Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	65,512	-0.5	7.7
Nifty-50	19,529	-0.6	7.9
Nifty-M 100	40,609	0.2	28.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,229	-1.4	10.2
Nasdaq	13,059	-1.9	24.8
FTSE 100	7,470	-0.5	0.2
DAX	15,085	-1.1	8.3
Hang Seng	5,949	-3.2	-11.3
Nikkei 225	31,238	-1.6	19.7
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	95	-1.7	16.4
Gold ($/OZ)	1,823	-1.4	-0.1
Cu (US$/MT)	7,929	-3.5	-5.2
Almn (US$/MT)	2,255	-3.2	-4.0
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.2	0.2	0.6
USD/EUR	1.0	-1.0	-2.2
USD/JPY	149.0	-0.2	13.7
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	0.02	-0.1
10 Yrs AAA Corp	7.7	-0.01	0.0
Flows (USD b)	**3-Oct**	**MTD**	**CYTD**
FIIs	-0.2	-2.52	14.8
DIIs	0.16	2.61	15.7
Volumes (INRb)	**3-Oct**	**MTD***	**YTD***
Cash	750	750	665
F&O	3,14,272	3,14,272	2,60,388

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

RBL Bank | The Corner Office: Growth outlook steady; profitability set to improve

- We met with the top management of RBL Bank to discuss the bank's growth outlook, performance of new businesses and other key focus areas. The management expects NIM to improve steadily over FY24-26 primarily driven by continued traction in new businesses and steady growth in the credit card and MFI segments.
- Bank expects advances to grow by 20% YoY over FY24 while deposits to grow at 18-20% YoY. Bank has made significant investments in new businesses and hence its C/I ratio has jumped to 68% in FY23 however is expected to moderate in the upcoming years.
- Hence, we estimate RBK to deliver a 38% earnings CAGR over FY23-25 with RoA/RoE improving to 1.2%/11%. Maintain NEUTRAL with a TP of INR240 based on 0.9x FY25E ABV.

Research covered

Cos/Sector	Key Highlights
RBL Bank	The Corner Office: Growth outlook steady; profitability set to improve
APL Apollo Tube	Raipur Plant to boost APAT's margins through innovative product offerings
Bulls and Bear	Nifty scales a new peak; but not on valuations
Other notes	Bajaj Finance | DMART | MMFS | SIS | VMart | CSB Bank | Automobiles (Wholesale numbers) | Economy (Monsoon update)

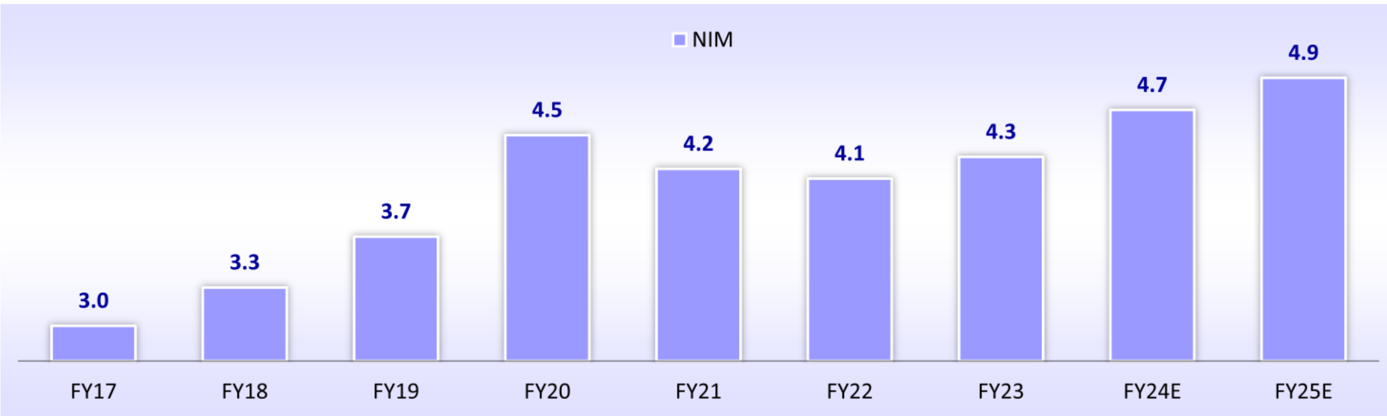
Piping hot news

HDFC Bank rejigs portfolios of top brass; Arvind Kapil to head mortgages

HDFC Bank has reshuffled the portfolios of its senior management team. This is the first major rejig after the amalgamation of HDFC Ltd on July 1.

Chart of the Day: RBL Bank (The Corner Office)

Estimate NIMs (calc.) to improve gradually over FY23-25



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

HDFC Bank rejigs portfolios of top brass; Arvind Kapil to head mortgages

HDFC Bank has reshuffled the portfolios of its senior management team. This is the first major rejig after the amalgamation of HDFC Ltd on July 1.

2

Abu Dhabi-based IHC raises stake in Adani Enterprises to over 5%

In its filing, the IHC said that it believes "the inherent strength of airports, data centres, green hydrogen and various other verticals being incubated under Adani Enterprises is poised to uniquely capitalise on India's robust growth journey. We see IHC's increased stake as a ringing endorsement of our robust capex plans, governance and transparency. This inter-generational relationship with IHC reflects well on India's dynamic growth potential and offers substantial returns to our stakeholders

3

Sept sales of electric two-wheelers register modest monthly growth at 62,692 units

After seeing a spike in monthly sales in August at 62,692 units vis-à-vis July, the electric two-wheeler (E2W) market registered a minor increase in volumes at 63,760 units in September, as per the data available on the Vahan portal.

4

Vedanta's Q2 zinc, oil & gas production falls; aluminium production rises

Integrated zinc production was at 185kt, lower by 2 percent YoY and 12 percent QoQ. Refined lead production was flat YoY at 57kt; it increased 12 percent QoQ on account of pyro plant operations on Lead mode during 2QFY24.

5

Higher coal movement takes rail freight growth to 6.7% in September

After months of sluggish growth, movement of goods through Indian Railways recorded a growth of 6.67 per cent in September, with 123.53 million tonnes (mt) of volumes achieved, according to data released by the ministry of railways.

6

Unabated FPI selling pulls indices to 1-month low; now eyes on Q2 results

India's benchmark indices on Tuesday dropped to their lowest levels in one month on an intraday basis as rising bond yields and hawkish statements by two US Federal Reserve officials reignited fears of interest rates remaining higher for longer.

7

Sebi to introduce centralised mechanism for verification in case of demise of investors

After receiving intimation about the demise of an investor, the concerned intermediary will have to obtain the death certificate along with the PAN from the notifier or nominee and verify the death certificate through online or offline mode

Growth outlook steady; profitability set to improve

Margin outlook buoyant on rising mix of new businesses

We met with the top management team of RBL Bank (RBK IN) represented by Mr. R Subramaniakumar, MD & CEO, and Mr. Jaideep Iyer, Head–Strategy, to discuss the bank's growth outlook, performance of new businesses, profitability goals and other key focus areas. Here are the key takeaways from the discussion:

Improving asset mix to enable steady NII growth; NIMs to stay buoyant

RBK reported steady margins in FY23, though a sharp rise in funding costs resulted in a 17bp drop in NIM in 1QFY24. The management anticipates a quick turn in the margin trajectory and expects NIM to improve steadily over FY24-26. The margin expansion will be primarily driven by continued traction in new businesses and steady growth in the credit card and MFI segments while the mix of wholesale loan declines to 30% by FY26 from 44% currently. On the funding cost side, the bank expects the majority of its deposits to be re-priced by 2QFY24; hence, the cost of deposits will stabilize by 2Q-3QFY24 and thereafter decline gradually as RBK does not anticipate any further rate hikes by the RBI. We estimate NII to grow at a higher pace than loans at a 23% CAGR over FY23-FY25.

RBL Bank

Mr. R Subramaniakumar, RBL Bank Ltd

R Subramaniakumar is a veteran in the banking industry with 40 years of experience. Prior to joining RBL Bank, he was the MD & CEO of Indian Overseas Bank. He has acquired CISA and CISM certifications from ISACA and a banker

Scale-up of new businesses and continued traction in MFI/Cards to drive healthy loan growth

RBK has significantly improved its underwriting, collections and data analysis and has sharpened its focus on cross-selling of products. The bank expects to grow its advances by ~20% over FY24, led by continued scale-up of new businesses and steady traction in the credit card and MFI businesses (up 23%-25% YoY). However, the bank aims to maintain the mix of unsecured book at less than 40%. On the wholesale side, the bank is focusing more on SME/Mid-corporates as those segments are witnessing strong activity and offer better risk-adjusted returns. Thus, the ongoing pace of capacity building, rapid investments in new businesses and higher cross-selling will enable the bank to sustain a healthy growth rate over the coming years. We thus estimate a 19% CAGR in advances over FY23-FY25.

Liability growth to improve gradually; aiming for retail deposit mix of ~50%

In 1QFY24, RBK reported 21% YoY growth in advances, while its deposits base grew at a modest 8% YoY as RBK focused on deploying excess liquidity on the balance sheet. It is also making use of refinancing wherever the bank is earning good returns. The CD ratio has increased from 76% in FY22 to ~85% currently and the bank expects it to increase further in FY24 as the LCR ratio also stands at a comfortable level of 129% as on 1QFY24. Out of total 1,635 touch points as of 1QFY24, 800 are generating liability for the bank. With 1.8m liability customers, 4.5m card customers and 3.5m MFI customers, the management believes that there is immense potential for the bank to cross-sell its products. The bank follows a systematic customer on-boarding plan with a 'liability led by an asset' approach and has witnessed 2x increase in account opening vs. the earlier run-rate. Alongside, the bank is focusing more on granular deposits as it expects the retail deposit mix to increase to 50% of total deposits by FY25 vs. 44% currently. The CASA ratio is healthy at ~37% but is expected to moderate slightly as high rates drive faster growth in term deposits.

