Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	60,177	-0.7	3.3
Nifty-50	17,957	-0.5	3.5
Nifty-M 100	31,047	1.4	2.0
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,525	-1.3	-5.1
Nasdaq	14,204	-2.3	-9.2
FTSE 100	7,614	0.7	3.1
DAX	14,424	-0.6	-9.2
Hang Seng	7,771	0.0	-5.7
Nikkei 225	27,788	0.2	-3.5
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	106	-1.9	37.4
Gold ($/OZ)	1,924	-0.5	5.2
Cu (US$/MT)	10,433	-0.2	7.1
Almn (US$/MT)	3,444	0.4	22.7
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	75.3	-0.3	1.3
USD/EUR	1.1	-0.6	-4.1
USD/JPY	123.6	0.7	7.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.9	0.00	0.4
10 Yrs AAA Corp	7.1	0.00	0.1
Flows (USD b)	**5-Apr**	**MTD**	**CY21**
FIIs	0.05	0.24	-13.34
DIIs	0.01	0.23	11.74
Volumes (INRb)	**5-Apr**	**MTD***	**YTD***
Cash	818	786	685
F&O	85,950	70,602	94,007

Note: *Average

Today's top research theme

Financials: Banks and Insurance | 4QFY22 Preview: Business momentum strong; earnings to gain further traction

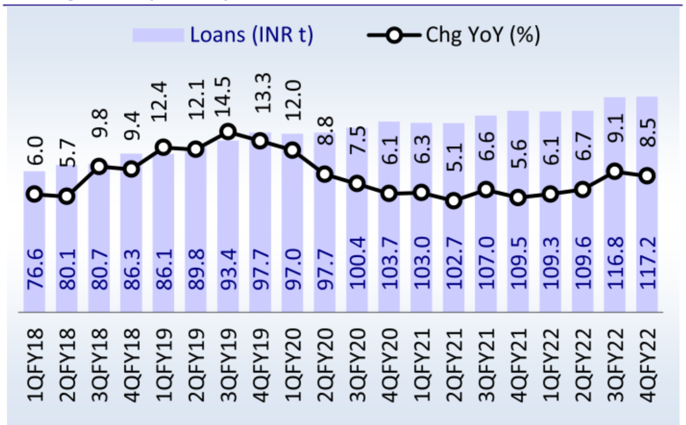
- Systemic loan is showing signs of a revival with credit growth accelerating to ~8.5% YoY as of 11th Mar'22, underpinned by strong disbursements across segments. We expect the capex cycle to pick-up during 2HFY23, which will drive further recovery in loan growth over FY23E. We thus estimate systemic loan growth of 9.0%/11.8% YoY for FY22/ FY23
- Asset quality outlook remains robust even as the performance of restructured book would be important to assess the credit cost trajectory. We nevertheless estimate credit cost to undershoot across banks, thereby enabling further shore up of contingent / restructured / SR provisions.
- Overall, we expect our Banking coverage universe to deliver 7%/52% PPoP/PAT growth in 4QFY22, respectively. Private Banks to report PPoP growth of ~10% YoY (~6% QoQ) and PAT growth of ~38% YoY (~2% QoQ). PSBs are likely to deliver NII/PPoP growth of 23%/5% YoY (4%/9% QoQ), respectively, while PAT would grow strongly at ~80% YoY (+20% QoQ) in 4QFY22.

Research covered

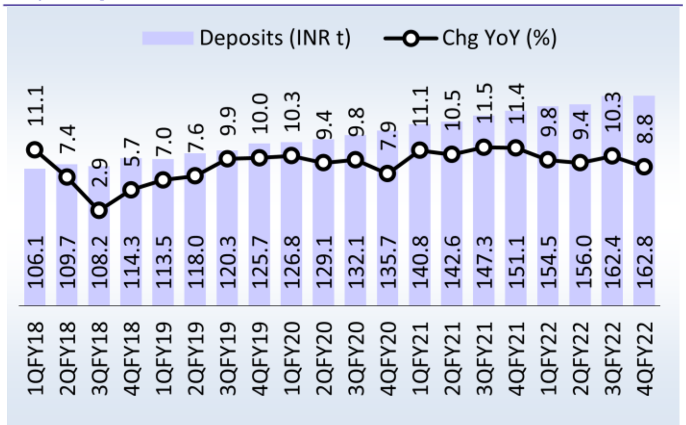
Cos/Sector	Key Highlights
Financials: Banks and Insurance	Business momentum strong; earnings to gain further traction
NBFCs	Asset quality improvement and sequentially lower credit costs on the cards
Marico	4QFY22 update: Consolidated sales above expectations; marginal profit growth led by higher A&P spends
Bandhan Bank	Collection efficiency improves QoQ; business momentum robust
Transport Corporation of India	Well placed with multi-modal Logistics capabilities
EcoScope	Economic activity improves faster in Feb'22

Chart of the Day: Financials: Banks and Insurance (Business momentum strong)

Loan growth picks up to 8.5%



Deposit growth modest at 8.8%



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Passenger vehicle retail sales dip 5% in March to 2,71,358 units: FADA

Domestic passenger vehicle retail sales in March declined by 4.87 per cent to 2,71,358 units, as compared to the same month last year, automobile dealers' body FADA said on Tuesday. According to the Federation of Automobile Dealers Associations (FADA), PV sales stood at 2,85,240 units…

2

Fresh coal crisis looms in India as top miner adds new curbs

A coal supply crisis is brewing in India for a second year. Coal India Ltd. is restricting deliveries to industrial consumers to prioritize power plants, with fuel stockpiles already below target levels and the country heading into a traditional summer demand peak. The state-owned miner limited daily supplies to non-power sector users to 275,000 tons, according to an internal letter seen by Bloomberg. That's about 17% lower than recent average daily volumes…

3

Tata Steel reports its highest ever annual steel production

Tata Steel on Tuesday said that it has managed to achieve its highest ever production in India in FY22 at just over 19 million tons despite Covid-19 related disruptions. The FY22 production in India was 13% higher than the preceding year, as per a press statement. Tata Steel Europe registered a 6% growth in production to 10.1 tonnes,…

4

Tata Power Solar commissions 160 MW solar project in Rajasthan

Tata Power Solar has commissioned a 160 MW AC solar project at Jetstar in Rajasthan. Around 6,75,000 monocrystalline PV modules were used in this installation and it will produce 387 million units of energy per year, according to a statement. The Jetstar project was completed within a period of 15 months…

5

NTPC, Gujarat Gas ink pact for blending green hydrogen with piped gas

State-run power giant NTPC has inked a pact with Gujarat Gas Ltd for an initiative to blend green hydrogen with the piped natural gas (PNG) supplied by the latter. Green hydrogen will be produced by using electricity from the existing 1 MW floating solar project of NTPC Kawas. This will be blended with PNG in a pre-determined proportion and will be used for cooking applications in NTPC Kawas Township, a company statement said…

