6 February 2024

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	71,731	-0.5	-0.7
Nifty-50	21,772	-0.4	0.2
Nifty-M 100	48,410	-0.1	4.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,943	-0.3	3.6
Nasdaq	15,598	-0.2	3.9
FTSE 100	7,613	0.0	-1.6
DAX	16,904	-0.1	0.9
Hang Seng	5,217	0.0	-9.6
Nikkei 225	36,354	0.5	8.6
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	79	0.1	1.8
Gold ($/OZ)	2,025	-0.7	-1.8
Cu (US$/MT)	8,247	-1.5	-2.6
Almn (US$/MT)	2,175	-1.0	-7.3
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.1	0.2	-0.2
USD/EUR	1.1	-0.4	-2.7
USD/JPY	148.7	0.2	5.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	0.04	-0.1
10 Yrs AAA Corp	7.6	0.04	-0.1
Flows (USD b)	**5-Feb**	**MTD**	**CYTD**
FIIs	0.0	7.03	21.4
DIIs	0.30	1.85	22.3
Volumes (INRb)	**5-Feb**	**MTD***	**YTD***
Cash	1,570	1257	1257
F&O	1,76,806	3,97,235	3,97,235

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Varun Beverages: Strong volume growth drives sales

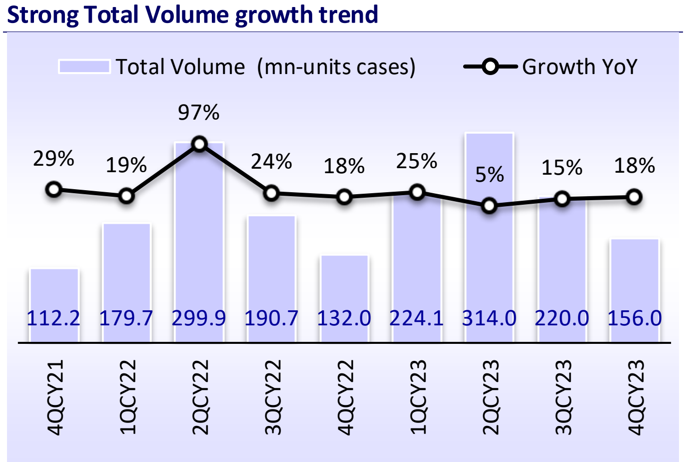
- Varun Beverages (VBL) witnessed revenue growth of 21% YoY in 4QCY23 on account of strong volume growth (up 18% YoY) and high realization (up 2% YoY to INR171/case). EBITDA margin expanded 180bp YoY to 15.7% (est. 15.4) on back of favorable operating leverage.
- We maintain our CY24 earnings while increase our CY25 earnings estimate by 7% on account of integrating the recently acquired South African beverage company BevCo's financials and also increasing volume growth estimate of existing business to 16%/14% for CY24/25 from 14%/13% earlier estimated. However, higher interest cost led by increase in debt (capex and acquisition led increase) partly offsets the increase in earnings.
- **We reiterate our BUY rating on the stock with a TP of INR1,500.**

Research covered

Cos/Sector	Key Highlights
Varun Beverages	Strong volume growth drives sales
LIC Housing Fin.	Stable margins, loan growth remains moderate
BSE	Contribution to SGF reduces profitability
Tata Chemicals	Adverse demand-supply scenario of soda ash hurts result
Other updates	Alembic Pharma | Mahindra Life. | Transport Corp. | Quess Corp | Barbeque-Nation | Bharti Airtel | Ashok Leyland | Triveni Turbine |VRL Logistics | Fusion Microfin. | Auto (EV Update) | EcoScope (Capex Budget)

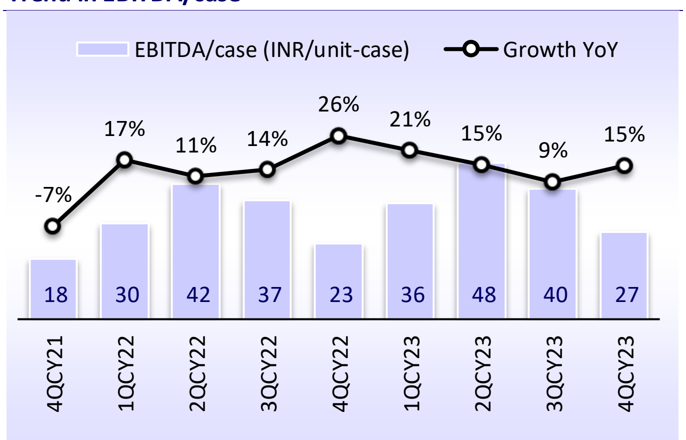
Chart of the Day: Varun Beverages (Strong volume growth drives sales)

Strong Total Volume growth trend



Source: Company, MOFSL

Trend in EBITDA/case



Source: Company, MOFSL

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In the news today

Kindly click on textbox for the detailed news link

1

Tata Motors says electric passenger car biz has broken even; eyes PLI funds

The company says no plans currently for raising capital in the EV arm

2

TCS bags multi-year deal to transform Europ Assistance's IT operating model using AI, ML

Europ Assistance has nearly 300 million customers in over 200 countries and territories with travel, mobility, home and family, health, and concierge services.

3

China tightens trading restrictions for domestic and offshore investors

Officials this week imposed caps on some brokerages' cross-border total return swaps with clients, limiting a channel that can be used by China-based investors to short Hong Kong stocks, said the people, asking not to be identified discussing a private matter

4

Indian Bank credit growth could moderate in FY25 on tighter liquidity: S&P

S&P Global Ratings cautions that strong credit growth in Indian banks could ease to 12-14% in the next fiscal if deposit growth remains subdued, leading to tightening liquidity conditions. The report highlights potential challenges like the need for wholesale funding, increased funding costs impacting margins,

5

LICHFL aims to double affordable housing share in loan baook in 2 years

LIC Housing Finance aims to more than double the share of affordable housing loans to 20-25% in the next two years. The home finance arm witnessed slower loan growth in the December quarter due to internal restructuring and management changes. The company has been focused on salaried and high credit scores segment, leading to a lower focus on affordable housing finance. The CEO stated that the segment provides growth opportunities and wider margins. The PM Awas Yojana will aid in generating demand for affordable housing, making the company upbeat.

6

Fintech major Paytm denies reports on violation of foreign exchange rules

On Monday, media reports quoting sources claimed that the Enforcement Directorate (ED) was investigating if platforms run by OCL were involved in violations of FEMA

7

OECD marginally raises India's GDP growth forecast to 6.2% for FY25

For FY26, OECD has kept its growth forecast for India unchanged at 6.5 per cent

Varun Beverages

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	VBL IN
Equity Shares (m)	1299
M.Cap.(INRb)/(USDb)	1692.4 / 20.4
52-Week Range (INR)	1380 / 550
1, 6, 12 Rel. Per (%)	2/46/104
12M Avg Val (INR M)	2228

Financials & Valuations (INR b)

Y/E Dec	2023	2024E	2025E
Sales	160.4	200.1	243.7
EBITDA	36.1	44.7	54.8
Adj. PAT	20.6	25.8	34.0
EBITDA (%)	22.5	22.3	22.5
EPS (INR)	15.8	19.8	26.2
EPS Gr. (%)	37.3	25.3	32.1
BV/Sh. (INR)	53.4	70.7	94.4
Ratios			
Net D/E	0.7	0.6	0.2
RoE (%)	34.2	31.9	31.7
RoCE (%)	22.1	21.7	24.8
Payout (%)	15.8	12.6	9.5
Valuations			
P/E (x)	82.3	65.7	49.7
EV/EBITDA (x)	48.2	39.1	31.3
Div Yield (%)	0.2	0.2	0.2
FCF Yield (%)	-0.5	0.1	1.9

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: INR1,302 TP: INR1,500 (+15%) Buy

Strong volume growth drives sales

Earnings in line with our estimates

- Varun Beverages (VBL) reported a revenue growth of 21% YoY in 4QCY23, led by strong volume growth (up 18% YoY) and high realization (up 2% YoY to INR171/case).
- While we maintain our CY24 earnings, we increase our CY25 earnings estimate by 7%, integrating the recently acquired South African beverage company BevCo's financials and also increasing volume growth estimate of the existing business to 16%/14% for CY24/25 from 14%/13% earlier estimated. However, higher interest cost, led by increase in debt (capex and acquisition-led increase) partly offsets the increase in earnings. **We reiterate our BUY rating on the stock with a TP of INR1,500.**

Margin expansion led by favorable operating leverage

- VBL's revenue grew 21% YoY to INR26.7b (est. in line), driven by healthy volume (+18% YoY to 156m cases), while realization grew 2% YoY to INR171/case. Volume growth was driven by both India (18.7% YoY) and international markets (16% YoY).
- EBITDA margin expanded 180bp YoY to 15.7% (est. 15.4) on the back of favorable operating leverage. EBITDA grew 36% YoY to INR4.2b (est. in line).
- Adj. PAT increased 77% YoY to INR1.3b (est. in line), driven by higher sales growth and improvement in margins.
- CSD/Juices/water volumes grew 25%/14%/5% YoY to 106m/8m/42m unit cases in 3QFY24; for CY23, volumes grew 17%/1%/9%, respectively.
- For CY23, Revenue/EBITDA/PAT grew 22%/29%/37% to INR163b/INR36.1b/INR20.6b. Volumes grew 14% YoY to ~913m cases.
- Net debt as of Dec'23 stood at INR47.3b vs. INR34.1b as of Dec'22, while debt/equity ratio reduced to 0.67x vs. 1.31x.

Highlights from the management commentary

- **New business:** The management is expecting strong growth in Gatorade, Juice, and value-added dairy segment as the production capacity has increased 200%.
- **Capex:** VBL has capitalized ~INR21b in CY23 across greenfield and brownfield expansions, resulting in 45% capacity expansion in CY24. In CY24, the management guided to capitalize ~INR36b.
- **Deepening of Distribution in India:** The company is enhancing its go-to-market strategy by annually expanding to 400-500k outlets and alongside adding more chilling equipment.

Valuation and view

- We expect VBL to maintain its earnings momentum, aided by: 1) increased penetration in newly acquired territories in India and 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 23%/23%/29% in revenue/EBITDA/PAT over CY23-25.
- While we maintain our CY24 earnings, we increase our CY25 earnings estimate by 7%, on account of integrating the recently acquired South African beverage company BevCo's financials (assumed only six months of integration in CY24) and also increasing the volume growth estimate of the existing business to 16%/14% for CY24/25 from 14%/13% earlier estimated. However, higher interest cost led by an increase in debt (capex and acquisition led increase) partly offsets the increase in earnings.
- **We value the stock at 57x CY25E EPS to arrive at a TP of INR1,500. We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Earning Model (INRm)

Y/E December	CY22				CY23				CY22	CY23	CY23E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	%
Gross Sales	**28,275**	**49,548**	**31,766**	**22,142**	**38,930**	**56,114**	**38,705**	**26,677**	**1,31,731**	**1,60,425**	**26,737**	**0**
YoY Change (%)	26.2	102.3	32.5	27.7	37.7	13.3	21.8	20.5	49.3	21.8	20.8	
Total Expenditure	22,965	37,042	24,776	19,067	30,949	41,004	29,884	22,494	1,03,850	1,24,331	22,631	
EBITDA	**5,310**	**12,506**	**6,990**	**3,075**	**7,980**	**15,110**	**8,821**	**4,183**	**27,881**	**36,095**	**4,106**	**2**
Margins (%)	18.8	25.2	22.0	13.9	20.5	26.9	22.8	15.7	21.2	22.5	15.4	
Depreciation	1,313	1,531	1,531	1,797	1,722	1,719	1,708	1,660	6,172	6,809	1,795	
Interest	470	464	453	475	626	694	625	737	1,861	2,681	570	
Other Income	85	105	106	92	101	416	185	91	388	794	106	
PBT before EO expense	**3,612**	**10,616**	**5,112**	**896**	**5,734**	**13,113**	**6,673**	**1,878**	**20,236**	**27,398**	**1,847**	
PBT	**3,612**	**10,616**	**5,112**	**896**	**5,734**	**13,113**	**6,673**	**1,878**	**20,236**	**27,398**	**1,847**	
Tax	901	2,596	1,157	81	1,348	3,057	1,529	442	4,735	6,375	406	
Rate (%)	25.0	24.5	22.6	9.0	23.5	23.3	22.9	23.5	23.4	23.3	22	
MI & Profit/Loss of Asso. Cos.	169	146	144	68	95	118	130	118	527	461	78	
Reported PAT	**2,542**	**7,874**	**3,810**	**748**	**4,291**	**9,938**	**5,015**	**1,318**	**14,974**	**20,561**	**1,363**	
Adj PAT	**2,542**	**7,874**	**3,810**	**748**	**4,291**	**9,938**	**5,015**	**1,318**	**14,974**	**20,561**	**1,363**	**-3**
YoY Change (%)	96.7	155.5	58.7	353.3	68.8	26.2	31.6	76.3	115.8	37.3	82.3	
Margins (%)	9.0	15.9	12.0	3.4	11.0	17.7	13.0	4.9	11.4	12.8	5.1	

LIC Housing Finance

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	LICHF IN
Equity Shares (m)	550
M.Cap.(INRb)/(USDb)	352.3 / 4.2
52-Week Range (INR)	642 / 315
1, 6, 12 Rel. Per (%)	11/39/38
12M Avg Val (INR M)	1149

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	84.7	81.7	86.8
PPP	76.1	72.3	76.7
PAT	48.6	48.0	51.8
EPS (INR)	88.4	87.3	94.1
EPS Gr. (%)	68.3	-1.3	7.9
BV/Sh (INR)	559	621	688
Ratios			
NIM (%)	3.1	2.8	2.7
C/I ratio (%)	12.1	13.6	13.7
RoAA (%)	1.7	1.6	1.6
RoE (%)	16.8	14.8	14.4
Payout (%)	14.7	14.9	14.9
Valuations			
P/E (x)	7.2	7.2	6.7
P/BV (x)	1.1	1.0	0.9
Div. Yield (%)	2.1	2.1	2.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	45.2	45.2	45.2
DII	21.8	21.8	22.9
FII	21.6	21.0	19.1
Others	11.4	12.6	12.7

FII Includes depository receipts

CMP: INR632 TP: INR755 (+20%) Buy

Stable margins, loan growth remains moderate

Earnings beat aided by largely stable NIM and controlled opex

- LICHF's PAT jumped 142% YoY to ~INR11.6b (~6% beat) in 3QFY24 and 9MFY24 PAT surged 115% YoY to ~INR36.7b. PAT growth was driven by a largely stable NIM and controlled opex.
- NII at ~INR21b (7% beat) rose ~31% YoY. PPoP at ~INR18.8b (9% beat) grew ~39% YoY but declined 1% QoQ. The cost-income ratio remained stable QoQ at ~12% (vs. ~18% in 3QFY23).
- NIM contracted ~5bp QoQ to ~3% in 3QFY24. As of 9MFY24, reported yields and CoF stood at ~10% and ~7.7%, respectively, leading to spreads of ~2.3% (1HFY24: 2.4%). The management has guided for NIM of 2.8%-3% in 4QFY24, which might moderate further in FY25. We model NIM of 3.0%/2.75%/2.65% in FY24/FY25/FY26.
- To factor in higher NIM (vs. earlier expectations) and lower opex, we increase our FY24/FY25 EPS estimates by ~8%/4%. We model a CAGR of 8%/21% in advances/PAT over FY23-26 and RoA/RoE of 1.6%/14% in FY26.
- The moderation in yields was driven by repricing for customer retention. High competitive intensity can lead to a contraction in NIM in FY25. While we hope for the volatility in ECL provisioning to subside, there are upside risks from provision reversals on stressed wholesale asset resolutions in the year ahead. Risk-reward is favorable at 0.9x FY26 P/BV. We reiterate our **BUY rating with a TP of INR755 (premised on 1.1x FY26E P/BV).**

Highlights from the management commentary

- LICHF has finalized its ARC policies and an ARC committee has been formed in its central office. The company has also appointed a consultant who will help it evaluate ARC proposals and take it forward. On the pilot basis, LICHF will take 10 stressed accounts to ARCs in FY24. Next year, it might take an even bigger loan pool to ARCs, depending on the outcome of the pilot.
- It has guided for credit costs of ~50-55bp in FY24 and lower in FY25.

