

Market snapshot



Equities - India	Close	Chg .%	CYTD.%
Sensex	73,649	0.8	1.9
Nifty-50	22,336	0.9	2.8
Nifty-M 100	49,096	0.8	6.3
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	5,011	0.9	5.0
Nasdaq	15,451	1.1	2.9
FTSE 100	8,024	1.6	3.8
DAX	17,861	0.7	6.6
Hang Seng	5,831	1.5	1.1
Nikkei 225	37,439	1.0	11.9
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	87	-0.6	12.7
Gold (\$/OZ)	2,327	-2.7	12.8
Cu (US\$/MT)	9,742	-0.6	15.1
Almn (US\$/MT)	2,698	1.5	15.0
Currency	Close	Chg .%	CYTD.%
USD/INR	83.4	-0.1	0.2
USD/EUR	1.1	0.0	-3.5
USD/JPY	154.9	0.1	9.8
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	7.2	-0.04	0.0
10 Yrs AAA Corp	7.6	-0.06	-0.2
Flows (USD b)	22-Apr	MTD	CYTD
FII	-0.3	6.67	0.5
DII	0.42	1.98	15.6
Volumes (INRb)	22-Apr	MTD*	YTD*
Cash	1,025	1083	1175
F&O	2,23,226	3,52,228	3,89,523

Note: Flows, MTD includes provisional numbers.

*Average



Today's top research idea

Reliance Industries: Standalone businesses fuel operating performance

- ❖ Reliance Industries (RIL)'s 4QFY24 consolidated revenue, EBITDA, and PAT grew 11%, 11%, and remained flat YoY at INR2.4t, INR425b, and INR190b (8% miss, 10% beat, and 8% beat), respectively, led by growth across segments. EBITDA and PAT were above estimates primarily due to the growth in the O2C segment, which was partly offset by lower-than-estimated performance in the retail segment.
- ❖ Standalone EBITDA stood at INR200b in 4QFY24 (10% above our estimate), supported by better feedstock sourcing, higher domestic product placement, and increased sales volume QoQ. RJio's revenue/EBITDA/PAT increased 2%/3%/2% QoQ (in line) in 4QFY24, led by 2% subscriber additions, while ARPU was flat QoQ. Reliance Retail posted soft revenue growth of 10% YoY (10% miss), even though the area additions were robust at 21% YoY.
- ❖ OCF for FY24 improved to INR1,563b (+38% YoY) due to an increase in EBITDA (+14% YoY) and release of working capital. Capex rose 4% YoY to INR1,376b, which resulted in an FCF generation of INR187b (vs. -INR182b in FY23). Using our SoTP approach, we reiterate our **BUY rating on RIL with a TP of INR3,245.**



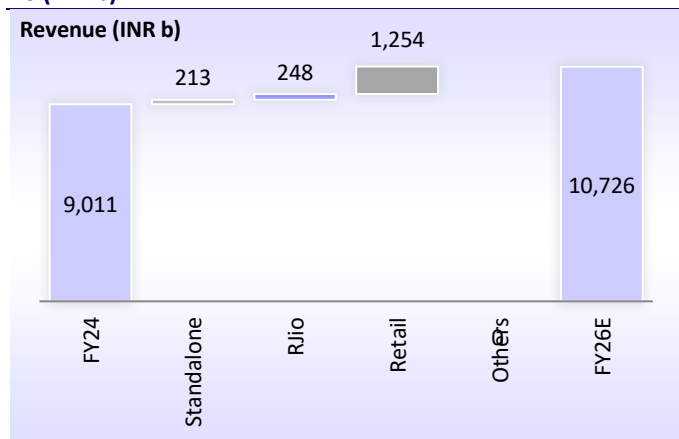
Research covered

Cos/Sector	Key Highlights
Reliance Industries	Standalone businesses fuel operating performance
Adani Ports & SEZ	Volume growth trajectory to continue
Page Industries	All eyes on inventory liquidation; the moat remains unchanged
Gujarat State Petronet	Tariff order disappointing; volume outlook remains robust
Capital Goods	T&D – Benefiting from the new investment cycle
Other updates	Automobiles Mahindra Logistics EcoScope



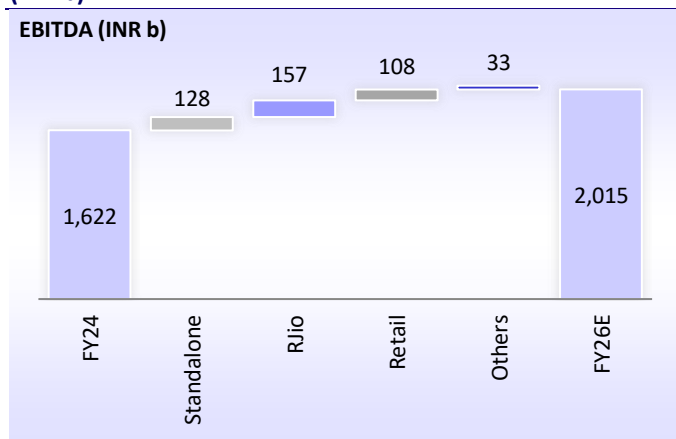
Chart of the Day: Reliance Industries (Standalone businesses fuel operating performance)

Expect Reliance Retail to add the highest revenue over FY24–26 (INR b)



Source: Company, MOFSL

Expect all segments to contribute to EBITDA over FY24–26 (INR b)



Source: Company, MOFSL

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1

Coal Ministry targets nearly 20% higher stock at power projects by June 30

Coal ministry aims for 38-40 million tonnes closing stock by June 30, with a 13-19% increase from last year, to address summer and monsoon demands, benefiting from improved rail transportation and port supply.

2

As tensions mount in Red Sea, freight charges, insurance premiums may surge further

Heightened tensions between Iran and Israel are expected to increase freight charges and insurance premiums for shipping vessels on global routes. Ships bound for western European countries and the US are particularly at risk.

3

Macquarie to invest \$1.5 billion in EV sector through Vertelo

Australia's Macquarie Asset Management plans to invest \$1.5 billion in India's electric vehicle sector through its new platform Vertelo, offering fleet electrification solutions. The platform, backed by the Green Climate Fund, aims to reduce greenhouse gas emissions by 9.5 metric tonnes.

4

SEBI finds Adani offshore funds in-violation of shareholding disclosures, breach of investment limits: Report

India's market regulator discovered that twelve offshore funds, which had invested in Adani group companies, had violated disclosure regulations and exceeded investment limits, according to Reuters report.

5

New RE park scheme may provide subsidies for floating solar projects

The scheme, which is yet to be finalized, may have additional subsidies for floating solar parks. Earlier there was a consideration for viability gap funding under a separate scheme for floating solar parks

6

Domestic mining and construction equipment industry volumes estimated to decline by 12-15% YoY in FY25, says ICRA

While, per ICRA, near-term domestic MCE demand environment remains challenging, the industry's long-term prospects remain intact, given the continued Government focus on infrastructure development.

7

Plain gold jewellery exports up by 61.72% to \$6792.24 million in FY24, UAE emerges as a significant market

In terms of markets, the UAE emerged as a significant market for plain gold jewellery exports from India, experiencing a growth of 107.2 per cent to reach \$4,528.66 million in FY 2023-24, in comparison to \$2,185.67 million in the previous year.



