Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	63,591	-0.4	4.5
Nifty-50	18,989	-0.5	4.9
Nifty-M 100	38,775	-0.3	23.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,238	1.1	10.4
Nasdaq	13,061	1.6	24.8
FTSE 100	7,342	0.3	-1.5
DAX	14,923	0.8	7.2
Hang Seng	5,860	0.0	-12.6
Nikkei 225	31,602	2.4	21.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	89	0.1	8.9
Gold ($/OZ)	1,983	-0.1	8.7
Cu (US$/MT)	8,030	0.0	-4.0
Almn (US$/MT)	2,217	-1.0	-5.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.3	0.0	0.7
USD/EUR	1.1	0.0	-1.3
USD/JPY	151.0	-0.5	15.1
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.4	0.00	0.0
10 Yrs AAA Corp	7.8	0.01	0.1
Flows (USD b)	**1-Nov**	**MTD**	**CYTD**
FIIs	-0.2	-2.87	12.1
DIIs	0.19	3.59	19.1
Volumes (INRb)	**1-Nov**	**MTD***	**YTD***
Cash	640	640	670
F&O	4,46,370	4,46,370	2,66,707

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Bharti Airtel: Growth moderates; low capex aids FCF

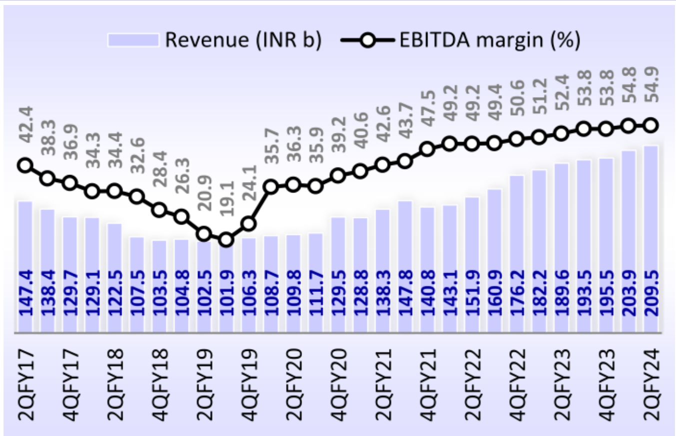
- Bharti reported moderate growth with India Mobile EBITDA growth of 3% QoQ on 1.5% ARPU increase. Consol EBITDA was flat QoQ led by devaluation in Naira. Capex reduced after seeing continued rise (India capex of INR57b vs INR105b in 1Q), improving FCF to INR54b vs INR35b in 1Q, thus enabling deleveraging of INR14b.
- In the near term, the stock could see soft earnings growth and subdued FCF growth due to limited potential of tariff hike, market share gain and 4G led mix benefit, along with elevated capex including upcoming spectrum renewal. But over the next 2-3 years, the company is well poised to gain from sector consolidation and tariff hikes. Reiterate our Buy rating on the stock.

Research covered

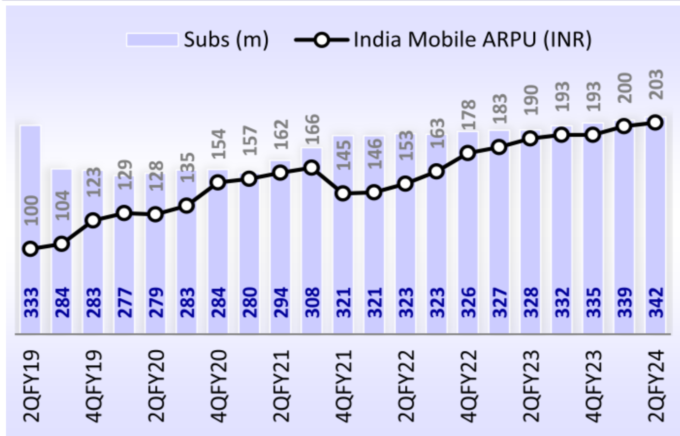
Cos/Sector	Key Highlights
Bharti Airtel	Growth moderates; low capex aids FCF
Sun Pharma	Superior execution drives broad-based revenue growth
IOCL	Weak petchem offsets marketing and refining gains
Godrej Consumer	In-line operating profit; focus on simplifying business
Other Notes	Ambuja Cements | Tata Consumer | Max Financial | Vedant Fashions | MRPL | Kaynes Technology | Amara Raja Enterprises | India Cements | Tata Steel | Britannia Industries | Hero Motocorp | Indraprastha Gas | LIC Housing Finance | Relaxo Footwear | Syrma SGS Technology | MAS Finance Services | JKumar Infra Projects | Automobiles | Oil & Gas | EcoScope (GST note)

Chart of the Day: Bharti Airtel (Growth moderates; low capex aids FCF)

India Mobile revenue up 3% QoQ led by ARPU growth



India Mobile subs/ARPU up 1% QoQ



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In the news today

Kindly click on textbox for the detailed news link

1

US Fed Policy: FOMC votes unanimously to keep key rates unchanged at 5.25-5.5% for second straight meeting

US Federal Reserve Policy: Rate-setting FOMC led by Fed Chair Powell voted unanimously to keep the key interest rates unchanged at 5.25-5.5 per cent for the second straight meeting as US inflation still remains below the 2-per cent target.

2

Tata Motors receives India's first auto PLI certificate in four-wheeled goods vehicle category

The Automotive Research Association of India (ARAI), a renowned research and development organization in the automotive sector, presented Tata Motors with the inaugural Production-Linked Incentive (PLI) certificate in the N1 category, which exclusively applies to four-wheeled goods vehicles

3

State Bank of India's debt sale could prove costly for other lenders: Bankers

The decision by State Bank of India, the country's top lender, to accept slightly higher-than-expected yields at its Tier-II bond sale on Wednesday is likely to push up the cost of borrowing for other lenders.

4

Tata Consumer to merge 3 wholly-owned subsidiaries - NourishCo, SmartFoodz and Soulfull

Tata Consumer Products Ltd has announced its intention to merge three of its wholly-owned subsidiaries: NourishCo Beverages, Tata SmartFoodz, and Tata Consumer Soulfull.

5

Airtel to reduce spectrum auction budget for two years, says MD Gopal Vittal

Bharti Airtel will be spending much less on the upcoming spectrum auctions and subsequent sales over the next couple of years, as it does not require additional airwaves, but will renew spectrum in a few circles.

6

Tax authorities demand additional Rs 3.4 crore from United Spirits for GST inconsistencies

United Spirits Limited on November 1 said tax authorities have demanded an additional Rs 3.4 crore from the company to compensate for the inconsistencies in tax paid during July-August 2017.

7

Unemployment rate in October rises to more than two-year high

unemployment rate climbed to the highest in more than two years in October as joblessness in rural areas increased.

Bharti Airtel

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	BHARTI IN
Equity Shares (m)	5673
M.Cap.(INRb)/(USDb)	5340.1 / 64.1
52-Week Range (INR)	961 / 736
1, 6, 12 Rel. Per (%)	2/9/5
12M Avg Val (INR M)	4518

Financials & Valuations (INR b)

INRb	FY23	FY24E	FY25E
Net Sales	1,391	1,516	1,650
EBITDA	713	800	881
Adj. PAT	76	114	172
EBITDA Margin (%)	51.2	52.8	53.4
Adj. EPS (INR)	13.6	20.5	30.7
EPS Gr. (%)	115	50	50
BV/Sh. (INR)	139	191	221
Ratios			
Net D:E	2.7	1.6	1.1
RoE (%)	10.5	12.4	14.9
RoCE (%)	10.0	9.1	11.2
Div. Payout (%)	0.0	0.0	0.0
Valuations			
EV/EBITDA (x)	10.2	8.7	7.5
P/E (x)	67.1	44.6	29.7
P/BV (x)	6.6	4.8	4.1
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	54.8	55.0	55.1
DII	19.8	19.7	18.9
FII	21.9	21.5	21.9
Others	3.5	3.8	4.1

FII Includes depository receipts

CMP: INR913 TP: INR1070 (+17%) Buy

Growth moderates; low capex aids FCF

- Bharti reported a moderate growth in 2QFY24, with India Mobile EBITDA up 3% QoQ on a 1.5% ARPU increase. Consol. EBITDA was flat QoQ, mainly due to the Naira devaluation. Capex declined in 2Q after increasing consistently (India capex at INR57b vs. INR105b in 1Q). As a result, FCF rose to INR54b vs. INR35b in 1Q, enabling a deleveraging of INR14b.
- In the near term, Bharti could see soft earnings growth and subdued FCF growth due to a limited potential for a tariff hike, market share gains and 4G-led mix benefits, along with high capex, including upcoming spectrum renewal. However, over the next 2-3 years, Bharti is well poised to gain from sector consolidation and tariff hikes. Retain BUY on the stock.

India Mobile and Africa EBITDA (CC) growth at 3%/6% QoQ

- **Currency devaluation impact:** Consol. revenue/EBITDA were hit by a 16% currency devaluation in Africa, resulting in a 1% drop in revenue to INR370b. Conversely, India/Africa CC revenue grew 2%/6% QoQ and EBITDA was up by 2%/7% QoQ (in line).
- **India growth moderates but matches RJio:** India Mobile's revenue/ EBITDA growth softened to 3% each (vs. 6% QoQ EBITDA growth in 1Q), led by a 1.5% ARPU increase (4G and postpaid-led mix benefits and higher no. of days) and 1% subscriber growth, partly offset by higher network opex with aggressive site adds.
- **Home business was the silver lining,** with 4% QoQ EBITDA growth (led by subscriber additions). The business has continued to grow steadily for the last 12 quarters. It has expanded to 1,234 cities vs. merely 100 cities in FY20, with 2.5x growth in subscribers in the last three years.
- **Moderation in capex improves FCF and deleveraging:** Capex declined INR105b QoQ (partly seasonal), which led to FCF generation of INR54b (post-interest). Subsequently, it repaid deferred spectrum liability. Net debt (excl. lease liability) reduced by INR13.6b to INR1,475b. If capex has peaked out, it could drive FCF further. Debt could be further reduced by 10% through INR160b in rights issue call money.
- **Superior network capability:** Bharti's data traffic and subscribers are each still >50% below RJio's. Yet, it continues to add strong broadband/overall sites (23k/11k), along with accelerated fiberization.
- **Soft revenue growth ahead:** Given the limited potential of tariff hikes, market share gains and 4G-led mix benefits, growth should moderate going ahead. However, long-term consolidation in the market holds Bharti in good stead.

Key highlights from the management commentary

- The monetization levers remain intact, aided by 1) a shift from feature phone to smartphone and from prepaid to postpaid, 2) data monetization and 3) price hikes. Bharti has achieved its ARPU goal of INR200 and now targets a long-term goal of INR300.

- Capex is expected to moderate in coming years as most of the capex will peak out in FY24, but the company may spend on spectrum renewal in the next fiscal. Radio capex is high because of the rollout of 5G and new 4G sites.
- Bharti has paid out a substantial portion of 2015 spectrum charge, carrying a 10% coupon rate. The outstanding balance is INR100b. Incremental FCF will be utilized for spectrum repayment and dividends.
- ARPU increased by INR3 in 2Q, out of which INR1.8 could be from one extra day and INR1.2 from organic growth. In addition, the delta between the 2G base plan (INR179) and the 4G entry-level plan (INR239) reduced to INR60, which left the lower upside compared to previous quarters.

Valuation and view

- In the near term, BHARTI's earnings could soften to a QoQ growth rate of ~2% vs. average 5% seen in the last eight quarters. It could be attributed to moderating growth from 4G mix benefits, low probability of tariff hikes and softening market share gains.
- These factors, along with increased capex intensity (INR377b in FY24E and INR394b in FY25E) for the 5G rollout, rural coverage and possible spectrum renewal spend, should moderate FCF generation and the pace of deleveraging in the near term. Subsequently, the stock may remain range-bound in the near term.
- However, over the next 2-3 years, it has the opportunity to grow its EBITDA by 40-50% and halve its net debt. It is well poised to gain from sector tailwinds coming from a combination of 1) market share gains, 2) improved ARPU led by premiumization of customers and tariff hikes, and 3) non-wireless segments, including Home and Enterprise.
- We value Bharti on FY25E basis, assigning an EV/EBITDA ratio of 10x/5x to the India Mobile/Africa business, and arrive at our SoTP-based TP of INR1,070. We reiterate our BUY rating on the stock.

Consolidated - Quarterly Earning Model **(INR b)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	Var (%)
Revenue	**328**	**345**	**358**	**360**	**374**	**370**	**381**	**390**	**1,391**	**1,516**	**385**	-3.7
YoY Change (%)	22.2	21.9	19.9	14.3	14.1	7.3	6.3	8.4	19.4	8.9	11.4	
Total Expenditure	163	169	174	173	178	175	179	183	679	716	183	-4.4
EBITDA	**165**	**176**	**185**	**187**	**196**	**195**	**202**	**207**	**713**	**800**	**201**	-3.0
YoY Change (%)	27.3	27.4	25.5	16.6	18.6	10.9	9.2	10.7	23.9	12.2	14.4	-24
Depreciation	88	89	93	94	97	97	102	108	364	404	107	-8.8
Net Finance cost	45	49	47	52	56	52	50	54	193	213	52	0.1
Other Income	4	6	-1	9	9	9	11	12	17	41	10	-9.4
PBT before EO expense	**36**	**43**	**44**	**50**	**53**	**55**	**60**	**56**	**172**	**224**	**53**	4.3
Extra-Ord expense	0	0	7	0	34	16	0	0	7	50	0	
PBT	**36**	**43**	**37**	**50**	**19**	**39**	**60**	**56**	**166**	**175**	**53**	-25.4
Tax	11	13	11	8	3	18	20	19	43	61	13	40.9
Rate (%)	31.3	30.2	29.2	15.7	18.0	46.9	33.5	33.5	25.8	34.9	24.8	
Minority Interest & P/L of Asso. Cos.	9	8	10	12	-1	8	10	15	39	32	10	
Reported PAT	**16**	**21**	**16**	**30**	**16**	**13**	**30**	**22**	**83**	**82**	**30**	-55.0
Adj PAT	**15**	**21**	**20**	**26**	**29**	**30**	**30**	**22**	**82**	**111**	**30**	-0.7
YoY Change (%)	469.4	245.7	147.0	39.4	91.3	44.2	51.0	-14.3	131.2	36.0	45.2	

E: MOFSL Estimates

2 November 2023

2QFY24 Results Update | Sector: Healthcare

Sun Pharma

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SUNP IN
Equity Shares (m)	2399
M.Cap.(INRb)/(USDb)	2678.1 / 32.2
52-Week Range (INR)	1170 / 922
1, 6, 12 Rel. Per (%)	0/8/3
12M Avg Val (INR M)	2478

Financials & valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	432.3	484.5	544.4
EBITDA	111.1	126.8	149.7
Adj. PAT	86.1	95.0	112.2
EBIT Margin (%)	19.9	20.7	22.3
Cons. Adj. EPS (INR)	35.8	39.5	46.6
EPS Gr. (%)	14.4	10.4	18.1
BV/Sh. (INR)	232.7	265.1	304.9
Ratios			
Net D:E	0.02	-0.03	-0.13
RoE (%)	16.6	15.9	16.4
RoCE (%)	11.5	12.5	13.5
Payout (%)	12.5	14.6	14.4
Valuations			
P/E (x)	31.2	28.3	24.0
EV/EBITDA (x)	23.7	20.6	16.9
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	-1.5	1.7	3.4
EV/Sales (x)	6.1	5.4	4.7

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	54.5	54.5	54.5
DII	19.7	19.8	19.7
FII	16.8	16.5	16.0
Others	9.1	9.3	9.8

FII Includes depository receipts

CMP: INR1,116 TP: INR1,310 (+17%) Buy

Superior execution drives broad-based revenue growth

R&D spending to increase in the coming quarters

- Sun Pharma (SUNP) delivered an in-line 2QFY24 financial performance. SUNP garnered healthy growth across specialty as well as branded generics businesses. It continues to implement its initiatives towards: a) an improvement in prescriptions for commercialized specialty products, and b) filing of new products as well as clinical trials for products under development.
- We retain our estimates for FY24/FY25. We continue to value SUNP at 26x 12M forward earnings to arrive at our TP of INR1,310.
- SUNP is well-positioned to reinforce its specialty franchise through the addition of new products, the expansion of its reach, and the superior implementation of its existing products. It continues to outperform both in the branded generics market of India (DF) and other emerging markets. **Reiterate BUY.**

Product mix benefit more than offset by higher opex YoY

- SUNP's sales grew 11% YoY to INR120b (in line). DF sales rose 11% YoY to INR38b (32% of sales). The US sales grew 8% YoY to INR35.5b (USD430m, up 4% in CC terms; 30% of sales). The ROW sales increased 18% YoY to INR17b (14% of sales). EM sales grew 13% YoY to INR23b (20% of sales) in 2QFY24.
- Global specialty sales rose 19% YoY to USD240m for the quarter.
- Gross margin expanded 180bp YoY to 76.8% in 2QFY24.
- EBITDA margin contracted 310bp YoY to 25.2% (in line) as superior product mix was more than offset by higher opex (employee expenses/other expenses up 110bp/380bp YoY as a % of sales).
- Accordingly, EBITDA was flat YoY at INR30.2b for the quarter.
- PAT declined 3% YoY to INR24b (in line).
- For 1HFY24, sales/EBITDA/PAT grew 12%/8%/9% YoY to INR324b/INR84b/ INR64b.

Highlights from the management commentary

- While specialty sales have been stable for three quarters now, the prescription trends in the US continue to gain momentum for Ilumya, Cequa and Odomzo.
- SUNP indicated an increased prescription scope for Winlevi as well going forward.
- Taro has maintained its continuity in business despite a critical situation in Israel.
- The YoY growth in the DF segment has been majorly driven by volume and partly supported by new launches/price hikes.
- SUNP has maintained its R&D guidance of 7-8% for FY24.
- The dispatches from Mohali have resumed post-implementation of the corrective measures.

Quarterly Performance (Consolidated) **(INR b)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Net Revenues	**106.4**	**108.1**	**110.0**	**106.7**	**117.9**	**120.0**	**122.7**	**124.0**	**431.2**	**484.5**	**120.1**	**-0.1**
YoY Change (%)	10.1	14.0	12.1	13.7	10.7	11.0	11.6	16.2	12.4	12.4	11.1	
Total Expenditure	80.2	77.5	82.3	81.0	86.1	89.8	91.4	90.5	321.1	357.8	89.8	
EBITDA	**26.2**	**30.5**	**27.6**	**25.7**	**31.7**	**30.2**	**31.3**	**33.5**	**110.1**	**126.8**	**30.3**	**-0.1**
YoY Change (%)	-2.6	19.2	7.6	21.2	21.1	-1.0	13.2	30.5	10.7	15.2	**-0.9**	
Margins (%)	24.6	28.3	25.1	24.1	26.9	25.2	25.5	27.0	25.5	26.2	25.2	
Depreciation	5.9	6.1	6.6	6.7	6.5	6.3	6.6	6.9	25.3	26.4	6.6	
EBIT	**20.3**	**24.5**	**21.0**	**19.0**	**25.2**	**23.9**	**24.7**	**26.6**	84.8	100.4	23.7	
YoY Change (%)	-7.1	20.3	4.4	21.4	24.1	-2.2	17.4	40.2	8.7	18.4	-3.1	
Interest	0.1	0.2	0.5	0.9	0.8	0.5	0.8	1.2	1.7	3.3	0.8	
Net Other Income	1.2	2.3	3.1	5.8	3.6	4.8	4.2	0.6	12.4	13.2	3.8	
PBT before EO Exp	**21.4**	**26.5**	**23.7**	**23.8**	**28.0**	**28.2**	**28.1**	**26.0**	**95.5**	**110.3**	**26.7**	**5.9**
Less: EO Exp/(Inc)	-1.5	2.4	-1.0	1.4	3.2	0.3	0.0	0.1	1.4	3.6	0.0	
PBT	**22.8**	**24.1**	**24.7**	**22.4**	**24.8**	**27.9**	**28.1**	**25.9**	**94.1**	**106.7**	**26.7**	
Tax	1.9	1.5	2.8	2.2	4.7	3.9	3.6	2.1	8.5	14.3	2.9	
Rate (%)	8.8	5.7	11.9	9.4	16.7	13.8	13.0	8.1	8.9	13.0	11.0	
PAT (pre Minority Interest)	**21.0**	**22.6**	**21.9**	**20.2**	**20.1**	**24.0**	**24.4**	**23.8**	**85.6**	**92.4**	**23.7**	
Minority Interest	0.3	0.0	0.2	0.3	-0.1	0.3	0.2	0.0	-0.9	0.4	0.1	
Reported PAT	**20.6**	**22.6**	**21.7**	**19.8**	**20.2**	**23.8**	**24.3**	**23.8**	**84.7**	**92.0**	**23.7**	**0.3**
Adj Net Profit*	**19.3**	**24.9**	**20.8**	**21.1**	**22.8**	**24.0**	**24.3**	**23.8**	**86.1**	**95.0**	**23.7**	**1.5**
YoY Change (%)	-3.4	21.5	9.3	33.6	18.5	-3.4	16.7	12.9	**14.4**	**10.4**	-4.8	
Margins (%)	18.1	23.0	18.9	19.8	19.4	20.0	19.8	19.2	19.7	19.0	19.7	

Key performance Indicators (Consolidated)

Y/E March	FY23E				FY24E				FY23	FY24E	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Domestic formulations (INRb)	33.9	34.6	33.9	33.6	35.6	38.4	36.6	36.3	136.0	146.9	36.7
YoY Change (%)	2.4	8.5	7.1	8.7	5.1	11.1	8.0	7.8	6.6	8.0	6.0
US sales (INRb)	32.4	32.9	34.7	35.3	38.7	35.5	37.1	40.7	135.4	152.0	36.3
YoY Change (%)	15.8	22.9	16.6	20.8	19.3	7.9	7.1	15.1	19.0	12.3	10.4
ROW (INRb)	33.6	35.1	36.7	33.9	37.5	40.4	42.2	38.4	139.4	158.5	39.8
YoY Change (%)	13.0	10.1	16.8	17.5	11.6	15.1	14.8	13.2	14.3	13.7	13.3
APIs (INRb)	6.0	4.7	5.2	3.9	5.4	5.0	6.1	9.1	19.7	25.6	6.6
YoY Change (%)	16.3	8.5	9.4	-6.9	-9.9	40.0	18.0	136.8	7.5	29.6	40.0
Cost Break-up											
RM Cost (% of Sales)	27.2	25.1	25.5	21.1	23.4	23.2	23.2	23.2	25.8	23.4	23.4
Staff Cost (% of Sales)	19.5	18.5	18.5	20.4	20.4	19.7	19.6	19.2	19.2	20.4	20.4
R&D Expenses(% of Sales)	4.3	5.3	6.1	6.2	5.8	6.4	7.0	10.6	5.5	5.8	5.8
Other Cost (% of Sales)	24.3	22.9	24.8	28.2	23.5	25.4	24.7	20.6	25.0	23.5	23.5
Gross Margins(%)	72.8	74.9	74.5	78.9	76.6	76.8	76.8	76.8	74.2	76.6	76.6
EBITDA Margins(%)	24.6	28.3	25.1	24.1	26.9	25.2	25.5	27.0	25.5	26.2	25.2
EBIT Margins(%)	19.1	22.6	19.1	17.8	21.4	19.9	20.1	21.4	19.7	20.7	19.7

IOCL

Estimate change	↑
TP change	⟷
Rating change	⟷

Bloomberg	IOCL IN
Equity Shares (m)	14121
M.Cap.(INRb)/(USDb)	1305.5 / 15.7
52-Week Range (INR)	101 / 68
1, 6, 12 Rel. Per (%)	5/8/30
12M Avg Val (INR M)	1141

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	8,418	9,580	11,153
EBITDA	307	726	410
Adj. PAT	117	431	185
Adj. EPS (INR)	8.5	31.3	13.5
EPS Gr. (%)	-54.5	268.3	-57.0
BV/Sh.(INR)	101.5	119.0	127.4
Ratios			
Net D:E	1.0	0.8	0.7
RoE (%)	8.6	28.4	10.9
RoCE (%)	8.2	16.3	7.2
Payout (%)	35.3	43.9	37.9
Valuations			
P/E (x)	10.9	3.0	6.9
P/BV (x)	0.9	0.8	0.7
EV/EBITDA (x)	7.3	3.5	6.3
Div. Yield (%)	4.9	14.9	5.5
FCF Yield (%)	28.8	28.6	10.3

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	51.5	51.5	51.5
DII	30.3	31.1	30.9
FII	7.8	7.7	7.2
Others	10.4	9.8	10.4

FII Includes depository receipts

CMP: INR93 TP: INR115 (+24%) Buy

Weak petchem offsets marketing and refining gains

- IOCL reported EBITDA of INR213b (up 4.3x YoY), in line with our estimate of INR210b, led by better-than-expected GRM at USD17.9/bbl (vs. our est. of USD14.9/bbl) and higher marketing GM at INR5.8/lit. (vs. our estimate of INR5/lit).
- Refining throughput came in line with our estimate at 17.8mmt (up 10% YoY). In the marketing segment, domestic sales volumes were also in line with our estimate at 21.9mmt (up 2% YoY).
- Singapore GRM has declined to USD3.3/bbl in 3QFY24 to date from USD9.8/bbl in 2QFY24, which may lead to a decline in the refining performance in the coming quarter. A decline in Russia crude discounts may also weigh on IOCL's performance in the ensuing quarter.
- OMCs are estimated to be generating marketing margin of INR8.2 on petrol and a marketing loss of INR3.8 on diesel in 3QFY24 to date. Margins may also be affected by retail fuel price cuts in the wake of upcoming elections and/or a rise in crude oil prices due to quota management by OPEC+.
- Petchem sales volumes increased by 53% YoY to 0.82mmt (vs. 0.54mmt in 2QFY23). Petchem EBIT came in at INR1.6b (below our est. of INR3.2b). Petchem margins have declined 13%/4% for PE/PP in 3QFY24 to date.
- Owing to a robust performance in 1HFY24, we increase our EBITDA/PAT estimates by 11%/13% for FY24 while keeping FY25 estimates broadly unchanged. The stock trades at 6.9x consolidated FY25E EPS and 0.7x FY25E P/BV. We retain our BUY rating on the stock, valuing it at 0.9x FY25E P/BV.

