FIRST LIGHT

02 May 2023

RESEARCH

INDIA STRATEGY | MONTHLY CHARTBOOK

Global headwinds cloud near-term outlook

BOB ECONOMICS RESEARCH | CURRENCY OUTLOOK

INR is likely to remain range-bound

AXIS BANK | TARGET: Rs 1,111 | +29% | BUY

Valuations to play catch up

ULTRATECH CEMENT | TARGET: Rs 8,678 | +15% | BUY

On a strong pitch, Near term challenges fading away

DALMIA BHARAT | TARGET: Rs 1,917 | –3% | HOLD

Volumes rise but realisations weak

LAURUS LABS | TARGET: Rs 340 | +11% | HOLD

Dismal quarter

ADITYA BIRLA SUN LIFE AMC | TARGET: Rs 375 | +11% | HOLD

Soft numbers; weakness persists, maintain HOLD

UTI AMC | TARGET: Rs 800 | +22% | BUY

Weak set of numbers

GLENMARK LIFE SCIENCES | TARGET: Rs 600 | +19% | BUY

All-round beat

MARUTI SUZUKI | TARGET: Rs 9,858 | +15% | HOLD

Short-term pricing blip

TECH MAHINDRA | TARGET: Rs 1,130 | +13% | HOLD

Weak performance; near-term outlook cloudy

SBI CARD | TARGET: Rs 1,050 | +36% | BUY

Positive surprise; maintain BUY

METALS & MINING

China industry discipline to continue: Baosteel

Daily macro indicators

Ticker	26-Apr	27-Apr	Chg (%)
US 10Y yield (%)	3.45	3.52	7bps
India 10Y yield (%)	7.11	7.10	(2bps)
USD/INR	81.77	81.84	(0.1)
Brent Crude (US$/bbl)	77.7	78.4	0.9
Dow	33,302	33,826	1.6
Hang Seng	19,757	19,840	0.4
Sensex	60,301	60,649	0.6
India FII (US$ mn)	**25-Apr**	**26-Apr**	**Chg ($ mn)**
FII-D	(73.1)	113.9	187.0
FII-E	(44.2)	176.2	220.4

Source: Bank of Baroda Economics Research

BOBCAPS Research
research@bobcaps.in

SUMMARY

INDIA STRATEGY: MONTHLY CHARTBOOK

- India has underperformed most large markets since Jan'23, though this trend did reverse in April
- We believe global headwinds, including rate uncertainty in the US and structurally low growth in China, pose near term-risks to the market
- Our long-term view remains bullish given that requisite building blocks are in place for a high growth trajectory for India

Click here for the full report.

INDIA ECONOMICS: CURRENCY OUTLOOK

Global economy was once again beginning to stare at the possibility of economic slowdown as fears re-emerged over the possibility of economic recession in US owing to another banking crisis. US officials are already in talks of providing a possible FDIC receivership to First Republic. A lot is at stake for Fed now, as it considers the next rate action given the stubbornly high inflation, elevated wage growth, credit crunch scenario and uncertainty in global growth. Amidst these developments, DXY weakened by 0.4% in last fortnight. Rupee has relatively performed better than the Asian peers and is expected to trade in the range of 81.5-82.25/$ in the next fortnight. Markets will now wait Fed's and ECB's rate decision next week.

Click here for the full report.

AXIS BANK

- Lower provisioning aids strong Q4 PAT growth of 64% YoY (ex-one-off charge of Rs 125bn towards Citi deal
- NIM likely to sustain at 3.7% levels with Citi integration in play; higher cumulative provisions provide comfort on asset quality
- We assume coverage with BUY and a TP of Rs 1,111 (1.8x FY25E ABV)

Click here for the full report.

ULTRATECH CEMENT

- Q4 revenue grew 20% YoY and QoQ aided by strong double-digit volume gains and supportive pricing
- Despite a volume push, EBITDA rose 46% QoQ on higher operational efficiency
- TP revised to Rs 8,678 (vs. Rs 8,310) as we raise FY24/FY25 Ebitda by ~1.5%, maintain BUY

Click here for the full report.

DALMIA BHARAT

- Q4 revenue grew 16% YoY to Rs 39bn buoyed by higher volumes (+12% YoY); realisations up just 3%
- Operating cost per tonne increased 6% YoY with continued margin pressure (-200bps YoY)
- We tweak estimates and revise our TP to Rs 1,917 (vs. Rs 1,835); retain HOLD as positives appear priced in

Click here for the full report.

LAURUS LABS

- Q4 a miss on all fronts – revenue/EBITDA/PAT below consensus by 16%/35%/55%
- EBITDA margin at a 3Y low of 21% owing to a change in mix and high costs; PAT down 49% QoQ
- We cut FY24 PAT by 35% and roll over to a new TP of Rs 340 (vs. Rs 540) based on 12x EV/EBITDA (vs. 14x); maintain HOLD

Click here for the full report.

ADITYA BIRLA SUN LIFE AMC

- QAAUM declined 7% YoY to Rs 2.8tn at end-FY23 with continued market share bleed
- Q4 net profit down 14% YoY (22% below our est.) owing to a fall in revenue and higher operating expenses
- We cut FY24/FY25 PAT 13%/14% and lower our TP to Rs 375 (vs. Rs 488), based on 16x FY25E EPS (vs. 18x); maintain HOLD

Click here for the full report.

UTI AMC

- Equity outflows coupled with softer yields dampened Q4; core PAT flat YoY at Rs 571mn, well below our estimate
- Core MF market share intact at ~6%; focused on further expanding distribution reach with 29 branches to open in FY24
- We cut FY24/FY25 PAT by 10%/14% and move to 17x FY25E EPS (vs. 18x) for a revised TP of Rs 800 (vs. Rs 983); maintain BUY

Click here for the full report.

GLENMARK LIFE SCIENCES

- Q4 revenue of Rs 6.2bn (+21% YoY) beat our estimate by 14% driven by recovery in CDMO and growth in API
- EBITDA margin expanded to 33.2% on a better product mix, PLI scheme benefits and moderating input prices
- We raise FY24-FY25 EPS by 5-6% and revise our TP to Rs 600 (vs. Rs 585)

Click here **for the full report.**

MARUTI SUZUKI

- Q4 volume growth soft due to an unfavourable mix; order book strong at 412k units (vs. 363k units in Q3FY23)
- Input cost inflation weighed on gross margin (-60bps QoQ); likely to continue for the next few quarters
- Maintain HOLD with a revised TP of Rs 9,858 (vs. Rs 9,989)

Click here **for the full report.**

TECH MAHINDRA

- Q4 revenue flattish at US$ 1.7bn (+0.3% QoQ CC) with 10% growth in FY23 to US$ 6.6bn
- EBIT margin disappoints at 11.2% (-80bps QoQ); net new deal wins modest at US$ 592mn
- Maintain HOLD with a revised TP of Rs 1,130 (vs. Rs 1,160), set at 12.2x FY25E EPS (vs. 12.5x)

Click here **for the full report.**

SBI CARD

- Q4 PAT beat our estimate by 10% due to robust revenue (+32% YoY), partially offset by higher credit cost (+60% YoY)
- Card spends the highest ever at Rs 717bn; gross receivables driven by EMIs, with revolver share muted at 24%
- Maintain BUY with a revised TP of Rs 1,050 (vs. Rs 1,034)

Click here **for the full report.**

METALS & MINING

- Baosteel guides for continuation of production discipline in CY23 and only a modest decline in raw material prices
- Over the medium term, consolidation in China's steel industry will improve production discipline, lowering pressure on global markets
- Steel margins likely to settle at mid-cycle level in FY24; earnings accretion from next expansion wave key to watch. Prefer TATA and JSP

Click here for the full report.

