HSIE Results Daily

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Results Reviews

- **UltraTech Cement:** We maintain ADD on UltraTech (UTCEM) with an unchanged target price of INR 11,260 (valuing the cement business at 16.5x Sep-26E consolidated EBITDA and investment in India Cements at 1x BV). In Q2FY25, UTCEM's consolidated volume rose 4% YoY. However, subdued demand and continued competitive pressure led to a 3% fall in grey cement realisation (blended 1% fall). Further, op-lev loss and higher maintenance and employee expenses pulled down the margin further by INR 225/MT QoQ to INR 725/MT. On the positive side, its fuel cost continues to moderate and the share of low-cost green power is rising at a fast pace. UTCEM's capacity will rise by 11% CAGR to 202mn MT by FY27E (ex-India Cements). We estimate UTCEM to deliver 11% volume CAGR (ex-India Cements) over FY24-27E and unit EBITDA to expand to INR 1,349 in FY27E.
- **Oberoi Realty:** Oberoi Realty (ORL) registered presales of INR 14.4bn (+49.5%/+35.2% YoY/QoQ); it was largely backed by sales from 360W contributing 40% of presales, followed by Elysian and Enigma. 360W saw a good amount of traction in Q2FY25 with sales of 6 units (vs 6/4units in Q1FY25/Q2FY24; H1FY25: 12 units) totalling INR 6.6bn and for H1FY25 INR 11.4bn, we believe that ORL would likely be able to sell its 360W inventory over the next 18-24 months. Average price realisation (ASP) at INR 52.4k psf (+20%/+3% YoY/QoQ) is likely aided by rising contribution from 360W. The Pokhran project has finally been launched and saw an overwhelming response with c.50% (INR 13.5bn) of inventory getting sold out within 3 days of the launch. Commerz 3 has seen continued interest, with over 51% of the area leased to Morgan Stanley and as of Sept'24, 100% of the space is expected to be leased out by FY25 end. Additionally, ORL is prepared to launch the final phases of its Borivali and Goregaon projects during H2FY25. Borivali Mall is expected to start its operation by Dec 2024, with a leasing occupancy of >80% by Q1FY26. Regarding recent business developments in Tardeo, Gurgaon, and Adarsh Nagar, ORL plans to launch these projects by Q1FY26/Q2FY26. Given the expected robust cash flows from ready-to-move-in inventory in the 360W and likely fundraising of INR 60bn, we remain constructive on ORL and maintain BUY. We increase our NAV-based TP to INR 2,302/sh to factor in better-than-expected pricing and presales growth.
- **Dalmia Bharat:** We maintain our BUY rating on Dalmia Bharat with an unchanged TP of INR 2,205/sh (12x its Sep-26E consolidated EBITDA). During Q2FY25, while volume growth accelerated to 8% YoY, unit EBITDA slumped ~INR 250/300 per MT QoQ/YoY because of intense competition and monsoon-led weak pricing. Dalmia maintained its confidence in growing its volumes at 1.5x industry and expects pricing to rebound in H2FY25 as the current pricing environment is bad for all companies. Dalmia is also on track to lower its costs by ~INR 200/MT over the next three years as it is scaling up green power consumption, direct dispatches, and targeting lead distance reduction and ramp-up in captive coal mining. Dalmia also inducted a marketing head recently, thus filling an important gap in its leadership team. The fuel cost outlook remains soft, aiding the industry amid weak pricing.
- **Multi Commodity Exchange:** MCX reported a strong quarter led by a surge in options volumes and expansion in margins. The revenue growth of 22% QoQ was led by a 39%/3% QoQ increase in options/futures revenue. The

