

**Market snapshot**



Equities - India	Close	Chg .%	CYTD.%
Sensex	74,684	-0.1	3.4
Nifty-50	22,643	-0.1	4.2
Nifty-M 100	49,895	-0.3	8.0
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	5,210	0.1	9.2
Nasdaq	16,307	0.3	8.6
FTSE 100	7,935	-0.1	2.6
DAX	18,077	-1.3	7.9
Hang Seng	5,895	0.4	2.2
Nikkei 225	39,773	1.1	18.9
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	92	-0.3	18.4
Gold (\$/OZ)	2,353	0.6	14.0
Cu (US\$/MT)	9,283	0.0	9.7
Almn (US\$/MT)	2,409	-0.2	2.7
Currency	Close	Chg .%	CYTD.%
USD/INR	83.3	0.0	0.1
USD/EUR	1.1	0.0	-1.6
USD/JPY	151.8	0.0	7.6
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	7.2	0.00	0.0
10 Yrs AAA Corp	7.6	0.00	-0.2
Flows (USD b)	9-Apr	MTD	CYTD
FII	-0.1	6.95	1.3
DII	0.27	1.82	13.7
Volumes (INRb)	9-Apr	MTD*	YTD*
Cash	996	1056	1182
F&O	4,30,212	3,62,537	3,94,353

Note: Flows, MTD includes provisional numbers.

\*Average



**Today's top research idea**

**Kolte Patil Developers | Initiating Coverage: Unlocking the growth potential**

- ❖ During FY12-21, KPDL's bookings remained stagnant at INR12-13b, with pre-sales volume sustaining at 2.0-2.5msf, barring a few good years. However, improved demand momentum, regulatory breakthroughs in MMR with respect to society redevelopment projects, and strategic changes to its township project led to a 36% CAGR in pre-sales during FY21-23.
- ❖ As of Dec'23, KPDL has a project pipeline of 33msf that includes 3.5msf of ongoing inventory, 11.5msf of upcoming projects, and 18msf of future pipeline. Hence, we expect KPDL to deliver a 22% CAGR in pre-sales over FY24-26 to INR45b.
- ❖ With the scale-up in operations, we expect post-tax OCF to double to INR8b by FY26. Further, the net cash position as of Dec'23 also provides comfort and ample headroom to capitalize on future growth opportunities. We initiate coverage on the stock with a BUY rating and a TP of INR700, implying 34% upside.



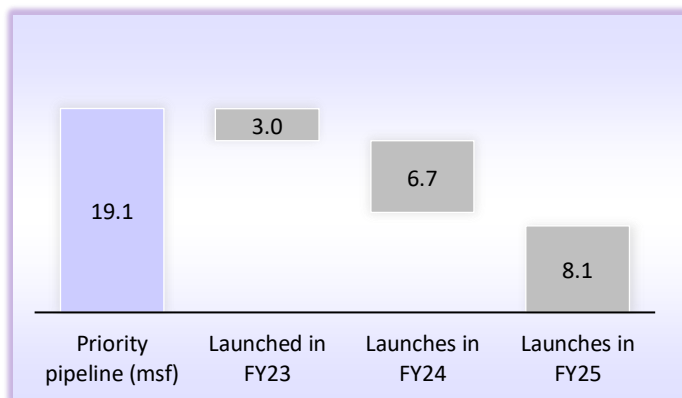
**Research covered**

Cos/Sector	Key Highlights
<b>Kolte Patil Developers   Initiating Coverage</b>	<b>Unlocking the growth potential</b>
<b>MCX</b>	<b>New products to be the key growth drivers</b>



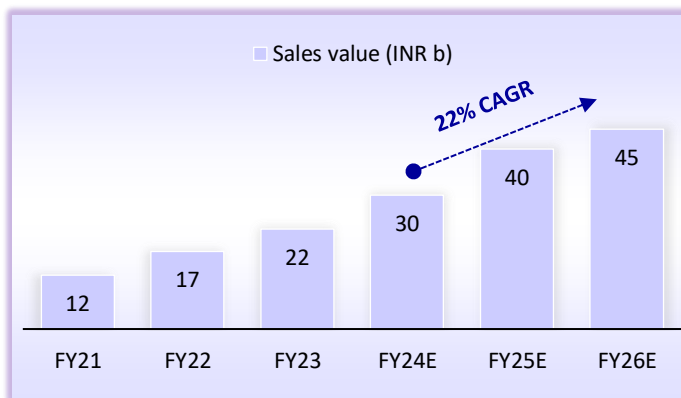
**Chart of the Day: Kolte Patil Developers | Initiating Coverage (Unlocking the growth potential)**

