Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	72,987	-0.2	1.0
Nifty-50	22,201	-0.1	2.2
Nifty-M 100	50,708	1.0	9.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,308	1.2	11.3
Nasdaq	16,742	1.4	11.5
FTSE 100	8,446	0.2	9.2
DAX	18,869	0.8	12.6
Hang Seng	6,741	0.0	16.9
Nikkei 225	38,386	0.1	14.7
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	81	0.9	4.8
Gold ($/OZ)	2,386	1.2	15.7
Cu (US$/MT)	10,125	1.2	19.6
Almn (US$/MT)	2,549	2.1	8.7
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.5	0.0	0.3
USD/EUR	1.1	0.6	-1.4
USD/JPY	154.9	-1.0	9.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	-0.03	-0.1
10 Yrs AAA Corp	7.5	-0.02	-0.3
Flows (USD b)	**15-May**	**MTD**	**CYTD**
FIIs	-0.3	-3.59	-3.0
DIIs	0.45	4.08	22.0
Volumes (INRb)	**15-May**	**MTD***	**YTD***
Cash	1,069	1123	1175
F&O	4,81,573	3,54,230	3,85,054

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research theme

Automobiles (Thematic): "Parts" is better than "whole"

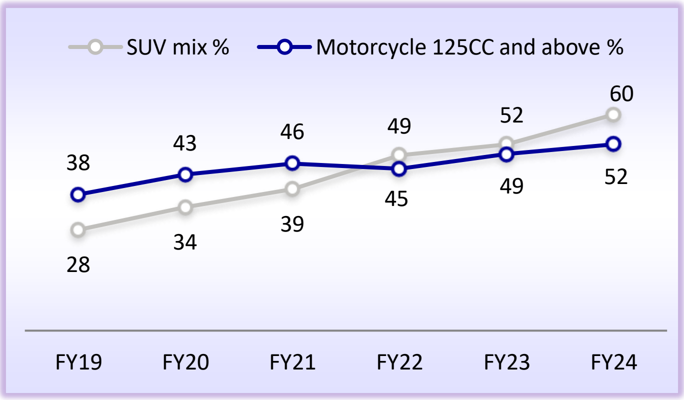
- The key factors currently shaping the auto industry's dynamics include: 1) focus on meeting emission targets backed by requisite policy support from the government; and 2) a marked shift towards premiumization across segments. OEMs who are best positioned to adapt to these changes are likely to be the key "winners" in the long run, in our view.
- On the growth front, the auto industry is likely to take a breather in FY25 after experiencing strong demand in the last two years. We expect the 2Ws/PVs/CVs to post 9%/6%/6% CAGR over FY24-26. On the other hand, we believe the auto component industry is witnessing multiple growth opportunities in the long run with the emergence of India as one of the beneficiaries of the supply chain de-risking strategy by global OEMs.
- Given this and the relatively attractive valuations, we prefer Auto Ancillaries over OEMs at this stage. Our top picks in the Auto OEM segment are MSIL and AL and the same in Auto Ancillaries are CRAFTSMA, MOTHERSO, and HAPPYFORG.

Research covered

Cos/Sector	Key Highlights
Automobiles (Thematic)	"Parts" is better than "whole"
Bharti Airtel	Soft growth but gaining subscriber share
Shree Cement	Strong performance; focusing on cost optimization
Other Updates	Colgate | Oberoi Realty | Apollo Tyres | Jyothy Laboratories | Clean Science & Technology | Granules India | V-Mart Retail | LIC Housing Finance | Transport Corporation of India | Cement | EcoScope

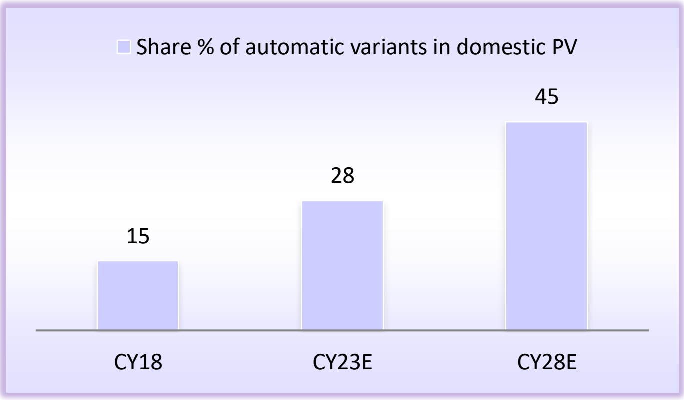
Chart of the Day: Automobiles ("Parts" is better than "whole")

Premiumization trend visible in both 2Ws and PVs…



Source: SIAM, MOFSL

…with rising share of automatic variants



Source: Industry, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

India overtakes Australia, Japan and Singapore in data centre capacity, gets $40 billion funds

India has emerged as the data center leader in the Asia-Pacific region (excluding China), surpassing countries like Singapore, Australia, South Korea, Japan, and Hong Kong in installed capacity.

2

Hotels up hiring game: About 100,000 jobs likely to be created in 12-18 months

Hotels across segments are ramping up their workforce as they are adding more rooms and entering new markets amid a strong pickup in business and leisure travel.

3

Devyani International and PVR to set up joint company

"This partnership will empower Devyani International & PVR INOX to reach a wider audience and expand their market presence," a joint statement said.

4

India slashes windfall tax to Rs 5,700 per tonne, effective May 16

The Centre reduced windfall gains tax on domestically produced crude to Rs.5700 per tonne from Rs 8,400 per tonne, effective May 16, 2024. Export duty on petrol, diesel, and ATF remains nil. The new rates were announced by CBIC in a late-night notification on Wednesday

5

Bain teams up with Temasek to compete with Blackstone-led consortium for controlling stake in Haldiram

The Bain and Temasek combination submitted a non-binding offer late last week valuing India's largest snack and convenience foods company at $8-8.5 billion (Rs 66,400-70,500 crore), after initially engaging with the founding family of the 87-yearold brand separately, said people aware of the matter.

6

Two-wheeler makers ride high on record sales of branded spare parts

Royal Enfield, Bajaj Auto, and Hero MotoCorp saw record revenue in FY24 from branded parts and accessories sales, driven by a preference for branded spares. Revenue growth was boosted by premium models like Xpulse andhvt Splendor motorcycles.

7

Big scope to grow toothpaste market: Colgate Palmolive India MD Prabha Narasimhan

Colgate Palmolive India aims to improve oral hygiene practices in India, where many do not brush regularly. With just a fifth brushing twice daily in cities and over half not brushing daily in villages, the company sees a mission in boosting oral care awareness.

Automobiles

"Parts" is better than "whole"

Prefer Auto Ancillaries over OEMs

The key factors currently shaping the auto industry dynamics include: 1) focus on meeting emission targets backed by requisite policy support from the government 2) marked shift towards premiumization across segments. OEM's who are the best placed to adapt to these changes are likely to be the key "winners" in the long run, in our view. On the growth front, the auto industry is likely to take a breather in FY25, after experiencing strong demand in the last two years. We expect the 2Ws/PVs/CVs to post 9%/6%/6% CAGR over FY24-26E. On the other hand, we believe the auto component industry is witnessing multiple growth opportunities in the long run with the emergence of India as one of the beneficiaries of the supply chain de-risking strategy by global OEMs. Given this and the relatively attractive valuations, we prefer Auto Ancillaries over OEMs at this stage. Our top picks in the Auto OEM segment are MSIL and AL and the same in Auto Ancillaries are CRAFTSMA, MOTHERSO and HAPPYFORG.

India no longer a 'cost-conscious' market

We are now witnessing a noticeable shift in the vehicle purchasing patterns among consumers who are increasingly willing to pay a 'premium' for additional features such as safety, driving experience, plush interiors, aesthetics, and comfort. The key buying parameter has shifted from fuel efficiency and 'value for money' to the aesthetics and overall appeal of the product for a large section of the society. Two trends that support this shift are: 1) the UV mix in PVs has now increased to 60% of sales in FY24 from 28% in FY19; and 2) the proportion of 125cc+ segment in overall motorcycles has increased to 52% in FY24 from 38% in FY19. The key factors likely fueling these trends include favorable demographics, increased per capita income, and improved digital access across India.

Thanks to the rising influence of social media on consumers, more and more people feel the urge to follow the latest trends or even set trends themselves. Social media is also helping drive the latest lifestyles beyond metropolitan areas to Tier 2 and Tier 3 towns, as well as rural regions. Our channel checks suggest that these trends are now visible even in the rural parts of India, as the country's youth simply do not want to purchase entry-level vehicles (cars or 2Ws). In addition to the above, easy access to finance is driving the trend towards premiumization in India across various categories. Given the tailwinds highlighted above, we believe this premiumization trend is here to stay in the long run.

India to meet emission targets through a multi-technology approach

In order to achieve its goal of net zero emissions by 2070, India submitted its long-term low-emission development strategy to the UNFCCC at COP 27 in Nov'22. According to the strategy, apart from the push to increase electric vehicle (EV) adoption, there is also an emphasis on the increased use of biofuels, particularly ethanol blending in petrol, and the rising use of green hydrogen fuel. For instance, while the government is incentivizing the industry to transition to EVs, it is also providing adequate support to ramp-up CNG adoption as well as work on flex fuels. The Government has also earmarked a National Hydrogen Mission to reduce emissions. As per recent reports, they are looking to support hybrids as well. We believe this approach is appropriate, considering the country's demographics.

Indian Auto industry: Near-term softness likely; long-term outlook intact

While PVs have witnessed a 17% volume CAGR over the last two years 2Ws have reported a 14% volume CAGR in the same period. After rebounding strongly in the last couple of years, both 2Ws and PVs are anticipated to witness softer growth in FY25. We expect PVs to register a 5% volume growth in FY25, while 2Ws are likely to post an 9% volume growth in FY25. Conversely, CVs have already witnessed a weak demand in FY24 (flat YoY) over a relatively high base. Given an anticipated slowdown in the run-up to elections, we expect a revival in CV demand to begin with a lag of a quarter. Hence, we forecast CVs to report 6% volume growth in FY25 driven by bus segment and largely back-ended. Thus, while growth rates for most segments are likely to taper down to single digits, the auto industry is likely to be the fastest growing sector vs. other developed regions globally, which are witnessing recessionary trends.

Auto ancillaries in a sweet spot; multiple tailwinds at play

The domestic auto component industry appears to be in a sweet spot as several tailwinds converge to drive a sustainable long-term growth opportunity. These include: 1) the emergence of the Indian component industry as one of the beneficiaries of the supply chain de-risking strategy by global OEMs, following the continued supply chain disruptions over the last 3-4 years; 2) outperformance to the core industry, which is likely to continue, driven by rising content due to premiumization and the transition to EVs; 3) favorable government policies that advocate 'Make In India'; and 4) emergence of India as an auto hub for global OEMs. Given the above trends and its inherent core strengths (global quality at low cost + improving R&D skills), the auto component industry is expected to invest around USD6.5-7.0b over next the five years, which is double of what it invested in the previous five years. Given these tailwinds, we see tremendous growth opportunities for the domestic auto component industry in the coming years.

Valuation and top picks

- It is now an established fact that the majority of easy gains in Auto OEM stocks are now behind us, as we have witnessed significant volume growth across segments over the last two years, and input costs also appear to have bottomed out. Hence, one will have to make selective micro strategies to outperform from hereon. In this backdrop, **Maruti Suzuki is our top pick in Auto OEMs** as: 1) we expect it to continue outperforming the PV segment aided by new launches; 2) its improved mix will help margins sustain at elevated levels; and 3) it could be the key beneficiary if the government decides to reduce GST on hybrid vehicles. **We also like Ashok Leyland** as: 1) we anticipate near-term weakness in CV demand, but expect the same to revive by 2HFY25; and 2) its valuations are attractive compared to peers.
- Given the strong long-term growth opportunities for the domestic auto ancillary industry highlighted above, we are more positive on this sector than on Auto

OEMs at this stage. Within the auto ancillary sector, **our top picks** include: **1) Craftsman Automation** (well-positioned to benefit from global supply chain de-risking, strong growth opportunities from lightweighting, and multiple growth drivers in the storage solutions business); **2) Samvardhana Motherson** (a key beneficiary of global trends towards premiumization and EV transition, and recent acquisitions); and **3) Happy Forgings** (enjoying a sustainable competitive advantage in forgings, with robust new orders helping to offset near-term weaknesses in core segments).

Two wheelers volumes to witness ~9% CAGR over FY24-26E (volume in 000s)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	10yr CAGR%	5yr CAGR%
Scooters ICE	6,701	5,566	4,480	3,990	4,862	5,379	5,872	6,348	4	-4
Growth (%)	0	-17	-20	-11	22	11	9	8		
Motorcycles	13,598	11,215	10,020	8,984	10,230	11,653	12,714	13,862	1	-3
Growth (%)	8	-18	-11	-10	14	14	9	9		
Mopeds	880	637	617	473	442	482	506	531	-4	-11
Growth (%)	2	-28	-3	-23	-7	9	5	5		
Two Wheelers ICE	**21,179**	**17,418**	**15,117**	**13,447**	**15,534**	**17,514**	**19,093**	**20,741**	**2**	**-4**
Growth (%)	5	-18	-13	-11	16	13	9	9		

Source: SIAM, MOFSL

Passenger vehicle volumes to witness ~6% CAGR over FY24-26E (volume in 000s)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	10yr CAGR%	5yr CAGR%
Cars	2,219	1,695	1,542	1,467	1,747	1,549	1,595	1,655	-1	-7
Growth (%)	2	-24	-9	-5	19	-11	1	3		
Utility Vehicles	941	945	1,061	1,489	2,004	2,521	2,692	2,934	17	22
Growth (%)	2	0	12	40	35	26	7	9		
Vans	217	132	109	113	139	149	156	164	-2	-7
Growth (%)	13	-39	-18	4	23	7	5	5		
Passenger Vehicles	**3,377**	**2,773**	**2,711**	**3,069**	**3,890**	**4,219**	**4,443**	**4,752**	**5**	**5**
Growth (%)	3	-18	-2	13	27	8	5	7		

Source: SIAM, MOFSL

Commercial vehicle volumes to witness ~6% CAGR over FY24-26E (volume in 000s)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	10yr CAGR%	5yr CAGR%
MHCV goods	351	185	153	229	321	320	337	360	7	-2
Growth (%)	15	-47	-17	49	40	0	5	7		
MHCV passenger	39	40	7	12	38	53	60	67	3	6
Growth (%)	10	2	-82	61	225	38	14	12		
LCV goods	564	448	396	456	559	543	570	604	3	-1
Growth (%)	21	-21	-12	15	23	-3	5	6		
LCV passenger	52	45	12	20	44	52	55	59	2	-0
Growth (%)	7	-13	-73	65	122	17	7	6		
Total CVs	**1,007**	**718**	**569**	**717**	**962**	**968**	**1,023**	**1,090**	**4**	**-1**
Growth (%)	18	-29	-21	26	34	1	6	7		