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options notional ADTV jumped 32% QoQ, but the premium ADTV was up 38% QoQ due to a rise in the premium to notional (P/N) ratio (+7 bps QoQ to 1.7%), driven by a rise in volatility. We remain positive on the MCX growth story, led by (1) the launch of new contracts, (2) a surge in options active traders +65% YoY, (3) traction in options volume, and (4) higher P/N% for crude contracts. The new product pipeline consisting of monthly series contracts, index options, and monthly expiry gold options (launched) will trigger the next phase of volume growth. The regulatory clampdown (increase in lot sizes, higher STT) in equity derivatives makes commodity derivatives more attractive, and the gap between equities and commodities is narrowing gradually. MCX made a voluntary SGF contribution of INR 172mn (~6% of total revenue) as a safety measure, and we expect the SGF contribution to continue. The EBITDA margin expanded 636 bps QoQ to 68.8%, led by growth. The AMC cost for the CDP will hit in Q3, but the overall cost structure remains fixed. We increase our EPS estimates by ~3%/1% for FY26/27E and maintain our BUY rating with a target price of INR 7,100, based on a 40x Dec-26E core PAT + net cash ex SGF

- **City Union Bank:** City Union Bank's (CUBK) earnings were in line with our estimates due to a sustained uptick in loan growth and strong traction in fee income, partially offset by higher provisioning as the management looks to shore up its PCR. Deposit growth (+4.5% QoQ) was healthy with a steady CASA ratio of 29.4%. Given management's strategy to continue medium-term investments in Tech and distribution, opex ratios are expected to stay elevated. While the loan book is on an improving trend, CUBK needs to achieve and sustain better-than-industry growth in the long term to regain its place of pride among the regional private banks. Having invested heavily in transformation, we expect CUBK to demonstrate productivity gains over the next few quarters, which should help sustain and improve its growth momentum further. We revise our FY25/FY26E earnings estimates by ~2% each to factor in marginally higher loan growth and maintain BUY with a revised RI-based TP of INR195 (1.4x Sep-26 ABVPS).

UltraTech Cement

Weak pricing continues to pull down margin

We maintain ADD on UltraTech (UTCEM) with an unchanged target price of INR 11,260 (valuing the cement business at 16.5x Sep-26E consolidated EBITDA and investment in India Cements at 1x BV). In Q2FY25, UTCEM's consolidated volume rose 4% YoY. However, subdued demand and continued competitive pressure led to a 3% fall in grey cement realisation (blended 1% fall). Further, op-lev loss and higher maintenance and employee expenses pulled down the margin further by INR 225/MT QoQ to INR 725/MT. On the positive side, its fuel cost continues to moderate and the share of low-cost green power is rising at a fast pace. UTCEM's capacity will rise by 11% CAGR to 202mn MT by FY27E (ex-India Cements). We estimate UTCEM to deliver 11% volume CAGR (ex-India Cements) over FY24-27E and unit EBITDA to expand to INR 1,349 in FY27E.

