

India Morning Roundup

September 7, 2023

Contents

- **KEI Industries (KEII)- Not Rated- NBIE Conference Update- Capacity expansion to drive future growth:**

Key Points

- We hosted Mr Anil Gupta – Chairman & MD and Mr Rajeev Gupta – Executive Director & CFO. They highlighted the strong growth opportunity in the W&C business due to elevated government & private capex as well as strong renewables & infrastructure led export demand for Cables.
- Management highlighted that in the past 15 years, KEI grew at a CAGR of 14% and in the next 10 years it is expected to clock a CAGR of ~16-17%.
- KEI is currently a debt-free company and going forward internal cash accruals will be utilized for capex as well as working capital requirements.

- **RBL Bank (RBK)- BUY- NBIE Conference Update- Improving share of Retail asset/liability mix a key focus area:**

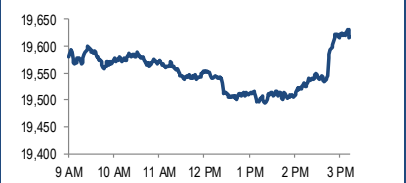
Key Points

- We hosted the top management of RBL Bank Ltd, represented by its MD & CEO, Mr. Subramaniakumar R. and ED, Mr. Rajeev Ahuja, in order to gain an insight into its current business outlook. The bank-maintained loan growth guidance of 20% for FY24, which will be driven by continued growth of 20-25% in Credit Card & MFI segments and faster growth in seven new retail secured asset verticals it has added in the past few quarters. The share of Wholesale book is expected to decline from 44% at present to 30-35% by FY26-end. According to management, all new businesses are expected to achieve breakeven and be RoA positive by FY25-end.
- NIM is expected to be maintained at 5% in FY24 and improve to 5%+ thereafter due to improving business mix. On the deposit side, a major part of re-pricing has been done till 1QFY24 and considering that 45% of the portfolio is on fixed rates, it should help protect NIM.
- Due to the uneven nature of monsoon, there are no signs of stress visible yet in the MFI segment. In Credit Cards, the share of revolver credit, which had declined to 21% during COVID-19, is back to 23% at present.
- Overall, we believe that RBL Bank is on an improving earnings growth trajectory, driven by healthy growth, margin expansion and stable asset quality. We expect the bank to achieve RoA/RoE of 1.2%/10.9% by FY25-end. We maintain BUY with a target price (TP) of Rs270 (1x June' 2025E ABV).

- **Corporate/Global/Local News**

- **Valuation Of Companies In Our Coverage Universe**

Local Indices				
(Chg %)	Close	Daily	YTD	
BSE Sensex	65,881	0.2	8.3	
NSE Nifty	19,611	0.2	8.3	
Sectoral Indices				
(Chg %)	Close	Daily	YTD	
CNX Mid-Cap	40,284	0.1	27.8	
CNX Bank Nifty Index	44,409	(0.3)	3.3	
CNX Metal Index	6,984	(0.8)	3.9	
CNX FMCG Index	52,065	1.0	17.9	
CNX Infrastructure Index	6,108	0.3	16.3	
CNX Auto Index	15,921	(0.1)	26.2	
CNX Pharma Index	15,355	0.9	21.9	
CNX Energy Index	26,820	0.3	3.7	
CNX IT Index	32,312	(0.2)	12.9	
World Indices				
Dow Jones	34,443	(0.6)	3.9	
S & P 500	4,465	(0.7)	16.3	
FTSE 100	7,426	(0.2)	(0.3)	
Nasdaq	13,872	(1.1)	32.5	
Hang Seng	18,450	(0.0)	(6.7)	
Shanghai Comp	3,158	0.1	2.2	
Net Investment				
	7-Sep	1M	3M	
FII (US\$m)	(287.1)	8.0	(62.1)	
MFI (US\$m)	115.6	222.6	38.2	
DII turnover (Rsmn)	1,077.9	366.6	(489.0)	
Volume				
	7-Sep	US\$bn	Chg%	
Cash (NSE + BSE)	6.3	6.3	(7.0)	
F&O (net)	12.4	12.4	3.2	
Forex/Money Markets				
	7-Sep	1 D	1 M	3M
Rs/US\$	83.1	83.0	82.7	82.6
Rs/EUR	89.2	89.2	90.7	88.3
Rs/GBP	104.4	104.2	105.3	102.5
10 yr G-Sec	7.2	7.2	7.2	7.0
Call Money	6.4	6.5	6.2	6.4
Commodities & others				
	7-Sep	1 D	1 M	3 M
Gold (US\$/ounce)	1,917	1,920	1,934	1,942
Brent Crude (US\$)	91	91	85	76
Aluminium (US\$)	2,194	2,193	2,233	2,210
Copper (US\$/mt)	8,372	8,487	8,573	8,339



Please refer to the disclaimer towards the end of the document.

Corporate News

- **Lupin** has forged a unique collaboration with Mark Cuban Cost Plus Drug Company, a pioneer in affordable medicines, and the COPD Foundation, dedicated to enhancing the lives of COPD patients.
- **Mastek** has partnered with Restek Corporation, a leading player in the analytical industry. The partnership signifies a milestone as Restek transforms its global online experience through a modernized e-commerce and content delivery platform.
- **Tata Consultancy Services** has entered into a strategic partnership with the Digital unit of JLR to transform, simplify, and help manage its Digital estate.
- **Tata Motors** has supplied 400 state-of-the-art Starbus EV buses to the Delhi Transport Corporation, via its subsidiary TML CV Mobility Solutions, as a part of its larger order from DTC to supply, maintain and operate 1,500 low-floor, air-conditioned electric buses for a period 12-years.
- **Adani Total Gas** has received work order from Ahmedabad Municipal Corporation for 'Design, Build, Finance and Operate a 500 Tonnes Per Day Capacity Bio-CNG Plant on PPP Model' at Pirana / Gyaspur, Ahmedabad for a concession period of 20 years.
- **DIC India** has planned to close the manufacturing plant of the Company located at Transport Depot Road, Kolkata.
- **HCL Technologies** has been selected by Elders, a leading Australian agribusiness, to accelerate digital transformation across Elders' business operations.
- **Dharmaj Crop Guard** has launched three new products in the domestic market. It is engaged in the business of manufacturing, distributing, and marketing a wide range of agrochemical formulations.
- **Tech Mahindra** has launched 'Ops amplifAler' solution to amplify the productivity of support engineers by providing a single pane integrated view with all the contextual information and tools to resolve issues.
- **Tata Steel** and global technology leader ABB have signed a MoU and will work together to co-create innovative models and technologies to help reduce the carbon footprint of steel production.

Global/Local News

- Biocon Biologics (BBL) has completed the integration of the acquired biosimilars business from Viartis in North America (United States and Canada) effective September 1, 2023.
- Improved domestic demand, driven by the construction sector and infra projects, and a rise in raw material prices, primarily coal, saw India's steel majors increase prices by 2–8 per cent across categories like hot-rolled coils and rebars (used mostly in construction sector), and even cold rolled coils.
- Drugmaker Ind-Swift Laboratories' board has approved the sale of its active pharmaceutical ingredients and contract research and manufacturing services to Synthimed Labs Private Ltd for Rs16.5bn.
- Flipkart, an e-commerce marketplace, has forayed into the immersive shopping experience domain with Virtual Worlds to enhance customer experience and engagement.
- PepsiCo India will invest Rs7.78bn to set up a greenfield foods manufacturing facility in Assam.

KEI Industries (KEII)

Consumer Electricals | NBIE Conference Update

Not Rated

CMP: Rs2,627 | Target Price (TP): NA | Downside: NA

September 06, 2023

Capacity expansion to drive future growth

Key Points

- We hosted Mr Anil Gupta – Chairman & MD and Mr Rajeev Gupta – Executive Director & CFO. They highlighted the strong growth opportunity in the W&C business due to elevated government & private capex as well as strong renewables & infrastructure led export demand for Cables.
- Management highlighted that in the past 15 years, KEI grew at a CAGR of 14% and in the next 10 years it is expected to clock a CAGR of ~16-17%.
- KEI is currently a debt-free company and going forward internal cash accruals will be utilized for capex as well as working capital requirements.

Strong tailwind in C&W a positive: Management stated that strong demand for the expansion of power transmission network along with modernization of existing transmission network, growing installed RE capacities and infra developments are expected to boost demand for Cables (on both domestic as well as export fronts) while continued uptick in the residential real estate segment is expected to boost demand for Wires in the domestic market.

Greenfield capex to increase future capacities: KEI will invest ~Rs10bn to build manufacturing facility for LT, HT and EHV cables in Gujarat over the next 3-4 years. In FY24, the company has planned ~Rs2.5-3bn capex for the greenfield expansion of C&W in Gujarat and commercial production is expected to commence in 4QFY25. KEI is also incurring a brownfield capex of ~Rs450mn in FY24 at Silvassa (which will generate additional revenue of Rs5bn in LT Power Cables) and a brownfield capex of ~Rs1-1.1bn in Bhiwadi.