Set a priority launch pipeline of 19msf, of which 7msf has been launched with the balance to be launched over remainder of FY24 and FY25



Source: MOFSL, Company

Pre-sales is likely to post 22% CAGR over FY24-26E with upside risk based on new project acquisitions



Source: MOFSL, Company

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Kindly click on textbox for the detailed news link

1

### **Airfares jump 20-25 pc amid Vistara woes, high travel demand**

Faced with pilot woes, Vistara has cut 25-30 flights daily or 10 per cent of its total capacity, a development that comes when the country's airline industry is already operating with reduced number of aircraft due to the bankruptcy of Go First and grounding of over 70 planes

2

### **Without Payments Bank, Paytm's UPI market share drops to 9%, lowest in four years**

NPCI started sharing UPI apps transaction volume and value from April 2020 and this is Paytm's lowest market share.

3

### **Shyam Metalics to invest Rs 650-750cr in stainless steel biz**

Shyam Metalics emphasised its commitment to leveraging captive raw materials such as direct-reduced iron (DRI), power, and ferro alloys for the project.

4

### **Gurugram RERA denies extension for Godrej Developers project**

RERA in Gurugram rejected Godrej Developers' extension application due to non-compliance with the Act. The project faced rejection despite multiple reminders and warnings against third-party rights and property bookings.

5

### **Electric vehicle retail sales grow across segments in FY24: FADA**

India's electric vehicle retail sales boomed in 2023-24, with significant growth in all segments. The market is shifting towards sustainable transportation solutions, as highlighted by FADA President Manish Raj Singhania

6

### **Hinduja Group's IndusInd International Holdings acquires 60% in Invesco India**

IAMI is the fifth largest foreign asset manager and the 17th largest domestic asset manager in India.

7

### **ICICI Lombard enters into partnership with Policybazaar**

The partnership entails inclusion across multiple business lines of the Policybazaar platform, policybazaar.com catering to retail audiences, PB for Business for corporates and PB Partners for channel partners.



# Kolte Patil Developers

BSE SENSEX  
74,684

S&P CNX  
22,643

CMP: INR521

TP: INR700 (+34%)

BUY



## Stock Info

Bloomberg	KPDL IN
Equity Shares (m)	76.0
M.Cap.(INRb)/(USD\$b)	39.3 / 0.5
52-Week Range (INR)	585 / 243
1, 6, 12 Rel. Per (%)	7/-/5/72
12M Avg Val (INR M)	163
Free float (%)	25.6

## Financials Snapshot (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	14.3	16.1	19.5
EBITDA	1.3	2.1	3.4
EBITDA Margin (%)	9.1	13.2	17.2
Adj PAT	0.2	0.8	1.6
Cons. EPS (INR)	3.3	10.1	20.8
EPS Growth (%)	nm	207.0	106.4
BV/Share (INR)	134.7	140.8	157.6

## Ratios

Net D/E	0.0	0.2	0.1
RoE (%)	2.4	7.3	14.0
RoCE (%)	3.1	7.2	10.7
Payout (%)	640.6	39.7	19.3

## Valuations

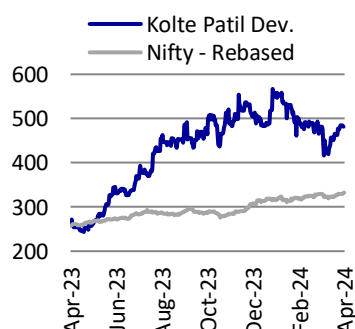
P/E (x)	158.4	51.6	25.0
P/BV (x)	3.9	3.7	3.3
EV/EBITDA (x)	35.1	22.2	14.1
Div Yield (%)	0.8	0.8	0.8

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	74.5	74.5	74.5
DII	4.5	4.0	4.8
FII	2.6	2.6	1.4
Others	18.5	21.5	19.3

