Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	80,378	1.1	11.3
Nifty-50	24,484	1.1	12.7
Nifty-M 100	57,356	2.2	24.2
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,929	2.5	24.3
Nasdaq	18,983	3.0	26.5
FTSE 100	8,167	-0.1	5.6
DAX	19,039	-1.1	13.7
Hang Seng	7,363	-2.6	27.6
Nikkei 225	39,481	2.6	18.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	76	-1.0	-2.0
Gold ($/OZ)	2,659	-3.1	28.9
Cu (US$/MT)	9,200	-4.2	8.7
Almn (US$/MT)	2,578	-1.8	9.9
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	84.3	0.2	1.3
USD/EUR	1.1	-1.8	-2.8
USD/JPY	154.6	2.0	9.6
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.8	0.00	-0.3
10 Yrs AAA Corp	7.3	0.00	-0.5
Flows (USD b)	**6-Nov**	**MTD**	**CYTD**
FIIs	-0.5	-1.28	-0.7
DIIs	0.58	1.24	54.3
Volumes (INRb)	**6-Nov**	**MTD***	**YTD***
Cash	1,242	887	1278
F&O	5,93,723	3,17,347	3,81,147

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

LT Foods - Initiating Coverage: Basmati brilliance on a global scale

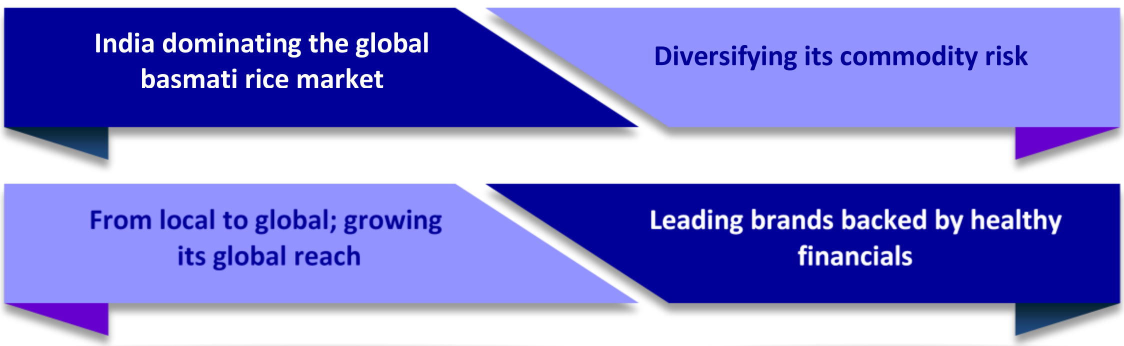
- LT Foods (LTFOODS), a prominent Indian producer of basmati and specialty rice under brands like 'Daawat and Royal', has evolved into a globally recognized player with operations across 80+ countries. Operating on a farm-to-fork model, the company has driven consistent growth, achieving a 15% revenue CAGR over FY19-24 and expanding margins through diversification and market leadership. With the global basmati rice segment expected to grow at a 9% CAGR through FY24-32 and India accounting for 75% of global production, LTFOODS stands to benefit.
- LTFOODS commands ~30% of India's market (Daawat) and ~50% of the U.S. market (Royal). LTFOODS is also expanding its organic and convenience foods portfolio, aiming for double-digit growth. Notably, its international reach, strong cash flows, and shift toward an FMCG model have led to a valuation re-rating from ~8x (average of last five years; one year forward) to ~21x P/E (FY25E), aligning it more closer to FMCG peers.
- LTFOODS is currently trading at ~21x/16x/13x FY25E/FY26E/FY27E EPS with an FY27E RoE/RoCE of ~20% each. We initiate coverage with a BUY rating and a TP of INR520, based on 18x FY27E P/E.

Research covered

Cos/Sector	Key Highlights
LT Foods	Initiating Coverage: Basmati brilliance on a global scale
Hindalco	Novelis 2QFY25: In-line performance
GAIL	Tariff hikes, transmission volumes to drive FY26E profitability
Other Updates	Jindal Steel & Power | Oil India | Amara Raja Energy & Mobility | Raymond Lifestyle | Granules India | Alkyl Amines Chemicals | TeamLease | Power Grid | Tata Steel | Apollo Hospitals | Gujarat Gas | Endurance Technologies | JK Lakshmi Cement | Avalon Technologies | Economy

Chart of the Day: LT Foods - Initiating Coverage (Basmati brilliance on a global scale)

LT Foods: Investment arguments



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Medanta enters O&M for 750 bed super specialty hospital in New Delhi; to invest Rs 600 crore

Global Health, the company behind Medanta hospitals, has partnered with Dr. Narayan Dutt Shirmali Foundation to manage a new 750-bed super specialty hospital in Pitampura, New Delhi.

2

Bharti Telecom hikes stake in Airtel to 40.33%

Bharti Telecom Ltd (BTL), the primary promoter of Bharti Airtel, has upped its stake in the telecom giant to 40.33%.

3

Geopolitical turmoil weighs on McD's sales in West, South India

McDonald's sales in West and South India have been hit by geopolitical turmoil, with some stores seeing sales halved due to anti-American sentiment following the Israel-Gaza war.

4

Everstone puts off plan to sell stake in Restaurant Brands Asia

Everstone Capital has halted the sale of its stake in Restaurant Brands Asia. The private equity firm was unable to find buyers at its desired valuation.

5

Motown reaps huge gains from double festive cheer in October

Driven by the festive season, Indian auto retail sales surged 32% in October, fueled by strong demand for two-wheelers and passenger vehicles.

6

Shopping on credit nearly doubled during Diwali for e-commerce consumers, cash on delivery slumps – GoKwik

Credit use doubled this festive season. Credit cards and BNPL options drove this growth for D2C brands on GoKwik's network.

7

Fashion retailer Pernia's Pop-Up Shop eyes ₹250 crore in pre-IPO funding

Pernia's Pop-Up Shop is raising funds for its initial public offering. The company plans to use the funds to expand its retail network and become debt-free.

Motilal Oswal | Morning India

LT Foods

BSE Sensex	NIFTY-50
79,477	24,213

CMP: INR382 **TP: INR520 (+36%)** **Buy**

LT FOODS
NURTURING GOODNESS

Stock Info

Bloomberg	LTFOODS IN
Equity Shares (m)	347
M.Cap.(INRb)/(USDb)	132.4 / 1.6
52-Week Range (INR)	448 / 160
1, 6, 12 Rel. Per (%)	0/63/77
12M Avg Val (INR M)	403
Free float (%)	49.0

Financial Snapshot (INR b)

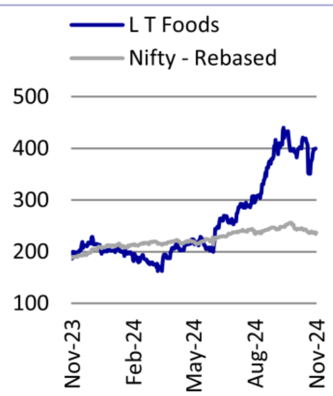
Y/E MARCH	FY25E	FY26E	FY27E
Sales	87.3	100.4	113.8
EBITDA	9.8	12.3	14.4
Adj. PAT	6.3	8.3	9.9
EBITDA Margin (%)	11.2	12.3	12.6
Cons. Adj. EPS (INR)	18.0	24.0	28.5
EPS Gr. (%)	5.6	33.0	18.5
BV/Sh. (INR)	112.6	131.7	155.1
Ratios			
Net D:E	-0.1	-0.2	-0.2
RoE (%)	17.2	19.7	19.8
RoCE (%)	16.1	18.8	19.5
Valuations			
P/E (x)	21	16	13
EV/EBITDA (x)	13	10	8

Shareholding pattern (%)

	Sep-24	Jun-24	Sep-23
Promoter (%)	51.0	51.0	51.0
DII (%)	5.8	5.7	5.1
FII (%)	8.0	5.9	6.0
Others (%)	35.2	37.4	37.9

FII Includes depository receipts

Stock performance (one-year)



Basmati brilliance on a global scale!

LT Foods (LTFOODS) is a leading Indian basmati and specialty rice producer with over 70 years of experience in offering a diverse range of rice products under brands, Daawat and Royal. The company operates on a farm-to-fork model, ensuring comprehensive control over the value chain. With a significant presence in over 80 countries, LTFOODS achieved a 15% revenue CAGR over FY19-24. It focuses on expanding margins while maintaining a strong market share globally.

- **According to industry reports, Basmati rice accounts for ~4% of the global rice market (USD376.5b in CY24). Basmati sales are likely to experience a 9% CAGR over FY24-32, led by rising immigration, increasing disposable incomes (a shift toward basmati), a shift to packaged products, and heightened health awareness. India is a leading global producer of basmati rice, accounting for ~75% share. Basmati rice, while comprising only 4% of India's domestic consumption, drives significant export revenue (INR483.9b in FY24). LTFOODS, being the key Indian player, stands to gain with increasing penetration of basmati rice globally.**
- **LTFOODS has transformed Indian rice from a loose commodity to a branded product with notable brands like Daawat and Royal. With a market share of ~30% in India and ~50% in the US, the company has diversified into organic foods (9% of revenue) and aims for double-digit growth. LTFOODS is also expanding its convenience and health (C&H) segment, targeting a revenue share increase from 3% to 10% over five years, with strong growth projected in its ready-to-heat (RTH) products in the US.**
- **LTFOODS has achieved an impressive 17% CAGR in international revenue over FY19-24 (69% revenue share in FY24). Its strategic expansion in the US and Europe drives growth, while the Middle East has rebounded with a remarkable 26% surge in FY24. The company's international growth is driven by geographic expansion, innovative product launches, and acquisitions, benefiting from higher price realizations abroad.**
- **Over the last five years, LTFOODS rerated from ~8x P/E (average of the last five years; one-year forward) to ~21x (in FY25), fueled by strong cash flow generation (cumulative FCF of INR17.7b), consistent performance (36% PAT CAGR) due to product and geographical diversification, and improved RoE/RoCE (of 19%/16% in FY24). Transitioning from a commodity to an FMCG model, these factors position LTFOODS nearer to its FMCG peer valuation. We estimate LTFOODS will record a revenue/EBITDA/adj. PAT CAGR of 14%/15%/19% over FY24-27.**
- **LTFOODS is currently trading at ~21x/16x/13x FY25E/FY26E/FY27E EPS with an FY27E RoE/RoCE of ~20% each. We initiate coverage on the stock with a BUY rating and a TP of INR520, based on 18x FY27E P/E.**
- **Key downside risks: a) climate risk for rice production and volatility in rice prices; b) competitive business environment; and c) geopolitical and foreign currency risks.**

India dominating the global basmati rice market

- The global rice market, valued at USD376.5b in CY24, is projected to clock 3% CAGR during FY24-FY29, according to industry reports. While basmati rice, representing only ~4% of this market, is expected to grow at a faster rate (9% CAGR) over CY24-32, led by rapidly rising popularity with increasing immigration of basmati-consuming population to low basmati-consuming regions, increasing disposable incomes, a shift toward packaged products, and growing awareness of health benefits.
- India dominates global rice exports, with its market share surging to 46% in 2023 from 35% in 2021. India is the largest basmati rice producer. It accounts for ~75% of the world's basmati rice production. India generated ~INR483.9b revenue from basmati exports in FY24 (up 26% YoY).
- Around 70% of India's basmati rice exports in FY24 went to the Middle East, with Saudi Arabia now the top destination at 21.4% share, while Iran's share dropped to 11.6%. Despite this, LTFOODS earns only 5.6% of its revenue from the region but aims to boost this through a recent partnership with Saudi Agricultural and Investment Co. (SALIC), which has acquired a 9.22% stake in LTFOODS.
- The Indian rice market includes basmati, non-basmati, packaged, and unpackaged categories, with basmati driving significant export revenue despite accounting for only ~4% of domestic consumption. The market has seen a 7-8% CAGR over the last decade, driven by rising disposable income, shift toward packaged products, and increasing fast-food culture.
- **Packaged basmati rice is projected to clock an 11% CAGR**, driven by consumer interest in health-oriented products like brown, organic, and black rice.
- The organized sector features key players such as LTFOODS, KRBL and Kohinoor Foods, alongside emerging private labels from major e-commerce platforms.
- **Growing consumption of basmati rice both in the domestic and global markets augurs well for branded players such as LTFOODS, which have a strong global presence.**

Diversifying its commodity risk

- Indian rice market has transformed from a loose commodity to a branded and packaged product market, largely due to extensive branding efforts by organized players such as LTFOODS, which have established popular brands (like Daawat, Devaaya, Royal, et al.).
- LTFOODS has achieved a strong market share across regions through branding activities and distribution expansion (over 1,400 global distributors). The Daawat brand commands ~30% market share in India (up from 20% in FY19). Royal and Golden Star (recently acquired) are the leading brands in the US market (Royal has over 50% market share), while 817 Elephant is the no. 2 brand in Canada. LTFOODS' brands have 30% market share in Northern Europe and ~12-13% in the far-east region (leader in 11 out of 16 countries in this region).
- LTFOODS has come a long way from being just a rice company to a FMCG company having built a diverse portfolio to meet needs for all meal occasions. For this, the company has forayed into new segments such as organic foods & ingredients, and C&H segments.
- LTFOODS is a pioneer in the organic food sector (over two decades of presence), accounting for 9% of total revenue, with **plans to achieve double-digit growth**. The company primarily functions as a B2B supplier, partnering with over 64,000 farmers across 94,000 hectares of certified organic farmland to provide diverse products. Additionally, LTFOODS is establishing a manufacturing facility in

Uganda to export soymeal to the US (to circumvent anti-dumping duty) and focus on high-demand crops. The global organic food market is projected to report a 15.9% CAGR over CY22-27, as per industry reports. LTFOODS aims to capitalize on this opportunity by expanding its branded organic offerings, particularly with its 'Daawat Ecolife' brand.

- LTFOODS expanded into the C&H segment in FY20, introducing products like Daawat Quick Brown Rice and RTH meals. The segment currently makes up 3% of total revenue, which the company aims to increase to 10% in five years. Its US RTH products, under the Royal brand, are strong growth drivers, contributing 65-70% of the C&H segment. With plans to double its US capacity, **LTFOODS projects a 33-35% CAGR for C&H over five years**, driven by global trends in convenience food consumption.

From local to global; growing its global reach

- LTFOODS has a strong international presence in over 80 countries (69% revenue share in FY24), achieving a 17% CAGR in international revenue during FY19-24. Its global business features leading brands like Daawat, Royal, Indus Valley, Devaaya, Daawat Rozana, 817 Elephant and the recent addition of Golden Star, with a focus on North America, Europe, and the Middle East.
- The company's international growth is fueled by new geography expansion, innovative product launches, and brand acquisitions. LTFOODS benefits from higher price realizations abroad, contributing to stronger margins. With the global demand for premium, health-conscious foods and growing retail reach, the company sees significant growth potential in both domestic and international markets.
- LTFOODS continues to dominate the **US market (39% revenue share in FY24)**, leveraging its flagship Royal brand, which commands over 50% market share in packaged basmati rice. With an impressive 17% CAGR in US revenue during FY19-24, the company thrives on growing demand for premium, organic, and specialty rice varieties. Its RTH segment also saw robust 15% YoY growth. Expanding into adjacent categories, LTFOODS acquired a 51% stake in Golden Star, the largest Jasmine rice brand (non-basmati rice) in the US, boosting its market presence. The company is poised for further growth, driven by rising demand and an expanding product portfolio.
- LTFOODS has solidified its **European** presence, contributing 20% of its total business, with a 29% CAGR over FY19-24. With dedicated operations in the Netherlands and the UK, it captured 22% of the basmati rice market in Europe. Strategic expansions, including new processing facilities (60,000mt) in the UK and product launches, are expected to further boost revenues to EUR100m within five years.
- The **Middle East**, accounting for 75% of India's basmati rice exports, offers significant growth potential with rising demand in key markets like Saudi Arabia, UAE, and Iraq. Despite declining sales over FY19-23, LTFOODS achieved 26% YoY growth in FY24, driven by brand-building, targeted marketing, and strategic partnerships, notably with SALIC in Saudi Arabia. The region’s revenue mix is expected to recover within the next 4-5 years.

Leading brands backed by healthy financials

- LTFOODS has been a consistent performer with a revenue CAGR of 12%/15% over the last ten/five years.
- LTFOODS achieved broad-based growth across segments, with basmati rice and organic foods growing at 15% CAGR each and the C&H segment expanding 4.2x

over FY19-24. All the geographies witnessed healthy growth, except the Middle East, which also rebounded in FY24.

- Future growth is expected across segments due to changing consumer preferences, geographic expansion, and product innovation. **We estimate a 14% CAGR in total revenue during FY24-27**, supported by new product launches, penetration into existing and new geographies, and strategic partnerships.
- LTFOODS has maintained stable margins of 10-12% over the last five years despite challenges like rising freight costs and fluctuating paddy prices. To counter these pressures, the company has focused on improving its product mix and expanding into higher-margin geographies. With stabilizing freight costs, operational efficiencies, and the ramp-up of new segments like Jasmine rice and C&H, **we estimate margin to improve to ~13% by FY27 from ~12% in FY24.**
- LTFOODS has significantly reduced its working capital days from 261 in FY19 to 189 in FY24, mainly due to extending payable days facilitated by supplier agreements for off-season procurement with extended credit terms. Inventory days remained stable at around 245 due to rice ageing requirements, with an average ageing period of eight months. **The company expects working capital days to stabilize at the FY24 level through enhanced inventory management.**
- Improving margins and stable working capital translate into healthy cash flow. **The company has generated cumulative FCF of INR17.6b over the last five years, with an average CFO-to-EBITDA ratio of ~81%.** We estimate the company will maintain a healthy ratio going forward.

