

Market snapshot



Equities - India	Close	Chg. %	CYTD.%
Sensex	64,572	-1.3	6.1
Nifty-50	19,282	-1.3	6.5
Nifty-M 100	38,817	-2.7	23.2
Equities-Global	Close	Chg. %	CYTD.%
S&P 500	4,248	0.7	10.6
Nasdaq	13,140	0.9	25.5
FTSE 100	7,390	0.2	-0.8
DAX	14,880	0.5	6.9
Hang Seng	5,799	-1.2	-13.5
Nikkei 225	31,062	0.2	19.0
Commodities	Close	Chg. %	CYTD.%
Brent (US\$/Bbl)	93	-2.0	14.5
Gold (\$/OZ)	1,973	-0.4	8.2
Cu (US\$/MT)	7,901	0.3	-5.5
Almn (US\$/MT)	2,149	-0.4	-8.6
Currency	Close	Chg. %	CYTD.%
USD/INR	83.2	0.1	0.5
USD/EUR	1.1	0.7	-0.3
USD/JPY	149.7	-0.1	14.2
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	7.4	0.02	0.1
10 Yrs AAA Corp	7.8	0.03	0.1
Flows (USD b)	23-Oct	MTD	CYTD
FII	0.0	-0.87	13.9
DII	0.13	2.07	17.6
Volumes (INRb)	23-Oct	MTD*	YTD*
Cash	749	725	669
F&O	3,41,363	3,10,033	2,63,842

Note: Flows, MTD includes provisional numbers.
*Average



Today's top research idea

PNB Housing Finance: Getting its mojo back as stress cleaned up; Upgrade to BUY

- ❖ Equity capital raise through a rights issue has brought in the much-needed confidence capital, which could result in a rating upgrade from credit rating agencies. We expect PNBHF to deliver a CAGR of 13%/28% in AUM/PAT over FY23-FY26 and ~2.4%/12.4% RoA/RoE in FY26. Upgrade to BUY with a revised TP of INR950 (premised on 1.5x FY25E BVPS).
- ❖ Our recommendation upgrade is predicated on a) visibility of >15% AUM CAGR from FY25 onward, b) potential NIM expansion on the back of a decline in borrowing costs and a marginal rise in yields as affordable housing mix improves to form a respectable proportion of retail book, and c) expansion in RoA aided by moderation in credit costs (as both retail and corporate segment stress now largely provided for) and gradual improvement in RoE as the leverage builds up on the balance sheet.



Research covered

Cos/Sector	Key Highlights
PNB Housing Finance	Getting its mojo back as stress cleaned up; Upgrade to BUY
Torrent Pharma	2Q: in-line operationally; superior show in DF/Brazil
Balkrishna Industries	Sequential improvement in overall performance
Other Notes	L&T Finance Holdings Mahindra Logistics Transport Corp



Piping hot news

Luxury carmakers on course to hit record 45,000 units in annual sales; post double-digit growth in Jan-Sept 2023: Automakers including Mercedes, Audi, BMW, JLR and Volvo have sold around 33,000 units during the first nine months of this year as against 36,000 units sold in 2022.



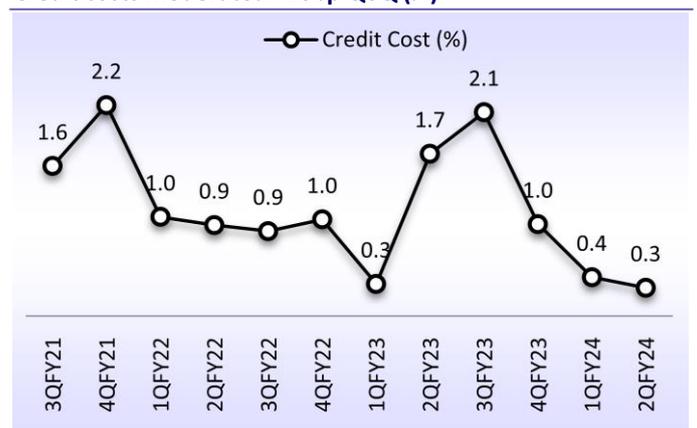
Chart of the Day: PNB Housing Finance (Getting its mojo back as stress cleaned up)

Retail GNPA improved significantly QoQ



Source: MOFSL, Company

Credit costs moderated ~10bp QoQ (%)



Source: MOFSL, Company

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1

Coca-Cola India biz delivers double-digit volume & topline growth in Sep quarter

The company has raised its full-year topline and bottom line forecast in light of its year-to-date performance, Quincey added...

2

Luxury carmakers on course to hit record 45,000 units in annual sales; post double-digit growth in Jan-Sept 2023

Automakers including Mercedes, Audi, BMW, JLR and Volvo have sold around 33,000 units during the first nine months of this year as against 36,000 units sold in 2022...

3

Mamaearth parent Honasa Consumer to launch IPO on October 31

The company plans to issue fresh shares worth Rs 365 crore along with an offer-for-sale (OFS) of 41.25 million shares. This is lower than the initially planned Rs 400 crore fresh issue and an OFS component of 46.82 million shares...

4

18 per cent electricity generated in India to be solar by 2030: IEA

The International Energy Agency (IEA) predicts that by 2030, 18% of India's electricity will be generated from solar sources, up from the current 6%. The IEA's World Energy Outlook 2023 report also states that renewables will provide 50% of the world's electricity by 2030...

5

Torrent talks for \$7 billion Cipla buyout trip on valuation

Torrent Pharma's attempt to acquire the stake of the Hamied family in Cipla has hit a roadblock due to differences in valuation. Talks between the two parties have been suspended, but may resume if they can agree on a valuation. Other potential buyers have also been deterred by the rising valuations of Cipla shares. Torrent Pharma had been working on a \$7 billion acquisition financing package for the deal...

6

Size of India's textile industry to double by 2030: Report

The global apparel market was at around \$ 1.7 trillion in 2022 and it is expected to grow at a CAGR of around 8% to reach \$ 2.37 trillion by 2030...

