

HSIE Results Daily

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Results Reviews

- **Dalmia Bharat:** We maintain our BUY rating on Dalmia Bharat with an unchanged TP of INR 2,560/sh (13x its Sep-25E consolidated EBITDA). We continue to like Dalmia for its healthy volume, margin, and comfortable balance sheet outlook. In Q2FY24, Dalmia reported sub-par volume growth (+7% YoY) on market share loss in the east. However, unit EBITDA recovered INR 85/MT QoQ (up INR 300/MT YoY) to INR 955/MT, on cool-off in fuel and freight expenses. We estimate the company to deliver 15% volume CAGR during FY23-26E, supported by ongoing expansions. We estimate unit EBITDA will rebound to >INR 1,000/MT H2FY24 onwards, benefitting from fuel cost reductions, the rising share of green power, and op-lev gains (as utilization rises). Dalmia remains among our top picks in the cement sector.
- **Karur Vysya Bank:** Karur Vysya Bank (KVB) delivered an all-time high PAT, led by healthy loan growth (~16% YoY) and lower credit costs (0.7% annualised). GNPA improved to 1.7% (-26bps QoQ), led by negative net slippages (-70bps annualised as a % of advances). Loan growth was steady across segments, driven by MSME (+19% YoY), loans against property (+65% YoY), housing (+18% YoY), and PL (+119% YoY). Management continues to focus on retail deposit mobilisation while maintaining a steady-state growth strategy. With continued deposit repricing likely in the upcoming quarter, we see a limited upside to margins and negligible scope for operating leverage, given sustained investments in distribution and people, reflecting in an elevated opex-to-assets ratio. We tweak our FY24E-25E earnings estimates by 3-4% each; maintain ADD with a revised TP of INR150 (1.2x Mar-25 ABVPS).

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Dalmia Bharat

Costs cooling off drive margin; volume growth sub-par

We maintain our BUY rating on Dalmia Bharat with an unchanged TP of INR 2,560/sh (13x its Sep-25E consolidated EBITDA). We continue to like Dalmia for its healthy volume, margin, and comfortable balance sheet outlook. In Q2FY24, Dalmia reported sub-par volume growth (+7% YoY) on market share loss in the east. However, unit EBITDA recovered INR 85/MT QoQ (up INR 300/MT YoY) to INR 955/MT, on cool-off in fuel and freight expenses. We estimate the company to deliver 15% volume CAGR during FY23-26E, supported by ongoing expansions. We estimate unit EBITDA will rebound to >INR 1,000/MT H2FY24 onwards, benefitting from fuel cost reductions, the rising share of green power, and op-lev gains (as utilization rises). Dalmia remains among our top picks in the cement sector.

