INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Kotak Mahindra Bank:** Kotak Mahindra Bank's (KMB) earnings were marginally above our estimates, with healthy growth on both sides of the balance sheet and stable margins, offset by elevated credit costs from the unsecured book. Loan growth came in at 15% YoY / 3.6% QoQ with healthy growth across secured businesses. Margins remained stable at 4.9%, despite strong growth, supported by a full-quarter impact of 50bps rate cut in select SA buckets, and stronger traction in CA (+5% QoQ) and TD sweeps (+31% YoY). The management continues to engage with the RBI on corrective measures taken post the regulatory embargo. With KMB harbouring ambitions of becoming the third-largest private bank in the medium-term, we expect investments to remain elevated to augment balance sheet growth. We trim our FY25E/FY26E estimates by ~4%/2%, largely owing to elevated credit costs, even as KMB remains buoyant on growth trajectory across segments; maintain BUY with revised SOTP-based TP of INR2,040 (standalone bank at 2.2x Sep-26 ABVPS).
- **SBI Life Insurance:** SBILIFE's 9MFY25 print was in line with our estimates as VNB clocked in at INR42.9bn (+6.2% YoY) and VNB margins softened to 26.9% (-120bps YoY), on the back of a higher share of ULIP in the overall APE mix at 72% (9MFY24: 68%). Basis management commentary, we cut our APE growth forecast to 12% YoY, driven by sustained growth in individual business, offset by a lumpy Q4FY24 base of non-recurring group fund business. Our high conviction BUY continues to be anchored on three powerful and sustainable moats: (a) exclusive access to SBIN's massive distribution network (branch penetration at ~2%); (b) scope for improvement in margin-accretive traditional mix; and (c) lowest cost (excluding renewal comm)/APE ratio among peers at 33.9% (9MFY24: 34.6%). We expect SBILIFE to deliver FY24-27E APE/VNB CAGR of 15%/15%; we maintain BUY with a TP of INR2,050 (2.3x Sep-26E EV).
- **Indian Hotels:** IHCL's Q3FY25 performance was better than expectations as it capitalised on to the tailwinds of a seasonally strong quarter. Revenue grew by 29% YoY to INR25.3bn, driven by continued robust occupancy (78%, +1pp YoY) and impressive ARR growth of +11% YoY, resulting in remarkable RevPAR growth of 13% YoY at the consolidated domestic level. Supply lagging demand, continued momentum of domestic tourism, wedding season, large-scale concerts and pilgrimages have been supporting high occupancies at key hotel locations. In our view, the supply-demand mismatch will continue to favour IHCL at key locations for the next few years, supporting a high single-digit RevPAR CAGR until FY27. This will ensure healthy absorption of incremental room addition. While sub-par foreign tourists' arrival is a growth lever which is yet to play itself out, we highlight that current occupancy of 78% is almost nearing peak. Hereon, RevPAR growth would be mainly driven by ARR growth which also has limited room for growth given its high base. We incorporate excellent performance of Q3FY25 and upgrade EPS for FY26 by ~6% and introduce FY27. Despite robust performance of the company, due to the steep surge in stock price, we maintain our REDUCE rating with an EV/EBITDA multiple of 25x and a revised TP of INR705 as we roll forward to FY27E.

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- **ICICI Lombard General Insurance:** ICICI Lombard (ICICIGI) reported strong growth in NEP/PAT at 17%/68% YoY, although combined ratio (COR) was at 102.7%, bolstered by substantial reserve release in the Motor TP segment and partly offset by accounting changes on long term policies. Although the earnings surprised positively, we believe that the quality of earnings is inferior, given that these were predominantly driven by massive reserve releases and substantial capital gains recognition. ICICIGI continued to strengthen its market position, clocking market share gains across all major lines of business to 9.0% (9MFY24: 8.8%). While the management expects rationality in property rates during the Mar-25 quarter, we expect a change in behaviour only from Apr-25. We cut our FY26E estimates by 10% and pencil in CoR at 103.0%/102.2% for FY25E/26E; while we expect FY26E earnings to be flat on YoY basis, we believe the quality of earnings is likely to be superior. We maintain BUY with a TP of INR2,210 (38.1x Sep-26E EPS) on the back of sustained dominance in core businesses (motor and commercial lines), likely tailwinds from easing competitive pressures on account of growing EOM compliance by peers and build-out of capabilities in the retail health segment.
- **Metro Brands:** MBL topline grew 10.6% YoY to INR 7.03bn (in-line). Revenue/sq. ft. continued to normalize due to shifting store mix. GM contracted 125bps YoY to 58.6% due to FILA's inventory liquidation (now complete). EBITDAM expanded 70bps YoY to 32% (HSIE: 30.3%), driven by better cost optimization and restructuring of Fila's royalty expense with Fila Global. While the company has acknowledged they may fall short on their FY25 store addition guidance, its likely to make up for it in FY26 (guidance: 140-145 additions). We marginally cut our estimates by 1-2% respectively and maintain our SELL rating on the stock, with a DCF-based TP of INR960/sh, implying 45x FY27E P/E.
- **RBL Bank:** RBL Bank (RBK) reported a net loss (prior to tax write-back) due to continued elevated slippages and accelerated provisioning in the MFI book, coupled with stress in the CC portfolio, partly offset by strong other income (+38% YoY). Loan growth moderated further to 13% YoY (H1FY25: 15%) while the CASA ratio deteriorated 75bps QoQ to 32.8% despite deposits degrowing sequentially (-1% QoQ), even as the LCR improved to 143% (H1FY25: 129%). The management intends to provide for majority of the stress in its unsecured book during FY25 itself and hence, expects Q4FY25 outcomes similar to Q3FY25. While the bank continues to improve its branch-led sourcing and diversify its secured retail, elevated stress in the unsecured book and shrinking margins are likely to drive sub-par return ratios in the medium-term. We cut our FY25E earnings estimates by ~30%, factoring in further loan loss provisioning and lower margins. We maintain REDUCE with a revised TP of INR120 (0.4x Sep-26 ABVPS).

