India I Equities

Country

Daily

7 May 2024

India Morning Bell

All the latest research and data

Sensex: 73896

Nifty: 22443

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PMI INDIA - Apr'24 - Composite PMI near 14-year high. Though the Composite PMI softened, it held above the long-run average. The Manufacturing PMI decelerated to 58.8 from 59.1 the month prior, while Services PMI moderated to 60.8 from 61.2. *Sujan Hajra, sujanhajra@rathi.com* ►

Indian Bank - Another strong quarter, sturdy earnings to continue; retaining a Buy. A better operating performance and modest provisions led to Indian Bank's strong profitability, with RoA up 4bps q/q to 1.15%. Asset quality and PCR improved. Ahead, we expect modest slippages as most of the stress has been recognised. With stress from the legacy book recognised, the focus now shifts to profitability. We expect the bank to deliver a sustainable, ~1%, RoA in the medium term. We retain our positive view, at a higher 12-mth TP of Rs637, 1.1x P/BV on its FY26e book. *Yuvraj Choudhary, CFA, yuvrajchoudhary@rathi.com* ►

M&M Financial Services - Fraud localised, focusing on consistency; maintaining a Buy. While M&M Financial Services' Q4 core income ran ahead of estimates, a one-time provision of Rs1.3bn against fraud at its northeast branch pulled its PAT down 1% y/y. On its strong parentage, healthy growth and potential for improvement, however, we retain our Buy on the stock. At our unchanged TP of Rs320, it would trade at 1.6x FY26e BV. *Kaitav Shah, CFA, kaitavshah@rathi.com* ►

Jammu & Kashmir Bank - Decent Q4; intends to maintain RoA above 1%; retaining a Buy. Jammu & Kashmir Bank's decent Q4 operating performance (incl. negative provisions) led to strong profitability with a 1.69% RoA (up 54bps q/q). Headline asset quality and PCR improved. Given its strong liability franchise and dominant distribution network in its home state, we believe it would keep gaining market share. Our sanguine view of the bank continues, with a higher 12-mth Rs169 TP, 1.2x P/ABV on its FY26e book. *Yuvraj Choudhary, CFA, yuvrajchoudhary@rathi.com* ►

Birla Corporation - In-line performance, net debt to be in check; maintaining a Buy. Operating at 97% capacity, Birla Corporation's revenue growth came from firm volume growth, whereas weak prices dented realisations. Concentrated cost rationalisation (project Shikhar/Unnati), a higher share of premium cement and stabilising fuel cost would help. While the 1.4m-tonne Kundanganj GU expansion is guided to be complete in two years, FY25 net debt would be below Rs30bn. We retain our Buy, at a higher 12-mth TP of Rs2,011 (earlier Rs2,000). *Manish Valecha, manishvalecha@rathi.com* ►

Markets	06 May 24	1 Day	YTD
Sensex	73896	0.02%	2.3%
Nifty	22443	-0.15%	3.3%
Dow Jones	38852	0.46%	3.1%
S & P 500	5181	1.03%	8.6%
FTSE	8213	0.51%	6.2%
Nikkei	38720	1.27%	15.7%
Hang Seng	18578	0.55%	9.0%

Volumes ($ m)	06 May 24	1 Day	Avg '24
Cash BSE	1,022	4.9%	1,130
Cash NSE	13,216	-12.8%	13,328
Derivatives (NSE)	2,870,169	44.4%	4,713,004

Flows ($m)*	06 May 24	MTD	YTD
FII – Cash			
Buy	1,509	5,608	162,934
Sell	1,769	6,270	173,694
Net	-260	-662	-10,760
FII - Derivatives			
Buy	406,833	1,454,048	51,826,782
Sell	409,243	1,463,956	57,131,423
Net	-2,410	-9,908	-5,304,641
DII – Cash			
Buy	1,652	5,124	125,247
Sell	1,558	4,785	106,630
Net	94	338	18,617

