Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,877	0.0	2.3
Nifty-50	22,435	-0.1	3.2
Nifty-M 100	49,737	0.5	7.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,211	0.1	9.3
Nasdaq	16,277	0.2	8.4
FTSE 100	7,937	0.0	2.6
DAX	18,368	0.5	9.6
Hang Seng	5,875	-1.4	1.8
Nikkei 225	39,452	-1.0	17.9
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	91	1.1	17.0
Gold ($/OZ)	2,300	0.8	11.5
Cu (US$/MT)	9,151	3.0	8.1
Almn (US$/MT)	2,388	2.1	1.8
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.4	0.1	0.3
USD/EUR	1.1	0.6	-1.8
USD/JPY	151.7	0.1	7.6
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	-0.01	-0.1
10 Yrs AAA Corp	7.6	0.01	-0.2
Flows (USD b)	**3-Apr**	**MTD**	**CYTD**
FIIs	-0.3	6.76	1.3
DIIs	0.13	1.69	13.6
Volumes (INRb)	**3-Apr**	**MTD***	**YTD***
Cash	1,149	1041	1189
F&O	5,56,231	3,89,428	3,97,552

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Capital Goods (4QFY24 Preview): Execution and margin to be key monitorables

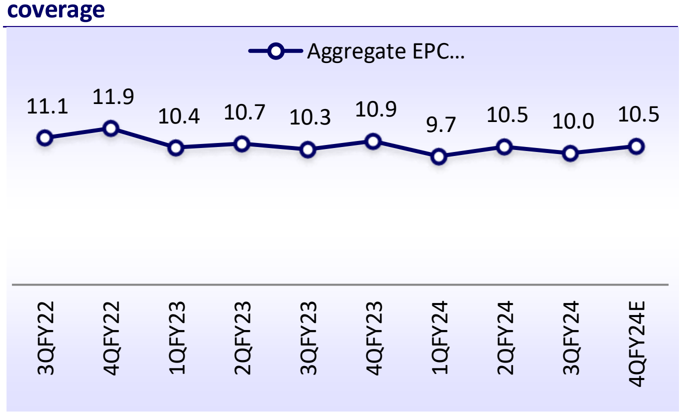
- There has been a moderation in order inflows in 4QFY24 owing to the impending election cycle. However, for key verticals such as renewable energy, power T&D, defense, railways, metro and water, order inflows have been steady overall in FY24 thanks to the government's continued thrust on capex.
- On the private side, green shoots are visible and the ordering momentum is expected to gather steam in the post-election period, which should result in valuation re-rating for the entire sector.
- We believe that strong order books of the companies should provide healthy revenue visibility. We expect 15% YoY growth in execution, 25bp YoY contraction in EBITDA margin and 5% YoY growth in PAT for 4QFY24 for our coverage universe. ABB, LT and KOEL remain our top picks in the sector.

Research covered

Cos/Sector	Key Highlights
Capital Goods (4QFY24 Preview)	Execution and margin to be key monitorables
Cement (4QFY24 Preview)	Robust volume growth; weak cement prices led to earnings cut
Financials	Axis vs ICICI Bank: Revisiting performance gap over recent years
Economy | State Budgets 2024-25	States' capex at all-time high of 2.7% of GDP in FY24
Other Updates	Avenue Supermarts | L&T Finance | Poonawalla Fincorp | Federal Bank | RBL Bank

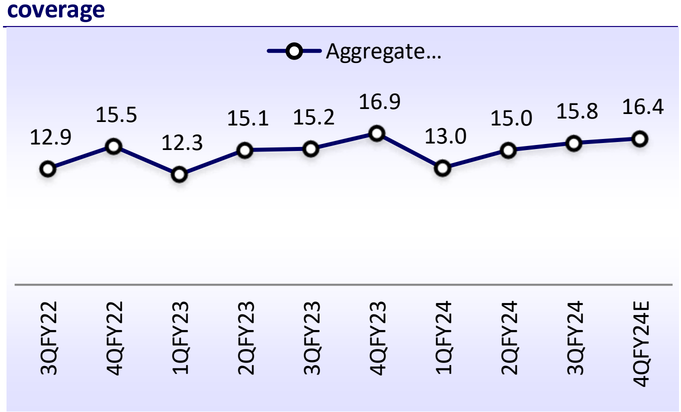
Chart of the Day: Capital Goods (Execution and margin to be key monitorables)

EBITDA margin snapshot for EPC companies under our coverage



Source: Company, MOFSL

EBITDA margin snapshot for product companies under our coverage



Source: Company, MOFSL

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In the news today

Kindly click on textbox for the detailed news link

1

Govt raises windfall tax on crude petroleum to Rs 6,800/tonne from Rs 4,900/tonne

Before this, the government on March 15 increased windfall tax on crude petroleum to Rs 4,900/tonne from Rs 4,600/tonne

2

Tesla to scout sites in India for $2 bn-$3 bn EV plant by late April: Report

The EV major will send a team from the United States by late April to study sites for the plant, reports UK's Financial Times

3

NSE to launch four new indices in capital markets from April 8

The four new indices are Nifty Tata Group 25 percent Cap, Nifty 500 Multicap India Manufacturing 50:30:20, Nifty 500 Multicap Infrastructure 50:30:20, and Nifty MidSmall Healthcare

4

Small cars likely to stage a comeback by 2026 amid rising entry-level incomes, says Maruti Suzuki chairman RC Bhargava

Maruti Suzuki chairman RC Bhargava anticipates a revival of small car sales by 2026, driven by rising income levels among entry-level consumers and the transition of scooter and motorcycle owners to cars.

5

India eyes 100 GW nuclear power by 2047: AEC chairman

India aims to increase its nuclear power production to 1 lakh MW by 2047, a significant jump from the current 8,000 MW. This goal was highlighted by Atomic Energy Commission Chairman A K Mohanty at the release of a report on energy transitions. The report emphasized the need for nuclear power in India's energy transition, suggesting that it would require infrastructure for alternative sources like nuclear, flexible grid infrastructure, and storage to phase down coal usage.

6

Global hotel chains set for record expansion in India

Radisson Hotel Group aims to reduce driving distances between its hotels in India, planning to have a property within every two hours of driving. Last year, they signed 21 new hotels, with plans to sign approximately 30 annually for the next five years.

7

NHAI executed capex for FY24 increases by 20% to Rs 2.07 trillion

The highway authority has constructed 6,644 km stretch, exceeding its FY24 construction target, according to an official

Capital Goods

Result Preview

Company
ABB India
Bharat Electronics
Cummins India
Hitachi Energy India
Kalpataru Projects International
KEC International
Kirloskar Oil Engines
L&T
Siemens
Thermax
Triveni Turbine

Execution and margin to be key monitorables

There has been a moderation in order inflows in 4QFY24 owing to the impending election cycle. However, for key verticals such as renewable energy, power T&D, defense, railways, metro and water, order inflows have been steady overall in FY24 thanks to the government's continued thrust on capex. On the private side, investment activity has been selective, primarily in areas such as data centers, real estate, cement, metals & mining, industrial automation, and PLI-led capex. Green shoots are visible and the ordering momentum is expected to gather steam in the post-election period and is resulting in valuation re-rating for the entire sector. We believe that strong order books of the companies should provide healthy revenue visibility. We expect 15% YoY growth in execution in 4QFY24. Supply chain issues that had affected previous quarters may continue to weigh on execution over the next couple of quarters, with the Red Sea crisis being a key monitorable. We expect EPC companies – LT, KECI, and KPIL – to see a gradual margin expansion as their low-margin legacy projects are near completion. We expect product companies to pass on lower RM price benefits to end-users. As a result, we expect a ~25bp YoY contraction in EBITDA margin for our coverage universe. In 4QFY24, we estimate our coverage companies to report revenue growth of 15% YoY, EBITDA growth of 13% YoY, and PAT growth of 5% YoY.