Source: SIAM, MOFSL

16 May 2024

4QFY24 Results Update | Sector: Telecom

Bharti Airtel

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	BHARTI IN
Equity Shares (m)	6047
M.Cap.(INRb)/(USDb)	7800.2 / 93.4
52-Week Range (INR)	1364 / 784
1, 6, 12 Rel. Per (%)	7/25/44
12M Avg Val (INR M)	6168

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Net Sales	1,500	1,673	1,888
EBITDA	783	908	1,060
Adj. PAT	113	213	304
EBITDA Margin (%)	52.2	54.3	56.1
Adj. EPS (INR)	20.2	38.1	54.4
EPS Gr. (%)	39	89	43
BV/Sh. (INR)	147	222	277
Ratios			
Net D:E	2.4	1.2	0.7
RoE (%)	14.2	20.7	21.8
RoCE (%)	9.6	12.6	14.6
Div. Payout (%)	0.0	0.0	0.0
Valuations			
EV/EBITDA (x)	12.1	9.9	8.0
P/E (x)	65.1	34.5	24.2
P/BV (x)	9.0	5.9	4.8
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	53.5	54.6	55.0
DII	19.4	19.7	19.9
FII	24.4	22.7	21.0
Others	2.8	3.0	4.0

FII Includes depository receipts

CMP: INR1,316 TP: INR1,640 (+25%) Buy

Soft growth but gaining subscriber share

- Bharti Airtel (BHARTI) reported in-line revenue/EBITDA growth of 3%/2% QoQ for its India business, supported by 2.0%/0.5% QoQ subscriber/ARPU growth. The Africa business was hit by currency devaluation, which led to a 1%/2% QoQ decline in consol. revenue/EBITDA. Even the capex remained elevated QoQ. BHARTI continued with its deleveraging exercise, aided by healthy FCF generation during the quarter.
- Over the next 2-3 years, BHARTI is well poised to gain from sector consolidation and tariff hikes and drive strong FCF generation. We raise our FY25 and FY26 estimates by building in tariff hikes each year. The awaited tariff hikes and moderation in capex could be the positive catalysts. **Reiterate BUY with an SoTP-based TP of INR1,640.**

India Mobile and Africa's EBITDA (CC) at +2%/-1% QoQ

- BHARTI's consol. revenue/EBITDA declined 0.8%/2.3% QoQ to INR376b/ INR194b (in line/5% miss) due to currency devaluation in the African segment in 4QFY24.
- India Mobile's revenue at INR221b grew 2% QoQ (in line), aided by 0.5% ARPU growth to INR209 and 1.9% subscriber growth to 352m. EBITDA grew 2.0% QoQ to INR122b (in line), with a flat margin of 55.1% in 4QFY24.
- The Africa revenue/EBITDA declined 10%/14% QoQ to INR93b/INR43b (reported currency) due to the naira devaluation. However, revenue grew 3% QoQ to USD1.4b (in CC), whereas EBITDA dipped 1% QoQ to USD652m.
- Consol. PAT after minority was down 15% QoQ to INR21b. Adjusted for exceptionals, consol. PAT (post-minority) stood at INR30b (vs. INR25b QoQ and INR22b estimated).
- **In FY24,** revenue/EBITDA grew 8%/10%, whereas PAT declined 11% YoY.
- FCF (post-interest) declined to ~INR49b in FY24 (from INR122b in FY23), due to higher interest costs. Capex grew 34% YoY to INR521b (vs. INR388b in FY23). OCF jumped 23% YoY to IRN710b, led by a 10% YoY increase in EBITDA and a partial benefit from the release in WC.
- Net debt (excluding lease liability) declined INR116b YoY to INR1,409b.

Key highlights from the management commentary

- **Tariff hikes:** Bharti implemented a moderate price increase in broadband during 4QFY24, in response to competitors raising their prices. Management reiterated the need for tariff reform, which is essential across the industry to improve return ratios. If competition does not follow suit, it will hurt Bharti. Therefore, the management is waiting for the right time to implement tariff increases.
- **ARPU target at INR300:** A rise in ARPU from INR200 to INR300 will require a couple of rounds. Even an ARPU of INR300 will be the lowest in the world.
- **Capex outlook:** Overall capex is likely to moderate from FY25. The company plans to roll out 25k more sites in locations where it has a lesser market share. Management expects deleveraging to continue.

- **Enterprise business:** The domestic enterprise business continues to grow at 18-20%. The problem has been in the global business, where ~50% of the portfolio has remained under pressure.

Valuation and view

- We raise our FY25 and FY26 estimates by building in tariff hikes each year. We factor in 12%/16% consol. revenue/EBITDA growth over FY24-26E.
- The company has the opportunity to grow its EBITDA by 40-50% and halve its net debt over the next 2-3 years. It is well poised to benefit from the sector tailwinds resulting from market share gains, improved ARPU driven by the premiumization of customers and tariff hikes, and non-wireless segments such as Home and Enterprise.
- The management indicated that FY25 capex should moderate. We believe the cash flow generation will suffice for capex and deleveraging.
- We assign FY26E EV/EBITDA of 11x/4x to the India Mobile/Africa businesses and arrive at our SoTP-based TP of INR1,640. **Reiterate BUY.**

Consolidated - Quarterly Earnings Model (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var (%)
Revenue	328	345	358	360	374	370	379	376	1,391	1,500	389	-3.2
YoY Change (%)	22.2	21.9	19.9	14.3	14.1	7.3	5.9	4.4	19.4	7.8	7.9	
Total Expenditure	163	169	174	173	178	175	181	182	679	717	185	-1.2
EBITDA	165	176	185	187	196	195	198	194	713	783	204	-5.1
YoY Change (%)	27.3	27.4	25.5	16.6	18.6	10.9	7.4	3.6	23.9	9.8	9.1	-61
Depreciation	88	89	93	94	97	97	101	101	364	395	105	-4.2
Net Finance cost	45	49	47	52	56	52	66	52	193	226	55	-4.6
Other Income	4	6	-1	9	9	9	11	11	17	41	13	-11.3
PBT before EO expense	36	43	44	50	53	55	42	52	172	203	57	-8.5
Extra-Ord expense	0	0	7	0	34	16	1	25	7	76	0	
PBT	36	43	37	50	19	39	41	28	166	127	57	-51.4
Tax	11	13	11	8	3	18	12	7	43	41	17	-57.3
Rate (%)	31.3	30.2	29.2	15.7	18.0	46.9	30.0	25.6	25.8	32.5	29.1	
Minority Interest & P/L of Asso. Cos.	9	8	10	12	-1	8	4	0	39	11	19	
Reported PAT	16	21	16	30	16	13	24	21	83	75	22	-5.8
Adj PAT	15	21	20	26	29	30	25	30	82	113	22	34.2
YoY Change (%)	469.4	245.7	147.0	39.4	91.3	44.2	25.0	13.9	131.2	38.6	-15.2	

E: MOFSL Estimates

Shree Cement

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USDb)	931.6 / 11.2
52-Week Range (INR)	30738 / 22601
1, 6, 12 Rel. Per (%)	2/-14/-16
12M Avg Val (INR M)	947

Financial Snapshot (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	195.9	211.1	234.8
EBITDA	43.6	49.6	53.7
Adj. PAT	24.7	22.9	24.3
EBITDA Margin (%)	22.3	23.5	22.9
Cons. Adj. EPS (INR)	684	635	674
EPS Gr. (%)	110.3	-7.2	6.1
BV/Sh. (INR)	5,650	6,165	6,688
Ratios			
Net D:E	-0.3	-0.3	-0.2
RoE (%)	12.8	10.7	10.5
RoCE (%)	12.6	10.7	10.4
Payout (%)	15.3	18.9	22.3
Valuations			
P/E (x)	37.8	40.7	38.4
P/BV (x)	4.6	4.2	3.9
EV/EBITDA(x)	19.5	17.1	15.9
EV/ton (USD)	192	182	158
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	0.5	-0.3	-0.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	62.6	62.6	62.6
DII	12.3	12.6	11.7
FII	12.5	12.3	12.8
Others	12.6	12.6	12.9

FII Includes depository receipts

CMP: INR25,820 TP: INR28,000 (+8%) Neutral

Strong performance; focusing on cost optimization

Plans to increase grinding capacity to 65.8mtpa by Mar'25

- SRCM's earnings beat our estimates in 4QFY24, aided by lower costs and higher power revenues. EBITDA grew 49% YoY to INR13.3b (est. INR11.5b) and EBITDA/t stood at INR1,393 (est. INR1,218). OPM surged 7.4pp YoY to 26% (est. 23%). PAT grew 69% YoY to INR6.6b (est. INR5.7b).
- The management notes that cost reduction is the focus area and that it will continue to invest in logistics optimization (rail connectivity at all plants) and increasing the share of green energy, alternative fuel & raw material. SRCM targets to increase its grinding capacity by ~9-10mtpa to 65.8mtpa by Mar'25 and is on track to achieve capacity of 80mtpa by FY28.
- We largely maintain our earnings estimates for FY25/FY26. The stock is currently trading at 17x/16x FY25E/FY26E EV/EBITDA. We maintain Neutral rating with a TP of INR28,000 (17x FY26E EV/EBITDA).

Capacity utilization at 79% in 4Q; cement realization down 3% YoY

- Standalone revenue/EBITDA/PAT stood at INR51.0b/INR13.3b/INR6.6b (up 7%/49%/69% YoY and up 3%/16%/16% vs. our estimate) in 4QFY24. Sales volumes grew 8% YoY to 9.53mt. Cement realization declined ~3% YoY (~6% QoQ) to INR4,721/t.
- Opex/t declined 10% YoY and 4% QoQ (~3% below our estimate) in 4QFY24. Variable/freight costs per ton dipped 16%/6% YoY. OPM surged 7.4pp YoY and EBITDA/t grew 38% YoY. Depreciation rose 42% YoY/81% QoQ due to the commissioning of a new plant.
- **In FY24,** revenue increased 16% YoY, mainly led by volume growth of ~12%. Cement realization was flat YoY. EBITDA grew 48% YoY to INR43.6b and OPM surged 4.8pp YoY to 22%. EBITDA/t was up 33% YoY to INR1,228. PAT increased 110% YoY to INR24.7b. OCF increased 22% YoY to INR33b, led by improvement in profits. Capex stood at INR27.6b vs. INR28.1b in FY23. SRCM generated FCF of INR5.5b in FY24 vs. cash outflow of INR1b in FY23.

Highlights from the management commentary

- Cement demand is expected to improve in 2HFY25, with a pickup in govt projects. Cement prices are stable or weak in the company's core markets. SRCM believes prices will improve as demand picks up.
- Fuel consumption cost/kcal stood at INR1.82 vs. INR1.76 in 3QFY24. It is carrying fuel inventory of four months at average cost of INR1.8/Kcal.
- SRCM aims to increase grinding capacity to 65.8mtpa by Mar'25 from 56.4mtpa currently. Capex will be INR40b annually for the next three years.

Valuation and view

- In our recent report we highlighted SRCM's expansion plans and its focus on improving brand equity. We estimate a CAGR of 9%/11% in revenue/EBITDA over FY24-26. Net cash is estimated to fall to INR50b in FY26 from INR65.5b in FY24 as a majority of expansion will be funded through internal accruals.
- The stock trades fairly at 17x/16x FY25E/FY26E EV/EBITDA. We maintain our **Neutral** rating and value the stock at 17x FY26E EV/EBITDA to arrive at our TP of INR28,000.

Standalone quarterly performance (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**42.0**	**37.8**	**40.7**	**47.9**	**50.0**	**45.8**	**49.0**	**51.0**	**168.4**	**195.9**	**49.8**	3
YoY Change (%)	21.8	17.9	14.6	16.7	18.9	21.3	20.4	6.6	17.5	16.3	4.0	
Total Expenditure	33.8	32.6	33.6	38.9	40.7	37.1	36.7	37.7	139.0	152.2	38.3	-1
EBITDA	**8.2**	**5.2**	**7.1**	**8.9**	**9.3**	**8.7**	**12.3**	**13.3**	**29.4**	**43.6**	**11.5**	16
Margin (%)	19.5	13.8	17.4	18.7	18.7	19.0	25.2	26.0	17.5	22.3	23.0	
Depreciation	3.3	3.6	4.1	4.4	3.1	3.3	3.5	6.3	15.5	16.1	4.4	42
Interest	0.6	0.7	0.7	0.7	0.8	0.7	0.6	0.6	2.7	2.6	0.8	-14
Other Income	-0.2	1.6	1.6	1.4	1.6	1.3	1.4	1.4	4.3	5.6	1.5	-6
PBT before EO Exp.	**4.1**	**2.5**	**3.8**	**5.1**	**7.1**	**6.0**	**9.7**	**7.7**	**15.6**	**30.5**	**7.7**	-0
Extra-Ord. Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	**4.1**	**2.5**	**3.8**	**5.1**	**7.1**	**6.0**	**9.7**	**7.7**	**15.6**	**30.5**	**7.7**	-0
Tax	1.0	0.6	1.1	-0.3	1.3	1.1	2.3	1.1	2.3	5.8	2.0	
Rate (%)	23.4	23.9	28.0	23.6	18.2	17.6	24.0	14.3	14.8	19.0	26.3	
Reported PAT	**3.2**	**1.9**	**2.8**	**5.5**	**5.8**	**4.9**	**7.3**	**6.6**	**13.3**	**24.7**	**5.7**	16
Tax adjustment prior period	0.0	0.0	0.0	-1.5	0.0	0.0	0.0	0.0	-1.5	0.0	0.0	
Adj. PAT	**3.2**	**1.9**	**2.8**	**3.9**	**5.8**	**4.9**	**7.3**	**6.6**	**11.7**	**24.7**	**5.7**	16
YoY Change (%)	-52.3	-66.9	-43.7	-28.1	84.2	159.1	165.3	68.8	-48.3	110.3	45.4	