Others	06 May 24	1 Day	YTD
Oil Brent ($ / bbl)	83.8	0.6%	9.7%
Gold ($ / oz)	2,328.1	0.2%	12.8%
Steel ($ / MT)	2,120.7	0.0%	-4.7%
Rs / $	83.5	0.0%	-0.3%
$ / Euro	1.1	0.0%	2.5%
Yen / $	154.0	-0.1%	-8.4%
Call Rate	6.2%	15.bps	-9.bps
10-year G-Secs	7.1%	-4.2bps	-6.9bps
EMBI spreads	326.3	-2.6bps	-18.9bps

Source: NSE, BSE, Bloomberg *Provisional

Update

Economy | Data Release | PMI | 6 May 2024

PMI INDIA - APR'24

COMPOSITE PMI NEAR 14-YEAR HIGH

Though the Composite PMI softened, it held above the long-run average. The Manufacturing PMI decelerated to 58.8 from 59.1 the month prior, while Services PMI moderated to 60.8 from 61.2

The Services PMI eased to 60.8 in Apr'24 vs. 61.2 in Mar. Though the rate of expansion was below that of Mar'24, the above-60 figure indicates strong growth in services trickling into the first month of the current fiscal. The sturdy growth was attributed to favorable economic conditions, robust demand and rising new work intake. Notably, in services the second-fastest increase was in new exports. Operating costs rose due to higher input and labour costs

PMI Manufacturing fell 30bps to 58.8. New business of manufacturing companies significantly increased, leading to production ramp-ups. Anticipating continued sales growth, companies increased purchases and raw material stocks to one of the highest levels in over 19 years. While cost pressures rose slightly, they were low compared to the past

Global PMI moderates after accelerating for four months. The G-20 weighted PMI softened in Apr'24 after four months of acceleration. Ten countries reported weaker figures, with Europe remaining weak. Brazil, China and Australia improved. US Manufacturing PMI coming below expectations raised concerns about economic cracks as interest rates stayed high. Chinese PMI improved slightly due to greater production, but private demand continues to be weak.

Economic activity to continue buoyant. The latest Manufacturing and Services PMI figures suggest that robust demand has kept activity buoyant in the first month of the current fiscal. Further, with expectations of greater IIP growth, economic activity is likely to be strong

	Current	Previous
Composite	61.5	61.8
Manufacturing	58.8	59.1
Services	60.8	61.2

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ANANDRATHI

India I Equities

Financials

Company Update

Change in Estimates ☑ Target ☑ Reco ☐

6 May 2024

Indian Bank

Another strong quarter, sturdy earnings to continue; retaining a Buy

Rating: **Buy**
Target Price (12-mth): Rs.637
Share Price: Rs.533

A better operating performance and modest provisions led to Indian Bank's strong profitability, with RoA up 4bps q/q to 1.15%. Asset quality and PCR improved. Ahead, we expect modest slippages as most of the stress has been recognised. With stress from the legacy book recognised, the focus now shifts to profitability. We expect the bank to deliver a sustainable, ~1%, RoA in the medium term. We retain our positive view, at a higher 12-mth TP of Rs637, 1.1x P/BV on its FY26e book.

Asset quality continues to improve. On lower slippages and higher write-offs, GNPA/NNPA improved 52bps/10bps q/q. Q4 slippages were Rs12.7bn (1% of loans) lower than the last quarter and our expectation. The slippage run-rate improved across segments barring the SME portfolio, which rose modestly. The standard restructured book was Rs85.9bn (down 8.9% q/q), ~1.7% of loans. Surprisingly, the SMA 30+ (>Rs50m) was Rs24.4bn (0.46% of loans), lower than in Q3 and one of the lowest of peers. Ahead, with a low stress pipeline and normal collection efficiency, slippages are expected to hold below 2%.

Strong earnings to endure. With a pick-up in loan growth (~16%) and the modest slippage run-rate, credit costs are likely to soften. Stable margins, strong fee income and modest opex would help to maintain a good operating performance. Strong operating profits and modest credit costs would lead to robust medium-term profitability. We estimate an over 1% RoA and >15% RoE through FY25/26.

