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ANALYSIS

by

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SHARE INDIA SECURITIES LIMITED

ASIAN PAINTS LTD

Target: 3590 **Upsides: 15%**

October 2022

VALUE PARAMETERS

Face Value (Rs.)	1.00
Mrk.Cap (Rs. in Cr)	307,864
Enterprise value (Rs in Cr)	308,587
52-Week High/Low	3,590/2,560
EPS (TTM)	36.3
P/E Ratio (TTM)	86.1
Book Value per share (Rs)	144
Industry P/E	64.2
P/B Ratio (calc at CMP)	22.3
Dividend Yield (%)	0.60
Cash equivalents (Rs. Cr)	864
Debt (Rs. Cr)	1587

SHAREHOLDING PATTERN

Promoters	52.63
FIIs	18.51
DIIs	8.42
Govt	0.04
Public	20.37

FINANCIAL PERFORMANCE

	FY22	FY23E	FY24E
Sales (Rs. Cr)	**29,101.30**	**35,170**	**38,676**
Growth (%)	*34%*	*21%*	*10%*
Expenditures	24,297.70	28,452	30,745
EBITDA (Rs. Cr)	**4,803.60**	**6,718**	**7,931**
EBITDA margin	*16.5%*	*19.1%*	*20.5%*
PAT (Rs. Cr)	**3,084.80**	**4,522**	**5,431**
PAT margin (%)	*10.6%*	*12.9%*	*14.0%*
EPS (Rs)	**33.4**	**48**	**55**
RoE (%)	27.1	36.5	39
RoCE (%)	23	30.5	32
P/BV (x)	23.5	22	17.5
EV/EBITDA (x)	61.5	44	37.5
P/E (x)	93.2	66.5	55.5

PRICE PERFORMANCE

Our Recommendation: Asian Paints presented strong financials in Q1FY23 with revenue increasing 54% YoY aided by resilient volume growth of 37% supported by new launches. Reduction in repainting cycle would drive future volume growth. Company's increased focused on water proofing and building chemicals drill drive sales growth in future. Reduction in raw material cost supported by moderation in oil prices in second half of year would help margins. We value the stock at 65x FY24e EPS. Thus, we recommend BUY in price range Rs. 3100-3150 with target price Rs 3590 (upside 15%).

Investment Rationale:

About Company: Asian Paints is the largest paint manufacturer in India. Company also deals in business of manufacturing of varnishes, enamels or lacquers, surfacing preparation, organic composite solvents and thinners. The company operates in 15 countries and has 26 paint manufacturing facilities in the world, having consumers in over 60 countries. The company also manufactures metal sanitary ware such as bath, sinks, washbasins and similar articles. Company also introduced lightings, furnishings and furniture in Home décor and Interior Design segment. The company draws 98% revenue from paints business and 2% business comes from the home improvement business.

Q1FY23 Results: Company presented robust financial performance in first quarter of the fiscal.

- Revenue increased by 54% on year-on-year basis to Rs 8,607 crore aided by favorable base and strong decorative volume growth of 37%.
- Gross margin declined 73 bps on year-on-year basis and 100 bps QoQ.
- EBITDA margin increased by 172 bps YoY to 18.1% aided by improved operating leverage.
- PAT increased by 84% YoY to Rs. 1045 crore which was Rs 574.3 crore.

Business Outlook: Management is focused on double digit growth in volume for FY23-FY24 due to improving demand from tier III and IV cities and launching of new products. B2B business has got headwinds from revival in real estate, housing, and factories segment. This momentum will continue in coming quarters. Company launched 10 new products in first quarter and this would help top-line growth. Premium and luxury products got good response from tier I and II cities and company will expand these products.

Key Highlights:

- The company has Capex planned of Rs 800 crore for FY23.
- New plant in Pune will be operationalized in Q4FY23.
- Company expanded its product portfolio by introducing 10 new products in first quarter.
- The management expects inflationary pressure on RM prices will calm down in H2FY23 and in Q2 inflation may be in single digit aided by moderation in oil prices.
- Company may increase price in second half of FY23.

