

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	79,468	1.1	10.0
Nifty-50	24,298	1.3	11.8
Nifty-M 100	56,874	2.4	23.2
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	5,200	-0.8	9.0
Nasdaq	16,196	-1.0	7.9
FTSE 100	8,167	1.7	5.6
DAX	17,615	1.5	5.2
Hang Seng	5,933	1.4	2.9
Nikkei 225	35,090	1.2	4.9
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	80	4.5	2.7
Gold (\$/OZ)	2,383	-0.3	15.5
Cu (US\$/MT)	8,641	-1.9	2.1
Almn (US\$/MT)	2,231	-0.1	-4.9
Currency	Close	Chg .%	CYTD.%
USD/INR	84.0	0.0	0.9
USD/EUR	1.1	-0.1	-1.1
USD/JPY	146.7	1.6	4.0
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	6.9	-0.01	-0.3
10 Yrs AAA Corp	7.4	-0.01	-0.3
Flows (USD b)	7-Aug	MTD	CYTD
FII	-0.4	-1.38	2.7
DII	0.45	2.71	33.5
Volumes (INRb)	7-Aug	MTD*	YTD*
Cash	1,255	1432	1298
F&O	6,06,904	3,90,470	3,79,379

Note: Flows, MTD includes provisional numbers.

*Average



Today's top research idea

Godrej Consumer: Steady India recovery; currency impacts international business

- ❖ Godrej Consumer Products Limited (GCPL) reported a 3% YoY decline in consolidated net revenue to INR33.3b, below estimates of INR36.3b . In constant currency, revenue grew 11% YoY.
- ❖ The India business saw a 9% YoY revenue increase (6% organic) with strong volume growth of 8% YoY. Home care and personal care segments grew by 8% and 6% YoY, respectively.
- ❖ Internationally, performance was impacted by unfavourable currency effects, with Indonesia revenue up 11% YoY in constant currency, while GUAM revenue fell 36% due to currency devaluation and inventory adjustments.
- ❖ GCPL plans to double its outlet coverage and triple village coverage under project Vistaara 2.0, aiming for high single-digit growth in FY25.
- ❖ We maintain a BUY rating with a target price of INR1,700.



Research covered

Cos/Sector	Key Highlights
Godrej Consumer	Steady India recovery; currency impacts international business
Hindalco	Novelis 1QFY25: Decent performance
Cummins India	Demand remains strong across segments
Other Updates	Shree Cement Bosch Lupin Aditya Birla Fashion and Retail BSE Brigade Enterprises IIFL Finance Clean Science & Technology Raymond Indigo Paints Updater Services Tata Motors Pidilite Coromandel International Apollo Tyres Kirloskar Oil Engine Happy Forgings Lemon Tree Hotel Cement EcoScope



Chart of the Day: Godrej Consumer (Steady India recovery; currency impacts international business)

Snapshot of 1QFY25 performance as reported by the company

Growth (%)	Consolidated		India	
	Reported	Organic	Reported	Organic
Net sales	-3	-1	9	6
Net sales (constant currency)	9	11		
EBITDA	13		8	
Net profit (reported)	41		-6	
Net profit (without exceptional and one-off items)	14		5	

Snapshot of sales by geography

International business	1QFY25		
	Sales (INR m)	Growth (%)	CC growth (%)
India – Reported	21,400	9	-
India - Organic	20,910	6	-
Indonesia	4,650	3	11
Africa, USA & Middle East	5430	-36	-23
Latin America and SAARC	1910	7	147
Total net sales (Reported)	33,110	-3	9

Source: Company, MOFSL

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1

Reliance cuts 11 per cent of workforce on retail cool-off

Reliance Industries cut its workforce by 42,000 employees in FY24, focusing on cost-efficiency and reduced hiring, particularly in the retail division. The company's retail employee strength dropped to 207,000, and Jio's employee count also decreased.

2

Torrent, Zydus, EQT set to make the cut for \$3 bn JB Chemicals buyout

Torrent Pharma and Zydus Lifesciences are vying to acquire JB Chemicals and Pharmaceuticals, with both firms shortlisted by KKR, the current owner.

3

Private firms mull thermal capacity addition to keep pace with demand

In the Union Budget, the FM proposed new thermal plants to be set up in the country to augment power supply.

4

Indigenous high-voltage alternating current lines may be deployed to boost transmission infrastructure

India aimed to expand and upgrade its transmission infrastructure by deploying 1,200 kV high-voltage AC lines. This technology, tested in 2016, is considered cost-effective and faster for short distances.

5

India proposes preferential trade pact with BIMSTEC

The idea of a PTA was proposed by Commerce and Industry Minister Piyush Goyal at the BIMSTEC Business Summit here on Wednesday which was organised by CII and Ministry of External Affairs.

6

Domestic steel prices plunge to 45-month low as supplies outpace demand

However, lower steel prices may help combat inflation, as the alloy is key industrial raw material.

7

Railways set to fast-track Kavach deployment

Indian Railways intended to equip 10,000 locomotives with its Kavach automatic train protection system, addressing recent safety concerns. The initiative aimed to cover half of the fleet and include 5,000 route kilometres annually. Current tenders target major routes such as Delhi-Chennai and Mumbai-Chennai.



Godrej Consumer

Estimate changes



TP change



Rating change



CMP: INR1,504 TP: INR1,700 (+13%)

Buy

Bloomberg	GCPL IN
Equity Shares (m)	1023
M.Cap.(INRb)/(USDb)	1538.1 / 18.3
52-Week Range (INR)	1525 / 960
1, 6, 12 Rel. Per (%)	10/11/22
12M Avg Val (INR M)	1392

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	141.0	149.7	166.5
Sales Gr. (%)	5.9	6.2	11.2
EBITDA	30.7	34.1	38.1
EBITDA mrg. (%)	21.8	22.8	22.9
Adj. PAT	19.8	22.9	27.7
Adj. EPS (INR)	19.3	22.4	27.1
EPS Gr. (%)	13.2	15.8	21.3
BV/Sh.(INR)	123.3	137.7	154.8

Ratios

RoE (%)	15.0	17.1	18.5
RoCE (%)	15.2	16.1	17.9
Payout (%)	31.1	35.8	36.9

Valuations

P/E (x)	77.9	67.2	55.4
P/BV (x)	12.2	10.9	9.7
EV/EBITDA (x)	50.4	44.9	39.9
Div. Yield (%)	0.4	0.5	0.7

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	63.0	63.2	63.2
DII	9.3	8.9	7.4
FII	22.4	22.6	23.5
Others	5.3	5.3	5.9

FII Includes depository receipts

Steady India recovery; currency impacts international business

- Godrej Consumer (GCPL) reported a 3% YoY decline in consolidated net revenue to INR33.3b (est. INR36.3b). In constant currency (cc), revenue grew 11% YoY. India business clocked 9% YoY revenue growth (6% organic) with healthy volume growth of 8% YoY.
- In India, home care and personal care segments registered 8% and 6% YoY growth, respectively. HI category was stable and saw low single-digit volume growth, impacted by heatwaves. Personal-wash saw low single-digit volume growth but sustained market share gains. Hair Color volume growth was flat due to fewer wedding dates. RCCL revenue was INR1.53b.
- International performance was hit by unfavorable currency. Indonesia revenue was up 3% YoY (11% in CC) with healthy UVG of 7%. GUAM revenue was hit by the devaluation of Naira and streamlining of trade inventory. GAUM organic revenue declined 25% (-10% in cc terms).
- GCPL posted strong volume growth in FY24 and aims to achieve high single-digit growth in FY25. The company keeps expanding its TAM and looks to gain share in rural markets and all channels. Under project Vistaara 2.0, the company plans to double its outlet coverage and triple its village coverage. A price hike in India business will improve its revenue trajectory in the coming quarters. We believe the growth uptrend in India business and an improving operating margin print will help GCPL sustain healthy earnings growth in FY25. **We reiterate our BUY rating with a TP of INR1,700 (based on 60x Jun'26E EPS).**

India recovery sustains; International business impacted by currency

Consolidated performance

- **Strong volume growth:** Consol. net sales declined 3% YoY to INR33.3b (est. INR36.7b), partially affected by the sale of a part of its Africa business. Organic sales declined by 1% YoY due to the currency impact. Consolidated sales rose 11% cc YoY (9% organic). Consolidated organic volume growth was 2%. India volume growth was 8% YoY.
- **Improving operating margin:** GM expanded 210bp YoY to 55.9% (est. 54.6%). As a percentage of sales, ad spending increased by 60bp YoY to 9.9%, while other expenses declined by 70bp YoY to 8.4%. EBITDA margin expanded by 200bp YoY to 21.8% (est. 21.7%).
- **Double-digit PAT growth:** EBITDA grew 7% YoY to INR7.3b (est. INR7.9). PBT rose 18% YoY to INR6.6b (est. INR7.2b). APAT grew 25% YoY to INR4.7b (est. INR5.0b).
- **International Performance:** Indonesia revenue grew 3% (11% in CC terms) with volume growth of 7%. Indonesia business EBITDA margin expanded by 400bp YoY to 23.3%. GAUM organic revenue fell 25% (-10% in CC). Volume declined due to one-time sell-in in base and streamlining of trade inventory. GAUM EBITDA margin expanded 660bp YoY to 14.4%, led by gross margin expansion and mix improvement. LATAM clocked 7% revenue growth with 5% EBITDA margin (1% YoY).

- **Standalone performance:** Net sales (including OOI) grew 8% YoY to INR21.6b. India business reported volume growth of 10%; organic volume growth was 8%. Home care business saw 8% growth and personal care posted 6% growth. GM contracted by 60bp YoY to 56.4%. EBITDA margin remained flat YoY at 24.7%. EBITDA grew 8% YoY to INR5.3b.
- **Entry in pet care market:** Godrej Pet Care (GPC), a subsidiary of GCPL, has entered the INR50b pet care market in India, which has strong double-digit growth potential for the coming decades. GCPL will invest INR5b in GPC over five years and expects it to become cash positive afterward. GAVL will be the manufacturing and R&D partner.

Highlights from the management commentary

- India business will see pricing benefits from 2QFY25 onward. Volume growth is expected in high single digits with low double-digit revenue growth in the coming quarters.
- Due to additional expenses for RCCL, the company has lowered its FY25 EBITDA estimate to ~INR1.5b (in line with our estimates) from INR1.6b earlier. Before the acquisition, RCCL reported EBITDA of ~INR600m.
- High interest rates in African markets may continue to hurt volume growth for the next few quarters, but this does not significantly affect off-takes or profits.

Valuation and view

- We broadly retain our FY24/FY25 EPS estimates.
- GCPL has seen improved sales growth in its India business in recent years. It has delivered industry-leading volume growth in the India business over 9MFY24, and it is likely to record a double-digit EPS growth over FY24-26E. The implementation of disruptive innovations, the introduction of access packs, expansion into new growth categories and increased advertising expenditure are anticipated to contribute to a consistently robust growth trajectory in this high-margin and high-ROCE domestic business.
- The company is consistently working toward expanding TAM for the India business, along with product innovation to drive frequency. Besides, there has been a consistent effort to fix the gaps in profitability/growth for its international business. **We reiterate our BUY rating with a TP of INR1,700 (based on 60x Jun'26E EPS, earlier 55x).**

Quarterly Performance (Consolidated)											(INR b)	
Y/E March	FY24				FY25E				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	(%)	
Domestic volume Growth (%)	10	4	5	9	8	7	7	7	7	7	8	
Net Sales (including OOI)	34.5	36.0	36.6	33.9	33.3	37.1	40.1	39.0	141.0	149.7	36.3	-8.1
YoY change (%)	10.4	6.2	1.7	5.8	-3.4	2.9	9.7	15.1	5.9	6.2	5.1	
Gross Profit	18.5	19.8	20.5	19.0	18.6	20.9	22.8	21.7	77.8	84.0	19.8	-6.0
Margin (%)	53.7	54.9	55.9	56.1	55.9	56.3	56.7	55.8	55.2	56.1	54.6	
EBITDA	6.8	7.2	9.0	7.6	7.3	8.1	9.9	8.8	30.7	34.1	7.9	-7.8
Margins (%)	19.8	20.1	24.7	22.5	21.8	21.9	24.7	22.6	21.8	22.8	21.7	
YoY growth (%)	28.0	26.0	17.9	14.4	6.5	12.1	9.5	16.1	20.9	11.1	15.5	
Depreciation	0.8	0.6	0.5	0.5	0.5	0.6	0.6	0.6	2.4	2.2	0.7	
Interest	0.7	0.8	0.7	0.8	0.9	0.9	0.8	0.8	3.0	3.4	0.7	
Other Income	0.7	0.7	0.7	0.6	0.8	0.8	0.8	0.9	2.7	3.3	0.7	
PBT	5.6	6.3	7.9	6.9	6.6	7.5	9.3	8.3	26.8	31.8	7.2	-7.7
Tax	1.6	1.9	2.0	2.1	1.9	2.3	2.8	1.9	7.6	8.9	2.2	
Rate (%)	28.7	29.5	25.6	30.2	29.1	30.0	30.0	23.1	28.4	28.0	30.0	
Adj PAT	3.7	4.4	5.9	5.7	4.6	5.3	6.5	6.4	19.8	22.9	5.0	-7.7
YoY change (%)	7.7	17.2	6.0	22.6	24.6	19.0	11.5	11.0	13.2	15.8	35.0	
Reported PAT	3.2	4.3	5.8	-18.9	4.5	5.3	6.5	6.4	-5.6	22.9	5.0	-10.5

E: MOFSL Estimate

BSE SENSEX	S&P CNX
79,468	24,298

CMP: INR624**Buy****Novelis 1QFY25: Decent performance**

- Shipments volume stood at 951kt (+8% YoY/flat QoQ), in line with our estimate of 954kt. The growth was primarily led by normalized demand for beverage packaging sheet, which was affected by inventory reduction by customers.
- Revenue stood at USD4.2b (+2% YoY/+3% QoQ) vs. our estimate of USD4.4b, mainly driven by higher average aluminum prices and higher total shipments.
- Adj. EBITDA stood at USD500m (+19% YoY/-3% QoQ), in line with our estimate. This improvement was primarily driven by higher volume and favorable product pricing, which got partially offset by a less favorable product mix and higher costs.
- EBITDA/t came in at USD526/t, in line with our estimate of USD525/t.
- APAT stood at USD237m (+43% YoY/-3% QoQ), higher than our est. of USD207m, led by lower-than-expected depreciation and interest charges.
- The company reported an exceptional item of USD86mn, which includes initial charges associated with flooding at Sierre plant in Switzerland in Jun'24, as well as higher restructuring and unfavorable metal price lag.
- Capex stood at USD348m, primarily attributed to strategic investments in new rolling and recycling capacity under construction.
- Novelis has a strong liquidity position of USD2.2b, with cash & cash equivalents of ~USD886m. Net debt stands at USD4.6b, with a net debt-to-adj. EBITDA ratio of 2.4x.

Key highlights from the management commentary**Operating performance outlook**

- Heavy rainfall led to flooding in Sierre and Valais regions in Switzerland, which affected operations at Novelis's Sierre plant.
- The management indicated that the cleaning and restoration work is underway and the plant is expected to restart production by 2Q end.
- The company expects net impact of USD30m to adj. EBITDA, of which the majority will occur in 2Q.
- The management reiterated its near-term EBITDA/t target of USD525 with the help of various operating levers: 1) capacity expansion, 2) favorable pricing, 3) Higher recycle content, and 4) operating leverage. In the long run, EBITDA/t is expected to reach USD600/t with the commissioning of the recycling projects and new capacities.
- The company currently utilizes ~65% of recycled content and targets to clock 75% by the end of the decade.

Bay Minette capex:

- Bay Minette expansion is on track and the management expects to commission it in 2QCY26.
- The management fully contracted the beverage packing facility at Bay Minette. Out of the total supply, 2/3rd will be for beverage packaging and the rest for automotive industry.
- The capacity would take about 18 to 24 months to fully ramp up to peak utilizations.
- Capex budget of ~USD4.1b for 600kt capacity is unlikely to be revised upward.

Guthrie capex:

- Guthrie expansion is the second largest capex undertaken by Novelis in North America and the project is progressing as per timelines within the set budget.
- A new automotive recycling and casting center was commissioned in 1Q, which will focus on the recycling of pre- and post-consumer auto scrap. With the fully ramped up capacity, the management expects annual casting capacity of 240kt.
- The increase in recycling content as a part of production will help to improve margins for Novelis going forward, along with a reduction in carbon emissions.
- With the commissioning of Guthrie facility, the management foresees further increase in recycling content, leading to margin accretion. The management aims to reach +75% by the end of the decade.

Demand Outlook:

- The company expects 4% growth in the aluminum FRP market.
- Supply chain inventory reduction is now a thing of the past for beverage packaging demand. Growing signals seen in the beverage can market globally.
- Cautiously positive outlook on beverage packaging demand in Europe and Asia.
- Europe and Asia see demand slow down on EV battery foils.
- Chinese imports are rising since there is less supply in America. Bay Minette is being set up to capture the market share and become a domestic supplier for consumers.

Other Highlights:

- Capex guidance for FY25 will be in the range of USD1.8-2.1b and about 60-65% of the capex would go for the Bay Minette plant. Overall ~USD3.4b capex outflow is expected over FY25-26E.
- Novelis IPO: The project has not been cancelled but postponed. Currently, no timing is announced for the same.
- Expects net debt to go up this year due to capex commitments. However, the threshold remains at 3x for Net Debt/EBITDA.

Quarterly Performance (Novelis)

USD m

Y/E March	FY24				FY25	FY24	FY25E	FY25E 1QE	vs Est (%)
	1Q	2Q	3Q	4Q	1Q				
Sales (000 tons)	879	933	910	951	951	3,673	3,920	954	0
Change (YoY %)	-8.6	-5.2	0.2	1.6	8.2	-3.1	6.7		
Change (QoQ %)	-6.1	6.1	-2.5	4.5	0.0	0.0	0.0		
Net Sales	4,091	4,107	3,935	4,077	4,187	16,210	17,876	4,420	-5
Change (YoY %)	-19.6	-14.4	-6.3	-7.3	2.3	-12.3	10.3		
Change (QoQ %)	-7.0	0.4	-4.2	3.6	2.7	0.0	0.0		
EBITDA (adjusted)	421	484	454	514	500	1,873	2,080	501	0
Change (YoY %)	-25.0	-4.3	33.1	27.5	18.8	3.4	11.0		
Change (QoQ %)	4.5	15.0	-6.2	13.2	-2.7	0.0	0.0		
EBITDA per ton (USD)	479	519	499	540	526	510	530	525	0
Interest	70	74	67	64	64	275	265		
Depreciation	131	136	139	148	140	554	603		
PBT (before EO item)	220	274	248	302	296	1,044	1,212		
Extra-ordinary Income	(10)	(66)	(73)	(77)	(86)	(226)	-		
PBT (after EO item)	210	208	175	225	210	818	1,212		
Total Tax	54	51	54	59	60	218	339		
% Tax	25.7	24.5	30.9	26.2	28.6	26.7	28.0		
Reported PAT (after MI)	156	157	121	166	151	600	873		
Change (YoY %)	-49	-14	908	6	-3	-9	45		
Adjusted PAT	166	223	194	243	237	826	873	207	14
Change (YoY %)	-40.5	-9.3	33.8	23.4	42.8	-4.7	5.7		
Change (QoQ %)	-15.7	34.3	-13.0	25.3	-2.5	0.0	0.0		

E: MOFSL Estimates

Volumes -Rolled products (in kt)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
North America	363	370	390	362	391	388
Europe	248	250	256	230	246	263
Asia	187	176	175	176	183	194
South America	144	119	144	176	164	154
Elimination	-6	-36	-32	-34	-33	-48
Total Third Party Shipments	936	879	933	910	951	951
Adj. EBITDA (USD m)						
North America	131	166	208	165	210	183
Europe	91	88	100	59	74	90
Asia	72	87	82	81	84	92
South America	115	84	93	150	145	132
Adj. EBITDA per ton (USD)						
North America	361	449	533	456	537	472
Europe	367	352	391	257	301	342
Asia	385	494	469	460	459	474
South America	799	706	646	852	884	857



Cummins India

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR3,749 TP: INR4,300 (+15%) Buy

Demand remains strong across segments

Cummins India (KKC)'s 1QFY25 results exceeded our and consensus estimates, with 4%/37%/33% YoY growth in revenue/EBITDA/PAT. Revenue growth was driven by strong growth in the industrial and distribution segments, while powergen and exports remained weak. EBITDA margin expanded to 20.3%, driven by improved gross margin and consistent cost reductions. The decline in powergen revenue was in line with our estimate; however, industrial and distribution segments outperformed our estimates. Export markets too appear to have bottomed out with a sequential recovery seen during 1QFY25. We continue to maintain our positive stance on Cummins, led by: 1) its strong market positioning across all segments, 2) positive underlying demand drivers, 3) the ability to sustain margins at higher levels, and 4) the ability to benefit from the fast-growing data center market. We maintain our estimates and reiterate BUY on the stock with a TP of INR4,300.

