

Market snapshot



Equities - India	Close	Chg .%	CYTD.%
Sensex	81,501	-0.4	12.8
Nifty-50	24,971	-0.3	14.9
Nifty-M 100	59,452	-0.2	28.7
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	5,842	0.5	22.5
Nasdaq	18,367	0.3	22.4
FTSE 100	8,329	1.0	7.7
DAX	19,433	-0.3	16.0
Hang Seng	7,268	-0.1	26.0
Nikkei 225	39,180	-1.8	17.1
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	74	0.5	-4.6
Gold (\$/OZ)	2,674	0.4	29.6
Cu (US\$/MT)	9,419	0.3	11.3
Almn (US\$/MT)	2,547	0.3	8.6
Currency	Close	Chg .%	CYTD.%
USD/INR	84.0	0.0	0.9
USD/EUR	1.1	-0.3	-1.6
USD/JPY	149.6	0.3	6.1
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	6.8	0.00	-0.4
10 Yrs AAA Corp	7.2	0.01	-0.5
Flows (USD b)	16-Oct	MTD	CYTD
FII	-0.4	-7.72	3.7
DII	0.27	7.89	48.5
Volumes (INRb)	16-Oct	MTD*	YTD*
Cash	1,100	1164	1294
F&O	5,33,944	4,15,625	3,82,422

Note: Flows, MTD includes provisional numbers.

*Average



Today's top research idea

Bajaj Auto: Margins remain stable despite adverse mix

- ❖ BJAUT's 2QFY25 performance was in line with our estimates. EBITDA margin remained stable QoQ at 20.2% as the impact of an adverse mix and raw material inflation was offset by price hikes, favorable forex rates, and operating leverage benefits.
- ❖ However, the festive season has started on a weak note, with the industry posting just 1-2% YoY growth as of Dussehra and expecting 3-5% YoY growth during the season, assuming a revival before Diwali. The outlook for its key export market, Africa, remains uncertain, though the margin outlook is improving.
- ❖ BJAUT has outperformed the Nifty Auto Index over the last 12 months, fueled by market share gains in the 125cc+ domestic motorcycle segment, improved margins, and a unique shareholder reward policy. However, the stock now trades at ~38.5x/30x FY25E/26E EPS and appears fairly valued. We maintain our Neutral rating with a TP of INR11,450, based on 26x Sep'26E consol EPS.



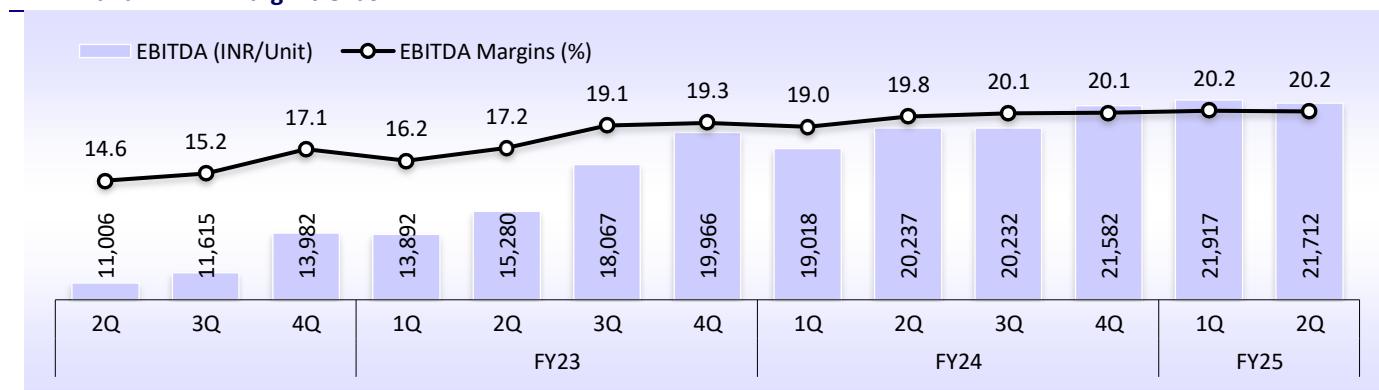
Research covered

Cos/Sector	Key Highlights
Bajaj Auto	Margins remain stable despite adverse mix
L&T Technology	Guidance demands flawless execution in 2H
KEI Industries	RM volatility and lower EPC revenue hurt margins
Vinati Organics	Operational synergies to further solidify leadership position
Financial – Indian General Insurance	Industry growth declines YoY owing to Crop and Fire segment
Metals Monthly	Domestic steel prices seem to bottom out; recent China measures to support commodity prices
EcoScope	Trade deficit narrows in Sep'24



Chart of the Day: Bajaj Auto (Margins remain stable despite adverse mix)

EBITDA and EBITDA margin trends



Sources: Company reports, MOFSL estimates

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

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Kindly click on textbox for the detailed news link

1

Festive season motorcycle sales fall short of expectations: Bajaj Auto

While sales in South and East have sort of declined, central areas such as Uttar Pradesh have done well in terms of motorcycle sales

2

Vodafone Idea to offer 5G in Mumbai, Delhi by December, pricing strategy under work

India's third largest telecom services provider ramps up network after falling behind peers during a prolonged period of debt driven certainty

3

BlackRock in talks with Jio Financial to set up private credit venture

The 50-50 joint venture will lend to businesses ranging from large companies to startups, the people said, asking not to be identified as the information is not public

4

After Voda Idea's call, bank guarantee waiver in works

The Department of Telecommunications (DoT) plans to waive the need for bank guarantees for deferred spectrum instalments if telecom companies agree to pay an additional three months' instalments annually.

5

Over 400,000 rooftop solar units installed under PM Suryaghar Yojana

While the government is focusing on quick implementation of the scheme in order to achieve its renewable energy capacity addition targets, it noted that in some states the transportation cost of panels is high which creates issues for deployment of rooftop solar panels

6

States convey support for compensation cess merger with 28% GST slab

State FMs, in first meeting of GoM, suggest no new item in lists of luxury, sin, and demerit goods until transition

7

Bank of Maharashtra in talks with 3-4 NBFCs for co-lending partnership, says CEO Nidhu Saxena

"We have around six to seven partnerships and another three to four partnerships are under discussion at various stages, which we will be onboarding very soon," Saxena said during post-earnings conference call.



Bajaj Auto

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR11,617 TP: INR11,450 (1%) Neutral

Margins remain stable despite adverse mix

Festive demand starts off below expectations

- BJAUT's 2QFY25 performance was in line with our estimates. EBITDA margin remained stable QoQ at 20.2% as the impact of an adverse mix and raw material inflation was offset by price hikes, favorable forex rates, and operating leverage benefits. However, the festive season has started on a weak note, with the industry posting just 1-2% YoY growth as of Dussehra and expecting 3-5% YoY growth during the season, assuming a revival before Diwali. The outlook for its key export market, Africa, remains uncertain, though the margin outlook is improving.
- BJAUT has outperformed the Nifty Auto Index over the last 12 months, fueled by market share gains in the 125cc+ domestic motorcycle segment, improved margins, and a unique shareholder reward policy. However, the stock now trades at ~38.5x/30x FY25E/26E EPS and appears fairly valued. We maintain our Neutral rating with a TP of INR11,450, based on 26x Sep'26E consol EPS.

