Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	84,914	0.0	17.5
Nifty-50	25,940	0.0	19.4
Nifty-M 100	60,851	0.2	31.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,733	0.3	20.2
Nasdaq	18,075	0.6	20.4
FTSE 100	8,283	0.3	7.1
DAX	18,997	0.8	13.4
Hang Seng	6,714	5.1	16.4
Nikkei 225	37,941	0.6	13.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	76	0.8	-2.4
Gold ($/OZ)	2,657	1.1	28.8
Cu (US$/MT)	9,665	2.7	14.2
Almn (US$/MT)	2,534	2.5	8.0
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.7	0.1	0.6
USD/EUR	1.1	0.6	1.3
USD/JPY	143.2	-0.3	1.6
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.8	-0.01	-0.4
10 Yrs AAA Corp	7.3	-0.01	-0.4
Flows (USD b)	**24-Sep**	**MTD**	**CYTD**
FIIs	-0.3	1.06	11.0
DIIs	0.46	6.22	38.3
Volumes (INRb)	**24-Sep**	**MTD***	**YTD***
Cash	1,330	1279	1299
F&O	4,69,342	3,99,792	3,80,746

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Piramal Pharma: Geared to drive robust operating leverage across segments

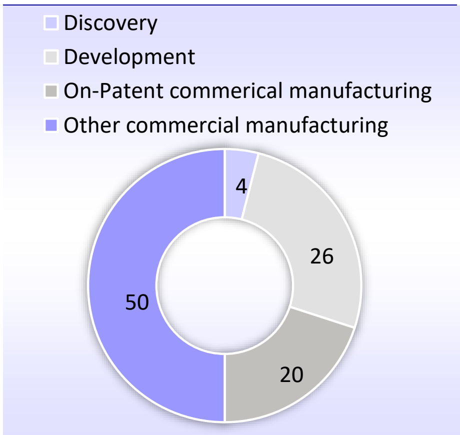
- PIRPHARM is well positioned to offer differentiated services at the product development and commercial manufacturing stage in the CDMO segment. Industry tailwinds, such as the US Biosecure Act, should further boost business prospects in this segment. By 2030, the company targets USD1.2b of total CDMO revenues with ~25% EBITDA margins.
- With its established presence in complex hospital generic (CHG) products (like Sevoflurane and baclofen), PIRPHARM can grow this business by adding more products, expanding into new markets and gaining market share in the existing markets. The company aims to deliver a 15% CAGR to USD600m and EBITDA margin of 25%+ over FY25-30.
- PIRPHARMA targets a CAGR of 26% in ICH revenue over FY24-FY30 to USD200m, driven by a focused approach to power brands and an enhanced distribution network.

Research covered

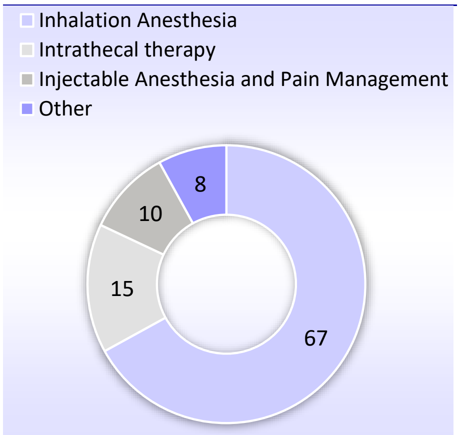
Cos/Sector	Key Highlights
Piramal Pharma	Geared to drive robust operating leverage across segments
SBI Cards	Pain nearing end but not over yet
Gravita (India)	Turning trash into triumph, globally
Indian General Insurance	Growth moderates owing to the fire and crop segments

Chart of the Day: Piramal Pharma (Geared to drive robust operating leverage across segments)

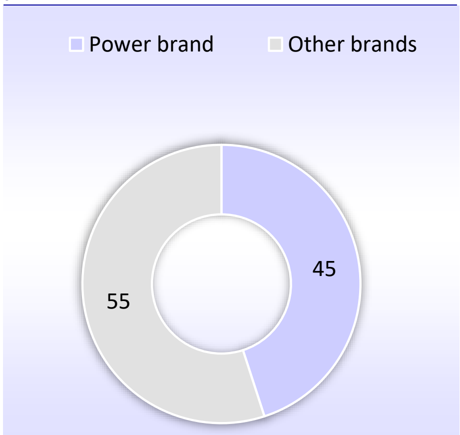
About 50% of CDMO revenue comes from innovation in FY24



About 67% of CHG revenue comes from Inhalation Anesthesia in FY24



45% of FY24 revenue comes from the power brands



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

MCX revises futures & options transaction charges. New rates effective from October 1

MCX revised transaction fees for futures and options contracts, effective October 1, 2024. The new fees are Rs 2.10 per lakh for futures and Rs 41.80 per lakh for options.

