11 February 2025

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	77,312	-0.7	-1.1
Nifty-50	23,382	-0.8	-1.1
Nifty-M 100	52,471	-2.1	-8.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,066	0.7	3.1
Nasdaq	19,714	1.0	2.1
FTSE 100	8,768	0.8	7.3
DAX	21,912	0.6	10.1
Hang Seng	7,947	2.1	9.0
Nikkei 225	38,801	0.0	-2.7
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	76	2.4	2.6
Gold ($/OZ)	2,908	1.6	10.8
Cu (US$/MT)	9,330	0.5	7.8
Almn (US$/MT)	2,665	1.2	5.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	87.5	0.1	2.2
USD/EUR	1.0	-0.2	-0.5
USD/JPY	152.0	0.4	-3.3
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.7	0.01	0.0
10 Yrs AAA Corp	7.3	0.02	0.1
Flows (USD b)	**10-Feb**	**MTD**	**CYTD**
FIIs	-0.3	-1.18	-9.3
DIIs	0.17	4.19	10.9
Volumes (INRb)	**10-Feb**	**MTD***	**YTD***
Cash	783	994	1013
F&O	98,692	1,57,280	1,83,894

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Varun Beverages: Volume growth led by international market additions

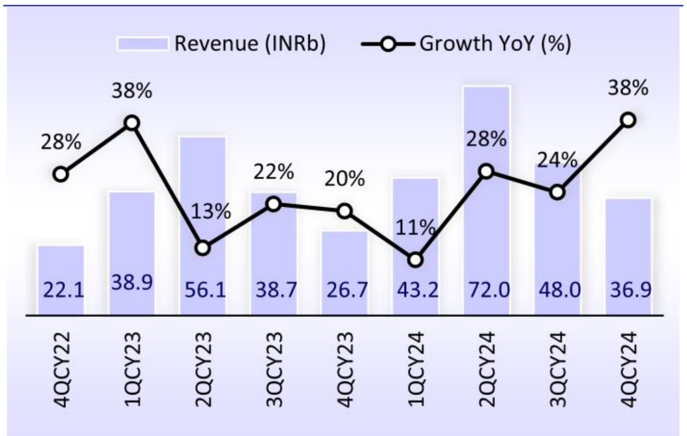
- Varun Beverages (VBL) reported a revenue growth of 38% YoY in 4QCY24, led by volume growth of 38% YoY, which was majorly driven by the volume addition from South Africa and the Democratic Republic of Congo (DRC). Excluding these volumes, organic volume growth was ~5% YoY. Realization remained flat YoY at INR172/case.
- VBL ended the year on a high note, with healthy volume growth in India (~11%) and expansion in international markets (through acquisition and greenfield capacity expansion). Management has guided to continue this growth momentum with double-digit volume growth in the domestic market and a much higher growth rate in international markets.
- We largely maintain our CY25/CY26 earnings estimates. **We reiterate our BUY rating on the stock with a TP of INR680.**

Research covered

Cos/Sector	Key Highlights
Varun Beverages	Volume growth led by international market additions
Eicher Motors	Margin miss as management prioritizes growth
Rural Electrification Corp	Minor weakness in AUM growth due to higher rundown
NMDC	In-line performance; strong volume and healthy NSR drive earnings
Escorts Kubota	Operating performance disappoints
Amara Raja	High RM prices, power cost adjustment dent profit
Other Updates	Happy Forgings | Indigo Paints | Grasim Industries | Hindalco (Novelis) | Apollo Hospitals | Nalco | Signature Global | Bata India | Galaxy Surfactants | MTAR Technologies

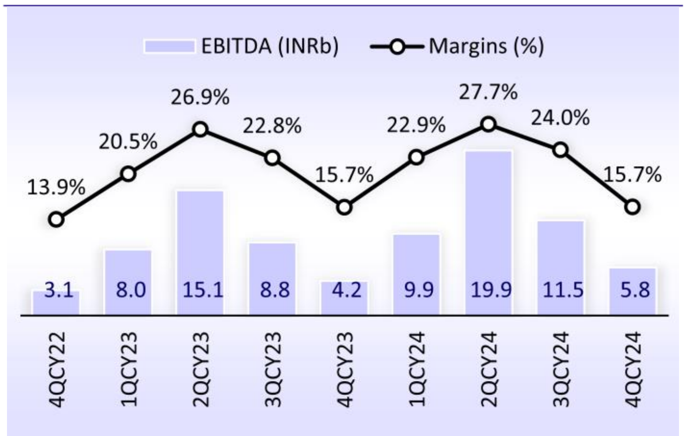
Chart of the Day: Varun Beverages (Volume growth led by international market additions)

Trend in consolidated revenue



Source: Company, MOFSL

Trend in consolidated EBITDA



Source: Company, MOFSL

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1

Reliance makes sports drinks foray with Spinner

Reliance, which entered the beverages market less than two years ago by reviving Campa, it already has a market share of 10% in the sparkling beverage category in some states.

2

Insurers seek clarity on 10% hike cap for senior health premiums

Health insurers are seeking clarity from IRDAI on how the 10% annual premium hike cap for senior citizens affects long-term policies. The cap aims to protect financially vulnerable older adults from steep premium increases.

3

Exporters fear US tariff hike on steel will spur dumping

India risks a significant steel surplus as US tariffs potentially slash steel exports by 85%, leading to dumping in India. This expected excess may lead to market distortions and price crashes. Increased competition from Chinese steel exports to Southeast Asia and the Middle East could further challenge Indian producers, while high imports continue to impact…

4

Tata Communications, Vodafone Idea, Jio to gain from Airtel's partial international service exit

Airtel's exit from part of the international wholesale voice and messaging market opens revenue opportunities for Tata Communications and Vodafone Idea.

5

AstraZeneca India plans to sell North Bengaluru Unit for Rs 3,200 crore

AstraZeneca Pharma India plans to sell its 64-acre Bengaluru facility as part of a strategic review by its parent company. The deal, estimated to fetch over '3,200 crore, aligns with a broader trend of corporates monetising non-core assets due to rising land demand and valuations.

6

Smaller smartphone brands in India like Apple, OnePlus gain market share; challenge top five in 2024

Smaller smartphone brands like Apple, Nothing, and OnePlus gained significant market share in India in 2024 due to robust online sales and innovative designs.

7

Chinese compressor freeze may turn up the heat on India

India's AC and refrigerator production is expected to face challenges this summer due to limited compressor supplies. Chinese manufacturers redirected shipments to the US to avoid tariffs, while BIS approvals for key Chinese suppliers remain uncertain, potentially impacting the availability of these appliances.

Varun Beverages

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	VBL IN
Equity Shares (m)	3382
M.Cap.(INRb)/(USDb)	1854.6 / 21.2
52-Week Range (INR)	683 / 517
1, 6, 12 Rel. Per (%)	-8/-5/-7
12M Avg Val (INR M)	3464

Financials & Valuations (INR b)

Y/E Dec	2024	2025E	2026E
Sales	200.1	239.5	278.0
EBITDA	47.1	53.9	63.9
Adj. PAT	25.9	34.2	42.0
EBITDA (%)	23.5	22.5	23.0
EPS (INR)	7.7	10.1	12.4
EPS Gr. (%)	26.2	31.6	23.0
BV/Sh. (INR)	49.1	56.7	66.6
Ratios			
Net D/E	-0.0	-0.1	-0.3
RoE (%)	22.0	19.1	20.1
RoCE (%)	19.2	18.5	20.3
Payout (%)	32.6	24.8	20.1
Valuations			
P/E (x)	71.5	54.3	44.1
EV/EBITDA (x)	39.4	34.0	28.1
Div Yield (%)	0.5	0.5	0.5
FCF Yield (%)	-0.2	1.7	2.2

Shareholding pattern (%)

	Dec-24	Sep-24	Dec-23
Promoter	60.2	62.7	63.1
DII	7.0	5.0	3.6
FII	25.3	24.2	26.6
Others	7.5	8.2	6.8

Note: FII includes depository receipts

CMP: INR549 TP: INR680 (+24%) Buy

Volume growth led by international market additions

In-line operating performance

- Varun Beverages (VBL) reported a revenue growth of 38% YoY in 4QCY24, led by volume growth of 38% YoY, which was majorly driven by the volume addition from South Africa and the Democratic Republic of Congo (DRC). Excluding these volumes, organic volume growth was ~5% YoY. Realization remained flat YoY at INR172/case.
- VBL ended the year on a high note, with healthy volume growth in India (~11%) and expansion in international markets (through acquisition and greenfield capacity expansion). Management has guided to continue this growth momentum with double-digit volume growth in the domestic market and a much higher growth rate in international markets.
- We largely maintain our CY25/CY26 earnings estimates. **We reiterate our BUY rating on the stock with a TP of INR680.**

Flat margins YoY impacted by Bevco consolidation

- VBL's revenue grew 38% YoY to INR36.9 (est. in line) on account of healthy volume growth (+38% YoY to 215m cases). Realization was flat YoY (at INR172/case). International market volumes (excl. South Africa and DRC) grew 8% YoY to 45.2m cases, while India volumes rose ~5% YoY to 119m cases. South Africa and DRC together reported volumes of ~51m cases.
- EBITDA margins were flat YoY at 15.7% (est. 16.3%) due to the consolidation of South Africa business (low margins due to ~80% mix of owned brands and fixed costs associated with new capex). EBIDTA per case inched up 1% YoY to INR27. EBITDA stood at INR5.8b, up 39% YoY (est. in line).
- Adj. PAT grew 40% YoY to INR12.5b (est. INR14.2b), driven by higher sales growth and stable margins YoY, partly offset by higher depreciation (up 57% YoY) and increased finance costs (up 48% YoY; for acquisition of BevCo and setting up four new production facilities).
- Subsidiary (consolidated minus standalone) revenue/EBITDA grew 2x/2.1x YoY to INR18b/INR2.5b, with a net loss of INR235m (vs. adj. PAT of INR133m in 4QCY23).
- CSD/water volumes grew 49%/16% YoY to 158m/49m unit cases, while juice volumes remained flat at 8m unit cases in 4QCY24.
- For CY24, consolidated revenue/EBITDA/adj. PAT grew by 25%/31%/26% YoY to INR200b/INR47.1b/INR26b and total sales volume grew by 23% to 1,124m cases.
- VBL turned net debt free in 4QCY24 through QIP proceeds, and CFO stood at INR33.8b as of CY24 vs. INR23.9b in CY23.

Highlights from the management commentary

- **Domestic demand outlook:** In the long term, the company expects to sustain double-digit growth and ~21% margins in the Indian market. The Indian beverage market remains largely untapped and continues to grow, with no signs of a slowdown in VBL's growth trajectory despite rising competition.

- **Capex:** Projected capex for CY25 is ~INR31b, of which VBL has already spent ~INR16.5m as of Dec'24. The capex is aimed at increasing its total capacity by 25% from the CY24 level by setting up greenfield facilities in India (~INR20b - Prayagraj, Damtal, Buxar & Meghalaya) and snacks manufacturing in international territories.
- **International Market**: In South Africa, VBL is focusing on increasing the general trade mix (higher margin) vs. heavy mix (40-45%) of modern trade (low margin), thereby improving the margins for the region. In Tanzania, PepsiCo already has a strong foothold, and VBL will enhance its go-to-market strategy, along with building capacities.

Valuation and view

- VBL is expected to maintain its earnings momentum, aided by: 1) increased penetration in newly acquired territories in Africa, 2) stable growth in the domestic market, 3) continued expansion in capacity and distribution reach (10% annual addition in outlets), and 4) growing refrigeration in rural and semi-rural areas.
- We expect a CAGR of 12%/11%/17% in revenue/EBITDA/PAT over CY24-26.
- We largely maintain our CY25/CY26 earnings estimates. **We value the stock at 55x CY26E EPS to arrive at a TP of INR680. We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Earning Model (INRm)

Y/E December	CY23				CY24				CY23	CY24	CY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	%
Net Sales	**38,930**	**56,114**	**38,705**	**26,677**	**43,173**	**71,969**	**48,047**	**36,888**	**160,425**	**200,077**	**36,014**	**2**
YoY Change (%)	37.7	13.3	21.8	20.5	10.9	28.3	24.1	38.3	21.8	24.7	35.0	
Total Expenditure	30,949	41,004	29,884	22,494	33,286	52,056	36,536	31,088	124,331	152,966	30,145	
EBITDA	**7,980**	**15,110**	**8,821**	**4,183**	**9,888**	**19,912**	**11,511**	**5,800**	**36,095**	**47,111**	**5,869**	**-1**
Margins (%)	20.5	26.9	22.8	15.7	22.9	27.7	24.0	15.7	22.5	23.5	16.3	
Depreciation	1,722	1,719	1,708	1,660	1,875	2,425	2,566	2,608	6,809	9,474	2,575	
Interest	626	694	625	737	937	1,292	1,185	1,090	2,681	4,504	800	
Other Income	101	416	185	91	84	440	243	446	794	1,213	300	
PBT before EO expense	**5,734**	**13,113**	**6,673**	**1,878**	**7,159**	**16,636**	**8,002**	**2,548**	**27,398**	**34,346**	**2,794**	
PBT	**5,734**	**13,113**	**6,673**	**1,878**	**7,159**	**16,636**	**8,002**	**2,548**	**27,398**	**34,346**	**2,794**	
Tax	1,348	3,057	1,529	442	1,678	4,012	1,713	585	6,375	7,988	615	
Rate (%)	23.5	23.3	22.9	23.5	23.4	24.1	21.4	23.0	23.3	23.3	22	
MI & Profit/Loss of Asso. Cos.	95	118	130	118	107	98	92	105	461	402	110	
Reported PAT	**4,291**	**9,938**	**5,015**	**1,318**	**5,374**	**12,526**	**6,197**	**1,858**	**20,561**	**25,956**	**2,069**	
Adj PAT	**4,291**	**9,938**	**5,015**	**1,318**	**5,374**	**12,526**	**6,197**	**1,858**	**20,561**	**25,956**	**2,069**	**-10**
YoY Change (%)	68.8	26.2	31.6	76.3	25.2	26.0	23.6	41.0	37.3	26.2	57.1	
Margins (%)	11.0	17.7	13.0	4.9	12.4	17.4	12.9	5.0	12.8	13.0	5.7	