Export recovery remains gradual

- BJAUT's 2QFY25 revenue/EBITDA/PAT grew 22%/24%/21% YoY to INR131.3b/INR26.5b/INR22.2b (est. INR130.9b/INR26b/INR21.6b). 1HFY25 revenue/EBITDA/adj. PAT grew 19%/24%/20% YoY. 2HFY25 revenue/EBITDA/adj. PAT are expected to grow 14%/15%/14% YoY.
- EBITDA margin was stable QoQ at 20.2% (+40bp YoY/est. 19.8%). We had factored in a 40bp margin hit QoQ due to the deterioration in the product mix (higher Chetak + Freedom 125) to be partly offset by operating leverage benefit. Gross margin at 28.7% was lower than our estimate of 29.2%. We believe better cost control measures – lower staff costs (-10% QoQ) and other expenses (-1% QoQ) – helped to keep margins stable QoQ at 20.2%.
- There was an exceptional item of INR2.1b to account for a cumulative one-time impact on deferred tax on investment income due to changes in the taxation structure.
- Adjusted for one-time item, combined with higher-than-estimated other income, adj. PAT was INR22.2b (est. INR21.6b), up 21% YoY.
- Losses from associates stood at INR5.8b in 1HFY25 (vs. a profit of INR1.84b in 1HFY24). This was due to weak economic conditions in the US, restructuring of bicycle division, and a rise in production/personnel costs in Europe.
- FCFE for 1HFY25 stood at INR39.2b (INR36.1b for 1HFY24), led by strong operating cash flow of INR41.8b (INR38.7b in 1HFY24). Capex for 1HFY25 stood at INR2.55b (INR2.6b for 1HFY24).
- Cash on the balance sheet stood at INR163.9b as of Sep'24 after investment of INR12b in strategic growth initiatives (Bajaj Auto Credit and EV Capex) and the dividend payment of INR22.3b in 1HFY25.

Bloomberg	BJAUT IN
Equity Shares (m)	279
M.Cap.(INRb)/(USD\$b)	3244.1 / 38.6
52-Week Range (INR)	12774 / 5032
1, 6, 12 Rel. Per (%)	1/17/102
12M Avg Val (INR M)	4140

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	447	519	627
EBITDA	88.2	105.0	131.0
EBITDA (%)	19.7	20.2	20.9
Adj. PAT	77.1	84.3	108.3
EPS (INR)	276	302	388
EPS Gr. (%)	28.9	9.4	28.4
BV/Sh. (INR)	890	998	1,089

Ratios

RoE (%)	30.7	32.0	37.2
RoCE (%)	28.8	31.4	35.4
Payout (%)	29.9	66.2	77.3

Valuation

P/E (x)	42.1	38.5	29.9
P/BV (x)	13.0	11.6	10.7
Div. Yield (%)	0.7	1.7	2.6
FCF Yield (%)	2.1	1.9	2.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	55.1	55.1	55.0
DII	8.8	8.6	9.6
FII	14.2	14.5	13.7
Others	21.9	21.9	21.7

FII Includes depository receipts

Highlights from the management commentary

- **Domestic 2W:** The motorcycle industry saw 1-2% growth during the festive season, falling short of the expected 5-6% growth. The management is hopeful of a demand recovery in Diwali and expects the overall festive season to end with 3-5% YoY growth. The management expects the 2W industry to clock 5% growth in FY25.
- **Exports:** 2Q was better than 1Q, and 3Q is expected to improve further with over 10% growth. LATAM region has seen an impressive 20% YoY growth. Nigeria's motorcycle sales have rebounded from 5k units in Apr'24 to 25k units in Sep'24. On account of a richer mix and favorable USD exchange rates, export revenue growth is likely to be better than volume growth going ahead.
- **Freedom 125:** BJAUT sold over 10k units by Sep'24, with expectations to reach 18k units in Oct'24. It now plans to increase production capacity to 30k units per month in 3Q and 40k units in 4Q.
- **Green vehicles:** Electric (EV) and CNG vehicles contributed to ~44% of its domestic revenue. EV portfolio contributed to ~20% of revenue. The overall EV segment, including both Chetak and 3W, recorded flat EBITDA margins in 2Q, after accounting for PLI benefits. Chetak remained a drag on overall EV margins even as e-3Ws remain highly profitable.
- Input costs are likely to remain stable QoQ in 3Q.

Valuation and view

- We maintain our FY25/FY26 earnings estimates. The festive season has started off on a weak note, with the overall industry likely to post 5% YoY growth in FY25, lower than earlier envisaged. Even the export outlook remains uncertain.
- BJAUT has witnessed a significant re-rating in the last 12 months, aided by market share gains in the 125cc+ domestic motorcycle segment, improved margins, and a one-of-a-kind policy to reward its shareholders. After the sharp rally, the stock now trades at ~38.5x/30x FY25E/26E EPS, appearing fairly valued. We maintain our Neutral rating with a TP of INR11,450, based on 26x Sep'26E consol EPS.

Quarterly Performance

											INR m
	FY24				FY25E				FY24	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Volumes ('000 units)	1,027	1,054	1,201	1,069	1,102	1,222	1,345	1,138	4,351	4,807	1,222
Growth YoY (%)	10.0	-8.4	22.1	24.3	7.3	15.9	12.0	6.5	10.8	10.5	15.9
Realization (INR/unit)	1,00,347	1,02,256	1,00,862	1,07,476	1,08,234	1,07,470	1,08,007	1,08,420	1,02,703	1,08,020	1,07,152
Growth YoY (%)	17.0	15.4	6.5	3.8	7.9	5.1	7.1	0.9	10.7	5.2	4.8
Net Sales	1,03,098	1,07,773	1,21,135	1,14,847	1,19,280	1,31,275	1,45,282	1,23,432	4,46,852	5,19,269	1,30,886
Change (%)	28.8	5.6	30.0	29.0	15.7	21.8	19.9	7.5	22.7	16.2	21.4
EBITDA	19,539	21,329	24,299	23,063	24,154	26,522	29,562	24,733	88,229	1,04,970	25,971
EBITDA Margins (%)	19.0	19.8	20.1	20.1	20.2	20.2	20.3	20.0	19.7	20.2	19.8
Other Income	3,463	3,614	3,461	3,487	3,209	3,845	3,900	3,672	14,025	14,626	3,600
Interest	121	65	121	228	207	159	120	114	535	600	175
Depreciation	835	876	881	906	937	956	950	970	3,498	3,813	945
PBT after EO	22,046	24,000	26,758	25,416	26,219	27,139	32,392	27,320	98,220	1,13,071	28,451
Effective Tax Rate (%)	24.5	23.5	23.7	23.8	24.2	26.1	24.2	22.3	23.9	24.2	24.2
Adj. PAT	16,648	18,361	20,419	19,360	19,884	22,160	24,560	21,237	74,788	87,340	21,568
Change (%)	41.9	20.0	36.9	35.1	19.4	20.7	20.3	9.7	32.9	16.8	17.5

