Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,872	0.1	2.3
Nifty-50	22,406	0.1	3.1
Nifty-M 100	49,249	0.2	6.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,131	-0.1	7.6
Nasdaq	16,208	-0.4	8.0
FTSE 100	7,640	-0.5	-1.2
DAX	17,716	-0.1	5.8
Hang Seng	5,713	-0.3	-1.0
Nikkei 225	40,109	0.5	19.9
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	86	-1.4	11.1
Gold ($/OZ)	2,114	1.5	2.5
Cu (US$/MT)	8,456	0.5	-0.1
Almn (US$/MT)	2,193	-0.6	-6.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	82.9	0.0	-0.4
USD/EUR	1.1	0.2	-1.7
USD/JPY	150.5	0.3	6.7
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	0.00	-0.1
10 Yrs AAA Corp	7.5	-0.08	-0.2
Flows (USD b)	**4-Mar**	**MTD**	**CYTD**
FIIs	-0.1	6.96	-2.7
DIIs	0.43	1.98	6.3
Volumes (INRb)	**4-Mar**	**MTD***	**YTD***
Cash	984	701	1217
F&O	2,38,408	1,31,686	3,88,028

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Tata Motors: Positives seem fully priced in

- Tata Motors (TTMT) has announced the demerger of its business verticals into two separate listed companies (click here for the press release), which will house: 1) the commercial vehicle (CV) business and its related investments in one entity; and 2) the passenger vehicle (PV) business, including PVs, EVs, JLR, and related investments in another entity.
- While the demerger seems to be a step in the right direction, we do not foresee any need to revisit our target price, which is already based on SoTP valuation. Moreover, despite factoring in most of the positive triggers in our estimates, we get limited upside given the recent sharp run-up in the stock.
- We, hence, downgrade TTMT to Neutral (from BUY) with an unchanged TP of INR1,000 per share.

Research covered

Cos/Sector	Key Highlights
Tata Motors	Positives seem fully priced in; Downgrade to Neutral
India Strategy	The Eagle Eye: Indian market ends with marginal gains in Feb'24
Mahindra Finance	Feb'24 disbursements grew 13% YoY; asset quality remained stable
Angel One	Strong business performance
IIFL Finance	RBI bans IIFL's gold lending business with immediate effect
Zee Entertainment	Investor call addressing ongoing concerns
CEAT	Growth to be driven by digitization/advanced manufacturing
Avalon Technologies	US business to bounce back in medium term

Chart of the Day: Tata Motors (Positives seem fully priced in; Downgrade to Neutral)

TATA MOTORS: Sum-of-the-parts valuation

INR B	Valuation Parameter	Multiple (x)	FY24E	FY25E	FY26E
Tata Motors - Standalone	**SOTP**		**1,512**	**1,775**	**1,999**
CVs	EV/EBITDA	11	989	1,129	1,255
PVs	EV/EBITDA	15	524	645	744
JLR (Adj for R&D capitalization)	EV/EBITDA	2.5	1,032	1,173	1,306
JLR - Chery JV EBITDA Share	EV/EBITDA	2.5	30	34	37
Tata Motors Finance	P/BV	1.5	64	66	68
Total EV			**2,638**	**3,048**	**3,411**
Less: Net Debt (Ex TMFL)			208	83	-80
Add: TataTech @ INR435b Mcap	20% discount	53.39% stake	186	186	186
Total Equity Value			**2,616**	**3,151**	**3,677**
Fair Value (INR/Sh) - Ord Sh	**Fully Diluted**		**683**	**857**	**1,000**

Research Team (Gautam.Duggad@MotilalOswal.com)

Kindly click on textbox for the detailed news link

1

Tata Motors demerger: Commercial, passenger vehicle biz to become separate listed entities

The commercial vehicles business and its related investments will be spun in one entity and the passenger vehicles businesses, including EVs, JLR and related investments, in another entity

2

Material supervisory concerns: RBI asks IIFL Finance to stop giving fresh gold loans with immediate effect

An inspection of the company revealed serious deviations in assaying and certifying purity and net weight of the gold at the time of sanction of loans and at the time of auction upon default

3

RBI approves AU Small Finance Bank acquisition of Fincare Small Finance Bank with effect from April 1

The Reserve Bank of India has approved the merger between Fincare Small Finance Bank and AU Small Finance Bank. The merger will give AU a foothold in southern India and entry into microfinance. The merged bank will have 2334 branches and AU's gross advances are Rs 67.624 crore

4

Mahindra Lifespaces plans to build projects pipeline worth Rs 45,000 crore in five years

Mahindra Lifespace Developers is looking to focus on joint developments, housing society redevelopments, and the acquisition of land parcels on an outright basis to augment its gross development value (GDV) during this period in its focus markets of Mumbai, Pune, and Bengaluru.

5

Panel to examine auto cos' requests for quarterly incentives, more components under PLI: Official

A government-formed panel, chaired by an Additional Secretary in the Ministry of Heavy Industries, will examine the requests of auto manufacturers for quarterly incentive payouts and the inclusion of more components in the production-linked incentive scheme, including requests for quarterly disbursal of incentive payouts under the PLI Auto scheme

6

BHEL issues clarification on media reports, says have not received any order from NTPC

"As of now, BHEL has not received any order from NTPC regarding the subject project," the company said in a regulatory filing

7

Hiring trends: AI, Oil & Gas sectors post +20% hiring growth in Feb 2024; demand continues for senior professionals

The Naukri JobSpeak Index stood at 2780 in February 2024, registering an increase of 13 per cent over the preceding month and about 8 per cent lower than the same time last year.

Tata Motors

BSE SENSEX	S&P CNX
73,872	22,406

TATA MOTORS

Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3598
M.Cap.(INRb)/(USDb)	3616.5 / 43.6
52-Week Range (INR)	996 / 400
1, 6, 12 Rel. Per (%)	10/47/103
12M Avg Val (INR M)	7574
Free float (%)	53.6

Financials Snapshot (INR b)

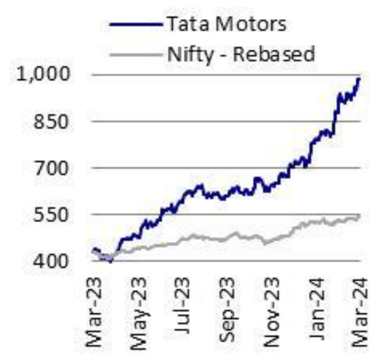
Y/E March	2024E	2025E	2026E
Net Sales	4,375	4,719	5,077
EBITDA	595.1	677.6	753.1
Adj. PAT	202.7	229.0	265.7
Adj. EPS (INR)	52.9	62.3	72.3
EPS Gr. (%)	2,360	18	16
BV/Sh. (INR)	166.5	231.4	299.5
Ratios			
Net D/E (x)	0.3	0.1	-0.1
RoE (%)	37.2	30.8	27.2
RoCE (%)	15.6	15.6	15.7
Payout (%)	5.7	6.7	5.8
Valuations			
P/E (x)	18.7	15.9	13.7
P/BV (x)	5.9	4.3	3.3
EV/EBITDA (x)	6.8	5.4	4.5
Div. Yield (%)	0.3	0.4	0.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	46.4	46.4	46.4
DII	17.4	17.5	15.4
FII	18.6	18.4	18.2
Others	17.6	17.0	20.1