FII Includes depository receipts

## Stock performance (1-year)



## Unlocking the growth potential

Accelerated BD activity and healthy balance sheet to sustain growth momentum

- **A regional leader...:** Kolte Patil Developers Ltd. (KPDL) is one of the leading real estate developers in Pune, with a growing presence in the Mumbai Metropolitan Region (MMR) and Bengaluru markets. In over three decades of its presence, KPDL has delivered more than 26msf of projects, with another 43msf in the pipeline at various stages (ongoing/upcoming/future).
- **...with steady performance and healthy balance sheet:** During FY12-21, KPDL's pre-sales bookings remained stagnant at INR12-13b, with occasional spikes in certain years. While company's debt-averse strategy (net debt-to-equity <0.5x) constrained its growth, KPDL's emphasis on execution and cash flows ensured that balance sheet further strengthened to a net cash position as of Dec'23.
- **Strong pipeline/balance sheet headroom to propel growth:** Improved demand momentum, regulatory breakthroughs in MMR with respect to society redevelopment projects, and strategic changes to its township project led to a 36% CAGR in pre-sales during FY21-23. The company now has a robust project pipeline and ample balance sheet capacity to target new projects and maintain growth. It aims to achieve a pre-sales CAGR of 25% in the medium term.
- **Profitability and cash flows – the key focus areas:** KPDL's past track record indicates that future growth will be underpinned by profitability and cash flows. Based on the NPV method, we arrive at a value of INR700, indicating a 34% upside potential. We initiate coverage on the stock with a BUY rating.
- **Key risks:** 1) inability to add new projects as intended, and 2) slowdown in demand.

## Delivers 36% pre-sales CAGR over FY21-23 following a stagnant decade

During FY12-21, KPDL's bookings remained stagnant at INR12-13b, with pre-sales volume sustaining at 2.0-2.5msf, barring a few good years (FY12/FY15/FY19). However, the emergence of multiple growth levers, such as: a) improved demand sentiment post-Covid, b) scale-up in launches of society redevelopment projects in MMR, and c) adoption of a multi-product strategy in its township project 'Life Republic' (that led to a higher contribution from Pune), resulted in a 36% pre-sales CAGR, reaching a record INR22b over FY21-23.

## Priority launches to sustain the near-term growth momentum

As of Dec'23, KPDL has a project pipeline of 33msf that includes 3.5msf of ongoing inventory, 11.5msf of upcoming projects, and 18msf of future pipeline. At the onset of FY23, management guided for priority launches of 11msf over FY23-25, which increased to 19msf as of Dec'23. Of this, the company launched 7msf until Dec'23 leaving a balance of 11msf (GDV potential of INR90b) to be launched through remainder of FY24 and FY25. Hence, we expect KPDL to deliver a 22% CAGR in pre-sales over FY24-26 to INR45b. Targeted project additions over the next 6-9 months can enable the company to sustain a healthy ~30-35% CAGR over the next two years.

**Robust cash flows and healthy balance sheet to entail intensified BD spends**

Historically, KPDL has laid utmost focus on cash flows along with revenue growth, which resulted in a steady stream of post-tax OCF of INR4-5b over the last four years. With the scale-up in operations, we expect post-tax OCF to double to INR8b by FY26, leading to cumulative cash flows of INR18b through FY24-26. Further, the net cash position as of Dec'23 also provides comfort and ample headroom to capitalize on future growth opportunities. While the company has been vocal about its aggressive project addition strategy, it is finally taking shape as it has acquired ~6msf of projects with a revenue potential of INR54b (equally split between Pune and MMR) over the last 18 months, with an additional INR40b worth of projects to be acquired over next six-to-nine months. KPDL intends to keep the business development momentum intact for at least the next two years, aiming to spend INR5-6b annually to sustain growth. Investments on new projects will largely be executed through internal accruals, keeping the balance sheet position healthy with D/E ratio sustaining at 0.15x of equity.

**Profitability to improve with a lag; expect KPDL to report 21% EBITDA CAGR over FY23-26**

KPDL reported an average gross margin of ~40%, leading to an EBITDA margin of ~26% over a period of FY13-20. However, high commodity inflation during FY21-22 impacted the cost economics adversely, leading to a contraction in gross margin to ~28% over FY21-24. We expect gross margin to recover to 34% by FY26, as the impact of 9% CAGR in realization over FY21-23 will be realized in P&L with a lag. As a result, EBITDA margin is likely to improve to 17% in FY26 from 9% in FY24, leading to a 21% CAGR in EBITDA over FY23-26E. PAT margin is also likely to recover to 8% in FY26E, resulting in a PAT of INR1.6b and a RoE of 14%, similar to what the company clocked in FY18.

