

**Market snapshot**



Equities - India	Close	Chg .%	CYTD.%
Sensex	80,082	-0.2	10.9
Nifty-50	24,436	-0.1	12.4
Nifty-M 100	56,534	0.6	22.4
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	5,797	-0.9	21.5
Nasdaq	18,277	-1.6	21.8
FTSE 100	8,259	-0.6	6.8
DAX	19,378	-0.2	15.7
Hang Seng	7,478	1.6	29.6
Nikkei 225	38,105	-0.8	13.9
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	75	-1.3	-3.6
Gold (\$/OZ)	2,716	-1.2	31.6
Cu (US\$/MT)	9,377	-0.6	10.8
Almn (US\$/MT)	2,643	1.5	12.7
Currency	Close	Chg .%	CYTD.%
USD/INR	84.1	0.0	1.0
USD/EUR	1.1	-0.2	-2.3
USD/JPY	152.8	1.1	8.3
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	6.8	0.00	-0.4
10 Yrs AAA Corp	7.3	-0.01	-0.5
Flows (USD b)	23-Oct	MTD	CYTD
FII	-0.7	-8.96	2.8
DII	0.72	11.35	51.5
Volumes (INRb)	23-Oct	MTD*	YTD*
Cash	1,237	1157	1290
F&O	5,67,793	4,10,558	3,82,841

Note: Flows, MTD includes provisional numbers.

\*Average



**Today's top research idea**

**Hindustan Unilever: Miss on volume; core portfolio performs well**

- ❖ Hindustan Unilever's (HUVR) 2QFY25 revenue was up 2% at INR157.3b (in line), with underlying growth of 3%. Volume growth of 3% was below our estimate of 5% (4% in 1QFY25). Demand trends remained stable, with moderate growth in urban areas and a stable recovery in rural regions.
- ❖ Home Care maintained high-single-digit volume growth and 8% revenue growth. Beauty & Wellbeing segment clocked mid-single digit volume growth, with underlying growth of 7% (reported 2%). Personal Care posted low single-digit volume growth with a 5% decline in revenue. Food & Refreshment (F&R) posted a low single-digit volume decline with a 2% fall in revenue.
- ❖ The company focuses on volume-led growth through various initiatives for strengthening its core portfolio, expanding TAM, relevant for all channels, etc. Core portfolio (Home Care and Beauty Wellbeing with 55-60% revenue) clocked 7-8% underlying growth in 2Q (largely volume-led). Rural is still performing well, and HUVR has relatively higher saliency from rural. We reiterate BUY rating with a TP of INR3,200 (60x on Sep'26E EPS).



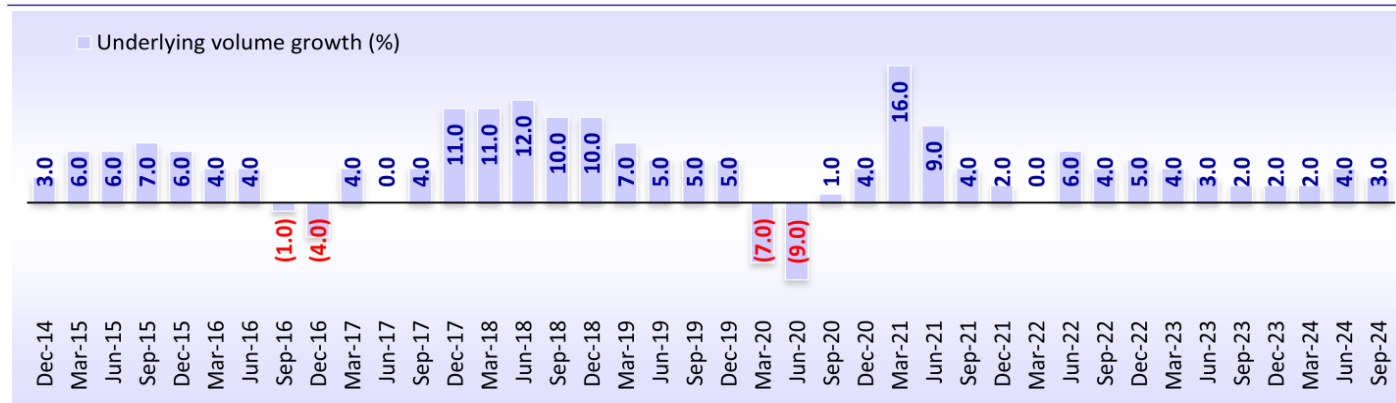
**Research covered**

Cos/Sector	Key Highlights
Hindustan Unilever	Miss on volume; core portfolio performs well
SBI Life Insurance	VNB margins contract due to shift in product mix
Other Updates	TVS Motor Company   Indus Towers   Godrej Properties   SRF   Coforge   AU Small Finance Bank   MAX Financial Services   SONA BLW Precision Forging   Piramal Enterprises   Amber Enterprises   Navin Fluorine International   Can Fin Homes   Shoppers Stop   United Spirits   Pidilite   Metro Brands   Piramal Pharma   IIFL Finance   Craftsman Automation   Birla Corporation   MAS Financial Services   Expert Speak - Consumer



**Chart of the Day: Hindustan Unilever (Miss on volume; core portfolio performs well)**

Volume grew 3% YoY in 2QFY25



Source: Company, MOFSL

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

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



Kindly click on textbox for the detailed news link

1

### **KPIT to raise Rs 2,880 crore**

KPIT's growth during the September quarter was driven by Asia geography and the passenger car verticals and from the powertrains and middleware domains.

2

### **FIU imposes Rs 54 lakh fine on Union Bank of India for PMLA violations**

The federal agency issued the penalty notice under section 13 of the Prevention of Money Laundering Act (PMLA) on October 1 as it observed that the charges against the lender were "substantiated".

3

### **Tata to hike tea prices across brand portfolio over next few months**

Tata Tea will implement price hikes across its brand portfolio over the next few months, as it aims to expand its profit margins, which have been hit due to a jump in input prices, a top official said on Wednesday.

4

### **Dalmia Cement to set up a new Rs 3k cr plant in MP, says group MD at RIC**

Dalmia Cement will set up a new cement plant, with a capacity of 4 million tonnes, in Madhya Pradesh at a cost of Rs 3,000 crore, making it the first unit in the country to run on 100 per cent renewable energy, Group Managing Director Punit Dalmia said on Wednesday.

5

### **RBI approves Pranav Chawda's appointment as JP Morgan Chase Bank India CEO**

J P Morgan Chase Bank India on Wednesday said it will elevate Pranav Chawda as its chief executive officer.

6

### **Muthoot Finance raises \$400 million through ECBs**

Gold loan company Muthoot Finance on Wednesday said it has raised \$400 million through the issuance of Senior Secured Notes under its Global Medium Term Note Program of \$2 billion in compliance with External Commercial Borrowings (ECB) guidelines of the Reserve Bank of India.

7

### **GMR promoter to borrow ₹6,300 crore from ADIA to refinance its debt**

GMR Enterprise plans to use a ₹6,300-crore credit line from ADIA to refinance debt and lower borrowing costs. This move aims to strengthen GMR Airports' operations amidst rising finance costs and losses.



# Hindustan Unilever

Estimate changes	↔
TP change	↓
Rating change	↔

**CMP: INR2,659      TP: INR3,200 (+20%)      Buy**

Bloomberg	HUVR IN
Equity Shares (m)	2350
M.Cap.(INRb)/(USDb)	6248.3 / 74.3
52-Week Range (INR)	3035 / 2170
1, 6, 12 Rel. Per (%)	-6/8/-20
12M Avg Val (INR M)	5058

### Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	641.7	696.6	754.1
Sales Gr. (%)	3.7	8.6	8.3
EBITDA	153.2	168.9	184.5
EBITDA mrg. (%)	23.9	24.2	24.5
Adj. PAT	106.5	119.9	132.0
Adj. EPS (INR)	45.3	51.0	56.2
EPS Gr. (%)	3.7	12.5	10.1
BV/Sh.(INR)	219.8	224.3	231.0

### Ratios

RoE (%)	20.7	23.0	24.7
RoCE (%)	29.0	31.6	33.8
Payout (%)	99.3	94.1	90.8

### Valuations

P/E (x)	58.6	52.1	47.3
P/BV (x)	12.1	11.9	11.5
EV/EBITDA (x)	40.5	36.6	33.4
Div. Yield (%)	1.7	1.8	1.9

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	61.9	61.9	61.9
DII	14.2	14.2	12.0
FII	12.2	11.9	13.9
Others	11.7	12.1	12.2

FII Includes depository receipts

## Miss on volume; core portfolio performs well

- Hindustan Unilever's (HUVR) 2QFY25 revenue was up 2% at INR157.3b (in line), with underlying growth of 3%. Volume growth of 3% was below our estimate of 5% (4% in 1QFY25). Demand trends remained stable, with moderate growth in urban areas and a stable recovery in rural regions.
- Home Care maintained high-single-digit volume growth and 8% revenue growth, led by both Fabric Wash and Household Care. Beauty & Wellbeing segment clocked mid-single digit volume growth, with underlying growth of 7% (reported 2%). Hair Care portfolio reported high single-digit volume growth and premium portfolio clocked strong double-digit growth.
- Personal Care posted low single-digit volume growth with a 5% decline in revenue. Pricing action in skin cleansing is hurting growth. Oral Care grew in high single digits. Food & Refreshment (F&R) posted a low single-digit volume decline with a 2% fall in revenue. Tea business is affected by persistently high inflation (25% YoY) in the category. A modest price hike was taken in 2Q, and an additional hike is expected in 3Q. Nutrition drinks saw a weak show.
- Gross margin contracted by 140bp YoY to 51.6% (miss) due to rising commodity prices. HUVR cut A&P spending by 14% YoY, leading to a lower contraction in EBITDA margin by 50bp to 23.8% (in line).
- The company focuses on volume-led growth through various initiatives for strengthening its core portfolio, expanding TAM, relevant for all channels, etc. Core portfolio (Home Care and Beauty Wellbeing with 55-60% revenue) clocked 7-8% underlying growth in 2Q (largely volume-led). Thereby, along with macro improvements, HUVR can see volume acceleration in the ensuing quarters. Besides, the company is expected to take a price hike in low single digits (to offset inflation), which will also support revenue growth.
- Despite weakness in overall consumption, we believe HUVR can still see an upward growth trajectory. Rural is still performing well, and HUVR has relatively higher saliency from rural. **We reiterate BUY rating with a TP of INR3,200 (60x on Sep'26E EPS).**

## In-line sales; miss on volume growth

- **Reported net sales grew 2% YoY to INR157.3b** (est. INR157.6b), with **underlying volume growth of 3% YoY**. EBITDA was flat YoY at INR37.9b (est. INR37.8b), PBT declined 1% YoY to INR35.6b (est. INR36.1b), and PAT (bei) was down 2% YoY at INR26.0b (est. INR26.9b).
- **Segmental performance:**
  - Home Care (36% of total sales) revenue rose 8.0% YoY to INR57.3b and margin expanded 30bp YoY to 19.4%.
  - Beauty and Wellbeing revenue (21% of total sales) grew 2.5% YoY to INR34.2b and margin contracted 70bp YoY to 32.8%.

- Personal Care revenue (15% of total sales) was down 4.9% YoY at 24.1b and margin contracted 140bp YoY to 16.9%.
- F&R sales (24% of total sales) declined 1.2% YoY to INR38.0b and margin contracted 60bp YoY to 18.1%.
  - Gross margin contracted 140bp YoY to 51.6% (est. 52.5%) on rising commodity prices. Employee and other expenses rose 7% each, while ad-spends declined 14% YoY. EBITDA margin contracted by 50bp YoY to 23.8%. (est. 23.6%).
  - A one-off indirect tax impact in Sep'23 was included in the reported sales for the quarter. Excluding this effect, intrinsic sales and APAT growth stood at 3% and 2%, respectively
  - In 1HFY25, net revenue/EBITDA grew by 2%/1%, while APAT was flat YoY. In 2HFY25, we expect net revenue/EBITDA/APAT will grow by 6%/8%/9%.
  - The board has declared an interim dividend of INR19 per share and a special dividend of INR10 per share.

### Management conference call highlights

- Demand remained steady, with rural continuing to grow well, whereas urban demand seeing weakness. HUVR is focusing on its own initiatives to drive volume-led growth.
- The company has outlined four key initiatives to position itself as an outperformer: 1) strengthen core brands through superior offerings, 2) drive premiumization, 3) reshape the portfolio toward high-growth categories, and 4) lead in emerging channels of the future.
- The trends of upgrade and premiumization remain evident in rural markets, and the company expects this momentum to continue moving forward.
- HUVR has announced the separation of its Ice Cream business to focus on its core operations. The mode of separation will be decided by year end.
- There is volatility in the commodity prices. Crude oil, soda ash and skimmed milk powder prices declined by 10%, 5%, and 10%, respectively, while palm oil and tea prices increased by 10% and 25%, respectively.

### Valuation and view

- We cut our EPS estimates by 2% for FY25 and FY26 each as we moderate our growth assumptions amid RM cost pressure.
- HUVR's wide product basket and presence across price segments should help the company achieve a steady growth recovery.
- Under the new leadership of Mr. Rohit Jawa, HUVR is expected to take corrective actions to address the white space, particularly in BPC and F&R. The company commands strong leadership in Home Care, which can be capitalized during improving macros.
- We reiterate our BUY rating with a TP of **INR3,200, based on 60x Sep'26E EPS**, close to last five-year average P/E.

Quarterly performance (Consolidated)

(INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25 2QE	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Domestic volume growth (%)</b>	<b>3.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>4.0</b>	<b>3.0</b>	<b>3.5</b>	<b>4.5</b>	<b>2.3</b>	<b>3.8</b>	<b>5.0</b>	
<b>Revenue</b>	<b>155.0</b>	<b>156.2</b>	<b>155.7</b>	<b>152.1</b>	<b>157.1</b>	<b>159.3</b>	<b>163.4</b>	<b>162.0</b>	<b>619.0</b>	<b>641.7</b>	<b>160.0</b>	-0.4%
YoY change (%)	6.0	3.2	-0.2	0.0	1.4	1.9	5.0	6.5	2.2	3.7	2.4	
COGS	76.8	73.5	74.8	72.6	75.5	77.1	78.6	76.9	298	308	76.0	
<b>Gross Profit</b>	<b>78.2</b>	<b>82.8</b>	<b>80.9</b>	<b>79.5</b>	<b>81.6</b>	<b>82.2</b>	<b>84.8</b>	<b>85.1</b>	<b>321.4</b>	<b>333.7</b>	<b>84.0</b>	
Margin %	50.4	53.0	52.0	52.3	52.0	51.6	51.9	52.5	51.9	52.0	52.5	
<b>EBITDA</b>	<b>36.7</b>	<b>38.0</b>	<b>36.7</b>	<b>35.4</b>	<b>37.4</b>	<b>37.9</b>	<b>39.2</b>	<b>38.6</b>	<b>146.6</b>	<b>153.2</b>	<b>37.8</b>	0.5%
YoY change (%)	7.7	9.1	-0.8	-1.1	2.2	-0.1	7.0	9.2	3.6	4.5	-0.6	
Margins (%)	23.7	24.3	23.5	23.2	23.8	23.8	24.0	23.8	23.7	23.9	23.6	
Depreciation	2.9	3.0	3.1	3.2	3.3	3.4	3.3	3.3	12.2	13.3	3.3	
Interest	0.5	0.9	0.9	1.1	0.9	1.1	1.1	1.0	3.3	4.2	0.9	
Other income	1.8	1.8	2.1	2.3	2.6	2.2	2.4	2.6	8.1	9.7	2.6	
<b>PBT</b>	<b>35.1</b>	<b>36.0</b>	<b>34.8</b>	<b>33.4</b>	<b>35.8</b>	<b>35.6</b>	<b>37.2</b>	<b>36.8</b>	<b>139.2</b>	<b>145.4</b>	<b>36.1</b>	-1.2%
Tax	9.2	9.3	9.4	8.6	9.2	9.5	9.5	9.5	36.4	37.6	9.1	
Rate (%)	26.1	25.9	27.0	25.7	25.6	26.6	25.5	25.9	26.2	25.9	25.2	
<b>PAT bei</b>	<b>25.8</b>	<b>26.6</b>	<b>25.3</b>	<b>25.0</b>	<b>26.5</b>	<b>26.0</b>	<b>27.7</b>	<b>27.2</b>	<b>102.7</b>	<b>106.5</b>	<b>27.0</b>	-3.5%
YoY change (%)	8.0	-1.1	-2.0	-1.6	2.5	-2.1	9.4	9.0	0.7	3.7	1.4	
<b>Reported Profit</b>	<b>25.5</b>	<b>26.6</b>	<b>25.1</b>	<b>25.6</b>	<b>26.1</b>	<b>25.9</b>	<b>27.7</b>	<b>27.2</b>	<b>102.8</b>	<b>107.0</b>	<b>27.0</b>	

E: MOFSL Estimates



# SBI Life Insurance

Estimate change	↓
TP change	↓
Rating change	↔

**CMP: INR1,716    TP: INR2,100 (+22%)    BUY**

## VNB margins contract due to shift in product mix

### Focus on protection and non-par to improve margins in FY25E

Bloomberg	SBILIFE IN
Equity Shares (m)	1002
M.Cap.(INRb)/(USD\$)	1719.3 / 20.4
52-Week Range (INR)	1936 / 1291
1, 6, 12 Rel. Per (%)	-5/8/1
12M Avg Val (INR M)	2144

- SBI Life Insurance (SBILIFE) reported a weak performance in 2QFY25. APE grew 3% YoY to INR53.9b (11% miss). For 1HFY25, it grew 9% YoY to INR90.3b.
- Absolute VNB declined 3% YoY to INR14.5b (14% miss). For 1HFY25, it grew 3% YoY to INR24.2b. The management expects VNB growth to remain in the range 12-15% in FY25.
- VNB margins came in at 26.9% vs. 28.5% in 2QFY24 and 26.8% in 1QFY25 (est. 28%).
- However, the management expects margins to remain in the range of 26-27% in FY25 on the back of new product launches in the protection segment and a minimal impact of surrender charges.
- In 2QFY25, shareholder PAT grew 39% YoY to INR5.3b (in line). For 1HFY25, it grew 38% YoY to INR10.5b.
- We expect SBILIFE to deliver an 18% CAGR each in APE and VNB over FY24-27E, while RoEV is likely to remain at ~20% over FY27. Due to strong growth in ULIPs and a blip in protection sales, we have cut our APE/VNB estimates for FY25. **We reiterate our BUY rating on the stock with a TP of INR2,100 (premised on 2.3x Sept'26E EV).**

### Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Premiums	884.8	1,030.0	1,199.6
Surplus / Deficit	35.5	39.5	45.5
Sh. PAT	23.9	24.8	27.7
NBP gr- APE (%)	14.4	17.2	17.2
Premium gr (%)	9.7	16.4	16.5
VNB margin (%)	26.5	27.5	27.5
RoEV (%)	21.3	20.0	19.1
Total AUMs (INRt)	4.6	5.4	6.4
VNB	59.8	72.7	85.2
EV per share	707	848	1,010

### Valuations

P/EV (x)	2.4	2.0	1.7
P/EVOP (x)	15.2	12.6	10.7

\*VNB, VNB margins based on ETR

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	55.4	55.4	55.4
DII	15.3	15.9	14.3
FII	25.2	24.7	26.2
Others	4.1	4.0	4.1

FII Includes depository receipts

### ULIP share in total APE increases to 65% in 2QFY25

- SBILIFE reported a decline of 13% YoY in NBP to INR 87b. For 1HFY25, it declined 3% YoY to INR157.3b. Gross premium grew 1% YoY to INR204.1b (8% miss). Renewal premium grew 16% YoY (5% beat).
- VNB margins contracted 160bp YoY to 26.9% (est. 28%) on account of a shift in the product mix toward ULIPs and a delay in product launches of protection business. However, sequentially, the margin improvement was driven by repricing of non-par products. The company expects non-par margins to further improve in 3QFY25.
- The total cost ratio was 9.7% vs. 8.4% in 2QFY24. The commission ratio was 4.1% vs. 3.9% in 2QFY24. The operating expense ratio was 5.6% vs. 4.4% in 2QFY24. Costs remained high owing to an increase in agent count and enhancing digital initiatives.
- On the product front, ULIP grew 16% YoY, contributing 65% of total APE, aided by positive movement in equity markets and consumer preferences. The protection business declined 29% YoY due to delayed product launch. It has recently launched a new product on the YONO platform, which will improve the contribution going forward.
- The credit life segment witnessed flat growth as penetration levels in the bank were lower than expected. The management expects 9-10% growth in credit life for FY25, backed by an ease in the underwriting process with ticket size for housing loans increasing.



- On the distribution front, SBILIFE will continue to invest in growing the agency channel and expects 30%+ growth in 2HFY25. Slower growth was seen in the banca channel as the company is prioritizing the digital platform and the usage of data analytics, which will help in scaling the channel and improving customer engagement in the long run. The management guides for 9% growth in the banca channel in 2HFY25.
- Investing in building the online business channel has led to 73% YoY growth in IRNB for the digital channel.
- On a YoY basis, except for the 49<sup>th</sup> month (flat YoY), persistency improved across all cohorts. AUM grew 27% YoY to INR4.4t in 2QFY25 (in line).
- For 2HFY25, APE/VNB/PAT are expected to grow 14%/11%/21% YoY to INR130.5b/INR35.6b/INR13.7b.

#### Highlights from the management commentary

- The management expects protection premiums to report strong growth due to the recent launch of two new products, which will boost margins. Guidance for VNB growth is expected to be in the range of 12-15% and VNB margin to be in the range of 26-27% for FY25.
- SBILIFE has introduced another high-ticket protection product recently with a minimum sum assured of INR20m, which is highly competitive compared to protection plans offered by other peers, and the profitability will be similar to other retail protection products.
- Regarding the product mix, the management has guided for Non-par, Protection and Par products to constitute ~40% and ULIP to constitute ~60% of the overall product mix.
- There has been no change in the commission structure due to a minimal impact of new surrender guidelines as the product mix is skewed toward ULIP.

#### Valuation and view

SBILIFE reported a weak performance during the quarter, with APE and VNB reporting 11%/14% below our estimates. VNB margin contracted 160bp YoY to 26.9% in 2QFY25. New product launches are likely to kick-start the recovery in the protection segment. Continued investments in agency channel and digital enhancements will boost overall growth. Further, the impact of surrender charges is likely to be minimal. We expect SBILIFE to deliver an 18% CAGR each in APE/VNB over FY24-27E, while RoEV is projected to remain ~20% over FY27. **We reiterate our BUY rating on the stock with a TP of INR2,100 (premised on 2.3x Sept'26E EV).**

Quarterly performance

(INR b)

Policy holder's A/c (INRb)	FY24				FY25				FY24	FY25E	FY25E 2QE	V/s est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
First year premium	26.4	46.3	56.8	45.3	31.5	49.2	69.4	54.3	174.8	204.1	50.2	(2.0)
Growth (%)	3%	33%	12%	11%	19%	6%	22%	20%	15%	17%	8%	
Renewal premium	73.5	101.2	127.2	130.0	85.4	117.2	143.4	151.9	431.9	494.4	112.0	4.6
Growth (%)	28%	11%	17%	9%	16%	16%	13%	17%	14%	14%	11%	
Single premium	35.7	54.2	40.6	77.1	38.9	37.8	42.9	62.5	207.6	194.9	59.3	(36.3)
Growth (%)	18%	35%	21%	93%	9%	-30%	6%	-19%	44%	-6%	9%	
<b>Gross premium income</b>	<b>135.6</b>	<b>201.8</b>	<b>224.6</b>	<b>252.4</b>	<b>155.7</b>	<b>204.1</b>	<b>255.7</b>	<b>268.7</b>	<b>814.3</b>	<b>893.4</b>	221.5	(7.9)
Growth (%)	19%	21%	16%	26%	15%	1%	14%	6%	21%	10%	10%	
<b>PAT</b>	<b>3.8</b>	<b>3.8</b>	<b>3.2</b>	<b>8.1</b>	<b>5.2</b>	<b>5.3</b>	<b>4.8</b>	<b>8.9</b>	<b>18.9</b>	<b>23.9</b>	5.1	2.9
Growth (%)	45%	1%	6%	4%	36%	39%	48%	10%	10%	26%	35%	
<b>Key metrics (INRb)</b>												0.7
New Business APE	30.3	52.3	61.3	53.3	36.4	53.9	67.7	62.8	197.5	225.5	60.3	(10.6)
Growth (%)	4%	33%	13%	17%	20%	3%	10%	18%	17%	14%	15%	
VNB	8.7	14.9	16.8	15.1	9.7	14.5	18.6	17.0	55.5	59.8	16.9	(14.1)
Growth (%)	-1%	20%	11%	5%	11%	-3%	11%	12%	9%	8%	13%	
AUM	3,283	3,452	3,714	3,889	4,148	4,390	4,565	4,603	3,889	4,603	4,314	1.8
Growth (%)	25%	22%	24%	27%	26%	27%	23%	18%	27%	18%	25%	
<b>Key Ratios (%)</b>												
VNB margins (%)	28.8	28.5	27.4	28.3	26.8	26.9	27.5	27.0	28.1	26.5	28.0	(110)





# TVS Motor Company

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	TVSL IN
Equity Shares (m)	475
M.Cap.(INRb)/(USD)	1217.6 / 14.5
52-Week Range (INR)	2958 / 1548
1, 6, 12 Rel. Per (%)	-4/22/35
12M Avg Val (INR M)	2271

## Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	317.8	359.7	415.7
EBITDA	35.1	41.7	50.7
Adj. PAT	20.8	25.5	32.3
EPS (INR)	43.8	53.6	67.9
EPS Gr. (%)	44.4	22.3	26.7
BV/Sh (INR)	162.7	207.3	264.2

### Ratios

RoE (%)	30.2	29.0	28.8
RoCE (%)	33.8	34.5	35.2
Payout (%)	18.2	16.8	16.2

### Valuations

P/E (x)	58.5	47.9	37.8
P/BV (x)	15.8	12.4	9.7
Div. Yield (%)	0.3	0.4	0.4
FCF Yield (%)	2.1	1.6	2.3

## Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	50.3	50.3	50.3
DII	19.0	20.1	23.1
FII	22.4	21.1	18.5
Others	8.3	8.6	8.1

FII Includes depository receipts

**CMP: INR2,563 TP:INR2,610 (+2%) Neutral**

## In-line results; positives appear priced-in

### Industry growth of 7-8% YoY expected in 3QFY25

- TVS Motor (TVSL) posted an in-line result, with margin at 11.7% (est. 11.1%) despite an adverse mix. On the back of better monsoons and higher reservoir levels, domestic 2W rural demand has been ahead of urban demand in 1HFY25, which is anticipated to sustain in FY25. However, the export outlook continues to be uncertain due to weak demand in Africa.
- Management expects the 2W industry to post 7-8% YoY growth in 3QFY25, which is lower than earlier envisaged. At ~48x/38x FY25E/FY26E EPS, we believe most of the positives are in the price. We maintain our FY25E/26E EPS estimates. **Reiterate Neutral** with a TP of ~INR2,610 (based on ~32x Sep'26E EPS and INR210/sh for the NBFC).

### Launch of lower-priced iQube dents ASP

- TVSL's revenue/EBITDA/adj. PAT grew 13%/20%/23.5% YoY in 2QFY25 to INR92.3b/INR10.8b/INR6.6b (in line). 1HFY25 revenue/EBITDA/adj. PAT grew 15%/23%/23.5% YoY. Revenue/EBITDA/adj. PAT is expected to grow 12%/15%/21% YoY in 2HFY25.
- Revenue growth was led by ~14% YoY growth in volumes, but ASPs declined 1% YoY to INR75.1k (est. INR77.8k). ASP decline was mainly due to the launch of the lower-priced iQube variant in 2Q.
- Gross margin improved 250bp YoY (-10bp QoQ) and stood at 28.5% (est. 27.8%).
- Despite the adverse mix, EBITDA margin came in at 11.7% (+70bp YoY; est. 11.1%). EBITDA grew 20% YoY to INR10.8b (just 2% above our est. of INR10.6b). TVSL has not yet booked the PLI benefits in 1HFY25, although it is eligible for the same.
- Further, due to higher-than-estimated other income, adj. PAT came in at INR6.6b (est. INR6.5b); it grew 23.5% YoY. Higher other income included INR234.8m of fair valuation of investments.
- FCF stood at INR14.85b in 1HFY25 (vs. INR10.6b in 1HFY24), mainly due to better operating cash flow of INR23.1b (vs. INR16b in 1HFY24), despite a higher capex of INR8.3b (vs. INR5.4b in 1HFY24).

