Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	58,065	2.2	-0.3
Nifty-50	17,274	2.3	-0.5
Nifty-M 100	31,091	2.7	2.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	3,783	-0.2	-20.6
Nasdaq	11,149	-0.2	-28.7
FTSE 100	7,053	-0.5	-4.5
DAX	12,517	-1.2	-21.2
Hang Seng	6,225	6.3	-24.4
Nikkei 225	27,121	0.5	-5.8
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	92	3.2	19.1
Gold ($/OZ)	1,726	1.5	-5.6
Cu (US$/MT)	7,800	2.6	-19.9
Almn (US$/MT)	2,343	6.0	-16.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	81.5	-0.4	9.7
USD/EUR	1.0	1.6	-12.2
USD/JPY	144.1	-0.3	25.2
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.4	-0.10	0.9
10 Yrs AAA Corp	7.7	-0.10	0.7
Flows (USD b)	**4-Oct**	**MTD**	**CY21**
FIIs	0.16	-1.46	-22.55
DIIs	0.12	1.84	28.90
Volumes (INRb)	**4-Oct**	**MTD***	**YTD***
Cash	520	600	627
F&O	1,27,932	1,13,229	1,11,395

Note: *Average

Today's top research idea

Financials | Banks and Insurance: Earnings progression on track amidst volatile macro

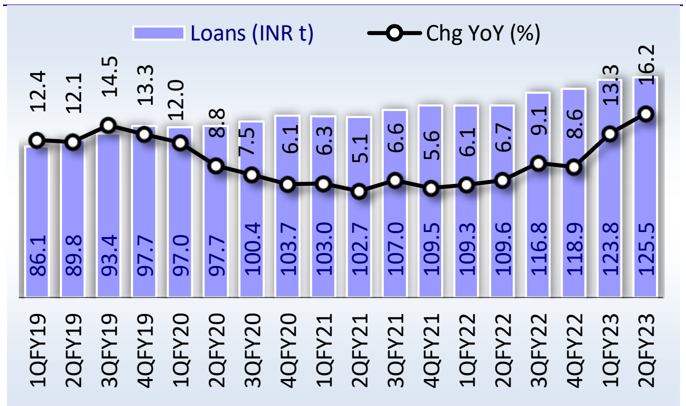
- Earnings are likely to remain healthy, led by higher business growth, NIM expansion, and a sustained reduction in credit cost. Margins to witness positive bias in near term, supported by pick up in loans growth and rising interest rates as floating rate loan portfolio gets repriced. However, we remain watchful of a rise in cost of funds to assess the margin impact over the medium term.
- Overall, we expect our Banking Coverage Universe to deliver ~41% YoY growth in PAT in 2QFY23, while PPoP to grow at a modest ~13% YoY. We estimate Private Banks to report a PPoP growth of ~13% YoY (+13% QoQ) and PAT growth of ~53% YoY (+8.7% QoQ) in 2QFY23.
- We estimate ICICIBC to deliver a loan growth of ~23% YoY over 2QFY23 and KMB/AXSB to grow by ~25%/18%. HDFCB/IIB reported a strong growth of ~23%/~18% YoY. We forecast NII growth of ~20% YoY, with KMB ~28%, AXSB ~23%, ICICIBC ~22%, IIB ~18%, and HDFCB at 16% in 2QFY23.
- PSBs are likely to deliver a NII/PPoP growth of 14%/12% YoY (+6.6%/+24.9% QoQ), while PAT will grow by ~26% YoY (+39.5% QoQ) in 2QFY23. Top picks: ICICIBC, SBIN, IIB, FB and SBI Life.

Research covered

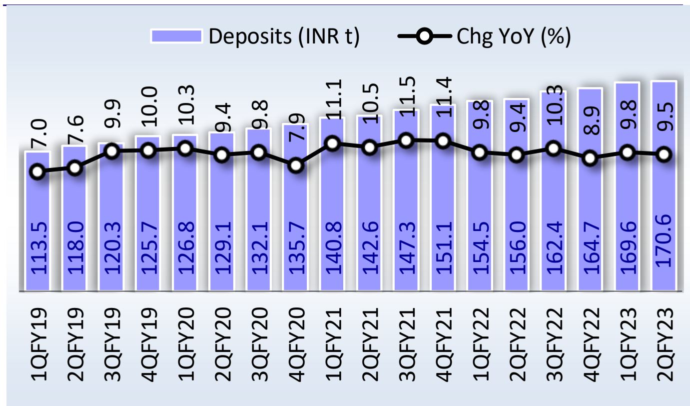
Cos/Sector	Key Highlights
2QFY23 Preview	Banks and Insurance: Earnings progression on track amidst volatile macro
	NBFC (Lending): Healthy loan growth and stable asset quality
	NBFC (Non Lending): Healthy momentum seen across cap markets, GI and MF
	Automobile: Chip supplies easing, festive season critical for 2Ws and Tractors
	Consumer: Discretionary demand strong; rural recovery uncertain
India Strategy	The Eagle Eye: India continues to outshine its peers in Sep'22
Other Updates	HDFC Bank | Bajaj Finance | Godrej Consumer | AU Small Finance | Angle One | ZEE | RBL Bank

Chart of the Day: Financials 2QFY23 Preview (Banks and Insurance)

Loan growth has recovered strongly to 16.2%



Deposit growth modest at 9.5%



Research Team (Gautam.Duggad@MotilalOswal.com)

Kindly click on textbox for the detailed news link

1

Auto sector to witness the best festive season of the decade, says FADA

With the coming 24 days of festivities in October, the Federation of Automobile Dealers Associations (FADA) is sure that October would see auto retail on high grounds.

2

Reliance Jio to start beta trial of 5G services in 4 cities on Wednesday

Advancing its 5G launch, Reliance Jio will start a beta trial of the service in four cities on Wednesday, offering select customers unlimited data with up to 1 Gbps speed. Jio was scheduled to go live with 5G on Diwali. Rival Bharti Airtel announced its 5G launch on October 1, taking others by surprise. The Jio trial will be held in Delhi, Mumbai, Kolkata, and Varanasi for Jio users on invitation and extended to other cities progressively.

3

Growth in renewables slowing down rise in fossil fuel power generation in India: Report

The growth in wind and solar power capacity restricted the expansion in fossil fuel electricity generation in India by 3 percentage points in the first half of 2022, according to a report.

4

Government plans to auction 22 mineral blocks in next two months

The government plans to auction 22 mineral blocks in Maharashtra, Uttar Pradesh and Goa in November and December. The mines to be auctioned include six iron ore blocks, three blocks each of limestone and gold, two blocks of bauxite, one block each of copper, phosphorite and glauconite, according to the …

5

Apollo Hospitals acquires 60% stake in AyurVAID for Rs 26.4 crore

Apollo Hospitals Enterprise Ltd on Wednesday acquired a 60 per cent stake in an Ayurveda hospital chain called AyurVAID for a consideration of Rs 26.4 crore, stated a press release. As per the regulatory filing by Apollo group, the investment will be used to upgrade existing centres, set up new centres, strengthen enterprise platforms, and for digital health initiatives. Beginning with a revenue estimate of over Rs 15 crore for FY23 for AyurVaid, the target is to achieve Rs 100 crore in the next three years, it added.

6

DLF sells all 292 luxury homes in new project at Gurugram for over Rs 1,800 crore

Realty major DLF has sold all 292 luxury homes in Gurugram for over Rs 1,800 crore within few days of the launch of the project, signalling strong demand despite rise in interest rate on home loans and property prices.

7

Indian oil refiners scout for term deals ahead of EU's ban on Russian crude

Indian state refiners plan to lock-in more of their crude supplies in term deals, worried that tighter Western sanctions on Russia, including from the EU, could curb future supplies in already tight markets, sources at state refiners said.

Financials: Banks and Insurance

Earnings progression on track amidst volatile macro

Credit growth + NIMs showing resilience; liabilities gaining focus

- **Credit growth showing significant strength:** Systemic loan is witnessing a continuous revival, with credit growth accelerating to ~16% YoY in Sep'22 (nine-year high), led by continued traction in the Retail and SME segment, while the Corporate segment is also seeing a revival, led by improved working capital requirements. **Home, Vehicle, Unsecured, and Small Business continue to do well, while the demand for CV is also improving.** Credit Cards business is seeing a healthy momentum, with spends remaining strong.
- We believe that deposit growth will be a key focus over the next few quarters, given the RBI's stance on further rate hikes and tightening liquidity. Deposits rates are likely to increase to aid liability accretion and fund credit growth. The rise in cost of deposits would be key to assessing the margin trajectory over FY24.
- While any material change in the demand environment needs to be monitored, given the challenging macro, we **estimate loans to grow by 13%/14% YoY in FY23/FY24. We expect our Banking Coverage Universe to deliver ~41% YoY growth in PAT in 2QFY23, while PPoP to grow at a modest ~13% YoY.**
- **Estimating 29% CAGR in earnings over FY22-24E**: Our estimates indicate steady traction in earnings over FY23/FY24. W**e expect Private/PSU Banks to report an earnings growth of ~32%/~34% YoY in FY23.** Our Banking Coverage Universe is likely to report an earnings growth of ~33% YoY in FY23 and 25% in FY24, after posting a growth of ~45% in FY22.
- **Asset quality and credit cost to remain controlled:** We estimate slippages ex of restructuring to remain controlled, which along with healthy recoveries and upgrades, will result in a continuous improvement in asset quality. While the performance of restructured and ECLGS book will be closely monitored, we expect credit cost to remain under control, while the balance sheet strengthens further.

Private Banks – PAT to grow ~53% YoY in 2QFY23

- **We estimate Private Banks to report a PPoP growth of ~13% YoY (+13% QoQ) and PAT growth of ~53% YoY (+8.7% QoQ) in 2QFY23.** Earnings are likely to remain healthy, led by higher business growth, NIM expansion, and a sustained reduction in credit cost.
- **Loan growth is projected to remain strong.** We **forecast Private Banks loan growth at 18%/19% over FY23/FY24.** We estimate ICICIBC to deliver a loan growth of ~23% YoY over 2QFY23 and KMB/AXSB to grow by ~25%/18%. HDFCB/IIB reported a strong growth of ~23%/~18% YoY.
- **Margins to witness positive bias in near term,** supported by pick up in loans growth and rising interest rates as floating rate loan portfolio gets repriced. However, we remain watchful of a rise in cost of funds to assess the margin impact over the medium term. **We forecast NII growth of ~20% YoY,** with KMB ~28%, AXSB ~23%, ICICIBC ~22%, IIB ~18%, and HDFCB at 16% in 2QFY23.
- **Slippages ex of restructuring to remain controlled.** Slippages ex of restructuring are likely to remain controlled across segments, barring BANDHAN, which can see elevated stress due to the recognition of floods/restructuring/SMA impact. Overall, we expect a continuous improvement in asset quality. The performance of the restructured and ECLGS book will be a key monitorable.

2QFY23 earnings estimate (INR b)

PAT (INR b)	2Q FY23E	YoY (%)	QoQ (%)
Private Banks			
AUBANK	3.2	13.2	17.7
AXSB	42.4	35.5	2.9
BANDHAN	5.6	NM	-37.0
DCBB	1.0	55.6	4.0
EQUITAS	1.2	187.4	22.1
FB	6.0	30.5	0.0
HDFCB	105.4	19.3	14.6
ICICIBC	74.7	35.5	8.2
IIB	17.9	55.9	9.6
KMB	24.2	19.1	16.8
RBK	2.0	NM	1.2
Private Total	**283.5**	**53.1**	**8.7**
PSU Banks			
BOB	25.0	19.8	15.3
CBK	19.7	47.9	-2.5
INBK	12.2	12.3	0.8
PNB	9.8	-11.4	217.5
SBIN	102.5	34.4	68.9
UNBK	16.9	10.5	8.2
PSU Total	**186.1**	**26.0**	**39.5**
Banks Total	**469.7**	**41.1**	**19.1**
Other Financials			
SBICARD	5.9	71.8	-5.5
Life Insurance			
HDFCLIFE	3.3	18.6	-11.0
IPRULIFE	2.9	-33.8	89.0
SBILIFE	3.3	32.3	24.2
MAXF	1.0	35.8	5.9
Life Total	**10.4**	**-57.8**	**-33.1**

PSBs – Operating performance continues to improve

- We forecast earnings for PSBs to remain healthy, led by pick up in margins and moderation in opex. While we remain watchful of future yields movement, it stood stable over 2QFY23.
- Recovery in loan growth is likely to continue, however, traction in deposits and any increase in cost of funds would be key to assess the margin trajectory. This will be further supported by a sustained reduction in credit cost as the asset quality performance for PSBs remains steady.
- **PSBs are likely to deliver a NII/PPoP growth of 14%/12% YoY (+6.6%/+24.9% QoQ), while PAT will grow by ~26% YoY (+39.5% QoQ) in 2QFY23**.

Small Finance Banks – A quarter of modest performance

- We expect AUBANK to report a modest performance, impacted by continued margin pressure and higher Opex, even as advances are likely to grow 6% QoQ vs 5.6% QoQ in 1QFY23. Provisions would remain controlled, thus, earnings are likely to grow ~13% YoY to INR3.15b in 2QFY23 (23% CAGR over FY22-24E).
- EQUITAS is likely to report a PPoP/PAT growth of 40%/187% YoY albeit on a low base of 2QFY22, impacted by the second wave of Covid-19.

Life Insurers – VNB margins to remain healthy

- We expect premium growth to remain healthy (albeit on a low base) on strong demand for Annuity, Guaranteed, and Credit Life products. Protection and ULIP is likely to see a gradual recovery amid a volatile market.
- HDFCLIFE will post an APE growth of 9% YoY, while SBILIFE will see a growth of 4%. MAXF would see a decline of 10% YoY while IPRU will see a decline of 4%.
- We project VNB growth to be in the range of 12-14% YoY for SBILIFE, HDFCLIFE, and IPRU, while MAXF would see a decline of 16%. VNB margin to remain healthy across players.