E: MOFSL Estimates



L&T Technology

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR5,325 TP: INR6,400 (+20%) Buy

Guidance demands flawless execution in 2H

Revenue largely in line, but margins miss the mark

Bloomberg	LTTT IN
Equity Shares (m)	106
M.Cap.(INRb)/(USD\$b)	567 / 6.7
52-Week Range (INR)	6000 / 4107
1, 6, 12 Rel. Per (%)	-5/-12/-12
12M Avg Val (INR M)	980

■ L&T Technology (LTTT)'s 2QFY25 revenue was up 3.9% QoQ /6.5% YoY in USD terms vs. our estimate of ~4.1% QoQ growth. In CC terms, revenue was up 3.4% QoQ/6.3% YoY). Growth was led by the Sustainability vertical (up 6.5% QoQ), followed by the Mobility vertical with 4.8% QoQ growth. EBIT was up 1.1% QoQ but down 4.9% YoY at INR3.8b (est. INR4.2b). PAT stood at INR3.1b (est. INR3.5b), up 1.9% QoQ/1.3% YoY. For 1HFY25, revenue/EBIT/PAT grew 7.4%/-3.9%/1.1% compared to 1HFY24. In 2QFY25, the company signed two USD20m deals and four USD10m deals.

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	105.0	117.4	132.8
EBIT Margin (%)	15.7	16.8	17.0
PAT	13.5	16.0	18.3
EPS (INR)	126.3	149.4	170.9
EPS Gr. (%)	2.7	18.3	14.4
BV/Sh. (INR)	569.0	666.3	777.6

Ratios

RoE (%)	24.0	24.5	24.0
RoCE (%)	18.4	19.2	18.9
Payout (%)	35.0	30.0	30.0

Valuations

P/E (x)	42.2	35.6	31.2
P/BV (x)	9.4	8.0	6.8
EV/EBITDA (x)	27.2	23.1	19.8
Div Yield (%)	0.8	0.8	1.0

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	73.7	73.7	73.8
DII	13.3	12.3	10.6
FII	4.5	5.5	5.3
Others	8.5	8.4	10.3

FII includes depository receipts

Our view: 2H to be better but could fall short of guidance

- All three of the company's verticals returned to positive growth after a seasonally weak first quarter, driven primarily by Sustainability (up 6.5% QoQ in USD terms) and Mobility (up 4.5% QoQ, following a 6.4% rise in 1Q).
- The company has retained its FY25 guidance; however, the ask rate to achieve the lower end of the guidance now requires a CQGR of ~4.5%, which may prove to be challenging.
- While order conversions, a seasonally strong 4Q exit, and the ramp-up of deals in Hi-tech and Sustainability offer support, we believe that meeting guidance remains contingent on everything falling into place over the next few quarters, leaving little room for errors. **Our base case now assumes that LTTT could miss its revenue guidance by ~50bp.**
- **Guidance:** LTTT maintained its FY25 guidance of 8-10% CC growth and the medium-term outlook of USD2b revenue, with EBIT margin of 17-18%.
- **Margins:** The company's investments in Sales, SG&A, and Labs have weighed on margins in 1H. Looking ahead, 2H may face additional challenges, such as furloughs and wage hikes (~80 bp impact in 3Q). We believe the company has sufficient levers to pull to improve margins in H2; however, we expect that deal ramp-ups and other headwinds could lead to a slight miss on the 16% EBIT margin target for FY26.
- **Needs flawless execution in 2H:** In summary, while we expect LTTT to have a much stronger 2H, meeting the guidance is contingent on both external factors and internal execution falling into place. That being said, LTTT remains in pole position to benefit from client spending in digital engineering over the medium term due to its strong capabilities, multi-vertical presence, and recently re-aligned vertical.

Valuation and changes in estimates

- We expect USD revenue CAGR of 10.7% over FY24-FY27, with EBIT margins of 15.7%/16.8%/17.0% in FY25/26/27. We have reduced our FY25/FY26/FY27 EPS estimates by 2.3%/2.0%/2.4% due to lower margins and the increased likelihood of missing revenue and margin guidance.

- We believe, however, that the new GTM strategy will unfold new avenues for growth in the medium term, especially in hitherto weak areas such as mobility, which is growing fast across its peers. We reiterate our BUY rating on the stock with a revised TP of INR6,400 (INR6,600 earlier; premised on 40x Sep'26E EPS).

Revenues in line, margins miss estimates

- USD revenue grew 3.9% QoQ vs. our estimated growth of 4.0% QoQ. Revenue stood at USD307m, up 3.9% QoQ.
- Growth was led by Sustainability (up 6.5% QoQ), followed by Mobility and Hi-Tech with 4.8% and 0.8% QoQ growth, respectively.
- EBIT margin stood at 15.1%, down 50bp QoQ/200bp YoY vs. our estimate of 16.5%. PAT was up 1.9% QoQ to INR3.2b but below our estimate of INR3.5b.
- The employee count grew 0.5% QoQ to 23,698, attrition was down 50bp to 14.3%.
- Deal signings: Two USD20m deals and four USD10m deals.
- Management has maintained the guidance of 8-10% CC revenue growth for FY25 and a medium-term outlook of USD2b revenue, with an EBIT margin of 17-18%.
- YTD cash conversion was at 52% FCF/PAT.
- Management declared a dividend of INR17 per share.

Key highlights from the management commentary

- The company experienced sequential broad-based growth across verticals. The company expects to close USD50m, a couple of USD100m, and many USD25m deals in upcoming quarters. There can be a slight impact on deal closures due to the US elections.
- The company has launched a cybersecurity project with the Government of Maharashtra, which is expected to be executed in 3-6 months. It is a fixed-price project, with revenue to be realized upon milestone completion. The OEM maintenance phase will be executed over five years.
- The Sustainability vertical is showing a promising outlook with a turnaround in industrials. The demand for setting up CoEs and plant modernization is strong. The China +1 strategy is helping drive demand.
- Guidance of 8-10% organic CC growth for FY25 was maintained. The company expects tailwinds such as a robust pipeline, large deals, and milestone payments to be received from the Government of Maharashtra for the cybersecurity deal, which will aid in achieving its target guidance.