Beat across all parameters

Cummins reported a better-than-expected performance in 1QFY25, with revenue/EBITDA/PAT growth of 4%/37%/33% YoY. The company's revenue was 11% ahead of our estimates. The strong EBITDA margin trajectory is maintained with margins at 20.3%, witnessing a jump of nearly 490 bps YoY. This was driven by 520bp gross margin improvement. We had estimated an EBITDA margin of 19.9% for the quarter. This resulted in a PAT outperformance too at INR4.2b. Domestic sales grew 12% YoY, while exports declined 22% YoY.

Demand remains positive for powergen, with near-term caution on transition

KKC is positive on the long-term demand scenario for the powergen market, as it continued to benefit from the power deficit situation in the country and increasing demand for backup power. Several segments, such as manufacturing, data center, infrastructure, and commercial realty continued to provide support to demand. The decline in powergen segment's revenue in 1Q was due to the high base of last year because of pre-buying. During the quarter, CPCB 4+ contributed nearly 30-40% of powergen sales. With channel inventory of CPCB 2 nearly over, KKC can benefit from its wide range of product portfolio in the CPCB 4+ market, which is in effect from 1st Jul'24. KKC has an edge over other smaller players in the LHP category in terms of technology, offerings, and distribution network. It is already a leader in the HHP category, where demand is improving from the fast-growing data center market. We expect 2QFY25 to be a little sluggish in demand on account of the transition to CPCB 4+, while we anticipate the genset market to stabilize from 3QFY25.

Bloomberg	KKC IN
Equity Shares (m)	277
M.Cap.(INRb)/(USDb)	1039.1 / 12.4
52-Week Range (INR)	4172 / 1590
1, 6, 12 Rel. Per (%)	-9/45/90
12M Avg Val (INR M)	2157

Financials Snapshot (INR b)

Y/E Mar	2025E	2026E	2027E
Net sales	106.6	126.3	147.8
EBITDA	21.8	25.9	30.3
Adj. PAT	20.6	24.7	29.2
EPS (INR)	74.2	89.0	105.5
EPS Gr. (%)	23.7	19.9	18.5
BV/Sh. (INR)	251.4	286.2	327.6

Ratios

RoE (%)	31.3	33.1	34.4
RoCE (%)	29.6	31.3	32.5

Valuations

P/E (x)	50.4	42.0	35.4
P/BV (x)	14.9	13.1	11.4
EV/EBITDA (x)	46.7	39.2	33.2
Div Yield (%)	1.1	1.3	1.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.0	51.0	51.0
DII	22.4	23.0	24.0
FII	18.0	17.4	14.4
Others	8.7	8.6	10.7

FII Includes depository receipts

Strong growth in the industrial segment driven by improved construction activities

The industrial segment has continued its growth momentum and saw a sharp growth of 55% YoY during 1QFY25. This was fueled by growth seen in all key segments such as construction, railways, mining, marine, and defense. Demand continues to remain strong for these segments. Growth in the construction segment is linked to road infrastructure, the railways segment is linked to improved traction of new products introduced by the company, and the mining segment is linked to overall growth in metals and mining sector. Defense is a long gestation segment but is witnessing strong demand.

Distribution segment has the potential to continue growing at a fast pace

The distribution segment reported a growth of 23% YoY, led by higher demand for services, spare parts, warranty, and AMCs. This segment reported a CAGR of nearly 25% over FY21-24, and the company expects a similar growth trajectory to continue for nearly a decade. This is because KKC is gaining from improved penetration across Tier 2 and Tier 3 cities, better services, and better quality. We expect it to gain further on the demand for CPCB 4+ related services, which would start getting reflected after two years. We expect the distribution segment to continue reporting 25% CAGR over FY24-27.

Exports started recovering sequentially

Export revenues, though down 22% YoY, were up 13% YoY. Sequential improvement in exports has come from geographies like the Middle East and Africa, while other regions such as Europe, South East Asia, and Latin America stood largely at the same levels of 4QFY24. Export markets are currently struggling with low demand in key countries and thereby witnessing dumping in the select markets. KKC is trying to position its products well in each market so as to capitalize as and when demand recovers. We expect export revenues of INR17.4b/INR19.6b/INR22.1b for FY25/FY26/FY27.

Financial outlook

We maintain our estimates and expect revenue/PAT CAGR of 18%/21% over FY24-27. We maintain our margin estimates of 20.4%/20.5%/20.5% for FY25/26/27. Our estimates factor in a gross margin of 35.6% vs. 37.8% in 1QFY25, as we expect some part of the benefit of low-cost RM inventory to wane with the increase in commodity prices of late, particularly copper and aluminum.

Valuation and view

The stock is currently trading at 42x/35x on FY26/27E EPS. We maintain our target price of INR4,300 on KKC based on 45x Jun'26E EPS. **Reiterate BUY.**

Key risks and concerns

Key risks to our recommendation would come from lower than expected demand for key segments, higher commodity prices, increased competitive intensity, and a lower-than-expected recovery in exports.

Cummins India

Quarterly Earnings Model

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	22,087	18,997	25,341	23,162	23,042	22,388	29,850	31,328	89,586	1,06,607	20,788	11
YoY Change (%)	31.0	-2.6	16.2	20.3	4.3	17.8	17.8	35.3	15.7	19.0	-5.9	
Total Expenditure	18,681	15,611	19,961	17,719	18,369	17,934	23,644	24,872	71,972	84,818	16,653	
EBITDA	3,406	3,386	5,379	5,443	4,673	4,453	6,206	6,456	17,614	21,789	4,135	13
Margins (%)	15.4	17.8	21.2	23.5	20.3	19.9	20.8	20.6	19.7	20.4	19.9	
Depreciation	358	379	419	420	439	387	396	403	1,576	1,625	378	16
Interest	77	67	63	62	48	70	72	105	268	295	69	(31)
Other Income	1,175	1,322	1,136	2,045	1,322	1,378	1,411	1,675	5,678	5,786	1,345	(2)
PBT before EO expense	4,146	4,263	6,034	7,006	5,509	5,374	7,149	7,623	21,448	25,656	5,034	9
Extra-Ord expense			17						17	0		
PBT	4,146	4,263	6,017	7,006	5,509	5,374	7,149	7,623	21,431	25,656	5,034	9
Tax	989	978	1,467	1,390	1,311	1,292	1,719	1,847	4,824	6,170	1,211	
Rate (%)												
Reported PAT	3,157	3,285	4,549	5,615	4,198	4,082	5,430	5,776	16,606	19,486	3,824	10
Adj PAT	3,157	3,285	4,562	5,615	4,198	4,082	5,430	5,776	16,619	19,486	3,824	10
YoY Change (%)	50.6	30.2	26.7	76.3	33.0	24.2	19.0	2.9	45.7	17.2	21.1	
Margins (%)	14.3	17.3	18.0	24.2	18.2	18.2	18.2	18.4	18.6	18.3	18.4	

INR m	FY24				FY25E				FY24	FY25E	YoY (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Segmental revenue											
Powergen	8,700	4,860	10,730	9,420	8,030	8,030	12,149	15,181	33,710	43,391	28.7
Industrial	2,400	3,000	4,104	3,480	3,720	3,388	3,764	4,065	12,984	14,937	15.0
Distribution	5,300	5,490	6,620	6,040	6,510	6,753	7,812	8,238	23,450	29,313	25.0
Exports	5,000	5,070	3,250	3,440	3,890	4,046	4,531	4,980	16,760	17,446	4.1
Other	346	295	314	305	470	7	9	-454	1,260	32	-97.5
Total	21,746	18,715	25,018	22,685	22,620	22,223	28,265	32,010	88,164	1,05,119	19.2



Shree Cement

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR25,099 TP: INR27,500 (+10%) Neutral

Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USDb)	905.6 / 10.8
52-Week Range (INR)	30738 / 23432
1, 6, 12 Rel. Per (%)	-9/-22/-20
12M Avg Val (INR M)	966

Financial Snapshot (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	199.6	222.2	245.5
EBITDA	43.4	51.6	58.7
Adj. PAT	18.4	19.1	22.6
EBITDA Margin (%)	21.7	23.2	23.9
Cons. Adj. EPS (INR)	509	529	626
EPS Gr. (%)	-25.5	3.8	18.4
BV/Sh. (INR)	6,039	6,418	6,864

Ratios

Net D:E	-0.2	-0.2	-0.1
RoE (%)	8.7	8.5	9.4
RoCE (%)	8.8	8.6	9.5
Payout (%)	23.6	28.4	28.8

Valuations

P/E (x)	49.3	47.5	40.1
P/BV (x)	4.2	3.9	3.7
EV/EBITDA(x)	19.1	16.2	14.5
EV/ton (USD)	178	155	137
Div. Yield (%)	0.5	0.6	0.7
FCF Yield (%)	-0.9	-0.7	-0.7

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	62.6	62.6	62.6
DII	13.0	12.3	12.0
FII	11.9	12.5	12.6
Others	12.6	12.6	12.8

FII Includes depository receipts

Subdued performance as geo-mix change hurts

Expects volume growth to be in line with the industry in FY25

- Shree Cement (SRCM)'s 1QFY25 EBITDA was significantly below our estimate, primarily due to a lower-than-estimated realization (6% miss). EBITDA was down 2% YoY to INR9.2b (est. INR11.8b) and EBITDA/t stood at INR951 (est. INR1,239). OPM was flat at 19% (est. 23%). PAT declined 45% YoY to INR3.2b (est. INR5.4b).
- Management indicated that cement demand would remain weak until CY24-end and expects a full recovery from 4QFY25. SRCM expects volume growth to be in line with the industry in FY25. Further, pricing is a function of demand, and if demand remains weak, prices will weaken. The company is currently working on the 15.4mtpa grinding capacity addition at various locations, to be commissioned in phases until FY26-end.
- We cut our EBITDA estimates by 12%/5% for FY25/26. The stock is currently trading at 19x/17x FY25E/FY26E EV/EBITDA. **Reiterate Neutral with a revised TP of INR27,500.**

Volumes rise 8% YoY; cement realization down 6% YoY

- Standalone revenue/EBITDA/PAT stood at INR48.3b/INR9.2b/INR3.2b (down 3%/2%/45% YoY and down 5%/23%/42% vs. our estimate) in 1QFY25. Sales volumes grew 8% YoY to 9.53mt. Cement realization declined ~6% YoY (~5% QoQ) to INR4,469/t.
- Opex/t declined 10% YoY (in line) in 1QFY25. Variable/freight costs per ton dipped 20%/3% YoY, while other expenses/t increased 5% YoY. OPM was flat YoY at ~18% and EBITDA/t declined 9% YoY to INR951.
- Depreciation rose 108% YoY due to the commissioning of a new plant in 1HCY24. Interest costs declined 24% YoY and 'other income' was down 17% YoY. ETR was ~9.0% (est. 25.5%) during the quarter.

Highlights from the management commentary

- The company's overall volumes grew ~8% YoY, led by ~15% YoY growth in the East, and ~7% YoY growth in the North, while volumes in the South declined ~5% YoY (up 11% QoQ in the East, down 3% QoQ in the North, and down 4% QoQ in the South).
- Average fuel consumption cost/kcal stood at INR1.76 vs. INR1.82 in 4QFY24. The share of green power stood at ~54% in 1QFY25 vs. 56% in 4QFY24. Lead distance increased 21km QoQ in 1QFY25 due to the change in geo-mix, which led to a sequential increase in freight cost/t.
- It retains a capex guidance of INR40b annually for the next three years. It plans to setup 100 concrete plants in the next five years, in 50+ cities.

Valuation and view

- SRCM posted an underwhelming performance in 1Q with a higher decline in realization (down 6% QoQ vs. ~2-3% decline for peers; 6% below our estimate). However, the cost was in line with our estimates. Management indicated that cement demand will remain weak until CY24-end, which will also adversely impact prices.

■ We continue to believe most of the company's expansions focus on existing markets (North, East, and part of South), while a large part of Central India and West will remain untapped until FY27E. We estimate revenue/EBITDA CAGR of 9%/10% over FY24-27. The stock is currently trading at 19x/17x FY25E/FY26E EV/EBITDA. **We reiterate our Neutral rating with a revised TP of INR27,500 (earlier INR30,300).**

Standalone quarterly performance

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		(%)
Net Sales	49.7	45.8	49.0	50.7	48.3	44.3	52.2	54.7	195.3	199.6	50.7	-5
YoY Change (%)	18.3	21.3	20.4	6.0	-2.7	-3.3	6.4	7.9	16.0	2.2	1.4	
Total Expenditure	40.4	37.1	36.7	37.5	39.2	36.6	39.9	40.4	151.7	156.2	38.9	1
EBITDA	9.3	8.7	12.3	13.3	9.2	7.7	12.2	14.3	43.6	43.4	11.8	-23
Margin (%)	18.8	19.0	25.2	26.2	19.0	17.4	23.5	26.1	22.3	21.7	23.3	
Depreciation	3.1	3.3	3.5	6.3	6.4	5.6	5.6	5.9	16.1	23.5	5.2	24
Interest	0.8	0.7	0.6	0.6	0.6	0.6	0.5	0.5	2.6	2.2	0.6	-5
Other Income	1.6	1.3	1.4	1.4	1.3	1.3	1.4	1.4	5.6	5.4	1.3	6
PBT before EO Exp.	7.1	6.0	9.7	7.7	3.5	2.7	7.5	9.2	30.5	23.0	7.3	-52
Extra-Ord. Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	7.1	6.0	9.7	7.7	3.5	2.7	7.5	9.2	30.5	23.0	7.3	-52
Tax	1.3	1.1	2.3	1.1	0.3	0.6	1.6	2.0	5.8	4.6	1.9	
Rate (%)	18.2	17.6	24.0	14.3	9.4	22.0	22.0	21.8	19.0	20.0	25.5	
Reported PAT	5.8	4.9	7.3	6.6	3.2	2.1	5.8	7.2	24.7	18.4	5.4	-42
Tax adjustment prior period	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. PAT	5.8	4.9	7.3	6.6	3.2	2.1	5.8	7.2	24.7	18.4	5.4	-42
YoY Change (%)	84.2	159.1	165.3	68.8	-45.3	-56.7	-20.4	9.3	110.3	-25.5	-6.4	

Quarterly performance

Sales Dispat. (mt)	8.92	8.20	8.89	9.53	9.64	8.87	9.89	10.30	35.53	38.70	9.55	1
YoY Change (%)	18.8	9.9	10.7	8.0	8.1	8.2	11.2	8.1	11.7	8.9	7.1	
Realization	5,575	5,594	5,513	5,323	5,015	5,000	5,275	5,314	5,496	5,158	5,308	-6
YoY Change (%)	-0.5	10.3	8.8	-1.8	-10.0	-10.6	-4.3	-0.2	3.9	-6.2	-5.3	
Expenditure												
RM Cost	638	556	494	372	422	460	510	585	512	496	464	-9
Staff Cost	263	285	264	247	254	287	262	256	264	264	255	-0
Power and Fuel	1,700	1,671	1,393	1,498	1,458	1,430	1,320	1,258	1,562	1,363	1,500	-3
Freight	1,192	1,160	1,095	1,097	1,157	1,135	1,145	1,129	1,135	1,141	1,100	5
Other Expenses	735	861	880	717	775	820	800	732	795	780	750	3
Total Op. cost	4,529	4,533	4,125	3,930	4,065	4,132	4,037	3,960	4,268	4,045	4,069	-0
EBITDA	1,046	1,062	1,388	1,393	951	868	1,237	1,354	1,228	1,112	1,239	-23

Source: Company, MOFSL Estimates



Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BOS IN
Equity Shares (m)	29
M.Cap.(INRb)/(USDb)	956.5 / 11.4
52-Week Range (INR)	36678 / 17925
1, 6, 12 Rel. Per (%)	-7/18/54
12M Avg Val (INR M)	1054

Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Sales	167.3	178.4	203.4
EBITDA	20.9	23.4	28.0
Adj. PAT	18.3	21.7	25.7
EPS (INR)	620.5	736.5	872.0
EPS Gr. (%)	28.5	18.7	18.4
BV/Sh. (INR)	4,091	4,467	4,919

Ratios

RoE (%)	15.9	17.2	18.6
RoCE (%)	20.6	21.8	23.6
Payout (%)	44.4	48.9	48.2

Valuations

P/E (x)	52.2	44.0	37.2
P/BV (x)	7.9	7.3	6.6
Div. Yield (%)	1.2	1.1	1.3
FCF Yield (%)	1.0	1.1	1.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	70.5	70.5	70.5
DII	15.8	17.2	16.7
FII	6.0	4.1	3.9
Others	7.7	8.2	8.9

FII Includes depository receipts

CMP:INR32,431 TP: INR29,540 (-9%) Neutral

Weak results; higher imports continue to hurt margins

Power Tools business: India now a regional hub for SAARC

- Bosch's (BOS) 1QFY25 performance was weak as EBITDA/PAT came in lower than expected at INR5.2b/INR4.7b (est. INR5.99b/INR5.4b), due to a higher import mix and other expenses (warranty provision). While the management focuses on boosting localization in the long term, it expects a rise in imports in the interim due to the transition to common rail systems.
- We cut our FY25E/26E EPS by ~8%/7% to reflect moderate demand in underlying industries and higher operating expenses. At ~44x/37.2x FY25E/FY26E EPS, the stock appears fairly valued. **We reiterate our Neutral stance on the stock with a TP of INR29,540 (based on ~32x Jun'26E EPS).**

Weak operating performance

- Revenue/EBITDA/adj. PAT rose 4%/11%/14% YoY to INR43.2b/INR5.2b/INR4.7b in 1QFY25 (est. INR44.1b/INR5.99b/INR5.4b).
- Mobility business grew 4% YoY, driven by growth in mobility aftermarket (8% YoY), power solutions (2% YoY) and 2W segment (14.6% YoY).
- Consumer goods segment grew ~5% YoY, while the building technologies business grew 19% YoY.
- Gross margins largely remained flat YoY (+90bp QoQ) at 35.4% (est. 35.8%), led by a higher import mix.
- However, higher other expenses sequentially (+290bp as % of sales) restricted EBITDA margin to 12% (+70bp YoY/-120bp QoQ; est.13.6%).
- Other expenses include one-offs related to forex loss and a provision for warranty.

