Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	72,776	0.2	0.7
Nifty-50	22,104	0.2	1.7
Nifty-M 100	49,735	0.4	7.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,221	0.0	9.5
Nasdaq	16,388	0.3	9.2
FTSE 100	8,415	-0.2	8.8
DAX	18,742	-0.2	11.9
Hang Seng	6,762	0.6	17.2
Nikkei 225	38,179	-0.1	14.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	82	-1.2	5.8
Gold ($/OZ)	2,336	-1.0	13.2
Cu (US$/MT)	10,082	1.9	19.1
Almn (US$/MT)	2,496	0.5	6.4
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.5	0.0	0.4
USD/EUR	1.1	0.2	-2.3
USD/JPY	156.2	0.3	10.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	-0.01	-0.1
10 Yrs AAA Corp	7.5	-0.01	-0.2
Flows (USD b)	**13-May**	**MTD**	**CYTD**
FIIs	-0.5	-2.96	-2.2
DIIs	0.43	3.18	21.1
Volumes (INRb)	**13-May**	**MTD***	**YTD***
Cash	1,054	1149	1179
F&O	3,06,229	3,34,691	3,84,003

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Five-Star Business Finance | Initiating Coverage: Enabling small; Growing big!

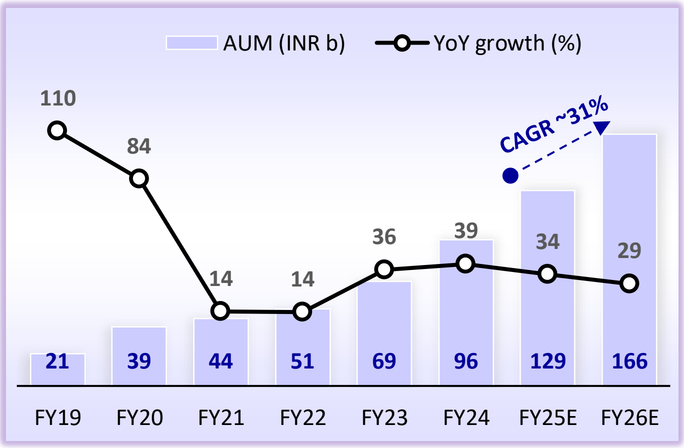
- FIVESTAR operates in the micro-LAP (backed by SORP) segment, where its business model has been enhanced for over two decades to deliver a combination of healthy loan growth and strong profitability.
- Deep understanding of customer behavior, along with regional dynamics in semi-urban and fast-growing rural areas, position FIVESTAR well to remain dominant in this product segment.
- FIVESTAR's premium valuations will sustain in the medium term based on its niche market position, strong growth potential, superior underwriting practices, resilient asset quality, and high return metrics.
- We estimate a PAT CAGR of ~23% over FY24-FY26 for an RoA/RoE of 7.2%/18.5% in FY26.
- We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 3.7x FY26E P/BV).

Research covered

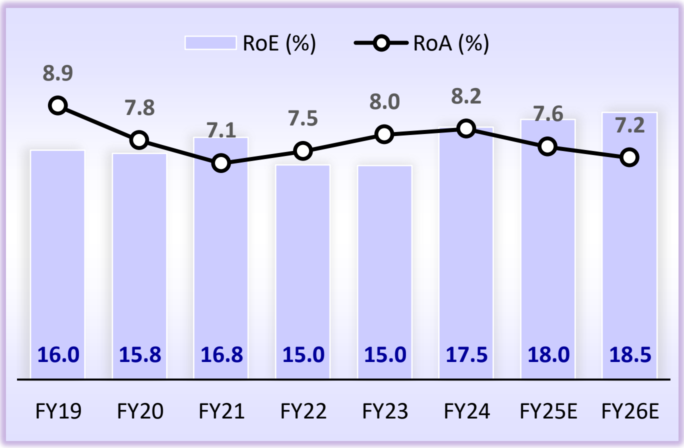
Cos/Sector	Key Highlights
Five-Star Business Finance (Initiating Coverage)	Enabling small; Growing big!
Varun Beverages	Cost optimization and better realization drive earnings
Jindal Steel & Power	Marginal miss in EBITDA in 4Q; outlook remains bright
Other Updates	Aditya Birla Capital | Thermax | APL Apollo Tubes | UPL | Piramal Pharma | Fine Organic Industries | Syrma SGS Technology | DLF | Tube Investments | Fund Folio | Capital Market Monthly | EcoScope

Chart of the Day: Five-Star Business Finance (Enabling small; Growing big!)

Expect ~31% AUM CAGR over FY24-FY26



Model RoA/RoE of 7.2%/18.5% in FY26



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Suzuki predicts India market to expand 2% in FY25, Maruti to outpace industry growth

India is a bright spot for the Japanese auto giant, accounting for as much as 89% of the incremental volume of 168,000 units sold by Suzuki globally in the last fiscal year.

2

India's diesel shipments to Europe slip 20% as US, Gulf supplies rise

India's diesel exports to Europe dropped to 210,000 bpd in April due to US and Gulf competition. Vortexa tracked weakened margins. Asian exports grew. Ukrainian conflict spurred Russian diesel replacement.

3

BharatNet tender: BSNL relaxes eligibility criteria

The financial turnover and net worth of the companies participating in the tender has been relaxed by up to 33% and 30%, respectively, in certain circles.

4

Deal activity declines 60 pc in April to USD 5.19 bn despite more transactions

The highest decline by value was in the merger and acquisitions transactions, which came down 75 per cent to USD 2.526 billion when compared with USD 10.212 billion in March, while the private equity transactions by value were marginally down at USD 2.666 billion, the report by Grant Thornton Bharat said.

5

Retail inflation eases to 4.83% in April, surge in food prices continues

The Consumer Price Index (CPI) based retail inflation was 4.85 per cent in March. It was 4.7 per cent in April 2023

6

Nalanda Capital sells 1.4 pc stake in Great Eastern Shipping for Rs 190 crore

Singapore-based Nalanda Capital through its arm Nalanda India Equity Fund Ltd sold shares of Great Eastern Shipping Co Ltd through a bulk deal on the BSE.

7

Domestically held gold reserve rise by 40% in 5 years, shows RBI data

As of the end of March 2024, the Reserve Bank of India held a total of 822 metric tonnes of gold, with 408 metric tonnes held within the country

Five-Star Business Finance

BSE Sensex	S&P CNX
72,664	22,055

Stock Info

Bloomberg	FIVESTAR IN
Equity Shares (m)	292.4
M.Cap.(INRb)/(USDb)	214.1 / 2.6
52-Week Range (INR)	877 / 519
1, 6, 12 Rel. Per (%)	4/-21/15
12M Avg Val (INR M)	515
Free float (%)	73.5

Financial Snapshot (INR b)

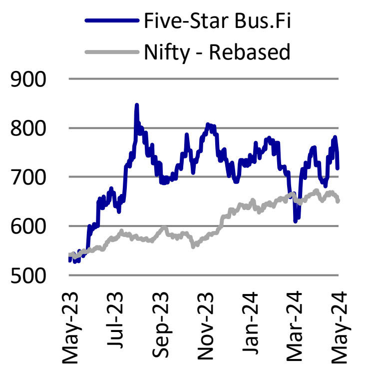
Y/E March	FY24	FY25E	FY26E
NII	16.5	20.9	25.9
PPoP	11.7	14.7	18.0
PAT	8.4	10.3	12.7
EPS (INR)	29	35	43
EPS Gr. (%)	38	23	23
BVPS (INR)	178	213	255
Ratios (%)			
NIM	19.9	18.7	17.9
C/I ratio	32.2	33.0	34.0
Credit cost	0.7	0.9	0.8
RoA	8.2	7.6	7.2
RoE	17.5	18.0	18.5
Div. Payout	0.0	2.8	4.6
Valuations			
P/E (x)	25.5	20.7	16.8
P/BV (x)	4.1	3.4	2.9
Div. yield (%)	0.0	0.1	0.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	26.5	26.5	34.9
DII	7.0	7.8	5.0
FII	56.1	54.3	7.0
Others	10.5	11.4	53.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR729 TP: INR950 (+30%) Buy

Enabling small; Growing big!

Untapped opportunity with benign competition to aid >30% AUM CAGR

Five-Star Business Finance (FIVESTAR) is a Non-Banking Financial Company (NBFC) that provides small business loans (SBL) predominantly to micro-entrepreneurs, self-employed individuals, or informal salaried individuals for working capital, asset creation, or personal expense purposes. These loans are secured against collateral, typically a self-occupied residential property (SORP). FIVESTAR has delivered an AUM CAGR of ~25% over FY20-FY24, with an AUM of ~INR96.4b as of Mar'24. FIVESTAR's key states are Andhra Pradesh, Telangana, Tamil Nadu, and Karnataka, which together contribute ~94% of the AUM. The company has 520 branches spread across 10 states and UT.

- **Huge untapped potential in the small-ticket secured business loans:** Industry reports estimate the total addressable market (TAM) at ~INR104t in MSME lending. Within this, the potential market for Secured MSME Loans (against SORP) with ticket sizes of <INR500K (the addressable segment) is ~INR22t. The addressed market size is ~INR372b as of Sep'23, which suggests that FIVESTAR has a market share of ~20% and can continue to gain market share over the medium term through deeper penetration, branch expansions, and improvement in productivity.
- **Pricing power aiding healthy NIM and spreads:** The company's focus on unbanked customers and benign competition in the <INR500K ticket-size segment allow it to maintain high yields of ~24%. Combined with a strengthening liability franchise, we expect its spreads and NIM to sustain above ~15% and ~18%, respectively, over FY25-26.
- **Underwriting strength with deep distribution:** FIVESTAR has a proprietary credit model that it has refined over the last few decades. Its meticulous customer selection and deep understanding of customer behavior, coupled with an emphasis on high customer equity (via a lower LTV of ~40%) have helped it maintain robust asset quality through cycles, with average credit costs of ~90bp over FY20-FY24. Scalability in this segment relies heavily on distribution capabilities, and FIVESTAR has doubled its distribution by adding ~260 branches over the last three years.
- **High growth and profitability to help sustain valuation premium:** The company has developed strengths and capabilities in its business model, which are difficult for peers to replicate. We anticipate that the company will maintain its best-in-class growth and profitability, with an estimated AUM/PAT CAGR of ~31%/~23% over FY24-26. FIVESTAR is expected to command premium valuations relative to its NBFC/HFC peers due to its ability to deliver strong RoA/RoE of 7.2%/18.5% by FY26E.
- **We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 3.7x FY26E P/BV). Key downside risks** include concentration in southern India, rising competitive intensity resulting in loss of pricing power, and further seasoning of the portfolio leading to asset quality deterioration and higher credit costs.

Strong distribution and productivity benefits to aid robust AUM growth

- FIVESTAR has doubled its branch distribution over the last three years to ~520 branches and now has ~86% of its branches located in Tier 4-6 cities. Its growth levers will include expanded distribution, inflationary growth in average ticket size, which we project to increase to INR400k by FY26 from INR350k, and proximity to the customer through an increasing number of relationship officers (alias, the Feet on Street).
- Productivity benefits will emerge as the newer branches mature and gain vintage. We model a robust AUM CAGR of ~31% over FY24-26.

Target customer and benign competition generate pricing power

- The company provides loans to target customers who do not possess formal income documents. FIVESTAR has an on-ground presence for conducting physical verifications and credit appraisals based on informal income.
- Ticket sizes of <INR500K do not interest large banks, leaving the underserved customers for select specialized NBFCs like FIVESTAR. Benign competition gives the company a pricing power to sustain yields at ~24%. The liability franchise continues to improve with a focus on long-term liabilities. We expect NIM to moderate (with financial leverage) but remain healthy at 18-19% over FY25/26.

Process intensive, but operating leverage will come into play

- The company has a fully in-house business model for sourcing, underwriting, and collections, incorporating a maker-checker system to prevent oversight and collusion. Processes are operationally intensive with a high level of interaction and a significant portion of cash collections at ~53% in FY24 (vs. ~70% in FY20). It continues to make efforts to improve the proportion of non-cash collections.
- TAT has declined to ~10 days in FY24 from ~17 days in FY22, thanks to investments in technology and improvement in productivity. TAT is expected to further decline to 8-9 days in a steady state. We expect scale benefits and improvements in employee productivity to result in opex-to-average AUM declining to 6.3% by FY26E from 6.7% in FY24.

Focus on collections keeps NPAs under control; credit costs to remain <1%

- Despite the unavailability of SARFAESI, FIVESTAR's focus on identifying 'suitable' collateral, enhanced by conservative LTV ratios, family members as co-applicants, and a strong on-ground collections infrastructure, has kept its 90+ dpd consistently low despite relatively higher soft delinquencies.
- Through a combination of legal notices and arbitration, the company has historically managed to settle its NPAs with <2% IRR loss. We expect the portfolio to season, and Stage 3 to increase but stabilize at <2% in a steady state with credit costs of <1%.

Sustained profitable growth to attract premium valuations; Initiate with BUY

- The company operates in the micro-LAP (backed by SORP) segment, where its business model has been enhanced for over two decades to deliver a combination of healthy loan growth and strong profitability. Deep understanding of customer behavior, along with regional dynamics in semi-urban and fast-growing rural areas, position FIVESTAR well to remain dominant in this product segment.
- The stock currently trades at 2.9x FY26E P/BV. We believe that FIVESTAR's premium valuations will sustain in the medium term based on its niche market position, strong growth potential, superior underwriting practices, resilient asset quality, and high return metrics. We estimate a PAT CAGR of ~23% over FY24-FY26 for an RoA/RoE of 7.2%/18.5% in FY26. We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 3.7x FY26E P/BV).

Varun Beverages

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	VBL IN
Equity Shares (m)	1299
M.Cap.(INRb)/(USDb)	1919.6 / 23
52-Week Range (INR)	1562 / 754
1, 6, 12 Rel. Per (%)	8/33/69
12M Avg Val (INR M)	2421

Financials & Valuations (INR b)

Y/E Dec	2024E	2025E	2026E
Sales	206.3	246.3	286.6
EBITDA	47.4	55.4	65.8
Adj. PAT	27.4	34.5	43.7
EBITDA (%)	23.0	22.5	23.0
EPS (INR)	21.1	26.5	33.6
EPS Gr. (%)	33.4	25.7	26.7
BV/Sh. (INR)	72.0	96.0	126.7
Ratios			
Net D/E	0.5	0.2	-0.1
RoE (%)	33.7	31.6	30.2
RoCE (%)	23.0	24.8	28.3
Payout (%)	11.8	9.4	8.9
Valuations			
P/E (x)	70.0	55.7	44.0
EV/EBITDA (x)	41.6	35.1	28.9
Div Yield (%)	0.2	0.2	0.2
FCF Yield (%)	0.2	1.7	2.2

Shareholding pattern (%)

	Mar-24	Dec-23	Mar-23
Promoter	62.9	63.1	63.9
DII	4.2	3.6	3.7
FII	25.8	26.6	26.0
Others	7.2	6.8	6.4

Note: FII includes depository receipts

CMP: INR1,477 TP: INR1,720 (+16%) Buy

Cost optimization and better realization drive earnings

Earnings above our estimates

- Varun Beverages (VBL) reported a revenue growth of 11% YoY in 1QCY24, led by volume growth (up 7% YoY) and high realization (up 4% YoY to INR180/case).
- EBITDA margins expanded 240bp YoY, led by improved gross margins (up 390bp YoY). This improvement can be attributed to decreased PET prices, the company's concentrated efforts to minimize sugar content, and the adoption of lighter packaging materials.
- We largely maintain our CY24/CY25/CY26 earnings. **We reiterate our BUY rating on the stock with a TP of INR1,720.**

International business drives volume growth

- VBL's revenue grew 11% YoY to INR43.2b (est. INR42.3b) on account of healthy volume growth (+7% YoY to 240m cases) and high realization (up 4% YoY to INR180/case). Volume growth was driven by international markets (up 22% YoY), while domestic volumes grew 4% YoY on account of delayed seasonality cycle.
- EBITDA margins expanded 240bp YoY to 22.9% (est. 20.9%) on the back of improved gross margins (up 390bp YoY). This improvement can be attributed to decreased PET prices, the company's concentrated efforts to minimize sugar content, and the adoption of lighter packaging materials. EBITDA stood at INR9.9b, up 24% YoY (est. INR8.85b).
- Adj. PAT grew 25% YoY to INR5.4b (est. INR4.8b), driven by higher sales growth and improvement in margins.
- Subsidiary (consolidated minus standalone) Revenue/EBITDA/PAT grew 30%/33%/21% YoY to INR8.7b/INR1.7b/INR680m in 1QCY24.
- CSD/Juices/water volumes grew 6%/13%/10% YoY to 169m/18m/53m unit cases in 1QCY24.