6

Milk prices to remain firm going forward, says Amul MD

Dairy major Amul feels prices will remain "firm" going forward due to increased pressure from energy, logistics and packaging costs, a top official said on Tuesday. The cooperative has hiked prices by 8 per cent in the last two years, including the Rs 2 hike in milk prices per litre last month, Sodhi said…

7

Wheat exports hit record 7.85 million tonnes in FY22, say traders

India's wheat exports hit 7.85 million tonnes (mt) in the fiscal year to March, an all-time high and a sharp increase from 2.1 mt in the previous year, traders said, as Russia's invasion of Ukraine cuts off rival Black Sea supplies. Earlier this month, a top government official…

Financials: Banks and Insurance

Result Preview

4QFY22 earnings estimate (INR b)

PAT (INR b)	4Q FY22E	YoY (%)	QoQ (%)
Private Banks			
AUBANK	3.17	87.6	4.9
AXSB	40.48	51.2	12.0
BANDHAN	9.49	821.2	10.5
DCBB	0.87	11.9	15.6
EQUITAS	1.04	-8.1	-4.0
FB	5.51	15.3	5.6
HDFCB	96.93	18.4	-6.3
ICICIBC	64.51	46.5	4.2
IIB	14.03	51.5	13.0
KMB	21.98	30.7	3.1
RBK	1.98	163.3	27.1
Private Total	**259.99**	**37.6**	**1.8**
PSU Banks			
BOB	22.22	NM	1.1
CBK	20.23	100.2	34.7
INBK	7.58	-55.6	9.9
PNB	11.60	97.9	3.0
SBIN	107.00	65.9	26.9
UNBK	12.04	-9.5	10.9
PSU Total	**180.68**	**80.0**	**20.2**
Banks Total	**440.67**	**52.3**	**8.6**
Other Financials			
SBICARD	4.48	155.5	16.2
Life Insurance			
HDFCLIFE	3.55	11.7	29.7
IPRULIFE	3.01	371.9	-3.1
SBILIFE	4.80	-9.8	31.9
MAXF	1.62	53.2	41.2
Life Total	**12.99**	**27.3**	**22.1**

Business momentum strong; earnings to gain further traction

Asset quality trends robust; remain watchful of treasury performance

- **Credit growth picking-up well:** Systemic loan is showing signs of a revival with credit growth accelerating to ~8.5% YoY as of 11th Mar'22, underpinned by strong disbursements across segments. Disbursement growth across several retail products has surpassed the pre-COVID levels, while the Corporate segment too witnessed a revival with a focus on high-rated corporates primarily for working capital needs. We expect the capex cycle to pick-up during 2HFY23, which will drive further recovery in loan growth over FY23E. **Among the segments – Home, Vehicle, Tractor, Unsecured and Small Business will continue to do well in 4QFY22 while CV and MFI are likely to trail the normalized levels.** Credit Cards business is also seeing healthy momentum with spends remaining strong over 4QFY22. **We estimate: a) systemic loan growth of 9.0%/11.8% YoY for FY22/ FY23, and b) our Banking coverage universe to deliver 7%/52% PPoP/PAT growth in 4QFY22, respectively.**
- **Earnings to gain further traction**: Our estimates indicate continued traction in earnings over FY22/FY23 even as we expect treasury income to remain modest and near-term opex to remain elevated. Further, this momentum is likely to continue over FY23E as well, as **we project Private and PSU banks to report earnings growth of 30% and 36% in FY23, respectively.** Overall, our Banking coverage universe is anticipated to report earnings growth of 33% in FY23, after posting strong growth of 46% over FY22E.
- **Asset quality outlook robust; core credit cost undershooting across banks:** We estimate slippages to remain modest, which along with healthy recoveries and upgrades would result in an overall improvement in asset quality – barring the mid-sized banks that could see stable trends. The Retail and SME segments could experience some slippages; however, the Corporate segment is likely to remain resilient. While the performance of restructured book would be important to assess the credit cost trajectory, we nevertheless estimate credit cost to undershoot across banks, thereby enabling further shore up of contingent / restructured / SR provisions.

Private Banks – PAT to grow at ~38% YoY in 4QFY22

We estimate private banks to report PPoP growth of ~10% YoY (~6% QoQ) and PAT growth of ~38% YoY (~2% QoQ) in 4QFY22. Earnings are likely to remain strong, led by healthy business growth/fee income and a sustained reduction in credit cost.

- **Loan growth is projected to remain strong** driven by the Retail and SME segments, while Corporate segment growth would be supported by working capital requirement and a decline in unutilized credit. Within Retail, we expect the unsecured segment to witness strong traction. **We forecast private bank loans to grow 15%/17% over FY22/FY23, respectively.** We estimate ICICIBC to deliver 16% YoY loan growth over 4QFY22 and KMB / AXSB to grow ~20%/15% YoY, respectively. HDFCB/IIB reported growth of ~21%/~13% YoY, respectively.
- **Margins would hover in a narrow range,** supported by lower cost of funds. The deployment of excess liquidity and pick-up in loan growth would help maintain a steady trend in margins, even as the overall rate environment has started

inching up. **We forecast NII growth of ~19% YoY,** with ICICIBC at ~24%, AXSB at ~23%, KMB at ~20%, and IIB/HDFCB at 13% each in 4QFY22.

- **We predict slippages to remain modest and we are optimistic on asset quality.** Slippages are likely to remain modest over 4QFY22 across segments, barring the MFI business, which could see some tail stress. This would result in an overall improvement in asset quality. The performance of restructured book would be a key monitorable. While we remain watchful of the asset quality for mid-sized banks, we are optimistic on the overall asset quality over the medium term.

PSBs – performance to show continued traction; asset quality improving

We forecast PSBs to experience continued traction in their operating performances, supported by recovery in business growth and a sustained reduction in provisions even as opex could remain slightly elevated and treasury performance muted. Slippages would continue to subside, which along with healthy recoveries would reinforce the asset quality performance. **PSBs are likely to deliver NII/PPoP growth of 23%/5% YoY (4%/9% QoQ), respectively, while PAT would grow strongly at ~80% YoY (+20% QoQ) in 4QFY22**.

Small Finance Banks – AUBANK to deliver yet another robust performance

- We expect AUBANK to report a strong uptick in operating performance and earnings, propelled by strong recovery in loan growth (AUM growth of 27% YoY), NII growth and controlled provisions.
- EQUITAS is likely to report PPoP/PAT decline of 7%/8% YoY, respectively.