EBITDA, throughput and domestic sales in line with estimates

- Reported GRM at USD17.9/bbl beat our est. of USD14.9/bbl (USD8.3/bbl in 1QFY24). Refining throughput was in line with est. at 17.8mmt (up 10% YoY).
- Marketing margin (incl. inv.) at INR5.8/lit was above our est. of INR5/lit (INR8.7/lit in 1QFY24). Marketing volumes, excluding exports, were in line with our estimate at 21.9mmt (+2% YoY).
- Petchem EBIT came in at INR1.6b (below our est. of INR3.2b).
- EBITDA came in line with our est. at INR213.1b (up 4.3x YoY).
- PAT came in line at INR129.7b (net loss of INR2.7b in 2QFY23).

- **In 1HFY24**, EBITDA grew 4.7x YoY to INR435b, with PAT at INR267b (vs. net loss of INR23b in 1HFY23). 1HFY24 EBITDA stands at 71% of our FY24 estimates, while PAT stands at 79% of our FY24 estimates.
  - Refining throughput was up 4% YoY at 36.5mmt, with reported GRM at USD13.1/bbl (vs. USD25.5/bbl in 1HFY23). Marketing margin stood at INR7.3/lit (vs. -INR3.9/lit in 1HFY23).

- IOCL had a cumulative negative net buffer of INR2.2b as of 31st Mar'23 due to under recovery on LPG cylinders. The same has been recognized as part of revenue upon recovery in 1HFY24.
- The company has declared an interim dividend of INR5/share in 2Q.

Valuation and View

- IOCL is set to commission various projects over the next two years, which should boost growth further. The ongoing refinery projects are expected to be completed as follows: Panipat refinery (15mmtpa to 25mmtpa) by Sep'24, Gujarat refinery along with integration with LOBS and petchem (13.7mmtpa to 18mmtpa) by Aug'24, and Baruni refinery (6mmtpa to 9mmtpa) by Dec'24.
- Although SG GRM has declined to ~USD3.3/bbl in 3QFY24 to date (vs. USD9.8/bbl in 2QFY24), global refining net capacity additions in CY24 (0.6mnbopd) are trailing oil demand growth of 0.9mnbopd (as per IEA). We believe that this would support refining margin of IOCL going forward.
- The stock trades at 6.9x consolidated FY25E EPS of INR13.5 and 0.7x FY25E P/BV. We reiterate our BUY rating on the stock, valuing it at 0.9x FY25E P/BV to arrive at a TP of INR115.

Standalone - Quarterly Earning Model (INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**2242.5**	**2074.9**	**2047.4**	**2029.9**	**1975.3**	**1797.4**	**2913.9**	**3030.5**	**8394.7**	**9717.0**	**2099.1**	**-14%**
YoY Change (%)	89.0	53.2	22.8	14.5	-11.9	-13.4	42.3	49.3	40.3	15.8	1.2	
EBITDA	**43.0**	**50.1**	**52.9**	**143.5**	**221.6**	**213.1**	**115.2**	**114.3**	**289.5**	**664.2**	**209.5**	**2%**
Margin (%)	1.9	2.4	2.6	7.1	11.2	11.9	4.0	3.8	3.4	6.8	10.0	
Depreciation	28.5	29.6	31.0	29.5	31.5	32.8	33.3	35.6	118.6	133.2	33.3	
Forex loss	29.4	30.5	17.0	-9.9	0.0	0.0	0.0	0.0	67.0	0.0	0.0	
Interest	17.2	14.4	19.5	18.1	16.3	18.5	17.9	18.9	69.3	71.5	17.9	
Other Income	6.8	22.0	17.2	16.4	6.9	9.8	10.7	13.4	62.4	40.8	13.3	
PBT	**-25.3**	**-2.4**	**2.6**	**122.1**	**180.7**	**171.7**	**74.7**	**73.2**	**97.0**	**500.3**	**171.6**	**0%**
Tax	-5.4	0.3	-1.9	21.6	43.2	42.0	18.3	17.9	14.6	121.5	43.2	-3%
Rate (%)	21.2	-11.5	-74.6	17.7	23.9	24.5	24.5	24.5	15.0	24.3	25.2	
Adj PAT	**-19.9**	**-2.7**	**4.5**	**100.6**	**137.5**	**129.7**	**56.4**	**55.2**	**82.4**	**378.8**	**128.4**	**1%**
YoY Change (%)	PL	PL	-92.4	67.0	LP	LP	1158.7	-45.1	-65.9	359.6	LP	
Margin (%)	-0.9	-0.1	0.2	5.0	7.0	7.2	1.9	1.8	1.0	3.9	6.1	
Key Assumptions												
Refining throughput (mmt)	18.9	16.1	18.2	19.1	18.8	17.8	18.0	18.0	72.3	72.5	18.3	-3%
Reported GRM	31.8	19.2	12.9	15.3	8.3	17.9	10.0	10.0	19.8	11.6	14.9	20%
Domestic sale of refined products (mmt)	23.0	21.6	23.2	23.0	23.3	21.9	24.1	23.9	90.7	93.2	22.9	-4%
Marketing GM incld. inv. per litre (INR/litre)	-7.2	-0.7	0.7	2.7	8.7	5.8	4.1	4.1	-1.1	5.7	5.0	15%

1 November 2023
2QFY24 Results Update | Sector: Consumer

Godrej Consumer

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	GCPL IN
Equity Shares (m)	1022
M.Cap.(INRb)/(USDb)	996.8 / 12
52-Week Range (INR)	1102 / 794
1, 6, 12 Rel. Per (%)	2/2/12
12M Avg Val (INR M)	981

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	133.2	149.2	168.9
Sales Gr. (%)	8.5	12.0	13.2
EBITDA	24.3	29.9	35.8
EBITDA mrg. (%)	18.3	20.0	21.2
Adj. PAT	17.6	20.0	25.8
Adj. EPS (INR)	17.2	19.5	25.2
EPS Gr. (%)	-2.0	13.6	29.4
BV/Sh.(INR)	134.9	143.1	152.4
Ratios			
RoE (%)	13.9	14.0	17.1
RoCE (%)	14.1	14.3	16.5
Payout (%)	0.0	51.3	63.4
Valuations			
P/E (x)	56.8	50.0	38.6
P/BV (x)	7.2	6.8	6.4
EV/EBITDA (x)	41.0	32.9	27.3
Div. Yield (%)	0.0	1.0	1.6

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	63.2	63.2	63.2
DII	7.7	7.4	6.5
FII	23.5	23.5	24.4
Others	5.6	5.9	5.9

FII Includes depository receipts

CMP: INR975 TP: INR1,150 (+18%) Buy

In-line operating profit; focus on simplifying business

- GCPL's consolidated revenue and operating profit were in line with our estimates. Adj. PAT missed our estimate by 9.7% YoY, owing to higher tax rate.
- GP margin expanded by 700bp YoY/80bp QoQ to 54.9%. Notably, EBITDA margin improved 320bp YoY despite a 29% rise in consolidated ad-spends.
- RCCL sales improved significantly QoQ to INR1.42b. Brand integration is largely finalized, and cost synergies are anticipated in 2HFY24. Management expected RCCL business EBITDA to be positive in FY24 despite the scaling up of media investment and it is on track to achieve their full-year targets.
- Healthy earnings growth (EBITDA/PAT CAGRs in mid-20s over FY23-FY25E) is likely to be driven by: a) superior growth in highly profitable markets such as India and Indonesia; b) volume growth; and c) consistent capacity enhancement through capex in the organic portfolio. **We reiterate our BUY rating with a TP of INR1,150 (based on 45x FY25 EPS).**

Sales and operating profit in line; Adj. PAT miss due to higher tax rate

- 2QFY24 consolidated net sales grew 6.2% YoY to INR36.0b (est. INR36.4b).
- Gross profit grew 21.8% YoY to INR19.8b (est. INR19.4b). EBITDA rose 26% YoY to INR7.2b (est. INR7.2b), PBT increased by 31.5%YoY to INR6.3b (est. INR6.5b), and Adj. PAT was up 16.7% YoY at INR4.5b (est. INR4.9b).
- Consolidated comparable constant currency sales grew 16% YoY and the organic business grew 12% YoY in 2QFY24.
- Gross margins expanded 700bp YoY to 54.9% (est. 53.3%). However, higher ad spends (+180bp YoY to 10.2%), higher other expenses (+40bp YoY to 15.3%) and higher staff costs (+170bp YoY to 9.3%) restricted EBITDA margin expansion to 320bp YoY to 20.1% (est. 19.9%).
- Consolidated volumes grew 10% and organic volume grew by 6%.
- In 1HFY24, net sales/EBITDA/Adj. PAT grew 8.2%/27%/16.1%.
- The board has declared an interim dividend of INR5/share.
- **Exceptional items**: Stamp duty payment and other cost of INR36.4m for acquisition of RCCL business and INR89m for other restructuring costs.

Highlights from the management commentary

- GCPL posted 10% growth in reported volume, with organic volume up 6%. Although volumes came in slightly below our expectation, particularly in India, in the Household insecticide category.
- Revenue growth was lower than volume growth, primarily due to lower prices in personal wash, translation impact in Nigeria, and hyperinflation accounting in Argentina.
- Indonesia saw a robust quarter, with an impressive 11% growth in volume. For Africa, USA & Middle East business, volumes grew 3%. Latin America and SAARC had an excellent quarter and volume up by 28%.

- In Africa, there is an initial direction to simplify operations in select countries, specifically focused on dry hair or hair fashion. Over the next few months, GCPL will finalize the details of this simplification, including the disposal of certain assets.
- While there was no significant issue in the hair color segment, there is substantial local competition in soaps, especially in certain regions, such as parts of eastern Madhya Pradesh, Bihar, and Orissa, where local players have a notable presence.

Valuation and view

- There are no material changes to our FY24/FY25 EPS estimates.
- GCPL has improved India business sales growth in recent years. It delivered double-digit volume growth in 2QFY24 and is likely to deliver double-digit sales/EBITDA/PAT growth over FY23-25E. Disruptive innovations, access packs, and higher, but concentrated, ad-spends should result in consistently healthy growth in this high-margin and high-ROCE domestic business.
- The profitability outlook for the overseas business is steadily improving, driven by robust growth in Indonesia and the management's transition to an asset-like royalty model for specific African countries.
- **We reiterate our BUY rating with a TP of INR1,150** (based on 45x FY25E EPS) given robust earnings growth prospects and expected improvements in return ratios.

Quarterly Performance (Consolidated) **(INR m)**

Y/E March	FY23				FY24E				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales (including OOI)	**31,250**	**33,919**	**35,989**	**32,002**	**34,489**	**36,020**	**41,640**	**37,054**	**1,33,160**	**1,49,202**	**36,395**	-1.0
YoY change (%)	8.0	7.2	9.0	9.8	10.4	6.2	15.7	15.8	8.5	12.0	7.3	
Gross Profit	**14,558**	**16,238**	**18,408**	**16,928**	**18,534**	**19,771**	**22,069**	**19,168**	**66,132**	**79,542**	**19,399**	1.9
Margin (%)	46.6	47.9	51.1	52.9	53.7	54.9	53.0	51.7	49.7	53.3	53.3	
EBITDA	**5,326**	**5,743**	**7,675**	**6,648**	**6,818**	**7,234**	**8,411**	**8,017**	**24,305**	**29,898**	**7,243**	-0.1
Margins (%)	17.0	16.9	21.3	20.8	19.8	20.1	20.2	21.6	18.3	20.0	19.9	
YoY growth (%)	-12.8	-15.4	9.8	32.3	28.0	26.0	9.6	20.6	1.5	23.0	26.1	
Depreciation	571	533	573	686	763	609	659	578	2,363	2,609	720	
Interest	351	483	399	525	740	773	559	615	1,757	2,687	603	
Other Income	275	399	432	579	691	659	561	587	1,684	2,499	538	
PBT	**4,562**	**4,804**	**6,725**	**5,777**	**5,617**	**6,319**	**7,754**	**7,411**	**21,868**	**27,101**	**6,458**	-2.2
Tax	1,093	989	1,188	1,034	1,611	1,866	1,900	1,771	4,303	7,147	1,550	
Rate (%)	23.9	20.6	17.7	17.9	28.7	29.5	24.5	23.9	19.7	26.4	24.0	
Adj PAT	**3,470**	**3,815**	**5,538**	**4,743**	**4,006**	**4,453**	**5,854**	**5,640**	**17,566**	**19,954**	**4,908**	-9.3
YoY change (%)	-16.4	-20.6	7.8	23.6	15.5	16.7	5.7	18.9	-2.0	13.6	28.6	
Extraordinaries	-18	-227	-74	-222	-818	-125	-150	-178	-541	-1,271	-453	
Reported PAT	**3,451**	**3,589**	**5,463**	**4,521**	**3,188**	**4,328**	**5,704**	**5,462**	**17,025**	**18,683**	**4,455**	-2.9

E: MOFSL Estimate

Ambuja Cements

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	ACEM IN
Equity Shares (m)	1986
M.Cap.(INRb)/(USDb)	807.5 / 9.7
52-Week Range (INR)	598 / 315
1, 6, 12 Rel. Per (%)	-1/-3/-30
12M Avg Val (INR M)	3488
Free float (%)	36.9

Financial Snapshot (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	177.4	196.3	217.9
EBITDA	37.3	45.7	52.3
Adj. PAT	26.8	29.2	33.5
EBITDA Margin (%)	21.0	23.3	24.0
Adj. EPS (INR)	13.5	11.8	13.6
EPS Gr. (%)	6.2	-12.1	14.8
BV/Sh. (INR)	153.5	192.0	201.1
Ratios			
Net D:E	-0.2	-0.4	-0.4
RoE (%)	15.0	10.7	9.1
RoCE (%)	15.7	11.2	9.5
Payout (%)	26.0	38.0	33.1
Valuations			
P/E (x)	23.6	26.8	23.4
P/BV (x)	2.1	1.7	1.6
EV/EBITDA(x)	14.3	13.2	11.6
EV/ton (USD)	205	180	154
Div. Yield (%)	0.9	1.1	1.1
FCF Yield (%)	-0.3	-0.9	1.2

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	63.2	63.2	63.2
DII	15.5	14.4	16.5
FII	11.7	12.5	11.2
Others	9.6	9.9	9.2

FII Includes depository receipts

CMP: INR407 | TP: INR450 (+11%) | Neutral

Operating performance in line; volume below estimate

Capacity expansion of 19.2mtpa planned, largely to come after 2HFY25

- ACEM (standalone) EBITDA came in at INR7.7b vs. our estimate of INR8.1b due to lower-than-expected volume (5% miss). EBITDA/t came in at INR1,020 (est. INR1,010) and OPM stood at 19.5% (in line). However, adjusted PAT stood at INR6.4b (22% above our estimate), led by a sharp increase in 'other income' (up 8x YoY). Consolidated sales volume grew by a mere 2% YoY, indicating a market share loss for the group.
- The management reiterated its guidance of doubling grinding capacity to 140mtpa by FY28. The company outlined its grinding capacity addition plan of 19.2mtpa, which will largely be commissioned post 2QFY25 in a phased manner. The completion of Sanghi Industries' acquisition (likely to be completed in 3QFY24) and commissioning of a few capacities (1mtpa each at Ametha and Dahej) in 2HFY24 are expected to drive volume growth for the company.
- We upgrade our FY24 EPS estimates by 13%, given the higher 'other Income' while maintaining our EBITDA estimates. ACEM trades at 14.3x/13.2x/11.6x FY24E/FY25E/FY26E EV/EBITDA. We reiterate our Neutral rating with a TP of INR450 based on 14x Sep'25E EV/EBITDA.

Realization/t flat YoY; opex/t down 12% YoY

- ACEM's standalone revenue was up 8% YoY to INR40b (6% below our estimate) and EBITDA grew 2.5x YoY to INR7.7b (4% below our estimate). Adjusted net profit increased 4.6x YoY to INR6.4b (22% above our estimate). Sales volumes was up 8% YoY to 7.6mt (5% below our estimate).
- Realization/t was flat YoY (1% below our estimate). Opex/t declined 12% YoY, led by 8%/6%/29% YoY decline in variable/freight cost/other expense. Employee cost declined 3% YoY to INR1.5b.
- 1HFY24 revenue was up 13% YoY to INR87b, led by a 15% volume growth and 2% realization drop. EBITDA was up 73% YoY to INR17.2b and OPM was up 6.8pp YoY to 19.8%. Adjusted PAT was up 23% YoY to INR13b. OCF stood at INR12.3b vs. INR5.5b in 1HFY23. Capex stood at INR11.2b vs. INR4b in 1HFY23.

Highlights from the management commentary

- Consolidated volume growth of 2% YoY in 2QFY24 was lower than the industry growth. Its volume in two key markets (Himachal Pradesh and Central India) were adversely impacted due to heavy rains and flood. However, volume growth in Oct'23 was in double-digits.
- Kiln fuel cost fell 34% YoY to INR1.79/Kcal (INR2.07/Kcal in 1QFY24) and is expected to further come down, led by fuel mix and source optimization.
- The proposed acquisition of Sanghi Industries is expected to be completed by 3QFY24. The company will continue to have only two brands under the Adani Cement, i.e., Ambuja and ACC.

Valuation and view

- ACEM's (consolidated) cash balance declined INR1.65b (from Jun'23) to INR117b as of Sep'23, due to an increase in working capital and capex.
- Management continues to focus on cost-saving strategies; though its execution of its growth plan needs to be monitored. The stock trades at 14.3x/13.2x FY24E/FY25E EV/EBITDA. We reiterate our Neutral rating with a TP of INR450, based on 14x Sep'25E EV/EBITDA.