CIPLA LTD

Target: 1280 | **Upsides: 16%**

October 2022

VALUE PARAMETERS

Face Value (Rs.)	2.00
Mrk.Cap (Rs. in Cr)	89,577
Enterprise value (Rs in Cr)	88,704
52-Week High/Low	1150/850
EPS (TTM)	30.8
P/E Ratio (TTM)	35.6
Book Value per share (Rs)	258
Industry P/E	24.8
P/B Ratio (calc at CMP)	4.29
Dividend Yield (%)	0.46%
Cash equivalents (Rs. Cr)	1928
Debt (Rs. Cr)	1056

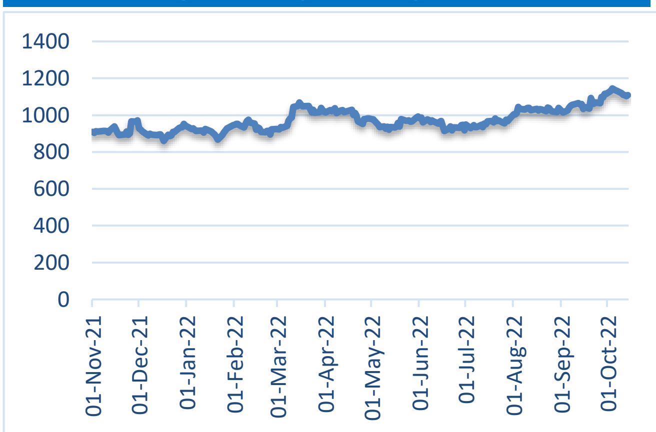
SHAREHOLDING PATTERN (%)

Promoters	33.61
FIIs	27.65
DIIs	21.33
Public	17.40

FINANCIAL PERFORMANCE

Consolidated	FY22	FY23E	FY24E
Revenue (Rs. Cr)	**21,763.34**	**23,286.77**	**25,382.6**
Growth (%)	*13.6*	*7%*	*9%*
EBITDA (Rs. Cr)	**4,552.78**	**5,008**	**5,760**
EBITDA margin (%)	*20.9%*	*21.5%*	*22.7%*
PAT (Rs. Cr)	**2,516.75**	**3,020.1**	**3,563.6**
PAT margin (%)	*11.6%*	*13.0%*	*14.0%*
EPS (Rs)	**31.19**	**35.9**	**42.4**
RoE (%)	12.9	13.9	14.5
RoCE (%)	16.7	17.1	18.1
P/E (x)	31.3	25.9	22
P/BV (x)	3.8	3.5	3

PRICE PERFORMANCE



Our Recommendation: In first quarter of current fiscal, the company's performance was in-line with estimates on account of strong performance in domestic formulations and US sales. Management is expecting that India business to grow higher than IPM growth. Capex would continue over FY23-FY24. Revenue growth and margin expansion would meet capex requirement. Company expects significant momentum from H2FY23 in US revenue with launches of Revlimid, Advair, Abraxane. Given these scenarios, we recommend BUY in price range Rs. 1080-1100 with target price Rs 1280 (upside 16%).

Investment Rationale:

About Company: Cipla is an Indian pharmaceutical company with global presence. With over 1,500 products in 65 therapeutic categories & with over 50 dosage forms, the company has a diverse portfolio. The Indian branded formulations business accounts for 45% of total revenue and leads in therapies such as respiratory, anti-infective, cardiac, gynecology, and gastro-intestinal. Cipla gets 20% of its export revenue from the United States, 12% from South Africa, 18% from rest of world markets, and 3% from APIs.

Q1FY23 Results: Revenues are in-line with estimates.

- Company reported a 2.35% decline in consolidated revenue on year-on-year basis to Rs. 5375.19 crore, which was largely driven by 8.4% YoY decline in Indian revenue, a 5.9% YoY decline in SAGA & 55.3% decline in API revenue. On QoQ basis, revenue increased by 2%.
- EBITDA was down 15% YoY to Rs. 1143 crore, with margins at 21.3%. On QoQ basis, EBITDA increased by 52.50%.
- PAT stood at Rs 706.6 crore, marginally down by 0.74% YoY. On QoQ basis, PAT increased by 87.56%.

Business Outlook:

- US: Expects significant momentum in the US beginning in H2FY23 as a result of peptide portfolio unlocking and potential approvals, launches of Revlimid, Advair, Abraxane, and other peptide assets in pipeline.
- One-India strategy: The brand-name prescription portfolio therapy mix reflects solid fundamentals in both chronic and acute segments. Improved execution and distribution synergies to propel prescriptions, trade generics, and consumer health.
- The company is concentrating on the front-end model, particularly in the United States, and shifting to more lucrative respiratory and other complex opportunities.