Kotak Mahindra Bank

Commendable performance in a tough environment

Kotak Mahindra Bank's (KMB) earnings were marginally above our estimates, with healthy growth on both sides of the balance sheet and stable margins, offset by elevated credit costs from the unsecured book. Loan growth came in at 15% YoY / 3.6% QoQ with healthy growth across secured businesses. Margins remained stable at 4.9%, despite strong growth, supported by a full-quarter impact of 50bps rate cut in select SA buckets, and stronger traction in CA (+5% QoQ) and TD sweeps (+31% YoY). The management continues to engage with the RBI on corrective measures taken post the regulatory embargo. With KMB harbouring ambitions of becoming the third-largest private bank in the medium-term, we expect investments to remain elevated to augment balance sheet growth. We trim our FY25E/FY26E estimates by ~4%/2%, largely owing to elevated credit costs, even as KMB remains buoyant on growth trajectory across segments; maintain BUY with revised SOTP-based TP of INR2,040 (standalone bank at 2.2x Sep-26 ABVPS).

- **Healthy loan growth coupled with stable margins:** KMB reported NII/PPoP growth of ~10% YoY, driven by lower loan growth (+15% YoY) and healthy margins. Loan growth was strong across segments such as mortgages, SMEs, secured BL and CVs, while remaining soft in the unsecured businesses (PL+CC+MFI), owing to the regulatory embargo and elevated stress.
- **Improvement in asset quality:** KMB's asset quality exhibited improvement, with slippages at 1.6% (annualised) (Q2FY25: 1.9%), even as the credit costs remained elevated at 68bps (Q2FY25: 65bps). The management indicated that stress in personal loans is easing while it may have peaked in the case of credit cards. However, the management highlighted continued elevated stress in the MFI business and early signs of stress in the retail CV segment. We expect credit costs to remain elevated in most of the high-risk segments and build in credit costs of 65-75bps for FY25e-FY27e.
- **Balancing growth-margin trade-off a key challenge:** KMB continues to ramp up its investments across tech & IT controls, people, and distribution, in its efforts to drive incremental operating efficiencies. Deposit mobilisation concomitant with optimal pricing in the current environment remains a key challenge, driving a growth-margin trade-off, alongside the need to manage elevated stress in high-yielding segments.

Financial summary (Standalone)

(INR bn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
NII	72.0	65.5	*9.8%*	70.2	*2.5%*	259.9	283.0	327.5	386.1
#PPOP	51.8	45.7	*13.5%*	51.0	*1.6%*	195.9	244.1	252.1	292.8
#PAT	33.0	30.1	*10.0%*	33.4	*-1.2%*	137.8	164.0	159.9	183.3
EPS (INR)	16.6	15.1	*9.9%*	16.8	*-1.2%*	69.3	82.5	80.4	92.2
ROAE (%)						15.3	15.7	13.3	13.3
ROAA (%)						2.5	2.6	2.2	2.2
ABVPS (INR)						460.5	538.3	613.3	701.1
P/ABV (x)						3.8	3.3	2.9	2.5
P/E (x)						25.4	21.3	21.9	19.1