Life Insurers – premium growth modest; VNB margins to carry a positive bias

We expect premium growth to remain modest on slower ULIP growth; to be offset by robust demand for Annuity/Guaranteed and Credit Life products. Protection demand is likely to remain subdued, albeit could see improving trends. SBILIFE/ HDFCB would post APE growth of 8%/4% YoY, while MAXF/IPRU would see a decline of 4%/6%, respectively, in 4QFY22E. We project VNB growth to remain in a modest range of 3-8% across all players. However, VNB margins are likely to see a sequential expansion.

SBICARD: Spends growth robust; asset quality woes nearing end

The momentum in credit card spends and new account sourcing is likely to remain healthy over 4QFY22E, which will keep the interest and fee income strong. Restructuring under RBI RE is anticipated to moderate, and asset quality should thus improve further. While we expect credit costs to improve gradually over the next few quarters, margins are likely to remain under pressure owing to a low revolve rate; however, a gradual uptick is expected. The RBI's review of MDR charges on spends would continue to remain a key overhang.

Other monitorables

- **Performance of restructured book and impact on asset quality** – Commentaries on the slippages, performance of the restructured book, collection efficiency, and provisioning guidance.
- **Outlook for growth and margins** – Commentaries on the growth outlook, capex revival, and the margin outlook.
- **Fee income traction / Treasury performance –** The traction in fee income and treasury performance due to a rise in bond yields.
- **Technological spends and elevated opex -** Outlook on technological spends and investments in the business that could affect the normalization in opex.

Financials - NBFCs

Result Preview

Company
Aavas Financiers
Bajaj Finance
Can Fin Homes
Chola Inv. & Fin.
HDFC
ICICI Securities
IIFL Wealth Management
Angel One
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

Asset quality improvement and sequentially lower credit costs on the cards

Borrowing costs have been stable but potential increase from 1QFY23 likely

- We expect our coverage universe of NBFC – Lending Financials to deliver 10%/6%/35% YoY growth in NII/PPoP/PAT, respectively, in 4QFY22. We forecast a strong YoY growth in earnings for BAF, CIFC, LTFH and LICHF, while we project a sharp sequential decline in earnings for MMFS (driven by higher credit costs).
- In general, 4Q of a fiscal year is a seasonally strong quarter in terms of asset quality and we expect 4QFY22 to be no different. We forecast a stronger improvement in asset quality for CIFC, MMFS and Aavas while the improvement for the other NBFCs/HFCs in our coverage will be more measured. Importantly, we expect credit costs to be sequentially lower during the quarter except for MMFS.
- Despite the RBI clarification on the NPA circular and the subsequent deferment of the guidelines' implementation to Sep'22, most companies that have implemented the circular already (in 3Q) will continue to follow the same classification methodology in 4QFY22.
- Collection efficiency (CE) has now normalized and even restructured accounts have selectively (depending on the tenure of moratorium provided) started repayments.
- Disbursement momentum is likely to be healthy in 4QFY22 but quite unlike the seasonally stronger 4Q that is typically expected for vehicle financiers. Momentum for housing financiers has been robust and we expect this buoyancy to sustain even in FY23.
- AUM growth is likely to remain muted for short-duration products such as Vehicle loans as collections continue to improve in 4QFY22E.
- Lenders have largely normalized the excess liquidity on their balance sheets and even though the LCR requirements have been applicable for the NBFCs/HFCs from 1 Dec'21, they will not have any significant impact on the margins. Borrowing mix continues to be optimized and replacement of higher-cost liabilities with lower-cost incremental borrowings will ensure that increase in borrowing costs for the larger HFCs will be contained. We forecast a slight decline (of 5-10bp) in weighted cost of funds for our coverage universe.
- Increased market volatility led to lower cash volumes, while F&O volumes further gained momentum and remained strong. Resultantly, capital market players shall see healthy revenue growth. Sequential growth to be supported by strong distribution income. Momentum in inflows for the Wealth Management domain is likely to remain robust as monetization of stakes by entrepreneurs through primary market transactions provides huge opportunities.
- Health insurance industry continues to witness strong premium growth driven by both retail and group health businesses. SAHIs continue to gain market share, whereas PSU players' performances are weak in group health business. However, claim ratios are likely to remain elevated due to third COVID wave (frequency was higher v/s previous waves but severity was lower). Non-COVID claims are likely to rise too led by elective surgeries.
- We continue to favor: a) franchises with strong balance sheets and b) those who have demonstrated resilience during such external disruptions. The buoyancy in the equity market and higher levels of primary market issuances will continue to remain a tailwind for the Broking industry in FY23 as well. Our top picks are HDFC, CIFC, SHTF, and Angel One.

HFCs: Record levels of retail disbursements while wholesale exhibits improved momentum

Property registrations data have continued to demonstrate that housing purchases have remained robust. We continue to believe that demand for own home/ bigger home, higher affordability and record low interest rates have remained the key growth drivers. Mortgages segment has continued to witness heightened competitive intensity, especially from banks. However, we believe that HDFC and LICHF (aided by their lower cost of funds) would continue to deliver strong retail home loan disbursements while even others such as PNBHF would exhibit a decent improvement in retail disbursements. Pressure on balance transfer (out) has now eased for PNBHF after it reduced its lending rates during 4QFY22. Corporate/ Developer segment for HDFC has started to demonstrate momentum with sanctions now translating into disbursements and loan book growth.

Affordable Housing Financiers, except Repco, are likely to deliver strong 20%-30% YoY growth in disbursements. For the likes of Aavas, the RBI NPA guidelines led to deterioration in the reported GS3 in 3QFY22 but we expect a strong improvement in 4QFY22 and consequently a sharp decline in credit costs. We expect a 150-200bp improvement in 1+dpd for Aavas during the quarter.

Vehicle Financiers: AUM growth remains subdued with slight improvement in asset quality

Business volumes in PVs (particularly cars and SUVs) and CVs have exhibited improvement v/s last quarter. Though M&HCV volumes recovered, the OEMs and the lenders expect strong improvement in M&HCV volumes from FY23 onwards. We expect used CV disbursements in 4QFY22 to remain at broadly similar levels (or improve marginally) as in 3Q for SHTF. Even for MMFS, we expect disbursements to remain flat QoQ. However, we estimate Chola to deliver a healthy ~50% YoY and 15% QoQ growth in disbursements. AUM growth, however, is likely to remain muted at 9% / -1% / 8% YoY for CIFC/MMFS/SHTF, respectively. We estimate a QoQ improvement (45bp-200bp) in asset quality and sequentially lower credit costs for CIFC and SHTF. However, we believe MMFS would need to increase its provision coverage on its Stage 3 loans to deliver a net Stage 3 of less than 4%.