Domestic ordering momentum sees moderation in 4QFY24

With elections around the corner, order upfronting was seen in 9MFY24. Consequently, 4QFY24 saw some moderation in domestic ordering. During the quarter, LT announced orders worth ~INR652b, BHE won ~INR78b, KECI secured ~INR58b, and KPIL acquired ~INR45b. Notably, BHE has outperformed its initial FY24 order inflow guidance of ~INR200b, with ~INR350b. Similarly, LT's 9MFY24 domestic order inflows declined ~11% YoY, but it was because of a high base created by large hydrocarbon orders in 9MFY23. As per our interactions with management teams, ordering momentum is set for a healthy uptick after 1QFY25. In 4Q, order activity was mainly driven by areas such as defense, B&F, T&D, hydrocarbon, etc. Private investments have been taking place selectively in areas such as data centers, real estate, cement, metals & mining, industrial automation, and PLI-led capex, which is positive for ABB, SIEM, KKC, TMX, TRIV. The strong enquiry pipeline seen in 3QFY24 should start materializing in 4QFY24. For our coverage universe, we estimate 15% YoY growth in execution in 4QFY24.

Margin trajectory to be mixed in 4QFY24

EPC companies, LT, KECI and KPIL, had guided for a better margin performance in 2HFY24, given the delay in completion of legacy projects; however, they lowered the initial FY24 margin guidance by ~25-50bp. LT and KECI should witness a material improvement in margins in 2HFY25. On the other hand, we expect product companies to witness a mixed impact of strong demand and lower RM prices and hence expect them to pass on some RM price benefits to end-users.

Export weakness seems to have bottomed out

Product exports have been sluggish in most geographies, except the GCC region, due to factors such as inflation, geopolitical worries, and economic slowdown. As a result, export growth stood lower than expected for KKC, ABB, and SIEM during 9MFY24. However, we believe that weakness seems to have bottomed out, with India's overall engineering exports growing by ~8% YoY in the Dec'23-Jan'24 period. Moreover, demand is expected to see a gradual improvement as these challenges ease going ahead. For EPC players, international ordering activity, especially in GCC, has been robust, with LT, KPIL and KECI bagging oil & gas, hydrocarbon and civil-related orders from Saudi Arabia and UAE. The outlook for these geographies is sanguine as crude oil continues to trade above USD70/bbl. Governments in these countries have laid out a roadmap to pivot away from their dependence on oil, which augurs well for these companies in terms of opportunity pipeline.

Election schedule can have a near-term impact on inflows and working capital

We expect the election schedule to have an impact on inflows and working capital during 4QFY24-1QFY25 for companies focused on government capex, particularly in the EPC and defense areas. With the order upfronting and the geographical diversification seen for most of the EPC and defense players such as LT and BHE, we expect companies to focus on execution. We expect normalization in order inflows and working capital from 2QFY25 onward.

We remain positive on long-term prospects for the sector

We believe that there are enough levers for the capex cycle to sustain over the long term, despite near-term election-related disruptions. Consequently, a couple of quarters of moderation in government ordering activity cannot be ruled out. However, we are seeing green shoots in private sector capex, particularly from auto, cement, metals and PLI-led capex. Companies' order books are already quite buoyant, which provides visibility for a healthy revenue CAGR. Strong demand and RM tailwinds are positive catalysts, some of which will have to be passed on by the companies. Exports have seemingly bottomed out, and we expect a gradual pickup from 4QFY24 onward. Higher oil prices and GCC infra spending augur well for EPC companies, which have a presence in the MENA region. We thus increase our estimates to bake in 4QFY24 inflows and lower RM prices and also revise our valuation multiples upwards to bake in expected improvement in private capex post elections.

Our top picks

ABB, LT, and KOEL remain our top picks in the sector. We expect ABB to be the key beneficiary of an improved addressable market for short-cycle orders from the private sector as well as transmission, railways, data center, and PLI-led spending. We expect LT to continue to benefit from both domestic and international spending, along with control over its working capital. We like KOEL because of its attractive valuations and as it has further scope of re-rating from current levels.

Cement

Company
ACC
Ambuja Cements
Birla Corporation
Dalmia Bharat
Grasim Industries
India Cements
JK Cement
JK Lakshmi Cement
The Ramco Cements
Shree Cement
UltraTech Cement

Robust volume growth; weak cement prices led to earnings cut

Estimate volume growth of ~10% YoY for coverage universe in 4QFY24

- We estimate our coverage universe to report strong volume growth of 10% YoY (three-year CAGR at ~8%) in 4QFY24. Further, we estimate average capacity utilization of ~93% vs. ~91%/79% in 4QFY23/3QFY24. However, cement price corrected across regions in 4Q and the all-India average cement price was down ~7% (down INR25 per 50-kg bag) QoQ. We estimate blended realization for our coverage universe to decline ~3%/4% YoY/QoQ.
- Given the sharp price correction in 4QFY24, we estimate average EBITDA/t to decline ~12% QoQ to INR990 (vs. our earlier estimate of INR1,100), which would partly be offset by positive operating leverage and favorable fuel prices. Aggregate EBITDA is estimated to increase 24% YoY, while OPM is expected to improve by 2.6pp YoY to 18.2%.
- GRASIM's revenue is estimated to decline 3% YoY. VSF volume is estimated to increase 5% YoY, while realization is estimated to decline 6% YoY (up ~1% QoQ). Chemical segment volume is estimated to increase 6% YoY, while realization could decline by 20% YoY. We expect the company's EBITDA to increase 20% YoY and EBITDA margin to improve 1.6pp YoY to 8%. Adjusted PAT is estimated to grow 80% YoY.

Volume strong; however, weak pricing drive EBITDA/t reduction QoQ

- Following a moderate growth in 3QFY24, cement volumes experienced a significant surge in 4QFY24, driven by robust demand from infrastructure, real-estate, and a pick-up in private capex. We estimate a ~15% YoY volume growth for JKCE, followed by ~11-12% for ACC, ACEM, BCORP, DALBHARA, and UTCEM, ~7-8% for SRCM, TRCL, and JKLC while, ICEM's volume is estimated to remain flat.
- However, cement prices have undergone a correction across regions in 4QFY24. The East and South regions witnessed the highest decline of ~8-9% QoQ, followed by the North and West regions with a ~7% and Central India with ~3% decline. We estimate the blended realization for our coverage universe to decline by ~3%/4% YoY/QoQ.
- Average Opex/t for our coverage universe is estimated to decline 6% YoY (down 3% QoQ), supported by reduction in input material cost. We estimate average variable cost/t to decline INR314/t YoY (a decline of INR67/t QoQ).
- ACC and JKCE are estimated to report strong YoY EBITDA growth at ~74-75%. EBITDA is estimated to grow 45% YoY for BCORP, 27-28% YoY for JKLC and SRCM, and 13-18% for ACEM, DALBHARA, and UTCEM. EBITDA is likely to decline 3% YoY for TRCL. ICEM is likely to report EBITDA of INR475m vs. operating loss of INR445m in 4QFY23.
- We expect EBITDA/t of INR1,218 for SRCM (the highest in our coverage universe), followed by INR1,133 for JKCE and INR1,069/INR1,038 for UTCEM/ACEM. EBITDA/t is estimated to fall within the range of INR790-970 for ACC, BCORP, DALBHARA, JKLC, and TRCL, with INR171 for ICEM.