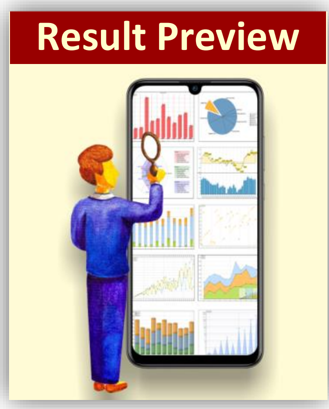
SBICARD: Spends momentum healthy; rising cost to affect margins

- The momentum in Credit Card spends and new account sourcing is likely to remain healthy over 2QFY23, which will keep fee income robust.
- Asset quality outlook remains robust, which coupled with negligible restructuring book, will aid improvement in credit cost.
- However, margins could witness a slight pressure, owing to a low revolve rate and increasing cost of funds, which could impact the overall profitability. The impact of new RBI guidelines on inactive cards would be a near-term watch.

Other monitorables

- **The performance of the restructured and ECLGS book:** Commentaries on slippages, especially MSME, the performance of the restructured and ECLGS book, and provisioning guidance are key focus areas.
- **Outlook on growth and margins:** Commentaries on the growth outlook, revival in capex, and margin, amid rising interest rates, higher inflation, and a challenging macro, are key monitorables.
- **Deposit traction** to be other key monitorable amidst liquidity tightening and rise in funding cost/bulk deposits mix to meet the demand.
- **Fee income traction and treasury performance:** The traction in fee income and treasury performance due to movement in bond yields are key focus areas.
- **Technological spends and elevated Opex:** Outlook on technological spends and investments in the business could affect normalization in Opex.

NBFCs – Lending



Company
Aavas Financiers
Bajaj Finance
Can Fin Homes
Chola Inv. & Fin.
HDFC
HomeFirst
LIC Housing Finance
L&T Finance Holdings
M&M Financial Services
Manappuram Finance
MAS Financial Services
Muthoot Finance
PNB Housing Finance
Repco Home Finance
Shriram City Union
Shriram Transport Finance

Healthy loan growth and stable asset quality

No major impact on margins in 1H; however, 2HFY23 will be key

- We expect our coverage universe of NBFC – Lending Financials to deliver 16% /16%/21% YoY growth in NII/PPoP/PAT, respectively, in 2QFY23. While we forecast a strong YoY earnings growth for BAF, SHTF, and LICHF, we estimate a YoY decline for MMFS (because of higher credit costs than the base quarter) and MUTH (driven by moderation in loan growth and relatively lower margins).
- While the narrative around a sharp spike in short-term interest rates has gained headlines, it has not adversely impacted the margins for our NBFC coverage universe because of lower proportion of short-term borrowings and well-matched fixed rate assets/liabilities.
- Seasonal weakness in asset quality, usually expected in the 1H of the fiscal year, was notably absent in 1HFY23. We expect asset quality to remain broadly stable for the vehicle financiers (with MMFS having already reported a ~270bp QoQ improvement in 30+ dpd) while we expect HFCs to report a minor sequential improvement (except for LICHF, where we expect slippages from the restructured pool).
- Discussions with NBFCs/HFCs seem to suggest that while the incremental cost of borrowings (CoB) have gone up by 50-70bp, the weighted average CoB has increased by 15-30bp QoQ. Companies with high liquidity on their balance sheets now have lower levels of surplus cash and will benefit from the reduction in the negative carry.
- Large HFCs, particularly HDFC, have raised their prime lending rates (PLRs) to transmit the increase in repo rates to customers. However, the affordable HFCs have been measured in increasing their lending rates and while they have managed to maintain stable spreads in 1HFY23, we expect them to partly absorb the higher borrowing costs in 2H. For the cohort of vehicle financiers, we expect margins to sequentially decline by 10-20bp with the least impact on SHTF, followed by CIFC and MMFS. For the gold financiers, we expect NIMs to improve by 60-80bp QoQ, driven by higher blended yields, partly driven by their focus on lower ticket sizes and partly by the run-off in the higher-ticket lower yield teaser rate loan book.
- Disbursements continued to remain healthy across vehicle and housing finance, driven by strong demand and sectoral tailwinds. We expect a ~14% YoY/3.5% QoQ loan growth in 2QFY23 for our coverage universe. Gold loan demand has still not picked up in the lower ticket size (<INR80K) and the banks/gold loan fintech continue to remain aggressive in this space. For MGFL in particular, we expect a sequential decline of 2-3% in the gold loan book, driven by run-off in the higher-ticket size gold loans.
- RBI has affected repo rate hikes of 190bp between May and Sep'22. What generally gets discussed is the impact of rising interest rates on the margin profile of the NBFC/HFCs. However, we are of the view that further repo rate hikes of 50-70bp are possible in 2HFY23, which can negatively impact the demand for mortgages if banks/large HFCs continue to transmit the entire repo rate increase to their customers. Until now, the natural recourse has been to increase the tenure when the PLR was increased. However, with the likely 50-

70bp increase in repo rates in 2HFY23, the lenders would now need to start increasing the EMIs which could also lead to higher delinquencies.

- We continue to favor: a) franchises with strong balance sheets and b) those companies that can change their asset/liability mix to mitigate the impact on margins. Our top picks are CIFC, MMFS, and HomeFirst.

HFCs: Minor improvement in asset quality and small sequential growth in disbursements across large and affordable lenders; HDFC will continue to exhibit transitory impact on NIM

- Home loans have continued to experience healthy demand despite increasing interest rates amidst inflation concerns. We expect HDFC and LICHF (aided by their lower CoF) to deliver strong retail home loan disbursements. HDFC has seen some resolutions in the non-individual book through sale to ARC, leading to an improvement in asset quality but which will also keep the non-individual loan growth muted. We expect that the transitory impact on margins, owing to the lag in transmitting higher borrowing costs to the customer, will continue in 2QFY23 as well.
- While we expect asset quality to improve for HDFC (with sequential decline in credit costs), we model slippages from the restructured loan pool for LICHF.
- We expect Affordable Housing Financiers (AHFCs) under our coverage to report a minor sequential improvement in disbursements in 2QFY23. AHFCs have been able to maintain largely stable spreads in 2QFY23 on the back of smaller quantum of interest rate hikes mitigating the impact on weighted average borrowing costs. We expect asset quality to improve for the housing financiers, leading to an improvement in GS3 and the 1+dpd metrics.

Vehicle Financiers – Strong disbursements; margin impact remains limited

- MMFS has already reported its quarterly disbursements for 2QFY23 at ~INR117.5b (up 24% QoQ). For SHTF, we estimate disbursements to remain broadly stable sequentially, while we expect a 13% QoQ growth for CIFC.
- PVs (particularly cars and UVs) continue to exhibit strong demand as is evident from their long waiting periods. M&HCV volumes have continued to demonstrate recovery in the last six to nine months. Used CV sales also have continued to benefit from the momentum in the sales of new commercial vehicles.
- MMFS has reported a ~100bp QoQ improvement in its GS3 (despite the impact on repossessions, following the RBI ban in the last week of the quarter). For CIFC and SHTF, we expect asset quality to exhibit minor improvement (or remain stable). Vehicle financiers as a cohort still remain the most vulnerable to margin compression in 2HFY23, but the impact in 1HFY23 has not been insignificant.

Gold financiers – Gold loan growth still muted but expect yields/margins to improve leading to improvement in profitability

- Demand in the lower-than-INR100K ticket segment has still not improved and banks/gold loan fintechs continue to remain aggressive in the ticket-size above INR100K.
- While we expect a sequential decline of ~2%-3% in the gold loan portfolio for MGFL, we expect it to grow ~2% sequentially for MUTH. Yields have started to improve for both MUTH and MGFL, driven by their focus on lower-ticket, high-yield gold loans and run-off in the low-yield teaser rate loan portfolio. For MUTH/MGFL, we expect NIM to improve by 80/60bp QoQ, leading to improved profitability.

Diversified financiers: Healthy disbursements and strong asset quality; Good start to festive season but demand likely to taper off post festivities

- For LTFH, we expect strong growth in retail loans but since the wholesale segment likes real-estate and infrastructure will continue to moderate, the consolidated loan could largely remain flat on a sequential basis. We expect credit costs to moderate for LTFH, leading to a QoQ improvement in profitability.
- We expect BAF to report a healthy ~28% YoY/5% QoQ growth in its AUM. We forecast margins to remain stable for BAF along with a further improvement in asset quality. We forecast SCUF to report sequentially stable disbursements and deliver a 17% YoY growth in AUM. Further, we expect its margins to remain stable and model a ~10-20bp improvement in its Gross Stage 3 loans.

Quarterly performance

	CMP		NII (INR m)			Operating profit (INR m)			Net profit (INR m)		
Sector	(INR)	Rating	Sep-22	Variance YoY (%)	Variance QoQ (%)	Sep-22	Variance YoY (%)	Variance QoQ (%)	Sep-22	Variance YoY (%)	Variance QoQ (%)
AAVAS Financiers	2229	Sell	1,923	18.2	6.8	1,463	18.8	26.5	1,121	21.7	25.7
Bajaj Finance	7172	Buy	56,701	32.2	7.5	44,141	33.6	3.7	27,470	85.5	5.8
Can Fin Homes	481	Buy	2,522	31.5	0.7	2,163	32.8	0.6	1,539	24.5	-5.1
Chola. Inv & Fin.	700	Buy	15,547	22.5	4.9	11,202	28.0	5.6	5,721	-5.7	1.1
HDFC*	2283	Buy	45,477	10.7	2.3	42,986	13.2	2.0	41,853	15.6	19.0
Home First Fin.	872	Buy	1,005	56.5	6.9	720	20.7	3.0	534	18.9	4.1
L&T Fin.Holdings	72	Buy	14,916	2.1	-2.7	10,997	-0.2	-4.8	3,600	61.4	37.8
LIC Housing Fin	402	Buy	16,662	42.7	3.5	14,890	57.1	2.8	8,173	229.7	-11.7
M & M Financial	180	Buy	16,249	8.8	4.5	9,943	-2.2	5.1	4,785	-53.2	114.7
Manappuram Finance	96	Buy	10,139	2.8	6.0	5,711	-5.3	12.2	3,510	-5.1	24.5
MAS Financial	720	Buy	1,109	37.2	5.1	753	24.5	6.5	488	27.2	4.8
Muthoot Finance	1029	Neutral	16,512	-8.9	7.2	11,304	-20.1	10.4	8,357	-15.9	4.2
PNB Housing	391	Neutral	3,719	-20.0	0.9	3,512	-18.9	-2.5	2,282	-3.0	-3.3
Repco Home Fin	233	Neutral	1,367	-12.4	3.0	1,108	-16.0	2.7	596	-30.6	-3.9
Shriram City Union	1688	Buy	10,850	20.7	1.5	6,553	13.1	-0.5	3,232	14.5	0.1
Shriram Transport Fin.	1170	Buy	25,895	20.8	1.1	21,328	24.2	1.0	10,310	33.7	6.8
NBFC			**2,40,592**	**15.9**	**3.9**	**1,88,773**	**15.6**	**3.0**	**1,23,572**	**20.7**	**11.2**

Note: For HDFC, Net Profit refers to core PAT excluding exceptional

NBFC – Non Lending

Result Preview

Company
Angel One
CAMS
ICICI Lombard
ICICI Securities
IIFL Wealth
Star Health

Healthy momentum seen across cap markets, GI and MF

Profitability improvement across coverage, led by scale benefits

- Capital market activity picked up momentum in 2QFY23 across most parameters (volumes, orders) except client addition. Volumes in F&O for both equities and commodities continue to surge, while cash volumes recovered. We expect all the companies under coverage to see a sequential uptick in revenues and profits.
- General Insurance industry saw growth momentum slowing down albeit previous quarters had the advantage of the base effect. Although the Health segment slowed down, it remained healthy at 14% YoY in Aug'22. The Motor segment too saw steady growth of 12% in Jul/Aug'22. Health claim ratios are likely to be elevated with monsoon-related ailments and sticky COVID-related consumables/tests. We expect both STARHEAL/ICICIGI to report growth in profits.
- MF AUM for the industry grew MoM in Jul/Aug on the back of SIP volumes and positive MTM, leading to increased share of equity in industry AUM. CAMS and IIFLWAM should see benefits from these trends.
- We remain excited about the long-term growth potential of the non-lending financials, given the broader themes of financialization and digitalization of savings. Our top picks in this space are ANGELONE, IIFLWAM, and STARHEAL.

Incremental demat account addition slows down but volumes see a strong recovery in cash segment; F&O volumes continue to surge

The retail segment cash ADTO at NSE grew 9%/28%/5% MoM in Jul/Aug/Sep 2022. On the other hand, F&O volumes saw 1.5%/25%/ 11% MoM increase in Jul/Aug/Sep 2022. This was in spite of high volatility in markets on the back of global inflation concerns. Incremental demat account addition in Jul/Aug were at 1.5/2.6m vs average of 2.3/2.9m in 1QFY23/FY22. Although Aug 2022 saw a recovery in client addition for ANGELONE, the average numbers for 2QFY23 will still be lower than in FY22. However, the number of orders has remained healthy with per day orders at 3.6m in Aug 2022, a new high for the company. We expect a recovery in revenues and profitability for ANGELONE. For ISEC, we expect revenue growth to rebound on the back of recovery in cash volumes, seasonal uptick in life insurance distribution revenues and improvement in IB revenues.

