Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	81,786	0.1	13.2
Nifty-50	25,052	0.1	15.3
Nifty-M 100	59,146	-0.1	28.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,592	-0.6	17.2
Nasdaq	17,556	-1.1	17.0
FTSE 100	8,344	0.0	7.9
DAX	18,782	0.5	12.1
Hang Seng	6,226	-1.3	7.9
Nikkei 225	38,372	0.2	14.7
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	81	-1.9	4.5
Gold ($/OZ)	2,505	-0.8	21.4
Cu (US$/MT)	9,130	-2.1	7.9
Almn (US$/MT)	2,467	-2.5	5.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	84.0	0.0	0.9
USD/EUR	1.1	-0.6	0.7
USD/JPY	144.6	0.4	2.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.9	0.00	-0.3
10 Yrs AAA Corp	7.5	0.00	-0.3
Flows (USD b)	**28-Aug**	**MTD**	**CYTD**
FIIs	-0.2	-0.61	3.2
DIIs	0.05	5.81	37.0
Volumes (INRb)	**28-Aug**	**MTD***	**YTD***
Cash	1,256	1296	1294
F&O	5,54,899	3,82,762	3,79,432

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

HCL Technologies: HCLT investor day 2024: Engineering growth

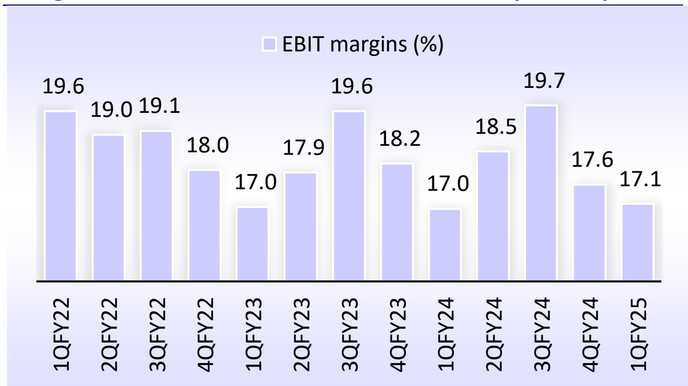
- We attended HCLT's Investor Day 2024 wherein the management outlined its strategic objectives and showcased its capabilities in GenAI.
- We believe HCLT's go-to-market (GTM) strategy, which combines its IT Services and ER&D business offerings, gives HCLT an edge over its peers.
- We also witnessed signs of improvement in the demand environment in financial services.
- As mentioned in our 1QFY25 result note, we believe HCLT warrants a multiple premium to Infosys.
- We thus maintain our earlier upgraded target multiple of 27x (~10% premium to Infosys). We introduce FY27 estimates in the note and roll over to Sep'26E EPS.
- Reiterate BUY with a revised TP of INR2,000 (based on 27x Sep'26 EPS).

Research covered

Cos/Sector	Key Highlights
HCL Technologies	HCLT investor day 2024: Engineering growth
Maruti Suzuki	Scaling to a 4m capacity to maintain leadership position
P&G Hygiene and Healthcare	In-line revenue; cost surge shrinks margin
Wealth Management	Growth opportunities galore; innovation is key

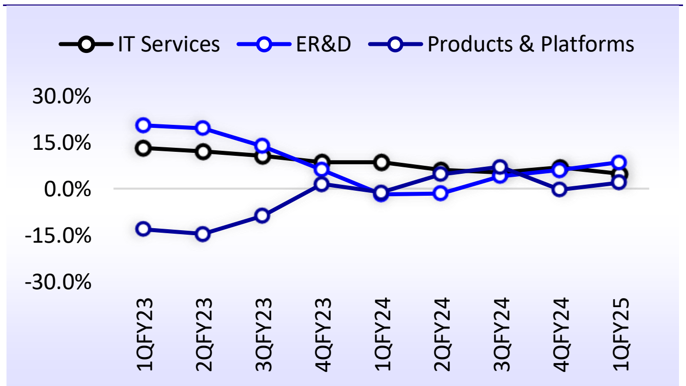
Chart of the Day: HCL Technologies (HCLT investor day 2024: Engineering growth)

Margin further declined in 1QFY25 in seasonally weak quarter



Source: Company, MOFSL.

IT Services witnessed a YoY growth of 4.8% in USD terms in 1QFY25



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

Kindly click on textbox for the detailed news link

1

Vodafone Idea debt reduction to take time, says CEO Akshaya Moondra

Vodafone Idea CEO Akshaya Moondra on Wednesday said it will take some time for the company to reach a point where debt reduction starts happening but the company is looking at improving its performance.

2

Realtors give the thumbs up to industrial cities plan

The proposed industrial smart cities, approved by the Union Cabinet on Wednesday, will lead to job creation and economic growth, and have a “multiplier effect” on the real estate and allied sectors, according to industry executives.

3

Renewable energy faces leadership talent crunch, escalating compensation

India’s goal of increasing its non-fossil energy production capacity to 500 GW by 2030 and achieving net-zero emissions by 2070, faces a significant challenge with a gap between the demand for and supply of skilled professionals and a shortage of leadership talent.

4

PM Jan Dhan scheme now serves 531 million

Pradhan Mantri Jan Dhan Yojana, launched in 2014, has reached 531 million beneficiaries. The scheme helped in distributing welfare funds and provided financial inclusion for women, youth, and marginalized communities

5

Indian pharma exporters feel pain on Bangladesh crisis

The political unrest and violence in Bangladesh are posing significant challenges for Indian pharmaceutical exporters, leading to stranded funds and concerns over financial stability. This situation threatens to impact medicine availability and healthcare services in Bangladesh.

6

Dixon plans to partner China's HKC to make display modules

Dixon Technologies, India's largest electronics contract manufacturer, plans to take a 74% stake in a joint venture with China's HKC to manufacture display modules for smartphones, laptops, and tablets. The project, pending government approval, will begin with a ₹250 crore investment.