Margins to selectively witness some compression

For the vehicle financiers, even though the cost of borrowings has not started to increase yet because of the re-pricing benefits of higher-cost liabilities, blended yields have been under minor pressure led by the fixed-rate loan book. We expect a minor compression in normalized margins for the vehicle financiers. Likewise, for the gold financiers, we expect the competitive intensity from banks as well as the aggressive competitive landscape will lead to a compression in spreads/margins in 4QFY22. While most companies have already normalized the excess liquidity on their balance sheets, we expect them to fully revert to pre-COVID levels of liquidity in the next quarter. The liquidity requirement from the LCR norms has not resulted in any significant negative carry.

Gold Financiers: Gold loan demand remains muted and we expect compression in yields; auctioning to be relatively lower QoQ for MUTH

From the last week of Feb'22 until mid-Mar, teaser rates of 6.9% p.a. (on monthly interest repayments) and ticket sizes above INR200K-300K were being offered by both MUTH and MGFL. However, all through 4QFY22, MUTH has been particularly aggressive in offering teaser rate gold loans and as such we expect MGFL's gold loan growth to have suffered. We estimate a sequentially flat gold loan AUM for MGFL while we build a 5% QoQ gold loan growth for MUTH. Growth for MUTH is likely to have come at the cost of compression in spreads/margins.

Given that gold prices increased 10% QoQ (source: WGC) and that large part of the gold loans were disbursed at teaser rates (LTV of 65%-70%), the portfolio LTVs of gold-loan NBFCs (particularly MUTH) would have declined significantly. Given the strength in gold prices because of the Russia-Ukraine conflict, we expect auctions to have been lower v/s expectations at the beginning of the quarter.

In the non-gold portfolio, both MUTH and MGFL have started new disbursements in MFI and vehicle finance segments. Among the non-gold segments, the MFI remains the most vulnerable and we would forecast credit costs (also led by write-offs) from this segment to remain elevated for MGFL even in 4QFY22.

Diversified Financiers: Expect healthy loan growth; asset quality continues to demonstrate improvement

Wholesale real estate disbursements continue to remain muted. However, business momentum in other product segments such as MSME and personal loans for SCUF/BAF has continued to exhibit strong momentum with collections back to normal levels. While disbursements have been strong, collections have also been robust all through 4QFY22 resulting in quicker run-off of the loan-book. We anticipate collections to have improved across product categories for both BAF and SCUF. For SCUF, we expect disbursements to decline QoQ (3QFY22 was buoyed by festive 2W volumes), but there should be asset quality improvement and consequent benign credit costs. Some of the diversified financiers might also choose to utilize their macro provisions or management overlay created in prior quarters during 4QFY22.

Client acquisition remains healthy in addition to strong momentum in F&O

Retail segment cash ADTO declined 1% and 13% MoM in Jan'22 and Feb'22, respectively. The decline in Feb'22 was attributable to a sharp market correction led by geopolitical tension. The volumes are expected to remain muted for Mar'22 as well. However, the market volatility worked in favor of F&O, which saw continued volume momentum (up 21%/11% MoM in Jan'22/Feb'22), especially the options segment. Customer acquisition trend has remained stable for the current quarter. Angel One has seen improvement in most of the key parameters such as new client addition, activation rate and F&O ADTO market share in Jan and Feb'22, which will drive its revenue growth. However, continued investments in client acquisition, technology and hiring of resources are expected to keep its CI ratio stable. For ISEC, we expect overall revenue to see marginal decline with muted performance in corporate finance segment led by volatile equity markets. IIFLWAM should see steady trends on YoY basis; however, revenue is likely to report some decline sequentially on moderation in yields for both ABR and TBR assets.

Health insurance premium continues on its growth trajectory

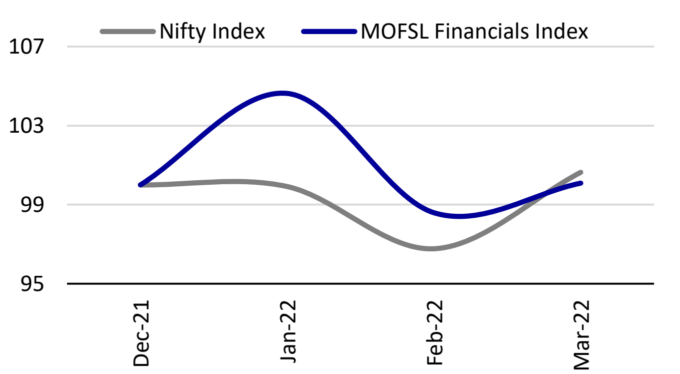
Overall health insurance premium grew 6%/22% YoY in Jan'22/Feb'22, respectively, whereas retail health premium growth remained strong at 20%/17% YoY during the same period. We expect the growth trajectory to continue for Mar'22 as well. Star Health along with other SAHIs has outperformed the industry growth. Star Health has managed to gain substantial market share backed by its continued focus on retail business. Claims ratios are likely to moderate during 4QFY22 leading to improvement in combined ratio for the company.

Quarterly performance

			NII (INR m)			Operating profit (INR m)			Net profit (INR m)		
Sector	CMP (INR)	Rating	Mar-22	Variance YoY (%)	Variance QoQ (%)	Mar-22	Variance YoY (%)	Variance QoQ (%)	Mar-22	Variance YoY (%)	Variance QoQ (%)
AAVAS Financiers	2,517	Sell	1,624	23.2	2.9	1,315	29.0	3.7	1,037	18.3	16.3
Angel One	1,632	Buy	3,650	59.0	3.9	2,323	63.2	5.2	1,757	72.4	6.7
Bajaj Finance	7,489	Buy	51,823	35.0	9.6	40,528	32.7	3.4	24,418	81.3	14.9
Can Fin Homes	661	Buy	2,180	17.4	5.9	1,786	19.3	3.8	1,257	22.6	8.7
Chola. Inv. & Fin.	700	Buy	14,245	14.0	4.5	9,958	20.3	4.5	6,120	151.6	16.8
HDFC	2,679	Buy	46,270	14.9	8.0	42,345	4.4	3.0	34,063	23.1	8.5
ICICI Securities	633	Buy	8,994	21.6	-4.5	4,914	11.4	-3.6	3,611	9.6	-5.1
IIFL Wealth Mgt.	1,688	Buy	3,644	37.2	-3.6	1,414	24.8	-9.4	1,331	28.8	-13.1
Angel One	1,632	Buy	3,650	59%	4%	2,323	63%	5%	1,757	72%	7%
Star Health	739	Buy	41,010	26%	52%	2,952	NA	NA	-2,779	NA	NA
L&T Fin. Holdings	85	Buy	14,463	-10.4	-1.5	11,273	-17.7	-4.1	4,064	52.8	31.9
LIC Housing Fin	385	Buy	15,010	-0.3	3.2	13,128	-1.8	-0.4	7,287	82.7	-5.0
M & M Financial	168	Buy	15,698	3.9	-0.7	10,137	-4.1	-4.6	2,592	72.8	-71.0
Manappuram Finance	122	Buy	9,205	-12.4	0.6	4,825	-33.8	6.5	2,830	-39.6	8.4
MAS Financial	577	Buy	948	21.4	6.9	647	12.6	6.7	421	15.2	4.9
Muthoot Finance	1,363	Buy	18,649	1.5	-1.1	14,071	3.4	0.0	10,383	4.3	0.0
PNB Housing	409	Neutral	3,852	-25.9	-7.2	3,736	-30.7	-2.5	1,869	47.1	-0.8
Repco Home Fin.	190	Buy	1,467	1.7	-1.7	1,148	-3.3	-3.7	551	-12.8	75.1
Shriram City Union	1,696	Buy	9,569	11.5	1.7	6,139	11.3	1.4	3,124	10.7	6.8
Shriram Transport Fin.	1,178	Buy	23,122	9.3	2.2	18,843	13.4	-1.2	9,188	21.7	35.0
NBFC			**2,44,414**	**11.6**	**3.7**	**1,88,532**	**6.7**	**1.0**	**1,15,902**	**34.4**	**3.6**

