Market snapshot

Equities - India	Close	Chg .%	CY23.%
Sensex	70,371	-1.5	17.4
Nifty-50	21,239	-1.5	19.1
Nifty-M 100	46,570	-3.1	52.5
Equities-Global	**Close**	**Chg .%**	**CY23.%**
S&P 500	4,865	0.3	26.3
Nasdaq	15,426	0.4	46.8
FTSE 100	7,486	0.0	0.5
DAX	16,627	-0.3	19.8
Hang Seng	5,141	2.8	-25.4
Nikkei 225	36,518	-0.1	40.1
Commodities	**Close**	**Chg .%**	**CY23.%**
Brent (US$/Bbl)	82	0.0	0.9
Gold ($/OZ)	2,029	0.4	10.8
Cu (US$/MT)	8,312	0.7	-1.3
Almn (US$/MT)	2,193	3.7	-10.0
Currency	**Close**	**Chg .%**	**CY23.%**
USD/INR	83.2	0.1	0.4
USD/EUR	1.1	-0.3	1.7
USD/JPY	148.4	0.2	12.9
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	0.00	-0.2
10 Yrs AAA Corp	7.7	-0.03	0.0
Flows (USD b)	**23-Jan**	**MTD**	**CY23YTD**
FIIs	-0.4	6.65	21.4
DIIs	0.03	1.58	22.3
Volumes (INRb)	**23-Jan**	**MTD***	**YTD***
Cash	1,629	1175	1175
F&O	4,96,936	3,85,029	3,85,029

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Axis Bank: Earnings in line; remain watchful on growth and NIMs

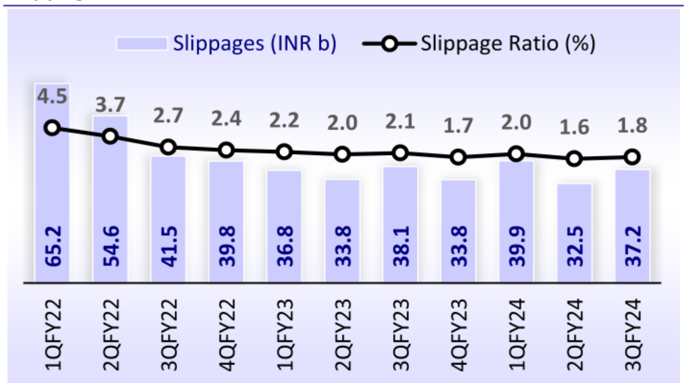
- AXSB reported in-line PAT at INR60.7b (up 4% YoY/3.5% QoQ) in 3QFY24, driven by healthy other income, which was partly offset by an increase in provisions due to AIF-related provisioning.
- NIMs moderated 10bp QoQ to 4.01%. The management has suggested that funding costs will continue to inch up over the next two quarters. Loan growth was healthy at 22% YoY/3.9% QoQ, while deposit growth was robust at 5% QoQ. The C/D ratio moderated 110bp QoQ to 92.8%.
- **We cut our FY25E EPS by ~8% considering an increase in costs and margin pressures. Moreover, with a high CD ratio being of ~93%, we estimate AXSB to deliver a 15.7% CAGR in loans over FY24-26E, slower than peers'. Accordingly, we estimate FY25 RoA/RoE of 1.7%/17.4%.**
- **We downgrade our rating on AXSB to Neutral with a revised TP of INR1,175 (1.8x Sep'25E ABV).**

Research covered

Cos/Sector	Key Highlights
Axis Bank	Earnings in line; remain watchful on growth and NIMs
Oberoi Realty	Weak performance despite the new launch
Sona BLW Precis.	Operating performance beat est.
J K Cements	Robust performance; new capacities to drive growth
Can Fin Homes	Strong guidance on loan growth but execution is vital
Other updates	Granules India | Cyient DLM |Pidilite Inds. | Havells India | United Spirits | Indus Towers | L&T Fin.Holdings | Hitachi Energy | Mahanagar Gas | Hero MotoCorp (Auto) | KNR Construction | Eco – Expert Speak

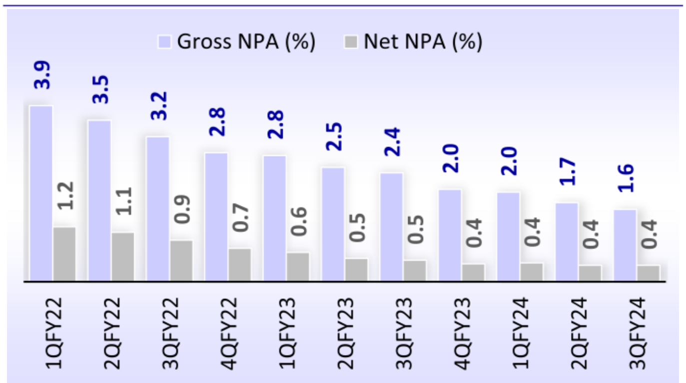
Chart of the Day: Axis Bank (Earnings in line; remain watchful on growth and NIMs)

Slippage ratio stood at 1.8%



Source: MOFSL, Company

GNPA/NNPA ratio stood at 1.6%/0.4% in 3QFY24



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

JSW Ventures gets CCI nod to acquire 38% share capital of MG Motor

In November last year, the JSW Group had announced the acquisition of a 35 percent stake in MG Motor India, owned by Chinese automaker SAIC Motor Corp

2

CCI approves merger of Fincare Small Finance Bank with AU Small Finance Bank

"...CCI vide its letter dated January 23, 2024 has communicated that CCI in its meeting held on January 23, 2024, considered and approved the proposed combination involving amalgamation of Fincare Small Finance Bank Limited into and with AU SBF...."

3

Companies can now offer OFS of shares to employees through stock exchanges

This is for ease of compliance, to reduce costs and increase efficiency, said a SEBI circular

4

Passenger traffic rose 35 pc to 51.58 million at Mumbai airport in 2023

Air passenger traffic at the city's Chhatrapati Shivaji Maharaj International Airport (CSMIA) jumped 35 per cent year-on-year to 51.58 million in 2023.

5

Bharti Airtel prepays ₹8,325 crore to clear deferred liabilities for 2015 spectrum acquisition

Bharti Airtel had won spectrum worth ₹29,129.08 crore at the auctions that were held in March 2015.

6

MakeMyTrip logs highest-ever quarterly gross bookings at $2.08 billion

The online travel services platform delivered its highest-ever quarterly gross bookings during Q3 FY24

7

Loss-making BSNL to help govt tide over Rs 90K cr telecom receipts target in FY24

For FY25 as well, DoT’s actual receipts are expected to be around Rs 50,000 crore, excluding the remaining amount towards spectrum-related adjustments from BSNL, according to sources.

MOTILAL OSWAL | MORNING INDIA

24 January 2024

3QFY24 Results Update | Sector: Financials

Axis Bank

Estimate change	↓
TP change	↑
Rating change	↓

Bloomberg	AXSB IN
Equity Shares (m)	3077
M.Cap.(INRb)/(USDb)	3359.6 / 40.4
52-Week Range (INR)	1152 / 814
1, 6, 12 Rel. Per (%)	1/5/0
12M Avg Val (INR M)	9952

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
NII	429.5	496.6	560.4
OP	321.4	359.4	416.8
NP	219.3	241.2	277.4
NIM (%)	3.7	3.8	3.7
EPS (INR)	71.4	78.3	89.9
EPS Gr. (%)	68.0	9.7	14.9
BV/Sh. (INR)	406	477	559
ABV/Sh. (INR)	388	459	539
Ratios			
RoE (%)	18.2	17.7	17.4
RoA (%)	1.8	1.7	1.7
Valuations			
P/E(X)	13.9	12.6	11.0
P/BV (X)	2.4	2.1	1.8
P/ABV (X)	2.5	2.2	1.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	7.9	8.0	8.0
DII	27.9	28.1	30.7
FII	56.1	54.6	50.8
Others	8.0	9.6	10.6

FII Includes depository receipts

CMP: INR1,089 TP: INR1,175 (+8%) Downgrade to Neutral

Earnings in line; remain watchful on growth and NIMs

Cost ratios to remain elevated

- AXSB reported in-line PAT at INR60.7b (up 4% YoY/3.5% QoQ) in 3QFY24, driven by healthy other income, which was partly offset by an increase in provisions due to AIF-related provisioning.
- NIMs moderated 10bp QoQ to 4.01%. The management has suggested that funding costs will continue to inch up over the next two quarters.
- Loan growth was healthy at 22% YoY/3.9% QoQ, while deposit growth was robust at 5% QoQ. The C/D ratio moderated 110bp QoQ to 92.8%.
- Fresh slippages increased to INR37.2b, whereas healthy recoveries led to a decline in the GNPA ratio. The restructured book was under control at 0.18%.
- **We cut our FY25E EPS by ~8% considering an increase in costs and margin pressures. Moreover, with a high CD ratio being of ~93%, we estimate AXSB to deliver a 15.7% CAGR in loans over FY24-26E, slower than peers'.**
- **Accordingly, we estimate FY25 RoA/RoE of 1.7%/17.4%. We downgrade our rating on AXSB to Neutral with a revised TP of INR1,175 (1.8x Sep'25E ABV).**

Deposit growth accelerates; NIMs decline 10bp QoQ

- AXSB's 3QFY24 PAT grew 3.5% QoQ to INR60.7b (in line), aided by healthy other income and credit growth, partly offset by higher provisions due to AIF-related provisioning.
- NII grew modestly by 9% YoY (1.8% QoQ) to INR125.3b. Reported margins declined 10bp QoQ to 4.01% due to an increase in funding costs. Fee income grew 26% YoY/4.2% QoQ, while treasury gains supported other income growth at 10.3% QoQ (5% above our estimate).
- Opex grew 31% YoY/3% QoQ (in line), owing to continued investments in digital and technology, employee increments, and expenses related to Citi's integration. While the C/I ratio moderated to 49.5% in 3QFY24, the cost-to-assets ratio continued to inch up. PPoP grew 5.9% QoQ to INR91.4b (in line). Bank suggested continuing investing in the business drawing benefits from controlled credit cost.
- Loan book grew 22% YoY/3.9% QoQ, with Retail/corporate loans up 5.3%/1.3% QoQ and SME loans growing at a faster rate at 26% YoY/4.2% QoQ. Deposit growth gathered pace at 18.5% YoY/5% QoQ, led by faster growth in non-retail TDs at 21.3% QoQ. The CASA ratio moderated 200bp QoQ to 42%.
- On the asset quality front, fresh slippages inched up to INR37.2b (vs. INR32.5b in 2QFY24). The GNPA ratio improved by 15bp QoQ to 1.58%, while the net NPA ratio remained stable at 0.36%. PCR declined to 77.8%. Restructured loans edged lower to 0.18% of net advances.

Highlights from the management commentary

- The bank has made full provisions for its entire AIF investments of INR1.82b (46% in government-related securities).
- The bank has maintained its guidance of 400-600bp differential between bank and industry growth over the medium term.
- AXSB expects deposit repricing to continue until 1QFY25 but the pace of increase will reduce.
- It expects recoveries and upgrades to decline and credit costs to move up going forward. The bank has no plans to raise capital in the near term.

Valuation and view

AXSB delivered in-line earnings in 3QFY24, characterized by a recovery in business growth. However, NIMs moderated 10bp QoQ. Provisions were high partly due to AIF-related provisioning, though overall asset quality remained healthy. We will keep an eye on near-term growth as an elevated CD ratio will constrain credit growth, while continued re-pricing of deposits will likely exert pressure on margins in the coming quarters. The bank has healthy LCR of 118% as it maintains industry-best outflow rates; however, the impact of a surge in non-retail deposits will need to be watched over the coming quarters. The bank has reiterated its guidance of growing by 400-600bp higher than the system over the medium term. AXSB has also suggested that it will continue to invest in the business, taking advantage of controlled credit costs. This will keep cost/asset ratios elevated, much higher than the earlier guidance of reaching ~2% cost/assets by the end of FY25. **We cut our FY25 EPS estimates by 8% considering an increase in costs and margin pressures. We, thus, estimate FY25 RoA/RoE of 1.7%/17.4%. Accordingly, we downgrade our rating to Neutral with a revised TP of INR1,175 (1.8x Sep'25E ABV).**

Quarterly performance (INR b)

	FY23				FY24E				FY23	FY24E	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Net Interest Income	**93.8**	**103.6**	**114.6**	**117.4**	**119.6**	**123.1**	**125.3**	**128.6**	**429.5**	**496.6**	**127.1**	**-1%**
% Change (Y-o-Y)	20.9	31.1	32.4	33.1	27.4	18.9	9.4	9.5	29.6	15.6	10.9	
Other Income	30.0	39.4	46.7	49.0	50.9	50.3	55.5	57.7	165.0	214.5	53.0	5%
Total Income	**123.8**	**143.0**	**161.2**	**166.4**	**170.5**	**173.5**	**180.9**	**186.3**	**594.5**	**711.1**	**180.1**	**0%**
Operating Expenses	65.0	65.9	68.5	74.7	82.3	87.2	89.5	92.8	273.0	351.7	89.3	0%
Operating Profit	**58.9**	**77.2**	**92.8**	**91.7**	**88.1**	**86.3**	**91.4**	**93.5**	**321.4**	**359.4**	**90.8**	**1%**
% Change (Y-o-Y)	-4.8	30.2	50.6	41.8	49.7	11.9	-1.5	2.0	29.9	11.8	-2.1	
Provisions	3.6	5.5	14.4	3.1	10.3	8.1	10.3	8.2	28.8	37.0	9.5	8%
Profit before Tax	**55.3**	**71.7**	**78.4**	**88.6**	**77.8**	**78.2**	**81.1**	**85.3**	**292.6**	**322.4**	**81.3**	**0%**
Tax	14.0	18.4	19.9	22.4	19.8	19.5	20.4	21.5	73.3	81.3	20.5	0%
Net Profits	**41.3**	**53.3**	**58.5**	**66.3**	**58.0**	**58.6**	**60.7**	**63.9**	**219.3**	**241.2**	**60.8**	
% Change (Y-o-Y)	91.0	70.1	61.9	60.9	40.5	10.0	3.7	-3.6	68.4	10.0	3.9	
Operating Parameters												
Deposit (INR t)	8.0	8.1	8.5	9.5	9.4	9.6	10.0	10.8	9.5	10.8	10.1	0%
Loan (INR t)	7.0	7.3	7.6	8.5	8.6	9.0	9.3	9.8	8.5	9.8	9.3	0%
Deposit Growth (%)	12.6	10.1	9.9	15.2	17.2	17.9	18.5	13.8	15.2	13.8	18.5	
Loan Growth (%)	14.0	17.6	14.6	19.4	22.4	22.8	22.3	15.6	19.4	15.6	22.5	
Asset Quality												
Gross NPA (%)	2.8	2.5	2.4	2.0	2.0	1.7	1.6	1.6	2.2	1.6	1.7	
Net NPA (%)	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	
PCR (%)	77.3	79.9	80.8	80.9	79.6	79.5	77.8	78.5	80.0	78.5	79.7	

Oberoi Realty

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USDb)	498 / 6
52-Week Range (INR)	1586 / 790
1, 6, 12 Rel. Per (%)	-2/22/48
12M Avg Val (INR M)	796

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	42.1	47.1	64.2
EBITDA	21.4	24.4	30.9
EBITDA (%)	50.8	51.8	48.2
PAT	14.8	16.4	22.0
EPS (INR)	40.7	45.2	60.4
EPS Gr. (%)	-22.3	10.9	33.7
BV/Sh. (INR)	374.5	417.7	476.1
Ratios			
Net D/E	0.2	0.1	0.0
RoE (%)	11.5	11.4	13.5
RoCE (%)	10.0	10.4	12.8
Payout (%)	4.9	4.4	3.3
Valuations			
P/E (x)	33.7	30.3	22.7
P/BV (x)	3.7	3.3	2.9
EV/EBITDA (x)	24.5	21.0	16.4
Div Yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	67.7	67.7	67.7
DIII	12.1	11.6	12.5
FII	17.4	17.8	17.3
Others	2.8	2.8	2.5

CMP: INR1,370 TP: INR1,350 (-1%) NEUTRAL

Weak performance despite the new launch

Sky City and 360 West witnessed moderation in sales run-rate

- The company achieved pre-sales of INR7.9b (up 25% YoY, but down 18% QoQ), 51% below our estimate. For 9MFY24, bookings stood at INR22b, down 12% YoY.
- The new project at Thane generated bookings of INR2.1b and the traction across other key projects at Goregaon and Mulund remained in line with their historical run-rates, generating sales of INR1.2b and INR2b, respectively.
- The decline in sales at Sky City (Borivali) and 360 West impacted the company's overall performance as the company failed to sustain its usual quarterly run-rate of INR9-10b despite the new launch at Thane.
- The Sky City project recorded sales of 40 units worth INR1.5b vs. 73 units booked in 2QFY24.
- Collections doubled YoY to INR9b and net debt reduced INR3b to INR21b with D/E of 0.15x.
- **P&L performance:** Revenue decreased 35% YoY to INR10.5b due to higher base as the company commenced revenue recognition from Mulund projects in 3QFY23. Oberoi reported EBITDA of INR5.1b, down 46% YoY with a margin of 48%. Consequently, PAT decreased 49% YoY to INR3.6b.