- **Q2FY25 performance:** Consolidated volume rose 4% YoY in Q2FY25 (down 13% QoQ), growing ahead of flattish industry growth. Clinker/cement utilization stood at 73/65% in Q2. Weak demand and competitive pressure further pulled down grey cement NSR by 3% QoQ. However, higher other op income moderated the blended NSR decline to 1% QoQ. Share of trade sales remained flat at ~68% QoQ. Opex rose 4% QoQ on higher maintenance expenses and large bonus payouts while volumes declined. Unit input cost remained flat QoQ while logistics cost fell 2% QoQ. Fuel cost cooled by INR 0.16/mnCal QoQ. Share of low-cost green power further rose to 32% vs 29/22% QoQ/YoY. Unit EBITDA thus fell INR ~225 per MT QoQ to INR 725/MT.
- **Con call KTAs, Capex updates and outlook**: UTCEM expects industry demand growth to accelerate in H2FY25 owing to pick-up in infrastructure projects and execution of pent-up demand. The company is hopeful of a cement price uptick in H2FY25. It is targeting above INR 300/MT opex reduction over the next 2-3 years due to the rising share of green power (target of 51/64% for FY26/FY27 vs 24/33% in FY24/25), increase in CC ratio to 1.54x (from 1.46x currently), and lead distance reduction by >25km (to below 375km). As its high-cost fuel contracts get exhausted by Q3FY25, UTCEM expects its fuel cost to also come down by ~INR 0.30/mnCal (from current levels). Its consolidated capacity will increase at 13% CAGR during FY24-27E to 217mn MT, basis ongoing organic expansions and additions of Kesoram and India Cements capacities. We estimate an 11% consolidated volume CAGR during FY24-27E (excluding India Cements). We lower FY25E EBITDA estimates by 3% factoring in weak near-term pricing but maintain our estimates for FY26/27E.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q2 FY25	Q2 FY24	*YoY (%)*	Q1 FY25	*QoQ (%)*	FY23	FY24	FY25E	FY26E	FY27E
Sales (mn MT)	27.8	26.7	*4.3*	32.0	*(12.9)*	105.7	119.1	130.9	147.8	163.9
NSR (INR/MT)	5,616	5,999	*(6.4)*	5,656	*(0.7)*	5,981	5,954	5,686	5,772	5,858
EBITDA(INR/MT)	725	956	*(24.1)*	951	*(23.8)*	1,004	1,089	1,020	1,230	1,349
Net Sales	156.3	160.1	*-2.4*	180.7	*-13.5*	632.4	709.1	744.4	853.1	960.4
EBITDA	20.2	25.5	*-20.9*	30.4	*-33.6*	106.2	129.7	133.5	181.8	221.1
APAT	8.2	12.8	*-36.0*	16.6	*-50.7*	50.6	70.8	69.2	96.8	124.6
AEPS (INR)	28.4	44.4	*-36.0*	57.6	*-50.7*	175.4	245.1	234.9	328.5	422.9
EV/EBITDA (x)						30.3	24.7	24.5	17.9	14.6
EV/MT (INR bn)						23.96	21.62	18.69	17.40	15.96
P/E (x)						63.2	45.3	46.3	33.1	25.7
RoE (%)						*9.7*	*12.3*	*10.6*	*13.0*	*15.1*

Source: Company, HSIE Research

ADD

CMP *(as on 21 Oct 2024)*	INR 10,869
Target Price	INR 11,260
NIFTY	24,781

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 11,260	INR 11,260
EBITDA change %	FY25E *(5.9)*	FY26E *(4.0)*

KEY STOCK DATA	
Bloomberg code	UTCEM IN
No. of Shares (mn)	289
MCap (INR bn) / ($ mn)	3,138/37,327
6m avg traded value (INR mn)	4,319
52 Week high / low	INR 12,138/8,148

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(3.5)	16.1	28.5
Relative (%)	(4.1)	5.0	4.4

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	59.99	59.99
FIs & Local MFs	14.19	13.93
FPIs	18.47	18.65
Public & Others	7.35	7.43
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Oberoi Realty

Growth momentum to pick pace

Oberoi Realty (ORL) registered presales of INR 14.4bn (+49.5%/+35.2% YoY/QoQ); it was largely backed by sales from 360W contributing 40% of presales, followed by Elysian and Enigma. 360W saw a good amount of traction in Q2FY25 with sales of 6 units (vs 6/4units in Q1FY25/Q2FY24; H1FY25: 12 units) totalling INR 6.6bn and for H1FY25 INR 11.4bn, we believe that ORL would likely be able to sell its 360W inventory over the next 18-24 months. Average price realisation (ASP) at INR 52.4k psf (+20%/+3% YoY/QoQ) is likely aided by rising contribution from 360W. The Pokhran project has finally been launched and saw an overwhelming response with c.50% (INR 13.5bn) of inventory getting sold out within 3 days of the launch. Commerz 3 has seen continued interest, with over 51% of the area leased to Morgan Stanley and as of Sept'24, 100% of the space is expected to be leased out by FY25 end. Additionally, ORL is prepared to launch the final phases of its Borivali and Goregaon projects during H2FY25. Borivali Mall is expected to start its operation by Dec 2024, with a leasing occupancy of >80% by Q1FY26. Regarding recent business developments in Tardeo, Gurgaon, and Adarsh Nagar, ORL plans to launch these projects by Q1FY26/Q2FY26. Given the expected robust cash flows from ready-to-move-in inventory in the 360W and likely fundraising of INR 60bn, we remain constructive on ORL and maintain BUY. We increase our NAV-based TP to INR 2,302/sh to factor in better-than-expected pricing and presales growth.