7

Asics India FY23 profit rises 37.7 pc to Rs 55.1 crore

ASICS India is a subsidiary of Asics Corporation, Japan, and is engaged in the trading of footwear, apparel and accessories...

PNB Housing Finance

Estimate change	↑
TP change	↑
Rating change	↑

CMP: INR715 TP: INR950 (+33%) Upgrade to Buy

Getting its mojo back as stress cleaned up; Upgrade to BUY

Bloomberg	PNBHOU5I IN
Equity Shares (m)	260
M.Cap.(INRb)/(USD\$)	185.6 / 2.2
52-Week Range (INR)	785 / 341
1, 6, 12 Rel. Per (%)	6/58/92
12M Avg Val (INR M)	569
Free float (%)	71.9

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	26.1	29.3	34.0
PPP	22.4	26.0	31.1
PAT	15.1	18.0	21.7
EPS (INR)	58.2	69.3	83.8
EPS Gr. (%)	-6	19	21
BV/Sh. (INR)	579	638	710

Ratios

NIM (%)	4.3	4.2	4.3
C/I ratio (%)	22.8	21.6	20.0
RoAA (%)	2.1	2.3	2.4
RoE (%)	11.6	11.4	12.4

Valuations

P/E (x)	12.3	10.4	8.6
P/BV (x)	1.2	1.1	1.0
Div. Yield (%)	1.4	1.7	2.0

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	28.1	28.2	32.6
DII	7.7	7.6	3.3
FII	24.8	24.8	23.2
Others	39.3	39.5	40.9

FII Includes depository receipts

Utilized write-backs from resolution of Corporate NPA for write-offs in Retail

- PNB Housing Finance (PNBHF) reported 46% YoY growth in 2QFY24 PAT to ~INR3.8b (In line). This was aided by ~90% QoQ increase in other income and ~10bp QoQ decline in credit costs to ~0.3%.
- NII grew 2% YoY to INR6.5b (in line). Adjusting for a one-off gain of INR1.6b on assigned loans in 2QFY23, NII grew 35% YoY. PPOP declined 5% YoY to INR5.5b.
- In 2QFY24, the company resolved a large corporate NPA through a sale to an ARC. The resultant provision write-backs of ~INR2b were largely utilized for effecting write-offs on the stressed portion of the retail book. PNBHF could take additional write-offs in Retail in 2HFY24 to further improve retail asset quality and start FY25 on a clean slate.
- We expect PNBHF to deliver a CAGR of 13%/28% in AUM/PAT over FY23-FY26 and ~2.4%/12.4% RoA/RoE in FY26. **Upgrade to BUY with a revised TP of INR950 (premised on 1.5x FY25E BVPS).**
- **Our recommendation upgrade is predicated on** a) visibility of >15% AUM CAGR from FY25 onward, b) potential NIM expansion on the back of a decline in borrowing costs and a marginal rise in yields as affordable housing mix improves to form a respectable proportion of retail book, and c) expansion in RoA aided by moderation in credit costs (as both retail and corporate segment stress now largely provided for) and gradual improvement in RoE as the leverage builds up on the balance sheet.

Highlights from the management commentary

- The management has retained its guidance for 17-18% YoY retail loan growth and ~22% YoY growth in retail disbursements.
- The cost of borrowings was flat QoQ; the management has guided that CoB has peaked out and should decline from hereon.
- Disbursements in the corporate business will restart within the next few quarters and will be focused on select locations and select projects. The contribution of Corporate in the AUM mix will be <10%.

Embarking back on its loan growth trajectory; Upgrade to BUY

- Over the past year, PNBHF has transformed its business model toward Retail and reduced its corporate loan book (through down-selling and ARC sale) to ~4% of the AUM mix. It targets to scale up affordable housing quarterly disbursements to ~INR10b in the short term.
- PNBHF has levers for NIM improvement through product diversification and potential decline in borrowing costs. Asset quality improvement has made it eligible for NHB borrowings, and a potential credit rating upgrade will provide even better access to primary debt markets. A better outlook on loan growth and lower credit costs have led to ~4%/9% increase in our FY24/FY25 EPS estimates.

■ The equity capital raise through a rights issue has brought in the much-needed confidence capital, which could result in a rating upgrade from credit rating agencies. **Upgrade to BUY with a revised TP of INR950 (based on 1.5x Mar'25E BVPS)**. Key risk is high competitive intensity leading to a compression in NIM.

Quarterly performance

(INR M)