Highlights from the management commentary

- **Outlook:** VBL expects strong sales growth in 2QCY24, led by heat waves, elections, and lower base in the corresponding quarter last year. The company witnessed almost ~100% utilizations of the plant in April'24.
- **Capex:** VBL has planned a capex of ~INR36b, out of which ~INR24b/INR9.5-10b has already been incurred in CY23/1QCY24. It plans to incur the pending capex (~INR2b) in the coming quarters. VBL has commissioned three Greenfield facilities in CY24 YTD.
- **Debt:** The company targets to keep debt-to-equity ratio in the range of 0.6 to 0.7x. It expects to return to these levels in the next couple of quarters. Debt levels by the end of CY24 will be similar to that as of at the end of CY23.

Valuation and view

- We expect VBL to maintain its earnings momentum, aided by: 1) increased penetration in newly acquired territories in India and Africa, 2) higher acceptance of newly launched products, 3) continued expansion in capacity and distribution reach, 4) growing refrigeration in rural and semi-rural areas, and 5) a scale-up in international operations.
- We expect a CAGR of 21%/22%/29% in revenue/EBITDA/PAT over CY23-26.
- We largely maintain our CY24/CY25/CY26 earnings. **We value the stock at 57x Jun'26E EPS to arrive at a TP of INR1,720. We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Earning Model (INRm)

Y/E December	CY23				CY24				CY23	CY24E	CY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	%
Gross Sales	**38,930**	**56,114**	**38,705**	**26,677**	**43,173**	**73,885**	**50,040**	**38,374**	**1,60,425**	**2,05,472**	**42,280**	**2**
YoY Change (%)	37.7	13.3	21.8	20.5	10.9	31.7	29.3	43.8	21.8	28.1	90.9	
Total Expenditure	30,949	41,004	29,884	22,494	33,286	54,252	38,948	32,733	1,24,331	1,59,218	33,433	
EBITDA	**7,980**	**15,110**	**8,821**	**4,183**	**9,888**	**19,633**	**11,092**	**5,640**	**36,095**	**46,253**	**8,847**	**12**
Margins (%)	20.5	26.9	22.8	15.7	22.9	26.6	22.2	14.7	22.5	22.5	20.9	
Depreciation	1,722	1,719	1,708	1,660	1,875	2,250	2,300	2,328	6,809	8,753	1,880	
Interest	626	694	625	737	937	830	850	855	2,681	3,472	800	
Other Income	101	416	185	91	84	470	350	287	794	1,191	120	
PBT before EO expense	**5,734**	**13,113**	**6,673**	**1,878**	**7,159**	**17,023**	**8,292**	**2,744**	**27,398**	**35,219**	**6,287**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**5,734**	**13,113**	**6,673**	**1,878**	**7,159**	**17,023**	**8,292**	**2,744**	**27,398**	**35,219**	**6,287**	
Tax	1,348	3,057	1,529	442	1,678	3,745	1,824	604	6,375	7,851	1,383	
Rate (%)	23.5	23.3	22.9	23.5	23.4	22.0	22.0	22.0	23.3	22.3	22	
Minority Interest & Profit/Loss of Asso. Cos.	95	118	130	118	107	134	129	134	461	503	109	
Reported PAT	**4,291**	**9,938**	**5,015**	**1,318**	**5,374**	**13,145**	**6,339**	**2,007**	**20,561**	**26,865**	**4,794**	
Adj PAT	**4,291**	**9,938**	**5,015**	**1,318**	**5,374**	**13,145**	**6,339**	**2,007**	**20,561**	**26,865**	**4,794**	**12**
YoY Change (%)	68.8	26.2	31.6	76.3	25.2	32.3	26.4	52.3	37.3	30.7	541.3	
Margins (%)	11.0	17.7	13.0	4.9	12.4	17.8	12.7	5.2	12.8	13.1	11.3	

Key performance indicators

Y/E December	4QCY21	1QCY22	2QCY22	3QCY22	4QCY22	1QCY23	2QCY23	3QCY23	4QCY23	1QCY24
Segment Volume Gr.										
CSD	24	18	85	23	25	27	6	19	25	6
NCB	50	18	139	38	17	23	-13	0	14	13
Water	36	21	140	25	5	17	7	8	5	10
Cost Break-up										
RM Cost (% of sales)	45	48	49	46	44	48	48	45	43	44
Employee Cost (% of sales)	15	10	6	10	14	9	6	10	14	9
Other Cost (% of sales)	28	23	19	22	28	23	19	23	27	24
Gross Margins (%)	55	52	51	54	56	52	52	55	57	56
EBITDA Margins (%)	12	19	25	22	14	20	27	23	16	23
EBIT Margins (%)	5	14	22	17	6	16	24	18	9	19

Source: Company, MOFSL

13 May 2024

4QFY24 Results Update | Sector: Metals

Jindal Steel & Power

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	JSP IN
Equity Shares (m)	1020
M.Cap.(INRb)/(USDb)	958.2 / 11.5
52-Week Range (INR)	960 / 503
1, 6, 12 Rel. Per (%)	6/34/43
12M Avg Val (INR M)	1766
Free float (%)	38.8

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	500	593	752
EBITDA	102	132	179
APAT	59	64	96
Adj. EPS (INR)	58	62	94
EPS Gr. (%)	60.4	6.9	51.4
BV/Sh. (INR)	442	498	583
Ratios			
Net D:E	0.2	0.2	0.1
RoE (%)	14.1	13.3	17.5
RoCE (%)	12.2	14.8	19.3
Payout (%)	3.4	10.0	10.0
Valuations			
P/E (x)	16.1	15.0	9.9
P/BV (x)	2.1	1.9	1.6
EV/EBITDA(x)	10.4	8.0	5.7
Div. Yield (%)	0.2	0.7	1.0
FCF Yield (%)	-2.7	3.0	6.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	61.2	61.2	61.2
DII	14.7	15.3	13.9
FII	13.7	13.5	14.9
Others	10.4	10.0	10.0

FII Includes depository receipts

CMP: INR939 TP: INR1090 (+16%) Buy

Marginal miss in EBITDA in 4Q; outlook remains bright

- JSP reported revenue of INR135b (-1.5% YoY/ +15% QoQ) in 4QFY24, which was above our est. of INR122b. ASP stood at INR67,099/t (flat YoY/ +4% QoQ) vs. our est. of INR62,821/t.
- EBITDA stood at INR24b (+12% YoY/-14% QoQ), below our est. of INR26b, due to higher cost. EBITDA/t came in at INR12,162/t (+12% YoY/-14% QoQ) vs. our est. of INR13,286/t. Coal costs rose USD10-20 per ton QoQ. APAT stood at INR9b (+52% YoY/-51% QoQ) vs. our est. of INR12.5b in 4QFY24.
- Production volume grew 2% YoY and 6% QoQ to 2.05mt (our est. 2.04mt). Sales volume was slightly above our est. at 2.01mt (-1% YoY/+11% QoQ). Exports share remained flat YoY at 11% of total revenue in Q4FY24.
- In FY24, revenue declined 5% YoY to INR500b, led by flat volume and weak realization. EBITDA/APAT increased by +3%/+62% YoY to INR102b/INR59b, because of RM cost moderation and an improved product mix in FY24. Sales volume was flat YoY at 7.7mt vs. our est. of 7.6mt in FY24.
- Net debt as of Mar'24 stood at INR112b vs. INR91b in 3QFY24, implying a net debt-to-EBITDA ratio of 1.1x as of Mar'24 vs. 0.92x in 3QFY24.

Expansion status and coal mine update

- During the quarter, JSP produced ~1mt from Gare Palma IV/6 coal mine and targets to reach a 3.5mt run rate in the near term.
- From Utkal C coal block, JSP produced ~0.9mt and plans to gradually ramp up the production. The Utkal B1 and B2 mines are under an advanced stage of clearance and expected to open in FY25E.
- JSP will increase its total finished steel capacity from 7.25mt to 13.75mt by FY26 at a total capex of INR310b.
- The management indicated that all the announced expansion are progressing as per schedule. JSP expects to incur the remaining ~INR150b capex (excluding maintenance capex) in the next three years.

Highlights from the management commentary

- Coal cost increased by ~USD10-20/t in 4QFY24 vs. USD281/t in 3QFY24 and USD249/t in 2QFY24.
- Coal cost is expected to moderate by USD30-40/t in 1QFY25 on consumption basis. The management expects to deliver better volumes in FY25 vs. FY24.
- JSP increased prices by INR1000/t in Apr'24.
- With a higher conversion of semis into VAP, JSP expects realization and profitability to improve ahead.
- The increase in inventory was largely due to higher raw material (coal) and finished goods inventory during the quarter.

Valuation and view

- While 4Q EBITDA was marginally lower than our estimate, the outlook remains bright. JSP increased prices in Apr'24 and coal costs are expected to be lower in 1QFY25. Capex would transition toward more value-added products, which would yield better profitability.
- We marginally increase our EBITDA estimates by 4%/3% for FY25/FY26. **We maintain our BUY rating on JSP with a revised TP of INR1090, based on 6.5x FY26E EV/EBITDA. The stock is currently trading at 5.7x FY26E EV/EBTIDA and 1.6x FY26E P/B.**

Consolidated quarterly performance **(INR b)**

Y/E March	FY23				FY24				FY23	FY24	FY24	Vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Sales (kt)	1,740	2,010	1,900	2,030	1,840	2,010	1,810	2,010	7,680	7,670	1,943	3.4
Change (YoY %)	8.1	-5.6	4.4	-2.4	5.7	0.0	-4.7	-1.0	0.5	-0.1		
ASP	74,974	67,271	65,539	67,448	68,415	60,946	64,648	67,099	68,634	65,224	62,821	6.8
Net Sales	**130**	**135**	**125**	**137**	**126**	**123**	**117**	**135**	**527**	**500**	**122**	10.5
Change (YoY %)	23.0	-0.7	-0.6	-4.5	-3.5	-9.4	-6.0	-1.5	3.2	-5.1		
Change (QoQ %)	-9.0	3.6	-7.9	10.0	-8.1	-2.7	-4.5	15.3				
Total Expenditure	96	116	101	115	100	100	89	110	428	398		
EBITDA	**34**	**19**	**24**	**22**	**26**	**23**	**28**	**24**	**99**	**102**	**26**	-5.3
Change (YoY %)	-24.2	-58.0	-28.2	-28.8	-23.6	18.3	19.6	11.8	-36.0	2.7		
Change (QoQ %)	12.0	-43.8	23.1	-8.0	20.2	-13.0	24.4	-14.0				
EBITDA/t	**19,763**	**9,609**	**12,513**	**10,775**	**14,283**	**11,372**	**15,705**	**12,162**	**12,936**	**13,306**	**13,286**	-8.5
Interest	4	4	3	4	3	3	3	3	14	13	4	
Depreciation	6	6	6	9	6	6	6	10	27	28	7	
Other Income	0	0	0	0	1	0	0	0	1	2	0	
PBT (before EO item)	**25**	**10**	**14**	**10**	**18**	**14**	**19**	**12**	**59**	**62**	**16**	
Extra-ordinary Income	1	-9.0	-4	-1.5	0	0	0	0.0	-13.7	0		
PBT (after EO item)	**26**	**1**	**11**	**8**	**18**	**14**	**19**	**12**	**45**	**62**	**16**	
Total Tax	6	-2	5	3	1	-0	-0	2	13	3		
% Tax	22.4	-303.9	51.2	42.2	4.2	-0.4	-0.1	19.8	28.8	4.8		
PAT (before MI and Sh. of Asso.)	**20**	**2**	**5**	**5**	**17**	**14**	**19**	**9**	**32**	**59**	**12**	
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.)	**20**	**2**	**5**	**5**	**17**	**14**	**19**	**9**	**32**	**59**		
Adjusted PAT	**15**	**7**	**9**	**6**	**17**	**14**	**19**	**9**	**37**	**59**	**12**	-25.0
Change (YoY %)	-42.5	-73.4	-44.8	-68	15.3	102.2	114.9	52	-57.9	62.3		
Change (QoQ %)	-24.9	-53.1	30.7	-31	173.8	-17.7	38.9	-51				

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14 May 2024

4QFY24 Results Update | Sector: Financials

Aditya Birla Capital

Bloomberg	ABCAP IN
Equity Shares (m)	2600
M.Cap.(INRb)/(USDb)	578.3 / 6.9
52-Week Range (INR)	244 / 155
1, 6, 12 Rel. Per (%)	12/11/16
12M Avg Val (INR M)	1143

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
PBT Break-up			
NBFC	29.9	39.1	49.6
Housing	3.8	4.3	5.2
AMC	10.1	11.6	13.6
Life Insurance	2.0	2.2	2.5
Other businesses	1.4	2.5	2.6
Consol PBT	**39.7**	**53.7**	**69.5**
Consol PAT Post MI	**26.3**	**34.3**	**44.8**
Growth (%)	-30.5	2.8	30.7
RoE (%)	**11.2**	**12.1**	**14.0**
Con PE	22.0	16.9	12.9
Cons. PBV	2.2	1.9	1.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	69.0	69.0	71.0
DII	7.5	8.4	7.9
FII	11.8	10.6	8.2
Others	11.7	12.0	12.9

FII Includes depository receipts

CMP: INR222 TP: INR260 (+17%) Buy

Continues to deliver healthy performance across businesses

- Aditya Birla Capital (ABCAP)'s 4QFY24 consolidated revenue grew 32% YoY to ~INR121b and consolidated PAT increased 33% YoY to ~INR8.1b.
- The company added ~179 branches in FY24 for a total branch count of 1,474. The company's branch expansion is targeted at driving penetration into Tier III/ IV towns and new customer segments.

NBFC: AUM growth healthy; asset quality continues to improve

- NBFC loan book grew 31% YoY/7% QoQ to ~INR1.05t. Loans to Retail, SME and HNI customers constitute 67% of the total loan portfolio. 4QFY24 disbursements stood at ~INR181b and grew 16% YoY.
- The MSME segment constituted 53% of the total portfolio, and management plans to continue growing the same.
- Asset quality continued to improve with GS2 + GS3 assets declining ~35bp to ~4.5%.
- ABFL continued to expand its geographical reach by adding 89 branches in FY24, taking the total to 412.
- ABCAP acquired a portfolio, which consists of small ticket loans against property. The average tenure of these loans is 12 years, yielding returns ranging from 11-12%.

Housing Finance: AUM growth healthy even as NIM moderates QoQ

- The company reported a broad-based growth in 4QFY24 across customer segments, with 64% YoY growth in disbursements to ~INR29.3b. The loan book grew 33% YoY to INR184.2b.
- NIM contracted ~25bp QoQ /65bp YoY to ~4.4%. 4QFY24 RoA/ RoE stood at 1.9%/ 13.9%.
- Asset quality improved with GS2 + GS3 assets declining ~65bp QoQ to ~2.9%.