Reliance Industries

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR2,960

TP: INR3,245 (+10%)

Buy

Standalone businesses fuel operating performance

Bloomberg	RELIANCE IN
Equity Shares (m)	6766
M.Cap.(INRb)/(USDb)	20025.6 / 240.2
52-Week Range (INR)	3025 / 2139
1, 6, 12 Rel. Per (%)	1/14/12
12M Avg Val (INR M)	16664

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	9,011	9,815	10,726
EBITDA	1,622	1,794	2,015
Adj PAT	696	796	919
EBITDA (%)	18%	18%	19%
EPS (INR)	102.9	117.7	135.9
EPS Gr. (%)	4%	14%	15%
BV/Sh. (INR)	1,231	1,347	1,480

Ratios

Net D/E	0.3	0.3	0.2
RoE (%)	8.6	9.6	10.1
RoCE (%)	8.4	9.0	9.6

Valuations

P/E (x)	28.8	25.2	21.8
P/BV (x)	2.4	2.2	2.0
EV/EBITDA (x)	13.9	12.5	10.9
Div Yield (%)	0.2	0.3	0.3
FCF Yield (%)	0.5	0.0	0.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	49.1	49.1	49.1
DII	16.8	16.4	15.8
FII	23.9	24.0	24.5
Others	10.2	10.5	10.6

FII Includes depository receipts

- Reliance Industries (RIL)'s 4QFY24 consolidated revenue, EBITDA, and PAT grew 11%, 11%, and remained flat YoY at INR2.4t, INR425b, and INR190b (8% miss, 10% beat, and 8% beat), respectively, led by growth across segments. EBITDA and PAT were above estimates primarily due to the growth in the O2C segment, which was partly offset by lower-than-estimated performance in the retail segment.
- RJio's revenue/EBITDA/PAT increased 2%/3%/2% QoQ (in line) in 4QFY24, led by 2% subscriber additions, while ARPU was flat QoQ. The company's capex stood at INR533b in FY24, which led to a free cash outflow of INR152b.
- Reliance Retail posted soft revenue growth of 10% YoY (10% miss), even though the area additions were robust at 21% YoY. EBITDA growth of 18% YoY (6% miss) was offset by higher depreciation and interest costs. Consequently, PAT grew 12% YoY during the quarter.
- Standalone EBITDA stood at INR200b in 4QFY24 (10% above our estimate), supported by better feedstock sourcing, higher domestic product placement, and increased sales volume QoQ. O2C's earnings in 1QFY25 may see some pressure as volume is expected to be flat QoQ, while SG GRM in Apr'24 has been down 44% vs. 4QFY24 average. Overall though, we are building in healthy O2C profitability over the next 1.5 years as: 1) the refining net capacity additions in CY24 (at 0.6mnbopd) are trailing oil demand growth of 1.2mnbopd (IEA); and 2) CY23 was the last year of substantial supply growth (~5%; CY20-24) for olefins. RIL also announced that the development plan for incremental production from the KG-D6 fields has been approved by the government, and the company expects to add 4-5mmscmd to overall volumes in the next few years.
- Net debt improved sequentially to INR1,163b from INR1,194b. Capex for the quarter narrowed down sequentially to INR232b vs. INR301b.
- OCF for FY24 improved to INR1,563b (+38% YoY) due to an increase in EBITDA (+14% YoY) and release of working capital. Capex rose 4% YoY to INR1,376b, which resulted in an FCF generation of INR187b (vs. -INR182b in FY23).
- Using our SoTP approach, we value the Refining and Petrochemical segment at 8x FY26E EV/EBITDA to arrive at a valuation of INR1,029/sh for the Standalone business. We ascribe an equity valuation of INR810/sh to RJio and INR1,593/sh to Reliance Retail as well as INR37/sh towards the new energy business. Consequently, **we reiterate our BUY rating on RIL with a TP of INR3,245.**

RJio – growth driven by strong subscriber additions (in line)

- RJio's revenue/EBITDA rose 2%/3% QoQ (in line) in 4QFY24, led by 2% subscriber additions (10.9m additions), while ARPU was flat QoQ at INR182. PAT was up 2% QoQ, in line with the EBITDA growth.

- Capex was elevated at INR533b (vs. Bharti India's estimated capex of ~INR331b for FY24) due to the 5G rollout. The majority of the 5G rollout is complete, and we expect capex to decline in FY25/26 to INR392b/INR356b.
- We expect a revenue/EBITDA CAGR of 12%/14% over FY24-26, factoring in 8%/3% CAGR for subs/ARPU over the same period. The long-term outlook remains intact with market share gains from VIL, tariff hikes, and new growth opportunities such as Jiofiber, Airfiber, and JioBharat, along with other digital avenues triggered by the 5G rollout.

Reliance Retail – soft revenue growth; margin sustained

- Reliance Retail posted soft revenue growth of 10% YoY (10% miss), though area additions were robust at 21% YoY. Revenue per sqft declined 9% YoY. EBITDA growth of 18% YoY (6% miss) was offset by higher depreciation and interest costs. Consequently, PAT grew 12% YoY during the quarter.
- The growth was propelled by footprint additions. Overall footfalls grew 24% YoY to 272m across formats, and the customer base jumped 22% YoY to 304m. However, the number of transactions slowed down to 311m (+6% YoY).
- We have cut our revenue/EBITDA estimates by 5% each for FY25/26 owing to soft growth. We expect revenue and EBITDA to register 22% and 25% CAGR, respectively, over FY24-26 fueled by accelerated store additions across segments, a recovery in store productivity, and an aggressive foray into digital & new commerce.

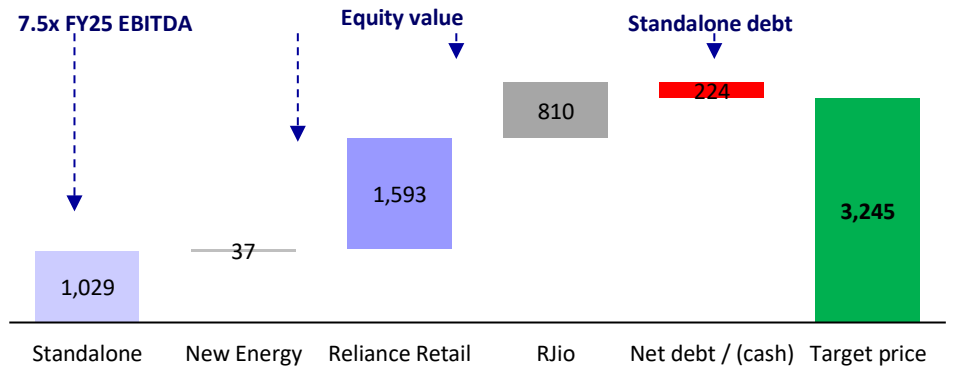
Standalone: Beat led by better feedstock sourcing, ethane cracking, and higher domestic product placement

- Revenue stood at INR1,468b (+13% YoY); EBITDA was at INR200b (est. of INR183b, +5% YoY); while EBITDA/mt stood at ~USD100 (-8% YoY; our est. at USD91/mt) with polymer prices and margins contracting YoY due to subdued global demand.
- Production meant for sale was at 17.1mmt (flat YoY). Reported PAT stood at INR113b (est. of IN100b, -18% YoY).
- Gas price realization for KG-D6 gas declined to USD9.53/mmBtu in 4QFY24 from USD11.39/mmBtu in 4QFY23. EBITDA for Oil & Gas exploration increased 50% YoY to INR57.4b during the quarter.
- **For FY24**, revenue stood at INR5,345b (-1% YoY), EBITDA was at INR743b (+11% YoY), and adj. PAT stood at INR420b (-2% YoY). Production meant for sale was at 67.8mmt (+2% YoY); while EBITDA/mt stood at USD95.9 (-4% YoY).
- **Key macro performance highlights:**
 - Global oil demand in 4QFY24 rose 1.6mnbopd YoY to 102mnbopd, with strong demand mainly from the Americas and Asia.
 - Global refinery throughput was higher by 0.2mb/d YoY at 81.8mb/d in 4QFY24.
 - Crude oil benchmarks improved YoY, as the trend in demand remained positive despite tanker constraints due to the Red Sea crisis.
- Oil prices were further supported by voluntary cuts by OPEC+ and the reduced availability of Russian production.