Standalone quarterly performance (INR b)

Y/E December/March	FY23*					FY24				FY23*	FY24E	MOFSL	Var.
	1Q	2Q	3Q	4Q	5Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**39.3**	**39.9**	**36.8**	**41.3**	**42.6**	**47.3**	**39.7**	**43.3**	**47.2**	**199.9**	**177.4**	**42.2**	0
Change (YoY %)	8.4	18.5	13.5	10.5	8.4	18.4	8.0	4.8	10.8	43.0	-11.2	15.1	
EBITDA	**7.9**	**6.8**	**3.1**	**6.3**	**7.9**	**9.5**	**7.7**	**9.0**	**11.1**	**32.2**	**37.3**	**8.1**	(4)
Margin (%)	20.2	17.1	8.5	15.2	18.5	20.1	19.5	20.8	23.5	16.1	21.0	19.1	35
Depreciation	1.5	1.5	1.6	1.6	2.0	2.3	2.3	2.3	2.4	8.3	9.3	2.1	7
Interest	0.2	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	1.3	1.6	0.3	32
Other Income	0.3	6.3	0.4	0.9	1.7	1.9	3.8	1.9	2.0	9.5	9.6	3.5	8
PBT before EO Item	**6.5**	**11.4**	**1.7**	**5.3**	**7.2**	**8.7**	**8.8**	**8.2**	**10.3**	**32.1**	**36.0**	**7.1**	24
Extraordinary Inc./(Exp.)	0.0	0.0	-0.2	-0.6	-0.8	0.0	0.0	0.0	0.0	-1.6	0.0	0.0	
PBT after EO Exp./(Inc.)	**6.5**	**11.4**	**1.6**	**4.6**	**6.4**	**8.7**	**8.8**	**8.2**	**10.3**	**30.6**	**36.0**	**7.1**	24
Tax	1.6	0.9	0.2	0.9	1.4	2.2	2.4	2.2	2.4	5.0	9.2	1.8	
Prior period tax adj and reversal	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.0	
Rate (%)	24.2	21.1	11.7	20.4	21.9	25.6	26.8	26.8	23.7	21.3	25.6	25.6	
Reported Profit	**4.9**	**10.5**	**1.4**	**3.7**	**5.0**	**6.4**	**6.4**	**6.0**	**7.9**	**25.5**	**26.8**	**5.3**	22
Adjusted PAT	**4.9**	**9.0**	**1.5**	**4.1**	**5.6**	**6.4**	**6.4**	**6.0**	**7.9**	**25.2**	**26.8**	**5.3**	22
Change (YoY %)	(25.6)	24.2	(65.9)	37.9	13.8	(28.2)	328.5	44.3	40.3	18.4	6.2	253.3	

Source: MOFSL, Company *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March; 2) Quarterly numbers of FY23 don't add up to full year numbers due to restatement of financials

Per tonne analysis

Y/E December/March	FY23*					FY24				FY23*	FY24E	MOFSL	Var.
	1Q	2Q	3Q	4Q	5Q	1Q	2Q	3QE	4QE			2QE	(%)
Volume	7.49	7.39	7.04	7.71	8.07	9.08	7.58	8.19	8.70	37.78	33.55	7.99	(5)
Change (YoY %)	3	15	14	8	8	23	8	6	8	12	11	13	
Blended Realization	**5,243**	**5,404**	**5,220**	**5,352**	**5,273**	**5,209**	**5,235**	**5,285**	**5,423**	**5,290**	**5,289**	**5,285**	(1)
Change (YoY %)	4.8	2.9	-0.1	2.6	0.6	-3.6	0.3	-1.2	2.8	2.2	0.0	1.4	
Raw Material	708	435	419	970	1,077	972	958	950	952	732	959	940	2
Staff Cost	205	221	219	207	208	187	196	200	156	212	184	194	1
Power and fuel	1,377	1,786	2,010	1,570	1,281	1,290	1,273	1,240	1,195	1,592	1,249	1,260	1
Freight	1,160	1,224	1,193	1,084	1,155	1,153	1,124	1,135	1,135	1,160	1,137	1,145	(2)
Other expenditure	732	810	934	710	574	563	663	660	710	750	647	735	(10)
Total cost	**4,183**	**4,478**	**4,775**	**4,540**	**4,296**	**4,164**	**4,215**	**4,185**	**4,148**	**4,445**	**4,176**	**4,274**	(1)
EBITDA	**1,059**	**926**	**445**	**812**	**977**	**1,045**	**1,020**	**1,100**	**1,275**	**845**	**1,112**	**1,011**	1

Source: MOFSL, Company *Note: 15-month period due to change in accounting year from December to March

Tata Consumer Products

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	TATACONS IN
Equity Shares (m)	922
M.Cap.(INRb)/(USDb)	838.9 / 10.1
52-Week Range (INR)	928 / 685
1, 6, 12 Rel. Per (%)	6/13/12
12M Avg Val (INR M)	1116
Free float (%)	65.6

Financials & valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	137.8	153.7	167.5
EBITDA	18.6	22.0	25.8
Adj. PAT	10.8	13.9	17.9
EBITDA Margin (%)	13.5	14.3	15.4
Cons. Adj. EPS (INR)	11.7	14.6	19.4
EPS Gr. (%)	10.3	25.1	32.9
BV/Sh. (INR)	175.2	185.9	205.1
Ratios			
Net D:E	-0.1	-0.1	-0.2
RoE (%)	6.9	8.2	9.8
RoCE (%)	9.5	11.2	13.0
Payout (%)	46.7	45.0	34.9
Valuations			
P/E (x)	77.4	61.9	46.6
EV/EBITDA (x)	43.6	36.8	31.0
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	1.4	0.4	1.5

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	34.4	34.4	34.7
DII	16.9	16.3	14.9
FII	25.3	25.5	25.7
Others	23.4	23.8	24.8

Note: FII includes depository receipts

CMP: INR903 TP: INR1,040 (+15%) Buy

International business drives operating performance

Operating performance in line

- Tata Consumer Products (TATACONS) reported ~11% YoY revenue growth, driven by a strong traction in India food business (up 16% YoY) and NourishCo (up 25% YoY). EBIT grew 22% YoY to INR4.4b in 2QFY24 led by a healthy performance of the International business (EBIT up 60% YoY due to pricing interventions and savings from restructuring).
- We retain our FY24/FY25 EPS estimates. **Reiterate BUY with an SoTP-based TP of INR1,040.**

India food business along with NourishCo drives sales

- TATACONS reported revenue of INR37.3b in 2QFY24 (est. INR37.4b), up 11% YoY. EBITDA margin improved 150bp YoY to 14.4% (est. 14.3%) due to 70bp lower other expenses (incl. A&SP) as a % of sales (combined) and higher gross margin at 42.5% (vs. 41.7% in 2QFY23). EBITDA jumped 24% YoY to INR5.4b (est. INR5.3b) during the quarter.
- The Indian branded business grew 11% YoY to INR24b, fueled by 8%/16% YoY revenue growth of Indian branded beverage/Indian food businesses to INR13.4b/INR10.7b. EBIT rose 7% YoY to INR3.3b during the quarter.
- Volumes in India Beverages/Foods grew 3%/6% YoY in 2QFY24. The salt segment's revenue increased 8% YoY on a higher base of last year. The Tata Sampann portfolio jumped 47% YoY, aided by a robust volume growth and strong traction within dry fruits.
- NourishCo witnessed revenue growth of ~25% YoY to INR1.7b in 2QFY24, despite facing unfavorable weather conditions. Tata Starbucks' revenue grew 14% YoY. The business remained profitable at EBIT-level despite a rapid expansion of its store network.
- International branded beverage revenue grew 13% YoY to INR9.5b, with EBIT growth of 60% YoY to INR958m fueled by pricing action, better performance within the UK business, and savings from restructuring.
- Adj. PAT stood at INR3.5b (est. INR3.4b), up 43% YoY.
- For 1HFY24, revenue/EBITDA/Adj. PAT grew by 12%/21%/29% to INR74.7b/ INR10.8b/INR6.7b.

Highlights from the management commentary

- **Tea:** TATACONS reported a blip in market share (down 95bp YoY) as tea prices declined. However, management expects to make up for the lost share going ahead, as tea prices have stabilized now.
- **NourishCo** remains on track to achieve INR10b of revenue in FY24. TATACONS launched its energy drink and sports drink at a low price point of ~INR10 in 2Q.
- **Guidance:** TATACONS will continue to focus on double-digit revenue growth and improved EBITDA margins, which will mainly be led by the growth businesses. The company is targeting mid-single-digit volume growth for its traditional business.

Valuation and view

- TATACONS is following a two-pronged growth approach: 1) focusing on new growth engines such as Tata Sampann, NourishCo, Tata Soulfull, and the ready-to-eat/ready-to-consume business (Tata Smartfoodz); and 2) rapidly scaling up its distribution network along with digitization prowess across the supply chain, which will drive the next leg of growth.
- We expect a revenue/EBITDA/PAT CAGR of 10%/18%/28% over FY23-25. We retain our FY24/FY25E EPS. **Reiterate BUY with an SoTP-based TP of INR1,040.**

Consolidated - Quarterly Earning Model (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2Q	(%)
Gross Sales	**33.3**	**33.6**	**34.7**	**36.2**	**37.4**	**37.3**	**38.9**	**40.1**	**137.8**	**153.7**	**37.4**	**0**
YoY Change (%)	10.6	10.9	8.3	14.0	12.5	11.0	11.9	10.8	10.9	11.5	11.1	
Total Expenditure	28.7	29.3	30.2	31.1	32.0	32.0	33.4	34.5	119.3	131.8	32.0	
EBITDA	**4.6**	**4.3**	**4.5**	**5.1**	**5.5**	**5.4**	**5.5**	**5.6**	**18.6**	**22.0**	**5.3**	**0**
Margins (%)	13.7	12.9	13.1	14.1	14.6	14.4	14.2	14.1	13.5	14.3	14.3	
Depreciation	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0	3.0	3.7	0.8	
Interest	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.9	0.9	0.2	
Other Income	0.4	0.3	0.5	0.6	0.6	0.9	0.6	0.7	1.7	2.7	0.3	
PBT before EO expense	**4.0**	**3.7**	**4.0**	**4.6**	**4.9**	**5.1**	**5.0**	**5.1**	**16.3**	**20.1**	**4.6**	
Extra-Ord expense	-0.2	1.1	0.8	-0.1	-0.1	-0.1	0.0	0.0	1.6	-0.2	0.0	
PBT	**3.8**	**4.8**	**4.8**	**4.5**	**4.9**	**4.9**	**5.0**	**5.1**	**17.9**	**19.9**	**4.6**	**6**
Tax	1.0	1.3	1.1	1.0	1.3	1.3	1.3	1.4	4.5	5.4	1.2	
Rate (%)	27.1	26.3	23.4	23.2	26.7	26.8	27.0	27.0	24.9	26.9	27.0	
Minority Interest	0.2	0.6	0.1	0.2	0.2	0.3	0.0	0.0	1.2	0.5	0.3	
Profit/Loss of Asso. Cos.	0.0	0.3	-0.1	-0.6	-0.2	0.0	0.0	-0.2	-0.3	-0.3	0.3	
Reported PAT	**2.6**	**3.3**	**3.5**	**2.7**	**3.2**	**3.4**	**3.6**	**3.6**	**12.0**	**13.8**	**3.4**	
Adj PAT	**2.7**	**2.4**	**2.9**	**2.7**	**3.2**	**3.5**	**3.6**	**3.6**	**10.8**	**13.9**	**3.4**	**2**
YoY Change (%)	45.4	-12.7	6.5	18.1	17.2	42.8	24.2	30.7	11.2	28.3	39.9	
Margins (%)	8.2	7.3	8.4	7.6	8.6	9.4	9.4	8.9	7.9	9.0	9.2	

MAX Financial Services

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	MAXF IN
Equity Shares (m)	345
M.Cap.(INRb)/(USDb)	305 / 3.7
52-Week Range (INR)	968 / 599
1, 6, 12 Rel. Per (%)	0/33/19
12M Avg Val (INR M)	900

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Gross Premiums	253.4	287.7	331.6
Sh. PAT	4.4	5.8	6.8
NBP gr - unwtd (%)	13.3	11.0	16.0
NBP gr - APE (%)	11.3	11.9	16.0
Premium gr (%)	13.1	13.5	15.3
VNB margin (%)	31.2	27.1	28.1
Op. RoEV (%)	22.1	20.0	20.0
Total AUMs (INRb)	1,229	1,474	1,714
VNB(INRb)	19.5	18.8	22.6
EV per Share	377	455	545
Valuations			
P/EV (x)	3.0	2.5	2.1
P/EVOP (x)	15.7	15.1	12.6

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	6.5	10.2	14.7
DII	35.1	34.4	31.7
FII	51.5	48.5	45.8
Others	6.8	7.1	7.8

FII Includes depository receipts

CMP: INR884 TP: INR900 (+2%) Neutral

PAT beat of 36%; VNB margins contract 615bp YoY

RoEV to sustain at 20%

- MAX Financial Services (MAXLIFE) reported a healthy PAT of INR1.6b in 2QFY24 (36% beat) with APE/VNB growth of 39%/12% YoY.
- In 2QFY24, total APE grew 39% YoY to INR16.5b (in line). Absolute VNB grew 12% YoY to INR4.2b (16% miss) and VNB margins came in at 25.2% in 2QFY24 (declined 615bp YoY, our estimate of 30.1%).
- Margin pressure was seen in ULIPs, owing to the new product (index fund), which has lower margins. Annuity margins were lower due to the change in the mix within the segment.
- We have cut our absolute VNB estimate by 6.2%/3.8% for FY24/25, resulting in a VNB margin of 28.1% in FY25 (vs. 29.2% earlier). We reiterate our **Neutral rating on the stock with a TP of INR900, premised on 2.0x Mar'25E EV and a holding company discount of 20%.**

Margins declined due to higher share of par products and pressure on ULIP margins

- Gross written premium grew ~14% YoY (in line) in 2QFY24. New business premium increased 28% YoY, led by 38% YoY growth in first year premium. Renewal premium grew 8% YoY (in line). Shareholders PAT (pre-tax) surged 196% YoY to INR1.6b (36% beat).
- In 2QFY24, total APE grew 39% YoY to INR16.5b (in line). All products witnessed YoY growth, with par products reporting exponential growth of 93% YoY and 107% QoQ. Retail protection was up 92% YoY/80% QoQ. Group protection grew 52% YoY, but declined 19% QoQ. Total protection increased 72% YoY, while ULIP business grew 43% YoY. Non-par savings stood flat YoY, but rose 9% QoQ.
- On a YoY basis, the business mix moved in favor of par products with a 24% share (vs. 17%), while that of Non-par savings declined to 28% in 2QFY24 from 38% in 2QFY23.
- Absolute VNB grew 12% YoY to INR4.2b (16% miss) and VNB margins came in at 25.2% in 2QFY24 (declined 615bp YoY, our estimate of 30.1%). AUM grew ~18% YoY to INR1.34t.
- On the distribution side, Banca APE/Proprietary Channels grew 30%/57% YoY.
- On the cost front, the opex-to-GWP ratio increased 180bp YoY to 22.8%.

Highlights from the management commentary

- The company has maintained its guidance of 27-28% VNB Margins for FY24. Beyond FY24, margin should improve ~100-150bp. The increase in margins will occur due to introduction of new products, leading to a rise in the share of non-par products.

- Max Life also ventured into Health space by launching Max Life “Secure Earnings and Wellness Advantage Plan” (SEWA). This plan provides fixed benefits tailored to address the areas of Death, Heath, and Savings. It marks an industry first, featuring a customized wellness ecosystem (Max Fit App) to meet the diverse needs of its customers.
- The counter share with Axis bank has been stable at ~70% (Axis channel grew 28% in 2QFY24 and 12% in 1HFY24), while with Yes bank it has been stable at ~58%.

Valuation and view

Valuation and view: MAXLIFE reported a healthy trend in total APE, driven by strong traction in all segments, except Non-par. Overall, the decline in the share of non-par was offset by higher share of par and protection. APE for Proprietary/Banca channels grew 50%/30% YoY in 2QFY24. The banca and proprietary channels maintained strong trends. VNB margin contracted to 25.2%, whereas Persistency trends were stable. We have cut our absolute VNB estimate by 6.2%/3.8% for FY24/25, resulting in a VNB margin of 28.1% in FY25 (vs. 29.2% earlier). We reiterate our **Neutral stance on the stock with a TP of INR900, premised on 2.0x Mar’25E EV and a holding company discount of 20%.**

Quarterly performance

Policy holder's A/c (INR b)	FY23				FY24				FY23	FY24E	FY24E	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	
First Year premium	9.2	11.1	14.6	24.1	9.9	15.3	17.2	23.7	59.0	66.1	15.5	-1%
Growth (%)	*14.2%*	*-9.3%*	*-5.5%*	*38.3%*	*8.0%*	*37.7%*	*18.0%*	*-1.7%*	*10.9%*	*12.1%*	*39.0%*	
Renewal premium	26.2	39.1	40.2	58.3	30.1	42.0	49.0	67.2	163.8	188.3	44.1	-5%
Growth (%)	*16.7%*	*12.9%*	*17.5%*	*8.4%*	*15.1%*	*7.5%*	*21.7%*	*15.1%*	*12.9%*	*14.9%*	*12.8%*	
Single premium	5.7	7.8	8.0	9.1	8.7	8.9	8.7	7.1	30.6	33.3	8.8	1%
Growth (%)	*30.1%*	*21.3%*	*26.9%*	*4.0%*	*52.8%*	*14.2%*	*7.7%*	*-22.1%*	*18.3%*	*8.9%*	*12.9%*	
Gross premium income	**41.0**	**58.0**	**62.8**	**91.5**	**48.7**	**66.3**	**74.8**	**97.9**	**253.4**	**287.7**	67.3	-2%
Growth (%)	*17.8%*	*8.8%*	*12.2%*	*14.4%*	*18.7%*	*14.2%*	*19.0%*	*7.0%*	*13.1%*	*13.5%*	*16.1%*	
PAT	**0.9**	**0.5**	**2.9**	**0.7**	**1.0**	**1.6**	**1.7**	**2.0**	**4.4**	**5.8**	**1.2**	**36%**
Growth (%)	18.2%	-25.4%	155.7%	-56.5%	13.2%	196.2%	-43.7%	191.5%	13.1%	28.8%	117.3%	
Key metrics (INRb)												
New Business APE	10.1	11.9	15.1	25.4	11.1	16.5	18.1	23.7	62.0	69.5	16.4	1%
Growth (%)	15.3	-7.2	-5.2	38.2	10.3	38.8	19.6	-6.5	11.3	11.9	37.3	
VNB	2.1	3.7	5.9	7.7	2.5	4.2	5.1	7.1	19.5	18.8	4.9	-16%
Growth (%)	23.8	-0.3	49.7	31.4	16.0	11.5	-14.7	-7.3	27.6	-3.4	32.0	
AUM (INRb)	1,071	1,134	1,184	1,229	1,291	1,342	1,398	1,474	1,229	1,474	1,348	0%
Growth (%)	14.3	13.3	15.5	14.3	20.5	18.4	18.1	20.0	14.3	20.0	18.9	
Key Ratios (%)												
VNB Margins (%)	21.1	31.3	39.3	30.3	22.2	25.2	28.0	30.1	31.2	27.1	30.1	-493
Solvency ratio (%)	196.0	196.0	200.0	190.0	188.0	184.0	189.0	184.6	192.7	184.6	191.0	-700

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2QFY24 Results Update | Sector: Retail

Vedant Fashions

Estimate change	↓
TP change	↓
Rating change	↓

Bloomberg	MANYAVAR IN
Equity Shares (m)	243
M.Cap.(INRb)/(USDb)	315.4 / 3.8
52-Week Range (INR)	1461 / 1058
1, 6, 12 Rel. Per (%)	0/-3/-15
12M Avg Val (INR M)	199

Financials & Valuations Consol (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	13.5	14.5	17.4
EBITDA	6.7	7.2	8.5
Adj. PAT	4.3	4.5	5.5
EBITDA Margin (%)	49.5	49.4	49.0
Adj. EPS (INR)	17.7	18.4	22.5
EPS Gr. (%)	36.2	4.3	22.2
BV/Sh. (INR)	55.9	66.6	79.7
Ratios			
Net D:E	(0.4)	(0.4)	(0.5)
RoE (%)	34.6	29.2	29.8
RoCE (%)	29.6	25.8	26.2
Payout (%)	50.9	40.0	40.0
Valuations			
P/E (x)	73.6	70.5	57.7
EV/EBITDA (x)	47.5	44.2	36.8
EV/Sales (X)	23.5	21.8	18.0
Div. Yield (%)	0.7	0.6	0.7
FCF Yield (%)	1.5	1.5	1.9

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	75.0	75.0	84.9
DII	14.9	15.6	9.7
FII	6.7	6.3	3.4
Others	3.5	3.2	2.0

FII Includes depository receipts

CMP: INR1,300 TP: INR1,250 (-4%) Downgrade to Neutral

Earning trajectory remains weak

- Vedant Fashions (VFL) saw a weak quarter with revenue/PAT declining 12%/29% YoY (16% miss), owing to a shift in the festive period and reduced number of weddings. This resulted in sales to customer and same-store sales declining 8.2%/18% YoY, partially offset by 7% store additions.
- We have revised down our FY24/25E PAT by 5%, on the back of weak consumption trends, factoring revenue/PAT CAGR of 13%, led by footprint expansion. The rich valuations of 57.7x P/E on FY25E and concerns around demand revival leave limited upside potential. Subsequently, we downgrade the stock to Neutral, with a TP of INR1,250.

EBITDA/PAT down 20%/29% YoY (miss) due to weaker revenues

- Consolidated revenues for 2QFY24 declined 12% YoY to INR2.2b (8% miss).
- Sales to customers declined 8.2% YoY to INR2.7b. This decrease could be attributed to a shift in the festive season and a notable decrease in the number of weddings nationwide during the quarter. However, the management remains optimistic about the overall business outlook for the year, driven by the prospects in the H2 period.
- Same-store sales declined 17.7% on a YoY basis.
- Gross profit declined 15% YoY to INR1.6b (11% miss) with Gross margins at 73.6% (vs. 75.8% estimated). Gross margins (incl. Job Work) contracted 10bp YoY to 66.4%.
- Employee cost grew 8% YoY to INR146m, while 'other expenses' declined 12% YoY to INR533m (5%/10% below the estimated values, respectively).
- As a result, EBITDA declined 20% YoY to INR928m (12% miss), dragged by lower revenues and GM, partially offset by the implementation of robust cost-control measures. EBITDA margins contracted sharply by 420bp YoY to 42.5%.
- Depreciation/Finance cost grew 30%/38% YoY, while 'other income' increased 56% YoY to INR151m.
- Consequently, PAT reported a sharp decline of 29% on a YoY basis to INR487m (16% miss).

Highlights from the management commentary

- Subdued demand during the quarter was mainly due to a shift in wedding dates and slowdown in discretionary demand. The management expects the festive period and the higher number of weddings in 2HFY24 to compensate for the weak 1HFY24.
- Apart from adding 35,000 sq.ft., the company renovated ~0.1m sq.ft. area to capitalize on the upcoming festive demand.
- The company is planning to expand the emerging brands by adding 4-5 more stores under Twamev and establishing one flagship store for Mohey (two small stores already added). These new stores will be operated on a pilot basis before finalizing the expansion strategy.

- Working capital remained elevated due to an increase in receivables and inventory days, primarily attributed to the addition of new stores and lower-than-expected revenues. Additionally, there was a buildup of inventory to meet the festive demand.

Valuation and view

- Manyavar has successfully established a strong presence in the expanding market for Men's celebration and occasion wear, a feat that is challenging to replicate.
- Although the company has substantial growth potential through the expansion of Manyavar, along with the growth in Mohey (women's celebration wear) and Twamev (premium celebration wear) in the coming quarters, weak consumption continues to be a cause of concern.
- Despite a weaker trajectory witnessed in the past couple of quarters, the company is trading at rich valuations of 57.7x P/E and 36.8x EV/EBITDA on FY25 basis.
- We have revised down our FY24/25E PAT by 5% each on weak consumption trends. We expect revenue/PAT CAGR of 13% each over FY23-25, on the back of steady footprint addition.
- We ascribe a P/E of 55x on FY25E EPS and arrive at a TP of INR1,250. We downgrade the stock to Neutral.

