Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,904	-0.1	2.3
Nifty-50	22,453	0.0	3.3
Nifty-M 100	49,479	1.2	7.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,206	-0.7	9.1
Nasdaq	16,240	-1.0	8.2
FTSE 100	7,935	-0.2	2.6
DAX	18,283	-1.1	9.1
Hang Seng	5,961	2.6	3.3
Nikkei 225	39,839	0.1	19.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	90	3.3	15.8
Gold ($/OZ)	2,281	1.3	10.6
Cu (US$/MT)	8,888	1.4	5.0
Almn (US$/MT)	2,338	1.9	-0.3
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.4	0.0	0.2
USD/EUR	1.1	0.3	-2.4
USD/JPY	151.6	-0.1	7.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	0.06	-0.1
10 Yrs AAA Corp	7.6	0.04	-0.2
Flows (USD b)	**2-Apr**	**MTD**	**CYTD**
FIIs	-0.2	6.83	1.4
DIIs	0.23	1.79	13.2
Volumes (INRb)	**2-Apr**	**MTD***	**YTD***
Cash	1,074	987	1189
F&O	3,99,759	3,06,026	3,95,073

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Prestige Estates: Growth visibility intact across segments

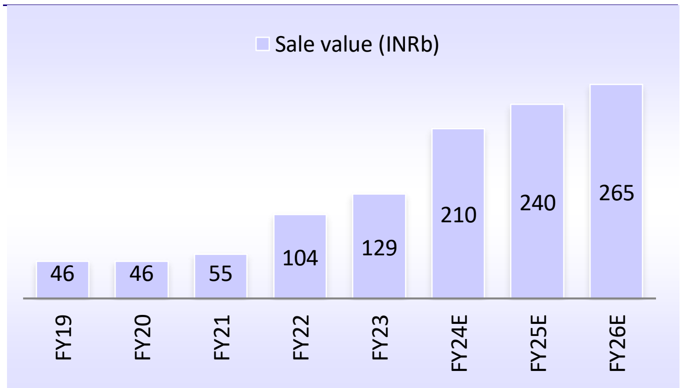
- PEPL reported bookings of INR163b in 9MFY24, up 81% YoY and is on track to achieve its revised presales guidance of INR200b in FY24. Till now contribution from NCR, Pune, and Chennai remained negligible but we expect this to change soon as the company has built a healthy pipeline in these markets and is targeting to launch a few projects in FY25.
- Annualized OCF run-rate has risen to INR60b and will further increase to INR95b by FY26. Given the continued spend on land and capex investments, we expect net debt to increase by INR20-25b through FY25 and peak out at INR90-95b.
- PEPL has entered into a residential platform deal where ADIA and Kotak AIF will invest INR20b in the company's upcoming residential projects. This coupled with gradual increase in annuity income and management's plans to monetize its hospitality portfolio should keep the leverage in check.

Research covered

Cos/Sector	Key Highlights
Prestige Estates	Growth visibility intact across segments
APL Apollo Tubes	Navigating market challenges
Bulls & Bears	Nifty scales a new peak; highest DII inflows since Apr'20
Financials	CRISIL Ratings Roundup 2HFY24
Retail	Retailers witnessing subdued demand
Mahindra Finance	Mar'24 disbursements grew 9% YoY; asset quality improved QoQ
V-Mart Retail	4QFY24 pre-quarter update

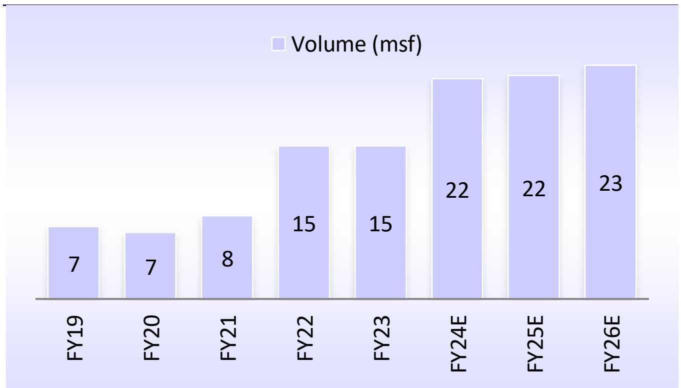
Chart of the Day: Prestige Estates (Growth visibility intact across segments)

Expects sales to grow to INR265b by FY26E…



Source: Company, MOFSL

…with steady volumes



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

World Bank raises India's FY25 growth projection to 6.6%; pegs FY24 GDP at 7.5%

Growth in South Asia is projected at 6.0–6.1 percent in 2024–25, stronger than in other emerging market and developing economies, largely due to robust economic activity in India.

2

Hinduja Group's IIHL in talks to acquire majority stake in Invesco AMC

Sundaram MF-Principal MF, HSBC AMC-L&T MF and Bandhan-led consortium acquiring IDFC MF are some of the transactions in the sector over the past few years.

3

UltraTech Cement to invest Rs 32,400 cr towards capex in next 3 years; commissions 2 new plants

Over the past two decades, UltraTech has grown 11 times, far outpacing the industry growth of 4 times, the company said

4

F&O update: NSE revises lot size of Nifty 50 contracts, two others

The first monthly expiry contract with the revised lot size will expire on May 30 for the Nifty 50 index, while the first weekly expiry contract with revised lot size will expire on May 2, the NSE said

5

Domestic air traffic may touch 153.4 million in 2023-24: CAPA India

In 2023-24, Mumbai expects 153.4M domestic passengers, with international traffic of 70M. CAPA India revised figures in October 2023. India's aviation market shows rapid growth.

6

Q4FY24 Biz Update: Silver shines for Hindustan Zinc with production at 6.1 moz, mined and refined zinc posts healthy growth

Hindustan Zinc recorded saleable silver production at 6.1 moz, up 2 per cent on-year as against 5.9 moz during the same quarter last year, on account of WIP depletion in the current quarter.

7

PepsiCo ups manufacturing spends as Coke steps on gas

Lines up Rs 1,266 cr investment for new MP plant; second such in seven months

2 April 2024

Company Update | Sector: Real estate

Prestige Estates

BSE SENSEX	S&P CNX
73,904	22,453

Bloomberg	PEPL IN
Equity Shares (m)	401
M.Cap.(INRb)/(USDb)	526.6 / 6.3
52-Week Range (INR)	1440 / 405
1, 6, 12 Rel. Per (%)	8/104/196
12M Avg Val (INR M)	888
Free float (%)	34.5

Financials & Valuations (INR b)

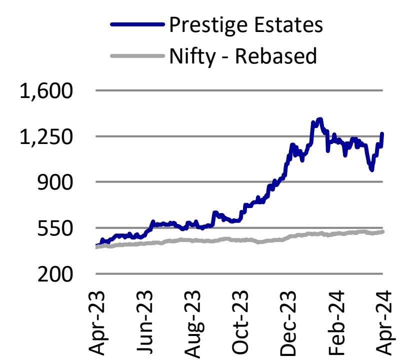
Y/E March	FY24E	FY25E	FY26E
Sales	79.6	104.2	114.3
EBITDA	23.1	27.9	31.8
EBITDA Margin (%)	29.0	26.8	27.8
Adj PAT	7.7	7.9	9.9
Cons. EPS (INR)	20.6	21.1	26.5
EPS Growth (%)	102.2	51.5	122.1
BV/Share (INR)	302.5	322.0	346.9
Ratios			
Net D:E	0.7	0.8	0.7
RoE (%)	7.2	6.8	7.9
RoCE (%)	9.6	8.2	8.8
Payout (%)	4.2	7.6	6.1
Valuations			
P/E (x)	63.5	61.8	49.4
P/BV (x)	4.3	4.1	3.8
EV/EBITDA (x)	23.0	19.4	17.1
Div. yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	65.5	65.5	65.5
DII	13.2	12.8	9.4
FII	18.1	19.5	22.2
Others	3.3	2.6	2.9