Change in estimates

(INR bn)	FY25E			FY26E			FY27E		
	New	Old	Δ	New	Old	Δ	New	Old	Δ
Net advances	4,361	4,383	-0.5%	5,108	5,135	-0.5%	6,041	6,009	-0.5%
NIM (%)	4.8	5.0	-17 bps	4.9	4.9	-2 bps	4.9	4.9	1 bps
NII	283.0	294.7	-4.0%	327.5	332.9	-1.6%	390.1	386.1	-1.0%
PPOP	244.1	254.7	-4.1%	252.1	253.6	-0.6%	295.7	292.8	-1.0%
PAT	164.0	171.4	-4.4%	159.9	163.6	-2.2%	188.0	183.3	-2.5%
Adj. BVPS (INR)	538.3	542.4	-0.8%	613.3	619.7	-1.0%	709.0	701.1	-1.1%

Source: Company, HSIE Research

BUY

CMP *(as on 17 Jan 2025)*	INR 1,759
Target Price	INR 2,040
NIFTY	23,203

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR2,030	INR 2,040
	FY25E	FY26E
EPS %	-4.4%	-2.2%

KEY STOCK DATA	
Bloomberg code	KMB IN
No. of Shares (mn)	1,988
MCap (INR bn) / ($ mn)	3,496/40,368
6m avg traded value (INR mn)	7,987
52 Week high / low	INR 1,953/1,544

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(5.7)	(2.6)	(1.2)
Relative (%)	(0.2)	2.5	(8.3)

SHAREHOLDING PATTERN (%)	Sep-24	Dec-24
Promoters	25.9	25.9
FIs & Local MFs	27.9	28.8
FPIs	33.4	32.5
Public & Others	12.8	12.8
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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SBI Life Insurance

Changing mix; improving profitability

SBILIFE's 9MFY25 print was in line with our estimates as VNB clocked in at INR42.9bn (+6.2% YoY) and VNB margins softened to 26.9% (-120bps YoY), on the back of a higher share of ULIP in the overall APE mix at 72% (9MFY24: 68%). Basis management commentary, we cut our APE growth forecast to 12% YoY, driven by sustained growth in individual business, offset by a lumpy Q4FY24 base of non-recurring group fund business. Our high conviction BUY continues to be anchored on three powerful and sustainable moats: (a) exclusive access to SBIN's massive distribution network (branch penetration at ~2%); (b) scope for improvement in margin-accretive traditional mix; and (c) lowest cost (excluding renewal comm)/APE ratio among peers at 33.9% (9MFY24: 34.6%). We expect SBILIFE to deliver FY24-27E APE/VNB CAGR of 15%/15%; we maintain BUY with a TP of INR2,050 (2.3x Sep-26E EV).

- **Focus shift to NPAR**: During the quarter, SBILIFE launched a new NPAR product that garnered a premium of INR2.5bn (in 20 days since its launch). In addition, there was a strong rebound in individual protection sales (+26% YoY). Despite Q3 being a ULIP-heavy quarter historically, we believe SBILIFE was able to garner strong traction in the NPAR savings and the protection segment in Q3FY25. Our channel checks suggest that SBILIFE has launched multiple initiatives to improve NPAR mix, in line with management commentary. Our forecasts build in a gradual improvement in the NPAR savings and protection mix (within individual APE) to ~23% by FY25 and further to 27% by FY27E (9MFY25: 21.4%).
- **VNB margin expansion on the cards:** While the management guided for VNB margin in the range 27-29% on the back of improving product mix, we believe that SBILIFE is likely to be the only life insurer that will report VoNB growth higher than APE growth in the coming years.

Financial summary

(INR bn)	9MFY24	9MFY25	% Δ	FY24	FY25E	FY26E	FY27E
NBP	260.0	262.6	1.0%	382.4	414.0	463.9	517.1
APE	143.9	159.7	11.0%	197.2	220.3	256.9	298.3
VNB	40.4	42.9	6.2%	55.5	60.0	71.1	84.1
VNB margin (%)	28.1	26.9	-120bps	28.1%	27.2%	27.7%	28.2%
EV				582.3	714.3	835.3	984.0
P/EV (x)				2.6	2.2	1.8	1.6
P/VNB (x)				19.5	16.0	11.7	8.4
ROEV %				21.8%	19.1%	18.0%	18.2%

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY25E			FY26E			FY27E		
	Old	New	% Δ	Old	New	%Δ	Old	New	%Δ
APE	223.8	220.3	-1.6%	259.6	256.9	-1.1%	298.3	298.3	0.0%
VNB	62.26	60.0	-3.7%	72.0	71.1	-1.3%	82.9	84.1	1.5%
VNB Margin (%)	27.8	27.2	-59bps	27.7	27.7	-7bps	27.8	28.2	42bps
EV	716.6	714.3	-0.3%	838.7	835.3	-0.4%	986.5	984.0	-0.3%