- **Q2FY25 financial highlights**: Revenue: INR 13.2bn (+8.4%/-6.1% YoY/QoQ, a miss by 15%). EBITDA was INR 8.1bn (27.5%/-0.2% YoY/QoQ, a miss by 9%). EBITDA margin was 61% (+923bps/+365bps YoY/QoQ) vs our estimate of 58%. RPAT was INR 5.8bn (29.0%/+0.8%, YoY/QoQ, a miss by 8%). Average price realisation (ASP) at INR 52.4k psf (+20%/+3% YoY/QoQ), likely aided by rising contribution from 360 West.
- **Fundraise of INR 60bn signals big traction:** Oberoi registered presales of INR 14.4bn (+49.5%/+35.2%YoY/QoQ) and saleable area of 0.28msf (+25%/+31%, YoY/QoQ). This was largely backed by sales from 360 West contributing to >40% of presales. Pokhran project – Jardin has been finally launched and has received an overwhelming response with 50% of the inventory being sold out within 3 days of launch worth INR 13.5bn. The Mulund project has started gaining traction as ORL received a full OC certificate during the quarter and expects to sell its balance inventory within 2 years. ORL has recently announced a fundraise of INR 60bn via QIP which signals large BD with funds to be deployed in 4-5 months.
- **Balance sheet position comfortable**: The consolidated gross/net debt stood at INR 20.7/2.9bn vs. INR 21.4/8.5bn as of Jun'24, with net D/E at 0.02x (vs. 0.06x as of Jun'24). Net debt was lower on the back of a robust operating cash flow of INR 8.4bn, resulting in a cash balance of INR 18.3bn (INR 13.8bn in Q1FY25). This improved debt position enhances ORL's ability to pursue new projects and growth opportunities while maintaining a stable risk profile.

Consolidated financial summary (INR mn)

YE Mar (INR mn)	2QFY25	2QFY24	YoY	1QFY24	QoQ	FY24	FY25E	FY26E	FY27E
Net Sales	13,199	12,174	8.4%	14,052	-6.1%	44,958	51,492	56,447	65,105
EBITDA	8,138	6,383	27.5%	8,151	-0.2%	24,099	27,475	30,266	37,677
APAT	5,894	4,568	29.0%	5,845	0.8%	19,266	20,645	22,104	27,008
Diluted EPS (INR)	16.2	12.6	29.0%	16.1	0.8%	53.0	56.8	60.8	74.3
P/E (x)						36.2	33.8	31.6	25.8
EV / EBITDA (x)						29.5	25.8	23.4	18.6
RoE (%)						14.7	14.9	14.7	15.5

Source: Company, HSIE Research

BUY

CMP *(as on 21 Oct 2024)*	INR 1,996
Target Price	INR 2,302
NIFTY	24,781

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,944	INR 2,302
EPS Change (%)	FY25E -	FY26E -

KEY STOCK DATA	
Bloomberg code	OBER IN
No. of Shares (mn)	364
MCap (INR bn) / ($ mn)	726/8,631
6m avg traded value (INR mn)	1,730
52 Week high / low	INR 2,068/1,051

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	19.4	43.1	81.5
Relative (%)	18.7	32.1	57.4

SHAREHOLDING PATTERN (%)	Jun-24	Sept-24
Promoters	67.70	67.70
FIs & Local MFs	12.30	11.96
FPIs	18.15	18.51
Public & Others	1.86	1.83
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Dalmia Bharat

Healthy volume uptick; margin to recover

We maintain our BUY rating on Dalmia Bharat with an unchanged TP of INR 2,205/sh (12x its Sep-26E consolidated EBITDA). During Q2FY25, while volume growth accelerated to 8% YoY, unit EBITDA slumped ~INR 250/300 per MT QoQ/YoY because of intense competition and monsoon-led weak pricing. Dalmia maintained its confidence in growing its volumes at 1.5x industry and expects pricing to rebound in H2FY25 as the current pricing environment is bad for all companies. Dalmia is also on track to lower its costs by ~INR 200/MT over the next three years as it is scaling up green power consumption, direct dispatches, and targeting lead distance reduction and ramp-up in captive coal mining. Dalmia also inducted a marketing head recently, thus filling an important gap in its leadership team. The fuel cost outlook remains soft, aiding the industry amid weak pricing.