Reduce earnings estimates to factor in sharp price correction

- Despite higher capacity utilizations (over 90%) during the quarter, cement prices corrected sharply across regions. This has led to lower profitability in 4Q and risk to our FY25/FY26 earnings estimate.
- Demand in 1HFY25 is estimated to be moderate due to the general elections till May'24-end, followed by the monsoon season. Further, continuous capacity expansions by leading industry players (UTCEM commissioned cement capacity of 11.4mtpa and SRCM commissioned 6.3mtpa in CY24-till date), and ramping-up of acquired assets are likely to keep prices under check.
- Given the lower exit prices of Mar'24 and increased competitive intensity, we do not foresee a sustainable price hike in the near term. Hence, we cut our aggregate EBITDA estimate by 3.7%/3.5% (including recent earnings cut for DALBHARA and SRCM in our company update notes) for FY25/FY26. This, in turn, led to 3.8%/5.0% reduction in aggregate profit for companies in our cement universe in FY25/FY26.

Earnings sensitivity to remain higher on price hikes

- We estimate cement demand to register a CAGR of ~7% over FY24-26, higher than our estimate for clinker capacity additions (~6% CAGR over FY24-26). Further, the industry's clinker utilization increased to ~79% in FY24 vs. ~76% in FY23. We estimate clinker utilization to further increase to 80%/81% in FY25/FY26.
- Fuel prices remain stable in the last few months, and we believe earnings sensitivity to remain higher, largely due to the pricing behaviors of industry players. **Key risk to our estimate are:** 1) substantial sustainable price hikes by the industry players to protect margins in an expected low demand environment till 1HFY25; and 2) increase in fuel prices.
- We continue to prefer UTCEM in the large-cap space. We prefer DALBHARA and JKCE in the mid-cap space.

Summary of 4QFY24 estimates

	CMP		Sales (INR m)			EBITDA (INR m)			PAT (INR m)		
Companies	(INR)	Rating	Mar'24	YoY (%)	QoQ (%)	Mar'24	YoY (%)	QoQ (%)	Mar'24	YoY (%)	QoQ (%)
ACC	2544	Neutral	51,223	6.9	4.1	8,150	74.8	-9.8	4,736	65.8	-10.2
Ambuja Cements	621	Neutral	47,121	10.7	6.1	9,330	18.4	9.6	6,348	12.8	23.6
Birla Corporation	1478	Buy	26,487	7.6	14.6	3,981	45.1	5.2	1,442	102.5	32.1
Dalmia Bharat	1997	Buy	41,676	6.5	15.8	8,007	13.2	3.3	2,560	-1.9	-4.8
Grasim Industries	2291	Buy	64,301	-3.2	0.5	5,127	20.3	-1.9	1,683	80.0	-28.8
India Cements	220	Sell	14,244	-2.5	31.7	475	LP	-3.1	-489	Loss	Loss
JK Cement	4277	Buy	31,599	13.8	7.7	6,075	73.8	-2.8	2,442	117.5	-14.0
JK Lakshmi Cem.	883	Buy	19,296	3.6	13.3	2,951	26.8	-2.3	1,408	22.6	-0.3
Ramco Cements	845	Neutral	24,850	-3.3	18.0	4,003	-3.0	1.2	1,060	-30.4	13.6
Shree Cement	26487	Neutral	49,755	4.0	1.5	11,463	28.4	-7.1	5,697	45.4	-22.4
Ultratech Cement	9956	Buy	2,04,406	9.5	22.1	37,637	13.3	15.6	20,616	23.7	16.0
Cement			**5,74,959**	**6.1**	**12.4**	**97,198**	**24.2**	**4.6**	**47,502**	**32.1**	**2.1**

ICICIBC: Financials Snapshot (INR b)			
Y/E March	FY23	FY24E	FY25E
NII	621	744	845
OP	491	578	662
NP	319	408	455
NIM (%)	4.7	4.8	4.6
EPS (INR)	45.8	58.4	65.2
EPS Gr (%)	36.0	27.6	11.6
ABV/Sh (INR)	267	317	373
Cons. BV/Sh (INR)	306	365	435
Ratios			
RoE (%)	17.5	19.0	18.1
RoA (%)	2.1	2.4	2.2
Valuations			
P/BV (x) (Cons)	3.5	3.0	2.5
P/ABV (x)	3.3	2.8	2.3
P/E (x)	19.0	14.9	13.4

*Multiples adjusted for Subs

AXSB: Financials Snapshot (INR b)			
Y/E March	FY23	FY24E	FY25E
NII	429.5	495.2	545.1
OP	321.4	358.0	407.2
NP	219.3	240.8	267.2
NIM (%)	3.7	3.7	3.6
EPS (INR)	71.4	78.2	86.6
EPS Gr. (%)	68.0	9.6	10.8
BV/Sh. (INR)	406	477	555
ABV/Sh. (INR)	388	458	535
Ratios			
RoE (%)	18.2	17.7	16.8
RoA (%)	1.8	1.7	1.7
Valuations			
P/E(X)	13.5	12.3	11.1
P/BV (X)	2.4	2.0	1.7
P/ABV (X)	2.5	2.1	1.8

Axis vs ICICI Bank: Revisiting performance gap over recent years

Estimate RoA gap to sustain at 40-50bp; maintain preference for ICICIBC

- **ICICIBC has outperformed AXSB in four out of the past five fiscals, while on a cumulative basis, ICICI Bank's stock has outperformed AXSB by 143% over the past five years. We note that since our AXSB rating downgrade, ICICIBC has outperformed AXSB by ~11% in the past few months.**
- **We believe that owing to constraints on the CD ratio and challenges in garnering retail deposits, AXSB will continue to face pressure on its growth and margin profile, leading to a persistent RoA gap compared to ICICI Bank. In our estimates, we have already accounted for a growth differential of 200-300bp between the two banks.**
- **ICICI Bank's M-cap in Mar'19 was ~30% higher vs. Axis Bank with an absolute gap of ~INR580b. Five years later, in Mar'24, ICICI Bank's M-Cap is 136% higher vs. Axis Bank and absolute gap now stands at INR4.45t.**
- **AXSB is currently trading at a 1.5x FY26E ABV and while overall valuations look reasonable, the pressure on key operating metrics will limit stock performance in the near term.**
- **We continue to prefer ICICIBC on its steady return ratios and its ability to deliver superior growth. We thus estimate ICICIBC to deliver FY26E RoA/RoE of 2.2%/17.8% vs. AXSB RoA/RoE of 1.7%/17.1%.**

ICICI has outperformed AXSB by 143% over the past five years; ~11% outperformance since our rating downgrade last quarter

We had earlier pitched AXSB as a stock of the year during Jan'23 (Growth outlook gaining traction) and subsequent to the healthy outperformance (~18% returns during CY23), we downgraded AXSB stock in Jan'24 (Earnings in line; remain watchful on growth and NIMs) on concerns around growth, margins, and lower return ratios with RoA gap between AXSB and ICICIBC sustaining at 40-50bp. We thus note that since our AXSB rating downgrade, ICICIBC has outperformed AXSB by ~11% and while AXSB's valuation multiple looks reasonable, the overhang on key operating metrics and weaker profitability will limit any meaningful stock return over the near term.