Asset management: increase in domestic equity share

- Quarterly Average AUM (QAAUM) rose 21% YoY to ~INR3.31t in 4QFY24 on the back of an uptick in equity performance. Individual monthly average AUM grew 23% YoY to INR1.73t in Mar'24.
- The domestic equity mix increased to ~46% (PQ: ~44%). SIP inflows grew 25% YoY to ~INR12.5b in Mar'24.

Life Insurance: VNB margin contracts YoY; healthy 13th/61st month persistency

- Individual FYP grew 2% YoY to ~INR30.7b in FY24, while renewal premium grew 24% YoY to INR91.6b in FY24.
- The decrease in G Sec rates, along with a higher proportion of ULIP, led to a decline in net VNB margins to 20.2% in FY24 from 23% in FY23. 13th month persistency improved to ~88% in Mar'24 (PY: ~87%)
- Aditya Birla Life Insurance (ABLI) commenced business with newer partner banks like IDFC First and Bank of Maharashtra. During the previous quarter, it signed a Corporate Agency agreement with Axis Bank, which will commence sourcing business in May.

Health Insurance: market share among SAHIs improves; net loss widens

- GWP in the Health insurance segment grew 36% YoY to ~INR37b, with Retail contributing 52% of total GWP. Health Insurance business continues to scale up with focus on expenses. The combined ratio remained stable at 110%. Management expects the combined ratio to decline to 100%.
- Market share among standalone health insurers (SAHIs) rose from 10.4% to 11.2%. Net loss in FY24 declined to INR1.8b (FY24: Net loss of ~INR2.2b).

Highlights from the management commentary

- ABCAP continues to improve its operating performance and guided that it will double the FY23 AUM by Mar'26.
- ROA in the NBFC to be increased to ~3% over next 3 years from current levels of 2.5%. ROE will be a result of the overall capital structure.
- **Strengthening digital structure:** The ABCD app went live. It offers a portfolio of more than 20 products and services such as payments, loans, insurance, and investments.

Franchise continues to deliver healthy performance; Reiterate BUY

- ABCL has exhibited a significant improvement in operational metrics across all business segments in FY24. FY25 will see an uptick in growth, lower credit costs, and better return ratios.
- The asset management business is likely to churn out better profitability, driven by an improvement in revenue as well as cost rationalization. VNB margin and persistency margin in the Life Insurance business continue to improve. The drag on consolidated PAT from other segments, such as Health Insurance, will decline, improving overall profitability.
- We expect a consolidated PAT CAGR of ~16% over FY24-26E. The thrust on cross-selling, investments in digital, and leveraging 'One ABC' will lead to healthy return ratios, even as we build in a consolidated RoE of ~14% in FY26. **We reiterate our BUY rating on the stock with our revised SoTP (Mar'26E)-based TP of INR260.**

ABCL: SOTP - Mar'26

	Stake	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
NBFC	100	382	4.6	147	57	1.8x PBV
HFC	100	46	0.6	18	7	1.6x PBV
AMC	50	82	1.0	32	12	16x Earnings
LI	51	111	1.3	43	16	1.4x EV
Health Ins	46	49	0.6	19	7	2x GWP
Others		5	0.1	2	1	
Target Value		**675**	**8.1**	**260**	**100**	

Quarterly Performance (INR M)

Y/E March	FY23				FY24				FY23	FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
ABFSL - NBFC arm										
Net Income	**8,895**	**9,979**	**11,947**	**13,419**	**14,337**	**15,200**	**16,488**	**16,926**	**44,240**	**62,951**
Opex	**2,790**	**3,140**	**3,570**	**4,668**	**4,370**	**4,370**	**5,320**	**5,500**	**14,168**	**19,560**
Cost to Income Ratio (%)	31.4	31.5	29.9	34.8	30.5	28.7	32.3	32.5	32.0	31.1
Operating Profits	**6,105**	**6,839**	**8,377**	**8,751**	**9,967**	**10,830**	**11,168**	**11,426**	**30,072**	**43,391**
Provisions	**1,520**	**1,960**	**2,980**	**2,710**	**3,060**	**3,470**	**3,500**	**3,490**	**9,170**	**13,520**
Profit Before Tax	**4,585**	**4,879**	**5,397**	**6,041**	**6,907**	**7,360**	**7,668**	**7,936**	**20,902**	**29,871**
Change YoY (%)	45.7	26.0	40.4	50.7	50.6	50.9	42.1	31.4	40.6	42.9
Consolidated Earnings										
Cons PBT Before JV Interest	**7,034**	**8,451**	**8,510**	**9,425**	**10,258**	**11,141**	**11,366**	**18,234**	**33,420**	**51,000**
Growth YoY %	35.4	26.6	19.5	30.2	45.8	31.8	33.6	93.5	27.4	52.6
Lending	5,301	5,636	6,182	6,868	7,752	8,330	8,669	8,885	23,987	33,635
NBFC	4,585	4,879	5,397	6,041	6,907	7,360	7,668	7,936	20,902	29,871
HFC	716	757	784	828	845	969	1,002	949	3,085	3,765
AMC	1,408	2,494	2,227	1,810	2,403	2,368	2,635	2,676	7,939	10,082
Life Insurance	335	557	446	628	200	424	521	831	1,965	1,976
Health Insurance	-700	-762	-649	-69	-625	-795	-1,313	863	-2,180	-1,870
Others*	690	527	305	188	528	815	854	4,980	1,710	7,177
Taxes	**1,900**	**2,110**	**2,140**	**1,960**	**2,460**	**2,840**	**2,890**	**2,710**	**5,340**	**10,900**
Tax rate %	27.0	25.0	25.1	20.8	24.0	25.5	25.4	14.9	16.0	21.4
Profit After Tax	**4,240**	**4,790**	**5,460**	**6,360**	**6,660**	**7,250**	**7,600**	**8,550**	**17,916**	**30,060**
MI and Others	-60	-90	160	270	170	200	250	430	-500	1,050
PAT	**4,300**	**4,880**	**5,300**	**6,090**	**6,490**	**7,050**	**7,350**	**8,120**	**18,416**	**29,010**
Growth YoY %	1.3	-5.3	-1.5	7.6	50.9	44.5	38.7	33.3	9.4	57.5
Details on lending business										
Loans (INR B)	**699**	**774**	**860**	**944**	**1004**	**1090**	**1151**	**1241**		
Change YoY (%)	22.2	31.1	40.0	40.2	43.7	40.7	33.9	31.5		
NBFC	578	650	730	806	859	935	986	1056		
Change YoY (%)	26.1	36.1	46.6	46.0	48.5	43.9	35.1	31.1		
HFC	120	125	130	138	145	154	165	184		
Change YoY (%)	6.6	10.0	12.0	13.9	20.4	24.0	27.3	33.4		
Net Interest Margins										
NBFC	6.47	6.58	7.00	6.88	6.98	6.87	6.88	6.86		
HFC	4.77	5.13	5.35	5.03	5.11	4.88	4.63	4.39		
GNPA %										
NBFC	3.20	3.08	3.62	3.12	2.80	2.64	2.59	2.50		
HFC	2.16	3.60	3.50	3.23	2.67	2.63	2.18	1.82		
Details on Other business										
AMC Business										
QAAUM (INR B)	**2,926**	**2,938**	**2,930**	**2,862**	**3,084**	**3,235**	**3,247**	**3,458**		
Change YoY (%)	2.1	-5.8	-5.7	-6.9	5.4	10.1	10.8	20.8		
Life Ins - 13th Mt persistency	**85.0**	**86.0**	**86.0**	**87.0**	**88.0**	**87.0**	**87.0**	**88.0**		

Thermax

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	TMX IN
Equity Shares (m)	119
M.Cap.(INRb)/(USDb)	549.2 / 6.6
52-Week Range (INR)	4980 / 2192
1, 6, 12 Rel. Per (%)	3/45/74
12M Avg Val (INR M)	351

Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Sales	93.2	105.5	124.6
EBITDA	8.0	10.4	13.1
PAT	5.7	7.4	9.1
EPS (INR)	52.2	65.4	80.9
GR. (%)	30.3	25.3	23.8
BV/Sh (INR)	394.3	445.7	511.6
Ratios			
ROE (%)	13.7	15.6	16.9
RoCE (%)	12.2	13.5	14.5
Valuations			
P/E (X)	91.4	70.5	56.9
P/BV (X)	11.7	10.3	9.0
EV/EBITDA (X)	63.2	48.2	38.3
Div Yield (%)	0.2	0.3	0.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	62.0	62.0	62.0
DII	15.8	15.9	15.6
FII	17.7	17.5	17.8
Others	4.5	4.7	4.6

FII Includes depository receipts

CMP: INR4,609 TP: INR4,180 (-9%) Neutral

Order inflow growth remains weak

Thermax 4QFY24 results beat our estimates, with in-line revenue and higher-than-expected PAT on strong margins. 4Q revenue/EBITDA/PAT grew by 20%/37%/20% YoY. Order inflows stood at INR23b/INR101b in 4Q/FY24 (up 2%/4% YoY), both lower than our estimates. Inflows lacked large-sized orders during the year. Though the working capital cycle is still comfortable, free cash flow was affected by large capex, primarily for TOESL/FEPL. Borrowings jumped 55% YoY to INR12.5b. The company expects the finalization of large-sized order inflows over the next few quarters. We raise our estimates by 4%/10% for FY25/26 to factor in better margins. We revise our TP to INR4,180, based on a higher multiple for core business to bake in expected revival in private capex as well as thermal ordering. We maintain our Neutral stance on Thermax as we believe that incremental investments in TOESL/FEPL will weigh on balance sheet strength and near- to medium-term return ratios.

In-line revenue; EBITDA margin surprises positively

Thermax's revenue grew 20% YoY to INR27.6b, fueled by 23%/17%/72% YoY growth in the Industrial Products/Industrial Infra/Green Solutions segments, while the Chemicals segment declined 8% YoY. Revenue growth was largely in line with our estimates. There was a 170bp YoY/150bp QoQ contraction in gross margin at 43.1%. EBITDA grew 37% YoY to INR2.7b, with a margin of 9.9%, the highest since 3QFY21 (+120bp YoY/+180bp QoQ) and above our estimate of 7.9%. Industrial Products and Green Solutions saw margin expansion, while Industrial Infra and Chemicals margins were largely flat. Interest expenses inched up owing to higher debt for its subsidiaries (FEPL and TOESL). PAT grew by 20% YoY/34% QoQ, aided by a lower effective tax rate (25.2% vs. 27.2%). The board has approved support of INR130m to Thermax Bioenergy Solutions (TBSPL), a subsidiary of the company, either through a loan or equity infusion. For FY24, revenue/EBITDA/adj. PAT grew by 15%/33%/30%, while cash outflow stood at INR6b due to lower OCF and higher capex. Order inflows grew 2% YoY to INR23b, taking the order book to INR101b (+4% YoY).

Segment-wise margin outlook is looking better

For Industrial Products and Chemicals, the focus would be on improving margins further. For Industrial Infra, the company expects to recognize revenues of INR6b from the FGD order, while the Sulphur order would also be executed. This would be margin-dilutive for the company, so margin might be weaker than that of other segments. Green Solutions segment saw nil order wins in 4Q; however, ordering will fructify over the long term as the company scales up its investments.

Ordering pipeline to materialize in coming quarters

Thermax missed out on large order inflows during FY24 due to delays in ordering from sugar, steel and other sectors amid delays in decision-making during elections. Themax witnessed higher enquiry levels from bio-fuel, ethanol and thermal power in 3Q/4QFY24 for large-sized orders, which could materialize in the coming quarters. It would continue to eye opportunities related to bio-CNG, water recyclability, green solutions, industrial cooling, fuel cell, and sustainable aviation fuel, along with larger thermal power projects. The company has maintained its selective stance toward thermal power ordering and would weigh opportunities depending upon the size of the project, margins and payment terms.

Traction seen for some of its newly introduced products

The company had introduced several new products over the last few years to capture energy transition needs of customers, which include offerings from TOESL, FEPL, coal gasification and electric pumps, bio-CNG offerings, thermal HVAC system for MHCV, thermotron, and flexi source boilers among the key ones. The company's pipeline remains good for thermotron, flexi source boilers, electric heaters, etc. and expects hydrogen, heat pumps, thermal HVAC system to gain traction.

Continuous investments in debt and equity needed for TOESL and FEPL

The company is targeting an equity investment of INR15b in both TOESL and FEPL combined as it plans to scale up the capacity of these subsidiaries. This investment will also result in incremental debt on consolidated books and will weigh on the company's financials for another few quarters until revenues scale up.

We expect 25% PAT CAGR over FY24-26E

We expect a CAGR of 16%/28%/25% in revenue/EBITDA/PAT over FY24-26. Growth will be driven by: 1) 24% growth in order inflows, 2) a gradual recovery in EBIT margins of the Industrial Product and Chemical divisions to 10.2% and 19.0%, respectively, by FY26E, and 3) control over working capital and NWC (at 17 days).

Valuation and view

The stock is currently trading at 70.5x/56.9x FY25E/FY26E EPS. We revise our estimates to bake in better margin. We roll forward our valuation to Mar'26E and arrive at a revised TP of INR4,180, based on 50x Mar'26E EPS and add value of investments in Green Solutions at 1.5x P/BV. We reiterate our Neutral rating on the stock.

Consolidated Quarterly Earning Model (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	Var (%)
Net Sales	**16,545**	**20,753**	**20,493**	**23,108**	**19,330**	**23,025**	**23,244**	**27,637**	**80,898**	**93,235**	**27,879**	**-1**
YoY Change (%)	57.2	41.2	26.9	16.0	16.8	10.9	13.4	19.6	32.0	15.2	20.6	
Total Expenditure	15,585	19,347	18,882	21,109	18,008	20,978	21,369	24,905	74,923	85,261	25,686	
EBITDA	**960**	**1,406**	**1,611**	**1,999**	**1,322**	**2,046**	**1,874**	**2,732**	**5,976**	**7,974**	**2,193**	**25**
Margins (%)	5.8	6.8	7.9	8.7	6.8	8.9	8.1	9.9	7.4	8.6	7.9	
Depreciation	286	298	291	294	294	330	358	499	1,169	1,481	325	53
Interest	66	80	91	139	134	198	266	278	376	876	267	4
Other Income	205	398	423	575	531	659	584	553	1,602	2,326	580	-5
PBT before EO expense	**815**	**1,426**	**1,652**	**2,140**	**1,425**	**2,177**	**1,834**	**2,507**	**6,033**	**7,943**	**2,181**	**15**
Extra-Ord expense	0	0	0	0	506	0	-1,261			-755		
PBT	**815**	**1,426**	**1,652**	**2,140**	**919**	**2,177**	**3,095**	**2,507**	**6,033**	**8,698**	**2,181**	**15**
Tax	224	332	386	581	315	589	721	633	1,524	2,258	508	
Rate (%)	27.5	23.3	23.3	27.2	34.3	27.0	23.3	25.2	25.3	26.0	23.3	
MI & Profit/Loss of Asso. Cos.	1	2	3	-3	4	3	3	-2			-10	
Reported PAT	**590**	**1,091**	**1,264**	**1,562**	**600**	**1,586**	**2,371**	**1,876**	**4,509**	**6,440**	**1,683**	**11**
Adj PAT	**590**	**1,091**	**1,264**	**1,562**	**932**	**1,586**	**1,403**	**1,876**	**4,509**	**5,881**	**1,683**	**11**
YoY Change (%)	39.0	24.1	59.1	52.5	58.1	45.3	11.0	20.1	44.4	42.7	7.8	
Margins (%)	3.6	5.3	6.2	6.8	4.8	6.9	6.0	6.8	5.6	6.3	6.0	