MONTHLY CHARTBOOK | Volume #11 | 28 April 2023

Global headwinds cloud near-term outlook

- **India has underperformed most large markets since Jan'23, though this trend did reverse in April**
- **We believe global headwinds, including rate uncertainty in the US and structurally low growth in China, pose near term-risks to the market**
- **Our long-term view remains bullish given that requisite building blocks are in place for a high growth trajectory for India**

Kumar Manish | Vinod Chari
Yash Thakur
research@bobcaps.in

Indian market fairly valued: The Nifty50 has underperformed most large markets YTD. Developed markets have had a much better run than emerging markets, though the trend reversed during April following the US banking crisis when India outperformed. India's BEER remains elevated, but its premium to other markets has narrowed. Both India BEER and Nifty50 12M forward PE are close to 5Y averages, indicating that the Indian market is fairly valued. About 70% of India BEER values have been within a +/-1SD band vs. a mere 62% for PE over 5Y (against ~68% for a Gaussian distribution).

Realty index outperforms: Nifty Realty outperformed other indices during April, rising 16%, followed by Nifty Auto. Nifty IT was the worst performer for the month.

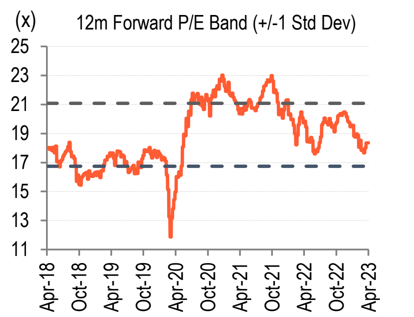
Q4FY23 commentary positive: Listed Indian companies have posted single-digit YoY growth at the net income level thus far in Q4, but management commentary has been broadly positive, particularly from the bank, consumption and auto sectors.

Macro climate largely stable: India's 10Y bond yield declined 10bps in response to a surprise pause by RBI, with a further drop of 10bps toward the month-end post release of monetary policy minutes. CPI moderated to RBI's tolerance zone while WPI was down to 1.34%, per the last print. RBI's forex reserves rose by US$ 8bn to US$ 586bn as of 14 April over 31 March this year. The US 10Y yield was largely flat in April.

Global outlook mixed: We believe US financial sector concerns will persist near term, though consumption and employment data are robust thus far; as a result, consensus estimates remain divergent. We expect secular low growth in China given structural issues within its real estate sector and a slowdown in its belt and road projects.

India outlook positive: We remain neutral near term (CY23) due to global headwinds but believe the building blocks are in place for a sustained, high growth phase in India. See our strategy note, **Clear mass premiumisation trends** of 14 March 23, for details. A weakening US dollar will further incentivise flows into emerging markets, including India. An inability to sign significant trade agreements with large consuming blocks/ countries or sustained trade disputes will pose downside risks to the market, in our view.

Nifty valuation close to 5Y average



Source: Bloomberg, BOBCAPS Research

CURRENCY OUTLOOK

29 April 2023

INR is likely to remain range-bound

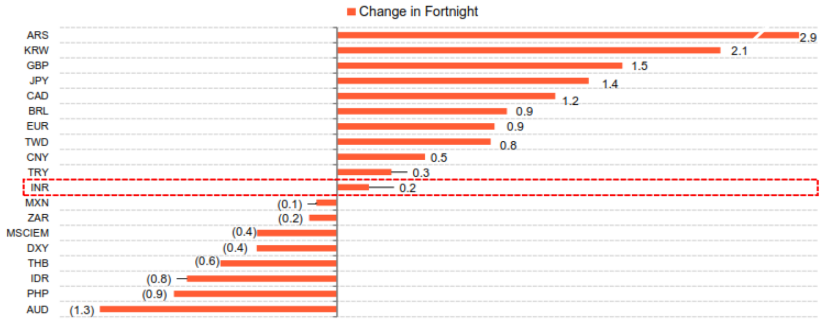
Jahnavi Prabhakar
Economist

Global economy was once again beginning to stare at the possibility of economic slowdown as fears re-emerged over the possibility of economic recession in US owing to another banking crisis. US officials are already in talks of providing a possible FDIC receivership to First Republic. A lot is at stake for Fed now, as it considers the next rate action given the stubbornly high inflation, elevated wage growth, credit crunch scenario and uncertainty in global growth. Amidst these developments, DXY weakened by 0.4% in last fortnight. Rupee has relatively performed better than the Asian peers and is expected to trade in the range of 81.5-82.25/$ in the next fortnight. Markets will now wait Fed's and ECB's rate decision next week.

Movement in global currencies

Global currencies continued to garner strength against the dollar. The weakness in DXY was evident as it declined by 0.4% amidst the macro developments surrounding US market. A weaker than anticipated growth in the US economy kept the investors on the edge. The annualized GDP for Q1CY24 was noted at 1.1% against a growth of 2.6% in the last quarter. The moderation was led by slowdown in non-residential fixed investment and private inventory investment. Moreover, core PCE price index, Fed's preferred gauge of tracking inflation remained elevated at 4.6% in Mar'23 (4.7% in Feb'23). Separately, labor market remains tight with jobless claims declining by 16,000 to 2,30,000 against the expectation of 2,48,000 for the week (ending 22-April). Amidst these developments, analysts have priced in 88% likelihood of Fed raising rates by 25bps and might signal for a pause to one of the most aggressive rate hike policy since 1980s.

Figure 1: Global currencies were mostly higher in Apr'23



Source: Bloomberg, Bank of Baroda Research, Data as of 28 Apr 2023 |Note: Figures in bracket denote depreciation against USD

Most of the global currencies registered gains against the dollar with Korean won (2.7%), GBP (1.5%) and Europe (0.9%) contributing the most. For the 7th time in a row, ECB will lift rates in the forthcoming meet with markets anticipating rate hike converging to 25bps hike instead of 50bps increase. These expectations are based on conflicting signs emerging from the economy, with Euro zone escaping recession and expanding by 0.1% (quarterly basis) in Q1CY24 with advance seen across France, Italy and Spain.

