Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	81,455	0.1	12.8
Nifty-50	24,857	0.1	14.4
Nifty-M 100	58,623	0.4	26.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,436	-0.5	14.0
Nasdaq	17,147	-1.3	14.2
FTSE 100	8,274	-0.2	7.0
DAX	18,411	0.5	9.9
Hang Seng	5,987	-1.5	3.8
Nikkei 225	38,526	0.1	15.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	81	0.0	4.2
Gold ($/OZ)	2,389	0.5	15.8
Cu (US$/MT)	8,894	0.0	5.1
Almn (US$/MT)	2,190	0.0	-6.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.7	0.0	0.6
USD/EUR	1.1	0.1	-1.9
USD/JPY	154.8	0.6	9.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.9	0.02	-0.2
10 Yrs AAA Corp	7.5	0.00	-0.3
Flows (USD b)	**30-Jul**	**MTD**	**CYTD**
FIIs	-0.7	3.36	4.4
DIIs	0.66	2.40	30.2
Volumes (INRb)	**30-Jul**	**MTD***	**YTD***
Cash	1,489	1501	1292
F&O	5,03,286	3,72,301	3,77,722

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

JSW Infrastructure: Volume growth trajectory to continue

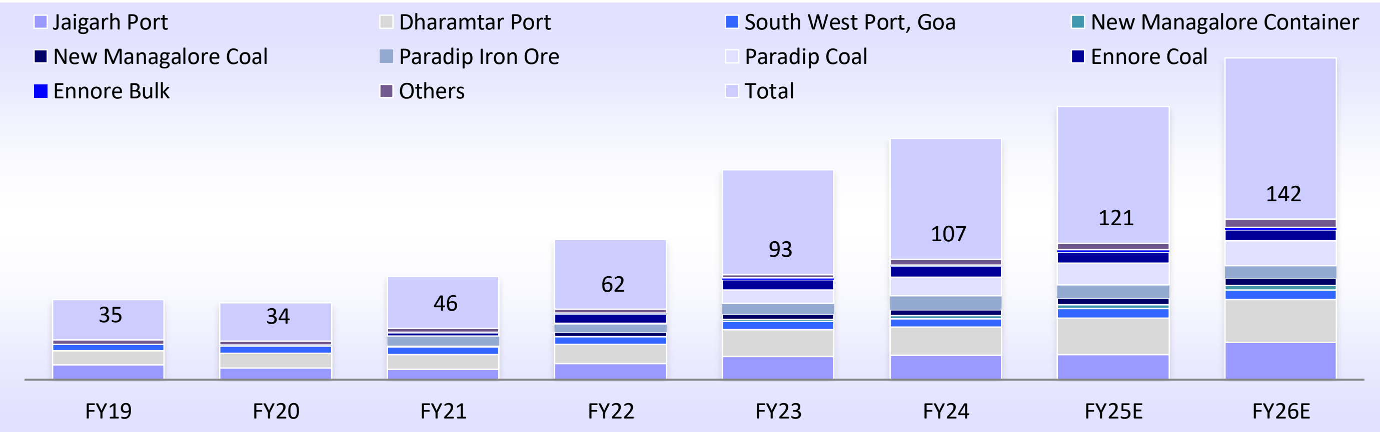
- We released our Initiating Coverage (IC) report on JSW Infrastructure (JSWINFRA) in Feb'24. In the report, we highlighted that JSWINFRA has been India's fastest-growing port-related infrastructure company in terms of installed cargo handling capacity over FY21-23. In FY24, the third-party business increased to 40% of cargo handled (50% in 1QFY25) from 33% in FY23.
- JSWINFRA has a robust pipeline for constructing new ports and terminals. The acquisition of Navkar Corporation marks the initial step towards offering pan-India logistics services. It has also approved acquiring a slurry pipeline project from JSW Steel for INR17b.
- JSWINFRA is pursuing both organic and inorganic growth opportunities, thereby bolstering its market footprint. We estimate a volume/revenue/ EBITDA/APAT CAGR of 15%/22%/26%/28% over FY24-26. Reiterate BUY with a TP of INR390 (based on 25x FY26E EV/EBITDA).

Research covered

Cos/Sector	Key Highlights
JSW Infrastructure	Volume growth trajectory to continue
Avenue Supermarts	Pushing for store addition led growth
IOCL	Strong margins; petchem turnaround drives earnings
Varun Beverages	Domestic business drives volume growth
Other Updates	Tata Consumer Products | HPCL | Exide | KEI Industries | Ajanta Pharma | Vedant Fashions| Kalpataru Projects | Data Patterns (India) | IndiaMART | Navin Fluorine International | Granules India | Quess Corp | Sapphire Foods | Restaurant Brands Asia | Capital Markets | Gail (India) | Macrotech Developers | Indus Towers | 360ONE WAM | Star Health | Aegis Logistics | Castrol India | R R Kabel | Fine Organics

Chart of the Day: JSW Infrastructure (Volume growth trajectory to continue)

Expect JSWIFRA to report 15% volume CAGR over FY24–26 (MMT)



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Mahindra taking steps to prepare staff for green shift, says Group CEO & MD Anish Shah

Technology is changing quite rapidly. But therein lies an opportunity to explore newer career possibilities. Working professionals must find time to upskill themselves at every turn of their career, says Mahindra Group CEO & MD Anish Shah.

2

Adani Enterprises infused Rs 900 crore into media arm

The company has been actively evaluating assets in the media and entertainment sector. AMG acquired 76% of category I and 99.26% of category II shares of news agency IANS India earlier this year. IANS became a subsidiary of the group on January 17.

3

JSW joins the race to buy CK Birla's flagship Orient Cement

Stock has rallied 56% in 3 months, can help to ramp up capacity to 24 MTPA. Adani, Ultratech both has been in negotiations to take over company. JSW can reverse merge it's cement operations and get listed

4

Air India may carve out separate cargo entity with dedicated freighters

Air India follows homegrown budget carrier SpiceJet, which has already demerged its cargo operations. IndiGo, India's leading airline, is also focusing heavily on the segment, including on dedicated freighters.

5

JSW wants to make its infra arm complete logistics solution provider, says Jindal

The company is also building a Gati Shakti Multi-Modal Cargo Terminal in Chennai, Jindal said.

6

Critical mineral auctions come a cropper

To achieve the same, the government has so far auctioned 38 blocks of critical minerals in the first three tranches. In the fourth tranche held last month, the government put 21 critical mineral blocks under the hammer.

7

Singular packs unlikely to benefit telcos, users: Industry executives

Data consumption has exploded in India, as such services are available for unlimited usage, along with complementary voice and SMS, he said. "Subscriber usage patterns fluctuate depending on their choice of video consumption, game streaming, etc.

JSW Infrastructure

BSE SENSEX	S&P CNX
81,455	24,857

JSW Infrastructure

Stock Info

Bloomberg	JSWINFRA IN
Equity Shares (m)	2100
M.Cap.(INRb)/(USDb)	708.5 / 8.5
52-Week Range (INR)	361 / 142
1, 6, 12 Rel. Per (%)	-1/43/-
12M Avg Val (INR m)	1529
Free float (%)	14.4

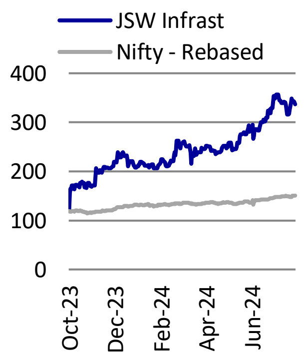
Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Net Sales	37.6	43.4	56.2
EBITDA	19.6	23.3	31.3
Adj. PAT	11.9	13.6	19.6
EBITDA Margin (%)	52.2	53.7	55.7
Adj. EPS (INR)	5.8	6.5	9.3
EPS Gr. (%)	6.8	11.7	44.3
BV/Sh. (INR)	39.1	43.1	50.1
Ratios			
Net D/E (x)	0.0	-0.0	-0.1
RoE (%)	19.8	15.9	20.0
RoCE (%)	13.8	12.3	15.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	59.6	53.3	37.0
P/BV (x)	8.8	8.0	6.9
EV/EBITDA (x)	36.1	31.1	22.8
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	75.2	33.6	61.4

Shareholding pattern (%)

As On	Jun-24	Mar-24
Promoter	85.6	85.6
DII	2.7	3.6
FII	5.9	4.7
Others	5.8	6.2

Stock's performance (one-year)



CMP: INR337 TP: INR390 (+16%) Buy

Volume growth trajectory to continue

- We released our Initiating Coverage (IC) report on JSW Infrastructure (JSWINFRA) in Feb'24 (NOTE LINK). In this report, we highlighted that JSWINFRA has been India's fastest-growing port-related infrastructure company in terms of installed cargo handling capacity over FY21-23.
- JSWINFRA was set up in 2004 to cater to the logistics and supply chain for JSW Steel and other group companies. In FY19, it made investments to be able to serve third-party customers too. In FY24, the third-party business increased to 40% of cargo handled (50% in 1QFY25) from 33% in FY23.
- Currently, its 10 port/terminal concessions are well connected to the industrial hinterlands of Maharashtra, Goa, Odisha, Tamil Nadu, Andhra Pradesh, and Karnataka.
- **JSWINFRA has a robust pipeline for constructing new ports and terminals, with a focus on delivering comprehensive logistics services. The acquisition of Navkar Corporation marks the initial step towards offering pan-India logistics services, including last-mile solutions. It has also approved acquiring a slurry pipeline project from JSW Utkal Steel for INR17b, enhancing connectivity for the Jatadhar Port in Odisha. The project is under development and is likely to materially contribute to revenue from FY28.**
- **JSWINFRA is pursuing both organic and inorganic growth opportunities, thereby bolstering its market footprint. We estimate a volume/revenue/ EBITDA/APAT CAGR of 15%/22%/26%/28% over FY24-26. Reiterate BUY with a TP of INR390 (based on 25x FY26E EV/EBITDA).**

Expansion via organic/inorganic routes, in line with GoI's privatization program

- Private players handle ~50% of cargo at major ports, with plans to increase this to 85% in the coming decades. Under the privatization of the ports program of the Government of India (GoI), the Ministry of Ports aims to award 81 PPP projects worth over INR424m by FY25, involving assets at nine major ports.
- JSWINFRA has embarked on a massive capex plan of INR300b towards notably expanding the total cargo handling capacity from 170 MTPA currently to 400 MTPA by FY30, banking on the rise of India's cargo movement.
- In FY24, JSWINFRA signed a concession agreement with the Karnataka Maritime Board to develop a 30 MTPA greenfield port in Keni, Karnataka. Additionally, JSWINFRA acquired a majority stake in PNP Port, having a capacity of 5MTPA, with plans to expand the capacity to 19MTPA.
- Further, JSWINFRA signed a concession agreement with the Jawaharlal Nehru Port Authority (JNPA) for two liquid berths with a capacity of 4.5MTPA.

Building a pan-India logistics network with a focus on last-mile connectivity

- JSWINFRA, through its wholly owned subsidiary, JSW Port Logistics, acquired a 70.37% stake in Navkar Corporation Ltd. The objective of the acquisition was to provide diverse logistic solutions for last-mile connectivity along with access to large land resources.

- JSWINFRA also received an LoA from Southern Railways, Chennai Division, for the construction and operation of Gati-Shakti Multi-Modal Cargo Terminal (GCT) at Arakkonam, Chennai. This would help establish a pan-India logistics network, enhancing last-mile connectivity.
- The Board of JSWINFRA has recently approved the acquisition of an under-development slurry pipeline project (port connectivity) from JSW Utkal Steel for INR17b. This is a 20-year long-term take-or-pay agreement for using the pipeline to transport iron ore. The project will start contributing materially to revenue from FY28.

Diversified customer and cargo base

- JSWINFRA has a diversified customer base that includes third-party customers across geographies, and it has expanded its cargo mix by leveraging its locational advantage and maximizing asset utilization.
- The company's effort to expand its customer base has led to an increase in cargo handled for third-party customers in India, which posted a CAGR of 55% to reach 43MMT in FY24 from 11MMT in FY21. The third-party cargo mix (by volume) increased from ~25% in FY21 to 40% in FY24 (50% in 1QFY25).
- Sticky cargo, i.e., volume of cargo handled for JSW Group customers and long-term third-party customers, reported a CAGR of 34% to reach 63 MMT in FY23 from 35 MMT in FY21.

Valuation and view

- Leveraging its strong balance sheet, JSWINFRA aims to pursue organic and inorganic growth opportunities, strengthen its market presence, and expand its capacity to 400MMT by 2030, up from the current capacity of 170MMT
- As utilization and volumes continue to ramp up, we expect strong growth to continue. We estimate a volume/revenue/EBITDA/APAT CAGR of 15%/22%/26%/28% over FY24-26. **Reiterate BUY with a TP of INR390 (premised on 25x FY26E EV/EBITDA).**

30 July 2024

Company Update | Sector: Retail

Avenue Supermarts

BSE SENSEX	S&P CNX
81,455	24,857

DMart

Bloomberg	DMART IN
Equity Shares (m)	651
M.Cap.(INRb)/(USDb)	3271.4 / 39.1
52-Week Range (INR)	5220 / 3491
1, 6, 12 Rel. Per (%)	3/21/9
12M Avg Val (INR M)	1877
Free float (%)	25.4

Financials & Valuations (INR b)

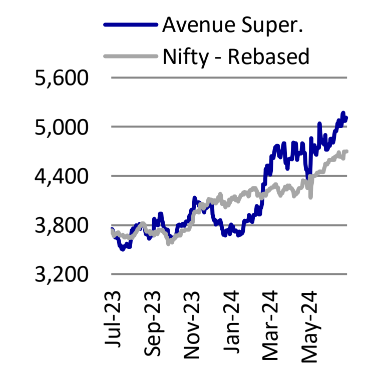
Y/E March	FY24	FY25E	FY26E
Sales	508	612	755
EBITDA	41	52	68
Adj. PAT	25	32	43
EBITDA Margin (%)	8.1	8.5	9.1
Adj. EPS (INR)	39	50	66
EPS Gr. (%)	6	28	33
BV/Sh. (INR)	287	337	404
Ratios			
Net D:E	0.0	0.0	-0.1
RoE (%)	14.6	16.0	17.9
RoCE (%)	14.3	15.7	17.7
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	128.6	100.6	75.5
EV/EBITDA (x)	79.5	62.4	47.4
EV/Sales (X)	6.4	5.3	4.3
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.0	0.1	0.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	74.7	74.7	74.7
DII	8.0	8.6	7.7
FII	9.2	8.3	8.2
Others	8.1	8.5	9.5

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR5,027 TP: INR5,500 (+10%) Buy

Pushing for store addition led growth

We attended DMART's analyst meet, wherein the management noted that it continues to follow "Everyday low cost - Everyday low price" across Food, FMCG, GM, Apparel and DMart Ready. Here are the key highlights:

- **Guidance intact:** DMART expects +20%revenue growth while maintaining gross margins of 14.5-15.5%. It expects store additions to account for 10-15% of revenue growth, while the remaining would come from SSSG.
- **Aggressive store addition target:** DMART plans to add 40-60 stores per year over the next three years, with a cluster-based expansion strategy.
- **Recovering, but expect staying below pre-Covid level:** It expects GM&A to be back on track, albeit still below pre-Covid levels (27-28% of sales). The management anticipates a slight rebound to 23% (vs. 22.37% in FY24).
- **No plans to enter quick commerce (QC):** The company does not intend to enter the QC model and plans to continue to follow the existing ecommerce model (DMart Ready).
- **Optimizing ecommerce business:** DMART made a deliberate choice to optimize its e-commerce business model rather than focusing on higher growth in order to increase throughput in the existing city.
- **We estimate a CAGR of 22%/31% in revenue/PAT over FY24-26E, aided by 11%/9% growth in area/revenue. Maintain Buy.**

Opportunity to add stores remain intact

DMART has all the appropriate resources, abilities, systems, and technologies to run stores. The company will continue to add stores in the range of 10-15% despite having a higher base. Currently, the company targets to add 40-60 stores annually over the next three years, though it could increase the store addition target going forward in order to maintain its 10-15% guidance. The majority of stores are added via the cluster approach, and as the cluster widens and the company enters new untapped geographies (UP, Bihar, etc.), it could give room for more store additions. In FY24, DMART added 70% of the new stores in five states (MH/GJ/TL/KA/AP), where it already has 76% of total stores (the cluster approach). DMART could open stores in both larger and smaller towns, with no concern about the store size as it is ready to open stores based on availability, but it prefers to open larger stores.

Witnessing recovery in GM&A but still below pre-Covid level

The gross merchandise & apparel (GM&A) vertical, which has been an issue for the company, has now started recovering for the last 2-3 quarters. Fashion and apparel merchandise are not a forte of DMART; hence, it has taken initiatives (e.g., pricing, hiring new talent, etc.) to solve the issues internally. DMART expects GM&A to get back on track and increase its sales contribution to 23% in FY25 from 22.4% in FY24, albeit still below the pre-Covid level of 27-28%.

Optimizing ecommerce business

The company has decided to optimize its e-commerce business model rather than focusing on higher growth in order to increase throughput in the existing city. It has added only 1 city (Gurgaon) in FY25 so far and targets to expand its existing footprint in 23 cities. The company is optimizing its business model; hence, instead of reducing area service, it closed 232 pickup locations that were farther than 1-2km (573 in FY23 to 341 in FY24). This should increase the operating leverage for the existing stores. Since the cost of operating the ecommerce business is relatively higher compared to brick-and-mortar stores (due to high manpower requirement and complicated processes), the management took a cost-focused approach and avoided venturing deeper into the ecommerce space.

Valuation and view

DMART clocked a 20% revenue CAGR over FY20-24, led by 18% footprint additions. Subdued SSSG was mainly due to: 1) the addition of bigger stores over the last couple of years (20% rise in average store size), and 2) weak discretionary demand (share of discretionary items reduced to 22% in FY24 from 27% in FY20). However, despite its weak SSSG, DMART has managed to protect its EBITDA margin at pre-Covid levels through its strong cost-control measures, unlike most other retailers. The recovery in revenue/sqft and the reducing gap between revenue/store and revenue/sqft further implied that the share of larger-format stores improved, which is positive for DMART. Moreover, moderating inflation and the revival of discretionary demand could improve SSSG. We estimate a CAGR of 22%/31% of revenue/PAT over FY24-26, aided by 11%/9% growth in footprint/revenue productivity. We value the company at 52x EV/EBITDA (83x PE) on FY26E to arrive at a TP of INR5,500. **We reiterate our BUY rating on the stock.**

Valuation based on Mar'26E

	Methodology	Driver (INR b)	Multiple	Fair Value (INR b)	Value/sh (INR)
EBITDA	Mar'26 EV/EBITDA	68	52	3,555	5,474
Less Net debt				-17	-26
Total Value				**3,572**	**5,500**
Shares o/s (m)				651	
CMP (INR)					5,027
Upside (%)					**10**

Source: MOFSL, Company

IOCL

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	IOCL IN
Equity Shares (m)	14121
M.Cap.(INRb)/(USDb)	2583.5 / 30.9
52-Week Range (INR)	197 / 86
1, 6, 12 Rel. Per (%)	7/8/66
12M Avg Val (INR M)	4239

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	7,764	9,793	11,305
EBITDA	768	382	448
Adj. PAT	406	130	183
Adj. EPS (INR)	29.5	9.5	13.3
EPS Gr. (%)	344.7	-67.8	40.5
BV/Sh.(INR)	133.4	135.9	143.6
Ratios			
Net D:E	0.7	0.7	0.6
RoE (%)	25.1	6.9	9.3
RoCE (%)	16.6	6.2	7.1
Payout (%)	39.6	37.7	40.9
Valuations			
P/E (x)	6.2	19.3	13.7
P/BV (x)	1.4	1.3	1.3
EV/EBITDA (x)	3.8	10.1	8.7
Div. Yield (%)	9.8	1.9	2.9
FCF Yield (%)	39.3	1.3	5.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.5	51.5	51.5
DII	29.6	29.8	31.1
FII	7.8	8.5	7.7
Others	11.1	10.2	9.8

FII Includes depository receipts

CMP: INR183 TP: INR215 (+18%) Buy

Strong margins; petchem turnaround drives earnings

- IOCL's 1QFY25 EBITDA at INR86.3b (down 61% YoY) came in 16% higher than our estimate of INR74.7b led by marketing margin (1QFY25: INR4.8/lit), which was stronger than our estimate (1QFY25: INR3.9/lit). The EBITDA was also driven by a turnaround in the petrochemical division (1Q EBIT of INR119m vs. a loss previously).
- Core GRM in 1QFY25 was USD2.8/bbl. Singapore GRM (SG GRM) has been marginally up so far in 2QFY25 at ~USD5/bbl vs. USD3.5/bbl in 1QFY25. For FY25/26, we are building in GRMs of USD6.9/9.0 per bbl. As such, we believe the refining segment performance will be healthy given the robust oil demand.
- The petchem segment reported an EBIT after two consecutive loss-making quarters. As such, we remain constructive on the petchem cycle turning around in 2HFY25.
- OMCs are currently estimated to be generating a marketing margin of INR6.9/4.9 per lit on petrol/diesel vs. our assumption of INR3.3/lit for both these products in FY25-26.
- Our earnings assumptions for the refining and marketing segments remain unchanged. The stock trades at 13.7x consol. FY26E EPS and 1.3x FY26E P/B. **Reiterate BUY with a TP of INR215, valuing the stock at 1.5x FY26 P/B.**

Beat on EBITDA/PAT led by strong margins; turnaround in petchem

- Reported GRM came in line with our est. at USD6.4/bbl (vs. our est. of USD6.5/bbl and USD8.4/bbl in 4QFY24).
  - Core GRM stood at USD2.8/bbl (v/s USD9.1/bbl in 1QFY24 and USD10.6/bbl in 4QFY24), implying an inventory gain of USD3.6/bbl during the quarter.
- Refining throughput came in line with our estimate at 18.2mmt (down 3% YoY).
- In the marketing segment, domestic sales volume was also in line with our estimate at 24.1mmt (up 3% YoY).
  - Marketing margin (including inv.) was above our est. at INR4.8/lit (est. INR3.9/lit and INR5.2/lit in 4QFY24).
- Petchem sales volume stood in-line YoY at 0.73mmt (vs. 0.8mmt in 4QFY24).
  - However, petchem segment's EBIT stood at INR119m (vs. -INR4b in 4QFY24), driven by a sequential margin expansion.
- EBITDA was above our est. at INR86.3b (our est. of INR74.7b, down 61% YoY). Additionally, INR41.2b LPG under-recovery was booked in 1QFY25.
- Resultant PAT came at INR26.4b (our est. of INR23.7b, up 81% YoY), due to lower-than-estimated other income.
- In 1QFY25, Principal Controller of Defence Accounts (PCDA) has unilaterally deducted INR6.2b from payment for ongoing supplies, pertaining to a claim of similar amount raised, via MoPNG, for Jan'22 to Mar'23 supplies against IOCL.
- **As of 30 Jun'24,** IOCL had a cumulative negative net buffer of INR51.6b due to under-recovery on LPG cylinders (INR10.2b as on 31 Mar'24).