Valuation and View

- LTFOODS has been a prominent player in the Indian basmati rice market for decades, with brands like Daawat, Devaaya, and Rozana. Daawat's market share in India has risen to 30%, while the Royal brand leads the US market with over 50% share.
- The company has achieved a robust CAGR of 15% in revenue and 19% in EBITDA during FY19 to FY24, bolstered by innovative products and a focus on organic offerings. With a presence in key consuming regions, LTFOODS aims to enhance its market share through strategic marketing and distribution, particularly in the Middle East.
- Over the last five years, LTFOODS rerated from ~8x P/E (average of the last five years; one-year forward) to ~21x (in FY25), fueled by strong cash flow generation (cumulative FCF of INR17.7b), consistent performance (36% PAT CAGR) due to product and geographical diversification, and improved RoE/RoCE (of 19%/16% in FY24). Transitioning from a commodity to an FMCG model, these factors position LTFOODS nearer to its FMCG peer valuation. We estimate LTFOODS will record a revenue/EBITDA/adj. PAT CAGR of 14%/15%/19% over FY24-27.
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- **Key downside risks:** a) climate risk for rice production and volatility in rice prices; b) competitive business environment; and c) geopolitical and foreign currency risks.

Hindalco

BSE SENSEX	S&P CNX
80,378	24,484

CMP: INR707 **Buy**

Novelis 2QFY25: In-line performance

- Shipments volume stood at 945kt (YoY/QoQ: +1%/ flat) against our estimate of 961kt. The growth was primarily led by strong demand from the beverage packaging segment offset by lower shipments to some specialty end markets and the automotive segment. Volumes were also impacted due to flooding-led production interruption at the Sierre plant.
- Novelis (HNDL)'s 2QFY25 revenue stood at USD4.3b (YoY/QoQ: +5%/+3%) in-line with our estimate of USD4.2b, mainly driven by higher aluminum prices.
- Adjusted EBITDA stood at USD462m (YoY/QoQ: -5%/-8%), in-line with our estimate. The EBITDA decline was primarily driven by the increase in aluminum scrap prices, unfavorable product mix, and USD25m impact caused by floods at the Sierre plant.
- EBITDA/t stood at USD489/t (vs our estimate of USD496/t) during the quarter.
- APAT stood at USD202m (YoY/QoQ: -9%/-15%) against our est. of USD187m.
- Total capex for 1HFY25 stood at USD717m, primarily attributed to the new rolling and recycling capacity.
- The current net debt to Adj. EBITDA stands at 2.5x as compared to 2.4x in 1QFY25.
- For 1HFY25, revenue was at USD8.5b (+3% YoY) and EBITDA came in at USD962m (+3% YoY).
- Novelis reported an APAT of USD439m (+13% YoY) during 1HFY25.

Key highlights from the management commentary

Operating performance outlook

- The flood in Sierre in June adversely affected EBITDA. Sierre operations restarted in September, with ramp-up planned for Q3FY25. The flood hampered the EBITDA performance by USD25m (net of insurance).
- Higher aluminum prices and increased FRP shipments boosted net sales. Beverage packaging shipments grew, while specialties and automotive shipments shrank, mainly due to the Sierre flood. Adjusted EBITDA per ton declined 5% to USD462m.
- Higher SG&A costs from wage inflation, an unfavorable product mix, and rising metal scrap prices further weighed on adjusted EBITDA.
- Rising scrap aluminum prices adversely impacted performance.
- Scrap prices were anticipated to rise over time, but their accelerated increase, due to China's policy changes, was unexpected. Near-term EBITDA per ton guidance is withheld until the market stabilizes.
- The automotive recycling center in Guthrie, Kentucky, U.S., is in its initial production and ramp-up phase.
- Aircraft demand remains strong, though OEMs face supply chain issues. Automotive sees a favorable mix of SUVs and trucks. The main concern is the volatility in aluminum scrap prices.
- Volume guidance is on track, with confidence in aligning with the market growth of 4%.

- Asia's EBITDA per ton dropped from USD469 to USD460 YoY due to an unfavorable product mix (higher beverage, lower automotive demand), while South America saw an increase in EBITDA per ton, driven by higher operating volumes, leverage, and improved product mix.
- The company remains optimistic about 3Q performance, despite scrap price pressures, due to its superior operational efficiency. Guidance remains on hold until the market conditions stabilize.
- North America and Asia face the biggest headwinds from the rising scrap prices.
- The company is expanding aluminum scrap supply sources and focusing on technology efficiency for recycling.
- The company anticipates that scrap price hikes will impact 2HFY25 results.
- Beverage packaging remains strong with momentum expected to continue. In North America, automotive demand shows no significant slowdown among Novelis' customers, though certain OEMs have scaled back. In Europe, German OEMs have been affected by the economic downturn, but conditions outside Germany remain stable. Specialty products continue to witness solid demand despite high interest rates.

Bay Minette capex:

- The Bay Minette project remains on schedule. Capex of USD 1.1b was allocated to Bay Minette in 2QFY25, with commissioning expected in the 2HCY26.
- The plant will have ~600kt capacity — 420kt for beverage packaging and 180kt for automotive (primarily) and specialties (if feasible). Long-term beverage packaging contracts have already been secured for this facility.
- Bay Minette's IRR is expected to stay in double digits, assuming scrap prices remain tight, as anticipated over time.
- The capacity would take about 18 to 24 months to fully ramp up to peak utilization.
- The company's capex budget of ~USD4.1b for 600kt capacity is unlikely to be revised upwards.

Demand outlook:

- The company foresees a 4% growth in the aluminum FRP market.
- Supply chain inventory reduction is now a thing of the past for the beverage packaging demand. Growing signals are seen in the beverage cans market globally.
- The company has a cautiously positive outlook on the beverage packaging demand in Europe and Asia.
- Europe and Asia are experiencing a slowdown in the demand for EV battery foils.
- Chinese imports are rising due to the lower 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.
- Expect net debt to increase 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	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q			2QE	(%)
Sales (000 tons)	**879**	**933**	**910**	**951**	**951**	**945**	**3,673**	**3,920**	**961**	**-2**
Change (YoY %)	-8.6	-5.2	0.2	1.6	8.2	1.3	-3.1	6.7		
Change (QoQ %)	-6.1	6.1	-2.5	4.5	0.0	-0.6	0.0	0.0		
Net Sales	**4,091**	**4,107**	**3,935**	**4,077**	**4,187**	**4,295**	**16,210**	**17,820**	**4,156**	**3**
Change (YoY %)	-19.6	-14.4	-6.3	-7.3	2.3	4.6	-12.3	9.9		
Change (QoQ %)	-7.0	0.4	-4.2	3.6	2.7	2.6	0.0	0.0		
EBITDA (adjusted)	**421**	**484**	**454**	**514**	**500**	**462**	**1,873**	**2,030**	**476**	**-3**
Change (YoY %)	-25.0	-4.3	33.1	27.5	18.8	-4.5	3.4	8.4		
Change (QoQ %)	4.5	15.0	-6.2	13.2	-2.7	-7.6	0.0	0.0		
EBITDA per ton (USD)	**479**	**519**	**499**	**540**	**526**	**489**	**510**	**518**	**496**	**-1**
Interest	70	74	67	64	64	67	275	265		
Depreciation	131	136	139	148	140	141	554	603		
PBT (before EO item)	**220**	**274**	**248**	**302**	**296**	**254**	**1,044**	**1,162**		
Extra-ordinary Income	(10)	(66)	(73)	(77)	(86)	(74)	(226)	(160)		
PBT (after EO item)	**210**	**208**	**175**	**225**	**210**	**180**	**818**	**1,002**		
Total Tax	54	51	54	59	60	51	218	301		
% Tax	25.7	24.5	30.9	26.2	28.6	28.3	26.7	30.0		
Reported PAT (after MI)	**156**	**157**	**121**	**166**	**151**	**128**	**600**	**702**		
Change (YoY %)	-49	-14	908	6	-3	-18	-9	17		
Adjusted PAT	**166**	**223**	**194**	**243**	**237**	**202**	**826**	**862**	**187**	**8**
Change (YoY %)	-40.5	-9.3	33.8	23.4	42.8	-9.4	-4.7	4.3		
Change (QoQ %)	-15.7	34.3	-13.0	25.3	-2.5	-14.8	0.0	0.0		

E: MOFSL Estimates

Volumes -Rolled products (in kt)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
North America	370	390	362	391	388	396
Europe	250	256	230	246	263	233
Asia	176	175	176	183	194	198
South America	119	144	176	164	154	162
Elimination	-36	-32	-34	-33	-48	-44
Total Third Party Shipments	**879**	**933**	**910**	**951**	**951**	**945**
Adj. EBITDA (USD m)						
North America	166	208	165	210	183	185
Europe	88	100	59	74	90	63
Asia	87	82	81	84	92	91
South America	84	93	150	145	132	123
Adj. EBITDA per ton (USD)						
North America	449	533	456	537	472	467
Europe	352	391	257	301	342	270
Asia	494	469	460	459	474	460
South America	706	646	852	884	857	759

GAIL

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	GAIL IN
Equity Shares (m)	6575
M.Cap.(INRb)/(USDb)	1373.7 / 16.3
52-Week Range (INR)	246 / 123
1, 6, 12 Rel. Per (%)	-7/-3/43
12M Avg Val (INR M)	4468

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	1,390.2	1,413.2	1,523.8
EBITDA	151.3	169.2	191.7
Adj. PAT	104.4	118.0	134.9
Adj. EPS (INR)	15.9	18.0	20.5
EPS Gr. (%)	15.8	13.1	14.2
BV/Sh.(INR)	111.3	122.0	134.3
Ratios			
Net D:E	0.2	0.2	0.1
RoE (%)	15.5	16.0	16.5
RoCE (%)	12.1	12.4	12.8
Payout (%)	40.1	40.1	40.1
Valuations			
P/E (x)	13.2	11.6	10.2
P/BV (x)	1.9	1.7	1.6
EV/EBITDA (x)	7.7	6.8	5.8
Div. Yield (%)	3.1	3.4	3.9
FCF Yield (%)	3.6	5.3	7.0

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	51.5	51.5	51.5
DII	24.3	25.6	26.8
FII	17.4	15.8	15.4
Others	6.7	7.1	6.3

FII Includes depository receipts

CMP: INR209 TP: INR265 (+27%) Buy

Tariff hikes, transmission volumes to drive FY26E profitability

- GAIL's 2QFY25 performance was in line, with transmission EBITDA being stable QoQ, petchem turning profitable again in 2Q (on higher volumes), and trading business performance being largely in line with expectations. We see three catalysts ahead for FY26-27: 1) potential ~10% tariff hike for the transmission business in 4QFY25; 2) moderate but sustained growth in transmission/marketing volumes in FY26-27 (with potential for upside if spot prices correct meaningfully); and 3) petchem capacity more than doubling by the end of FY27 from the current 810 KTA.
- **Key takeaways from the earnings call:**
  - GAIL expects 5mmscmd p.a. growth in marketing volumes over the next two years. For the trading segment, EBIT guidance of INR45b has been maintained but is expected to be exceeded. Management expects Petchem segments 2Q EBIT run-rate to continue in 2HFY25. Capex in 2HFY25 shall be higher than 1H, taking FY25 capex to INR90b-INR100b (earlier guidance of INR114.5b),
  - GAIL plans to add around 80 new CNG stations and 120k new D-PNG connections in the next two years, and 500ktpa PDH-PP (propane-based plant) at Usar is likely to start commercial production by Oct'25 (75% complete), and a 60ktpa Polypropylene plant at Pata (91% complete) is expected to be commissioned by Dec'24.
- We **reiterate our BUY rating** on GAIL with an SoTP-based TP, which values:
  - the gas transmission business at 9x FY27E EBITDA of INR93b,
  - LPG transmission business at 8x FY27E EBITDA of INR5b,
  - gas trading business at 6x FY27E EBITDA of INR62b,
  - petrochemical business at 7x FY27E EBITDA of INR28b, and
  - LPG business at 6x FY27E EBITDA of INR19b.
  - Adding the value of listed and unlisted investments of INR272b and adjusting FY27E ND of INR151b, we arrive at our revised TP of INR265.

EBITDA in line; lower DDA and higher other income drive a beat on PAT

- GAIL's 2QFY25 performance was in line, with transmission EBITDA being stable QoQ, petchem turning profitable again in 2Q (on higher volumes), and trading business performance being largely in line with expectations.
- EBITDA was up 7% YoY at INR37.4b (in line with our est. of INR37.5b).
- PAT rose 11% YoY to INR26.7b (14% above our est. of INR23.4b), led by higher other income and lower DDA vs. our estimates.
- Natural gas transmission volume stood at 130.6mmscmd (vs. our est. of 128.5mmscmd; 131.8mmscmd in 1QFY25). We believe transmission volumes are already at peak (and in line with our est.) and unlikely to materially surprise from hereon in 2HFY25.
- Petchem sales rose 34%/35% QoQ/YoY to 226tmt (vs. our est. of 212.6tmt), leading to an EBIT of INR1.7b for the petchem segment.

- In 2QFY25, GAIL incurred a capex of INR18.9b (INR35.4b capex incurred in 1HFY25), primarily on pipelines and petrochemicals.
- **In 1HFY25**, GAIL's net sales/EBITDA/PAT grew 4%/36%/35% to INR665.9b/INR82.7b/INR54b. **In 2H,** we estimate net sales/PAT to increase 9%/1% YoY, while EBITDA to decline 7% YoY.

Segmental EBIT details for 2QFY25

- The gas transmission business posted an EBIT of INR14b (up 9% YoY; our est. of INR13.1b).
- LPG transmission's EBIT stood at INR855m (in line YoY).
- Marketing business posted an EBIT of INR13.3b (down 26% YoY; our est. of INR13.2b).
- The petchem segment recorded an EBIT of INR1.6b (vs. EBIT loss of INR1.6b in 2QFY24; our est. of INR572m).
- LPG and HC reported an EBIT of INR2.5b (vs. EBIT loss of INR167m in 2QFY24).

Valuation and view

- We **reiterate our BUY rating** on GAIL with a TP of INR265. During FY24-27, we estimate a 14% CAGR in PAT driven by:
  - an increase in natural gas transmission volumes to 149mmscmd in FY27 from 120mmscmd in FY24;
  - substantial improvement in petchem segment's profitability over 2HFY25- FY27 as the new petchem capacity will be operational and spreads are bottoming out;
  - healthy trading segment's profitability with guided EBIT of at least INR45b.
- We expect GAIL's RoE to improve to ~16% in FY26 from 9.5% in FY23, with a healthy FCF generation of INR73b in FY26 (vs. -INR45.3b in FY23), which we believe can support its valuations.
- Our SoTP-based TP includes:
  - the gas transmission business at 9x FY27E EBITDA of INR93b,
  - LPG transmission business at 8x FY27E EBITDA of INR5b,
  - gas trading business at 6x FY27E EBITDA of INR62b,
  - petrochemical business at 7x FY27E EBITDA of INR28b, and
  - LPG business at 6x FY27E EBITDA of INR19b.
  - Adding the value of listed and unlisted investments of INR272b and adjusting FY27E ND of INR151b, we arrive at our revised TP of INR265.