General Insurance sector sees healthy premium growth; health claim ratio remain elevated; opex to see benefits of scale

Overall GWP for the industry grew 16%/12% YoY in Jul/Aug'22, driven by 20%/14% YoY growth in the Health segment and 12%/12% growth in the Motor segment. For ICICIGI, the premium growth in Jul/Aug'22 was at 29%/21%, driven by Health segment growth of 39%/40%. Motor segment growth was muted at 2% each month. STARHEAL saw a growth of 9%/13%, driven by retail growth of 23%/25% as group health business declined 61%/56%. Health segment claim ratios are likely to sustain (vs expectation of decline) as monsoon-related ailments and sticky COVID-related consumables/tests keep the severity of claims higher. Opex ratios are expected to see benefits from operating leverage.

Mutual funds AUM improves, led by SIP flows and positive MTM; IIFLWAM to see benefits of transition to ARR

MF industry AUM saw a MoM growth of 2%/5% in Jul/Aug'22, driven by SIP flows which were at INR127b for Aug'22 (a new high) and a positive MTM with Nifty yielding 12.5% return cumulatively for Jul and Aug. Resultantly, the share of equity in overall AUM for the industry was at 45% in Aug'22 up from 43% for 1QFY23. CAMS will be a clear beneficiary and will see improved revenues and profitability. IIFLWAM should see better traction in its ARR assets, driven by healthy MF distribution. Profitability improvement should continue, led by sustained benefits of transition to ARR.

Quarterly performance

Sector	CMP (INR)	Rating	Revenue/NEP (INR m)			EBIDTA/PBT/UP (INR m)			Net profit (INR m)		
			Sep-22	Variance YoY (%)	Variance QoQ (%)	Sep-22	Variance YoY (%)	Variance QoQ (%)	Sep-22	Variance YoY (%)	Variance QoQ (%)
Angel One	1364	BUY	4,447	48.6	5.8	2,569	43.1	5.8	1,927	43.4	6.1
CAMS	2,475	BUY	2,478	8.9	4.7	1,117	5.6	14.1	757	4.3	17.1
ICICI Lombard	1,127	BUY	54,102	20.0	-2.2	-1,856	Loss	Loss	3,818	-14.5	9.4
ICICI Securities	512	BUY	8,225	-4.0	3.5	3,905	-17.1	6.4	2,929	-16.6	7.1
IIFL Wealth	1,877	BUY	3,848	22.4	2.6	2,131	50.8	2.4	1,795	25.1	14.2
Star Health	703	BUY	32,897	14.0	33.5	114	LP	-92.7	1,119	LP	-47.5
Non Lending NBFC			**2,59,590**	**15.6**	**3.9**	**1,98,495**	**15.2**	**3.2**	**1,41,163**	**29.0**	**11.5**

Change in estimates

Company	Old estimates (INR)			New estimates (INR)			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Angel One	86.7	97.9	117.1	92.7	105.7	125.0	6.9	7.9	6.7
CAMS	63.1	75.8	89.0	63.3	75.7	88.9	0.4	-0.1	-0.1
ICICI Lombard	33.2	41.8	51.8	32.2	40.8	50.0	-3.0	-2.2	-3.5
ICICI Securities	34.7	37.7	NA	38.8	42.6	46.7	11.8	12.9	NA
IIFL Wealth	79.4	89.0	100.0	81.0	90.7	101.8	1.9	1.9	1.9
Star Health	12.0	18.7	24.3	11.8	18.2	23.4	-2.0	-2.8	-3.7

Automobiles

Result Preview

Company
Amara Raja Batt.
Apollo Tyres
Ashok Leyland
Bajaj Auto
Balkrishna Inds
Bharat Forge
Bosch
CEAT
Eicher Motors
Endurance Tech.
Escorts Kubota
Exide Inds.
Hero Motocorp
Mahindra & Mahindra
Mahindra CIE
Maruti Suzuki
Motherson Wiring
MRF
Samvardhana Motherson
Sona BLW Precis.
Tata Motors
Tube Investments
TVS Motor

Chip supplies easing, festive season critical for 2Ws and Tractors

Margin to improve for the 2nd straight quarter despite a residual cost push

- **Volumes in 2QFY23 recovered across segments on a low base of 2QFY22, aided by some improvement in semiconductor supplies. Wholesale volumes for PVs grew 25% YoY and 5% QoQ, CVs grew 37% YoY and 7% QoQ, 2Ws grew 5% YoY and 12.5% QoQ, and Tractors grew 7% YoY (but fell 15% QoQ).**
- **For the second quarter in a row, we expect EBITDA margin to improve by 310bp YoY and 130bp QoQ for MOFSL's Auto OEM Universe, led by price hikes and operating leverage, despite the residual impact of an increase in RM cost. Except HMCL and MM, all other OEMs are likely to report a YoY improvement in margin (a QoQ improvement for all OEMs).**
- **We expect a 12%/22%/7%/14%/19%/26% volume CAGR (FY22-24E) for 2Ws/ PVs/ Tractors/3Ws/LCVs/M&HCVs.**
- **We revise our FY23 EPS estimate for select companies to reflect: a) forex and commodity price-related changes, b) weakness in export markets, and c) an increase in interest rates. We lower our FY23 estimate for TTMT (-20%), MOTHERSO (-13%), and HMCL (-5%). There are no major upgrades to our EPS estimates for FY23.**

Supply-side issues easing, festive season critical for 2Ws and Tractors

Volumes in 2QFY23 recovered across segments on a low base of 2QFY22, aided by some improvement in semiconductor supplies. The demand momentum sustained in PVs and CVs, while 2Ws and Tractors saw some signs of a recovery. Wholesale volumes for PVs grew 25% YoY and 5% QoQ, CVs grew 37% YoY and 7% QoQ, 2Ws grew 5% YoY and 12.5% QoQ, and Tractors grew 7% YoY (but fell 15% QoQ). Tractor is the only segment to witness a QoQ drop in volumes as OEMs were focused on inventory correction in 1QFY23. Exports overall have been under pressure for OEMs as well as Auto Component suppliers due to various frictions in the global trade.

Price hikes and operating leverage to drive margin improvement despite cost inflation

For the second quarter in a row, we expect EBITDA margin to improve by 310bp YoY and 130bp QoQ for MOFSL's Auto OEM Universe, led by price hikes and operating leverage, despite the residual impact of an increase in RM cost. Except HMCL and MM, all other OEMs are likely to report a YoY margin improvement (QoQ improvement for all OEMs). 2QFY23 will see an increase in commodity costs on account of the lag impact of steel price and crude derivatives. The same was more than offset by some softening in other commodities and price hikes, resulting in a gross margin expansion of 50bp YoY and 90bp QoQ.

Some major headwinds recede, but new ones emerge

After operating through several headwinds in the last three-to-four years, some of these headwinds are turning into tailwinds. While demand recovery is expected to sustain on a low base, commodity prices have started to moderate, with benefits expected to accrue from 3QFY23. Increase in interest and weakening global macros can be an emerging concern for demand. We expect a 12%/22%/7% volume CAGR (FY22-24) for 2Ws/PVs/Tractors. For 3Ws/LCVs/M&HCVs, we expect a volume CAGR of 14%/19%/26% over FY22-24.

Valuation and view

We revise our FY23 EPS estimate for select companies to reflect: a) forex and commodity price-related changes, b) weakness in export markets, and c) an increase in interest rates. We lower our FY23 estimate for TTMT (-20%), MOTHERSO (-13%), and HMCL (-5%). There are no major upgrades to our EPS estimates for FY23. We prefer companies with: a) a higher visibility in terms of a demand recovery, b) a strong competitive positioning, c) margin drivers, and d) Balance Sheet strength. **MSIL** and **AL** are our top OEM picks. Among Auto Component stocks, we prefer **BHFC** and **APTY**. We also prefer **HMCL** as a pure play on a demand recovery in the domestic 2W space.

Summary of expected quarterly performance

	CMP		Sales (INR m)			EBDITA (INR m)			Net profit (INR m)		
Sector	(INR)	Rating	Sep-22	YoY	QoQ	Sep-22	YoY	QoQ	Sep-22	YoY	QoQ
Automobiles											
Amara Raja Batt.	481	Neutral	25,359	12.0	-3.2	2,656	-1.2	1.8	1,336	-7.3	1.7
Apollo Tyres	264	Buy	59,033	16.3	-0.7	7,007	9.8	1.6	1,745	-1.2	-8.5
Ashok Leyland	150	Buy	81,272	82.3	12.5	5,153	282.6	60.9	1,941	LP	229.3
Bajaj Auto	3516	Neutral	99,427	15.3	24.2	16,821	33.5	29.7	14,547	24.8	24.0
Balkrishna Inds	1869	Neutral	26,258	26.3	-3.7	5,252	-4.5	-1.9	3,321	-16.8	3.9
Bharat Forge	692	Buy	17,791	11.5	1.1	4,699	5.9	2.1	2,782	-8.3	13.1
Bosch	15636	Neutral	36,475	25.0	2.9	4,888	36.7	8.7	3,694	-0.7	10.5
CEAT	1567	Buy	27,460	12.0	-2.6	1,850	-16.0	11.9	196	-53.8	101.0
Eicher Motors	3464	Buy	36,435	62.0	7.2	8,781	86.9	5.7	6,910	85.2	13.2
Endurance Tech.	1403	Buy	21,900	16.0	3.6	2,608	0.3	9	1,271	-4.7	14.3
Escorts Kubota	2059	Neutral	18,637	12.1	-7.5	2,026	-3.6	0.5	1,636	-7.4	11.0
Exide Inds.	154	Buy	37,835	15.0	-3.0	4,017	-2.8	3.9	2,314	-1.3	2.2
Hero Motocorp	2526	Buy	87,942	4.0	4.8	10,174	-4.6	8.1	7,250	-8.7	16.1
Mahindra & Mahindra	1252	Buy	2,02,175	51.9	3.1	24,867	49.8	6.2	22,702	34.6	54.3
Mahindra CIE	284	Buy	27,084	29.5	0.0	3,214	19.7	5.6	1,723	18.4	-8.7
Maruti Suzuki	8544	Buy	2,93,743	43.0	10.8	26,924	214.9	40.8	18,874	297.1	86.4
Samvardhana Motherson	73	Buy	1,68,472	16.9	-4.4	11,830	9.3	9.9	2,222	57.6	57.3
Motherson Wiring	88	Buy	18,380	31.3	10.0	2,546	43.0	25.5	1,605	40.8	27.4
MRF	80699	Neutral	54,114	12.0	-3.3	5,386	5.2	12.6	1,470	-19.8	30.8
Sona BLW Precis.	459	Neutral	6,401	9.3	8.6	1,581	2.4	10.9	865	-1.9	14.1
Tata Motors	398	Buy	8,53,526	39.1	18.7	95,240	135.2	199.4	7,543	LP	LP
Tube Investments	2698	Buy	19,964	19.8	2.0	2,159	12.0	5.8	1,494	23.0	11.2
TVS Motor	995	Neutral	68,592	22.6	14.2	7,213	33.5	20.3	3,907	49.7	21.9
Automobiles			**22,88,273**	**32.4**	**9.7**	**2,56,892**	**62.7**	**49.2**	**1,11,346**	**269.8**	**779.0**

Volume snapshot in 1QFY23 ('000 units)

	2QFY23E	2QFY22	YoY (%)	1QFY23	QoQ (%)	1HFY23E	1HFY22	YoY (%)
Two-wheelers	5,478	5,221	4.9	4,872	12.5	10,350	8,765	18.1
Three-wheelers	222	191	16.6	171	29.9	393	353	11.5
Passenger Cars	454	447	1.7	516	-11.9	970	863	12.4
UVs and MPVs	667	452	47.5	554	20.2	1,221	809	51.0
Total PVs	**1,121**	**899**	**24.7**	**1,070**	**4.7**	**2,191**	**1,672**	**31.0**
M&HCVs	85	61	38.8	82	3.9	166	96	72.8
LCVs	175	128	36.7	162	8.1	337	215	56.9
Total CVs	**260**	**189**	**37.3**	**244**	**6.7**	**503**	**311**	**61.9**
Tractors	236	222	6.6	278	-14.8	514	451	13.9
Total (excl. Tractors)	**7,081**	**6,500**	**8.9**	**6,356**	**11.4**	**13,438**	**11,101**	**21.1**

Source: Company, MOFSL

Consumer

Result Preview

- Asian Paints
- Britannia Industries
- Colgate-Palmolive India
- Dabur India
- Emami
- Godrej Consumer Products
- Hindustan Unilever
- Indigo Paints
- ITC
- Jyothy Laboratories
- Marico
- Nestle India
- Page Industries
- Pidilite Industries
- P&G Hygiene and Healthcare
- Tata Consumer Products
- United Breweries
- United Spirits
- Varun Beverages

Discretionary demand strong; rural recovery uncertain

We expect 2QFY23 to report strong cumulative growth numbers – +16.7% on topline, +13.6% on EBITDA, and +12.9% on PAT – for the 19 consumer companies under our coverage universe. Three-year sales/EBITDA/PAT CAGR is 12.7%/9.1%/5.2%, respectively. Sales growth in 2QFY23 will largely be led by price hikes as volumes for most categories remain negatively impacted by grammage reduction, high CPI inflation, and a sustained slowdown in rural demand. However, the prices of key commodities such as crude and palm oil have eased in the recent weeks, but they are unlikely to benefit margins in 2QFY23 as the decline came in only towards the end of the quarter. We expect companies to take sharp price cuts to pass on the benefits of lower input costs to consumers and boost volumes in 2HFY23. While the monsoon was above its long-term average (LTA) overall, the East and North-East/North-West parts of India received lesser rainfall (17%/1% below their LTA), suggesting that rural recovery in these regions may be delayed. The area for Kharif sowing was nearly in line with LTAs and companies are hopeful of a rural recovery post-harvest.