Highlights from the management commentary

- **Domestic demand outlook:** BOS expects overall positive growth across segments in FY25. The anticipated slowdown in 1QFY25, primarily caused by the elections, aligns with its forecast for this period.
- In Apr'24, Bosch inaugurated a second production line for lambda sensors to support BS6 OBD Stage 2 regulation, effective Apr'25 for 2Ws. BOS started production of lambda sensors with an initial capacity of 1.2m pieces p.a. in Apr'22, which will now ramp up to over 8m pieces by 2025.
- In power tools, India is now one of five independent regional bases of Bosch Power Tools (globally), covering India, Sri Lanka, Bangladesh, Nepal, Bhutan, and the Maldives (SARC). BOS will focus on cordless tools, handling sales and exports from the Chennai plant to these regions. The rationale for setting up a regional base in India is the similarities in market demand and proximity to these regions from India.
- As it moves from conventional products to common rail systems, BOS anticipates increased imports in the interim until it scales up to justify the localization of these systems.

Valuation and view

- While the management focuses on boosting localization in the long term, BOS anticipates a rise in imports over the next four years due to the transition to common rail systems. This will restrict any significant recovery in EBITDA margin.
- Given the weak 1Q, we lower our earnings estimates by 8%/7% for FY25/FY26. While BOS is outperforming the underlying auto industry growth with new order wins, visibility for margin recovering to 15-16% is low. At ~44x/37.2x FY25E/FY26E EPS, the stock appears fairly valued. **Hence, we reiterate our Neutral rating with a TP of INR29,540 (premised on 32x June26E EPS).**

Quarterly performance (S/A)

(INR Million)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Net Sales	41,584	41,301	42,052	42,334	43,168	43,779	45,416	46,019	1,67,271	1,78,382	44,079
YoY Change (%)	17.3	12.8	14.9	4.2	3.8	6.0	8.0	8.7	12.0	6.6	6.0
RM Cost (% of sales)	64.5	66.8	62.3	65.5	64.6	63.0	63.5	64.1	64.8	63.8	64.2
Staff Cost (% of sales)	7.4	8.1	7.9	8.5	7.8	8.0	8.1	8.2	8.0	8.0	7.7
Other Expenses (% of sales)	17.9	13.2	16.0	12.8	15.7	15.5	14.8	14.3	14.7	15.0	14.5
EBITDA	4,679	4,913	5,784	5,572	5,197	5,890	6,178	6,147	20,948	23,412	5,985
Margins (%)	11.3	11.9	13.8	13.2	12.0	13.5	13.6	13.4	12.5	13.1	13.6
Depreciation	921	1,013	1,173	1,188	856	1,050	1,190	1,109	4,295	4,205	1,000
Interest	308	122	39	39	26	35	30	29	508	120	80
Other Income	1,875	1,542	1,548	2,262	1,793	2,050	2,200	2,362	7,227	8,405	1,950
PBT before EO expense	5,325	5,320	6,120	6,607	6,108	6,855	7,158	7,371	23,372	27,492	6,855
Extra-Ord expense	0	-7,850	-588	0	0	0	0	0	-8,438	0	0
PBT after EO Expense	5,325	13,170	6,708	6,607	6,108	6,855	7,158	7,371	31,810	27,492	6,855
Tax	1,235	3,181	1,527	962	1,453	1,439	1,503	1,378	6,905	5,773	1,440
Tax Rate (%)	23.2	24.2	22.8	14.6	23.8	21.0	21.0	18.7	21.7	21.0	21.0
Reported PAT	4,090	9,989	5,181	5,645	4,655	5,415	5,655	5,994	24,905	21,719	5,416
Adj PAT	4,090	3,843	4,721	5,645	4,655	5,415	5,655	5,994	18,058	21,719	5,416
YoY Change (%)	22.4	3.2	48.0	41.5	13.8	40.9	19.8	6.2	26.8	20.3	32.4

E: MOFSL Estimates

Segmental Mix (INR m)

	FY24				FY25		FY24
	1Q	2Q	3Q	4Q	1Q		
Auto	36,232	35,708	36,522	35,114	37,418		1,43,576
Growth (%)	16.5	13.3	12.7	2.8	3.3		11.2
PBIT margin (%)	10.9	12.5	14.2	13.9	13.8		12.9
Contribution (%)	87.1	86.5	86.8	82.9	86.7		85.8
Non-Auto	5,424	5,634	5,764	7,256	5,814		24,078
Growth (%)	23.6	7.6	29.1	8.6	7.2		15.8
PBIT margin (%)	16.4	9.3	13.5	11.4	7.9		12.5
Contribution (%)	13.0	13.6	13.7	17.1	13.5		14.4
a) Consumer goods	3,754	3,897	3,336	5,237	3,939		16,224
Growth (%)	17.8	10.5	31.0	10.1	4.9		15.6
PBIT margin (%)	15.5	7.2	11.7	11.5	3.1		11.4
b) Others	1,670	1,737	2,428	2,019	1,875		7,854.0
Growth (%)	39.2	1.6	26.7	4.8	12.3		16.3
PBIT margin (%)	18.3	14.0	16.1	11.2	18.0		14.8
Total Revenue (post inter segment)	41,584	41,301	42,052	42,334	43,168		1,67,271
Growth (%)	17.3	12.8	14.9	4.2	3.8		12.0

E: MOFSL Estimates



Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR1,993 TP: INR2,050 (+3%) Neutral

Strong beat; US/India drive earnings

Maintains high-single digit YoY growth guidance for US generics (FY25)

- LPC delivered a strong earnings beat in 1QFY25, led by a superior show in key markets (US/India), lower R&D spending and a low tax rate. LPC posted the highest quarterly EBITDA margin in five years.
- We raise our earnings estimates by 17% each for FY25/FY26, factoring in a) a niche product pipeline for US generics market, b) improved traction in API segment, c) benefits from PLI scheme, d) reduced prices of Pen-G, and e) low ETR. We value LPC at 28x 12M forward earnings to arrive at a TP of INR2,050.
- LPC is expected to sustain strong earnings growth momentum in FY25/FY26 after a turnaround in FY24. LPC has seen improved traction across its key markets, resulting in better operating leverage. It continues to invest in ANDA pipeline, comprising injectables, inhalation and biosimilars. Accordingly, we estimate a 30% earnings CAGR over FY24-26. The current valuation adequately factors in the earnings upside. Maintain Neutral.

Product mix/operating leverage boost margins

- Revenue grew 21.5% YoY to INR56b. (our est. INR50b). US sales grew 28.3% YoY to INR20.4b (up 25% YoY in CC to USD227m; 37% of sales). DF sales grew 17.5% YoY to INR19.3b (35% of sales). EMEA sales grew 26.2% YoY to INR5b (9% of sales). Growth Market sales grew 26.7% YoY to INR5.2b (9% of sales). API sales grew 7.4% YoY to INR3.6b (7% of sales). ROW sales were stable YoY to INR1.7b (3% of sales).
- Gross margin (GM) expanded 450bp YoY to 68.8% due to a better product mix.
- EBITDA margin expanded 10% YoY to 24.3%, largely due to better GM, aided by reduced employee costs/R&D expenses/other expenses (-100bp/-170bp/-300bp YoY as a % of sales).
- As a result, EBITDA doubled YoY to INR13.6b (vs. our est. of INR9.7b).
- Adjusting for provision of Glumetza case of INR751m and forex loss of INR454m, adj. PAT jumped 3.1x YoY to INR9.0b (our est: INR5.0b).

Highlights from the management commentary

- LPC expects high-single digit YoY growth in US generics segment for FY25. This guidance excludes Mirabegron (50mg), given the pending litigation outcome.
- FY26 growth prospect is also expected to be robust in US generics given the products like g-tolvaptan and other niche products.
- LPC completed phase III clinical trial for biosimilar Lucentis (Ranibizumab).
- R&D spending will be INR18b for FY25.
- The potential launches for FY25 are Doxycycline, g Pred Forte, Doxorubicin HCL and couple of ophthalmic products.
- LPC continues to address regulatory issues related to g-Dulera.

Bloomberg	LPC IN
Equity Shares (m)	456
M.Cap.(INRb)/(USD\$)	909.5 / 10.8
52-Week Range (INR)	2030 / 1044
1, 6, 12 Rel. Per (%)	13/14/60
12M Avg Val (INR M)	1896

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	198.1	218.3	244.2
EBITDA	35.9	45.8	53.0
Adj. PAT	18.9	26.9	31.8
EBIT Margin (%)	13.1	16.3	17.4
Cons. Adj. EPS (INR)	41.5	59.2	69.9
EPS Gr. (%)	382.6	42.4	18.2
BV/Sh. (INR)	314.4	368.5	435.5

Ratios

Net D:E	0.1	0.0	-0.1
RoE (%)	14.1	17.3	17.4
RoCE (%)	12.6	15.9	16.5
Payout (%)	6.9	5.1	4.2

Valuations

P/E (x)	48.0	33.7	28.5
EV/EBITDA (x)	25.6	19.7	16.5
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	2.6	2.5	3.3
EV/Sales (x)	4.6	4.1	3.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	47.0	47.0	47.1
DII	26.8	27.8	29.4
FII	19.3	18.3	13.9
Others	6.9	6.9	9.6

FII Includes depository receipts

Quarterly Performance (Consolidated)

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E 1QE	% Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	46,087	50,385	51,974	49,608	56,003	54,523	54,649	53,090	1,98,054	2,18,265	50,311	11.3
YoY Change (%)	23.1	21.5	20.2	12.0	21.5	8.2	5.1	7.0	19.0	10.2	9.2	
Total Expenditure	39,574	41,153	41,755	39,640	42,389	42,964	43,773	43,302	1,62,123	1,72,429	40,651	
EBITDA	6,513	9,232	10,220	9,968	13,614	11,559	10,875	9,788	35,932	45,836	9,660	40.9
YoY Change (%)	297.3	112.6	83.8	65.0	109.0	25.2	6.4	-1.8	104.4	27.6	48.3	
Margins (%)	14.1	18.3	19.7	20.1	24.3	21.2	19.9	18.4	18.1	21.0	19.2	
Depreciation	2,347	2,479	2,572	2,559	2,477	2,570	2,575	2,620	9,956	10,242	2,562	
EBIT	4,166	6,754	7,648	7,409	11,137	8,989	8,300	7,168	25,977	35,594	7,098	56.9
YoY Change (%)	LP	192.7	127.9	117.9	167.3	33.1	8.5	-3.3	196.0	37.0	70.4	
Margins (%)	9.0	13.4	14.7	14.9	19.9	16.5	15.2	13.5	13.1	16.3	14.1	
Interest	856	806	740	713	680	700	716	710	3,116	2,806	720	
Other Income	228	404	294	293	678	550	525	347	1,218	2,100	272	
EO Exp/(Inc)	-2,053	54	-160	2,012	1,204	0	0	0	-147	1,204	0	
PBT	5,591	6,298	7,361	4,977	9,930	8,839	8,109	6,805	24,227	33,683	6,650	49.3
Tax	1,055	1,344	1,174	1,295	1,875	1,945	1,946	1,910	4,867	7,675	1,563	
Rate (%)	18.9	21.3	15.9	26.0	18.9	22.0	24.0	28.1	20.1	22.8	23.5	
Minority Interest	-11	-57	-56	-88	-42	-22	-24	-9	-211	-97	-26	
Reported PAT	4,525	4,898	6,131	3,594	8,013	6,872	6,139	4,885	19,149	25,911	5,061	58.3
Adj PAT	2,855	4,940	5,997	5,083	8,990	6,872	6,139	4,886	18,875	26,887	5,061	77.6
YoY Change (%)	LP	319.9	256.1	95.0	214.9	39.1	2.4	-3.9	382.1	42.4	77.3	
Margins (%)	6.2	9.8	11.5	10.2	16.1	12.6	11.2	9.2	9.5	12.3	10.1	

E: MOFSL estimates

Key performance Indicators (Consolidated)

(INR m)

Y/E March	FY24E				FY25E				FY24	FY25E	FY25E 1QE
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
INRm											
Domestic formulations	16,384	16,915	17,251	16,015	19,259	18,776	18,804	17,713	66,564	74,552	17,203
YoY Change (%)	9.8	6.8	13.4	8.3	17.5	11.0	9.0	10.6	9.6	12.0	5.0
US formulations	15,905	18,666	18,885	19,006	20,408	20,331	20,059	20,302	72,462	79,534	18,028
YoY Change (%)	57.4	40.4	23.7	22.6	28.3	8.9	6.2	6.8	33.8	9.8	13.3
Europe	2,601	3,156	3,426	3,259	3,259	3,314	3,426	3,675	12,444	13,675	3,251
YoY Change (%)	34.3	46.2	61.7	26.6	25.3	5.0	0.0	12.8	37.9	9.9	25.0
ROW	7,108	7,971	8,458	8,090	8,595	8,579	8,722	9,658	31,626	35,553	8,132
YoY Change (%)	8.9	12.0	20.3	12.2	11.0	12.0	15.0	19.4	0.0	0.0	11.0
API	3,371	2,684	2,779	2,581	3,622	2,899	3,001	2,927	11,415	12,449	3,068
YoY Change (%)	32.1	7.4	(1.3)	(20.0)	7.4	8.0	8.0	13.4	2.9	9.1	(9.0)
Cost Break-up											
RM Cost (% of Sales)	35.6	33.8	33.2	31.7	31.2	32.0	32.2	31.9	34.2	32.2	31.9
Staff Cost (% of Sales)	18.3	17.1	17.1	18.1	17.3	17.8	17.6	18.5	18.0	18.0	18.1
R&D Expenses(% of Sales)	8.0	7.5	6.9	8.6	6.2	7.0	7.8	8.6	7.8	7.5	8.0
Other Cost (% of Sales)	24.0	23.3	23.2	21.5	21.0	22.0	22.5	22.6	23.4	22.3	22.8
Gross Margins(%)	64.4	66.2	66.8	68.3	68.8	68.0	67.8	68.1	65.8	67.8	68.1
EBITDA Margins(%)	14.1	18.3	19.7	20.1	24.3	21.2	19.9	18.4	18.1	21.0	19.2
EBIT Margins(%)	9.0	13.4	14.7	14.9	19.9	16.5	15.2	13.5	13.1	16.3	14.1

E: MOFSL Estimates



Aditya Birla Fashion and Retail

Estimate changes	↔
TP change	↔
Rating change	↔

CMP: INR323

TP: INR340 (+5%)

Neutral

Bloomberg	ABFRL IN
Equity Shares (m)	1015
M.Cap.(INRb)/(USDb)	327.9 / 3.9
52-Week Range (INR)	349 / 193
1, 6, 12 Rel. Per (%)	-1/12/38
12M Avg Val (INR M)	1453

Financials & Valuations (INR b)

INRb	FY24	FY25E	FY26E
Sales	140.0	157.1	180.2
EBITDA	14.5	17.5	21.1
Adj. PAT	-7.5	-6.9	-6.5
EBITDA Margin (%)	10.4	11.1	11.7
Adj. EPS (INR)	-7.4	-6.8	-6.4
EPS Gr. (%)	955.4	-7.8	-6.4
BV/Sh. (INR)	46.5	39.7	33.3

Ratios

Net D:E	0.6	0.7	0.8
RoE (%)	-18.6	-15.8	-17.4
RoCE (%)	0.3	0.3	1.5
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	NM	-47.4	-50.6
EV/EBITDA (x)	28.7	24.0	20.0
EV/Sales (x)	2.6	2.3	2.0
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	52.0	51.9	55.5
DII	14.5	14.8	16.9
FII	20.4	20.0	14.7
Others	13.1	13.4	13.0

FII Includes depository receipts

Impressive on the margin execution front

- Aditya Birla Fashion and Retail (ABFRL)'s consolidated EBITDA grew 23% YoY (12% beat), led by the Lifestyle/ABLFL others/Pantaloons segments, which saw 50bp/11pp/470bp expansion in EBITDAM. Revenue growth was fueled by new businesses. The net loss widened to INR2.1b (vs. loss of INR1.6b YoY).
- The rationalization of loss-making stores and the discontinuation of unprofitable channels in Madura turned out to be positive. However, continued investments in new businesses (Tasva and TMRW) could put pressure on earnings for the next few quarters. We estimate a CAGR of 13%/21% in revenue/EBITDA over FY24-26E. **Reiterate Neutral.**

ABLFL and Pantaloons drive profitability improvement

- ABFRL's consol. revenue grew 7% YoY (in line) to INR34.3b, led by all segments, except Lifestyle.
- ABLFL's revenue declined 5% YoY, while EBITDA rose 8% YoY as the non-Lifestyle segment turned profitable and the company focused on profitable channels in the Lifestyle segment.
- Demerged ABFRL's revenue/EBITDA rose 40%/65% YoY. Profitability growth was led by Pantaloons. Ethnics and TMRW continue to post higher losses.
- Gross profit grew 11% YoY to INR19.4b (in-line), and margin improved 180bp YoY to 55.8%.
- EBITDA increased 23% YoY (12% beat) to INR3.6b, with margin expanding to 10.5% (+130bp YoY) during the quarter.
- The expansion in margins was fueled by Lifestyle/Pantaloons/Reebok, which reported 50bp/470bp/11.5pp improvements in EBITDAM.
- The company continued to report a net loss. It reported INR2.1b loss (vs. loss of INR1.6b YoY) due to continued investments in Tasva/TMRW businesses.

Highlights from the management commentary

- Demand environment:** The consumption environment remained weak during the quarter. This was led by a subdued wedding season and prolonged heat waves. This impacted the overall footfall. The management anticipates an improved demand environment in the upcoming wedding and festive seasons.
- Pantaloons:** The management guided to open ~25 stores during the year. The majority of the stores will be backended (in 2HFY25). Pantaloons will focus on metro and Tier 1-2 cities, while Styleup will focus on other areas.
- TCNS:** Management expects TCNS to turn profitable in 2HFY25. The brands have seen an increased market share in the top departmental stores and posted a retail LTL growth of 5%.
- Lifestyle:** The LFL growth was in low single digit negative. This was largely led by lower wedding days. The management expects the lifestyle business to continue to grow at a double-digit rate.

Valuation and view

- Persistent softness in discretionary demand could remain an overhang. Further, the premium segment is likely to remain under pressure, which may hurt earnings.
- In the last few years, ABFRL has invested in multiple new businesses, with a long tail of businesses that are presently loss-making or yet to stabilize. Scaling up the ethnic wear and Reebok and turning around the newly set up D2C segment could be a bumpy ride. The inclusion of TCNS in this portfolio may further accentuate near-term profitability risks.
- We broadly maintained our revenue/EBITDA estimates for FY25/FY26, factoring in a CAGR of 13%/21% in revenue/EBITDA over FY24-26E.
- We value ABFRL on the SOTP basis, assigning EV/EBITDA of 20x to ABLFL, 10x EV/EBITDA to Pantaloons, and EV/sales of 1x to other businesses of ABFRL (demerged) on FY26E. Hence, we **reiterate our Neutral rating** with a TP of INR340.

Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25 1QE	Est Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Revenue	31,961	32,264	41,667	34,067	34,278	35,500	47,921	39,412	1,39,959	1,57,111	34,811	-1.5
YoY Change (%)	11.2	4.9	16.1	18.3	7.3	10.0	15.0	15.7	12.7	12.3	8.9	
Total Expenditure	29,037	29,031	36,134	31,230	30,694	31,736	41,309	35,854	1,25,433	1,39,593	31,620	-2.9
EBITDA	2,923	3,233	5,533	2,837	3,584	3,764	6,611	3,558	14,526	17,517	3,191	12.3
Change, YoY (%)	-37.6	-18.5	27.0	47.1	22.6	16.4	19.5	25.4	-2.7	20.6	9.1	
Depreciation	3,670	3,888	4,441	4,554	4,359	4,621	5,083	5,403	16,552	19,466	4,668	
Interest	1,873	2,084	2,454	2,355	2,195	2,327	2,466	2,639	8,766	9,628	2,379	
Other Income	603	457	441	875	478	574	689	635	2,376	2,376	719	
PBT	-2,017	-2,281	-922	-3,197	-2,493	-2,610	-250	-3,850	-8,417	-9,201	-3,137	20.5
Tax	-397	-282	227	-478	-346	-363	-35	-1,557	-930	-2,300	-784	
Rate (%)	19.7	12.4	-24.6	14.9	13.9	13.9	13.9	40.4	11.0	25.0	25.0	
Reported PAT	-1,620	-1,999	-1,149	-2,719	-2,146	-2,247	-215	-2,293	-7,487	-6,901	-2,353	8.8
Adj PAT	-1,620	-1,999	-1,149	-2,719	-2,146	-2,247	-215	-2,293	-7,487	-6,901	-2,353	8.8
YoY Change (%)	-272.7	-763.8	-1,821.9	38.1	32.5	12.4	-81.3	-15.7	1,029.0	-7.8	45.2	

E: MOFSL Estimates



Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BSE IN
Equity Shares (m)	135
M.Cap.(INRb)/(USD\$b)	324.7 / 3.9
52-Week Range (INR)	3265 / 836
1, 6, 12 Rel. Per (%)	0/-15/152
12M Avg Val (INR M)	2926

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Net Sales	13.9	27.3	31.8
EBITDA	4.0	13.0	15.0
PAT	7.7	11.6	13.2
Adj. PAT	3.7	11.6	13.2
EPS (INR)	27.0	85.6	97.3
EPS Gr (%)	77.6	217.4	13.7
BV / Sh (INR)	244	270	299

Ratios (%)

RoE	23.4	31.7	32.6
Payout ratio	26.3	70.0	70.0

Valuations

P/E (x)	89.0	28.0	24.7
P / BV (x)	9.8	8.9	8.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	11.6	12.7	0.5
FII	33.9	35.4	34.6
Others	54.5	51.9	64.8

FII Includes depository receipts

CMP: INR2,399 TP: INR2,700 (+13%) Neutral

Strong operating performance led to PAT growth

- BSE reported a strong performance in 1QFY25 with a PAT of INR2.64b, an increase of 160% YoY and 148% QoQ (6.5% beat).
- Transaction charges grew 45% QoQ and 455% YoY at INR 3.66bdiven by the derivatives segment, where charges jumped 113% QoQ to INR2.4b (6% higher than our estimates).
- Star MF continued to report a healthy performance, with 72% YoY jump in volumes and revenue surging 2x YoY to INR479m.
- BSE continues to gain market share in the derivatives segment as acceptance of products gets widespread. The momentum for stock futures and options launched in Jul'24, is still at a nascent stage. Considering the uncertainty on the eventual F&O regulations that are likely to be announced, we have maintained our Neutral rating on the stock with a 1-year TP of INR2,700.

Strong growth in transaction income

- Transaction charges surged 45% QoQ and 455% YoY to INR3.7b, while services to corporates increased 34% YoY to INR952m.
- Transaction charges for the cash segment were INR755m, +93% YoY, but a 12% miss, while those of the equity derivatives segment were INR2.4b, a 6% beat.
- Star MF recorded a jump of 72% YoY in total number of transactions to 141m in Q1FY25 from 83m in 1QFY24. The revenue from this segment grew 101% YoY to INR 479m in 1QFY25 from INR238m in 1QFY24.
- Opex came in line at INR3.2b, but surged 123% YoY. This was on account of provision for SEBI regulatory fees of INR 1.7b (in 1QFY24 the provision was on premium turnover, which was changed to notional turnover). Nevertheless, EBIDTA margins grew to 46.7% vs. our expectations of 46% and 19.7% in 4QFY24. During the quarter, no contributions were made towards SGF.
- Investment income stood at INR666m, which increased 20% YoY (11% above our estimates).
- BSE has opted to shift to a new regime of taxation. Thus the tax rate was higher in the previous year (adjustments of non-availability of accumulated MAT credit and deferred tax impact due to the change in tax rates).
- In 1QFY25, it acquired 50% stake from the JV partner (Asia Index Private Limited). Consequently, AIPL has become a wholly owned subsidiary w.e.f. 1st Jun'24. The BOD accorded an in-principle approval for divestment in its wholly owned subsidiary, BSE Institute Limited.

Key takeaways from the management commentary

- BSE is working on uniform charges across client segments, and the same shall be declared separately. The charges will be closer to the unit realization earned and would not hit the company's revenue.
- BSE is facing challenges related to differential regulatory fees and clearing & settlement charges. It has requested the regulators to reconsider the differential regulatory fees and the reply is still awaited. Any relief would positively impact BSE.

Valuation and view: Reiterate Neutral

- The relaunch of BSE derivatives products has proved to be a trend-changing measure. Increased member participation, new product launches (stock derivatives), rising awareness about products, and a recent launch of stock derivatives would continue to drive market share gains for BSE.
- Other levers that will support growth over the medium term include: 1) colocation revenues, 2) continued momentum in the STAR MF business, 4) growth in the 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.
- BSE continues to gain market share in the derivatives segment as acceptance of products gets widespread. The momentum for stock futures and options launched in Jul'24 is still at a nascent stage. Considering the uncertainty on the eventual F&O regulations that are likely to be announced, we have maintained our **Neutral rating** on the stock with a one-year TP of INR2,700.

										(INR m)	
Cons. Quarterly perf.											
Y/E March	FY24				FY25				FY25	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1Q	(%/bp)	
Revenue from operations	2,156	3,144	3,717	4,885	6,078	6,850	7,083	7,309	27,319	5,905	2.9
YoY Change (%)	15.4	59.0	82.2	115.2	181.9	117.8	90.6	49.6	96.5	174	764bp
Total Expenditure	1,455	1,729	2,796	3,923	3,239	3,540	3,684	3,822	14,285	3,190	1.5
EBITDA	701	1,415	921	962	2,839	3,310	3,399	3,486	13,034	2,715	4.6
Margins (%)	32.5	45.0	24.8	19.7	46.7	48.3	48.0	47.7	47.7	46	73bp
Depreciation	214	227	249	265	240	275	285	323	1,122	270	-11.3
Interest	65	85	0	0	0	38	38	37	113	38	-100.0
Investment income	556	525	598	600	666	610	620	566	2,462	600	11.1
PBT before EO expense	977	1,628	1,271	1,297	3,266	3,607	3,696	3,692	14,262	3,007	8.6
Exceptional items	3,657	-13	-16	-17	0	-16	-16	-16	-48	-16	
PBT	4,634	1,615	1,255	1,280	3,266	3,591	3,680	3,676	14,214	2,991	9.2
Tax	371	636	371	470	851	898	920	919	3,588	748	13.8
Rate (%)	8	39	30	37	26	25	25	25	25	25	
P/L of Asso. Cos.	119	190	165	244	227	235	245	262	970	225	1.0
Reported PAT	4,382	1,170	1,049	1,054	2,643	2,928	3,005	3,020	11,596	2,468	7.1
Adj PAT	1,018	1,177	1,060	1,064	2,643	2,940	3,017	3,032	11,632	2,480	6.5
YoY Change (%)	995	298	379	19	-40	150	186	187	51	-42	
Margins (%)	47.2	37.4	28.5	21.8	43.5	42.9	42.6	41.5	42.4	42	148bp

E: MOFSL Estimates

Key performance indicators

Y/E March	FY24				FY25	
	1Q	2Q	3Q	4Q	1Q	1Q
Transaction charges	660	982	1660	2520		3663
Services to corporates	708	870	896	1027		952
Listing Fees	460	473	481	514		527
Listing processing and other listing fees	133	198	203	331		177
Book building fees	93	147	142	94		184
Other services to corporates	21	52	70	83		57
Transaction charges income - Equity	392	605	693	905		755
Transaction charges income - currency derivatives	28	35	35	36		4
Listing fees	593	671	684	845		704
Book building and other services	114	199	212	177		241
Star MF platform	238	294	328	421		479



Brigade Enterprises

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,176 **TP: INR1,525 (+30%)** **Buy**

A mixed bag quarter; Residential segment muted, while Annuity fares well

Bloomberg	BRGD IN
Equity Shares (m)	231
M.Cap.(INRb)/(USDb)	271.7 / 3.2
52-Week Range (INR)	1453 / 551
1, 6, 12 Rel. Per (%)	-12/-1/76
12M Avg Val (INR M)	467

Subdued pre-sales growth on account of lower launches

- Brigade Enterprise (BEL) reported bookings of INR10.9b in 1QFY25, up 9% YoY (16% below estimate). Sales volume stood at 2.7msf, down 21% YoY.
- Aided by the launch of a premium project in Bengaluru, BEL recorded the highest ever quarterly realization of INR9,440 psf, up 38% YoY.
- Towards the end of 1Q, the company also launched its much awaited luxury project 'Brigade Icon' in Chennai. The project's contribution to total bookings has spilled over to 2QFY25. In FY25, BEL is aiming to launch 12.6msf of projects with a GDV value of ~INR130b across the three markets of Bengaluru, Chennai, and Hyderabad.
- With scale-up in Chennai and Hyderabad, we expect the company to deliver 32% CAGR in pre-sales over FY24-26E to INR105b.
- **P&L performance:** Revenue increased 65% YoY to INR11b (6% below estimate). EBITDA stood at INR2.9b, up 67% YoY with a margin of 27% (up 40bp YoY). Adj. PAT surged 2x YoY to INR837m, clocking a margin of 8%.

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	49.0	49.7	49.8
EBITDA	11.9	15.8	17.5
EBITDA (%)	24.4	31.8	35.2
PAT	4.5	7.6	8.6
EPS (INR)	22.1	37.1	42.0
EPS Gr. (%)	82.6	67.9	13.2
BV/Sh. (INR)	178.5	213.6	253.6

Ratios

Net D/E	1.0	0.6	0.3
RoE (%)	13.1	18.9	18.0
RoCE (%)	8.9	11.6	12.1
Payout (%)	9.1	5.4	4.8

Valuations

P/E (x)	52	31	28
P/BV (x)	6.5	5.4	4.6
EV/EBITDA (x)	22.8	16.7	14.5
Div Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	43.7	43.7	43.8
DII	22.9	23.8	25.5
FII	16.2	14.9	13.7
Others	17.3	17.6	17.1

Annuity business reports healthy growth

- Leasing revenue grew 23% YoY to INR2.6b, and the hotel business reported a revenue of INR1.2b, up 12% YoY.
- Over the last four quarters, the company has made healthy progress on the commercial portfolio occupancy, which rose to 97% by 4QFY24 from 86% in 1QFY24. BEL currently has ~2.4msf of office and retail assets under-construction and aims to launch 1.5msf of commercial projects soon.
- Despite seasonality, the hospitality vertical maintained steady occupancy of 75%, up 800bp YoY/flat QoQ. Hence, while the ARR was flat YoY at INR6,233, the segment's revenue increased 12% YoY to INR1.2b.

Highlights from the management commentary

- **New launches:** Launches during the quarter contributed 35% to total pre-sales during 1QFY25. The company maintained its 13msf launch guidance but it will be tilted towards the second half, with 2QFY25 launches to be similar to 1Q.
- **Leasing portfolio growth:** BEL is currently awaiting OC for the 1.3msf Twin Towers in Bengaluru, and should get it in a couple of quarters. BEL has commenced construction of Brigade Tech Boulevard, Chennai (0.8msf) and Brigade Padmini Tech Valley Block B (0.7msf). Over the next nine months, the company will commence construction on 1.5msf of assets across Bengaluru, Kochi, and the GIFT City.
- **Hospitality:** Focus was on improving the occupancy during 1QFY25, which resulted into 800bp improvement. Despite sluggishness related to general elections, events like ISL, IPL, and MICE drove occupancy. While ARR was flat YoY, BEL reiterated its 10% ARR growth target for FY25.

Valuation and view

- BEL reported a steady quarter due to limited launches across its core markets. However, it has a strong pipeline of ~13msf which should enable it to sustain the growth traction going ahead.
- Management intends to keep assessing growth opportunities in the residential segment and expects to spend higher on business development over the next two years. This will provide growth visibility in the residential segment and lead to further re-rating. **We reiterate our BUY rating with a TP of INR1,525, implying 32% potential upside.**

Quarterly Performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Gross Sales	6,540	13,666	11,738	17,024	10,777	12,169	12,914	13,809	48,967	49,668	11,424	-6%
YoY Change (%)	-27.5	55.4	43.1	102.0	64.8	-11.0	10.0	-18.9	42.1	1.4	74.7	
Total Expenditure	4,792	10,418	9,117	12,696	7,851	8,394	8,781	8,860	37,023	33,887	8,245	
EBITDA	1,748	3,248	2,620	4,327	2,926	3,775	4,132	4,949	11,944	15,782	3,179	-8%
Margins (%)	26.7	23.8	22.3	25.4	27.1	31.0	32.0	35.8	24.4	31.8	27.8	-68bps
Depreciation	681	757	821	762	679	747	784	987	3,021	3,197	777	
Interest	1,081	1,100	1,349	1,380	1,519	1,216	1,094	862	4,910	4,690	1,352	
Other Income	315	413	344	603	357	434	361	606	1,674	1,758	330	
PBT before EO expense	300	1,803	795	2,788	1,084	2,246	2,615	3,707	5,687	9,652	1,380	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	300	1,803	795	2,788	1,084	2,246	2,615	3,707	5,687	9,652	1,380	
Tax	82	679	237	680	279	565	658	927	1,676	2,430	347	
Rate (%)	27.1	37.6	29.8	24.4	25.7	25.2	25.2	25.0	29.5	19.4	25.2	
MI & Profit/Loss of Asso. Cos.	-166	-210	-177	48	-32	-88	-94	-147	-506	-361	-83	
Reported PAT	385	1,335	735	2,061	837	1,769	2,051	2,927	4,516	7,584	1,116	-25%
Adj PAT	385	1,335	735	2,061	837	1,769	2,051	2,927	4,516	7,584	1,116	-25%
YoY Change (%)	-52.0	103.0	29.2	289.1	117.3	32.5	179.1	42.0	79.6	67.9	141.5	
Margins (%)	5.9	9.8	6.3	12.1	7.8	14.5	15.9	21.2	9.2	15.3	9.8	

E: MOFSL Estimates

Operational Performance

Pre Sales (msf)	1.5	1.7	1.7	2.7	1.2	1.5	2.2	4.2	7.5	7.2	1.6	-27%
Booking Value (INRb)	10.0	12.5	15.2	22.4	10.9	17.0	20.0	37.5	60.1	61.0	13	-16%
Avg rate/sf (INR)	6,822	7,466	8,994	8,246	9,442	11,000	9,000	8,933	7966	8431	8250	14%

E: MOFSL Estimates



IIFL Finance

Estimate changes

TP change

Rating change



Bloomberg	IIFL IN
Equity Shares (m)	424
M.Cap.(INRb)/(USDb)	186.9 / 2.2
52-Week Range (INR)	684 / 304
1, 6, 12 Rel. Per (%)	-16/-36/-47
12M Avg Val (INR M)	924

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
NII	59.6	53.9	63.4
Total Income	62.9	58.3	74.8
PPoP	34.8	26.8	40.2
PAT (pre-NCI)	19.7	12.0	23.0
PAT (post-NCI)	17.6	10.0	20.5
EPS (INR)	46.2	23.6	48.3
EPS Gr. (%)	17	-49	104
BV (INR)	279	299	343
Ratios (%)			
NIM	8.3	6.9	7.4
C/I ratio	44.6	53.9	46.3
Credit cost	2.0	2.1	1.7
RoA	3.4	1.9	3.2
RoE	18.0	8.6	15.0
Valuations			
P/E (x)	9.5	18.6	9.1
P/BV (x)	1.6	1.5	1.3

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	24.9	24.8	24.8
DII	7.4	8.6	5.5
FII	30.3	29.1	28.6
Others	37.4	37.5	41.0

FII Includes depository receipts

CMP: INR440

TP: INR560 (+27%)

Buy

Accelerated rundown in gold loan; other segments also slowed

Earnings miss due to elevated provisions and lower other income

- NII grew 10% YoY but declined ~13% QoQ to ~INR14.4b (in line) in 1QFY25. The loss due to the unwinding of prior assignments was ~INR1.6b. Other income loss stood at INR43m (PY: +INR1.3b).
- Opex grew 18% YoY to INR7.5b (in line), with the cost-to-income ratio of 52% (PY: 44%). PPoP declined ~15% YoY to INR6.9b (15% miss).
- PAT (post-NCI) declined 32% YoY/23% QoQ to ~INR2.9b (34% miss). RoA/RoE stood at 2.3%/10.3%, with IIFL's (standalone) CRAR at ~28% (T1: ~22%). During the quarter, IIFL raised ~INR29b through term loans, bonds, and refinance. Additionally, ~INR18b was raised through direct assignment.

Higher credit costs and calibration in MFI segment

- Consol. AUM grew 2% YoY but declined ~12% QoQ to INR696b. On-book loans grew ~10% YoY. Off-book formed ~35% of the AUM mix, including co-lending, which formed ~14% of the AUM mix.
- The sequential AUM decline was led by gold loans (-37%), wholesale CRE book (-22%) and microfinance (-8%). Home loans rose ~2% QoQ and digital loans grew ~7% QoQ.
- Gold loan AUM declined to ~INR147b as of Jun'24 and further to ~INR122b as on 5th Aug'24. Disbursements (core products) declined ~71% YoY to ~INR43b, mainly due to the ban on gold loans and a deceleration in MFI and LAP disbursements.
- MFI business was affected by a squeeze in funding and Samasta's own calibration in the context of industry headwinds. It has already implemented the guardrails proposed by MFIN. Samasta had sensed customer over-leveraging, early in Jan'24 itself and had started looking at the credit scores of customers while approving/sanctioning loans.
- We estimate consolidated AUM to decline ~3% YoY in FY25 and grow ~23% YoY in FY26, resulting in consol. AUM CAGR of ~9% over FY24-26E.

NIMs compression due to ~60bp QoQ decline in yields

- Consolidated yields and CoB declined ~60bp and ~20bp QoQ to ~13.3% and ~9.5%, respectively. Calculated NIMs contracted ~70bp QoQ.