Valuation and View

- IOCL is set to commission multiple projects over the next two years, driving further growth. Refinery projects, currently underway, are expected to be completed as follows: Panipat refinery (25mmtpa) by Dec'25, Gujarat refinery (18mmtpa) by Oct'24, and Baruni refinery (9mmtpa) by Dec'24.
- The stock trades at 13.7x consolidated FY26E EPS of INR13.3 and 1.3x FY26E P/B. **We reiterate our BUY rating on the stock, valuing it at 1.5x FY26E P/B to arrive at our target price of INR215.**

Standalone - Quarterly Earnings (INR b)

Y/E March	FY24				FY25E				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**1975.3**	**1797.4**	**1991.0**	**1979.8**	**1932.4**	**2399.2**	**2647.4**	**2737.3**	**7743.5**	**9716.3**	**2562.2**	**-25%**
YoY Change (%)	*-11.9*	*-13.4*	*-2.8*	*-2.5*	*-2.2*	*33.5*	*33.0*	*38.3*	*-7.8*	*25.5*	*29.7*	
EBITDA	**221.5**	**221.6**	**155.9**	**106.9**	**86.3**	**73.9**	**77.5**	**78.7**	**705.8**	**316.4**	**74.7**	**16%**
Margin (%)	*11.2*	*12.3*	*7.8*	*5.4*	*4.5*	*3.1*	*2.9*	*2.9*	*9.1*	*3.3*	*2.9*	
Depreciation	31.5	32.8	43.4	37.4	37.6	37.2	37.2	36.8	145.1	148.6	37.2	
Interest	16.3	18.5	18.3	20.2	19.6	18.7	18.7	17.8	73.3	74.9	18.7	
Other Income	6.9	9.8	14.5	16.6	5.3	10.6	10.6	15.8	47.8	42.3	12.6	
PBT	**180.7**	**171.7**	**107.7**	**63.3**	**34.5**	**34.5**	**32.2**	**40.0**	**523.4**	**135.3**	**31.4**	**10%**
Rate (%)	*23.9*	*24.5*	*25.1*	*23.6*	*23.4*	*20.8*	*25.2*	*25.2*	*24.3*	*24.7*	*24.5*	
Adj PAT	**137.5**	**129.7**	**80.6**	**48.4**	**26.4**	**21.4**	**24.1**	**29.9**	**396.2**	**101.8**	**23.7**	**12%**
YoY Change (%)	*LP*	*LP*	*1699.8*	*-51.9*	*-80.8*	*-83.5*	*-70.1*	*-38.2*	*380.7*	*-74.3*	*-82.8*	
Margin (%)	*7.0*	*7.2*	*4.0*	*2.4*	*1.4*	*0.9*	*0.9*	*1.1*	*5.1*	*1.0*	*0.9*	
Key Assumptions												
Refining throughput (mmt)	17.8	17.8	18.5	18.3	18.2	18.2	18.2	18.2	72.3	72.7	18.3	-1%
Reported GRM	8.3	17.9	13.5	8.4	6.4	9.0	9.0	9.2	12.1	8.4	6.5	-2%
Domestic sale of refined products (mmt)	21.9	21.9	23.3	23.7	24.1	22.8	24.3	24.7	90.9	95.8	24.2	-1%

Key assumptions

Y End: March 31	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Exchange Rate (INR/USD)	**70.0**	**70.9**	**74.3**	**74.5**	**80.4**	**82.8**	**84.0**	**85.0**
Brent Crude (USD/bbl)	**70.1**	**61.2**	**44.4**	**80.5**	**96.1**	**83.0**	**78.7**	**75.0**
Domestic direct sales refined pdts (MMT)	85	84	76	80	91	92	96	100
YoY (%)	10%	0%	-10%	6%	13%	2%	4%	4%
Reported GRM (USD/bbl)	**5.4**	**0.1**	**5.6**	**11.3**	**19.5**	**12.1**	**6.9**	**9.0**
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.6	5.5	6.0
Prem./(disc) (USD/bbl)	0.5	(3.1)	5.1	6.3	8.8	5.5	1.4	3.0
Refining capacity utilization (%)	**104%**	**100%**	**90%**	**98%**	**105%**	**106%**	**105%**	**105%**
Total Refinery throughput (MMT)	71.8	69.4	62.4	67.7	72.3	73.3	72.7	72.7
YoY (%)	4%	-3%	-10%	9%	7%	1%	-1%	0%
Marketing Margin (INR/lit)								
Blended gross marketing margin incld inventory	5.0	5.8	6.2	4.4	-1.1	6.0	3.9	4.1
Consolidated EPS	**12.5**	**1.8**	**15.8**	**18.7**	**6.6**	**29.5**	**9.5**	**13.3**

Source: Company, MOFSL

Varun Beverages

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	VBL IN
Equity Shares (m)	1299
M.Cap.(INRb)/(USDb)	2049.7 / 24.5
52-Week Range (INR)	1707 / 796
1, 6, 12 Rel. Per (%)	-7/11/70
12M Avg Val (INR M)	2716

Financials & Valuations (INR b)

Y/E Dec	2024E	2025E	2026E
Sales	204.0	243.7	283.6
EBITDA	47.7	54.8	65.2
Adj. PAT	26.8	33.6	42.5
EBITDA (%)	23.4	22.5	23.0
EPS (INR)	20.7	25.9	32.7
EPS Gr. (%)	30.5	25.4	26.4
BV/Sh. (INR)	71.5	94.9	124.7
Ratios			
Net D/E	0.6	0.2	-0.0
RoE (%)	33.1	31.1	29.8
RoCE (%)	22.5	23.6	26.7
Payout (%)	12.1	9.7	9.2
Valuations			
P/E (x)	76.3	60.9	48.2
EV/EBITDA (x)	44.1	38.0	31.4
Div Yield (%)	0.2	0.2	0.2
FCF Yield (%)	0.0	1.3	2.0

Shareholding pattern (%)

	Dec-23	Sep-23	Dec-22
Promoter	63.1	63.1	63.9
DII	3.6	3.4	3.4
FII	26.6	27.6	26.5
Others	6.8	6.5	6.2

Note: FII includes depository receipts

CMP: INR1,577 TP: INR1,850 (+17%) Buy

Domestic business drives volume growth

Earnings below our estimate

- Varun Beverages (VBL) reported a revenue growth of 29% YoY in 2QCY24, led by volume growth (up 28% YoY). This was primarily driven by a domestic volume growth of 23% YoY due to increased capacity and a strong summer season. However, international volume was flat due to the portfolio transition to zero sugar in Zimbabwe. Realization was flat YoY at INR179/case.
- Management guided a double-digit volume growth in the domestic market going forward, while international market (mainly Zimbabwe) would rebound to a healthy volume growth from 3QCY24.
- We largely maintain our CY24/CY25/CY26 earnings estimates. **We reiterate our BUY rating on the stock with a TP of INR1,850.**

Cost optimization and operating leverage boost earnings growth

- VBL's revenue grew 29% YoY to INR73.3b (est. INR77b) on account of a healthy volume growth (+28% YoY to 402m cases), while realization was flat YoY (at INR179/case). Volume growth was driven by domestic markets (up 23% YoY), while international market remained flat YoY due to seasonality and the portfolio transition impact in Zimbabwe (to zero sugar products).
- EBITDA margin expanded 70bp YoY to 27.7% (est. 27.8%) on the back of improved gross margins (up 220bp YoY). This improvement can be attributed to timely procurement and storage of PET chips, the company's concentrated efforts to minimize sugar content, and the adoption of lighter packaging materials. EBIDTA per case grew by 3% YoY to INR49.6. EBITDA stood at INR20b, up 32% YoY (est. INR21.1b).
- Adj. PAT grew 26% YoY to INR12.5b (est. INR14.2b), driven by higher sales growth and improvement in margins partly offset by higher depreciation, up 41% YoY (due to the acquisition of BevCo and setting-up of new production facilities), and increased finance costs, up 86% YoY (due to higher stocking of PET chips; as it was an arbitrage between savings in cost of goods sold and enhanced interest costs).
- Subsidiary (consolidated minus standalone) revenue/EBITDA grew 49%/24% YoY to INR15.3b/INR2.5b; however, Adj. PAT declined 19% YoY to INR1b in 2QCY24.
- CSD/Juices/water volumes grew 32%/39%/7% YoY to 306m/32m/63m unit cases in 2QCY24.
- For 1HCY24, Revenue/EBITDA/Adj. PAT grew by 22%/29%/26% to INR117b/INR29.8b/INR17.9b. Net debt as on Jun'24 stood at INR58.8b vs. INR47.3b as on Dec'23.

Highlights from the management commentary

- **Outlook:** VBL expects healthy double-digit volume growth in 3QCY24/CY24 led by a healthy volume growth in the domestic market (double-digit) and a volume recovery in the international market from 3Q (ramp up of DRC plant).
- **Capex:** VBL has incurred a total capex of INR18b in 1HCY24, of which the company spent ~INR12b/INR6b on assets to be capitalized in CY24/CY25. The company plans to spend ~INR10b in 2HCY24 for the assets to be capitalized in CY25 (i.e., capitalization in CY25 to be ~INR25-26b)

- **DRC:** VBL started commercial production of CSD and water at a greenfield facility in DRC. The DRC will be a big opportunity as it is a 100m population region situated on the Equator (i.e., summer throughout the year).

Valuation and view

- We expect VBL to maintain its earnings momentum, aided by: 1) increased penetration in newly acquired territories in Africa, 2) higher acceptance of newly launched products, 3) continued expansion in capacity and distribution reach, 4) growing refrigeration in rural and semi-rural areas, and 5) a scale-up in international operations.
- We expect a CAGR of 21%/22%/27% in revenue/EBITDA/PAT over CY23-26.
- We largely maintain our CY24/CY25/CY26 earnings estimates. **We value the stock at 60x Sep'26E EPS to arrive at our TP of INR1,850. We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Earnings Model (INRm)

Y/E December	CY23				CY24				CY23	CY24E	CY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2Q	%
Gross Sales	**38,930**	**56,114**	**38,705**	**26,677**	**43,173**	**71,969**	**50,317**	**38,581**	**1,60,425**	**2,04,039**	**75,944**	**-5**
YoY Change (%)	37.7	13.3	21.8	20.5	10.9	28.3	30.0	44.6	21.8	27.2	35.3	
Total Expenditure	30,949	41,004	29,884	22,494	33,286	52,056	38,674	32,350	1,24,331	1,56,366	54,802	
EBITDA	**7,980**	**15,110**	**8,821**	**4,183**	**9,888**	**19,912**	**11,643**	**6,231**	**36,095**	**47,674**	**21,142**	**-6**
Margins (%)	20.5	26.9	22.8	15.7	22.9	27.7	23.1	16.2	22.5	23.4	27.8	
Depreciation	1,722	1,719	1,708	1,660	1,875	2,425	2,430	2,435	6,809	9,165	2,250	
Interest	626	694	625	737	937	1,292	980	990	2,681	4,198	950	
Other Income	101	416	185	91	84	440	400	350	794	1,274	470	
PBT before EO expense	**5,734**	**13,113**	**6,673**	**1,878**	**7,159**	**16,636**	**8,633**	**3,156**	**27,398**	**35,584**	**18,412**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**5,734**	**13,113**	**6,673**	**1,878**	**7,159**	**16,636**	**8,633**	**3,156**	**27,398**	**35,584**	**18,412**	
Tax	1,348	3,057	1,529	442	1,678	4,012	1,899	694	6,375	8,284	4,052	
Rate (%)	23.5	23.3	22.9	23.5	23.4	24.1	22.0	22.0	23.3	23.3	22	
Minority Interest & Profit/Loss of Asso. Cos.	95	118	130	118	107	98	129	136	461	469	134	
Reported PAT	**4,291**	**9,938**	**5,015**	**1,318**	**5,374**	**12,526**	**6,605**	**2,326**	**20,561**	**26,832**	**14,226**	
Adj PAT	**4,291**	**9,938**	**5,015**	**1,318**	**5,374**	**12,526**	**6,605**	**2,326**	**20,561**	**26,832**	**14,226**	**-12**
YoY Change (%)	68.8	26.2	31.6	76.3	25.2	26.0	31.7	76.5	37.3	30.5	43.2	
Margins (%)	11.0	17.7	13.0	4.9	12.4	17.4	13.1	6.0	12.8	13.2	18.7	

Key performance indicators

Y/E December	1QCY22	2QCY22	3QCY22	4QCY22	1QCY23	2QCY23	3QCY23	4QCY23	1QCY24	2QCY24
Segment Volume Gr.										
CSD	18	85	23	25	27	6	19	25	6	32
NCB	18	139	38	17	23	-13	0	14	13	39
Water	21	140	25	5	17	7	8	5	10	7
Cost Break-up										
RM Cost (% of sales)	48	49	46	44	48	48	45	43	44	45
Employee Cost (% of sales)	10	6	10	14	9	6	10	14	9	7
Other Cost (% of sales)	23	19	22	28	23	19	23	27	24	20
Gross Margins (%)	52	51	54	56	52	52	55	57	56	55
EBITDA Margins (%)	19	25	22	14	20	27	23	16	23	28
EBIT Margins (%)	14	22	17	6	16	24	18	9	19	24

Source: Company, MOFSL

30 July 2024

1QFY25 Results Update | Sector: Consumer

Tata Consumer Products

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	TATACONS IN
Equity Shares (m)	953
M.Cap.(INRb)/(USDb)	1138.5 / 13.6
52-Week Range (INR)	1254 / 817
1, 6, 12 Rel. Per (%)	7/-8/14
12M Avg Val (INR M)	1872
Free float (%)	TATACONS IN

Financials & valuations (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	152.1	176.8	191.7
EBITDA	22.8	27.4	31.7
Adj. PAT	14.0	16.4	20.1
EBITDA Margin (%)	15.0	15.5	16.5
Cons. Adj. EPS (INR)	14.6	16.6	20.2
EPS Gr. (%)	28.7	13.1	22.1
BV/Sh. (INR)	168.5	222.1	236.2
Ratios			
Net D:E	0.0	-0.1	-0.1
RoE (%)	8.6	9.0	9.5
RoCE (%)	10.7	10.9	11.4
Payout (%)	53.8	39.6	32.1
Valuations			
P/E (x)	81.5	72.0	59.0
EV/EBITDA (x)	48.3	39.7	33.9
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	1.4	1.8	1.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	33.6	33.6	34.4
DII	18.7	17.4	16.3
FII	24.1	25.5	25.5
Others	23.6	23.6	23.8

Note: FII includes depository receipts

CMP: INR1,195 TP: INR1,380 (+15%) Buy

Operating profitability led by international beverage and non-branded business

Operating performance in line

- Tata Consumer Products (TATACONS) reported a healthy operating performance in 1QFY25. EBIT growth of 12% YoY was led by a strong performance in international branded beverage segment (EBIT up 52% YoY) and non-branded business (EBIT up 92% YoY). EBIT for India branded business declined 1% YoY.
- We broadly maintain our FY25/FY26 EBITDA estimates. **Reiterate BUY with an SoTP-based TP of INR1,380.**

Broad-based revenue growth across segments

- TATACONS reported revenue of INR43.5b (in line), up 16% YoY. EBITDA margin improved 80bp YoY to 15.3% (in line), led by higher gross margins (up 270bp to 44.9%). EBITDA was up 22% YoY at INR6.7b (in line). Margin expansion was led by structural interventions and tactical pricing in most of its international markets and higher coffee realizations within unbranded business.
- Indian branded business grew by 14% YoY to INR28.2b, led by revenue growth of 5%/25% YoY in Indian branded beverage/Indian food business to INR15.2b/INR12.9b. EBIT declined by 1% YoY to INR3.3b.
- Volumes in India packaged beverage business stood flat YoY, while volumes in the foods business grew 10% YoY (excluding Capital Foods). The salt segment's revenue increased 9% YoY, led by ~8% YoY volume growth. Tata Sampann portfolio grew 37% YoY.
- Ready-to-drink (RTD) segment revenue grew ~7% YoY to ~INR3.11b. The business was hurt by a strong summer, which reduced out-of-home consumption, especially for single serve packs. Tata Starbucks revenue grew only 4% YoY due to lower footfalls.
- International branded beverages revenue grew 17% YoY to ~INR10.5b, with EBIT growth of 52% YoY to INR1.8b. EBIT margins stood at 16.8% (up 380bp YoY). Non-branded business revenue increased 33% YoY to INR5b, while EBIT jumped 92% YoY to INR961m due to higher coffee prices.
- Adjusted PAT declined by 5% to INR3b (est. INR3.9b), led by an increase in finance costs (by 3.6x YoY) and depreciation (up 81% YoY) relating to the acquisition. Also, the company witnessed an exceptional loss of INR171m relating to business restructuring in 1QFY25.

Highlights from the management commentary

- **Acquired businesses:** Capital food and Organic India are margins-accretive businesses; however, in this quarter, their combined gross margin stood at ~48.4%, affected by integration costs (being the first quarter). Going ahead margins are expected to expand, driving up overall company margins.

- **Tata Sampann** reported 37% YoY growth, driven by multiple innovations over last few years (such as launch of branded dry fruits on ecommerce platforms). New launches contributed one-third of the segment's growth. Margins also expanded sequentially.
- **Commodity prices:** Tea production in the country was affected by unfavorable weather conditions. Accordingly, North India tea prices were up 16% YoY. Robusta coffee prices have touched record highs during the quarter due to global supply shortages. Averages prices for 1Q were 57% higher YoY.

Valuation and view

- TATACONS's holistic strategy is aimed at: i) strengthening and accelerating its core business, ii) exploring new opportunities, iii) unlocking synergies, iv) digitizing the supply chain, v) expanding its product portfolio and innovation, vi) enhancing its focus on premiumization and health & wellness products, vii) embedding sustainability, and viii) expanding its sales and distribution infrastructure, supply chain, and capability building toward being a multi-category FMCG player.
- We expect TATACONS to clock a revenue/EBITDA/PAT CAGR of 12%/18%/20% during FY24-26. We broadly maintain our FY25/FY26 EBITDA estimates. **Reiterate BUY with an SoTP-based TP of INR1,380.**

Consolidated - Quarterly Earning Model (INRb)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	(%)
Gross Sales	**37.4**	**37.3**	**38.0**	**39.3**	**43.5**	**43.3**	**43.9**	**46.1**	**152.1**	**176.8**	**44.3**	**-2**
YoY Change (%)	12.5	11.0	9.5	8.5	16.3	16.1	15.3	17.4	10.3	16.3	18.5	
Total Expenditure	32.0	32.0	32.3	33.0	36.8	36.8	37.0	38.7	129.2	149.4	37.6	
EBITDA	**5.5**	**5.4**	**5.7**	**6.3**	**6.7**	**6.5**	**6.8**	**7.4**	**22.8**	**27.4**	**6.8**	**-2**
Margins (%)	14.6	14.4	15.0	16.0	15.3	15.0	15.6	16.1	15.0	15.5	15.3	
Depreciation	0.8	0.9	0.9	1.2	1.5	1.1	1.1	1.1	3.8	4.9	1.1	
Interest	0.3	0.3	0.3	0.4	0.9	0.5	0.6	0.6	1.3	2.7	0.5	
Other Income	0.6	0.9	0.6	0.4	0.4	0.9	0.7	0.7	2.5	2.7	0.4	
PBT before EO expense	**4.9**	**5.1**	**5.1**	**5.1**	**4.6**	**5.8**	**5.8**	**6.4**	**20.2**	**22.6**	**5.6**	
Extra-Ord expense	-0.1	-0.1	-0.9	-2.2	-0.2	0.0	0.0	0.0	-3.3	-0.2	0.0	
PBT	**4.9**	**4.9**	**4.2**	**2.9**	**4.5**	**5.8**	**5.8**	**6.4**	**17.0**	**22.4**	**5.6**	**-20**
Tax	1.3	1.3	1.1	0.3	1.3	1.6	1.6	1.7	3.9	6.2	1.5	
Rate (%)	26.7	26.8	25.2	8.8	29.9	27.0	27.0	27.0	23.3	27.6	27.0	
Minority Interest	0.2	0.3	0.2	0.0	0.0	0.0	0.1	0.1	0.7	0.2	0.0	
Profit/Loss of Asso. Cos.	-0.2	0.0	-0.1	-0.6	-0.2	0.0	-0.2	-0.3	-0.9	-0.7	-0.2	
Reported PAT	**3.2**	**3.4**	**2.8**	**2.2**	**2.9**	**4.2**	**4.0**	**4.3**	**11.5**	**15.4**	**3.9**	**-25**
Adj PAT	**3.2**	**3.5**	**3.5**	**3.8**	**3.0**	**4.2**	**4.0**	**4.3**	**14.0**	**15.5**	**3.9**	**-21**
YoY Change (%)	17.2	42.8	18.7	38.4	-5.4	20.1	15.4	12.5	28.7	11.0	20.3	
Margins (%)	8.6	9.4	9.1	9.6	7.0	9.7	9.1	9.2	9.2	8.8	8.7	

HPCL

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	HPCL IN
Equity Shares (m)	1419
M.Cap.(INRb)/(USDb)	842.1 / 10.1
52-Week Range (INR)	402 / 159
1, 6, 12 Rel. Per (%)	16/10/86
12M Avg Val (INR M)	3433

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	4,339	4,063	3,962
EBITDA	249	131	192
Adj. PAT	160	57	100
Adj. EPS (INR)	75	27	47
EPS Gr. (%)	LP	-64	76
BV/Sh.(INR)	220	240	274
Ratios			
Net D:E	1.3	1.3	1.1
RoE (%)	40.4	11.6	18.3
RoCE (%)	15.9	5.5	8.5
Payout (%)	27.9	26.7	28.4
Valuations			
P/E (x)	5.3	14.9	8.5
P/BV (x)	1.8	1.7	1.5
EV/EBITDA (x)	5.9	11.4	7.8
Div. Yield (%)	5.3	1.8	3.3
FCF Yield (%)	16.4	1.5	6.7

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	54.9	54.9	54.9
DII	21.5	22.2	22.3
FII	13.2	13.8	14.0
Others	10.4	9.1	8.8

FII Includes depository receipts

CMP: INR396 TP: INR460 (+16%) BUY

HRRL start-up the key catalyst in FY26E

- HPCL missed our EBITDA estimate in 1QFY25 due to lower-than-expected marketing margin of INR3/lit (est. of INR4.1/lit). The miss was largely due to LPG-related under-recoveries of INR23.5b in 1Q.
- **Refinery** throughput was above estimate at 5.8mmt (up 7% YoY). The company expects refining throughput to improve post-commissioning of the expanded capacity at Visakh refinery. Singapore GRM (SG GRM) has been inching up to close to ~USD5/bbl now vs. USD3.5/bbl in 1QFY25, which should support refining performance in 2QFY25.
- In the **marketing segment**, sales volumes came in line with our est. at 12.6mmt (up 7% YoY). OMCs are currently earning a gross marketing margin higher than our assumption of INR3.3/lit for both petrol and diesel. **Among OMCs, HPCL has the highest leverage to marketing and would benefit the most due to an uptick in marketing margins.**
- Commissioning of the bottom upgradation unit at Vizag refinery would result in the distillate yield improving 10% from 4QFY25. The company expects to maintain a GRM delta of USD3.5/bbl over SG GRM. De-merger of lubricant business also provides value-unlocking opportunity.
- HPCL took a hit of INR23.4b due to LPG under-recoveries in 1QFY25. However, LPG being a controlled product, HPCL remains hopeful of financial support from the government. Owing to LPG under-recovery, we cut our FY25 EBITDA/PAT estimates by 23%/35%; we conservatively account for these losses now, though potentially OMCs could receive financial assistance related to LPG in due course of time.
- **We reiterate our BUY rating on the stock**, valuing it by SoTP method to arrive at our **TP of INR460.** The start-up of the Rajasthan refinery (HRRL; HPCL has 74% stake) can be a key catalyst in FY26, in our opinion.

EBITDA/PAT lower than estimates due to LPG "losses"

- HPCL's EBITDA stood at INR21b in 1QFY25 (vs. our estimate of INR33b).
- The miss was due to the LPG under-recovery of INR23.5b, which we believe could be reversed in due course as the LPG remains a controlled product.
- Refining throughput was 7% above our estimate at 5.8mmt (+7% YoY). Reported GRM was 14% below our estimate at USD5/bbl (-32% YoY).
- Marketing volumes stood at 12.6mmt (est. 12.2mmt), up 7% YoY.
  - Marketing margin (including inv.) stood at ~INR3/lit (est. INR4.1/lit), down 64% YoY. The miss is likely attributable to LPG under-recovery.
- PAT came in at INR3.6b (vs. our estimate of INR12.4b) due to lower-than-estimated other income.
- **As of Jun'24**, HPCL had a cumulative negative net buffer of INR24.4b, due to the under-recovery on LPG cylinders (INR1b as of Mar'24).

1QFY25 highlights:

Operational performance:

- HPCL clocked its highest-ever quarterly sales volume of 12.63mmt (including exports), implying 0.25% market share gain among PSU OMCs.
- Lubricant business sales stood at 152tmt (+3% YoY). Additionally, it posted the highest-ever petrochemical sales of 30.3tmt in 1Q.
- The highest-ever pipeline throughput of 6.83mmt was recorded in 1Q.
- HPCL has commissioned 126 new retail outlets nationwide, bringing the total number of outlets to 22,148.
- The company achieved the highest-ever Ethanol blending of 14.3% in 1Q.

Update on ongoing projects:

- A capex of INR20.2b was incurred in 1QFY25.

HRRL:

- Key process units, diesel hydro-treating (DHDT), and hydrogen generation unit (HGU) are currently in the pre-commissioning phase. The overall physical progress of the project has surpassed 80%.
- As of Jun'24, total commitments stood at INR698.5b and capex was INR480b.
- Visakh Refinery: The 3.55mmtpa residue upgradation facility at its Visakh refinery, one of the largest and most energy-efficient residue hydrocracker units globally, is anticipated to be mechanically completed in 2QFY25, with the commissioning expected in 3QFY25.

Other highlights

- During 1QFY25, HPCL's lubricants division introduced new brands, including Finit, Rustop HP-50, and the premium brand Futur-X.
- It has finalized three master sales purchase agreements (MSPAs) with suppliers for sourcing spot LNG cargoes, bringing the total number of MSPAs to eight.

