FIRST LIGHT

13 May 2024

RESEARCH

BOB ECONOMICS RESEARCH | IIP

IIP growth eases in Mar'24

STATE BANK OF INDIA | TARGET: Rs 969 | +19% | BUY

Continued strong performance across segment

GODREJ CONSUMER PRODUCTS | TARGET: Rs 1,415 | +7% | HOLD

Strong volume-led growth across markets

POLYCAB INDIA | TARGET: Rs 7,100 | +15% | BUY

Strong quarter, strong outlook

ORIENT ELECTRIC | TARGET: Rs 230 | +7% | HOLD

Strong revenue; profitability falters

Daily macro indicators

Indicator	8-May	9-May	Chg (%)
US 10Y yield (%)	4.49	4.45	(4bps)
India 10Y yield (%)	7.13	7.13	0bps
USD/INR	83.52	83.51	0.0
Brent Crude (US$/bbl)	83.6	83.9	0.4
Dow	39,056	39,388	0.8
Hang Seng	18,314	18,538	1.2
Sensex	73,466	72,404	(1.4)
India FII (US$ mn)	**7-May**	**8-May**	**Chg ($ mn)**
FII-D	(87.2)	(63.8)	23.5
FII-E	(352.5)	(639.0)	(286.6)

Source: Bank of Baroda Economics Research

SUMMARY

INDIA ECONOMICS: IIP

IIP growth moderated to 4.9% in Mar'24 from 5.6% in Feb'24, led by improvement in manufacturing and electricity output. Within manufacturing, improvement was visible across sectors including wearing apparel and pharma products. Within use-based classification, capital, and consumer non-durable output outshined, signaling steam in the economic engines. However, concerns from global economy continues on account of uncertainty on interest rate outlook by Central Banks and ongoing geo-political tensions remains a concern. On domestic front, the current heatwave conditions continue to pose challenges with water reservoir level much lower than last season. However, IMD has projected above normal monsoon which holds key for the kharif crops. Moreover, the likelihood of political stability and strong domestic fundamentals are key positive for the economy.

Click here **for the full report.**

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STATE BANK OF INDIA

- Strong PAT growth was led by one-off gain in other income and lower operational cost
- Healthy performance despite size along with stable asset quality and increased return ratio provide confidence for multiple expansion plans
- Maintain BUY with revised TP of Rs 969 (previously Rs 842) set at 1.5x FY26 ABV (1.3x earlier)

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GODREJ CONSUMER PRODUCTS

- India business remains on strong footing; international markets too registered strong volume growth with improvement in margins
- Indonesia business maintains volume growth trajectory along with 360bps EBITDA margin expansion
- Focus remains on category development, increasing penetration and innovation; maintain HOLD with revised TP of Rs 1,415

Click here for the full report.

POLYCAB INDIA

- Strong topline growth of 27.9% in FY24, with gross and EBIT margin expansion of 90bps and 70bps respectively
- W&C market share at 24-26%; Project LEAP target to be achieved early with further target announcements expected in FY25
- We raise FY25E/26E EPS by 9% each to bake in strong FY24 and raise target P/E to 45x on ebbing IT raid concerns; TP rises to Rs 7,100

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ORIENT ELECTRIC

- Healthy 20% topline growth with gross margin expansion of 250bps in Q4; EBITDA lower on EPR provisioning
- Hyderabad plant primes for long-term growth; watch for market share gains
- We pare FY25E/FY26E EPS by 19%/11% on near-term margin fluctuations; lower TP to Rs 230 on forecast rollover, maintain HOLD

Click here for the full report.

IIP

10 May 2024

IIP growth eases in Mar'24

Jahnavi Prabhakar
Economist

IIP growth moderated to 4.9% in Mar'24 from 5.6% in Feb'24, led by improvement in manufacturing and electricity output. Within manufacturing, improvement was visible across sectors including wearing apparel and pharma products. Within use-based classification, capital, and consumer non-durable output outshined, signaling steam in the economic engines. However, concerns from global economy continues on account of uncertainty on interest rate outlook by Central Banks and ongoing geo-political tensions remains a concern. On domestic front, the current heatwave conditions continue to pose challenges with water reservoir level much lower than last season. However, IMD has projected above normal monsoon which holds key for the kharif crops. Moreover, the likelihood of political stability and strong domestic fundamentals are key positive for the economy.