Annuity business doing well; ARR reached a new high

- Rental revenue from office assets increased 7% YoY/QoQ to INR389m, driven by a 400bp increase in occupancy at Commerz II. The Oberoi mall recorded robust performance with revenue increasing 19%/22% YoY/QoQ to INR443m. The EBITDA from annuity portfolio came in at INR779m with a blended margin of 94%.
- The momentum in the Hospitality segment continued, reaching the highest ARR of INR13,600, up 7%/14% YoY/QoQ and the business generated revenue of INR492m, up 16%/23% YoY/QoQ. Occupancy remained steady at 82%. EBITDA came in at INR205m with a margin of 42% (vs. 35% in 2QFY24).

Key management commentary

- **Thane**: Expect the Forestville project to generate annual bookings of INR5-7b. The large project on Pokhran road is scheduled to be launched during the festive season (2QFY25) of FY25. However, the company will soon initiate work on the residential area, luxury hotel, and the International School.
- **Gurugram:** Management intends to successfully launch the new project before acquiring additional projects in the micro-market. It has so far paid INR1b toward the land, with the remaining payments linked to certainmilestones.
- The accounting method for revenue recognition will be finalized closer to the launch. As of now, both the methods are being followed in the market.

- **Others:** Once stabilized, the annuity portfolio can generate INR16-17b of income. Management is confident of inaugurating the Ritz Carlton hotel at Worli by CY24-end.
- The company is constantly looking at new land parcels and may even announce a large deal in FY25.

Valuation and view

- Given the weak operational performance in 3Q, we reduce our pre-sales estimate for FY24/FY25 by 21%/12%. We believe there are no near-term positive triggers for the stock and given that it is trading at 50% above its residential NAV, a large part of the growth potential from the launch of Thane and Gurugram is already priced in.
- Additionally, given the slowdown in traction at existing projects along with an already large project pipeline of seven projects, we believe the company would focus on scaling up the run-rate in its current portfolio before venturing out for additional land parcels. **We incorporate contribution from Gurugram project from FY26 which increases our TP to INR1,350. Re-iterate Neutral rating on the stock.**

Financial and Operational Summary (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	(%)
Net Sales	**9,131**	**6,886**	**16,295**	**9,614**	**9,100**	**12,174**	**10,536**	**10,256**	**41,926**	**42,066**	**11,310**	-7%
YoY Change (%)	221.2	-8.7	95.8	16.8	-0.3	76.8	-35.3	6.7	55.6	0.3	-30.6	
Total Expenditure	4,209	3,782	6,891	5,927	4,362	5,792	5,443	5,104	20,808	20,701	5,639	
EBITDA	**4,922**	**3,104**	**9,404**	**3,687**	**4,737**	**6,382**	**5,094**	**5,152**	**21,117**	**21,365**	**5,671**	-10%
Margins (%)	53.9	45.1	57.7	38.3	52.1	52.4	48.3	50.2	50.4	50.8	50.1	757bp
Depreciation	98	101	102	97	113	113	114	120	398	460	120	
Interest	326	363	381	621	615	565	501	489	1,691	2,170	442	
Other Income	217	232	220	337	236	264	292	260	1,006	1,052	260	
PBT before EO expense	**4,715**	**2,873**	**9,141**	**3,306**	**4,245**	**5,968**	**4,771**	**4,802**	**20,036**	**19,787**	**5,370**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**4,715**	**2,873**	**9,141**	**3,306**	**4,245**	**5,968**	**4,771**	**4,802**	**20,036**	**19,787**	**5,370**	-11%
Tax	1,137	692	2,260	-896	1,046	1,421	1,192	1,387	3,193	5,046	1,369	
Rate (%)	24.1	24.1	24.7	(27)	24.6	23.8	25.0	29	15.9	25.5	25.5	
Minority Interest & P/L of Asso. Cos.	453	1,006	144	601	17	21	22	0	2,204	60	0	
Reported PAT	4,031	3,186	7,026	4,803	3,216	4,568	3,602	3,416	19,046	14,801	4,000	
Adj PAT	**4,031**	**3,186**	**7,026**	**4,803**	**3,216**	**4,568**	**3,602**	**3,416**	**19,046**	**14,801**	**4,000**	-10%
YoY Change (%)	400.0	19.5	50.3	106.7	-20.2	43.4	-48.7	-28.9	81.9	-22.3	-43.1	
Margins (%)	44.1	46.3	43.1	50.0	35.3	37.5	34.2	33.3	45.4	35.2	35.4	
Operational metrics												
Residential												
Sale Volume (msf)	0.25	0.37	0.22	0.16	0.15	0.22	0.26	0.50	0.8	1.1	0.54	-52%
Sale Value (INRm)	7,611	11,557	6,307	6,732	4,760	9,650	7,868	17334	32,203	39,613	16,099	-51%
Collections (INRm)	5,574	8,780	4,277	8,537	11,091	11,013	8,915	8,334	27,167	39,353	10,458	-15%
Realization (INR/sft)	30,797	31,234	28,465	41,196	32,630	43,700	30,575	34,827	41,097	35,313	29,888	2%
Leasing												
Occupancy (%)	80.7	81.1	80.8	83.0	80.0	82.3	85.6	95.3	82.8	90.5	91.8	-13%
Rental income (excl. CAM)	726	711	737	735	726	729	832	967	2,909	3,253	817	-11%
EBITDA (excl. CAM)	671	667	691	665	679	675	779	896	2,764	3,028	776	-13%
Hospitality												
Occupancy (%)	91.3	82.7	80.0	84.0	82.0	84.0	82.0	82.0	85	80	80.0	
ARR (INR)	9,116	9,546	12,344	13,723	11,602	11,686	13,269	13,974	11,182	12,859	13,825	
Revenue	348	341	419	461	394	402	492	561	1,709	1,849	496	
EBITDA	136	111	158	208	145	142	205	174	615	666	178	

Source: Company, MOFSL

SONA BLW Precision Forging

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	SONACOMS IN
Equity Shares (m)	585
M.Cap.(INRb)/(USDb)	340.1 / 4.1
52-Week Range (INR)	670 / 401
1, 6, 12 Rel. Per (%)	1/-6/22
12M Avg Val (INR M)	1380

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	26.8	32.0	41.1
EBITDA (%)	26.0	28.5	28.6
Adj. PAT	4.0	5.3	6.9
EPS (INR)	6.8	9.0	11.8
EPS Gr. (%)	16.9	32.0	31.9
BV/Sh. (INR)	39.1	45.4	53.6
Ratios			
RoE (%)	18.5	21.2	23.9
RoCE (%)	16.8	19.0	21.6
Payout (%)	22.0	30.0	31.0
Valuations			
P/E (x)	85.3	64.6	49.0
P/BV (x)	14.8	12.8	10.8
EV/EBITDA (x)	48.7	37.1	28.6
Div. Yield (%)	0.3	0.5	0.6
FCF Yield (%)	0.6	0.7	1.0

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	29.7	29.8	53.5
DII	27.9	27.5	24.4
FII	32.9	33.4	11.3
Others	9.5	10.4	10.8

FII Includes depository receipts

CMP:INR580 TP: INR610 (+5%) Neutral

Operating performance beat est, led by reduced RM cost and favorable product mix

EBITDA margin guidance revised to ~28% from earlier guidance of 25-27%

- SONACOMS' 3QFY24 results surpassed our estimates, led by better product mix and lower RM costs, resulting in an EBITDA margin of 29.3% (vs. est. 27.8%). Although the operational performance was healthy, we expect the margins to moderate in the future as RM costs and product mix normalize. The company's focus on expanding in EVs continue with BEV contributing ~30% to the revenue (vs. 26%/27% in FY23/2QFY24).
- We largely maintain our FY24E/25E EPS. We believe the current valuations of ~64.6x/49x FY24/25E EPS factor in its strong EV order book as well as superior earnings and return profile. We reiterate our Neutral stance on the stock with a TP of INR610 (based on ~45x Dec'25E consol EPS).

Higher employee costs dent EBITDA margin expansion

- SONACOMS' 3QFY24 revenue/EBITDA/adj. PAT grew ~13%/22%/25% YoY to INR7.8b/ INR2.3b/INR1.33b. BEV revenue rose 28% YoY to INR2.2b (30% of total revenue), whereas ICE revenue jumped 8% YoY. 9MFY24 revenues/EBITDA/adj. PAT grew 19%/32%/37% YoY.
- Gross margin expanded 330bp YoY to 59.1% (est. 55.7%) due to better mix and lower input cost.
- However, this was offset by higher-than-est. employee expenses (up 240bp YoY; as a % of sales) on account of a newly approved ESOP scheme, causing an impact of INR58m and resulting in an EBITDA margin of 29.3% (up 210bp YoY vs. est.27.8%). Excluding the impact of the ESOP scheme, margins would have been 30%. EBITDA grew 22% YoY to INR2.3b (est. INR2.2b).
- Additional advantages from the expansion of EBITDA margin were transferred to PAT, which stood at INR1.34b (vs. est. INR1.3b).
- The board has declared an interim dividend of INR1.53/share for FY24.

Highlights from the management commentary

- **Outlook:** The NA and EU light vehicle markets appear promising going ahead, with major OEMs focusing their attention on electrification. Further, favorable tax rebates for NA customers would propel EV adoption. In contrast, the India market remains a mixed bag with CVs anticipated to experience a decline due to election year and weakness in the off-highway segment. However, PVs are expected to remain stable. The current impact of the Red sea crisis remains negligible; however, it may lead to higher inventories and longer delivery time to NA and EU customers.
- **BEV contributed 30% of the revenue (vs. 27% in 2QFY24) at INR2.2b in 3QFY24,** resulting in 28% YoY growth.
- **Added 5 new EV programs (including 2 new EV customers)**
- **Added a new product- Integrated motor controller** which would be supplied to e-2W OEMs. The product has a compact design and better thermal management system, which would improve electric powertrains.

Valuation and view

- After a challenging FY23, SONACOMS is firmly back on a growth trajectory, led by the recovery in underlying markets and a strong order book. SONACOMS continues to serve as a reliable proxy for the global electrification trend, with a ~30% revenue mix from EVs and a ~79% representation in the order book. Moreover, its focus on broadening the product portfolio, expanding global scale, and cultivating a diverse customer base should translate into strong earnings growth and healthy capital efficiency.
- However, valuations at ~65x/49x FY24E/FY25E consol. EPS largely factor in these positives. We reiterate our **Neutral** stance on the stock with a TP of INR610 (based on ~45x Dec'25 consol. EPS).

Consol. Quarterly Performance

Y/E March	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Net operating revenues	**5,892**	**6,574**	**6,850**	**7,440**	**7,322**	**7,908**	**7,766**	**8,969**	**26,756**	**31,965**	**7,818**
Change (%)	17.7	12.2	38.6	35.3	24.3	20.3	13.4	20.6	25.6	19.5	14.1
EBITDA	**1,425**	**1,657**	**1,862**	**2,014**	**2,034**	**2,233**	**2,273**	**2,574**	**6,958**	**9,114**	**2,173**
EBITDA Margins (%)	24.2	25.2	27.2	27.1	27.8	28.2	29.3	28.7	26.0	28.5	27.8
Depreciation	400	429	470	481	511	534	559	572	1,780	2,176	540
EBIT	**1,025**	**1,228**	**1,392**	**1,533**	**1,523**	**1,699**	**1,714**	**2,002**	**5,178**	**6,938**	**1,633**
EBIT Margins (%)	17.4	18.7	20.3	20.6	20.8	21.5	22.1	22.3	19.4	21.7	20.9
Interest	29	43	51	46	53	60	73	53	169	240	50
Non-Operating Income	10	28	33	45	54	61	50	50	116	215	50
PBT	**1,006**	**1,213**	**1,373**	**1,498**	**1,495**	**1,641**	**1,690**	**1,999**	**5,091**	**6,826**	**1,633**
Effective Tax Rate (%)	24.6	23.7	22.0	20.0	25.1	24.4	21.0	25.4	22.4	24.0	23.0
Adjusted PAT	**758**	**925**	**1,071**	**1,232**	**1,142**	**1,286**	**1,336**	**1,491**	**3,979**	**5,254**	**1,258**
Change (%)	5.4	4.9	23.9	35.1	50.6	39.0	24.7	21.0	17.1	32.0	17.4
Cost Break-up											
RM Cost (% of sales)	45.5	47.0	44.2	45.7	43.1	44.9	40.9	43.1	45.6	43.0	44.3
Staff Cost (% of sales)	7.3	6.7	7.0	6.1	6.7	7.0	9.4	8.0	6.7	7.8	7.7
Other Cost (% of sales)	23.0	21.1	21.6	21.1	22.4	19.9	20.4	20.2	21.7	20.7	20.2
Gross Margins (%)	54.5	53.0	55.8	54.3	56.9	55.1	59.1	56.9	54.4	57.0	55.7
EBITDA Margins (%)	24.2	25.2	27.2	27.1	27.8	28.2	29.3	28.7	26.0	28.5	27.8
EBIT Margins (%)	17.4	18.7	20.3	20.6	20.8	21.5	22.1	22.3	19.4	21.7	20.9

E:MOFSL Estimates

JK Cement

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	JKCE IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	305.1 / 3.7
52-Week Range (INR)	4211 / 2540
1, 6, 12 Rel. Per (%)	5/16/26
12M Avg Val (INR M)	408

Financials Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Net Sales	115.7	128.7	142.3
EBITDA	21.2	24.3	27.3
PAT	8.4	10.0	12.5
EPS (INR)	108.9	129.8	161.3
GR. (%)	97.3	19.2	24.2
BV/Sh (INR)	695.4	800.2	931.5
Ratios			
ROE (%)	16.7	17.4	18.6
RoCE (%)	11.2	11.4	11.9
Valuations			
P/E (X)	36.3	30.4	24.5
P/BV (X)	5.7	4.9	4.2
EV/EBITDA (X)	15.8	13.9	11.9
Div Yield (%)	0.5	0.6	0.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	45.7	45.8	45.8
DII	24.1	24.3	21.9
FII	15.2	14.4	15.9
Others	15.0	15.5	16.4

FII Includes depository receipts

CMP: INR3,948 TP: INR4,700 (+19%) Buy

Robust performance; new capacities to drive growth

Announces 6mtpa grey cement capacity expansion by FY26E

- JK Cement (JKCE) reported higher-than-estimated consolidated EBITDA of INR6.3b (est. INR5.8b) in 3QFY24, fueled by lower-than-estimated variable costs and higher white cement realization. EBITDA/t stood at INR1,330 (est. INR1,230), and adj. PAT was at INR2.8b (est. INR2.3b) during the quarter.
- JKCE announced capacity expansion of 6mtpa spread across the Central and East (Bihar) regions, which are likely to be commissioned by FY26. The management expects further cost savings of INR30-40/t in 4QFY24, and the commissioning of WHRS at its Karnataka plant would lead to energy cost savings in 1QFY25E.
- We raise our EBITDA estimates by 2%/6%/7% for FY24/FY25/FY26, led by higher volumes, cost savings, and improved performance in 9MFY24. We believe JKCE is best placed among the regional players, given its expansion plans and strong execution strategy. We value JKCE at 14x FY26E EV/EBITDA to arrive at our revised TP of INR4,700. **Reiterate BUY.**

Grey cement volumes up 14% YoY; opex/t down 7% YoY

- JKCE's consolidated revenue/EBITDA/adj. PAT stood at INR29.3b/INR6.3b/INR2.8b (up 20%/2.5x/7x YoY and in line/up 7%/22% vs. our estimates). Sales volumes stood at 4.7mt (up 14% YoY). Blended realization was at INR6,238/t (up 6% YoY; 1% above our estimate) in 3QFY24. Other operating income jumped 58% YoY/2% QoQ to INR917m in 3QFY24.
- Opex/t declined 7% YoY (1% below our estimate), mainly led by an 18% decline in variable costs. Freight cost/employee cost per tonne rose 5%/9% YoY. OPM was up 11pp YoY to 21%, and EBITDA/t surged 123% YoY to INR1,330. Other income doubled YoY to INR385m.
- In 9MFY24, revenue grew 22% YoY driven by 21% volume growth and a 1% increase in realization. EBITDA rose 55% YoY to INR15b, and OPM was up 4pp YoY to ~18%. EBITDA/t grew 29% YoY to INR1,080. Adj. PAT jumped 87% YoY to INR6b during the period.