	FY23				FY24				FY23	FY24
INR m	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**		
Segmental revenue										
Industrial Products	6,628	8,383	8,559	9,806	8,359	9,894	10,226	12,074	33,375	40,552
Industrial Infra	8,083	9,590	10,006	11,602	9,162	10,851	10,974	13,565	39,280	44,552
Green Solutions	584	1,347	846	850	1,132	1,246	1,235	1,458	3,627	5,071
Chemical	1,501	1,904	1,645	1,679	1,608	1,879	1,606	1,541	6,728	6,634
Less: Intersegmental	(251)	(471)	(563)	(828)	(931)	(845)	(797)	(1,001)	(2,113)	(3,574)
Total revenues	**16,545**	**20,753**	**20,493**	**23,108**	**19,330**	**23,025**	**23,244**	**27,637**	**80,898**	**93,235**
Segmental EBIT										
Industrial Products	241	657	801	1,040	560	988	1,015	1,407	2,739	3,970
Margin (%)	3.6	7.8	9.4	10.6	6.7	10.0	9.9	11.7	8.2	9.8
Industrial Infra	503	410	537	719	303	573	389	825	2,168	2,089
Margin (%)	6.2	4.3	5.4	6.2	3.3	5.3	3.5	6.1	5.5	4.7
Green Solutions	52	28	53	17	100	80	133	137	150	449
Margin (%)	8.9	2.0	6.2	2.0	8.8	6.4	10.8	9.4	4.1	8.9
Chemical	56	254	232	323	265	345	331	296	865	1,238
Margin (%)	3.7	13.4	14.1	19.2	16.5	18.4	20.6	19.2	12.8	18.7

APL Apollo Tubes

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	APAT IN
Equity Shares (m)	278
M.Cap.(INRb)/(USDb)	434.3 / 5.2
52-Week Range (INR)	1806 / 1047
1, 6, 12 Rel. Per (%)	3/-20/12
12M Avg Val (INR M)	1384

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	181.2	229.5	289.5
EBITDA	11.9	16.2	22.2
PAT	7.3	10.5	15.4
EBITDA (%)	6.6	7.1	7.7
EPS (INR)	26.4	37.9	55.7
EPS Gr. (%)	14.1	43.7	46.7
BV/Sh. (INR)	130.0	161.9	211.6
Ratios			
Net D/E	0.2	-0.1	-0.3
RoE (%)	22.2	26.0	29.8
RoCE (%)	19.0	22.8	28.1
Payout (%)	18.9	15.8	10.8
Valuations			
P/E (x)	59.3	41.2	28.1
EV/EBITDA (x)	37.1	26.4	18.7
Div Yield (%)	0.3	0.4	0.4
FCF Yield (%)	1.0	3.4	3.1

Shareholding pattern (%)

As on	Mar-24	Dec-23	Mar-23
Promoter	29.4	29.6	31.2
DII	14.1	13.8	11.1
FII	30.7	29.3	25.7
Others	25.8	27.4	32.1

Note: FII includes depository receipts

CMP: INR1,565 TP: INR1,800 (+15%) Buy

Muted volume and margin contraction hurt earnings

Earnings below our estimate

- APL Apollo Tubes (APAT) reported muted sales volume of 679KMT (up 4% YoY and 12% QoQ) in 4QFY24, led by channel de-stocking due to steel price corrections. Further, EBITDA/MT declined ~17% YoY to ~INR4,132, due to higher rebates and discounts offered by APAT to counter the inventory destocking.
- **We cut our FY25E earnings by 8% due to lower EBITDA/MT (reduced by 4%), while largely maintaining our earnings for FY26E. We value the stock at 32x FY26E EPS to arrive at a TP of INR1,800. Reiterate BUY.**

Higher discounting hurts operating margins

- Consolidated revenue grew 8%/14% YoY/QoQ to INR47.7b (est. INR42.1) in 4QFY24, led by volume growth (up 4% YoY and 12% QoQ to 679KMT) and improved realization (up 3% YoY and 1% QoQ to INR70,230/MT).
- VAP mix stood at 60% in 4QFY24 vs. 54% in 4QFY23 and 59% in 3QFY24, underpinned by a gradual ramp-up of the Raipur and Dubai plants.
- Gross profit/MT declined 7% YoY and 5% QoQ to INR9,330, led by higher rebates and discounts offered by APAT to counter the inventory destocking (due to falling steel prices).
- EBITDA/MT dipped 17% YoY and 11% QoQ to INR4,132 in 4QFY24. EBITDA declined 13% YoY (flat QoQ) to INR2.8b (est. INR3.1b).
- Adj. PAT declined 16% YoY, while it rose 3% QoQ to INR1.7b (est. INR1.95b).
- Net debt as of Mar'24 increased to INR7.8b from INR5.2b as of Mar'23.
- **For FY24,** APAT's revenue/EBITDA/Adj. PAT grew 12%/17%/14% YoY to INR181b/INR11.9b/INR7.3b.

Highlights from the management commentary

- **Demand scenario**: The company witnessed decent demand in Apr-May'24 despite the election environment. It expects a healthy momentum in FY25 as well, especially post-election, as all the projects will ramp-up.
- **Guidance**: Going forward, the company expects ~20-25% volume CAGR for the next three years. The Raipur/Dubai plants are likely to witness ~70-75%/50% capacity utilization in FY25.
- **Exports:** APAT witnessed an export volume of ~110KMT in FY24. With the Dubai plant likely to generate ~150KTPA of sales volume in FY25, APAT expects an export of ~200-250KTPA during the year.

Valuation and view

- The incremental capacity from the upcoming plants and debottlenecking, along with the addition of high-margin products from the Raipur and Dubai units, should result in strong volume growth and margin expansion going forward.
- We expect a revenue/EBITDA/PAT CAGR of 26%/37%/45% over FY24-26. **We value the stock at 32x FY26E EPS to arrive at a TP of INR1,800. Reiterate BUY.**

Consolidated - Quarterly earnings model (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	%
Gross Sales	**34,386**	**39,692**	**43,271**	**44,311**	**45,449**	**46,304**	**41,778**	**47,657**	**1,61,660**	**1,81,188**	**42,112**	**13**
YoY Change (%)	35.7	28.7	34.0	5.1	32.2	16.7	-3.5	7.6	23.8	12.1	-2.7	
Total Expenditure	32,446	37,373	40,543	41,082	42,377	43,054	38,982	44,854	1,51,444	1,69,266	38,967	
EBITDA	**1,939**	**2,319**	**2,729**	**3,229**	**3,072**	**3,250**	**2,795**	**2,804**	**10,216**	**11,922**	**3,145**	**-11**
Margins (%)	5.6	5.8	6.3	7.3	6.8	7.0	6.7	5.9	6.3	6.6	7.5	
Depreciation	294	276	345	468	409	413	471	466	1,383	1,759	500	
Interest	100	136	186	249	271	266	285	311	671	1,134	240	
Other Income	83	116	93	180	217	196	150	186	472	749	210	
PBT before EO expense	**1,629**	**2,023**	**2,290**	**2,692**	**2,608**	**2,767**	**2,190**	**2,212**	**8,633**	**9,777**	**2,615**	
PBT	**1,629**	**2,023**	**2,290**	**2,692**	**2,608**	**2,767**	**2,190**	**2,212**	**8,633**	**9,777**	**2,615**	
Tax	422	521	598	673	672	738	535	508	2,215	2,453	658	
Rate (%)	25.9	25.7	26.1	25.0	25.8	26.7	24.4	23.0	25.7	25.1	25.2	
Reported PAT	**1,207**	**1,502**	**1,692**	**2,018**	**1,936**	**2,029**	**1,655**	**1,704**	**6,419**	**7,324**	**1,957**	
Adj PAT	**1,207**	**1,502**	**1,692**	**2,018**	**1,936**	**2,029**	**1,655**	**1,704**	**6,419**	**7,324**	**1,957**	**-13**
YoY Change (%)	-28.4	2.8	32.3	14.3	60.5	35.1	-2.2	-15.5	3.7	14.1	15.7	
Margins (%)	3.5	3.8	3.9	4.6	4.3	4.4	4.0	3.6	4.0	4.0	4.6	

Key performance indicators

Y/E March	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY	QoQ
Segment Volumes ('000 MT)							
Apollo Structural							
Big Section	39	45	51	62	64	63%	3%
Super Heavy Section	2	4	5	7	8	234%	3%
Light Structures	108	112	113	95	102	-5%	7%
General Structures	299	282	301	249	272	-9%	9%
Apollo Z - Rust-proof structures	163	170	144	124	156	-5%	26%
Apollo Z- Coated Products	10	19	29	36	40	315%	11%
Apollo Galv - Agri/Industrial	27	30	32	30	37	34%	23%
TOTAL	650	662	675	604	679	4%	12%
Value Added Products	350	381	374	355	407	16%	15%
Segment EBITDA/MT (INR/MT)							
Apollo Structural							
Big Section	8,437	7,618	8,481	8,177	7,845	-7%	-4%
Super Heavy Section	9,604	8,777	10,014	9,551	9,210	-4%	-4%
Light Structures	6,256	5,775	6,258	5,771	5,187	-17%	-10%
General Structures	2,579	2,252	2,152	1,771	1,802	-30%	2%
Apollo Z - Rust-proof structures	7,327	6,749	6,721	6,144	4,865	-34%	-21%
Apollo Z- Coated Products	4,424	4,044	7,472	7,516	6,023	36%	-20%
Apollo Galv - Agri/Industrial	6,780	6,196	7,196	6,452	5,725	-16%	-11%
Cost Break-up							
RM Cost (% of sales)	85%	86%	86%	86%	87%	136bp	89bp
Employee Cost (% of sales)	1%	1%	1%	2%	1%	13bp	-7bp
Other Cost (% of sales)	6%	6%	6%	6%	6%	-8bp	-1bp
Gross Margins (%)	15%	14%	14%	14%	13%	-136bp	-89bp
EBITDA Margins (%)	7.3%	6.8%	7.0%	6.7%	5.9%	-140bp	-81bp

UPL

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	UPLL IN
Equity Shares (m)	765
M.Cap.(INRb)/(USDb)	400.6 / 4.8
52-Week Range (INR)	780 / 527
1, 6, 12 Rel. Per (%)	-11/-26/-47
12M Avg Val (INR M)	1565

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	431.0	466.1	511.6
EBITDA	55.2	81.6	96.2
PAT	2.8	21.3	35.7
EBITDA (%)	12.8	17.5	18.8
EPS (INR)	3.7	27.8	46.7
EPS Gr. (%)	(93.7)	660.8	67.5
BV/Sh. (INR)	491	512	562
Ratios			
Net D/E	1.0	0.9	0.7
RoE (%)	1.1	8.4	13.2
RoCE (%)	5.3	8.1	10.1
Payout (%)	(70.1)	50.3	30.0
Valuations			
P/E (x)	146.0	19.2	11.5
EV/EBITDA (x)	11.9	7.8	6.3
Div Yield (%)	2.1	2.7	2.7
FCF Yield (%)	(2.7)	15.2	18.0

Shareholding pattern (%)

As on	Dec-23	Sep-23	Dec-22
Promoter	32.4	32.4	30.7
DII	16.8	17.3	16.2
FII	37.7	37.6	42.7
Others	13.1	10.4	10.4

Note: FII includes depository receipts

CMP: INR534 TP: INR560 (+5%) Neutral

Higher rebates and high-cost inventory liquidation hit margin

Operating performance beats expectations

- UPLL reported a weak quarter as revenue declined 15% YoY, primarily due to lower agrochemical prices (down 15% YoY) and volume decline of 2% YoY. EBITDA margins contracted 450bp YoY largely due to higher rebates (~5% price impact) and liquidation of high-cost inventory, partly offset by an improved product mix and a lower cost of goods sold.
- Gross debt (excluding perpetual bonds) increased to INR284.4b as of Mar'24 from INR230b as of Mar'23. Net debt (excluding perpetual bonds) increased to INR222b as of Mar'24 from INR169b as of Mar'24.
- Factoring in a better-than-expected performance in 4Q and an improving operating scenario in FY25, we raise our FY25E EPS by 21% while maintaining our FY26E EPS. **Reiterate Neutral with a TP of INR560.**

Revenue declined YoY across regions except EU and ROW

- UPLL reported revenue of INR140.8b (est. INR114.7b) in 4QFY24, down 15% YoY (volume down 2%, price down 15%, exchange gain: 2%).
- EBITDA stood at INR19.3b (est. INR13.2b), down 36% YoY. EBITDA margin declined 450bp YoY to 13.7% (est. 11.5%), led by a decline in gross margins (down 470bp YoY). Contribution margin was impacted by high-cost inventory liquidation and higher rebates to support channel partners. Adjusted PAT stood at INR3.6b (est. loss of INR4b), down 65% YoY.
- **India** revenue declined 24% YoY to INR12b, led by the company's strategy to place products closer to the season (low product placement in 4Q) to optimize working capital and prioritize cash collections.
- **North America** revenue declined 49% YoY to INR15.3b, led by channel destocking, higher rebates, and challenges related to post-patent AI prices. **LATAM** revenue declined 23% YoY to INR49.7b, due to price decline, adverse weather, excess returns in Brazil. **Europe** revenue grew by 10% YoY to INR30.8b, due to improvement in volumes, while **RoW** revenue grew 21% YoY to INR33b, owing to higher volumes in Australia and Japan.
- For FY24, revenue/EBITDA declined 20%/51% YoY to INR431b/INR55b. Adjusted PAT stood at ~INR2.8b vs. ~INR44.7b in FY23. NWC days in FY24 increased to 86 vs. 64 days in FY23 due to reduced factoring (down ~USD400m YoY) on account of lower sales in NAM, EU, and Brazil.

Highlights from the management commentary

- **Guidance:** UPLL expects normalization of crop protection business in 2HFY25 and strong performance of seeds business in FY25. The management has guided for ~4-8% revenue growth in FY25, with absolute EBITDA growth of over 50% and CFO generation of USD300-400m.
- **Deleveraging**: UPLL targets to utilize entire FY25 CFO for debt reduction. It plans to further reduce debt through rights issue of maximum USD500m (by 2QFY25 end or early 3Q) and capital raise at platforms in FY25. It expects net debt-to-EBITDA ratio of less than 2x.

- **Outlook:** ~80% of the company's high-cost inventory was liquidated in FY24 and the balance will be liquidated in 1HFY25. The management indicated a weak 1HFY25 YoY due to a high base. Chinese agrochemical prices have stabilized and are expected to remain at the current level for a couple of quarters. However, the stabilized prices are still at lower levels.

Valuation and view

- We expect 1HFY25 to remain challenging for the global agrochemical industry due to: a) pending high-cost inventory across companies, which will be liquidated in 1HFY25 resulting in lower margins, and b) stabilization of agrochemical prices, albeit at lower levels. However, 2HFY25 is expected to witness recovery in overall demand and a pricing scenario globally.
- Considering short-term challenges, cash flow generation and debt repayments remain key monitorables.
- Factoring in a better-than-expected performance in 4Q and an improving operating scenario in FY25, we raise our FY25E EPS by 21% while maintaining our FY26E EPS. **Reiterate Neutral with a TP of INR560 (premised on 12x FY26E EPS; ~25% discount to its five-year average, and a one-year forward P/E of 16x)**.

