24 April 2024

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,738	0.1	2.1
Nifty-50	22,368	0.1	2.9
Nifty-M 100	49,615	1.1	7.4
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,071	1.2	6.3
Nasdaq	15,697	1.6	4.6
FTSE 100	8,045	0.3	4.0
DAX	18,138	1.6	8.3
Hang Seng	5,955	2.1	3.2
Nikkei 225	37,552	0.3	12.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	89	1.2	14.1
Gold ($/OZ)	2,322	-0.2	12.6
Cu (US$/MT)	9,602	-1.4	13.4
Almn (US$/MT)	2,592	-3.9	10.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.3	0.0	0.2
USD/EUR	1.1	0.4	-3.1
USD/JPY	154.8	0.0	9.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	-0.03	0.0
10 Yrs AAA Corp	7.5	-0.02	-0.2
Flows (USD b)	**23-Apr**	**MTD**	**CYTD**
FIIs	-0.4	6.66	0.2
DIIs	0.35	1.90	16.0
Volumes (INRb)	**23-Apr**	**MTD***	**YTD***
Cash	1,131	1086	1175
F&O	3,40,561	3,51,450	3,88,888

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Sun Pharma: 'Specialty' way of driving growth prospects

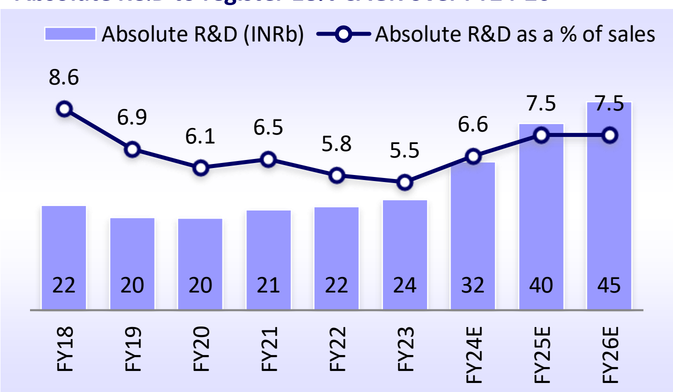
- In this note, we explored the specialty pipeline of SUNP, examining products under development, the commercialized portfolio, and the competitive dynamics within each segment.
- The overall R&D expenditure is expected to increase by 33% YoY in FY24 and maintain an 18% CAGR over FY24-26 to support clinical development of certain assets. Despite some delays in the clinical trial processes of Ilumya, MM-II, and GL0034, the innovative pipeline continues to be the most promising within the India listed space.
- For five consecutive years, SUNP has consistently surpassed industry performance in the domestic formulation (DF) segment, largely fueled by improved volume uptake. Despite being aggressive in new product launches, SUNP has yet to see an improvement in its growth prospects
- We are factoring 19% earnings CAGR over FY24-26 on the back of 12%/13% sales CAGR in DF/EMs, 18% sales CAGR in specialty portfolio, and 18% CAGR in R&D spent. We value SUNP at 30x 12M forward earnings to arrive at a PT of INR1,870. We remain positive on SUNP on the back of a) building robust brand franchise in developed market and b) superior execution in the DF segment. Maintain BUY.

Research covered

Cos/Sector	Key Highlights
Sun Pharma	'Specialty' way of driving growth prospects
Shriram Finance	Diversification and strong execution boost growth outlook
ICICI Prudential Life Insurance	Higher costs and adverse product mix impact VNB
Cyient DLM	Revenue growth remains strong
Other Updates	Mahindra Logistics | Tata Consumer Products | 360ONE WAM | MCX

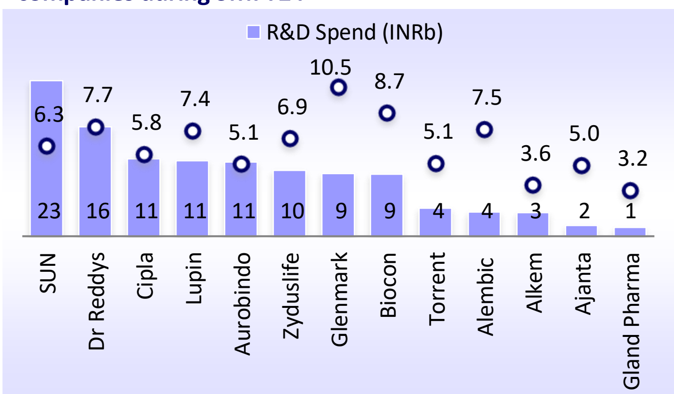
Chart of the Day: Sun Pharma ('Specialty' way of driving growth prospects)

Absolute R&D to register 18% CAGR over FY24-26



Source: MOFSL, Company

SUNP has the highest absolute R&D spend in our coverage companies during 9MFY24



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

RIL, JSW Neo, Amara Raja among 7 bidders for gigawatt battery production

The seven companies have collectively applied for a cumulative capacity of 70 GWh, the Ministry of Heavy Electricals informed

2

After 15 months, PayU gets RBI's in-principle nod to operate as a payment aggregator

In January last year, the RBI had returned the IPO-bound fintech firm's application to operate as a PA due to its complex corporate structure, and barred it from onboarding new merchants

3

Airtel to provide international roaming packs starting at Rs 133/day in 184 countries

Bharti Airtel's affordable Rs 133/day international roaming packs cover 184 countries, offering data benefits, in-flight connectivity, 24x7 support, and auto renewal via the thanks app. These packs provide value compared to local in-country sims.

4

PLI: Automobile, auto parts cos invested Rs 13,000 cr in past one year in EV, EV parts making

Senior government officials told ET eight automakers and parts suppliers--Mahindra & Mahindra, Tata Motors, Bajaj Auto, Ola Electric, Toyota Kirloskar Auto Parts, TVS Motor Company, Sona BLW Precision Forgings

5

Telecom service sector's AGR up 1.8 pc to Rs 67,835 cr in Dec 2023 quarter: Trai data

The Adjusted Gross Revenue (AGR) of India's telecom service sector rose by 1.88% to Rs 67,835 crore in the December 2023 quarter, according to Trai's data. Year-on-year, the AGR increased by 7.84%. Access services accounted for 82% of the total AGR, with Bharti Airtel's AGR increasing by 3.2% to about Rs 20,480.6 crore, Reliance Jio's AGR climbing 2.7% to Rs 24,862.85 crore, and Vodafone Idea's AGR dipping 0.65% to about Rs 7,459 crore. Public Sector Undertakings' share in the Access AGR was 3.8 ..

6

Dr Reddy's recalls six lots of drug in US due to subpotency

Dr Reddy's Laboratories on Tuesday said it is voluntarily recalling from the US market six lots of medication, indicated to reduce blood phenylalanine (Phe) levels, on account of being subpotent.