### Key takeaways from the management interaction

- **The domestic 2W industry has grown 11% YoY during Navratras (4% YoY growth seen to date in 3QFY25), with TVSL outperforming the industry.** The overall industry is expected to see 7-8% YoY growth in 3QFY25.
- **Exports:** The ongoing Red Sea crisis continued to hurt the export transit time and timely availability of containers. However, TVSL has seen a pick-up in retails, which is higher than the industry.
- **Capex and investments:** The company has guided a capex of INR12-14b for FY25 (v/s earlier guidance of INR10-11b) and investments of INR15b.

**Valuation and view**

- The recently launched Jupiter 110 has been very well received by customers and is likely to help TVSL gain share in scooters in the coming quarters. However, in motorcycles, for the first time in many years, TVSL has underperformed the industry in H1. More importantly, TVSL has underperformed in the 125cc segment, which has been its key growth driver in recent years. Further, the export outlook, especially in Africa, remains weak.
- Given these factors, we believe TVSL at 48x/38x FY25E/FY26E EPS appears fairly valued. **Reiterate Neutral with a TP of ~INR2,610 (premised on ~32x Sep'26E EPS + INR210/share for NBFC).**

**S/A Quarterly Performance**

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
<b>Vols ('000 units)</b>	<b>953.2</b>	<b>1,074.4</b>	<b>1,100.8</b>	<b>1,062.5</b>	<b>1,087.2</b>	<b>1,228.2</b>	<b>1,225.5</b>	<b>1,182.4</b>	<b>4,191</b>	<b>4,723</b>	<b>1,228.2</b>
Growth (%)	5.1	4.6	25.2	22.4	14.1	14.3	11.3	11.3	13.8	12.7	14.3
<b>Realn (INR '000/unit)</b>	<b>75.7</b>	<b>75.8</b>	<b>74.9</b>	<b>76.9</b>	<b>77.0</b>	<b>75.1</b>	<b>76.1</b>	<b>76.4</b>	<b>75.8</b>	<b>76.1</b>	<b>77.8</b>
Growth (%)	14.3	7.9	0.6	1.1	1.7	(0.9)	1.6	(0.6)	5.8	0.4	2.6
<b>Net Sales</b>	<b>72,179</b>	<b>81,446</b>	<b>82,450</b>	<b>81,688</b>	<b>83,756</b>	<b>92,282</b>	<b>93,246</b>	<b>90,391</b>	<b>3,17,764</b>	<b>3,59,674</b>	<b>95,568</b>
Growth (%)	20.1	12.8	26.0	23.7	16.0	13.3	13.1	10.7	20.5	13.2	17.3
RM (% of sales)	74.6	74.0	73.7	72.8	71.4	71.5	71.8	72.0	73.7	71.7	72.2
Emp cost (% of sales)	5.2	4.8	4.9	5.1	5.7	5.4	5.3	5.2	5.0	5.4	5.5
Other exp (% of sales)	9.6	10.1	10.2	10.8	11.4	11.4	11.2	11.2	10.2	11.3	11.2
<b>EBITDA</b>	<b>7,638</b>	<b>8,998</b>	<b>9,244</b>	<b>9,262</b>	<b>9,602</b>	<b>10,798</b>	<b>10,902</b>	<b>10,421</b>	<b>35,141</b>	<b>41,722</b>	<b>10,608</b>
EBITDA Margin (%)	10.6	11.0	11.2	11.3	11.5	11.7	11.7	11.5	11.1	11.6	11.1
Interest	474	523	448	372	372	319	390	462	1,816	1,544	330
Depreciation	1,636	1,701	1,781	1,887	1,763	1,806	1,900	1,955	7,004	7,424	1,820
Other Income	576	462	734	-287	363	299	250	288	1,485	1,200	170
<b>PBT after EO Exp</b>	<b>6,104</b>	<b>7,237</b>	<b>7,750</b>	<b>6,716</b>	<b>7,829</b>	<b>8,972</b>	<b>8,862</b>	<b>8,292</b>	<b>27,807</b>	<b>33,955</b>	<b>8,628</b>
Tax rate (%)	23.4	25.9	23.4	27.7	26.3	26.1	25.0	22.6	25.1	25.0	25.0
<b>Adjusted PAT</b>	<b>4,677</b>	<b>5,366</b>	<b>5,934</b>	<b>4,854</b>	<b>5,773</b>	<b>6,626</b>	<b>6,646</b>	<b>6,420</b>	<b>20,830</b>	<b>25,466</b>	<b>6,471</b>
Growth (%)	45.9	31.7	68.2	33.4	23.4	23.5	12.0	32.3	44.4	22.3	20.6

**Key performance indicator**

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	2Q
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
<b>Volumes ('000 units)</b>	<b>953.2</b>	<b>1,074.4</b>	<b>1,100.8</b>	<b>1,062.5</b>	<b>1,087.2</b>	<b>1,228.2</b>	<b>1,225.5</b>	<b>1,182.4</b>	<b>4,191.0</b>	<b>4,723</b>	<b>1,228.2</b>
Growth (%)	5.1	4.6	25.2	22.4	14.1	14.3	11.3	11.3	13.8	-12.7	14.3
Dom. 2W Mkt Sh (%)	17.4	17.2	17.9	17.7	16.6	17.6			17.6		
<b>Net Realization</b>	<b>75.7</b>	<b>75.8</b>	<b>74.9</b>	<b>76.9</b>	<b>77.0</b>	<b>75.1</b>	<b>76.1</b>	<b>76.4</b>	<b>75.8</b>	<b>76</b>	<b>77.8</b>
Growth YoY (%)	14.3	7.9	0.6	1.1	1.7	-0.9	1.6	-0.6	5.8	0.4	2.6
<b>Cost Break-up</b>											
RM Cost (% of sales)	74.6	74.0	73.7	72.8	71.4	71.5	71.8	72.0	73.7	71.7	72.2
Staff Cost (% of sales)	5.2	4.8	4.9	5.1	5.7	5.4	5.3	5.2	5.0	5.4	5.5
Other Cost (% of sales)	9.6	10.1	10.2	10.8	11.4	11.4	11.2	11.2	10.2	11.3	11.2
Gross Margins (%)	25.4	26.0	26.3	27.2	28.6	28.5	28.2	28.0	26.3	28.3	27.8
EBITDA Margins (%)	10.6	11.0	11.2	11.3	11.5	11.7	11.7	11.5	11.1	11.6	11.1
EBIT Margins (%)	8.3	9.0	9.1	9.0	9.4	9.7	9.7	9.4	8.9	9.5	9.2

E:MOFSL Estimates



# Indus Towers

Estimate changes	↔
TP change	↔
Rating change	↔

**CMP: INR357      TP: INR385 (8%)      Neutral**

Bloomberg	INDUSTOW IN
Equity Shares (m)	2638
M.Cap.(INRb)/(USDb)	942.1 / 11.2
52-Week Range (INR)	461 / 167
1, 6, 12 Rel. Per (%)	-6/-10/74
12M Avg Val (INR M)	6582

### Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Net Sales	286.0	304.2	329.3
EBITDA	145.6	198.8	181.5
Adj. PAT	60.4	58.3	63.9
EBITDA Margin (%)	50.9%	65.4%	55.1%
Adj. EPS (INR)	22.4	22.1	24.2
EPS Gr. (%)	151.1	-1.3	9.7
BV/Sh. (INR)	100.3	124.2	139.1

### Ratios

Net D:E	0.2	0.0	-0.1
RoE (%)	25.1	19.3	18.0
RoCE (%)	23.0	25.1	21.8

### Valuations

EV/EBITDA (x)	6.9	4.8	5.0
P/E (x)	16.0	16.2	14.8
P/BV (x)	3.6	2.9	2.6
Div. Yield (%)	0.0	3.4	5.6

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	53.0	52.0	69.0
DII	17.0	17.0	6.7
FII	24.2	23.2	21.4
Others	5.8	7.8	2.9

FII Includes depository receipts

## Core performance slightly weaker

- Indus' 2QFY25 reported financials came in ahead of our estimate owing to a higher-than-estimated reversal of prior period bad debt provisions (INR10.8b vs. our estimate of INR5b).
- However, its core operational performance was slightly below with Indus' recurring EBITDA at INR37.9b (+1% QoQ, +7% YoY), coming in ~2% below our estimate on lower tower net additions and weaker energy spreads.
- Tower additions further moderated QoQ to 3.7k (vs. our est. 5.5k) on adverse weather events, which also led to moderation in capex (-19% QoQ).
- With moderation in capex and collection of prior dues, Indus' 1H FCF was robust at ~INR33b (of which INR27.5b was used for recent buyback).
- Vi's recent fund raise and upcoming network rollout is materially positive for Indus as it: 1) helps sustain 100% collections, 2) enables past dues recovery (INR36b) and 3) provides incremental business from Vi's network expansions at minimal capex.
- However, we believe the near-term benefits are adequately factored in. We remain concerned about long-term risks from the shortfall in Vi's payments, given its large cash shortfall (INR200b+ annually over FY27-31E). We build in modest ~INR20b bad debt provisions (25% of Vi's annual service rentals) over FY27-31 (NPV impact of ~INR27/sh), in our base case.
- We cut our FY25/26 revenue/EBITDA by 2-3% on slightly lower tower additions. We maintain Neutral rating on Indus with revised DCF based TP of INR385 (implies 7.5X FY27 EBITDA).

## Weak core performance due to lower tower additions and weaker energy spreads

- Consolidated revenue was up 1% QoQ at INR74.7b (+5% YoY, 1% miss).
  - Service revenue at INR47b (+1.5% QoQ, +9% YoY) was ~1% below our estimate on account of weaker net tower additions.
  - Energy reimbursements at INR27.6b (flat QoQ, -1% YoY) came in ~2% below our estimate due to higher energy under-recovery.
- Consolidated EBITDA was up 8% QoQ at INR48.6b (+42% YoY) and was 11% ahead of our estimate, largely owing to higher prior-period reversals.
  - Adjusted service EBITDA at INR39b (flat QoQ, +9% YoY) was ~1% below our estimate on account of lower service revenue.
  - Energy spreads recovered marginally QoQ to negative INR1.35b (vs. INR1.5b loss QoQ), but were higher than our estimated loss of INR1b.
  - Indus reversed bad debt provisions of INR10.8b in 2QFY25 (vs. bad debt provision reversals of INR7.6b QoQ and provisions of INR1.3b YoY), which was higher than our estimate of INR5b.
- Adjusted for bad debt provision reversals, recurring EBITDA at INR37.9b (+1% QoQ, +7% YoY) was ~2% below our estimate due to weaker energy spreads and lower service revenue.
- Reported PAT at INR22b (+16% QoQ, +72% YoY) was 22% above our estimate, largely due to the higher provision reversal.
- Recurring 2Q PAT at INR14.2b (+5% QoQ, +2% YoY) was ~2% below our estimate due to the lower core-EBITDA.

- 1HFY25 reported EBITDA came in at INR94b (up 36% YoY), driven by INR18.4b prior period reversals. Adjusted for the same, recurring EBITDA at INR75.3b was up 6% YoY.
- For 2H, the implied revenue/core EBITDA growth rate is 8%/9%, based on our estimates.

#### Net tower additions moderated QoQ (weaker); ARPT flat QoQ (in line)

- Net macro tower additions moderated further to 3,748 QoQ (vs. our estimate of 5,500 and 6,174 net adds QoQ);
- Indus also added 182 net leaner towers QoQ (vs. 492 QoQ).
- For the second successive quarter, net macro tenancy additions were higher than tower additions at 4,308 (lower vs. our est. 6,500 and 6,340 QoQ).
- The end-period tenancy ratio moderated further to 1.65x (from 1.66X QoQ), as the incremental tenancy ratio remained lower at ~1.1x (vs. ~1x QoQ).
- Reported sharing revenue per macro tenant (ARPT) at INR41.1k (flat QoQ, +0.5% YoY) was in line with our estimate.

#### Receivables further moderated QoQ; net debt (excluding leases) jumps

- Receivables moderated further by ~INR0.9b QoQ to INR56.3b. It also had ~INR10.8 bad debt provision reversal, implying a net surplus collection of ~INR12b during 2QFY25 (vs. ~INR15b in 1Q).
- Over the past few quarters, Indus has recovered INR23.3b towards past dues from Vi, with prior period bad debt provisions now at INR35.5b (vs. INR53.9b at Mar'24 end).
- Capex moderated further ~19% QoQ to INR15.2b (vs. INR18.9b QoQ) as net tower additions moderated QoQ; however, capex per tower addition inched up to INR3.3m (vs. INR2.6m QoQ).
- Net debt, including lease liabilities, was up ~10% QoQ at INR210b (vs. ~INR204b YoY). Net debt, excluding lease liabilities, jumped to ~INR37b (vs. ~INR24b QoQ).
- Reported 2Q FCF moderated to INR14.4b (from INR18.7b in 1Q). Its 1HFY25 FCF stood at INR33b, aided by collections of prior-period dues and also moderation in capex.
- We note that Indus has already used INR27.5b in the recent buyback, and dividend reinstatement will depend on the FCF generation in 2H.

#### Highlights from the management commentary

- **Tower/tenancy additions:** Tower additions were impacted by adverse weather events. The order book remains healthy and management expects tenancy additions to improve further on account of Vi's network rollouts.
- **Market share with key customers:** The management expects rising urban presence and large rollouts in past few years to help Indus to win a high share in Vi's upcoming rollouts.
- **Prior-period due collections:** Ongoing collections from Vi remained 100%. Further, it was able to collect prior period dues for the fourth successive quarter, which led to the reversal of ~INR11b in bad debt provisions, while receivables declined by a modest ~INR1b QoQ. The management remains engaged with Vi for swift clearance of over-dues and ensure timely payments.
- **Dividends:** The management reiterated that its dividend policy remains linked to FCF generation and it will take a call on reinstating dividends at FY25 end, based on FCF generation. 1H FCF was largely used for funding the recent buyback.

**Valuation and view**

- Vi’s recent fund raise and upcoming network rollout is materially positive for Indus as it: 1) helps sustain 100% collections, 2) enables past dues recovery (INR36b) and 3) provides incremental business from Vi’s network expansions at minimal capex.
- However, we believe the near-term benefits are adequately factored in. We remained concerned about long-term risks from the shortfall in Vi’s payments, given its large cash shortfall (INR200b+ annually over FY27-31E).
- We build in modest bad debt provisions of ~INR20b (25% of Vi’s annual service rentals) over FY27-31 (NPV impact of ~INR27/share), in our base case.
- We marginally lower our tower addition estimates for FY25-26 while keeping tenancy addition estimates broadly unchanged. As a result, we cut FY25-26E revenue by 2-3% and FY25-26E recurring EBITDA (excluding provisions) by ~2%.
- We value Indus on a DCF-based TP of INR385 (implies 7.5x FY27E EBITDA). We reiterate our Neutral rating on the stock.

**Quarterly Performance**

	(INR b)											
Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var. (%)
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	
<b>Revenue from operations</b>	71	71	72	72	74	75	77	78	286	304	75	-1.0
YoY Change (%)	2.6	-10.5	6.4	6.5	4.3	4.7	7.3	9.1	0.8	6.4	5.7	
Total Expenditure	36	37	36	31	29	26	25	25	140	105	32	-17.8
Provisions / (reversals)	1	1	1	-4	-8	-11	-13	-13	-1	-43	-5	
Recurring EBITDA	36	36	36	37	37	38	39	41	145	155	39	
<b>EBITDA</b>	<b>35</b>	<b>34</b>	<b>36</b>	<b>41</b>	<b>45</b>	<b>49</b>	<b>52</b>	<b>53</b>	<b>146</b>	<b>199</b>	<b>44</b>	11.2
YoY Change (%)	53.8	21.7	208.3	18.6	29.4	42.2	44.9	30.7	50.6	36.6	27.8	
Depreciation	14	15	16	16	16	16	16	17	61	64	16.0	-1.1
Interest	4	2	0	1	4	4	4	4	7	17	4	2.7
Other Income	1	1	1	1	1	1	1	1	4	4	1	62.7
<b>PBT before EO expense</b>	<b>18</b>	<b>17</b>	<b>21</b>	<b>25</b>	<b>26</b>	<b>30</b>	<b>32</b>	<b>33</b>	<b>81</b>	<b>122</b>	<b>24</b>	22.2
Extra-Ord expense	0	0	0	0	-8	-11	-13	-13	0	-43	-5	
<b>PBT</b>	<b>18</b>	<b>17</b>	<b>21</b>	<b>25</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>81</b>	<b>78</b>	<b>19</b>	-1.8
Tax	5	5	5	6	7	8	8	8	21	31	6	
Rate (%)	25.5	25.9	25.8	25.5	25.7	25.4	25.2	25.2	25.7	25.3	25.2	
<b>Reported PAT</b>	<b>13</b>	<b>13</b>	<b>15</b>	<b>19</b>	<b>19</b>	<b>22</b>	<b>24</b>	<b>25</b>	<b>60</b>	<b>91</b>	<b>18</b>	21.8
<b>Adj PAT</b>	<b>13</b>	<b>13</b>	<b>15</b>	<b>19</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>60</b>	<b>58</b>	<b>15</b>	-2.3
YoY Change (%)	182.4	48.5	-550.9	32.4	0.7	9.5	-2.9	-15.9	151.1	-3.4	41.0	

E: MOFSL Estimates





# Godrej Properties

Estimate change	↓
TP change	↔
Rating change	↔

**CMP: INR2,964      TP: 3,725 (+26%)      Buy**

## Strong 1HFY25 show!

### BD to keep launches momentum ongoing

- Godrej Properties (GPL) achieved its best ever second-quarter bookings of INR52b, guided by strong demand momentum (up 3% YoY). New launches/existing projects accounted for 53%/47% of total sales.
- GPL launched INR61b worth of projects across 5.6msf of saleable area, of which 45% of inventory was sold during the quarter and contributed 53% to pre-sales value.
- Sales volume was flat at 5.2msf, while realizations moved up 5% YoY at INR10,093/sft due to a better product mix. MMR reported over 4.5x jump in sales and contributed 42% to total volumes, while NCR/Bangalore contributed 23%/14% respectively.
- GPL launched ~49% of the planned launches in 1H and has achieved 51% of FY25 pre-sales guidance of INR270b. The management is confident to surpass its FY25 launch (INR300b) and pre-sales guidance on the back of strong inherent demand on ground. Till date achieved 87% target of BD.
- **P&L performance:** Revenue surged 219% YoY to INR10.9b – 110% higher than our estimate. Gross margin was healthy at 44%; however, higher other expenses due to the launches limited the operating profit to INR319m. PAT jumped 4x to INR3.3b due to higher other income of INR2.5b.
- For 1HFY25, GPL clocked revenue of INR18.3b, up 43%, backed by the delivery of 9.3msf. GPL reduced its operating loss to INR931m and reported 313% YoY growth in PAT to INR8.5b, guided by other income of INR12b.

### Net debt rises due to increased investments in land

- GPL's gross collections jumped 63% YoY to INR43b, leading to over 8x jump in OCF (pre-interest and tax) to INR18.3b, despite 36% growth in construction and other outflows.
- The company spent INR16.8b on new land investments and approvals, which resulted in a cash shortfall of INR1.4b and an increase in net debt to INR75.7b or 0.7x of equity (vs. 0.71x as of Jun'24).

### Key highlights from the management commentary

- **Strong H2FY25 anticipated:** The management is optimistic about building on the current momentum, with plans to launch projects in Worli, Golf Course Road in Gurgaon, Sector 44 in Noida, Bangalore, Pune, Kolkata, and Hyderabad.
- **Record cash flow and earnings expected:** Aiming to achieve a record year from cash flow and earnings perspectives.
- **Continued growth in FY26:** Targeting to sustain growth on top of the current year's exceptional sales.
- **Focus on replenishing land bank:** Emphasized the importance of land bank replenishment for sustaining growth, given the faster-than-anticipated growth rates.

Bloomberg	GPL IN
Equity Shares (m)	278
M.Cap.(INRb)/(USDb)	824.3 / 9.8
52-Week Range (INR)	3403 / 1548
1, 6, 12 Rel. Per (%)	-1/8/55
12M Avg Val (INR M)	2206

### Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	30.4	34.7	35.6
EBITDA	-1.3	2.2	1.5
EBITDA (%)	-4.3	6.2	4.2
PAT	7.5	14.4	9.1
EPS (INR)	26.9	52.0	32.8
EPS Gr. (%)	113.1	132.6	22.0
BV/Sh. (INR)	359.5	411.5	444.3

### Ratios

Net D/E	0.6	0.6	0.5
RoE (%)	8	13	8
RoCE (%)	5	7	5
Payout (%)	0.0	0.0	0.0

### Valuations

P/E (x)	110	57	90
P/BV (x)	8	7	7
EV/EBITDA (x)	NM	414	587
Div Yield (%)	0	0	0

### Shareholding pattern (%)

As On	Sep-24	Mar-24	Dec-23
Promoter	58.5	58.5	58.5
DII	4.7	4.6	4.6
FII	29.7	29.3	27.4
Others	7.1	8.4	9.6



- **Market overheating:** While acknowledging chatter about market cooling, the company believes demand remains strong for its projects.
- **Land value appreciation:** Highlighted that land values are matching end property prices. Emphasized disciplined land acquisition strategies, targeting a 20-25% IRR on projects.
- **Pricing trends:** Significant price growth noted in NCR and Bangalore. Observing premiumization in the MMR portfolio with several high-end projects.
- **Construction cash flow:** Expected acceleration in construction cash outflow, especially toward the year-end and mid-next year, as projects reach advanced stages.
- **Capital raise deployment:** Plans to deploy a substantial portion of raised funds into its Mumbai portfolio.
- **Long-term goal:** Aspires to lead in each individual market besides maintaining a strong national presence.
- **Promoter stake:** Aims to maintain promoter stake levels close to or above post-fundraising levels.
- **RERA account cash:** Currently holding about INR30b in RERA accounts, to be used for construction and released as projects progress.

#### Valuation and view

- GPL completed 1HFY25 with a strong performance across key operational parameters of pre-sales and cash flows. With a strong launch pipeline, it remains on track to achieve/surpass its full-year pre-sales guidance. Thus, we keep our FY25/FY26 pre-sales estimates unchanged.
- While gross margin has sustained at a healthy 35-40% for recognized projects in P&L, the higher scale of operations has led to a proportionately high overhead increase, leading to subdued operating profits. We expect sales booked in the last two years with a better margin profile and outright ownership will be recognized after FY26/FY27, which will allay investor concerns.
- We believe GPL will continue to surprise on growth, cash flows, and margins, given its strong pipeline and healthy realizations, which have been the key investor concerns. **We maintain our BUY rating with an TP of INR3,725, implying 26% potential upside.**

**Quarterly Performance (INR m)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		2Q		
<b>Gross Sales</b>	<b>9,360</b>	<b>3,430</b>	<b>3,304</b>	<b>14,261</b>	<b>7,390</b>	<b>10,932</b>	<b>8,685</b>	<b>7,733</b>	<b>30,356</b>	<b>34,741</b>	<b>5,211</b>	<b>110</b>
YoY Change (%)	282.6	107.8	68.4	-13.4	-21.0	218.73	162.84	-45.77	34.8	14.4	51.9	
Total Expenditure	10,853	4,047	3,720	13,033	8,641	10,613	7,625	5,710	31,653	32,589	4,366	
<b>EBITDA</b>	<b>-1,493</b>	<b>-617</b>	<b>-416</b>	<b>1,228</b>	<b>-1,251</b>	<b>319</b>	<b>1,060</b>	<b>2,023</b>	<b>-1,297</b>	<b>2,152</b>	<b>845</b>	
Margins (%)	-15.9	-18.0	-12.6	8.6	-16.9	2.9	12.2	26.2	-4.3	6.2	16.2	
Depreciation	69	74	142	161	166	183	111	-15	446	446	67	
Interest	297	480	430	315	408	446	865	1,486	1,521	3,204	801	
Other Income	3,299	2,621	2,179	4,887	9,605	2,533	3,886	3,407	12,986	19,432	2,915	
<b>PBT before EO expense</b>	<b>1,440</b>	<b>1,451</b>	<b>1,192</b>	<b>5,639</b>	<b>7,780</b>	<b>2,224</b>	<b>3,970</b>	<b>3,960</b>	<b>9,723</b>	<b>17,934</b>	<b>2,892</b>	<b>-23</b>
<b>PBT</b>	<b>1,440</b>	<b>1,451</b>	<b>1,192</b>	<b>5,639</b>	<b>7,780</b>	<b>2,224</b>	<b>3,970</b>	<b>3,960</b>	<b>9,723</b>	<b>17,934</b>	<b>2,892</b>	<b>-23</b>
Tax	592	388	319	1,230	1,974	-1,145	1,121	2,534	2,529	4,484	673	
Rate (%)	41.1	26.7	26.8	21.8	25.4	-51.5	28.2	64.0	26.0	25.0	23.3	
Minority Interest & P/L of Asso. Cos.	488	-336	-245	371	-618	-32	250	1,399	277	999	150	
<b>Reported PAT</b>	<b>1,336</b>	<b>726</b>	<b>627</b>	<b>4,780</b>	<b>5,188</b>	<b>3,338</b>	<b>3,099</b>	<b>2,825</b>	<b>7,471</b>	<b>14,450</b>	<b>2,369</b>	<b>41</b>
<b>Adj PAT</b>	<b>1,336</b>	<b>726</b>	<b>627</b>	<b>4,780</b>	<b>5,188</b>	<b>3,338</b>	<b>3,099</b>	<b>2,825</b>	<b>7,471</b>	<b>14,450</b>	<b>2,369</b>	
YoY Change (%)	208.5	8.4	11.2	5.2	288.3	359.5	394.1	-40.9	20.3	93.4	226.2	
Margins (%)	14.3	21.2	19.0	33.5	70.2	30.5	35.7	36.5	24.6	41.6	45.5	
<b>Operational Metrics</b>												
Sale Volume (msf)	2.3	5.2	4.3	8.2	9.0	5.2	6.5	6.3	16	23	5.5	<b>-6</b>
Sale Value (INRb)	23	50	57	95	86	52	65	67	225	270	55.0	<b>-5</b>
Collections (INRb)	22	27	27	53	34	43	59	77	129	0	52.9	<b>-18</b>
Realization/sft	10,018	9,607	13,180	11,651	9,607	10,093	10,000	10,623	11,264	10,032	10,000	<b>1</b>



Estimate change	↓
TP change	↔
Rating change	↔

**CMP: INR2,248      TP: INR2,080 (-7%)      Neutral**

**Weakness in the Chemicals business hampers performance**

**Operating performance below estimates**

- SRF posted weak performance in 2QFY25, with a material decline in operating profitability (EBIT down 22% YoY), due to the continuous weakness in the Chemicals business (EBIT dipped 29% YoY). The Technical Textiles business also witnessed subdued performance (EBIT down 5% YoY), which was offset by a relatively healthier performance in the Packaging Film business (EBIT grew 7% YoY).
- The overall macro scenario remains uncertain for the Chemicals business (74% EBIT mix in FY24); however, the management is expecting some recovery in 3Q which is likely to further accelerate in 4QFY25, led by a healthy order book in specialty chemicals and ramp-up of export/domestic volumes in the Fluorochemicals business.
- Factoring in the weak macro scenario and uncertain near-term outlook in the Chemicals business, we cut our FY25/FY26 EBITDA estimates by 13%/7%. We value the stock on an SoTP basis to arrive at our TP of INR2,080. **Reiterate Neutral.**

**Operating deleverage and pricing pressure hurt margin**

- SRF reported an overall revenue of INR34.2b (est. of INR35.8b) in 2QFY25, up ~8% YoY. EBITDA margins contracted 390bp YoY to 16.4% (est. of 18.2%). EBITDA stood at INR5.6b (est. of INR6.5b), down 13% YoY. Adj. PAT declined 30% YoY to INR2.2b (est. of INR3.1b).
- **Chemicals'** revenue (40%/59% of total sales/EBIT in 2QFY25) declined 5% YoY to INR13.6b, while EBIT declined 29% YoY to INR2.5b. EBIT margin contracted 630bp YoY to 18.1%. The Specialty Chemicals business experienced traction on certain new products, while volumes of some key products witnessed a lower offtake. The Fluorochemicals business witnessed volume growth in the domestic market. Margins were under pressure due to a decline in export realizations.
- **Packaging Film's** revenue (41%/20% of total sales/EBIT in 2QFY25) grew 27% YoY to INR14.2b, while EBIT grew 7% YoY to INR828m. Margin contracted 110bp YoY to 5.8%. The BOPET Film business witnessed improved margin in India, while the Thailand business continued to be affected by the Chinese dumping.
- **Technical Textiles'** revenue (16%/17% of total sales/EBIT in 2QFY25) grew 6% YoY to INR5.3b. EBIT declined 5% YoY to INR713m. EBIT margin contracted 150bp YoY to 13.3%. The business performed well owing to the higher sales volume of its flagship Nylon Tyre Cord Fabric (NTCF) and healthy demand for its Polyester Yarn segment. However, the Belting Fabrics segment witnessed low demand and margins, impacting the overall performance.
- For 1HFY25, revenue grew 6% YoY to INR68.9b while EBITDA/adj. PAT declined 13%/30% YoY to INR11.8b/INR5b. Based on our estimates, the implied revenue/EBITDA growth for 2HFY25 is 17%/14% YoY, led by a recovery in the Chemicals business.