Discretionary portfolio to witness better demand than Staples

Among the large companies, we expect APNT to report 30% YoY sales growth on the back of strong demand (12% domestic decorative volume growth) and 99%/107% EBITDA/PAT growth, respectively. We expect a healthy quarter for Staples, driven by premiumisation in urban India; however, rural demand continues to be lackluster. Moreover, higher input costs are also expected to affect the margins. For HUVR, we expect YoY sales/EBITDA/adj. PAT growth of 17.0%/10.9%/11.4%, respectively. HUVR's volume growth of 5% is likely to be the best among staples peers under our coverage on a like-to-like basis. ITC is likely to post YoY sales/EBITDA/adj. PAT growth of 24.2%/16.1%/14.1%, respectively, backed by healthy cigarette demand (three-year average volume CAGR of ~3%), full resumption of travel benefiting hotels and higher realizations in paper & paperboards business. GCPL is expected to report revenue growth of 7% with EBITDA margin of 17.1%. Among the Alcobev players, UBBL is projected to deliver robust sales performance on a weak base while UNSP is expected to report flattish sales YoY. However, earnings growth is likely to be lackluster for both owing to steep increase in input costs. Among other discretionaries, VBL, INDIGOPN, and PIDI are likely to report strong YoY revenue growth.

Key input costs move southwards

Overall inflation in the commodity basket has been 12.6% YoY, while it has moderated 6.7% sequentially in 2QFY23. Barring few commodities such as liquid paraffin, wheat, tea, maize and glass, all other commodities have seen a sequential decline in prices. Key commodities such as crude and palm oil have seen a sequential correction of 12.2% and 38%, respectively (34% and 59%, respectively, from its recent highs). Companies were compelled to pass on a significant part of the input cost inflation to consumers with price hikes taken during 4QFY22 and 1QFY23; however, with the recent correction in the prices, we expect the benefits will be quickly passed on to consumers. Even so, gross margins are likely to remain under pressure, as the impact of lower input costs will notably flow through only in 2HFY23. HDPE/LLP costs – which affect packaging/hair oil companies adversely – were on an increasing trend until Jun'22/Jul'22. VAM prices had softened in 2QFY23, down 6.6%/24.6% YoY/QoQ. This is likely to positively impact PIDI's gross margins in 2HYFY23. The correction in palm oil prices is likely to favor HUVR, GCPL, and food companies (though to a lesser extent) in 2HFY23 if prices remain at these levels. Among other agri commodities, barley price (INR2,989/quintal) has remained flat YoY as well as QoQ; however, it is near its all-time high (INR3,250/quintal).

Top picks in the Consumer space

ITC, GCPL, and **VBL**: A revival in cigarette demand, improvement in the hotels business coupled with lower input cost pressures than peers and attractive valuations make ITC a top pick from a one-year perspective. The appointment of the new CEO at GCPL offers scope for a transformative change, especially if the company is able to grow its domestic business strongly and continue on its optimal capital allocation strategies. We like VBL owing to: a) increased penetration in newly acquired territories of South and West India, b) higher acceptance of newly launched products, and c) growing refrigeration in rural and semi-rural areas.

Overall performance – Discretionaries likely to outperform Staples

Sector	CMP		Sales (INR m)			EBITDA (INR m)			Net profit (INR m)		
Consumer	(INR)	Rating	Sep'22	Variance YoY (%)	Variance QoQ (%)	Sep'22	Variance YoY (%)	Variance QoQ (%)	Sep'22	Variance YoY (%)	Variance QoQ (%)
Asian Paints	3302	Neutral	92,248	30.0	7.2	17,954	98.5	15.4	12,502	106.6	17.9
Britannia	3768	Neutral	40,403	12.0	9.2	5,851	4.8	16.8	4,138	8.4	23.7
Colgate	1579	Neutral	14,336	6.0	19.8	4,157	3.7	27.7	2,804	4.2	28.0
Dabur	557	Buy	30,430	8.0	7.8	5,964	-3.9	9.7	4,820	-4.4	9.5
Emami	499	Buy	8,953	13.5	15.0	2,373	-14.4	36.9	1,958	-22.7	34.7
Godrej Consumer	884	Buy	35,117	11.0	12.4	6,145	-9.5	15.4	4,081	-15.0	17.6
Hind. Unilever	2622	Buy	1,48,850	17.0	4.3	34,730	10.9	7.0	24,356	11.4	6.4
Indigo Paints	1491	Buy	2,451	25.0	9.4	429	83.5	21.6	274	101.9	37.4
ITC	324	Buy	1,58,086	24.2	-8.6	53,590	16.1	-5.1	42,179	14.1	1.2
Jyothy Labs	188	Neutral	6,361	10.0	8.6	789	17.6	31.9	531	26.0	22.3
Marico	529	Buy	24,916	3.0	-2.6	4,410	4.3	-16.5	3,099	0.3	-16.5
Nestle	18992	Neutral	43,485	12.0	7.7	9,871	3.7	16.2	6,409	3.1	17.6
P&G Hygiene	13989	Buy	11,747	11.0	55.1	2,861	-5.1	326.4	2,108	-3.4	395.3
Page Industries	49498	Neutral	12,249	13.0	-8.7	2,695	15.4	-9.5	1,849	15.2	-10.7
Pidilite Inds.	2656	Neutral	30,991	18.0	-0.1	5,316	-3.3	0.4	3,464	-7.6	-2.2
Tata Consumer	778	Buy	33,236	9.6	-0.1	4,375	5.8	-4.3	2,945	5.1	7.7
United Breweries	1669	Sell	18,255	28.0	-25.1	2,197	32.7	-22.2	1,195	48.2	-26.1
United Spirits	827	Neutral	23,489	-4.0	8.3	3,298	-17.8	10.2	1,928	-14.0	-29.5
Varun Beverages	1070	Buy	29,353	22.4	-40.8	6,153	24.4	-50.8	3,194	33.0	-59.4
Consumer			**7,64,956**	**16.9**	**-1.0**	**1,73,158**	**13.8**	**0.8**	**1,23,834**	**13.2**	**2.5**

Expect most of the companies to post single-digit volume growth in 2QFY23

Quarter ending (growth %)	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23E
Asian Paints (Dom. Deco.)	14.0	11.0	2.5	(38.0)	11.0	33.0	48.0	106.0	34.0	18.0	8.0	37.0	12.0
Britannia (Biscuits)	3.0	3.0	0.0	21.0	9.0	3.0	8.0	1.0	5.0	6.0	4.0	-2.0	3.0
Colgate (Toothpaste)	4.0	2.3	(8.0)	0.0	4.0	6.0	16.0	8.0	4.0	1.0	-4.0	-1.0	3.0
Dabur	4.8	5.6	(14.6)	(9.7)	16.8	18.1	25.4	34.4	10.0	2.0	2.0	5.0	4.0
Emami	1.0	(2.0)	(20.0)	(28.0)	10.0	13.0	39.0	38.0	6.2	0.0	0.0	9.6	7.0
Hindustan Unilever	5.0	5.0	(7.0)	4.0	14.0	17.0	31.0	9.0	4.0	2.0	0.0	6.0	5.0
ITC (Cigarettes)	2.5	2.5	(11.0)	(37.0)	(12.0)	(7.0)	7.0	31.0	9.0	12.5	9.0	26.0	13.0
Marico (Dom.)	1.0	(1.0)	(3.0)	(14.0)	11.0	15.0	25.0	21.0	8.0	0.0	1.0	-5.0	2.0
Pidilite	(1.0)	2.0	(3.1)	(58.6)	7.4	22.0	45.0	105.0	25.0	9.4	20.2	44.0	2.0

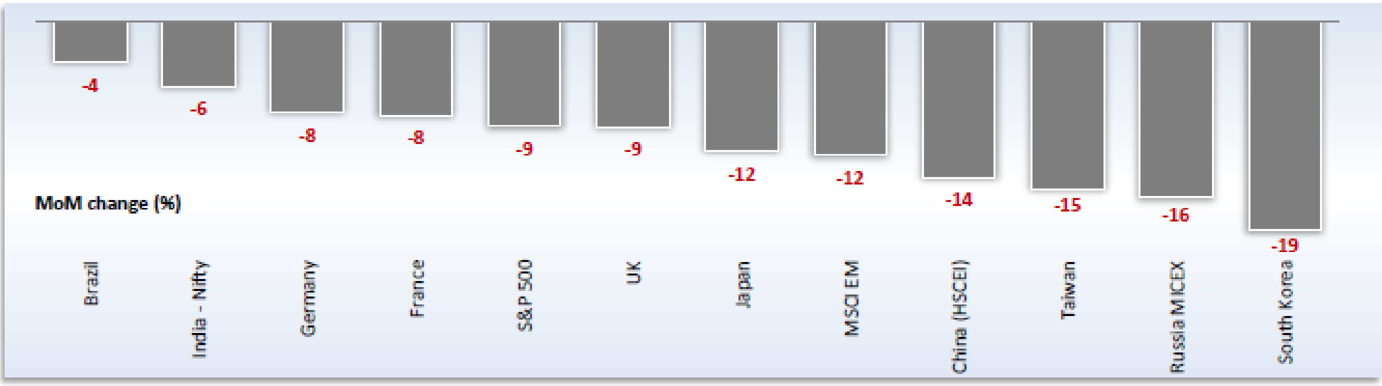
Source: Company, MOFSL

The Eagle Eye: India continues to outshine its peers in Sep'22

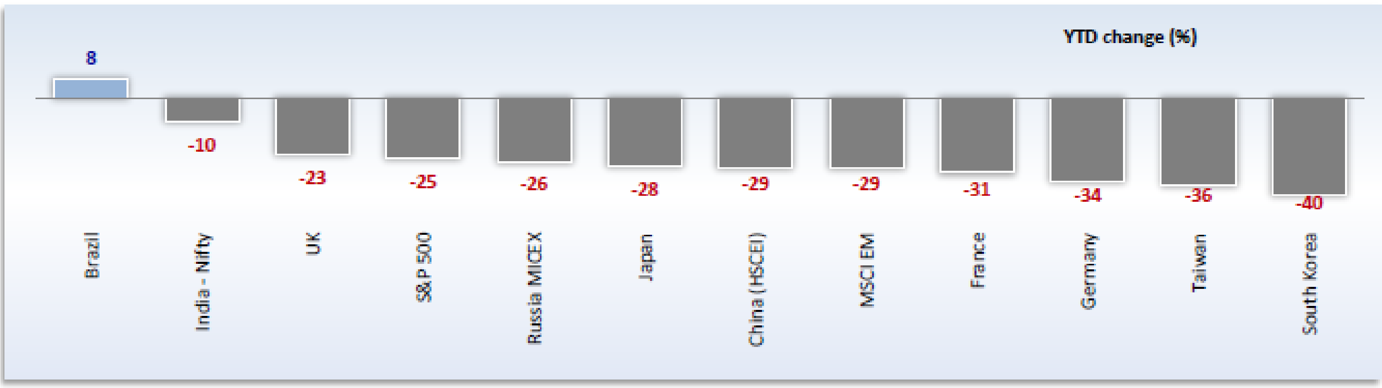
The key highlights of our Oct'22 edition of 'The Eagle Eye' are as follows:

- India outperformed key global markets in Sep'22, with the outperformance of the MSCI India index over MSCI China at a record high
- Activity: FIIs withdrew USD1.6b in Sep'22 after clocking the highest inflows in Aug'22 (since Dec'20). However, DIIs turn buyers at USD1.7b in Sep'22 after recording an outflow in Aug'22. Average daily cash volumes jumped 38% from the Jun'22 low
- Macros: Bond yields continue to see a steep rise across global economies. In bright spots, the INR remains resilient as compared to most global currencies in CY22 and loan growth has hit a record high.
- Over the course of Sep'22, our in-house research team published several interesting and insightful reports. Some of the notable ones are: a) Retail – Footwear (Thematic): Putting the best FOOT forward; b) Real Estate (Bengaluru Thematic): Opportunities (Ban)'Galore; and c) India Strategy: India Inc's profit pool – decadal analysis: A PAT on the back!