7

Lupin receives Establishment Inspection Report from USFDA for its Aurangabad manufacturing facility

The inspection was conductedfrom March 6 to March 15, 2024. The U.S. FDA has determined that the inspection classification ofthe facility is Voluntary Action Indicated (VAI)

23 April 2024

Update | Healthcare

Sun Pharma

BSE SENSEX	S&P CNX
73,738	22,368

SUN PHARMA

Stock Info

Bloomberg	SUNP IN
Equity Shares (m)	2399
M.Cap.(INRb)/(USDb)	3562.1 / 42.7
52-Week Range (INR)	1639 / 922
1, 6, 12 Rel. Per (%)	-9/16/23
12M Avg Val (INR M)	2975
Free float (%)	45.5

Financials Snapshot (INR b)

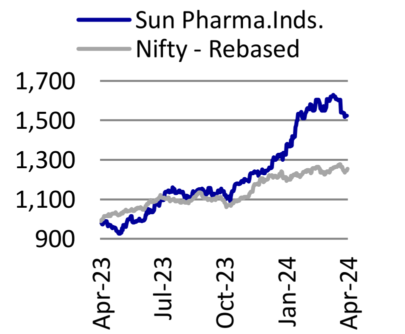
Y/E MARCH	FY24E	FY25E	FY26E
Sales	481.9	533.2	595.3
EBITDA	124.1	141.5	165.7
Adj. PAT	96.5	113.8	136.1
EBIT Margin (%)	20.5	21.7	23.4
Cons. Adj. EPS (INR)	40.1	47.3	56.6
EPS Gr. (%)	12.2	17.9	19.5
BV/Sh. (INR)	266.0	306.5	356.3
Ratios			
Net D:E	-0.03	-0.13	-0.23
RoE (%)	16.1	16.5	17.1
RoCE (%)	12.5	13.5	13.5
Payout (%)	14.3	14.1	11.9
Valuations			
P/E (x)	37.0	31.4	26.3
EV/EBITDA (x)	28.1	24.1	20.1
Div. Yield (%)	0.3	0.4	0.4
FCF Yield (%)	1.3	2.6	3.1
EV/Sales (x)	7.2	6.4	5.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	54.5	54.5	54.5
DII	18.8	19.5	19.3
FII	17.7	17.1	16.9
Others	9.0	8.9	9.4

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,485 TP: INR1,870 (+26%) Buy

'Specialty' way of driving growth prospects

- **In this note, we explored the specialty pipeline of SUNP, examining products under development, the commercialized portfolio, and the competitive dynamics within each segment.**
- **The overall R&D expenditure is expected to increase by 33% YoY in FY24 and maintain an 18% CAGR over FY24-26 to support clinical development of certain assets. Despite some delays in the clinical trial processes of Ilumya (additional indication), MM-II, and GL0034, the innovative/discovery pipeline continues to be the most promising within the India listed space.**
- **SUNP has consistently outperformed the industry in the domestic formulation (DF) segment for five years now. The growth is largely driven by better volume off-take. SUNP has been aggressive in new launches as well. However, these efforts have not yet translated into improved growth prospects.**
- **Despite regulatory issues at its key sites Halol/Mohali/Dadra and ongoing price erosion, SUNP has been able to sustain the sales run-rate of US generics segment on the back of new launches.**
- **We are factoring 19% earnings CAGR over FY24-26 on the back of 12%/13% sales CAGR in DF/EMs, 18% sales CAGR in specialty portfolio, and 18% CAGR in R&D spent. We value SUNP at 30x 12M forward earnings to arrive at a PT of INR1,870. We remain positive on SUNP on the back of a) building robust brand franchise in developed market and b) superior execution in the DF segment. Maintain BUY.**

Specialty drugs – Efforts under way to enhance portfolio

- SUNP is building an interesting specialty pipeline (under development) for addressing patient's needs in areas of dermatology, ophthalmology, and onco-dermatology.
- On the potential pipeline front, SUNP has enrolled ~950 patients for the treatment of psoriatic arthritis treatment using Ilumya in Ph-III clinical trials. However, delays in patient enrollment have extended the study completion date to Jan'26.
- Additionally, SUNP is yet to submit the study protocol for ph-II and ph-III clinical trials of GL0034 and MM-II drug, respectively.
- With filing in Europen markets in 1HCY24 and subsequent launches in other regulated markets, Nidlegy is expected to contribute to the commercial portfolio over the next 15-18M.
- The prescription trend for commercialized portfolios such as ilumya and winlevi has been robust. However, there has been a decline in the prescription trend for Cequa due to genericization of restatis.
- We anticipate specialty portfolio to register 20% CAGR over FY24-26.

Product development to reflect in high R&D expense

- SUNP has the highest R&D spend compared to the peers under our coverage on absolute basis. This is due to efforts taken toward building specialty pipeline by the company.

- Notably, SUNP's R&D expenditure still averages at 6.3% of sales for 9MFY24, in line with the average of companies under coverage.
- Glenmark has the highest R&D spend as a % of sales, at 10.5%, compared to its peers, attributable to its investments in novel drugs.
- We anticipate that SUNP's overall R&D expenditure will register an 18% CAGR over FY24-26, on the back of the advancement of products under clinical trials, particularly, Ilumya/MM-II/GL0034.

DF - on track to sustain superior execution

- Over the past five years, SUNP has outperformed IPM. The industry growth has been on a downtrend for the past two years, partly due to high base and partly due to weaker seasonality.
- Notably, SUNP has been able to do better-than-industry on the back of better volume off-take and strong brand franchise.
- SUNP has been aggressive in terms of new launches at an annual average rate of 91 during FY21-23. However, the pace of new launches has been lower at 46 in 9MFY24. The growth contribution from new launches has been moderate at 2% vs. 3% at industry level.
- We expect the DF business to register 12% CAGR over FY24-26, on the back of the launch of specialty drugs, in licensing opportunities, and improving MR productivity.

US generics – ANDA approval witnessed uptick in FY24

- After a decline in approval and filing pace in FY22 and FY23, there has been a revival in the approval and filing pace during 9MFY24.
- Due to regulatory issue at Halol/Mohali/Dadra plant, the new approvals would be adversely impacted. Accordingly, we expect SUNP complex launches to offset price erosion impact on the base portfolio and maintain stable US generics sales over FY24-26.

Reiterate BUY

- We expect 19% earnings CAGR over FY24-26, led by 20%/12%/12% sales CAGR in Specialty/EM-ROW/DF segment. We expect margin expansion by 210bps over FY24-26, on the back of improved operating leverage.
- We value SUNP at 30x 12M forward earnings to arrive at a price target of INR1,870. We reiterate our BUY rating on the stock.