2

Procter & Gamble Bangladesh terminates distribution agreement with Gillette India

Gillette India announced that Procter & Gamble Bangladesh has terminated their distribution agreement, effective December 31, 2024.

3

Adani Energy Solutions, Green Energy join Utilities for Net Zero Alliance

Adani Green Energy and Adani Energy Solutions have joined the Utilities for Net Zero Alliance. Adani Green Energy Ltd (AGEL) and Adani Energy Solutions Ltd (AESL) have become the first in their respective segments in India to join this global alliance

4

NCLAT directs Vadilal Enterprises, Vadilal Int'l to keep boards status quo

The appellate tribunal NCLAT has directed Vadilal Enterprises and Vadilal International to maintain the status quo of the structure of their boards until further orders.

5

L&T wins Rs 10K-15K cr power transmission, distribution orders in West Asia

Larsen & Toubro (L&T) on Tuesday said its power transmission and distribution arm has bagged “mega” orders valued between Rs 10,000 to Rs 15,000 crores to expand and strengthen electricity grids in Saudi Arabia and United Arab Emirates.

6

Delta Corp To Demerge And List Hospitality, Realty Business

Delta Corp. approved the demerger and listing of the hospitality and real estate businesses on Tuesday. The businesses will come under wholly-owned subsidiary Delta Penland Pvt. Shareholders will get one share of Delta Penland for every share held in Delta Corp. Public shareholders…

7

Tata Power reports fire incident at Trombay Plant, no injuries or loss of life so far

A fire incident happened at the company’s Trombay Plant on September 23, and while no injuries or loss of life have been reported, the company is currently investigating the cause of fire and work is underway to restore normal operations.

25 September 2024

Company Update | Healthcare

Piramal Pharma

BSE SENSEX	S&P CNX
84,914	25,940

Stock Info

Bloomberg	PIRPHARM IN
Equity Shares (m)	1326
M.Cap.(INRb)/(USDb)	288.6 / 3.4
52-Week Range (INR)	244 / 88
1, 6, 12 Rel. Per (%)	12/62/90
12M Avg Val (INR M)	1071
Free float (%)	65.1

Financials Snapshot (INR b)

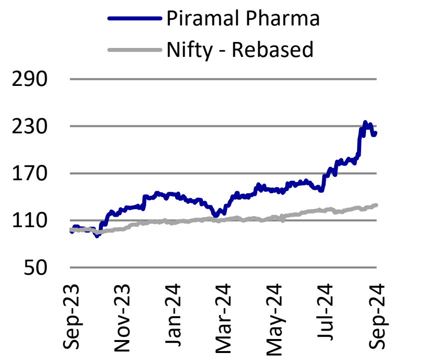
Y/E MARCH	FY25E	FY26E	FY27E
Sales	93.3	107.4	124.9
EBITDA	15.1	20.2	24.9
Adj. PAT	3.4	7.1	10.4
EBIT Margin (%)	8.1	11.5	13.3
Cons. Adj. EPS (INR)	2.6	5.3	7.8
EPS Gr. (%)	509.3	107.2	46.6
BV/Sh. (INR)	69.2	75.1	83.8
Ratios			
Net D:E	0.5	0.4	0.4
RoE (%)	4.2	8.2	10.9
RoCE (%)	4.0	6.6	8.4
Payout (%)	17.6	17.6	17.6
Valuations			
P/E (x)	83.7	40.4	27.6
EV/EBITDA (x)	21.8	16.1	13.0
Div. Yield (%)	0.2	0.4	0.5
FCF Yield (%)	0.0	0.0	0.0
EV/Sales (x)	3.5	3.0	2.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	35.0	35.0	34.8
DII	13.0	12.1	5.5
FII	31.9	31.0	35.4
Others	20.2	21.9	24.3

FII Includes depository receipts

Stock performance (one-year)



CMP: INR218 TP: INR260 (+19%) Buy

Geared to drive robust operating leverage across segments

We met Piramal Pharma (PIRPHARM) management to understand the company's business outlook.

- **PIRPHARM is well-positioned to offer differentiated services at the product development and commercial manufacturing stage in the CDMO segment. Industry tailwinds, such as the US Biosecure Act, should further boost business prospects in this segment.**
- **With its established presence in complex hospital generic (CHG) products (like Sevoflurane and baclofen), PIRPHARM can grow this business by adding more products, expanding into new markets and gaining market share in the existing markets.**
- **A focused approach to power brands and an enhanced distribution network should drive better profitability for its India consumer health (ICH) segment.**
- **We maintain our BUY rating on PIRPHARM with a TP of INR260, based on SOTP (17x EV/EBITDA for CDMO business; 13x EV/EBITDA for CHG and India consumer health business).**