Valuation and view

- Digitization is boosting spending in ER&D, and LTTS is expected to benefit due to its strong capabilities, multi-vertical presence, and solid wallet share. We expect the company to deliver strong revenue growth over the coming years.
- Our TP of INR6,400 (INR6,600 earlier) implies 40x Sep'26E EPS. **We reiterate our BUY rating on the stock.**

Quarterly performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	Est. 2QFY25	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Revenue (USD m)	280	288	291	305	295	307	318	332	1,164	1,252	307	-0.2
QoQ (%)	9.8	2.9	0.9	5.0	-3.2	3.9	3.7	4.5	17.6	7.6	4.1	-17bp
Revenue (INR m)	23,014	23,865	24,218	25,375	24,619	25,729	26,710	27,912	96,472	1,04,971	25,738	0.0
YoY (%)	22.8	19.6	18.2	21.1	7.0	7.8	10.3	10.0	20.4	8.8	7.8	-4bp
GPM (%)	30.0	28.0	29.2	28.9	29.3	29.3	29.0	29.5	29.0	29.3	29.0	29bp
SGA (%)	10.4	8.1	9.1	9.1	10.8	11.2	10.5	10.2	9.1	10.7	9.7	148bp
EBITDA	4,528	4,756	4,877	5,028	4,562	4,660	4,941	5,387	19,189	19,551	4,967	-6.2
EBITDA Margin (%)	19.7	19.9	20.1	19.8	18.5	18.1	18.5	19.3	19.9	18.6	19.3	-119bp
EBIT	3,954	4,075	4,162	4,282	3,836	3,877	4,194	4,606	16,473	16,512	4,247	-8.7
EBIT Margin (%)	17.2	17.1	17.2	16.9	15.6	15.1	15.7	16.5	17.1	15.7	16.5	-143bp
Other income	357	286	493	428	491	531	481	502	1,564	2,005	463	14.6
ETR (%)	27.6	27.6	27.6	27.5	27.5	27.4	26.5	26.5	27.6	26.9	26.5	90bp
PAT	3,111	3,154	3,362	3,409	3,136	3,196	3,436	3,754	13,036	13,522	3,462	-7.7
QoQ (%)	0.5	1.4	6.6	1.4	-8.0	1.9	7.5	9.3			10.4	
YoY (%)	13.5	11.7	10.7	10.1	0.8	1.3	2.2	10.1	11.4	3.7	9.8	
EPS (INR)	29.4	29.8	31.7	32.2	29.6	29.8	32.0	35.0	123.0	126.3	32.6	-8.8

E: MOFSL estimates

Key performance indicators

Y/E March	FY24			FY25		FY24
	2Q	3Q	4Q	1Q	2Q	
Revenue (QoQ CC %)	3.2	0.9	5.1	-3.1	3.4	
Margins (%)						
Gross Margin	28.0	29.2	28.9	29.3	29.3	29.0
EBIT Margin	17.1	17.2	16.9	15.6	15.1	17.1
Net Margin	13.2	13.9	13.4	12.7	12.4	13.5
Operating Metrics						
Headcount	23,880	23,298	23,812	23,577	23,698	23,812
Attrition (%)	16.7	15.8	14.8	14.8	14.3	14.8
Key Geographies (YoY %)						
North America	1.7	2.1	6.7	-1.3	1.1	3.8
Europe	15.9	20.9	15.2	23.9	24.0	15.4



KEI Industries

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR4,385 TP: INR5,100 (+16%) BUY

RM volatility and lower EPC revenue hurt margins

Obtains Board approvals for fundraise with an aim to remain debt-free

Bloomberg	KEII IN
Equity Shares (m)	90
M.Cap.(INRb)/(USDb)	395.7 / 4.7
52-Week Range (INR)	5040 / 2317
1, 6, 12 Rel. Per (%)	1/1/37
12M Avg Val (INR m)	1074
Free float (%)	62.9

- KEI Industries (KEII)'s 2QFY25 earnings were below our estimate due to a lower-than-estimated margin in the Cables and Wires (C&W) segment led by RM cost volatility and lower EPC revenue. EBITDA was INR2.2b (est. INR2.5m), while OPM came in at ~10% (est. ~11%). PAT stood at INR1.5b (est. INR1.7b).
- Management indicated the volatility impact of RM costs will average out on a six-month basis, and it maintained its OPM guidance of 10.5-11.0% for FY25 (OPM was flat YoY at ~10% in 1HFY25). The decline in EPC revenue was due to heavy rainfalls across the country, due to which right-of-way (RoW) approvals were not available. KEII intends to remain a debt-free company and has obtained Board approvals for a fundraise of up to INR20b via QIP.
- We cut our EPS estimates for FY25-27 by ~3-6% as we factor in lower EPC revenue and reduced C&W EBIT margin by ~20bp. We estimate an EPS CAGR of ~20% over FY24-27. We value KEII at 50x Sep'26E EPS to arrive at our TP of INR5,100 (vs. INR5,300). **Reiterate BUY.**

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	94.3	109.9	128.3
EBITDA	9.7	12.3	15.2
Adj. PAT	6.8	8.2	10.1
EBITDA Margin (%)	10.3	11.2	11.9
Cons. Adj. EPS (INR)	75.6	91.1	112.1
EPS Gr. (%)	17.4	20.6	23.0
BV/Sh. (INR)	420	505	611

Ratios

Net D:E	(0.0)	(0.0)	(0.0)
RoE (%)	18.0	18.1	18.4
RoCE (%)	17.1	17.6	18.2
Payout (%)	6.4	6.6	5.4

Valuations

P/E (x)	58.0	48.1	39.1
P/BV (x)	10.4	8.7	7.2
EV/EBITDA (x)	40.6	32.2	25.8
Div Yield (%)	0.1	0.1	0.1
FCF Yield (%)	(1.3)	0.4	0.4

Revenue/EBITDA up 17%/8% YoY; OPM down 80bp YoY to ~10%

- KEII's revenue/EBITDA/Adj. PAT stood at INR22.8b/INR2.2b/INR1.5b (up 17%/8%/10% YoY and up 1%/ down 12%/8% vs. our estimate). OPM margin contracted 80bp YoY to ~10%.
- Segmental highlights: a) **Cables and Wires:** Revenue rose 21% YoY to INR21.4b and EBIT was up ~17% YoY to INR2.2b. EBIT margin contracted 30bp YoY to ~10%. b) **EPC business:** Revenue declined 58% YoY to INR1.3b and EBIT dipped 61% YoY to INR121m. EBIT margin contracted 80bp YoY to ~9%. c) **Stainless Steel Wires (SSW):** Revenue was up 1% YoY to INR598m, while EBIT declined 21% YoY to INR29m. EBIT margin contracted 1.3pp YoY to ~5%.
- In 1HFY25, revenue/EBITDA/PAT grew 16%/14%/17% YoY. EBITDA margin was flat YoY at ~10%. The C&W EBIT margin expanded 1pp YoY to ~11% during 1HFY25. The company's operating cash outflow stood at INR3.1b vs. OCF of INR1.2b in 1HFY24. Capex (including purchase of land and building) stood at INR3.1b vs. INR2.2b in 1HFY24.