Quarterly Earnings Model (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	Var (%)
Revenue	**3,250**	**2,469**	**4,414**	**3,416**	**3,116**	**2,183**	**5,219**	**4,004**	**13,549**	**14,522**	**2,376**	**-8.1**
YoY Change (%)	103.1	23.5	14.7	15.3	-4.1	-11.6	18.2	17.2	30.2	7.2	-3.8	
Total Expenditure	1,619	1,315	2,170	1,737	1,635	1,255	2,458	2,008	6,841	7,355	1,325	-5.3
EBITDA	**1,631**	**1,154**	**2,245**	**1,679**	**1,482**	**928**	**2,761**	**1,996**	**6,708**	**7,166**	**1,051**	**-11.7**
EBITDA margins (%)	50.2	46.7	50.9	49.1	47.5	42.5	52.9	49.9	49.5	49.4	44.3	
Change YoY (%)	135.6	26.6	17.2	16.6	-9.1	-19.6	23.0	18.9	189.6	113.4	-8.9	
Depreciation	264	249	251	274	299	325	329	362	1,038	1,315	321	1.2
Interest	78	77	75	84	94	107	114	119	315	435	92	16.2
Other Income	71	97	100	134	150	151	151	111	402	563	135	12.1
PBT before EO expense	**1,359**	**925**	**2,019**	**1,454**	**1,238**	**648**	**2,469**	**1,626**	**5,758**	**5,981**	**774**	**-16.3**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
Tax	351	235	516	366	319	161	622	406	1,467	1,507	195	-17.7
Rate (%)	25.8	25.4	25.5	25.2	25.7	24.8	25.2	25.0	25.5	25.2	25.2	-1.7
Reported PAT	**1,009**	**690**	**1,504**	**1,089**	**919**	**487**	**1,847**	**1,220**	**4,291**	**4,474**	**579**	**-15.8**
Adj PAT	**1,009**	**690**	**1,504**	**1,089**	**919**	**487**	**1,847**	**1,220**	**4,291**	**4,474**	**579**	**-15.8**
YoY Change (%)	123	30	18	23	-9	-29	23	12	36	4	-16	

E: MOFSL Estimates

MRPL

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	MRPL IN
Equity Shares (m)	3630
M.Cap.(INRb)/(USDb)	182.1 / 2.2
52-Week Range (INR)	118 / 49
1, 6, 12 Rel. Per (%)	12/57/87
12M Avg Val (INR M)	539

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	1,089	944	998
EBITDA	78	81	62
Adj. PAT	26	39	25
Adj. EPS (INR)	15.1	22.5	14.3
EPS Gr. (%)	-11.4	49.0	-36.2
BV/Sh.(INR)	56.1	73.3	84.3
Ratios			
Net D:E	1.7	0.9	0.7
RoE (%)	31.0	34.7	18.2
RoCE (%)	15.6	17.4	12.0
Payout (%)	23.4	23.4	23.4
Valuation			
P/E (x)	6.9	4.6	7.3
P/BV (x)	1.9	1.4	1.2
EV/EBITDA (x)	4.5	3.7	4.5
Div. Yield (%)	2.9	4.3	2.8
FCF Yield (%)	31.1	28.8	21.8

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	88.6	88.6	88.6
DII	1.1	0.7	0.4
FII	1.5	1.1	1.6
Others	8.8	9.6	9.5

FII Includes depository receipts

CMP: INR104 TP: INR110 (+6%) Neutral

Cautious outlook in the short term

- MRPL's 2QFY24 missed our EBITDA and PAT estimates due to a lower-than-estimated reported GRM of USD17.1/bbl. Refining throughput was lower than our estimate of 3.2mmt, as the Phase-III refinery was shut down for maintenance during 2QFY24. Opex also increased because of the shutdown and reduced throughput.
- MRPL achieved its highest ever monthly MS-VI production of 195tmt/month in Aug'23. The company also clocked the highest ever MS-VI domestic dispatch at 188mt in Jul'23. Total retail outlets stood at 75 as of 2QFY24 vs. 68 as of 1QFY24. MRPL has also reduced its total debt to INR139.8b as of end-2Q from INR151.7b as of end-1Q.
- SG GRM has contracted to USD3.3/bbl during 3QFY24'td after surging 1.5x QoQ to USD9.8/bbl in 2QFY24. The SG GRM trend highlights that sustained good performance remains a concern given the highly volatile macro environment at least in the short term. We forecast a GRM of USD10/bbl in 3Q and USD8/bbl in 4QFY24.
- MRPL aspires to capture the domestic retail market to the tune of 1mmtpa. It has already rolled out advertisements for another 1,800 retail outlets, which would be completed soon. Management expects to add 500 outlets in the next three years, with Phase 1 focusing on South India followed by West and North India in Phase II.
- Considering the underperformance in 2QFY24, we cut our PAT estimate by 14% for FY24 while increasing our EBITDA estimate by 8% for FY25. Multiple initiatives are in place to improve the contribution from marketing margins in both domestic and export markets, along with the B2B segment. **We maintain our Neutral rating with a TP of INR110 (valuing the entity at 5x FY25E EBITDA of INR63b).**

A miss due to lower-than-estimated throughput and GRM

- Refining throughput was below our est. at 3.2mmt (vs. our est. of 4.3mmt, down 19% YoY). Reported GRM stood at USD17.1/bbl (vs. our est. of USD18.8/bbl) in 2QFY24.
- Resultant EBITDA was below our est. at 22.4b (est. EBITDA of INR43.8b).
- PAT was also below our est. at INR10.6b (est. of INR28.9b) due to higher-than-estimated forex loss of INR1b (our est. INR106m) and higher tax rate.
- Total borrowings for MRPL decreased to INR139.8b at the end of 2QFY24 from INR151.7b at the end of 1QFY24.
- The Domestic Refinery Transfer Price (RTP) for MRPL decreased due to the imposition of SAED and Road and Infrastructure Cess (RIC) by the Government in Jul'22.
  - The estimated windfall tax implication on RTP was INR3.7b, while the actual windfall tax paid on exports was INR910m in 2QFY24.

- **For 1HFY24**, EBITDA stood at INR43b (vs. INR39b in 1HFY23), with PAT at INR20.7b (vs. PAT of INR9.2b in 1HFY23).
  - Refining throughput was down 8% YoY at 7.6mmt. Reported GRM stood at USD13.5/bbl, up 35% YoY.

Valuation and view – maintain Neutral

- MRPL used its expansion/modernization-related capex of ~INR150b (Phase III) over FY12-15. This included a polypropylene plant and Single Point Mooring (SPM) for facilitating the anchoring of Very Large Crude Carriers (VLCCs).
- Since 1QFY13, the refinery has suffered at times due to inadequate availability of water during the summer season. However, with the operationalization of the desalination plant in late-CY21, the problem seems to be largely taken care of.
- While we do not expect any performance disruptions due to inadequate water supply, **it remains to be seen how MRPL fares given the volatile macro environment at present**. The stock trades at 4.5x FY25E EV/EBITDA. Valuing the entity at 5.0x FY25E EBITDA of INR63b, we arrive at our TP of INR110. We maintain our **Neutral** rating on the stock

Standalone - Quarterly Earning Model (INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**322.9**	**246.1**	**265.6**	**254.0**	**211.7**	**192.3**	**240.4**	**302.6**	**1,088.6**	**947.1**	**264.4**	**-27%**
YoY Change (%)	185.8	85.0	30.1	2.4	-34.4	-21.9	-9.5	19.1	56.1	-13.0	7.5	
EBITDA	**54.4**	**-15.3**	**5.4**	**33.9**	**20.6**	**22.4**	**20.9**	**17.6**	**78.3**	**81.6**	**43.8**	**-49%**
Margin (%)	16.8	-6.2	2.0	13.4	9.7	11.7	8.7	5.8	7.2	8.6	16.6	
Depreciation	3.0	3.0	3.0	3.0	2.9	3.0	3.2	3.2	11.9	12.3	3.0	
Forex loss	7.2	4.6	2.5	-1.0	-0.1	1.0	0.0	0.0	13.4	1.0	0.1	
Interest	3.0	3.2	3.4	3.3	2.7	3.1	2.7	2.2	12.9	10.7	2.7	
Other Income	0.4	0.3	0.6	0.9	0.5	0.7	0.6	0.6	2.1	2.5	0.6	
PBT before EO expense	**41.5**	**-25.8**	**-2.9**	**29.5**	**15.6**	**16.1**	**15.7**	**12.8**	**42.4**	**60.1**	**38.6**	**-58%**
PBT	**41.5**	**-25.8**	**-2.9**	**29.5**	**15.6**	**16.1**	**15.7**	**12.8**	**42.4**	**60.1**	**38.6**	**-58%**
Tax	14.5	-7.9	-1.0	10.4	5.5	5.5	5.3	4.3	16.0	20.6	9.7	
Rate (%)	34.8	30.5	34.8	35.3	35.0	34.0	34.0	34.0	37.8	34.3	25.2	
Reported PAT	**27.1**	**-17.9**	**-1.9**	**19.1**	**10.1**	**10.6**	**10.4**	**8.4**	**26.4**	**39.5**	**28.9**	**-63%**
YoY Change (%)	LP	Loss	PL	-37.4	-62.6	LP	LP	-55.9	-11.8	49.8	LP	
Margin (%)	8.4	-7.3	-0.7	7.5	4.8	5.5	4.3	2.8	2.4	4.2	10.9	
Key Assumptions												
Refining throughput (mmt)	4.3	4.0	4.5	4.4	4.4	3.2	4.3	5.2	17.1	17.0	4.3	-24%
Reported GRM (USD/bbl)	24.5	-4.5	3.9	15.1	9.8	17.1	10.0	8.0	9.7	11.2	18.8	-9%

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2QFY24 Results Update | Sector: Midcaps

Kaynes Technologies

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	KAYNES IN
Equity Shares (m)	58
M.Cap.(INRb)/(USDb)	135.6 / 1.6
52-Week Range (INR)	2966 / 625
1, 6, 12 Rel. Per (%)	5/131/-
12M Avg Val (INR M)	401

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	17.2	24.1	31.8
EBITDA	2.6	3.8	5.2
Adj. PAT	1.7	2.6	3.6
EBITDA Margin (%)	15.1	15.7	16.5
Cons. Adj. EPS (INR)	28.8	44.3	61.6
EPS Gr. (%)	76.0	53.7	39.2
BV/Sh. (INR)	193.8	238.1	299.7
Ratios			
Net D:E	-0.2	-0.2	-0.2
RoE (%)	16.1	20.5	22.9
RoCE (%)	17.1	19.9	22.3
Valuations			
P/E (x)	81	53	38
EV/EBITDA (x)	51	35	25

Shareholding pattern (%)

As on	Sep-23	Jun-23
Promoter	63.6	63.6
DII	15.6	13.1
FII	9.9	8.0
Others	10.9	15.3

Note: FII includes depository receipts

CMP: INR2,332 TP: INR3,100 (+33%) Buy

Strong order inflow in 1H to boost revenue growth in 2H

- KAYNES reported strong revenue growth of 32% YoY in 2QFY24, led by strong traction in the Industrials (majorly EV) (up 85% YoY), Railways (up 44% YoY) and Automotive (up 25% YoY) verticals.
- Margins were under pressure during the quarter (EBITDA margins down 230bp YoY) despite having a higher mix of Box build in 2Q (45% vs. 33% in 2QFY23). It was due to the addition of several clients (majorly in Box build) in 2Q, which led to higher initial costs. But its benefits is expected to be reflect in 2H.
- We maintain our FY24/FY25/FY26 EPS estimates given strong customer additions in high-value and high-margin verticals. We retain our BUY rating on the stock with a TP of INR3,100 (50x FY26E EPS).

Margins impacted led by unfavorable operating leverage

- Consolidated revenue grew 32% YoY to INR3.6b in 2QFY24, while EBITDA grew by ~13% YoY to INR488m. EBIDTA margins contracted by 230bp YoY to 13.5% (flat QoQ), where gross margins declined 210bp YoY; other expense as percentage of sales increased 60bp. Adjusted PAT grew 9% YoY to INR323m.
- The order book increased to INR34.6b as of Sep’23 vs. INR30b/INR26.5b in Jun’23/Mar’23, aided by strong client additions and order inflows in IT servers, EVs, Medical devices and railways verticals.
- For 1HFY24, revenue/EBITDA/Adj. PAT grew 39%/31%/83% YoY to INR6.6b/INR891m/INR570m.
- Net working capital days increased to 119 in 1HFY24 vs. 116 in 1HFY23, led by an increase in inventory days to 134 (vs. 108 in 1HFY3), partly offset by lower receivable days at 60 (vs. 78). The increase in inventory days was due to advance purchases for 2HFY24.

Highlights from the management commentary

- **Guidance**: The management has maintained its revenue guidance of ~INR17-18b in FY24, EBITDA margins of over 15% and double-digit PAT margin.
- **OSAT**: KAYNES is awaiting final government approval for its OSAT facility in Telangana. It expects to commercialize the first line by 4QFY24 and commence commercial production by FY25 end.
- **IT servers**: The company has entered into Transfer of Technology (ToT) licensing with the central government for the development of Advanced Computing (C-DAC) for developing ‘computing servers’. It has delivered the first batch of prototype and expects significant orders in this segment going ahead. This makes KAYNES eligible for manufacturing significantly higher orders in super computers under the Atma Nirbhar Bharat.

Valuation and view

- KAYNES is a prominent end-to-end and IoT-enabled integrated electronics manufacturer, with strong order book growth (96% CAGR over FY20-23) and a higher share of Box Build (~40% in 1HFY24) and PCBA (54%).
- We estimate a CAGR of 41%/46%/56% in revenue/EBITDA/Adj. PAT over FY23-FY26, driven by a healthy order book growth trajectory (32% CAGR) and a better margin profile (increasing mix of high value order).
- We maintain our FY24/FY25/FY26 EPS estimates and retain our BUY rating on the stock with a TP of INR3,100 (50x FY26E EPS).

Consolidated - Quarterly Earning Model (INRm)

Y/E March	FY23				FY24				FY23	FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Gross Sales	**1,993**	**2,732**	**2,891**	**3,645**	**2,972**	**3,608**	**4,625**	**5,978**	**11,260**	**17,183**
YoY Change (%)	NA	NA	57.6	52.8	49.1	32.1	60.0	64.0	59.4	52.6
Total Expenditure	1,747	2,299	2,479	3,052	2,569	3,121	3,916	4,975	9,578	14,581
EBITDA	**246**	**432**	**412**	**593**	**403**	**488**	**710**	**1,002**	**1,682**	**2,603**
Margins (%)	12.3	15.8	14.2	16.3	13.5	13.5	15.3	16.8	14.9	15.1
Depreciation	46	47	46	48	53	65	72	77	187	267
Interest	73	103	92	81	113	118	115	120	349	466
Other Income	7	7	26	74	81	90	80	70	114	321
PBT before EO expense	**134**	**289**	**300**	**536**	**319**	**394**	**603**	**875**	**1,259**	**2,191**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	**134**	**289**	**300**	**536**	**319**	**394**	**603**	**875**	**1,259**	**2,191**
Tax	34	79	71	124	72	71	152	220	308	515
Rate (%)	25.2	27.3	23.7	23.2	22.6	18.0	25.2	25.2	24.5	23.5
Minority Interest & Profit/Loss of Asso. Cos.	2	-2	0	0	0	0	0	0	0	0
Reported PAT	**99**	**212**	**229**	**412**	**246**	**323**	**451**	**655**	**951**	**1,676**
Adj PAT	**99**	**212**	**229**	**412**	**246**	**323**	**451**	**655**	**951**	**1,676**
YoY Change (%)	NA	NA	112.7	107.6	149.0	52.8	97.3	59.0	128.2	76.2
Margins (%)	5.0	7.7	7.9	11.3	8.3	9.0	9.8	11.0	8.4	9.8

Amara Raja

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	ARE&M IN
Equity Shares (m)	171
M.Cap.(INRb)/(USDb)	105.5 / 1.3
52-Week Range (INR)	709 / 509
1, 6, 12 Rel. Per (%)	0/-2/15
12M Avg Val (INR M)	587

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	103.9	112.0	123.1
EBITDA	13.6	15.1	17.0
Adj. PAT	7.3	8.3	9.2
EPS (INR)	42.7	48.7	53.7
EPS Gr. (%)	42.7	14.1	10.3
BV/Sh. (INR)	310	344	383
Ratios			
RoE (%)	14.8	14.9	14.8
RoCE (%)	14.9	14.9	14.9
Payout (%)	15.0	30.8	27.9
Valuations			
P/E (x)	14.5	12.7	11.5
P/BV (x)	2.0	1.8	1.6
Div. Yield (%)	1.0	2.4	2.4
FCF yield (%)	4.5	7.9	6.4

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	28.1	28.1	28.1
DII	16.8	10.5	10.0
FII	24.6	35.2	18.5
Others	30.5	26.3	43.5

FII Includes depository receipts

CMP: INR618 TP: INR660 (+7%) Neutral

In-line performance despite certain one-time other expenses

New energy business contributed ~5% to revenue (vs. 4% in 1QFY24)

- 2QFY24 EBITDA grew ~7% YoY to INR3.9b (in line) despite weak product mix and certain one-time expenses during the quarter. EBITDA growth was driven by lower RM costs and better realizations. Management indicated recovery in all the segments, including exports, wherein aftermarket PV/2W is expected to grow 6-7%/12-13% YoY and industrials should grow 7-8%.
- We revise our FY24E by +4% to factor in for lower other expenses in the coming quarters, while we maintain our FY25E EPS. We reiterate our **Neutral** rating on the stock with a TP of INR660 (12x Sep'25E EPS).

Gross margin expansion offset by higher other expenses

- 2QFY24 revenue/EBITDA/adj. PAT grew 4%/7%/6% YoY to INR28.1b/ INR3.9b/INR2.1b (vs. est. INR28.1b/INR3.8b/INR2.1b). 1HFY24 revenue/EBITDA/adj. PAT increased 5%/19%/22% YoY.
- Revenue grew 4% YoY to INR28.1b (in line). Within auto, 4W/2W revenue grew ~7%/9% YoY, while revenue from inverters declined ~11% YoY. Overall industrials grew 8-9% YoY.
- Revenue from the new energy business for 2QFY24 stood at INR1.5b (INR2.4b for 1HFY24), contributing to ~5% of revenue (vs. ~4% in 1QFY24).
- Gross margin expanded 110bp YoY/270bp QoQ to 31.6% (vs. est. 29.2%).
- Better gross margin was partially offset by higher other expenses (including certain one-time expenses, +180bp QoQ/+50bps YoY) resulting in an EBITDA margin of 13.8% (+50bp YoY/+100bp QoQ vs. est. 13.3%). EBITDA rose 7% YoY to INR3.87b (in line).
- Further, higher 'other income' was diluted by a higher tax rate, eventually leading to 6% YoY adj. PAT growth to INR2.1b (in line).
- FCFF in 1HFY24 stood at INR6.2b (vs. INR4b in 1HFY23) led by better operating cashflow of INR7.5b (vs. INR6.7b in 1HFY23), and lower capex of INR1.3b (vs. INR2.6b in 1HFY23).
- The company declared an interim dividend of INR4.8 for FY24.
- The board further approved an investment of INR5b in the wholly owned subsidiary, Amara Raja Advanced Cell Technologies, for Li-ion battery manufacturing.
- Of the total INR4.4b loss recognized by the company due to a fire at its Chitoor facility in AP (happened in 4QFY23), it has so far recovered an ad hoc payment of INR1b and INR929m from the sale of scrap.

Highlights from the management commentary

- **FY24 demand outlook-** Expect 6-7% YoY growth in aftermarket 4W and 12-13% growth in aftermarket 2W. Seeing growth of 7-8% YoY in industrials. There is a certain uptick in the demand in the telecom segment because of the expansion.

- **Revenue from LAB grew 6.4% YoY,** led by 4W/2W volume growth of ~7%/9% YoY and inverter batteries declined ~11% YoY, while a substantial portion was supplied through trading (~11% of revenue). For 4Ws, revenue for aftermarket grew 8% YoY, while OEM/exports grew 3-4%. 2W aftermarket grew 12-13% YoY, while OEM revenue grew 2-3% YoY.
- **New energy business-** Revenue has doubled on a YoY basis. The company reported revenue of INR2.4b in 1HFY24 and INR1.5b in 2QFY24. Currently, it is seeing margins in the range of 7-8%. Expect to sustain the margin in the pack business as the volume increases going forward.
- **Capex-** For new energy, there are three major projects- i) setting up research hub (near Hyderabad), ii) customer qualification plant, iii) First 2GW hour NMC line (operational by FY26). The initial outlay over the next two to three years is INR15b. The land acquisition has been successfully completed, and the construction has recently commenced. A capex of INR 5-6 billion is anticipated in the upcoming year for equipment purchase and various other activities. A similar amount is also expected to be incurred in FY26.

Valuation and view

- The stock trades at 12.7 x/11.5x FY24E/FY25E EPS. We reiterate our **Neutral** rating on the stock with a TP of INR660 (12x sep'25E EPS), as the expectation of better earnings growth balances out the increasing threat of lithium chemistry to the Auto and Industrial businesses.

Quarterly Performance (INR M)

Y/E March (INR m)	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Net Sales	26,200	26,995	26,372	24,292	27,699	28,108	28,482	27,744	1,03,859	1,12,034	28,614
YoY Change (%)	38.9	19.2	11.5	11.4	5.7	4.1	8.0	14.2	19.4	7.9	6.0
RM Cost (% of sales)	73.4	69.5	66.6	67.0	71.1	68.4	69.0	68.9	69.2	69.4	70.8
Staff Cost (% of sales)	5.1	5.6	6.1	6.0	5.8	5.8	5.7	5.9	5.7	5.8	5.7
Other Exp (% of sales)	11.5	11.6	12.2	13.1	10.3	12.1	11.6	11.6	12.1	11.4	10.2
EBITDA	2,609	3,602	3,969	3,373	3,535	3,870	3,902	3,784	13,552	15,091	3,806
Margins (%)	10.0	13.3	15.0	13.9	12.8	13.8	13.7	13.6	13.0	13.5	13.3
Depreciation	963	1,019	1,145	1,145	1,111	1,148	1,155	1,163	4,272	4,577	1130
Interest	46	54	58	62	56	62	65	62	221	245	70
Other Income	170	237	261	226	216	275	220	229	893	940	200
PBT before EO expense	1,770	2,765	3,026	2,392	2,584	2,935	2,902	2,789	9,952	11,209	2806
Extra-Ord expense	0	0	0	477	0	0	0	0	477	0	0
PBT after EO	1,770	2,765	3,026	1,915	2,584	2,935	2,902	2,789	9,476	11,209	2,806
Tax	455	744	798	535	659	791	733	703	2,532	2,886	710
Tax Rate (%)	25.7	26.9	26.4	28.0	25.5	27.0	25.3	25.2	26.7	25.8	25.3
Adj PAT	1,315	2,022	2,228	1,729	1,925	2,143	2,169	2,085	7,293	8,323	2,096
YoY Change (%)	6.1	40.3	54.0	75.5	46.4	6.0	-2.6	20.6	42.7	14.1	3.7

E: MOFSL Estimates

1 November 2023

2QFY24 Results Update | Sector: Cement

India Cements

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	ICEM IN
Equity Shares (m)	308
M.Cap.(INRb)/(USDb)	61.9 / 0.7
52-Week Range (INR)	267 / 167
1, 6, 12 Rel. Per (%)	-11/3/-23
12M Avg Val (INR M)	845

Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	55.5	58.9	61.7
EBITDA	1.9	6.6	7.1
Adj. PAT	-1.9	1.9	2.3
EBITDA Margin (%)	3.4	11.2	11.6
Adj. EPS (INR)	-6.1	6.1	7.5
EPS Gr. (%)	n/m	n/m	23.5
BV/Sh. (INR)	175.6	181.7	188.7
Ratios			
Net D:E	0.5	0.5	0.4
RoE (%)	-3.4	3.4	4.1
RoCE (%)	-0.0	4.2	4.7
Payout (%)	0.0	8.2	13.3
Valuations			
P/E (x)	n/m	32.7	26.5
P/BV (x)	1.1	1.1	1.1
EV/EBITDA(x)	n/m	13.3	12.1
EV/ton (USD)	69	67	66
Div. Yield (%)	0.0	0.3	0.5

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	28.4	28.4	28.4
DII	10.0	9.4	9.5
FII	13.4	13.7	13.9
Others	48.1	48.5	48.2

FII Includes depository receipts

CMP: INR200 TP: INR150 (-25%) Sell

Disappointing performance; operating loss in cement continues

Cement prices increased in south region

- India Cements (ICEM) reported EBITDA of INR81m (est. INR254m) in 2QFY24. Operating loss in its cement division stood at INR12m (fifth consecutive quarter of operating loss). Net loss stood at INR814m (est. INR631m loss).
- Cement demand is robust in its key markets of the south region. However, the company's volume growth was limited due to a working capital crunch during the quarter. Recently, cement prices were increased and stabilized in the south region. It also entered into a binding agreement for the sale of land (73.75 acres), subject to certain agreed conditions. It has received full consideration relating to this land; however, a profit of INR428m is yet to be recognized due to pending conditions.
- We cut our FY24E earnings (EBITDA cut ~25%), considering lower-than-expected profitability in 1HFY24. We maintain our FY25 estimates. We reiterate **Sell** with a TP of INR150 (premised on 10.5x Sep'25E EV/EBITDA).