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR1,314 **TP: INR1,535 (+17%)** **Buy**

Growth visibility intact across segments

Monetization of hospitality portfolio and platform deal to reduce burden on leverage

Expansion in new markets to sustain pre-sales growth momentum

- PEPL reported bookings of INR163b in 9MFY24, up 81% YoY and surpassed its initial full-year guidance of INR160b. With INR160b of ongoing project inventory as of Dec'23, the company is on track to achieve its revised pre-sales guidance of INR200b in FY24.
- While laying out the roadmap to achieve INR250b of pre-sales by FY26, the company highlighted six key markets (Bengaluru, MMR, Hyderabad, NCR, Pune, and Chennai) that would play a vital role in reaching the target.
- Since then, it has scaled up to its target in Bengaluru and made successful foray into Mumbai and Hyderabad, but contribution from other three markets remain negligible. We expect this to change soon as the company has built a healthy pipeline in Chennai and NCR and is targeting to launch a few projects in FY25.
- In NCR, the recent large acquisition along with two upcoming projects (1 each in Noida and Delhi) has a combined revenue potential of INR140b and can act as a strong growth lever for the company. Similarly, PEPL has 6msf of pipeline across two projects in Chennai and as indicated in 3QFY24 call, it is at an advanced stage of acquiring a large project in Pune.
- Prestige's overall project pipeline stands at INR700b (including inventory at its existing projects) and can enable it to sustain its strong growth momentum in the near term. We expect PEPL's pre-sales to rise to INR260b by FY26 at a CAGR of 15% over FY24-26E.

Rental portfolio: Mumbai assets shaping up well

- PEPL currently has 11msf of operational office and retail portfolio with a total rental potential of INR4.3b. In FY24, the company is slated to deliver 8msf of office assets (3.6msf delivered in 3Q), which will scale up the exit rentals to INR7b at PEPL's share.
- With 21msf of ongoing office and retail projects and additional 23msf of upcoming projects, rental income is expected to rise to INR38b once these projects are delivered by the end of FY28.
- PEPL has a balance capex outlay of INR137b to be spent on above projects over the next four years, indicating an annual cash outlay of INR30-35b.
- The success of the company's expansion strategy hinges on leasing its two large office assets in Mumbai, which have the potential to generate a rent of INR20b. While we remain confident of healthy leasing traction for its BKC asset (3.8msf), we were concerned about the same for its Mahalaxmi asset due to traffic congestion leading to access issues.
- However, the recent opening of the first phase of Coastal Road project has led to the diversion of traffic and reduced congestion on the key access road leading to the project. Additionally, both projects will benefit from direct access to nearby metro stations via an underground tunnel.

PEPL to start generating positive FCF from FY26

- In 9MFY24, PEPL generated OCF of INR37b and spent INR53b in new land investments, capex and interest costs leading to net debt increasing by 15b to INR70b as of Dec'23.
- Annualized OCF run-rate has risen to INR60b and with further scale-up in the residential and commercial segment, we expect it to increase to over INR95b by FY26, which will be sufficient to meet its INR80-85b worth of investment in land and capex.
- Thus, we expect net debt to increase by INR20-25b through FY25 and peak out at INR90-95b, resulting in net debt-to-equity of 0.7x, which should not be a concern for the company operating at such scale.

Platform deal with ADIA and Kotak AIF can further release cash flow burden

- PEPL has announced that it has entered into a residential platform deal where Abu Dhabi Investment authority (ADIA) and Kotak AIF will invest INR20b in the company's upcoming residential projects.
- Investment will be utilized for development of four greenfield projects already identified from PEPL's upcoming residential pipeline and are located at Bengaluru, MMR, NCR and Goa. These projects have development potential of 14msf with estimated top-line of INR180b
- The investments will be made through project level optionally convertible debentures (OCDs) and will take care of early stage approvals related investments for the company thereby reducing the cash flow burden and limiting the rise in leverage.

Monetizing hospitality portfolio can lead to value unlocking

- PEPL currently operates ~1,500 keys of hospitality portfolio, which is set to double over the next three to four years. Once stabilized, the segment can generate revenue of INR18b (PEPL share) vs. INR9b currently.
- As highlighted in 3QFY24 results call, the management is currently evaluating to monetize its hospitality portfolio, which will lead to some value unlocking. Moreover, the move can also knock off INR9b of gross debt from its books and alleviate some of the cash flow stress associated with the INR17b balance capex in the hospitality segment.

Valuation and view

- The recent land acquisition in NCR has further strengthened the project portfolio. We believe that as the company provides further growth visibility on its residential segment through the expansion of its project pipeline and advances on its key commercial projects, further value accretion is imminent.
- While leverage has always remained a key investor concern, the recent scale-up in its residential and commercial segment and the company's plans to monetize its hospitality portfolio has put those concerns to rest.
- We reiterate our BUY rating on the stock with an increased TP of INR1,535, indicating a 17% upside potential.

APL Apollo Tubes

BSE SENSEX	S&P CNX
73,904	22,453

APLAPOLLO Tubes for every reason

Bloomberg	APAT IN
Equity Shares (m)	277
M.Cap.(INRb)/(USDb)	437 / 5.2
52-Week Range (INR)	1806 / 1047
1, 6, 12 Rel. Per (%)	2/-17/1
12M Avg Val (INR M)	1358

Financials & Valuations (INR b)

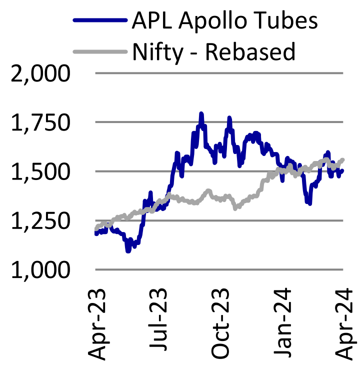
Y/E Mar	FY24E	FY25E	FY26E
Sales	175.6	226.5	285.4
EBITDA	12.3	17.3	22.8
PAT	7.6	11.5	15.8
EBITDA (%)	7.0	7.6	8.0
EPS (INR)	27.3	41.4	57.0
EPS Gr. (%)	18.1	51.5	37.6
BV/Sh. (INR)	130.7	166.1	217.1
Ratios			
Net D/E	0.1	-0.1	-0.3
RoE (%)	22.9	27.9	29.7
RoCE (%)	20.1	25.3	28.8
Payout (%)	18.3	14.5	10.5
Valuations			
P/E (x)	57.2	37.8	27.4
EV/EBITDA (x)	35.6	24.7	18.2
Div Yield (%)	0.3	0.4	0.4
FCF Yield (%)	1.0	2.4	3.3

Shareholding pattern (%)

As on	Dec-23	Sep-23	Dec-22
Promoter	29.6	29.7	31.2
DII	13.8	12.7	10.4
FII	29.3	28.7	24.3
Others	27.4	31.6	34.1

Note: FII includes depository receipts

Stock's performance (one-year)



CMP: INR1,575 TP:1,800 INR (+14%) Buy

Navigating market challenges

APL Apollo Tubes (APAT) ended FY24 with a healthy sales volume growth of ~15% YoY, despite the relatively subdued volume growth of just 2% YoY in 2HFY24. In this report, we have highlighted the current demand trend in the domestic structural tubes industry based on our channel checks. We have also underscored the company's strategy to foray into various international geographies.

