FIRST LIGHT

30 October 2023

RESEARCH

MARUTI SUZUKI | TARGET: Rs 11,562 | +9% | HOLD

Robust quarter but positives priced in

SBI LIFE | TARGET: Rs 1,650 | +27% | BUY

Strong showing

CIPLA | TARGET: Rs 1,360 | +16% | BUY

Beat on all fronts

SBI CARD | TARGET: Rs 910 | +15% | BUY

Challenges persist despite spending frenzy

AXIS BANK | TARGET: Rs 1,155 | +15% | BUY

Steady growth but costs elevated

NTPC | TARGET: Rs 290 | +23% | BUY

No surprises; maintain BUY

Daily macro indicators

Indicator	25-Oct	26-Oct	Chg (%)
US 10Y yield (%)	4.95	4.84	(11bps)
India 10Y yield (%)	7.34	7.37	3bps
USD/INR	83.19	83.23	(0.1)
Brent Crude (US$/bbl)	90.1	87.9	(2.4)
Dow	33,036	32,784	(0.8)
Hang Seng	17,085	17,045	(0.2)
Sensex	64,049	63,148	(1.4)
India FII (US$ mn)	**23-Oct**	**25-Oct**	**Chg ($ mn)**
FII-D	(15.6)	(2.9)	12.6
FII-E	49.3	(484.1)	(533.4)

Source: Bank of Baroda Economics Research

SUMMARY

MARUTI SUZUKI

- Q2 volume growth of ~7% YoY continued to beat the industry (~5%); we expect sustained outperformance
- Realisation gains and softening costs propelled EBITDA margin up 365bps YoY to 12.9%
- We raise FY24/FY25 EPS estimates 7%/9% for a revised TP of Rs 11,562 (vs. Rs 10,533); maintain HOLD

Click here **for the full report.**

BOBCAPS Research
research@bobcaps.in

SBI LIFE

- H1 APE growth strong at 21% YoY led by a rebound in ULIP and protection business during Q2
- VNB margin still high at 28.6% despite contracting due to a product mix skewed toward ULIPs
- TP revised to Rs 1,650 (vs. Rs 1,500) based on 2.5x FY25E EV (vs. 2.3x), reflecting strong numbers and outlook; maintain BUY

Click here for the full report.

CIPLA

- Q2 EBITDA/PAT 14%/15% ahead of consensus underpinned by strong growth in US and India businesses
- Market share gains and gRevlimid contribution yield strong EBITDA margin; guidance at 24% in FY24
- We raise FY24/FY25 EBITDA by 8%/6% and increase our TP to Rs 1,360 (vs. Rs 1,250); maintain BUY

Click here for the full report.

SBI CARD

- Credit card spends climbed 27% YoY to a record high of Rs 792bn in Q2; debut on UPI platform promising
- Industry-wide stress in unsecured loans saw credit cost surge 36% YoY to Rs 7.4bn; NIM fell 90bps YoY on higher cost of funds
- TP revised to Rs 910 (vs. Rs 1,011) as we trim FY24/FY25 PAT forecasts by 6%/7% to bake in rising credit cost; maintain BUY

Click here for the full report.

AXIS BANK

- Q2 NII up 19% YoY led by strong business growth, aiding a 10% rise in PAT despite a spike in opex due to card-related costs
- Reported NIM flat at 4.1% as higher yields fully offset the rise in cost of funds from deposit repricing
- We broadly retain business growth estimates and maintain BUY with a TP of Rs 1,155 (unchanged), set at 1.9x FY25E ABV

Click here for the full report.

NTPC

- Q2 a normal quarter with a flat topline of Rs 409bn and healthy PAT of Rs 39bn
- Key positives for NTPC include aggressive renewable targets, improving coal production, comfortable leverage and access to low-cost funds
- Remains our top pick in the power sector; maintain BUY with an unchanged TP of Rs 290

Click here for the full report.