Strong export demand is favourable for margins: Export revenue for FY23 stood at ~10% of overall topline (US – major contributor followed by Middle East, Europe and Africa) and is mainly driven by Oil & Gas, Infra and RE. The company is also seeing benefits of 'China +1' strategy in terms of new enquiries from international geographies who were earlier sourcing from China. Currently, export sales' supply chain is direct and sales do not happen through distributors. However, KEI plans to add distributors in the US. Lastly, export margin in Cables is ~1% higher than domestic margin and therefore any incremental exports may prove to be margin accretive.

Other business updates: Capacity utilization rate for LT/HT stood at 90%, EHV – 95% and Wires – 65%. The current asset turn is 4x and management expects it to rise to 5x over the next few years. KEI has also been adding influencers such as electricians. Ad-spend is pegged at ~0.5% of topline.

Est Change	-
TP Change	-
Rating Change	-

Company Data and Valuation Summary

Reuters:	KEIN.BO
Bloomberg:	KEII IN Equity
Mkt Cap (Rsbn/US\$bn):	237.0 / 2.9
52 Wk H / L (Rs):	2,815 / 1,353
ADTV-3M (mn) (Rs/US\$):	856.1 / 10.4
Stock performance (%) 1M/6M/1yr:	8.3 / 56.0 / 78.2
Nifty 50 performance (%) 1M/6M/1yr:	0.2 / 5.0 / 10.9

Shareholding	3QFY23	4QFY23	1QFY24
Promoters	37.3	37.2	37.1
DII's	19.1	19.6	19.6
FII's	26.8	27.4	27.7
Others	16.7	15.9	15.7
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY20	FY21	FY22	FY23
Net Sales	48,878	41,815	57,270	69,123
Revenue Growth (%)	15.5	(14.4)	37.0	20.7
Gross Margin (%)	38.0	36.7	31.9	30.5
EBITDA	4,971	4,605	5,892	7,062
EBITDA Margin (%)	10.2	11.0	10.3	10.2
Adj. PAT	2,563	2,733	3,765	4,773
Adj. PAT Margin (%)	5.2	6.5	6.6	6.9
Adj. PAT Growth (%)	41.7	6.6	37.7	26.8
Adj. EPS (Rs)	28.6	30.4	41.8	52.9
ROCE (%)	32.7	23.3	27.0	30.2
ROCE (Post-Tax) (%)	25.5	17.5	20.0	22.5
ROE (%)	22.4	16.6	19.2	20.2
P/E	91.8	86.4	62.9	49.6
EV/EBITDA	47.5	51.4	40.1	33.0

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links:

[Annual Report FY23](#)

[1QFY24 Investor PPT](#)

Please refer to the disclaimer towards the end of the document.

Key Concall Highlights:

- Management highlighted that the overall demand environment continues to remain strong on the back of healthy B2B demand, led by public infra as well as pick-up in private capex.
- KEI has witnessed healthy demand on the back of continued demand momentum in Real Estate and construction activities.
- KEI has also witnessed pick-up in exports demand, particularly from the US, Middle East, Europe and Africa.
- The company expects significant opportunities for EHV cables on the back of conversion of overhead transmission lines to underground cables.
- Management has pegged capex of Rs10bn over the next few years to expand capacities for LT, HT and EHV cables.
- Capex for FY24 has been pegged at ~Rs4bn for greenfield capacity in W&C. Management expects commercial production to begin in 4QFY25.
- KEI aims to remain debt free and management highlighted that capex will be funded internally.
- Asset turn for the new facility is expected at ~4x to start with and is expected to increase to 5x over the next few years.
- Capacity utilization for LT&HT/EHV/House Wires in FY23 stood at 90%/95%/65%.
- KEI's revenue grew at 15% CAGR over FY13-FY23. Management expects revenue CAGR of ~17% over the next 10 years.
- Management highlighted that overseas demand for Oil & Gas Cables and Solar Cables remains strong. It further highlighted that export contribution from RE Cables continues to remain high.
- The company is currently witnessing some export tailwinds on the back of 'China+1' theme.
- Housing Wires contributes ~23% to total sales.
- KEI plans to increase dealers and distributors' network every year. Also, it has added electricians under its royalty program.
- Management highlighted that Cables are exported directly to suppliers. However, KEI plans to add distributors in the US going ahead.
- The company does not have any presence in OFC Cables space.
- A&P spends will remain in the range of 0.5% of revenue.

Financials

Exhibit 1: Income statement

Y/E March (Rsmn)	FY19	FY20	FY21	FY22	FY23
Total Revenues	42,310	48,878	41,815	57,270	69,123
% Growth	22.1	15.5	(14.4)	37.0	20.7
RM Costs	30,445	35,428	30,590	43,422	52,956
Gross Margins (%)	39.0	38.0	36.7	31.9	30.5
Employee Costs	1,734	2,276	1,849	2,006	2,320
Other Expenses	5,725	6,203	4,771	5,950	6,786
EBITDA	4,405	4,971	4,605	5,892	7,062
EBITDA Margin (%)	10.4	10.2	11.0	10.3	10.2
Depreciation	339	567	578	555	571
Other Income	72	167	201	146	276
Finance Costs	1,356	1,292	573	404	347
PBT (bei)	2,782	3,279	3,654	5,079	6,420
ETR(%)	35.0	21.8	25.2	25.9	25.6
PAT after Minority	1,809	2,563	2,733	3,765	4,773
Adj. PAT	1,809	2,563	2,733	3,765	4,773
Adj. PAT Margin (%)	4.3	5.2	6.5	6.6	6.9
Adj. PAT Growth (%)	24.9	41.7	6.6	37.7	26.8
Adj. EPS	22.9	28.6	30.4	41.8	52.9
Adj. EPS Growth (%)	24.0	25.0	6.2	37.4	26.7

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Balance sheet

Y/E March (Rsmn)	FY19	FY20	FY21	FY22	FY23
Equity Share Capital	158	179	180	180	180
Other Equity	7,623	14,893	17,601	21,175	25,711
Net Worth	7,780	15,072	17,781	21,355	25,892
Minority Interest	(1)	(1)	(0)	(0)	(0)
Total Equity	7,779	15,071	17,780	21,355	25,892
Total Debt	5,059	3,151	2,850	3,314	1,353
Other NCL	527	565	624	589	634
Total Liabilities	27,637	32,689	30,140	35,271	37,702
Net Block	4,857	4,960	4,743	4,739	4,838
CWIP	316	112	71	165	146
Intangibles and Others	30	29	18	21	17
Other Non-Current Assets	184	730	851	735	1,087
Investments	-	-	-	-	-
Trade Receivables	10,909	13,676	13,496	13,955	13,878
Inventories	6,932	8,638	7,682	10,794	11,023
Cash & Near Cash Items	221	1,195	2,202	3,590	4,799
Other Cash Equivalents	1,733	949	11	10	573
Other Current Assets	2,455	2,401	1,066	1,261	1,341
Total Current Assets	22,250	26,858	24,456	29,611	31,613
Trade Payables	10,206	11,690	7,415	7,626	7,482
Other Current Liabilities	4,066	2,212	1,471	2,387	2,341
Total Current Liabilities	14,272	13,901	8,886	10,013	9,823
Total Assets	27,637	32,689	30,140	35,271	37,702

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Cash flow

Y/E March (Rsmn)	FY19	FY20	FY21	FY22	FY23
PBT	2,782	3,279	3,654	5,075	6,420
Depreciation & Amortization	339	567	578	555	571
Interest Expenses	1,356	1,276	554	383	326
Other Adjustments	21	61	76	25	(53)
Changes in Working capital	2,592	(4,365)	(2,420)	(2,505)	(349)
Tax Paid	(865)	(947)	(903)	(1,247)	(1,776)
CFO	6,226	(130)	1,539	2,286	5,139
Capex	(1,223)	(805)	(240)	(585)	(758)
FCF	5,003	(936)	1,299	1,701	4,381
Other Investing Activities	(586)	915	994	1	(613)
CFI	(1,810)	110	754	(583)	(1,371)
Issue of Share Capital	20	5,020	79	56	20
Net Borrowings	(2,972)	(2,318)	(699)	676	(1,961)
Dividend Paid (Inc. DDT)	(94)	(276)	(180)	(224)	(271)
Other Financing Activities	(1,335)	(1,432)	(486)	(821)	(347)
CFF	(4,382)	994	(1,286)	(314)	(2,559)
Net Change in Cash Flow	35	974	1,007	1,389	1,209
Opening C&CE	186	221	1,195	2,202	3,590
Closing C&CE	221	1,195	2,202	3,590	4,799