ICICI has outperformed AXSB in four out of past five fiscals

ICICIBC's market cap has registered a CAGR of 24% over FY19-24 vs. 10% witnessed by AXSB. This has been enabled by robust 65% earnings CAGR over FY19-24E vs. 39% CAGR for AXSB over a similar period. ICICIBC's market cap over the past five years has thus grown at 198% vs 63% for AXSB. However, given multiple capital raises at AXSB vs. ICICI, we believe that comparison on stock returns is more appropriate where ICICIBC has outperformed AXSB by 143% during FY19-24 with the bank outperforming in four out of the past five years. We estimate ICICI bank to deliver 13% earnings CAGR over FY24-26E, resulting in RoA of ~2.2% over FY24-26E vs. estimated RoA of ~1.7% for AXSB over a similar period.

Elevated CD ratio of AXSB to constrain growth; estimate ICICIBC to maintain steady ~18% loan CAGR over FY24-26E

ICICIBC has been delivering a steady loan CAGR of 18% over FY21-24E, while AXSB has reported a loan CAGR of 17% over a similar period. We note that ICICIBC is well positioned in terms of its liability profile with a healthy mix of CASA and retail deposits. Additionally, the domestic credit-deposit ratio for the bank also remains in control at ~85% vs ~93% for AXSB. We believe that this will significantly impede AXSB's growth prospects. We have already factored in a growth differential of 200-300bp between the two banks.

AXSB's margin profile to remain weak vs. ICICI Bank

ICICIBC has consistently delivered superior NII growth vs. AXSB over the past three years, led by robust margins and healthy business growth. NIMs for ICICIBC has remained in the range of 4.4-4.5% vs ~4.0% for AXSB. Margin profile for AXSB has been weaker due to higher funding costs, presence of RIDF bonds, lower capitalization levels and relatively lower mix of Retail loans. During 3QFY24, both AXSB and ICICIBC reported 10bp QoQ decline in margins to 4.0%/4.4%, respectively, as AXSB's Cost of funds has increased to 5.4% in 3QFY24 vs 5.0% for ICICIBC. We believe that owing to constraints on CD ratio and challenges in garnering retail deposits, the margin profile for AXSB will remain under pressure despite lower NIM base.

High opex ratios for AXSB further remains a drag on profitability

ICICIBC has been consistently strengthening its digital capabilities and has been gaining market share while effectively managing its cost-ratios. However, Opex for AXSB continues to remain elevated with C/I ratio sustaining at ~50%, while cost-assets ratio also increased to 2.5% in 3QFY24. With continued investments in branches and digital innovation, we expect AXSB's cost-ratios to remain elevated, thus limiting any meaningful reduction in RoA gap vs that of ICICI Bank.

Asset quality robust; expect credit cost to sustain at similar levels for both

ICICIBC has made significant progress toward improving its asset quality, with the best in class PCR of ~81%, which coupled with contingent provisions of ~INR131b (1.1% of loans), will keep credit cost benign. Through aggressive investments in technology, ICICIBC has leveraged analytics and digital capabilities to formulate early delinquency models, aiding the bank in maintaining control over slippages. We thus expect NNPA to fall to 0.4% by FY26E- similar to AXSB, while credit costs are expected to sustain at ~50bp over FY26E vs ~60bp for AXSB.

Valuation and View

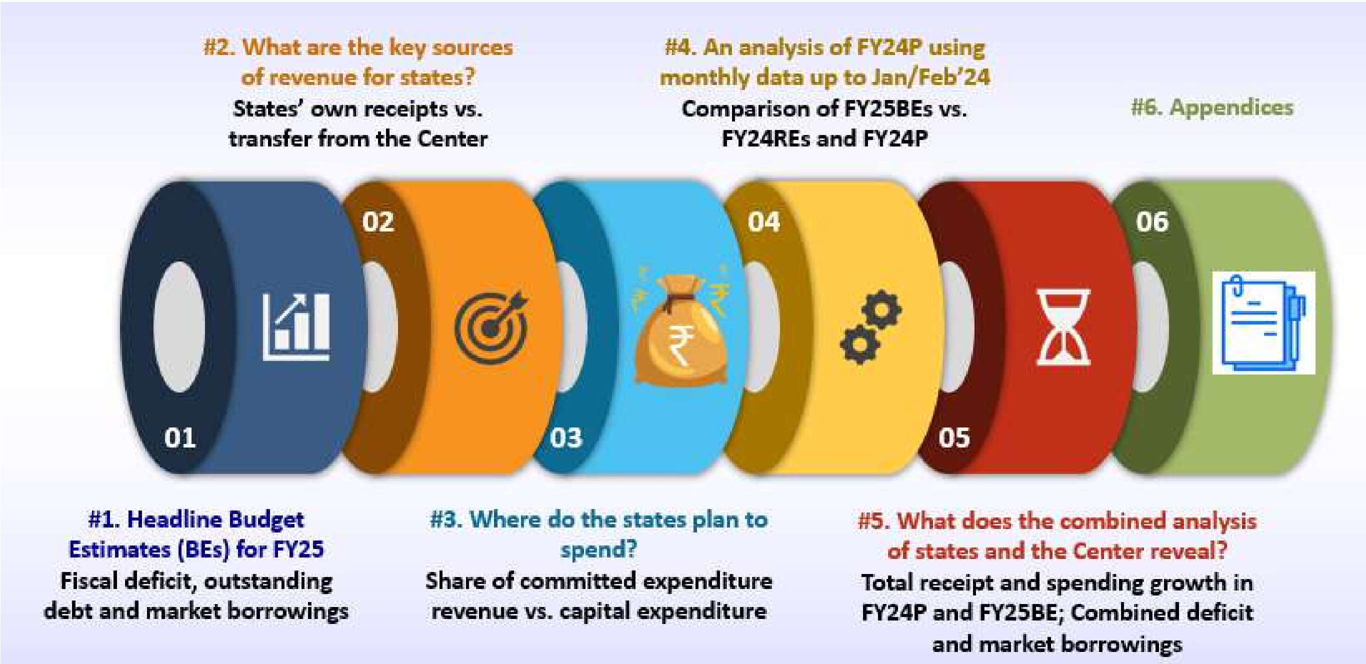
ICICIBC has been delivering industry leading RoA with the same being ~50bp higher than AXSB over the past few years. AXSB's elevated CD ratio will constrain credit growth, while continued re-pricing of deposits will likely exert pressure on margins in the coming quarters as well. The capitalization level for ICICIBC remains strong with a Tier-I ratio of 16%, which will enable healthy growth trajectory, while healthy accretion of retail deposits will be a key growth enabler. We thus estimate ICICIBC's loan book to register a CAGR of ~18% over FY24-26E vs. 16% for AXSB. Also, while ICICIBC is positioned well to benefit from operating leverage and grow the business on the back of strong technological investments, AXSB has been in an investment mode, which will thus keep the difference in cost-ratios of the two banks elevated. AXSB is currently trading at a 1.5x FY26E ABV and while the overall valuations look reasonable, the pressure on key operating metrics will limit stock performance in the near term and we continue to prefer ICICIBC on steady return ratios and ability to deliver superior growth. We thus estimate ICICIBC to deliver FY26E RoA/RoE of 2.2%/17.8% vs. AXSB RoA/RoE of 1.7%/17.1%.