- **Based on our channel checks, we anticipate that the overall demand scenario will continue to remain weak due to a slowdown in construction activity. The demand is likely to weaken further during the general election period owing to a delay in government projects and infrastructure spending.**
- **A majority of the dealers are operating with minimum inventory levels in anticipation of weak demand and due to the high cost of holding.**
- **We expect demand to recover strongly post-general elections (from 2QFY25) aided by the resumption of infrastructure spending and restocking of inventory by the dealers.**
- **In addition, APAT will capitalize on the significant global opportunity in the longer run to maintain its high growth momentum. Accordingly, it has recently commissioned its manufacturing plant in Dubai and plans to open warehouses in four key cities around the globe (Liverpool, Melbourne, Antwerp, and Houston).**
- **With these, the company is establishing its footprint in the global market to seize the opportunity. Going forward, international sales will be one of the key growth drivers for the company.**
- **Considering the weak sales volume in 2HFY24 and the muted demand outlook in the near term, we cut our FY24E EPS by 5%. Consequently, we reduce our FY25/ FY26 EPS estimates marginally by 4% each. We value the stock at 32x FY26E EPS to arrive at our TP of INR1,800. Reiterate BUY.**

Near-term pain likely; long-term growth trajectory remains intact

- APAT ended FY24 with a healthy volume growth of 15% YoY to ~26.2MTPA, despite the relatively subdued volume growth of just 2% YoY in 2HFY24, which was affected by channel destocking in 3Q and persistent demand weakness in 4Q.
- Sales volume was flat in 3QFY24 owing to channel destocking on account of the likely steel price correction (down 12% from the peak level) and weak retail sales within the construction industry. Further, sales volume inched up only 4% YoY in 4QFY24 as the unfavorable demand scenario continues.
- However, with the ramping up of the Raipur plant, the share of value-added products has been improving (~59% in 2HFY24 vs. ~56% in 1HFY24).
- We recently conducted channel checks with dealers across India, covering the key markets of Maharashtra, Delhi NCR, Chhattisgarh, and Tamil Nadu, et al.
- We anticipate that the overall demand scenario will continue to remain weak due to a slowdown in construction activity. The demand is likely to weaken further during the general election period owing to a delay in government projects and infrastructure spending (refer to Exhibit 3).

- Accordingly, most of the dealers are operating with minimum inventory levels in anticipation of weak demand. Further, high interest costs make it unviable to carry higher inventory due to the high cost of holding.
- However, we expect demand to recover strongly post-general elections (from 2QFY25) aided by the resumption of infrastructure spending and restocking of inventory by the dealers.
- Further, with the commissioning of the Kolkata plant in FY25E and the ramping up of the newly commissioned Dubai and Raipur plants, we expect APAT to post a strong comeback in 2HFY25 with robust volume growth and improved EBITDA/MT (led by a higher share of value-added products).
- Thus, while the near-term pain for APAT is likely to persist (in 1QFY25), the long-term growth trajectory remains intact (expect 27%/ 36% revenue/ EBITDA CAGR over FY24-26).

Tapping global opportunities to sustain the growth momentum

- APAT is a leader in the Indian structural tubes market with a market share of ~55%. The Indian structural tubes market was ~7.7MMT in CY23, and it is likely to reach ~17.3MMT by CY30, clocking ~12% CAGR over the period.
- Moreover, the HR coil-based structural tubes market is expected to reach ~13.3MMT by CY30 (vs. ~4.1MMT in CY23), clocking ~18% CAGR over CY23-30E.
- However, the global opportunity is massive. According to the 'Expert Market Research', the global steel market size was about 1,800MMT as of CY22. Considering that the global structural steel market accounts for about 9% of the total steel market, the global structural steel market stands at around 162MMT (~21 times the size of the domestic market).
- Accordingly, the company has recently commissioned (Dec'23) its manufacturing plant in Dubai (capacity of ~0.3 MMT; to be expanded to ~0.5MMT) and has set up a full-fledged team within the region, in order to cater to the rising demand in the Middle East.
- In addition, the company has highlighted its plan to open warehouses in four key cities around the globe (Liverpool, Melbourne, Antwerp, and Houston). APAT is strengthening its export department considerably to have a significant presence across the globe.
- In the longer run, the company expects its international sales to surpass 1MMT (~0.5MMT from the Dubai plant and 0.5MMT of exports from India), accounting for ~20% of the total sales volume (vs. ~2% in FY23).
- Therefore, going forward, international sales will be one of the key growth drivers for the company.

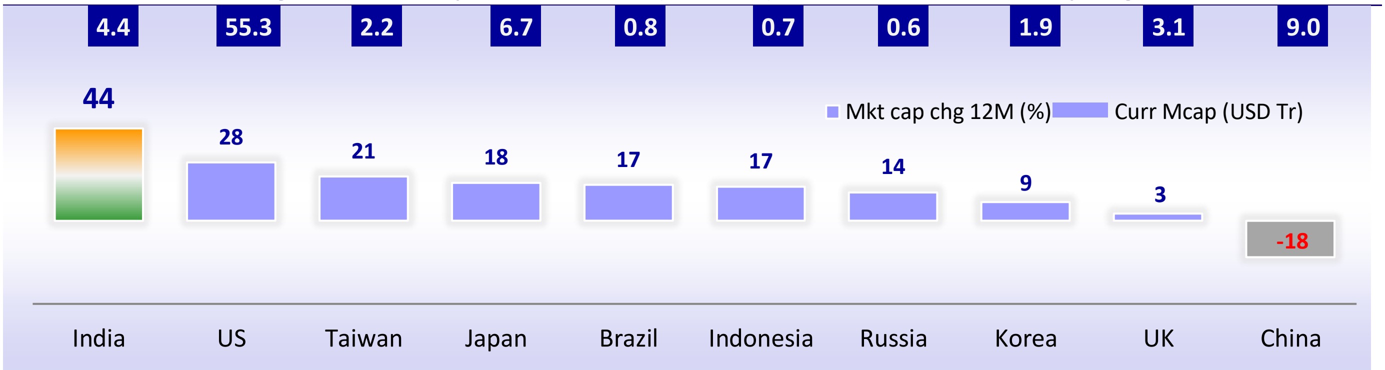
Valuation and view

- APAT is likely to witness near-term pain on account of an unfavorable demand scenario. Although, we believe it will bounce back strongly after the general elections aided by the resumption of infrastructure spending and restocking of inventory by the dealers.
- On a longer term, we believe APAT would sustain its earnings momentum on the back of: 1) growing demand across segments, 2) increased product penetration with a robust distribution network, 3) rapid capacity expansion, 4) an increase in the share of VAP, thus driving margins, and 5) its market leadership.
- We expect APAT to report a revenue/EBITDA/PAT CAGR of 27%/36%/44% over FY24-26. Considering the weak sales volume in 2HFY24 and the muted demand outlook in the near term, we cut our FY24E EPS by 5%. Consequently, we reduce our FY25/FY26 EPS estimates marginally by 4% each. We value the stock at 32x FY26E EPS to arrive at our TP of INR1,800. **Reiterate BUY.**