Valuation and view

- **HPCL** remains our preferred pick among the three OMCs. We model a marketing margin of INR3.3/lit for both MS and HSD in FY25-26E, while the current MS/HSD marketing margins are INR6.9/lit and INR4.9/lit, respectively. We see the following as key catalysts for the stock: 1) demerger and potential listing of lubricant business, 2) the commissioning of its bottom upgrade unit, and 3) the start of its Rajasthan refinery in 4QFY25'end.
- HPCL currently trades at 1.5x FY26E P/B, which we believe offers a reasonable margin of safety as we estimate FY26E RoE of 18.3%. Our SoTP based TP includes:
- The standalone refining and marketing business at 6.7x FY26 EV/EBITDA.
- INR33/sh as potential value unlocking from de-merger of the lubricant business.
- HMEL at 8x P/E based on its FY24 PAT (HPCL's share), deriving a value of INR35/share.
- Chhara Terminal at 1x P/B, and HPCL's HRRL stake at 0.5x of HPCL's equity investment in the project to date. MRPL stake is valued at MOFSL's TP.
- All these lead to a revised TP of INR460. **Reiterate BUY.**

Standalone - Quarterly Earnings Model (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	1,119.6	957.0	1,113.1	1,145.6	1,138.0	1,007.9	954.6	958.6	4,335.2	4,059.3	1,055.6	8%
YoY Change (%)	-2.2	-11.7	1.6	6.1	1.6	5.3	-14.2	-16.3	-1.6	-6.4	-5.7	
EBITDA	95.2	85.8	21.3	48.7	20.8	37.3	37.4	35.0	251.0	130.4	32.6	-36%
Margins (%)	8.5	9.0	1.9	4.2	1.8	3.7	3.9	3.6	5.8	3.2	3.1	
Depreciation	13.6	12.4	13.4	16.1	14.8	16.8	16.8	18.9	55.5	67.3	16.8	
Forex loss	-1.3	3.6	-0.4	0.6	-0.3	0.0	0.0	0.0	2.6	-0.3	0.0	
Interest	5.9	5.8	6.1	7.3	7.3	6.3	6.3	5.3	25.2	25.2	6.3	
Other Income	6.3	3.4	5.6	8.5	5.7	7.1	7.1	8.6	23.8	28.5	7.1	
PBT before EO expense	83.3	67.4	7.7	33.1	4.7	21.3	21.4	19.3	191.5	66.7	16.6	-72%
PBT	83.3	67.4	7.7	33.1	4.7	21.3	21.4	19.3	191.5	66.7	16.6	-72%
Rate (%)	25.5	24.1	31.1	14.2	24.5	25.2	25.2	25.2	23.3	25.1	25.2	
Adj PAT	62.0	51.2	5.3	28.4	3.6	15.9	16.0	14.5	146.9	50.0	12.4	-71%
YoY Change (%)	LP	LP	206.8	-11.8	-94.3	-68.9	202.9	-49.1	LP	-66.0	-80.0	
Key Assumptions												
Refining throughput (mmt)	5.4	5.8	5.3	5.8	5.8	5.8	5.8	5.8	22.3	23.0	5.4	7%
Reported GRM (USD/bbl)	7.4	13.3	8.5	6.9	5.0	8.0	8.1	8.4	9.1	7.4	5.9	-14%
Marketing sales volume incl exports (mmt)	11.9	10.7	11.9	12.3	12.6	12.2	12.2	11.7	46.8	48.7	12.2	4%
Marketing GM incl inv (INR/litre)	8.4	5.9	2.7	4.8	3.0	3.8	3.8	3.8	5.4	3.6	4.1	-26%

Key assumptions for HPCL

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	84.0	85.0
Brent Crude (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.7	75.0
Market Sales (MMT)	38.7	39.6	36.6	39.1	43.5	46.8	48.7	50.6
YoY (%)	5	2	(8)	7	11	8	4	4
GRM (USD/bbl)	5.0	1.0	3.9	7.2	12.1	9.1	7.4	8.1
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.6	5.5	6.0
Prem/(disc) (USD/bbl)	0	(2)	3	2	1	2	1.9	2.1
Total Refinery throughput (MMT)	18.4	17.2	16.4	14.0	19.1	22.3	23.0	23.0
YoY (%)	1%	-7%	-4%	-15%	37%	17%	3%	0%
Refining capacity utilization (%)	117%	109%	104%	88%	85%	91%	94%	94%
Blended marketing margin incld inventory (INR/lit)	4.3	4.0	6.3	4.3	(0.8)	5.4	3.6	4.5
Consolidated EPS	**31.4**	**17.1**	**50.1**	**34.3**	**-32.8**	**75.2**	**26.7**	**47.0**

HPCL SoTP valuation

Particulars	Earning metric		Val metric	Multiple	Amount (INR m)
HPCL standalone	FY26E EBITDA	1,90,887	EV/EBITDA	6.7	12,76,652
(-) Standalone FY26E Net Debt					5,85,492
Standalone Market Cap					**6,91,160**
+ Lubricant business- value unlocking	FY24 EBITDA	10,000	EV/EBITDA	7.0	70,000
+ MRPL	MOFSL TP	50,504			50,504
+ HMEL	FY24 PAT	9,310	P/E	8.0	74,480
+ Chhara terminal	Book Value	12,232	P/B	1.0	12,232
+ HRRL	Equity invested till date		P/B	0.5	80,000
SoTP					**9,78,375**
(/) shares outstanding					**2,128**
TP (INR/share)					**460**

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1QFY25 Results Update | Sector: Automobile

Exide

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	EXID IN
Equity Shares (m)	850
M.Cap.(INRb)/(USDb)	451.9 / 5.4
52-Week Range (INR)	620 / 242
1, 6, 12 Rel. Per (%)	-9/52/85
12M Avg Val (INR M)	2276

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Sales	160.3	176.6	196.9
EBITDA	18.7	20.7	25.3
Adj. PAT	10.5	12.0	15.3
Adj. EPS (INR)	12.4	14.1	18.0
EPS Gr. (%)	16.5	14.1	27.7
BV/Sh. (INR)	154.6	165.5	179.5
Ratio			
RoE (%)	8.0	8.5	10.1
RoCE (%)	8.9	8.9	10.3
Payout (%)	16.1	22.6	22.2
Valuations			
P/E (x)	44.5	39.0	30.6
P/BV (x)	3.6	3.3	3.1
Div Yield (%)	0.4	0.6	0.7
FCF Yield (%)	3.2	1.3	2.8

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	46.0	46.0	46.0
DII	17.9	18.6	19.8
FII	13.7	13.6	12.9
Others	22.4	21.9	21.4

FII Includes depository receipts

CMP: INR532 TP: INR480 (-10%) Neutral

Weak product mix and lower other income hit profitability

Trial runs for the li-ion business to start from 4QFY25; valuations fair

- Exide (EXID)'s 1QFY25 results were disappointing, due to a weak product mix and lower other income impacting overall profitability, resulting in EBITDA/PAT of INR4.9b/INR2.8b (est. INR5.7b/INR3.3b). While the demand outlook for the coming quarters remains positive, we believe the increase in lead prices will lead to margin pressure in the near term.
- We cut our FY25E/26E EPS by ~14%/8% to factor in a rise in lead prices and lower other income. Further, while the market appears to be upbeat on EXID's lithium ion foray, we remain cautious of the returns from the same. Besides, the stock at ~39x/31x FY25/26E EPS appears fairly valued. **Reiterate Neutral with a TP of INR480 (based on 22x Jun'26E EPS + INR64/share for HDFC Life stake).**

Margin under pressure in a seasonally strong quarter

- EXID's 1QFY25 revenue/EBITDA/Adj. PAT grew 6%/14%/16% YoY to INR43.1b/INR4.9b/INR2.8b (est. INR44b/INR5.7b/INR3.3b).
- Growth across segments, i.e., Auto and Industrial, remained largely similar. Within the Industrial segment, solar, UPS and infra demand was better, while telecom was weaker over a high base of last year. Exports too have grown over a low base of the previous year.
- Gross margin contracted 230bp QoQ to 30.7% (est. 32%) and was led by the adverse mix as rise in input costs were visible with a quarter lag.
- EBITDA margin stood at 11.5% (est. 12.9%); down 140bp QoQ. Weak operating performance coupled with lower other income led to Adj PAT.

Highlights from the management interaction

- In the industrial vertical, sales of invertor batteries picked up in the second half of 1QFY25 (as heat waves started from mid-May) and hence a part of sales are likely to spill over in 2QFY25.
- The impact of the increase in lead prices in 1Q is likely to be visible from 2QFY25. To offset the same, EXID has taken two price hikes of ~1% each, one towards the end of 1Q, and the other in Jul'24. The benefits of these price hikes and normalization of mix are likely to help offset the input cost pressure.
- **LAB business outlook**: Outlook on both the auto and industrial segments remains upbeat with healthy order inflows in solar, railways, power, and traction segments. Management is targeting a higher contribution from exports to 20% over the next 5-6 years. The company maintained capex guidance at ~INR5b for LAB for FY25.
- **Li-ion business**: EXID invested INR2b in 1QFY25 and INR750m in Jul'24 in its Li-ion cell manufacturing subsidiary (EESL), taking the total equity investment to INR25.8b. Customer onboarding is taking place across mobility and stationary applications in this segment. Trial runs would start at the end of 4QFY25, with commercial production likely from 1Q/2QFY26. EXID has been supplying Li-ion batteries for telecom applications and is seeing some UPS segment customers shifting to Li-ion batteries from LAB.

Valuation and view

- The lead acid battery business is witnessing good demand momentum across both auto and industrial segments, and EXID is expected to emerge as the key beneficiary of the same given its market leadership in most segments. However, we anticipate RM pressure to keep margins under check in the near term.
- While its LAB business remains on a firm footing, we believe, its foray into the lithium ion segment is fraught with multiple challenges in the long run. Further, after the recent run-up, the stock at ~39x/31x FY25/26E EPS appears fairly valued. **We, hence, reiterate our Neutral rating on the stock with a revised TP of INR480 (based on 22x June-26E EPS + INR64/share for HDFC Life stake).**

S/A Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Sales	**40,726**	**41,067**	**38,405**	**40,094**	**43,128**	**44,352**	**43,782**	**45,304**	**1,60,292**	**1,76,566**	**43,984**
Growth YoY (%)	4.4	10.4	12.6	13.2	5.9	8.0	14.0	13.0	9.8	10.2	8.0
RM cost (%)	71.7	68.9	68.5	67.0	69.3	70.0	69.4	69.7	69.1	69.6	68.0
Employee cost (%)	5.8	6.2	6.4	6.1	6.1	5.8	6.0	5.9	6.1	6.0	6.1
Other Exp(%)	11.8	13.1	13.6	14.1	13.1	12.6	12.8	12.5	13.1	12.8	13.0
EBITDA	**4,322**	**4,831**	**4,399**	**5,162**	**4,943**	**5,145**	**5,166**	**5,395**	**18,714**	**20,649**	**5,674**
EBITDA Margin(%)	10.6	11.8	11.5	12.9	11.5	11.6	11.8	11.9	11.7	11.7	12.9
Change (%)	11.8	17.1	9.7	40.6	14.4	6.5	17.4	4.5	19.3	10.3	31
Non-Operating Income	192	392	227	34	142	270	250	300	845	962	200
Interest	98	115	145	128	87	110	130	143	486	470	130
Depreciation	1,194	1,259	1,274	1,248	1,257	1,280	1,290	1,295	4,975	5,122	1,280
PBT after EO Exp	**3,222**	**3,849**	**3,208**	**3,819**	**3,741**	**4,025**	**3,996**	**4,257**	**14,099**	**16,019**	**4,464**
Effective Tax Rate (%)	24.9	25.4	25.1	25.7	25.3	25.3	25.3	24.3	25.3	25.0	25.0
Adj. PAT	**2,419**	**2,870**	**2,403**	**2,838**	**2,796**	**3,008**	**2,987**	**3,223**	**10,530**	**12,014**	**3,348**
Change (%)	6.9	16.6	7.7	36.5	15.6	4.8	24.3	13.6	16.5	14.1	38.4

Key performance indicators

Cost Break-up											
RM (%)	71.7	68.9	68.5	67.0	69.3	70.0	69.4	69.7	69.1	69.6	68.0
Employee cost (%)	5.8	6.2	6.4	6.1	6.1	5.8	6.0	5.9	6.1	6.0	6.1
Other Exp(%)	11.8	13.1	13.6	14.1	13.1	12.6	12.8	12.5	13.1	12.8	13.0
Gross Margin (%)	28.3	31.1	31.5	33.0	30.7	30.0	30.6	30.3	30.9	30.4	32.0
EBITDA Margin(%)	10.6	11.8	11.5	12.9	11.5	11.6	11.8	11.9	11.7	11.7	12.9
EBIT Margin(%)	7.7	8.7	8.1	9.8	8.5	8.7	8.9	9.1	8.6	8.8	10.0
Lead Price (INR/Kg)	174.0	180.1	176.4	172.3	180.5				172.8		
Change (%)	2.8	14.2	1.7	-1.9	3.8				2.3		

E: MOFSL Estimates

KEI Industries

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	KEII IN
Equity Shares (m)	90
M.Cap.(INRb)/(USDb)	388.7 / 4.6
52-Week Range (INR)	5040 / 2223
1, 6, 12 Rel. Per (%)	-6/25/50
12M Avg Val (INR M)	1024
Free float (%)	KEII IN

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	94.4	110.1	128.5
EBITDA	10.5	13.3	16.0
Adj. PAT	7.2	8.9	10.6
EBITDA Margin (%)	11.1	12.1	12.5
Cons. Adj. EPS (INR)	80.0	99.1	117.9
EPS Gr. (%)	24.2	23.9	18.9
BV/Sh. (INR)	424	517	629
Ratios			
Net D:E	(0.0)	(0.0)	(0.1)
RoE (%)	18.9	19.2	18.7
RoCE (%)	18.1	18.9	18.7
Payout (%)	6.0	6.1	5.1
Valuations			
P/E (x)	53.8	43.5	36.5
P/BV (x)	10.2	8.3	6.8
EV/EBITDA (x)	36.9	29.1	24.0
Div Yield (%)	0.1	0.1	0.1
FCF Yield (%)	(1.2)	0.6	0.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	37.1	37.1	37.1
DII	16.6	16.3	19.6
FII	30.8	31.0	27.7
Others	15.6	15.6	15.7

FII Includes depository receipts

CMP: INR4,307 TP: INR5,230 (+21%) BUY

Strong growth in cables & wires

B2C sales supported by expansion of dealer network

- KEII's 1QFY25 operating performance was in line with our estimate, though adj. profit was 10% above estimates on higher other income and lower interest expenses. Revenue growth for cables & wires was 16% YoY (vs. our est. of 13% growth). EBITDA margin at 10.4% was in line with our estimate. EBIT margin of the cables & wires segment stood at 11% (vs. our est. 10.5%).
- The management expects revenue growth of ~16-17% YoY in FY25, aided by brownfield expansion at Pathredi plant, likely to be completed in 2QFY25. Sales through dealers increased 29% YoY and contributed 53% to revenue vs. 47% in 1QFY24. It expects margin of ~11% in FY25, and an improvement of 1pp by FY27E after the commissioning of new capacities.
- We maintain our FY25E/FY26E earnings and introduce FY27 estimates. We estimate an EPS CAGR of 22% over FY24-27. We value KEII at 50x Jun'26E EPS to arrive at our TP of INR5,230.

Revenue/EBITDA up 16%/20% YoY; margin rises 40bp YoY to 10.4%

- Revenue/EBITDA/PAT stood at INR20.6b/INR2.15b/INR1.5b (up 16%/20%/ 24% YoY and up 3%/3%/10% vs. our estimates). EBITDA margin was up 40bp YoY at 10.4% (in line). Depreciation/interest costs rose 6%/58% YoY, whereas 'other income' surged 114%. PAT grew 24% YoY to INR1.5b.
- Segmental highlights — 1) Cables & wires revenue was up 16% YoY at INR18.8b, EBIT grew 46% YoY to INR2.1b, and EBIT margin expanded 2.3pp YoY to 11.0%. 2) EPC business revenue was up 22% YoY at INR2.3b, EBIT grew 16% YoY to INR298m, and EBIT margin declined 70bp YoY to 13.2%. 3) Stainless Steel Wires revenue declined 9% YoY to INR538m, EBIT dipped 67% YoY to INR10m, and EBIT margin contracted 3.4pp YoY to 1.9%.

Key highlights from the management commentary

- The demand outlook remains strong, with healthy demand in domestic and export markets. The company is working to increase its footprint in global markets and is getting good traction in Europe and US markets.
- Capacity utilization in 1Q was ~87-88% for the cable segment, ~80% for the house wire division and 90% for the stainless wire division.
- The average price hike was in the range of 7.5-8% vs. Jun'24 average. The company keeps adjusting prices on the basis of RM cost fluctuation.

Valuation and view

- KEII has consistently delivered strong performance, led by a robust demand environment, a diversified customer base with a significant presence across domestic and international markets. Its increasing focus on the retail segment and capacity expansion would continue to drive strong growth for the company.
- We estimate a CAGR of 24%/22% in EBITDA/EPS over FY24-27E. The stock is currently trading at 43x its FY26E EPS. Considering the strong demand outlook and improved margins in the cables and wires segment, we value KEII at 50x Jun'26E EPS to arrive at our TP of INR5,230. **Reiterate BUY.**

Quarterly Performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Sales	**17,826**	**19,466**	**20,594**	**23,156**	**20,605**	**23,086**	**24,468**	**26,290**	**81,041**	**94,449**	**19,966**	**3**
Change (%)	13.9	21.1	15.4	18.6	15.6	18.6	18.8	13.5	17.3	16.5	**12**	
Adj. EBITDA	**1,783**	**2,039**	**2,146**	**2,409**	**2,146**	**2,517**	**2,801**	**3,050**	**8,375**	**10,514**	**2,079**	**3**
Change (%)	11.7	27.0	17.8	19.1	20.4	23.5	30.6	26.6	19.3	25.5	**17**	
Adj. EBITDA margin (%)	10.0	10.5	10.4	10.4	10.4	10.9	11.4	11.6	10.3	11.1	**10.4**	(0)
Depreciation	147	156	154	158	155	166	167	180	614	668	**164**	(5)
Interest	89	75	109	165	142	160	180	236	439	717	**170**	(17)
Other Income	83	77	142	189	178	85	160	151	490	574	**90**	98
Extra-ordinary Items	-	-	-	(2)	-	-	-	-	(2)	-	**-**	
PBT	**1,630**	**1,884**	**2,024**	**2,274**	**2,027**	**2,276**	**2,614**	**2,785**	**7,813**	**9,704**	**1,836**	**10**
Tax	416	482	518	587	525	585	672	705	2,002	2,487	**472**	
Effective Tax Rate (%)	25.5	25.6	25.6	25.8	25.9	25.7	25.7	25.3	25.6	25.6	**26**	
Reported PAT	**1,214**	**1,402**	**1,507**	**1,686**	**1,502**	**1,691**	**1,942**	**2,080**	**5,808**	**7,217**	**1,364**	**10**
Change (%)	17.0	31.2	17.2	22.1	23.8	20.6	28.9	23.4	22.2	24.2	**12**	
Adj. PAT	**1,214**	**1,402**	**1,507**	**1,688**	**1,502**	**1,691**	**1,942**	**2,080**	**5,811**	**7,217**	**1,364**	**10**
Change (%)	17.0	31.2	17.2	22.2	23.8	20.6	28.9	23.3	22.3	24.2	**12**	

Segmental Performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Sales												
Cables (Power + Housing wires)	16,119	17,755	18,671	20,691	18,757	20,774	22,779	24,822	73,236	87,131	18,215	3
Stainless steel wires	590	591	461	572	538	632	507	721	2,214	2,398	620	(13)
EPC Business	1,847	3,131	3,769	3,405	2,261	2,880	3,392	2,403	12,151	10,936	2,031	11
EBIT												
Cables (Power + Housing wires)	1,415	1,919	1,979	2,258	2,067	2,244	2,551	2,896	7,570	9,759	1,913	8
Stainless steel wires	31	36	36	13	10	43	38	81	117	173	40	(75)
EPC Business	256	314	439	422	298	317	373	237	1,431	1,225	234	28
EBIT Margin (%)												
Cables (Power + Housing wires)	8.8	10.8	10.6	10.9	11.0	10.8	11.2	11.7	10.3	11.2	10.5	52
Stainless steel wires	5.3	6.1	7.8	2.3	1.9	6.8	7.5	11.3	5.3	7.2	6.5	(460)
EPC Business	13.9	10.0	11.6	12.4	13.2	11.0	11.0	9.9	11.8	11.2	11.5	168

Ajanta Pharma

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	AJP IN
Equity Shares (m)	125
M.Cap.(INRb)/(USDb)	318.6 / 3.8
52-Week Range (INR)	2580 / 1611
1, 6, 12 Rel. Per (%)	7/4/30
12M Avg Val (INR M)	343

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	42.1	46.1	52.3
EBITDA	11.7	13.8	16.1
Adj. PAT	7.9	9.6	11.1
EBIT Margin (%)	24.6	26.9	28.1
Cons. Adj. EPS (INR)	62.3	75.8	88.1
EPS Gr. (%)	26.6	21.7	16.2
BV/Sh. (INR)	282.0	337.5	403.1
Ratios			
Net D:E	-0.1	-0.2	-0.3
RoE (%)	22.7	24.5	23.8
RoCE (%)	22.8	24.6	23.9
Payout (%)	24.7	25.5	25.5
Valuations			
P/E (x)	40.7	33.4	28.8
EV/EBITDA (x)	27.2	22.8	19.2
Div. Yield (%)	0.6	0.7	0.9
FCF Yield (%)	2.3	2.6	2.9
EV/Sales (x)	7.6	6.8	5.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	66.3	66.2	66.2
DII	17.4	17.5	15.8
FII	8.4	8.5	10.2
Others	7.9	7.8	7.8

FII Includes depository receipts

CMP: INR2,531 TP: INR2,935 (+16%) Buy

Branded generics drive earnings

Potential for better profitability going forward

- Ajanta Pharma (AJP) delivered better-than-expected 1QFY25 performance, led by a superior show in the branded Africa segment, lower raw material costs, and controlled other expenses. The decline in institutional anti-malaria business and moderate growth in the US generics affected the overall performance to some extent.
- We raise our earnings by 8%/5% for FY25/FY26E factoring in: 1) a robust execution in the branded generics segments of Asia, Africa, and India; b) a subdued outlook in the anti-malaria business; and c) improved operating leverage. We value AJP at 30x 12M forward earnings to arrive at our TP of INR2,935.
- After the margin dip/earnings decline in FY23, AJP has consistently improved its profitability in FY24/1QFY25. The strong brand franchise in established markets of India, Asia, and Africa enables AJP to outperform the industry. It is also in the process of building a healthy ANDA pipeline for the US generics market. Accordingly, we expect a 19% earnings CAGR over FY24-26. **Reiterate BUY.**

Segment mix and controlled costs result in improved margins YoY/QoQ

- AJP's 1QFY25 revenue grew 12% to INR11.4b (our est: INR11b), led by growth across all key businesses. The Africa branded generics (20% of sales) segment rose 45% YoY to INR2.3b, while institutional sales declined 35% YoY to INR420mn. DF sales rose 11% YoY to INR3.5b (31% of sales). Branded generics Asia sales grew 9% YoY to INR2.8b (24% of sales). The US generics sales increased 7% YoY to INR2.3b (20% of sales).
- Gross margin expanded 130bp YoY at 76.6% due to lower raw material costs.
- EBITDA margin expanded ~390bp YoY to 31.5% (our est. 25.9%) as lower other expenses (down 390bp YoY as a % of sales), were offset by the increase in employee costs (up 130bp YoY as a % of sales).
- Consequently, EBITDA grew 28% YoY to INR3.6b (our est. INR2.9b).
- Adjusting for the forex impact of INR83m, Adj. PAT jumped 31% YoY to INR2.6b (our est. INR2.0b).

Highlights from the management commentary

- AJP guided low-teens YoY growth in revenue for FY25.
- The branded generics (Asia + Africa) segment is likely to grow in mid-teens, while the US generics revenue is likely to grow in mid-single digits YoY in FY25.
- The company expects to outperform IPM by 200-300bp in FY25.
- The institutional business declined due to order preponement by procurement agencies.
- It aims to sustain gross margin at 75-76% and EBITDA margin at 29% (+/-1%) in FY25.