Economy - State Budgets 2024-25: States' capex at all-time high of 2.7% of GDP in FY24

Key highlights from the 2024-25 combined budget analysis

- Combining the 2024-25 budgets of the Union government and our estimates of state governments (based on 20 large states), we find that total receipts of the general government (GG; Center + States) are budgeted to rise 15.1% YoY in FY24RE and 12.1% YoY in FY25BE. Aggregate spending, however, is budgeted to increase only 8% YoY in FY25BE, following a growth of 14% in FY24RE. Accordingly, the combined fiscal deficit is budgeted to decline to 8.3% of GDP in FY25BE, from 9.3% of GDP in FY24RE (vs. 9.2% of GDP in FY23).
- Based on unaudited monthly data up to Jan'24/Feb'24 for large states, our estimates suggest that combined receipts grew 15.9% YoY in FY24P, slightly better than FY24RE. Total spending, however, is estimated to have increased 12.6% in FY24P, helping to narrow the GG fiscal deficit to 8.9% of GDP in FY24.
- Total capex (excluding loans & advances) of the general government is budgeted to rise to 5.6% of GDP in FY25, same as in FY24RE, which is a record high. Include CPSEs, and the aggregate public sector capex increased to 14-year high of 6.4% of GDP in FY24P, and budgeted at 6.5% of GDP in FY25.
- Combined outstanding debt of GG is estimated to have risen to 83.6% of GDP in FY24RE, from 82.8% of GDP in FY23. Notably, it is budgeted to ease to 82.3% of GDP in FY25, the lowest in five years.
- Lastly, combined GMBs are budgeted at INR25.6t (7.8% of GDP) same as in in FY24 (8.7% of GDP) . NMBs are budgeted at INR20.2t (6.2% of GDP) in FY25BE vs. INR19.1t (6.5% of GDP) in FY24.

Agenda



APPENDIX IV: Summary of combined (GG) budget 2024-25

	FY23A	FY24RE		FY24P		FY25BE		
	INR t	INR t	% YoY	INR t	% YoY	INR t	% YoY*	% YoY**
Total receipts	36.5	42.6	16.8	40.3	10.4	46.4	9.0	15.2
States' own tax revenue	17.6	20.4	15.7	20.7	17.3	23.2	13.9	12.4
Devolution	9.5	11.0	16.5	11.0	16.5	12.2	10.4	10.4
States' own non- taxes	2.8	3.4	19.6	3.4	18.8	3.8	12.0	12.7
Grants	6.5	7.3	13.5	5.0	-23.5	6.8	-7.6	37.0
Non-debt capital receipts	0.1	0.5	367.4	0.3	185.6	0.5	-0.1	63.5
Total spending	44.0	52.9	20.3	49.3	12.1	56.8	7.4	15.3
Revenue spending	37.3	43.7	17.2	40.6	9.0	46.9	7.3	15.3
Capital spending	6.7	9.2	37.7	8.7	29.2	10.0	8.1	15.3
Capital outlays (Capex)	6.0	8.4	41.4	8.0	33.6	9.0	7.0	13.3
Loans & advances	0.7	0.8	7.5	0.7	-6.1	1.0	20.0	37.4
Fiscal deficit	7.5 (2.8)	10.3 (3.5)		9.0 (3.1)		10.4 (3.2)		
Revenue deficit	0.9 (0.3)	1.5 (0.5)		0.6 (0.2)		0.9 (0.3)		
Outstanding debt	75.8 (28.1)	84.9 (28.6)	12.0	…	…	92.7 (28.3)	9.2	…
GMBs	7.6	10.2	34.1	9.6	27.1	10.9	7.6	13.5
NMBs	5.2	7.3	40.7	6.8	30.5	8.0	9.2	17.7

*Over FY24RE **Over FY24P Data in parenthesis is as % of GDP

Source: Union/State Budget document, CEIC, RBI, MOFSL

03 April 2024

Update | Sector: Retail

Avenue Supermarts

BSE SENSEX	S&P CNX
73,877	22,435

CMP: INR4,461 TP: INR 4,700(+5%) Buy

D-Mart 4QFY24 pre-quarter update

Revenue grew 20% YoY (in line)

Stock Info

Bloomberg	DMART IN
Equity Shares (m)	648
M.Cap.(INRb)/(USDb)	2902.9 / 34.8
52-Week Range (INR)	4592 / 3352
1, 6, 12 Rel. Per (%)	15/5/-3
12M Avg Val (INR M)	1498
Free float (%)	25.4

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	428	508	644
EBITDA	36	42	57
Adj. PAT	24	26	36
EBITDA Margin (%)	8	8	9
Adj. EPS (INR)	37	39	56
EPS Gr. (%)	59	7	41
BV/Sh. (INR)	248	288	343
Ratios			
Net D:E	-0.2	-0.2	-0.2
RoE (%)	16.0	14.7	17.7
RoCE (%)	15.7	14.5	17.4
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	121.7	113.3	80.2
EV/EBITDA (x)	79.3	69.6	50.2
EV/Sales (X)	6.7	5.7	4.5
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.1	0.1	0.5

Strong revenue growth, supported by high productivity and footprint adds

- Standalone revenue grew 20% YoY to INR123.9b (in line), driven by 7% growth in revenue per store and a robust 13% YoY increase in store additions.
- Revenue/store has grown 7% YoY to INR1,404m (vs. +5% YoY in 3QFY24).
- Revenue/sq.ft. (calc) has grown ~5% YoY to INR33,451/sq.ft, and hence, the gap between revenue/store and revenue/sqft stood at ~2%.

Recovery visible

- We have seen growth in revenue/sqft in the last 3-4 quarters (each quarter growing by around 4-6% YoY).
- In the last three years, revenue/sqft remained subdued due to **addition of larger store sizes** and **weak discretionary spending (contributing 23-25% of revenue). However, this trend has been gradually reversing in the last 3-4 quarters, as** evidenced by the narrowing gap between the revenue/store growth and revenue/sq. ft. growth.

Strong store additions

- Following a period of subdued store additions in 9MFY24 (adding 17 stores), the company added 24 stores in 4QFY24, taking the total count to 365 stores.

Exhibit 1: Trajectory in store additions and thru-put

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Revenue (INR b)	98	104	113	103	116	123	132	124
YoY growth	95%	36%	25%	20%	18%	19%	17%	20%
Store count	294	302	306	324	327	336	341	365
Store adds	10	8	4	18	3	9	5	24
YoY growth	26%	23%	16%	14%	11%	11%	11%	13%
Total Area (mn sqft)	12.1	12.4	12.6	13.4	13.5	13.9	14.2	15.5
YoY growth	38%	31%	22%	17%	12%	12%	13%	15%
Rev/Store (INR m)	1,357	1,394	1,487	1,313	1,424	1,485	1,565	1,404
YoY growth	59%	10%	4%	4%	5%	7%	5%	7%
Rev/sq ft	33,244	33,909	36,175	31,807	34,452	35,935	37,728	33,451*
YoY growth	47%	2%	-2%	1%	4%	6%	4%	5%*

**calculated number*

Source: MOFSL, Company

L&T Finance

BSE SENSEX	S&P CNX
73,877	22,435

Stock Info

Bloomberg	LTFH IN
Equity Shares (m)	2469
M.Cap.(INRb)/(USDb)	423.5 / 5.1
52-Week Range (INR)	179 / 82
1, 6, 12 Rel. Per (%)	-1/11/74
12M Avg Val (INR M)	1228
Free float (%)	34.1

Financials Snapshot (INR b)

Y/E March	FY24E	FY25E	FY26E
Net Income	75.9	89.8	111.5
PPP	52.9	64.4	83.1
PAT	24.4	29.8	39.2
EPS (INR)	9.8	12.0	15.8
EPS Gr. (%)	50.6	22.1	31.3
BV/Sh. (INR)	95	102	112
Ratios			
NIM (%)	9.8	10.0	9.9
C/I ratio (%)	39.6	37.5	34.1
RoA (%)	2.3	2.6	2.7
RoE (%)	10.9	12.2	14.8
Payout (%)	50.0	50.0	30.0
Valuations			
P/E (x)	17.3	14.1	10.8
P/BV (x)	1.8	1.7	1.5
Div. Yield (%)	2.9	3.5	2.8