Strategy: Nifty scales a new peak; highest DII inflows since Apr'20

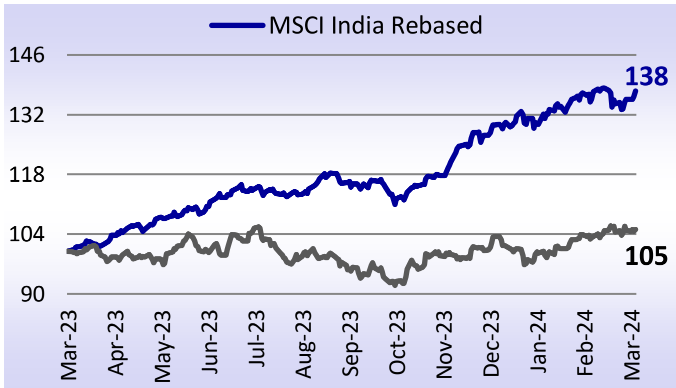
- **Nifty rebounds and closes above 22k in Mar'24:** The Nifty touched a fresh high of 22,527 in Mar'24 and ended 1.6% higher MoM at 22,327. The index has closed higher for the second successive month. Notably, the index was extremely volatile and swung around 816 points before closing 344 points higher. The Nifty is up 2.7% in CY24YTD. During the last 12 months, midcaps and smallcaps have gained 60% and 70%, respectively, while largecaps have risen 29% only. During the last five years, midcaps have outperformed largecaps by 71%, while smallcaps have outperformed largecaps by 37%.
- **Highest DII inflows since Apr'20; strong FII inflows:** DIIs recorded the eighth consecutive month of inflows in Mar'24 at USD6.8b, the highest since Apr'20. FIIs too recorded strong inflows of USD4b in Mar'24. FII inflows into Indian equities stand at USD1.4b in CY24YTD vs. inflows of USD21.4b in CY23. DII inflows into equities in CY24YTD continue to be strong at USD13.1b vs. USD22.3b in CY23.
- **Breadth favorable in Mar'24:** Among the sectors, Capital Goods (+6%), Automobiles (+5%), Metals (+4%), Infrastructure (+3%), and Private Banks (+2%) were the top gainers, whereas Media (-12%), Technology (-7%), and Real Estate (-1%) were the key laggards. Bajaj Auto (+16%), Maruti Suzuki (+12%), Bajaj Finance (+12%), Hindalco (+11%), and Tata Steel (+11%) were the top performers, while Infosys (-11%), Tata Consumer (-8%), Wipro (-7%), HCL Tech (-7%), and LTIMindtree (-7%) were the key laggards.
- **Major economies end higher in Mar'24:** Barring Brazil (-1%), Indonesia (-0.4%), and China (flat MoM), key global markets such as Taiwan (+6%), the UK (+4%), Korea (+4%), the US (+3%), Japan (+3%), Russia MICEX (+2%), MSCI EM (+2%), and India (+2%) closed higher in local currency terms in Mar'24. Over the last 12 months, the MSCI India Index (+38%) has significantly outperformed the MSCI EM Index (+5%). Over the last 10 years, the MSCI India Index has notably outperformed the MSCI EM index by 205%.
- **Economy - Corporate investments grow slowly in 9MFY24:** For the fifth consecutive quarter in 3QFY24, real investments in India grew much faster than consumption. After 6.9% growth in FY23, real investments jumped 12.2%/10.1% YoY in 3Q/9MFY24, much higher than 2.7%/3.6% YoY growth in real consumption (private + government). However, it is important to note that the (nominal) investments stood at 33.2% of GDP in 9MFY24, compared to 32.6% of GDP in 9MFY23, and the highest in the corresponding period of the past nine years. Read our regular report that tracks India's capex/investment trend and its key drivers.
- **Our view:** India is currently enjoying the confluence of the best macro and micro tailwinds, such as moderating inflation prints, range-bound crude prices, easing 10-year G-sec yield, stable currency, and resilient corporate earnings. Markets, in the near term, will take cues from: 1) the outcome of the Lok Sabha elections to be held in Apr/May'24, and 2) the timing and quantum of easing in the interest rate cycle, both globally and in India. The Nifty is trading at a 12-month forward P/E ratio of 19.4x, which is largely in line with its long-period average (LPA) of 20.3x even as broader markets trade at expensive valuations (the NSE Midcap 100 index trading at ~46% premium to Nifty). We prefer PSU Banks, Industrials (Capital Goods and Cement), Real Estate, Consumer Discretionary, and NBFCs, while we are UW on IT and Metals. We have recently upgraded Energy to Neutral and downgraded Auto and Pharma to Neutral in our model portfolio.
- **Top ideas:** Largecaps – L&T, SBI, ICICI Bank, Coal India, Titan, M&M, GAIL, ITC, HCL Tech, Cipla, Zomato; Midcaps and Smallcaps – Indian Hotels, Godrej Properties, Sobha Developers, Dalmia Bharat, IIFL Finance, Cello World, PNB Housing, Lemon Tree, and Global Health.

Over the last 12 months, global market cap increased 14.4% (USD14.7t), whereas India's market cap surged 44.5%