	FY23				FY24E				FY23	FY24E	2QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	12,987	15,975	17,136	15,892	16,669	17,029	17,454	18,153	61,991	69,305	17,003	0
Interest Expenses	9,303	9,639	9,963	10,081	10,475	10,573	10,784	11,327	38,985	43,160	10,632	-1
Net Interest Income	3,684	6,337	7,173	5,812	6,194	6,456	6,670	6,826	23,006	26,146	6,371	1
YoY Growth (%)	-27.6	36.2	72.8	57.6	68.1	1.9	-7.0	17.5	30.9	13.7	0.5	
Other income	1,124	868	829	485	408	765	805	917	3,306	2,895	693	10
Total Income	4,808	7,205	8,002	6,297	6,602	7,221	7,475	7,743	26,311	29,041	7,064	2
YoY Growth (%)	-18.5	30.6	60.2	27.2	37.3	0.2	-6.6	23.0	23.2	10.4	-2.0	
Operating Expenses	1,214	1,368	1,262	1,468	1,530	1,702	1,651	1,725	5,313	6,607	1,591	7
YoY Growth (%)	5.4	15.4	8.5	16.7	26.0	24.4	30.8	17.5	11.6	24.4	16.3	
Operating Profits	3,594	5,837	6,740	4,828	5,072	5,519	5,824	6,018	20,998	22,434	5,473	1
YoY Growth (%)	-24.3	34.8	75.9	30.7	41.1	-5.4	-13.6	24.6	26.5	6.8	-6.2	
Provisions	483	2,432	3,071	1,403	606	448	800	1,217	7,389	3,070	650	-31
Profit before Tax	3,111	3,404	3,669	3,425	4,467	5,071	5,024	4,801	13,609	19,364	4,823	5
Tax Provisions	761	778	978	632	994	1,241	1,130	895	3,149	4,260	1,085	14
Profit after tax	2,350	2,626	2,691	2,793	3,473	3,830	3,894	3,907	10,460	15,104	3,738	2
YoY Growth (%)	-3.4	11.7	42.8	64.7	47.8	45.8	44.7	39.9	25.0	44.4	42.3	
Key Operating Parameters (%)												
Rep. Yield on loans	8.46	9.57	10.65	10.43	10.59	10.58						
Rep. Cost of funds	7.21	7.32	7.55	7.76	7.97	7.99						
Spreads	1.25	2.25	3.10	2.67	2.62	2.59						
Net Interest Margins	2.36	4.14	4.68	3.74	3.86	3.95						
Cost to Income Ratio	25.3	19.0	15.8	23.3	23.2	23.6						
Credit Cost	0.34	1.69	2.12	0.96	0.40	0.30						
Tax Rate	24.5	22.9	26.6	18.5	22.2	24.5						
Balance Sheet Parameters												
Loans (INR B)	573	578	580	593	604	609						
Change YoY (%)	-5.1	-2.4	0.3	2.3	6.1	5.2						
AUM (INR B)	649	657	658	666	673	674						
Change YoY (%)	-9.7	-5.8	-2.7	1.0	4.0	2.6						
Borrowings (Ex Assgn.) (INR B)	518	523	525	537	527	536						
Change YoY (%)	-11.1	-5.9	-2.5	0.8	3.3	2.3						
Loans/Borrowings (%)	110.6	110.5	110.5	110.5	114.6	113.6						
Off BS loans/AUM (%)	11.6	12.0	11.7	11.0	10.4	9.7						
Debt/Equity (x)	5.1	5.0	4.9	4.9	3.8	3.8						
Asset Quality Parameters (%)												
GS 3 (INR Mn)	36,390	35,020	28,240	22,700	22,700	10,860						
Gross Stage 3 (% on loans)	6.35	6.06	4.87	3.83	3.76	1.78						
NS 3 (INR Mn)	24,400	20,770	18,350	16,170	15,430	7,170						
Net Stage 3 (% on loans)	4.35	3.68	3.22	2.76	2.59	1.19						
PCR (%)	32.9	40.7	35.0	28.8	32.0	34.0						

E: MOFSL Estimates



Torrent Pharma

Estimate change	↓
TP change	↑
Rating change	↔

CMP: INR1,877 TP: INR2,050 (+9%) Neutral

2Q: in-line operationally; superior show in DF/Brazil

US to pick up gradually on the back of new approvals

- Torrent Pharma (TRP) delivered in-line 2QFY24 financial performance. TRP continues to outperform in domestic formulation (DF) as well as the Brazil market. This was partially offset by subdued show in US generics.
- We reduce our FY24 earnings estimate by 4% to factor in higher interest cost and moderation in US generics business. We maintain our earnings estimates for FY25. We continue to value TRP at 28x 12M forward earnings to arrive at a price target of INR2,050.
- TRP remains on track for superior execution in the branded generics market (DF & Brazil). It is further scaling up additional levers of growth (trade generics and consumer healthcare) in India. With new launches and increased field force, it is well positioned to sustain growth momentum in Brazil. While US generics base business continues to witness price erosion, new approvals would drive growth prospects. Considering these factors, we expect 14%/19%/34% sales/EBITDA/PAT CAGR over FY23-25 to INR124b/INR40b/INR22b. We maintain our Neutral rating due to limited upside potential from the current levels.

Higher opex continues to offset product mix benefit

- TRP sales grew 16% YoY to INR26.6b (in line). DF revenue grew 18% YoY to INR14.4b (54% of sales). Germany sales grew 20% YoY to INR2.7b (10% of sales). LATAM business grew 36% YoY to INR2.5b (9% of sales). CDMO sales grew 30% YoY to INR1.7b (6% of sales). ROW sales grew 17% YoY to INR2.8b (11% of sales). US generics business declined 15% YoY to INR2.5b (9% of sales).
- Gross margin expanded 320bp YoY to 75.2% due to better product mix.
- EBITDA margin expanded at a lower rate of 140bp YoY to 31%, due to higher opex (employee cost/other expenses up 170bp/10bp YoY as % of sales).
- Accordingly, EBITDA grew 22% YoY to INR8.3b (in line).
- Adj. PAT grew 24% YoY to INR3.9b (our est: INR4.2b) as higher other income was offset by higher depreciation/interest cost.
- In 1HFY24, Revenue/EBITDA/PAT grew 14%/19%/19% YoY to INR52.5b/13.5b/7.6b.

Highlights from the management commentary

- The price/new launches/volume growth for 12M ending Sep'23 were 7%/3.5%/1.5% in the domestic formulation market. The medium-term sustainable industry growth is expected to be 7-8%.
- TRP grew 22-25% YoY in the trade generics segment.
- TRP indicated the potential for further margin improvement in the Curatio portfolio.
- The mid-single digit to high single-digit price erosion continues in the base portfolio for TRP in the US generics segment.
- TRP delivered 13% CC growth vs. 8% YoY industry growth in the Brazil market.