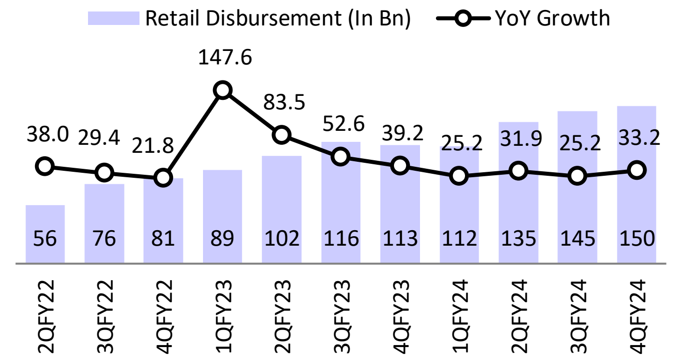
CMP:INR170 Buy

Retail loans grew ~31% YoY; Retail Mix now at ~94%

Wholesale loans could have potentially declined to ~INR51b

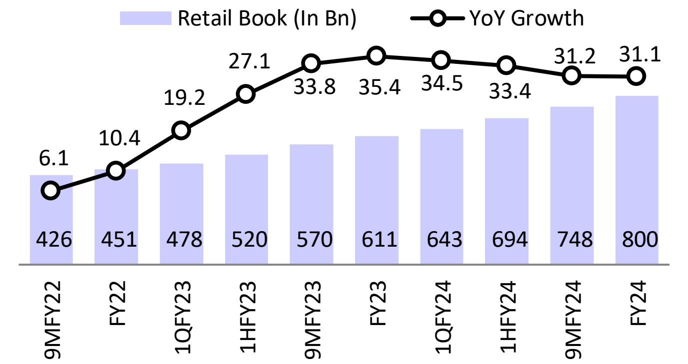
- 4QFY24 retail disbursements rose 33% YoY and 3% QoQ to INR150b (PY: INR112b). Sequential improvement in disbursements is positive given that 3Q which was a festive quarter.
- Rural Business disbursements grew 31% YoY. Given that industry-wide decline in tractor sales, Farmer Finance disbursements declined 2% YoY. However, Urban Finance disbursements grew 32% YoY.
- Retail loan book grew 31% YoY and 7% QoQ to INR800b (in line with our estimates)
- Retail Loan mix increased to ~94% (PQ: 91%) and well ahead of Lakshya FY26 retail mix target of over 80%. This implies that the wholesale book could have declined to ~INR51b (PQ: ~INR70b).

Strong momentum in retail disbursements



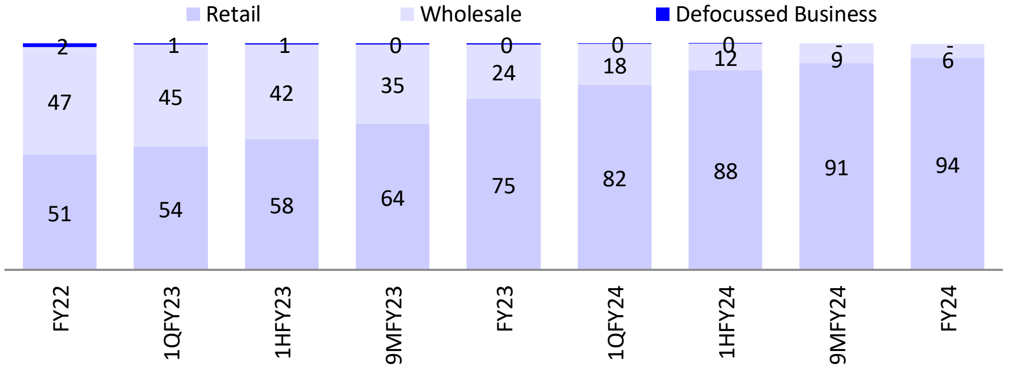
Source: MOFSL, Company

Retail loans grew ~31% YoY



Source: MOFSL, Company

Wholesale mix declined to ~6% (vs. 47% around two years ago)



Source: MOFSL, Company

Poonawalla Fincorp

BSE SENSEX	S&P CNX
73,877	22,435

Stock Info

Bloomberg	POONAWAL IN
Equity Shares (m)	768
M.Cap.(INRb)/(USDb)	383.1 / 4.6
52-Week Range (INR)	520 / 285
1, 6, 12 Rel. Per (%)	6/15/41
12M Avg Val (INR M)	1037
Free float (%)	37.9

Financials Snapshot (INR b)

Y/E March	FY24E	FY25E	FY26E
Net Total Income	21.6	30.6	41.2
PPOP	13.7	21.6	31.0
PAT	10.0	14.2	20.4
EPS (INR)	13.0	18.5	26.6
EPS Gr. (%)	67.5	42.7	43.6
Standalone BV (INR)	108	124	145
Valuations			
NIM (%)	9.5	9.4	9.6
C/I ratio (%)	36.5	29.5	24.8
RoAA (%)	4.8	4.9	5.0
RoE (%)	13.5	16.0	19.8
Payout (%)	23.1	27.0	26.3
Valuations			
P/E (x)	38.2	26.7	18.6
P/BV (x)	4.6	4.0	3.4
Div. Yield (%)	0.6	1.0	1.4

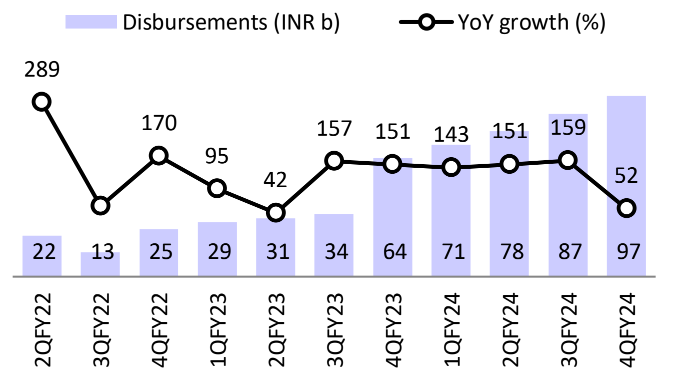
CMP:INR495 Buy

Momentum sustained with AUM growth of 54% YoY

Asset quality continued to improve with GNPA below 1.2%

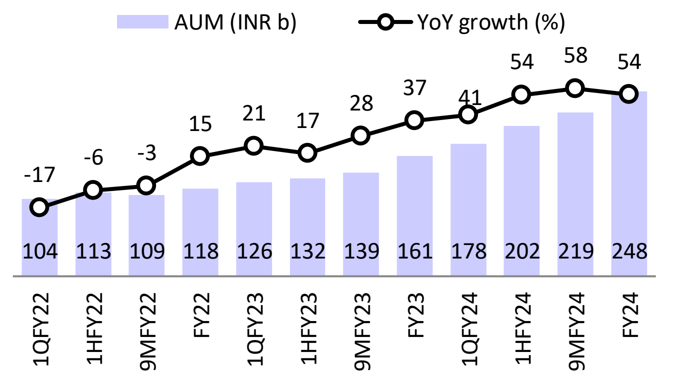
- PFL reported the highest-ever quarterly disbursements of ~INR96.8b which grew ~52% YoY and 11% QoQ.
- AUM grew 54% YoY and 13% QoQ to ~INR248b (vs. MOSLe: ~INR241b). Annualized run-off in the loan book declined to 124% (PQ: 139%).
- GNPA and NNPA ratios are expected to improve further to <1.2% and <0.6% respectively. The company is committed to maintaining its NNPA below 1%, in line with its Management Vision 2025.
- As of Mar'24, the company's liquidity position was healthy and comfortable at ~INR36b (~15% of AUM).