Highlights from the management commentary

- Grey cement capacity utilization stood at 75% in 3QFY24. Management guided for a volume of 16.5mt for grey cement in FY24, +16% YoY (implying 4% YoY volume growth in 4QFY24). Cement demand should grow between 7% and 9% in the medium term.
- Fuel cost was INR1.8/kcal in 3Q vs. INR1.9 in 2QFY24. Further cost savings of INR30-40/t are expected in 4QFY24. It is carrying a fuel inventory of 60-75 days and benefits of the recent decline in fuel price will reflect from 1QFY25E.
- Capex stood at INR9b in 9MFY24, and it should be at INR12b in FY24. Capex is estimated to be INR22b (including INR12b for the recently announced expansion) and INR18b in FY25 and FY26, respectively.

View and valuation

- JKCE reported a strong 21% YoY volume growth in 9MFY24, aided by capacity expansion and strong execution strategies. We estimate its consolidated volumes to report ~13% CAGR over FY23-26. The company has benefitted from timely capacity expansions, which will continue in the medium term too.
- JKCE trades at 14x/12x FY25E/FY26E EV/EBITDA. We like JKCE due to its timely expansion, superior execution strategies, improvement in profitability, and favorable regional-mix. **We value JKCE at 14x FY26E EV/EBITDA (vs. its five-year average EV/EBITDA of 13x) to arrive at our TP of INR4,700. Our TP implies an upside of 19% from its current levels. Reiterate BUY.**

Consolidate quarterly performance (INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**22.7**	**22.4**	**24.4**	**27.8**	**27.6**	**27.5**	**29.3**	**31.2**	**97.2**	**115.7**	**29.5**	(0)
YoY Change (%)	32.4	18.0	20.0	18.1	21.7	23.1	20.5	12.4	21.6	19.1	20.9	
Total Expenditure	18.7	19.2	21.9	24.3	23.5	22.9	23.1	25.1	84.1	94.6	23.6	(2)
EBITDA	**4.0**	**3.1**	**2.5**	**3.5**	**4.1**	**4.7**	**6.3**	**6.2**	**13.1**	**21.2**	**5.8**	7
Margin (%)	17.8	14.0	10.2	12.6	14.8	17.0	21.3	19.8	13.5	18.3	19.8	148
Depreciation	1.1	1.1	1.2	1.3	1.3	1.4	1.4	1.5	4.6	5.6	1.4	0
Interest	0.7	0.7	0.8	1.0	1.1	1.2	1.1	1.2	3.1	4.6	1.2	(2)
Other Income	0.2	0.1	0.2	0.4	0.3	0.3	0.4	0.4	0.9	1.3	0.3	28
PBT before EO expense	**2.5**	**1.5**	**0.7**	**1.6**	**2.0**	**2.4**	**4.1**	**3.9**	**6.3**	**12.4**	**3.6**	14
Extra-Ord. expense	-	-	-	-	0.2	-	-	-	-	0.2	-	
PBT	**2.5**	**1.5**	**0.7**	**1.6**	**1.8**	**2.4**	**4.1**	**3.9**	**6.3**	**12.2**	**3.6**	14
Tax	0.9	0.4	0.3	0.5	0.7	0.7	1.3	1.4	2.1	4.0	1.3	
Profit from associate and MI	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	(0.1)	(0.0)	-	
Rate (%)	35.8	27.6	46.2	30.5	37.2	26.9	30.6	35.5	32.5	32.2	35.0	
Reported PAT	**1.6**	**1.1**	**0.4**	**1.1**	**1.1**	**1.8**	**2.8**	**2.5**	**4.3**	**8.3**	**2.3**	22
Adj. PAT	**1.6**	**1.1**	**0.4**	**1.1**	**1.2**	**1.8**	**2.8**	**2.5**	**4.3**	**8.4**	**2.3**	22
YoY Change (%)	(15.3)	(26.1)	(73.2)	(43.1)	(23.7)	59.8	628.0	123.1	(37.9)	97.3	496.3	

Source: Company, MOFSL estimates

Consolidated quarterly performance

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Grey Cement (mt)	3.2	3.2	3.7	4.1	4.1	3.9	4.2	4.6	14.2	16.8	4.2	(1)
Growth (%)	15.0	9.5	26.6	17.0	29.4	22.1	13.6	10.9	17.0	18.3	14.4	
As a percentage of total volume	85.9	88.4	88.2	88.6	88.7	86.7	88.2	88.7	87.4	88.1	87.9	
White Cement (mt)	0.5	0.5	0.49	0.5	0.5	0.6	0.55	0.6	2.0	2.3	0.6	(4)
Growth (%)	NA	NA	NA	NA	1.2	19.2	13.1	9.1	12.4	10.5	18.0	
As a percentage of total volume	14.1	13.9	11.8	11.4	11.3	13.3	11.8	11.3	12.6	11.9	12.1	
Per tonne analysis (INR)												
Net realization	**6,149**	**6,138**	**5,879**	**5,947**	**5,968**	**6,068**	**6,238**	**6,041**	**5,988**	**6,078**	**6,193**	1
RM Cost	968	1,009	995	975	1,003	1,010	818	1,052	981	972	990	(17)
Employee Expenses	425	419	386	360	397	403	423	365	393	396	395	7
Power, Oil, and Fuel	1,399	1,581	1,680	1,659	1,493	1,396	1,383	1,188	1,579	1,360	1,346	3
Freight and handling	1,252	1,270	1,250	1,264	1,262	1,182	1,307	1,295	1,252	1,263	1,245	5
Other Expenses	1,012	997	971	941	932	1,048	979	948	973	975	990	(1)
Total Exp.	**5,055**	**5,277**	**5,282**	**5,199**	**5,087**	**5,039**	**4,909**	**4,847**	**5,178**	**4,967**	**4,966**	(1)
EBITDA	**1,094**	**861**	**597**	**748**	**881**	**1,029**	**1,329**	**1,193**	**810**	**1,112**	**1,227**	8

Source: Company, MOFSL estimates

Can Fin Homes

Estimate changes	↑
TP change	↓
Rating change	↔

Bloomberg	CANF IN
Equity Shares (m)	133
M.Cap.(INRb)/(USDb)	96.6 / 1.2
52-Week Range (INR)	910 / 509
1, 6, 12 Rel. Per (%)	-5/-21/14
12M Avg Val (INR M)	635

Financials Snapshot (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	12.7	13.9	15.7
PPP	11.0	11.8	13.6
PAT	7.6	8.5	9.8
EPS (INR)	57.3	64.1	73.3
EPS Gr (%)	23	12	14
BVPS (INR)	327	386	453
Ratios (%)			
NIM	3.8	3.7	3.6
C/I ratio	15.3	16.8	15.4
RoAA	2.2	2.1	2.1
RoE	19.1	18.0	17.5
Payout	7.9	7.8	7.5
Valuation			
P/E (x)	12.7	11.3	9.9
P/BV (x)	2.2	1.9	1.6
Div. Yield (%)	0.6	0.7	0.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	30.0	30.0	30.0
DII	28.5	27.4	23.5
FII	11.1	11.4	10.0
Others	30.5	31.3	36.5

FII Includes depository receipts

CMP: INR725 TP: INR815 (+12%) Neutral

Strong guidance on loan growth but execution is vital

Earnings in line; Sequential expansion in NIM but GS3 up ~15bp QoQ

- CANF's 3QFY24 PAT grew ~32% YoY to ~INR2b (in line). NII grew 31% YoY to ~INR3.3b (in line). 9MFY24 PAT rose 19% YoY to ~INR5.4b.
- Opex grew ~13% YoY and declined ~6% QoQ to INR494m because of the absence of annual incentives and one-off process enhancement expenses during the quarter. PPoP grew 35% YoY to INR2.9b (in line).
- Repricing of the last tranche of loans resulted in a ~10bp QoQ improvement in yields. With CoF broadly stable QoQ, NIM expanded ~5bp to ~3.7%. We model NIM of 3.8%/3.7%/3.6% in FY24/FY25/FY26.
- The management expects an ambitious CAGR of ~20% in loans over the next four years, aided by a) lead originations from digital channels, b) branch expansions and corresponding improvements in productivity, and c) transition to higher ticket-size home loans.
- We model an AUM/PAT CAGR of 15%/16% over FY23-26E with RoA/RoE of 2.1%/~18% in FY26. CANF, in our view, is a robust franchise with strong moats on the liability side. However, we await a recovery in loan growth and early signs of execution on loan growth guidance before turning constructive on the stock. At 1.6x Mar'26E P/BV, we believe valuations largely price in the positive factors. Maintain Neutral with a TP of INR815 (1.8x Mar'26E BV).

Disbursements impacted by process changes; book run-off stable QoQ

- 3QFY24 disbursements declined 23% YoY to ~INR18.8b. Process changes (including centralization of disbursements and reconciliations) impacted Oct'23 disbursements. Dec'23 disbursements reached a run rate of ~INR7b.
- Advances grew ~13% YoY and ~2% QoQ to ~INR341b. Annualized run-off in advances stood at ~14% (flat QoQ), which was lower than ~16% YoY.

Margin improved QoQ; share of CP declined

- NIM (reported) improved ~5bp QoQ to 3.7%. Reported spreads also rose ~5bp QoQ to 2.7%, due to a ~10bp QoQ rise in yields. The last tranche of CANF's back-book was repriced in 3QFY24.
- Bank borrowings in the mix rose to 60% (vs. ~57% in 2Q), while NHB borrowings remained stable at ~19%. The proportion of CPs declined to 5% (vs. ~7% in 2Q).

Asset quality deterioration driven by slippages from restructured pool

- Asset quality deteriorated as GS3/NS3 rose ~15bp/5bp QoQ to ~0.9%/0.5%. PCR on S3 loans rose ~170bp QoQ to ~46%. Entire restructured pool exited restructuring in Nov'23 and there were even closures of restructured loans, which led to a decline in provisions on the restructured pool.
- The management expects GS3 to decline by INR200-300m in 4QFY24, resulting in GS3 of 0.75-0.8% by Mar'24.

Sourcing higher-ticket home loans; reduction in loans sourced from DSA

- The average ticket size (ATS) of incremental housing loans rose to INR2.5m (from INR2.2m in 2Q and 1Q).
- DSA channel in the sourcing mix declined to 79% (2Q: ~82% and 1Q: ~85%).

Highlights from the management commentary

- CANF has received board approval to transition from an annual interest rate reset to a quarterly reset policy, effective Jan'24 for all new loans disbursed. Existing customers have also been given a choice to transition to quarterly resets.
- FY24 guidance for the cost-to-income ratio (CIR) is revised to ~16% (from 18% earlier) due to the postponement of IT transformation costs. However, it continues to guide for CIR of 18.0-18.5% in FY25.

Valuation and view

- CANF has successfully demonstrated its ability to maintain its pristine asset quality for many years. Credit costs (including management overlay) could be elevated in FY24E at ~35bp, we expect it moderate to ~20bp in FY25/FY26. We estimate a 16% CAGR in each of NII/PPOP/PAT over FY23-26 and RoA of 2.1% and RoE of ~18% in FY26.
- Maintain Neutral with a TP of INR815 (based on 1.8x Mar'26E BVPS).

Quarterly performance INR m

Y/E March	FY23				FY24E				FY23	FY24E	3Q FY24E	Act vs est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	6,065	6,522	7,046	7,521	8,181	8,652	8,948	9,205	27,154	34,987	8,972	0
Interest Expenses	3,561	4,010	4,529	4,908	5,330	5,484	5,660	5,846	17,009	22,320	5,698	-1
Net Interest Income	**2,504**	**2,512**	**2,517**	**2,613**	**2,851**	**3,168**	**3,288**	**3,359**	**10,146**	**12,666**	**3,274**	0
YoY Growth (%)	38.2	31.0	22.2	10.1	13.9	26.1	30.6	28.6	24.3	24.8	30.1	
Other income	51	54	51	122	60	58	71	101	277	290	71	0
Total Income	**2,555**	**2,566**	**2,568**	**2,735**	**2,911**	**3,226**	**3,359**	**3,461**	**10,423**	**12,957**	**3,345**	0
YoY Growth (%)	39.8	30.2	20.9	12.7	13.9	25.7	30.8	26.6	24.8	24.3	30.3	
Operating Expenses	405	405	438	517	435	524	494	531	1,765	1,984	577	-14
YoY Growth (%)	33.8	18.3	8.7	7.3	7.4	29.5	12.7	2.7	15.3	12.4	31.7	
Operating Profits	**2,150**	**2,161**	**2,129**	**2,218**	**2,476**	**2,702**	**2,865**	**2,930**	**8,658**	**10,973**	**2,767**	**4**
YoY Growth (%)	40.9	32.7	23.8	14.0	15.2	25.0	34.6	32.1	26.9	26.7	30.0	
Provisions	-37	132	84	238	137	722	308	31	418	1,198	155	99
Profit before Tax	**2,187**	**2,028**	**2,045**	**1,980**	**2,339**	**1,980**	**2,557**	**2,899**	**8,240**	**9,775**	**2,612**	-2
Tax Provisions	565	611	530	322	504	399	556	691	2,028	2,150	627	-11
Profit after tax	**1,622**	**1,417**	**1,515**	**1,658**	**1,835**	**1,581**	**2,001**	**2,207**	**6,212**	**7,624**	**1,985**	1
YoY Growth (%)	49.0	14.6	30.9	34.9	13.1	11.5	32.1	33.1	31.9	22.7	31.1	
Key Parameters (%)												
Yield on loans	8.9	9.3	9.6	9.8	10.2	10.5	10.6	10.6				
Cost of funds	5.7	6.2	6.6	6.9	7.3	7.3	7.3	7.3				
Spread	3.3	3.1	2.9	2.9	3.0	3.2	3.3	3.3				
NIM	3.7	3.6	3.4	3.4	3.6	3.8	3.9	3.9				
Credit cost	-0.1	0.2	0.1	0.3	0.2	0.9	0.4	0.0				
Cost to Income Ratio (%)	15.8	15.8	17.1	18.9	14.9	16.2	14.7	15.3				
Tax Rate (%)	25.8	30.1	25.9	16.3	21.6	20.2	21.7	23.8				
Balance Sheet Parameters												
Loans (INR B)	**275.4**	**288.2**	**301.2**	**315.6**	**325.1**	**333.6**	**340.5**	**355.3**				
Growth (%)	23.9	22.2	20.0	18.2	18.0	15.7	13.1	12.6				
AUM mix (%)												
Home loans	89.6	89.5	89.2	89.1	89.1	89.1	89.1					
Non-housing loans	10.4	10.5	10.8	10.9	10.9	10.9	10.9					
Salaried customers	74.3	74.1	73.6	73.1	72.7	72.4	72.1					
Self-employed customers	25.7	25.9	26.3	26.9	27.2	27.5	27.8					
Disbursements (INR B)	**17.2**	**22.5**	**24.4**	**25.4**	**19.7**	**20.2**	**18.8**	**26.7**				
Change YoY (%)	92.6	1.7	-1.1	-6.2	14.2	-10.1	-23.1	5.0				
Borrowing mix (%)												
Banks	54.0	54.0	51.0	53.9	54.0	57.0	60.0					
NHB	22.0	22.0	23.0	22.5	22.0	19.0	19.0					
Market borrowings	22.0	22.0	24.0	22.1	23.0	23.0	20.0					
Deposits	2.0	2.0	2.0	1.5	1.0	1.0	1.0					
Asset Quality												
GNPL (INR m)	1,798	1,787	1,811	1,738	2,052	2,540	3,088					
NNPL (INR m)	819	1,012	893	829	1,096	1,420	1,674					
GNPL ratio %	0.65	0.62	0.60	0.55	0.63	0.76	0.91					
GNPL ratio %	0.30	0.35	0.30	0.26	0.34	0.43	0.49					
PCR %	54	43	51	52	47	44	46					
Return Ratios (%)												
ROA (Rep)	2.4	2.1	2.2	2.3	2.2	1.9	2.3					
ROE (Rep)	20.0	16.8	17.3	18.2	19.2	16.0	19.4					

E: MOFSL Estimates

23 January 2024
3QFY24 Results Update | Sector: Healthcare

Granules India

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	GRAN IN
Equity Shares (m)	229
M.Cap.(INRb)/(USDb)	99.8 / 1.2
52-Week Range (INR)	435 / 268
1, 6, 12 Rel. Per (%)	7/25/15
12M Avg Val (INR M)	524

Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	45.9	51.7	59.0
EBITDA	9.0	11.0	13.1
Adj. PAT	4.5	6.2	8.0
EBIT Margin (%)	15.1	17.0	18.4
Cons. Adj. EPS (INR)	18.6	25.6	33.0
EPS Gr. (%)	-13.7	37.6	28.9
BV/Sh. (INR)	134.6	159.0	190.9
Ratios			
Net D:E	0.3	0.3	0.2
RoE (%)	14.8	17.5	18.9
RoCE (%)	12.7	14.6	16.3
Payout (%)	6.5	4.6	3.5
Valuations			
P/E (x)	22.1	16.0	12.4
EV/EBITDA (x)	10.4	8.5	6.9
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	0.1	2.0	3.8
EV/Sales (x)	2.0	1.8	1.5

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	42.0	42.0	42.0
DII	10.2	7.1	4.8
FII	18.8	21.5	23.7
Others	29.1	30.0	29.6

FII Includes depository receipts

CMP: INR412 TP: INR475 (+15%) Buy

In-line 3Q; backward integration projects on track

Net debt declines

- Granules India (GRAN) delivered an in-line performance in 3QFY24. The inferior performance in the API and intermediates (PFI) segments was offset by superior traction in the formulation (FDF) segment. A higher share of FDF boosted profitability on the YoY/QoQ basis. GRAN said backward integration projects for its core products are on track.
- We reduce our earnings estimates by 2%/5%/5% for FY24/FY25/FY26, factoring a) inventory corrections implemented by customers in LATAM, and b) increased competition in Paracetamol in Europe. We continue to value GRAN at 14x 12M forward earnings to arrive at a TP of INR475. We remain positive on GRAN given a) the healthy ANDA pipeline for the US market, b) expanding its presence in manufacturing value chain for its core molecules, and c) a higher share of the FDF business. **Maintain BUY.**

Product mix benefits partially offset by higher opex

- Sales were stable YoY at INR11.6b (our estimate: INR12.3b), led by a robust performance in the US (led by both existing and new products).
- FDF sales grew 46% YoY to INR7.6b (66% of sales). PFI sales declined 19% YoY to INR1.7b (15% of sales). API sales declined 47% YoY to INR2b (19% of sales).
- Geography-wise, North America sales grew 21% YoY (66% of sales), while Europe/LATAM sales declined 16%/39% YoY to INR2.2b/INR590m (20%/5% of sales) for the quarter.
- Gross margin expanded 860bp YoY to 57% due to a change in the segmental mix and lower RM costs.
- However, EBITDA margin expanded at a lower rate of 150bp YoY to 21.7% (our est: 19.5%), due to higher employee costs and other expenses (up 320bp/390bp YoY as a % of sales).
- EBITDA grew 8% YoY to INR2.5b (our est: INR2.4b) for the quarter.
- Adjusted PAT was almost flat YoY at INR1.3b (our estimate: INR1.3b).
- In 9MFY24, revenue was flat YoY at INR33.3b, while EBITDA/PAT declined 9%/27% YoY to INR6.2b/INR2.9b.