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Key Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23
Per Share (Rs)					
Adj. EPS	22.9	28.6	30.4	41.8	52.9
Book Value	98.6	168.4	197.9	237.0	287.1
Valuation (x)					
P/E	114.7	91.8	86.4	62.9	49.6
P/BV	26.7	15.6	13.3	11.1	9.2
EV/EBITDA	47.8	47.5	51.4	40.1	33.0
EV/Sales	5.0	4.8	5.7	4.1	3.4
Profitability Ratio (%)					
Gross Margin	28.0	27.5	26.8	24.2	23.4
EBITDA Margin	10.4	10.2	11.0	10.3	10.2
Adj. PAT Margin	4.3	5.2	6.5	6.6	6.9
Return Ratios (%)					
RoE	26.2	22.4	16.6	19.2	20.2
RoCE	34.4	32.7	23.3	27.0	30.2
RoCE (Post-Tax)	22.3	25.5	17.5	20.0	22.5
RoIC	25.2	30.1	20.0	23.5	28.4
Liquidity Ratios					
Current Ratio	1.2	1.6	2.1	2.2	2.8
Quick Ratio	1.1	1.5	1.9	2.0	2.3
Solvency Ratio					
Net-Debt Equity Ratio	0.4	0.1	0.0	(0.0)	(0.2)
Debt to Equity Ratio	0.7	0.2	0.2	0.2	0.1
Turnover ratios					
Fixed Asset Turnover Ratio	9.5	10.0	8.6	12.1	14.4
Debtor Days	91	92	119	87	73
Inventory Days	75	80	97	78	75
Creditor Days	99	113	114	63	52

Source: Company, Nirmal Bang Institutional Equities Research

RBL Bank (RBK)

Banking | NBIE Conference Update

BUY

CMP: Rs234 | Target Price (TP): Rs270 | Upside: 15%

September 06, 2023

Improving share of Retail asset/liability mix a key focus area

Key Points

- We hosted the top management of RBL Bank Ltd, represented by its MD & CEO, Mr. Subramaniakumar R. and ED, Mr. Rajeev Ahuja, in order to gain an insight into its current business outlook. The bank-maintained loan growth guidance of 20% for FY24, which will be driven by continued growth of 20-25% in Credit Card & MFI segments and faster growth in seven new retail secured asset verticals it has added in the past few quarters. The share of Wholesale book is expected to decline from 44% at present to 30-35% by FY26-end. According to management, all new businesses are expected to achieve breakeven and be RoA positive by FY25-end.
- NIM is expected to be maintained at 5% in FY24 and improve to 5%+ thereafter due to improving business mix. On the deposit side, a major part of re-pricing has been done till 1QFY24 and considering that 45% of the portfolio is on fixed rates, it should help protect NIM.
- Due to the uneven nature of monsoon, there are no signs of stress visible yet in the MFI segment. In Credit Cards, the share of revolver credit, which had declined to 21% during COVID-19, is back to 23% at present.
- Overall, we believe that RBL Bank is on an improving earnings growth trajectory, driven by healthy growth, margin expansion and stable asset quality. We expect the bank to achieve RoA/RoE of 1.2%/10.9% by FY25-end. We maintain BUY with a target price (TP) of Rs270 (1x June' 2025E ABV).

Macro outlook and growth guidance: At present, the country is in a bright spot globally and hence credit demand is picking up. The present liquidity squeeze is a short-term phenomenon and according to management, business growth outlook for the next 4-6 quarters is positive for the industry. RBL Bank has maintained its credit growth guidance at 20% for FY24 and it expects deposits to grow by 18-20%.

Demand for retail credit in the Indian economy remains strong. With the shift in the spending patterns and savings trends in the economy, people are prioritizing spending first and then parking residual amount in savings as opposed to 'save first, spend later' trend earlier. Other structural change has been that, now through credit bureaus and MFI network, the individual borrower's family income and other details are also available, which is helping the banks in leveraging the connections.

Some of the SMEs are expanding capacity. Demand for working capital is expected to continue to rise in 2QFY24 and 3QFY24. Appetite for investment in SMEs has also gone up and the segment is seeing various IPOs.

Est Change	No Change
TP Change	Upwards
Rating Change	No change

Company Data and Valuation Summary

Reuters	RATB.BO
Bloomberg	RBK IN Equity
Market Cap (Rsbn / US\$bn)	140.3 / 1.7
52 Wk H / L (Rs)	251 / 108
ADTV-3M (mn) (Rs / US\$)	3,485.3 / 42.3
Stock performance (%) 1M/6M/1yr	8.1 / 40.7 / 90.4
Nifty 50 performance (%) 1M/6M/1yr	1.2 / 5.6 / 11.3

Shareholding	3QFY23	4QFY23	1QFY24
Promoters	0.0	0.0	0.0
DII's	22.6	22.6	20.7
FII's	26.5	22.3	25.9
Others	50.8	55.1	53.4
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY22	FY23	FY24E	FY25E
NII	40,267	44,515	52,930	61,935
% growth	6.3	10.5	18.9	17.0
NIM %	4.1	4.3	4.5	4.5
C/I Ratio %	56.9	68.3	65.3	64.0
Operating Profit	27,453	22,025	28,506	34,804
% growth	(11.2)	(19.8)	29.4	22.1
Adjusted PAT	(747)	8,827	12,733	16,890
% growth	(115)	1,181	44.3	32.6
ABVPS (INR /share)	199	215	235	260
P/ABV	1.2	1.1	1.0	0.9
RoA (%)	(0.1)	0.8	1.0	1.2
Leverage (x)	8.2	8.5	8.9	9.5
RoE (%)	(0.6)	6.7	9.0	10.9

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

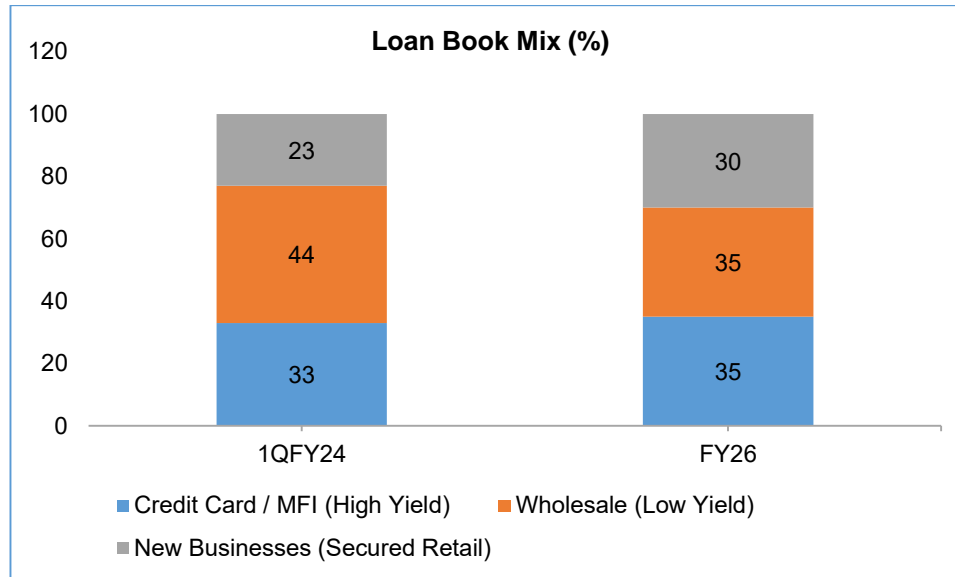
Key Links:

[1QFY24 Result Update](#)

[1QFY24 presentation](#)

Please refer to the disclaimer towards the end of the document.

Looking at a balanced asset mix in terms of pricing: In the past, RBL Bank's asset mix had been at two different ends in terms of pricing. On one hand, its high yielding Credit Cards and MFI segments are forming 33% of loan book and on the other hand, the Wholesale Book, which constitutes 44% of loan book, is operating on thinner spreads. As the bank was missing out on the space in between i.e the secured retail assets, it launched seven new products – business banking, two-wheelers, used cars, housing, mortgage, education loans and personal loans.



Source: Company, Nirmal Bang Institutional Equities Research

Within these new segments also, it has two variants – low yielding and high yielding. In Home Loans for example, it is both into Prime Loans and Affordable Housing loans. Besides being better yielding, the latter also helps with PSL requirements and provides 100-150bps higher fee income than the Prime segment. Similarly in LAP, there are two separate verticals of high-value LAP and micro LAP with a pricing differential of 300bps.