Valuation and View

- LICHF has strong moats in retail mortgages and on the liability side. It has demonstrated its ability to transmit higher borrowing costs to customers. We model credit costs of ~60bp for FY24 (vs. guidance of 50-55bp).
- LICHF's valuation of 0.9x FY26E P/BV reflects the volatility in LICHF's NIM trajectory, asset quality, write-offs, and ECL provisioning. We estimate RoA/RoE of 1.6%/14.4% in FY26 and reiterate our **BUY** rating on the stock with a TP of INR755 (based on 1.1x FY26E BVPS).
- **Key downside risks:** a) elongated period of weak loan growth because of muted demand or high competitive intensity; and b) volatility in NIM profile and ECL provisioning.

Quarterly Performance

(INR M)

Y/E March	FY23				FY24E				FY23	FY24E	3QFY24E	Act. v/s est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	52,502	50,493	58,387	63,780	67,037	67,066	67,437	67,982	2,25,162	2,69,522	67,268	0
Interest Expenses	36,400	38,864	42,328	43,877	44,942	46,000	46,465	47,410	1,61,860	1,84,818	47,610	-2
Net Interest Income	**16,102**	**11,629**	**16,059**	**19,903**	**22,094**	**21,066**	**20,972**	**20,571**	**63,303**	**84,704**	**19,657**	7
YoY Growth (%)	26.3	-0.4	10.4	21.5	37.2	81.2	30.6	3.4	14.4	33.8	22.4	37
Fees and other income	407	427	374	371	429	521	488	506	1,580	1,943	522	-7
Net Income	**16,509**	**12,056**	**16,432**	**20,274**	**22,523**	**21,587**	**21,460**	**21,077**	**64,882**	**86,647**	**20,180**	6
YoY Growth (%)	26.1	-0.3	7.8	15.4	36.4	79.1	30.6	4.0	11.9	33.5	22.8	34
Operating Expenses	2,029	2,610	2,876	2,759	2,425	2,595	2,615	2,893	9,883	10,527	2,933	-11
Operating Profit	**14,481**	**9,447**	**13,557**	**17,515**	**20,098**	**18,993**	**18,845**	**18,184**	**55,000**	**76,120**	**17,247**	9
YoY Growth (%)	40.9	-0.4	2.9	16.2	38.8	101.1	39.0	3.8	14.6	38.4	27.2	43
Provisions and Cont.	3,077	5,658	7,627	3,068	3,608	4,192	4,358	3,901	19,430	16,059	3,750	16
Profit before Tax	**11,404**	**3,789**	**5,930**	**14,448**	**16,490**	**14,801**	**14,487**	**14,283**	**35,570**	**60,061**	**13,497**	7
Tax Provisions	2,149	739	1,127	2,645	3,253	2,920	2,858	2,380	6,660	11,412	2,524	13
Net Profit	**9,255**	**3,050**	**4,803**	**11,803**	**13,237**	**11,881**	**11,629**	**11,903**	**28,910**	**48,649**	**10,973**	6
YoY Growth (%)	503.2	23.0	-37.4	5.5	43.0	289.6	142.1	0.8	26.4	68.3	128.5	
Key Operating Parameters (%)												
Yield on loans (Cal)	8.29	7.80	8.80	9.39	9.72	9.68	9.65	9.60	8.78	9.9		
Cost of funds (Cal)	6.47	6.78	7.15	7.24	7.40	7.59	7.61	7.67	6.91	7.5		
Spreads (Cal)	1.81	1.02	1.65	2.15	2.33	2.09	2.04	1.93	1.87	2.4		
Margins (Cal)	2.54	1.80	2.42	2.93	3.21	3.04	3.00	2.90	2.40	3.0		
Credit Cost (Cal)	0.49	0.87	1.15	0.45	0.52	0.60	0.62	0.55	0.76	0.6		
Cost to Income Ratio	12.3	21.6	17.5	13.6	10.8	12.0	12.2	13.7	15.2	12.1		
Tax Rate	18.8	19.5	19.0	18.3	19.7	19.7	19.7	16.7	18.7	19.0		
Balance Sheet Parameters												
Loans (INR B)	2,557	2,623	2,684	2,750	2,764	2,780	2,812	2,854	2,678	2765		
Change YoY (%)	10.0	10.4	10.3	9.5	8.1	6.0	4.8	3.8	9.2	3.3		
Indiv. Disb. (INR B)	149	164	157	145	106	142	148	159	614	556		
Change YoY (%)	77.0	3.9	-10.3	-23.4	-28.8	-13.1	-5.5	10.1	1.5	-9.5		
Borrowings (INR B)	2,260	2,329	2,404	2,447	2,414	2,436	2,451	2,497	2,448	2497		
Change YoY (%)	9.5	11.4	11.4	9.3	6.8	4.6	2.0	2.1	9.4	2.0		
Loans/Borrowings (%)	113.2	112.6	111.7	112.4	114.5	114.1	114.7	114.3	109.4	110.7		
Asset Quality Parameters												
GS 3 (INR B)	126.8	128.5	127.5	120.2	137.1	120.4	119.8		120.2	116.0		
Gross Stage 3 (% on Assets)	5.0	4.9	4.8	4.4	5.0	4.3	4.3		4.4	4.1		
NS 3 (INR B)	75.6	72.3	62.6	66.4	79.2	70.8	61.6		66.4	50.7		
Net Stage 3 (% on Assets)	3.0	2.8	2.4	2.5	2.9	2.6	2.2		2.5	1.8		
PCR (%)	40.4	43.7	50.9	44.8	42.3	41.2	48.6		44.8	56.3		
ECL (%)	2.40	2.49	2.71	2.63	2.75	2.34	2.45		2.63			
Loan Mix (%)												
Home loans	82.0	82.6	83.1	83.2	83.2	84.4	84.9		83.2			
LAP	13.2	12.9	12.9	12.5	12.3	12.1	12.1		12.5			
Non Individual loans	4.8	4.5	4.0	4.3	4.3	3.5	3.0		4.3			
Borrowing Mix (%)												
Banks	33.0	34.0	33.9	34.0	31.0	33.0	35.0		34.0			
NCD	51.0	52.0	51.9	50.0	54.0	53.0	52.0		50.0			
Sub Debt	1.0	1.0	0.8	1.0	1.0	1.0	1.0		1.0			
Deposits	8.0	7.0	5.9	5.0	5.0	5.0	4.0		5.0			
NHB	4.0	4.0	3.6	5.0	5.0	4.0	4.0		5.0			
CP	3.0	2.0	3.9	5.0	4.0	4.0	4.0		5.0			

E: MOFSL Estimates

BSE

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	BSE IN
Equity Shares (m)	131
M.Cap.(INRb)/(USDb)	346.9 / 4.2
52-Week Range (INR)	2595 / 406
1, 6, 12 Rel. Per (%)	11/186/390
12M Avg Val (INR M)	1978

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Net Sales	13.6	19.4	23.4
EBITDA	4.7	8.8	10.7
PAT	8.1	8.5	10.2
Adj. PAT	4.1	8.5	10.2
EPS (INR)	31.1	65.0	77.9
EPS Gr (%)	98.2	108.7	19.9
BV / Sh (INR)	197	216	239
Ratios (%)			
RoE	31.7	30.1	32.5
Payout ratio	70.0	70.0	70.0
Valuations			
P/E (x)	82.5	39.5	33.0
P / BV (x)	13.1	11.9	10.7

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	0.0	0.0	0.0
DII	11.3	8.1	0.6
FII	35.2	33.0	34.6
Others	53.6	64.8	64.8

FII Includes depository receipts

CMP: INR2,561 TP: INR2,725 (+6%) Neutral

Contribution to SGF reduces profitability

- BSE reported a PAT of INR1.06b in 3QFY24 (23% below our estimate), up 124% YoY but down 10% QoQ, mainly owing to its contribution of INR917m to SGF for the currency derivatives segment.
- Operating revenue grew 18% QoQ and 82% YoY to INR3.7b, broadly in line with our estimate.
- After the relaunch, derivative contracts (Sensex and Bankex) are witnessing significant traction from market participants. BSE has increased transaction charges on Sensex options (only on near expiry), with effect from 1st Nov'23. Thus, the derivative segment would see strong revenue growth.
- We have upgraded our EPS estimates by 7%/6% for FY25/FY26 to factor in the higher volume trajectory for its equity derivatives segment. **Reiterate our Neutral rating with a one-year TP of INR 2,725 (based on 35x FY26E EPS).**

Strong growth in transaction income

- Transaction charges surged 69% QoQ and 163% YoY to INR1.66b, while services to corporates increased 20% YoY.
- Transaction charges for the cash segment (INR693m, +77% YoY) and the equity derivatives segment (INR567m) were in line with our expectations. Revenue from the StAR MF platform jumped 55.5% YoY to INR328m.
- Treasury income from clearing and settlement funds surged 115% YoY to INR469m in 3QFY24 (18% below our expectation). Investment income stood at INR598m, up 46% YoY and 14% QoQ.
- Opex came in 27% higher than our estimates at INR2.8b, due to a higher contribution to SGF for the currency derivatives segment. Hence, EBIDTA margins declined to 25.2% vs. our expectation of 42.7% and 31.8% in 3QFY23. Excluding the SGF contribution, EBIDTA margins came in at 49.9%.
- 3QFY24 PAT stood at INR1.06b, a 124% jump YoY but down 10% QoQ.
- For 9MFY24, revenue/Adj PAT grew by 53%/70% to INR9b/INR3.2b *(Note - gain on sale of CDSL stake recorded in 1QFY24).*

Key takeaways from the management commentary

- BSE is developing a colocation facility - a strategic investment in the short term that will benefit in the long term. 2024 will be a transformational year as BSE is committed to growing in new areas such as expansion of data centers, new MF platform, improving clearing & settlement services, and enhancing index and data services.
- Two factors impacted profitability: 1) Core SGF of INR917m, ~67% higher than previous year; 2) Clearing and settlement charges of INR638m in standalone financial statements vs. INR438m in consolidated financials. In order to further reduce clearing and settlement costs, the exchange is trying to review the contract terms with NSCL and increase its institutional presence, for which it is closely working with FPIs as DIIs do not have a lot of scope to increase activity.

Valuation and view: Raise estimates; reiterate Neutral

- The relaunch of BSE derivatives products has proved to be a trend-changing measure. Increased member participation, rising awareness about products, and a shift in Bankex expiry would continue to drive market share gains for BSE. Currently, BSE has a 13% market share in the notional turnover and 5% premium turnover market share in the equity derivatives segment. We expect BSE to scale up in these parameters going ahead.
- Other levers that will support growth over the medium term include: 1) repricing of derivatives contracts, 2) colocation revenues, 3) continued momentum in the StAR MF business, 4) growth in cash segment, 5) possibility of levying a fee for listing of debt securities, 6) start of operations at its Power Exchange, and 7) commencement of revenue from its Gold Spot exchange.
- We have upgraded our EPS estimates by 7%/6% for FY25/FY26 to factor in the higher volume trajectory for equity derivatives segment. **Reiterate our Neutral rating with a one-year TP of INR 2,725 (based on 35x FY26E EPS)**.