Disbursements grew ~11% QoQ...



Source: MOFSL, Company

...leading to AUM growth of 13% QoQ



Source: MOFSL, Company

3 April 2024

Update | Sector: Financials - Bank

Federal Bank

BSE SENSEX	S&P CNX
73,877	22,435

Stock Info	
Bloomberg	FB IN
Equity Shares (m)	2435
M-cap.(INR b)/(USD b)	376.1 / 4.5
52-Week Range (INR)	167 / 121
1, 6, 12 Rel. Per (%)	0/-12/-13
12M Avg. Val. (INR m)	2107
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E Mar	FY23	FY24E	FY25E
NII	72.3	83.0	100.5
OP	47.9	54.1	67.3
NP	30.1	37.4	44.0
NIM (%)	3.5	3.3	3.4
EPS (INR)	14.3	16.5	18.2
EPS Gr. (%)	54.8	15.5	10.4
BV/Sh. (INR)	102	119	135
ABV/Sh. (INR)	94	112	126
Ratios			
ROE (%)	14.9	14.9	14.3
ROA (%)	1.3	1.3	1.3
Valuations			
P/E(X)	10.9	9.4	8.5
P/BV (X)	1.5	1.3	1.2
P/ABV (X)	1.6	1.4	1.2

CMP: INR155 Buy

Business growth healthy; CASA ratio moderates further

Federal Bank (FB) released its quarterly update, underlining the 4QFY24 business numbers. Here are the key highlights:

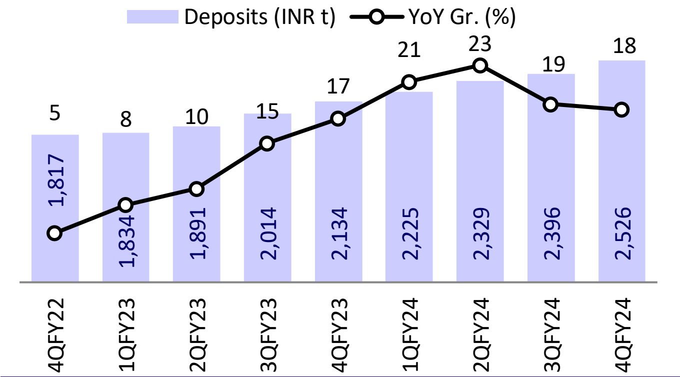
- **Gross advances grew 19.9% YoY to ~INR2.1t (+5% QoQ). According to the internal classification of the bank, retail credit grew 25% YoY, while wholesale book posted a growth of 15% YoY. With this, the share of retail in the total loan mix stood at 56% in 4QFY24.**
- **Total deposit base surged 18.4% YoY (5.4% QoQ) to INR2.53t. Total customer deposits grew 18.8% YoY (5.5% QoQ), while CASA growth was largely flat at 6.5% YoY (1.2% QoQ). As a result, CASA ratio declined 123bp QoQ to 29.4%.**
- **Certificate of Deposit grew 10.2% YoY/9.7% QoQ, while the interbank deposits rose 16.3% YoY/declined 20.6% QoQ.**
- **Overall, FB posted a healthy growth in advances, driven by both retail and wholesale books. Deposit growth was also healthy at 18.4% YoY/5.4% QoQ; however, CASA growth was flat at 1.2% QoQ. Faster growth in TDs led to a further decline in CASA ratio by 123bp to 29.4%.**

Key business trends

INR b	4QFY23	3QFY24	4QFY24	YoY (%)	QoQ (%)
Gross Advances	**1,774**	**2,025**	**2,128**	**19.9%**	**5.1%**
Total Deposits	**2,134**	**2,396**	**2,526**	**18.4%**	**5.4%**
Customer Deposits	2,021	2,275	2,401	18.8%	5.5%
CASA	**697**	**734**	**742**	**6.5%**	**1.2%**
CASA ratio (%)	**32.68%**	**30.63%**	**29.40%**	**-328**	**-123**
Certificate of Deposits	95	95	104	10.2%	9.7%

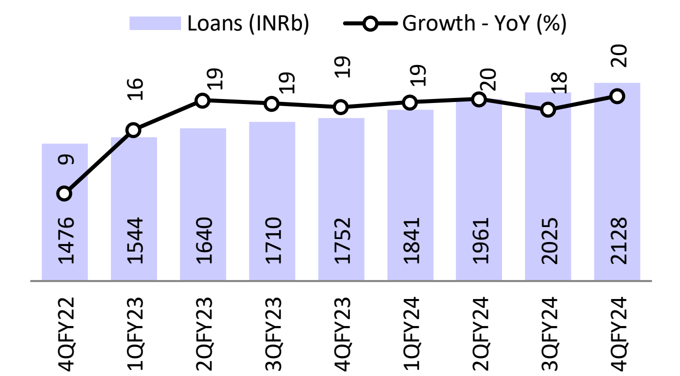
Source: MOFSL, Company

Deposits grew ~18.4% YoY (+5.4% QoQ)



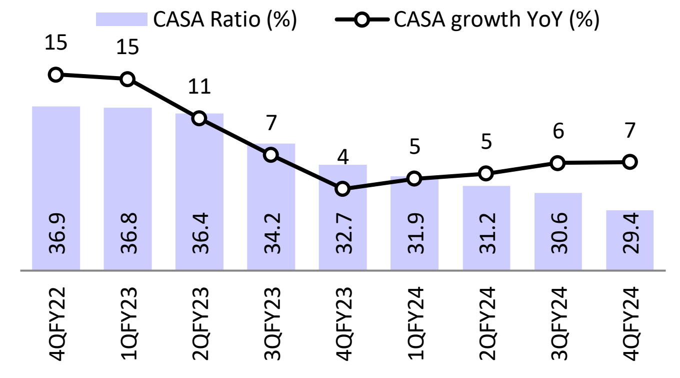
Source: MOFSL, Company

Gross advances grew 20% YoY (+5.1% QoQ)



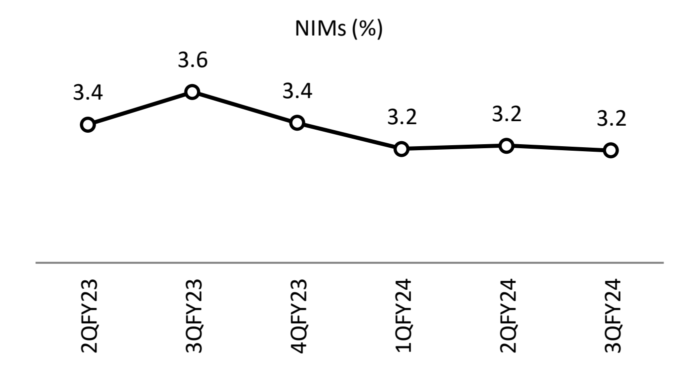
Source: MOFSL, Company

CASA ratio declined 123bp QoQ to 29.4%



Source: MOFSL, Company

NIM was at 3.2% as of 3QFY24



Source: MOFSL, Company

03 April 2024

Update | Sector: Financials - Bank

RBL Bank

BSE SENSEX	S&P CNX
73,877	22,435

Stock Info	
Bloomberg	RBK IN
Equity Shares (m)	600
M.Cap.(INRb)/(USDb)	152.8 / 1.8
52-Week Range (INR)	301 / 139
1, 6, 12 Rel. Per (%)	-7/-16/46
12M Avg Val (INR M)	2650
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	50.0	60.6	71.3
OP	22.0	29.6	36.4
NP	8.8	11.5	15.4
NIM (%)	4.8	5.2	5.2
EPS (INR)	14.7	19.2	25.6
EPS Gr. (%)	NM	30.4	33.4
BV/Sh. (INR)	226	241	259
ABV/Sh. (INR)	215	233	250
Ratios			
RoE (%)	6.7	8.2	10.2
RoA (%)	0.8	0.9	1.1
Valuations			
P/E(X)	17.1	13.1	9.8
P/BV (X)	1.1	1.0	1.0
P/ABV (X)	1.2	1.1	1.0