Source: Company, HSIE Research

BUY

CMP *(as on 17 Jan 2025)*	INR 1,540
Target Price	INR 2,050
NIFTY	23,203

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,020	INR 2,050
VNB %	FY25E	FY26E
	-3.7%	-1.3%

KEY STOCK DATA	
Bloomberg code	SBILIFE IN
No. of Shares (mn)	1,002
MCap (INR bn) / ($ mn)	1,544/17,823
6m avg traded value (INR mn)	2,756
52 Week high / low	INR 1,936/1,307

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(9.5)	(5.0)	8.4
Relative (%)	(4.1)	0.1	1.2

SHAREHOLDING PATTERN (%)	Sep-24	Dec-24
Promoters	55.4	55.4
FIs & Local MFs	15.3	17.9
FPIs	25.2	22.5
Public & Others	4.1	4.2
Pledged Shares	Nil	Nil

Source: BSE

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Indian Hotels

Firing on all cylinders

IHCL's Q3FY25 performance was better than expectations as it capitalised on to the tailwinds of a seasonally strong quarter. Revenue grew by 29% YoY to INR25.3bn, driven by continued robust occupancy (78%, +1pp YoY) and impressive ARR growth of +11% YoY, resulting in remarkable RevPAR growth of 13% YoY at the consolidated domestic level. Supply lagging demand, continued momentum of domestic tourism, wedding season, large-scale concerts and pilgrimages have been supporting high occupancies at key hotel locations. In our view, the supply-demand mismatch will continue to favour IHCL at key locations for the next few years, supporting a high single-digit RevPAR CAGR until FY27. This will ensure healthy absorption of incremental room addition. While sub-par foreign tourists' arrival is a growth lever which is yet to play itself out, we highlight that current occupancy of 78% is almost nearing peak. Hereon, RevPAR growth would be mainly driven by ARR growth which also has limited room for growth given its high base. We incorporate excellent performance of Q3FY25 and upgrade EPS for FY26 by ~6% and introduce FY27. Despite robust performance of the company, due to the steep surge in stock price, we maintain our REDUCE rating with an EV/EBITDA multiple of 25x and a revised TP of INR705 as we roll forward to FY27E.

- **Q3FY25 highlights (consolidated):** In Q3FY25, revenue grew strongly by 29% YoY to INR25.3bn, beating consensus by 3%. EBITDA rose to INR 9.6bn (+31% YoY, +92% QoQ). IHCL benefitted by tailwinds of a seasonally strong quarter filled with more wedding days. Robust topline growth was driven by an impressive 11% YoY ARR growth and a 2% YoY increase in room nights at the domestic consolidated level, resulting in RevPAR of INR 10,170, marking a healthy 13% YoY growth. Savings in RM, marketing expenses, and operating leverage helped Adj. PAT grow to INR 5.8bn (+29% YoY, +136% QoQ). As part of the asset-light growth strategy, managed hotel rooms grew by 13% YoY to 14,106, with management fees reaching INR 1.8bn (+32% YoY). Further, Tajsats reported revenue of INR 2.8bn (+18% YoY) with an EBITDA margin of 26.7% (+90bps YoY).
- **Group update (Q3FY25):** New and reimagined businesses continue to drive overall growth. New business (including Ginger, ama and Qmin) reported consolidated revenue of INR 1.6bn (+40% YoY) with a 45% EBITDAR margin (+5pp YoY). Ama has expanded to a portfolio of 119 operational properties with an overall portfolio of 250 properties.
- **Outlook:** IHCL signed 55 new hotels and opened 20 new hotels in 9MFY25. The company is capitalizing on demand tailwinds by planning to add 17,664 rooms (80% managed) across 123 hotels (+68% from the dec'24 inventory level of 25,935 across 237 hotels) by FY30. We maintain our REDUCE rating with an EV/EBITDA multiple of 25x and a revised TP of INR 705 as we roll forward to FY27E.

Financial Summary

(INR mn, Mar YE)	3Q FY25	3Q FY24	YoY (%)	2Q FY25	QoQ (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Net Revenues	25,331	19,638	29%	18,261	39%	58,099	67,430	83,482	96,004	1,10,405
EBITDA	9,617	7,323	31%	5,013	92%	18,046	21,982	28,164	32,952	38,883
APAT	5,823	4,520	29%	2,472	136%	10,003	12,380	16,612	20,220	24,460
Diluted Consol EPS (INR)	4.09	3.18	29%	1.74	135%	7.0	8.7	11.7	14.2	17.2
P/E (x)						115.7	93.5	69.7	57.3	47.3
EV/EBITDA						63.6	52.2	40.8	34.8	29.5
RoE (%)						13.3	14.4	16.1	16.6	17.6