Valuation and view

- Segment-wise, the Consumer business continues to post double-digit EBITDA growth, with both RJio and Reliance Retail likely to record 14% and 25% EBITDA CAGR over FY24-26, respectively. The growth would be driven by footprint additions, new categories in the retail sector, the focused approach to subscriber growth, and the expected tariff hikes in the telecom business. In O2C, we see Refining and Petchem segments picking up from the current levels, as net capacity additions for both segments are tapering off on a YoY basis. Moreover, FY25 would witness the full benefit of the ramped-up volumes at the MJ Field.
- We value Reliance Retail's core business at 40x EV/EBITDA on FY26E and connectivity at 5x to arrive at our valuation of INR1,812. Reliance Retail's value in RIL share comes to **INR1,593** (for its 87.9% stake). Our premium valuation multiples capture the opportunity for rapid expansion in its retail business and the aggressive rollouts of the digital platforms.
- We are factoring in 12%/14% revenue/EBITDA CAGR during FY24-26. RJio is valued at an EV/EBITDA multiple of 12x on FY26E EBITDA. The potential tariff hikes, market share gains from VIL, and opportunities in Digital offer an option value of INR120 (Exhibit 15), thereby arriving at a valuation of **INR810/sh** (adjusted for its 66% stake).
- Overall, we remain positive on both the Refining and Petrochemical segments. Global oil demand for CY24 is likely to be at 103mnobpd (up 1.2mnobpd YoY). Gasoil cracks are anticipated to remain firm due to the strength in jet fuel demand and the limited availability of heavy crude.
- While global downstream chemical markets remain well-supplied in the near term, we note that capacity growth is tapering off and has passed its peak for key products such as PE, PP, and PX.
- We model a capex of INR650b for FY25 and FY26 each in the Standalone business, considering RIL's investments in new-age greener businesses (such as solar energy, and a hydrogen ecosystem in India).
- Consolidated gross debt rose to INR3.2t in FY24 (from INR3.14t in FY23), with cash & cash equivalents at INR2.1t. Net debt stood at INR1.16t (according to the management).
- We have raised our capex for FY25-26E to INR1.2t each year, modeling INR392b/INR356b in Telecom, INR650b each year in the Standalone business, and the rest in Others, considering RIL's investments in new-age greener businesses.
- Using our SoTP approach, we value the Refining and Petrochemical segment at 8x FY26E EV/EBITDA to arrive at a valuation of INR1,029/sh for the Standalone business. We ascribe an equity valuation of INR810/sh to RJio and INR1,593/sh to Reliance Retail as well as INR37/sh towards the new energy business. Consequently, **we reiterate our BUY rating on RIL with a TP of INR3,245.**

Exhibit 1: RIL – SoTP valuation (INR/share)



Consolidated - Quarterly Earning Model (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	2,193	2,301	2,172	2,129	2,076	2,319	2,251	2,365	8,795	9,011	2,582	-8%
YoY Change (%)	56.7	37.3	17.4	2.7	-5.4	0.8	3.6	11.1	25.6	2.5	21.3	
EBITDA	380	312	352	384	381	410	407	425	1,429	1,622	388	10%
Margins (%)	17.3	13.6	16.2	18.1	18.4	17.7	18.1	18.0	16.2	18.0	15.0	
Depreciation	89	97	102	115	118	126	129	136	403	508	130	4%
Interest	40	46	52	58	58	57	58	58	196	231	29	100%
Other Income	22	35	31	29	38	38	39	45	118	161	11	305%
PBT before EO expense	273	205	230	241	243	265	258	277	948	1,043	240	15%
Extra-Ord expense	-9	-2	-1	0	0	0	0	0	-12	0	0	
PBT	282	206	231	241	243	265	258	277	960	1,043	240	15%
Tax	78	49	53	28	61	67	63	66	207	257	58	14%
Rate (%)	27.7	23.6	22.8	11.6	25.2	25.2	24.6	23.7	21.6	24.6	23.9	
MI & Profit/Loss of Asso. Cos.	15.5	19.3	19.5	20.0	21.7	24.3	22.2	21.9	74.3	90.1	7	
Reported PAT	188	138	159	193	160	174	173	190	679	696	176	8%
Adj PAT	182	137	158	193	160	174	173	190	679	696	176	8%
YoY Change (%)	48.3	0.1	-2.6	19.1	-12.0	27.0	9.2	-1.8	16.2	2.5	-8.9	
Margins (%)	8.3	6.0	7.3	9.1	7.7	7.5	7.7	8.0	7.7	7.7	6.8	

E: MOFSL Estimates

Standalone - Quarterly Earning Model (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	1,464.8	1,373.5	1,258.5	1,296.7	1,226.3	1,373.8	1,277.0	1,468.3	5,393.5	5,345.3	1,363.2	8%
YoY Change (%)	70.0	41.7	13.2	0.2	-16.3	0.0	1.5	13.2	27.3	-0.9	14.9	
EBITDA	209.5	117.9	149.0	191.3	174.9	191.9	175.6	200.2	667.7	742.7	182.6	10%
Margins (%)	14.3	8.6	11.8	14.8	14.3	14.0	13.7	13.6	12.4	13.9	13.4	
Depreciation	22.5	26.1	25.3	37.8	38.8	43.8	45.7	48.6	111.7	176.9	47.2	
Interest	26.2	29.2	33.5	37.5	36.0	32.4	29.8	36.1	126.3	134.3	31.4	
Other Income	25.3	33.3	25.8	27.1	27.3	29.3	29.7	35.0	111.5	121.3	29.6	
PBT before EO expense	186.2	95.9	116.0	143.1	127.4	145.0	129.8	150.5	541.2	552.7	133.5	13%
Extra-Ord expense	-8.7	-1.7	-1.1	-0.5	0.0	0.0	0.0	0.0	-11.9	0.0	0.0	
PBT	194.9	97.6	117.1	143.5	127.4	145.0	129.8	150.5	553.1	552.7	133.5	13%
Tax	43.9	28.4	33.4	5.5	31.2	32.9	30.5	37.7	111.2	132.3	33.6	
Rate (%)	22.5	29.1	28.5	3.8	24.4	22.7	23.5	25.0	20.1	23.9	25.2	
Reported PAT	151.0	69.2	83.7	138.1	96.3	112.1	99.2	112.8	441.9	420.4	99.9	13%
Adj PAT	142.3	68.0	82.9	137.6	96.3	112.1	99.2	112.8	430.0	420.4	99.9	13%
YoY Change (%)	65.5	-26.3	-18.4	24.0	-32.3	64.9	19.6	-18.0	10.0	-2.2	-27.5	
Margin (%)	9.7	4.9	6.6	10.6	7.9	8.2	7.8	7.7	8.0	7.9	7.3	
Key Assumptions												
Production meant for sale (mmt)	16.9	16.2	16.2	17.1	17.2	17.1	16.4	17.1	66.4	67.8	17.1	0%
EBITDA/mt (USD)	139.6	66.7	83.4	108.7	95.1	102.0	86.3	100.4	99.6	95.9	91.0	10%



Adani Ports & SEZ

BSE SENSEX 73,649 S&P CNX 22,336

CMP: INR1,321 TP: INR1,590 (+20%)

Buy



Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2160
M.Cap.(INRb)/(USDb)	2853.8 / 34.2
52-Week Range (INR)	1425 / 656
1, 6, 12 Rel. Per (%)	2/52/73
12M Avg Val (INR M)	5723
Free float (%)	34.1

Financials Snapshot (INR b)

Y/E March	2024E	2025E	2026E
Net Sales	269.7	311.5	350.8
EBITDA	160.9	185.5	213.7
Adj. PAT	89.2	104.9	125.9
EBITDA Margin (%)	59.6	59.6	60.9
Adj. EPS (INR)	41.3	48.6	58.3
EPS Gr. (%)	18.0	17.5	20.0
BV/Sh. (INR)	243.2	279.6	323.3

Ratios

Net D/E (x)	0.8	0.6	0.4
RoE (%)	18.2	18.6	19.3
RoCE (%)	11.0	11.7	12.7
Payout (%)	23.5	25.0	20.8