**Valuation and view: Initiate coverage with a BUY rating and a TP of INR700**

- After a decade of muted performance, KPDL is witnessing a strong growth in pre-sales as bookings reported 36% CAGR over FY21-23. Given its strong pipeline, we believe the company can maintain 25% CAGR in pre-sales at least for the next two years with further room for growth from new project additions.
- While sustainability of growth beyond that level depends on its ability to close new project additions, the pick-up in pace of BD activity in the last 18 months as well as strong balance sheet should enable KPDL to focus on project acquisitions. Its past track record of steady margins and cash flows also implies that growth will be underpinned by profitability and execution.
- We value the existing pipeline and targeted project additions of KPDL in FY24 based on an NPV basis to arrive at a fair value of INR700, indicating potential upside of 34%. **We initiate coverage on the stock with a BUY rating.**
- **Key downside risks:** 1) inability to add new projects as intended will hurt future growth; and 2) any slowdown in demand momentum will lead to a reduction in our pre-sales estimates and also a reduction in spending on new project additions.



# MCX

BSE SENSEX  
74,684

S&P CNX  
22,643

**CMP: INR3,732 TP: INR4,300 (+15%) Upgrade to BUY**



### Stock Info

	MCX IN
Bloomberg	
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	190.3 / 2.3
52-Week Range (INR)	3990 / 1285
1, 6, 12 Rel. Per (%)	3/63/121
12M Avg Val (INR M)	2086
Free float (%)	100.0

### Financials Snapshot (INR b)

Year End	2024E	2025E	2026E
Sales	7.1	9.6	11.6
EBIT margin (%)	5.8	55.7	58.6
PAT	0.9	4.8	6.0
EPS (INR)	17.8	95.0	117.9
EPS Gr. (%)	-38.9	432.6	24.1
BV/Sh. (INR)	293.6	312.6	336.2

### Ratio

RoE (%)	6.1	31.3	36.3
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### Valuations

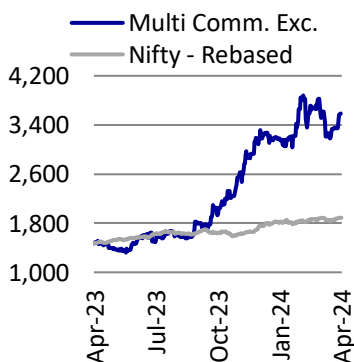
P/E (x)	209.1	39.3	31.6
P/BV (x)	12.7	11.9	11.1
Div Yld (%)	0.9	0.9	0.9

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	0.0	0.0	0.0
DII	53.0	56.4	52.8
FII	26.8	25.5	26.0
Others	20.2	19.9	21.2

FII Includes depository receipts

### Stock performance (one-year)



## New products to be the key growth drivers

- MCX will be looking to grow volumes driven by new products, such as Steel Bar (launched), Gold Serial contracts, and Power contracts. Once the future volumes on these products exceed the threshold of INR8-10b (one-year average ADTO) options, contracts will also be launched.
- Retail participation in the Indian commodities market (1.4m UCCs) is low when compared to equity market participation (40m NSE active clients). Strong technology-based offerings from discount brokers, along with lower ticket-size contracts from MCX, can improve the participation significantly.
- FPIs, last year, received approval from the regulator to invest in cash-settled commodities. In a follow-up to the same, MCX has launched its direct market access (DMA) facility for Category-I FPIs. Once the same is available to Category –II FPIs, we believe, the volume momentum will pick up notably.
- Regulatory measures, such as interoperability of margins between stock exchanges and commodity exchanges, allowing partial withdrawal of SGF or determining clients' margin requirements on net positions, if implemented, have the potential to further boost volumes.
- With all the aforementioned factors and high volatility persisting in the energy basket, we expect ADTV in the options segment to increase to INR1.5t in FY25 from ~INR940b in FY24 (4QFY24 ADTV was at INR1.2t). Our sensitivity analysis yields ~7% rise in EPS for every INR100b additional ADTV in the options segment.
- Upon completing the successful software transition to TCS software, cost savings will be realized. This will lead to a marked improvement in profitability.
- MCX was embroiled in a software transition from 63moons to TCS over the past couple of years. With the completion of this transition, the management's primary focus is now directed towards scaling up the business.
- We expect MCX to deliver an FY24-26 revenue/EBITDA/PAT CAGR of 28%/205%/157%, fueled by a 47% CAGR in options volumes. We upgrade the stock to BUY from Neutral with a TP of INR4,300 (premised on 36x FY26E EPS).

