

### Market snapshot

| Equities - India | Close    | Chg .%   | CYTD.%   |
|------------------|----------|----------|----------|
| Sensex           | 73,896   | 0.0      | 2.3      |
| Nifty-50         | 22,443   | -0.1     | 3.3      |
| Nifty-M 100      | 50,662   | -0.5     | 9.7      |
| Equities-Global  | Close    | Chg .%   | CYTD.%   |
| S&P 500          | 5,181    | 1.0      | 8.6      |
| Nasdaq           | 16,349   | 1.2      | 8.9      |
| FTSE 100         | 8,213    | 0.0      | 6.2      |
| DAX              | 18,175   | 1.0      | 8.5      |
| Hang Seng        | 6,572    | 0.4      | 13.9     |
| Nikkei 225       | 38,236   | 0.0      | 14.3     |
| Commodities      | Close    | Chg .%   | CYTD.%   |
| Brent (US\$/Bbl) | 83       | 0.0      | 7.4      |
| Gold (\$/OZ)     | 2,324    | 1.0      | 12.7     |
| Cu (US\$/MT)     | 9,790    | 0.0      | 15.7     |
| Almn (US\$/MT)   | 2,511    | 0.0      | 7.0      |
| Currency         | Close    | Chg .%   | CYTD.%   |
| USD/INR          | 83.5     | 0.1      | 0.3      |
| USD/EUR          | 1.1      | 0.1      | -2.4     |
| USD/JPY          | 153.9    | 0.6      | 9.1      |
| YIELD (%)        | Close    | 1MChg    | CYTD chg |
| 10 Yrs G-Sec     | 7.1      | -0.04    | -0.1     |
| 10 Yrs AAA Corp  | 7.5      | -0.04    | -0.2     |
| Flows (USD b)    | 6-May    | MTD      | CYTD     |
| FII              | -0.3     | -0.60    | -0.1     |
| DII              | 0.09     | 0.43     | 18.7     |
| Volumes (INRb)   | 6-May    | MTD*     | YTD*     |
| Cash             | 1,189    | 1291     | 1185     |
| F&O              | 2,39,648 | 2,76,348 | 3,84,844 |

Note: Flows, MTD includes provisional numbers.

\*Average



### Today's top research theme

## India Strategy | Interim review: In line; BFSI and Auto in the fast lane, as expected

- ❖ The 4QFY24 aggregate earnings of the 94 MOFSL Universe companies were in line with our estimates and grew 5% YoY (vs. est. of +3% YoY). The earnings growth was fuelled by domestic cyclicals, such as BFSI (+22% YoY) and Auto (+38% YoY) as expected. In contrast, the aggregate performance has been dragged down by the O&G sector, which posted a 20% earnings decline. The MOFSL Universe sales/EBITDA/PBT/PAT grew 6%/11%/5%/5% YoY (vs. est. of +8%/7%/5%/3%).
- ❖ Earnings of the 28 Nifty companies that have declared results so far jumped 13% YoY (vs. est. of +8% YoY), propelled by HDFC Bank, Coal India, ICICI Bank, Maruti Suzuki, and TCS. Conversely, Tech Mahindra, Reliance Industries, and Wipro contributed adversely to Nifty earnings. The sales/EBITDA/PBT/PAT of 28 Nifty companies grew 10%/15%/11%/13% YoY (vs. est. of +13%/9%/10%/8%) in 4QFY24.
- ❖ **Nifty EPS stable:** Our EPS estimates for FY25/FY26 have been stable so far at INR1,133/INR1,315 (vs. INR1,132/INR1,317).



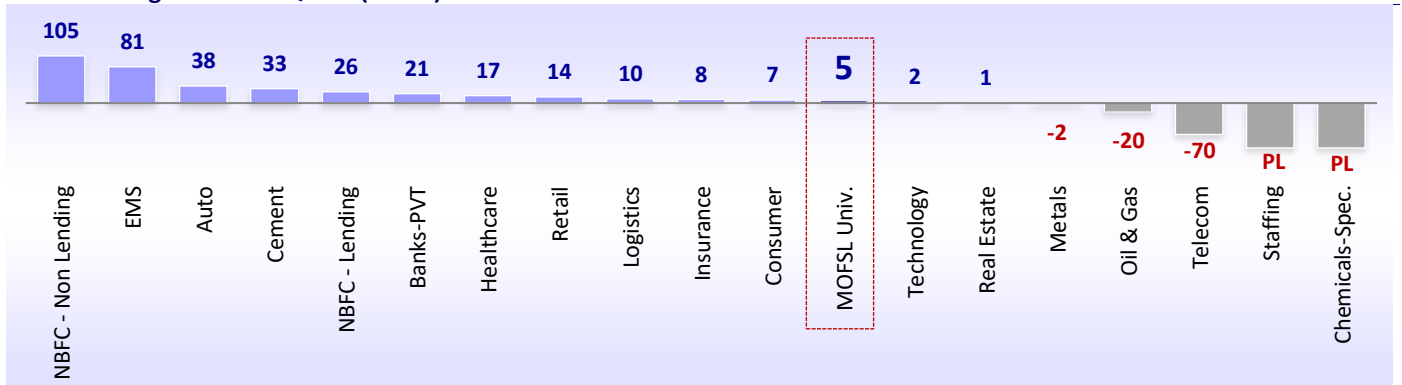
### Research covered

| Cos/Sector                      | Key Highlights   |
|---------------------------------|--|
| India Strategy   Interim review | In line; BFSI and Auto in the fast lane, as expected   |
| Coal India                      | Operational performance in line; outlook bright  |
| Hindalco                        | Novelis 4QFY24: In-line operational performance  |
| Other Updates                   | Britannia Industries   Indian Bank   Marico   MRPL   Mahindra & Mahindra Financial   Vedant Fashions   Raymond   Birla Corporation   Godrej Consumer Products   Lupin   Gujarat Gas   Fusion Microfinance   Angel One   EcoScope (EAI) |



### Chart of the Day: India Strategy | Interim review (In line; BFSI and Auto in the fast lane, as expected)

Sectoral PAT growth for 4QFY24 (YoY %)





Kindly click on textbox for the detailed news link

1

### At \$2 million per minute, US Treasuries mint cash like never before

Last year, investors pocketed nearly \$900 billion in annual interest from US government debt, double the average over the previous decade.

2

### Reliance Jio, Airtel and Vodafone Idea submit applications for upcoming Rs 96,317 crore spectrum auction

India's three private telecom operators, Reliance Jio, Bharti Airtel, and Vodafone Idea, are set to bid for a piece of 5G spectrum worth Rs 96,317.65 crore in the next auction, set to start on June 6.

3

### Construction equipment sales rise 26% to 1,35,650 units in FY24: ICEMA

India's construction equipment industry saw a 26% increase in sales to 1,35,650 units in the 2023-24 fiscal, thanks to the government's infrastructure-led growth agenda. The Indian Construction Equipment Manufacturers' Association (ICEMA) reported that the industry sold 1,07,779 units in the previous fiscal year.

4

### Reliance renews bid for US license to import Venezuelan oil: Sources

Indian oil refiner Reliance Industries has resubmitted a request to the US for authorization to import crude oil from Venezuela, allowing it to resume oil trade between the OPEC producer and Venezuela.

5

### Hindujas eyes \$50 billion BFSI valuation

IIHL's BFSI business, which includes IndusInd Bank and Invesco Mutual Fund, would grow from about \$17 billion at present to \$30 billion in three years and then to \$50 billion by 2030, Hinduja said.

6

### JSW Infra earmarks Rs 30,000 cr capex till 2030

Plans to expand port-handling capacity to 400 MTPA in 3 years.

7

### IndiGo places firm order for 30 Airbus A350-900 widebody aircraft

On April 25, IndiGo said it had agreed to place a firm order for 30 A350-900 aircraft, marking the budget carrier's entry into the wide-body segment



BSE Sensex: 73,896

Nifty-50: 22,443

Refer to our Mar'24 Quarter Preview



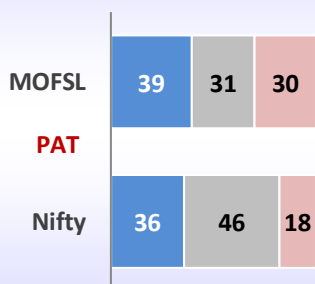
**Interim review – In line; BFSI and Auto in the fast lane, as expected**

**Nifty EPS estimates stable**

- In this report, we present our interim review of the 4QFY24 earnings season.
- As of 4<sup>th</sup> May'24, 94/28 companies within the MOFSL Universe/Nifty announced their 4QFY24 results. These companies constitute: a) 56% and 62% of the estimated PAT for the MOFSL and Nifty Universe, respectively; b) 46% of India's market capitalization; and c) 66% weightage in the Nifty.
- For the 28 Nifty companies, earnings grew 13% vs. expectations of 8%. The aggregate earnings of the 94 MOFSL Universe companies for 4QFY24 were in line with our estimates and grew 5% YoY (vs. our est. of +3% YoY). The earnings growth was fueled by the domestic cyclicals, such as BFSI and Auto, as expected. BFSI clocked a 22% YoY growth, while Auto reported a growth of 38% YoY (in line with our est. of +38%), driven by Maruti Suzuki and Bajaj Auto. In contrast, the aggregate performance has been dragged down by the O&G sector, which posted a 20% earnings decline (IOCL's profit plunged 52% YoY). Excluding Metals and O&G, the MOFSL Universe and Nifty have recorded a 15% YoY earnings growth (vs. est. of +12%).
- The Cement sector reported a healthy growth of 33% YoY (vs. est. of +25% YoY).
- Excluding BFSI, profits for the MOFSL Universe would have declined 3% YoY (vs. est. of -4% YoY). Until now, 19/27 companies within the MOFSL Coverage Universe have reported an upgrade/downgrade of more than 3% each, leading to an adverse upgrade-to-downgrade ratio for FY25E. However, the EBITDA margin of the MOFSL Universe (excluding Financials) has declined marginally by 10bp YoY to 17.1% during the quarter thus far.
- Earnings of the 28 Nifty companies that have declared results so far jumped 13% YoY (vs. est. of +8% YoY), propelled by HDFC Bank, Coal India, ICICI Bank, Maruti Suzuki, and TCS. These five companies contributed 75% to the incremental YoY accretion in earnings. Conversely, Tech Mahindra, Reliance Industries, and Wipro contributed adversely to Nifty earnings. Only five companies within the Nifty reported profits below our expectations, while 10 recorded a beat, and 13 registered in-line results so far.
- **Nifty EPS stable:** Our EPS estimates for FY25/FY26 have been stable so far at INR1,133/INR1,315 (vs. INR1,132/INR1,317).
- **Summary of the 4QFY24 performance thus far:** 1) **Banks:** Earnings growth for private banks has remained healthy, with AXSB, KMB, and RBL reporting better-than-expected earnings. However, HDFCB, AXSB, KMB, FB, ICICIB, IDFCB, and IIB registered a mixed margin performance. The overall pace of NIM compression has moderated, even though funding costs continue to inch up. 2) **NBFCs – Lending:** Most vehicle financiers have reported that the demand momentum in the vehicle segment, especially in CV, has been subdued because of the ongoing elections. Most of the NBFCs have reported a stable CoB or a decline. 3) **Automobiles:** The 4QFY24 results so far have been in line. The growth has largely been driven by: a) healthy volume growth across most of the segments, ex-CVs, b) better product mix, c) lower commodity costs, and d) operating leverage. We believe that margin pressures will persist in the upcoming quarters due to the expected recurrence of certain costs. 4) **Technology:** The 4QFY24

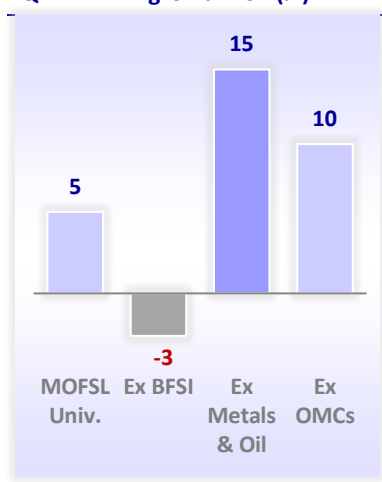
**4QFY24: Expectations vs. delivery**

% of companies that have declared results  
 ABOVE EXPECTATIONS IN-LINE BELOW EXPECTATIONS



results for Tier-1 companies have remained weak so far due to lower-than-expected growth, weak demand, and the re-scope of contracts, as well as project cancellations. Discretionary spending shows no signs of picking up, and the near-term outlook remains bleak. The guidance for FY25 came in lower than expected, even with muted expectations. 5) **Consumer:** The 4QFY24 results thus far have been in line. While consumption has been improving, staple demand trends have remained largely similar to those seen in 3QFY24, with a marginal increase in volumes on a YoY basis. The impact of the price cuts will settle down in 1HFY25 for most of the commodity-sensitive categories, and 2HFY25 may see price hikes. 6) **Oil & Gas:** The sector has reported mixed 4QFY24 results so far. RIL beat our estimates primarily due to a strong O2C performance, while IOCL fell short of our earnings estimates owing to a weaker-than-estimated refining margin. *Refer to page 8 for the detailed 4QFY24 sectoral trends.*

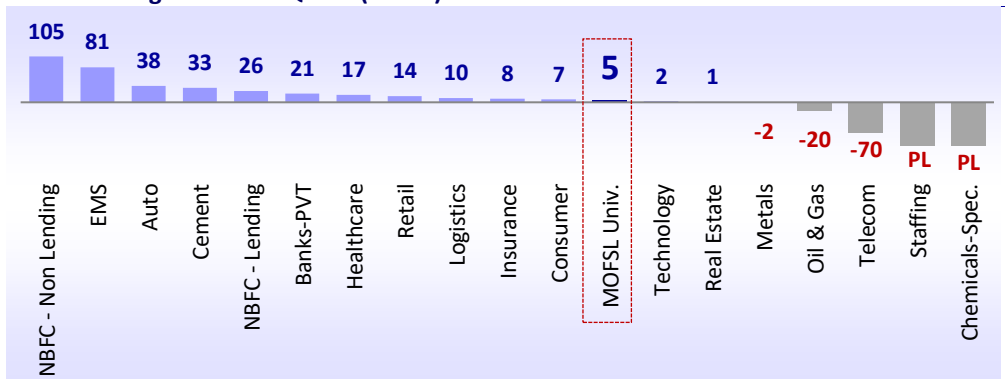
4QFY24: PAT growth YoY (%)



**Key 4QFY24 result highlights**

- As of 4<sup>th</sup> May'24, **28 Nifty stocks** reported a sales/EBITDA/PBT/PAT growth of 10%/15%/11%/13% YoY (vs. est. of +13%/9%/10%/8%). Of these, 10/5 companies surpassed/missed our PAT estimates. On the EBITDA front, 6/5 companies exceeded/missed our estimates during the quarter thus far.
- For the **94 companies within our MOFSL Universe**, sales/EBITDA/PBT/PAT grew 6%/11%/5%/5% YoY (vs. est. of +8%/7%/5%/3%). Excluding Metals and O&G, the MOFSL Universe companies recorded a sales/EBITDA/PBT/PAT growth of 10%/17%/11%/15% YoY (vs. est. of +10%/12%/14%/12%) in 4QFY24 so far.
- Among the Nifty constituents, Reliance Industries, HDFC Bank, Coal India, Axis Bank, Kotak Mahindra Bank, Ultratech Cement, Bajaj Auto, Tech Mahindra, Nestle, and SBI Life Insurance exceeded our profit estimates. Conversely, HCL Technologies, LTIMindtree, Titan, and HDFC Life Insurance missed our profit estimates for 4QFY24.
- **View:** The corporate earnings scorecard for 4QFY24 has been in line so far, with heavyweights such as HDFC Bank, Coal India, ICICI Bank, Maruti Suzuki, and TCS driving the aggregate. The earnings spread has been decent, with 70% of our Coverage Universe either meeting or exceeding profit expectations. However, growth has primarily been led by the BFSI and Automobile sectors. Nifty is trading at a 12-month forward P/E of 19.3x, at a 5% discount to its own long-period average (LPA). **Our model portfolio remains aligned with the key domestic cyclical themes amid a consistent backdrop of earnings growth.** We remain OW on Financials, Consumption, Industrials and Real Estate. Industrials, Consumer Discretionary, Real Estate, and PSU Banks are our key preferred investment themes. We have also made several additions from a bottom-up viewpoint across sectors in our [model portfolio](#).

Sectoral PAT growth for 4QFY24 (YoY %)



Of the 18 major sectors under MOFSL's coverage, 13 sectors have seen a rise in profits YoY

**Performance in line: BFSI and Automobiles drive earnings**

- **Aggregate performance of the MOFSL Universe:** Sales/EBITDA/PBT/PAT grew 6%/11%/5%/5% YoY (vs. est. of +8%/7%/5%/3%). Excluding Metals and O&G, the MOFSL Universe companies recorded a sales/EBITDA/PBT/PAT growth of 10%/17%/11%/15% YoY (vs. est. of +10%/12%/14%/12%) in 4QFY24.
- **Nifty-50 companies that surpassed/missed our estimates** Reliance Industries, HDFC Bank, Coal India, Axis Bank, Kotak Mahindra Bank, Ultratech Cement, Bajaj Auto, Tech Mahindra, Nestle, and SBI Life Insurance exceeded our profit estimates. Conversely, HCL Technologies, LTIMindtree, Titan, and HDFC Life Insurance missed our profit estimates for 4QFY24.
- **Top FY25E upgrades:** Coal India (15%), Axis Bank (3.8%), Maruti Suzuki (2%), Bajaj Auto (1.3%), and HDFC Bank (1.2%).
- **Top FY25E downgrades:** Bajaj Finance (-7.8%), HCL Tech (-6.7%), LTI Mindtree (-6%), Titan (-5.7%), and Infosys (-5.7%).

**Sector wise 4QFY24 performance of the MOFSL Universe companies (INR b)**

| Sector<br>(no of companies)     | Sales         |               |               |                     | EBITDA       |               |               |                     | PBT          |               |               |                     | PAT          |               |               |                     |
|---------------------------------|---------------|---------------|---------------|---------------------|--------------|---------------|---------------|---------------------|--------------|---------------|---------------|---------------------|--------------|---------------|---------------|---------------------|
|                                 | Mar-24        | Chg. %<br>QoQ | Chg. %<br>YoY | Var. over<br>Exp. % | Mar-24       | Chg. %<br>QoQ | Chg. %<br>YoY | Var. over<br>Exp. % | Mar-24       | Chg. %<br>QoQ | Chg. %<br>YoY | Var. over<br>Exp. % | Mar-24       | Chg. %<br>QoQ | Chg. %<br>YoY | Var. over<br>Exp. % |
| Automobiles (8)                 | 674           | 7.9           | 17.6          | -0.6                | 97           | 7.9           | 31            | -2.4                | 93           | 10.0          | 40.6          | -1.1                | 72           | 10.4          | 38.2          | 0.1                 |
| Cement (5)                      | 376           | 17.3          | 10.2          | 1.3                 | 69           | 11.5          | 23.7          | 2.5                 | 52           | 21            | 26.7          | 6.2                 | 38           | 18.5          | 33.0          | 6.1                 |
| Chemicals-Specialty (2)         | 47            | -3.7          | -16.3         | -0.2                | 6            | -14.9         | -47           | -15.4               | 2            | -22.8         | -70.3         | -33.7               | 0            | PL            | PL            | PL                  |
| Consumer (6)                    | 323           | -1.0          | 3.3           | -0.6                | 70           | -2.1          | 6.8           | 1.9                 | 65           | -4            | 4.2           | 0.0                 | 49           | -2.0          | 7.0           | 1.5                 |
| EMS (1)                         | 4             | 12.7          | 30.5          | -4.8                | 0            | 29.3          | 19            | -4.3                | 0            | 24.3          | 78.2          | -3.4                | 0            | 23.3          | 80.7          | -4.3                |
| Financials (31)                 | 1,788         | 10.5          | 17.6          | 1.0                 | 917          | 12.2          | 24.8          | 8.3                 | 681          | 2             | 10.8          | -4.9                | 565          | 8.2           | 21.6          | 4.4                 |
| Banks-Private (12)              | 859           | 2.9           | 16.1          | 0.3                 | 712          | 13.4          | 27            | 10.9                | 522          | -0.6          | 7.3           | -6.0                | 442          | 7.2           | 20.6          | 5.9                 |
| Insurance (5)                   | 691           | 23.7          | 16.6          | 1.9                 | 32           | 14.0          | -13.4         | -2.4                | 24           | 27            | 15.3          | -2.0                | 21           | 25.8          | 7.8           | -2.7                |
| NBFC-Lending (11)               | 216           | 5.2           | 23.9          | -0.1                | 163          | 5.8           | 24            | 0.1                 | 124          | 7.5           | 21.8          | -2.4                | 93           | 7.9           | 25.6          | -1.1                |
| NBFC-Non Lending (3)            | 23            | 17.6          | 62.8          | 13.8                | 11           | 34.8          | 94.6          | 12.1                | 12           | 36            | 102.0         | 15.6                | 9            | 32.9          | 104.9         | 11.7                |
| Healthcare (2)                  | 25            | 8.4           | 10.2          | 2.0                 | 5            | 3.3           | 14            | -11.9               | 4            | 11.1          | 23.4          | -13.4               | 3            | 12.0          | 17.3          | -20.6               |
| Logistics (4)                   | 108           | 1.2           | 17.0          | -1.9                | 48           | -0.6          | 22.5          | -3.3                | 33           | -7            | 30.7          | -9.8                | 27           | 0.3           | 9.9           | 0.8                 |
| Metals (3)                      | 805           | 1.9           | -4.9          | 1.0                 | 223          | -7.2          | 0             | 3.2                 | 183          | -9.2          | -1.7          | 17.6                | 123          | -13.3         | -2.2          | 15.3                |
| Oil & Gas (4)                   | 4,612         | 2.5           | 4.2           | -3.3                | 558          | -3.3          | -1.1          | 2.0                 | 361          | -4            | -8.6          | 4.1                 | 251          | -3.1          | -20.1         | -1.5                |
| Ex OMCs (3)                     | 2,632         | 4.8           | 9.8           | -7.3                | 451          | 7.1           | 7             | 11.1                | 298          | 11.4          | 9.0           | 17.8                | 203          | 13.5          | -5.2          | 10.1                |
| Real Estate (3)                 | 55            | 63.3          | 5.9           | 25.8                | 11           | 39.1          | 2.3           | 16.3                | 14           | 69            | 29.2          | 20.6                | 12           | 78.2          | 0.9           | 26.2                |
| Retail (6)                      | 324           | -7.8          | 22.5          | 1.2                 | 34           | -17.9         | 24            | -2.9                | 26           | -22.1         | 24.1          | -4.3                | 19           | -21.3         | 14.2          | -2.9                |
| Staffing (1)                    | 31            | 2.1           | 4.7           | -6.3                | 1            | -1.2          | 11.1          | -10.4               | 0            | -77           | -78.2         | -83.8               | 0            | PL            | PL            | PL                  |
| Technology (12)                 | 1,856         | -0.1          | 2.2           | -1.4                | 427          | 0.1           | 2             | -1.2                | 393          | 2.2           | 2.8           | -1.2                | 291          | 2.5           | 1.9           | -1.9                |
| Telecom (2)                     | 129           | 0.4           | 13.8          | -1.7                | 51           | 8.7           | 14.8          | 6.7                 | 27           | 14            | 22.8          | 14.7                | 22           | 25.7          | 29.1          | 23.0                |
| Others (4)                      | 116           | -4.7          | -5.4          | -7.1                | 17           | 3.0           | 8             | 7.0                 | 15           | 6.3           | 14.4          | 10.9                | 11           | 6.9           | 13.7          | 12.0                |
| <b>MOFSL Universe (94)</b>      | <b>11,270</b> | <b>3.5</b>    | <b>6.4</b>    | <b>-1.4</b>         | <b>2,536</b> | <b>3.1</b>    | <b>10.6</b>   | <b>3.5</b>          | <b>1,950</b> | <b>0.2</b>    | <b>5.3</b>    | <b>0.2</b>          | <b>1,483</b> | <b>2.6</b>    | <b>5.3</b>    | <b>2.5</b>          |
| <b>Ex Financials (63)</b>       | <b>9,482</b>  | <b>2.3</b>    | <b>4.6</b>    | <b>-1.8</b>         | <b>1,619</b> | <b>-1.5</b>   | <b>3.8</b>    | <b>0.9</b>          | <b>1,268</b> | <b>-0.7</b>   | <b>2.5</b>    | <b>3.2</b>          | <b>918</b>   | <b>-0.6</b>   | <b>-2.8</b>   | <b>1.3</b>          |
| <b>Ex Metals &amp; Oil (87)</b> | <b>5,854</b>  | <b>4.7</b>    | <b>10.1</b>   | <b>-0.2</b>         | <b>1,755</b> | <b>6.8</b>    | <b>16.6</b>   | <b>4.0</b>          | <b>1,406</b> | <b>2.7</b>    | <b>10.6</b>   | <b>-2.6</b>         | <b>1,108</b> | <b>6.2</b>    | <b>14.5</b>   | <b>2.2</b>          |
| <b>Ex OMCs (93)</b>             | <b>9,290</b>  | <b>4.5</b>    | <b>8.5</b>    | <b>-2.2</b>         | <b>2,429</b> | <b>5.4</b>    | <b>13.0</b>   | <b>5.2</b>          | <b>1,886</b> | <b>2.6</b>    | <b>9.0</b>    | <b>1.9</b>          | <b>1,434</b> | <b>5.1</b>    | <b>9.7</b>    | <b>4.3</b>          |
| <b>Nifty (28)</b>               | <b>7,525</b>  | <b>5.1</b>    | <b>9.7</b>    | <b>-3.2</b>         | <b>2,020</b> | <b>4.8</b>    | <b>15.3</b>   | <b>5.4</b>          | <b>1,593</b> | <b>0.3</b>    | <b>11.2</b>   | <b>1.1</b>          | <b>1,212</b> | <b>3.6</b>    | <b>12.7</b>   | <b>4.4</b>          |
| <b>Sensex (18)</b>              | <b>5,993</b>  | <b>4.0</b>    | <b>10.1</b>   | <b>-3.9</b>         | <b>1,737</b> | <b>7.4</b>    | <b>16.2</b>   | <b>6.2</b>          | <b>1,354</b> | <b>3.0</b>    | <b>10.0</b>   | <b>-0.1</b>         | <b>1,025</b> | <b>6.7</b>    | <b>11.6</b>   | <b>3.2</b>          |