7

Maruti, Hyundai, Toyota gear up for launch of seven-seater models amid growing demand

Korea’s Kia too is likely to roll out a seven-seater EV based on its popular UV model, Carens next year, people said. Others include upgraded versions of MG Motor’s Gloster, Jeep’s Meridian and Kia’s Carnival models at the more premium end of the market.

Motilal Oswal | Morning India

29 August 2024
Company Update | Sector: Technology

HCL Technologies

BSE SENSEX	S&P CNX
81,786	25,052

CMP: INR1,714   TP: INR2,000 (+17%)   BUY

HCLTech

Stock Info

Bloomberg	HCLT IN
Equity Shares (m)	2714
M.Cap.(INRb)/(USDb)	4651.2 / 55.4
52-Week Range (INR)	1757 / 1139
1, 6, 12 Rel. Per (%)	4/-10/20
12M Avg Val (INR M)	4545
Free float (%)	39.2

Financials & Valuations (INR b)

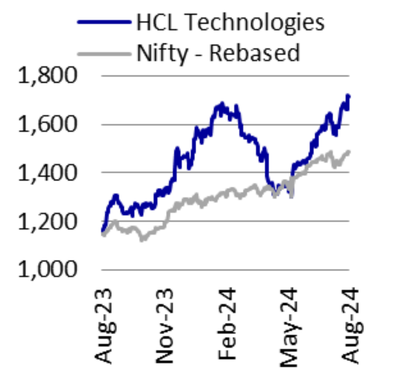
Y/E Mar	2025E	2026E	2027E
Sales	1,161	1,267	1,379
EBIT Margin (%)	18.3	18.6	18.8
PAT	172	189	210
EPS (INR)	62.5	68.5	76.2
EPS Gr. (%)	7.9	9.7	11.3
BV/Sh. (INR)	245	241	237
Ratios			
RoE (%)	25.4	28.2	31.9
RoCE (%)	22.5	25.3	28.3
Payout (%)	90.0	90.0	90.0
Valuations			
P/E (x)	27.4	25.0	22.5
P/BV (x)	7.0	7.1	7.2
EV/EBITDA (x)	18.3	16.5	15.0
Div Yield (%)	3.3	3.6	4.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	60.8	60.8	60.8
DII	15.8	15.0	15.4
FII	18.7	19.9	19.2
Others	4.7	4.3	4.6

FII Includes depository receipts

Stock performance (one-year)



HCLT investor day 2024: Engineering growth

Well-stacked to capture demand across ER&D and IT services

We attended HCLT's Investor Day 2024 wherein the management outlined its strategic objectives and showcased its capabilities in GenAI. We believe HCLT's go-to-market (GTM) strategy, which combines its IT Services and ER&D business offerings, gives HCLT an edge over its peers. We also witnessed signs of improvement in the demand environment in financial services. As mentioned in our 1QFY25 result note, we believe HCLT warrants a multiple premium to Infosys. We thus maintain our earlier upgraded target multiple of 27x (~10% premium to Infosys). We introduce FY27 estimates in the note and roll over to Sep'26E EPS. Reiterate BUY with a revised TP of INR2,000 (based on 27x Sep'26E EPS).

Key market opportunities and HCLT's vectors for future growth

The management highlighted significant growth opportunities such as:

- **Expansion in the Data and AI markets**, driven by rising demand for enterprise business applications and cloud-native solutions.
- **Digital engineering opportunities across sectors** like telecom, semiconductors, and automotive, with the ER&D market projected to reach USD170b by 2027, growing 8-9% annually.
- **Growth in cybersecurity services**, fueled by demand for cloud migration and comprehensive security solutions.

HCL's key offerings that would allow it to take benefit of this:

- **Full stack AI solutions enhanced by AI foundry and AI force:** HCLT's AI offerings span across chip design, IT processes efficiency, and data & data driven applications. This segment will be a key growth driver as GenAI achieves scale.
- **Strategic SAP partnership:** HCLT highlighted its industry leading partnership with SAP; it also announced the formation of an SAP migration lab to help clients migrate to SAP cloud and SAP S4/HANA. Only 30% of SAP's customers have currently migrated to cloud, and according to HCLT, this presents a huge growth vector for the company.
- **Integrated GTM strategy:** It caters to diverse verticals and provides end-to-end solutions across engineering, software, and IT services.

Demand for chip design is strong and HCLT's chip-to-cloud offerings (complemented by its engineering and IT offerings) position it well to capture semicon demand. However, services spending in hyperscalers is currently weak (owing to capex on data centers and GPUs). We believe this could lead to short-term volatility in ER&D revenues, which, if managed well, could position HCLT as a growth leader among large-caps over the medium term.

GenAI: AI foundry and AI force to accelerate GenAI deployment for clients, but investments in Data are key for GenAI scale-up

- Successful adoption of GenAI depends on clients' readiness in cloud and infrastructure. Hence, we believe that immediate client investments will be centered on data, cloud, and digital infrastructure. HCLT's GenAI offerings comprise:
- **AI Foundry**: Serving as a data factory for AI, HCLT Tech's AI Foundry offers a modernized data and AI stack, which allows clients to, modernize data, build data sets, and implement pre-built AI tools.
- **AI Force**: AI Force focusses on improving efficiency in IT and business processes, accelerating product development and modernization. HCLT announced AI Force's integration with Microsoft GitHub Co-pilot as well, which allows clients to implement efficiency gains over the software development life cycle.
- **AI Labs**: AI experimentation platform and POCs for clients; over 350 GenAI projects have been developed, with plans for further expansion.
- **AI and GenAI Engineering**: This involves semiconductor and hardware engineering.
- **HCLT's GenAI stack spans across infrastructure, data & hardware, and this positions HCL well to benefit as GenAI scales up.**
- Overall, we believe HCLT's focused investments in AI, data, and cloud infrastructure position it to lead in the GenAI space, enabling clients to achieve their digital transformation.