Bloomberg	SRF IN
Equity Shares (m)	296
M.Cap.(INRb)/(USDb)	666.4 / 7.9
52-Week Range (INR)	2697 / 2081
1, 6, 12 Rel. Per (%)	-2/-23/-23
12M Avg Val (INR M)	1377

**Financials & Valuations (INR b)**

Y/E Mar	2025E	2026E	2027E
Sales	146.2	173.2	199.3
EBITDA	26.6	37.0	46.3
PAT	12.0	20.0	26.4
EBITDA (%)	18.2	21.4	23.2
EPS (INR)	40.5	67.4	88.9
EPS Gr. (%)	(14.7)	66.4	32.0
BV/Sh. (INR)	410	460	532

**Ratios**

Net D/E	0.4	0.4	0.3
RoE (%)	10.2	15.5	17.9
RoCE (%)	8.7	12.1	14.0
Payout (%)	38.3	25.2	19.1

**Valuations**

P/E (x)	55.2	33.2	25.1
EV/EBITDA (x)	26.7	19.3	15.5
Div Yield (%)	0.7	0.8	0.8
FCF Yield (%)	0.8	0.3	1.0

**Shareholding Pattern (%)**

As On	Sep-24	Jun-24	Sep-23
Promoter	50.3	50.3	50.5
DII	17.8	16.6	14.2
FII	18.3	18.7	19.8
Others	13.7	14.4	15.6

Note: FII includes depository receipts

### Highlights from the management commentary

- The **Chemicals business** is facing headwinds but is likely to witness a revival in 2HFY25. The company is not witnessing demand contraction for any product, but inventory rationalization is leading to lower offtakes. The management has not provided any growth guidance due to the current volatile macro scenario.
- **Packaging business:** The BOPET Film segment witnessed healthy domestic performance, while the Thailand business was hampered due to stiff Chinese competition and logistics issues. The company is expecting recovery in 2HFY25, led by the proposed imposition of anti-dumping duty by the US on Chinese imports.
- **Capex:** SRF has incurred a cash capex of ~INR6.5b in 1HFY25. It expects to incur a total capex of ~INR16-18b in FY25. This is much lower than the initial expectation, but the company will announce capex as and when the situation improves.

### Valuation and view

- The Chemicals business (Fluorochemicals and specialty chemicals) is expected to witness some recovery in 2HFY25, led by a strong order book in the specialty business and ramp-up of export volumes coupled with gradual growth in PTFE within the Fluorochemicals business. The packaging business is likely to remain under pressure in the medium term, while the Technical Textiles business is likely to continue the current growth momentum.
- Factoring in the weak macro scenario and uncertain near-term outlook in the chemicals business, we cut our FY25/FY26 EBITDA estimates by 13%/7%. We value the stock on an SoTP-basis to arrive at our TP of INR2,080. **Reiterate Neutral.**

**Consolidated - Quarterly Earning Model**

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var. %
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Net Sales</b>	<b>33,384</b>	<b>31,774</b>	<b>30,530</b>	<b>35,697</b>	<b>34,641</b>	<b>34,243</b>	<b>35,555</b>	<b>41,759</b>	<b>1,31,385</b>	<b>1,46,198</b>	<b>35,841</b>	<b>-4</b>
YoY Change (%)	-14.3	-14.8	-12.0	-5.5	3.8	7.8	16.5	17.0	-11.6	11.3	12.8	
Total Expenditure	26,184	25,320	24,691	28,581	28,435	28,637	29,196	33,363	1,04,777	1,19,630	29,315	
<b>EBITDA</b>	<b>7,200</b>	<b>6,453</b>	<b>5,839</b>	<b>7,116</b>	<b>6,207</b>	<b>5,606</b>	<b>6,360</b>	<b>8,396</b>	<b>26,608</b>	<b>26,568</b>	<b>6,526</b>	<b>-14</b>
Margins (%)	21.6	20.3	19.1	19.9	17.9	16.4	17.9	20.1	20.3	18.2	18.2	
Depreciation	1,566	1,612	1,689	1,859	1,882	1,939	1,950	2,180	6,726	7,951	1,950	
Interest	656	793	674	900	965	938	920	900	3,023	3,723	750	
Other Income	118	291	188	234	253	333	300	310	830	1,196	280	
<b>PBT before EO Expense</b>	<b>5,095</b>	<b>4,339</b>	<b>3,664</b>	<b>4,591</b>	<b>3,612</b>	<b>3,063</b>	<b>3,790</b>	<b>5,626</b>	<b>17,689</b>	<b>16,090</b>	<b>4,106</b>	
Extra-Ord Expense & DO	237	191	181	158	172	226	0	0	767	398	0	
<b>PBT</b>	<b>4,858</b>	<b>4,148</b>	<b>3,483</b>	<b>4,433</b>	<b>3,440</b>	<b>2,837</b>	<b>3,790</b>	<b>5,626</b>	<b>16,922</b>	<b>15,692</b>	<b>4,106</b>	
Tax	1,265	1,140	949	211	918	822	928	1,379	3,565	4,047	1,006	
Rate (%)	24.8	26.3	25.9	4.6	25.4	26.9	24.5	24.5	20.2	25.2	24.5	
<b>Reported PAT</b>	<b>3,593</b>	<b>3,008</b>	<b>2,534</b>	<b>4,222</b>	<b>2,522</b>	<b>2,014</b>	<b>2,861</b>	<b>4,247</b>	<b>13,357</b>	<b>11,645</b>	<b>3,100</b>	
<b>Adj PAT</b>	<b>3,830</b>	<b>3,199</b>	<b>2,715</b>	<b>4,380</b>	<b>2,695</b>	<b>2,240</b>	<b>2,861</b>	<b>4,247</b>	<b>14,124</b>	<b>12,043</b>	<b>3,100</b>	<b>-28</b>
YoY Change (%)	-39.5	-38.1	-48.4	-25.8	-29.6	-30.0	5.4	-3.0	-37.7	-14.7	-3	
Margins (%)	11.5	10.1	8.9	12.3	7.8	6.5	8.0	10.2	10.8	8.2	8.7	

**Key Performance Indicators**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
<b>Consolidated</b>											
Segment Revenue (INR m)											
Technical Textile	4,647	5,062	4,584	4,689	5,253	5,355	5,134	5,298	<b>18,980</b>	<b>21,040</b>	<b>5,568</b>
Chemicals	16,605	14,263	13,941	18,161	14,820	13,578	16,032	21,793	<b>62,970</b>	<b>66,223</b>	<b>14,834</b>
Packaging Film	10,948	11,215	10,907	11,824	13,363	14,206	13,197	13,479	<b>44,893</b>	<b>54,245</b>	<b>14,019</b>
Others	1,187	1,269	1,136	1,062	1,262	1,128	1,192	1,189	<b>4,653</b>	<b>4,771</b>	<b>1,421</b>
Segment Revenue Growth (%)											
Technical Textile	-18.6	8.6	7.6	8.9	13.1	5.8	12.0	13.0	<b>0.2</b>	<b>10.9</b>	<b>10.0</b>
Chemicals	-3.6	-22.1	-20.6	-13.6	-10.8	-4.8	15.0	20.0	<b>-15.0</b>	<b>5.2</b>	<b>4.0</b>
Packaging Film	-26.8	-15.7	-9.3	2.5	22.1	26.7	21.0	14.0	<b>-13.4</b>	<b>20.8</b>	<b>25.0</b>
Other	12.4	26.4	23.0	12.6	6.3	-11.1	5.0	12.0	<b>18.5</b>	<b>2.5</b>	<b>12.0</b>
Segment Results (INR m)											
Technical Textile	607	750	688	698	677	713	744	821	<b>2,742</b>	<b>2,956</b>	<b>779</b>
Chemicals	4,601	3,478	3,219	4,977	3,064	2,461	3,367	5,012	<b>16,274</b>	<b>13,905</b>	<b>3,189</b>
Packaging Film	513	773	449	331	868	828	858	944	<b>2,065</b>	<b>3,497</b>	<b>953</b>
Others	232	331	212	156	236	172	191	190	<b>930</b>	<b>789</b>	<b>355</b>
Segment EBIT Margins (%)											
Technical Textile	13.1	14.8	15.0	14.9	12.9	13.3	14.5	15.5	<b>14.4</b>	<b>14.0</b>	<b>14.0</b>
Chemicals	27.7	24.4	23.1	27.4	20.7	18.1	21.0	23.0	<b>25.8</b>	<b>21.0</b>	<b>21.5</b>
Packaging Film	4.7	6.9	4.1	2.8	6.5	5.8	6.5	7.0	<b>4.6</b>	<b>6.4</b>	<b>6.8</b>
Others	19.5	26.1	18.7	14.7	18.7	15.2	16.0	16.0	<b>20.0</b>	<b>16.5</b>	<b>25.0</b>
<b>Cost Break-up</b>											
RM Cost (% of sales)	50.9	51.0	50.9	51.4	52.7	53.6	52.7	52.4	<b>51.1</b>	<b>52.8</b>	<b>47.3</b>
Staff Cost (% of sales)	6.5	7.1	8.0	6.9	7.3	7.4	7.3	6.2	<b>7.1</b>	<b>7.0</b>	<b>7.3</b>
Power and Fuel Cost (% of sales)	10.6	10.8	10.5	9.2	9.9	10.1	10.0	9.7	<b>10.2</b>	<b>9.9</b>	<b>12.2</b>
Other Cost (% of sales)	10.4	10.7	11.5	12.6	12.2	12.6	12.2	11.6	<b>11.3</b>	<b>12.1</b>	<b>9.9</b>
Gross Margins (%)	49.1	49.0	49.1	48.6	47.3	46.4	47.3	47.6	<b>48.9</b>	<b>47.2</b>	<b>52.7</b>
EBITDA Margins (%)	21.6	20.3	19.1	19.9	17.9	16.4	17.9	20.1	<b>20.3</b>	<b>18.2</b>	<b>18.2</b>
EBIT Margins (%)	16.9	15.2	13.6	14.7	12.5	10.7	12.4	14.9	<b>15.1</b>	<b>12.7</b>	<b>13.2</b>



Estimate change

TP change

Rating change

**CMP: INR7,558**

**TP: INR10,000 (+32%)**

**BUY**

## A blazing quarter

### Growth across the board and a strong start to Cigniti integration

Bloomberg	COFORGE IN
Equity Shares (m)	67
M.Cap.(INRb)/(USD\$)	504.1 / 6
52-Week Range (INR)	7649 / 4287
1, 6, 12 Rel. Per (%)	16/36/27
12M Avg Val (INR m)	2932

### Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	120.8	150.7	174.0
EBIT Margin (%)	12.6	15.0	15.7
PAT	9.8	16.0	19.5
EPS (INR)	147.9	240.5	292.6
Adj. PAT	9.8	16.0	19.5
Adj. EPS (INR)	147.1	239.2	291.0
Adj. EPS Gr. (%)	10.4	62.6	21.7
BV/Sh. (INR)	621.8	732.8	877.1

### Ratios

RoE (%)	24.6	34.9	35.7
RoCE (%)	23.3	30.8	31.7
Payout (%)	50.0	50.0	50.0

### Valuations

P/E (x)	51.4	31.6	26.0
P/BV (x)	12.2	10.3	8.6
EV/EBITDA (x)	25.1	18.0	14.9
Div Yield (%)	1.0	1.6	1.9

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	0.0	0.0	0.0
DII	48.2	47.3	54.3
FII	42.1	41.4	34.4
Others	9.8	11.3	11.4

FII Includes depository receipts

COFORGE reported 2QFY25 organic revenue growth of 6.3% QoQ in USD terms, above our estimate of 4.3%. It reported an organic CC QoQ growth of 5.5% (consol. CC QoQ growth of 26.3%). Consol. revenue stood at USD369.4m (up 26.8% QoQ/32.8% YoY). Organic order intake of USD448m in 2Q with three large deals, resulting in a robust organic 12-month executable order book of USD1,105m (+18% YoY). Organic EBIT margin, adjusted for transaction-related costs of INR201m, came in at 12.2% (est. 12.5%). Organic adj. PAT stood at INR1.8b (+39.5% QoQ/2.7% YoY) due to lower SG&A costs and higher other income. The company's revenue grew 10.4% in 1HFY25, while EBIT/PAT declined 0.7%/12.4% vs. 1HFY24 in organic terms. We expect revenue/EBIT/PAT to grow organically by 19.0%/20.6%/17.0% YoY in 2HFY25. **We reiterate our BUY rating on COFORGE with a TP of INR10,000, implying a 32% potential upside.**

### Our view: Coforge in pole position to participate in recovery

- COFORGE had a robust quarter, to lead the industry on the growth front:** COFORGE's organic growth was broad-based across BFS, Insurance, and Travel. Order intake was quite healthy too, up 43% QoQ. We believe COFORGE's organic business is in great shape, and its executable order book over the next 12 months (up 18% YoY) provides confidence in FY25 growth. Further, its presence in high growth verticals in a recovering demand environment positions it as a growth leader alongside Persistent.
- Not just margins, but Cigniti growth could surprise on the upside too:** While the EBITDA margin expansion from 12.6% in Q1 to 16.2% in Q2 was the key highlight, Cigniti's growth numbers were an even bigger surprise. Cigniti reported revenue growth of 6.1% sequentially.
- COFORGE believes it can extract further synergies and expand margin to over 18% by 4QFY25. Further, early cross-selling initiatives between COFORGE and Cigniti indicate that COFORGE could engineer a growth turnaround at Cigniti earlier than expected.
- Demand turnaround now certain, COFORGE a key beneficiary:** The 2Q earnings season corroborates our thesis that demand is recovering, and COFORGE's offerings and vertical exposures put it in pole position to lead growth. It continues to be our top pick, as detailed in our IMPACT framework analysis (Exhibit 3).

### Valuation and changes to our estimates

- We integrate Cigniti numbers in our financial model, and we now assume 80% ownership of Cigniti by FY25E and 100% ownership beyond FY26E. We value COFORGE organically at 40x Sep'26E EPS (vs. 38x earlier) and value the Cigniti business at 25x Sep'26E EPS. This SOTP-based approach yields a rounded TP of INR10,000 (INR8,700 for COFORGE and INR1,300 for Cigniti). **We reiterate our BUY rating on the stock with a TP of INR10,000, implying a 32% potential upside.**



- Our FY25E adj. PAT has reduced on account of higher-than-expected RSU costs and one-offs; otherwise we have raised our organic estimates by 3% to 7% for FY25/FY26/FY27, driven by the company's higher-than-expected organic growth. We believe the company's healthy executable order book and a rebound in BFS client spending bode well for its organic business. Cigniti could prove to be an effective long-term asset.

### **Significant beat on revenue (both organic and Cigniti included), margins miss; organic deal-win TCV up 43% QoQ**

- COFORGE's organic USD revenue grew 6.3% QoQ (est. 4.3% QoQ). Organically, growth was led by the insurance vertical (+8.4% QoQ), followed by transportation, which was up 5.8% QoQ. BFS grew 4.7% QoQ during the quarter.
- Organic order intake was USD448m (consol. order intake at USD516m), returning to its normal run rate (43% QoQ). Organic 12-month executable order book rose 18% YoY at USD1,105m (consol. Order book stood at USD1,305m). It added nine (13 clients on a consol. basis) new clients organically in 2Q.
- Cigniti's EBITDA margin stood at 16%, above consensus estimates.
- Organic EBIT margin for COFORGE was 12.2% (barring transaction-related expenses), below our estimates of 12.5%
- Organic adj. EBITDA (pre-RSU) rose 21.6% QoQ/1.4% YoY to INR4.0b and EBITDA margin (pre-RSU) came in at 15.8%, up 190bp QoQ.
- Utilization grew 60bp QoQ to 82.2%. Net employee addition stood at 5,871, up 5.4% QoQ. Attrition inched up 30bp QoQ at 11.7%
- Organic Adj. PAT came in at INR1.8b (est. INR2.3b), up 39.5% QoQ/2.7% YoY
- The Board declared a dividend of INR19 per share.

### **Key highlights from the management commentary**

- Headcount additions and a strong large-deal pipeline give confidence in robust and sustained growth in the coming quarters.
- The Cigniti acquisition is now fully operationally integrated.
- The management is confident of a strong growth story for the next seven years, which is built upon: 1) a much more diversified organization compared to the last 7 years (reduced airline exposure); 2) growth vectors primarily driven by industry build in product engineering, in cloud services, in data services, and experience-based technologies; and 3) an expanded geographical mix.
- This was an exceptionally strong quarter for COFORGE. The quarter validates three key assertions made at the beginning of the year: 1) the credibility of Cigniti's business is strong, and synergies will be realized, 2) despite stopping annual guidance, organic COFORGE growth remains strong, and 3) the first management team to announce a positive turnaround in demand.
- The go-to-market (GTM) engine is already in place, headed by a COFORGE leader.
- In the GCC space, the company has seen strong activity. GCCs are led by leaders of Indian origin who have risen through the ranks. The company has built GCC capabilities and is in the process of creating virtual GCCs. The sales plan includes both micro and mega GCCs.
- Large deal velocity remains strong, with three large deals signed during the quarter. The vertical mix has evolved, with notable traction in newer verticals such as healthcare and increased activity in product engineering. COFORGE is also widening the funnel and expanding geographical presence.

SoTP-based TP at INR10,000

SoTP valuation	EPS (Sep'26)	Target Multiple	Target Price
COFORGE Organic	215	40	8700
Cigniti	45	25	1300
<b>Consolidated TP (Rounded)</b>			<b>10,000</b>

Source: MOFSL

HCLT and LTIM lead in the IMPACT ranking among Tier-1 companies

IMPACT framework- large caps	Industry exposure (5- best)	Margin expansion (5- best)	Partnerships (5- best)	Automation threat (5: minimum)	Client strategies (5-best)	NextGen readiness (5-best)	Total Score
HCL	●●●●●	●●●	●●●●●	●●●●●	●●●	●●●	24
LTIM	●●●●●	●	●●●●●	●●●●●	●●●	●●●●●	24
Infosys	●●●	●●●	●●●●●	●●●	●●●	●●●●●	22
TCS	●●●	●●●	●●●●●	●●●	●●●	●●●●●	22
Wipro	●●●	●●●	●●●●●	●●●	●●●	●●●	20
TechM	●	●●●	●●●●●	●●●	●●●	●●●	18

Source: MOFSL

PSYS and COFORGE lead in the IMPACT ranking among Tier-2 companies

IMPACT framework- mid tier	Industry exposure (5- best)	Margin expansion (5- best)	Partnerships (5- best)	Automation threat (5: minimum)	Client strategies (5-best)	NextGen readiness (5-best)	Total Score
Persistent	●●●●●	●●●	●●●●●	●●●●●	●●●●●	●●●●●	28
Coforge	●●●●●	●●●	●●●●●	●●●	●●●●●	●●●	24
Zensar	●●●	●●●	●●●	●●●●●	●●●●●	●●●	22
LTTS	●●●	●●●	●●●	●●●●●	●●●●●	●●●	22
Mphasis	●●●	●●●	●●●●●	●●●	●●●	●●●	20
Cyient	●●●	●●●	●	●●●●●	●●●●●	●●●	20

Source: MOFSL

Valuation and view:

- We integrate Cigniti numbers in our financial model, and we now assume 80% ownership of Cigniti by FY25E and 100% ownership beyond FY26E. We value COFORGE organically at 40x Sep'26E EPS (vs. 38x earlier) and value the Cigniti business at 25x Sep'26E EPS. This SOTP-based approach yields a rounded TP of INR10,000 (INR8,700 for COFORGE and INR1,300 for Cigniti). **We reiterate our BUY rating on the stock with a TP of INR10,000, implying a 32% potential upside.**

**Quarterly Performance (IND-AS)**

(INR m)

Y/E March (Consolidated)	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q*	3QE	4QE		
Rev. (USD m)	272	278	282	287	291	369	386	402	1,119	1,449
QoQ (%)	2.8	2.3	1.4	1.7	1.6	26.8	4.5	4.3	11.7	29.5
Revenue (INR m)	22,210	22,762	23,233	23,585	24,008	30,623	32,411	33,792	91,790	1,20,833
YoY (%)	21.4	16.2	13.0	8.7	8.1	34.5	39.5	43.3	14.5	31.6
GPM (%)	30.7	32.5	33.1	34.1	33.0	32.4	35.0	35.0	32.6	33.9
SGA (%)	14.7	14.9	15.1	15.5	19.1	16.5	15.1	15.1	15.1	16.2
EBITDA (INRm)	3,329	3,473	4,012	4,163	3,134	4,640	5,834	6,083	14,977	19,690
EBITDA Margin (%)	15.0	15.3	17.3	17.7	13.1	15.2	18.0	18.0	16.3	16.3
EBIT (INRm)	2,572	2,701	3,201	3,317	2,319	3,397	4,641	4,894	11,791	15,251
EBIT Margin (%)	11.6	11.9	13.8	14.1	9.7	11.1	14.3	14.5	12.8	12.6
Other income	-152	-295	-257	-452	-272	-262	-218	-228	-1,156	-980
ETR (%)	20.0	21.9	17.5	19.7	31.9	25.5	25.2	25.2	19.7	26.2
Minority Interest	-104.0	-69.0	-48.0	-55.0	-61.0	-314.0	-275.2	-123.2	-276.0	-773.4
Adj. PAT	1,831	1,809	2,380	2,246	1,332	2,022	3,034	3,369	8,266	9,757
QoQ (%)	-21.3	-1.2	31.6	-5.6	-40.7	51.8	50.1	11.0		
YoY (%)	22.0	-10.3	4.3	-3.5	-27.3	11.8	27.5	50.0	1.7	18.0
Adj. EPS (INR)	29.2	29.0	38.1	36.2	20.8	30.1	45.2	50.2	133.2	147.1

Source: MOFSL estimates; \*Financial figures for 2QFY25 onwards are taken on consolidated basis which includes organic and Cigniti results.

**Key Performance Indicators**

Y/E March	FY24				FY25		FY24
	1Q	2Q	3Q	4Q	1Q	2Q*	
Revenue (QoQ CC %)	2.7	2.3	1.8	1.9	1.6	26.3	
<b>Margins</b>							
Gross Margin	30.7	32.5	33.1	34.1	33.0	32.4	32.6
EBIT Margin	11.6	11.9	13.8	14.1	9.7	11.1	12.8
Net Margin	8.2	7.9	10.2	9.5	5.5	6.6	9.0
<b>Operating metrics</b>							
Headcount	24,224	24,638	24,607	24,726	26,612	32,483	24,726
Attrition (%)	13.3	13.0	12.1	11.5	11.4	11.7	11.5
Deal Win TCV (USD b)	531	313	354	774	314	516	774
<b>Key Verticals (YoY USD %)</b>							
BFS	20.0	12.3	16.0	17.9	9.6	23.6	16.5
Insurance	11.4	9.7	11.5	5.5	1.5	12.3	9.5
Travel and Transport	8.6	8.0	3.3	1.5	4.9	30.0	5.3
<b>Key Geographies (YoY USD %)</b>							
North America	10.3	8.5	6.1	7.1	7.6	48.2	8.0
Europe	19.1	13.5	11.2	9.8	7.5	15.7	13.2

\*Financial figures for 2QFY25 are taken on consolidated basis which includes organic and Cigniti results.



# AU Small Finance Bank

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR652      TP: INR830 (+27%)      Buy**

## Robust earnings beat despite asset quality challenges

### Resilient NIM performance; guides to defend FY25 RoA at ~1.6%

Bloomberg	AUBANK IN
Equity Shares (m)	744
M.Cap.(INRb)/(USD)	484.8 / 5.8
52-Week Range (INR)	813 / 554
1, 6, 12 Rel. Per (%)	-6/-2/-33
12M Avg Val (INR M)	2202

- AU Small Finance Bank (AUBANK) reported a 2QFY25 PAT of INR5.71b (16% beat) fueled by healthy other income and controlled opex, which offset higher provisions.
- NII grew 2.8% QoQ to INR19.7b (in line). NIM improved 5bp QoQ to 6.1%.
- PPoP stood at INR11.3b (13% beat) as opex came in 6% lower than our estimate and other income stood at INR6.4b (5% beat). C/I ratio thus declined sharply to 56.7% vs. 60.8% in 1QFY25.
- Business growth was healthy, with advances growing at 5.8% QoQ to INR948.4b while deposits grew at a robust 12.7% QoQ to INR1.09t. As a result, the overall CD ratio eased sharply to 86.5% (92.1% in 1QFY25).
- Slippages were elevated at INR7.4b vs. INR5.4b in 1QFY25. GNPA/NNPA ratio increased 20bp/12bp QoQ to 1.98%/0.75%. PCR declined 229bp QoQ to 62.8%. Credit costs as % of total assets were elevated at 0.28% (1.1% annualized).
- We tweak our estimates slightly and estimate the bank to deliver an RoA/RoE of 1.7%/16.2% by FY26. **Reiterate BUY with a TP of INR830 (based on 3.2x FY26E BV).**

### Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	51.6	81.2	101.1
PPoP	24.4	43.2	54.1
PAT	15.3	22.4	29.2
NIM (%)	5.2	6.2	6.0
EPS (INR)	23.0	31.8	39.3
EPS Gr. (%)	4.3	38.3	23.7
BV/Sh. (INR)	187	223	261
ABV/Sh. (INR)	183	216	253

### Ratios

RoA (%)	1.5	1.7	1.7
RoE (%)	13.1	15.4	16.2

### Valuations

P/E(X)	28.4	20.6	16.6
P/BV (X)	3.5	2.9	2.5
P/ABV (X)	3.6	3.0	2.6

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	22.9	22.9	25.5
DII	20.1	18.4	19.6
FII	40.7	39.6	41.7
Others	16.2	19.1	13.3

FII Includes depository receipts

### Deposit growth robust; asset quality deteriorates

- AUBANK reported a 2QFY25 PAT of INR5.71b (16% beat to MOFSLe) led by healthy other income and controlled opex. In 1HFY25, earnings grew 36% YoY to INR10.7b, and we estimate 2HFY25 earnings to grow 57% YoY to INR11.7b.
- NII grew 2.8% QoQ to INR19.7b (in line). Margin improved 5bp QoQ to 6.1%. Management guided margin to remain at ~6%. Provisions stood at INR3.73b (7% higher than MOFSLe, +17% QoQ).
- Other income stood at INR6.4b (5% beat), with treasury gains at INR680m vs. INR190m in 1QFY25. Opex stood at INR14.8b (6% lower than MOFSLe). C/I ratio thus dropped sharply to 56.7% vs. 60.8% in 1QFY25.
- Advances jumped 5.8% QoQ, with commercial assets growing 10.2% QoQ and retail at 4.5% QoQ. Deposit growth was robust at 12.7% QoQ to INR1.09t. CD ratio thus moderated sharply to 86.5%. However, CASA mix moderated to 32%. The cost of funds was in control at 7.04%.
- Slippages were elevated at INR7.4b vs. INR5.4b in 1QFY25. GNPA/NNPA ratio increased 20bp/12bp QoQ to 1.98%/0.75%. PCR declined 229bp QoQ to 62.8%.
- Credit costs as % of total assets stood elevated at 0.28% (1.1% annualized), driven mainly by the ongoing stress in the unsecured (MFI and Credit Cards) segment. The bank expects credit costs to remain elevated for the full year, and it conservatively guided for 2H credit costs to be at similar levels as 1HFY25.