Key performance indicators

Y/E December	3QCY22	4QCY22	1QCY23	2QCY23	3QCY23	4QCY23	1QCY24	2QCY24	3QCY24	4QCY24
Segment Volume Gr.										
CSD	23	25	27	6	19	25	6	32	23	42
NCB	38	17	23	-13	0	14	13	39	3	0
Water	25	5	17	7	8	5	10	7	12	17
Cost Break-up										
RM Cost (% of sales)	46	44	48	48	45	43	44	45	44	44
Employee Cost (% of sales)	10	14	9	6	10	14	9	7	11	13
Other Cost (% of sales)	22	28	23	19	23	27	24	20	21	27
Gross Margins (%)	54	56	52	52	55	57	56	55	56	56
EBITDA Margins (%)	22	14	20	27	23	16	23	28	24	16
EBIT Margins (%)	17	6	16	24	18	9	19	24	19	9

Eicher Motors

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	EIM IN
Equity Shares (m)	274
M.Cap.(INRb)/(USDb)	1462.6 / 16.7
52-Week Range (INR)	5576 / 3672
1, 6, 12 Rel. Per (%)	6/14/32
12M Avg Val (INR M)	2930

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	185.8	211.0	239.5
EBITDA	46.9	52.0	59.4
Adj. PAT	44.4	48.6	56.1
Adj EPS (INR)	162.3	177.8	204.9
EPS Gr (%)	10.9	9.6	15.3
BV/Sh (INR)	766	882	1,017
Ratios			
RoE (%)	22.8	21.6	21.6
RoCE (%)	22.0	21.2	21.2
Payout (%)	34.5	34.9	34.2
Valuations			
P/E (x)	32.8	30.0	26.0
P/BV (x)	7.0	6.0	5.2
Div. Yield (%)	1.1	1.2	1.3
FCF Yield (%)	3.7	2.0	2.3

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	49.1	49.1	49.2
DII	16.1	13.8	9.8
FII	25.5	27.6	30.3
Others	9.3	9.5	10.8

FII includes depository receipts

CMP: INR5,329 TP: INR4,305 (-19%) Sell

Margin miss as management prioritizes growth

Continues to invest in demand-generation activities

- Eicher Motors' (EIM) 3QFY25 operating performance missed estimates, with a 190bp YoY margin contraction to 24.2%, as management is now focused on driving growth. Management has indicated that it would continue to invest in demand-generation activities, including brand building, to help drive growth going forward. While exports improved in 3QFY25, sentiments are likely to remain weak and management maintains a cautiously optimistic outlook.
- We expect RE to deliver a 12% earnings CAGR over FY24-27E. Given the expected slower earnings growth, we see no reason for the stock to trade at premium valuations. Reiterate Sell with a TP of INR4,305 (premised on Dec'26E SOTP).

Focus on growth hurts margins

- EIM's 3Q consol. revenue/EBITDA/adj. PAT grew 19%/10%/18% YoY to INR49.7b/INR12b/11.7b (est. INR50.4b/13.1b/INR11.2b). 9MFY25 revenue/EBITDA/Adj. PAT grew 11%/8%/15% YoY.
- RE volumes grew ~19% YoY, while ASP grew 1% YoY at INR180.2k per vehicle (in line).
- Gross margin contracted 90bp YoY/140bp QoQ to 45.1% (est. 45.5%). EBITDA margin contracted 190bp YoY/140bp QoQ to 24.2% (est. 26%).
- The QoQ margin contraction is attributed to the company's focus on growth. It launched models like the Goan Classic, Batallion Bullet, and Scram 410 with enhanced features but without any price increases, which impacted margins. Additionally, after the launch of the Batallion Bullet model, the mix shifted in favor of the Bullet segment in 3Q. Alongside this, the company incurred expenses related to the Motoverse and the global launch of its EV brand, Flying Flee. New launch expenses stood at INR700m (of which, the EV brand launch accounted for INR200m). The company also spent on market activation activities in 3Q to boost demand (impact 70bp).
- **VECV**: Volumes/realizations grew 1%/4% YoY, leading to a 6% YoY growth in revenue to INR58b (est. INR55.4b). EBITDA margin expanded 80bp YoY to 8.8% (est. 7%). PAT stood at INR3b, up 42% YoY (est. INR2b).

Highlights from the management commentary

- **Focusing on growth:** Management has indicated that it will continue prioritizing growth and will start shortlisting products that need marketing support to drive growth. It intends to push brand-building activities towards models like Hunter and Guerilla to drive demand.
- **Exports:** While sentiment in export markets remains weak, management maintains a cautiously optimistic outlook for export growth in FY26E. It plans to invest in brand-building activities in export markets during FY26E.

- **VECV:** Management has indicated that discounts have been trending downward and are expected to continue as all OEMs recognize the importance of pricing discipline in the industry. While CV demand has remained weak for 9M, management is hopeful of a recovery in the upcoming quarters as the government focuses on infrastructure spending.

Valuation and view

We factor in a 10% volume CAGR for RE over FY24-27E as the company plans to continue prioritizing growth. We expect margins to remain under pressure, as any benefit from an improving mix (higher spares and apparel sales) is likely to be invested by RE in demand-generation activities. Overall, we expect RE to deliver a 12% earnings CAGR over FY24-27E. Given the expected slower earnings growth, we see no reason for the stock to trade at premium valuations. **Reiterate Sell with a TP of INR4,305 (Dec'26E SoTP).**

Quarterly performance (Consolidated)

INR m	FY24				FY25E				FY24	FY25E		
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	VAR (%)
Net Operating income	**39,864**	**41,145**	**41,788**	**42,560**	**43,931**	**42,631**	**49,731**	**49,524**	**1,65,358**	**1,85,817**	**50,373**	-1.3
Growth (%)	17.3	16.9	12.3	11.9	10.2	3.6	19.0	16.4	14.5	12.4	20.5	
EBITDA	**10,208**	**10,872**	**10,903**	**11,286**	**11,654**	**10,877**	**12,012**	**12,350**	**43,269**	**46,893**	**13,088**	-8.2
EBITDA Margins (%)	25.6	26.4	26.1	26.5	26.5	25.5	24.2	24.9	26.2	25.2	26.0	
PAT	**8,179**	**9,146**	**8,821**	**9,386**	**9,269**	**9,866**	**10,070**	**8,475**	**35,533**	**37,680**	**10,097**	
Share of JV Loss/(PAT)/ Min. Int.	-1,004	-1,016	-1,139	-1,318	-1,746	-1,138	-1,635	-2,188	-4,477	-6,706	-1,092	
Recurring PAT	**9,183**	**10,163**	**9,960**	**10,705**	**11,015**	**11,003**	**11,705**	**10,663**	**40,010**	**44,386**	**11,189**	4.6
Growth (%)	50.4	54.7	34.4	18.2	19.9	8.3	17.5	-0.4	37.3	10.9	12.3	

Standalone (Royal Enfield)

(INR Million)	FY24				FY25E				FY24	FY25E		
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	VAR (%)
Royal Enfield ('000 units)	**228**	**229**	**228**	**228**	**226**	**228**	**272**	**271**	**913**	**997**	**272**	0.0
Growth (%)	21.6	10.4	3.0	4.2	-0.7	-0.6	19.4	18.9	9.3	9.2	19.4	
Net Realn (INR '000/unit)	**171.3**	**171.4**	**177.8**	**184.1**	**187.2**	**184.6**	**180.2**	**184.1**	**176.2**	**183.8**	**182.7**	-1.3
Change - YoY (%)	-1.3	4.8	9.6	5.0	9.3	7.7	1.4	0.0	4.6	4.4	**2.8**	
Net operating income	**39,012**	**39,307**	**40,542**	**41,921**	**42,313**	**42,054**	**49,081**	**49,814**	**1,60,782**	**1,83,263**	**49,751**	-1.3
Growth (%)	20.1	15.7	12.9	9.4	8.5	7.0	21.1	18.8	14.3	14.0	22.7	
EBITDA	**10,127**	**10,974**	**11,148**	**11,553**	**11,786**	**11,049**	**12,237**	**12,868**	**43,802**	**47,939**	**13,366**	-8.4
EBITDA Margins (%)	26.0	27.9	27.5	27.6	27.9	26.3	24.9	25.8	27.2	26.2	26.9	
Recurring PAT	**9,139**	**9,385**	**9,137**	**9,833**	**10,880**	**10,099**	**10,562**	**10,516**	**37,494**	**42,057**	**11,194**	-5.6
Growth (%)	57.5	52.6	34.2	31.7	19.1	7.6	15.6	6.9	43.0	12.2	22.5	

VECV: Quarterly performance

(INR Million)	FY24				FY25				FY24	FY25E		
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	VAR (%)
Total CV Volumes	**19,571**	**19,551**	**20,706**	**25,732**	**19,702**	**20,774**	**21,010**	**27,200**	**85,560**	**88,687**	**21,010**	0.0
Growth (%)	12.0	11.0	14.0	-2.4	0.7	6.3	1.5	5.7	7.5	3.7	1.5	
Net Realn (INR '000/unit)	**2,545**	**2,622**	**2,648**	**2,440**	**2,573**	**2,666**	**2,761**	**2,526**	**2,556**	**2,625**	**2,639**	4.6
Change - YoY (%)	13.0	9.6	4.5	3.8	1.1	1.7	4.3	3.5	7.4	2.7	-0.2	
Net Op. Income	**49,800**	**51,260**	**54,830**	**62,790**	**50,700**	**55,380**	**58,010**	**68,700**	**2,18,680**	**2,32,790**	**55,449**	4.6
Growth (%)	26.6	21.6	19.1	1.3	1.8	8.0	5.8	9.4	15.4	6.5	1.3	
EBITDA	**3,868**	**4,021**	**4,380**	**4,829**	**3,850**	**3,950**	**5,090**	**6,408**	**17,098**	**19,298**	**3,881**	31.1
EBITDA Margins (%)	7.8	7.8	8.0	7.7	7.6	7.1	8.8	9.3	7.8	8.3	7.0	180bps
Recurring PAT	**1,810**	**1,870**	**2,110**	**2,440**	**2,296**	**2,090**	**3,010**	**4,023**	**8,230**	**12,328**	**2,007**	49.9
Growth (%)	162.3	130.8	81.9	-22.6	26.9	11.8	42.6	64.9	42.1	49.8	-2.9	

E: MOFSL Estimates

Rural Electrification Corp

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	RECL IN
Equity Shares (m)	2633
M.Cap.(INRb)/(USDb)	1115 / 12.7
52-Week Range (INR)	654 / 402
1, 6, 12 Rel. Per (%)	-8/-24/-20
12M Avg Val (INR M)	7171

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
NII	201	228	266
PPP	201	228	267
PAT	160	188	206
EPS (INR)	60.9	71.5	78.1
EPS Gr. (%)	14	17	9
BV/Shr (INR)	306	360	417
ABV/Shr (INR)	302	356	413
RoAA (%)	2.7	2.8	2.6
RoE (%)	21.5	21.5	20.1
Div. Payout (%)	29.5	28.7	30.1
Valuation			
P/E (x)	6.9	5.9	5.4
P/BV (x)	1.4	1.2	1.0
Div. Yield (%)	4.3	4.8	5.6

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	52.6	52.6	52.6
DII	14.0	14.3	14.2
FII	21.7	21.2	20.6
Others	11.7	11.8	12.6

FII Includes depository receipts

CMP: INR423 TP: INR550 (+30%) Buy

Minor weakness in AUM growth due to higher rundown

Asset quality improves; reported NIM stable QoQ

- Rural Electrification Corp (RECL)'s 3QFY25 PAT grew ~23% YoY to INR40.3b. NII grew ~20% YoY to ~INR51.3b. Other income rose ~260% YoY to~INR2b.
- Opex rose ~78% YoY/~63% QoQ to ~INR3.1b and the cost-to-income ratio was ~5% (PQ: 3.1% and PY: ~4.7%). The sequential jump in opex was mainly due to higher CSR expenses. PPoP rose ~20% YoY to INR50.2b in 3QFY25.
- Yields (calc.) rose ~3bp QoQ to ~10.01%, while CoB increased ~4bp QoQ to ~7.32%, resulting in a largely stable spread QoQ at ~2.7%.
- GS3 improved ~60bp QoQ to ~1.95%, while NS3 improved ~15bp QoQ to ~0.75%. PCR on Stage 3 declined ~3pp QoQ to ~62%. Improvement in asset quality was driven by the complete resolution of Lanco Amarkantak, Nagai Power, and Konaseema Gas Power. Provision write-backs stood at INR890m. This translated into annualized credit costs of -2bp (PY: 1bp and PQ: -3bp).
- The company has 14 projects that are classified as NPA. Resolutions in 13 NPA projects (PCR: 68%) are being pursued under NCLT, while the remaining 1 NPA project (PCR: 50%) is outside NCLT.
- Yields have marginally risen over the past two quarters, driven by higher disbursements to the generation sector. Management guided for NIMs of around ~3.65%-3.7%, going forward. We expect NIMs at ~3.6% each in FY26/FY27 (vs. ~3.7% in FY25E).
- We estimate a CAGR of 20%/17%/14% in disbursement/AUM/PAT over FY24-FY27. We estimate RoA/RoE of 2.6%/20% and a dividend yield of ~5.6% in FY27. **Reiterate BUY with a TP of INR550 (premised on 1.4x Sep'26E BVPS).**
- **Key risks are:** 1) rising exposure to private infrastructure projects as these loans fall outside REC's core business of lending to power projects; 2) increasing exposure to the high-risk power projects without PPAs; and 3) compression in spreads and margins due to intensified competition.

Key highlights from the management commentary

- The share of the private sector in the total lending will gradually increase to ~30% by FY30, as the proportion of renewable projects increases.
- Asset quality has improved primarily from resolutions of stressed assets viz. Lanco Amarkantak, Nagai Power, and Konaseema Power, with a total outstanding exposure of ~INR28b.
- There has been a delay in the signing of PPAs for renewable energy by the implementing agency (like NHPC, NTPC, and SECI), which is delaying the funding to RE projects by REC.
- Management expects a provision reversal of ~INR22b from the four stressed assets that are in the advanced stages of resolution. Resolutions of these exposures are expected by Dec'25.