Standalone quarterly performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**324.1**	**318.2**	**342.5**	**323.3**	**336.7**	**329.1**	**342.4**	**381.9**	**1,308.2**	**1,390.2**	**340.1**	**-3%**
Change (%)	-13.7	-17.3	-3.2	-1.6	3.9	3.4	0.0	18.1	-9.3	6.3	6.9	
EBITDA	**26.1**	**34.9**	**38.2**	**35.6**	**45.3**	**37.4**	**38.8**	**29.8**	**134.8**	**151.3**	**37.5**	**0%**
% of Net Sales	8.1	11.0	11.2	11.0	13.4	11.4	11.3	7.8	10.3	10.9	11.0	
Depreciation	6.4	7.5	7.8	11.6	10.5	8.2	8.2	8.4	33.3	35.2	10.5	
Interest	1.8	1.7	1.6	1.9	2.1	1.9	1.4	0.9	7.0	6.3	1.6	
Other Income	2.7	5.6	8.1	6.4	3.7	7.1	5.5	8.1	22.8	24.4	6.0	
PBT	**20.7**	**31.3**	**36.9**	**28.4**	**36.4**	**34.5**	**34.7**	**28.5**	**117.3**	**134.2**	**31.5**	**10%**
Rate (%)	23.0	23.2	23.0	23.4	25.2	22.6	25.6	13.6	23.2	22.2	25.6	
PAT	**15.9**	**24.0**	**28.4**	**21.8**	**27.2**	**26.7**	**25.8**	**24.7**	**90.2**	**104.4**	**23.4**	
Change (%)	-45.4	56.5	1,056.8	260.7	71.1	11.1	-9.2	13.2	70.1	15.8	-2.5	
Extraord.: Tax Prov. Write Back	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adj PAT	**15.9**	**24.0**	**28.4**	**21.8**	**27.2**	**26.7**	**25.8**	**24.7**	**90.2**	**104.4**	**23.4**	**14%**
Change (%)	-45.4	56.5	1,056.8	260.7	71.1	11.1	-9.2	13.2	70.1	15.8	-2.5	
Key Assumptions												
Gas Trans. volume (mmscmd)	116.3	120.3	121.5	123.7	131.8	130.6	129.7	126.8	120.5	129.7	128.5	2%
Petchem sales ('000MT)	162.0	168.0	215.0	242.0	169.0	226.0	212.6	242.9	787.0	212.6	212.6	6%

Jindal Steel & Power

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	JSP IN
Equity Shares (m)	1020
M.Cap.(INRb)/(USDb)	971 / 11.5
52-Week Range (INR)	1097 / 597
1, 6, 12 Rel. Per (%)	-5/-7/27
12M Avg Val (INR M)	2088
Free float (%)	38.8

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	560	755	849
EBITDA	117	181	204
APAT	53	97	112
Adj. EPS (INR)	52	96	110
EPS Gr. (%)	-10.7	83.0	15.2
BV/Sh. (INR)	489	575	674
Ratios			
Net D:E	0.2	0.1	0.0
RoE (%)	11.2	18.0	17.6
RoCE (%)	12.7	19.7	20.0
Payout (%)	10.0	10.0	10.0
Valuations			
P/E (x)	18.3	10.0	8.7
P/BV (x)	2.0	1.7	1.4
EV/EBITDA(x)	9.2	5.8	4.9
Div. Yield (%)	0.5	1.0	1.2
FCF Yield (%)	1.8	6.0	8.7

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	61.2	61.2	61.2
DII	16.1	15.3	15.2
FII	13.0	13.4	13.7
Others	9.8	10.0	9.9

FII includes depository receipts

CMP: INR952 TP: INR1200 (+26%) Buy

Weak volumes and lower realization drag performance; earnings set to improve in 2HFY25

- Revenue stood at INR112b (YoY/QoQ: -9% / -18%), which was below our estimate of INR133b. Revenue was impacted due to weak volumes and lower realization.
- Production volume stood at 1.97mt (YoY/QoQ: +4% / -4%). The QoQ volume decline was led by a planned shutdown at the Raigarh plant. Sales volume came in at 1.85mt (YoY/QoQ: -8%/ -12%) against our est. of 2.11mt.
- ASP stood at INR60,612/t (vs our est. of INR63,202/t), flat YoY and -7% QoQ.
- EBITDA stood at INR22b (YoY/QoQ: -4% /-23%) and was 9% below our est. of INR24b. EBITDA/t came in at INR11,893/t (YoY/QoQ: +5% / -12%) against our est. of INR11,454/t.
- APAT stood at INR9b (YoY/QoQ: -38% /-36%) vs. our est. of INR11b.
- For 1HFY25, revenue came flat YoY at INR248b and EBITDA at INR50b (+3% YoY). The company reported an APAT of INR22b (-28% YoY) during 1HFY25.
- Consolidated net debt stood at INR124b as of 2QFY25 vs. INR104b in 1QFY25 and the increase was driven by an expansion capex at the Angul project. Net debt/EBITDA was at 1.21x as of 2QFY25 vs 1.0x in 1QFY25.
- The total capex for the quarter was INR26b.

Expansion status and update

- Jindal Steel & Power (JSP) will increase its total finished steel capacity from 7.25mt to 13.75mt by FY26 at a total capex of INR310b.
- Slurry pipeline – On track to commission in FY25 end; 80% of the project is completed as of now.
- JSP received all the approvals for Utkal B1 mines. It is in the advanced stage of opening and will likely start operations by 4QFY25.
- Utkal B2 is under clearance and is likely to open in FY25. Management plans to raise the EC limit of both Utkal B1 & B2 to 5MT each.
- The company is targeting to increase the EC limit of Gare Palma IV/6 coal mine to 5MTPA by FY25-end from 4MTPA.

Highlights from the management commentary

- Coking coal cost declined USD35/t during the quarter and management expects further moderation of USD20-25/t in 3QFY25. Earnings are expected to be better in 2HFY25 as compared to 1HFY25, driven by better volumes and realization.
- The company implemented a price hike of INR1,000-2,000/t across products in Q3. The management indicated that the prices are holding up on account of healthy demand following the festive season.
- Management expects iron ore costs to moderate to align with steel prices; otherwise, spot spreads may compress.
- India remained a net steel importer in 2QFY25.

Valuation and view

- While 2Q FY25 EBITDA was weak primarily due to muted price and lower volume, the 2HFY25 outlook remains bright. We expect JSP to report Revenue/EBITDA growth of +24/26% YoY for 2HFY25, owing to improving prices and demand coupled with muted cost.
- We cut our Revenue/EBITDA and APAT estimate by 7/4/5% for FY25 over weak performance in 1HFY25. We have retained our estimates for FY26 and FY27. The ongoing capex would lead to more value-added products, which would yield better profitability and margins in the longer term.
- **We reiterate our BUY rating with a TP of INR1200, based on 6.5x on EV/EBITDA on Sep'26 estimate. The stock is currently trading at 4.9x on EV/EBITDA and 1.4x on P/B FY27 estimate.**

Consolidated quarterly performance (INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Sales (kt)	1,840	2,010	1,810	2,010	2,090	1,850	2,250	2,550	7,670	8,740	**2,111**	**(12)**
Change (YoY %)	5.7	0.0	-4.7	-1.0	13.6	-8.0	24.3	26.9	-0.1	14.0		
ASP	68,415	60,946	64,648	67,099	65,157	60,612	63,032	66,473	65,224	64,032	**63,202**	**(4)**
Net Sales	**126**	**123**	**117**	**135**	**136**	**112**	**142**	**170**	**500**	**560**	**133**	**(16)**
Change (YoY %)	-3.5	-9.4	-6.0	-1.5	8.2	-8.5	21.2	25.7	-5.1	11.9		
Change (QoQ %)	-8.1	-2.7	-4.5	15.3	1.0	-17.7	26.5	19.5				
Total Expenditure	100	100	89	110	108	90	112	132	398	443		
EBITDA	**26**	**23**	**28**	**24**	**28**	**22**	**29**	**37**	**102**	**117**	**24**	**(9)**
Change (YoY %)	-23.6	18.3	19.6	11.8	8.0	-3.7	3.3	52.6	2.7	14.7		
Change (QoQ %)	20.2	-13.0	24.4	-14.0	16.2	-22.5	33.5	27.1				
EBITDA/t	**14,283**	**11,372**	**15,705**	**12,162**	**13,585**	**11,893**	**13,050**	**14,633**	**13,306**	**13,395**	**11,454**	**4**
Interest	3	3	3	3	3	3	4	4	13	15		
Depreciation	6	6	6	10	7	7	8	9	28	31		
Other Income	1	0	0	0	0	0	0	0	2	1		
PBT (before EO item)	**18**	**14**	**19**	**12**	**19**	**12**	**17**	**25**	**62**	**73**		
Extra-ordinary Income	0	0	0	0.0	0	0	0	0	0	0		
PBT (after EO item)	**18**	**14**	**19**	**12**	**19**	**12**	**17**	**25**	**62**	**73**	**14**	**(16)**
Total Tax	1	0	0	2	5	4	4	6	3	20		
% Tax	4.2	-0.4	-0.1	19.8	28.0	29.1	25.2	26.5	4.8	0.0		
PAT (before MI/Sh. Asso.)	**17**	**14**	**19**	**9**	**13**	**9**	**13**	**18**	**59**	**53**		
MI - Loss/(Profit)	0	0	-0	-0	0	-0	0	0	0	0		
Associate	-0	-0	0	0	0	0	0	0	-0	0		
PAT (after MI and Sh. of Asso.)	**17**	**14**	**19**	**9**	**13**	**9**	**13**	**18**	**59**	**53**		
Adjusted PAT	**17**	**14**	**19**	**9**	**13**	**9**	**13**	**18**	**59**	**53**	**11**	**(20)**
Change (YoY %)	15.3	102.2	114.9	52	-20.7	-38.0	-32.1	93	62.3	-10.7		
Change (QoQ %)	173.8	-17.7	38.9	-51	43.0	-35.7	52.0	37.8				

Oil India

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	OINL IN
Equity Shares (m)	1627
M.Cap.(INRb)/(USDb)	854.1 / 10.1
52-Week Range (INR)	768 / 195
1, 6, 12 Rel. Per (%)	-6/15/127
12M Avg Val (INR M)	3771

Financials & Valuations (INR b)

Y/E march	FY25E	FY26E	FY27E
Sales	228.6	236.8	254.7
EBITDA	105.3	113.6	122.8
Adj. PAT	73.4	79.3	85.5
Adj. EPS (INR)	45.1	48.8	52.6
EPS Gr. (%)	32.3	8.0	7.8
BV/Sh.(INR)	302.5	336.3	372.7
Ratios			
Net D:E	0.1	0.1	0.1
RoE (%)	15.7	15.3	14.8
RoCE (%)	10.6	10.6	10.5
Payout (%)	30.8	30.8	30.8
Valuations			
P/E (x)	11.6	10.8	10.0
P/BV (x)	1.7	1.6	1.4
EV/EBITDA (x)	8.8	8.0	7.3
Div. Yield (%)	2.6	2.9	3.1
FCF Yield (%)	5.3	5.5	6.2

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	56.7	56.7	56.7
DII	26.3	27.8	25.8
FII	10.6	9.3	11.3
Others	6.5	6.2	6.3

FII includes depository receipts

CMP: INR525 TP: INR 660(+26%) BUY

Core story intact; attractively priced

- Oil India (OINL)'s 2QFY25 financial result was a miss at the EBITDA level and following the conference call, we cut our FY25/26 PAT by 2/5%, mainly as we moderate our volume growth assumptions. The core story still largely remains intact – Numaligarh Refinery Limited (NRL)'s expanded capacity is on track for commissioning in FY26 and Indradhanush Gas Grid phase I has already achieved mechanical completion. Despite a marginal cut to our PAT estimates, OINL remains attractively priced after the recent correction, and we estimate the standalone business (adjusted for value of investments and NRL stake) is trading at FY26 PE of 5.8x. We reiterate our BUY rating on the stock with a revised TP of INR660/share.
- OINL's 2QFY25 EBITDA was 11% below our estimates, mainly due to gas sales (0.65bcm) coming in significantly below our est. of 0.74bcm and a 14% rise in other opex on a YoY basis. The sharp rise in other opex was largely due to dry wells-related write-offs. OINL's oil/gas production stood at 0.88mmt/0.80bcm,+5%/-1% YoY, respectively. PAT was 10% above our expectations, mainly due to higher other income.
- In the 2Q Earnings Call, management guided for a ~5% YoY increase in oil and gas production during FY26. NRL has achieved 70% physical completion and is slated to start in Dec'25. Approval from the ministry for the revised capex of NRL, amounting to INR320b (INR280b as of now), is yet to be received. As of 30 Sep'24, NRL's debt stood at INR115b. Standalone/consolidated capex of INR70b/INR120b is planned to be incurred in FY25, with 75% being incurred on the upstream segment. OINL plans to drill 70+ wells in FY25.
- We arrive at our TP of INR660/share as we build in the oil and gas production of 3.7mmt and 3.5bcm in FY26, respectively. We value the standalone business at 9x Dec'26E P/E, existing NRL stake at 3.0x FY24 P/B, and include the value of equity invested to date in NRL capacity expansion. **Reiterate BUY.**

Miss on EBITDA amid weaker-than-expected gas sales; higher other opex

- Revenue was in line with our estimate at INR55.2b (-7% YoY).
  - Oil sales came in at 0.84mmt (our estimate of 0.84mmt, -2% YoY). Gas sales stood at 0.65bcm (our estimate of 0.74bcm, -1% YoY).
  - Oil realization, net of windfall tax, was USD73.9/bbl (our estimate of USD73/bbl).
- EBITDA came 11% below our estimate at INR21.8b (-12% YoY).
- However, the reported PAT was 10% above our estimate at INR18.3b (est. INR16.7b) due to higher-than-expected other income.
- **NRL performance:**
- PBT stood at INR2.5b (vs. PBT of INR9.9b during 2QFY24), led by a muted GRM of USD2.3/bbl in 2QFY25 (vs. GRM of USD16.4/bbl in 2QFY24).

- Crude throughput stood at 683tmt (vs. 778tmt in 2QFY24) and distillate yield stood at 84.1% (vs.85.3% in 2QFY24).
- **In 1HFY25**, while net sales grew 8% YoY to INR113.6b, EBITDA/APAT declined 3%/6% YoY to INR46.5b/INR33b, respectively. **In 2H,** we estimate net sales to remain similar YoY, while EBITDA/PAT to grow 33%/12% YoY.
- The Board has declared an interim dividend of INR3/sh (FV of INR10/sh).

Valuation and view

- Production growth guidance remained robust, with drilling activity and development wells in old areas contributing to this growth. OINL is also implementing new technologies to increase production. Capacity expansion for NRL (from 3mmt to 9mmt) is also expected to be completed by Dec'25, which will drive further growth.
- OINL remains a strong conviction at 1.5x FY26E P/B (standalone) valuation. We value the stock at 9x Dec'26E standalone adj. EPS and add investments to arrive at our TP of INR662. **Reiterate BUY.**

Quarterly Performance (INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	46.4	59.1	58.2	57.6	58.4	55.2	56.7	58.3	221.3	228.6	55.9	-1%
Change (%)	-22.1	2.4	-1.1	2.0	25.7	-6.7	-2.4	1.3	-4.9	3.3	-5.5	
EBITDA	23.3	24.9	21.1	23.4	24.7	21.8	27.5	31.4	92.6	105.3	24.4	-11%
% of Net Sales	50.1	42.1	36.2	40.6	42.2	39.6	48.4	53.9	41.8	46.1	43.7	
Change (%)	-11.5	34.6	-26.2	-0.5	5.9	-12.3	30.4	34.4	-4.4	13.8	-1.9	
D,D&A	4.0	4.2	5.0	4.6	4.6	5.0	5.4	4.3	17.8	19.4	4.8	
Interest	1.7	2.2	1.8	1.9	2.0	2.3	2.1	2.3	7.6	8.6	2.5	
OI (incl. Oper. other inc)	3.3	7.1	5.1	8.3	1.6	8.6	5.2	5.4	23.8	20.8	5.2	
PBT before exceptional	21.0	25.5	19.3	25.2	19.7	23.1	25.1	30.2	91.1	98.1	22.3	3%
Exceptional item	0.0	23.6	0.0	0.0	0.0	0.0	0.0	0.0	23.6	0.0	0.0	
PBT after exceptional	21.0	1.9	19.3	25.2	19.7	23.1	25.1	30.2	67.5	98.1	22.3	3%
Tax	4.9	-1.4	3.5	5.0	5.1	4.7	6.3	8.6	11.9	24.7	5.6	
Rate (%)	23.2	-5.4	18.0	19.6	25.7	20.4	25.2	28.4	13.1	25.2	25.2	
PAT	16.1	3.3	15.8	20.3	14.7	18.3	18.8	21.6	55.5	73.4	16.7	10%
Change (%)	3.7	-81.1	-9.3	13.5	-9.1	463.8	18.8	6.5	-18.5	32.3	412.7	
Adj. PAT	16.1	19.1	15.8	20.3	14.7	18.3	18.8	21.6	71.4	73.4	16.7	10%
Key Assumptions												
Oil sales (mmt)	0.75	0.85	0.85	0.84	0.83	0.84	0.89	0.94	3.29	3.51	0.84	-1%
Gas sales (bcm)	0.54	0.65	0.68	0.65	0.68	0.65	0.69	0.65	2.52	2.66	0.74	-13%
Net Oil Realization (USD/bbl)	74.3	75.5	74.3	78.8	74.6	73.9	73.0	73.0	75.7	73.6	73.0	1%

6 November 2024

2QFY25 Results Update | Sector: Automobiles

Amara Raja Energy & Mobility

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	ARENM IN
Equity Shares (m)	183
M.Cap.(INRb)/(USDb)	243.7 / 2.9
52-Week Range (INR)	1776 / 622
1, 6, 12 Rel. Per (%)	-1/10/86
12M Avg Val (INR M)	1820

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	126.0	139.1	155.3
EBITDA	17.6	20.2	22.5
Adj. PAT	9.8	11.2	12.7
EPS (INR)	53.8	61.3	69.6
EPS Gr. (%)	8.7	14.0	13.5
BV/Sh. (INR)	415	467	528
Ratios			
RoE (%)	13.7	13.9	14.0
RoCE (%)	13.7	13.8	14.1
Payout (%)	16.7	14.7	12.9
Valuations			
P/E (x)	24.8	21.7	19.1
P/BV (x)	3.2	2.9	2.5
Div. Yield (%)	0.7	0.7	0.7
FCF yield (%)	4.1	4.4	5.0

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	32.9	32.9	28.1
DII	15.4	14.6	16.8
FII	22.3	23.8	24.6
Others	29.4	28.8	30.5

FII Includes depository receipts

CMP: INR1,332 TP: INR1,310 (-2%) Neutral

In-line results; margin likely to remain stable

Exports and replacement to remain key growth drivers for LAB segment

- Amara Raja's (ARENM) 2QFY25 financials were in line with our estimates. The quarter saw volume growth of ~12% YoY, driven mainly by increased demand in the aftermarket, 2W OEMs, and exports, while the industrial segment remained weak. We expect demand to stay stable in the upcoming quarters, and margins are also likely to remain at current levels for H2 as the rise in input costs would be offset by price hikes taken.
- We maintain our FY25/FY26 EPS estimates. The stock at ~25x/22x FY25E/FY26E EPS appears fairly valued. We, hence, maintain Neutral rating with a revised TP of INR1,310 (based on 20x Sep'26E EPS).