Note: LP: Loss to Profit; PL: Profit to Loss



# Coal India

|                 |   |
|-----------------|---|
| Estimate change | ↑ |
| TP change       | ↑ |
| Rating change   | ↔ |

**CMP: INR461**      **TP: INR530 (+15%)**      **Buy**

## Operational performance in line; outlook bright

|                       |             |
|-----------------------|-------------|
| Bloomberg             | COAL IN     |
| Equity Shares (m)     | 6207        |
| M.Cap.(INRb)/(USDb)   | 2838.6 / 34 |
| 52-Week Range (INR)   | 488 / 223   |
| 1, 6, 12 Rel. Per (%) | 3/30/70     |
| 12M Avg Val (INR M)   | 4233        |

### Financials & Valuations (INR b)

| Y/E MARCH            | 2024  | 2025E | 2026E |
|----------------------|-------|-------|-------|
| Sales                | 1,423 | 1,497 | 1,694 |
| Adj. EBITDA          | 418   | 445   | 541   |
| Adj. PAT             | 374   | 344   | 407   |
| EBITDA Margin (%)    | 29.4  | 29.7  | 31.9  |
| Cons. Adj. EPS (INR) | 60.7  | 55.9  | 66.0  |
| EPS Gr. (%)          | 17.8  | -7.9  | 18.1  |
| BV/Sh. (INR)         | 134   | 161   | 194   |

### Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | -0.3 | -0.3 | -0.3 |
| RoE (%)    | 45.2 | 34.6 | 34.1 |
| RoCE (%)   | 50.2 | 36.5 | 35.9 |
| Payout (%) | 42.0 | 50.0 | 50.0 |

### Valuations

|                |     |     |     |
|----------------|-----|-----|-----|
| P/E (x)        | 7.6 | 8.2 | 7.0 |
| P/BV (x)       | 3.4 | 2.8 | 2.4 |
| EV/EBITDA(x)   | 6.1 | 5.8 | 4.6 |
| Div. Yield (%) | 5.5 | 6.1 | 7.2 |
| FCF Yield (%)  | 0.5 | 4.4 | 8.4 |

### Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 63.1   | 63.1   | 66.1   |
| DII      | 23.3   | 23.2   | 21.1   |
| FII      | 8.4    | 8.6    | 7.8    |
| Others   | 5.2    | 5.1    | 4.9    |

- 4QFY24 revenue stood at INR374b (-2% YoY/+4% QoQ), in line with our est. of INR376b. Blended ASP was INR1,699/t (-9% YoY/-2% QoQ), largely in line with our estimate.
- Adj. EBITDA (net of OBR) stood at INR98b (+14% YoY/-17% QoQ) in 4Q, in line with our est. of INR95b. EBITDA/t stood at INR488 (+6% YoY/-22% QoQ), vs. our est. of INR472, as lower costs led to improvement in operating performance.
- APAT stood at INR87b (+26% YoY/-14% QoQ) vs. our est. of INR68b. The beat was due to a change in OBR accounting. The company in Feb'24 approved the change in accounting policy on stripping activity, which the group was consistently following in the case of opencast mining with a rated capacity of 1MTPA or more. In 4Q, the company provided for the impact of this change and restated previous financials.
- In 4Q, production stood at 242mt (+8% YoY/+22% QoQ) and dispatches came in at 201mt (+8% YoY/+5% QoQ). SECL/MCL led the pack with dispatches of 48mt/53mt, representing ~50% of total dispatches.
- Apart from NCL and WCL, all the other subsidiaries saw production growth YoY, with ECL clocking the highest sales growth of +55% YoY in 4Q.
- FSA realization came in as expected at INR1,536/t (-1% YoY/flat QoQ) in 4Q. E-auction volumes stood at 23mt vs. 32mt. E-auction premium in 4Q stood at 66% (higher than our est. of 53% and lower than 117% premium in 3Q).
- COAL declared a final dividend of INR5 per share, taking the total dividend for FY24 to INR25.5 per share.
- In FY24, revenue stood at INR1,423b (+3% YoY), adj. EBITDA came in at INR418b (+3% YoY), and APAT stood at INR374b (+18% YoY). Production/dispatches grew 10%/6% YoY to 774mt/753mt. The blended ASP declined 6% YoY to INR 1734/t in FY24.

### Valuation and view

- COAL supplies ~90% of its production to the power sector (including CPPs) and thermal power accounts for +80% of total power generated in India.
- To meet the increasing coal requirements of the power sector, COAL has made a long-term commitment via FSA agreements and BLCs. It targets to achieve a production of 838mt in FY25, with dispatches under e-auction at ~15% of total volumes.
- With a robust volume outlook, healthy e-auction premiums, and lower costs, the outlook for COAL remains positive. We maintain our revenue/EBITDA estimates for FY25/FY26. The stock is trading at 4.4x FY26E EV/EBITDA. We reiterate our BUY rating with a revised TP of INR530 per share, valuing the stock at 5.3x FY26E EV/EBITDA.
- COAL remains our top pick in the metals and mining sector.**

**Consolidated quarterly performance (INR b)**

| Y/E March                        | FY23       |            |            |            | FY24       |            |            |            | FY23         | FY24         | FY24<br>4QE | Var.<br>(%) |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|-------------|-------------|
|                                  | 1Q         | 2Q         | 3Q         | 4Q         | 1Q         | 2Q         | 3Q         | 4Q         |              |              |             |             |
| <b>Sales</b>                     | <b>351</b> | <b>298</b> | <b>352</b> | <b>382</b> | <b>360</b> | <b>328</b> | <b>362</b> | <b>374</b> | <b>1,383</b> | <b>1,423</b> | <b>376</b>  | <b>0</b>    |
| Change YoY (%)                   | 38.8       | 28.1       | 23.7       | 16.6       | 2.5        | 9.8        | 2.8        | -1.9       | 26.0         | 2.9          |             |             |
| Change QoQ (%)                   | 7.3        | -15.0      | 17.9       | 8.5        | -5.7       | -8.9       | 10.3       | 3.5        |              |              |             |             |
| <b>Adj. EBITDA</b>               | <b>127</b> | <b>80</b>  | <b>112</b> | <b>86</b>  | <b>112</b> | <b>89</b>  | <b>119</b> | <b>98</b>  | <b>406</b>   | <b>418</b>   | <b>95</b>   | <b>3</b>    |
| Change YoY (%)                   | 177.6      | 99.9       | 52.1       | -30.8      | -12.4      | 10.9       | 6.2        | 14.0       | 42.8         | 3.0          |             |             |
| Change QoQ (%)                   | 2.1        | -37.0      | 40.1       | -23.2      | 29.3       | -20.3      | 34.2       | -17.5      |              |              |             |             |
| <b>EBITDA per ton</b>            | <b>717</b> | <b>519</b> | <b>639</b> | <b>461</b> | <b>597</b> | <b>512</b> | <b>624</b> | <b>488</b> | <b>584</b>   | <b>555</b>   | <b>472</b>  | <b>3</b>    |
| Depreciation                     | 10         | 11         | 13         | 19         | 11         | 12         | 16         | 20         | 68           | 67           | 14          |             |
| OBR                              | 5          | 7          | 8          | (7)        | 6          | 8          | (11)       | (15)       | (36)         | (61)         | 10          |             |
| Interest                         | 2          | 1          | 2          | 2          | 2          | 2          | 2          | 2          | 7            | 8            | 3           |             |
| Other Income                     | 10         | 18         | 16         | 22         | 15         | 20         | 22         | 22         | 66           | 80           | 22          |             |
| EO Inc/(Exp)                     | -          | -          | -          | -          | -          | -          | -          | -          | -            | -            | -           |             |
| <b>PBT after EO</b>              | <b>121</b> | <b>78</b>  | <b>105</b> | <b>95</b>  | <b>107</b> | <b>88</b>  | <b>133</b> | <b>114</b> | <b>433</b>   | <b>484</b>   | <b>91</b>   | <b>25</b>   |
| Tax                              | 32         | 16         | 29         | 27         | 28         | 20         | 35         | 28         | 116          | 114          |             |             |
| Tax Rate (%)                     | 26.8       | 21.0       | 27.4       | 28.4       | 25.8       | 23.2       | 26.1       | 24.6       | 26.7         | 23.7         |             |             |
| <b>PAT before MI &amp; Asso.</b> | <b>89</b>  | <b>62</b>  | <b>76</b>  | <b>68</b>  | <b>80</b>  | <b>67</b>  | <b>99</b>  | <b>86</b>  | <b>317</b>   | <b>369</b>   | <b>68</b>   | <b>26</b>   |
| MI                               | 0          | 0          | (0)        | (0)        | (0)        | 0          | 0          | (0)        | (0)          | (0)          |             |             |
| Sh. of Assoc.                    | (0)        | (1)        | 1          | 1          | (0)        | 1          | 3          | 1          | (0)          | 4            | 1           |             |
| <b>PAT After MI &amp; Asso.</b>  | <b>88</b>  | <b>60</b>  | <b>78</b>  | <b>69</b>  | <b>80</b>  | <b>68</b>  | <b>101</b> | <b>87</b>  | <b>318</b>   | <b>374</b>   | <b>68</b>   |             |
| <b>Adjusted PAT</b>              | <b>88</b>  | <b>60</b>  | <b>78</b>  | <b>69</b>  | <b>80</b>  | <b>68</b>  | <b>101</b> | <b>87</b>  | <b>318</b>   | <b>374</b>   | <b>68</b>   | <b>27</b>   |
| Change YoY (%)                   | 178.3      | 105.7      | 70.1       | 2.5        | -9.8       | 12.5       | 30.6       | 26.3       | 82.8         | 17.8         |             |             |
| Change QoQ (%)                   | 31.7       | -31.6      | 28.3       | -11.4      | 15.9       | -14.7      | 49.0       | -14.3      |              |              |             |             |

Source: MOFSL, Company

Note - COAL has opted for a change in accounting policy on stripping activity (OBR expense), which it was following in the case of opencast mining with a rated capacity of 1MTPA or more. In 4QFY24, COAL provided for the effect of this change and restated previous financials.

BSE SENSEX  
73,896S&P CNX  
22,443**CMP: INR639****Buy**

## Novelis 4QFY24: In-line operational performance

- Shipments volume stood at 951kt (+2% YoY/+5% QoQ) in 4QFY24, in line with our estimate of 953kt. Total flat rolled product shipments increased primarily due to higher demand for beverage packaging sheets.
- Novelis 4Q revenue stood at USD4.1b (-7% YoY/+4% QoQ), higher than our estimate of USD3.7b. This was driven by lower average aluminum prices, partially offset by higher total shipments.
- Adjusted EBITDA stood at USD514m (+28% YoY/+13% QoQ), in line with our estimate of USD500m. EBITDA/t stood at USD540/t (vs. our estimate of USD525/t), primarily driven by favorable metal benefits from recycling and lower operating costs than the previous year.
- APAT stood at USD243m (+23% YoY/+25% QoQ), slightly higher than our est. of USD211m.
- FY24 revenue stood at USD16b (-3% YoY), EBITDA stood at INR1.9b (+3% YoY), and APAT stood at USD826m (down 5% YoY). FY24 shipments stood at 3.7mt (down 3% YoY).
- Novelis has a strong liquidity position of USD2.3b, including USD1.3b as cash and cash equivalents. Current net debt stands at USD4.3b, with a net debt-to-adj. EBITDA ratio of 2.3x, which the management expects to maintain below 3x.

## Key highlights from the management commentary

### Operating Performance outlook

- Due to high inventory buildup in supply chain, Novelis faced several headwinds at the beginning of FY24, especially in the beverage can segment. However, the challenge of inventory destocking is over and Novelis is witnessing improvement in beverage can shipments.
- Novelis achieved its EBITDA target of USD525/t in 4Q and expects further improvement in the medium term, driven by various operating levers: 1) capacity expansion, 2) favorable pricing, 3) higher recycle content, and 4) operating leverage.

### Bay Minette capex:

- The management fully contracted the beverage packing facility of Bay Minette.
- Novelis has a total capex outlay of USD4.1b for 600kt capacity. Currently steel installation is underway. Capex is unlikely to increase further for this project.
- In FY24, the company spent ~USD700m on the Bay Minette facility.

### Guthrie capex:

- This is the second largest capex undertaken by Novelis in North America, and the project is progressing as per the timelines and within the set budget.
- The facility is on schedule to be commissioned by 1QFY25, which will focus on the recycling of pre- and post-consumer auto scrap.



- The increase in recycling content as a part of production will help to improve margins for Novelis going forward, along with a reduction in carbon emissions.
- Novelis achieved 63% of recycled content in FY24 and with the commissioning of the Guthrie facility, recycled content will further improve, resulting in margin accretion. The management aims to reach +75% by the end of the decade.

#### Other capex opportunities:

- In FY24, capex increased by 73% YoY to USD1.4b toward rolling & recycling capacity expansions.
- Novelis is also undertaking multiple debottlenecking projects across geographies, which will either yield high returns through additional capacity or cost reduction initiatives.
- During 2Q-3QFY24, Novelis completed various debottlenecking projects at Yeongju (South Korea), Oswego (North America) and South America.
- Novelis has current rolling capacity of ~4.2mt, which will augment to 4.5mt after the completion of all the debottlenecking projects, and to over 5.1mt after the completion of the Bay Minette facility.
- The management expects capex to range around USD1.4-2.1b (60-65% for Bay Minette) for FY25 (overall ~USD3.4b capex outflow expected over FY25-26E).

#### Beverage can segment:

- Headwinds due to destocking are now over. Demand from beverage can segment in USA and South America has gradually picked up. The management foresees strong demand from the US and Brazil markets going forward.
- The management is cautiously positive about demand in Asia and Europe. The real recovery in key markets is still on the way.
- Novelis expects the segment to see a CAGR of 4% (ex-China) till FY31.

#### Automotive segment:

- Demand growth is expected to stay broadly stable or positive going forward on account of improving supply chain and favorable vehicle mix.
- Demand for luxury and high-end vehicles is robust across geographies, and with EVs remaining strong in Asia and North America, the segment is expected to see a CAGR of 7% till FY28.

#### Aerospace segment:

- The management has reiterated that the demand outlook will remain robust, supported by multi-year backlog for aircraft order delivery, which will be driven by fleet replacement and route expansion. The management has guided that this segment will see a CAGR of 7% till FY30E.

#### Other highlights:

- Considering ongoing capex, Novelis expects the net debt-to-EBITDA ratio to remain within 3x levels in the near to medium term.

Quarterly Performance (Novelis)

| Y/E March                      | FY23         |              |              |              | FY24         |              |              |              | FY23          | FY24          | FY24E        | vs Est (%) |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|------------|
|                                | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           |               |               |              |            |
| <b>Sales (000 tons)</b>        | <b>962</b>   | <b>984</b>   | <b>908</b>   | <b>936</b>   | <b>879</b>   | <b>933</b>   | <b>910</b>   | <b>951</b>   | <b>3,790</b>  | <b>3,673</b>  | <b>953</b>   | <b>0</b>   |
| Change (YoY %)                 | -1.1         | 1.7          | -2.4         | -5.2         | -8.6         | -5.2         | 0.2          | 1.6          | -1.8          | -3.1          |              |            |
| Change (QoQ %)                 | -2.5         | 2.3          | -7.7         | 3.1          | -6.1         | 6.1          | -2.5         | 4.5          | 0.0           | 0.0           |              |            |
| <b>Net Sales</b>               | <b>5,089</b> | <b>4,799</b> | <b>4,201</b> | <b>4,397</b> | <b>4,091</b> | <b>4,107</b> | <b>3,935</b> | <b>4,077</b> | <b>18,486</b> | <b>16,210</b> | <b>3,730</b> | <b>9</b>   |
| Change (YoY %)                 | 32.0         | 16.5         | -2.9         | -9.3         | -19.6        | -14.4        | -6.3         | -7.3         | 7.8           | -12.3         |              |            |
| Change (QoQ %)                 | 4.9          | -5.7         | -12.5        | 4.7          | -7.0         | 0.4          | -4.2         | 3.6          | 0.0           | 0.0           |              |            |
| <b>EBITDA (adjusted)</b>       | <b>561</b>   | <b>506</b>   | <b>341</b>   | <b>403</b>   | <b>421</b>   | <b>484</b>   | <b>454</b>   | <b>514</b>   | <b>1,811</b>  | <b>1,873</b>  | <b>500</b>   | <b>3</b>   |
| Change (YoY %)                 | 10.4         | -8.5         | -32.6        | -6.3         | -25.0        | -4.3         | 33.1         | 27.5         | -9.3          | 3.4           |              |            |
| Change (QoQ %)                 | 30.5         | -9.8         | -32.6        | 18.2         | 4.5          | 15.0         | -6.2         | 13.2         | 0.0           | 0.0           |              |            |
| <b>EBITDA per ton (USD)</b>    | <b>583</b>   | <b>514</b>   | <b>376</b>   | <b>431</b>   | <b>479</b>   | <b>519</b>   | <b>499</b>   | <b>540</b>   | <b>478</b>    | <b>510</b>    | <b>525</b>   | <b>3</b>   |
| Interest                       | 58           | 61           | 69           | 70           | 70           | 74           | 67           | 64           | 258           | 275           |              |            |
| Depreciation                   | 138          | 134          | 133          | 135          | 131          | 136          | 139          | 148          | 540           | 554           |              |            |
| <b>PBT (before EO item)</b>    | <b>365</b>   | <b>311</b>   | <b>139</b>   | <b>198</b>   | <b>220</b>   | <b>274</b>   | <b>248</b>   | <b>302</b>   | <b>1,013</b>  | <b>1,044</b>  | <b>283</b>   | <b>7</b>   |
| Extra-ordinary Income          | 28           | (63)         | (133)        | (41)         | (10)         | (66)         | (73)         | (77)         | (209)         | (226)         |              |            |
| <b>PBT (after EO item)</b>     | <b>393</b>   | <b>248</b>   | <b>6</b>     | <b>157</b>   | <b>210</b>   | <b>208</b>   | <b>175</b>   | <b>225</b>   | <b>804</b>    | <b>818</b>    | <b>283</b>   |            |
| Total Tax                      | 87           | 65           | -6           | 1            | 54           | 51           | 54           | 59           | 147           | 218           |              |            |
| % Tax                          | 22.1         | 26.2         | -100.0       | 0.6          | 25.7         | 24.5         | 30.9         | 26.2         | 18.3          | 26.7          |              |            |
| <b>Reported PAT (after MI)</b> | <b>307</b>   | <b>183</b>   | <b>12</b>    | <b>156</b>   | <b>156</b>   | <b>157</b>   | <b>121</b>   | <b>166</b>   | <b>658</b>    | <b>600</b>    | <b>211</b>   |            |
| Change (YoY %)                 | 28           | -23          | -95          | -28          | -49          | -14          | 908          | 6            | -31           | -9            |              |            |
| <b>Adjusted PAT</b>            | <b>279</b>   | <b>246</b>   | <b>145</b>   | <b>197</b>   | <b>166</b>   | <b>223</b>   | <b>194</b>   | <b>243</b>   | <b>867</b>    | <b>826</b>    | <b>211</b>   | <b>15</b>  |
| Change (YoY %)                 | 32.9         | -12.5        | -35.8        | -13.2        | -40.5        | -9.3         | 33.8         | 23.4         | -8.2          | -4.7          |              |            |
| Change (QoQ %)                 | 22.9         | -11.8        | -41.1        | 35.9         | -15.7        | 34.3         | -13.0        | 25.3         |               | 0.0           |              |            |

E: MOFSL Estimates

| Volumes -Rolled products (in kt)   | 3QFY23     | 4QFY23     | 1QFY24     | 2QFY24     | 3QFY24     | 4QFY24     |
|------------------------------------|------------|------------|------------|------------|------------|------------|
| North America                      | 380        | 363        | 370        | 390        | 362        | 391        |
| Europe                             | 242        | 248        | 250        | 256        | 230        | 246        |
| Asia                               | 141        | 187        | 176        | 175        | 176        | 183        |
| South America                      | 162        | 144        | 119        | 144        | 176        | 164        |
| Elimination                        | -17        | -6         | -36        | -32        | -34        | -33        |
| <b>Total Third Party Shipments</b> | <b>908</b> | <b>936</b> | <b>879</b> | <b>933</b> | <b>910</b> | <b>951</b> |
| <b>Adj. EBITDA (USD m)</b>         |            |            |            |            |            |            |
| North America                      | 124        | 131        | 166        | 208        | 165        | 210        |
| Europe                             | 38         | 91         | 88         | 100        | 59         | 74         |
| Asia                               | 60         | 72         | 87         | 82         | 81         | 84         |
| South America                      | 124        | 115        | 84         | 93         | 150        | 145        |
| <b>Adj. EBITDA per ton (USD)</b>   |            |            |            |            |            |            |
| North America                      | 326        | 361        | 449        | 533        | 456        | 537        |
| Europe                             | 157        | 367        | 352        | 391        | 257        | 301        |
| Asia                               | 426        | 385        | 494        | 469        | 460        | 459        |
| South America                      | 765        | 799        | 706        | 646        | 852        | 884        |



# Britannia Industries

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↑ |
| Rating change   | ↔ |

**CMP: INR5,062      TP: INR5,250 (+4%)      Neutral**

| Bloomberg             | BRIT IN       |
|-----------------------|---------------|
| Equity Shares (m)     | 240           |
| M.Cap.(INRb)/(USDb)   | 1219.2 / 14.6 |
| 52-Week Range (INR)   | 5386 / 4348   |
| 1, 6, 12 Rel. Per (%) | 5/-6/-15      |
| 12M Avg Val (INR M)   | 1723          |