CMP: INR253 — Neutral

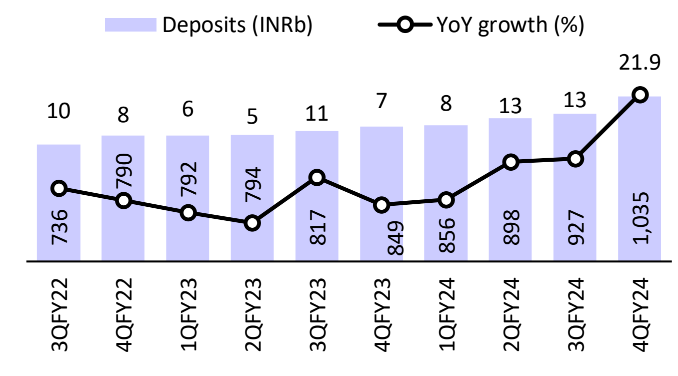
Business growth robust aided by healthy traction in CASA deposits and retail advances

Deposits traction healthy, aided by robust growth in CASA

RBL Bank (RBK) released its quarterly business update for 4QFY24. Here are the key highlights:

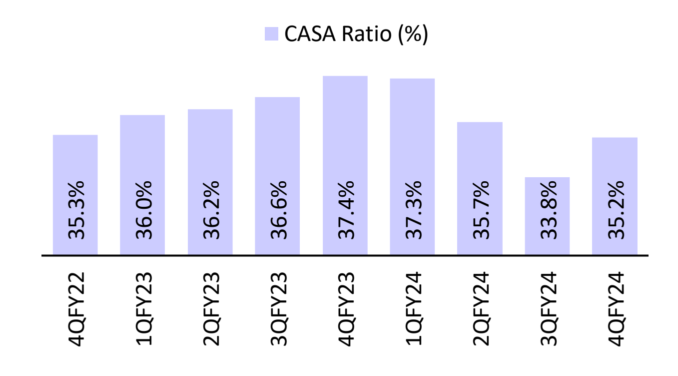
- RBK reported a 19.2% YoY/4.6% QoQ increase in gross advances to INR856b. Among segments, retail advances saw a robust growth of 29% YoY, while wholesale loans grew at a modest rate of 7% YoY. The mix of retail and wholesale stood at 58:42.
- The deposit base grew 21.9% YoY (up 11.5% QoQ) to INR1,035b, aided by healthy growth in CASA Deposits at 15% YoY/16% QoQ. As a result, CASA ratio increased sharply to 35.2% (vs. 33.8% in 3QFY24 and 37.4% and 4QFY23). Further, retail deposits (as per LCR) saw a steady growth of 4.6% QoQ, better than the growth in total deposits. Retail deposits mix declined to 41.7% from 44.4% in 3QFY23.
- LCR for the bank stood at 140% (vs. 132% in 3QFY24).
- Overall, in 4QFY24, RBK witnessed healthy traction in loan growth, led by robust trends in the retail segment. Growth in deposits surprised positively, with CASA too growing at a faster rate, but growth was funded by wholesale deposits, reflected in a decline in the share of retail deposits to 41.7%.

Exhibit 1: Deposits grew 11.5% QoQ (up 21.9% YoY)



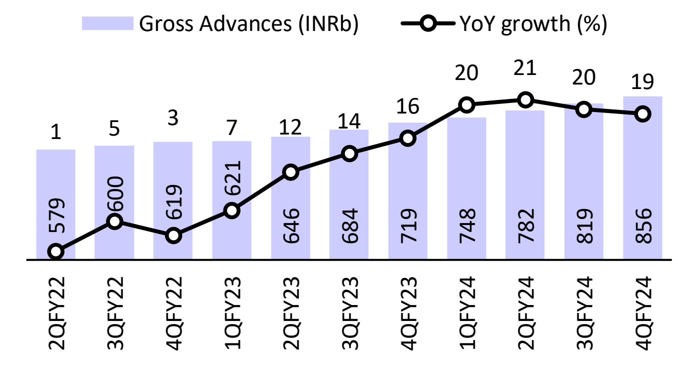
Source: MOSL, Company

Exhibit 2: CASA ratio moderated 141bp QoQ to 35.2%



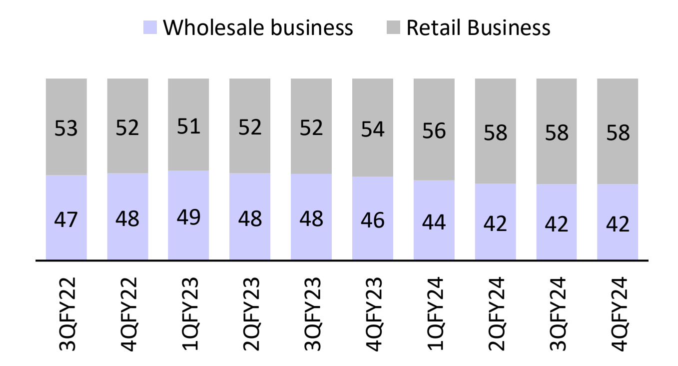
Source: MOSL, Company

Exhibit 3: Gross advances growth stood at 19% YoY in 4QFY24



Source: MOSL, Company

Exhibit 4: Retail: Wholesale mix stood at 58:42



Source: MOSL, Company

Allcargo Logistics : Volumes have grown sequentially in Feb MoM; Ravi Jakhar, Chief Strategy officer

- Witnessed revival across macroeconomic factors
- Margins trend should continue to grow in coming quarters
- Cost efficiency and volume growth should aid to margin expansion
- Can expect 6-10% Volume growth in next 6-8 months
- Business will continue to remain asset light

Read More

Tata Tech : Approvals to come over in next 3-4 months; Warren Harri, CEO & MD

- BMW JV represents a strategic and material commitments from tata tech and BMW
- Expect approvals to come over in next 3-4 months
- Expect projects to commence in H2 FY25
- Not seeing any slowdown in EV spends in industry

Read More

Hyundai India : FY24 rural Penetration is close to 19%, highest ever for the company; Tarun Garg, COO

- India is the third largest market for Hyundai
- Will launch a high volume EV in early 2025, we aim to be a significant player in the EV market
- Industry feels FY25 Could see moderation of growth to 2.5-3%
- Customers are shunning the hatchback and moving to SUVs and sedans
- Create continues to be Hyundai's flag bearer with a growth of 8% in FY24, followed by venue and Exter

Read More

Greenply Industries : Industry size for furniture hardware is $2 Bn; Manoj Tulsian, MD & CEO

- Will be investing Rs 250 cr in the furniture hardware business
- EBITDA margin for furniture hardware business can be above 25%
- Will grow plywood volumes between 8-10%
- Once all phases are completed, this furniture hardware could be Rs 750-800 cr revenue

Read More

NOTES

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

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

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