HOLD
TP: Rs 11,562 | ▲ 9%

MARUTI SUZUKI | Automobiles | 28 October 2023

Robust quarter but positives priced in

- **Q2 volume growth of ~7% YoY continued to beat the industry (~5%); we expect sustained outperformance**
- **Realisation gains and softening costs propelled EBITDA margin up 365bps YoY to 12.9%**
- **We raise FY24/FY25 EPS estimates 7%/9% for a revised TP of Rs 11,562 (vs. Rs 10,533); maintain HOLD**

Milind Raginwar | Shree Kirloskar
research@bobcaps.in

Volume growth beats industry: MSIL's Q2FY24 revenue grew 24% YoY (+15% QoQ) to Rs 370.6bn backed by 7% volume gains (+11% QoQ) and 16% realisation growth (+3% QoQ). Volume growth was ahead of the industry's 5% rate for Q2, with management indicating a 20% YoY spike in sales during the festive season, in line with the industry. A prudent product mix offset added discounts (Rs 17.7k vs. Rs 16.2k in Q1FY24), aiding the stronger sequential realisations.

Operating margin rises sharply: Raw material cost at 70.6% of sales dropped 250bps YoY (-220bps QoQ), leading to a similar jump in gross margin to 29.4%. The commodity cost basket, where steel forms ~50%, softened and so did precious metal prices. Inventory adjustment of ~Rs 8bn was higher than normal. Higher raw material cost savings, a high-end product mix and better pricing helped EBITDA grow 73% YoY (+60% QoQ) to Rs 47.8bn, with margin expansion of 365bps YoY/QoQ to 12.9%. PAT rose 80% YoY (+50% QoQ) to Rs 37.2bn.

Capacity expansion on track: MSIL's manufacturing unit in IMT Kharkhoda (Haryana) with a capacity of 0.25mn vehicles a year is to be commissioned in FY25. As the existing capacity of 1.3mn units is optimally utilised, the company is also planning the expansion of 1mn vehicles a year, though the location is yet to be finalised.

Acquisition of Suzuki Motor Gujarat (SMG): MSIL will acquire 100% stake in SMG from Suzuki Motor Corporation (SMC) by way of a preferential allotment of 120mn equity shares to SMC. Final approval from all stakeholders is awaited.

Maintain HOLD with a positive bias: We raise our EPS estimates by 7%/9% for FY24/FY25 and expect MSIL to report a strong revenue/EBITDA/PAT CAGR of 25%/49%/54% over FY22-FY25. Despite an upbeat growth outlook, we maintain our HOLD rating as the positives appear largely factored into current valuations of 23x FY25E EPS. We continue to value MSIL at 25x FY25E EPS, close to its 10Y average, and have a revised TP of Rs 11,562 (Rs 10,533 earlier).

Key changes

Target	Rating
▲	◄►

Ticker/Price	MSIL IN/Rs 10,561
Market cap	US$ 38.8bn
Free float	44%
3M ADV	US$ 63.9mn
52wk high/low	Rs 10,845/Rs 8,076
Promoter/FPI/DII	56%/23%/16%

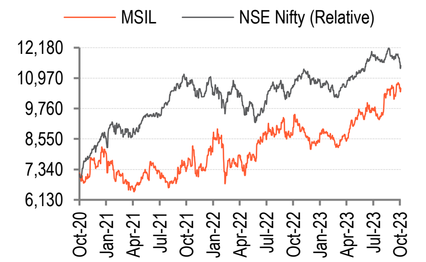
Source: NSE | Price as of 27 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	11,75,229	14,67,038	17,25,237
EBITDA (Rs mn)	1,10,077	1,59,552	1,90,342
Adj. net profit (Rs mn)	80,492	1,16,030	1,37,290
Adj. EPS (Rs)	266.5	384.1	454.5
Consensus EPS (Rs)	266.5	370.0	465.0
Adj. ROAE (%)	14.1	16.7	17.0
Adj. P/E (x)	39.6	27.5	23.2
EV/EBITDA (x)	28.6	20.0	16.8
Adj. EPS growth (%)	113.7	44.2	18.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 1,650 | ⮝ 27%