CDMO: Improved utilization, enhanced offerings to improve prospects

- PIRPHARMA has been increasingly focusing on (i) innovation-related work (50% of CDMO revenue), (ii) differentiated offerings with lower competition and higher margins, and (iii) securing more integrated orders with higher value proposition.
- The company has significantly invested in new differentiated capabilities, e.g., ADCs, HPAPI, on-patent API, mAbs and Peptides. It is also investing in capacity expansion and debottlenecking of the existing plant.
- Additionally, it has a strong pipeline of 151 molecules under various stages of development. PIRPHARMA has witnessed a 3x jump in the development pipeline since FY17.
- Revenue from the on-patent molecule doubled YoY to USD116m in FY24. With a large number of molecules in phase-3 development, PIRPHARMA should witness a rise in commercial CDMO contracts from these molecules going forward.
- Revenue from differentiated offerings clocked a CAGR of 22% over FY21-24 to USD253m and their revenue share in total CDMO revenue increased to 44% in FY24 from 27% in FY21.
- ***By 2030, the company targets USD1.2b of total CDMO revenues with ~25% EBITDA margins.***

CHG: Efforts under way to build pipeline, expand reach

- PIRPHARMA reported a 10% CAGR over FY16-24 in CHG business, led by a strong brand recall and well-established infrastructure.
- Given the strong presence of Inhalation Anesthesia (IA), especially Sevoflurane in the developed markets like the US and EU, PIRPHARM plans to expand in the ROW market.

- For the expansion, the company is investing in additional lines at Digwal and Dahej facilities to manufacture Sevoflurane. These lines would be vertically integrated lines.
- Moreover, with a strong brand franchise in Intrathecal and Pain management, PIRPHARM is further investing in new differentiated products and has a pipeline of 24 drugs with a market size of USD2.2b.
- ***The company aims to deliver a 15% CAGR to USD600m and EBITDA margin of 25%+ over FY25-30.***

ICP: Extensive marketing/distribution to better brand recall

- ***PIRPHARMA targets a CAGR of 26% in ICH revenue over FY24-FY30 to USD200m, driven by a scale-up in power brands, omni-channel expansion, new product launches in e-commerce, and leveraging automation.***
- In the past three years, the company has launched 150+ new products and SKUs and has spent 13-16% of its ICH revenues on media and trade promotion, which resulted in a 29% CAGR in its power brands. However, it expects to reduce promotional expenses gradually.
- The company targets to build power brands with profitability of INR1b to INR5b (Little’s, Lacto Calamine, Polycrol, Tetmosol, i-range and CIR).
- The e-commerce channel (20% of ICH revenue) grew 58% over past three years. PIRPHARMA has a presence on 20 e-commerce platforms, has its own D2C platform and has a strong presence across retail and trade stores.
- The ICH business clocked a strong 19% CAGR over FY18-24 to USD118m, led by a strong brand recall, new launches and leveraging alternate channels.
- PIRPHARMA plans to utilize omni-channel expansion to increase footprints in rural markets, build coverage in top-weighted outlets in the existing towns and maximize distribution across modern trade outlets.

Valuation and view

- We expect PIRPHARMA to deliver a CAGR of 16%/28%/74% in revenue/EBITDA/ PAT over FY25-27, aided by a healthy order inflow in CDMO, the expansion of its IA portfolio in the ROW market, and new launches and increasing reach of power brands. A decline in interest expenses could also improve profitability.
- We maintain our BUY rating on PIRPHARM with a TP of INR260, based on SOTP (17x EV/EBITDA for CDMO business; 13x EV/EBITDA for CHG and India consumer health business). We expect the performance to scale up further for all three segments with better operating leverage over the next 2-3 years.