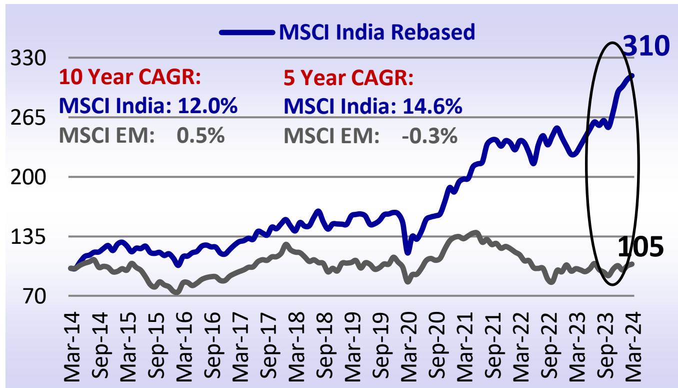
Source: MOFSL, F&S Report

Performance of MSCI EM vs. MSCI India over the last 12 months



Source: MOFSL, F&S Report

MSCI India outperforms MSCI EM by 205% over the last 10 years



Source: MOFSL, F&S Report

Exhibit 1: Sector valuations at a glance

Sector	PE (x)			PE Std. Deviation		Relative to Nifty P/E (%)		PB (x)			PB Std. Deviation		Relative to Nifty P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	+1SD	-1SD	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	+1SD	-1SD	Current	10 Yr Avg
Auto	23.7	27.0	-12.5	36.4	17.7	22	32	4.6	3.4	34.8	3.9	2.9	44	23
Banks - Private	14.6	21.0	-30.5	26.4	15.5	-25	2	2.3	2.5	-10.5	2.8	2.2	-29	-8
Banks - PSU	7.8	10.4	-25.1	41.0	-20.2	-60	-52	1.3	0.8	54.9	1.0	0.7	-59	-70
NBFC	15.7	16.9	-7.4	20.0	13.9	-19	-17	2.4	2.3	4.7	2.7	1.9	-24	-17
Capital Goods	44.6	30.8	44.5	37.1	24.6	129	53	7.9	3.2	147.8	4.2	2.1	148	14
Cement	30.2	26.8	12.9	31.8	21.7	56	33	3.3	2.8	18.8	3.2	2.4	4	0
Consumer	43.3	40.6	6.7	44.2	37.0	123	101	11.2	10.2	9.8	11.0	9.4	252	269
Consumer Ex ITC	52.5	50.1	4.8	57.2	42.9	170	148	12.7	13.1	-3.2	14.4	11.8	299	375
Healthcare	31.3	26.8	17.0	30.7	22.8	61	33	4.5	3.9	16.6	4.7	3.1	42	41
Infrastructure	25.4	10.5	142.0	16.5	4.5	31	-47	2.2	1.2	84.1	1.7	0.7	-30	-57
Logistics	27.7	21.7	27.7	25.1	18.4	43	7	4.7	3.5	33.6	4.2	2.8	47	26
Media	16.0	25.2	-36.4	29.6	20.8	-18	24	1.7	4.0	-58.4	5.8	2.2	-48	46
Metals	12.6	11.8	6.4	16.3	7.4	-35	-42	1.9	1.3	49.0	1.7	0.9	-39	-54
Oil & Gas	14.6	12.2	19.8	14.8	9.6	-25	-40	1.8	1.4	21.8	1.6	1.3	-45	-48
Oil & Gas Ex RIL	8.6	8.9	-3.0	12.3	5.5	-56	-57	1.4	1.2	11.4	1.5	1.0	-56	-55
Sp. Chemicals	33.9	23.6	43.9	37.2	10.0	74	18	4.5	4.0	13.0	6.0	2.0	43	42
Real Estate	42.3	23.9	76.6	32.9	14.9	117	18	4.6	1.7	174.0	2.5	0.8	43	-42
Retail	81.6	86.7	-5.8	150.9	22.5	320	332	14.5	9.6	51.1	13.4	5.8	356	241
Technology	24.7	20.1	22.9	24.6	15.6	27	0	8.4	5.5	51.7	7.1	3.9	164	97
Telecom	Loss	19.2	-	86.4	-48.0		-1	34.9	9.3	276.1	18.2	0.3	0	119

Source: MOFSL, F&S Report

Financials

CRISIL Ratings Roundup 2HFY24: FY25 credit growth to sustain at ~14%; systemic RoA to moderate by 10bp on NIM pressure

GNPA likely to decline to 2.5% by FY25 from 3.9% in FY23

CRISIL Ratings hosted a webinar titled "Ratings Roundup 2HFY24" to discuss industry rating actions, credit growth, asset quality, and profitability outlook. The webinar was presented by Mr. Krishnan Sitaraman, Senior Director and Chief Ratings Officer; Mr. Somasekhar Vemuri, Senior Director, Regulatory Affairs & Operations, and Chief Criteria Officer; and other senior team members. Following are the key insights from the session.

India to remain the fastest-growing large economy in the world

- India's GDP is projected to grow at 7.6% in 2024, marking the highest growth rate among major economies, propelled by a robust domestic market and government-led investments that have bolstered demand. However, projections indicate a moderation in India's GDP growth to 6.8% in 2025 as elevated interest rates and reduced fiscal stimulus are expected to taper demand. Over the remainder of the decade (fiscal years 2025-2031), the average GDP growth is estimated to remain steady at 6.7%.
- The global economy is facing significant risks such as slower growth and stringent financial conditions, with projections indicating a growth rate of 3.2% in 2024 vs. 3.4% in 2023. This slowdown is compounded by the ongoing challenge of high inflation, which is impacting purchasing power and placing strain on global goods exports.

Rating upgrades continue to outpace downgrades; credit outlook positive

- The upgrade rate stands at 12% as of 2HFY24 (12.7% in 1HFY24) and continues to be higher than the 10-year average of 10.7%, with sectors like auto components, renewable energy, steel, roads, construction, and real estate showing buoyancy. The downgrade rate stood at 6.7%, near the 10-year average, largely led by sectors that were impacted by subdued global demand, a fall in realization in textile and marine exports, and fluctuating raw material prices.
- The credit ratio moderated further to 1.79x in 2HFY24 from 1.91x in 1HFY24 and 2.19x in 2HFY23; however, it is still healthy. The outlook for corporate credit quality remains optimistic for 1HFY25 buoyed by government-driven capex in infrastructure projects and stable domestic demand. Annual capex growth is anticipated to range between 9% and 11% over the next four years, supported by an upswing in the industrial segment and sustained momentum in infrastructure investment.

Bank credit expected to grow at ~14% and cross INR2tn by Mar'25; NBFC growth likely to decelerate

Systemic credit growth is expected to remain healthy at ~16% in FY24 (16% in FY23), but it is expected to moderate to 14% in FY25 amid lower GDP growth, a gradual

revival in private capex, and the impact of higher risk-weights on NBFCs and unsecured lending.
For NBFCs, growth may moderate to 15-17% in FY25 from ~18% in FY24 owing to the measures taken by the RBI, which hampered growth in unsecured loans. However, in the traditional segments, growth is expected to remain steady.

Corporate sector: Deleveraged Balance sheet to aid private capex uptick

Although most sectors maintain low leverage, gearing levels are anticipated to be benign at approximately 0.5x in FY25. The high capacity utilization levels should give a boost to the private sector's capex cycle, supported by policy initiatives. Investment in infrastructure and related sectors is expected to remain intact, alongside capex growth in sectors benefiting from production-linked incentive (PLI) schemes, such as automotive, auto ancillaries, and pharmaceuticals. It is further projected that capex growth will range around 9-11% over the coming years, driven by an uptick in the industrial segment and sustained momentum in infrastructure investment.

Credit quality outlook to stay positive in 1HFY25

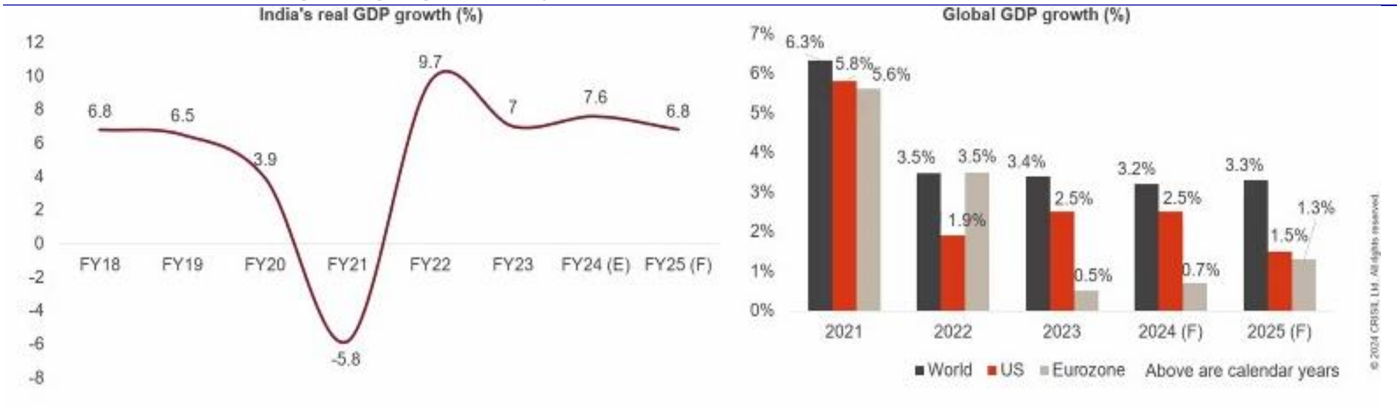
India's credit quality outlook remains positive, with expectations of more upgrades than downgrades in 1HFY25, supported by upward revisions in GDP growth rates highlighting solid domestic demand. The multiplier effect of government capex should keep the momentum intact in infrastructure and related sectors. Sound balance sheets will continue to bolster the credit outlook, while prudent funding of capex is observed.
According to a CRISIL study, PSU banks are seeing an improvement in asset quality, with healthy growth in AUM. SFBs are leading in growth with stable asset quality, while private banks are expected to exhibit healthy asset quality and AUM growth. Most sub-segments of the financial sector maintain 'Strong/Stable' credit quality, supported by retail credit demand and strong balance sheets. However, evolving regulatory measures could impact growth and should be closely monitored.