IIP growth weakens: IIP growth came in below our expectations (6%) at 4.9% in Mar'24 compared with a growth of 5.6% in Feb'24. This was led by sharp slowdown in mining activity which registered a modest growth of 1.2%, lowest growth in over 19-months from 8.1% in Feb'24. On the other hand, manufacturing output rose to a 5-month high to 5.2% in Mar'24 from 4.9% in Feb'24. Manufacturing sector gained with over 6 out of 23 sub-industries registering improvement. Bulk of this gain was accounted by production of pharma, medicinal products (16.7% versus -10.6%), wearing apparel (7.5% versus -2.8%) and furniture (31% versus 23%). Notably manufacture of following products including tobacco products (-17.9% versus -0.4%), leather products (-10.3% versus 1.8%) registered sharp contraction in Mar'24. Production of beverages decelerated down to 0.4% (13.4% in Feb'23). Electricity production accelerated to 8.6% against a growth of 7.5% in Feb'24. Moderation was seen in mining production at xx% against xx% in Feb'24.

For FY24, IIP growth has registered an improvement at 5.8% against a growth of 5.2% in FY23. Mining and manufacturing have also recorded much higher growth at 7.5% (5.8% last year) and 5.5% (4.7% in FY23) respectively in FY24. Electricity output moderated down to 7.1% in FY24 against a growth of 8.9% in the previous year.

Capital and FMCG goods shines: Within use-based, capital goods output accelerated to 5-month high to 6.1% in Mar'24 compared with a growth of 1% in Feb'24, led by government push. After contracting by 3.5% in Feb'24, output of consumer non- durable rebounded to 4.9% in Mar'24. On the other hand, output of primary goods output and intermediate goods disappointed the most clocking a growth of 2.5% (5.9% inFeb'24) and 5.1% (8.7% in Feb'24) in Mar'24 respectively.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 969 | ⮝ 19%

STATE BANK OF INDIA | Banking | 10 May 2024

Continued strong performance across segment

- **Strong PAT growth was led by one-off gain in other income and lower operational cost**
- **Healthy performance despite size along with stable asset quality and increased return ratio provide confidence for multiple expansion plans**
- **Maintain BUY with revised TP of Rs 969 (previously Rs 842) set at 1.5x FY26 ABV (1.3x earlier)**

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Strong profits: SBIN's NII grew only 5% QoQ due to higher deposit costs. Reported NIM rose 8bps QoQ to 3.3% and is guided to remain at current levels for FY25. Other income rose 52% QoQ, driven by treasury gains (Rs 34.6bn), interest on IT refunds (Rs 7 bn) and higher recovery from written-off a/c (Rs 26bn). The expected wage revision provision of Rs 54bn for Q4 was partially offset by lower gratuity and actuarial gain, leading to QoQ decline in opex and boosting PPOP (+41% QoQ). Despite increased provision (+134% QoQ) PAT jumped 126% QoQ to Rs 207bn. Management expects further moderation in opex (extra wage revision of Rs 60bn vs. Rs 130bn in FY24) in FY25, while normalisation of provision may offset gains.

Healthy business growth: Advances grew 16% YoY supported by robust growth in SME loans (20%) and retail book (15%), driven by auto loans (19%) and express credit (+15%). Corporate book grew a strong 11% QoQ. Management expects credit growth of 13-15% for FY25 (we estimate Credit /Deposit CAGR of 15%/13% over FY24-26) given strong liquidity with excess SLR of Rs 3.7tn, LCR of 129% and modest domestic LDR (68%). Deposits grew 11% YoY, driven by term deposits.

Asset quality continued to improve while credit cost normalised: GNPA/NNPA improved 18/7bps QoQ to 2.4%/0.57%, with PCR of 75%. Credit cost (calc.) normalised to 17bps vs. 1bps – among the best in the industry, leading us to further normalise it to 36/45bps for FY25/FY26 estimates. SBIN's restructured book stood at Rs 173bn vs. Rs 189bn in Q3, forming 0.4% of loans, whereas the SMA-1&2 book stood at Rs 33bn (Rs 41.2bn in Q3). A non-NPA provision of Rs 323bn (153% of NNPA) provides a cushion against any sudden rise in stress or other regulatory provision requirement.