Consol. - Quarterly perf. **(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**10,210**	**10,284**	**11,052**	**10,541**	**11,449**	**11,471**	**11,507**	**11,640**	**42,087**	**46,067**	**11,022**	**3.9**
YoY Change (%)	7.4	9.6	13.7	19.5	12.1	11.5	4.1	10.4	12.5	9.5	8.0	
Total Expenditure	7,397	7,378	7,835	7,758	7,846	8,007	8,158	8,282	30,368	32,293	8,167	
EBITDA	**2,813**	**2,907**	**3,217**	**2,783**	**3,604**	**3,464**	**3,349**	**3,358**	**11,719**	**13,774**	**2,855**	**26.2**
YoY Change (%)	11.7	40.9	48.7	62.7	28.1	19.2	4.1	20.7	38.6	17.5	1.5	
Margins (%)	27.6	28.3	29.1	26.4	31.5	30.2	29.1	28.8	27.8	29.9	25.9	
Depreciation	332	337	343	343	340	342	347	354	1,354	1,383	340	
EBIT	**2,482**	**2,570**	**2,874**	**2,441**	**3,264**	**3,122**	**3,002**	**3,004**	**10,365**	**12,391**	**2,515**	**29.8**
YoY Change (%)	12.8	48.0	57.1	76.7	31.5	21.5	4.4	23.1	45.0	19.5	1.3	
Margins (%)	24.3	25.0	26.0	23.2	28.5	27.2	26.1	25.8	24.6	26.9	22.8	24.9
Interest	9	23	25	15	7	12	14	34	72	67	14	
Other Income	121	85	95	158	182	110	95	74	459	461	125	
PBT before EO expense	**2,594**	**2,631**	**2,944**	**2,584**	**3,439**	**3,220**	**3,083**	**3,044**	**10,752**	**12,785**	**2,626**	**31.0**
Extra-Ord expense	97	128	-35	197	-217	0	0	0	387	-217	0	
PBT	**2,691**	**2,759**	**2,909**	**2,780**	**3,221**	**3,220**	**3,083**	**3,044**	**11,139**	**12,568**	**2,626**	**22.7**
Tax	609	806	809	753	764	789	817	773	2,978	3,142	656	
Effective Rate (%)	22.6	29.2	27.8	27.1	23.7	24.5	26.5	25.4	26.7	25.0	25.0	
MI & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**2,082**	**1,953**	**2,100**	**2,027**	**2,458**	**2,431**	**2,266**	**2,271**	**8,162**	**9,426**	**1,969**	**24.8**
Adj PAT	**2,007**	**1,862**	**2,125**	**1,884**	**2,624**	**2,431**	**2,266**	**2,271**	**7,878**	**9,592**	**1,969**	**33.2**
YoY Change (%)	13.9	13.9	30.4	57.1	30.8	30.5	6.6	20.5	26.5	21.7	-1.9	
Margins (%)	19.4	18.0	19.1	17.6	22.6	21.0	19.5	19.4	18.5	20.6	17.7	

E: MOFSL Estimates

Key performance Indicators (Consolidated)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
INRm	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Domestic formulations	3,190	3,550	3,080	3,260	3,530	3,914	3,504	3,785	13,079	14,733	3,541
YoY Change (%)	14.3	13.1	4.8	13.6	10.7	10.3	13.8	16.1	11.4	12.6	11.0
Asia	2,540	2,300	2,920	2,810	2,770	2,806	3,008	3,149	10,570	11,733	2,794
YoY Change (%)	5.8	(8.4)	28.1	18.1	9.1	22.0	3.0	12.1	10.4	11.0	10.0
Africa (branded + Insti)	2,240	1,947	2,410	1,740	2,720	2,160	2,200	1,938	8,347	9,018	2,088
YoY Change (%)	(8.6)	8.8	36.9	16.8	21.4	10.9	(8.7)	11.4	11.4	8.0	(6.8)
US	2,130	2,370	2,520	2,610	2,280	2,441	2,646	2,752	9,640	10,120	2,450
YoY Change (%)	19.0	28.1	(5.3)	31.8	7.0	3.0	5.0	5.5	16.4	5.0	15.0
Cost Break-up											
RM Cost (% of Sales)	24.7	24.9	26.6	25.1	23.4	23.8	24.1	24.7	25.3	24.0	25.4
Staff Cost (% of Sales)	20.9	21.6	20.9	22.2	22.2	22.0	22.0	22.2	21.4	22.1	22.9
R&D Expenses (% of Sales)	5.4	4.9	4.7	4.7	4.5	0.0	0.0	0.0	4.9	5.0	0.0
Other Cost (% of Sales)	26.9	25.2	23.3	26.4	23.0	24.0	24.8	24.2	25.4	24.0	25.8
Gross Margins (%)	75.3	75.1	73.4	74.9	76.6	76.2	75.9	75.3	74.7	76.0	74.6
EBITDA Margins (%)	27.6	28.3	29.1	26.4	31.5	30.2	29.1	28.8	27.8	29.9	25.9
EBIT Margins (%)	24.3	25.0	26.0	23.2	28.5	27.2	26.1	25.8	24.6	26.9	22.8
PBT Margins (%)	25.1	25.4	26.4	24.1	29.6	27.8	26.6	26.0	25.3	27.5	23.6
PAT Margins (%)	19.4	18.0	19.1	17.6	22.6	21.0	19.5	18.9	18.5	20.6	17.7

Vedant Fashions

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	MANYAVAR IN
Equity Shares (m)	243
M.Cap.(INRb)/(USDb)	272.1 / 3.3
52-Week Range (INR)	1488 / 886
1, 6, 12 Rel. Per (%)	3/-7/-36
12M Avg Val (INR M)	292

Financials & Valuations Consol (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	13.7	14.8	17.7
EBITDA	6.6	7.3	8.9
Adj. PAT	4.1	4.6	5.7
EBITDA Margin (%)	48.1	49.3	50.3
Adj. EPS (INR)	17.1	18.8	23.3
EPS Gr. (%)	(3.5)	10.5	23.6
BV/Sh. (INR)	64.0	74.9	88.5
Ratios			
Net D:E	(0.4)	(0.5)	(0.5)
RoE (%)	27.6	26.3	25.5
RoCE (%)	23.9	22.7	24.7
Payout (%)	49.8	40.0	40.0
Valuations			
P/E (x)	65.7	59.4	48.1
EV/EBITDA (x)	42.0	37.4	30.4
EV/Sales (X)	20.2	18.4	15.3
Div. Yield (%)	0.8	0.7	0.8

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	75.0	75.0	75.0
DII	11.9	12.6	15.6
FII	9.0	8.1	6.3
Others	4.1	4.3	3.2

FII Includes depository receipts

CMP: INR1,120 TP: INR1,050 (-6%) Neutral

Weak numbers amid fewer weddings

- VFL reported a weak quarter, with revenue/PAT down 23%/32% YoY (9%/5% miss), as fewer wedding dates led to a 27% YoY decline in same-store sales (SSS), partially offset by 10% area additions.
- We broadly maintain our estimates and expect a CAGR of 14%/17% in revenue/PAT over FY24-26E, mainly led by footprint expansion. Demand revival in 2HFY25 is vital for re-rating. **We reiterate our Neutral rating with a TP of INR1,050 (at 45x FY26E EPS).**

Revenue/PAT down 23%/24% YoY (9%/3% miss)

- Revenue declined 23% YoY to INR2.4b (9% miss). Store area additions (sqft) stood at 10% YoY. SSS declined 27.2% YoY due to fewer wedding dates.
  - VFL closed 14 stores and added net 3.3k sqft in 1Q as it is consolidating smaller stores into larger ones. The average store size increased by 10% YoY to ~2,600sqft.
  - In India, it closed net 15 stores and opened net 1 international store.
  - Total sales to customers declined 22% YoY to INR3.3b, led by negligible wedding dates in 1Q.
  - Blended revenue per sqft declined 32% YoY to INR1,407 and revenue per store decreased 25% YoY to INR3.6m.
- Gross profit declined 21% YoY to INR1.7b, while margin improved 180bp YoY to 73.8%.
- Employee costs/other expenses fell 3%/19% YoY to INR146m/INR496m due to low advertisements, slowdown in store area additions, and cost control measures.
- EBITDA declined 24% YoY to INR1.1b (in line), dragged down by SSS decline, partly offset by GM. Margins declined 50bp YoY to 47%.
- Depreciation/finance cost grew 24%/48% YoY. Other income rose 43% YoY.
- Consequently, PAT declined 32% YoY to INR625m (5% miss).

Highlights from the management commentary

- **Store addition:** The company will add a higher number of stores in 2H. It has maintained its guidance to achieve 14-15% area addition in FY25.
- **Outlook**: Jul'24 had fewer wedding dates and the company saw positive like-for-like growth in Jul'24. The management expects the business to normalize and is optimistic given festivities and wedding season ahead.
- **Festive Brand:** VFL plans to launch its new festive brand in the next 2-3 months. The strategy and product around the brand are ready. It will be a soft launch aimed at dealers and online channel. As it gains traction, the management will evaluate the EBO strategy for the brand.
- **A&P spending:** VFL has partnered with McCann for marketing and branding. During 1Q, A&P spending stood at 2.5-3%; however, the company maintains its spending target of 5-6% for FY25.

Valuation and view

- Manyavar has successfully achieved scale within the growing market of men's celebration and occasion wear, which is difficult to replicate.
- While the company has a healthy runway for growth with footprint expansion in Manyavar, Mohey (women's celebration wear) and Twamev (premium celebration wear), weak consumption remains a concern for the next few quarters.
- The stock has corrected 25% from its 52-week high owing to a weaker revenue trajectory and is trading at 48x FY26E EPS. We believe the stock is fairly priced given the slowdown in consumption. Demand recovery and scale-up of emerging brands remain the key catalysts for the stock.
- We broadly maintain our estimates given the weak outlook and expect a CAGR of 14%/17% in revenue/PAT over FY24-26E, mainly led by footprint expansion.
- **Reiterate Neutral with a TP of INR1,050, valuing the stock at 45x FY26E P/E.**

Quarterly Earnings Snapshot (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Revenue	**3,116**	**2,183**	**4,745**	**3,632**	**2,398**	**2,442**	**5,581**	**4,401**	**13,675**	**14,822**	**2,629**	**-8.8**
YoY Change (%)	-4.1	-11.6	7.5	6.3	-23.0	11.9	17.6	21.2	0.9	8.4	-15.6	
Total Expenditure	1,635	1,255	2,324	1,881	1,271	1,387	2,657	2,200	7,094	7,515	1,464	-13.2
EBITDA	**1,482**	**928**	**2,420**	**1,751**	**1,127**	**1,055**	**2,924**	**2,201**	**6,581**	**7,307**	**1,165**	**-3.2**
EBITDA margins (%)	47.5	42.5	51.0	48.2	47.0	43.2	52.4	50.0	48.1	49.3	44.3	
Change YoY (%)	-9.1	-19.6	7.8	4.3	-23.9	13.7	20.8	25.7	96.0	85.6	-21.4	
Depreciation	299	325	344	381	372	379	387	470	1,349	1,608	388	-4.2
Interest	94	107	112	132	139	157	157	174	445	627	157	-11.6
Other Income	150	151	155	241	215	261	261	308	697	1,045	261	-17.9
PBT before EO expense	**1,238**	**648**	**2,119**	**1,479**	**831**	**780**	**2,642**	**1,864**	**5,484**	**6,117**	**880**	**-5.6**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
Tax	319	161	542	321	206	193	654	488	1,342	1,541	222	-7.3
Rate (%)	25.7	24.8	25.6	21.7	24.8	24.8	24.8	26.2	24.5	25.2	25.2	-1.7
Reported PAT	**919**	**487**	**1,577**	**1,158**	**625**	**587**	**1,988**	**1,376**	**4,142**	**4,575**	**658**	**-5.1**
Adj PAT	**919**	**487**	**1,577**	**1,158**	**625**	**587**	**1,988**	**1,376**	**4,142**	**4,575**	**658**	**-5.1**
YoY Change (%)	-9	-29	5	6	-32	20	26	19	-3	10	-28	

E: MOFSL Estimates

Kalpataru Projects

Estimate changes	↓
TP change	↑
Rating change	↔

Bloomberg	KPIL IN
Equity Shares (m)	162
M.Cap.(INRb)/(USDb)	215.4 / 2.6
52-Week Range (INR)	1428 / 574
1, 6, 12 Rel. Per (%)	9/58/86
12M Avg Val (INR M)	476

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	205.6	258.1	303.1
EBITDA	17.6	23.1	28.0
PAT	8.1	11.4	14.6
EPS (INR)	49.3	69.6	89.1
GR. (%)	51.3	41.1	28.0
BV/Sh (INR)	394.0	456.6	538.7
Ratios			
ROE (%)	13.2	16.4	17.9
RoCE (%)	11.4	13.4	14.7
Valuations			
P/E (X)	26.9	19.0	14.9
P/BV (X)	3.4	2.9	2.5
EV/EBITDA (X)	13.8	10.8	8.8
Div Yield (%)	0.5	0.5	0.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	35.2	40.6	41.1
DII	45.6	43.6	42.4
FII	10.1	8.2	8.2
Others	9.1	7.6	8.3

FII Includes depository receipts

CMP: INR1,326 TP: INR1,500 (+13%) Buy

Strong order book to offset transient weakness

KPIL's 1QFY25 result was impacted by labor issues in select segments. The company reported a revenue growth of 3%YoY, with flat EBITDA and a 7% YoY decline in PAT. However, with a strong order book of INR572b, we expect execution to scale up in coming quarters. KPIL is benefiting from an improved prospect pipeline across domestic T&D and B&F projects. We expect KPIL to: 1) continue to benefit from its market share of 15-20% in domestic T&D ordering, 2) benefit from non-T&D segments across both domestic and international markets, and 3) focus on net margin improvement over the next few years through interest cost savings and working capital management. We also expect the monetization of non-core assets, especially Indore real estate, to be completed during FY25. We tweak our estimates to bake in the 1Q performance. We raise our SOTP-based TP to INR1,500, based on slightly higher P/E multiple of 19x for the core business on an improved prospect pipeline. This is still at a discount to its immediate peer. Maintain BUY.

1QFY25 results were lower than our estimates

Revenue stood at INR37b, lower than our estimate of INR40.3b. It was affected by the non-availability of labor during elections. Revenue growth was driven by T&D, B&F, Oil & Gas and urban infra, while railways and water segment revenues declined YoY. EBITDA margin stood at 8.4% vs. 8.7% in 1QFY24. Interest cost remained high, which was in line with elevated working capital intensity and unrealized forex loss on borrowings related to Brazil operations. PAT came in below our estimates at INR1.2b. Order inflows were strong at INR70b and the company has L1 of INR50b till date in FY25. Order inflows (including L1) were led by T&D (61%), B&F (28%) and Water (11%). Newly won orders have better margins relatively. The order book is strong at INR572b. NWC moved up during 1QFY25, in line with estimates, as collections were affected by elections. KPIL targets net working capital days below 100 days by end of FY25.

Prospect pipeline remains strong across T&D and B&F

We expect KPIL to continue to benefit from an improved prospect pipeline from T&D and B&F, which contributed to a major share of order inflows in 1QFY25 too. The company is enhancing capabilities across design, engineering, substation and HVDC to target a wider market. B&F and urban infra too remained important areas for KPIL and the company is continuously investing in capex to target bigger projects in urban infra.

Performance of international subsidiaries improving sharply

The performance of KPIL's international subsidiaries has also started improving. Linjemontage (LMG) reported its highest quarterly turnover of INR4.5b with record order inflows of INR14b. LMG's order book was at an all-time high of INR31b at 1Q end. Fasttel too reported revenue of INR2.3b with focused progress on the closure of legacy orders. The company is witnessing a significant uptick in T&D capex in Latin America, Europe, MENA, and Africa.

Financial outlook

We revise our estimates to factor in lower railway segment revenues. We expect KPIL to report a CAGR of 22%/27%/40% in revenue/EBITDA/PAT over FY24-27. This would be driven by: 1) inflows of INR266b/INR305b/INR351b in FY25/FY26/FY27 on a strong prospect pipeline, 2) a gradual recovery in EBITDA margin to 8.6%/9.0%/ 9.3% in FY25E/FY26E/27E, 3) control over working capital owing to improved customer advances, better debtor collections from railways, and claims settlement. Driven by improvement in margins and moderation in working capital, we expect KPIL's RoE and RoCE to improve to 17% and 14% in FY27E, respectively.

Valuation and view

KPIL is currently trading at 19.0x/14.9x FY26E/FY27E EPS. We raise our SOTP-based TP to INR1,500, based on 19x P/E for the core business on an improved prospect pipeline and pledge reduction, which is leading to valuation re-rating for the company. This is still at a discount to its immediate peer. Reiterate BUY.

Key risks and concerns

Slowdown in execution, lower than expected order inflows, sharp rise in commodity prices, and increase in promoter pledge are some of the key concerns that can weigh on financials and valuations of the company.

Kalpataru Projects International

Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Sales	**36,220**	**38,440**	**41,470**	**51,470**	**37,220**	**45,241**	**53,467**	**69,714**	**1,67,600**	**2,05,642**	**40,353**	**-8**
YoY Change (%)	15.4	16.7	18.2	17.1	2.8	17.7	28.9	35.4	16.9	22.7	11.4	
Total Expenditure	33,080	35,360	38,030	47,470	34,080	41,260	48,708	64,011	1,53,940	1,88,059	36,963	
EBITDA	**3,140**	**3,080**	**3,440**	**4,000**	**3,140**	**3,981**	**4,759**	**5,703**	**13,660**	**17,583**	**3,390**	**-7**
Margins (%)	8.7	8.0	8.3	7.8	8.4	8.8	8.9	8.2	8.2	8.6	8.4	
Depreciation	930	880	940	930	930	971	971	1,013	3,680	3,886	971	-4
Interest	750	850	830	940	860	919	942	1,046	3,370	3,766	897	-4
Other Income	290	250	270	320	290	227	227	165	1,130	910	220	32
PBT before EO expense	**1,750**	**1,600**	**1,940**	**2,450**	**1,640**	**2,319**	**3,073**	**3,809**	**7,740**	**10,841**	**1,741**	**-6**
Extra-Ord expense	0	0	0	350	0	0	0	0	350	0	0	
PBT	**1,750**	**1,600**	**1,940**	**2,100**	**1,640**	**2,319**	**3,073**	**3,809**	**7,390**	**10,841**	**1,741**	**-6**
Tax	490	470	500	600	470	594	787	925	2,060	2,775	446	
Rate (%)	28.0	29.4	25.8	28.6	28.7	25.6	25.6	24.3	27.9	25.6	25.6	
Reported PAT	**1,260**	**1,130**	**1,440**	**1,500**	**1,170**	**1,725**	**2,286**	**2,884**	**5,330**	**8,066**	**1,295**	**-10**
Adj PAT	**1,260**	**1,130**	**1,440**	**1,750**	**1,170**	**1,725**	**2,286**	**2,884**	**5,582**	**8,066**	**1,295**	**-10**
YoY Change (%)	-23.2	8.7	29.7	52.6	-7.1	52.7	58.8	64.8	19.1	44.5	2.8	
Margins (%)	3.5	2.9	3.5	3.4	3.1	3.8	4.3	4.1	3.3	3.9	3.2	

Data Patterns (India)

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	DATAPATT IN
Equity Shares (m)	56
M.Cap.(INRb)/(USDb)	183.8 / 2.2
52-Week Range (INR)	3655 / 1735
1, 6, 12 Rel. Per (%)	6/53/37
12M Avg Val (INR M)	1224

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	5.2	6.4	8.7
EBITDA	2.2	2.7	3.7
Adj. PAT	1.8	2.2	3.0
EBITDA Margin (%)	42.6	42.4	42.5
Cons. Adj. EPS (INR)	32.4	39.9	53.1
EPS Gr. (%)	46.6	23.1	32.9
BV/Sh. (INR)	236.5	275.3	327.4
Ratios			
Net D:E	-0.5	-0.5	-0.5
RoE (%)	14.6	15.6	17.6
RoCE (%)	15.1	16.1	18.0
Valuations			
P/E (x)	101	82	62
EV/EBITDA (x)	80	64	47

Shareholding pattern (%)

As on	Jun-24	Mar-24	Jun-23
Promoter	42.4	42.4	42.4
DII	8.5	11.6	11.1
FII	15.0	14.6	5.3
Others	34.1	31.4	41.2

Note: FII includes depository receipts

CMP: INR3,281 TP: INR2,900 (-12%) Neutral

Favorable business mix drives operating performance

Earnings in line with estimates

- Data Patterns (DATAPATT) witnessed healthy revenue growth (up 16% YoY) in 1QFY25, led by strong growth in production/service revenue (up 25%/82% YoY). Operating performance remained strong (EBITDA margin up 4.7pp YoY) on account of a favorable business mix.
- We maintain our FY25/FY26 EPS estimates. **We reiterate our Neutral rating with a TP of INR2,900 (premised on 55x FY26E EPS)**, owing to its higher working capital cycle and rich valuations.

Revenue growth led by production and service segments

- Consolidated revenue grew 16% YoY to INR1b (est. INR1.15b) in 1QFY25, led by strong growth in production/service revenue (up 25%/82% YoY), while development revenue declined 8% YoY. The company posted lower-than-expected revenue in 1QFY25 due to a delay in order acceptance by a government customer.
- Gross margins increased 10.1pp YoY to 72.3%, led by a favorable business mix (execution of high-margin contracts). Employee/other expenses grew 3.2pp/2.1pp YoY to 27.6%/8.9% in 1QFY25.
- Accordingly, EBITDA margins expanded 4.7pp YoY to 35.7% (est. 34%). EBITDA grew 34% YoY to INR372m (est. INR390b).
- Adjusted PAT grew 27% YoY to INR328m (est. INR316m).
- The order book stood at INR10.2b as of Jun'24 vs. INR10.8b/INR9.7b in Mar'24/Jun'23.

Highlights from the management commentary

- **Guidance**: The company expects healthy revenue growth in FY25. 2H is expected to be much stronger than 1H, due to the nature of orders received. The company maintains its guidance of ~20-25% revenue CAGR over the next two to three years, with EBITDA margins of ~35-40%.
- **Order Intake:** The company expects ~INR10b of new order intake in FY25, with a majority of orders to be received in 3Q/4QFY25.
- **Capex:** It expects to incur ~INR1.5b of capex over the next two years in anticipation of a strong order pipeline (INR20-30b over next two years).

Valuation and view

- DATAPATT, a prominent player in the aerospace and defense electronics sector in India, is set to capture a larger share of pie with its vast experience, strong core competencies, and robust executional capabilities.
- We estimate a CAGR of 29%/29%/28% in revenue/EBITDA/adj. PAT over FY24-26, driven by robust order book growth (~43% CAGR over FY19-24).
- We maintain our FY25/FY26 EPS estimates. **We reiterate our Neutral rating with a TP of INR2,900 (premised on 55x FY26E EPS)**, owing to its higher working capital cycle and rich valuations.

Consolidated - Quarterly Earning (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	%
Gross Sales	**897**	**1,083**	**1,395**	**1,823**	**1,041**	**1,267**	**1,772**	**2,370**	**5,198**	**6,450**	**1,148**	**-9**
YoY Change (%)	31.2	22.9	24.8	-1.5	16.0	17.0	27.0	30.0	14.6	24.1	28.0	
Total Expenditure	619	676	795	893	669	790	1,001	1,253	2,982	3,712	758	
EBITDA	**278**	**408**	**600**	**930**	**372**	**477**	**771**	**1,117**	**2,217**	**2,737**	**390**	**-5**
Margins (%)	31.0	37.6	43.0	51.0	35.7	37.7	43.5	47.1	42.6	42.4	34.0	
Depreciation	28	31	33	70	31	40	48	55	162	174	68	
Interest	17	23	23	30	30	25	23	17	93	95	28	
Other Income	116	108	113	123	123	130	132	132	460	517	127	
PBT before EO expense	**349**	**463**	**657**	**953**	**435**	**542**	**832**	**1,177**	**2,422**	**2,986**	**422**	
PBT	**349**	**463**	**657**	**953**	**435**	**542**	**832**	**1,177**	**2,422**	**2,986**	**422**	
Tax	91	125	148	242	107	137	209	296	605	749	106	
Rate (%)	25.9	27.0	22.4	25.4	24.5	25.2	25.2	25.2	25.0	25.1	25.2	
Reported PAT	**258**	**338**	**510**	**711**	**328**	**406**	**623**	**881**	**1,817**	**2,237**	**316**	
Adj PAT	**258**	**338**	**510**	**711**	**328**	**406**	**623**	**881**	**1,817**	**2,237**	**316**	**4**
YoY Change (%)	81.4	60.5	53.0	28.4	26.9	20.1	22.2	23.8	46.6	23.1	22.2	
Margins (%)	28.8	31.2	36.5	39.0	31.5	32.0	35.1	37.2	35.0	34.7	27.5	

IndiaMART

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	INMART IN
Equity Shares (m)	60
M.Cap.(INRb)/(USDb)	189.1 / 2.3
52-Week Range (INR)	3293 / 2229
1, 6, 12 Rel. Per (%)	14/11/-25
12M Avg Val (INR M)	644

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	12.0	14.3	17.1
EBITDA	3.3	4.6	5.4
Adj. PAT	3.4	4.2	4.9
Adj. EPS (INR)	55.5	69.3	82.0
Adj. EPS Gr. (%)	46%	25%	18%
BV/Sh. (INR)	287.3	346.3	406.4
Ratios			
RoE (%)	17.7	21.8	21.8
RoCE (%)	20.1	24.5	24.1
Payout (%)	23.8	19.1	27.1
Valuations			
P/E (x)	57.9	46.1	38.9
P/BV (x)	11.1	9.2	7.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	49.2	49.2	49.2
DII	11.8	10.6	5.6
FII	23.4	23.1	26.9
Others	15.6	17.1	18.3

FII Includes depository receipts

CMP: INR3,200 TP: INR3,800 (+19%) Buy

Healthy quarter with beat on revenue and margins

Churn in lower-rung accounts continues though

- IndiaMART (INMART) delivered a decent 1QFY25 performance, with revenue rising 17% YoY/5% QoQ, above consensus estimates. Collections jumped 14% YoY to INR3.6b. Deferred revenue rose 23% YoY to INR14.7b, which should support ~19% YoY revenue growth in FY25E. EBITDA margin expanded 780bp QoQ, beating consensus estimates, driven by lower employee costs and outsourced sales cost. Adj. PAT was INR1,138m, up 37% YoY, beating consensus estimates.
- Despite price increases, churn in Gold and Platinum accounts remains minimal. Nonetheless, the company is witnessing higher-than-anticipated churn in the silver bucket, which is a key concern. New supplier acquisitions also were slightly lower (~1.5k) compared to the usual range of 6-8k. Further, Platinum and Gold customers, making up ~50% of the customer base and 75% of revenue, continued to exhibit low churn and strong growth in ARPU and count. We expect these top-paying accounts to remain stable.
- INMART's margin increase was attributed to low supplier additions and cost-optimization initiatives. We believe, as customer growth picks up, customer addition costs will increase, leading to normalized margins. The margin expansion will normalize to gradual operating leverage inherent in the business. Hence, we expect margin to contract going forward.
- We estimate EBITDA margin of 31.9%/31.7% for FY25/FY26. This, in turn, should drive a 21% PAT CAGR over FY23-25E. We expect INMART to deliver a 20% revenue CAGR over FY23-25, aided by sustained paying subscriber additions and strong growth in deferred revenue.
- We continue to see INMART as a key beneficiary of the technology adoption by India's MSME universe and a shift to a formalized ecosystem. We believe that the company is poised to drive significant value, owing to its industry-leading position in the segment. We value INMART on a DCF basis to arrive at our TP of INR3,800, assuming 11.5% WACC. **Maintain BUY**.