Quarterly performance

Sales Dispat. (mt)	**7.50**	**7.46**	**8.03**	**8.83**	**8.92**	**8.20**	**8.89**	**9.53**	**31.82**	**35.53**	**9.41**	1
YoY Change (%)	9.7	18.0	22.6	10.0	18.8	9.9	10.7	8.0	14.7	11.7	6.6	
Realization	**5,602**	**5,071**	**5,065**	**5,420**	**5,607**	**5,594**	**5,513**	**5,353**	**5,292**	**5,512**	**5,287**	1
YoY Change (%)	11.1	0.0	-6.6	6.2	0.1	10.3	8.8	-1.3	2.4	4.2	-2.5	
Expenditure												
RM Cost	234	496	352	488	646	556	494	379	396	516	440	-14
Staff Cost	290	281	271	250	263	285	264	247	272	264	251	-2
Power and Fuel	1,923	1,646	1,622	1,782	1,709	1,671	1,393	1,520	1,743	1,571	1,407	8
Freight	1,204	1,148	1,174	1,168	1,192	1,160	1,095	1,097	1,173	1,135	1,121	-2
Other Expenses	859	799	765	721	750	861	880	717	783	799	849	-16
Total Op. cost	**4,511**	**4,369**	**4,184**	**4,409**	**4,561**	**4,533**	**4,125**	**3,960**	**4,367**	**4,284**	**4,069**	-3
EBITDA	**1,091**	**701**	**881**	**1,011**	**1,046**	**1,062**	**1,388**	**1,393**	**925**	**1,228**	**1,218**	14

Source: Company, MOFSL Estimates

Colgate

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	CLGT IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	726.9 / 8.7
52-Week Range (INR)	2961 / 1568
1, 6, 12 Rel. Per (%)	0/12/39
12M Avg Val (INR M)	971

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	56.8	61.1	65.4
Sales Gr. (%)	8.7	7.5	7.1
EBITDA	19.0	20.1	21.7
EBITDA Margin (%)	33.5	33.0	33.2
Adj. PAT	13.4	14.2	15.3
Adj. EPS (INR)	49.2	52.3	56.4
EPS Gr. (%)	26.8	6.2	7.8
BV/Sh.(INR)	68.9	80.2	94.5
Ratios			
RoE (%)	74.5	70.1	64.5
RoCE (%)	73.6	69.7	64.2
Payout (%)	81.3	78.4	74.5
Valuation			
P/E (x)	54.3	51.1	47.4
P/BV (x)	38.8	33.3	28.3
EV/EBITDA (x)	37.6	35.4	32.7
Div. Yield (%)	1.5	1.5	1.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	51.0	51.0	51.0
DII	6.1	5.9	7.6
FII	24.5	24.6	21.5
Others	18.4	18.5	19.9

FII Includes depository receipts

CMP: INR2,673 TP: INR2,500 (-6%) Neutral

Unchanged volume trend; margins at all-time high

- Colgate (CLGT) delivered revenue growth of 10% YoY to INR14.9b (est. INR15.0b) in 4QFY24. Revenue growth was mainly led by pricing and mix, as we believe volume growth would be flat or in low-single digits. DABUR and HUVR registered 22% and double-digit revenue growth in 4Q in oral care, respectively.
- Gross margin continued to expand, up 240bp YoY to 69.3%, aided by RM softening, cost savings, and price-led growth. In line with the industry trend, A&P spending was high at 18% YoY. Despite this, EBITDA margin expanded 230bp YoY to 35.7% (all-time high). EBITDA grew 18% YoY to INR5.3b.
- Despite numerous product innovations and marketing efforts, CLGT has not seen a notable recovery in volume. Price hikes have supported overall growth so far, but the volume trend will be a key factor to watch out for in FY25. The personal care portfolio is under-indexed; we would like to see if CLGT can boost this portfolio. We believe it will be challenging for CLGT to sustain the current margin level.
- The current valuation at 51x/47x of P/E on FY25E/FY26E EPS captures near-term triggers. We maintain our Neutral rating on the stock with a **TP of INR2,500 (45x Mar'26E EPS).**

In-line revenue; all-time high EBITDA margin

- **Double-digit sales growth**: Sales grew 10% YoY to INR14.9b (est. INR15.0b). Rural markets continued to exhibit positive signs of demand recovery, growing ahead of urban markets. Modern trade and e-commerce platforms reported strong performance. We model a 7% revenue CAGR over FY24-26E.
- **Margins at all-time high**: Gross margins increased 240bp YoY to 69.3% (est. 70.6%). CLGT continues to invest in brand building, as ad spending increased by 18% YoY to INR1.7b. As a percentage of sales, other expenses were lower at 16% (-60bp YoY), advertising expenses were high at 11% (+70bp YoY) and staff costs stood at 7% (+10bp YoY). EBITDA margin expanded by ~230bp YoY to 35.7% (all-time high). We model EBITDA margin of 33% for FY25 and FY26 vs. 33.5% in FY24.
- **High-teens EBITDA/PBT/PAT growth**: EBITDA grew 18% YoY to INR5.3b (est. INR5.1b). PBT grew 19% YoY to INR5.1b (est. INR4.8b). Adj. PAT rose 20% YoY to INR3.8b (est. INR3.7b).
- **In FY24,** net sales/EBITDA/APAT growth stood at 9%/23%/27% YoY. In FY24, toothpaste delivered double-digit growth.

Key highlights from the management commentary

- In urban markets, ~20% of households brush twice a day, which represents an opportunity to focus on the balance 80% households to further increase the consumption.

- Dentists recommend that a toothbrush should be replaced once every three months but it is replaced average every nine months in India. This should also provide a good volume growth opportunity.
- Strong margin expansion in FY24 was attributed to cost-saving initiatives taken by the company, such as global supply synergies, packaging savings, optimized plant allocation, automation, a favorable product mix and import substitution. CLGT aims to maintain current EBITDA margins in FY25.
- “Bright Smiles, Bright Futures” reached total 176.2m kids (5.2m kids in FY24) and would reach additional 10m kids in FY25.

Valuation and view

- We do not make any material changes to our EPS estimates for FY25 and FY26.
- CLGT sales growth has lagged staples peers from a 5/10- year CAGR prospective. Overall growth also seems stagnant. Additionally, due to high oral care penetration (99%) and competition from herbal players, CLGT has struggled to outperform. Premiumization in general trade and traction in the personal care portfolio have been slow.
- FY25 will be a testing period for CLGT in terms of the margin trajectory. It seems both gross margin and EBITDA margin have reached unsustainable levels. The dilemma about prioritizing growth vs. maintaining margins will persist, and to accelerate growth, margins may contract.
- The current valuation at 51x/47x of P/E on FY25E/FY26E EPS captures near-term triggers. We maintain our Neutral rating on the stock with a **TP of INR2,500 (45x FY26E EPS).**

Quarterly Performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Volume Gr %	**-4.0**	**-2.5**	**-2.5**	**-4.5**	**3.0**	**-1.0**	**-1.0**	**1.0**	**-3.4**	**0.5**	**4.0**	
Net Sales (incldg. OOI)	**11,968**	**13,875**	**12,913**	**13,506**	**13,237**	**14,711**	**13,957**	**14,900**	**52,262**	**56,804**	**15,002**	-0.7%
YoY change (%)	-2.9	8.1	10.7	-0.1	10.6	6.0	8.1	10.3	3.8	8.7	*11.1*	
COGS	4,031	5,029	4,407	4,475	4,179	4,594	3,883	4,573	17,942	17,230	4,415	
Gross Profit	**7,938**	**8,846**	**8,506**	**9,031**	**9,058**	**10,117**	**10,073**	**10,327**	**34,320**	**39,574**	**10,586**	-2.5%
Gross margin (%)	66.3	63.8	65.9	66.9	68.4	68.8	72.2	69.3	65.7	69.7	*70.6*	
Other operating Expenses	4,681	4,766	4,891	4,512	4,877	5,295	5,389	5,005	18,850	20,566	5,437	
% to sales	39.1	34.3	37.9	33.4	36.8	36.0	38.6	33.6	36.1	36.2	*36.2*	
EBITDA	**3,257**	**4,080**	**3,615**	**4,519**	**4,181**	**4,821**	**4,684**	**5,322**	**15,470**	**19,008**	**5,149**	3.3%
Margins (%)	27.2	29.4	28.0	33.5	31.6	32.8	33.6	35.7	29.6	33.5	*34.3*	
YoY growth (%)	-12.1	-3.3	1.8	12.8	28.4	18.2	29.6	17.8	-0.1	22.9	*13.9*	
Depreciation	442	439	437	431	438	443	414	421	1,748	1,715	474	
Interest	13	13	13	11	11	11	15	14	49	50	14	
Financial other Income	115	113	104	204	150	210	179	227	536	765	162	
PBT	**2,918**	**3,741**	**3,269**	**4,281**	**3,883**	**4,578**	**4,434**	**5,114**	**14,209**	**18,008**	**4,823**	6.0%
Tax	727	961	837	1,100	951	1,178	1,133	1,315	3,724	4,577	1,154	
Rate (%)	24.9	25.7	25.6	25.7	24.5	25.7	25.6	25.7	26.2	25.4	*23.9*	
Adj PAT	**2,167**	**2,780**	**2,432**	**3,175**	**2,883**	**3,401**	**3,301**	**3,798**	**10,555**	**13,383**	**3,669**	3.5%
YoY change (%)	-12.8	-11.6	4.3	18.0	33.1	22.3	35.7	19.6	-0.9	26.8	*15.5*	

E: MOFSL Estimates

Oberoi Realty

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USDb)	572.4 / 6.9
52-Week Range (INR)	1629 / 884
1, 6, 12 Rel. Per (%)	8/8/39
12M Avg Val (INR M)	972

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	45.0	47.4	63.5
EBITDA	24.1	26.1	35.4
EBITDA (%)	53.6	55.1	55.8
PAT	19.3	18.4	25.7
EPS (INR)	53.0	50.5	70.8
EPS Gr. (%)	1.2	-4.7	40.2
BV/Sh. (INR)	380.8	423.2	486.0
Ratios			
Net D/E	0.1	0.1	0.1
RoE (%)	14.8	12.6	15.6
RoCE (%)	12.8	11.5	14.5
Payout (%)	15.1	15.8	11.3
Valuations			
P/E (x)	29.9	31.4	22.4
P/BV (x)	4.2	3.7	3.3
EV/EBITDA (x)	24.6	22.6	16.5
Div Yield (%)	0.5	0.5	0.5

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	67.7	67.7	67.7
DIIDIIDIIDII	12.8	12.1	12.1
FIIFIIFIIFII	17.0	17.4	17.8
Others	2.5	2.8	2.4

CMP: INR1585 TP: INR1,435 (-9%) Neutral

Bookings traction sustainable in near term

Elysian and 360 West drive margin improvement

- Oberoi Realty (OBER) achieved pre-sales of INR17.6b, up 160% YoY (in line). In FY24, bookings reached INR39.4b, up 22% YoY. The quarterly performance was driven by the new tower at Elysian, which generated INR8b of bookings during the launch in Jan'24. Additionally, the company booked three units at its ultra- luxury project 360 West, with a total value of INR2.2b.
- The traction across other key projects at Borivali and Mulund remained in line with historical run-rate as they generated sales of INR2.2b and INR1.9b, respectively. The new project in Thane (launched in 3Q) generated bookings of INR0.4b across 20 units.
- Collections increased 26% YoY to INR10.8b and net debt reduced INR9b to INR12b with D/E of 0.09x.
- The near-term launch pipeline remains strong and we estimate OBER to report a 41% CAGR in bookings over FY24-26 to INR79b.
- **P&L performance:** Revenue increased 37% YoY to INR13.1b and OBER reported EBITDA of INR7.9b, up 114% YoY with margin increasing 21pps/12pps YoY/QoQ to 60%. The improvement in margin was led by higher revenue recognition from Elysian and 360 West.
- The other income was up 7x YoY to INR2.4b as the company divested its stake in one of the JV projects. However, due to higher taxes, PAT increased 64% YoY to INR7.8b.

Annuity business delivers steady growth; ARR reached a new high

- Rentals from office assets increased 11% YoY/5% QoQ to INR409m, driven by a 600bp increase in occupancy at Commerz II. The Oberoi mall registered strong performance with revenue increasing 28%/5% YoY/QoQ to INR464m. The EBITDA from the annuity portfolio came in at INR802m with blended margin of 92%. In FY24, annuity assets generated Revenue/EBITDA of INR3.2b/INR3b, up 9%/10% YoY.
- ARR at the Goregaon hotel continues to inch upwards and grew 8% YoY in 4QFY24, resulting in 5% YoY growth in revenue to INR485m with steady occupancy of 83%. EBITDA came in at INR208m with a margin of 43%. In FY24, revenue/EBITDA from the hotel increased 13%/14% YoY to INR1.7b/0.7b and ARR increased 15% YoY to INR12,840.

Key management commentary

- **Launches**: The show apartments at Pokhran road, Thane, are completed, and the project remains on schedule for launch during the festive season (Oct'24). Additionally, there are plans to launch a new tower at Borivali and offer inventory on higher floors in Mulund in FY25. Additionally, the recently acquired projects in Worli (MMR) and Gurugram, along with Tardeo, are slated for launch in FY26.

- **Annuity Portfolio:** Commerz III has obtained the OC and is poised for full leasing within the next two quarters, given the encouraging enquiries received so far. The anchor tenant can acquire ~50% of the asset, with rentals commencing from Apr'24. The Borivali mall is largely complete and is scheduled to be operational by Oct'24. These two assets are expected to significantly contribute to rental income growth, reaching INR10b by the end of FY25.
- **Business development:** The Company is mindful of significant cash flow that can be generated from existing developments and intends to redeploy it in a prudent way. There is no dearth of opportunities, but it is crucial to sign a project that is in line with the company's execution capabilities.

Valuation and view

- OBER's completed projects such as Sky City Phase 1, 360-West and Eternia-Enigma have the potential to cumulatively generate INR15b+ of surplus cash annually. This, coupled with the scale-up in rental income, provides enough firepower to capture the business development opportunity.
- At current valuations, OBER's residential business implies a value of INR360-370b. The estimated value of the existing pipeline, including the Gurugram project, is INR230b, implying 50-60% of going concern premium, which already accounts for prospective business development in the near term.
- We roll forward our estimates and incorporate contribution from the new Worli project, resulting in an increased TP of INR1,435. **Reiterate Neutral**.