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,111 | ⮝ 29%

AXIS BANK | Banking | 28 April 2023

Valuations to play catch up

- **Lower provisioning aids strong Q4 PAT growth of 64% YoY (ex-one-off charge of Rs 125bn towards Citi deal**
- **NIM likely to sustain at 3.7% levels with Citi integration in play; higher cumulative provisions provide comfort on asset quality**
- **We assume coverage with BUY and a TP of Rs 1,111 (1.8x FY25E ABV)**

Ajit Agrawal
research@bobcaps.in

Strong Q4: AXSB posted a loss of Rs 57bn in Q4FY23 due to a charge of Rs 125bn for the acquisition of Citi's retail arm. Excluding this one-off, PAT grew at a robust 64% YoY to Rs 67bn, which was supported by higher NII (+33%). An increase in cost of funds due to deposit repricing offset better yields, causing NIM(Calc.) to shed 17bps QoQ to 3.95%. Management expects cost pressure in Q1FY24 as well.

A focus on the unsecured portfolio along with mid-corporate and SME business led to credit growth of 19% YoY coupled with deposit growth of 15%. PPOP jumped 42% YoY on higher core income. Credit cost dropped to 16bps vs. 79bps in Q3, and a large decline in provisions aided improvement in GNPA/NNPA to 2%/0.4% with 81% PCR.

High-yield business to boost profitability: Leveraging its asset gearing model, AXSB is looking to its lucrative unsecured business to boost profits, and we expect this trend to continue until the credit cycle reverses. We estimate a credit/deposit CAGR of 18%/16% over FY22-FY25 with a CASA ratio of 46.5% in FY25. The bank's emphasis on liability management could keep NIM range-bound at 3.7%, relatively lower than peers. We estimate a 19% NII CAGR and 20% PPOP CAGR over our forecast period, with C/I elevated at ~45% over FY24-FY25.

Asset quality improving: We do not foresee any major asset quality concerns given AXSB's proactive and prudent provisioning strategy (provisions at 81% in FY23 vs. 74% in FY22; cumulatively 145% of GNPA). Performance of the unsecured portfolio which has gained share in the loan mix to ~11% would be key to watch. We model for GNPA/NNPA at ~1.9%/0.4% over FY24-FY25 with PCR of 81%.

BUY, TP Rs 1,111: AXSB's overall performance has improved substantively over the past year and we expect this trend to continue, aiding expansion in ROE/ROA from 12%/1.2% in FY22 to an estimated 17%/1.7% in FY25. The bank is well capitalised with current CAR at 17.6% even after the Citi retail acquisition. We believe potential improvement in return ratios and asset quality is being overlooked by the market. We assume coverage with BUY for a TP of Rs 1,111, based on 1.8x FY25E ABV (Gordon Growth Model), adding in Rs 100/sh as the value of subsidiaries.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	AXSB IN/Rs 860
Market cap	US$ 32.3bn
Free float	92%
3M ADV	US$ 132.5mn
52wk high/low	Rs 970/Rs 618
Promoter/FPI/DII	8%/49%/32%

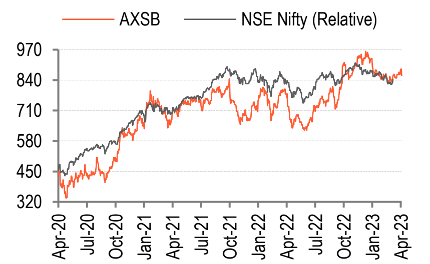
Source: NSE | Price as of 28 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Net interest income	427,727	494,754	557,999
NII growth (%)	29.1	15.7	12.8
Adj. net profit (Rs mn)	94,079	243,456	274,602
EPS (Rs)	30.6	79.1	89.2
Consensus EPS (Rs)	30.6	77.6	89.8
P/E (x)	28.1	10.9	9.6
P/BV (x)	2.1	1.8	1.5
ROA (%)	1.8	1.7	1.7
ROE (%)	18.2	17.7	16.8

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

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 8,678 | 15%

ULTRATECH CEMENT | Cement | 29 April 2023

On a strong pitch, Near term challenges fading away

- **Q4 revenue grew 20% YoY and QoQ aided by strong double-digit volume gains and supportive pricing**
- **Despite a volume push, EBITDA rose 46% QoQ on higher operational efficiency**
- **TP revised to Rs 8,678 (vs. Rs 8,310) as we raise FY24/FY25 Ebitda by ~1.5%, maintain BUY**

Milind Raginwar | Yash Thakur
research@bobcaps.in

Revenue driven by strong volume push and realisation gains: UTCEM reported a 20% YoY (21% QoQ) rise in Q4FY23 revenue to Rs 181.2bn. Volumes (excluding white cement segment at 0.5mn tonnes) came in at 30.1mt, an increase of 15% YoY (24% QoQ). Despite the strong volume push, grey cement realisation adjusted for incentive receipt rose 3% YoY (-2% QoQ) to at Rs 5,382/t as prices stayed healthy thanks to a prudent regional mix.

Cost inflation softens sequentially: Operating cost grew 6% YoY (but dipped 6% QoQ) to Rs 4,977/t, pushed up by energy cost/t (adjusted for raw material cost) that grew 12% YoY (-4% QoQ). Energy cost/t grew 17% YoY while declining 12% QoQ as fuel cost softened from Rs 2.6/kcal in Q3 to Rs 2.5/kcal. Raw material cost/tn increased 9% YoY (+19% QoQ) driven by higher inventory cost. Logistics cost grew 5% YoY while showing a 3% dip QoQ to Rs 1,375/t as the lead distance reduced by 15km to 413km and fuel cost softened sequentially. Other expenditure rose 7% YoY (+4% QoQ) to Rs 18.5bn.

EBITDA gain led by better operating efficiencies: EBITDA increased 7% YoY to Rs 31.4bn, but the margin fell to 17.3% from 19.4% in Q4FY22 (14.3% in Q3FY23). EBITDA/t declined 7% YoY to Rs 1,044/t, recovering QoQ from Rs 884/t. Margins were under pressure YoY due to higher fuel cost. Reported PAT at Rs 16.5bn contracted 33% YoY (+66% QoQ) owing to lower tax outgo in the year-ago quarter.

Capacity expansion plans: Phase-2 expansion of 22.6mt is in progress and 156mt is to be commissioned in H1FY26. UTCEM has 210MW of waste heat recovery capacity and aims to reach 318MW by FY24-end.