Highlights from the management commentary

- GRAN expects FY24 revenues to be stable on YoY basis. It expects growth to revive FY25 onward.
- The share of core molecules fell to 72% in 3QFY24 from 84% at FY23 end.
- With 4-5 launches in the US for YTD, GRAN expects to launch 3 products in 4QFY24. Particularly, the g-Toprol launch is being delayed as geo-political issues have affected transportation.

Quarterly Performance (INR m)

Y/E March (Consolidated)	FY23 1Q	FY23 2Q	FY23 3Q	FY23 4Q	FY24E 1Q	FY24E 2Q	FY24E 3Q	FY24E 4QE	FY23	FY24E	FY24E 3QE	Var. vs Est
Net Sales	**10,196**	**11,507**	**11,461**	**11,955**	**9,855**	**11,895**	**11,556**	**12,566**	**45,119**	**45,872**	**12,305**	-6.1
YoY Change (%)	20.0	29.5	17.0	16.1	-3.3	3.4	0.8	5.1	20.4	1.7	7.4	
EBITDA	**2,115**	**2,429**	**2,313**	**2,361**	**1,579**	**2,130**	**2,505**	**2,777**	**9,218**	**8,991**	**2,399**	4.4
YoY Change (%)	5.0	60.7	47.8	22.5	-25.4	-12.3	8.3	17.6	30.8	-2.5	3.7	
Margins (%)	20.7	21.1	20.2	19.8	16.0	17.9	21.7	22.1	20.4	19.6	19.5	
Depreciation	434	441	484	487	492	525	524	544	1,845	2,086	530	
EBIT	**1,682**	**1,988**	**1,829**	**1,874**	**1,086**	**1,605**	**1,981**	**2,233**	**7,373**	**6,905**	**1,869**	6.0
YoY Change (%)	3.8	78.6	56.0	22.9	-35.4	-19.3	8.3	19.2	35.0	-6.3	2.2	
Margins (%)	16.5	17.3	16.0	15.7	11.0	13.5	17.1	17.8	16.3	15.1	15.2	
Interest	69	132	170	188	225	260	286	210	559	980	200	
Other Income	47	48	9	34	3	15	7	66	138	92	35	
PBT before EO expense	**1,659**	**1,904**	**1,669**	**1,720**	**865**	**1,360**	**1,701**	**2,090**	**6,952**	**6,017**	**1,704**	-0.2
Extra-Ord expense	0	0	0	80	211	0	0	0	80	211	0	
PBT	**1,659**	**1,904**	**1,669**	**1,640**	**654**	**1,360**	**1,701**	**2,090**	**6,872**	**5,806**	**1,704**	
Tax	383	453	426	444	176	339	444	492	1,706	1,451	409	
Rate (%)	23.1	23.8	25.5	27.1	26.9	24.9	26.1	23.5	24.8	25.0	24.0	
(Profit)/Loss of JV/Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**1,276**	**1,451**	**1,243**	**1,196**	**479**	**1,021**	**1,257**	**1,598**	**5,166**	**4,354**	**1,295**	-3.0
Adjusted PAT	**1,276**	**1,451**	**1,243**	**1,254**	**633**	**1,021**	**1,257**	**1,598**	**5,224**	**4,510**	**1,295**	-3.0
YoY Change (%)	6.1	79.8	41.3	13.0	-50.4	-29.6	1.1	27.4	30.6	-13.7	4.2	
Margins (%)	12.5	12.6	10.8	10.5	6.4	8.6	10.9	12.7	11.6	9.8	10.5	

E: MOFSL Estimates

Key performance Indicators (Consolidated)

Y/E March	FY23 1Q	FY23 2Q	FY23 3Q	FY23 4Q	FY24E 1Q	FY24E 2Q	FY24E 3Q	FY24E 4QE	FY23	FY24E	FY24E 3QE
FD	5,487	5,856	5,226	6,115	5,420	7,375	7,627	8,392	22,684	28,814	7,317
YoY Change (%)	20.7	15.6	14.2	16.4	-1.2	25.9	45.9	37.2	16.7	27.0	40.0
PFI	2,368	2,349	2,132	2,172	1,478	1,427	1,733	1,946	9,021	6,585	1,705
YoY Change (%)	38.0	22.9	-5.6	-15.4	-37.6	-39.2	-18.7	-10.4	6.7	-27.0	-20.0
API	2,341	3,303	4,103	3,667	2,957	2,974	2,196	2,304	13,414	10,430	3,283
YoY Change (%)	4.6	73.4	31.0	48.0	26.3	-10.0	-46.5	-37.2	37.6	-22.2	-20.0
Cost Break-up											
RM Cost (% of Sales)	50.4	50.3	51.6	52.2	48.6	48.3	43.0	44.4	48.9	54.0	48.1
Staff Cost (% of Sales)	10.7	10.2	10.4	10.6	14.2	12.5	13.6	12.7	10.5	13.2	12.0
Other Cost (% of Sales)	18.2	18.4	17.8	17.5	21.1	21.2	21.7	20.8	18.0	21.2	20.4
Gross Margins(%)	49.6	49.7	48.4	47.8	51.4	51.7	57.0	55.6	51.1	46.0	51.9
EBITDA Margins(%)	20.7	21.1	20.2	19.8	16.0	17.9	21.7	22.1	20.4	19.6	19.5
EBIT Margins(%)	16.5	17.3	16.0	15.7	11.0	13.5	17.1	17.8	16.3	15.1	15.2

E: MOFSL Estimates

Cyient DLM

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	CYIENTDL IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	51.4 / 0.6
52-Week Range (INR)	779 / 401
1, 6, 12 Rel. Per (%)	-2/23/-
12M Avg Val (INR M)	423

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	12.1	17.0	23.1
EBITDA	1.1	1.7	2.6
Adj. PAT	0.6	1.1	1.9
EBITDA Margin (%)	9.5	10.0	11.3
Cons. Adj. EPS (INR)	8.0	14.4	23.5
EPS Gr. (%)	100.6	79.6	63.3
BV/Sh. (INR)	121.2	135.7	159.2
Ratios			
Net D:E	-0.6	-0.5	-0.6
RoE (%)	11.0	11.2	16.0
RoCE (%)	10.0	10.7	15.5
Valuations			
P/E (x)	81	45	27
EV/EBITDA (x)	40	27	17

Shareholding pattern (%)

As on	Dec-23	Sep-23
Promoter	66.7	66.7
DII	11.2	12.3
FII	6.3	6.2
Others	15.8	14.0

Note: FII includes depository receipts

CMP: INR648 TP: INR830 (+28%) Buy

Growth uninterrupted; another strong quarter

- Cyient DLM (CYIENTDL) reported another strong quarter with a revenue growth of ~50% YoY in 3QFY24, led by significant traction from the Aerospace and Defense verticals. However, margins declined 40bp YoY to 9.2%, primarily due to higher SG&A expenses.
- We maintain our FY24/FY25/FY26 EPS estimates and retain our BUY rating on the stock with a TP of INR830 (35x FY26E EPS).

Higher employee expenses hurt margins

- Consolidated revenue grew 50% YoY to INR3.2b in 3QFY24, primarily driven by Aerospace (~75% YoY growth) and Defense (over 2x YoY growth) verticals.
- Order book stood at ~INR22.9b as on 3QFY24 (flat QoQ) vs. ~INR23.5b as on 3QFY23.
- EBITDA margins witnessed a slight decline of 40bp YoY to 9.2%. This decrease can be attributed to a rise in employee expenses (stood at ~9.5% of sales vs. ~6.6% in 3QFY23). This increase was led by the company's continued investments in SG&A (strengthening management team by hiring of CXOs) and additional expenses related to ESOPs. EBITDA grew 32% YoY to INR294m (est. of INR292m).
- Adjusted PAT grew 3.2x YoY to INR184m (est. of INR146m), on the back of high 'other income' of INR93m in 3QFY24.
- Free cash outflow for 3QFY24 stood at INR342m due to increased working capital requirement (Net working capital of ~118 days in 3QFY24 vs. ~79 days in 3QFY23).
- For 9MFY24, revenue/EBITDA/Adj. PAT 50%/52%/100% YoY to INR8.3b/ INR730m/INR385m. Gross debt as on Dec'23 stood at ~INR2.5b.

Highlights from the management commentary

- **Margins**: CYIENTDL has completed its investments in SG&A and expects margin improvements from the next quarter (expecting ~10-10.5% in the near term and ~11-12% in the long term).
- **Order Intake** for 3QFY24 stood at ~USD41.8m (INR3.3b). Further, the company has won new awards (in addition to order intake) worth USD10m, which will be spread over the next three to four years. Average order execution is over 12-18 months.
- **Working capital**: The company is expecting a decline in inventory and debtors days in 4QFY24. It plans to bring net working capital down to ~100 days in the short term and ~90 days in the medium term.

Valuation and view

- CYIENTDL, being an integrated EMS and solutions provider in the rapidly growing critical end-user industries, is likely to capture its share of the pie on the back of its strong core competencies and high technical capabilities.
- Going ahead, we expect CYIENTDL to sustain its growth momentum, aided by: 1) strong order book, coupled with healthy order inflows; 2) high customer stickiness; and 3) strong promoter heritage.
- We estimate CYIENTDL to report a CAGR of 41%/44%/ 81% in revenue/EBITDA/ Adj. PAT over FY23-26.
- We maintain our FY24/FY25/FY26 EPS estimates and retain our BUY rating on the stock with a TP of INR830 (35x FY26 EPS).

Consolidated - Quarterly Earning **(INR m)**

Y/E March	FY23				FY24				FY23	FY24E	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%
Gross Sales	**1,701**	**1,702**	**2,144**	**2,774**	**2,171**	**2,918**	**3,210**	**3,802**	**8,320**	**12,102**	**3,216**	**0**
YoY Change (%)	NA	NA	NA	NA	27.6	71.5	49.7	37.1	15.5	45.4	50.0	
Total Expenditure	1,585	1,465	1,938	2,455	1,972	2,683	2,916	3,385	7,442	10,956	2,924	
EBITDA	**116**	**237**	**206**	**319**	**200**	**235**	**294**	**417**	**878**	**1,146**	**292**	**1**
Margins (%)	6.8	13.9	9.6	11.5	9.2	8.1	9.2	11.0	10.6	9.5	9.1	
Depreciation	49	50	47	48	48	55	58	60	194	221	57	
Interest	67	78	85	86	91	76	83	50	315	300	60	
Other Income	85	-7	-2	-13	9	93	93	30	63	225	20	
PBT before EO expense	**85**	**102**	**73**	**172**	**70**	**198**	**247**	**337**	**432**	**851**	**195**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**85**	**102**	**73**	**172**	**70**	**198**	**247**	**337**	**432**	**851**	**195**	
Tax	22	31	15	46	16	51	63	85	114	215	49	
Rate (%)	25.4	30.4	21.3	26.9	23.3	25.9	25.3	25.2	26.5	25.2	25.2	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**63**	**71**	**57**	**126**	**54**	**147**	**184**	**252**	**317**	**636**	**146**	
Adj PAT	**63**	**71**	**57**	**126**	**54**	**147**	**184**	**252**	**317**	**636**	**146**	**27**
YoY Change (%)	NA	NA	NA	NA	-15.2	106.4	222.9	100.1	-20.2	100.6	154.9	
Margins (%)	3.7	4.2	2.7	4.5	2.5	5.0	5.7	6.6	3.8	5.3	4.5	

Pidilite

BSE SENSEX	S&P CNX
70,371	21,239

CMP: INR2,522 | Neutral

Conference Call Details

Date: 24th January 2024
Time: 4:30pm IST
Dial-in details:
Diamond pass

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Sales	118.0	126.0	142.7
Sales Gr. (%)	18.9	6.8	13.2
EBITDA	19.8	28.5	33.3
EBITDA Margin (%)	16.8	22.6	23.3
Adj. PAT	12.8	18.5	22.1
Adj. EPS (INR)	25.2	36.5	43.4
EPS Gr. (%)	7.3	44.6	19.0
BV/Sh.(INR)	141.9	162.4	185.7
Ratios			
RoE (%)	18.8	24.0	24.9
RoCE (%)	16.9	22.4	23.7
Payout (%)	43.9	43.9	46.1
Valuations			
P/E (x)	102.5	70.9	59.6
P/BV (x)	18.2	15.9	13.9
EV/EBITDA (x)	65.8	45.6	38.7
Div. Yield (%)	0.4	0.6	0.8

Volume growth healthy; EBITDA in line

Consolidated performance

- Net sales grew 4.4% YoY to INR31.3b (est. INR32.3b) in 3QFY24. The company posted healthy volume growth in a challenging environment.
- The growth was broad-based across both the segments, which reported **double-digit UVG**. The three-year/four-year revenue CAGR stood at 11%/13%.
- The **Consumer & Bazaar (C&B) segment** revenue rose 5% YoY to INR25.4b, with segmental EBIT rising 43% YoY to INR7.7b. The segmental EBIT margin expanded 800bp YoY to 30.3%.
- The **B2B segment** revenue was up 6% YoY to INR6.4b, with segmental EBIT surging 93% YoY to INR757m. Segmental EBIT margin expanded 530bp to 11.9% during the quarter.
- Gross margin improved ~1,100bp YoY to 52.9% (est. 51.9%).
- As a percentage of sales, higher employee costs (+160bp YoY to 11.3%) and other expenses (+250bp YoY to 16.7%) resulted in an EBITDA margin expansion of 720bp YoY to **23.7% (est. 23.2%).**
- EBITDA grew 49.7% YoY to INR7.4b (est. INR7.5b). The three-year/four-year CAGR stood at 5.0%/12.5%.
- PBT rose 64.7% YoY to INR6.9b (est. INR6.7b). The three-year/four-year CAGR was at 5%/11%.
- Adj. PAT jumped 66.8% YoY to INR5.1b (est. INR5.0b). The three-year/four-year CAGR stood at 5%/10%.