- **Q2FY25 performance:** Total sales volume accelerated to 8% YoY (6% in Q1), growing ahead of industry growth of ~2-3%. However, weak pricing amid monsoon and sluggish demand pulled down NSR by 5% QoQ. Opex remained flat QoQ on lower input and freight costs, which offset the op-lev loss. Share of low-cost green power continues to rise: 39% vs 35/29% QoQ/YoY. Its fuel cost also cooled off to INR 1.36/mnCal vs INR 1.38/1.58 per mnCal QoQ/YoY. Thus, unit EBITDA fell ~INR 250/MT QoQ to INR 650/MT (down ~300/MT YoY).
- **Con call KTAs and outlook:** Dalmia lowered its FY25 industry growth guidance to 6% vs 8% earlier. It remained confident of growing 1.5x industry, implying 9% consolidated volume growth in FY25E. Its expansion plans are being finalised. Over the next nine months, Dalmia will release detailed organic expansion plans to increase capacity to 75mn MT by FY28. It reiterated its opex reduction target of ~ INR 200/MT over the next three years which is on track. This will be driven by an increase in renewable power share (to reach 50% in FY26E vs 27/40% in FY24/25E), lead distance reduction, increase in direct dispatches and ramp-up in captive coal mining. We estimate Dalmia to deliver a consolidated volume CAGR of 8% during FY24-27E (in-line industry growth). While we lower the FY25E consolidated EBITDA estimate by 2.5% (factoring in weak pricing in the near term), we maintain our EBITDA estimates for FY26/27E and target price. We estimate a total Capex of INR 114bn over FY25-27E, which should keep net debt to EBITDA well under 2x.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Sales (mn MT)	6.7	6.2	*7.7*	7.4	*(10.1)*	25.8	28.8	30.8	33.3	36.6
NSR (INR/MT)	4,621	5,085	*(9.1)*	4,875	*(5.2)*	5,255	5,103	4,848	4,945	4,994
EBITDA(INR/MT)	650	956	*(32.1)*	901	*(27.9)*	903	917	887	1,011	1,030
Net Sales	30.87	31.53	*(2.1)*	36.21	*(14.7)*	135.52	146.91	149.33	164.51	182.77
EBITDA	4.34	5.93	*(26.8)*	6.69	*(35.1)*	23.28	26.39	27.32	33.64	37.69
APAT	0.46	1.19	*(61.3)*	2.54	*(67.4)*	6.56	8.27	8.73	11.96	12.76
AEPS (INR)	2.5	6.3	*(61.3)*	13.5	*(81.9)*	35.5	43.5	45.9	62.9	67.1
EV/EBITDA (x)						15.2	13.3	13.0	10.7	9.5
EV/MT (INR bn)						9.2	7.9	7.2	7.3	7.3
P/E (x)						51.7	41.0	38.9	28.4	26.6
RoE (%)						4.1	5.1	*5.2*	*6.7*	*6.8*

Source: Company, HSIE Research

BUY

CMP *(as on 21 Oct 2024)*	INR 1,834
Target Price	INR 2,205
NIFTY	24,781

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,205	INR 2,205
EBITDA revision %	FY25E *-2.5*	FY26E *0.0*

KEY STOCK DATA	
Bloomberg code	DALBHARA IN
No. of Shares (mn)	188
MCap (INR bn) / ($ mn)	343/4,084
6m avg traded value (INR mn)	883
52 Week high / low	INR 2,431/1,651

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	0.7	(5.8)	(15.2)
Relative (%)	(0.0)	(16.8)	(39.3)

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	55.84	55.84
FIs & Local MFs	13.61	14.58
FPIs	9.43	8.94
Public & Others	21.12	20.64
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Multi Commodity Exchange