Bloomberg	TRP IN
Equity Shares (m)	338
M.Cap.(INRb)/(USDb)	635.3 / 7.6
52-Week Range (INR)	2100 / 1446
1, 6, 12 Rel. Per (%)	3/7/10
12M Avg Val (INR M)	583

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	95.8	108.4	124.6
EBITDA	28.3	34.3	40.0
Adjusted PAT	12.6	17.0	22.4
EBIT Margin (%)	22.1	24.3	25.4
Cons. Adj EPS (INR)	37.2	50.1	66.3
EPS Gr. (%)	8.3	34.7	32.4
BV/Sh. (INR)	183.1	246.3	492.7

Ratios

Net D-E	0.9	0.5	0.4
RoE (%)	20.7	23.3	26.9
RoCE (%)	13.9	16.6	20.2
Payout (%)	36.8	36.1	36.1

Valuation

P/E (x)	50.6	37.5	28.3
EV/EBITDA (x)	24.2	19.1	16.3
Div. Yield (%)	0.6	0.8	1.1
FCF Yield (%)	3.1	4.1	4.0
EV/Sales (x)	7.1	6.0	5.2

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	71.3	71.3	71.3
DII	8.0	8.3	9.5
FII	13.2	12.8	11.4
Others	7.6	7.6	7.9

FII Includes depository receipts

Quarterly performance (Consolidated)

(INR b)

Y/E March	FY23				FY24E				FY23	FY24E	Est.	Var.
INRb	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	vs Est
Net Revenues	23.1	22.9	24.9	24.9	25.9	26.6	27.4	28.4	95.8	108.4	26.4	0.9
YoY Change (%)	8.2	7.2	18.2	17.0	12.2	16.1	10.0	14.2	12.6	13.1	15.1	
EBITDA	6.7	6.8	7.4	7.4	7.9	8.3	8.7	9.4	28.3	34.3	8.2	0.9
YoY Change (%)	-0.4	2.9	37.3	32.6	17.4	21.5	18.3	28.2	16.4	21.4	20.4	
Margins (%)	29.2	29.6	29.7	29.6	30.5	31.0	31.9	33.2	29.5	31.7	31.0	
Depreciation	1.6	1.6	1.9	2.0	1.9	2.0	2.1	2.1	7.1	8.1	1.9	
EBIT	5.2	5.2	5.5	5.4	6.0	6.2	6.7	7.4	21.2	26.3	6.3	-0.2
YoY Change (%)	1.4	4.9	47.1	37.3	15.6	20.9	22.6	36.1	19.9	23.9	21.2	
Margins (%)	22.5	22.5	21.9	21.7	23.2	23.5	24.4	25.9	22.1	24.3	23.7	
Interest	0.6	0.7	1.0	1.1	1.0	0.9	0.9	0.9	3.3	3.8	0.7	
Other Income	0.3	0.2	0.3	0.1	0.3	0.3	0.4	0.4	0.9	1.4	0.4	
PBT before EO Expense	4.9	4.6	4.7	4.4	5.3	5.6	6.1	6.9	18.7	23.9	6.0	-6.1
One-off expenses	-0.4	0.0	0.5	0.1	0.0	0.0	0.0	0.0	0.3	0.0	0.0	
PBT after EO Expense	5.3	4.6	4.2	4.3	5.3	5.6	6.1	6.9	18.5	23.9	6.0	
Tax	1.8	1.5	1.4	1.5	1.5	1.7	1.7	1.9	6.1	6.9	1.7	
Rate (%)	36.0	32.6	28.7	33.0	28.8	30.9	28.0	28.4	32.6	29.0	29.0	
Reported PAT	3.5	3.1	2.8	2.9	3.8	3.9	4.4	4.9	12.4	17.0	4.2	
Adj PAT	3.3	3.1	3.2	3.0	3.8	3.9	4.4	4.9	12.6	17.0	4.2	-8.7
YoY Change (%)	-0.4	-1.3	28.5	11.5	15.0	23.7	37.7	64.9	8.3	34.7	35.5	
Margins (%)	14.2	13.6	12.8	11.9	14.6	14.5	16.1	17.2	13.1	15.6	16.0	

E: MOFSL Estimates



Balkrishna Industries

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR2,567 **TP: INR2,500 (-3%)** **Neutral**

Sequential improvement in overall performance

Capex guidance at INR9b for FY24 (vs. INR6b earlier)

Bloomberg	BIL IN
Equity Shares (m)	193
M.Cap.(INRb)/(USDb)	496.2 / 6
52-Week Range (INR)	2645 / 1796
1, 6, 12 Rel. Per (%)	3/17/23
12M Avg Val (INR M)	663

- Balkrishna Industries (BIL)'s 2QFY24 operating performance beat our estimates, as it saw a healthy sequential recovery in overall business, mainly in India. Export markets remain uncertain, but 2H is expected to be better than 1H. FY24 volumes are likely to decline.
- We raise our FY24E/FY25E EPS by 3%/2% to factor in favorable FX and better realization. **Maintain Neutral with a TP of INR2,500 (premised on ~22x Dec'25E EPS).**

Financials & valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	100.2	91.8	108.0
EBITDA	19.7	22.5	28.5
Adj. PAT	10.1	13.7	18.5
EPS (Rs)	52.1	71.1	95.6
EPS Growth (%)	-29.3	36.4	34.4
BV/Share (INR)	390.9	432.1	492.6

Realization improvement due to better mix and hedge rate

- BIL's 2QFY24 revenue/EBITDA/PAT declined 20%/3%/17% YoY to INR22.5b/INR5.5b/INR3.35b. 1HFY24 revenue/EBITDA/adj. PAT fell 21%/7%/11% YoY.
- Volumes declined 10.5% YoY (up 5% QoQ) to 70.6k tons (in line). The sequential volume improvement was partly led by inventory created in Jun'23, which could not be shipped due to Biparjoy disruptions.
- Realization declined 10.5% YoY (flat QoQ) to INR318.3k/unit (est. INR311.5k), led by a better mix and hedge rate.
- Revenue was down 20% YoY at INR22.5b (est. INR21.6b).
- Gross margins expanded 70bp YoY/20bp QoQ to 51.9% (in line). The RM cycle normalized in 2Q, leading to margin improvement.
- EBITDA margin rose 430bp YoY to 24.4% due to low RM costs and low other expenses, including freight costs (-5pp YoY as % of sales).
- Despite FX gains and higher-than-expected other income, adj. PAT declined 17% YoY to INR3.35b (est. INR3b).
- The board has declared the second interim dividend of INR4/share for FY24 (total dividend of INR8/share so far in FY24).
- FCF for 1HFY24 stood at INR6.3b (vs. outflow of INR4.4b in 1HFY23), led by improved operating cash flows of INR12.2b (vs. INR4.5b in 1HFY23) and lower capex of INR5.9b (vs. INR8.9b for 1HFY23).