Standalone performance

- Net sales grew 4.6% YoY to INR28.3b, with healthy volume growth amid a challenging environment.
- The underlying volume growth was healthy at 10.4%.
- Both urban and rural markets grew, with rural market outpacing the urban growth.
- The **C&B segment** revenue was up 5.4% YoY to INR23.3b. The segmental EBIT grew 45.4% YoY to INR7.5b. The segmental EBIT margin expanded ~900bp YoY to 32.4%.
- The **B2B segment** revenue was up 4.7% YoY to INR5.4b. The segmental EBIT surged 85.1% YoY to INR752m. The segmental margin expanded ~600bp YoY to 14.0%.
- Gross margin expanded ~1,200bp YoY to 52.9%, while EBITDA margin improved 770bp YoY to 25.0%.
- EBITDA grew 51.4% YoY to INR7.1b. The three-year/four-year CAGR stood at 7.3%/13.3%.
- PBT grew 72.1% YoY to INR6.9b. The three-year/four-year CAGR was at 8%/13%.
- Adj. PAT jumped 76.5% to INR5.2b. The three-year/four-year CAGR stood at 9%/12%.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24E				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	31,011	30,112	29,976	26,893	32,751	30,760	31,300	31,220	1,17,991	1,26,031	32,314	-3.1
YoY change (%)	60.1	14.7	5.2	7.3	5.6	2.2	4.4	16.1	18.9	6.8	7.8	
Gross Profit	12,931	12,342	12,541	12,582	16,054	15,783	16,551	15,982	50,397	64,369	16,771	-1.3
Margin (%)	41.7	41.0	41.8	46.8	49.0	51.3	52.9	51.2	42.7	51.1	51.9	
EBITDA	5,295	4,999	4,959	4,592	7,070	6,797	7,425	7,192	19,844	28,483	7,506	-1.1
YoY change (%)	52.3	-9.0	-9.7	14.5	33.5	36.0	49.7	56.6	7.4	43.5	51.4	
Margins (%)	17.1	16.6	16.5	17.1	21.6	22.1	23.7	23.0	16.8	22.6	23.2	
Depreciation	613	636	686	762	734	752	795	803	2,697	3,084	789	
Interest	90	117	151	118	119	131	128	904	476	1,281	148	
Other Income	107	110	51	228	234	316	370	12	496	932	180	
PBT	4,698	4,355	4,173	3,940	6,451	6,230	6,872	5,498	17,166	25,050	6,749	1.8
Tax	1,157	1,098	1,052	1,038	1,704	1,631	1,765	1,413	4,344	6,513	1,721	
Rate (%)	24.6	25.2	25.2	26.3	26.4	26.2	25.7	25.7	25.3	26.0	25.5	
Adj PAT	3,541	3,347	3,061	2,873	4,746	4,599	5,107	4,085	12,822	18,537	5,028	1.6
YoY change (%)	64.4	-10.7	-13.9	15.3	34.0	37.4	66.8	42.2	7.3	44.6	64.2	
Margins (%)	11.4	11.1	10.2	10.7	14.5	15.0	16.3	13.1	10.9	14.7	15.6	

E: MOFSL Estimates

Standalone Quarterly Performance (INR m)

Y/E March	FY23				FY24		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Sales	27,897	27,152	27,097	23,824	29,635	27,801	28,345
Change (%)	62.3	22.7	12.1	6.8	6.2	2.4	4.6
Gross Profit	11,388	10,944	11,126	11,074	14,494	14,234	15,001
Gross Margin %	40.8	40.3	41.1	46.5	48.9	51.2	52.9
EBITDA	4,872	4,641	4,678	4,361	6,713	6,425	7,083
EBITDA Margin %	17.5	17.1	17.3	18.3	22.7	23.1	25.0
Change (%)	50.3	-3.1	-2.2	12.3	37.8	38.5	51.4
Depreciation	504	527	575	614	615	625	665
Interest	44	71	101	69	67	75	75
Other Income	107	283	32	208	271	365	600
PBT	4,431	4,326	4,034	3,886	6,302	6,091	6,943
Tax	1,097	958	1,072	979	1,627	1,543	1,715
Effective Tax Rate (%)	24.8	22.1	26.6	25.2	25.8	25.3	24.7
Adj PAT	3,334	3,369	2,963	2,907	4,675	4,548	5,229
Change (%)	60.7	-0.7	-8.1	15.3	40.2	35.0	76.5

E: MOFSL Estimates

Havells India

BSE SENSEX	S&P CNX
70,371	21,239

CMP: INR1,313 — Buy

Higher ad spending results in a marginal EBITDA miss

- Havells (HAVL)'s 3QFY24 revenue grew 7% YoY to INR44.1b (in line with our estimates). Revenue growth (ex-Lloyd) was 7% YoY, led by an 11% growth in the Cables & Wires segment. Revenue for Lloyd grew 8% YoY. EBITDA was up 2% YoY to INR4.3b (est. INR4.5b). OPM was down 50bp YoY to 9.8% (-30bp vs. our estimate).
- Infrastructure development continued to result in robust cables and professional lighting demand. While consumer demand remained subdued, the recent trends suggest some recovery. Festive gains in the ECD segment were offset by high base in Fans.
- **We have a BUY rating on the stock** and we will review our assumptions after the concall.

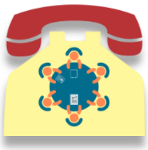
Cables, Lloyd drive topline growth amid subdued consumer demand

- HAVL's consolidated revenue was up 7% YoY to INR44b (in line with our estimate). Gross margin was up 30bp YoY to 33.3% (+30bp vs. our estimate). EBITDA grew 2% YoY to INR4.3b, 3% below our estimate. EBITDA margin came in at 9.8% (-30bp vs. our estimate). Adj. PAT inched up 1% YoY to INR2.9b (6% below our estimate). Depreciation/interest costs rose 18%/ 40% YoY. Other income grew 40% YoY. Ad spends stood at 4% of the revenue vs. 3.1%/2.2% in 3QFY23/2QFY24.
- Segmental highlights: 1) HAVL (ex-Lloyd): Revenue was up 7% YoY to INR37.6b. Cables and Wires: Revenue grew 11% YoY to INR15.7b and EBIT margin was down 1.1pp to 10.4%. Switchgear: Revenue was up 1% YoY to INR5.2b and EBIT margin contracted 60bp to 24%. Lighting: Revenue was up 3% YoY to INR4b and EBIT margin improved 1.5pp to 14%. ECD: Revenue was up 3% YoY to INR9.6b and EBIT margin declined 2pp to 11%. 2) Lloyd's revenue grew 8% YoY to INR6.6b. The company reported a loss of INR646m at the EBIT level in 3Q vs. INR596m YoY (estimated EBIT loss of INR577m).
- In 9MFY24, Revenue/EBITDA/PAT grew 9%/13%/15% YoY, respectively. EBITDA margin was up 30bp YoY to 9.2%. Within segments, C&W/Lloyds' revenue grew 14.2%/16.5% YoY, while Switchgear revenue was up 5.0% YoY. The ECD and Lighting revenue was up 1% (each).

Valuation and view

- Lloyd's 2Y CAGR was at ~18% and the management believes that the growth levers are intact for the coming season.
- **We have a BUY rating on the stock.** However, we will review our estimates after the concall on 24th Jan'24 (Concall Link).

Conference Call Details



Date: 24 January 2024

Time: 11:00 IST

Dial-in details:

+ 91 22 6280 1144

+ 91 22 7115 8045

Link for the call

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	189.7	213.7	242.8
EBITDA	18.7	23.6	28.2
Adj. PAT	12.9	16.4	19.6
EBITDA Margin (%)	9.8	11.1	11.6
Adj. EPS (INR)	20.5	26.2	31.3
EPS Gr. (%)	19.6	27.6	19.6
BV/Sh. (INR)	118.9	135.9	156.3
Ratios			
Net D:E	(0.3)	(0.4)	(0.4)
RoE (%)	17.3	19.3	20.0
RoCE (%)	16.8	18.8	19.6
Payout (%)	35.0	35.0	35.0
Valuations			
P/E (x)	64.0	50.1	41.9
P/BV (x)	11.0	9.7	8.4
EV/EBITDA(x)	42.8	33.5	27.7
Div. Yield (%)	0.5	0.7	0.8
FCF Yield (%)	0.9	1.5	1.9

Quarterly performance (INR m)

Y/E March	FY23 1Q	FY23 2Q	FY23 3Q	FY23 4Q	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4QE	MOFSL 3QE	Var.
Sales	**42,445**	**36,689**	**41,197**	**48,592**	**48,338**	**39,003**	**44,139**	**58,178**	**44,203**	-0.1%
Change (%)	63.4	13.9	12.8	10.0	13.9	6.3	7.1	19.7	7.3	
Adj EBITDA	**3,615**	**2,871**	**4,237**	**5,271**	**4,020**	**3,734**	**4,327**	**6,601**	**4,468**	-3.2%
Change (%)	2.4	-35.3	-3.8	1.3	11.2	30.1	2.1	25.2	5.4	
Adj EBITDA margin (%)	8.5	7.8	10.3	10.8	8.3	9.6	9.8	11.3	10.1	-30
Depreciation	721	721	746	774	763	812	877	841	828	5.9%
Interest	98	68	73	98	85	93	102	90	95	7.4%
Other Income	476	433	399	467	648	525	559	595	575	-2.8%
Extra-ordinary items	-	-	-	-	-	-	-	-	-	
PBT	**3,273**	**2,515**	**3,818**	**4,867**	**3,821**	**3,353**	**3,907**	**6,265**	**4,120**	-5.2%
Tax	841	646	978	1,287	950	862	1,028	1,648	1,060	
Effective Tax Rate (%)	25.7	25.7	25.6	26.4	24.9	25.7	26.3	26.3	25.7	
Reported PAT	**2,432**	**1,869**	**2,839**	**3,580**	**2,871**	**2,491**	**2,879**	**4,617**	**3,060**	-5.9%
Change (%)	3.8	(38.0)	(7.2)	1.4	18.1	33.3	1.4	28.9	7.8	
Adj PAT	**2,432**	**1,869**	**2,839**	**3,580**	**2,871**	**2,491**	**2,879**	**4,617**	**3,060**	-5.9%
Change (%)	3.8	(38.0)	(7.2)	1.4	18.1	33.3	1.4	28.9	7.8	

Segmental performance (INR m)

Y/E March	FY23 1Q	FY23 2Q	FY23 3Q	FY23 4Q	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4QE
Sales								
Switchgear	5,169	4,878	5,141	6,010	5,409	5,336	5,206	6,942
Cables & Wires	11,929	13,594	14,121	15,682	14,852	14,702	15,727	16,685
Consumer Durable	8,396	7,735	9,348	7,495	8,775	7,331	9,615	9,544
Lighting & Fixtures	3,737	3,970	4,201	4,160	3,710	3,999	4,335	4,932
Lloyd	10,938	4,141	6,068	12,710	13,109	4,974	6,561	17,463
% YoY								
Switchgear	38.4	10.2	3.7	26.7	4.6	9.4	1.3	15.5
Cables & Wires	47.8	18.8	17.1	5.4	24.5	8.1	11.4	6.4
Consumer Durable	45.8	6.2	4.7	(13.8)	4.5	(5.2)	2.9	27.3
Lighting & Fixtures	78.0	12.3	3.0	4.1	(0.7)	0.7	3.2	18.6
Lloyd	121.2	21.3	30.3	32.5	19.9	20.1	8.1	37.4
Profit Contribution								
Switchgear	1,354	1,220	1,270	1,721	1,499	1,409	1,256	1,972
Cables & Wires	875	859	1,628	1,885	1,691	1,707	1,633	2,220
Consumer Durable	1,100	901	1,228	962	957	848	1,073	1,424
Lighting & Fixtures	614	570	534	755	532	570	614	745
Lloyd	(563)	(833)	(596)	(229)	(616)	(745)	(646)	743
Contribution Margin (%)								
Switchgear	26.2	25.0	24.7	28.6	27.7	26.4	24.1	28.4
Cables & Wires	7.3	6.3	11.5	12.0	11.4	11.6	10.4	13.3
Consumer Durable	13.1	11.6	13.1	12.8	10.9	11.6	11.2	14.9
Lighting & Fixtures	16.4	14.4	12.7	18.1	14.3	14.3	14.2	15.1
Lloyd	(5.1)	(20.1)	(9.8)	(1.8)	(4.7)	(15.0)	(9.8)	4.3

United Spirits

BSE SENSEX	S&P CNX
70,371	21,239

CMP: INR1,108

P&A outperformance continues; beat on margin

- Standalone net sales increased 7.5% YoY to INR29.9b (est. of INR29.3b) in 3QFY24, with P&A growth of 10% (88% revenue mix).
- Demand momentum was relatively muted QoQ; however, the premiumization trend remained intact.
- Consumer engagement was high due to festivals, the Cricket World Cup and the wedding season.
- The company is cautiously optimistic about its growth outlook.
- Overall reported volume declined 1.8% (est. 0.7% growth), while P&A volume grew ~5%.
- Gross margin was up 290bp YoY/flat QoQ at 43.4%. (est. 42.4%).
- Employee costs declined 12%, whereas A&P and other expenses grew 18% and 5% YoY, respectively.
- As a % of sales, advertising costs rose 100bp YoY to 11%, whereas staff costs declined 110bp to 4.7% and other expenses fell 30bp YoY to 11.3%.
- **EBITDA margin expanded by 300bp YoY (flat QoQ) to 16%** (est. 15%).
- EBITDA increased by 33.6% YoY to INR4.9b (est. INR4.3b).
- PBT grew 51.2% YoY to INR4.6b and adjusted PAT rose 61% to INR3.5b (est. INR3.5b/INR2.6b).
- In 9MFY24, net sales/EBITDA/Adj. PAT grew 2%/25%/29%.

Segmental commentary

- Prestige & Above (P&A) segment's net sales grew 10% and volume grew 4.6% to **13.4m cases.**
- In 9MFY24, P&A segment revenue/volume grew 14% and 6% YoY.
- **Reported** net sales for the Popular segment declined 12.4% YoY and volume declined 22.8% YoY to 3.1m cases.
- In 9MFY24, Popular segment revenue/volume declined 5%/16% YoY.

Concall Details

Date: 24th January 2023
Time: 4:00PM IST
Dial in:
+9122 6280 1250 /
+9122 7115 8151
Diamond Pass

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	107.3	118.8	129.6
Sales Gr. (%)	3.5	10.7	9.1
EBITDA	17.9	20.4	22.4
Margin (%)	16.7	17.2	17.3
PAT	12.1	13.9	15.4
EPS (INR)	16.6	19.2	21.1
EPS Gr. (%)	30.7	15.5	10.3
BV/Sh.(INR)	98.8	118.0	139.1
Ratios			
RoE (%)	16.8	16.2	15.2
RoCE (%)	23.7	22.6	21.3
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	66.6	57.7	52.3
P/BV (x)	11.2	9.4	7.9
EV/EBITDA (x)	43.6	37.9	33.9

Quarterly Performance (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24	Var.
(Standalone)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Volume growth %	17.9	8.3	-25.0	-27.3	-28.6	-27.1	-1.8	4.4	-8.4	-13.3	0.7	
Total revenues	21,946	29,042	27,811	24,938	21,719	28,647	29,893	27,449	1,03,737	1,07,333	29,340	1.9%
YoY change (%)	35.9	18.7	-3.4	-0.3	-1.0	-1.4	7.5	10.1	10.1	3.5	5.5	
Gross Profit	8,974	11,449	11,281	11,315	9,474	12,437	12,979	11,907	43,019	46,797	12,440	4.3%
Margin (%)	40.9	39.4	40.6	45.4	43.6	43.4	43.4	43.4	41.5	43.6	42.4	
Total Exp	19,241	24,618	24,133	21,558	17,868	23,946	24,979	22,990	89,550	89,409	25,086	
EBITDA	2,705	4,424	3,678	3,380	3,851	4,701	4,914	4,459	14,187	17,925	4,254	15.5%
Margins (%)	12.3	15.2	13.2	13.6	17.7	16.4	16.4	16.2	13.7	16.7	14.5	
EBITDA growth (%)	61.3	3.9	-24.9	-21.1	42.4	6.3	33.6	31.9	26.3	26.3	15.7	
Depreciation	741	645	636	684	650	653	628	669	2,706	2,600	693	
Interest	226	210	243	360	193	262	164	150	1,039	500	267	
PBT From operations	1,738	3,569	2,799	2,336	3,008	3,786	4,122	3,640	10,442	14,825	3,294	
YoY Change (%)	87.9	-1.3	-25.5	-30.2	73.1	6.1	47.3	55.8			18	
Other income	256	85	232	169	209	388	461	192	742	1,250	244	
PBT	1,994	3,654	3,031	2,505	3,217	4,174	4,583	3,832	11,184	16,075	3,537	29.6%
Tax	-339	1,947	415	353	814	1,068	1,102	964	2,376	4,019	891	
Rate (%)	-17.0	53.3	13.7	14.1	25.3	25.6	24.0	25.2	21.2	25.0	25.2	
Adj. PAT	2,218	2,636	2,163	2,124	2,397	3,183	3,481	2,867	8,808	12,056	2,646	31.6%
YoY change (%)	130.1	-3.5	-30.4	-24.2	8.1	20.7	61.0	35.0	-86.2	36.9	18.4	

E: MOFSL Estimate

Indus Towers

BSE SENSEX	S&P CNX
70,371	20,323

Conference Call Details

Date: 24th Jan 2024
Time: 02:30pm IST

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Net Sales	283.8	287.4	301.3
EBITDA	96.7	141.3	152.4
Adj. PAT	24.0	52.5	56.6
EBITDA Margin (%)	34.1	49.2	50.6
Adj. EPS (INR)	8.9	19.5	21.0
EPS Gr. (%)	-62.3	118.4	7.7
BV/Sh. (INR)	78.3	97.8	118.8
Ratios			
Net D:E	0.2	0.2	-0.1
RoE (%)	11.1	22.1	19.4
RoCE (%)	13.0	22.2	21.3
Valuations			
EV/EBITDA (x)	6.5	4.4	3.7
P/E (x)	24.3	11.1	10.3
P/BV (x)	2.8	2.2	1.8
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	7.5	2.1	12.5

CMP: INR217 — Neutral

Lower VIL provision leads to an improvement in EBITDA (in line)

- Revenue grew 1% QoQ to INR72b (in line). This was led by 3% QoQ rental revenue growth to INR45b, while energy revenue declined 3% QoQ to INR27b.
  - Rental revenue growth was led by an increase in the number of towers.
    - ✓ The company added ~7.6k towers, and ~7.2k co-locations were added. This implied a reduction in the average sharing factor sequentially to 1.72x from 1.74x.
  - The decline in energy revenue was due to the decrease in energy reimbursements per tower by 6% QoQ.
- EBITDA was up 5% QoQ to INR36b (in line) led by: a) a dip in power and fuel and b) a decrease in VIL provision to INR641m (from INR1.3b in 2QFY24).
  - After adjusting for VIL provisions, the Adj. EBITDA rose 3% QoQ to INR36.5b, and the adjusted margin improved 80bp QoQ to 50.7%.
  - Adj. rental EBITDA rose 3% QoQ to INR37.3b, while the margin contracted 20bp QoQ to 83.1% during the quarter.
  - Adj. energy continued to report a loss of INR761m at the operating level vs. INR618m loss in 2QFY24.
- Higher finance income and controlled depreciation/interest cost led to a 19% QoQ increase in PAT to INR15.4b.

