MOTILAL OSWAL FINANCIAL SERVICES

19 October 2023

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	65,877	-0.8	8.3
Nifty-50	19,671	-0.7	8.6
Nifty-M 100	40,367	-0.9	28.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,315	-1.3	12.4
Nasdaq	13,314	-1.6	27.2
FTSE 100	7,588	-1.1	1.8
DAX	15,095	-1.0	8.4
Hang Seng	6,076	-0.3	-9.4
Nikkei 225	32,042	0.0	22.8
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	93	1.4	14.4
Gold ($/OZ)	1,948	1.3	6.8
Cu (US$/MT)	7,902	0.0	-5.5
Almn (US$/MT)	2,169	0.5	-7.7
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.3	0.0	0.6
USD/EUR	1.1	-0.4	-1.6
USD/JPY	149.9	0.1	14.3
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.3	0.02	0.0
10 Yrs AAA Corp	7.8	0.02	0.1
Flows (USD b)	**18-Oct**	**MTD**	**CYTD**
FIIs	-0.2	-0.98	14.0
DIIs	0.18	1.72	17.2
Volumes (INRb)	**18-Oct**	**MTD***	**YTD***
Cash	48	714	667
F&O	4,81,276	3,14,048	2,63,383

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

IndusInd Bank: Earnings in line; growth outlook remains healthy

- IndusInd Bank (IIB) reported an in-line 2QFY24 performance. PAT was up 22% YoY at INR22b, aided by healthy NII growth (up 18% YoY) and lower provisions (down 15% YoY).
- Loan growth was healthy at 21% YoY to INR3.2t, with healthy traction in both Corporate and Consumer Finance books.
- Fresh slippages rose ~7% QoQ to INR14.7b, driven by a sharp rise in slippages in the corporate book to INR2.1b from INR0.4b in 1QFY24. GNPA/NNPA ratios remained stable at 1.93%/0.57%. The restructured book declined 12bp QoQ to 0.54%.
- We estimate IIB to deliver a ~23% earnings CAGR over FY24-26 and RoA/RoE of 2.0%/16.8% by FY25. We reiterate our BUY rating with a TP of INR1,700.

Research covered

Cos/Sector	Key Highlights
IndusInd Bank	Earnings in line; growth outlook remains healthy
Wipro	Adverse macros posing conversion challenges
LTIMindtree	Deal wins should support strong growth in 2HFY24
Bajaj Auto	Low RM costs and favorable mix boost margins
Other Notes	ICICI Lombard | Bandhan Bank | Prestige Estates | CIE Automotive | Can Fin Homes | TCI Express | Persistent Sys | Shoppers Stop

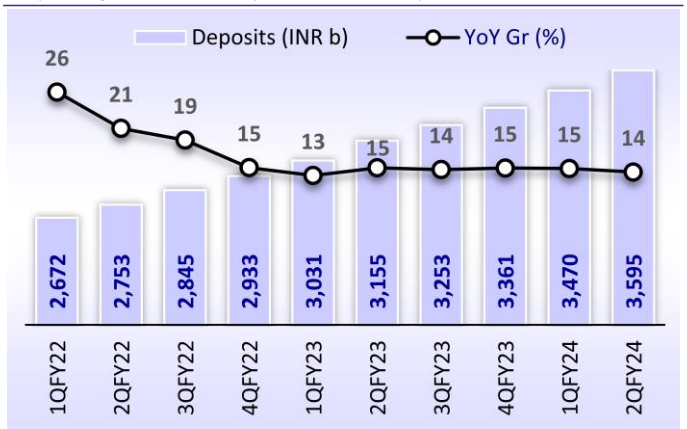
Piping hot news

Food production for 2022-23 estimated at record 329 million tonnes

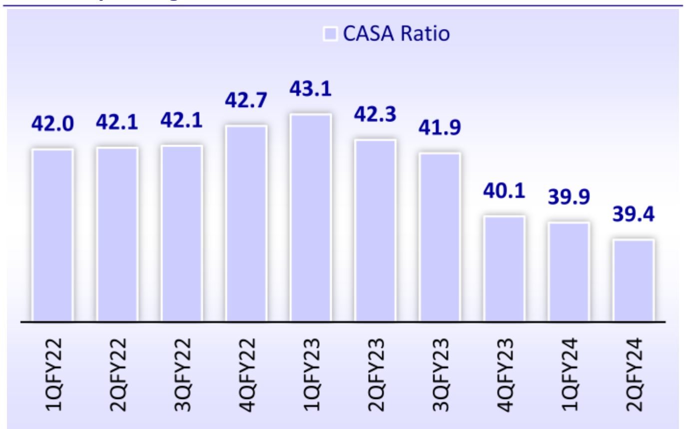
The total production however, fell by almost 1 million tonne compared to the third advanced estimates put out by the agriculture ministry in May this year.

Chart of the Day: IndusInd Bank (Earnings in line; growth outlook remains healthy)

Deposit growth healthy at 14% YoY (up 3.6% QoQ)



CASA deposits grew 6% YoY; ratio at 39.4%



Source: MOFSL, Company

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1

Food production for 2022-23 estimated at record 329 million tonnes

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2

H&M sales expand 40% in FY23, retains position as India's largest fast fashion brand by revenues

H&M, the largest fast fashion brand in India, reported a 40% increase in sales for the year ending March 2023. However, this growth was lower compared to the previous year, indicating increased competition from brands like Uniqlo and Zara. Online sales for H&M crossed the Rs1000 crore mark, accounting for 40% of its overall sales. Zara's performance in India has been tapering off due to slow outlet expansion, while H&M saw its slowest expansion ever last fiscal year. India's organize.

3

Wipro sees headcount decline for the fourth consecutive quarter, ends Q2FY24 with 5,051 fewer employees

Attrition came in at 15.3 percent on a trailing-twelve-month basis, continuing its downward trend.

4

Airtel sees Rs 8,000 cr market opportunity with CCaaS cloud platform launch

Bharti Airtel has launched Contact Center as a Service (CCaaS), claiming it to be the industry's first omnichannel cloud platform. The telecom operator aims to tap into an estimated market opportunity of Rs 8,000 crore in India.

5

We anticipate to have 60-70 pc share of electric two-wheelers on road by 2030: Heavy Industries Secy

The Indian heavy industries ministry is hopeful that 60-70% of two-wheelers on the road will be electric in the future, reflecting the public's active adoption of electric vehicles (EVs).

6

Invesco marks up Swiggy valuation to $7.85 billion

This comes after two back-to-back cuts by the US fund manage.

7

IndusInd Bank may cross-sell RCap insurance products, says MD and CEO

This is important as the promoter of the bank, IndusInd International Holdings Ltd, has successfully bid for acquiring the debt-ridden Reliance Capital.

IndusInd Bank

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	IIB IN
Equity Shares (m)	776
M.Cap.(INRb)/(USDb)	1103.7 / 13.3
52-Week Range (INR)	1476 / 990
1, 6, 12 Rel. Per (%)	0/12/4
12M Avg Val (INR M)	4074

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
NII	175.9	207.5	249.4
OP	144.2	162.3	198.4
NP	74.4	91.8	113.9
NIM (%)	4.1	4.2	4.3
EPS (INR)	96.0	118.3	146.8
EPS Gr. (%)	54.7	23.2	24.1
BV/Sh. (INR)	707	809	940
ABV/Sh. (INR)	691	794	923
Ratios			
RoE (%)	14.5	15.6	16.8
RoA (%)	1.7	1.9	2.0
Valuations			
P/E (X)	14.9	12.1	9.7
P/BV (X)	2.0	1.8	1.5
P/ABV (X)	2.1	1.8	1.5

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	15.1	15.2	15.2
DII	24.2	24.8	19.3
FII	47.4	46.9	50.3
Others	13.3	13.2	15.3

FII Includes depository receipts

CMP: INR1,420 TP: INR1,700 (+20%) Buy

Earnings in line; growth outlook remains healthy

Guides for further moderation in slippage run rate over 2HFY24

- IndusInd Bank (IIB) reported an in-line 2QFY24 performance. PAT was up 22% YoY at INR22b, aided by healthy NII growth (up 18% YoY) and lower provisions (down 15% YoY).
- Loan growth was healthy at 21% YoY to INR3.2t, with healthy traction in both Corporate and Consumer Finance books.
- Fresh slippages rose ~7% QoQ to INR14.7b, driven by a sharp rise in slippages in the corporate book to INR2.1b from INR0.4b in 1QFY24. GNPA/NNPA ratios remained stable at 1.93%/0.57%. The restructured book declined 12bp QoQ to 0.54%.
- We estimate IIB to deliver a ~23% earnings CAGR over FY24-26 and RoA/RoE of 2.0%/16.8% by FY25. **We reiterate our BUY rating with a TP of INR1,700.**

PPoP in line; NIMs stable at 4.29%

- IIB reported 2QFY24 PAT of INR22b (up 22% YoY; in line), aided by healthy NII growth (up 18% YoY) and lower provisions (down 15% YoY).
- NII rose 18% YoY to INR50.8b (in line), while 'other income' grew 13% YoY, with treasury income of INR1.6b (vs. 0.9b in 1QFY24). Total revenue grew 17% YoY to INR73.6b. NIM remained stable at 4.29%.
- Operating expenses rose 25% YoY to INR34.5b. The C/I ratio increased 102bp QoQ to 46.9% and the bank expects it to moderate in 2H. PPoP grew 10% YoY in 2QFY24 to INR39.1b (in line).
- On the business front, loans grew 5% QoQ (up 21% YoY), led mainly by the Consumer Finance segment (up 6.4% QoQ). In the Consumer business, growth picked up in the Vehicle segment, with disbursements of more than INR128b in 2QFY24. Utility vehicle/microfinance segments clocked healthy growth of 9.3%/7.4% QoQ. Credit card business grew 5.4% QoQ. The bank's Retail-to-Wholesale mix was stable at 55:45. Deposits grew 14% YoY (up 4% QoQ), with the CASA mix moderating 50bp QoQ to 39.4% and the Retail deposit mix as per LCR increasing to 44%.
- Fresh slippages increased by ~7% QoQ to INR14.7b in 2QFY24 from INR13.8b in 1QFY24. GNPA/NNPA ratios remained stable at 1.93%/0.57%, with healthy recoveries and upgrades during the quarter. PCR improved 70bp QoQ to 71.3%. The bank holds contingent provisions of INR15.2b and INR14b towards standard asset provisions. The restructured book declined to 54bp in 2QFY24 from 66bp in 1QFY24.

Highlights from the management commentary

- The C/I ratio stood at 46.9% in 2QFY24 and is expected to moderate to 41-42% as efficiency kicks in.
- Two-thirds of the corporate book is linked to EBLR and one-third is linked to MCLR.

- Credit costs declined to 123bp and should be ~110-120bp by FY24 end.
- **PC-6 guidance:** Loan growth is expected to be ~18-23%, with the retail loan mix at ~55%-60%. The branch network is likely to expand to ~3,250-3,750 by FY26 from 2,631 in 2QFY24. The mix of retail deposits is likely to be ~45-50% by FY26 vs. 44% in 2QFY24.