Category	High Yield Variant	Low Yield Variant
Home Loans	Affordable Home Loans	Prime Lending
Mortgage Loans	Micro LAP	High Value LAP

Source: Company, Nirmal Bang Institutional Equities Research

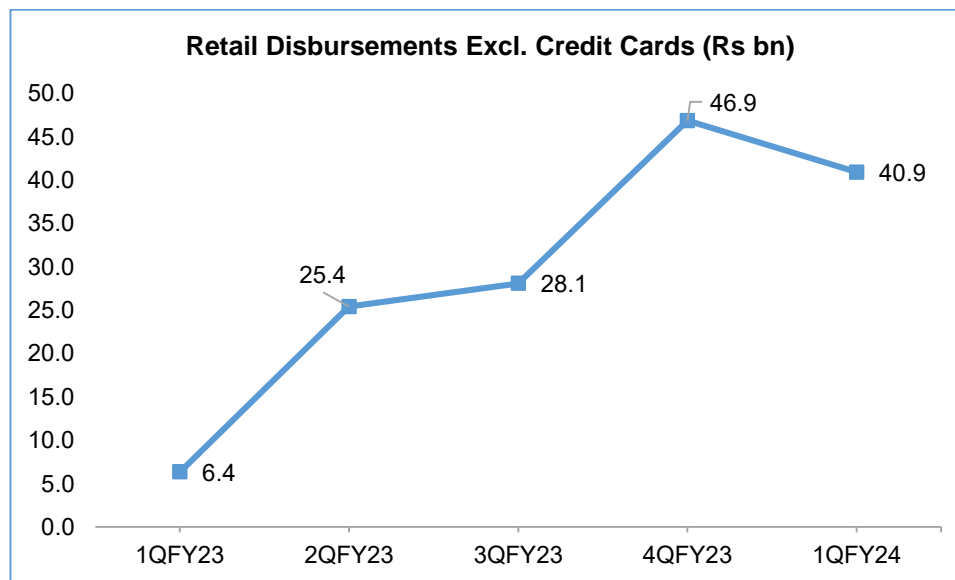
It is targeting the share of Retail loans to increase from 56% at present to 60-65% by FY26-end. The proportion of Wholesale book, which includes Corporate Banking, Institutional Finance, Commercial Banking (Mid Corporate & SMEs) and Supply Chain Financing, should settle at 30-35% of total loan book. Within this, the shift will be from Large Corporates to Mid/SME Corporates (where turnover is Rs1-2bn) and will have a loan ticket size of Rs250-500mn. This will increase the wholesale business margin from 80bps to 120-140bps.

Proportion of Credit Card and MFI Loans to be maintained at present levels: It expects Credit Card loans to grow by 20-25% and continue to constitute 23-25% of its loan book, which will protect its earnings capacity. It is looking to add more tie-ups in this business.

As against MFI industry growth of 30%, RBL Bank's MFI book will grow by 20-23% and constitute 8-10% of loans. With its interest rates being fixed in nature, it will provide stable income and growth in retail assets. The ticket size will be around similar levels of Rs42,000. 90% of the MFI business is through its 100% subsidiary, RBL FinServe Ltd (RFL). From Rs65.2bn in 1QFY24, the bank has the capacity to increase this book to Rs100-120bn. In order to maintain the secured

unsecured asset mix at present levels, the bank will down-sell a small portion of this book through DA/PTC/IBPC as it keeps growing. In this off-balance sheet model, the risk is shared; the bank will continue to do collections, on which it will earn fees and cost of operation is going to be leveraged.

Faster breakeven expected in new Retail verticals: RBL Bank expects the share of new business to rise from 20% at present to 30% by FY26-end. Retail disbursements, excluding Credit Cards, stood at Rs25.4bn in 2QFY23 and the same have improved to Rs40bn per quarter now. Furthermore, by FY24-end, the bank plans to exit with a run-rate of Rs55-60bn per quarter. For FY24, Retail disbursements (ex-Credit Cards but including MFI and 7 new secured retail products) are expected to be Rs200bn. In Tractors, the bank already has 4% market share in markets where it operates.

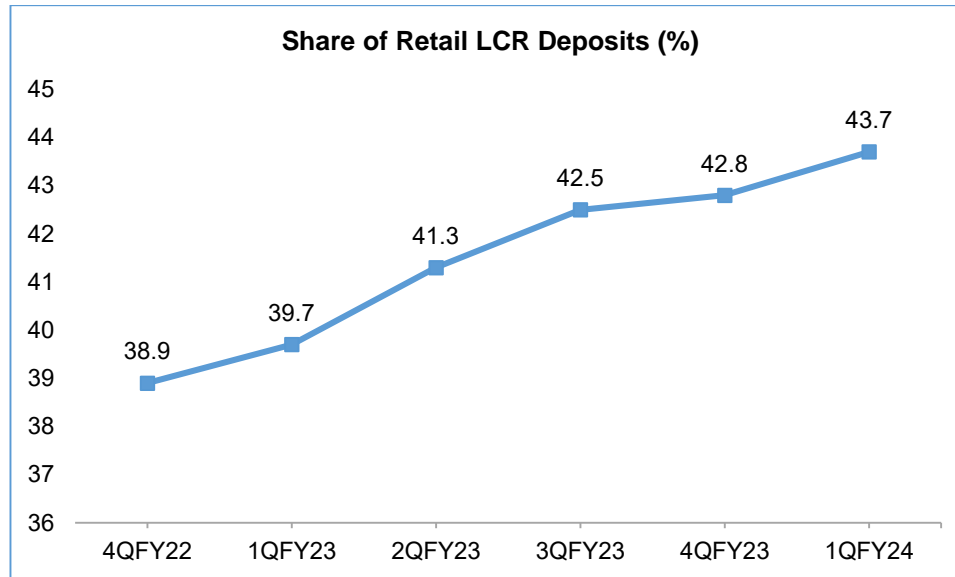


Source: Company, Nirmal Bang Institutional Equities Research

RBL Bank expects Tractors, Gold Loans and Business Banking books to turn around this year. Two-wheeler and Used Car loan businesses are expected to turn around in 12-18 months. Home Loan and Mortgages are expected to achieve break-even during 3QFY25. In FY25, all new businesses are expected to have a positive RoA. The bank maintains its long term RoA/RoE target of 1.4-1.5%/14-15% by FY26-end.

Retail assets further split into BS drivers and shelf products: The Retail asset strategy is focused on two broad categories – (1) Balance Sheet driving products like Home Loans, LAP, MFI, Credit Cards etc. (2) Retail shelf products like Education Loans and Personal Loans are for generating and retaining customers through cross selling. For instance, a major part of RBL Bank's 520 branches are in metro and urban locations, which mainly deal with CASA and term deposit accounts. The bank has introduced retail loan products in these branches. Majority of these customers don't have any other product with the bank besides deposits, but they are dealing with other banks for loans. For example, Gold Loans to these customers stood at Rs20bn from other banks. So, the bank sees a huge opportunity for cross-selling here.

Adopting asset driven liability strategy to grow deposits: The bank made a strategic change on liability side last year by beginning to move away from bulk deposits towards retail deposits (<Rs20mn). The share of Retail LCR deposits, which was 38.9% in March 2022, has improved to 43.7% in June 2023 and by FY24-end it expects this to rise up to 50%. It is improving the share of retail deposits by increasing the customer base and adopting an asset-driven liability strategy by cross-selling deposit products to its asset customers.



Source: Company, Nirmal Bang Institutional Equities Research

The bank intends to use its 800 MFI branches for mobilizing CASA and term deposits by creating a liability desk there and offering digital options. Besides, there are 300 BC branches working exclusively with the bank in the MFI segment, which bring in 0.12-0.14mn customers per month. These are small value accounts from rural and semi-urban locations.

The bank has 5mn customers in Credit Cards, 2.5mn in MFI and 2-2.5mn on liability side, which it plans to tap for cross-selling. The 5mn customer base of Credit Cards will be tapped for savings accounts. The bank also plans to use its Personal Loan products for bringing in salaried customers and savings deposits. 140 people are working on-field for the same.

In Home Loans, now 70% of the disbursements are happening through RBL Bank's own savings accounts and 50% of the EMIs are being serviced through the same. The bank will also look to source current account business from LAP book as it grows in size.

NIM to be maintained at 5% in FY24: Majority of deposits are already re-priced by 1QFY24. There could be another 20-30bps impact on the cost of funds. But, due to improvement in yields, NIM will be maintained at 5% in FY24 while post FY24, it expects to improve NIM beyond 5% due to reduction in lower yielding Wholesale portfolio and growth in Retail products. 45% of the portfolio is on fixed rate, which will help protect margins. On bulk deposits of greater than Rs2mn, its CoF has improved from >7% earlier to 6.7% now.

With its expectation of overall PSL targets getting achieved in FY24, the bank expects its lower yielding RIDF investment book (3-3.5% yields) to decline in the next three years, which will also contribute to improving yields. In 1QFY24, the PSL sub-targets have been achieved.

Improving sourcing mix, automation to bring in cost efficiencies: In Home Loans and LAP, the bank has recruited people in three areas who bring in leads – (1) Direct Marketing where they work with builders and get leads from there (2) Branches – branch asset team and (3) DSAs. In the beginning, when Home Loans and LAP were introduced, contribution of DSAs was 95%, which has declined to 75% and by year-end, it should fall further to 50%.

In 2W, 3W and 4W loans, the bank has its own sourcing team, which also looks at collections. In Tractors business, 400 people are on the field and it has tie-ups with 4,500 dealers.