Valuation. Our TP of Rs637 is based on the two-stage DDM model. This implies a ~1.1x P/BV multiple on its FY26e book. **Risks:** Lumpy slippages from the corporate book; less-than-expected loan growth.

Key financials (YE Mar) (Rs m)	FY22	FY23	FY24	FY25e	FY26e
Net interest income	167,280	202,255	232,733	269,867	314,158
Pre-provisioning profit	127,169	152,706	168,396	195,259	231,183
Provisions	95,127	93,562	58,884	66,730	77,406
PAT	39,448	52,817	80,629	96,140	115,025
EPS (Rs)	31.7	42.4	59.9	71.4	85.4
NIM (%)	2.9	3.3	3.3	3.5	3.6
Cost-Income (%)	46.2	44.2	45.9	45.0	43.0
RoE (%)	9.6	11.5	15.2	15.4	16.1
RoA (%)	0.6	0.8	1.1	1.1	1.2
Advances growth (%)	7.3	15.4	14.6	16.0	16.0
GNPA (%)	8.5	6.0	4.0	3.3	2.6
CAR (%)	16.5	16.5	16.4	16.1	16.1
P / E (x)	16.8	12.6	8.9	7.5	6.2
P / BV (x)	1.5	1.4	1.2	1.1	0.9
P / ABV (x)	1.8	1.5	1.3	1.1	1.0

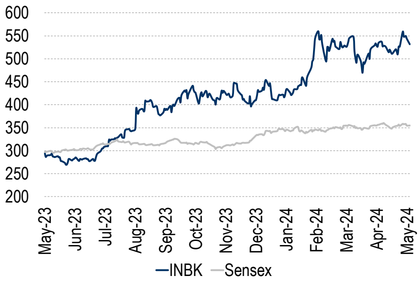
Source: Company, Anand Rathi Research

Key data	INBK IN / INBA.BO
52-week high / low	Rs574 / 267
Sensex / Nifty	73896 / 22443
3-m average volume	$14.8m
Market cap	Rs716bn / $8578.8m
Shares outstanding	1347m

Shareholding pattern (%)	Mar'24	Dec'23	Sep'23
Promoters	73.8	73.8	79.9
- of which, Pledged	-	-	-
Free float	26.2	26.2	20.1
- Foreign institutions	5.3	5.9	4.3
- Domestic institutions	17.0	15.8	11.8
- Public	3.9	4.4	4.1

Estimates revision (%)	FY25e	FY26e
Net interest income	(0.4)	(1.6)
Pre-provisioning profit	0.2	0.4
PAT	8.2	8.3

Relative price performance



Source: Bloomberg

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06 May 2024

M&M Financial Services

Rating: **Buy**
Target Price (12-mth): Rs.320
Share Price: Rs.266

Fraud localised, focusing on consistency; maintaining a Buy

While M&M Financial Services' Q4 core income ran ahead of estimates, a one-time provision of Rs1.3bn against fraud at its northeast branch pulled its PAT down 1% y/y. On its strong parentage, healthy growth and potential for improvement, however, we retain our Buy on the stock. At our unchanged TP of Rs320, it would trade at 1.6x FY26e BV.

Healthy AUM growth led by SUVs and CVs. Barring tractors, disbursements were healthy, which pushed AUM 25% y/y higher. Strong demand for SUVs and the introduction of car models contributed to better credit growth. The share in AUM now is 40% (up 200bps y/y). The share of pre-owned vehicles continues to improve (up 100bps y/y to 13%). We build in a modest, 20%, loan CAGR over FY25-26.

Spread improves q/q, productivity stable. The spread widened 30bps sequentially on the better product mix. Management re-calibrated its FY25 guidance on NIM to 7% (7.5% earlier) as liquidity continues to be tight. Cost-income was a steady 49.5%, a core improvement area for management.