Valuation and view

IIB reported a steady operating performance in 2QFY24, led by healthy NII growth and controlled provisions. Asset quality ratios remained stable, with fresh slippages declining QoQ in the consumer book and increasing in corporate book due to a slippage of one corporate account worth INR1.69b. The management has guided for loan growth at 18-23% over FY23-26, while slippages are estimated to moderate sharply over 2HFY24. Healthy provisioning in the MFI portfolio and a contingent provisioning buffer of 0.5% of loans will reduce the credit cost, thus driving earnings recovery. **We estimate a 23% CAGR in PAT over FY24-26, leading to ROE of 16.8% in FY25. We reiterate our BUY rating with a revised TP of INR1,700 (premised on 1.8x FY25E ABV).**

Quarterly performance **(INR b)**

	FY23				FY24E				FY23	FY24E	FY24E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Est
Net Interest Income	**41.3**	**43.0**	**45.0**	**46.7**	**48.7**	**50.8**	**53.1**	**55.0**	**175.9**	**207.5**	**50.6**	**0%**
% Change (YoY)	15.8	17.6	18.5	17.2	18.0	18.0	18.2	17.7	17.3	18.0	17.6	
Other Income	19.3	20.1	20.8	21.5	22.1	22.8	23.5	23.9	81.7	92.4	22.8	0%
Total Income	**60.6**	**63.1**	**65.7**	**68.2**	**70.8**	**73.6**	**76.7**	**78.8**	**257.6**	**299.9**	**73.4**	**0%**
Operating Expenses	26.3	27.7	28.9	30.7	32.5	34.5	35.0	35.6	113.5	137.6	33.6	3%
Operating Profit	**34.3**	**35.4**	**36.9**	**37.6**	**38.3**	**39.1**	**41.7**	**43.2**	**144.2**	**162.3**	**39.8**	**-2%**
% Change (YoY)	9.9	10.0	11.3	11.2	11.7	10.3	13.0	15.0	10.6	12.6	12.3	
Provisions	12.5	11.4	10.6	10.3	9.9	9.7	10.0	10.0	44.9	39.6	9.8	0%
Profit before Tax	**21.8**	**24.0**	**26.2**	**27.3**	**28.4**	**29.3**	**31.7**	**33.3**	**99.3**	**122.7**	**30.0**	**-2%**
Tax	5.5	6.0	6.6	6.8	7.2	7.3	8.0	8.5	24.9	30.9	7.6	-3%
Net Profit	**16.3**	**18.1**	**19.6**	**20.4**	**21.2**	**22.0**	**23.7**	**24.8**	**74.4**	**91.8**	**22.5**	**-2%**
% Change (YoY)	60.5	57.4	58.2	45.9	30.3	22.0	20.7	21.5	54.9	23.3	24.5	
Operating Parameters												
Deposit (INR b)	3,031	3,155	3,253	3,361	3,470	3,595	3,741	3,919	3,361	3,919	3,598	0%
Loan (INR b)	2,480	2,601	2,728	2,899	3,013	3,155	3,286	3,467	2,899	3,467	3,149	0%
Deposit Growth (%)	13.4	14.6	14.3	14.6	14.5	13.9	15.0	16.6	14.6	16.6	14.0	
Loan Growth (%)	17.7	17.8	19.3	21.3	21.5	21.3	20.5	19.6	21.3	19.6	21.1	
Asset Quality												
Gross NPA (%)	2.4	2.1	2.1	2.0	1.9	1.9	1.9	1.8	2.0	1.8	1.9	
Net NPA (%)	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.5	0.5	
PCR (%)	72.0	71.5	70.6	70.6	70.6	70.6	71.8	72.4	69.4	72.4	71.3	

E: MOFSL Estimates

Wipro

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	WPRO IN
Equity Shares (m)	5693
M.Cap.(INRb)/(USDb)	2127.7 / 25.6
52-Week Range (INR)	444 / 352
1, 6, 12 Rel. Per (%)	-4/-1/-5
12M Avg Val (INR M)	2043

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	905	894	962
EBIT Margin (%)	15.4	14.6	15.6
PAT	114	106	122
EPS (INR)	20.7	19.6	23.1
EPS Gr. (%)	(5.5)	(5.5)	18.2
BV/Sh. (INR)	142.7	142.0	146.4
Ratios			
RoE (%)	15.8	13.8	16.1
RoCE (%)	12.8	11.1	13.0
Payout (%)	4.8	104.4	70.0
Valuations			
P/E (x)	19.7	20.8	17.6
P/BV (x)	2.9	2.9	2.8
EV/EBITDA (x)	11.4	11.4	9.7
Div Yield (%)	0.2	5.0	4.0

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	72.9	72.9	73.0
DII	7.6	8.0	3.4
FII	8.7	9.0	7.2
Others	10.8	10.1	16.4

FII Includes depository receipts

CMP: INR407 TP: INR418 (+3%) Neutral

Adverse macros posing conversion challenges

Softness continues; another quarter of weak revenue guidance

- Wipro (WPRO) reported a 2% QoQ constant currency (CC) decline in revenue in the IT Services business for 2QFY24. This was at the lower end of its guidance band due to a broad-based decline in its key verticals (BFS, Communication, and Manufacturing). Despite healthy deal wins, the softness is expected to continue in 3QFY24 as the company has guided for a revenue performance in the range of -1.5% to -3.5% CC. Given WPRO's broader presence in the discretionary areas, the conversion is a challenge as enterprises are cautious and are reprioritizing expenditures.
- EBIT margin (IT Services) was flat (+10bp QoQ) at 16.1%, above our estimated decline of 20bp QoQ. 3QFY24 will have an impact from the wage hikes that will pressurize margins for 2HFY24. Revenue growth is also likely to be weak and would be unable to restrict the adverse margin impact.
- Despite a healthy deal pipeline and having delivered a robust deal TCV of USD3.8b (BTB 1.4x) in 2Q, the conversion remains a challenge in the near term. 3Q is a seasonally soft quarter, and the management expects the degree of impact from furloughs to be higher than the earlier trend, which led to deliver another quarter of weak topline growth guidance. Management indicated that slower decision-making and cuts in discretionary spends should hurt 3QFY24. We are factoring in a CC revenue decline of 4.4% in FY24E followed by an uptick in FY25E (+7.3% CC), as we expect demand recovery to come through in FY25.
- In terms of margins, the company delivered an IT Services EBIT margin of 16.1%, above our expectation, and at the bottom end of its comfort range. However, we expect a dip in the operating margin in 3Q due to a wage hike, followed by a sharp recovery in 4Q. Additionally, the missing operating leverage in 3Q is less likely to absorb the overall wage hike impact and weigh on the FY24 margins. We expect FY24/FY25 IT Services margins to be at 14.6%/15.6%, below the management's medium-term guided range of 17.0-17.5%, and translating into a 4.0% INR PAT CAGR over FY23-25E.
- We cut our FY24E/FY25E EPS by 8.2%/5.0% to factor in a weaker FY24E growth due to the third quarter of expected decline. **Reiterate Neutral as we view the current valuation as fair. Our TP of INR418 implies 18x FY25E EPS.**

Weak revenue growth, disappointing 3Q guidance

- In 2QFY24, revenue from IT Services declined 4.8% YoY in CC terms (2.0% QoQ CC drop), INR EBIT was up 2.6% YoY, and INR PAT was down 0.5% YoY.
- EBIT margin in IT Services was up 10bp QoQ at 16.1%, above our estimate.
- WPRO's 3QFY24 revenue guidance was again disappointing at -1.5% to -3.5% in CC terms.
- WPRO reported the third consecutive quarter of headcount decline by 5,051 vs. 8,800 in 1Q. Net utilization (excl. trainees) improved to 84.5% (vs. 83.7% in 1Q). Attrition (LTM) was down 180bp QoQ to 15.5% during the quarter.
- WPRO's net profit fell 0.5% YoY to INR26b; below our estimate of INR29b.

Key highlights from the management commentary

- The decline in revenue guidance for 3Q bakes in higher impact of furloughs compared to the previous year, along with continued challenges related to revenue conversion.
- In 2Q, the TCV of deals showed a healthy mix of NN and Renewals. However, enterprises are exercising caution in the short term, resulting in delayed decision-making processes and a prolonged time for revenue conversion.
- The deal pipeline remains healthy, with a significant portion focusing on cost reduction initiatives and efficiency-driven projects, rather than solely relying on large-scale digital transformation deals.
- 3Q margins would be under pressure due to a scheduled wage hike. However, the resilience observed in 1HFY24 margins is expected to provide support, mitigating the potential downside impact on the full-year FY24 figures.

Valuation factors in muted growth; reiterate Neutral

- Given WPRO's weak 2QFY24 revenue growth and weak 3Q guidance, we expect its FY24 topline growth to be one of the lowest among Tier-1 IT Services peers, with margin below the management's medium-term guided range of 17.0-17.5%.
- We cut our FY24E/FY25E EPS by 8.2%/5.0% to factor in weaker FY24 growth. We maintain our **Neutral** rating as we await: 1) further evidence of the execution of WPRO's refreshed strategy, and 2) a successful turnaround from its struggles over the last decade before turning more constructive on the stock. Our TP of INR418 implies 18x FY25E EPS.

Quarterly performance (IFRS) (INR b)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QFY24	(% / bp)
Revenue from IT Services (USD m)	**2,756**	**2,817**	**2,821**	**2,840**	**2,779**	**2,713**	**2,628**	**2,669**	**11,234**	**10,788**	**2,745**	**-1.2**
QoQ (%)	1.3	2.2	0.1	0.6	-2.1	-2.3	-3.1	1.5	8.5	-4.0	-1.2	-115bp
Overall revenue (INR b)	**215**	**225**	**232**	**232**	**228**	**225**	**219**	**223**	**905**	**894**	**228**	**-1.1**
QoQ (%)	3.2	4.7	3.1	-0.2	-1.5	-1.4	-2.5	1.7			-0.2	-114bp
YoY (%)	17.9	14.6	14.4	11.2	6.0	-0.1	-5.5	-3.8	14.4	-1.2	1.1	-116bp
GPM (%)	**27.7**	**27.3**	**29.7**	**29.8**	**29.4**	**29.3**	**27.0**	**28.1**	**28.7**	**28.4**	**29.5**	**-20bp**
SGA (%)	13.4	13.4	14.1	14.0	14.2	14.6	13.5	13.5	13.7	14.0	13.9	71bp
EBITDA	**40**	**41**	**46**	**46**	**43**	**42**	**38**	**41**	**173**	**164**	**44**	**-5.1**
EBITDA margin (%)	**18.5**	**18.1**	**19.9**	**19.9**	**18.8**	**18.5**	**17.3**	**18.4**	**19.1**	**18.3**	**19.3**	**-76bp**
IT Serv. EBIT (%)	**14.9**	**15.1**	**16.3**	**16.3**	**16.0**	**16.1**	**14.9**	**16.0**	**15.7**	**15.7**	**15.9**	**22bp**
EBIT margin (%)	**14.8**	**14.4**	**16.2**	**16.2**	**15.1**	**14.8**	**13.6**	**14.7**	**15.4**	**14.6**	**15.6**	**-76bp**
Other income	2	2	2	3	3	2	2	2	8	10	2	-29.5
ETR (%)	23.6	22.5	22.9	23.0	24.0	24.0	24.0	24.0	23.0	24.0	24.0	-1bp
PAT	**26**	**27**	**31**	**31**	**29**	**26**	**24**	**27**	**114**	**106**	**29**	**-7.7**
QoQ (%)	-17.0	3.7	14.8	0.7	-6.6	-7.8	-7.6	8.9			-0.1	-771bp
YoY (%)	-20.7	-9.3	2.9	-0.4	12.0	-0.5	-19.9	-13.4	-7.1	-6.7	7.8	-832bp
EPS (INR)	4.7	4.9	5.6	5.6	5.1	5.0	4.7	5.1	20.7	19.6	5.1	-1.5

E: MOFSL estimates

LTIMindtree

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	LTIM IN
Equity Shares (m)	296
M.Cap.(INRb)/(USDb)	1525.5 / 18.3
52-Week Range (INR)	5593 / 4120
1, 6, 12 Rel. Per (%)	-4/8/-3
12M Avg Val (INR M)	2243

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	331.8	363.3	416.9
EBIT Margin (%)	16.5	16.7	18.1
PAT	44.9	48.9	60.9
EPS (INR)	151.8	165.2	205.8
EPS Gr. (%)	13.7	8.9	24.5
BV/Sh. (INR)	560.9	659.6	783.2
Ratios			
RoE (%)	26.1	27.1	28.5
RoCE (%)	24.9	23.5	24.8
Payout (%)	39.5	40.0	40.0
Valuations			
P/E (x)	33.8	31.1	24.9
P/BV (x)	9.2	7.8	6.6
EV/EBITDA (x)	23.3	20.7	16.7
Div Yield (%)	1.2	1.3	1.6

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	68.7	68.7	74.0
DII	12.4	11.7	8.1
FII	8.2	8.4	8.4
Others	10.7	11.2	9.4

FII Includes depository receipts

CMP: INR5,155 TP: INR5,350 (+4%) Neutral

Deal wins should support strong growth in 2HFY24

Margin recovery to support earnings; reiterate Neutral on fair valuation

- LTIM posted a revenue growth of 1.7% QoQ/4.4% YoY CC in 2QFY24 vs. our estimate of 1.4% QoQ CC. Deal wins were modest at USD1.3b (up 20% YoY). Despite wage hikes, the EBIT margin stood at 16.0%, surpassing our estimates by 30bp.
- Despite the persistent weakness in the macro environment and cautious client sentiment, the management expressed confidence in strong growth in 2HFY24. This optimism is fueled by the ramp-ups in deals secured in 1HFY24, despite higher than usual furloughs in 3QFY24. Additionally, the company benefits from a strong pipeline of upcoming opportunities. The management also suggested that deal signing activity is showing good momentum in 3QFY24. The management commentary mirrored that of its peers, acknowledging the challenging macro environment, cuts in discretionary spending and strong deal wins aided by shift in new wins towards cost-optimization initiatives. The management expects growth to be broad based in 2HFY24.
- Despite a weak 1HFY24, we estimate FY24 USD CC revenue growth for LTIM at 6.9% YoY on account of stronger 2HFY24. We continue to see LTIM as well placed to gain from a healthy mix of cost-takeout deals and transformation spending. We expect a strong recovery in FY25, with a USD revenue CAGR of 11% over FY23-25E despite a weak macro environment.
- Despite wage hikes, LTIM delivered good margin performance with lower-than-expected sequential dip in margin (70bp vs 100bp expected) on account of higher utilization and operational efficiencies. The management remained confident about 17-18% exit EBIT margin for FY24. We expect the company to deliver FY24/FY25 EBIT margin at 16.7/18.1%. This should help LTIM clock a PAT CAGR of 16% over FY23-25E.
- We have tweaked our FY24/25 estimates by ~2% to account for better margins. LTIM is currently trading at 25x FY25 EPS, which adequately captures the growth opportunities ahead. Our TP of INR5,350 implies 26x FY25E EPS. We reiterate our **Neutral** rating on the stock.