Balance sheet and cash flow analysis

- Debtors continued to report higher at INR60b (vs. INR62b in 2QFY24).
- Net Debt (excluding lease) declined INR8.6b to INR46b in 3QFY24.
- For 9MFY24, FCF turned negative to INR6b due to higher capex of INR61.5b.
  - The company generated a 3.5% FCF yield in FY23.

VIL provision terms

- VIL indicated challenges in making the committed payments pertaining to the Dec'22 outstanding, which was expected to be paid between Jan'23 and Jul'23. During the quarter, the funding plan did not materialize for the company.
- However, VIL has been paying the monthly billing amount from Jan'23 onwards. The cumulative provision booking for VIL in the last seven quarters stand at INR57b.

Quarterly Performance (INR b)

Y/E March (Consolidated)	FY23				FY24E				FY23	FY24E	FY24E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3QE	
Revenue from operations	69	80	68	68	71	71	72	73	284	287	73	-0.7
YoY Change (%)	1.5	15.9	-2.3	-5.1	2.6	-10.5	6.4	8.6	10.6	1.3	7.2	
Total Expenditure	46	52	56	33	36	37	36	37	187	146	38	-4.6
EBITDA	**23**	**28**	**12**	**34**	**35**	**34**	**36**	**36**	**97**	**141**	**35**	3.5
YoY Change (%)	-35.7	-22.4	-68.6	-15.5	53.8	21.7	208.3	6.2	-26.2	46.2	197.7	
Depreciation	13	13	14	13	14	15	16	17	53	62	16	1.3
Interest	4	4	4	3	4	2	0	6	15	12	3	-96.5
Other Income	1	1	1	1	1	1	1	0	4	3	1	38.6
PBT before EO expense	**6**	**12**	**-5**	**19**	**18**	**17**	**21**	**14**	**33**	**71**	**17**	25.6
Extra-Ord expense	0	0	5	0	0	0	0	0	5	0	0	
PBT	**6**	**12**	**-10**	**19**	**18**	**17**	**21**	**14**	**28**	**71**	**17**	25.6
Tax	2	3	-2	5	5	5	5	4	7	18	4	
Rate (%)	25.8	25.8	25.6	26.1	25.5	25.9	25.8	25.2	26.1	25.6	25.2	
Reported PAT	**5**	**9**	**-7**	**14**	**13**	**13**	**15**	**11**	**20**	**53**	**12**	24.5
Adj PAT	**5**	**9**	**-3**	**14**	**13**	**13**	**15**	**11**	**24**	**53**	**12**	24.5
YoY Change (%)	-66.3	-44.1	-145.1	-23.5	182.4	48.5	-550.9	-23.6	-51.7	118.4	-462.2	

E: MOFSL Estimates

L&T Finance Holdings

BSE SENSEX	S&P CNX
70,371	21,239

Conference Call Details

Date: 24th Jan 2024
Time: 11:00 AM IST
Call details:
Link

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Total Income	74.5	85.0	106.5
PPP	51.6	62.0	81.9
Adj. PAT	24.1	29.0	38.4
EPS (INR)	9.7	11.7	15.5
EPS Gr. (%)	48.5	20.6	32.2
BV/Sh. (INR)	95	101	111
Ratios			
NIM (%)	9.7	9.6	9.5
C/I ratio (%)	40.2	38.1	34.2
RoAA (%)	2.3	2.5	2.7
RoE (%)	10.7	11.9	14.6
Payout (%)	50.0	50.0	30.0
Valuation			
P/E (x)	16.5	13.7	10.3
P/BV (x)	1.7	1.6	1.4
Div. Yield (%)	3.0	3.7	2.9

CMP: INR160 **BUY**

In-line earnings aided by NIM expansion and lower tax rate

Consol. RoA expands further to ~2.5%; asset quality largely stable

- L&T Finance Holdings (LTFH) reported PAT of INR6.4b (in line) in 3QFY24. PPOP grew ~7% YoY to INR13.4b (in line), while credit costs of ~INR5.1b translated into annualized credit costs of 2.5% (vs. 2.6% in 2QFY24 and 2.7% in 3QFY23). The effective tax rate stood at 22.4% (vs. 25.5% in 2Q).
- Total loan book grew 4% QoQ and declined ~8% YoY to INR818b, mainly due to continued run-down in the wholesale portfolio, which fell 24% QoQ/77% YoY to ~INR70b (2Q: ~INR93b). Wholesale Real Estate book dipped ~66% YoY to ~INR25b.
- Retail assets contributed 91% to the loan mix (2Q: 88%). Retail book grew ~8% QoQ/31% YoY, propelled by healthy growth in MFI, Home Loans, SME, and Consumer Finance.

Healthy disbursements in Retail; continued running down of wholesale segments

- Disbursements grew 13% YoY to ~INR149b, driven by 25% YoY growth in retail to ~INR145b in 2QFY24.
- Wholesale disbursements grew ~69% QoQ, led by infrastructure finance but declined 78% YoY to INR3.3b.

Asset quality improved sequentially

- Consol. GS3 declined ~5bp QoQ to ~3.2%, while NS3 stood stable at ~0.8%. PCR declined ~40bp QoQ to ~75%.
- Retail GNPA declined 10bp QoQ to 2.95% and NS3 stood stable at ~0.65%.

Margin expansion driven by improving retail mix

- NII grew 7% YoY to INR19.5b. Consolidated NIMs and Fees improved ~10bp QoQ to 10.9% in 3QFY24, led by changing portfolio mix toward retail.
- Spreads (calculated) expanded 25bp QoQ to ~9.4%, led by a 35bp sequential increase in yields (calculated) to ~16.5%.

Valuation and view

Within Retail, MFI, Home Loans and 2W segments continued to post strong growth, with Retail now contributing 91% to the loan mix. The company continues to focus on digital initiatives to sustain its retail growth momentum. Credit costs would continue to moderate in the near term, driven by further reductions in the wholesale book and improvements in retail asset quality, which can translate into sustainable consolidated RoA of ~2.7%. Mr. Sudipta Roy (ex-ICICI) has succeeded Mr. Dinanath Dubhashi as MD and CEO, effective 23rd Jan'24, and will look to leverage his vast experience to further strengthen the franchise. We might revise our estimates after the earnings call on 24th Jan'24.

Quarterly performance (INR M)

Y/E March	FY23				FY24E				FY23	FY24E	3QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	29,466	30,862	33,216	32,107	31,165	31,685	33,063	32,829	1,25,651	1,28,742	32,478	2
Interest Expenses	14,132	14,385	15,007	14,449	13,638	13,249	13,534	13,791	57,972	54,212	13,567	0
Net Interest Income	**15,334**	**16,477**	**18,209**	**17,658**	**17,527**	**18,436**	**19,529**	**19,038**	**67,679**	**74,530**	**18,910**	**3**
Change YoY (%)	2.3	12.8	24.1	15.7	14.3	11.9	7.2	7.8	13.7	10.1	3.8	
Other Operating Income	1,318	1,090	1,109	53	1,068	453	2,277	-1,015	3,569	2,782	450	406
Net Operating Income	**16,652**	**17,567**	**19,318**	**17,711**	**18,596**	**18,889**	**21,805**	**18,023**	**71,248**	**77,312**	**19,360**	**13**
Change YoY (%)	2.1	9.1	16.1	7.0	11.7	7.5	12.9	1.8	8.6	8.5	0.2	
Other income	1,474	1,193	585	2,016	1,535	2,682	473	4,265	5,268	8,955	2,521	-81
Total Income	**18,126**	**18,760**	**19,903**	**19,726**	**20,130**	**21,572**	**22,278**	**22,288**	**76,515**	**86,267**	**21,882**	**2**
Change YoY (%)	7.1	10.8	11.0	11.1	11.1	15.0	11.9	13.0	10.0	12.7	9.9	
Operating Expenses	6,577	6,868	7,417	7,870	7,782	8,598	8,896	9,363	28,732	34,639	8,901	0
Change YoY (%)	19.9	16.3	20.3	23.2	18.3	25.2	19.9	19.0	20.0	20.6	20.0	
Operating Profits	**11,549**	**11,891**	**12,486**	**12,698**	**12,348**	**12,974**	**13,382**	**12,924**	**48,624**	**51,628**	**12,981**	**3**
Change YoY (%)	0.9	7.9	6.2	11.8	6.9	9.1	7.2	1.8	6.7	6.2	4.0	
Provisions	7,989	5,765	6,417	5,232	5,212	5,000	5,142	3,957	25,404	19,311	4,595	12
Profit before Tax	**3,560**	**6,126**	**6,069**	**7,466**	**7,136**	**7,974**	**8,240**	**8,967**	**23,220**	**32,317**	**8,387**	**-2**
Tax Provisions	948	2,070	990	2,455	1,831	2,032	1,847	2,532	6,464	8,241	2,139	-14
Profit after tax	**2,612**	**4,056**	**4,538**	**5,011**	**5,305**	**5,942**	**6,402**	**6,436**	**16,216**	**24,076**	**6,248**	**2**
Change YoY (%)	46.8	81.0	39.2	46.4	103.1	46.5	41.1	28.4	51.5	48.5	37.7	
Key Operating Parameters (%)												
Rep. Net Income (% of Avg Assets)	8.23	2.54	2.67	9.21	9.64	10.84	10.92					
Rep. Cost of funds (%)	7.27	7.33	7.54	7.71	7.77	7.79	7.81					
Cost to Income Ratio	36.3	36.6	37.3	39.9	38.7	39.9	39.9					
Rep Credit Cost	3.63	2.54	2.67	2.24	2.33	2.58	2.52					
Tax Rate	26.6	33.8	16.3	32.9	25.7	25.5	22.4					
Balance Sheet Parameters												
Gross Customer Assets (INR B)	881	901	884	809	786	787	818					
Change YoY (%)	-0.4	3.6	3.4	-8.4	-10.8	-12.6	-7.5					
Borrowings (INR B)	818	853	862	830	754	766	760					
Change YoY (%)	-3.0	1.0	3.9	-2.5	-7.8	-10.3	-11.9					
Customer Assets /Borrowings (%)	108	106	103	97	104	103	108					
Asset Quality Parameters (%)												
GS 3 (INR B)	35.6	35.9	37.2	38.3	31.7	25.8	26.3					
Gross Stage 3 (%)	4.1	4.0	4.2	4.7	4.0	3.3	3.2					
NS 3 (INR B)	15.9	16.2	14.9	11.8	9.1	6.3	6.5					
Net Stage 3 (%)	1.9	1.9	1.7	1.6	1.6	0.8	0.8					
PCR (%)	55.3	55.0	60.1	69.3	71.4	75.7	75.3					
Return Ratios (%)												
ROAA	1.0	1.6	1.7	1.9	2.1	2.4	2.5					
ROAE	5.2	8.0	8.4	9.4	9.4	10.8	11.4					

E: MOFSL Estimates

Hitachi Energy

BSE SENSEX	S&P CNX
70,371	21,239

Conference Call Details

Date: 24th January 2024

Time: 3:30pm IST

Dial-in details:

Diamond pass

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Sales	49.5	65.1	78.0
Sales Gr. (%)	10.7	31.6	19.7
EBITDA	3.0	5.7	7.8
EBITDA Margin (%)	6.0	8.8	10.0
Adj. PAT	1.2	3.2	4.6
Adj. EPS (INR)	28.4	74.5	109.4
EPS Gr. (%)	28.1	162.5	46.8
BV/Sh.(INR)	315.0	389.5	498.9
Ratios			
RoE (%)	9.0	19.1	21.9
RoCE (%)	10.1	18.8	21.3
Payout (%)	-	-	-
Valuations			
P/E (x)	204.5	77.9	53.1
P/BV (x)	18.4	14.9	11.6
EV/EBITDA (x)	83.6	43.0	31.0
Div. Yield (%)	-	-	-

CMP: INR5,804 **Sell**

Muted quarter; miss on all fronts

- Hitachi Energy's 3QFY24 result was below our expectations due to lower-than-expected ramp-up in execution and weaker-than-expected margins. PAT grew 401% YoY, due to the low base of last year, but was sharply lower than our estimates.
- Revenue grew 23% YoY, driven by a healthy order book that stood at INR75.5b. The order book consisted of Adani's HVDC project, which was awarded to Hitachi Energy in FY23. The order inflow during the quarter moderated sequentially to INR12.4b, due to an exceptionally large order awarded in 2QFY24.
- Gross margin contracted ~540bp YoY to 35.1%, while sequentially it was flattish. The staff cost, which stood at 9.5% of sales, was largely flattish both YoY and QoQ, and in line with the past quarter trends. Other expenditures declined 470bp YoY to 20.2% of sales. We would wait for more clarity on other expenses related to the royalty payments as well as other payments to the promoter group entities.
- EBITDA margin was at 5.3% in 3QFY24, up 150bp YoY, led by easing of supply chain issues and moderation in other expenses; however, margins were largely flat sequentially.
- Interest expenses grew 5% YoY, while other income declined 69% YoY.
- PAT grew 401% YoY, due to the low base of last year. It was driven by moderating supply chain issues. PAT declined 7% sequentially during the quarter. PAT for the quarter was sharply below our estimates.

Other highlights from the press release

- Order inflow during the quarter stood at INR12.3b, flat YoY.
- Data centers and renewables significantly contributed to the orders, while transmission and rail segments remained flat. Service orders were up by over 70% YoY, led by utilities and industries.
- Export order inflow grew by more than 60% YoY, on the back of transformers and HV products. The European and African markets drove the ordering for transformers, while demand for power quality solutions drove the ordering from LatAm, Africa, US and Europe.