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	37.1	37.1	37.1
DII	16.0	16.6	17.7
FII	31.1	30.8	29.6
Others	15.8	15.6	15.7

FII Includes depository receipts

Key highlights from the management commentary

- Demand continues to remain strong from solar renewable energy and transmission sectors. Thermal power projects, pump storage projects, data centers, and highway tunneling projects are also driving demand.
- Capacity utilization was ~78% for the cable segment, ~71% for the house wire division, and ~93% for the stainless wire division during 1HFY25.
- Capex in FY25/26 will be INR11b+/INR6-7b (including maintenance capex of INR500m every year). Receivables days will be at 2.1 months in FY25. Inventory days should fall to 2.25 months vs. 2.4 months at present.

Valuation and view

- KEII is focused on improving its retail sales in total revenue to ~50% from ~47% in FY24. To increase its retail sales, KEII is also expanding its dealer/ distribution network (active dealer count rose ~5% YoY to 2,038 as of Sep'24). Further, the company targets to improve its export share in total revenue to ~12-13% from ~11% in 1HFY25.
- We estimate a revenue/EBITDA/EPS CAGR of 17%/22%/20% over FY24-27. The stock currently trades at 48x FY26E EPS. Considering the strong demand outlook and robust earnings CAGR, we value KEII at 50x Sep'26E EPS to arrive at our revised TP of INR5,100 (earlier INR5,300). **Reiterate BUY.**

Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE		
Sales	17,826	19,466	20,594	23,156	20,605	22,796	23,724	27,215	81,041	94,340	22,586	1
Change (%)	13.9	21.1	15.4	18.6	15.6	17.1	15.2	17.5	17.3	16.4	16	
Adj. EBITDA	1,783	2,039	2,146	2,409	2,146	2,206	2,433	2,959	8,375	9,744	2,512	(12)
Change (%)	11.7	27.0	17.8	19.1	20.4	8.2	13.4	22.8	19.3	16.3	23	
Adj. EBITDA margin (%)	10.0	10.5	10.4	10.4	10.4	9.7	10.3	10.9	10.3	10.3	11.1	(145)
Depreciation	147	156	154	158	155	163	167	182	614	668	166	(1)
Interest	89	75	109	165	142	133	145	160	439	580	160	(17)
Other Income	83	77	142	189	178	169	160	165	490	672	85	99
Extra-ordinary Items	-	-	-	(2)	-	-	-	-	(2)	-	-	
PBT	1,630	1,884	2,024	2,274	2,027	2,079	2,282	2,781	7,813	9,169	2,272	(8)
Tax	416	482	518	587	525	531	586	708	2,002	2,350	584	
Effective Tax Rate (%)	25.5	25.6	25.6	25.8	25.9	25.5	25.7	25.5	25.6	25.6	25.7	
Reported PAT	1,214	1,402	1,507	1,686	1,502	1,548	1,695	2,073	5,808	6,819	1,688	(8)
Change (%)	17.0	31.2	17.2	22.1	23.8	10.4	12.5	23.0	22.2	17.4	20.4	
Adj. PAT	1,214	1,402	1,507	1,688	1,502	1,548	1,695	2,073	5,811	6,819	1,688	(8)
Change (%)	17.0	31.2	17.2	22.2	23.8	10.4	12.5	22.8	22.3	17.4	20.4	

Segmental performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE		
Sales												
Cables (Power + Housing wires)	16,119	17,755	18,671	20,691	18,757	21,402	22,032	24,940	73,236	87,131	20,774	3
Stainless steel wires	590	591	461	572	538	598	507	646	2,214	2,289	632	(5)
EPC Business	1,847	3,131	3,769	3,405	2,261	1,309	1,885	2,444	12,151	7,898	2,880	(55)
EBIT												
Cables (Power + Housing wires)	1,415	1,919	1,979	2,258	2,067	2,241	2,423	2,852	7,570	9,584	2,306	(3)
Stainless steel wires	31	36	36	13	10	29	25	27	117	92	19	51
EPC Business	256	314	439	422	298	121	188	261	1,431	869	317	(62)
EBIT Margin (%)												
Cables (Power + Housing wires)	8.8	10.8	10.6	10.9	11.0	10.5	11.0	11.4	10.3	11.0	11.1	(63)
Stainless steel wires	5.3	6.1	7.8	2.3	1.9	4.8	5.0	4.2	5.3	4.0	3.0	179
EPC Business	13.9	10.0	11.6	12.4	13.2	9.2	10.0	10.7	11.8	11.0	11.0	(175)



Vinati Organics

BSE SENSEX
81,501

S&P CNX
24,971

CMP: INR2,005

TP: INR2,500 (+25%)

BUY



Vinati Organics Limited

Stock Info

Bloomberg	VO IN
Equity Shares (m)	104
M.Cap.(INRb)/(USDb)	207.8 / 2.5
52-Week Range (INR)	2331 / 1462
1, 6, 12 Rel. Per (%)	5/16/-15
12M Avg Val (INR M)	159
Free Float (%)	25.7

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	25.2	29.2	33.7
EBITDA	6.3	7.5	8.8
PAT	4.4	5.3	6.2
EPS (INR)	42.7	50.9	60.2
EPS Gr. (%)	36.8	19.2	18.4
BV/Sh.(INR)	270.8	310.3	357.0

Ratios

Net D:E	0.1	0.1	0.0
RoE (%)	16.8	17.5	18.1
RoCE (%)	15.0	15.2	16.5
Payout (%)	22.4	22.4	22.4

Valuations

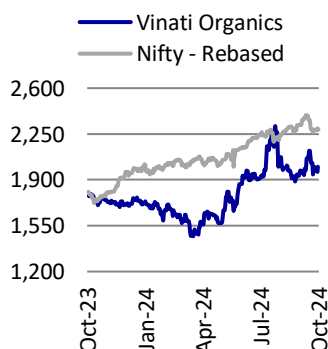
P/E (x)	46.6	39.1	33.0
P/BV (x)	7.3	6.4	5.6
EV/EBITDA (x)	33.2	27.9	23.5
Div. Yield (%)	0.5	0.6	0.7
FCF Yield (%)	-0.9	1.5	2.0

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	74.3	74.3	74.1
DII	7.3	6.8	8.2
FII	5.5	5.3	4.6
Others	13.0	13.6	13.1

FII includes depository receipts

Stock performance (one-year)



Operational synergies to further solidify leadership position

- Vinati Organics (VO) has strengthened its operations through backward integration, which is expected to expand its margins. Additionally, its vertical integration, along with the Veeral Additives (VAPL) merger, is likely to enhance economies of scale and help VO maintain/expand its market share in ATBS and antioxidants (AOs). Further, the commissioning of OSBP and DSBP plants positions VO as the sole domestic producer, reducing India's import reliance.
- With a 65% global market share in ATBS and IBB, VO aims to expand its ATBS capacity by 2HFY25. The company is also diversifying its portfolio through niche products and specialized polymers from Veeral Organics (VOPL) while advancing its sustainability strategy. In FY24, the company added 11.5MW of solar power and is targeting an additional 6.5MW in FY25, further reducing its carbon footprint.
- We continue to believe that VO's overall long-term growth outlook is healthy. The stock is trading at ~39x FY26E EPS of INR54 and ~28x FY26E EV/EBITDA. It had a fixed asset turnover of 1.5x as of FY24. We value the company at 45x Sep'26E EPS to arrive at a TP of INR2,500. We reiterate our BUY rating on the stock.