Cost ratios to remain elevated; no rationalization in gold business opex

- Opex grew 18% YoY to INR7.5b (in line), with the cost-income ratio of 52%. This increase was attributable to a decline in the gold loan business. The management shared that the cost ratios are expected to remain elevated until gold loan operations resume and normalize.
- IIFL Finance has not done any employee layoffs and has not shut down any branch during the quarter. The management sounded confident that it expects the RBI embargo on its gold loans business to be revoked in the near future.
- We expect opex-to-avg AUM of 4.0%/4.1% for FY25/FY26.

Asset quality largely stable despite seasonality; MFI GS3 deteriorated

- GS3/NS3 declined ~5bp QoQ each to 2.25%/1.1%. During the quarter, the company also sold stressed loans of ~INR4.3b from the CRE book to ARCs. Total SRs stood at ~INR35.3b as of Jun’24. IIFL reported a deterioration in its MFI asset quality, with MFI GS3 increasing to 2.3% (PQ: 1.9%).
- Consolidated credit costs rose to ~2.1% (PQ and PY at ~1.9% each). The higher provisioning during the quarter was led by increase in PCR on Stage 2 and Stage 3 loans. The company also increased the ECL provisioning on its CRE portfolio. We expect credit costs to increase to ~2.1% in FY25 and then gradually decline to ~1.7% in FY26.

Highlights from the management commentary

- The company has guided that within digital loans, the focus is on MSME. The digital loans business has been growing well.
- Both Home Finance and LAP recorded >20% YoY growth in AUM.
- The management shared that once the embargo on gold loans is lifted, it can restart its gold loans offering quickly, but it is difficult to guide how long it will take to reach pre-ban levels.
- IIFL has made hiring at CXO level and is in the process of hiring a few more people, so that audit and compliance (entire risk assurance) functions are strengthened.

Valuation and view

- IIFL management shared that the company is now compliant with all the RBI observations, which led to the ban on gold loans. The company has completed the special audit required by the RBI. IIFL will focus on making its assurance functions across risk management, audit and compliance more robust for better-quality AUM growth.
- The stock trades at 1.3x FY26E P/BV and ~9x P/E for a PAT CAGR of ~8% over FY24-FY26E. We estimate RoA/RoE to decline to 1.9%/8.6% in FY25 (impact of gold loan ban) but recover to 3.2%/15% in FY26. Our estimates are based on the assumption that the gold loan ban will be revoked by end-Aug’24 and IIFL will regain gold business momentum in 2HFY25. We have a BUY rating on the stock and a TP of INR560 (based on SOTP valuation; refer table below).

IIFL Finance: SOTP - Mar’26E

Particulars	Stake	Value (INR B)	Value (USD B)	INR per share	% To Total	Target Multiple(x)	Basis
IIFL Finance (Standalone)	100	100	1.2	236	42	1.4	PBV
IIFL Home Finance (HFC)	80	113	1.3	266	48	2.0	PBV
IIFL Samasta Finance (MFI)	100	25	0.3	58	10	1.1	PBV
Target Value		237	2.8	560	100		
Current market cap.		187	2.2	440			
Upside (%)		27	27	27			

IIFL Finance (Consolidated): Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	1QFY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	21,989	23,576	25,630	27,200	24,721	22,249	22,694	24,920	98,386	94,584	25,840	-4
Interest Expenses	8,878	9,321	9,885	10,744	10,340	9,823	9,921	10,619	38,829	40,702	10,905	-5
Net Interest Income	13,111	14,255	15,745	16,456	14,381	12,426	12,773	14,302	59,557	53,882	14,935	-4
YoY Growth (%)	48.9	44.7	44.7	38.9	9.7	-12.8	-18.9	-13.1	43.6	-9.5	13.9	
Other Income	1,306	1,878	1,120	-873	-43	-260	1,830	2,847	3,342	4,374	550	-108
Total Income	14,417	16,134	16,865	15,584	14,338	12,166	14,603	17,148	62,899	58,255	15,485	-7
YoY Growth (%)	20	26	26	10	-1	-25	-13	10	20.4	-7.4	7.4	
Operating Expenses	6,332	6,772	7,272	7,691	7,461	7,559	7,826	8,583	28,067	31,429	7,428	0
Operating Profit	8,085	9,361	9,593	7,893	6,877	4,607	6,777	8,565	34,832	26,827	8,057	-15
YoY Growth (%)	18.4	29.0	24.9	-1.6	-14.9	-50.8	-29.4	8.5	16.9	-23.0	-0.3	
Provisions & Loan Losses	1,901	2,526	2,430	2,356	2,516	2,465	2,835	2,964	9,113	10,780	1,885	33
Profit before Tax	6,184	6,835	7,163	5,537	4,362	2,141	3,942	5,601	25,719	16,046	6,173	-29
Tax Provisions	1,455	1,580	1,711	1,231	980	673	905	1,463	5,977	4,021	1,224	-20
PAT (Pre NCI)	4,729	5,255	5,452	4,306	3,382	1,468	3,037	4,138	19,742	12,025	4,949	-32
NCI	475	513	548	572	501	476	452	571	2,107	2,000	572	-12.4
PAT (Post NCI)	4,254	4,743	4,904	3,734	2,881	992	2,585	3,568	17,635	10,025	4,377	-34.2
YoY Growth (%)	29	25	30	-10	-32	-79	-47	-4	18	-43	3	
Key Parameters (%)												
Yield on AUM	13.2	13.4	13.6	13.9	13.31							
Cost of funds	9.1	9.5	9.5	9.7	9.46							
Spread	4.1	3.9	4.1	4.3	3.8							
NIM (on AUM)	7.9	8.1	8.4	8.4	7.7							
Credit cost	1.9	2.4	2.1	1.9	2.1							
Cost to Income Ratio (%)	43.9	42.0	43.1	49.4	52.0							
Tax Rate (%)	23.5	23.1	23.9	22.2	22.5							
Balance Sheet Parameters				2.0	-11.8							
Consol. AUM (INR B)	682	731	774	790	696							
Change YoY (%)	29	32	34	22	2							
Disbursements - Core (INR B)	150	159	166	163	43							
Change YoY (%)	30	32	27	-15	-71							
Borrowings (INR B)	385	404	430	460	414							
Change YoY (%)	11	16	19	16	8							
Borrowings/AUM (%)	56.4	55.3	55.5	58.2	59.5							
Debt/Equity (x)	4.1	4.1	4.1	4.4	3.4							
Asset Quality (%)												
GS 3 (INR M)	7,639	7,931	8,026	11,692	10,231							
G3 %	1.8	1.8	1.7	2.30	2.25							
NS 3 (INR M)	4,400	4,402	4,045	5,951	4,982							
NS3 %	1.1	1.0	0.9	1.18	1.11							
PCR (%)	42.4	44.5	49.6	49.1	51.3							
ECL (%)	2.9	2.9	2.6	2.4	2.9							
Return Ratios - YTD (%)												
ROA (Rep)	3.6	3.9	3.8	3.4	2.3							
ROE (Rep)	19.1	20.1	19.7	18.4	10.3							

E: MOFSL Estimates



Clean Science & Technology

Estimate changes	↔
TP change	↔
Rating change	↔

CMP: INR1,589 TP: INR1,440 (-9%) Neutral

Bloomberg	CLEAN IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	168.9 / 2
52-Week Range (INR)	1690 / 1243
1, 6, 12 Rel. Per (%)	5/2/-5
12M Avg Val (INR M)	254

Volume growth across segments drives performance YoY

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	7.9	9.5	12.4
EBITDA	3.3	4.0	4.9
PAT	2.4	2.9	3.7
EPS (INR)	23.0	27.5	35.0
EPS Gr. (%)	-17.3	19.8	27.2
BV/Sh.(INR)	113.2	137.2	167.6

Ratios

Net D:E	-0.0	-0.0	-0.1
RoE (%)	22.1	22.0	23.0
RoCE (%)	21.6	21.6	22.6
Payout (%)	13.1	13.1	13.1

Valuations

P/E (x)	69.6	58.1	45.6
P/BV (x)	14.1	11.7	9.5
EV/EBITDA (x)	51.1	42.2	34.3
Div. Yield (%)	0.2	0.2	0.3
FCF Yield (%)	0.1	0.4	1.3

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	75.0	75.0	75.0
DII	4.6	5.0	6.4
FII	6.1	5.9	5.8
Others	14.4	14.1	12.8

FII Includes depository receipts

- CLEAN's reported EBITDA in 1QFY25 was below our estimate at INR947m (+24% YoY), with a gross margin of 65.4% (vs. 61.4% in 1QFY24). EBITDAM expanded to 42.3% from 40.5% in 1QFY24. The revenue contribution of Performance Chemicals increased 2% YoY, while that of Pharma & Agro Intermediates declined 1% YoY. PAT grew 12% YoY to INR659m.

- There was strong YoY growth across segments, led by healthy volumes. Europe and China markets witnessed meaningful growth. The management highlighted that there was average 60-65% capacity utilization across segments, with 70% utilization for the Performance Chemical segment (excluding HALS). CFCL has commenced production of 3 HALS products, namely HALS 622, HALS 944 and HALS 783, with another product to start production in Aug'24.

- The company anticipates improved margins within a few quarters as it scales up and covers fixed costs. Lower raw material prices are boosting the parent company's performance currently. Sustainable demand and quarterly volume growth indicate potential for increasing future volumes. CLEAN is also setting up a 6MW solar plant to moderate its power bill and enhance its green footprint.

- CLEAN spent INR1b on CFCL in 1QFY25 and plans to commercialize a pharma intermediate by 3QFY25 with a capex of INR300m. It is constructing a production block for a performance chemical with a capex of INR1.5b, to be ready by 1HFY26. Another capex of INR1-1.5b would begin in Sep'24 for a water treatment chemical in the Performance segment.

- We have made some adjustments to the tax rate for FY25 since HALS would take time to ramp up and tax benefits would occur in FY26; we account for higher utilization for HALS and FMCG Chemicals in FY26. Subsequently, we cut our EPS estimate for FY25 by 9%, but we increase our revenue/ EBITDA/PAT estimates by 7%/7%/5% for FY26. We value the stock at 40x FY26E EPS to arrive at a TP of INR1,440.

Miss led by higher employee expenses and lower other income

- The company reported revenue of INR2.2b (+19% YoY). **Gross margin stood at 65.4% (+400bp YoY)**. EBITDA margin was 42.3% (+180bp YoY).
- EBITDA came in at INR947m (est. INR1b), up 24% YoY. PAT stood at INR659m (est. INR813m), up 12% YoY.
- CLEAN has announced that it has commenced the construction of production block for the manufacturing of a performance segment product in its WOS. Total capex would be ~INR1.5b for the same.

Segmental and other highlights

- There was volume-led growth in 1QFY25 on YoY basis.

- Revenue from **Pharma Chemicals** was INR403m (+13% YoY), led by improved volume and realization. Revenue from **Performance Chemicals** was INR1.5b (+23% YoY), with growth across all products led by increase in volumes. Revenue from **FMCG Chemicals** was INR291m (+19% YoY), led by volume growth.
- Revenue from the domestic business accounted for 37% of total revenue, while the rest was contributed by exports. The share of China and Europe increased, while the share of Americas declined.
- CLEAN incurred a total capex of INR10b in 1QFY25, primarily in subsidiary Clean Fino Chem.
- **Management has highlighted that** it commercialized three additional products under HALS series i.e. HALS 622, HALS 944 and HALS 783 in Jul'24. A pharma intermediate product is expected to be commercialized during 3QFY25.
- The board has extended the employment of Mr. Krishnakumar Boob (WTD since Apr'21) until 31st Mar'26 (He will attain the age of 70 years on 31st May'25).
- The board has also approved the appointment of Mr. Parth Ashok Maheshwari as an Additional Director designated as WTD (he is one of the promoters and son of Mr. Ashok Boob, MD).

Valuation and view

- CLEAN is actively pursuing R&D and has entered the HALS series, which has an estimated global market size of USD1b. Commercial production from CFCL has commenced and the management expects HALS utilization to reach 80% in three years.
- The company is expected to generate INR2.9b in FCF during FY25-26, with a planned capex of INR4b for the same period. The company plans to finance this capex through internal accruals and is projected to maintain a net cash position in the future.
- The stock is currently trading at ~44x FY26E EPS of INR36.1 and ~33x FY26E EV/EBITDA. We value the stock at 40x FY26E EPS to arrive at our TP of INR1,440.

Consolidated - Quarterly Snapshot

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		(%)
Gross Sales	1,881	1,811	1,947	2,275	2,240	2,311	2,417	2,512	7,915	9,480	2,346	-5%
YoY Change (%)	-19.6	-26.8	-18.0	4.9	19.1	27.6	24.1	10.4	-15.4	19.8	24.7	
Gross Margin (%)	61.4%	65.9%	66.8%	65.7%	65.4%	65.0%	64.8%	64.8%	65.0%	65.0%	65.7%	-0.3%
EBITDA	761	748	866	945	947	987	1,029	1,047	3,321	4,010	1,006	-6%
Margin (%)	40.5	41.3	44.5	41.5	42.3	42.7	42.6	41.7	42.0	42.3	42.9	-0.6
Depreciation	108	111	113	127	158	162	169	173	459	661	129	
Interest	1	3	1	6	1	2	3	5	9	11	1	
Other Income	134	60	78	141	99	128	135	206	413	569	142	
PBT before EO expense	787	695	830	953	887	951	993	1,075	3,265	3,906	1,018	-13%
PBT	787	695	830	953	887	951	993	1,075	3,265	3,906	1,018	-13%
Tax	198	173	204	250	228	240	251	265	825	983	205	
Rate (%)	25.1	24.9	24.6	26.3	25.7	25.2	25.2	24.7	25.3	25.2	20.1	
Reported PAT	589	522	626	703	659	711	742	810	2,440	2,923	813	-19%
Adj. PAT	589	522	626	703	659	711	742	810	2,440	2,923	813	-19%
YoY Change (%)	-6.3	-23.2	-25.3	-12.7	11.9	36.3	18.5	15.3	-17.3	19.8	37.9	
Margin (%)	31.3	28.8	32.2	30.9	29.4	30.8	30.7	32.3	30.8	30.8	34.6	-5.2
Segment-wise Revenue (INR m)												
Performance Chemicals	1,260	1,213	1,305	1,524	1,546	1,602	1,702	1,795	5,303	5,303	1,661	-7%
Pharma & Agro Intermediates	357	344	370	432	403	408	408	413	1,504	1,504	408	-1%
FMCG Chemicals	245	272	253	259	291	281	288	264	1,029	1,029	257	13%
Others	19	-19	19	60	0	20	20	40	79	79	20	-100%



Raymond

Estimate changes	↔
TP change	↔
Rating change	↔

CMP: INR1,931 TP: INR2,310 (+19%) Buy

Bloomberg	RW IN
Equity Shares (m)	67
M.Cap.(INRb)/(USDb)	128.5 / 1.5
52-Week Range (INR)	2381 / 919
1, 6, 12 Rel. Per (%)	-3/69/36
12M Avg Val (INR M)	876

Strong growth across segments

- Raymond’s revenue doubled YoY to INR9.4b, led by strong performance in the real estate segment and the contribution from Maini Precision Products (MPPL), which was acquired on Mar’24.
- EBITDA reported over two-fold growth to INR1b as consol. EBITDA margins improved by 100bp to 10.8%. However, growth in adj. PAT was constrained at 26% due to higher interest costs, leading to a ~350bp decline in PAT margins.

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	49.0	49.1	49.1
DII	9.3	8.8	5.5
FII	15.6	14.5	17.8
Others	26.1	27.6	27.6

FII Includes depository receipts

New launches drive strong bookings

- Raymond’s real estate segment bookings jumped 85% YoY to INR6.1b (down 23% QoQ), led by the launch of two phases in Thane — 1) Address by GS Season 2 and Invictus, and 2) its first JDA project in Bandra. Bookings from the Thane land parcel remained stable at over INR4b for the fourth straight quarter. Collections more than doubled YoY to INR4.7b.
- Over last one year, the company has acquired three more society redevelopment projects with cumulative GDV potential of over INR50b. These projects are likely to be launched over the next 12 months. Hence, it expects to a CAGR of 35% in pre-sales over FY24-26E to INR40b.
- **Financial performance:** Revenue grew two-fold to INR4.9b as the company commenced recognition for its Bandra project. However, EBITDA growth was restricted at 56% to INR850m as margins contracted 560bp to 17.4%.

Engineering segment performance buoyed by MPPL contribution

- Engineering segment revenue doubled to INR4.2b, driven by INR2.2b contribution from MPPL. Excluding MPPL, engineering business revenue declined 5%.
- EBITDA was up 91% at INR550m with margins of 13.2% (down 60bp YoY). Erstwhile engineering business reported a 140bp drop in EBIT margins to 10%, while MPPL generated EBIT margins of 3%.

Highlights from the management commentary

- **Demerger status:** The company has applied for the demerger of its real estate and engineering businesses and it will take 14-16 months to get the approval. Once approved, both the businesses will be listed separately.
- **Real estate:** The company expects to launch one more project by the end of Mar’25 and the remaining two will be launched by 1HFY26. **Project additions** - It targets to add four projects annually with GDV of >INR50b, but with the current visibility, it is confident of adding 2-3 projects with GDV of INR40-50b.
- **Engineering:** Severe weather conditions, general elections and inflationary environment affected the engineering business performance. It was also impacted by logistic challenges due to lower availability of containers, which affected exports.