Valuation snapshot

Company	Reco	MCap	EPS (INR)			EPS Gr. YoY (%)		PE (x)		EV/EBITDA (x)		ROE (%)		
		(USD B)	FY24	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY24	FY25E	FY26E
Ajanta Pharma	Buy	4.7	62.3	75.8	88.1	21.7	16.0	40.9	35.2	29.0	25.1	22.7	24.5	23.8
Alembic Pharma	Neutral	2.6	31.5	37.6	41.5	19.7	10.3	31.0	28.1	18.8	16.8	13.5	14.3	13.9
Alkem Lab	Neutral	8.6	159.7	178.1	202.9	11.6	13.9	33.6	29.5	28.6	24.8	19.7	19.1	18.8
Aurobindo Pharma	Neutral	10.4	56.0	66.3	73.8	18.3	11.3	22.3	20.1	11.8	10.8	11.6	12.3	12.2
Biocon	Neutral	5.3	1.8	5.0	10.4	180.0	106.1	73.4	35.6	16.5	12.8	1.1	3.0	5.9
Cipla	Buy	16.0	52.5	58.7	65.6	11.9	11.7	28.2	25.3	18.4	16.1	15.9	15.4	14.9
Divi's Lab.	Neutral	17.1	60.0	77.7	95.1	29.6	22.4	69.1	56.5	48.5	40.4	12.1	14.4	15.9
Dr Reddy's Labs	Neutral	13.3	317.1	353.8	389.0	11.6	9.9	18.8	17.1	11.1	9.3	20.7	19.1	17.7
Eris Lifescience	Neutral	2.2	29.2	30.4	42.0	4.0	38.0	43.5	31.5	16.8	14.6	16.8	15.2	18.2
Gland Pharma	Buy	3.6	47.6	56.1	67.8	17.8	20.9	32.9	27.2	18.5	15.4	9.4	10.1	10.9
Glenmark Pharma	Buy	5.8	2.5	47.5	59.2	1812.8	24.6	36.0	28.9	18.9	15.7	0.8	15.8	16.8
Glaxosmit Pharma	Neutral	5.5	43.3	47.3	51.5	9.2	8.9	57.6	52.9	43.1	39.1	41.3	38.0	34.7
Granules India	Buy	1.6	17.4	24.0	31.9	38.5	32.5	23.3	17.6	13.3	10.8	13.9	16.6	18.6
Ipca Labs.	Neutral	4.4	20.8	33.5	44.4	61.3	32.6	43.4	32.8	22.9	19.2	8.7	12.7	15.0
Laurus Labs	Buy	3.0	3.0	7.2	12.9	139.9	78.2	65.5	36.8	24.5	18.6	4.0	9.1	14.7
Lupin	Neutral	11.8	41.5	59.2	69.9	42.4	18.2	36.9	31.2	21.6	18.2	14.1	17.3	17.4
Mankind Pharma	Buy	12.7	47.8	54.5	62.4	14.1	14.6	48.7	42.5	34.3	29.2	22.8	21.4	20.9
Piramal Pharma	**Buy**	**3.5**	**0.4**	**2.5**	**5.1**	**497.1**	**103.1**	**87.6**	**43.1**	**22.3**	**16.9**	**0.8**	**4.1**	**7.9**
Sun Pharma.Inds.	Buy	53.5	41.4	49.3	58.4	19.1	18.4	37.7	31.9	30.0	25.5	16.7	17.3	17.6
Torrent Pharma.	Neutral	14.0	47.1	63.4	82.0	34.6	29.3	54.5	42.2	29.3	24.5	24.4	28.5	30.5
Zydus LifeScience	Neutral	12.7	37.6	43.9	47.3	16.5	7.9	24.1	22.3	15.9	14.3	20.3	19.6	17.4

Source: MOFSL, Company

SBI Cards

BSE SENSEX	S&P CNX
84,914	25,940

Bloomberg	SBICARD IN
Equity Shares (m)	951
M.Cap.(INRb)/(USDb)	741.9 / 8.9
52-Week Range (INR)	817 / 648
1, 6, 12 Rel. Per (%)	4/-7/-34
12M Avg Val (INR M)	1349

Financials &Valuations (INR b)

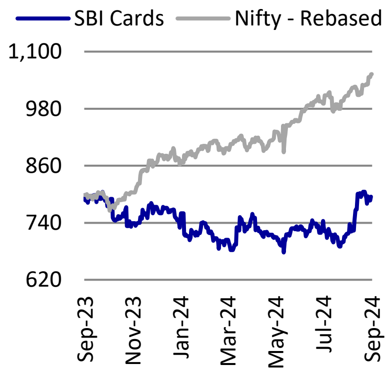
Y/E MARCH	FY24	FY25E	FY26E
NII	51.5	62.6	76.9
OP	65.2	79.7	97.0
NP	24.1	26.2	35.3
NIM (%)	11.2	11.2	11.6
EPS (INR)	25.4	27.6	37.2
EPS Gr. (%)	6.2	8.6	34.8
BV/Sh. (INR)	127	152	185
ABV/Sh. (INR)	123	147	180
Ratios			
RoE (%)	22.0	19.8	22.1
RoA (%)	4.6	4.1	4.6
Valuations			
P/E(X)	30.8	28.3	21.0
P/BV (X)	6.1	5.2	4.2
P/ABV (X)	6.3	5.3	4.3

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	68.6	68.6	69.0
DII	16.5	16.7	17.2
FII	8.7	8.6	9.5
Others	6.1	6.1	4.4

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR780 **TP: INR850 (+9%)** **Neutral**

Pain nearing end but not over yet

Estimate earnings growth to accelerate in FY26

- **SBI Cards (SBICARD) is the second-largest player in the card industry (in terms of CIF) with an 18.5% market share in cards-in-force (CIF) and 15.9% share in total industry spends.**
- **The company's market share in spends has moderated over the past few years, mainly because of the moderation in corporate spends. Meanwhile, growth in retail spends has remained healthy.**
- **SBICARD has been reporting high stress in asset quality, which has significantly affected its earnings growth. We estimate an 8% CAGR in earnings over FY23-25 vs. a 50% earnings CAGR over FY21-23.**
- **We anticipate credit cost to stay elevated in the near term, due to higher stress in unsecured segments. However, the moderation in funding cost and a gradual improvement in asset quality should boost earnings growth to a 34% CAGR over FY26-27E.**
- **The stock has seen significant de-rating over the years and now trades at 4.3x FY26E BV and 21x FY26E EPS, which is in line with few other high-RoE high-valuation NBFCs.**
- **We maintain our Neutral rating on the stock with a revised TP of INR850 (23x FY26E EPS).**

Spends to clock 16% CAGR over FY24-27E; retail spends steady

SBICARD reported healthy spend growth of 25.6% YoY in FY24, led by 27% YoY growth in retail spends. Corporate spend growth has moderated sharply in the recent quarters, down 66% YoY in 1QFY25 and 35% YoY in 4QFY24.