Maintain BUY: We expect UTCEM's strong leadership position and cost-saving initiatives to aid margin gains in FY24/FY25. A presence in the white cement segment is an added cushion. The balance sheet remains strong, driving our forecast of higher ROCE/ROE of 18%/15% by FY25. We continue to value the stock at 15x FY25E EV/EBITDA, in line with the 10Y mean, while raising FY24/FY25 Ebitda estimates by 1.5 each to arrive at a new TP of Rs 8,678 (vs. Rs 8,310). At our TP, the stock trades at a replacement cost of Rs 18.5bn/mt, 2.5x premium to the industry, which is justified for a company of its size. Maintain BUY.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	UTCEM IN/Rs 7,556
Market cap	US$ 26.6bn
Free float	40%
3M ADV	US$ 32.3mn
52wk high/low	Rs 7,824/Rs 5,157
Promoter/FPI/DII	60%/15%/17%

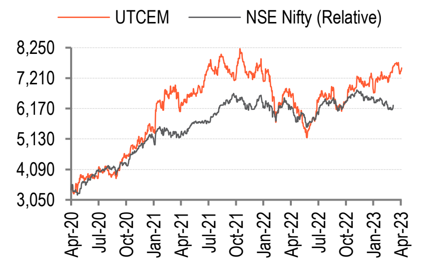
Source: NSE | Price as of 28 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	6,13,265	6,63,047	7,59,075
EBITDA (Rs mn)	1,02,565	1,33,256	1,65,738
Adj. net profit (Rs mn)	49,169	68,041	92,050
Adj. EPS (Rs)	170.3	235.7	318.9
Consensus EPS (Rs)	170.0	253.0	305.0
Adj. ROAE (%)	9.8	12.4	14.6
Adj. P/E (x)	44.4	32.1	23.7
EV/EBITDA (x)	20.9	16.0	12.8
Adj. EPS growth (%)	(24.7)	38.4	35.3

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

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,917 | ⋎ 3%

DALMIA BHARAT | Cement | 29 April 2023

Volumes rise but realisations weak

- **Q4 revenue grew 16% YoY to Rs 39bn buoyed by higher volumes (+12% YoY); realisations up just 3%**
- **Operating cost per tonne increased 6% YoY with continued margin pressure (-200bps YoY)**
- **We tweak estimates and revise our TP to Rs 1,917 (vs. Rs 1,835); retain HOLD as positives appear priced in**

Milind Raginwar | Yash Thakur
research@bobcaps.in

Revenue growth contributed by volume push: Dalmia Bharat's (DBL) Q4FY23 revenue grew 16% YoY and QoQ to Rs 39.1bn buoyed by higher volumes, though pricing stayed tepid. Volumes rose 12% YoY (+18% QoQ) to 7.4mt while realisation was up just 3% (-1% QoQ) to Rs 5,286/t. Volume growth without strong support from pricing indicates limited demand growth across DBL's active regions

Margin pressure continues: Operating cost per tonne grew 6% YoY (~1% QoQ) to Rs 4,331/t as energy cost/t adjusted for raw material cost grew 11% YoY (~4% QoQ). Ex-input costs, energy cost/t fell 11% YoY (-1% QoQ) to Rs 1,530/t. Fuel cost softened QoQ to Rs 2.1/kcal from Rs 2.4/kcal due to the easing of pet coke prices from the peak of US$ 218/t to US$ 174 in Q4FY23. Logistics cost was flat YoY and QoQ to Rs 1,111/t despite fuel cost softening, owing to the busy season surcharge and withdrawal of railway incentives (post Q2FY23). Other expenditure spiked 21% YoY to Rs 5.7bn due to maintenance work undertaken in Q4.

EBITDA gains muted: EBITDA grew just 4% YoY (10% QoQ) to Rs 7.1bn, and EBITDA margin fell to 18.1% from 20.2% in Q4FY22 driven by higher costs. The surprise was softening of EBITDA margin QoQ by 110bps as realisation gains failed to offset the cost. Reported PAT was flat YoY at Rs 6.1bn. However, excluding one-time gains due to sale of the refractory business, PAT falls 66% to Rs 2bn.

Clarity awaited on capex plans: DBL is planning a 2.2mt cement capacity at Bhilai (Chhattisgarh), along with 3.3mt of clinker which includes capacities at both Babupur and Jaypee Super. Clarity is yet to emerge on the Nigrie facility. The company has altered plans and deferred Bihar unit expansion (2.5 mt).

Maintain HOLD: With the ongoing expansion by FY24, DBL will have enough headroom (56mt) to cater to incremental demand, but narrowing of the gap between dispatches and capacities (~20mt) will be a challenge. We raise our FY24/FY25 EPS estimates by 6%7% and revise our TP of Rs 1,917 (vs. Rs 1,835), set at an unchanged 11x FY25E EV/EBITDA – an implied replacement cost of Rs 8.4bn/mt. Maintain HOLD as positives appear priced in at current valuations.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	DALBHARA IN/Rs 1,967
Market cap	US$ 4.4bn
Free float	44%
3M ADV	US$ 7.6mn
52wk high/low	Rs 2,078/Rs 1,213
Promoter/FPI/DII	56%/12%/8%

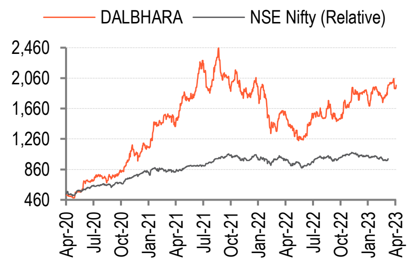
Source: NSE | Price as of 27 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	1,35,400	1,51,671	1,69,963
EBITDA (Rs mn)	23,160	28,160	35,003
Adj. net profit (Rs mn)	6,580	9,797	15,544
Adj. EPS (Rs)	35.6	53.0	84.0
Consensus EPS (Rs)	35.6	74.0	100.0
Adj. ROAE (%)	4.7	6.6	10.3
Adj. P/E (x)	55.3	37.1	23.4
EV/EBITDA (x)	16.9	14.0	11.1
Adj. EPS growth (%)	(39.5)	48.9	58.7

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

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 340 | ⮝ 11%

LAURUS LABS | Pharmaceuticals | 28 April 2023

Dismal quarter

- **Q4 a miss on all fronts – revenue/EBITDA/PAT below consensus by 16%/35%/55%**
- **EBITDA margin at a 3Y low of 21% owing to a change in mix and high costs; PAT down 49% QoQ**
- **We cut FY24 PAT by 35% and roll over to a new TP of Rs 340 (vs. Rs 540) based on 12x EV/EBITDA (vs. 14x); maintain HOLD**

Saad Shaikh
research@bobcaps.in

Miss on revenue owing to below-expected CDMO: Laurus posted one of its weakest quarterly prints in Q4FY23 with subpar revenue in CDMO/FDF, further exacerbated by a shift towards low-margin business. Revenue/EBITDA/PAT declined 11%/29%/49% QoQ and missed consensus estimates by 16%/35%/55%.

Shift in business mix causes lowest margin in three years: Gross margin contracted 375bps QoQ to 49.7% (-235bps YoY) due to a change in business mix as well as a significant price decline in the ARV portfolio (APIs as well as formulations). Negative operating leverage arising out of lower revenue and commissioning of new capacities took a further toll, resulting in EBITDA margin contraction of 545bps QoQ to 20.7% (-715bps YoY).

FY24 to be a year of consolidation: Laurus did not record any sales from the Global Fund order during the quarter, but this order will help the company use its capacities over the next three years, reliving some stress from the negative operating leverage seen in Q4. Management believes that excess channel inventory and adverse pricing are near the bottom and that FY24 is going to be a year of consolidation.