Good overall Q2 performance

- CC revenue was up 1.7% QoQ and 4.4% YoY, INR EBIT down 1.1% YoY, and INR PAT was down 2.2% YoY in 2QFY24.
- The performance was led by the Manufacturing segment (up 5.2% QoQ) while BFSI remained weak (down 1.1%)
- EBIT margin stood at 16.0% (down 70bp QoQ) was tad above MOFSLe of 100 bp QoQ decline.
- Order inflow stood at USD 1.3b (down 8% QoQ/up 20% YoY) vs USD 1.41b in Q1.
- PAT came in at INR 11.6b, up 1% QoQ and above our estimates due to better margins and lower ETR.
- Free cash flow stood at INR8.7b, translating to 75% of net income.

Key highlights from the management commentary

- Despite expectations of higher furloughs (beyond manufacturing and banking), the management is confident of strong 2HFY24 growth. This confidence stems from the ramp-up of deals signed in 1HFY24 and a strong pipeline in the upcoming quarters.
- The management suggested better 2HFY24 growth than in 1HFY24. The growth is expected to remain broad based. 3QFY24 is already seeing good deal activity for LTIM.
- The management remains confident of exiting FY24 at 17-18% margin.

Valuation and view: Industry-leading growth to defend rich valuations

- LTIM, as a combined entity, has deep domain capabilities, strong partnerships with hyperscalers, and a robust sales engine, which will result in industry-leading growth rates. We expect a USD revenue CAGR of 11.0% over FY23-25, which is at the top end of our Tier-I IT Coverage Universe. We see a PAT CAGR of 16% over FY23-25E.
- We value the stock at 26x FY25E EPS. We reiterate our **Neutral** rating with a TP of INR5,350.

Quarterly Performance (INR m)

Y/E March	FY23				FY24E				FY23	FY24	Est.	Var. (% /
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QFY24	bp)
Revenue (USD m)	**980**	**1,022**	**1,047**	**1,058**	**1,059**	**1,076**	**1,108**	**1,148**	**4,106**	**4,389**	**1,074**	**0.1**
QoQ (%)	3.7	4.3	2.4	1.0	0.1	1.6	3.0	3.6	17.2	6.9	1.5	13
Revenue (INR m)	**76,442**	**82,278**	**86,200**	**86,910**	**87,021**	**89,054**	**91,933**	**95,246**	**3,31,830**	**3,63,254**	**88,774**	**0.3**
YoY (%)	32.9	29.6	25.3	21.9	13.8	8.2	6.7	9.6	27.1	9.5	7.9	34
GPM (%)	**31.1**	**30.8**	**28.6**	**29.9**	**31.6**	**31.4**	**31.5**	**32.3**	**30.1**	**31.7**	**30.5**	**95**
SGA (%)	11.6	11.0	11.7	11.4	12.8	13.1	12.8	12.8	11.4	12.9	12.7	43
EBITDA	**14,937**	**16,356**	**14,548**	**16,037**	**16,355**	**16,313**	**17,191**	**18,575**	**61,878**	**68,434**	**15,802**	**3.2**
EBITDA Margin (%)	**19.5**	**19.9**	**16.9**	**18.5**	**18.8**	**18.3**	**18.7**	**19.5**	**18.6**	**18.8**	**17.8**	**52**
EBIT	**13,273**	**14,397**	**12,767**	**14,214**	**14,508**	**14,231**	**15,353**	**16,670**	**54,651**	**60,762**	**13,938**	**2.1**
EBIT Margin (%)	**17.4**	**17.5**	**14.8**	**16.4**	**16.7**	**16.0**	**16.7**	**17.5**	**16.5**	**16.7**	**15.7**	**28**
Other income	1,465	1,233	1,139	228	856	962	1,103	1,238	4,065	4,159	1,332	(28)
ETR (%)	24.9	23.9	22.3	22.9	25.0	23.5	25.0	25.0	23.5	24.6	25.0	
Adj PAT	**11,066**	**11,890**	**10,807**	**11,141**	**11,523**	**11,623**	**12,342**	**13,431**	**44,904**	**48,919**	**11,453**	**1.5**
QoQ (%)	-0.2	7.4	-9.1	3.1	3.4	0.9	6.2	8.8			-0.6	
YoY (%)	31.7	25.1	2.9	0.5	4.1	-2.2	14.2	20.6	13.7	8.9	-3.7	
EPS (INR)	**36.1**	**40.1**	**35.4**	**37.6**	**38.9**	**39.2**	**41.7**	**45.4**	**151.8**	**165.2**	**38.7**	**1.3**

Bajaj Auto

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	BJAUT IN
Equity Shares (m)	283
M.Cap.(INRb)/(USDb)	1486.6 / 17.9
52-Week Range (INR)	5275 / 3520
1, 6, 12 Rel. Per (%)	2/11/30
12M Avg Val (INR M)	1624

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	364	452	511
EBITDA	65.5	87.9	99.7
EBITDA (%)	18.0	19.4	19.5
Adj. PAT	60.6	78.1	87.4
EPS (INR)	214	276	309
EPS Gr. (%)	16.7	28.9	11.9
BV/Sh. (INR)	899	988	1,079
Ratios			
RoE (%)	23.3	29.3	29.9
RoCE (%)	21.3	27.5	27.5
Payout (%)	70.4	66.2	64.7
Valuation			
P/E (x)	24.0	18.6	16.6
P/BV (x)	5.7	5.2	4.8
Div. Yield (%)	2.7	3.4	3.9
FCF Yield (%)	3.2	4.1	4.7

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	55.0	55.0	53.8
DII	9.6	10.9	12.4
FII	13.7	12.4	11.2
Others	21.7	21.8	22.7

FII Includes depository receipts

CMP: INR5,137 TP: INR5,225 (+2%) Neutral

Low RM costs and favorable mix boost margins

Dividend distribution policy modified | EBITDA positive for 3W EV business

- BJAUT's 2QFY24 EBITDA margin beat our estimate at 19.8% (+260bp YoY, est. 19.2%), led by favorable RM costs and a better product mix (high 3W contribution). The domestic 2W industry is likely to grow 12-15% YoY during the festive season. A sequential recovery in exports and healthy demand in 3Ws should lead to a healthy operational performance.
- Change in dividend policy: BJAUT is now exploring multiple routes to pay shareholders, including dividends and buybacks. The new slab for the dividend payout for over INR150b surplus funds is now >70% (v/s 90% as per old policy).
- We maintain our FY24/FY25 estimates. At 18.6x/16.6x FY24E/FY25E consolidated EPS, the stock's valuation fairly reflects the expected recovery as well as the risk of EVs. We reiterate our Neutral rating with a TP of INR5,225 (based on 16x Sep'25E Consolidated EPS).

EBITDA margin expands 260bp YoY at 19.8%

- 2Q revenue/EBITDA/PAT grew 6%/21%/20% YoY to INR107.8b/INR21.3b/ INR18.4b. In 1HFY24, revenue/EBITDA/PAT rose 20%/32%/29.5% YoY.
- Volumes declined 8% YoY. However, ASPs grew ~15% YoY to INR102.3 per unit (est. INR101.35k) due to a better product mix (higher share of 3Ws). Net sales grew 6% YoY to INR107.8b (est. INR106.8b) in 2Q.
- Gross margin expanded 2.4pp YoY/90bp QoQ to 29% (est. 28.4%), driven by a better mix and a favorable FX. Better cost control led to ~21% YoY growth in EBITDA to INR21.3b (est. INR20.5b). As a result, EBITDA margin came in at 19.8% (+260bp YoY/+80bp QoQ vs. est. 19.2%).
- Higher-than-expected other income boosted adj. PAT to INR18.4b (est. INR17.4b).
- In 1HFY24, share of profit from associates declined 7% YoY to INR1.8b.
- FCFF in 1HFY24 stood at INR36.1b (vs. INR22.5b in 1HFY23), led by strong operating cash flow of INR38.7b (vs. INR24.5b in 1HFY23). Capex in 1HFY24 stood at INR2.6b (vs. INR2b in 1HFY23).
- Cash on the balance sheet stood at INR173.3b as of Sep'23 (vs. INR174.5b as of Mar'23) after dividend distribution of INR40b in 2Q.

Highlights from the management commentary

- **Domestic 2W-** The industry is expected to record 12-15% YoY growth during the 33-day festival season, with BJAUT outpacing industry growth.
- **Export 2Ws**- Retails and shipments are improving sequentially; however, macros remain challenging. Volumes are still at 66% level of FY22 peak.
- **Electric 3Ws-** The company has received an encouraging response in Agra and garners a 70% market share. It plans to expand to 40 cities in the next six months. This is an EBITDA-margin positive business with PLI is playing a crucial role in profitability.
- **Triumph-** The company delivered 8k units in 2QFY24. It aims to increase monthly production capacity to 10k units by the end of FY24 from the current level of 5-7k. It will also expand to 100 cities from 20 cities now.

Valuation and view

- Both domestic and export volumes are expected to recover in FY24 from the low base, driving a healthy earnings recovery. We expect BJAUT to benefit from market share gains over the long term, driven by: 1) the premiumization trend, 2) the opportunity in exports, and 3) the potential sizeable position in the Scooter market via EVs. However, a large part of its India profit pool (of premium motorcycle and 3Ws) is vulnerable to possible disruption from electrification.
- At 18.6x/16.6x FY24E/FY25E consolidated EPS, the stock's valuation fairly reflects the expected recovery as well as the risk of EVs. **We reiterate our Neutral rating with a TP of INR5,225 (based on 16x Sep'25E Consolidated EPS)**.