Ratios			
RoE (%)	13.9	17.3	20.7
RoCE (%)	10.9	12.1	14.9
Payout (%)	30.7	42.2	36.6

Valuations			
P/E (x)	49.2	36.1	26.9
P/BV (x)	6.6	5.9	5.2
Div. yield (%)	0.6	1.2	1.4
FCF yield (%)	-0.6	2.2	2.6

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	58.3	58.3	58.3
DII	21.2	21.0	18.9
FII	12.5	12.4	13.0
Others	7.9	8.3	9.8

FII Includes depository receipts

Highlights from the management commentary

- **Outlook:** BIL expects to sustain a stable trajectory, with 2HFY24 to be better. However it expects a slight decline in volumes in FY24.
- **EBITDA margin guidance remains unchanged at 26-28% (vs. ~24.4% in 2Q).** With an uptick in natural rubber/oil prices, RM costs may rise.
- **Capex guidance of INR9b in FY24 (vs. INR6b earlier):** BIL plans to set up a brownfield mould manufacturing facility at its Bhuj plant, given growth prospects there. It presently makes moulds at Dombivali. Mould capacity will be utilized for SKUs of large tyres for agri/OTR purposes. It may do some small brownfield expansions at the Bhuj plant, but it is yet to be finalized. BIL has spent ~INR6b of its INR9b capex in 1HFY24. Maintenance capex would be INR2.5-3b in FY24.

Valuation and view

- While near-term demand remains weak, we believe a recovery should be visible in 2H, consequently driving EBITDA margin expansion to over 25% by 4Q. We expect BIL to continue to outperform the Specialty Tyre industry, driven by the expansion of its product portfolio and a ramp-up in the OTR segment, with scope to strengthen its competitive positioning.
- Current valuations fairly reflect its industry-leading margin, FCF and capital efficiencies. It currently trades at a P/E multiple of 36.1x/26.9x FY24E/FY25E EPS. Maintain **Neutral**.

Quarterly Earning Model (Standalone)

Y/E March	(INR Million)										
	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Volumes (Ton)	83,153	78,872	66,480	72,676	67,209	70,585	73,128	79,278	3,01,181	2,90,200	69,407
YoY Change (%)	21.2	8.4	-5.5	-5.8	-19.2	-10.5	10.0	9.1	4.3	-3.6	-12.0
Realizations (INR '000/ton)	327.9	355.8	333.2	319.9	314.7	318.3	319.1	320.3	334.4	318.2	311.5
YoY Change (%)	23.0	24.5	12.7	1.4	-4.0	-10.5	-4.2	0.1	14.7	-4.8	-12.4
Net Revenues	27,263	28,063	22,153	23,246	21,150	22,468	23,336	25,396	1,00,725	92,351	21,624
YoY Change (%)	49.1	34.9	6.6	-4.4	-22.4	-19.9	5.3	9.2	19.6	-8.3	-22.9
EBITDA	5,470	5,640	4,233	4,942	4,863	5,480	5,776	6,460	20,284	22,578	5,146
Margins (%)	20.1	20.1	19.1	21.3	23.0	24.4	24.8	25.4	20.1	24.4	23.8
Depreciation	1,262	1,341	1,449	1,515	1,537	1,586	1,590	1,627	5,566	6,341	1,550
Interest	27	43	136	250	208	229	200	176	456	813	200
Forex loss/(gain)	-260	-490	1,660	-30	-330	-250	-200	-120	880	-900	-125
Other Income	-150	580	430	280	660	520	475	472	1,140	2,127	450
PBT before EI	4,290	5,327	1,417	3,487	4,108	4,435	4,661	5,249	14,521	18,452	3,971
Extra-Ord expense	0	0	0	23	0	0	0	0	23	0	0
PBT	4,290	5,327	1,417	3,465	4,108	4,435	4,661	5,249	14,499	18,452	3,971
Rate (%)	25.4	24.1	29.8	26.1	23.9	24.5	24.5	24.7	25.7	24.4	24.5
Reported PAT	3,199	4,043	995	2,559	3,125	3,350	3,519	3,952	10,774	13,946	2,998
Adj PAT	3,199	4,043	995	2,576	3,125	3,350	3,519	3,952	10,791	13,946	2,998
YoY Change (%)	-10.5	1.2	-69.7	-30.5	-2.3	-17.1	253.6	53.4	-25.9	29.2	-25.8
Margins (%)	11.7	14.4	4.5	11.1	14.8	14.9	15.1	15.6	10.7	15.1	13.9

E: MOFSL Estimates



L&T Finance Holdings

Estimate change



TP change



Rating change



Bloomberg	LTFH IN
Equity Shares (m)	2469
M.Cap.(INRb)/(USDb)	329.4 / 4
52-Week Range (INR)	141 / 79
1, 6, 12 Rel. Per (%)	8/42/57
12M Avg Val (INR M)	1035

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Total Income	74.5	85.0	106.5
PPP	51.6	62.0	81.9
Adj. PAT	23.7	29.0	38.4
EPS (INR)	9.6	11.7	15.5
EPS Gr. (%)	46.4	22.3	32.2
BV/Sh. (INR)	94	101	111

Ratios

NIM (%)	9.7	9.6	9.5
C/I ratio (%)	40.2	38.1	34.2
RoAA (%)	2.2	2.5	2.7
RoE (%)	10.6	12.0	14.6
Payout (%)	50.0	50.0	30.0

Valuation

P/E (x)	13.8	11.3	8.5
P/BV (x)	1.4	1.3	1.2
Div. Yield (%)	3.6	4.4	3.5

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	66.0	66.1	66.2
DII	7.0	5.3	5.4
FII	12.1	13.9	6.8
Others	14.9	14.7	21.7