Volume growth driven by 2Ws, exports and aftermarket

- 2Q revenue/EBITDA/PAT grew ~12%/8%/6% YoY to INR31.4b/INR4.4b/INR2.4b (est. INR30.9b/INR4.5b/INR2.5b). 1HFY25 revenue/EBITDA/PAT grew ~12%/12%/14% YoY and we expect ~11%/6%/4% YoY growth in 2HFY25.
- Revenue growth was supported by 12% YoY volume growth, which was driven by healthy volumes across most segments, excluding VRLA batteries for telecom.
- Gross margin contracted 100bp YoY (+130bp QoQ) to 32.4% (est. 32.1%), largely due to adverse mix (traded mix increase).
- EBITDA margins stood at 14.1% (-50bp YoY/+40bp QoQ, est. 14.4%). Margin impacted by 0.5% QoQ due to increased trading revenue;.
- Despite lower-than-estimated other income, adj. PAT came in at INR2.4b (up 6% YoY; est. INR2.5b).
- Operating cash flow grew 19.5% YoY, but FCF declined 15% YoY. This was mainly due to higher capex, which jumped 2.7x YoY to INR3.8b.
- The company declared its first interim dividend of INR5.3/share for FY25.
- It has increased investment limit for its cell manufacturing subsidiary, ARACT, to INR20b from INR10b proposed earlier to set up a gigafactory. This would be funded through loan/equity or any other mode.
- It has also infused INR547.5m into its subsidiary, Amara Raja Circular Solutions Pvt Ltd (ARCSPL), for its capital requirements. Total investment to date stands at INR5b.

Highlights from the management commentary

- **2QFY25 performance**: Aftermarket volumes for 4W/2W were up by 15%/17% YoY and exports rose 20%; While 2W OEM grew 17%, 4W OEM demand fell by 3% YoY. Industrial volume was lower by 10% YoY, led by a 30% decline in telecom volumes. Inverter and home UPS volumes rose 10% YoY.

- **Margins:** Near term margin guidance is maintained at around 14-14.5%, assuming lead prices at INR200k/ton, driven by export growth (management confident of 15% CAGR in next 3-4 years) and internal process improvements.
- **Capex:** Total standalone capex for FY25 is expected to be at ~INR5b, with ~INR3.85b already spent in 1H. Capex has increased relative to earlier expectation as they had to advance its plans for expanding 4W capacity.
- **New energy business:** Total investment in the subsidiary is projected to reach INR12b by FY25-end, with INR8.5b already invested and another INR4-5b expected in 2H. Investment for FY26 in this business would be atleast INR10b and would depend on when they procure the equipment. Its capex in the new Energy Business will initially be funded through internal accruals (INR 20bn) and partly by raising debt. Post that, they may look at other options including equity raise.

Valuation and view

- ARENM's venture into the lithium-ion business is strategically sound given the opportunities in the segment and risks facing its core business. However, there are notable challenges: 1) market opportunities are limited by existing OEM partnerships; 2) low-margin nature of lithium-ion business are likely to dilute returns; and 3) long-term viability of technology remains uncertain despite the large capital investment.
- While the market is optimistic about ARENM's li-ion initiative, we are cautious about its potential returns. We believe the stock trading at around 25x/22x FY25E/FY26E EPS appears fairly valued. Therefore, we maintain a Neutral rating with a revised TP of INR1310, based on 20x Sep'26E EPS.

Quarterly Performance (INR Million)

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Net Sales	**27,707**	**28,111**	**28,817**	**27,967**	**31,312**	**31,358**	**31,699**	**31,586**	**1,12,603**	**1,25,956**	**30,918**
YoY Change (%)	5.8	4.1	9.3	14.9	13.0	11.6	10.0	12.9	8.4	11.9	10.0
RM Cost (% of sales)	69.6	66.6	66.0	65.5	68.9	67.6	67.8	67.3	66.9	67.9	68.0
Staff Cost (% of sales)	6.4	6.3	6.3	5.8	5.9	6.1	6.0	6.0	6.2	6.0	6.0
Other Exp (% of sales)	10.7	12.5	12.6	14.1	11.5	12.2	12.2	12.5	12.5	12.1	11.6
EBITDA	**3,689**	**4,099**	**4,349**	**4,077**	**4,304**	**4,407**	**4,440**	**4,471**	**16,214**	**17,621**	**4,457**
Margins (%)	13.3	14.6	15.1	14.6	13.7	14.1	14.0	14.2	14.4	14.0	14.4
Depreciation	1,168	1,207	1,202	1,210	1,183	1,220	1,265	1,284	4,787	4,953	1220
Interest	76	81	77	97	90	131	115	94	332	430	105
Other Income	218	277	238	283	256	185	255	265	1,015	960	280
PBT before EO expense	**2,662**	**3,087**	**3,307**	**3,053**	**3,287**	**3,240**	**3,315**	**3,357**	**12,110**	**13,199**	**3412**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0
PBT after EO	**2,662**	**3,087**	**3,307**	**3,053**	**3,287**	**3,240**	**3,315**	**3,357**	**12,110**	**13,199**	**3,412**
Tax	676	823	779	773	841	833	829	824	3,052	3,326	904
Tax Rate (%)	25.4	26.7	23.6	25.3	25.6	25.7	25.0	24.5	25.2	25.2	26.5
Adj PAT	**1,987**	**2,264**	**2,528**	**2,280**	**2,446**	**2,407**	**2,486**	**2,534**	**9,059**	**9,873**	**2,508**
YoY Change (%)	51.1	12.0	13.5	29.7	23.1	6.3	-1.6	11.1	18.4	9.0	17.0

E: MOFSL Estimates

Raymond Lifestyle

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	RAYMONDL IN
Equity Shares (m)	61
M.Cap.(INRb)/(USDb)	123.5 / 1.5
52-Week Range (INR)	3100 / 2015
1, 6, 12 Rel. Per (%)	-9/-/-
12M Avg Val (INR M)	389

Financials & valuations (INR m)

Y/E MARCH	2024	2025E	2026E
Sales	65.4	68.6	76.8
EBITDA	9.4	9.2	10.8
Adj. PAT	4.9	4.1	5.0
EPS (INR)	80.2	66.9	81.4
EPS Gr. (%)	-	(16.7)	21.7
Ratios			
BV/Sh. (INR)	1,599	1,656	1,738
RoE (%)	10.9	8.7	9.7
RoCE (%)	15.1	12.3	13.0
Valuations			
P/E (x)	25.3	30.4	24.9
P/BV (x)	1.3	1.2	1.2
EV/EBITDA (x)	13.7	14.0	11.9
Div. Yield (%)	-	-	-

Shareholding pattern (%)

As On	Sep-24
Promoter	54.7
DII	7.9
FII	12.7
Others	24.8

FII includes depository receipts

CMP: INR2,027 TP: INR3,000 (+48%) Buy

Weak quarter; demand recovery to be in focus in 2H

- Raymond Lifestyle's (RLL) 2Q revenue/EBITDA declined by 5%/17% YoY due to subdued discretionary demand. Higher depreciation and interest costs led to a 27% YoY decline in adjusted PAT.
- RLL's net working capital (NWC) increased to 105 days (from 78 days as of Mar'24 end) as it stocked up inventory ahead of the festive and wedding season. This also led to RLL's debt rising to INR5.7b from net cash of INR0.2b in FY24. The management expects NWC to normalize and RLL to attain net cash position by end-FY25.
- RLL has corrected ~30% from listing and is trading at a reasonable valuation (~25x FY26 P/E and 13x on FY26E pre-IND AS 116 EBITDA). The key near- to medium-term catalysts for re-rating are 1) growth recovery in 2H due to a higher number of wedding days and 2) RLL's strategy of EBO expansion.
- Our FY25-26 revenue estimates are broadly unchanged, but we cut our FY26E EBITDA/PAT estimates by 7%/15% on weaker margin/higher interest costs. We build in a CAGR of 9-11% in revenue/EBITDA/PAT over FY24-27. We value RLL at a PE multiple of 30x on Dec'26E, resulting in a TP of INR3,000 per share, as our earnings cut is partly offset by roll-forward. **Reiterate BUY**

Revenue/EBITDA down 5%/17% YoY on muted discretionary demand

- RLL's consolidated revenue **declined 5% YoY** to INR17.1b on account of muted customer demand.
- RLL opened 53 new stores in 2Q (including 11 Ethnix by Raymond stores), taking the total retail store network to 1,592 (up 10% YoY).
- Gross profit declined 1% YoY to INR7.6b as gross margin expanded 210bp YoY to 44.7%.
- EBITDA **declined 17% YoY** to INR2.1b on adverse operating leverage and higher employee costs (+9% YoY) and other expenses (+7% YoY). Margins contracted 190bp YoY to 12.6%.
- Depreciation and amortization rose 28% YoY, while finance costs jumped 24% YoY.
- Reported PAT plunged 70% YoY, dragged down by lower EBITDA/other income and higher D&A/finance costs.
- Further, RLL booked an exceptional item of ~INR0.6b pertaining to stamp duty on demerger. Adjusted PAT stood at INR1b, down 27% YoY.
- Net working capital days stood at 105 in 2QFY25 (vs. 78 at end-Mar'24) on account of inventory stocking in the retail and distribution network, ahead of the festive and wedding seasons.
- 1HFY25 FCF outflow was INR5.1b (vs. INR5.8b outflow YoY) as YoY lower OCF (~INR2b lower YoY) and higher capex (~INR0.5b higher) were offset by favorable working capital change (INR2b) and lower tax outgo (~INR1b).
- As a result, RLL's net debt increased to INR5.7b from net cash of INR0.2b at end-Mar'24.

Highlights from the management commentary

- **Demand outlook:** 3Q is seeing robust demand with the onset of the festive and wedding seasons. RLL witnessed double-digit YoY growth during Diwali and expects the growth to remain robust in 2H on account of a higher number of wedding days.
- **Ethnix by Raymond:** The management expects the wedding wear industry to clock 12-13% growth p.a. Further, the industry is split nearly equally between branded and unbranded, with branded players growing at faster pace. RLL plans to increase the Ethnix store footprint to 300+ stores over the next 2-3 years (from ~136 stores currently) and expects to generate INR3.5b in annual revenue in the next few years.
- **Working capital:** NWC increase was primarily driven by inventory stocking ahead of the festive and wedding season. Further, the increase in debt was largely due to higher NWC, which should normalize by FY25 end.

Valuation and view

- RLL has corrected ~30% from listing and is trading at a reasonable valuation (~25x FY26 P/E and 13x on FY26E pre-IND AS 116 EBITDA) as compared to our coverage universe and other retail/discretionary consumption plays (~35-40x FY26E EV/EBITDA).
- A growth recovery in the branded apparels segment owing to a higher number of wedding days in 2H and RLL's strategy of expanding EBOs remain the key near- to medium-term re-rating catalysts.
- Our FY25-26 revenue estimates are broadly unchanged, but we cut our FY26 EBITDA/PAT estimates by 7%/15% on weaker margin/higher interest costs. We build in a CAGR of 9-11% in revenue/EBITDA/PAT over FY24-27. We value RLL at a PE multiple of 30x on Dec'26E, resulting in a TP of INR3,000 per share, as our earnings cut is partly offset by roll-forward. **Reiterate BUY**

Quarterly Performance (INR Million)

Y/E March	FY24				FY25E				FY24	FY25
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Revenue	**13,212**	**18,034**	**NA**	**NA**	**12,201**	**17,083**	**20,292**	**19,032**	**65,354**	**68,608**
YoY %	NA	NA	NA	NA	-8%	-5%	NA	NA	NA	5%
Gross profit	**5,865**	**7,686**	**NA**	**NA**	**5,292**	**7,639**	**9,334**	**8,608**	**29,193**	**30,873**
Margin (%)	**44.4%**	**42.6%**	**NA**	**NA**	**43.4%**	**44.7%**	**46.0%**	**45.2%**	**44.7%**	**45.0%**
Employment Costs	2,238	2,220	NA	NA	2,344	2,422	2,638	2,544	9,182	9,948
SG&A	2,161	2,864	NA	NA	2,351	3,070	3,524	2,772	10,646	11,716
Total expenditure	11,745	15,431	NA	NA	11,604	14,935	17,120	15,740	55,988	59,399
EBITDA	**1,467**	**2,602**	**NA**	**NA**	**597**	**2,148**	**3,172**	**3,292**	**9,366**	**9,209**
EBITDA margin (%)	**11.1%**	**14.4%**	**NA**	**NA**	**4.9%**	**12.6%**	**15.6%**	**17.3%**	**14.3%**	**13.4%**
Depreciation and amortization	568	598	NA	NA	746	763	763	710	2,463	2,981
Finance Costs	617	428	NA	NA	463	532	559	557	1,957	2,112
Other income	327	458	NA	NA	294	270	270	245	1,544	1,078
Exceptional items	-92	0	NA	NA	-5	-594	0	0	-92	-599
Profit before Tax	**517**	**2,035**	**NA**	**NA**	**-323**	**528**	**2,120**	**2,270**	**6,398**	**4,596**
Tax	34	641	NA	NA	-91	106	534	571	1,603	1,121
Profit after Tax	**483**	**1,393**	**NA**	**NA**	**-232**	**422**	**1,586**	**1,699**	**4,795**	**3,474**
Margin (%)	3.7%	7.7%	NA	NA	-1.9%	2.5%	7.8%	8.9%	7.3%	5.1%
growth	NA	NA	NA	NA	-148%	-70%	NA	NA	NA	-28%
Adjusted income	**575**	**1,393**	**NA**	**NA**	**-227**	**1,016**	**1,586**	**1,698**	**4,887**	**4,073**
Margin (%)	4.4%	7.7%	NA	NA	-1.9%	5.9%	7.8%	8.9%	7.5%	5.9%

Granules India

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	GRAN IN
Equity Shares (m)	242
M.Cap.(INRb)/(USDb)	139.7 / 1.7
52-Week Range (INR)	725 / 347
1, 6, 12 Rel. Per (%)	3/27/38
12M Avg Val (INR M)	1190

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	44.1	50.4	58.4
EBITDA	9.9	11.9	14.3
Adj. PAT	5.2	6.9	8.7
EBIT Margin (%)	17.6	19.2	20.4
Cons. Adj. EPS (INR)	21.6	28.6	36.0
EPS Gr. (%)	24.2	32.8	25.8
BV/Sh. (INR)	153.2	180.7	215.5
Ratios			
Net D:E	0.3	0.3	0.2
RoE (%)	15.1	17.2	18.2
RoCE (%)	12.7	14.3	15.6
Payout (%)	5.4	4.1	3.2
Valuations			
P/E (x)	26.9	20.3	16.1
EV/EBITDA (x)	17.4	14.4	11.8
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	2.3	0.8	2.5
EV/Sales (x)	3.9	3.4	2.9

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	38.9	38.9	42.0
DII	14.9	14.1	7.1
FII	19.5	20.4	21.5
Others	26.8	26.6	29.5

FII includes depository receipts

CMP: INR576 TP: INR680 (+18%) Buy

2Q in-line; gradually ramping supply from the Gagillapur facility

Outlook slowly improving for the PFI/API segment

- Granules India (GRAN) delivered in-line 2QFY25 performance. The proactive measures taken to address issues highlighted in the recent USFDA inspection led to a temporary shutdown of the Gagillapur facility. This resulted in a deterioration in revenue/EBITDA/PAT in 2QFY25 on a YoY as well as QoQ basis.
- We lower our earnings estimate slightly by 3% for FY25/FY26/FY27 to factor in: a) the prolonged adverse impact of higher inventory of paracetamol at the industry level and b) the gradual scale-up of the Gagillapur facility.
- We value GRAN at 20x 12M forward earnings to arrive at a TP of INR680.
- GRAN continues to work toward building a pipeline comprising CNS/ADHD products, MUPS-based products, oncology products, liquids, and nasal sprays. This would not only further diversify the portfolio from legacy products but also drive better profitability of the overall business. Accordingly, we expect a 29% earnings CAGR over FY25-27. Reiterate BUY.

Product/segmental mix benefit partly offset by lower operating leverage

- Granules sales declined 18.7% YoY to INR9.7b (in-line), led by the voluntary pause at the Gagillapur facility due to the US FDA inspection. Formulation (FDF) sales grew 2% YoY to INR7.5b (78% of sales). Intermediates (PFI) sales declined 47% YoY basis to INR756m (8% of sales). API sales declined 52% YoY to INR1.4b (15% of sales).
- Gross Margin (GM) expanded 10.4% YoY to 62% due to a change in the segmental mix and lower RM cost.
- However, EBITDA margin expanded 310bp YoY to 21% (our est: 20.6%), due to improved gross margins that were partly offset by higher employee expense/other expense (up 400bp/330bps as a % of sales).
- EBITDA declined 4.5% YoY to INR2b (in-line) for the quarter.
- Adjusted PAT declined 4.8% YoY to INR972m (our estimate: INR933m).
- In 1HFY25, revenue declined 1% to INR21.5b while EBITDA/PAT grew 24.7%/40.2% YoY to INR4.6b/INR2.3b.

Highlights from the management commentary

- GRAN has resumed dispatches from the Gagillapur facility from Oct'24 onwards.
- It engages with third-party consultants/experts to review and resolve issues related to cross-contamination, data management, and investigational studies. GRAN expects EIR in Dec'23.
- The cash-to-cash cycle increased from 30 days in 2QFY25 to 213 days due to new launches, Red Sea issues, and USFDA issues at Gagillapur.
- GRAN has witnessed some easing of inventory levels related to paracetamol and expects normalcy in the PFI/API business from 4QFY25 onwards.