SBI LIFE | Insurance | 28 October 2023

Strong showing

- **H1 APE growth strong at 21% YoY led by a rebound in ULIP and protection business during Q2**
- **VNB margin still high at 28.6% despite contracting due to a product mix skewed toward ULIPs**
- **TP revised to Rs 1,650 (vs. Rs 1,500) based on 2.5x FY25E EV (vs. 2.3x), reflecting strong numbers and outlook; maintain BUY**

Mohit Mangal
research@bobcaps.in

Strong results: SBI Life's APE grew at a robust 21% YoY in H1FY24 to Rs 82.6bn (34% YoY to Rs 52bn in Q2FY24) and gross premium increased 21% to Rs 337bn. EV rose 21% YoY to Rs 512.6bn for the half year. The company maintains market leadership in the private life insurance space, commanding 26.8% share in NBP and 25.6% share in individual APE at end-Q2. In anticipation of a good H2FY24, we increase our FY24/FY25 APE estimates by 7%/3%, resulting in a ~1% rise in EV for each of our forecast years.

Business skewed towards ULIPs: Non-par business declined 18% YoY to Rs 14.4bn in H1FY24, causing its share in total APE to plummet to 17% (vs. 26% in H1FY23). ULIPs remained in focus at 56% of APE vs. 49%. Management indicated that it is targeting a balanced product mix. Total protection business formed 13% of APE in H1 vs. 11% in the year-ago period. Individual protection APE remained flat YoY but group protection grew 86%. Demand for annuity products has been increasing and the segment grew 45% YoY at end H1FY24, albeit on a low base.

VNB margin guided to remain rangebound: SBI Life's VNB increased from Rs 21.2bn at end-H1FY23 to Rs 23.6bn at end-H1FY24. Over this period, the VNB margin has fallen from 31% to 28.6% owing to the change in product mix towards ULIPs. Management expects margins to remain rangebound at 28-30% for FY24. We continue with our estimate of 28.5% each for FY24/FY25.

Persistency ratios improve; expense ratio <10%: Persistency in the 13th month cohort improved to 85.4% at end-H1FY24 from 85.2% in H1FY23 and in the 61st month from 52.5% to 57.5%. The expense ratio increased 5bps YoY in Q2 but declined 130bps QoQ to 9.5% (10% in H1), staying below that of listed private peers.

Our top pick: SBI Life is trading at 1.9x FY25E P/EV. Considering the company's consistent performance and robust growth outlook, we assign a higher multiple of 2.5x FY25E P/EV (2.3x earlier) – in line with the long-term mean. This together with estimate revision translates to an increased TP of Rs 1,650 (Rs 1,500 earlier) that carries 27% upside. SBI Life remains our top pick among life insurers – retain BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SBILIFE IN/Rs 1,303
Market cap	US$ 15.9bn
Free float	45%
3M ADV	US$ 16.3mn
52wk high/low	Rs 1,393/Rs 1,054
Promoter/FPI/DII	55%/24%/16%

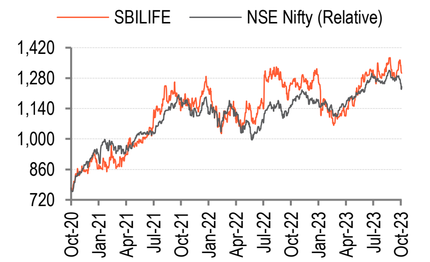
Source: NSE | Price as of 27 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
NBP (Rs mn)	2,95,886	3,48,179	4,15,424
APE (Rs mn)	1,68,100	1,92,762	2,26,678
VNB (Rs mn)	50,700	54,937	64,603
Embedded Value (Rs mn)	4,60,600	5,51,684	6,60,176
VNB margin (%)	30.1	28.5	28.5
EVPS (Rs)	475.2	566.8	674.0
EPS (Rs)	17.2	21.1	24.1
Consensus EPS (Rs)	17.2	22.0	23.8
P/EV (x)	2.7	2.3	1.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 1,360 | ⮝ 16%