## New products and variations to existing ones to be the key drivers

- Currently, about 90% of the volumes in the options segment are from crude oil and natural gas. Going forward, MCX plans to launch smaller contracts and weekly expiry products (serial contracts – monthly contracts with expiry every week) in the bullion segment, which could provide a significant improvement in volumes.
- The company has recently launched Steel TMT bar contracts. This can be a large volume originator for MCX over the medium term, as the participation will be from SMEs. Further, the product has the widest participation among all steel products in India.
- MCX has applied for power future contracts, which are unavailable in the market at present. The approval for these contracts rests with the SEBI and CERC. These will be cash-settled contracts, and considering the interest from private companies looking to sell their surplus captive power generation, there is substantial potential for these contracts.

- Additionally, MCX has plans to launch mini contracts on other metal products, such as copper and nickel, which can boost 'futures' volumes.

#### **Regulatory measures to provide further stimulus**

- Equity markets have interoperability of margins between the exchanges. However, the same margins cannot be utilized to trade or invest on MCX. If the regulator approves the same, brokers can help customers trade in commodities without the requirement of moving margins.
- In the equity segment, clients' margins are computed based on net positions. However, in the commodities market, margins are computed on a gross basis. Rectifying this difference is crucial for scaling up volumes in the commodities market.
- Faster approvals for new products and variants of existing products can reduce the lead time for MCX.

#### **Retail participation has significant headroom for growth**

- MCX currently has ~1.4m UCCs vs. 40m active clients and a unique PAN count of 90m. This leaves a significant room for penetration of commodities in the retail segment.
- While a few of the enablers for equity participation, such as discount broker platforms and reasonable trading costs, exist for the commodities segment as well, the aforementioned regulatory moves will further pave the way.
- Additionally, new product launches that will have lower ticket sizes, such as the crude oil and natural gas mini options or serial contracts in the bullion segment, will enhance the segment's attractiveness.

#### **FPI participation to improve with the DMA launch**

- During FY23, FPIs obtained regulatory approval to participate in cash-settled commodities. However, the business has not scaled up materially, owing to the software transition issue and the absence of DMA.
- With the software transition now behind for MCX, FPIs have started investing in building software tools for them to trade on the new trading platform. Additionally, MCX has successfully tested and launched its DMA offering in the markets.
- The launch was initially for category-I FPIs. The offering for category-II FPIs is expected in the near term.
- The key target audience for FPIs would be high-frequency traders and FPIs with exposure to commodities in Indian currency.

#### **Software transition: Better late than never**

- Over the past couple of years, MCX has been embroiled in transitioning its core operating software from 63Moons to TCS. This transition impeded the launch of new products and demanded extensive management attention. Additionally, due to the necessity of extending the contract with 63moons thrice, MCX's costs escalated significantly.
- As of Oct'23, the company successfully completed its transition and the software has been operating smoothly. This is evidenced by the significant increase in volumes to pre-transition levels.

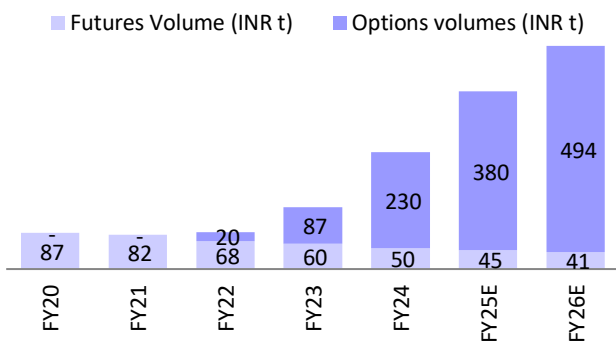
- At current volumes, we expect the costs (AMC + depreciation) to be lower than the normalized run-rate in the pre-transition phase. Further, there would be no AMC costs until 2QFY25.