C/I ratio to improve as new businesses breakeven; estimate PPoP to grow at 30% CAGR vs. decline in prior years

RBK has made significant business investments to expand its retail product offering and tighten its underwriting, risk-monitoring and digital capabilities. As a result, its C/I ratio jumped from 49% in FY21 to 68% in FY23. However, with new businesses achieving critical mass and moving closer to breakeven (tractor business and gold loan business will be profitable by FY25 end), we estimate the C/I ratio to moderate in the coming years. In 1QFY24, the bank reported a ~300bp YoY decline in its core cost-income ratio and we estimate the overall C/I ratio to moderate to ~64% by FY25 (~68% in FY23E), thereby enabling a 30% CAGR in PPoP over FY23-25E vs. a decline in prior years.

Asset quality remains steady; GNPA/NNPA ratios to improve further

RBK has reported steady improvements in asset quality over the past one year and the bank has reduced its net NPAs to 1% with PCR of ~70%. The bank has guided for a credit cost of 1.5%-2% over the medium term and it is expected to remain at the lower end of this range in FY24. RBK is following an aggressive provisioning policy under which the bank is making 100% provisions during 6 to 9 months even on new secured retail products. The management has suggested that the bank will build a contingent provision buffer over the next 12 to 18 months to further strengthen its balance sheet.

Other highlights

- **Credit card business and Bajaj Finserv partnership:** The credit card business is seeing robust growth (sourcing ~200k cards per month) and the bank expects to sustain this momentum over the medium term with a focus on diversifying the distribution base and doing more in-house origination. The profitability of the business has recovered well after experiencing high delinquencies after Covid, and the segment now accounts for 24% of gross advances as of 1QFY24. The revolve rate has likely bottomed out at ~23-24%, though the management is not looking at a meaningful recovery over the near term. RBK renewed the five-year partnership with Bajaj Finserv in Dec'21 (Bajaj accounts for 60-65% of new cards) and the bank has tied up with various fintech firms to increase its distribution network.
- **Branch expansion to gather pace:** After a year of consolidation (opened only 15 branches in FY23), the management is focusing on increasing its branch network and plans to open ~70-80 branches in FY24, increasing the total branch count to ~600 branches.

Valuations and view: Estimate 38% CAGR in earnings over FY24-25; maintain NEUTRAL with revised TP of INR240

RBK has reported a healthy recovery in loan growth and the management expects to sustain this momentum, led by steady growth in retail segments. The continued business investments and healthy cross-selling will further help to diversify the loan book and enable faster growth in retail liabilities. While the bank's RoE remains low, it is well capitalized to support growth momentum (current Tier-1 at >15%) and the management expects to raise capital only toward FY25 end. The management has guided for improved profitability ratios as new businesses achieve breakeven and an improving asset mix drives steady NIM improvement. As a result, RoA is expected to improve to 1.4-1.5% by FY26E. We raise our FY25E earnings by 8% and estimate RBK to deliver a 38% earnings CAGR over FY23-25 with RoA/RoE improving to 1.2%/11%. **Maintain NEUTRAL with a TP of INR240 based on 0.9x FY25E ABV.**

APL Apollo Tubes

BSE SENSEX	S&P CNX
65,512	19,529

CMP: INR1,640 TP:INR1,930 (+18%) Buy

Raipur Plant to boost APAT's margins through innovative product offerings

We visited the recently commissioned Raipur plant of APAT and interacted with some of the key personnel. The inception of the Raipur plant dates back to FY21, initiated by APL Apollo Building Products Pvt Ltd. (ABPL), a wholly owned subsidiary of APAT, located in Village Simga, Baloda bazar district in Chhattisgarh (almost 60 Km from Raipur Airport). Key aspects of this plant are:

- **It is the largest plant for the company with an installed capacity of 1.2MTPA and scope to further expand by 0.1MTPA through debottlenecking**
- **It is strategically located in close proximity to raw material suppliers; additionally, this strategic location enables the company to serve multiple regions efficiently, given its Central position in India.**
- **The Raipur plant will manufacture only value-added products (VAP), which will drive up the overall margin profile for the company. Additionally, these plants will be manufacturing products, marking the first production of its kind in both India and the world.**
- **The plant was recently commissioned and the production volume is rapidly increasing, with the target of achieving a quarterly run rate of 0.18-0.2MTPA by 4QFY24.**

Key Characteristics of the Raipur Plant

- The Raipur plant is located at Village Simga, Baloda bazar district in Chhattisgarh and is spread across 450 acres (of which the covered area is ~200acres). The total capacity of the plant is ~1.2MTPA with further scope to expand by 0.1MTPA through debottlenecking.
- The plant is located in close proximity to the Raipur Airport (~60km) and its strategic positioning near the raw material source ensures a streamlined supply chain (~300km radius).
- **The plant is divided into five sections**: Hot Strip unit (HSU), wide flat division, tube division, narrow flat division, special pipe division. (refer exhibit: 4)
- The HSU, wide flat division and Narrow tube division have commenced productions with monthly capacity of 41,000MT/20,000MT/25,000MT, respectively. The narrow flat division (capacity 14,000MT per month) and special pipe division are currently under construction/erection.

Strategically positioned to maximize benefits

- APAT operates a network of 11 state-of-the-art manufacturing facilities strategically spread across the country. These facilities collectively offer a substantial total capacity of 3.6MTPA.
- The well-distributed manufacturing plants play a pivotal role in establishing the company's strong geographic presence, enabling it to be in close proximity to its customers. Additionally, this new Raipur plant has commenced operations with a capacity of 1.2MTPA, focusing exclusively on value-added products. This can be further expanded by 0.1MTPA with debottlenecking.

Stock Info

Bloomberg	APAT IN
Equity Shares (m)	250
M.Cap.(INRb)/(USDb)	454.9 / 5.5
52-Week Range (INR)	1806 / 988
1, 6, 12 Rel. Per (%)	-6/27/39
12M Avg Val (INR M)	807
Free float (%)	69.4

Financials Snapshot (INR b)

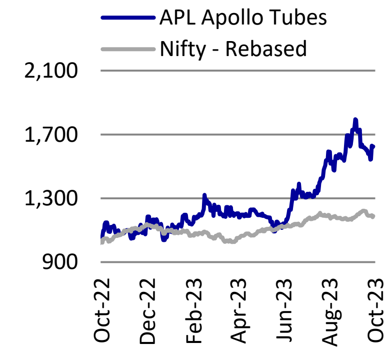
Y/E Mar	2023	2024E	2025E
Sales	161.7	191.5	250.9
EBITDA	10.2	14.5	21.0
PAT	6.4	9.3	14.4
EBITDA (%)	6.3	7.6	8.4
EPS (INR)	23.1	33.4	51.7
EPS Gr. (%)	15.2	44.5	54.7
BV/Sh. (INR)	108.4	136.8	182.5
Ratios			
Net D/E	0.2	0.0	-0.3
RoE (%)	24.4	27.3	32.4
RoCE (%)	20.6	24.0	30.2
Payout (%)	15.1	15.0	11.6
Valuations			
P/E (x)	70.6	48.9	31.6
EV/EBITDA (x)	44.9	31.4	21.0
Div Yield (%)	0.2	0.3	0.4
FCF Yield (%)	-0.1	1.4	3.2

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	30.6	31.2	34.5
DII	12.7	11.1	11.2
FII	25.1	25.7	24.6
Others	31.6	32.1	29.7

FII Includes depository receipts

Stock Performance (1-year)



- APAT has strategically set up its plant with close proximity (within ~300km radius) to the raw material source. Raipur, being a hub of steel plants, provides the company with easy access to essential raw materials.
- Apart from this new Raipur plant, APAT's other plants are also strategically located, i.e., closer to its raw material source. The Delhi Sikandrabad plant procures raw materials from the Tata Bhushan plant; for the Bangalore plant, it is JSW Bilal plant; for the Murbad plant, it is JSW Dolvi works; for the Hyderabad facility, raw material is either sources from Jamshedpur or Bilal.
- APAT also enjoys favorable geographic positioning in Central India, facilitating easy access across the country. Key aspects of this accessibility include:
- Railway Sidings: The presence of railway sidings within 40kms along the Howrah-Nagpur-Mumbai Main Line enhances logistical efficiency. Additionally, there is an ongoing construction of another siding within 5kms, further enhancing the transportation infrastructure in the area.
- National Highway-30 (NH-30): The company is strategically connected by NH-30, which links Uttarakhand with Vijayawada in Andhra Pradesh. This highway traverses multiple states, including Uttar Pradesh, Madhya Pradesh, Chhattisgarh, and Telangana.
- Chhattisgarh State: Chhattisgarh shares its borders with seven neighboring states, further facilitating access to various regions.

Raipur Plant to manufacture only Value-added Products

- The Raipur plant will manufacture value-added products (VAP), which will be unique for the world and for India such as:
- **World's 1st**: Thicker Color coated products - Superior corrosion resistant, high load bearing with aesthetics thickness 1.60mmto 3 mm; and, Color-coated structural steel tubes - Superior corrosion resistant with aesthetics
- **India's 1st:** 500x500mm dia structural tubes and World's 2nd 1000x1000mm tubes - Replacing RCC structures/columns in heavy construction; Thicker Non Ox Alu-Zinc up to 3.2mm - High tensile light structural application, bendable and superior rust proof properties; and, AluZinc tubes - Superior rust proof properties and better life.
- APAT also introduced super value-added products and initiated the sale of products with higher net sales realizations (NSR) and EBITDA. APAT's focus on super value addition and the utilization of non-conventional sizes has yielded improved NSR and EBITDA figures.
- APAT manufactures diverse products at this plant such as: The High dia high thickness (HHH) tubes sizes ranges from 240x120mm (dia) to 1000x1000mm and its thickness starts from 8.1mm and above. These tubes are used in structural applications; and The Low dia high thickness tubes sizes ranges from 40x40mm (dia) up to 200x200mm and its thickness starts from 5.1mm and above. These tubes are used in agriculture equipment and engineering.
- Raipur unit to house innovative roofing products such as APL Apollo Roof Tuff, APL Apollo Lumetuff, APL Apollo Rashak Sheets. These roofing sheets are engineered to provide robust protection against corrosion, ensuring a longer service life, while also enhancing the visual appeal of roofing structures.