Quarterly performance (Standalone) **(INR m)**

	FY23				FY24				FY23	FY24E	FY24E	Est
Y/E March	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4QE**			**3QE**	**Var %**
Net Sales	**9,860**	**11,146**	**10,339**	**13,340**	**10,401**	**12,280**	**12,742**	**14,061**	**44,685**	**49,484**	**13,361**	**-5**
Change (%)	25.8	31.3	-7.9	19.8	5.5	10.2	23.2	5.4	NA	10.7	29.2	
EBITDA	**256**	**757**	**395**	**951**	**337**	**653**	**680**	**1,280**	**2,359**	**2,950**	**930**	**-27**
Change (%)	-28.1	3.5	-36.1	43.5	31.3	-13.7	72.4	34.7	-24.1	25.0	135.8	
As of % Sales	2.6	6.8	3.8	7.1	3.2	5.3	5.3	9.1	5.3	6.0	7.0	
Depreciation	205	184	202	211	223	225	227	216	802	890	221	3
Interest	84	75	130	112	110	107	137	198	401	551	167	-18
Other Income	53	4	71	23	29	2	22	114	151	168	68	-67
PBT	**21**	**502**	**134**	**651**	**34**	**324**	**338**	**981**	**1,308**	**1,676**	**609**	**-45**
Tax	8	131	88	143	10	76	108	279	369	473	154	
Effective Tax Rate (%)	36.5	26.0	65.8	21.9	28.7	23.6	32.0	28.4	28.2	28.2	25.2	
Extra-ordinary Items												
Reported PAT	**13**	**371**	**46**	**508**	**24**	**247**	**230**	**702**	**939**	**1,203**	**456**	**-50**
Change (%)	-91.8	8.1	-92.6	-1.6	79.9	-33.3	401.5	38.2	-44.0	28.1	895.3	
Adj PAT	**13**	**371**	**46**	**508**	**24**	**247**	**230**	**702**	**939**	**1,203**	**456**	**-50**
Change (%)	-91.8	8.1	-92.6	-1.6	79.9	-33.3	401.5	38.2	-44.0	28.1	895.3	

E: MOFSL Estimates

Mahanagar Gas

BSE SENSEX	S&P CNX
70,371	21,239

Conference Call Details

Date: 24th January 2024

Time: 1630 hours IST

Dial-in details:

+91 22 6280 1116

+91 22 7115 8017

CMP: INR1,314 Buy

In-line performance

- **Total volumes were in line with est. at 3.7mmscmd (up 8% YoY)**
  - CNG volumes stood at 2.6mmscmd (up 6% YoY)
  - PNG total volumes were at 1mmscmd (up 11% YoY)
- **EBITDA/scm came in line with our estimate at INR13.3 (up 63% YoY)**
  - Resultant EBITDA was also in line at INR4.5b (up 75% YoY)
  - PAT was also in line at INR3.2b (up 84% YoY).
- **For 9MFY24**, revenue stood at INR46.8b (flat YoY), EBITDA at INR14.5b (up 82% YoY) with PAT at INR10.2b (up 96% YoY)
  - EBITDA/scm was at INR14.9 (up 77% YoY)
  - Total volume was at 3.6mmscmd (up 3% YoY)
- The company has declared an interim dividend of INR12 per share.
- PNGRB has approved a transfer of 100% equity shares held by existing shareholders of UEPL vide its letter dated December 13, 2023.
  - The company is in the process of consummating the acquisition as per the SPA.
- MAHGL has signed a JV agreement with Baidyanath LNG Pvt Ltd for incorporating a JVC on 17th Oct'23
  - The JVC (Mahanagar LNG Private Limited) was incorporated on December 26, 2023. However, it is still in the process of issuing equity shares to shareholders for subscription and is yet to commence its business operations.

Standalone - Quarterly Earning (INR m)

Y/E March	FY23				FY24				Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	3QAct	(%)	(%)	(%)
Net Sales	**14,548**	**15,627**	**16,714**	**16,105**	**15,378**	**15,709**	**15,366**	**15,688**	**2%**	**-6%**	**0%**
YoY Change (%)	*136.4*	*88.2*	*62.6*	*48.2*	*5.7*	*0.5*	*-8.1*	*-6.1*			
EBITDA	**2,856**	**2,528**	**2,561**	**3,897**	**5,213**	**4,789**	**4,488**	**4,487**	**0%**	**75%**	**-6%**
EBITDA/SCM	*9.1*	*7.9*	*8.2*	*12.8*	*16.8*	*14.6*	*13.5*	*13.3*	*-2%*	*63%*	*-9%*
Margin (%)	*19.6*	*16.2*	*15.3*	*24.2*	*33.9*	*30.5*	*29.2*	*28.6*	*-0.6*	*13.3*	*-1.9*
Depreciation	537	551	585	638	620	658	661	683	3%	17%	4%
Interest	23	25	24	22	25	25	27	27	0%	12%	10%
Other Income	200	260	323	336	390	437	410	481	17%	49%	10%
PBT before EO expense	**2,496**	**2,213**	**2,274**	**3,573**	**4,957**	**4,543**	**4,210**	**4,258**	**1%**	**87%**	**-6%**
PBT	**2,496**	**2,213**	**2,274**	**3,573**	**4,957**	**4,543**	**4,210**	**4,258**	**1%**	**87%**	**-6%**
Tax	644	573	553	885	1,273	1,158	1,060	1,086			
Rate (%)	*25.8*	*25.9*	*24.3*	*24.8*	*25.7*	*25.5*	*25.2*	*25.5*			
Reported PAT	**1,852**	**1,640**	**1,721**	**2,688**	**3,684**	**3,385**	**3,150**	**3,172**	**1%**	**84%**	**-6%**
YoY Change (%)	*-9.3*	*-19.7*	*203.0*	*104.0*	*98.9*	*106.4*	*83.1*	*84.3*			
Margin (%)	*12.7*	*10.5*	*10.3*	*16.7*	*24.0*	*21.5*	*20.5*	*20.2*	*-0.3*	*9.9*	*-1.3*
Sales Volumes (mmscmd)											
CNG	2.5	2.5	2.5	2.4	2.5	2.6	2.6	2.6	0%	6%	2%
PNG - Domestic	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	1%	6%	8%
PNG - Industrial/ Commercial	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.5	8%	16%	2%
PNG - Total	0.9	0.9	0.9	1.0	0.9	1.0	1.0	1.0	5%	11%	5%
Total Volumes	**3.4**	**3.5**	**3.4**	**3.4**	**3.4**	**3.6**	**3.6**	**3.7**	**2%**	**8%**	**3%**

Hero Motocorp

BSE SENSEX	S&P CNX
70,371	21,239

Financials & valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	338.1	370.6	403.6
EBITDA	39.9	51.3	57.4
Adj. PAT	29.1	40.0	43.2
Adj. EPS (INR)	145.6	199.7	215.7
EPS Gr. (%)	17.7	37.2	8.0
BV/Sh. (INR)	836	929	1,035
Ratios			
RoE (%)	17.9	22.7	22.0
RoCE (%)	17.6	22.2	21.6
Payout (%)	68.7	52.6	51.0
Valuations			
P/E (x)	30.5	22.2	20.6
P/BV (x)	5.3	4.8	4.3
Div. Yield (%)	2.3	2.4	2.5
FCF Yield (%)	2.3	4.1	4.9

CMP:INR4,440 Buy

Focus on filling the product gaps in the premium segment

We visited Hero MotoCorp (HMCL)'s Global Centre of Innovation and Technology (CIT) in Jaipur, where the company showcased its product line-ups and concepts in the premium motorcycle segment, scooters, and electric vehicles (EVs). During its product launch event in Jaipur, HMCL launched two new motorcycles: i) Xtreme 125R, to strengthen its position in the growing 125CC segment, and ii) Mavrick 440, a modern Roadster built on the same platform as the Harley Davidson 440X. We believe both of these launches are in line with HMCL's strategy to expand its presence in the premium 2W segment. The company is expected to prioritize filling product gaps and expanding channels in the premium category in the coming years. This, along with a healthy demand recovery in key motorcycling states, should bode well for the overall growth of HMCL.

Xtreme 125R: To strengthen HMCL's presence in the growing 125CC segment

- HMCL launched its newest offering, 'Xtreme 125R', in the competitive executive 125CC segment in two variants – IBS (priced at INR95k) and single channel ABS (priced at INR99.5k). It is also available in three colors - Blue, Red and Black.
- This motorcycle houses an all-new 125CC SPRINT engine with EBT (engine balancer technology). Despite a higher power output of 11.4bhp, the mileage claimed by the company is 66kmpl. In terms of safety, it is equipped with the first-in-segment single-channel ABS.
- This is the third offering by HMCL in this category, including Splendor and Glamour. The motorcycle has a sportier look vis-à-vis its other variants and it would be targeting the younger audience.
- **About the 125CC segment:** The monthly sales run rate of the industry in 125CC segment is 270-275k units (has contributed 18% of the overall volumes in FY24YTD vs. 12% in FY19), with HMCL's current market share at 19%. It would be available in showrooms from 20th Feb, while the production has already started.

Mavrick: The first Hero-badged product in >400CC category

- The company launched Mavrick 440, which is its first own-badged product in the premium segment of >400CC. This premium motorcycle is co-developed with Harley Davidson and is based on the X440 Roadster. Bookings would commence in Feb'24, with deliveries likely to start in Apr'24.
- The Mavrick 440 will come in three variants and will be available in five color options. The basic model will come in a single Arctic White paint job and will be available with spoke wheels. The mid-range model will come with alloy wheels and be offered in Celestial Blue and Fearless Red. The highest-spec trim level will

come with machined alloy wheels and be offered in Phantom Black and Enigma Black color choices.

- This motorcycle is fitted with an Air cooler and oil cooler 2V single-cylinder 440CC 'TorqX' engine with electronic fuel injection. It has an upright riding position, a spacious seat, ample legroom, and optimized grab rails, thus making the journey comfortable for both rider and passenger.
- **About the >350CC segment:** The monthly sales run rate for the 350CC and above segment is 78-80k units, with HMCL's (through HD) market share at <1%.

Mainstream and mass-market products in EVs

- The company would be launching e-scooters in all the segments (premium, mainstream, and mass market) by 1HFY25. These would be followed by a cost-effective refresh by 2HFY25.
- The company would further focus on B2B, global, and market-specific scooters going forward.
- It would also be planning to launch Vida motorcycles, focusing on the premium segment. These products would cater to the high- and mid-performance categories, in collaboration with Zero motorcycles. These motorcycles would be on a single-base platform. For this, HMCL has completed USD60m of investments in Mar'23.

Distribution and digital initiatives

- It plans to launch 100 Hero Premia stores by Jun'24E (vs. three stores at present). It would also be launching Premia Service, which would be operational in three locations in Jan'24. The service experience would largely be digital for customers.
- Further, it has set a target to launch 400 Hero 2.0 stores by end of 4QFY24 (vs. 300 stores at present).
- It is focusing on the digital initiatives and AI for the whole pre-booking to delivery process of the vehicles. About 54% of the bookings of HD X440 were online with four bookings per minute during the peak period.
- It has launched industry-first features like ONDC on App. It has also launched retail finance platform e-Fin, which is currently in the testing phase in NCR. 500 applications are already sanctioned, with an average sanction time of 4.2 minutes.
- FY24 digital enquiries stand around 16.6% (vs. 7.7% in FY23) and the conversion rate in FY24 is at 12.4%.

Exhibit 1: HMCL Xtreme 125R compared with peers

	HMCL Xtreme 125R	TVSL Raider 125	BJAUT Pulsar 125NS	HMSI SP 125
Ex-showroom price range (in INR '000)	95-99.5	95.2-102.8	99.6	86-90.6
Engine power	11.5bhp @ 8000rpm	11.2bhp @ 7500rpm	11.8bhp @ 8500rpm	10.7bhp @ 7500rpm
Fuel efficiency (km/l)	66	57	47	65
Monthly volumes for OEMs in overall 125CC (in '000)	52	39.5	72.2	108.3

Source: Company websites, MOFSL

Exhibit 2: Sporty look of the Xtreme 125R should appeal urban buyers

Source: HMCL website, MOFSL

Exhibit 3: Mavrick's specifications vs. rivals

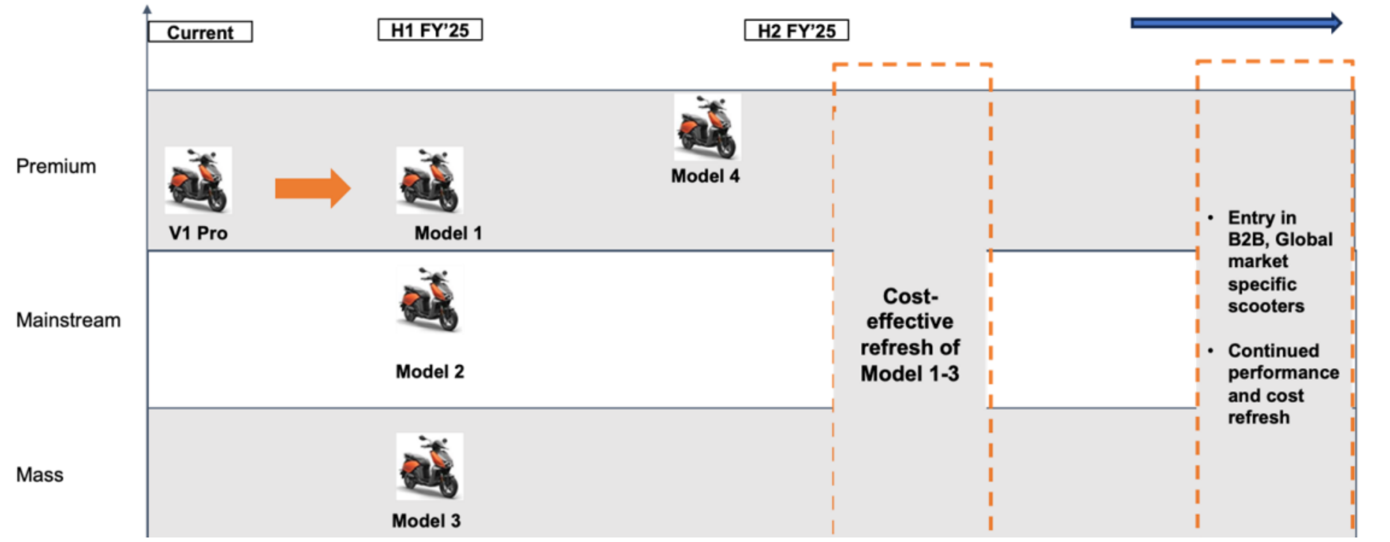
	HMCL Mavrick 440	HD X440	Triumph Speed 400	RE Classic 350	RE Hunter 350
Engine (in CC)	440	440	398	349	349
Max. Torque	36 Nm @ 4000 rpm	38Nm @ 2000rpm	37.5 Nm @ 6,500 rpm	27Nm @ 4000 rpm	27Nm @ 4000 rpm
Transmission Type	6-speed	6-speed	6-speed	5-speed	5-speed
Clutch Type	Assist and slipper	Assist and slipper	Wet, multi plate, slip	Wet, multi-plate	Wet, multi-plate
ABS	Dual channel	Dual channel	Dual channel	Single and Dual channels	Dual channel
Price (ex-showroom)	Not announced	INR239.5-279.5k	INR233k	INR193.1k-INR224.7k	INR150k-INR174.6k

Source: Company websites, MOFSL

Exhibit 4: Styling of the Mavrick 440 looks similar to HDX440

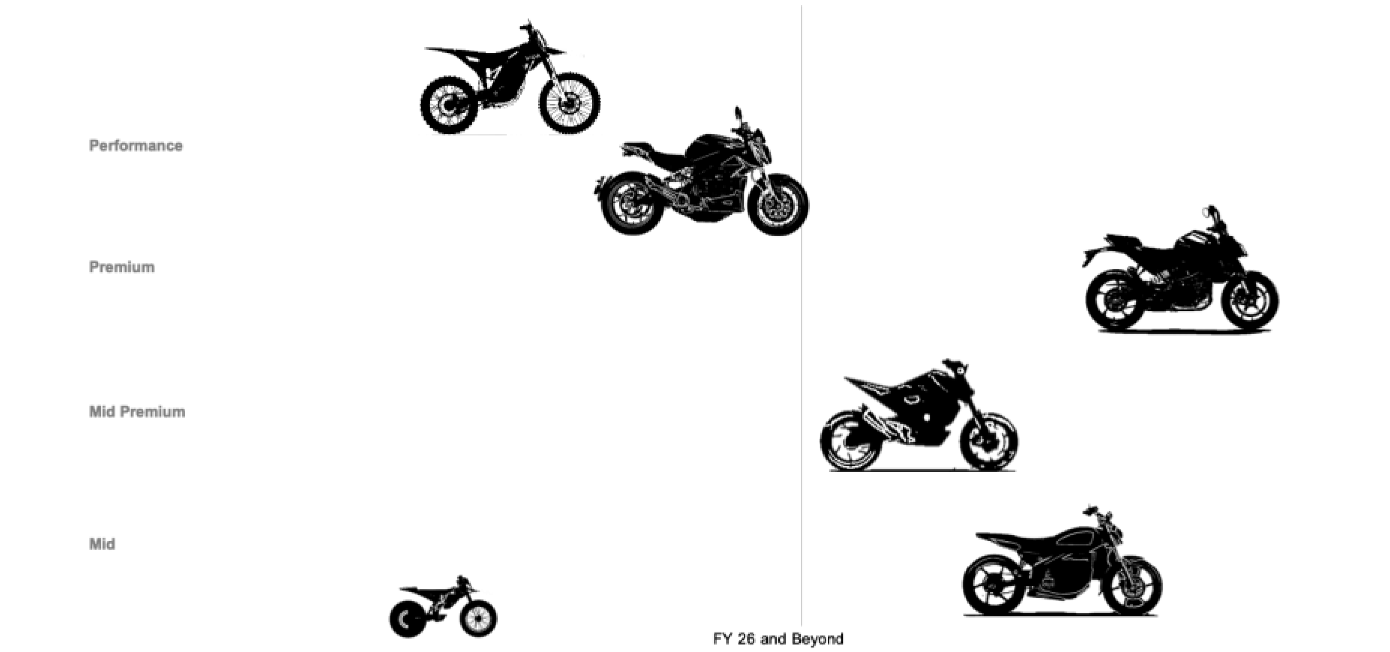
Source: Company, MOFSL

Exhibit 5: Vida scooter's portfolio expansion



Source: Company presentation, MOFSL

Exhibit 6: Vida motorcycle under development



Source: Company presentation, MOFSL

23 January 2023

Company Update | Sector: Infrastructure

KNR Constructions

BSE SENSEX	S&P CNX
70,371	21,239

KNR CONSTRUCTIONS LIMITED

Stock Info

Bloomberg	KNRC IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	73.6 / 0.9
52-Week Range (INR)	306 / 226
1, 6, 12 Rel. Per (%)	1/0/-16
12M Avg Val (INR M)	193
Free float (%)	48.9