Retain HOLD: We believe Laurus has long-term growth levers in place to improve its margin trajectory and profitability via increased utilisation of new capacities, supplies to Global Fund from FY24, and 60 active projects in the CDMO. However, the near-term outlook remains challenging given the lack of large CDMO contracts, excess channel inventory and continued pricing challenges, resulting in margin pressure from negative operating leverage. We cut FY24 earnings estimates by ~35% and roll forward to a revised TP of Rs 340 (vs. Rs 540), based on 12x FY25E EV/EBITDA (earlier 14x). Maintain HOLD.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	LAURUS IN/Rs 308
Market cap	US$ 2.0bn
Free float	74%
3M ADV	US$ 8.4mn
52wk high/low	Rs 606/Rs 279
Promoter/FPI/DII	27%/23%/5%

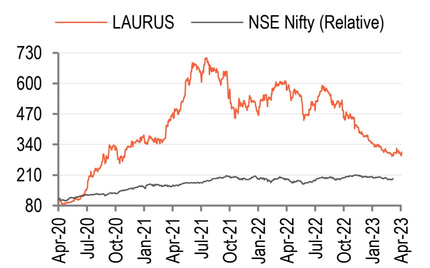
Source: NSE | Price as of 28 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	60,410	62,744	69,525
EBITDA (Rs mn)	15,926	14,117	17,034
Adj. net profit (Rs mn)	7,906	6,516	8,423
Adj. EPS (Rs)	14.7	12.1	15.7
Consensus EPS (Rs)	14.7	16.5	20.1
Adj. ROAE (%)	21.4	15.1	17.0
Adj. P/E (x)	20.9	25.3	19.6
EV/EBITDA (x)	11.5	13.2	10.9
Adj. EPS growth (%)	(4.6)	(17.6)	29.3

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

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 375 | ⮝ 11%

ADITYA BIRLA SUN LIFE AMC | NBFC | 28 April 2023

Soft numbers; weakness persists, maintain HOLD

- **QAAUM declined 7% YoY to Rs 2.8tn at end-FY23 with continued market share bleed**
- **Q4 net profit down 14% YoY (22% below our est.) owing to a fall in revenue and higher operating expenses**
- **We cut FY24/FY25 PAT 13%/14% and lower our TP to Rs 375 (vs. Rs 488), based on 16x FY25E EPS (vs. 18x); maintain HOLD**

Mohit Mangal
research@bobcaps.in

Q4 below expectations: ABSL AMC's QAAUM declined 7% YoY to Rs 2.8tn at end-Q4FY23 (10% below our estimate), with market share falling below 7% from 7.7% in the year-ago quarter. Equity QAAUM fell 4% YoY to Rs 1.2tn even as its share in the mix increased to 42.1% vs. 40.9%. The company, however, raised ~Rs 16bn in its NFO during Q4 which is positive. Debt outflows continued – an industry-wide phenomenon. Net profit declined 14% YoY to Rs 1.4bn (22% miss) as (a) total income at Rs 3.3bn fell 5% YoY and revenue yield (calc.) dipped YoY to 43bps, (b) operating expenses rose 9% YoY owing to a 19% increase in other expenses towards NFO launch and new branch opening.

Passive funds gaining traction: The company's passive AUM has grown close to 3x YoY to Rs 282bn at end-Q4FY23 from Rs 100bn in Q4FY22, with a 40+ product suite and seven schemes in the pipeline. About 0.5mn investor folios are serviced with an emphasis on smart beta (alternate weighting) strategies for ETFs, FOFs and index funds.

Retail thrust with sticky SIP book: The SIP book surpassed the Rs 10bn monthly mark in Q4 and grew 12% YoY, with total SIP accounts at 3.3mn and AUM at Rs 512bn. The company added 265,000 new SIP registrations during the quarter. As of Q4, 91% of its systematic plans have a tenure of over five years and 82% have been running for over 10 years, indicating long-tenured inflows.

Maintain HOLD: We maintain HOLD as we monitor the company's ability to rebuild market share and rejuvenate both its asset mix (further towards equity) as well as equity scheme performance. We believe competitive pressure and regulatory fee review would remain headwinds. The stock is currently trading at 14x FY25E earnings. Baking in the soft Q4, we cut FY24/FY25 PAT estimates by 13%/14% and now value the stock at 16x FY25E EPS (18x earlier), a 30% discount to the long-term mean. This yields a revised TP of Rs 375 (vs. Rs 488), which carries 11% upside.

Key changes

Target	Rating
▼	◄►

Ticker/Price	ABSLAMC IN/Rs 338
Market cap	US$ 1.2bn
Free float	7%
3M ADV	US$ 0.4mn
52wk high/low	Rs 535/Rs 307
Promoter/FPI/DII	87%/2%/5%

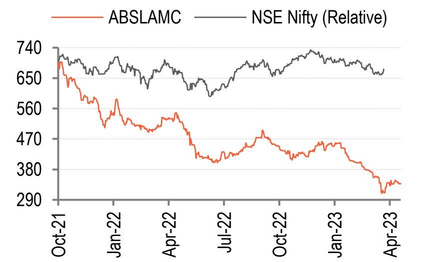
Source: NSE | Price as of 28 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Core PBT (Rs mn)	6,668	6,568	7,057
Core PBT (YoY)	(14.4)	(1.5)	7.4
Adj. net profit (Rs mn)	5,964	6,209	6,766
EPS (Rs)	20.7	21.5	23.4
Consensus EPS (Rs)	20.7	23.5	26.8
MCap/AAAUM (%)	3.5	3.4	3.2
ROAAAUM (bps)	21.7	21.8	21.9
ROE (%)	25.3	23.5	23.3
P/E (x)	16.4	15.7	14.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 800 | 22%

UTI AMC | NBFC | 28 April 2023

Weak set of numbers

- **Equity outflows coupled with softer yields dampened Q4; core PAT flat YoY at Rs 571mn, well below our estimate**
- **Core MF market share intact at ~6%; focused on further expanding distribution reach with 29 branches to open in FY24**
- **We cut FY24/FY25 PAT by 10%/14% and move to 17x FY25E EPS (vs. 18x) for a revised TP of Rs 800 (vs. Rs 983); maintain BUY**

Mohit Mangal
research@bobcaps.in

Weak Q4: UTI AMC's Q4FY23 net profit grew 59% YoY to Rs 857mn due to higher other income (+290% YoY to Rs 392mn). Core PAT remained flat YoY (-11% QoQ) and was 40% below expectations. Revenue from operations fell 9% YoY whereas operating expenses only dipped 1%, leading to poor profitability. For FY23, PAT declined 18% YoY to Rs 4.4bn and core PAT fell 13% to Rs 3.2bn. This weak showing leads us to cut our FY24/FY25 PAT estimates by 10%/14% to Rs 5.5bn/Rs 6.0bn.

Soft flows but AUM market share intact: UTI AMC saw the third consecutive quarter of outflows in the equity segment. Net outflows stood at Rs 52bn in Q4 vs. net inflows of Rs 16bn for the sector. For FY23, the company saw total inflow of Rs 12bn (Rs 194bn in FY22) vs. Rs 762bn for the entire sector (Rs 2.4tn in FY22). QAAUM grew 7% YoY to Rs 2.4tn. Despite weak flows, the company maintained its 8th position on MAAUM basis with ~6% market share.