Key Highlights:

- To boost its consumer wellness segment and to diversify in the nutrition category, the company acquired Endura Mass in Q2FY23, and with the acquisition, the consumer wellness business is expected to clock in annualized revenue of INR 6.00 bn (vs. INR 5.00 bn in FY22) with sustainable growth in operating profitability.
- The US business did experience the modest price erosion but the company is confident that it will be offset by new product launches scheduled for the rest of the FY23E
- The company continues to guide for EBITDA margins at around 21.0% - 22.0% for FY23E.

SHARE INDIA SECURITIES LIMITED

GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LTD

Target: 830 **Upsides: 20%**

October 2022

VALUE PARAMETERS

Face Value (Rs.)	10.0
Mrk.Cap (Rs. in Cr)	11,035
Enterprise value (Rs in Cr)	9855
52-Week High/Low	912/390
EPS (TTM)	131
P/E Ratio (TTM)	5.5
Book Value per share (Rs)	508
Industry P/E	10.7
P/B Ratio (calc at CMP)	1.37
Dividend Yield (%)	1.43
Cash equivalents (Rs. Cr)	1182
Debt (Rs. Cr)	1.77

SHAREHOLDING PATTERN (%)

Promoters	41.18
FIIs	22.64
DIIs	5.34
Public	30.83

FINANCIAL PERFORMANCE

Consolidated	FY22	FY23E	FY24E
Revenue (Rs. Cr)	**8642**	**9698**	**10693**
Growth (%)	*68.5%*	*12.21%*	*10.25%*
Expenditures	6259	7300	8116
EBITDA (Rs. Cr)	**2383**	**2398**	**2577**
Growth (%)	137.6	0.60%	7.46%
Margin (%)	*27.6%*	*24.7%*	*24.1%*
PAT (Rs. Cr)	**1710**	**1726.35**	**1879**
Growth (%)	145.40%	0.90%	8.80%
Margin (%)	*19.8%*	*17.8%*	*17.6%*
EPS (Rs)	**110.1**	**111.4**	**121.2**
RoE (%)	24.3	19.5	18.1
RoCE (%)	32.7	26.3	24.3
P/E	6.6	6.5	5.9

PRICE PERFORMANCE

Our Recommendation: GNFC is the key player in fertilizer segment with its fertilizer brand Narmada being very famous within farmer community. The company hold leadership position in chemical business with its diverse portfolio and product line helped company being profitable in situations of price fluctuations.ss The company is taking steps to gain market share by diversifying its product portfolio base further. The company has capex plan of Rs 1350 crore for capacity expansion. The stock currently is trading at 1.27x of its book value and P/E of Rs. 4.9. We recommend BUY in price range Rs. 680-700 with target price Rs 830 (upside 20%).

Investment Rationale:

About Company: Gujarat Narmada Valley Fertilizers & Chemicals Limited (GNFC) is a joint sector enterprise, promoted by the Gujarat State Investments Limited (GSIL), and Gujarat State Fertilizers & Chemicals Ltd. (GSFC). The company deals in business of Industrial Chemicals, Fertilizers and small presence in IT services. In the chemical segment, the company has portfolio of various bulk chemicals that are used in industries for manufacturing various specialty chemicals and end products.

Q1FY23 Results: GNFC reported strong set of numbers despite global headwinds.

- Consolidated Revenue increased by 93% YoY to Rs. 2696.19 crores, which was Rs. 1394.32 crore in a year-ago-period (Q1FY22). On QoQ basis, revenue reduced by 2.7% from Rs. 2771.71 crore in March 2022.
- Consolidated Net Profit increased by 136% to Rs. 571.43, which was Rs. 241.80 crore in a year-ago-period (Q1FY22). On QoQ basis, Net Profit reduced by SS11% from Rs. 2771.71 crore in March 2022.

Strong Financials: From FY15 when the company had incurred operating loss of Rs 450 crore and had debt of Rs 3800 core, the company has gone a long way in expanding its business and improving operating efficiency. In FY22, GNFC reported Net Profit of Rs 1710 crore. Company is almost debt free and has Rs. 1200 crore of cash in hand and Rs 1300 crore worth of investment in FY22 with RoE/RoCE are 24.3% and 32.7% respectively.