### Highlights from the management commentary

- The credit card book has grown slowly with earnings primarily driven by revolvers/EMIs. The bank aims for an optimal product mix, with the EMI portion increasing from 18% to 20%. Merchant partnerships have also expanded.
- MFI accounts for 7% of the book. MFI credit costs were 3% in 1H, with some elevation expected further.
- The bank had previously guided NIM at 5.7-5.8% but now expects to maintain NIM at around 6%, driven by better asset yields and strong traction across business segments.

### Valuation and view

AUBANK reported a healthy quarter characterized by steady earnings driven by higher other income and controlled opex. Margins for the merged entity surprised, as the bank witnessed a 5bp QoQ expansion in margin. Management expects margin to remain ~6% driven by better asset yields and strong traction across business segments. On the business front, loans and deposits grew at a healthy rate, and thus the C/D ratio eased sharply to 86.5%. Asset quality deteriorated, resulting in higher-than-estimated provisions. Management expects credit cost to remain elevated and anticipates finishing the full year around the same levels as in 1H, with ~5-10bp variance. The conversion to a universal bank will further enable healthy growth and strengthen its market position. We tweak our estimates and estimate the bank to deliver an RoA/RoE of 1.7%/16.2% by FY26. **Reiterate BUY with a TP of INR830 (based on 3.2x FY26E BV).**

### Quarterly performance

	(INR b)											
	FY24				FY25E				FY24	FY25E	FY25E	v/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE		
<b>Net Interest Income</b>	<b>12.5</b>	<b>12.5</b>	<b>13.2</b>	<b>13.4</b>	<b>19.2</b>	<b>19.7</b>	<b>20.5</b>	<b>21.7</b>	<b>51.6</b>	<b>81.2</b>	<b>20</b>	<b>0.1</b>
% Change (Y-o-Y)	27.7	15.3	14.9	10.2	54.1	58.1	55.1	62.5	16.5	57.5	58.0	
Other Income	3.2	4.1	4.5	5.6	5.1	6.4	6.5	7.4	17.5	25.3	6	5.0
<b>Total Income</b>	<b>15.6</b>	<b>16.6</b>	<b>17.7</b>	<b>18.9</b>	<b>24.3</b>	<b>26.1</b>	<b>27.0</b>	<b>29.1</b>	<b>69.0</b>	<b>106.5</b>	<b>26</b>	<b>1.2</b>
Operating Expenses	10.2	10.3	11.2	12.3	14.8	14.8	16.0	17.7	44.6	63.3	16	-6.2
<b>Operating Profit</b>	<b>5.5</b>	<b>6.3</b>	<b>6.6</b>	<b>6.6</b>	<b>9.5</b>	<b>11.3</b>	<b>11.0</b>	<b>11.3</b>	<b>24.4</b>	<b>43.2</b>	<b>10</b>	<b>12.9</b>
% Change (Y-o-Y)	38.6	26.0	18.2	16.3	74.3	80.0	68.2	70.9	20.7	77.3	54.8	
Provisions	0.3	1.0	1.6	1.3	2.8	3.7	4.0	2.8	4.4	13.3	3	7.4
Exceptional item	-	-	-	0.8	-	-	-	-	-	-	0	
<b>Profit before Tax</b>	<b>5.1</b>	<b>5.3</b>	<b>5.0</b>	<b>4.5</b>	<b>6.7</b>	<b>7.6</b>	<b>7.1</b>	<b>8.6</b>	<b>20.0</b>	<b>29.9</b>	<b>7</b>	<b>15.8</b>
Tax	1.3	1.3	1.2	0.8	1.7	1.9	1.7	2.2	4.6	7.5	2	15.5
<b>Net Profit</b>	<b>3.9</b>	<b>4.0</b>	<b>3.8</b>	<b>3.7</b>	<b>5.0</b>	<b>5.7</b>	<b>5.3</b>	<b>6.4</b>	<b>15.3</b>	<b>22.4</b>	<b>5</b>	<b>16.0</b>
% Change (Y-o-Y)	44.4	17.3	(4.5)	(12.7)	29.9	42.1	42.1	71.6	7.5	46.1	22.6	
<b>Operating Parameters</b>												
Deposit (INR b)	693.2	757.4	801.2	871.8	972.9	1,096.9	1,134.7	1,186.3	871.8	1,186.3	1,096.9	
Loan (INR b)	628.6	641.7	667.4	731.6	896.5	948.4	992.2	1,074.5	731.6	1,074.5	949.0	
Deposit Growth (%)	26.9	29.8	31.1	25.7	40.4	44.8	41.6	36.1	25.7	36.1	44.8	
Loan Growth (%)	29.2	24.0	20.0	25.2	42.6	47.8	48.7	46.9	25.2	46.9	47.9	
<b>Asset Quality</b>												
GNPA (%)	1.8	1.9	2.0	1.7	1.8	2.0	2.2	2.1	1.7	2.1	1.8	
NNPA (%)	0.6	0.6	0.7	0.6	0.6	0.8	0.8	0.8	0.5	0.8	0.6	
PCR (%)	69.0	69.1	66.0	67.6	65.1	62.8	63.2	64.4	64.3	64.4	65.4	

E: MOFSL Estimates



# MAX Financial Services

Estimate change	
TP change	
Rating change	

**CMP: INR1272    TP: INR1,300 (+2%)    Neutral**

## Strong APE growth driven by 23% growth in NOP

Bloomberg	MAXF IN
Equity Shares (m)	345
M.Cap.(INRb)/(USDb)	439 / 5.2
52-Week Range (INR)	1311 / 854
1, 6, 12 Rel. Per (%)	12/11/16
12M Avg Val (INR M)	1159

- MAX Financial Services (MAXLIFE) reported a steady performance in 2QFY25. New business APE grew 31.3% YoY to INR21.7b (in-line), while for 1HFY25, it grew 31% YoY to INR36.2b.
- MAX reported a VNB growth of 23.1% YoY to INR5.1b (in-line) and for 1HFY25, it grew 16% YoY to INR7.7b, due to strong growth in rider attachment.
- VNB margins expanded sequentially to 23.6% in 2QFY25 from 17.5% in 1QFY25 (~600bp jump) due to operating leverage and strong growth in volumes and rider attachment. The management guides to maintain a double-digit VNB growth and margin in the range of 23-24% for FY25.
- Shareholders PAT for the quarter came in at INR1.4b, a decline of 11% YoY (22% beat). For H1FY25, it came in at INR3b, an increase of 13.6% YoY.
- We have increased our APE growth for FY25 estimates as 2Q momentum has become stronger. However, we have cut our VNB margin assumptions given the adverse product mix trends (higher share of ULIPs). **Reiterate Neutral** with a TP of INR 1,300, premised on 2.3x Sept'26E EV and a holding company discount of 20%.

### Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Gross Premiums	344.2	395.9	455.0
Sh. PAT	6.3	7.3	9.7
NBP gr - APE (%)	23.2	16.7	16.1
Premium gr (%)	16.5	15.0	14.9
VNB margin (%)	23.0	24.5	25.0
Op. RoEV (%)	19.0	19.5	19.4
Total AUMs (INRb)	1,693	1,904	2,147
VNB (INRb)	20.7	25.7	30.5
EV Per Share	538	642	767

### Valuations

P/EV (x)	3.0	2.5	2.1
P/EVOP (x)	18.5	15.1	12.7

### Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	3.3	6.5	6.5
DII	44.0	62.6	57.0
FII	46.2	24.7	29.7
Others	6.4	6.1	6.8

FII includes depository receipts

### VNB margins expand sequentially

- Gross premium income grew 16.8% YoY to INR77.4b (11% miss). For 1HFY25, it came in at INR131.4b, a growth of 14% YoY. Renewal premium grew 12.4% YoY to INR47.2b (13% miss).
- Margins have expanded ~600bp sequentially due to operating leverage, strong growth in volumes, and rider attachment. The management guides that 3QFY25 will experience some stabilization on account of the impact of surrender charges and rebranding costs. However, on an overall basis, it guides to be in the range of 23-24% for FY25.
- Total expense increased 28% YoY in 1HFY25 due to the redefining of commissions and increased workforce across distribution channels.
- Surrender charges are likely to impact VNB margins by 100-200bp; however, this will be mitigated in a few quarters as MAXLIFE has relaunched 98% of its products and is in discussions with channel partners for compensation benefits.
- On the product front, ULIPs reported an exponential growth of 73% YoY, driven by the newly launched Nifty 500 Momentum Fund. Retail and Group protection grew 36% and 10% YoY, respectively, given that Retail is driven by the Seva Health Preposition. Protection and health are critical areas of growth; MAXLIFE is working to support the growth of these products and reduce the ULIP proportion.
- On a YoY basis, the business mix shifted in favor of ULIPs to 44% (vs. 33% in 2QFY24), and the share of non-PAR savings increased to 30% in 2QFY25 from 28% in 2QFY24.
- AUM grew 26.8% YoY (in-line) to INR1.7t.



- On the distribution side, banca APE/proprietary channels grew 20%/44% YoY. The growth in proprietary business was aided by 1) strong top agent engagement; 2) productivity gain from continued capacity expansion; 3) newer pools of customers aiding growth in the direct channel; and 4) the e-commerce channel experiencing momentum in the savings business. In the online channel, 30-35% of sales came from its own website.
- For 2HFY25, we expect APE/VNB/PAT to grow 15%/-1%/233% to INR53.8b/INR13b/INR3.3b, respectively.

### Highlights from the management commentary

- The Board has approved the inclusion of co-promoter Axis Bank in the brand identity for a stronger brand association, increased likeability, and ease of remembering. Currently, it maintains a counter share of 65-70% with Axis Bank.
- Over the past two to three years, the company has been balancing the market share growth with margins. The management guides for margins to be in the range of ~23-24% for FY25 despite the impact of surrender charges and rebranding costs.
- The company aims to be among the top three players and achieve faster growth.

### Valuation and view

MAXLIFE reported a steady performance in 2QFY25 with strong growth of 31% in total APE. The growth is driven by 23% growth in NOP and expansion of VNB margins by ~600bp sequentially due to strong growth in volumes, rider attachment, and operating leverage effects. Going forward, surrender charges are expected to hit margins by ~100-200bp, which will be offset by higher premium growth, new product launches, and restructuring of commissions. In terms of growth, banca and online channels are likely to maintain a strong growth momentum. MAXLIFE has received approval to include Axis Bank as a co-promoter for a stronger brand association (it currently maintains a counter share in the range of ~65-70%). We have increased our APE growth for FY25 estimates as 2Q momentum has become stronger. However, we have cut our VNB margin assumptions given the adverse product mix trends (higher share of ULIPs). **Reiterate Neutral** with a TP of INR 1,300, premised on 2.3x Sept'26E EV and a holding company discount of 20%.

### Quarterly performance

Policy holder's A/c (INR b)	FY24				FY25E			FY24	FY25E	FY25E 2QE	(INR m) A v/s E
	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
First year premium	15.3	17.6	25.4	12.6	20.5	21.3	30.9	68.9	85.3	19.7	4%
Growth (%)	37.7%	20.7%	5.3%	27.1%	33.6%	21.2%	21.9%	16.8%	23.9%	28.6%	
Renewal premium	42.0	46.1	66.8	33.2	47.2	53.2	75.4	185.1	212.9	54.2	-13%
Growth (%)	7.5%	14.6%	14.6%	10.3%	12.4%	15.5%	12.8%	13.0%	15.0%	28.9%	
Single premium	8.9	9.3	15.2	8.2	9.7	10.1	16.6	41.3	45.9	12.8	-25%
Growth (%)	14.2%	15.5%	66.5%	-5.7%	8.4%	8.7%	9.8%	35.1%	11.0%	43.9%	
<b>Gross premium income</b>	<b>66.3</b>	<b>73.0</b>	<b>107.4</b>	<b>54.0</b>	<b>77.4</b>	<b>84.7</b>	<b>122.9</b>	295.3	344.2	<b>86.7</b>	<b>-11%</b>
Growth (%)	14.2%	16.1%	17.3%	10.8%	16.8%	16.0%	14.5%	16.5%	16.5%	30.9%	
<b>PAT</b>	<b>1.6</b>	<b>1.5</b>	<b>-0.5</b>	<b>1.6</b>	<b>1.4</b>	<b>1.6</b>	<b>1.8</b>	3.6	6.3	<b>1.1</b>	<b>22%</b>
Growth (%)	196.2%	-34.9%	-186.4%	51.4%	-11.2%	4.1%	-445.5%	-17.8%	74.8%	-27.0%	
<b>Key metrics (INRb)</b>											
New business APE	16.5	18.0	28.7	14.5	21.7	20.7	33.1	73.0	89.9	21.0	3%
Growth (%)	38.8%	18.9%	13.2%	30.5%	31.3%	15.2%	15.4%	17.7%	23.2%	0.3	
VNB	4.2	4.9	8.2	2.5	5.1	4.9	8.2	19.7	20.7	5.0	2%
Growth (%)	11.5%	-17.5%	6.6%	2.8%	23.1%	-0.6%	-0.6%	1.2%	4.8%	0.2	
AUM	1,341.6	1,426.2	1,508.4	1,611.5	1,701.4	1,769.5	1,692.7	1,508.4	1,692.7	1,676	2%
Growth (%)	18.4%	20.5%	22.8%	24.8%	26.8%	24.1%	12.2%	22.8%	12.2%	0.2	
<b>Key ratios (%)</b>											
VNB margins (%)	25.2	27.2	28.6	17.5	23.6	23.5	24.6	31.2	23.0	24.0	



# SONA BLW Precision Forging

Estimate change	↔
TP change	↔
Rating change	↔

**CMP:INR644 TP: INR685 (+6%) Neutral**

## Order execution, EV growth drive healthy performance

### Entered into an agreement to acquire Escorts Kubota's railway equipment division

Bloomberg	SONACOMS IN
Equity Shares (m)	621
M.Cap.(INRb)/(USD\$b)	400.2 / 4.8
52-Week Range (INR)	769 / 488
1, 6, 12 Rel. Per (%)	-8/-12/0
12M Avg Val (INR M)	1246

- SONA BLW's (SONACOMS) 2QFY25 performance exceeded our estimates with revenue of INR9.3b (est. INR8.8b), driven by order book execution and BEV growth. Higher other income also led to adj. PAT beat. We commend the company's ability to consistently deliver healthy performance despite weakness in its key regions.

### Financials & Valuations (INR b)

Y/E Mar	2025E	2026E	2026E
Sales	38.2	45.7	53.6
EBITDA (%)	27.7	28.4	28.5
Adj. PAT	6.3	7.9	9.5
EPS (INR)	10.7	13.5	16.2
EPS Gr. (%)	19.4	26.4	20.1
BV/Sh. (INR)	54.8	63.9	75.7

### Ratios

Net D:E	0.1	0.0	0.0
RoE (%)	20.8	22.8	23.2
RoCE (%)	18.0	20.0	20.9
Payout (%)	34.3	32.6	27.1

### Valuations

P/E (x)	60.2	47.6	39.6
P/BV (x)	11.7	10.1	8.5
EV/EBITDA (x)	35.4	28.6	24.1
Div. Yield (%)	0.6	0.7	0.7
FCF Yield (%)	0.9	1.3	1.8

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	28.0	29.7	29.8
DII	31.0	29.5	27.5
FII	33.6	32.0	33.4
Others	7.5	8.8	9.4

FII Includes depository receipts

- It has agreed to acquire Escorts Kubota's railway equipment division for INR16b (estimated valuation at 8.2x trailing 12M EV/EBITDA). The management has indicated that the acquisition will be EPS-accretive from the first year. While they seem to have acquired a good business at attractive valuations, we fail to understand the synergy benefits of the same with the core. We have not yet included this acquisition in our estimates as we wait for further clarity on financials and the deal closure.

- The company's strong performance is evident in its premium valuations of ~60x/48x FY25E/FY26E EPS, reflecting its robust EV order book and superior earnings and return profile. However, given demand uncertainties in its key markets and limited potential for a re-rating, we **reiterate our Neutral** rating with a TP of INR685, premised on ~46x Sep'26E consol. EPS.

### BEV revenue up ~53% YoY, now contributes ~35% of revenue

- 2Q consol. revenue/EBITDA/adj. PAT rose ~17%/14%/20% YoY to INR9.3b/ INR2.5b/INR1.5b (est. of INR8.8b/ INR2.6b/INR1.5b).
- For 1HFY25, revenue/ EBITDA/Adj. PAT grew 19%/19%/22% YoY. For 2H, we expect revenue/EBITDA/PAT to grow ~21%/16%/18% YoY.
- Revenue growth was largely driven by BEV revenue growth of ~53% YoY to INR3.2b as it now account for ~35% of total revenue (vs. ~27% in 2QFY24). Light-vehicle sales in its top-3 markets (North America, India, and Europe) declined by 2%.
- The share of revenue from North America increased to ~44% in 1HFY25 vs. 40% in 1HFY24, while Europe's revenue contribution declined to 22%, down 100bp from 1HFY24. India's revenue share also declined to 28% in 1HFY25 from 30% in 1HFY24.
- Gross margin came in lower at 56% vs. est. 57.2% (+90bp YoY/-160bp QoQ).
- This was offset by lower-than-expected other operating expenses, resulting in EBITDA of INR2.5b, up 14% YoY. EBITDA margin came in line at 27.6% (down 60bp YoY/50bp QoQ) during the quarter.
- Adjusting for the ESOP impact of INR82m, EBITDA margin would have been at 28.5%.

### Other financial highlights

- Besides operations, SONACOMS saw net cash inflows of INR23.7b from QIP done in Sep'24.
- Temporary deployment of QIP proceeds, besides surplus operating cash flows, led to an increase in investments by INR18.9b.
- Net loan repayments stood at INR2.24b, the dividend payout was INR880m, and there was an increase in closing cash by about INR3.85b.

### Highlights from the management commentary

- **SONACOMS will acquire Escorts Kubota's Railway Equipment Division (RED)** for an EV of INR16b. RED is the market leader in the railway brake system. They will retain the management team at the RED division of Escorts Kubota. The acquisition is expected to be EPS-accretive for the company from the first year.
- **Demand outlook:** The management hinted at weakness in European PVs, Indian CVs and North American Off-highway market. The rest of the businesses are expected to witness flat growth.
- **Total order book was INR231b as of 2QFY25** vs. INR233b in 1QFY25, of which EVs accounted for 78%. The EU program is delayed by a year and Indian 2W EV program is delayed by six months.
- **EVs-** BEV mix increased to 36% in 2QFY25 (up from 33% in 1QFY25) with reported revenue of INR3.17b, up by 53% YoY.

### Valuation and view

- SONACOMS is geared for faster growth than the underlying industry, driven by 1) content enhancement in the existing portfolio; 2) market share gains in key geographies; and 3) new products such as traction motors, controllers, BSG, and sensors. Moreover, its focus on expanding the product portfolio, global scale, and customer base should translate into strong earnings growth and healthy capital efficiency.
- Despite the volatile geopolitical scenario impacting different key geographies globally, SONACOMS reported PAT growth of 20% YoY in 2QFY25, driven by healthy order execution and its focus on the growing EV segment. However, valuations at ~60x/48x FY25E/FY26E consol. EPS largely factor in these positives. **Reiterate Neutral with a TP of INR685 (based on ~46x Sep'26E consol. EPS).**

### Consol. Quarterly Performance

Y/E March	FY24				FY25E				FY24	FY25E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
<b>Net operating revenues</b>	<b>7,322</b>	<b>7,908</b>	<b>7,766</b>	<b>8,853</b>	<b>8,930</b>	<b>9,251</b>	<b>9,224</b>	<b>10,823</b>	<b>31,848</b>	<b>38,228</b>	<b>8,768</b>
Change (%)	24.3	20.3	13.4	19.0	22.0	17.0	18.8	22.3	19.0	20.0	10.9
<b>EBITDA</b>	<b>2,034</b>	<b>2,233</b>	<b>2,273</b>	<b>2,481</b>	<b>2,512</b>	<b>2,549</b>	<b>2,555</b>	<b>2,963</b>	<b>8,651</b>	<b>10,579</b>	<b>2,420</b>
EBITDA Margins (%)	27.8	28.2	29.3	28.0	28.1	27.6	27.7	27.4	27.2	27.7	27.6
Depreciation	511	534	559	598	606	626	620	626	2,202	2,478	610
<b>EBIT</b>	<b>1,523</b>	<b>1,699</b>	<b>1,714</b>	<b>1,883</b>	<b>1,905</b>	<b>1,923</b>	<b>1,935</b>	<b>2,337</b>	<b>6,449</b>	<b>8,101</b>	<b>1,810</b>
EBIT Margins (%)	20.8	21.5	22.1	21.3	21.3	20.8	21.0	21.6	20.2	21.2	20.6
Interest	53	60	73	71	86	106	50	15	258	256	80
Non-Operating Income	54	61	50	75	70	210	72	42	239	394	72
<b>PBT</b>	<b>1,495</b>	<b>1,641</b>	<b>1,690</b>	<b>1,886</b>	<b>1,889</b>	<b>1,918</b>	<b>1,957</b>	<b>2,365</b>	<b>6,343</b>	<b>8,129</b>	<b>1,802</b>
Effective Tax Rate (%)	25.1	24.4	21.0	21.5	25.0	25.1	24.0	22.3	24.3	24.0	24.0
<b>Adjusted PAT</b>	<b>1,142</b>	<b>1,286</b>	<b>1,336</b>	<b>1,481</b>	<b>1,417</b>	<b>1,546</b>	<b>1,487</b>	<b>1,838</b>	<b>4,871</b>	<b>6,262</b>	<b>1,369</b>
Change (%)	50.6	39.0	24.7	20.2	24.0	20.2	11.3	24.1	31.8	28.6	6.5
<b>Cost Break-up</b>											
RM Cost (% of sales)	43.1	44.9	40.9	43.6	42.4	44.0	43.7	44.5	43.1	43.7	42.8
Staff Cost (% of sales)	6.7	7.0	9.4	8.2	8.5	8.5	8.6	8.4	7.9	8.5	8.6
Other Cost (% of sales)	22.4	19.9	20.4	20.2	20.9	19.9	20.0	19.7	21.8	20.1	21.0
Gross Margins (%)	56.9	55.1	59.1	56.4	57.6	56.0	56.3	55.5	56.9	56.3	57.2
EBITDA Margins (%)	27.8	28.2	29.3	28.0	28.1	27.6	27.7	27.4	27.2	27.7	27.6
EBIT Margins (%)	20.8	21.5	22.1	21.3	21.3	20.8	21.0	21.6	20.2	21.2	20.6

E:MOFSL Estimates



# Piramal Enterprises

Bloomberg	PIEL IN
Equity Shares (m)	225
M.Cap.(INRb)/(USD\$)	235.5 / 2.8
52-Week Range (INR)	1144 / 737
1, 6, 12 Rel. Per (%)	3/12/-19
12M Avg Val (INR M)	1396

### Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
PPOP	12.0	15.3	19.6
PAT	-16.8	8.8	12.9
PAT (ex-exceptional)	-15.4	0.3	6.9
EPS	-75	39	57
EPS Gr. (%)	-	-	46
BV/Sh. (INR)	1,182	1,211	1,253
RoA (%)	-2.0	1.0	1.3
RoE (%)	-5.8	3.3	4.7
<b>Valuation</b>			
P/E (x)	-13.9	26.7	18.2
P/BV (x)	0.9	0.9	0.8
Dividend yield (%)	1.0	1.5	1.4

### Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	46.0	46.2	43.5
DII	13.4	13.2	11.9
FII	16.7	17.5	26.5
Others	23.9	23.2	18.1

FII Includes depository receipts

**CMP: INR1,044 TP: INR1,015 (-3%) Neutral**

### Strong retail loan growth; credit costs higher QoQ

#### Opex ratio continues to improve; asset quality deteriorates

- Piramal Enterprises (PIEL) reported a 2QFY25 net profit of ~INR1.6b (PQ: ~INR1.8b). This included an exceptional gain of ~INR770m from recoveries in the AIF portfolio. NII rose ~17% YoY and 9% QoQ to ~INR8.8b. PPOP at ~INR4b grew ~58% YoY. In 1HFY25, PAT declined 38% YoY to INR3.4b.
- Total AUM grew 12% YoY and 6% QoQ. Wholesale 2.0 AUM grew 12% QoQ to INR78.9b while Wholesale 1.0 AUM declined ~49% YoY/7% QoQ to INR121b. Retail AUM grew ~42% YoY to INR547b, with its share in the loan book increasing to ~73% (PQ: 72%).
- GS3/NS3 rose ~40bp each to 3.1%/1.5%. Stage 3 PCR declined by ~6pp QoQ to ~53.5%. Retail 90+ DPD was broadly stable at 0.7%. Total ECL/EAD remained stable QoQ at ~4.4% of the AUM.
- Management reiterated its target to reduce legacy AUM to <10% of total AUM by Mar'25E. **We still believe that this will entail elevated credit costs in 2HFY25, but the same will be mitigated with AIF recoveries and other monetization tools.** PIEL expects AIF recoveries of ~INR10b in 2HFY25. It also stated that it has made internal progress on some of the monetization opportunities available at the company's disposal.
- We estimate a total AUM CAGR of ~21% and a ~29% CAGR in Retail AUM over FY24-FY27. While its growth business (excluding one-off gains and exceptional items) is showing signs of improvement, it will still take at least 9-12 months for it to mitigate the earnings and credit costs impact of an accelerated decline in the legacy AUM.
- Pockets of opportunity, which we earlier thought would be utilized for some inorganic acquisition in retail businesses or for strengthening the balance sheet, will be utilized to run down the stressed legacy AUM. In the near term, we do not see catalysts for any meaningful improvement in the core earnings trajectory of the company. **We reiterate our Neutral rating with a revised TP of INR1,015 (based on Sep'26E SOTP).**

### Unsecured retail showing signs of stress; credit costs could inch up in the near term

- The first two quarters of the current fiscal have been challenging, with the company modestly hit by shifts in the environment. However, PIEL has long been prepared for this normalization in asset quality.
- Management noted that the retail segment has experienced an unusually benign cycle over the last 4-5 years. It expects stress in the retail space to continue for a few more quarters. It is difficult to conclude whether credit costs and asset quality stress have peaked, and there is a possibility that retail credit costs could rise further in the third and fourth quarters.

### Highlights from the management commentary

- Retail AUM grew by 42% YoY, but as the legacy AUM run-off completes, retail growth is expected to moderate. While the retail asset quality remained stable, rising credit costs and challenges in certain segments like unsecured business loans and digital loans suggest potential stress in the retail portfolio for the next few quarters.