Integrated operations to offer cost efficiency and economies of scale

- VO's investment in Butyl Phenol (BP) and Isobutylene (IB) production has strengthened its backward integration strategy. The in-house production is expected to cut raw material costs for the company. This move is likely to expand its margins and ensure supply chain reliability, keeping VO competitive in AOs and specialty chemicals.
- As such, VO, through its vertical integration, is expected to enhance economies of scale by expanding into related product lines, cutting costs, and strengthening its market share in ATBS and antioxidants. The VAPL merger brings operational synergies, which enhances VOL's competitiveness and profitability in the antioxidants segment.
- VO also commissioned Ortho Secondary Butyl Phenol (OSBP) and Di-Secundary Butyl Phenol (DSBP) plants in FY24, serving the agrochemicals, polystyrene, and perfumery industries. As the only player in India, VO has strengthened its domestic market position while reducing import reliance (both products are currently 100% imported into India).

Opportune expansions as demand outlook remains steady

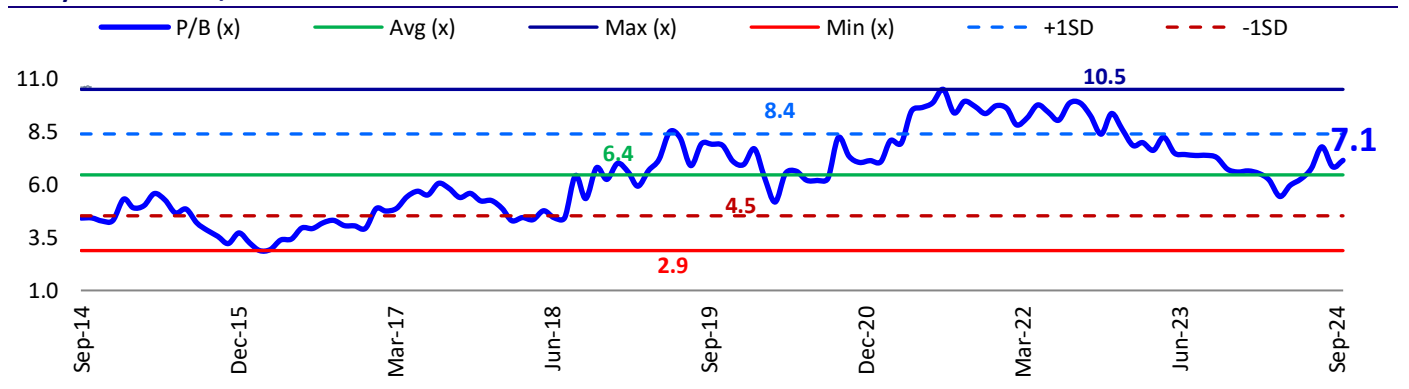
- VO holds a 65% global market share in ATBS and IBB, primarily serving export markets. To meet the growing demand, the company is expanding its ATBS capacity, which is expected to come online in 2HFY25. Despite a temporary sales slowdown due to global destocking, VO expects long-term growth in ATBS usage for water treatment, oil recovery, and adhesives. This capex is expected to solidify the company's leadership in the specialty monomer segment.

- VOL aims to reduce reliance on a few key products (refer to Exhibit 5) by diversifying its portfolio and customer base. VOPL, its subsidiary, has launched two new products with more set to roll out in FY25. VOPL is also developing specialized polymers with high-temperature resistance and chemical stability for the electronics, automotive, and aerospace industries.
- Sustainability is also key to VO's long-term strategy, with a keen focus on renewable energy. The company added 11.5MW of solar power in FY24 and plans to increase its renewable energy capacity to 33 MW by FY25 with an additional 6.5MW. These initiatives align with VO's strategy to reduce carbon footprint.

Valuation and view

- VOPL has commissioned a plant for MEHQ and Guaiacol with other products (Anisole, 4-MAP, Iso Amylene, etc.), which will come online in FY25. VO has 3ktpa capacity (combined) for MEHQ and Guaiacol, 5ktpa for Anisole, 30ktpa Iso Amylene, and 1ktpa for 4-MAP. These products will be the key growth drivers for VO going forward.
- The supply of AOs started in FY24, which earned a revenue of INR1.5b during that year. The amalgamation of VO with VAPL has already been approved by the NCLT. VO is now the largest and the only double-integrated manufacturer of AOs in India. Our long-term view remains positive for the segment, although there is a threat of Chinese supplies.
- We continue to believe that VO's overall long-term growth outlook is healthy. The stock is trading at ~39x FY26E EPS of INR54 and ~28x FY26E EV/EBITDA. It had a fixed asset turnover of 1.5x as of FY24. We value the company at 45x Sep'26E EPS to arrive at a TP of INR2,500. **We reiterate our BUY rating on the stock.**

One year forward P/B



Source: MOFSL



Insurance Tracker

Industry growth declines YoY owing to Crop and Fire segment

SAHIs outperform industry growth; private players remain flat YoY

- The industry's Gross Written Premium (GWP) declined 6% YoY to INR275b in Sept'24, mainly due to the Crop and Fire segment, which declined 26.3%/16.8% YoY, respectively.
- The overall Motor segment grew 2.4% YoY to INR75.7b, whereas the overall Health segment declined 2.4% to INR100.9b in Sept'24. The Marine segment inched up 15.4% YoY to INR4.1b in Sept'24. The overseas Health segment grew 19.2% YoY to INR1.3b.
- During the month, GWP for private players grew 2% YoY to INR148.1b vs. public players reporting a decline of 9% YoY to INR81.3b (mainly due to 32%/18% YoY decline in National India/United India). SAHIs outperformed industry growth consistently and reported a GWP of INR33.9b (up ~26% YoY) in Sept'24 (vs. industry growth declining 6% YoY), driven by 18% YoY growth in Star Health.
- Among key players, ICICIGI grew 4% YoY, while Bajaj Allianz declined 8% YoY. Tata AIG/Go Digit posted a 33%/5% YoY GWP growth and New India reported 9% YoY growth in GWP.