Valuation and view

- RECL reported a decent quarter, marked by healthy disbursement growth, though AUM growth exhibited a minor slowdown due to higher repayments during the quarter. Repayments were higher in distribution and RE projects. Asset quality continues to improve, supported by the resolution of stressed assets, while NIMs remained largely stable sequentially.
- REC trades at 1x FY27E P/ABV, and we believe that risk-reward is attractive considering a healthy earnings growth and 20%+ RoE.
- REC is well equipped to achieve a loan book CAGR of ~17% and a PAT CAGR of ~14% over FY24-FY27. We estimate RoA/RoE of 2.6%/20% and a dividend yield of ~5.6% in FY27. **Reiterate BUY with a TP of INR550 (premised on a target multiple of 1.4x Sep'26E P/ABV).**

Quarterly Performance INR m

Y/E March	FY24				FY25E				FY24	FY25E	3Q	v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			FY25E	Est.
Interest Income	1,06,895	1,13,930	1,19,440	1,23,836	1,26,904	1,34,744	1,39,704	1,45,539	4,64,101	5,46,890	1,38,112	1
Interest Expenses	70,498	73,500	76,533	78,961	80,212	85,065	88,373	91,830	2,99,493	3,45,480	88,468	0
Net Interest Income	**36,397**	**40,430**	**42,907**	**44,875**	**46,692**	**49,678**	**51,331**	**53,709**	**1,64,608**	**2,01,410**	**49,644**	**3**
YoY Gr (%)	-8.9	2.1	17.7	28.3	28.3	22.9	19.6	19.7	9	22	15.7	
Other Operational Income	195	546	531	924	469	483	757	2,328	7,198	8,494	0	
Net Operational Income	**36,592**	**40,976**	**43,438**	**45,799**	**47,161**	**50,161**	**52,088**	**56,037**	**1,70,141**	**2,07,954**	**49,644**	**5**
YoY Gr (%)	-9.7	2.6	17.2	26.1	28.9	22.4	19.9	22.4	19	22	14.3	
Other Income	2,553	1,425	29	1,674	2,998	731	1,266	1,738	679	848	3,000	-58
Total Net Income	**39,144**	**42,401**	**43,467**	**47,473**	**50,159**	**50,892**	**53,354**	**57,776**	**1,70,819**	**2,08,802**	**52,644**	**1**
YoY Gr (%)	-4.3	0.5	21.5	30.9	28.1	20.0	22.7	21.7	19	22	21.1	
Operating Expenses	**1,445**	**1,938**	**1,766**	**3,114**	**2,175**	**1,936**	**3,147**	**2,773**	**6,597**	**8,082**	**2,566**	**23**
YoY Gr (%)	-77.7	-65.8	-43.3	130.6	50.6	-0.1	78.2	-10.9	21	23	45.3	
% to Income	3.7	4.6	4.1	6.6	4.3	3.8	5.9	4.8	4	4	4.9	
Operating Profit	**37,700**	**40,463**	**41,701**	**44,359**	**47,984**	**48,955**	**50,206**	**55,003**	**1,64,223**	**2,00,720**	**50,079**	**0**
YoY Gr %	9.5	10.8	27.7	27.0	27.3	21.0	20.4	24.0	19	22	20.1	
Provisions	580	-7,604	559	-7,119	4,726	-1,441	-890	-4,219	(13,584)	(1,825)	-1,500	-41
PBT	**37,120**	**48,067**	**41,143**	**51,478**	**43,258**	**50,396**	**51,097**	**59,222**	**1,77,806**	**2,02,545**	**51,579**	**-1**
YoY Gr (%)	26.3	40.2	15.6	35.1	16.5	4.8	24.2	15.0	29	14	25.4	
Tax	**7,512**	**10,338**	**8,449**	**11,315**	**8,834**	**10,342**	**10,806**	**12,148**	**37,614**	**42,129**	**10,419**	**4**
Tax Rate (%)	20.2	21.5	20.5	22.0	17.6	20.5	21.1	20.5	21	21	20.2	
PAT	**29,607**	**37,729**	**32,693**	**40,163**	**34,425**	**40,055**	**40,291**	**47,074**	**1,40,192**	**1,60,416**	**41,160**	**-2**
YoY Gr (%)	21.0	38.3	13.6	33.8	16.3	6.2	23.2	17.2	26.8	14.4	25.9	
Key Parameters (Calc., %)												
Yield on loans	9.7	9.9	9.9	9.9	9.8	9.99	10.01	10.0				
Cost of funds	7.3	7.2	7.2	7.3	7.2	7.28	7.32	7.3				
Spread	2.4	2.7	2.7	2.6	2.7	2.7	2.69	2.7				
NIM	3.2	3.4	3.6	3.5	3.5	3.7	3.7	3.7				
C/I ratio	2.6	2.8	4.7	5.6	3.4	3.1	5.0	4.5				
Credit cost	0.0	-0.2	0.0	(0.1)	0.1	0.0	0.0	-0.1				
Balance Sheet Parameters												
Disbursements (INR b)	**341**	**416**	**464**	**394**	**437**	**473**	**547**	**602**				
Growth (%)	174.3	133.3	56.4	6.6	27.9	13.7	18.0	52.9				
AUM (INR b)	**4,544**	**4,743**	**4,975**	**5,094**	**5,297**	**5,461**	**5,656**	**5,909**				
Growth (%)	17.1	20.2	21.0	17.1	16.6	15.1	13.7	16.0				
Asset Quality Parameters												
GS 3 (INR B)	148.9	148.9	138.1	138	138.1	138.2	110.5	0.0				
GS 3 (%)	3.3	3.1	2.8	2.7	2.6	2.5	2.0	0.0				
NS 3 (INR B)	41.1	45.6	40.9	44	43.5	48.2	42.1	0.0				
NS 3 (%)	1.0	1.0	0.8	0.9	0.8	0.9	0.7	0.0				
PCR (%)	72.4	69.4	70.4	68.5	68.5	65.1	61.9	324.6				

E: MOFSL Estimates

NMDC

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	NMDC IN
Equity Shares (m)	8792
M.Cap.(INRb)/(USDb)	563.7 / 6.4
52-Week Range (INR)	95 / 60
1, 6, 12 Rel. Per (%)	2/-9/-28
12M Avg Val (INR M)	3245

Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	241	274	299
Adj EBITDA	87	105	117
Adj. PAT	71	80	87
EBITDA Margin (%)	36	39	39
Cons. Adj. EPS (INR)	8	9	10
EPS Gr. (%)	23	13	8
BV/Sh. (INR)	35	42	49
Ratios			
Net D:E	-0.4	-0.4	-0.4
RoE (%)	25.1	23.7	21.9
RoCE (%)	29.3	29.8	28.0
Payout (%)	31.9	31.0	28.7
Valuations			
P/E (x)	7.9	7.0	6.5
P/BV (x)	1.8	1.5	1.3
EV/EBITDA(x)	5.1	3.9	3.2
Div. Yield (%)	4.0	4.4	4.4

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	60.8	60.8	60.8
DII	14.5	14.1	17.3
FII	12.1	12.6	9.9
Others	12.6	12.5	12.0

FII Includes depository receipts

CMP: INR64 **TP: INR80 (+25%)** **Buy**

In-line performance; strong volume and healthy NSR drive earnings

Key Result Highlights - Consolidated

- NMDC reported revenue growth of +21% YoY (+33% QoQ) to INR66b in 3QFY25, in line with our estimate. The growth was primarily driven by strong volume and NSR growth.
- Iron ore production stood at 13.3mt (+9% YoY/+61% QoQ), while sales stood at 11.9mt (+5% YoY/+20% QoQ) during the quarter. ASP for the quarter came in at INR5,500/t, up 16 YoY and 11% QoQ, driven by a sustained price hike.
- EBITDA stood at INR23.7b (+18% YoY/+71% QoQ), in line with our estimate of INR22.4b. NMDC reported EBITDA/t of INR1,987/t, up 13% YoY and 43% QoQ.
- APAT was INR19b (+13% YoY/+59% QoQ) against our estimate of INR18b.
- For 9MFY25, the company reported revenue of INR169b (+14% YoY), EBITDA of INR61b (+17% YoY), and adj. PAT of INR51b (+16% YoY). For 9MFY25, iron ore sales volume came in at 32mt (flat YoY), avg. blended NSR stood at INR5,290/t (14% YoY), and EBITDA/t was at INR1,910/t (+17% YoY).

Key conference-call highlights

- NMDC has guided for volume of 16mt in 4QFY25, achieving its volume guidance of 50mt for FY25.
- Going forward, management expects volume of 53mt in FY26 and 60mt in FY27, with an incremental loading of ~6-7mt from two new lines (line-4 in Bacheli and line-13 in Kirandul).
- Management indicated that NMDC was able to hold up iron ore prices in a steel price downturn and aims to sustain the prices despite severe headwinds.
- The royalty % to sales was higher in 3QFY25 on account of higher production volume, while sales volume remained comparatively lower.

Valuation and view

- In 3QFY25, volume growth picked up QoQ after a sluggishness in 1HFY25 due to general elections and monsoon. NMDC took significant price hikes during 9MFY25 (+14% YoY) to offset the adverse volume impact, translating into a healthy operating profit.
- We expect that going forward, a healthy volume pick-up and stable realization would drive healthy operating growth. Therefore, we largely maintained our estimates for FY25-27.
- NMDC has planned a capex for various evacuation and capacity enhancement projects, which are expected to improve the product mix and increase its production capacity to ~100mt by FY29-30.
- **At CMP, NMDC trades at 3.2x EV/EBITDA on FY27E. We reiterate our BUY rating on NMDC with a revised TP of INR80 (based on 4.5x FY27E EV/EBITDA).**

Consolidated Quarterly Performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Iron ore Production (mt)	**10.7**	**8.9**	**12.2**	**13.2**	**9.2**	**8.3**	**13.3**	**15.7**	45.0	46.5		
Iron ore Sales (mt)	**11.0**	**9.6**	**11.4**	**12.5**	**10.1**	**9.9**	**11.9**	**13.7**	44.5	45.7		
Avg NSR (INR/t)	4,915	4,194	4,748	5,174	5,375	4,948	5,503	5,281	4,623	5,287		
Net Sales	**53.9**	**40.1**	**54.1**	**64.9**	**54.1**	**49.2**	**65.7**	**72.4**	**213.1**	**241.4**	**66.3**	**(0.9)**
Change (YoY %)	13.2	20.6	45.4	10.9	0.4	22.5	21.4	11.6	20.6	13.3		
Change (QoQ %)	-7.8	-25.6	34.8	20.0	-16.6	-9.1	33.5	10.2				
EBITDA	**19.9**	**11.9**	**20.1**	**21.0**	**23.4**	**13.9**	**23.7**	**25.8**	**72.9**	**86.8**	**22.4**	**6.0**
Change (YoY %)	5.0	39.9	76.0	-2.8	17.4	16.4	18.2	22.8	20.5	19.0		
Change (QoQ %)	-7.8	-40.3	68.6	4.7	11.3	-40.8	71.2	8.8				
EBITDA per ton (INR/t)	**1,816**	**1,244**	**1,762**	**1,676**	**2,323**	**1,394**	**1,987**	**1,882**	**1,640**	**1,901**	**1,788**	**11.1**
Interest	0.1	0.2	0.3	0.2	0.2	0.3	0.6	0.3	0.8	1.4		
Depreciation	0.7	0.9	0.8	1.1	0.7	1.0	1.0	1.0	3.5	3.8		
Other Income	2.9	3.2	3.4	4.2	3.6	3.6	3.8	3.8	13.7	14.8		
PBT (before EO Item)	**22.1**	**14.0**	**22.3**	**23.9**	**26.1**	**16.1**	**25.8**	**28.3**	**82.3**	**96.4**	**24.5**	**5.5**
Extra-ordinary item	0.0	0.0	-2.5	-0.3	0.0	0.0	0.0	0.0	-2.8	0.0		
PBT (after EO Item)	**22.1**	**14.0**	**19.8**	**23.6**	**26.1**	**16.1**	**25.8**	**28.3**	**79.5**	**96.4**		
Total Tax	5.5	3.8	5.1	9.4	6.4	4.2	6.9	7.6	23.8	25.1		
% Tax	24.9	27.0	25.7	40.0	24.7	25.9	26.6	26.7	29.9	26.0		
PAT before MI and Sh. of Asso.	**16.6**	**10.3**	**14.7**	**14.2**	**19.6**	**12.0**	**19.0**	**20.7**	**55.7**	**71.3**		
MI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sh. of Asso.	-0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
PAT after MI and Sh. of Asso.	**16.5**	**10.3**	**14.8**	**14.1**	**19.6**	**12.0**	**19.0**	**20.7**	**55.8**	**71.3**		
Adjusted PAT	**16.5**	**10.3**	**16.8**	**14.3**	**19.6**	**12.0**	**19.0**	**20.7**	**57.8**	**71.3**	**18.0**	**5.4**
Change (YoY %)	14.3	5.6	83.6	-9.0	18.8	16.5	13.2	45.0	18.0	23.3		
Change (QoQ %)	5.1	-37.9	63.2	-14.6	37.2	-39.1	58.6	9.4				

Escorts Kubota

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	ESCORTS IN
Equity Shares (m)	112
M.Cap.(INRb)/(USDb)	369.5 / 4.2
52-Week Range (INR)	4422 / 2671
1, 6, 12 Rel. Per (%)	-3/-6/10
12M Avg Val (INR M)	981

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	97.9	111.5	129.3
EBITDA	10.9	13.0	16.0
EBITDA Margin (%)	8.8	9.5	10.3
Adj. PAT	10.6	12.6	15.0
EPS (INR)	86.6	102.7	122.6
EPS Gr. (%)	-8.8	18.6	19.3
BV/Sh. (INR)	951	1,034	1,135
Ratios			
RoE (%)	10.2	10.3	11.3
RoCE (%)	12.5	13.6	14.8
Payout (%)	18.5	18.5	18.0
Valuations			
P/E (x)	38.2	32.2	27.0
P/BV (x)	3.5	3.2	2.9
EV/EBITDA (x)	36.2	30.2	24.5
Div. Yield (%)	0.5	0.6	0.7
FCF yield (%)	4.1	2.4	3.0

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	68.0	68.0	67.7
DII	10.2	10.2	10.6
FII	7.6	8.0	6.9
Others	14.2	13.7	14.9

FII includes depository receipts

CMP: INR3,305 **TP:INR3,295** **Neutral**

Operating performance disappoints

Demand outlook positive, though recovery in market share crucial

- Escorts Kubota (ESCORTS) reported a weak operating performance in 3QFY25 as EBITDA margin declined to 11.4% (est. 12%) due to an unfavorable mix and low ASP. While management remains optimistic about near-term demand and has completed channel inventory rationalization, regaining lost market share will be critical.
- The company has discontinued the railway division following its recent slump sale to Sona Comstar, and it is no longer part of our estimates. Along with lower gross margins, this leads us to cut our FY25E/FY26E consolidated EPS by ~15%/10%. We maintain a Neutral rating on the stock with a TP of INR3,295, based on ~28x Dec'26E EPS.