Maintain BUY: Healthy business growth despite size along with stable margins and asset quality likely to provide further potential for improved performance. We expect stable NIM at 3% and ROA/ROE of 1.1%/17% by FY26. We broadly maintain our growth estimates due to strong performances across segments and revise our new SOTP-based TP to Rs 969 (from Rs 842), set at a P/ABV of 1.5x (1.3x earlier) using the Gordon Growth Model and adding in Rs 181/sh for subsidiaries – BUY.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	SBIN IN/Rs 817
Market cap	US$ 88.8bn
Free float	42%
3M ADV	US$ 178.7mn
52wk high/low	Rs 840/Rs 543
Promoter/FPI/DII	58%/11%/24%

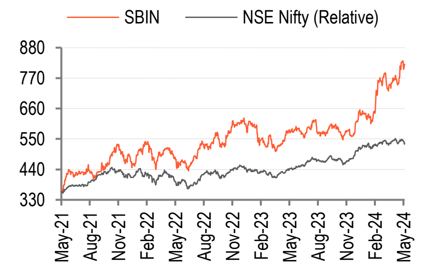
Source: NSE | Price as of 10 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NII (Rs mn)	1,598,758	1,744,327	2,029,873
NII growth (%)	10.4	9.1	16.4
Adj. net profit (Rs mn)	610,766	663,585	788,573
EPS (Rs)	68.4	74.4	88.4
Consensus EPS (Rs)	68.4	74.7	87.0
P/E (x)	11.9	11.0	9.3
P/BV (x)	1.9	1.7	1.5
ROA (%)	1.2	1.0	1.1
ROE (%)	19.3	16.4	17.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

HOLD
TP: Rs 1,415 | ⮝ 7%

GODREJ CONSUMER PRODUCTS | Consumer Staples | 10 May 2024

Strong volume-led growth across markets

- **India business remains on strong footing; international markets too registered strong volume growth with improvement in margins**
- **Indonesia business maintains volume growth trajectory along with 360bps EBITDA margin expansion**
- **Focus remains on category development, increasing penetration and innovation; maintain HOLD with revised TP of Rs 1,415**

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Strong volume growth in domestic markets: GCPL reported consolidated Q4FY24 revenue of Rs 33.8bn (+5.8% YoY, +30% CC), with volumes up 12% YoY. India business grew 12% YoY led by a 15% rise in volumes despite a challenging macro environment in domestic markets. Home Care grew by 6% YoY, air fresheners continue to deliver double-digit volume growth. Personal Care grew by 4% on the back of volume-led growth. Gross margin improved by 320bps YoY and EBITDA margin expanded by 230bps YoY in Q4.

Consistent volume-led growth in international markets: The Indonesia business registered strong volume growth of 12% YoY and revenue growth of 15% YoY in rupee terms (+17% CC), backed by strong performances in the Household Insecticides (HI) and Hair Colour businesses. Revenue from Africa and the Middle East region declined 23% in rupee terms (+16% YoY CC) due to the Naira's devaluation. Latin America and SAARC sales grew 41% in rupee terms.

New product launches are on strong footing: During Q3, GCPL entered the Rs 12bn market for anti-mosquito incense sticks (agarbatti) and winning market share that is dominated by unorganised players. GCPL launched Cinthol foam body wash in select markets in April in India at a price point of Rs 120. The segment is currently valued at Rs 7bn and growing at 20%+ per annum. GCPL will be launching Stella electric diffuser in Indonesia at a price point of IDR 35,000 which is aimed at expanding the penetration of the air freshener category.

Maintain HOLD: GCPL has reported strong volume growth in the domestic and international markets and seen the quality of profits improve in international markets as well. We expect the company's emphasis on category development, rural expansion through project Vistaar 2.0, brand investment, expanding total addressable market and market penetration to support profitable growth. The stock is trading at 52.9x/45.7x FY25E/FY26E EPS. We increase our FY25/FY26 EPS estimates by 3-4% and maintain HOLD rating with revised TP of Rs 1,415 (vs. Rs 1,363), based on an unchanged P/E of 49x which is in line with the long-term mean.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	GCPL IN/Rs 1,321
Market cap	US$ 16.4bn
Free float	37%
3M ADV	US$ 16.0mn
52wk high/low	Rs 1,373/Rs 960
Promoter/FPI/DII	63%/23%/14%