Cons.: Quarterly Earning Model (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	%
Net Sales	**108.2**	**125.1**	**136.8**	**165.7**	**89.6**	**101.7**	**98.9**	**140.8**	**535.8**	**431.0**	**114.7**	**23%**
YoY Change (%)	27.1	18.4	21.1	4.5	-17.2	-18.7	-27.7	-15.0	15.9	-19.6	-30.7	
Total Expenditure	84.8	97.4	106.5	135.5	73.7	86.0	94.7	121.5	424.2	375.8	101.5	
EBITDA	**23.4**	**27.7**	**30.3**	**30.2**	**15.9**	**15.8**	**4.2**	**19.3**	**111.6**	**55.2**	**13.2**	**46%**
Margins (%)	21.7	22.1	22.2	18.2	17.8	15.5	4.2	13.7	20.8	12.8	11.5	
Depreciation	5.9	6.1	6.2	7.3	6.4	6.6	6.8	7.9	25.5	27.6	6.9	
Interest	5.2	6.4	8.9	9.1	7.0	8.7	11.9	10.9	29.6	38.5	11.5	
Other Income	0.7	0.8	1.2	2.1	1.0	1.1	1.5	1.3	4.8	4.8	1.5	
Exch. difference on trade rec./payable	2.0	3.2	1.5	2.9	3.2	2.5	3.2	0.8	9.6	9.8	0.0	
PBT before EO expense	**11.1**	**12.7**	**14.8**	**13.0**	**0.4**	**-1.0**	**-16.2**	**0.9**	**51.6**	**-15.9**	**-3.7**	
Extra-Ord expense	0.8	0.4	0.2	0.3	0.4	0.9	0.2	1.1	1.7	2.5	0.0	
PBT	**10.3**	**12.3**	**14.6**	**12.7**	**0.0**	**-1.9**	**-16.4**	**-0.1**	**49.9**	**-18.5**	**-3.7**	**NA**
Tax	0.6	2.3	1.4	3.1	-1.6	-1.0	-0.6	1.1	7.4	-2.1	-0.7	
Rate (%)	5.7	18.8	9.2	24.5	3,280.0	51.9	3.6	-733.3	14.7	11.3	18.0	
MI & P/L of Asso. Cos.	1.0	1.8	2.4	1.7	-0.1	1.0	-3.6	-1.7	6.9	-4.4	1.0	
Reported PAT	**8.8**	**8.1**	**10.9**	**7.9**	**1.7**	**-1.9**	**-12.2**	**0.4**	**35.7**	**-12.0**	**-4.0**	**NA**
Adj PAT	**10.4**	**10.5**	**13.4**	**10.5**	**4.0**	**1.1**	**-5.9**	**3.6**	**44.7**	**2.8**	**-4.0**	**NA**
YoY Change (%)	2.9	40.3	11.1	-44.6	-61.7	-89.8	-144.2	-65.1	-7.8	-93.7	-138.5	
Margins (%)	9.7	8.4	9.8	6.3	4.5	1.0	-6.0	2.6	8.4	0.6	-3.5	

Note: Adjusted PAT = Reported PAT + forex adjustment + exceptional item

Key Performance Indicators

Y/E March	FY23				FY24				FY23	FY24
Consolidated	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**		
Sales Growth Split										
Volume (%)	**6.0**	**-7.0**	**1.0**	**1.0**	**-9.0**	**-7.0**	**-5.0**	**-2.0**	**0.2**	**-6.0**
Price (%)	**18.0**	**21.0**	**13.0**	**-3.0**	**-10.0**	**-15.0**	**-24.0**	**-15.0**	**10.0**	**-17.0**
Exchange Impact (%)	**3.0**	**4.0**	**7.0**	**6.0**	**2.0**	**3.0**	**1.0**	**2.0**	**5.0**	**2.0**
Cost Break-up										
RM Cost (% of sales)	43.1	46.2	48.4	59.3	43.8	51.4	64.0	64.0	**50.2**	**56.8**
Staff Cost (% of sales)	11.5	9.9	9.7	7.6	13.8	12.3	11.7	7.4	**9.4**	**10.9**
Other Cost (% of sales)	23.8	21.8	19.8	14.9	24.6	20.8	20.2	14.9	**19.5**	**19.5**
Gross Margins (%)	56.9	53.8	51.6	40.7	56.2	48.6	36.0	36.0	**49.8**	**43.2**
EBITDA Margins (%)	21.7	22.1	22.2	18.2	17.8	15.5	4.2	13.7	**20.8**	**12.8**
EBIT Margins (%)	16.2	17.3	17.6	13.8	10.7	9.0	-2.6	8.1	**16.1**	**6.4**

Piramal Pharma

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	PIRPHARM IN
Equity Shares (m)	1323
M.Cap.(INRb)/(USDb)	204 / 2.4
52-Week Range (INR)	167 / 70
1, 6, 12 Rel. Per (%)	13/15/90
12M Avg Val (INR M)	835
Free float (%)	65.0

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	81.7	93.1	105.2
EBITDA	12.0	15.0	19.5
Adj. PAT	0.6	3.3	6.8
EBIT Margin (%)	5.6	8.0	11.0
Cons. Adj. EPS (INR)	0.4	2.5	5.1
EPS Gr. (%)	NA	497.6	102.9
BV/Sh. (INR)	66.3	69.1	74.8
Ratios			
Net D:E	0.5	0.5	0.4
RoE (%)	0.8	4.1	7.9
RoCE (%)	0.5	4.0	6.4
Payout (%)	57.0	17.6	17.6
Valuations			
P/E (x)	366.1	61.3	30.2
EV/EBITDA (x)	20.7	16.6	12.5
Div. Yield (%)	0.0	0.2	0.5
FCF Yield (%)	0.0	0.0	0.0
EV/Sales (x)	3.0	2.7	2.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	35.0	35.0	34.8
DII	12.1	9.7	5.0
FIIFIIFII	31.0	32.9	39.7
Others	21.9	22.4	20.6

FII Includes depository receipts

CMP: INR154 TP: INR190 (+24%) Buy

CDMO segment drives earnings

Ends FY24 with strong turnaround

- Piramal Pharma (PIRPHARM) delivered better-than-expected operational performance for the quarter. Compared to adj. loss of INR800m in FY23, PIRPHARM's effort has led to adj. PAT of INR560m for FY24. This was largely driven by improved execution in Contract development and manufacturing organization (CDMO) business and India consumer health business. Operational constraints adversely impacted sale growth in the complex hospital generics (CHG) segment for FY24.
- We raise our EBITDA estimate by 11%/22% for FY25/FY26 to factor in a) robust order inflow in the CDMO segment, b) the expansion of on-patent commercial manufacturing within the CDMO segment, and c) the strategic initiatives to strengthen its presence in ROW markets and pursue backward integration in the CHG segment.
- However, we lower PAT estimate for FY25 by 17% to factor in higher tax rate. We value PIRPHARM on an SOTP basis (17x EV/EBITDA for CDMO business; 13x EV/EBITDA for CHG and India consumer health business) to arrive at a price target of INR190.
- PIRPHARM has demonstrated a strong turnaround in its business across segments, showcasing improved sales growth and profitability in FY24. Anticipating further momentum, particularly in the CDMO and CHG segments, along with enhanced operating leverage over the next 2-3 years, we maintain our BUY rating on the stock.

Strong operating leverage led margin expansion for the quarter

- PIRPHARM's revenue grew 18% YoY to INR25.5 b (est: INR24.3b) in 4QFY24. The CDMO segment's (65% of total sales) revenue grew 28% YoY to INR16.5b. The ICH (9% of total sales) revenue was up 16% YoY to INR2.4b. The CHG (27% of total sales) revenue declined 4% YoY to INR6.8b.
- Gross margin contracted 90bp YoY to 60.3% due to a change in product mix.
- However, EBITDA margin expanded 450bp YoY to 20.8% (our est: 14.6%), largely due to positive operating leverage. Employee expenses and other expenses declined 250bp/290bp as a % of sales.
- As a result, EBITDA grew 51% YoY to INR5.3b (our est: INR4.8b).
- Interest costs rose 9.6% YoY to INR1.1b in 4QFY24.
- After adjusting for the one-off write-off (INR310m), PIRPHARM posted a growth of 2.3x YoY to INR1.1b (our est. profit of INR2.3b).
- **For FY24,** revenue/EBITDA grew 15%/64% YoY to INR81.7b/INR11.9b. The company registered a profit of INR560m vs. a loss of INR798m in FY23.

Highlights from the management commentary

- PIRPHARM guided for low-teens YoY growth in revenue for FY25.
- PIRPHARM would incur one-time USD8-9m toward opex in the CHG segment.
- It would be launching four new injectable products in the US and Europe in the CHG segment.

PPL Income statement (INR m)

Consolidated	FY23				FY24				FY23	FY24	FY24E	% Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Revenues	**14,820**	**17,200**	**17,160**	**21,636**	**17,489**	**19,114**	**19,586**	**25,524**	**70,816**	**81,712**	**24,302**	**5%**
growth YoY(%)	*13.0*	*9.0*	*11.5*	*1.5*	*18.0*	*11.1*	*14.1*	*18.0*	*8.0*	*15.4*	*12.3*	
Expenses	13,969	15,475	15,962	18,123	16,165	16,457	16,902	20,224	63,529	69,749	19,542	
CDMO	*7,700*	*9,400*	*10,100*	*12,850*	*8,980*	*10,680*	*11,340*	*16,490*	*40,160*	*47,490*	*14,381*	**15%**
CHG	*5,080*	*5,620*	*5,140*	*7,020*	*6,170*	*5,890*	*5,760*	*6,770*	*22,860*	*24,590*	*8,012*	**-15%**
ICP	*2,110*	*2,270*	*2,260*	*2,060*	*2,390*	*2,560*	*2,520*	*2,380*	*8,590*	*9,850*	*1,807*	**32%**
EBITDA*	**851**	**1,726**	**1,197**	**3,513**	**1,323**	**2,657**	**2,684**	**5,299**	**7,286**	**11,963**	**4,760**	**11%**
margin (%)	*5.7*	*10.0*	*7.0*	*16.2*	*7.6*	*13.9*	*13.7*	*20.8*	*10.3*	*14.6*	*19.6*	
growth YoY(%)	*-34.3*	*-12.2*	*-46.9*	*-11.7*	*55.5*	*54.0*	*124.1*	*50.9*	*-23.3*	*64.2*	*35.5*	
Depreciation	1,617	1,662	1,644	1,844	1,736	1,845	1,863	1,961	6,767	7,406	1,661	
EBIT	**-766**	**64**	**-447**	**1,669**	**-413**	**812**	**821**	**3,338**	**520**	**4,557**	**3,099**	**8%**
Other income	719	462	825	245	383	492	615	264	2,251	1,754	610	
Interest expense	623	830	947	1,043	1,185	1,099	1,059	1,142	3,442	4,485	1,082	
Share from Asso. Co	199	111	156	78	144	191	140	120	543	595	134	
PBT	**-471**	**-193**	**-412**	**949**	**-1,071**	**396**	**516**	**2,580**	**-128**	**2,421**	**2,761**	**-7%**
EO Expenses/(gain)	680	70	324	-	-	-	323	310	1,074	633	-	
Taxes	**-61**	**111**	**165**	**448**	**-85**	**345**	**93**	**1,262**	**663**	**1,615**	**445**	
Tax Rate (%)	*5.3*	*-42.2*	*-22.5*	*47.2*	*8.0*	*87.3*	*47.8*	*55.6*	*-55.2*	*90.3*	*16.1*	
Reported PAT	**-1,091**	**-373**	**-902**	**501**	**-986**	**50**	**101**	**1,008**	**-1,865**	**173**	**2,316**	**-56%**
Adj. PAT	**-446**	**-274**	**-578**	**501**	**-986**	**50**	**350**	**1,146**	**-798**	**560**	**2,316**	**-51%**
Change (%)	*NA*	*NA*	*NA*	*-75.4*	*NA*	*LP*	*LP*	*128.6*	*NA*	*NA*	*362.1*	

E: MOFSL Estimates

Fine Organic Industries

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	FINEORG IN
Equity Shares (m)	31
M.Cap.(INRb)/(USDb)	131.4 / 1.6
52-Week Range (INR)	5165 / 4005
1, 6, 12 Rel. Per (%)	0/-14/-25
12M Avg Val (INR M)	177

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	19.5	20.0	21.0
EBITDA	4.8	4.4	4.4
PAT	3.7	3.4	3.3
EPS (INR)	120.0	109.9	108.1
EPS Gr. (%)	-37.7	-8.4	-1.6
BV/Sh.(INR)	607.1	707.8	806.9
Ratios			
Net D:E	-0.5	-0.6	-0.6
RoE (%)	21.8	16.7	14.3
RoCE (%)	21.7	16.8	14.4
Payout (%)	8.3	8.3	8.3
Valuations			
P/E (x)	35.8	39.1	39.8
P/BV (x)	7.1	6.1	5.3
EV/EBITDA (x)	25.4	26.9	26.7
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	4.1	2.6	2.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	75.0	75.0	75.0
DII	10.8	11.8	12.1
FII	4.5	3.6	4.8
Others	9.8	9.6	8.1

FII Includes depository receipts

CMP: INR4,287 TP: INR3,785 (-12%) Sell

Export markets and stable RM prices drive performance

- Fine Organic Industries (FINEORG) reported higher-than-estimated EBITDA at INR1.3b (-29% YoY) in 4QFY24. EBITDAM contracted 140bp YoY to 25.4%, while gross margin improved 450bp YoY to 43.6%, primarily due to stable vegetable oil prices. Management does not expect any volatility in vegetable oil prices, at least for the next few months. PAT dipped 24% YoY to INR1b (est. INR590m).
- All plants are currently running at optimal capacity, except Patalganga-II, where there is still some headroom for capacity ramp up. Management guided that it would take another 3-4 years for Patalganga-II to reach optimum utilization. FINEORG is currently awaiting the official land allotment letter from the Maharashtra government (~30 acres) in SEZ that it expects anytime now. This would primarily cater to the export markets.
- It would take six months for environment clearance (EC) and another 18-24 months to set up the newer capacities. Although the greenfield capacity is expected to take care of growth for the next 10 years, we do not expect the growth to commence until end-FY26. Exports accounted for 55% of the total revenue for FINEORG as of 4QFY24. The commissioning of the Thailand JV plant is also now expected by end-Jun'24.
- Management highlighted that some regions have started showing demand recovery on a selective basis, while some headwinds still exist in the export markets, with lead time also increasing because of the Red Sea crisis. FINEORG is considering establishing manufacturing facilities closer to its customers in the US. This move is expected to enable the sale of products at a premium, leading to higher margins, given its US manufacturing base.
- Due to the outperformance in 4Q and subsequent upward revision in margin guidance from the management, we raise our revenue/EBITDA/EPS estimates by 5%/10%/9% for FY25 and by 5%/13%/13% for FY26. Valuations are expensive for a company that is going to have YoY earnings decline for the next two years (-8%/-2% in FY25/26). **Reiterate SELL.**

Beat across the board; EBITDAM contracts YoY

- Revenue stood at INR5.2b (-25% YoY). Gross margin expanded 450bp YoY to 43.6%, with EBITDAM at 25.4% (-140bp YoY).
- EBITDA stood at INR1.3b (est. of INR771m, -29% YoY), while PAT stood at INR1b (est. of INR590m, -24% YoY). An exceptional item of INR6m has been recorded toward insurance coverage for the fire at one of its plants in Jan'24.
- **For FY24**, revenue was down 36% to INR19.5b, while EBITDA stood at INR4.8b (-38% YoY). PAT was INR3.7b (-38% YoY). EBITDAM contracted 110bp YoY to 24.6% in FY24.
- The BoD declared a final dividend of INR10/share for FY24.