Volumes up 5% YoY; blended realization down 7% YoY

- ICEM's revenue declined 3% YoY to INR12b in 2QFY24 (-3% vs. our estimate). Sales volume was up 5% YoY at 2.37mt, whereas blended realization/t fell 7% YoY. Cement realization/t also declined 7% YoY to INR4,968.
- Opex/t declined 14% YoY, led by a 24%/8% YoY drop in variable cost/freight costs. However, other expenses and employee cost/t increased 16%/5% YoY. OPM stood at 0.7% (est. 2%). Interest costs declined 10% YoY (up 3% QoQ), whereas other income grew 53% YoY. ICEM reported a net loss of INR814m vs. a net loss of INR1.4b in 2QFY23.
- In 1HFY24, revenue declined 3% YoY to INR26b due to a 5% decline in realization/t, partly offset by 2% growth in volume. EBITDA stood at INR131m vs. an operating loss of INR605m in 1HFY23. Net loss stood at INR1.6b vs. INR2.1b in 1HFY23. OCF stood at INR956m vs. INR2.9b in 1HFY23 and capex stood at INR7m vs. INR1b in 1HFY23.

Highlights from the management commentary

- Cement prices were increased and stabilized in the south market, backed by improved demand in the region. A price hike will help to offset the cost increase.
- Fuel costs stood at INR2.04/kcal vs. INR2.3/kcal in 1QFY24. Fuel cost is estimated to remain at a similar level until Dec'23.
- For Shipping/Windmill/RMC, revenue stood at INR56m/INR106m/INR286m, while EBITDA came in at INR10m/INR86m/INR13m in 2QFY24.

Valuation expensive; reiterate Sell

- ICEM lost a significant market share (800bp+ over FY10-23) due to a lack of capacity additions. We expect its market share loss in the south to continue given capacity additions by peers.
- Net debt stood at INR28b vs. INR29b as of Mar'23. We would monitor the progress on divestment of non-core assets (land). ICEM's valuation at 13.3x FY25E EV/EBITDA appears expensive. **We reiterate Sell with a TP of INR150 premised on 10.5x Sep'25E (earlier FY25E) EV/EBITDA.**

Standalone quarterly performance												(INR b)
Y/E March	**FY23**				**FY24**				**FY23**	**FY24E**	**FY24**	**Var.**
	1Q	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3QE**	**4QE**			**2QE**	**(%)**
Sales Volumes (mt)	2.7	2.3	2.2	2.8	2.7	2.4	2.5	3.0	9.9	10.6	2.4	(1)
Change (YoY %)	37.4	(4.5)	3.5	4.8	(0.2)	5.1	16.2	8.2	9.1	7.0	6.5	
Realization (INR/ton)	**5,413**	**5,566**	**5,589**	**5,244**	**5,225**	**5,157**	**5,209**	**5,365**	**5,439**	**5,246**	**5,231**	(1)
Change (YoY %)	3.0	10.4	6.3	0.1	(3.5)	(7.4)	(6.8)	2.3	4.7	(3.6)	(6.0)	
Change (QoQ %)	3.3	2.8	0.4	(6.2)	(0.4)	(1.3)	1.0	3.0			0.1	
Net Sales	**14.5**	**12.5**	**12.2**	**14.6**	**13.9**	**12.2**	**13.2**	**16.2**	**53.8**	**55.5**	**12.6**	(3)
Change (YoY %)	41.4	5.4	10.0	4.9	(3.7)	(2.6)	8.3	10.7	14.2	3.2	0.0	
EBITDA	**0.3**	**(0.9)**	**(0.7)**	**(0.4)**	**0.1**	**0.1**	**0.5**	**1.2**	**(1.7)**	**1.9**	**0.3**	(68)
Margin (%)	2.1	(7.3)	(5.7)	(3.0)	0.4	0.7	4.0	7.4	(3.2)	3.4	2.0	
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	2.1	2.2	0.5	(2)
Interest	0.6	0.7	0.6	0.5	0.6	0.6	0.6	0.6	2.3	2.3	0.6	(1)
Other Income	0.1	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.3	0.3	0.1	(1)
PBT before EO expense	**(0.7)**	**(2.1)**	**(1.8)**	**(1.3)**	**(1.0)**	**(1.0)**	**(0.5)**	**0.1**	**(5.9)**	**(2.4)**	**(0.8)**	**NM**
Extra-Ord. expense	-	-	(2.9)	1.1	-	-	-	-	(1.8)	-	-	
PBT	**(0.7)**	**(2.1)**	**1.1**	**(2.4)**	**(1.0)**	**(1.0)**	**(0.5)**	**0.1**	**(4.1)**	**(2.4)**	**(0.8)**	NM
Tax	(1.5)	(0.7)	0.2	(0.2)	(0.2)	(0.2)	(0.1)	0.0	(2.2)	(0.5)	(0.2)	
Rate (%)	205.7	33.5	20.5	10.1	23.9	17.6	17.6	21.9	53.7	20.0	23.9	
Reported PAT	**0.8**	**(1.4)**	**0.9**	**(2.2)**	**(0.8)**	**(0.8)**	**(0.4)**	**0.1**	**(1.9)**	**(1.9)**	**(0.6)**	NM
Tax	(1.5)	-	-	(0.2)	-	-	-	-	(1.7)	-	-	
Adj. PAT	**(0.7)**	**(1.4)**	**(1.4)**	**(1.2)**	**(0.8)**	**(0.8)**	**(0.4)**	**0.1**	**(4.7)**	**(1.9)**	**(0.6)**	NM
Change (YoY %)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Margin (%)	(5.0)	(11.0)	(11.7)	(7.9)	(5.4)	(6.7)	(3.3)	0.7	(8.7)	(3.4)	(5.0)	

Per tonne analysis												(INR/t)
RM Cost	769	1,042	945	1,043	1,068	918	980	918	947	971	950	(3)
Employee Expenses	340	394	443	294	345	416	380	326	362	364	385	8
Power, Oil, and Fuel	2,370	2,709	2,602	2,211	2,046	1,942	1,822	1,938	2,454	1,938	1,996	(3)
Freight cost	1,199	1,145	1,158	1,160	1,104	1,054	1,135	1,214	1,167	1,132	1,120	(6)
Other Expenses	619	681	759	696	643	793	683	569	686	665	674	18
Total Expense	**5,297**	**5,971**	**5,907**	**5,404**	**5,206**	**5,122**	**5,000**	**4,966**	**5,615**	**5,070**	**5,125**	(0)
EBITDA	**115**	**(405)**	**(319)**	**(160)**	**19**	**34**	**209**	**399**	**-176**	**176**	**106**	(68)
YoY (%)	(86.2)	NM	NM	NM	(83.6)	NM	NM	NM	NM	NM	NM	

Tata Steel

BSE SENSEX	S&P CNX
63,591	19,672

Conference Call Details

Date: 2 November 2023
Time: 14:00 IST
Dial-in details:
Webex ID:
https://tinyurl.com/42mrm3j7
Meeting No.: 25107197812
Password: Web@0211

YouTube ID:
https://tinyurl.com/55hff9r6

CMP: INR117 **Neutral**

Weak operating performance as expected; reports a massive exceptional loss as well as a rise in net debt

Standalone performance

- Revenue stood at INR332b (YoY/QoQ: +3%/-4%), which was 8% above our estimate of INR309b. ASP stood at INR68,928/t (YoY/QoQ: +2%/-5%), which was INR2,392/t above our estimate of INR66,536/t
- EBITDA was at INR68b (YoY/QoQ: +39%/+2%), in line with our estimate of INR65b. EBITDA/t stood at INR14,006, which was in line with our estimate of INR14,063/t
- APAT for the quarter stood at INR44b (YoY/QoQ: +67%/-3%), above our estimate of INR38b. TATA posted an exceptional item of INR130b that was mainly attributed to a write-off in its European entity.
- Domestic steel production was at 4.9mt (YoY/QoQ: +6%/ +1%). Sales stood at 4.8mt (YoY/QoQ: +1%/+1%), above our estimates of 4.7mt.
- Sales were driven by higher dispatches in domestic markets, an increase in auto grade steel sales, higher volumes from branded & retail segments, and higher dispatches via e-commerce platform.
- Exports from India declined ~52% YoY to 0.45mt in 2QFY24.
- Tata Steel's Standalone numbers have been restated from 1st Apr'22, to reflect Tata Steel Long Products Ltd. and Tata Steel Mining Ltd's merger into Tata Steel.

Consolidated performance

- Consolidated steel production stood at 7.3mt (YoY/ QoQ: -3%/+3%) and sales stood at 7.1mt (YoY/QoQ: -2%/-2%).
- Revenue stood at INR557b (YoY/QoQ: -7%/-6%), which was in line with our estimate of INR565b. ASP stood at INR 78,758/t, which was INR808/t below our estimate of INR79,566/t
- EBITDA stood at INR43b (YoY/QoQ: -30%/-18%), in line with our estimate of INR42b.
- Reduction in input cost prices benefitted the performance of the company, which was partially offset by reduction in ASP, lower demand in Europe, and unfavorable volume mix.
- EBITDA/t stood at INR6,037, in line with our estimate of INR5,978.
- APAT for the quarter stood at INR7b (YoY/QoQ: -54%/+13%) against our estimate INR6b.
- Exceptional item stood at INR69b.

Tata Steel Europe continues to drag

- Consolidated crude steel production stood at 2mt (YoY/ QoQ: -19%/+9%) and sales stood at 2mt (YoY/QoQ: +5%/-2%). Though production was a 9% beat to our estimates, sales volumes were in line.
- The YoY reduction in production volumes is due to the ongoing relining at one of the BFs in the Netherlands.
- Revenue stood at INR202b (YoY/QoQ: -6%/-5%), which was in line with our estimate of INR196b.
- ASP stood at USD1,251/t which was in line with our estimate of USD1,256/t
- Operating loss of INR251b against our estimate of INR242b. Operating loss per t stood at USD155/t which was in line with our estimate.

Impairments undertaken at its UK facility

- The company carried out an impairment assessment for the Heavy-end assets in its UK facility. It impaired the assets that are expected to be used only for a defined period resulting in an impairment charge of INR26b during the current quarter, which is included as an exceptional item in the consolidated statement of profit and loss.
- Additionally, the company recorded a provision of INR24b during the quarter towards restructuring costs (including potential asset closures and redundancy costs) in its consolidated profit and loss statement. This was post its discussion with trade union representatives (about its agreement with the UK Government) in Sep'23.
- The consolidated results include a provision of INR11.8b in respect of the past service costs due to additional benefits granted to the members of the British Steel Pension Scheme.
- In Standalone P&L, the carrying value of investments and other financial assets held by the company in T Steel Holdings Pte. Ltd. (a wholly owned subsidiary) has been tested for impairment and INR125.6b has been recognized.

Capex and debt

- 2QFY24 capex stood at INR455b and 1HFY24 capex stood at INR864b.
- Net debt stood at INR770b with a liquidity position of ~INR277b. Net debt rose by INR55b QoQ.

Standalone quarterly performance (INR b)

Y/E March	FY23				FY24E		FY23	FY24E	FY24E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q				(%)
Sales Vol (kt)	3,886	4,760	4,590	4,980	4,790	4,820	18,216	19,000	4,700	
Change (YoY %)	-2.6	7.7	8.0	0.2	23.3	1.3	3.3	4.3		
Change (QoQ %)	-21.8	22.5	-3.6	8.5	-3.8	0.6				
ASP (INR/t)	82,401	67,742	66,373	68,826	72,427	68,928	70,820	69,265	66,536	
Abs Change (QoQ)	8,596	-14,660	-1,368	2,453	3,601	-3,499	-2,362	-1,555		
Change (YoY %)	18.7	-8.4	-11.7	-6.7	-12.1	1.8	-3.2	-2.2		
Net Sales	**320**	**322**	**305**	**343**	**347**	**332**	**1,290**	**1,316**	**309**	**8**
Change (YoY %)	15.6	-1.3	-4.7	-6.6	8.3	3.0	0.0	2.0		
Change (QoQ %)	-12.7	0.7	-5.5	12.5	1.2	-4.2				
Total Expenditure	225	274	253	261	281	265	1,013	1,031		
As a % of net sales	70.1	85.0	83.1	76.3	80.9	79.7	78.5	78.3		
EBITDA	**96**	**48**	**52**	**81**	**66**	**68**	**277**	**285**	**65**	**4**
Change (YoY %)	-28.0	-63.9	-57.6	-33.5	-30.9	39.4	-45.8	2.9		
Change (QoQ %)	-21.8	-49.4	6.5	57.6	-18.6	2.1				
(% of Net Sales)	29.9	15.0	16.9	23.7	19.1	20.3	21.5	21.7		
EBITDA(INR/t)	24,622	10,177	11,241	16,326	13,808	14,006	15,207	15,009	14,063	-0.4
Interest	7	10	11	10	10	11	38	41		
Depreciation	13	13	14	14	14	14	54	56		
Other Income	7	10	9	7	15	8	33	48		
PBT (before EO Inc.)	**82**	**36**	**36**	**64**	**56**	**51**	**218**	**236**		
EO Income(exp)	-1	0	0	-7	0	-130	-8	0		
PBT (after EO Inc.)	**82**	**35**	**36**	**57**	**56**	**-79**	**210**	**236**		
Current Tax	19	7	9	14	12	8	49	60		
Current Tax Rate%	23	20	25	25	21	-10	23	25		
Deferred Tax	2	2	0	2	-2	-2	6	5		
Total Tax	21	9	9	17	10	6	55	64		
% Tax	25.3	24.9	25.2	29.3	18.1	-7.4	26.3	27.2		
Reported PAT	**61**	**27**	**27**	**40**	**46**	**-85**	**155**	**172**		
Adjusted PAT	**62**	**27**	**27**	**47**	**46**	**45**	**163**	**172**	**38**	**17**
Change (YoY %)	-28.5	-69.7	-65.5	-40.4	-25.2	66.8	-51.1	5.7		
Change (QoQ %)	-22.1	-56.6	1.4	74.1	-2.2	-3.3				

Note: Estimates are under review since we will revise them after the earnings call

Source: Company, MOFSL

Consolidated quarterly performance (INR b)

Y/E March	FY23				FY24E		FY23	FY24E	FY24E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q				(%)
Sales (k tons)	6,630	7,230	7,150	7,780	7,200	7,070	28,811	29,368	7,100	
Change (YoY %)	-6.8	-2.2	2.0	-2.9	8.6	-2.2	-4.2	1.9		
Avg Realization (INR/t)	95,671	82,818	79,837	80,927	82,625	78,758	84,465	82,498	79,566	
Net Sales	**634**	**599**	**571**	**630**	**595**	**557**	**2,434**	**2,424**	**565**	**-1**
Change (YoY %)	18.6	-0.9	-6.1	-9.1	-6.2	-7.0	-0.2	-0.4		
Change (QoQ %)	-8.4	-5.6	-4.7	10.3	-5.5	-6.4				
EBITDA	**150**	**61**	**40**	**72**	**52**	**43**	**323**	**230**	**42**	**2**
Change (YoY %)	-7.1	-63.2	-74.5	-52.0	-65.4	-29.6	-49.1	-29.1		
Change (QoQ %)	-0.4	-59.5	-33.2	78.3	-28.3	-17.5				
(% of Net Sales)	23.6	10.1	7.1	11.5	8.7	7.7	13.3	9.5		
EBITDA(USD/t)	**293**	**108**	**69**	**111**	**87**	**73**	**140**	**93**	**72**	
Interest	12	15	18	18	18	20	63	69		
Depreciation	22	23	24	24	24	25	93	94		
Other Income	3	3	3	2	12	2	10	31		
PBT (before EO Inc.)	**118**	**25**	**2**	**32**	**21**	**1**	**177**	**98**		
EO Income(exp)	0	0	2	0	0	-69	1	0		
PBT (after EO Inc.)	**117**	**25**	**3**	**32**	**21**	**-68**	**178**	**98**		
Total Tax	42	13	29	18	13	-2	102	33		
% Tax	35.6	51.9	NA	54.6	63.0	-401.4	57.4	33.4		
Reported PAT	**76**	**12**	**-26**	**15**	**8**	**-66**	**77**	**66**		
Minority Interests	-1	-2	-3	-1	-1	-3	-7	-1		
Share of asso. PAT	2	1	1	1	-3	1	4	-3		
Adj. PAT (after MI & asso)	**78**	**15**	**-24**	**17**	**6**	**7**	**86**	**64**	**6**	**17**
Change (YoY %)	-14.1	-86.5	PL	-83.1	-92.0	-54.2	-78.5	-27.4		
Change (QoQ %)	-22.2	-80.3	PL	LP	-63.4	13.2				

Note: Estimates are under review since we will revise them after the earnings call

Britannia Industries

BSE SENSEX	S&P CNX
63,591	18,989

Conference Call Details

Date: 2nd Nov 2023
Time: 10:00 AM
Dial-in details:
+91 22 6280 1313 /
+91 22 7115 8214
. (Diamond Pass)

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	163.0	176.7	196.2
Sales Gr. (%)	15.3	8.4	11.0
EBITDA	28.3	31.1	35.6
EBITDA mrg. (%)	17.4	17.6	18.1
Adj. PAT	19.4	21.4	25.1
Adj. EPS (INR)	80.3	88.7	104.0
EPS Gr. (%)	27.6	10.4	17.3
BV/Sh.(INR)	146.7	148.4	164.0
Ratios			
RoE (%)	63.5	60.1	66.6
RoCE (%)	32.8	32.4	36.9
Payout (%)	89.6	85.0	85.0
Valuation			
P/E (x)	54.8	49.6	42.3
P/BV (x)	30.0	29.7	26.8
EV/EBITDA (x)	37.3	33.8	29.5
Div. Yield (%)	1.6	1.7	2.0

CMP: INR4,397

Miss on sales; higher operating margin led to a slight beat on profit

- BRIT's consolidated sales rose 1.2% YoY to INR44.3b (est. INR46.4b) in 2QFY24. Consol. EBITDA/PBT/Adj. PAT increased 22.6%/21.3%/19.8% YoY to INR8.7b/INR8.0b/INR5.9b (est. INR8.3b/INR7.6b/INR5.7b).
- We believe the base business volume rose ~2% YoY in 2QFY24 (est. +3%).
- Consolidated gross margin expanded 400bp YoY/100bp QoQ to 42.9% (est. 42.0%).
- EBITDA margin expanded 340bp YoY/250bp QoQ to 19.7% (est. of 17.8%).
- In 1HFY24, net sales/EBITDA/PAT grew 4.5%/28.8%/25.8%.
- **On a Standalone basis**, sales/EBITDA/PAT grew 2.3%/22.3%/15.8% YoY in 2QFY24 to INR42.9b/INR8.4b/5.7b.

Other key highlights

- Commodity prices softened that reinforced the competition. This led the company to reduce prices in their key brands. Certain SKUs to remain competitive though.
- With the ongoing strife in the Middle East and Russia, global commodity prices remained volatile.
- New launches (Jim Jam Pops and 50-50 Golmaal) delivered a robust performance. During the quarter, BRIT also launched cheese biscuits.
- Expansion in rural distribution continued, with a high potential in rural growth despite slowdown.
- Digital marketing is gaining momentum and the company is leveraging digitalization to enhance its decision making and fine-tuning distribution reach.
- BRIT has commercialized the new greenfield project in Bihar during the quarter.
- It has assured to improve productivity with expansion plan in Ranjangaon Food park.

Consol. Quarterly Performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Base business volume growth (%)	-2.0	4.0	2.0	3.0	0.0	2.0	6.0	7.0	1.8	3.8	3.0	
Net Sales	37,010	43,796	41,968	40,232	40,107	44,329	45,955	46,349	1,63,006	1,76,740	46,424	(4.5)
YoY change (%)	8.7	21.4	17.4	13.3	8.4	1.2	9.5	15.2	15.3	8.4	6.0	
Gross Profit	13,648	17,050	18,321	18,073	16,820	19,011	19,071	18,892	67,093	73,795	19,498	(2.5)
Margins (%)	36.9	38.9	43.7	44.9	41.9	42.9	41.5	40.8	41.2	41.8	42.0	
EBITDA	5,007	7,117	8,176	8,009	6,889	8,724	8,071	7,442	28,309	31,126	8,258	5.6
Margins (%)	13.5	16.3	19.5	19.9	17.2	19.7	17.6	16.1	17.4	17.6	17.8	
YoY growth (%)	-9.6	27.5	51.5	45.7	37.6	22.6	-1.3	-7.1	28.6	10.0	16.0	
Depreciation	510	517	580	653	708	717	753	743	2,259	2,921	723	
Interest	420	541	381	349	531	534	458	398	1,691	1,920	514	
Other Income	555	532	508	564	539	524	624	707	2,159	2,394	596	
PBT	4,633	6,591	7,722	7,571	6,190	7,997	7,484	7,008	26,518	28,679	7,617	5.0
Tax	1,274	1,686	2,169	2,035	1,665	2,121	1,886	1,640	7,165	7,313	1,965	
Rate (%)	27.5	25.6	28.1	26.9	26.9	26.5	25.2	23.4	27.0	25.5	25.8	
Adjusted PAT	3,359	4,905	5,553	5,536	4,525	5,875	5,598	5,368	19,353	21,366	5,652	4.0
YoY change (%)	-13.2	28.5	49.7	46.5	34.7	19.8	0.8	-3.0	27.6	10.4	15.2	

E: MOFSL Estimates

Hero Motocorp

BSE SENSEX	S&P CNX
63,591	18,989

CMP:INR3,092 Buy

RM cost savings offset by higher other expenses; EBITDA margin at 14.1% (vs. est.13.7%)

- Net realizations grew 5% YoY to INR66.7k (vs. est. INR65.3k). Volumes declined 1% YoY (up 5% QoQ).
- Net revenues grew ~4% YoY to INR94.4b (vs. est. INR92.5b) despite a slight decline in volume.
- Gross margins expanded 340bp YoY (up 80bp QoQ) to 31.4% (vs. est. 30.9%), owing to lower commodity costs and favorable product mix.
- However, despite higher-than-estimated 'other expenses' (up 70bp YoY/up 100bp QoQ; as a % of sales) offsetting gross margin gains, EBITDA margins expanded 260bp YoY (up 30bp QoQ) to 14.1% (vs. est. 13.7%). EBITDA grew 28% YoY (up 10% QoQ) to INR13.3b (vs. est. INR12.7b).
- Further, higher-than-estimated 'other income' boosted adj. PAT, which grew 47% YoY (up 11.5% QoQ) to INR10.5b (vs. est. INR9.4b).
- CFO for 1HFY24 stood at INR10.8b (vs. INR4.5b in 1HFY23), led by strong operating performance. Capex for 1HFY24 was INR3.1b (vs. INR2.3b in 1HFY23). FCFF stood at INR7.8b (vs. INR2.2b in 1HFY23).
- The board has approved the voluntary decision of Mr.Pawan Munjal, chairman HMCL for reduction of fixed salary by 20%.
- **Valuation and view:** The stock trades at 16.5x/15.2x FY24E/FY25E EPS.
- **Excerpt from statement by Mr. Niranjan Gupta, CFO Hero MotoCorp,** "Supported by its relatively stronger macro-economic fundamentals, India has continued to outperform most of the large global economies. A healthy festive demand across most categories and specifically in the auto sector has demonstrated the underlying propensity of the robustness of the market. The consumer confidence is coming back, which augurs well for the growth momentum moving forward. Our results for the second quarter as well as the first half of the fiscal reflect our continued financial discipline and prudent capital allocation even as we ensure premiumization of our portfolio. The premium range of products which have been launched across all key models have been received by the customers very well. Our strong margin shape will help us even more in deploying necessary fuel behind growth priorities. The global macro headwinds may keep the playfield a bit uncertain, and navigating the same over the next few quarters will be important. However, the medium term outlook for India in general and auto industry in particular appears quite encouraging."

