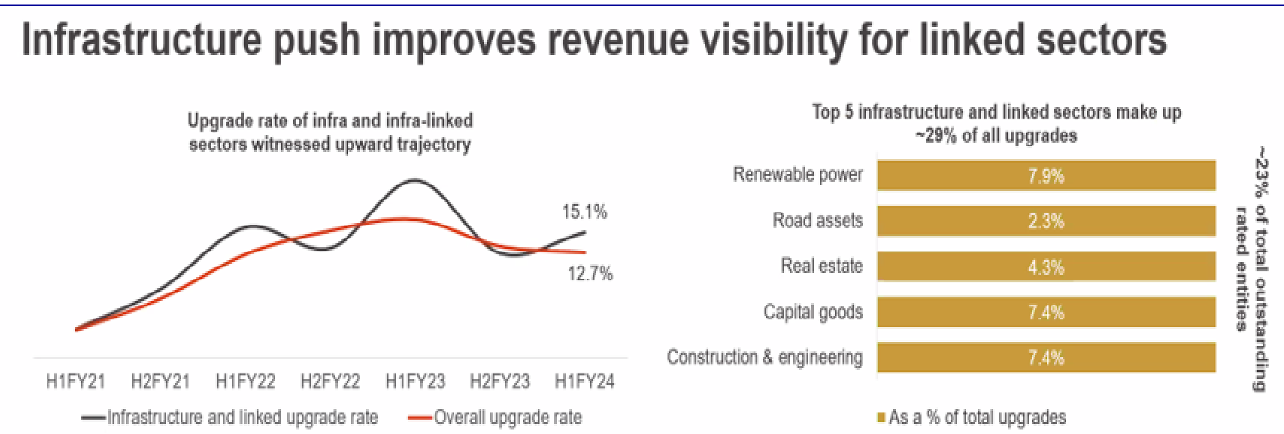
Source: MOFSL, CRISIL

GNPA to moderate to decadal lows at 3% by FY24 and will support profitability



Source: MOFSL, CRISIL

Infrastructure and linked sectors witnessing significant improvement with government capex push



Source: MOFSL, CRISIL

How sustainable is India's household debt?

Presenting estimates of debt service ratio (DSR)

- **According to the recent data published by the Reserve Bank of India (RBI), household liabilities surged in FY23, as annual borrowings stood at 5.8% of GDP (INR15.8t) last year, the second highest since the 1970s. Accordingly, India's household debt surged to 48.1% of their income in FY23, from 43.3% in FY20 and ~35% of GDP a decade ago. A look at the key drivers of bank loans to households confirms that non-housing personal loans have increased at the fastest pace since 2022, followed by housing loans, business loans and agricultural loans. As highlighted in our recent report, non-mortgage household debt in India in FY23 was similar to that in the US, Canada, Japan, China and Australia.**
- **Irrespective of the key drivers of the surge in household debt, it is obvious that such a massive level of borrowings in just one year do not pose any threat to India's financial or macroeconomic stability. But what if it continues for the next few years? How long can it sustain? What is the sustainable level of household debt in India? In this note, we answer these questions and more.**
- **We adopt two different approaches. *First*, we analyze whether higher household debt in recent years is led by credit widening (i.e., more borrowers) or credit deepening (i.e., higher credit per borrower). The higher the share of the former is, the better it is. *Second*, we present our calculations of the debt service ratio (DSR) for Indian households. DSR measures the share of income used to service their loans (i.e., the ratio of interest payments plus amortizations to income). The lower it is, the better it is.**
- **Our analyses confirm that a majority of the growth in household debt in the past decade was driven by 'credit widening' and not 'credit deepening'. It is clear that as much as 90% of the growth in household debt in the past decade was attributed to credit widening. This methodology, however, has serious limitations.**
- **On the contrary, we find that DSR of Indian households is ~12%, similar to that in Nordic countries (where household debt-to-income ratio is 3-4x to that of India), and more than that in China (8.5%), France (6.4%), the UK (8.6%) and the US (7.7%), all of which have household leverage of more than 100%. A combination of a higher interest rate and lower tenure of loans makes DSR much higher for Indian households, even with a debt-to-income ratio of less than 50%.**
- **Historically, only a few nations (Australia, Denmark, Netherlands and Norway out of a sample of 19 economies) have seen household DSR of more than 15%. Doing the reverse calculation and assuming 15% DSR as the threshold, different combinations of an effective interest rate and maturity would yield a different threshold of household debt in India. However, our estimates suggest that Indian households will reach DSR of 15% with a debt-to-income ratio of ~60% (or ~47% of GDP), which was 48.1% (37.6% of GDP) in FY23. Given the recent trends in household debt and income, India can touch this threshold by the end of this decade, i.e. over the next 5-7 years.**
- **One of the most effective ways, in our view, to reduce the obligation burden for Indian households, and thus raise the leverage threshold, is to increase the residual maturity profile of borrowers. An increase in the maturity by six months (or 0.5 year) can push the threshold of household leverage by more than 4pp of income. At the same time, a reduction in the effective interest rate by 1pp raises debt by just 1.6pp of income. As highlighted earlier, a falling savings ratio in India makes it difficult to aim for a lower interest rate over a long term.**