Quarterly Performance (INR m)

Y/E March (Consolidated)	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY25E 1Q	FY25E 2Q	FY25E 3QE	FY25E 4QE	FY24	FY25E	FY25E 2QE	Var. vs Est
Net Sales	**9,855**	**11,895**	**11,556**	**11,758**	**11,799**	**9,666**	**10,731**	**11,860**	**45,063**	**44,056**	**9,775**	-1.1
YoY Change (%)	-3.3	3.4	0.8	-1.6	19.7	-18.7	-7.1	0.9	-0.1	-2.2	-17.8	
Total Expenditure	8,276	9,765	9,051	9,201	9,206	7,633	8,295	9,010	36,293	34,144	7,762	
EBITDA	**1,579**	**2,130**	**2,505**	**2,557**	**2,593**	**2,033**	**2,436**	**2,851**	**8,770**	**9,913**	**2,014**	1.0
YoY Change (%)	-25.4	-12.3	8.3	8.3	64.2	-4.5	-2.8	11.5	-4.9	13.0	-5.4	
Margins (%)	16.0	17.9	21.7	21.7	22.0	21.0	22.7	24.0	19.5	22.5	20.6	
Depreciation	492	525	524	532	529	525	535	561	2,073	2,150	510	
EBIT	**1,086**	**1,605**	**1,981**	**2,025**	**2,064**	**1,508**	**1,901**	**2,290**	**6,697**	**7,763**	**1,504**	0.3
YoY Change (%)	-35.4	-19.3	8.3	8.1	90.0	-6.0	-4.0	13.1	-9.2	15.9	-6.3	
Margins (%)	11.0	13.5	17.1	17.2	17.5	15.6	17.7	19.3	14.9	17.6	15.4	
Interest	225	260	286	288	270	257	260	233	1,058	1,020	265	
Other Income	3	15	7	19	21	32	25	32	44	110	10	
PBT before EO expense	**865**	**1,360**	**1,701**	**1,756**	**1,814**	**1,284**	**1,666**	**2,089**	**5,683**	**6,853**	**1,249**	2.8
Extra-Ord expense	211	0	0	0	0	0	0	0	211	0	0	
PBT	**654**	**1,360**	**1,701**	**1,756**	**1,814**	**1,284**	**1,666**	**2,089**	**5,472**	**6,853**	**1,249**	
Tax	176	339	444	460	468	311	375	472	1,419	1,627	316	
Rate (%)	26.9	24.9	26.1	26.2	25.8	24.3	22.5	22.6	25.9	23.7	25.3	
(Profit)/Loss of JV/Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**479**	**1,021**	**1,257**	**1,296**	**1,346**	**972**	**1,291**	**1,617**	**4,052**	**5,225**	**933**	4.2
Adjusted PAT	**633**	**1,021**	**1,257**	**1,296**	**1,346**	**972**	**1,291**	**1,617**	**4,207**	**5,225**	**933**	4.2
YoY Change (%)	-50.4	-29.6	1.1	3.4	112.7	-4.8	2.7	24.7	-19.5	24.2	-8.7	
Margins (%)	6.4	8.6	10.9	11.0	11.4	10.1	12.0	13.6	9.3	11.9	9.5	
EPS	**3**	**4**	**5**	**5**	**6**	**4**	**5**	**7**	**17**	**22**	**4**	4.2

E: MOFSL Estimates

Key Performance Indicators (Consolidated)

Y/E March	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY25E 1Q	FY25E 2Q	FY25E 3QE	FY25E 4QE	FY24	FY25E	FY25E 2Q
FD	5,420	7,375	7,627	8,642	8,912	7,490	7,932	8,867	29,090	33,201	7,006
YoY Change (%)	-1.2	25.9	45.9	41.3	64.4	1.6	4.0	2.6	28.2	14.1	-5.0
PFI	1,478	1,427	1,733	1,482	997	756	867	922	6,107	3,542	985
YoY Change (%)	-37.6	-39.2	-18.7	-31.8	-32.6	-47.0	-50.0	-37.8	-32.3	-42.0	-31.0
API	2,957	2,974	2,196	1,633	1,890	1,420	1,932	2,071	9,823	7,313	1,784
YoY Change (%)	26.3	-10.0	-46.5	-55.5	-36.1	-52.2	-12.0	26.8	-26.8	-25.6	-40.0
Cost Break-up											
RM Cost (% of Sales)	48.6	48.3	43.0	39.9	41.1	38.0	38.4	39.1	55.1	60.8	41.5
Staff Cost (% of Sales)	14.2	12.5	13.6	12.9	13.9	16.5	15.4	13.8	13.3	14.8	14.2
Other Cost (% of Sales)	21.1	21.2	21.7	25.4	23.1	24.5	23.5	23.1	22.4	23.5	23.7
Gross Margins(%)	51.4	51.7	57.0	60.1	58.9	62.0	61.6	60.9	44.9	39.2	58.5
EBITDA Margins(%)	16.0	17.9	21.7	21.7	22.0	21.0	22.7	24.0	19.5	22.5	20.6
EBIT Margins(%)	11.0	13.5	17.1	17.2	17.5	15.6	17.7	19.3	14.9	17.6	15.4

E: MOFSL Estimates

Alkyl Amines Chemicals

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	AACL IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	109.1 / 1.3
52-Week Range (INR)	2735 / 1805
1, 6, 12 Rel. Per (%)	-5/-4/-30
12M Avg Val (INR M)	228

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	16.6	19.9	23.9
EBITDA	3.0	4.2	5.4
PAT	1.9	2.6	3.5
EPS (INR)	37.2	51.4	68.4
EPS Gr. (%)	27.9	38.0	33.1
BV/Sh.(INR)	272.1	305.8	350.7
Ratios			
Net D:E	-0.1	-0.1	-0.1
RoE (%)	14.3	17.8	20.8
RoCE (%)	13.7	17.0	20.1
Payout (%)	34.4	34.4	34.4
Valuations			
P/E (x)	57.2	41.5	31.1
P/BV (x)	7.8	7.0	6.1
EV/EBITDA (x)	35.5	25.9	19.8
Div. Yield (%)	0.6	0.8	1.1
FCF Yield (%)	1.1	1.0	2.3

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	72.0	72.0	72.0
DII	1.5	1.1	1.1
FII	3.2	3.1	2.9
Others	23.3	23.9	24.0

FII Includes depository receipts

CMP: INR2,130 TP: INR2,095 (-2%) Neutral

Healthy volume growth offset by pricing pressure

- Alkyl Amines Chemicals (AACL)'s 2QFY25 revenue increased 18% YoY to INR4.1b. Volume growth of 17% YoY was aided by healthy domestic volumes and exports, offset by persistent pricing pressure from Chinese suppliers. Gross margin declined 30bp YoY to 45.4%, while EBITDAM stood at 17.7%. PAT came in at INR475m vs. our estimate of INR406m.
- The management highlighted that destocking is easing currently in the pharma sector, while the agrochemical sector continues to face pressure in terms of demand and pricing. Imports continue in Acetonitrile (ACN) and Mono Isopropyl Amine (MIPA). There was an oral hearing with respect to anti-dumping duty (ADD) on ACN and ADD is likely to be imposed in the next 3-4 months. MIPA would remain under pressure for the next 9-12 months.
- AACL has announced a new capex of INR1.2-1.5b, with Phase I expected in the next 15 months. The capex is for an import substitution product (to be commissioned between 15-50 months), which is not part of its existing portfolio. It would be manufactured at the Dahej site and cater majorly to the existing customer base. This new product is a part of the capex announced a couple of years ago for five new products.
- The company has maintained its market share in ACN despite intense competition from Chinese suppliers. Its new Ethylamines plant is now running at better utilization than expected by the management compared to FY24. Utilization of its Di Ethyl Ketone (DEK) product has not improved so much as the management expected. AACL would focus on volume growth more, with the hope of a margin recovery going forward.
- Despite an in-line performance in 2QFY25 (barring other income), we reduce our EBITDA/PAT estimates by 12%/10% for FY25, 7%/10% for FY26 and 7%/9% for FY27 due to the continued pricing pressure. We now expect a CAGR of 18%/29%/33% in revenue/EBITDA/EPS during FY24-27 (due to the lower base in FY24). We reiterate our Neutral rating on AACL with a TP of INR2,095, based on 35x Sep'26E EPS.

EBITDA in line; PAT beat led by higher-than-expected other income

- Revenue was at INR4.1b (est. INR4b, +18% YoY). Gross margin stood at 45.4%, with EBITDAM of 17.7% (vs. 13.7% in 2QFY24).
- EBITDA came in at INR735m (est. INR710m, +52% YoY), while PAT stood at INR475m (est. INR406m, +74% YoY).
- **In 1HFY25**, revenue was at INR8.1b (+7% YoY) and EBITDA stood at INR1.5b (+25% YoY). PAT came in at INR963m (+25% YoY), whereas EBITDAM stood at 18.7% (+270bp YoY). The **implied 2HFY25** revenue/EBITDA/PAT growth is 24%/18%/31% YoY.

- **The board has approved capex to set up a new plant at its existing facilities in Dahej, Gujarat, for new specialty chemical products.**
  - The plant is expected to have a 3-4ktpa capacity and is slated for completion within 15-50 months. The capex of INR1.2-1.5b will be funded through internal accruals.
  - The new product will help the company increase its product base, meet increasing demand in the domestic and international markets, and gradually replace imports.

Valuation and View

- AACL has boosted its aliphatic amines capacity by ~30% in FY24. The total capacity stands at ~200ktpa (including derivatives and specialty chemicals). Additionally, AACL is venturing into new specialty products that are likely to improve its margins amid robust demand (near-term headwinds persist) for amine derivatives and specialties.
- Over FY24-27, we estimate a ~20% revenue CAGR and a 37% EPS CAGR (due to a lower base in FY24). The key risk to our outlook is high competition (domestic and imports, mainly from China), leading to limited pricing power. Commodity nature of some of the products could also make AACL susceptible to raw material price fluctuations. Upside risk could come from the implementation of ADD.
- The stock is trading at ~42x FY26E EPS and ~26x FY26E EV/EBITDA. We reiterate our Neutral rating on AACL with a TP of INR2,095, based on 35x Sep'26E EPS.

Standalone - Quarterly Snapshot (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Gross Sales	**4,098**	**3,522**	**3,221**	**3,566**	**3,997**	**4,149**	**4,204**	**4,217**	**14,406**	**16,567**	**3,976**	**4%**
YoY Change (%)	-13.5	-13.9	-17.1	-13.5	-2.5	17.8	30.5	18.3	-14.4	15.0	12.9	
Gross Margin (%)	44.7%	45.7%	47.6%	49.2%	47.0%	45.4%	47.0%	48.5%	46.7%	47.0%	46.3%	-0.9%
EBITDA	**740**	**483**	**596**	**689**	**791**	**735**	**755**	**766**	**2,507**	**3,047**	**710**	**4%**
Margin (%)	18.1	13.7	18.5	19.3	19.8	17.7	18.0	18.2	17.4	18.4	17.8	-0.1
Depreciation	122	125	168	174	177	180	194	213	589	764	186	
Interest	9	17	11	7	2	4	5	8	44	19	10	
Other Income	55	24	46	26	47	92	74	84	151	297	28	
PBT before EO expense	**664**	**364**	**463**	**533**	**659**	**643**	**630**	**628**	**2,025**	**2,561**	**543**	**19%**
PBT	**664**	**364**	**463**	**533**	**659**	**643**	**630**	**628**	**2,025**	**2,561**	**543**	**19%**
Tax	166	92	129	149	170	169	158	159	536	657	137	
Rate (%)	25.0	25.2	27.8	27.9	25.9	26.2	25.2	25.3	26.5	25.7	25.2	
Adj PAT	**498**	**272**	**334**	**385**	**489**	**475**	**472**	**469**	**1,489**	**1,904**	**406**	**17%**
YoY Change (%)	-39.2	-48.0	-26.8	-20.9	-1.8	74.2	41.0	22.0	-34.9	27.9	49.0	
Margin (%)	12.1	7.7	10.4	10.8	12.2	11.4	11.2	11.1	10.3	11.5	10.2	1.2

TeamLease

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	TEAM IN
Equity Shares (m)	17
M.Cap.(INRb)/(USDb)	47.7 / 0.6
52-Week Range (INR)	3700 / 2351
1, 6, 12 Rel. Per (%)	-4/-18/-6
12M Avg Val (INR M)	158

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	110.1	129.7	153.3
EBIT Margin (%)	0.9	1.3	1.4
Adj. PAT	1.3	2.1	2.5
EPS (INR)	79.1	126.5	146.2
EPS Gr. (%)	22.1	59.9	15.6
BV/Sh. (INR)	552.0	677.5	822.6
Ratios			
RoE (%)	15.1	20.4	19.3
RoCE (%)	13.0	17.5	17.0
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	36.1	22.6	19.5
P/BV (x)	5.2	4.2	3.5
EV/EBITDA (x)	33.6	21.3	17.7
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	31.6	31.6	31.6
DII	34.6	31.8	30.4
FII	24.8	28.8	30.5
Others	9.0	7.8	7.5

FII Includes depository receipts

CMP: INR2847 TP: INR3550 (+25%) Buy

A steady quarter…

..but 3Q outlook soft amid BFSI and IT hiring

- TeamLease (TEAM)'s 2QFY25 revenue growth of 23% was in line with our estimate of +21% YoY. Revenue growth was fueled by 8% QoQ growth in General Staffing (+25% YoY). Specialized staffing was down 1.5% QoQ (-1.3% YoY). Overall EBITDA margin of 1.2% was in line, backed by operating leverage in Staffing Business and growth in EDtech billing. Adj. PAT at INR249m was down 10% YoY/28% QoQ. The company's revenue grew 21% in 1HFY25, while EBITDA/PAT declined 4.1%/17.1% vs. 1HFY24. We expect revenue/EBITDA/PAT to grow 15.5%/18.3%/60.8% YoY in 2HFY25. We reiterate our BUY rating with a TP of INR3,550. However, we cut our target multiple to 27x (from 30x earlier) owing to the short-term uncertainty.
- General Staffing showed a mixed performance, with revenue growth exceeding expectations but a weaker margin profile. Margin contracted 20bp YoY to 1.1%. We believe margins may have bottomed out for General Staffing and should gradually improve going forward. However, pressure on PAPM (down from INR679 to INR670) remains a key area to monitor. Additionally, third-quarter performance may be muted, impacted by the BFSI sector (due to RBI's KYC regulations) and delayed hiring because of the festive season. Moreover, volumes have come back in this quarter, albeit at a lower PAPM, and are likely to remain steady.
- Specialized Staffing growth was driven by demand from GCCs, despite ongoing challenges in the IT industry as closures are taking longer. 3Q is expected to be slow from the IT services side. However, growth from GCCs and non-tech sectors is expected to continue, with moderate growth projected for 3Q. We believe any greenshoots in IT hiring and focusing on high-margin customers, while fine-tuning its approach with low-margin engagements, will directly contribute to profit, thereby driving margin improvement. We a expect consolidated revenue CAGR of 18% over FY24-27.
- We believe that with headwinds from investments in the EdTech and specialized services businesses now behind the company, margin recovery might accelerate moving forward. We estimate FY25/FY26/FY27 EBIDTA margin at 1.3%/1.7%/1.6%. This should translate into a healthy earnings CAGR of 32% over FY24-27E.
- We remain positive on the medium- to long-term opportunities owing to gains from the formalization of the labor market. Following recent corrections, the stock could turn attractive. We maintain our estimates. **We reiterate our BUY rating with a TP of INR3,550. However, we cut our target multiple to 27x (from 30x earlier) owing to the short-term uncertainty.**

In-line revenue and margins

- Revenue growth of 8% QoQ/23% YoY was in line with our estimate of 21% YoY.
- Growth was led by General Staffing, which was up 8.1% QoQ. Specialized staffing was down 1.5% QoQ. Other HR services revenue was up 110% QoQ, led by the Edtech business.

- General Staffing associate addition (net) stood at ~16k (+6% QoQ). Specialized Staffing's headcount was down by 230 (-3% QoQ) owing to headwinds in the IT industry, which continue to impact the growth in specialized staffing.
- DA headcount was up by ~3k (7% QoQ), led by automobiles and ITES.
- EBITDA margin of 1.2% was in line with our expectation, backed by operating leverage in Staffing Business and growth in EDtech billing.
- 178 new logos were added during the quarter.
- Adj. PAT at INR249m was down 10% YoY/28% QoQ.

Key highlights from the management commentary

- In General Staffing, the company saw a net headcount addition of ~16k, which is the highest QTD. BFSI showed mixed results. Revival is seen in microfinance, the payment industry, and the housing finance sector. In the consumer sector, high input costs and inflation led to flat growth. Some clients are approaching the company for improving efficiency through employee management. Telecom continues to benefit from nationwide network upgrades.
- In Specialized staffing, headwinds in the IT industry continue to hurt growth. However, there has been consistent growth in GCC clients, and net positive headcount growth depends on the recovery in IT services. The demand for tech talent is showing gradual recovery, but there has been no big surge due to resource optimization and upscaling.
- Profit expansion is the key focus for this year, and management is confident of maintaining strong double-digit sequential growth in profits.
- The company is investing in a HireTech platform, which is expected to go live in FY26. This platform aims to significantly reduce hiring costs in a phased manner. A capex of INR200m will be spent over 18 months, starting in 1Q FY25. It will benefit all verticals and help improve margins.
- 2HFY25 Outlook: Monitoring recovery in BFSI with caution. Consumer goods and telecom will be pivotal for growth. 3Q may be muted due to BFSI (due to KYC guidelines by RBI) and delayed hiring due to the festive season.