Quarterly Performance (INR M)

	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2Q
Volumes ('000 units)	934	1,151	983	860	1,027	1,054	1,154	1,189	3,928	4,424	1,054
Growth YoY (%)	-7.2	0.6	-16.8	-12.0	10.0	-8.4	17.3	38.2	(8.8)	12.6	(8.4)
Realization (INR/unit)	85,739	88,642	94,736	1,03,553	1,00,347	1,02,256	1,02,767	1,03,103	92,742	1,02,173	1,01,351
Growth YoY (%)	16.8	17.7	24.1	26.8	17.0	15.4	8.5	-0.4	21.1	10.2	14.3
Net Sales	**80,050**	**1,02,028**	**93,151**	**89,047**	**1,03,098**	**1,07,773**	**1,18,560**	**1,22,560**	**3,64,276**	**4,51,991**	**1,06,819**
Change (%)	8.4	18.4	3.3	11.7	28.8	5.6	27.3	37.6	10.4	24.1	4.7
EBITDA	**12,970**	**17,587**	**17,768**	**17,166**	**19,539**	**21,329**	**23,220**	**23,809**	**65,491**	**87,897**	**20,510**
EBITDA Margins (%)	16.2	17.2	19.1	19.3	19.0	19.8	19.6	19.4	18.0	19.4	19.2
Other Income	3,193	3,332	2,691	2,598	3,463	3,614	3,700	3,813	11,814	14,590	3,500
Interest	43	109	85	157	121	65	100	114	395	400	120
Depreciation	673	670	740	742	835	876	880	886	2,824	3,477	835
PBT after EO	**15,447**	**20,140**	**19,635**	**18,865**	**22,046**	**24,000**	**25,940**	**26,623**	**74,086**	**98,610**	**23,055**
Effective Tax Rate (%)	24.0	24.0	24.0	24.0	24.5	23.5	24.2	24.2	24.0	24.1	24.4
Adj. PAT	**11,733**	**15,300**	**14,914**	**14,329**	**16,648**	**18,361**	**19,663**	**20,183**	**56,276**	**74,855**	**17,418**
Change (%)	10.6	31.3	22.8	16.9	41.9	20.0	31.8	40.9	20.6	33.0	13.8

E: MOFSL Estimates

ICICI Lombard

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ICICIGI IN
Equity Shares (m)	491
M.Cap.(INRb)/(USDb)	667.6 / 8
52-Week Range (INR)	1423 / 1049
1, 6, 12 Rel. Per (%)	1/9/6
12M Avg Val (INR M)	813

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
NEP	148.2	167.3	195.9
U/W Profit	-8.9	-9.5	-8.1
PBT	21.1	27.2	33.3
PAT	17.3	20.4	25.0
EPS (INR/share)	35.2	41.5	50.9
EPS Growth (%)	36.0	18.0	22.5
BVPS (INR/share)	211.6	239.2	273.9
Ratios (%)			
Claims	72.4	71.7	70.8
Commission	3.0	14.8	14.7
Expense	29.1	16.6	16.0
Combined	104.5	103.1	101.5
RoE	17.7	18.4	19.8
Valuations			
P/E (x)	38.3	32.5	26.5
P/BV (x)	6.4	5.6	4.9

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	48.0	48.0	48.0
DII	18.3	17.4	15.4
FII	22.0	22.9	25.0
Others	11.7	11.8	11.6

FII Includes depository receipts

CMP: INR1,359 TP:INR1,600 (+18%) Buy

Combined ratio in line; reports a PAT beat of 27%

- ICICI Lombard (ICICIGI)'s NEP came in 5% higher than our estimates at INR43b. It grew 12% YoY and 11% QoQ. Investment income from policyholders' accounts came in 8.6% higher than our estimates at INR 7.4b in 2QFY24.
- Hence, higher-than-expected total income and in-line operating expenses led to lower-than-anticipated underwriting loss (INR1.4b loss vs. our estimate of INR 2.4b loss).
- The claims ratio came in at 70.7% vs. 74.1% QoQ. On YoY basis, loss ratios for motor OD and motor TP segments have declined sharply. Claims ratio for the quarter was better than our expectations.
- ICICIGI's **PAT** grew 48% QoQ but declined 2% YoY to INR5.8b. PAT came in 27% higher than our estimates. For 1HFY24, NEP/PAT came in at INR129b/ INR 9.7b resulting in a YoY growth of 19%/3%.
- Management maintained its guidance of a high-teen growth in premium as well as combined ratio of 102% by FY25. We marginally raise our investment income estimates, leading to an EPS increase of 3.5%/4.4% for FY24/FY25. **Reiterate BUY with a TP of INR1,600 (premised on 32x FY25E).**

Higher-than-expected total income results in a PAT beat

- **Gross domestic premium** income grew 18% YoY in 2QFY24 to INR63b. This was broadly in line with our estimates.
- ICICIGI's NEP came in 5% higher than our estimates at INR43b. It grew 12% YoY and 11% QoQ. NEP for Health business grew 29% YoY – led by 32% YoY group health growth and retail health growth of 19%. The Motor segment grew 3% YoY and Marine rose 18% YoY. NEP in crop increased 33% YoY, while the same in fire declined 3% YoY.
- **Underwriting loss** was at INR1.4b vs. a loss of INR3.2b in 1QFY24; the loss was lower than our estimates of INR2.4b.
- **Investment income** was better than our expectations in policyholders' accounts (8.6% beat), whereas in shareholders' account investment income was in line.
- ICICIGI's **PAT** grew 48% QoQ but declined 2% YoY to INR5.8b. PAT came in 27% higher than our estimates.

Claims ratio better than expected, combined ratio broadly in line

- **Claims ratio** came in at 70.7% vs. 74.1% QoQ. On YoY basis, loss ratios for the motor segment declined. Claims ratio was better than our expectations. On YoY basis, loss ratio for the Motor TP segment declined to 60.0% from 66.6%, whereas the loss ratio for the Motor OD segment declined to 64.1% from 74.3%.
- **Total expense ratio** came in at 33.2% vs. 29.7% in 1QFY24 (our expectation at 31.0%).
- **Combined ratio** was at 103.9% vs. 103.8% in 1QFY24 and 105.1% in 2QFY23 (our expectation at 104%).

- On a sequential basis, the **commission ratio** increased to 17.4% in 2QFY24 from 12.5% in 1QFY24 (our expectation of 12.0%).
- **Expense ratio** declined to 15.8% from 17.2% in 1QFY24 (vs. our expectation of 19.0%). The sequential decline is on account of a decline in sales promotion expenses. However, the total expense ratio increased 350bp QoQ and 90bp YoY to 33.2% vs. our estimate of 31.0%.
- **Solvency ratio** was at 2.59 vs. 2.53 in 1QFY24.

Highlights from the management commentary

- Competition in the motor segment remained at elevated levels, and the company will continue to have a calibrated approach in the segment. About 70% of the Motor premium was from the OEM segment. Agency channel will be a focus area for the management.
- ICICIGI invested on the retail side, which resulted in better growth than the industry. Growth in group segments will be calibrated as there has been a heightened competitive pressure in the industry to meet the EOM norms.
- Ex-cat losses, the combined ratio was at 102.7% in 1HFY24 vs. 104.2% in 1HFY23. For 2QFY24, the ratio was at 102.8% vs. 104.3% in 2QFY23.
- Management was confident of a high-teen growth in FY24E and the combined ratio reaching 102% by end of FY25.

Valuation and view: Marginal increase in estimates; retain BUY

The combined ratio was broadly in line with our estimate. Going ahead, growth in the Motor segment is likely to be back-ended, with the company waiting for the rationalization of pricing in the OD segment. In the Health segment, the benefits of price hikes and improving the efficiency of the agency channel should translate into better profitability. Scale benefits, a favorable product mix (higher share of retail health) and improvements in efficiencies across channels should help improve the combined ratio and RoE over the next couple of years. Management maintained its guidance of high-teen growth in premium and combined ratio (of 102%) by FY25. We marginally raise our investment income estimates, leading to an EPS increase of 3.5%/4.4% for FY24/FY25. **Retain BUY with a TP of INR1,600 (based on 32x FY25E).**

Quarterly Performance (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	2QFY24E	Act vs. Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Gross premium	55,298	53,026	55,997	53,397	66,221	62,723	64,943	60,646	2,10,251	2,45,242	64,269	-2.4
Net written premium	36,233	37,059	41,630	40,473	44,676	42,401	48,707	45,484	1,55,395	1,81,269	43,359	-2.2
Net earned premium	34,682	38,366	37,921	37,260	38,873	43,061	42,862	42,532	1,48,229	1,67,328	40,975	5.1
Investment Income	5,101	6,625	5,700	15,296	6,507	7,431	7,789	8,011	32,721	29,739	6,846	8.6
Total Income	**39,783**	**44,990**	**43,620**	**52,556**	**45,380**	**50,492**	**50,652**	**50,543**	**1,80,949**	**1,97,067**	**47,820**	**5.6**
Change YoY (%)	3.8	18.1	13.2	13.4	14.1	12.2	16.1	-3.8	12.2	306.1	6.3	
Incurred claims	24,999	27,933	26,663	27,662	28,815	30,451	30,089	30,632	1,07,256	1,19,988	29,911	1.8
Net commission	782	1,282	1,744	914	5,564	7,371	7,160	6,673	4,722	26,768	5,203	41.7
Opex	10,834	10,673	12,448	11,193	7,689	6,698	8,280	7,452	45,148	30,119	8,238	-18.7
Total Operating Expenses	36,615	39,888	40,855	39,768	42,068	44,521	45,530	44,756	1,57,126	1,76,875	43,353	2.7
Change YoY (%)	-3.1	19.0	14.1	9.7	14.9	11.6	11.4	12.5	9.6	299.7	8.7	
Underwriting profit	-1,933	-1,523	-2,935	-2,508	-3,195	-1,460	-2,667	-2,224	-8,898	-9,546	-2,378	N.A
Operating profit	3,168	5,102	2,765	12,788	3,312	5,972	5,122	5,787	23,823	20,193	4,468	33.7
Shareholder's P/L												
Transfer from Policyholder's	3,168	5,102	2,765	12,788	3,312	5,972	5,122	5,787	23,823	20,193	4,468	33.7
Investment income	1,711	2,055	2,081	1,910	1,856	2,219	2,400	2,917	7,757	9,390	2,200	0.8
Total Income	4,879	7,157	4,846	14,698	5,168	8,190	7,522	8,704	31,579	29,583	6,668	22.8
Provisions other than taxation	30	890	9	-89	-182	410	400	381	838	938	400	2.5
Other expenses	198	171	185	9,062	150	144	200	200	9,616	1,442	200	-28.2
Total Expenses	228	1,060	193	8,973	-32	554	600	581	10,454	2,381	600	-7.7
PBT	**4,651**	**6,097**	**4,653**	**5,725**	**5,200**	**7,637**	**6,922**	**8,123**	**21,125**	**27,202**	**6,068**	
Change YoY (%)	80.1	2.7	10.5	39.5	11.8	25.3	48.8	41.9	25.5	352.2	-0.5	
Tax Provisions	1,161	1,471	1,127	1,356	1,297	3,144	1,731	1,910	5,115	8,080	2,797	12.4
Adj Net Profit	**3,490**	**4,625**	**3,525**	**4,370**	**3,904**	**4,493**	**5,192**	**6,213**	**16,011**	**19,121**	**3,271**	37.4
Change YoY (%)	79.6	3.6	11.0	39.8	11.8	-2.9	47.3	42.2	26.0	323.8	-29.3	
Rep Net Profit	**3,490**	**5,905**	**3,525**	**4,370**	**3,904**	**5,773**	**5,192**	**5,535**	**17,291**	**20,401**	**4,551**	26.9
Key Parameters (%)												
NEP Mix (%)												
Fire	4.3	4.5	4.4	4.4	3.4	3.8			4.4	4.1		
Marine	3.0	2.8	2.9	3.2	3.0	2.9			3.0	3.0		
Health including (PA)	28.8	27.8	29.6	30.4	33.9	32.1			28.0	29.6		
Motor	58.7	55.1	56.5	56.4	54.1	50.4			56.6	55.2		
Others	5.1	9.9	6.6	5.6	5.7	10.8			8.0	8.0		
Claims ratio	72.1	72.8	70.3	74.2	74.1	70.7	70.2	72.0	72.4	71.7	73.0	-2.3
Commission ratio	2.2	3.5	4.2	2.3	12.5	17.4	14.7	14.7	3.0	14.8	12.0	5.4
Expense ratio	29.9	28.8	29.9	27.7	17.2	15.8	17.0	16.4	29.1	16.6	19.0	-3.2
Combined ratio	104.1	105.1	104.4	104.2	103.8	103.9	101.9	103.1	104.5	103.1	104.0	-0.1

18 October 2023
2QFY24 Results Update | Sector: Financials

Bandhan Bank

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	BANDHAN IN
Equity Shares (m)	1611
M.Cap.(INRb)/(USDb)	383.6 / 4.6
52-Week Range (INR)	275 / 182
1, 6, 12 Rel. Per (%)	-1/0/-25
12M Avg Val (INR M)	2321

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
NII	92.6	102.8	122.3
OP	70.9	69.5	81.6
NP	21.9	33.3	42.1
NIM (%)	6.9	6.7	6.8
EPS (INR)	13.6	20.7	26.1
EPS Gr. (%)	NM	51.9	26.2
BV/Sh. (INR)	122	136	155
ABV/Sh. (INR)	116	129	149
Ratios			
RoE (%)	11.9	16.0	17.9
RoA (%)	1.5	2.0	2.1
Valuations			
P/E(X)	17.5	11.5	9.1
P/BV (X)	2.0	1.7	1.5
P/ABV (X)	2.0	1.8	1.6