### Financials & Valuations (INR b)

| Y/E March       | 2024  | 2025E | 2026E |
|-----------------|-------|-------|-------|
| Sales           | 167.7 | 186.6 | 204.1 |
| Sales Gr. (%)   | 2.9   | 11.3  | 9.4   |
| EBITDA          | 31.7  | 35.5  | 39.4  |
| EBITDA mrg. (%) | 18.9  | 19.1  | 19.3  |
| Adj. PAT        | 21.4  | 24.8  | 27.8  |
| Adj. EPS (INR)  | 88.7  | 102.8 | 115.5 |
| EPS Gr. (%)     | 10.1  | 15.9  | 12.3  |
| BV/Sh.(INR)     | 163.6 | 190.3 | 227.7 |

### Ratios

|            |      |      |      |
|------------|------|------|------|
| RoE (%)    | 57.2 | 58.1 | 55.3 |
| RoCE (%)   | 33.5 | 38.7 | 39.4 |
| Payout (%) | 82.9 | 73.4 | 67.1 |

### Valuation

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 57.0 | 49.2 | 43.8 |
| P/BV (x)       | 30.9 | 26.6 | 22.2 |
| EV/EBITDA (x)  | 38.1 | 33.8 | 30.3 |
| Div. Yield (%) | 1.5  | 1.5  | 1.5  |

### Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 50.6   | 50.6   | 50.6   |
| DII      | 15.8   | 15.0   | 14.4   |
| FII      | 18.2   | 19.0   | 19.4   |
| Others   | 15.5   | 15.5   | 15.7   |

FII Includes depository receipts

## In-line revenue; encouraging commentary for FY25E

- Britannia Industries (BRIT)'s revenue grew 3% YoY in 4QFY24 (in line), impacted by price cuts and grammage increase. Volume (grammage) grew 6% YoY; we expect the pack volume growth to be ~3.5% (in line).
- The non-biscuit portfolio (rusk, cake, bread, etc.) remained the key growth driver, and contributed 25% to the total revenue. Rusk delivered double-digit volume growth, with cheese reporting double-digit growth in revenue. Management remains positive on the non-biscuit growth outlook and expects it to outperform the biscuit portfolio by 1.5x.
- GM remained flattish YoY to 44.9%, while EBITDA margin contracted 50bp YoY to 19.4% (in line). EBITDA declined 2% YoY. We model an EBITDA margin of ~19% for FY25/26.
- Management has guided double-digit volume growth in FY25 along with 2-3% price hikes. The commentary appears quite promising for BRIT and the staple companies, which were reeling under pressure after weak revenue growth during the last 12-18 months. The volume recovery in FY25E will be in line with our opinion for staple companies (mentioned in our [consumer thematic](#)). We raise our EPS by 2% for FY25-26E. **Reiterate Neutral with a TP of INR5,250 (premised on 45x FY26E EPS).**

## Muted 4QFY24 performance; revenue weak in FY24 too

- **Muted revenue growth:** BRIT's consolidated net sales (excluding other operating income) rose 3% YoY to INR40.1b (est. INR40.5b). Other operating income declined 58% YoY; consequently, consolidated total sales rose 1% YoY to INR40.7b (est. INR41.3b). The four-year sales CAGR stood at 9%. Volume growth (grammage) was at 6% YoY in 4Q and at 4% YoY in FY24. The focus states (the Hindi belt, etc.) continue to outperform and are growing at 2.4x the rate of growth in the rest of India.
- **EBITDA contracted 2% YoY:** Consolidated gross margin was flat YoY but up 100bp QoQ to 44.9% (est. 44.1%). EBITDA margin contracted 50bp YoY to 19.4% (est. of 19.5%). EBITDA margin for FY24 stood at 19%. EBITDA declined 2% YoY in 4QFY24, but grew 12% YoY in FY24. PBT/APAT declined 3%/4% YoY to INR7.4b/INR5.4b (est. INR7.5b/INR5.6b) during the quarter.
- **In FY24,** BRIT's net sales/EBITDA/PAT grew 3%/12%/10% to INR167.7b/INR31.7b/INR21.4b.
- The BOD has proposed a final dividend of INR73.5/share.

## Highlights from the management commentary

- Management is anticipating a gradual recovery in volume and expects to achieve double-digit volume growth for FY25 along with 2-3% price hikes.
- The overall commodity costs remained benign during the quarter. Flour and sugar have seen inflation, offset by a softening in the prices of palm oil, laminates, and corrugated boxes.
- EBITDA margin is likely to sustain at FY24 levels in FY25. The new launches are Good Day – Fruit & Nut cookies, Cake rusk, and Bourbon milk shake. NPD contributed ~INR2.75b in revenue on an annualized basis (1.5-2.0% contribution). Management aspires to achieve 3.5% of revenue from NPD in FY25.

- The revenue contributions from cake, rusk, bread, and dairy were similar. Each category generated ~INR8-9b in revenue.

#### Valuation and view

- We broadly retain our FY25/FY26 EPS estimates.
- BRIT focuses on expanding distribution, primarily in the Hindi belt, innovating products, and scaling up in related categories. Rural demand is yet to revive, but with higher consumer offers and low inflation, it should gradually start driving volume growth in FY25. We model a gradual volume recovery in FY25.
- The company is operating at a peak margin; we do not see any margin catalysts in the near term. We model an EBITDA margin ~19% for FY25/FY26.
- Packaged food companies have outperformed personal care companies over the last two years, since the former has maintained positive volume growth despite a steep price increase. We do not foresee such growth divergence going forward. **Reiterate Neutral with a TP of INR5,250 (premised on 45x FY26E EPS).**

#### Consol. Quarterly Performance

(INR b)

| Y/E March                               | FY23  |      |      |      | FY24 |      |      |      | FY23  | FY24  | FY24<br>4QE | Var.<br>(%) |
|---|-------|------|------|------|------|------|------|------|-------|-------|-------------|-------------|
|   | 1Q    | 2Q   | 3Q   | 4Q   | 1Q   | 2Q   | 3Q   | 4Q   |       |       |             |             |
| <b>Base business volume growth (%)*</b> | -2.0  | 5.0  | 3.0  | 3.0  | 0    | -    | 3.0  | 3.5  | 2.3   | 1.6   | 3.5         |             |
| <b>Net Sales</b>                        | 37.0  | 43.8 | 42.0 | 40.2 | 40.1 | 44.3 | 42.6 | 40.7 | 163.0 | 167.7 | 41.3        | (1.5)       |
| YoY change (%)                          | 8.7   | 21.4 | 17.4 | 13.3 | 8.4  | 1.2  | 1.4  | 1.1  | 15.3  | 2.9   | 2.7         |             |
| <b>Gross Profit</b>                     | 13.6  | 17.1 | 18.3 | 18.1 | 16.8 | 19.0 | 18.7 | 18.3 | 67.1  | 72.8  | 18.2        | 0.3         |
| Margins (%)                             | 36.9  | 38.9 | 43.7 | 44.9 | 41.9 | 42.9 | 43.9 | 44.9 | 41.2  | 43.4  | 44.1        |             |
| <b>EBITDA</b>                           | 5.0   | 7.1  | 8.2  | 8.0  | 6.9  | 8.7  | 8.2  | 7.9  | 28.3  | 31.7  | 8.1         | (2.4)       |
| Margins (%)                             | 13.5  | 16.3 | 19.5 | 19.9 | 17.2 | 19.7 | 19.3 | 19.4 | 17.4  | 18.9  | 19.5        |             |
| YoY growth (%)                          | -9.6  | 27.5 | 51.5 | 45.7 | 37.6 | 22.6 | 0.4  | -1.7 | 28.6  | 12.0  | 0.8         |             |
| Depreciation                            | 0.5   | 0.5  | 0.6  | 0.7  | 0.7  | 0.7  | 0.8  | 0.8  | 2.3   | 3.0   | 0.8         |             |
| Interest                                | 0.4   | 0.5  | 0.4  | 0.3  | 0.5  | 0.5  | 0.3  | 0.3  | 1.7   | 1.6   | 0.3         |             |
| Other Income                            | 0.6   | 0.5  | 0.5  | 0.6  | 0.5  | 0.5  | 0.5  | 0.6  | 2.2   | 2.1   | 0.6         |             |
| <b>PBT</b>                              | 4.6   | 6.6  | 7.7  | 7.6  | 6.2  | 8.0  | 7.6  | 7.4  | 26.5  | 29.2  | 7.5         | (2.2)       |
| Tax                                     | 1.3   | 1.7  | 2.2  | 2.0  | 1.7  | 2.1  | 2.0  | 2.0  | 7.2   | 7.8   | 1.9         |             |
| Rate (%)                                | 27.5  | 25.6 | 28.1 | 26.9 | 26.9 | 26.5 | 26.6 | 26.8 | 27.0  | 26.7  | 25.2        |             |
| <b>Adjusted PAT</b>                     | 3.4   | 4.9  | 5.6  | 5.6  | 4.6  | 5.9  | 5.6  | 5.4  | 19.4  | 21.4  | 5.6         | (5.0)       |
| YoY change (%)                          | -13.2 | 28.5 | 51.1 | 47.5 | 35.7 | 19.5 | 0.3  | -3.8 | 27.9  | 10.1  | 2.0         |             |

E: MOFSL Estimates

\*estimated pack growth

#### Key Performance Indicators

| Y/E March                  | FY23  |      |      |      | FY24 |      |      |      |
|----------------------------|-------|------|------|------|------|------|------|------|
|                            | 1Q    | 2Q   | 3Q   | 4Q   | 1Q   | 2Q   | 3Q   | 4Q   |
| <b>2Y average growth %</b> |       |      |      |      |      |      |      |      |
| Volumes                    | -0.5  | 5.0  | 4.5  | 3.5  | -1.0 | 2.5  | 3.0  | 3.3  |
| Sales                      | 4.1   | 13.5 | 15.2 | 13.4 | 8.6  | 11.3 | 9.4  | 7.2  |
| EBITDA                     | -16.2 | 5.1  | 19.9 | 27.2 | 14.0 | 25.0 | 26.0 | 22.0 |
| PAT                        | -21.0 | 2.8  | 16.3 | 26.3 | 11.2 | 24.0 | 25.7 | 21.9 |
| <b>% sales</b>             |       |      |      |      |      |      |      |      |
| COGS                       | 63.1  | 61.1 | 56.3 | 55.1 | 58.1 | 57.1 | 56.1 | 55.1 |
| Staff cost                 | 4.0   | 3.7  | 4.2  | 4.2  | 4.7  | 3.6  | 4.7  | 4.0  |
| Others expenses            | 16.1  | 14.9 | 14.8 | 16.8 | 16.9 | 15.5 | 14.7 | 16.0 |
| <b>YoY change %</b>        |       |      |      |      |      |      |      |      |
| COGS                       | 12.0  | 18.6 | 6.5  | 0.7  | -0.3 | -5.3 | 1.0  | 1.2  |
| Staff cost                 | 5.5   | 5.8  | 39.3 | 40.5 | 28.1 | -1.7 | 11.3 | -5.0 |
| Other income               | -8.2  | -0.3 | -7.9 | 4.7  | -2.8 | -1.7 | -0.4 | 1.7  |
| EBIT                       | -10.9 | 29.9 | 55.2 | 47.5 | 37.4 | 21.3 | -2.2 | -3.8 |

E: MOFSL Estimates



# Indian Bank

Estimate change

TP change

Rating change

|                       |             |
|-----------------------|-------------|
| Bloomberg             | INBK IN     |
| Equity Shares (m)     | 1245        |
| M.Cap.(INRb)/(USD\$b) | 716.3 / 8.6 |
| 52-Week Range (INR)   | 574 / 267   |
| 1, 6, 12 Rel. Per (%) | 0/11/36     |
| 12M Avg Val (INR M)   | 1039        |

### Financials & Valuations (INR b)

| Y/E March     | FY24  | FY25E | FY26E |
|---------------|-------|-------|-------|
| NII           | 232.7 | 260.2 | 291.6 |
| OP            | 168.4 | 193.9 | 217.5 |
| NP            | 80.6  | 101.9 | 119.2 |
| NIM (%)       | 3.2   | 3.2   | 3.2   |
| EPS (INR)     | 62.2  | 75.6  | 88.5  |
| EPS Gr. (%)   | 46.7  | 21.6  | 17.0  |
| BV/Sh. (INR)  | 409   | 480   | 558   |
| ABV/Sh. (INR) | 395   | 468   | 545   |

### Ratios

|         |      |      |      |
|---------|------|------|------|
| RoE (%) | 17.1 | 17.8 | 17.7 |
| RoA (%) | 1.1  | 1.2  | 1.3  |

### Valuations

|           |     |     |     |
|-----------|-----|-----|-----|
| P/E(X)    | 8.6 | 7.1 | 6.1 |
| P/BV (X)  | 1.3 | 1.1 | 1.0 |
| P/ABV (X) | 1.4 | 1.1 | 1.0 |

### Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 73.8   | 73.8   | 79.9   |
| DII      | 17.0   | 15.8   | 11.6   |
| FII      | 5.3    | 5.9    | 4.2    |
| Others   | 3.9    | 4.4    | 4.4    |

CMP: INR537

TP: INR625 (+16%)

Buy

## Performance in line; earnings outlook remains healthy

### Asset quality improves further

- Indian Bank (INBK) reported a PAT of INR22.5b in 4QFY24 (up 55% YoY/6% QoQ; in line) led by a healthy other income. NII growth was healthy at 9.2% YoY (in line). Margin improved 3bp QoQ to 3.52% during the quarter.
- Gross loan growth was healthy at 13% YoY/5% QoQ, while deposits rose 11% YoY/5% QoQ. Consequently, the C/D ratio was largely flat at 74.8%. Management continues to focus on profitable growth.
- Fresh slippages moderated to INR12.7b (1.1%). Healthy recoveries/upgrades and higher write-offs, along with healthy growth, resulted in a 52bp/10bp QoQ decline in GNPA/NNPA to 4.0%/0.4%. SMA book stood at 0.5% of loans during the quarter.
- We raise our earnings estimates by 7% each for FY25/26 and expect the bank to deliver an RoA/RoE of 1.3%/17.7%. **Reiterate BUY with a revised TP of INR625 (premised on 1.1x FY26E ABV).**

### Revenue growth steady; NIM improves 3bp QoQ

- PAT growth was healthy at 55% YoY/6% QoQ to reach INR22.5b (in line), led by healthy other income and controlled provisions.
- NII growth was healthy at 9% YoY/ 3.5% QoQ to reach INR60b (in line). NIM improved 3bp QoQ to 3.52% as funding costs remained in control.
- Other income surged 13.5% YoY/19% QoQ amid a healthy recovery from write-off accounts, while fee income too was healthy at INR9.7b (+6% YoY/+14% QoQ) supported by strong treasury gains.
- Opex grew 14% YoY/10% QoQ, as the bank provided for extra wage-related provisioning on retirement and pension benefits. As a result, C/I ratio inched up to 48.0% from 46.9% in 3QFY24. INBK guides for a decline in C/I ratio to 44% during FY25.
- Gross advances grew 13% YoY (up 5% QoQ) to ~INR5.3t, led by broad-based growth across Retail, Agri, and corporate segments. Within Retail, housing and vehicle maintained a strong growth momentum, supporting the overall yields.
- Deposit growth too was robust at 11% YoY/5% QoQ, fueled by faster growth in CASA deposits (up 7.5% YoY/ 8% QoQ). CASA mix, thus, improved 1.1% QoQ to 40.8% for the quarter.
- GNPA/NNPA ratios declined 52bp/10bp QoQ to 4.0%/0.4%, amid controlled slippages (zero slippages in corporate), while recoveries and write-offs continue to be healthy. Specific PCR continues to be strong at ~89.5%.
- SMA 1/SMA 2 book stood at 0.47% in 4QFY24 vs. 0.56% in 3QFY24. The total restructured portfolio declined to 1.7% of loans (vs. ~1.9% in 3QFY24).

### Highlights from the management commentary

- Guidance for credit growth stands at 12-13% YoY. The bank will move towards RAM advances, which will have better yields and lower risks.
- Management guides for 3.4%-3.5% (+/- 10-15bp) of NIM. The bank will try to obtain the benefit of the MCLR repricing.
- O/s standard asset provision stood at INR79b (includes all provisions).
- C/I ratio was 48% in 4QFY24, and INBK is working on bringing the C/I ratio down to below 44%.

### Valuation and view

INBK reported a steady quarter with healthy but in-line earnings led by robust fee income and controlled provisions. Loan growth remained strong and largely broad based (with healthy growth across all business segments, particularly in Retail, Agri, and Corporate segments), while deposit growth also gained pace. INBK has gradually raised its MCLR-linked loans, which should provide cushion to its margins, particularly as the rate cycle turns. Management has guided healthy margins at 3.4-3.5% for FY25. The bank expects this growth trend to remain steady and it will continue to focus on profitable growth. Asset quality ratios improved further as the bank maintained the best-in-class coverage ratio, which, along with a low SMA book, provided comfort on incremental credit costs. We raise our earnings estimates by 7% each for FY25/26 due to healthy margins, contained opex, and provisions as well as expect the bank to deliver an RoA/RoE of 1.3%/17.7%. **Reiterate BUY with a revised TP of INR625 (premised on 1.1x FY26E ABV).**

### Quarterly performance

| Y/E March                   | FY23  |       |       |       | FY24  |       |       |       | FY23  | FY24  | FY24E | v/s our Est |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------|
|                             | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    |       |       |       |             |
| <b>Net Interest Income</b>  | 45.3  | 46.8  | 55.0  | 55.1  | 57.0  | 57.4  | 58.1  | 60.2  | 202.3 | 232.7 | 59.5  | 1%          |
| % Change (YoY)              | 13.5  | 14.7  | 25.1  | 29.5  | 25.8  | 22.5  | 5.7   | 9.2   | 20.9  | 15.1  | 8.0   |             |
| Other Income                | 16.0  | 18.3  | 17.2  | 19.9  | 17.1  | 19.9  | 19.0  | 22.6  | 71.4  | 78.7  | 20.7  | 9%          |
| <b>Total Income</b>         | 61.4  | 65.1  | 72.2  | 75.0  | 74.1  | 77.3  | 77.2  | 82.8  | 273.7 | 311.4 | 80.2  | 3%          |
| Operating Expenses          | 25.7  | 28.8  | 31.5  | 34.9  | 32.8  | 34.3  | 36.2  | 39.7  | 121.0 | 143.0 | 38.2  | 4%          |
| <b>Operating Profit</b>     | 35.6  | 36.3  | 40.6  | 40.2  | 41.3  | 43.0  | 41.0  | 43.0  | 152.7 | 168.4 | 42.0  | 2%          |
| % Change (YoY)              | 4.3   | 10.8  | 23.5  | 46.7  | 16.0  | 18.6  | 0.9   | 7.2   | 20.1  | 10.3  | 4.6   |             |
| Provisions                  | 22.2  | 20.6  | 25.2  | 25.6  | 17.4  | 15.5  | 13.5  | 12.5  | 93.6  | 58.9  | 13.6  | -8%         |
| <b>Profit before Tax</b>    | 13.5  | 15.7  | 15.5  | 14.5  | 23.9  | 27.5  | 27.5  | 30.6  | 59.1  | 109.5 | 28.5  | 7%          |
| Tax                         | 1.3   | 3.5   | 1.5   | 0.1   | 6.9   | 7.6   | 6.3   | 8.1   | 6.3   | 28.9  | 6.5   |             |
| <b>Net Profit</b>           | 12.1  | 12.3  | 14.0  | 14.5  | 17.1  | 19.9  | 21.2  | 22.5  | 52.8  | 80.6  | 22.0  | 2%          |
| % Change (YoY)              | 2.7   | 12.5  | 102.4 | 47.0  | 40.8  | 62.2  | 51.8  | 55.3  | 33.9  | 52.7  | 51.7  |             |
| <b>Operating Parameters</b> |       |       |       |       |       |       |       |       |       |       |       |             |
| Deposits (INR b)            | 5,843 | 5,889 | 5,971 | 6,212 | 6,312 | 6,408 | 6,542 | 6,880 | 6,212 | 6,880 | 6,890 | 0%          |
| Loans (INR b)               | 4,018 | 4,121 | 4,361 | 4,493 | 4,591 | 4,706 | 4,896 | 5,149 | 4,493 | 5,149 | 5,126 | 0%          |
| Deposit Growth (%)          | 8.2   | 6.8   | 6.1   | 4.6   | 8.0   | 8.8   | 9.6   | 10.8  | 4.6   | 10.8  | 10.9  |             |
| Loan Growth (%)             | 10.3  | 15.0  | 16.9  | 15.4  | 14.3  | 14.2  | 12.3  | 14.6  | 15.4  | 14.6  | 14.1  |             |
| <b>Asset Quality</b>        |       |       |       |       |       |       |       |       |       |       |       |             |
| Gross NPA (%)               | 8.1   | 7.3   | 6.5   | 6.0   | 5.5   | 5.0   | 4.5   | 4.0   | 6.0   | 4.0   | 4.2   |             |
| Net NPA (%)                 | 2.1   | 1.5   | 1.0   | 0.9   | 0.7   | 0.6   | 0.5   | 0.4   | 0.9   | 0.4   | 0.5   |             |
| PCR (%)                     | 75.5  | 80.7  | 85.5  | 85.7  | 87.8  | 88.5  | 88.7  | 89.5  | 85.7  | 89.5  | 88.9  |             |

E: MOFSL Estimates



# Marico

|                  |   |
|------------------|---|
| Estimate changes | ↔ |
| TP change        | ↔ |
| Rating change    | ↔ |

**CMP: INR530 TP: INR625 (+18%) Buy**

## In-line performance; volume trend to improve in FY25

| Bloomberg             | MRCO IN     |
|-----------------------|-------------|
| Equity Shares (m)     | 1290        |
| M.Cap.(INRb)/(USDb)   | 686.3 / 8.2 |
| 52-Week Range (INR)   | 595 / 486   |
| 1, 6, 12 Rel. Per (%) | 4/-16/-17   |
| 12M Avg Val (INR M)   | 845         |

### Financials & Valuations (INR b)

| Y/E March        | 2024 | 2025E | 2026E |
|------------------|------|-------|-------|
| Sales            | 96.5 | 105.8 | 115.3 |
| Sales Gr. (%)    | -1.1 | 9.6   | 9.0   |
| EBITDA           | 20.3 | 22.3  | 24.6  |
| EBITDA Margin. % | 21.0 | 21.0  | 21.3  |
| Adj. PAT         | 14.8 | 16.1  | 17.9  |
| Adj. EPS (INR)   | 11.5 | 12.5  | 13.9  |
| EPS Gr. (%)      | 13.7 | 8.8   | 11.3  |
| BV/Sh.(INR)      | 29.7 | 30.7  | 32.1  |

### Ratios

|            |      |      |      |
|------------|------|------|------|
| RoE (%)    | 38.8 | 41.3 | 44.3 |
| RoCE (%)   | 34.7 | 36.2 | 38.4 |
| Payout (%) | 91.5 | 92.1 | 89.9 |

### Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 46.3 | 42.6 | 38.3 |
| P/BV (x)       | 17.9 | 17.3 | 16.6 |
| EV/EBITDA (x)  | 33.3 | 30.3 | 27.3 |
| Div. Yield (%) | 2.0  | 2.2  | 2.4  |

### Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 59.4   | 59.4   | 59.4   |
| DII      | 10.1   | 10.0   | 10.4   |
| FII      | 25.7   | 25.8   | 25.1   |
| Others   | 4.9    | 4.9    | 5.1    |

FII Includes depository receipts

- Marico (MRCO) reported an in-line revenue growth with a slight miss in EBITDA in 4QFY24. Domestic revenue was flat owing to the impact of price cuts. Volume grew 3%. International growth was 7% YoY (10% cc growth).
- Parachute coconut oil (PCNO) posted 2%/2% YoY growth in value/volume. The category gained 50bp in market share, but its performance was subdued throughout the year. VAHO revenue was down 7% YoY, affected by a high base and persistent weakness in the mass segment. Saffola oil clocked mid-single digit volume growth, but revenue contracted by mid-teens due to price cuts. Foods sustained strong growth of 24% YoY.
- The premium and urban-centric segments stayed ahead of the rural and mass segments. Rural sentiment too saw revival toward the quarter end. The management is optimistic about growth revival in FY25 and expects double-digit revenue growth, driven by healthy volume growth.
- Gross margin hit a 28-quarter high of 51.6%, driven by softer input costs. EBITDA margin expanded 190bp YoY to 19.4%. EBITDA grew 12% (est. 14%).
- We reiterate our BUY rating on the stock with a **TP of INR625 (45x FY26E EPS)**. We believe that MRCO is a good play on volume recovery.