HCLTSoftware: Aspires to grow at mid-single digit

- HCLT P&P business is currently growing at a low single-digit rate but with a strong EBIT margin of 24.7% for FY24. The company has an ARR of USD1.02b and has secured 37 new large deals.
- The company plans to **accelerate its growth from low to mid-single digits** in this segment over the medium term. It plans to expand its geographic footprint into high-potential regions such as India, Africa, and the Middle East, which could unlock new revenue streams and diversify risk.
- HCLT is concentrating on four key areas: AI & Automation, Data & Analytics, Business Applications, and Security & Compliance, which will bode well for this segment.

Project Ascend: Margin expansion plans

Project Ascend focuses on driving efficiencies to fund future growth. HCLT plans to generate margin gains through:

- GenAI-led transformation in delivery, aiming to enhance coding productivity and operational automation.
- The company is also proactively deploying entry-level talent in anticipation of growth, and is seeing increased client acceptance in India, which may shift operations from prime locations.
- While the company also mentioned G&A optimization as a lever, we believe pyramid, fresher deployment and traction in ER&D growth remain the three key drivers for margin expansion.

Financial Services: Big bets are paying off well; focusing on white spaces for growth

- The management stated that HCLT is witnessing some uptick in its order pipeline and demand in financial services compared to previous months.
- HCLT focuses on white space for growth, including insurance brokerage firms, specialized banks, and large central banks.
- The company is deepening its presence in key accounts with notable projects, including digital engagement for a leading LATAM central bank, commercial lending, and tech operations for a Big-4 bank, and payments transformation for a global banking leader.

TMT vertical: HCLT's chip-to-cloud offerings key differentiator

- HCLT is witnessing fastest growth among its peers in the TMT vertical, with a 1.8% CQGR over nine quarters.
- The company is working with major customers in the sector, and while spending in the sector has remained under pressure, HCLT has bucked the trend thanks to its Verizon deal ramp-up over FY24.
- In the Hi-Tech market, HCLT works largely with big-tech companies in the US.

Valuations and View

- HCLT would most likely outperform its peers on growth. Further, its FCF metrics have meaningfully improved recently and are now comparable to both TCS and Infosys. We believe its current performance warrants a multiple premium to Infosys. We thus maintain our earlier upgraded target multiple of 27x (~10% premium to Infosys).
- We introduce FY27 estimates in the note. Reiterate BUY with a revised TP of INR2,000 (based on 27x Sep'26E EPS).

Maruti Suzuki

BSE SENSEX	S&P CNX
81,786	25,052

Bloomberg	MSIL IN
Equity Shares (m)	314
M.Cap.(INRb)/(USDb)	3885.2 / 46.3
52-Week Range (INR)	13680 / 9506
1, 6, 12 Rel. Per (%)	-3/-3/-1
12M Avg Val (INR M)	6604

Financials & valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	1,409	1,511	1,678
EBITDA	164	189	218
Adj. PAT	132	151	176
Cons. Adj. EPS (INR)	429	485	565
EPS Gr. (%)	56.8	13.0	16.5
BV/Sh. (INR)	2,671	3,026	3,441
Ratios			
RoE (%)	15.7	15.9	16.3
RoCE (%)	20.5	20.7	21.1
Payout (%)	29.1	29.9	29.2
Valuations			
P/E (x)	28.8	25.5	21.9
P/BV (x)	4.6	4.1	3.6
EV/EBITDA (x)	19.5	16.6	14.0
Div. Yield (%)	1.0	1.2	1.3

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	58.2	58.2	56.5
DII	19.5	19.0	18.2
FII	19.0	19.7	21.9
Others	3.3	3.2	3.4

FII Includes depository receipts

CMP: INR12,358 TP: INR15,160 (+23%) Buy

Scaling to a 4m capacity to maintain leadership position

Aims for a 60%/15%/25% powertrain mix of ICE/BEV/HEV by FY31

We summarize below the key takeaways from MSIL's FY24 Annual Report. MSIL will continue to partner with India on its ambitious Viksit Bharat initiative, and accordingly, it plans to scale up its production capacity to 4m units per annum by FY31. Further, the company aims to revitalize the entry-level PV market while strengthening its competitive positioning in SUVs through new launches, thus retaining its market leadership. While the adoption of EVs is on the rise, MSIL believes that customers should be encouraged to choose vehicles with strong hybrid technology, CNG, or ethanol and biogas. As part of Suzuki's growth strategy for India, MSIL aims to diversify its powertrain mix by FY31, with BEVs likely to account for 15% of domestic PV sales, hybrids 25%, and the remaining 60% from CNG, biofuels, and ICEs. MSIL's first BEV would be launched in 2025 with a target to launch six BEVs by 2031. We anticipate that MSIL will continue to outperform industry growth in FY25. Reiterate BUY with a TP of INR15,160 (premised on 26x Jun'26E consolidated EPS).