EBITDA beat driven by cost optimization initiatives and saving due to lower customer acquisitions

- 1QFY25 revenue grew 17% YoY, EBITDA grew 55% YoY and Adj. PAT was up 37% YoY (All 3 metrics above consensus).
- Collections stood at INR3.6b (+14% YoY). Deferred revenue rose 23% YoY to INR14.7b.
- It added +1.5k paying subscribers QoQ. ARPU grew 13% YoY to INR58.4k.
- EBITDA margin was 36%, up 780bp QoQ and above consensus estimates, on the back of lower employee expenses and outsourced sales costs.
- Adj. PAT was INR1,138m, up 37% YoY, beating consensus estimates.
- Traffic grew 5% YoY to 267m. Total suppliers on the platform stood at 8.0m, up 5% YoY
- Total cash and investments stood at INR23.1b.

Highlights from the management commentary

- Unique business inquiries grew 15% YoY to 25m. The total number of paying subscribers rose to 216,000. The company continues to see more-than-anticipated churn in the silver bucket. In addition to this, new supplier acquisitions were slightly lower this quarter compared to the last few quarters.
- Supplier Storefronts grew 5% YoY to 8m and paying suppliers grew to 216k, representing net addition of 1.5k subscribers vs. normal range of 6-8k.
- Most of the ARPU gains come from the top 10% of customers, while most of the churn occurs in the bottom 15%. Prices were increased only in the high product category, with prices in the entry-level category remaining the same.
- Margin expansion was due to organic operating leverage, certain cost optimization initiatives and savings due to lower customer acquisitions. As customer growth picks up, the margin expansion will normalize to gradual operating leverage inherent in the business.

Valuation and View

- We are confident of strong fundamental growth in operations, propelled by: 1) higher growth in digitization among SMEs, 2) the need for out-of-the-circle buyers, 3) a strong network effect, 4) over 70% market share in the underlying industry, 5) the ability to improve ARPU on low price sensitivity, and 6) higher operating leverage.
- We value INMART on a DCF basis to arrive at our TP of INR3,800, assuming 11.5% WACC. Our TP implies a 19% potential upside. **We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Earning (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	QoQ	YoY
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			(%/bp)	(%/bp)
Gross Sales	**2,821**	**2,947**	**3,053**	**3,147**	**3,313**	**3,502**	**3,654**	**3,820**	**11,968**	**14,289**	**5.3%**	**17.4%**
YoY Change (%)	25.6	22.5	21.4	17.1	17.4	18.8	19.7	21.4	21.5	19.4		
Total Expenditure	2,048	2,150	2,200	2,260	2,120	2,432	2,550	2,632	8,658	9,733	-6.2%	3.5%
EBITDA	**773**	**797**	**853**	**887**	**1,193**	**1,071**	**1,104**	**1,188**	**3,310**	**4,556**	34.5%	54.3%
Margins (%)	27.4	27.0	27.9	28.2	36.0	30.6	30.2	31.1	27.7	31.9	780bp	860bp
Depreciation	74	80	84	127	81	91	91	92	365	355	-36.2%	9.5%
Interest	22	23	22	22	20	20	20	20	89	80	-9.1%	-9.1%
Other Income	571	346	417	772	532	442	460	478	2,106	1,913	-31.1%	-6.8%
PBT before EO expense	**1,248**	**1,040**	**1,164**	**1,510**	**1,624**	**1,402**	**1,453**	**1,554**	**4,962**	**6,034**	7.5%	30.1%
Extra-Ord expense	18	0	0	0	0	0	0	0	18	0		
PBT	**1,230**	**1,040**	**1,164**	**1,510**	**1,624**	**1,402**	**1,453**	**1,554**	**4,944**	**6,034**	7.5%	32.0%
Tax	293	239	277	395	374	337	349	373	1,204	1,432	-5.3%	27.6%
Rate (%)	23.8	23.0	23.8	26.2	23.0	24.0	24.0	24.0	24.4	23.7		
MI & Profit/Loss of Asso. Cos.	106	110	72	116	112	112	112	112	404	448	-3.4%	5.7%
Reported PAT	**831**	**691**	**815**	**999**	**1,138**	**954**	**992**	**1,069**	**3,336**	**4,153**	13.9%	36.9%
Adj PAT	**849**	**691**	**815**	**999**	**1,138**	**954**	**992**	**1,069**	**3,354**	**4,153**	13.9%	34.0%
YoY Change (%)	81.8	1.0	33.1	79.0	34.0	38.0	21.8	7.0	44.5	23.8		
Margins (%)	30.1	23.4	26.7	31.7	34.3	27.2	27.2	28.0	28.0	29.1	260bp	430bp

Key performance indicators

Y/E March	FY24				FY25	FY24
	1Q	2Q	3Q	4Q	1Q	
Revenue Indicators						
Paid Suppliers ('000)	208.0	210.0	212.0	214.0	216.0	214.0
ARPU ('000)	51.5	53.5	55.1	55.9	58.4	53.4
Cost Indicators						
Employees	4821	5,066	5,186	5,384	5729	5384
Other Expenses (INR M)	488	460	460	491	460	1899

Navin Fluorine International

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	NFIL IN
Equity Shares (m)	50
M.Cap.(INRb)/(USDb)	187 / 2.2
52-Week Range (INR)	4721 / 2876
1, 6, 12 Rel. Per (%)	2/-1/-38
12M Avg Val (INR M)	925

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	20.7	25.5	30.9
EBITDA	4.0	5.4	7.0
PAT	2.3	3.0	4.3
EPS (INR)	46.1	60.3	86.2
EPS Gr. (%)	-39.1	30.8	43.0
BV/Sh.(INR)	480.9	524.6	587.2
Ratios			
Net D:E	0.6	0.6	0.5
RoE (%)	10.0	12.0	15.5
RoCE (%)	8.4	8.9	11.2
Payout (%)	27.4	27.4	27.4
Valuations			
P/E (x)	82.2	62.8	44.0
P/BV (x)	7.9	7.2	6.5
EV/EBITDA (x)	50.5	38.0	29.0
Div. Yield (%)	0.4	0.4	0.6
FCF Yield (%)	0.4	-0.7	2.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	28.8	28.8	28.8
DII	27.4	28.6	26.0
FII	18.0	15.6	18.5
Others	25.8	27.0	26.7

FII Includes depository receipts

CMP: INR3,771 TP: INR3,450 (-9%) Neutral

HPP and CDMO businesses drive performance

- Navin Fluorine's (NFIL) EBITDA/ PAT in 1QFY25 came in 21%/31% higher than our estimates due to strong performance in HPP and CDMO businesses. Gross margin stood at 56%, while EBITDA margin dipped 410bp YoY to 19.2%. Earnings declined 17% YoY to INR512m in 1QFY25.
- HPP business grew 66% YoY, led by stable HFO operations and a pickup in volumes from its R32 plant. The management indicated in the concall that R32 prices have shown an uptick, while R22 prices are also showing signs of improvement in the export market. R22, R32 and HFO plants are running at optimum utilization currently. The AHF and R32 capex are on track to be commissioned by end FY25/early FY26 and Feb'25, respectively.
- CDMO business grew significantly by 69% on a sequential basis with improving order book visibility. The management has reiterated its target to achieve USD100m in revenue by FY27. Phase I of cGMP4 plant is well on track to be commissioned by end CY25. NFIL is working on various strategies with a healthy share of late stage/commercial molecules and various partnerships with major MNCs in development, pre-validation and completion stages.
- Specialty Chemicals business posted a weak revenue of INR1.6b, down 30% YoY because of inventory rationalization at the customers' end. The management highlighted that pressure from China generic players would persist and producing differentiating products for the customers would be key. The management expects demand in Spec Chem to recover in 2HFY25.
- NFIL has signed two agreements for: 1) a patented agrochemical product catering to the Japanese market with annual revenue potential of INR200-300m from CY25, and 2) new agro molecule added in Surat for a global major with peak annual revenue of INR400-500m. Agro Specialty capex and the capability capex are on track to be commissioned within the timelines.
- We have not made material changes to our estimates as of now. Subsequently, **we expect a revenue/EBITDA/PAT CAGR of 22%/32%/37% over FY24-26.** The stock is trading at 44x FY26E EPS of INR86 and 29x FY26E EV/EBITDA. We value NFIL at 40x FY26E EPS to arrive at our TP of INR3,450. **We maintain our Neutral rating.**

Performance ahead of estimates; HPP segment shines

- NFIL posted a revenue of INR5.2b (est. INR4.8b, +7% YoY), GM of 56% (-270bp YoY). EBITDAM stood at 19.2% (-410bp YoY), with EBITDA of INR1b (est. INR830m, -12% YoY). Reported PAT stood at INR512m (est. INR391m, -17% YoY).
- **HPP business** posted a revenue of INR2.8b (+66% YoY).
- **Specialty Chemicals business** posted a revenue of INR1.6b (-30% YoY).
- **CDMO business** reported a revenue of INR810m (-12% YoY).
  - Drug application has been expanded w.r.t. the European CDMO MSA; peak potential projections could be achieved.

- **The revenue mix in 1Q stood at 54% for HPP business (34% in 1QFY24), 15% for CDMO (19%) and 31% for Specialty Chemicals business (47%).**
- Domestic sales were 37% of the total revenues in 1Q, while 63% were exports (67% in 1QFY24). Domestic sales stood at 43% from HPP, 38% from Specialty Chemicals and 16% from CDMO.

Valuation and View

- The Specialty Chemicals and CDMO businesses should drive robust growth (at 24% and 45% CAGRs, respectively, over FY24-26), with increasing use of fluorine in the pharma and agro sectors, battery chemicals, and performance materials (Solar grid HF, Semiconductor grade HF, et al).
- NFIL has already identified various opportunities such as 1) a capability capex in Specialty Chemicals with INR450m in revenue expected every year starting FY25, 2) Fermion contract with value of USD40m over three years starting CY24, 3) additional R32 capacity to be commissioned by Feb'25, among others.
- We expect a revenue/EBITDA/adj. PAT CAGR of 22%/32%/37% over FY24-26. The stock is trading at 44x FY26E EPS of INR86 and 29x FY26E EV/EBITDA. We value the company at 40x FY26E EPS to arrive at our TP of INR3,450. **We maintain our Neutral rating.**

Consolidated - Quarterly Snapshot **(INR m)**

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Gross Sales	**4,912**	**4,718**	**5,001**	**6,020**	**5,237**	**6,019**	**6,720**	**7,503**	**20,650**	**25,479**	**4,790**	**9%**
YoY Change (%)	23.6	12.5	-11.3	-13.6	6.6	27.6	34.4	24.6	-0.6	23.4	-2.5	
Gross Margin (%)	58.7%	57.2%	54.1%	50.0%	56.0%	54.3%	54.1%	55.6%	54.7%	55.0%	52.0%	4.0%
EBITDA	**1,142**	**983**	**757**	**1,101**	**1,004**	**1,192**	**1,409**	**1,757**	**3,983**	**5,361**	**830**	**21%**
Margin (%)	23.3	20.8	15.1	18.3	19.2	19.8	21.0	23.4	19.3	21.0	17.3	1.8
Depreciation	213	243	249	257	267	274	284	299	962	1,123	259	
Interest	194	200	177	174	156	194	205	263	746	818	184	
Other Income	83	231	119	125	103	136	158	177	559	573	137	
PBT before EO expense	**818**	**772**	**450**	**794**	**683**	**860**	**1,079**	**1,372**	**2,834**	**3,994**	**523**	**31%**
Extra-Ord. expense	0	0	521	0	0	0	0	0	521	0	0	
PBT	**818**	**772**	**972**	**794**	**683**	**860**	**1,079**	**1,372**	**3,355**	**3,994**	**523**	**31%**
Tax	202	166	191	90	171	217	271	346	650	1,005	132	
Rate (%)	24.8	21.5	19.7	11.4	25.0	25.2	25.2	25.2	19.4	25.2	25.2	
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**615**	**606**	**780**	**704**	**512**	**644**	**807**	**1,026**	**2,705**	**2,989**	**391**	**31%**
Adj. PAT	**615**	**606**	**362**	**704**	**512**	**644**	**807**	**1,026**	**2,285**	**2,989**	**391**	**31%**
YoY Change (%)	-17.4	4.8	-66.1	-48.4	-16.8	6.2	123.2	45.7	-39.1	30.8	-36.4	
Margin (%)	12.5	12.8	7.2	11.7	9.8	10.7	12.0	13.7	11.1	11.7	8.2	1.6
Segmental Revenue (INR m)												
High Performance Products (HPP)	1,690	2,381	2,510	2,970	2,810	2,901	3,019	3,109	9,551	11,839	2,158	30%
Specialty Chemicals	2,300	1,855	1,770	2,570	1,620	2,173	2,656	3,209	8,495	9,658	2,133	-24%
CDMO	920	482	730	480	810	946	1,045	1,181	2,612	3,983	499	62%

Granules India

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	GRAN IN
Equity Shares (m)	242
M.Cap.(INRb)/(USDb)	142.7 / 1.7
52-Week Range (INR)	593 / 288
1, 6, 12 Rel. Per (%)	16/29/57
12M Avg Val (INR M)	693

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	45.1	49.6	56.9
EBITDA	8.8	10.8	13.0
Adj. PAT	4.2	5.8	7.7
EBIT Margin (%)	14.9	17.3	18.9
Cons. Adj. EPS (INR)	17.4	24.0	31.9
EPS Gr. (%)	-19.5	38.5	32.5
BV/Sh. (INR)	133.1	155.7	186.4
Ratios			
Net D:E	0.4	0.3	0.3
RoE (%)	13.9	16.6	18.6
RoCE (%)	11.7	13.8	15.5
Payout (%)	7.0	4.9	3.7
Valuations			
P/E (x)	33.9	24.5	18.5
EV/EBITDA (x)	11.3	9.1	7.3
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	0.7	2.2	4.7
EV/Sales (x)	2.2	2.0	1.7

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	38.9	42.0	42.0
DII	14.1	10.7	6.7
FII	20.4	19.6	21.4
Others	26.6	27.8	30.0

FII Includes depository receipts

CMP: INR589 TP: INR680 (+15%) Buy

FD and low base doubled earnings YoY

Efforts underway towards portfolio enhancement

- Granules India (GRAN) posted in-line revenue in 1QFY25. However, it delivered better-than-estimated 1QFY25 EBITDA/PAT led by the increased share of formulation sales as well as a higher contribution from new launches.
- We tweak our earnings estimate by +2% for FY25 to factor in the steady traction from new launches and a weak outlook in the paracetamol business owing to higher API inventory at the industry level. We value GRAN at 18x 12M forward earnings to arrive at our TP of INR680.
- In addition to the shift towards higher formulation sales from its legacy molecules, GRAN is implementing efforts to: 1) build a pipeline in the space of oncology, large volume products, and innovation/tech-based products (enzyme/contract manufacturing), and b) backward integrate the manufacturing process of its legacy products. This augurs well for sustaining the earnings growth momentum beyond FY26 as well. **Reiterate BUY.**

Segment mix benefit partly offset by higher opex for the quarter

- Granules sales grew 20% YoY to INR11.8b (in line with estimates).
- FDF sales grew 65% YoY to INR9b (76% of sales). PFI sales fell 33% YoY to INR997m (10% of sales). API sales dipped 36% YoY to INR1.9b (14% of sales).
- The US sales (74% of sales) grew 45% YoY to INR8.7b. India sales (5% of sales) rose 15% YoY to INR569m. LATAM sales (5% of sales) grew 9% YoY to INR535m. The ROW sales (4% of sales) inched up 2% YoY to INR503m. However, Europe sales (13% of sales) declined 37% YoY to INR1.5b in 1QFY25.
- Gross Margin (GM) expanded 760bp YoY to 58.9% due to the change in segmental mix and lower RM costs.
- However, EBITDA margin expanded at a lower rate of 600bp YoY to 22% (our est: 20.8%), as gross margin improvement was partly offset by higher other expenses (up 200bp as a % of sales).
- EBITDA grew 64% YoY to INR2.6b (vs. our est: INR2.5b) for the quarter.
- Adjusted PAT came in at 2.1x YoY to INR1.3b (our estimate: INR1.2b).

Highlights from the management commentary

- GRAN indicated a 20% YoY growth in the US sales for FY25.
- The company expects EBITDA margin to improve QoQ and anticipates FY25 EBITDA margin to be ~22-23%.
- GRAN has launched five products in 1QFY25 in the US market. Further, it expects to launch 3-4 more products in the remaining of FY25.
- It expects that paracetamol would not contribute meaningfully over the next two quarters due to inventory buildup at the customers end.
- The sales of new products contributed ~35% in 1QFY25 vs. 25% in FY24 and 15% in FY23 in the FD segment.

Quarterly Performance

(INR m)

Y/E March (Consolidated)	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY25E 1Q	FY25E 2QE	FY25E 3QE	FY25E 4QE	FY24	FY25E	FY25E 1QE	Var. vs Est
Net Sales	**9,855**	**11,895**	**11,556**	**11,758**	**11,799**	**11,967**	**12,319**	**12,716**	**45,063**	**48,800**	**11,806**	-0.1
YoY Change (%)	-3.3	3.4	0.8	-1.6	19.7	0.6	6.6	8.1	-0.1	8.3	19.8	
Total Expenditure	8,276	9,765	9,051	9,201	9,206	9,347	9,571	10,038	36,293	38,162	9,351	
EBITDA	**1,579**	**2,130**	**2,505**	**2,557**	**2,593**	**2,621**	**2,747**	**2,678**	**8,770**	**10,638**	**2,456**	5.6
YoY Change (%)	-25.4	-12.3	8.3	8.3	64.2	23.1	9.7	4.7	-4.9	21.3	55.5	
Margins (%)	16.0	17.9	21.7	21.7	22.0	21.9	22.3	21.1	19.5	21.8	20.8	
Depreciation	492	525	524	532	529	555	560	580	2,073	2,224	550	
EBIT	**1,086**	**1,605**	**1,981**	**2,025**	**2,064**	**2,066**	**2,187**	**2,098**	**6,697**	**8,414**	**1,906**	8.3
YoY Change (%)	-35.4	-19.3	8.3	8.1	90.0	28.8	10.4	3.6	-9.2	25.6	75.4	
Margins (%)	11.0	13.5	17.1	17.2	17.5	17.3	17.8	16.5	14.9	17.2	16.1	
Interest	225	260	286	288	270	265	260	225	1,058	1,020	270	
Other Income	3	15	7	19	21	10	12	5	44	48	13	
PBT before EO expense	**865**	**1,360**	**1,701**	**1,756**	**1,814**	**1,811**	**1,939**	**1,878**	**5,683**	**7,442**	**1,649**	10.0
Extra-Ord expense	211	0	0	0	0	0	0	0	211	0	0	
PBT	**654**	**1,360**	**1,701**	**1,756**	**1,814**	**1,811**	**1,939**	**1,878**	**5,472**	**7,442**	**1,649**	
Tax	176	339	444	460	468	458	481	333	1,419	1,740	419	
Rate (%)	26.9	24.9	26.1	26.2	25.8	25.3	24.8	17.8	25.9	23.4	25.4	
Reported PAT	**479**	**1,021**	**1,257**	**1,296**	**1,346**	**1,353**	**1,458**	**1,544**	**4,052**	**5,701**	**1,230**	9.5
Adjusted PAT	**633**	**1,021**	**1,257**	**1,296**	**1,346**	**1,353**	**1,458**	**1,544**	**4,207**	**5,701**	**1,230**	9.5
YoY Change (%)	-50.4	-29.6	1.1	3.4	112.7	32.5	16.0	19.1	-19.5	35.5	94.3	
Margins (%)	6.4	8.6	10.9	11.0	11.4	11.3	11.8	12.1	9.3	11.7	10.4	

E: MOFSL Estimates

Key performance Indicators (Consolidated)

Y/E March	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY25E 1Q	FY25E 2QE	FY25E 3QE	FY25E 4QE	FY24	FY25E	FY25E 1QE
FD	5,420	7,375	7,627	8,642	8,912	9,071	9,305	9,598	29,090	36,886	8,673
YoY Change (%)	-1.2	25.9	45.9	41.3	64.4	23.0	22.0	11.1	28.2	26.8	60.0
PFI	1,478	1,427	1,733	1,482	997	1,028	1,075	1,175	6,107	4,275	1,508
YoY Change (%)	-37.6	-39.2	-18.7	-31.8	-32.6	-28.0	-38.0	-20.7	-32.3	-30.0	2.0
API	2,957	2,974	2,196	1,633	1,890	2,082	2,196	2,226	9,823	8,394	1,626
YoY Change (%)	26.3	-10.0	-46.5	-55.5	-36.1	-30.0	0.0	36.3	-26.8	-14.6	-45.0
Cost Break-up											
RM Cost (% of Sales)	48.6	48.3	43.0	39.9	41.1	41.9	42.3	42.7	55.1	58.0	41.5
Staff Cost (% of Sales)	14.2	12.5	13.6	12.9	13.9	13.0	12.7	11.4	13.3	12.7	13.2
Other Cost (% of Sales)	21.1	21.2	21.7	25.4	23.1	23.2	23.2	24.4	22.4	23.5	24.5
Gross Margin (%)	51.4	51.7	57.0	60.1	58.9	58.1	57.7	57.3	44.9	42.0	58.5
EBITDA Margin (%)	16.0	17.9	21.7	21.7	22.0	21.9	21.8	21.5	19.5	21.8	20.8
EBIT Margin (%)	11.0	13.5	17.1	17.2	17.5	17.3	17.3	17.1	14.9	17.3	16.1

E: MOFSL Estimates

Quess Corp

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	QUESS IN
Equity Shares (m)	149
M.Cap.(INRb)/(USDb)	107.1 / 1.3
52-Week Range (INR)	753 / 398
1, 6, 12 Rel. Per (%)	16/31/42
12M Avg Val (INR M)	267

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	191.0	209.8	237.9
EBITA Margin (%)	3.6	3.9	4.0
Adj. PAT	3.1	4.2	5.0
Adj. EPS (INR)	20.4	28.1	33.7
EPS Gr. (%)	78.3	37.5	19.9
BV/Sh. (INR)	247.0	261.7	282.9
Ratios			
RoE (%)	11.4	14.6	16.3
RoCE (%)	13.3	16.1	17.7
Payout (%)	43.0	56.9	47.5
Dividend Yield (%)	1.5	3.0	3.0
Valuations			
P/E (x)	26.3	19.1	16.0
P/BV (x)	2.2	2.1	1.9
EV/EBITDA (x)	11.4	10.0	8.5
EV/Sales (x)	0.4	0.4	0.3

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	56.6	56.6	56.7
DII	11.0	10.8	7.3
FII	15.9	15.3	17.1
Others	16.5	17.3	18.9

FII Includes depository receipts

CMP: INR721 TP: INR680 (-6%) Neutral

In-line quarter, one-offs boost PAT

Healthy headcount growth encouraging, IT could see recovery in 2H

- Quess Corp (QUESS) delivered an 8.8% YoY growth in revenue, in line with our estimate. The headcount addition was strong at ~30k net. The EBITDA margin at 3.3% (-30bp QoQ) was in line with our estimate too. This was due to a margin contraction in GTS (-122bp QoQ) and OAM (-64bp QoQ) businesses. Adj. PAT increased 117% YoY to INR1,038m, above our estimate of INR851m, largely due to lower depreciation and ETR (5.8% vs. 10% estimated).
- Management indicated good demand, especially in its WFM business; Manufacturing and BFSI had a good quarter too. IT staffing saw a positive trend after a few quarters of decline. Also, the mandate level has gone up to 1,500 in 1Q from 1,100, which indicates an improving traction. We believe 2H will be better for IT staffing than 1H. While growth in WFM and OAM was tepid due to seasonality, QUESS hired additional 30k individuals in 1Q, which provides good visibility for near-term growth. We estimate a revenue CAGR of 12% over FY24-26.
- EBITDA margin dipped 30bp QoQ (in line) on account of a decline of 122bp/64bp in GTS/OAM in a seasonally weak quarter. Management reiterated its guidance that the PLB will achieve an EBITDA breakeven by 4QFY25. An uptick in IT hiring is expected in 2H, which will contribute to EBITDA margin expansion. Further, QUESS anticipates margins returning to 4% with the festive season coming up. We expect these trends to aid margins in FY25.
- We expect EBITDA margin to gradually improve to 3.9%/4.0% for FY25/FY26. Accordingly, we expect a PAT CAGR of 35% over FY24-26E.
- QUESS received additional income tax disallowances for FY18-19 (final) and FY20-21 (draft) during the quarter. Though QUESS is contesting the disallowances, it has contingent liabilities of INR1.63b toward tax demands. The tax disallowance of 80JJAA deduction by the Income Tax Department could be an overhang.
- Though QUESS should benefit from medium-term tailwinds of formalization and labor reforms, the growth has already been factored into the valuations. **We reiterate our NEUTRAL** rating due to full valuations, taxation concerns, and limited margin expansion. Our TP of INR680 implies 20x FY26E P/E.