Focused on beefing up the distribution network: UTI AMC has a strong distribution network of 62,500+ mutual fund distributors (MFD), 166 UTI financial centres (UFC), and a large footprint in B30 cities with its MAAUM share in these markets totaling 22% vs. 17% for the industry at end-Q4. It plans to open 29 more branches in FY24.

Yields low; emphasis on operating leverage: MF yield fell 5% QoQ to 36bps in Q4 owing to a lower share of equity (39.6% vs. 40.9%) and a higher share of ETFs (34.7% vs. 33.9%) in QAAUM. While the yield is expected to remain under pressure, the company reiterated its efforts at controlling costs by hiring lower cost employees in place of retiring staff (employee expense declined 8% YoY in Q4). Accordingly, we lower operating cost estimates for FY24/FY25 by 3-6% to Rs 6.8bn/Rs 7.3bn.

Maintain BUY: Factoring in the weak Q4 print coupled with regulatory headwinds from the ongoing fee review, we lower our target FY25E P/E multiple from 18x to 17x (1SD below the long-term mean). This coupled with our revised estimates gives us a lower TP of Rs 800 (vs. Rs 983). We maintain BUY as UTI AMC continues to enjoy considerable moats in the form of a sizeable AUM base, credibility from over five decades of experience, a differentiated non-MF business and growing market share.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	UTIAM IN/Rs 657
Market cap	US$ 1.0bn
Free float	34%
3M ADV	US$ 2.1mn
52wk high/low	Rs 908/Rs 595
Promoter/FPI/DII	0%/6%/60%

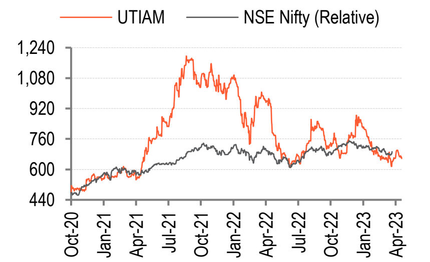
Source: NSE | Price as of 27 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Core PBT (Rs mn)	4,265	4,862	5,233
Core PBT (YoY)	(5.6)	14.0	7.6
Adj. net profit (Rs mn)	4,393	5,462	5,980
EPS (Rs)	34.4	43.0	47.1
Consensus EPS (Rs)	34.4	42.6	50.0
MCap/AAAUM (%)	3.5	3.2	3.0
ROAAAUM (bps)	18.4	21.1	21.2
ROE (%)	11.7	13.6	13.9
P/E (x)	19.1	15.3	14.0

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

Stock performance



Source: NSE

RESULT REVIEW

BUY
TP: Rs 600 | ⮝ 19%

GLENMARK LIFE SCIENCES

| Pharmaceuticals | 29 April 2023

All-round beat

- **Q4 revenue of Rs 6.2bn (+21% YoY) beat our estimate by 14% driven by recovery in CDMO and growth in API**
- **EBITDA margin expanded to 33.2% on a better product mix, PLI scheme benefits and moderating input prices**
- **We raise FY24-FY25 EPS by 5-6% and revise our TP to Rs 600 (vs. Rs 585)**

Saad Shaikh
research@bobcaps.in

Strong revenue beat: GLS posted a beat on all fronts in Q4FY23 as revenue/ EBITDA/PAT surpassed our estimates by 14%/33%/32%. Revenue grew 21% YoY and 15% QoQ to Rs 6.2bn aided by recovery in CDMO (+30% YoY) and growth across generic APIs (+15%). Pricing pressure in generic APIs continued, particularly in US markets. External business growth of 19% YoY (ex-Glenmark Pharma: GPL) was driven by strong demand in regulated markets (US, LATAM, and Japan) while other geographies were stable. GPL business rebounded 45% QoQ and 25% YoY, recovering from inventory tightening and rationalisation undertaken by the parent.

EBITDA margin buoyant; guidance at 30-31%: EBITDA grew at a robust 45% YoY (+42% QoQ) with a 33.2% margin (+560bps YoY, +630bps QoQ), mainly due to an improved gross margin and lower operating costs. Gross margin rose to 54.9% (+450bps YoY, +385bps QoQ) on the back of a better product mix as CDMO contribution moved up (+200bps impact), PLI scheme benefits (+150-200bps) and lower input costs. PAT for the quarter grew 48% YoY and 39% QoQ. Management has guided for 12-14% topline growth in FY24 and expects EBITDA margin to settle at 30-31% for the year.

Expansion plans on track; total reactor capacity to double by FY26: GLS has completed the addition of 240kl of API capacity as well as the oncology facility at Dahej. A 208kl backward integration plant is under construction at Ankleshwar, with a further 192kl commissioned in Mar'23. The greenfield project at Solapur is also progressing well with consent to establishment (CTE) received for 1,000kl, scheduled to be operationalised over FY24-FY26. In all, the company's reactor capacity stood at 1,198kl as of FY23 which is targeted to double to 2,405kl by FY26.

Maintain BUY: The stock is trading at attractive valuations of 11.9x/10.3x P/E and 7.8x/6.3x EV/EBITDA on FY24E/FY25E. We raise our FY24-FY25 earnings estimates by 5-6%. Our two-stage DCF model thus yields a revised TP of Rs 600 (vs. Rs 585), implying an FY25E P/E of 12.2x – ~15% discount to the average for GLS's peer group (Neuland Laboratories, Aarti Drugs and Solara Active Pharma). Maintain BUY.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	GLS IN/Rs 504
Market cap	US$ 755.1mn
Free float	17%
3M ADV	US$ 0.9mn
52wk high/low	Rs 525/Rs 370
Promoter/FPI/DII	83%/8%/1%

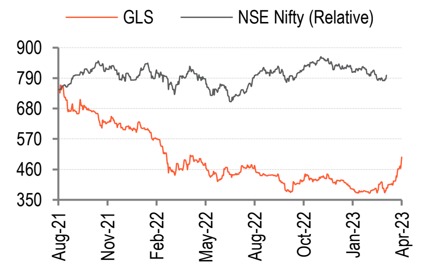
Source: NSE | Price as of 28 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	21,613	24,417	27,349
EBITDA (Rs mn)	6,424	7,093	8,346
Adj. net profit (Rs mn)	4,671	5,194	6,023
Adj. EPS (Rs)	38.1	42.4	49.2
Consensus EPS (Rs)	38.1	39.8	46.0
Adj. ROAE (%)	21.9	22.0	21.9
Adj. P/E (x)	13.2	11.9	10.3
EV/EBITDA (x)	9.9	8.1	6.8
Adj. EPS growth (%)	11.5	11.2	16.0

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

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 9,858 | 15%

MARUTI SUZUKI | Automobiles | 29 April 2023

Short-term pricing blip

- **Q4 volume growth soft due to an unfavourable mix; order book strong at 412k units (vs. 363k units in Q3FY23)**
- **Input cost inflation weighed on gross margin (-60bps QoQ); likely to continue for the next few quarters**
- **Maintain HOLD with a revised TP of Rs 9,858 (vs. Rs 9,989)**

Milind Raginwar | Yash Thakur
research@bobcaps.in

Volume growth tepid: MSIL's Q4FY23 revenue grew 20% YoY (10% QoQ) to Rs 320.5bn aided by volume gains of 5% YoY (11% QoQ) and a 14% YoY rise in realisation (flat QoQ). Volumes were a tad below estimates due to the chip shortage which constrained the production mix. Despite a reduction in discounts, realisation was flat QoQ due to the adverse product mix.