- India's PV market is now the third largest in the world, yet car ownership remains at just 3% of the population. With a strong lineup of recent model launches, a diverse product portfolio, and a range of powertrain technologies, the company is poised to outpace industry growth. Aligned with India's vision of Viksit Bharat, MSIL plans to significantly increase its production capacity to 4m units by FY30-31 from nearly 2m units annually currently.
- This year, SUVs made up ~50% of the PV market (up from 23% in FY19). MSIL also expanded its offerings in the UV segment and launched new products including Invicto, Grand Vitara, Jimny, Brezza, and Fronx. In contrast, while demand for hatchbacks and sedans remained weak, MSIL aims to revitalize this segment with the launch of exciting refreshes such as the new Swift with Z series engine which has improved fuel efficiency and lower emissions.
- While the adoption of EVs is on the rise, customers should also be encouraged to choose vehicles with strong hybrid technology, CNG, or ethanol and biogas. As part of Suzuki's growth strategy for India, MSIL aims to diversify its powertrain mix by FY31, with BEVs likely to account for 15% of domestic PV sales, hybrids 25%, and the remaining 60% from CNG, biofuels, and ICEs. MSIL's first BEV would be launched in 2025 with a target to launch six BEVs by 2031.
- **Other highlights**: 1) As part of its growth strategy until FY31, MSIL took a major step by acquiring Suzuki Motor Gujarat (SMG) from its parent company, Suzuki Motor Corporation, Japan, in Nov'23. 2) The company added ~223 dealers in FY24, taking the total tally to 3,863 dealers across 2,522 cities. 3) Strong operating performance led to a steep increase in CFO to INR151.7b (from INR92.3b in FY23). This was partially offset by an increase in capex at INR69.6b (from INR62.5b in FY23), resulting in an FCF of INR82b (vs. INR29.8b in FY23). RoE improved 420bp to 18.3%, while RoCE expanded 590bp to 23.8% in FY24.

Targets to gain share across segments by enhancing its value proposition

- The Indian automotive industry is rapidly evolving due to multiple factors, such as changes in consumer aspirations and the shift towards environment-friendly, safe, and connected technologies.
- This year, SUVs made up ~50% of the PV market (up from 23% in FY19). In line with this trend, MSIL expanded its offerings in the UV segment and launched new products including Invicto, Grand Vitara, Jimny, Brezza, and Fronx.
- Conversely, the demand for hatchbacks and sedans, especially entry-level non-premium hatchbacks, has declined significantly. The share of hatchbacks declined to ~28% in FY24 from 46% in FY19. This drop was largely due to affordability issues caused by rising prices from product regulations, changes in insurance norms, and increased road taxes by state governments.
- As a market leader, MSIL aims to revitalize the hatchback segment, which is in need of a growth catalyst. To achieve this, it introduced the fourth generation Swift, featuring the all-new Z-Series engine. With this, MSIL improved the fuel efficiency of Swift's Automatic Transmission by approximately 14% with respect to its predecessor.
- Further, being a market leader, MSIL has been at the forefront of customer satisfaction and value proposition by bringing new products equipped with the latest technologies and features that offer a high level of safety, reliability, performance, and fuel efficiency. Accordingly, MSIL focused on inducting new technologies in FY24, such as – a tyre pressure monitoring system, an electronic parking brake with an auto hold function, a panoramic sunroof, a wireless charger, ventilated seats, an eight-way powered driver seat with a memory function, a powered tailgate, an advanced 1.0L K-series turbo boosterjet, and a front parking assist system.

Working on a multi-technology approach to meet emission norms

- To reduce carbon emissions and reliance on imported fuel, MSIL will offer cars with various technologies and price points, including electric vehicles (EVs). While the adoption of EVs is on the rise, customers should also be encouraged to choose vehicles with strong hybrid technology, CNG or ethanol and biogas.
- As part of Suzuki's India growth strategy, the company aims to diversify its powertrain mix by FY31, with BEVs expected to make up 15% of domestic PV sales, hybrids 25%, and the remaining 60% from CNG, biofuels, and ICEs.
- **EV:** It has contributed 2.1% of domestic PV industry volumes in FY24 vs. 1.5% in FY23. The adoption of EVs will depend on infrastructure development and cost reduction through local production and better technology. At the Bharat Mobility Expo 2024, MSIL showcased its commitment to electric mobility with the concept electric SUV, eVX. This mid-size electric SUV features a futuristic design with an upright posture and high-seating position. The eVX is equipped with a 60kWh battery pack, providing a driving range of up to 550km. MSIL's first BEV would be launched in 2025, and it has set a target to launch six BEVs by 2031.
- **Hybrid:** The Strong Hybrid Electric Vehicles (SHEVs) offer a compelling value with a lower carbon footprint and no range anxiety, leading to strong consumer acceptance. It contributed 2.1% of industry volumes, up from 1.1% in FY23. Hybrid vehicles can improve fuel efficiency by 35% to 45% and reduce carbon emissions by 25% to 35%. Toshiba Denso Suzuki Gujarat Private Limited (TDSG)

runs India’s first lithium-ion battery plant with cell-level localization, supplying battery packs for the company's Mild Hybrid vehicles.

- **CNG:** In FY24, CNG vehicle preference jumped 52%, driven by increased CNG infrastructure in southern and eastern India. MSIL offers CNG powertrains in 14 of its 18 domestic models, the highest among OEMs in India, and holds nearly 75% of the CNG market share. It contributed 14.8% of volumes in FY24 vis-à-vis 10.4% in FY23. The company is expected to sell ~600k CNG vehicles in FY25, up from ~482k units in FY24. It is optimistic about leveraging the expanding CNG infrastructure to boost sales further. Although CNG vehicles are not as clean as hybrids, they still offer better environmental performance than petrol or diesel cars.
- **Biogas**: India has significant potential for biogas production from agricultural, animal, and human waste. Biogas is renewable, carbon-negative, and free of import content. Its production could reduce paddy stubble burning and improve cleanliness. MSIL is working on trial basis to produce biogas and awaits supportive government policies. Additionally, it is working on engine modifications to use petrol blended with up to 20% ethanol and exploring technology for higher ethanol blends. It unveiled India’s first mass-segment flex fuel prototype car, the WagonR FFV, which is capable of operating with ethanol blends ranging from 20% to 85% with gasoline. This vehicle offers similar performance to traditional fuels and could lower running costs due to the price difference between gasoline and E85.
- Both biofuels and CNG offer promising carbon reduction solutions for entry-to-medium segment vehicles. MSIL has incorporated CNG, mild hybrid, and strong hybrid technologies into its products to reduce carbon dioxide emissions. The contribution of sales from green vehicles (CNG+ mild hybrid+ strong hybrids) in overall sales in FY24 increased to 42%, from 37% in FY23.