CIPLA | Pharmaceuticals | 28 October 2023

Beat on all fronts

- **Q2 EBITDA/PAT 14%/15% ahead of consensus underpinned by strong growth in US and India businesses**
- **Market share gains and gRevlimid contribution yield strong EBITDA margin; guidance at 24% in FY24**
- **We raise FY24/FY25 EBITDA by 8%/6% and increase our TP to Rs 1,360 (vs. Rs 1,250); maintain BUY**

Saad Shaikh
research@bobcaps.in

Strong revenue growth led by US business; guidance raised: Cipla reported revenue growth of 15% YoY to Rs 66.8bn (+6% QoQ) in Q2FY24, beating consensus estimates by 3%. North America business led the way, rising 28% YoY (+3% QoQ) to US$ 229mn, on account of market share gains in Lanreotide (to 20%), contribution from gRevlimid and stable market share in Albuterol. Improved opportunities in core US business as well as moderating price erosion further aided revenues. Management has upgraded its quarterly US sales guidance to US$ 220mn-225mn for the rest of the year.

One-India on a firm footing: Revenue from the One-India business increased 10% YoY with growth across the subsegments of prescription, trade generics and consumer health. A slowdown in acute therapies (anti-infectives, respiratory) due to the erratic monsoon was overcome by growth in chronic therapies which saw market share gains and volume traction in branded products.

EBITDA margin swells; FY24 guidance at 24%: Gross margin expanded 240bps YoY to 65.4% on account of a better mix tilted toward chronic therapies in One-India and market share gains in the differentiated portfolio along with moderating price erosion in the US. Improvement in gross margin and lower logistics cost helped the company report 360bps YoY expansion in EBITDA margin to 26% in Q2 (24.8% in H1). EBITDA/PAT for the quarter grew 33%/43% YoY (+16%/+14% QoQ), coming in well ahead of consensus estimates.

Retain BUY: Given the strong revenue growth and margins in H1FY24, we raise our FY24/FY25 EBITDA estimates by 8%/6%. We expect a healthy PAT CAGR of 22% over FY23-FY25, baking in new launches, recovery in SAGA/API, and continued momentum in One-India as the consumer health business returns to form. Following estimate revision, our TP rises to Rs 1,360 (vs. Rs 1,250), based on an unchanged FY25E EV/EBITDA multiple of 15.5x, which is 1SD above the 5Y average. We retain BUY for 16% upside potential.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	CIPLA IN/Rs 1,174
Market cap	US$ 11.5bn
Free float	65%
3M ADV	US$ 27.4mn
52wk high/low	Rs 1,278/Rs 852
Promoter/FPI/DII	33%/25%/24%

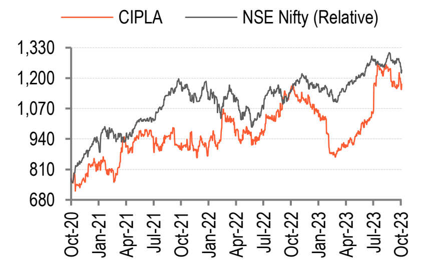
Source: NSE | Price as of 27 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	227,530	254,953	279,218
EBITDA (Rs mn)	50,268	60,828	68,529
Adj. net profit (Rs mn)	29,842	40,171	44,546
Adj. EPS (Rs)	37.0	49.9	55.3
Consensus EPS (Rs)	37.0	46.8	53.5
Adj. ROAE (%)	13.6	16.1	15.5
Adj. P/E (x)	31.7	23.6	21.2
EV/EBITDA (x)	18.3	15.0	13.0
Adj. EPS growth (%)	10.6	34.6	10.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BUY
TP: Rs 910 | ⮝ 15%