Financial and Operational Summary (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**9,131**	**6,886**	**16,295**	**9,614**	**9,100**	**12,174**	**10,536**	**13,148**	**41,926**	**44,958**	**13,504**	-3%
YoY Change (%)	221.2	-8.7	95.8	16.8	-0.3	76.8	-35.3	36.8	55.6	7.2	40.5	
Total Expenditure	4,209	3,782	6,891	5,927	4,362	5,792	5,443	5,262	20,808	20,859	6,524	
EBITDA	**4,922**	**3,104**	**9,404**	**3,687**	**4,737**	**6,382**	**5,094**	**7,886**	**21,117**	**24,099**	**6,980**	13%
Margins (%)	53.9	45.1	57.7	38.3	52.1	52.4	48.3	60.0	50.4	53.6	51.7	602bp
Depreciation	98	101	102	97	113	113	114	135	398	475	120	
Interest	326	363	381	621	615	565	501	504	1,691	2,184	489	
Other Income	217	232	220	337	236	264	292	2,438	1,006	3,230	341	
PBT before EO expense	**4,715**	**2,873**	**9,141**	**3,306**	**4,245**	**5,968**	**4,771**	**9,685**	**20,036**	**24,669**	**6,712**	
PBT	**4,715**	**2,873**	**9,141**	**3,306**	**4,245**	**5,968**	**4,771**	**9,685**	**20,036**	**24,669**	**6,712**	44%
Tax	1,137	692	2,260	-896	1,046	1,421	1,192	1,833	3,193	5,491	1,874	
Rate (%)	24.1	24.1	24.7	(27.1)	24.6	23.8	25.0	18.9	15.9	22.3	27.9	
MI & P/Lof Asso. Cos.	453	1,006	144	601	17	21	22	28	2,204	89	0	
Reported PAT	4,031	3,186	7,026	4,803	3,216	4,568	3,602	7,880	19,046	19,266	4,838	
Adj PAT	**4,031**	**3,186**	**7,026**	**4,803**	**3,216**	**4,568**	**3,602**	**7,880**	**19,046**	**19,266**	**4,838**	63%
YoY Change (%)	400.0	19.5	50.3	106.7	-20.2	43.4	-48.7	64.1	81.9	1.2	0.7	
Margins (%)	44.1	46.3	43.1	50.0	35.3	37.5	34.2	59.9	45.4	42.9	35.8	
Operational metrics												
Residential												
Sale Volume (msf)	0.25	0.37	0.22	0.16	0.15	0.22	0.26	0.45	0.8	1.0	0.50	-10%
Sale Value (INRm)	7,611	11,557	6,307	6,732	4,760	9,650	7,868	17,907	32,203	39,428	17,334	3%
Collections (INRm)	5,574	8,780	4,277	8,537	11,091	11,013	8,915	10,821	27,167	40,086	8,334	30%
Realization (INR/sft)	30,797	31,234	28,465	41,196	32,630	43,700	30,575	40,017	41,097	40,062	34,827	15%
Leasing												
Occupancy (%)	80.7	81.1	80.8	83.0	80.0	82.3	85.6	89.6	82.8	85	95.3	-6%
Rental income (excl. CAM)	726	711	737	735	726	729	832	874	2,909	3,160	824	6%
EBITDA (excl. CAM)	671	667	691	665	679	675	779	802	2,764	2,934	784	2%
Hospitality												
Occupancy (%)	91.3	82.7	80.0	84.0	82.0	84.0	82.0	83.0	85	83	82	
ARR (INR)	9,116	9,546	12,344	13,723	11,602	11,686	13,269	14,810	11,182	12,932	15,972	
Revenue	348	341	419	461	394	402	492	485	1,709	1,773	641	
EBITDA	136	111	158	208	145	142	205	208	683	699	281	

Apollo Tyres

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	APTY IN
Equity Shares (m)	635
M.Cap.(INRb)/(USDb)	301.1 / 3.6
52-Week Range (INR)	560 / 359
1, 6, 12 Rel. Per (%)	0/-2/10
12M Avg Val (INR M)	1100

Financials & valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	253.8	263.9	284.2
EBITDA	45.0	43.4	46.8
Adj. PAT	18.4	19.1	22.0
EPS (Rs)	29.0	30.1	34.6
EPS Growth (%)	79.0	3.9	14.8
BV/Share (Rs)	273.1	302.6	337.0
Ratios			
RoE (%)	13.9	13.1	13.5
RoCE (%)	16.8	15.8	16.5
Payout (%)	22.3	21.6	20.2
P/E (x)	16.3	15.7	13.7
P/BV (x)	1.7	1.6	1.4
Div. Yield (%)	1.3	1.4	1.5
FCF Yield (%)	7.4	16.4	8.9

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

FII Includes depository receipts

CMP: INR474 TP: INR550 (+16%) Buy

Improving outlook in both India and EU

EPR and higher RM cost impact to be offset by price hikes

- APTY's 4QFY24 consol. EBITDA margin came in at 17.2% (+120bp YoY), adjusted for EPR expenses. Volumes saw marginal growth, with OEM volumes seeing a double-digit decline as APTY focused on profitability in the TBR OEM segments. EU margins came in at 19.1% (+100bp YoY), largely led by an improved mix, despite a volume decline in the underlying PCT industry. APTY has increased prices in May'24 to partially offset the impact of EPR and higher RM costs.
- We cut our FY25E consol. EPS by 6% to factor in increasing RM prices and EPR provisions, while we retain our FY26E EPS. **Reiterate BUY with a revised TP of INR550 (based on 16x Mar'26E EPS).**

Higher other income due to forex gain of INR400m

- Consol. revenue remained flat YoY at INR62.6b (in line), while EBITDA/adj. PAT grew ~8%/18% YoY to INR10.8b/INR4.65b (est. of INR11b/INR4.4b). FY24 consol. revenues/EBITDA/adj. PAT grew 3%/36%/78% YoY.
- Gross margins expanded 380bp YoY (+60bp QoQ) to 47.2% as RM basket remained stable sequentially.
- EBITDA grew 8% YoY to INR10.8b (est. INR11b). EBITDA margins expanded 120bp YoY to 17.2% (est. 17.7%), but affected by higher other expenses (+190bp YoY as % of sales) after adjusting EPR expenses of INR513.7m in exceptional items. Higher other expenses were due to higher advertising spending during the quarter.
- Exceptional items of INR1.4b included EPR expenses of INR312.2m/ INR513.7m for FY23/9MFY24, VRS expenses of INR55.8m, and deferred tax liability of INR499m.
- Aided by higher other income, adj. PAT grew 18% YoY to INR4.65b (est. INR4.4b). Higher other income was on account of forex gain of INR400m.
- Standalone business revenue was in line with our estimate at INR43.9b (flat YoY). Gross margins expanded by 310bp YoY (-40bp QoQ) to 40.5% (est. 40%). EBITDA margin expanded by 80bp YoY to 16.8% (est. 17.5%), adjusted for EPR expenses.
- EU revenue grew 3% YoY to EUR182m (est. EUR182m). EBITDA margin expanded 100bp YoY to 19.1% mainly due to a better mix.
- Overall, consolidated net debt stood at INR25b as of Mar'24 (vs. INR30b in Dec'23 and INR43b as of Mar'23).
- FCFF for FY24 stood at INR27.7b (vs. INR13.7b in FY23) due to strong operating cash flow of INR34.4b (vs. INR21.4b in FY23). Capex for FY24 stood at INR6.7b (vs. INR7.6b in FY23).
- APTY declared a final dividend of INR6/share in FY24 (vs. INR4.3/share in FY23).

Highlights from the management commentary

- **Replacement demand outlook**: APTY expects a high single digit/low double digit growth in CV /PVs respectively and seeing some green shoots in agri segment.
- **RM basket is expected to see a 4-5% escalation in 1QFY25** post stable 4Q.
- APTY has increased prices by **3% in May'24,** partly offsetting RM and EPR expenses. It would **further need a price hike of 2-2.5%** in 1Q to negate the upcoming cost headwinds.
- **EU demand outlook**: The management expects FY25 to be better than FY24 on the back of sales mix improvement and cost optimization. Volume grew in double digits in Apr'24, indicating a strong start for FY25.

Valuation and view

- APTY offers the best blend of earnings growth, balance sheet deleveraging, improving capital efficiencies, and cheap valuations. APTY's sustained discipline in prudent capital allocation and subsequent improvements in RoCE has been truly commendable.
- Given this and encouraging pricing discipline within the industry, we reiterate Buy on APTY with a price target at Rs.550 valued at 16x Mar'26E consolidated EPS.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24				FY23	FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Net Revenues	59,420	59,560	64,228	62,473	62,446	62,797	65,954	62,582	2,45,681	2,53,777	62,659
YoY Change (%)	29.6	17.3	12.5	12.0	5.1	5.4	2.7	0.2	17.3	3.3	0.3
Total Expenditure	52,522	52,440	55,094	52,489	51,931	51,198	53,873	51,788	2,12,545	2,08,790	51,650
EBITDA	6,898	7,120	9,134	9,985	10,515	11,599	12,081	10,794	33,137	44,987	11,009
Margins (%)	11.6	12.0	14.2	16.0	16.8	18.5	18.3	17.2	13.5	17.7	17.6
Depreciation	3,437	3,485	3,544	3,724	3,620	3,603	3,676	3,880	14,191	14,778	3,723
Interest	1,182	1,320	1,420	1,390	1,355	1,328	1,230	1,146	5,312	5,059	1,203
Other Income	106	69	67	169	355	253	184	743	411	1,536	187
PBT before EO expense	2,384	2,383	4,237	5,039	5,896	6,922	7,358	6,511	14,044	26,685	6,270
Extra-Ord expense	0	0	0	-226	132	122	151	1,381	-226	1,786	0
PBT	2,384	2,383	4,237	5,265	5,764	6,800	7,207	5,130	14,269	24,899	6,270
Tax Rate (%)	20.0	24.8	34.2	22.1	31.1	30.3	31.1	31.0	26.7	30.9	30.2
Reported PAT	1,907	1,794	2,788	4,103	3,969	4,744	4,966	3,541	10,458	17,219	4,377
Adj PAT	1,907	1,794	2,788	3,938	4,060	4,828	5,071	4,648	10,293	18,607	4,377
YoY Change (%)	48.4	1.6	24.5	246.7	112.9	169.1	81.9	18.1	60.0	80.8	11.4
Margins (%)	3.2	3.0	4.3	6.3	6.5	7.7	7.7	7.4	4.2	7.3	7.0
E: MOFSL Estimates											
Standalone (India)											
Net Revenues	44,362	42,519	42,466	43,662	44,133	44,067	43,319	43,874	173,010	175,393	44,099
YoY Change (%)	37.8	16.5	12.0	9.5	-0.5	3.6	2.0	0.5	18.1	1.4	1.0
EBITDA	4,288	4,374	5,483	6,964	7,867	8,414	7,840	7,358	21,109	31,480	7,718
Margins (%)	9.7	10.3	12.9	15.9	17.8	19.1	18.1	16.8	12.2	17.9	17.5
Adj PAT	1,044	657	1,243	2,389	3,112	3,513	3,064	3,284	5,787	12,973	3,091
YoY Change (%)	52.4	-27.0	152.6	340.0	198.3	434.3	146.6	37.5	120.9	124.2	20.7
Europe (EUR m)											
Net Revenues	151	181	180	177	144	169	176	182	688	671	193
YoY Change (%)	32.5	31.2	7.8	4.7	-4.6	-6.6	-2.2	2.8	15.4	7.9	9.1
Margins (%)	14.4	15.3	15.4	18.1	13.4	14.1	20.3	19.1	16.2	16.9	20.1

Source: MOFSL Estimates

Jyothy Laboratories

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	JYL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USDb)	161.9 / 1.9
52-Week Range (INR)	554 / 200
1, 6, 12 Rel. Per (%)	3/-17/89
12M Avg Val (INR M)	521

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Net Sales	27.6	30.3	33.4
Sales Gr. (%)	10.9	10.0	10.1
EBITDA	4.8	5.3	6.0
EBITDA Margins (%)	17.4	17.6	17.8
Adj PAT	3.6	4.0	4.5
Adj. EPS (INR)	9.8	10.9	12.2
EPS Gr. (%)	54.8	11.0	11.9
BV/Sh (INR)	49.2	52.0	57.6
Ratios			
RoE (%)	21.5	21.5	22.2
RoCE (%)	21.1	21.1	22.5
Payout (%)	43.2	60.0	53.6
Valuation			
P/E (x)	45.4	40.9	36.5
P/BV (x)	9.0	8.6	7.7
EV/EBITDA	33.5	29.7	26.2
Div. Yield (%)	0.8	1.2	1.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	62.9	62.9	62.9
DII	13.3	13.9	16.8
FII	16.4	14.7	13.8
Others	7.4	8.6	6.5

FII Includes depository receipts

CMP: INR441 | TP: INR475 (+8%) | Neutral

Performance below estimates; focus on volume-driven growth

- Jyothy Laboratories (JYL) reported lower-than-expected revenue and margin in 4QFY24. Revenue grew 7% YoY to INR6.6b, led by 7% volume growth. In FY24, JYL delivered 11%/9% YoY revenue/volume growth.
- Fabric care sustained double-digit growth (10%); JYL focused on value in main-wash and expanded into new territories for the post-wash category. Dishwash growth was slow at 6%; the company focused on driving growth through LUPs. HI declined 10% YoY due to seasonality. Personal care remained the growth driver, clocking 18% YoY growth, led by Margo.
- Gross margin (GM) was up 380bp YoY to 49.5%, of which 160bp was reinvested in A&P (up 30% YoY in 4Q; up 31% in FY24). EBITDA margin improved moderately by 160bp YoY to 16.4% (470bp expansion in FY24).
- We model a 10%/11% revenue/EBITDA CAGR over FY24-26E. With a stable RM basket, we expect the EBITDA margin to sustain at 17-18%.
- We believe a large part of the GM-led earnings growth seen in FY24 will be normalized in FY25. From here on, market share gains and the success of new launches will be critical for JYL's earnings growth. Due to its expensive valuations, **we reiterate our Neutral rating on the stock with a TP of INR475 (premised on 40x FY26E P/E)**.

Miss on growth and margins

- **Muted sales growth:** JYL registered net sales growth of 7% YoY to INR6.6b (est. INR6.8b). Fabric Care/Dishwashing/Personal Care grew 10%/6%/18% YoY to INR2.8b/INR2.2b/INR0.6b revenue, while HI declined 10% YoY to INR0.7b in 4QFY24. The four-year CAGR for Fabric Care stood at 16%, Dishwash was at 15%, HI at 3%, and Personal Care was 20%.
- **Miss on EBITDA margins:** GM expanded ~380bp YoY to 49.5% (est. 49.2). However, as a percentage of sales, an increase in staff costs (+50bp YoY to 11%), and ad spending (+160bp YoY to 9%), as well as other expenses (+13% YoY), restricted EBITDA margin expansion to 160bp YoY (contracted 110bp QoQ) to 16.4% (est. 17.1%).
- **Segmental profitability**: EBIT margins in the Fabric Care/Dishwashing segments expanded 350bp/50bp to 23.0%/18.0%. Personal Care and Household Insecticides' EBIT margins contracted 920bp/480bp YoY to 8.5%/(10.4%) during the quarter.
- **APAT rose 32% YoY on higher other income**: EBITDA grew 19% YoY to INR1,084m (est. of INR1,170m). PBT increased 31% YoY to INR1,072m (est. INR1,143m). Adj. PAT grew 32% YoY to INR781m (est. INR851m).
- **In FY24,** JYL's net sales/EBITDA/Adj. PAT increased 11%/52%/55%.

Highlights from the management commentary

- Management expects an acceleration in volume growth driven by a good monsoon, government welfare measures, and easing inflation. The demand recovery is anticipated in rural India.