## Sustained double-digit EBITDA growth; volume to recover gradually

### Consolidated

- **In-line revenue growth:** Consolidated net sales grew 2% YoY to INR22.7b (est. INR22.7b) in 4QFY24. Domestic growth remains sluggish, due to muted volume growth, which was further impacted by price cuts. Domestic value/volume growth was flat/up 3% YoY in 4QFY24 and -3%/+2% YoY in FY24. PCNO and VAHO both remained weak, while Saffola oil sustained healthy volume growth in FY24. Foods logged 24% value growth YoY, closing the year at ~4x of its scale in FY20. The premium personal care portfolio also sustained healthy growth (digital-first brands at INR4.5b ARR).
- **International up 10% cc growth:** The international business delivered 10% CC growth, led by a recovery in Bangladesh (after facing transient headwinds in the preceding quarter) and strong growth momentum in MENA and SA.
- **EBITDA up by 12% for 4QFY24:** Gross margin expanded by 420bp YoY to 51.6% (est. 51.5%) owing to softer input costs and favorable portfolio mix. As a percentage of sales, higher staff costs (up 50bp to 8.2%), A&P expenses (up 60bp to 9.9%), and other expenditure (up 120bp to 14.1%) led to EBITDA margin expansion of 190bp YoY to 19.4% in 4Q (est. 19.7%). In 4Q, EBITDA/adj. PAT grew 12.5%/5.3% YoY to INR4.4b/INR3.2b (est. INR4.5b/INR3.3b).
- **In FY24,** net sales declined by 1% YoY, whereas EBITDA/adj. PAT growth stood at 12%/14% YoY.

### Highlights from the management commentary

- Rural sentiment improved at the end of the quarter, while growth in urban areas remained subdued.
- MRCO aims to deliver double-digit revenue growth through market share gains in the domestic core portfolios, accelerated growth in the Foods and Premium Personal Care, and double-digit CC growth in the international business.
- Operating margin will remain stable in FY25 as seen in FY24 and will expand in the medium term with leverage benefits and premiumization of the portfolios across the India and international businesses.
- Saffola edible oil revenue declined in the mid-teens YoY as erstwhile pricing correction was yet to normalize, which is expected in 2QFY25.
- In FY24, the company's direct reach stood at 1m outlets and is expected to reach 1.5m by FY27. The total reach stood at 5.8m outlets and is expected to reach 6m (4x of direct reach) by FY27.

### Valuation and view

- There is no material change in our FY25E/FY26E EPS.
- The improvement in rural market, market share gain, accelerated growth in Foods and Premium Personal Care, healthy growth in international business, and the normalization of price cuts should help MRCO deliver better revenue in FY25-26E.
- To improve its distribution reach, MRCO has also started "Project SETU," which helps to drive growth in GT through a transformative expansion of its direct reach.
- The company has been sustaining double-digit EBITDA growth, a better scorecard for MRCO (high commodity sensitive). We estimate a 10% EPS CAGR during FY24-26.
- We value the stock based on **45x Mar'26E EPS to arrive a TP of INR625**. We reiterate our BUY rating on the stock.

### Quarterly Performance

(INR m)

| Y/E March                  | FY23          |               |               |               | FY24          |               |               |               | FY23          | FY24          | FY24          | Var. (%) |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------|
|                            | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |               |               |               |          |
| Domestic volume growth (%) | -5.0          | 3.0           | 4.0           | 5.0           | 3.0           | 3.0           | 2.0           | 3.0           | 1.8           | 2.8           | 2.7           |          |
| <b>Net Sales</b>           | <b>25,580</b> | <b>24,960</b> | <b>24,700</b> | <b>22,400</b> | <b>24,770</b> | <b>24,760</b> | <b>24,220</b> | <b>22,780</b> | <b>97,640</b> | <b>96,530</b> | <b>22,749</b> | 0.1%     |
| YoY Change (%)             | 1.3           | 3.2           | 2.6           | 3.7           | -3.2          | -0.8          | -1.9          | 1.7           | 3.6           | -1.1          | 1.6           |          |
| COGS                       | 14,060        | 14,070        | 13,600        | 11,780        | 12,390        | 12,260        | 11,800        | 11,030        | 53,510        | 47,480        | 11,027        |          |
| <b>Gross Profit</b>        | <b>11,520</b> | <b>10,890</b> | <b>11,100</b> | <b>10,620</b> | <b>12,380</b> | <b>12,500</b> | <b>12,420</b> | <b>11,750</b> | <b>42,734</b> | <b>49,050</b> | <b>11,721</b> | 0.2%     |
| Gross margin (%)           | 45.0          | 43.6          | 44.9          | 47.4          | 50.0          | 50.5          | 51.3          | 51.6          | 44.4          | 50.8          | 51.5          |          |
| Other Expenditure          | 6,240         | 6,560         | 6,540         | 6,690         | 6,640         | 7,530         | 7,290         | 7,330         | 24,634        | 28,790        | 7,244         |          |
| % to Sales                 | 24.4          | 26.3          | 26.5          | 29.9          | 26.8          | 30.4          | 30.1          | 32.2          | 25.6          | 29.8          | 31.8          |          |
| <b>EBITDA</b>              | <b>5,280</b>  | <b>4,330</b>  | <b>4,560</b>  | <b>3,930</b>  | <b>5,740</b>  | <b>4,970</b>  | <b>5,130</b>  | <b>4,420</b>  | <b>18,100</b> | <b>20,260</b> | <b>4,478</b>  | -1.3%    |
| Margins (%)                | 20.6          | 17.3          | 18.5          | 17.5          | 23.2          | 20.1          | 21.2          | 19.4          | 18.8          | 21.0          | 19.7          |          |
| YoY Change (%)             | 9.8           | 2.4           | 5.8           | 13.6          | 8.7           | 14.8          | 12.5          | 12.5          | 7.7           | 11.9          | 13.9          |          |
| Depreciation               | 360           | 370           | 390           | 430           | 360           | 390           | 420           | 410           | 1,550         | 1,580         | 422           |          |
| Interest                   | 100           | 150           | 140           | 170           | 170           | 200           | 190           | 170           | 560           | 730           | 190           |          |
| Other Income               | 170           | 190           | 400           | 680           | 460           | 380           | 430           | 150           | 1,440         | 1,420         | 464           |          |
| <b>PBT</b>                 | <b>4,990</b>  | <b>4,000</b>  | <b>4,430</b>  | <b>4,010</b>  | <b>5,670</b>  | <b>4,760</b>  | <b>4,950</b>  | <b>3,990</b>  | <b>17,430</b> | <b>19,370</b> | <b>4,329</b>  | -7.8%    |
| Tax                        | 1,220         | 930           | 1,100         | 960           | 1,310         | 1,160         | 1,090         | 790           | 4,210         | 4,350         | 1,072         |          |
| Rate (%)                   | 24.4          | 23.3          | 24.8          | 23.9          | 23.1          | 24.4          | 22.0          | 19.8          | 24.2          | 22.5          | 24.8          |          |
| <b>Adjusted PAT</b>        | <b>3,710</b>  | <b>3,010</b>  | <b>3,280</b>  | <b>3,020</b>  | <b>4,270</b>  | <b>3,530</b>  | <b>3,830</b>  | <b>3,180</b>  | <b>13,020</b> | <b>14,810</b> | <b>3,268</b>  | -2.7%    |
| YoY Change (%)             | 4.2           | -2.6          | 5.8           | 20.3          | 15.1          | 17.3          | 16.8          | 5.3           | 1.6           | 13.7          | 8.2           |          |

E: MOFSL Estimates





|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↔ |
| Rating change   | ↔ |

**CMP: INR229      TP: INR175 (-24%)      SELL**

**Earnings start to peak out; reiterate Sell**

|                       |             |
|-----------------------|-------------|
| Bloomberg             | MRPL IN     |
| Equity Shares (m)     | 1753        |
| M.Cap.(INRb)/(USDb)   | 401.4 / 4.8 |
| 52-Week Range (INR)   | 289 / 61    |
| 1, 6, 12 Rel. Per (%) | -4/94/251   |
| 12M Avg Val (INR M)   | 1283        |

**Financials & Valuations (INR b)**

| Y/E March      | FY24 | FY25E | FY26E |
|----------------|------|-------|-------|
| Sales          | 904  | 946   | 959   |
| EBITDA         | 78   | 62    | 61    |
| Adj. PAT       | 36   | 25    | 24    |
| Adj. EPS (INR) | 20.5 | 14.0  | 13.6  |
| EPS Gr. (%)    | 36.6 | -31.6 | -3.5  |
| BV/Sh.(INR)    | 75.6 | 82.6  | 93.0  |

**Ratios**

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | 0.9  | 0.7  | 0.5  |
| RoE (%)    | 31.2 | 18.2 | 15.4 |
| RoCE (%)   | 16.9 | 12.0 | 11.2 |
| Payout (%) | 14.6 | 23.4 | 23.4 |

**Valuation**

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 11.3 | 16.6 | 17.2 |
| P/BV (x)       | 3.1  | 2.8  | 2.5  |
| EV/EBITDA (x)  | 6.8  | 8.3  | 8.2  |
| Div. Yield (%) | 1.3  | 1.2  | 1.2  |
| FCF Yield (%)  | 13.4 | 8.5  | 8.6  |

**Shareholding pattern (%)**

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 88.6   | 88.6   | 88.6   |
| DII      | 1.5    | 1.6    | 0.3    |
| FII      | 2.7    | 2.6    | 1.1    |
| Others   | 7.2    | 7.3    | 10.1   |

FII Includes depository receipts

- While MRPL delivered a solid beat vs. our estimates, we believe its earnings are set to decline from 1QFY25 amid weaker SG GRM QoQ. We are building in a GRM of USD8/bbl in FY25/26, leading to an RoE of 18.2%/15.4%. Further, we are modeling a throughput of 17mmt in FY25/FY26, in line with the company guidance.
- We like its strong FCF generation of INR34.8b/INR35.2b in FY25/26 and reduction in debt, resulting in a declining Net Debt/Equity ratio of 0.5x by the end of FY26 (vs. 0.94x currently). MRPL guided INR80b of capex over the next five years towards:
  - increasing petchem integration from 10.0% to 12.5%,
  - increasing total retail outlets to 1,000 by FY27 (from 100 currently), and
  - launching Isobutyl-benzene, with a pilot plant already awarded.
- However, at 2.5x FY26E P/B, we believe the valuations remain expensive; especially, given its FY26E RoE of 15.4% as per our calculation.
- As such, **we reiterate our Sell rating with a TP of INR175**, implying 24% potential downside from current levels.

**Beat led by higher-than-expected GRM**

- The refining throughput was in line with our est. of 4.6mmt (up 4% YoY) in 4QFY24. Reported GRM was USD11.4/bbl (vs. our est. of USD7.9/bbl). Core GRM was USD10.4/bbl with an inventory gain of USD1/bbl.
- Resultant EBITDA stood at INR23.4b (vs. our est. of INR15.1b). PAT came in at INR11.4b (vs. our est. of INR6.2b).
- Total borrowings increased to INR148b at the end of 4Q from INR140b at the end of 3Q.
- There was a decrease in the domestic refinery transfer price for MRPL because of SAED and RIC (Road and Infrastructure Cess) imposed by the government in Jul'22.
  - The estimated windfall tax implication on RTP was INR360m, while the actual windfall tax paid on exports was INR80m in 4QFY24.
- MRPL's 4Q earnings included an exceptional item amounting to INR83m.
  - MRPL settled certain arbitrage cases pertaining to previous years, for which expenses of INR543m were recognized.
  - A provision of INR460m for the purchase of renewable energy certificates, which was created to meet the compliance requirement of the renewable purchase obligation, was reversed in 4QFY24.
- The company changed its accounting policy regarding de-recognition of PPE, resulting in an increase in PBT by INR99m in 4Q. As a result of the change in accounting policy, inventory of scrap material generated from discarded PPE has now been discontinued. Hence, the opening stock of scrap material amounting to INR122m has now been adjusted against the sale of scrap under other operating revenue. The above changes resulted in a reduction in PBT by INR197m.

- For FY24, EBITDA stood at INR78.3b (same as in FY23), while PAT increased 36% YoY to INR36b (vs. INR26.4b in FY23). Refining throughput was down 3% YoY to 16.6mmt. Reported GRM stood at USD10.8/bbl, up 11% YoY.
- The Board declared a final dividend of INR2/share (20% of FV).

**Valuation and view**

- The stock is currently trading at FY26E EV/EBITDA of 8.2x, which is significantly above its long-term average of ~7x. Additionally, the dividend yield is expected to be a meager 1.2% (each) in FY25 and FY26 at the current price. Our GRM assumption of USD8/bbl from 1QFY25 onwards is also at the higher end of what the company has delivered historically.
- We value the stock at 6.5x FY26E EBITDA of INR61b to arrive at our TP of INR175. **We reiterate our SELL rating.**

**Standalone - Quarterly Earnings Model**

| Y/E March                    | FY23         |              |              |              | FY24         |              |              |              | FY23           | FY24         | FY24         | Var. (%)   |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|------------|
|                              | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           |                |              | 4QE          |            |
| <b>Net Sales</b>             | <b>322.9</b> | <b>246.1</b> | <b>265.6</b> | <b>253.7</b> | <b>211.7</b> | <b>192.3</b> | <b>246.7</b> | <b>253.3</b> | <b>1,088.2</b> | <b>904.0</b> | <b>242.4</b> | <b>5%</b>  |
| YoY Change (%)               | 185.8        | 85.0         | 30.1         | 2.3          | -34.4        | -21.9        | -7.1         | -0.1         | 56.1           | -16.9        | -4.6         |            |
| <b>EBITDA</b>                | <b>54.4</b>  | <b>-15.3</b> | <b>5.4</b>   | <b>33.9</b>  | <b>20.6</b>  | <b>22.4</b>  | <b>11.8</b>  | <b>23.4</b>  | <b>78.3</b>    | <b>78.3</b>  | <b>15.1</b>  | <b>55%</b> |
| Margin (%)                   | 16.8         | -6.2         | 2.0          | 13.4         | 9.7          | 11.7         | 4.8          | 9.2          | 7.2            | 8.7          | 6.2          |            |
| Depreciation                 | 3.0          | 3.0          | 3.0          | 3.0          | 2.9          | 3.0          | 3.3          | 3.3          | 11.9           | 12.6         | 3.3          |            |
| Forex loss                   | 7.2          | 4.6          | 2.5          | -1.0         | -0.1         | 1.0          | 0.2          | 0.1          | 13.4           | 1.3          | 0.0          |            |
| Interest                     | 3.0          | 3.2          | 3.4          | 3.3          | 2.7          | 3.1          | 2.7          | 2.6          | 12.9           | 11.1         | 2.8          |            |
| Other Income                 | 0.4          | 0.3          | 0.6          | 0.9          | 0.5          | 0.7          | 0.4          | 0.4          | 2.1            | 2.1          | 0.5          |            |
| <b>PBT before EO expense</b> | <b>41.5</b>  | <b>-25.8</b> | <b>-2.9</b>  | <b>29.5</b>  | <b>15.6</b>  | <b>16.1</b>  | <b>5.9</b>   | <b>17.7</b>  | <b>42.4</b>    | <b>55.3</b>  | <b>9.3</b>   | <b>90%</b> |
| <b>PBT</b>                   | <b>41.5</b>  | <b>-25.8</b> | <b>-2.9</b>  | <b>29.5</b>  | <b>15.6</b>  | <b>16.1</b>  | <b>5.9</b>   | <b>17.7</b>  | <b>42.4</b>    | <b>55.2</b>  | <b>9.3</b>   | <b>89%</b> |
| Tax                          | 14.5         | -7.9         | -1.0         | 10.4         | 5.5          | 5.5          | 2.0          | 6.3          | 16.0           | 19.3         | 3.2          |            |
| Rate (%)                     | 34.8         | 30.5         | 34.8         | 35.3         | 35.0         | 34.0         | 34.5         | 35.6         | 37.8           | 34.9         | 34.0         |            |
| <b>Reported PAT</b>          | <b>27.1</b>  | <b>-17.9</b> | <b>-1.9</b>  | <b>19.1</b>  | <b>10.1</b>  | <b>10.6</b>  | <b>3.9</b>   | <b>11.4</b>  | <b>26.4</b>    | <b>36.0</b>  | <b>6.2</b>   | <b>85%</b> |
| YoY Change (%)               | LP           | Loss         | PL           | -37.4        | -62.6        | LP           | LP           | -40.1        | -11.8          | 36.6         | -67.7        |            |
| Margin (%)                   | 8.4          | -7.3         | -0.7         | 7.5          | 4.8          | 5.5          | 1.6          | 4.5          | 2.4            | 4.0          | 2.5          |            |
| <b>Key Assumptions</b>       |              |              |              |              |              |              |              |              |                |              |              |            |
| Refining throughput (mmt)    | 4.3          | 4.0          | 4.5          | 4.4          | 4.4          | 3.2          | 4.4          | 4.6          | 17.1           | 16.6         | 4.5          | 2%         |
| Reported GRM (USD/bbl)       | 24.5         | -4.5         | 3.9          | 15.1         | 9.8          | 17.1         | 5.0          | 11.4         | 9.7            | 10.8         | 7.9          | 44%        |
| Core GRM (USD/bbl)           | 19.8         | 1.1          | 7.8          | 16.8         | 11.3         | 15.0         | 7.5          | 10.4         | 11.3           | 11.0         | 5.9          | 74%        |

| <b>Year-end: March (INRm)</b> | <b>FY19</b> | <b>FY20</b>   | <b>FY21</b>  | <b>FY22</b> | <b>FY23</b> | <b>FY24</b> | <b>FY25E</b> | <b>FY26E</b> |
|-------------------------------|-------------|---------------|--------------|-------------|-------------|-------------|--------------|--------------|
| Exchange Rate (USD/INR)       | 70.0        | 70.9          | 74.3         | 74.5        | 80.4        | 82.8        | 83.9         | 85.0         |
| Brent Crude (USD/bbl)         | 70.1        | 61.2          | 44.4         | 80.5        | 96.1        | 83.0        | 85.0         | 85.0         |
| Capacity (mmt)                | 15.0        | 15.0          | 15.0         | 15.0        | 15.0        | 15.0        | 15.0         | 15.0         |
| Throughput (mmt)              | 16.4        | 14.2          | 11.5         | 14.9        | 17.2        | 16.0        | 17.0         | 17.0         |
| Utilization (%)               | 110%        | 94%           | 77%          | 99%         | 115%        | 107%        | 113%         | 113%         |
| MRPL's Core GRM (USD/bbl)     | 4.1         | (0.3)         | 3.0          | 7.9         | 9.7         | 10.8        | 8.0          | 8.0          |
| Singapore                     | 4.9         | 3.2           | 0.5          | 5.0         | 10.7        | 6.6         | 6.0          | 6.0          |
| Premium/discount              | (0.7)       | (3.5)         | 2.5          | 2.9         | (0.9)       | 4.2         | 2.0          | 2.0          |
| <b>EPS</b>                    | <b>2.1</b>  | <b>(23.6)</b> | <b>(4.3)</b> | <b>17.0</b> | <b>15.0</b> | <b>20.5</b> | <b>14.0</b>  | <b>13.6</b>  |



# Mahindra & Mahindra Financial

Estimate change

TP change

Rating change



|                       |             |
|-----------------------|-------------|
| Bloomberg             | MMFS IN     |
| Equity Shares (m)     | 1236        |
| M.Cap.(INRb)/(USDb)   | 321.1 / 3.8 |
| 52-Week Range (INR)   | 347 / 237   |
| 1, 6, 12 Rel. Per (%) | -13/-17/-33 |
| 12M Avg Val (INR M)   | 1239        |

## Financials & valuations (INR b)

| Y/E March   | FY24 | FY25E | FY26E |
|-------------|------|-------|-------|
| NII         | 71.4 | 87.1  | 102.2 |
| PPP         | 41.8 | 53.6  | 64.7  |
| PAT         | 17.6 | 27.8  | 34.4  |
| EPS (INR)   | 14.3 | 22.5  | 27.9  |
| EPS Gr. (%) | -11  | 58    | 24    |
| BV/Sh.(INR) | 141  | 156   | 176   |

## Ratios

|               |      |      |      |
|---------------|------|------|------|
| NIM (%)       | 7.2  | 7.3  | 7.4  |
| C/I ratio (%) | 41.4 | 38.5 | 36.7 |
| RoA (%)       | 1.7  | 2.2  | 2.4  |
| RoE (%)       | 10.4 | 15.2 | 16.8 |
| Payout (%)    | 44.2 | 31.1 | 28.5 |

## Valuations

|                |      |      |     |
|----------------|------|------|-----|
| P/E (x)        | 18.2 | 11.5 | 9.3 |
| P/BV (x)       | 1.8  | 1.7  | 1.5 |
| Div. Yield (%) | 2.4  | 2.7  | 3.1 |

## Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 52.2   | 52.2   | 52.2   |
| DII      | 28.6   | 27.0   | 25.2   |
| FII      | 12.1   | 12.8   | 15.0   |
| Others   | 7.2    | 8.1    | 7.7    |

FII Includes depository receipts

CMP: INR260

TP: INR325 (+25%)

Buy

## Process enhancements to help recover from fraud setback

### Earnings miss due to high provisions; reported NIM up 30bp QoQ

- Mahindra & Mahindra Financial's (MMFS) 4QFY24 PAT declined ~10% YoY to INR6.2b (15% miss). Adjusted for provisions on Mizoram fraud, PAT would have been INR7.2b (in line). FY24 PAT fell 11% YoY to INR17.6b.
- NII stood at INR18.1b (in line), up ~13% YoY. **Other income rose ~30% YoY to ~INR1.6b, driven by better fee income.**
- **Credit costs at ~INR3.4b included provisions of ~INR1.36b related to fraud in Mizoram.** Annualized credit costs stood at ~1.4% (flat QoQ).
- Core NIM (calc.) expanded ~15bp QoQ. Including non-interest income, net total income (as % of assets) expanded ~30bp QoQ to 7.1%.
- To full-proof the system against even such frauds of extreme collusion, MMFS has started accelerating process improvements, including heightened due-diligence for customer onboarding and centralized verification of customers.
- We expect MMFS to use the levers on product mix and fee income to deliver a ~25bp YoY improvement in NIM. Benefits from the ECL provision release and a decline in write-offs will also result in improvement in credit costs. We estimate a CAGR of 16%/40% in AUM/PAT over FY24-FY26, with FY26E RoA/RoE of 2.4%/17%. **Retain BUY with a revised TP of INR325 (based on 1.8x FY26E BVPS).**
- **Key risks:** a) Muted yields because of higher competitive intensity and increasing proportion of prime customers, b) benefits of credit cost decline not coming through because of higher provisioning requirement

## Marginal expansion in spreads; better fee income drives NIM gain

- Yield (calc.) was flat QoQ at 14.7%, while CoF (calc.) declined ~5bp QoQ, leading to a ~5bp expansion in spreads. Reported NIM (including fee income) rose ~30bp QoQ. There was a healthy improvement in fee income (non-lumpy), which is expected to sustain.
- Borrowing costs declined ~5bp QoQ to ~7.8% and incremental CoF stood at ~8%. The management has guided that it expects the incremental CoF to remain stable at current levels over the next two quarters. We estimate NIM to expand to ~7.3%/7.4% in FY25/FY26 (vs. 7.2% in FY23).