Valuation and view

- The long-term prospects remain robust as the company is in the Oleochemical industry and is primarily driven by R&D innovations over the years. However, we believe that the performance would be hit in the near to medium term by: 1) longer-than-expected commissioning of new capacities for further expansion, 2) existing plants that are running at optimum utilization with no further scope of debottlenecking, and 3) further delay in the start-up of the Thailand JV.
- The stock has underperformed the Nifty-50/Sensex by 24%/20% in the past one year. We estimate a compounded EBITDA/PAT decline of 5% each over FY24-26, with margin in the range of 21-22% during the same period.
- FINEORG is currently trading at ~40x FY26E EPS and ~27x FY26E EV/EBITDA. Valuations are expensive for a company that is going to have YoY earnings decline for the next two years (-8%/-2% in FY25/26). **Reiterate SELL.**

Standalone - Quarterly Snapshot **(INR m)**

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Gross Sales	**7,526**	**8,281**	**7,499**	**6,986**	**5,321**	**4,717**	**4,258**	**5,215**	**30,291**	**19,511**	**3,888**	**34%**
YoY Change (%)	*109.1*	*92.8*	*60.1*	*16.3*	*-29.3*	*-43.0*	*-43.2*	*-25.3*	*63.0*	*-35.6*	*-44.3*	
Gross Margin (%)	*41.3%*	*38.2%*	*35.1%*	*39.1%*	*42.9%*	*41.9%*	*41.8%*	*43.6%*	*38.4%*	*42.6%*	*41.1%*	*2.5%*
EBITDA	**2,056**	**2,138**	**1,747**	**1,872**	**1,519**	**1,044**	**924**	**1,322**	**7,813**	**4,809**	**771**	**72%**
Margin (%)	*27.3*	*25.8*	*23.3*	*26.8*	*28.5*	*22.1*	*21.7*	*25.4*	*25.8*	*24.6*	*19.8*	*5.5*
Depreciation	111	115	123	130	117	144	147	153	479	561	151	
Interest	11	13	11	9	6	7	5	5	44	23	7	
Other Income	166	193	152	130	145	172	174	226	640	717	177	
PBT before EO expense	**2,099**	**2,203**	**1,764**	**1,863**	**1,540**	**1,064**	**946**	**1,391**	**7,930**	**4,941**	**789**	**76%**
Extra-Ord expense	0	0	0	0	0	0	0	6	0	6	0	
PBT	**2,099**	**2,203**	**1,764**	**1,863**	**1,540**	**1,064**	**946**	**1,385**	**7,930**	**4,935**	**789**	**75%**
Tax	526	563	452	483	397	270	249	342	2,024	1,259	199	
Rate (%)	*25.1*	*25.6*	*25.6*	*25.9*	*25.8*	*25.4*	*26.4*	*24.7*	*25.5*	*25.5*	*25.2*	
Reported PAT	**1,573**	**1,640**	**1,313**	**1,381**	**1,142**	**794**	**697**	**1,043**	**5,906**	**3,676**	**590**	**77%**
Adj PAT	**1,573**	**1,640**	**1,313**	**1,381**	**1,142**	**794**	**697**	**1,047**	**5,906**	**3,680**	**590**	**77%**
YoY Change (%)	*350.2*	*228.2*	*135.6*	*25.5*	*-27.4*	*-51.6*	*-46.9*	*-24.2*	*135.6*	*-37.7*	*-57.2*	
Margin (%)	*20.9*	*19.8*	*17.5*	*19.8*	*21.5*	*16.8*	*16.4*	*20.1*	*19.5*	*18.9*	*15.2*	*4.9*

Syrma SGS Technology

Estimate change	↓
TP change	↓
Rating change	⟷

Bloomberg	SYRMA IN
Equity Shares (m)	178
M.Cap.(INRb)/(USDb)	69.7 / 0.8
52-Week Range (INR)	705 / 302
1, 6, 12 Rel. Per (%)	-18/-40/5
12M Avg Val (INR M)	503

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	31.5	44.8	60.5
EBITDA	2.0	3.0	4.4
Adj. PAT	1.1	1.7	2.7
EBITDA Margin (%)	6.3	6.7	7.2
Cons. Adj. EPS (INR)	6.1	9.5	15.3
EPS Gr. (%)	-9.3	55.5	60.7
BV/Sh. (INR)	90.9	98.9	112.7
Ratios			
Net D:E	0.3	0.2	0.1
RoE (%)	6.9	10.0	14.5
RoCE (%)	7.5	10.3	14.4
Valuations			
P/E (x)	64	41	26
EV/EBITDA (x)	38	25	17

Shareholding pattern (%)

As on	Mar-24	Dec-23	Mar-23
Promoter	46.9	46.9	47.3
DII	5.8	8.2	8.6
FII	13.0	11.1	4.6
Others	34.4	33.8	39.5

Note: FII includes depository receipts

CMP: INR395 TP: INR535 (+36%) Buy

Unfavorable business mix continues to hurt margins

Operating performance below estimates

- SYRMA reported a weak operating performance in 4QFY24, with EBITDA margins declining 200bp YoY due to an unfavorable business mix (higher share of low-margin consumer business – 46% in 4QFY24 vs. 40% in 4QFY23).
- However, revenue growth was strong at 67% YoY in 4QFY24, led by broad-based growth across verticals.
- Factoring in the 4QFY24 performance and an increase in the consumer mix (low-margin vertical), we have lowered our EBITDA estimates for FY25/FY26 by 7%/13%. Accordingly, we have cut our EPS estimates by ~9%/15% in FY25/FY26. We retain our BUY rating on the stock with a TP of INR535 (35x FY26E EPS).

Broad-based growth across vertical drives revenue growth

- Consolidated revenue grew 67% YoY/60% QoQ to INR11.3b (est. INR9.9b) owing to strong growth across verticals (Healthcare/consumer/ automotive/industrial vertical grew 2.5x/93%/49%/42% YoY).
- EBITDA margins contracted 200bp YoY and expanded 100bp QoQ to 6.5%, led by gross margin contraction of 430bp YoY/540bp QoQ to 17.2% due to an unfavorable business mix. EBITDA grew 28% YoY/90% QoQ to INR737m.
- Adjusted PAT declined 17% YoY (up 2.3x QoQ) to INR349m.
- The order book stood at ~INR45b as of Mar'24 vs. ~INR45b/INR38b in Dec'23/Sep'23. The consumer/industrial/automotive/healthcare segments accounted for ~40%/20-25%/20-22%/5-7% of total orders as of Mar'24.
- For FY24, revenue/EBITDA grew 54%/7% YoY to INR31.5b/INR2b, while Adj. PAT declined 9% YoY to INR1.1b.
- Gross debt increased to ~INR5.8b as of Mar'24 vs. ~INR3.5b as of Mar'23. Net debt stood at ~INR4.5b as of Mar'24 (vs. net debt of ~INR2.1b as of Mar'23).

Highlights from the management commentary

- **Guidance**: The management has guided for revenue growth of ~40-45% in FY24, with EBITDA margins of ~7%. It is confident of maintaining over 40% revenue growth going ahead.
- **Exports** accounted for ~23%/26% of total sales in 4QFY24/FY24. The US and Europe accounted for ~95% of the exports. SYRMA expects exports to grow by ~30% YoY in FY25.
- **Capex**: SYRMA has increased its SMT capacity to ~6.3m components from ~3.2m earlier. The company spent ~INR2.5b on capex in FY24. It expects capex of ~INR1.5-1.8b in FY25 mainly for the Pune design center and other ongoing expansions.

Valuation and view

- SYRMA should significantly benefit from the rapid growth in the electronic systems design and manufacturing (ESDM) industry, given its: 1) rich experience of over three decades, 2) a strong order book of INR45b, 3) growing exports, and 4) strong executional capabilities.
- We estimate a CAGR of 38%/48%/58% in revenue/EBITDA/adj. PAT over FY24-26, driven by a robust revenue growth and a healthy order book.
- Factoring in the 4QFY24 performance and an increase in the consumer mix (low-margin vertical), we have lowered our EBITDA estimates for FY25/FY26 by 7%/13%. Accordingly, we have cut our EPS estimates by ~9%/15% in FY25/FY26. We retain our BUY rating on the stock with a TP of INR535 (35x FY26E EPS).

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	%
Gross Sales	**3,893**	**4,669**	**5,126**	**6,795**	**6,013**	**7,117**	**7,067**	**11,341**	**20,484**	**31,538**	**9,853**	**15**
YoY Change (%)	192.3	118.6	69.9	83.1	54.4	52.4	37.9	66.9	100.9	54.0	45.0	
Total Expenditure	3,558	4,197	4,648	6,220	5,644	6,627	6,679	10,604	18,624	29,554	9,007	
EBITDA	**336**	**472**	**478**	**575**	**369**	**490**	**388**	**737**	**1,860**	**1,984**	**847**	**-13**
Margins (%)	8.6	10.1	9.3	8.5	6.1	6.9	5.5	6.5	9.1	6.3	8.6	
Depreciation	72	71	81	88	101	116	139	158	312	515	150	
Interest	50	63	64	39	75	80	100	123	216	378	100	
Other Income	24	79	118	234	221	89	121	156	455	587	150	
PBT before EO expense	**239**	**417**	**450**	**681**	**413**	**383**	**270**	**612**	**1,787**	**1,678**	**747**	
Extra-Ord expense	0	0	0	0	0	14	0	0	0	14	0	
PBT	**239**	**417**	**450**	**681**	**413**	**370**	**270**	**612**	**1,787**	**1,664**	**747**	
Tax	68	128	108	252	130	64	67	160	556	421	188	
Rate (%)	28.5	30.6	24.1	37.1	31.5	17.4	24.8	26.1	31.1	25.3	25.2	
MI & Profit/Loss of Asso. Cos.	16	6	10	6	-2	22	48	103	38	170	61	
Reported PAT	**155**	**283**	**332**	**423**	**285**	**283**	**155**	**349**	**1,193**	**1,073**	**497**	
Adj PAT	**155**	**283**	**332**	**423**	**285**	**297**	**155**	**349**	**1,193**	**1,087**	**497**	**-30**
YoY Change (%)	178.8	149.8	68.2	158.9	84.0	4.8	-53.2	-17.4	125.2	-8.9	17.6	
Margins (%)	4.0	6.1	6.5	6.2	4.7	4.2	2.2	3.1	5.8	3.4	5.0	

DLF

BSE SENSEX	S&P CNX
72,776	22,104

Conference Call Details

Date: 14th May 2024
Time: 16:00 IST
Dial in details: [Webcast link]

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	64.3	73.8	79.6
EBITDA	21.2	26.7	30.5
EBITDA Margin (%)	33.0	36.2	38.3
PAT	27.2	40.2	43.5
EPS (INR)	11.0	16.2	17.6
EPS Gr. (%)	63.8	42.4	59.7
BV/Sh. (INR)	222.4	240.7	260.9
Ratios			
RoE (%)	7.0	9.7	9.7
RoCE (%)	4.6	5.2	5.5
Payout (%)	27.3	18.5	17.1
Valuations			
P/E (x)	82.8	56.1	51.8
P/BV (x)	4.1	3.8	3.5
EV/EBITDA (x)	103.9	83.4	72.4
Div yld (%)	0.3	0.3	0.3

CMP: INR839 **Neutral**

Signs off FY24 with flat bookings

Improved launch pipeline for FY25 a key positive

Residential performance

- Given the lack of new launches in 4QFY24, DLF reported pre-sales of INR14.6b, down 83%/84% YoY/QoQ (48% below estimate). FY24 bookings stood at INR147.7b, flat YoY.
- The quarterly bookings also include INR7.4b received from the monetization of land in Chennai.
- DLF had collections of INR22b up 14% YoY, which enabled it to generate an OCF of INR11b (flat YoY/QoQ). The net cash position stood at INR15b vs. INR12b in 3QFY24.
- During the quarter, DLF acquired 29 acres of land in Sector 61, Gurugram. The project will have a development potential of 7.5msf and a GDV of INR200b.
- The launch pipeline for FY25 has improved by INR65b and now stands at INR360b (vs. INR295b in 3QFY24)
- With the recent new land acquisition in Gurugram, the pipeline beyond FY25 has further strengthened to INR580b vs. INR380b in 3QFY24.

Rental performance (DCCDL)

- The occupancy in the non-SEZ portfolio stood at 97%, and the SEZ assets witnessed a marginal increase to 86% from 84% in 3Q. The overall occupancy in DCCDL's office portfolio stood at 92%.
- Rental income increased by 7% YoY and remained flat sequentially at INR11.2b.
- During the quarter, the first phase of Downtown Chennai (2.3msf) became operational, and the pre-leasing for 3.1msf under-construction portfolio stood at 87%.
- Net debt declined marginally to INR179b vs. INR181b in previous quarter.

P&L highlights

- Revenue came in at INR21b, up 47% YoY (in line); EBITDA increased 89% YoY to INR7.5b (in line) as margin expanded 800bp to 35%.
- DLF reported PAT of INR9.2b, up 62% YoY, driven by INR2.9b contribution from JV (DCCDL). PAT was 11% higher than our estimate largely driven by other income.

Quarterly performance

Y/E March	FY23				FY24E				FY23	FY24	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%/bp)
Gross Sales	**14,416**	**13,023**	**14,948**	**14,561**	**14,232**	**13,477**	**15,213**	**21,348**	**56,948**	**64,270**	**22,758**	**-6**
YoY Change (%)	26.5	-12.1	-3.5	-5.9	-1.3	3.5	1.8	46.6	-0.4	12.9	56.3	
Total Expenditure	10,280	8,657	10,176	10,577	10,271	8,853	10,103	13,807	39,690	43,034	15,516	
EBITDA	**4,137**	**4,367**	**4,772**	**3,984**	**3,962**	**4,624**	**5,110**	**7,541**	**17,259**	**21,236**	**7,242**	**4**
Margins (%)	28.7	33.5	31.9	27.4	27.8	34.3	33.6	35.3	30.3	33.0	31.8	350bps
Depreciation	373	367	386	360	364	370	380	367	1,486	1,480	453	
Interest	1,052	1,069	954	846	849	902	837	977	3,921	3,565	907	
Other Income	747	582	659	1,196	985	1,287	1,223	1,819	3,173	5,313	1,103	
PBT before EO expense	**3,458**	**3,512**	**4,090**	**3,974**	**3,734**	**4,639**	**5,115**	**8,016**	**15,024**	**21,505**	**6,985**	**15**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**3,458**	**3,512**	**4,090**	**3,974**	**3,734**	**4,639**	**5,115**	**8,016**	**15,024**	**21,505**	**6,985**	**15**
Tax	876	910	1,104	1,125	1,014	1,122	1,350	1,715	4,015	5,201	1,665	
Rate (%)	25.3	25.9	27.0	28.3	27.2	24.2	26.4	21.4	33.2	24.2	23.8	
Minority Interest & Profit/Loss of Asso. Cos.	2,111	2,169	2,203	2,848	2,541	2,701	2,792	2,897	9,330	10,931	2,959	
Reported PAT	**4,692**	**4,772**	**5,189**	**5,696**	**5,261**	**6,219**	**6,557**	**9,198**	**20,340**	**27,235**	**8,279**	**11**
Adj PAT	**4,692**	**4,772**	**5,189**	**5,696**	**5,261**	**6,219**	**6,557**	**9,198**	**20,340**	**27,235**	**8,279**	
YoY Change (%)	39.2	25.9	-16.7	40.5	12.1	30.3	26.4	61.5	16.6	33.9	45.3	
Margins (%)	32.5	36.6	34.7	39.1	37.0	46.1	43.1	43.1	35.7	42.4	36.4	671bps
Operational Metrics												
Residential												
Pre-sales	20	21	25	85	20	22	90	15	151	148	28	**-48**
Collections	11	13	14	19	16	24	25	22	57	87	33	**-34**
Net Debt	23	21	21	7	1	-1	-12	-15	7	-15	-12	

Note: Estimates are under review and we will revise them after the earnings call

Source: MOFSL, Company

Tube Investments

BSE SENSEX	S&P CNX
72,776	22,104

Conference Call Details

Date: 14th May 2024
Time: 10am IST
Dial-in details: [Diamond pass link]
+91 22 6280 1259
+91 22 7115 8160

Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Sales	168.9	187.5	217.0
EBITDA	19.5	26.0	30.7
Adj. PAT	6.6	12.6	15.4
EPS (INR)	34.4	65.3	80.0
EPS Gr. (%)	-15.1	89.6	22.5
BV/Sh. (INR)	236	291	359
Ratios			
RoE (%)	15.6	24.8	24.6
RoCE (%)	35.6	40.7	40.8
Payout (%)	10.2	15.1	14.9
Valuations			
P/E (x)	114.1	60.2	49.1
P/BV (x)	16.7	13.5	10.9
Div. Yield (%)	0.1	0.3	0.3
FCF Yield (%)	2.0	2.3	2.9