Valuation and view

- Raymond has been walking the talk with regards to strategic value creation by selling the FMCG business, demerging the Lifestyle Business, shaping the Real Estate Business, and establishing an engineering unit 'Newco' after the MPPL acquisition.
 - With the planned de-merger of its real estate and engineering businesses, the company, led by a professional management, can now carve out an individual growth strategy for both its business.
 - Given the focus on value creation and its strong growth targets with three-to-four project additions annually, we raise our target FY26E EV/EBITDA multiple for the residential business to 12x.
 - Assuming pre-sales of INR40b and 25% EBITDA margin, we arrive at a valuation of INR126b (i.e., INR1900/share). Engineering business is valued at EV/EBITDA of 12x on FY26E, arriving at a value of INR410/share. The combined value of the real estate and engineering businesses works out to be INR2,310/share.
- Reiterate BUY.**

Quarterly performance

INR m	1QFY24	4QFY24	1QFY25	YoY%	QoQ%
Total Revenue	4,734	9,433	9,377	98	-1
Raw Material cost	894	858	1,930	116	125
Manufacturing & Operating Expenses	606	678	1,158	91	71
Costs towards development of property	1,471	4,428	2,983	103	-33
Gross Profit	1,763	3,469	3,307	88	-5
margin (%)	37.3%	36.8%	35.3%	-199	-151
Employment Costs	691	680	1,201	74	76
SG&A	614	890	1,093	78	23
EBITDA	458	1,899	1,013	121	-47
margin (%)	9.7%	20.1%	10.8%	113	-933
Depreciation and amortization	159	253	394	148	56
EBIT	299	1,646	619	107	-62
margin (%)	6.3%	17.5%	6.6%	28	-1085
Finance Costs	77	186	306	298	65
Other Income	434	505	606	40	20
PBT (before exceptionals)	656	1,966	919	40	-53
Exceptional item	-2	-108	0		
PBT (post exceptionals)	654	1,858	919	41	-51
Tax	168	499	216	29	-57
PAT	488	1,359	703	44	-48
margin (%)	10.3%	14.4%	7.5%	-281	-690
PAT (after minority/associate)	452	1,166	570	26	-51
margin (%)	9.6%	12.4%	6.1%	-347	-627
Adj. PAT (after minority/associate)	454	1,246	570	26	-54
margin (%)	9.6%	13.2%	6.1%	-351	-713



Indigo Paints

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,478 TP: INR1,700 (+15%) Buy

Weak performance; watchful for industry trends

Bloomberg	INDIGOPN IN
Equity Shares (m)	48
M.Cap.(INRb)/(USDb)	70.4 / 0.8
52-Week Range (INR)	1700 / 1250
1, 6, 12 Rel. Per (%)	6/-8/-31
12M Avg Val (INR M)	138

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	13.1	14.6	17.0
Sales Gr. (%)	21.7	12.0	16.0
EBITDA	2.4	2.6	3.0
EBIT Margin (%)	18.2	17.8	17.6
Adj. PAT	1.5	1.5	1.8
Adj. EPS (INR)	31.0	32.5	38.3
EPS Gr. (%)	27.5	4.9	17.9
BV/Sh.(INR)	189.6	216.5	247.1

Ratios

RoE (%)	17.6	16.0	16.5
RoCE (%)	17.3	15.7	16.3

Valuation

P/E (x)	47.6	45.4	38.5
P/BV (x)	7.8	6.8	6.0
EV/EBITDA (x)	28.7	25.7	22.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	53.9	53.9	54.0
DII	1.1	2.0	2.9
FII	8.3	7.7	8.9
Others	36.7	36.4	34.3

FII Includes depository receipts

- INDIGOPN's standalone sales growth decelerated to 6% YoY (from 12% in 4QFY24 and 18% in FY24) due to subdued industry sales (down 2% YoY) and demand weakness in Kerala (~25% revenue mix). Apple Chemie (subsidiary) clocked robust sales growth of 47% YoY, which resulted in consolidated sales growth of 8% YoY to INR3.1b (5% miss).
- Consolidated GM contracted 70bp YoY/230bp QoQ to 46.6% (est. 48.3%) due to high discounts, increase in RM prices and price cuts. Employee costs were up by 24% YoY (+130bp), further denting operating performance. EBITDA margin contracted 180bp YoY/670 QoQ to 15.2% (est. 18.4%).
- The management has seen revenue recovery in Jul'24, with a much better growth rate compared to the past six months. GM is likely to improve with a price hike (2%). We estimate EBITDA margin of 17.8%/17.6% in FY25/FY26.
- INDIGOPN is sustaining growth outperformance among peers and successfully navigating through intense competition. Industry growth has been weak for the last six months and we are watchful for any reversal in this trend in 2HFY25. We reiterate our **BUY rating with a TP of INR1,700**, considering its growth outperformance, synergies with Apple Chemie, consistent capacity & distribution expansion, and its favorable valuation multiples vs. peers.

Miss on all fronts

Consolidated

- **Subdued sales growth** - Net sales growth was weak at 8% YoY to INR3,110m (est. INR3,259m) in 1QFY25. Standalone revenue rose 6% YoY to INR2,939m. Apple Chemie delivered robust sales growth of 47% YoY to INR171m.
- **Category wise growth** - Putty and cement paints achieved value growth of 9% and volume growth of 8%. Enamels and wood coatings saw 5% volume growth, but value declined 1% due to company-initiated price reductions. Emulsion witnessed flat volume growth, but value declined by 3%. Primer and distempers witnessed volume growth of 24% and value growth of 29%
- **Miss on margin** - Gross margin contracted 70bp YoY and 230bp QoQ to 46.6% (est. 48.3%) due to price cuts. As a percentage of sales, employee costs increased by 130bp YoY to 9.7%, while other expenses contracted 20bp YoY to 21.7%. EBITDA margin contracted 180bp YoY and 670bp QoQ to 15.2% (est. 18.4%).
- **EBITDA/PBT/PAT declined**: EBITDA declined 4% YoY to INR474m (est. INR600m). Depreciation was up 51% YoY due to the commissioning of a new plant in Tamil Nadu. PBT decreased by 16% YoY to INR357m (est. INR477m). PAT declined 16% YoY to INR262m (est. INR358m).

Highlights from the management commentary

- The company sustained industry-leading growth, but industry growth has been decelerating for the last 4-5 quarters. The industry witnessed a 2% decline in 1QFY25 vs. 1% growth in 4QFY24.
- The company is not worried about rising competition from new entrants; there are already many established and scalable players.
- It expects to take a price hike (2%) to pass on higher costs, which will lead to GM recovery.
- There is seasonality in the product mix. Sales of distempers and enamels grow in 2Q, while emulsions show higher growth in 3Q and 4Q. Sales of putty and primers remain steady throughout the year.
- Apple Chemie business expanded to Maharashtra, Telangana, Tamil Nadu, Orissa, West Bengal, Madhya Pradesh, Delhi (NCR), Bihar, and Karnataka.

Valuation and view

- We cut our EPS estimates by 7% for FY25, with no material change in FY26.
- Indigo's strategic shift to focusing on non-metro towns and increased investments in distribution and influencers as part of its Strategy 2.0 are proving to be successful endeavor, as evidenced by its outperformance to industry growth by 3x-4x for the two consecutive quarters.
- Given the relatively small scale of INDIGOPN (INR13b revenue in FY24) in the large paints industry, the company has been able to grow much faster than the industry. Rising brand acceptance by consumers and the expansion of its distribution network have been driving the outperformance. However, the changing competitive landscape will be a key monitorable. We reiterate our BUY rating with a revised TP of INR1,700 (40x Jun'26E EPS).

Consolidated Quarterly Performance

(InR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25 1QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	2,884	2,790	3,538	3,849	3,110	3,125	3,998	4,396	13,061	14,628	3,259	-4.6%
Change (%)	28.8	15.0	25.8	18.3	7.8	12.0	13.0	14.2	21.7	12.0	13.0	
Raw Material/PM	1,519	1,519	1,833	1,968	1,661	1,709	2,099	2,255	6,839	7,724	1,685	
Gross Profit	1,365	1,271	1,705	1,881	1,449	1,416	1,899	2,141	6,222	6,904	1,574	-7.9%
Gross Margin (%)	47.3	45.6	48.2	48.9	46.6	45.3	47.5	48.7	47.6	47.2	48.3	
EBITDA	491	421	622	846	474	471	700	958	2,381	2,602	600	-21.1%
Margin (%)	17.0	15.1	17.6	22.0	15.2	15.1	17.5	21.8	18.2	17.8	18.4	
Change (%)	39.2	24.8	53.5	17.9	-3.5	11.8	12.5	13.2	31.2	9.3	22.2	
Interest	5	6	6	5	6	6	6	5	21	23	5	
Depreciation	101	113	146	156	152	160	170	178	516	660	160	
Other Income	38	32	31	42	42	40	40	42	142	163	42	
PBT	423	335	501	727	357	345	564	817	1,986	2,083	477	-25.2%
Tax	108	81	125	183	90	86	141	204	497	521	119	
Effective Tax Rate (%)	25.6	24.3	25.0	25.1	25.3	24.8	25.0	25.0	25.0	25.0	25.0	
Adjusted PAT	310	253	373	537	262	256	420	609	1,474	1,546	358	-26.8%
Change (%)	55.9	22.1	41.9	10.3	-15.6	1.0	12.6	13.4	27.5	4.9	15.3	

E: MOFSL Estimates



Updater Services

Estimate change	
TP change	
Rating change	

CMP: INR321 TP: INR400 (+25%) Buy

Focusing on high-margin BSS business

IFM business continues to perform decently; reiterate BUY

Bloomberg	UDS IN
Equity Shares (m)	67
M.Cap.(INRb)/(USDb)	21.5 / 0.3
52-Week Range (INR)	385 / 235
1, 6, 12 Rel. Per (%)	5/-20/-
12M Avg Val (INR M)	111

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	24.4	28.7	33.6
EBIT	0.8	1.1	1.6
PAT	0.7	1.0	1.5
Adj PAT	0.9	1.2	1.6
EPS (INR)	11.4	15.4	21.8
Adj EPS (INR)	14.7	17.4	24.4
EPS growth (%)	-8%	18%	40%
BV/Sh (INR)	126.4	144.5	166.3

Ratios

RoE (%)	11.0	11.3	14.0
RoCE (%)	9.2	9.8	11.5

Valuations

P/E (x)	28.2	20.8	14.7
P/BV (x)	2.5	2.2	1.9

Shareholding pattern (%)

As On	Jun-24	Mar-24
Promoter	58.9	58.6
DII	13.5	14.0
FII	3.9	5.1
Others	23.8	22.3

- UDS reported revenue growth of 13% YoY/3.2% QoQ to INR6.5b, below our estimate of 18% YoY growth. EBITDA margin came in at 6.3% (est. 4.0%), up 60bp YoY. IFM margin rose 30bp QoQ to 4.0%. BSS margin declined 20bp QoQ to 6.7%. Consolidated adj. PAT stood at INR254m (up 97% YoY), above our estimates.

- UDS is shifting its business mix by increasing its focus on the higher-margin Business Support Services (BSS) segment while leveraging the diverse business lines of its subsidiaries. In 1QFY25, the revenue contribution of IFM/BSS segments stood at ~65%/35% vs. 70%/30% in 1QFY24. The company anticipates organic growth of over 20% in BSS and expects the revenue contribution to rise to 40-42%. We estimate a revenue CAGR of 23% for BSS over FY24-26, indicating a strategic move toward higher-margin opportunities that could drive overall revenue growth and profitability. Meanwhile, we expect the IFM business to clock a 13% CAGR over FY24-26, with PBT margins stabilizing at 4-4.5%.

- Margin inched up in 1Q (+60bp YoY), led by IFM business (+210bp YoY on a low base). The management aims for EBITDA margin by acquiring new customers at par or higher margins while focusing on rationalizing the large tail. Moreover, the maturing airport handling business also positions the company for steady EBITDA margin growth going ahead. We expect overall margins of 6.1%/7.0% in FY25E/FY26E.

- Given a solid foothold in IFM business and high-margin BSS business, we expect a CAGR of 17%/32% in revenue/EBITDA over FY24-26E. **We reiterate our BUY rating and a TP of INR400 (premised on 18x FY26E P/E on adj. EPS).** Our TP implies a 25% upside potential.

Miss on revenue but beat on margin

- Revenue was up 13% YoY and 3.2% QoQ at ~INR6.5b, below our estimate of 18% YoY growth.
- Revenue growth was aided by ~34% YoY growth in BSS, whereas IFM reported a modest growth of ~5% YoY.
- UDS has witnessed a notable shift in its business mix. In 1QFY25, the revenue contribution of IFM/BSS segments stood at ~65%/35%, compared to ~70%/30% in 1QFY24.
- EBITDA margin came in at 6.3% (est. 4.0%), up 60bp YoY. IFM margin was up 30bp QoQ at 4.0%. BSS margin declined 20bp QoQ to 6.7%.
- Consolidated adj. PAT stood at INR254m (up 97% YoY), above our estimate.
- Adj. ROCE stood at 24.2% on annualized basis in Jun'24 vs. 20.7% in Mar'24.
- In 1QFY25, 29/15 logos were added in IFM/BSS businesses.
- Long-standing relationships with customers have 95%/93% retention over a five-year window in IFM/BSS business.
- Launched GenAI-enabled sales Intelligence service with a major global conglomerate.

Key highlights from the management commentary

- By focusing on high-margin customers and value-added services, the company anticipates a steady increase in profit margins moving forward.
- 2Q/3Q are typically stronger quarters for the company due to seasonal factors.
- UDS projects overall revenue growth of 15-16% going forward.
- In IFM business, the company aims to increase market share by focusing on hard services, which have higher margins. It added 29 new logos in IFM. The business is largely focused on the private sector. Moreover, the washroom hygiene business, although small, has high EBITDA margin of 40%.
- The airport business has turned EBITDA positive, with ground handling operations in 20 airports, 10 of which commenced in Q1FY25.
- The BSS segment's revenue share is expected to grow from 36% to 40-42% in the next few years.

Valuation and view

- We see the company benefitting from the long-term trend of outsourcing non-core business operations for greater efficiency and service quality. With continued momentum in the IFM space and an inorganic growth engine in the high-margin BSS vertical, we expect UDS to deliver sustainable and profitable growth.
- We expect a CAGR of 17%/32% in revenue/EBITDA over FY24-26E. With visibility of healthy earnings growth over the medium term and strong value from BSS business, **we reiterate a BUY rating and a TP of INR400 (premised on 18x FY26E P/E on adj. EPS)**. Our TP implies a 25% upside potential.

Consolidated - Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	Est.	Var.	1QFY25	(%/bp)
Gross Sales	5,764	6,001	6,361	6,318	6,522	7,149	7,579	7,453	24,444	28,703	6,809	-4.2
YoY Change (%)	20.3	16.7	17.3	10.5	13.1	19.1	19.1	18.0	16.0	17.4	17.9	-470bp
Total Expenditure	5,404	5,616	5,959	5,944	6,112	6,692	7,094	6,976	22,923	26,874	6,509	-6.1
Core EBITDA	360	385	401	374	409	458	485	477	1,520	1,829	300	36.6
Margins (%)	6.3	6.4	6.3	5.9	6.3	6.4	6.4	6.4	6.2	6.4	4.4	190bp
ESOP cost	0.0	31.7	21.7	18.9	0.0	28.6	30.3	29.8	72.3	88.7	27.2	-100.0
Fair value changes	31.8	57.2	31.8	-47.4	0.0	0.0	0.0	0.0	105.9	0.0	0.0	
EBITDA	329	296	348	403	409	429	455	447	1,342	1,740	272	50.3
Margins (%)	5.7	4.9	5.5	6.4	6.3	6.0	6.0	6.0	5.5	6.1	4.0	230bp
Depreciation	131	137	149	123	115	164	174	171	539.6	624.7	150	-23.5
Interest	56	63	42	31	34	14	15	15	192.8	78.3	14	149.2
Other Income, net	27	27	93	56	65	43	45	45	236	198	41	58.7
PBT	169	123	250	305	326	293	311	306	846	1,235	150	117.4
Tax	45	31	44	63	69	44	47	46	183.2	205.6	30	131.0
Rate (%)	26.7	25.2	17.7	20.7	21.3	15.0	15.0	15.0	21.7	16.6	20.0	130bp
Minority Interest & Profit/Loss of Asso. Cos.	-5	-8	-3	-17	3	0	0	0	-17	3	0	
Adjusted PAT	129	99	208	258	254	249	264	260	679	1,027	120	111.7
YoY Change (%)	25.0	-0.4	213.8	151.7	96.5	150.7	26.8	0.5	82.6	51.1	-7.1	
Margins (%)	2.2	1.7	3.3	4.1	3.9	3.5	3.5	3.5	2.8	3.6	1.8	210bp

Key Performance Indicators

Y/E March	FY24				FY25		FY24
	1Q	2Q	3Q	4Q	1Q		
Segment Revenue (INR m)							
Integrated Facility Management Services	4,050	4,139	4,181	4,282	4,246		16,651
Business Support Services	1,744	1,978	2,283	2,091	2,340		8,097
PBT Margin (%)							
Integrated Facility Management Services	1.9	2.9	3.0	3.7	4.0		3.1
Business Support Services	6.0	5.1	6.2	6.9	6.7		6.0

Tata Motors

BSE SENSEX
79,468

S&P CNX
24,298

CMP:INR1,025

Neutral

Financials & valuations (INR b)

Y/E March	2024	2025E	2026E
Net Sales	4,379	4,495	5,092
EBITDA	596.1	618.5	712.9
Adj. PAT	224.9	220.0	257.0
Adj. EPS (INR)	58.7	59.8	69.9
EPS Gr. (%)	2,628	2	17
BV/Sh. (INR)	221.6	286.6	352.3
Ratios			
Net D/E (x)	0.2	0.0	-0.2
RoE (%)	34.5	23.1	21.9
RoCE (%)	18.7	14.9	15.5
Payout (%)	10.3	7.0	6.0
Valuations			
P/E (x)	17.5	17.1	14.7
P/BV (x)	4.6	3.6	2.9
EV/EBITDA (x)	7.1	6.3	5.0
Div. Yield (%)	0.6	0.4	0.4

Tata Motors launches Curvv EV; ICE version in Sep'24

- Tata Motors (TTMT) has launched its new electric vehicle (EV), Curvv, in India at a starting price of INR1.75m. It is available in three trims: Creative, Accomplished, and Empowered. TTMT will reveal the prices of Curvv's ICE version on 2nd Sep'24. Curvv ICE will be available in six variants and three engine options (two petrol engines and one diesel engine). Curvv is based on the ATLAS platform, which supports different body styles and powertrain versions (ICE and EV).
- Customers have the option to choose between two battery packs, 45 kWh (medium range) and 55 kWh (long range). The company claims a maximum range of up to 585km and estimates a practical range of 400-425km for everyday use. The Curvv EV supports a 1.2C charging rate, allowing it to achieve a range of 150km with just 15 minutes of charging.
- Powered by a 123 kWh motor, the Curvv EV can accelerate from 0 to 100 km/h in 8.6 seconds and has a top speed of 160 km/h.
- Standard safety features include six airbags, ESP, all-wheel disc brakes, acoustic alerts for pedestrian safety, and Level 2 ADAS.
- Key specifications include 18-inch wheels, 190mm ground clearance, and a 450mm water wading depth. The vehicle features a balanced 50:50 weight distribution and offers 500 liters of boot space. It also comes with ventilated six-way adjustable front seats, a two-position rear seat recline, and drive modes of Eco, City, and Sport. Additionally, it features V2V and V2L charging, first introduced with the Nexon EV.
- The Curvv EV is available in six exterior colors: Daytona Grey, Pristine White, Flame (Red), Opera Blue, Pure Grey, and Gold. Pricing for the Curvv.ev45 ranges from INR1.75m to INR1.93m, while the Curvv.ev55 is priced between INR1.93m and INR2.2m.
- Bookings for the Curvv EV will start at company dealerships from 12th Aug'24. The closest competition would be MG ZS EV due to similarities in the pricing range (INR1.9m-INR2.5m).
- In FY24, electric passenger vehicle (ePV) industry volumes in India grew significantly by ~88% YoY to 88,000 units. This surge was driven by FAME subsidies, the introduction of new models, customer enthusiasm for adopting newer technologies, and a low base. Post this, the growth rate has slowed due to a relatively higher base and the reduction of government subsidies. We believe the EV transition in PVs is likely to be slower due to challenges like inadequate charging infrastructure, range anxiety etc
- The ICE version of Curvv will be competing in the UV1 segment (26% contribution to total UV sales in FY24), which posted a 29% CAGR over FY22-24. MSIL remains the market leader in this segment with a share of 43%, followed by Hyundai (22%) and Kia (14%). TTMT does not have a presence in this segment, but with Curvv ICE, the company aims to repeat the success it achieved with Nexon and Punch with this niche body style.
- **Valuation and view:** The stock trades at 17.1x/14.7x FY25E/FY26E consol EPS.