Operational performance disappoints, yet again

- 3QFY25 standalone revenue/EBITDA/PAT grew ~9%/4%/8% YoY to INR29.4b/INR3.4b/INR2.9b. 9MFY25 revenue/EBITDA/adj. PAT declined 4%/5%/19% YoY. The company has discontinued its railway division from this quarter.
- Revenue from agri machinery grew ~9% YoY. Revenue from the construction equipment (CE) division rose 4% YoY.
- Gross margin during the quarter declined 60bp YoY/350bp QoQ to 26.9% (est. 30.7%), which was offset by lower other operating expenses. As a result, EBITDA margin stood at 11.4% (-60bp YoY/+110bp QoQ, est. 12%).
- Agri machinery EBIT margin declined to 10.4% (vs. 12.1% in 3QFY24) due to an unfavorable mix (higher non-core regions and 40-50 HP segment) and lower realization per unit. The 160bp YoY margin impact in agri machinery was due to production swings (2Q to 3Q), commodity cost inflation (~50bp impact), and higher festive discounting in Sep-Nov'24, which will not persist.
- CE margins improved to 11% in 3QFY25 (vs. 8.1% in 3QFY24) due to price hikes and better operational efficiency.
- Non-tractor revenue formed 21% of agri machinery revenue, up from 19% YoY. The harvester segment grew over 30% YoY, but it is currently imported, impacting margins.
- The board announced an interim dividend of INR10 per share.

Highlights from the management commentary

- **Tractor Industry** is expected to grow by 14-15% in 4QFY25, with 1QFY26 also expected to see healthy growth given positive rural sentiment. The FY26 outlook depends on the monsoon, which remains a key demand driver.

- **EKL wholesale market share stood at 11.8% for 3Q**. Retail market share remains higher than wholesale market share due to inventory rationalization, now at four weeks (from six weeks earlier). EKL's market share was impacted by higher industry growth in non-core markets (South, West, Chhattisgarh, Odisha, Jharkhand). Market share is expected to improve over the next 3-6 months, supported by product interventions and channel expansion.
- **EKL launched the PROMAXX series** under the Farmtrac brand (30-50 HP) to strengthen its presence in Gujarat, Maharashtra, Chhattisgarh, Odisha, and MP, with more product launches lined up.
- **Export volumes declined to 971 units** (vs. 1,371 YoY), with ~27% of sales to the Kubota Global Network. Exports are expected to grow 20-25% in FY26, aided by a low base and increased access to Kubota's European network (~5,000 units currently).

Valuation and view

- Demand for domestic tractors is improving, with FY25 volumes expected to grow by 6-7%, driven by a healthy monsoon, favorable crop prices, and government support. While management remains optimistic about near-term demand and has completed channel inventory rationalization, regaining lost market share will be critical.
- The company has discontinued the railway division following its recent slump sale to Sona Comstar, and it is no longer part of our estimates. Along with lower gross margins, this leads us to cut FY25E/FY26E consolidated EPS by ~15%/10%. While synergies between Escorts and Kubota are significant, they will likely materialize over the medium to long term. The stock is trading at a premium of ~32x FY25E/27x FY26E EPS, compared to its 10-year average of ~18x, mainly due to the Kubota parentage. We maintain a Neutral rating on the stock with a TP of INR3,295, based on ~28x Dec'26E EPS.

Standalone Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E		Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3Q	(%)
Net Sales	**23,277**	**24,646**	**27,064**	**20,825**	**25,563**	**22,649**	**29,354**	**20,320**	**88,496**	**97,887**	**31,133**	**-5.7**
YoY Change (%)	15.5	30.9	19.6	-4.6	9.8	-8.1	8.5	-2.4	6.0	10.6	34.2	
Total Expenditure	20,008	21,979	23,826	18,166	22,394	20,321	26,001	18,275	76,829	86,992	27,397	
EBITDA	**3,269**	**2,667**	**3,238**	**2,659**	**3,169**	**2,328**	**3,353**	**2,045**	**11,667**	**10,895**	**3,736**	**-10.3**
Margins (%)	14.0	10.8	12.0	12.8	12.4	10.3	11.4	10.1	13.2	11.1	12.0	-0.6
Depreciation	402	582	565	441	590	610	612	468	1,669	2,279	640	-4.3
Interest	27	87	104	35	101	92	31	47	137	270	65	-53.1
Other Income	945	936	1,004	1,053	1,024	1,152	1,092	1,142	3,986	4,410	1,150	-5.1
PBT	**3,786**	**2,935**	**3,573**	**3,237**	**3,502**	**2,778**	**3,802**	**2,673**	**13,847**	**12,756**	4,181	**-9.1**
Rate (%)	25.3	27.3	24.5	25.2	24.0	-8.9	23.6	24.5	25.4	16.8	25.0	
Adj. PAT	**2,828**	**2,133**	**2,698**	**2,421**	**2,662**	**3,027**	**2,905**	**2,019**	**10,327**	**10,613**	**3,136**	**-7.4**
YoY Change (%)	91.8	49.7	44.7	18.7	-5.9	41.9	7.7	-16.6	51.8	2.8	13.1	
Margins (%)	12.1	8.7	10.0	11.6	10.4	13.4	9.9	9.9	11.7	10.8	10.1	

E: MOFSL Estimates

Amara Raja

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	ARENM IN
Equity Shares (m)	183
M.Cap.(INRb)/(USDb)	188.8 / 2.2
52-Week Range (INR)	1776 / 738
1, 6, 12 Rel. Per (%)	-4/-27/11
12M Avg Val (INR M)	1816

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	126.0	139.0	153.5
EBITDA	17.0	18.8	21.2
Adj. PAT	9.4	10.1	11.8
EPS (INR)	51.4	55.4	64.4
EPS Gr. (%)	3.8	7.7	16.4
BV/Sh. (INR)	417	462	516
Ratios			
RoE (%)	13.1	12.6	13.2
RoCE (%)	13.0	12.6	13.4
Payout (%)	16.1	18.1	17.1
Valuations			
P/E (x)	20.1	18.6	16.0
P/BV (x)	2.5	2.2	2.0
Div. Yield (%)	0.9	1.0	1.1
FCF yield (%)	5.4	5.2	6.4

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	32.9	32.9	28.1
DII	14.8	15.4	17.9
FII	21.8	22.3	24.0
Others	30.5	29.4	30.0

FII Includes depository receipts

CMP: INR1,032 TP: INR1,120 (+9%) Neutral

High RM prices, power cost adjustment dent profit

Exports and replacement to remain key growth drivers for LAB segment

- Amara Raja's (ARENM) 3QFY25 results missed our estimates as EBITDA and PAT were hit by higher alloy metal costs and a power cost adjustment from the Andhra Pradesh government for FY24. Lead-acid battery (LAB) business grew 9% YoY, with most segments performing well, except for 4W OE and telecom.
- We cut our FY25/FY26 EPS estimates by 6%/7% to factor in provisions related to higher power and other operational costs. The stock at ~18.6x FY26E/16x FY27E EPS appears fairly valued. We, hence, maintain a Neutral rating with a revised TP of INR1,120 (based on 18x Dec'26E EPS).

Margins impacted by rising power costs in the State

- 3QFY25 standalone revenue grew ~10% YoY to INR31.6b (in line), whereas EBITDA/PAT fell 4%/9% YoY to INR4.2b/INR2.3b (est. INR4.5b/INR2.6b). 9MFY25 revenue/EBITDA/PAT grew ~11%/6%/6% YoY.
- The growth momentum was driven by exports, automotive after-markets and UPS segment. LAB contributed 96% of revenue, while the remaining came from the new energy business, including battery packs and chargers. LAB segment grew 9% YoY, driven by strong demand in automotive and industrial applications. In telecom, lithium adoption led to a decline.
- EBITDA margin contracted 200bp YoY/100bp QoQ at 13.1% (est. 14.3%). Operating margins were impacted by 100-120bp due to higher alloy metal costs (tin and antimony) and a power cost adjustment from the Andhra Pradesh government for FY24.
- An exceptional item of INR1.11b was recognized in the P&L, representing the difference between the cumulative amount received and the insurance claim receivable for the tubular battery plant.
- Adj. PAT declined 9% YoY at INR2.3b (est. INR2.6b).

Highlights from the management commentary

- LAB growth is expected to remain steady in the coming quarters. Lithium packs and chargers are projected to grow at least 10% in FY25. Discussions with multiple 2W and 3W OEMs for NMC cells are ongoing, though no new major agreements have been disclosed. The company aims for a steady ramp-up in its lithium cell business after CY27.
- **FY26 outlook:** 4W segment is expected to grow 8-9%, while 2W demand could rise by 11-12%, occasionally reaching 13%. The UPS segment is projected to grow 6-7%, and exports could see 13-14% growth. Total LAB revenue is expected to grow 11-12%.

- **Li-ion plant:** The NMC plant's timeline is slightly delayed, with commercial supplies now expected by early CY27 instead of FY27. The LFP plant will commence at least three to four quarters after the NMC plant due to capital equipment gestation and software development requirements.
- **Capex:** For FY25, total capex is expected to be around INR10b, with INR3-4b allocated to lead-acid business and INR5-6b to the new energy business. 4W battery capacity utilization is at 85-90%, while 2W is close to 90%. Industrial UPS batteries' utilization is at 85%, whereas LVRLA is lower at 65-70%.

Valuation and view

- ARENM's venture into the lithium-ion business is strategically sound given the opportunities in the segment and risks facing its core business. However, there are notable challenges: 1) market opportunities are limited by existing OEM partnerships; 2) low-margin nature of lithium-ion business is likely to dilute returns; and 3) long-term viability of technology remains uncertain despite the large capital investment.
- While the market is optimistic about ARENM's li-ion initiative, we are cautious about its potential returns. We believe the stock trading at around 18.6x FY26E/16x FY27E EPS appears fairly valued. Therefore, we maintain a Neutral rating with a revised TP of INR1120, based on 18x Dec'26E EPS.

Quarterly Performance- SA (INR M)

Y/E March (INR m)	FY24				FY25E				FY24	FY25E		VAR
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**27,707**	**28,111**	**28,817**	**27,967**	**31,312**	**31,358**	**31,640**	**31,645**	**1,12,603**	**1,25,956**	**31,699**	**-0.2**
YoY Change (%)	5.8	4.1	9.3	14.9	13.0	11.6	9.8	13.2	8.4	11.9	10.0	
RM Cost (% of sales)	69.6	66.6	66.0	65.5	68.9	67.6	66.9	68.0	66.9	67.9	67.5	-60bp
Staff Cost (% of sales)	6.4	6.3	6.3	5.8	5.9	6.1	6.0	6.0	6.2	6.0	6.0	0bp
Other Exp (% of sales)	10.7	12.5	12.6	14.1	11.5	12.2	13.9	12.9	12.5	12.7	12.2	170bp
EBITDA	**3,689**	**4,099**	**4,349**	**4,077**	**4,304**	**4,407**	**4,158**	**4,135**	**16,214**	**17,004**	**4,535**	**-8.3**
Margins (%)	13.3	14.6	15.1	14.6	13.7	14.1	13.1	13.1	14.4	13.5	14.3	-120bp
Depreciation	1,168	1,207	1,202	1,210	1,183	1,220	1,233	1,243	4,787	4,879	1265	**-2.5**
Interest	76	81	77	97	90	131	107	113	332	440	115	**-7.4**
Other Income	218	277	238	283	256	185	293	277	1,015	1,010	255	**14.7**
PBT before EO expense	**2,662**	**3,087**	**3,307**	**3,053**	**3,287**	**3,240**	**3,111**	**3,058**	**12,110**	**12,695**	**3410**	**-8.8**
Extra-Ord expense	0	0	0	0	0	0	-1,111	0	0	0	0	
PBT after EO	**2,662**	**3,087**	**3,307**	**3,053**	**3,287**	**3,240**	**4,222**	**3,058**	**12,110**	**12,695**	**3,410**	**23.8**
Tax	676	823	779	773	841	833	1,103	799	3,052	3,576	852	
Tax Rate (%)	25.4	26.7	23.6	25.3	25.6	25.7	26.1	26.1	25.2	28.2	25.0	
Adj PAT	**1,987**	**2,264**	**2,528**	**2,280**	**2,446**	**2,407**	**2,298**	**2,259**	**9,059**	**9,119**	**2,557**	**-10.1**
YoY Change (%)	51.1	12.0	13.5	29.7	23.1	6.3	-9.1	-0.9	18.4	0.7	1.2	

E: MOFSL Estimates

Happy Forgings

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	HAPPYFOR IN
Equity Shares (m)	94
M.Cap.(INRb)/(USDb)	90.2 / 1
52-Week Range (INR)	1300 / 813
1, 6, 12 Rel. Per (%)	-4/-18/-12
12M Avg Val (INR M)	93

Consol. Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	14.2	16.6	19.6
EBITDA	4.1	4.9	5.8
Adj. PAT	2.6	3.3	4.0
EPS (INR)	27.9	35.3	42.4
EPS growth %	8.2	26.3	20.3
BV/Sh. (INR)	194	224	259
Ratios			
RoE (%)	15.3	16.9	17.6
RoCE (%)	14.4	15.9	16.4
Payout (%)	17.0	17.0	17.0
Valuations			
P/E (x)	34.5	27.3	22.7
P/BV (x)	5.0	4.3	3.7
EV/EBITDA (x)	21.8	18.6	15.8
Div. Yield (%)	0.5	0.6	0.7

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	78.6	78.6	78.6
DII	17.1	17.1	5.8
FII	2.3	2.3	2.1
Others	2.1	2.0	13.5

CMP: INR958 TP: INR1,140 (+19%) Buy

Operationally in-line; dependency on core business to reduce further

Announced INR6.5b capex for heavy forgings, commissioning by FY27

- Happy Forgings' (HFL) 3QFY25 results were operationally in line, though Adj. PAT was lower due to lower other income. Despite weakness in the domestic CV industry and subdued exports, revenue grew 4% YoY, while EBITDA margin expanded 80bp YoY to 28.6%, driven by growth in its industrials division, which continues to support profitability.
- In line with its plan to expand in the heavyweight industrials division, HFL has announced a capex of up to INR6.5b. This will not only drive long-term growth but will also de-risk exposure from its cyclical CV/FE segment and expand margins. New plant is likely to be commissioned by FY27, catering to diverse non-auto industries such as power, marine, and mining.
- Our FY25E/26E EPS estimates remain largely unchanged, as weakness in CV and exports is expected to be offset by growth in Industrials and ramp-up of new capacities. We reiterate our BUY rating on the stock with a TP of INR1,140 (based on 28x Dec'26E EPS).