Cons. Quarterly perf. **(INR m)**

Y/E March	FY23				FY24E				FY23	FY24E	Est. 3Q	Var.
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24E				(%/bp)
Revenue from operations	1,869	1,977	2,040	2,270	2,153	3,144	3,717	4,591	8,154	13,568	3,809	-2.4
YoY Change (%)	19.0	4.8	5.9	10.9	15.2	59.0	82.2	102.2	9.7	66.4	87	-451bp
Total Expenditure	1,256	1,386	1,392	1,234	1,437	1,716	2,780	2,930	6,181	8,863	2,184	27.3
EBITDA	613	591	648	1,036	716	1,429	937	1,661	1,973	4,705	1,625	-42.3
Margins (%)	32.8	29.9	31.8	45.6	33.3	45.4	25.2	36.2	24.2	34.7	43	-1746bp
Depreciation	104	122	170	207	214	227	249	249	603	939	229	8.6
Interest	76	74	65	60	65	85	0	80	275	230	90	-100.0
Investment income	109	421	410	445	556	525	598	638	1,384	2,316	525	13.9
PBT before EO expense	542	815	823	1,214	992	1,642	1,287	1,970	2,479	5,853	1,832	-29.8
Exceptional items	-116	-457	-258	-84	4,048	-13	-16	0	0	4,066	0	
PBT	426	359	566	1,131	5,040	1,629	1,271	1,970	2,479	9,919	1,832	-30.6
Tax	135	215	230	336	762	636	371	712	916	2,480	641	-42.1
Rate (%)	32	60	41	30	15	39	29	36	37	25	35	
P/L of Asso. Cos.	109	150	141	92	119	190	165	226	492	700	199	-17.0
Reported PAT	400	294	477	886	4,398	1,183	1,065	1,484	2,055	8,139	1,390	-23.4
Adj PAT	479	477	629	945	961	1,191	1,076	1,484	2,055	4,073	1,390	-22.6
YoY Change (%)	-23	-48	-19	24	999	303	124	67	-16	296	192	
Margins (%)	25.6	24.1	30.8	41.6	44.6	37.9	29.0	32.3	25.2	60.0	36	-753bp

Tata Chemicals

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	TTCH IN
Equity Shares (m)	255
M.Cap.(INRb)/(USDb)	249.5 / 3
52-Week Range (INR)	1141 / 912
1, 6, 12 Rel. Per (%)	-12/-18/-21
12M Avg Val (INR M)	1075

Financials & Valuations (INR b)

Y/E Mar	2024E	2025E	2026E
Sales	155.4	155.4	166.2
EBITDA	29.8	28.8	32.6
PAT	12.4	9.7	13.2
EBITDA (%)	19.2	18.5	19.6
EPS (INR)	48.6	38.1	51.6
EPS Gr. (%)	(47.0)	(21.6)	35.5
BV/Sh. (INR)	809	830	864
Ratios			
Net D/E	0.2	0.1	0.1
RoE (%)	6.1	4.6	6.1
RoCE (%)	6.7	5.8	6.9
Valuations			
P/E (x)	20.2	25.7	19.0
EV/EBITDA (x)	9.9	10.0	8.5
Div Yield (%)	1.8	1.8	1.8
FCF Yield (%)	6.3	6.1	7.7

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	38.0	38.0	38.0
DII	20.5	20.9	19.0
FII	14.1	14.2	14.4
Others	27.5	27.6	28.6

CMP: INR979 TP: INR900 (-8%) Neutral

Adverse demand-supply scenario of soda ash hurts result

Operating performance misses our expectations

- Tata Chemicals (TTCH)'s 3QFY24 consolidated EBITDA declined 41% YoY, primarily due to a subdued operating performance across geographies with India/US/UK/Kenya reporting 27%/56%/62%/55% decline YoY.
- We cut our FY24/FY25/FY26 EBITDA estimates by 11%/11%/5% due to unfavorable demand-supply dynamics persisting in the global soda ash industry and continued pricing pressure across regions. **We reiterate our Neutral rating with an SoTP-based TP of INR900.**

Weak operating performance because of subdued soda ash prices

- TTCH reported overall revenue of INR37.3b (est. INR38.2b) in 3QFY24, down 10% YoY. EBITDA margin contracted 770bp YoY to 14.5% (est. 20.1%) due to adverse operating leverage; EBITDA of INR5.4b (est. INR7.7b) was down 41% YoY. Adjusted PAT dipped 60% YoY to INR1.6b (est. INR2.5b) due to higher interest costs (up 23% YoY) and a higher effective tax rate (33.7% in 3QFY24 v/s ~16.5% in 3QFY23).
- Basic Chemistry products' revenue declined 11% YoY to INR31b. Its EBIT margin contracted 10.9pp YoY to 10.5%, while EBIT declined 56% YoY to INR3.3b. Specialty products' revenue declined 7% YoY to INR6.3b. Its EBIT margin rose 50bp YoY to 2.7%, while EBIT grew 13% YoY to INR170m.
- For India, the standalone/TCNA/TCEHL/TCAHL/Rallis revenue declined 10%/5%/20%/32%/5% YoY to INR10.9b/INR12.6b/ INR5.9b/INR1.6/INR6b. EBITDA margins for India Standalone/TCNA/TCEHL/TCAHL contracted 450bp/1,310bp/1,070bp/1,710bp YoY to 18.8%/11.5%/9.6%/34.4%, while the same for Rallis improved 170bp YoY to 10.2% during the quarter.
- For 9MFY24, revenue/EBITDA/Adjusted PAT declined 4%/16%/36% YoY to INR119.5b/INR24b/INR10.3b.
- Gross/Net debt stood at ~INR59.1b/INR43.8b as of Dec'23 (vs. ~INR63b/INR39b as of Mar'23).

Highlights from the management commentary

- **Demand outlook:** Market demand remains tepid across all key regions and segments. The current demand-supply situation is likely to persist in the short to medium term.
- **India business**: TTCH is expecting stable to slightly better performance from India operations on a sequential basis. The new soda ash plant (250KTPA) is expected to be commissioned by May'24, taking the total capacity in the region to over 1MTPA.
- **TCNA**: US volumes were lower by 80,000 MT due to plant shutdowns and rail car shortage. The Impact of the same was ~USD10m, with a contribution margin of USD125-130/MT. Adjusting for the same the EBITDA/MT would have been ~USD45 v/s reported USD33. While export contracts have seen sharp erosion, the contribution is expected to be down by ~USD100 in the coming quarter.

Valuation and view

- There are certain short-term challenges in the soda ash demand-supply dynamics owing to weak demand in Western Europe, resulting in suppliers (majorly from Turkey) exporting soda ash beyond Europe (impacting global prices adversely). However, the situation is expected to balance out in the medium term with the emergence of new applications, such as solar glass and lithium-ion batteries.
- We cut our FY24/FY25/FY26 EBITDA estimates by 11%/11%/5% due to unfavorable demand-supply dynamics persisting in the global soda ash industry and continued pricing pressure across regions. **We reiterate our Neutral rating with an SoTP-based TP of INR900.**

Consolidated - Quarterly Earnings Model (INRb)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3Q	%
Net Sales	**40.0**	**42.4**	**41.5**	**44.1**	**42.2**	**40.0**	**37.3**	**35.9**	**167.9**	**155.4**	**38.2**	**-2**
YoY Change (%)	34.2	40.2	32.0	26.6	5.6	-5.7	-10.1	-18.5	33.0	-7.5	-7.9	
Total Expenditure	29.8	33.2	32.3	34.4	31.8	31.8	31.9	30.1	129.7	125.6	30.5	
EBITDA	**10.2**	**9.2**	**9.2**	**9.7**	**10.4**	**8.2**	**5.4**	**5.8**	**38.2**	**29.8**	**7.7**	**-29**
Margins (%)	25.4	21.7	22.2	21.9	24.7	20.5	14.5	16.0	22.8	19.2	20.1	
Depreciation	2.1	2.2	2.3	2.3	2.3	2.3	2.5	2.5	**8.9**	**9.6**	**2.4**	
Interest	0.8	0.9	1.1	1.3	1.2	1.5	1.3	1.2	**4.1**	**5.2**	**1.4**	
Other Income	0.5	0.6	0.4	0.8	0.5	0.9	0.4	0.7	2.2	2.5	0.4	
PBT before EO expense	**7.7**	**6.8**	**6.3**	**6.7**	**7.4**	**5.3**	**2.0**	**2.8**	**27.4**	**17.5**	**4.3**	
Extra-Ord expense	0.0	0.1	0.1	0.0	-0.1	-1.0	0.0	0.0	0.2	-1.1	0.0	
PBT	**7.6**	**6.7**	**6.2**	**6.7**	**7.5**	**6.3**	**2.0**	**2.8**	**27.2**	**18.6**	**4.3**	
Tax	1.6	0.4	1.0	-0.1	1.7	1.2	0.7	0.7	2.9	4.3	1.0	
Rate (%)	20.4	5.7	16.5	-1.2	22.8	19.1	33.7	24.5	10.6	23.0	24.5	
MI & Profit/Loss of Asso. Cos.	0.2	0.1	1.3	-0.3	0.5	0.8	-0.2	-0.2	1.2	0.8	0.8	
Reported PAT	**5.9**	**6.3**	**3.9**	**7.1**	**5.3**	**4.3**	**1.6**	**2.3**	**23.2**	**13.5**	**2.5**	
Adj PAT	**5.9**	**6.3**	**4.0**	**7.1**	**5.2**	**3.5**	**1.6**	**2.3**	**23.4**	**12.4**	**2.5**	**-36**
YoY Change (%)	105.9	198.9	32.2	53.6	-11.8	-44.5	-60.3	-67.5	84.8	-47.0	-37.7	
Margins (%)	14.8	14.9	9.6	16.1	12.4	8.8	4.2	6.4	13.9	8.0	6.5	

5 February 2024

3QFY24 Results Update | Sector: Healthcare

Alembic Pharma

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ALPM IN
Equity Shares (m)	189
M.Cap.(INRb)/(USDb)	189.7 / 2.3
52-Week Range (INR)	994 / 462
1, 6, 12 Rel. Per (%)	19/12/58
12M Avg Val (INR M)	196

Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	62.5	67.1	74.0
EBITDA	9.2	10.8	12.3
Adj. PAT	5.7	6.8	7.8
EBIT Margin (%)	10.4	12.1	12.8
Cons. Adj. EPS (INR)	29.0	34.8	39.5
EPS Gr. (%)	32.7	20.0	13.6
BV/Sh. (INR)	245.7	274.8	308.7
Ratios			
Net D:E	0.1	0.1	0.0
RoE (%)	12.3	13.2	13.4
RoCE (%)	11.9	12.7	12.9
Payout (%)	20.7	17.3	15.2
Valuations			
P/E (x)	33.3	27.7	24.4
EV/EBITDA (x)	20.4	17.2	14.9
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	0.5	1.0	3.1
EV/Sales (x)	3.0	2.8	2.5

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	69.6	69.6	69.6
DII	14.5	14.2	12.8
FII	4.5	4.5	5.0
Others	11.4	12.4	12.7

FII Includes depository receipts

CMP: INR965 TP: INR910 (-6%) Neutral

India/export formulation drive earnings

Work in progress for GLP-1 products

- Alembic Pharma (ALPM) delivered a better-than-expected operational performance in 3QFY24. A healthy show in formulation exports and the domestic formulation (DF) segment supported growth in sales/EBITDA. ALPM continued to improve the base of its US generics business. Robust demand led to strong off-take in non-US exports.
- We raise our earnings estimates by 2%/3%/4% for FY24/FY25/FY26 to factor in a) superior execution in animal healthcare segment, b) new launches and increased reach in non-US exports, c) controlled R&D spending, and d) better operating leverage. We value ALPM at 22x 12M forward earnings to arrive at a TP of INR910.
- Compared to two years of earnings decline over FY21-23, we expect ALPM to end FY24 on a strong note with 12%/33% EBITDA/earnings growth YoY. Further, we expect a 16% earnings CAGR over FY24-26, led by a strong performance in its core markets, DF and exports. However, we maintain our Neutral rating as this earnings upside is adequately captured in the current valuation.

Increased opex outweighs product mix benefits

- Sales grew 8% YoY to INR16.3b (our est: INR15.9b). DF sales grew 9% YoY to INR6b (37% of sales). Excluding US generics, exports grew 32% YoY to INR2.7b (17% of sales). US generics sales rose 10% YoY to INR4.7b (USD58m; 29% of sales). API sales declined 11% YoY to INR2.9b (18% of sales).
- Gross margin expanded 190bp YoY to 71.7% due to a superior product mix and lower RM costs.
- However, EBITDA margin contracted by 20bp YoY to 16.3%, due to higher employee costs/other expenses (+210/+250bp YoY as % of sales), offset by lower R&D expenses (down 250bp as % of sales).
- Consequently, EBITDA grew 7% YoY to INR2.6b (our est: INR2.3b).
- Adj. PAT grew 37% YoY to INR1.8b (est. INR1.4b) due to lower tax expense.
- For 9MFY24, revenue/EBITDA/PAT grew 11%/13%/34% YoY to INR47b/INR6.7b/INR4.4b.

Highlights from the management commentary

- ALPM delivered better-than-industry growth in Gynecology, Gastrointestinal, Anti-Diabetic, and Ophthalmology.
- The company launched 11 products in 3QFY24 and targets to launch five more in the US generics segment in 4QFY24.
- ALPM is also working on GLP-1 products as it also has peptide capability.
- USD57m is the new base for the quarterly sales run rate in the US generics segment.

Quarterly perf. (Consol.) (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	vs Est
Net Sales	**12,621**	**14,750**	**15,090**	**14,065**	**14,862**	**15,949**	**16,309**	**15,382**	**56,526**	**62,502**	**15,913**	**2.5%**
YoY Change (%)	-4.8	14.1	18.7	-0.7	17.7	8.1	8.1	9.4	6.5	10.6	5.5	
Total Expenditure	11,475	12,423	12,603	11,833	12,874	13,867	13,642	12,931	48,333	53,314	13,590	
EBITDA	**1,147**	**2,328**	**2,488**	**2,232**	**1,987**	**2,083**	**2,667**	**2,451**	**8,194**	**9,188**	**2,323**	**14.8%**
YoY Change (%)	-51.4	-9.5	-2.7	-21.2	73.3	-10.5	7.2	9.8	-17.8	12.1	-6.6	
Margins (%)	9.1	15.8	16.5	15.9	13.4	13.1	16.4	15.9	14.5	14.7	14.6	175.3
Depreciation	521	517	535	741	662	676	695	646	2,314	2,678	630	
EBIT	**626**	**1,811**	**1,953**	**1,490**	**1,325**	**1,407**	**1,973**	**1,804**	**5,880**	**11,866**	**1,693**	**16.5%**
YoY Change (%)	-65.8	-10.6	-2.2	-33.8	111.9	-22.3	8.9	-7.6	-24.2	101.8	-6.5	
Interest	88	124	146	144	144	157	152	143	502	595	138	
Other Income	11	3	4	9	117	102	29	33	27	280	125	
PBT before EO expense	**548**	**1,690**	**1,811**	**1,356**	**1,298**	**1,352**	**1,850**	**1,695**	**5,405**	**6,194**	**1,680**	**10.1%**
Extra-Ord expense	1,150	160	130	110	0	0	0	0	1,550	0	0	
PBT	**-602**	**1,530**	**1,681**	**1,246**	**1,298**	**1,352**	**1,850**	**1,695**	**3,855**	**6,194**	**1,680**	**10.1%**
Tax	-15	180	326	-364	92	-19	41	320	126	434	210	
Rate (%)	2.5	11.7	19.4	-29.2	7.0	-1.4	2.2	18.9	3.3	7.0	12.5	
MI & P/L of Asso. Cos.	72	17	136	85	0	0	0	60	309	60	0	
Reported PAT	**-659**	**1,334**	**1,220**	**1,525**	**1,207**	**1,371**	**1,808**	**1,315**	**3,420**	**5,701**	**1,470**	**23.0%**
Adj PAT	**463**	**1,475**	**1,324**	**1,034**	**1,207**	**1,371**	**1,808**	**1,315**	**4,296**	**5,701**	**1,470**	**23.0%**
YoY Change (%)	-71.9	-12.9	-24.9	-42.1	160.8	-7.1	36.5	27.2	-37.6	32.7	-0.3	
Margins (%)	3.7	10.0	8.8	7.4	8.1	8.6	11.1	8.5	7.6	9.1	9.2	