Valuations

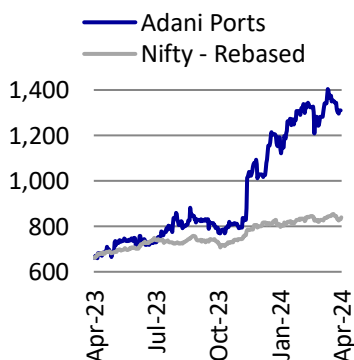
P/E (x)	32.0	27.2	22.7
P/BV (x)	5.4	4.7	4.1
EV/EBITDA (x)	20.3	17.4	14.8
Div. Yield (%)	0.7	0.9	0.9
FCF Yield (%)	3.2	3.6	4.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	65.9	65.9	61.0
DII	11.8	12.0	13.0
FII	15.0	14.7	18.0
Others	7.3	7.4	8.0

FII Includes depository receipts

Stock's performance (one-year)



Volume growth trajectory to continue

- We released our Initiating Coverage (IC) report on Adani Ports & SEZ Ltd (APSEZ) in Oct'23 ([LINK](#)). In this report, we highlighted that the company's improving utilization levels at its current ports, along with its ramping up of volumes at newly acquired ports, will position the company to exceed its FY24 volume guidance and expand its market share in cargo handling. We reiterated our strong conviction with APSEZ being one of our top ideas for 2024 ([LINK](#)).
- APSEZ ended FY24 with 24% volume growth in FY24 volumes, taking the total volumes to 420 MMT, well surpassing even its revised guidance of 400 MMT. In FY24, ~25% of all-India cargo volumes was routed through APSEZ ports. For FY25, the company is targeting cargo volumes of 500 MMT.
- APSEZ is continuously investing in building infrastructure for its logistics business. With 11 multi-modal logistics parks, 116 trains, 2.4 million sq. ft. of warehousing space, and 1.1 million metric tons of grain silos, ALL aims to establish a nationwide presence by further developing logistic parks and warehouses.
- APSEZ continues to gain market share while generating strong cash flows and maintaining its leverage position, with a net debt-to-EBITDA ratio of 2.5x as of Dec'23. We expect APSEZ to register 10% volume growth and a CAGR of 14%/15%/19% in revenue/EBITDA/PAT over FY24-26. With consistent outperformance in cargo volumes, we reiterate our BUY rating with a TP of INR1,590.

Market share gains driven by operational efficiencies and cargo diversification

- APSEZ achieved a notable 2x industry growth, elevating its market share to ~25% in FY24 from 10% in FY13. The incorporation of new cargo classes at Mundra and Dhamra ports, pickup in coal and coastal coal cargo at Gangavaram and Dhamra, supported by robust economic growth has contributed to this growth. Additionally, the advantages of an integrated port-cum-logistics service has significantly helped gain market share.
- Further, the company's strategic sensitivity to specific cargo classes, such as thermal coal and iron ore, is proving beneficial as volume levels normalize in select ports such as Mundra, Gangavaram, and Krishnapatnam.

Building infrastructure for strong future growth in logistics business

- As APSEZ embarks on becoming India's largest integrated transport utility company by 2030, it is strengthening its capabilities in all logistics segments (ports, CTO, warehousing, last mile delivery, ICDs, etc). Hence, it offers end-to-end service to its customers, thereby capturing a higher wallet share and also making the cargo sticky in nature.
- Further, DFC connectivity to Mundra will provide faster port evacuation and quicker transit time, improving the overall efficiency.

Consistently improving balance sheet position; backed by strong cash flow generation

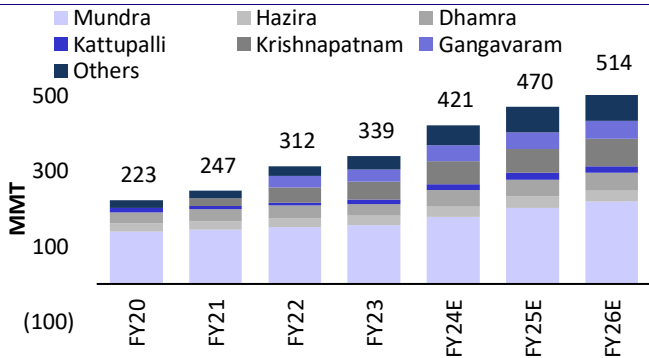
- APSEZ has consistently generated strong cash flow from operations (CFO) over FY18-23 (cumulative CFO of ~INR433b at a CAGR of 16%). During this period, APSEZ had embarked on an acquisition spree. Going ahead, APSEZ is expected to concentrate on optimizing the assets it has acquired, ensuring consistent robust cash flows in the upcoming years.
- We estimate CFO to register a CAGR of 13% over FY24-26. This, we believe, will be used to fund capex and reduce debt. APSEZ continues to be on the lookout for opportunities outside India via the joint venture (JV) mode with a strong local partner, either in South Asia, Southeast Asia, Middle East, and Africa.

Valuation and view

- Going forward, APSEZ targets to become India’s largest integrated transport utility and world’s largest private port company by 2030. APSEZ has a diversified cargo mix and is looking to increase cargo share of port on the east coast. The operational ramp-up at the recently acquired ports is expected to drive a 10% growth in cargo volumes over FY24-26. This would drive a revenue/EBITDA/PAT CAGR of 14%/15%/19% over FY24-26.
- We reiterate our BUY rating with a TP of INR1,590 (premised on 17x FY26E EV/EBITDA).

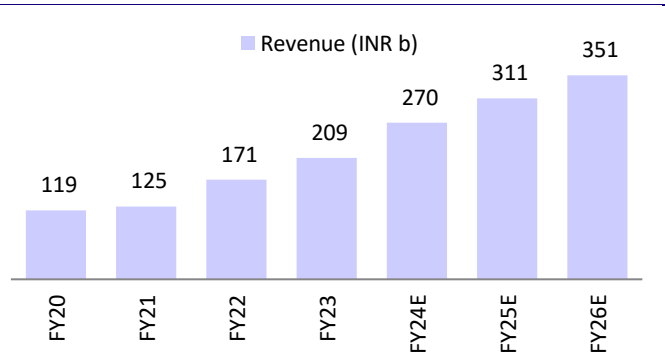
Story in charts

APSEZ – volumes (MMT)



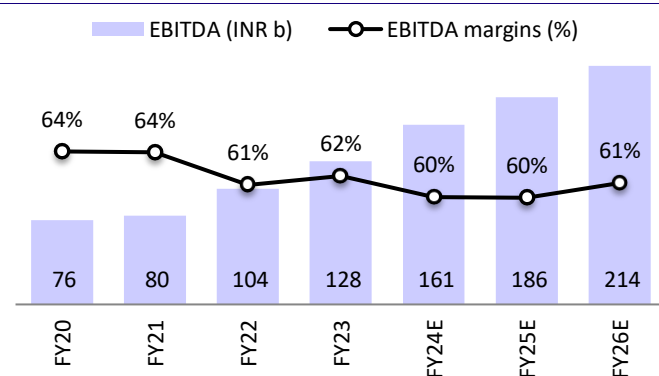
Source: Company, MOFSL

Revenue growth to remain strong



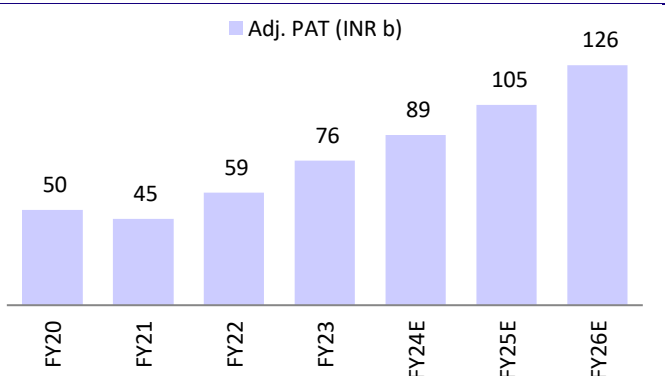
Source: Company, MOFSL

Margin to stabilize at ~60%



Source: Company, MOFSL

Strong operating performance to drive PAT



Source: Company, MOFSL



Page Industries

BSE SENSEX
73,088

S&P CNX
22,147

CMP: INR35,391 TP: INR36,500 (+3%)