Industry Outlook: **Chemical segment**, India stands 6th in the world and 4th amongst Asian countries, accounting for 2.5% of global chemical sales. Chemical industry in India was more than 170 billion US dollars and may cross USD 300 billion by FY25. Chemical Industry is highly regulated in India and capital intensive thereby not easy for new player to get in. Chemical industry has lots of potential to expand and grow and GNFC can capture large chunk of pie given its monopolistic position in Gujrat and good geographical reach in other states. **Fertilizer segment,** Indian Fertilizer Industry is highly regulated and monitored by Government of India and the main objective of this industry has been to provide primary and secondary nutrients on subsidized rates to farmers. Despite this, India still has not become self-reliant in fertilizer production and 25-30% of domestic demand is met by imports. There lies a good import substitution opportunity to domestic players.

Risks involved in fertilizers industry:

- Fluctuations in raw material prices.
- Stiff competition in chemical segment could reduce margins.
- Delays in payment for subsidies by Govt could impact interest cost.

SHARE INDIA SECURITIES LIMITED

HDFC BANK LTD

Target: 1630 **Upsides: 12%**

October 2022

VALUE PARAMETERS

Face Value (Rs.)	1.00
Mrk.Cap (Rs. in Cr)	801,517
52-Week High/Low	1725/1272
EPS (TTM)	75.2
P/E Ratio (TTM)	19.2
Book Value per share (Rs)	446
Industry P/E	17.2
P/B Ratio (calc at CMP)	3.23
Dividend Yield (%)	1.08
Enterprise value (Rs in Cr)	2,431,101

SHAREHOLDING PATTERN

Promoters	25.73
FIIs	32.31
DIIs	27.11
Public	14.69
Government	0.16

FINANCIAL PERFORMANCE

Standalone	FY22	FY23E	FY24E
NII (Rs. bn)	**720**	**828**	**990**
Op. Profit (Rs bn)	641	721	863
PAT (Rs bn)	**370**	**427**	**520**
EPS (Rs)	**66.7**	**77.1**	**93.7**
DPS (Rs)	15.5	18.5	19.5
NIM (%)	4.1%	3.9%	4%
P/E	20.4	17.6	14.5
P/BV	3.1	2.7	2.5
RoE	16.7	16.6	17.9
RoA	1.9	1.9	2

PRICE PERFORMANCE

Our Recommendation: HDFC Bank reported good quarter with earnings beating estimates led by growth in NII and other income. Given the present scenario of strong financials, opening up of economy after COVID, high spending on Opex with retail segment in focus, and merger with HDFC, we expect the company would outperform its peers in coming months. Recent RBI approval of merger would keep prices volatile. Thus, we recommend BUY in price range Rs. 1420-1440 with target price Rs 1630 (upside 12%).

Investment Rationale:

About Company: HDFC Bank is the largest private sector bank that has reported consistent growth and superior operational performance in various economic cycles. The bank has reported return ratios that are superior to its peers in banking sector in the past many years. The bank has loan book of Rs 13.9 lakh crore. The bank reported more than 4% NIM and 15% ROE in last many years.

Q2FY23 Results: Double-digit growth in the bottom line on strong growth in loans and improvement in asset quality.

- Net revenue increased by 19.16% YoY to Rs 46,182 crore in Q2FY23 from Rs 38,754.2 crore reported in same quarter last year.
- Net Profit increased by 20% YoY to Rs 10,605.8 crore in Q2FY23 from Rs 8834.3 crore reported in same quarter last year.
- Net Interest Income (NII) increased by 18.9% YoY to Rs 21,021.2 crore from Rs 17,684.4 crore reported in same quarter last year. On QoQ basis, NII increased by 7.9% from Rs. 19,481.4 crore in Q1FY23.
- Net Interest Margin for the quarter was largely flat sequentially at 4.1 per cent of the total assets.

Robust Credit Growth: Total advances on Sept 30, 2022 were Rs. 14.4 lakh crore, up by 23.4% over previous year. Balance sheet size stood at Rs 22.3 lakh crore as against 18.4 lakh crore in year-ago-period, up by 21%. Growth in advances came across segments. Domestic retail loans increased by 21.4%, commercial and rural banking loans increased by 31.3% and corporate and other wholesale loans increased by 27%. Overseas advances constituted 3.1 % of total advances.