Margin to witness compression; RoA to moderate by 10bp in FY25 to 1.1%

Margins are expected to decrease by 10-20bp to 3-3.1% in FY24 (from 3.2% in FY23), primarily due to the upward trend in deposit rates. In terms of capitalization, the banking sector possesses adequate buffers and is well-positioned for growth in the medium term. Despite recent regulatory adjustments such as increased risk weights on exposure to unsecured consumer credit and higher-rated NBFCs, which may slightly impact capital adequacy levels, PSU banks have benefited from government capital infusion and improved internal accruals. Additionally, most private banks have historically maintained comfortable buffers, with many also benefiting from capital raised in recent quarters.

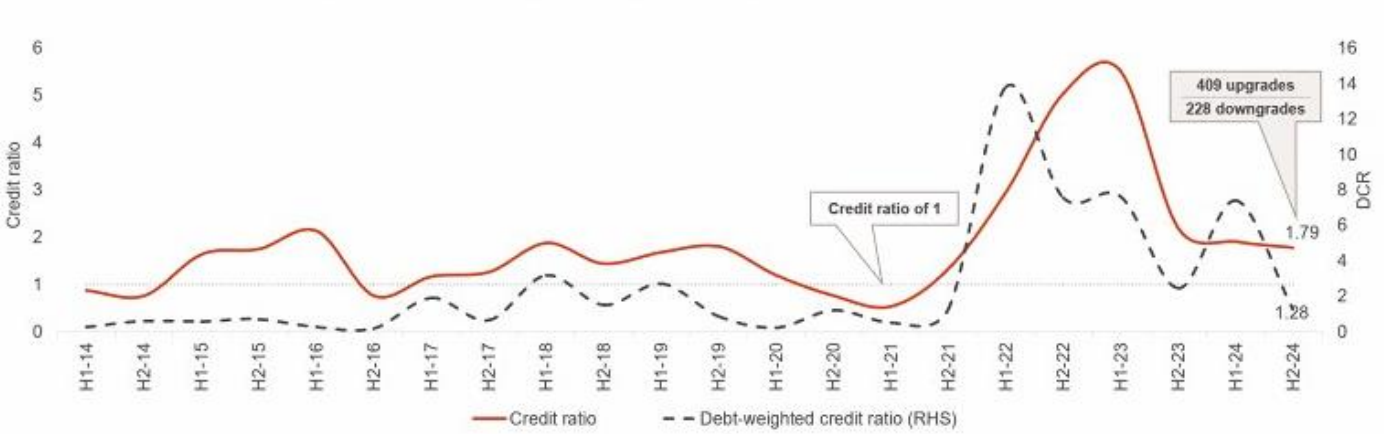
- However, asset quality is anticipated to improve, with GNPA projected to decline to a fresh decade low of 2.5% in FY25.
- This improvement in asset quality is expected to lead to further reductions in credit costs, thereby offsetting the pressure on NIM and supporting overall profitability.
- Consequently, ROA is estimated to decline to 1.1% in FY25 from 1.2% in FY24.

India to remain the fastest-growing large economy in the world



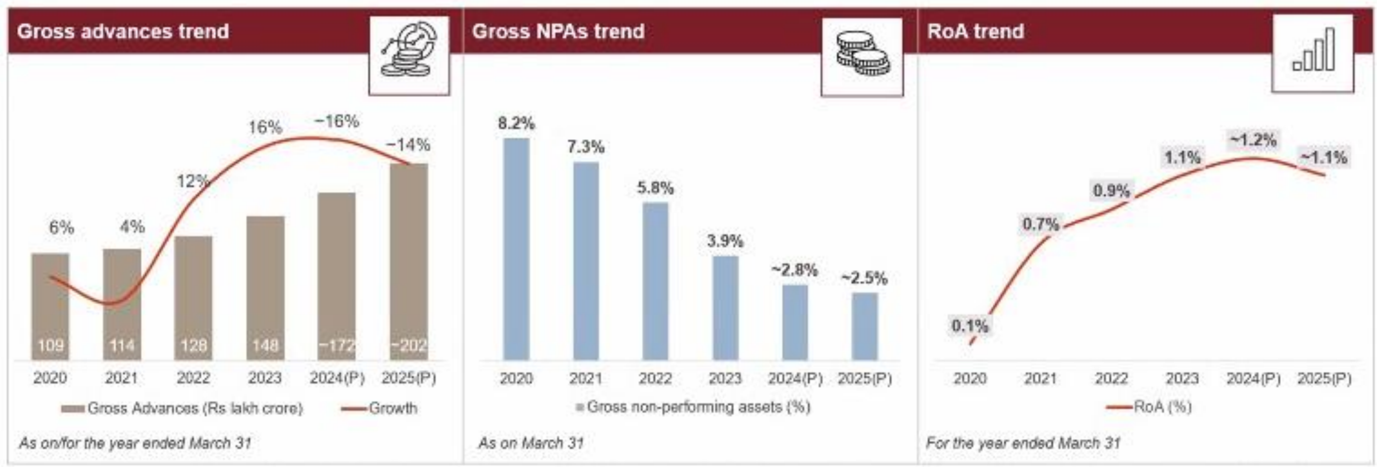
Source: CRISIL, MOFSL

Credit ratio moderates to 1.79x in 2HFY24 from 1.91x in 1HFY24



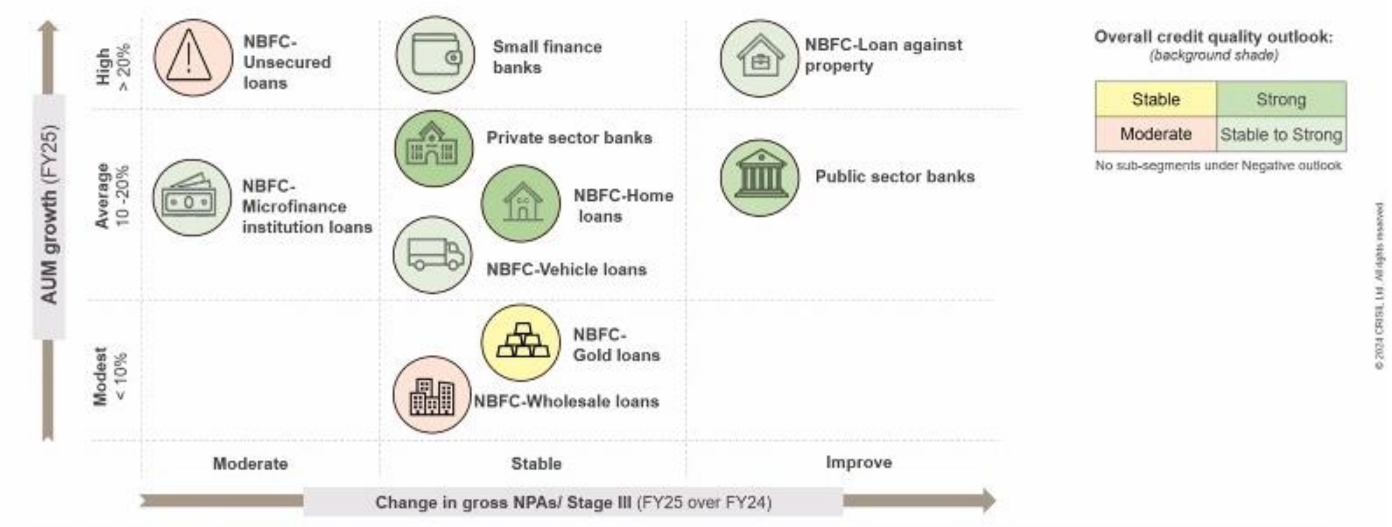
Source: CRISIL, MOFSL

Growth to sustain at 14% in FY25; RoA to moderate to 1.1%, while GNPA to move toward decadal low