Conference Call Details

Date: 02nd Nov 2023
Time: 11:30 AM
Concall registration-[Link]
+91 22 6280 1342/
+91 22 7115 8243

Financials & valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	338.1	369.6	403.0
EBITDA	39.9	50.4	55.2
Adj. PAT	29.1	37.6	40.7
Adj. EPS (INR)	145.6	188.0	203.3
EPS Gr. (%)	17.7	29.1	8.2
BV/Sh. (INR)	836	917	1,011
Ratios			
RoE (%)	17.9	21.5	21.1
RoCE (%)	17.6	21.1	20.7
Payout (%)	68.7	55.9	54.1
Valuations			
P/E (x)	21.2	16.5	15.2
P/BV (x)	3.7	3.4	3.1
Div. Yield (%)	3.2	3.4	3.6
FCF Yield (%)	3.3	6.1	7.2

Quarterly Performance (S/A)

Y/E March	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Total Volumes ('000 nos)	1,390	1,428	1,240	1,270	1,353	1,417	1,470	1,414	5,329	5,653	1,417
Growth YoY (%)	35.7	-0.7	-4.1	6.9	-2.7	-0.8	18.6	11.3	7.8	6.1	-0.8
Net Realization	60,370	63,545	64,782	65,382	64,819	66,680	66,714	63,236	63,443	65,382	65,305
Growth YoY (%)	12.7	8.1	6.2	4.7	7.4	4.9	3.0	-3.3	7.3	3.1	2.8
Net Op Revenues	**83,925**	**90,754**	**80,310**	**83,068**	**87,673**	**94,454**	**98,057**	**89,440**	**3,38,057**	**3,69,624**	**92,507**
Growth YoY (%)	53.0	7.4	1.9	11.9	4.5	4.1	22.1	7.7	15.6	9.3	1.9
RM Cost (% sales)	72.8	72.0	69.4	68.0	69.4	68.6	69.1	69.4	70.6	69.1	69.1
Staff Cost (% sales)	6.4	6.0	6.8	6.7	6.6	6.1	6.2	6.9	6.5	6.4	6.4
Other Exp (% sales)	9.6	10.6	12.3	12.3	10.3	11.2	11.0	10.7	11.2	10.8	10.8
EBITDA	**9,408**	**10,383**	**9,241**	**10,830**	**12,063**	**13,283**	**13,438**	**11,610**	**39,862**	**50,393**	**12,694**
EBITDA Margins (%)	11.2	11.4	11.5	13.0	13.8	14.1	13.7	13.0	11.8	13.6	13.7
Other Income	530	921	1,832	2,369	2,222	2,483	1,500	505	5,652	6,710	1,500
Interest	70	33	49	47	47	48	50	56	199	200	50
Depreciation	1,630	1,634	1,620	1,686	1,690	1,749	1,725	1,718	6,570	6,881	1,705
PBT before EO Exp/(Inc)	**8,238**	**9,637**	**9,404**	**11,467**	**12,548**	**13,970**	**13,163**	**10,341**	**38,746**	**50,022**	**12,439**
Effective Tax Rate (%)	24.2	25.7	24.4	25.1	24.7	24.6	24.8	25.2	24.9	24.8	24.8
Adj. PAT	**6,245**	**7,161**	**7,111**	**8,589**	**9,451**	**10,538**	**9,902**	**7,739**	**29,106**	**37,630**	**9,357**
Growth (%)	70.9	-9.9	3.6	37.0	51.3	47.2	39.3	-9.9	17.7	29.3	30.7

Key Performance Indicators

Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY23	FY24E	2Q
Volumes ('000 units)	1,390	1,428	1,240	1,270	1,353	1,417	1,470	1,414	5,329	5,653	1,417
Growth (%)	35.7	-0.7	-4.1	6.9	-2.7	-0.8	18.6	11.3	1.2	1.2	-0.8
Dom. 2W Mkt Sh (%)	35.7	29.7	31.3	34.3	31.8	29.7			32.5		
Net Realization	60,370	63,545	64,782	65,382	64,819	66,680	66,714	63,236	63,443	65,382	65,305
Growth YoY (%)	12.7	8.1	6.2	4.7	7.4	4.9	3.0	-3.3	7.3	3.1	2.8
Cost Break-up											
RM Cost (% of sales)	72.8	72.0	69.4	68.0	69.4	68.6	69.1	69.4	70.6	69.1	69.1
Staff Cost (% of sales)	6.4	6.0	6.8	6.7	6.6	6.1	6.2	6.9	6.5	6.4	6.4
Other Cost (% of sales)	9.6	10.6	12.3	12.3	10.3	11.2	11.0	10.7	11.2	10.8	10.8
Gross Margins (%)	27.2	28.0	30.6	32.0	30.6	31.4	30.9	30.6	29.4	30.9	30.9
EBITDA Margins (%)	11.2	11.4	11.5	13.0	13.8	14.1	13.7	13.0	11.8	13.6	13.7
EBIT Margins (%)	9.3	9.6	9.5	11.0	11.8	12.2	11.9	11.1	9.8	11.8	11.9

E:MOFSL Estimates

Indraprastha Gas

BSE SENSEX	S&P CNX
63,591	18,989

Conference Call Details

Date: 2 November 2023
Time: 12:00 noon IST
Dial in:
+91 22 6280 1143
+91 22 7115 8044

CMP: INR381 — Sell

EBITDA in line, but beat on PAT

- Total volumes were in line with our estimate at 8.3mmscmd (up 3% YoY).
  - **CNG volumes stood at 6.25mmscmd (up 3% YoY)**
  - PNG volumes stood at 2.06mmscmd (up 3% YoY)
- EBITDA/scm came in at INR8.6 (vs. our est. of INR8 and INR8.6 in 1QFY24)
  - **Gross margin came in at INR14.1/scm (vs. INR14.4/scm in 1QFY24)**
  - Opex came in at INR5.5/scm (vs. INR5.8 in 1QFY24)
  - Resulting EBITDA was in line with est. at INR6.6b (up 25% YoY)
- PAT was above est. at INR5.3b (up 29% YoY) due to higher-than-estimated other income at INR1.3b (vs. INR457m in 1QFY24)
- IGL's share in CUGL and MNGL added INR902m to its consol. profit (up 29% YoY) in 2QFY24.
- **For 1HFY24,** EBITDA was up 13% YoY to INR13b, with **EBITDA/scm of INR8.6 (down 7% YoY).** PAT was up 16% YoY to INR9.7b.
- Total volumes were up 3% YoY at 8.3mmscmd,
  - with CNG at 6.2mmscmd (up 3% YoY) and
  - PNG at 2mmscmd (up 3% YoY).
- IGL's share in CUGL and MNGL added INR1.7b to its consol. profit (up 41% YoY).

Quarterly performance (INR m)

Y/E March	FY23				FY24			Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2QE	2QAct	(%)	(%)	(%)
Net Sales	**31,939**	**35,540**	**37,108**	**36,872**	**34,070**	**35,634**	**34,585**	**-3**	**-3**	**2**
Change (%)	154.0	94.1	67.5	53.3	6.7	0.3	-2.7			
EBITDA	**6,175**	**5,275**	**4,285**	**4,663**	**6,424**	**6,248**	**6,569**	**5**	**25**	**2**
EBITDA (Rs/scm)	8.6	7.1	5.7	6.3	8.6	8.0	8.6	7	21	0
% Change	62.1	-0.5	-8.8	-6.8	4.0	18.4	24.5			
Depreciation	857	914	925	938	989	1,036	1,022			
Interest	24	31	26	26	24	28	25			
Other Income	307	1,100	557	654	457	560	1,340			
PBT after EO	**5,602**	**5,430**	**3,891**	**4,354**	**5,867**	**5,743**	**6,862**	**19**	**26**	**17**
Tax	1,394	1,269	1,109	1,057	1,483	1,446	1,514			
Rate (%)	24.9	23.4	28.5	24.3	25.3	25.2	22.1			
PAT	**4,209**	**4,162**	**2,783**	**3,298**	**4,384**	**4,298**	**5,348**	**24**	**29**	**22**
PAT (Rs/scm)	5.9	5.6	3.7	4.4	5.9	5.5	7.0	27	25	19
Change (%)	72.3	3.9	-9.8	-8.8	4.2	3.3	28.5			
EPS (INR)	**6.0**	**5.9**	**4.0**	**4.7**	**6.3**	**6.1**	**7.6**	**24**	**29**	**22**
Gas Volumes (mmscmd)										
CNG	5.93	6.09	6.07	6.11	6.17	6.27	6.25	0	3	1
PNG	1.96	2.00	2.05	2.14	2.03	2.22	2.06	-7	3	1
Total	**7.89**	**8.09**	**8.12**	**8.26**	**8.20**	**8.49**	**8.30**	**-2**	**3**	**1**

LIC Housing Finance

BSE SENSEX	S&P CNX
63,591	18,989

Conference Call Details

Date: 2nd November 2023

Time: 3:00 PM IST

Dial-in details:

+91 22 6280 1145

Link for call

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
NII	63.3	78.4	81.2
PPP	55.0	68.4	70.6
PAT	28.9	43.0	46.1
EPS (INR)	52.5	78.1	83.8
EPS Gr. (%)	26.4	48.6	7.3
BV/Sh (INR)	492	551	614
Ratios			
NIM (%)	2.5	2.8	2.7
C/I ratio (%)	15.2	14.9	15.4
RoAA (%)	1.1	1.5	1.5
RoE (%)	11.2	15.0	14.4
Payout (%)	16.2	14.0	12.1
Valuations			
P/E (x)	8.7	5.9	5.5
P/BV (x)	0.9	0.8	0.75
Div. Yield (%)	1.9	2.4	2.2

CMP: INR457 **Buy**

Asset quality improves but loan growth still muted

Earnings in line even as NIM moderates QoQ

- LICHF reported a 2QFY24 PAT of ~INR11.9b (in line), which grew 290% YoY, driven by a healthy NII growth (even as 2QFY23 had the lagged impact of transmission of interest rates) and in-line credit costs.
- NII at ~INR21.1b (in line) rose ~81% YoY in 2QFY24, while PPOP at INR19b (5% beat) grew 100% YoY (but declined 5% QoQ). Cost-to-income ratio stood at ~12% (PY: ~22% and PQ: ~11%).
- NIM (reported) at ~3% contracted ~15bp QoQ in 2QFY24. As of 1HFY24, reported yields and CoF stood at 10% and 7.7%, respectively, leading to spreads of 2.4% (v/s 1QFY24 spreads of 2.5%).
- Credit costs stood at ~INR4.2b (MOSL est. of INR4b) translating into annualized credit costs of ~60bp (PY: ~90bp).
- GS3/NS3 improved ~65bp/~35bp QoQ to ~4.3%/~2.6%. The company has reduced the PCR on Stage 3 loans by ~1pp QoQ to ~41.2%.

Disbursement declines on YoY basis but rises QoQ

- Disbursements in individual home loans (IHL) declined ~13% YoY while non-housing individual/commercial disbursements declined 18% YoY in 2QFY24. Builder/project loan disbursements rose ~6% YoY. **Total disbursements declined ~13% YoY but rose 35% QoQ.**
- **Overall loan-book grew ~6% YoY/~1% QoQ.** Home loans grew ~8% YoY while developer loan book declined ~18% YoY/QoQ each.

30+dpd improves sequentially

- Stage 2 + 3 assets (30+ dpd) declined ~130bp QoQ to 9.4% (PQ: 10.7%) while the company reduced the coverage on Stage 2 + 3 assets by ~90bp.
- ECL/ EAD declined ~40bp QoQ to ~2.34% (PQ: 2.75%)

Details on accounting reclassification and asset quality

- During 2QFY24, LICHF reclassified repossessed properties from "assets held from sale" to "loans at amortized cost". On such reclassification, LICHF created ECL on loan balances amounting to INR1.04b (INR1.22b ECL provisions adjusted for INR182m of impairment loss already recognized)
- LICHF took technical write-offs of INR9.25b during 2QFY24 – our assessment is that a large majority of these write-offs would have come in the developer/project loans segment.

Valuation and view

- Except for the muted loan growth, LICHF delivered a healthy performance in 2QFY24, driven by healthy NIM, controlled opex ratios and reasonable credit costs (excluding one-off in ECL from accounting reclassification). Moreover, asset quality improved sequentially with GS3 declining ~65bp QoQ in 2QFY24.
- It will be interesting to understand the management's outlook on mortgages and its guidance on individual loan growth.
- Commentary on the company's plans to scale up disbursements and guidance on NIM and credit costs for FY24 will also be important. We will look to revise our estimates after the earnings call on 02nd Nov'23.

Quarterly Performance (INR M)

Y/E March	FY23				FY24E				FY23	FY24E	2QFY24E	Act. v/s est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	52,502	50,493	58,387	63,780	67,037	67,066	67,737	67,097	2,25,162	2,68,937	66,702	365
Interest Expenses	36,400	38,864	42,328	43,877	44,942	46,000	47,840	51,794	1,61,860	1,90,576	46,291	-290
Net Interest Income	**16,102**	**11,629**	**16,059**	**19,903**	**22,094**	**21,066**	**19,897**	**15,303**	**63,303**	**78,361**	**20,411**	655
YoY Growth (%)	26.3	-0.4	10.4	21.5	37.2	81.2	23.9	-23.1	14.4	23.8	75.5	6
Fees and other income	407	427	374	371	429	521	545	551	1,580	2,045	540	-19
Net Income	**16,509**	**12,056**	**16,432**	**20,274**	**22,523**	**21,587**	**20,442**	**15,854**	**64,882**	**80,406**	**20,951**	637
YoY Growth (%)	26.1	-0.3	7.8	15.4	36.4	79.1	24.4	-21.8	11.9	23.9	73.8	5
Operating Expenses	2,029	2,610	2,876	2,759	2,425	2,595	3,163	3,831	9,883	12,013	2,871	-276
Operating Profit	**14,481**	**9,447**	**13,557**	**17,515**	**20,098**	**18,993**	**17,279**	**12,024**	**55,000**	**68,392**	**18,080**	913
YoY Growth (%)	40.9	-0.4	2.9	16.2	38.8	101.1	27.5	-31.4	14.6	24.4	91.4	10
Provisions and Cont.	3,077	5,658	7,627	3,068	3,608	4,192	4,400	3,144	19,430	15,344	4,000	192
Profit before Tax	**11,404**	**3,789**	**5,930**	**14,448**	**16,490**	**14,801**	**12,879**	**8,880**	**35,570**	**53,049**	**14,080**	721
Tax Provisions	2,149	739	1,127	2,645	3,253	2,920	2,447	1,459	6,660	10,079	2,675	245
Net Profit	**9,255**	**3,050**	**4,803**	**11,803**	**13,237**	**11,881**	**10,432**	**7,421**	**28,910**	**42,969**	**11,405**	476
YoY Growth (%)	503.2	23.0	-37.4	5.5	43.0	289.6	117.2	-37.1	26.4	48.6	274.0	
Key Operating Parameters (%)												
Yield on loans (Cal)	8.29	7.80	8.80	9.39	9.72	9.68	9.62	9.18	8.78	9.6		
Cost of funds (Cal)	6.47	6.78	7.15	7.24	7.40	7.59	7.73	8.01	6.91	7.5		
Spreads (Cal)	1.81	1.02	1.65	2.15	2.33	2.09	1.88	1.17	1.87	2.1		
Margins (Cal)	2.54	1.80	2.42	2.93	3.21	3.04	2.82	2.09	2.40	2.7		
Credit Cost (Cal)	0.49	0.87	1.15	0.45	0.52	0.60	0.62	0.43	0.76	0.6		
Cost to Income Ratio	12.3	21.6	17.5	13.6	10.8	12.0	15.5	24.2	15.2	14.9		
Tax Rate	18.8	19.5	19.0	18.3	19.7	19.7	19.0	16.4	18.7	19.0		
Balance Sheet Parameters												
Loans (INR B)	2,557	2,623	2,684	2,750	2,764	2,780	2,856	2,989	2,678	2901		
Change YoY (%)	10.0	10.4	10.3	9.5	8.1	6.0	6.4	8.7	9.2	8.3		
Indiv. Disb. (INR B)	149	164	157	145	106	142	175	194	614	618		
Change YoY (%)	77.0	3.9	-10.3	-23.4	-28.8	-13.1	11.8	34.2	1.5	0.6		
Borrowings (INR B)	2,260	2,329	2,404	2,447	2,414	2,436	2,513	2,660	2,448	2634		
Change YoY (%)	9.5	11.4	11.4	9.3	6.8	4.6	4.6	8.7	9.4	7.6		
Loans/Borrowings (%)	113.2	112.6	111.7	112.4	114.5	114.1	113.6	112.4	109.4	110.1		
Asset Quality Parameters												
GS 3 (INR B)	126.8	128.5	127.5	120.2	137.1	120.4			120.2	124.5		
Gross Stage 3 (% on Assets)	5.0	4.9	4.8	4.4	5.0	4.3			4.4	4.2		
NS 3 (INR B)	75.6	72.3	62.6	66.4	79.2	70.8			66.4	64.2		
Net Stage 3 (% on Assets)	3.0	2.8	2.4	2.5	2.9	2.6			2.5	2.2		
PCR (%)	40.4	43.7	50.9	44.8	42.3	41.2			44.8	48.4		
ECL (%)	2.40	2.49	2.71	2.63	2.75	2.34			2.63			
Loan Mix (%)												
Home loans	82.0	82.6	83.1	83.2	83.2	84.4			83.2			
LAP	13.2	12.9	12.9	12.5	12.3	12.1			12.5			
Non-Individual loans	4.8	4.5	4.0	4.3	4.3	3.5			4.3			
Borrowing Mix (%)												
Banks	33.0	34.0	33.9	34.0	31.0	33.0			34.0			
NCD	51.0	52.0	51.9	50.0	54.0	53.0			50.0			
Sub Debt	1.0	1.0	0.8	1.0	1.0	1.0			1.0			
Deposits	8.0	7.0	5.9	5.0	5.0	5.0			5.0			
NHB	4.0	4.0	3.6	5.0	5.0	4.0			5.0			
CP	3.0	2.0	3.9	5.0	4.0	4.0			5.0			

E: MOFSL Estimates

MOTILAL OSWAL | MORNING INDIA

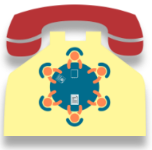
RESULTS FLASH

02 November 2023
Results Flash | Sector: Footwear

Relaxo Footwears

BSE SENSEX	S&P CNX
63,591	18,989

Conference Call Details



Date: 03rd Nov 2023
Time: 04:00PM IST

Financials & Valuations (INR b)

INRb	FY23	FY24E	FY25E
Net Sales	27.8	31.7	38.2
Gross Profit	14.5	17.2	20.6
EBITDA	3.4	4.7	6.3
Adj. PAT	1.5	2.5	3.5
Gross Margin (%)	52.1	54.2	54.0
EBITDA Margin (%)	12.1	14.9	16.5
Adj. EPS (INR)	6.2	10.0	14.0
EPS Gr. (%)	-33.6	60.6	40.4
BV/Sh. (INR)	74.5	82.0	92.5
Ratios			
Net D:E	-0.1	-0.1	-0.1
RoE (%)	8.5	12.7	16.0
RoCE (%)	8.4	12.1	14.9
RoIC (%)	9.5	14.4	18.8
Valuations			
P/E (x)	149.2	92.9	66.1
EV/EBITDA (x)	68.3	48.3	36.0
EV/Sales (X)	8.2	7.2	5.9
Div. Yield (%)	0.3	0.3	0.4
FCF Yield (%)	0.9	1.2	1.3

CMP: INR937 **Neutral**

Moderation in RM costs and controlled opex lift PAT (14% beat)

- Relaxo's revenue grew 7% YoY to INR7.2b (4% below our estimate).
- GP grew 26% YoY to INR4.1b (7% beat), which is likely to be led by: 1) benefits from RM cost moderation, and b) product mix benefit towards sports shoes
  - Gross margin expanded 900bp YoY to 57.9%
- EBITDA jumped 54% YoY to INR915m (5% beat) led by controlled opex
  - Margin improved 400bp YoY to 12.8%. Although it is below the pre-Covid level (16.8% in 2QFY20), it is demonstrating an upward trend (12.1% in FY23)
- PAT doubled YoY to INR442m (14% beat)
  - Margin expanded 280bp YoY to 6.2% during the quarter.

Management commentary

- The improvement in performance is a direct outcome of its strategic price corrections implemented last year, which has helped the company in reclaiming its market share.
- The stabilization of raw material prices, combined with a significant expansion in sales volume, has led to an improvement in margins.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	Var (%)
Gross Sales	**6,672**	**6,697**	**6,810**	**7,649**	**7,388**	**7,153**	**8,254**	**8,950**	**27,827**	**31,745**	**7,460**	**-4**
YoY Change (%)	34.2	-6.3	-8.4	9.6	10.7	6.8	21.2	17.0	4.9	14.1	11.4	
Total RM Cost	3,063	3,422	3,199	3,660	3,151	3,013	3,755	4,620	13,343	14,539.4	3,603	-16
Gross Profit	**3,609**	**3,275**	**3,611**	**3,990**	**4,237**	**4,140**	**4,498**	**4,330**	**14,484**	**17,206**	**3,857**	**7**
Margins (%)	54.1	48.9	53.0	52.2	57.4	57.9	54.5	48.4	52.1	54.2	51.7	618
Total Expenditure	5,810	6,102	6,088	6,470	6,313	6,238	6,834	7,631	24,470	27,015	6,587	-5
EBITDA	**861**	**594**	**722**	**1,180**	**1,076**	**915**	**1,420**	**1,320**	**3,358**	**4,730**	**873**	**5**
Margins (%)	12.9	8.9	10.6	15.4	14.6	12.8	17.2	14.7	12.1	14.9	11.7	109
Depreciation	298	305	320	328	346	369	377	335	1,251	1,427	353	5
Interest	69	41	41	41	45	47	47	41	192	180	45	6
Other Income	42	57	44	43	73	105	40	-32	186	186	40	164
PBT before EO expense	**536**	**304**	**406**	**854**	**758**	**604**	**1,035**	**911**	**2,100**	**3,308**	**515**	**17**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**536**	**304**	**406**	**854**	**758**	**604**	**1,035**	**911**	**2,100**	**3,308**	**515**	**17**
Tax	149	80	105	221	195	162	259	212	555	827	129	26
Rate (%)	27.8	26.3	25.8	25.9	25.7	26.8	25.0	23.2	26.4	25.0	25.0	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**387**	**224**	**301**	**633**	**563**	**442**	**777**	**699**	**1,545**	**2,481**	**387**	**14**
Adj PAT	**387**	**224**	**301**	**633**	**563**	**442**	**777**	**699**	**1,545**	**2,481**	**387**	**14**
YoY Change (%)	24.9	-67.3	-57.1	0.6	45.6	97.0	158.3	10.5	-33.6	60.6	72.3	
Margins (%)	5.8	3.3	4.4	8.3	7.6	6.2	9.4	7.8	5.6	7.8	5.2	100

E: MOFSL Estimates

Syrma SGS Technology

BSE SENSEX	S&P CNX
63,591	18,989

Conference Call Details

Date: 2nd November 2023
Time: 10:30am IST
Dial-in details:
Click Here

CMP: INR598 Buy

Strong revenue growth continues; margins under pressure

- Syrma SGS Technology Ltd (Syrma) achieved significant growth with consolidated revenue reaching INR7.1b, up 52% YoY/18% QoQ.
- EBITDA margins contracted 320bp YoY and expanded 70bp QoQ to 6.9%. Gross margins contracted 690bp/20bp YoY/QoQ to 22.5%.
- EBITDA grew 4%/33% YoY/QoQ to INR490m.
- Adjusted PAT grew 5%/4% YoY/QoQ to INR297m.
- For 1HFY24, Revenue/EBITDA/Adj. PAT grew 53%/6%/33% YoY to INR13.1b/INR859m/INR582m.
- Syrma has completed the acquisition of 51% stake in Johari Digital Healthcare Limited ("JDHL") on 5th Sep'23.
- Further, the board of the company has approved a merger of wholly owned subsidiaries SGS Tekniks and SGS Infosystems with Syrma in phases.