Improved Deposit Growth: Total deposits showed healthy growth of 19% YoY at Rs. 16.73 lakh crore as of September 30, 2022. This growth comes at a time when banks are struggling to mobilize deposits amid fast-tightening of liquidity surplus and to protect their margins. CASA deposit has increased by 15.4%.

Improved Asset Quality: The asset quality improved in second quarter of FY22-23. Gross non-performing assets (NPAs) stood at 1.23% of gross advances as on September 30, 2022 as against 1.35% as on September 30, 2021. Net non-performing assets stood at 0.33% of net advances as on September 30, 2022. Provisions and contingencies for bad loans fell by 21% to Rs 3,240.1 crore from Rs 3,924.7 crore in the same quarter of the previous financial year.

Healthy Capital Ratios: Capital Adequacy Ratio (CAR) as per Basel III guidelines stood at 18% in second quarter against a regulatory requirement of 11.7%. Tier 1 CAR stood at 17.1% compared to 18.7% last year. Common Equity Tier 1 capital ratio was at 16.3%.

SHARE INDIA SECURITIES LIMITED

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INFOSYS LTD

Target: 1680 **Upsides: 18%**

October 2022

VALUE PARAMETERS

Face Value (Rs.)	5.00
Mrk.Cap (Rs. in Cr)	610,850
Enterprise value (Rs in Cr)	602,927
52-Week High/Low	1954/1355
EPS (TTM)	53.0
P/E Ratio (TTM)	27.4
Book Value per share (Rs)	175
Industry P/E	25.2
P/B Ratio (calc at CMP)	8.25
Dividend Yield (%)	2.15%
Cash equivalents (Rs. Cr)	13,982
Debt (Rs. Cr)	6,059

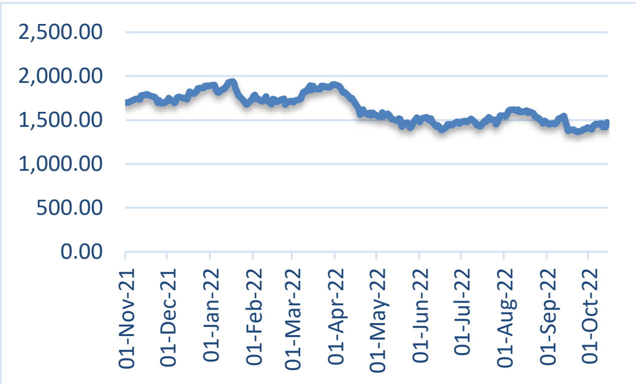
SHAREHOLDING PATTERN (%)

Promoters	13.11
FIIs	31.72
DIIs	18.88
Public	35.98
Other	0.31

FINANCIAL PERFORMANCE

	FY22	FY23E	FY24E
Revenue (Rs. Cr)	**121,641**	**140,500**	**160,642**
Growth (%)	*21.1*	*15.5*	*14.2*
Expenditures	90,150	105,885	120,926
EBITDA (Rs. Cr)	**31,491**	**34,615**	**39,716**
EBITDA margin	*25.9%*	*24.6%*	*24.7%*
EBIT	28015	31195	36352
EBIT margin (%)	*23.0%*	*22.2%*	*22.6%*
PAT (Rs. Cr)	**22,110**	**24,109**	**27,975**
PAT margin (%)	*18.2%*	*17.2%*	*17.4%*
EPS (Rs)	**52.7**	**56.8**	**66.1**
RoE (%)	29.3	28.3	29.1
RoCE (%)	37.0	36.5	37.5
P/BV (x)	10.7	7.6	6.5

PRICE PERFORMANCE



Our Recommendation: Infosys presented mixed set of numbers in first quarters with Revenue and PAT improving YoY basis but margins contracted due to new hiring, wage hike and lower utilization. The company is working on various parameters to improve margins such as price hike, improving utilization, and automation. We believe these efforts will bear fruit in coming quarters. Thus, we recommend BUY in price range Rs. 1400-1450 with target price Rs 1680 (upside 18%).

Investment Rationale:

About Company: Infosys Ltd offers software and IT consulting services, including supply-chain management, e-business, and program management. Application development, product co-development, system implementation, and system engineering are some of the services it offers. Infosys focuses on companies with expertise in the manufacturing, banking, insurance, and telecom industries.

Q2FY23 Results: Company presented strong set of numbers in second quarter of the fiscal.