Credit cost stable, next two quarters need to be monitored. Q4 asset quality improved with the overdue book declining 200bps sequentially to 8%. We build in 1.7% credit cost over FY25-26. Capital adequacy at 18.9% suffices for the company's growth aspirations.

Valuation. Our TP of Rs320 is based on the two-stage DDM model. This implies ~1.8x and ~1.6x P/BV multiples on FY25e and FY26e. **Risks:** Higher slippages, less-than-expected loan growth.

Key financials (YE Mar) (Rs m)	FY22	FY23	FY24	FY25e	FY26e
Net interest income	68,489	75,799	88,529	1,06,122	1,24,629
PPoP	41,742	39,991	44,878	55,677	65,512
Provisions	26,904	11,826	19,558	20,524	23,524
PAT	11,503	20,712	18,869	26,013	31,071
EPS (Rs.)	9	17	15	21	25
NIM (%)	*8.3*	*8.3*	*8.0*	*8.0*	*7.8*
Cost-to-income (%)	*40.2*	*48.3*	*50.2*	*48.4*	*48.2*
RoE (%)	*6.5*	*11.6*	*9.8*	*12.3*	*13.0*
RoA (%)	*1.3*	*2.2*	*1.6*	*1.9*	*1.9*
AUM growth (%)	*42.1*	*47.9*	*48.0*	*47.0*	*46.0*
GNPA (%)	*6.9*	*4.1*	*3.7*	*3.4*	*3.2*
CRAR (%)	*27.8*	*22.5*	*19.0*	*18.0*	*17.4*
P/E (x)	29.6	15.8	17.3	12.6	10.5
P/BV (x)	1.9	1.7	1.6	1.5	1.3
P/ABV (x)	2.2	1.9	1.8	1.6	1.4

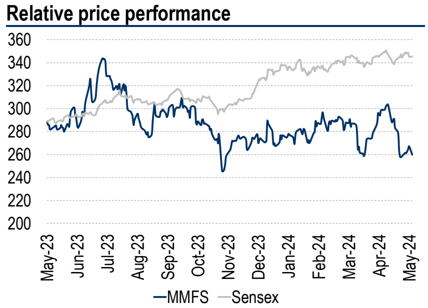
Source: Company, Anand Rathi Research

Key data	MMFS IN
52-week high / low	Rs347 / 237
Sensex / Nifty	73896 / 22443
3-m average volume	$12.1m
Market cap	Rs321bn / $3845.7m
Shares outstanding	1236m

Shareholding pattern (%)	Mar'24	Dec'23	Sep'23
Promoters	52.2	52.2	52.2
- of which, Pledged	-	-	-
Free float	47.8	47.8	47.8
- Foreign institutions	12.0	12.7	14.1
- Domestic institutions	28.6	27.0	25.8
- Public	7.3	8.2	7.9

Estimates revision (%)	FY25e	FY26e
NII	1.6	0.5
PPOP	3.8	2.9
PAT	1.9	4.5

Relative price performance



Source: Bloomberg

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6 May 2024

Jammu & Kashmir Bank

Decent Q4; intends to maintain RoA above 1%; retaining a Buy

Rating: **Buy**
Target Price (12-mth): Rs.169
Share Price: Rs.135

Jammu & Kashmir Bank's decent Q4 operating performance (incl. negative provisions) led to strong profitability with a 1.69% RoA (up 54bps q/q). Headline asset quality and PCR improved. Given its strong liability franchise and dominant distribution network in its home state, we believe it would keep gaining market share. Our sanguine view of the bank continues, with a higher 12-mth Rs169 TP, 1.2x P/ABV on its FY26e book.

Asset quality improves. Headline GNPA/NNPA sharply declined sequentially on modest slippages and higher write-offs. Slippages were Rs3.3bn (1.4% of loans), higher than the previous quarter but better than anticipated. With most of the stress pool already recognised and the economic environment in J&K and Ladakh improving, the slippage rate is expected to be under ~1.5% in the medium term.