ASP-led revenue growth of 4% YoY amid flat volumes

- HFL's revenue/EBITDA/adj. PAT grew 4%/7%/11% YoY to INR3.5b/INR1.02b/INR0.65b (est. INR3.6b/INR1.05b/INR0.68b). 9MFY25 revenue/ EBITDA/ adj. PAT grew 4%/5%/10% YoY.
- During the quarter, revenue from the CV segment (both domestic and exports), coupled with farm equipment and off-highway (exports), declined. However, this was partially offset by better demand in industrials and growth in the PV segment.
- Overall volume growth for the quarter remained flat while realizations improved ~4% YoY.
- Gross margins expanded 250bp (-90bp QoQ) to 58%, mainly due to a better mix (higher machining mix at 88% in 9MFY25, up from 84% in 9MFY24).
- This has resulted in a margin expansion of 80bp YoY to 28.6% (est. 29.2%).
- Lower other income led to Adj. PAT miss at INR645m (up 11% YoY, est. INR683m).
- Excluding the impact of high-realization on one order (due to air freight) in 9MFY24 and a non-recurring income of INR480m (post-tax) in 9MFY25, Revenue, EBITDA, and PAT grew 5.5%, 8.2%, and 14.3% YoY, respectively.
- Machining mix for 9MFY25 improved to 88% (84% in 9MFY24). Share of exports stood at 19% in 9MFY25 (flat YoY).

Highlights from the management interaction

- **CVs:** Domestic CV sector remained weak due to fund release delays and slow financing, with M&HCV volumes down 7% YoY in 9MFY25. Recovery is expected in 4Q, driven by infra push and export incentives. HFL launched new CV products on its 14k-ton press line, with revenues expected from April onwards.

- **Industrial Segment:** Despite a global industrial slowdown, this segment is expected to contribute 18-20% of total revenue over the next two years (from 14% currently), with the potential to exceed 30% in 4-5 years if new capex ramps up on expected lines.
- **Exports & Tariffs:** Exports contribute ~19% directly and ~9% indirectly to revenue. While the EU and NA CV and FE sectors are experiencing a downturn, HFL's direct exposure to NA remains low at ~4%. Testing for new PV segment products is ongoing as planned, with no immediate tariff concerns.
- **Capex:** HFL announced an INR6.5b capex plan to establish advanced forging capabilities for heavyweight components (>250kg), catering to power generation, marine, mining, oil & gas, wind energy, and aerospace & defense. The company is targeting 7-8% of the INR100b global market, currently dominated by a European player with a 40% share.

Valuation & view

- HFL is expected to outperform the industry, driven by new client additions, product expansion, and capacity growth. Strong order wins in Industrials and Exports will enhance the business mix. Its superior financial track record vs. its peers reflects strong operational efficiencies, providing a key competitive edge.
- Our FY25E/26E EPS estimates remain largely unchanged as weakness in CV and exports is expected to be offset by growth in Industrials and the ramp-up of new capacities. We estimate a 13%/14%/ 18% CAGR in the standalone revenue/EBITDA/PAT during FY24-27. **We reiterate our BUY rating on the stock with a TP of INR1,140 (based on 28x Dec'26E EPS).**

Quarterly (Standalone) **(INR Million)**

	FY24				FY25E				FY24	FY25E		Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net operating income	**3,298**	**3,431**	**3,420**	**3,433**	**3,415**	**3,611**	**3,543**	**3,653**	**13,582**	**14,222**	**3,591**	**-1.3**
Change (%)			16.2	13.5	3.5	5.3	3.6	6.4	13.5	4.7	5.0	
RM/Sales (%)	43.0	44.7	44.5	43.5	43.5	41.2	42.0	41.8	43.9	42.1	41.0	
Staff Cost (%)	7.5	8.5	9.0	8.6	8.5	8.5	9.3	9.2	8.4	8.9	8.8	
Other Exp. (%)	19.1	19.5	18.7	19.6	19.4	21.2	20.1	20.1	19.1	20.2	21.0	
EBITDA	**1,002**	**938**	**952**	**971**	**976**	**1,054**	**1,015**	**1,056**	**3,875**	**4,100**	**1,049**	**-3.2**
EBITDA Margins (%)	30.4	27.3	27.8	28.3	28.6	29.2	28.6	28.9	28.5	28.8	29.2	
Non-Operating Income	34	7	33	72	77	83	66	69	134	295	82	
Interest	27	44	38	9	14	16	21	16	118	67	14	
Depreciation	155	162	171	160	180	197	191	198	647	766	200	
EO Exp						-48						
PBT after EO items	**855**	**738**	**777**	**875**	**859**	**973**	**868**	**911**	**3,244**	**3,563**	**917**	
Tax	214	185	198	217	220	259	223	232	814	933	234	
Eff. Tax Rate (%)	25.1	25.1	25.5	24.8	25.6	26.6	25.7	25.4	25.1	26.2	25.5	
Rep. PAT	**640**	**553**	**579**	**658**	**639**	**714**	**645**	**679**	**2,430**	**2,629**	**683**	
Change (%)			39.2	29.7	-0.3	29.3	11.4	3.3	18.3	8.2	17.9	
Adj. PAT	**640**	**553**	**579**	**658**	**639**	**666**	**645**	**679**	**2,430**	**2,629**	**683**	**-5.5**
Change (%)			39.2	29.7	-0.3	20.6	11.4	3.3	16.4	8.2	17.9	

E: MOFSL Estimates

Indigo Paints

Estimate change	↓
TP change	↓
Rating change	⟷

Bloomberg	INDIGOPN IN
Equity Shares (m)	48
M.Cap.(INRb)/(USDb)	59.1 / 0.7
52-Week Range (INR)	1720 / 1166
1, 6, 12 Rel. Per (%)	-3/-9/-20
12M Avg Val (INR M)	369

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	13.6	15.3	17.5
Sales Gr. (%)	3.8	13.0	14.0
EBITDA	2.3	2.7	3.1
EBIT Margin (%)	16.7	17.7	17.8
Adj. PAT	1.3	1.6	1.8
Adj. EPS (INR)	28.3	33.6	38.8
EPS Gr. (%)	-8.7	18.9	15.4
BV/Sh.(INR)	212.2	238.2	277.3
Ratios			
RoE (%)	14.1	14.9	15.1
RoCE (%)	13.8	14.7	14.9
Valuation			
P/E (x)	43.5	36.6	31.7
P/BV (x)	5.8	5.2	4.4
EV/EBITDA (x)	24.9	20.8	17.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	53.9	53.9	53.9
DII	17.1	16.1	1.8
FII	12.5	12.3	8.8
Others	16.5	17.6	35.5

FII Includes depository receipts

CMP: INR1,241 TP: INR1,500 (+21%) Buy

Miss on revenue; demand pick up a key monitorable

- Indigo Paints (INDIGOPN)'s standalone sales declined 4% YoY in 3QFY25 due to consistent pressure on demand. The paint industry dipped 4% YoY in 3Q. Apple Chemie (subsidiary) clocked a robust sales growth of 21% YoY. Consolidated sales contracted 3% YoY to INR3.4b (miss).
- Putty & cement paint's value and volume declined 5% and 7%, respectively. Emulsions clocked 2% volume growth and 3% value growth. **Premium emulsions** remained the fastest-growing retail segment. Enamel and wood coatings' volume/value dipped 13%/12% YoY. Primer and distempers posted a volume decline of 6% and a value decline of 1% in 3QFY25.
- Consolidated GM contracted 160bp YoY to 46.6% (est. 46.3%) due to product mix and price cuts. Employee costs rose 7% YoY (+80bp), while other expenses were down 9% YoY (-140bp). EBITDA margin dipped 90bp YoY to 16.7% (est. 16.0%).
- INDIGOPN has seen some positive signs in Jan'25 and expects a gradual recovery. It will be driven by favorable crop conditions, a reduction in interest rates, and potential benefits of tax relief in the Union Budget. We model a 13% revenue and 17% EBITDA CAGR in FY25E-FY27E.
- Management is less concerned about competitive pressure from new entrants; instead, it is focused more on industry recovery. The size of the industry and long-term drivers will continue to present opportunities for most established players.
- We reiterate our **BUY rating with a TP of INR1,500 (based on 40x Dec'26 P/E)**, considering its growth outperformance, synergies with Apple Chemie, consistent capacity & distribution expansion, and its favorable valuation multiples vs. peers.

Miss on revenue; cost efficiencies moderate margin contraction

Consolidated performance

- **Miss on sales:** INDIGOPN's net sales declined 3% YoY to INR3,426m (est. INR3,715m). Standalone revenue dipped 4% YoY to INR3,275m. Apple Chemie delivered sales growth of 21% YoY to INR151m in 3QFY25.
- **Contraction in margins:** Gross margin contracted 160bp YoY to 46.6% (est. 46.3%). Employee expenses rose 7% YoY, while other expenses contracted 9% YoY. EBITDA margin contracted 90bp YoY to 16.7% (est. 16.0%).
- **EBITDA/PBT/PAT declined:** EBITDA declined by 8% YoY to INR572m (est. INR595m). PBT decreased 10% YoY to INR450m (est. INR484m). APAT was down 3% YoY to INR360m (est. INR366m).
- In 9MFY25, net sales increased 3% YoY, while EBITDA and APAT declined 5% and 9%, respectively.

Highlights from the management commentary

- The demand slowdown has persisted over the past year, with festive demand falling below expectations. No significant difference has been observed between urban and rural demand growth.
- INDIGOPN has been minimally impacted by Birla Opus, primarily due to its differentiated product offerings and strong distribution network. The effect on INDIGOPN's sales is estimated to be ~1%.
- The entry of new players has had a limited impact on existing industry participants. However, as the overall market is experiencing a slowdown, these effects have become more noticeable.
- As of Dec'24, the number of active dealers stood at 18,578, reflecting a sequential decline of 120. During periods of weak market conditions, active buyers tend to reduce their purchases, leading to a drop in dealer count. However, as demand recovers, the number of active dealers is increasing again.

Valuation and view

- Owing to a slow industry recovery and normalization of operating margin, we cut our EPS estimate by 5% for FY25/FY26.
- INDIGOPN's strategic shift to focusing on non-metro towns and increased investments in distribution and influencers as part of its Strategy 2.0 are proving to be a successful endeavor.
- Given the relatively small scale of INDIGOPN (INR13b revenue in FY24) within the paints industry, the company has been able to grow much faster than the industry. Consumers' rising acceptance of the brand and the expansion of distribution have been driving its outperformance. However, the changing competitive landscape will be a key monitorable. **We reiterate our BUY rating with a revised TP of INR1,500 (premised on 40x Dec'26E EPS).**

Consolidated Quarterly Performance (INR m)

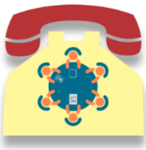
Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**2,884**	**2,790**	**3,538**	**3,849**	**3,110**	**2,995**	**3,426**	**4,026**	**13,061**	**13,557**	**3,715**	-7.8%
Change (%)	28.8	15.0	25.8	18.3	7.8	7.4	-3.2	4.6	21.7	3.8	5.0	
Raw Material/PM	1,519	1,519	1,833	1,968	1,661	1,686	1,829	2,159	6,839	7,334	1,995	
Gross Profit	**1,365**	**1,271**	**1,705**	**1,881**	**1,449**	**1,309**	**1,597**	**1,867**	**6,222**	**6,223**	**1,720**	-7.1%
Gross Margin (%)	47.3	45.6	48.2	48.9	46.6	43.7	46.6	46.4	47.6	45.9	46.3	
EBITDA	**491**	**421**	**622**	**846**	**474**	**415**	**572**	**803**	**2,381**	**2,264**	**595**	-3.9%
Margin (%)	17.0	15.1	17.6	22.0	15.2	13.9	16.7	19.9	18.2	16.7	16.0	
Change (%)	39.2	24.8	53.5	17.9	-3.5	-1.5	-8.1	-5.1	31.1	-4.9	-4.4	
Interest	5	6	6	5	6	7	6	4	21	23	6	
Depreciation	101	113	146	156	152	154	147	158	516	611	155	
Other Income	38	32	31	42	42	51	31	60	142	185	50	
PBT	**423**	**335**	**501**	**727**	**357**	**306**	**450**	**701**	**1,986**	**1,814**	**484**	-6.9%
Tax	108	81	125	183	90	83	92	189	497	454	121	
Effective Tax Rate (%)	25.6	24.3	25.0	25.1	25.3	27.2	20.4	26.9	25.0	25.0	25.0	
Minority Interest	5	0	3	8	5	-4	-2	16	15	15	-3	
Adjusted PAT	**310**	**253**	**373**	**537**	**262**	**226**	**360**	**496**	**1,474**	**1,345**	**366**	-1.6%
Change (%)	55.9	22.1	41.9	10.3	-15.6	-10.6	-3.3	-7.5	27.4	-8.7	-1.8	

E: MOFSL Estimates

Grasim Industries

BSE Sensex	S&P CNX
77,312	23,382

Conference Call Details



Date: 11 February 2025
Time: 11:00 IST
Dial-in details:
+ 91 22 6280 1127
+ 91 22 7115 8028
Link for the call

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	314.4	353.8	395.9
EBITDA	17.1	28.8	37.5
Adj. PAT	8.1	15.2	22.1
EBITDA Margin (%)	5.4	8.1	9.5
S/A Adj. EPS (INR)	12.2	22.4	32.5
S/A EPS Gr. (%)	(50.0)	83.9	45.3
Consol EPS (INR)	80.1	99.4	118.3
BV/Sh. (INR)	808.6	839.3	881.9
Ratios			
Net D:E	0.2	0.1	0.1
RoE (%)	-1.5	1.9	4.2
RoCE (%)	2.3	5.0	6.6
Valuations			
P/E (x)	59.3	30.8	21.2
P/BV (x)	4.2	3.1	2.4
EV/EBITDA (x)	0.2	0.3	0.3
Div. Yield (%)	(2.0)	(0.6)	0.2
FCF Yield (%)	314.4	353.8	395.9

CMP: INR2,473 **Buy**

EBITDA below estimate; VSF segment disappoints

- Grasim Industries' 3QFY25 EBITDA was below our estimates due to lower-than-estimated margins in both the chemical and VSF segments. EBITDA declined ~48% YoY to INR2.7b (42% below our estimate). OPM contracted 4.8pp YoY to 3.3% (est. 5.6%). It reported a net loss of INR1.7b vs. adj. PAT of INR2.4b in 3QFY24.
- The VSF segment's revenue increased 6% YoY due to improved realization globally and a higher share of specialty fibers in the sales mix, though EBITDA declined ~18% YoY due to higher key RM costs. The Dec-exit price of VSF was similar to the 3QFY25 average price.