CMP:INR3935 **Buy**

Miss on EBITDA primarily due to higher costs

- TIINDIA's S/A revenue grew 18% YoY to INR19.6b (vs. est.INR20b), hit by lower-than-estimated growth in the engineering business/metal-formed business, but offset by higher-than-estimated growth in the others business vertical.
- Gross margin contracted 90bp YoY (+20bp QoQ) to 36.3%.
- EBITDA rose 3% YoY to INR2.2b (vs. est. INR2.5b). EBITDA margin contracted 160bp YoY to 11.1% (vs. est. 12.7%) as other costs remained elevated (grew 150bp YoY as a % of sales).
- Further, lower-than-estimated other income was offset by lower tax leading to adj. PAT declining 9% YoY to INR2.5b (vs. est. INR3b).
- **During FY24,** revenue/EBITDA/adj. PAT rose 5%/5%/4% YoY.
- Revenue from the Mobility business remained flat YoY at INR1.5b. Its PBIT margin was -5.7% (vs. -5.6%/-3.2% in 3QFY24/4QFY23 and est. 1%).
- Revenue from the Engineering business grew 22% YoY to INR12.8b. PBIT margin stood at 12.5% (vs. 12.4%/12.6% in 3QFY24/4QFY23 and est. 13.6%).
- Revenue from the Metal-formed Product business grew 11% YoY to INR3.9b. Its PBIT margin was 11% (vs. 12.1%/12.9% in 3QFY24/4QFY23 and est. 10.8%).
- Revenue from the Others business vertical grew 20.5% YoY to INR2.3b. PBIT margin was 7.5% (vs. 6.3%/5.8% in 3QFY24/4QFY23 and est. 3.9%).
- Consol. business revenue grew 19% YoY to INR44.9b, but EBITDA/Adj. PAT declined 9%/16% YoY to INR4.5b/INR2.8b during the quarter.
- The Board declared a final dividend amounting to INR1.5/share for FY24 (the total dividend for FY24 stood at INR3.5/share, similar to the last year levels).
- S/A's FY24 FCF stood at INR2.6b (vs. INR4.4b in FY23), mainly due to lower operating cash flow that stood at INR5.9b (vs. INR6.2b in FY23), despite a lower capex of INR2.6b (vs. INR4.4b in FY23).
- The Board has approved long-term borrowing up to INR3.5b by way of term loans or NCDs in one or more tranches in FY25.
- **Valuation view:** The stock trades at 60x/49x FY25E/FY26E EPS.

Quarterly performance (S/A) (INR M)

Y/E March	FY23				FY24				FY23	FY24	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Net Sales	**19,570**	**19,059**	**17,097**	**16,634**	**17,801**	**19,696**	**18,983**	**19,624**	**72,360**	**76,105**	**19,975**
YoY Change (%)	55.7	14.4	0.5	-4.1	-9.0	3.3	11.0	18.0	13.8	5.2	20.1
EBITDA	**2,040**	**2,512**	**2,144**	**2,106**	**2,160**	**2,514**	**2,395**	**2,171**	**8,803**	**9,239**	**2,530**
Margins (%)	10.4	13.2	12.5	12.7	12.1	12.8	12.6	11.1	12.2	12.1	12.7
Depreciation	325	346	337	448	331	346	361	370	1,456	1,408	374
Interest	36	52	60	68	70	77	74	75	216	295	70
Other Income	120	145	171	1,717	219	358	137	1,451	2,152	2,165	1,948
PBT before EO expense	**1,800**	**2,258**	**1,919**	**3,306**	**1,979**	**2,448**	**2,096**	**3,178**	**9,283**	**9,701**	**4,034**
Tax	457	599	542	507	502	634	521	699	2,104	2,359	1,023
Tax Rate (%)	25.4	29.6	28.2	16.8	25.4	25.9	24.9	22.0	24.0	24.3	25.4
Adj PAT	**1,343**	**1,603**	**1,377**	**2,729**	**1,477**	**1,814**	**1,575**	**2,479**	**7,053**	**7,345**	**3,011**
YoY Change (%)	38.5	32.0	14.3	100.2	10.0	13.2	14.4	-9.2	46.7	4.1	10.3

E: MOFSL Estimates

Segmental Mix (INR m)

	FY23				FY24				FY23	FY24	4Q
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Mobility business	2,456	2,261	1,737	1,545	1,867	1,766	1,473	1,539	7,999	6,645	1,529
Growth (%)	42.5	(13.8)	(38.0)	(37.8)	(24.0)	(21.9)	(15.2)	(0.4)	(17.0)	(16.9)	(1.1)
PBIT margin (%)	3.9	4.4	1.4	(3.2)	1.1	(1.7)	(5.6)	(5.7)	2.1	(1.1)	1.0
Contribution (%)	12.6	11.9	10.2	9.3	10.5	9.0	7.8	7.8	11.1	8.7	7.7
Engineering business	12,437	11,924	10,812	10,444	11,416	12,741	12,289	12,759	45,616	49,205	13,212
Growth (%)	52.7	16.1	8.5	1.4	(8.2)	6.9	13.7	22.2	17.9	7.9	26.5
PBIT margin (%)	9.5	13.8	12.4	12.6	11.8	13.3	12.4	12.5	12.0	12.8	13.6
Contribution (%)	63.5	62.6	63.2	62.8	64.1	64.7	64.7	65.0	63.0	64.7	66.1
Metal formed business	3,348	3,710	3,707	3,471	3,419	3,996	3,917	3,859	14,237	15,191	3,901
Growth (%)	36.6	13.0	12.2	3.2	2.1	7.7	5.7	11.2	14.8	6.7	12.4
PBIT margin (%)	11.5	12.9	11.4	12.9	12.8	13.4	12.1	11.0	12.2	12.3	10.8
Contribution (%)	17.1	19.5	21.7	20.9	19.2	20.3	20.6	19.7	19.7	20.0	19.5
Other business	2,226	1,879	1,662	1,910	1,776	2,068	2,195	2,302	7,677	8,340	2,188
Growth (%)	153.2	57.6	3.8	(1.8)	(20.2)	10.1	32.1	20.5	36.5	8.6	14.6
PBIT margin (%)	7.6	4.3	6.9	5.8	9.0	8.4	6.3	7.5	6.2	6.8	3.9
Contribution (%)	11.4	9.9	9.7	11.5	10.0	10.5	11.6	11.7	10.6	11.0	11.0
Total Revenue (post inter segment)	**19,570**	**19,059**	**17,097**	**16,634**	**17,801**	**19,696**	**18,983**	**19,624**	**72,360**	**76,105**	**19,975**
Growth (%)	55.7	14.4	0.4	(4.1)	(9.0)	3.3	11.0	18.0	13.8	5.2	20.1

E:MOFSL Estimates

Equity AUM scales a new high of ~INR27t and achieves another milestone

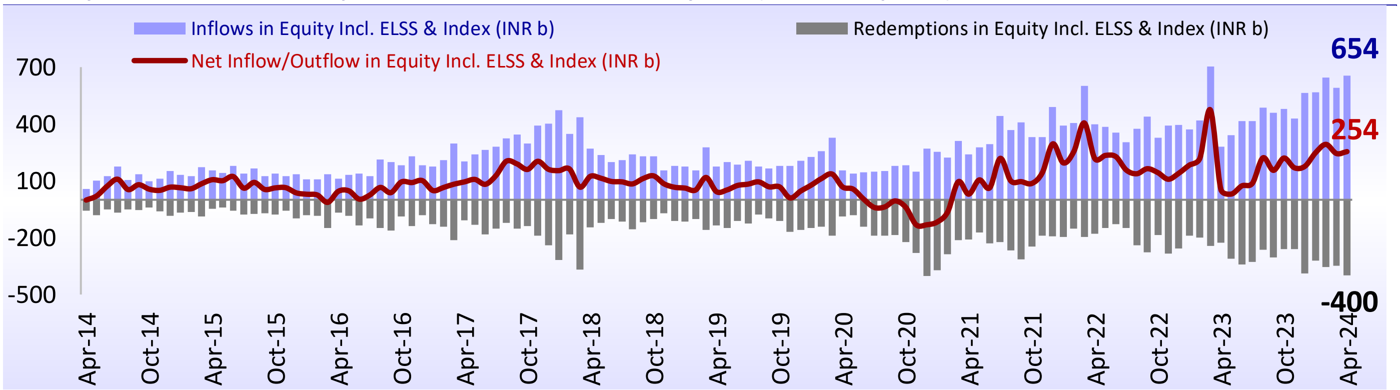
Key observations

- The Nifty ended 1.2% higher MoM at 22,605 in Apr’24 after making new highs of 22,783. The index has closed higher for the third straight month now. Notably, the index was extremely volatile and swung around 1,006 points before closing 278 points higher. DIIs recorded the ninth consecutive month of inflows in Apr’24 at USD5.3b. FIIs recorded outflows of USD1.1b in Apr’24.
- Investors continued to park their money in mutual funds, with inflows and contributions in systematic investment plans (SIPs) reaching a new peak of INR203.7b in Apr’24 (up 5.7% MoM and 48.4% YoY).
- Equity AUM for domestic MFs (including ELSS and index funds) increased 5.3% MoM to INR27t in Apr’24, led by a rise in market indices (Nifty up 1.2% MoM) and an increase in sales of equity schemes (up 10.6% MoM to INR654b). The pace of redemptions increased to INR400b (up 15.1% MoM). Consequently, net inflows increased to INR254b in Apr’24 from INR244b in Mar’24.
- Total AUM of the MF industry rose 7.2% MoM to INR57.3t in Apr’24, driven by a MoM increase in AUM for liquid (INR1,406b), equities (INR1,349b), income (INR520b), balanced (INR217b), and other ETF (INR180b) funds.

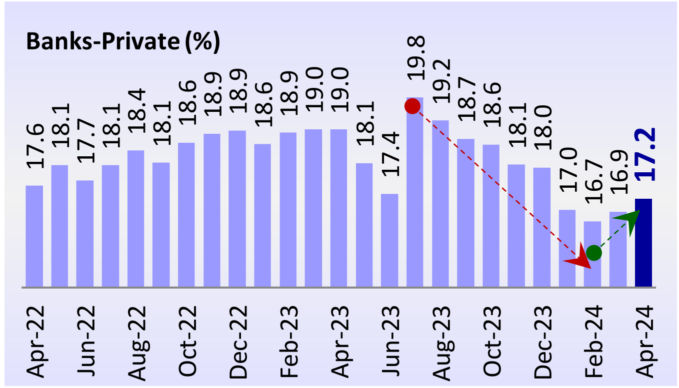
Some interesting facts

- The month saw **notable changes in the sector and stock allocation of funds**. On a MoM basis, the weights of Private Banks, Metals, Utilities, Telecom, Consumer Durables, and Real Estate increased, while those of Technology, Healthcare, Oil & Gas, Consumer, Retail, Cement, Insurance, and Textiles moderated.
- **Private Banks’ weights increased for the second consecutive month to 17.2%** in Apr’24 (+30bp MoM; -180bp YoY).
- **Metals’ weight rose to a 31-month high of 2.7%** (+30bp MoM, +70bp YoY) in Apr’24.
- **Technology‘s slipped to third place from the second spot in MF allocation**, with weights declining for the second consecutive month to touch a 50-month low of 8% (-70bp MoM, -120bp YoY) in Apr’24.
- **Healthcare’s weight, after touching a 31-month high of 7.4% in Mar'24, moderated 30bp MoM in Apr'24** to reach 7.1%.
- **In terms of value increase MoM, five of the top-10 stocks were from the Banking space:** HDFC Bank (+INR119.9b), Axis Bank (+INR106.8b), ICICI Bank (+INR88b), SBI (+INR54.1b), and Kotak Mahindra Bank (+INR38.4b).

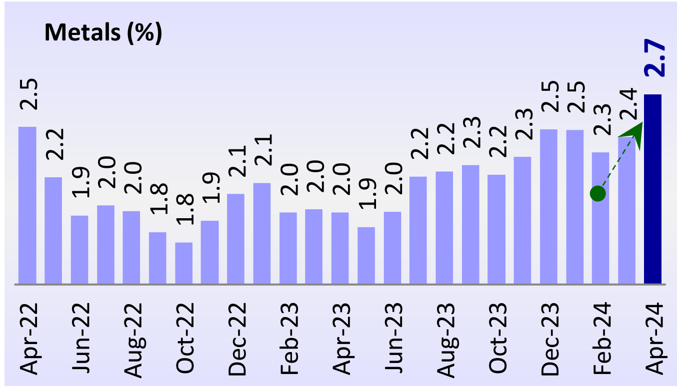
Monthly trends in sales, redemptions, and net amount raised by MFs (towards equities)



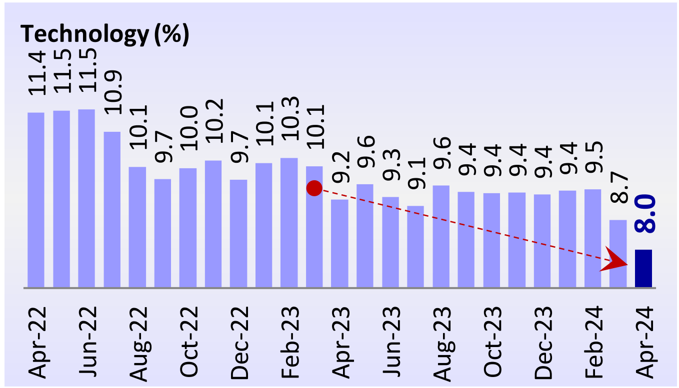
Private Banks' weights increased for the second consecutive month to 17.2% (+30bp MoM; -180bp YoY)



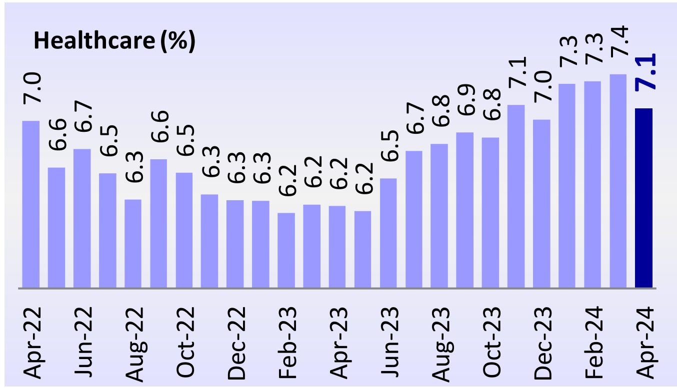
Metals' weight rose to a 31-month high of 2.7% (+30bp MoM, +70bp YoY)



Technology slipped to third place from the second spot in MF allocation, to touch a 50-month low of 8% (-70bp MoM, -120bp YoY)



Healthcare's weight, after touching a 31-month high of 7.4% in Mar'24, moderated 30bp MoM in Apr'24 to reach 7.1%



Capital Market Monthly

Capital Market Tracker

Sequentially overall ADTO declines, while NSE active clients increase

MoM demat additions remained flat MoM; CDSL's demat market share increasing sequentially

Nifty50 in Apr'24 was above 22,600 points with gains of 1.2% on a MoM basis. Overall ADTO declined ~3% MoM to INR446t, with F&O ADTO declining ~3% MoM and Cash ADTO increasing ~6% MoM. Retail cash ADTO increased ~8% MoM to INR445b. Demat account additions were flat at ~3.1m in Apr'24 (average monthly additions of 3.1m in FY24). Further, the number of active users on NSE increased for the tenth consecutive month to ~41.8m in Apr'24 from ~31.9m in Jul'23.

Demat additions remain flat MoM

- The total number of demat accounts increased to 154m in Apr'24. New account additions were flat at 3.1m in Apr'24 (average monthly additions of 3.1m in FY24).
- In Apr'24, CDSL continued to gain market share in terms of the total number of demat accounts and also an increase in the market share on a MoM basis. On a YoY basis, NSDL lost 400bp/470bp market share in total/incremental demat accounts.