Valuation and view: A key beneficiary of formalization

- As both the central and state governments look to liberalize and formalize the labor market, TEAM should be among the biggest direct beneficiaries in the medium term.
- Healthy growth and expected margin recovery should help TEAM deliver a CAGR of 18%/32% in revenue/earnings over FY24-27E. **We reiterate our BUY rating with a TP of INR3,550. However, we cut our target multiple to 27x (from 30x earlier) owing to the short-term uncertainty.**

Consolidated Quarterly Performance

(INR m)

	FY24				FY25E				FY24	FY25E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QFY25	(% / bp)
Revenue	**21,716**	**22,726**	**24,454**	**24,320**	**25,799**	**27,968**	**28,125**	**28,226**	**93,215**	**1,10,118**	**27,417**	**2%**
YoY Change (%)	16%	16%	22%	20%	19%	23%	15%	16%	18%	18%	21%	
Total Expenditure	21,453	22,409	24,093	23,953	25,576	27,634	27,730	27,761	91,907	1,08,701	27,099	2%
Reported EBITDA	**263**	**318**	**361**	**367**	**223**	**335**	**395**	**465**	**1,308**	**1,418**	**318**	**5%**
Margins (%)	1.2%	1.4%	1.5%	1.5%	0.9%	1.2%	1.4%	1.6%	1.4%	1.3%	1.2%	4bp
Reported EBIT	**138**	**188**	**225**	**231**	**91**	**196**	**295**	**365**	**783**	**948**	**208**	**-6%**
Margins (%)	0.6%	0.8%	0.9%	0.9%	0.4%	0.7%	1.1%	1.3%	0.8%	0.9%	0.8%	-6bp
Interest	21	25	31	26	30	44	20	20	102	114	20	118%
Other Income	140	130	100	90	141	107	150	150	461	548	130	-18%
PBT before EO expense	**258**	**294**	**294**	**295**	**202**	**259**	**425**	**495**	**1,141**	**1,382**	**318**	**-19%**
Extra-Ord expense	0	0	-35	0	0	0	0	0	-35	0	0	
Reported PBT	**258**	**294**	**329**	**295**	**202**	**259**	**425**	**495**	**1,176**	**1,382**	**318**	**-19%**
Tax	1	18	18	14	8	11	17	20	51	57	14	
Rate (%)	0%	6%	6%	5%	4%	4%	4%	4%	4%	4%	4%	-31bp
Adjusted PAT	**258**	**276**	**275**	**274**	**194**	**249**	**408**	**475**	**1,082**	**1,325**	**304**	**-18%**
YoY Change (%)	-3%	-13%	-5%	12%	-25%	-10%	48%	73%	-3%	22%	10%	-2018bp
Margins (%)	1.2%	1.2%	1.1%	1.1%	0.8%	0.9%	1.5%	1.7%	1.2%	1.2%	1.1%	-22bp
Reported PAT	**258**	**276**	**310**	**274**	**194**	**249**	**408**	**475**	**1,118**	**1,325**	**304**	**-18%**
YoY Change (%)	-3%	-13%	7%	3%	-25%	-10%	32%	73%	-2%	19%	10%	-2018bp
Margins (%)	1.2%	1.2%	1.3%	1.1%	0.8%	0.9%	1.5%	1.7%	1.2%	1.2%	1.1%	-22bp

Key Performance Indicators

Y/E March	FY24				FY25		FY24
	1Q	2Q	3Q	4Q	1Q	2Q	
Headcount							
General staffing associates	2,36,900	2,51,150	2,58,500	2,67,000	2,82,450	2,98,300	2,67,000
Apprentices	42,600	42,100	43,150	44,800	42,350	45,270	44,800
Specialised staffing	8,320	8,375	7,600	7,230	6,900	6,670	7,230
Revenue							
General staffing	20,024	20,910	22,553	22,419	24,139	26,094	85,906
Specialised staffing	1,398	1,443	1,580	1,465	1,446	1,425	5,886
Other HR Services	294	373	320	436	214	450	1,423
Operating Margins							
General staffing	1.2	1.2	1.2	1.2	0.9	0.9	1.5
Specialised staffing	6.2	6.2	6.4	6.6	6.0	7.5	7.3
Other HR Services	(8.9)	3.8	3.8	6.0	(44.8)	(1.8)	1.4

Power Grid

BSE SENSEX	S&P CNX
80,378	24,484

An analyst meet is scheduled for Friday, 8th Nov'24.

CMP: INR319 Buy

Steady 2Q, in line with estimates

- PWGR reported standalone (SA) revenue for 2QFY25 at INR102b (+5% YoY), just 2% below our estimate of INR104b. EBITDA came in at INR87.8b (+3% YoY), ~4% below our est. of INR91.3b, impacted by a sharp rise in opex.
- Reported SA PAT was in line with our est. and stood at INR37.1b. Adjusted SA PAT of INR35b (+5% YoY) was 3% lower than our est. of INR36.2b.
- On a consolidated basis, reported PAT came in at INR37.9b (flat YoY) and EBITDA was up 2% YoY at INR99b.
- Transmission segment accounted for 97.7% of consol. EBIT of INR69b, whereas the telecom segment contributed 2%, with its EBIT rising to INR1.4b (+33% YoY, +87% QoQ).
- In 2QFY25, the JV reported a loss of INR1,046m, compared with a profit of INR290m in 1QFY25.
- In 1HFY25, SA capex was INR28b, while consol. capex was INR90.3b.
- **Other key details:**
  - During the quarter, net movement in regulatory deferral account balances was positive INR2.4b.
  - The board declared the first interim dividend of INR4.50/share for FY25.
- An analyst meet is scheduled for Friday, 8th Nov'24.

Standalone Quarterly Performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%	%	%
Sales	1,02,446	97,440	1,06,766	1,10,505	1,00,682	1,02,601	1,11,635	1,12,292	4,18,267	4,27,210	1,04,359	-2%	5%	5%
YoY Change (%)	-2.7	-6.6	-0.6	-2.2	-1.7	5.3	4.6	1.6	-2.5	2.1	7.1			
EBITDA	90,048	85,318	94,006	91,422	87,441	87,870	96,548	95,149	3,61,903	3,67,008	91,310	-4%	3%	3%
YoY Change (%)	1.4	-3.5	0.2	-9.0	-2.9	3.0	2.7	4.1	-2.8	1.4	7.0			
As of % Sales	87.9	87.6	88.0	82.7	86.8	85.6	86.5	84.7	86.5	85.9	87.5			
Depreciation	31,414	31,418	31,586	31,164	30,732	31,617	35,019	36,508	1,25,582	1,33,876	31,148	2%	1%	11%
Interest	21,214	23,891	25,156	20,208	21,601	26,046	24,882	16,957	90,469	89,486	23,494	11%	9%	-1%
Other Income	6,436	7,864	7,910	12,032	7,822	11,233	8,157	8,099	34,242	35,310	8,109	39%	43%	3%
Extraordinary Inc / (Exp)	-2,860	5,561	1,123	-1,744	-610	2,469	0	0	2,081	1,858	0			
PBT	40,996	43,434	46,298	50,338	42,319	43,909	44,804	49,783	1,82,175	1,80,816	44,778	-2%	1%	-3%
Tax	5,570	5,095	6,595	9,060	8,198	6,798	7,796	8,504	26,320	31,295	8,517	-20%	33%	18%
Effective Tax Rate (%)	13.6	11.7	14.2	18.0	19.4	15.5	17.4	17.1	14.4	17.3	19.0			
Reported PAT	35,427	38,340	39,702	41,278	34,122	37,112	37,008	41,279	1,54,746	1,49,520	36,261	2%	-3%	-7%
YoY Change (%)	-5.9	6.5	14.5	-0.9	-3.7	-3.2	-6.8	0.0	2.3	-3.4	-5.4			
Adjusted PAT	37,898	33,431	38,739	42,708	34,613	35,025	37,008	41,279	1,52,775	1,47,926	36,261	-3%	5%	-4%
YoY Change (%)	0.6	-7.1	11.7	2.5	-8.7	4.8	-4.5	-3.3	1.0	-3.2	26.3			

Tata Steel

BSE SENSEX	S&P CNX
80,378	24,484

Conference Call Details

Date: 06 November 2024

Time: 12:00 pm IST

Webinar via Webex:

Link

ID: 2396 668 2570

Password: webi1124

Webinar via YouTube:

Link

CMP: INR154 — Neutral

Robust India business performance drives EBITDA beat

Highlights of standalone results:

- Revenue stood at INR324b (-5% YoY/-2% QoQ), in line with our estimate of INR326. The QoQ decline was due to weak realization.
- Steel production stood at 5.27mt, whereas deliveries stood at 5.1mt (+6% YoY/ +3% QoQ) against our estimate of 5.06mt.
- ASP stood at INR63,404/t (-11% YoY/-5% QoQ) vs. our estimate of INR64,325/t.
- EBITDA stood at INR66b (-4% YoY/-2% QoQ), better than our estimate of INR59b, thanks to lower input costs.
- EBITDA/t stood at INR12,935 (-9% YoY/-6% QoQ) vs. our estimate of INR11,705.
- APAT stood at INR36b (-20% YoY/flat QoQ) against our estimate of INR33b.

Highlights of consolidated results:

- Sales volume stood at 7.52mt (+6% YoY/+2% QoQ) against our estimate of 7.45mt during the quarter.
- Revenue came in at INR539b (-3% YoY/-2% QoQ), in line with our estimate of INR520b. The QoQ decline was attributed to weak realization.
- Blended ASP stood at INR71,682/t (-9% YoY and -3% QoQ), in line.
- EBITDA stood at INR55b (+29% YoY/-17% QoQ) against our estimate of INR47b, on account of lower-than-expected costs. During 2Q, EBITDA was adjusted by excluding forex gains of ~INR7b.
- EBITDA/t was INR7,343 against our estimate of INR6,293.
- 2Q APAT stood at INR4.5b (-35% YoY/-66% QoQ) vs. our estimate of INR229m loss.
- For 1HFY25, revenue was at INR1087b (-6% YoY), EBITDA came in at INR122b (+29%), and APAT stood at INR18b (+34% YoY).

Highlights of European operations:

- Consolidated steel deliveries stood at 2.2mt (+13% YoY/+3% QoQ) against our estimate of 2.15mt.
- Revenue stood at INR206b (+2% YoY/-2% QoQ) against our estimate of INR196b. The miss on revenue was due to lower NSR.
- EBITDA loss stood at INR13.4b against our estimates of INR14b.
- EBITDA loss per ton stood at USD75 in 2QFY25 against USD28 in 1QFY25.

Other highlights:

- Net debt stood at INR888b in 2QFY25 vs. INR929b in 1QFY25.
- Net debt-to-EBITDA ratio was at 3.41x as of 2QFY25.

Quarterly Performance (Standalone) (INR b)

Y/E March	FY24				FY25		FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q			2QE	(%)
Sales Vol (kt)	4,790	4,820	4,880	5,420	4,940	5,110	19,910	21,170	5,061	1
Change (YoY %)	*17.7*	*-1.8*	*6.3*	*5.2*	*3.1*	*6.0*	*8.4*	*6.3*		
Change (QoQ %)	*-7.0*	*0.6*	*1.2*	*11.1*	*-8.9*	*3.4*				
ASP (INR/t)	74,083	70,924	71,069	67,592	66,720	63,404	70,812	70,843	64,325	-1
Abs Change (QoQ)	203	-3,159	146	-3,478	-872	-3,316	-7,002	31		
Change (YoY %)	*-16.9*	*0.5*	*-3.9*	*-8.5*	*-9.9*	*-10.6*	*-9.0*	*0.0*		
Net Sales	**354.9**	**341.9**	**346.8**	**366.3**	**329.6**	**324.0**	**1,409.9**	**1,499.7**	**325.5**	**-0.5**
Change (YoY %)	*-2.2*	*-1.3*	*2.2*	*-3.7*	*-7.1*	*-5.2*	*-1.3*	*6.4*		
Change (QoQ %)	*-6.7*	*-3.7*	*1.5*	*5.6*	*-10.0*	*-1.7*				
Total Expenditure	288.2	273.2	264.3	285.9	261.9	257.9	1,111.5	1,235.0		
As a % of net sales	*81.2*	*79.9*	*76.2*	*78.0*	*79.4*	*79.6*	*78.8*	*82.3*		
EBITDA	**66.7**	**68.7**	**82.5**	**80.5**	**67.7**	**66.1**	**298.3**	**264.7**	**59.2**	**11.6**
Change (YoY %)	*-32.0*	*47.2*	*60.6*	*-7.0*	*1.6*	*-3.8*	*5.5*	*-11.3*		
Change (QoQ %)	*-22.9*	*3.0*	*20.1*	*-2.5*	*-15.8*	*-2.4*				
(% of Net Sales)	*18.8*	*20.1*	*23.8*	*22.0*	*20.6*	*20.4*	*21.2*	*17.7*		
EBITDA(INR/t)	13,924	14,248	16,905	14,846	13,711	12,935	14,984	12,505	11,705	**10.5**
Interest	10.4	11.4	10.6	9.4	9.2	11.3	41.8	40.7		
Depreciation	14.7	14.7	15.1	15.3	15.2	15.6	59.7	63.3		
Other Income	14.9	8.2	3.3	4.8	3.7	8.5	31.2	31.6		
PBT (before EO Inc.)	**56.5**	**50.9**	**60.1**	**60.6**	**47.0**	**47.7**	**228.1**	**192.4**		
EO Income(exp)	-0.1	-129.9	0.1	-6.4	-2.4	0.1	-136.4	-2.2		
PBT (after EO Inc.)	**56.4**	**-79.0**	**60.2**	**54.2**	**44.6**	**47.9**	**91.7**	**190.2**	**41.3**	**15.8**
Current Tax	12.0	8.2	16.7	12.7	10.8	11.1	49.5	44.2		
Current Tax Rate%	21.3	-10.4	27.7	23.4	24.3	23.1	54.0	23.3		
Deferred Tax	-1.8	-2.1	-3.0	1.0	0.5	0.9	-5.9	3.8		
Total Tax	10.2	6.1	13.7	13.7	11.3	11.9	43.6	48.1		
% Tax	18.1	-7.7	22.7	25.2	25.4	25.0	47.6	25.3		
Reported PAT	**46.2**	**-85.1**	**46.5**	**40.5**	**33.3**	**35.9**	**48.1**	**142.1**		
Adjusted PAT	**46.3**	**44.8**	**46.4**	**46.9**	**35.7**	**35.8**	**184.4**	**144.3**	**33.1**	**8.2**
Change (YoY %)	*-22.7*	*100.5*	*95.8*	*-3.7*	*-23.0*	*-20.1*	*19.3*	*-21.8*		
Change (QoQ %)	*-5.0*	*-3.2*	*3.7*	*1.1*	*-24.0*	*0.3*				

E: MOFSL Estimates; t=ton of steel sales

Quarterly Performance (Consolidated)

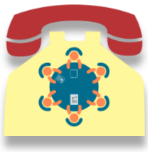
Y/E March	FY24				FY25		FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q			2QE	(%)
Sales (k tons)	7,200	7,070	7,150	7,980	7,390	7,520	29,390	30,720	7,449	1
Change (YoY %)	8.6	-2.2		2.6	2.6	6.4	2.1	4.5		
Avg Realization (INR/t)	82,625	78,758	77,359	73,543	74,116	71,682	77,976		69,810	3
Net Sales	**594.9**	**556.8**	**553.1**	**586.9**	**547.7**	**539.0**	**2,291.7**	**2,387.3**	**520.0**	**3.7**
Change (YoY %)	*-6.2*	*-7.0*	*-3.1*	*-6.8*	*-7.9*	*-3.2*	*-5.8*	*4.2*		
Change (QoQ %)	*-5.5*	*-6.4*	*-0.7*	*6.1*	*-6.7*	*-1.6*				
EBITDA	**51.7**	**42.7**	**62.6**	**66.0**	**66.9**	**55.2**	**223.1**	**274.6**	**46.9**	**17.8**
Change (YoY %)	*-65.4*	*-29.6*	*54.7*	*-8.6*	*29.4*	*29.4*	*-30.9*	*23.1*		
Change (QoQ %)	*-28.3*	*-17.5*	*46.8*	*5.4*	*1.4*	*-17.5*				
(% of Net Sales)	*8.7*	*7.7*	*11.3*	*11.2*	*12.2*	*10.2*	*9.7*	*11.5*		
Interest	18.3	19.6	18.8	18.4	17.8	19.7	75.1	75.1		
Depreciation	24.1	24.8	24.2	25.7	25.4	26.0	98.8	102.4		
Other Income	11.8	2.3	2.3	1.8	2.6	6.0	18.1	19.1		
PBT (before EO Inc.)	**21.1**	**0.6**	**21.9**	**23.7**	**26.4**	**15.5**	**67.3**	**116.3**		
EO Income(exp)	0.1	-69.0	-3.3	-5.9	-3.6	6.4	-78.1	2.8		
PBT (after EO Inc.)	**21.3**	**-68.4**	**18.5**	**17.7**	**22.8**	**21.9**	**-10.9**	**119.1**	**6.5**	**237.1**
Total Tax	13.3	-2.3	14.1	12.5	14.6	14.1	37.6	47.2		
% Tax	*63.0*	*NA*	*64.2*	*53.0*	*55.2*	*90.5*	*55.9*	*40.6*		
PAT before MI and Sh. of associate	**8.0**	**-66.1**	**4.5**	**5.2**	**8.3**	**7.8**	**-48.5**	**71.8**		
Minority Interests	-1.1	-3.1	0.1	-0.6	-0.4	-0.7	-4.7	-1.2		
Share of asso. PAT	-2.7	1.0	0.7	0.4	0.9	-0.3	-0.6	4.8		
Reported PAT (After MI & asso.)	6.3	-62.0	5.1	6.1	9.6	8.3	-44.4	77.7		
Adj. PAT (after MI & asso)	**6.2**	**7.0**	**8.5**	**12.1**	**13.2**	**4.5**	**33.8**	**74.9**	**-0.2**	**NA**
Change (YoY %)	*-92.0*	*-54.2*	*LP*	*-28.8*	*112.3*	*-35.8*	*-61.0*	*122.0*		
Change (QoQ %)	*-63.4*	*13.2*	*20.6*	*42.3*	*9.3*	*-65.8*				

E: MOFSL Estimates; t=ton of steel sales;

Apollo Hospitals

BSE SENSEX	S&P CNX
80,378	24,484

Conference Call Details



Date: 7th Nov 2024
Time: 2:00 pm IST
Dial-in details:
Diamond pass link: Link

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	213.4	248.7	285.3
EBITDA	28.0	34.6	41.4
Adj. PAT	12.9	17.7	22.8
EBIT Margin (%)	13.1	13.9	14.5
Cons. Adj. EPS (INR)	89.5	123.3	158.8
EPS Gr. (%)	43.5	37.6	28.8
BV/Sh. (INR)	585.0	706.4	864.4
Ratios			
Net D:E	0.0	-0.2	-0.4
RoE (%)	17.1	19.7	20.9
RoCE (%)	15.2	17.8	19.5
Payout (%)	6.5	4.7	3.7
Valuations			
P/E (x)	77.8	56.6	43.9
EV/EBITDA (x)	36.1	28.6	23.3
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	1.9	2.3	2.8
EV/Sales (x)	4.7	4.0	3.4

CMP: INR6,969

Operationally better than estimates

- Apollo Hospitals' (APHS) 2QFY25 revenues grew 15.3% YoY to INR55.9b (est INR54.0b). Healthcare services' revenue grew 16.8% YoY to INR25.6b. Healthco's revenue grew 15.3% YoY to INR20.8b. AHLL's revenue grew 14.9% YoY to 3.7b
- EBITDA margin expanded 160bp YoY to 14.6% (our est: 14.1%) due to lower employee/other expenses (down 80bp/130bp YoY as a % sales, respectively).
- EBITDA grew 30% YoY to INR8.2b (our est: INR7.6b).
- Adj. PAT grew 63.5% YoY to INR3.8b (our est: INR3.6b).
- Revenue/EBITDA/PAT in 1HFY25 grew 15%/31%/72% to INR106b/INR14.9b/INR6.8b
- Revenue/EBITDA/PAT beat BBG estimates by 9.8%/16.8%/26.1%.