Shriram Finance

BSE SENSEX	S&P CNX
73,738	22,368

CMP: INR2,427 TP: INR2,900 (+19%) Buy

Diversification and strong execution boost growth outlook

- Shriram Finance (SHFL), the merged entity of Shriram Transport Finance (SHTF) and Shriram City Union Finance (SCUF), has emerged as a stronger player in all its product segments. With a more diversified AUM mix and better access to liabilities, SHFL is effectively driving cross-selling of non-vehicle products to its customers.
- With a legacy spanning over four decades, SHFL has demonstrated its execution capability in the commercial vehicle (CV) segment across multiple credit and economic cycles. Gold loans and personal loans have now been rolled out across most of the branches. The company is also extending its 2W franchise to more locations and dealerships. In the MSME segment, the company wants to first gain insights into the respective micro-markets before scaling up.
- SHFL is rated AA+ by both CRISIL and India Ratings. Although our investment thesis is not predicated on a credit rating upgrade, we believe SHFL now has a strong case to work with credit rating agencies for an upgrade. A credit rating upgrade is an option value, which can help SHFL reduce its borrowing costs by 40-50bp.
- While there are already various views emerging about the CV uptrend, we believe that SHFL will be better placed compared to its vehicle finance peers because of its predominant presence in the used vehicle segment. We believe that CV demand will recover after the 2024 general elections and the Union Budget as investments resume in the infrastructure and construction/real estate sectors. Moreover, SHFL is yet to fully tap its expanded distribution network (from the merger) for non-CV products.
- Higher cross-selling of non-vehicle products by leveraging its enhanced distribution network would translate into a CAGR of 17% in AUM and 19% in PAT over FY24-26E. This implies RoA/RoE of 3.3%/17% in FY26E.
- SHFL's valuation multiple has already re-rated from 1.0x to 1.6x 1-year forward P/BV over the last 12 months. This re-rating was driven by the fading of the supply overhang after the exits of a few large shareholders and steady execution on AUM growth, asset quality and profitability after the merger.
- We see scope for further re-rating if the company is able to sustain the execution on AUM growth, margins and credit costs. SHFL is our preferred pick among diversified lenders with a TP of INR2,900/- (based on 1.7x FY26E P/BV). The monetization of a part or complete stake in Shriram Housing can further unlock the optionality value.
- Key downside risks include: a) a deterioration in macroeconomic indicators could impact CV demand; and b) asset quality deterioration and higher delinquencies in the personal loans segment.

Diversified loan mix; strong loan growth in the non-vehicle products

- Vehicle finance (excluding 2W) forms ~76% of the company's AUM mix, with the balance contributed by products of erstwhile SCUF (MSME, 2W, gold loans and personal loans). In the near term, we expect a CAGR of ~16% in the CV portfolio (erstwhile SHTF business) and a CAGR of ~21% in the non-vehicle portfolio (including 2W). Combined, we expect SHFL to register a CAGR of ~17% in AUM over FY24-26.

Stock Info

Bloomberg	SHFL IN
Equity Shares (m)	375
M.Cap.(INRb)/(USDb)	912 / 10.9
52-Week Range (INR)	2606 / 1306
1, 6, 12 Rel. Per (%)	3/13/52
12M Avg Val (INR M)	2940
Free float (%)	74.6

Financials Snapshot (INR b)

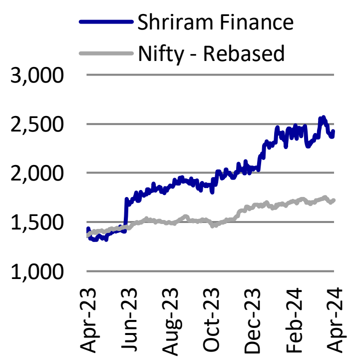
Y/E March	FY24E	FY25E	FY26E
Total Income	201	237	281
PPOP	141	169	205
PAT	71.6	84.0	101.0
EPS (INR)	191	224	270
EPS Gr. (%)	20	17	20
Standalone BV (INR)	1,310	1,491	1,713
Valuations			
NIM on AUM (%)	9.1	9.0	9.2
C/I ratio (%)	29.8	28.7	27.0
RoAA (%)	3.2	3.2	3.3
RoE (%)	15.5	16.0	16.8
Div. Payout (%)	21.6	21.2	21.2
Valuations			
P/E (x)	12.7	10.8	9.0
P/BV (x)	1.9	1.6	1.4
Div. Yield (%)	1.7	2.0	2.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	25.4	25.4	25.5
DII	15.7	15.8	11.8
FII	53.9	54.0	49.8
Others	5.0	4.8	13.0

FII Includes depository receipts

Stock performance (one-year)



- The shift in the product mix to high-yielding non-vehicle products will also be marginally accretive to the blended yields. A large proportion of this improvement in yields is expected to be driven by a higher proportion of personal loans and MSME loans in the AUM mix.

Strong ability to sustain margins with benefits on both asset and liability sides

- The company's target customer segment gives it pricing power and allows it to steer clear of any irrational pricing in the marketplace. Occasionally in the past, SHFL struggled to access liabilities, but it has always been able to pass on its higher borrowing costs to customers, with little impact on its margins.
- After the merger, it is reaping the re-pricing benefit on the SCUF portion of the liabilities (as and when they come up for maturity/renewal). If the company is able to work with credit rating agencies for an upgrade, it can reduce the borrowing cost by ~40-50bp. Moreover, with an improving proportion of 2W and gold loan products (short-tenured) in the AUM mix, the company can also increase (if need be) the proportion of CPs in its liability mix.
- We estimate NIM on AUM of 9.0%/9.2% in FY25/FY26 (vs. 9.1% in FY24) without considering any positive impact on the credit rating of SHFL.

Productivity improvements and scale to drive gradual improvement in cost ratios

- There has been no significant rationalization of branches or staff after the merger. Instead, SHFL has added ~12-13k employees over the last one year to augment the sales team for cross-selling SCUF products.
- We do not expect any significant operating synergies from the merger to accrue in the years ahead. We estimate a gradual decline in the opex-to-assets ratio to 2.4% by FY26 from 2.7% in FY24E, primarily driven by scale benefits and improvements in productivity.

Asset quality improving; credit costs to hover around 2.5%

- Higher prices of new CVs have driven up the prices of used CVs. Also, the repossessions have not been significant since the earnings of CV customers have been good. Higher utilization of vehicles has led to an improvement in asset quality. PL is disbursed as a cross-sell product to 2W customers or repeat customers who have earlier completed their PL/2W loans.
- Before Covid, the merged entity (pro-forma) operated at a credit cost of ~2.6% over FY18/FY19. Along with a steady improvement in Gross Stage 3, we estimate a credit cost of ~2.5% (as % of average loans) in FY25 and FY26.