Neutral



Bloomberg	PAG IN
Equity Shares (m)	11
M.Cap.(INRb)/(USDb)	394.8 / 4.7
52-Week Range (INR)	43599 / 33070
1, 6, 12 Rel. Per (%)	2/-21/-33
12M Avg Val (INR M)	1074
Free float (%)	54.9

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Sales	46.5	52.0	60.0
Sales Gr. (%)	-2.9	11.8	15.4
EBITDA	9.0	10.6	12.3
EBITDA mrg. (%)	19.3	20.3	20.5
Adj. PAT	5.9	7.1	8.2
Adj. EPS (INR)	526.4	636.2	738.3
EPS Gr. (%)	2.8	20.9	16.1
BV/Sh.(INR)	1440.7	1696.2	1992.8

Ratios

RoE (%)	36.5	37.5	37.0
RoCE (%)	35.1	38.3	38.0
Payout (%)	70.0	70.0	70.0

Valuations

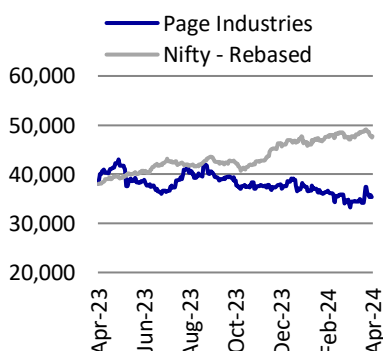
P/E (x)	67.2	55.6	47.9
P/BV (x)	24.5	20.8	17.7
EV/EBITDA (x)	43.6	36.9	31.6
Div. Yield (%)	0.9	1.1	1.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	45.1	45.1	46.1
DII	26.6	24.6	21.9
FII	20.9	21.8	22.4
Others	7.4	8.5	9.6

FII Includes depository receipts

Stock's performance (one-year)



All eyes on inventory liquidation; the moat remains unchanged

We recently had an interaction with Mr. Deepanjan Bandyopadhyay, the CFO of Page Industries (PAGE), to gain insight into industry trends and PAGE's long-term growth drivers. Please find below our key meeting takeaways along with our perspective on the business:

Demand revival – a key monitorable

- According to our interaction with the management, the demand pressures appear to be stabilizing, and there should be a gradual recovery. However, the timing of full recovery remains uncertain, especially in normalizing the inventory levels. Industry demand is crucial during April to June as it will assist in reducing the high inventory levels. We will monitor the demand recovery in the next 60-90 days. Our initial checks suggest that the recovery has been marginal during the last 3-4 weeks. Within the high-channel inventory, no price hike is expected though yarn prices have experienced some inflation in the last few months.
- PAGE reported about 5% YoY decline in revenue during the last five quarters. It has slightly reduced its channel inventory, but inventory levels still exceed the desired levels. We are still awaiting more clarity on the near-term demand recovery. However, we expect that after a weak FY24 performance, the channel inventory should be normalized post-1QFY25.

Building a strong foundation for success

- PAGE's business moat lies in its focused approach to its core innerwear business, emphasizing innovation, quality, and R&D to stay ahead. PAGE upholds the aspirational value of the 'Jockey' brand, while being mindful of customer price points and refraining from excessive discounts.
- PAGE stands out by manufacturing its products in-house, with 15 manufacturing units predominantly located in Karnataka and Tamil Nadu. Over 80% of production is conducted in-house, allowing meticulous oversight of the entire manufacturing process.
- PAGE strategically expanded its distribution network across India through various channels, including multi-brand outlets (MBOs), exclusive brand outlets (EBOs), large format stores (LFS), and e-commerce platforms. With over 1,13,688 MBOs and 1,390 EBOs serviced by 4,170+ distributors, PAGE has a wide reach spanning 2,750+ cities and towns. The company has seen rapid growth in EBOs, achieving an 18% CAGR over the past five years. Implementing a direct channel distribution model, PAGE ensures exclusivity on shelf space and maintains efficient cash conversion cycles through strong supply chain control.

- PAGE has among the most efficient cash conversion cycles in the innerwear market. The company gradually reduced its inventory days to 59 in FY22 from 101 in FY17. Due to weak demand in 2HFY23 and FY24, the company's inventory has piled up but it is still less than the peers. However, we expect inventory days to reduce due to PAGE's Automated Replenishment System (ARS). The ARS is a distributor management system that will improve the supply chain and help in having a better quality inventory, which will improve the inventory turn of distributors.
- The company spends ~3% of sales on A&P and plans to increase its marketing spending to drive business growth. PAGE is also very particular about its capital allocation, investing primarily in core projects with a minimum threshold of 20% RoCE. Additionally, management maintains a high dividend payout ratio of over 50%.

Our view

- PAGE continues to experience a weakness in growth amid subdued demand in the apparel industry. Weak demand has resulted in excess inventory at channel partners. Management is taking several initiatives to optimize channel inventory. The industry is expected to continue facing demand-led headwinds in the near term.
- Margins of innerwear companies were affected by increased discounts and volatile raw material prices. Additionally, companies had to increase advertising and promotion (A&P) expenses to stimulate volume growth, which affected operating margins. However, with demand showing signs of improvement, management indicated that the contraction in operating margins has ceased. PAGE is witnessing a gradual inventory adjustment towards an optimal level. This will increase full-priced sales, thus improving margins.
- Raw material prices spiked during 2020-22, but since then, prices have softened. Although raw material prices have increased recently, they are still within a broad range. We expect stability in raw material prices to continue. We model a 55-56% gross margin during FY25/FY26.
- We expect PAGE's revenue to grow at 14% CAGR over FY24-26, with an EBITDA margin of ~20% (close to its long-term average).

Valuation and View

- PAGE has had a remarkable track record of revenue and earnings growth over the past decade. For the decade ending FY24E, PAGE's sales/EBITDA/PAT are likely to post a 15%/14%/15% CAGR despite a challenging period. Earnings growth was fueled by best-of-breed sales growth, coupled with reduced utilization of the margin lever.
- We model a gradual recovery with sales/EBITDA/PAT CAGR of 14%/17%/18% over FY24-26E.
- The industry is likely to continue facing demand-led headwinds in the near term. Additionally, it will be crucial to monitor the channel inventory optimization. Though efficient cost-control measure is a positive sign, earnings outlook is still uncertain. **We reiterate our Neutral rating on the stock with a TP of INR36,500 (premised on 50x Mar'26E EPS).**



Gujarat State Petronet

BSE SENSEX 73,649 S&P CNX 22,336

CMP: INR304

TP: INR355 (+17%)

Buy



Bloomberg	GUJS IN
Equity Shares (m)	564
M.Cap.(INRb)/(USD\$)	171.4 / 2.1
52-Week Range (INR)	407 / 255
1, 6, 12 Rel. Per (%)	-15/-9/-11
12M Avg Val (INR M)	390
Free float (%)	62.4

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	17.6	12.6	13.3
EBITDA	15.1	9.8	10.3
PAT	13.0	6.4	6.7
EPS (INR)	23.0	11.3	11.8
EPS Gr. (%)	37.2	-50.9	4.8
BV/Sh.(INR)	180.5	188.4	196.7

Ratios

	FY24E	FY25E	FY26E
Net D:E	-0.1	-0.1	-0.1
RoE (%)	13.3	6.1	6.1
RoCE (%)	13.4	6.2	6.2
Payout (%)	30.0	30.0	30.0

Valuations

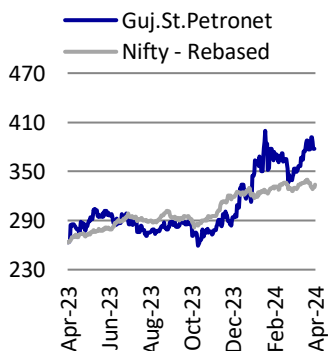
P/E (x)	13.3	27.1	25.8
P/BV (x)	1.7	1.6	1.6
EV/EBITDA (x)	10.7	16.4	15.6
Div. Yield (%)	2.3	1.1	1.2
FCF Yield (%)	2.6	0.5	0.5