SBI CARD | NBFC | 28 October 2023

Challenges persist despite spending frenzy

- **Credit card spends climbed 27% YoY to a record high of Rs 792bn in Q2; debut on UPI platform promising**
- **Industry-wide stress in unsecured loans saw credit cost surge 36% YoY to Rs 7.4bn; NIM fell 90bps YoY on higher cost of funds**
- **TP revised to Rs 910 (vs. Rs 1,011) as we trim FY24/FY25 PAT forecasts by 6%/7% to bake in rising credit cost; maintain BUY**

Mohit Mangal
research@bobcaps.in

Credit cost remains a challenge: SBI Card typically incurs high credit costs, but the Q2FY24 print was a negative surprise as costs shot up 36% YoY (+3% QoQ) to Rs 7.4bn, forming 6.9% of loans (+60bps YoY, -13bps QoQ). Management cited industry-wide stress in unsecured loans rather than defaults in any specific cohort or customer class and expects the pain to continue into Q3. Loan write-offs increased 9% QoQ to Rs 6.8bn but recoveries were also 14% QoQ higher at Rs 1.3bn. GNPA/NNPA were steady at 2.4%/0.9%. We now bake in credit cost of 6.8%/6.5% for FY24/FY25 (6.3%/6.2% earlier) and consequently prune PAT estimates by 6%/7%.

Spends growth strong: Q2 credit card spends climbed to a new high of Rs 792bn, rising 27% YoY and 7% QoQ. Corporate spends swelled 55% YoY (+14% QoQ), constituting 22% of the total, and retails spends grew 21% YoY (+5% QoQ), forming 78% share. Cards in force increased 21% YoY to 17.9mn with 0.5mn additions.

Credit cards on UPI gain traction: In Q2, SBI Card introduced the use of credit cards on the UPI platform. About 9% of RuPay cardholders have enrolled for this feature, with monthly average UPI spends per account at Rs 11,000. The company is seeing an uptick in RuPay cards, which now form 10% of its card portfolio.

NIM declines; cost of funds rises: NIM (calc.) slipped 90bps YoY to 11% (stable QoQ) due to an increase in cost of funds. Management expects high funding costs in H2 as well. Further, we do not anticipate a significant rise in yields on the EMI book given competitive intensity and hence pare our FY24/FY25 NII estimates by 2% each and NIM projections by 30-40bps to 11.2%/11.6%.

Maintain BUY: SBI Card has witnessed record card spends and healthy adoption of its cards on the UPI platform during the July to September quarter. However, higher credit costs have led us to cut net profit forecasts. Estimate revision coupled with a lower target P/E of 28x on FY25E (vs. 29x), which is 35% below the long-term mean, yields a reduced TP of Rs 910 (vs. Rs 1,011). We retain our BUY rating for a potential upside of 15% owing to the company's strong pedigree and positioning in the credit card industry where it consistently ranks as the No. 2 player.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SBICARD IN/Rs 790
Market cap	US$ 9.1bn
Free float	31%
3M ADV	US$ 11.8mn
52wk high/low	Rs 933/Rs 696
Promoter/FPI/DII	69%/8%/17%

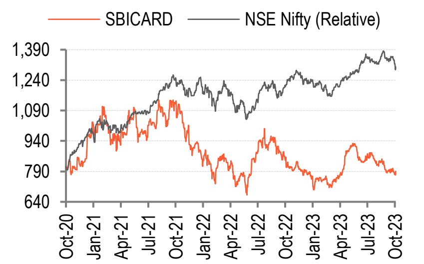
Source: NSE | Price as of 27 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
NII (Rs mn)	45,053	54,721	70,111
NII growth (%)	17.4	21.5	28.1
Adj. net profit (Rs mn)	22,585	24,597	30,937
EPS (Rs)	23.8	25.9	32.6
Consensus EPS (Rs)	23.8	27.0	34.7
P/E (x)	33.2	30.5	24.3
P/BV (x)	7.6	6.3	5.1
ROA (%)	5.6	4.8	4.9
ROE (%)	25.7	22.5	23.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,155 | ⮝ 15%