Valuation and view: The sum is greater than the parts – execution better as merged entity; maintain BUY

- While the merger has served its intended purpose of giving exits to some large investors of the erstwhile Shriram Capital, it has also allowed SHFL to offer the complete product suite across the customer lifecycle. Moreover, it is now also able to offer all the lending/investing/insurance products based on customer needs.
- The merged entity, in our view, has emerged stronger than the respective standalone businesses of SHTF and SCUF. It continues to leverage the expanded distribution network to offer a much wider product bouquet to its customers. SHFL will continue to execute well to deliver a CAGR of 17% in AUM and a CAGR of 19% in PAT over FY24-26E. This translates into RoA/RoE of 3.3%/17% in FY26E. We maintain our BUY rating on the stock with a TP of INR2,900 (premised on 1.7x FY26E standalone BV).

MOTILAL OSWAL | MORNING INDIA

24 April 2024

4QFY24 Results Update | Sector: Financials

ICICI Prudential Life Insurance

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	IPRU IN
Equity Shares (m)	1439
M.Cap.(INRb)/(USDb)	855.6 / 10.3
52-Week Range (INR)	641 / 420
1, 6, 12 Rel. Per (%)	1/-2/7
12M Avg Val (INR M)	1162

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Premiums	417.6	459.2	524.2
Surplus / Deficit	10.6	19.0	18.5
Sh. holder's PAT	8.5	9.0	9.4
APE growth - (%)	5.4	18.7	16.0
Tot. Premium gr. (%)	4.6	13.7	14.1
VNB margin (%)	24.6	24.7	25.1
RoEV (%)	18.8	19.0	19.5
Total AUMs (INRt)	2.9	3.6	4.0
VNB (INRb)	22.3	26.7	31.4
EV per share	294	352	423
Valuations			
P/EV (x)	2.0	1.7	1.4
P/EVOP (x)	17.0	13.6	11.5

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	73.2	73.3	73.4
DII	8.5	6.9	6.1
FII	13.4	14.7	15.2
Others	4.9	5.1	5.3

FII Includes depository receipts

CMP: INR595 TP: INR700 (+18%) Buy

Higher costs and adverse product mix impact VNB

Guides APE growth in line with industry and steady VNB margins

- In 4QFY24, ICICI Prudential Life Insurance (IPRU) reported 9.6% YoY growth in APE to INR36.16b. The protection and ex-ULIP individual savings segments declined YoY by 4.6% and 19.9%, respectively. ULIPs grew 77% YoY.
- VNB declined 26% YoY to INR7.8b (19% miss), due to a sharp correction in margins to 21.5% (down 140bp QoQ) vs. our estimate of 26%. In FY24, APE stood at INR90.5b (4.7% YoY) and VNB at INR22.3b (-20% YoY). VNB margin for FY24 stood at 24.6% (32% for FY23).
- Considering the 4Q performance, we have cut our estimates for APE and VNB margin for FY25 and FY26. We expect IPRU to deliver an 18% CAGR in VNB over FY24-26. Going ahead, the company's ability to sustain strong premium growth and VNB margins will be vital for re-rating of the stock. Retain BUY with a TP of INR700 (based on 1.7x Mar'26E EV).

Shift in product mix toward ULIPs

- IPRU's gross premium grew 16.6% YoY to INR151.5b (11% beat) in 4QFY24, with renewal/first-year/single premium up 16.6%/11.9%/20.7% YoY.
- PAT declined 26% YoY to INR1.7b (40% miss) in 4Q. FY24 PAT rose 5.1% to INR8.5b.
- APE grew 9.6% YoY to INR 36.16b in 4QFY24. The protection and non-par segments declined YoY by 4.6% and 19.9%, respectively. ULIPs grew 77% YoY. For FY24, APE grew 4.7% YoY to INR90.5b. Retail protection as a percentage of total APE came in at 5.3% in FY24 vs. 3.8% in FY23.
- VNB declined 26% YoY to INR7.8b (19% miss), driven by a sharp correction in margins. 4Q VNB margins stood at 21.5% (down 140bp QoQ) vs. our estimate of 26%. The decline in VNB margins was owing to 1) the shift in the mix toward ULIPs and Par products in the savings segment, and 2) high cost assumptions.
- In FY24, absolute VNB stood at INR22.3b (down 19.5% YoY), with VNB margin at 24.6% (vs. 32% in FY23).
- On the distribution side, the share of banca/agency/corp. agents & broker channels increased QoQ to 29.9%/32.1%/13.5% in 4Q. Direct and group channels declined QoQ to 13.1%/11.4% in 4QFY24.
- The share of ICICI Bank stood at 12-15%. The share was high in 4Q as the ULIP and protection business registered stronger growth.
- Cost-WRP declined 110bp YoY to 21.7% in 4Q. In FY24, cost-WRP increased 260bp YoY to 24%.
- On premium basis, persistency improved across cohorts. 49th month and 61st month persistency stood at 67.8% and 63.6%, respectively, in 4Q.
- In 4Q, AUM grew 17.1% YoY to INR2.94t, while the solvency ratio moderated to 191.8%.

Highlights from the management commentary

- In the ICICI Bank channel, ULIP and protection dominate and there is no change in strategy. The channel saw 45% growth in protection. Slow growth in 4Q was led by multi-insurer banks and non-bank partners, which focused mainly on the non-par segment.
- Of the 740bp decline in VNB margins for FY24, 410bp was due to change in operating assumption which was primarily on account of higher operating expenses. The company expects commissions to be stable, but operating leverage will be invested back into the business. The new product with a new commission structure does not have low VNB margin. Currently, the company is not changing the pricing of the product.
- **Guidance:** For FY25, business growth is expected to be ahead of the industry, and VNB growth is likely to be in line with business growth. Business growth will be primarily driven by proprietary channels of Agency and Direct, which have delivered better growth than the company level. If the product mix stays stable, VNB margin would be similar.

Valuation and view

IPRU delivered a weaker-than-expected performance in 4Q. Lower product-level margin remain a concern over the medium term. However, premium growth delivery would be key for valuation re-rating. While the business from the ICICI Bank channel has settled at 12-15% of the overall APE, strong growth in proprietary channels is expected to sustain, given the investments made over the past couple of years. Considering the 4Q performance, we have cut our estimates for APE/VNB margin for FY25 and FY26. We expect IPRU to deliver an 18% CAGR in VNB over FY24-26. Going ahead, strong premium growth and steady VNB margins would drive re-rating of the stock. Retain BUY with a TP of INR700 (based on 1.7x Mar’26E EV).