Announcement of SMG acquisition

- As part of its growth strategy until FY31, MSIL took a major step by acquiring SMG from its parent company, Suzuki Motor Corporation, Japan, in Nov’23.
- Following the acquisition, SMG became a 100% subsidiary of MSIL, adding 0.75m units to its annual production capacity, bringing the company’s total production capability to approximately 2.35m units per annum.
- The major reason behind this step was that the company expected to manage a much larger operation across different locations and work with various powertrain technologies in the future. To handle this complexity more easily, management decided to bring all production units under its direct control.

Aims for a 4m annual capacity by FY31

- The company announced an ambitious growth strategy for FY31, aiming to scale up production to 4m units annually by that time.
- The 100k units p.a. additional line at Manesar has already been commissioned.
- MSIL announced the construction of a fourth production line at SMG, adding 250k units to its capacity. Additionally, the company plans to establish a new greenfield manufacturing facility in Gujarat with a capacity of 1m units.
- In Haryana, the construction of a new manufacturing facility at Kharkhoda is progressing well, with an initial phase capacity of 250k units to be commissioned in FY25, which will eventually be expanded to 1m units.

Optimistic on the long-term demand for exports

- MSIL reported ~10% YoY growth in export volume to ~283k units in FY24 vs. 2% YoY growth in exports for the industry.
- It continues to retain its market leadership in exports with ~42% share.
- The share of export volume to total sales for MSIL stood at ~13% in FY24, similar to FY23. This year, the company exported new models such as Jimny, Fronx, and Grand Vitara. In FY24, MSIL's top export destinations were Africa, Latin America, the Middle East, and the ASEAN regions.
- With strong support from Suzuki Motor in technology and access to its extensive global distribution network, the company aims to maximize medium- to long-term opportunities. Moreover, it aims to leverage Suzuki Motor's partnership with Toyota Motor Corporation. MSIL expects robust export sales growth in FY25 and remains optimistic about the strong medium- to long-term demand for its exports.

Benefits driven by R&D capabilities

- MSIL incurred R&D expenses of INR11.7b, i.e., 0.8% of sales (flat YoY).
- The company has been granted a record 434 patents in FY24.
- Benefits driven by the R&D initiatives include:
  - Launch of new products and superior technologies in models like Fronx, Jimny, and Invicto.
  - Introduced S-CNG in Fronx to offer an eco-friendly driving experience.
  - Rigorous efforts to localize imported raw materials and high-technology parts have helped in reducing the material costs and mitigating the risk of foreign exchange fluctuations. Saved INR1.26b by localization and INR5.08b from implementation of value analysis and value engineering concepts (VA/VE) in FY24.

Other highlights

- **Network expansion:** Overall, the company added ~223 dealers in FY24, taking the total tally to 3,863 dealers across 2,522 cities. With over 2,000 outlets in non-urban markets across the country, the contribution of sales from these markets in overall sales increased by ~1% YoY to reach ~45% in FY24.
- **Service:** MSIL expanded its service touch points in India to 4,964 across 2,519 cities in FY24 (from 4,564 centers across 2,304 cities in FY23) and catered to over 25m customers.
- **Company-owned Dealer-operated (CODO) outlets:** As part of its CODO initiative, the company launched nine sales and service outlets on its own land in FY24. Moving forward, it plans to construct 13 more outlets under the CODO model.
- **Maruti Suzuki Smart Finance (MSSF):** In FY24, MSSF disbursed loans totaling over INR455bn to more than 0.6m customers, marking a 21% YoY increase. In FY24, nearly 37% of customers used the MSSF platform to finance their car purchases, up from 33% in FY23.
- **True Value sales:** The demand for pre-owned cars continued to increase in FY24, with MSIL's True Value channel sales growing 20% YoY. During FY24, MSIL added 49 independent True Value sales outlets.

- **Critical vendors**: MSIL has identified 80 Tier-1 suppliers that are critical to its business operations. These vendors contributed 72% of the total procurement in FY24. Additionally, 48 Tier-2 suppliers have also been identified as critical.
- **Railways**: MSIL has established India's first in-plant railway siding at its Gujarat facility to enhance vehicle dispatches by rail, and it is setting up another siding at its Manesar facility.
  - During FY24, it dispatched over 447k vehicles through railways, an increase of 34% over FY23.
  - MSIL aims to increase rail dispatches within its total vehicle dispatches to 35% across India by FY31 from 21.5% in FY24 .
- **Scrapping and recycling:** MSIL, in partnership with Toyota Tsusho Group, launched a vehicle scrapping and recycling facility in Noida in 2021. The facility, operated by Maruti Suzuki Toyotsu India Pvt. Ltd. (MSTI), can handle 24k vehicles annually, offering an eco-friendly and efficient solution for scrapping End-of-Life vehicles (ELVs). Since its inception, the facility has processed over 5k ELVs, generating more than 3.5kMT of scrap, which reinforces MSIL's commitment to sustainability. Since the inception of the MSTI facility (recycling), about 2,500k kg of steel and 260k kg of aluminum were recovered from the scrapped cars. Further, through the domestic recycler, MSIL has recycled 5.2t of li-ion batteries, and over 18 metric tons of batteries have been recycled on a cumulative basis.
- **Renewables:** The company has ramped up its renewable energy efforts, increasing solar power capacity to 48 MWp from 26.3 MWp in FY22-23. It plans to further expand this capacity to 78 MWp by FY25-26.