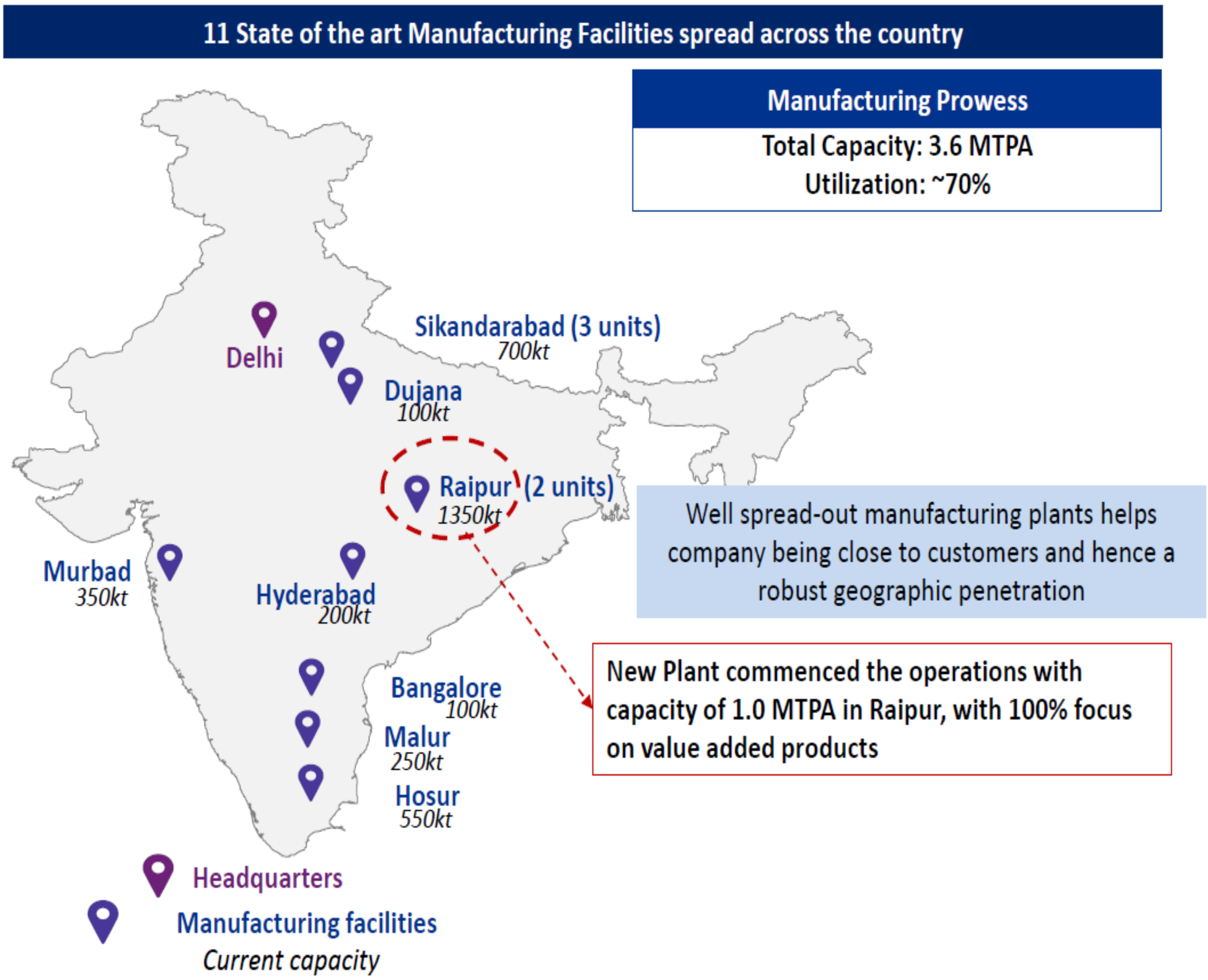
Volumes rampup gaining momentum

- The Raipur plant achieved a quarterly run rate of 75,000 tonnes in 1QFY24. The management aims to increase this figure to 0.18-0.2MTPA by 4QFY24.
- The Raipur plant manufactures these value-added products, which is margin accretive in nature. The EBITDA/MT for these products is expected to be in the range of ~INR6,000-8,000 vs. INR4,500-5,000 for existing company products, thereby driving up the overall margins of APAT.
- The management has indicated to take the total capacity to 10MTPA by 2030 from 5MTPA expected by the end of FY24. Of this, exports volumes will be ~1-2MTPA by 2030.

Valuation and view

- The incremental capacity from upcoming plants and debottlenecking, along with the addition of high-margin products from the Raipur unit, should result in strong volume growth and margin expansion going ahead.
- We project a revenue/EBITDA/PAT CAGR of 25%/43%/50% over FY23–25. We value the stock at 33x Sep'25E EPS to arrive at a TP of INR1,930. We **maintain our BUY rating on the stock**.

Strategically located plant facilities

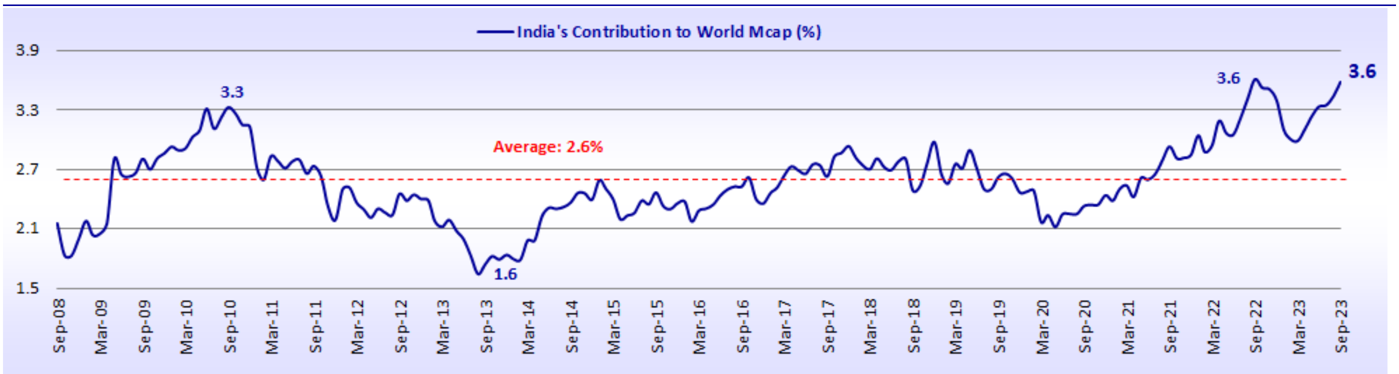


Source: Company, MOFSL

Strategy: Nifty scales a new peak; but not on valuations

- **Nifty scales a record high:** The Nifty-50 reached the milestone of 20k in Sep’23. After a volatile and long journey from 18k to 19k, the Nifty-50 added the next 1,000 points (19k to20k) relatively quickly in only 52 trading days (Jul’23-Sep’23) vs. 425 trading sessions (Oct’21-Jun’23) during its journey from 18k to 19k. Despite the headwinds, however, the Nifty-50 managed to recover from its Jun’22 and Mar’23 lows to reach 20k, mainly fueled by strong FII/DII inflows of USD19b/USD9.3b between Mar’23 and Sep’23.
- **DII flows continue to be strong, FIIs report outflows after six consecutive months of inflows:** DIIs recorded notable inflows of USD2.4b in Sep’23 as well after USD3.0b of inflows in Aug’23. FIIs turned sellers of USD2.3b in Sep’23 after remaining net buyers for six months. FII and DII flows stand at USD14.7b and USD15.7b, respectively, in CY23YTD.
- **All major sectors end higher in Sep’23:** PSU Banks (+18%), Telecom (+9%), Utilities (+7%), Oil & Gas (+6%), and Capital Goods (+6%) were the top gainers. While, Media (-1%) was the only laggard.
- **India among the top-performing markets in Sep’23:** Among the key global markets – the UK (+2%), India (+2%), and Brazil (+1%) ended higher in local currency terms. However, the US (-5%), Korea (-4%), MSCI EM (-3%), Japan (-2%), Russia (-2%), and Taiwan (-2%) ended lower. Over the last 12 months, the MSCI India index (+11%) has outperformed the MSCI EM index (+9%). Over the last 10 years, the former has significantly outperformed the MSCI EM index by 200%.
- **Economy – India’s Quarterly Economic Outlook:** For the past nine months, the fears of slowdown have been totally unfounded. India’s real GDP growth was better than expected (at 6.1% YoY) in 4QFY23 and then improved in line with expectations (at 7.8% YoY) in 1QFY24. Not only India, the US economy too has been much more resilient than our predictions at the beginning of the year. It is then no surprise that we have to revise our growth forecasts upwards yet again in this version of the Quarterly Economic Outlook (QEO).
- **Our view:** The Nifty-50’s rise to a new high was driven by a favorable blend of healthy macro and micro conditions, moderated inflation and falling commodity prices, peaking global interest rates, and six consecutive months of FII inflows with strong retail participation led by an upbeat sentiment. As the benchmark soars to a new high, the Nifty-50 trades at a 12-month forward P/E of 18.6x, at 7% discount to its own long-period average (LPA). Further, it also trades at a 12-month forward P/B of 2.9x, at 8% premium to its LPA. We reckon the upside from here will be a function of stability in global and local macros and continued earnings delivery vs. expectations. Moreover, we note that during the last five General Elections (1999-2019), the Nifty-50 rallied 10-32% six months prior to the announcement of election results. India will be going into General Elections in Mar-May’24. We remain OW on Financials, Consumption, and Automobiles. We are UW on Metals, Energy and Utilities and Neutral on IT, Healthcare and Telecom within our model portfolio.
- **Top ideas:** **Largecaps –** ICICI Bank, ITC, L&T, HCL Tech, Titan, Sun Pharma, Avenue Supermarts, M&M, BOB, and Zomato **Midcaps and Smallcaps –** Indian Hotels, Ashok Leyland, Godrej Properties, APL Apollo Tubes, MMFS, Metro Brands, Kajaria Ceramics, CreditAccess, Angle One, and Lemon Tree Hotel.