For Credit Card sourcing, the bank has a team of 1,800 people in-house, which will keep on increasing. It will continue to source 0.2mn cards per month, which will add ~2mn cards per year. Other than Bajaj Finance cards, it has been mobilizing 70,000 cards per month.

In case of its physical distribution network, the bank plans to add 70-80 new branches this year. RBL Fin Serve Ltd's (RFL) branches in urban locations are being converted into RBL branches and RFL is going more into interiors. 50% of the bank's branches have a single presence in locations where they are situated and it is looking at a multiple presence there.

In its recent ramp-up, the bank has increased its manpower by 20%+ besides investing in technology, including cloud technology. It has 100+ people working on digitalizing and simplifying processes. It has a transformation team that is working on automating the operations in order to achieve operational efficiency. While geographic expansion, refurbishment of technology, manpower costs and increments in salary will continue to add to opex, the overall growth in operating cost is expected to moderate to 15-20% in FY24 vs 30.8% growth seen in FY23. We expect the operating cost to clock a CAGR of 14.2% over FY23-FY25E while loan and operating income CAGR is seen at 19.1% and 18%. We expect the cost-to-income ratio to decline from 68.3% in FY23 to 64% in FY25E.

Early warning systems in place: The bank's analytics team keeps track of daily demand & collection and maps the leverage levels of borrowers with other lenders as well. There is a separate risk team for all retail products, including CC and MFI. If there is forward flow beyond the cut-off, the matter is escalated at ED level during a monthly review. In MFI, for instance, whenever 0-DPD is 0.5-0.6%, its team comes into action to arrest the forward flows. The bank is also planning to introduce 0-DPD monitoring in Credit Cards and MFI segments.

Credit cost to remain under control: In future, whenever the Indian banks have to shift to IND-AS accounting, RBL Bank's initial calculations suggest there will be a one-time impact of Rs5bn on networth. For FY24, it has maintained a credit cost guidance of 1.5-2%.

In the banking system, Credit Cards of limits less than Rs25,000 are seeing some stress. However, collection efficiencies are normal and other higher value segments are showing no signs of stress as of now. As the bank had early warning signals in place, it was able to control the stress in sub Rs25,000 limit segment.

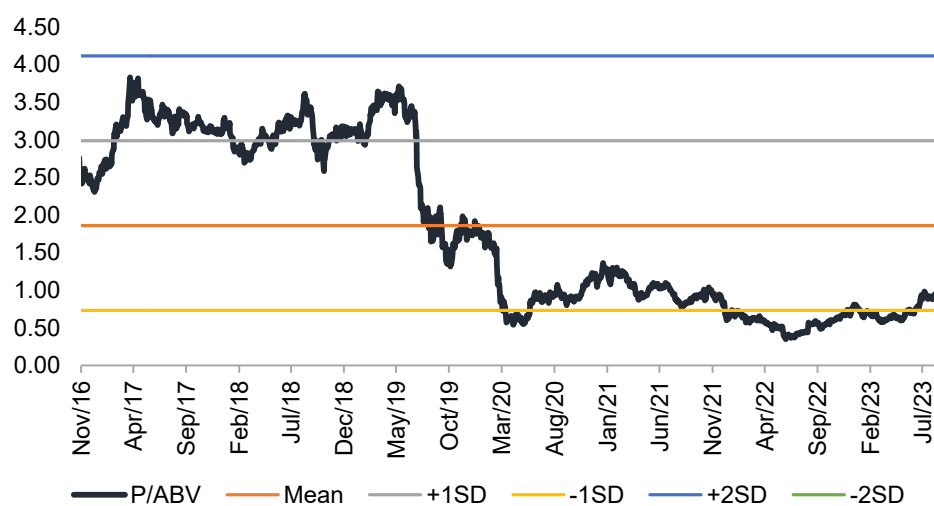
Due to uneven nature of monsoon, no signs of stress are visible in the MFI book. In MFI, as the top 5 states constitute 68% of the segment's business, the bank is looking to diversify state-wise in order to reduce geographic risk. Revolver credit, which had declined to 21% during COVID-19, has risen to 23%.

Exhibit 1: Financial summary

Y/E March (Rsmn)	FY21	FY22	FY23	FY24E	FY25E
Net interest income	37,876	40,267	44,515	52,930	61,935
Operating profit	30,908	27,453	22,025	28,506	34,804
PAT	5,078	-747	8,827	12,733	16,890
EPS (Rs)	8	-1	15	21	28
BV (Rs)	212	210	226	246	271
P/E (x)	27.5	-187.5	15.9	11.0	8.3
P/BV (x)	1.1	1.1	1.0	1.0	0.9
GNPAs (%)	4.3	4.4	3.4	2.9	2.5
NNPAs (%)	2.1	1.3	1.1	0.9	0.8
RoA (%)	0.5	-0.1	0.8	1.0	1.2
RoE (%)	4.4	-0.6	6.7	9.0	10.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: One-year forward P/ABV



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Income statement

Y/E March (Rsmn)	FY21	FY22	FY23	FY24E	FY25E
Interest Income	82,145	81,758	91,299	1,15,043	1,32,922
Interest expense	44,270	41,491	46,784	62,113	70,987
Net interest income	37,876	40,267	44,515	52,930	61,935
Non-interest income	20,578	23,405	24,894	29,332	34,690
Net Revenue	58,454	63,673	69,409	82,262	96,625
Operating Expense	27,546	36,220	47,384	53,756	61,821
-Employee Exp	8,454	10,015	13,403	15,172	13,191
-Other Exp	19,092	26,204	33,981	38,583	48,630
Operating profit	30,908	27,453	22,025	28,506	34,804
Provisions	24,017	28,604	10,219	11,557	12,283
PBT	6,891	-1,151	11,805	16,949	22,520
Taxes	1,813	-404	2,978	4,216	5,630
PAT	5,078	-747	8,827	12,733	16,890

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Balance sheet

Y/E March (Rsmn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	5,980	5,995	5,996	6,000	6,000
Reserves & Surplus	1,20,646	1,20,187	1,29,770	1,41,349	1,56,550
Shareholder's Funds	1,26,626	1,26,182	1,35,766	1,47,349	1,62,550
Deposits	7,31,213	7,90,065	8,48,865	9,95,974	11,57,636
Borrowings	1,12,259	1,10,930	1,33,313	1,70,140	1,99,842
Other liabilities	36,409	34,908	40,818	41,730	56,207
Total liabilities	10,06,506	10,62,086	11,58,762	13,55,193	15,76,235
Cash/Equivalent	1,34,242	1,75,477	85,200	88,481	91,267
Advances	5,86,225	6,00,218	7,02,094	8,42,816	9,95,158
Investments	2,32,304	2,22,744	2,88,755	3,29,621	3,81,653
Fixed Assets	4,665	5,481	5,740	6,027	6,328
Other assets	49,070	58,166	76,974	88,249	1,01,830
Total assets	10,06,506	10,62,086	11,58,762	13,55,193	15,76,235

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Key ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E
Growth (%)					
NII growth	4.4	6.3	10.5	18.9	17.0
Pre-provision profit growth	12.3	-11.2	-19.8	29.4	22.1
PAT growth	0.4	-114.7	1281.1	44.3	32.6
Business (%)					
Deposit growth	26.5	8.0	7.4	17.3	16.2
Advance growth	1.0	2.4	17.0	20.0	18.1
CD	80.2	76.0	82.7	84.6	86.0
CASA	31.8	35.3	37.3	38.1	39.1
Operating efficiency (%)					
Cost/income	47.1	56.9	68.3	65.3	64.0
Cost-to-assets	2.9	3.5	4.3	4.3	4.2
Spreads (%)					
Yield on advances	11.2	10.6	11.0	11.6	11.4
Yield on investments	6.6	5.9	6.4	6.4	6.4
Cost of deposits	5.5	4.7	4.9	5.0	5.1
Yield on assets	9.1	8.4	8.8	9.8	9.7
Cost of funds	5.6	4.8	5.0	5.8	5.6
NIMs	4.2	4.1	4.3	4.5	4.5
Capital adequacy (%)					
Tier I	16.6	16.2	15.3	14.9	13.9
Tier II	0.9	0.6	1.7	1.6	1.5
Total CAR	17.5	16.8	16.9	16.5	15.4
Asset Quality (%)					
Gross NPA	4.3	4.4	3.4	2.9	2.5
Net NPA	2.1	1.3	1.1	0.9	0.8
PCR	52.3	70.4	68.1	70.0	70.5
Slippage	5.2	6.4	3.8	2.5	2.0
Credit cost	4.1	4.8	1.6	1.5	1.3
Return (%)					
ROE	4.4	-0.6	6.7	9.0	10.9
ROA	0.5	-0.1	0.8	1.0	1.2
RORWA	0.7	-0.1	1.1	1.4	1.5
Per share					
EPS	8	-1	15	21	28
BV	212	210	226	246	271
ABV	194	199	215	235	260
Valuation					
P/E	27.5	-187.5	15.9	11.0	8.3
P/BV	1.1	1.1	1.0	1.0	0.9
P/ABV	1.2	1.2	1.1	1.0	0.9