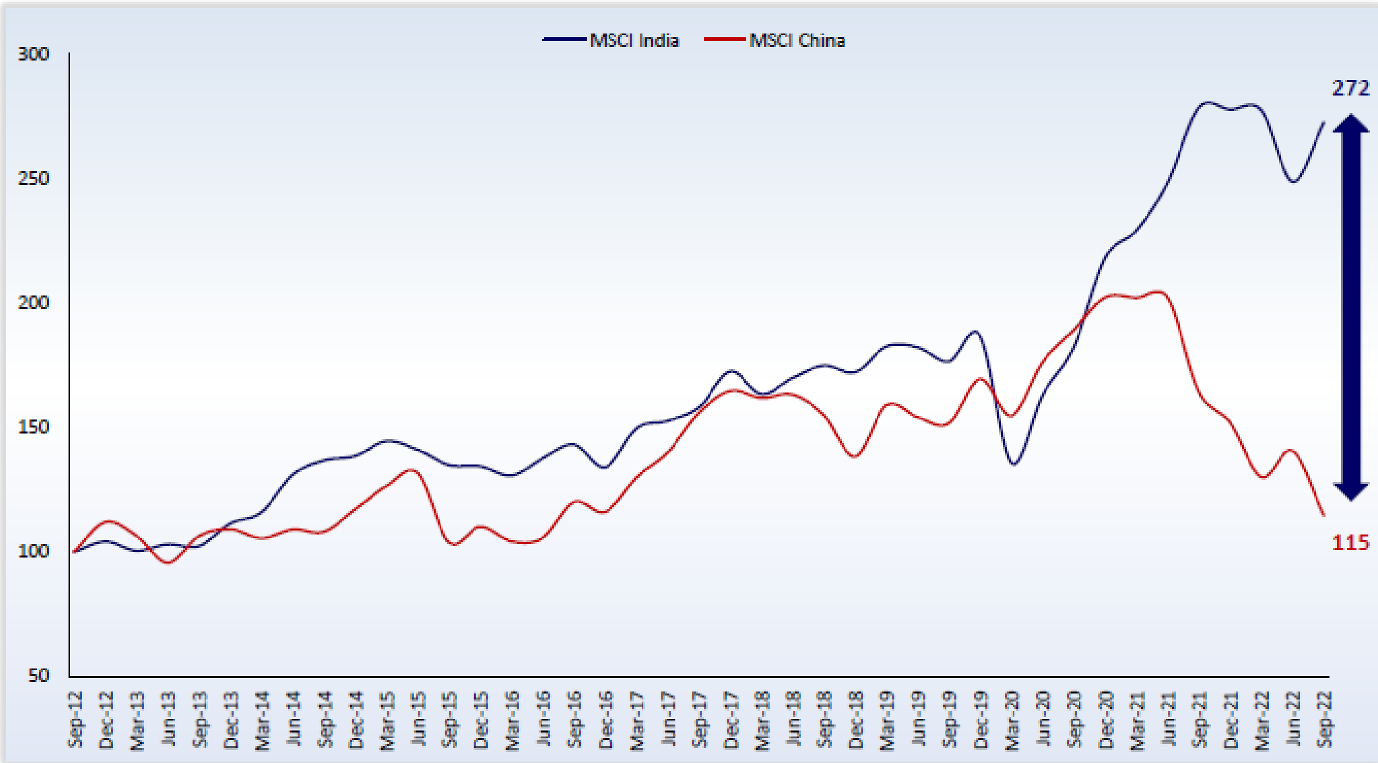
World equity indices (MoM) in USD terms (%)



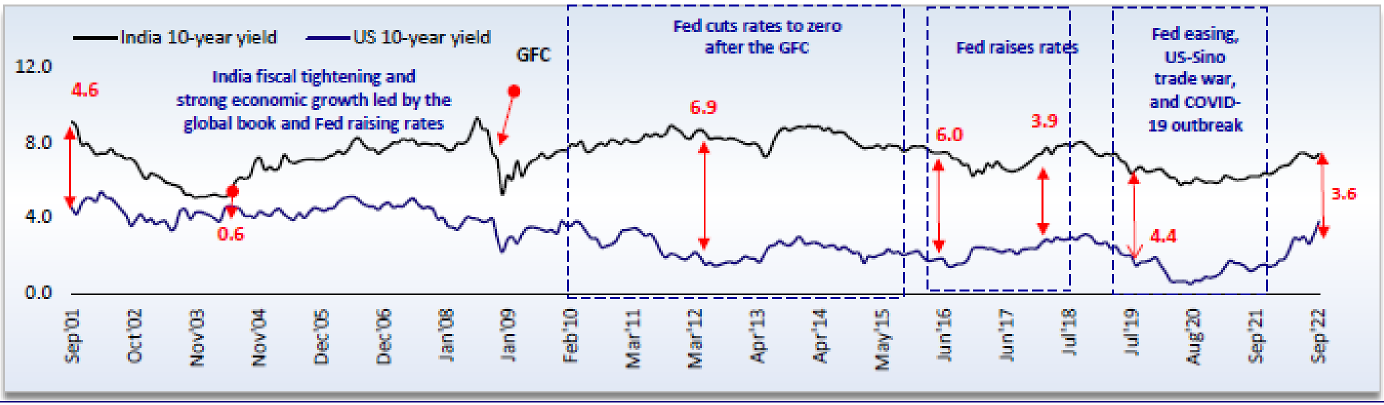
YTD performance of global equity indices in USD terms (%)



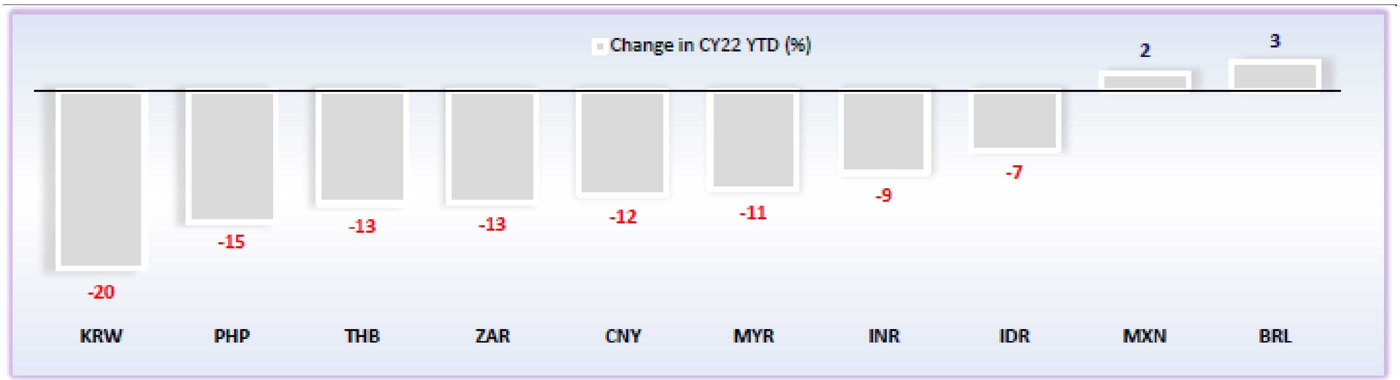
MSCI India and MSCI China were closely following each other till Sep'20. In last two years, the gap widened and became a gulf



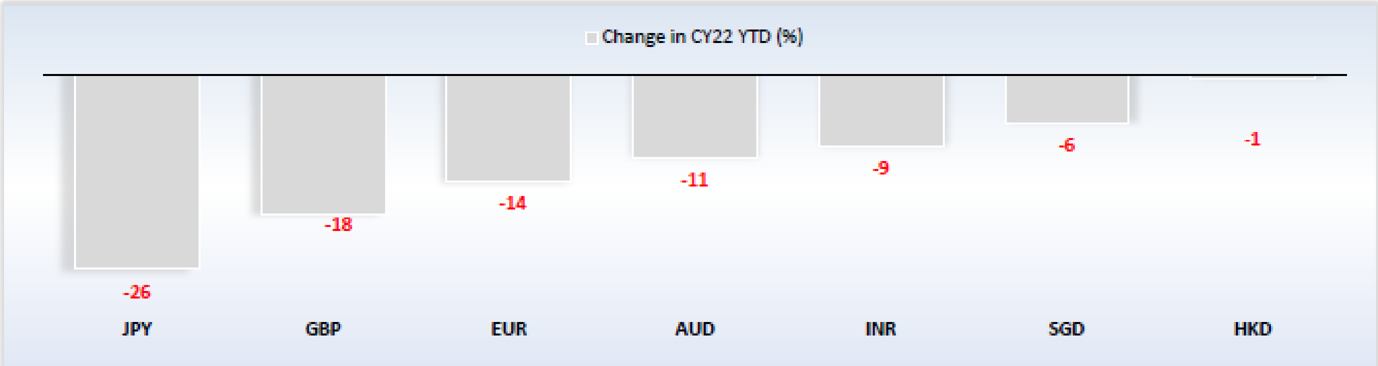
10Y yield spread between India and US at the lowest since Jun'09



India v/s emerging markets: INR depreciates by ~9% YTD, but outperforms EM currencies



India v/s developed markets: JPY, GBP, and EUR saw the steepest fall among most developed market currencies in CY22



Relative performance v/s the USD

Source: Bloomberg, MOFSL

Top ideas

Company	M-cap (USD b)	CMP (INR)	52-week high	Corr. from 52W (%)	EPS (INR)			EPS CAGR (%)	P/E (x)			P/B (x)			RoE (%)		
					FY22	FY23E	FY24E	FY22-24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Preferred largecap stocks																	
Reliance Ind.	185.3	2,378	2,855	-17	86.4	117.1	119.3	17.5	27.5	20.3	19.9	2.0	1.8	1.7	7.9	9.7	9.1
Infosys	79.4	1,413	1,954	-28	52.4	57.2	65.7	12.0	27.0	24.7	21.5	7.9	7.6	7.2	29.2	31.3	34.5
ICICI Bank	73.8	863	936	-8	33.7	43.8	52.0	24.3	25.6	19.7	16.6	3.6	3.0	2.6	15.0	16.8	17.0
State Bank of India	58.3	531	579	-8	39.6	51.7	66.5	29.6	13.4	10.3	8.0	1.6	1.4	1.2	13.0	15.0	16.7
Bharti Airtel	57.8	800	809	-1	5.6	12.2	18.2	80.4	143.1	65.8	43.9	6.7	5.0	4.5	5.0	8.7	10.8
ITC	50.0	332	350	-5	12.2	14.8	16.7	16.8	27.2	22.5	19.9	6.7	6.4	5.9	25.0	28.9	30.7
Maruti Suzuki	32.8	8,824	9,450	-7	128.4	223.8	381.2	72.3	68.7	39.4	23.1	4.9	4.5	4.0	7.0	11.3	17.1
Titan Company	28.4	2,607	2,768	-6	26.2	34.9	41.9	26.5	99.4	74.6	62.2	24.8	20.9	17.2	27.7	30.5	30.4
UltraTech Cement	22.1	6,250	8,267	-24	196.3	209.3	251.7	13.2	31.8	29.9	24.8	3.6	3.3	2.9	12.0	11.4	12.4
IndusInd Bank	11.0	1,186	1,275	-7	62.1	99.8	122.2	40.3	19.1	11.9	9.7	1.9	1.7	1.4	10.6	15.1	16.1
Hindalco Ind.	10.8	391	636	-39	61.3	49.7	53.8	-6.3	6.4	7.9	7.3	1.6	1.4	1.2	28.0	18.8	17.5
Apollo Hospitals	7.5	4,383	5,931	-26	68.1	62.1	88.9	14.3	64.4	70.6	49.3	10.8	9.2	7.8	19.1	14.6	17.7
Macrotech Developers	5.5	925	1,539	-40	25.0	29.8	45.2	34.6	37.1	31.0	20.4	3.7	3.3	2.9	14.4	11.2	15.1
Preferred midcap/smallcap stocks																	
Varun Beverages	8.3	1,044	1,195	-13	10.7	20.3	23.7	49.0	97.7	51.4	44.0	16.6	13.0	10.3	18.3	28.3	26.0
Ashok Leyland	5.5	153	169	-10	0.1	3.2	7.3	729.9	NM	47.7	21.0	6.1	5.8	4.8	0.4	12.5	25.2
Jubilant FoodWorks	5.1	623	915	-32	6.6	7.9	10.1	23.6	94.3	78.9	61.8	21.1	19.9	16.8	22.4	25.2	27.3
Metro Brands	3.1	915	949	-4	7.8	13.9	16.6	45.8	117.5	66.0	55.2	19.2	15.1	12.1	20.0	26.2	24.9
Vinati Organics	2.6	2,086	2,373	-12	33.7	43.1	57.6	30.7	61.8	48.4	36.2	11.7	9.8	8.0	20.6	22.1	24.4
CAMS Services	1.5	2,524	3,250	-22	58.7	63.3	75.7	13.6	43.0	39.9	33.3	19.1	16.3	13.9	49.3	44.1	45.1
Angel One	1.4	1,368	2,022	-32	75.4	89.5	102.1	16.3	18.1	15.3	13.4	7.2	5.5	4.3	46.0	40.6	36.1
Lemon Tree Hotel	0.8	87	88	-2	-1.0	1.1	1.6	LP	NA	82.5	53.1	8.2	7.4	6.5	-8.7	9.4	13.1
VRL Logistics	0.5	609	719	-15	7.7	10.2	10.2	14.8	78.9	59.5	59.9	10.3	9.3	8.5	13.4	16.3	14.8

Note: Stock prices as of 30th Sep'22; LP: Loss to profit; Large Cap, Mid Cap and Small Cap Stocks listed above are as per SEBI Categorization.