Trend in India’s contribution to global M-cap (%) – at an all-time high



Source: MOFSL, Company

Bajaj Finance

BSE SENSEX	S&P CNX
65, 512	19,529

Bloomberg	BAF IN
Equity Shares (m)	604
M.Cap.(INRb)/(USDb)	4827.7 / 58
52-Week Range (INR)	8000 / 5486
1, 6, 12 Rel. Per (%)	8/27/-5
12M Avg Val (INR M)	6960
Free float (%)	44.1

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
Net Income	288	357	439
PPP	187	236	296
PAT	115	145	183
EPS (INR)	190	240	302
EPS Gr. (%)	63	26	26
BV/Sh. (INR)	891	1,094	1,355
Ratios			
NIM (%)	10.6	10.3	10.2
C/I ratio (%)	35.1	33.8	32.6
RoA (%)	4.7	4.6	4.6
RoE (%)	23.7	24.1	24.7
Payout (%)	15.8	15.2	13.8
Valuations			
P/E (x)	41.9	33.3	26.4
P/BV (x)	8.9	7.3	5.9
Div. Yield (%)	0.4	0.5	0.5

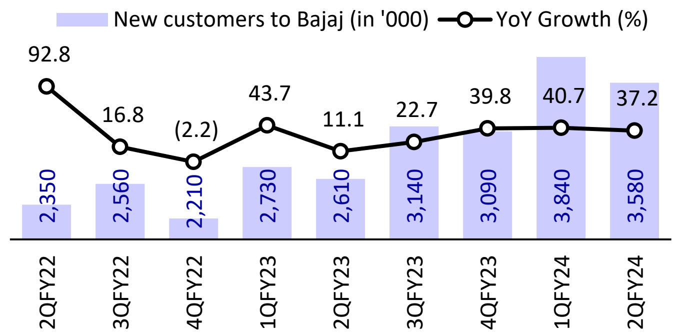
CMP:INR7,969 Buy

Healthy customer acquisitions and strong AUM growth despite seasonality

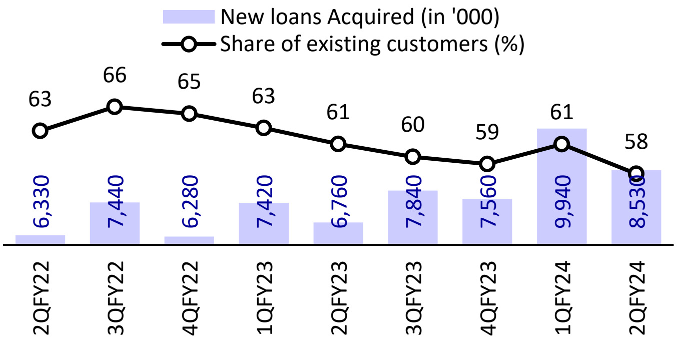
Momentum in new loans was weaker relative to 2Q of prior fiscal years

- New customer acquisitions remained healthy in 2QFY24 as BAF added 3.58m new customers (vs. 2.61m YoY and 3.85m QoQ) to its portfolio. The total customer franchise stood at ~76.6m, up ~22% YoY.
- New loans grew ~26% YoY to 8.53m (vs. 6.8m in 2QFY23).
- AUM growth was ahead of expectations, with reported AUM growing ~33% YoY/~7.4% QoQ to at INR2.9t.
- AUM growth of 33% YoY suggests that disbursements were strong in most product segments, including 2Ws across multiple OEMs.
- Deposit book stood at INR548bn, up 39% YoY/10% QoQ.
- Consolidated liquidity surplus stood at INR114b (vs. INR127b QoQ). Surplus liquidity declined to ~4.0% of AUM (vs. 4.7% QoQ).

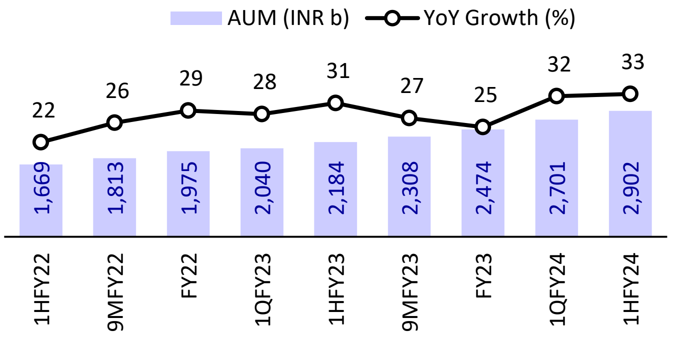
Healthy new customer acquisitions



Share of existing customers suggests that BAF is focusing on new customer acquisitions

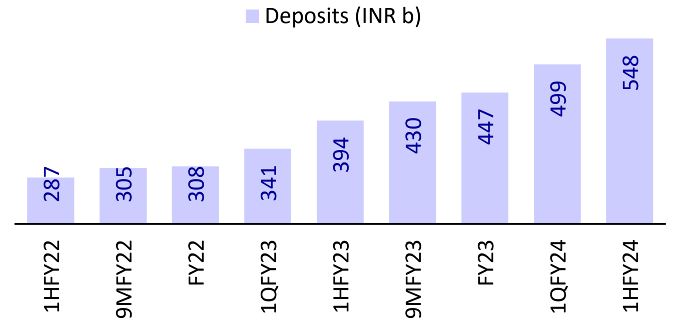


AUM rose 7.4% QoQ and 33% YoY, implying strong disbursements



Source: MOFSL, Company

Deposit book stood at INR548b, up 10% QoQ and 39% YoY



Source: MOFSL, Company

3 October 2023

Update | Sector: Retail

Avenue Supermarts

BSE SENSEX	S&P CNX
65,512	19,529

DMart

Stock Info

Bloomberg	DMART IN
Equity Shares (m)	648
M.Cap.(INRb)/(USDb)	2424.4 / 29.1
52-Week Range (INR)	4602 / 3292
1, 6, 12 Rel. Per (%)	-1/-7/-32
12M Avg Val (INR M)	1333
Free float (%)	25.4

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	428	531	684
EBITDA	36	46	61
Adj. PAT	24	29	38
EBITDA Margin (%)	8	9	9
Adj. EPS (INR)	37	44	59
EPS Gr. (%)	59	21	34
BV/Sh. (INR)	258	304	365
Ratios			
Net D:E	-0.2	-0.2	-0.2
RoE (%)	16.0	16.4	18.4
RoCE (%)	15.7	16.1	18.1
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	101.7	84.2	62.9
EV/EBITDA (x)	66.3	52.4	39.5
EV/Sales (X)	5.6	4.5	3.5
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.2	0.2	0.4

CMP: INR3,726 Buy

Better productivity, store addition boost revenue

Revenue grows 19% YoY (in line)

- DMART's 2QFY24 standalone revenue grew 19% YoY to INR123.1b (est. INR127.7b), driven by 11% store additions and 7% growth in revenue per store to INR1,485m (annualized). On a sequential basis, revenue inched up 6%, mainly led by footprint additions and improved thru-put.
- Revenue per sqft increased by 6% YoY to INR35,869, indicating signs of maturity for larger stores added recently.

Signs of recovery

- Revenue per sqft, which remained subdued in the recent past mainly due to the **addition of larger store sizes** and **weak discretionary spending,** is now seeing a pick-up. It is evident from the reducing gap between the revenue/store growth and revenue/sqft growth in the last three quarters (revenue/sqft improved from INR31,807 in 4QFY23 to INR35,869 in 2QFY24) (See **Exhibit 2**).
- We believe the improvement in revenue per sqft indicates improved contribution from larger stores.
- Industry-wide commentary has indicated a persistent slowdown in the discretionary category in 2QFY24, which may be still hurting the non-food category (25-30% of revenues). However, it is expected to improve in 3QFY24 with the onset of festive demand.

Store addition picks up

- The company added 9 stores in 2QFY24 (vs. 8 stores added in 2QFY23), taking the total count to 336 stores. It added 12 stores in 1HFY24.
- We expect the company to add 40 stores in FY24, with a majority of them being added in 2HFY24, which is in line with its historical trend.

Valuation based on Jun'25E EBITDA

	Methodology	Driver (INR b)	Multiple	Fair Value (INR b)	Value/sh (INR)
EBITDA	June'25 EV/EBITDA	66	43	2,837	4,387
Less Net debt				-21	-33
Total Value				**2,858**	**4,420**
Shares o/s (m)				648	
CMP (INR)					3,726
Upside (%)					**19**

Trajectory in store additions and thru-put

	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Revenue (INR b)	76	91	86	98	104	113	103	116	123
YoY growth	47%	22%	18%	95%	36%	25%	20%	18%	19%
Store count	246	263	284	294	302	306	324	327	336
Store adds	8	17	21	10	8	4	18	3	9
YoY growth	14%	20%	29%	26%	23%	16%	14%	11%	11%
Total Area (m sqft)	9.4	10.3	11.5	12.1	12.4	12.6	13.4	13.5	14.0
YoY growth	18%	26%	41%	38%	31%	22%	17%	12%	13%
Rev/Store (INR m)	1,264	1,425	1,259	1,357	1,394	1,487	1,313	1,424	1,485
YoY growth				59%	10%	4%	4%	5%	7%
Rev/sq ft	33,169	36,738	31,582	33,244	33,909	36,175	31,807	34,452	35,869
YoY growth				47%	2%	-2%	1%	4%	6%

Source: MOFSL, Company

Mahindra Finance

BSE SENSEX	S&P CNX
65,512	19,529

Mahindra FINANCE

Bloomberg	MMFS IN
Equity Shares (m)	1236
M.Cap.(INRb)/(USDb)	371.9 / 4.5
52-Week Range (INR)	347 / 179
1, 6, 12 Rel. Per (%)	0/14/52
12M Avg Val (INR M)	1172
Free float (%)	47.8