Segmental highlights:

Healthcare services

- Hospital EBITDA grew 14% YoY to INR7.2b for 2QFY25. EBITDA margin stood flat YoY at 24.9% in 2QFY25.
- ARPOB grew by 3% YoY to INR 59,011 in 2QFY25. Effectively, the volume of patients treated grew ~8% YoY for 2QFY25.
- Occupancy for 2QFY25 was 73% vs 68% in 2QFY24.
- ALOS in 2QFY25 stood flat at 3.4 days.

Healthco

- Healthco exhibited EBITDA of INR521m for 2QFY25 vs INR225m in 1QFY25.
- Platform GMV grew 2% YoY to INR7.6b.
- Pharma Average Order Value (AOV) grew 2% YoY to INR979.
- It opened net 154 stores during the quarter, taking the total store count to 6,228.

AHLL

- Revenue/EBITDA grew 14%/30% YoY in 2QFY25 to INR4b/INR414m.
- Revenues of primary care grew 14% YoY in 2QFY25 to INR1.1b.
- Revenues of specialty care grew 17.6% YoY in 2QFY25 to INR1.8b.
- Network collection centers increased by 45 centers YoY to 2,102 centers.

Capex Expansion

- APHS plans to add 3,512 beds over four years across 11 locations in India.
- It has entered into a definitive agreement to build and operate a 500-bed hospital in Worli, Mumbai.
- It plans to add 200 beds to its Lucknow facility to a total bed capacity of 500 beds.

Consolidated - Quarterly Earning Model

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Gross Sales	**44,178**	**48,469**	**48,506**	**49,439**	**50,856**	**55,893**	**54,502**	**52,145**	**1,90,592**	**2,13,394**	**53,950**	**3.6%**
YoY Change (%)	16.4	14.0	13.8	14.9	15.1	15.3	12.4	5.5	14.7	12.0	11.3	
Total Expenditure	39,088	42,194	42,369	43,034	44,105	47,738	47,144	46,452	1,66,685	1,85,439	46,370	
EBITDA	**5,090**	**6,275**	**6,137**	**6,405**	**6,751**	**8,155**	**7,358**	**5,693**	**23,907**	**27,955**	**7,580**	**7.6%**
YoY Change (%)	3.7	11.0	21.4	31.2	32.6	30.0	19.9	-11.1	16.6	16.9	20.8	
Margins (%)	11.5	12.9	12.7	13.0	13.3	14.6	13.5	10.9	12.5	13.1	14.1	
Depreciation	1,669	1,634	1,670	1,897	1,774	1,845	1,795	1,709	6,870	7,123	1,785	
Interest	1,062	1,113	1,126	1,193	1,164	1,175	980	600	4,494	3,919	1,025	
Other Income	282	222	278	281	372	382	312	172	1,063	1,238	286	
PBT before EO expense	**2,641**	**3,750**	**3,619**	**3,596**	**4,185**	**5,517**	**4,895**	**3,556**	**13,606**	**18,152**	**5,056**	**9.1%**
Extra-Ord expense/(Income)	0	-19	0	0	0	0	0	0	-19	0	0	
PBT	**2,641**	**3,769**	**3,619**	**3,596**	**4,185**	**5,517**	**4,895**	**3,556**	**13,625**	**18,152**	**5,056**	**9.1%**
Tax	966	1,300	1,089	1,098	1,145	1,617	1,395	944	4,455	5,101	1,390	
Rate (%)	36.6	34.5	30.1	30.5	27.4	29.3	28.5	26.6	32.7	28.1	27.5	
Minority Interest & Profit/Loss of Asso. Cos.	9	140	77	-40	-12	112	68	25	186	193	50	
Reported PAT	**1,666**	**2,329**	**2,453**	**2,538**	**3,052**	**3,788**	**3,432**	**2,586**	**8,984**	**12,858**	**3,616**	**4.8%**
Adj PAT	**1,666**	**2,317**	**2,453**	**2,538**	**3,052**	**3,788**	**3,432**	**2,586**	**8,973**	**12,858**	**3,616**	**4.8%**
YoY Change (%)	2.6	3.0	59.8	47.1	83.2	63.5	39.9	1.9	29.6	43.3	3.0	
Margins (%)	3.8	4.8	5.1	5.1	6.0	6.8	6.3	5.0	4.7	6.0	6.7	
EPS	**11.6**	**16.1**	**17.1**	**17.7**	**21.2**	**26.3**	**23.9**	**18.0**	**62.4**	**89.5**	**25.1**	

E: MOFSL Estimates

Gujarat Gas

BSE SENSEX	S&P CNX
80,378	24,484

Conference Call Details

Date: 7th Nov 2024
Time: 17:30 hrs IST
Dial-in details:
+91 22 6280 1354

CMP: INR528 Buy

Beat on EBITDA & PAT as strong margin offsets volume weakness

- In 2QFY25, Gujrat Gas (GUJGA) reported EBITDA and PAT at 10%/17% above our estimates. The overall volume was down 4% vs our estimate, though this was offset by the EBITDA/scm margin coming in at INR6.4 (our est: INR5.6). The beat at the EBITDA level appears to be largely driven by gas cost optimization, as gross margin expanded from INR8.6/scm in 1QFY25 to INR10.4/scm in 2QFY25. In 3QFY25, we expect a sharp recovery in volumes QoQ as 2Q volumes were impacted by a shutdown in Morbi.
- EBITDA stood at INR5.1b (est. of INR4.7b, up 4% YoY) and standalone PAT stood at INR3.1b (est. of INR2.6b, up 3% YoY). The sharp variance at the PAT level was a function of depreciation coming in below our estimates.
- Overall volumes in 2QFY25 came at 8.8mmscmd, missing our estimates by 4%. However, EBITDA/scm came at INR6.4 (vs. our est. of INR5.6, up 19% QoQ).
- **CNG volumes** were at 2.9mmscmd (+12% YoY), in line with 2QFY24.
- **PNG I/C volumes** decreased to 5.1mmscmd (our est. 5.4mmscmd, -16% YoY).
- **PNG domestic volumes** stood at 0.8mmscmd (our est. 0.6mmscmd, +9% YoY).
- The company has added more than ~38.5k new domestic customers and nine new CNG stations.
- As of 30th Sept'24, the company secured a signed volume of approximately 527,000scmd, set to be commissioned in the coming months.
- In **1HY25**, PAT increased to INR6.4b (+24% YoY).
- The earnings call is scheduled for 7th Nov'24 at 5:30pm.

Standalone - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25			Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	2QE	(%)	(%)	(%)
Net Sales	**37,815**	**38,454**	**39,291**	**41,342**	**44,503**	**37,818**	**36,770**	**3%**	**-2%**	**-15%**
YoY Change (%)	-26.9	-3.3	6.6	5.2	17.7	-1.7	-4.4			
EBITDA	**3,880**	**4,966**	**4,007**	**5,911**	**5,356**	**5,142**	**4,694**	**10%**	**4%**	**-4%**
Margin (%)	10.3	12.9	10.2	14.3	12.0	13.6	12.8			
Depreciation	1,151	1,179	1,201	1,212	1,231	1,295	1,346			
Interest	74	78	72	69	78	80	74			
Other Income	239	298	230	311	386	386	235			
PBT	**2,894**	**4,007**	**2,964**	**5,497**	**4,433**	**4,152**	**3,509**	**18%**	**4%**	**-6%**
Tax	743	1,029	761	1,402	1,135	1,083	884			
Rate (%)	25.7	25.7	25.7	25.5	25.6	26.1	25.2			
Reported PAT	**2,151**	**2,978**	**2,203**	**4,095**	**3,298**	**3,069**	**2,625**	**17%**	**3%**	**-7%**
YoY Change (%)	-43.6	-26.3	-40.7	10.9	53.3	3.1	-11.9			
Margin (%)	5.7	7.7	5.6	9.9	7.4	8.1	7.1			
Total volume (mmscmd)	**9.2**	**9.3**	**9.2**	**9.7**	**11.0**	**8.8**	**9.1**	**-4%**	**-6%**	**-20%**
CNG	2.6	2.6	2.8	2.9	3.0	2.9	3.1	-5%	12%	-2%
PNG - Industrials/commercial	6.0	6.0	5.7	6.0	7.4	5.1	5.4	-6%	-16%	-31%
PNG - Households	0.6	0.7	0.7	0.9	0.6	0.8	0.6	18%	9%	23%
EBITDA (INR/scm)	**4.6**	**5.8**	**4.8**	**6.7**	**5.4**	**6.4**	**5.6**	**14%**	**10%**	**19%**

Endurance Technologies

BSE SENSEX	S&P CNX
80,378	24,484

Conference Call Details

Date: 07th Nov 2024
Time: 11am IST
Dial-in details: [Diamond pass link]
+91 22 6280 1145/
+91 22 7115 8046

Financials & Valuations (INR b)

INR Billion	FY24	FY25E	FY26E
Sales	102.2	116.5	132.1
EBITDA	13.1	15.8	18.1
Adj. PAT	6.7	8.7	10.5
EPS (INR)	47.3	61.9	74.3
EPS Growth (%)	36.5	30.9	20.0
BV/Share (INR)	353.9	404.8	465.1
Ratios			
Net Debt/Equity	-0.1	-0.2	-0.2
RoE (%)	14.2	16.3	17.1
RoCE (%)	13.1	14.9	15.8
Payout (%)	17.6	17.8	18.8
Valuations			
P/E (x)	50.6	38.6	32.2
P/BV (x)	6.8	5.9	5.1
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	0.7	1.6	1.8

CMP: INR2,372 Buy

In-line result; both India and the EU outperform the underlying industry

- ENDU's 2QFY25 consol. revenues grew 14% YoY to INR29.1b (in line). EBITDA rose 20% YoY to INR3.8b (in line), and adj. PAT was up 31% YoY at INR2b (in line).
- Its 1HFY25 revenue/EBITDA/adj. PAT grew 15%/18%/28% YoY.

India business:

- Revenue grew 16.5% YoY to INR23b (inline) compared with underlying 2W industry production growth of ~10% YoY. There was an incentive of INR131m booked in 2Q.
- EBITDA margin at 13% (est. 13.4%) was up 40bp YoY (+10bp QoQ).
- Adj. PAT rose 30% YoY to INR1.85b (in line).
- 1HFY25 revenue/EBITDA/adj. PAT grew 16%/20%/27% YoY.

EU business:

- The EU revenue grew 6% YoY to EUR60m (est. EUR70m). This was despite lower tooling sales and a 7.8% decline in the EU new car registration.
- EBITDA margin at 16% (est. 15.2%) was up 120bp YoY (-60bp QoQ).
- Adj. PAT grew 39% YoY to EUR3.5m (est. EUR4m).

Maxwell business:

- Revenue grew 12% YoY to INR190m (est. INR80m) as its key customer has again started ramping up volumes from Jul'24.
- Operating loss stood at INR17m vs. INR43m loss in 2QFY24.

Others:

- Consolidated operating cash flow/FCF declined 3%/99% YoY. The sharp drop in FCF was mainly due to higher capex, which grew 49% YoY to INR4.4b.

Valuation view: The stock trades at 39x/32x FY25E/FY26E consol. EPS.

Consolidated - Quarterly

Y/E March	FY24				FY25E				FY24	FY25E	2QE	Var
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				(%)
Net Sales	**24,500**	**25,450**	**25,611**	**26,648**	**28,255**	**29,127**	**28,987**	**30,152**	**1,02,209**	**1,16,521**	**28,913**	**0.7**
YoY Change (%)	15.9	7.8	22.2	19.3	15.3	14.4	13.2	13.2	16.1	14.0	13.6	
EBITDA	**3,213**	**3,183**	**2,990**	**3,694**	**3,741**	**3,820**	**3,936**	**4,343**	**13,080**	**15,840**	**3,821**	**0.0**
Margins (%)	13.1	12.5	11.7	13.9	13.2	13.1	13.6	14.4	12.8	13.6	13.2	
Depreciation	1,129	1,184	1,144	1,282	1,288	1,311	1,305	1,311	4,740	5,215	1,290	
Interest	90	98	109	129	112	116	89	64	427	382	93	
Other Income	166	155	270	265	339	265	275	294	856	1,173	250	
PBT before EO expense	**2,159**	**2,056**	**2,006**	**2,548**	**2,680**	**2,658**	**2,817**	**3,262**	**8,769**	**11,416**	**2,688**	
Exceptional Item	0	0	0	-200	0	0	0	0	-200	0	0	
PBT after EO	**2,159**	**2,056**	**2,006**	**2,748**	**2,680**	**2,658**	**2,817**	**3,262**	**8,969**	**11,416**	**2,688**	
Eff. Tax Rate (%)	24.3	24.8	24.1	23.5	23.9	23.6	23.6	23.7	75.9	23.7	24.4	
Adj. PAT	**1,635**	**1,546**	**1,523**	**1,950**	**2,039**	**2,030**	**2,152**	**2,487**	**6,653**	**8,708**	**2,031**	**-0.1**
YoY Change (%)	47.0	17.5	40.7	42.9	24.7	31.3	41.3	27.6	36.5	30.9	31.4	

Standalone Performance

Y/E March	FY24				FY25E				FY24	FY25E	2QE	Var
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				(%)
Net Sales	**18,254**	**19,736**	**19,934**	**20,586**	**21,204**	**22,995**	**22,525**	**22,999**	**78,510**	**89,723**	**22,697**	**1.3**
YoY Change (%)	13.0	3.6	24.8	24.8	16.2	16.5	13.0	11.7	16.0	14.3	15.0	
RM Cost (% of sales)	66.0	65.9	66.3	63.9	64.6	65.2	65.0	64.4	65.5	64.8	64.8	
Staff Cost (% of sales)	5.0	4.8	4.8	4.8	5.1	4.7	4.8	4.8	4.8	4.9	4.8	
Other Expenses (% of sales)	16.4	16.8	17.3	17.9	17.4	17.2	16.9	16.6	17.1	17.0	17.0	
EBITDA	**2,302**	**2,478**	**2,311**	**2,773**	**2,742**	**2,984**	**2,986**	**3,264**	**9,863**	**11,977**	**3,036**	**-1.7**
Margins (%)	12.6	12.6	11.6	13.5	12.9	13.0	13.3	14.2	12.6	13.3	13.4	
Depreciation	643	651	658	673	692	727	705	690	2,625	2,814	700	
Interest	10	9	5	5	7	5	4	4	30	20	3	
Other Income	107	107	136	145	142	176	165	149	495	633	150	
PBT before EO expense	**1,756**	**1,924**	**1,783**	**2,240**	**2,185**	**2,429**	**2,442**	**2,719**	**7,703**	**9,776**	**2,483**	
Extra-Ord expense	0	0	0	-200	0	0	0	0	-200	0	0	
Tax Rate (%)	25.6	25.9	25.7	25.3	25.5	23.9	25.2	26.1	25.6	25.2	25.2	
Adj. PAT	**1,305**	**1,425**	**1,324**	**1,674**	**1,629**	**1,848**	**1,827**	**2,010**	**5,729**	**7,313**	**1,857**	**-0.5**
YoY Change (%)	47.4	8.6	43.6	60.2	24.8	29.7	38.0	20.0	37.5	27.7	30.3	
Margins (%)	7.2	7.2	6.6	8.1	7.7	8.0	8.1	8.7	7.3	8.2	8.2	