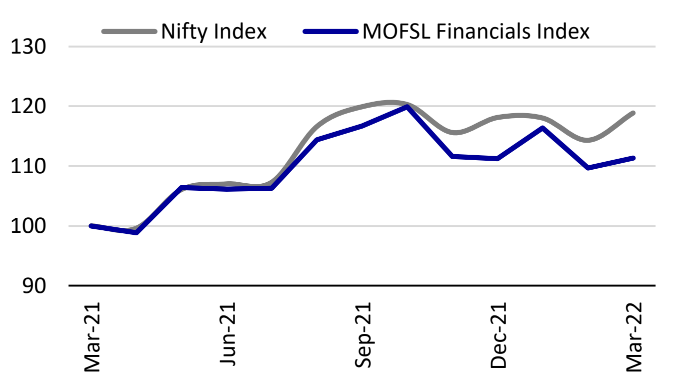
Note: HDFC Net Profit is PAT adjusted for exceptional items like profit on sale of investments/MTM on investments

Relative performance – three months (%)



Source: MOFSL, Company

One-year relative performance (%)



Source: MOFSL, Company

Marico

BSE SENSEX	S&P CNX
60,177	17,957

Stock Info

Bloomberg	MRCO IN
Equity Shares (m)	1,290
M.Cap.(INRb)/(USDb)	703.1 / 9.3
52-Week Range (INR)	606 / 399
1, 6, 12 Rel. Per (%)	-2/-3/13
12M Avg Val (INR M)	1146
Free float (%)	40.5

Financials & Valuations (INR b)

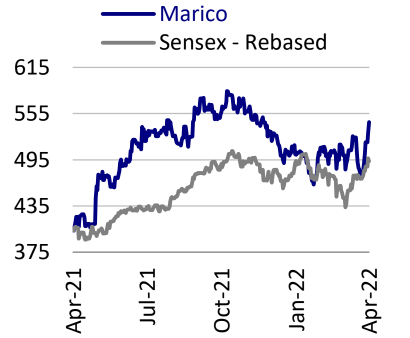
Y/E March	2022E	2023E	2024E
Sales	95.4	102.5	115.7
Sales Gr. (%)	18.5	7.4	12.9
EBITDA	16.8	19.9	23.1
Margin (%)	17.6	19.4	20.0
Adj. PAT	12.2	14.5	17.0
Adj. EPS (INR)	9.4	11.2	13.2
EPS Gr. (%)	5.0	18.9	17.3
BV/Sh.(INR)	35.1	36.7	38.9
Ratios			
RoE (%)	31.4	31.2	34.8
RoCE (%)	29.0	28.8	31.8
Payout (%)	84.8	85.1	83.6
Valuations			
P/E (x)	57.6	48.5	41.3
P/BV (x)	15.5	14.8	14.0
EV/EBITDA (x)	40.8	34.5	29.6
Div. Yield (%)	1.5	1.8	2.0

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	59.5	59.5	59.6
DII	8.7	8.6	10.2
FII	25.7	26.0	24.3
Others	6.2	5.9	6.0

FII Includes depository receipts

Stock performance (one-year)



CMP: INR544 | TP: INR630 (+16%) | Buy

4QFY22 update: Consolidated sales above expectations; marginal profit growth led by higher A&P spends

Highlights from MRCO's 4QFY22 pre-quarterly update

Macro view: FMCG volumes decline during Jan-Feb'22 period

- Consumption trends in 4QFY22 remained subdued due to weak rural sentiment and further inflation in global commodities led by the ongoing geopolitical crisis.
- Sustained inflation trajectory continued to hurt consumer spends across rural and urban sections as companies across FMCG categories took price hikes to mitigate the high material cost inflation.
- According to Nielsen, FMCG volumes dipped YoY during Jan-Feb'22 period.

4QFY22 performance: Consolidated revenue grows in high-single digit

- **Consolidated revenue** growth was in high-single digit during the quarter.
- **India**: Revenue growth was in low-single digit during the quarter, while volumes were marginally higher on a high base (25%). Volume growth was in double-digits on a two-year basis.
- MRCO's India business gained market share during 4QFY22.

International business: Double-digit growth on constant currency basis

- In 4QFY22, MRCO's international business delivered constant-currency growth in double-digits despite a strong base (23%), with all markets faring positively.
- For FY22, the international business delivered a constant-currency growth in the mid-teens.

Costs and margins: A&P spends rise; gross margin to remain flat YoY

- We expect gross margin to improve sequentially, but remain flat YoY.
- A&P spends were higher YoY; we expect 4QFY22 EBITDA margin at 15.8%.
- **Copra prices** remained benign during the quarter while **edible oil** and **crude oil** prices witnessed a sharp increase due to the geopolitical conflict.
- MRCO took price hikes in the value added air oils (VAHO) and Saffola edible oil portfolios during the quarter.

Segments

- **Parachute Coconut Oil** volumes were marginally lower YoY, on a high base of 29%.
- **VAHO** grew in low-single digits in value terms.
- The **Saffola franchise** grew in high teens in value terms, with healthy growth in Foods.
- **Premium Personal Care** posted broad-based, double-digit growth.
- **Digital-first brands**, Beardo and Just Herbs, performed in line with expectations.