Financials Snapshot (INR b)

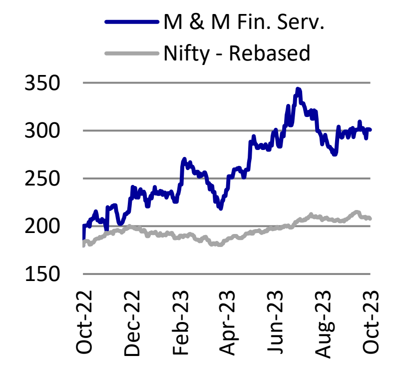
Y/E March	FY23	FY24E	FY25E
NII	64.8	74.8	91.0
PPP	37.5	43.4	56.8
PAT	19.8	21.7	28.7
EPS (INR)	16.1	17.6	23.3
EPS Gr. (%)	101	10	32
BV/Sh.(INR)	133	144	159
Ratios			
NIM (%)	8.3	7.7	7.8
C/I ratio (%)	42.1	41.9	37.6
RoA (%)	2.3	2.1	2.3
RoE (%)	12.6	12.8	15.4
Payout (%)	37.3	37.5	35.0
Valuations			
P/E (x)	18.7	17.1	12.9
P/BV (x)	2.3	2.1	1.9
Div. Yield (%)	2.0	2.2	2.7

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	52.2	52.2	52.2
DII	27.0	25.2	18.0
FII	14.1	15.0	17.8
Others	6.8	7.7	12.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR301 — Buy

Stable disbursements and no significant impact on asset quality amid uneven monsoons

Key takeaways from Sep'23 business update:

- MMFS (Mahindra Finance) reported Sep'23 disbursements of ~INR45b, up 11% YoY and 2% MoM. YTD disbursements stood at INR255b, up ~20% YoY.
- As of Sep'23, gross business assets stood at ~INR936b, up 27% YoY and a growth of ~13% over Mar'23. This was aided by pre-festival dealer advances, which have been accounted for in the Business Assets reported by MMFS.
- Sep'23 collection efficiency stood at 97% (vs. 96% in Aug'23 and 98% in Sep'22).
- Asset quality improved QoQ with GS3/GS2 at 4.4%/5.8% in Sep'23 and the 30+dpd declined ~50bp QoQ to 10.2%. The uneven monsoons did not have any significant impact either on growth or asset quality.
- As of Sep'23, MMFS maintained a robust liquidity position, equivalent to ~2.5 months of funding requirements.

Trends in disbursements, collection efficiency, and asset quality

MMFS	2QFY23			3QFY23			4QFY23			1QFY24			2QFY24		
	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-22	Sep-23
Disbursements (INR b)	39.1	37.4	40.8	52.5	45.0	46.5	40.0	41.9	56.0	37.8	41.5	42.5	44.0	44.0	45.0
Growth - YoY (%)	63%	74%	115%	98%	80%	69%	72%	53%	46%	37%	40%	13%	12%	18%	10%
Business Assets (INR b)	688.7	707.4	738.2		763.0	773.4	781.2	820.2	827.7	839.0	855.0	866.0	881.0	905.0	936.0
Growth - YoY (%)			16%			21%			27%			28%	28%	28%	27%
Collection Efficiency [Monthly]	97%	96%	98%	91%	96%	98%	95%	97%	105%	92%	96%	96%	96%	96%	97%
Collection Efficiency [Quarterly]	97%			95%			99%			94%			96%		
Stage 2			9.7%		< 9%	8.4%	< 8.5%		6.0%			6.4%			5.8%
Stage 3			6.7%	7.0%	< 7%	5.9%	5.9%		4.5%			4.3%			4.4%
Stage 2 + Stage 3 [30+dpd]			**16.4%**		**< 16%**	**14.3%**			**10.4%**			**10.7%**			**10.2%**
Write-offs (INR b)	5.5			4.9			6.0			3.3			NA		

MMFS	2QFY23			3QFY23			4QFY23			1QFY24			2QFY24		
	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-22	Sep-22
Commentary on Asset Quality															
Stage 2	Sequential Reduction	Sequential Reduction	~170bp QoQ decline to 10%		Sequential reduction v/s Oct'22	Sequential reduction v/s Nov'22	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%
Stage 3/NPA contracts	Stabilized	Stablized	~100bp QoQ decline to 7%	Stable MoM	Stable MoM	Sequential reduction v/s Nov'22	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
Excess IRAC GNPA (INR b)				9.0	12.0	13.0	13.0	12.5	12.0						

SIS

BSE SENSEX	S&P CNX
65,512	19,529

A Market Leader in Security, Cash Logistics & Facility Management
Group Enterprises

Bloomberg	SECIS IN
Equity Shares (m)	147
M.Cap.(INRb)/(USDb)	65.2 / 0.8
52-Week Range (INR)	483 / 318
1, 6, 12 Rel. Per (%)	-4/19/-9
12M Avg Val (INR M)	38
Free float (%)	28.4

Financials & Valuations (INR b)

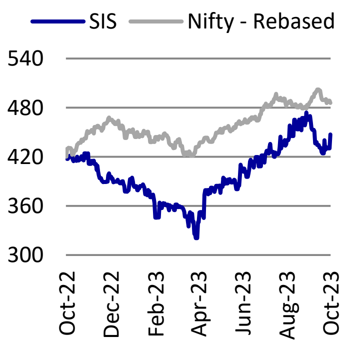
Y/E Mar	2023	2024E	2025E
Sales	113.5	127.6	147.7
EBITDA margin	4.9	6.1	7.8
Adj. PAT	3.5	3.9	5.3
EPS (INR)	23.2	26.0	35.1
EPS Gr. (%)	19.7	12.0	35.0
BV/Sh. (INR)	341.3	397.9	475.3
Ratios			
RoE (%)	15.7	15.3	17.7
RoCE (%)	13.1	11.7	13.9
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	19.3	17.2	12.7
P/BV (x)	1.3	1.1	0.9
EV/EBITDA (x)	15.2	11.9	9.0
EV/Sales (x)	0.7	0.6	0.5

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	71.6	71.6	71.6
DII	4.0	4.1	4.0
FII	15.2	15.0	16.0
Others	9.2	9.4	8.5

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR448 TP: INR520 (+16%) Buy

Strong growth and recovery in margin to drive earnings

At its Investor Day 2023, the management of SECIS remained bullish on the company's business outlook given strong growth opportunities ahead. It believes that this is a 'Golden era' for this business in India owing to large infra spending and wage revisions. The management was confident about reverting to pre-Covid level margins in the near term and suggested that in the long term, margins will be driven by automation and tech-based solutions.

Growth to remain strong; multiple opportunities ahead

- SECIS management believes that India is in the best phase for the company's business to grow, aided by the government's thrust for strong infra capex and a massive wage correction wave over the next few years. These factors will ensure growth in both volume and pricing.
- Key growth drivers for SECIS include growth in minimum wage, rapid urbanization, increased cross-selling, and opportunities in new sectors.
- The management sees strong opportunities in sectors like data centers and residential & commercial real estate.

Strong outlook across businesses

- **Security solutions India** – Strong growth is expected to continue in this vertical, driven by an enhanced focus on solutions and e-surveillance. SECIS is on track to become the largest e-surveillance company in India with an order book of over 22k sites. The management sees a lot of opportunity in the B2C space. The current run rate for the Vprotect business is ~INR1.5b, which can scale up to INR5b in the near term.
- **Security solutions international –** This vertical will continue to grow in single digits while providing a natural hedge to the India business. Henderson has a clear path to profitability with a more evident turnaround. The contribution of this business to overall revenues will continue to decline to reach sub-30% in coming years.
- **Facility management –** The management sees strong opportunities ahead given a strong infrastructure spending wave. On pure-play basis, SECIS has the largest facility management business in India and is ~30% bigger than G4S. The management is confident of widening the gap with the second largest peer over the next few years. The near-term growth rate would be slower as it will focus on margins.
- **Cash logistics –** The company has successfully moved away from the declining ATM business to a bank outsourcing business. SECIS has the second largest cash management business in India with a strong margin profile of ~15%. The focus remains on route density, reduction in insurance costs and increase in tariffs to enhance profitability.

Longer-term margins will be driven by tech-enabled solutions

- Though SECIS was able to maintain gross margins, EBITA margin saw moderation over last few years due to Covid-related expenses, travel costs and continued investments in business.
- The management is confident about returning to pre-Covid level margins in the near term as these costs are largely behind. There are a lot of opportunities to improve margins on the SG&A front.
- India security margins should come back to around 6% in the near term. Facility management business will take some time to revert to 6% margin due to certain unfavorable contracts undertaken by the company. The management sees international business margins at 4%.
- Cash Logistics (15-20% EBITDA margin business) and Vprotect (20%+ EBITDA margin business) are high-margin businesses that are growing rapidly.
- In the long term, margins will be driven by automation and increasing contribution from high-margin businesses.

Strong M&A engine

- SECIS has a strong M&A engine and proven history of successfully integrating and scaling businesses.
- The management invests only in a business that has IRR of over 20% and only for either market share gain, capability (to fill white gaps), or geo- expansion.
- The management expects to make an announcement of a new acquisition in the coming few months. It is looking for opportunities in the FM space where it can move up the value chain. The acquisition is not expected to be a large one.

Valuation and View

- With the liberalization and formalization of labor markets and laws, SECIS should be among the biggest direct beneficiaries. SECIS has managed to gain market share during the pandemic and the trend is expected to continue.
- We value SECIS using SOTP: 1) DCF for the India security business (INR355), 2) an EV/EBITDA multiple of 8x (INR112) for the international security business (in line with global peers), and 3) DCF for the facility management business (INR117) less net debt (INR67). Consequently, we arrive at our TP of INR520. We reiterate our BUY rating on the stock.
- Our TP implies a target P/E multiple of 13x FY25E EPS. We view this as reasonable, given its strong growth profile and resilience to macroeconomic shocks.