- In new origination, the asset quality has been dramatically different, and PIEL has been able to achieve that without yield reduction. Approval rates are meaningfully lower (relative to the industry) at 15-17%. Within unsecured, older originations are ~12% of the AUM at present, and as it runs down, the company will see an improvement in asset quality.

#### Valuation and view

- Our earnings estimates for FY25 and FY26 only factor in exceptional gains from the AIF exposures and low tax outgo in the foreseeable future. Because of the uncertainty and unpredictability around the timing of the monetization of the stake in Shriram Life and General Insurance, we have not factored it in our estimates yet. It will, however, provide one-off gains, which can help offset the credit costs required to dispose of the stressed legacy AUM.
- We expect PIEL to deliver ~1.3% RoA and ~5% RoE in FY26E. We value the lending business at 0.6x Sep'26E P/BV and **reiterate our Neutral rating on the stock with a revised TP of INR1,015 (premised on Sep'26E SOTP).**

#### Quarterly Performance

(INR m)

Y/E March	FY24				FY25		FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2Q		
Interest Income	17,251	17,783	19,307	19,009	19,285	20,804	73,349	90,036
Interest Expenses	10,439	10,500	11,178	11,887	12,047	13,050	44,004	53,331
<b>Net Interest Income</b>	<b>6,812</b>	<b>7,283</b>	<b>8,129</b>	<b>7,121</b>	<b>7,238</b>	<b>7,754</b>	<b>29,345</b>	<b>36,705</b>
YoY Growth (%)	-31.0	-12.3	-21.3	-22.3	6.3	6.5		
Other operating income	11,739	4,150	5,450	5,724	1,943	2,075	27,064	7,493
Other Income	208	119	706	549	226	870	1,581	2,371
<b>Total Income</b>	<b>18,759</b>	<b>11,552</b>	<b>14,284</b>	<b>13,394</b>	<b>9,407</b>	<b>10,700</b>	<b>57,989</b>	<b>46,570</b>
YoY Growth (%)	75.4	22.5	-38.3	53.9	-49.9	-7.4		
Operating Expenses	9,061	6,641	6,970	14,451	7,034	7,534	37,123	31,280
<b>Operating Profit</b>	<b>9,698</b>	<b>4,911</b>	<b>7,314</b>	<b>-1,057</b>	<b>2,373</b>	<b>3,166</b>	<b>20,867</b>	<b>15,290</b>
YoY Growth (%)	54.5	22.1	-58.3	-153.7	-75.5	-35.5		
Provisions & Loan Losses	3,090	4,385	5,995	20,852	1,007	2,376	34,322	16,016
<b>Profit before Tax</b>	<b>6,609</b>	<b>526</b>	<b>1,319</b>	<b>-21,909</b>	<b>1,366</b>	<b>790</b>	<b>-13,455</b>	<b>-726</b>
Tax Provisions	1,732	107	-9,575	-8,212	664	272	-15,949	-102
<b>PAT (before associate income)</b>	<b>4,877</b>	<b>419</b>	<b>10,894</b>	<b>-13,696</b>	<b>702</b>	<b>518</b>	<b>2,493</b>	<b>-625</b>
Associate Income	211	707	728	-108	76	343	1,537	924
<b>PAT (before exceptional)</b>	<b>5,088</b>	<b>1,125</b>	<b>11,622</b>	<b>-13,805</b>	<b>778</b>	<b>860</b>	<b>4,031</b>	<b>299</b>
Exceptional items	0	-643	-35,398	15,176	1,037	769	-20,866	8,500
Profit from Discontinued operations							-	-
<b>PAT (after exceptional)</b>	<b>5,088</b>	<b>482</b>	<b>-23,776</b>	<b>1,371</b>	<b>1,815</b>	<b>1,630</b>	<b>-16,835</b>	<b>8,799</b>





# Amber Enterprises

Estimate change	↑
TP change	↑
Rating change	↔

**CMP: INR6,408      TP: INR7,350 (+15%)      Buy**

## Consumer durables and electronics fuel performance

Bloomberg	AMBER IN
Equity Shares (m)	34
M.Cap.(INRb)/(USDb)	216.4 / 2.6
52-Week Range (INR)	6816 / 2712
1,6,12 Rel. Per (%)	34/60/103
12M Avg Val (INR M)	1146

### Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	89.2	110.0	134.7
EBITDA	7.0	8.9	11.7
EBITDA Margin (%)	7.8	8.1	8.7
PAT	2.6	3.8	5.8
EPS (INR)	78.0	113.0	172.3
EPS Growth (%)	97.7	44.9	52.5
BV/Share (INR)	690.7	803.7	976.0

### Ratios

Net D/E	0.4	0.3	0.1
RoE (%)	12.0	15.1	19.4
RoCE (%)	11.3	13.1	16.2

### Valuations

P/E (x)	82.2	56.7	37.2
P/BV (x)	9.3	8.0	6.6
EV/EBITDA (x)	32.5	25.2	18.9

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	39.8	39.9	40.3
DII	17.8	15.7	13.1
FII	26.4	28.4	29.7
Others	16.0	16.0	16.9

FII Includes depository receipts

Amber Enterprises (Amber) reported better-than-expected results driven by strong performance of the consumer durables and electronics segments. The company's revenue/EBITDA jumped 82%/91% YoY for 2QFY25. Strong growth in the overall AC industry, addition of new clients, and strategic focus to grow the electronics segment aided performance during the quarter. We expect Amber to benefit from faster growth in the electronics segment driven by new client additions, JV with Korea Circuit, as well as its capacity expansion across Ascent Circuit. We raise our earnings estimates by 14%/19%/22% for FY25/FY26/FY27. We also increase our TP to INR7,350 due to earning revision as well as higher valuations led by faster growth expected in electronics and the possibility of this division widening focus towards a bigger EMS market. Reiterate BUY.

### Breaking the 2Q trend

Amber posted a relatively strong set of numbers in 2QFY25, with EBITDA/PAT margin improving by 40bp/180bp YoY. Consolidated revenue grew 82% YoY to INR16.8b, beating our estimates by 33%, mainly due to increased demand in the RAC segment in the quarter and the company's presence in PCB assembly and PCB manufacturing. Absolute EBITDA grew by 91% YoY to INR1.14b, exceeding our estimate by 28%. Margin improved 40bp YoY to 6.8% vs. our estimate of 7.0%. While the Street was expecting a loss, a trend similar to the company's previous 2Q results, Amber's PAT beat our estimate by 105% at INR192m vs. our estimate of INR94m. PAT margin was 1.1% vs. our estimate of 0.7%. Revenue/EBITDA/PAT grew 55%/62%/137% YoY in 1HFY25, and as per our forecast we expect 2HFY25 revenue/EBITDA/PAT to rise 18%/30%/82% YoY.

### Consumer durables segment benefited from strong AC demand

Consumer durables saw a strong revenue growth of 95% YoY in the quarter, supported by prolonged summers, lower channel inventories, and diversifying offerings into washing machines. During the quarter, Amber added a new MNC customer from gas charging to full ODM solutions and another one for tower AC. Within the consumer durables segment, revenue from the RAC and RAC components surged 104% YoY, while revenue from non-RAC jumped 68% YoY. The company also formed a JV with Resojet for manufacturing of fully-automatic washing machines, and mass production is likely to begin in 2HFY25. The consumer durables segment reported an EBITDA margin of 7.1% in 1HFY25, and management expects to maintain this percentage throughout the year. Amber anticipates margins to improve further from FY26 onwards and guides it to reach double digits by FY30, once the doors open for the company in the export market. We expect the consumer durables segment's revenue/EBITDA to clock a CAGR of 21%/27% over FY24-27.



### Electronics segment on a higher growth trajectory

Amber aims to become a key player in PCB assembly and PCB manufacturing. It has strategically taken steps to grow this segment in the last 1-2 years by: 1) focusing on newer sectors having a higher margin and growing its PCBA business; 2) entry into PCB manufacturing by acquiring Ascent Circuits; 3) expanding capacity in the electronics segment with a targeted capex of INR5-6b over the next two years that will provide incremental revenue to the company; and 4) JV with Korea Circuits for advanced manufacturing of PCB. Backed by these steps, the EMS segment's revenue nearly doubled YoY (+99%) to INR4.9b. Amber is also expanding its PCB manufacturing capacity by adding up to 840,000 SqM annual capacity in two phases through its subsidiary, Ascent Circuit, by developing a new PCB manufacturing plant at Hosur, Chennai. Amber also expects to benefit from the government's anticipated policy on PCBs and targets to reach INR40b revenue by FY27-28. Management guides the EMS segment's EBITDA margin to be in the range of 7.75%-8.0% in FY25. The company's target is to improve this margin to double digits by FY30, fueled by its presence in and expansion of PCB manufacturing. We expect the EMS segment's revenue/EBITDA to report a CAGR of 43%/68% over FY24-27.

### Railways segment may remain weak in the near term

Revenue from the railway sub-systems and mobility segment was weak during the quarter at INR1.2b, down 6.3% YoY. This was primarily due to a delay in the Mumbai Metro project led by a shortage of rolling stock as well as a change of focus of Indian Railways towards non-AC coaches. Amber expects improvement in this segment from FY26 onwards, led by product trials of the Yujin JV greenfield facility. The trials are likely to begin by 4QFY25 or 1QFY26, and the Sidwal greenfield facility is anticipated to commence operations by 1QFY26. We project the railway segment's revenue/EBITDA to clock a CAGR of 26%/22% over FY24-27.

### Financial outlook

We raise our consumer durables and electronics segments' revenue. Our margin estimates take into account slightly better margins in the electronics segment and lower margins in the railways segment. We thus expect revenue/EBITDA/PAT to grow 26%/33%/63% over FY24-27 for Amber.

### Valuation and recommendation

The stock currently trades at 56.7x/37.2x P/E on FY26/27E earnings. We raise our estimates and **reiterate our BUY rating** on the stock with a DCF-based TP of INR7,350, implying 46x P/E on a two-year forward EPS (Dec'26).

### Key risk and concerns

Key risks and concerns include lower-than-expected demand growth in the RAC industry; change in BEE norms making products costlier; and increased competition across the RAC, mobility, and electronics segments.

**Consolidated - Quarterly Earnings Model**

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	Var. (%)	
<b>Gross Sales</b>	<b>17,020</b>	<b>9,271</b>	<b>12,948</b>	<b>28,055</b>	<b>24,013</b>	<b>16,847</b>	<b>18,408</b>	<b>29,886</b>	<b>67,293</b>	<b>89,154</b>	<b>12,693</b>	<b>33</b>
YoY Change (%)	-6.8	23.5	-4.0	-6.6	41.1	81.7	42.2	6.5	-2.9	32.5	36.9	
Gross Profit	2,973	2,065	2,560	4,695	4,266	3,390	3,442	5,188	42,595	16,287	2,792.4	21
Total Expenditure	15,701	8,675	12,163	25,836	22,051	15,710	17,104	27,318	62,374	82,183	11,804	33
<b>EBITDA</b>	<b>1,319</b>	<b>596</b>	<b>785</b>	<b>2,219</b>	<b>1,962</b>	<b>1,137</b>	<b>1,304</b>	<b>2,568</b>	<b>4,919</b>	<b>6,971</b>	<b>888</b>	<b>28</b>
Margins (%)	7.8	6.4	6.1	7.9	8.2	6.8	7.1	8.6	7.3	7.8	7.0	
Depreciation	433	452	466	515	549	566	540	540	1,865	2,196	538	5
Interest	453	366	369	483	518	486	434	434	1,670	1,873	355	37
Other Income	193	127	52	180	207	178	171	171	553	727	154	16
<b>PBT</b>	<b>627</b>	<b>-95</b>	<b>3</b>	<b>1,402</b>	<b>1,101</b>	<b>263</b>	<b>500</b>	<b>1,765</b>	<b>1,937</b>	<b>3,629</b>	<b>149</b>	<b>76</b>
Tax	161	-38	8	388	298	26	130	475	519	929	39	-32
Rate (%)	25.7	40.4	274.1	27.7	27.0	10.1	26.0	26.9	26.8	25.6	26.0	
MI & P/L of Asso. Cos.	10	13	0	67	79	44	16	-67	89	72	16	169
<b>Reported PAT</b>	<b>456</b>	<b>-69</b>	<b>-5</b>	<b>947</b>	<b>724</b>	<b>192</b>	<b>354</b>	<b>1,357</b>	<b>1,329</b>	<b>2,627</b>	<b>94</b>	<b>105</b>
<b>Adj PAT</b>	<b>456</b>	<b>-69</b>	<b>-5</b>	<b>947</b>	<b>724</b>	<b>192</b>	<b>354</b>	<b>1,357</b>	<b>1,329</b>	<b>2,627</b>	<b>94</b>	<b>105</b>
YoY Change (%)	8.5	133.1	-103.4	-8.9	58.6	NM	NM	43.3	-15.5	97.7	NM	
Margins (%)	2.7	-0.7	0.0	3.4	3.0	1.1	1.9	4.5	2.0	2.9	0.7	

Y/E March	FY24				FY25E				FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Segmental revenue</b>										
Consumer Durables Division	13,320	5,470	9,320	21,990	19,437	10,848	12,116	21,968	50,083	64,369
Electronics Division	2,670	2,480	2,410	4,840	3,882	4,923	5,157	5,894	12,410	19,856
Railway Sub-systems & Mobility division	1,030	1,320	1,220	1,230	950	1,236	1,135	1,608	4,800	4,928
<b>Total Revenues</b>	<b>17,020</b>	<b>9,271</b>	<b>12,948</b>	<b>28,055</b>	<b>24,013</b>	<b>16,847</b>	<b>18,408</b>	<b>29,886</b>	<b>67,293</b>	<b>89,154</b>
<b>Operating EBITDA</b>										
Consumer Durables Division	1,060	210	460	1,790	1,500	620	727	1,870	3,520	4,717
Margin (%)	8.0	3.8	4.9	8.1	7.7	5.7	6.0	8.5	7.0	7.3
Electronics Division	110	130	120	330	300	370	413	506	690	1,588
Margin (%)	4.1	5.2	5.0	6.8	7.7	7.5	8.0	8.6	5.6	8.0
Railway Sub-systems & Mobility division	210	310	240	220	200	210	247	275	980	932
Margin (%)	20.4	23.5	19.7	17.9	21.1	17.0	21.8	17.1	20.4	18.9
<b>Total Operating EBITDA</b>	<b>1,380</b>	<b>650</b>	<b>820</b>	<b>2,340</b>	<b>2,000</b>	<b>1,200</b>	<b>1,387</b>	<b>2,651</b>	<b>5,190</b>	<b>7,238</b>
Margin (%)	8.1	7.0	6.3	8.3	8.3	7.1	7.5	8.9	7.7	8.1
ESOP/Other op exp	61	54	35	121	38	63	83	83	271	267
<b>Totla EBITDA</b>	<b>1,319</b>	<b>596</b>	<b>785</b>	<b>2,219</b>	<b>1,962</b>	<b>1,137</b>	<b>1,304</b>	<b>2,568</b>	<b>4,919</b>	<b>6,971</b>
Margin (%)	7.8	6.4	6.1	7.9	8.2	6.8	7.1	8.6	7.3	7.8



# Navin Fluorine International

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR3,307**
**TP: INR3,240 (-2%)**
**Neutral**

## Guidance remains intact amid stable performance

Bloomberg	NFIL IN
Equity Shares (m)	50
M.Cap.(INRb)/(USDb)	164 / 2
52-Week Range (INR)	3979 / 2876
1, 6, 12 Rel. Per (%)	4/-11/-33
12M Avg Val (INR M)	825

### Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	25.2	30.8	36.3
EBITDA	5.3	6.9	8.3
PAT	2.9	4.1	5.1
EPS (INR)	57.6	82.1	103.1
EPS Gr. (%)	25.0	42.5	25.6
BV/Sh.(INR)	522.7	582.3	657.1

### Ratios

Net D:E	0.6	0.5	0.4
RoE (%)	11.5	14.9	16.6
RoCE (%)	8.6	10.8	12.9
Payout (%)	27.4	27.4	27.4

### Valuations

P/E (x)	57.4	40.3	32.1
P/BV (x)	6.3	5.7	5.0
EV/EBITDA (x)	34.2	25.7	21.1
Div. Yield (%)	0.5	0.7	0.9
FCF Yield (%)	-0.8	2.3	3.0

### Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	28.4	28.8	28.8
DII	28.2	27.4	26.0
FII	18.2	18.0	19.2
Others	25.2	25.8	26.0

FII includes depository receipts

- Navin Fluorine International (NFIL)'s EBITDA/ PAT in 2QFY25 came in at 6%/12% higher than our estimates due to the strong YoY performance in HPP and CDMO segments. Gross margin stood at 56.8%, while EBITDA margin contracted 10bp YoY to 20.7%. Earnings declined 3% YoY to INR588m in 2QFY25.
- The HPP business grew 22% YoY, led by the HFO and R32 plants running at optimum levels, an increase in R32 sales, and an improved realization of R22 gas. Capex of the new R32 plant and AHF capacity is on track and scheduled to be commissioned in line with the earlier guided timelines. Offtake from the new R32 capacity is definitive, according to the management.
- The CDMO business grew significantly by 41% YoY with a strong order book visibility for 2HFY25. The management has maintained its guidance of USD100m revenue by FY27 in the CDMO business. Phase I capex of the cGMP4 facility is on track and expected to be commissioned by 3QFY26. With respect to the European CDMO MSA, EU Major and US Major customers, a strong uptick is expected in supplies for 2HFY25.
- The Specialty Chemicals business continued to underperform with revenue declining 15% YoY to INR1.6b due to the cautious demand behavior of customers. However, the management has highlighted a strong order visibility from both its Surat and Dahej assets in the business in FY25 and FY26. It has also introduced one molecule in 2QFY25 and is looking to launch two more in 3Q. All the capex in the business is on track and expected to be commissioned within timelines.
- We have not made material changes to our estimates as of now. Subsequently, **we expect a revenue/EBITDA/adj. PAT CAGR of 21%/28%/31% over FY24-27.** The stock is trading at ~40x FY26E EPS of INR82.1 and ~26x FY26E EV/EBITDA. We value the company at 35x Sep'26E EPS to arrive at our TP of INR3,240. **We maintain our Neutral rating.**

## Marginal beat on EBITDA; PAT beat due to lower-than-expected interest costs

- NFIL reported a revenue of INR5.2b (est. INR5.3b, +10% YoY) and GM of 56.8% (-40bp YoY). EBITDAM came in at 20.7% (-10bp YoY), with EBITDA at INR1.1b (est. of INR1b, +9% YoY). Reported PAT stood at INR588m (est. of INR513m, -3% YoY).
- For 1HFY25**, revenue stood at INR10.4b (+8% YoY), EBITDA at INR2.1b (-2% YoY), and PAT at INR1.1b (-10% YoY). EBITDAM was at 19.9% in 1HFY25 (-210bp YoY).
- The **HPP business** posted a revenue of INR2.9b (+23% YoY); HFO and R32 are operating at an optimum level with an improvement in R22's realization. The **Specialty Chemicals business** posted a revenue of INR1.6b (-15% YoY), reflecting strong order visibility for 2HFY25 and FY26. The **CDMO business** reported a revenue of INR680m (+41% YoY). It has orders in hand from a European CDMO MSA for the supply of two new late-stage intermediates in 4Q.

- The revenue mix in 2QFY25 stood at 56% for the HPP business (50% in 2QFY24), 13% for the CDMO business (10%), and 30% for the Specialty Chemicals business (39%). Domestic sales accounted for 45% of the total revenues in 2Q while exports accounted for 55% (49% in 2QFY24). Further, domestic sales from the HPP business were 43% and from the Specialty Chemicals business 50%. Meanwhile, domestic sales for the CDMO business were 39%.
- NFIL declared an interim dividend of INR5/share (FV of INR2 each).

### Valuation and view

- The CDMO business is expected to drive robust growth (clocking a 41% CAGR over FY24-27) due to the increasing use of fluorine in the Pharma and Agro space, battery chemicals, and performance materials (Solar grid HF, Semiconductor grade HF, etc). The company has already identified various opportunities, such as: 1) a capability capex in Specialty Chemicals with INR450m in revenue expected every year starting from Nov'24; 2) Fermion contract with a value of USD40m over three years (starting from end-CY24); and 3) an additional R32 capacity to be commissioned by Feb'25, among others.
- We expect a revenue/EBITDA/adj. PAT CAGR of 21%/28%/31% over FY24-27. The stock is trading at ~40x FY26E EPS of INR82.1 and ~26x FY26E EV/EBITDA. We value the company at 35x Sep'26E EPS to arrive at our TP of INR3,240. **We maintain our Neutral rating.**

### Consolidated - Quarterly Snapshot

Y/E March	(INR m)											
	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	(%)	
<b>Gross Sales</b>	<b>4,912</b>	<b>4,718</b>	<b>5,001</b>	<b>6,020</b>	<b>5,237</b>	<b>5,186</b>	<b>6,342</b>	<b>8,401</b>	<b>20,650</b>	<b>25,166</b>	<b>5,322</b>	<b>-3%</b>
YoY Change (%)	23.6	12.5	-11.3	-13.6	6.6	9.9	26.8	39.6	-0.6	21.9	12.8	
Gross Margin (%)	58.7%	57.2%	54.1%	50.0%	56.0%	56.8%	55.9%	54.1%	54.7%	55.5%	56.9%	-0.1%
<b>EBITDA</b>	<b>1,142</b>	<b>983</b>	<b>757</b>	<b>1,101</b>	<b>1,004</b>	<b>1,074</b>	<b>1,338</b>	<b>1,840</b>	<b>3,983</b>	<b>5,255</b>	<b>1,017</b>	<b>6%</b>
Margin (%)	23.3	20.8	15.1	18.3	19.2	20.7	21.1	21.9	19.3	20.9	19.1	1.6
Depreciation	213	243	249	257	267	279	284	293	962	1,123	274	
Interest	194	200	177	174	156	139	245	278	746	818	194	
Other Income	83	231	119	125	103	112	138	151	559	503	136	
<b>PBT before EO Expense</b>	<b>818</b>	<b>772</b>	<b>450</b>	<b>794</b>	<b>683</b>	<b>768</b>	<b>947</b>	<b>1,420</b>	<b>2,834</b>	<b>3,817</b>	<b>686</b>	<b>12%</b>
Extra-Ord. Expense	0	0	521	0	0	0	0	0	521	0	0	
<b>PBT</b>	<b>818</b>	<b>772</b>	<b>972</b>	<b>794</b>	<b>683</b>	<b>768</b>	<b>947</b>	<b>1,420</b>	<b>3,355</b>	<b>3,817</b>	<b>686</b>	<b>12%</b>
Tax	202	166	191	90	171	179	241	369	650	961	173	
Rate (%)	24.8	21.5	19.7	11.4	25.0	23.4	25.5	26.0	19.4	25.2	25.2	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
<b>Reported PAT</b>	<b>615</b>	<b>606</b>	<b>780</b>	<b>704</b>	<b>512</b>	<b>588</b>	<b>706</b>	<b>1,051</b>	<b>2,705</b>	<b>2,856</b>	<b>513</b>	<b>15%</b>
<b>Adj. PAT</b>	<b>615</b>	<b>606</b>	<b>362</b>	<b>704</b>	<b>512</b>	<b>588</b>	<b>706</b>	<b>1,051</b>	<b>2,285</b>	<b>2,856</b>	<b>513</b>	<b>15%</b>
YoY Change (%)	-17.4	4.8	-66.1	-48.4	-16.8	-2.9	95.2	49.2	-39.1	25.0	-15.3	
Margin (%)	12.5	12.8	7.2	11.7	9.8	11.3	11.1	12.5	11.1	11.4	9.6	1.7
<b>Segmental Revenue (INR m)</b>												
High Performance Products (HPP)	1,690	2,381	2,510	2,970	2,810	2,930	3,019	3,080	9,551	11,839	2,841	3%
Specialty Chemicals	2,300	1,855	1,770	2,570	1,620	1,580	2,272	3,848	8,495	9,320	1,630	-3%
CDMO	920	482	730	480	810	680	1,052	1,465	2,612	4,007	851	-20%



# Can Fin Homes

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	CANF IN
Equity Shares (m)	133
M.Cap.(INRb)/(USDb)	116 / 1.4
52-Week Range (INR)	952 / 680
1, 6, 12 Rel. Per (%)	5/8/-8
12M Avg Val (INR M)	649

### Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
NII	12.6	13.6	15.3
PPP	10.8	11.6	13.1
PAT	7.5	8.7	9.7
EPS (INR)	56.4	65.1	72.6
EPS Gr (%)	21	16	11
BVPS (INR)	326	385	451

### Ratios (%)

NIM	3.8	3.7	3.6
C/I ratio	16.8	17.4	17.2
RoAA	2.2	2.2	2.2
RoE	18.8	18.3	17.4
Payout	10.6	9.2	9.0

### Valuation

P/E (x)	15.5	13.4	12.0
P/BV (x)	2.7	2.3	1.9
Div. Yield (%)	0.7	0.7	0.7

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	30.0	30.0	30.0
DII	27.5	27.8	27.4
FII	11.7	11.5	11.4
Others	30.8	30.7	31.2

FII Includes depository receipts

**CMP: INR871**      **TP: INR960 (+10%)**      **Neutral**

## Healthy disbursement growth; asset quality stable

### Earnings in line; reported NIM improves ~15bp QoQ

- Can Fin Homes (CANF)'s 2QFY25 PAT grew ~34% YoY to ~INR2.1b (in line). Base quarter had one-off credit costs because of the Ambala incident. NII grew 7% YoY to ~INR3.4b (in line), and other income stood at ~INR74m (PQ: INR70m). PAT grew ~20% YoY in 1HFY25, and we expect PAT to grow ~11% YoY in 2HFY25.
- Opex was up ~13% YoY to INR594m. The cost-income ratio stood at ~17%. (PQ: 15%, PY: 16%). 2QFY25 RoA/RoE stood at ~2.3%/~18%.
- Management guided a loan growth of ~13-14% in FY25 and 15-17% in FY26 and it is confident of achieving disbursements of ~INR100b in FY25. CANF is targeting ~15 new branches this year, which will be in northern and western India. It will be looking to deepen its presence in Tier 2 towns.
- We estimate a 15%/14% Advances/PAT CAGR over FY24-27, with an RoA/RoE of ~2.1%/~17.0% in FY27. CANF, in our view, is a robust franchise with strong moats on the liability side. However, we await: 1) execution on loan growth guidance; and 2) clarity on the margin trajectory before turning constructive on the stock. Valuations at 1.9x FY26E P/BV are broadly factoring in the ability of the management to achieve its targeted loan growth without compromising on profitability. **We reiterate our Neutral rating with a TP of INR960 (premised on 2.0x Sep'26E P/BV).**

### Disbursement growth healthy; advances rise ~10% YoY

- CANF's 2QFY25 disbursements rose 18% YoY to INR23.8b. Management highlighted that sanctions have been significantly stronger in 2Q (vs. 1Q).
- Advances grew ~10% YoY to ~INR366b. Annualized run-off in advances stood at ~15% (PQ: 15% and PY: ~14%).

### Margin improves QoQ; share of bank borrowings rises

- NIM (reported) improved ~15bp QoQ to ~3.75%. Reported spreads remained stable QoQ. We model NIMs of ~3.7%/~3.6% for FY25/FY26 (FY24: ~3.8%). For NIM improvement, CANF will benefit from the repricing of the liabilities rather than from the repricing of the assets.
- Banks borrowings in the mix increased to 60% (PQ: ~56%), NHB borrowings declined to ~14% (PQ: ~16%), and the proportion of CPs was stable at 7%. The company shared that it has received a sanction from the NHB.

### Asset quality stable and credit costs benign

- Asset quality was stable, with GS3 improving by ~5bp QoQ to ~0.9% and NS3 stable at ~0.5%. PCR on stage 3 loans declined ~1pp QoQ to ~46%.
- Credit costs stood at INR137m, resulting in annualized credit costs of ~15bp [PQ: ~30bp and PY: ~90bp]

- There has been a slight increase in SMA0 and SMA1 as well. SMA1 and SMA2 together contribute ~INR1b. The company will focus on bringing it down in 3Q. Management guided credit costs of ~10-12bp in FY25. We model credit costs of ~14/18bp for FY25/26.