EU Subs

Y/E March	FY24				FY25E				FY24	FY25E	2QE	Var
EUR m	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				(%)
Net Sales	**69**	**63**	**63**	**68**	**80**	**67**	**72**	**81**	**263**	**300**	**70**	**-4.6**
YoY Change (%)	12.6	10.1	5.5	1.4	16.7	6.4	13.6	18.6	7.2	14.0	11.5	
EBITDA	**11.1**	**9.3**	**9.8**	**12.1**	**13.3**	**10.7**	**11.1**	**12.9**	**42.4**	**48.0**	**11**	**0.4**
Margins (%)	16.1	14.8	15.5	17.8	16.6	16.0	15.4	16.0	16.1	16.0	15.2	
PAT	**4.2**	**2.5**	**3.3**	**4.0**	**4.9**	**3.5**	**3.8**	**4.3**	**13.9**		**4**	
YoY Change (%)	44.8	47.1	9.9	-10.9	16.6	38.9	15.7	8.4	15.8		45.6	

E: MOFSL Estimates

Maxwell

Y/E March	FY24				FY25E				FY24	FY25E	2QE	Var
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				(%)
Net Sales	**160**	**170**	**190**	**110**	**30**	**190**	**150**	**130**	**630**	**500**	**80**	
YoY Change (%)		325.0	227.6	37.5	-81.3	11.8	-21.1	18.2	253.9	-20.6	-52.9	
EBITDA	**-28.0**	**-43.0**	**-34.0**	**-13.0**	**-42.0**	**-17.0**	**-22.5**	**-13.5**	**-118.0**	**-95.0**	**-28**	
Margins (%)	-17.5	-25.3	-17.9	-11.8	-140.0	-8.9	-15.0	-10.4	-18.7	-19.0	-35.0	
PAT	**-48.0**	**-64.2**	**-55.0**	**-37.0**	**-66.0**	**-44.0**			**-205.0**			

JK Lakshmi Cement

BSE Sensex	S&P CNX
80,378	24,484

Conference Call Details

Date: 8th November 2024

Time: 16:00 IST

Dial-in details:

+ 91 22 6280 1143

+ 91 22 7115 8044

Link for the call

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	65.0	72.4	81.1
EBITDA	9.5	12.7	15.0
Adj. PAT	3.2	4.4	4.8
EBITDA Margin (%)	14.5	17.6	18.5
Adj. EPS (INR)	26.8	37.2	40.9
EPS Gr. (%)	-32.2	38.8	9.9
BV/Sh. (INR)	292	323	358
Ratios			
Net D:E	0.6	0.7	0.7
RoE (%)	9.5	12.1	12.0
RoCE (%)	9.0	11.2	11.3
Payout (%)	21.2	18.0	16.9
Valuations			
P/E (x)	29.8	21.5	19.5
P/BV (x)	2.7	2.5	2.2
EV/EBITDA(x)	11.6	9.0	8.2
EV/ton (USD)	76	69	67
Div. Yield (%)	0.8	0.8	0.8
FCF Yield (%)	-2.8	-3.9	0.4

CMP: INR800 **Buy**

A miss on est. due to lower volumes and higher costs

- JKLC's 2QFY25 earnings were notably below our estimate due to lower-than-estimated volume (~11% miss) and higher-than-estimated opex/t (+3% vs. our est.). Consol. EBITDA declined ~59% YoY to INR893m (~42% below our estimate), and EBITDA/t was down ~55% YoY to INR360 (our est. at INR550). OPM dipped 6.6pp YoY to ~7% (est. ~11%). JKLC reported a net loss of INR140m (vs. estimated profit of INR262m) vs. PAT of INR927m in 2QFY24.
- The company's profitability was adversely impacted due to a sharp correction in cement prices in its core markets and lower volumes. It is expanding its grinding capacity by 6.0mtpa to 22.4mtpa at an estimated capex of INR27b. This is likely to be completed in a phased manner over FY25-27. Capex will be funded through a mix of debt and internal accruals.
- We have a **BUY rating** on the stock and will review our assumptions after the concall.

Sales volume dips 9% YoY; realization/t drops 14% YoY

- Consolidated revenue/EBITDA stood at INR12.3b/INR893m (down 22%/59% YoY and down 13%/42% vs. our estimate) in 2QFY25. It reported a net loss of INR140m vs. a PAT of INR927m in 2QFY24. Sales volume declined 9% YoY to 2.48mt. Realization was down 14% YoY/3% QoQ to INR4,983/t (-1% vs. our estimate).
- Opex/t declined 7% YoY, driven by a 17%/1% decline in variable/freight costs. Other expenses/employee cost per tonne increased 13%/16% YoY. OPM contracted 6.6pp YoY to ~7% and EBITDA/t declined 55% YoY to INR360 in 2QFY25. Depreciation/finance costs increased 32%/28% YoY. Other income was down 40% YoY.
- 1HFY25 consol. revenue/EBITDA/PAT stood at INR28.0b/INR3.1b/INR563m (declined 15%/25%/67% YoY). Volume/realization declined 4%/11% YoY. EBITDA/t declined 21% YoY to INR565 and OPM contracted 1.4pp YoY to ~11%. OCF declined 81% YoY to INR514m due to lower profitability and reduction in working capital. Capex stood at INR4.4b vs. INR5.1b in 1HFY24.

Highlights from the management commentary

- The share of green power stood at ~47% in 2QFY25 vs. 39%/48% in FY24/1QFY25. It is implementing a project to increase the TSR share to 16% from 4% at its Sirohi plant in a phased manner.
- It expects cement demand to improve in the coming years given the government's focus on infrastructure development and various other initiatives for housing and road development.

Valuation and view

- JKLC reported a disappointing performance due to an all-round miss. Further, higher depreciation, interest, and lower other income led to a net loss during the quarter. We have a **BUY** rating on the stock. However, we will review our assumptions after the concall on 8th Nov'24 (Concall Link).

Quarterly performance (consolidated) (INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Sales Volumes (mt)	3.04	2.73	2.96	3.26	3.04	2.48	3.20	3.86	11.99	12.57	2.79	(11)
YoY Change (%)	1.2	12.3	7.6	0.9	0.0	(9.3)	8.0	18.2	5.0	4.8	2.3	
Net Sales	**17.3**	**15.7**	**17.0**	**17.8**	**15.6**	**12.3**	**16.4**	**20.6**	**67.9**	**65.0**	**14.1**	(13)
YoY Change (%)	4.6	14.6	9.0	(4.4)	(9.6)	(21.6)	(3.6)	15.7	5.2	(4.2)	(10.4)	
EBITDA	**2.0**	**2.2**	**3.0**	**3.4**	**2.2**	**0.9**	**2.0**	**4.4**	**10.5**	**9.5**	**1.5**	(42)
YoY Change (%)	(23.6)	32.5	63.1	44.6	13.3	(58.9)	(34.9)	30.0				
Margin (%)	11.3	13.8	17.7	18.9	14.2	7.2	12.0	21.2	15.5	14.5	10.9	
Depreciation	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	2.5	2.9	0.7	4
Interest	0.3	0.3	0.4	0.4	0.5	0.4	0.5	0.6	1.5	2.0	0.5	(14)
Other Income	0.1	0.1	0.2	0.3	0.1	0.1	0.2	0.5	0.7	0.9	0.2	(63)
PBT before EO expense	**1.2**	**1.4**	**2.1**	**2.5**	**1.2**	**(0.2)**	**0.9**	**3.6**	**7.2**	**5.5**	**0.5**	(138)
Extra-Ord. expense	-	-	(0.1)	-	-	-	-	-	(0.1)	-	-	
PBT	**1.2**	**1.4**	**2.2**	**2.5**	**1.2**	**(0.2)**	**0.9**	**3.6**	**7.3**	**5.5**	**0.5**	(138)
Tax	0.4	0.5	0.7	0.9	0.5	(0.1)	0.4	1.0	2.4	1.8	0.2	
Prior period tax adj.	-	-	-	-	-	-	-	-	-	-	-	
Rate (%)	32.7	32.0	32.7	35.1	43.6	46.2	46.2	27.1	33.4	33.2	33.2	
Reported PAT	**0.8**	**1.0**	**1.5**	**1.6**	**0.7**	**(0.1)**	**0.5**	**2.6**	**4.9**	**3.6**	**0.4**	(130)
Minority Interest	0.0	0.0	0.1	0.1	(0.1)	0.0	0.1	0.4	0.2	0.5	0.1	
Adj. PAT	**0.8**	**0.9**	**1.4**	**1.6**	**0.7**	**(0.1)**	**0.4**	**2.2**	**4.7**	**3.2**	**0.3**	(153)
YoY Change (%)	(29.4)	51.9	80.1	42.7	(10.4)	(115.1)	(71.7)	40.5	29.9	(32.2)	(71.8)	
Per ton analysis (INR)												
Net realization	**5,699**	**5,763**	**5,753**	**5,459**	**5,149**	**4,983**	**5,133**	**5,344**	**5,662**	**5,172**	**5,049**	(1)
RM Cost	1,385	1,255	1,066	1,140	1,269	1,047	982	2,008	1,210	1,233	1,269	(17)
Employee Expenses	357	382	370	292	334	444	355	310	348	354	398	12
Power, Oil, and Fuel	1,508	1,574	1,492	1,273	1,127	1,295	1,355	872	1,455	1,139	1,107	17
Freight and Handling Outward	1,131	1,094	1,117	1,064	1,038	1,086	1,096	976	1,101	1,043	1,038	5
Other Expenses	672	663	687	658	650	751	731	520	670	651	690	9
Total Expenses	**5,053**	**4,968**	**4,732**	**4,428**	**4,417**	**4,623**	**4,518**	**4,210**	**4,784**	**4,420**	**4,501**	3
EBITDA	**646**	**795**	**1,021**	**1,032**	**732**	**360**	**615**	**1,134**	**878**	**752**	**548**	(34)

Avalon Technologies

BSE SENSEX	S&P CNX
80,378	24,484

Conference Call Details

Date: 7th Nov, 2024
Time: 3:30pm IST
Dial-in details:
Click Here

CMP: INR590 Buy

Earnings beat estimates; strong recovery witnessed

- Consolidated revenue grew 37% YoY to INR2.75b (est. INR2.4b), aided by a recovery in US business (up 57% YoY to INR1.6b).
- Clean energy segment witnessed 98% YoY growth, followed by 59%/36% YoY growth in the medical/mobility segments.
- EBITDA margin expanded by 470bp to 11% (est. 6.4%) despite gross margin contraction by 40bp YoY to 36.8%. Employee expenses/other expense as % of sales stood at ~17%/8.9% vs. ~22.7%/8.3% in 2QFY24.
- EBITDA jumped 2.4x YoY to INR301m (est. INR151m).
- Adj. PAT surged 2.4x YoY to INR175m (est. INR70m).
- The order book grew 19% YoY to INR14.85b.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Gross Sales	**2,351**	**2,010**	**2,143**	**2,168**	**1,995**	**2,750**	**2,893**	**3,203**	**8,672**	**10,840**	**2,372**	**16**
YoY Change (%)	19.9	-17.9	-7.9	-20.2	-15.2	36.8	35.0	47.7	-8.2	25.0	18.0	
Total Expenditure	2,189	1,884	1,977	1,996	1,951	2,449	2,610	2,859	8,046	9,869	2,220	
EBITDA	**162**	**126**	**165**	**172**	**44**	**301**	**282**	**344**	**626**	**971**	**151**	**99**
Margins (%)	6.9	6.3	7.7	7.9	2.2	11.0	9.8	10.7	7.2	9.0	6.4	
Depreciation	53	55	60	61	66	69	70	73	229	278	68	
Interest	56	32	36	39	42	37	28	25	164	133	35	
Other Income	51	47	22	28	44	39	54	62	148	200	48	
PBT before EO expense	**105**	**86**	**91**	**99**	**-20**	**234**	**239**	**308**	**381**	**761**	**96**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**105**	**86**	**91**	**99**	**-20**	**234**	**239**	**308**	**381**	**761**	**96**	
Tax	34	13	25	29	3	60	66	85	101	213	27	
Rate (%)	32.4	15.2	27.5	29.0	-14.5	25.4	27.5	27.5	26.5	28.0	27.5	
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**71**	**73**	**66**	**71**	**-23**	**175**	**173**	**223**	**280**	**548**	**70**	
Adj PAT	**71**	**73**	**66**	**71**	**-23**	**175**	**173**	**223**	**280**	**548**	**70**	**150**
YoY Change (%)	-23.9	-50.7	14.7	-68.9	NA	140.1	163.0	216.0	-46.7	95.7	-4.0	
Margins (%)	3.0	3.6	3.1	3.3	-1.2	6.4	6.0	7.0	3.2	5.1	2.9	

India's personal income growth remains weak

Compiling various proxy measures for gauging household income

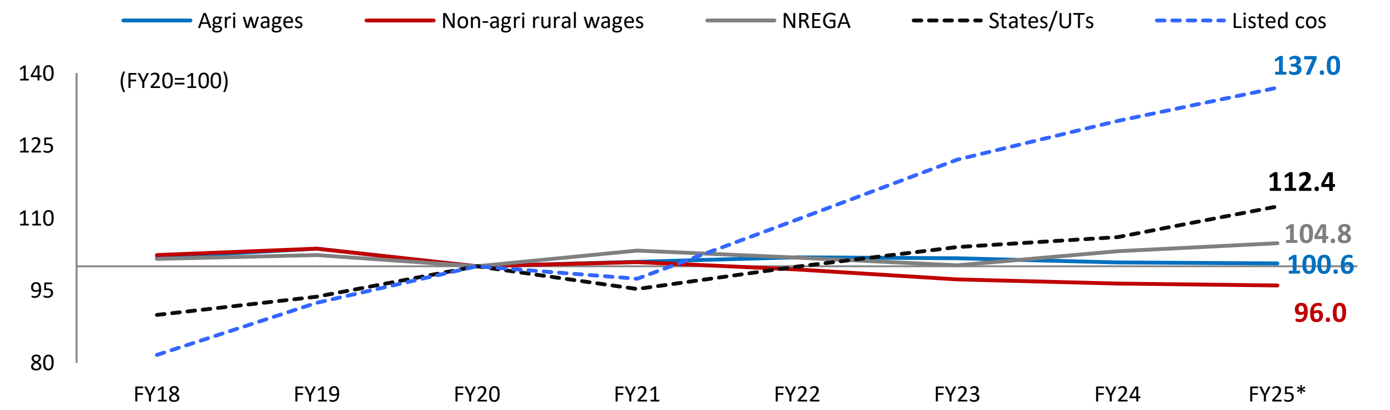
India's real Private Final Consumption Expenditure (PFCE) grew only 4% YoY in FY24, following a growth of 6.8% YoY in FY23. During the past four years (FY21-24), the average real PFCE growth has been 4.1%, which is slower than the ~7% growth observed in the pre-pandemic years and the 4.6% CAGR in real GDP. Consumption growth has weakened over the recent quarters, and company results for 2QFY25 confirm that this deceleration has become widespread. We have been highlighting this risk for some time now (please refer to the links here or here). The primary factor responsible for weak consumer finances in India is the subdued income growth. Due to the lack of comprehensive monthly or quarterly data on household or personal income in the country, we compile and present all available official indicators to assess personal income growth in India in this report. Overall, personal income growth continues to remain weak as of 2QFY25.

Personal (or household) disposable income

India's real PDI (nominal deflated by PFCE deflator) grew 5.9% in FY23, and is estimated to have increased ~4.5% in FY24

The only official data on personal disposable income (PDI) is published by the Central Statistics Office (CSO) under the Ministry of Statistics and Programme Implementation (MOSPI) on the last working day of February each year. This means that PDI is available only on an annual basis, with a lag of 11 months. The latest data available, thus, pertains to FY23, which was published in Feb'24, and data for FY24 is likely to be published in Feb'25. Based on this measure, India's real PDI (nominal deflated by PFCE deflator) grew 5.9% in FY23 and is estimated to have increased ~4.5% in FY24 *(Exhibit 3)*. This indicates that real PDI growth has averaged below 4% in the post-pandemic years (FY21-FY24E), which is weaker than the growth observed in the pre-pandemic period and also slower than PFCE growth. Further, nominal PDI is projected to account for 78.7% of GDP in FY24 *(refer to Exhibit 4)*, which is lower than its recent peak of 83.4% in FY21. This suggests that a smaller share of the income generated in the country is currently accruing to the household sector, which is not necessarily negative, as **explained** in a separate note earlier.

Exhibit 1: Several proxy measures of personal growth suggest weak growth for the majority of workers in India



*Data until Aug'24 for agri and non-agri rural wages; 1HFY25 for others

Real data for all; deflated by respective CPI indices

Source: Various national sources, MOFSL

JK Tyre : Aiming to get Margins back in range 13-15% on full year basis; Anuj Kathuria, President (India)

- Have passed 50% of the RM price Hikes, Took another price hike earlier
- May increase prices once more if RM prices continue to increase
- H2FY25 will definitely be better than H1FY25
- Expect high single- digit growth for replacement market at this point

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- Will see 8-10% volume growth in Q3 and double digit in Q4
- Target Double digit growth for entire FY25 with Mid high single digit value Growth
- Will take a close look at akzo nobel if they truly make up their mind to exit
- Seen Slight slowdown in consumer spends H1 Volume growth at 8% vs 10-12% earlier

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- Q3 Should be a strong quarter, H2 will be better than H1 on Revenue and Margin
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- Journey Towards 10% market share in Jewellery is Intact
- The overhang of the customs duty loss should be gone by Q4

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- Plan to increase dark store network and geographical coverage in quick commerce
- Spendings from IPO Proceeds will largely be directed towards quick commerce growth
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- To look at Innovation and Consumer offerings to regain market share lost recently

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- There is uncertainty and challenges in unsecured lending space
- Q3 will be better than Q2
- In terms of over leveraging were in much better position as compared to Industry
- Might outperform Guidance

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