Loan growth to be in mid-teens. With strong economic activity in the bank's home region and high liquidity in its book, credit growth is expected to pick up. We have factored in mid-teen credit growth for FY24-26.

~1% RoA expected through FY25/26. Given the bank's strong presence in its home state, where it can charge higher interest rates, and its strong liability franchise and likely lower slippages, we expect margins to be steady at present levels. We expect credit costs to be favourable in the medium term. Strong margins, improving operating leverage and lower provisions would keep profitability strong. We model a ~1% RoA through FY24-26.

Valuation. Our target price of Rs169 is based on the two-stage DDM model. This implies a 1.2x P/ABV multiple on its FY26e book. **Risks:** Lumpy slippages from the corporate book/co-lending book, slower credit growth.

Key financials (YE Mar) (Rs m)	FY22	FY23	FY24	FY25e	FY26e
Net interest income	39,112	47,453	52,037	59,945	69,205
Pre-provisioning profit	10,625	18,585	22,769	27,165	33,332
Provisions	3,567	741	-1,077	4,894	8,201
PAT	4,646	11,974	17,673	16,659	18,798
EPS (Rs)	5.0	11.6	16.0	15.1	17.1
NIM (%)	*3.6*	*4.0*	*4.0*	*4.1*	*4.1*
Cost-Income (%)	*77.2*	*66.2*	*62.2*	*60.7*	*58.1*
RoE (%)	*6.2*	*13.3*	*15.9*	*12.8*	*12.9*
RoA (%)	*0.4*	*0.9*	*1.2*	*1.0*	*1.0*
Advances growth (%)	*5.3*	*16.9*	*13.9*	*16.0*	*16.0*
GNPA (%)	*8.7*	*6.0*	*4.1*	*3.6*	*3.1*
CAR (%)	*13.2*	*15.4*	*15.3*	*15.5*	*14.9*
P / E (x)	27.1	11.6	8.4	8.9	7.9
P / BV (x)	1.6	1.4	1.2	1.1	1.0
P / ABV (x)	1.8	1.5	1.3	1.1	1.0

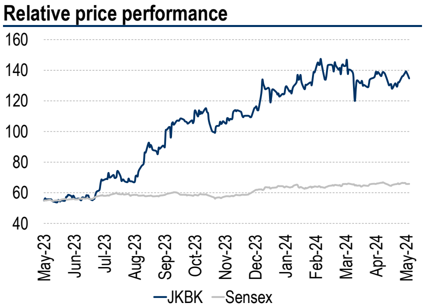
Source: Company, Anand Rathi Research

Key data	JKBK IN
52-week high / low	Rs153 / 53
Sensex / Nifty	73896 / 22443
3-m average volume	$7.7m
Market cap	Rs148bn / $1778.4m
Shares outstanding	1101m

Shareholding pattern (%)	Mar'24	Dec'23	Sep'23
Promoters	59.4	59.4	63.4
- of which, Pledged	-	-	-
Free float	40.6	40.6	36.6
- Foreign institutions	7.0	5.8	4.9
- Domestic institutions	8.2	8.0	2.6
- Public	25.5	26.8	29.1

Estimates revision (%)	FY25e	FY26e
Net interest income	(1.6)	(1.6)
Pre-provisioning profit	(2.0)	(1.9)
PAT	0.1	0.2

Relative price performance



Source: Bloomberg

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6 May 2024

Birla Corporation

Rating: **Buy**
Target Price: Rs.2011
Share Price: Rs.1,580

In-line performance, net debt to be in check; maintaining a Buy

Operating at 97% capacity, Birla Corporation's revenue growth came from firm volume growth, whereas weak prices dented realisations. Concentrated cost rationalisation (project Shikhar/Unnati), a higher share of premium cement and stabilising fuel cost would help. While the 1.4m-tonne Kundanganj GU expansion is guided to be complete in two years, FY25 net debt would be below Rs30bn. We retain our Buy, at a higher 12-mth TP of Rs2,011 (earlier Rs2,000).