Highlights from the financial statements

- MSIL's revenue/EBITDA/adj. PAT for FY24 grew 20%/49%/64% YoY.
- Volumes jumped 9% YoY to 2.13m units, while net realizations improved 10.4% YoY to INR631.9k per vehicle due to a better mix.
- Gross margin improved 180bp YoY to 28.7% due to the benefits of mix and lower RM costs. Further, operating leverage drove an EBIT margin expansion of 250bp to 9.5%.
- Strong operating performance led to a sharp increase in CFO to INR151.7b (from INR92.3b in FY23). This was partially offset by an increase in capex at INR69.6b (vs. INR62.5b in FY23), resulting in an FCF of INR82b (vs. INR29.8b in FY23).
- RoE improved 420bp to 18.3%, while RoCE expanded 590bp to 23.8% in FY24.

Valuation and view

- We anticipate that MSIL will continue to outperform industry growth FY24-26. While the bulk of input cost benefits are likely to be over, we expect the company to post a 140bp margin improvement to ~13% by FY26, largely led by an improved mix. This would in turn drive a steady 15% earnings CAGR over FY24-26E.
- Further, any GST cut or favorable policy for hybrids by the government may drive a re-rating, as MSIL would be the key beneficiary. The stock trades at 25.5x/21.9x FY25E/FY26E consolidated EPS. **Reiterate BUY with a TP of INR15,160 (premised on 26x Jun'26E consolidated EPS).**

P&G Hygiene and Healthcare

Estimate changes	↓
TP change	⟷
Rating change	⟷

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USDb)	551.7 / 6.6
52-Week Range (INR)	19180 / 15306
1, 6, 12 Rel. Per (%)	-3/-6/-26
12M Avg Val (INR M)	144

Financials & valuations (INR b)

Y/E June	FY24	FY25E	FY26E
Sales	42.1	46.8	51.6
Sales Gr. (%)	7.5	11.3	10.3
EBITDA	9.8	11.5	12.9
Margin (%)	23.4	24.5	25.0
Adj. PAT	7.2	8.5	9.6
Adj. EPS (INR)	220.3	260.2	296.4
EPS Gr. (%)	15.1	18.2	13.9
BV/Sh.(INR)	238.7	290.8	350.2
Ratios			
RoE (%)	83.2	98.4	92.6
RoCE (%)	87.4	109.4	101.9
Valuations			
P/E (x)	72.9	61.7	54.2
P/BV (x)	67.3	55.2	45.9
EV/EBITDA (x)	52.4	44.8	39.6
Div. Yield (%)	1.2	1.3	1.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	70.6	70.6	70.6
DII	15.2	15.1	15.5
FII	1.6	1.6	1.1
Others	12.7	12.7	12.7

FII Includes depository receipts

CMP: INR16,996 TP: INR17,000 Neutral

In-line revenue; cost surge shrinks margin

- P&G Hygiene and Healthcare (PGHH) delivered sales growth of 10% in 4QFY24 (FY ending June), in line with our expectation. This growth was led by product-price mix, premiumization, and growth in the feminine hygiene category. The last four/five-year CAGR was at 10%/8%.
- Gross margin expanded 160bp YoY but contracted sharply by 710bp QoQ to 59.2% (est. 65.3%). Ad spending jumped 187% YoY (16.5% of sales). EBITDA fell 38% YoY to INR1.3b (est. INR2.7b). EBITDA margin contracted sharply by 1,080bp YoY and 1,160bp QoQ to 14.1%, which stood at a 12-quarter low.
- With a portfolio of essentials and healthcare, the company remains focused on product innovation-led customer acquisition. Penetration play would continue, but at a steady pace, despite the high scope of user additions. The stock trades at an expensive valuation of 62x/54x FY25E/ FY26E P/E. **We reiterate Neutral rating on the stock.**

In-line sales; miss on margin

- **Double-digit sales growth:** Sales rose 10% YoY to INR9.3b (est. INR9.6b), led by product innovation, premiumisation and category growth in feminine hygiene. PGHH posted 8% growth in FY24 and a 7% CAGR in FY19-FY24.
- **Poor margin performance:** Gross margin expanded 160bp YoY but declined sharply by 710bp QoQ to 59.2% (est. 65.3%). Employee, A&P, and other expenses grew 40%, 187% and 13% YoY, respectively. As a percentage of sales, employee expenses increased 150bp YoY to 7.2%. Ad spending rose 1,020bp YoY to 16.5%, and other expenses grew 60bp YoY to 21.4%.
- **Miss on earnings:** EBITDA declined 38% YoY to INR1.3b (est. INR2.7b). EBITDA margin contracted 1,080bp YoY and 1,160bp QoQ to 14.1% (est. 27.7%), the lowest in 12 quarters. There is an exceptional item of INR130m for impairment of PPE. Adj. PAT declined by 39% YoY to INR908m.
- **In FY24,** sales/EBITDA/APAT grew by 8%/13%/25%.
- **The board** has declared a final dividend of INR95/share.

Valuation and view

- We cut our EPS estimates by 9%/6% for FY25/FY26.
- Two factors make PGHH an attractive long-term core holding: 1) robust growth potential in the feminine hygiene segment (65-68% mix of FY24 sales) and the potential for market share gains, aided by strategic initiatives, including the fortification of significant market advantages, and 2) potential for higher margin gains from the long-term trend of premiumization in the feminine hygiene segment.
- With a portfolio of essentials and healthcare, PGHH focuses on product innovation-led customer acquisition. Penetration play would continue, but at a stable pace, despite the high scope of user additions. The stock trades at expensive valuations of 62x/54x FY25E/FY26E P/E. We do not see any medium-term trigger. **Reiterate Neutral with a TP of INR17,000 (55x Jun'26E EPS).**

Standalone - Quarterly Earnings (INR m)