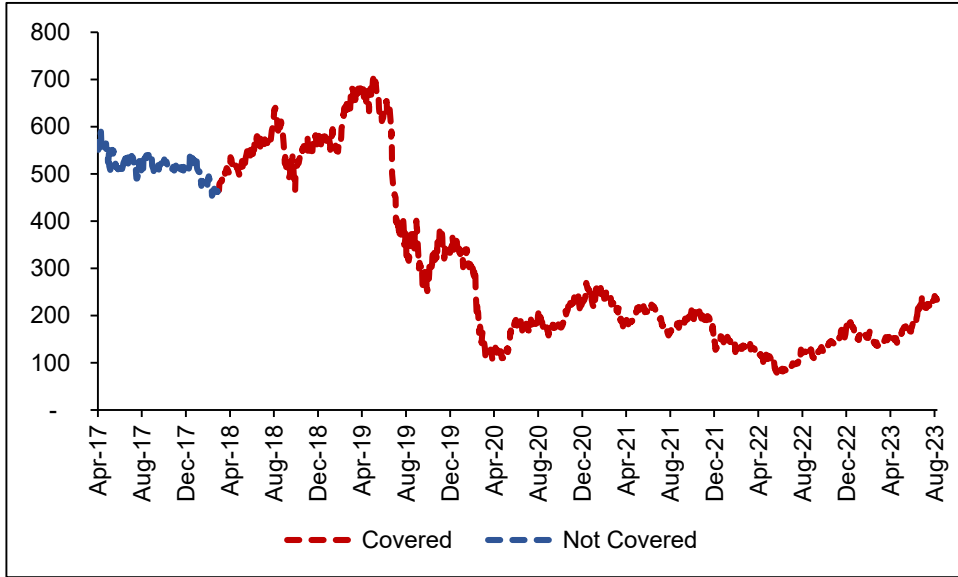
Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
26 March 2018	Buy	462	579
30 April 2018	Buy	538	628
20 July 2018	Buy	557	649
9 October 2018	Buy	495	647
24 October 2018	Buy	465	652
29 January 2019	Buy	563	675
8 April 2019	Accumulate	671	701
22 April 2019	Accumulate	677	704
8 July 2019	Accumulate	633	696
22 July 2019	Accumulate	500	559
7 August 2019	Buy	364	559
7 October 2019	Buy	303	463
23 October 2019	Buy	287	389
8 January 2020	Buy	346	397
23 January 2020	Accumulate	339	344
27 March 2020	Buy	164	243
9 April 2020	Buy	121	243
8 May 2020	Buy	129	188
9 July 2020	Buy	187	226
29 July 2020	Buy	181	220
23 September 2020	Buy	167	225
7 October 2020	Buy	181	231
29 October 2020	Buy	176	221
26 November 2020	Accumulate	227	244
08 January 2021	Accumulate	269	294
29 January 2021	Accumulate	215	237
21 February 2021	Accumulate	246	261
5 May 2021	Buy	183	225
03 August 2021	Accumulate	195	192
26 September 2021	Accumulate	186	203
29 October 2021	Buy	202	236
27 December 2021	Accumulate	173	191
28 January 2022	Sell	153	142
13 May 2022	Buy	102	138
22 July 2022	Accumulate	95	99
19 September 2022	Accumulate	124	136
24 October 2022	Accumulate	129	139
22 January 2023	Buy	170	204
22 March 2023	Buy	144	188
30 April 2023	Buy	161	201
24 July 2023	Buy	222	267
06 September 2023	Buy	233	267

*RBL Bank Coverage was transferred to Ms. Rati J Pandit from July 24, 2023

Rating track graph



NBFC

Shreya Khandelwal (shreya.khandelwal@nirmalbang.com)

Operational Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	Net Interest Income (Rsmn)			Op Profit (Rsmn)			PAT (Rsmn)			EPS (Rs)			CAGR FY23-FY25E		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	NII	PPOP	PAT
Large Cap (M-cap >US\$5bn)																			
Bajaj Finance	7,388	7,948	Acc	53,775	273,927	339,901	428,086	187,175	235,728	299,980	115,076	143,563	180,232	190.1	237.1	297.7	25.0	26.6	25.1
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Aavas Financiers	1,632	1,950	Buy	1,551	9,024	10,734	12,447	5,614	6,930	8,414	4,301	5,073	6,346	53.2	58.6	15.1	17.4	22.4	21.5
LIC Housing Finance	449	448	Acc	2,969	63,303	74,030	86,185	55,000	64,375	73,596	28,910	37,136	41,589	52.6	67.5	75.6	16.7	15.7	19.9
Poonawalla Fincorp	398	438	Buy	3,676	12,217	18,369	24,410	6,008	11,765	16,138	5,849	8,090	10,653	7.6	10.5	13.9	41.4	63.9	35.0
Small Cap (M-cap <US\$1.5bn)																			
Can Fin Homes	782	898	Buy	1,251	10,146	12,270	14,568	8,658	10,440	12,463	6,212	7,521	8,801	46.6	56.5	66.1	19.8	20.0	19.0
PNB Housing Finance	672	795	Buy	2,094	22,733	25,014	27,783	20,581	20,671	23,040	10,563	12,881	14,865	62.6	49.6	57.3	10.5	5.8	18.6
Repco Home Finance	392	370	Acc	295	5,559	6,402	7,069	4,523	5,062	5,537	2,961	3,494	3,671	47.3	55.8	58.7	12.8	10.6	11.3

Valuation Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	P/E (X)			P/BV (X)			RoE (%)			RoA (%)					
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E			
Large Cap (M-cap >US\$5bn)																			
Bajaj Finance	7,388	7,948	Acc	53,775	38.9	31.2	24.8	8.4	6.8	5.5	23.5	23.5	23.8	4.6	4.5	4.5			
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Aavas Financiers	1,632	1,950	Buy	1,551	30.7	27.8	108.1	4.1	3.6	3.4	14.0	13.3	12.6	3.5	3.2	2.9			
LIC Housing Finance	449	448	Acc	2,969	8.5	6.7	5.9	1.2	1.0	0.9	11.2	12.9	13.0	1.1	1.2	1.2			
Poonawalla Fincorp	398	438	Buy	3,676	52.3	37.8	28.7	4.8	3.1	2.8	9.6	9.7	10.0	3.8	3.6	3.4			
Small Cap (M-cap <US\$1.5bn)																			
Can Fin Homes	782	898	Buy	1,251	16.8	13.8	11.8	2.9	2.5	2.1	18.5	18.9	18.8	2.0	2.1	2.1			
PNB Housing Finance	672	795	Buy	2,094	10.7	13.5	11.7	1.2	1.3	1.3	10.2	10.0	9.6	1.6	1.8	1.8			
Repco Home Finance	392	370	Acc	295	8.3	7.0	6.7	1.1	1.0	0.9	12.5	13.4	12.9	2.4	2.6	2.5			

Auto NBFC

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Operational Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	Net Interest Income (Rsmn)			Op Profit (Rsmn)			PAT (Rsmn)			EPS (Rs)			CAGR FY23-FY25E		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	NII	PPOP	PAT
Large Cap (M-cap >US\$5bn)																			
Cholamandalam Investment and Finance	1,105	1,120	Acc	10,916	52,680	63,334	81,964	37,712	44,494	57,222	21,467	26,662	31,820	26.2	32.4	38.7	24.7	23.2	21.7
Shriram Finance	1,893	2,162	Buy	8,531	160,616	177,603	204,760	123,441	138,590	162,370	59,793	75,540	90,997	159.7	201.7	243.0	12.9	14.7	23.4
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Mahindra & Mahindra Financial	294	326	Acc	4,369	61,059	74,384	89,867	37,518	47,265	59,233	20,388	22,573	28,172	16.5	18.3	22.8	21.3	25.6	17.5
Sundaram Finance	2,620	2,873	Acc	3,497	16,950	20,325	25,047	15,542	18,247	21,376	10,883	12,432	14,659	98.0	111.9	131.9	21.6	17.3	16.1

Valuation Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	P/E (X)			P/BV (X)			RoE (%)			RoA (%)					
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E			
Large Cap (M-cap >US\$5bn)																			
Cholamandalam Investment and Finance	1,105	1,120	Acc	10,916	42.2	34.1	28.6	7.1	5.9	4.9	20.2	20.5	20.1	2.7	2.7	2.5			
Shriram Finance	1,893	2,162	Buy	8,531	11.9	9.4	7.8	1.9	1.7	1.5	15.3	16.3	17.2	3.1	3.5	3.7			
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Mahindra & Mahindra Financial	294	326	Acc	4,369	17.8	16.1	12.9	2.3	2.1	1.9	12.5	12.7	14.5	2.4	2.2	2.3			
Sundaram Finance	2,620	2,873	Acc	3,497	26.7	23.4	19.9	4.0	3.5	3.2	14.9	15.1	15.8	2.9	2.8	2.8			