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR988 TP: INR1,000 (+1%) Downgrade to Neutral

Positives seem fully priced in

Demerger into two separate entities seems to be a step in right direction

Tata Motors (TTMT) has announced the demerger of its business verticals into two separate listed companies (click here for the press release), which will house: 1) the commercial vehicle (CV) business and its related investments in one entity; and 2) the passenger vehicle (PV) business, including PVs, EVs, JLR, and related investments in another entity. While the demerger seems to be a step in the right direction, we do not foresee any need to revisit our target price, which is already based on SoTP valuation. Moreover, despite factoring in most of the positive triggers in our estimates, we get limited upside given the recent sharp run-up in the stock. We, hence, downgrade TTMT to Neutral (from BUY) with an unchanged TP of INR1,000 per share.

Key highlights of business demerger

- The board has approved the proposal to demerge Tata Motors into two separate listed companies housing: 1) the CV business and its related investments in one entity, and 2) the PV businesses, including PVs, EVs, JLR, and related investments in another entity.
- The demerger will be implemented through an NCLT scheme of arrangement and all shareholders of TTMT shall continue to have identical shareholdings in both listed entities.
- The proposal will be placed before the TTMT board for approval in the coming months and will be subject to necessary approvals, which could take further 12-15 months to complete.
- This step will certainly help TTMT simplify its business structure.
- While the business demerger seems to be a step in the right direction, we do not foresee any need to revisit our TP, which is already based on SoTP valuation.

Our estimates factor in most of the positive triggers now

- **India PV business**: We factor in 8.5% volume growth in FY25E/FY26E each after 4.5% growth in FY24E vs. management/industry growth guidance of low single digits in FY25. We also factor in 100bp margin expansion over FY24-26E to 7.8%.
- **India CV business**: We factor in 6% volume growth in FY25E/FY26E each after 1% volume decline in FY24E vs. management/industry growth guidance of near-term weakness in FY25. We also factor in 100bp margin expansion over FY24-26E to 11.5%.
- **JLR**: We factor in 7% volume growth in FY25E/FY26E each after 25% volume growth in FY24E, compared to the weakness in global PV demand in key developed markets in 2024. We also factor in 150bp margin expansion over FY24-26E to 17.4%.
- We also expect the consolidated entity to become net cash by FY26E.

Valuation and view

On the back of a strong performance across its key business segments, the stock has significantly outperformed key indices with 204% return in the last 36 months vs. ~50% return in the Nifty. Also, as highlighted above, we have already factored in most of the positive triggers in our estimates. While the business demerger seems to be a step in the right direction, we do not foresee any need to revisit our TP, which is already based on SoTP valuation. Given limited upside after the recent sharp run-up in the stock, we downgrade TTMT to Neutral (from BUY) with an unchanged TP of INR1,000 per share.

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Total Equity Value			**2,616**	**3,151**	**3,677**
Fair Value (INR/Sh) - Ord Sh	**Fully Diluted**		**683**	**857**	**1,000**

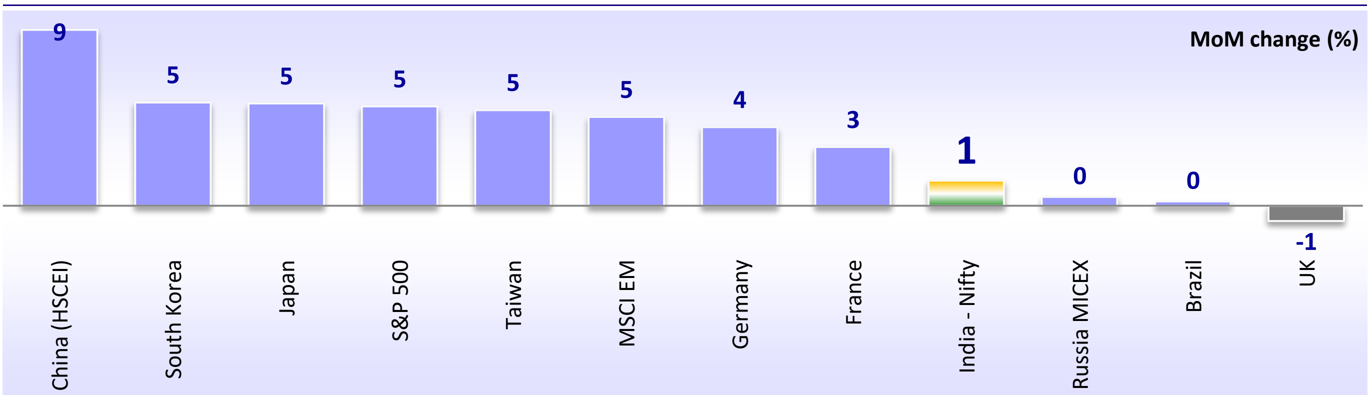
India Strategy: The Eagle Eye

Indian market ends with marginal gains in Feb'24; China outperforms

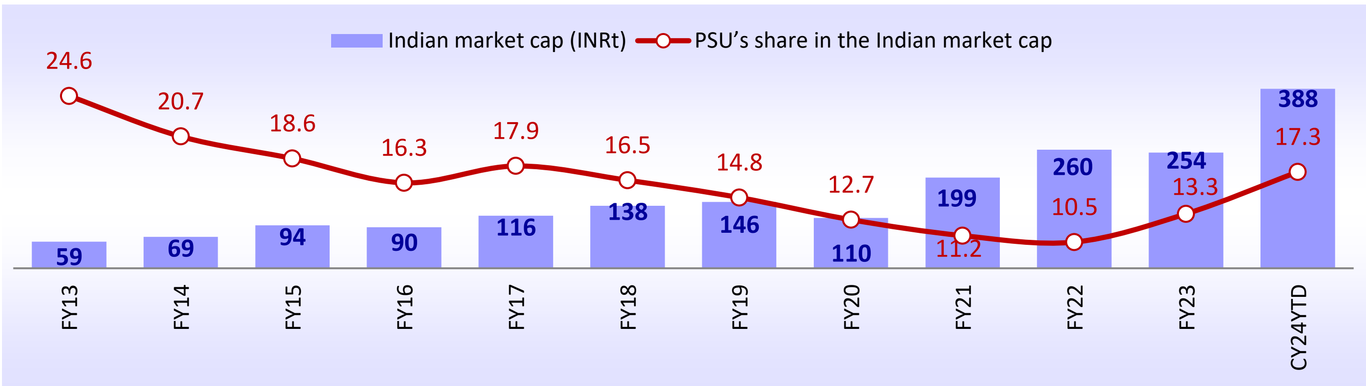
The key highlights of our Mar'24 edition of 'The Eagle Eye' are as follows:

- **a) Indian market ends with marginal gains in Feb'24; China outperforms; b) MSCI US outperforms world markets in the last one year; India continues to beat EMs; c) PSBs top gainer and Media among the key laggards in Feb'24; d) PSUs witness a sharp broad-based rally over the past two years; e) FIIs flows turn positive in Feb'24 ; momentum in DII inflows continues; f) Cumulative FII holdings near decadal lows, while DIIs holding near decadal highs; g) Average monthly cash and F&O volumes continue to make new highs; h) PSBs: Sustained profitability to drive stock performance**
- **Notable Published reports in Feb'24: INITIATING COVERAGE: a) Cello: Greeting the world with Cello!; b) DreamFolks: Landing gear retracted; charting a steep trajectory; c) JSW Infra: Unlocking the PORTal of opportunities; d) Happy Forging: Expanding opportunities with diversification**

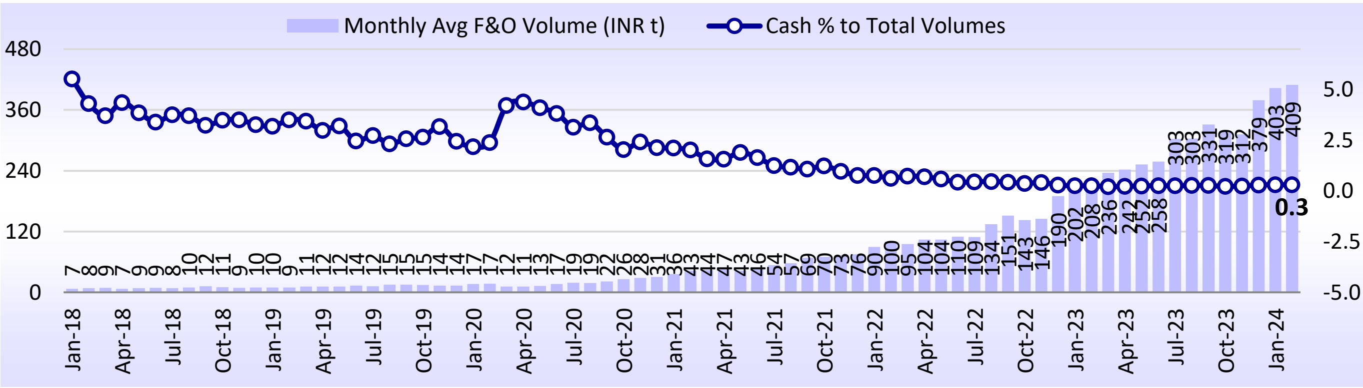
World equity indices (MoM) in USD terms (%)



PSUs' share in the overall market cap continues to recover from lows



The monthly average F&O volumes rose to an all-time high level of INR409t in Feb'24.



Top ideas

Company	MCap (USDb)	CMP (INR)	EPS (INR)			EPS CAGR (%)	PE (x)			PB (x)			ROE (%)		
			FY24E	FY25E	FY26E	FY23-25	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Preferred large cap stocks															
ICICI Bank	91.3	1,092	58.2	66.0	77.1	15.0	18.7	16.5	14.2	3.3	2.8	2.4	18.9	18.3	18.3
St Bk of India	83.2	772.2	71.2	93.3	110.6	24.6	10.8	8.3	7.0	1.7	1.4	1.2	17.4	19.5	19.1
ITC	61.0	409.1	16.4	17.2	18.5	6.2	25.0	23.8	22.1	7.3	7.1	7.0	29.4	30.4	31.9
Larsen & Toubro	60.6	3644.0	93.5	121.1	149.7	26.5	39.0	30.1	24.3	5.7	5.0	4.3	14.5	17.6	19.1
HCL Technologies	53.9	1636.9	58.9	67.5	78.3	15.3	27.8	24.3	20.9	6.9	7.0	7.1	24.6	28.6	33.7
Titan Company	40.3	3731.9	41.5	53.1	64.1	24.2	89.9	70.3	58.2	23.0	18.7	15.3	28.1	29.4	29.0
Coal India	33.6	455.2	47.2	44.6	54.6	7.5	9.6	10.2	8.3	3.9	3.3	2.8	40.8	32.4	33.2
M & M	28.3	1920.9	89.0	93.8	102.3	7.2	21.6	20.5	18.8	4.5	3.8	3.3	22.4	20.1	18.9
Zomato	17.4	169.8	0.4	1.1	2.7	153.7	410.5	153.0	63.8	7.4	7.0	6.3	1.8	4.7	10.5
GAIL (India)	14.6	190.9	12.9	13.4	16.6	13.2	14.8	14.3	11.5	1.9	1.7	1.5	14.5	13.6	15.2
Cipla	14.4	1,471	Loss	57.7	64.4	LP	27.8	25.5	22.8	4.5	3.9	3.4	-	15.2	14.7
Preferred midcap/smallcap stocks															
Indian Hotels	10.1	589	8.8	11.0	13.0	21.7	67.0	53.6	45.2	9.2	7.9	6.8	14.6	15.9	16.2
Godrej Properties	8.2	2,492	27.1	46.2	47.4	32.3	92.1	53.9	52.6	7.0	6.2	5.5	7.8	12.2	11.1
Dalmia Bhar.	4.7	2,026	45.1	64.9	89.1	40.6	44.9	31.2	22.7	2.3	2.2	2.0	5.3	7.3	9.3
Angel one	2.9	2,881	131.6	163.8	199.6	23.2	21.9	17.6	14.4	8.4	6.5	5.1	43.6	41.8	39.9
IIFL Finance	2.8	598	50.9	65.0	81.4	26.5	11.7	9.2	7.3	2.1	1.8	1.4	19.8	21.0	21.6
PNB Housing	2.3	720	56.1	73.1	91.3	27.6	12.8	9.9	7.9	1.2	1.1	1.0	11.2	12.0	13.5
Cello World	2.2	826	15.7	19.6	24.2	24.2	52.6	42.0	34.1	25.8	16.0	10.9	49.1	38.1	31.9
Sobha	1.9	1,607	14.0	40.8	83.6	143.9	114.4	39.3	19.2	6.0	5.2	4.2	5.3	14.2	24.1
Lemon Tree Hotel	1.3	143	1.6	3.1	4.2	61.1	89.0	46.6	34.3	11.4	9.2	7.2	13.7	21.8	23.6
Restaurant Brands	0.6	109	-3.4	-0.9	0.8	LP	-	-	134.7	7.9	8.5	8.0	-22.1	-7.0	6.1