OPM down 4.8pp YoY to 3.3%; lower margins reduce profitability

- GRASIM's standalone revenue/EBITDA came in at INR81.2b/INR2.7b (+27%/-48% YoY and +2%/-42% vs. our estimate) in 3QFY25. It reported a loss of INR1.7b vs. adj. PAT of INR2.4b in 3QFY24.
- Sales volume of the VSF segment was flat YoY due to disruptions in production at the company's Kharach plant, whereas volume declined ~6% QoQ due to seasonality issues. Blended realization was up 5% YoY (in line). EBITDA stood at INR3.3b (~18% decline YoY; 34% below our estimates) due to higher key raw material prices. OPM declined 2.4pp YoY to 8.4%. EBITDA/kg was at INR15 vs. INR19/INR15 in 3QFY24/2QFY25.
- Chemical segment volumes inched up ~1% YoY in 3QFY25. Realization improved ~10% YoY (2% below). EBITDA increased ~25% YoY at INR3.3b (~7% below) due to improved realization of caustic soda and improved profitability in chlorine derivatives. OPM improved 1.6pp to ~15% (est. 16%).
- Revenue from Paints and E-commerce business increased to INR15.9b vs. INR10.5b in 2QFY25. Loss in new high-growth businesses stood at INR3.3b vs. INR1.3b/INR3.5b in 3QFY24/2QFY25.
- In 9MFY25, revenue/EBITDA/adj. PAT stood at +19%/-49%/-61% YoY. OPM dipped 5.3pp to ~4%. In the VSF segment, revenue/EBITDA came in at +6%/-2% YoY, whereas in the Chemicals segment revenue/EBITDA stood at +4%/+6% YoY.

Highlights from the management commentary

- The Board has approved the establishment of a 110 KTPA Lyocell production facility, the fastest-growing specialty cellulosic fiber, at Harihar, Karnataka. The first phase, with a capacity of 55KTPA, is expected to be completed in the next two years at a capex of INR13.5b.
- In 3QFY25, international caustic soda spot prices (CFR-SEA) rose by 16% YoY and 10% QoQ to USD516/ton from USD444/ton marking the highest level since 1QFY24. This led to improved domestic realizations in line with global trends. However, there were continued negative chlorine realizations due to oversupply, which limited the growth of ECU realizations.
- The company commenced commercial production at Chamarajnagar (Nov'24) and Mahad, which is expected in 4QFY25. Management highlighted it is gaining market share across most markets with a rapidly expanding distribution network and brand visibility backed by superior product quality. Capex till Dec'24 is INR90.2b; ~90% of the project cost.

- The company's MD, Mr. Harikrishna Agarwal, requested an early retirement, and Mr. Himanshu Kapania will be the new MD w.e.f. 1st Apr'25. Himanshu Kapania has been with the group for over 24 years and has currently been designated as Business Director - Birla Opus Paints.

Valuation and view

- We have a **BUY** rating on the stock based on the SoTP valuation. We will review our assumptions after the concall on 10th Feb'25 (**Link**)

Standalone quarterly performance (INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**62.4**	**64.4**	**64.0**	**67.7**	**68.9**	**76.2**	**81.2**	**84.6**	**258.5**	**311.0**	**83.0**	(2)
YoY Change (%)	(14.0)	(4.5)	3.3	1.8	10.5	18.3	26.9	25.1	(3.7)	20.3	29.7	
EBITDA	**6.7**	**5.9**	**5.2**	**5.3**	**3.3**	**3.3**	**2.7**	**4.1**	**23.2**	**13.3**	**4.6**	(42)
YoY Change	(49.0)	(37.9)	9.5	23.6	(51.7)	(45.2)	(48.2)	(22.0)	(27.2)	(42.5)	(11.0)	
Margin (%)	10.8	9.2	8.2	7.8	4.7	4.3	3.3	4.9	9.0	4.3	5.6	(227)
Depreciation	2.9	2.9	3.0	3.4	3.5	4.1	4.2	4.5	12.2	16.2	4.2	1
Interest	1.1	1.1	1.1	1.2	1.4	1.6	1.8	1.9	4.4	6.8	1.5	20
Other Income	1.2	7.6	1.2	2.6	0.9	12.9	1.0	1.2	12.6	16.0	1.1	(3)
PBT before EO Items	**4.0**	**9.6**	**2.4**	**3.3**	**-0.7**	**10.5**	**-2.3**	**-1.1**	**19.2**	**6.4**	**0.0**	NA
Extraordinary Inc./(Exp.)	-	-	-	(7.2)	-	(0.5)	-	-	(7.2)	(0.5)	-	
PBT after EO Items	**4.0**	**9.6**	**2.4**	**-3.9**	**-0.7**	**10.0**	**-2.3**	**-1.1**	**12.0**	**5.9**	**0.0**	NA
Tax	0.4	1.6	0.0	0.5	-0.2	2.8	-0.6	-0.3	2.6	1.7	0.0	
Rate (%)	10.2	16.8	1.2	(13.5)	25.8	28.0	26.8	28.1	21.3	28.8	20.0	
Reported PAT	**3.6**	**7.9**	**2.4**	**-4.4**	**-0.5**	**7.2**	**-1.7**	**-0.8**	**9.5**	**4.2**	**0.0**	NA
Prior period tax/DTL reversal	-	-	-	-	-	-	-	-	-	-	-	
Adj. PAT	**3.6**	**7.9**	**2.4**	**2.3**	**-0.5**	**7.6**	**-1.7**	**-0.8**	**16.2**	**4.5**	**0.0**	NA
Margin (%)	5.7	12.3	3.7	3.4	-0.8	9.9	-2.1	-1.0	6.3	1.5	0.0	
YoY Change (%)	(56.1)	(22.9)	46.9	145.3	(114.7)	(4.7)	(171.4)	(135.8)	(22.8)	(71.9)	(99.4)	

Segmental performance

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
VSF segment												
Sales Volume (KT)	196	221	215	219	222	230	216	220	851	888	230	(6)
YoY Change (%)	(5.3)	21.6	31.7	7.8	12.8	4.1	0.5	0.7	12.7	4.3	6.7	
Net Sales (INR b)	35.8	38.9	37.1	37.6	37.9	41.3	39.3	40.3	149.5	158.8	41.9	(6)
YoY Change (%)	(16.7)	(0.4)	16.8	(0.1)	5.7	6.1	5.9	7.1	(1.3)	6.2	12.9	
EBITDA (INR b)	3.9	4.7	4.0	4.6	4.0	4.9	3.3	4.3	17.2	16.6	5.0	(34)
EBITDA (%)	10.9	12.0	10.8	12.3	10.7	12.0	8.4	10.6	11.5	10.4	12.0	(359)
Chemical segment												
Sales Volume (KT)	292	306	299	308	282	295	303	314	1,205	1,194	305	(1)
YoY Change (%)	5.0	3.4	5.3	7.7	(3.4)	(3.6)	1.3	2.0	5.3	(0.9)	2.0	
Net Sales (INR b)	21.5	19.9	20.0	20.8	20.7	20.5	22.3	23.6	82.1	87.1	22.8	(2)
YoY Change (%)	(21.5)	(26.6)	(22.7)	(13.1)	(3.7)	3.3	11.5	13.4	(21.2)	6.0	14.2	
EBITDA (INR b)	3.6	2.4	2.6	2.0	3.1	2.7	3.3	3.8	10.5	12.9	3.5	(7)
EBITDA (%)	16.7	11.9	13.2	9.4	15.0	13.3	14.8	16.0	12.8	14.8	15.5	(73)

Hindalco

BSE SENSEX	S&P CNX
77,312	23,382

CMP: INR595 **Buy**

Novelis 3QFY25: Revenue in line; higher input cost impacts earnings

- Shipments volume stood at 904kt (YoY/QoQ: -1%/ -4%), against our estimate of 910kt. The weakness in volume was primarily due to lower VAP and automotive shipments.
- Revenue stood at USD4.1b (YoY/QoQ: +4%/-5%), largely in line with our estimate of USD4.2b, which was supported by higher average aluminum prices.
- Adjusted EBITDA stood at USD367m (YoY/QoQ: -19%/-21%), below our estimate of USD428m. This was primarily driven by higher aluminum scrap prices and unfavorable product mix.
- EBITDA/t came in at USD406/t (against our estimate of USD470/t) in 3QFY25.
- APAT stood at USD125m (YoY/QoQ: -36%/-38%) against our est. of USD154m.
- Total capex for 9MFY25 stood at USD1.2b, primarily attributed to strategic investments in new rolling and recycling capacity in Bay Minette.
- Current net debt to Adj. EBITDA stands at 2.9x compared to 2.5x in 2QFY25.

Key highlights from the management commentary

Operating performance outlook

- Management guided that the 4QFY25 will be better than 3Q, led by **higher volumes, better product mix, new contract pricing, and increased recycled aluminum usage.**
- Management guided for high recycle content, supported by the Guthrie operation, compared to 63% currently.
- The change in product mix was driven by higher beverage can volumes and weaker auto volumes.
- The Guthrie recycling center continues to ramp up automotive sheet ingot casting.

Bay Minette capex

- Novelis raised USD750m of senior notes in Jan’25 and plans to raise an additional amount later in the year to fund Bay Minette.
- The capex budget of ~USD4.1b for 600kt capacity is unlikely to be revised upwards.
- The Bay Minette project remains on schedule. A capex of USD 1.3b was spent by the end of Q3FY25, with commissioning expected in 2HCY26.
- The plant will have ~600kt capacity — 420kt for beverage packaging and 180kt for automotive (primarily) and FRP specialties (if feasible). Long-term beverage packaging contracts have already been secured for this facility.
- Bay Minette’s IRR is expected to stay in double digits, assuming scrap prices remain tight, as anticipated over time.
- The capacity will take about 18-24 months to fully ramp up to peak utilization.

Demand outlook

- The company foresees a 4% growth in the aluminum FRP market. Global beverage packaging demand remains strong.
- Constraints in the supply chain are impacting OEM production of new aircraft.
- Increased competition and higher demand from China have led to significantly higher scrap aluminum prices, reducing the metal benefit from using scrap inputs.
- The near-term outlook for the automotive market is mixed, with a favorable vehicle mix in North America but slower growth in Europe and China due to weaker macroeconomic conditions.
- Specialties demand is expected to improve in the next couple of quarters, with building and construction demand improving with declining interest rates.

Other highlights

- The Logan hot mill expansion to debottleneck 80kt capacity is on track for completion in Q1FY26.
- The Midwest premium will likely increase dollar-for-dollar, which could actually be positive for Novelis' recycling business.
- For cross-border trade between Canada and the US, management is confident that Novelis will secure exemptions.
- There may be some short-term cash flow impact during the transition, but Novelis believes exemptions will be granted due to the lack of domestic aluminum supply.
- Capex guidance for FY25 is in the range of USD1.8-2.1b, with about 60-65% allocated to the Bay Minette plant. Overall, ~USD3.4b capex outflow is expected over FY25-26E.
- Net debt is expected to increase this year due to capex commitments. However, the threshold remains at 3.5x for Net Debt/EBITDA.