Cements

Jyoti Gupta (jyoti.gupta@nirmalbang.com)

Operational Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			EPS (Rs)			CAGR FY23-FY25E		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	Sales	EBITDA	PAT
Large Cap (M-cap >US\$5bn)																			
Ambuja Cements	438	496	Buy	10,442	199,806	168,398	197,848	31,983	32,932	38,237	25,526	26,895	31,352	12.9	13.5	15.8	(0.5)	9.3	10.8
Dalmia Bharat	2,308	2,510	Buy	5,200	135,400	157,133	177,906	23,200	32,028	43,372	8,360	10,830	12,623	57.8	67.4	107.5	14.4	36.7	22.9
Shree Cement	25,650	29,355	Buy	11,118	168,375	187,495	206,533	29,423	41,926	50,054	13,281	21,418	27,341	368.1	593.6	757.8	10.8	30.4	43.5
UltraTech Cement	8,537	9,795	Buy	29,608	632,400	688,822	752,201	106,199	131,014	168,810	51,231	71,213	101,299	177.5	246.7	350.9	9.1	26.1	40.6
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
ACC	2,044	1,912	Acc	4,610	222,100	188,249	211,708	19,190	27,431	38,374	8,699	16,430	24,430	46.3	87.5	130.1	(2.4)	41.4	67.6
JK Cement	3,406	3,544	Buy	3,162	90,383	104,160	109,983	16,794	20,385	21,218	9,358	11,855	12,623	121.1	153.4	162.2	10.3	12.4	15.7
The Ramco Cements	913	945	Acc	2,592	81,410	89,577	93,521	11,792	15,490	17,267	3,402	5,951	7,138	14.4	25.3	30.3	7.2	21.0	44.8
Nuvoco Vistas Corp	371	431	Buy	1,591	105,862	115,638	126,633	12,017	18,653	21,614	158	2,774	4,896	0.4	7.8	13.7	9.4	34.1	456.0
Small Cap (M-cap <US\$1.5bn)																			
Birla Corp	1,242	1,382	Buy	1,149	86,823	91,968	100,450	7,720	17,024	18,325	423	7,078	8,367	5.5	91.9	108.7	7.6	54.1	344.9
HeidelbergCement India	190	162	Acc	517	22,381	25,249	26,769	2,489	3,578	4,818	992	1,737	2,605	4.4	7.7	11.5	9.4	39.1	62.1
JK Lakshmi Cement	692	852	Buy	978	60,711	69,657	75,508	7,043	9,344	12,156	3,308	5,161	6,996	28.1	43.9	59.4	11.5	31.4	45.4
Star Cement	159	155	Buy	774	27,048	30,145	34,709	4,684	5,660	6,725	2,476	3,417	4,165	6.1	8.5	10.3	13.3	19.8	29.7
Sagar Cements	240	220	Acc	377	22,295	30,353	38,001	1,532	3,494	4,723	85	288	996	0.7	2.2	7.6	30.6	75.6	242.0

Valuation Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Large Cap (M-cap >US\$5bn)																			
Ambuja Cements	438	496	Buy	10,442	34.1	32.3	27.7	25.6	24.9	21.4	3.5	3.2	2.9	10.9	10.4	11.0	16.9	15.9	16.4
Dalmia Bharat	2,308	2,510	Buy	5,200	39.9	34.3	21.5	18.9	13.7	10.1	2.8	2.6	2.3	6.6	7.5	11.1	10.8	14.0	17.3
Shree Cement	25,650	29,355	Buy	11,118	69.7	43.2	33.8	30.7	21.6	18.1	5.1	4.6	4.1	7.5	11.2	12.9	16.1	22.0	24.0
UltraTech Cement	8,537	9,795	Buy	29,608	48.1	34.6	24.3	23.4	19.0	14.7	48.1	34.6	24.3	8.1	10.3	13.5	9.8	12.4	15.6
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
ACC	2,044	1,912	Acc	4,610	44.1	23.4	15.7	19.8	13.9	9.9	2.7	2.5	2.2	6.2	11.2	14.9	14.7	19.4	24.0
JK Cement	3,406	3,544	Buy	3,162	28.1	22.2	21.0	17.8	14.7	14.1	5.0	4.1	3.4	19.8	20.3	17.7	17.0	17.6	16.2
The Ramco Cements	913	945	Acc	2,592	63.2	36.2	30.1	22.4	17.1	15.3	3.1	2.9	2.6	5.1	8.3	9.1	9.0	11.6	12.8
Nuvoco Vistas Corp	371	431	Buy	1,591	836.3	47.8	27.1	15.0	9.6	8.3	1.5	1.5	1.4	0.2	3.1	5.2	4.8	9.2	11.4
Small Cap (M-cap <US\$1.5bn)																			
Birla Corp	1,242	1,382	Buy	1,149	226.3	13.5	11.4	16.6	7.5	7.0	1.6	1.4	1.3	8.9	18.5	18.2	0.5	7.7	8.3
HeidelbergCement India	190	162	Acc	517	43.4	24.8	16.5	16.1	11.2	8.3	2.9	3.0	2.9	6.6	12.0	17.8	13.1	19.7	26.1
JK Lakshmi Cement	692	852	Buy	978	24.6	15.8	11.6	11.4	8.6	6.6	3.0	2.8	2.6	12.8	18.2	23.0	17.9	23.7	30.5
Star Cement	159	155	Buy	774	26.0	18.8	15.5	13.1	10.9	9.1	2.7	2.3	2.0	10.8	13.2	14.0	20.6	21.2	21.5
Sagar Cements	240	220	Acc	377	368.5	109.0	31.5	28.7	12.6	9.3	1.9	1.7	1.6	0.6	1.7	5.3	6.3	6.2	8.6

Construction

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Operational Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			EPS (Rs)			CAGR FY23-FY25E		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	Sales	EBITDA	PAT
Small Cap (M-cap <US\$1.5bn)																			
Ashoka Buildcon	109	92	Buy	368	63,619	75,070	83,328	5,232	6,810	8,064	3,221	5,058	6,145	11.5	18.0	21.9	14.4	24.1	38.1
KNR Constructions	271	327	Buy	915	37,113	42,680	47,801	6,892	7,682	8,604	4,909	4,848	5,571	17.5	17.2	19.8	13.5	11.7	6.5
PNC Infratech	349	405	Buy	1,075	70,238	80,985	94,104	9,169	10,933	12,234	5,745	6,108	7,058	22.4	23.8	27.5	15.7	15.5	10.8

Valuation Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Small Cap (M-cap <US\$1.5bn)																			
Ashoka Buildcon	109	92	Buy	368	12.3	5.9	6.0	6.6	5.1	4.3	0.9	0.8	0.7	10.6	14.0	14.7	10.6	12.5	13.3
KNR Constructions	271	327	Buy	915	41.3	22.6	15.2	10.6	9.5	8.5	11.9	12.2	10.9	19.8	16.3	16.0	14.0	16.4	16.1
PNC Infratech	349	405	Buy	1,075	27.3	19.1	15.2	9.8	8.2	7.4	2.3	2.0	1.7	15.8	14.4	14.4	13.3	13.2	13.7

Information Technology

Operational Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			EPS (Rs)			CAGR FY23-FY25E		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	Sales	EBITDA	PAT
Large Cap (M-cap >US\$5bn)																			
HCL Technologies	1,236	982	Sell	40,288	1,014,560	1,097,626	1,225,207	184,850	200,882	227,090	148,510	156,548	176,725	54.9	57.8	65.3	9.9	10.8	9.1
Infosys	1,477	1,206	Sell	73,664	1,467,670	1,550,403	1,740,601	309,060	321,004	361,954	240,950	242,475	277,481	57.6	58.5	67.0	8.9	8.2	7.3
LTIMindtree	5,407	3,940	Sell	19,221	331,830	360,249	396,570	53,851	59,272	68,107	45,608	49,679	57,768	149.0	166.2	195.0	9.3	12.5	12.5
Tata Consultancy Services	3,430	2,691	Sell	150,766	2,254,580	2,422,081	2,638,368	542,370	580,086	643,788	421,470	454,341	494,260	115.2	124.1	135.1	8.2	8.9	8.3
Tech Mahindra	1,249	944	Sell	14,628	532,902	536,565	592,328	60,720	51,698	74,340	48,531	40,375	59,227	54.7	45.5	66.7	5.4	10.6	10.5
Wipro	429	350	Sell	26,927	904,876	939,824	1,036,378	139,606	141,973	163,875	113,500	113,995	127,973	20.7	21.1	24.0	7.0	8.3	6.2
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Cofores	5,626	3,581	Sell	4,130	80,146	93,529	108,170	11,477	13,425	15,761	8,264	9,628	11,975	113.8	157.3	195.6	16.2	17.2	20.4
Mphasis	2,476	1,619	Sell	5,608	137,985	135,256	153,830	21,087	20,773	24,125	16,380	16,467	19,078	87.1	87.5	101.3	5.6	7.0	7.9
Persistent Systems	5,957	3,090	Sell	5,505	83,506	96,207	111,190	12,472	14,349	16,918	9,211	10,520	12,888	120.5	136.8	167.6	15.4	16.5	18.3