## Key takeaways from the management commentary

- Central processing center (CPC) has gone live in ~50% of the branches and will go live in the remaining branches within the next few months.
- Guides for disbursement growth of ~14-15% and AUM growth of 18-20%. The company expects 1QFY25 to be muted because of ongoing elections but expects demand sentiment to improve after elections.
- MMFS management will strive for a base-case RoA of ~2.2%. This will come from a ~25bp increase in NII and fee income, a ~10bp decline in opex and a ~25bp moderation in credit costs.

**Valuation and View**

- MMFS would hopefully now start demonstrating more predictability in its earnings performance. A strong liability franchise and deep moats in rural/semi-urban customer segments position MMFS well to reap the rewards of the hard work that is going into evolving this franchise.
- MMFS currently trades at 1.5x FY26E P/BV. Risk-reward is favorable for a PAT CAGR of ~40% over FY24-FY26E and FY26E RoA/RoE of 2.4%/17%. Maintain BUY with a revised TP of INR325 (based on 1.8x FY26E BVPS).

**Quarterly Performance**

| Y/E March                           | FY23          |               |               |               | FY24          |               |               |               | FY23          | FY24          | 4QFY24E       | (INR m) |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------|
|                                     | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |               |               |               | v/s est |
| Interest income                     | 24,372        | 25,163        | 27,947        | 29,344        | 30,349        | 31,535        | 33,733        | 35,471        | 1,06,826      | 1,31,088      | 35,706        | -1      |
| Interest Expenses                   | 9,320         | 10,688        | 12,419        | 13,340        | 14,505        | 15,665        | 16,750        | 17,351        | 45,767        | 64,269        | 17,810        | -3      |
| <b>NII</b>                          | <b>15,052</b> | <b>14,475</b> | <b>15,528</b> | <b>16,004</b> | <b>15,844</b> | <b>15,870</b> | <b>16,983</b> | <b>18,121</b> | <b>61,059</b> | <b>66,818</b> | <b>17,896</b> | 1       |
| YoY Growth (%)                      | 34.2          | 0.3           | 1.1           | 11.1          | 5.3           | 9.6           | 9.4           | 13.2          | 9.9           | 9.4           | 11.8          |         |
| Other income                        | 614           | 930           | 969           | 1,223         | 905           | 870           | 1,172         | 1,590         | 3,735         | 4,537         | 1,468         | 8       |
| <b>Net Total Income</b>             | <b>15,666</b> | <b>15,405</b> | <b>16,496</b> | <b>17,227</b> | <b>16,750</b> | <b>16,740</b> | <b>18,155</b> | <b>19,710</b> | <b>64,794</b> | <b>71,355</b> | <b>19,363</b> | 2       |
| YoY Growth (%)                      | 34.0          | 2.2           | 3.6           | 13.7          | 6.9           | 8.7           | 10.1          | 14.4          | 11.7          | 10.1          | 12.4          |         |
| Operating Expenses                  | 6,208         | 6,768         | 6,513         | 7,786         | 6,750         | 7,312         | 7,530         | 7,980         | 27,276        | 29,572        | 8,285         | -4      |
| <b>Operating Profit</b>             | <b>9,458</b>  | <b>8,637</b>  | <b>9,983</b>  | <b>9,441</b>  | <b>10,000</b> | <b>9,428</b>  | <b>10,625</b> | <b>11,730</b> | <b>37,518</b> | <b>41,783</b> | <b>11,078</b> | 6       |
| YoY Growth (%)                      | 26.3          | -15.0         | -6.0          | 5.1           | 5.7           | 9.2           | 6.4           | 24.2          | 0.7           | 11.4          | 17.3          |         |
| Provisions                          | 6,453         | 1,985         | 1,551         | 4             | 5,264         | 6,266         | 3,284         | 3,415         | 9,992         | 18,228        | 1,201         | 184     |
| <b>Profit before Tax</b>            | <b>3,005</b>  | <b>6,652</b>  | <b>8,431</b>  | <b>9,437</b>  | <b>4,735</b>  | <b>3,163</b>  | <b>7,341</b>  | <b>8,315</b>  | <b>27,526</b> | <b>23,555</b> | <b>9,877</b>  | -16     |
| Tax Provisions                      | 776           | 1,624         | 2,142         | 2,596         | 1,209         | 811           | 1,813         | 2,126         | 7,138         | 5,959         | 2,572         | -17     |
| <b>Net Profit</b>                   | <b>2,229</b>  | <b>4,483</b>  | <b>6,290</b>  | <b>6,841</b>  | <b>3,527</b>  | <b>2,352</b>  | <b>5,528</b>  | <b>6,190</b>  | <b>19,843</b> | <b>17,596</b> | <b>7,306</b>  | -15     |
| YoY Growth (%)                      | -114.6        | -56.2         | -29.6         | 13.9          | 58.2          | -47.5         | -12.1         | -9.5          | 100.7         | -11.3         | 6.8           |         |
| <b>Key Operating Parameters (%)</b> |               |               |               |               |               |               |               |               |               |               |               |         |
| Yield on loans (Cal)                | 15.8          | 15.2          | 15.6          | 15.4          | 14.9          | 14.6          | 14.7          | 14.7          | 15.3          | 14.7          |               |         |
| Cost of funds (Cal)                 | 6.5           | 6.8           | 7.2           | 7.3           | 7.5           | 7.6           | 7.8           | 7.8           | 7.0           | 8.0           |               |         |
| Spreads (Cal)                       | 9.3           | 8.4           | 8.5           | 8.0           | 7.4           | 6.9           | 6.9           | 7.0           | 8.3           | 6.7           |               |         |
| Credit Cost (Cal)                   | 3.9           | 1.1           | 0.8           | 0.0           | 2.5           | 2.8           | 1.4           | 1.4           | 1.4           | 2.0           |               |         |
| Cost to Income Ratio                | 39.6          | 43.9          | 39.5          | 45.2          | 40.3          | 43.7          | 41.48         | 40.49         | 42.1          | 41.4          |               |         |
| Tax Rate                            | 25.8          | 24.4          | 25.4          | 27.5          | 25.5          | 25.6          | 24.7          | 25.6          | 25.9          | 25.3          |               |         |
| <b>Balance Sheet Parameters</b>     |               |               |               |               |               |               |               |               |               |               |               |         |
| Loans (INR B)                       | 631           | 696           | 734           | 795           | 832           | 899           | 934           | 992           | 795           | 992           |               |         |
| Change YoY (%)                      | 11.9          | 21.6          | 26.0          | 31.4          | 42.6          | 29.3          | 27.2          | 24.8          | 31.5          | 24.8          |               |         |
| Borrowings (INR B)                  | 591           | 673           | 709           | 749           | 790           | 849           | 864           | 922           | 749           | 922           |               |         |
| Change YoY (%)                      | 6.3           | 20.4          | 24.3          | 34.3          | 43.6          | 26.0          | 21.9          | 23.1          | 34.3          | 23.1          |               |         |
| Loans/Borrowings (%)                | 106.8         | 103.3         | 103.5         | 106.0         | 105.4         | 106.0         | 108.0         | 107.6         | 106.0         | 108           |               |         |
| Debt/Equity (x)                     | 3.8           | 4.3           | 4.3           | 4.4           | 4.5           | 5.0           | 4.9           | 5.1           | 4.6           | 5.3           |               |         |
| <b>Asset Quality Parameters (%)</b> |               |               |               |               |               |               |               |               |               |               |               |         |
| GS 3 (INR B)                        | 54.4          | 49.4          | 45.9          | 37.2          | 37.7          | 40.2          | 38.5          | 34.9          | 37.2          | 34.9          |               |         |
| Gross Stage 3 (% on Assets)         | 8.0           | 6.7           | 5.9           | 4.5           | 4.3           | 4.3           | 4.0           | 3.4           | 4.5           | 3.4           |               |         |
| NS 3 (INR B)                        | 22.8          | 20.7          | 18.8          | 15.1          | 15.0          | 15.6          | 14.4          | 12.9          | 15.1          | 12.9          |               |         |
| Net Stage 3 (% on Assets)           | 3.5           | 2.9           | 2.5           | 1.9           | 1.8           | 1.7           | 1.5           | 1.3           | 1.9           | 1.3           |               |         |
| PCR (%)                             | 58.1          | 58.2          | 59.0          | 59.5          | 66.9          | 61.2          | 62.7          | 63.2          | 59.5          | 63.2          |               |         |
| ECL (%)                             | 6.8           | 5.7           | 5.0           | 4.0           | 4.0           | 4.0           | 3.8           | 3.3           | 4.7           | 3.8           |               |         |
| <b>Return Ratios (%)</b>            |               |               |               |               |               |               |               |               |               |               |               |         |
| ROAA                                | 1.2           | 2.2           | 2.8           | 2.9           | 1.4           | 0.9           | 2.1           | 2.2           | 2.3           | 1.7           |               |         |
| ROAE                                | 5.7           | 11.4          | 15.7          | 16.3          | 8.2           | 5.5           | 12.8          | 13.9          | 12.6          | 10.4          |               |         |

E: MOFSL estimates



# Vedant Fashions

BSE SENSEX  
73,896

S&P CNX  
22,443



## VEDANT FASHIONS — LIMITED —

|                     |             |
|---------------------|-------------|
| Bloomberg           | MANYAVAR IN |
| Equity Shares (m)   | 243         |
| M.Cap.(INRb)/(USDb) | 224.7 / 2.7 |
| 52-Week Range (INR) | 1488 / 886  |
| 1,6,12 Rel. Per (%) | 2/-45/-49   |
| 12M Avg Val (INR M) | 315         |

### Financials & Valuations (INR b)

| Y/E March         | FY24  | FY25E | FY26E |
|-------------------|-------|-------|-------|
| Sales             | 13.7  | 15.9  | 19.0  |
| EBITDA            | 6.6   | 7.9   | 9.6   |
| Adj. PAT          | 4.1   | 5.0   | 6.1   |
| EBITDA Margin (%) | 48.1  | 49.3  | 50.2  |
| Adj. EPS (INR)    | 17.1  | 20.5  | 25.2  |
| EPS Gr. (%)       | (3.5) | 20.1  | 23.2  |
| BV/Sh. (INR)      | 64.0  | 75.9  | 90.6  |

### Ratios

|            |       |       |       |
|------------|-------|-------|-------|
| Net D:E    | (0.4) | (0.5) | (0.5) |
| RoE (%)    | 27.6  | 28.4  | 27.0  |
| RoCE (%)   | 23.9  | 24.4  | 26.2  |
| Payout (%) | 49.8  | 40.0  | 40.0  |

### Valuations

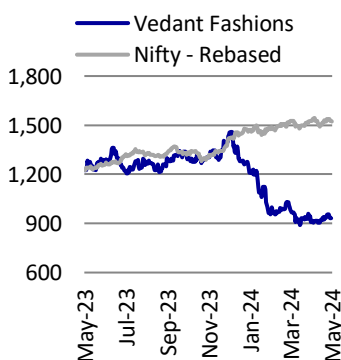
|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 55.5 | 46.2 | 37.5 |
| EV/EBITDA (x)  | 35.6 | 29.5 | 23.9 |
| EV/Sales (X)   | 17.1 | 14.5 | 12.0 |
| Div. Yield (%) | 0.9  | 0.9  | 1.1  |

### Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 75.0   | 75.0   | 84.9   |
| DII      | 12.6   | 13.7   | 9.9    |
| FII      | 8.1    | 7.7    | 3.4    |
| Others   | 4.3    | 3.5    | 1.8    |

FII Includes depository receipts

### Stock's performance (one-year)



**CMP: INR925**

**TP: INR1,010 (+9%)**

**Neutral**

## Building optimism

We met with the CEO and CFO of Vedant Fashions, Mr. Ravi Modi and Mr. Rahul Murarka. Management was confident about a demand recovery post-2QFY25 and anticipated higher contributions from the new categories.

### Weak performance in the last five quarters; expect recovery from 2QFY25

The business has remained weak in FY24 due to a weak macro environment and a clustering of weddings. However, after five quarters of lackluster demand, we expect 1QFY25 to remain soft due to a fewer weddings. However, demand should pick up from 2QFY25 supported by wedding dates, higher contribution from newer categories, and a low base. The 15% store additions are likely to continue with its current penetration in 255 cities. The company's fundamentals were strong, with a 1% YoY revenue growth in FY24 that led to only 3% YoY decline in PAT. Additionally, the return ratios remained robust, with RoE/RoCE at 28%/53% (pre Ind-AS 116).

### Key highlights from the meeting

The company stated that after five quarters of lackluster demand, it will start picking up in 2QFY25 due to wedding dates as per the Hindu and South Indian calendars. Management also stated that although FY17–18 and the Covid era (FY21–22) witnessed a weak wedding season and a muted environment, Manyavar recovered strongly in the following year. Management is confident about its competitive positioning vs. both unorganized and organized players. In addition, it plans to launch a new brand with an ASP range of INR1,000–3,000 that will be available online and through MBOs. Management also anticipates higher growth from the new categories, Mohey and Twamev, which are seeing good traction with increasing contributions from the flagship and new standalone stores. The franchisee owners are satisfied with Vedant Fashions and the company has not seen any reduction in count during FY24.

### Valuation and view

- Manyavar has successfully achieved scale within the men's celebration and occasion wear markets, which is difficult to replicate.
- While the company has a healthy runway for growth with footprint additions in Manyavar, coupled with expansions in Mohey (women's celebration wear) and Twamev (premium celebration wear), weak consumption remains a concern.
- The stock has corrected 37% from its 52-week high (in Dec'24) owing to a weaker revenue trajectory. Assuming a recovery in 2HFY25 and building in a 22% PAT CAGR over FY24-FY26, we believe the stock is fairly priced given the slowdown in consumption. Demand recovery and scaling up of emerging brands would remain the key catalysts for the stock.
- The stock is currently trading at 38x on FY26E. We are factoring in 18%/22% revenue/PAT CAGR over FY24-26E. **Reiterate Neutral with a TP of INR1,010, valuing the stock at 40x FY26E P/E.**

**Valuation based on P/E for FY26E**

| Valuation                 | FY26E |
|---------------------------|-------|
| EPS                       | 25    |
| PE multiple (x)           | 40    |
| <b>Target Price (INR)</b> | 1,010 |
| <b>CMP (INR)</b>          | 925   |
| Upside (%)                | 9%    |

Source: MOFSL, Company

**Key highlights from the meeting**

**Management confident about the recovery from 2QFY25 onwards**

- Management appears optimistic that demand will rebound beginning in 2QFY25, following five quarters of weak demand.
- This will be on the back of wedding dates as per the Hindu and South Indian calendars (South contributes 40% of sales).
- Management stated that although FY17–18 and the Covid era (FY21–22) witnessed a weak wedding season and a muted environment, Manyavar recovered strongly in the following year. Considering the previous five weak quarters, the company anticipates stronger growth beginning in 2QFY25.

**No significant effect of rivalry**

- The company has opened more stores in Tier 1 than Tier 2/3 cities, while the impact has mostly been seen in Tier 2 and 3 cities. Hence, the company has grown in Tier 1 irrespective of the competition.
- Further, management estimates that a new brand will take at least four to five years to achieve scale, since improving conversion metrics and liquidation take time. Tasva and Ethnix by Raymond have opened in the last one to two years.
- The company has always encountered competition from unorganized players and is well-equipped to handle it.

**Store expansion**

- The company continues to target 15% area additions with single-digit SSSG.
- It expects new business (Mohey, Twamev, and Manthan) SSSG to grow higher compared to Manyavar, which could be due to their lower sizes. Further, the area allocation will be higher towards the new businesses.
- The major focus of the company will be to penetrate the current cities (255 cities) and to expand the reach to 300 cities.
- The company has consolidated around 50-60 small-sized stores (of less than 1,000 sqft). It consolidated them into bigger stores of 3,500 sqft.

**Introducing a new brand at lower price points**

- The company is targeting a mass-market segment with a new brand (name not declared), having an ASP of INR1,000-3,000 (even lower than Manthan).
- The company will initially concentrate just on kurta.
- The distribution chain would not use Manyavar’s stores; instead, it will only concentrate on the online and MBO sales.
- It will be more of a festive-wear brand, slightly different than wedding wear (Manthan).
- The company has around 120 SIS and 1,000 MBO, which it will leverage and sell outright.

**Mohey segment: 90% of Manyavar's productivity**

- The productivity (revenue per sqft) of the Mohey segment is around 90% of Manyavar's productivity. Regarding LFL growth in FY24, the Mohey division has outperformed Manyavar.
- The company has been leveraging the Manyavar store size by allocating 35% of the space for Mohey (vs. 25% last year). It is targeting to take this to 50% going forward.
- The EBO size for Mohey will be 4,000-5,000 sqft (vs. 3,500 sqft for Manyavar). The showcase of Lehanga, etc. will require larger store size.
- Currently, the revenue mix of non-Manyavar brands is 18-20% and the company would take the mix to 30%.
- Mohey's revenue could be in the ballpark range of INR1.5-2.0b.
- The conversion rate is lower than Manyavar due to women's wear, but is improving. The conversion rate would be 70%.
- The company has a different designing team for Mohey.

**Twamev segment**

- The price points are 2.5x of Manyavar and will continue to remain higher.
- There are two opportunities in Twamev: a) upgrading customers from Manyavar, and b) launching new stores.
- The TAM for Twamev is ~20% of the Manyavar market opportunity.
- The gross margins for Twamev and Mohey are above 65%, but are lower than Manyavar. The company will increase the margins going forward.
- The audience overlap with Manyavar is ~25%.

**Others**

- **Ad spending:** The company continues to spend around 5-6% towards advertising.
- **Acquisition:** The company has not planned any acquisition as yet. But it will be interested if any good opportunity arises.
- The company **does not want to expand the Mebaz** segment and it will be in the South region only.

**Sales mix**

- About 80-85% of the company's business originates directly or indirectly from wedding.
- South contributes 40% of the sales.
- Indo-sherwani was down 30% (due to weak wedding schedule), when the SSS declined 10%.



Estimate changes

TP change

Rating change



**CMP: INR2,192**

**TP: INR2,585 (+18%)**

**Buy**

|                       |             |
|-----------------------|-------------|
| Bloomberg             | RW IN       |
| Equity Shares (m)     | 18045       |
| M.Cap.(INRb)/(USDb)   | 145.9 / 1.7 |
| 52-Week Range (INR)   | 2335 / 1487 |
| 1, 6, 12 Rel. Per (%) | 15/1/13     |
| 12M Avg Val (INR M)   | 567         |

### Financials & Valuations (INR b)

| Y/E March     | FY24  | FY25E | FY26E |
|---------------|-------|-------|-------|
| Net Sales     | 90.2  | 107.8 | 118.9 |
| EBITDA        | 13.1  | 16.4  | 17.8  |
| PAT           | 6.9   | 9.0   | 9.9   |
| EPS (INR)     | 104.1 | 134.5 | 149.4 |
| GR. (%)       | 10.2  | 29.2  | 11.1  |
| BV/Sh (INR)   | 694   | 824   | 968   |
| ROE (%)       | 18.4  | 17.7  | 16.7  |
| RoCE (%)      | 15.0  | 13.6  | 13.4  |
| RoIC (%)      | 14.9  | 13.0  | 13.1  |
| P/E (X)       | 20.9  | 16.2  | 14.6  |
| P/BV (X)      | 3.1   | 2.6   | 2.2   |
| EV/EBITDA (X) | 13.1  | 10.6  | 9.1   |
| Div Yield (%) | 0.5   | 0.0   | 0.0   |

### Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 49.1   | 49.1   | 49.1   |
| DII      | 8.8    | 7.9    | 5.1    |
| FII      | 14.5   | 14.4   | 16.8   |
| Others   | 27.6   | 28.6   | 29.0   |

FII Includes depository receipts

## Real estate drives growth

- Raymond reported revenue/EBITDA growth of 21/29% YoY (6% beat/in line) in 4QFY24, led by the strong real estate revenue recognition (+2.4x YoY). Led by branded apparel (+23% YoY), lifestyle revenue/EBITDA grew 6%/8% YoY. Improved domestic market conditions led to 7% YoY growth in the engineering business.
  - Raymond has created three distinct vectors, i.e., Lifestyle, Real Estate, and an engineering unit Newco (by acquiring MPPL), with each segment reenergizing growth. Raymond maintains its net cash position at the group level and has the ability to scale up each segment with internal accruals. We expect its consolidated revenue/PAT to grow at 15%/20% over FY24-26.
- Reiterate BUY.**

## Margin improves in all segments due to GM and scale benefits

- Raymond's consolidated revenue was up 21% YoY at INR26b (6% beat), led by strong real estate revenue recognition (+2.4x YoY).
- EBITDA rose 29% YoY to INR4.4b (in line), and margin was up 100bp YoY to 16.7%.
- Adj. PAT grew 18% YoY to INR2.3b (in line), but margin contracted 20bp YoY to 8.8% due to higher depreciation and interest costs.
- FY24 revenue/EBITDA/PAT increased 10%/9%/24% YoY by adjusting profit from the sale of its FMCG business.
- The board declared a dividend of INR10 per share (vs. INR3 in FY23).
- OCF declined 45% YoY to INR3.9b in FY24 (from INR7.0b in FY23), due to WC block of ~INR3.2b for the MPPL acquisition and higher lease costs. Capex doubled to INR2b, and higher interest costs of INR2.9b led to cash outflows of INR970m in FY24 (vs. FCF of INR3.7b).
- Further, the company paid INR7b to acquire Maini Precision Product (MPPL). As a result, net debt increased by INR9b to INR15b in FY24.
- Of the INR34b gross debt, about INR17b was internal debt.

## Highlights from the management commentary

- Current environment:** Discretionary spending was low in 4Q and a 'K-shaped' recovery continued, with high spending by premium customers. It expects subdued demand in 1HFY25 due to fewer wedding dates.
- Demerger status:** The NCLT hearing for demerger approval is scheduled for 9th May'24 and expects a listing by Jun/Jul'24.
- Lifestyle:** The company focuses on store expansion as it plans to open 200 stores in the next 12 months. It also focuses ad spending in branded apparel. It expects to sustain EBITDA margin in the current range.
- Real estate:** Raymond has launched its JDA project in Bandra (first project outside Thane) and has received a strong response with bookings of INR3b. The projects in the vicinity are priced at INR30-32k/sft and the company's project is priced at a slight premium to the micro-market.