Quarterly performance (INR b)

Policy holder's A/c	FY23				FY24				FY24E
(INR b)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4QE
First year premium	10.4	14.4	13.8	26.3	10.2	15.3	15.3	29.5	41.0
Growth (%)	18.0%	-7.2%	-10.9%	32.9%	-1.5%	5.9%	11.3%	11.9%	55.7%
Renewal premium	38.9	56.4	57.5	72.3	41.6	58.9	60.8	84.3	82.4
Growth (%)	-5.9%	1.3%	5.7%	6.3%	6.8%	4.4%	5.7%	16.6%	14.0%
Single premium	23.3	28.1	26.5	31.3	21.9	30.1	26.7	37.8	13.6
Growth (%)	25.9%	16.8%	12.6%	6.9%	-5.9%	7.0%	0.9%	20.7%	-56.6%
Gross premium income	**72.6**	**99.0**	**97.8**	**129.9**	**73.7**	**104.3**	**102.8**	**151.5**	**137.0**
Growth (%)	5.7%	3.8%	4.7%	10.9%	1.5%	5.4%	5.2%	16.6%	5.4%
PAT	**1.6**	**2.0**	**2.2**	**2.3**	**2.1**	**2.4**	**2.3**	**1.7**	**2.9**
Growth (%)		-55.1%	-29.0%	27.2%	32.9%	22.4%	3.1%	-26.0%	21.7%
Key metrics (INRb)									
New Business APE	15.2	20.0	18.2	33.0	14.6	20.6	19.1	36.2	36.8
Growth (%)	24.7	1.1	-5.5	26.5	-3.9	3.2	4.7	9.6	11.5
VNB	4.7	6.2	6.2	10.6	4.4	5.8	4.4	7.8	9.6
Growth (%)	31.6	20.6	20.0	36.1	-7.0	-7.1	-29.4	-26.4	-9.4
AUM	2,301	2,443	2,519	2,512	2,664	2,719	2,867	2,942	3,133
Growth (%)	3.1	3.0	6.0	4.4	15.8	11.3	13.8	17.1	24.7
Key Ratios (%)									
VNB Margins (%)	31.0	31.1	33.9	32.0	30.0	28.0	22.9	21.5	26.0
Solvency ratio (%)	204	201	212	209	203	199	197	192	200

Cyient DLM

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	CYIENTDL IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	54.4 / 0.7
52-Week Range (INR)	884 / 401
1, 6, 12 Rel. Per (%)	-2/-12/-
12M Avg Val (INR M)	373
Free float (%)	33.3

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	11.9	16.0	21.2
EBITDA	1.1	1.7	2.5
Adj. PAT	0.6	1.2	1.7
EBITDA Margin (%)	9.3	10.6	11.6
Cons. Adj. EPS (INR)	7.7	14.6	21.9
EPS Gr. (%)	92.9	89.8	49.2
BV/Sh. (INR)	114.6	129.3	151.1
Ratios			
Net D:E	-0.4	-0.5	-0.6
RoE (%)	11.1	12.0	15.6
RoCE (%)	11.2	11.7	16.0
Valuations			
P/E (x)	89	47	31
EV/EBITDA (x)	45	29	19

Shareholding pattern (%)

As on	Mar-24	Dec-23
Promoter	66.7	66.7
DII	12.6	11.2
FII	7.0	6.3
Others	13.7	15.8

CMP: INR687 TP: INR840 (+22%) Buy

Revenue growth remains strong

- Cyient DLM (CYIENTDL) reported another quarter of strong revenue growth. Its revenue jumped ~30% YoY in 4QFY24, fueled by significant traction from the Defense (+78% YoY) and Aerospace (+52% YoY) verticals. However, EBITDA margin contracted 100bp YoY to 10.5%, primarily due to the increase in SG&A expenses.
- We broadly maintain our FY25/FY26 EPS estimates. **Reiterate BUY with a TP of INR840.**

Margin contracts YoY due to higher SG&A expenses; likely to improve from hereon

- CYIENTDL's consolidated revenue surged ~30% YoY to INR3.6b in 4QFY24 (est. of INR3.8b), primarily driven by the Defense/Aerospace/Med-Tech verticals with ~78%/52%/26% YoY growth. Conversely, Industrial declined ~57% YoY due to lower sales to a key client.
- The order book stood at ~INR21.7b as of 4QFY24 (down 5%/11% QoQ/ YoY). The muted 4QFY24 order book was due to lumpiness in the order book conversion, which is expected to be converted in FY25.
- EBITDA margin contracted 100bp YoY to 10.5%, primarily due to the increase in employee expenses (at ~9.9% of sales vs. ~9.6% in 4QFY23), as the company invested in strengthening the management team by hiring CXOs. This, coupled with ESOP-related expenses in 2Q/3QFY24, elevated the cost run rate. EBITDA grew 19% YoY to INR380m (est. of INR398m).
- Adjusted PAT jumped 81% YoY to INR227m (est. of INR238m), supported by high other income of INR83m in 4QFY24.
- For FY24, CYIENTDL's revenue/EBITDA/Adj. PAT grew 43%/26%/93% YoY to INR11.9b/INR1.1b/INR612m. Net cash outflow stood at INR705m vs. cash inflow of INR540m in FY23, while net debt declined 61% YoY to INR919m as of Mar'24.

Highlights from the management commentary

- **Guidance:** Management is targeting a 30% revenue CAGR over the next three years with an improving margin trajectory. CYIENTDL's RoCE is likely to reach 15% in a couple of years and ~25% over the next five years.
- Management is expecting an **order win** in 1QFY25, which will significantly increase the order backlog. The orders will be from existing as well as new logos added during FY24.
- **Working capital:** The company is aiming to reduce NWC days to 90 from 100 in FY25, by managing its inventory holding period, despite declining capital advances going ahead led by a lower order backlog from BEL (USD55m as of Mar'24 vs. USD95m as of Mar'23).

Valuation and view

CYIENTDL, being an integrated EMS and solutions provider in the rapidly growing critical end-user industries, is likely to capture its share of the pie, aided by its strong core competencies and high technical capabilities.

- Going forward, we expect CYIENTDL to sustain its growth momentum, supported by: 1) a strong order book coupled with healthy order inflows; 2) high customer stickiness; and 3) a strong promoter heritage.
- We estimate CYIENTDL to report a revenue/EBITDA/Adj. PAT CAGR of 33%/49%/68% over FY24-26.
- We broadly maintain our FY25/FY26 EPS estimates. **Reiterate BUY with a TP of INR840** (premised on 38x FY26 EPS).