Source: CRISIL, MOFSL

Credit quality for most of the sub-segments of the financial sector is 'Stable/Strong'



Source: CRISIL, MOFSL

Retail

Retailers witnessing subdued demand

We had recently conducted channel checks and management meetings for retail companies. Our key observation is that many lifestyle companies are experiencing softness in demand across product categories. Stores witnessed liquidation of old, piled-up inventories, and companies have introduced fresh summer collections. The clean-up in inventory and softening of RM prices could serve as key levers for improvement over time.

Expect flattish to lower single-digit SSSG

January has been soft, but February was slightly better, benefiting from the wedding season and partly from the extended winter season. Further, the management expects March to be better, due to Holi and Eid celebrations, coupled with election spending. End-of-season sale (EOSS) continued for the same timeframe compared to the previous year. Ethnic companies are experiencing a subdued demand environment as the quarter sees fewer weddings despite having more wedding dates available. Metro/Tier 1 cities/towns continue to outperform Tier 2/3 locations.

We have covered

- **Value retailers –** V-Mart/V2/Pantaloons expect lower to mid single-digit SSSG
- **Indian wear -** Manyavar/SSKL expect stagnant or declining same-store-sales (SSS).
- **LFS -** We have covered Shoppers Stop and Intune and expect flattish or declining SSS for the quarter. Although Intune is performing relatively better, its current contribution of 1% to the revenue mix is not significant enough to impact Shoppers Stop's overall performance.
- **Premium segment** continues to experience trends consistent with the broader industry slowdown, with expectations of flattish SSSG.

Maintaining momentum: store additions to persist despite challenges

Despite the subdued environment, companies continue to add stores at 10-15% rate. Traditionally, the last quarter tends to be robust for retailers in terms of store expansions. We anticipate continued store additions for all players in our coverage. However, V-Mart is expected to close down some of its loss-making stores, potentially resulting in a net closure for the company in 4QFY24.

No major price cuts

Raw material costs have broadly stabilized and some companies have already passed on these costs to customers by implementing price cuts in previous quarters. In the current quarter, we do not expect any major price cuts by companies. With old piled-up inventories nearly cleared, companies have rolled out fresh summer collections. The combined benefits of price cuts and RM moderation could support demand recovery over the next two to three quarters.

Valuation

- MOFSL's retail coverage companies have corrected 15-40% from their respective 52-week highs, barring TRENT/DMART. However, we still expect subdued demand recovery in the apparel space. Valuations of retail companies are determined by growth visibility and disciplined capital allocation.
- We prefer TRENT/ DMART/METRO (Buy), given the ability to deliver higher growth compared to peers. Additionally, we like RAYMOND, which could benefit from the demerger of its real estate and lifestyle business.
- We maintain our Neutral rating on both V-MART and MANYAVAR, due to a slowdown in performance. However, recovery in SSSG would act as a positive catalyst for the stocks.
- Historically, Shoppers Stop has experienced modest growth, resulting in a lower valuation compared to peers. However, its recent foray into the value segment with the introduction of 'Intune' could potentially lead to higher productivity, which enables healthy store profitability. The aggressive store expansion plan, coupled with higher productivity, could serve as a key lever for growth and lead to a re-rating of the company going forward.
- Conversely, ABFRL, following a string of aggressive investments over the past three years, is facing challenges in terms of EBITDA and PAT growth. The company has invested in multiple new businesses that are presently loss making or are yet to stabilize. We believe that in the short term, ABFRL may experience earnings volatility due to these aggressive investments.

Mahindra Finance

BSE SENSEX	S&P CNX
73,904	22,453

Bloomberg	MMFS IN
Equity Shares (m)	1236
M.Cap.(INRb)/(USDb)	365.8 / 4.4
52-Week Range (INR)	347 / 232
1, 6, 12 Rel. Per (%)	3/-16/-2
12M Avg Val (INR M)	1227
Free float (%)	47.8

Financials Snapshot (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	71.0	87.2	102.1
PPP	41.1	54.0	65.3
PAT	18.2	27.9	34.6
EPS (INR)	14.8	22.6	28.0
EPS Gr. (%)	-8	53	24
BV/Sh.(INR)	142	156	175
Ratios			
NIM (%)	7.2	7.4	7.5
C/I ratio (%)	42.1	38.1	36.0
RoA (%)	1.7	2.2	2.4
RoE (%)	10.8	15.2	16.9
Payout (%)	37.5	35.0	35.0
Valuations			
P/E (x)	20.1	13.1	10.6
P/BV (x)	2.1	1.9	1.7
Div. Yield (%)	1.9	2.7	3.3

CMP: INR296 Buy

Mar’24 disbursements grew 9% YoY; asset quality improved QoQ

CE stood at 101% (PY: 105%)

Key takeaways from Feb’24 business update:

- MMFS Mar’24 disbursements of ~INR61b grew ~9% YoY. 4QFY24 disbursements at INR153b grew 11% YoY, while FY24 disbursements stood at ~INR562b and grew ~13% YoY.
- Gross business assets as of Mar’24 stood at ~INR1.02t, up 24% YoY/6% QoQ.
- Mar’24 collection efficiency (CE) stood at 101% (vs. 105% in Mar’23). 4QFY24 CE stood at 98% (PY: 99%). For full year FY24, CE was stable YoY at 96%.
- Stage 3 is estimated at 3.3% (PQ: 4.0%), while Stage 2 is estimated at 5.1% (PQ: 6.0%), indicating a healthy improvement in asset quality. Although there are write-offs involved, this could potentially lead to reduced credit costs in 4Q.
- As of Mar’24, MMFS maintained a comfortable liquidity position with a liquidity chest of ~INR77b.