### Valuation and view

- Raymond has been demonstrating positive actions by selling its FMCG business, demerging its lifestyle business, shaping the real estate Business, and establishing an engineering unit 'Newco' after the MPPL acquisition. These three factors, along with professional management, net cash position at the group level and optimization of costs and WC, should augur well for Raymond.
- The stock is trading at a 15x P/E and 9x EV/EBITDA on FY26 estimates. This is significantly lower than the valuation of our retail & discretionary coverage companies, which are valued at ~45-50x on a one-year forward basis.
- We have increased our revenue/EBITDA estimates by 10%/8% for FY26 to account for MPPL's full-year financials, modelling a CAGR of 10%/8% in revenue/EBITDA over FY24-26E. However, there is also an increase in debt by INR8.6b largely to fund the acquisition and old MPPL debt, implying 8x EV/EBITDA on FY24.
- Based on SOTP, we value the real estate business at 5x on FY26E EV/EBITDA on embedded EBITDA, assuming pre-sales of INR27.6b and 25% EBITDA margin, to arrive at a valuation of INR34.5b (i.e., INR520/share). Adjusting for the same, the Lifestyle business is trading at a P/E of 16x. Subsequently, we assign a P/E of 20x on FY26E to the Lifestyle business, arriving at a value of INR1,880/share. The Engineering business is valued at 7x FY26E EV/EBITDA, arriving at a value of INR185/share. The combined value of Real Estate, Engineering and Lifestyle businesses works out to be INR2,585/share. **Reiterate BUY.**

### Summary of quarterly performance

| Y/E March                               | FY23          |               |               |               | FY24          |               |               |               | FY23          | FY24          | FY24E         | Est. Var. |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------|
| INRm                                    | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |               |               | 4QE           | (%)       |
| <b>Total Revenue</b>                    | <b>17,281</b> | <b>21,682</b> | <b>21,682</b> | <b>21,502</b> | <b>17,715</b> | <b>22,534</b> | <b>23,862</b> | <b>26,085</b> | <b>82,147</b> | <b>90,195</b> | <b>24,643</b> | 6         |
| <b>YoY %</b>                            | 109%          | 40%           | 18%           | 10%           | 3%            | 4%            | 10%           | 21%           | 33%           | 10%           | 15%           |           |
| Total expenditure                       | 15,197        | 18,333        | 18,490        | 18,134        | 15,748        | 19,388        | 20,242        | 21,726        | 70,153        | 77,104        | 20,422        | 6         |
| <b>EBITDA</b>                           | <b>2,085</b>  | <b>3,350</b>  | <b>3,192</b>  | <b>3,368</b>  | <b>1,966</b>  | <b>3,146</b>  | <b>3,619</b>  | <b>4,359</b>  | <b>11,994</b> | <b>13,091</b> | <b>4,221</b>  | 3         |
| <b>EBITDA margin (%)</b>                | <b>12.1%</b>  | <b>15.4%</b>  | <b>14.7%</b>  | <b>15.7%</b>  | <b>11.1%</b>  | <b>14.0%</b>  | <b>15.2%</b>  | <b>16.7%</b>  | <b>14.6%</b>  | <b>14.5%</b>  | <b>17.1%</b>  | -42       |
| Depreciation and amortization           | 584           | 575           | 578           | 616           | 597           | 654           | 703           | 883           | 2,354         | 2,837         | 703           | 26        |
| Finance Costs                           | 591           | 634           | 705           | 643           | 795           | 893           | 1,035         | 1,035         | 2,573         | 3,758         | 1,014         | 2         |
| Other income                            | 263           | 226           | 314           | 420           | 550           | 673           | 642           | 797           | 1,223         | 2,661         | 640           | 24        |
| Exceptional items                       | 0             | 96            | 45            | 930           | 94            | 230           | 0             | 108           | 1,072         | 432           | 0             |           |
| <b>Profit before Tax</b>                | <b>1,172</b>  | <b>2,271</b>  | <b>2,177</b>  | <b>1,599</b>  | <b>1,030</b>  | <b>2,042</b>  | <b>2,523</b>  | <b>3,130</b>  | <b>7,219</b>  | <b>8,725</b>  | <b>3,145</b>  | 0         |
| Tax                                     | 365           | 709           | 1,161         | -231          | 267           | 507           | 626           | 826           | 2,004         | 2,227         | 792           | 4         |
| <b>Profit after Tax</b>                 | <b>807</b>    | <b>1,562</b>  | <b>1,017</b>  | <b>1,830</b>  | <b>763</b>    | <b>1,535</b>  | <b>1,897</b>  | <b>2,304</b>  | <b>5,216</b>  | <b>6,498</b>  | <b>2,352</b>  | -2        |
| Margin (%)                              | 4.7%          | 7.2%          | 4.7%          | 8.5%          | 4.3%          | 6.8%          | 7.9%          | 8.8%          | 6.3%          | 7.2%          | 9.5%          | -71       |
| Minority Interest                       | -10           | -31           | -18           | -21           | -15           | -14           | -19           | -6            | -80           | -53           | -19           | -69       |
| Share of Profit in Associated Companies | 12            | 57            | -51           | 135           | 9,904         | 77            | -43           | -6            | 154           | 9,932         | 0             |           |
| <b>Net Income</b>                       | <b>809</b>    | <b>1,589</b>  | <b>948</b>    | <b>1,944</b>  | <b>10,653</b> | <b>1,598</b>  | <b>1,835</b>  | <b>2,292</b>  | <b>5,289</b>  | <b>16,378</b> | <b>2,333</b>  | -2        |
| <b>Adjusted income</b>                  | <b>807</b>    | <b>1,658</b>  | <b>1,062</b>  | <b>2,760</b>  | <b>857</b>    | <b>1,765</b>  | <b>1,897</b>  | <b>2,412</b>  | <b>6,287</b>  | <b>6,930</b>  | <b>2,333</b>  | 3         |
| Margin (%)                              | 4.7%          | 7.3%          | 4.4%          | 9.0%          | 60.1%         | 7.1%          | 7.7%          | 8.8%          | 6.4%          | 18.2%         | 9.5%          | -68       |



# Birla Corporation

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↑ |
| Rating change   | ↔ |

**CMP: INR1,545      TP: INR1,800 (+16%)      Buy**

## Higher realization drives earnings beat

### Volume growth at ~8-9% YoY in FY25E; EBITDA/t to grow ~8-10% YoY

|                       |             |
|-----------------------|-------------|
| Bloomberg             | BCORP IN    |
| Equity Shares (m)     | 77          |
| M.Cap.(INRb)/(USDb)   | 118.9 / 1.4 |
| 52-Week Range (INR)   | 1802 / 970  |
| 1, 6, 12 Rel. Per (%) | 3/2/33      |
| 12M Avg Val (INR M)   | 226         |

### Financial Snapshot (INR b)

| Y/E MARCH         | FY24    | FY25E | FY26E |
|-------------------|---------|-------|-------|
| Sales             | 96.6    | 101.6 | 110.1 |
| EBITDA            | 14.4    | 16.1  | 17.8  |
| Adj. PAT          | 4.2     | 5.5   | 6.9   |
| EBITDA Margin (%) | 14.9    | 15.8  | 16.2  |
| Adj. EPS (INR)    | 54.0    | 71.8  | 89.0  |
| EPS Gr. (%)       | 1,052.2 | 33.0  | 23.9  |
| BV/Sh. (INR)      | 867     | 926   | 1,003 |

### Ratios

|            |     |     |     |
|------------|-----|-----|-----|
| Net D:E    | 0.5 | 0.4 | 0.3 |
| RoE (%)    | 6.6 | 8.0 | 9.2 |
| RoCE (%)   | 7.5 | 6.8 | 7.6 |
| Payout (%) | 15  | 17  | 13  |

### Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 28.6 | 21.5 | 17.4 |
| P/BV (x)       | 1.8  | 1.7  | 1.5  |
| EV/EBITDA(x)   | 9.9  | 8.6  | 7.5  |
| EV/ton (USD)   | 86   | 84   | 75   |
| Div. Yield (%) | 0.6  | 0.8  | 0.8  |

### Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 62.9   | 62.9   | 62.9   |
| DII      | 15.6   | 16.2   | 16.4   |
| FII      | 6.8    | 6.4    | 5.7    |
| Others   | 14.7   | 14.5   | 15.0   |

FII Includes depository receipts

- Birla Corporation (BCORP)'s 4QFY24 consol. EBITDA increased 72% YoY to INR4.7b (vs. estimated INR4.0b), while EBITDA/t grew 58% YoY to INR974 (est. INR801). OPM surged 6.6pp YoY to 17.8% (est. ~15.0%) for the quarter. Adj. PAT stood at INR1.9b vs. estimated INR1.4b for 4QFY24.
- Mukutban unit's capacity utilization improved to ~68% in 4QFY24 and ~77% in Mar'24. It targets 2.7mt of volume from the Mukutban plant (~70% utilization) in FY25. Management guided a volume growth of ~8-9% YoY in FY25 and ~8-10% improvement in EBITDA/t. Currently, BCORP is focusing on expanding the grinding capacity, while clinker expansion is likely by FY27.
- We retain our earnings estimates for FY25/26. **However, we raise our TP to INR1,800 (from INR1,700)** due to a higher-than-estimated CFO in FY24 and a lower capex in FY24/FY25E. We value the stock at 9x FY26E EV/EBITDA to arrive at our TP. **Reiterate BUY.**

### Volume up 9% YoY; Opex/t down 9% YoY

- Consolidated revenue/EBITDA/Adj. PAT stood at INR26.6b/INR4.7b/INR1.9b (up 8%/72%/165% YoY and in line/up 19%/31% vs. our estimates) in 4QFY24. Sales volume grew 9% YoY to 4.85mt (2% below our estimate). Cement realization declined 1%/2% YoY/QoQ to INR5,218 (3% above estimates).
- Opex/t dipped 9% YoY (1% below estimate), led by a 15% decline in variable costs, and a 4% decline in freight costs. Other expenses/t remained flat YoY. OPM jumped 6.6pp YoY to 17.8%, and EBITDA/t was up 58% YoY to INR974.
- **In FY24**, revenue grew 11% YoY to INR97b, largely led by 12% YoY volume growth. EBITDA rose 86% YoY to INR14.4b, while OPM surged 6pp YoY to ~15%. EBITDA/t rose 66% YoY to INR815. Net profit surged 11.5x YoY to INR4.2b.
- The company's OCF doubled YoY to INR16.2b in FY24. BCORP's capex stood at INR5.3b vs. INR6.3b in FY23. FCF stood at INR11.0b vs. INR1.8b in FY23.

### Highlights from the management commentary

- The company expects state incentives for the Mukutban plant to accrue from the beginning of FY25 (vs. previous estimate of 4QFY24). The total incentive accrual is estimated at INR1.1b in FY25, largely from the Mukutban plant.
- Fuel consumption costs stood at INR1.56/Kcal vs. INR1.58/Kcal in 3QFY24. Operations at the Bikram coal mine are likely to commence from 2QFY25.
- Capex is pegged at INR8b in FY25E, of which INR4b is for maintenance and other projects, INR2b for coal mine development, and INR2b for the Kundanganj line-3.

### Valuations attractive; reiterate BUY

- We estimate a consol. revenue/EBITDA/PAT CAGR of 7%/11%/28% over FY24-26. We further estimate BCORP's net debt to decline to INR21b in FY26 from INR30b in FY24 and net debt-to-EBITDA to improve to 1.2x from 2.1x in FY24.
- BCORP currently trades at 8.6x/7.5x FY25E/26E EV/EBITDA, at a lower valuation than its similar-sized peers. **We reiterate our BUY rating with a revised TP of INR1,800 (vs. 1,700), based on 9x FY26E EV/EBITDA.**

**Consolidated performance**

(INR b)

| Y/E March                         | FY23         |              |              |              | FY24         |              |              |              | FY23         | FY24         | FY24<br>4QE  | Var.<br>(%) |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
|                                   | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           |              |              |              |             |
| Cement Sales (MT)                 | 3.93         | 3.64         | 3.72         | 4.44         | 4.41         | 4.18         | 4.20         | 4.85         | 15.73        | 17.65        | 4.97         | (2)         |
| YoY Change (%)                    | 17.3         | 11.3         | 11.0         | 4.7          | 12.2         | 14.8         | 12.9         | 9.2          | 10.6         | 12.2         | 11.9         |             |
| Cement Realization                | 5,344        | 5,151        | 5,177        | 5,279        | 5,229        | 5,211        | 5,316        | 5,218        | 5,242        | 5,239        | 5,090        | 3           |
| YoY Change (%)                    | 8.1          | 5.6          | 4.9          | 4.1          | (2.2)        | 1.2          | 2.7          | (1.2)        | 5.7          | (0.0)        | (3.6)        |             |
| QoQ Change (%)                    | 5.4          | (3.6)        | 0.5          | 2.0          | (0.9)        | (0.3)        | 2.0          | (1.8)        |              |              | (4.2)        |             |
| <b>Net Sales</b>                  | <b>22.0</b>  | <b>20.0</b>  | <b>20.2</b>  | <b>24.6</b>  | <b>24.1</b>  | <b>22.9</b>  | <b>23.1</b>  | <b>26.6</b>  | <b>86.8</b>  | <b>96.6</b>  | <b>26.5</b>  | <b>0</b>    |
| YoY Change (%)                    | 26.0         | 17.8         | 15.2         | 8.8          | 9.3          | 14.3         | 14.7         | 7.9          | 16.4         | 11.3         | 7.6          |             |
| Total Expenditure                 | 19.4         | 19.1         | 18.7         | 21.9         | 21.1         | 20.0         | 19.3         | 21.8         | 79.1         | 82.3         | 22.5         | (3)         |
| <b>EBITDA</b>                     | <b>2.6</b>   | <b>0.9</b>   | <b>1.4</b>   | <b>2.7</b>   | <b>3.0</b>   | <b>2.9</b>   | <b>3.8</b>   | <b>4.7</b>   | <b>7.7</b>   | <b>14.4</b>  | <b>4.0</b>   | <b>19</b>   |
| Margin (%)                        | 11.8         | 4.7          | 7.2          | 11.1         | 12.4         | 12.6         | 16.4         | 17.8         | 8.9          | 14.9         | 15.0         | 275         |
| Depreciation                      | 1.1          | 1.3          | 1.3          | 1.4          | 1.4          | 1.4          | 1.4          | 1.5          | 5.1          | 5.8          | 1.5          | 3           |
| Interest                          | 0.7          | 0.9          | 0.9          | 0.9          | 1.0          | 1.0          | 1.0          | 0.8          | 3.4          | 3.7          | 1.0          | (16)        |
| Other Income                      | 0.1          | 0.4          | 0.1          | 0.5          | 0.2          | 0.3          | 0.2          | 0.3          | 1.1          | 0.9          | 0.4          | (31)        |
| <b>Profit before Tax</b>          | <b>0.9</b>   | <b>-0.8</b>  | <b>-0.6</b>  | <b>0.9</b>   | <b>0.8</b>   | <b>0.8</b>   | <b>1.5</b>   | <b>2.7</b>   | <b>0.4</b>   | <b>5.7</b>   | <b>1.9</b>   | <b>39</b>   |
| EO (Income)/Expense               | 0.1          | -            | -            | (0.2)        | -            | 0.0          | -            | (0.1)        | (0.1)        | (0.1)        | -            |             |
| <b>Profit before Tax after EO</b> | <b>0.8</b>   | <b>-0.8</b>  | <b>-0.6</b>  | <b>1.1</b>   | <b>0.8</b>   | <b>0.8</b>   | <b>1.5</b>   | <b>2.7</b>   | <b>0.4</b>   | <b>5.8</b>   | <b>1.9</b>   | <b>42</b>   |
| Tax                               | 0.2          | -0.3         | -0.1         | 0.3          | 0.2          | 0.2          | 0.4          | 0.8          | 0.0          | 1.6          | 0.5          | 68          |
| Rate (%)                          | 19.7         | 31.5         | 22.6         | 24.8         | 21.7         | 24.3         | 28.9         | 29.2         | 6.1          | 27.5         | 24.8         |             |
| <b>Reported PAT</b>               | <b>0.6</b>   | <b>-0.6</b>  | <b>-0.5</b>  | <b>0.8</b>   | <b>0.6</b>   | <b>0.6</b>   | <b>1.1</b>   | <b>1.9</b>   | <b>0.4</b>   | <b>4.2</b>   | <b>1.4</b>   | <b>34</b>   |
| <b>Adj. PAT</b>                   | <b>0.7</b>   | <b>-0.6</b>  | <b>-0.5</b>  | <b>0.7</b>   | <b>0.6</b>   | <b>0.6</b>   | <b>1.1</b>   | <b>1.9</b>   | <b>0.4</b>   | <b>4.2</b>   | <b>1.4</b>   | <b>31</b>   |
| Margin (%)                        | 3.2          | -2.8         | -2.5         | 2.9          | 2.5          | 2.6          | 4.7          | 7.1          | 0.4          | 4.3          | 5.4          | 0           |
| YoY Change (%)                    | (49.6)       | NM           | NM           | (48.5)       | (16.2)       | NM           | NM           | 164.6        | (91.4)       | 1,052.2      | 102.5        |             |
| <b>Per tonne analysis (INR)</b>   |              |              |              |              |              |              |              |              |              |              |              |             |
| <b>Blended Realization</b>        | <b>5,608</b> | <b>5,494</b> | <b>5,420</b> | <b>5,546</b> | <b>5,461</b> | <b>5,468</b> | <b>5,505</b> | <b>5,477</b> | <b>5,520</b> | <b>5,475</b> | <b>5,329</b> | <b>3</b>    |
| YoY Change (%)                    | 7.4          | 5.8          | 3.7          | 3.9          | (2.6)        | (0.5)        | 1.6          | (1.2)        | 5.2          | (0.8)        | (3.9)        |             |
| Raw Material                      | 565          | 592          | 593          | 982          | 958          | 917          | 782          | 921          | 696          | 896          | 787          | 17          |
| Staff Cost                        | 325          | 361          | 355          | 293          | 317          | 341          | 336          | 274          | 331          | 315          | 302          | (9)         |
| Power and Fuel                    | 1,564        | 1,671        | 1,549        | 1,291        | 1,153        | 1,183        | 1,094        | 1,000        | 1,508        | 1,103        | 1,046        | (4)         |
| Transport and Forwarding          | 1,330        | 1,361        | 1,325        | 1,340        | 1,321        | 1,240        | 1,325        | 1,284        | 1,339        | 1,292        | 1,331        | (4)         |
| Other Exp.                        | 1,163        | 1,250        | 1,208        | 1,023        | 1,038        | 1,096        | 1,066        | 1,024        | 1,154        | 1,061        | 1,062        | (4)         |
| <b>Total Expenditure</b>          | <b>4,948</b> | <b>5,236</b> | <b>5,031</b> | <b>4,928</b> | <b>4,786</b> | <b>4,777</b> | <b>4,604</b> | <b>4,503</b> | <b>5,029</b> | <b>4,660</b> | <b>4,528</b> | <b>(1)</b>  |
| <b>EBITDA</b>                     | <b>660</b>   | <b>258</b>   | <b>388</b>   | <b>618</b>   | <b>675</b>   | <b>691</b>   | <b>901</b>   | <b>974</b>   | <b>491</b>   | <b>815</b>   | <b>801</b>   | <b>22</b>   |

## Godrej Consumer Products

BSE SENSEX 73,896 S&amp;P CNX 22,443

## Investor Meet

Date: 07<sup>th</sup> May 2024

Time: 10:00 A:M IST

## Financials &amp; Valuations (INR b)

| Y/E March        | 2024  | 2025E | 2026E |
|------------------|-------|-------|-------|
| Sales            | 141.0 | 153.8 | 167.8 |
| Sales Gr. (%)    | 5.9   | 9.1   | 9.1   |
| EBITDA           | 30.7  | 33.6  | 37.6  |
| EBITDA mrg. (%)  | 21.8  | 21.8  | 22.4  |
| Adj. PAT         | 19.7  | 23.1  | 27.1  |
| Adj. EPS (INR)   | 19.3  | 22.6  | 26.5  |
| EPS Gr. (%)      | 12.4  | 17.0  | 17.2  |
| BV/Sh.(INR)      | 148.2 | 162.8 | 179.3 |
| <b>Ratios</b>    |       |       |       |
| RoE (%)          | 13.6  | 14.5  | 15.5  |
| RoCE (%)         | 14.7  | 14.7  | 15.9  |
| Payout (%)       | 31.1  | 35.4  | 37.7  |
| <b>Valuation</b> |       |       |       |
| P/E (x)          | 64.7  | 55.3  | 47.2  |
| P/BV (x)         | 8.4   | 7.7   | 7.0   |
| EV/EBITDA (x)    | 42.0  | 38.1  | 33.6  |
| Div. Yield (%)   | 0.5   | 0.6   | 0.8   |

CMP: INR1,250

## Strong volume-led performance

## Consolidated performance

- Godrej Consumer's (GCPL) 4QFY24 consolidated net sales grew 6% YoY to INR33.9b (est. INR33.8b).
- EBITDA grew 14% YoY to INR7.6b (est. INR7.7), PBT rose 20%YoY to INR6.9b (est. INR7.1b), and adj. PAT increased by 22% YoY to INR5.7b (est. INR5.3b).
- Consolidated constant currency sales grew 30% YoY.
- Gross margins expanded 320bp YoY to 56.1% (est. 56.0%).
- As a percentage of sales, higher ad spending (+200bp YoY to 9%), lower other expenses (-65bp YoY to 15.1%) and higher staff costs (+15bp YoY to 9.6%) led to EBITDA margin expansion of 170bp YoY to 22.5% (est. 22.8%).
- Consolidated volumes grew 12% and organic volume rose 9%.
- In FY24, net sales/EBITDA/adj. PAT grew 6%/26%/16%. Consolidated constant currency sales grew 21% YoY.
- FY24 consolidated volume grew 10%. India business volume grew 13% and Indonesia volume grew 11%.
- The board declared an interim dividend of INR10/share.
- Exceptional items include: 1) stamp duty payment and other costs of INR878m for the acquisition of RCCL business and INR8m for other restructuring costs; 2) loss on sale of investment in Godrej East Africa Holdings of INR7,926m; 3) impairment provision for diminution in value of investment in Godrej Mauritius Africa Holdings of INR2,739m pursuant to changes in business model and long-term strategy refresh for Africa; and 4) gain of INR230m on account of the sale of long-term investment.

## Standalone performance

- Net sales (including OOI) grew 12% YoY to INR20.3b in 4QFY24.
- India branded business volumes grew 15%.
- Gross margin expanded 100bp YoY to 57.8%. EBITDA margin remained flat YoY at 26.6%.
- EBITDA grew 12% YoY to INR5.4b.
- In FY24, net sales/EBITDA grew by 10%/20%.

## International Performance

- Segmental growth: India +12% and organic +5%; Africa, USA and ME +16% (CC); Indonesia +17% (CC); LATAM (including SAARC) +262% (CC).

## Other key highlights

- Home care business grew 6% and personal care grew 4%.
- Park Avenue and Kamasutra sales grew 15% (17% on constant currency) and volume grew by 12%. EBITDA margin at 25.2%, up by 360bp YoY.
- Household insecticide volume grew in double digits.