HDFC Bank

BSE SENSEX	S&P CNX
58,06	17,274

Stock Info

Bloomberg	HDFCB IN
Equity Shares (m)	5,555
M.Cap.(INRb)/(USDb)	8090.9 / 99.3
52-Week Range (INR)	1724 / 1272
1, 6, 12 Rel. Per (%)	-1/-8/-6
12M Avg Val (INR M)	11792
Free float (%)	79.0

Financials Snapshot (INR b)

Y/E	FY22	FY23E	FY24E
NII	720.1	851.7	1,019.4
OP	640.8	728.1	865.5
NP	369.6	440.1	523.9
NIM (%)	3.9	4.0	4.1
EPS (INR)	66.8	79.4	94.5
EPS Gr. (%)	18.1	18.7	19.0
BV/Sh. (INR)	432.9	503.1	587.5
ABV/Sh. (INR)	420.5	488.0	569.8
Ratios			
RoE (%)	16.7	17.0	17.3
RoA (%)	1.9	2.0	2.0
Valuations			
P/E(X)	21.6	18.2	15.3
P/BV (X)	3.3	2.9	2.5
P/ABV (X)	3.4	3.0	2.5

CMP: INR1,413 — Buy

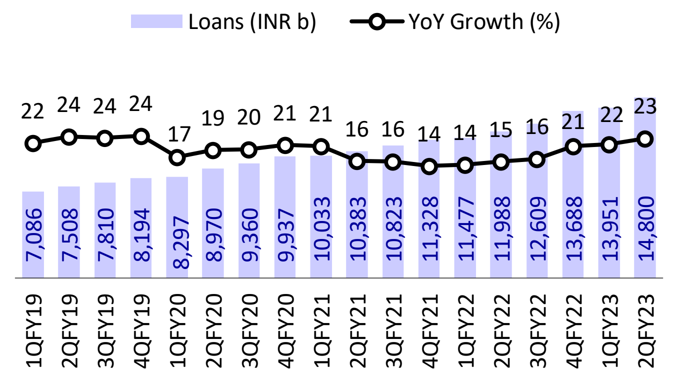
Business growth strong; CASA mix moderates to 45%

HDFCB released its quarterly update highlighting key business numbers for 2QFY23. Following are the takeaways:

- **Total advances picked up and grew at a healthy pace of 23.5% YoY. Sequentially, advances grew 6.1% QoQ (v/s +1.9% in 1QFY23) to INR14.8t. According to the bank's internal classification, Retail loans grew 21.5% YoY (+5% QoQ). Commercial and Rural banking continue to remain robust (+31.5% YoY and +9.5% QoQ), respectively. Corporate and the other Wholesale book too grew strongly at 27% YoY (+9% QoQ).**
- **HDFCB's deposit base rose 19% YoY/4.3% QoQ to INR16.7t. CASA deposits grew 15.4% YoY (+3.4% QoQ). Hence, CASA mix declined 40bp QoQ to 45.4%. Retail/ Wholesale deposits grew 20.5%/12.5% YoY (+5.5%/-0.5% QoQ), respectively.**
- **The bank purchased loans aggregating INR91.5b in 2QFY23, through the direct assignment route, under a Home loan arrangement with HDFC.**

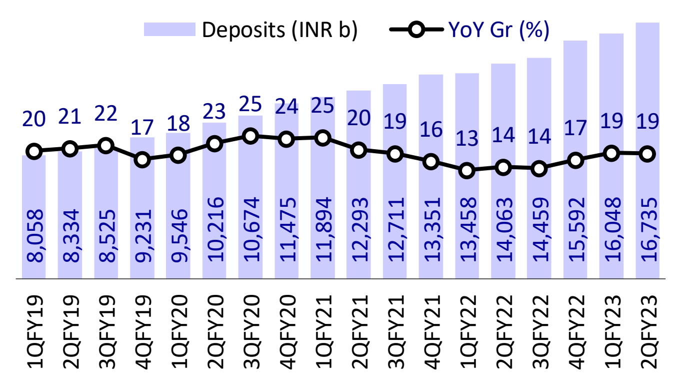
Valuation and view: HDFCB reported strong growth fueled by robust trends in the Commercial and Wholesale books while Retail loans continue to maintain a steady traction. This will likely support the growth in operating profits. Trend in Retail deposit remains strong, even as the bank witnessed a sequential decline in its CASA ratio to ~45%. We expect margins to remain stable, while continued momentum in Retail and Unsecured loans will be supportive of fee income.

Loan growth at 23.5% YoY and 6.1% QoQ



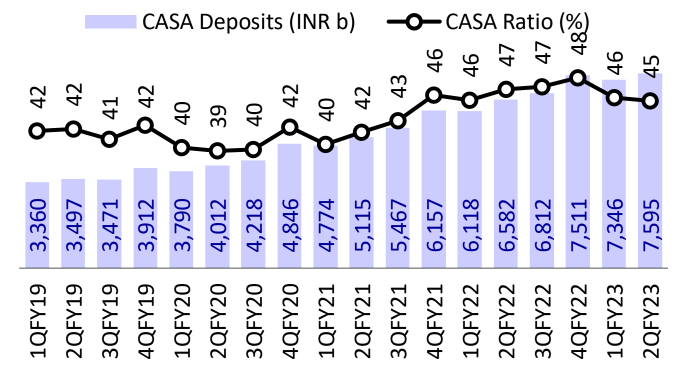
Source: MOFSL, Company

Deposits grew 19% YoY and 4.3% QoQ



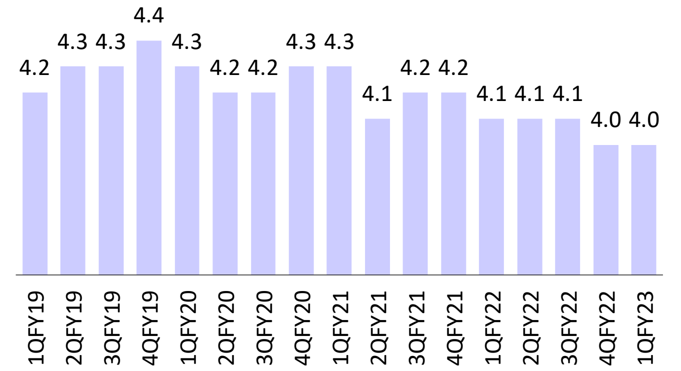
Source: MOFSL, Company

CASA ratio declined 40bp QoQ to 45.4%



Source: MOFSL, Company

Margin stood at 4.0% in 1QFY23



Source: MOFSL, Company

Bajaj Finance

BSE SENSEX	S&P CNX
58, 065	17,274

Stock Info

Bloomberg	BAF IN
Equity Shares (m)	602
M.Cap.(INRb)/(USDb)	4534.2 / 55.6
52-Week Range (INR)	8044 / 5236
1, 6, 12 Rel. Per (%)	5/4/-1
12M Avg Val (INR M)	9156
Free float (%)	44.1

Financials Snapshot (INR b)

Y/E March	FY22	FY23E	FY24E
Net Income	219	270	327
PPP	143	174	214
PAT	70	105	129
EPS (INR)	116	173	213
EPS Gr. (%)	59	49	23
BV/Sh. (INR)	716	864	1,045
Ratios			
NIM (%)	10.4	10.0	9.8
C/I ratio (%)	34.6	35.6	34.5
RoA (%)	3.7	4.4	4.3
RoE (%)	17.7	22.0	22.3
Payout (%)	8.6	14.3	15.4
Valuations			
P/E (x)	64.3	43.2	35.1
P/BV (x)	10.5	8.7	7.2
Div. Yield (%)	0.3	0.3	0.4

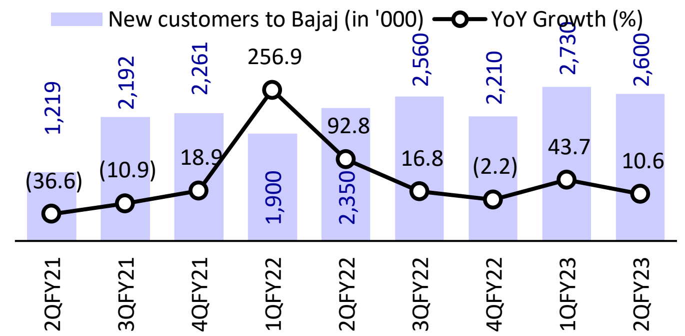
CMP:INR7,489 Buy

Strong AUM growth and very healthy traction in deposits

Decline in liquidity buffer would lead to a reduction in negative carry

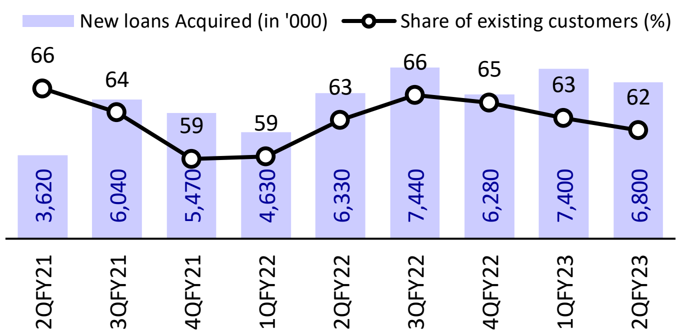
- BAF acquired 2.6m new customers (v/s 2.7m acquired in the previous quarter). **New customer acquisition run-rate was healthy in 2QFY23.**Total customer franchise stood at 62.9m (up 19% YoY).
- New loans booked rose ~7% YoY to 6.8m in 2QFY23 (v/s 6.3m in 2QFY22).
- **Reported AUM stood at INR2.18t, up ~31% YoY and 7% QoQ. AUM in 2QFY23 grew by ~INR14.35b.** AUM growth suggested that disbursements were strong across product segments.
- CRAR declined ~110bp QoQ to 25.1% (suggesting utilization of capital, led by strong growth).
- Deposit book stood at INR394b, up 37% YoY and 16% QoQ. Robust deposit growth suggested that BAF prioritized deposit growth in 2QFY23.
- Consolidated liquidity surplus stood at INR93b (v/s INR115.5b in 1QFY23). **This decline in excess liquidity below INR100b has happened for the first time post-COVID.** Surplus liquidity declined to 4.3% of core AUM (v/s 5.7% of core AUM in 1QFY23). The decline in liquidity buffer should lead to reduction in negative carry for the company.

Robust new customer acquisitions



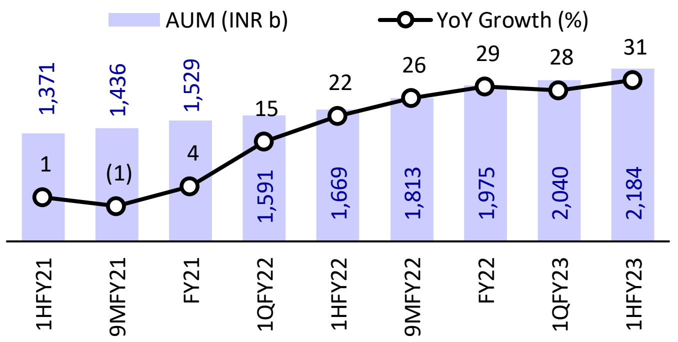
Source: MOFSL, Company

Share of existing customers suggested that BAF has been gaining a greater share of the customer wallet



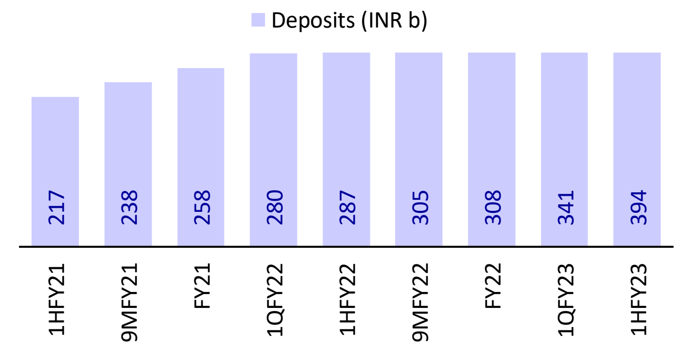
Source: MOFSL, Company

AUM rose 7% QoQ and 31% YoY, implying strong disbursements



Source: MOFSL, Company

Deposit book stood at INR394b, up 37% YoY and 16% QoQ



Source: MOFSL, Company

Godrej Consumer Products

BSE SENSEX	S&P CNX
58,065	17,274

Stock Info

Bloomberg	GCPL IN
Equity Shares (m)	1,022
M.Cap.(INRb)/(USDb)	916.6 / 11.2
52-Week Range (INR)	1073 / 660
1, 6, 12 Rel. Per (%)	-1/21/-11
12M Avg Val (INR M)	1188
Free float (%)	36.8

Financials Snapshot (INR b)

Y/E Mar	2022	2023E	2024E
Sales	122.8	137.1	153.6
Sales Gr. (%)	11.3	11.7	12.0
EBITDA	24.0	25.3	33.0
Margins (%)	19.5	18.4	21.5
Adj. PAT	17.9	17.1	24.1
Adj. EPS (INR)	17.5	16.7	23.6
EPS Gr. (%)	1.6	-4.5	41.0
BV/Sh.(INR)	113.0	121.7	133.4
Ratios			
RoE (%)	17.1	14.3	18.5
RoCE (%)	17.0	14.7	18.6
Payout (%)	0.0	47.8	50.8
Valuations			
P/E (x)	50.4	52.8	37.5
P/BV (x)	7.8	7.3	6.6
EV/EBITDA (x)	37.9	35.6	27.0
Div. Yield (%)	0.0	0.9	1.4

CMP: INR896

Sales to grow in higher mid-single digit

GCPL released its pre-quarterly update for 2QFY23. Here are the key highlights:

Macros:
- Rural markets' growth momentum continued to be slower than urban markets.
- Management expects consumption to improve in 2HFY23 aided by healthy monsoon (apart from a few states) and moderation in commodity prices.

India business:
- Sales growth to be in high-single digit; three-year CAGR would be close to double digits.
- Volume to decline by mid-single digit; three-year CAGR to be in low-single digit.
- Personal Care/Home Care segments witnessed strong double-digit/mid-single digit growth.

Indonesia business:
- High base in hygiene portfolio would lead to low double-digit sales decline on constant currency basis.
- Ex-Hygiene portfolio, expect a high single-digit sales growth.

GAUM (Godrej Africa, the US, and the Middle East) business:
- Sales to grow in low teens on constant currency basis.

LatAm:
- Sales growth to be upwards of thirties on constant currency basis.

Consolidated level:
- Sales to grow in higher mid-single digit; three-year CAGR would be close to double digits.
- EBITDA should decline in mid-teens due to consumption of high-cost inventory, high marketing spends and weak Indonesia performance.
- Expect gross margin expansion in the coming quarters as commodities have corrected significantly.