NSE active clients increased sequentially

- The number of active clients at NSE increased 2.6% MoM to 41.8m in Apr'24. Currently, the top five discount brokers account for 63.9% of total NSE active clients vs. 60.1% in Apr'23.
- Performance of key discount brokers:
  - Zerodha reported a 1.5% MoM increase in its client count to 7.4m, with a 20bp fall in market share to 17.7%.
  - Groww reported a 4.1% MoM increase in its client count to 9.9m, with a 30bp rise in market share to 23.7%.
  - Angel One reported a 3.1% MoM increase in its client count to 6.3m, with a 10bp rise in market share to 15.1%.
  - Upstox reported a 1.5% MoM increase in its client count to 2.6m, with a 10bp fall in market share to 6.1%.
- Performance of key traditional brokers:
  - ICICI Sec reported a 0.9% MoM increase in its client count to 1.9m, with a -10bp fall in market share to 4.5%.
  - IIFL Sec reported a 1.1% MoM increase in its client count to 0.4m, with a market share to 1.1%.

BSE F&O ADTO increases MoM

- Total ADTO declined 3% MoM (up 84% YoY) to INR446t, with F&O ADTO declining 3% MoM and Cash ADTO increasing 6% MoM.
- Total ADTO from BSE increased 6% MoM (led by growth in F&O volumes) whereas the total ADTO for NSE declined 5.1% MoM.
- On a MoM basis, market share of BSE in the total cash T/O segment declined to ~6.7% in Apr'24 (Mar'24 ~8.5%). BSE's market share in the total options notional T/O segment and options premium T/O improved to ~19.1% from ~17.5% in Mar'24 and to ~9.8% from ~7.2% in Mar'24, respectively.

Key statistics

Parameter	Apr '24	YoY (%)	MoM (%)
Demat A/c (m)	154	33	2
NSE Active (m)	42	34	3
ADTO (INR t)			
Overall	446	84	-3
- F&O	445	84	-3
- Cash (INR b)	1,136	108	6
- Retail Cash (INR b)	445	103	8

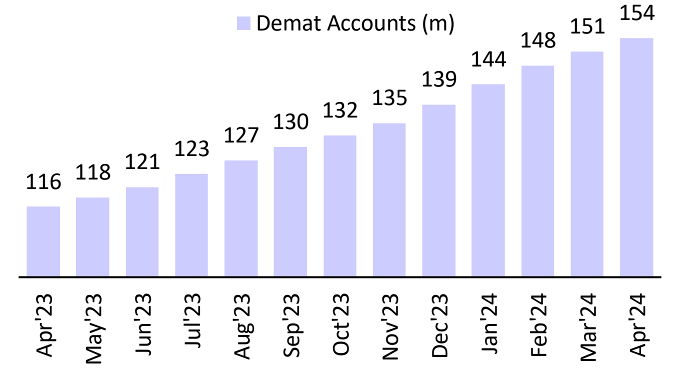
Source: MOFSL, NSE, BSE, CDSL, NSDL

Overall ADTO on MCX increased ~17.5% MoM

- Total volumes on MCX increased MoM to INR 34.7t in Apr'24; volumes in OPTFUT increased 24.9% MoM to INR 29.2t.
- Overall ADTO increased 17.5% MoM to INR1.6t. Options ADTO increased 13.6% MoM. Futures ADTO increased 43.7% MoM, led by an increase in Silver ADTO (77.4% MoM) and Gold ADTO (12.1% MoM).
- Options ADTO increased 13.6% MoM on account of a 13.5%/351.6% increase in Crude Oil/Silver ADTO. On the other hand, Gold ADTO declined 46.3% on a MoM basis.

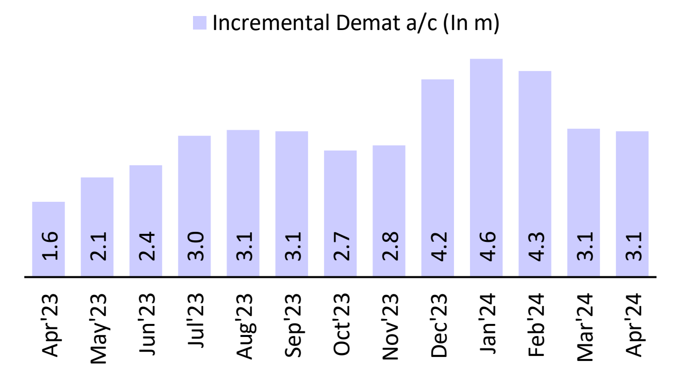
Primary market: In Apr'24, an amount of INR255.6b was raised via 4 IPOs including Vodafone FPO.

The number of demat accounts rises to 154m



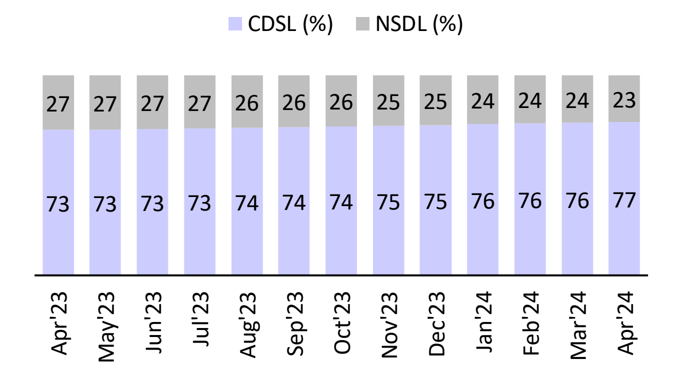
Source: MOFSL, CDSL, NSDL

Incremental demat accounts



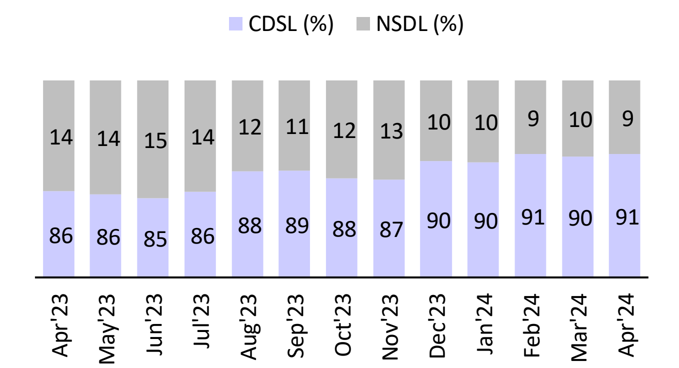
Source: MOFSL, CDSL, NSDL

Market share led by CDSL



Source: MOFSL, CDSL, NSDL

Market share of CDSL improve sequentially in incremental accounts



Source: MOFSL, CDSL, NSDL

Inflation remains steady at 4.8% in Apr'24

Higher food inflation is a cause for concern

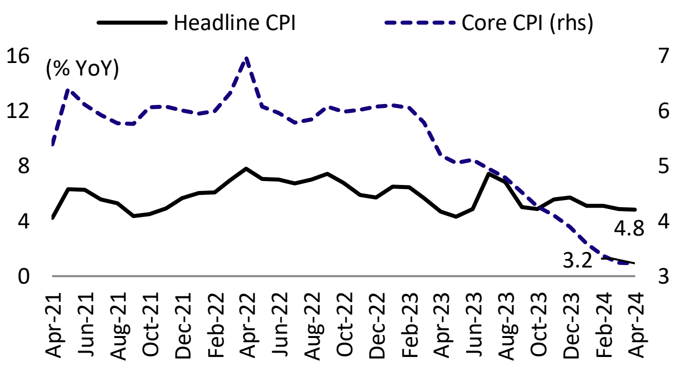
- **Headline CPI inflation remained steady at 4.83% YoY in Apr'24 vs. 4.85% in Mar'24 (4.7% in Apr'23), mainly led by the eighth successive contraction in prices of fuel and light components (at an all-time low of -4.2% in Apr'24 vs. -3.2% in Mar'24). This was partly offset by the four-month high food inflation of 8.7%. This was the second consecutive month when CPI remained below the target of 5%. Notably, core inflation remained unchanged at an all-time low of 3.2% in Apr'24. However, on a sequential basis, it went up to a five-month high of 0.5% in Apr'24. The inflation number was slightly lower than our expectation and the Bloomberg consensus of 4.9%.**
- **Food inflation came in at 8.7% YoY in Apr'24 vs. 8.5% in Mar'24, the highest in four months. Sequentially as well, it went up to a five-month high of 0.7% in Apr'24 vs. 0.2% in Mar'24 and 0.6% in Apr'23. Details suggest that high food inflation was primarily driven by the four-month high inflation in cereals (8.6% in Apr'24 vs. 8.4% in Mar'24), 22-month high inflation in meat & fish (weight = 3.6%) and a slower contraction in the prices of oils & fats. At the same time, the prices of vegetables (weight = 6%) and pulses (weight = 2.4%) continued to be sticky in double digits. This was partly offset by a 26-month low inflation in spices (7.8% in Apr'24 vs. 11.4% in Mar'24) and a 32-month low inflation in milk & products (3% in Apr'24 vs. 3.4% in Mar'24).**
- **Notably, the prices of fuel and light items contracted 4.2% YoY in Apr'24 vs. a contraction of 3.2% in Mar'24. The standard core inflation (excluding food & energy) remained unchanged at 3.5% YoY in Apr'24.**
- **Other details suggest that: 1) core inflation was unchanged at 3.3% in Apr'24; 2) services inflation (weight = 23%) eased to a new low of 2.8% YoY in Apr'24, with further easing in housing inflation; 3) prices of imported items (weight = 12%) fell 1.3% in Apr'24 (vs. -2.5% in Mar'24) and at the same time, domestically generated inflation came down to an 11-month low of 5.7% YoY in Apr'24; 4) the details of 299 items suggest that 64% of the CPI basket posted an inflation of <= 5% last month, lower than 72% in Mar'24 but higher than 60% in late 2023.**
- **Overall, inflation came in line with expectations, which does not imply any major impact on monetary/fiscal policy. However, elevated food inflation is a cause for concern. Predictions of a normal monsoon by the IMD might help ease food price pressures. We expect CPI to average ~4.5% next year. In our view, a rate cut may happen only in late FY25.**

- **CPI inflation steady at 4.8% in Apr'24:** Headline CPI inflation remained steady at 4.83% YoY in Apr'24 vs. 4.85% in Mar'24 (4.7% in Apr'23), mainly led by the eighth successive contraction in prices of fuel and light components (all-time low of -4.2% in Apr'24 vs. -3.2% in Mar'24), which was partly offset by the four-month high food inflation of 8.7%. This was the second consecutive month when CPI remained below the target of 5%. Notably, core inflation remained unchanged at an all-time low of 3.2% in Apr'24. However, on a sequential basis, it went up to a 5-month high of 0.5% in Apr'24. *(Exhibit 1).* The inflation number was slightly lower than our expectation and Bloomberg consensus of 4.9%.
- **Food inflation remains elevated:** Food inflation came in at 8.7% YoY in Apr'24 vs. 8.5% in Mar'24, the highest in four months. Sequentially as well, it went up to a five-month high of 0.7% in Apr'24 vs. 0.2% in Mar'24 and 0.6% in Apr'23. Details suggest that high food inflation was mainly driven by the four-month high inflation in cereals (8.6% in Apr'24 vs. 8.4% in Mar'24), 22-month high inflation in meat & fish (weight = 3.6%) and a slower contraction in the prices of oils & fats. At the same time, prices of vegetables (weight = 6%) and pulses (weight = 2.4%) continued to be sticky in double digits. This was partly offset by a 26-month low inflation in spices (7.8% in Apr'24 vs. 11.4% in Mar'24) and a 32-month low inflation in milk & products (3% in Apr'24 vs. 3.4% in Mar'24). The prices of fuel and light items contracted 4.2% YoY in Apr'24 vs. a contraction of 3.2% in Mar'24. The standard core inflation (excluding food & energy) remained unchanged at 3.5% YoY in Apr'24. *(Exhibit 2).*

- **Other details suggest that:** 1) core inflation was unchanged at 3.3% in Apr'24; 2) services inflation (weight = 23%) eased to a new low of 2.8% YoY in Apr'24, with further easing in housing inflation; 3) prices of imported items (weight = 12%) fell 1.3% in Apr'24 (vs. -2.5% in Mar'24) and at the same time, domestically generated inflation came down to an 11-month low of 5.7% YoY in Apr'24; 4) the details of 299 items suggest that 64% of the CPI basket posted an inflation of <= 5% last month, lower than 72% in Mar'24 but higher than 60% in late 2023 *(Exhibit 4)*.

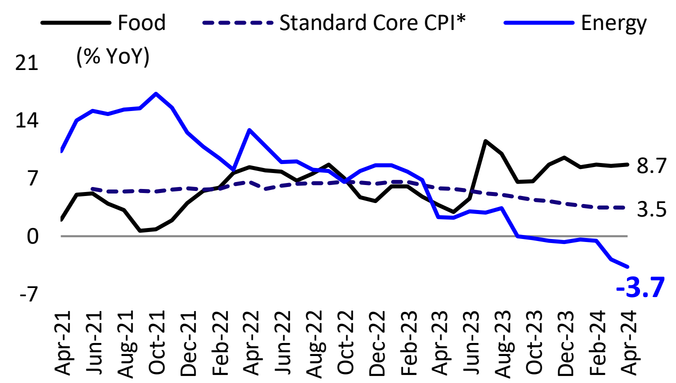
Our view: Overall, inflation came in line with expectations, which does not imply any major impact on monetary/fiscal policy. However, elevated food inflation is a cause for concern. Predictions of a normal monsoon by the IMD might help ease food price pressures. We expect CPI to average ~4.5% next year. In our view, a rate cut may happen only in late FY25.

Exhibit 1: Retail inflation remained steady at 4.8% in Apr'24



Core CPI excludes food & beverages and fuel & light

Exhibit 2: Food inflation went up to a 4-month high of 8.7% in Apr'24 vs. 8.5% in Mar'24



* Excluding food & energy

Exhibit 3: Services inflation at a new low of 2.8% in Apr'24

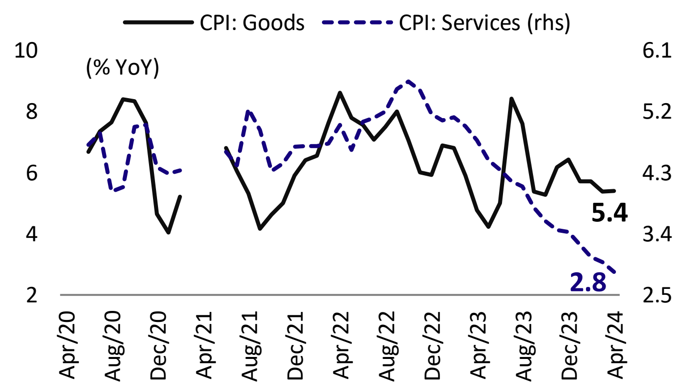
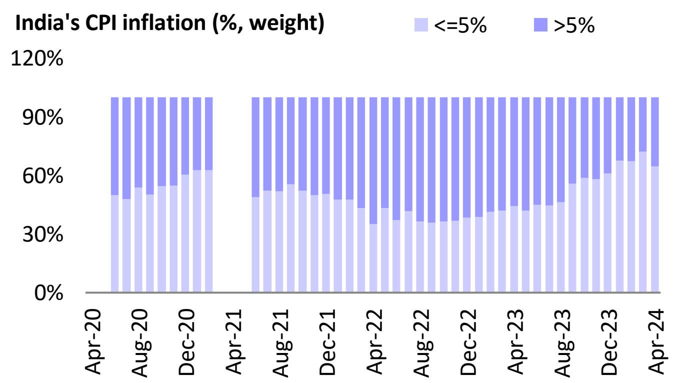


Exhibit 4: Around 64% of the CPI basket recorded less than 5% inflation in Apr'24



Based on 299 items

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