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	40.0	40.0	40.0
DII	17.5	12.5	12.6
FII	32.8	33.5	34.2
Others	9.7	14.0	13.3

FII Includes depository receipts

CMP: INR238 TP: INR250 (+5%) Neutral

Weak quarter; growth to revive in seasonally strong 2H

Asset quality deteriorates

- Bandhan Bank (BANDHAN) reported a 4% miss on profitability at INR7.2b, amid sluggish NII growth and broadly stable margins.
- Advances growth was moderate at 13% YoY/4% QoQ, driven by healthy growth in the non-MFI portfolio. MFI book, which declined in Q1, has now grown by 5% QoQ. The MFI share in the total loan book now stands at 50% with O/s book currently at ~INR540b.
- Deposits growth has been healthy at 13% YoY/3% QoQ. The CASA mix improved as the bank increased SA rates during the quarter to limit the migration from SA to term deposits.
- GNPA increased 57bp QoQ to 7.3%. This rise can be attributed to higher slippages; however, the SMA book decreased by 130bp QoQ to 4.2%. This reduction in the SMA book is expected to contribute to a decrease in slippage run-rate. Collection efficiency was steady at 98%.
- **We reduce our FY24/25E PAT by 3%/5% and estimate FY25 RoA/RoE at 2.1%/18%. We reiterate our Neutral rating on the stock with a TP of INR250.**

PPoP misses estimates; MFI loan mix steady at 50%

- BANDHAN reported a PAT of INR7.2b in 2QFY24 (4% miss) due to sluggish NII growth and higher opex.
- NII declined marginally by 2% QoQ (3% miss), while margins declined 10bp QoQ to 7.2%. Other income grew 13% YoY/40% QoQ, leading to 4% QoQ growth in total revenues.
- PPoP growth stood largely flat at 2% YoY/1.4% QoQ to INR15.8b (7% miss) as the bank's C/I ratio spiked to 47%. Bandhan added 80 branches during 2Q and plans to add more in 2H.
- Advances growth stood modest at 13% YoY/4% QoQ, amid healthy growth in the non-MFI portfolio and sluggish growth in the MFI portfolio. The MFI book should report a healthy growth in a seasonally strong 2H. The bank aims to reduce its MFI exposure by growing the other segments of the book.
- Deposit growth has been healthy at 13% YoY/ 3% QoQ, while CASA growth stood strong at 7% YoY/11% QoQ. CASA mix thus improved to 38.5% from 36% in 1Q. Retail deposits mix stood steady at 74%.
- GNPA/NNPA ratios deteriorated 56bp/13bp QoQ to 7.3%/2.3% as slippages continue to remain elevated. PCR increased 72bp QoQ to ~70%.

Key takeaways from the management commentary

- Guided for FY24 credit growth of ~20%, with a focus on the latter half of the fiscal year for substantial growth.
- Fresh slippages stood at INR13.2b; INR10b in the EEB book.

- CoF is expected to go up by 20-25bp in the next two quarters, which shall be offset by higher yields, so the NIM is expected to be in the same range of 7-7.5%.
- On the ECLGS guarantee, the bank has already received INR850m and expects another INR4.1b refund from the government.

Valuation and view

BANDHAN reported a muted 2QFY24, with a slight PAT miss of 4%, and elevated slippage run-rate. Higher opex kept the C/I ratio elevated at 47% and further suppressed PPoP growth. SMA book has declined 130bp QoQ to 4.2% though CE continues to remain steady at 98%. The bank has suggested for strong recovery in loan growth and asset quality over a seasonally strong second half. We continue to remain watchful of asset quality and the potential recovery from CGFMU and ECLGS. We cut our **FY24/FY25 earnings by 3%/5% and estimate RoA/RoE of 2.1%/~17.9% in FY25. We retain our Neutral rating with a TP of INR250 (premised on 1.7x FY25E ABV).**

Quarterly performance **(INR b)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Est
Net Interest Income	**25.1**	**21.9**	**20.8**	**24.7**	**24.9**	**24.4**	**25.3**	**28.2**	**92.6**	**102.8**	**25.1**	**-3%**
% Change (YoY)	18.9	13.3	-2.1	-2.7	-0.9	11.4	21.5	13.9	6.3	11.0	14.5	
Other Income	3.3	4.8	10.3	6.3	3.9	5.4	6.3	7.9	24.7	23.5	5.5	-1%
Total Income	**28.4**	**26.7**	**31.1**	**31.0**	**28.8**	**29.8**	**31.6**	**36.0**	**117.3**	**126.2**	**30.6**	**-2%**
Operating Expenses	10.2	11.2	11.9	13.1	13.1	14.0	14.5	15.1	46.4	56.8	13.6	3%
Operating Profit	**18.2**	**15.5**	**19.2**	**18.0**	**15.6**	**15.8**	**17.1**	**20.9**	**70.9**	**69.5**	**17.0**	**-7%**
% Change (YoY)	-7.0	-2.0	-1.4	-28.8	-14.2	2.0	-11.1	16.5	-11.5	-2.0	9.2	
Provisions	6.4	12.8	15.4	7.3	6.0	6.4	6.2	6.8	42.0	25.3	6.9	-8%
Profit Before Tax	**11.8**	**2.7**	**3.8**	**10.6**	**9.6**	**9.5**	**10.9**	**14.2**	**28.9**	**44.1**	**10.1**	**-6%**
Tax	2.9	0.6	0.9	2.5	2.4	2.3	2.7	3.4	7.0	10.8	2.5	-11%
Net Profit	**8.9**	**2.1**	**2.9**	**8.1**	**7.2**	**7.2**	**8.2**	**10.7**	**21.9**	**33.3**	**7.5**	**-4%**
% Change (YoY)	137.6	NM	-66.2	-57.5	-18.7	244.6	180.7	33.0	NM	51.9	259.3	
Operating Parameters												
Deposits (INR b)	931	994	1,023	1,081	1,085	1,121	1,188	1,275	1,081	1,275	1,124	0%
Loans (INR b)	909	902	921	1,048	982	1,020	1,111	1,206	1,048	1,206	1,029	-1%
Deposit Growth (%)	20.3	21.3	21.0	12.2	16.6	12.8	16.1	18.0	12.2	18.0	13.1	31
Loan Growth (%)	21.6	21.1	14.7	11.5	8.0	13.1	20.6	15.1	11.5	15.1	14.0	92
Asset Quality												
Gross NPA (%)	7.3	7.2	7.2	4.9	6.8	7.3	5.5	4.9	4.9	4.9	6.4	-95
Net NPA (%)	1.9	1.9	1.9	1.2	2.2	2.3	1.6	1.4	1.2	1.4	2.0	-36
PCR (%)	74.9	75.5	75.4	76.8	69.2	70.0	72.4	73.0	76.8	73.0	70.6	64

E: MOFSL estimates

Prestige Estates

BSE SENSEX	NIFTY-50
65,877	19,671

Bloomberg	PEPL IN
Equity Shares (m)	401
M.Cap.(INRb)/(USDb)	293.7 / 3.5
52-Week Range (INR)	796 / 391
1, 6, 12 Rel. Per (%)	22/55/57
12M Avg Val (INR M)	371

Financials & Valuations (INR b)

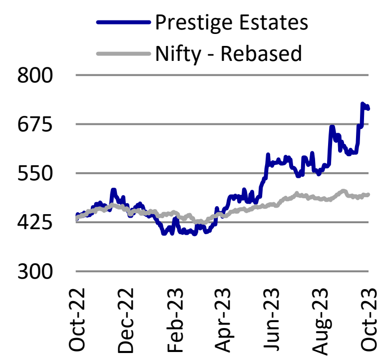
Y/E MARCH	FY24E	FY25E	FY26E
Sales	96.1	104.2	114.3
EBITDA	24.4	27.5	31.7
EBITDA Margin (%)	25.4	26.4	27.7
Adj PAT	9.4	8.8	11.0
Cons. EPS (INR)	25.0	23.5	29.3
EPS Growth (%)	146.1	68.1	146.2
BV/Share (INR)	289.5	311.3	339.0
Ratios			
Net D:E	0.7	0.8	0.7
RoE (%)	9.0	7.8	9.0
RoCE (%)	8.9	8.2	8.8
Payout (%)	6.4	6.8	5.5
Valuations			
P/E (x)	29.3	31.2	25.0
P/BV (x)	2.5	2.4	2.2
EV/EBITDA (x)	15.1	13.9	12.1
Div. yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	65.5	65.5	65.5
DII	11.3	10.5	7.6
FII	20.7	21.2	23.7
Others	2.6	2.8	3.2

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR733 | TP: INR900 (+23%) | Buy

Surpassing growth expectations; reiterate Buy

Targeting INR200b pre-sales in FY24 vs. initial guidance of INR160b

At the beginning of CY23, Prestige Estates (PEPL) was identified as our top pick for the year due to its robust launch pipeline, ensuring a significant expansion in the residential business. This not only offered visibility for growth but also alleviated concerns regarding leverage. PEPL's pre-sales grew ~25% YoY in FY23 on a higher base and followed it up with another strong performance in 1HFY24 with bookings of INR110b. Management now aims to achieve pre-sales of INR200b in FY24 and seems on track to achieve its pre-sales target of INR250b by FY26. The stock has outperformed its peers and realty index with 53% YTD return. While net debt has increased by INR25b since Sep'22 to INR65b as of Jun'23, driven by aggressive business development initiatives, the scale up in the residential segment will limit the rise in leverage, ensuring it remains at comfortable levels. We expect net debt to peak out at INR90b in FY25. We increase our TP to INR900 and reiterate our BUY rating.

Key downside risks to our target price include (a) a slowdown in residential absorption, (b) inability to sign BD deals, and (c) execution delays in certain key commercial projects.

Significant expansion on a higher base; on track for INR250b of pre-sales by FY26

- PEPL has grown its pre-sales to INR129b in FY23 from INR55b in FY21. This growth can be attributed to the successful expansion into the Mumbai market and the consolidation of its leadership position in Bengaluru, where the company achieved bookings of ~INR80b.
- As highlighted in our top pick note, the company scaled up its launches in 1HFY24 to 19msf vs. 17msf in FY23. As a result, its bookings surged to INR110b in 1HFY24 and have achieved 85% of bookings reported in FY23,.
- With the upcoming large launches in Hyderabad, Chennai, and MMR, the management now expects to clock bookings of INR200b in FY24 vs. its initial guidance of INR160b.
- The company boasts a robust upcoming project pipeline of 60msf and when combined with its existing inventory, commands a GDV of ~INR530b. With an aggressive business development strategy, the company is steadily progressing toward its pre-sales target of INR250b by FY26, a goal it had outlined during its investor day presentation in Feb'23.

Impressive performance in new markets

- PEPL forayed into the Mumbai market in FY22 with the launch of Prestige City at Mulund and has gradually strengthened its presence in the city by acquiring six projects across various micro-markets. The GDV of these projects stands at INR220b.
- Mumbai's contribution to overall sales has improved to 21% in FY23 from 7% in FY22 and it is now almost at par with a few large developers in the city despite being a new entrant. The share of Mumbai is set to improve further as the company plans to launch Prestige Nautilus and Ocean Tower in 2HFY24.

- Similarly, its portfolio in Hyderabad has steadily scaled up and accounted for 14% of PEPL's FY23 pre-sales (vs. 10% in FY22), on the back of three ongoing projects. Our recent ground checks in Hyderabad suggests strong response to its project 'Prestige City', which is expected to be launched in 3QFY24.

Upcoming office & retail portfolio to generate INR38b of rental income

- PEPL is actively engaged in the construction of 24msf of commercial projects, and it has plans to undertake an additional 15msf in the next five years. Simultaneously, the company is set to expand its retail portfolio to 9msf (v/s residual ownership of ~0.5msf across eight malls now). Once these assets stabilize, they are expected to generate a rental income of INR38b.
- Ongoing and upcoming commercial projects are expected to offer a leasable area of 31msf, with 16msf to be delivered in Bengaluru, 8msf in MMR, the remaining space distributed across Pune, Kochi, Hyderabad, and Chennai. We do not anticipate any leasing risks in most assets, except for Prestige Liberty Towers in Mahalaxmi, considering the location and the upcoming supply in that market.
- Apart from the annuity portfolio, PEPL is expanding its hospitality portfolio to ~3000 keys, with the potential to regenerate INR18b of revenue (at PEPL share) once stabilized.