Health business declines 2.4% YoY due to a decline in the Group segment

The overall Health business declined 2.4% YoY to INR100.9b due to a decline of 7.9% YoY in the Group segment (INR57.7b). Meanwhile, the Retail Health segment grew 18.2% YoY to INR40.6b. Within the overall Health segment, SAHIs/private multi-line players grew 26%/5% YoY vs. the industry's decline of 2.4% YoY. The Public segment declined 22% YoY, mainly on account of 47%/7% YoY decline in National India/Oriental. Within SAHIs, STARHEAL grew 18% YoY on an overall basis, with 16%/56% YoY growth in the Retail/ Group segment. CARE reported a strong growth of 37%/25% YoY in the Retail/Group segment. Within Retail Health and Group segments, Aditya Birla Health surged 44% and 45% YoY, respectively. ILOM registered a growth of 44% in the Retail segment, while the Group Health segment reported a 10% YoY decline. Bajaj Allianz clocked a growth of 22%/9% YoY in the Retail/ Group Health segment. PSU multi-line players posted 5% YoY growth in Retail Health, but a 23% YoY decline in Group Health. Tata AIG grew 56%/11% in the Retail/Group Health segment.

Motor segment grows 2.4% YoY due to growth in the Motor TP segment

The Motor business grew 2.4% YoY to INR75.7b, led by a 3.7% YoY growth in the Motor TP segment (INR45.7b), while the Motor OD segment remained flat YoY (INR30.1b) in Sept'24. On an overall level, public players outperformed the industry growth of 2% at 6% YoY, while private players grew at 1%. ILOM grew 8%/5% YoY in the Motor OD/ Motor TP segment. Bajaj Allianz grew 13% in the OD segment but declined 4% in the Motor TP segment. Acko General posted a strong growth of 22%/24% YoY in the Motor OD/Motor TP segment. TATA AIG clocked 20%/25% YoY growth in the Motor OD/Motor TP segment. Go Digit grew 3%/8% YoY in the Motor OD/ Motor TP segment. HDFC Ergo declined 36%/63% YoY in the Motor OD/ TP segment.

YTD performance of key players

SAHIs/private multi-line players gained ~170bp/~90bp market share during Sept'24, while public players lost ~120bp share.

- ILOM reported a growth of 16% YoY (market share of 9.4% vs. 8.7%).
- Bajaj Allianz reported a decline of 5% YoY (market share of 6.9% vs. 7.7%).
- New India posted a growth of 3% YoY (market share of 12.6% vs. 13.1%).
- STARHEAL registered a growth of 17% YoY (market share of 5.1% vs. 4.7%).
- GO DIGIT recorded a growth of 12% YoY (market share of 2.9%/2.7%).

Premium and YoY growth (%)

GWP, INR b	Sept-24	YoY
Grand Total	275	-6%
Total Public	81	-9%
Total Private	148	2%
SAHI	34	26%
Bajaj Allianz	17	-8%
ICICI -Lombard	18	4%
New India	31	9%
Star Health	15	18%

Source: GIC, MOFSL



Indian companies' valuation

	Price (INR)	EV/ EBITDA (x)		P/B (x)	
		FY25E	FY26E	FY25E	FY26E
Steel					
Tata	155	10.1	7.3	2.2	2.1
JSW	988	11.6	7.7	2.8	2.4
JSP	960	8.8	5.7	2.0	1.7
SAIL	129	10.2	6.9	0.9	0.9
Non-ferrous					
Vedanta	487	5.6	4.9	5.1	4.1
Hindalco	732	6.9	6.9	1.8	1.5
Nalco	217	9.4	8.5	2.5	2.2
Mining					
Coal	496	6.1	4.9	3.0	2.5
HZL	511	17.1	12.2	6.7	6.3
NMDC	231	6.0	5.1	2.2	1.9

Global companies' valuation

Company	M. Cap USD b	EV/EBITDA (x)			P/B (x)
		CY24/ FY25E	CY25/ FY26E	CY25/ FY26E	
Steel					
AM	20	3.7	3.4	0.3	
SSAB	5	3.0	3.2	0.6	
Nucor	36	8.2	7.2	1.5	
POSCO	21	5.5	5.2	0.5	
JFE	8	5.5	4.9	0.4	
Aluminum					
Norsk Hydro	13	4.7	4.5	1.1	
Alcoa	11	6.9	6.5	1.7	
Zinc					
Teck	25	7.2	6.6	1.3	
Korea Zinc	12	12.0	11.7	1.6	
Iron ore					
Vale	49	3.7	3.6	1.0	
Diversified					
BHP	148	5.8	5.8	2.7	
Rio	113	4.8	4.8	1.6	

Domestic steel prices seem to bottom out; recent China measures to support commodity prices

- Flat steel prices remained under pressure during Sep'24 with both HRC and CRC prices declining 5% and 3% MoM to INR48,400/t and INR56,200/t, respectively. This was due to weak global prices and elevated imports into India.
- Long steel experienced a marginal expansion in prices with average rebar prices rising INR200/t MoM to INR50,400/t. From mid-Sep'24, suppliers implemented a price hike of INR1,000-1,500/t over Aug'24 exit prices. Prices are expected to be strong with improved demand following the monsoon. India's crude steel production (provisional) declined 3% MoM at 11.88mt in Sep'24.
- During Sep'24, China's central bank announced measures to support the economy, which included a) cutting reserve requirements by 0.5% and b) lowering interest rates on existing mortgages. Additionally, it promised more measures in the near future. This is expected to support the global commodity demand and prices, eventually facilitating domestic commodities.
- Our channel checks suggest that the prices may have bottomed out and could remain stable or rise. Some mills have implemented selective price hikes in flats/longs but absorption in the market needs to be monitored.
- For non-ferrous, concerns over alumina supply due to shutdown of the Kwinana refinery have pushed alumina prices to USD536/t, up 6% MoM in Sep'24.
- Aluminum prices have increased 5% MoM to USD2,455/t amid declining inventories. Copper prices experienced +3% MoM increase to USD9,260/t.

Mute input costs in September in line with soft demand

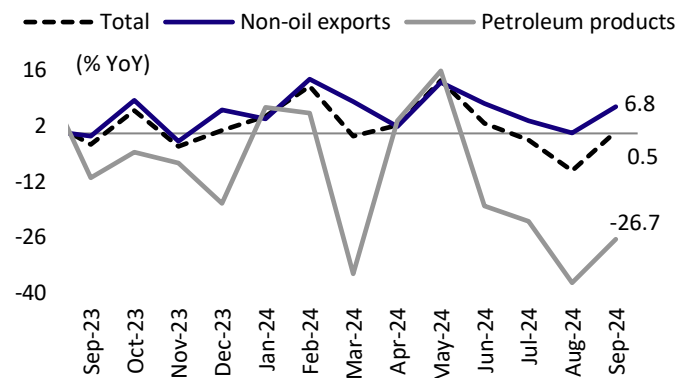
- Premium coking coal prices or HCC (CNF Paradip, India) further declined USD20/t (i.e. -9%) MoM to USD203/t in Sep'24. Weakness in global steel demand led to a decline in coking coal prices. In Oct'24, coking coal prices recovered USD20/t on account of better demand from China.
- Domestic coal production was up 3% YoY to ~70.9mt in Sep'24, while Coal India reported a decline of 1% YoY to 54.2mt. The demand was weak across segments, primarily due to the monsoon season.
- Iron ore prices stood flat MoM in Sep'24, where NMDC maintained prices for lump/fines at INR5,350/4,610 per ton, respectively. Looking ahead, the iron ore price outlook will remain strong in Oct'24 on account of the resumption of construction activity and rising global prices. In Oct'24, NMDC announced a price hike of INR400/t for lump and fines.