- In FY24, JYL delivered 9% volume growth. The company remained focused on volume-driven growth rather than margin expansion. Thus, reinvestment spending will remain high.
- Direct distribution reached 1.2m outlets in FY24 (vs. 1.1m in FY23) and JYL will aim to add more than 100-112k outlets in FY25.
- Capex will be INR400-500m in FY25; it will be used for media spending on the development of new categories.

Valuation and view

- There are no material changes to our EPS estimates for FY25 and FY26.
- We **reiterate our Neutral rating** with a TP of **INR475 (based on 40x FY26E P/E)** as JYL's product portfolio is in the highly-penetrated categories, limiting future volume growth to single digit. JYL's margin expansion beyond 17-18% is also constrained by its focus on mass and rural segments. Therefore, we believe its growth potential is adequately priced-in at its current valuation.

Consolidated Quarterly Performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**5,972**	**6,592**	**6,127**	**6,170**	**6,871**	**7,323**	**6,775**	**6,600**	**24,860**	**27,569**	**6,837**	-3.5
YoY change (%)	14.4	14.0	15.9	13.0	15.1	11.1	10.6	7.0	13.2	10.9	10.8	
Gross Profit	**2,380**	**2,670**	**2,640**	**2,821**	**3,289**	**3,604**	**3,371**	**3,267**	**10,511**	**13,531**	**3,361**	-2.8
Margins (%)	39.9	40.5	43.1	45.7	47.9	49.2	49.8	49.5	42.3	49.1	49.2	0.7
EBITDA	**599**	**804**	**844**	**913**	**1,174**	**1,354**	**1,186**	**1,084**	**3,159**	**4,798**	**1,170**	-7.4
EBITDA growth %	-7.9	19.9	39.4	59.4	96.2	68.3	40.6	18.7	26.4	51.9	28.2	
Margins (%)	10.0	12.2	13.8	14.8	17.1	18.5	17.5	16.4	12.7	17.4	17.1	
Depreciation	130	130	122	119	120	123	128	129	501	500	134	
Interest	33	35	32	31	11	12	12	13	131	47	10	
Other Income	44	53	153	57	79	132	106	130	395	447	117	
PBT	**479**	**693**	**842**	**819**	**1,123**	**1,351**	**1,152**	**1,072**	**2,922**	**4,698**	**1,143**	-6.2
Tax	90	109	169	227	250	311	243	291	595	1,095	292	
Rate (%)	18.8	15.8	20.0	27.7	22.3	23.0	21.1	27.1	19.9	23.3	25.6	
Adjusted PAT	**389**	**584**	**674**	**593**	**873**	**1,040**	**909**	**781**	**2,327**	**3,603**	**851**	-8.2
YoY change (%)	-2.9	38.5	90.4	78.0	124.1	78.2	34.9	31.9	54.2	54.8	43.6	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY23				FY24			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
2Y average growth %								
Sales	18.1	14.9	14.3	12.5	14.7	12.5	13.2	10.0
EBITDA	-12.4	-2.3	7.6	20.7	44.1	44.1	40.0	39.0
PAT	-11.7	4.0	29.1	22.0	60.6	58.4	62.6	54.9
% sales								
COGS	60.1	59.5	56.9	54.3	52.1	50.8	50.2	50.5
Other expenditure	29.8	28.3	29.3	30.9	30.8	30.7	32.3	33.1
Depreciation	2.2	2.0	2.0	1.9	1.7	1.7	1.9	1.9
YoY change %								
COGS	21.0	12.5	11.9	4.8	-0.3	-5.2	-2.4	-0.5
Other expenditure	11.4	14.8	14.9	12.9	18.7	20.6	21.6	14.4
Other income	-8.9	1.9	259.1	2.7	80.0	147.8	-30.6	127.5
EBIT	5.4	44.9	82.6	122.0	125.2	82.6	46.5	20.4

E: MOFSL Estimates

Clean Science & Technology

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	CLEAN IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	141.1 / 1.7
52-Week Range (INR)	1622 / 1275
1, 6, 12 Rel. Per (%)	1/-16/-34
12M Avg Val (INR M)	243

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	7.9	9.5	11.9
EBITDA	3.3	3.8	4.7
PAT	2.4	3.0	3.7
EPS (INR)	23.0	27.9	34.4
EPS Gr. (%)	-17.3	21.6	23.0
BV/Sh.(INR)	113.2	137.5	167.4
Ratios			
Net D:E	-0.0	-0.1	-0.1
RoE (%)	22.1	22.3	22.5
RoCE (%)	21.6	21.9	22.2
Payout (%)	13.1	13.1	13.1
Valuations			
P/E (x)	57.7	47.4	38.5
P/BV (x)	11.7	9.6	7.9
EV/EBITDA (x)	42.4	36.7	29.5
Div. Yield (%)	0.2	0.3	0.3
FCF Yield (%)	0.1	0.8	1.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	75.0	75.0	78.5
DII	5.0	5.1	4.8
FII	5.9	5.9	4.0
Others	14.1	14.0	12.8

FII Includes depository receipts

CMP: INR1,328 TP: INR1,375 (+4%) Neutral

Volume-led recovery drives beat

- CLEAN's reported EBITDA in 4QFY24 beat our estimate at INR945m (-10% YoY), with a gross margin of 65.7% (vs. 70.5% in 4QFY23). EBITDAM contracted to 41.5% from 48.5% in 4QFY23. Revenue contribution of FMCG Chemicals increased YoY, while that of Performance Chemicals and Pharma & Agro Intermediates declined YoY. PAT declined 3% YoY to INR703m.
- There was strong sequential growth in both Performance and Pharma & Agro Intermediates on the back of volume growth. The management highlighted that DCC and TBHQ, which were running at lower utilization, picked up pace in 4Q. Capacity utilization for Performance Chemicals and Pharma & Agro Intermediates stood at 70%, while it stood at 75% for FMCG Chemicals.
- Revenue share of principal products declined to 76% from 84% in 3QFY24. The management highlighted that it is on track to commercialize one product in Pharma Intermediates by 3QFY25 (capex of INR300m). Clean Fino-Chem (CFCL, tax rate for the subsidiary at 15%) was also commercialized in Mar'24 and most of the volume growth is expected to be driven by new products in FY25.
- CLEAN has a market share of 50% in the domestic market in HALS770 and is aiming for 60-70% market share. Although the product is more domestic focused, it is already being shipped to Europe and the Middle East. HALS701 is an export-oriented product, which is primarily used in water treatment. Samples are being sent to customers currently for approvals.
- We expect a CAGR of 23%/19%/22% in revenue/ EBITDA/ PAT during FY24-26, with EBITDAM declining to 39.5% on consolidated basis in FY26. CLEAN is currently trading at 38.5x FY26E EPS of INR34.4 and 29.5x FY26E EV/EBITDA. We value the stock at 40x FY26E EPS to arrive at our TP of INR1,375.

Beat our estimates but margins decline YoY

- CLEAN reported revenue of INR2.3b (+5% YoY).
- **Gross margin stood at 65.7% (-470bp YoY).** EBITDA margin came in at 41.5% (-690bp YoY).
- EBITDA was INR945m (our est. of INR813m, -10% YoY). PAT stood at INR703m (our est. of INR568m, -13% YoY)
- **For FY24,** revenue stood at INR7.9b (-15% YoY), EBITDA at INR3.3b (-17% YoY) and PAT at INR2.4b (-17% YoY). EBITDAM stood at 42% (-100bp YoY).
- The board has declared a final dividend of INR3 per share for FY24.

Segmental and other highlights

- The 4Q performance was driven by volume-led growth. Progressive recovery in revenue continued, while contribution from new products increased. CFCL was commercialized in Mar'24.

- Revenue from **Pharma Chemicals** was INR432 (+1% YoY), DCC contributed to growth. Revenue from **Performance Chemicals** was INR1.5b (-4% YoY), realization impacted the growth. Revenue from **FMCG Chemicals** was INR259m (+21% YoY), growth was volume led.
- Revenue from the domestic market stood at 36%, while the rest came from exports. In exports, China's share increased, while the share of the Americas and Europe declined.
- CLEAN incurred a total capex of INR2.4b in FY24, including INR2.2b investment in subsidiary.

Valuation and view

- CLEAN is actively pursuing R&D and has entered the HALS series, which has an estimated global market size of USD1b. Commercial production from CFCL has commenced and the management expects HALS utilization to reach 80% in three years.
- CLEAN is expected to generate INR2.7b in FCF during FY25-26, with a planned capex of INR4b for the same period. The company plans to finance this capex through internal accruals and is projected to maintain a net cash position in the future.
- The stock is currently trading at 38.5x FY26E EPS of INR34.4 and 29.5x FY26E EV/EBITDA. We value the stock at 40x FY26E EPS to arrive at our TP of INR1,375.

Consolidated - Quarterly Snapshot (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Gross Sales	**2,341**	**2,475**	**2,374**	**2,169**	**1,881**	**1,811**	**1,947**	**2,275**	**9,358**	**7,915**	**1,912**	**19%**
YoY Change (%)	60.0	61.6	31.3	6.0	-19.6	-26.8	-18.0	4.9	36.6	-15.4	-11.8	
Gross Margin (%)	61.0%	62.5%	67.2%	70.5%	61.4%	65.9%	66.8%	65.7%	65.2%	65.0%	66.6%	-0.8%
EBITDA	**913**	**975**	**1,082**	**1,051**	**761**	**748**	**866**	**945**	**4,021**	**3,321**	**813**	**16%**
Margin (%)	39.0	39.4	45.6	48.5	40.5	41.3	44.5	41.5	43.0	42.0	42.5	-1.0
Depreciation	85	87	89	101	108	111	113	127	361	459	117	
Interest	0	0	1	1	1	3	1	6	2	9	4	
Other Income	18	28	126	126	134	60	78	141	298	413	68	
PBT before EO expense	**847**	**916**	**1,118**	**1,075**	**787**	**695**	**830**	**953**	**3,956**	**3,265**	**759**	**26%**
PBT	**847**	**916**	**1,118**	**1,075**	**787**	**695**	**830**	**953**	**3,956**	**3,265**	**759**	**26%**
Tax	218	237	280	270	198	173	204	250	1,005	825	191	
Rate (%)	25.7	25.8	25.1	25.1	25.1	24.9	24.6	26.3	25.4	25.3	25.1	
Reported PAT	**629**	**679**	**838**	**805**	**589**	**522**	**626**	**703**	**2,952**	**2,440**	**568**	**24%**
YoY Change (%)	15.2	26.9	44.5	29.1	-6.3	-23.2	-25.3	-12.7	29.2	-17.3	-29.4	
Margin (%)	26.9	27.5	35.3	37.1	31.3	28.8	32.2	30.9	31.5	30.8	29.7	1.2
Segment-wise Revenue (INR m)												
Performance Chemicals	1,545	1,645	1,685	1,582	1,260	1,213	1,305	1,524	6,457	5,303	1,285	19%
Pharma & Agro Intermediates	538	432	380	428	357	344	370	432	1,778	1,504	371	16%
FMCG Chemicals	234	296	285	215	245	272	253	259	1,029	1,029	238	9%
Others	23	102	24	-56	19	-19	19	60	94	79	18	233%

Granules India

Estimate change	⟷
TP change	↓
Rating change	⟷

Bloomberg	GRAN IN
Equity Shares (m)	242
M.Cap.(INRb)/(USDb)	96.2 / 1.2
52-Week Range (INR)	481 / 272
1, 6, 12 Rel. Per (%)	-3/-4/15
12M Avg Val (INR M)	607

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	45.1	51.1	58.4
EBITDA	8.8	11.1	13.1
Adj. PAT	4.2	6.1	7.8
EBIT Margin (%)	14.9	17.5	18.6
Cons. Adj. EPS (INR)	17.4	25.3	32.2
EPS Gr. (%)	-19.5	45.9	27.3
BV/Sh. (INR)	133.1	157.2	188.3
Ratios			
Net D:E	0.4	0.3	0.3
RoE (%)	13.9	17.4	18.7
RoCE (%)	11.7	14.1	15.6
Payout (%)	7.0	4.6	3.6
Valuations			
P/E (x)	22.8	15.6	12.3
EV/EBITDA (x)	10.7	8.4	6.9
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	0.7	1.6	5.1
EV/Sales (x)	2.1	1.8	1.5

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	42.0	42.0	42.0
DII	10.2	7.1	4.8
FII	18.8	21.5	23.7
Others	29.1	30.0	29.6

FII Includes depository receipts

CMP: INR396 TP: INR465 (+17%) Buy

Strong show in formulations

API/PFI continue to drag overall performance

- Granules India (GRAN) delivered in-line operational performance for the quarter. The earnings were below estimate due to higher-than-expected interest/tax. GRAN ended FY24 with a 19.5% YoY decline in earnings, attributed to an IT incident and a significant decrease in paracetamol demand.
- We maintain our estimates for FY25/FY26. We value GRAN at 15x 12M forward earnings to arrive at a price target of INR465. With new launches in regulated markets (US/EU) comprising niche products such as Metoprolol, better offtake of Ibuprofen, and a low base of FY24, we expect strong recovery in earnings over FY24-26. The prolonged timeline for inventory normalization related to paracetamol would partly offset the business recovery.
- We remain positive on GRAN on the back of a) robust pace of product introduction in focus market, b) backward integration for its key molecules and c) attractive valuation. We maintain our BUY recommendation on the stock.

Segment mix benefit offset by higher other expenses

- GRAN sales declined 1.6% YoY to INR11.8b (our est: INR12.2b). Robust performance in the US was offset by weak show in the EU/LATAM/India/ROW market. Intermediates (PFI) sales declined 32% YoY to INR1.5b (13% of sales). API sales declined 55% YoY to INR1.6b (14% of sales). Formulation (FDF) sales grew 41% YoY to INR8.6b (73% of sales).
- Gross Margin (GM) expanded 12.2 percentage points YoY to 60.1%, due to change in segmental mix and lower RM cost.
- However, EBITDA margin expanded at a lower rate of 200bp YoY to 21.7% (our est: 19.5%), due to higher employee cost and other expenses (up 230bp/790bp YoY as a % of sales). Other expense was higher due to increased R&D expenditure and Freight cost.
- EBITDA grew 8% YoY to INR2b (in line) for the quarter.
- Adjusted PAT grew at 3.4% YoY to INR1.3b (our estimate: INR1.4b).
- In FY24, revenue was flat YoY at INR45b, while EBITDA/PAT declined 5%/20% YoY to INR7.8b/INR4.2b.

Highlights from the management commentary

- GRAN indicated GM to be in the range of 55-58% for FY25. GNP guided for EBITDA margin to be 22-23% for FY25.
- GRAN indicated 16-18 launches in US/EU in FY25, out of which, ~14 would be new to the market.
- g-Metoprolol and Ibuprofen would be among the key drivers of growth in revenue for FY25.