Valuations appear inexpensive given strong earnings potential and healthy ROE

- After achieving only a ~6% sales CAGR over FY15–20, MRCO's sales momentum is better now than in the past, with a double-digit sales CAGR expected over FY20–23. This is likely to sustain beyond FY23 as well, propelled by: a) the ongoing topline growth momentum in each of MRCO's core segments, b) significantly higher growth rates as well as targets in the Foods portfolio, and c) the INR4.5–5b targeted from its 'digital first' range of products.
- The much-needed diversification could lead to higher multiples than in the past. Valuations at 48.5x/41.3x FY23E/FY24E EPS appear inexpensive given the potential of strong earnings growth (v/s earlier) and a healthy ROE of over 30%. We maintain our BUY rating on the stock with a TP of INR630.

Bandhan Bank

BSE SENSEX	S&P CNX
60,177	17,957

Stock Info

Bloomberg	BANDHAN IN
Equity Shares (m)	1,611
M.Cap.(INRb)/(USDb)	507.2 / 6.7
52-Week Range (INR)	365 / 230
1, 6, 12 Rel. Per (%)	4/5/-29
12M Avg Val (INR M)	2445
Free float (%)	60.0

Financials Snapshot (INR b)

Y/E March	FY22E	FY23E	FY24E
NII	84.6	95.4	117.6
OP	75.0	83.3	102.9
NP	-8.3	35.5	52.7
NIM (%)	7.3	7.2	7.3
EPS (INR)	-5.1	22.0	32.7
EPS Gr. (%)	-137.5	-529.1	48.4
BV/Sh. (INR)	101	118	145
ABV/Sh. (INR)	90	108	135
Ratios			
RoE (%)	-4.9	20.2	24.9
RoA (%)	-0.7	2.5	3.1
Valuations			
P/E(X)	-61.3	14.3	9.6
P/BV (X)	3.1	2.7	2.2
P/ABV (X)	3.5	2.9	2.3

CMP: INR315 TP: INR320 (+2%) Neutral

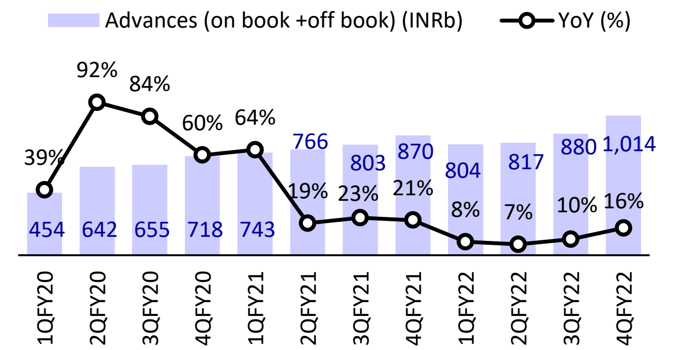
Collection efficiency improves QoQ; business momentum robust

MFI CE (excluding NPA and arrears) at pre-COVID levels

BANDHAN released its quarterly business update highlighting trends for 4QFY22. Below are the key highlights:

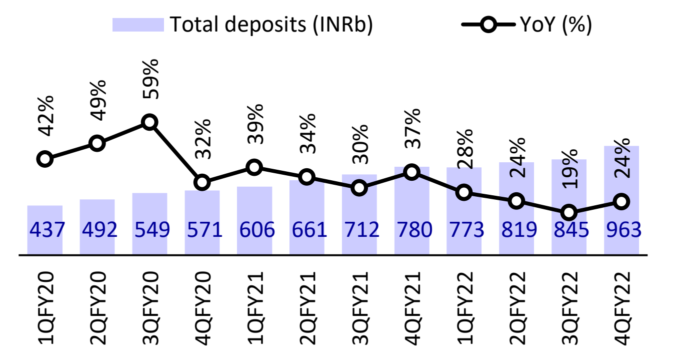
- Gross advances (on/off the book and TLTRO investments) grew 15% QoQ and 16% YoY to INR1,014b, supported by a likely improvement in disbursements.
- The deposit base for the bank stood at INR963b, implying a sequential growth of 14% (+24% YoY), led by a 68% QoQ growth in bulk deposits. Growth in CASA deposits moderated to 4% QoQ (+18% YoY). The CASA ratio declined to 41.6% v/s 45.6% in 3QFY22. Trends in Retail deposits were similar to CASA at 4% QoQ (+21% YoY). The proportion of retail deposits fell to 77% (v/s 85% in 3QFY22).
- On the asset quality front, collection efficiency (including NPA, but excluding arrears) improved to 95% in the MFI portfolio in Mar'22 (v/s 91% in Dec'21). Collection efficiency in the non-MFI portfolio was stable at 98%. Overall collection trends in the total portfolio stood at 96% v/s 93% in Sep'21.
- Collection efficiency in MFI (excluding NPA and arrears) is back to pre-COVID levels of 99%. This should further support a recovery in earnings. The GNPA/NNPA ratio stood at 10.81%/3.01% in 3QFY22, with a PCR of 74%. Total restructured book stands at INR66b (7.5% of total AUM), while the SMA overdue in the MFI portfolio moderated sharply to 11% from 21% in 2QFY22.
- **Valuation and view:** BANDHAN reported a robust pickup in business growth in the traditionally busy fourth quarter. Improving trends in collection efficiency should continue to moderate credit cost and support earnings. However, movement in the SMA book and performance of the restructured book remains a key monitorable. We expect the bank to deliver ~25% RoE by FY24. We maintain our Neutral rating with a TP of INR320/share (2.4x Sep'23E ABV).