Consolidated - Quarterly Earnings Model (INRm)

Y/E March	FY23				FY24				FY23	FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Gross Sales	**3,893**	**4,669**	**5,126**	**6,795**	**6,013**	**7,117**	**7,177**	**8,811**	**20,484**	**29,118**
YoY Change (%)	NA	250.6	140.0	125.2	54.4	52.4	40.0	29.7	100.9	42.2
Total Expenditure	3,558	4,197	4,648	6,220	5,644	6,627	6,454	7,794	18,624	26,519
EBITDA	**336**	**472**	**478**	**575**	**369**	**490**	**723**	**1,017**	**1,860**	**2,599**
Margins (%)	8.6	10.1	9.3	8.5	6.1	6.9	10.1	11.5	9.1	8.9
Depreciation	72	71	81	88	101	116	160	170	312	547
Interest	50	63	64	39	75	80	60	50	216	265
Other Income	24	79	118	234	221	89	82	117	455	509
PBT before EO expense	**239**	**417**	**450**	**681**	**413**	**383**	**585**	**914**	**1,787**	**2,296**
Extra-Ord expense	0	0	0	0	0	14	0	0	0	14
PBT	**239**	**417**	**450**	**681**	**413**	**370**	**585**	**914**	**1,787**	**2,282**
Tax	68	128	108	252	130	64	170	265	556	629
Rate (%)	28.5	30.6	24.1	37.1	31.5	17.4	29.0	29.0	31.1	27.6
Minority Interest & Profit/Loss of Asso. Cos.	16	6	10	6	-2	22	49	61	38	130
Reported PAT	**155**	**283**	**332**	**423**	**285**	**283**	**366**	**588**	**1,193**	**1,523**
Adj PAT	**155**	**283**	**332**	**423**	**285**	**297**	**366**	**588**	**1,193**	**1,536**
YoY Change (%)	NA	409.5	192.6	114.4	84.0	4.8	10.4	38.9	125.2	28.8
Margins (%)	4.0	6.1	6.5	6.2	4.7	4.2	5.1	6.7	5.8	5.3

MAS Financial Services

Conference Call Details

Date: 02 Nov 2023

Time: 04:30 PM IST

Dial-in details:

Link for the Call

Number: +91 22 6280 1224

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Total income	4.7	6.0	7.7
PPP	3.2	3.9	5.1
PAT	2.0	2.5	3.3
EPS (INR)	36.8	45.1	59.9
EPS Gr. (%)	27.6	22.8	32.6
BVPS (INR)	267	308	362
Ratios (%)			
NIM	6.3	6.0	6.3
C/I ratio	33.0	34.6	33.5
RoA on AUM	2.8	2.7	2.9
RoE	14.6	15.7	17.9
Payout	9.8	9.6	9.1
Valuations			
P/E (x)	24.6	20.0	15.1
P/BV (x)	3.4	2.9	2.5
Div. yield (%)	0.3	0.5	0.6

CMP: INR915 **Buy**

Earnings in line aided by NIM expansion despite higher credit costs

Asset quality largely stable

- PAT grew 22% YoY at INR600m (in line). Net total income was up 28% YoY at INR1.5b (in line), while opex at INR484m grew 16% YoY. PPOP rose 34% YoY to INR1.04b (in line).
- Credit costs stood at INR236m (v/s our estimate of INR190m) and was up 95% YoY.
- On-book GNPA increased ~5bp QoQ to 2.17%. However, NNPA was stable sequentially at 1.47%. In Micro enterprises and SME lending, MASFIN is relatively better than its peers. Capital adequacy and liquidity on the balance sheet remained healthy.

AUM rises ~8% QoQ; sequential expansion in spreads

- Standalone AUM grew ~8% QoQ and ~27% YoY to ~INR90b. AUM in its housing subsidiary rose ~31% YoY to INR5b. AUM of micro-enterprise loans (MEL)/ SME loans/2Ws rose 19%/21%/33% YoY.
- MASFIN has been regularly undertaking assignment transactions, resulting in an increase in the share of off-balance sheet loans by 100bp QoQ to 22%.
- CoF (calc.) declined ~40bp QoQ to 9.2% while yields improved ~20bp to 14.5%, driving ~60bp improvement in spreads to ~5.3% (PQ: 4.7%).
- Operating expenses increased, with the C/I ratio increasing ~75bp QoQ to ~32%, while the OPEX-to-AUM ratio increased ~15bp to 2.2%. This was predominantly driven by expansion in direct distribution.

1+dpd further deteriorates sequentially

- 1+dpd loans increased ~15bp QoQ to 5.5% in 2QFY24. Total standalone Covid-related provisions stood at ~INR188m (~0.27% of on-book loans).
- The OTR pool stood at ~INR57m (~6bp of AUM) as of Sep'23.

Other highlights

- Average ticket size of Micro enterprise loans declined to ~INR43K (PQ: ~44K).
- RoTA declined ~10bp QoQ to ~2.9% in 2QFY24.

HFC subsidiary:

- AUM grew 31% QoQ to INR5b. GS3 increased ~10bp QoQ to ~0.8%.
- The company continues to carry Covid provisions of ~0.76% of the AUM.

Valuation and view

- MASFIN has successfully navigated a tough environment with a large exposure to microloans and the MSME sector. It has developed a niche expertise to serve the MSME market and continues to demonstrate healthy loan growth momentum, while its asset quality is perhaps the best among MFI and SME lending peers.
- The company is well placed to achieve its target AUM CAGR of 20-25%, supported by robust liability management, a strong capital base, and a healthy asset quality.
- Historically, MASFIN has managed its liquidity well (with higher sell-downs) and still continues to have an adequate liquidity buffer on its balance sheet. We will look to revise our estimates after the analyst call on 02nd Nov'23.

Quarterly Performance (INR M)

Y/E March	FY23				FY24E				FY23	FY24E	2QFY24E	Act. v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue from Operations	**1,983**	**2,300**	**2,515**	**2,703**	**2,801**	**2,982**	**3,193**	**3,724**	**9,491**	**12,700**	**3,074**	**-3**
Interest Income	1,677	1,941	2,183	2,325	2,362	2,490	2,665	3,420	8,066	10,937	2,587	-4
Gain on assignments	157	178	158	198	242	272	288	-20	680	782	266	2
Other operating Income	150	182	173	180	196	219	240	325	745	980	221	-1
Interest expenses	928	1,108	1,276	1,435	1,428	1,461	1,607	2,179	4,748	6,676	1,585	-8
Total income	**1,055**	**1,192**	**1,238**	**1,268**	**1,373**	**1,520**	**1,586**	**1,545**	**4,743**	**6,024**	**1,490**	2
Growth Y-o-Y (%)	34.3	47.5	39.7	36.1	30.2	27.6	28.1	21.9	40.5	27.0	25.0	
Operating Expenses	348	416	421	381	427	484	547	624	1,566	2,083	482	0
Operating Profits	**707**	**775**	**818**	**887**	**946**	**1,036**	**1,038**	**921**	**3,177**	**3,942**	**1,007**	**3**
Growth Y-o-Y (%)	11.1	28.2	34.8	39.0	33.8	33.6	27.0	3.9	29.5	24.1	29.9	
Provisions	85	121	142	182	188	236	160	59	530	643	190	24
Profit before tax	**623**	**654**	**676**	**704**	**758**	**800**	**878**	**862**	**2,647**	**3,299**	**817**	**-2**
Growth Y-o-Y (%)	25.7	27.0	25.4	17.4	21.8	22.3	30.0	22.4	25.3	24.6	24.9	
Tax Provisions	157	164	170	149	186	200	220	226	637	831	208	-4
Net Profit	**465**	**491**	**506**	**556**	**573**	**600**	**659**	**636**	**2,010**	**2,467**	**609**	**-1**
Growth Y-o-Y (%)	26.3	28.0	26.0	23.4	23.1	22.3	30.3	14.5	27.6	22.8	24.1	
Key Operating Parameters (%)												
Yield on loans (Cal)	12.7	13.5	14.2	14.5	14.3	14.5	14.3	16.9				
Cost of funds (Cal)	7.7	8.1	8.7	9.7	9.6	9.2	9.0	11.0				
Spreads (Cal)	5.0	5.4	5.5	4.8	4.7	5.3	5.3	6.0				
NIM on AUM (Cal)	6.5	6.9	6.7	6.5	6.7	7.0	6.8	6.2				
Credit Cost (%)	0.5	0.7	0.8	0.9	0.9	1.1	0.7	0.2				
Cost to Income Ratio	33.0	34.9	34.0	30.1	31.1	31.9	34.5	40.4				
Tax Rate	25.3	25.0	25.2	21.1	24.5	25.0	25.0	26.2				
Balance Sheet Parameters												
Standalone AUM (INR B)	**66.8**	**71.4**	**76.1**	**80.9**	**84.2**	**90.5**	**96.6**	**102.8**				
Change YoY (%)	29.5	30.1	32.5	29.5	25.9	26.7	27.1	27.0				
Disbursements (INR B)	**21.5**	**22.6**	**22.2**	**24.9**	**22.8**	**25.6**	**27.9**	**30.5**				
Change YoY (%)	106.8	53.2	39.0	27.0	5.8	13.1	25.5	22.6				
Borrowings (INR B)	**50.5**	**58.4**	**59.3**	**59.1**	**59.9**	**67.1**	**75.4**	**83.7**				
Change YoY (%)	42.6	43.0	36.2	29.8	18.5	15.0	27.0	41.7				
Debt/Equity (x)	3.7	4.3	4.2	3.9	3.8	4.1						
Asset liability Mix												
AUM Mix (%)												
Micro Enterprises	51.8	50.3	49.7	47.9	47.8	47.1						
SME loans	36.6	37.4	37.3	36.9	36.5	35.7						
2W loans	5.8	6.6	6.6	6.9	6.8	6.9						
CV loans	5.0	3.8	3.8	4.6	5.3	6.2						
Borrowings Mix (%)												
Direct Assignment	20.0	18.0	19.0	21.0	23.0	23.3						
Cash Credit	26.0	25.0	21.0	18.0	17.0	16.0						
Term Loan	43.0	45.0	47.0	50.0	48.0	50.6						
NCD	9.0	9.0	10.0	8.0	8.0	7.1						
Sub Debt	2.0	2.0	3.0	3.0	4.0	3.0						
Asset Quality Parameters (%)												
GS 3 (INR m)	1,177	1,308	1,380	1,327	1,355	1,555						
GS 3 (%)	2.27	2.26	2.23	2.15	2.13	2.17						
NS 3 (INR m)	742	837	901	814	795	916						
NS 3 (%)	1.63	1.60	1.60	1.52	1.47	1.47						
PCR (%)	37.0	36.0	34.7	38.6	56.1	-58.9						
Return Ratios (%)												
ROA	2.9	2.8	2.7	2.9	3.0	2.9						
Tier I ratio	22.5	21.2	21.2	20.8	21.1	21.2						

E: MOFSL estimates

1 November 2023

Company Update | Sector: Logistics

J Kumar Infraprojects

BSE SENSEX	S&P CNX
63,591	18,989

CMP: INR410 — Not Rated

Robust order book across infra segments; strong track record of timely execution

J. Kumar Infraprojects Ltd (JKIL) is engaged in the construction and development of infrastructure projects. Over the years, the company has diversified its infra portfolio and is now present across segments like metro, bridges, roads & tunnels, water projects, etc. The order book, which has ballooned to INR164b as of Sep'23, includes some big-ticket projects like underground metro.

We interacted with the management of JKIL to understand its strategy and growth outlook. The management touched upon various aspects like: a) the huge growth opportunity in the infrastructure sector; b) the contribution of new segments like water, irrigation and railways to the overall order book; and c) strategic initiatives to improve margins and cash flow generation. Here are the key takeaways from our interaction:

- **Recent order inflows pump up order book:** At the end of 2QFY24, the company's order book stood at INR164b, resulting in an order book-to-bill ratio of 3.9x. JKIL has secured new orders worth ~INR 72b during YTD FY24. The management has identified a bid pipeline of INR250b, encompassing various sectors such as metro rail, roads, water projects, elevated roads, and buildings.
- **Focus on steady execution and maintaining margins**: JKIL stands out in the industry due to its steady execution. It has a strong operating margin profile (14.3% EBITDA margin in FY23) and efficient management of working capital. High margins are a result of the company's focus on in-house execution and minimal subcontracting. The management looks to prioritize margins over revenue growth. Additionally, JKIL would continue to avoid BOT projects and focus only on EPC projects.
- **Aims to diversify order book; receives LoA for GMLR project:** The management indicated that it will target metro rail tenders to shore up its order book. It is also looking at orders in the high-speed rail segment, sewage, and bridges and flyovers segments. The JKIL-NCC JV has been awarded LoA for the GMLR project worth INR 63b of which JKIL's share is ~31b. The execution period is five years and the revenue contribution from this project would start in FY25.
- **Healthy balance sheet with negligible net debt-to-equity ratio:** Gross debt increased in 1HFY24 to INR6.4b vs. INR5.2b as of Mar'23. Net D/E as of Sep'23 stood at 0.04x (vs. 0.1x in Mar'23). The management expects gross debt to be at INR5.5-6b by the end of FY24.
- **Track record of executing complex infrastructure projects**: JKIL has a proven track record of successfully undertaking and executing large and complex projects, including the Mumbai Metro, Delhi Metro, JNPT, and Dwarka Expressway projects, among others.

Financials Snapshot (INR b)

Y/E MARCH	FY21	FY22	FY23
Sales	25.7	35.3	42.0
EBITDA	3.1	5.0	6.0
EBITDA Margin (%)	12.1	14.3	14.2
Adj. PAT	0.6	2.1	2.7
Adj. EPS	8.4	27.2	36.3
BV/Sh. (INR)	249.4	275.8	309.2
Ratios			
Net D:E	0.0	0.0	0.1
RoE (%)	3.4	10.4	12.4
RoCE (%)	5.7	11.2	12.7
Payout (%)	11.8	11.0	9.7
Valuations			
P/E (x)	48.1	14.9	11.2
P/BV (x)	1.6	1.5	1.3
EV/EBITDA(x)	9.6	6.3	5.4
Div. Yield (%)	0.2	0.7	0.9
FCF Yield (%)	7.8	8.8	-1.2

- **Fleet of modern equipment:** JKIL owns and operates a fleet of seven tunnel boring machines (TBMs), apart from other equipment. It enables the company to undertake and execute underground projects efficiently. By continuously upgrading and enhancing technological capabilities, JKIL is undertaking challenging projects.
- **Other insights:** a) Chennai Elevated Corridor: The company won four packages from NHAI worth ~INR36b; JKIL's share is ~INR34b. b) Mumbai Metro Line-3 is ~90% complete and will be fully completed by FY24 end. c) Dwarka Expressway: The management expects the project to be 95% complete by FY24 end. d) Capex: JKIL incurred a capex of INR550m in 1HFY24 and expects capex of INR2.5b in FY24. JKIL will add two TBMs to its fleet for the GMLR project.

Automobiles

Oct’23: Strong YoY growth across categories, except tractors

PV reported record dispatches, 2W witnessed strong growth amid festivals

> “It is not only the highest in Oct’23 in terms of sales, but the highest-ever month which we have seen in the Indian passenger vehicle industry in any year in any month. The fading away of semiconductor shortage crisis has helped the industry ramp up production and cater to enhanced demand in the market.”
>
> **Mr. Shashank Srivastava, Senior**

Oct’23 overall dispatches for 2Ws surprised positively, while they remained in line for all other categories. Festival volume growth remained strong, in line with expectations. 2W domestic dispatches jumped 26% YoY, while export dispatches remained flat YoY. In PVs, demand remained strong for UVs and the execution of a strong order backlog led to 18% YoY growth in overall dispatches. CV volumes were in line and grew 16%/5% YoY for MHCVs/LCVs. Tractor volumes declined 4% YoY, but OEMs remained optimistic about a recovery in 2HFY24. Overall dispatches for 2Ws/PV/3Ws/CVs grew 22%/18%/17%/11% YoY in Oct’23, while tractor volumes declined 4% YoY.

- **2Ws – Above est.; improved 22% YoY:** 2W dispatches beat estimate for BJAUT (up 19% YoY), while they were in line for HMCL/TVSL/RE. Wholesales for BJAUT/HMCL/TVSL/RE grew 19%/26.5%/22%/3% YoY. Domestic dispatches surged 26% YoY, while exports remained flat YoY. Interacting with the media, Mr. Rakesh Sharma, BJAUT’s executive director, said that the company’s growth was double compared with the industry and this momentum would continue until Diwali. 2W industry grew 15-18% YoY. BJAUT has also garnered an additional 1-1.5% market share in the 125cc segment, while its domestic market share is around 18-19%. He also stated that export markets remain uncertain due to short-term disturbances, but long-term benefits remain intact. HMCL expects demand to remain healthy owing to recent launches in the premium segment and the ongoing festival season. We believe dispatches may soften slightly in Nov’23 as a majority of the inventory has already been built up in the system.
- **PVs – In line; up 18% YoY:** MSIL volumes grew 19% YoY to 199.2k units, while TTMT volumes rose 7% YoY to ~48.6k units. MM UVs (incl. pickups) grew 27% YoY, achieving the highest-ever wholesales. We believe healthy growth momentum should sustain for SUVs, while the weakness in low-end models will continue to dent overall PV growth.
- **CVs – Dispatches in line; up 11% YoY:** MHCV/LCV volume grew 16%/5% YoY. TTMT/AL/VECV volumes grew 4%/13.5%/24% YoY.
- **Tractors – In line; down 4% YoY:** MM/ESC volumes declined 3%/9% YoY. As per M&M, higher aggregate kharif production, higher MSP for key Rabi crops and government’s continuous support to agri economy in 2H would lead to positive sentiment among farmers during the ongoing festive season, which should support tractor demand. As per ESCORTS, the festive season this year is delayed and spread across two months; hence, Oct’23 sales were slightly muted compared to last year. Nov’23, however, looks positive with key festivals in the first half of the month. Going forward, all macroeconomic factors remain positive and the demand momentum should remain intact for the rest of this fiscal.
- **Variance:** All companies, except VECV and BJAUT, were in line with our volume estimates. Both VECV and BJAUT surprised positively.
- **Valuation and view:** We prefer 2Ws in the sector, followed by CVs. We are already witnessing a reversal in demand patterns, especially in the 2W segment, where we anticipate better growth potential vs. other segments over FY23-25E. On the other hand, we turn cautious about the PV growth outlook due to a demand slowdown and a high base. TTMT and HMCL are our top OEM picks. Among auto component stocks, we prefer ENDU and CRAFTSMA.

Snapshot of volumes for Oct-23 (incl Exports) *

	YoY			MoM						
Company Sales	**Oct-23**	**Oct-22**	**YoY (%) chg**	**Sep-23**	**MoM (%) chg**	**FY24YTD**	**FY23YTD**	**(%) chg**	**FY24E**	**Gr (%)**
2W	**14,88,119**	**12,23,350**	**21.6**	**13,29,746**	**11.9**	**84,34,972**	**81,40,593**	**3.6**	**1,43,87,989**	**9.7**
Cars	1,38,190	1,39,050	-0.6	1,22,758	12.6	8,82,679	9,40,637	-6.2	15,32,775	5.3
Uvs + MPVs	1,76,016	1,26,323	39.3	1,68,152	4.7	10,98,232	8,67,078	26.7	19,26,918	27.3
PVs	**3,14,206**	**2,65,373**	**18.4**	**2,90,910**	**8.0**	**19,80,911**	**18,07,715**	**9.6**	**34,59,693**	**16.5**
3Ws	86,550	74,074	16.8	88,365	-2.1	5,13,991	4,14,627	24.0	8,99,231	26.5
M&HCVs	33,719	29,032	16.1	39,149	-13.9	2,13,582	1,97,197	8.3	4,21,319	9.6
LCVs	29,873	28,384	5.2	29,748	0.4	1,92,086	2,05,434	-6.5	3,50,851	0.6
CVs	**63,592**	**57,416**	**10.8**	**68,897**	**-7.7**	**4,05,668**	**4,02,631**	**0.8**	**7,72,170**	**5.3**
Tractors	63,665	66,486	-4.2	54,071	17.7	3,17,341	3,29,035	-3.6	5,21,568	2.1