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Mahindra Finance

BSE SENSEX	S&P CNX
73,872	22,406

Financials Snapshot (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	71.0	87.2	102.1
PPP	41.1	54.0	65.3
PAT	18.2	27.9	34.6
EPS (INR)	14.8	22.6	28.0
EPS Gr. (%)	-8	53	24
BV/Sh.(INR)	142	156	175
Ratios			
NIM (%)	7.2	7.4	7.5
C/I ratio (%)	42.1	38.1	36.0
RoA (%)	1.7	2.2	2.4
RoE (%)	10.8	15.2	16.9
Payout (%)	37.5	35.0	35.0
Valuations			
P/E (x)	19.4	12.7	10.2
P/BV (x)	2.0	1.8	1.6
Div. Yield (%)	1.9	2.8	3.4

CMP: INR288 Buy

Feb'24 disbursements grew 13% YoY; asset quality remained stable

CE stood at 97% (same levels YoY)

Key takeaways from Feb'24 business update:

- MMFS Feb'24 disbursements grew 13% YoY to ~INR47.3b. YTD-FY24 disbursements stood at ~INR500b, up ~14% YoY.
- Gross business assets as of Feb'24 stood at ~INR1t, up 24% YoY and a growth of ~21% over Mar'23.
- Feb'24 collection efficiency stood at 97% (vs. 97% in Feb'23).
- GS3/GS2 were range-bound compared to Dec'23.
- As of Feb'24, MMFS maintained a comfortable liquidity position with a liquidity chest of ~INR76b (~12% of borrowings).

Trends in disbursements, collection efficiency, and asset quality

MMFS		4QFY23			1QFY24			2QFY24			3QFY24		4QFY24	
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-22	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Disbursements (INR b)	40.0	41.9	56.0	37.8	41.5	42.5	44.0	44.0	45.0	52.5	53.0	49.0	44.0	47.3
Growth - YoY (%)	72%	53%	46%	37%	40%	13%	12%	18%	10%	0%	18%	5%	10%	13%
Business Assets (INR b)	781.2	804.6	828	839.0	855.0	866.0	881.0	905.0	936.0	957.5	966.0	968.5	982.0	1001.0
Growth - YoY (%)			27%			28%	28%	28%	27%	27%	26%	25%	26%	24%
Collection Efficiency [Monthly]	95%	97%	105%	92%	96%	96%	96%	96%	97%	94%	94%	98%	95%	97%
Collection Efficiency [Quarterly]		99%			94%			96%			95%			
Stage 2	< 8.5%		6.0%			6.4%			5.8%			5.8%		
Stage 3	5.9%		4.5%			4.3%			4.3%			4.0%		
Stage 2 + Stage 3 [30+dpd]			**10.4%**			**10.7%**			**10.0%**			**9.8%**		
Write-offs (INR b)		6.0			3.3			3.4			4.5			

MMFS		4QFY23			1QFY24			2QFY24			3QFY24		4QFY24	
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Commentary on Asset Quality														
Stage 2	Sequential reduction v/s Dec'22	Sequential reduction v/s Jan'23	Sequential reduction v/s Feb'23	Range-bound v/s Mar'23	Range-bound v/s Mar'23	~40bp QoQ increase to 6.4%	Range-bound v/s Jun'23	Range-bound v/s Jun'23	~60bp QoQ decline to 5.8%	Range-bound v/s Sep'23	Range-bound v/s Sep'23	Range-bound v/s Sep'23	Range-bound v/s Dec'23	Range-bound v/s Dec'23
Stage 3/NPA contracts	Stable MoM	Stable MoM	MoM improvement	Range-bound v/s Mar'23	Range-bound v/s Mar'23	Sequential reduction v/s Mar'23	Range-bound v/s Jun'23	Range-bound v/s Jun'23	Range-bound v/s Jun'23	Range-bound v/s Sep'23	Range-bound v/s Sep'23	QoQ reduction of ~30bp v/s Sep'23	Range-bound v/s Dec'23	Range-bound v/s Dec'23

Angel One

BSE SENSEX	S&P CNX
73,872	22,406

Bloomberg	ANGELONE IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	241.8 / 2.9
52-Week Range (INR)	3900 / 1010
1, 6, 12 Rel. Per (%)	-16/35/129
12M Avg Val (INR M)	1505
Free float (%)	61.8

CMP: INR2,879

Strong business performance

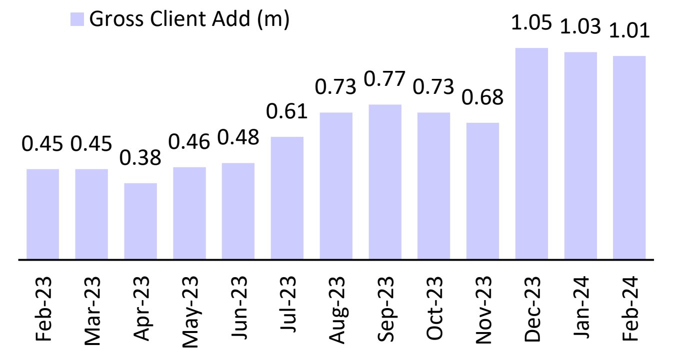
Market share improves MoM

Angel One (ANGELONE) released its key business numbers for Feb'24. Here are the key takeaways:

- Angel One's gross client acquisition was ~1.01m in Feb'24, +~124.4% YoY / flat MoM.
- The total client base stood at 21.4m in Feb'24 (+4.9% MoM/+60.8% YoY).
- The average funding book dipped ~9.5% MoM to ~INR20.4b (+56.7% YoY).
- The number of orders stood at 172.7m for Feb'24 (the highest ever), +106.8% YoY / +3.8% MoM. Consequently, the number of orders per day increased to 8.2m (the highest ever).
- The overall ADTO increased 2.9% MoM. The F&O segment's ADTO rose MoM by 3.1%, while the cash segment remained flat MoM.
- Based on the option premium turnover, the overall market share improved 40bp MoM to 18.2% and the F&O market share increased 90bp MoM to 20.2%. Market share for cash and commodity segments stood at 15.2% and 60.4%, respectively.
- Unique MF SIPs registered remained flat MoM in Feb'24 at ~ 0.48m.