Trade deficit narrows in Sep'24

Led by lower gold imports

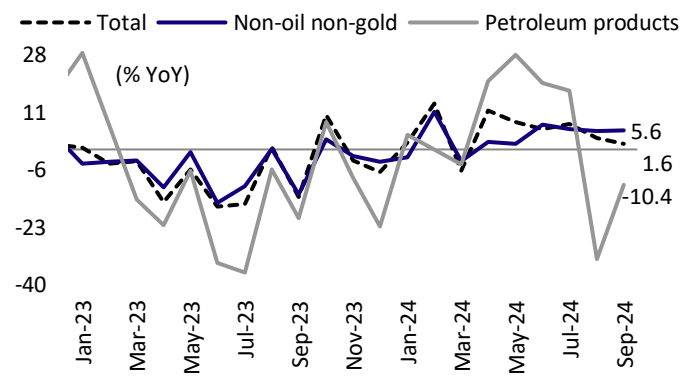
- Merchandise exports grew at a three-month high pace of 0.5% YoY to USD34.6b in Sep'24 (vs. USD34.7b in Aug'24 and USD34.3b in Sep'23), led by a growth of 6.8% (highest in three months) in non-oil exports. On the other hand, petroleum exports fell 26.7% YoY last month (*Exhibit 1*). In Apr-Sep'24, exports stood at USD213b compared to USD211b in Apr-Sep'23 (up 1.0%).
- Merchandise imports, however, came down to USD55.4b in Sep'24 (+1.6% YoY, lowest in six months) vs. USD64.4b (+3.3% YoY) in Aug'24 and USD54.5b in Sep'23 (-14% YoY). The decline in imports was mainly driven by a deceleration in gold imports growth (6.9% YoY in Sep'24 vs. 103.7% in Aug'24). On the other hand, petroleum imports declined at a slower pace than last month (-10.4% YoY in Sep'24 vs. -32.4% in Aug'24). (*Exhibit 2*)
- Notably, non-oil non-gold imports stood at USD38.4b in Sep'24 (up 5.6% YoY) vs. USD43.3b in Aug'24 (+5.4% YoY) and USD36.4b in Sep'23 (-13.3% YoY).
- Consequently, the merchandise trade deficit narrowed to USD20.8b in Sep'24 (vs. USD29.7b in Aug'24 and USD20.1b in Sep'23), the lowest in five months. The merchandise trade deficit for Sep'24 was lower than the market consensus of USD24.6b and our forecast of USD22.7b. (*Exhibit 3*)
- In Apr-Sep'24, exports grew 1.0% vs. a contraction of 8.9% in the same period last year. On the other hand, imports grew faster at 6.2% in Apr-Sep'24 vs. a contraction of 11.3% in Apr-Sep'23. Consequently, the merchandise trade deficit widened to USD137b in Apr-Sep'24 from USD119b in Apr-Sep'23. (*Exhibit 4*)

Exhibit 1: Exports increased by 0.5% YoY in Sep'24



Source: Ministry of Commerce and Industry, MOFSL

Exhibit 2: Imports rose 1.6% YoY in Sep'24



Source: Ministry of Commerce and Industry, MOFSL

Exhibit 3: Trade deficit widened to USD20.7b in Sep'24

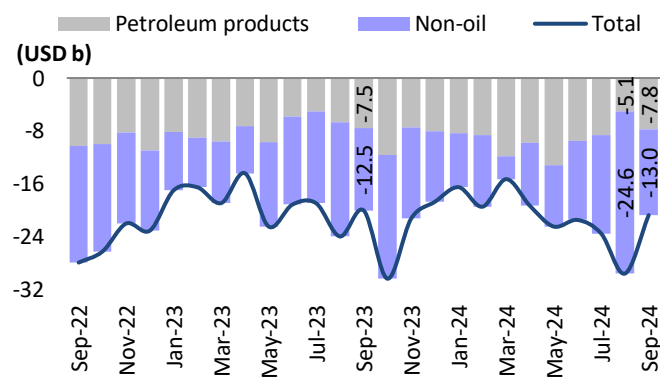
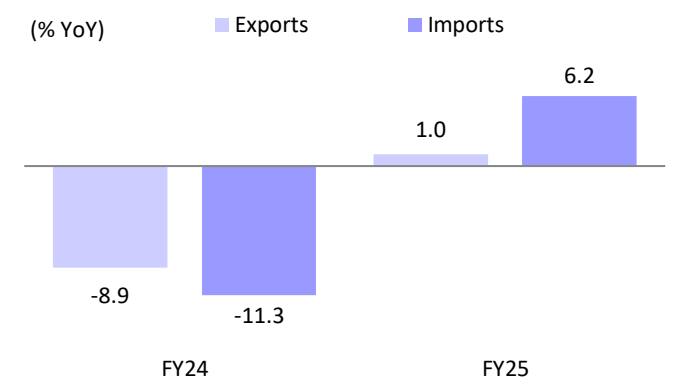


Exhibit 4: Imports grew faster than exports in Apr-Sep'24





ANGEL ONE: Expect a 13-14% impact on revenue due to SEBI's new F&O regulations; Dinesh Thakkar, CMD

- Don't Think Discount Brokers Were Too Dependent On Differential Fees
- Expect 20-22% Drop In F&O Volume Market- Wide Due To New F&O Regulations
- 13-14% Impact Seen On Our Total Income From Stricter F&O Norms
- Hold On To EBITDA Margin Guidance Of 45- 50%
- To Introduce Digital Distribution Of Insurance Products From Q4FY25 Onwards

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- Revising APE growth guidance to 18-20% from 15% earlier
- Policies have seen a strong growth of 22%
- Expect strong growth to continue till end of the year
- 95% of co's product are compliant with new higher surrender value regulations
- Will target to grow VNB in the range of 17-18%
- Fall in the share of annuity also impacted margin
- Repricing of certain products impacting Q2FY25 margins by 100 bps & 30-40 bps in H1FY25
- ULIP share came down to 34-35% in Q2FY25 from 38% in Q1FY25
- Margin will not be in a free fall, there will be a floor

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- See Rise In Demand For Gas Engines Globally
- Data Centers, AI Server Farms Need Backup Power, Demand From These Ind Booming

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BANK OF MAHARASHTRA: Higher Share of Loans to Retail, Agri & MSME Is Sustaining Higher Margins; NIDHU SAXENA, MD & CEO

- Cost Deposits Have Gone Up By 37 bps YOY
- Seen Good Traction In CASA Deposits
- Keeping Conservative NIM Guidance Of 3.75-3.90%
- Higher Retail, Agri & MSME Share Is Sustaining Higher NIM
- Currently Growing With High Double- digit Growth Rate Of 22%

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NOTES

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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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