Financials Snapshot (INR b)

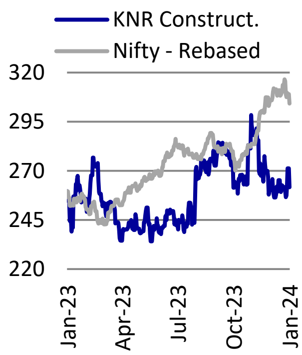
Y/E March	2024	2025E	2026E
Net Sales	39.9	45.7	49.2
EBITDA	7.2	8.3	9.1
Adj. PAT	4.5	5.2	5.8
EBITDA Margin (%)	18.1	18.2	18.5
Adj. EPS (INR)	15.8	18.4	20.4
EPS Gr. (%)	7.4	16.0	11.3
BV/Sh. (INR)	112.6	130.4	150.4
Ratios			
Net D/E (x)	-0.1	0.0	0.0
RoE (%)	15.1	15.1	14.6
RoCE (%)	15.7	15.8	15.1
Payout (%)	3.2	2.7	2.4
Valuations			
P/E (x)	16.5	14.3	12.8
P/BV (x)	2.3	2.0	1.7
EV/EBITDA (x)	9.8	8.7	7.9
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	4.1	1.6	4.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	51.1	51.1	51.1
DII	29.3	32.3	34.9
FII	7.6	6.6	5.8
Others	12.0	9.3	8.2

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR262 TP: INR325 (+24%) Buy

Order inflows remains muted YTDFY24

- **In 3QFY24, KNRC did not secure any major orders. As of Dec'23, the order book stands at ~INR66b (considering order inflows post 2QFY24 and expected execution in 3QFY24). KNRC is expecting INR20-30b in new project wins in FY24 (earlier guidance of INR40-50b) as order inflows may be slower than initially expected due to upcoming elections.**
- **KNRC is exploring opportunities in various states for project bidding and is also considering selective bidding across infrastructure verticals. The company expects improvements in project execution within the irrigation order book in the coming months. Despite facing challenges in the execution of irrigation projects, KNRC foresees a potential improvement in project execution in the upcoming months.**
- **Management is expecting improved execution in 2HFY24, driven by the Road segment. KNRC is targeting to clock a revenue of INR40b in FY24E with margins in the range of 18-19%.**
- **The order inflows have been weak so far in FY24; however, the tender pipeline remains robust and KNRC expects some order inflows to materialize soon. In line with muted awarding activity by NHAI in YTDFY24, KNRC has reduced its order inflow guidance for FY24 to INR20-30b. With the existing order book of ~INR66b, we expect a 10% revenue CAGR over FY23-26. EBITDA margin is expected to be ~18-19%. We reiterate our BUY rating with a TP of INR325 (SoTP-based valuation). We value the EPC business at P/E of 14x on FY26E EPS and BOT assets at 1x Investment value.**

YTD FY24 seems to be a washout in terms of order inflows; last quarter critical to bag some orders

- The muted awarding activity by NHAI (702kms awarded till Jan'24) and fierce competition in NHAI projects from new and inexperienced players have adversely affected order inflows for large players. KNRC has its hopes pinned on 4QFY24 to bag some orders.
- KNRC is also looking to diversify geographically and is actively bidding in the Western and the Central regions, such as Maharashtra and Madhya Pradesh. It is also looking at bidding for tunneling projects for railways. KNRC plans to bid for railway projects for INR30b. KNRC is also examining metro projects.
- Further, KNRC has successfully bid for mining projects in Jharkhand worth INR12b. It is also exploring irrigation projects in Maharashtra, MP, UP, and plans to bid for irrigation projects in Orissa.

A robust balance sheet instills confidence in project execution, with a continued emphasis on asset monetization

- KNRC has adhered to a financially prudent strategy, prioritizing an asset-light business model and efficient working capital management.
- As of Sep'23, KNRC has a net debt-equity of 0.02x. Through the proceeds from the Cube deal (KNRC received INR5.2b from the sale of its three HAM projects) and enhanced irrigation collection, the company successfully paid off its debt, resulting in an almost debt-free balance sheet.

- In 2QFY24, the company acquired some working capital debt, and the gross debt position stands at INR 761m as at the end of 3QFY24. Looking ahead, KNRC anticipates an overall equity requirement of INR5.8b for its HAM projects. The equity requirement of new HAM projects is INR2.6b, which is set to commence in FY25.

Strong execution and steady margins to brighten outlook; maintain BUY

- While KNRC's order inflows have been muted till date in FY24, the tender pipeline appears to be strong, which should ensure decent order wins in 4QFY24 and beyond.
- We anticipate robust execution, particularly in 2HFY24. We forecast stable margins, driven by a reduction in input costs and the execution of high-margin irrigation projects.
- We expect KNRC to report a revenue/EBITDA/PAT CAGR of 10%/8%/12% over FY23-26E along with stable margins. **We reiterate our BUY rating on the stock with an SoTP-based TP of INR325.**

Expert Speak

Delhi day: Meeting with macro-economic expert

Mr. M. R. Madhavan, Co-Founder and President PRS Legislative Research:

What is PRS?

- Unlike several mature democracies, India does not provide its legislators with research personnel. PRS was set up to bridge the gap by providing high quality independent research.
- The Vision of PRS is to strengthen India's democracy by making legislatures more effective. The Mission of PRS is to make the legislative process better informed, more transparent, and participatory.

Policy concerns regarding state finances:

- **End of GST compensation cess to adversely impact state revenues:** The GST (Compensation to States) Act guaranteed all states an annual growth rate of 14% in their GST revenue during the period Jul'17-Jun'22. If a state's GST revenue grew slower than 14%, such 'loss of revenue' was taken care of by the Centre by providing GST compensation grants to the state. Mr. Madhavan mentioned that states, which are more dependent on compensation cess would observe a revenue gap due to a cut in these grants coming from the Centre. Unless the average GST rate is increased, there would be a hole in state revenues.
- Mr. Madhavan mentioned that budget quality of the states remain bad.
- Reversion to old pension scheme is also a concerning idea.
- Lower spending in bigger states such as Bihar and UP is a cause of concern.
- The government is more politically inclined to do visible capex projects such as building roads and railways rather than improving the quality of healthcare and education since the latter is a long drawn process.

Mr. M. R. Madhavan, Co-Founder and President PRS Legislative Research

Mr. Madhavan is Co-Founder and President PRS Legislative Research. Prior to this, he was based in Singapore, covering currency and interest rate markets as Principal and Senior Strategist for the Asia region for Bank of America.

Mr. Harshwardhan Tripathi, Political Journalist

- **Change in consumption pattern:** According to Mr. Harshwardhan Tripathi, there has been a huge improvement in the lifestyle of Indian citizens in the last 15 years. Today, the economic revolution has made its benefits accessible to a broader segment of individuals. There is a change in the consumption pattern of the population, inclining toward premiumization. Additionally, the nutritional content of diets in Indian households has witnessed a notable increase.
- **Ease of doing business:** Single window clearance policy was introduced for faster implementation of projects (industrial corridors).
- **Change in political scenario:** Mr. Tripathi mentioned that earlier political discussions/speeches did not talk about economic situation of the country. These were only meant to lure voters. In the last 10 years, this has changed. There has been an improvement in the quality of political discussions/speeches. Industrialists are now respected, earlier they were only meant for funding political parties. One thing that has not changed is the importance of political freebies to lure voters.
- **Modi Government achievements:** The Modi Government has converted the entire country into an industrial corridor. Focus on infrastructure and capital expenditure has increased. Schemes such as PM Awas Yojana and Jal Jeevan Mission have improved

Mr. Harshwardhan Tripathi, Political Journalist

Mr. Harshwardhan Tripathi is a distinguished Indian Journalist known for his expertise in both politics and economics. With over 15 years of experience, he has worked with Print, TV, and Internet. Beginning his career as a freelance journalist, he garnered experience reporting on politics, economics and business.

the standard of living in the country. In the last decade, there has been a fivefold improvement in basic living conditions.

- **Risk factors:** Centralization of power, that is, excessive dependency on one leader is a cause of concern. If all of the opposition parties join hands, then that will be a risk factor for BJP.

Dr. T C A Anant, Former Chief Statistician of India

Problems with CPI Services measurement:

- Services included in CPI services reflect the consumption of the median consumer in 2011-12. They are therefore both very few and their sample is not large enough to give robust indicators of service price inflation. As against this, most commodities included have a more robust coverage.
- Dr. Anant mentioned that 4% CPI target is not reasonable. A moderate level of inflation is required for economic development.

Why is core inflation coming down?

- WPI has been consistently showing deflationary trends. Prices of all the global commodities have been falling.
- Hardening of commodity prices depend on the recovery in global demand. With slower global growth and lower demand from China, this is unlikely to happen anytime soon. Nominal growth to remain soft for the next few quarters.
- For achieving a double-digit nominal growth (with >7% real growth assumption), deflator must grow by 2-3% annually. For that to be the case, either WPI grows by 2-3% or CPI >4% (assuming 60% weightage to WPI and 40% to CPI). Thus, targeting a 4% CPI may not be the appropriate goal.
- The RBI is carefully managing the market's belief system and aligning it with the actual requirements.

Problems with GDP quarterly estimates and IIP:

- GDP quarterly estimates are based on a limited set of indicators compared to the annual estimates. These include seasonal estimates of agricultural production, quarterly earnings of listed corporate companies, IIP (problematic indicator), steel and cement production (fundamentally linked to IIP), and Government expenditure (most robust and reliable). GDP quarterly estimates are therefore much frailer than annual estimates. Annual estimates are more robust.
- IIP is a dampened indicator in the sense that it does not capture growth very well. It underestimates growth. IIP basket is obsolete. It was revised in 2011-12. It does not take into account the new establishments and expansion of existing establishments/entities. New commodities are also not included. He mentioned that ideally the list of entities should be revised once in every 3 or 5 years (IIP as it stands is robust for short duration). Currently, IIP revision is happening only with base year revisions.

Dr. T C A Anant, Former Chief Statistician of India

Dr. TCA Anant was the Chief Statistician of India and Secretary, Ministry of Statistics and Programme Implementation was also Member-Secretary of the Indian Council of Social Science Research (ICSSR), New Delhi. He has also been a member of a number of expert committees of the Government of India. His areas of interest are labour, industry, and economic theory, on which he has published a number of papers and books.

Mr. Subhash Chandra Garg, Former Finance Secretary

Mr. Subhash Chandra Garg, Former Finance Secretary

Mr. Garg, the former Finance Secretary of India, played a key role in shaping economic policies. With a distinguished career, Mr Garg contributed to financial reforms, fiscal management, and economic development during his tenure.

Are political freebies important during elections?

- Mr. Garg mentioned that political freebies given during elections are very important for attracting voters and winning elections. Almost all the Governments engage in providing political freebies during elections.
- He mentioned that he is expecting that more freebies could be announced in the 2024 interim budget. He expects budget deficit to be around 5.8%-6% this year.

Cash-based schemes vs. Universal schemes:

- Mr. Garg mentioned that universal schemes/measures such as PM Awas Yojana, improvement in sanitation facilities, providing cooking gas cylinder subsidies are more impactful than direct benefit transfer schemes (cash-based schemes).
- Universal schemes are a major game changer in the sense that people feel the real benefit of these schemes.

Realities and myths of capex in India:

- Budgetary capex includes ‘loans and advances’ given to state governments and others. These loans might lead to capex by the recipients, but they are not capex for the Union government.
- Buying arms and armament for defence services is not economic growth-generating capex.
- Much of the capex in India is allocated to rail, roads, and defence equipment. He mentioned that rail capex does not add much to the economy since the importance of railways in terms of passenger and freight traffic has declined substantially.
- The Union government undertakes capex through two channels — the budgetary and public sector internal and extra-budgetary (IEBR). During the 2019-24 period, there was a substantial shift, with the government significantly replacing IEBR capex budgetary capex.

Dr. Radhika Pandey, Associate Professor NIPFP:

Dr. Radhika Pandey, Associate Professor NIPFP:

Dr. Pandey is an Associate Professor at the National Institute of Public Finance and Policy (NIPFP) and she was also the lead coordinator for the Ministry of Finance instituted Task-Force on Public Debt Management Agency. Her research interests include Business Cycles, Capital Controls, and Financial Sector Regulation.

Fiscal deficit: Focus on macro stability (growth with capex) and fiscal consolidation

- Dr. Pandey mentioned that while there is a scope for being populist, current fiscal data do not suggest an increase in revex and subsidies. The focus is more on increasing capital expenditure and improvement in infrastructure and construction activities.
- She mentioned that the Government would have to move more aggressively on fiscal deficit in order to achieve the target of 4.5% by FY26. She believes that the target of 4.5% FD would be achieved considering that the Govt. is more serious about fiscal consolidation even at the expense of reducing revenue expenditure. Additionally, tax revenues have remained healthy.
- She mentioned that tax revenues would remain buoyant on the back of increase in the number of income tax filers, better compliance and broadening of the tax base.
- For FY25, she expects fiscal deficit to be around 5.4%, capex around INR12t.
- The focus on capex and fiscal consolidation to continue until private capex starts picking up.

Fiscal concerns:

- Slowdown in total expenditure growth.
- Size of the budget has been shrinking.
- End of GST compensation cess is a problem for the finances of the states which are unduly dependent on the cess.

Weak rural consumption is a cause of concern:

- **K-shaped recovery:** On the one hand, there is a greater movement towards premiumization. Housing demand has gone up sharply. On the other hand, FMCG volumes remain tepid due to high food inflation.
- Rural discretionary consumption is weak and there are no signs of revival. Rural wages are stagnant. Rural consumption will depend on the trajectory of food inflation.
- Retail boom in bank credit shouldn't be misunderstood with an improvement in rural consumption. Much of the increase in personal loans is going towards physical assets (housing). The purpose of taking other personal loans is not known.

Drivers of GDP growth: Manufacturing, public capex and urban demand

- Dr. Pandey mentioned that the robustness in H1FY24 GDP growth was mainly due to rebound in manufacturing sector growth. Manufacturing sector growth was resilient due to cost rationalization as commodity prices came down and not due to improvement in demand.
- She mentioned that core inflation is coming down due to falling input costs and not due to weakness in demand.
- Manufacturing boom is not sustainable unless sector specific policies are formed and implemented properly. She mentioned that PLI is not working for all the sectors and it is benefitting only a handful of sectors. Traditional sectors such as textiles etc need for focus and specifically designed policies.

IndusInd Bank: Credit cost guidance is intact and will remain in the range of 110-130 bps; Sumant Kathpalia, CEO

- Credit cost guidance is intact and will remain in the range of 110-130 bps
- Net Interest Margin guidance is in the range of 4.2-4.3%
- Gross flows came from vehicle finance
- Gross flows ahould range within Rs. 1,100-1,300 cr
- Credit cost will always range between 2.5-3% in MFI business

Read More

IDFC First Bank: Opex growth will be 20% in FY25; V Vaidyanathan, CEO

- Cost of funds was up 10 bps QoQ at 6.2%
- Savings rate declined in 3Q
- Credit cost continues to be strong & stable
- Current credit cost trend is of 1.3% vs guidance of 1.5%
- Opex growth will be 20% in FY25
- NI growth to be at 25% in FY25

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Karur Vysya: Q3 adjusted net interest margin is at 4.13%; B Ramesh Babu, MD & CEO

- Deposit is not concern for the bank
- Q3 adjusted net interest margin is at 4.13%
- Have asked customers to shift from CASA to retail term deposits
- Yield on advances is at 10.16%, Q4 NIMS will be at approx. 4%
- Business model has been changing, book is granulated now
- Net income growth to be at 25% in FY25

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Can Fin: Expect Rs. 20-30 Cr of decline in gross NPA in Q4FY24; Srinivasan Iyer, MD & CEO

- Rs. 96 cr of Gross NPA is due to restructured book
- Don't expect further pain from restructured book
- Expect Rs. 20-30 Cr of decline in gross NPA in Q4FY24
- Expect disbursements of Rs. 2,500 cr for 4QFY24

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Zensar Tech: We have seen pressure only on hi-tech vertical; Manish Tandon, CEO

- BFSI is +12% YoY
- We have seen pressure only on Hi-Tech vertical
- EBITDAM decline QoQ is due to one-off 160bps benefit in Q2, guidance will be at mid-teens
- Started healthcare as a vertical 2 quarters back

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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