Options powering growth; costs under check

MCX reported a strong quarter led by a surge in options volumes and expansion in margins. The revenue growth of 22% QoQ was led by a 39%/3% QoQ increase in options/futures revenue. The options notional ADTV jumped 32% QoQ, but the premium ADTV was up 38% QoQ due to a rise in the premium to notional (P/N) ratio (+7 bps QoQ to 1.7%), driven by a rise in volatility. We remain positive on the MCX growth story, led by (1) the launch of new contracts, (2) a surge in options active traders +65% YoY, (3) traction in options volume, and (4) higher P/N% for crude contracts. The new product pipeline consisting of monthly series contracts, index options, and monthly expiry gold options (launched) will trigger the next phase of volume growth. The regulatory clampdown (increase in lot sizes, higher STT) in equity derivatives makes commodity derivatives more attractive, and the gap between equities and commodities is narrowing gradually. MCX made a voluntary SGF contribution of INR 172mn (~6% of total revenue) as a safety measure, and we expect the SGF contribution to continue. The EBITDA margin expanded 636 bps QoQ to 68.8%, led by growth. The AMC cost for the CDP will hit in Q3, but the overall cost structure remains fixed. We increase our EPS estimates by ~3%/1% for FY26/27E and maintain our BUY rating with a target price of INR 7,100, based on a 40x Dec-26E core PAT + net cash ex SGF

- **Q2FY25 highlights**: MCX revenue grew +22/73% QoQ/YoY to INR 2.86bn (in line with our estimates). Options/Futures revenue stood at INR 1.80/0.77bn, up 41/8% QoQ and realisation stood at INR 423.2/20.7. Futures ADTV grew 3.7% QoQ to INR 269bn, supported by energy (+18%) and metals (+5%) and offset by muted growth in bullion (-0.4%). Options notional ADTV was up 32% QoQ whereas premium was up by 38% QoQ, led by higher premium realization. The total cost was up 1.2% QoQ but excluding the INR 50mn one-time cost related to SEBI provisions, the total cost declined by ~4.5% QoQ led by lower tech cost (-7.5% QoQ). Options notional/premium ADTV stood at INR 1,933/32.64bn and options are now 70% of transaction revenue. Crude/ bullion/natural gas contributed 78/13/9% to options volume.
- **Outlook:** We estimate a +15/+49% futures/options premium CAGR over FY24-27E, resulting in +35/43% revenue/APAT CAGRs over FY24-27E. The notional assumptions are INR 2.1/2.9/3.7 trn, options premium assumption is INR 34.77/47.04/55.58bn, and premium realisation is at 1.65/1.62/1.50% for FY25/26/27E.

Quarterly financial summary

YE March (Rs bn)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	2.86	1.65	*73.0*	2.34	*21.9*	5.14	6.84	11.77	14.75	16.91
EBITDA	1.97	-0.15	*NM*	1.46	*34.3*	1.50	0.97	8.04	10.60	12.41
APAT	1.54	-0.19	*NM*	1.11	*38.5*	1.49	0.83	6.12	8.17	9.56
Diluted EPS (Rs)	30.1	(3.7)	*NM*	21.7	*38.5*	29.3	16.3	120.0	160.3	187.4
P/E (x)						226.5	406.8	55.2	41.4	35.4
EV / EBITDA (x)						220.1	336.7	40.7	30.7	26.0
RoE (%)						10.3	5.8	41.5	47.9	47.7

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

INR mn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue	11.76	11.77	*0.1*	14.55	14.75	*1.4*	16.90	16.91	*0.1*
EBITDA	7.98	8.04	*0.8*	10.29	10.60	*3.1*	12.26	12.41	*1.2*
EBITDA Margin(%)	67.9	68.4	51bps	70.7	71.9	116bps	72.6	73.4	81bps
APAT	6.10	6.12	*0.3*	7.93	8.17	*3.1*	9.44	9.56	*1.3*
EPS (Rs)	119.9	120.0	*0.1*	155.8	160.3	*2.9*	185.4	187.4	*1.1*