**Quarterly Performance (Consolidated)**

(INR b)

| Y/E March                        | FY23        |             |             |             | FY24        |             |             |              | FY23         | FY24         | FY23        | Var. (%) |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|-------------|----------|
|                                  | 1Q          | 2Q          | 3Q          | 4Q          | 1Q          | 2Q          | 3Q          | 4Q           |              |              | 4QE         |          |
| <b>Net Sales (including OOI)</b> | <b>31.2</b> | <b>33.9</b> | <b>36.0</b> | <b>32.0</b> | <b>34.5</b> | <b>36.0</b> | <b>36.6</b> | <b>33.9</b>  | <b>133.2</b> | <b>141.0</b> | <b>33.8</b> | 0.1      |
| YoY change (%)                   | 8.0         | 7.2         | 9.0         | 9.8         | 10.4        | 6.2         | 1.7         | 5.8          | 8.5          | 5.9          | 5.7         |          |
| <b>Gross Profit</b>              | <b>14.6</b> | <b>16.2</b> | <b>18.4</b> | <b>16.9</b> | <b>18.5</b> | <b>19.8</b> | <b>20.5</b> | <b>19.0</b>  | <b>66.1</b>  | <b>77.8</b>  | <b>19.0</b> | 0.2      |
| Margin (%)                       | 46.6        | 47.9        | 51.1        | 52.9        | 53.7        | 54.9        | 55.9        | 56.1         | 49.7         | 55.2         | 56.0        |          |
| <b>EBITDA</b>                    | <b>5.3</b>  | <b>5.7</b>  | <b>7.7</b>  | <b>6.6</b>  | <b>6.8</b>  | <b>7.2</b>  | <b>9.0</b>  | <b>7.6</b>   | <b>24.3</b>  | <b>30.7</b>  | <b>7.7</b>  | -1.3     |
| Margins (%)                      | 17.0        | 16.9        | 21.3        | 20.8        | 19.8        | 20.1        | 24.7        | 22.5         | 18.3         | 21.8         | 22.8        |          |
| YoY growth (%)                   | -12.8       | -15.4       | 9.8         | 32.3        | 28.0        | 26.0        | 17.9        | 14.4         | 1.5          | 26.3         | 15.9        |          |
| Depreciation                     | 0.6         | 0.5         | 0.6         | 0.7         | 0.8         | 0.6         | 0.5         | 0.5          | 2.4          | 2.4          | 0.6         |          |
| Interest                         | 0.4         | 0.5         | 0.4         | 0.5         | 0.7         | 0.8         | 0.7         | 0.8          | 1.8          | 3.0          | 0.6         |          |
| Other Income                     | 0.3         | 0.4         | 0.4         | 0.6         | 0.7         | 0.7         | 0.7         | 0.6          | 1.7          | 2.7          | 0.6         |          |
| <b>PBT</b>                       | <b>4.6</b>  | <b>4.8</b>  | <b>6.7</b>  | <b>5.8</b>  | <b>5.6</b>  | <b>6.3</b>  | <b>7.9</b>  | <b>6.9</b>   | <b>21.9</b>  | <b>26.8</b>  | <b>7.1</b>  | -2.9     |
| Tax                              | 1.1         | 1.0         | 1.2         | 1.0         | 1.6         | 1.9         | 2.0         | 2.1          | 4.3          | 7.6          | 1.8         |          |
| Rate (%)                         | 23.9        | 20.6        | 17.7        | 17.9        | 28.7        | 29.5        | 25.6        | 30.2         | 19.7         | 28.4         | 25.0        |          |
| <b>Adj PAT</b>                   | <b>3.5</b>  | <b>3.8</b>  | <b>5.5</b>  | <b>4.7</b>  | <b>3.7</b>  | <b>4.4</b>  | <b>5.9</b>  | <b>5.7</b>   | <b>17.6</b>  | <b>19.7</b>  | <b>5.3</b>  | 7.5      |
| YoY change (%)                   | -16.5       | -21.5       | 10.7        | 22.6        | 7.7         | 17.2        | 6.0         | 22.4         | -2.0         | 16.3         | 13.6        |          |
| <b>Reported PAT</b>              | <b>3.5</b>  | <b>3.6</b>  | <b>5.5</b>  | <b>4.5</b>  | <b>3.2</b>  | <b>4.3</b>  | <b>5.8</b>  | <b>-18.9</b> | <b>17.0</b>  | <b>-5.6</b>  | <b>5.3</b>  |          |

E: MOFSL Estimate

BSE SENSEX  
73,896S&P CNX  
22,443

CMP: INR1680

## Conference Call Details

Date: 6<sup>th</sup> May 2024

Time: 4:00 pm IST

Dial-in details:

Zoom [Link](#)

## Financials &amp; Valuations (INR b)

| Y/E MARCH            | FY24  | FY25E | FY26E |
|----------------------|-------|-------|-------|
| Sales                | 198.1 | 213.8 | 239.3 |
| EBITDA               | 35.9  | 39.8  | 45.0  |
| Adj. PAT             | 18.9  | 21.2  | 25.0  |
| EBIT Margin (%)      | 13.1  | 13.6  | 14.4  |
| Cons. Adj. EPS (INR) | 41.5  | 46.6  | 55.0  |
| EPS Gr. (%)          | 382.6 | 12.3  | 17.9  |
| BV/Sh. (INR)         | 314.4 | 358.1 | 410.2 |
| <b>Ratios</b>        |       |       |       |
| Net D:E              | 0.1   | 0.1   | 0.0   |
| RoE (%)              | 14.1  | 13.9  | 14.3  |
| RoCE (%)             | 12.6  | 12.9  | 13.5  |
| Payout (%)           | 6.9   | 6.3   | 5.3   |
| <b>Valuations</b>    |       |       |       |
| P/E (x)              | 40.5  | 36.0  | 30.6  |
| EV/EBITDA (x)        | 21.7  | 19.4  | 16.8  |
| Div. Yield (%)       | 0.1   | 0.1   | 0.1   |
| FCF Yield (%)        | 3.3   | 1.3   | 3.0   |
| EV/Sales (x)         | 3.9   | 3.6   | 3.1   |

## Operationally in line; higher gross profit margin partly offset by increased R&amp;D spending

- **Lupin (LPC) took an impairment of INR2b related to intangible assets (including discontinued ANDAs and certain tangible assets).**
- LPC's 4QFY24 revenue grew 12% YoY to INR49.6b. (our est. INR52b).
- The US sales rose 22.6% YoY to INR19b (up 19.4% YoY in CC to USD209m; 39% of sales).
- Domestic formulation (DF) sales grew 8.3% YoY to INR16b (33% of sales)
- ROW sales grew 8.1% YoY to INR938m (2% of sales)
- EMEA sales grew 17.3% YoY to INR5.3b (11% of sales)
- Growth market sales grew 16.1% YoY to INR5.1b (10% of sales)
- API sales declined 20% YoY to INR2.6b (5% of sales).
- Gross margin (GM) expanded 780bp YoY to 68.3% due to better product mix.
- EBITDA margin expanded 650bp YoY to 20.1%, largely due to better GM. A decrease in other expenses (-110bp YoY as a % of sales) was offset by higher employee costs (+70bp YoY as a % of sales) and R&D costs (+170bp YoY as a % of sales).
- As a result, EBITDA grew 65% YoY to INR10b (in line with estimates).
- Adjusting for the impairment of intangible and tangible assets of INR2b, Adj. PAT jumped ~95% YoY to INR5.0b (our est.: INR5.4b).
- **During FY24**, LPC's revenue grew 19% YoY to INR198b, while EBITDA almost doubled YoY to INR36b. PAT surged 4.8x to INR18.9b during FY24.
- LPC's revenue/PAT slightly missed the Bloomberg Consensus estimates by 3%/2%, while EBITDA was in-line with consensus.

## Other highlights:

- LPC received 12 ANDA approvals from the USFDA, and launched six products during 4Q in the US market
- Net debt at the end of 4QFY24 stood at INR4.8b.
- In 4QFY24, R&D expenses were INR4.3b (8.7% of sales).

**Quarterly Performance (Consolidated)**

(INR m)

| Y/E March           | FY23          |               |               |               | FY24          |               |               |               | FY23            | FY24            | FY24E         | % Var. |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|--------|
|                     | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |                 |                 | 4QE           |        |
| <b>Net Sales</b>    | <b>37,438</b> | <b>41,455</b> | <b>43,222</b> | <b>44,301</b> | <b>46,087</b> | <b>50,385</b> | <b>51,974</b> | <b>49,608</b> | <b>1,66,417</b> | <b>1,98,054</b> | <b>52,021</b> | -4.6   |
| YoY Change (%)      | -3.9          | 1.3           | 3.9           | 14.1          | 23.1          | 21.5          | 20.2          | 12.0          | 3.8             | 19.0            | 17.4          |        |
| Total Expenditure   | 35,799        | 37,114        | 37,662        | 38,260        | 39,574        | 41,153        | 41,755        | 39,640        | 1,48,835        | 1,62,123        | 41,901        |        |
| <b>EBITDA</b>       | <b>1,639</b>  | <b>4,342</b>  | <b>5,560</b>  | <b>6,041</b>  | <b>6,513</b>  | <b>9,232</b>  | <b>10,220</b> | <b>9,968</b>  | <b>17,582</b>   | <b>35,932</b>   | <b>10,120</b> | -1.5   |
| YoY Change (%)      | -70.4         | -27.2         | -1.4          | 114.0         | 297.3         | 112.6         | 83.8          | 65.0          | -11.9           | 104.4           | 67.5          |        |
| Margins (%)         | 4.4           | 10.5          | 12.9          | 13.6          | 14.1          | 18.3          | 19.7          | 20.1          | 10.6            | 18.1            | 19.5          |        |
| Depreciation        | 1,928         | 2,035         | 2,204         | 2,640         | 2,347         | 2,479         | 2,572         | 2,559         | 8,807           | 9,956           | 2,508         |        |
| <b>EBIT</b>         | <b>-289</b>   | <b>2,307</b>  | <b>3,356</b>  | <b>3,401</b>  | <b>4,166</b>  | <b>6,754</b>  | <b>7,648</b>  | <b>7,409</b>  | <b>8,775</b>    | <b>25,977</b>   | <b>7,612</b>  | -2.7   |
| YoY Change (%)      | -108.4        | -40.0         | -6.9          | 304.1         | LP            | 192.7         | 127.9         | 117.9         | -25.3           | 196.0           | 123.8         |        |
| Margins (%)         | -0.8          | 5.6           | 7.8           | 7.7           | 9.0           | 13.4          | 14.7          | 14.9          | 5.3             | 13.1            | 14.6          |        |
| Interest            | 428           | 549           | 841           | 926           | 856           | 806           | 740           | 713           | 2,743           | 3,116           | 725           |        |
| Other Income        | 56            | 149           | 180           | 373           | 228           | 404           | 294           | 293           | 757             | 1,218           | 324           |        |
| EO Exp/(Inc)        | -684          | -188          | 234           | 263           | -2,053        | 54            | -160          | 2,012         | -375            | -147            | 0             |        |
| <b>PBT</b>          | <b>23</b>     | <b>2,096</b>  | <b>2,461</b>  | <b>2,585</b>  | <b>5,591</b>  | <b>6,298</b>  | <b>7,361</b>  | <b>4,977</b>  | <b>7,165</b>    | <b>24,227</b>   | <b>7,211</b>  | -31.0  |
| Tax                 | 891           | 751           | 885           | 161           | 1,055         | 1,344         | 1,174         | 1,295         | 2,688           | 4,867           | 1,774         |        |
| Rate (%)            | 3,907.5       | 35.8          | 36.0          | 6.2           | 18.9          | 21.3          | 15.9          | 26.0          | 37.5            | 20.1            | 24.6          |        |
| Minority Interest   | -23           | -47           | -42           | -64           | -11           | -57           | -56           | -88           | -176            | -211            | 27            |        |
| <b>Reported PAT</b> | <b>-891</b>   | <b>1,297</b>  | <b>1,535</b>  | <b>2,360</b>  | <b>4,525</b>  | <b>4,898</b>  | <b>6,131</b>  | <b>3,594</b>  | <b>4,301</b>    | <b>19,149</b>   | <b>5,464</b>  | -34.2  |
| <b>Adj PAT</b>      | <b>-1,552</b> | <b>1,177</b>  | <b>1,684</b>  | <b>2,606</b>  | <b>2,855</b>  | <b>4,940</b>  | <b>5,997</b>  | <b>5,083</b>  | <b>3,915</b>    | <b>18,875</b>   | <b>5,464</b>  | -7.0   |
| YoY Change (%)      | -164.0        | -61.5         | -37.5         | 399.9         | LP            | 319.9         | 256.1         | 95.0          | -55.0           | 382.1           | 109.7         |        |
| Margins (%)         | -4.1          | 2.8           | 3.9           | 5.9           | 6.2           | 9.8           | 11.5          | 10.2          | 2.4             | 9.5             | 10.5          |        |

E: MOFSL estimates

# Gujarat Gas

BSE SENSEX  
73,896

S&P CNX  
22,443

**CMP: INR548**

**Buy**

## Conference Call Details



**Date:** 8<sup>th</sup> May 2024

**Time:** 04:00pm IST

**Dial in:**

+91 22 6280 1354

+91 22 7115 8233

## Beat on EBITDA due to higher-than-expected sales

- Gujarat Gas reported a strong set of results, with EBITDA/PAT at 27%/54% above our estimates. This was due to 1) overall volumes in 4QFY24, which were 4% above our est., 2) EBITDA/scm margin, which was 22% above our est. 3) INR557m of provisions written back relating to the previous quarters for trade margin on CNG sales, following the settlement with oil marketing companies. Adjusted for provisions written back, PAT was 38% above our estimate.
- Total volumes were 9.7mmscmd (in line with our estimate of 9.4mmscmd).
- CNG volumes at 2.9mmscmd (+14% YoY) continued to witness a strong momentum and have steadily climbed up from 2.5mmscmd in 4QFY23.
- PNG I/C volumes were at 6mmscmd (our est. 5.7mmscmd, +8% YoY). GUJGA added 271 commercial and 76 new industrial customers during the quarter. Volumes of 2,79,000scmd were added due to the commissioning of new industrial customers. GUJGA has a signed volume of 7,70,000scmd, which will be commissioned in the coming days.
- PNG domestic volumes were at 0.9mmscmd (our est. 0.8mmscmd, +2% YoY). The company added ~50.8k new domestic customers during the quarter.
- EBITDA/scm came in at INR6.7 (est. of INR5.5/scm). Gross margin stood at INR10.8/scm (up from INR10.6 in 4QFY23). Thus, EBITDA was at INR5.9b (est. of INR4.7b, 5% YoY). PAT stood at INR4.1b (est. of INR2.7b, 11% YoY). **We have a BUY rating on Gujarat Gas with a TP of INR675.**

## Gujarat Gas Ltd

### Standalone - Quarterly Earnings Model

(INR m)

| Y/E March                    | FY23          |               |               |               | FY24          |               |               |               |               | Var. (%)   | YoY (%)    | QoQ (%)    |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|------------|------------|
|                              | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4QE           | 4QAct         |            |            |            |
| <b>Net Sales</b>             | <b>51,701</b> | <b>39,765</b> | <b>36,843</b> | <b>39,286</b> | <b>37,815</b> | <b>38,454</b> | <b>39,291</b> | <b>40,133</b> | <b>41,342</b> | <b>3%</b>  | <b>5%</b>  | <b>5%</b>  |
| YoY Change (%)               | 71.7          | 9.7           | -28.4         | -15.9         | -26.9         | -3.3          | 6.6           | 2.2           | 5.2           |            |            |            |
| <b>EBITDA</b>                | <b>6,066</b>  | <b>6,427</b>  | <b>5,823</b>  | <b>5,603</b>  | <b>3,880</b>  | <b>4,966</b>  | <b>4,007</b>  | <b>4,664</b>  | <b>5,911</b>  | <b>27%</b> | <b>5%</b>  | <b>48%</b> |
| Margin (%)                   | 11.7          | 16.2          | 15.8          | 14.3          | 10.3          | 12.9          | 10.2          | 11.6          | 14.3          |            |            |            |
| Depreciation                 | 1,032         | 1,064         | 1,093         | 1,094         | 1,151         | 1,179         | 1,201         | 1,256         | 1,212         |            |            |            |
| Interest                     | 136           | 131           | 76            | 61            | 74            | 78            | 72            | 66            | 69            |            |            |            |
| Other Income                 | 190           | 185           | 320           | 318           | 239           | 298           | 230           | 243           | 311           |            |            |            |
| <b>PBT</b>                   | <b>5,089</b>  | <b>5,418</b>  | <b>4,974</b>  | <b>4,766</b>  | <b>2,894</b>  | <b>4,007</b>  | <b>2,964</b>  | <b>3,586</b>  | <b>5,497</b>  | <b>53%</b> | <b>15%</b> | <b>85%</b> |
| Tax                          | 1,278         | 1,379         | 1,261         | 1,074         | 743           | 1,029         | 761           | 921           | 1,402         |            |            |            |
| Rate (%)                     | 25.1          | 25.4          | 25.4          | 22.5          | 25.7          | 25.7          | 25.7          | 25.7          | 25.5          |            |            |            |
| <b>Reported PAT</b>          | <b>3,811</b>  | <b>4,039</b>  | <b>3,713</b>  | <b>3,692</b>  | <b>2,151</b>  | <b>2,978</b>  | <b>2,203</b>  | <b>2,665</b>  | <b>4,095</b>  | <b>54%</b> | <b>11%</b> | <b>86%</b> |
| YoY Change (%)               | -20.0         | 64.6          | 204.5         | -19.1         | -43.6         | -26.3         | -40.7         | -27.8         | 10.9          |            |            |            |
| Margin (%)                   | 7.4           | 10.2          | 10.1          | 9.4           | 5.7           | 7.7           | 5.6           | 6.6           | 9.9           |            |            |            |
| <b>Total volume (mmscmd)</b> | <b>9.8</b>    | <b>7.6</b>    | <b>7.3</b>    | <b>8.9</b>    | <b>9.2</b>    | <b>9.3</b>    | <b>9.2</b>    | <b>9.4</b>    | <b>9.7</b>    | <b>4%</b>  | <b>9%</b>  | <b>6%</b>  |
| CNG                          | 2.4           | 2.3           | 2.4           | 2.5           | 2.6           | 2.6           | 2.8           | 2.9           | 2.9           | 0%         | 14%        | 4%         |
| PNG - Industrials/commercial | 6.8           | 4.6           | 4.2           | 5.5           | 6.0           | 6.0           | 5.7           | 5.7           | 6.0           | 4%         | 8%         | 5%         |
| PNG - Households             | 0.6           | 0.7           | 0.7           | 0.8           | 0.6           | 0.7           | 0.7           | 0.8           | 0.9           | 12%        | 2%         | 20%        |
| <b>EBITDA (INR/scm)</b>      | <b>6.8</b>    | <b>9.2</b>    | <b>8.7</b>    | <b>7.0</b>    | <b>4.6</b>    | <b>5.8</b>    | <b>4.8</b>    | <b>5.5</b>    | <b>6.7</b>    | <b>22%</b> | <b>-5%</b> | <b>41%</b> |



# Fusion Microfinance

BSE Sensex  
73,896

S&P CNX  
22,443

**CMP: INR521**

**Buy**

## Conference Call Details



**Date:** 07<sup>th</sup> May 2024

**Time:** 8:30 A:M IST

**Dial-in details:**

+91 22 6280 1366,

+91-22 7115 8267

[Link for the call](#)

### Financials & Valuation (INR b)

| Y/E March    | FY24 | FY25E | FY26E |
|--------------|------|-------|-------|
| Total Income | 16.2 | 19.3  | 22.7  |
| PPP          | 10.3 | 12.1  | 14.2  |
| PAT          | 5.1  | 6.7   | 7.9   |
| EPS (INR)    | 50.2 | 66.6  | 78.6  |
| EPS Gr. (%)  | 30   | 33    | 18    |
| BV (INR)     | 283  | 350   | 428   |

### Valuations

|               |      |      |      |
|---------------|------|------|------|
| NIM (%)       | 14.1 | 14.0 | 13.7 |
| C/I ratio (%) | 36.6 | 37.3 | 37.5 |
| RoAA (%)      | 4.8  | 5.2  | 5.1  |
| RoE (%)       | 19.5 | 21.0 | 20.2 |

### Valuations

|          |      |     |     |
|----------|------|-----|-----|
| P/E (x)  | 10.3 | 7.8 | 6.6 |
| P/BV (x) | 1.8  | 1.5 | 1.2 |

## Earnings miss due to elevated credit costs

### Business momentum strong; NIM expansion of ~5bp QoQ

- Fusion's 4QFY24 PAT grew 16% YoY to ~INR1.28b (9% miss) because of elevated credit costs. NII grew 31% YoY to ~INR3.6b (in line), while PPO also increased 31% YoY to ~INR2.9b (7% beat).
- Cost-to-income ratio stood at ~37% (PQ: ~37% and PY: ~36%). Net credit costs stood at ~INR1.2b (~50% higher than our estimates), while annualized credit costs rose ~75bp QoQ to 4.8%.
- Disbursements grew 24% YoY/9% QoQ to INR29.5b. AUM grew 23% YoY/7% QoQ to ~INR114.8b.

### Spreads increase ~10bp despite a decline in yields

- Yields declined ~10bp QoQ to 21.8%, while CoF declined ~20bp QoQ to ~10.2%. This led to ~10bp increase in spreads to ~11.6%. Reported NIM rose ~5bp QoQ to 11.6%.
- The share of foreign borrowings in the borrowing mix dropped ~30bp to ~14.4% in 4QFY24 (PQ: 14.7%).

### Asset quality improves; collection efficiency stabilizes in Punjab

- GS3/NS3 improved ~15bp/ ~20bp QoQ to 2.9%/0.6%. Stage 3 PCR rose ~5pp QoQ to ~80%.
- Stage 2 rose ~35bp QoQ to 1.2%. The company increased the PCR across all stages (1, 2 and 3) of loans, resulting in ECL/EAD (incl. management overlay of ~INR595m) of ~3.45% (PQ: 3.23%). The company added a management overlay of INR180m in 4QFY24.
- Write-offs for the quarter stood at ~INR750m. Collection efficiency (including arrears) declined to ~97.3% (PQ: 97.9%). Ex-Punjab, CE stood at 98.3% (PQ: 98.4%).

### Customer acquisition-led growth continues through branch additions

- The borrower base rose to 3.86m as of Mar'24 (from 3.8m as of Dec'23).
- Fusion added 55 branches in the quarter and now has presence across 22 states (including three UT), with a total branch count of 1,297.
- Capital adequacy stood at ~27.5% as of Mar'24. It maintained a healthy liquidity of ~INR14.7b of cash and cash equivalents, amounting to ~12.5% of the total assets.

### Developments in Punjab

- Punjab AUM stood at INR3.2b (~2.8% of the total AUM) as of Mar'24, and collection efficiency in Mar'24 stood at ~75%. Collection efficiency has stabilized at these levels.
- PAR 60+ in Punjab stood at ~36% (PQ: ~13%)
- No new business was sourced in Punjab since Dec'23

### Valuation and view

- Fusion has a vintage of over a decade in MFI lending and has navigated multiple credit and economic cycles with resilience. It has a stable and experienced management team, and the company's digital orientation through its 'touch and tech' strategy has positioned it well to deliver strong operating performance.

■ Deterioration in GS3 during the quarter was because of stress in the Punjab portfolio, part of which Fusion proactively classified as Stage 3 assets. We expect Fusion to frontload provisions for stress in Punjab/Haryana in FY24, and begin FY25 on a cleaner slate. We may revise our estimates and TP after the earnings call on 7th May'24.