Quarterly Performance (Novelis) — USD m

Y/E March	FY24				FY25			FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q			3QE	(%)
Sales (000 tons)	**879**	**933**	**910**	**951**	**951**	**945**	**904**	**3,673**	**3,792**	**910**	**-0.7**
Change (YoY %)	-8.6	-5.2	0.2	1.6	8.2	1.3	-0.7	-3.1	3.2		
Change (QoQ %)	-6.1	6.1	-2.5	4.5	0.0	-0.6	-4.3	0.0	0.0		
Net Sales	**4,091**	**4,107**	**3,935**	**4,077**	**4,187**	**4,295**	**4,080**	**16,210**	**17,337**	**4,209**	**-3.1**
Change (YoY %)	-19.6	-14.4	-6.3	-7.3	2.3	4.6	3.7	-12.3	7.0		
Change (QoQ %)	-7.0	0.4	-4.2	3.6	2.7	2.6	-5.0	0.0	0.0		
EBITDA (adjusted)	**421**	**484**	**454**	**514**	**500**	**462**	**367**	**1,873**	**1,906**	**428**	**-14.2**
Change (YoY %)	-25.0	-4.3	33.1	27.5	18.8	-4.5	-19.2	3.4	1.8		
Change (QoQ %)	4.5	15.0	-6.2	13.2	-2.7	-7.6	-20.6	0.0	0.0		
EBITDA per ton (USD)	**479**	**519**	**499**	**540**	**526**	**489**	**406**	**510**	**503**	**470**	**-13.6**
Interest	70	74	67	64	64	67	61	275	265		
Depreciation	131	136	139	148	140	141	142	554	580		
PBT (before EO item)	**220**	**274**	**248**	**302**	**296**	**254**	**164**	**1,044**	**1,062**		
Extra-ordinary Income	(10)	(66)	(73)	(77)	(86)	(74)	(15)	(226)	(175)		
PBT (after EO item)	**210**	**208**	**175**	**225**	**210**	**180**	**149**	**818**	**887**		
Total Tax	54	51	54	59	60	51	39	218	250		
% Tax	25.7	24.5	30.9	26.2	28.6	28.3	26.2	26.7	28.2		
Reported PAT (after MI)	**156**	**157**	**121**	**166**	**151**	**128**	**110**	**600**	**637**		
Change (YoY %)	-49	-14	908	6	-3	-18	-9	-9	6		
Adjusted PAT	**166**	**223**	**194**	**243**	**237**	**202**	**125**	**826**	**812**	**154**	**-18.7**
Change (YoY %)	-40.5	-9.3	33.8	23.4	42.8	-9.4	-35.6	-4.7	-1.7		
Change (QoQ %)	-15.7	34.3	-13.0	25.3	-2.5	-14.8	-38.1				

E: MOFSL Estimates

Volumes -Rolled products (in kt)	**2QFY24**	**3QFY24**	**4QFY24**	**1QFY25**	**2QFY25**	**3QFY25**
North America	390	362	391	388	396	360
Europe	256	230	246	263	233	226
Asia	175	176	183	194	198	186
South America	144	176	164	154	162	166
Elimination	-32	-34	-33	-48	-44	-34
Total Third Party Shipments	**933**	**910**	**951**	**951**	**945**	**904**
Adj. EBITDA (USD m)						
North America	208	165	210	183	185	122
Europe	100	59	74	90	63	49
Asia	82	81	84	92	91	75
South America	93	150	145	132	123	121
Adj. EBITDA per ton (USD)						
North America	533	456	537	472	467	339
Europe	391	257	301	342	270	217
Asia	469	460	459	474	460	403
South America	646	852	884	857	759	729

Apollo Hospitals

BSE SENSEX	S&P CNX
77,312	23,382

CMP: INR6,766

Operationally in line with estimates

- Apollo Hospitals' (APHS) 3QFY25 revenues grew 13.9% YoY to INR55.3b (est. INR54.5b).
  - Healthcare services revenue grew 13% YoY to INR27.8b.
  - Healthco revenue grew 15.3% YoY to INR23.5b.
  - AHLL revenue grew 15% YoY to INR3.9b.
- EBITDA margin expanded by 110bp YoY to 13.8% (in line with estimates) due to lower employee/other expenses (down 20bp/120bp YoY as % sales).
- EBITDA grew 24.1% YoY to INR7.6b (in line with estimates).
- Adj. PAT grew 51.8% YoY to INR3.7b (our est: INR3.5b).
- 9MFY25 revenue/EBITDA/PAT grew 15%/29%/64% to INR162b/INR22.5b/ INR10.6b

Segmental highlights:

Healthcare services

- Hospital EBITDA grew 14% YoY to INR6.7b. EBITDA margin grew 30bp YoY to 24.1%.
- ARPOB grew by 8% YoY to INR 60,839. Effectively, volume of patients treated grew ~5% YoY.
- Occupancy stood at 68% vs. 66% in 2QFY24.
- ALOS stood flat at 3.3 days.

Healthco

- Healthco posted EBITDA of INR566m vs. INR521m in 2QFY25.
- Platform GMV grew 11% YoY to INR7.6b (stable QoQ).
- Opened net 132 stores during the quarter, taking the total store count to 6,360. It added 330 stores on YTD basis.

AHLL

- Revenue/EBITDA grew by 15.3%/32% YoY to INR3.9b/INR342m.
- Revenues of primary care grew by 17% YoY to INR1.1b.
- Revenues of specialty care grew by 13% YoY to INR1.7b.
- The number of network collection centers increased by 180 YoY to 2,221 centers.

Capex Expansion

- APHS plans to add 3,512 beds over four years across 11 locations in India.

Conference Call Details

Date: 11th Feb 2025

Time: 2:15 pm IST

Dial-in details:

Diamond pass link: Link

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	216.4	251.6	295.2
EBITDA	30.3	35.5	42.5
Adj. PAT	14.0	18.2	23.6
EBIT Margin (%)	14.0	14.1	14.4
Cons. Adj. EPS (INR)	97.4	126.3	164.5
EPS Gr. (%)	56.0	29.7	30.2
BV/Sh. (INR)	593.1	717.6	881.5
Ratios			
Net D:E	0.0	-0.3	-0.4
RoE (%)	18.4	19.9	21.3
RoCE (%)	16.7	18.4	20.0
Payout (%)	6.0	4.6	3.6
Valuations			
P/E (x)	69.5	53.6	41.1
EV/EBITDA (x)	32.3	27.0	21.9
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	2.1	2.5	3.0
EV/Sales (x)	4.5	3.8	3.2

Consolidated - Quarterly Earning Model

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Gross Sales	**44,178**	**48,469**	**48,506**	**49,439**	**50,856**	**55,893**	**55,269**	**54,428**	**1,90,592**	**2,16,444**	**54,502**	**1.4%**
YoY Change (%)	16.4	14.0	13.8	14.9	15.1	15.3	13.9	10.1	14.7	13.6	12.4	
Total Expenditure	39,088	42,194	42,369	43,034	44,105	47,738	47,654	46,645	1,66,685	1,86,142	46,926	
EBITDA	**5,090**	**6,275**	**6,137**	**6,405**	**6,751**	**8,155**	**7,615**	**7,783**	**23,907**	**30,302**	**7,576**	**0.5%**
YoY Change (%)	3.7	11.0	21.4	31.2	32.6	30.0	24.1	21.5	16.6	26.8	23.4	
Margins (%)	11.5	12.9	12.7	13.0	13.3	14.6	13.8	14.3	12.5	14.0	13.9	
Depreciation	1,669	1,634	1,670	1,897	1,774	1,845	1,846	1,797	6,870	7,262	1,820	
Interest	1,062	1,113	1,126	1,193	1,164	1,175	1,098	1,216	4,494	4,653	1,120	
Other Income	282	222	278	281	372	382	638	123	1,063	1,515	350	
PBT before EO expense	**2,641**	**3,750**	**3,619**	**3,596**	**4,185**	**5,517**	**5,309**	**4,893**	**13,606**	**19,904**	**4,986**	**6.5%**
Extra-Ord expense/(Income)	0	-19	0	0	0	0	0	0	-19	0	0	
PBT	**2,641**	**3,769**	**3,619**	**3,596**	**4,185**	**5,517**	**5,309**	**4,893**	**13,625**	**19,904**	**4,986**	**6.5%**
Tax	966	1,300	1,089	1,098	1,145	1,617	1,568	1,624	4,455	5,954	1,466	
Rate (%)	36.6	34.5	30.1	30.5	27.4	29.3	29.5	33.2	32.7	29.9	29.4	
Minority Interest & Profit/Loss of Asso. Cos.	9	140	77	-40	-12	112	18	75	186	193	68	
Reported PAT	**1,666**	**2,329**	**2,453**	**2,538**	**3,052**	**3,788**	**3,723**	**3,194**	**8,984**	**13,757**	**3,452**	**7.9%**
Adj PAT	**1,666**	**2,317**	**2,453**	**2,538**	**3,052**	**3,788**	**3,723**	**3,194**	**8,973**	**13,757**	**3,452**	**7.9%**
YoY Change (%)	2.6	3.0	59.8	47.1	83.2	63.5	51.8	25.9	29.6	53.3	40.7	
Margins (%)	3.8	4.8	5.1	5.1	6.0	6.8	6.7	5.9	4.7	6.4	6.3	
EPS	**11.6**	**16.1**	**17.1**	**17.7**	**21.2**	**26.3**	**25.9**	**22.2**	**62.4**	**97.4**	**24.0**	

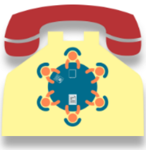
E: MOFSL Estimates

Nalco

BSE SENSEX	S&P CNX
77,312	23,382

CMP: INR191 — Neutral

Conference Call Details



Date: 11 February 2025
Time: 11:30 am IST
Registration:
Zoom Meeting
Dial in:
Meeting ID
818 8119 0968
Passcode
4501

Beat on all fronts fueled by favorable pricing

Highlights of the 3Q consolidated results:

- Revenue stood at INR46.6b (YoY/QoQ: +39%/+17%) against our est. of INR40.3b, driven by favorable pricing.
- Consolidated EBITDA stood at INR23.3b (YoY/QoQ: +201% /+50%) against our est. of INR14.3b.
- EBITDA margin stood at 49.9% vs. 38.7% in 2QFY25 and 23.1% in 3QFY24.
- APAT for the quarter stood at INR15.6b (YoY / QoQ: +233% /+50%) against our estimate of INR9.4b.
- The BOD declared a second interim dividend of INR4 per share for FY24.

Aluminum business performance:

- Revenue from the aluminum business came in at INR26b, up 13% YoY (-5% QoQ) in line with our estimate of INR25.5b.
- EBIT came in at INR9.5b (+99% YoY and 11% QoQ) in line with our estimate of INR9.6b in 3QFY25.

Chemical business performance:

- Revenue from the chemicals business stood in line with our estimate at INR25b, up 48% YoY and 78% QoQ.
- EBIT for the vertical stood at INR13b, up 492% YoY and 116% QoQ against our INR4.2b in 3QFY25.

Nalco Consolidated Quarterly Performance (INR m)

Y/E March	FY24				FY25			FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q			3QE	(%)
Net Sales	**31,784**	**30,434**	**33,469**	**35,791**	**28,561**	**40,015**	**46,622**	**1,31,477**	**1,49,725**	**40,351**	**15.5**
Change (YoY %)	-16.0	-12.8	1.7	-2.5	-10.1	31.5	39.3	-7.6	13.9		
Change (QoQ %)	-13.4	-4.2	10.0	6.9	-20.2	40.1	16.5				
Total Expenditure	25,840	26,469	25,738	24,715	19,219	24,525	23,347	1,02,762	97,685		
EBITDA	**5,943**	**3,965**	**7,731**	**11,075**	**9,342**	**15,490**	**23,275**	**28,715**	**52,041**	**14,252**	**63.3**
Change (YoY %)	-31.6	18.6	68.2	44.5	57.2	290.7	201.1	18.2	81.2		
Change (QoQ %)	-22.5	-33.3	95.0	43.3	-15.6	65.8	50.3				
Interest	23	40	21	89	34	44	191	172	152		
Depreciation	1,697	1,862	1,538	2,400	1,743	1,798	2,857	7,497	7,477		
Other Income	485	686	510	840	605	718	991	2,521	2,800		
PBT (after EO)	**4,709**	**2,750**	**6,682**	**13,695**	**8,170**	**14,366**	**21,219**	**27,836**	**47,211**		
Total Tax	1,215	687	1,797	3,537	2,158	3,744	5,390	7,236	12,322		
% Tax	25.8	25.0	26.9	25.8	26.4	26.1	25.4	30.7	26.1		
PAT before MI and Asso.	**3,494**	**2,063**	**4,885**	**10,158**	**6,012**	**10,622**	**15,829**	**20,600**	**34,889**		
Sh. of Associate	-156	-189	-179	-191	-128	-162	-166	-715	-749		
Reported PAT after MI and Asso.	**3,338**	**1,874**	**4,706**	**9,967**	**5,884**	**10,460**	**15,663**	**19,885**	**34,140**		
Adjusted PAT	**3,338**	**1,874**	**4,706**	**6,766**	**5,884**	**10,460**	**15,663**	**16,684**	**34,140**	**9,418**	**66.3**
Change (YoY %)	-40.2	49.4	83.6	36.7	76.3	458.3	232.8	16.3	71.7		
Change (QoQ %)	-32.6	-43.9	151.2	43.8	-13.0	77.8	49.7				

Signature Global

BSE Sensex	S&P CNX
77,312	23,382

Conference Call Details

Date: 11th February 2025
Time: 11:00 IST
Dial-in details:
+91 22 6280 1144 / +91 22 7115 8045

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	37.3	52.3	85.3
EBITDA	3.2	10.2	21.5
EBITDA (%)	9	20	25
Adj. PAT	2.7	8.2	16.9
EPS (INR)	19.1	58.6	120.5
EPS Gr. (%)	1,522.4	207.1	105.7
BV/Sh. (INR)	63.7	122.2	242.7
Ratios			
Net D/E	-0.2	-0.2	-0.1
RoE (%)	35.2	63.0	66.0
RoCE (%)	14.7	43.2	55.7
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	69.5	22.6	11.0
P/BV (x)	20.8	10.8	5.5
EV/EBITDA (x)	57.3	18.0	8.5
Div Yield (%)	0.0	0.0	0.0

CMP: INR1,326 — **Buy**

Strong bookings; on track to meet guidance

Highest-ever 3Q collections; 87% pre-sales guidance achieved

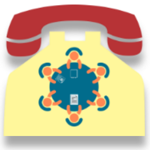
- Signature Global reported 3QFY25 pre-sales of INR27.7b (26% beat), up 119% YoY and flat QoQ.
- Strong pre-sales were aided by volumes of 2.49msf, up 117% YoY and 5% QoQ. For 9MFY25, volumes jumped 127% YoY to 6.9msf.
- For 9MFY25, pre-sales stood at INR86.7b, up 177% YoY (best ever 9M pre-sales), achieving 87% of FY25 pre-sales guidance. Additionally, the company has launched projects worth GDV of INR135b (INR90b in 1HFY25) against the full-year guidance of INR160b.
- During 9MFY25, the company added 2.9msf at the strategic location of Sector 37D, and parts of the projects in Sector 88A (SCO I & II) have been converted from JDA to Owned. The company continues to focus on consolidation in three micro markets – Sec 71, Sec 37 D, and Sohna.
- The company achieved its best-ever quarterly collections at INR11b, up 40% YoY/17% QoQ (42% below estimate).
- 9MFY25 collections stood at INR32b, up 53% YoY. The company has achieved 52% of the collection guidance, and management is confident of achieving the remaining target for FY25. Further, the company achieved an operating cash surplus before land investment at INR12.1b.
- Debt declined to INR7.4b from INR10.1b in 2QFY25 and INR11.6b in FY24.
- **P&L performance:** In 3QFY25, the company reported revenue of INR8.3b, up 194% YoY/10% QoQ (26% below estimate).
- EBITDA stood at INR135m vs. a loss of INR69m in 3QFY24 and a loss of INR116 in 2QFY25. Margin was 1.6% (7% below estimate).
- PAT was at INR291m, up 14x YoY/7x QoQ (64% below estimate).
- For 9MFY25, revenue stood at INR19.7b, up 3.6x YoY (53% of FY25E). EBITDA was INR7m (vs. a loss of INR465m in 9MFY24) and margin was negligible. Adj. PAT stood at INR401m vs. a loss of INR238m in 9MFY24. PAT margin was 2%.