- Revenue increased by 23.43% YoY to Rs. 36,538 Crore in Q2FY23 that was Rs. 29,602 in Q2FY22. Sequentially, revenue increased by 6% from Rs. 34,470 crore in the Previous Quarter (Q1FY23).
- Operating Margins grew by 150bp QoQ to 21.5% in 2QFY23, owing to cost optimization, INR depreciation versus USD, and lower subcontractor expenses.
- For the second quarter ended September 2022, Infosys reported a consolidated net profit of Rs 6026 crore, up 11.02% YoY from Rs 5428 crore in Q2FY22. Profit Increased 12.38% sequentially in the said quarter, compared to Rs 5,362 crore in Q1FY23.
- Reported free cash flow of Rs 4752 crore.

Strong performance across verticals: BFSI/Retail/Communication reported YoY growth of 11.5%/15.4%/18.4% respectively. Life sciences increased by 10.3% YoY. Manufacturing and Hi-tech verticals reported growth of 45% and 9.9% YoY respectively. All verticals reported strong growth and may report further growth aided by strong deals in pipeline. North America (61% of revenue) reported growth of 15.6% YoY. Europe (25% of revenue) reported growth of 10.3% YoY. India business increased by 35.6% YoY.

Key Highlights:

- Strong TCV of USD 2.7 billion (the highest in the last seven quarters), 54% of which was net new. The deal pipeline remains healthy and larger than in previous quarters, with a greater emphasis on cost-cutting initiatives.
- Apart from Financial Services and Retail, it is also having an effect in Hi-Tech and Telecom in the form of reduced spending on discretionary programs.
- Though the third and fourth quarters are seasonally weak and have an impact on margins, Infy expects them to be offset by the resolution of supply-side issues.
- Won 27 large deals in a variety of verticals, including 5 in financial services, 4 in retail, manufacturing, EURS, and hi-tech, 3 in manufacturing, 2 in life sciences, and 1 in others.
- Large deal wins and new logos drove financial services growth. Clients are speeding up their cloud journey. Retail clients are concentrating their efforts on legacy modernization and supply chain transformation.

MARUTI SUZUKI INDIA LTD

Target: 10000 **Upsides: 14%**

October 2022

VALUE PARAMETERS

Face Value (Rs.)	5.00
Mrk.Cap (Rs. in Cr)	265,302
Enterprise value (Rs in Cr)	262,685
52-Week High/Low	9451/6537
EPS (TTM)	147
P/E Ratio (TTM)	59.8
Book Value per share (Rs)	1832
Industry P/E	43.7
P/B Ratio (calc at CMP)	4.79
Dividend Yield (%)	0.69
Cash equivalents (Rs. Cr)	3042
Debt (Rs. Cr)	426

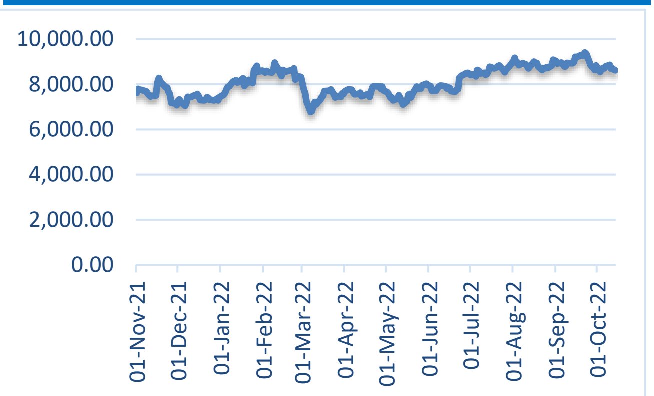
SHAREHOLDING PATTERN (%)

Promoters	56.37
FIIs	21.89
DIIs	18.01
Public	3.73

FINANCIAL PERFORMANCE

	FY22	FY23E	FY24E
Revenue (Rs. Cr)	**88,296**	**1,16,400**	**1,36,020.5**
Growth (%)	*25.5*	*31.8*	*16.9*
EBITDA (Rs. Cr)	**5,661.8**	**9,845.52**	**13,288**
EBITDA margin (%)	*6.4%*	*8.5%*	*9.8%*
PAT (Rs. Cr)	**3,766.3**	**7,118.52**	**10,017.9**
PAT margin (%)	*4.3%*	*6.1%*	*7.4%*
EPS (Rs)	**124.7**	**235**	**330**
RoE (%)	7	12	15.2
RoCE (%)	5.1	11.3	14.8
P/E (x)	69.5	35.5	27
P/BV (x)	4.8	4.5	4