Source: Company, HSIE Research

REDUCE

CMP *(as on 17 Jan 2025)*	**INR 813**
Target Price	**INR 705**
NIFTY	**23,203**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 550	INR 705
EPS Change %	FY26E	FY27E
	+6%	NA

KEY STOCK DATA	
Bloomberg code	IH IN
No. of Shares (mn)	1,423
MCap (INR bn) / ($ mn)	1,157/13,367
6m avg traded value (INR mn)	2,813
52 Week high / low	INR 895/451

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	18.3	38.6	76.1
Relative (%)	23.8	43.7	68.9

SHAREHOLDING PATTERN (%)	**Sept-24**	**Dec-24**
Promoters	38.1	38.1
FIs & Local MFs	18.7	18.4
FPIs	27.4	27.8
Public & Others	15.7	15.6
Pledged Shares	-	

Source : BSE

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ICICI Lombard General Insurance

Super-normal earnings likely to taper off

ICICI Lombard (ICICIGI) reported strong growth in NEP/PAT at 17%/68% YoY, although combined ratio (COR) was at 102.7%, bolstered by substantial reserve release in the Motor TP segment and partly offset by accounting changes on long term policies. Although the earnings surprised positively, we believe that the quality of earnings is inferior, given that these were predominantly driven by massive reserve releases and substantial capital gains recognition. ICICIGI continued to strengthen its market position, clocking market share gains across all major lines of business to 9.0% (9MFY24: 8.8%). While the management expects rationality in property rates during the Mar-25 quarter, we expect a change in behaviour only from Apr-25. We cut our FY26E estimates by 10% and pencil in CoR at 103.0%/102.2% for FY25E/26E; while we expect FY26E earnings to be flat on YoY basis, we believe the quality of earnings is likely to be superior. We maintain BUY with a TP of INR2,210 (38.1x Sep-26E EPS) on the back of sustained dominance in core businesses (motor and commercial lines), likely tailwinds from easing competitive pressures on account of growing EOM compliance by peers and build-out of capabilities in the retail health segment.

- **Sub-optimal quality of earnings:** Capital gains accounted for INR7.97bn (2X jump compared to 9MFY24); our analysis suggests that excessive reserve releases during 9MFY25 contributed ~INR6bn (30% of 9MFY25 PAT), substantially higher than in earlier years. Additionally, we believe these primarily pertain to FY20 and FY21 Motor TP book (originated during the pandemic), which saw no major loss development during the initial years, reflecting in super-normal reserve releases during the current year.
- **FY26 - flat on earnings but superior on quality:** Despite multiple headwinds (higher competitive intensity in the cash cow commercial lines business; weak automobile sales and a muted investment cycle), we believe FY25E earnings are likely to be super-normal on the back of abnormally high reserve releases, which is unsustainable. We build flat earnings trajectory for FY26E on account of likely normalisation in capital gains and reserve releases; we maintain BUY with TP of INR2,210 (38.1x Sept-26E EPS).

Financial summary

(INR bn)	Q3FY25	Q3FY24	YoY%	Q2FY25	FY24	FY25E	FY26E	FY27E
Net written premium	50.8	46.9	8.4	48.4	181.7	201.6	224.8	254.7
Net earned premium	50.5	43.0	17.2	50.3	168.7	195.9	220.0	251.7
COR (%) IRDAI	102.7	103.6	-90bps	104.5	103.3	103.0	102.2	101.0
PAT	7.2	4.3	67.8	6.9	18.4	25.0	25.5	31.8
ROE (%)	19.7	14.1	566bps	19.4	15.6	18.4	16.8	18.4

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY25E			FY26E			FY27E		
	Revised	Old	Change %	Revised	Old	Change %	Revised	Old	Change %
Net written premium	201.6	208.9	(3.5)	224.8	239.1	(6.0)	254.7	274.7	(7.3)
Net earned premium	195.9	197.1	(0.6)	220.0	224.6	(2.0)	251.7	253.7	(0.8)
COR (%) IRDAI	103.0	102.4	66bps	102.2	101.9	30bps	101.0	101.3	-28bps
PAT	25.0	24.0	4.1	25.5	28.2	(9.6)	31.8	33.7	(5.8)
ROE (%)	18.4	17.1	128bps	16.8	17.3	-50bps	18.4	17.9	54bps

Source: Company, HSIE Research

BUY

CMP *(as on 17 Jan 2025)*	INR 1,949
Target Price	INR 2,210
NIFTY	23,203

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,210	INR 2,210
EPS%	FY25E	FY26E
	+4%	-10%

KEY STOCK DATA	
Bloomberg code	ICICIGI IN
No. of Shares (mn)	495
MCap (INR bn) / ($ mn)	965/11,142
6m avg traded value (INR mn)	1,533
52 Week high / low	INR 2,302/1,381