- The share of corporate spends in total spends has declined to 7% now from avg. 21% over FY23-24. As a result, the company's overall market share in spends has declined 190bp YoY to 15.9%.
- We estimate a 16% CAGR in total spends over FY24-27, led by continued traction in retail spends. Corporate spends are expected to recover in 2HFY25, with a recovery in Travel and Entertainment spends.
- SBICARD has a market share of over 20% in RuPay credit cards and is seeing strong traction in Tier-2 cities, where it has an UPI active CIF mix of 73%. Growth in UPI spends was robust at 50% QoQ in 1QFY25.

Funding cost pressure to ease as rate cycle turns; NIMs to improve

SBICARD's cost of funds (CoF) has increased sharply by 240bp over the past two years, resulting in a 230bp compression in margins as lending yields were broadly stable. With prospects of a turn in the rate cycle and the recent moderation in interest rates (91 day T-bill down 37bp in past five months), we expect CoF to ease in the coming quarters. This will directly benefit margins; thus, we estimate NIMs to recover in 2HFY25. We estimate a 23% CAGR in NII over FY24-27E.

Card issuance slows; sourcing mix tilts in favor of open market

SBICARD has reported an increase in open market sourcing to compensate for an industry-wide moderation in new card acquisition as card issuers tightened their origination criteria and strengthened the underwriting processes. The company has reported a 16% YoY decline in new card acquisition (18% YoY decline in 1QFY25) and started focusing more on open market operations, with the channel mix increasing to 58% from 46% last year. As a result, the delinquency rate has increased, which has led to a higher credit cost for SBICARD vs. other larger peers, which benefit from a higher mix of cross-selling to internal banca customers.

Credit cost to stay elevated in near term; likely to improve to 7.5% in FY26E (8.5% in 1QFY25)

SBICARD's gross credit cost has sharply increased from 5.6% in 1QFY23 to 8.5% in 1QFY25 as the company witnessed high delinquencies in both lower and higher ticket sizes. While certain portfolio actions and tightening in underwriting practices have helped SBICARD maintain relatively healthy trends from new account originations, the persistent increase in stage-2 assets from 5.4% in 1QFY24 to 6.2% in 1QFY25 and the industry-wide increase in delinquencies in unsecured segments keep us watchful on near-term credit costs. We expect better recoveries to flow in over the medium term, which, along with a gradual moderation in delinquency, should help to ease provisioning pressure. We thus factor in a credit cost of 7.5% in FY26 vs. 8.0% in FY25.

Tier-1 declines; internal accruals sufficient to support growth

The increase in unsecured risk-weight has affected the company's capital position; however, lower loan growth of 8% in the past two quarters (vs. avg. loan growth of ~27% over FY21-24) has helped improve Tier-1 from the lows. We estimate a 20% CAGR in the loan book over FY24-27E, backed by internal accruals, yet we estimate Tier-1 to improve slightly to 17.5% in FY27 from 16.8% currently.

FY26E	SBIC	BAF	CFIC
Loan CAGR (FY24-26E)	19.0	28.0	26.57
PAT CAGR (FY24-26E)	21.1	24.1	34.5
RoA (%)	4.6	4.2	2.7
RoE (%)	22.1	21.8	22.1
P/BV (X)	4.3	4.2	4.2
P/E (X)	21.2	21.1	21.8

Valuation and view: Maintain Neutral with revised PT of INR850

SBICARD is the second-largest player in the card industry with an 18.5% share in CIF and 15.9% share in total industry spends. However, its market share in spends has declined over the past few years, mainly due to the moderation in corporate spends. Growth in retail spend has remained healthy.