V-Mart Retail

BSE SENSEX	S&P CNX
65,512	19,529

Stock Info

Bloomberg	VMART IN
Equity Shares (m)	20
M.Cap.(INRb)/(USDb)	39.4 / 0.5
52-Week Range (INR)	3175 / 1948
1, 6, 12 Rel. Per (%)	-12/-21/-45
12M Avg Val (INR M)	99
Free float (%)	55.7

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	24.6	29.0	34.6
EBITDA	2.7	2.2	4.0
Adj. PAT	-0.1	-0.6	0.7
EBITDA Margin (%)	10.9	7.8	11.7
Adj. EPS (INR)	-4.3	-33.1	38.1
EPS Gr. (%)	NM	662.5	-215.3
BV/Sh. (INR)	469.1	436.1	474.2
Ratios			
Net D:E	1.5	1.6	1.5
RoE (%)	NM	NM	8.4
RoCE (%)	3.2	1.6	8.0
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	NM	60.1
EV/EBITDA (x)	20.3	24.2	13.4
EV/Sales (X)	1.7	1.5	1.2
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-1.8	1.8	3.4

CMP: INR1,994 — Buy

Low productivity in core businesses dents revenue

Revenue up 8% YoY (6% miss)

- VMART's consolidated revenue in 2QFY24 grew 8.5% YoY to INR5.5b (est. INR5.9b), mainly driven by footprint addition.
- The quarter included revenue from Limeroad to the tune of ~INR220m (+26% QoQ). Adjusted for this, VMART's revenue (including Unlimited stores) was up ~4% YoY, while revenue per sqft declined 3% YoY to INR1,385 during the quarter.
- Considering 83 stores for Unlimited with revenue throughput of ~INR1,250/sqft (quarterly), revenue for Unlimited stood at ~INR1b (calculated).
- Adjusting for Unlimited stores, VMART's revenue grew 7% YoY, while revenue per sqft declined 6% YoY to ~INR1,380.
- The company opened 8 new stores (6 under V-Mart and 2 under Unlimited) and closed 2 store in 2QFY24, taking the total store count to 437 (est. 437).

Management commentary

- Due to the shift in the Hindu calendar, the festive sales period (Durga Puja, Dusshehra) has moved from 2QFY24 to 3QFY24.
- The newly established warehouse facility has been operationalized, which will help to improve back-end logistics, going forward.
- Accelerated liquidation of FY23 inventory (acquired at the time of peak raw material prices) through extended end-of-season sales improved overall inventory health.

Valuation based on FY25E EBITDA

	Methodology	Driver (INR m)	Multiple	Fair Value (INRm)	Value/sh (INR)
EBITDA	FY25 EV/EBITDA	4,044	12	49,739	2,748
Less Net debt				7,423	410
Total Value				**42,316**	**2,340**
Shares o/s (m)				18.1	
CMP (INR)					1,994
Upside (%)					**18**

Source: MOFSL, Company

Financial performance for 2QFY24

V-Mart (INR m)	2QFY23	1QFY24	2QFY24	YoY%	QoQ%	1QFY24E	v/s est (%)
Revenue	5,062	6,785	5,490	8.5	-19.1	5,897	-6.9
Total stores	405	431	437	7.9	1.4	445	-1.7
Revenue per store	12.7	15.9	15.9	24.9	0.0		
Total Area (mn Sqft)	3.5	3.8	3.8	6.3	0.0		
Revenue per sq ft	1,433	1,808	1,808	26.2	0.0		
Adj. revenue*	5,062	6,611	5,270	4.1	-20.3		
Adj. revenue per sq ft*	1,433	1,761	1,385	-3.3	-21.4		

* Adj for Limeroad revenue

Source: MOSL, Company

3 October 2023

Update | Sector: Financials - Bank

CSB Bank

BSE SENSEX	S&P CNX
65,512	19,529

CSB Bank

CMP: INR354 Not Rated

Business momentum healthy; CASA ratio moderates

CSBBANK released its quarterly business update highlighting 2QFY24 trends. Below are the key takeaways:

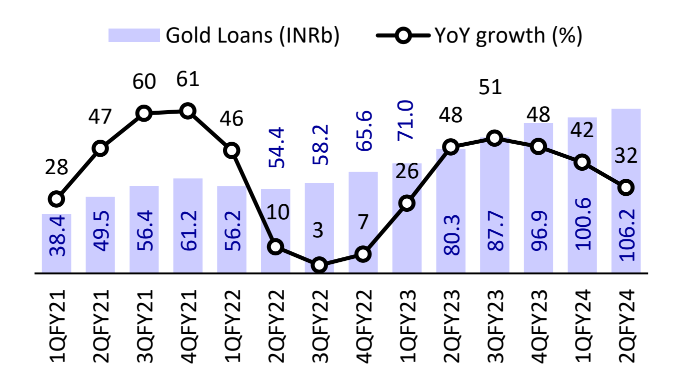
- Gross advances demonstrated robust growth of 27.2% YoY and 5.5% QoQ, reaching INR224.7b. The growth was driven by an increase in Gold loans, which surged 32.3% YoY and 5.5% QoQ. Excluding Gold loans, the growth in gross advances remained strong, standing at 23.0% YoY (5.4% QoQ). The share of Gold loans in the total mix thus improved by 180bp YoY to 47.3%.
- Deposits grew at a healthy 21.2% YoY (up 3.9% QoQ) to INR254.4b within which term deposits grew 30.5% YoY (+6.3 QoQ). Growth in CASA deposits was modest at 3.5% YoY (flat QoQ). Consequently, the CASA ratio moderated by 158bp QoQ to 29.3%.
- Disbursement in the Gold loans portfolio continues to remain strong, which along with healthy growth in other segment drove the overall loan growth. Growth in deposits too was strong with TD deposits witnessing a healthy traction while CASA deposits witnessing sluggish growth leading to a moderation in the CASA ratio.

Key business trends

INR b	2QFY23	1QFY24	2QFY24	YoY	QoQ
Gross advances	176.6	213.1	224.7	27.2%	5.5%
Gold loans	80.3	100.6	106.2	32.3%	5.5%
As a percentage of total loans	45.5%	47.2%	47.3%	180bp	2bp
Gross advances (excluding Gold loans)	96.3	112.4	118.5	23.0%	5.4%
Deposits	209.9	244.8	254.4	21.2%	3.9%
- CASA	71.9	75.5	74.4	3.5%	-1.4%
- Term deposits	137.9	169.3	179.9	30.5%	6.3%
CASA ratio (%)	34.3%	30.8%	29.3%	-501bp	-158bp

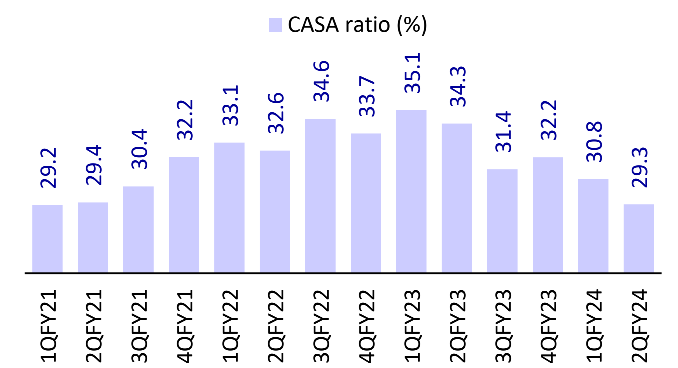
Source: MOSL, Company

The Gold loan portfolio grew ~32% YoY and 6% QoQ



Source: MOSL, Company

CASA ratio moderated by ~158bp QoQ to 29.3%



Source: MOSL, Company

Automobiles

Bajaj Auto

CMP: INR5,016 **TP: INR5,150 (+3%)** **Neutral**

Stock Info

Bloomberg	BJAUT IN
Equity Shares (m)	283
M.Cap.(INRb)/(USDb)	1451.6 / 17.4
52-Week Range (INR)	5275 / 3475
1, 6, 12 Rel. Per (%)	7/13/27

Financials Snapshot (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	364	452	506
EBITDA	65.5	86.6	97.5
EBITDA (%)	18.0	19.1	19.3
Adj. PAT	60.6	77.3	87.1
EPS (INR)	214	273	308
EPS Gr. (%)	16.7	27.5	12.7
BV/Sh. (INR)	899	957	1,023
Ratios			
RoE (%)	23.3	29.4	31.1
RoCE (%)	21.3	27.3	28.3
Payout (%)	70.4	77.5	71.5
Valuation			
P/E (x)	23.6	18.5	16.4
P/BV (x)	5.6	5.3	4.9
Div. Yield (%)	2.8	4.0	4.3
FCF Yield (%)	3.3	4.1	4.7

Volumes flat YoY at 392.6k units (in line)

Export volumes on a slow recovery; Nigeria retails improving

- Sep'23 wholesale volumes remained flat YoY at 392.6k units (est. 380.2k units).
- Domestic volumes were also flat YoY at 253.2k units (est. 239k units).
- Motorcycle volumes declined 6% YoY to 327.7k units (est. 324.1k units). Domestic motorcycle volumes fell 9% YoY to 202.5k units, mainly due to supply chain issues.
- Motorcycle export volumes remained flat YoY at 125.2k units.
- We estimate 9% YoY growth in motorcycle volumes in FY24, implying a monthly run rate of 330.1k units.
- 3W volumes grew 40% YoY to 64.85k units (est. 56k units). Domestic volumes grew 60% YoY to 50.7k units. Exports declined 3% YoY to 14.2k units. We estimate 3W volumes to grow by ~32% YoY in FY24.
- In an interview to CNBC-TV18, Mr. Rakesh Sharma, Executive Director, BJAUT, said, "The export story is one of slow recovery and we were also not expecting a rapid recovery. It is more like limping back to normalcy. 1Q was about 128,000 average per month for us and 2Q is 10% better at 140,000. But even after all that, retails in Nigeria crossed 30,000 units for us last month. So that was good, so some improvement over there. I would say that the Chinese have, in the last few months on the back of very cheap products, which have sort of made a comeback in these difficult times, they have put a constraint on growth in our market share."
- The stock trades at 18.5x/16.4x FY23E/FY24E consolidated EPS. We maintain our **Neutral** rating.