Mahindra Lifespaces

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	MLIFE IN
Equity Shares (m)	155
M.Cap.(INRb)/(USDb)	93.5 / 1.1
52-Week Range (INR)	599 / 316
1, 6, 12 Rel. Per (%)	5/8/37
12M Avg Val (INR M)	139

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	2.9	4.0	4.9
EBITDA	-1.4	-1.0	-0.9
EBITDA (%)	NM	NM	NM
Net profit	0.2	1.3	1.1
EPS (INR)	1.5	8.2	6.9
EPS Growth (%)	-50.9	462.5	-16.6
BV/Share (INR)	118.2	126.5	133.3
Ratios			
Net D/E	-0.4	-0.2	-0.2
RoE (%)	1.2	6.7	5.3
RoCE (%)	-4.0	-3.3	-2.8
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	413.1	73.4	88.1
P/BV (x)	5.1	4.8	4.5
EV/EBITDA (x)	NM	NM	NM
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	51.2	51.2	51.3
DII	23.2	20.2	19.0
FII	8.5	11.9	11.1
Others	17.1	17.5	18.7

CMP: INR605 TP: INR600 (-1%) Neutral

Key launches to materialize in 4Q

Witnessed steady demand in ongoing projects

- Mahindra Lifespace (MLDL) achieved **bookings of INR4.4b, flat YoY/QoQ** (13% lower than our estimate). Sales volume stood at 0.5msf, down 13% YoY. Bookings for 9MFY24 stood at INR12b, down 14% YoY. During this period, the share of sustenance sales increased 3x to INR9b vs. INR3.3b in 9MFY23.
- **IC&IC Segment –** The leasing traction in the IC segment picked up sequentially as MLDL achieves the highest ever leasing of 77 acres across Jaipur and Chennai. Realization was steady at INR29m/acre.
- **Cash flows –** The company collected INR4b during the quarter and spent INR1b on construction. In 9MFY24, it generated surplus operating cash flows of INR3.8b. Net debt (Resi+IC&IC) stood at INR3.1b vs. INR2.3b in 2QFY24.
- **P&L performance –** MLDL's revenue declined 56% YoY, but was up 4x QoQ to INR0.8b (vs. our estimate of INR0.3b). It reported an EBITDA loss of INR0.4b. However, PAT came in at INR0.5b, aided by INR0.75b contribution from JV projects and IC business.

Key highlights from the management commentary

- **New launches:** The company is set to witness multiple launches in 4QFY24, including its key project at Kandivali (already launched). New projects at Pune and Bengaluru are at an advanced stage of approvals and are likely to be launched in 4Q. The GDV of all new launches is in excess of INR25b.
- **BD:** The pipeline continues to remain strong at INR50-60b, of which, ~60% is in MMR and 20% each in Bengaluru/Pune. The immediate goal is to get a fair share of the market in the existing three markets, before venturing out in NCR (and other cities).
- MLDL is also actively exploring the possibility of plotted projects at all the land parcels in the IC vertical and there will be multiple projects launched in this segment at Chennai and at other locations.
- **IC Segment:** The company continues to look for an anchor at Ahmedabad, while remaining open to the possibility of an outright sale in the event of a large transaction. It is not inclined toward engaging in small leases of 2-5 acres, as it may dilute the overall potential of the park.

Valuation and view: Growth priced in; maintain Neutral

- While 9MFY24 pre-sales performance was moderate, the launch pipeline remains on track for 4QFY24 launch, and hence, we retain our FY24E/FY25E pre-sales. With higher-than-expected contribution from its JV business, we raise our PAT for FY24E/FY25E by 184%/10% to INR227m/INR1.3b.
- We estimate the value of the existing pipeline at INR31b. Concurrently, at the CMP, the residential segment is valued at INR69b, in line with our DCF-based value of INR72b. This indicates that the near-term growth potential is already factored into the current price.
- **We roll forward our estimates and reiterate our NEUTRAL stance on the stock with a revised TP of INR600/share, indicating fair valuation.**

Financial and Operational Performance

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q	(%/bp)
Income from Operations	**946**	**698**	**1,869**	**2,554**	**980**	**178**	**820**	**905**	**6,066**	**2,883**	**288**	**184**
YoY Change (%)	-36.2	17.8	667.9	57.9	3.7	-74.5	-56.1	-64.6	54.1	-52.5	-84.6	
Total Expenditure	1,265	1,092	1,983	2,827	1,412	527	1,210	1,163	7,167	4,311	994	
EBITDA	**-320**	**-394**	**-114**	**-274**	**-431**	**-349**	**-390**	**-259**	**-1,101**	**-1,429**	**-706**	**-45**
Margins (%)	-33.8	-56.4	-6.1	-10.7	-44.0	-196.5	-47.6	-28.6	-18.2	-49.6	-244.8	
Depreciation	24	32	34	31	30	31	38	36	122	135	30	
Interest	18	25	33	34	42	2	3	11	109	59	33	
Other Income	228	40	112	149	120	79	68	79	530	346	112	
PBT before EO expense	**-134**	**-411**	**-69**	**-189**	**-383**	**-303**	**-364**	**-226**	**-803**	**-1,276**	**-656**	**-45**
Extra-Ord expense	338	0	340	0	0	0	0	0	678	0	0	
PBT	**204**	**-411**	**271**	**-189**	**-383**	**-303**	**-364**	**-226**	**-124**	**-1,276**	**-656**	**-45**
Tax	76	-67	-14	34	-94	-108	-109	-72	28	-383	-169	
Rate (%)	37.0	16.4	-5.1	-17.9	24.4	35.7	30.1	31.7	-22.7	30.0	25.7	
MI & Profit/Loss of Asso. Cos.	625	266	48	229	247	6	754	113	1,167	1,120	208	
Reported PAT	**754**	**-77**	**332**	**6**	**-43**	**-189**	**500**	**-42**	**1,014**	**227**	**-279**	**NA**
Adj PAT	**541**	**-77**	**-8**	**6**	**-43**	**-189**	**500**	**-42**	**461**	**227**	**-279**	
YoY Change (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Margins (%)	57.2	-11.1	-0.4	0.2	-4.4	-106.5	61.0	-4.6	7.6	7.9	-96.8	
E: MOSL Estimates												
Operational Performance												
Area sold (msf)	0.7	0.5	0.6	0.5	0.4	0.7	0.5	0.8	**2.2**	**2.4**	0.5	**2**
Booking value (INR b)	6.0	4.0	4.5	3.6	3.5	4.6	4.4	9.7	**18**	**22**	5.1	**-13**
Avg Realization (INR)	9262	8489	7393	7367	8214	6691	8358	12277	**8,167**	**9,149**	9796	**-15**

Source: Company, MOFSL

Transport Corporation of India

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	76 / 0.9
52-Week Range (INR)	1080 / 591
1, 6, 12 Rel. Per (%)	17/17/37
12M Avg Val (INR M)	54

Financial Snapshot (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	40.2	46.0	54.4
EBITDA	4.2	5.1	6.5
Adj. PAT	3.4	4.0	5.2
EBITDA Margin (%)	10.4	11.2	11.9
Adj. EPS (INR)	44.0	51.8	67.9
EPS Gr. (%)	5.8	17.6	31.2
BV/Sh. (INR)	261.2	309.5	373.9
Ratios			
Net D:E	-0.1	-0.2	-0.3
RoE (%)	18.0	17.9	19.7
RoCE (%)	17.6	17.5	19.3
Payout (%)	8.0	6.8	5.2
Valuations			
P/E (x)	22.2	18.9	14.4
P/BV (x)	3.7	3.2	2.6
EV/EBITDA(x)	16.7	13.3	10.0
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	1.3	0.9	3.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	68.9	68.9	69.0
DII	12.8	12.9	11.7
FII	2.6	2.6	3.3
Others	15.7	15.8	16.0

FII Includes depository receipts

CMP: INR978 TP: INR1,150 (+18%) Buy

Minor miss on profitability; outlook bright

- Transport Corporation of India (TRPC)'s revenue grew 4% YoY to ~INR10b in 3QFY24 (in line). The freight and supply chain division clocked ~1%/16% YoY growth in 3QFY24, while the seaways division posted a decline of ~16% YoY.
- EBITDA margin came in at 10% in 3Q (down 190bp YoY/10bp QoQ) vs. our estimate of 10.5%. Overall margin was hit by lower seaways' margin. EBITDA declined 13% YoY to INR1b, while APAT dipped 7% YoY to INR794m (11% below our estimate).
- EBIT margin for freight/supply chain/seaways divisions stood at 3.1%/ 6.5%/22.1% in 3QFY24. EBIT margin for the Freight and Seaways businesses contracted 260bp and 480bp YoY, respectively; while it improved 50bp YoY for the supply chain division.
- Given the flattish growth in the 9MFY24 due to general slowdown in the economy and competitive pressure, we have reduced our FY24 and FY25 EPS estimates by ~6% and ~10%, respectively. We have largely retained our estimates for FY26, as demand is likely to improve by then. The increasing proportion of LTL in the freight division is expected to contribute positively. The steady demand in the automotive sector is expected to support the supply chain division. **We reiterate our BUY rating with a revised TP of INR1,150 (based on a P/E multiple of 17x FY26E EPS).**

Continued growth in supply chain segment; freight and seaways to experience headwinds due to general slowdown

- The supply chain division delivered strong growth of ~16% YoY owing to the retention and expansion of business with existing clients and new business acquisitions. The management remains confident of clocking a double-digit growth rate in the supply chain business in FY24.
- In the seaways division, revenue declined ~16% YoY due to a fall in freight rates. The company recently signed an agreement to buy two new vessels, which are scheduled to be delivered between Jan'26 and Mar'26.
- The share of LTL/FTL businesses in the freight division stood at 37%/63% in 9MFY24. The management is actively working on increasing the share of LTL revenue to 40% by FY25, which will lead to margin improvement.

Highlights from the management commentary

- Margins and ROCE in the freight business have experienced a slight decline due to flattish revenue growth. The general economic demand slowdown hit growth in the freight division. TRPC added 30 new branches during 9MFY24 to strengthen the network further.
- Revenue in the supply chain segment increased ~16% YoY in 3QFY24. The growth momentum persisted amid upward trends in the automotive sector (contributed ~80% in the supply chain business), coupled with the retention and expansion of business both with existing clients and through new business acquisitions.

- Shipping freight rates experienced a decline due to a temporary buildup of capacity, contributing to weakness in the seaways business. Concurrently, there was a temporary volume decrease attributed to delays in infrastructure projects in the Andamans. The combination of weaker freight rates and stable fuel prices had an adverse impact on margins in the seaways business.

Valuation and view

- TRPC's multi-modal capabilities position it well to meet diverse customer needs and endure industry slowdowns. Further, TRPC's established infrastructure, long-standing customer relationships, and experienced management team are anticipated to aid its position as a preferred 3PL partner.
- We expect a CAGR of 13%/15%/18% in revenue/EBITDA/PAT over FY23-FY26 for TRPC. **We reiterate our BUY rating with a revised TP of INR1,150 (based on a P/E multiple of 17x FY26E EPS).**

Quarterly snapshot (INR m)

Y/E March (INR m)	FY23				FY24E				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	vs Est
Net Sales	**9,029**	**9,321**	**9,667**	**9,793**	**9,498**	**9,935**	**10,020**	**10,776**	**37,826**	**40,229**	**11,028**	**(9)**
YoY Change (%)	29.7	13.0	15.4	9.0	5.2	6.6	3.7	10.0	16.1	6.4	14.1	
EBITDA	**1,041**	**960**	**1,144**	**1,081**	**1,008**	**1,004**	**999**	**1,165**	**4,240**	**4,176**	**1,244**	**(20)**
Margins (%)	11.5	10.3	11.8	11.0	10.6	10.1	10.0	10.8	11.2	10.4	11.3	
YoY Change (%)	37.4	-8.2	4.8	-10.0	-3.1	4.6	-12.7	7.9	3.2	-1.5	8.7	
Depreciation	289	300	314	311	308	311	331	347	1,214	1,297	312	
Interest	23	25	26	24	23	34	35	31	98	123	25	
Other Income	53	74	70	121	85	113	95	85	303	378	84	
PBT before EO expense	**782**	**708**	**874**	**867**	**762**	**772**	**728**	**873**	**3,231**	**3,135**	**991**	**(27)**
Extra-Ord expense	0	0	0	34	0	0	0	0	34	0	0	
PBT	**782**	**708**	**874**	**833**	**762**	**772**	**728**	**873**	**3,197**	**3,135**	**991**	**(27)**
Tax	93	116	110	115	104	96	108	131	434	439	149	
Rate (%)	11.9	16.4	12.6	13.8	13.6	12.4	14.8	15.0	13.6	14.0	15.0	
Minority Interest	-8.4	-6.6	-8.2	-9.3	-9.0	-8.0	-8.0	-5.0	-32.5	-30.0	-8.2	
Profit/Loss of Asso. Cos	98	138	102	106	174	202	182	170	444	728	100	
Reported PAT	**778**	**723**	**857**	**814**	**823**	**870**	**794**	**907**	**3,173**	**3,394**	**934**	**(15)**
Adj PAT	**778**	**723**	**857**	**848**	**823**	**870**	**794**	**907**	**3,207**	**3,394**	**934**	**(15)**
YoY Change (%)	65.9	-4.1	4.4	-0.7	5.8	20.3	-7.4	6.9	10.7	5.8	9.0	
Margins (%)	8.6	7.8	8.9	8.7	8.7	8.8	7.9	8.4	8.5	8.4	8.5	

Quess Corp

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	QUESS IN
Equity Shares (m)	148
M.Cap.(INRb)/(USDb)	74.7 / 0.9
52-Week Range (INR)	539 / 337
1, 6, 12 Rel. Per (%)	-1/7/15
12M Avg Val (INR M)	193

Financials & Valuations (INR b)

Y/E Mar	2024E	2025E	2026E
Sales	192.3	222.7	262.8
EBITA Margin (%)	3.6	4.4	4.7
Adj. PAT	3.1	5.0	6.9
Adj. EPS (INR)	20.6	33.6	46.4
EPS Gr. (%)	79.4	63.5	38.0
BV/Sh. (INR)	234.1	260.3	302.3
Ratios			
RoE (%)	11.8	17.9	21.7
RoCE (%)	13.3	18.5	21.9
Payout (%)	77.8	47.6	34.5
Dividend Yield (%)	3.2	3.2	3.2
Valuations			
P/E (x)	24.5	15.0	10.8
P/BV (x)	2.1	1.9	1.7
EV/EBITDA (x)	11.0	7.7	5.8
EV/Sales (x)	0.4	0.3	0.3

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	56.7	56.7	51.9
DII	10.7	10.2	8.1
FII	16.3	16.9	21.8
Others	16.4	18.9	18.3

FII Includes depository receipts

CMP: INR503 TP: INR560 (+11%) Neutral

Good margin performance on muted revenue growth

Maintain Neutral rating as we await recovery in WFM

- QUESS delivered revenue growth of 8.4% YoY in 3QFY24, below our estimate of 12.7% YoY. The headcount addition was strong at ~10k net, but lower than ~22k net additions in 2Q. EBITDA margin at 3.7% (+40bp YoY) was above our estimate, aided by a strong margin expansion in the GTM (+180bp YoY) and PLB (+1040bp) businesses.
- Revenue growth in 3Q was modest, due to weaker end demand and account rationalization. Moreover, while its general staffing business continued to add headcount (+13k QoQ), the tough 3QFY23 base resulted in slow YoY growth in low teens. We expect growth to improve from FY25 onward as GTS and OAM growth start normalizing after bottoming out in FY24E. We estimate a revenue CAGR of 17.0% over FY24-26.
- More importantly, QUESS delivered good EBITDA margin improvement, up 40bp YoY, aided by strong margin improvement in GTM and PLB. The company delivered strong margin improvement despite persistent pressure on the WFM vertical, which is facing margin headwind across the industry. For the PLB and American operations, the management has reiterated its guidance of achieving the EBITDA breakeven by 4QFY24.
- We expect these investments to aid margins in FY25; hence, we raise our margin estimates to account for better profitability. Accordingly, we expect a PAT CAGR of 50% over FY24-26, on a low FY24 base (driven by 100bp PAT margin improvement from 1.6% in FY24).
- 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 weak macro. Our TP of INR560 implies P/E of 12x FY26E EPS.