- With potential rate cuts on the horizon and the recent moderation in the 91-day T-bill rate, SBICARD is poised to benefit from a reduction in CoF.
- The stock has seen significant de-rating over the years and now trades at 4.3x FY26E BV and 21x FY26E EPS, which is close to a few other NBFCs that are generating the similar RoA.
- We anticipate near-term credit cost to stay elevated; however, the moderation in CoF and a gradual improvement in asset quality should boost earnings growth to 35%/33% over FY26E/FY27E vs. avg. earnings growth of ~8% over FY23-25E.
- We remain watchful on near-term delinquencies and the broader stress in unsecured segments as indicated by many other lenders. **Maintain NEUTRAL with a revised TP of INR850 (23x FY26E EPS).**

Gravita (India)

BSE SENSEX	S&P CNX
84,914	25,940

Stock Info

Bloomberg	GRAV IN
Equity Shares (m)	69
M.Cap.(INRb)/(USDb)	172.3 / 2.1
52-Week Range (INR)	2700 / 730
1, 6, 12 Rel. Per (%)	12/165/177
12M Avg Val (INR m)	523
Free float (%)	36.6

Financial Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	41.0	53.2	69.8
EBITDA*	4.3	5.7	7.6
EBITDA Margin (%)*	10.4	10.6	10.9
Adj. PAT	3.1	4.2	5.7
Cons. Adj. EPS (INR)	44.3	60.5	82.8
EPS Gr. (%)	28	36	37
BV/Sh. (INR)	165	224	306
Ratios (%)			
Net D:E	0.4	0.3	0.2
RoE (%)	23.1	24.5	25.9
RoCE (%)	31.0	31.1	31.2
Valuations			
P/E (x)	56.4	41.3	30.2
EV/EBITDA (x)	41.5	31.5	23.4

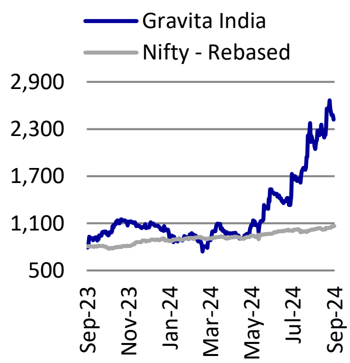
*Adjusted

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	63.4	66.5	66.5
DII	2.6	0.4	0.4
FII	14.9	12.5	11.3
Others	19.2	20.6	21.8

FII Includes depository receipts

Stock performance (one-year)



CMP: INR2,496 TP: INR2,900 (+16%) Buy

Turning trash into triumph, globally

Gravita India Ltd (Gravita), one of the largest recycling companies in India, is well-positioned to benefit from strong industry tailwinds and healthy traction within the sector. Its Lead recycling vertical, which accounted for ~88% of revenue in FY24, is expected to achieve significant growth in the domestic market due to favorable regulatory changes. Additionally, the expansion of its geographical reach and product portfolio will be key drivers of its international business.

- **Gravita is well poised to benefit from the recent favorable regulatory changes implemented this month. The introduction of Environmental Compensation (EC) for non-compliance with Extended Producer Responsibility (EPR) targets, along with the Reverse Charge Mechanism (RCM) under GST for metal scrap, is likely to improve the availability of domestic scrap for the organized recycling industry.**
- **Further, Gravita's subsidiary has executed a Memorandum of Understanding (MOU) to acquire an 80% stake in a ~17,000 MTPA waste tyre recycling facility in Romania for INR320m. The remaining 20% will be held by other partners based in Romania.**
- **Gravita's entry into the European recycling market has significantly expanded its total addressable market (TAM), with the European total waste recycling market valued at ~USD155b as of CY22. The strong geographical and product portfolio expansion will be its key growth lever going forward.**

Regulatory tailwinds to boost domestic scrap availability

- The Central Pollution Control Board (CPCB) has introduced EC for lead acid batteries of INR18 per kg for non-compliance of EPR targets according to the battery waste management rules (BWMR), 2022.
- This penalty/compensation on non-compliance would ensure timely compliances by the battery manufacturers, resulting in higher collection of batteries and improved demand within the battery recycling space.
- In addition, the GST Council has introduced RCM on metal scrap recently, which is a huge boost for the organized recycling industry players.
- Earlier, the organized players were not able to procure from unorganized small-scale suppliers as they were not able to claim input credit on GST paid by them due to the non-compliance by such vendors.
- However, with the introduction of RCM, companies can directly pay the GST themselves. This will ensure higher availability of domestic scrap for the organized recycling companies.
- The ease in availability of domestic scrap aids in reducing higher freight costs incurred by the recycling companies and also reduces the working capital requirement due to lower transit days for inventory (imported inventory requires a higher transit period, thus increasing the inventory days). This, in turn, improves the return ratios for the companies.
- Gravita, being a large-scale recycler with a Pan India presence, will be a key beneficiary of these favorable regulatory changes within the industry.

Diving into the European market: A small step that could lead to a giant leap!