Valuation and view
- With investments by the new CEO being focused on boosting growth in the high margin, high-RoCE domestic business, the company's medium-term earnings growth outlook is strong.
- Valuation at 37.5x Sep'24E EPS is attractive, given the potential earnings CAGR of ~16% over FY22-24E. **Maintain BUY with a TP of INR1,075.**

AU Small Finance Bank

BSE SENSEX	S&P CNX
58,065	17,274

Bloomberg	AUBANK IN
Equity Shares (m)	630
M.Cap.(INRb)/(USDb)	404.7 / 5
52-Week Range (INR)	733 / 468
1, 6, 12 Rel. Per (%)	-4/-3/4
12M Avg Val (INR M)	1583
Free float (%)	73.3

Financials Snapshot (INR b)

Y/E March	FY22	FY23E	FY24E
NII	32.3	42.3	53.7
PPoP	18.2	21.1	27.7
PAT	11.3	13.8	17.2
NIM (%)	5.4	5.4	5.3
EPS (INR)	18.0	21.4	25.9
EPS Gr. (%)	-5.1	18.6	21.3
BV/Sh. (INR)	118.7	163.4	189.3
ABV/Sh. (INR)	116.7	160.8	185.5
Ratios			
RoE (%)	16.6	15.1	14.7
RoA (%)	1.9	1.7	1.7
Valuations			
P/E(X)	33.7	28.5	23.5
P/BV (X)	5.1	3.7	3.2
P/ABV (X)	5.2	3.8	3.3

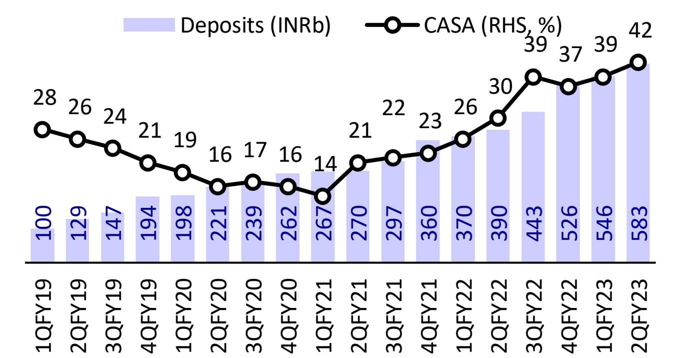
CMP: INR608 — Buy

Business momentum healthy; Incremental CoF up 35bp QoQ

AUBANK has released its business update for 2QFY23. Here are the key highlights:

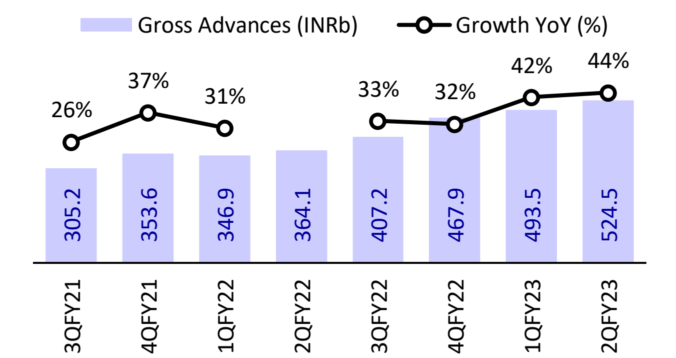
- AUBANK reported a healthy sequential growth of 6.3% (+44.1% YoY) in gross advances to ~INR524.5b. In 2QFY23, disbursements grew at a modest pace of 2% QoQ to INR86.1b (+68% YoY – due to low base). Retail mix has improved to 90% in Sep'22 vs 88% in Mar'22. The bank is further witnessing strong traction in the Credit Cards business and issued ~0.3m cards as on Sep'22.
- On the liability front, total deposits grew ~49% YoY and 6.8% QoQ to INR583b. This was led by strong CASA deposits growth of ~15% QoQ (+107% YoY) while term deposits grew ~58% YoY (+1% QoQ). CASA ratio thus improved to 42% (v/s 39% in 1QFY23). Average cost of funds increased 10bp QoQ to 5.8%, while incremental cost of funds was up 35bp QoQ to 6.1% which could keep the margin under pressure. Average LCR stood at ~129%
- On the asset quality front, collection efficiency remained strong (106-109%) over 2QFY23, which is likely to aid sustained improvement in asset quality.
- **Valuation and view**: AUBANK has reported a healthy growth in gross advances; however, momentum in disbursements has softened QoQ. Deposit traction, however, remains strong, led by healthy CASA growth. On asset quality front, collection efficiency remains strong (in excess of 100%), which is likely to result in an improvement in asset quality ratios.

Deposits grew by 49% YoY (CASA ratio improves to 42%)



Source: Company, MOFSL

Gross advances grew by 44.1% YoY (+6.3% QoQ)



Source: Company, MOFSL

Collection efficiency continues to be strong

	April	May	June	July	August	September
1QFY22	95%	94%	114%	110%	107%	109%
1QFY23	103%	105%	106%	107%	106%	109%

Source: Company, MOFSL

Zee Entertainment

BSE SENSEX	S&P CNX
58,065	17,274

CMP: INR268 TP: INR310 (+16%) BUY

Zee Sony merger could change the business trajectory

Stock Info

Bloomberg	Z IN
Equity Shares (m)	961
M.Cap.(INRb)/(USDb)	256.9 / 3.2
52-Week Range (INR)	379 / 201
1, 6, 12 Rel. Per (%)	9/-7/-9
12M Avg Val (INR M)	4478
Free float (%)	96.0

Financials Snapshot (INR b)

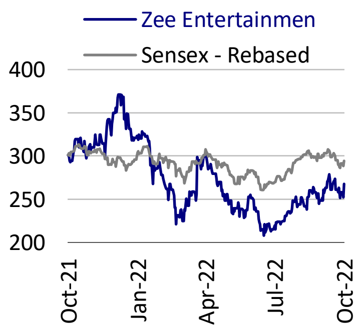
Y/E Mar	FY22	FY23E	FY24E
Sales	81.9	83.3	94.3
EBITDA	17.2	15.4	20.5
Adj. PAT	10.4	10.1	14.1
EBITDA Margin (%)	21.0	18.4	21.7
Adj. EPS (INR)	10.8	10.5	14.6
EPS Gr. (%)	-2.3	-2.3	38.7
BV/Sh. (INR)	113.1	119.9	131.0
Ratios			
Net D:E	-0.1	-0.2	-0.2
RoE (%)	9.9	9.1	11.7
RoCE (%)	10.1	9.1	11.6
Payout (%)	35.8	34.5	24.6
Valuations			
P/E (x)	22.4	22.9	16.5
P/B (x)	2.1	2.0	1.8
EV/EBITDA (x)	12.7	13.8	10.2
Div . Yield (%)	1.2	1.2	1.2
FCF Yield (%)	0.2	4.6	2.3

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	4.0	4.0	4.0
DII	30.7	24.3	18.6
FII	39.2	47.9	57.5
Others	26.2	23.8	19.9

FII Includes depository receipts

Stock performance (one-year)



Zee-Sony merger one step closer to completion

CCI has approved the merger between the SONY and Zee Entertainment, subject to certain conditions. As per Media reports, the merged entity may exit the Marathi GEC in a bid to allay CCI concerns on four segments, including Hindi GEC, movies, and Bengali channel. The next pit stop is to seek shareholder approval, with meeting scheduled on 14th Oct'22. Clearly, the merger process has taken longer than the management expectation of 9-10 months, but once the Shareholder approval is in place, the merger process should be largely procedural and may conclude by 4QFY23.

A media powerhouse

In our earlier report, we have highlighted how the merger of Zee-Sony could make it a force to reckon. The Zee–Sony combined entity's linear channel portfolio would comprise a wide array of genres and languages with 75 channels. Its combined revenue of INR133b (FY21) would include network/revenue market share of 27%/37%, with an estimated 35% EBITDA margin in the linear business (INR50b). Unlike the West, India's Broadcasting market is still seeing a rise in TV penetration at sub-70%, with the time spent watching TV still growing. Subsequently, the TV Ad market is expected to grow at early double digits. In the past, Zee has been consistently growing at 1.2-1.5x of industry growth.

Combined entity can capitalize on large-scale digital opportunity

The OTT Entertainment market has grown to nearly INR100b, with INR43.5b in subscription revenue derived from 53m subscriptions/29m unique subscriptions. The Zee and Sony OTT apps, while performing modestly individually, have double-digit revenue/subscriber market share on a combined basis. The combined operating cost of ~INR30b is similar to that of the top OTT apps. Assuming the combined entity spends two-thirds (~INR20b) on content, it could match the top entertainment apps in the Original Content Generation space. Individually, Zee lacked the strength to compete with the top OTT apps; the combined entity has the potential to create a strong foothold and content slate with a) a war chest of INR113b (capital infusion from Sony post-merger) and b) potential cash generation of INR50b from the linear business. The only missing piece is sports, where the entity has taken Cricket World Cup TV broadcasting rights for FY24-27.

Valuation and view

The stock, on a combined basis holds an EV of INR306.4b, and trades at merely 7x EV/EBITDA for the normalized linear biz, assuming zero value for the OTT business. The concerns on merger going through have been playing on the stock price, as is evident from its low valuation. But now, the merger process closer to completion, the stock should benefit. We see the potential for value accretion on both the linear and OTT businesses, given the high ROCE and growing linear business and strong wherewithal in the OTT business. With the change in the board and the majority stake now being owned by Sony, an MNC, the stock should also benefit from a) better capital allocation, b) improved corporate governance, and c) business synergies. We reiterate our Buy rating with TP of INR310.

Valuation based on P/E

Valuation	FY24E
EPS	15
PE multiple (x)	21
Target Price (INR)	310
CMP (INR)	242
Upside (%)	28%

Source: MOFSL, Company

EV of merged entity

Current Valuation (INRb)	Pre-merger	Post-Merger
No of Shares	960.5	1,736.3
Price (INR)	241.8	241.8
Market Cap	232.2	419.8
Net Cash (Growth Capital)	(4.0)	113.4
Enterprise Value	236.3	306.4

Source: MOFSL, Company

Valuation of merged entity

	FY21
EV (INR b)	306
EBITDA (Linear biz) (INR b)	43.9
EV/EBITDA (x)	7.0

Source: MOFSL, Company

Shareholding of merged entity

Transferee Company (in m)	Before Scheme		Post Scheme	
Promoters	No of Shares	% of Total	No of Shares	% of Total
Sony	11.9	100%	883	50.86%
Essel	0.0		69	3.99%
Public	0.0		784	45.15%
Total	11.9	100	1,736	100%

Source: Company, MOFSL

Potential cash generation of merged entity

INR b	FY23E	FY24E
EBITDA		
Linear EBITDA	48	55
Consolidated EBITDA	33	47
OTT EBITDA	-15	-8

Source: MOFSL, Company

Angel One

BSE SENSEX	S&P CNX
58,065	17,274

Bloomberg	ANGELONE IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	127.7 / 1.6
52-Week Range (INR)	2022 / 992
1, 6, 12 Rel. Per (%)	17/-2/13
12M Avg Val (INR M)	1210
Free float (%)	56.2

CMP: INR1,346

Strong growth in orders per day and client acquisition

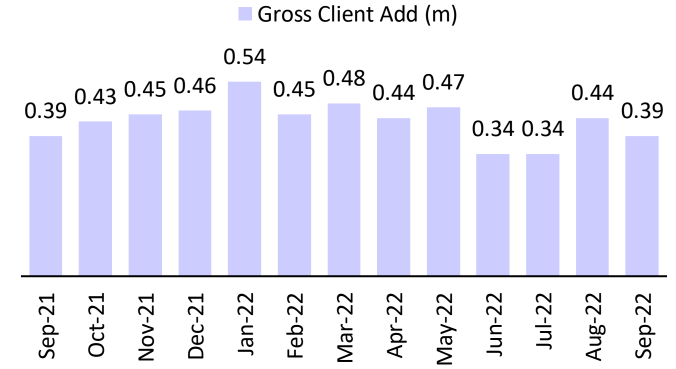
ANGELONE released its monthly update, highlighting its key business numbers for Sep'22. The key takeaways are as follows:

- Gross client acquisition was at 0.4m for Sep'22, a tad lower than reported in the previous month.
- Total client base stood at 11.6m as of Sep'22 (+4% MoM and 78% YoY).
- Average funding book declined 12% MoM to ~INR15.4b (highest in the past three months).
- No. of orders stood at 90.5m for Sep'22, a jump of 25% MoM. This was led by heightened activity as well as higher number of trading days (22 v/s 20 in Aug'22) – especially one extra expiry. Resultantly, the no. of orders per day was higher by 14% MoM at 4.1m.
- Overall, ADTO rose 11% MoM led by 11%/7% growth in the F&O/ Commodity segment, respectively. Cash ADTO was flat MoM.
- On a MoM basis, ANGELONE lost market share in Cash by 70bp while in the Commodity segment it gained 170bp share. F&O market share was flat MoM.