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(4.5)	4.0	34.0
Relative (%)	0.9	9.1	26.8

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	51.8	51.7
FIs & Local MFs	17.3	16.7
FPIs	23.9	24.8
Public & Others	7.0	6.9
Pledged Shares	Nil	Nil

Source : BSE

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Metro Brands

Returns to double-digit growth

MBL topline grew 10.6% YoY to INR 7.03bn (in-line). Revenue/sq. ft. continued to normalize due to shifting store mix. GM contracted 125bps YoY to 58.6% due to FILA's inventory liquidation (now complete). EBITDAM expanded 70bps YoY to 32% (HSIE: 30.3%), driven by better cost optimization and restructuring of Fila's royalty expense with Fila Global. While the company has acknowledged they may fall short on their FY25 store addition guidance, its likely to make up for it in FY26 (guidance: 140-145 additions). We marginally cut our estimates by 1-2% respectively and maintain our SELL rating on the stock, with a DCF-based TP of INR960/sh, implying 45x FY27E P/E.

- **Q3FY25 highlights:** After four consecutive quarters of subdued performance, MBL has reported a double-digit revenue growth 10.6% YoY to INR 7.03bn (vs HSIE: INR 7bn). TTM revenue/sq. ft. (on a rolling basis) is down ~10% in Q3 (at ~INR18.6k vs ~INR20.8k/sq. ft. in base period), due to shift in store mix (Metro/Mochi vs Crocs) and higher contribution from Tier 2/3 cities (42% in Q3FY25 vs 40% in Q3FY24). On channel mix, in-store/online+omni/others contributed 88/11/1% in Q3. Products > INR 3,000 contributed 54% to the sales mix in Q3FY25 vs. 49% in Q3FY24. GM contracted 125bps YoY to 58.6% due to FILA's inventory liquidation (~50 bps) and higher share of ecommerce sales (HSIE: 58.1%). Management highlighted that liquidation of excess inventory in Fila is now complete. EBITDAM expanded 70bps YoY to 32% (HSIE: 30.3%), driven by better cost optimization and restructuring of Fila's royalty agreement with Fila Global. MBL added 22/57 stores net in Q3/9MFY25 (store count – 895). It added 1/3 Foot Locker store/New Era Kiosks respectively in Q3. While the company has acknowledged that they will fall short of achieving their target of 100 stores, their guidance of opening 225 stores over FY24-26 stays intact, which we believe may be challenging, given the rental environment. APAT declined 3.7% YoY to INR 0.95bn (HSIE: INR 1.1bn) due to a one-time tax reassessment of 0.25bn.
- **Valuation and outlook:** MBL remains among the more disciplined footwear retailers with an in-sync product-market fit. While the management has guided for 140-145 store adds in FY26, we believe this target is ambitious in the current environment of rising rental costs. We marginally cut our estimates by 1-2% resp and maintain our SELL rating on the stock, with a DCF-based TP of INR960/sh, implying 45x FY27E P/E.

Quarterly financial summary

(Rs mn)	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	7,031	6,355	10.6	5,855	20.1	13,429	21,271	23,567	25,279	30,215	35,334
EBITDA	2,250	1,990	13.1	1,548	45.4	3,053	5,078	4,899	5,278	6,202	7,204
APAT	951	988	(3.7)	718	32.5	2,142	3,654	3,367	3,583	4,763	5,827
EPS (Rs)	3.5	3.6	(3.8)	2.6	32.4	8.0	13.4	12.4	13.2	17.5	21.4
P/E (x)						152.2	89.2	78.5	91.0	68.5	56.0
EV/EBITDA (x)						102.5	62.9	64.8	59.3	49.8	42.2
Core RoCE(%)						46.5	51.0	38.6	29.5	34.8	37.0

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	25,279	25,390	*(0.4)*	30,215	30,294	*(0.3)*	35,334	35,373	*(0.1)*
Gross Profit	14,552	14,642	*(0.6)*	17,318	17,424	*(0.6)*	20,164	20,310	*(0.7)*
Gross Profit Margin (%)	57.6	57.7	***(10 bps)***	57.3	57.5	***(20 bps)***	57.1	57.4	***(35 bps)***
EBITDA	5,278	5,326	*(0.9)*	6,202	6,279	*(1.2)*	7,204	7,336	*(1.8)*
EBITDA margin (%)	20.9	21.0	***(10 bps)***	20.5	20.7	***(20 bps)***	20.4	20.7	***(35 bps)***
APAT	3,583	3,823	*(6.3)*	4,763	4,838	*(1.5)*	5,827	5,948	*(2.0)*
APAT margin (%)	14.2	15.1	***(88 bps)***	15.8	16.0	***(20 bps)***	16.5	16.8	***(32 bps)***
EPS	13.2	14.1	*(6.3)*	17.5	17.8	*(1.5)*	21.4	21.9	*(2.0)*