PRICE PERFORMANCE



Our Recommendation: Maruti Suzuki's presented mixed set of numbers in first quarter of current fiscal. PAT was below estimates due to lower EBITDA margins. Going forward, strong pending order book, easing of semiconductors supply constraints, new launches in SUV segment, strong demand of Ciaz and Brezza, and growing exports to aid double digit volume growth in FY22-24E. Benefit of price increase, lower metals prices and operating leverage will help improvement in profitability. Thus, we recommend BUY in price range Rs. 8700-8800 with target price Rs 10,000 (upside 14%).

Investment Rationale:

About Company: Maruti Suzuki India Ltd. (MSIL) is India's largest passenger vehicle (PV) manufacturer, accounting for roughly half of the market. It has a dominant market share in the mini and compact car segments and has enjoyed success in the executive segment with the Ciaz and Brezza launches. Japan's Suzuki Motor Corporation (Suzuki) owns 56% of the company. MSIL has the most comprehensive range of passenger cars in India, with a particular emphasis on the entry segment.

Q1FY23 Results: Company presented muted performance in first quarter of the fiscal.

- Consolidated revenue increased 49.14% year on year to Rs. 26511.7 crore, led by the highest-ever exports of 69,437 vehicles. Sequentially, revenue de-grew by 0.89%
- EBITDA increased 132% year on year to Rs 1,915 crore, resulting in a margin expansion of 2.62% Year on Year, but sequentially EBITDA reduced by 21%.
- PAT increased by 118.15% Year on Year to Rs. 1,036.2 crore. On sequential basis, PAT decreased by 44% from Rs. 1875 crore.

Business Outlook: Q1FY23 financial results are below street estimates due to lower EBITDA margins, but numbers will improve in Q2FY23 results on the basis of robust pending order book, improving semiconductor supply chain, calming down oil and commodity prices, and new launches in SUV segment and growing exports. The company has the potential to record double-digit volume growth in next 2-3 years. MSIL purchased land of 800 acres in Haryana where manufacturing capacity of 250k vehicles per annum is expected to be commissioned by 2025 with first phase of investment at Rs 110bn.

Increased Emphasis on Exports: Maruti Suzuki recorded its highest-ever quarterly exports of 69k units. Because of its partnership with Toyota, which has a strong global presence, the company has been able to focus on increasing its exports. Exports are expected to maintain their steady growth momentum. Export revenue for the quarter was Rs 364 million, up from Rs 351 million in the previous quarter.

Key Highlights:

- The Domestic Sales in Q1FY23 at 398,494 units, higher by 29% YoY and exports at 69,437 units which are highest ever in any quarter, up by 52% YoY.
- The export momentum is expected to remain strong for FY23 and the company's strategy is to spread across more markets by leveraging its parent distribution network.
- The pending customers' orders as on end of the quarter stood at 280k and efforts being made to serve these orders at faster pace.
- The newly bought land for new plant in Haryana has the potential to become one of the largest in the world. The new plant's commissioning is scheduled for CY25/CY26.

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STATE BANK OF INDIA

Target: 615 Upsides: 12%

October 2022

VALUE PARAMETERS

Face Value (Rs.)	1.00
Mrk.Cap (Rs. in Cr)	478,538
Enterprise value (Rs in Cr)	4,616,203
52-Week High/Low	579/425
EPS (TTM)	39.6
P/E Ratio (TTM)	11.8
Book Value per share (Rs)	342
Industry P/E	11.8
P/B Ratio (calc at CMP)	1.57
Dividend Yield (%)	1.32
Cash equivalents (Rs. Cr)	398,905
Debt (Rs. Cr)	4,536,570