Key Metrics

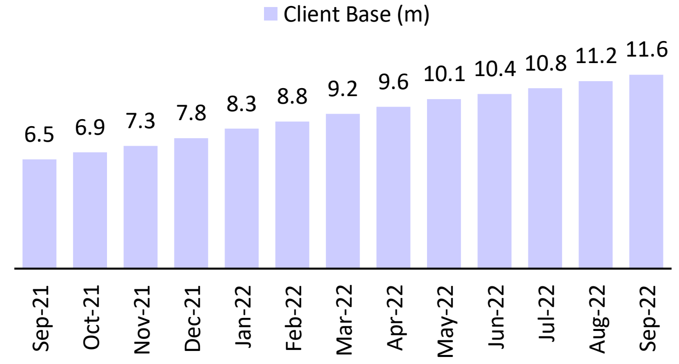
	Sep-21	Dec-21	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	% YoY	% MoM
No of Days	21	23	21	19	21	22	21	20	22		
Client Base (m)	6.5	7.8	9.2	9.6	10.1	10.4	10.8	11.2	11.6	77.5	3.5
Gross Client Add (m)	0.39	0.46	0.48	0.44	0.47	0.34	0.34	0.44	0.39	0.0	-11.4
Avg MTF book (INR b)	14.1	15.1	15.6	17.2	18.8	16.3	14.3	13.7	15.4	9.3	12.2
Orders (m)	54.6	64.6	73.6	66.1	70.6	70.2	66.6	72.5	90.5	65.8	24.8
Per day orders (m)	2.6	2.8	3.5	3.5	3.4	3.2	3.2	3.6	4.1	58.3	13.5
Angel's ADTO (INR b)											
Overall	6,348	7,030	8,842	9,478	8,942	9,765	10,312	12,389	13,738	116.4	10.9
F&O	6,193	6,868	8,587	9,237	8,729	9,571	10,069	12,097	13,426	116.8	11.0
Cash	47.0	42.0	46.0	51	37	30	34	42	42	-10.6	0.0
Commodity	63.0	56.0	123.0	101	105	108	126	156	167	165.1	7.1
Retail T/o Market Share										**bps YoY**	**bps MoM**
Overall Equity	20.3	20.8	21.1	21.3	19.9	21.1	22.0	21.5	21.6	130	10
F&O	20.3	20.9	21.2	21.4	19.9	21.2	22.0	21.6	21.6	130	0
Cash	13.2	14.8	14.1	14.0	13.6	14.1	14.8	13.9	13.2	0	-70
Commodity	27.8	38.6	42.4	43.2	45.1	45.3	47.9	51.6	53.3	2,550	170

Run rate in client additions declines MoM



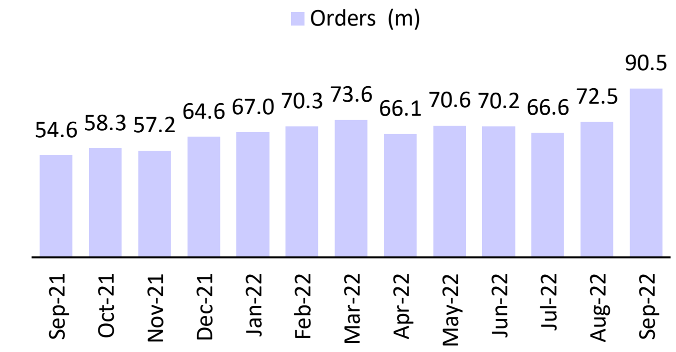
Source: MOFSL, Company

Total client base at 11.6m in Sep'22



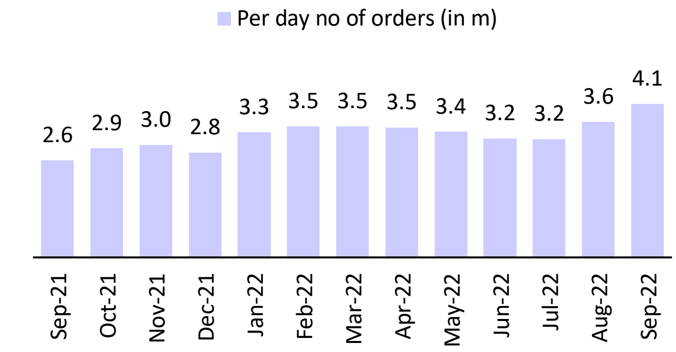
Source: MOFSL, Company

MoM increase in the number of orders…



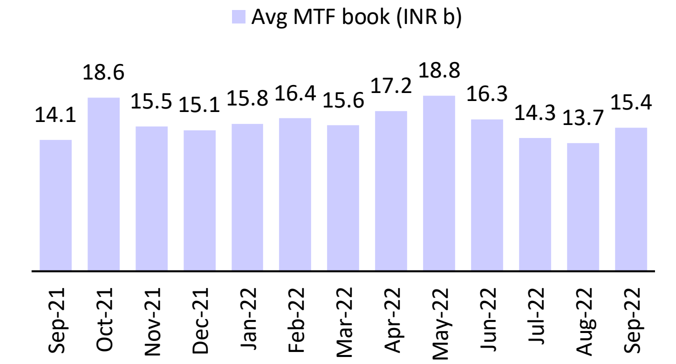
Source: MOFSL, Company

… with strong growth in number of orders/day



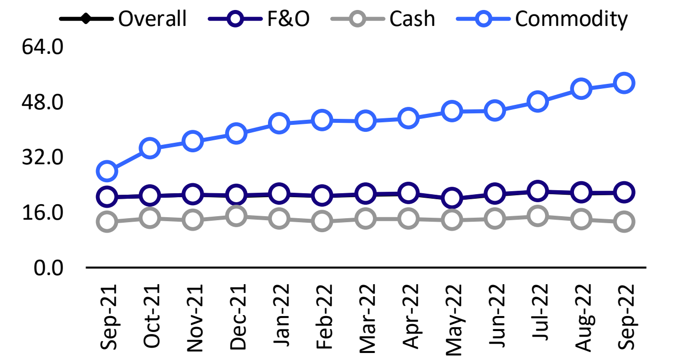
Source: MOFSL, Company

Client funding book improves after three consecutive months of decline



Source: MOFSL, Company

Market share remains steady in F&O, Cash segment sees a decline, strong growth in commodities



Source: MOFSL, Company

RBL Bank

BSE SENSEX	S&P CNX
58,065	17,274

Stock Info	
Bloomberg	RBK IN
Equity Shares (m)	600
M.Cap.(INRb)/(USDb)	70.6 / 0.9
52-Week Range (INR)	221 / 74
1, 6, 12 Rel. Per (%)	-2/-13/-37
12M Avg Val (INR M)	2666
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	FY22	FY23E	FY24E
NII	40.3	44.3	50.9
OP	27.5	23.6	28.8
NP	-0.7	8.7	12.4
NIM (%)	4.1	4.2	4.4
EPS (INR)	-1.2	14.6	20.7
BV/Sh. (INR)	210.5	222.3	239.1
ABV/Sh. (INR)	198.6	213.0	228.6
Ratios			
RoE (%)	-0.6	6.7	9.0
RoA (%)	-0.1	0.8	1.0
Valuations			
P/E(X)	NM	8.1	5.7
P/BV (X)	0.6	0.5	0.5
P/ABV (X)	0.6	0.6	0.5

CMP: INR118 Buy

Revival in loan growth led by the Retail segment

Deposit traction remains muted; Retail deposit mix improves to 41.3%

RBK has released its quarterly update emphasizing its 2QFY23 business numbers. Here are the key highlights:

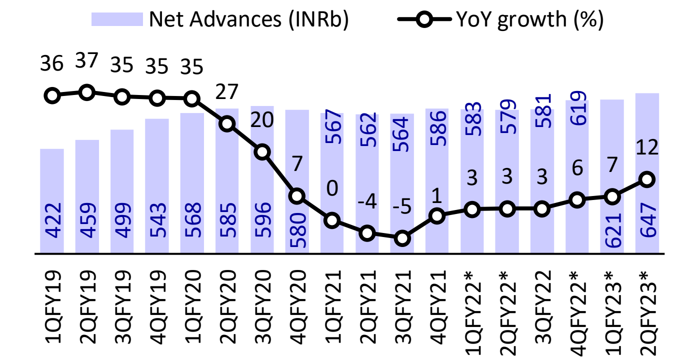
- RBK reported an 11.6% YoY and 4.1% QoQ increase in gross advances at INR647b. Among segments, Retail advances grew 6% QoQ and 5% YoY, while Wholesale loans grew 20% YoY and 2% QoQ. As a result, the mix of Retail-to-Wholesale improved partially to 52:48 from 51:49 in 1QFY23.
- The deposit base increased by 5.1% YoY to INR794b (flat QoQ). CASA reported a modest growth (7.4% YoY and 0.7% QoQ). TD rose marginally at 3.8% YoY (flat QoQ). The CASA ratio improved marginally by 16bp QoQ to 36.2%. However, Retail deposits (as per LCR) saw a healthy 4.4% QoQ growth, ahead of total deposits. RBK plans to continue with its strategy of improving the share of Retail deposits, which increased to 41.3% v/s 39.7% in 1QFY23.
- LCR for the bank improved to 156% v/s 149% in 1QFY23.
- **Valuation and view:** In 2QFY23, RBK witnessed a revival in loan growth, led by a healthy trend in the Retail segment, while Wholesale advances too saw an uptick. Traction in deposit remains muted. However, the deposit franchise is steadily improving, led by the management's focus on growing its Retail deposit base.

Business trends for 2QFY23

INR b	2QFY22	1QFY23	2QFY23	YoY	QoQ
Gross advances	579.4	621.1	646.8	11.6%	4.1%
Total deposits	755.9	792.2	794.1	5.1%	0.2%
- CASA	267.3	285.3	287.2	7.4%	0.7%
- Term deposits	488.5	506.9	506.9	3.8%	0.0%
Retail LCR deposits	314.2	314.2	328.0	4.4%	4.4%
CASA ratio (%)	35.4%	36.0%	36.2%	80bp	16bp
Liquidity coverage ratio (%)	155%	149%	156%	100bp	700bp

Source: MOFSL, Company

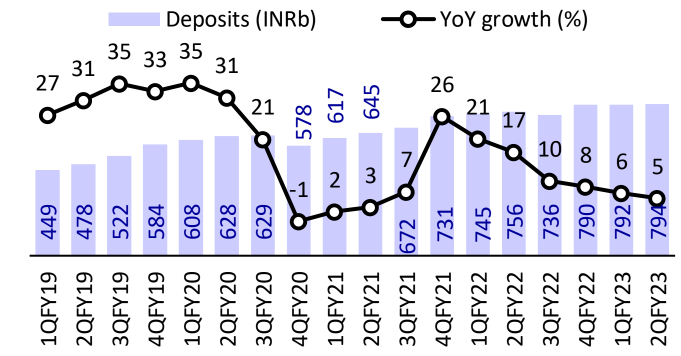
Gross advances grew 4.1% QoQ and 11.6% YoY



* indicates Gross Advances

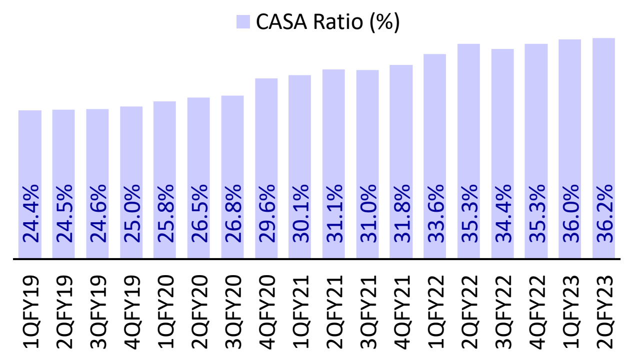
Source: MOFSL, Company

Deposits grew 5.1% YoY (flat QoQ)



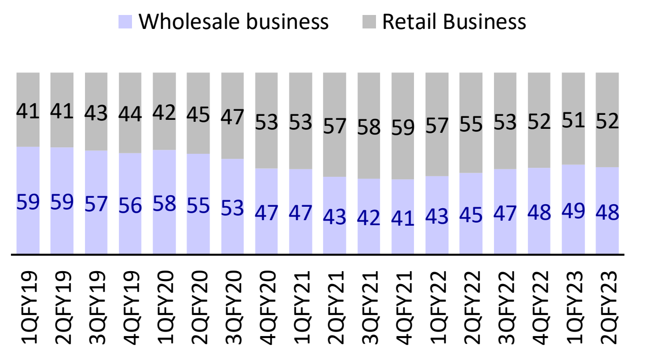
Source: MOFSL, Company

CASA ratio (%) improves by 16bp QoQ to 36.2%



Source: MOFSL, Company

Retail-to-Wholesale mix stands at 52:48



Source: MOFSL, Company

HDFC: The benefit of high rates will move to the retail depositor. The mortgage to GDP ratio is at 11% in India; Keki Mistry, CEO

- Rates hike may continue for sometime
- Don't expect frequent rate hikes & quantum of rate hike to be as high as already seen
- Expect margin to remain stable
- There is no long term impact on asset quality
- Construction finance has declined to 9% of loans vs 14% earlier
- new project launch has seen sharp pick up
- Mortgage to GDP ratio is at 11% in India, remains an underpenetrated mkt

Read More

Mahindra & Mahindra: Have raised tractor growth guidance for the industry from 3-5% to >5% for FY23; Hemant Sikka, ED

- Raised tractor growth guidance for the industry from 3-5% earlier to >5% for FY23
- Will maintain market share of more than 40%
- Have sold 47,100 tractors in domestic market
- Had highest ever exports for the company in September
- Industry has grown by 10% on YoY basis

Read More

Escorts Kubota: Industry has grown more than 10% in the first 6 months of FY23; Bharat Madan, CFO

- Industry has grown more than 10% in the first 6 months of FY23
- Retail has been affected due to low rainfall
- October will be a big month for retail
- September actual retail numbers will be higher than last year

Read More

KEC International: Railway order intake so far in the year is close to Rs. 2,000 cr; Vimal Kejriwal, MD

- See large number of orders coming for railways
- Railway order intake so far in the year is close to Rs. 2,000 cr
- Growth guidance is at 15%, should be able to surpass this
- See a lot of demand in the US market
- Mexico plant booked for the next 6 quarters
- Africa market is not doing so well currently
- We do not have presence in the European markets
- International business will grow by 35-40%
- 20-25% of revenue will come from the railways sector
- Some tenders in Rajasthan region are getting postponed
- Have not received payments from Afghanistan but these are not bad debts

Read More

Fino Payments Bank: Throughput has increased by 50% in H1 vs last year; Rishi Gupta, MD

- Will increase merchant count to 3x in the next 3 years
- Don’t expect margin to come down from current levels
- Own channel margin is higher
- API relationship brings volumes
- Repeat customers on digital; transactions are at 65%

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.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

MOFSL, it's associates, Research Analyst or their relatives may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst or their relatives may have actual beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may have any other potential conflict of interests at the time of publication of the research report or at the time of public appearance, however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

In the past 12 months, MOFSL or any of its associates may have:
a) received any compensation/other benefits from the subject company of this report
b) managed or co-managed public offering of securities from subject company of this research report,
c) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
d) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.

- MOFSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
- Subject Company may have been a client of MOFSL or its associates during twelve months preceding the date of distribution of the research report.
- Research Analyst may have served as director/officer/employee in the subject company.
- MOFSL and research analyst may engage in market making activity for the subject company.

MOFSL and its associate company(ies), and Research Analyst and their relatives from time to time may have:
a) a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.
(b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.
To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	**Companies where there is interest**
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

MOTILAL Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore,
as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-71881085.

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products. Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.