**Valuation and view – Upgrade to BUY**

- We expect MCX to deliver a revenue/EBITDA/PAT CAGR of 28%/205%/157% over FY24-26, led by a 47% CAGR in options volumes. We highlight several near-to medium-term drivers of volume growth: 1) new product launches – futures & options (shorter duration contracts); 2) continued volatility in key commodity prices (gold, crude oil & natural gas) amid global uncertainties; and 3) a rise in retail participation in the options market. We expect no impact from competition on MCX's volumes, as similar products are currently available on other exchanges. With the technology overhang behind MCX, and near-term potential drivers in place, we see meaningful re-rating potential. **We upgrade the stock to BUY (from Neutral) with a TP of INR4,300 (based on 36x FY26E EPS).**

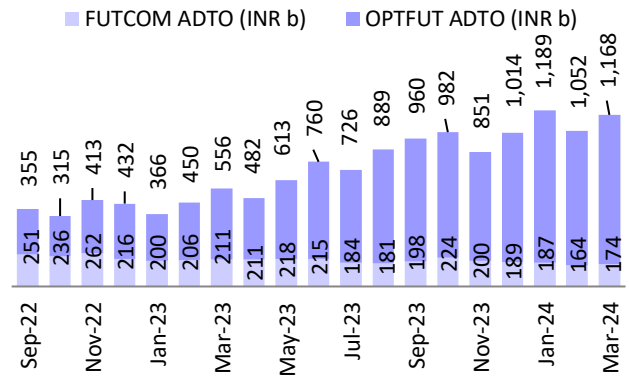
**Key exhibits**

**Options volume will continue to increase...**



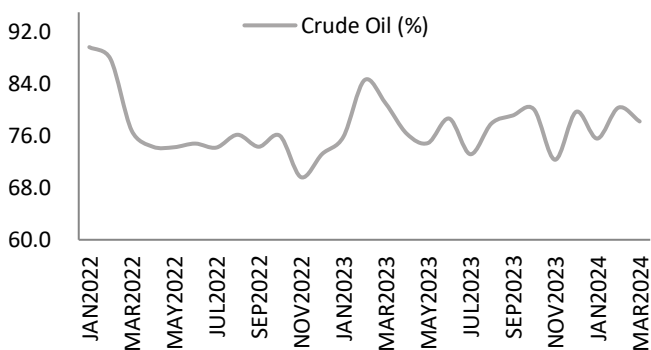
Source: MOFSL, Company

**...as suggested by the recent monthly trends**



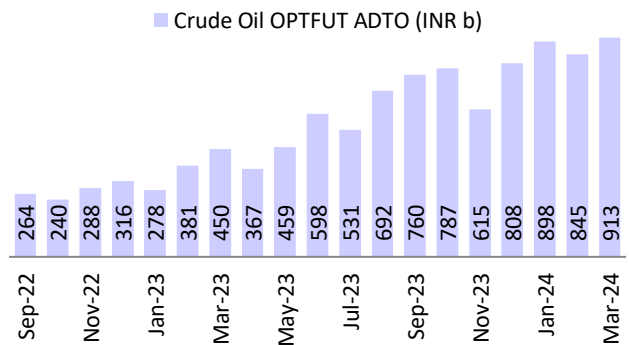
Source: MOFSL, Company

**Crude oil forms the highest share as a % of option volumes...**



Source: MOFSL, Company

**...as crude ADTO continues to surge**



Source: MOFSL, Company



### **ONDC : Mobility contribution is down from 95% last april to about 50% now; T Koshy, MD**

- we had committed to 50 lk transactions when we started, have reached 50 m now
- Target is 10x volumes in a month, of what we have done in last 11 months
- Farmers are selling products worth crores directly from the ONDC network
- From 8 m transaction, aiming to do 50 m transaction a month by end of this year

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### **JSW Energy : Aims for 2030 EBITDA and profits targets earlier than previously envisaged; Sharad Mahendra, MD**

- QIP is the largest fund raise in the last 10 years in the power sector, got 3.2x response
- Will reach 2030 capacity addition target of 20GW earlier than previously envisaged
- Net debt of over Rs 26,000 cr at end of December
- India intends to add almost 88 GW of thermal capacity by early 2032

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### **KEI Industries : Incremental revenue Rs1,000-1,050 cr form newer capacities; Anil Gupta, CMD**

- Dealers stocking up on inventory, bought 15-20% extra given expected price rise
- EHV revenue is peaking , revenue can peak at Rs700cr
- Silvassa should operate at 70-80% Rajasthan facility to ramp up to 50%
- Incremental Revenue Rs1,000 -1,050 cr from newer capacity
- Exports likely to grow substantially in FY25 VS FY24

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### **Ajmera Realty & Infra : Majority projects from Mumbai and Bangalore; Dhaval Ajmera, Director**

- FY25 Guidance; Topline of Rs 3,000 cr in this year
- Sold 2-3 projects this year; will be completed this financial year
- Infra push is leading to an increase in revenue, demand, margin growth
- The peripheral areas of mumbai are more aspirational

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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