Consolidated – Quarterly Earnings Model **(INR m)**

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	%
Gross Sales	**1,701**	**1,702**	**2,144**	**2,774**	**2,171**	**2,918**	**3,210**	**3,618**	**8,320**	**11,919**	**3,802**	**-5**
YoY Change (%)	NA	NA	NA	NA	27.6	71.5	49.7	30.5	15.5	43.2	37.1	
Total Expenditure	1,585	1,465	1,938	2,455	1,972	2,683	2,916	3,238	7,442	10,809	3,404	
EBITDA	**116**	**237**	**206**	**319**	**200**	**235**	**294**	**380**	**878**	**1,110**	**398**	**-4**
Margins (%)	6.8	13.9	9.6	11.5	9.2	8.1	9.2	10.5	10.6	9.3	10.5	
Depreciation	49	50	47	48	48	55	58	62	194	223	60	
Interest	67	78	85	86	91	76	83	94	315	344	70	
Other Income	85	-7	-2	-13	9	93	93	83	63	278	50	
PBT before EO expense	**85**	**102**	**73**	**172**	**70**	**198**	**247**	**307**	**432**	**821**	**318**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**85**	**102**	**73**	**172**	**70**	**198**	**247**	**307**	**432**	**821**	**318**	
Tax	22	31	15	46	16	51	63	80	114	209	80	
Rate (%)	25.4	30.4	21.3	26.9	23.3	25.9	25.3	25.9	26.5	25.5	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**63**	**71**	**57**	**126**	**54**	**147**	**184**	**227**	**317**	**612**	**238**	
Adj PAT	**63**	**71**	**57**	**126**	**54**	**147**	**184**	**227**	**317**	**612**	**238**	**-4**
YoY Change (%)	NA	NA	NA	NA	-15.2	106.4	222.9	80.7	-20.2	92.9	88.8	
Margins (%)	3.7	4.2	2.7	4.5	2.5	5.0	5.7	6.3	3.8	5.1	6.2	

23 April 2024

4QFY24Results Update | Sector: Logistics

Mahindra Logistics

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	MAHLOG IN
Equity Shares (m)	72
M.Cap.(INRb)/(USDb)	32.5 / 0.4
52-Week Range (INR)	493 / 347
1, 6, 12 Rel. Per (%)	9/6/-8
12M Avg Val (INR M)	132

Financial Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	55.1	67.6	83.9
EBITDA	2.3	3.2	4.3
Adj. PAT	-0.6	0.5	1.3
EBITDA Margin (%)	4.2	4.7	5.1
Adj. EPS (INR)	-8.2	6.4	18.0
EPS Gr. (%)	-322.8	-177.7	183.7
BV/Sh. (INR)	68.8	72.7	88.2
Ratios			
Net D:E	0.5	0.2	0.0
RoE (%)	-11.0	8.8	22.0
RoCE (%)	7.5	10.6	19.6
Payout (%)	-28.7	39.3	13.9
Valuations			
P/E (x)	NA	70.9	25.0
P/BV (x)	6.6	6.2	5.1
EV/EBITDA(x)	15.3	10.4	7.5
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	6.8	6.4	4.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	58.0	58.0	58.1
DII	17.4	15.7	18.7
FII	5.8	5.9	11.6
Others	18.8	20.3	11.7

FII Includes depository receipts

CMP: INR451 TP: INR420 (-7%) Neutral

In-line performance; improved Express performance enhances EBITDA

- Mahindra Logistics (MLL)'s 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). MLL posted a net loss of INR128m vs. INR8m in 4QFY23 (our estimate of INR6m loss).
- EBITDA was impacted by one-time charges relating to IT integration and provisions. APAT was hit by higher tax outgo. Losses in the Express business narrowed as capacity utilization improved in 4Q.
- The 4Q performance was largely in line with our estimates. Going forward, Express business losses are expected to decline as volumes improve, which should result in improvement in overall EBITDA for MLL. Strong order intake in the 3PL business should also support growth in the near to medium term. We marginally increase our FY26 EBITDA/PAT estimates by 2%/6% on an improved earnings outlook. We estimate a CAGR of 23%/37% in revenue/EBITDA over FY24-26. We reiterate our Neutral rating with a revised TP of INR420 (premised on 23x FY26E EPS).

Higher utilization in Express business improves EBITDA; targets EBITDA breakeven by 1HFY25 end

- B2B Express business (Rivigo) reported revenue of INR972m (-7% YoY) and EBITDA loss of INR148m (vs. EBITDA loss of INR224m in 4QFY23). Express business has ramped up its capacity utilization to 80%. A pickup in volumes and the benefits of network redesigning boosted EBITDA.
- The Express industry is expected to face challenges in the near term due to slow activity at ground level.
- The management remains optimistic about achieving EBITDA breakeven by the end of 1HFY25, and PAT breakeven is anticipated by the end of FY25.

Highlights from the management commentary

- Supply Chain Management (SCM) recorded revenues of ~INR13.7b (up 14.6% YoY) and EBIT loss of INR114m. Enterprise Mobility Services (EMS) reported revenues of INR784m (up 3.9% YoY) and EBIT of ~INR21.5m.
- In 4QFY24, the 3PL Contract Logistics business grew 15% YoY. Some operations faced higher start-up and manpower costs. However, order intake was strong at ~INR1.6b, with a focus on speeding up execution. One-time charges impacted the PAT of the 3PL business.
- In the B2B Express business, service levels are on track. The focus is on cost and network optimization, particularly load optimization in the south and east regions. Rivigo's focus on improving capacity utilization and sales efforts in 4Q led to margin improvement QoQ, with tonnage growth at 3.5% in 4Q.

Valuation and view

- With improvement in capacity utilization in the B2B Express business and strong order intake in 3PL, the growth outlook seems promising in the long term.
- We marginally increase our FY 26 EBITDA/PAT estimates 2%/6% on an improved earnings outlook. We estimate a CAGR of 23%/37% in revenue/EBITDA over FY24-26. We reiterate our Neutral rating with a revised TP of INR420 (premised on 23x FY26E EPS).

Quarterly snapshot INR m

Y/E March (INR m)	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs Est
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/ MI	-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	NA	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	

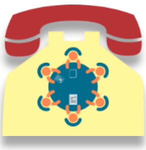
Tata Consumer Products

BSE SENSEX	S&P CNX
73,738	22,368

CMP: INR1173 — Buy

Operating performance in line with our estimates

Conference Call Details



Date: 24th April 2024
Time: 12:00pm IST
Registration:
Diamond Pass

Consolidated performance

- TATACONS reported an in-line revenue of INR39.3b, up 8.5% YoY in 4QFY24. EBITDA margin improved 190bp YoY to 16.0% (est. of 15.4%), fueled by a higher gross margin (up 430bp) of 46.1% vs. 41.8% in 4QFY23. EBITDA rose 23% YoY to INR6.3b (in line).
- The Indian branded business grew 10% YoY to INR24.8b, led by revenue growth of 3%/20% YoY in Indian branded beverage business/Indian food business to INR13.2b/INR11.6b. EBIT increased 3% YoY to INR3.2b during the quarter.
- International branded beverage revenue grew 7% YoY to INR10.5b with EBIT growth of 29% YoY to INR1.6b.
- Adj. PAT stood at INR3.8b (in line), up 38% YoY in 4QFY24.
- For FY24, the company's revenue/EBITDA/Adj. PAT grew 10%/23%/29% to INR152b/INR22.8b/INR14b.