Miss on revenues, strong execution on margins

- Revenue grew 8.4% YoY, below our expectation of 12.7% YoY growth. Workforce management grew 11.8% YoY. Operating asset management grew 0.8% YoY and GTS grew by 4.9% YoY. The product-led business was weak, down 12.7% YoY.
- EBITDA margin was up 40bp YoY at 3.7%, 10bp above our estimate of 3.6%. GTS EBITTDA margin expanded 220bp YoY, while WFM margin was down 20bp YoY.
- Adj. PAT increased by 142.7% YoY to INR838m vs. our estimate of INR863m, largely due to lower other income (net).
- Reported PAT at INR639m was down 27.4% YoY due to a one-off expense of INR199m, attributed to impairment related to goodwill and other assets.
- QUESS overall added strong 10k in headcount and added 14k workforce to its workforce management business.
- The board has approved an interim dividend of INR4 per share.

Key highlights from the management commentary

- The environment was positive in industrial, BFSI, retail, and telecom, whereas e-commerce and FMCG saw a net headcount decline that was attributed to the festival season concluded in 3Q.
- General Staffing Business added 13k headcount in 3Q, led by the manufacturing, telecom and BFSI sectors. The vertical focus strategy has continued to incentivize excellent growth; manufacturing and BFSI grew 8% each QoQ.
- The Indian IT staffing and collection business remains impacted by global headwinds. Focus continues to be on niche profiles, GPC, BFSI, and digital, and on maximizing the market penetration in strategic focus areas.
- The improvement in EBITDA margin was driven by three elements: (1) Spending reduction in marketing product development; (2) Growth in profitability in TTS vertical and improved margins due to Business mix in OEM vertical; (3) Volume growth and rigorous cost-control measures.

Valuation and View: reiterate NEUTRAL

- Though QUESS should benefit from medium-term tailwinds of formalization and labor reforms, the growth has already been factored into the valuations.
- We expect a gradual recovery in margins over FY25 and FY26, which should support earnings.
- We reiterate our Neutral rating on the stock due to full valuations, taxation concerns, and weak macro. Our TP of INR560 implies P/E of 12x FY26E EPS.

Consolidated quarterly performance (INR m)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%/bp)
Net Sales	**39,793**	**42,733**	**44,656**	**44,402**	**46,002**	**47,483**	**48,418**	**50,391**	**1,71,584**	**1,92,295**	**50,316**	**-3.8**
YoY Change (%)	33.2	32.4	21.2	17.1	15.6	11.1	8.4	13.5	25.3	12.1	12.7	-425
Total Expenditure	38,259	41,386	43,200	42,882	44,463	45,848	46,608	48,400	1,65,726	1,85,320	48,505	-3.9
EBITDA	**1,534**	**1,347**	**1,456**	**1,520**	**1,539**	**1,635**	**1,810**	**1,990**	**5,858**	**6,975**	**1,811**	**-0.1**
Margin (%)	3.9	3.2	3.3	3.4	3.3	3.4	3.7	3.9	3.4	3.6	3.6	13.9
Depreciation	610	676	695	765	686	697	718	688	2,746	2,788	682	5.2
EBIT	**924**	**671**	**761**	**756**	**853**	**939**	**1,092**	**1,303**	**3,112**	**4,186**	**1,129**	**-3.3**
Margin (%)	2.3	1.6	1.7	1.7	1.9	2.0	2.3	2.6	1.8	2.2	2.2	1
Interest	204	263	290	309	272	281	354	342	1,066	1,250	263	34.7
Other Income	72	88	67	36	41	151	52	236	263	481	149	
PBT before EO expense	**792**	**496**	**538**	**483**	**621**	**809**	**790**	**1,197**	**2,309**	**3,417**	**1,015**	**-22.2**
Recurring Tax	115	100	217	183	140	83	-45	180	615	358	152	-129.7
Rate (%)	14.6	20.1	40.3	37.9	22.6	10.3	-5.7	15.0	26.6	10.5	15.0	
MI and P/L of Asso. Cos.	64	-24	-24	-31	3	-10	-2	0	-16	-9	0	
Adjusted PAT	**613**	**421**	**345**	**331**	**478**	**735**	**838**	**1,017**	**1,710**	**3,068**	**863**	**-2.9**
Extraordinary items	0	0	-535	0	0	16	199	0	-535	215	0	
Reported PAT	**613**	**421**	**880**	**331**	**478**	**719**	**639**	**1,017**	**2,245**	**2,854**	**863**	**-25.9**
YoY Change (%)	32.7	12.0	5.0	-55.0	-22.0	71.0	-27.4	207.1	-6.9	27.1	-1.9	-2,545
Margin (%)	1.5	1.0	2.0	0.7	1.0	1.5	1.3	2.0	1.3	1.5	1.7	-40

Source: Company, MOFSL

Barbeque Nation Hospitality

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	BARBEQUE IN
Equity Shares (m)	39
M.Cap.(INRb)/(USDb)	23.9 / 0.3
52-Week Range (INR)	958 / 592
1, 6, 12 Rel. Per (%)	-4/-27/-52
12M Avg Val (INR M)	88

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	12.5	14.3	16.4
Sales Gr. (%)	1.6	14.0	15.0
EBITDA	2.1	2.6	3.0
Margins (%)	16.8	18.0	18.3
Adj. PAT	-0.1	0.1	0.2
Adj. EPS (INR)	-3.3	3.3	5.1
EPS Gr. (%)	P/L	L/P	56.8
BV/Sh.(INR)	99.6	102.8	107.9
Ratios			
RoE (%)	-3.4	3.2	4.7
RoCE (%)	4.7	7.1	7.8
Valuation			
P/E (x)	N/M	187.1	119.3
P/BV (x)	6.1	5.9	5.7
EV/EBITDA (x)	13.9	11.4	7.1
Pre-IND AS EV/ EBITDA (x)	27.1	16.7	13.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	33.7	33.8	33.8
DII	25.2	25.1	26.1
FII	17.8	18.1	17.7
Others	23.3	23.7	22.5

FII Includes depository receipts

CMP: INR610 TP: INR675 (+10%) Neutral

Weak SSSG; better margin delivery

- Barbeque Nation (BBQN) delivered flat revenue growth in 3QFY24, led by 5% YoY decline in same-store-sales. Weak demand continues to adversely impact the growth metrics; similar trend witnessed across brands/formats. Dine-in revenue was flat, while delivery was up 5% YoY.
- GM was healthy at 68% (+120/200bp YoY/QoQ) and support the overall operating performance. Despite the challenging growth trajectory, operating margin improved by over 100bp YoY. However, PBT margin at ~2% is still much lower than QSR players.
- The management is looking to add 25-30 stores in FY25, despite a sluggish demand environment.
- BBQN's current valuations at 16.7x FY25E and 13.1x FY26E pre-Ind AS EV/EBITDA are comfortably positioned. However, we are watchful of BBQN's operating margin profile in FY25 amidst the existing challenging environment. We reiterate our Neutral rating on the stock, with a TP of INR675, based on 15x FY26E Pre Ind-AS EV/EBITDA.

Sluggish industry demand

- **Weak SSSG**: BBQN sales was flat YoY at INR3.3b in 3QFY24 with a 2% YoY store growth. Delivery channel (14% of sales) grew 5% YoY to INR473m, led by Dum Safar. The dine-in channel (86% of sales) exhibited a stable YoY performance.
- **Digital KPIs**: Cumulative App downloads stood at 6.5m vs. 6.3m in 2QFY24 and 5.4m in 3QFY23. Own digital asset contribution stood at 26.7% vs. 29.6% in 2QFY24 and 27.6% in 3QFY23.
- **Store addition:** The Company added 8 stores and closed 4 stores, leading to the total count of 216 stores. Out of 216 stores, BBQN has 186 stores (closed 2 stores), 8 international BBQN stores, 16 Toscano and 6 Salt outlets. Stores in metro and tier-1 cities accounted for 168 stores and tier 2/3 accounted for 48 stores.
- **Better-than-expected margins**: GM expanding 120bp YoY to 68%, improved QoQ by 200bp. EBITDA grew 7% YoY to INR663m. EBITDA margin expanded 110bp YoY to 20.2%. (est. 16.5%). Pre-Ind AS EBITDA increased 8% YoY to INR379m in 3QFY24; margin up 70bp YoY to 11.4%.
- **PBT margin at 2%**: PBT was down 16% YoY to INR75m. PBT margin was at 2.3% vs. 2% in 3QFY23. BBQN reported a profit of INR48m.
- **Weak 9MFY24 performance**: Sales remained flat at INR 9,565 and EBITDA declined 17.4% to INR1,574m. Adj. loss came in at INR111m.

Highlights from the management commentary

- Revenue growth has been negatively impacted by a 4.9% decline in same-store-sales, slower store expansion, and network rationalization.
- The EBITDA margin expansion of 110bp is due to the benefits derived from GP margin expansion, rationalization programs, cost initiatives, and the benefits of operating leverage.

- Currently, 5 restaurants are under construction and 10 more are in an advanced stage of the pipeline. The management expects to open 25-30 new stores in FY25.
- In FY25, capex would be ~INR800-900m, including the maintenance operation. The capex requirement will be financed by the company internally. Cash generation amounted to INR380m in 3QFY24 and INR800m in 9MFY24 vs INR1,050m in 9MFY23.

Valuation and view

- We broadly maintain our estimates for FY25E and FY26E.
- BBQN's PBT margin profile is weaker than QSR players. Thereby, despite a comfortable position on valuation, we are watchful of operating margin delivery in FY25.
- **BBQN's current valuation stands at 16.7x FY25E and 13.1x FY26E pre-Ind AS EV/EBITDA. We reiterate our Neutral rating on the stock with a TP of INR675, based on 15x FY26E Pre Ind-AS EV/EBITDA.**

Quarterly Performance (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
SSSG (%)	**182.0**	**23.4**	**-1.2**	**-2.6**	**-7.7**	**-10.7**	**-4.9**	**-0.6**	**27.5**	**-6.1**	**-7.0**	
No. of stores	**195**	**205**	**212**	**216**	**212**	**212**	**216**	**227**	**216**	**221**	**217**	
Net Sales	**3,149**	**3,105**	**3,282**	**2,802**	**3,239**	**3,017**	**3,309**	**2,970**	**12,338**	**12,535**	**3,332**	-0.7
YoY change (%)	208.8	40.6	14.5	11.6	2.9	-2.8	0.8	6.0	43.4	1.6	1.5	
Gross Profit	**2,103**	**2,051**	**2,189**	**1,843**	**2,073**	**1,990**	**2,245**	**1,990**	**8,186**	**8,298**	**2,199**	2.1
Margin (%)	66.8	66.1	66.7	65.8	64.0	65.9	67.9	67.0	66.3	66.2	66.0	
EBITDA	**705**	**583**	**620**	**399**	**468**	**444**	**663**	**531**	**2,306**	**2,106**	**550**	20.6
EBITDA growth %	N/M	41.1	-5.7	-10.5	-33.6	-23.9	7.0	33.3	72.4	-8.7	-11.3	
Margin (%)	22.4	18.8	18.9	14.2	14.4	14.7	20.0	17.9	18.7	16.8	16.5	
Depreciation	352	350	382	366	375	443	414	403	1,450	1,635	443	
Interest	175	180	183	180	187	195	190	185	717	757	195	
Other Income	30	16	12	22	40	43	16	31	80	130	40	
PBT	**208**	**69**	**67**	**-125**	**-55**	**-151**	**75**	**-25**	**219**	**-156**	**-48**	255.7
Tax	48	26	17	-26	-14	-32	27	-6	66	-26	-12	
Rate (%)	23.1	38.3	25.7	20.7	26.1	21.3	35.5	25.0	30.1	16.7	25.0	
Adjusted PAT	**160**	**43**	**50**	**-99**	**-41**	**-119**	**48**	**-19**	**153**	**-130**	**-36**	233.8
YoY change (%)	N/M	39.2	-66.1	-2,138.8	-125.3	-379.2	-2.4	-81.1	N/M	-184.9	-173.0	

Bharti Airtel

BSE SENSEX	S&P CNX
71,731	21,772

Conference Call Details

Date: 06th Feb 2024

Time: 14:30 hours IST

Financial Valuations (INR b)

INR b	FY23	FY24E	FY25E
Net Sales	1,391	1,513	1,646
EBITDA	713	794	763
Adj. PAT	76	109	111
EBITDA Margin (%)	51.2	52.5	46.4
Adj. EPS (INR)	13.6	19.5	19.9
EPS Gr. (%)	115	43	2
BV/Sh. (INR)	139	189	209
Ratios			
Net D:E	2.7	1.6	1.3
RoE (%)	10.5	11.9	10.0
RoCE (%)	10.0	9.3	9.1
Div. Payout (%)	0.0	0.0	0.0
Valuations			
EV/EBITDA (x)	11.8	10.2	10.3
P/E (x)	81.9	57.3	56.1
P/BV (x)	8.0	5.9	5.3
Div. Yield (%)	0.0	0.0	0.0

CMP:INR1,114 **Buy**

Moderate growth

India Mobile and Africa EBITDA (CC) growth at 4%/5% QoQ

Consol. Result

- **Consol. revenue/EBITDA grew by 2.3%/1.5% QoQ to INR379b/INR198b, led by India Mobile segment.**
- For India Mobile/Africa, CC revenue grew 3.3%/6% QoQ and EBITDA grew 3.7%/5% QoQ.
- Consol. PAT after minority was down 16% QoQ at INR24.4b. Adjusted for exceptional items, consol. PAT after minority stood at INR24.9b vs. INR29.6b QoQ (est. INR29.9b).
  - The PAT miss was due to African currency devaluation and higher interest costs (up INR12b QoQ).