** 2W: HMCL, TVSL,EIM BJAUTO; PVs: MSIL, MM & TTMT; 3Ws:TVSL, MM & BJAUTO; CVs: TTMT, AL, MM, EIM; Tractors: MM, ESC*

Snapshot of volumes for Oct-23

	YoY			MoM									
Company Sales	**Oct-23**	**Oct-22**	**YoY (%) chg**	**Sep-23**	**MoM (%) chg**	**FY24YTD**	**FY23YTD**	**(%) chg**	**FY24E**	**Gr. (%)**	**Residual Growth (%)**	**Residual Monthly Run rate**	**FY24 YTD Monthly Run rate**
Maruti Suzuki	**1,99,217**	**1,67,520**	**18.9**	**1,81,343**	**9.9**	**12,49,442**	**11,52,846**	**8.4**	**21,71,209**	**10.4**	**13.3**	**1,84,353**	**1,78,492**
LCVs	3,894	2,913	33.7	2,294	69.7	19,390	22,422	-13.5	34,205	-10.0	-4.9	2,963	2,770
Vans	12,975	8,861	46.4	11,147	16.4	80,834	78,371	3.1	1,37,095	4.5	6.5	11,252	11,548
Mini Segment	14,568	24,936	-41.6	10,351	40.7	87,118	1,45,992	-40.3	1,63,038	-30.0	-12.7	15,184	12,445
Compact (incl Dzire Tour)	85,987	77,507	10.9	74,278	15.8	5,33,857	5,27,412	1.2	9,10,715	0.9	0.4	75,372	76,265
Mid-Size - CIAZ	695	1,884	-63.1	1,491	-53.4	8,136	8,810	-7.7	14,154	4.0	25.4	1,204	1,162
UVs	59,147	30,971	91.0	59,271	-0.2	3,65,614	2,16,759	68.7	6,44,652	66.0	62.6	55,808	52,231
Domestic	1,77,266	1,47,072	20.5	1,58,832	11.6	10,94,949	9,99,766	9.5	19,03,860	20.7	40.1	1,61,782	1,56,421
Export	21,951	20,448	7.4	22,511	-2.5	1,54,493	1,53,080	0.9	2,67,350	3.1	6.2	22,571	22,070
Mahindra & Mahindra	**1,31,139**	**1,13,108**	**15.9**	**1,18,814**	**10.4**	**7,34,425**	**6,58,302**	**11.6**	**12,51,485**	**13.2**	**15.5**	**1,03,412**	**1,04,918**
UV (incl. pick-ups)	70,246	55,343	26.9	66,544	5.6	4,22,833	3,58,690	17.9	7,44,857	18.3	18.7	64,405	60,405
LCV & M&HCV	1,031	690	49.4	1,139	-9.5	7,434	4,908	51.5	13,101	30.5	10.5	1,133	1,062
Three-Wheelers	9,402	5,081	85.0	7,921	18.7	48,628	30,661	58.6	77,832	33.0	4.8	5,841	6,947
Tractors	50,460	51,994	-3.0	43,210	16.8	2,55,530	2,64,043	-3.2	4,15,696	2.0	11.6	32,033	36,504
Tata Motors	**82,954**	**78,335**	**5.9**	**84,381**	**-1.7**	**5,52,223**	**5,52,970**	**-0.1**	**10,02,280**	**5.0**	**12.1**	**90,011**	**78,889**
HCV's	16,048	13,940	15.1	19,199	-16.4	98,538	94,192	4.6	1,92,840	6.6	8.9	18,860	14,077
LCV's	18,269	18,972	-3.7	19,865	-8.0	1,25,659	1,40,177	-10.4	2,31,607	-0.5	14.5	21,190	17,951
CV's	**34,317**	**32,912**	**4.3**	**39,064**	**-12.2**	**2,24,197**	**2,34,369**	**-4.3**	**4,24,447**	**2.6**	**11.8**	**40,050**	**32,028**
PVs	**48,637**	**45,423**	**7.1**	**45,317**	**7.3**	**3,28,026**	**3,18,601**	**3.0**	**5,77,833**	**6.8**	**12.3**	**49,961**	**46,861**
Hero MotoCorp	**5,74,930**	**4,54,582**	**26.5**	**5,36,499**	**7.2**	**33,44,030**	**32,72,943**	**2.2**	**56,53,319**	**6.1**	**12.3**	**4,61,858**	**4,77,719**
Bajaj Auto	**4,71,188**	**3,95,238**	**19.2**	**3,92,558**	**20.0**	**25,52,548**	**24,79,896**	**2.9**	**43,63,759**	**11.1**	**25.1**	**3,62,242**	**3,64,650**
Motorcycles	4,08,144	3,41,903	19.4	3,27,712	24.5	21,79,057	22,08,095	-1.3	37,17,945	8.0	24.6	3,07,778	3,11,294
Two-Wheelers	4,08,144	3,41,903	19.4	3,27,712	24.5	21,79,057	22,08,095	-1.3	37,17,945	8.0	24.6	3,07,778	3,11,294
Three-Wheelers	63,044	53,335	18.2	64,846	-2.8	3,73,491	2,71,801	37.4	6,45,815	33.2	27.7	54,465	53,356
Domestic	3,29,618	2,42,917	35.7	2,53,193	30.2	16,08,730	12,90,128	24.7	25,88,050	22.9	19.9	1,95,864	2,29,819
Exports	1,41,570	1,52,321	-7.1	1,39,365	1.6	9,43,818	11,89,768	-20.7	17,75,709	-2.5	31.7	1,66,378	1,34,831
Ashok Leyland	**16,864**	**14,863**	**13.5**	**19,202**	**-12.2**	**1,08,039**	**99,809**	**8.2**	**2,10,719**	**9.6**	**11.1**	**20,536**	**15,434**
M&HCV	10,185	9,054	12.5	12,752	-20.1	68,436	61,882	10.6	1,38,782	11.8	13.0	14,069	9,777
LCV	6,679	5,809	15.0	6,450	3.6	39,603	37,927	4	71,937	5.6	7.2	6,467	5,658
TVS Motor	**4,34,714**	**3,60,288**	**20.7**	**4,02,553**	**8.0**	**24,62,336**	**22,94,516**	**7.3**	**42,54,537**	**15.6**	**29.3**	**3,58,440**	**3,51,762**
Motorcycles	2,01,965	1,64,568	22.7	1,86,438	8.3	11,58,213	10,75,010	7.7	19,95,575	15.1	27.2	1,67,472	1,65,459
Scooters	1,65,135	1,35,190	22.2	1,55,526	6.2	9,51,405	8,33,301	14.2	16,46,226	23.4	38.8	1,38,964	1,35,915
Mopeds	53,510	44,872	19.3	44,991	18.9	2,60,846	2,74,040	-4.8	4,37,152	-1.9	2.7	35,261	37,264
Three-Wheelers	14,104	15,658	-9.9	15,598	-9.6	91,872	1,12,165	-18.1	1,75,585	5.0	52.0	16,743	13,125
Domestic	3,46,762	2,77,472	25.0	3,02,259	14.7	18,69,948	15,75,461	18.7	31,36,311	20.0	22.0	2,53,273	2,67,135
Exports	87,952	82,816	6.2	1,00,294	-12.3	5,92,388	7,19,055	-17.6	11,18,227	4.8	51.3	1,05,168	84,627
Eicher Motors													
Royal Enfield	**84,435**	**82,235**	**2.7**	**78,580**	**7.5**	**5,41,421**	**4,77,204**	**13.5**	**9,37,773**	**12.3**	**10.8**	**79,270**	**77,346**
VECV	**7,486**	**6,038**	**24.0**	**7,198**	**4.0**	**46,608**	**41,123**	**13.3**	**89,698**	**12.7**	**11.9**	**8,618**	**6,658**
Domestic LMD	3,815	3,346	14.0	3,817	-0.1	22,595	20,228	11.7	42,831	10.0	8.2	4,047	3,228
Domestic HD	2,182	1,519	43.6	1,855	17.6	11,608	9,265	25.3	21,430	13.0	1.3	1,964	1,658

Company Sales	YoY Oct-23	YoY Oct-22	YoY (%) chg	MoM Sep-23	MoM (%) chg	FY24YTD	FY23YTD	(%) chg	FY24E	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY24 YTD Monthly Run rate
Domestic Buses	1,080	690	56.5	1,043	3.5	9,052	7,327	23.5	17,910	20.0	16.6	1,772	1,293
VTI	208	127	63.8	233	-10.7	1,388	855	62.3	2,385	28.0	-1.1	199	198
Domestic	**7,285**	**5,682**	**28.2**	**6,948**	**4.9**	**44,643**	**37,675**	**18.5**	**84,556**	**13.2**	**7.8**	7,983	**6,378**
Exports	201	356	-43.5	250	-19.6	1,965	3,448	-43.0	5,142	4.2	113.9	635	281
Escorts Kubota	**13,205**	**14,492**	**-8.9**	**10,861**	**21.6**	**61,811**	**64,992**	**-4.9**	**1,05,872**	**2.5**	**15.0**	**8,812**	**8,830**
Domestic	12,642	13,843	-8.7	10,114	25.0	58,341	59,847	-2.5	99,523	4.5	16.3	8,236	8,334
Exports	563	649	-13.3	747	-24.6	3,470	5,145	-33	6,349	-21	0.0	576	496
Construction Equipment	603	384	57.0	592	1.9	3,553	2,267	57	5,636	22	-11.5	417	508

Auto OEM's	Rating	Mcap (INR b)	CMP (INR)	TP (INR)	P/E (x) FY24E	P/E (x) FY25E	P/E (x) FY26E	EV/EBITDA (x) FY24E	EV/EBITDA (x) FY25E	EV/EBITDA (x) FY26E	PB (x) FY24E	PB (x) FY25E	PB (x) FY26E	FY25 Yield (%) Div	FY25 Yield (%) Div	FY25 Yield (%) FCF	EPS CAGR (%) FY23-25E
Bajaj Auto	Neutral	1,512	5,342	5,225	19.4	17.3	15.5	14.3	12.3	10.8	5.4	4.9	4.5	3.3	3.7	4.6	20.1
Hero MotoCorp	Buy	619	3,092	3,675	16.5	15.2	13.5	9.7	8.4	7.2	3.4	3.1	2.7	3.4	3.6	7.2	18.2
TVS Motor	Neutral	741	1,560	1,500	34.6	29.4	25.2	20.9	17.6	15.1	9.4	7.3	5.8	0.4	0.4	3.1	32.0
Eicher Motors	Neutral	898	3,283	3,600	23.0	20.2	17.0	20.5	17.7	14.9	5.1	4.3	3.6	1.4	1.5	4.8	23.5
Maruti Suzuki	Buy	3,214	10,224	12,300	22.9	21.9	19.9	15.1	13.7	12.3	4.3	3.4	3.0	1.0	1.2	2.3	31.6
M&M	Buy	1,743	1,454	1,742	16.9	15.5	14.5	10.9	9.3	8.2	1.7	1.5	1.3	1.4	1.5	6.0	20.4
Tata Motors	Buy	2,307	627	740	15.2	14.6	12.0	4.7	4.1	3.3	4.0	3.1	2.5	0.5	0.7	4.2	346.9
Ashok Leyland	Buy	484	165	225	17.7	13.7	12.5	10.0	8.2	7.0	5.7	3.6	2.9	1.2	1.2	7.7	63.2
Escorts	Neutral	375	3,060	2,930	33.7	28.2	24.6	25.5	19.6	16.6	4.1	3.6	3.2	0.3	0.3	3.1	45.3
Auto Ancillaries																	
Bharat Forge	Buy	478	1,027	1,260	34.3	25.8	23.6	18.5	15.3	14.1	6.1	5.1	4.3	0.6	0.6	4.5	84.9
Exide Industries	Buy	215	253	300	20.8	16.7	14.2	12.1	10.0	8.6	1.8	1.7	1.5	1.3	1.3	6.8	19.3
Amara Raja	Neutral	106	618	660	12.7	11.5	11.0	6.8	6.2	5.7	1.8	1.6	1.5	2.4	2.4	6.4	12.2
BOSCH	Neutral	573	19,415	18,550	32.8	27.6	24.9	25.1	20.0	17.7	4.8	4.4	4.0	1.5	1.8	2.2	20.8
Endurance Tech	Buy	223	1,583	2,000	30.6	25.4	22.2	16.1	13.3	11.5	4.4	3.9	3.3	0.5	0.6	2.5	34.0
SAMIL	Buy	623	92	115	21.7	19.0	17.4	8.4	7.3	6.5	2.5	2.3	2.1	1.4	1.6	5.8	44.7
CIE Automotive	Buy	172	454	575	20.2	16.8	14.4	11.7	9.8	8.2	3.0	2.6	2.3	0.8	1.0	4.6	22.5
CEAT	Buy	85	2,109	2,950	13.0	11.3	10.2	6.2	5.4	4.7	2.1	1.8	1.6	0.7	0.9	9.1	89.7
Balkrishna Ind	Neutral	495	2,560	2,500	36.0	26.8	21.4	22.3	17.3	14.0	5.9	5.2	4.4	1.2	1.4	2.6	35.4
MRF	Sell	460	1,08,592	96,500	21.0	21.4	19.1	9.9	9.6	8.4	2.7	2.4	2.2	0.2	0.2	2.7	67.3
Apollo Tyres	Buy	242	381	500	13.4	11.7	10.9	5.9	5.2	4.6	1.3	1.2	1.1	1.3	1.4	10.4	37.7
Sona BLW	Neutral	317	542	565	60.9	46.9	39.4	32.7	25.9	21.8	12.0	10.2	8.7	0.5	0.7	1.1	30.4
Tube Investments	Buy	584	3,114	3,630	52.6	43.7	38.8	25.9	21.8	19.4	12.2	9.9	8.1	0.3	0.3	3.1	32.5
MSUMI	Buy	261	59	70	42.3	33.1	28.7	27.1	21.6	18.6	15.7	12.6	10.4	1.4	1.8	2.6	27.2
CRAFTSMAN	Buy	101	4,770	5,800	25.6	21.2	17.2	11.6	9.5	8.0	5.9	4.7	3.8	0.3	0.4	4.1	38.3

Oil & Gas

GAIL (I) & BPCL sign an agreement for supply of Propane

- GAIL (I) has signed an agreement today (1st Nov'23) with BPCL to secure the availability of feedstock for its petchem production.
  - This is a 15-year supply agreement of Propane for GAIL's upcoming petchem plant in Usar, Maharashtra.
  - The estimated value of the contract is over INR630b, which will see GAIL procuring 600ktpa of Propane from BPCL's import facility at Uran.
  - The Uran facility is capable of handling 1mmtpa of LPG imports currently and is undergoing expansion to accommodate 3mmtpa of propane and butane imports.
- GAIL's PDH-PP project at Usar would be India's first propane dehydrogenation plant and is likely to commence operations in CY25
  - The nameplate capacity would be about 500ktpa with propylene production seamlessly integrated into a polypropylene (PP) plant of equal capacity.
- The demand for Polypropylene is surging in India and is projected to reach 6.3mmt by CY25 from 4.9mmt in CY20.

GAIL (I) financial summary

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	538.3	751.3	718.8	567.4	916.5	1,443.0	1,330.8	1,428.3
EBITDA	78.0	95.3	83.7	64.5	138.3	67.0	109.6	128.2
Adj. PAT	47.3	63.3	74.2	49.0	102.9	53.0	74.8	87.9
Adj. EPS (INR)	7.2	9.6	11.3	7.4	15.6	8.1	11.4	13.4
EPS Gr. (%)	4.8	33.6	17.3	-34.0	110.1	-48.5	41.2	17.4
BV/Sh.(INR)	62.1	68.1	73.0	77.1	89.5	93.5	101.5	110.9
Ratios								
Net D:E	0.0	0.0	0.1	0.1	0.1	0.2	0.3	0.2
RoE (%)	12.2	14.3	15.0	10.8	20.3	9.5	12.8	13.7
RoCE (%)	10.7	13.1	12.6	9.0	17.0	7.9	10.1	10.8
Payout (%)	44.0	34.7	51.3	45.0	21.3	49.6	30.0	30.0
Valuations								
P/E (x)	16.6	12.5	10.6	16.1	7.7	14.9	10.5	9.0
P/BV (x)	1.9	1.8	1.6	1.6	1.3	1.3	1.2	1.1
EV/EBITDA (x)	3.6	2.4	5.6	6.7	3.4	8.7	6.0	5.2
Div. Yield (%)	2.3	2.2	3.6	2.8	2.8	3.3	2.8	3.3
FCF Yield (%)	7.3	0.9	1.8	3.9	3.9	-5.8	0.9	3.3

BPCL financial summary

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	2,357.7	2,982.3	2,845.7	2,301.6	3,467.9	4,731.9	4,244.2	4,318.6
EBITDA	151.8	158.1	100.2	211.0	188.5	93.8	388.3	171.8
Adj. PAT	97.9	85.3	49.8	132.4	108.9	19.7	250.5	98.6
EPS (INR)	46.8	40.7	23.8	63.2	52.0	9.4	119.7	47.1
EPS Gr.%	3.0	-12.9	-41.6	165.6	-17.8	-81.9	1170.3	-60.6
BV/Sh. (INR)	175.0	185.2	174.6	255.9	248.0	255.7	318.6	345.1
Ratios								
Net D:E	1.0	1.1	1.5	0.6	1.0	1.1	0.8	0.6
RoE (%)	29.0	22.6	13.2	29.4	20.6	3.7	41.7	14.2
RoCE (%)	13.7	11.8	9.1	15.9	10.9	-0.4	22.0	8.1
Payout (%)	52.5	54.6	110.2	95.5	28.7	98.2	47.5	43.7
Valuation								
P/E (x)	7.4	8.5	14.5	5.5	6.7	36.8	2.9	7.4
P/BV (x)	2.0	1.9	2.0	1.4	1.4	1.4	1.1	1.0
EV/EBITDA (x)	4.5	4.3	6.8	3.4	3.8	7.7	1.9	4.2
Div. yield (%)	6.4	5.8	5.1	22.8	4.6	2.9	16.4	5.9
FCF yield (%)	4.9	-0.5	-6.3	19.9	16.3	5.4	31.1	15.8

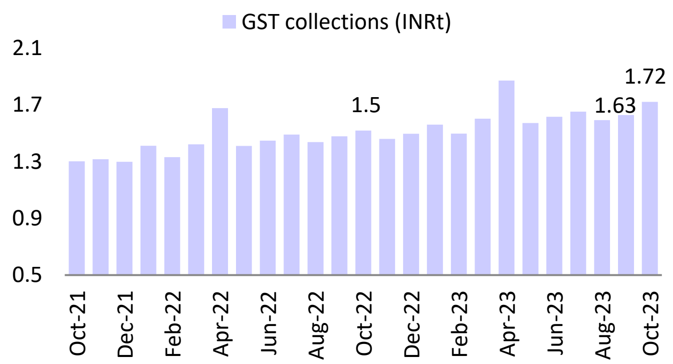
Source: MOFSL, Company

GST Monitor: GST collections stood at INR1.72t in October

…the second highest ever

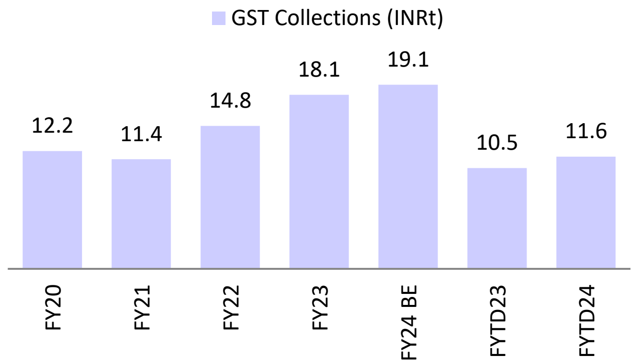
- **GST collections grew 13.4% YoY to INR1.72t in Oct'23 (vs. INR1.63t collected in Sep'23 and INR1.52t in Oct'22). Average monthly collections stood at INR1.7t in FYTD24 vs. an average of INR1.5t in FYTD23. GST collections, thus, grew 11.4% in FYTD24 vs. 29.7% in FYTD23 *(Exhibits 1 and 2).***
- **Gross GST collections have hit a record high of INR1.7t, marking the second highest collection ever after Apr'23.**
- **In Oct'23, CGST collections amounted to INR300.6b (up 15.4% YoY in Oct'23 vs. 18% YoY in Sep'23) and SGST collections stood at INR381.7b (up 14.3% YoY in Oct'23 vs. 18.4% YoY in Sep'23).**
- **In FYTD24, CGST collections stood at INR2.2t (up 16.5% YoY) and SGST collections amounted to INR2.7t (up 15.1% YoY). While GST collected on imported goods rose 2.7% YoY to INR2.7t, GST collected on domestic activities jumped 14.6% YoY in FYTD24 *(Exhibit 3).***
- **The surge in GST revenue is not limited to domestic transactions alone; it extends to revenue generated from domestic transactions, including the import of services, which also experienced a notable rise. GST collected on domestic activities grew 13.5% YoY in Oct'23 vs. 14.2% YoY in Sep'23. GST collections on imports grew 13% YoY to INR434.2.3b in Oct'23 vs. a growth of -0.2% YoY in Sep'23 *(Exhibit 4).***
- **Overall, the government has collected GST of INR11.6t in FYTD24 (vs. INR10.5t in FYTD23). It means that GST collections have averaged INR1.66t per month in FYTD24, compared to the budgeted estimate of INR1.59t per month. With this run rate, there would be an excess collection of about INR800b in FY24. However, a slowdown in 4QFY24 could reduce the monthly GST collections.**

GST collections grew 13.4% YoY to INR1.72t in Oct'23



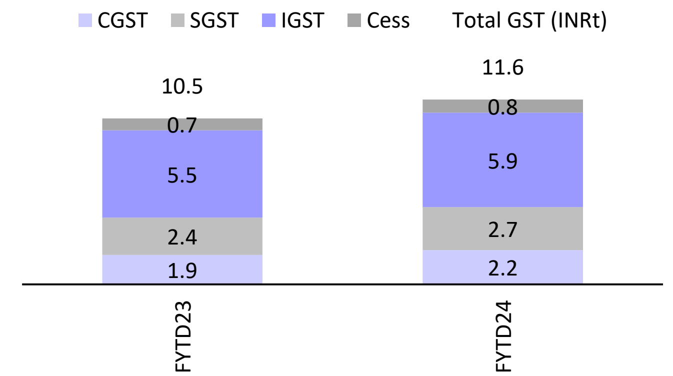
Source: Budget documents, MOFSL

GST collections stood at INR11.6t in FYTD24 vs. INR10.5t in FYTD23



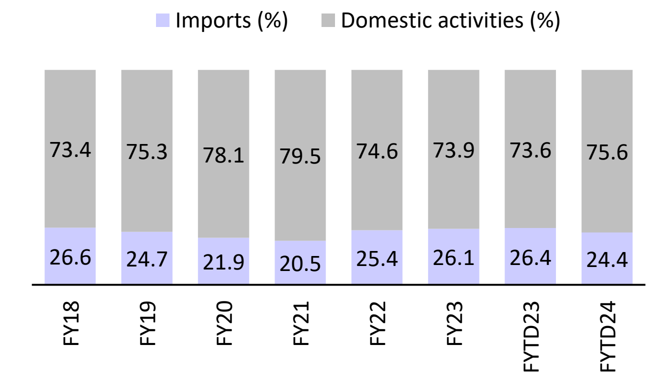
Source: Finance Ministry, MOFSL

Breakup of GST revenue



Source: Finance Ministry, MOFSL

Percentage of GST collected on imported goods decreased to 24.4% in FYTD24 from 26.4% in FYTD23



Source: Finance Ministry, MOFSL

L&T : Hyderabad Metro divestment targeted for FY27-28; R Shankar Raman, CFO

- Company is currently in good spot in terms of order wins as far as H1 is Concerned
- INR 2 Lakh Cr worth of orders in FY24
- Aims to reach 9% margin guidance in H2
- Order Inflow guidance has to be seen in context of lumpy order wins

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BAJAJ AUTO : Double growth compared to the Industry; Rakesh Sharma, Executive Director

- Festive Demand - Consumers flocked back to stores in significant numbers during the festive season and said the 2-wheeler industry witnessed an impressive 15-18% growth.
- Exports for Bajaj Auto are tied to global macroeconomics and remains uncertain
- Oct Sales - Bajaj Auto has reported October total sales at 4.71 lakh units
- Big market Nigeria has seen naira devaluation which is a short term plan

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Motherson Sumi Wiring : Anticipate Good Quarters Ahead; Mahender Chhabra, CFO

- Volumes increased ahead of festive season
- Internal operating efficiencies are taken into consideration by the company
- Margins are always challenging to understand
- Overall Business depends for the automobile sector

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CE Info Systems : Working towards achieving 40% growth in FY24; Rohan Verma, CEO & Executive Director

- Quite excited about H2FY24, based on funnel of opportunities
- EBITDA Margin was 44.5% overall good quarter
- Aims for INR 1,000 Cr Revenue Milestone in the next 4-5 years
- Drone Business id getting traction on supplying drones & providing services

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KEI Industries : EHV Segment Will Do ₹500 Cr For FY24; Anil Gupta, MD

- Guj plant construction has started, should start commercial production in Q4FY25
- Company expects exports revenue to remain upside, trying to get export contribution to 15%
- 16-18% growth for FY25 due to the brownfield expansion

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NEUTRAL	> - 10 % to 15%
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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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