FII Includes depository receipts

CMP: INR132

TP: INR170 (+29%)

Buy

Strong execution in Retail with RoA expansion

Wholesale rundown executed well without undue impact on P&L

- L&T Finance Holdings (LTFH) reported 2QFY24 PAT of INR5.9b (7% beat). PPOP grew ~9% YoY to INR12.9b (in line), while credit costs of ~INR5.2b translated into annualized credit costs of 2.5% (2.6% in 1QFY24/2QFY23).
- Retail PAT at ~INR6b grew 86% YoY in 2QFY24. Reported Retail RoA/RoE stood at ~3.3%/~16.3% in 2QFY24.
- Mr. Sudipta Roy (ex-ICICI) will succeed the current MD/CEO Mr. Dinanath Dubhashi in Jan'24 and will look to leverage his vast experience to further strengthen the franchise.
- We expect that the retail mix will improve to ~95% by Mar'24 from 88% as of Sep'23. Considering the accelerated rundown in the wholesale book, we model consolidated loan growth of 19% and PAT CAGR of 33% over FY23-FY26, with consolidated RoA/RoE of 2.7%/~15% in FY26E.
- A strong liability franchise, a well-capitalized balance sheet and a keen intent to further accelerate the sell-down of the wholesale book will help LTFH achieve its Lakshya 2026 targets much in advance. We have raised our FY24E/FY25E PAT by 5%/12% to factor in higher loan growth, broadly stable NIM and a lower effective tax rate.
- **LTFH is set to transform itself into a retail franchise, which would lead to profitability improvement and RoA expansion. Reiterate BUY with a revised TP of INR170 (premised on 1.6x Sep'25E consolidated BVPS).**

Asset quality improved sequentially

- Consol. GS3 declined ~80bp QoQ to ~3.3%, while NS3 declined ~40bp QoQ to 0.8%, driven by an increase in PCR to ~76% during the quarter.
- Retail GNPA/Wholesale GNPA declined 15bp/~310bp QoQ to ~3.1%/4.5% as on Sep'23.

Key highlights from the management commentary

- The management expects Retail RoA to improve to ~3.5% over the next two quarters. Consol. RoA was below 2.4%, and the convergence of consol. RoA to Retail RoA will happen soon.
- It has guided that moderation in credit costs will continue, aided by strengthening underwriting practices, strong collection teams which will aid recoveries and rollback of accounts which slip into forward buckets.

Valuation and view

- LTFH has been effectively utilizing the Cloud technology for scalability. It has invested in process automation, security and customer journeys through both assisted and direct-to-consumer (D2C) Planet app. This, along with partnerships with e-aggregators, should lead to stronger and sustainable retail loan growth.

- MFI, Home loans and Consumer businesses witnessed sequential improvements in disbursements. Over the past few quarters, the company has consistently delivered strong growth in its Retail loan book, even as it has accelerated the sell-down in the wholesale book.
- We estimate a PAT CAGR of 33% over FY23-FY26, with consolidated RoA/RoE of 2.7%/~14.6% in FY26. **Maintain BUY with a revised TP of INR170 (based on 1.6x Sep'25E consolidated BVPS).**

Quarterly performance												(INR M)
Y/E March	FY23				FY24E				FY23	FY24E	2QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	29,466	30,862	33,216	32,107	31,165	31,685	32,478	33,414	1,25,651	1,28,742	30,542	4
Interest Expenses	14,132	14,385	15,007	14,449	13,638	13,249	13,567	13,758	57,972	54,212	13,501	-2
Net Interest Income	15,334	16,477	18,209	17,658	17,527	18,436	18,910	19,656	67,679	74,530	17,040	8
Change YoY (%)	2.3	12.8	24.1	15.7	14.3	11.9	3.8	11.3	13.7	10.1	3.4	
Other Operating Income	1,318	1,090	1,109	53	1,068	453	450	811	3,569	2,782	1,853	-76
Net Operating Income	16,652	17,567	19,318	17,711	18,596	18,889	19,360	20,468	71,248	77,312	18,893	0
Change YoY (%)	2.1	9.1	16.1	7.0	11.7	7.5	0.2	15.6	8.6	8.5	7.5	
Other income	1,474	1,193	585	2,016	1,535	2,682	2,521	2,216	5,268	8,955	1,611	66
Total Income	18,126	18,760	19,903	19,726	20,130	21,572	21,882	22,684	76,515	86,267	20,504	5
Change YoY (%)	7.1	10.8	11.0	11.1	11.1	15.0	9.9	15.0	10.0	12.7	9.3	
Operating Expenses	6,577	6,868	7,417	7,870	7,782	8,598	8,901	9,359	28,732	34,639	7,830	10
Change YoY (%)	19.9	16.3	20.3	23.2	18.3	25.2	20.0	18.9	20.0	20.6	14.0	
Operating Profits	11,549	11,891	12,486	12,698	12,348	12,974	12,981	13,325	48,624	51,628	12,675	2
Change YoY (%)	0.9	7.9	6.2	11.8	6.9	9.1	4.0	4.9	6.7	6.2	6.6	
Provisions	7,989	5,765	6,417	5,232	5,212	5,000	4,792	4,767	25,404	19,771	4,913	2
Profit before Tax	3,560	6,126	6,069	7,466	7,136	7,974	8,189	8,559	23,220	31,857	7,762	3
Tax Provisions	948	2,070	990	2,455	1,831	2,032	2,088	2,173	6,464	8,124	2,212	-8
Profit after tax	2,612	4,056	4,538	5,011	5,305	5,942	6,101	6,386	16,216	23,733	5,550	7
Change YoY (%)	46.8	81.0	39.2	46.4	103.1	46.5	34.4	27.4	51.5	46.4	36.8	
Key Operating Parameters (%)												
Rep. Net Income (% of Avg Assets)	8.23	2.54	2.67	9.21	9.64	10.84						
Rep. Cost of funds (%)	7.27	7.33	7.54	7.71	7.77							
Cost to Income Ratio	36.3	36.6	37.3	39.9	38.7	39.9						
Rep Credit Cost	3.63	2.54	2.67	2.24	2.33	2.58						
Tax Rate	26.6	33.8	16.3	32.9	25.7	25.5						
Balance Sheet Parameters												
Gross Customer Assets (INR B)	881	901	884	809	786	787						
Change YoY (%)	-0.4	3.6	3.4	-8.4	-10.8	-12.6						
Borrowings (INR B)	818	853	862	830	754	766						
Change YoY (%)	-3.0	1.0	3.9	-2.5	-7.8	-10.3						
Customer Assets /Borrowings (%)	108	106	103	97	104	103						
Asset Quality Parameters (%)												
GS 3 (INR B)	35.6	35.9	37.2	38.3	31.7	25.8						
Gross Stage 3 (%)	4.1	4.0	4.2	4.7	4.0	3.3						
NS 3 (INR B)	15.9	16.2	14.9	11.8	9.1	6.3						
Net Stage 3 (%)	1.9	1.9	1.7	1.6	1.6	0.8						
PCR (%)	55.3	55.0	60.1	69.3	71.4	75.7						
Return Ratios (%)												
ROAA	1.0	1.6	1.7	1.9	2.1	2.3						
ROAE	5.2	8.0	8.4	9.4	9.4	10.7						