Source: Company, HSIE Research

BUY

CMP *(as on 21 Oct 2024)*	**INR 6,629**
Target Price	**INR 7,100**
NIFTY	**24,781**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 7,000	INR 7,100
EPS %	FY25E +0.1	FY26E +2.9

KEY STOCK DATA	
Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (INR bn) / ($ mn)	338/4,021
6m avg traded value (INR mn)	3,010
52 Week high / low	INR 6,680/2,162

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	73.3	74.8	185.7
Relative (%)	72.7	63.8	161.6

SHAREHOLDING PATTERN (%)	**Jun-24**	**Sep-24**
Promoters	0.00	0.00
FIs & Local MFs	57.25	57.46
FPIs	20.69	22.07
Public & Others	22.06	20.47
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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City Union Bank

Core portfolio picking up momentum

City Union Bank's (CUBK) earnings were in line with our estimates due to a sustained uptick in loan growth and strong traction in fee income, partially offset by higher provisioning as the management looks to shore up its PCR. Deposit growth (+4.5% QoQ) was healthy with a steady CASA ratio of 29.4%. Given management's strategy to continue medium-term investments in Tech and distribution, opex ratios are expected to stay elevated. While the loan book is on an improving trend, CUBK needs to achieve and sustain better-than-industry growth in the long term to regain its place of pride among the regional private banks. Having invested heavily in transformation, we expect CUBK to demonstrate productivity gains over the next few quarters, which should help sustain and improve its growth momentum further. We revise our FY25/FY26E earnings estimates by ~2% each to factor in marginally higher loan growth and maintain BUY with a revised RI-based TP of INR195 (1.4x Sep-26 ABVPS).

- **Sustained growth momentum, coupled with stable margins:** Loan growth picked up during Q2 to 12% YoY vs. 10% YoY in Q1FY25 with stronger traction in core MSME and gold loan portfolio. NIMs reflated to 3.7% (+13 bps QoQ) with a pick-up in yields, driven by gold loans, while the cost of funds remained steady. We build in loan growth of 15% CAGR over FY24-FY27E, benefitting from a lower base with a rebound in core MSME and gold book and secured retail lending picking up in FY26.
- **Asset quality improves sequentially:** CUBK continued to witness negative net slippages, along with moderation in gross slippages (~1.5%). GNPA/NNPA declined sequentially to 3.5%/1.6% (Q1FY25: 3.9%/1.9%) due to higher write-offs (0.8%) as management intends to bring down its NNPA to 1.2-1.25% by Mar-25, along with shoring of its coverage ratio (+60%).
- **Consistent loan growth essential to restore the place of pride:** We believe that CUBK will need to monetise its investments in digital lending (MSME book) and secured retail (HL, Mirco LAP, and VL) portfolio to deliver better throughput and market share gains. With high opex intensity (C/I at 47%) and higher provisioning ahead, strong incremental growth remains a critical factor for sustaining earnings growth.

Financial summary

(INR bn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
NII	5.8	5.4	*8.2%*	5.5	*6.8%*	21.2	23.2	25.9	29.5
PPOP	4.3	3.9	*10.8%*	3.7	*14.7%*	15.2	17.0	20.1	23.3
PAT	2.9	2.8	*1.7%*	2.6	*7.8%*	10.2	11.3	13.0	14.9
EPS (INR)	3.9	3.8	*1.9%*	3.5	*8.8%*	13.7	15.2	17.6	20.2
ROAE (%)						12.8	12.6	13.0	13.1
ROAA (%)						1.5	1.5	1.5	1.6
ABVPS (INR)						101.0	118.8	135.4	153.9
P/ABV (x)						1.5	1.3	1.1	1.0
P/E (x)						11.0	9.9	8.5	7.5

Change in estimates

(INR bn)	FY25E			FY26E		
	Old	New	Δ	Old	New	Δ
Net advances	513	517	0.7%	593	597	0.6%
NIM (%)	3.3	3.4	8 bps	3.4	3.3	-4 bps
NII	22.7	23.2	2.0%	25.9	25.9	-0.3%
PPOP	16.9	17.0	0.3%	19.6	20.1	2.1%
PAT	11.1	11.3	1.7%	12.7	13.0	2.5%
Adj. BVPS (INR)	115.2	118.8	3.1%	130.4	135.4	3.8%