- **Q2FY24 performance:** Dalmia reported a sub-par 7% volume growth YoY (owing to market share loss in the east—mainly in West Bengal and north Bihar). Its trade sales share rose to 68% vs 63/64% QoQ/YoY. In line with earlier guidance, its energy cost cooled off QoQ (fuel cost came off INR 0.40/mn Cal QoQ to INR 1.58/mn Cal). Freight cost fell by INR 130/MT QoQ as the lead distance was reduced by 3% QoQ and on lower clinker movement. These more than offset a 1% QoQ NSR fall and op-lev loss. Thus, unit EBITDA recovered INR 85/MT QoQ to INR 955/MT (+INR 300/MT YoY).
- **Con call KTAs and outlook:** The company noted that it has implemented a sales strategy to arrest market share loss in the eastern region and this would start yielding result Q4FY24 onwards. Its CC ratio remained stable and high at ~1.71x. It guided that there is room for additional reduction (though marginal) QoQ in its fuel costs from its low-Q2 levels. Dalmia expects lead distance to remain under 300 km and share of green power to continue to rise from 29/21% in Q2FY24/FY23. It maintained its FY24E Capex guidance of INR 65bn (including JPA's acquisition cost of INR 35bn). The company spent INR 9/6bn in Q1/Q2FY24. It remained hopeful to close the JPA acquisition in FY24. It expects peak net debt of ~INR 30bn, factoring in Capex and acquisitions. We trim our volume estimates for FY24/25/26E by ~3% each. However, we maintain our EBITDA/APAT estimates, as we raise our NSR estimates after a recent price uptick across its markets. During FY23-26E, we estimate Dalmia will deliver strong 15% volume CAGR along with unit EBITDA of >INR 1,000/MT. Despite its aggressive expansions, Dalmia's balance sheet will remain comfortable, in our view.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Sales (mn MT)	6.2	5.8	6.6	7.0	(11.9)	22.2	25.8	28.8	34.3	39.4
NSR (INR/MT)	5,108	5,137	(0.6)	5,179	(1.4)	5,084	5,250	5,198	5,198	5,250
EBITDA(INR/MT)	955	655	45.8	872	9.6	1,093	898	1,006	1,070	1,107
Net Sales	31.49	29.71	6.0	36.24	(13.1)	112.86	135.40	149.77	178.22	207.01
EBITDA	5.89	3.79	55.4	6.10	(3.4)	24.26	23.16	28.99	36.69	43.64
APAT	1.19	0.55	116.4	1.30	(8.5)	8.10	6.56	8.07	9.64	14.52
AEPS (INR)	6.3	2.9	115.5	6.9	(8.5)	43.8	35.5	43.6	52.1	78.5
EV/EBITDA (x)						18.1	19.1	16.4	13.1	10.9
EV/MT (INR bn)						12.3	11.5	9.3	8.7	8.6
P/E (x)						52.9	65.3	53.0	44.4	29.5
RoE (%)						5.6	4.1	5.0	5.7	8.1

Source: Company, HSIE Research

BUY

CMP (as on 16 Oct 2023) INR 2,322

Target Price INR 2,560

NIFTY 19,732

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,560	INR 2,560
EBITDA revision %	FY24E 0.1	FY25E 0.2

KEY STOCK DATA

Bloomberg code	DALBHARA IN
No. of Shares (mn)	188
MCap (INR bn) / (\$ mn)	436/5,325
6m avg traded value (INR mn)	645
52 Week high / low	INR 2,425/1,476

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.9	16.1	54.5
Relative (%)	12.8	6.6	40.2

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	55.86	55.86
FIs & Local MFs	8.55	8.83
FPIs	12.87	13.48
Public & Others	22.72	21.27
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Karur Vysya Bank

Continued investments to support growth momentum

Karur Vysya Bank (KVB) delivered an all-time high PAT, led by healthy loan growth (~16% YoY) and lower credit costs (0.7% annualised). GNPA improved to 1.7% (-26bps QoQ), led by negative net slippages (-70bps annualised as a % of advances). Loan growth was steady across segments, driven by MSME (+19% YoY), loans against property (+65% YoY), housing (+18% YoY), and PL (+119% YoY). Management continues to focus on retail deposit mobilisation while maintaining a steady-state growth strategy. With continued deposit repricing likely in the upcoming quarter, we see a limited upside to margins and negligible scope for operating leverage, given sustained investments in distribution and people, reflecting in an elevated opex-to-assets ratio. We tweak our FY24E-25E earnings estimates by 3-4% each; maintain ADD with a revised TP of INR150 (1.2x Mar-25 ABVPS).

- **NIM compression offset by healthy loan growth:** NII growth (+11% YoY) was led by all-around loan momentum (+16% YoY) across segments. NIMs softened 12bps QoQ to 4.1%, partly offset by a moderate hike in MCLR during the quarter. Management guided for NIMs to stabilise at ~3.8%, on the back of a further 20bps hike in the cost of deposits likely in Q3FY24E, partly offset by a 10-15bps improvement in asset yields.
- **Asset quality on the mend:** GNPA/NNPA further improved to 1.7%/0.5% (Q1FY24: 2%/0.6%), on the back of healthy recoveries and upgrades, reflecting in net negative slippage, while the SMA-1 portfolio was comfortable at below 1%. With the PCR at an all-time high at ~73% and a relatively clean book, we expect credit costs to remain benign (averaging 75bps over FY24-25).
- **On track to deliver targeted RoAs:** KVB is well-placed to deliver its targeted RoA of ~1.5% through accelerated efforts on leveraging its product mix, better cross-sell outcomes and productivity gains. However, we build a higher cost-to-income over FY24-25 to account for additional investments in franchise-building activities (branch and employee addition; FY24/25E C/I - 50%/47%).