Y/E June	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**10,428**	**11,374**	**8,831**	**8,491**	**11,384**	**11,334**	**10,022**	**9,318**	**39,123**	**42,057**	**9,576**	**-2.7%**
YoY Change (%)	-1.5	4.1	-0.9	12.1	9.2	-0.3	13.5	9.7	3.0	7.5	12.8	
Gross profit	**6,116**	**6,513**	**4,992**	**4,893**	**6,932**	**6,825**	**6,644**	**5,514**	**22,549**	**25,915**	6,257	**-11.9%**
Margin (%)	58.6	57.3	56.5	57.6	60.9	60.2	66.3	59.2	57.6	61.6	65.3	
EBITDA	**2,140**	**2,905**	**1,493**	**2,114**	**2,849**	**3,097**	**2,573**	**1,313**	**8,686**	**9,833**	**2,652**	**-50.5%**
Growth	-29.0	-2.0	-9.5	215.1	33.1	6.6	72.4	-37.9	4.7	13.2	25.4	
Margins (%)	20.5	25.5	16.9	24.9	25.0	27.3	25.7	14.1	22.2	23.4	27.7	
Depreciation	140	144	146	154	143	143	145	134	584	565	158	
Interest	10	39	36	30	19	26	224	-1	114	268	44	
Other Income	67	93	144	101	158	156	136	73	406	523	146	
PBT	**2,058**	**2,815**	**1,456**	**2,031**	**2,845**	**3,085**	**2,339**	**1,253**	**8,395**	**9,522**	**2,595**	**-51.7%**
PBT after EO expense	**2,058**	**2,811**	**2,031**	**2,031**	**2,845**	**3,085**	**2,029**	**1,123**	**8,966**	**9,082**	**2,595**	**-50.6%**
Tax	514	737	380	553	738	796	796	345	2,184	2,674	701	
Rate (%)	25.0	26.2	18.7	27.2	25.9	25.8	39.2	30.7	24.4	29.4	27.0	
Adj PAT	**1,544**	**2,079**	**1,075**	**1,478**	**2,107**	**2,289**	**1,854**	**908**	**6,210**	**7,159**	**1,894**	**-52.1%**
YoY Change (%)	-29.3	-2.0	-4.9	247.2	36.4	10.1	72.5	-38.5	6.0	15.3	28.2	
Margins (%)	14.8	18.3	12.2	17.4	18.5	20.2	18.5	9.7	15.9	17.0	19.8	

E: MOFSL Estimates

Wealth Management

360 One Financials & Valuations

Y/E March	2024	2025E	2026E
Net Revenues	18.5	22.9	26.3
Opex	9.6	10.7	11.7
Core PBT	8.9	12.2	14.5
PAT	8.0	9.8	12.8
EPS	22.4	27.4	35.6
EPS Grw (%)	21.3	22.2	30.0
BV	96.1	101.6	108.7
Ratios			
PBT margin (bp)	22.0	22.9	23.1
PAT margin (bp)	19.9	20.1	20.3
RoE (%)	24.5	27.7	33.9
Div. Payout (%)	74.9	80.0	80.0
Valuations			
P/E (x)	48.9	40.0	30.7
P/BV (x)	11.4	10.8	10.1
Div. Yield (%)	1.5	2.0	2.6

Growth opportunities galore; innovation is key

- **Wealth management in India is rapidly emerging as one of the fastest-growing sectors within the financial services industry, with assets under management (AUM) expanding by 15-20% in recent years. This growth is fueled by robust economic development and a significant increase in the number of ultra-high net worth individuals (UHNWIs) and high net worth individuals (HNWIs). Industry AUM is projected to reach USD1.8t over the next 4-5 years at a CAGR of 13-14%.**
- **There is a noticeable shift in asset allocation from traditional investments—such as fixed deposits, gold, real estate, and conventional equities—toward emerging asset classes, including alternative investment funds (AIFs), real estate investment trusts (REITs), infrastructure investment trusts (INVITs), private equity, and cryptocurrency. Additionally, foreign investments are gaining momentum, particularly among UHNWIs.**
- **The Gujarat International Finance Tec-City (GIFT City) is becoming a pivotal facilitator for both inbound and outbound foreign investments. Its tax advantages are anticipated to further enhance this trend.**
- **New customer segments, such as millennials and women, are emerging with distinct product and service requirements compared to traditional clients. This shift necessitates a transformation in service offerings to meet their evolving needs.**
- **Key challenges facing the industry include a critical shortage of skilled talent and insufficient investment in technology. The accelerating demand is putting significant strain on the efficiency of the existing wealth management ecosystem.**
- **360ONE is strategically positioned to capitalize on these emerging wealth management opportunities. The company has made substantial investments in expanding its resources and technological capabilities, focusing on the mid-market segment (INR50-250m in assets) and global services. Additionally, it is broadening its reach in lower-tier cities. We maintain a BUY recommendation with a one-year price target of INR1,300 (FY26E P/E of 36x).**

New customer segments and product innovations key to growth

- In India, new investor demographics are emerging, with millennials and women increasingly participating in the investment landscape. Currently, over 70% of women are independently making investment decisions, and their average investible surplus often exceeds that of their male counterparts.
- In the equities market, there are significant opportunities, particularly in private investments and mid-market buyouts. Although pension managers' assets in India have reached record levels, private investments constitute less than 0.1% of the total AUM. While private equity has gained significant traction among UHNWIs, liquidity risks, as exemplified by cases such as NSE and Swiggy, remain a concern.
- AIFs have grown substantially over the past decade, and REITs and INVITs have gained prominence in the last 6-7 years. Despite their relatively short historical track records compared to other asset classes, these assets have demonstrated strong performance. For instance, while public markets were negatively impacted during the Covid-19 pandemic, private investments remained resilient, with no operating assets defaulting during that period.
- In the listed equities space, there is a trend of companies transitioning from mid-cap to large-cap categories and from small-cap to mid-cap, thereby

expanding the investible universe. Fixed income investments in India require significant adjustments following recent changes to taxation of debt mutual funds. Credit AIFs have attracted considerable attention from UHNWIs and HNWIs due to their superior risk-adjusted returns and enhanced due diligence.