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	37.6	37.6	37.6
DII	26.8	27.2	26.3
FII	16.0	16.0	17.3
Others	19.6	19.2	18.8

FII Includes depository receipts

Stock performance (one-year)



Tariff order disappointing; volume outlook remains robust

- On 20th Apr'24, the Petroleum and Natural Gas Regulatory Board (PNGRB) issued a tariff order (TO) for Gujarat State Petronet (GUJS)'s HP gas network. The tariff was reduced to INR18.1/mmBtu from INR34.0/mmBtu (provisional), which was a major disappointment. Following the TO, we cut our FY25/26E EPS estimates for GUJS by ~41% each. We also reduce our TP by 21% to INR355.
- However, we see limited downside for the stock from the current levels, considering the value of GUJS' stake in Gujarat Gas (GUJGA) itself is ~INR270/ share vs. its CMP of INR305/share. GUJS' CMP implies a holding company discount of ~38% vs. our assumption of 25%
- While the stock may remain under pressure in the near term, we highlight a favorable spot LNG price environment that bodes well for the utilization outlook of LNG terminals. Recently, the Central Government invoking Section XI to stimulate gas-fired power generation is also a positive development. Reiterate BUY with a revised TP of INR355.

Limited downside from current levels despite the disappointing TO

- Based on our estimates, GUJS is likely to generate an ROE of ~6% in FY26. We value its core business at 8x FY26E P/E (EPS adjusted for dividend income). As such, we believe that even in the worst-case scenario, its core business value should not drop below INR50/share.
- We now value its stake in GUJGA and Sabarmati Gas at INR273/share. This valuation is based on GUJGA's CMP and assumes a 25% holding company discount.
- Overall, we believe there is limited downside to GUJS' share price from these levels.

PNGRB's tariff revision a major disappointment

- On 20th Apr'24, PNGRB issued a tariff order for GUJS' HP gas network. The tariff was reduced to INR18.1/mmBtu from INR34.0/mmBtu (provisional). GUJS had requested for an upward tariff revision to INR50.77/mmBtu. The key difference between GUJS and the regulator's view stems from three heads: 1) capex (INR13.7/mmBtu reduction), 2) opex (INR8.7/mmBtu reduction), and 3) volume divisor (INR11/mmBtu reduction).
- The revised tariff will be applicable from 1st May'24. The tariff can be reviewed in the event that actual volume flows (GUJS' submission: 26mmscmd) vary considerably from PNGRB's assumption of 32mmscmd. Further, we believe that GUJS may appeal to PNGRB to review its tariff decision, though we do not expect any near-term relief.

We cut our FY25/26E EPS by ~41% each; TP reduced by 21%

- We were building in a tariff decline of ~15% YoY in FY25, while the actual decline in tariff for the HP gas grid stands at ~47% (vs provisional). At this revised tariff, our FY25/26E EPS has been cut by ~41% each. The TP, though, has been reduced by 21%. The core business now accounts for only INR81/share out of our TP of INR355.
- We remain positive on the prospects of gas utilities given: 1) the bleak spot LNG price outlook, which we believe will continue to stimulate demand, and 2) the [Central Government's recent decision to impose Section XI for gas-fired power plants.](#)
- Further, the available LNG capacity in Gujarat is expected to grow to 42.5mmtpa over the next 2-3 years. Most of this volume is likely to flow through GUJS' network. We believe the company could post a 15% CAGR in transmission volumes over FY23-FY26. We expect GUJS' volumes to jump to ~38mmscmd in FY26, up from ~30 mmscmd in FY24.
- Further, improved demand owing to the focus on reducing industrial pollution {Gujarat has five geographical areas (GAs) identified as severely/ critically polluted} is a key catalyst.

Valuation and view

- Investments in GUJGA and Sabarmati Gas at a 25% holding company discount provide a valuation of INR273. Valuing the core business at 8x adj. FY26E EPS of INR10.2, and adding the value of investments, we arrive at our TP of INR355. We reiterate our BUY rating on the stock with a potential upside of 17%.

Historical trend of GUJS's HP grid tariff

Particulars	(INR/mmBtu on GCV basis)	
	Submitted by GSPL	Determined by PNGRB
Provisional tariff from 2012-13 to 2017-18	39.55	26.58
Final tariff from 2018-19 to 31.04.2024	64.70	34.00
Tariff Review from 01.05.2024 onwards	50.77*	18.10

*GSPL has submitted tariff from 01.04.2024

Source: PNGRB, MOFSL

PNGRB's final tariff for GUJS's HP grid is 47% lower than provisional numbers

Particulars	(INR/mmBtu on GCV basis)	
	Impact	Tariff
Provisional Tariff determined by PNGRB		34.00
Economic Life Extension	(4.70)	29.30
Capex	4.79	34.09
Opex	1.41	35.50
Calorific Value, Working Days, Discounting Factor, Tax Rate etc.	(0.23)	35.27
Volume Divisor	(6.05)	29.22
Prospective implementation from 01.05.2024	(11.12)	18.10
Final Levelized Tariff		18.10

Source: PNGRB, MOFSL



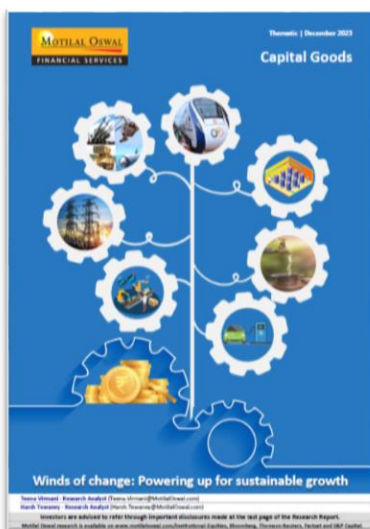
Capital Goods

Companies

	TP (INR)	Rating
ABB India ^	7,500	BUY
Siemens \$	5,900	BUY
Hitachi Energy	5,466	SELL
KEC International	710	NEUTRAL
Kalpataru Projects	1,190	BUY
GE T&D*		NA
TRIL*		NA
Voltamp*		NA
Skipper*		NA
CG Power*		NA
Techno Electric*		NA

^ABB's estimates are for CY24 and CY25 (December end) / \$Siemens estimates are for FY25 and FY26 (September end) / *Bloomberg estimates

Winds of change: Powering up for sustainable growth



T&D – Benefiting from the new investment cycle

We continue to expect steady ordering activity in the power transmission and distribution (T&D) space based on our meetings with 6 players focused on T&D space and analysis of nearly 12 players commentaries on this space. Also, the pipeline of projects approved by the Central Electricity Authority of India (CEA) stands robust for next 2-3 years. This is likely to be positive for most players in the value chain for the next 4-5 years. This is likely to be positive for most players in the value chain for the next 4-5 years. The capex-intensive nature of the value chain and high entry barriers for new players should restrict competition to a few players having control over the supply chain. As a result, these companies can either maintain their market share or improve it over the next few years. This is also likely to result in 15-20% growth in T&D or energy segment inflows and revenues. The scope for margin improvement in the near term is high for Siemens, Hitachi Energy, GE T&D, ABB, and transformer companies. In our coverage universe, we maintain BUY on ABB (TP: INR7,500), Siemens (TP: INR6,050), Kalpataru Projects (TP: INR1,200), and L&T (TP: INR4,400). We would be more comfortable at lower valuations on Hitachi Energy (Sell | TP: INR5,466) and KEC International (Neutral | TP: INR710).