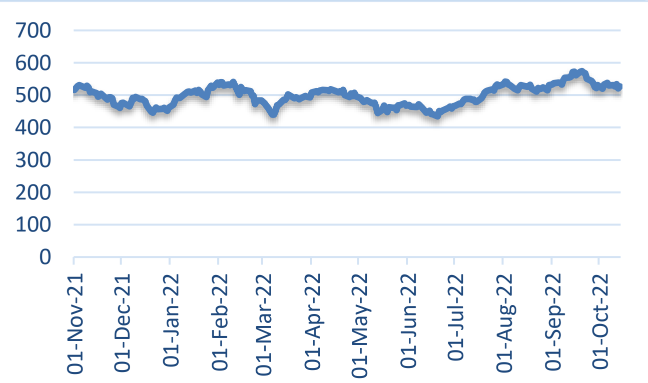
SHAREHOLDING PATTERN

Promoters	57.57
FIIs	9.62
DIIs	25.09
Govt	0.15
Public	7.58

FINANCIAL PERFORMANCE

Y/E: March	FY22	FY23E	FY24E
NII (Rs. Bn)	**1207**	**1351.35**	**1632.5**
Growth (%)	*9%*	*12%*	*20.8%*
Op. Profit (Rs. Bn)	**679**	**740.5**	**958.3**
PAT (Rs Bn)	**317**	**340.6**	**390**
PAT growth (%)	*55%*	*7.4%*	*14.5%*
EPS (Rs)	**35.5**	**38.2**	**43.6**
NIM (%)	2.8	2.8	2.8
P/E	14.9	13.5	12
P/BV (x)	1.7	1.5	1.3
P/ABV	1.9	1.7	1.5
RoE	11.9	11.4	11.8
RoA	0.7	0.8	0.8
GNPA	4.0	3.8	3.8
NNPA	1.0	0.9	0.8

PRICE PERFORMANCE



Our Recommendation: SBI bank presented modest numbers in Q1FY23. Profitability reduced by higher MTM losses of Rs. 65.5 b and slight decline in margins though the bank controlled its Capex which enabled 14% growth in PPOP. Loan growth remained robust and bank expects this momentum to continue with Retail will lead the growth. Asset quality improved marginally despite higher slippages. Management reiterated its target ROE of 15% in midterm. With improving operating environment and strong growth outlook post COVID, we believe the ROE target of 15% is achievable in midterm. Thus, we recommend BUY in price range Rs. 530-550 with target price Rs 615 (upside 12%).

Investment Rationale:

About Company: The State Bank of India is an Indian multinational, public sector banking and financial services company. SBI is India's largest bank that serves over 45 crore customers through its vast network of over 22,000 branches, 62617 ATMs/ADWMs, and 71,968 BC outlets. SBI's rich heritage and legacy of over 200 years establishes it as the most trusted bank among Indians across generations.

Q1FY23 Results: Company presented robust financial performance in first quarter of the fiscal.

- Net Interest Income (NII) for Q1FY23 increased by 12.9% YoY, while QoQ remained flat at Rs. 3,11,959 Mn. NIMs stood at 3.23% in Q1FY23 vs 3.15% in Q1FY22 (vs 3.40% in Q4FY22).
- MTM Losses on the investment book decreased operating profit for the first quarter of FY23 from Rs. 20830.26 crores to Rs. 15027.59 crores.
- Net profit in Q1FY23 was Rs. 7528.25 crores, compared to Rs. 7539.22 crores in Q1FY22.
- GNPA & NNPA were steady at 3.9% & 1.0%. Slippages were higher at 1.38%.

Operating profits negatively impacted due to MTM losses: NII for first quarter increased by 12.9% but remained flat on QoQ basis with NIM stood at 3.23%. NIM reduced by 17 bps. Operating profit for Q1FY23 fell by 32.8% YoY and 35.3% QoQ. The non-interest income was lower due to higher MTM losses. MTM losses for the quarter were INR65.5b.

Asset Quality is steady but fresh slippages increased: The gross NPA ratio has decreased by 141 basis points year on year to 3.91%, while the net NPA ratio has decreased by 77 basis points YoY at 1.00%. Slippages for Q1FY23 totalled Rs. 9740 crore which was Rs 2845 core in Q1FY22. Slippage ratio stood at 1.38%.

Key Highlights:

- The management will continue to focus on credit growth by improving CASA ratio and margins will rise in Q2FY23 and onwards.
- YONO is rapidly expanding and assisting in cross-selling. Since its launch, YONO has gained 51.1 million customers and generated substantial value for the bank.
- Govt. capital expenditure program and improved capacity utilization will support investment activity.
- 9700 crore slippages breakup: SME Rs. 3000 crore, Agri Rs. 2700 crore, retail Rs. 2353 crore. Rs. 2800 crore has been recovered till now.

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Disclosure:

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