Standalone performance

- Standalone revenue grew 13% YoY to INR26.1b, while EBITDA rose 8% YoY to INR4.0b in 4QFY24.
- For FY24, standalone revenue/EBITDA/Adj. PAT grew 11%/15%/10% to INR100b/INR16b/INR11.4b.

Note: Standalone figures have been restated to implement the Tata Coffee amalgamation from this quarter onwards.

Other subsidiaries

- For 4QFY24, the US coffee revenue grew 3% YoY to INR3.9b, while the International tea revenue was up 9% YoY to INR6.7b.
- For FY24, the US coffee revenue declined 2% YoY to INR14.6b, while the International tea revenue rose 17% YoY to INR24.7b.

Consolidated - Quarterly Earnings Model (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	(%)
Gross Sales	**33.3**	**33.6**	**34.7**	**36.2**	**37.4**	**37.3**	**38.0**	**39.3**	**137.8**	**152.1**	**39.6**	**-1**
YoY Change (%)	10.6	10.9	8.3	14.0	12.5	11.0	9.5	8.5	10.9	10.3	13.9	
Total Expenditure	28.7	29.3	30.2	31.1	32.0	32.0	32.3	33.0	119.3	129.2	33.5	
EBITDA	**4.6**	**4.3**	**4.5**	**5.1**	**5.5**	**5.4**	**5.7**	**6.3**	**18.6**	**22.8**	**6.1**	**3**
Margins (%)	13.7	12.9	13.1	14.1	14.6	14.4	15.0	16.0	13.5	15.0	15.4	
Depreciation	0.7	0.7	0.8	0.8	0.8	0.9	0.9	1.2	3.0	3.8	0.9	
Interest	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.9	1.3	0.3	
Other Income	0.4	0.3	0.5	0.6	0.6	0.9	0.6	0.4	1.7	2.5	0.6	
PBT before EO expense	**4.0**	**3.7**	**4.0**	**4.6**	**4.9**	**5.1**	**5.1**	**5.1**	**16.3**	**20.2**	**5.5**	
Extra-Ord expense	-0.2	1.1	0.8	-0.1	-0.1	-0.1	-0.9	-2.2	1.6	-3.3	0.0	
PBT	**3.8**	**4.8**	**4.8**	**4.5**	**4.9**	**4.9**	**4.2**	**2.9**	**17.9**	**17.0**	**5.5**	**-47**
Tax	1.0	1.3	1.1	1.0	1.3	1.3	1.1	0.3	4.5	3.9	1.5	
Rate (%)	27.1	26.3	23.4	23.2	26.7	26.8	25.2	8.8	24.9	23.3	27.0	
Minority Interest	0.2	0.6	0.1	0.2	0.2	0.3	0.2	0.0	1.2	0.7	0.0	
Profit/Loss of Asso. Cos.	0.0	0.3	-0.1	-0.6	-0.2	0.0	-0.1	-0.6	-0.3	-0.9	-0.2	
Reported PAT	**2.6**	**3.3**	**3.5**	**2.7**	**3.2**	**3.4**	**2.8**	**2.2**	**12.0**	**11.5**	**3.9**	**-44**
Adj PAT	**2.7**	**2.4**	**2.9**	**2.7**	**3.2**	**3.5**	**3.5**	**3.8**	**10.8**	**14.0**	**3.9**	**-2**
YoY Change (%)	45.4	-12.7	6.5	18.1	17.2	42.8	18.7	38.4	11.2	28.7	31.9	
Margins (%)	8.2	7.3	8.4	7.6	8.6	9.4	9.1	9.6	7.9	9.2	9.8	

360ONE WAM

BSE Sensex	S&P CNX
73,738	22,368

Conference Call details

[Link for the call](#)

Date: 24 Apr, 2024

Time: 2.00 pm

CMP: INR766 | Buy

Beat on profitability led by increased transactional income

- In 4QFY24, 360ONE's total revenue grew 46% YoY to INR5.7b (25% above our estimates). The beat was on account of a surge in TBR income (109% above our estimates), which jumped 91% YoY.
- Total AUM rose 37% YoY to INR4.67t, with continued focus on scaling up ARR assets. The ARR AUM jumped 36% YoY to INR2.28t, and the yields stood at 64bp in 4QFY24. The TBR AUM increased 38% YoY to INR2.39t, and yields jumped to 37bp from 18bp in 3QFY24.
- Total opex jumped 62% YoY to ~INR3b, which was 26% higher than our estimates. Higher employee costs (variable pay) and other administrative expenses resulted in a higher opex for the quarter. The cost-to-income ratio rose ~520bp YoY to 52.3% (vs. our est. of 51.9%).
- PAT grew 57% YoY to INR2.4b (26% above our estimates) in 4QFY24. For FY24, 360ONE's revenue/PAT grew 18%/23% YoY to INR18.5b/INR8.0b.
- The Board approved a dividend of INR3.5 per share.

Valuation and view

360ONE is looking to diversify its presence in the client segment (mass affluent) and geography (lower-tier cities). It is also building a global platform. However, the resultant investments in team building have kept the costs at elevated levels. The benefits of these investments are likely to be back-ended. We look to revise our estimates and TP after the concall on 24th Apr'24.

Quarterly performance

Y/E March	FY23				FY24				4QFY24E	Act. Vs Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Revenues	**3,747**	**3,825**	**4,150**	**3,929**	**4,060**	**4,270**	**4,400**	**5,740**	**4,585**	**25**
Change (%)	32.2	21.7	9.7	-7.1	8.4	11.6	6.0	46.1	16.7	
ARR Assets Income	3,017	2,843	3,053	2,797	3,240	3,110	3,390	3,580	3,551	1
TBR Assets Income	730	982	1,097	1,132	820	1,160	1,010	2,160	1,033	109
Operating Expenses	**1,670**	**1,794**	**1,863**	**1,850**	**2,090**	**2,140**	**2,310**	**3,000**	**2,380**	**26**
Change (%)	9.1	3.7	-16.1	-21.3	25.1	19.3	24.0	62.1	28.6	
Cost to Income Ratio (%)	44.6	46.9	44.9	47.1	51.5	50.1	52.5	52.3	51.9	36bps
Operating Profits	**2,077**	**2,031**	**2,286**	**2,079**	**1,970**	**2,130**	**2,090**	**2,740**	**2,205**	**24**
Change (%)	59.3	43.7	46.4	10.7	-5.1	4.9	-8.6	31.8	6.1	
Other Income	-60	225	-54	-78	290	140	270	500	150	
Profit Before Tax	**2,017**	**2,255**	**2,232**	**2,001**	**2,260**	**2,270**	**2,360**	**3,240**	**2,355**	**38**
Change (%)	33.6	19.1	12.7	-6.6	12.1	0.7	5.7	61.9	17.7	
Tax	449	512	517	447	403	408	429	803	424	
Tax Rate (%)	22.2	22.7	23.2	22.3	17.8	18.0	18.2	24.8	18.0	
PAT	**1,568**	**1,744**	**1,715**	**1,554**	**1,857**	**1,862**	**1,931**	**2,437**	**1,931**	**26**
Change (%)	34.2	21.5	12.0	-6.2	18.4	6.8	12.6	56.8	24.3	
PAT Margins (%)	41.9	45.6	41.3	39.6	45.7	43.6	43.9	42.5	42.1	33bps
Key Operating Parameters (%)										
AUM (INR b)	**3,147**	**3,333**	**3,447**	**3,408**	**3,827**	**4,125**	**4,539**	**4,669**	**4,665**	**0**
Change (%)	33.8	29.9	31.2	30.2	21.6	23.8	31.7	37.0	36.9	
ARR Assets	1,429	1,550	1,665	1,672	1,904	2,025	2,208	2,279	2,334	-2
TBR Assets	1,718	1,783	1,782	1,737	1,923	2,100	2,331	2,390	2,331	3
Yield on AUM - Calculated (%)	**0.52**	**0.47**	**0.49**	**0.46**	**0.45**	**0.43**	**0.41**	**0.50**	**0.40**	
ARR Assets	0.84	0.76	0.76	0.67	0.72	0.63	0.64	0.64	0.63	
TBR Assets	0.20	0.22	0.25	0.26	0.18	0.23	0.18	0.37	0.18	