#### Highlights from the management commentary

- CANF guided spreads of >2.5%, NIM of >3.5%, and cost-to-income ratio to increase to ~18.5% (vs. ~17% now) following the implementation of the technology transformation.
- CANF has seen stronger disbursement growth in the >INR2m ticket size segment. Demand was healthy across geographies except for the state of Telangana.
- Management guided a customer mix between salaried and self-employed of 65%:35% in its loan book over the next 2-3 years.

#### Valuation and view

- CANF has successfully demonstrated its ability to maintain its pristine asset quality for several years, and we expect the same to continue. However, CANF will have to accelerate its disbursements over the next few quarters to deliver on its guided loan growth. We estimate a CAGR of 12%/12%/14% in NII/PPOP/PAT over FY24-27, with an RoA of 2.1% and RoE of ~17% in FY27.
- **Reiterate Neutral with a TP of INR960 (premised on 2.0x Sep'26E P/BV).**



**Quarterly performance**

Y/E March	INR m											
	FY24				FY25E				FY24	FY25E	2Q FY25E	Act vs est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	8,181	8,652	8,948	9,117	9,242	9,553	9,849	10,096	34,899	38,739	9,426	1
Interest Expenses	5,330	5,484	5,660	5,839	6,027	6,155	6,370	6,580	22,314	25,132	6,154	0
<b>Net Interest Income</b>	<b>2,851</b>	<b>3,168</b>	<b>3,288</b>	<b>3,278</b>	<b>3,214</b>	<b>3,398</b>	<b>3,478</b>	<b>3,517</b>	<b>12,585</b>	<b>13,607</b>	<b>3,273</b>	4
YoY Growth (%)	13.9	26.1	30.6	25.5	12.7	7.3	5.8	7.3	24.0	8.1	3.3	
Other income	60	58	71	159	70	74	99	171	348	414	76	-2
<b>Total Income</b>	<b>2,911</b>	<b>3,226</b>	<b>3,359</b>	<b>3,437</b>	<b>3,284</b>	<b>3,472</b>	<b>3,577</b>	<b>3,688</b>	<b>12,933</b>	<b>14,021</b>	<b>3,348</b>	4
YoY Growth (%)	13.9	25.7	30.8	25.7	12.8	7.6	6.5	7.3	24.1	8.4	3.8	
Operating Expenses	435	524	494	720	488	594	604	752	2,173	2,438	533	11
YoY Growth (%)	7.4	29.5	12.7	39.3	12.3	13.3	22.2	4.5	23.1	12.2	1.7	
<b>Operating Profits</b>	<b>2,476</b>	<b>2,702</b>	<b>2,865</b>	<b>2,717</b>	<b>2,796</b>	<b>2,878</b>	<b>2,973</b>	<b>2,936</b>	<b>10,760</b>	<b>11,583</b>	<b>2,815</b>	2
YoY Growth (%)	15.2	25.0	34.6	22.5	12.9	6.5	3.8	8.0	24.3	7.6	4.2	
Provisions	137	722	308	18	245	137	120	21	1,185	523	140	-2
<b>Profit before Tax</b>	<b>2,339</b>	<b>1,980</b>	<b>2,557</b>	<b>2,700</b>	<b>2,551</b>	<b>2,741</b>	<b>2,853</b>	<b>2,914</b>	<b>9,575</b>	<b>11,060</b>	<b>2,675</b>	2
Tax Provisions	504	399	556	609	555	626	616	592	2,068	2,389	573	9
<b>Profit after tax</b>	<b>1,835</b>	<b>1,581</b>	<b>2,001</b>	<b>2,090</b>	<b>1,996</b>	<b>2,115</b>	<b>2,237</b>	<b>2,322</b>	<b>7,507</b>	<b>8,671</b>	<b>2,103</b>	1
YoY Growth (%)	13.1	11.5	32.1	26.1	8.8	33.8	11.8	11.1	20.8	15.5	33.0	
<b>Key Parameters (%)</b>												
Yield on loans	10.2	10.5	10.6	10.6	10.5	10.6	10.6	10.4				
Cost of funds	7.3	7.3	7.3	7.4	7.5	7.4	7.4	7.4				
Spread	3.0	3.2	3.3	3.2	3.0	3.2	3.2	3.0				
NIM	3.6	3.8	3.9	3.8	3.6	3.8	3.7	3.6				
Credit cost	0.17	0.88	0.4	0.0	0.28	0.15	0.1	0.0				
Cost to Income Ratio (%)	14.9	16.2	14.7	20.9	14.9	17.1	16.9	20.4				
Tax Rate (%)	21.6	20.2	21.7	22.6	21.7	22.8	21.6	20.3				
<b>Balance Sheet Parameters</b>												
<b>Loans (INR B)</b>	<b>325.1</b>	<b>333.6</b>	<b>340.5</b>	<b>350.0</b>	<b>355.6</b>	<b>365.9</b>	<b>380.2</b>	<b>397.8</b>				
Growth (%)	18.0	15.7	13.1	10.9	9.4	9.7	11.6	13.6				
<b>AUM mix (%)</b>												
Home loans	89.1	89.1	89.1	88.9	88.9	88.5						
Non-housing loans	10.9	10.9	10.9	11.1	11.1	11.5						
Salaried customers	72.7	72.4	72.1	71.9	71.7	70.9						
Self-employed customers	27.2	27.5	27.8	28.0	28.3	29.1						
<b>Disbursements (INR B)</b>	<b>19.7</b>	<b>20.2</b>	<b>18.8</b>	<b>23.1</b>	<b>18.5</b>	<b>23.8</b>	<b>27.3</b>	<b>30.7</b>				
Change YoY (%)	14.2	-10.1	-23.1	-8.8	-5.7	17.9	45.0	32.6				
<b>Borrowing mix (%)</b>												
Banks	54.0	57.0	60.0	59.0	56.0	60.0						
NHB	22.0	19.0	19.0	16.0	16.0	14.0						
Market borrowings	23.0	23.0	20.0	24.0	27.0	25.0						
Deposits	1.0	1.0	1.0	1.0	1.0	1.0						
<b>Asset Quality</b>												
GNPL (INR m)	2,052	2,540	3,088	2,860	3,250	3,200						
NNPL (INR m)	1,096	1,420	1,674	1,470	1,740	1,720						
GNPL ratio %	0.63	0.76	0.91	0.82	0.91	0.88						
NNPL ratio %	0.34	0.43	0.49	0.42	0.49	0.47						
PCR %	46.6	44.1	45.8	48.6	47.0	46.0						
<b>Return Ratios (%)</b>												
ROA (Rep)	2.2	1.9	2.3	2.5	2.2	2.3						
ROE (Rep)	19.2	16.0	19.4	19.3	17.6	18.0						

E: MOFSL Estimates



# Shoppers Stop

Estimate change	↓
TP change	↓
Rating change	↔

**CMP: INR703**      **TP: INR750 (+7%)**      **Neutral**

## Soft revenue growth takes a toll on profitability

Bloomberg	SHOP IN
Equity Shares (m)	110
M.Cap.(INRb)/(USDb)	77.3 / 0.9
52-Week Range (INR)	944 / 616
1, 6, 12 Rel. Per (%)	-12/-10/-19
12M Avg Val (INR M)	88

### Financials & Valuations Stand (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	42.1	46.4	51.9
EBITDA	7.1	7.7	9.1
Adj. PAT	0.6	0.4	0.4
EBITDA Margin (%)	16.9	16.5	17.4
Adj. EPS (INR)	5.5	3.3	3.7
EPS Gr. (%)	-50.2	-40.4	12.5
BV/Sh. (INR)	38.8	43.1	48.0

### Ratios

Net D:E	8.2	9.4	10.8
RoE (%)	21.8	10.5	10.7
RoCE (%)	8.6	7.3	6.5
Payout (%)	0.0	0.0	0.0

### Valuations

P/E (x)	128.1	214.8	190.9
EV/EBITDA (x)	14.7	14.6	13.4
EV/Sales (x)	2.5	2.4	2.3
Div. Yield (%)	0.0	0.0	0.0

### Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	65.6	65.6	65.6
DII	22.7	22.2	21.6
FII	7.1	7.4	6.8
Others	4.7	4.8	6.1

FII includes depository receipts

- Shoppers Stop (SHOP) reported an 8% YoY decline in EBITDA (12% miss) due to weak SSSG and GM contraction. Revenue was up 4% YoY as store additions and the robust 11% YoY growth in the Beauty segment was offset by an overall SSSG decline and a 15% YoY decline in private brands revenue.
- The management indicated that LFL growth recovered in Sep (+9% YoY) and remains optimistic on demand recovery in 2HFY25 on account of the higher number of weddings and recovery in discretionary spends.
- SHOP has aggressive store expansion plans for Intune (value fashion) and is focused on growing its Beauty business. We expect a CAGR of 11%/14% in SHOP's revenue/EBITDA over FY24-27.
- We lower our FY25-26 revenue by 2%/7% and EBITDA by 5%/11% on weaker performance in 1HFY25.
- We value SHOP at 12x Dec'26E EV/EBITDA to arrive at our TP of INR750. **Reiterate Neutral.**

## EBITDA declines 8% YoY (12% miss) due to weak SSSG

- SHOP's standalone revenue grew 4% YoY to INR10.7b (+3% QoQ, 2% miss) as store additions were offset by likely LFL sales decline by low to mid-single digit.
- The company added one departmental store (closed two), five Home Stop stores (closed one), and 19 new Intune stores during 2Q. The respective store counts stand at 112, 11, and 50 stores.
- Gross profit grew 2% YoY to INR4.3b (+1% QoQ, 4% miss) as gross margins contracted 80bp YoY to 39.9% (-70bp QoQ, 70bp miss), likely due to a 15% YoY decline in private labels and EoSS.
- Employee cost/other expenses were up 4%/11% YoY, led by store additions.
- As a result, EBITDA declined 8% YoY to INR1.5b (+3% QoQ, 12% miss). EBITDA margins contracted 180bps YoY to 13.7% (flat QoQ, 155bp miss) due to a contraction in gross margins and higher other expenses.
- SHOP generated a modest INR20m EBITDA (Pre Ind-AS) for 2QFY25.**
- Depreciation and interest costs were up 12%/16% YoY, which led to a net adj. loss of INR200m (vs. est loss of INR42m).
- SHOP reported an exceptional loss of INR20.5m due to a fire, which damaged its stock. It has filed an insurance claim for the same and is confident about receiving the insurance claim amount.
- 1HFY25 revenue was up 5% YoY but EBITDA declined 13% YoY. Reported 1H net loss stood at INR445m (vs INR167m profit YoY).
- For 2HFY25, the implied revenue/EBITDA growth is 15%/26%, based on the ramp-up of Intune, pick-up in discretionary spends, and higher number of weddings.
- 1HFY25 OCF stood at INR368m (vs. INR75m YoY) on the working capital release. The company opened 25 stores and incurred a capex of INR930m, which led to a cash outflow of INR560m and an increase in debt by INR593m to INR1.68b.

### Highlights from the management commentary

- **Demand outlook:** The demand was muted in July (-7% YoY) and August (-5% YoY) due to fewer wedding dates, extended monsoons, and overall weak discretionary spending. However, there were signs of recovery with 9% YoY LFL growth in Sep.
- **Guidance:** Management expects to deliver mid-single digit LFL growth in 2H, driven by a higher number of weddings and discretionary spending pick-up. Further, it expects mid-single digit pre Ind-AS EBITDA margins in FY25 (vs. loss in 1H) with further atleast 100bp margin improvement in FY26.
- **Store openings:** SHOP plans to open ~60 new stores in 2H, including 50 Intune, 7 Department, 6 Beauty, and 2 HomeStop stores, while it aims to close down 5-6 underperforming departmental stores (closed 3 in 1H).
- **Intune:** Management expects to reach 100 stores by FY25 (vs. 50 in 1H) and further add 120-125 new stores in FY26, with higher store additions expected in FY27.
- **Capex guidance:** Expect FY25 overall capex of INR2-2.4b. However, the working capital is expected to remain similar except for a slight increase on account of the Intune ramp-up.

### Valuation and view

- SHOP's focus on: 1) opening smaller stores (30k sqft vs. the existing average of 50k sqft) to improve store efficiency; 2) reviving the Private Label mix; 3) focusing on the high-growth and margin-accretive Beauty segment; and d) aggressive store ramp-up in Intune, could drive growth.
  - Its recent foray into the value category through Intune has witnessed healthy traction and achieved store-level EBITDA profitability. The aggressive expansion plan of reaching +200 stores by FY26E from 50 currently could be the key lever for growth going forward. However, it will be crucial to expand design and private label merchandising capabilities in Intune to enhance the value proposition.
  - Persistent weakness in discretionary demand has continued to hinder revenue growth with a weak SSSG. Sustaining high single-digit SSSG will be crucial for driving overall growth and potential re-rating.
  - We lower our FY25-26 revenue by 2%/7% and EBITDA by 5%/11% on weaker performance in 1HFY25. We are building in a CAGR of 11%/14% in SHOP's revenue/EBITDA over FY24-27E.
  - We value SHOP at 12x Dec'26E EV/EBITDA to arrive at our TP of INR750.
- Reiterate Neutral.**

**Standalone - Quarterly Earning Model**

(INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Est. Var
	1Q	2Q	3Q	4QE	1Q	2Q	3QE	4QE			2QE	(%)
<b>Total Revenue from Operations</b>	<b>9,816</b>	<b>10,252</b>	<b>12,068</b>	<b>9,997</b>	<b>10,337</b>	<b>10,681</b>	<b>13,923</b>	<b>11,482</b>	<b>42,132</b>	<b>46,423</b>	<b>10,942</b>	<b>-2</b>
YoY Change (%)	4.2	1.7	6.6	9.1	5.3	4.2	15.4	14.9	5.4	10.2		
Total Expenditure	8,093	8,654	9,914	8,356	8,916	9,213	11,208	9,410	35,016	38,747	9,268	-1
<b>EBITDA</b>	<b>1,723</b>	<b>1,598</b>	<b>2,154</b>	<b>1,641</b>	<b>1,421</b>	<b>1,468</b>	<b>2,715</b>	<b>2,072</b>	<b>7,116</b>	<b>7,676</b>	<b>1,674</b>	<b>-12</b>
EBITDA Margin (%)	17.6	15.6	17.8	16.4	13.7	13.7	19.5	18.0	16.9	16.5	15.3	(10)
Depreciation	1,050	1,081	1,112	1,118	1,167	1,214	1,262	1,296	4,361	4,939	1,225	-1
Interest	541	548	579	568	604	638	670	769	2,236	2,680	603	6
Other Income	73	105	33	346	35	97	98	162	557	392	98	-1
<b>PBT before EO Expense</b>	<b>204</b>	<b>74</b>	<b>496</b>	<b>301</b>	<b>-314</b>	<b>-286</b>	<b>881</b>	<b>169</b>	<b>1,076</b>	<b>449</b>	<b>-56</b>	<b>410</b>
Extra-Ord Expense	0	-49	0	-16	0	-21	0	0	-65	0	0	
<b>PBT</b>	<b>204</b>	<b>25</b>	<b>496</b>	<b>285</b>	<b>-314</b>	<b>-307</b>	<b>881</b>	<b>169</b>	<b>1,011</b>	<b>449</b>	<b>-56</b>	<b>446</b>
Tax	55	8	141	69	-89	-87	222	43	272	88	-14	
Rate (%)	26.9	29.9	28.3	24.2	28.4	28.3	25.2	25.2	26.9	19.7	25.2	
<b>Reported PAT</b>	<b>149</b>	<b>18</b>	<b>356</b>	<b>216</b>	<b>-225</b>	<b>-220</b>	<b>659</b>	<b>127</b>	<b>739</b>	<b>361</b>	<b>-42</b>	<b>424</b>
<b>Adj PAT</b>	<b>149</b>	<b>52</b>	<b>356</b>	<b>48</b>	<b>-225</b>	<b>-199</b>	<b>659</b>	<b>127</b>	<b>605</b>	<b>361</b>	<b>-42</b>	<b>375</b>
YoY Change (%)	-34.4	-74.1	-42.7	-70.5	-250.7	-482.6	85.2	164.2	-50.1	-40.4	-106.8	

E: MOFSL Estimates

## United Spirits

BSE SENSEX  
80,082S&P CNX  
24,436

CMP: INR1,446

## Concall Details

Date: 24<sup>th</sup> October 2024

Time: 5:00PM IST

Dial in:

+9122 6280 1250 /

+9122 7115 8151

[Diamond Pass](#)

## Financials &amp; Valuations (INR b)

/E March	2025E	2026E	2027E
Sales	114.6	125.1	136.2
Sales Gr. (%)	7.2	9.1	8.9
BITDA	19.0	21.4	23.5
Margin (%)	16.6	17.1	17.3
AT	13.4	15.1	16.7
PS (INR)	18.4	20.8	23.0
PS Gr. (%)	1.6	13.2	10.2
V/Sh.(INR)	114.3	135.1	158.1
<b>ratios</b>			
ROE (%)	16.1	15.4	14.5
ROCE (%)	23.1	22.0	20.6
Payout (%)	48.9	57.6	0.0
<b>valuations</b>			
/E (x)	60.1	53.1	48.2
/BV (x)	9.7	8.2	7.0
/EBITDA (x)	40.8	35.8	32.1

## Weak volume performance; beat on margin

## Standalone performance

- Standalone net sales remained flat YoY at INR28.4b (est. INR29.4b) in 2QFY25.
- Sales growth was impacted by a slight advancement of volumes in 1QFY25, a high base from last year's festive inventory build-up, and an overall subdued demand environment.
- P&A revenue was flat (91% revenue mix); Popular revenue declined 7% YoY.
- Total volume declined 4.4% with P&A volume down 3.7% to 12.9m cases (est. 13.7m cases) and Popular volume down 7.9% to 2.5m cases (est. 2.6m cases).
- Gross margin witnessed a beat and was up 180bp YoY at 45.2% (est. 43.6%). Gross margin expansion was driven by headline pricing and cost efficiencies.
- As a percentage of sales, advertising costs rose 70bp YoY to 9%, staff costs increased 70bp at 6%, and other expenses were down 100bp YoY at 13%.
- Employee and A&P expenses were up 13% and 7% YoY, respectively, while other expenses declined 8% YoY.
- EBITDA margin expanded 140bp YoY at 17.8% (est. 16.6%).
- EBITDA grew 8% YoY to INR5.1b (est. INR4.9b).
- PBT and APAT stood at INR4.5b and INR3.4b, respectively (est. INR4.5b/INR3.4b).
- 1HFY25 Sales/EBITDA/PAT grew 3%/13%/14% to 51.9b/9.6b/6.3b, respectively.

## Quarterly Performance

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
(Standalone)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Volume growth %	5.8	1.0	-1.8	3.7	16.4	-4.4	5.3	0.9	1.9	4.0	1.0	
Total revenues	21,719	28,647	29,893	26,660	23,520	28,430	32,433	30,265	1,06,920	1,14,648	29,411	-3.3%
YoY change (%)	-1.0	-1.4	7.5	6.9	8.3	-0.8	8.5	13.5	3.1	7.2	2.7	
Gross profit	9,474	12,437	12,979	11,550	10,460	12,850	14,206	12,815	46,440	50,331	12,823	0.2%
Margin (%)	43.6	43.4	43.4	43.3	44.5	45.2	43.8	42.3	43.4	43.9	43.6	
Total Exp	17,868	23,946	24,979	23,040	18,940	23,360	26,982	26,335	89,840	95,617	24,524	
EBITDA	3,851	4,701	4,914	3,620	4,580	5,070	5,451	3,930	17,080	19,032	4,887	3.7%
Margins (%)	17.7	16.4	16.4	13.6	19.5	17.8	16.8	13.0	16.0	16.6	16.6	
EBITDA growth (%)	42.4	6.3	33.6	7.1	18.9	7.8	10.9	8.6	20.4	11.4	4.0	
Depreciation	650	653	628	710	650	690	687	673	2,640	2,700	676	
Interest	193	262	164	290	220	250	225	205	910	900	225	
Other income	209	388	461	2,290	320	340	700	1,037	3,350	2,397	500	
PBT	3,217	4,174	4,583	4,910	4,030	4,470	5,239	4,089	16,880	17,829	4,486	-0.4%
Tax	814	1,068	1,102	760	1,040	1,120	1,319	1,029	3,740	4,457	1,129	
Rate (%)	25.3	25.6	24.0	15.5	25.8	25.1	25.2	25.2	22.2	25.0	25.2	
Adj. PAT	2,397	3,183	3,481	4,073	2,990	3,350	3,921	3,060	13,140	13,371	3,357	-0.2%
YoY change (%)	8.1	20.7	61.0	91.7	24.8	5.3	12.6	-24.9	49.2	1.8	5.5	

E: MOFSL Estimate

BSE SENSEX  
80,082S&P CNX  
24,436

CMP: INR3,091

Neutral

## Conference Call Details

Date: 24<sup>th</sup> October 2024

Time: 4:00pm IST

Dial-in details:

[Diamond Pass](#)

## Financials &amp; Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	133.4	151.2	171.2
Sales Gr. (%)	7.7	13.3	13.3
EBITDA	30.5	35.2	40.3
EBITDA Margin (%)	22.8	23.3	23.5
Adj. PAT	21.5	25.1	29.0
Adj. EPS (INR)	42.3	49.4	57.1
EPS Gr. (%)	17.9	16.7	15.7
BV/Sh.(INR)	187.7	208.8	258.4
<b>Ratios</b>			
RoE (%)	23.9	24.9	24.4
RoCE (%)	22.0	23.1	23.0
Payout (%)	47.3	46.6	13.1
<b>Valuations</b>			
P/E (x)	73.1	62.6	54.1
P/BV (x)	16.5	14.8	12.0
EV/EBITDA (x)	50.6	43.4	37.4
Div. Yield (%)	0.6	0.7	0.2

## In-line performance; volume growth at 8%

## Consolidated performance

- In 2QFY25, consol. sales grew at slow pace of 5% YoY (4% in 1QFY25) to INR32.4b (est. INR32.9b), partially impacted by extended monsoon.
- Revenue on LFL basis (excluding Pidilite USA and Pulvitec Brazil in previous year) grew by 7%.
- Underlying volume growth (UVG) remained strong at 8% growth (9.6% in 1QFY25). UVG was 6% for C&B businesses and 21% for B2B businesses.
- Rural markets continued to outpace urban markets.
- **Consumer & Bazaar (C&B) segment** revenues rose 3% YoY to INR25.8b (est. INR26.1b), EBIT grew 11% YoY to INR7.7b (est. INR7.6b), and EBIT margins expanded by 220bp YoY to 29.9%.
- **B2B segment** revenues grew 14% YoY to INR7.0b (est. INR6.5b), EBIT rose 52% to INR1.0b (est. INR0.7b), and EBIT margins expanded 370bp YoY to 14.8%.
- **Gross margins expanded ~300bp YoY** to 54.4% (est. 53.3%) on moderate RM prices.
- As a percentage of sales, employee expenses increased by 165bp YoY to 13.5% and other expenses declined by 30bp YoY to 17.1%.
- EBITDA margin expanded by 165bp YoY to **23.8% (est. 23.2%)**.
- EBITDA grew 13% YoY to INR7.7b (est. INR7.6b).
- PBT grew 16% YoY to INR7.3b (est. INR7.2b).
- Adj. PAT increased by 18% YoY to INR5.4b (est. INR5.3b).
- **1HFY25 sales/EBITDA/APAT** grew 4%/14%/19% to INR 66.3b/INR15.8b/INR11b.

## Subsidiaries

- International subsidiaries (excluding Pidilite USA and Pulvitec Brazil) for the quarter grew in double digits despite uncertain global economic conditions and political instability in some countries. EBITDA (excluding Pidilite USA and Pulvitec Brazil) also grew in double digits.
- Domestic B2B subsidiaries reported modest sales growth; sales of C&B subsidiaries were muted due to demand headwinds.



**Consolidated - Quarterly Earnings Model**

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Volume growth (%)</b>	<b>7.9</b>	<b>8.2</b>	<b>10.4</b>	<b>15.2</b>	<b>9.6</b>	<b>8</b>	<b>12.0</b>	<b>12.0</b>	<b>10.4</b>	<b>10.4</b>	<b>11.0</b>	
<b>Net Sales</b>	<b>32,751</b>	<b>30,760</b>	<b>31,300</b>	<b>29,019</b>	<b>33,954</b>	<b>32,349</b>	<b>34,430</b>	<b>32,683</b>	<b>1,23,830</b>	<b>1,33,416</b>	<b>32,914</b>	-1.7
YoY change (%)	5.6	2.2	4.4	7.9	3.7	5.2	10.0	12.6	4.9	7.7	7.0	
<b>Gross Profit</b>	<b>16,054</b>	<b>15,783</b>	<b>16,551</b>	<b>15,503</b>	<b>18,268</b>	<b>17,583</b>	<b>18,351</b>	<b>17,137</b>	<b>63,890</b>	<b>71,339</b>	<b>17,543</b>	0.2
Margin (%)	49.0	51.3	52.9	53.4	53.8	54.4	53.3	52.4	51.6	53.5	53.3	
<b>EBITDA</b>	<b>7,070</b>	<b>6,797</b>	<b>7,425</b>	<b>5,769</b>	<b>8,127</b>	<b>7,688</b>	<b>8,275</b>	<b>6,368</b>	<b>27,073</b>	<b>30,458</b>	<b>7,623</b>	0.9
YoY change (%)	33.5	36.0	49.7	25.6	15.0	13.1	11.5	10.4	36.4	12.5	12.1	
Margins (%)	21.6	22.1	23.7	19.9	23.9	23.8	24.0	19.5	21.9	22.8	23.2	
Depreciation	734	752	795	1,125	844	879	850	814	3,407	3,387	850	
Interest	119	131	128	134	118	117	121	109	512	466	118	
Other Income	234	316	370	489	539	571	500	437	1,397	2,047	500	
<b>PBT</b>	<b>6,451</b>	<b>6,230</b>	<b>6,872</b>	<b>4,999</b>	<b>7,704</b>	<b>7,263</b>	<b>7,804</b>	<b>5,881</b>	<b>24,551</b>	<b>28,653</b>	<b>7,155</b>	1.5
Tax	1,704	1,631	1,765	1,219	1,984	1,848	1,951	1,381	6,319	7,163	1,803	
Rate (%)	26.4	26.2	25.7	24.4	25.7	25.4	25.0	23.5	26.5	25.0	25.2	
<b>Adj PAT</b>	<b>4,746</b>	<b>4,599</b>	<b>5,107</b>	<b>3,779</b>	<b>5,721</b>	<b>5,415</b>	<b>5,853</b>	<b>4,501</b>	<b>18,231</b>	<b>21,490</b>	<b>5,352</b>	1.2
YoY change (%)	34.0	37.4	66.8	31.5	20.5	17.8	14.6	19.1	42.2	17.9	16.4	
Margins (%)	14.5	15.0	16.3	13.0	16.8	16.7	17.0	13.8	14.7	16.1	16.3	

E: MOFSL Estimates

**Consolidated segmental performance**

Segmental (INRm)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
<b>Consumer and Bazaar</b>										
Sales (INRm)	24,358	24,315	24,216	21,128	26,609	25,083	25,413	22,472	27,408	25,805
Sales Growth (%)	63.9	14.1	6.9	10.4	9.2	3.2	4.9	6.4	3.0	2.9
EBIT (INRm)	5,352	5,265	5,372	4,560	7,078	6,935	7,704	5,448	8,039	7,710
% Contribution	87.5	91.5	92.6	86.5	88.5	90.8	91.0	86.7	87.8	88.1
EBIT Growth %	44.5	-9.6	-4.6	9.2	32.3	31.7	43.4	19.5	13.6	11.2
EBIT margin %	22.0	21.7	22.2	21.6	26.6	27.6	30.3	24.2	29.3	29.9
<b>Business to Business</b>										
Sales (INRm)	7,220	6,237	5,999	6,340	6,780	6,153	6,373	7,079	7,256	7,036
Sales Growth (%)	49.8	17.2	-3.0	-1.8	-6.1	-1.3	6.2	11.7	7.0	14.3
EBIT (INRm)	748	495	391	707	917	685	757	835	1,103	1,040
% Contribution	12.2	8.6	6.7	13.4	11.5	9.0	8.9	13.3	12.0	11.9
EBIT Growth %	78.1	88.4	-2.2	59.3	22.5	38.3	93.4	18.1	20.3	51.9
EBIT margin %	10.4	7.9	6.5	11.2	13.5	11.1	11.9	11.8	15.2	14.8

## Metro Brands

BSE SENSEX  
80,082S&P CNX  
24,436

CMP: INR1180

Buy

## Conference Call Details

Date: 24<sup>th</sup> Oct 2024

Time: 03:30PM IST

## Financials &amp; Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	23.6	25.6	30.6
EBITDA	7.0	7.7	9.5
Adj. PAT	4.1	3.9	4.8
EBITDA Margin (%)	29.7	30.2	31.0
Adj. EPS (INR)	12.7	14.5	17.8
EPS Gr. (%)	(5.2)	13.5	23.1
BV/Sh. (INR)	70.2	82.4	97.4
<b>Ratios</b>			
Net D:E	0.1	(0.0)	(0.1)
RoE (%)	20.3	19.4	20.3
RoCE (%)	17.7	14.6	15.6
Payout (%)	14.9	17.6	17.6
<b>Valuations</b>			
P/E (x)	92.6	81.6	66.3
EV/EBITDA (x)	47.3	42.6	34.4
EV/Sales (X)	14.0	12.9	10.7
Div. Yield (%)	0.2	0.2	0.3
FCF Yield (%)	23.6	25.6	30.6

## Revenue in line, 7% PAT miss due to weak gross margin

- Consolidated revenues grew 5% YoY to INR5.9b (in line), led by 10% YoY area additions, offset by a ~3% YoY decline in revenue psf to INR4.3k.
- The company added 23 stores (in 3 new cities) and closed 3 stores, taking the count to 873 stores (including 2 FILA). MBL added 8 stores for Metro, 9 for Mochi, 2 for Crocs and 1 for Fitflop.
- Gross profit inched up 2% YoY to INR3.2b (3% miss) as margins contracted by 180bp YoY to 55% (-445bp QoQ, 210bp miss).
- Gross margin was lower by 120bp YoY due to liquidation of excess/old FILA inventory at higher discounts.
- Metro's EBITDA stood at INR1.5b (flat YoY; 5% miss) on lower gross margin.**
- EBITDA margin declined 150bp YoY to 26.4% (-490bp QoQ) and was ~175bp below our estimate.
- Depreciation/finance costs rose 9%/11% YoY. Other income grew 45% YoY.
- Resultantly, PAT grew 6% YoY to INR718m (7% miss).
- 1HFY25 revenue was up 2% YoY, while EBITDA declined 2% YoY.