- Gravita's step-down subsidiary, Gravita Netherlands BV (GNBV), has executed a MoU to acquire an 80% stake in a ~17,000 MTPA waste tyre recycling facility in Romania for INR320m.
- This acquisition will be carried out by forming a separate SPV where GNBV will hold an 80% stake (along with management control) and the remaining equity will be held by other partners based in Romania.
- We believe this acquisition is an initiative by Gravita to expand its recycling business across the larger European market, leveraging new market opportunities and establishing strategic partnerships to drive growth.
- Accordingly, with this first recycling plant in Europe, the company has significantly expanded its TAM and unlocked new growth avenues.
- Europe's tyre recycling market was estimated at ~USD871m in CY23 and is likely to reach USD1.2b by CY33 (clocking ~3.3% CAGR over the period).
- According to industry reports, the European waste recycling market size stood at ~USD155b as of CY22. Moreover, the European Recycling Industries Confederation (EuRIC) states that only ~39% of the collected waste is recycled in the EU, with ~32% recyclable waste being landfilled or incinerated. This underscores a significant scope of growth within the market for the existing as well as new players.
- Going forward, we expect the company's strong geographical (upcoming facilities in the US and Oman) as well as product portfolio (entering into steel, paper, and lithium ion) expansions will be a key growth lever.

Valuation and view

- Gravita is one of the key players within the burgeoning recycling industry in India. Going forward, we expect the company to report robust earnings growth on the back of: 1) strong growth within the Lead recycling segment fueled by favorable regulatory changes; 2) faster growth from the new segments (aluminum and plastic) and addition of the steel & paper segments; 3) robust capacity addition across segments; and 4) an improvement in the mix of value-added products.
- We increase our EPS estimates by 5%/7% for FY26/FY27E. We expect a revenue/EBITDA/PAT CAGR of 30%/32%/34% over FY24-27. **We value the stock at 40x Sep'26E EPS to arrive at our TP of INR2,900. We reiterate our BUY rating on the stock.**

Calculation of EC is based on the cost of handling, collection, and transportation as well as the cost of processing waste batteries

S. No.	Cost Components	INR
1.	Handling, Collection and Transportation	3,000 **per tonne**
2.	Processing	15,000 **per tonne**
Total Cost (per Tonne) = EC Charges		**18,000**
EC (per Kg) -		**18**

Source: CPCB, Company, MOFSL

Insurance Tracker

Growth moderates owing to the fire and crop segments

SAHIs outperform industry growth; private players remain flat YoY

- **The industry's Gross Written Premium (GWP) increased 4% YoY to INR245b in Aug'24. This was led by the Health and Motor segments, which grew 9.8%/5.9% YoY. The Fire/Crop segments declined 7.3%/3% YoY, while the Marine segment inched up 10.8% YoY. The Overseas Health segment grew 11.5% YoY.**
- **During the month, the premium for private players grew 4% YoY to INR139.3b vs. a decline of 5% YoY to INR56.5b for public players (mainly due to a 13% YoY decline for New India Assurance). SAHIs outperformed industry growth and reported a GWP of INR32.3b (up ~25% YoY) in Aug'24 (vs. industry growth of 4% YoY), driven by 15% YoY growth in Star Health.**
- **Among the key players, ICICIGI/Bajaj Allianz reported 10%/3% YoY growth, respectively. STARHEAL/Go Digit posted a 15%/3% YoY GWP growth, while New India reported a decline of 13% YoY in GWP. Tata AIG reported a strong growth of 25% YoY.**

Premium and YoY growth (%)

GWP, INRb	Aug-24	YoY
Grand Total	**245**	**4%**
Total Public	**56**	**-5%**
Total Private	**139**	**4%**
SAHI	**32**	**25%**
Bajaj Allianz	17	3%
ICICI - Lombard	21	10%
New India	20	-13%
Star Health	14	15%

Source: GIC, MOFSL

Health business driven by growth in the retail segment

The Overall Health business grew 10% YoY to INR80.4b, of which the Retail Health segment grew 17% YoY to INR39.6b, while the Group Health segment grew 4.8% YoY to INR39.4b. The Overseas Health segment rose 11.5% YoY. Within the Overall Health segment, SAHIs/private multi-line players grew 24%/16% YoY vs. the industry growth of 10%. The Public segment declined 13% YoY, mainly on account of a 23% decline in New India. Within SAHIs, STARHEAL grew 15% YoY on an overall basis, with 14%/41% YoY growth in the Retail Health and Group Health segments, while CARE reported a strong growth of 38%/23% YoY. Within the Retail Health and Group Health segments, Aditya Birla Health surged 43% and 38% YoY, respectively. ILOM posted 43% and 2% YoY growth in Retail Health and Group Health, respectively. Bajaj Allianz clocked a strong growth of 21% YoY in the Retail Health segment and 38% YoY growth in the Group Health segment. The PSU multi-line players posted 4% YoY growth in Retail Health, but a decline of 17% YoY in Group Health. Tata AIG grew 54%/25% in the Retail Health and Group Health segment, respectively.