Snapshot of volumes for Sep'23

Company Sales	YoY Sep-23	YoY Sep-22	YoY (%) chg	MoM Aug-23	MoM (%) chg	FY24YTD	FY23YTD	(%) chg	FY24E	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY24 YTD Monthly Run rate
Bajaj Auto	**3,92,558**	**3,94,747**	**-0.6**	**3,41,648**	**14.9**	**20,81,360**	**20,84,658**	**-0.2**	**43,90,407**	**11.8**	**25.3**	**3,84,841**	**3,46,893**
Motorcycles	3,27,712	3,48,355	-5.9	2,85,031	15.0	17,70,913	18,66,192	-5.1	37,51,528	9.0	25.6	3,30,103	2,95,152
Two-Wheelers	3,27,712	3,48,355	-5.9	2,85,031	15.0	17,70,913	18,66,192	-5.1	37,51,528	9.0	25.6	3,30,103	2,95,152
Three-Wheelers	64,846	46,392	39.8	56,617	14.5	3,10,447	2,18,466	42.1	6,38,879	31.7	23.2	54,739	51,741
Domestic	2,53,193	2,54,664	-0.6	2,05,100	23.4	12,79,112	10,47,211	22.1	25,91,065	23.0	23.8	2,18,659	2,13,185
Exports	1,39,365	1,40,083	-0.5	1,36,548	2.1	8,02,248	10,37,447	-22.7	17,99,342	-1.2	27.2	1,66,182	1,33,708

Escorts Kubota

CMP: INR3,125 **TP: INR2,450(-22%)** **Neutral**

Wholesales above est. at 10.9k, down 11% YoY

- ESCORTS posted an 11% YoY decline in tractor dispatches to 10.9k units in Sep'23 (est. 10.2k units).
- It posted an 11% decline in domestic tractor sales to ~10.1k units (est. 9.8k).
- Tractor exports fell 12% YoY to 747 units (est. 425 units).
- Sales of construction equipment grew 52% YoY to 592 units.
- We expect tractor volumes to grow by ~2.5% in FY24, implying a monthly run rate of ~9.5k units or 8.5% residual growth. We estimate 22% growth in construction equipment for FY24, implying a monthly run rate of 448 units or a 2% residual decline.
- The stock trades at 34.5x/29.6x FY24E/FY25E EPS. We maintain our **Neutral** rating.

Stock Info

Bloomberg	ESCORTS IN
Equity Shares (m)	123
M.Cap.(INRb)/(USDb)	345.3 / 4.1
52-Week Range (INR)	3344 / 1808
1, 6, 12 Rel. Per (%)	-1/55/36

Financials Snapshot (INR b)

INR Billion	2023	2024E	2025E
Sales	84.3	94.7	105.2
EBITDA	7.8	13.3	15.3
EBITDA Margin (%)	7.4	12.3	12.8
Adj. PAT	6.8	11.1	12.9
EPS (INR)	51.3	90.5	105.6
EPS Gr. (%)	-22.9	76.4	16.6
BV/Sh. (INR)	620	750	845
Ratios			
RoE (%)	8.6	12.8	13.2
RoCE (%)	11.5	17.3	17.9
Payout (%)	14.5	8.8	9.5
Valuations			
P/E (x)	60.8	34.5	29.6
P/BV (x)	5.0	4.2	3.7
EV/EBITDA (x)	49.6	28.0	23.8
Div. Yield (%)	0.2	0.3	0.3
FCF yield (%)	0.1	3.6	2.9

Management commentary

Tractors: "Postponement of the main festive season 3Q impacted sales for the month. Going forward, with improved rainfall in September, likely good kharif harvest and with overall macroeconomic factors and farmers' sentiments remaining positive, we expect growth momentum to pick up in the festive months of October & November and possibly continue for the remaining part of the current fiscal."

Outlook for the Construction Equipment segment: "Construction equipment industry growth momentum continued in the month of September and going forward, we expect growth to accelerate further, during festive season, led by overall growth in infrastructure development of our nation, supported by higher CAPEX outlay."

Snapshot of volumes for Sep-23

	YoY			MoM							Residual	Residual	FY24 YTD
Company Sales	Sep-23	Sep-22	YoY (%) chg	Aug-23	MoM (%) chg	FY24YTD	FY23YTD	(%) chg	FY24E	Gr. (%)	Growth (%)	Monthly Run rate	Monthly Run rate
Escorts Kubota	**10,861**	**12,232**	**-11.2**	**5,593**	**94.2**	**48,606**	**50,500**	**-3.8**	**1,05,872**	**2.5**	**8.5**	**9,544**	**8,101**
Domestic	10,114	11,384	-11.2	5,198	94.6	45,699	46,004	-0.7	99,437	4.4	9.1	8,956	7,617
Exports	747	848	-11.9	395	89.1	2,907	4,496	-35	6,435	-20	0.0	588	485
Construction Equipment	592	390	51.8	520	13.8	2,950	1,883	57	5,636	22	-1.8	448	492

ASHOK LEYLAND

Ashok Leyland

CMP: INR178 **TP: INR210 (+18%)** **Buy**

Stock Info	
Bloomberg	AL IN
Equity Shares (m)	2936
M.Cap.(INRb)/(USDb)	521.5 / 6.3
52-Week Range (INR)	192 / 133
1, 6, 12 Rel. Per (%)	-4/14/3

Financials Snapshot (INR b)

Y/E March	2023	2024E	2025E
Sales	361.4	416.6	463.3
EBITDA	29.3	49.6	55.3
EBITDA (%)	8.1	11.9	11.9
Adj. PAT	13.2	28.3	35.2
Adj. EPS (INR)	4.5	9.6	12.0
EPS Gr. (%)	7,586.2	113.3	24.7
BV/Sh. (INR)	28.7	36.3	46.3
Ratios			
Net D:E (x)	0.0	-0.1	-0.2
RoE (%)	16.8	29.6	29.0
ROCE (%)	13.1	23.4	24.7
Payout (%)	57.6	20.8	16.7
Valuations			
P/E (x)	39.2	18.4	14.7
P/BV (x)	6.2	4.9	3.8
EV/EBITDA (x)	17.7	10.3	8.8
Div. Yield (%)	1.5	1.1	1.1
FCF Yield (%)	3.2	4.0	7.1

Wholesales up 9% YoY at 19.2k units (in line)

M&HCV sales grew 13% YoY and LCV sales grew 3% YoY

- Wholesale volumes grew 9% YoY to 19.2k units (inline) in Sep'23.
- M&HCV volumes increased by 13% YoY to 12.75k units (est. 12.2k units), lower than 30% volume growth in TTMT.
- LCV volumes grew 3% YoY to 6.45k units (est. 6.2k units).
- We expect MHCV volumes to grow by ~11% in FY24, implying a monthly run rate of ~13.25k units or 11.5% residual growth. LCV volumes are expected to grow 6% YoY, implying a monthly run rate of 6.6k units or 9% residual growth.
- The stock trades at 8.8x FY25E EV/EBITDA and 3.8x FY25E P/BV. Maintain **Buy**.

Snapshot of volumes for Sep'23

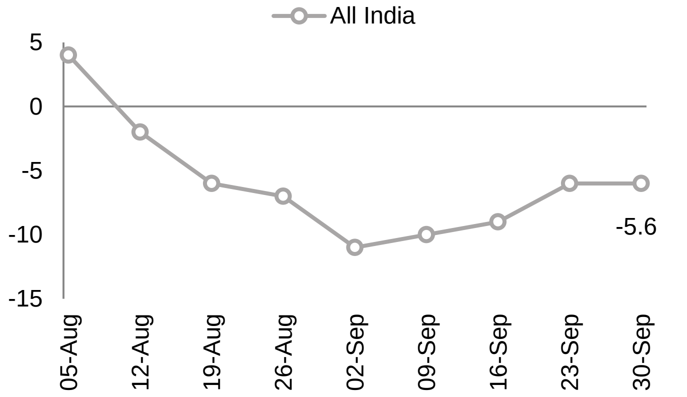
	YoY			MoM									
Company Sales	Sep-23	Sep-22	YoY (%) chg	Aug-23	MoM (%) chg	FY24YTD	FY23YTD	(%) chg	FY24E	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY24 YTD Monthly Run rate
Ashok Leyland	**19,202**	**17,549**	**9.4**	**15,576**	**23.3**	**91,175**	**84,946**	**7.3**	**2,10,018**	**9.3**	**10.8**	**19,807**	**15,196**
M&HCV	12,752	11,314	12.7	9,763	30.6	58,251	52,828	10.3	1,37,747	11.0	11.5	13,249	9,709
LCV	6,450	6,235	3.4	5,813	11.0	32,924	32,118	3	72,271	6.1	9.4	6,558	5,487