E: MOFSL Estimates

Mahindra Logistics

BSE SENSEX 64,572
NIFTY-50 19,282

CMP: INR369

Neutral

Conference Call Details



Date: 25th October 2023
Time: 12:00 PM IST
Dial-in details:
+91 22 6280 1309

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	51.3	58.4	72.0
EBITDA	2.6	2.9	3.9
Adj. PAT	0.3	0.1	1.0
EBITDA Margin (%)	5.1	5.0	5.4
Adj. EPS (INR)	3.7	1.8	14.3
EPS Gr. (%)	49.7	-51.4	698.4
BV/Sh. (INR)	78.5	77.8	89.5
Ratios			
Net D:E	0.5	0.7	0.2
RoE (%)	4.7	2.3	17.1
RoCE (%)	8.7	5.3	15.1
Payout (%)	68.1	140.0	17.5
Valuations			
P/E (x)	100.5	206.6	25.9
P/BV (x)	4.7	4.7	4.1
EV/EBITDA(x)	11.2	9.6	6.6
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	3.8	0.6	9.4

Weak operating performance leads to overall miss

Earnings snapshot: 2QFY24

- Revenue grew by ~3% YoY to INR13.6b (in line).
- EBITDA margin came in at 3.9% (est. 5.1%), down 117bp YoY/120bp QoQ. EBITDA decreased by 21% YoY to INR536m (est. INR718m).
- The company reported a net loss of INR159m (est. PAT of INR29m) vs. APAT of INR122m in 2QFY23.
- Its supply chain management business recorded revenue of ~INR12.8b (+1% YoY) and an EBIT loss of INR91m.
- Enterprise Mobility Services (EMS) reported revenue of INR863m (+37% YoY) and EBIT of ~INR9m.
- For 1H FY24, MLL generated CFO of INR1.1b vs. INR410m in 1HFY23. Total cash and bank balance stood at INR440m as of Sep'23.

Other business highlights:

- E-com volumes remained weak. However, activity levels picked up toward the end of the quarter to prepare for a peak during the festive season. Volumes in the Express business increased by 4% YoY.
- Warehouse space under management stood at 19m sqft in the 3PL business. and its expansion plans in Chakan, Kolkata, Nasik, and Guwahati are on track.
- MLL launched a 0.65m sqft multi-client warehouse in Bhiwandi during the quarter to manage the fulfilment and distribution for the automotive, e-commerce and FMCG industries.

Quarterly snapshot

Y/E March (INR m)	FY23				FY24E		FY23	FY24E	FY24	Var. vs Est
	1Q	2Q	3Q	4Q	1Q	2Q				
Net Sales	11,999	13,263	13,296	12,725	12,932	13,648	51,283	58,412	14,084	(3)
YoY Change (%)	35.9	28.4	17.0	16.9	7.8	2.9	23.8	13.9	6.2	
EBITDA	657	676	627	637	666	536	2,598	2,912	718	(25)
Margins (%)	5.5	5.1	4.7	5.0	5.2	3.9	5.1	5.0	5.1	
YoY Change (%)	61.8	43.8	38.4	23.8	1.4	-20.7	41.0	12.1	6.3	
Depreciation	409	436	498	553	545	518	1,895	2,171	550	
Interest	89	107	150	169	178	165	516	720	180	
Other Income	31	34	56	38	62	66	159	206	48	
PBT	190	167	36	-46	6	-82	345	227	36	
Tax	53	47	19	-48	89	73	71	105	9	
Rate (%)	28.1	28.5	53.0	104.3	1,556.1	-89.2	20.6	46.3	25.2	
Share of associates/ Minority Interest	-1	3	-3	-10	-3	-5	-11	6	2	
Reported PAT	135	122	14	-8.2	-85.5	-159	263	128	29	NM
Adj PAT	135	122	14	-8.2	-85.5	-159	263	128	29	NM
YoY Change (%)	310.9	132.2	-21.5	-111.1	NA	-230.7	49.7	-51.4	-76.1	
Margins (%)	1.1	0.9	0.1	-0.1	-0.7	-1.2	0.5	0.2	0.2	



Transport Corporation of India

BSE SENSEX 65,572 NIFTY-50 19,282

CMP: INR796 TP: INR930 (+17%) Buy



Stock Info

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	61.8 / 0.7
52-Week Range (INR)	868 / 555
1, 6, 12 Rel. Per (%)	3/21/-7
12M Avg Val (INR M)	43
Free float (%)	31.1

Financials Snapshot (INR b)