Valuation Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Large Cap (M-cap >US\$5bn)																			
HCL Technologies	1,236	982	Sell	40,288	22.5	21.4	18.9	17.2	15.8	14.0	5.1	5.1	4.9	23.3	23.8	26.3	25.7	27.4	30.3
Infosys	1,477	1,206	Sell	73,664	25.7	25.2	22.1	19.4	18.7	16.6	8.1	7.8	6.8	31.8	31.4	33.0	29.5	29.6	30.6
LTIMindtree	5,407	3,940	Sell	19,221	36.3	32.5	27.7	29.3	26.6	23.2	9.6	8.1	6.9	29.5	27.2	26.8	29.5	27.9	27.5
Tata Consultancy Services	3,430	2,691	Sell	150,766	29.8	27.6	25.4	23.0	21.5	19.4	13.8	13.7	13.0	46.0	49.8	52.5	41.5	44.4	47.2
Tech Mahindra	1,249	944	Sell	14,628	22.8	27.5	18.7	19.1	22.4	15.6	4.0	3.8	3.7	18.7	14.5	20.4	14.2	11.6	16.6
Wipro	429	350	Sell	26,927	20.8	20.3	17.9	14.3	14.0	12.1	3.0	3.7	3.3	15.8	16.4	20.0	14.8	15.5	19.1
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Cofores	5,626	3,581	Sell	4,130	49.4	35.8	28.8	29.8	25.5	21.7	11.2	9.5	8.2	28.4	28.7	30.6	24.1	23.2	22.9
Mphasis	2,476	1,619	Sell	5,608	28.4	28.3	24.4	20.9	21.2	18.3	5.9	5.4	4.9	22.0	19.8	21.0	18.3	16.5	17.8
Persistent Systems	5,957	3,090	Sell	5,505	49.4	43.5	35.5	36.2	31.5	26.7	11.5	9.7	8.3	25.1	24.3	25.2	23.7	23.6	23.8

Others

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Operational Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			EPS (Rs)			CAGR FY23-FY25E		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	Sales	EBITDA	PAT
Small Cap (M-cap <US\$1.5bn)																			
CCL Products India	642	700	Acc	1,025	20,712	25,606	31,555	3,999	4,798	5,983	2,689	3,024	3,422	20.2	22.7	25.7	23.4	22.3	12.8
LA Opala RG	438	540	Buy	584	4,523	5,177	6,404	1,722	1,972	2,427	1,230	1,560	1,869	10.9	14.1	16.8	19.0	18.7	23.3
Mold-Tek Packaging	954	1,150	Buy	380	7,299	8,156	10,018	1,354	1,517	1,953	804	867	1,172	24.2	26.2	35.5	17.2	20.1	20.7

Valuation Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Small Cap (M-cap <US\$1.5bn)																			
CCL Products India	642	700	Acc	1,025	31.7	28.2	24.9	23.4	19.5	15.7	5.8	5.0	4.4	19.7	19.0	18.9	13.8	13.1	12.7
LA Opala RG	438	540	Buy	584	40.2	31.1	26.0	25.8	22.6	18.3	6.3	5.5	4.8	16.2	18.8	19.7	14.6	15.5	16.8
Mold-Tek Packaging	954	1,150	Buy	380	39.3	36.4	26.9	23.7	21.1	16.4	5.7	5.2	4.6	15.8	14.8	18.1	14.9	13.6	16.4

Retail

Operational Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			EPS (Rs)			CAGR FY23-FY25E		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	Sales	EBITDA	PAT
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Bata India	1,687	1,910	Buy	2,604	34,516	36,761	41,540	7,910	8,385	9,928	3,230	3,471	4,941	25.1	27.0	38.4	9.7	12.0	23.7
Small Cap (M-cap <US\$1.5bn)																			
V-Mart Retail	2,176	2,299	Acc	517	24,648	28,769	34,339	2,689	2,767	4,150	(78)	(483)	551	(4.0)	(24.5)	28.0	18.0	24.2	NA

Valuation Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Bata India	1,687	1,910	Buy	2,604	67.1	62.5	43.9	28.0	26.4	22.3	15.1	13.1	11.1	19.9	22.5	27.4	14.5	16.1	20.4
Small Cap (M-cap <US\$1.5bn)																			
V-Mart Retail	2,176	2,299	Acc	517	(546.4)	(88.7)	77.8	16.4	16.0	10.7	5.1	5.3	5.0	(0.9)	(5.9)	6.6	5.8	5.3	14.4

Oil & Gas

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Operational Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			EPS (Rs)			CAGR FY23-FY25E		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	Sales	EBITDA	PAT
Large Cap (M-cap >US\$5bn)																			
Bharat Petroleum Corp	353	401	Acc	9,203	4,731,872	4,429,743	5,424,332	123,924	408,484	277,125	37,740	252,613	164,480	17.7	118.6	77.2	7.1	49.5	108.8
GAIL India	125	139	Buy	9,842	1,442,497	1,348,920	1,055,031	66,989	121,866	147,644	53,015	87,192	105,626	8.1	13.3	16.1	(14.5)	48.5	41.2
Gujarat Gas	462	528	Buy	3,822	167,594	177,632	166,312	23,920	19,493	25,917	15,284	11,791	16,860	22.2	17.1	24.5	(0.4)	4.1	5.0
Hindustan Petroleum Corp	255	292	Acc	4,340	4,407,093	4,056,418	4,471,969	(72,071)	229,357	199,977	(69,802)	136,781	98,885	(49.2)	96.4	69.7	0.7	NA	NA
Indian Oil Corp	91	96	Acc	15,497	8,417,559	8,696,976	7,309,091	243,226	738,223	520,013	34,157	430,294	245,217	7.1	31.2	17.8	(6.8)	46.2	167.9
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Gujarat State Petronet	280	423	Buy	1,898	17,618	18,978	21,550	12,587	14,147	15,872	9,450	10,470	12,180	16.8	18.6	21.6	10.6	12.3	13.5
Indraprastha Gas	467	526	Acc	3,928	141,459	141,998	135,398	20,398	23,907	28,857	16,397	18,646	22,667	23.4	26.6	32.4	(2.2)	18.9	17.6
Petronet LNG	245	286	Buy	4,413	598,994	555,742	454,310	48,539	49,582	55,241	32,465	33,884	37,615	21.6	22.6	25.1	(12.9)	6.7	7.6
Small Cap (M-cap <US\$1.5bn)																			
Mahanagar Gas	1,074	1,253	Buy	1,274	62,993	59,301	61,427	11,842	18,434	18,095	7,901	12,519	11,870	80.0	126.7	120.2	(1.3)	23.6	22.6

Valuation Metrics

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US\$m)	P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Large Cap (M-cap >US\$5bn)																			
Bharat Petroleum Corp	353	401	Acc	9,203	19.9	3.0	4.6	10.5	3.2	4.7	1.4	1.1	0.9	7.1	35.1	19.5	3.4	19.4	11.1
GAIL India	125	139	Buy	9,842	15.5	9.4	7.8	14.7	8.1	6.7	1.5	1.3	1.2	9.5	14.9	16.4	4.3	8.5	9.8
Gujarat Gas	462	528	Buy	3,822	20.8	27.0	18.9	13.0	16.0	12.0	4.5	4.2	3.7	21.7	15.5	19.5	19.4	13.2	16.8
Hindustan Petroleum Corp	255	292	Acc	4,340	(5.2)	2.6	3.7	(13.0)	4.1	4.7	1.1	0.8	0.7	(19.0)	36.3	23.8	(11.0)	15.4	11.5
Indian Oil Corp	91	96	Acc	15,497	12.8	2.9	5.1	10.5	3.5	4.9	0.9	0.8	0.7	7.0	26.0	13.8	4.5	13.5	7.6
Mid Cap (M-cap between US\$1.5bn to 5bn)																			
Gujarat State Petronet	280	423	Buy	1,898	16.7	15.1	13.0	12.0	10.7	9.5	1.7	1.6	1.5	10.7	10.5	11.3	8.7	8.9	9.5
Indraprastha Gas	467	526	Acc	3,928	19.9	17.5	14.4	14.5	12.4	10.3	4.1	3.8	3.5	21.1	22.6	25.2	15.2	16.4	18.3
Petronet LNG	245	286	Buy	4,413	11.3	10.8	9.8	6.2	6.1	5.5	2.4	2.1	1.9	22.4	20.9	20.6	15.7	14.8	15.0
Small Cap (M-cap <US\$1.5bn)																			
Mahanagar Gas	1,074	1,253	Buy	1,274	13.4	8.5	8.9	8.4	5.4	5.5	2.6	2.1	1.8	20.4	27.1	21.5	17.0	23.3	18.6

DISCLOSURES

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