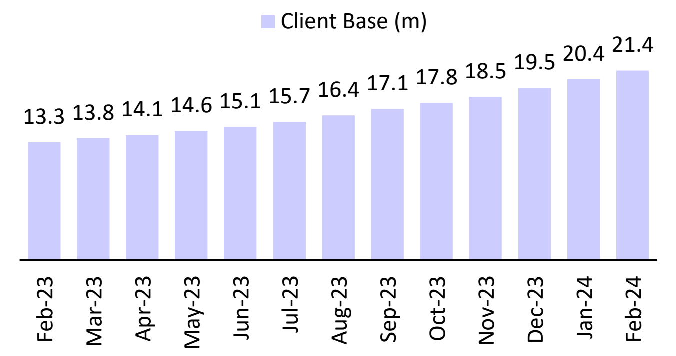
Key Metrics	Feb-23	Mar-23	Apr-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	% YoY	% MoM
No of Days	20	21	17	20	20	20	22	21		
Client Base (m)	13.3	13.8	14.1	17.8	18.5	19.5	20.4	21.4	60.8	4.9
Gross Client Add (m)	0.45	0.45	0.38	0.73	0.68	1.05	1.03	1.01	124.4	-1.9
Avg MTF book (INR b)	13.0	12.5	11.0	18.8	18.6	18.4	22.5	20.4	56.7	-9.5
Orders (m)	83.5	93.2	68.3	105.9	107.2	137.2	166.4	172.7	106.8	3.8
Per day orders (m)	4.2	4.4	4.0	5.3	5.4	6.9	7.6	8.2	96.9	8.7
Unique MF SIPs registered (In m)				0.2	0.3	0.4	0.5	0.5		-1.0
Angel's ADTO (INR b)										
Overall	17,570	20,828	21,978	31,537	34,363	42,014	43,879	45,168	157.1	2.9
F&O	17,255	20,453	21,639	31,082	33,936	41,539	43,364	44,697	159.0	3.1
Cash	27	24	28	44	50	72	81	81	200.0	0.0
Commodity	188	233	212	355	323	334	360	336	78.7	-6.7
Angel's Premium T/O (INR b)										
Overall						609	662	628		-5.1
F&O						135	147	158		7.5
Retail T/o Market Share									**bp YoY**	**bp MoM**
Overall Equity	22.6	23.8	23.8	26.5	26.7	27.1	N.A	N.A		
F&O	22.6	23.8	23.8	26.6	26.8	27.2	N.A	N.A		
Overall Equity - based on option premium T/O	N.A	N.A	N.A	N.A	N.A	17.3	17.8	18.2		40
F&O - based on option premium T/O	N.A	N.A	N.A	N.A	N.A	18.9	19.3	20.2		90
Cash	12.7	11.2	12.8	15.2	15.2	14.9	15.6	15.2	250	-40
Commodity	56.9	56.8	55.4	58.4	56.7	60.2	59.7	60.4	350	70

Run-rate in client additions declined marginally MoM



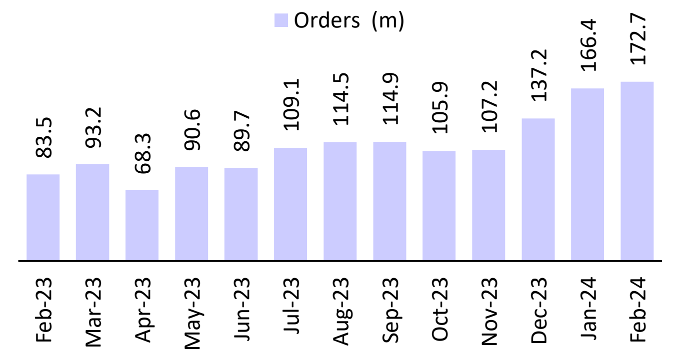
Source: MOFSL, Company

Total client base stood at 21.4m in Feb'24



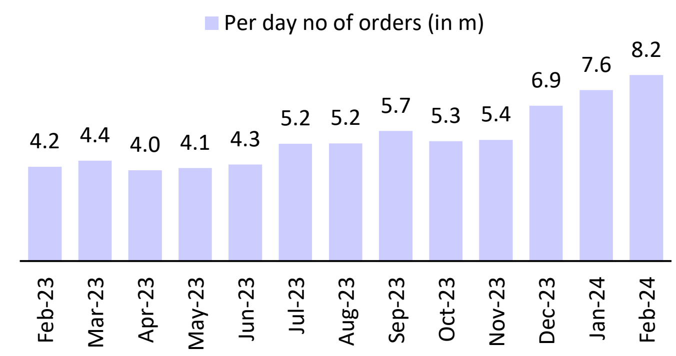
Source: MOFSL, Company

No. of orders improved MoM



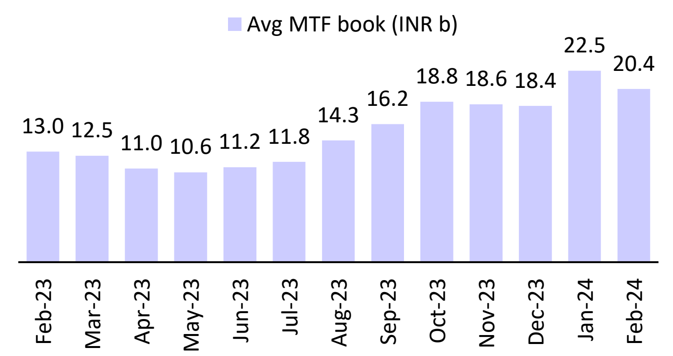
Source: MOFSL, Company

...thus, the number of orders per day increased



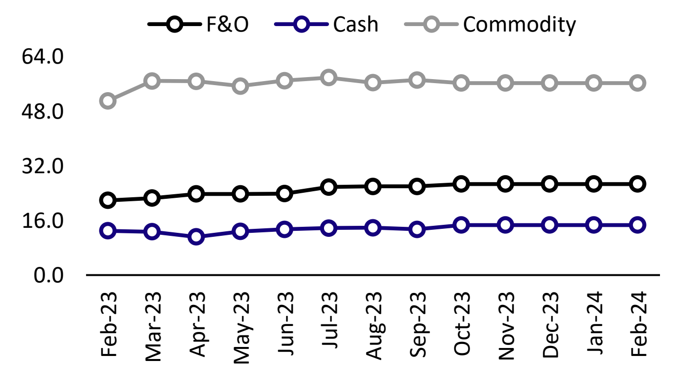
Source: MOFSL, Company

Client funding book declined MoM



Source: MOFSL, Company

Overall market share improved MoM



Source: MOFSL, Company

IIFL Finance

Conference Call Details

Date: 05th Mar 2024
Time: 08:30 AM IST
Registration Link:
Link

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	58.9	74.2	90.4
Total Income	66.7	82.7	99.8
PPoP	38.5	48.8	59.7
PAT (pre-NCI)	21.5	27.3	34.0
PAT (post-NCI)	19.4	24.8	31.0
EPS (INR)	50.9	65.0	81.4
EPS Gr. (%)	29	28	25
BV (INR)	279	339	415
Ratios (%)			
NIM	8.0	8.0	7.9
C/I ratio	42.3	41.0	40.2
Credit cost	2.2	2.3	2.2
RoA	3.7	3.9	4.1
RoE	19.8	21.0	21.6
Valuations			
P/E (x)	11.7	9.2	7.3
P/BV (x)	2.1	1.8	1.4