**Fusion: Quarterly Performance**

(INR M)

| Y/E March                       | FY23         |              |              |              | FY24         |              |              |              | FY23          | FY24          | 4QFY24E      | v/s Est.   |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|------------|
|                                 | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           |               |               |              |            |
| Interest Income                 | 3,294        | 3,998        | 4,202        | 4,507        | 4,790        | 4,968        | 5,400        | 5,761        | 16,001        | 20,919        | 5,788        | 0          |
| Interest Expenses               | 1,432        | 1,573        | 1,680        | 1,742        | 1,835        | 1,910        | 2,015        | 2,149        | 6,428         | 7,908         | 2,122        | 1          |
| <b>Net Interest Income</b>      | <b>1,862</b> | <b>2,424</b> | <b>2,522</b> | <b>2,765</b> | <b>2,955</b> | <b>3,058</b> | <b>3,386</b> | <b>3,612</b> | <b>9,573</b>  | <b>13,011</b> | <b>3,666</b> | <b>-1</b>  |
| YoY Growth (%)                  | 47.1         | 115.4        | 59.0         | 62.0         | 58.7         | 26.1         | 34.2         | 30.6         | 68.4          | 35.9          | 33           |            |
| Other Income                    | 311          | 526          | 463          | 700          | 738          | 745          | 732          | 991          | 1,999         | 3,205         | 742          | 33         |
| <b>Total Income</b>             | <b>2,173</b> | <b>2,950</b> | <b>2,985</b> | <b>3,465</b> | <b>3,693</b> | <b>3,803</b> | <b>4,118</b> | <b>4,603</b> | <b>11,572</b> | <b>16,216</b> | <b>4,408</b> | <b>4</b>   |
| YoY Growth (%)                  | 53.5         | 97.4         | 67.3         | 46.8         | 70.0         | 28.9         | 38.0         | 32.8         | 64.1          | 40.1          | 27           |            |
| Operating Expenses              | 971          | 1,077        | 1,147        | 1,253        | 1,339        | 1,385        | 1,515        | 1,696        | 4,448         | 5,935         | 1,681        | 1          |
| <b>Operating Profit</b>         | <b>1,202</b> | <b>1,873</b> | <b>1,838</b> | <b>2,211</b> | <b>2,354</b> | <b>2,418</b> | <b>2,603</b> | <b>2,907</b> | <b>7,124</b>  | <b>10,281</b> | <b>2,728</b> | <b>7</b>   |
| YoY Growth (%)                  | 61.1         | 156.3        | 91.8         | 47.8         | 95.8         | 29.1         | 41.6         | 31.5         | 81.2          | 44.3          | 23           |            |
| Provisions & Loan Losses        | 201          | 612          | 499          | 692          | 759          | 762          | 938          | 1,190        | 2,004         | 3,649         | 776          | 53         |
| <b>Profit before Tax</b>        | <b>1,001</b> | <b>1,261</b> | <b>1,339</b> | <b>1,519</b> | <b>1,595</b> | <b>1,656</b> | <b>1,665</b> | <b>1,717</b> | <b>5,120</b>  | <b>6,633</b>  | <b>1,952</b> | <b>-12</b> |
| Tax Provisions                  | 249          | 310          | 314          | 374          | 390          | 399          | 401          | 390          | 1,248         | 1,580         | 486          | -20        |
| <b>Net Profit</b>               | <b>752</b>   | <b>951</b>   | <b>1,025</b> | <b>1,145</b> | <b>1,205</b> | <b>1,257</b> | <b>1,265</b> | <b>1,327</b> | <b>3,871</b>  | <b>5,053</b>  | <b>1,466</b> | <b>-9</b>  |
| YoY Growth (%)                  | 1,605        | 2,860        | 10,835       | 768          | 60           | 32           | 23           | 16           | 1,680         | 31            | 28           | -43        |
| <b>Key Parameters (%)</b>       |              |              |              |              |              |              |              |              |               |               |              |            |
| Yield on loans                  | 19.5         | 20.3         | 20.7         | 21.0         | 21.5         | 21.7         | 21.9         | 21.8         |               |               |              |            |
| Cost of funds                   | 10.1         | 10.1         | 10.4         | 10.4         | 10.6         | 10.6         | 10.4         | 10.2         |               |               |              |            |
| Spread                          | 9.4          | 10.2         | 10.3         | 10.6         | 10.9         | 11.1         | 11.5         | 11.6         |               |               |              |            |
| NIM                             | 9.4          | 10.2         | 10.3         | 10.6         | 10.9         | 11.1         | 11.5         | 11.6         |               |               |              |            |
| Credit cost                     | 0.2          | 0.8          | 0.6          | 0.8          | 0.8          | 0.8          | 1.0          | 1.2          |               |               |              |            |
| Cost to Income Ratio (%)        | 44.7         | 36.5         | 38.4         | 36.2         | 36.3         | 36.4         | 36.8         | 36.8         |               |               |              |            |
| Tax Rate (%)                    | 24.9         | 24.6         | 23.5         | 24.6         | 24.5         | 24.1         | 24.1         | 22.7         |               |               |              |            |
| <b>Performance ratios (%)</b>   |              |              |              |              |              |              |              |              |               |               |              |            |
| Avg o/s per borrower (INR '000) | 25           | 25           | 25           | 26           | 26           | 26           | 27           | 29           |               |               |              |            |
| AUM/ RO (INR m)                 | 12.0         | 12.5         | 12.9         | 14.0         | 14.0         | 14.0         | 13.0         | 13.0         |               |               |              |            |
| AUM/ Branch (INR m)             | 78           | 79           | 84           | 88           | 91           | 88           | 9            | 9            |               |               |              |            |
| Borrower/ Branch (INR m)        | 3,116        | 3,223        | 3,381        | 3,452        | 3,513        | 3,381        | 3,260        | 3,204        |               |               |              |            |
| <b>Balance Sheet Parameters</b> |              |              |              |              |              |              |              |              |               |               |              |            |
| <b>AUM (INR B)</b>              | <b>73.9</b>  | <b>80.5</b>  | <b>86.5</b>  | <b>93.0</b>  | <b>97.1</b>  | <b>100.3</b> | <b>106.9</b> | <b>114.8</b> |               |               |              |            |
| Change YoY (%)                  | 59.6         | 54.5         | 44.5         | 37.0         | 31.4         | 24.6         | 23.6         | 23.5         |               |               |              |            |
| <b>Disbursements (INR B)</b>    | <b>19.8</b>  | <b>20.5</b>  | <b>21.9</b>  | <b>23.7</b>  | <b>22.8</b>  | <b>23.4</b>  | <b>27.1</b>  | <b>29.5</b>  |               |               |              |            |
| Change YoY (%)                  |              | 27.4         | 22.2         | 17.7         | 15.2         | 14.2         | 24.0         | 24.4         |               |               |              |            |
| <b>Borrowings (INR B)</b>       | <b>60.1</b>  | <b>65.5</b>  | <b>65.4</b>  | <b>67.8</b>  | <b>71.9</b>  | <b>75.3</b>  | <b>80.2</b>  | <b>86.2</b>  |               |               |              |            |
| Change YoY (%)                  |              |              |              | 17.4         | 19.6         | 15.0         | 22.7         | 27.1         |               |               |              |            |
| Borrowings/Loans (%)            | 90.4         | 93.0         | 86.5         | 84.3         | 85.5         | 86.6         | 85.8         | 86.6         |               |               |              |            |
| Debt/Equity (x)                 | 4.2          | 4.3          | 3.0          | 2.9          | 2.9          | 2.9          | 3.0          | 3.0          |               |               |              |            |
| <b>Asset Quality (%)</b>        |              |              |              |              |              |              |              |              |               |               |              |            |
| <b>GS3 (INR m)</b>              | <b>2,529</b> | <b>2,803</b> | <b>2,894</b> | <b>2,889</b> | <b>2,790</b> | <b>2,411</b> | <b>2,939</b> | <b>2,973</b> |               |               |              |            |
| G3 %                            | 3.7          | 3.8          | 3.7          | 3.5          | 3.2          | 2.7          | 3.0          | 2.9          |               |               |              |            |
| NS 3 (INR m)                    | 928          | 799          | 751          | 708          | 664          | 569          | 730          | 603          |               |               |              |            |
| NS3 %                           | 1.4          | 1.1          | 1.0          | 0.9          | 0.8          | 0.7          | 0.8          | 0.6          |               |               |              |            |
| <b>PCR (%)</b>                  | <b>63.3</b>  | <b>71.5</b>  | <b>74.0</b>  | <b>75.5</b>  | <b>76.2</b>  | <b>76.4</b>  | <b>75.2</b>  | <b>79.7</b>  |               |               |              |            |
| ECL (%)                         | 3.5          | 3.9          | 3.7          | 3.7          | 3.8          | 3.3          | 3.2          | 3.4          |               |               |              |            |
| <b>Return Ratios - YTD (%)</b>  |              |              |              |              |              |              |              |              |               |               |              |            |
| ROA (Rep)                       | 4.0          | 4.8          | 4.7          | 5.0          | 5.0          | 4.9          | 4.7          | 4.6          |               |               |              |            |
| ROE (Rep)                       | 21.8         | 26.0         | 22.0         | 20.2         | 20.2         | 20.0         | 19.1         | 19.1         |               |               |              |            |

E: MOFSL Estimates

# Angel One

|                   |                    |
|-------------------|--------------------|
| <b>BSE SENSEX</b> | <b>S&amp;P CNX</b> |
| 73,896            | 22,443             |

**CMP: INR2,631**

|                       |             |
|-----------------------|-------------|
| Bloomberg             | ANGELONE IN |
| Equity Shares (m)     | 84          |
| M.Cap.(INRb)/(USDb)   | 236.7 / 2.8 |
| 52-Week Range (INR)   | 3900 / 1181 |
| 1, 6, 12 Rel. Per (%) | -11/-15/91  |
| 12M Avg Val (INR M)   | 1656        |
| Free float (%)        | 61.8        |

## Steady business performance

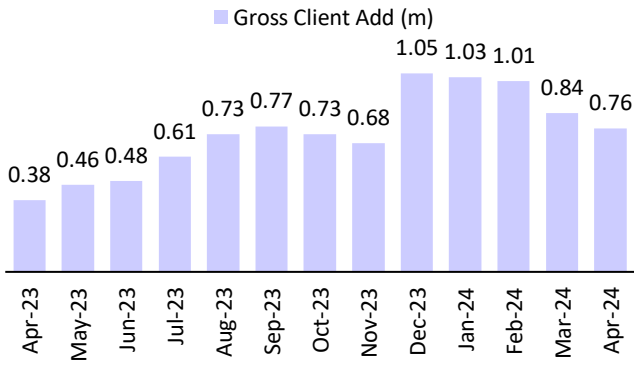
### Cash market share improves

**Angel One (ANGELONE) released its key business numbers for Apr'24. Here are the key takeaways:**

- Gross client acquisition was ~0.76m in Apr'24, up ~100% YoY/down 9.5% MoM.
- The total client base stood at 23m in Apr'24 (+3.4% MoM/+62.7% YoY).
- The average funding book increased ~16.3% MoM to ~INR21b (+90.7% YoY).
- The number of orders stood at 135.5m for Apr'24, +98.4% YoY/+2.4% MoM. Consequently, the number of orders per day declined MoM to ~6.8m from ~7.4m in Mar'24.
- The overall ADTO decreased 4.8% MoM. The F&O segment's ADTO declined MoM by 4.8%, while the cash segment/commodity segment grew 15.9%/11.6% MoM.
- Based on the option premium turnover, the overall market share improved 10bp MoM to 18.4% and the F&O market share declined 20bp MoM to 19.8%. **Market share in the cash segment improved to 16.4% (highest since Mar'21).**
- The number of unique MF SIPs grew 4% MoM in Apr'24 at ~ 0.44m.

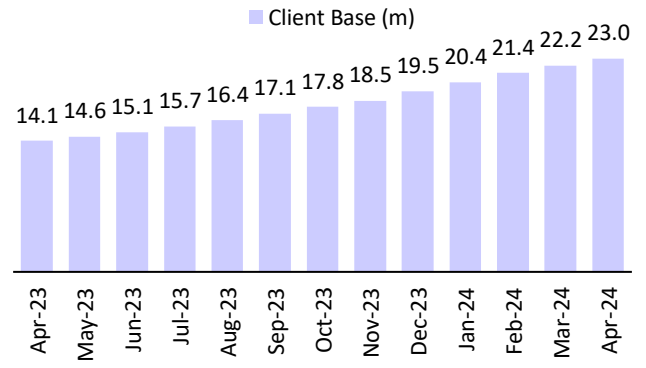
| Key Metrics                                  | Apr-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | % YoY          | % MoM          |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|----------------|
| No of Days                                   | 17     | 21     | 21     | 22     | 20     | 20     | 22     | 21     | 18     | 20     |                |                |
| Client Base (m)                              | 14.1   | 15.1   | 15.7   | 16.4   | 17.1   | 19.5   | 20.4   | 21.4   | 22.2   | 23.0   | 62.7           | 3.4            |
| Gross Client Add (m)                         | 0.38   | 0.48   | 0.61   | 0.73   | 0.77   | 1.05   | 1.03   | 1.01   | 0.84   | 0.76   | 100.0          | -9.5           |
| Avg MTF book (INR b)                         | 11.0   | 11.2   | 11.8   | 14.3   | 16.2   | 18.4   | 22.5   | 20.4   | 18.0   | 21.0   | 90.7           | 16.3           |
| Orders (m)                                   | 68.3   | 89.7   | 109.1  | 114.5  | 114.9  | 137.2  | 166.4  | 172.7  | 132.3  | 135.5  | 98.4           | 2.4            |
| Per day orders (m)                           | 4.0    | 4.3    | 5.2    | 5.2    | 5.7    | 6.9    | 7.6    | 8.2    | 7.4    | 6.8    | 68.6           | -7.9           |
| Unique MF SIPs registered (ln m)             |        | 0.2    | 0.2    | 0.2    | 0.3    | 0.4    | 0.5    | 0.5    | 0.4    | 0.4    |                | 3.8            |
| <b>Angel's ADTO (INR b)</b>                  |        |        |        |        |        |        |        |        |        |        |                |                |
| Overall                                      | 21,978 | 24,051 | 28,153 | 28,411 | 32,493 | 42,014 | 43,879 | 45,168 | 44,000 | 41,900 | 90.6           | -4.8           |
| F&O  | 21,639 | 23,633 | 27,736 | 27,990 | 32,023 | 41,539 | 43,364 | 44,697 | 43,463 | 41,366 | 91.2           | -4.8           |
| Cash   | 28     | 37     | 43     | 44     | 53     | 72     | 81     | 81     | 63     | 73     | 160.7          | 15.9           |
| Commodity                                    | 212    | 280    | 256    | 290    | 323    | 334    | 360    | 336    | 406    | 453    | 113.7          | 11.6           |
| <b>Angel's Premium T/O (INR b)</b>           |        |        |        |        |        |        |        |        |        |        |                |                |
| Overall                                      |        |        |        |        |        | 609    | 662    | 628    | 684    | 677    |                | -1.0           |
| F&O  |        |        |        |        |        | 135    | 147    | 158    | 147    | 143    |                | -2.7           |
| <b>Retail T/o Market Share</b>               |        |        |        |        |        |        |        |        |        |        |                |                |
|  |        |        |        |        |        |        |        |        |        |        | <b>bps YoY</b> | <b>bps MoM</b> |
| Overall Equity                               | 23.8   | 25.8   | 26.0   | 25.9   | 26.7   | 27.1   | N.A    | N.A    | N.A    | N.A    |                |                |
| F&O  | 23.8   | 25.8   | 26.0   | 26.0   | 26.7   | 27.2   | N.A    | N.A    | N.A    | N.A    |                |                |
| Overall Equity - based on option premium T/O | N.A    | N.A    | N.A    | N.A    | N.A    | 17.3   | 17.8   | 18.2   | 18.3   | 18.4   |                | 10             |
| F&O - based on option premium T/O            | N.A    | N.A    | N.A    | N.A    | N.A    | 18.9   | 19.3   | 20.2   | 20.0   | 19.8   |                | -20            |
| Cash   | 12.8   | 13.8   | 13.9   | 13.4   | 14.7   | 14.9   | 15.6   | 15.2   | 15.3   | 16.4   | 360            | 110            |
| Commodity                                    | 55.4   | 57.9   | 56.4   | 57.2   | 56.3   | 60.2   | 59.7   | 60.4   | 58.8   | 57.6   | 220            | -120           |

**Run rate in client additions declined MoM**



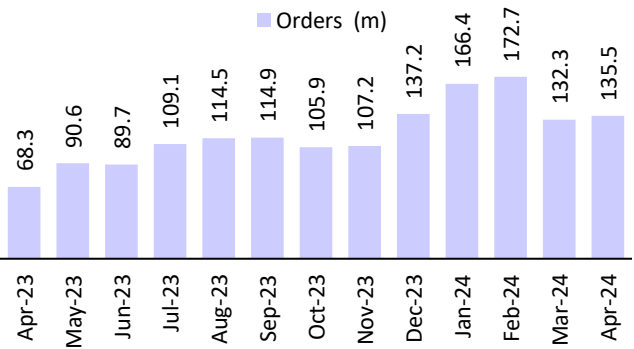
Source: MOFSL, Company

**Total client base stood at 23m in Apr'24**



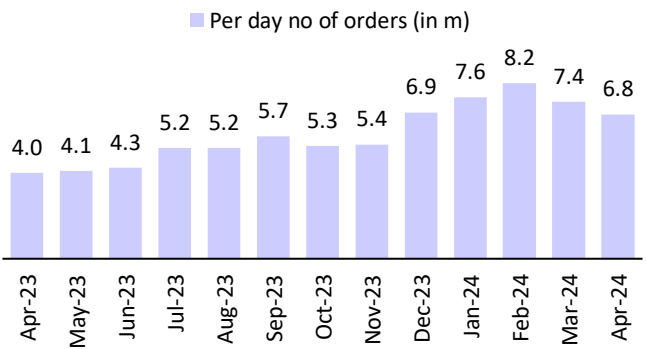
Source: MOFSL, Company

**No. of orders improved MoM...**



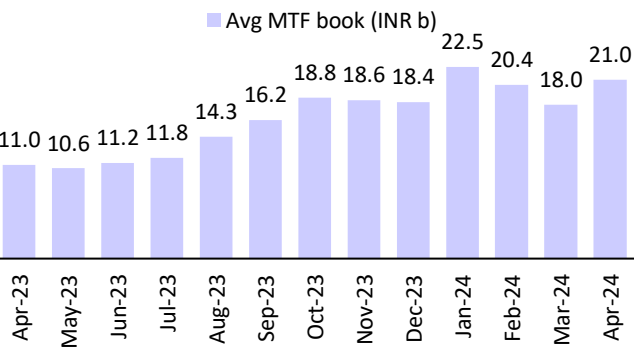
Source: MOFSL, Company

**...thus, the number of orders per day decreased**



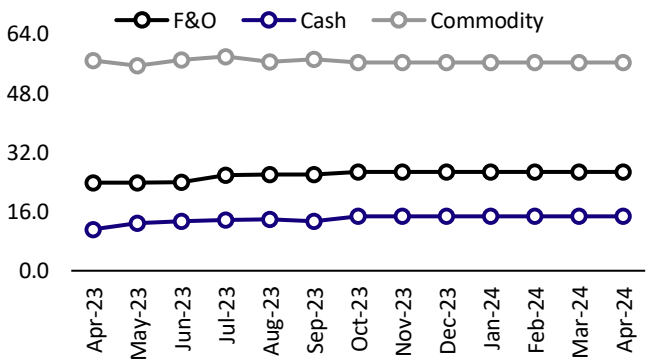
Source: MOFSL, Company

**Client funding book increased MoM**



Source: MOFSL, Company

**Overall market share remained flat MoM**



Source: MOFSL, Company

## EAI – Monthly Dashboard: FY24 ended on a strong note

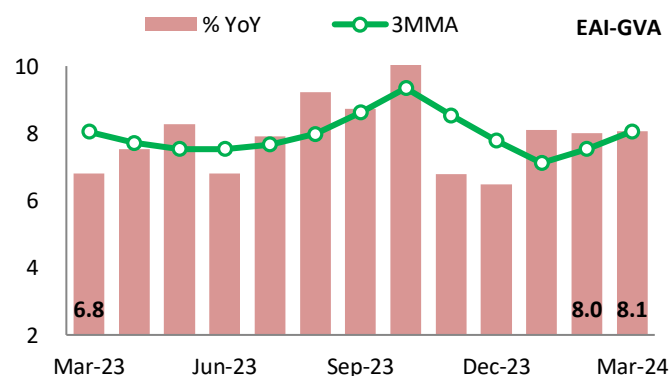
Expect real GDP growth of ~7% in 4QFY24 vs. CSO’s estimate of 5.9%

- Preliminary estimates indicate that India's EAI-GVA growth was stable at ~8% YoY for the third successive month in Mar'24 (vs. 6.8%/8.0% YoY in Mar'23/Feb'24). The services sector grew faster and the industrial sector remained strong, while growth in agricultural activities remained subdued. Accordingly, EAI-GVA grew 8% in 4QFY24 (vs. 8.1%/7.8% in 4QFY23/3QFY24).
- At the same time, EAI-GDP grew at a six-month high rate of 5.9% YoY in Mar'24 (vs. 3.4%/3.2% YoY in Mar'23/Feb'24), led by eight-month high growth in total consumption and a higher contribution of net exports, partly offset by lower growth in investments. Excluding fiscal spending, EAI-GDP grew at a five-month high pace of 5.1% YoY in Mar'24 (vs. 4.5%/3.0% in Mar'23/Feb'24). EAI-GDP grew 3.9% in 4QFY24 (vs. 7.5%/1.8% in 4QFY23/3QFY24).
- Selected high frequency indicators (HFIs) do not suggest any major change in Apr'24. Toll collections posted its first-ever single-digit YoY growth, growth in passenger vehicles hit a four-month low, and water reservoir levels continued to decline. However, these factors were offset by continued strength in manufacturing PMIs, five-month high growth in power generation, six-month highest growth in commercial vehicles (CVs), and an 18-month strongest increase in vahan registrations.
- For the past three quarters, India's real GDP growth has been much better than expected. We believe that there will be another positive surprise in 4QFY24. Based on our EAI estimates, we believe that real GVA/GDP growth will be ~6%/7% in 4QFY24, better than the CSO's estimates of 5.4%/5.9%. It means full-year real GDP growth of 7.9% in FY24.

Preliminary estimates indicate that India's EAI-GVA growth was stable at ~8% YoY for the third successive month in Mar'24.

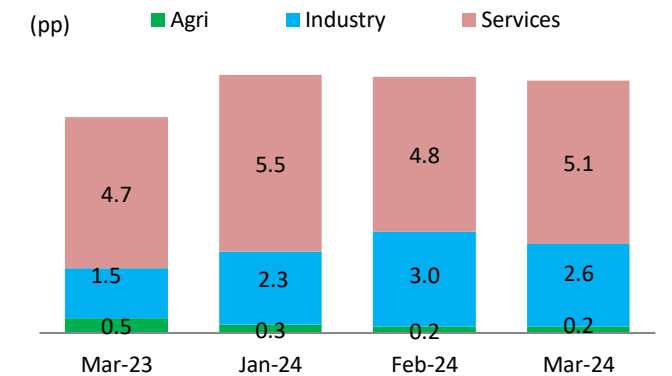
- **EAI-GVA growth accelerated to a five-month high in Mar'24:** Preliminary estimates indicate that India's EAI-GVA growth was stable at ~8% YoY for the third successive month in Mar'24 (vs. 6.8%/8.0% YoY in Mar'23/Feb'24). The services sector grew faster and the industrial sector remained strong, while growth in agricultural activities remained subdued (*Exhibits 1 and 2*). Thus, EAI-GVA grew 8% in 4QFY24 (vs. 8.1%/7.8% in 4QFY23/3QFY24).
- **EAI-GDP posted highest growth in six months:** At the same time, EAI-GDP grew at a six-month high rate of 5.9% YoY in Mar'24 (vs. 3.4%/3.2% YoY in Mar'23/Feb'24), led by eight-month high growth in total consumption and higher contribution of net exports, partly offset by lower growth in investments. Excluding fiscal spending, EAI-GDP grew at a five-month high pace of 5.1% YoY in Mar'24 (vs. 4.5%/3.0% in Mar'23/Feb'24). EAI-GDP grew 3.9% in 4QFY24 (vs. 7.5%/1.8% in 4QFY23/3QFY24 (*Exhibits 3 and 4*)).

**Exhibit 1: EAI-GVA growth was stable at ~8% YoY for third straight month in Mar'24...**



Please refer to our earlier [report](#) for details

**Exhibit 2: ...led by strong industrial and services sector growth**



Source: Various national sources, CEIC, MOFSL

**Titan: Sub-Rs 1 lakh jewellery category is seeing higher competition; Ashok Sonthalia, CFO**

- Look to maintain margin around 12% though competitive intensity will last 12-18 months
- Co still on track to expand market share to 10% by FY27
- Less than Rs. 1lakh jewelry category has seen higher competitive intensity
- Will add about 50 Tanishq store in FY25 and 40-45 stores for Caratlane

[➔ Read More](#)**TATA Tech: Looking for 5 to 10 million dollar mega deals; Warren Harris, CEO**

- Strong momentum will continue in biz.
- Not seeing drop off in markets
- Looking for 5-10mn dollar mega deals
- 20% margin is medium term objective

[➔ Read More](#)**Godrej Properties: Expect all 4 geographies to see strong growth; Pirojsha Godrej, Executive Chairman**

- Vikhroli is an important land parcel; We launched a project under the Vikhroli agreement in March
- Growth of 3x bookings in next 3 years will be challenging
- We will be able to sustain bookings growth of 20% in this real estate cycle
- There could be moderate price growth in NCR and Bengaluru

[➔ Read More](#)**JSW Infra: Will be going for FPO in next 2.5 years as per SEBI mandate; Arun Maheshwari, CEO**

- Vol. growth rate 15-17% CAGR growth for 5-7 years
- Vol. growth rate 10-12% CAGR growth for 1-2 years
- Going ahead overall industry growth at 5%, 15% for company at long term basis
- Interested in logistics and distribution segment for expansion

[➔ Read More](#)**Raymond: Will become the 3rd largest suit-maker in the world after capacity expansion; Amit Agarwal, CFO**

- We aim to open another 350-400 stores over the next 2-3 years
- Branded apparel biz is strong
- Ethnix is expected to be a growth driver for lifestyle business
- Make in India and China +1 strategy has aided growth

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| SELL                             | < - 10%  |
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