Y/E March	2023	2024E	2025E
Net Sales	37.8	42.2	49.7
EBITDA	4.2	4.7	5.8
Adj. PAT	3.2	3.6	4.5
EBITDA Margin (%)	11.2	11.1	11.7
Adj. EPS (INR)	41.6	46.6	57.8
EPS Gr. (%)	10.7	11.9	24.1
BV/Sh. (INR)	220.7	263.8	318.1

Ratios

Net D/E (x)	-0.1	-0.1	-0.2
RoE (%)	20.1	18.9	19.6
RoCE (%)	19.3	18.3	19.1
Payout (%)	17.0	7.5	6.1

Valuations

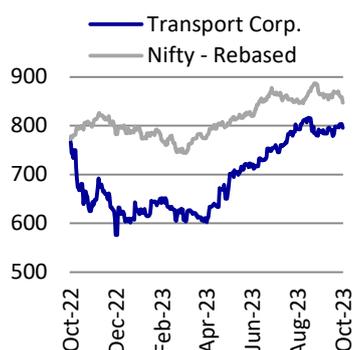
P/E (x)	18.8	16.8	13.5
P/BV (x)	3.5	3.0	2.5
EV/EBITDA (x)	13.3	11.6	9.1
Div. Yield (%)	0.9	0.4	0.4
FCF Yield (%)	3.4	1.8	1.4

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	68.9	69.0	66.6
DII	12.8	12.2	12.0
FII	2.5	2.8	3.1
Others	15.8	16.0	18.3

FII Includes depository receipts

Stock Performance (1-year)



Enters into an agreement to buy two new ships

Capacity addition to boost earnings in this high-margin segment

- Transport Corporation of India (TRPC) has entered into an agreement to buy two new ships of ~7,300 MT each for a consideration of USD34m (~INR 2.7b). TRPC currently has six ships with a total capacity of 77,957 MT. These new ships would add another 14,600 MT to the total capacity.
- The agreement has been jointly entered by TRPC and a consortium of sellers led by Nakanishi Shipbuilding Co. Ltd of Japan. According to the agreement, the seller will construct, launch, equip, finish, and initiate operations for two cellular container vessels with a Dead Weight Capacity (DWT) of ~7,300 MT each. These vessels are slated for delivery on or before 30th Jun'26. The funding would be through internal accruals and debt.
- TRPC has been actively seeking to augment its fleet of ships for nearly a year, given its optimal utilization of the existing ones. This addition will enable the company to increase its shipping capacity and meet the growing demand. The Seaways segment is the highest margin segment for the company, and the additional capacity will contribute to an overall improvement in profitability. As these will be new ships, their lives would be 25-30 years at least, thereby placing the company well to capitalize on the opportunities in this space.

Long-term prospects look bright as capacity addition in the high-margin seaways segment would drive earnings

- TRPC has been attempting to expand its fleet by incorporating an additional ship for over a year. However, due to the unavailability of suitable ships and the elevated costs associated with them, the company had not been able to conclude any purchases.
- With the addition of these new ships, which would add ~20% to the existing capacity, TRPC would be well placed from a long-term perspective. As this segment is the highest margin business for TRPC, the overall earnings would ramp-up once this capacity gets into operations.

Valuation and view

- Capacity addition would help ramp up volumes and cater to the rising demand. The Seaways segment is the highest margin segment, and new capacity here would help improve the overall profitability for TRPC. The company may not require debt for this capex as it would need to incur the cost over the next 2-3 years, and the internal accruals would be sufficient to fund the same.
- While growth in FY25 and FY26 could be muted from this segment, as new ships get delivered only in mid-CY26, we believe this would contribute well to the earnings from FY27 onwards. Hence, this purchase places TRPC well from a long-term perspective. **We expect TRPC to achieve a 15%/17%/18% CAGR in revenue/EBITDA/PAT over FY23-FY25. We reiterate our BUY rating on the stock with a revised TP of INR930, based on 16x FY25E EPS.**

**JSW Steel: Q2FY24 results driven by strong volume growth & better product mix; Jayant Acharya, Jt. MD & CEO**

- Q2FY24 results driven by strong volume growth & better product mix
- Value-added products now at 62% of mix and has gone up by 15% QoQ
- Q2FY24 standalone EBITDA/tonne will be range-bound for coming quarters
- Expect overseas operations to improve in Q3Fy24

[➔ Read More](#)**Hindustan Zinc: Zinc prices will be rangebound around \$2,400-2,600/t for 5-6 months; Arun Misra, CEO**

- Zinc prices will be range bound around \$2,400-2,600/t for 5-6 months
- Investing in de-bottlenecking capacities so we can ramp up production
- Silver volume will definitely cross 725-735 tonnes in FY24
- Cost of production will be lower in H2 vs H1FY24
- Optimistic that Hind Zinc OFS will be done this fiscal year

[➔ Read More](#)**Laurus Labs: Will not compromise margin because of diversification in CDMO; Satyanarayana Chava, CEO**

- Saw a lot of growth in APIs, formulations and oncology API sales
- Concerned about gross margin, higher sales will aid margin
- Expect higher sales in the H2FY24, no specific guidance for FY24
- Confident of H2 being better than H1 in terms of topline and EBITDA

[➔ Read More](#)**L&T Finance: Confident of sustaining reduction in credit costs & strong profitability; Dinanath Dubhashi, MD & CEO**

- All of Lakshya 2026 targets have been achieved
- Recorded best every retail disbursements in Q2; Confident of strong Q3, expect good growth across both rural and urban
- Changing product mix towards retailisation, better fee income aid NIMs
- Bumper profit supported by strong NIMs and reduction in credit costs
- Confident of sustaining reduction in credit costs & strong profitability

[➔ Read More](#)**RBL Bank: Have guidance of 20% for credit growth; R Subramaniakumar, MD & CEO**

- Have a guidance of 20% for credit growth
- Will see an improvement in 2-wheelers & used car segments
- Will maintain our net interest margin around current levels
- Cost of deposits will move up by 20 bps
- Should be able to reduce cost-to-income ratio going forward

[➔ Read More](#)

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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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