CMP: INR597

RBI bans IIFL's gold lending business with immediate effect

Gold AUM stood at ~INR247b, representing ~32% of AUM mix

- **The RBI in its order dated 4th Mar'24 has directed IIFL Finance to stop sanctioning or disbursing gold loans, with immediate effect** (including ban on any assignment/securitization/down-selling transactions). The regulator has, however, allowed IIFL to service its existing gold loan portfolio through the usual collection and recovery processes.
- The RBI also shared the findings of an inspection that it carried out into the company's financial position as of Mar'23. The regulator found certain material supervisory concerns in IIFL's gold loan portfolio, including:
  - Serious deviations in gold appraisal and certification of purity and net weight of gold at the time of sanctioning of gold loans and at the time of auction upon default
  - Breaches in loan-to-value (LTV) ratio
  - Significant cash disbursements and collections, which were far in excess of the statutory limit
  - Non-adherence to the standard auction process
  - A lack of transparency in charges being levied on customer accounts
- The regulator also shared that it was engaged with the company's senior management team and statutory auditors over the last few months. However, since no meaningful corrective action was forthcoming, it necessitated the imposition of business restrictions with immediate effect to safeguard the interests of customers.
- The RBI will institute a special audit of the company. The regulator will review its ban on gold lending after the company rectifies the issues pointed out by the special audit and the RBI inspection, to the satisfaction of the regulator.
- We believe this is a major negative setback for IIFL as gold loans constitute ~32% of its AUM mix and a large proportion of co-lending done by the company was in the gold loan segment. Since these are process-related lapses, the company can work with the regulator to rectify its observations in the gold loan portfolio.
- Given that there is little clarity on the duration for which this ban could remain in effect, it is difficult to quantify the impact of this ban on IIFL's AUM growth and profitability. We may look to revise our estimates after the conference call hosted by the IIFL management on 5th Mar'24.

Zee Entertainment

BSE SENSEX	S&P CNX
73,872	22,406

Stock Info

Bloomberg	Z IN
Equity Shares (m)	961
M.Cap.(INRb)/(USDb)	148.8 / 1.8
52-Week Range (INR)	300 / 153
1, 6, 12 Rel. Per (%)	-13/-56/-50
12M Avg Val (INR M)	4350
Free float (%)	96.0

Financial Snapshot (Standalone entity)

Y/E Mar (INR b)	FY23	FY24E	FY25E
Sales	80.9	85.1	95.7
EBITDA	11.0	8.5	12.2
Adj. PAT	4.6	4.5	6.5
EBITDA Margin (%)	13.6	10.0	12.8
Adj. EPS (INR)	4.8	4.7	6.8
EPS Gr. (%)	-59.0	-1.2	44.8
BV/Sh. (INR)	111.6	112.6	117.6
Ratios			
Net D:E	-0.1	0.0	0.0
RoE (%)	4.2	4.2	5.9
RoCE (%)	4.3	4.7	6.1
Payout (%)	137.6	64.6	26.4
Valuations			
P/E (x)	32.6	33.0	22.8
P/B (x)	1.4	1.4	1.3
EV/EBITDA (x)	13.0	17.2	12.2
Div . Yield (%)	1.9	1.0	1.0
FCF Yield (%)	-0.9	-1.8	-0.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	4.0	4.0	4.0
DII	43.6	42.2	37.5
FII	28.2	35.0	37.3
Others	24.2	21.8	21.2

FII Includes depository receipts

CMP: INR155 TP: INR175 (+13%) Neutral

Investor call addressing ongoing concerns

Zee Entertainment Enterprises Ltd. (ZEE) hosted a conference call on 4th Mar'24 to address ongoing investor concerns. Following are the key points:

- ZEE has established an independent committee to investigate the allegations made against the company or its promoter or key management personnel (KMP). Based on the committee's findings, the board will take the appropriate actions.
- The management has reiterated that there was no misappropriation of money.
- The company expects improvement in performance in 2HFY25.

Reiterating no misappropriation of funds

- The management has reiterated that there was no misappropriation of funds within the company, and that there were no such findings by the SEBI as well.
- The board has set up an independent investigation committee, led by Mr. Satish Chandra, former judge of Allahabad Court, to look into the allegation made against the company or promoter or KMP.
- Based on the committee's findings, the board will take appropriate action.

Application to NCLT

- ZEE's application to NCLT states the grounds for incorrect termination, and emphasizes that it is not the company's failure.
- There is no likelihood of any other strategic or financial partnerships in the near term.

Expect improvement from 2HFY25 onward

- Business has been impacted by a) Covid, b) industry headwinds led to advertisement slowdown, and c) prolonged merger impacting regular operation and business.
- Weak performance is not a structural issue and the management expects visible improvements in performance in 2HFY25.
- Currently, the company is sitting on a net cash of over INR8b.

Competitive intensity led by Reliance

- ZEE is into entertainment and not into sports; hence, it will focus on increasing the advertisement pie, mostly contributed by FMCG firms.

Change in management

- The company will consider various factors, such as past performance and market share gain, to look for a change in management, if necessary.