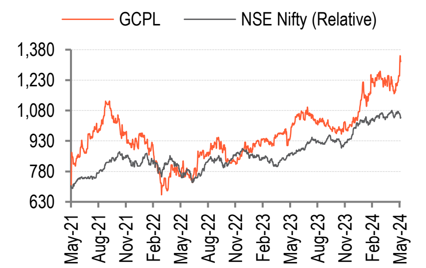
Source: NSE | Price as of 10 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	140,961	159,916	182,265
EBITDA (Rs mn)	29,435	35,422	40,735
Adj. net profit (Rs mn)	19,763	25,540	29,525
Adj. EPS (Rs)	19.3	25.0	28.9
Consensus EPS (Rs)	19.3	23.7	28.4
Adj. ROAE (%)	15.7	18.4	19.2
Adj. P/E (x)	68.3	52.9	45.7
EV/EBITDA (x)	45.9	38.1	33.1
Adj. EPS growth (%)	12.5	29.2	15.6

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

BUY
TP: Rs 7,100 | ⮝ 15%

POLYCAB INDIA | Consumer Durables | 10 May 2024

Strong quarter, strong outlook

- **Strong topline growth of 27.9% in FY24, with gross and EBIT margin expansion of 90bps and 70bps respectively**
- **W&C market share at 24-26%; Project LEAP target to be achieved early with further target announcements expected in FY25**
- **We raise FY25E/26E EPS by 9% each to bake in strong FY24 and raise target P/E to 45x on ebbing IT raid concerns; TP rises to Rs 7,100**

Swati Jhunjhunwala | Arshia Khosla
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Strong quarter across: Polycab recorded a strong quarter and year, with a topline of Rs 55.9bn in Q4 and Rs 180.4bn in FY24, reflecting growth of 29.3% and 27.9% respectively. Gross margin for FY24 improved 90bps YoY to 26.4%, largely due to strategic pricing actions and a better product mix. EBITDA margin expanded 70bps YoY to 13.8% during FY24. Adjusted PAT came in at Rs 18bn for FY24, with quarterly PAT rising above Rs 5bn for the first time.

W&C shines yet again: Polycab's Wires and Cables (W&C) segment grew 26.1% in FY24 and 19.3% in Q4. This exceeds HAVL's 14.1% and KEII's 17.9% for Q4. EBIT margin, also above its peers, stood at 15.1% for Q4, a 60bps expansion YoY, largely due to better operating leverage and lower promotional expenses. Polycab gained significant market share of 25-26% in FY24 (22-24% in FY23 and 18% in FY19) in the organised W&C industry.

Project LEAP on track, further mid-term guidance to follow: Polycab expects to achieve its target of Rs 200bn annual topline, ahead of its initial target, by FY26 end. Exports, currently contributing 8% of topline (in FY24), are expected to rise to 10% by FY26 end as per target. Management indicated further guidance to be announced during FY25, as targets are expected to be achieved sooner than anticipated. Management guided for a Rs 10bn-11bn annual capex over the next two years, which was earlier Rs 6bn-7bn.

IT department update: The Income Tax department has requested Polycab to provide explanations for its queries, but has not charged the company any penalty so far.

Maintain BUY: As concerns over the IT raid conducted on Polycab fade, we raise our target P/E to 45x (from 37x) and our FY25/26 EPS estimates by 9% each to bake in the strong quarter and year. We arrive at a revised TP of Rs 7,100 (Rs 5,200 earlier) and maintain BUY.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	POLYCAB IN/Rs 6,156
Market cap	US$ 11.2bn
Free float	34%
3M ADV	US$ 32.7mn
52wk high/low	Rs 6,363/Rs 3,202
Promoter/FPI/DII	66%/12%/8%