- REITs and INVITs have seen substantial growth over the past 7-8 years and have garnered increasing interest due to their stable payouts. Interest in offshore investments through GIFT City has surged, benefiting both outbound and inbound investments, with tax advantages for NRIs and foreign nationals contributing to this trend. This demand reflects a growing need for global diversification in investment portfolios.
- The regulatory environment has become increasingly stringent, with frequent tax changes complicating investment decisions.

Innovation needed in distribution

- Given the strong demand trends, wealth managers are focusing on developing a framework for expanding product offerings and enhancing services without increasing resource allocation. They are introducing new products, implementing granular client segmentation with a targeted approach, and standardizing processes.
- While banks benefit from large customer bases and extensive scale, non-bank wealth managers are emphasizing efficiency. A technology-driven ecosystem will enable banks to leverage their scale effectively while improving operational efficiency. Additionally, banks' extensive branch networks provide them with a competitive edge in establishing a wealth management presence in tier 2, 3, and 4 cities.
- International banks are particularly well-positioned to offer global diversification, leveraging their broad range of products and services on a global scale.

Collaboration and partnerships will broaden reach and product basket

- In response to the rapidly increasing demand for products and services, wealth managers have three strategic options: build, buy, or partner. Given the lengthy lead time associated with developing capabilities internally, acquiring or partnering is often a more expedient approach for achieving quicker results.
- Wealth managers are increasingly seeking partnerships with non-traditional service providers, such as sports management or concierge firms, which cater to the same HNW and UHNW clientele. These collaborations are designed to enhance the breadth of their offerings.
- Partnering with competitors can also expand the product portfolio. Specialized services, such as succession planning and tax advisory, are increasingly being outsourced due to their complexity.
- Additionally, strategic alliances facilitate geographical expansion for local wealth managers.

Technology implementation needed across the value chain

- Wealth management industry is witnessing technological challenges, which include 1) siloed client data and disconnected workflows, 2) obsolete tech and legacy systems, 3) disintegrated and disparate systems, 4) efficient data management and reporting, 5) need for harmonization with global standards, 6) high degree of manual processing, and 7) changing regulatory and compliance regime.
- To address these issues, companies are deploying comprehensive technology stacks to digitize the entire client journey. Efforts are also underway to enable advisors and wealth managers to manage client relationships remotely. Key client needs include facilitating electronic withdrawals wherein technology is critical. Another aspect is to provide robust client management tools readily accessible to advisors.

Talent shortage is the biggest risk

- The wealth management industry is currently experiencing a talent shortage that affects all aspects of the value chain, including relationship management (sales), operations, and servicing. As new players enter the market, this shortage is expected to intensify.
- Currently, industry investment in training and upskilling accounts for less than 1% of overall expenditures, a figure that needs to increase substantially to effectively address the talent gap.
- In response, companies are seeking to attract talent from diverse backgrounds and are experimenting with training programs for graduates from business schools. However, it typically takes 5-7 years for a new recruit to become fully proficient as a banker.
- To tackle this issue more effectively, there is a need for closer collaboration between industry and academia to develop programs that cultivate wealth management talent from the grassroots level.

Our view: 360ONE well placed to gain from macro trends

360ONE is looking to diversify its presence in the mass-affluent client segment and geography (lower tier cities + international regions). The resultant investments in team building have kept costs at elevated levels. The benefits of these investments, however, are likely to be back ended in nature. We are building in a minimal contribution from these new (mid-market segment and global platform) diversifications in FY25 and FY26. We have also modeled higher costs due to these new business initiatives. On the core UHNI segment, the company is expanding its presence to lower-tier cities. Over FY24-26, we expect 360ONE to post a CAGR of 19%/26% in revenue/PAT. We reiterate our BUY rating with a one-year TP of INR1,300 (based on 36x Mar’26E EPS).

Garden Reach Shipbuilders: Expect Results Of Navy's Corvette Order Bids In Next 4 Months; PR Hari

- Anticipates a significant revenue growth of 25% this year
- Current order book stands at approximately 25231 crores, mainly from shipbuilding.
- Non- binding MoU with Medha Servo Drives for joint manufacture of adv electrical equipment
- Contract worth $21m for construction of advanced ocean- going tug for Bangladesh Govt
- Contract worth Rs 840cr with national Centre for Polar and Ocean Research
- Shipyard in growth trajectory, confident to maintain upward trend

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Shriram Finance: NIM Will Be Maintained At 8.8-8.9% & Credit Cost Will Be Below 2%; Umesh Revankar, Executive Vice chairman

- July faced headwinds due to excessive rains, but August showed improvement.
- The company believes festive season should improve numbers
- No significant increase in borrowing costs; improved by 15 basis points in Q1.
- Enhanced customer financial discipline observed, contributing to lower credit cost
- MSME and gold loans are expanding into new geographies, driving growth.
- Net Interest Margin (NIM) expected to be between 8.8% and 8.9%.

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Gravita India: Guiding For Volume Growth Of 25% Over Next Few Years And Margin At 9-10%; Naveen Prakash Sharma,ED

- Company is seeing strong tailwinds and favourable regulatory polices
- New ventures include rubber recycling, lithium battery recycling, and expanding the aluminum recycling business
- Company has strategically placed manufacturing units and deep procurement network
- Current margins are projected at 9-10%, with plans to enhance value-added products

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Medi Assist: Paramount TPA Acquisition Takes Group Market Share To Over 36% From Approx 30% ; Satish VN Gidugu, CEO &WTD

- To acquire paramount TPA for an EV of Rs 312cr
- would take 4 quarters to get Paramount margins on par with Medi Assist
- The company aims to recover to stable margins of 23-24% within a year post-acquisition.
- Medi Assist plans to grow its retail business, expecting to increase its market share significantly after acquiring Paramount.
- Health insurance sector is projected to grow at 20-21%, with Medi Assist aiming to match or exceed this growth rate.

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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