Operating margin continues to improve: Raw material cost at 73.3% of sales increased 60bps QoQ, resulting in a similar sequential dip in gross margin to 26.7% (+25bps YoY). The commodity price impact was flat as softening in precious metals was offset by higher steel prices. Other expenses grew 13% YoY (5% QoQ) fueled by higher promotional costs. Favourable currency movement, a high-end product mix and improved pricing helped EBITDA grow 38% YoY (18% QoQ) to Rs 33.5bn, with operating margin up 135bps YoY (70bps QoQ) to 10.5%. PAT increased 43% YoY (12% QoQ) to Rs 26.2bn.

New launches: MSIL launched an S-CNG variant of *Grand Vitara* (also for exports) and launched sedan taxi *Tour S* for commercial customers. An S-CNG variant of *Brezza* also hit markets, indicating the company's continued focus on the CNG segment.

Capacity expansion on track: The manufacturing unit in IMT Kharkhoda with a capacity of 0.25mn vehicles per year is to be commissioned in FY25. MSIL is also planning expansion of 1mn vehicles a year at Manesar and Gurugram (existing capacity of 1.3mn units optimally utilised), backed by internal accruals.

Maintain HOLD: We expect MSIL to report a revenue/EBITDA/PAT CAGR of 19%/43%/48% over FY22-FY25 as volumes gather pace backed by new launches, input costs ease and realisations gain traction from high-end models. Despite an upbeat growth outlook, we maintain our HOLD rating as positives appear largely factored into current valuations of 21x FY25E EPS. We continue to value MSIL at 25x FY25E EPS, a marginal discount to its 10Y average, and tweak estimates post Q4 for a revised TP of Rs 9,858 (Rs 9,989 earlier).

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	MSIL IN/Rs 8,590
Market cap	US$ 31.7bn
Free float	44%
3M ADV	US$ 43.6mn
52wk high/low	Rs 9,769/Rs 7,062
Promoter/FPI/DII	56%/23%/16%

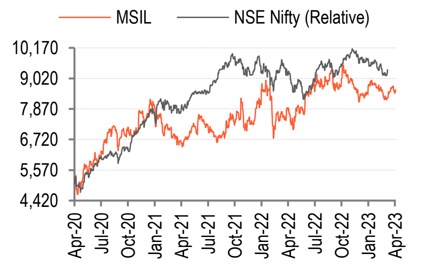
Source: NSE | Price as of 28 Apr 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	8,82,956	11,75,229	13,02,099
EBITDA (Rs mn)	57,012	1,10,077	1,40,889
Adj. net profit (Rs mn)	37,662	80,492	1,00,482
Adj. EPS (Rs)	124.7	266.5	332.6
Consensus EPS (Rs)	124.7	266.5	358.0
Adj. ROAE (%)	7.1	14.1	14.8
Adj. P/E (x)	68.9	32.2	25.8
EV/EBITDA (x)	45.1	23.2	18.4
Adj. EPS growth (%)	(11.0)	113.7	24.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

HOLD

TP: Rs 1,130 | 13%

TECH MAHINDRA | Technology & Internet | 28 April 2023

Weak performance; near-term outlook cloudy

- **Q4 revenue flattish at US$ 1.7bn (+0.3% QoQ CC) with 10% growth in FY23 to US$ 6.6bn**
- **EBIT margin disappoints at 11.2% (-80bps QoQ); net new deal wins modest at US$ 592mn**
- **Maintain HOLD with a revised TP of Rs 1,130 (vs. Rs 1,160), set at 12.2x FY25E EPS (vs. 12.5x)**

Saptarshi Mukherjee
research@bobcaps.in

Flattish quarter: TECHM reported Q4FY23 revenue of US$ 1.7bn (+0.3% QoQ CC), marginally lower than our estimates. Exposure to engineering, research & development (ER&D), customer experience (CX) and network services dampened performance as spends in these areas are largely discretionary in nature and have been adversely impacted in a recessionary climate. The communications, media & entertainment (CME) vertical delivered a resilient performance on account of continued strength in 5G and network services which was offset by a sequential decline in the enterprise segment (retail and transport).

Delayed decision-making leads to modest deal TCV: TECHM reported net new deal TCV at US$ 592mn in Q4 vs. an average of US$ 830mn for the past eight quarters, reflecting a cautious client approach in light of macroeconomic uncertainty. Management stated that prevalent macro uncertainty has resulted in elongated decision-making cycles/spending cuts for discretionary/transformational deals. Revenue from the top 5 clients declined for the fourth consecutive quarter, dipping 5% QoQ.

Margins contract: EBIT margin fell 80bps QoQ to 11.2% due to currency headwinds (-60bps impact) and higher SG&A expenses (-90bps), partly offset by operating efficiencies and lower subcontracting costs (+70bps). EBIT margin for FY23 was 11.4% vs. 14.6% in FY22, owing to supply-side challenges in H1 and deal ramp-up cost. With abating supply-side concerns, TECHM has room to improve margins backed by improvement in SG&A and levers of subcontracting, offshoring and business mix. Q4 net profit stood at Rs 11.2bn, down 14% QoQ. Headcount declined for the second consecutive quarter, falling by 4,668 to 152,400. Utilisation at 86% was flat QoQ.

Maintain HOLD: The stock is trading at 13.3x/11.2x FY24E/FY25E EPS. Macro uncertainty led to the miss on margins in Q4 and we anticipate back-ended growth recovery in FY24. Given a subdued revenue and margin outlook, we revise our target P/E from 12.5x to 12.2x FY25E EPS (~20% discount to WPRO), translating to a lower TP of Rs 1,130 (vs. Rs 1,160), and retain our HOLD rating. Higher payout (dividend yield >5%) and >4% FCF yield should lend some support to valuations.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	TECHM IN/Rs 1,003
Market cap	US$ 10.7bn
Free float	64%
3M ADV	US$ 38.7mn
52wk high/low	Rs 1,299/Rs 944
Promoter/FPI/DII	36%/39%/25%

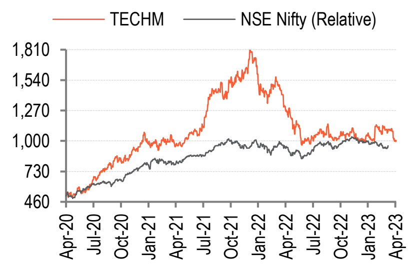
Source: NSE | Price as of 27 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	5,37,442	6,07,222	6,79,583
EBITDA (Rs mn)	82,605	99,771	1,18,617
Adj. net profit (Rs mn)	53,171	68,487	81,638
Adj. EPS (Rs)	60.5	77.9	92.8
Consensus EPS (Rs)	60.5	80.9	93.6
Adj. ROAE (%)	18.4	21.4	22.7
Adj. P/E (x)	16.6	12.9	10.8
EV/EBITDA (x)	10.3	8.3	6.8
Adj. EPS growth (%)	(5.4)	28.8	19.2