## Balance sheet and cash flow analysis

- Working capital days declined to 79 days (vs. 82 in FY24 and 87 in 1HFY24), with inventory days at 110, receivables at 17 and payables at 48 days.
- OCF increased 39% YoY to INR1.7b, led by the release of WC, while EBITDA declined 2% YoY. Capex stood at INR475m for 35 store addition in 1HFY25. FCF (post interest and leases) came in at INR1.2b. This led to an increase in the net cash position of the company to INR10.6b (+INR1.5b increase in 1HFY25).

## Update on BIS:

- The Department for Promotion of Industry and Internal Trade (DPIIT) issued BIS Quality Control Order (QCO) for footwear, which was mandatory from Jan'24 for most categories of footwear. This was subsequently deferred for the implementation until 31st Jul'24.
- As per the final notification, the **entire legacy stock as of Jul'24 will be allowed to be liquidated by 31st Jul'26.**
- In the interim, to facilitate a smooth transition to new BIS norms, regulatory authorities have allowed the purchase of footwear from factories that have applied for BIS certification till Jul'24. Consequently, Metro has front-loaded inventory buying and expects inventory levels to normalize during FY25.

## Cravatex brands (CBL) update-

- Liquidation of excess inventory of FILA was largely completed in 2QFY25, and Metro expects to complete liquidation in the upcoming quarter.
- As the management guided earlier, in FY25, the focus would be to re-launch FILA by leveraging Footlocker and Metro/Mochi MBO distribution network.
- Import restrictions due to BIS regulations are likely to lead to supply chain disruptions, especially in the sports & athleisure footwear segment (especially for FILA). Hence, Metro has taken a cautious approach in evaluating the FILA expansion strategy until further clarity/relaxation.
- In 2HFY26, after the stabilization of FILA's operations, Metro will restart opening new FILA EBOs.

**Partnership with New Era:**

- Metro has entered into a **long-term exclusive distribution agreement for India**, which has multiple dates and gates for renewal.
- New Era will also help METRO strengthen its sports & athleisure offerings in **Foot Locker**.
- Metro plans to launch the first New Era store/kiosk in India in 2HFY25.
- METRO also launched renowned American Footwear brand 'Hey Dude' in India at 25 locations through its extensive retail penetration.

Consol P&L (INR m)	2QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s Est (%)
<b>Total Revenue</b>	<b>5,557</b>	<b>5,761</b>	<b>5,855</b>	<b>5</b>	<b>2</b>	<b>5,797</b>	<b>1</b>
Raw Material cost	2,401	2,334	2,633	10	13	2,487	6
<b>Gross Profit</b>	<b>3,156</b>	<b>3,427</b>	<b>3,222</b>	<b>2</b>	<b>-6</b>	<b>3,310</b>	<b>-3</b>
<b>Gross margin (%)</b>	<b>56.8</b>	<b>59.5</b>	<b>55.0</b>	<b>-177</b>	<b>-445</b>	<b>57.1</b>	<b>-207</b>
Employee Costs	553	594	597	8	0	603	-1
SGA Expenses	1,050	1,029	1,077	3	5	1,072	0
<b>EBITDA</b>	<b>1,554</b>	<b>1,804</b>	<b>1,548</b>	<b>0</b>	<b>-14</b>	<b>1,635</b>	<b>-5</b>
<b>EBITDA margin (%)</b>	<b>28.0</b>	<b>31.3</b>	<b>26.4</b>	<b>-151</b>	<b>-487</b>	<b>28.2</b>	<b>-175.6</b>
Depreciation and amortization	572	600	624	9	4	615	1
EBIT	982	1,204	924	-6	-23	1,020	-9
<b>EBIT margin (%)</b>	<b>17.7</b>	<b>20.9</b>	<b>15.8</b>	<b>-189</b>	<b>-511</b>	<b>17.6</b>	<b>-181</b>
Finance Costs	197	208	218	11	5	221	-1
Other income	162	234	234	45	0	234	0
Exceptional item	0	0	0	NM	NM	0	NM
<b>Profit before Tax</b>	<b>946</b>	<b>1,230</b>	<b>939</b>	<b>-1</b>	<b>-24</b>	<b>1,032</b>	<b>-9</b>
Tax	275	309	225	-18	-27	260	-14
<b>Tax rate (%)</b>	<b>29.1</b>	<b>25.1</b>	<b>23.9</b>	<b>-517</b>	<b>-119</b>	<b>25.2</b>	<b>NM</b>
<b>Profit after Tax</b>	<b>671</b>	<b>921</b>	<b>715</b>	<b>6</b>	<b>-22</b>	<b>772</b>	<b>-7</b>
<b>Adj Profit after Tax</b>	<b>676</b>	<b>923</b>	<b>718</b>	<b>6</b>	<b>-22</b>	<b>772</b>	<b>-7</b>
<b>PAT margin (%)</b>	<b>12.2</b>	<b>16.0</b>	<b>12.3</b>	<b>9</b>	<b>-376</b>	<b>13.3</b>	<b>-106</b>

	2QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s Est (%)
Total stores	817	854	873	7	2	876	<b>0</b>
Net store adds	28	15	19			22	
Total stores excl Fila	795	851	871	10	2	873	<b>0</b>

## Piramal Pharma

BSE SENSEX  
80,082S&P CNX  
24,436

## Conference Call Details

Date: 24<sup>th</sup> October 2024

Time: 5:00 PM IST

Dial-in details:

[Link](#)

## Financials &amp; Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	93.3	107.4	124.9
EBITDA	15.1	20.2	24.9
Adj. PAT	3.4	7.1	10.4
EBIT Margin (%)	8.1	11.5	13.3
Cons. Adj. EPS (INR)	2.6	5.3	7.8
EPS Gr. (%)	509.3	107.2	46.6
BV/Sh. (INR)	69.2	75.1	83.8
<b>Ratios</b>			
Net D:E	0.5	0.4	0.4
RoE (%)	4.2	8.2	10.9
RoCE (%)	4.0	6.6	8.4
Payout (%)	17.6	17.6	17.6
<b>Valuations</b>			
P/E (x)	84.1	40.6	27.7
EV/EBITDA (x)	21.9	16.1	13.1
Div. Yield (%)	0.2	0.4	0.5
FCF Yield (%)	0.0	0.0	0.0
EV/Sales (x)	3.5	3.0	2.6

## CMP: INR217

## CMDO boosts YoY growth in revenue/EBITDA; lower opex drives margin expansion on a YoY basis

- Piramal Pharma (PIRPHARM)'s revenues rose 17% YoY to INR22.4b (our est: INR22.1b) for the quarter.
  - The CDMO segment's (59% of total sales) revenue rose 24% YoY to INR13.2b.
  - The Complex Hospital Generics segment's (CHG; 29% of total sales) revenue rose 9% YoY to INR6.4b.
  - The Indian Consumer Healthcare segment's (ICH; 12% of total sales) revenue grew 8% YoY to INR2.8b.
- Gross margin contracted 220bp YoY to 64.5% due to a change in the product mix.
  - However, EBITDA margin expanded 130bp YoY to 15.2% (our est: 11.8%), largely due to a decrease in employee cost/other expenses (down 200/150bp as a % of sales).
- As a result, EBITDA grew 28.6% YoY to INR3.4b (our est: INR2.6b) for the quarter.
  - Adj profit came in at 4.5x YoY to INR226m (our est: 255m) for the quarter, fueled by improved EBITDA and higher other income.
  - In 1HFY25, revenue/EBITDA grew 15%/37% YoY to INR42b/INR5.5b, while Adj loss for 1HFY25 declined 29% YoY to INR662m.
  - During the quarter, revenue/EBITDA beat Bloomberg estimates by 3%/20%, respectively, while PAT missed estimates by 26%.

## Other highlights

- CDMO:
  - Biotech funding improved in previous years but remained uneven across months.
  - Regulatory changes and supply chain diversification resulted in an increase in customer inquiries and visits, but decision-making by customers remained delayed.
  - It continues to witness a steady order inflow momentum, particularly for on-patent commercial manufacturing.
  - The company observed a YoY improvement in demand for the generic API business.
  - The company planned a customer-led USD80m expansion in Lexington to more than double the capacity to address the rising demand for Sterile Fill-Finish capabilities.
- CHG:
  - Strong volume growth was observed in the inhalation anesthesia portfolio in the US and emerging markets.
  - Capacity expansion at Dahej and Digwal is underway to capitalize on the growth opportunity in RoW markets.
- ICH:
  - Power Brand grew 18% YoY in 2QFY25 and contributed to 48% of ICH sales.
  - E-commerce sales grew over 30% YoY in 2QFY25 and contributed 20% to the ICH business vs. 16% in 2QFY24.
  - 9 new products and 13 new SKUs were launched in 1HFY25.

Consolidated - Quarterly Earning Model

INR m

PPL Income statement (INR m)	FY24				FY25E				FY24	FY25E	FY25E	% var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
<b>Revenues</b>	<b>17,489</b>	<b>19,114</b>	<b>19,586</b>	<b>25,524</b>	<b>19,511</b>	<b>22,418</b>	<b>22,639</b>	<b>28,718</b>	<b>81,712</b>	<b>93,308</b>	<b>22,119</b>	<b>1%</b>
<i>growth YoY(%)</i>	18.0	11.1	14.1	18.0	11.6	17.3	15.6	12.5	15.4	14.2	15.7	
Expenses	16,165	16,457	16,902	20,224	17,467	19,001	19,041	22,339	69,749	78,212	19,519	
CDMO	8,980	10,680	11,340	16,490	10,570	13,240	13,268	18,011	47,490	55,088	12,816	<b>3%</b>
CHG	6,170	5,890	5,760	6,770	6,310	6,430	6,624	7,931	24,590	27,295	6,538	<b>-2%</b>
ICP	2,390	2,560	2,520	2,380	2,640	2,770	2,747	2,777	9,850	10,934	2,765	<b>0%</b>
<b>EBITDA*</b>	<b>1,323</b>	<b>2,657</b>	<b>2,684</b>	<b>5,299</b>	<b>2,044</b>	<b>3,416</b>	<b>3,598</b>	<b>6,379</b>	<b>11,963</b>	<b>15,095</b>	<b>2,600</b>	<b>31%</b>
<i>margin (%)</i>	7.6	13.9	13.7	20.8	10.5	15.2	15.9	22.2	14.6	16.2	11.8	
<i>growth YoY(%)</i>	55.5	54.0	124.1	50.9	54.5	28.6	34.1	20.4	64.2	26.2	-2.1	
Depreciation	1,736	1,845	1,863	1,961	1,846	1,922	1,900	1,886	7,406	7,554	1,850	
<b>EBIT</b>	<b>-413</b>	<b>812</b>	<b>821</b>	<b>3,338</b>	<b>198</b>	<b>1,494</b>	<b>1,698</b>	<b>4,493</b>	<b>4,557</b>	<b>7,542</b>	<b>750</b>	<b>99%</b>
Other income	383	492	615	264	195	611	520	474	1,754	1,800	430	
Interest expense	1,185	1,099	1,059	1,142	1,070	1,076	925	690	4,485	3,761	962	
Share from Asso. Co	144	191	140	120	224	173	135	93	595	625	162	
<b>PBT</b>	<b>-1,071</b>	<b>396</b>	<b>516</b>	<b>2,580</b>	<b>-452</b>	<b>1,201</b>	<b>1,428</b>	<b>4,369</b>	<b>2,421</b>	<b>6,205</b>	<b>380</b>	<b>216%</b>
EO Expenses/(gain)	-	-	323	310	-	-	-	-	633	-	-	
<b>Taxes</b>	<b>-85</b>	<b>345</b>	<b>93</b>	<b>1,262</b>	<b>436</b>	<b>975</b>	<b>471</b>	<b>910</b>	<b>1,615</b>	<b>2,792</b>	<b>125</b>	
<i>Tax Rate (%)</i>	8.0	87.3	47.8	55.6	-96.4	81.2	33.0	20.8	90.3	45.0	33.0	
<b>Reported PAT</b>	<b>-986</b>	<b>50</b>	<b>101</b>	<b>1,008</b>	<b>-888</b>	<b>226</b>	<b>957</b>	<b>3,459</b>	<b>173</b>	<b>3,413</b>	<b>255</b>	<b>-11%</b>
<b>Adj. PAT</b>	<b>-986</b>	<b>50</b>	<b>350</b>	<b>1,146</b>	<b>-888</b>	<b>226</b>	<b>957</b>	<b>3,459</b>	<b>560</b>	<b>3,413</b>	<b>255</b>	<b>-11%</b>
<i>Change (%)</i>	NA	LP	LP	128.6	NA	348.2	173.3	202.0	NA	509.3	405.0	

E: MOFSL Estimates

BSE Sensex  
80,082S&P CNX  
24,436

CMP: INR420

BUY

## Conference Call Details

Date: 24<sup>th</sup> Oct 2024

Time: 12:15 PM IST

Dial-in details:

[Link](#)

## Financials &amp; Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	59.6	53.0	62.0
Total Income	62.9	57.4	73.5
PPoP	34.8	27.5	40.6
PAT (pre-NCI)	19.7	13.2	23.0
PAT (post-NCI)	17.6	11.2	20.5
EPS (INR)	46.2	26.5	48.3
EPS Gr. (%)	17	-43	82
BV (INR)	279	302	346
<b>Ratios (%)</b>			
NIM	8.3	6.8	7.4
C/I ratio	44.6	52.0	44.8
Credit cost	2.0	2.0	1.8
RoA	3.4	2.1	3.3
RoE	18.0	9.6	14.9
<b>Valuations</b>			
P/E (x)	9.1	15.9	8.7
P/BV (x)	1.5	1.4	1.2

## Earnings miss from one-off provisions on AIF investments

## Minor deterioration in asset quality; credit costs elevated

- IIFL Finance's (IIFL) 2QFY25 NII declined 6% YoY and ~7% QoQ to ~INR13.4b (in line). Other Income stood at ~INR2.5b (PY: INR1.9b), significantly higher than our estimate because of higher investment income and higher assignment income.
- Opex grew 8% YoY to INR7.3b (in line) with the cost-income ratio at 46% (PQ: 52% and PY: 42%). PPoP stood at INR8.5b and declined ~9% YoY (35% beat). Credit costs rose to ~3.6% (PQ: 2.1 and PY: ~2.4%) primarily from elevated credit costs in its microfinance and CRE segments.
- PBT, before exceptional items, declined 35% YoY to INR4.5b (16% beat). **Loss during the quarter stood at ~INR1.6b due to one-off provisions of ~INR5.9b on AIF investments.** For 1HFY25, PAT declined ~86% YoY. IIFL's (standalone) CRAR was at ~26% (Tier 1: 20%).

## Lower AUM growth due to ban on gold loans/calibration in microfinance

- Consol. AUM declined 8% YoY and ~4% QoQ to INR670b. On-book loans were flat YoY. Off-book formed ~34% of the AUM mix, including co-lending forming ~13% of the AUM mix.
- Sequential AUM decline was driven by gold loans (-27%), wholesale CRE book (-2%) and microfinance (-6%). Home loans rose ~4% QoQ and digital loans grew ~18% QoQ.
- Gold loan AUM stood at ~INR108b. Disbursements (core products) declined ~54% YoY to ~INR73b, mainly driven by a ban on gold loans and also sharp deceleration in MFI and LAP disbursements. However, the company resumed disbursing gold loans after the RBI lifted restrictions, with gold loan disbursements of ~INR13b in 2QFY25.

## NIMs expand ~10bp QoQ due to ~25bp QoQ increase in yields

- Consolidated yields and CoB increased ~25bp each QoQ to ~13.6% and ~9.7%, respectively. Calculated NIMs expanded ~10bp QoQ.

## Minor deterioration in asset quality; credit costs elevated

- GS3 rose ~15bp QoQ to ~2.4%, while NS3 declined ~5bp QoQ to ~1.1%, driven by a ~4pp increase in S3 PCR to 55%.
- The company reported a deterioration in its MFI asset quality, with MFI GS3 increasing to 3.4% (PQ: 2.3%). Credit costs rose to ~3.6% (PQ: ~2.1% and PY: ~2.4%) primarily because of MFI and CRE segments.

## Valuation &amp; View

- With the embargo on the gold lending business now lifted, the company is well-positioned for the next phase of high-quality growth.
- The stock trades at 1.2x FY26E P/BV and ~9x P/E. Microfinance subsidiary reported muted disbursements and loan growth in the quarter and also exhibited asset quality stress like its NBFC-MFI peers. We might revise our estimates after the earnings call on 24<sup>th</sup> Oct'24.



**IIFL Finance (Consolidated): Quarterly Performance (INR M)**

Y/E March	FY24				FY25E				FY24	FY25E	2QFY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Interest Income	21,989	23,576	25,630	27,200	24,721	23,181	23,645	21,429	98,386	92,976	22,249	4
Interest Expenses	8,878	9,321	9,885	10,744	10,340	9,788	9,984	9,872	38,829	39,983	9,409	4
<b>Net Interest Income</b>	<b>13,111</b>	<b>14,255</b>	<b>15,745</b>	<b>16,456</b>	<b>14,381</b>	<b>13,394</b>	<b>13,661</b>	<b>11,557</b>	<b>59,557</b>	<b>52,993</b>	<b>12,840</b>	<b>4</b>
YoY Growth (%)	48.9	44.7	44.7	38.9	9.7	-6.0	-13.2	-29.8	43.6	-11.0	-9.9	
Other Income	1,306	1,878	1,120	-873	-43	2,467	1,406	550	3,342	4,380	640	286
<b>Total Income</b>	<b>14,417</b>	<b>16,134</b>	<b>16,865</b>	<b>15,584</b>	<b>14,338</b>	<b>15,861</b>	<b>15,067</b>	<b>12,107</b>	<b>62,899</b>	<b>57,373</b>	<b>13,479</b>	<b>18</b>
YoY Growth (%)	20	26	26	10	-1	-2	-11	-22	20.4	-8.8	-16.5	
Operating Expenses	6,332	6,772	7,272	7,691	7,461	7,329	7,657	7,414	28,067	29,861	7,161	2
<b>Operating Profit</b>	<b>8,085</b>	<b>9,361</b>	<b>9,593</b>	<b>7,893</b>	<b>6,877</b>	<b>8,532</b>	<b>7,410</b>	<b>4,693</b>	<b>34,832</b>	<b>27,512</b>	<b>6,318</b>	<b>35</b>
YoY Growth (%)	18.4	29.0	24.9	-1.6	-14.9	-8.9	-22.8	-40.5	16.9	-21.0	-32.5	
Provisions & Loan Losses	1,901	2,526	2,430	2,356	2,516	4,063	4,266	-585	9,113	10,261	2,465	65
<b>Profit before Tax</b>	<b>6,184</b>	<b>6,835</b>	<b>7,163</b>	<b>5,537</b>	<b>4,362</b>	<b>4,468</b>	<b>3,144</b>	<b>5,278</b>	<b>25,719</b>	<b>17,252</b>	<b>3,853</b>	<b>16</b>
Exceptional items		0				-5,865						
Tax Provisions	1,455	1,580	1,711	1,231	980	-466	586	2,923	5,977	4,023	935	-150
<b>PAT (Pre NCI)</b>	<b>4,729</b>	<b>5,255</b>	<b>5,452</b>	<b>4,306</b>	<b>3,382</b>	<b>-931</b>	<b>2,558</b>	<b>2,355</b>	<b>19,742</b>	<b>13,228</b>	<b>2,918</b>	<b>-132</b>
NCI	475	513	548	572	501	646	633	220	2,107	2,000	491	31.6
<b>PAT (Post NCI)</b>	<b>4,254</b>	<b>4,743</b>	<b>4,904</b>	<b>3,734</b>	<b>2,881</b>	<b>-1,577</b>	<b>1,925</b>	<b>2,135</b>	<b>17,635</b>	<b>11,228</b>	<b>2,427</b>	<b>-165.0</b>
YoY Growth (%)	29	25	30	-10	-32	-133	-61	-43	18	-36	-49	
<b>Key Parameters (%)</b>	8,996.8				1,303.8	-155	-85.5					
Yield on AUM	13.2	13.35	13.6	13.9	13.31	13.58	13.7	11.6				
Cost of funds	9.1	9.46	9.5	9.7	9.46	9.72	9.7	9.0				
Spread	4.1	3.9	4.1	4.3	3.8	3.9	4.0	2.6				
NIM (on AUM)	7.9	8.1	8.4	8.4	7.7	7.8	7.6	6.6				
Credit cost	1.9	2.4	2.1	1.9	2.1	3.6	3.7	-0.5				
Cost to Income Ratio (%)	43.9	42.0	43.1	49.4	52.0	46.2	53.0	58.3				
Tax Rate (%)	23.5	23.1	23.9	22.2	22.5	-10.4	23.2	49.6				
<b>Balance Sheet Parameters</b>				2.0	-11.8	-3.8						
<b>Consol. AUM (INR B)</b>	<b>682</b>	<b>731</b>	<b>774</b>	<b>790</b>	<b>696</b>	<b>670</b>	<b>712</b>	<b>765</b>				
Change YoY (%)	29	32	34	22	2	-8	-8	-3				
<b>Disbursements - Core (INR B)</b>	<b>150</b>	<b>159</b>	<b>166</b>	<b>163</b>	<b>43</b>	<b>73</b>	<b>143</b>	<b>163</b>				
Change YoY (%)	30	32	27	-15	-71	-54	-14	0				
<b>Borrowings (INR B)</b>	<b>385</b>	<b>404</b>	<b>430</b>	<b>460</b>	<b>414</b>	<b>391</b>	<b>435</b>	<b>445</b>				
Change YoY (%)	11	16	19	16	8	-3	1	-3				
Borrowings/AUM (%)	56.4	55.3	55.5	58.2	59.5	58.4	61.0	58.2				
Debt/Equity (x)	4.1	4.1	4.1	4.4	3.4	3.3	3.1	3.1				
<b>Asset Quality (%)</b>												
<b>GS 3 (INR M)</b>	<b>7,639</b>	<b>7,931</b>	<b>8,026</b>	<b>11,692</b>	<b>10,231</b>	<b>10,687</b>						
G3 %	1.8	1.80	1.7	2.30	2.25	2.40						
<b>NS 3 (INR M)</b>	<b>4,400</b>	<b>4,402</b>	<b>4,045</b>	<b>5,951</b>	<b>4,982</b>	<b>4,756</b>						
NS3 %	1.1	1.01	0.9	1.18	1.11	1.08						
<b>PCR (%)</b>	<b>42.4</b>	<b>44.5</b>	<b>49.6</b>	<b>49.1</b>	<b>51.3</b>	<b>55.5</b>						
ECL (%)	2.9	2.9	2.6	2.4	2.9	3.2						
<b>Return Ratios - YTD (%)</b>												
ROA (Rep)	3.6	3.9	3.8	3.4	2.3	0.8						
ROE (Rep)	19.1	20.1	19.7	18.4	10.3	2.3						

E: MOFSL Estimates

# Craftsman Automation

BSE SENSEX 80,082 S&P CNX 24,436

## Conference Call Details



**Date:** 24<sup>th</sup> Oct'24  
**Time:** 4PM IST  
**Dial-in details:** [Diamond pass link](#)  
+91 22 6280 1568 / +91 22 7115 8391

### Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Sales	44.5	49.9	58.1
EBITDA	8.8	9.0	11.7
Adj. PAT	3.0	3.4	5.3
EPS (INR)	144.2	144.4	223.1
EPS Gr. (%)	22.6	0.2	54.5
BV/Sh. (INR)	785	1,325	1,526
<b>Ratios</b>			
RoE (%)	20.1	14.3	15.6
RoCE (%)	15.2	12.0	13.4
Payout (%)	7.8	12.5	9.9
<b>Valuations</b>			
P/E (x)	38.9	38.8	25.1
P/BV (x)	7.1	4.2	3.7
Div. Yield (%)	0.2	0.3	0.4
FCF Yield (%)	-0.7	0.3	2.6

**CMP: INR5,602**

**Buy**

## Weak performance due to elevated other expenses

- Consolidated financials:** Craftsman's results for the quarter also include financials of the newly acquired subsidiaries: Craftsman Germany GmbH and Craftsman Fronberg Guss GmbH, Germany, (w.e.f. 22<sup>nd</sup> Jul'24).
  - Consol. revenue grew 3% YoY to INR12.1b (in line) led by standalone revenue growth of ~10% YoY at INR9.1b.
  - Gross margin contracted 240bp YoY/ (+70bp QoQ) to 44.4%.
  - However, this was offset by higher other expenses as well as employee costs, resulting in an EBITDA miss at INR1.9b (-19% YoY), est. INR2.2b.
  - Weak operating performance resulted in ~35% YoY decline in Adj. PAT at INR0.62b (est. INR0.79b).
  - Revenue grew 7% YoY, while EBITDA/adj. PAT declined 14%/32% YoY in 1HFY25.
- Segmental performance:**
  - Standalone revenue for the quarter grew ~10% YoY at INR9.1b (est. INR8.8b). EBITDA/Adj. PAT for the quarter declined ~24%/ 54% YoY to INR1.3b/INR0.3b (est. INR1.5b/0.42b).
  - Revenue for auto powertrain/aluminum/ industrials divisions grew ~9%/17%/2% YoY during the quarter.
  - PBIT margins for powertrain/aluminum divisions contracted 490bp YoY/ 330bp YoY to 14.7%/11.8% , while the margin for industrials division contracted to 0.2% (from 10.3% in 2QFY24).
- Valuation view:** The stock trades at 39x/25x FY25E/FY26E EPS.