Source: Company, HSIE Research, Consolidated Financials

SELL

CMP *(as on 17 Jan 2025)*	**INR 1,200**
Target Price	**INR 960**
NIFTY	**23,203**

KEY CHANGES	**OLD**	**NEW**
Rating	SELL	SELL
Price Target	INR 960	INR 960
EPS %	FY26E	FY27E
	-1.5	-2.0

KEY STOCK DATA	
Bloomberg code	METROBRA IN
No. of Shares (mn)	272
MCap (INR bn) / ($ mn)	326/3,766
6m avg traded value (INR mn)	151
52 Week high / low	INR 1,430/990

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(5.4)	(10.5)	(2.3)
Relative (%)	(0.0)	(5.4)	(9.4)

SHAREHOLDING PATTERN (%)	**Jun-24**	**Sep-24**
Promoters	74.15	71.96
FIs & Local MFs	5.6	7
FPIs	3.05	3.39
Public & Others	17.2	17.66
Pledged Shares	0	0

Source : BSE

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RBL Bank

Portfolio haemorrhages; negligible respite ahead

RBL Bank (RBK) reported a net loss (prior to tax write-back) due to continued elevated slippages and accelerated provisioning in the MFI book, coupled with stress in the CC portfolio, partly offset by strong other income (+38% YoY). Loan growth moderated further to 13% YoY (H1FY25: 15%) while the CASA ratio deteriorated 75bps QoQ to 32.8% despite deposits degrowing sequentially (-1% QoQ), even as the LCR improved to 143% (H1FY25: 129%). The management intends to provide for majority of the stress in its unsecured book during FY25 itself and hence, expects Q4FY25 outcomes similar to Q3FY25. While the bank continues to improve its branch-led sourcing and diversify its secured retail, elevated stress in the unsecured book and shrinking margins are likely to drive sub-par return ratios in the medium-term. We cut our FY25E earnings estimates by ~30%, factoring in further loan loss provisioning and lower margins. We maintain REDUCE with a revised TP of INR120 (0.4x Sep-26 ABVPS).

- **Calibrating unsecured mix; NIMs to shrink further:** Loan growth softened to 13% YoY as the MFI book continued to de-grow (-4% YoY) while growth in credit cards (+7% YoY) and wholesale book (+5% YoY) was tepid. NIMs clocked in at 4.9% (Q2FY25: 5%) and are likely to shrink further as the bank continues to calibrate its unsecured mix.
- **Asset quality - multiple headwinds ahead:** RBK's two major profit pools - credit cards and MFI (~30% of loans) - continue to face significant headwinds and are likely to be under stress in the medium-term. Gross slippages came in at ~5.9% (Sep-24: 4.7%), stemming largely from the cards (INR5.7bn) and MFI (INR5.2bn) businesses. Additional provisioning on MFI (INR4.1bn) and cards (INR4.7 bn) led to further deterioration in credit costs at ~5.5%. As RBK intends to clean up its unsecured book by end-FY25, the stress is likely to stay elevated, even after the contingency provisions are completely utilised.
- **Structural challenges to achieving sustainable earnings:** RBK is faced with multiple structural handicaps (sub-par deposit franchise, lack of competitive moats on the asset side of the balance sheet, and persistently high opex ratios) coupled with cyclical stress in the unsecured portfolios. We see fundamental challenges to RBK's medium-term road to achieving a sustainable 1% RoA.

Financial summary

(INR bn)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
NII	15.9	15.5	*2.5%*	16.1	*-1.9%*	60.4	65.2	72.9	84.1
PPOP	10.0	7.7	*30.2%*	9.1	*9.5%*	30.3	36.9	41.3	47.2
PAT	0.3	2.3	*-86.0%*	2.2	*-85.3%*	11.7	7.4	11.8	15.5
EPS (INR)	0.5	3.9	*-86.3%*	3.7	*-85.6%*	19.3	12.2	19.5	25.6
ROAE (%)						8.2	4.9	7.4	9.0
ROAA (%)						0.9	0.5	0.7	0.8
ABVPS (INR)						234.3	246.0	261.9	283.6
P/ABV (x)						0.7	0.6	0.6	0.5
P/E (x)						8.0	12.7	7.9	6.1