Monsoon Diary: Southwest Monsoon ends with 5.6% deficit

Kharif sowing at 0.2% higher than last year

- All India cumulative rainfall deficit until 30th Sep'23 stands at 5.6% below normal, similar to the last week, with two out of the four regions receiving above normal rainfall. While northwestern India (0.9% above normal) and central India (0.4% above normal) have received above normal rainfall, South Peninsula (8% below normal), and eastern and northeastern regions (18% below normal) have received below normal rainfall *(refer to Exhibits 1 and 2).*
- In Sep'23, the overall rainfall deficiency reduced significantly due to surplus rainfall received during the month. Rainfall in Sep'23 stood at 13% above normal. This turnaround in the monsoon pattern came after the driest August in 122 years, providing relief from inflationary pressures in the food sector. However, concerns about El Nino persist *(refer to Exhibit 3).* Monthly rainfall over the country as a whole was 91% of LPA in June, 113% of LPA in July, 64% of LPA in August, and 113% of LPA in September.
- Out of the total 36 meteorological subdivisions in the country, 3 subdivisions, constituting 9% of the total area, received excess rainfall. Additionally, 26 subdivisions, covering 73% of the total area, received normal rainfall, and 7 subdivisions, constituting 18% of the total area, received deficient seasonal rainfall.
- Kharif sowing as of 29th Sep'23 stands at 0.2% higher than last year. The area under paddy cultivation is now 1.9% higher than last year. However, the area under pulses is still 4.2% lower than last year (which is better than -4.6% YoY last week). Production of jute, cotton, and oilseeds has also decreased. Coarse cereals (1.8% YoY) and sugarcane (7.6 % YoY) continue to do well *(refer to Exhibit 4).*
- Normal rainfall in Madhya Pradesh has led to an improvement in sowing of pulses (-4.2% as of 29 Sep'23 vs. -4.6% last week). However, deficient monsoon in states (with 42% share) such as Maharashtra (3% below normal), Uttar Pradesh (17% below normal), Karnataka (18% below normal), Andhra Pradesh (7% below normal), and Jharkhand (26% below normal) is a cause of concern. Reduced irrigation coverage in all the major states would have a more significant impact on pulse production. Inflation in pulses has nearly doubled in the past five months *(refer to Exhibit 6).*
- Insufficient rainfall, leading to reduced cultivation of rice and pulses, has led to a rise in prices. Rice accounts for around 4.4% of the overall CPI basket, while pulses contribute 6%.
- As of 29th Sep'23, water reservoir levels stood at ~73% of the live storage capacity, which is lower than the previous five years' average of 84%. Deficient rainfall would have an impact on the groundwater and reservoir levels that would adversely impact rabi sowing *(refer to Exhibits 7 and 8).*
- As per IMD, most parts of India are likely to receive below-normal rainfall in Oct'23. However, several regions in south peninsular India, the northeast, and a few areas in the northernmost region of the country are likely to experience above normal rainfall. Monthly rainfall over the country as a whole in Oct'23 is most likely to be normal (85-115 % of Long Period Average (LPA)).

Exhibit 1: All India cumulative rainfall at 5.6% deficit as of 30th Sep'23



Data around 30th September for all years

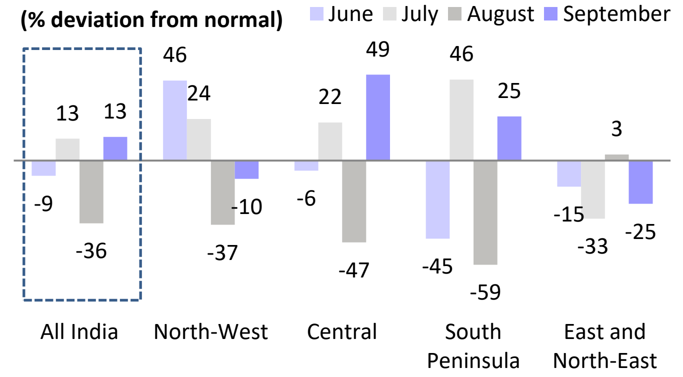
Exhibit 2: Two out of the four regions have received normal rainfall as of 30 Sep'23

Cumulative rainfall (% deviation from normal)	All India	North-West	Central	South Peninsula	East and North-East
13-Aug	-3	13	1	-9	-18
20-Aug	-7	6	-2	-13	-20
27-Aug	-8	7	-6	-16	-16
03-Sep	-11	0	-12	-14	-18
10-Sep	-10	-2	-9	-10	-19
17-Sep	-8	1	-4	-10	-21
24-Sep	-6	2	0	-9	-17
30-Sep	**-5.6**	**0.9**	**0.4**	**-8**	**-18**

Data around 30th Sep for all years

Source: IMD, CEIC, MOFSL

Exhibit 3: The month of September has received 13% above normal rainfall



The southwest monsoon season begins in June

Exhibit 4: Kharif sowing 0.2% higher than last year, led by improvement in rice sowing

Kharif Sowing	(% YoY)				
	01-Sep	08-Sep	15-Sep	22-Sep	29-Sep
Rice	3.7	2.7	2.7	2.7	1.9
Coarse cereals	1.1	0.5	0.9	1.3	1.8
Pulses	-8.5	-8.6	-5.2	-4.6	-4.2
Oilseeds	-0.9	-0.9	-1.1	-1.6	-1.6
Sugarcane	7.7	7.7	7.7	7.6	7.6
Jute	-5.7	-5.7	-5.7	-5.6	-5.6
Cotton	-2.1	-1.5	-3.2	-3.3	-3.0
Grand Total	**0.4**	**0.0**	**0.3**	**0.3**	**0.2**

Data as of 29th September for both years Source: Ministry of agriculture and farmers' welfare, CEIC, MOFSL

Exhibit 5: Deficient rainfall in major rice-producing states is adversely impacting sowing

States	% share in rice production	Area under irrigation (%)	% deviation from normal rainfall	
	2020	2017	2022	2023
West Bengal	**13.4**	**51.1**	**71**	**-11**
Uttar Pradesh	**13.1**	**86.2**	**-32**	**-17**
Punjab	9.9	99.7	-100	-5
Andhra Pradesh	7.3	96.7	-6	-7
Odisha	**7.0**	**30.9**	**86**	**-3**
Telangana	6.3	98.5	-61	15
Tamil Nadu	6.0	91.6	-75	8
Chhattisgarh	**5.7**	**36.3**	**-9**	**-6**
Bihar	**5.3**	**64.6**	**92**	**-23**
Assam	4.2	15.1	23	-20
Haryana	4.1	99.9	-100	-1
Madhya Pradesh	4.0	39.4	-19	0

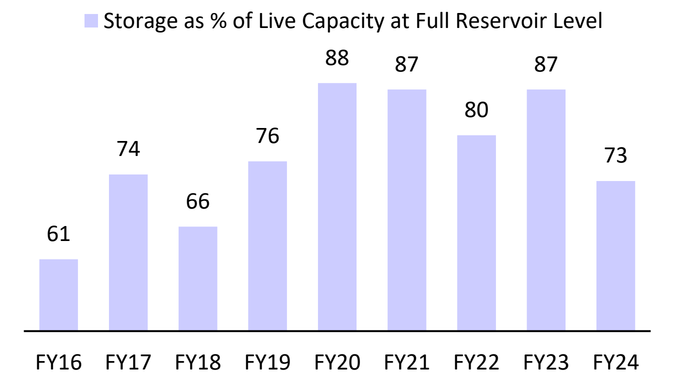
Data as of 30th September for both years Source: Ministry of agriculture and farmers' welfare, CEIC, MOFSL

Exhibit 6: Deficient rainfall in major pulses-producing states is adversely impacting sowing

States	% share in rice production	Area under irrigation (%)	% deviation from normal rainfall	
	2022	2020	2022	2023
Madhya Pradesh	**21.8**	**43.8**	**-19**	**0**
Maharashtra	**18.8**	**12.5**	**-70**	**-3**
Rajasthan	14.5	22.2	-91	15
Gujarat	9.7	41.1	-80	18
Uttar Pradesh	**9.3**	**33.8**	**-32**	**-17**
Karnataka	7.1	10.8	-6	-18
Andhra Pradesh	3.9	2.5	-6	-7
Jharkhand	**3.2**	**11.8**	**106**	**-26**

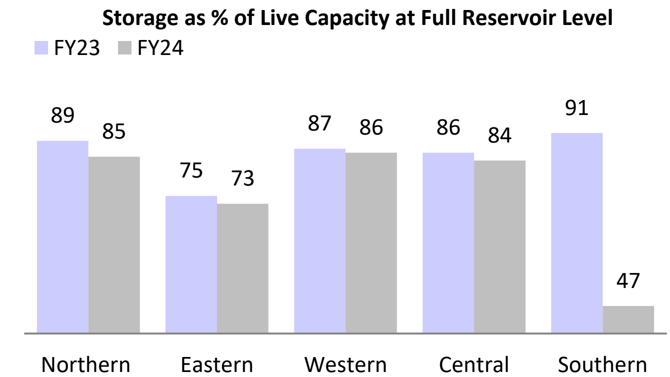
Data as of 30th September for both years; Source: Ministry of agriculture and farmers' welfare, CEIC, MOFSL

Exhibit 7: Water reservoir levels at 73% of live storage capacity as of 29th Sep'23…



Data around 30th September for all years

Exhibit 8: …mainly due to higher storage in the northern region



Source: CEIC, MOFSL

Vedanta: The group's parent is on course to meet its debt obligations in 2024; Anil Agarwal, Chairman

- Have seen a strong response for steel and iron biz which will help reduce debt
- Iron and steel biz sale can be completed by March'24
- Have $1 Bn payment due in Jan & another $500-600 M in mid-2024
- All finances are lined-up for the payments of dues

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JSW Group: Have 2-3 companies in pipeline which we would like to list; Sajjan Jindal, Chairman

- India is a growing economy and infrastructure is critical
- Will need investment in infrastructure to take India to $10 Tn. economy vision
- India has to bring down logistics cost which can be done via better infrastructure
- Have 2-3 companies in pipeline which we would like to list
- JSW Cement, JSW Paints are at incubation stage

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- Industry is looking at 40 lakhs sales this year
- Festive sales expected to cross 1 million mark for PV industry
- Oman sales saw an uptick of 24%
- Inventory seen at 5 year high
- Expecting PV industry demand to be in double digits

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- Exports continue to see a slow recovery
- Q2 is 10% better than Q1, w.r.t. recovery in exports
- See MoM improvement in market share
- We have grown 3x the rate of industry
- Nigeria biz has contributed largely to exports

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JSW Infra: Post IPO, the company is net debt-free. Q1FY24 volumes were at 25.42 million tonnes; Arun Maheshwari, CEO

- Post IPO, the company is net debt free
- Third party volume has grown over 3x in the last 5 years
- 1QFY24 volumes were at 25.42 million tonnes
- Future volume growth will depend on the terminal bids
- Would like to maintain 20% volume growth going forward

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BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
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