Trends in disbursements, collection efficiency, and asset quality

MMFS	4QFY23			1QFY24			2QFY24			3QFY24			4QFY24		
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-22	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Disbursements (INR b)	40.0	41.9	56.0	37.8	41.5	42.5	44.0	44.0	45.0	52.5	53.0	49.0	44.0	47.3	61.0
Growth - YoY (%)	72%	53%	46%	37%	40%	13%	12%	18%	10%	0%	18%	5%	10%	13%	9%
Business Assets (INR b)	781	805	828	839	855	866	881	905	936	958	966	969	982	1001	1024
Growth - YoY (%)			27%			28%	28%	28%	27%	27%	26%	25%	26%	24%	24%
Collection Efficiency [Monthly]	95%	97%	105%	92%	96%	96%	96%	96%	97%	94%	94%	98%	95%	97%	101%
Collection Efficiency [Quarterly]		99%			94%			96%			95%			98%	
Stage 2	< 8.5%		6.0%			6.4%			5.8%			6.0%			5.1%
Stage 3	5.9%		4.5%			4.3%			4.3%			4.0%			3.3%
Stage 2 + Stage 3 [30+dpd]			10.4%			10.7%			10.0 %			10.0%			8.4%
Write-offs (INR b)		6.0			3.3			3.4			4.5			3.0	

MMFS	4QFY23			1QFY24			2QFY24			3QFY24			4QFY24		
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Commentary on Asset Quality															
Stage 2	Sequential reduction on v/s Dec'22	Sequential reduction on v/s Jan'23	Sequential reduction on v/s Feb'23	Range-bound v/s Mar'23	Range-bound v/s Mar'23	~40bp QoQ increase to 6.4%	Range-bound v/s Jun'23	Range-bound v/s Jun'23	~60bp QoQ decline to 5.8%	Range-bound v/s Sep'23	Range-bound v/s Sep'23	Range-bound v/s Sep'23	Range-bound v/s Dec'23	Range-bound v/s Dec'23	QoQ reduction of ~90bp v/s Dec'23
Stage 3/NPA contracts	Stable MoM	Stable MoM	MoM improvement	Range-bound v/s Mar'23	Range-bound v/s Mar'23	Sequential reduction v/s Mar'23	Range-bound v/s Jun'23	Range-bound v/s Jun'23	Range-bound v/s Jun'23	Range-bound v/s Sep'23	Range-bound v/s Sep'23	QoQ reduction of ~30bp v/s Sep'23	Range-bound v/s Dec'23	Range-bound v/s Dec'23	QoQ reduction of ~70bp v/s Dec'23

2 April 2024

Update | Sector: Retail

V-Mart Retail

BSE SENSEX	S&P CNX
73,904	22,453

CMP: INR2,097 **TP: INR 2,100** **Neutral**

Stock Info

Bloomberg	VMART IN
Equity Shares (m)	20
M.Cap.(INRb)/(USDb)	41.5 / 0.5
52-Week Range (INR)	2445 / 1591
1, 6, 12 Rel. Per (%)	8/-8/-32
12M Avg Val (INR M)	97
Free float (%)	55.7

Financials Snapshot (INR b)

INR million	FY23	FY24E	FY25E
Sales	24.6	27.9	31.2
EBITDA	2.7	2.0	3.2
NP	-0.1	-1.1	-0.3
EBITDA Margin (%)	10.9	7.2	10.2
Adj. EPS (INR)	-4.3	-58.7	-15.3
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	469.1	410.4	395.1
Ratios			
Net D:E	1.5	2.0	2.2
RoE (%)	NM	NM	NM
RoCE (%)	3.2	0.0	3.7
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	NM	NM
EV/EBITDA (x)	20.3	28.3	18.1
EV/Sales (x)	1.7	1.6	1.5
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-1.8	0.1	2.2

4QFY24 pre-quarter update

Revenue up 12.5% YoY (in line); recovery continues in both segments

- Consolidated revenue grew 12.5% YoY to INR6.7b (in line), led by 6% SSSG.
- SSSG for V-Mart (core) and Unlimited stood at 4% and 13%, respectively.
- Limeroad revenue grew 27% YoY to INR150m. Adjusted for this, VMART revenue (including Unlimited stores) rose 12% YoY.
- Unlimited revenue, with throughput of ~INR1,200/sqft (+13% SSSG), stood at ~INR950m (calculated), up ~9% YoY.
- V-Mart (core) revenue stood at ~INR5.6b (calculated), up ~13% YoY.
- The company opened 9 new stores (8 under V-Mart and 1 under Unlimited) and closed 19 stores during the quarter, taking the total store count to 444 (V-Mart 365 and Unlimited 79).

Financial performance for 4QFY24

V-Mart (INR m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY%	QoQ%	4QFY24E	v/s est (%)
Total revenue	5,879	5,062	7,769	5,939	6,785	5,494	8,891	6,680	12.5	-24.9	6,677	0.0
Adj. revenue*	5,879	5,062	7,718	5,821	6,611	5,275	8,721	6,530	12.2	-25.1	6,527	0.0
Total stores	391	405	414	423	431	437	454	444	5.0	-2.2	437	1.6
Revenue per store	15.0	12.7	19.0	14.2	15.9	12.7	20.0	14.9	4.8	-25.4	15.0	
YoY	138%	22%	2%	17%	6%	0%	5%	5%			6%	
Total Area (mn Sqft)	3.4	3.5	3.6	3.7	3.8	3.8	3.9	3.9	4.8	-2.2	4,289	
Revenue per sq ft	1,722	1,433	2,153	1,611	1,808	1,444	2,251	1,729	7.3	-23.2		

* Adj for Limeroad revenue

Total stores	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY%	QoQ%	4QFY24E	v/s est (%)
V-Mart	314	326	334	341	349	352	367	365	7.0	-0.5		
Unlimited	77	79	80	82	82	85	87	79	-3.7	-9.2		
Total stores	**391**	**405**	**414**	**423**	**431**	**437**	**454**	**444**	**5.0**	**-2.2**	**437**	**1.6**

Source: MOFSL, Company

Mas Financial : Plans to infuse more capital in MRHMFL going ahead; Kamlesh Gandhi, CMD

- Aims to reach Rs 1,000 cr AUM in next 18 -24 Months for MRHMFL
- Will be infusing more capital in MRHMFL going ahead
- Credit rating upgrade will help the co tap the capital market at affordable rate
- Expect the subsidiary to contribute 10-15% to the overall AUM in next 3 years
- See lending to salaried individuals as a huge opportunity going forward

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Vijay Sales : Huge Momentum in washing machine sales; Nilesh Gupta, MD

- Expect to see over 20% growth this year vs last year in summer
- Shortage possible in some cooling product this summer
- Sales which are seen during mid apr were already seen in mid-march
- Normally for ACs the upgrade cycle in 4-7 years
- Demand for ACs will increase in rural areas; urban will see a higher upgrade cycle

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VIP Industries : Co is seeing big shift toward organized to unorganized market; Neetu Kashiramka, MD

- There is big shift towards organized from unorganized market
- Geared up to gain back the lost market share back driven by news product
- Industry growth is expected to be 14% going forward
- Expected to be the largest player in Ecomm channel soon
- Aiming for CAGR Growth of 15-20% in the next 5 years
- Replacement cycle has come down from 5-7 years to 2-3 years

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Borosil : Expecting 15-20% revenue CAGR growth in next 2 years; Shreevar Kheruka, MD

- Looking to achieve 60-80% capacity utilization in next 1-1.5 year
- Seeing a strong consumer demand shift from plastic to glass
- Currently focusing on domestic market; may explore export markets in the future
- Will continue adding capacity as demand increases
- Expecting 15-20% revenue CAGR growth In next 2years

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GE Shipping : Pricing growth to drive Growth; G.Shivakumar

- Current shipping market trends are stronger than Q4CY23
- Confident on oil demand growth, see multiple levers
- Bought 2 second hand MR Tankers, expecting delivery by april-may
- Waiting for good opportunities to buy and expand fleet given focus on value buys
- **Pricing growth to drive growth, will reflect in revenues in coming quarters

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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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