In-line revenue and margin

- QUESS' revenue was up 1.9% QoQ/8.8% YoY in 1QFY25, in line with our expectation of 2.0% QoQ/8.9% YoY.
- Workforce Management (WFM) grew 12.5% YoY, Operating Asset Management (OAM) rose 6.2% YoY, Global Technology Solutions (GTS) grew 8.3% YoY, and Product-led business (ex-Qdigi) grew 6% YoY.

- EBITDA margin dipped 30bp QoQ at 3.7%, in line with our estimate of 3.7%. WFM EBITDA margin contracted 18bp QoQ, and GTS/OAM margins contracted 122bp/64bp QoQ.
- Adj. PAT increased 117% YoY to INR1,038m, above our estimate of INR851m, largely due to lower depreciation and ETR (5.8% vs. 10% estimated).
- QUESS added a total of ~30k employees (27k employees to its workforce management business). In WFM, 91 new contracts were added with an ACV of INR5.1b.
- QUESS received disallowance of its 80JJAA and depreciation on goodwill deductions from the Income Tax authorities for FY18-19, in addition to the previous year. It also received a draft assessment for FY20-21, disallowing the claims for the year. While QUESS is contesting the assessments, it has disclosed a contingent liability of INR1.63b toward tax demands. It has also claimed deductions of INR0.93b for 1QFY25.

Key highlights from the management commentary

- Although 1Q is a seasonally weak quarter, this quarter saw a substantial increase in headcounts to the tune of ~30k. WFM added 27k headcount during the quarter. Domestic IT staffing gained momentum with focused sales and additions in GCCs, with 1,500 open mandates. GCCs now contribute 70% of domestic IT staffing revenue. International IT markets remained muted.
- Manufacturing, BFSI, and Retail drove the growth during 1QFY25. It experienced positive trend in IT staffing after a few quarters of decline. The company expects growth to recover in this business and is already seeing some green shoots. The mandate level has gone up to 1,500 in 1Q from 1,100, which is good indication.
- Foundit significantly reduced its cash burn and registered a growth of 7% YoY. QUESS is confident in achieving 25% revenue growth for the year and plans to make this business breakeven by year-end.
- With IT staffing opening up, an uptick in IT hiring is expected in 2H, which will contribute to EBITDA margin expansion. Further, QUESS expects margin level back to 4% with the festive season coming up.

Valuation and View: reiterate NEUTRAL

- Though QUESS should benefit from the medium-term tailwinds of formalization and labor reforms, the growth has already been factored into the valuations.
- We expect gradual recovery in margins over FY25 and FY26, which should support earnings.
- **We reiterate our NEUTRAL** rating due to full valuations, taxation concerns, and limited margin expansion. Our TP of INR680 implies 20x FY26E P/E.

Consolidated quarterly performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QFY25	(% / bp)
Net Sales	**46,002**	**47,483**	**48,418**	**49,098**	**50,031**	**51,938**	**53,321**	**54,549**	**1,91,001**	**2,09,839**	**50,085**	**-0.1**
YoY Change (%)	15.6	11.1	8.4	10.6	8.8	9.4	10.1	11.1	11.3	9.9	8.9	-12
Total Expenditure	44,463	45,848	46,608	47,146	48,193	49,913	51,188	52,367	1,84,065	2,01,661	48,257	-0.1
EBITDA	**1,539**	**1,635**	**1,810**	**1,952**	**1,838**	**2,026**	**2,133**	**2,182**	**6,936**	**8,178**	**1,828**	**0.5**
Margins (%)	3.3	3.4	3.7	4.0	3.7	3.9	4.0	4.0	3.6	3.9	3.7	2.3
Depreciation	686	697	718	731	690	749	749	749	2,832	2,938	749	-7.9
EBIT	**853**	**939**	**1,092**	**1,220**	**1,148**	**1,276**	**1,384**	**1,433**	**4,104**	**5,240**	**1,079**	**6.4**
Margins (%)	1.9	2.0	2.3	2.5	2.3	2.5	2.6	2.6	2.1	2.5	2.2	14
Interest	272	281	354	266	235	271	271	271	1,173	1,049	268	-12.1
Other Income	41	151	52	50	102	141	141	141	295	525	134	
PBT before EO expense	**621**	**809**	**790**	**1,005**	**1,014**	**1,146**	**1,253**	**1,302**	**3,226**	**4,716**	**945**	**7.3**
Recurring Tax	140	83	-45	-30	69	115	125	130	148	439	95	-27.2
Rate (%)	22.6	10.3	-5.7	-3.0	6.8	10.0	10.0	10.0	4.6	9.3	10.0	
MI & P/L of Asso. Cos.	3.1	-10	-2	35	78.7	0	0	0	25.5	78.7	0	
Adjusted PAT	**478**	**735**	**838**	**1,001**	**867**	**1,031**	**1,128**	**1,172**	**3,052**	**4,198**	**851**	**1.9**
Extraordinary items	0	16	199	57	-171	0	0	0	272	-171	0	
Reported PAT	**478**	**719**	**639**	**944**	**1,038**	**1,031**	**1,128**	**1,172**	**2,780**	**4,369**	**851**	**22.0**
YoY Change (%)	-22.0	71.0	-27.4	184.9	117.1	43.4	76.5	24.2	23.8	57.2	77.9	3,921
Margins (%)	1.0	1.5	1.3	1.9	2.1	2.0	2.1	2.1	1.5	2.1	1.7	38

Key performance indicators

Y/E March	FY24				FY25	FY24
	1Q	2Q	3Q	4Q	1Q	
Headcount (k)	525	547	557	567	597	567
Segment Revenue (INR m)						
Workforce Management	32,206	33,153	34,302	34,760	36,219	1,34,420
Operating Asset Management	6,899	7,055	6,950	7,100	7,325	28,004
Global Technology Solutions	5,633	5,843	5,880	6,040	6,101	23,395
Product-led Business*	360	350	370	380	386	1,460
EBITDA Margin (%)						
Workforce Management	2.6	2.6	2.6	2.6	2.4	2.6
Operating Asset Management	4.5	5.0	5.2	5.4	4.8	5.0
Global Technology Solutions	17.8	17.8	18.3	18.8	17.5	18.2
Product Led Business*	(61.1)	(54.3)	(24.3)	(2.6)	(12.9)	(34.9)

Source: Company; Note: *Historical nos. for Revenue and EBITDA adjusted ex. Qdigi

Sapphire Foods

Estimate changes	↔
TP change	↑
Rating change	↔

Bloomberg	SAPPHIRE IN
Equity Shares (m)	64
M.Cap.(INRb)/(USDb)	102.4 / 1.2
52-Week Range (INR)	1878 / 1213
1, 6, 12 Rel. Per (%)	-1/-4/-11
12M Avg Val (INR M)	264

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	25.9	29.9	34.9
Sales Gr. (%)	14.5	15.4	16.4
EBITDA	4.6	5.5	6.6
Margins (%)	17.8	18.2	19.1
Adj. PAT	0.5	0.8	1.5
Adj. EPS (INR)	8.2	13.0	23.8
EPS Gr. (%)	-52.4	59.5	82.7
BV/Sh.(INR)	210.2	223.2	247.0
Ratios			
RoE (%)	4.0	6.0	10.1
RoCE (%)	5.7	6.6	8.9
Valuations			
P/E (x)	196.2	123.0	67.3
P/BV (x)	7.6	7.2	6.5
EV/Sales (x)	4.3	3.7	2.8
EV/EBITDA (x)*	37.0	29.7	22.7

*Pre Ind-AS

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	30.8	30.8	44.9
DII	31.5	32.4	29.6
FII	31.5	30.0	18.7
Others	6.2	6.8	6.9

FII Includes depository receipts

CMP: INR1,605 TP: INR1,850 (+16%) Buy

Weak but in-line performance

- Sapphire Foods (Sapphire) reported 10% YoY revenue growth and 14% YoY store growth in 1QFY25. The store growth was offset a decline of 6%/7% in same-store sales for KFC/Pizza Hut (PH). KFC revenue rose 11% YoY despite 23% YoY store growth. PH revenue increased by 3% YoY, with 6% store addition. Sapphire added only one store of PH during the quarter as the company is cautious about store expansion in FY25.
- GM trend was positive across brands due to a benign RM basket. However, unit economics were hit by weak growth metrics. KFC's ROM declined 200bp YoY/10bp QoQ to 18.8%, while PH's ROM decreased sharply by 440bp YoY to 4.6% on higher marketing expenses.
- Consolidated restaurant EBITDA declined 3% YoY to INR1,090m, with a margin dip of 200bp YoY to 15.2% (17.2% in 1QFY24). Pre-Ind-AS EBITDA declined 8% YoY to INR707m, while margin contracted 195bp YoY to 9.8% (11.8% in 1QFY24). PBT declined 65% YoY to INR118m, with a PBT margin of 1.6% vs. 5.1% in 1QFY24 and 0.1% in 4QFY24.
- The QSR industry continues to experience weakness in unit economics; dine-in is seeing more pressure than delivery. KFC's performance was affected by the shift of the Navratra festival from March last year to April this year. Meanwhile, PH recovery remains work in progress. The store expansion spree is expected to slow in FY25 (mainly in PH) to fix profitability metrics.
- We maintain our cautious stance on QSRs for the near term due to the ongoing demand challenges. We reiterate **our BUY rating on the stock with a TP of INR1,850 (25x Jun'26 Pre-IND-AS EV/EBITDA).**

Underlying weakness persists; operationally in line

- **Sluggish growth metrics:** Consolidated sales grew 10% YoY to INR7.2b (in line). For KFC/PH, revenue grew 11%/3% YoY and same-store sales declined 6%/7%. ADS of KFC was down 12% YoY at INR122k, while for PH, ADS declined 8% YoY to INR48k.
- **Expect slower store addition in FY25**: Store growth was 14% YoY in 1Q. It added net 14 stores (13 KFC, 1 PH, and remain same store in Sri Lanka) to take the total count to 886. KFC's store addition will sustain in FY25, but PH's store addition would be muted as the management guides single-digit store addition with the aim of improving ADS and profitability for the existing store network.
- **Weak margin print**: Consolidated gross profit grew 10% YoY to INR4.9b. Consolidated GM improved 10bp YoY but declined 30bp QoQ to 68.6%. Reported EBITDA grew 2% YoY to INR1.2b (est. INR1.3b), while margins contracted 130bp YoY to 17.3% vs. 16.3% in 4QFY24. PBT was INR118m (est. INR229m) with margin of 1.6%. The decline in PBT was due to lower-than-expected other income of INR53m (est. INR100m). PAT declined 67% YoY to INR82m with margins contracted 300bp YoY to 1.1%.

Highlights from the management commentary

- Demand conditions in the QSR industry have been subdued.
- The company took a 1% price increase, but not across the board, and cut prices for some SKUs.
- Consumer behavior is shifting, with an increase in delivery, which is becoming a more preferred option and having a more significant impact than the decline in dine-in.
- The companies are making efforts to improve dine-in, including specific menus, value offerings, and lunch advertising to attract customers.
- A decline of 6% in same-store sales for KFC would lead to a bigger drop in restaurant EBITDA margin due to operating leverage.
- For PH's menu, the distribution is 75% vegetarian and 25% non-vegetarian.
- The management remains cautious about PH store expansion and added only 1 store so far in CY24.

Valuation and view

- There are no material changes to our revenue/EBITDA estimates for FY25 and FY26.
- KFC's store addition will sustain in FY25, but PH's store addition will be muted as the management is aiming to fix ADS and profitability snags for the current network.
- We do not foresee any near-term respite in profitability print, but with gradual stability in growth metrics in 2HFY25, we expect better unit economics. A higher mix of KFC would also deliver a better PBT margin for Sapphire in FY25 and FY26. We model PBT margin of 4%/6% in FY25/FY26.
- The QSR industry continues to see weakness in unit economics across dine-in and delivery formats. KFC has shown resilience in managing the headwinds more effectively. PH has been struggling due to weak unit economics and intense competition. The store expansion spree is expected to slow down in FY25 (mainly in PH) to fix the profitability metrics. We maintain our cautious stance on QSRs for the near term due to the ongoing demand challenges. The stock trades at 24x and 19x Pre-Ind-AS EV/EBITDA on FY25E and FY26E, respectively. We reiterate **our BUY rating on the stock with a TP of INR1,850 (premised on 25x Jun'26E Pre-Ind-AS EV/EBITDA)**.

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
KFC - No. of stores	358	381	406	429	442	462	482	509	429	509	449	
PH - No. of stores	302	311	319	319	320	321	322	324	319	324	320	
KFC - SSSG (%)	0.0	0.0	-2.0	-3.0	-6.0	-1.0	5.5	7.5	-1.0	1.5	-4.5	
PH - SSSG (%)	-9.0	-20.0	-19.0	-15.0	-7.0	-3.0	5.0	9.0	-16.0	1.0	-8.0	
Net Sales	**6,544**	**6,426**	**6,656**	**6,317**	**7,183**	**7,329**	**7,853**	**7,584**	**25,943**	**29,949**	**7,332**	-2.0
YoY change (%)	19.8	14.2	11.6	12.7	9.8	14.0	18.0	20.1	14.5	15.4	12.0	
Gross Profit	**4,483**	**4,417**	**4,583**	**4,351**	**4,927**	**5,010**	**5,383**	**5,251**	**17,834**	**20,566**	**5,013**	-1.7
Margin (%)	68.5	68.7	68.9	68.9	68.6	68.4	68.5	69.2	68.7	68.7	68.4	
EBITDA	**1,214**	**1,151**	**1,217**	**1,029**	**1,242**	**1,301**	**1,512**	**1,400**	**4,613**	**5,454**	**1,269**	-2.1
EBITDA growth %	10.0	11.6	4.3	4.9	2.3	13.0	24.2	36.0	7.7	18.2	4.5	
Margin (%)	18.6	17.9	18.3	16.3	17.3	17.7	19.2	18.5	17.8	18.2	17.3	
Depreciation	727	768	874	870	904	906	918	914	3,239	3,641	880	2.7
Interest	226	245	263	275	273	270	265	259	1,009	1,067	260	4.9
Other Income	75	75	60	124	53	100	100	108	334	361	100	-47.4
PBT	**336**	**214**	**140**	**8**	**118**	**225**	**429**	**335**	**699**	**1,108**	**229**	-48.4
Tax	88	62	42	-12	36	57	108	78	180	279	58	
Rate (%)	26.0	28.9	30.0	-143.0	30.8	25.2	25.2	23.2	25.7	25.2	25.2	
Adjusted PAT	**249**	**152**	**98**	**20**	**82**	**168**	**321**	**257**	**520**	**829**	**172**	-52.3
YoY change (%)	-34.8	-43.4	-69.9	-82.2	-67.1	10.7	226.6	1,162.7	-52.4	59.5	-31.0	

E: MOFSL Estimates

Restaurant Brands Asia

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	RBA IN
Equity Shares (m)	498
M.Cap.(INRb)/(USDb)	55 / 0.7
52-Week Range (INR)	138 / 92
1, 6, 12 Rel. Per (%)	8/-21/-30
12M Avg Val (INR M)	364

Financials & Valuations (INR b)

Y/E March (INR b)	FY24	FY25E	FY26E
Sales	24.4	27.9	33.8
Sales growth (%)	18.6	14.3	21.5
EBITDA	2.4	3.4	4.8
Margins (%)	9.9	12.3	14.3
Adj. PAT	-2.4	-1.1	-0.1
Adj. EPS (INR)	-4.8	-2.3	-0.2
EPS Growth (%)	N/M	N/M	N/M
BV/Sh.(INR)	12.7	10.4	10.2
Ratios			
RoE (%)	-32.1	-19.9	-2.0
RoCE (%)	-4.7	0.7	6.4
Valuations			
P/E (x)	N/M	N/M	N/M
P/BV (x)	8.7	10.6	10.8
EV/EBITDA (x)	28.0	18.8	13.6
pre Ind-AS EV/EBITDA (x)	270.3	49.3	27.2
EV/Sales (x)	2.8	2.3	1.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	15.3	15.4	40.8
DII	28.4	23.2	9.7
FII	18.8	24.9	27.4
Others	37.5	36.6	22.1

FII Includes depository receipts

CMP: INR110 TP: INR140 (+27%) Buy

India steady; Indonesia's profitability improving

- Restaurant Brands Asia (RBA)'s India business posted 16% YoY revenue growth (est. 20%), led by a 15% YoY rise in store additions, with 3% SSSG. Amid a tough demand environment, most QSR brands have been reporting weak growth metrics (SSSG, ADS). RBA sustained its SSSG outperformance, led by continued focus on traffic growth (value segment led).
- India GM expanded 120bp YoY/ flat QoQ to 67.6% (est. 67.5%) trajectory remains positive despite its focus on value offering. We model ~68% GP margin for FY25 and FY26.
- India ROM (pre-Ind-AS) increased 29% YoY to INR435m. Margin expanded 90bp YoY to 8.9%. EBITDA (pre-Ind-AS) rose 72% YoY to INR175m, while margin was up 120bp YoY to 3.6%. RBA is looking to improve profitability led by cost control, better growth, and improving delivery business margin.
- Indonesia's revenue declined 17% YoY, impacted by geopolitical crises and store closures (26 BK store closures in FY24 and 1 in 1QFY25). Indonesia's ROM (Pre-Ind As) expanded 140bp YoY to 1.6% and its ROM (Post-Ind As) expanded 280bp YoY to 9.4% fueled by cost-saving initiatives and closure of non-performing BK stores.
- Consol. EBITDA (post-IND-AS) was up 31% YoY to INR631m (est. INR778m) and margin improved 190bp YoY to 9.8% (est. 10.8%). High depreciation (up 16% YoY) and interest costs (up 22% YoY) led to a consolidated loss of INR522m vs. INR541m loss in 1QFY24 and INR921m loss in 4QFY24 (est. loss of INR393m). A partial increase in depreciation/interest was due to store closures in Indonesia.
- With an aggressive store addition outlook in India (700 stores by FY27), RBA will continue to enjoy high-store growth. The QSR industry is seeing demand challenges, and hence, the near-term growth metrics in India along with Indonesia's profitability will be a key monitorable. **We reiterate our BUY rating on the stock with a TP of INR140.**

Resilient operationally; cost control sustain in Indonesia

India business

- **Healthy revenue growth with positive SSSG**- India business revenue up 16% YoY to INR4.9b (est. INR5.1b) led by 15% YoY store adds and 3.1% SSSG (est. 2.0%). India business ADS declined 1% YoY, while it rose 13% QoQ to INR119k.
- **Slower store expansion** – The company added only one store in 1QFY25 in India, taking the total store count to 456. BK Café store count reached 352 vs. 286 in 1QFY24 and 351 in 4QFY24 (77% of total BK stores).
- **Margin Expansion** – India business GP up 18% YoY to INR3.3b (est. INR3.4) and margin improved 120bp YoY/flat QoQ to 67.6%. India ROM (pre-Ind-AS) increased 29% YoY to INR435m. Margin expanded 90bp YoY to 8.9%. EBITDA (pre-Ind-AS) rose 72% YoY to INR175m. Margin was up 120bp YoY to 3.6%.

- India reported EBITDA (Post-Ind-AS) up 29% YoY to INR625m (est. INR653m) and margin was at 12.7%. Higher depreciation and interests led to losses in the India business to INR269m in 1QFY25 vs. INR222m/INR310m losses in 1Q/4QFY24 (est. loss of INR147m).

Consolidated Business

- Consol. revenue was up 6% YoY to INR6.5b (est. INR7.2b) led by a weak revenue growth in the Indonesia business.
- Consolidated store count remained flattish QoQ at 630 stores (456/174 India BK/Indonesia stores).
- Consol. GP rose 7% YoY to INR4.2b and margin expanded 50bp YoY/30bp QoQ to 64.5% (est. 63.9%).
- Consol. EBITDA (post-IND-AS) was up 31% YoY to INR631m (est. INR778m) and margin improved 190bp YoY, while it declined 180bp QoQ to 9.8% (est. 10.8%).
- High depreciation (up 16% YoY) and interest costs (up 22% YoY) led to a consolidated loss of INR522m vs. INR541m loss in 1QFY24 and INR921m loss in 4QFY24 (est. loss of INR393m).

Key takeaways from the management commentary

- RBA expects a strong recovery in the 2HFY25, with higher traffic and SSSG. The company is planning to make corrections to their pricing strategy, particularly on the delivery side, to improve profitability.
- RBA made a conscious decision to prioritize growth through traffic in the 1QFY25, which affected margins, but will focus on improving the delivery- side profitability to reach the 69% target.
- The company is rolling out a new initiative called King's Journey. Currently, 143 active stores offer a 100% digital ordering experience.
- RBA is strengthening its portfolio by adding more varieties like grilled wings and grilled sandwiches to its signature video collections. Grilled chicken is considered a unique differentiator and a competitive edge.

Valuation and view

- WE cut our EBITDA estimates by 8% and 5% for FY25E/FY26E.
- We remain cautious about near-term QSR demand, which has adversely impacted growth and margins for most players in the industry. However, RBA's focus on the value segment to drive traffic has been outperforming its peers. RBA's store addition during the quarter remained slow; however, it maintained its store addition guidance (700 stores by FY27), leading to strong store-led growth. BK Café is likely to be a key growth and margin driver over the medium term. EBITDA margin should also improve due to a recovery in dine-in traffic, better traction/penetration of BK Café, and other cost-saving initiatives.
- As more and more stores mature, improving the contribution of new stores in the network would also support the margin recovery. The Indonesia business should also witness a healthy revenue growth and margin expansion in the medium term.
- **Reiterate BUY with a TP of INR140, based on a 35x Jun'26E EV/EBITDA for India and 10x Jun'26E EV/EBITDA for Indonesia (Pre-Ind AS 116).**

Quarterly Standalone Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
SSSG (%)	**3.6**	**3.5**	**2.6**	**1.9**	**3.1**	**5.5**	**6.5**	**6.9**	**2.9**	**5.5**	**2.0**	
No. of stores	**396**	**404**	**441**	**455**	**456**	**471**	**491**	**515**	**455**	**515**	**470**	
Net Sales	**4,221**	**4,535**	**4,454**	**4,391**	**4,905**	**5,409**	**5,313**	**5,512**	**17,601**	**21,140**	**5,061**	-3.1
YoY change (%)	25.3	23.2	20.5	20.3	16.2	19.3	19.3	25.5	22.3	20.1	19.9	
Gross Profit	**2,806**	**3,031**	**2,990**	**2,971**	**3,318**	**3,667**	**3,603**	**3,745**	**11,798**	**14,333**	**3,416**	-2.9
Margin (%)	66.5	66.8	67.1	67.7	67.6	67.8	67.8	67.9	67.0	67.8	67.5	
EBITDA	**485**	**634**	**708**	**551**	**625**	**860**	**909**	**841**	**2,377**	**3,235**	**653**	-4.2
EBITDA growth %	45.9	50.7	47.9	30.3	29.0	35.6	28.4	52.7	128.6	1,196.7	34.7	
Margin (%)	11.5	14.0	15.9	12.5	12.7	15.9	17.1	15.3	13.5	15.3	12.9	
Depreciation	507	494	522	586	633	600	575	574	2,110	2,357	570	
Interest	264	273	281	324	319	300	285	272	1,141	1,176	285	
Other Income	65	40	32	48	57	50	54	52	185	213	55	
PBT	**-222**	**-93**	**-64**	**-310**	**-269**	**10**	**102**	**47**	**-689**	**-85**	**-147**	
Tax	0	0	0	0	0	0	0	0	0	-9	0	
Rate (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	0.0	
Adjusted PAT	**-222**	**-93**	**-64**	**-310**	**-269**	**10**	**102**	**47**	**-689**	**-77**	**-147**	
YoY change (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	

E: MOFSL Estimates

Quarterly Consolidated Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
No. of stores	**575**	**578**	**628**	**630**	**630**	**650**	**675**	**704**	**630**	**704**	**650**	
Net Sales	**6,108**	**6,249**	**6,042**	**5,971**	**6,467**	**7,038**	**7,060**	**7,291**	**24,371**	**27,856**	**7,174**	-9.9
YoY change (%)	24.8	19.1	14.8	16.2	5.9	12.6	16.8	22.1	18.6	14.3	17.5	
Gross Profit	**3,912**	**4,013**	**3,891**	**3,836**	**4,171**	**4,579**	**4,595**	**4,749**	**15,651**	**18,094**	**4,585**	-9.0
Margin (%)	64.0	64.2	64.4	64.2	64.5	65.1	65.1	65.1	64.2	65.0	63.9	
EBITDA	**483**	**562**	**684**	**692**	**631**	**872**	**961**	**964**	**2,421**	**3,428**	**778**	-18.8
EBITDA growth %	65.3	123.7	130.0	152.9	30.7	55.1	40.6	39.2	117.2	41.6	61.0	
Margin (%)	7.9	9.0	11.3	11.6	9.8	12.4	13.6	13.2	9.9	12.3	10.8	
Depreciation	787	786	801	1,187	916	925	925	925	3,561	3,692	921	
Interest	307	315	317	473	374	322	323	254	1,412	1,273	313	
Other Income	71	33	35	46	137	100	100	63	185	400	64	
PBT	**-541**	**-507**	**-399**	**-921**	**-522**	**-275**	**-187**	**-152**	**-2,367**	**-1,136**	**-393**	
Tax	0	0	0	0	0	0	0	0	0	0	0	
Rate (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adjusted PAT	**-541**	**-507**	**-399**	**-921**	**-522**	**-275**	**-187**	**-152**	**-2,367**	**-1,136**	**-393**	
YoY change (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	

E: MOFSL Estimates

Capital Markets

BSE SENSEX	S&P CNX
81,455	24,857

Key statistics

Parameter	Jun'24	YoY (%)	MoM (%)
Demat A/c (m)	162	35	3
NSE Active (m)	44	43	3
ADTO (INR t)			
Overall	499	92	15
- F&O	497	92	15
- Cash (INR b)	1,649	144	38
- Retail Cash (INR b)	646	141	33

Source: MOFSL, NSE, BSE, CDSL, NSDL

SEBI's consultation paper on the F&O ecosystem

SEBI has released a consultation paper (https://tinyurl.com/mvannn7p) aimed at strengthening the index derivatives framework for increased investor protection and market stability. Most of the measures were part of a media report (https://tinyurl.com/yt5ztx4b) released three weeks ago. If the measures are replicated in the final regulations, volumes are likely to be hit both for retail participation (upfront premium collection and increase in lot size) and for HNIs/High Frequency Traders (removal of calendar spread benefit and additional margin for expiry). Exchanges and brokers stock prices have seen a correction since the media report. For brokers, price hikes can offset the impact. We have a BUY recommendation on ANGELONE and a Neutral rating on BSE.