MCX

BSE SENSEX	S&P CNX
73,738	22,368

Conference Call Details

Date: 24th April 2024
Time: 04:00pm IST
Dial In : +91 22 7115 8184

CMP: INR4,022 **BUY**

Weak revenue leads to a 5% miss on PAT; costs broadly in line

- MCX's overall volumes surged 97% YoY to INR83t. Total revenue grew 35% YoY to INR1.81b in 4QFY24 (~13.4% miss). The miss was likely due to the non-transaction revenue.
- Futures volume declined 15% YoY to INR11.1t (-16% QoQ), while options volume surged 148% YoY and 18% QoQ to INR71.6t during the quarter.
- Staff costs rose 31% YoY to INR307m (in line). Software expenses declined 73% YoY (in line) and 84% QoQ to INR233m.
- Overall EBIT came in at INR882m vs. our forecast of INR1,009m (~13% miss).
- Other income, at INR183m, dipped 9% YoY (in line).
- The company reported a PAT of INR878m vs. our expectation of INR923m (~5% miss).
- For FY24, MCX's revenue increased 33% YoY to INR6.84b, whereas its PAT declined 45% YoY to INR831m.
- The BOD declared a final dividend of INR7.64 per share.

Quarterly Performance

	FY23				FY24				FY24	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QFY24	(%/bp)
Sales	**1,088**	**1,274**	**1,436**	**1,338**	**1,458**	**1,651**	**1,915**	**1,811**	6,835	2,091	(13.4)
YoY Gr. (%)	24.2	53.1	60.3	25.6	34.0	29.6	33.4	35.4	33.1	56.3	
Staff Costs	227	229	229	234	253	274	290	307	1,123	305	0.7
Other expenses	368	389	879	1,083	1,098	1,664	1,822	484	5,069	616	(21.4)
EBITDA	493	656	327	21	107	-287	-197	1,020	643	1,170	(12.8)
Depreciation	58	58	43	58	43	66	113	138	359	161	(14.7)
EBIT	**435**	**598**	**285**	**-37**	**64**	**-353**	**-310**	**882**	**283**	1,009	(12.6)
Margins (%)	40.0	47.0	19.8	-2.8	4.4	-21.4	-16.2	48.7	4.1	48.2	
Interest Costs	1	0	1	1	1	1	1	1	3	0	
Other Income	93	182	201	201	204	189	177	183	754	188	(2.5)
PBT bef. exceptional items	**527**	**781**	**485**	**163**	**267**	**-164**	**-133**	**1,065**	**1,035**	**1,196**	(11)
Tax	106	135	90	86	58	16	-91	205	189	273	(24.9)
Rate (%)	20.1	17.2	18.5	52.6	21.6	-9.9	68.3	19.3	18.2	22.8	
Profit from associate	-6	-5	-7	-23	-13	-10	-11	19	-15	0.0	
PAT	**415**	**641**	**388**	**55**	**197**	**-191**	**-54**	**878**	**831**	**923**	(5)
Y-o-Y Gr. (%)	4	96	13	-85	-53	-130	-114	1,512	-44	1,594	
EPS (INR)	**8.2**	**12.6**	**7.6**	**1.1**	**3.9**	**-3.7**	**-1.1**	**17.3**	**16.3**	**18.1**	(5)
Total volumes (INR t)	**28.7**	**35.9**	**40.7**	**42.0**	**51.8**	**67.0**	**73.6**	**82.7**	**275.0**	**88.0**	(6.1)
Q-o-Q Gr. (%)	9.8	25.4	13.4	3.0	23.4	29.3	9.9	12.4		19.6	
Y-o-Y Gr. (%)	49.6	71.2	89.0	60.7	80.7	86.3	80.6	97.1	86.7	109.8	

Persistent : Healthy Outperformance in FY25 driven by Strong pipeline & Order book; Sandeep Kalra, CEO

- Margin should be seen in context of a bigger picture
- Goal remains to achieve $2bn Revenue & expand margin by 200-300 bps over 3 years
- Healthy Outperformance in FY25 given strong pipeline
- Hi-tech grew 1.6% (ex- top client) in FY24

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Kesoram : Merger with Ultratech to be completed in H2FY25; P Radhakrishnan, CEO

- EBITDA/t is at Rs500/tonne in FY24
- Prices fell sharply in march, have attempted to increase prices
- As funds get infused, expect Rs60 cr per annum EBITDA from rayon Biz
- Rs 200cr Fund infusion will be needed for rayon Biz

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Hatsun Agro : Target 15-20% growth in sales in next 2 years; RG Chandramogan, MD

- Target 15-20% growth in sales in next 2 years with improved margin
- Can see 100-150 bps improvement in margin
- Maharashtra is 9% of sales, Target 20% sales in the next few years
- On track to reduce debt to less than Rs500 cr by July 2025

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Mahindra Logistics : Confident about 18% ROE by FY26; Rampraveen Swaminathan, CEO

- Core business impacted by non-recurring one time charges
- Confident about Rs 10,000 cr revenue in by FY26
- Rivigo EBITDA will breakeven in H1FY25
- Double digit growth in FY25

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Team Lease : Need to rethink skillset for future needs; Rituparna Chakraborty, Co Founder

- Need to become more granular instead of broad-basing of skillsets
- Future generations need to realise that AI will become very important
- Working outside of the office ends up depleting social capital
- Need to rethink skillset for future generations needs

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UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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

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