Tata Curvv EV



Source: Carwale, MOFSL

TTMT ICE Curvv comparison with peers

	TTMT Curvv ICE	MSIL Grand Vitara*	Hyundai Creta	Kia Seltos
Engine options	1.2L Petrol/ 1.5L Diesel	1.5L Petrol & CNG / Strong Hybrid	1.5L Petrol & Diesel	1.5L Petrol & Diesel
Average monthly volumes (in '000 units)	NA	10*	13.6	8.4
Price range (in INRm)	Not announced	INR1.1m to INR2m	INR1.1m to INR2.15m	INR1.09m to INR2.04m
Overall average monthly volumes in UV1 segment (in '000 units)	60			

Source: ** Volumes of Ertiga/ XL6 not considered in MSIL UV1 volumes, SIAM, MOFSL

BSE SENSEX
79,468S&P CNX
24,298

CMP: INR3,153

Neutral

Conference Call Details

Date: 7th August 2024

Time: 4:00pm IST

Dial-in details:

[Diamond Pass](#)

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	123.8	138.7	155.8
Sales Gr. (%)	4.9	12.0	12.3
EBITDA	27.1	30.9	35.0
EBITDA Margin (%)	21.9	22.3	22.5
Adj. PAT	18.2	21.6	24.7
Adj. EPS (INR)	35.9	42.5	48.6
EPS Gr. (%)	42.2	18.6	14.2
BV/Sh.(INR)	165.4	187.9	208.3
Ratios			
RoE (%)	23.3	24.1	24.5
RoCE (%)	21.2	22.1	22.7
Payout (%)	45.2	47.0	47.3
Valuations			
P/E (x)	87.9	74.1	64.9
P/BV (x)	19.1	16.8	15.1
EV/EBITDA (x)	58.3	50.8	44.6
Div. Yield (%)	0.5	0.6	0.7

Healthy volume growth; in-line EBITDA

1QFY25 consolidated performance

- Consol. sales grew at slow pace of 4% YoY (8% in 4QFY24) to INR34.0b (est. INR35.0b). Growth was affected by election-related restrictions and the impact of heatwaves on construction activities.
- Revenue on LFL basis (excluding Pidilite USA and Pulvitec Brazil in previous year) grew by 6% YoY.
- Underlying volume growth (UVG) remained strong at 9.6% (15% in 4QFY24), with 8% UVG in C&B businesses and 18% UVG in B2B businesses.
- Value growth was affected by price cuts by the company.
- **Consumer & Bazaar (C&B) segment** revenue rose 3% YoY to INR27.4b (est. INR26.6b), EBIT increased 14% YoY to INR8.0b (est. INR7.1b), and EBIT margins expanded 270bp YoY to 29.3%.
- **B2B segment** revenue was up 7% YoY at INR7.3b (est. INR6.8b), EBIT increased 20% to INR1.1b (est. INR0.9b), and EBIT margins expanded 170bp YoY to 15.2%.
- **Gross margins expanded ~480bp YoY** to 53.8% (est. 52.8%) on moderate RM prices.
- As a percentage of sales, employee expenses increased 140bp YoY to 12.3% and other expenses rose 100bp YoY to 17.6%.
- EBITDA margin expanded 240bp YoY to **23.9% (est. 23.2%)**.
- EBITDA grew 15% YoY to INR8.1b (est. INR8.1b).
- PBT rose 19% YoY to INR7.7b (est. INR7.5b).
- Adj. PAT increased 21% YoY to INR5.7b (est. INR5.7b).

Subsidiary companies

- Revenue from international subsidiaries (excluding Pidilite USA and Pulvitec Brazil) grew by 9% YoY, with EBITDA margins up 190bp YoY.
- Revenue from domestic subsidiaries remained flat, with healthy EBITDA margins.

Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Volume growth (%)	7.9	8.2	10.4	15.2	9.6	16.0	18.0	18.0	10.4	15.4		
Net Sales	32,751	30,760	31,300	29,019	33,954	34,452	35,682	34,649	1,23,830	1,38,736	35,044	-3.1
YoY change (%)	5.6	2.2	4.4	7.9	3.7	12.0	14.0	19.4	4.9	12.0	7.0	
Gross Profit	16,054	15,783	16,551	15,503	18,268	17,674	18,555	17,689	63,890	72,185	18,503	-1.3
Margin (%)	49.0	51.3	52.9	53.4	53.8	51.3	52.0	51.1	51.6	52.0	52.8	
EBITDA	7,070	6,797	7,425	5,769	8,127	7,755	8,516	6,550	27,073	30,949	8,117	0.1
YoY change (%)	33.5	36.0	49.7	25.6	15.0	14.1	14.7	13.5	36.4	14.3	14.8	
Margins (%)	21.6	22.1	23.7	19.9	23.9	22.5	23.9	18.9	21.9	22.3	23.2	
Depreciation	734	752	795	1,125	844	805	843	855	3,407	3,346	837	
Interest	119	131	128	134	118	118	121	108	512	466	120	
Other Income	234	316	370	489	539	411	451	297	1,397	1,698	375	
PBT	6,451	6,230	6,872	4,999	7,704	7,243	8,003	5,884	24,551	28,835	7,534	2.3
Tax	1,704	1,631	1,765	1,219	1,984	1,825	2,001	1,399	6,319	7,209	1,884	
Rate (%)	26.4	26.2	25.7	24.4	25.7	25.2	25.0	23.8	26.5	25.0	25.0	
Adj PAT	4,746	4,599	5,107	3,779	5,721	5,418	6,002	4,485	18,231	21,626	5,651	1.2
YoY change (%)	34.0	37.4	66.8	31.5	20.5	17.8	17.5	18.7	42.2	18.6	19.1	
Margins (%)	14.5	15.0	16.3	13.0	16.8	15.7	16.8	12.9	14.7	15.6	16.1	

E: MOFSL Estimates

Consolidated segmental performance

Segmental (INRm)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
Consumer and Bazaar									
Sales (INRm)	24,358	24,315	24,216	21,128	26,609	25,083	25,413	22,472	27,408
Sales Growth (%)	63.9	14.1	6.9	10.4	9.2	3.2	4.9	6.4	3.0
EBIT (INRm)	5,352	5,265	5,372	4,560	7,078	6,935	7,704	5,448	8,039
% Contribution	87.5	91.5	92.6	86.5	88.5	90.8	91.0	86.7	87.8
EBIT Growth %	44.5	-9.6	-4.6	9.2	32.3	31.7	43.4	19.5	13.6
EBIT margin %	22.0	21.7	22.2	21.6	26.6	27.6	30.3	24.2	29.3
Business to Business									
Sales (INRm)	7,220	6,237	5,999	6,340	6,780	6,153	6,373	7,079	7,256
Sales Growth (%)	49.8	17.2	-3.0	-1.8	-6.1	-1.3	6.2	11.7	7.0
EBIT (INRm)	748	495	391	707	917	685	757	835	1,103
% Contribution	12.2	8.6	6.7	13.4	11.5	9.0	8.9	13.3	12.0
EBIT Growth %	78.1	88.4	-2.2	59.3	22.5	38.3	93.4	18.1	20.3
EBIT margin %	10.4	7.9	6.5	11.2	13.5	11.1	11.9	11.8	15.2

Coromandel International

BSE SENSEX
79,468S&P CNX
24,298

CMP: INR1,626

Buy

Conference Call Details

Date: 9th Aug, 2024

Time: 03:00pm IST

Concall link:
[Click here](#)

Operating performance below estimates

- CRIN reported total revenue of INR47.3b (est. INR55.9b) in 1QFY25, down 17% YoY. Nutrient & other allied business revenue declined 19% YoY to INR42.1b, while crop protection business revenue inched up 1% YoY to INR5.5b
- EBITDA margins contracted 180bp YoY to 10.7% (est. 12.4%). As a percentage of sales, RM costs stood at 73.6% (vs. 74.1% in 1QFY24), employee costs came in at 3.9% (vs. 2.9%), freight costs were at 6% (vs. 5.3%), and other expenses stood at 5.8% (vs. 5.2%).
- EBITDA declined 29% YoY to INR5.1b (est. INR6.9b).
- EBIT margin for Nutrient & other allied business contracted 270bp YoY to 10.2%, while for crop protection business, it expanded 140bp YoY to 11.4%.
- **Volumes:** Total manufacturing volumes (NPK+DAP) grew 7% YoY to 811kmt, while total phosphate fertilizer manufacturing volumes (including SSP) grew 3% YoY to 968kmt. Total phosphate fertilizer volumes (including trading) declined 2% YoY to 838kmt during the quarter.
- Adj. PAT stood at INR3.1b (est. INR4.7b), down 37% YoY.

Quarterly Performance

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
Consolidated	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	%	
Net Sales	56,934	69,881	54,642	39,127	47,288	70,628	61,693	42,016	2,20,584	2,21,626	55,876	-15
YoY Change (%)	-0.6	-30.9	-34.2	-28.5	-16.9	1.1	12.9	7.4	-25.5	0.5	-1.9	
Total Expenditure	49,842	59,294	51,063	36,397	42,231	60,407	55,620	38,597	1,96,596	1,96,854	48,948	
EBITDA	7,092	10,587	3,578	2,730	5,058	10,221	6,073	3,420	23,988	24,772	6,928	-27
Margins (%)	12.5	15.2	6.5	7.0	10.7	14.5	9.8	8.1	10.9	11.2	12.4	
Depreciation	481	540	635	630	653	645	650	660	2,286	2,608	640	
Interest	405	462	381	617	574	425	400	375	1,866	1,774	500	
Other Income	445	448	585	835	541	537	702	1,002	2,314	2,783	534	
PBT before EO expense	6,651	10,033	3,147	2,319	4,372	9,689	5,726	3,387	22,150	23,174	6,322	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	6,651	10,033	3,147	2,319	4,372	9,689	5,726	3,387	22,150	23,174	6,322	
Tax	1,674	2,450	776	578	1,125	2,439	1,441	853	5,478	5,858	1,591	
Rate (%)	25.2	24.4	24.7	24.9	25.7	25.2	25.2	25.2	24.7	25.3	25.2	
Minority Interest & P/L of Asso. Cos.	36	15	61	138	137	16	64	144	250	361	38	
Reported PAT	4,940	7,569	2,310	1,603	3,110	7,234	4,220	2,390	16,422	16,955	4,693	
Adj PAT	4,940	7,569	2,310	1,603	3,110	7,234	4,220	2,390	16,422	16,955	4,693	-34
YoY Change (%)	-1.0	2.2	-56.2	-34.9	-37.1	-4.4	82.7	49.1	-18.4	3.2	(5.0)	
Margins (%)	8.7	10.8	4.2	4.1	6.6	10.2	6.8	5.7	7.4	7.7	8.4	

Apollo Tyres

BSE SENSEX
79,468S&P CNX
24,298

CMP: INR521

Buy

Conference Call Details

Date: 08th Aug 2024

Time: 4PM IST

Dial-in details: [Zoom webinar link](#)

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	253.8	264.1	284.6
EBITDA	45.0	42.3	46.7
Adj. PAT	18.2	18.9	22.5
EPS (Rs)	28.7	29.7	35.4
EPS Growth (%)	77.3	3.5	19.3
BV/Share (INR)	273.1	301.3	336.8

Ratios

RoE (%)	13.8	12.9	13.9
RoCE (%)	16.8	15.3	16.6
Payout (%)	20.1	22.3	19.7
P/E (x)	18.1	17.5	14.7
P/BV (x)	1.9	1.7	1.5
Div. Yield (%)	1.0	1.2	1.3
FCF Yield (%)	6.7	14.8	8.2

Weak operating performance

- Consol. revenue grew 1% YoY to INR63.3b (in line).
- Gross margin expanded 50bp YoY (-170bp QoQ) to 45.5% (in line). A weaker sequential gross margin is due to higher RM costs.
- EBITDA declined 13.5% YoY to INR9.1b (v/s est. INR10.1b). EBITDA margin contracted 240bp YoY (-280bp QoQ) to 14.4% (est. 16%). Contraction of margin was mainly due to higher input costs and employee expenses.
- Further, lower-than-estimated other income led to a decline in adj. PAT. It declined 19% YoY to INR3.3b (est. INR4.3b).
- S/A business revenue was in line with our estimate at INR45.9b (+4% YoY). Gross margin contracted 140bp YoY (-240bp QoQ) to 38.1% (est. 38.8%). EBITDA margin contracted 400bp YoY (-300bp QoQ) to 13.8% (est. 15.8%) mainly due to higher input and other costs.
- Derived EU revenue declined 5% YoY in INR terms. EBITDA margin contracted 130bp YoY (-260bp QoQ) to 15.8%. We await details for the EU operations.
- **Valuation:** The stock trades at 17.5x/15x FY25E/FY26E consolidated EPS.

Consolidated - Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E VAR	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				1QE
Net Revenues	62,446	62,797	65,954	62,582	63,349	63,547	68,160	68,572	253,777	264,085	63,749	-1
YoY Change (%)	5.1	5.4	2.7	0.2	1.4	1.2	3.3	9.6	3.3	4.1	2.1	
Total Expenditure	51,931	51,198	53,873	51,788	54,256	53,697	57,391	56,481	208,790	221,825	53,613	
EBITDA	10,515	11,599	12,081	10,794	9,093	9,850	10,769	12,091	44,987	42,260	10,136	-10
Margins (%)	16.8	18.5	18.3	17.2	14.4	15.5	15.8	17.6	17.7	16.0	15.9	
Depreciation	3,620	3,603	3,676	3,880	3,695	3,700	3,725	3,745	14,778	14,865	3,680	
Interest	1,355	1,328	1,230	1,146	1,070	1,130	1,120	1,021	5,059	4,341	1,150	
Other Income	355	253	184	743	308	435	485	489	1,536	1,717	470	
PBT before EO expense	5,896	6,922	7,358	6,511	4,636	5,455	6,409	7,813	26,685	24,771	5,776	
Extra-Ord expense	132	122	151	1,381	404	0	0	0	1,786	404	0	
PBT	5,764	6,800	7,207	5,130	4,232	5,455	6,409	7,813	24,899	24,367	5,776	
Tax Rate (%)	31.1	30.3	31.1	31.0	28.6	25.1	23.6	21.5	30.9	23.7	26.0	
Mlt & Profit/Loss of Asso. Cos.	0	-2	-1	-1	0	0	0	0	0	0	0	
Reported PAT	3,969	4,744	4,966	3,541	3,020	4,088	4,894	6,136	17,215	18,595	4,273	
Adj PAT	4,060	4,828	5,071	4,648	3,272	4,088	4,894	6,136	18,607	18,900	4,273	-23
YoY Change (%)	112.9	169.1	81.9	18.1	-19.4	-15.3	-3.5	32.0	80.8	1.6	5.2	
Margins (%)	6.5	7.7	7.7	7.4	5.2	6.4	7.2	8.9	7.3	7.2	6.7	
Standalone (India)												
Net Revenues	44,133	44,067	43,319	43,874	45,916	45,830	46,785	45,854	175,393	184,384	45,898	0
YoY Change (%)	-0.5	3.6	2.0	0.5	4.0	10.0	8.0	4.5	1.4	5.1	4.0	
EBITDA	7,867	8,414	7,840	7,358	6,331	6,966	7,111	7,498	31,480	27,907	7,252	-13
Margins (%)	17.8	19.1	18.1	16.8	13.8	15.2	15.2	16.4	17.9	15.1	15.8	
Adj PAT	3,111	3,511	3,064	2,748	2,297	2,964	3,036	3,183	12,434	12,007	3,281	-30
YoY Change (%)	198.1	434.1	146.6	15.0	-26.2	-15.6	-0.9	15.8	114.9	-3.4	5.4	

Kirloskar Oil Engine

BSE SENSEX
79,468

S&P CNX
24,298

CMP: INR1,165

Buy

Conference Call Details



Date: 8th August 2024

Time: 05:00pm IST

Dial-in details:
[Diamond Pass](#)

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	48.5	56.9	67.4
EBITDA	5.6	7.5	9.5
Adj. PAT	3.6	5.0	6.4
Adj. EPS (INR)	25.0	34.4	44.1
EPS Gr. (%)	33.8	37.9	28.1
BV/Sh.(INR)	181.2	206.4	238.7
Ratios			
RoE (%)	14.6	17.8	19.8
RoCE (%)	14.0	17.1	19.4
Valuations			
P/E (x)	53.4	38.8	30.3
P/BV (x)	7.4	6.5	5.6
EV/EBITDA (x)	34.5	25.7	20.1
Div. Yield (%)	0.5	0.7	0.9

Strong beat on all parameters

- KOEL's revenue came in ahead of our estimates at INR13.4b, up 6% YoY, on a high base of 1QFY24, when pre-buying had taken place. Export revenue at INR1.1b grew 15% YoY during the quarter.
- EBITDA grew 28% YoY led by healthy gross margin expansion, while EBITDA margin at 14.7% improved 250bp YoY/190bp QoQ.
- PAT came in at INR1.3b, up 30% YoY/15% QoQ on account of improved profitability in both B2B and B2C segments.
- The company has announced a capex outlay of INR7b towards augmenting its existing capacity of 135k engines per annum by another 50k engines per annum. The capex will be funded by a mix of internal accruals and borrowings.

Quarterly Earnings Model

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	12,647	10,590	11,352	13,917	13,429	11,384	14,799	17,307	48,505	56,920	11,953	12
YoY Change (%)	26.5	4.8	13.5	20.7	6.2	7.5	30.4	24.4	17.8	17.3	-5.5	
Total Expenditure	11,102	9,603	10,023	12,135	11,452	9,938	12,840	15,153	42,864	49,384	10,519	
EBITDA	1,545	986	1,329	1,782	1,977	1,446	1,959	2,154	5,642	7,536	1,434	38
Margins (%)	12.2	9.3	11.7	12.8	14.7	12.7	13.2	12.4	11.6	13.2	12.0	
Depreciation	213	243	257	257	247	244	250	258	970	999	238	4
Interest	14	16	20	29	27	33	33	39	78	132	33	(18)
Other Income	70	64	57	85	108	78	78	49	274	313	78	37
PBT before EO expense	1,388	791	1,109	1,581	1,810	1,247	1,755	1,906	4,868	6,718	1,242	46
PBT	1,388	791	1,109	1,581	1,810	1,247	1,755	1,906	4,868	6,718	1,242	46
Tax	355	205	287	405	462	322	452	496	1,252	1,732	320	
Rate (%)	25.6	25.9	25.9	25.6	25.5	25.8	25.8	26.0	25.7	25.8	25.8	
Reported PAT	1,032	586	822	1,176	1,347	926	1,302	1,410	3,616	4,986	922	46
Adj PAT	1,032	586	822	1,176	1,347	926	1,302	1,410	3,616	4,986	922	46
YoY Change (%)	59.9	-19.3	20.5	81.3	30.5	58.0	58.5	19.9	33.8	37.9	-10.7	
Margins (%)	8.2	5.5	7.2	8.5	10.0	8.1	8.8	8.1	7.5	8.8	7.7	

Happy Forgings

BSE SENSEX
79,468

S&P CNX
24,298

CMP: INR1,243

Buy

Conference Call Details



Date: 8th August 2024

Time: 11 AM

Concall registration-[\[Link\]](#)

+91 22 7195 0000

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	13.6	16.7	20.5
EBITDA	3.9	5.0	6.1
Adj. PAT	2.4	3.3	4.3
EPS (INR)	25.8	34.7	45.2
EPS growth %	10.6	34.7	30.1
BV/Sh. (INR)	171	200	238

Ratios

RoE (%)	18.7	18.7	20.7
RoCE (%)	17.0	17.7	19.8
Payout (%)	15.5	17.0	17.0

Valuations

P/E (x)	48.2	35.8	27.5
P/BV (x)	7.3	6.2	5.2
EV/EBITDA (x)	30.3	23.5	18.8
Div. Yield (%)	0.3	0.5	0.6

Weak results due to muted revenue growth

- Revenue grew ~4% YoY to INR3.4b (est. INR3.7b) in 1QFY25, affected by - i) weak MHCV dispatches, ii) temporary slowdown in infra-related activities due to the general elections, and iii) a slowdown in European farm segment. Domestic revenue grew 7% YoY, while exports declined 11%.
- In 1QFY24, financials were aided by air freight costs received on one order. Without this impact, EBITDA/PAT margins for 1QFY24 would have been 29.1%/18.4%. Assuming that, 1QFY25 revenue, EBITDA, and PAT would have grown by about 7%, 5%, and 9% YoY.
- Revenue mix during the quarter (vs. 1QFY24) — CV: 42% (38%), Farm Equipment: 31% (34%), Off highway: 11% (14%), Industrials: 12% (14%), PVs: 3% (0%).
- Gross margin was down 50bp YoY/flat QoQ at 56.5%. Despite lower-than-estimated revenue, EBITDA margin came in line at 28.6%, (-180bp YoY/+30bp QoQ, est. 28.8%).
- EBITDA declined ~3% YoY to INR976m. Machined mix improved to 87% in 1QFY25 from 82% in 1QFY24.
- A weak operational performance led to adj. PAT miss at INR639m (flat YoY, est. INR693m).
- Valuation and view: The stock trades at 35.8x/27.5x FY25E/FY26E EPS.