Debt to increase in the near term, but would remain under control

- The balance capex outlay on ongoing and upcoming office, retail, and hospitality projects is estimated at INR160b. PEPL remains committed to delivering these projects within the next five years, and hence, an annual capex run-rate is expected to increase to INR35b in FY25-27 from INR18b in FY23.
- The management is also driven to be aggressive in adding residential projects to sustain growth, and thustarget INR40-50b in land investments in the near term.
- While OCF is expected to scale up to INR75b in FY25, given the large capital investments of INR75-80b, the company will continue to report net cash deficit over the next two years before reporting a surplus in FY26. We expect PEPL's net debt to peak out at~INR90b by FY25.
- While this may lead to the net D:E overshooting the guidance level of 0.5x in the near term, pending revenue recognition from residential projects totaling ~INR40-50b will boost the company's equity. This influx of equity is expected to bring the D/E ratio back in line with the targeted 0.5x.

Valuation and view

- We raise our FY24E pre-sales by 11% to INR200b, on the back of higher-than-expected sales in 1HFY24 and improved guidance. Our recent channel check indicates that demand momentum continues to remain strong in Bengaluru, and thus, we remain confident of PEPL's pre-sales growth trajectory.
- Once fully stabilized over the next five-six years, the commercial portfolio will generate a rental income of INR38b, and the current valuation does not reflect this yet.
- We reiterate our BUY rating with a revised SOTP-based TP of INR900, implying a 23% upside potential.

18 October 2023
3QCY23 Results Update | Sector: Automobile

CIE Automotive

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	CIEINDIA IN
Equity Shares (m)	379
M.Cap.(INRb)/(USDb)	183.5 / 2.2
52-Week Range (INR)	580 / 279
1, 6, 12 Rel. Per (%)	0/20/42
12M Avg Val (INR M)	523

Financials & Valuations (INR b)

INR b	CY22	CY23E	CY24E
Sales	87.5	95.5	105.8
EBITDA (%)	13.4	15.6	16.2
Adj. PAT	6.8	8.5	10.2
EPS (INR)	18.1	22.5	27.1
EPS Growth (%)	69.3	24.3	20.6
BV/Share (INR)	135	153	174
Ratio			
RoE (%)	13.3	15.6	16.6
RoCE (%)	10.7	13.8	14.6
Payout (%)	13.3	16.7	16.7
Valuations			
P/E (x)	26.7	21.5	17.8
P/BV (x)	3.6	3.2	2.8
Div. Yield (%)	0.5	0.8	0.9
FCF Yield (%)	3.7	1.7	4.3

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	65.7	68.9	74.9
DII	14.8	11.2	8.1
FII	7.5	8.6	6.9
Others	12.0	11.3	10.2

FII Includes depository receipts

CMP: INR484 TP: INR575 (+19%) Buy

Muted growth in Europe and India leads to a miss

Mixed bag for growth expectations; margin drivers are in place

- CIEINDIA's 3QCY23 result disappointed due to weak revenue growth in both India (flat YoY) and EU (+5% YoY). While healthy demand for SUVs and a rebound in 2W demand are projected to drive growth in India, EU's recovery is expected to be more gradual owing to the weak outlook for Metalcastello business in the near term and a slow pickup in the region.
- We lower our consolidated EPS estimates for CY23/CY24 by 6%/7% as we factor in weaker-than-estimated growth in both EU and India, and high interest costs. Reiterate BUY with a TP of INR575 (based on ~18x CY25E consol. EPS).

Weaker growth across geographies

- CIEINDIA's 3QCY23 consol. revenue/EBITDA/PAT grew 2%/18%/11% YoY. 9MCY23 consol. revenue/EBITDA/PAT grew 8%/25%/20% YoY.
- 3QCY23 consol. revenue grew just ~2% YoY to ~INR22.8b (est. INR24.7b), due to weaker growth in both geographies. India remained flat YoY (est. +8%), while EU grew just 5% YoY (est. +15%). EBITDA stood at INR3.45b (est. INR3.85b), up 18% YoY. EBITDA margins stood at 15.2% (est. 15.6%). Adj. PAT stood at INR1.9b (est. INR2.3b), up 11% YoY.
- **India business**: Revenue remained flat YoY at ~INR15.35b (est. INR16.5b). EBITDA margin stood at 15.1% (est. 15.5%).Tractor production declined 10% YoY, while 2W production saw a moderate decrease of 2% YoY.
- **EU business**: Revenue grew 6% YoY on like to like term basis as gains on Fx were offset by impact of commodity. There was weakness at Metalcastello (down 15-20% YoY). In 3Q, margins stabilized at 15.3%, indicating a return to normalcy (vs. 2Q margins of 17.8%). This shift was influenced by a substantial stock generation for the summer period in 2Q.

Highlights from the management commentary

- **Metalcastello**: It is currently at the bottom of the cycle and the company expects it to suffer a drop for the next couple of quarters. 3Q revenue declined 15-20% YoY and a similar decline is expected in 4Q due to a cyclical slowdown. A recovery is expected in 2Q/3QCY23 onward.
- **EV orders**: EV orders account for ~74%/10% of total orders in EU/India. The contribution of EV orders in Metalcastello is ~50%. Metalcastello has two orders worth INR28-30m. The other orders are for CIE forgings, steel plates and aluminium forgings. All these 4-5 orders should start ramping up from CY24-25 onward.
- There is scope for EBITDA margin improvement, driven by better internal efficiencies and the execution of many delayed projects in the coming quarters and new products, which are more complex. The gap between India and overseas operation is still wide and the company expects margin for India business to reach close to CIE's margin.

- **The company has incurred annual growth capex of INR2-2.5b in India for the last 2-3 years. All of this is against the committed orders, which have not yet ramped up completely and are expected to see full ramp-up in the coming period.**

Valuation and view

- CIEINDIA's growth story is on track, driven by its organic initiatives (new products and customers in the India business). Moreover, cost-cutting measures in both India and the EU and a recovery in domestic 2W demand should drive margin expansion going forward.
- We believe that the increasing contribution of EVs to the overall business through the execution of new orders and growth in the EV portfolio can drive a re-rating. The stock trades at 21.5x/17.8x CY23E/CY24E consolidated EPS. Reiterate BUY with a TP of INR575 (premised on ~18x CY25E consol. EPS).

Quarterly performance (Consol.) **(INR Million)**

(INR m)	CY22				CY23E				CY22	CY23E	
Y/E December	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4QE**			**3QE**
Net Sales	**20,608**	**22,160**	**22,294**	**22,468**	**24,402**	**23,203**	**22,794**	**25,113**	**87,530**	**95,512**	**24,658**
YoY Change (%)	-5.9	8.5	6.6	34.6	18.4	4.7	2.2	11.8	29.4	9.1	10.6
EBITDA	**2,804**	**3,058**	**2,934**	**2,924**	**3,806**	**3,704**	**3,454**	**3,902**	**11,720**	**14,867**	**3,847**
Margins (%)	13.6	13.8	13.2	13.0	15.6	16.0	15.2	15.5	13.4	15.6	**15.6**
Depreciation	717	747	731	767	825	833	783	829	2,962	3,270	805
Interest	40	-1	109	79	240	221	310	250	227	1,020	215
Other Income	107	98	134	244	160	195	200	226	583	781	202
Share of profit from associates	4	11	3	4	3	-3	-2	9	22	7	5
PBT before EO expense	**2,155**	**2,409**	**2,229**	**2,321**	**2,901**	**2,846**	**2,561**	**3,050**	**9,114**	**11,359**	3,029
EO Exp/(Inc)	0	0	0	-379	0	0	0	0	-379	0	0
PBT after EO exp	**2,155**	**2,409**	**2,229**	**2,700**	**2,901**	**2,846**	**2,561**	**3,050**	**9,492**	**11,359**	**3,029**
Tax Rate (%)	23.9	23.8	24.9	28.0	24.2	24.9	27.0	25.3	25.3	25.3	25.0
Adj. PAT	**1,643**	**1,847**	**1,676**	**1,664**	**2,203**	**2,136**	**1,867**	**2,286**	**6,829**	**8,492**	**2,275**
YoY Change (%)	7.7	35.6	12.4	96.5	34.1	15.7	11.4	37.4	69.3	24.3	35.0
Revenues											
India	12,811	13,778	15,311	13,977	14,449	14,348	15,354	16,199	55,862	60,350	16,500
Growth (%)	15	47	34	23	13	4	0	16	29	8	7.8
EU	7,768	8,315	7,094	8,491	9,954	8,855	7,440	8,899	31,668	35,148	8,158
Growth (%)	-28	-25	-25	51	28	6	5	5	26	11	15.0
EBITDA Margins											
India	13.4	13.3	13.4	16.9	15.0	14.8	15.1	16.0	14.3	15.3	15.5
EU	14.0	14.7	12.3	11.0	16.4	17.8	15.3	15.6	13.0	16.3	15.8

Can Fin Homes

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	CANF IN
Equity Shares (m)	133
M.Cap.(INRb)/(USDb)	101.6 / 1.2
52-Week Range (INR)	910 / 486
1, 6, 12 Rel. Per (%)	1/24/33
12M Avg Val (INR M)	580

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	12.5	13.8	15.9
PPP	10.7	11.9	13.9
PAT	7.4	8.4	9.9
EPS (INR)	55.6	63.2	74.5
EPS Growth (%)	19	14	18
BVPS (INR)	325	384	454
Ratios (%)			
NIM	3.7	3.5	3.6
C/I ratio	16.6	16.0	14.9
RoAA	2.1	2.1	2.1
RoE	18.6	17.8	17.8
Payout	7.2	7.1	6.7
Valuation			
P/E (x)	13.7	12.1	10.2
P/BV (x)	2.3	2.0	1.7
Div. Yield (%)	0.5	0.6	0.7

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	30.0	30.0	30.0
DII	28.0	25.0	24.8
FII	10.7	10.4	0.0
Others	31.3	34.7	45.2

FII Includes depository receipts

CMP: INR763 TP: INR840 (+10%) Neutral

NIM expansion offset by higher opex and a one-off in credit costs

Disbursement growth muted in 2QFY24

- Can Fin Homes (CANF)'s 2QFY24 PAT declined ~14% QoQ to ~INR1.6b (in line), due to higher opex and a one-off in credit costs. CANF's credit costs stood at ~90bp and included a one-off of ~50bp in provisions towards employee fraud at the Ambala branch, which was identified and reported in Jul'23.
- Repricing existing loans led to a QoQ improvement of ~30bp in yields. Higher yields and stable CoF led to a ~30bp QoQ improvement in (calc.) NIM to ~3.85%. Further, the repricing of ~INR60b of loans over the next quarter would help CANF sustain (or even improve) the yields from hereon. We expect CANF to take actions, which will spur loan growth but lead to a NIM compression from 3QFY24. We estimate NIM of ~3.7%/3.5% in FY24/FY25.
- We model an AUM/PAT CAGR of 15%/17% over FY23-26E with an RoA/RoE of 2.1%/~18% in FY26E. CANF, in our view, is a robust franchise with strong moats on the liability side. At 1.8x Sep'25 P/BV, we believe its valuations are rich and largely price in the positive factors. **Reiterate Neutral with a TP of INR840 (based on 2.0x Sep'25E BV).** Slippages from the restructured book, which could lead to deterioration in asset quality, will be a key monitorable.

Disbursement growth tepid; run-off in loan book moderates

- Disbursements declined 10% YoY to ~INR20.1b (MOSLe: ~INR21.4b) in 2QFY24. Absolute disbursements rose ~INR530m sequentially.
- Advances grew 16% YoY and 3% QoQ to INR333.5b. Run-off in the loan book stood at ~14% (largely flat YoY) during the quarter.
- Management guided for disbursements of ~INR100b in FY24 suggesting that it would need to deliver strong disbursement growth in 2HFY24 (v/s INR40b in 1HFY24). It continued to guide for a loan growth of ~18% YoY in FY24.

Margin improvement driven by residual repricing of loan book

- NIM (calc.) expanded sequentially by ~30bp to 3.85%, due to the full impact of interest rate hikes transmitted on ~INR55b of loans in 1QFY24 and the partial impact of rate hikes from ~INR65b of the loans repriced in 2QFY24.
- The share of CPs in the borrowing mix was stable QoQ at ~7.0% as of Sep'23 (PY: 8.0%). Overall proportion of bank term loans rose ~3pp QoQ.