CEAT

BSE SENSEX	S&P CNX
73,872	22,406

Bloomberg	CEAT IN
Equity Shares (m)	40
M.Cap.(INRb)/(USDb)	117 / 1.4
52-Week Range (INR)	2998 / 1357
1, 6, 12 Rel. Per (%)	8/14/75
12M Avg Val (INR M)	765
Free float (%)	52.8

Financials & Valuations (INR b)

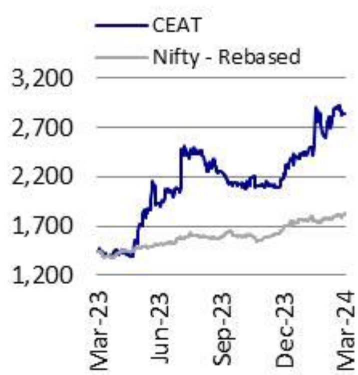
INR Billion	FY23	FY24E	FY25E
Sales	113.1	120.3	131.3
EBITDA	9.7	17.0	18.4
EBIDTA Margin (%)	8.6	14.2	14.0
Adj. PAT	2.1	7.1	7.7
EPS (Rs)	51.9	174.6	189.5
EPS Growth (%)	164.4	236.5	8.5
BV/Share (Rs)	850	1,010	1,181
Ratios			
RoE (%)	6.3	18.8	17.3
RoCE (%)	6.8	15.8	15.3
Payout (%)	26.1	8.6	9.5
Valuations			
P/E (x)	55.8	16.6	15.3
P/BV (x)	3.4	2.9	2.5
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	2.9	5.9	7.0

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	47.2	47.2	47.2
DII	14.3	12.9	12.9
FII	20.0	24.1	24.1
Others	18.5	14.4	15.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR2,894 TP: INR3,290 (+14%) Buy

Growth to be driven by digitization/advanced manufacturing

No greenfield capex in FY25/26, but focus on existing capacity expansion

CEAT hosted the investing community, followed by a plant visit to its Chennai facility showcasing its factory, which is focused on digitization and advanced manufacturing processes. Following these practices, OEM approvals from this new plant have now dropped to 25 months (vs. five years from a new greenfield capacity). The company continues to focus on key strategic areas such as PV/2W/OHT (to help margins), along with the expansion in international markets and increasing business in EVs. This, along with prudent capex plans (to benefit FCF), should be a long-term growth catalyst for the company. Valuations at 16.6x/15.3x FY24E/FY25E consolidated EPS do not fully capture the benefits from the new capacities and softening of RM costs. We reiterate our BUY rating with a TP of INR3,290 (roll forward to ~15x FY26E EPS).

- **About the Chennai plant:** The plant spans 160 acres with 25% of its area covered by greenery and operates in three shifts. Primarily, the plant produces PCR tyres for 17 different platforms (e.g., long-lasting tyres, performance tyres) with a production capacity of 20k tyres/day (potentially increasing to 28-28.5k tyres/day). It would also start manufacturing TBR tyres from 2QFY25, initially producing 1,500tyres/day, with plans to ramp up to 3,000 tyres/day. Export from this plant comprises 40% of its output. This plant stands out as digitally and technically advanced, with a special focus on quality management, resulting in OEM approval for its tyres in 25 months (vs. 5 years from a new greenfield plant).
- **Digital initiatives of the company are based on used cases:** CEAT digital initiative focuses more on used cases rather than the technology used. Its KPI-based impact has enabled it to increase both OEM and export sales. The company's initiatives yield a payback period of two to three years and can be replicated across CEAT's other plants. Utilizing virtual reality for new employee training has reduced the training time to two to three months (vs. six months earlier). CEAT has also established a digital centre of excellence, employing 25 individuals across locations in Nagpur, Halol, and Chennai.
- **Advanced manufacturing to drive new process development and focus on quality:** It has developed the new motorcycle steel radial tech, which is used in the 350-1,200cc motorcycle segment, requiring long-range usage in-house. The recently launched RE Himalayan 450cc motorcycle utilizes this tyre technology, with CEAT serving as the exclusive supplier. Furthermore, CEAT has also developed a new Silica mixing technology, which has helped it meet the EU/US/OEM/EV markets, while maintaining a strong focus on product consistency.

- The company's focus on higher rim sizes (~40% of the PCR supply is for the greater than 15 inches tyre sizes) in the PCR segment was met by the development of the unistage tyre building machine. Presently, overall rejection rates at the Chennai plant stand at ~1.75% (Halol plant has lesser rejections) and the company is actively working to further reduce these rejection rates. Specifically, the rejection rate stands at 0.5% at the finished good stage and is 0.2-0.3% at the RM stage.
- **Domestic demand remains a mixed bag; RM costs could see an uptick in 1QFY25:** 4Q remains the best quarter for the company in terms of replacement demand and this time, it is no different. There has been a steady uptick in the 2W replacement demand; 2W OEM demand is recovering well. It has gained market share in the PCR segment. The OHT segment remains weak. NR prices and crude oil have been volatile in 4Q, which would impact gross margins in 1QFY25.
- **Exports contribution target at 25% of revenues (vs. 18% in FY23):** FY23 was a weak year for exports and this low base led to a 25% YoY growth in 3QFY24 for exports. The company would be launching two of its tyre categories (PCR and TBR) in the US/LatAm markets, leveraging its presence in OHT. Operations in Africa and the Middle East are performing well. It took a price cut in the exports market to focus on the value segment. Presently, Red-Sea crisis has a limited impact on the profitability for CEAT.
- **No major greenfield capex in FY25/FY26, but focus on capacity expansion:** Capex/tonne is lower by 35-40% in case of capacity expansion at its existing plant. The company would be focusing on ramping up TBR capacity in Chennai from 2QFY25. Ambernath OHT capacity is expected to be ramped up to 160 tyres/day from its current 105 tyres/day. Nagpur 2W capacity would be ramped up to 80k tyres/day from its current 25k tyres/day.
- **Valuation & view:** A stable growth outlook for domestic OEMs and a pickup in replacement demand will enable a faster absorption of new capacities and drive benefits of operating leverage. Along with softening RM prices, these factors should lead to margin expansion in FY24E (vs. FY23). Moreover, the focus on strategic areas such as PV/2W/OHT/exports (to help margins), along with prudent capex plans (to benefit FCF) should be a long-term growth catalyst for the company. Valuations at 15.3x/13.3x FY25E/FY26E consol. EPS does not fully capture the ramp-up of new capacities and prudent capex plans. We reiterate our BUY rating on the stock with a TP of INR3,290 (roll forward to ~15x FY26E EPS).