Quarterly performance												(INR m)
Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q	
Net Sales	**1,659**	**985**	**2,818**	**6,944**	**4,006**	**7,493**	**8,277**	**17,477**	**12,406**	**37,253**	**11,176**	-26%
YoY Change (%)	-69.4	-20.3	53.9	-1.5	141.5	660.5	193.7	151.7	-20.1	200.3	296.6	
Total Expenditure	1,757	1,282	2,887	6,738	4,019	7,609	8,142	14,264	12,664	34,033	10,210	
EBITDA	**-98**	**-297**	**-69**	**206**	**-13**	**-116**	**135**	**3,213**	**-259**	**3,220**	**966**	-86%
Margins (%)	-5.9	-30.1	-2.5	3.0	-0.3	-1.5	1.6	18.4	-2.1	8.6	8.6	*-701bps*
Depreciation	48	51	55	61	52	68	75	54	216	249	75	
Interest	63	107	53	78	75	169	142	148	302	533	160	
Other Income	130	226	199	284	274	281	345	234	840	1,134	340	
PBT before EO expense	**-80**	**-229**	**22**	**350**	**135**	**-71**	**263**	**3,246**	**63**	**3,572**	**1,072**	
Extra-Ord expense	5	8	1	4	2	0	0	0	0	-2	0	
PBT	**-85**	**-237**	**20**	**346**	**133**	**-72**	**263**	**3,246**	**63**	**3,570**	**1,072**	
Tax	-13	-38	-1	-67	65	-113	-29	970	-119	892	268	
Rate (%)	15.4	15.8	-6.3	-19.3	48.8	157.9	-11.0	29.9	-187.2	-1.1	25.0	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	-1	-1	0	
Reported PAT	**-72**	**-199**	**21**	**412**	**68**	**41**	**291**	**2,276**	**183**	**2,678**	**803**	-64%
Adj PAT	**-68**	**-192**	**22**	**417**	**69**	**41**	**291**	**2,276**	**165**	**2,678**	**803**	-64%
YoY Change (%)	-115.2	-33.4	-106.4	331.7	-201.1	-121.2	1,195.7	445.2	NA	1,521.1	3,473.8	
Margins (%)	-4.1	-19.5	0.8	6.0	1.7	0.5	3.5	13.0	1.3	7.2	7.2	
Key metrics	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**			**3Q**	
Sale Value (INRb)	8.8	9.8	12.6	41.5	31.2	27.8	27.7	14.0	72.7	100.7	22	26%
Collections (INRb)	6	7	8	10	12	9	11	30	31.1	62.0	19	-42%

Bata India

BSE SENSEX	S&P CNX
77,312	23,382

Conference Call Details



Date: 12th Feb 2024

Time: 04:00PM IST

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	36.1	38.7	41.4
EBITDA	7.8	9.0	10.0
Adj. PAT	2.9	3.3	4.0
EBITDA Margin (%)	21.7	23.2	24.2
Adj. EPS (INR)	22.7	26.0	30.9
EPS Gr. (%)	-0.5	14.7	18.9
BV/Sh. (INR)	136.4	149.4	164.9
Ratios			
Net D:E	0.3	0.2	0.1
RoE (%)	17.8	18.2	19.7
RoCE (%)	12.4	13.1	14.0
RoIC (%)	14.3	16.8	18.9
Valuations			
P/E (x)	59.2	51.6	43.4
EV/EBITDA (x)	22.8	19.8	17.7
EV/Sales (X)	4.9	4.6	4.3
Div. Yield (%)	0.8	1.0	1.2

CMP: INR1,341 — Neutral

Continues to report tepid growth

- Revenue at INR9.2b (4% miss) grew by a modest ~2% YoY. Revenue growth was majorly driven by volume growth.
- Gross margins expanded ~10bp YoY to 56.2% (down ~40bp QoQ) and were ~80bp below our estimate.
  - Gross profit increased 2% YoY to INR5.2b (~5% miss).
- EBITDA increased 9% YoY to INR2b (5% miss), driven by strong cost controls as SG&A costs declined ~4% YoY, while employee costs rose by a modest ~1% YoY.
  - Margins expanded 150bp YoY to 21.7% (broadly in line).
- Reported PAT at INR587m rose by a modest ~1% YoY (22% miss). Bata reported ~INR108m of VRS cost as an exceptional item.
- Adjusted for the same, PAT grew 15% YoY to INR669m but came in ~11% lower than our estimate due to lower EBITDA and other income (-11% YoY).

Management commentary:

- The company's focus on driving affordability and reducing complexity across categories has resulted in significant volume growth after a long time.
- The company leveraged the extended End of Season Sale to reduce aging inventory, resulting in volume gains despite muted demand.
- The premium portfolio, Hush Puppies, experienced double-digit growth, helping to sustain margins.
- The company increased its market reach through omnichannel initiatives, such as entry into quick-commerce and continuous expansion into newer towns.
- The management remains optimistic about demand recovery, driven by concerted efforts to drive volume-based revenue growth through affordability and freshness. Bata plans to remain cautious on costs while focusing on efficiency and productivity.

Consol P&L (INR m)	3QFY24	2QFY25	3QFY25	YoY%	QoQ%	3QFY25E	v/s Est (%)
Total Revenue	**9,035**	**8,371**	**9,188**	**2**	**10**	**9,584**	**-4**
Raw Material cost	3,970	3,631	4,025	1	11	4,121	-2
Gross Profit	**5,065**	**4,740**	**5,163**	**2**	**9**	**5,463**	**-5**
Gross margin (%)	***56.1***	***56.6***	***56.2***	***12.6***	***-43.4***	***57.0***	***-81.2***
Employee Costs	1,027	1,138	1,034	1	-9	1,073	-4
SGA Expenses	2,213	1,856	2,133	-4	15	2,300	-7
EBITDA	**1,824**	**1,746**	**1,995**	**9**	**14**	**2,089**	**-5**
EBITDA margin (%)	***20.2***	***20.9***	***21.7***	***152.2***	***85.9***	***21.8***	***-8.5***
Depreciation and amortization	860	902	902	5	0	922	-2
EBIT	964	844	1,093	13	30	1,167	-6
EBIT margin (%)	*10.7*	*10.1*	*11.9*	*122.5*	*182.1*	*12.2*	*-27.8*
Finance Costs	295	318	311	6	-2	327	-5
Other income	111	172	99	-11	-43	170	-42
Exceptional item	0	0	108			0	NM
Profit before Tax	**780**	**698**	**773**	**-1**	**11**	**1,010**	**-23**
Tax	201	178	186	-7	5	255	-27
Tax rate (%)	*25.7*	*25.5*	*24.1*	*-6.4*	*-143.7*	*25.2*	*NM*
Profit after Tax	**580**	**520**	**587**	**1**	**13**	**755**	**-22**
Adj Profit after Tax	**580**	**520**	**669**	**15**	**29**	**755**	**-11**

Galaxy Surfactants

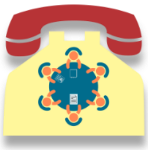
BSE SENSEX	S&P CNX
77,312	23,382

CMP: INR2,431 Buy

Miss across the board; standalone business leads the drag

- Revenue stood at INR10.4b (our est. of INR10.9b, +11% YoY).
- EBITDA came in at INR1.1b (est. of INR1.2b, -6% YoY). Gross margin was 31.1% (-70bp YoY), with **EBITDAM at 10.1% (-180bp YoY).**
- PAT came in at INR646m (est. of INR798m, -9% YoY).
- **During 9MFY25**, revenue stood at INR30.8b (+7% YoY), and EBITDA was INR3.6b (-1% YoY). PAT came in at INR2.3b (+2% YoY). EBITDAM was INR11.6% (-100bp YoY).

Conference Call Details



Date: 11th February, 2025

Time: 1200hours IST

Dial-in details:

+91 22 6280 1309

+91 22 7115 8210

Consolidated - Quarterly Snapshot (INR m)

Y/E March	FY24				FY25				Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	3QAct	(%)	(%)	(%)
Gross Sales	**9,418**	**9,831**	**9,405**	**9,290**	**9,741**	**10,630**	**10,917**	**10,417**	**-5%**	**11%**	**-2%**
YoY Change (%)	*-18.7*	*-20.5*	*-13.3*	*-5.2*	*3.4*	*8.1*	*16.1*	*10.8*			
Gross Margin (%)	*32.4%*	*31.5%*	*31.8%*	*32.6%*	*33.6%*	*33.0%*	*31.4%*	*31.1%*	*-0.3%*	*-0.7%*	*-1.9%*
EBITDA	**1,232**	**1,249**	**1,125**	**1,017**	**1,241**	**1,276**	**1,239**	**1,056**	**-15%**	**-6%**	**-17%**
Margin (%)	*13.1*	*12.7*	*12.0*	*10.9*	*12.7*	*12.0*	*11.3*	*10.1*	*-1.2*	*-1.8*	*-1.9*
Depreciation	238	247	251	262	266	278	287	277			
Interest	57	54	59	54	40	41	43	50			
Other Income	25	27	64	239	54	87	78	40			
PBT	**962**	**975**	**878**	**940**	**989**	**1,045**	**987**	**769**	**-22%**	**-12%**	**-26%**
Tax	210	201	165	165	192	198	189	123			
Rate (%)	*21.8*	*20.6*	*18.8*	*17.5*	*19.4*	*18.9*	*19.2*	*16.0*			
Reported PAT	**752**	**774**	**714**	**775**	**797**	**847**	**798**	**646**	**-19%**	**-9%**	**-24%**
Adj PAT	**752**	**774**	**714**	**775**	**797**	**847**	**798**	**646**	**-19%**	**-9%**	**-24%**
YoY Change (%)	*-25.1*	*-7.7*	*-32.8*	*-14.4*	*6.0*	*9.4*	*11.8*	*-9.5*			
Margin (%)	*8.0*	*7.9*	*7.6*	*8.3*	*8.2*	*8.0*	*7.3*	*6.2*	*-1.1*	*-1.4*	*-1.8*

MTAR Technologies

BSE SENSEX	S&P CNX
77,312	23,382

Conference Call Details

Date: 11th Feb'25

Time: 10:00am IST

Dial-in details:

click here

CMP: INR1,520 **Buy**

Operating performance below estimates

Performance in 3QFY25

- Consolidated revenue grew 47% YoY, while it declined 8% QoQ to INR1.75b (est. INR1.69b)
- EBITDA grew 39% YoY, while it declined 10% QoQ to INR333m (est. INR359m). EBITDA margin contracted 110bp YoY and 30bp QoQ to 19.1% (est. 21.2%). Gross margin stood at 49.7% (-220bps YoY), while employee expenses/other expenses as a % of sales stood at 18.0%/12.7% (-230bp / +120bp YoY).
- Adj. PAT grew 53% YoY, while it dipped 15% QoQ to INR160m (est. INR193m).

Consolidated - Quarterly Earnings Model **(INRm)**

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%
Gross Sales	1,526	1,668	1,184	1,430	1,283	1,902	1,745	2,330	5,808	7,259	1,693	3%
YoY Change (%)	67.6	32.2	-26.1	-27.2	-15.9	14.0	47.4	63.0	1.2	25.0	43.0	
Total Expenditure	1,180	1,307	945	1,247	1,117	1,534	1,412	1,725	4,681	5,787	1,334	
EBITDA	345	361	239	182	166	368	333	606	1,127	1,472	359	-7%
Margins (%)	22.6	21.6	20.2	12.7	12.9	19.4	19.1	26.0	19.4	20.3	21.2	
Depreciation	56	58	58	59	61	78	87	80	232	306	79	
Interest	57	55	56	55	48	52	63	55	223	217	52	
Other Income	41	8	5	4	5	14	31	35	58	86	30	
PBT before EO expense	273	257	129	72	62	253	214	506	730	1,035	258	
PBT	273	257	129	72	62	253	214	506	730	1,035	258	
Tax	69	52	24	23	18	65	55	127	169	265	65	
Rate (%)	25.4	20.3	18.9	32.2	28.6	25.8	25.5	25.2	23.2	25.6	25.2	
Reported PAT	203	205	104	49	44	188	160	378	561	770	193	
Adj PAT	203	205	104	49	44	188	160	378	561	770	193	-17%
YoY Change (%)	25.4	-17.1	-66.8	-84.3	-78.2	-8.2	52.8	676.5	-45.7	37.2	84.5	
Margins (%)	13.3	12.3	8.8	3.4	3.5	9.9	9.2	16.2	9.7	10.6	11.4	

PG Electroplast : Will Announce Pact For Manufacturing RAC Compressors Which Will Be Margin Accretive; Vikas Gupta, MD-Operations

- Company forecasts 30-35% CAGR.
- RAC compressor production boosts margins
- Washing machine capacity expansion planned
- Strategic partnerships ensure future success

Read More

Ola Electric :Seeing Tailwind In Volumes Already In Q4; Seeing Strong Interest In Our Gen 3 Scooters; Bhavish Aggarwal, CMD

- Gross margins expand to 26%
- Targeting 50,000 units monthly in 4-6 months.
- 4,000 stores boost customer interest.
- Faster service supports profitability.

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- Mahindra reports strong Q3 growth performance.
- New EV bookings opening very soon.
- Targeting 40% market share across segments.
- Monitoring steel tariffs' potential industry impact.
- Optimistic about tractor market growth ahead.

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- Zaggle projects 58-63% topline growth FY25.
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- Profits increased 123% in nine months.
- Strong traction in fleet payment solutions.
- Aiming for 15-16% EBITDA margins.

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- Raises FY25 revenue guidance to 21.8-22.3%.
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- Optimistic about FY26 demand improvements.
- Maintains 11-11.5% margin guidance focus.

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