India Mobile EBITDA up 4% QoQ (in line), led by growth in both subs and ARPU

- **Revenue grew 3.3% QoQ to INR216b (in line), aided by 2.5% ARPU growth to INR208 and 3% subscriber growth to 346m.**
  - Growth in 4G subs adds was steady at 7.4m vs 7.7m adds QoQ, reaching 253m subscribers (+3.1% QoQ), i.e. 71% of total subscribers.
  - Bharti added 4.0m total subscribers in 3QFY24 vs. RJio's 11.2m subs adds and VIL's 4.6m subs loss. RJio posted revenue growth of 2.5% QoQ.
- **ARPU increased by 2.5% QoQ to INR208, which could be attributed to 4G and postpaid-led mix improvement and pack upgrades.**
- **EBITDA was up 3.7% QoQ at INR119b (in line).** Margin improved 20bp to 55.1%. Incremental margin stood at 61%.
- Data traffic grew by 4% QoQ to 16.8t GB (22.5 GB per user). Bharti's data usage per subscriber is ~15% below RJio's and data subscribers are far below.
- The churn rate was flat QoQ at 2.9% vs. 4.3% for VIL and 1.7% for RJio (lowest).
- MOU stood flat QoQ at 1,127 mins vs. 981 mins for RJio and 614 mins for VIL.

Africa sees solid growth across the region, especially in Nigeria

- Africa revenue/EBITDA were flat QoQ at INR103b/INR51b (reported currency) due to the Naira devaluation.
- **However, in CC, revenue/ EBITDA grew 6%/5% QoQ to USD1.3b/ USD680m**
- Subs base grew 2.4% QoQ and ARPU grew 3.3% QoQ.

Home business continues to add subscribers

- Bharti's Home business continued to see strong growth: 4%/5% QoQ growth in revenue/EBITDA. Subscriber growth was healthy at 5% QoQ (this strong growth continued for last six quarters), but ARPU continued to soften by 2% QoQ to INR5968 from INR800 in FY20, with increased offtake in low-price plans.
  - Reach has increased to 1,267 cities (+28 cities in the quarter) vs. 100+ cities in FY20.

- Enterprise revenue grew 1.7% QoQ to INR52b, while EBITDA was flat QoQ at INR21b. TCOM saw flat adjusted revenue/EBITDA growth.
- Digital TV revenue/EBITDA grew 4.3%/1.7% QoQ to INR7.8b/INR4.3b.

OCF drives FCF and debt reduction; capex peeking out

- Post-interest FCF declined QoQ to ~INR45b from INR54b in 2QFY24 (led by higher interest costs).
  - Capex remained flat QoQ to INR92.7b (vs. INR92.1b in 2Q) as India Mobile capex (62% of total capex) remained flat QoQ at INR57.5b (vs. INR56.8b in 2QFY24).
- Net debt (excluding lease liability) declined by INR51b to INR1,423b.
  - Lease Liability remained flat QoQ at INR597b. Subsequently, overall net debt decreased by INR50b to INR2,021b, with TTM net debt to EBITDA at 2.6x.
  - Bharti has yet to receive INR160b (right issue call money), which could reduce net debt by about 11%.

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

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3QE	Var (%)
Revenue	**328**	**345**	**358**	**360**	**374**	**370**	**379**	**389**	**1,391**	**1,513**	**380**	-0.3
YoY Change (%)	22.2	21.9	19.9	14.3	14.1	7.3	5.9	8.0	19.4	8.7	6.2	
Total Expenditure	163	169	174	173	178	175	181	184	679	719	179	1.0
EBITDA	**165**	**176**	**185**	**187**	**196**	**195**	**198**	**205**	**713**	**794**	**201**	-1.5
YoY Change (%)	27.3	27.4	25.5	16.6	18.6	10.9	7.4	9.5	23.9	11.4	9.0	-18
Depreciation	88	89	93	94	97	97	101	109	364	404	102	-1.0
Net Finance cost	45	49	47	52	56	52	66	55	193	229	50	31.8
Other Income	4	6	-1	9	9	9	11	13	17	43	11	4.7
PBT before EO expense	**36**	**43**	**44**	**50**	**53**	**55**	**42**	**54**	**172**	**204**	**60**	-29.3
Extra-Ord expense	0	0	7	0	34	16	1	0	7	51	0	
PBT	**36**	**43**	**37**	**50**	**19**	**39**	**41**	**54**	**166**	**153**	**60**	-31.4
Tax	11	13	11	8	3	18	12	16	43	50	20	-38.7
Rate (%)	31.3	30.2	29.2	15.7	18.0	46.9	30.0	29.1	25.8	32.6	33.5	
Minority Interest & P/L of Asso. Cos.	9	8	10	12	-1	8	4	18	39	29	10	
Reported PAT	**16**	**21**	**16**	**30**	**16**	**13**	**24**	**20**	**83**	**74**	**30**	-18.3
Adj PAT	**15**	**21**	**20**	**26**	**29**	**30**	**25**	**20**	**82**	**104**	**30**	-16.6
YoY Change (%)	469.4	245.7	147.0	39.4	91.3	44.2	25.0	-21.7	131.2	27.3	49.9	

E: MOSL Estimates

Ashok Leyland

BSE SENSEX	S&P CNX
71,731	21,772

Conference Call Details

Date: 05th Feb 2024
Time: 10am IST
Dial-in details: [Link]
+91 22 6280 1144 / 7115 8045

Financials and Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	361.4	402.7	441.2
EBITDA	29.3	45.4	50.5
EBITDA (%)	8.1	11.3	11.5
Adj. PAT	13.2	25.9	32.1
Adj. EPS (INR)	4.5	8.8	10.9
EPS Gr. (%)	7,586.2	95.6	23.8
BV/Sh. (INR)	28.7	35.5	44.4
Ratios			
Net D:E (x)	0.0	-0.1	-0.2
RoE (%)	16.8	27.5	27.4
ROCE (%)	13.1	21.7	23.3
Payout (%)	57.6	22.7	18.3
Valuations			
P/E (x)	41.2	21.1	17.0
P/BV (x)	6.5	5.2	4.2
EV/EBITDA (x)	18.6	11.9	10.3
Div. Yield (%)	1.4	1.1	1.1
FCF Yield (%)	3.0	3.3	6.2

CMP: INR179 — Buy

Strong beat at EBITDA/PAT, driven by RM savings

- Net realizations grew 3% YoY (1.5% QoQ) to INR1.96m (vs. est. INR1.94m), due to higher M&HCV sales on a QoQ basis. Volumes remained flat YoY (-5% QoQ).
- Net revenues grew 3% YoY to ~INR92.7b (vs. est. INR91.8b).
- Gross margins expanded 400bp YoY (+130bp QoQ) to 27.8 % (vs. est. 26.3%). This was partially offset by higher-than-expected other costs (+80bps YoY, as a percentage of sales).
- EBITDA margins expanded 320bp YoY (+80bp QoQ) to 12% (vs. est. 10.5%).
- EBITDA grew 40% YoY to INR11.1b (vs. est. INR9.6b).
- Adj. PAT grew 63% YoY to INR5.8b (vs. est.INR4.9b).
- 9MFY24 revenues/EBITDA/adj.PAT grew 10.5%/82%/1.8x YoY.
- Debt stood at INR17.5b at the end of 3QFY24 (vs. net debt of INR11.4b at the end of 2QFY24) with debt to equity at 0.2x (vs. 0.3x at the end of 3QFY23).
- In 3Q, the company invested INR6.6b in Optare PLC/ Switch as prospects of eLCVs and eBuses continue to strengthen.
- Mr. Shenu Agarwal, MD & CEO, Ashok Leyland, said, “"*We have been able to achieve significant improvement in our Net Profits. The current quarter saw the confluence of good volumes, better price realization, and higher cost savings, thus helping us achieve better profitability. Other businesses such as After-market, Power Solutions, and Defence also continue to strongly contribute to our top line and margins. On back of new differentiated products, deeper focus on cost optimization, and with continued discipline on pricing, we shall relentlessly pursue improvement in profitability. We remain confident and optimistic about the growth of the CV industry in the medium and long term as macroeconomic factors continue to be favorable.*”
- **Valuation and view:** The stock trades at 10.3x EV/EBITDA and 4.2x P/BV on a FY25E basis.

Quarterly Performance (S/A) **(INR Million)**

	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Total Volumes (nos)	39,651	45,295	47,562	59,697	41,329	49,846	47,241	64,411	1,92,205	2,02,827	47,241
Growth %	120.4	64.5	39.6	22.5	4.2	10.0	-0.7	7.9	49.8	5.5	-0.7
Realizations (INR '000)	1,822	1,825	1,899	1,947	1,981	1,934	1,963	2,044	1,880	1,985	1,943
Change (%)	11.0	12.8	16.9	8.5	8.8	6.0	3.4	5.0	11.3	5.6	2.4
Net operating revenues	**72,229**	**82,660**	**90,297**	**1,16,257**	**81,893**	**96,380**	**92,730**	**1,31,652**	**3,61,441**	**4,02,655**	**91,800**
Change (%)	144.8	85.4	63.1	33.0	13.4	16.6	2.7	13.2	66.7	11.4	**1.7**
RM/sales %	79.3	78.0	76.3	75.6	73.7	73.5	72.2	75.0	77.1	73.8	73.7
Staff/sales %	6.2	6.4	6.1	5.1	6.6	5.9	6.1	4.9	5.8	5.8	6.3
Other exp/sales %	10.1	9.1	8.8	8.3	9.7	9.3	9.6	8.5	9.0	9.2	9.5
EBITDA	**3,203**	**5,373**	**7,973**	**12,757**	**8,208**	**10,798**	**11,139**	**15,253**	**29,307**	**45,398**	**9,598**
EBITDA Margins(%)	4.4	6.5	8.8	11.0	10.0	11.2	12.0	11.6	8.1	11.3	10.5
Interest	689	771	804	628	699	587	616	622	2,891	2,525	620
Other Income	256	200	316	389	512	475	300	533	1,161	1,820	400
Depreciation	1,824	1,768	1,890	1,838	1,794	1,803	1,785	1,943	7,320	7,325	1,850
PBT before EO Item	**946**	**3,035**	**5,596**	**10,681**	**6,227**	**8,883**	**9,039**	**13,220**	**20,258**	**37,369**	**7,528**
EO Exp/(Inc)	-130	-82	-69	-564	6	229	6	0	-846	241	0
PBT after EO	**1,077**	**3,117**	**5,665**	**11,245**	**6,221**	**8,654**	**9,033**	**13,220**	**21,104**	**37,128**	**7,528**
Effective Tax Rate (%)	36.8	36.1	36.2	33.2	7.3	35.2	35.8	35.1	34.6	30.7	35.0
Adj PAT	**595**	**1,939**	**3,568**	**7,145**	**5,768**	**5,769**	**5,804**	**8,574**	**13,248**	**25,906**	**4,893**
Change (%)	-121.2	-333.0	-1,054.2	70.8	868.8	197.5	62.7	20.0	7,587.8	95.5	37.1

E: MOFSL Estimates

Triveni Turbine

BSE SENSEX	S&P CNX
71,731	21,772

Conference Call Details

Date: 6th February 2024
Time: 12:30pm IST
Dial-in details:
Diamond pass

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Sales	16.4	21.6	28.0
Sales Gr. (%)	31.3	31.9	29.6
EBITDA	3.2	4.3	5.6
EBITDA Margin (%)	19.3	19.9	20.1
Adj. PAT	2.5	3.4	4.4
Adj. EPS (INR)	7.9	10.6	14.0
EPS Gr. (%)	30.6	34.3	31.7
BV/Sh.(INR)	29.6	37.3	47.3
Ratios			
RoE (%)	29.6	31.8	33.1
RoCE (%)	29.7	31.9	33.2
Payout (%)	28.0	28.0	28.0
Valuations			
P/E (x)	44.9	33.4	25.4
P/BV (x)	12.0	9.5	7.5
EV/EBITDA (x)	34.8	25.5	19.3
Div. Yield (%)	0.6	0.8	1.1