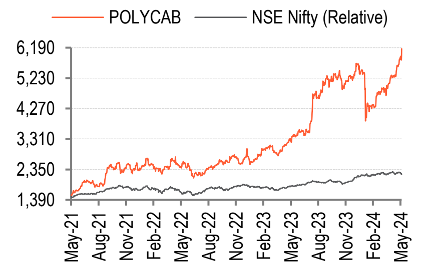
Source: NSE | Price as of 10 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	1,80,394	2,10,338	2,37,013
EBITDA (Rs mn)	24,918	29,683	33,221
Adj. net profit (Rs mn)	17,840	20,716	23,506
Adj. EPS (Rs)	118.9	138.0	156.6
Consensus EPS (Rs)	118.9	137.0	154.4
Adj. ROAE (%)	24.1	23.0	21.8
Adj. P/E (x)	51.8	44.6	39.3
EV/EBITDA (x)	37.0	31.0	27.7
Adj. EPS growth (%)	40.5	16.1	13.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

HOLD
TP: Rs 230 | ⮝ 7%

ORIENT ELECTRIC | Consumer Durables | 10 May 2024

Strong revenue; profitability falters

- **Healthy 20% topline growth with gross margin expansion of 250bps in Q4; EBITDA lower on EPR provisioning**
- **Hyderabad plant primes for long-term growth; watch for market share gains**
- **We pare FY25E/FY26E EPS by 19%/11% on near-term margin fluctuations; lower TP to Rs 230 on forecast rollover, maintain HOLD**

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Strong quarter; margin miss: Orient reported a commendable quarter with 20% YoY growth at Rs 7.8bn, fuelled by a robust performance in ECD up 24% at Rs 5.6bn, credited to the early onset of the summer season. The Lighting and Switchgear segments displayed solid growth with +9% YoY at Rs 2.2bn. Despite gross margins expanding 250bps, EBITDA margin contracted by 310 bps, primarily due to EPR provisioning. FY24 revenue stood at Rs 28bn, up 11% YoY.

Hyderabad plant poised to cultivate long-term growth: Orient officially commissioned its Hyderabad plant on 6 May 2024, with the primary focus on manufacturing TPW fans, which are already in production. While management is confident of the plant's capabilities, it acknowledges the crucial role the segment must play in marketing and gaining market share. Despite the absence of capacity constraints at Orient, capturing the market remains imperative for success.

Direct distribution strategy: Orient has embraced a direct-to-market (DTM) strategy, bypassing traditional dealer and distributor channels to enter markets directly. It believes in employing aggressive sales tactics to promote and sell products according to its vision, which dealers may not have previously supported. The transition to DTM yielded 46% growth in regions where it has been implemented in Q4, along with a notable 65% growth in the overall strategy for the full year. In FY25, DTM will be expanded to encompass another 3-4 states.

Demand outlook: Management expects overall fans market growth in FY25 to remain in single digits YoY. However, Orient's management is confident of sustaining double-digit growth, primarily through market share gains.

Maintain HOLD: Despite management's confidence over market share gains increasing with the commencement of the Hyderabad facility, the lack of a specific timeline for anticipated revenue increments poses uncertainty. Consequently, we have pared our FY25/FY26 EPS estimates by 19%/11%. However, we maintain our valuation of the stock at 30x P/E, a 5% discount to the 3Y average. After rolling forward valuations to Mar'26E, we arrive at a TP of Rs 230. Maintain HOLD.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	ORIENTEL IN/Rs 215
Market cap	US$ 554.4mn
Free float	62%
3M ADV	US$ 1.2mn
52wk high/low	Rs 262/Rs 189
Promoter/FPI/DII	38%/6%/28%

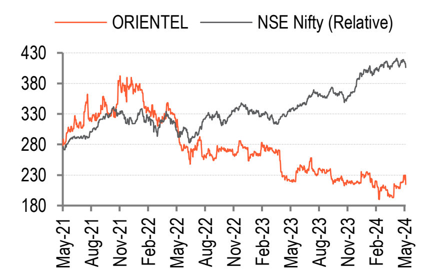
Source: NSE | Price as of 9 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	28,121	33,686	40,337
EBITDA (Rs mn)	1,443	2,576	3,321
Adj. net profit (Rs mn)	566	1,163	1,663
Adj. EPS (Rs)	2.7	5.5	7.8
Consensus EPS (Rs)	2.7	6.9	8.4
Adj. ROAE (%)	9.3	17.3	21.9
Adj. P/E (x)	80.7	39.3	27.5
EV/EBITDA (x)	31.6	17.7	13.7
Adj. EPS growth (%)	(25.4)	105.6	43.0

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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