In-line performance. Operating at 97% capacity, cement volumes grew 9.2% y/y to 4.9m tonnes, boosting revenue growth 7.9% y/y to Rs26.6bn (ARe Rs26.3bn). Weak demand in Mar kept prices pressured; the drop in realisation/tonne was restricted to 1.2% y/y due to the greater focus on the share of premium products, better realisations, etc. Stable fuel consumption cost (Rs1.56/kcal), the rising share of renewable energy (Q4 ~55%), and savings from project Shikhar/Unnati boosted EBITDA 72.2% y/y to Rs4.7bn (ARe of Rs4.66bn) and EBITDA/tonne, 59% y/y to Rs955.

FY25 net debt guided to be <Rs30bn. Targeting 25m-tonne cement capacity by FY27, the announced expansion (Prayagraj GU ~1.4m tonnes, Kundanganj GU ~1.4m) would take capacity to 22.8m tonnes. Despite the Rs8bn capex, net debt was guided to stay below Rs30bn (31st Mar'24 ~Rs30bn). In phase II (Maihar II line with split GUs), the target is 30m-tonne cement capacity by FY30, keeping peak net debt/EBITDA under 3x.

Outlook, Valuation. The general elections and the monsoon may pile pressure on demand in H1 FY24, keeping price hikes in check. Aided by the Mukutban unit's ramp-up, the high proportion of premium cement and savings from project Shikhar/Unnati, cement volumes and EBITDA/tonne are guided to grow 8-10% in FY25. With the Kundanganj GU incentives ending in Mar'24, incentives of Rs1.1bn (incl. Mukutban) are guided to for FY25 (vs. Rs1.6bn in FY24). We expect volume/revenue/EBITDA to grow 10%/11%/18% over FY24-26. We retain our Buy at a 12-mth TP of Rs2,011, 9x FY26e EV/EBITDA. **Risks:** High pet-coke and diesel prices, slowing demand.

Key financials (YE Mar)	FY22	FY23	FY24	FY25e	FY26e
Sales (Rs m)	74,612	86,823	96,627	1,07,058	1,19,805
Net profit (Rs m)	4,300	338	4,138	6,575	8,863
EPS (Rs)	55.8	4.4	53.7	85.4	115.1
P/E (x)	21.1	201.8	26.5	18.5	13.7
EV / EBITDA (x)	11.8	14.2	10.1	9.0	7.4
EV / tonne ($) (cement)	70.0	58.6	77.8	78.0	69.5
RoE (%)	*7.5*	*0.6*	*6.5*	*9.4*	*11.6*
RoCE (%) after tax	*4.6*	*2.1*	*5.2*	*6.8*	*8.2*
Dividend yield (%)	*0.8*	*1.4*	*0.7*	*0.6*	*0.6*
Net debt / equity (x)	0.6	0.6	0.4	0.4	0.2

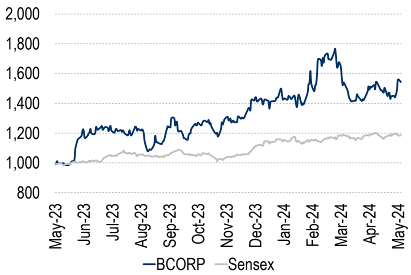
Source: Company, Anand Rathi Research

Key data	BCORP IN / BRLC.BO
52-week high / low	Rs1802 / 970
Sensex / Nifty	73896 / 22443
3-m average volume	$4m
Market cap	Rs119bn / $1424.3m
Shares outstanding	77m

Shareholding pattern (%)	Mar'24	Dec'23	Sept'23
Promoters	62.9	62.9	62.9
- of which, Pledged	-	-	-
Free float	37.1	37.1	37.1
- Foreign institutions	6.8	6.4	6.6
- Domestic institutions	15.6	16.2	16.0
- Public	14.7	14.5	14.5

Estimates revision (%)	FY25e	FY26e
Sales	(1.2)	1.9
EBITDA	5.5	4.0
PAT	(16.0)	(16.8)

Relative price performance



Source: Bloomberg

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Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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