Advances grew 15% QoQ and 16% YoY



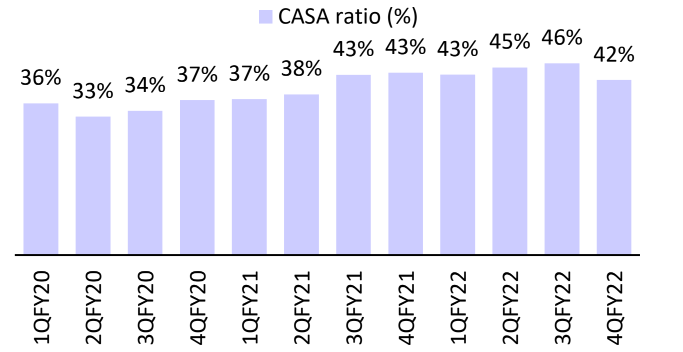
Source: MOSL, Company

Deposits grew 14% QoQ and 24% YoY in 4QFY22



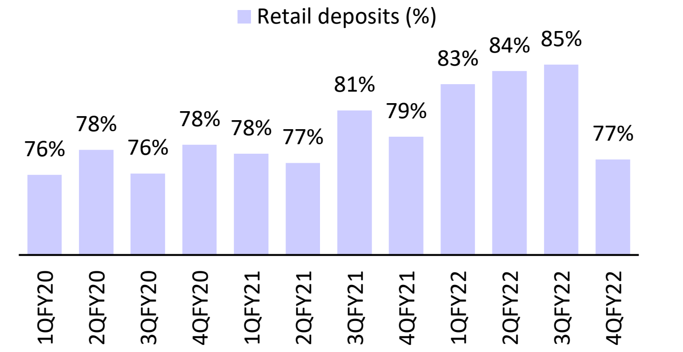
Source: MOSL, Company

CASA ratio moderates to ~42% in 4QFY22



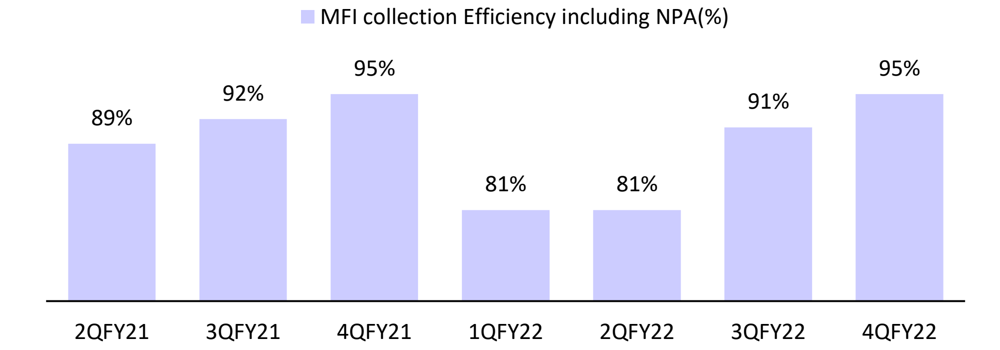
Source: MOSL, Company

Retail deposit mix declines to ~77% in 4QFY22



Source: MOSL, Company

MFI collection efficiency (including NPA customers) improves to 95% in 4QFY22



Source: MOSL, Company

5 April 2022

Company Update | Sector: Logistics

Transport Corporation of India

BSE SENSEX	S&P CNX
60,177	17,957

TCI LEADERS IN LOGISTICS

Stock Info

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	48.3 / 0.6
52-Week Range (INR)	858 / 254
1, 6, 12 Rel. Per (%)	-3/40/120
12M Avg Val (INR M)	136
Free float (%)	33.5

Financials Snapshot (INR b)

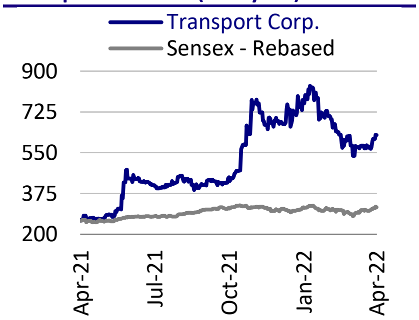
Y/E March	2021	2022E	2023E
Net Sales	28.0	32.8	38.9
EBITDA	2.6	4.0	4.5
Adj. PAT	1.6	2.9	3.2
EBITDA Margin	9.3	12.2	11.6
Adj. EPS (INR)	20.8	37.3	41.5
EPS Gr. (%)	5.2	79.3	11.3
BV/Sh. (INR)	151.7	186.0	223.9
Ratios			
Net D/E (x)	0.2	0.0	0.0
RoE (%)	14.5	21.9	20.1
RoCE (%)	12.4	18.8	18.3
Payout (%)	13.1	8.1	8.4
Valuations			
P/E (x)	30.2	16.8	15.1
P/BV (x)	4.1	3.4	2.8
EV/EBITDA (x)	18.8	11.8	10.3
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	3.7	4.4	0.4

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	59.5	59.5	59.6
DII	8.7	8.6	10.2
FII	25.7	26.0	24.3
Others	6.2	5.9	6.0

FII Includes depository receipts

Stock performance (one-year)



CMP: INR625 TP: INR880 (+41%) Buy

Well placed with multi-modal Logistics capabilities

- **TCI has developed robust capabilities in multimodal Logistics via its presence across major transportation modes. The company has well-diversified service offerings from Road freight, integrated Supply Chain solutions, Sea freight, to a JV with CONCOR for Rail freight.**
- **These capabilities would be a key enabler for consistent growth in volumes and earnings for TCI over the next few years. With an improving share of the Seaways segment, margin is expected to remain at elevated levels.**
- **The company has contracts in place with customers for passing on the increase in diesel prices. With strong volumes, a rise in freight rates may be seamless. The impact of a diesel price increase on margin is also expected to be minimal.**
- **TCI is a long-term play, backed by: a) a diversified clientele base, b) improving share in the high-margin Less than Truck Load (LTL) business in the Road Freight division, c) strong presence in the high growth 3PL segment, and d) rising contribution from the high margin Seaways segment. We expect TCI to clock a revenue/EBITDA/PAT CAGR of ~18/28%/36% over FY21-24E. We reiterate our Buy rating on the stock with a TP of INR880.**

Robust pick up in freight volumes over the last few quarters; clocks record high margin led by the Seaways segment

- Easing of restrictions led to a strong pick-up in volumes from the start of 2QFY22. The same is expected to remain strong in 4QFY22, as reflected in the decent improvement in e-way bills generated during the quarter.
- TCI reported record high margin of ~13% each in 2Q and 3QFY22. The Seaways segment saw a strong margin, with increased freight rates and high value return load from Myanmar. Margin in the Freight segment improved with cost control and improved efficiency.

Robust industry outlook brightens TCI's growth prospects

- Road freight will benefit from: a) impact of reforms like GST and e-way bill, which will result in a shift in market share towards organized players, and b) improved road connectivity, reducing the turnaround time.
- The Supply Chain segment is expected to grow well as issues related to the Auto sector stabilize. The increasing penetration of supply chain offerings into other sectors will aid growth.
- The Seaways segment is expected to grow well, with higher volumes and improved realization. The purchase of a new ship in FY23 will help boost the share of the high margin Seaways segment, which will aid earnings growth.

Valuation and view

- We expect the growth momentum to continue, with: a) a pickup in economic activity, b) normalization in transportation activity, and c) government reforms leading to formalization and market share gains for organized players like TCI.
- We expect TCI to clock a revenue/EBITDA/PAT CAGR of ~18%/28%/36% over FY21-24E. The stock trades at 12x FY24E EPS. We maintain our Buy rating, with a revised TP of INR880/share (17x FY24E EPS).