CMP: INR355 — Buy

Topline and profit growth panning out well

- Triveni Turbine's results were largely in line with our expectations, with robust revenue/EBITDA/PAT growth of 33%/33%/30% YoY in 3QFY24.
- Revenue at INR4.3b (+33% YoY) was led by robust execution of the opening order book of INR14.8b. Product/aftermarket revenue growth stood at 44%/15% YoY.
- EBITDA grew 33% YoY to INR8.4b despite a 54% YoY growth in other expenses. Margin, at 19.4%, was flattish YoY/QoQ. There was a healthy ~220bp/170bp YoY/QoQ gross margin expansion to 50.8%.
- PAT at INR6.8b saw a healthy growth of 30% YoY despite a higher effective tax rate (27.9% vs. 24.9% in 3QFY23), largely aided by robust operating performance and higher other income (+44% YoY).
- Order inflows stood at a record INR5.3b, rising 26% YoY. Domestic orders witnessed a 7% YoY decline, while export orders saw a 67% YoY jump. Order book stood at a record INR15.7b (+28% YoY) with a 52%/48% domestic/export mix during the quarter.
- In a material development, the Board has approved the incorporation of a wholly-owned subsidiary **Triveni Turbine Americas Inc.,** with a view to foray into the US market for both product sales and aftermarket services. The initial proposed subscription consideration is ~USD2m. This is the second international foray after South Africa, which took place in FY23 and we believe it is a positive development from a strategic standpoint.
- The Board has declared an interim dividend of INR1.3 per share along with a special dividend of INR1 per share for FY24.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var (%)
Gross Sales	**2,590**	**2,930**	**3,258**	**3,698**	**3,764**	**3,878**	**4,317**	**4,420**	**12,476**	**16,379**	**4,259**	**1**
YoY Change (%)	40.7	41.9	44.7	56.3	45.3	32.4	32.5	19.5	237.4	31.3	30.7	
Total Expenditure	2,104	2,373	2,627	3,034	3,055	3,134	3,480	3,549	10,138	13,218	3,432	
EBITDA	**487**	**557**	**631**	**663**	**709**	**744**	**837**	**871**	**2,338**	**3,161**	**827**	**1**
Margins (%)	18.8	19.0	19.4	17.9	18.8	19.2	19.4	19.7	18.7	19.3	19.4	
Depreciation	51	49	49	50	49	51	55	77	199	232	55	-1
Interest	2	2	1	5	7	6	6	-3	10	16	2	283
Other Income	75	108	119	125	133	144	171	-5	426	447	112	53
PBT before EO expense	**508**	**614**	**700**	**733**	**786**	**830**	**947**	**792**	**2,555**	**3,359**	**882**	**7**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**508**	**614**	**700**	**733**	**786**	**830**	**947**	**792**	**2,555**	**3,359**	**882**	**7**
Tax	124	151	174	177	177	190	264	271	626	902	222	
Rate (%)	24.5	24.5	24.9	24.2	22.5	22.9	27.9	34.2	24.5	26.8	25.2	
Minority Interest & Profit/Loss of Asso. Cos.									3			
Reported PAT	**383**	**463**	**526**	**556**	**610**	**640**	**683**	**521**	**1,925**	**2,458**	**660**	**4**
Adj PAT	**383**	**463**	**526**	**556**	**610**	**640**	**683**	**521**	**1,925**	**2,458**	**660**	**4**
YoY Change (%)	18.0	66.0	24.8	68.4	59.0	38.2	29.8	-6.3	167.4	27.4	25.4	
Margins (%)	14.8	15.8	16.1	15.0	16.2	16.5	15.8	11.8	15.4	15.0	15.5	

VRL Logistics

BSE SENSEX	S&P CNX
71,731	21,772

Conference Call Details

Date: 6th February 2024
Time: 10:30 AM IST
Dial-in details:
Link

Financials & Valuations (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	29.7	35.0	41.0
EBITDA	4.2	5.3	6.4
Adj. PAT	1.3	2.2	2.9
EBITDA Margin (%)	14.2	15.1	15.6
Adj. EPS (INR)	14.6	24.5	32.8
EPS Gr. (%)	-22.2	67.3	34.1
BV/Sh. (INR)	119.2	133.8	154.8
Ratios			
Net D:E	0.2	0.1	0.1
RoE (%)	12.7	19.4	22.8
RoCE (%)	14.0	18.2	21.5
Payout (%)	40.6	40.4	36.2
Valuations			
P/E (x)	48.2	28.8	21.5
P/BV (x)	5.9	5.3	4.6
EV/EBITDA(x)	15.2	11.9	10.0
Div. Yield (%)	0.8	1.4	1.7
FCF Yield (%)	0.5	3.2	4.0

CMP: INR700 — Buy

Miss on margins

3QFY24 earnings snapshot

- Revenues grew 8% YoY to ~INR7.4b (up 4% QoQ). This was marginally below our estimate of INR7.7b.
- Volumes were up 8% YoY from ~1 MT in 3QFY23 to 1.09 MT in 3QFY24 (up 4.2% QoQ). The sluggish demand in Southern States, attributed to an unfavorable spread of the monsoon, has affected volume growth.
- Realization per ton stood at INR 6,669 (flat YoY and QoQ).
- EBITDA margins stood at 12.8%, against our estimate of 14.0%. The margins were adversely impacted by higher employee costs. Further, higher other expenses have not been transferred to customers, leading to a decline in EBITDA margins.
- EBITDA stood at INR944m (13% below our estimate of INR 1.08b).
- APAT declined 64% YoY to INR 137m (vs. our estimate of INR 335m). Weak operating performance, higher depreciation, interest expense, and lower other income dragged APAT.
- During 9MFY24, revenues grew 9% YoY to INR21.2b. EBITDA margins stood at 13.6%. APAT declined 36% YoY to INR671m.
-
- **Other Highlights**
- VRLL opened net 23 branches in 3QFY23, taking the total branch network to 1,188 as of Dec'23. The company's volume handling capacity has increased to 87,477 tons (up 10% YoY and QoQ).
- The company incurred a capex of INR 250m during the quarter.

Quarterly performance — INR m

Y/E March (INR m)	FY23				FY24E			FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q			3QE	vs Est
Net Sales	**6,143**	**6,545**	**6,815**	**6,982**	**6,742**	**7,093**	**7,367**	**26,485**	**29,663**	**7,733**	**(5)**
YoY Change (%)	48.5	2.8	13.3	17.6	9.7	8.4	8.1	17.9	12.0	13.5	
EBITDA	**913**	**930**	**1,033**	**1,141**	**1,019**	**918**	**944**	**4,017**	**4,217**	**1,083**	**(13)**
Margins (%)	14.9	14.2	15.2	16.3	15.1	12.9	12.8	15.2	14.2	14.0	
YoY Change (%)	153.0	-17.9	-12.1	-0.7	11.7	-1.3	-8.6	5.2	5.0	4.8	
Depreciation	334	384	421	453	489	522	568	1,591	2,055	525	
Interest	120	139	151	133	163	185	213	543	706	180	
Other Income	30	22	45	47	89	60	24	143	287	70	
PBT before EO expense	**488**	**429**	**506**	**602**	**456**	**271**	**187**	**2,025**	**1,743**	**448**	
Extra-Ord expense	-134	0	-114	-1,322	0	-5	0	-1,571	-5	0	
PBT	**622**	**429**	**620**	**1,924**	**456**	**276**	**187**	**3,596**	**1,747**	**448**	
Tax	123	122	128	-7	117	77	50	364	449	113	
Rate (%)	19.8	28.4	20.7	-0.4	25.6	27.8	26.9	10.1	25.7	25.2	
Reported PAT	**499**	**307**	**492**	**1,932**	**339**	**199**	**137**	**3,232**	**1,298**	**335**	
Adj PAT	**365**	**307**	**378**	**610**	**339**	**194**	**137**	**1,661**	**1,293**	**335**	**(59)**
YoY Change (%)	NA	-37.9	-33.1	16.6	-6.9	-36.7	-63.7	9.2	-22.2	-11.3	
Margins (%)	5.9	4.7	5.5	8.7	5.0	2.7	1.9	6.3	4.4	4.3	

Fusion Microfinance

Conference Call Details

Date: 06th Feb 2024
Time: 8:30 A:M IST
Dial-in details:
+91 22 6280 1144,
+ 91 22 7115 8045
[Link for the call]

Financials & Valuation (INR b)

Y/E March	FY24E	FY25E	FY26E
Total Income	15.6	18.8	23.0
PPP	9.9	11.8	14.6
PAT	5.4	7.2	8.9
EPS (INR)	54.0	72.1	88.7
EPS Gr. (%)	40	33	23
BV (INR)	285	358	446
Valuations			
NIM (%)	13.8	13.9	14.0
C/I ratio (%)	36.4	37.0	36.3
RoAA (%)	5.2	5.6	5.7
RoE (%)	20.9	22.4	22.1
Valuations			
P/E (x)	10.9	8.2	6.7
P/BV (x)	2.1	1.7	1.3

CMP: INR591 **Buy**

NIM expands ~40bp QoQ; PAT miss due to elevated credit costs

Business momentum strong; asset quality deterioration from Punjab portfolio

- Fusion's 3QFY24 PAT (7% miss) grew 23% YoY but remained flat QoQ at ~INR1.26b because of elevated credit costs, while 9MFY24 PAT grew ~37% YoY to INR3.7b. NII in 3QFY24 rose 34% YoY to ~INR3.4b (in line) while PPoP grew ~42% YoY to ~INR2.6b (in line).
- Cost-to-income ratio stood at ~37% (PQ: ~36% and PY: ~38%). Net credit costs stood at ~INR940m (35% higher than our estimate), while annualized credit costs rose ~85bp QoQ to 4.0% during the quarter.
- Disbursements grew 24% YoY to INR27.1b; AUM rose 24% YoY to ~INR107b.

Increase in yields and moderation in CoB fuel ~40bp NIM expansion

- Yields rose ~20bp QoQ to 21.9% while CoF declined ~20bp QoQ to ~10.4%, leading to ~40bp increase in spreads to ~11.5%. Reported NIM rose ~40bp QoQ to 11.55%.
- Share of foreign borrowings in the borrowing mix dropped ~1pp to ~14.7% in 3QFY24 (PQ: 15.8%).

Asset quality deterioration from the Punjab portfolio

- GS3 and NS3 rose ~35bp and ~10bp QoQ to 3.05% and 0.77%, respectively. The deterioration in asset quality was predominantly because of the re-classification of a portion of the overdue Punjab portfolio into Stage 3.
- Write-offs for the quarter stood at ~INR810m. Fusion released ~INR200m from the management overlay for write-offs, comprising mainly Punjab.
- Collection Efficiency (CE; including arrears) improved marginally to ~97.9% (PQ: 97.6%). Ex-Punjab, CE stood at 98.4%.

Customer acquisition-led growth continues through branch additions

- Borrower base rose to ~3.8m as of Dec'23 (up from 3.7m as of Sep'23).
- Fusion added 78 branches in the quarter and it now has a presence across 22 states (including three UT) with a total branch count of 1,242.
- CRAR stood at ~27.9%. It maintained healthy liquidity of ~INR13.6b of cash and cash equivalents, amounting to ~12.3% of the total assets.

Developments in Punjab

- Punjab AUM stood at INR3.82b (~3.6% of the total AUM) as of Dec'23 and CE for the month stood at 84.4%. This could have potentially deteriorated further in Jan'24. PAR 60+ in Punjab stood at ~13%
- Disbursements slowed down in 2QFY24, and no new business was sourced in Punjab since Dec'23.

Valuation and view

- FUSION has a vintage of over a decade in MFI lending and has navigated multiple credit and economic cycles with resilience. It has a stable and experienced management team, and the company's digital orientation through its 'touch and tech' strategy has positioned it well to deliver strong operating performance.

- Deterioration in GS3 during the quarter was because of stress in the Punjab portfolio, part of which Fusion proactively classified as Stage 3 assets. We expect Fusion to frontload provisions for stress in Punjab/Haryana in 2HFY24, and begin FY25 on a cleaner slate. We may revise our estimates and TP after the earnings call on 6th Feb'24.

Fusion: Quarterly Performance (INR M)

Y/E March	FY23				FY24				FY23	FY24E	3QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	3,294	3,998	4,202	4,507	4,790	4,968	5,400	5,395	16,001	20,553	5,206	4
Interest Expenses	1,432	1,573	1,680	1,742	1,835	1,910	2,015	2,089	6,428	7,849	1,983	2
Net Interest Income	**1,862**	**2,424**	**2,522**	**2,765**	**2,955**	**3,058**	**3,386**	**3,306**	**9,573**	**12,705**	**3,224**	**5**
YoY Growth (%)	47.1	115.4	59.0	62.0	58.7	26.1	34.2	19.6	68.4	32.7	28	
Other Income	311	526	463	700	738	745	732	640	1,999	2,855	720	2
Total Income	**2,173**	**2,950**	**2,985**	**3,465**	**3,693**	**3,803**	**4,118**	**3,946**	**11,572**	**15,559**	**3,943**	**4**
YoY Growth (%)	53.5	97.4	67.3	46.8	70.0	28.9	38.0	13.9	64.1	34.5	32	
Operating Expenses	971	1,077	1,147	1,253	1,339	1,385	1,515	1,429	4,448	5,668	1,440	5
Operating Profit	**1,202**	**1,873**	**1,838**	**2,211**	**2,354**	**2,418**	**2,603**	**2,517**	**7,124**	**9,891**	**2,503**	**4**
YoY Growth (%)	61.1	156.3	91.8	47.8	95.8	29.1	41.6	13.8	81.2	38.9	36	
Provisions & Loan Losses	201	612	499	692	759	762	938	250	2,004	2,709	693	35
Profit before Tax	**1,001**	**1,261**	**1,339**	**1,519**	**1,595**	**1,656**	**1,665**	**2,266**	**5,120**	**7,182**	**1,810**	**-8**
Tax Provisions	249	310	314	374	390	399	401	570	1,248	1,760	443	-10
Net Profit	**752**	**951**	**1,025**	**1,145**	**1,205**	**1,257**	**1,265**	**1,696**	**3,871**	**5,422**	**1,367**	**-7**
YoY Growth (%)	1,605	2,860	10,835	768	60	32	23	48	1,680	40	33	-30
Key Parameters (%)												
Yield on loans	19.5	20.3	20.7	21.0	21.5	21.7	21.9					
Cost of funds	10.1	10.1	10.4	10.4	10.6	10.6	10.4					
Spread	9.4	10.2	10.3	10.6	10.9	11.1	11.5					
NIM	9.4	10.2	10.3	10.6	10.9	11.1	11.5					
Credit cost	0.2	0.8	0.6	0.8	0.8	0.8	1.0					
Cost to Income Ratio (%)	44.7	36.5	38.4	36.2	36.3	36.4	36.8					
Tax Rate (%)	24.9	24.6	23.5	24.6	24.5	24.1	24.1					
Performance ratios (%)												
Avg o/s per borrower (INR '000)	25	25	25	26	26	26	27					
AUM/ RO (INR m)	12.0	12.5	12.9	14.0	14.0	14.0	13.0					
AUM/ Branch (INR m)	78	79	84	88	91	88	9					
Borrower/ Branch (INR m)	3,116	3,223	3,381	3,452	3,513	3,381	3,260					
Balance Sheet Parameters												
AUM (INR B)	**73.9**	**80.5**	**86.5**	**93.0**	**97.1**	**100.3**	**106.9**					
Change YoY (%)	59.6	54.5	44.5	37.0	31.4	24.6	23.6					
Disbursements (INR B)	**19.8**	**20.5**	**21.9**	**23.7**	**22.8**	**23.4**	**27.1**					
Change YoY (%)		27.4	22.2	17.7	15.2	14.2	24.0					
Borrowings (INR B)	**60.1**	**65.5**	**65.4**	**67.8**	**71.9**	**75.3**	**80.2**					
Change YoY (%)				17.4	19.6	15.0	22.7					
Borrowings/Loans (%)	90.4	93.0	86.5	84.3	85.5	86.6	85.8					
Debt/Equity (x)	4.2	4.3	3.0	2.9	2.9	2.9	3.0					
Asset Quality (%)												
GS 3 (INR M)	**2,529**	**2,803**	**2,894**	**2,889**	**2,790**	**2,411**	**2,939**					
G3 %	3.7	3.8	3.7	3.5	3.2	2.7	3.0					
NS 3 (INR M)	928	799	751	708	664	569	730					
NS3 %	1.4	1.1	1.0	0.9	0.8	0.7	0.8					
PCR (%)	**63.3**	**71.5**	**74.0**	**75.5**	**76.2**	**76.4**	**75.2**					
ECL (%)	3.5	3.9	3.7	3.7	3.8	3.3	3.2					
Return Ratios - YTD (%)												
ROA (Rep)	4.0	4.8	4.7	5.0	5.0	4.9	4.7					
ROE (Rep)	21.8	26.0	22.0	20.2	20.2	20.0	19.1					