AXIS BANK | Banking | 27 October 2023

Steady growth but costs elevated

- **Q2 NII up 19% YoY led by strong business growth, aiding a 10% rise in PAT despite a spike in opex due to card-related costs**
- **Reported NIM flat at 4.1% as higher yields fully offset the rise in cost of funds from deposit repricing**
- **We broadly retain business growth estimates and maintain BUY with a TP of Rs 1,155 (unchanged), set at 1.9x FY25E ABV**

Ajit Agrawal
research@bobcaps.in

Robust business growth: AXSB's advances grew 23% YoY (+5% QoQ) during Q2FY24 on the back of robust growth in SME loans at 27% YoY while the retail/corporate book grew 23%/21% YoY. Deposits increased 18% YoY (+2% QoQ) with a 220bps sequential decline in CASA ratio to 43.3%. We continue to project a credit/deposit CAGR of 18%/16% over FY23-FY25.

NIM stable QoQ, opex rises: Reported NIM held steady sequentially at 4.1% as a 15bps QoQ rise in cost of funds was fully offset by a higher yield on assets. AXSB indicated that its marginal cost of funding is stabilising but repricing the deposit book would continue for a while longer. Additionally, the bank has guided for improvement in full-year margins as the loan mix shifts towards high-yielding retail assets. Operating expenses spiked 32% YoY in Q2, with management citing one-off costs in the cards business. Even so, opex is guided to remain high for FY24 as the bank continues to invest in network development.

Asset quality steady: Controlled slippages (Rs 32.5bn vs. Rs 40bn in Q1) and higher upgrades and recovery (Rs 46.5bn vs. Rs 44.3bn in Q1) led to lower provisions. Credit cost thus reduced to 38bps from 49bps in Q1 and GNPA/NNPA improved by 23bps/5bps QoQ to 1.7%/0.4%. PCR was flat at 79.5%. Management foresees no risks to major asset quality and clarified that it has no low-ticket (<Rs 50k) unsecured personal loans on its books. To bake in the results, we factor in a revised credit cost forecast of 45bps for FY24 (from 54bps earlier) and retain our estimate for FY25 at 54bps.

Maintain BUY: AXSB continues to deliver a solid performance backed by a sustained focus on growth, healthy portfolio mix, stable asset quality and steady investment in network expansion. Benefits from the Citi card business acquisition is also starting to materialise. The bank is well capitalised to fund its aggressive growth and we expect return ratios to expand substantially to 1.8%/18% ROA/ROE by FY25 from 0.8%/8% in FY23. We continue to value the stock at 1.9x FY25E ABV (Gordon Growth Model) and maintain our TP of Rs 1,155, which includes Rs 114/sh as the value of subsidiaries.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	AXSB IN/Rs 1,003
Market cap	US$ 37.5bn
Free float	92%
3M ADV	US$ 112.6mn
52wk high/low	Rs 1,048/Rs 814
Promoter/FPI/DII	8%/53%/29%

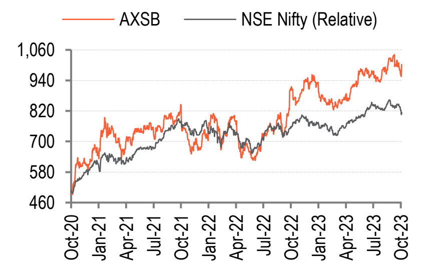
Source: NSE | Price as of 27 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Net interest income	429,457	484,073	565,544
NII growth (%)	29.6	12.7	16.8
Adj. net profit (Rs mn)	95,797	249,024	295,072
EPS (Rs)	31.2	80.9	95.9
Consensus EPS (Rs)	31.2	77.9	89.1
P/E (x)	32.2	12.4	10.5
P/BV (x)	2.5	2.1	1.7
ROA (%)	0.8	1.8	1.8
ROE (%)	8.0	18.1	17.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 290 | ⮝ 23%