T&D market witnessing improved tendering

Improved tendering activity, the CEA's near-term pipeline of projects, and management commentaries of key players emphasize that the power T&D sector will continue to witness increased activity over the next few years. The spending target of INR2.4t by FY30 translates into a yearly addressable market of INR300-500b. Moreover, expected spending of INR3.3t by FY30 on distribution gives a strong addressable market for T&D players over the next 3-4 years. As per CEA and Crisil report, larger share of investment is expected to be seen in the extra-high voltage space (220kV, 400kV and 765kV). Along with this, projects worth INR1t were recommended by the NCT to the Ministry of Power during the last few meetings of the NCT. There is also an increasing shift toward larger projects, apart from HVDC projects. With products forming nearly 50-60% and design and EPC forming another 30-35% of overall spending, we expect most players in the value chain to benefit over the next few years. Companies are indicating that tendering activity has already increased in the last one year as compared to the last 5-6 years. This augurs well for sustainability of order inflows for companies focused in the power T&D space.

Demand-supply dynamics in favor of industry players

Most industry players have indicated that 1) demand for T&D products has increased sharply in the domestic and international markets; 2) the expected addition of generation capacity will boost transformer capacity as the current supply is constrained by already high capacity utilization and limited capacity additions; 3) the capex-intensive nature of the sector and higher lead times to upgrade to higher kVA ranges will limit competition to just 5-6 players, thereby giving pricing advantage; 4) unlike the last cycle, this time players are rational in bidding as the demand opportunity is much bigger; 5) after the completion of renewable and thermal power targets, the focus would shift to replacement and refurbishment demand similar to in developed countries; and 6) key risk can come from sharp volatility in commodity prices.

Positioning of key players within the value chain

Considering a large addressable market, we believe there are ample opportunities for players across the value chain. Though there are unorganized players in the products and EPC categories, only 6-7 players control the entire value chain. Entry barriers are also high in the power T&D space as products such as high-kVA transformers need various stages of testing and approval, which take 1-3 years. We thus continue to see improved traction for players like Siemens, Hitachi Energy, GE T&D, TRIL, CG Power, BHEL and Schneider in which have presence in large projects and have offerings such as HVDC, higher kVA transformers, substations, switchgear, etc. Other players focused on transformers, sub-station and towers, such as Voltamp, TRIL, Techno Electric, Transrail, Skipper and Atlanta, are also increasing their technical capabilities to capture growth opportunities in high-kVA transformers and substations. Within the EPC segment, Kalpataru and KEC target 20-25% market share, and with the increasing size of projects, we expect L&T to also participate in the upcoming opportunities.

Improving financial metrics

Key players in the industry have seen a marked uptick in revenue and profitability in the past few quarters, driven by a) an improving demand scenario, b) healthy ordering momentum, c) improved pricing, and d) stable commodity prices. As lead times for transformers have increased globally, most players have reported higher capacity utilization and have announced expansion plans (Siemens, Voltamp, TRIL, CG Power, etc.) Consequently, margins have been on an upward trajectory for most players, led by higher capacity utilization, better product mix, and stable commodity prices, which have eased from the unprecedented highs seen in FY22. Going forward, companies expect the momentum to continue given the robust visibility in the power T&D space.

Raw material prices are subject to volatility

The basic raw material used for transformer core is cold-rolled grain-oriented (CRGO) steel as well as copper and aluminum for conductor coils. CRGO is largely imported and conductors are procured domestically. PLI scheme for specialty steel (CRGO) will help domestic players in coming years. Due to the exposure to these commodities, the industry is subject to fluctuations in raw material prices and thus has variable pricing clauses linked to indices created by the Indian Electrical and Electronics Manufacturers' Association (IEEMA). Copper and aluminum prices have started moving up in Apr'24. EPC players too have limited pricing power and were impacted earlier by a sharp swing in commodity prices.

Valuation and view

We remain positive on companies that have a presence across the transmission space, as a strong addressable market can result in 15-20% growth in T&D segment inflows and revenues. The scope for margin improvement in the near term will be higher for Siemens, Hitachi Energy, GE T&D, ABB, and transformer companies. In our coverage universe, we maintain BUY on ABB, Siemens, Kalpataru Projects, and L&T. We would be more comfortable at lower valuations on Hitachi Energy (Sell) and KEC International (Neutral).



Automobiles

Electric 2Ws need govt support to sustain momentum

Expect e2W sales to slow down at least in 1QFY25

- After witnessing an almost 3x YoY jump in FY23 to 728k units, the electric 2W (e2W) segment posted a much slower growth rate of 30% YoY in FY24 to 944k units.
- The deceleration in e2W growth was attributed to multiple headwinds in FY24, which included: 1) FAME-II subsidy cut with effect from Jun'23; 2) OEMs were asked to upgrade their vehicles to meet new safety norms; 3) few OEMs were denied FAME benefits and penalized for not following localization norms; and 4) fire incidents created negative sentiment about electric vehicles (EVs).
- Ola Electric has been the biggest gainer as its market share increased from 21% in FY23 to nearly 35% in FY24, driven by continued new launches and aggressive discounting toward the end of the year. Incumbents TVS Motor (TVSL) and Bajaj Auto (BJAUT) now command 19% and 11% market share, respectively (vs. 11%/4% in FY23). Ather Energy also gained 100bp market share YoY to reach 12%.
- Mar'24 saw a significant pre-buying in EVs as the FAME subsidy would be phased out by the end of the month. The e2W segment posted record-high sales of 136k units in Mar'24.
- While the FAME-II policy expired in Mar'24, the government has extended the subsidy for four more months to Jul'24, albeit at a reduced rate.
- We believe the industry will need government support in the form of subsidies for at least one more year, and thereafter, a combination of operating leverage benefits, a reduction in input costs, localization and PLI benefits would help the industry stand on its feet.
- Given the sharp pre-buying in Mar'24 and uncertainty around the government subsidy after Jul'24, we expect growth in e2W volume to slow down at least in 1QFY25.

E2W industry volumes grew ~30% YoY in FY24; Mar'24 saw pre-buying effect

	Mar'24	Mar'23	YoY%	Feb'24	MoM%	FY24	FY23	YoY %
Ola	50,545	21,427	136	33,923	49	3,26,443	1,52,779	114
TVSL	26,479	16,899	57	14,608	81	1,82,959	82,109	123
Ather	17,221	12,183	41	9,067	90	1,08,872	76,939	42
BJAUT	17,933	4,553	294	11,745	53	1,06,990	32,805	226
Ampere	3,146	9,738	-68	2,609	21	55,057	87,392	-37
Others	21,236	20,547	3	10,556	101	1,63,805	2,96,030	-45
Total volumes	1,36,560	85,347	60	82,508	66	9,44,126	7,28,054	30

Source: SMEV, MOFSL

Mahindra Logistics

BSE SENSEX 73,649
S&P CNX 22,336

CMP: INR443

Neutral

Conference Call Details



Date: 23th April 2024

Time: 04:00 PM IST

Dial-in details:

+91 22 6280 1309

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	55.1	67.6	83.9
EBITDA	2.3	3.1	4.2
Adj. PAT	-0.6	0.2	1.0
EBITDA Margin (%)	4.2	4.5	4.9
Adj. EPS (INR)	-8.2	3.0	13.5
EPS Gr. (%)	-322.8	-136.5	353.5
BV/Sh. (INR)	68.8	69.3	80.3
Ratios			
Net D:E	0.5	0.8	0.2
RoE (%)	-11.0	4.2	17.7
RoCE (%)	7.5	7.8	16.6
Payout (%)	-28.7	83.7	18.5
Valuations			
P/E (x)	-54.4	149.0	32.9
P/BV (x)	6.5	6.4	5.5
EV/EBITDA(x)	15.1	11.0	7.4
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	6.9	1.1	9.2

In-line performance; high tax outgo drags down APAT

Earnings snapshot: 4QFY24

- Revenue grew by ~14% YoY to INR14.5b (in line)
- EBITDA margin came in at 3.9% (in line), down 100bp YoY and up 20bp QoQ. EBITDA decreased 11% YoY to INR566m, in line with our estimate.
- Adjusted net loss stood at INR128m vs. INR8m in 4QFY23 (our estimate of INR6m loss).
- Supply Chain Management recorded revenues of ~INR13.7b (+14.6% YoY) and EBIT loss of ~INR114m.
- Enterprise Mobility Services reported revenues of INR784m (+3.9% YoY) and EBIT of ~INR21.5m.