Summary of the measures

Strike price rationalization (on expected lines)

NIFTY contracts have 35 In-the-Money and 35 Out-of-Money strikes at the time of introduction with an interval of 50 points. BANKNIFTY contracts have 45 In the Money and 45 Out of Money strikes at the time of introduction. Due to this, the options strikes cover roughly 7% to 8% of the index movement around the prevailing index price at the time of introduction.

New measures

- Strike interval to be uniform near prevailing index price (4% around prevailing price) and the interval to increase as the strikes move away from prevailing price (around 4% to 8%).
- Not more than 50 strikes would be introduced for an index derivatives contract at the time of contract launch.
- New strikes to be introduced to comply with aforesaid requirement (1) on a daily basis.

Upfront collection of options premium: Most brokers have a tight risk management system in place

- There is a stipulation for upfront collection of margin for futures position (both long and short) as well as options position (only short options require margin, whereas long options require payment of the options premium by buyers). There is no explicit stipulation of upfront collection of options premium from options buyer by members.
- To avoid any undue intraday leverage to the end client and to discourage any market wide practice of allowing position beyond the collateral at the end client level, it is desirable to mandate collection of options premium upfront by TM/ CM from the options buyer. At present, CCs block collateral at the CM level for options buy trades.
- *New measure:* The members to collect option premiums on an upfront basis from the clients.

Intraday monitoring of position limits: Most brokers have a tight risk management system in place

- *New measure:* Given the evolving market structure, the position limits for index derivative contracts shall also be monitored by the clearing corporations/ stock exchanges on intra-day basis, with an appropriate short-term fix and a glide path for full implementation, given the need for corresponding technology changes.

Removal of calendar spread benefit on the expiry day:

- *New measure:* Given the skew in volumes witnessed on the expiry day vis-à-vis other non-expiry days and the inherent basis and liquidity risk present therewith, *the* margin benefit for calendar spread positions would not be provided for positions involving any of the contracts expiring on the same day.

Minimum contract size: on expected lines

- The minimum contract size requirement for derivative contracts (i.e., INR0.5m to *INR1m*) was last set in 2015.
- *New measures:*
  - Phase 1: Minimum value of derivatives contract at the time of introduction to be between INR1.5m to INR2m.
  - Phase 2: After six months, the minimum value of derivatives contract will be between the interval of INR2m and INR3m.

Rationalization of weekly index products: (Worse than expected)

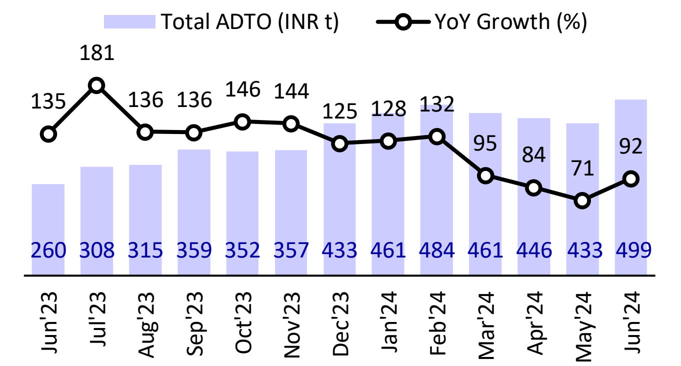
- New measure: In view of the data provided in the preceding paragraphs, to enhance investor protection and promote market stability in derivative markets, weekly options contracts are to be provided on single benchmark index of an exchange.

Increase in margin near contract expiry: Worse than expected

New measure:

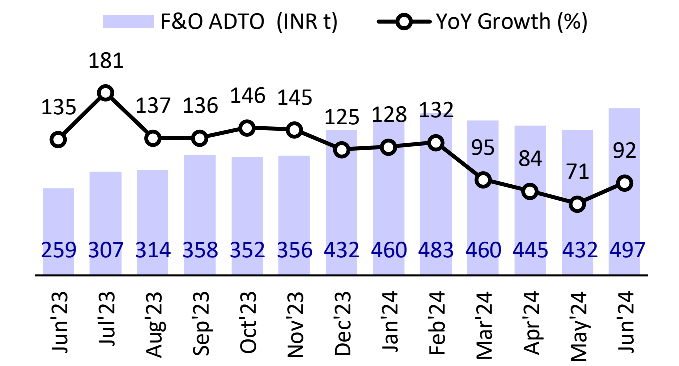
- At the start of the day before expiry, Extreme Loss Margin (ELM) to be increased by 3%.
- At the start of expiry day, ELM to be further increased by 5%.

Overall ADTO and growth



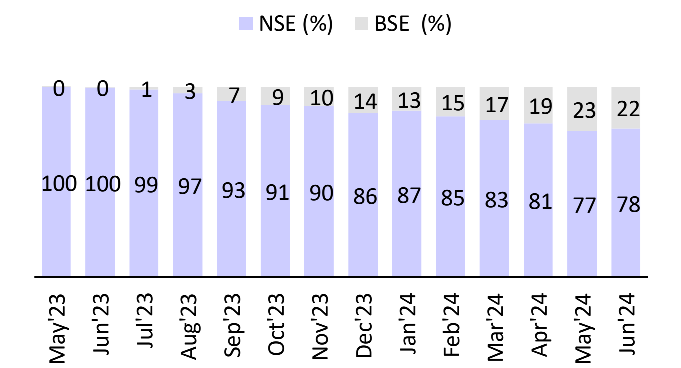
Source: MOFSL, NSE, BSE

F&O ADTO and growth



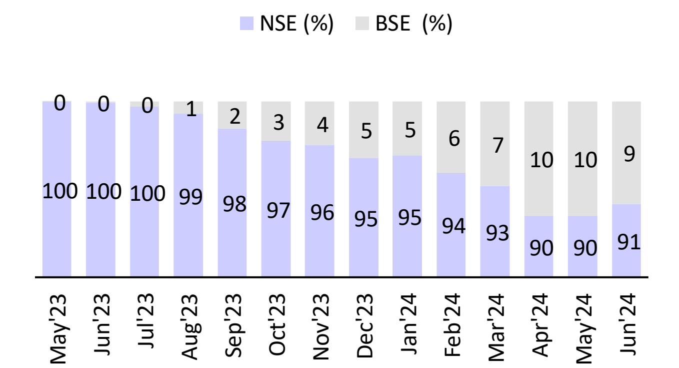
Source: MOFSL, NSE, BSE

Option Notional T/O market share trend



Source: MOFSL, NSE, BSE

Option Premium T/O market share trend



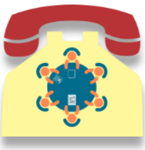
Source: MOFSL, NSE, BSE

Gail (India)

BSE SENSEX	S&P CNX
81,455	24,857

CMP: INR234 — Buy

Conference Call Details



Date: 31th July 2024
Time: 11:00 hrs IST
Dial-in details:
+91 22 6280 1149
+91 22 7155 8050

Strong transmission momentum; trading gains drive EBITDA/PAT beat

- EBITDA was up 73% YoY at INR45.3b (32% above our est. of INR34.4b).
  - The beat was driven by stronger-than-expected performances in the gas transmission and natural gas marketing segments, partially offset by weaker-than-expected performance in the Petchem, LPG, and Liq. HC segments.
- PAT rose 71% YoY to INR27.2b (21% above our est. of INR22.5b), despite lower other income and higher DDA vs. our estimates.
- Natural gas transmission volume stood at 131.8mmscm (vs. our est. of 124.1mmscm; 123.7mmscm in 4QFY24), likely driven by strong power demand-related LNG imports, in our view.
- Petchem sales declined 30% QoQ to 169tmt (vs. our est. of 212.6mmscm), leading to petchem segment slipping into an operating loss.

Segmental EBIT details for 1QFY25:

- Gas transmission business posted EBIT of INR14.5b (up 41% YoY; our est. of INR12.5b).
- LPG transmission EBIT stood at INR808m (in line YoY).
- Marketing business posted EBIT of INR20.3b (up 101% YoY; our est. of INR11.5b).
- Petchem segment posted an EBIT loss of INR415m (vs. EBIT loss of INR3b in 1QFY24; our est. of INR1.7b).
- LPG and HC reported EBIT of INR1.7b (up 10% YoY).

- In 1QFY25, GAIL incurred a capex of INR16.6b (21% of annual capex target of INR80.4b), primarily on pipelines, petrochemicals and equity to JVs.

Standalone quarterly performance (INR m)

Y/E March	FY24				FY25		Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	1QE	(%)	(%)	(%)
Net Sales	**3,24,079**	**3,18,226**	**3,42,535**	**3,23,345**	**3,36,738**	**3,25,389**	**3%**	**4%**	**4%**
Change (%)	-13.7	-17.3	-3.2	-1.6	3.9	40%			
Finished Gds Purchase	2,46,919	2,50,614	2,50,449	2,49,355	2,52,388	1,59,425			
Raw Materials Cons	19,236	16,969	18,141	18,909	14,300	13,136			
Employee Costs	4,900	4,932	4,943	6,227	5,191	5,145			
Less: Internal Consumption*									
Other Exp (incl Stock Adj)	26,893	10,798	30,776	13,276	19,578	1,13,274			
EBITDA	**26,131**	**34,913**	**38,226**	**35,578**	**45,281**	**34,410**	**32%**	**73%**	**27%**
% of Net Sales	8.1	11.0	11.2	11.0	13.4	10.6			
Change (%)									
Depreciation	6,358	7,503	7,843	11,605	10,489	8,697			
Interest	1,758	1,718	1,564	1,932	2,092	1,594			
Other Income	2,676	5,609	8,121	6,376	3,716	6,147			
Extraordinary item*	0	0	0	0	0	0			
PBT	**20,691**	**31,301**	**36,940**	**28,418**	**36,416**	**30,266**	**20%**	**76%**	**28%**
Tax	4,767	7,252	8,514	6,648	9,176	7,742			
Rate (%)	23.0	23.2	23.0	23.4	25.2	25.6			
PAT	**15,924**	**24,049**	**28,426**	**21,770**	**27,240**	**22,525**	**21%**	**71%**	**25%**
Change (%)	-45.4	56.5	1,056.8	260.7	71.1	41.5			
Extraord.: Tax Prov. Write Back	0	0	0	0	0	0			
Adj PAT	**15,924**	**24,049**	**28,426**	**21,770**	**27,240**	**22,525**	**21%**	**71%**	**25%**
Change (%)	-45.4	56.5	1,056.8	260.7	71.1	41.5			
EPS (INR)	**2.4**	**3.7**	**4.3**	**3.3**	**4.1**	**3.4**	**21%**	**71%**	**25%**
Operational details									
Gas Trans. volume (mmsmd)	116.3	120.3	121.5	123.7	131.8	124.1	6%	13%	7%
Petchem sales ('000MT)	162.0	168.0	215.0	242.0	169.0	212.6	-21%	4%	-30%
Segmental EBIT Breakup (INR m)									
Gas Transmission	10,246	12,907	12,151	9,798	14,469	12,476	16%	41%	48%
LPG Transmission	802	819	794	756	808	733	10%	1%	7%
Natural Gas Marketing	10,136	17,846	18,804	13,887	20,328	11,460	77%	101%	46%
Petrochemicals	-3,009	-1,600	619	2,623	-415	1,685	PL	Loss	PL
LPG & Liq.HC (pre-subsidy)	2,021	-167	2,575	3,266	2,299	2,995	-23%	14%	-30%
Unallocated; GAILTEL	1,528	1,588	1,294	-701	1,675	2,510	-33%	10%	LP
Total	**21,724**	**31,392**	**36,238**	**29,629**	**39,163**	**31,860**	**23%**	**80%**	**32%**

Macrotech Developers

BSE SENSEX	S&P CNX
81,455	24,857

Conference Call Details

Date: 31 July 2024

Time: 10:00 IST

Dial-in details:

+91-22 6280 1342

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	103.2	138.3	181.1
EBITDA	26.8	36.7	51.6
EBITDA Margin (%)	25.9	26.5	28.5
PAT	16.3	22.9	34.1
EPS (INR)	16.9	23.7	35.4
EPS Gr. (%)	6.0	40.3	49.1
BV/Sh. (INR)	183.5	204.9	238.0
Ratios			
RoE (%)	10.7	12.2	16.0
RoCE (%)	8.6	10.1	13.2
Payout (%)	14.4	9.8	6.6
Valuations			
P/E (x)	78.5	55.9	37.5
P/BV (x)	7.2	6.5	5.6
EV/EBITDA (x)	49.7	36.4	25.5
Div yld (%)	0.2	0.2	0.2

CMP: INR1,328 Buy

In-line bookings; momentum intact in BD

Operational performance

- LODHA achieved bookings of INR40b (in line with estimate) in 1QFY25, up 20% YoY.
- Among its key markets, western suburbs and Pune outperformed with 2x YoY growth in pre-sales.
- Sales volumes decreased 14% YoY to 2.4msf, but blended realization rose 29%.
- It launched 1.8msf of projects in 1Q in MMR and Pune.

Cash flow performance

- Collections increased 12% YoY to INR27b. However, the company reported 20% YoY decline in OCF to INR7b due to increased outflows on construction.
- Additionally, LODHA incurred expenses of INR18b for land acquisition and JV-related investments as it added INR111b worth of new projects (50% of full-year guidance) in 1QFY25.
- As a result, net debt increased to INR43b (vs. INR41b in 4QFY24), with net D/E of 0.24x

Financial performance

- LODHA reported revenue of INR28b, up 76% YoY (18% below estimate).
- EBITDA (excl. other income) increased 129% YoY INR10.5b, 19% above our estimate. Reported EBITDA margin improved by 600bp YoY to 26.6%. The management said the embedded EBITDA margin for pre-sales reported in 1Q stood at ~33%. Adjusted EBITDA (excluding interest charge-off and capitalized interest) stood at INR9.6b, with margin of 34%.
- PAT came in at INR4.8b, up 166% YoY, with margin of 17%.

Quarterly Performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	(%/bp)
Gross Sales	**16,174**	**17,496**	**29,306**	**40,185**	**28,465**	**31,124**	**33,199**	**45,540**	**1,03,161**	**1,38,327**	**34,582**	**-18**
YoY Change (%)	-40	-1	65	23	76	78	13	13	8.9	34.1	113.8	
Total Expenditure	12,874	13,335	20,479	29,716	20,897	23,446	24,650	32,677	76,404	1,01,670	25,245	
EBITDA	**3,300**	**4,161**	**8,827**	**10,469**	**7,568**	**7,677**	**8,549**	**12,863**	**26,757**	**36,657**	**9,337**	**-19**
Margins (%)	20.4	23.8	30.1	26.1	26.6	24.7	25.8	28.2	25.9	26.5	27.0	
Adj. EBITDA (as per co.)	**4,600**	**5,500**	**10,800**	**13,400**	**9,600**	**7,677**	**8,549**	**12,863**	**72,989**	**38,689**	**9,337**	**3**
Margins (%)	28.4	31.4	36.9	33.3	33.7	24.7	25.8	28.2	70.8	28.0	27.0	
Depreciation	240	293	333	1,173	604	200	213	-129	2,039	888	222	
Interest	1,241	1,231	1,168	1,158	1,172	1,113	1,058	975	4,798	4,319	1,100	**7**
Other Income	544	55	281	654	718	300	295	152	1,534	1,465	490	**47**
PBT before EO expense	**2,363**	**2,692**	**7,607**	**8,792**	**6,510**	**6,664**	**7,573**	**12,169**	**21,454**	**32,916**	**8,505**	**-23**
Extra-Ord expense	0	0	1,049	0	0	0	0	0	-1,049	0	0	
PBT	**2,363**	**2,692**	**6,558**	**8,792**	**6,510**	**6,664**	**7,573**	**12,169**	**20,405**	**32,916**	**8,505**	**-23**
Tax	556	624	1,439	2,115	1,747	1,999	2,272	3,857	4,734	9,875	2,551	
Rate (%)	23.5	23.2	21.9	24.1	26.8	30.0	30.0	31.7	0.2	0.3	30.0	
MI & Profit/Loss of Asso. Cos.	15	40	67	7	4	41	43	92	180	180	45	
Reported PAT	**1,792**	**2,028**	**5,052**	**6,670**	**4,759**	**4,624**	**5,258**	**8,220**	**15,491**	**22,861**	**5,908**	**-19**
Adj PAT (as per co.)	**1,700**	**2,100**	**5,700**	**6,670**	**4,800**	**4,624**	**5,258**	**8,220**	**16,170**	**22,902**	**5,908**	**-19**
YoY Change (%)	42	-43	90	-11	182	120	-8	23	5.2	41.6	247.5	
Margins (%)	10.5	12.0	19.4	16.6	16.9	14.9	15.8	18.0	15.7	16.6	17.1	-22bp

Source: Company, MOFSL

Quarterly Performance

Key metrics	FY24				FY25E				FY24	FY25E	FY25E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	(%/bp)
Sale Volume (msf)	2.8	2.6	2.6	3.3	2.4	3.1	3.2	3.7	10.9	12.4	3.2	**-25**
Sale Value (INRb)	33.5	35.3	34.1	42.3	40.3	42.4	42.6	52.5	144.5	165.2	40.0	**1**
Collections (INRb)	24.0	27.5	25.9	35.1	26.9	34.4	32.4	43.8	106.8	137.4	30.0	**-10**
Realization (INR/sft)	11,429	13,308	12,192	12,394	14,708	13,500	13,500	14,132	13,223	13,311	12,500	**18**

Source: Company, MOFSL

Indus Towers

BSE SENSEX	S&P CNX
81,455	24,857

Conference Call Details

Date: 31st Jul 2024

Time: 02:30pm IST

Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Net Sales	286.0	307.2	335.7
EBITDA	145.6	166.9	176.7
Adj. PAT	60.4	73.6	73.7
EBITDA Margin (%)	50.9	54.3	52.6
Adj. EPS (INR)	22.4	27.3	27.4
EPS Gr. (%)	151.1	21.9	0.2
BV/Sh. (INR)	100.3	126.8	154.2
Ratios			
Net D:E	0.2	0.0	-0.2
RoE (%)	25.1	24.0	19.5
RoCE (%)	23.0	23.0	19.2
Valuations			
EV/EBITDA (x)	8.6	7.3	6.4
P/E (x)	20.0	16.4	16.4
P/BV (x)	4.5	3.5	2.9
Div. Yield (%)	0.0	0.0	0.0

CMP: INR448 — Neutral

Reversal in VIL provision supports EBITDA

- Revenue rose 2.6% QoQ to INR74b (in line), led by a 2.8% increase in towers. Added 6,174 towers (est. 6k adds) and 6,340 co-locations. Average sharing factor (ASF) decreased slightly QoQ from 1.69x to 1.67x.
  - Rental revenue increased by 1% QoQ to INR46b, led by tower adds and an increase in leaner towers rentals.
  - Energy revenue grew 5% QoQ to INR28b.
- EBITDA was up 11% QoQ at INR45b (17% beat) due to a reversal in VIL provisions for doubtful receivables of INR7.6b (vs. INR3.6b reversal in 4QFY24), aided by collections against past overdue.
  - After adjusting VIL provision reversal, **adj. EBITDA rose 1% QoQ to INR37.4b (in line), while margin declined 90bp QoQ to 50.7%** due to higher fuel costs (+210bp) amid seasonality, offset by reduction in other expenses (-120bp) due to reduction in rates and taxes.
  - Adj. rental EBITDA grew 3% QoQ to INR39b and margin improved 180bp QoQ to 84.1%.
  - Energy EBITDA loss stood at INR1.5b (vs. loss of INR578m QoQ) due to an increase in fuel costs.
- Depreciation/interest costs were stable at INR15.6b/INR4.6b, while interest income declined to INR476m (vs. INR3.4b QoQ). Consequently, PAT increased by 4% QoQ to INR19.3b (19% beat).
- OCF increased by 11% QoQ to INR36b, led by EBITDA growth. Capex declined by 26% QoQ to INR18.8b, led by a decline in tower adds QoQ. This led to FCF generation of INR17.5b (vs. INR7.3b QoQ). Hence, net debt declined by INR18.7b QoQ to INR23.8b.

VIL provision terms

- Indus is in discussion with VIL for a payment plan clearance pertaining to the **amount booked as doubtful debt of INR46.24b in 1QFY25 (vs. INR53.85b in FY24).**
- However, VIL has been paying monthly billing amount since Jan'23 and has paid INR13b against outstanding due till date (especially in last 3 quarters).

Buyback announced

- Indus has announced a buyback of 56.7m shares, representing 2.1% of paid-up capital, at INR465 per share (total INR26.4b).
- The board has fixed 9th Aug'24 as the record date.

Quarterly Performance (INR b)

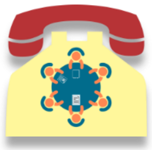
Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var. (%)
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	
Revenue from operations	71	71	72	72	74	76	78	80	286	307	74	-0.2
YoY Change (%)	2.6	-10.5	6.4	6.5	4.3	6.2	8.1	11.0	0.8	7.4	4.6	
Total Expenditure	36	37	36	31	29	37	37	38	140	140	36	-18.9
EBITDA	**35**	**34**	**36**	**41**	**45**	**39**	**41**	**42**	**146**	**167**	**38**	17.1
YoY Change (%)	53.8	21.7	208.3	18.6	29.4	14.3	13.6	3.3	50.6	14.7	10.6	
Depreciation	14	15	16	16	16	16	17	20	61	68	16	-3.2
Interest	4	2	0	1	4	2	2	0	7	8	2	101.3
Other Income	1	1	1	1	1	1	1	2	4	5	1	-54.5
PBT before EO expense	**18**	**17**	**21**	**25**	**26**	**22**	**23**	**24**	**81**	**96**	**22**	20.2
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**18**	**17**	**21**	**25**	**26**	**22**	**23**	**24**	**81**	**96**	**22**	20.2
Tax	5	5	5	6	7	6	6	6	21	24	5	
Rate (%)	25.5	25.9	25.8	25.5	25.7	25.2	25.2	25.2	25.7	25.3	25.2	
Reported PAT	**13**	**13**	**15**	**19**	**19**	**17**	**17**	**18**	**60**	**71**	**16**	19.4
Adj PAT	**13**	**13**	**15**	**19**	**19**	**17**	**17**	**18**	**60**	**71**	**16**	19.4
YoY Change (%)	182.4	48.5	-550.9	32.4	42.9	28.6	13.6	-3.3	151.1	18.2	19.7	

E: MOFSL Estimates

360ONE WAM

BSE Sensex	S&P CNX
81,455	24,857

Conference Call Details



Date: 31st Jul 2024

Time: 02:00pm IST

Link for the call

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Net Revenues	18.5	22.0	25.2
Opex	9.6	10.7	11.6
Core PBT	8.9	11.3	13.6
PAT	8.0	9.6	11.6
EPS	22.4	26.7	32.4
EPS Grw (%)	21.3	19.3	21.2
BV	96.1	101.5	107.9
Ratios			
PBT margin (bp)	22.0	22.6	23.9
PAT margin (bp)	19.9	19.2	20.5
RoE (%)	24.5	27.1	31.0
Div. Payout (%)	74.9	80.0	80.0
Valuations			
P/E (x)	44.6	37.4	30.9
P/BV (x)	10.4	9.9	9.3
Div. Yield (%)	1.7	2.1	2.6

CMP: INR1100 **Buy**

Strong operating performance boosts profitability

- Total revenue grew 48% YoY to INR6b in 1QFY25 (17% beat), aided by a 174% YoY surge in TBR income (79% above our estimates).
- Total AUM rose 36% YoY to INR5.2t amid continued focus on scaling up ARR assets. ARR AUM was up 34% YoY at INR2.2t and yields stood at 71bp. TBR AUM grew 38% YoY to INR 2.99t and yields jumped to 32bp from 17bp in 1QFY24 (flat QoQ).
- Total opex was ~INR2.6b, up 27% YoY and 4% higher than our estimate. Employee costs increased by 28% YoY to INR1.9b (7% above our estimate) and other admin costs stood at INR713m (in line).
- During the quarter, the cost-to-income ratio declined by ~740bp YoY to 44.1% (vs. our estimate of 49.3%). Operating profits came in at INR3.35b, up 70% YoY (29% higher than our estimates).
- Other income came in at INR969m (vs. our estimate of INR 250m), an increase of 234% YoY. PBT (before exceptional items) stood at ~INR4.3b (51% beat).
- The company entered into a settlement deed and paid GBP11.1m to settle the proceedings. The company has provided INR1.1b for this settlement, with INR876.3m disclosed as an exceptional item in 1QFY25.
- PAT grew 31% YoY to INR2.44b (9% beat).
- The board has approved a dividend of INR3.5 per share.