Change in estimates

(INR bn)	FY25E			FY26E			FY27E		
	New	Old	Δ	New	Old	Δ	New	Old	Δ
Net advances	964	966	-0.3%	1,117	1,120	-0.2%	1,300	1,301	-0.1%
NIM (%)	5.2	5.3	-9 bps	5.1	5.1	-4 bps	5.1	5.1	0 bps
NII	65.2	66.8	-2.4%	72.9	74.3	-1.9%	84.1	84.6	-0.6%
PPOP	36.9	35.5	4.1%	41.3	40.8	1.1%	47.2	46.9	0.6%
PAT	7.4	10.6	-30.0%	11.8	12.5	-5.1%	15.5	16.2	-4.2%
Adj. BVPS (INR)	246.0	247.6	-0.6%	261.9	264.4	-0.9%	283.6	289.3	-1.9%

Source: Company, HSIE Research

REDUCE

CMP *(as on 17 Jan 2025)*	INR 155
Target Price	INR 120
NIFTY	23,203

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR150	INR120
EPS %	FY25E	FY26E
	-30.0%	-5.1%

KEY STOCK DATA	
Bloomberg code	RBK IN
No. of Shares (mn)	608
MCap (INR bn) / ($ mn)	94/1,088
6m avg traded value (INR mn)	1,950
52 Week high / low	INR 292/147

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(23.4)	(36.4)	(45.1)
Relative (%)	(18.0)	(31.3)	(52.3)

SHAREHOLDING PATTERN (%)	Sep-24	Dec-24
Promoters	0.0	0.0
FIs & Local MFs	27.1	18.1
FPIs	14.6	13.4
Public & Others	58.3	68.5
Pledged Shares	0.0	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

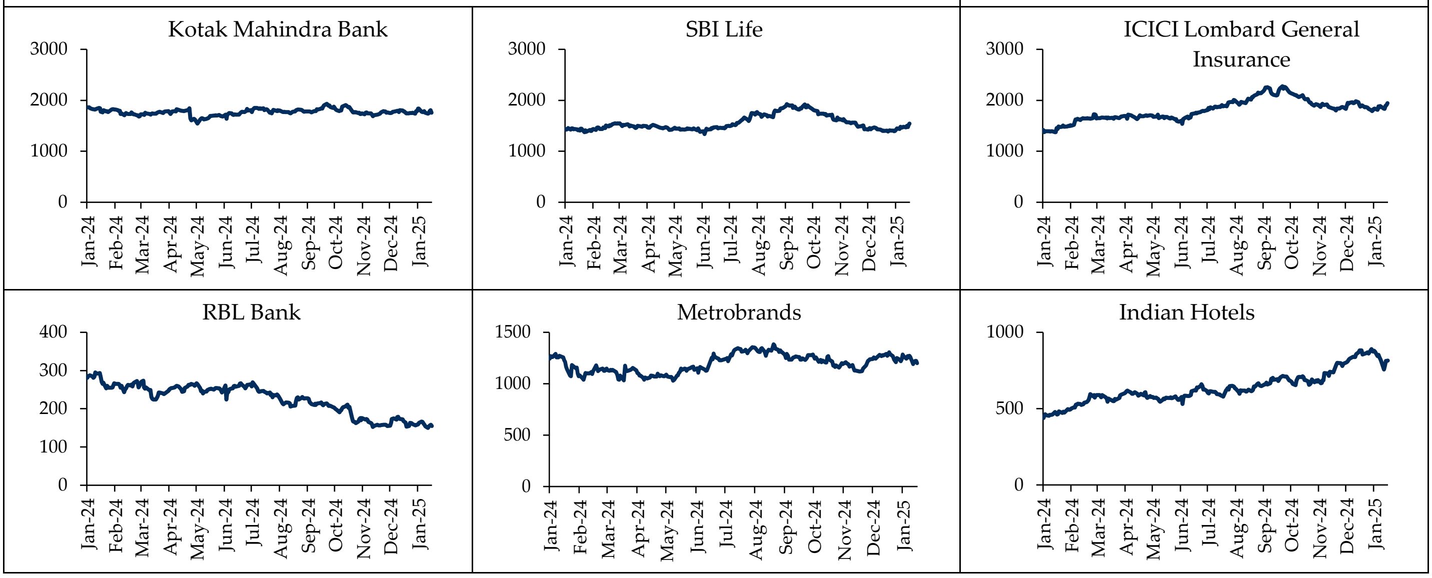
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	Kotak Mahindra Bank, SBI Life Insurance, ICICI Lombard General Insurance, RBL Bank	PGDM	NO
Shobhit Sharma	SBI Life Insurance, ICICI Lombard General Insurance	CA	NO
Akshay Badlani	Kotak Mahindra Bank	CA	YES
Akshay Badlani	RBL Bank	CA	NO
Jay Gandhi	Metro Brands	MBA	NO
Vedant Mulik	Metro Brands	CA	NO
Amit Kumar	Indian Hotels	CFA	NO

1 Yr Price movement



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