Quarterly Performance (INR m)

Y/E March (Consolidated)	FY23 1Q	FY23 2Q	FY23 3Q	FY23 4Q	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY23	FY24	FY24E 4QE	Var. vs Est
Net Sales	**10,196**	**11,507**	**11,461**	**11,955**	**9,855**	**11,895**	**11,556**	**11,758**	**45,119**	**45,063**	**12,185**	-3.5
YoY Change (%)	20.0	29.5	17.0	16.1	-3.3	3.4	0.8	-1.6	20.4	-0.1	1.9	
EBITDA	**2,115**	**2,429**	**2,313**	**2,361**	**1,579**	**2,130**	**2,505**	**2,557**	**9,218**	**8,770**	**2,612**	-2.1
YoY Change (%)	5.0	60.7	47.8	22.5	-25.4	-12.3	8.3	8.3	30.8	-4.9	10.6	
Margins (%)	20.7	21.1	20.2	19.8	16.0	17.9	21.7	21.7	20.4	19.5	21.4	
Depreciation	434	441	484	487	492	525	524	532	1,845	2,073	544	
EBIT	**1,682**	**1,988**	**1,829**	**1,874**	**1,086**	**1,605**	**1,981**	**2,025**	**7,373**	**6,697**	**2,068**	-2.1
YoY Change (%)	3.8	78.6	56.0	22.9	-35.4	-19.3	8.3	8.1	35.0	-9.2	10.3	
Margins (%)	16.5	17.3	16.0	15.7	11.0	13.5	17.1	17.2	16.3	14.9	17.0	
Interest	69	132	170	188	225	260	286	288	559	1,058	210	
Other Income	47	48	9	34	3	15	7	19	138	44	66	
PBT before EO expense	**1,659**	**1,904**	**1,669**	**1,720**	**865**	**1,360**	**1,701**	**1,756**	**6,952**	**5,683**	**1,924**	-8.7
Extra-Ord expense	0	0	0	80	211	0	0	0	80	211	0	
PBT	**1,659**	**1,904**	**1,669**	**1,640**	**654**	**1,360**	**1,701**	**1,756**	**6,872**	**5,472**	**1,924**	
Tax	383	453	426	444	176	339	444	460	1,706	1,419	479	
Rate (%)	23.1	23.8	25.5	27.1	26.9	24.9	26.1	26.2	24.8	25.9	24.9	
(Profit)/Loss of JV/Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**1,276**	**1,451**	**1,243**	**1,196**	**479**	**1,021**	**1,257**	**1,296**	**5,166**	**4,052**	**1,445**	-10.3
Adjusted PAT	**1,276**	**1,451**	**1,243**	**1,254**	**633**	**1,021**	**1,257**	**1,296**	**5,224**	**4,207**	**1,445**	-10.3
YoY Change (%)	6.1	79.8	41.3	13.0	-50.4	-29.6	1.1	3.4	30.6	-19.5	15.2	
Margins (%)	12.5	12.6	10.8	10.5	6.4	8.6	10.9	11.0	11.6	9.3	11.9	

E: MOFSL Estimates

Key performance Indicators (Consolidated)

Y/E March	FY23 1Q	FY23 2Q	FY23 3Q	FY23 4Q	FY24 1Q	FY24 2Q	FY24 3Q	FY24 4Q	FY23	FY24	FY24E 4QE
FD	5,487	5,856	5,226	6,115	5,420	7,375	7,627	8,642	22,684	29,090	8,011
YoY Change (%)	20.7	15.6	14.2	16.4	-1.2	25.9	45.9	41.3	16.7	28.2	31.0
PFI	2,368	2,349	2,132	2,172	1,478	1,427	1,733	1,482	9,021	6,107	1,946
YoY Change (%)	38.0	22.9	-5.6	-15.4	-37.6	-39.2	-18.7	-31.8	6.7	-32.3	-10.4
API	2,341	3,303	4,103	3,667	2,957	2,974	2,196	1,633	13,414	9,823	2,304
YoY Change (%)	4.6	73.4	31.0	48.0	26.3	-10.0	-46.5	-55.5	37.6	-26.8	-37.2
Cost Break-up											
RM Cost (% of Sales)	50.4	50.3	51.6	52.2	48.6	48.3	43.0	39.9	48.9	55.1	44.4
Staff Cost (% of Sales)	10.7	10.2	10.4	10.6	14.2	12.5	13.6	12.9	10.5	13.3	12.7
Other Cost (% of Sales)	18.2	18.4	17.8	17.5	21.1	21.2	21.7	25.4	18.0	22.4	21.5
Gross Margins(%)	49.6	49.7	48.4	47.8	51.4	51.7	57.0	60.1	51.1	44.9	55.6
EBITDA Margins(%)	20.7	21.1	20.2	19.8	16.0	17.9	21.7	21.7	20.4	19.5	21.4
EBIT Margins(%)	16.5	17.3	16.0	15.7	11.0	13.5	17.1	17.2	16.3	14.9	17.0

E: MOFSL Estimates

V-Mart Retail

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	VMART IN
Equity Shares (m)	20
M.Cap.(INRb)/(USDb)	42.5 / 0.5
52-Week Range (INR)	2445 / 1591
1, 6, 12 Rel. Per (%)	3/14/-19
12M Avg Val (INR M)	92

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	27.9	31.5	35.8
EBITDA	2.1	3.1	4.0
NP	-1.0	-0.5	0.2
EBITDA Margin (%)	7.6	9.8	11.3
Adj. EPS (INR)	-53.5	-26.4	9.0
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	412.8	386.3	395.3
Ratios			
Net D:E	1.8	2.2	2.2
RoE (%)	NM	NM	2.3
RoCE (%)	0.4	2.6	5.3
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	NM	237.3
EV/EBITDA (x)	26.2	18.7	14.4
EV/Sales (x)	1.5	1.4	1.3
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	44.3	44.3	44.3
DII	34.0	34.0	31.8
FII	15.3	14.3	14.2
Others	6.4	7.4	9.7

FII Includes depository receipts

CMP: INR2,147 TP: INR2,200 (+2%) Neutral

Healthy SSSG drives operating performance

- V-Mart Retail (VMART)'s EBITDA jumped 75% YoY (beat) fueled by 13% YoY revenue growth (in line), mainly supported by store additions and a 5%/5%/13% SSSG for Blended/VMart/Unlimited stores. This, along with the controlled costs of retailing, supported earnings for 4QFY24.
- Strong cost-control measures in the form of rationalizing losses within the online segment, the closure of non-performing stores, and improved SSSG (as indicated in our recent report) appeared to have played out in VMART's favor. We estimate its revenue/EBITDA CAGR at 13%/38% over FY24-26. A demand recovery within the value fashion category could be a key driver of growth. **Reiterate Neutral with a TP of INR2,200.**

Revenue growth in line; continues to post a Pre-Ind-AS operating loss

- VMART's revenue grew 13% YoY to INR6.7b (in line), led by 6% SSSG and 5% footprint additions in 4QFY24.
- The company opened nine new stores (eight VMart and one Unlimited) and closed 19 stores (10 VMART and nine Unlimited) during the quarter, taking the total store count to 444 (365 VMart and 79 Unlimited).
- Gross profit grew 12% YoY to INR2.1b (in line) but margin dipped 20bp YoY.
- Employee and other expenses declined 2% QoQ but grew 6% YoY (11%/8% lower than est). This could mainly be because of reducing losses within the online segment (Limeroad) and the closure of loss-making stores.
- Resultantly, EBITDA grew 75% YoY to INR402m (53% beat) with a margin expansion of ~210bp to 6.0%. However, the company reported a Pre-Ind-AS operating loss of ~INR116m and a margin of -1.7% for 4QFY24.
- VMART reported a loss of INR389m (5% beat) due to higher depreciation (26% YoY) and finance costs (7% YoY). Adjusted for the tax related to the previous year, the loss stood at INR605m (vs. INR523m loss in 4QFY23).
- VMART's revenue grew 13% YoY, while EBITDA declined 21% YoY in FY24; it reported a loss of INR968m (vs. INR78m loss) during the year.
- OCF stood at INR1.8b in FY24 (vs. -INR23m in FY23), led by a release of WC amounting to INR1.7b. Capex dipped to INR1.2b (from INR2.8b in FY23). FCF after interest stood at INR431m (vs. cash outflow of INR2.8b in FY23). Consequently, this led to a net debt reduction of INR411m to INR781m in FY24.

Highlights from the management commentary

- **Demand recovery trends:** Management expects a better environment going forward, led by: 1) early signs of recovery in MP/RJ/UP, 2) good monsoons and rabi crops, 3) a decline in prices of food and staples (due to controlled inflation in 4QFY24), and d) rising customer footfalls, who are at the base of the pyramid.
- **Current environment:** Sales improved in 4QFY24 on the back of festivals – Holi/Eid. Post-Diwali, the company anticipated recovery, particularly in the small towns of East India. To date, April and May were good despite the slow marriage season. Post-election, there could be a revival in growth. Management witnessed a recovery after 7-10 days of the previous elections.

- **ASP has stabilized:** The corrections in prices/ASP are almost over and are stable along with inventory optimization. From here on, the company wants to keep building the growth momentum.
- **Store addition:** Management anticipates adding 40-50 stores in FY25, with the possibility of **closing** 5-7 stores.

Valuation and view

- Improved performance within VMart stores, driven by festive demand and the company's decision to close down non-performing stores and reduce losses in the online segment, addresses the near-term profitability concerns mentioned earlier in our report.
- The massive growth opportunity in the value fashion segment and VMART's strong execution capability remain key drivers of VMart's success. These drivers have the potential to sustain double-digit revenue growth for an extended period, underpinned by new store additions. With its low price points, cost leadership, strong liquidity, and prudent inventory management, VMART has a competitive edge over its rivals.
- The stock has seen a healthy recovery from its recent lows; a recovery in demand and improved profitability within the online segment would remain the key catalysts for the stock going forward.
- We broadly maintain our revenue/EBITDA estimates, factoring in a revenue/ EBITDA CAGR of 13%/38% over FY24-26. **We reiterate our Neutral rating with a TP of INR2,200 (premised on 15x EV/EBITDA on Mar'26E).**

Consolidated - Quarterly Earning Model **(INR m)**

Y/E March	FY23				FY24				FY23	FY24	FY24	Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. (%)
Revenue	**5,879**	**5,062**	**7,769**	**5,939**	**6,785**	**5,494**	**8,891**	**6,686**	**24,648**	**27,856**	**6,677**	**0**
YoY Change (%)	231.4	49.8	12.3	29.5	15.4	8.5	14.4	12.6	47.9	13.0	12.4	
Total Expenditure	4,992	4,526	6,732	5,710	6,261	5,488	7,694	6,284	21,959	25,725	6,401	-2
EBITDA	**887**	**536**	**1,037**	**229**	**525**	**7**	**1,197**	**402**	**2,689**	**2,131**	**277**	**45**
EBITDA Margin (%)	15.1	10.6	13.3	3.9	7.7	0.1	13.5	6.0	10.9	7.6	4.1	
Depreciation	402	441	473	484	499	532	583	607	1,800	2,221	531	14
Interest	247	279	307	336	330	359	376	359	1,169	1,424	360	0
Other Income	41	27	7	75	15	20	130	44	150	210	15	201
PBT	**278**	**-157**	**264**	**-516**	**-290**	**-864**	**369**	**-520**	**-130**	**-1,305**	**-600**	**-13**
Tax	74	-44	64	-146	-70	-223	87	-131	-52	-337	-167	
Rate (%)	26.5	27.9	24.4	28.3	24.2	25.8	23.5	25.1	39.7	25.9	27.9	
Reported PAT	**205**	**-113**	**200**	**-370**	**-219**	**-641**	**282**	**-389**	**-78**	**-968**	**-432**	**-10**
Adj PAT	**205**	**-113**	**200**	**-370**	**-219**	**-641**	**282**	**-389**	**-78**	**-968**	**-432**	**-10**
YoY Change (%)	-171.2	-20.0	-65.0	1,314.5	-207.3	466.8	41.3	5.3	-167.4	1,132.9	17.0	

E: MOFSL Estimates

LIC Housing Finance

BSE SENSEX	S&P CNX
72,987	22,201

Conference Call Details

Date: 16th May 2024
Time: 11:30 AM IST
Dial-in details:
+91 22 6280 1145
[Link for call](#)

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	86.5	81.2	86.5
PPP	77.0	72.1	76.7
PAT	47.7	47.7	51.6
EPS (INR)	86.6	86.7	93.8
EPS Gr. (%)	64.8	0.2	8.2
BV/Sh (INR)	570	635	702
Ratios			
NIM (%)	3.2	2.8	2.7
C/I ratio (%)	13.0	14.7	14.8
RoAA (%)	1.7	1.6	1.5
RoE (%)	16.3	14.4	14.0
Payout (%)	10.4	14.9	14.9
Valuations			
P/E (x)	7.3	7.3	6.7
P/BV (x)	1.1	1.0	0.9
Div. Yield (%)	1.4	2.1	2.2

CMP: INR631 **Buy**

Operationally strong quarter despite one-offs in opex and tax leading to PAT miss

NIM rose ~15bp QoQ; strong improvement in asset quality

- 4QFY24 PAT declined ~8% YoY to ~INR10.9b (8% miss). FY24 PAT grew ~65% to INR47.6b.
- 4Q NII at ~INR22.4b (9% beat) grew ~12% YoY. PPoP at ~INR19b (5% beat) grew ~9% YoY.
- Opex grew ~39% YoY to INR3.8b (32% above MOFSLe) and the cost-income ratio rose ~3pp YoY to ~16.7% (~13.6% in 4QFY23). Employee expenses rose by ~INR600m QoQ, which included one-off items related to gratuity (INR200m) and wage revisions (~INR300m).
- 4Q NIM expanded ~15bp QoQ to ~3.15%. As of FY24, reported yields and CoF stood at 9.9% and ~7.8%, respectively, leading to spreads of 2.15% (9MFY24: 2.3%).
- The effective tax rate in 4Q stood at ~26% (vs. ~19.7% for the last three quarters). The 4Q tax rate included a one-off tax adjustment for prior years (~INR1.2b). The tax rate is expected to revert to ~19.7% in 1QFY25.
- Credit costs stood at ~INR4.3b (est. INR3.9b), translating into an annualized credit costs of ~60bp (~45bp in FY23).

Disbursements picking up; loan growth remains weak

- Loan disbursements in individual home loans (IHL) increased ~15% YoY, while non-housing individual/commercial disbursements rose 18% YoY. Builder/project loan disbursements declined ~4% YoY. Total disbursements rose ~14% YoY.
- Overall loan-book grew ~4% YoY/2% QoQ. Home loans grew ~7% YoY, while developer loan book declined ~49% YoY.