Avalon Technologies

BSE SENSEX	S&P CNX
73,872	22,406

Avalon manufacturing your success

Bloomberg	AVALON IN
Equity Shares (m)	65
M.Cap.(INRb)/(USDb)	34.5 / 0.4
52-Week Range (INR)	732 / 347
1, 6, 12 Rel. Per (%)	1/-14/-
12M Avg Val (INR M)	245

Financials & Valuations (INR b)

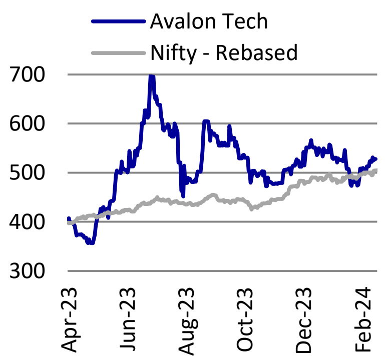
Y/E Mar	FY24E	FY25E	FY26E
Sales	8.8	11.3	14.7
EBITDA	0.7	1.2	1.7
PAT	0.3	0.7	1.1
EBITDA (%)	7.7	11.0	11.8
EPS (INR)	4.8	11.4	17.4
EPS Gr. (%)	(46.7)	136.7	52.2
BV/Sh. (INR)	87.3	98.7	116.1
Ratios			
Net D/E	(0.2)	(0.2)	(0.2)
RoE (%)	5.7	12.3	16.2
RoCE (%)	5.8	11.8	15.9
Valuations			
P/E (x)	109.4	46.2	30.4
EV/EBITDA (x)	48.7	26.7	19.0

Shareholding pattern (%)

As on	Dec-23	Sep-23
Promoter	51.0	51.1
DII	17.1	16.3
FII	5.7	9.2
Others	26.3	19.7

Note: FII includes depository receipts

Stock performance (one-year)



CMP: INR526 TP: INR610 (+16%) Buy

US business to bounce back in medium term; near-term headwinds persist

AVALON is uniquely placed in the Indian EMS sector as it is the only company with a manufacturing base in the US (~23% of total production) and serves various emerging and fast-growing end-user industries such as clean energy, mobility, and medical technology.

- **Currently, AVALON is witnessing a slowdown in its US business, resulting in a revenue decline and losses in the region. The poor performance of its US business (reported loss of ~INR200m in 9MFY24) has overshadowed the healthy performance of its Indian operations.**
- **However, we believe that the execution of new orders and an increase in order flows, led by positive traction in the end-user industries, will drive a recovery in the US business in the medium term. We estimate a ~30% revenue CAGR for the US business over FY24-26.**

Traction in end-user industry and cost rationalization to aid US recovery

- US business forms a major part of AVALON's revenues – ~59%/53% of consolidated sales in FY23/9MFY24.
- However, the business is currently facing a leaner patch, reporting a loss of INR200m in 9MFY24. The weak demand environment (with high inflation and interest rates) in the US is leading to sluggishness in business.
- Although we expect the weakness to persist in the near term (with US business expected to record revenue decline for FY24), the positive momentum in end-user industries (especially clean energy) and the execution of new/expected orders should drive recovery in the medium term.
- Further, AVALON has taken several initiatives in response to short-term challenges in US business. These measures include the optimization of expenses, especially personnel costs (one of the largest expenses for business), and product allocation from US facilities to Indian plants (~50% of customers have already agreed).
- Going ahead, we expect the traction in business and cost optimization measures to lead to a recovery in financial performance in 1HFY25, which will further improve in 2HFY25.

Accelerating shift to clean energy and industrial modernization to drive next leg of growth

- While AVALON is optimizing its cost structure in the US, it is bolstering its business development team in the region (on-boarded multiple seasoned professionals with rich experience over last couple of quarters), recognizing the significant market opportunity in the region.
- Despite challenges in the US, the company has been able to retain all its customers and continues to onboard new global marquee customers.

- AVALON has received orders from Lunar Energy, a California-based clean energy company, tapping into the US home solar electrification drive. However, Sunrun, a key client of Lunar Energy and a leader in the US residential solar market (~16% market share), is witnessing near-term headwinds, leading to a lag in the acceleration of orders. (Mentioned in detail below)
- Going ahead, Sunrun expects healthy traction in business to accelerate (expected annual industry growth rate of ~16%) as its management believes "the market is very underpenetrated (current penetration rate of ~4.4%) and currently the company is at the beginning of a massive transition toward electrification, where Sunrun can provide a reliable source of clean energy for millions of household."
- While another client, Ohmium International (US-based green hydrogen company), within the clean energy segment has raised USD250m in 1QFY24 to expand its annual electrolyzer manufacturing capacity to ~2 GW. It has recently received approval from the Indian government for setting up ~137 MW electrolyser capacity and the company plans to announce multiple projects in India in the upcoming quarters.
- Accordingly, we expect AVALON to be a key beneficiary of the rising shift toward clean energy.
- Moreover, the company is also witnessing traction in the industrial segment and has received a large order for the industrial surveillance system from a new major customer in the US.
- Further, AVALON expects potential orders from a mega CNC machine manufacturing company (key beneficiary of Industry 4.0; Global CNC machine industry to register ~10% CAGR over CY23-30E), which will further bolster its growth runway in coming years.
- Accordingly, we believe that despite facing headwinds in FY24 (US revenues are expected to decline ~22% YoY), the US business will recover in the medium term, delivering ~30% revenue CAGR over FY24-26E.

Valuation and view

- We believe there are two key growth drivers for AVALON: 1) an increase in the mix of box build through new orders or increasing the wallet share from existing customers; and 2) order flows from high-growth/high-margin industries such as Clean Energy, Railways and Aerospace. However, the ongoing slowdown in the US business will have a short-term impact on AVALON's revenue and profitability.
- We estimate AVALON to deliver a CAGR of 16%/15%/29% in revenue/EBITDA/adj. PAT over FY23-26. We retain our BUY rating on the stock with a TP of INR610 (35x FY26E EPS).

Maruti: Our market share has jumped due to increase in the SUV market share; Shashank Srivastava, Executive Director

- Overall market share is at 43% in February alone
- Wholesale saw double digit growth in Feb
- Retail saw double digit growth but smaller than wholesale
- Hoping to cross 2.7 lakhs exports by the end of March

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VE Commercial Vehicles: Do not believe there is a slowdown in CV sales; Vinod Aggarwal, MD

- Do not believe there is a slowdown in CV sales, effect of a larger base
- Industry growth expected in double-digits in FY25
- Co to grow better than industry in FY25, expect double-digit growth
- Strong eco fundamentals, replacement growth, infra investment to boost CV growth

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IREDA: Look to keep CRAR at 15% to ensure ‘AAA’ rating; Pradip Kumar Das, CMD

- Look to keep CRAR at 15% to ensure ‘AAA’ rating from credit rating agencies
- Key is to have a sustainable price in future bids for wind power capacity
- Will target overseas market for cheaper source of financing
- Have been continuously reducing net NPA

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RK Swamy: Typically, 40% of our revenue comes in H1; Narasimhan Krishnaswamy, CEO

- Have bootstrapped our business for last 50 years
- Typically, 40% of our revenue comes in H1, 60% in H2
- Growth to be driven by rising client base, new business pipeline, geographic expansion plans
- Margin is typically better in H2

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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.

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