### Quarterly (Consol)

(INR m)

	FY24				FY25E				FY24	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	
<b>Net operating income</b>	<b>10,376</b>	<b>11,791</b>	<b>11,297</b>	<b>11,053</b>	<b>11,512</b>	<b>12,140</b>	<b>12,749</b>	<b>13,465</b>	<b>44,517</b>	<b>49,866</b>	<b>12,162</b>
Change (%)	53.5	52.9	50.8	12.7	10.9	3.0	12.9	21.8	39.9	12.0	3.1
RM/Sales (%)	52.5	53.2	53.2	54.1	56.3	55.6	55.2	55.2	53.3	55.6	56.3
Staff Cost (% of Sales)	6.5	6.1	6.8	6.6	6.4	6.9	6.3	5.5	6.5	6.2	6.2
Other Exp. (% of Sales)	20.4	20.6	20.6	20.5	20.1	21.6	20.0	18.6	20.5	20.1	19.8
<b>EBITDA</b>	<b>2,142</b>	<b>2,375</b>	<b>2,202</b>	<b>2,069</b>	<b>1,973</b>	<b>1,928</b>	<b>2,362</b>	<b>2,778</b>	<b>8,788</b>	<b>9,041</b>	<b>2,159</b>
EBITDA Margins (%)	20.6	20.1	19.5	18.7	17.1	15.9	18.5	20.6	19.7	18.1	17.8
Non-Operating Income	37	47	35	53	48	64	55	41	172	208	52
Interest	424	416	442	464	492	413	360	313	1745	1578	435
Depreciation	683	668	703	723	725	762	780	786	2777	3053	745
Minority Int/Share of Profit	62	97	82	79	61	-4	0	0	320	61	0
<b>PBT after EO items</b>	<b>1,011</b>	<b>1,241</b>	<b>1,010</b>	<b>856</b>	<b>744</b>	<b>821</b>	<b>1,277</b>	<b>1,719</b>	<b>4,118</b>	<b>4,557</b>	<b>1,031</b>
Eff. Tax Rate (%)	26.3	23.8	27.6	27.2	28.5	24.9	24.2	22.6	26.1	24.4	23.9
<b>Rep. PAT</b>	<b>745</b>	<b>945</b>	<b>731</b>	<b>623</b>	<b>532</b>	<b>617</b>	<b>968</b>	<b>1,330</b>	<b>3,045</b>	<b>3,443</b>	<b>785</b>
Change (%)	34.0	56.0	41.7	-22.3	-28.6	-34.7	32.4	113.4	22.6	13.1	-17.0
<b>Adj. PAT</b>	<b>745</b>	<b>945</b>	<b>731</b>	<b>623</b>	<b>532</b>	<b>617</b>	<b>968</b>	<b>1,330</b>	<b>3,045</b>	<b>3,443</b>	<b>785</b>
Change (%)	34.0	56.0	41.7	-22.3	-28.6	-34.7	32.4	113.4	22.6	13.1	-17.0

E: MOFSL Estimates

## Birla Corporation

BSE Sensex  
80,082S&P CNX  
24,436

CMP: INR1,135

Buy

## Conference Call Details



Date: 24 October 2024

Time: 14:00 IST

Dial-in details:

+91 22 6280 1458,

+91 22 7115 8846

[Link for the call](#)

## Financials &amp; Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	91.7	101.0	110.1
EBITDA	11.7	15.3	17.4
Adj. PAT	2.4	5.0	6.4
EBITDA Margin (%)	12.7	15.2	15.8
Adj. EPS (INR)	31.4	64.4	83.7
EPS Gr. (%)	-41.8	104.8	29.9
BV/Sh. (INR)	886	938	1,010

## Ratios

Net D:E	0.5	0.4	0.3
RoE (%)	3.6	7.1	8.6
RoCE (%)	4.3	6.2	7.3
Payout (%)	38	19	14

## Valuations

P/E (x)	36.1	17.6	13.6
P/BV (x)	1.3	1.2	1.1
EV/EBITDA(x)	9.2	6.6	5.8
EV/ton (USD)	65	57	54
Div. Yield (%)	1.1	1.1	1.1

## In-line operating performance; EBITDA/t at INR446

- BCORP's 2QFY25 operating performance was in line with our estimates. Consolidated EBITDA declined ~39% YoY to INR1.8b (est. INR1.7b). EBITDA/t declined 35% YoY to INR446 (est. INR436). OPM dipped 3.6pp YoY to ~9% (in line). The company reported a net loss of INR252m (vs. estimated loss of INR319m) as compared with PAT of INR586m in 2QFY24.
- The company's overall capacity utilization stood at ~80%, with utilization in core markets at ~90%. Mukutban plant posted an all-round performance improvement, led by the optimization of its product mix and stabilized market footprint. Capacity expansion work of 1.4mtpa at Kundangunj line 3 is progressing on full steam and is expected to be commissioned in 1QFY26.
- We have a BUY rating on the stock;** we would review our assumptions after the conference call.

## Volumes down 5% YoY; opex/t declines 6% YoY

- Consol. revenue/EBITDA stood at INR19.5b/INR1.8b (down 15%/39% YoY) and (in line/+5% vs. our estimates) in 2QFY25. It reported a net loss of INR252m vs. PAT of INR586m. Sales volumes declined 5% YoY to 3.97mt (+2% vs. our estimate). Cement realization declined 9% YoY and 3% QoQ to INR4,722 (in line).
- Opex/t declined ~6% YoY (2% below our estimate), driven by a 17% decline in variable costs. Employee cost/other expense/freight cost per ton surged ~4%/3%/1% YoY. OPM contracted 3.6pp YoY to ~9% and EBITDA/t fell 35% YoY to INR446. Interest costs declined 11% YoY and 'Other income' declined 37% YoY. ETR stood at ~29% vs. 24% in 2QFY24.
- In 1HFY25, consol. revenue/EBITDA/PAT declined 12%/26%/94% YoY. Sales volume declined ~3% YoY and realization fell ~9% YoY. OPM contracted 2pp YoY to ~11% and EBITDA/t declined 24% YoY to INR520.

## Highlights from management commentary

- Weak cement demand was due to extended monsoons, floods, and a slow pick-up in government demand. Further, cement prices corrected to record lows in all key markets.
- The blended cement share declined to 83% vs. 85% in 2QFY24 and trade volume declined to 71% vs. 72% in 2QFY24. Premium cement share (as % of trade volume) increased to 62% vs. 54% in 2QFY24. Renewable power share stood at ~25% vs. 23%/27% in 2QFY24/1QFY25.
- Efficiency improvement measures under Project Shikhar led to cost savings of INR42/t in 2QFY25. Also, initiatives under the Project Unnati helped BCORP rationalize sales and marketing costs, improve geo-mix and provide better customer service.

## Valuation and View

- BCORP's 2QFY25 operating performance was in line with our estimates. The management is cautiously optimistic in the near term and expects demand recovery to be delayed until Nov'24-end.
- We have a **BUY** rating on the stock. We would review our assumptions after the concall on 24<sup>th</sup> Oct'24 at 14:00 IST ([Link for the Call](#)).

**Consolidated performance**

(INR b)

Y/E March	FY24				FY25				FY25 2QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Cement Sales (MT)	4.41	4.18	4.20	4.85	4.4	4.0	4.5	5.2	3.9	2
YoY Change (%)	12.2	14.8	12.9	9.2	(0.7)	(5.0)	6.0	7.2	(7.0)	
Cement Realization	5,229	5,211	5,316	5,218	4,843	4,722	4,872	5,036	4,743	(0)
YoY Change (%)	(2.2)	1.2	2.7	(1.2)	(7.4)	(9.4)	(8.3)	(3.5)	(9.0)	
QoQ Change (%)	(0.9)	(0.3)	2.0	(1.8)	(7.2)	(2.5)	3.2	3.4	(2.1)	
<b>Net Sales</b>	<b>24.1</b>	<b>22.9</b>	<b>23.1</b>	<b>26.6</b>	<b>21.9</b>	<b>19.5</b>	<b>22.8</b>	<b>27.5</b>	<b>19.4</b>	<b>1</b>
YoY Change (%)	9.3	14.3	14.7	7.9	(9.1)	(14.6)	(1.5)	3.6	(15.1)	
Total Expenditure	21.1	20.0	19.3	21.8	19.3	17.8	20.0	23.0	17.7	0
<b>EBITDA</b>	<b>3.0</b>	<b>2.9</b>	<b>3.8</b>	<b>4.7</b>	<b>2.6</b>	<b>1.8</b>	<b>2.8</b>	<b>4.5</b>	<b>1.7</b>	<b>5</b>
Margin (%)	12.4	12.6	16.4	17.8	11.8	9.1	12.3	16.4	8.7	34
Depreciation	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	(1)
Interest	1.0	1.0	1.0	0.8	0.9	0.9	0.9	0.9	0.9	(2)
Other Income	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.3	0.2	(20)
<b>Profit before Tax</b>	<b>0.8</b>	<b>0.8</b>	<b>1.5</b>	<b>2.7</b>	<b>0.4</b>	<b>-0.4</b>	<b>0.7</b>	<b>2.5</b>	<b>-0.4</b>	<b>NA</b>
EO (Income)/Expense	-	0.0	-	(0.1)	-	-	-	-	-	
<b>Profit before Tax after EO</b>	<b>0.8</b>	<b>0.8</b>	<b>1.5</b>	<b>2.7</b>	<b>0.4</b>	<b>-0.4</b>	<b>0.7</b>	<b>2.5</b>	<b>-0.4</b>	<b>NA</b>
Tax	0.2	0.2	0.4	0.8	0.1	-0.1	0.2	0.6	-0.1	NA
Rate (%)	21.7	24.3	28.9	29.2	25.9	29.4	29.4	24.9	25.9	
<b>Reported PAT</b>	<b>0.6</b>	<b>0.6</b>	<b>1.1</b>	<b>1.9</b>	<b>0.3</b>	<b>-0.3</b>	<b>0.5</b>	<b>1.9</b>	<b>-0.3</b>	<b>NA</b>
<b>Adj. PAT</b>	<b>0.6</b>	<b>0.6</b>	<b>1.1</b>	<b>1.9</b>	<b>0.3</b>	<b>-0.3</b>	<b>0.5</b>	<b>1.9</b>	<b>-0.3</b>	<b>NA</b>
Margin (%)	2.5	2.6	4.7	7.1	1.5	-1.3	2.2	6.7	-1.6	
YoY Change (%)	(16.2)	NM	NM	164.6	(45.4)	NM	(54.5)	(1.7)	(154.5)	
<b>Per ton analysis (INR)</b>										
<b>Blended Realization</b>	<b>5,461</b>	<b>5,468</b>	<b>5,505</b>	<b>5,477</b>	<b>5,001</b>	<b>4,918</b>	<b>5,114</b>	<b>5,292</b>	<b>4,992</b>	<b>(1)</b>
YoY Change (%)	(2.6)	(0.5)	1.6	(1.2)	(8.4)	(10.1)	(7.1)	(3.4)	(8.7)	
Raw Material	958	917	782	921	666	719	744	734	716	0
Staff Cost	317	341	336	274	337	354	346	326	390	(9)
Power and Fuel	1,153	1,183	1,094	1,000	1,004	1,025	1,030	1,004	1,020	0
Transport and Forwarding	1,321	1,240	1,325	1,284	1,322	1,249	1,310	1,329	1,295	(4)
Other Exp.	1,038	1,096	1,066	1,024	1,082	1,126	1,055	1,032	1,135	(1)
<b>Total Expenditure</b>	<b>4,786</b>	<b>4,777</b>	<b>4,604</b>	<b>4,503</b>	<b>4,411</b>	<b>4,472</b>	<b>4,485</b>	<b>4,425</b>	<b>4,556</b>	<b>(2)</b>
<b>EBITDA</b>	<b>675</b>	<b>691</b>	<b>901</b>	<b>974</b>	<b>590</b>	<b>446</b>	<b>628</b>	<b>867</b>	<b>436</b>	<b>2</b>

Source: Company, MOFSL Estimates

## MAS Financial Services

BSE Sensex

80,082

S&amp;P CNX

24,436

## Conference Call Details



Date: 24 October 2024

Time: 04:00 PM IST

Dial-in details:

[Link](#) for the call

Number: +91 22 7115 8322

## Financials &amp; Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Total income	6.1	7.7	10.0
PPP	4.2	5.3	6.9
PAT	2.5	3.1	3.9
EPS (INR)	15.1	16.9	21.7
EPS Gr. (%)	23.3	11.6	29.0
BVPS (INR)	105	138	157
<b>Ratios (%)</b>			
NIM	6.2	6.2	6.5
C/I ratio	31.0	32.1	30.7
RoA	3.0	2.9	3.0
RoE	15.6	14.5	14.7
Payout	10.0	10.2	9.8
<b>Valuations</b>			
P/E (x)	20	18	14
P/BV (x)	2.8	2.2	1.9
Div. yield (%)	0.5	0.6	0.7

CMP: INR296

Buy

## Earnings in line; asset quality broadly stable

## AUM grew ~22% YoY; NIM improved ~35bp QoQ

- MASFIN's 2QFY25 PAT grew ~28% YoY to INR766m (in line). Net total income was up 26% YoY at INR1.9b (in line), while opex at INR632m grew 30% YoY (~5% above MOFSLe). PPop stood at INR1.3b (in line) and grew 24% YoY. 1HFY25 PAT grew 25% YoY to INR1.5b.
- Provisions stood at INR263m (~6% below MOFSLe), translating into annualized credit costs of 1% (PQ: 0.9% and PY: 1.1%).
- GNPA/NNPA (basis AUM) increased ~5bp each QoQ to 2.4%/1.6%. PCR on Stage 3 assets was stable at ~39%.
- CRAR stood at ~26.5% with Tier1 of ~23.8%.

## AUM rises 22% YoY; sequential expansion in spreads

- Standalone AUM stood at ~INR110.2b and rose ~22% YoY. Within this, AUM of micro-enterprise/SME/2W/commercial vehicle loans rose 11%/23%/14%/62% YoY. Salaried personal loans grew ~84% YoY to ~INR6.8b. ~34% of the underlying assets in the standalone AUM came through partner NBFCs. MSME segment contributed 25% to incremental YoY AUM growth.
- Yields (calc.) declined ~10bp to ~14.7%, while CoF (calc.) declined ~25bp QoQ to 9.4%. This resulted in ~15bp QoQ expansion in spreads to ~5.3%.
- NIM (calc.) expanded ~35bp QoQ to ~7.2%. Reported CoF increased ~3bp QoQ to ~9.85%.

## Other highlights

- Avg. ticket size of micro-enterprise loans declined to ~INR54k (PQ: ~INR70k).
- RoTA increased ~2bp QoQ to ~3% in 2QFY25.

## HFC subsidiary:

- MAS Housing reported AUM of ~INR6.6b, up ~33% YoY.
- GS3 increased ~5bp QoQ to ~0.9%.

## Valuation and view

- MASFIN has 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 (M)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.
- Given that the company also has exposures to smaller MFIs in its Micro Enterprises business, it will be interesting to understand what measures have been taken by the company to shield itself from the stress in the microfinance sector. We will look to revise our estimates after the earnings call on 24<sup>th</sup> Oct'24.

Quarterly Performance												(INR M)
Y/E March	FY24				FY25E				FY24	FY25E	2QFY25E	Act. v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Revenue from Operations</b>	<b>2,801</b>	<b>2,982</b>	<b>3,206</b>	<b>3,295</b>	<b>3,465</b>	<b>3,670</b>	<b>4,006</b>	<b>4,284</b>	<b>12,246</b>	<b>15,424</b>	<b>3,706</b>	<b>-1</b>
Interest Income	2,362	2,490	2,651	2,757	2,952	3,078	3,325	3,585	10,223	12,940	3,099	-1
Gain on assignments	242	272	319	336	304	375	420	364	1,170	1,462	340	10
Other operating Income	196	219	236	202	210	217	261	335	853	1,023	266	-19
Interest expenses	1,428	1,461	1,638	1,615	1,714	1,754	1,929	2,278	6,142	7,675	1,834	-4
<b>Total income</b>	<b>1,373</b>	<b>1,520</b>	<b>1,569</b>	<b>1,680</b>	<b>1,751</b>	<b>1,916</b>	<b>2,076</b>	<b>2,007</b>	<b>6,104</b>	<b>7,749</b>	<b>1,871</b>	<b>2</b>
Growth Y-o-Y (%)	30	28	27	33	27	26	32	19	29	27	23	
Operating Expenses	427	484	467	555	567	632	669	616	1,894	2,484	601	5
<b>Operating Profits</b>	<b>946</b>	<b>1,036</b>	<b>1,102</b>	<b>1,125</b>	<b>1,183</b>	<b>1,284</b>	<b>1,407</b>	<b>1,391</b>	<b>4,210</b>	<b>5,265</b>	<b>1,270</b>	<b>1</b>
Growth Y-o-Y (%)	34	34	35	27	25	24	28	24	33	25	23	
Provisions	188	236	257	214	239	263	303	370	896	1,176	280	-6
<b>Profit before tax</b>	<b>758</b>	<b>800</b>	<b>845</b>	<b>911</b>	<b>944</b>	<b>1,021</b>	<b>1,104</b>	<b>1,020</b>	<b>3,314</b>	<b>4,089</b>	<b>990</b>	<b>3</b>
Growth Y-o-Y (%)	22	22	25	29	25	28	31	12	25	23	24	
Tax Provisions	186	200	221	230	240	255	276	260	837	1,030	247	3
<b>Net Profit</b>	<b>573</b>	<b>600</b>	<b>624</b>	<b>681</b>	<b>704</b>	<b>766</b>	<b>828</b>	<b>760</b>	<b>2,478</b>	<b>3,058</b>	<b>742</b>	<b>3</b>
Growth Y-o-Y (%)	23	22	24	23	23	28	33	12	23	23	24	
<b>Key Operating Parameters (%)</b>												
Yield on loans (Cal)	14.3	14.5	14.5	14.3	14.8	14.7	14.9	15.3				
Cost of funds (Cal)	9.6	9.21	9.7	9.31	9.61	9.37	9.4	10.1				
Spreads (Cal)	4.7	5.3	4.8	5.0	5.1	5.3	5.5	5.2				
NIM on AUM (Cal)	6.7	7.0	6.7	6.8	6.8	7.2	7.3	6.7				
Credit Cost (%)	0.9	1.1	1.1	0.9	0.9	1.0	1.1	1.2				
Cost to Income Ratio	31.1	31.9	29.7	33.0	32.4	33.0	32.2	30.7				
Tax Rate	24.5	25.0	26.1	25.3	25.4	25.0	25.0	25.0				
<b>Balance Sheet Parameters</b>												
<b>Standalone AUM (INR B)</b>	<b>84.2</b>	<b>90.5</b>	<b>96.7</b>	<b>101.3</b>	<b>103.8</b>	<b>110.2</b>	<b>117.6</b>	<b>122.7</b>				
Change YoY (%)	25.9	26.7	27.2	25.1	23.4	21.8	21.6	21.2				
<b>Disbursements (INR B)</b>	<b>22.8</b>	<b>25.0</b>	<b>26.6</b>	<b>27.9</b>	<b>27.3</b>	<b>30.2</b>	<b>32.7</b>	<b>31.5</b>				
Change YoY (%)	5.8	10.5	19.8	11.9	19.5	21.0	23.0	13.0				
<b>Borrowings (INR B)</b>	<b>59.9</b>	<b>67.1</b>	<b>68.0</b>	<b>70.8</b>	<b>71.9</b>	<b>77.9</b>	<b>87.0</b>	<b>93.1</b>				
Change YoY (%)	18.5	15.0	14.5	19.9	20.1	16.1	28.0	31.5				
Debt/Equity (x)	3.8	4.1	4.0	4.0								
<b>Asset liability Mix</b>												
<b>AUM Mix (%)</b>												
Micro Enterprises	47.8	47.1	44.9	43.3	43.6	43.1	0.0	0.0				
SME loans	36.5	35.7	35.7	36.9	36.4	36.1	0.0	0.0				
2W loans	6.8	6.9	6.9	6.6	6.4	6.5	0.0	0.0				
CV loans	5.3	6.2	6.8	7.4	7.9	8.2	0.0	0.0				
<b>Borrowings Mix (%)</b>												
Direct Assignment	23.0	23.3	23.9	24.0	24.4	22.9	0.0	0.0				
Cash Credit	17.0	16.0	16.0	11.9	11.3	14.6	0.0	0.0				
Term Loan	48.0	50.6	51.9	54.0	52.9	50.6	0.0	0.0				
NCD	8.0	7.1	4.6	6.8	8.1	8.9	0.0	0.0				
Sub Debt	4.0	3.0	3.5	3.3	3.3	3.1	0.0	0.0				
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR m)	1,355	1,555	1,747	1,906	2,043	2,235	0	0				
GS 3 (%)	2.13	2.17	2.23	2.25	2.29	2.36	0.00	0.00				
NS 3 (INR m)	795	916	1,023	1,164	1,243	1,361	0	0				
NS 3 (%)	1.47	1.47	1.48	1.51	1.52	1.57	0.00	0.00				
PCR (%)	41.3	41.1	41.4	38.9	39.1	39.1						
<b>Return Ratios (%)</b>												
ROA	3.0	2.9	2.9	3.0	3.0	3.0	0.0	0.0				
Tier I ratio	21.1	21.2	20.6	20.3	25.4	23.8	0.0	0.0				

E: MOFSL estimates



# Expert Speak

## Festive sales boost the ethnic snacks market

We hosted Mr. Suresh Goel, CEO at Bikanervala Foods Pvt. Ltd. We gathered key insights about the company's growth trajectory, business model, brand positioning, and broader industry trends. Following are the key takeaways:

### Company overview

- Bikanervala is a leading Indian multinational snack food company and restaurant chain headquartered in Delhi, specializing in traditional Indian sweets and snacks.
- The company was established in 1950 in Bikaner, Rajasthan. Subsequently, the company set up its stores in Delhi, with Chandni Chowk being the first location.
- Bikanervala has grown since then and currently operates 250 outlets worldwide, including 70 international stores.
- The company operates two core business segments: The Bikanervala restaurant chain and the Bikano brand of packaged snacks.
- Bikanervala's restaurants are popular for offering a wide variety of Indian and Chinese dishes along with their signature sweets, catering to a broad customer base.
- Bikano is more famous for its Namkeen portfolio and other packaged products.
- The company operates with a manufacturing capacity of 800 MTPD (metric tons per day), leveraging the latest technology.

### Geographical presence:

- Bikanervala has a significant presence both in India and International.
- It operates 170 locations in key Indian cities such as Delhi, Gurugram, Noida, Hyderabad, Chennai, Ahmedabad, Jaipur, Lucknow, among others.
- While it has a strong presence in the North and West markets of India, its presence in the East remains limited.
- Globally, the company has expanded into countries like Canada, Nepal, New Zealand, Qatar, Singapore, UAE, USA, and Bahrain. Also looking to expand in Australia.

### Business model:

- The company's business is split into two segments: restaurants & sweet shops and the Bikano packaged food business, each contributing equally to the overall revenue.
- The Bikano business operates through wholesale and super-stockist distribution models, focusing on long-shelf-life packaged products such as namkeen, papad, gulab jamun, and soan papdi.
- In the restaurant business, 40% of total sales come from restaurant operations, another 40% from sweet shops, and the remaining 20% from Bikano products.
- Small pack sizes contribute to 40% of total sales within the Bikano segment.
- The company leverages centralized kitchens and manufacturing facilities, supported by efficient logistics and inventory management systems.
- Export sales account for 25-30% of the company's overall revenue.
- Bikanervala's operations are characterized by low working capital intensity, as the company offers limited credit periods and carries minimal inventory due to the perishable nature of its products.
- There has been a noticeable shift from traditional kirana stores to modern retail and e-commerce platforms.
- E-commerce contributes 20% of its restaurant business and 5% for Bikano. Conversely, MT contributes 15-20% for Bikano.

### Store metrics:

- A typical 3,500 sq. ft. store requires a setup cost of INR30m, with an additional INR5m for inventory.
- Monthly revenue for these stores ranges from INR3m to INR20m, depending on factors such as size and location.
- The company's same-store sales growth (SSSG) averages 10%, indicating steady growth.



**Mr. Suresh Goel**  
CEO, Bikanervala Foods Pvt Ltd

Mr. Goel is the CEO of Bikanervala Foods, based in Delhi. He was previously the Vice President at HDFC Bank. Bikanervala is a family-run business that started in 1905 in the form of a small sweet shop in Bikaner.

**Industry view:**

- The branded packaged food segment holds 30% of the market share in the ethnic snacks category, while 70% remains unbranded.
- Only three major players—Haldiram, Bikaji, and Bikanerwala—have a significant pan-India presence. Other competitors are more regionally focused.
- The Gujarat market is highly competitive due to strong local players who benefit from lower logistics costs by manufacturing within the state.
- Festive demand is expected to be better than last year. The company expects 20% growth this festive period and 15% for the industry.
- The gross margin in the food business ranges ~25-30%.

**Financials, margins & profitability:**

- Bikanerwala has a turnover of INR30b, with a gross margin ranging between 25% and 30%.
- The India business contributes 80% of revenue, and 20% originates from international business.
- The restaurant business enjoys higher margins, around 10% more than the sweets business.
- The company is growing at a rate of 20%, compared to the industry growth of 15%.
- Logistics costs account for 4-5% of total business expenses.

**Expansion plans:**

- The company has invested INR4b under the PLI scheme at its Yamuna Expressway facility.
- Plans are in place to set up a new factory in Nepal through a joint venture initiative.
- The company is looking to add 50 new stores annually.

**Coforge: Coming quarters will see robust sustained growth due to orderbook & large deal pipeline; Sudhir Singh, MD**

- Organic dollar revenue was 6.3% QoQ
- Confident about growth due to orderbook & larger deal pipeline
- Q3 robust despite weak seasonality
- Expect FY25 to be standout year for the company
- H1 Ebitda margin up 125 bps YoY, decline in Q2 is due to wage hikes

[→ Read More](#)**Route Mobile: Reasonably confident about achieving FY25 revenue & margin guidance; Gautam Badalia, Group Chief Strategy Officer & Chief Investor Relations Officer**

- Won a large e-Comm deal across 10 countries in Q2
- Seen a 15-20% growth in first 20 days of October
- Had 7 days of platform glitch which was out of control
- Reasonably confident about achieving FY25 revenue & margin guidance
- Subsidiary MR Messaging impacted due to geopolitical issues
- New product sales up 32% YoY in Q2

[→ Read More](#)**Persistent Systems: Aspire to grow margin by 200-300 bps over the next 2-3 years; Sandeep Kalra, CEO**

- Company has achieved \$ revenue growth of 5.3% in Q2
- Pipeline bodes well for H2FY25
- Orderbooking and pipeline points to H2 to being better
- Expect software Hi-Tech to pick up steam; will see secular growth going forward
- Aspiration to grow margins by 200-300 BPS over next 2-3 years

[→ Read More](#)**Union Bank of India: Expect to surpass Rs 16,000 Cr guidance in FY25 for recoveries; Nitesh Ranjan, Executive Director**

- One account turned NPA during the quarter hence the delinquency
- Expect to surpass Rs 16,000 Cr guidance in FY25 for recoveries
- Credit cost expected to be below 1% for FY25
- Expect to maintain the 11-13% FY25 growth guidance in advance
- Domestic market share at 42%, competitors have increased capacities as well

[→ Read More](#)

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

## NOTES

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

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