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

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,050 | ⮝ 36%

SBI CARD | NBFC | 29 April 2023

Positive surprise; maintain BUY

- **Q4 PAT beat our estimate by 10% due to robust revenue (+32% YoY), partially offset by higher credit cost (+60% YoY)**
- **Card spends the highest ever at Rs 717bn; gross receivables driven by EMIs, with revolver share muted at 24%**
- **Maintain BUY with a revised TP of Rs 1,050 (vs. Rs 1,034)**

Mohit Mangal
research@bobcaps.in

PAT beats estimate: SBI Card's Q4FY23 net profit increased 3% YoY (17% QoQ) to Rs 6bn but was 10% higher than our estimate primarily due to a rise in non-interest income by 32% YoY (10% QoQ) to Rs 20.9bn. Non-interest income benefited from a 25% YoY rise in fee income (85% of total) and 113% rise in business development income (12% of total). NII grew 17% YoY to Rs 12bn, but a higher cost of funds led to lower NIM (calc.) at 11%. Cost of funds is guided to further increase in Q1FY24 but can stabilise or fall in H2FY24 in the absence of rate hikes.

Spends growth and card addition robust: Q4 credit card spends hit a peak of Rs 717bn (Rs 626bn est.), rising 32% YoY and 4% QoQ. Corporate spends grew 32% YoY (13% QoQ), remaining at 23% of the total. Retails spends (77% share) grew 33% YoY and 2% QoQ. We now increase our FY24/FY25 card spend estimates by 9%/15% to Rs 3.3tn/Rs 4tn. The company's cards in force grew 22% YoY to 16.8mn in Q4 with new account additions up 37%.

Gross receivables soar; revolver still muted: Gross receivables rose 30% YoY to Rs 407bn in Q4, with revolvers growing 25%, EMI 42% and transactors 27%. Revolver and EMI share was stable QoQ at 24% and 37% respectively. Lower revolvers remain an industry-wide phenomenon.

Credit costs high: Credit cost remained high at 6.6% of loans (+120bps YoY, 80bps QoQ) as strengthening of the ECL ratio resulted in a one-time cost of Rs 200mn (~20bps annualised). We bake in credit cost of 6% for both FY24/FY25 vs. our previous estimates of 5.8%/5.7%. GNPA/NNPA were stable at 2.4%/0.9% in Q4, and we expect levels of <3%/~1% over FY24/FY25.

Maintain BUY: SBI Card is the only listed credit card player in India and in a strong position to grow backed by a wide array of offerings, including co-branded cards, that drive robust spends. We increase our FY24/FY25 PAT estimates marginally by 1% each based on the Q4 results, leading to a revised TP of Rs 1,050 (vs. Rs 1,034), and retain BUY for a potential upside of 36%. We value the stock at an unchanged FY25E P/E multiple of 29x, 35% below the long-term mean.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SBICARD IN/Rs 772
Market cap	US$ 9.0bn
Free float	31%
3M ADV	US$ 7.9mn
52wk high/low	Rs 1,029/Rs 656
Promoter/FPI/DII	69%/8%/17%

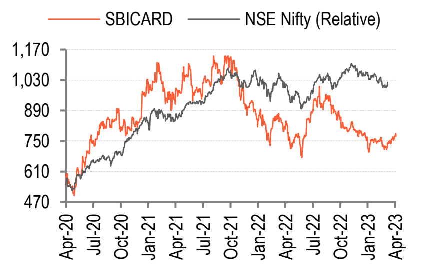
Source: NSE | Price as of 28 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Net interest income (Rs	45,053	58,172	72,579
NII growth (%)	17.4	29.1	24.8
Adj. net profit (Rs mn)	22,585	28,498	34,282
EPS (Rs)	23.8	30.0	36.1
Consensus EPS (Rs)	23.8	28.2	36.1
P/E (x)	32.4	25.7	21.4
P/BV (x)	7.5	5.9	4.7
ROA (%)	5.6	5.6	5.5
ROE (%)	25.7	25.7	24.6

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

Stock performance



Source: NSE

METALS & MINING

28 April 2023

China industry discipline to continue: Baosteel

- **Baosteel guides for continuation of production discipline in CY23 and only a modest decline in raw material prices**
- **Over the medium term, consolidation in China's steel industry will improve production discipline, lowering pressure on global markets**
- **Steel margins likely to settle at mid-cycle level in FY24; earnings accretion from next expansion wave key to watch. Prefer TATA and JSP**

Kirtan Mehta, CFA
research@bobcaps.in

Q1CY23 sees sequential improvement but still weak: Baosteel (600019 CH, Not Rated) reported Q1 EBITDA at US$ 399mn, showing a sequential 221% lift-off from a low base to post a margin of US$ 31/t. However, EBITDA was still down 42% YoY with 14% YoY lower sales prices.

Deeper downturn: Baosteel acknowledged sharper spread contraction in H2CY22 with a double whammy of lower steel prices and high coal costs. The company sees this downturn to be longer than the ones in 2008 and 2015 and expects a flatter recovery slope. Baosteel flags significant divergence within the industry this cycle, with top players likely to maintain resilient profits and the bottom end facing deeper losses. Baosteel focusses on cost initiatives and value-added products to improve resilience.

Production restraint to continue: Baosteel does not expect steel production to increase this year and believes hot metal production will continue to decline. China's steel association CISA has asked the industry to curtail output from high production levels of 1.1bnt at a recent meeting on 24 April.

Slight correction likely in raw material prices: The Chinese steel major expects iron ore prices to hover around the CY22 average, coking coal to remain stable with a slight decline and scrap prices to stay relatively weak with slight fluctuation.

Domestic consolidation to manage industry surplus over medium term: Baosteel considers the CY20 steel production level of 1,065mt as the ceiling for the industry, expects market share of the top 10 players to improve from 43% to 65% over 3-5 years, and environmental protection and low-carbon to become key constraints. On the back of consolidation and overseas expansion, the company aims to increase production from 51mt in CY22 to 80mt by CY24 and 100mt by CY27. With consolidation, steel majors will play a key role in production discipline by closing weaker furnaces.

Constructive on Indian ferrous players: We expect (i) margins to stabilise at mid-cycle levels in FY24 as recovery in China takes hold, and (ii) investor focus to shift to delivery of the next expansion wave. BUY TATA (TP Rs 140) and JSP (TP Rs 670).

Recommendation snapshot

Ticker	Price	Target	Rating
JSP IN	583	670	BUY
JSTL IN	725	715	HOLD
SAIL IN	83	95	HOLD
TATA IN	108	140	BUY

Price & Target in Rupees | Price as of 28 Apr 2023

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited.**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai -400051.**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025.**
Brand Name: **BOBCaps**
Trade Name: **www.barodaetrade.com**
CIN: U65999MH1996GOI098009
Logo:

Standard Warnings:
"Investment in securities market are subject to market risks. Read all the related documents carefully before investing."
"Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "**Losses**") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) ("**MSL**") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as **"MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.