Strong improvement in asset quality through resolutions and write-offs

- GS3/NS3 improved by ~95bp/~60bp QoQ to ~3.3%/~1.6%. Improvement in NS3 was driven by the increase in PCR on S3 loans by ~3pp QoQ to ~51.4%. There were no ARC transactions. This improvement was driven by write-offs of ~INR10.5b and organic resolutions in few corporate accounts.
- Stage 2 + 3 assets (30+ dpd) declined ~130bp QoQ to 7.5% (vs. 8.8% in 3QFY24).
- ECL/ EAD declined ~25bp QoQ to ~2.2% (vs. 2.45% in 3QFY24).

Valuation and view

- Except for muted loan growth, LICHF delivered a healthy performance in 4QFY24, driven by NIM expansion and reasonable credit costs.
- It will be interesting to understand the management's outlook on demand for mortgages and its guidance on individual loan growth.
- Commentary on the company's plans to maintain disbursements and guidance on NIM and credit costs for FY25 will also be important. We will review our estimates after the earnings call on 16th May'24.

Quarterly Performance (INR M)

Y/E March	FY23				FY24				FY23	FY24	4QFY24E	Act. v/s est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	52,502	50,493	58,387	63,780	67,037	67,066	67,437	68,875	2,25,162	2,70,416	67,982	1
Interest Expenses	36,400	38,864	42,328	43,877	44,942	46,000	46,465	46,499	1,61,860	1,83,907	47,410	-2
Net Interest Income	**16,102**	**11,629**	**16,059**	**19,903**	**22,094**	**21,066**	**20,972**	**22,376**	**63,303**	**86,509**	**20,571**	9
YoY Growth (%)	26.3	-0.4	10.4	21.5	37.2	81.2	30.6	12.4	14.4	36.7	3.4	270
Fees and other income	407	427	374	371	429	521	488	493	1,580	1,931	506	-2
Net Income	**16,509**	**12,056**	**16,432**	**20,274**	**22,523**	**21,587**	**21,460**	**22,869**	**64,882**	**88,440**	**21,077**	9
YoY Growth (%)	26.1	-0.3	7.8	15.4	36.4	79.1	30.6	12.8	11.9	36.3	4.0	223
Operating Expenses	2,029	2,610	2,876	2,759	2,425	2,595	2,615	3,829	9,883	11,463	2,893	32
Operating Profit	**14,481**	**9,447**	**13,557**	**17,515**	**20,098**	**18,993**	**18,845**	**19,041**	**55,000**	**76,976**	**18,184**	5
YoY Growth (%)	40.9	-0.4	2.9	16.2	38.8	101.1	39.0	8.7	14.6	40.0	3.8	128
Provisions and Cont.	3,077	5,658	7,627	3,068	3,608	4,192	4,358	4,279	19,430	16,437	3,901	10
Profit before Tax	**11,404**	**3,789**	**5,930**	**14,448**	**16,490**	**14,801**	**14,487**	**14,762**	**35,570**	**60,539**	**14,283**	3
Tax Provisions	2,149	739	1,127	2,645	3,253	2,920	2,858	3,854	6,660	12,885	2,380	62
Net Profit	**9,255**	**3,050**	**4,803**	**11,803**	**13,237**	**11,881**	**11,629**	**10,908**	**28,910**	**47,654**	**11,903**	-8
YoY Growth (%)	503.2	23.0	-37.4	5.5	43.0	289.6	142.1	-7.6	26.4	64.8	0.8	
Key Operating Parameters (%)												
Yield on loans (Cal)	8.29	7.80	8.80	9.39	9.72	9.68	9.65	9.70	8.78	9.9		
Cost of funds (Cal)	6.47	6.78	7.15	7.24	7.40	7.59	7.61	7.47	6.91	7.4		
Spreads (Cal)	1.81	1.02	1.65	2.15	2.33	2.09	2.04	2.23	1.87	2.5		
Margins (Cal)	2.54	1.80	2.42	2.93	3.21	3.04	3.00	3.15	2.40	3.1		
Credit Cost (Cal)	0.49	0.87	1.15	0.45	0.52	0.60	0.62	0.60	0.76	0.6		
Cost to Income Ratio	12.3	21.6	17.5	13.6	10.8	12.0	12.2	16.7	15.2	13.0		
Tax Rate	18.8	19.5	19.0	18.3	19.7	19.7	19.7	26.1	18.7	21.3		
Balance Sheet Parameters												
Loans (INR B)	2,557	2,623	2,684	2,750	2,764	2,780	2,812	2,868	2,678	2806		
Change YoY (%)	10.0	10.4	10.3	9.5	8.1	6.0	4.8	4.3	9.2	4.8		
Indiv. Disb. (INR B)	149	164	157	145	106	142	148	167	614	564		
Change YoY (%)	77.0	3.9	-10.3	-23.4	-28.8	-13.1	-5.5	15.6	1.5	-8.2		
Borrowings (INR B)	2,260	2,329	2,404	2,447	2,414	2,436	2,451	2,530	2,448	2525		
Change YoY (%)	9.5	11.4	11.4	9.3	6.8	4.6	2.0	3.4	9.4	3.2		
Loans/Borrowings (%)	113.2	112.6	111.7	112.4	114.5	114.1	114.7	113.4	109.4	111.1		
Asset Quality Parameters												
GS 3 (INR B)	126.8	128.5	127.5	120.2	137.1	120.4	119.8	94.9	120.2	94.9		
Gross Stage 3 (% on Assets)	5.0	4.9	4.8	4.4	5.0	4.3	4.3	3.3	4.4	3.3		
NS 3 (INR B)	75.6	72.3	62.6	66.4	79.2	70.8	61.6	46.2	66.4	46.2		
Net Stage 3 (% on Assets)	3.0	2.8	2.4	2.5	2.9	2.6	2.2	1.6	2.5	1.6		
PCR (%)	40.4	43.7	50.9	44.8	42.3	41.2	48.6	51.4	44.8	51.4		
ECL (%)	2.40	2.49	2.71	2.63	2.75	2.34	2.45	2.19	2.63			
Loan Mix (%)												
Home loans	82.0	82.6	83.1	83.2	83.2	84.4	84.9	85.1	83.2			
LAP	13.2	12.9	12.9	12.5	12.3	12.1	12.1	12.8	12.5			
Non-Individual loans	4.8	4.5	4.0	4.3	4.3	3.5	3.0	2.1	4.3			
Borrowing Mix (%)												
Banks	33.0	34.0	33.9	34.0	31.0	33.0	35.0	34.0	34.0			
NCD	51.0	52.0	51.9	50.0	54.0	53.0	52.0	52.0	50.0			
Sub Debt	1.0	1.0	0.8	1.0	1.0	1.0	1.0	1.0	1.0			
Deposits	8.0	7.0	5.9	5.0	5.0	5.0	4.0	4.0	5.0			
NHB	4.0	4.0	3.6	5.0	5.0	4.0	4.0	4.0	5.0			
CP	3.0	2.0	3.9	5.0	4.0	4.0	4.0	5.0	5.0			

E: MOFSL Estimates

Transport Corporation of India

BSE SENSEX	S&P CNX
72,987	22,201

Conference Call Details

Date: 16st May 2023
Time: 03:45 PM IST
Dial-in details:
Link

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	40.2	45.6	52.5
EBITDA	4.1	4.8	5.6
Adj. PAT	3.5	3.7	4.4
EBITDA Margin (%)	10.2	10.5	10.6
Adj. EPS (INR)	45.8	48.3	57.2
EPS Gr. (%)	10.1	5.5	18.4
BV/Sh. (INR)	259.2	304.1	357.8
Ratios			
Net D:E	-0.1	-0.2	-0.2
RoE (%)	18.8	16.9	17.1
RoCE (%)	18.4	16.6	16.8
Payout (%)	15.4	7.2	6.1
Valuations			
P/E (x)	19.5	18.5	15.6
P/BV (x)	3.4	2.9	2.5
EV/EBITDA(x)	15.4	13.0	10.7
Div. Yield (%)	0.8	0.4	0.4
FCF Yield (%)	1.5	0.6	2.6

CMP: INR896 Buy

Revenue and EBITDA in line; beat in APAT driven by lower tax outgo and high 'other income'

4QFY24 earnings snapshot

- Revenue grew 10% YoY to ~INR10.8b in 4QFY24 (in line).
- EBITDA margin came in at 10.1% in 4QFY24 (-90 bp YoY and +20bps QoQ) against our estimate of 10.6%.
- EBITDA was flattish YoY at INR1.1b, while APAT grew 23% YoY to ~INR1b (20% above our estimate). This notable beat in APAT during 4QFY24 was primarily driven by higher 'other income' and lower tax outgo.
- Supply chain revenues grew 13.4% YoY, while the freight division reported 10.1% YoY growth. The Seaways division reported a 1.9% YoY decline in revenue.
- EBIT margin for Freight division/Supply chain/Seaways division stood at 3.2%/6.4%/26.4% in 4QFY24. EBIT margin for the Freight and seaways business contracted 100bp and 130bp YoY, respectively, while EBIT margin for the supply chain division was flattish YoY.
- During FY24, revenue increased 6% YoY to INR 40.2b, EBITDA decreased 3% to INR 4.1b, while EBITDA margin stood at 10.2%. APAT increased 10% YoY to INR 3.5b.
- During FY24, the Freight division revenue stood at ~INR20b (+4% YoY) and EBIT margin at 3.2%; the Supply chain division reported revenue of INR 15.3b (+14% YoY) and EBIT margin at 6.5%; and the Seaways division reported revenue of INR 5.5b (-8% YoY) and EBIT margin at 25.1%.
- The company declared a final dividend of INR2/share.

Quarterly snapshot INR m

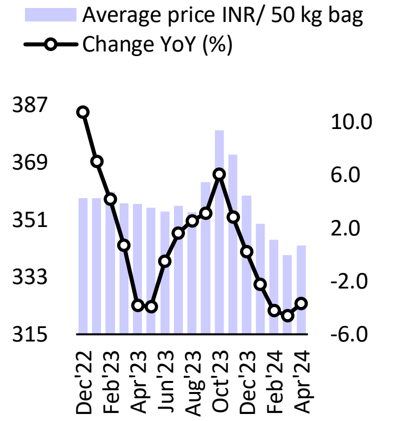
Y/E March (INR m)	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs Est
Net Sales	**9,029**	**9,321**	**9,667**	**9,793**	**9,498**	**9,935**	**10,020**	**10,789**	**37,826**	**40,242**	**10,530**	**2**
YoY Change (%)	29.7	13.0	15.4	9.0	5.2	6.6	3.7	10.2	16.1	6.4	7.5	
EBITDA	**1,041**	**960**	**1,144**	**1,081**	**1,008**	**1,004**	**999**	**1,094**	**4,240**	**4,105**	**1,121**	**(2)**
Margins (%)	11.5	10.3	11.8	11.0	10.6	10.1	10.0	10.1	11.2	10.2	10.6	
YoY Change (%)	37.4	-8.2	4.8	-10.0	-3.1	4.6	-12.7	1.2	3.2	-3.2	3.8	
Depreciation	289	300	314	311	308	311	331	334	1,214	1,284	333	
Interest	23	25	26	24	23	34	35	41	98	133	31	
Other Income	53	74	70	121	85	113	95	165	303	458	85	
PBT before EO expense	**782**	**708**	**874**	**867**	**762**	**772**	**728**	**884**	**3,231**	**3,146**	**842**	
Extra-Ord expense	0	0	0	34	0	0	0	24	34	24	0	
PBT	**782**	**708**	**874**	**833**	**762**	**772**	**728**	**860**	**3,197**	**3,122**	**842**	
Tax	93	116	110	115	104	96	108	28	434	336	127	
Rate (%)	11.9	16.4	12.6	13.8	13.6	12.4	14.8	3.3	13.6	10.8	15.0	
Minority Interest	-8.4	-6.6	-8.2	-9.3	-9.0	-8.0	-8.0	-12.0	-32.5	-37.0	-5.0	
Profit/Loss of Asso. Cos	98	138	102	106	174	202	182	201	444	759	163	
Reported PAT	**778**	**723**	**857**	**814**	**823**	**870**	**794**	**1,021**	**3,173**	**3,508**	**873**	**17**
Adj PAT	**778**	**723**	**857**	**848**	**823**	**870**	**794**	**1,045**	**3,207**	**3,532**	**873**	**20**
YoY Change (%)	65.9	-4.1	4.4	-0.7	5.8	20.3	-7.4	23.2	10.7	10.1	2.9	
Margins (%)	8.6	7.8	8.9	8.7	8.7	8.8	7.9	9.7	8.5	8.8	8.3	

Exhibit 1: Segmental performance

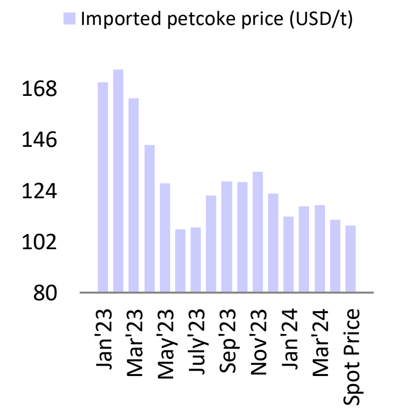
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Segment Revenue (INR m)								
Freight	4,633	4,693	4,826	5,046	4,754	4,818	4,856	5,553
Supply chain	3,023	3,584	3,335	3,462	3,630	3,907	3,882	3,928
Seaways	1,525	1,242	1,702	1,521	1,254	1,354	1,426	1,492
Energy	16	19	15	11	16	21	7	11
Net segment Revenue	**9,196**	**9,537**	**9,879**	**10,040**	**9,654**	**10,100**	**10,171**	**10,984**
Growth YoY (%)								
Freight	27.0	13.7	11.6	5.2	2.6	2.7	0.6	10.1
Supply chain	33.6	26.0	19.6	26.1	20.1	9.0	16.4	13.4
Seaways	32.6	-7.5	15.1	-5.3	-17.7	9.0	-16.2	-1.9
Energy	5.3	-9.6	176.4	-7.8	1.3	11.7	-53.9	3.8
Net segment Revenue	**30.0**	**14.4**	**14.9**	**9.6**	**5.0**	**5.9**	**3.0**	**9.4**
Revenue Share (%)								
Freight	50	49	49	50	49	48	48	51
Supply chain	33	38	34	34	38	39	38	36
Seaways	17	13	17	15	13	13	14	14
Energy	0	0	0	0	0	0	0	0
Total Revenue Share	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Segment Results (EBIT) - (INR m)								
Freight	162	191	273	214	156	163	149	176
Supply chain	166	226	200	226	229	262	253	250
Seaways	461	304	458	422	366	310	315	394
Energy	8	10	9	3	8	12	0	4
Total Segment Results	**797**	**731**	**940**	**865**	**759**	**747**	**717**	**824**
Segmental EBIT Margin (%)								
Freight	3.5	4.1	5.7	4.2	3.3	3.4	3.1	3.2
Supply chain	5.5	6.3	6.0	6.5	6.3	6.7	6.5	6.4
Seaways	30.2	24.5	26.9	27.7	29.2	22.9	22.1	26.4
Energy	50.0	50.5	55.9	32.1	50	57.1	0.0	36.4
Total	**8.7**	**7.7**	**9.5**	**8.6**	**7.9**	**7.4**	**7.0**	**7.5**