NTPC | Power | 28 October 2023

No surprises; maintain BUY

- **Q2 a normal quarter with a flat topline of Rs 409bn and healthy PAT of Rs 39bn**
- **Key positives for NTPC include aggressive renewable targets, improving coal production, comfortable leverage and access to low-cost funds**
- **Remains our top pick in the power sector; maintain BUY with an unchanged TP of Rs 290**

Vinod Chari | Swati Jhunjhunwala
Arshia Khosla
research@bobcaps.in

In-line quarter: NTPC reported a flattish topline of Rs 409bn and 17% YoY growth in PAT to Rs 38.9bn in Q2FY24. Thermal PLF stood at 75% as compared to 74% in Q2FY23, with the company closing H1FY24 at 76.6% which is well above the national average of 68.8%. Average tariff in H1 was Rs 4.61/KwH and NTPC's regulated equity at end-H1 was Rs 815bn on standalone and Rs 950bn on consolidated basis. The company had a fixed cost under-recovery of Rs 3.8bn at the end of H1FY24 and expects this to normalise to Rs 2bn by FY24-end.

Aggressive on renewables: NTPC added 110MW of renewable capacity in H1FY24 and its installed generation capacity now stands at 73.8GW, of which renewable and hydro power account for 3.4GW and 3.7GW respectively. The company plans to commission 20GW of renewable capacity by FY27 and an additional 40GW by FY32. In terms of coal capacity, it plans to add 11.2GW, for which awarding is expected to conclude by H1FY26. For FY24, capex is targeted at Rs 284bn and Rs 225bn on consolidated and standalone basis respectively, of which ~47% has been completed in the first half. Additionally, the company has identified 14GW of pumped hydro capacity to be commissioned over 6-9 years.

Mining operations improving: NTPC consumed 113mn tonnes of coal in H1FY24. For the full year, it is targeting coal production of 34mtpa (vs. 23mtpa in FY23), of which 12mtpa was produced in H1FY24. The company has a longer-term target to ramp up production to 70mtpa as it aims to lower reliance on external coal procurement. Management has also indicated mining of ores other than coal, such as lithium, through its mining subsidiary.

Maintain BUY, TP Rs 290: NTPC is among the key players powering India's economy given its robust thermal portfolio. Considering a thrust on renewables and simultaneous enhancement of thermal capacity, we believe the company is well positioned in the power generation space. We continue to value the core business at 1.6x Sep'25E BV – ~15% premium to the pre-Covid multiple – and maintain BUY for an SOTP-based TP of Rs 290.

Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	NTPC IN/Rs 237
Market cap	US$ 27.9bn
Free float	49%
3M ADV	US$ 45.6mn
52wk high/low	Rs 252/Rs 162
Promoter/FPI/DII	51%/16%/33%

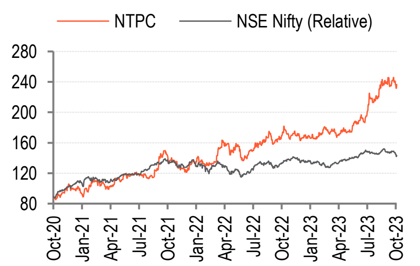
Source: NSE | Price as of 27 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	16,37,698	16,76,100	18,40,000
EBITDA (Rs mn)	4,32,284	4,41,681	4,85,347
Adj. net profit (Rs mn)	1,71,967	1,89,248	2,17,829
Adj. EPS (Rs)	17.7	19.5	22.5
Consensus EPS (Rs)	17.7	19.5	21.8
Adj. ROAE (%)	12.9	13.2	14.2
Adj. P/E (x)	13.3	12.1	10.5
EV/EBITDA (x)	9.3	9.3	8.5
Adj. EPS growth (%)	5.6	10.0	15.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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:

Investments 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.