Asset quality deteriorates due to slippages from restructured pool

- Asset quality deteriorated with GS3/NS3 rising 13bp/10bp to ~0.76%/0.43% and PCR on S3 loans declining ~250bp QoQ to ~44%.
- Asset quality deteriorated primarily due to slippages from the restructured pool of advances. CANF created a management overlay of ~INR170m in 2QFY24 and the total management overlay stood at ~INR340m (~13% of the Gross Stage 3 loans).

Highlights from the management commentary

- Management shared that it was open to compromising on NIM (as long as it stayed above 3.5%) to spur disbursement/loan growth. It guided for some spread and NIM compression, since CANF will also be operating in the higher ticket segments.
- Opex will be higher in 2HFY24 because of the additional staffing and IT transformation. Management guided for a cost-to-income ratio of ~17-18% in FY24 and FY25.

Valuation and view

- CANF has successfully demonstrated its ability to maintain its pristine asset quality for many years; however, we remain wary of the potential slippages in the restructured book now and conservatively estimate a credit cost of ~22bp in FY25. We estimate a 16%/17%/17% CAGR in each of NII/PPOP/PAT over FY23-26 with an RoA of 2.1% and RoE of ~18% in FY26.
- **Reiterate Neutral with a TP of INR840 (based on 2.0x Sep'25E BV).**

Quarterly performance INR m

Y/E March	FY23				FY24E				FY23	FY24E	2QFY24E	Act vs est. (%)
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24				
Interest Income	6,065	6,522	7,046	7,521	8,181	8,652	8,998	9,355	27,154	35,187	8,508	2
Interest Expenses	3,561	4,010	4,529	4,908	5,330	5,484	5,748	6,162	17,009	22,725	5,559	-1
Net Interest Income	**2,504**	**2,512**	**2,517**	**2,613**	**2,851**	**3,168**	**3,251**	**3,193**	**10,146**	**12,462**	**2,949**	7
YoY Growth (%)	38.2	31.0	22.2	10.1	13.9	26.1	29.1	22.2	24.3	22.8	17.4	
Other income	51	54	51	122	60	58	76	136	277	330	67	-14
Total Income	**2,555**	**2,566**	**2,568**	**2,735**	**2,911**	**3,226**	**3,326**	**3,329**	**10,423**	**12,792**	**3,016**	7
YoY Growth (%)	39.8	30.2	20.9	12.7	13.9	25.7	29.5	21.7	24.8	22.7	17.6	
Operating Expenses	405	405	438	517	435	524	572	595	1,765	2,126	469	12
YoY Growth (%)	33.8	18.3	8.7	7.3	7.4	29.5	30.6	15.1	15.3	20.5	16.0	
Operating Profits	**2,150**	**2,161**	**2,129**	**2,218**	**2,476**	**2,702**	**2,754**	**2,734**	**8,658**	**10,666**	**2,547**	**6**
YoY Growth (%)	40.9	32.7	23.8	14.0	15.2	25.0	29.3	23.3	26.9	23.2	17.9	
Provisions	-37	132	84	238	137	722	210	45	418	1,113	473	53
Profit before Tax	**2,187**	**2,028**	**2,045**	**1,980**	**2,339**	**1,980**	**2,544**	**2,690**	**8,240**	**9,553**	**2,074**	-5
Tax Provisions	565	611	530	322	504	399	611	635	2,028	2,149	498	-20
Profit after tax	**1,622**	**1,417**	**1,515**	**1,658**	**1,835**	**1,581**	**1,933**	**2,055**	**6,212**	**7,403**	**1,576**	0
YoY Growth (%)	49.0	14.6	30.9	34.9	13.1	11.5	27.6	23.9	31.9	19.2	11.2	

pdf

18 October 2023

Result Update | Sector: Logistics

TCI Express

BSE SENSEX	S&P CNX
65,877	19,671

Estimate change	↓
TP change	↓
Rating change	↔

Stock Info

Bloomberg	TCIEXP IN
Equity Shares (m)	38
M.Cap.(INRb)/(USDb)	52.5 / 0.6
52-Week Range (INR)	1982 / 1364
1, 6, 12 Rel. Per (%)	-6/-21/-40
12M Avg Val (INR M)	54

Financials Snapshot (INR b)

Y/E March	2023	2024E	2025E
Net Sales	12.4	13.3	15.0
EBITDA	1.9	2.1	2.6
Adj. PAT	1.4	1.5	1.9
EBITDA Margin (%)	15.7	16.0	17.2
Adj. EPS (INR)	36.4	39.1	48.7
EPS Gr. (%)	8.1	7.6	24.5
BV/Sh. (INR)	156	187	228
Ratios			
Net D/E (x)	0.0	-0.1	0.0
RoE (%)	24.6	22.8	23.5
RoCE (%)	24.4	22.7	23.4
Payout (%)	22.0	20.4	16.4
Valuations			
P/E (x)	37.7	35.0	28.1
P/BV (x)	8.8	7.3	6.0
EV/EBITDA (x)	26.9	24.5	19.8
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	0.8	1.2	1.4

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	66.9	66.7	66.7
DII	10.4	10.5	9.5
FII	1.7	1.8	2.1
Others	21.0	21.0	21.6

FII Includes depository receipts

CMP: INR1,370 TP: INR1,700 (+24%) Buy

In-line performance; volume growth likely to improve in 2HFY24

- TCI Express (TCIE)'s 2QFY24 revenue grew 3% YoY to ~INR3.2b, in line with our estimate. Volume stood at 0.25m tonnes (+2% YoY), while realization rose ~1% during the quarter. In 1HFY24, volume grew ~3% YoY (0.49m tonnes). Utilization improved sequentially to 84%. Volumes were impacted by the shift of festival-linked demand to Oct'23. Hence, 3QFY24 is expected to witness strong volume growth.
- EBITDA stood at INR505m with margin of 15.8% (est. 16.2%). PAT came in at INR356m (5% below our estimate) with margin of 11.1%.
- TCIE generated CFO of INR385m in 1HFY24 vs. INR1.5b in 1HFY23. Total cash and bank balance as of Sep'23 were INR150m. Net working capital days stood at 23 in 2QFY24 vs. 24 in 2QFY23. ROE/ROCE for 1HFY24 were at 22%/29%.
- The 2Q performance was largely in line with our estimate. Given a softened outlook, we cut our EPS estimates by ~4%/3% for FY24/FY25. We expect a CAGR of 8%/10%/16%/16% in volume/revenue/EBITDA/PAT over FY23-25, aided by automation and branch network expansion, resulting in improved operating efficiencies. Capex of INR5b is envisaged over FY23-28 for setting up its own sorting centers and corporate office in Gurugram, Haryana. Reiterate BUY with a revised TP of INR1,700 (based on 35x FY25E EPS).

Highlights from the management commentary

- Value-added services contributed ~17% in 2QFY24, up from 15.5% in 2QFY23. Air and rail express businesses are yielding higher margins than the surface express business. The company aims to increase the contribution of value-added services to 25% by FY25 and 50% in the next 6-7 years.
- The Auto and Pharma industries contributed ~70-80% of revenue in 2Q, while lifestyle products and apparels contributed ~10-15%.
- TCIE is on track to achieve double-digit growth in FY24 and improve its margin profile. It continues to focus on increasing its customer base, setting up new branches and developing automated sorting centers.
- TCIE has appointed Hemant Srivastava as COO of the non-surface express business to enhance value-added services such as rail express, cold chain express, etc.

Cautious branch expansion while aiming for sustainable Margin and ROCE profile

- TCIE has opened 12 new branches in 1HFY24 and aims to open another 25 branches in 2HFY24. The management will selectively open new branches depending on the pickup in the manufacturing sector.
- The company aims to achieve sustainability in margins and ROCE by enhancing its operational efficiency through tech-driven advancement.

Valuation and view

- While 2QFY24 has been soft, volumes are expected to ramp up in 2HFY24 and margins should continue to improve. TCIE's growth strategy focuses on achieving balanced growth and revenue quality, expanding its margins and ensuring sustainable ROCE.
- We expect TCIE to clock an 8% CAGR in volume CAGR and ~10%/16%/16% CAGR in revenue/EBITDA/PAT over FY23-25. **Reiterate BUY with a TP of INR1,700 (based on 35x FY25E EPS).**

Quarterly snapshot **INR m**

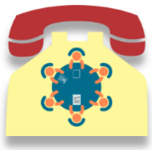
	FY23				FY24E				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	vs Est
Net Sales	2,904	3,099	3,144	3,263	3,049	3,200	3,497	3,540	12,410	13,286	3,294	(3)
YoY Change (%)	30.3	13.3	9.6	9.4	5.0	3.3	11.2	8.5	14.8	7.1	6.3	
EBITDA	428	515	461	541	464	505	570	582	1,945	2,121	532	(5)
Margins (%)	14.7	16.6	14.7	16.6	15.2	15.8	16.3	16.5	15.7	16.0	16.2	
YoY Change (%)	33.4	13.7	-2.3	7.8	8.4	-2.0	23.7	7.6	11.3	9.1	3.3	
Depreciation	33	35	43	42	46	47	48	43	153	184	48	
Interest	3	4	4	7	4	4	5	6	18	18	5	
Other Income	19	23	13	17	15	18	21	24	72	77	20	
PBT before EO expense	411	499	427	509	429	472	538	557	1,845	1,996	499	(5)
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	411	499	427	509	429	472	538	557	1,845	1,996	499	(5)
Tax	101	121	106	124	105	116	136	140	453	497	126	
Rate (%)	24.5	24.3	24.9	24.4	24.6	24.5	25.2	25.2	24.5	24.9	25.2	
Reported PAT	310	378	320	385	323	356	402	417	1,393	1,499	373	(5)
Adj PAT	310	378	320	385	323	356	402	417	1,393	1,499	373	(5)
YoY Change (%)	30.5	11.0	-8.8	7.0	4.3	-5.8	25.7	8.5	8.1	7.6	-1.3	
Margins (%)	10.7	12.2	10.2	11.8	10.6	11.1	11.5	11.8	11.2	11.3	11.3	

E: MOSL Estimates

Persistent

BSE SENSEX	S&P CNX
65,877	19,671

Conference Call Details



Date: 19st October 2023
Time: 16:30 IST
Zoom

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	83.5	97.9	112.9
EBIT Margin (%)	14.9	15.0	15.9
Adj. PAT	9.5	11.4	13.9
Adj. EPS (INR)	124.4	147.8	180.8
PAT	9.2	10.9	13.9
EPS (INR)	120.5	141.5	180.8
EPS Gr. (%)	36.2	18.8	22.3
BV/Sh. (INR)	530.5	619.0	739.2
Ratios			
RoE (%)	25.9	26.4	27.2
RoCE (%)	21.6	21.8	22.6
Payout (%)	35.0	35.0	35.0
Valuations			
P/E (x)	45.7	38.4	31.4
P/BV (x)	10.7	9.2	7.7
EV/EBITDA (x)	27.6	23.4	19.1
Div yld (%)	0.8	0.9	1.1

CMP: INR5,716 — Neutral

Strong revenue and deal-win performance; margin miss

Revenue/EBIT/PAT rise 14%/11%/20% YoY in 2QFY24

P&L highlights

- PSYS' USD revenue rose 3.2% QoQ in CC terms to USD291.7m, ahead of our estimate of 2.9% QoQ CC. In reported USD figures, the growth for the quarter was 3.1% QoQ.
- Growth was led by healthcare (up 7.0% QoQ) and Hi-Tech (up 3.8% QoQ), while BFSI was flat QoQ.
- In terms of regional performance, North America grew 3.1% QoQ, while Europe saw a 1% QoQ increase.
- EBITDA margin stood at 16.8%, down 140bp QoQ, on account of wage hikes. Margins were 90bp below our estimate of 17.7%, on account of higher SG&A expenses.
- Adj. PAT stood at INR 2.6b (down 5% QoQ), below our estimate, on account of margin miss.