Financial summary

(INR bn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
NII	9.2	8.2	11.4%	9.0	2.0%	33.5	35.8	40.5	46.1
PPOP	6.4	5.7	11.5%	6.5	-1.6%	24.8	24.9	28.8	33.5
PAT	3.8	2.5	51.3%	3.6	5.5%	11.1	14.1	16.1	18.9
EPS (INR)	4.7	3.1	50.6%	4.5	5.4%	13.8	17.6	20.0	23.5
ROAE (%)						13.7	15.5	15.6	16.3
ROAA (%)						1.3	1.5	1.5	1.5
ABVPS (INR)						101.2	113.9	128.1	144.7
P/ABV (x)						1.4	1.2	1.1	1.0
P/E (x)						10.0	7.8	6.9	5.9

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Change	Old	New	Change
Net advances	720	721	0.1%	821	823	0.1%
NIM (%)	4.0	4.1	0 bps	4.0	4.0	0 bps
NII	35.7	35.8	0.1%	40.4	40.5	0.2%
PPOP	25.2	24.9	-1.1%	28.4	28.8	1.4%
PAT	13.6	14.1	3.4%	15.6	16.1	2.7%
Adj. BVPS (INR)	114.5	113.9	-0.6%	128.5	128.1	-0.3%

Source: Company, HSIE Research

ADD

CMP (as on 16 Oct 2023)	INR 138
Target Price	INR 150
NIFTY	19,732

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 145	INR 150
	FY24E	FY25E
EPS %	3.4%	2.7%

KEY STOCK DATA

Bloomberg code	KVB IN
No. of Shares (mn)	799
MCap (INR bn) / (\$ mn)	110/1,345
6m avg traded value (INR mn)	375
52 Week high / low	INR 144/83

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.0	38.1	63.8
Relative (%)	10.8	28.6	49.6

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	2.3	2.3
FIs & Local MFs	30.8	32.1
FPIs	17.9	17.9
Public & Others	49.0	47.7
Pledged Shares	0.2	0.2

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

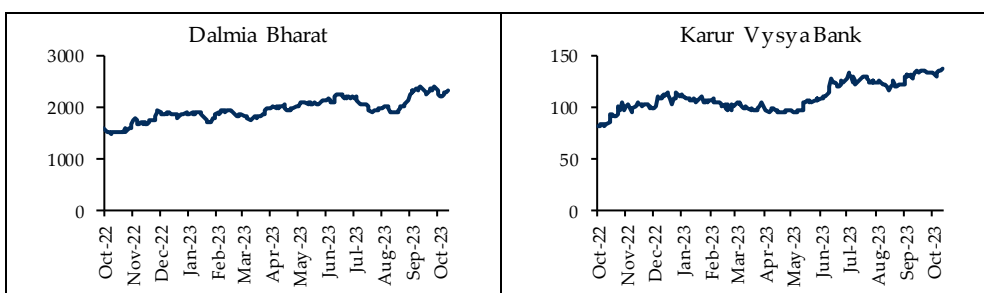
ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Rajesh Ravi	Dalmia Bharat	MBA	NO
Keshav Lahoti	Dalmia Bharat	CA	NO
Krishnan ASV	Karur Vysya Bank	PGDM	NO
Neelam Bhatia	Karur Vysya Bank	PGDM	NO
Akshay Badlani	Karur Vysya Bank	CA	NO



Disclosure:

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