Automobiles

Visible recovery in e2W volumes after a dent in 2QFY24

Ola Electric and TVSL continue to lead the EV market

- **The e-2Ws penetration reached 4.5% in the overall 2W segment in FY23 aided by new model launches by several OEMs, increasing public awareness, and subsidies offered by both the Central and State governments.**
- **However, post-reduction of both the state subsidies (except a few states) and central government (FAME-2) subsidies, the overall volumes of e2Ws declined drastically in 2QFY24.**
- **While the reduction in subsidies dented the overall demand sentiments, 3QFY24 again witnessed a sharp uptick in e2W volumes. This was attributable to the recovery in overall 2W demand during the festivals, increasing awareness among the customers regarding TCO benefits and new launches at different price points by the OEMs.**
- **We analyzed the impact on e-2Ws penetration in 9MFY24, which reached 4.9% (vs. 4.5% in FY23) despite reduced subsidies. OEMs have started transitioning to this new regime without the subsidy support.**
- **New-age OEMs, such as Ola Electric and Ather, have already launched a toned-down version of their existing scooter models, which compromised on the battery capacity and range but did not compromise on the speed.**
- **Our on-ground checks also suggest traditional OEMs gaining market share, as some of the new-age OEMs lost cost competitiveness due to the withdrawal of subsidies and the lack of localization.**
- **Moreover, we noted that customers who prefer premium category scooters (priced above INR100k) have a higher preference towards electric scooters as they contributed ~75% of overall registrations in 1HFY24.**
- **We do believe that the next leg of growth in e-2Ws would be driven by the launch of more affordable variants by OEMs. This would be achievable on the back of economies of scale and an increase in localization of components led by the PLI scheme.**

"I think subsidies should never be the underlying business case. Yes, subsidies should be ramped down or increased gradually because they change underlying dynamics of the market, products, technology, directions, and investments. So the changes should be gradual and not instantaneous. Even if they were instantaneous, it does not change the final outcome. It doesn't mean that what you're building is incorrect. I don't think I would be surprised if there was any company hoping for a perpetual subsidy regime."
Mr.Tarun Mehta
CEO Ather energy

New launches, TCO benefits to help revive e2W demand

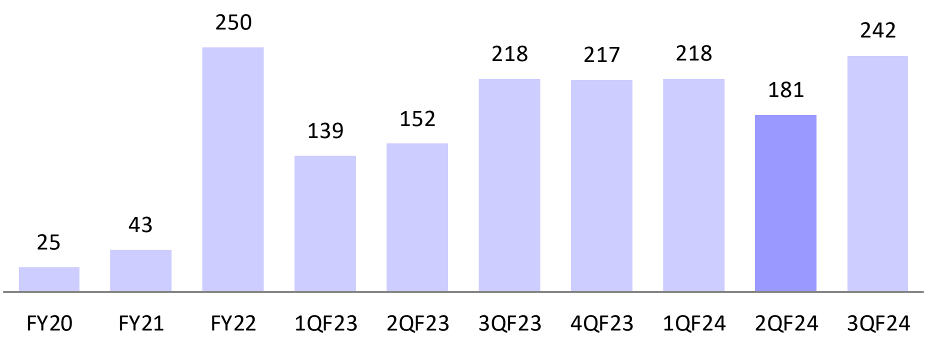
- The e-2W industry retail volumes clocked 727k units in FY23 (1.9x growth from FY22 levels). The phenomenal growth of the e-2W industry could be attributed to: 1) a low TCO vis-à-vis ICE; b) subsidies offered by both the state and central governments; c) favorable taxation structure by the government (GST rate at 5% with no cess vs. GST rate of 28% and an additional cess on ICE vehicles); d) PLI scheme for production and advanced chemistry cell (ACC).
- However, we noted a sharp decline in e2W volumes led by the ending of state subsidies in a majority of the states (except listed below) and a reduction of FAME-2 subsidies to INR10k/kWh by the Central government from INR15k/kWh.
- Post-reduction of subsidies, there has been a steady decline in the E-2W penetration to 4.8%/4.6% in 2QFY24/3QFY24 from 5.4% in 1QFY24 (despite avg. absolute volumes having recovered), thus indicating that subsidies played a crucial role in the consistent increase in the penetration. 9MFY24 penetration stood at 4.9% (vs. 4.5% in FY23) driven by the favorable economics of e-2Ws.
- We analyzed the e-2W registration data from Vahan to understand the impact of FAME subsidies on retails and its effect on the overall penetration of this category.

"FAME subsidy tapering down is expected, however, the budget had announced incentives for manufacturing like PLI and Lithium cell making, which is a big boost for us"
Mr.Bhavish Aggarwal
MD & Chairman
Ola Electric

As highlighted in Exhibit 4, the price hikes in e-2Ws were in the range of 12-36% unlike ICE 2Ws, where the price hikes on a normalized basis were less than 5%.

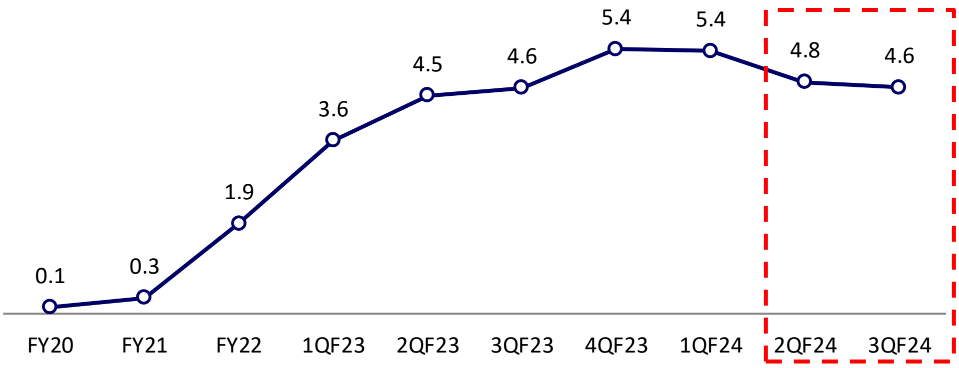
- The e-2W registrations fell from 67k units in Apr'23, and the peak of 105k units in May'23, to 46k only in Jun'23. However, 2Q/3QFY24 average volumes have seen an uptick to 60.4k units/80.7k units (vs. avg. 60.5k units in FY23).

e-2W industry volumes ('000) recovered in 3QFY24 post a fall in 2QFY24



Source: Vahan, MOFSL

Pre- and post-reduction of FAME subsidies' effect on e-2W penetration



Source: Vahan portal , shaded portion represents post reduction of FAME subsidies, MOFSL

Limited number of states offering demand-based subsidies

States	Quantum of subsidies	Maximum incentive per vehicle
Delhi	INR5k/ kWh of the battery capacity	INR30k
Assam	INR10k/ kWh (Capping for INR2kWh battery)	INR20k
Chandigarh	INR5k/ kWh for fixed battery INR3k /kWh for swappable battery	INR30k for fixed battery INR15k for swappable battery
Chattisgarh (whichever is lower)	10% of the cost of vehicle	INR150k valid for both 2Ws and PVs
Odisha	INR5k/ kWh of the battery capacity	INR20k

Source: State government websites, MOFSL

Price hikes in major models post-reduction in FAME subsidies from 1st Jun'23

Models	Price hike (in INR)	% of old ex-showroom price
Chetak	22,000	18%
iQube S	22,000	21%
Ather 450X	32,500	29%
Ampere Primus	39,100	36%
Ola S1 Air	15,000	18%
Ola S1	15,000	13%
Ola S1 Pro	15,000	12%

Source: Press articles, Company press releases, MOFSL

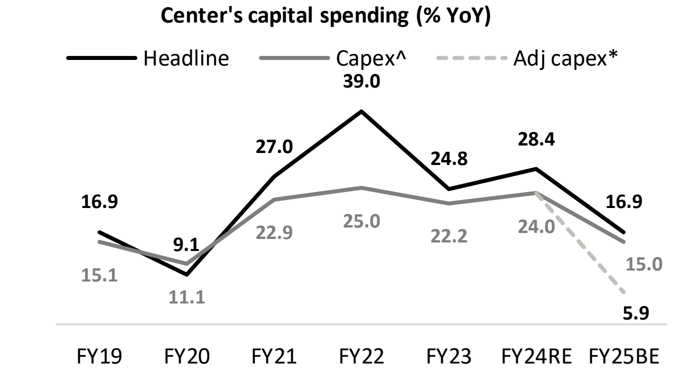
Decoding India's capex budget!

Combined capex kept unchanged at 3.6% of GDP in FY25BE

- **The Government of India (GoI) has sent a loud and clear message with the interim Union Budget 2024-25 – its priority is to focus on long-term macroeconomic stability, even if it means a sacrifice of growth over the short term. We have highlighted the restricted ability of the GoI to support economic growth if it is serious about its fiscal deficit consolidation path. However, like every year, more time needs to be spent to understand the nuances of the capex Budget.**
- **The GoI has not only prioritized the deficit consolidation path but also continued to focus on improving the quality of expenditure by raising its total capital spending by 16.9% YoY to INR11.1t in FY25BE, up 3.3x in just five years from INR3.4t in FY20. If achieved, the GoI's capital spending would jump to 3.4% of GDP in FY25BE, doubling from 1.7% of GDP during the pre-Covid period (FY18-FY20).**
- **However, two or three important adjustments are needed to understand the true extent of the investment push by the GoI: 1) capital spending has two parts – capital outlays/expenditure (or capex) and loans and advances (L&As). The GoI has budgeted INR1.4t of capital spending as L&As to the states; 2) The GoI has included the equity infusion of INR829b to Bharat Sanchar Nigam Ltd. (BSNL) in FY25BE under capex; and 3) there is a new entry totaling INR704b called 'New Schemes' under the Ministry of Finance (MoF), for which we could not find any details. After the first two adjustments, the GoI's capex is budgeted to grow 15% YoY. The growth will ease to 6% in FY25BE, if we exclude 'New Schemes' also.**
- **Further, the capex of central public sector enterprises (CPSEs), excluding the Department of Food and Public Distribution (DF&PD), must also be included to estimate the true investment plan of the GoI. After declining for four consecutive years (averaging 10% per annum), CPSEs' capex is budgeted to grow 2.4% YoY next year, led by the Ministry of Power.**
- **Overall, the combined capex (of the Center and CPSEs) is budgeted to grow 11.5% next year (or just 5% if we exclude INR704b under 'new schemes') vs. 12.5% YoY growth in FY24RE (and 9% CAGR in the previous three years). It also means that the combined capex is budgeted at 3.6% (or 3.4%) of GDP in FY25, same as in FY24RE but lower than ~4% of GDP in the pre-Covid years.**

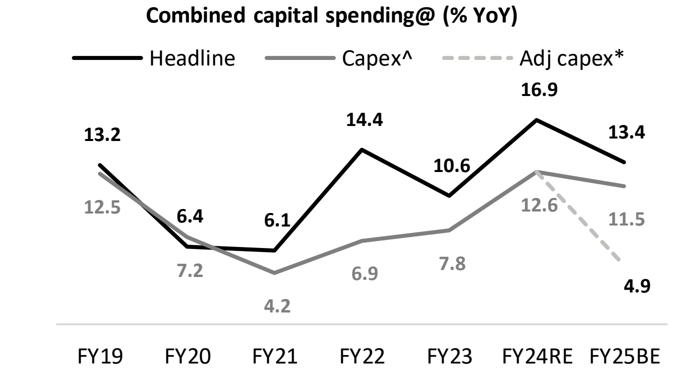
The GoI continued to focus on improving the quality of expenditure by raising its total capital spending by 16.9% YoY to INR11.1t in FY25BE, up 3.3x in the last five years. If achieved, the GoI's capital spending would jump to 3.4% of GDP in FY25BE, doubling from 1.7% of GDP during the pre-Covid period (FY18-FY20).

Center's capex budgeted to grow 6-15% YoY in FY25BE



^Excluding Loans & advances (L&As) and capital infusion to PSUs
*Excluding 'New schemes' under the Ministry of Finance

Combined capex, with CPSEs#, is targeted to grow 5-11.5%



#Excluding Department of Food & public distribution
@Center + CPSEs
Source: Budget documents, MOFSL

Maruti Suzuki: We saw 14% industry growth in wholesales in Jan'24; Shashank Srivastava, ED

- Wholesale growth was strong for the industry
- Wholesale strength is not surprising
- Highest ever wholesales sales in passenger vehicle in January
- Bookings are a bit lower than last year

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Dr. Lal Pathlabs: Hope to meet double-digit growth number; Om Manchanda, CEO

- Diagnostics will continue to remain mainstay within healthcare
- Volumes have not done as well as expected
- Looking at expansion via both organic and inorganic revenue, strategy to go deeper in North & West
- Margins has expanded, looking at margin of 25-26%

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Star Health: Expect 15-16% NEP growth for Q4FY24; Nilesh Kambli, CFO

- NEP growth is an everage of last year and current year's growth
- Q3 NEP growth was about 16% in 9MFY24
- Retail portfolio growing at market rate growth, have retained market share
- Focusing on SME biz under employer-employee book

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BOI: Making all efforts to improve CASA in Q4; Rajneesh Karnatak, MD

- Annualised NIM is 2.95% and we shall be protecting that
- Making all efforts to improve CASA in Q4
- RoA on earnings assets will be better in Q4
- Q3 slippages at Rs. 1,300 cr, it is one of the lowest the bank has seen

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LICHF: There will be a 15% growth in the loan book in FY25; Tribhuwan Adhikariv, MD & CEO

- Spreads are 2% currently, they will remain stable hereon
- NIM should be around 2.8%+ going forward
- There will be some pressure on COF
- Cumulative borrowings cost is 7.70%

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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

*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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