Motor segment growing 6% YoY

The Motor business grew 6% YoY to INR77.9b, led by a 6% YoY growth each in the Motor TP segment (INR45.1b) and Motor OD segment (INR32.8b) in Aug'24. Overall, private multi-line players grew in line with the industry growth of 6% YoY, while public players grew at 5%. ILOM grew 22%/13% YoY in the Motor OD/ Motor TP segments. Bajaj Allianz grew 10% in the OD segment but declined 6% in the Motor TP segment. Acko General posted a strong growth of 24% YoY on an overall basis with 25%/24% YoY growth in the Motor OD/Motor TP segments. TATA AIG clocked 21%/28% YoY growth in the Motor OD/Motor TP segments. Go Digit grew 11% YoY in the OD segment but declined 4% in the Motor TP segment. HDFC Ergo declined 8% /54% YoY in the Motor OD/Motor TP segment.

YTD performance of key players

SAHIs/private multi-line players gained ~135bp/~5bp market share in Aug'24, while public players lost ~130bp share.

- **ILOM** reported a growth of 17% YoY (market share of 10% vs. 9.4%).
- **Bajaj Allianz** reported a decline of 4% YoY (market share of 7% vs. 8.1%).
- **New India** posted a growth of 2% YoY (market share of 13% vs. 14%).
- **STARHEAL** registered a growth of 17% YoY (market share of 5% vs. 4.8%).
- **GO DIGIT** recorded a growth of 13% YoY (Flat YoY).

JKCEMENT: Our Paint Business Is Shaping Well, Targeting ₹250-300 Cr Sales In FY25; Anuj Khandelwal, Biz Hd-Grey Cement Division

- Flattish growth for the industry over the last 6 months due to a high base.
- Expecting a positive demand uptick in H2FY25, with growth projected at 6-8% vs FY24.
- If the industry grows by 3-4% in FY25, the company expects 7-8% growth.
- Premium product contribution is projected to increase to 16-17%, up from 12-13% in FY24.
- Focus remains on organic growth, with inorganic growth considered a bonus.
- Plan to reduce costs by INR 150/tonne moving forward.
- Paint business shaping well, targeting INR 250-300 crore sales in FY25, with breakeven expected in the next couple of years.

Read More

Muthoot Microfinance: MFI Industry Outlook | FY25 Business & Expansion Plans; Sadaf Sayeed, CEO

- Strong disbursement growth witnessed in Q2.
- No significant stress observed in asset quality.
- Business performance in Bihar and UP is robust.
- Expected credit cost for the year will be around 2 to 2.5%.
- NPA may slightly rise this quarter but is expected to normalize by year-end.
- No immediate plans to sell assets to ARC; potential consideration in Q4.
- Incremental borrowing reduced this quarter.
- Recently secured ECB borrowing at a rate of 9.6%.
- Planning to raise around $70mn at favorable rates.

Read More

Northern Arc: Expect To See An Improvement In NIM Going Forward; Ashish Mehrotra, MD & CEO

- Diversified financial services business with a high-quality balance sheet, better than peers.
- Gross Transaction Value at INR 30,000 Cr, with lending over INR 11,000 Cr.
- 40% of core business exposure is in MSMEs.
- Strong net interest margin in the lending business, with expected improvement ahead.
- Achieved 31% balance sheet growth.
- Received ratings upgrade from agencies last year.

Read More

Shriram Properties: Expect Gross Revenue Potential Of ₹1,000 Cr Over 3 Years For The Pune Project; Murali Malayappan, CMD

- Chennai and Bangalore projects are on schedule.
- Pune project approval expected by Q3, with a revenue potential of INR 1,000 Cr over 3 years.
- AIF platform currently valued at INR 500 Cr.
- Existing Kolkata project covers 6 msf with a total development potential of 10 msf.
- No plans to add new projects in Kolkata.
- Mid-market segment contribution to increase from 65% to 75%, with plans to exit affordable housing entirely.

Read More

NOTES

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

*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.

Disclosures:
The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

MOFSL, it's associates, Research Analyst or their relatives may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst or their relatives may have actual beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may have any other potential conflict of interests at the time of publication of the research report or at the time of public appearance, however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

In the past 12 months, MOFSL or any of its associates may have:
a) received any compensation/other benefits from the subject company of this report
b) managed or co-managed public offering of securities from subject company of this research report,
c) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
d) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.

- MOFSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
- Subject Company may have been a client of MOFSL or its associates during twelve months preceding the date of distribution of the research report.
- Research Analyst may have served as director/officer/employee in the subject company.
- MOFSL and research analyst may engage in market making activity for the subject company.

MOFSL and its associate company(ies), and Research Analyst and their relatives from time to time may have:
a) a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.
(b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.
To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report.

Terms & Conditions:
This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification
The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	**Companies where there is interest**
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)
This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:
This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.
MOTILAL Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under

applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore
In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. (“MOCMSPL”) (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore.This report is distributed solely to persons who (a) qualify as “institutional investors” as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore (“SFA”) or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an “institutional investor” nor an “accredited investor”, they must immediately discontinue any use of this Report and inform MOCMSPL .
In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.
Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

Disclaimer:
The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

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

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.
Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.
Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.