FY24 performance summary:

- MLL reported revenue of ~INR55b (+7.4% YoY), EBITDA margin of 4.2% (-90bp YoY) and adjusted net loss of INR586m (vs. APAT of INR263m in FY23).
- CFO stood at INR22.7b vs. INR11.9b in FY23.
- Total borrowings as of Mar'24 stood at INR33.8b (vs. INR40b as of Mar'23).
- The board has recommended a dividend of INR2.5/share.

Consolidated - Quarterly

Y/E March (INR m)	FY23				FY24				FY23	FY24	FY24 4QE	Var. vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	11,999	13,263	13,296	12,725	12,932	13,648	13,972	14,508	51,283	55,060	14,504	0
YoY Change (%)	35.9	28.4	17.0	16.9	7.8	2.9	5.1	14.0	23.8	7.4	14.0	
EBITDA	657	676	627	637	666	536	522	566	2,598	2,290	584	(3)
Margins (%)	5.5	5.1	4.7	5.0	5.2	3.9	3.7	3.9	5.1	4.2	4.0	
YoY Change (%)	61.8	43.8	38.4	23.8	1.4	-20.7	-16.8	-11.2	41.0	-11.8	-8.3	
Depreciation	409	436	498	553	545	518	515	513	1,895	2,090	531	
Interest	89	107	150	169	178	165	164	174	516	682	161	
Other Income	31	34	56	38	62	66	23	29	159	179	69	
PBT before EO Items	190	167	36	-46	6	-82	-134	-92	345	-302	-40	
Extra-Ord expense	0	0	0	0	0	0	-38	0	0	38	0	
PBT	190	167	36	-46	6	-82	-96	-92	345	-340	-40	
Tax	53	47	19	-48	89	73	68	27	71	257	-10	
Rate (%)	28.1	28.5	53.0	104.3	1,556.1	-89.2	-71.4	-29.2	20.6	-75.5	25.2	
PAT before MI, Associates	136	119	17	2	-83	-155	-164	-119	274	-597	-29.6	
Share of associates/ Minority Interest	-1	3	-3	-10	-3	-5	-10	-9	-11	-27	23	
Reported PAT	135	122	14	-8	-85.5	-159	-174	-128	263	-624	-6	
Adj PAT	135	122	14	-8	-85.5	-159	-212	-128	263	-586	-6	NM
YoY Change (%)	310.9	132.2	-21.5	-111.1	NA	PL	PL	NM	49.7	-322.8	-23.5	
Margins (%)	1.1	0.9	0.1	-0.1	-0.7	-1.2	-1.5	-0.9	0.5	-1.1	0.0	

Debt Dossier: India's debt growth stable in 3QFY24

Household debt estimated at a new high in the quarter

- India's non-financial sector (NFS) debt is estimated to have grown 12.6% YoY in 3QFY24 (quarter-ending Dec'23), not very different from the growth seen in recent quarters. Outstanding NFS debt touched USD5.85t (or INR486t) in 3QFY24, equivalent to 168.7% of GDP, compared to 169.0% of GDP in 2QFY24 and 163.9% of GDP in 3QFY23. In real terms, however, total debt (using GDP deflator) grew 10.8% YoY in 3QFY24, the slowest in three quarters.
- Within NFS debt, non-government non-financial (NGNF) debt also grew 10.8% YoY in 3QFY24 (same as in 2QFY24), while government debt jumped 14.3% YoY over the quarter (vs. 14.7% YoY growth in 2QFY24). Within the NGNF sector, household (HH) debt jumped 16.5% YoY in 3QFY24, driven by a faster growth in the non-housing¹ debt. Our estimates suggest that household debt² touched a new peak of 39.1% of GDP in 3QFY24, beating the previous peak of 38.6% of GDP in 4QFY21. Corporate debt³, however, rose by just 6.1% YoY during the quarter, easing to 15-year low of 42.7% of GDP.
- An analysis of NGNF debt by sources/lenders suggests that NBFCs posted a strong lending growth of 20%+ YoY for the third consecutive quarter in 3QFY24, while HFCs' outstanding loans⁴ are estimated to have contracted in 3QFY24. Scheduled commercial banks loans grew at the fastest pace in four quarters, while the growth in corporate bonds and external borrowings moderated. Commercial papers issuances by the non-financial sector contracted again in 3QFY24.
- Finally, although India's debt is growing at a rapid pace compared to other major economies and the aggregate of emerging markets worldwide, its debt-to-GDP ratio is still much lower than other economies.

India's NFS debt stood at USD5.85t (or INR486t) in 3QFY24 vs. USD5.7t/USD5.2t (INR475t/INR432t) in 2QFY24/3QFY23

India's NFS debt grew 12.6% YoY; stood at a six-quarter high of 168.7% of GDP in 3QFY24: Our estimates suggest that India's NFS debt stood at USD5.85t (or INR486t) in 3QFY24 vs. USD5.7t/USD5.2t (INR475t/INR432t) in 2QFY24/3QFY23 (*Exhibit 1*). NFS debt grew 12.6% YoY in 3QFY24, not very different from 12.8%/13.1% YoY in 2QFY24/3QFY23. The growth in NGNF debt remained unchanged at 10.8% YoY in 3QFY24 (much lower than 13.8% YoY in 3QFY23), and the government debt increased 14.3% YoY, slightly lower than the seven-quarter high growth of 14.7% YoY in 2QFY24. For the fourth consecutive quarter, the government debt grew faster than NGNF debt, contributing ~58% to the growth in NFS debt in 3QFY24.

Exhibit 1: India's domestic NFS debt estimates⁵

	USD t				As a percentage of GDP ⁶			YoY (%)	
	FY20	FY21	FY22	FY23	3QFY23	2QFY24	3QFY24	2QFY24	3QFY24
Households (HH)	0.9	1.0	1.1	1.2	36.7	38.4	39.1	17.5	16.5
Non-financial corporate (NFC)	1.3	1.4	1.5	1.4	44.0	43.3	42.7	5.5	6.1
General government	2.0	2.4	2.7	2.8	83.2	87.3	86.9	14.7	14.3
Central government	1.3	1.6	1.8	1.9	55.5	59.3	59.0	17.0	16.3
State governments ⁷	0.7	0.8	0.9	0.9	27.6	28.0	27.9	10.1	10.3
Non-financial sector (NFS)	4.2	4.9	5.3	5.5	163.9	169.0	168.7	12.8	12.6
Non-government non-financial (NGNF)	2.2	2.5	2.6	2.6	80.7	81.7	81.8	10.8	10.8

Source: Reserve Bank of India (RBI), Ministry of Finance (MoF), Comptroller and Auditor General (CAG), Bloomberg, Company reports, MOFSL

¹ Housing and mortgage debt are used synonymously in this analysis

² The estimates of household debt in this study are slightly lower than the ones mentioned in our other research [report](#) (at 40% of GDP), since the latter includes household loans from other financial institutions (apart from SCBs, NBFCs and HFCs), as reported by the RBI (up to 4QFY23). The methodologies of the two estimates are different as the latter is more comprehensive.

³ Corporate debt is estimated as the residual, after deducting estimates of household debt from NGNF debt.

⁴ HDFC Ltd. is included under HFCs in this analysis. For housing debt, it is suggested to look at the aggregate, rather than SCBs or HFCs separately.

⁵ Our estimates in this report are based on internal calculations, for which the methodology is shared in the Appendix at the end of the report.

Bank for International Settlements (BIS) also provides India's debt estimates, which are available up to 2QFY24 and different from our estimates.

⁶ Annualized nominal GDP = Sum of the last four quarters to smoothen the sharp changes in nominal GDP on a quarterly basis

⁷ Debt estimates of state governments (based on fiscal deficit of 27 states) are prepared by us

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