Cement

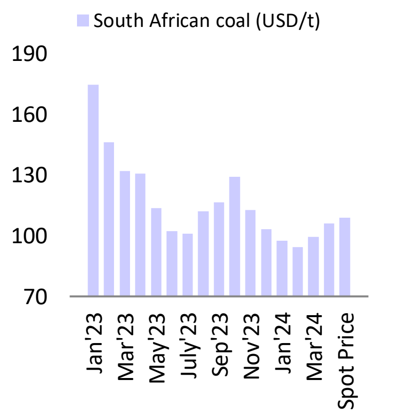
Average price of cement per 50kg bag down 3.7% YoY in Apr'24



Average imported petcoke price down 22.5% YoY to USD112/t in Apr'24



Average imported coal price down 19% YoY to USD106/t in Apr'24



Demand moderates; price remained weak

Average cement price in Apr'24 up marginally ~1% MoM

- Our channel checks suggest that the all-India average cement price (trade) improved marginally ~1% MoM (INR3 per 50kg bag) in Apr'24, primarily led by price hikes in South and West regions. However, price in North, Central, and East remained flat MoM in Apr'24. Cement volume offtake has also been weak during the month due to the general election, labor unavailability, excessive heat, and high stocking by dealers at reduced prices in Mar'24. We anticipate a volume decline of ~8-9% YoY in Apr'24.
- Cement prices continued to remain under pressure in Apr'24, as the price hike announced at the beginning of the month could not be sustained in most of the markets. South and West regions only witnessed a price hike of ~2% MoM (each) while, price remained flat in other regions. Though the cement players would continue to attempt price hikes, sustainability is unlikely in the near term, given subdued demand.
- Petcoke price remained range bound in the last few months, while imported coal (South African) price increased. Spot prices for imported petcoke (US) is down 1% MoM to USD111/t while coal (South African) is up ~4% MoM to USD109/t. At spot prices, consumption costs stood at INR1.32/Kcal for imported petcoke and INR1.62/Kcal for imported coal.

Cement price under pressure; hike announcements largely ineffective

- Cement price remained weak, largely affected by subdued demand. Despite attempts by industry players to increase prices, a significant portion of these hikes was rolled back within days due to the prevailing subdued demand.
- Regionally, the Southern region witnessed average price increase of INR6/bag MoM (up ~2%), led by price hikes of up to INR10/bag in Tamil Nadu and Kerala markets. However, it remained flat in other markets of the southern region. Similarly, the Western region saw a price increase of INR10/bag MoM (up ~2%), led by price increase in both Maharashtra and Gujarat. However, in the North, East, and Central regions price was flat MoM. The cement players would continue to attempt price hikes. Dealers highlighted that cement players indicated a price hike of INR10-20/bag, in May'24 in a few markets including Gujarat, Tamil Nadu, Kerala, Odisha, and Delhi-NCR. However, sustainability of these hikes unlikely in the near term, given the subdued demand.
- The All-India average cement price increased ~1% MoM in Apr'24, but decreased 0.5% from the 4QFY24 average price.

Cement demand growth moderates across regions

- Cement demand remained weak across regions due to the general election, labor unavailability, excessive heat, and high stocking by dealers at reduced prices in Mar'24.
- Cement volumes witnessed a significant uptake in 4QFY24, driven by strong demand from infrastructure projects, increased pre-election spending, and favorable construction conditions. This led to double-digit industry volume growth during the quarter.
- We estimate volume decline of ~8-9% YoY in Apr'24. We estimate industry volume to moderate in 1HFY24 due to the general election, followed by the monsoons.

Petcoke price remain range bound; expects benefits to emerge gradually

- Petcoke price remained range bound in the last few months, while imported coal (South African) price increased. Spot prices for imported petcoke (US) is down 1% MoM to USD111/t while coal (South African) is up ~4% MoM to USD109/t. Domestic petcoke price increased ~2% MoM to INR13,239/t in May'24.
- Based on the spot prices, consumption costs stood at INR1.32/Kcal for imported Petcoke and INR1.62/Kcal for imported coal. Notably, spot price comes into consumption almost four to five months later, given the time taken in shipment and transit (including loading and unloading) of coal.
- Fuel consumption cost (in INR/Kcal) declined 1-3% QoQ for UTCEM/DALBHARA/ BCORP; however, this has increased by 1-3% for ACC/ACEM/SRCM. Fuel consumption cost stood at INR1.82-INR2.03/Kcal for ACC/ACEM/UTCEM/SRCM and at INR1.45-1.56/kcal for BCORP/DALBHARA. Industry players estimate gradual reduction in fuel cost in the next few quarters, given the availability of fuel inventory.

Outlook: weak sentiments due to pricing pressure and subdued demand

- Cement prices continued to be weak in Apr'24 due to the subdued demand and excess supply. Cement volume is estimated to decline ~8-9% YoY in Apr'24. Most of the management teams (so far announced earnings for 4QFY24) guided for moderation in demand in 1HFY25 due to the general elections, followed by monsoons. Cement prices have corrected sharply in 4QFY24, and is expected to remain stable with no significant improvements in the near term.
- We believe industry volume to report ~7% CAGR in the long term, backed by strong demand from infrastructure projects, housing segment, and the likely pick-up in commercial and private capex.
- UTCEM is our preferred pick in the large cap space. We like DALBHARA and JKCE in the midcap space.

Valuation Summary

	M-cap (USD b)	CMP (INR)	Rating	P/E (x)		EV/EBITDA (x)		EV/t (USD)		ROE (%)		Net debt/ EBITDA (x)	
				FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
UTCEM	37.1	9,610	Buy	33.3	27.8	18.1	15.1	219	201	13.1	14.0	(0.1)	(0.4)
SRCM	12.5	25,819	Neutral	40.7	38.3	17.1	15.9	202	175	10.7	10.5	(1.2)	(0.9)
ACEM	16.3	613	Neutral	44.8	38.9	19.2	16.5	159	147	10.1	9.6	(4.2)	(3.6)
ACC	6.3	2,489	Neutral	20.8	18.8	11.1	9.5	146	129	13.2	12.9	(1.4)	(1.8)
DALBHARA	4.4	1,762	Buy	33.7	24.8	10.9	9.1	91	91	5.8	7.6	0.4	0.3
TRCL	2.4	763	Neutral	29.4	22.2	11.7	10.2	126	117	8.4	10.2	2.8	2.5
JKCE	4.0	3,891	Buy	27.5	22.9	13.1	11.2	178	160	18.8	19.3	1.8	1.6
BCORP	1.5	1,450	Buy	20.2	16.3	8.3	7.0	89	79	8.0	9.2	1.7	1.2
ICEM	0.9	209	Sell	61.1	31.9	16.3	13.1	77	75	1.9	3.6	5.0	3.9
JKLC	1.2	776	Buy	17.7	14.7	7.3	5.9	58	49	15.1	16.0	1.2	1.5
GRASIM	21.6	2,368	Buy	117.2	97.6	12.1	9.2	N/A	N/A	3.0	3.9	2.4	1.7

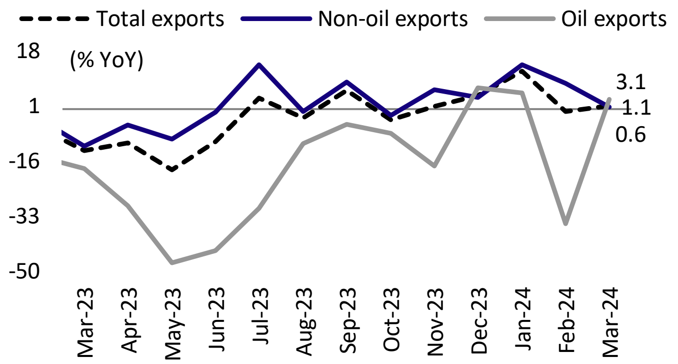
Source: MOFSL, Company

Trade deficit widens in Apr'24

Imports grew faster than exports

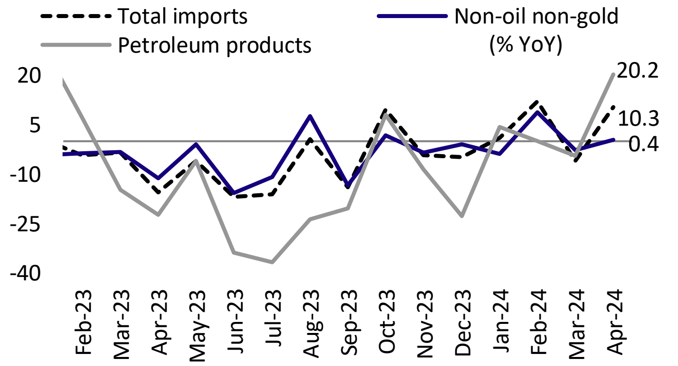
- Merchandise exports grew marginally by 1.1% YoY in Apr'24 vs. a contraction of 0.7% in Mar'24 and 12.8% in Apr'23, mainly led by an uptick in oil exports, which was partly offset by a fall in non-oil exports. Merchandise exports stood at USD35b in Apr'24 vs. USD41.6b in Mar'24 and USD34.6b in Apr'23. *(Exhibit 1)*
- Oil exports increased to USD6.6b in Apr'24 (3.1% YoY) vs. USD5.4b in Mar'24 (-35.4% YoY) and USD6.4b in Apr'23. On the other hand, non-oil exports decelerated sharply to a five-month low of USD28.4b (0.6% YoY) in Apr'24 vs. USD36.3b (8% YoY) in Mar'24. In merchandise exports, 13 of the 30 key sectors exhibited positive growth in Apr'24 as compared to the same period last year. India's export growth reflects resilience in certain sectors, such as pharmaceuticals, textiles, and engineering goods. These sectors have continued to perform well despite global economic uncertainties.
- Merchandise imports stood at USD54.1b in Apr'24 (10.3% YoY) vs. USD57.3b (-6% YoY) in Mar'24 and USD49.1b in Apr'23 (-15.5% YoY). The increase in imports in Apr'24 was mainly led by oil and gold. Oil imports stood at USD16.4b (20.2% YoY) in Apr'24 vs. USD13.7b (-22.3% YoY) in Apr'23. At the same time, gold imports increased to USD3.1b in Apr'24 (209% YoY) vs. USD1.5b in Mar'24 and USD1b in Apr'23. *(Exhibit 2)*
- Non-oil non-gold imports stood at USD34.5b in Apr'24 (0.4% YoY) vs. USD38.5b in Mar'24 (-2.7% YoY) and USD34.4b in Apr'23 (-11.2% YoY).
- Consequently, the merchandise trade deficit widened to USD19.1b in Apr'24 (vs. USD15.6b in Mar'24 and USD14.4b in Apr'23), as imports grew faster than exports. This marks a significant shift from the previous month when the trade deficit reached an 11-month low. The merchandise trade deficit for Apr'24 was higher than the market consensus of USD17.3b. *(Exhibit 3)*
- In FY24, the merchandise trade deficit narrowed to USD240.2b (or 6.8% of GDP) from USD264.9b in FY23 (or 7.8% of GDP) as imports fell faster than exports. We expect trade deficit to increase to USD275.4b in FY25, led by a faster pace of growth in imports. *(Exhibit 4)*

Exhibit 1: Exports increased 1.1% YoY in Apr'24



Source: Ministry of Commerce and Industry, MOFSL

Exhibit 2: Imports increased 10.3% YoY in Apr'24



Source: Ministry of Commerce and Industry, MOFSL

Exhibit 3: Trade deficit widened to USD19.1b in Apr'24

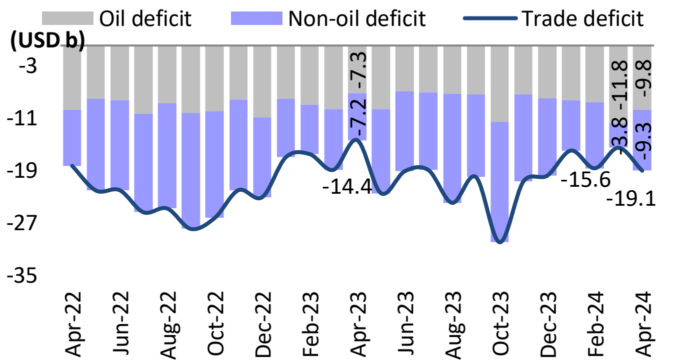
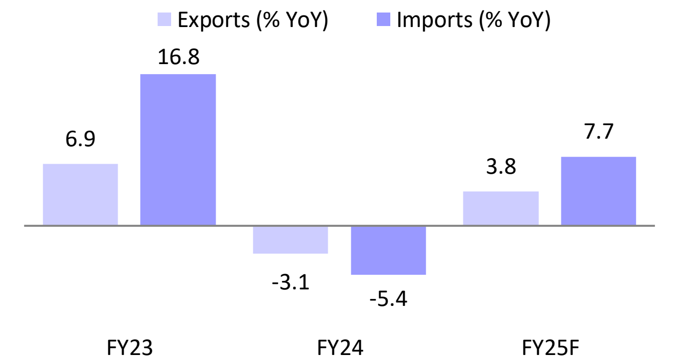


Exhibit 4: Imports contracted faster than exports in FY24



DLF: FY25 sales guidance of about ₹17,000-18,000 cr.; Aakash Ohri, Sr. Executive Director

- Have a good launch pipeline for FY25
- Privana was pushed to FY25 due to some regulatory delays in terms of approval
- We have got independent floors awaiting in Gurugram to be launched
- Mumbai project launch will be sometime in 3Q-4Q of this year vs 25-20%

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Shree Cement: Expect volume growth between 8-10% in FY25; HM Bangur, MD

- Volumes will be highly dependent on the macro-economic situation
- Expect vol. growth between 8-10% in FY25
- Volumes will be highly dependent on macro-economic conditions
- Efficiency levels expected to rise, energy consumption costs to reduce

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Blue Star: More than 65% of the sales is in the Tier 2-3 cities; B Thiagarajan, MD

- Primary sales in April is 60% & Secondary sales is 90%
- By the end of April all manufacturers were stocked out
- Revising growth estimates upward for summer sales to 30-40%

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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

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