Valuation and view

360ONE is looking to diversify its presence in terms of client segment (mass affluent) and geography (lower-tier cities). It is also building a global platform. Resultant investments in team building have kept the costs high. The benefits of these investments are likely to be back-ended. Active ARR net flows for the quarter stood at INR55.5b vs. INR32.62b in 1QFY24. On a sequential basis, yields for Active ARR assets moderated to 72bp vs. 75bp in 4QFY24. We will review our estimates and TP after the concall on 31st Jul'24.

Quarterly performance — INR m

Y/E March	FY24				FY25	FY24	FY25E	1QFY25E	Act. Vs Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q						
Net Revenues	**4,060**	**4,270**	**4,400**	**5,730**	**6,002**	**18,460**	**21,965**	**5,143**	**17**	**48%**	**5%**
Change (%)	8.4	11.6	6.0	45.8	47.8	18.0	19.0	26.7			
ARR Assets Income	3,240	3,110	3,390	3,570	3,756	13,310	16,744	3,888	-3	16%	5%
TBR Assets Income	820	1,160	1,010	2,160	2,247	5,150	5,220	1,255	79	174%	4%
Operating Expenses	**2,090**	**2,140**	**2,310**	**3,000**	**2,649**	**9,540**	**10,663**	**2,537**	**4**	**27%**	**-12%**
Change (%)	25.1	19.3	24.0	62.1	26.7	32.9	11.8	21.4			
Cost to Income Ratio (%)	51.5	50.1	52.5	52.4	44.1	51.7	48.5	49.3	-520bps	-735bps	-823bps
Operating Profits	**1,970**	**2,130**	**2,090**	**2,730**	**3,354**	**8,920**	**11,302**	**2,606**	**29**	**70%**	**23%**
Change (%)	-5.1	4.9	-8.6	31.3	70.2	5.3	26.7	32.3			
Other Income	290	140	270	500	969	1,200	1,000	250	**288**	234%	94%
Profit Before Tax	**2,260**	**2,270**	**2,360**	**3,230**	**4,323**	**10,120**	**12,302**	**2,856**	**51**	**91%**	**34%**
Change (%)	12.1	0.7	5.7	61.4	91.3	19.0	21.6	26.4			
PBT (after exceptional item)	**2,260**	**2,270**	**2,360**	**3,230**	**3,447**	**10,120**	**12,302**	**2,856**	**21**	**53%**	**7%**
Tax	403	408	429	803	1,009	2,043	2,706	628			
Tax Rate (%)	17.8	18.0	18.2	24.9	23.3	20.2	22.0	22.0		552bps	-151bps
PAT	**1,857**	**1,862**	**1,931**	**2,427**	**2,437**	**8,077**	**9,595**	**2,228**	**9**	**31%**	**0%**
Change (%)	18.4	6.8	12.6	56.2	31.2	22.7	18.8	20.0			
PAT Margins (%)	45.7	43.6	43.9	42.4	40.6	43.8	43.7	43.3	-271bps	-513bps	-175bps
Key Operating Parameters (%)											
AUM (INR b)	**3,827**	**4,125**	**4,539**	**4,669**	**5,212**	**4,669**	**5,351**	**4,903**	**6**	**36%**	**12%**
Change (%)	21.6	23.8	31.7	37.0	36.2	37.0	14.6	28.1			
ARR Assets	1,657	1,725	1,867	2,004	2,213	2,004	2,770	2,393	-8	34%	10%
TBR Assets	2,170	2,400	2,672	2,665	2,999	2,665	2,582	2,510	19	38%	13%
Yield on AUM - Calculated (%)	**0.45**	**0.43**	**0.41**	**0.50**	**0.49**	**0.46**	**0.44**	**0.44**			
ARR Assets	0.78	0.74	0.76	0.74	0.71	0.72	0.70	0.65			
TBR Assets	0.17	0.20	0.16	0.32	0.32	0.23	0.20	0.20			

Star Health

BSE SENSEX	S&P CNX
81,455	24,857

Conference Call Details

Date: 31th July 2024

Time: 08:30am IST

[Link for the call]

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
NEP	129.4	151.7	181.5
U/W Profit	0.9	1.4	3.3
PBT	11.3	14.3	19.1
PAT	8.5	10.8	14.3
Ratios (%)			
Claims	66.5	65.3	65.3
Commission	13.2	14.0	14.0
Expense	17.0	16.4	15.6
Combined	96.7	95.7	94.9
RoE	12.8	15.0	17.0
EPS (INR)	14.4	18.4	24.4
Valuations			
P/E (x)	40.6	31.9	24.0
P/BV (x)	5.2	4.5	3.8

CMP: INR616 **Buy**

PAT below estimate due to lower investment income and a miss on the combined ratio

- Net earned premium at INR35b (16% YoY growth) was in line with our expectations. GDPI was INR35b, a growth of 18% YoY (in line).
- During the quarter, the net retention ratio (NWP/GWP) declined to 91% vs. 95% in 1QFY24 and 92% in 4QFY24.
- The incurred claims ratio came in at 67.6% vs. our estimate of 64.0% in 1QFY25. There was an increase of 220bp YoY.
- The expense ratio (incl. commission) increased to 31.6% vs. our estimate of 31.7%. Resultantly, the combined ratio was 99.2% (350bp higher than our estimate).
- Investment income in policyholders' accounts stood at INR1.7b (a miss of ~7.4%), while the shareholders' investment income at INR1.3b was 4.6% above our estimates.
- Profit for the quarter was INR3.2b (~22.4% miss), registering a growth of 11% YoY.
- The solvency ratio for 1QFY25 was at 2.3x vs. 2.2x in 1QFY24.

Valuation and view

We remain optimistic on the overall prospects for Star Health, backed by: a) strong growth in retail health, given its under-penetration, b) strong push from the banca channel, c) sustained growth in specialized products and deepening presence. We believe that Star Health can deliver long-term growth with the investments made in profitable channels and products. We look to review our estimates and TP after the concall on 31st Jul'24.

Quarterly Performance (INR m)

Y/E March	FY24				FY25	FY24	FY25	1QFY25E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q						
Gross premium	29,486	37,317	36,058	49,683	34,759	1,52,545	1,82,838	34,794	-0.1	18%	-30%
Net written premium	28,008	35,446	31,519	45,700	31,702	1,40,674	1,68,610	32,010	-1.0	13%	-31%
Net earned premium	30,438	32,056	32,936	33,953	35,203	1,29,383	1,51,749	35,308	-0.3	16%	4%
Investment Income	1,460	1,510	1,626	1,810	1,713	6,407	8,113	1,850	-7.4	17%	-5%
Total Income	**31,898**	**33,566**	**34,563**	**35,764**	**36,916**	**1,35,790**	**1,59,862**	**37,158**	**-0.6**	16%	3%
Change YoY (%)	13.6	15.0	15.9	17.1	15.7	15.4	17.7	16.5			
Incurred claims	19,909	22,022	22,295	21,774	23,789	85,999	99,064	22,597	5.3	19%	9%
Net commission	3,668	4,854	3,499	6,516	4,288	18,537	23,605	4,481	-4.3	17%	-34%
Employee expense	3,577	3,952	3,861	4,732	3,739	16,122	18,056	3,585	4.3	5%	-21%
Other expenses	1,829	2,012	2,140	1,842	1,984	7,823	9,611	2,081	-4.7	8%	8%
Total Operating Expenses	28,983	32,839	31,794	34,864	33,800	1,28,480	1,50,336	32,744	3.2	17%	-3%
Change YoY (%)	14.5	17.0	16.0	17.1	16.6	16.2	17.0	13.0			
Underwriting profit	1,454	-784	1,142	-911	1,404	903	1,413	2,563		-3%	
Operating profit	2,915	726	2,769	900	3,117	7,309	9,526	4,413	-29.4	7%	246%
Shareholder's P/L											
Transfer from Policyholder's	2,915	726	2,769	900	3,117	7,309	9,526	4,413	-29.4	7%	246%
Investment income	1,040	1,066	1,223	1,146	1,255	4,475	5,351	1,200	4.6	21%	9%
Total Income	3,954	1,792	3,992	2,046	4,371	11,784	14,877	5,613		11%	114%
Provisions other than taxation	1	2	1	21	0	25	0	-			
Other expenses	110	119	114	128	109	470	527	130	-16.1	-1%	-15%
Total Expenses	111	121	115	149	110	496	527	130	-15.8	-1%	-26%
PBT	**3,844**	**1,671**	**3,877**	**1,897**	**4,262**	**11,289**	**14,349**	**5,483**	**-22.3**	11%	125%
Change YoY (%)	33.5	38.5	37.6	39.5	10.9	36.6	27.1	42.7			
Tax Provisions	965	418	981	474	1,072	2,838	3,584	1,371	-21.8	11%	126%
Net Profit	**2,879**	**1,253**	**2,896**	**1,423**	**3,189**	**8,450**	**10,765**	**4,113**	**-22.4**	11%	124%
Key Parameters (%)											
Claims ratio	65.4	68.7	67.7	64.1	67.6	66.5	65.3	64.0	3.6	2.2	3.4
Commission ratio	13.1	13.7	11.1	14.3	13.5	13.2	14.0	14.0	-0.5	0.4	-0.7
Expense ratio	19.3	16.8	19.0	14.4	18.1	17.0	16.4	17.7	0.4	-1.3	3.7
Combined ratio	97.8	99.2	97.8	92.8	99.2	96.7	95.7	95.7	3.5	1.3	6.4
Solvency	2.2	2.1	2.2	2.2	2.3	2.2	2.1				

Aegis Logistics

BSE SENSEX	S&P CNX
81,455	24,634

Conference Call Details

Date: 31th July 2024
Time: 17:30 hrs IST
Dial-in details:
+91-22-7195 0000

CMP: INR881 **Neutral**

EBITDA marginally below estimates; PAT in line

- EBITDA stood at INR2.3b (+19% YoY, -24% QoQ), marginally below our est. of INR2.5b.
- However, reported PAT was 3% above our estimate at INR1.3b (+14% YoY, -33% QoQ) mainly due to lower-than-estimated depreciation and interest rate.
- In 1Q, standalone revenue stood at INR7.3b (-14% YoY, +1% QoQ).
- Standalone PAT came in at INR1.7b (+123% YoY, 31% QoQ).

Segmental performance in 1QFY24:

- Liquids division revenue was INR1.4b (+24% YoY, -26% QoQ) and EBIT was INR857m (+47% YoY, -36% QoQ).
- Gas division revenue stood at INR14.6b (-27% YoY, -11% QoQ) and EBIT was INR1.3b (+7% YoY, -24% QoQ).

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25		Var	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	1QE	(%)	(%)	(%)
Net Sales	**21,005**	**12,349**	**18,734**	**18,372**	**16,013**	**29,774**	**-46%**	**-24%**	**-13%**
YoY Change (%)	*-6.0*	*-42.6*	*-10.2*	*-14.7*	*-23.8*	*41.7*			
EBITDA	**1,959**	**2,083**	**2,118**	**3,068**	**2,323**	**2,476**	**-6%**	**19%**	**-24%**
Margin (%)	*9.3*	*16.9*	*11.3*	*16.7*	*14.5*	*8.3*	*0.7*	*0.6*	*-0.1*
Depreciation	333	341	345	334	368	454			
Interest	298	266	302	292	313	499			
Other Income	374	444	446	632	435	536			
PBT before EO expense	**1,702**	**1,920**	**1,918**	**3,073**	**2,077**	**2,059**	**1%**	**22%**	**-32%**
PBT	**1,702**	**1,920**	**1,918**	**3,073**	**2,077**	**2,059**	**1%**	**22%**	**-32%**
Tax	375	420	396	700	496	519			
Rate (%)	*22.0*	*21.9*	*20.6*	*22.8*	*23.9*	*25.2*			
MI & P/L of Asso. Cos.	169	230	221	410	266	258	3%	57%	-35%
Reported PAT	**1,158**	**1,270**	**1,301**	**1,963**	**1,315**	**1,283**	**3%**	**14%**	**-33%**
Adj PAT	**1,158**	**1,270**	**1,301**	**1,963**	**1,315**	**1,283**			

Castrol India

BSE SENSEX	S&P CNX
81,455	24,857

Conference Call Details

Date: 31st July 2024
Time: 12:15pm IST
Dial-in details:
+91 22 6280 1164
+91 22 7115 8065

CMP: INR271 — Buy

Miss on PAT due to high finance costs

- 2QCY24 revenue stood at ~INR14b (+5% YoY/+5% QoQ), in line with our est. of INR13.8b.
- EBITDA was also in line with our est. at INR3.2b (+4%YoY, +10% QoQ).
  - **EBITDA margin stood at 23% (vs. 22% in 1QCY24).**
- PAT was 6% below our est. at INR2.3b (+3%YoY, 7%QoQ), primarily due to higher-than-expected finance costs of INR26m (vs. our est. of INR8m).
- **For 1HCY24,** revenue stood at INR27b and PAT at INR4.5b.
  - Capex for 1HCY24 was at ~INR514.8m.
- CSTRL declared an interim dividend of INR3.5/share.

Further details awaited.

Quarterly Performance (INR m)

Y/E December	CY23				CY24					Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	2QE	(%)	(%)	(%)
Net Sales	**12,939**	**13,338**	**11,829**	**12,640**	**13,252**	**13,975**	**12,556**	**13,619**	**13,800**	**1%**	**5%**	**5%**
YoY Change (%)	4.7	7.4	5.5	7.5	2.4	4.8	6.1	7.7	3.5			
EBITDA	**2,950**	**3,098**	**2,686**	**3,291**	**2,937**	**3,224**	**3,000**	**3,792**	**3,373**	**-4%**	**4%**	**10%**
YoY Change (%)	-7.0	8.3	4.4	31.3	-0.4	4.1	11.7	15.2	8.9			
Margin (%)	22.8	23.2	22.7	26.0	22.2	23.1	23.9	27.8	24.4	-0.1	-0.0	4%
Depreciation	227	218	229	250	237	261	248	217	236			
Interest	17	15	24	20	21	26	14	19	8			
Other Income	176	186	202	223	241	204	204	143	187			
PBT	**2,883**	**3,050**	**2,635**	**3,243**	**2,921**	**3,142**	**2,942**	**3,700**	**3,316**	**-5%**	**3%**	**8%**
Tax	858	797	691	824	758	820	741	882	836			
Rate (%)	29.8	26.1	26.2	25.4	26.0	26.1	25.2	23.8	25.2			
Adj. PAT	**2,025**	**2,253**	**1,944**	**2,419**	**2,162**	**2,322**	**2,201**	**2,818**	**2,480**	**-6%**	**3%**	**7%**
YoY Change (%)	-11.3	9.2	3.9	25.2	6.8	3.1	13.2	16.5	10.1			

R R Kabel

BSE SENSEX	S&P CNX
81,455	24,857

Conference Call Details

Date: 31st July 2024
Time: 16:00 IST
Dial-in details:
+ 91 22 6280 1550
+ 91 22 7115 8378
Link for the call

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	65.9	78.2	94.6
EBITDA	4.6	6.4	8.7
PAT	3.0	4.4	5.9
EBITDA Margin (%)	7.0	8.2	9.2
Adj. EPS (INR)	26.4	38.6	52.4
EPS Gr. (%)	57.0	46.0	35.9
BV/Sh. (INR)	162.1	193.7	237.1
Ratios			
Net D:E	(0.0)	(0.0)	(0.1)
RoE (%)	18.4	21.7	24.3
RoCE (%)	16.6	20.6	23.7
Payout (%)	11.4	18.1	17.2
Valuations			
P/E (x)	68.1	46.6	34.3
P/BV (x)	11.1	9.3	7.6
EV/EBITDA(x)	43.9	31.6	23.0
Div. Yield (%)	0.2	0.4	0.5
FCF Yield (%)	0.7	0.3	1.1

CMP: INR1,800 **Buy**

Performance below estimate; OPM at 5.3% (est. 7.4%)

- RRKABEL's 1QFY25 performance was below our estimate due to lower-than-estimated margins in cables and wires and higher-than-estimated losses in FMEG. Its overall revenue increased 13% YoY to INR18.1b (in line), led by 11%/24% growth in the cables & wires/FMEG segments. However, EBITDA declined 16% YoY at INR949m (27% miss). EBITDA margin declined 1.8pp YoY to 5.3% (est. 7.4%). Profit declined 13% YoY to INR644m (27% below our estimate).
- Cables and wires volume growth stood at 13.2% YoY in 1QFY25. Revenue contribution from the domestic market was 76% in 1QFY25 vs. 73%/76% in 1Q/4QFY24. Net working capital days stood at 67 days as of Jun'24 vs. 64 as of Mar'24.
- **We have a BUY rating on the stock.** However, we will review our assumptions after the concall on 31st Jul'24.

Revenue up 13% YoY; EBITDA declines 16% YoY

- Revenue/EBITDA/PAT stood at INR18.1b/INR949m/INR644m (up 13%/down 16%/13% YoY and up 2%/down 27%/27% vs. our estimates). Gross margin was down 90bp YoY to 17.4% (est. 19.3%). Employee cost increased 16% YoY (4.9% of revenue vs. 4.8% in 1QFY24). Other expenses increased 28% YoY (7.2% of revenue vs. 6.4% in 1QFY24) aided by higher AD spends.
- Segmental highlights: a) Cables and Wires: revenue was up 11% YoY at INR15.8b while, EBIT declined 9% YoY to INR1.1b. EBIT margin dipped 1.6pp YoY to 7.2%. b) FMEG business: revenue was up 24% YoY at INR2.3b. EBIT loss increased to INR207m from INR170m/INR194m in 1Q/4QFY24.

Management highlights

- Revenue growth in C&W's was driven by volume growth in both wires and cable domestic business. However, profitability declined due to volatility in raw material prices.
- In the FMEG segment, revenue growth was mainly driven by fans, appliances, and switches. Higher ad spends led to a slight increase in losses.

Valuation and view

- The company's performance was below estimates in 1QFY25 due to lower margins in cables and wires and higher losses in the FMEG segment.
- **We have a BUY rating on the stock.** However, we will review our assumptions after the concall on 31st Jul'24 (Concall Link).

Quarterly Performance (INR m)

Y/E March	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY25E 1Q	FY25E 2QE	FY25E 3QE	FY25E 4QE	FY24	FY25E	MOSL 1QE	Var. (%)
Sales	**15,973**	**16,097**	**16,335**	**17,541**	**18,081**	**18,676**	**20,162**	**21,276**	**65,946**	**78,196**	**17,671**	**2**
EBITDA	**1,129**	**1,209**	**1,126**	**1,153**	**949**	**1,458**	**1,622**	**2,382**	**4,617**	**6,412**	**1,303**	**(27)**
Adj EBITDA margin (%)	7.1	7.5	6.9	6.6	5.3	7.8	8.0	11.2	7.0	8.2	**7.4**	(213)
Depreciation	161	166	165	163	162	170	179	223	655	734	**171**	(5)
Interest	144	142	124	128	116	115	120	95	539	446	**110**	6
Other Income	163	148	122	193	185	140	162	151	626	639	**160**	16
PBT	**987**	**1,049**	**959**	**1,055**	**857**	**1,313**	**1,485**	**2,215**	**4,050**	**5,870**	**1,182**	**(28)**
Tax	250	310	250	270	218	341	380	587	1,080	1,526	**307**	
Effective Tax Rate (%)	25.4	29.5	26.0	25.6	25.4	26.0	25.6	26.5	26.7	26.0	**26**	
JV share	7	2	0	2	5	3	1	1	11	10	**6**	(19)
Reported PAT	**743**	**741**	**710**	**787**	**644**	**975**	**1,106**	**1,629**	**2,981**	**4,354**	**881**	**(27)**
Adj PAT	**743**	**741**	**710**	**787**	**644**	**975**	**1,106**	**1,629**	**2,981**	**4,354**	**881**	**(27)**

Segmental Performance (INR m)

Y/E March	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY25 1Q	FY25 2QE	FY25 3QE	FY25 4QE	FY24	FY25E	MOFSL 1QE	Var. (%)
Sales												
Cables & Wires	14,231	14,504	14,331	15,231	15,782	16,887	18,069	18,946	58,296	69,683	15,512	1.7
FMEG	1,851	1,598	2,005	2,310	2,300	1,790	2,094	2,409	7,764	8,593	2,184	5.3
EBIT											-	
Cables & Wires	1,246	1,329	1,147	1,320	1,130	1,520	1,662	2,018	5,043	6,331	1,334	(15)
FMEG	(170)	(198)	(124)	(194)	(207)	(170)	(136)	169	(685)	(344)	(109)	NA
EBIT Margin (%)											-	
Cables & Wires	8.8	9.2	8.0	8.7	7.2	9.0	9.2	10.7	8.6	9.1	8.6	(144)
FMEG	(9.2)	(12.4)	(6.2)	(8.4)	(9.0)	(9.5)	(6.5)	7.0	(8.8)	(4.0)	(5.0)	(398)

Fine Organics

BSE SENSEX	S&P CNX
81,455	24,857

CMP: INR5,825 Sell

Operating performance in line; PAT marginally above our estimate

- Revenue was INR5.1b (5% variance from our est., down 4% YoY).
- **Gross margin contracted 60bp YoY to 42.2%, with EBITDAM at 24.0% (contracted 460bp YoY).**
- EBITDA was INR1.2b (est. of INR1.2b, down 20% YoY).
- PAT stood at INR990m (est. of INR941m, down 13% YoY).

Further details awaited

Standalone - Quarterly Snapshot (INR m)

Y/E March	FY24				FY25		Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1QE	1QAct	(%)	(%)	(%)
Gross Sales	**5,321**	**4,717**	**4,258**	**5,215**	**5,339**	**5,083**	**-5%**	**-4%**	**-3%**
YoY Change (%)	-29.3	-43.0	-43.2	-25.3	0.3	-4.5			
Gross Margin (%)	42.9%	41.9%	41.8%	43.6%	41.8%	42.2%	0.4%	-0.6%	-1.4%
EBITDA	**1,519**	**1,044**	**924**	**1,322**	**1,246**	**1,218**	**-2%**	**-20%**	**-8%**
Margin (%)	28.5	22.1	21.7	25.4	23.3	24.0	0.6	-4.6	-1.4
Depreciation	117	144	147	153	157	117			
Interest	6	7	5	5	5	4			
Other Income	145	172	174	226	175	241			
PBT before EO expense	**1,540**	**1,064**	**946**	**1,391**	**1,258**	**1,338**	**6%**	**-13%**	**-4%**
Extra-Ord expense	0	0	0	6	0	0			
PBT	**1,540**	**1,064**	**946**	**1,385**	**1,258**	**1,338**	**6%**	**-13%**	**-3%**
Tax	397	270	249	342	316	348			
Rate (%)	25.8	25.4	26.4	24.7	25.2	26.0			
Reported PAT	**1,142**	**794**	**697**	**1,043**	**941**	**990**	**5%**	**-13%**	**-5%**
Adj PAT	**1,142**	**794**	**697**	**1,047**	**941**	**990**	**5%**	**-13%**	**-5%**
YoY Change (%)	-27.4	-51.6	-46.9	-24.2	-17.6	-13.3			
Margin (%)	21.5	16.8	16.4	20.1	17.6	19.5	1.8	-2.0	-0.6

Zen Technologies: Strong traction for order book in ADS; Ashok Alturi, CMD

- FY25 Revenue to be Rs.900cr
- Exports to be around Rs.300cr in FY25
- Margins EBITDA around 35%-37%, PAT around 25%

Read More

KEI Industries: Aims to increase exports from 11% to 15% of total sales in FY25; Anil Gupta, CMD

- Stick to revenue growth guidance 16-17% for FY25
- Exports to grow 35% YoY in FY25
- Margins to be at 11%

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Kalpataru Projects: Q1 Was Impacted By Long Election & Severe Summer; Amit Uplenchwar, Director

- Revenue to grow 20% YoY in FY25
- PBT margins at 4.5%
- Order Inflow at 23000cr
- Promoter unlikely to sell stake, will reduce pledge

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Kansai Nerolac: xpect 6-7% Growth In Auto Seg & High Single-digit Vol Growth In Decorative Segment In FY25; Anuj Jain, Managing Director

- Expects demand to improve
- In 1QFY25, decorative was muted due to heat wave, labour shortage & elections
- Demand for performance coating improved in June
- Have taken one price hike, will take another
- Competition will spur better growth for the industry

Read More

Arvind Ltd: Workers Unrest Had An Impact Of ₹200 Cr On Revenue And ₹60 Cr On EBITDA; Punit Lalbhai, VC

- In FY25 revenues will grow in early double digit with margins around 10-11%
- Capex at Rs.450cr
- Asset turnover indicates revenue potential of Rs.1300-1500 cr

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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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