Economic activity improves faster in Feb'22

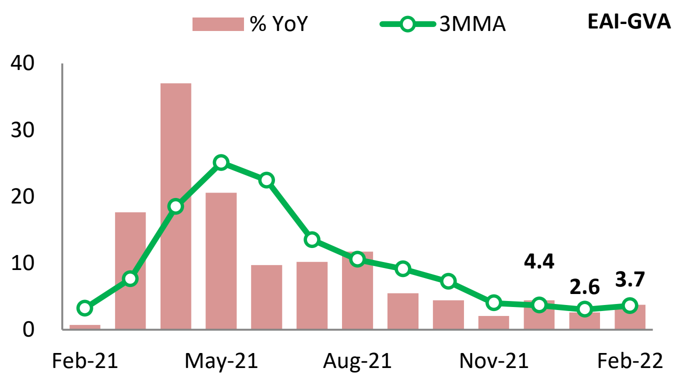
Expect 4QFY22 real GDP growth at 4.5-5.0%

- **Our in-house Economic Activity Index for India's real GVA (EAI-GVA) posted a higher growth of 3.7% YoY in Feb'22 v/s a meager growth of 0.7% YoY in Feb'21 and 2.6% YoY in Jan'22. This was primarily driven by a higher growth in non-farm sector as farm sector continued to contract for the second successive month.**
- **EAI-GDP, however, witnessed a three-month low growth of 4.7% YoY in Feb'22 due to a sharp negative contribution from external trade. On the contrary, domestic consumption and investments performed well during the month.**
- **The 4.7% YoY EAI-GDP growth was supported by strong government core revenue growth of 40% YoY in Feb'22 (albeit slower than the 51% YoY growth in Jan'22). Excluding government spending, EAI-GDP grew at a three-month slow pace of 2.7% YoY in Feb'22, v/s 3.2% YoY in Jan'22.**
- **A monthly analysis of indicators for Mar'22 showed mixed signals. Some indicators such as PMI services, currency in circulation, mobility indicators (Google and Apple) and power generation improved in Mar'22. Conversely, others such as PMI manufacturing, toll collections, Vahaan registrations and exports exhibited either deceleration or continued contraction in Mar'22.**
- **Overall, our EAI-GVA suggests that the economic activity performed better in Feb'22 vis-à-vis Jan'22, which also indicates the subsided threat of the Omicron virus. However, economic activity for Mar'22 looks uncertain at this point. Accordingly, we continue to expect real GDP growth to be 4.5-5.0% in 4QFY22, similar to the CSO's forecast of 4.8% YoY.**

Preliminary estimates indicate India's EAI-GVA posted a higher growth of 3.7% YoY in Feb'22 v/s 0.7%/2.6% growth in Feb'21/Jan'22, respectively

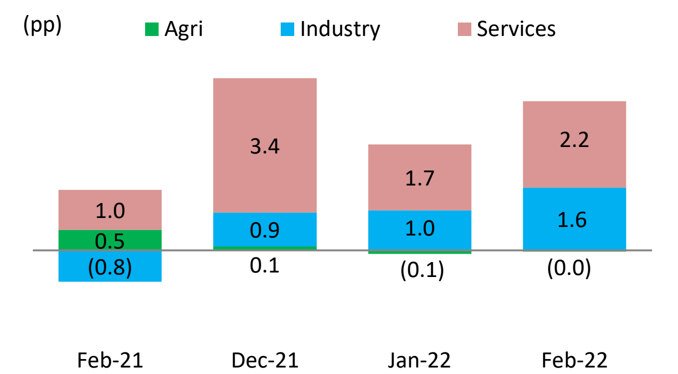
- **EAI-GVA grew faster at 3.7% YoY in Feb'22...:** Preliminary estimates indicate India's EAI-GVA posted a higher growth of 3.7% YoY in Feb'22 v/s a meager growth of 0.7% YoY in Feb'21 and 2.6% YoY growth in Jan'22. This was primarily driven by a higher growth in non-farm sector as farm sector continued to contract for the second successive month *(Exhibits 1, 2)*.
- **...but EAI-GDP growth decelerated during the month:** However, EAI-GDP witnessed a three-month low growth of 4.7% YoY in Feb'22 due to a sharp negative contribution from external trade, while both domestic consumption and investments performed well. Besides, government spending supported EAI-GDP growth as after excluding it, EAI-GDP grew at three-month slow pace of 2.7% YoY in Feb'22, compared with 3.2% YoY in Jan'22 *(Exhibits 3, 4)*.

India's EAI-GVA grew 3.7% YoY in Feb'22...



Please refer to our earlier report for details

...supported by the non-farm sector



Source: Various national sources, CEIC, MOFSL

CSB Bank: Gold loan growth picked up pace in Q4FY22; Pralay Mondal, MD & CEO

- Q4FY22 was good in terms of loan growth. Gold loan growth picked up in Q4FY22
- CASA has seen consistent growth. FD rate is lowest in the industry
- NIM and spreads will remain at current levels. Expect continued momentum in loan growth
- Gold tonnage saw a good growth in FY22. Expect gold loan growth to be better in the future

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KPIT Tech: Demand is not a constraint; the challenge is talent; Sachin Tikekar, Jt. MD

- Vision is to re-imagine mobility for a smarter, safer and cleaner world
- Will focus on running the business; Kishor Patil will focus on changing the business
- Software spend on R&D is seeing 10% growth
- Top 25 clients contribute more than 90% of business; top 25 clients are OEMs and tier-1 partners
- Work with 65% of the global OEMs
- Strategy is to go deep and wide with existing clients
- New mobility will have separate focus
- High crude prices are enabling move to electrification
- Companies are down doubling on electrification effort
- Demand is not a constraint; the challenge is talent
- Making investments in talent; will double down on it
- Pricing is premium for software defined related vehicles
- Have been making investments in tools and accelerators

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GHCL: Spinning capacity expansion capex will be at Rs 1500 crore; will demerge soda ash and spinning business; RS Jalan, MD

- Looking forward to expand the soda ash facility by 0.5 mt for Rs 3500 crore
- Spinning capacity is being expanded by 20%, will also increase power capacity
- Current debt at Rs 700 crore, will become almost debt free post Indo Count deal
- Most of capex will be funded via internal accrual
- Spinning capacity expansion capex will be at Rs 1500 crore
- Will demerge soda ash and spinning business
- Spinning margins will come down to 18-20% in FY23

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Hindustan Aeronautics: Expects 6-7% revenue growth for FY23; R Madhavan, CMD

- Project 6-7% growth in revenue for FY23
- Revenue growth to pick-up in FY24-25
- All our orders are fully indigenous
- The IP for helicopters lies with us, IP for LCAs lies with the DRDO

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