Source: Company, HSIE Research

BUY

CMP ***(as on 21 Oct 2024)***	**INR 151**
Target Price	**INR195**
NIFTY	**24,781**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR185	INR195
EPS %	FY25E	FY26E
	1.7%	2.5%

KEY STOCK DATA	
Bloomberg code	CUBK IN
No. of Shares (mn)	741
MCap (INR bn) / ($ mn)	112/1,327
6m avg traded value (INR mn)	632
52 Week high / low	INR 176/125

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(3.0)	(2.1)	10.7
Relative (%)	(3.6)	(13.2)	(13.4)

SHAREHOLDING PATTERN (%)	**Jun-24**	**Sep-24**
Promoters	0.0	0.0
FIs & Local MFs	32.6	33.6
FPIs	26.4	26.0
Public & Others	41.0	40.4
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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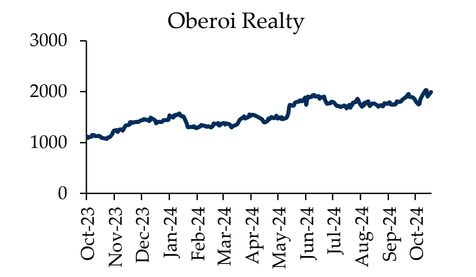
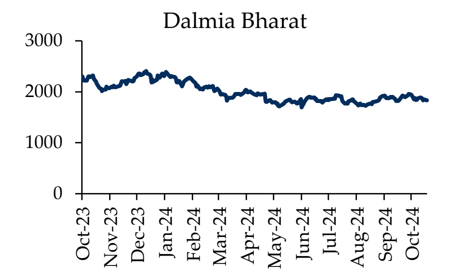
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

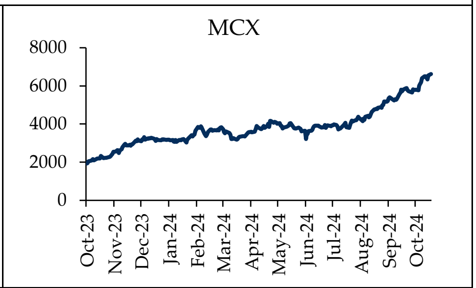
Disclosure:

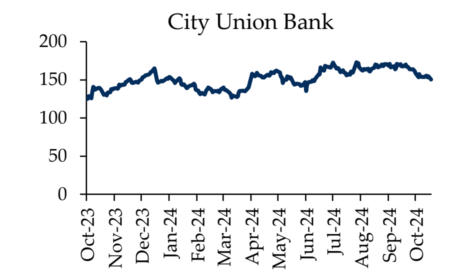
Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Oberoi Realty	CFA	NO
Jay Shah	Oberoi Realty	CA	NO
Aditya Sahu	Oberoi Realty	MBA	NO
Rajesh Ravi	UltraTech Cement, Dalmia Bharat	MBA	NO
Keshav Lahoti	UltraTech Cement, Dalmia Bharat	CA	NO
Riddhi Shah	UltraTech Cement, Dalmia Bharat	MBA	NO
Amit Chandra	Multi Commodity Exchange	MBA	NO
Dhananjay Jain	Multi Commodity Exchange	CA	NO
Krishnan ASV	City Union Bank	PGDM	NO
Akshay Badlani	City Union Bank	CA	NO

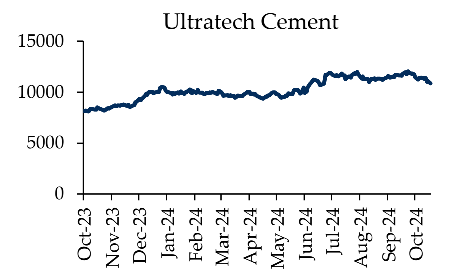
1 Yr Price movement











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