Operational highlights

- 2QFY24 saw the highest ever TCV of USD 479m, up 26% QoQ and 30% YoY (1.6x Book to Bill). Net New TCV was also record high at USD313m. Similarly, ACV was record high at USD 316m.
- Utilization was up 230bp QoQ to 80.6%. TTM Attrition moderated to 13.5% (down 200bp QoQ)

Valuation and view: We will revisit our estimates after the earnings call. Commentaries on the near-term outlook, verticals, and margin will be keenly watched. **We reiterate our Neutral rating on the stock.**

Quarterly performance (IFRS) (INR m)

Y/E March	FY23				FY24				FY23	FY24E	FY24E	Var.
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2Q	(%/bp)
Revenue (USD m)	241.5	255.6	264.4	274.6	282.9	291.7	299.7	309.3	1,036	1,184	291.5	0.1
QoQ (%)	11.1	5.8	3.4	3.9	3.0	3.1	2.8	3.2	35.3	14.2	3.0	8bp
Revenue (INR m)	18,781	20,486	21,694	22,545	23,212	24,117	24,879	25,668	83,506	97,875	24,091	0.1
QoQ (%)	14.7	9.1	5.9	3.9	3.0	3.9	3.2	3.2			3.8	11bp
YoY (%)	52.7	51.6	45.4	37.6	23.6	17.7	14.7	13.9	46.2	17.2	17.6	12bp
GPM (%)	33.8	33.5	33.8	33.9	34.2	33.1	34.0	34.5	33.8	34.0	33.5	-37bp
SGA (%)	16.1	15.5	15.3	15.5	16.0	16.3	15.7	15.5	15.6	15.9	15.8	53bp
EBITDA	3,333	3,680	4,016	4,163	4,229	4,052	4,553	4,877	15,191	17,711	4,264	-5.0
EBITDA margin (%)	17.7	18.0	18.5	18.5	18.2	16.8	18.3	19.0	18.2	18.1	17.7	-90bp
EBIT	2,688	2,987	3,332	3,466	3,466	3,308	3,782	4,081	12,472	14,637	3,517	-6.0
EBIT margin (%)	14.3	14.6	15.4	15.4	14.9	13.7	15.2	15.9	14.9	15.0	14.6	-88bp
Other income	131	-31	192	-60	90	250	100	103	233	543	193	29.7
ETR (%)	24.9	25.6	24.1	26.2	22.0	26.0	26.0	26.0	25.2	25.1	25.0	
Adj .PAT	2,116	2,200	2,676	2,515	2,774	2,633	2,872	3,096	9,507	11,374	2,783	-5.4
QoQ (%)	5.3	4.0	21.6	-6.0	10.3	-5.1	9.1	7.8			0.3	-540bp
YoY (%)	33.3	36.0	51.7	25.1	31.1	19.7	7.3	23.1	36.2	19.6	26.5	-681bp
EPS (INR)	27.7	28.8	31.1	32.9	29.8	34.2	37.3	40.2	120.5	141.5	36.2	-5.4

Shoppers Stop

BSE SENSEX	S&P CNX
65,877	19,671

Conference Call Details

Date: 19th Oct 2023
Time: 11am IST
Dial-in details:
+91 22 6280 1164

Financials & Valuations (INR b)

INRb	FY23	FY24E	FY25E
Sales	40.0	43.9	50.2
EBITDA	7.0	8.0	9.2
Adj. PAT	1.2	1.5	2.0
EBITDA Margin (%)	17.5	18.1	18.3
Adj. EPS (INR)	14.5	17.9	23.9
EPS Gr. (%)	NM	23.0	34.0
BV/Sh. (INR)	24.7	41.6	64.5
Ratios			
Net D:E	9.7	5.7	3.6
RoE (%)	73.4	48.7	41.6
RoCE (%)	11.5	11.6	12.0
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	47.5	38.6	28.8
EV/EBITDA (x)	14.2	12.3	10.6
EV/Sales (x)	2.5	2.2	1.9
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	4.3	3.4	6.3

CMP: INR691 — Neutral

EBITDA down 4% YoY (15% miss) due to subdued revenue growth and lower GM

- Shoppers Stop's (SHOP) standalone revenue grew 2% YoY to INR10.3b (6% miss) in 2QFY24, mainly driven by footprint addition.
  - LFL growth YoY (Calc.) is estimated to be in a negative single digit (-5% YoY), mainly impacted by the shift in the festive period (Pujo contribution of 2.7%) and soft demand.
  - While revenue from Private Brands declined 4% YoY to INR1.8b, Beauty segment reported 16% YoY growth.
  - **The company operates six stores under the In-Tune brand as on date (4 opened in 2QFY24 and rest in 3QFY24), with sales of INR80m and sales per sqft of ~INR14,000.**
- **Gross margins contracted 50bp YoY to 40.7% in 2QFY24 (vs. 41.2% est.), mainly due to a decline in the share of private labels during the quarter and some impact of EOSS.**
- Employee costs grew 12% YoY, partly cushioned by a 1% YoY drop in other expenses.
- Accordingly, EBITDA declined 4% YoY to INR1.6b (15% miss), dragged down by low revenue and a contraction in gross margins. EBITDA margin declined 100bp YoY to 15.6%.
- Other income jumped ~2.7x YoY to INR105m (vs. INR73m est.).
- PAT at INR18m declined 90% YoY, affected by lower operating profits (big miss).
- **The quarter recorded an exceptional loss related to the cost of stock (including taxes) destroyed at a third-party owned warehouse due to fire, for which the insurance claim has been filed and under process. The company is confident of receiving the insurance claim amount. Adjusted for this, PAT stood at INR67m, down 67% YoY.**

Leverage and cash flow

- Net debt (excluding lease liability) as on Sep'23 stood at INR990m vs. INR900m in Jun'23 and ~INR300m in Mar'23.
- Cash flow from operations stood at INR2.5b (vs. INR2.8b as of Sep'22), despite lower profitability as 1HFY24 saw some release in working capital.
- The increase in inventory days (cal.) by 35 to 253 days was partly offset by a 19-day increase in trade payable days.

Other business highlights

- **Store adds continue:** The company added 11 stores - 4 dept stores, 3 beauty stores and 4 Intune stores during the quarter. In 1HFY24, it added 20 stores (4 departmental stores) and renovated 4 stores. **There are 19 stores in fitout (6 departmental stores, 3 Intune and 3 beauty stores.**
- **KPIs:** ATV grew 5% YoY to INR4,383 in 2QFY24, led by premiumization. ASP increased 5% YoY to INR1,539.

- **Investments and Capex:** Total capex for the quarter stood at INR460m, including INR430m toward new stores and renovation and INR30m toward technology and others**.**
- **Intune update: Sales of INR80m; Store EBITDA 10%+.** Robust productivity with revenue per sqft of INR14k+ and average annual revenue per store of INR70m. It has ASP of INR450, driven by sharp pricing and table offers. Item per ticket is at 3.6, driving ATV of INR1,642. It plans to add 18 stores in 2HFY24, with average capex of INR1,800/sqft.
- **Expansion plan: It plans to add nearly 300 stores over FY24-26, out of which 164 will be Intune stores, 45 Departmental stores and 70 Beauty stores.**

Standalone - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24	Est. Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	(%)
Total Revenue from Operations	**9,419**	**10,082**	**11,317**	**9,165**	**9,816**	**10,252**	**12,555**	**11,321**	**39,984**	**43,943**	**10,959**	**-6**
YoY Change (%)	368.4	59.6	19.0	29.1	4.2	1.7	10.9	23.5	60.3	9.9		
Total Expenditure	7,795	8,411	9,196	7,594	8,093	8,654	10,097	9,129	32,996	35,972	9,074	-5
EBITDA	**1,624**	**1,672**	**2,121**	**1,571**	**1,723**	**1,598**	**2,458**	**2,192**	**6,988**	**7,971**	**1,885**	**-15**
EBITDA Margin (%)	17.2	16.6	18.7	17.1	17.6	15.6	19.6	19.4	17.5	18.1	17.2	
Depreciation	846	927	999	1,044	1,050	1,081	1,071	1,083	3,816	4,286	1,058	2
Interest	511	514	515	551	541	548	563	601	2,092	2,253	563	-3
Other Income	56	39	244	222	73	105	105	277	561	561	73	45
PBT before EO expense	**323**	**270**	**851**	**197**	**204**	**74**	**929**	**786**	**1,641**	**1,993**	**336**	**-78**
Extra-Ord expense	0	20	0	0	0	-49	0	0	20	0	0	
PBT	**323**	**250**	**851**	**197**	**204**	**123**	**929**	**786**	**1,621**	**1,993**	**336**	**-63**
Tax	95	68	230	35	55	8	232	207	429	502	84	
Rate (%)	29.5	27.3	27.1	17.6	26.9	6.2	25.0	26.3	26.4	25.2	25.0	
Reported PAT	**228**	**181**	**621**	**163**	**149**	**116**	**697**	**579**	**1,192**	**1,491**	**252**	**-54**
Adj PAT	**228**	**201**	**621**	**163**	**149**	**67**	**697**	**579**	**1,212**	**1,491**	**252**	**-74**
YoY Change (%)	-122.2	-766.9	23.7	-200.9	-34.4	-66.8	12.2	256.1	-269.1	23.0	-124.5	

E: MOFSL Estimates

Tata Motors: Seeing sustained demand towards SUVs at the cost of hatchbacks and sedans; Shailesh Chandra, MD

- Fall in PV sales should worry auto-makers focusing on hatchbacks & sedans
- Seeing sustained demand towards SUVs at the cost of hatchbacks and sedans
- Decline in hatchback sales is structural and not temporary
- SUV sales share growth from 42% to 51% proof that SUV buying appetite has increased
- Have not seen any drop in rural demand

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Zensar Tech: Q3 will see impact of furloughs and shutdowns; Manish Tandon, MD & CEO

- We will try to maintain margins in mid-teen levels
- Have some margin headroom to make investments
- Q3 will see impact of furloughs and shutdowns
- Q3 is a very tough quarter for everyone
- See delayed decision making even for renewals
- Not seeing any stoppage or cancellation from clients
- Not seeing any pressure on pricing from clients

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CanFin Homes: Hopeful of better performance in Q3 & Q4 and on maintaining 18% YoY growth guidance; Suresh Iyer, MD & CEO

- Tightening of processes, centralisation of activities led to disturbance in processes; consequently led to the fall in disbursement
- Hopeful of better performance in Q3 & Q4 and on maintaining 18% YoY growth guidance
- Originally anticipated disbursements of Rs. 10,500 cr, will end the year at Rs. 10,000 cr.
- Another Rs. 6,500 cr. loan yet to see last round of rate hike
- Spreads have improved and reverted to old levels

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TCI Express: Expect double digit growth this year; Chander Agarwal, MD

- Expect double digit growth this year
- Seeing solid uptick in the current festive season
- MSME segment growth has started to pick up
- Seeing higher growth in new services segment than traditional business
- Not looking at taking on any debt to fund expansion plan

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Syngene: Fourth quarter is looking good, will have a strong end to the year; Jonathan Hunt, CEO

- Fourth quarter is looking good, will have a strong end to the year
- Will hold margin guidance
- Achieved the run-rate that was expected from the Zoetis deal
- Had 2 FDA approvals in the first half that led to increased enquiry
- Deal pipeline looks healthy right now
- Integration with Stells will be completed next year

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Happiest Minds Tech: See FY24 organic growth at 12% vs 15-20% that we expected at the start of the year; Joseph Anantraju, Executive Vice Chairman

- See FY24 organic growth at 12% vs 15-20% that we expected at the start of the year
- Expect Q3 & Q4 CC revenue growth to be in-line with Q2 numbers
- Continue to engage with 2 companies on M&A
- Have 2-3 good acquisition candidates in the pipeline
- No deal cancellation or client asking for pricing discount
- See interest adopting in gen AI to optimize processes and generate new revenue

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L&T Tech: Will try and achieve upper-end of the guidance; Amit Chadha, MD

- Signed 3 deals in October, two are $20m+ and one is $10m
- Will try and achieve upper end of the guidance
- Will stay at 17% EBIT margin for now, aim is to get 18% margin
- United workers strike in US impacted growth by 50bps in Q2
- Q4 will be similar to or better than Q2
- See more of $25-$50 m and even $100 m deals in our pipeline
- Q3 will be impacted by seasonality
- 2,500 freshers in FY24, 1,000 onboarded so far

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NewGen Software: Majority of our #growth is coming from West Asia & India; Virender Jeet, CEO

- Majority of our growth is coming from West Asia & India
- Expect subscription revenue to grow as we grow into mature markets
- Have won 14 new logos in Q2
- Growth momentum is driven by large bank deals
- No direct exposure to Israel
- Current conflict in West Asia is not affecting business on the ground

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