Quarterly (Standalone)

(INR m)

	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net operating income	3,298	3,431	3,420	3,433	3,415	4,186	4,343	4,789	13,582	16,732	3,727
Change (%)			16.2	13.5	3.5	22.0	27.0	39.5	13.5	23.2	13.0
RM/Sales (%)	43.0	44.7	44.5	43.5	43.5	44.2	44.4	44.5	43.9	44.2	43.8
Staff Cost (%)	7.5	8.5	9.0	8.6	8.5	7.8	7.9	7.9	8.4	8.0	8.2
Other Exp. (%)	19.1	19.5	18.7	19.6	19.4	18.5	17.8	17.4	19.1	18.2	19.2
EBITDA	1,002	938	952	971	976	1,235	1,301	1,442	3,875	4,954	1,075
EBITDA Margins (%)	30.4	27.3	27.8	28.3	28.6	29.5	30.0	30.1	28.5	29.6	28.8
Non-Operating Income	34	7	33	72	77	55	60	39	134	231	50
Interest	27	44	38	9	14	17	18	24	118	73	20
Depreciation	155	162	171	160	180	178	181	179	647	718	175
PBT after EO items	855	738	777	875	859	1,095	1,162	1,278	3,244	4,394	930
Tax	214	185	198	217	220	281	298	321	814	1120	237
Eff. Tax Rate (%)	25.1	25.1	25.5	24.8	25.6	25.6	25.6	25.1	25.1	25.5	25.5
Rep. PAT	640	553	579	658	639	814	864	957	2,430	3,274	693
Change (%)			39.2	29.7	-0.3	47.3	49.2	45.4	18.3	34.7	8.2
Adj. PAT	640	553	579	658	639	814	864	957	2,430	3,274	693
Change (%)			39.2	29.7	-0.3	47.3	49.2	45.4	16.4	34.7	8.2

E: MOFSL Estimates

Lemon Tree Hotel

BSE SENSEX
79,468S&P CNX
24,298

CMP: INR139

Buy

Conference Call Details

Date: 8th Aug'24

Time: 4:00pm IST

Dial-in details:

[Click here](#)

Operating performance below our estimates

- Revenue grew 21% YoY to INR2.7b (in line) in 1QFY25. EBITDA grew 10% YoY to INR1.2b (est. INR1.3b). EBITDA margin declined 410bp YoY to 42.9% (est. 45%), led by an increase in other expenses as % of sales by 370bp YoY to 23.2%.
- Adj. PAT declined 16% YoY to INR198m (est. INR244m).
- Gross ARR stood at INR5,686, up 9% YoY.
- Occupancy declined by 360bp YoY to 66.6%, due to the elections and extreme heatwave.
- Management fees stood at INR125m, up 21% YoY.
- During the quarter, LEMONTRE signed three new management and franchise contracts, which added 187 rooms to its pipeline, and operationalized four hotels, which added 331 rooms to the portfolio.
- As of 30th Jun'24, total operational inventory comprised 107 hotels with 10,125 rooms and the pipeline comprised additional ~4,000 rooms.

Consolidated Quarterly Performance

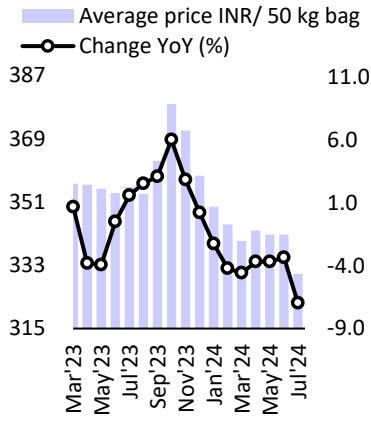
(INRm)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Gross Sales	2,223	2,272	2,887	3,273	2,680	3,221	3,978	3,769	10,655	13,648	2,776	-3
YoY Change (%)	15.7	15.5	23.6	29.5	20.6	41.8	37.8	15.1	21.8	28.1	24.9	
Total Expenditure	1,178	1,253	1,490	1,558	1,530	1,691	1,984	1,865	5,479	7,070	1,526	
EBITDA	1,045	1,019	1,397	1,715	1,151	1,529	1,994	1,904	5,176	6,578	1,250	-8
Margins (%)	47.0	44.8	48.4	52.4	42.9	47.5	50.1	50.5	48.6	48.2	45.0	
Depreciation	228	226	333	334	346	345	350	355	1,121	1,396	340	
Interest	481	473	534	528	518	505	480	460	2,016	1,963	520	
Other Income	24	29	22	39	4	35	50	41	113	130	25	
PBT before EO expense	359	348	552	892	291	714	1,214	1,130	2,151	3,350	415	
PBT	359	348	552	892	291	714	1,214	1,130	2,151	3,350	415	
Tax	87	86	118	50	91	171	290	269	341	821	99	
Rate (%)	24.2	24.8	21.3	5.6	31.2	23.9	23.9	23.8	15.9	24.5	23.9	
MI & P/L of Asso. Cos.	38	35	80	172	2	93	112	248	325	454	72	
Reported PAT	235	226	354	670	198	451	812	614	1,485	2,075	244	
Adj PAT	235	226	354	670	198	451	812	614	1,485	2,075	244	-19
YoY Change (%)	34.5	35.1	-11.4	52.4	-15.6	98.9	129.5	-8.4	25.7	39.7	4.0	
Margins (%)	10.6	10.0	12.3	20.5	7.4	14.0	20.4	16.3	13.9	15.2	8.8	

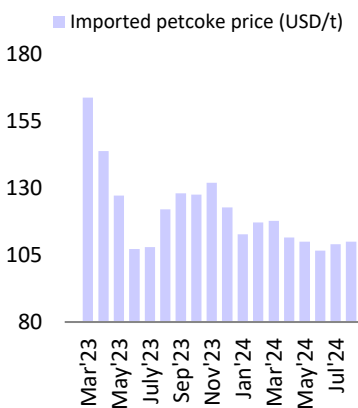


Cement

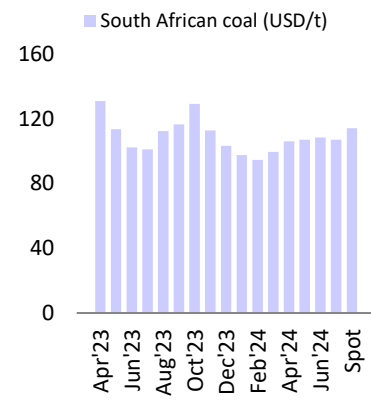
Average price of cement per 50kg bag down 7% YoY in Jul'24



Average imported petcoke price up 2% YoY to USD109/t in Jul'24



Average imported coal price up 5% YoY to USD114/t in Jul'24



Price weakness persists; demand slows down seasonally

Average cement price was down ~3% MoM in Jul'24

- Our channel checks suggest that pricing pressure continues for the cement industry, resulting in a ~3% MoM reduction in the all-India average cement price (trade) in Jul'24. Prices declined across regions in the range of ~1-5% MoM, with the highest decline recorded in south (down 5%) followed by west and east (down ~4% each), north (down ~3%), and central India (down ~1%). Further, cement demand has slowed down as rains extended across the country. We estimate cement volume to decline ~5% YoY in Jul'24, partly due to a higher base.
- Dealers have indicated that cement price is under pressure due to demand slowdown and volume push by leading players. Most of the dealers do not expect price hikes in the near term due to oversupply and seasonality impacts. In 1QFY25, realization for our coverage cement companies (for results announced so far) declined 2.9% QoQ (down by INR160/t). Given further corrections in cement prices in Jul'24 and no price hike in sight, we believe realization may further decline ~1-2% QoQ in 2QFY25E, with a higher decline for south-based players (up to ~3% QoQ).
- Average fuel price (both petcoke and coal) was flat MoM in Jul'24. However, the spot price increased MoM. Prices of domestic/imported petcoke rose 2% MoM to INR12,663/t and USD110/t, respectively. Imported coal (South Africa) price was up ~7% MoM at USD114/t.

Prices decline across regions; likely to remain weak in the near term

- Cement prices across regions corrected in Jul'24 amid demand slowdown and volume push by leading industry players. The all-India average cement price was down ~3% MoM in Jul'24. In the south region, Tamil Nadu, Kerala and Karnataka witnessed a significant price decline of INR20/bag MoM (~6%), whereas prices in Andhra Pradesh and Telangana were down by INR10/bag MoM (~3%). In Tamil Nadu, trade cement prices hit a decadal low and dealers expect prices may decline further in the coming months.
- In the west region, Mumbai and Pune saw a higher decline of INR15-20/bag (~5%), while Nagpur and Gujarat saw a price drop of INR10/bag (~3%). In the east, cement prices declined by INR10-15/bag (~3-4%) across key markets due to oversupply and weak demand. In the north, prices decreased by INR10/bag MoM (~3%) as industry players announced target-based schemes and discounts. In the central markets, prices fell by INR5/bag (~1%); however, dealers indicated more price cuts of up to INR10-15/bag in the next two months.
- In 1QFY25, realization for our coverage cement companies (for results announced so far) was down 2.9% QoQ (vs. our estimate of 1.1% QoQ decline). In 1Q earnings concalls, most management teams have guided for a price drop in Jul'24. Given further corrections in Jul'24 and no price hikes in sight, we believe the average realization for industry players may further decline by ~1-2% QoQ in 2QFY25E, with a higher decline for south-based players (up to ~3% QoQ).

Seasonality-led demand weakness; expected to improve post monsoons

- In 1QFY25, industry volume was flat or marginally up (1-2%) YoY due to general elections, a higher base, heatwaves and other regional headwinds (such as fund-related issues in a few markets of the south region and labor migration). However, our cement coverage universe (for results announced so far) reported volume growth of ~6% YoY, led by market share gain.
- July and August are seasonally the weakest months for cement volume due to heavy rainfall across most parts of the country. Our checks indicate industry volumes in Jul'24 were down ~5% YoY, partly due to a higher base. We estimate industry volume to remain weak as monsoons intensify across the country. We expect cement demand to recover in 2HFY25, supported by housing and infrastructure segments.
- In the recent budget, the government's announcement of higher investments under PMAY in rural and urban areas and continuous focus on infrastructure development (expansion of road, rail and metro connectivity and construction of new airport) will drive healthy cement demand growth in the long run.

Average fuel price stable MoM in Jul'24, but spot prices increased

- Average fuel price (both petcoke and coal) was flat MoM in Jul'24. However, spot prices increased MoM. Prices of domestic/imported petcoke rose 2% MoM to INR12,663/t and USD110/t, respectively. Imported coal (South Africa) price was up ~7% MoM at USD114/t. Based on the spot prices, consumption costs stood at INR1.32/kcal for imported petcoke and INR1.70/kcal for imported coal.
- Fuel consumption cost (in INR/Kcal) in 1QFY25 was down ~9-10% QoQ for ACC/ACEM/JKCE/TRCL and ~5%/3%/3%/1% for DALBHARA/JKLC/SRCM/UTCEM. In 1QFY25 (for results announced so far), DALBHARA recorded the lowest fuel consumption cost of INR1.38/kcal, followed by TRCL at INR1.49/kcal. Fuel consumption costs for ACC/ACEM/JKLC/JKCE/SRCM ranged between INR1.62/Kcal and INR1.76/Kcal, while it was INR2.0/kcal for UTCEM.

Outlook: Weak pricing leads to earnings cuts

- Further cement price corrections and expected sub-optimal capacity utilization across regions due to the monsoon lead to earnings cuts for FY25E. In our 1QFY25 result updates (for companies announced so far), we have cut our FY25 EBITDA estimates for ACC, ACEM, JKLC, SRCM, TRCL and UTCEM by 6-12% due to the underperformance in 1Q, while we have maintained our estimates for DALBHARA and JKCE due to above-par performance.
- We continue to believe that the acceleration in industry consolidation and improvement in clinker utilization can improve the industry's pricing power in the long run. Given the current scenario of weak pricing, we prefer companies that have a larger scale of operation with potential to gain market share, a better cost curve with further rooms available for cost reduction, and strong balance sheet.
- Thus, we prefer UTCEM and ACEM as our preferred picks in the large cap space. We like JKCE and ACC in the midcap space. We believe DALBHARA and TRCL will be most adversely affected by a sharp price correction in south and east regions and a lack of clarity on their expansion plans.

Decoding consumption: Rural spending declined slowly in 1QFY25

Growth in urban spending hit five-quarter low

- An analysis of 12 proxy indicators suggests that rural spending declined for the third successive quarter in 1QFY25, though the pace of contraction was slower. Rural spending contracted 0.6% YoY in 1QFY25, following a decline of 2.4% YoY in 4QFY24 and a growth of 1.5% in 1QFY24. The contraction in rural spending was mainly led by a third successive contraction in fiscal real rural spending, a continuous deterioration in reservoir levels, the seventh successive contraction in farm exports, and declining fertilizer sales, along with muted rural wage growth. These factors were partly offset by improvements in farm terms of trade and real farm credit, robust growth in two-wheeler sales and an expected growth in rail passenger traffic. Even MGNREGA data suggests some improvements in the rural sector, as employment demand fell in 1QFY25 (though it was much higher in Jun'24), compared with the previous quarters.
- Urban spending – estimated by compiling nine proxy indicators – grew at a five-quarter slowest pace of 6.0% YoY in 1QFY25 vs. 10.0%/6.4% in 4Q/1QFY24. The deceleration in growth was mainly led by nine-quarter slowest growth in PV sales, 14-quarter slowest growth in real salary & wages, and an expected slowdown in non-farm real GVA growth. These factors were partly offset by an expected improvement in consumer durables production, decent growth in personal credit and petrol sales. A detailed analysis of the nine indicators used in urban consumption confirms that five indicators witnessed deceleration in growth in 1QFY25 vs. 1QFY24 as well as 4QFY24, another three variables witnessed deceleration in 1QFY25 vs. 4QFY24 but improved in comparison to 1QFY24, and only one variable witnessed acceleration in growth in 1QFY25 vs. both 1QFY24 and 4QFY24.
- Overall, it is evident that the growth in rural spending, especially in the agricultural sector, remained subdued in 1QFY25, though the pace of contraction moderated. This was the thirteenth consecutive quarter when urban spending growth outpaced rural spending growth; however, the spread between rural and urban sector growth eased to the lowest in three quarters.
- A simple average of the slower contraction in rural spending and the deceleration in urban sector indicates further slowdown in real private final consumption expenditure (PFCE) in 1QFY25. Against this backdrop, we expect real private consumption growth at 3.5-4.0% in 1QFY25, compared to 4.0%/5.5% in 4Q/1QFY24.

Rural¹ consumption declined for the third consecutive quarter in 1QFY25: An analysis of 12 proxy indicators suggests that the rural sector's spending declined for the third successive quarter in 1QFY25, though the pace of contraction was slower. Rural spending contracted 0.6% YoY in 1QFY25, following a decline of 2.4% YoY in 4QFY24 and a growth of 1.5% in 1QFY24 (*Exhibit 1*). The contraction in rural spending was mainly led by the third successive contraction in fiscal real rural spending, a continuous deterioration in reservoir levels, the seventh successive contraction in farm exports, and declining fertilizer sales, along with muted rural wage growth. These factors were partly offset by improvements in farm terms of trade and real farm credit, robust growth in two-wheeler sales and an expected growth in rail passenger traffic (*Exhibit 2*).

¹The 12 proxy indicators include: 1) Real agricultural wages, 2) Real non- agricultural wages, 3) Two-wheeler sales, 4) Farmers' terms of trade, 5) Tractor sales, 6) Real agricultural exports, 7) Fertilizer sales, 8) Real agricultural credit, 9) IIP food products, 10) Reservoir levels, 11) Fiscal real rural spending, and 12) Real farm GVA. The rural consumption spending growth is estimated as simple average of these 12 indicators.



J Kumar Infraprojects: Projects Are On Track And Revenue For FY25 Is Seen At INR5,600 Cr; Kamal Gupta, MD

- Sees 2Q revenue growth in the range of 13-16%; FY25 revenue growth to be 15%+
- Target to increase margins to 15-16% in 6-8 quarters
- Expect order inflow of 6000-8000cr
- L1 bidder in 6500cr; have bids for 2000 Cr worth projects as well

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Indigo Paints: Need To Wait And Watch If Demand Can Come Back To Earlier Levels; Hemant Jalan, CMD

- July saw strong growth in high-teens
- Price hike of about 2% should support gross margins
- Expects healthy EBITDA margin coming back in Q2FY25.
- Target 5% market share from 3% now in the next few years
- Sees no impact on the ground yet, from Birla opus

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Symphony: Share Buyback Benefits The EPS As Well As The Valuation Metrics; Nrupesh Shah, MD

- Board approves buyback of upto INR71.4 cr
- Acceptance ratio at 0.41%
- FY25 could be a strong year after a strong start in Q1FY25
- Focus is on scaling margins towards the 30% mark

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Blue Star: Margin sustainable at 8.5-9% for full year; Vir S Advani, CMD

- Can do 20-25% revenue growth for the year
- Delivering improvement in margins in b2b business
- We are building overseas biz slowly, it is about India for next 3-5 years
- Happy to retain market share despite stock-outs

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Suzlon: Installed capacity of Suzlon is nearly 15 GW for operation & maintenance services business; JP Chalasani, MD

- Renom Energy Services acquisition increases our capacity base for OMS services
- Significant Non-Suzlon turbines also getting added in wind energy segment
- Will not merge Renom, will continue as independent managed company
- Renom margins at 20%, current capacity is 2.5 GW, 1.8 GW is underway as well

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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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