Recent trends in India's household debt

According to the recently **released** data by the RBI, household net financial savings (HHNFS) **collapsed** to a 47-year low of 5.1% of GDP in FY23, compared to 7.2% in FY22 and 11.5% of GDP in FY21. The primary cause of the fall in HHNFS in FY23 vs. FY22 was the rise in their financial liabilities, as gross financial savings in FY23 were broadly the same as in FY22 at ~11% of GDP. HH liabilities increased by 5.8% of GDP (or INR8.2t) in FY23, marking the second highest rise in the past 50 years *(Exhibit 1)*, barring FY07, when it increased by 6.7% of GDP. Accordingly, household debt stood at 48.1% of personal disposable income (PDI) in FY23, compared to 43.3% of PDI in FY20 and ~35% of PDI a decade ago *(Exhibit 2)*.

SBI: New home subsidy scheme can be positive for housing & home loan demand; Dinesh Kumar Khara, Chairman

- New home subsidy scheme can be positive for housing & home loan demand
- Increasing cap to above Rs 50 lakh will benefit more borrowers
- My sense is that, this will be a major boost for home loan demand
- SBI's share in home loan market is at 30%

Read More

Tata Consumer: There will be price hikes, but measured & spread across the portfolios; Deepika Bhan, President – Package foods

- Rural demand scenario, Aug'23 left us worried about rain but Sep'23 came in better
- Trajectory for volume growth in foods business stands on point, we continue to be optimistic about growth
- Saw 24% revenue growth & 6-8% volume growth last 2 qtrs., also long term CAGR looks good, we have taken aggressive price hikes on salts
- In order for having sustainable businesses we have taken price hikes
- Products across Sampann range of business are linked to commodity prices
- No way to sign off on the year to say growth will be volume led, not price led

Read More

MedPlus Health: Have seen reports of fake drugs in the market, fake drugs are being circulated and sold, making retailers increase discounts; Gangadi Madhukar, CEO

- If needed, fund raising will be via QIP, quantum to be decided, will take a provision to raise up to Rs. 1,200 Cr.
- Seeing a disturbing trend of discounts on the offline side
- Cannot see how discounts can exceed beyond 20%
- We are in-line for faster growth

Read More

BLS International: Don't' see any margin impact due to suspension of Canada Visa; Shikhar Aggarwal, Jt. MD

- As per our operations in Canada, we had already announced that Indian visas have suspended because of operational reasons
- Impact of this on our total revenue is less than 2%, since we also proving other services like councillor services and others
- We have no intention of selling stake in the company, we have already reduced shareholding to 70-71%
- There will be no impact on margins, last quarter we reported 20% EBITDAM and expect to continue the moment

Read More

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:
The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

MOFSL, it's associates, Research Analyst or their relatives may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst or their relatives may have actual beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may have any other potential conflict of interests at the time of publication of the research report or at the time of public appearance, however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

In the past 12 months, MOFSL or any of its associates may have:
a) received any compensation/other benefits from the subject company of this report
b) managed or co-managed public offering of securities from subject company of this research report,
c) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
d) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.

- MOFSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
- Subject Company may have been a client of MOFSL or its associates during twelve months preceding the date of distribution of the research report.
- Research Analyst may have served as director/officer/employee in the subject company.
- MOFSL and research analyst may engage in market making activity for the subject company.

MOFSL and its associate company(ies), and Research Analyst and their relatives from time to time may have:
a) a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.
(b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.
To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report.

Terms & Conditions:
This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification
The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	**Companies where there is interest**
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)
This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:
This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

MOTILAL Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore,
as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.
This report is meant for the clients of Motilal Oswal only.
Investment in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.
Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.
Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.