Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	74,483	-0.3	3.1
Nifty-50	22,605	-0.2	4.0
Nifty-M 100	50,868	0.1	10.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,018	-0.3	5.2
Nasdaq	15,605	-0.3	4.0
FTSE 100	8,121	-0.3	5.0
DAX	17,932	0.0	7.0
Hang Seng	6,274	0.0	8.8
Nikkei 225	38,274	-0.3	14.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	88	-1.0	13.2
Gold ($/OZ)	2,286	-2.1	10.8
Cu (US$/MT)	9,892	-1.7	16.9
Almn (US$/MT)	2,585	1.1	10.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.4	0.0	0.3
USD/EUR	1.1	-0.5	-3.4
USD/JPY	157.8	0.9	11.9
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	-0.01	0.0
10 Yrs AAA Corp	7.6	0.00	-0.2
Flows (USD b)	**30-Apr**	**MTD**	**CYTD**
FIIs	0.1	7.15	0.0
DIIs	0.17	1.73	18.4
Volumes (INRb)	**30-Apr**	**MTD***	**YTD***
Cash	1,332	1136	1181
F&O	6,85,698	3,60,505	3,88,814

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Havells India: Strong revenue growth in ECD/cables; Lloyd turns EBIT positive

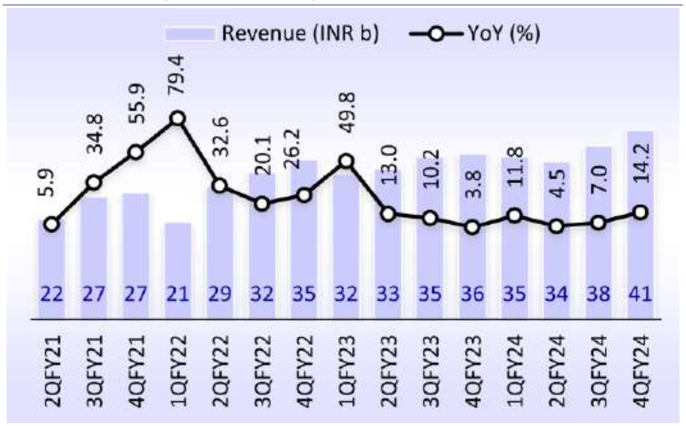
- HAVL beat our estimates in 4QFY24, aided by better margins in all business segments, except ECD. Lloyd reported EBIT margin of 2.7% after losses in 10 consecutive quarters. Revenue growth of mere 6% YoY for Lloyd was disappointing, though FY24 revenue growth stood at 12.5% YoY.
- EBITDA for the company came in at INR6.3b vs. estimated INR5.7b and OPM was 11.7% vs. estimated 10.3%. Ad spending stood at 2.4% of revenue vs. 2.3%/4.0% in 4QFY23/3QFY24. Profit stood at INR4.5b vs. estimated INR3.9b.
- We raise our EPS estimates for FY25/FY26 by 4%/5% to account for better margins in the cables and switchgear businesses. The stock has been up 25% since our initiation and currently trades at 63x/51x FY25E/FY26E EPS, reflecting the growth we anticipate. Given its expensive valuations, we are revising our rating to Neutral from BUY. We value the stock at 55x FY26E EPS to arrive at our TP of INR1,780 with a 7% potential upside.

Research covered

Cos/Sector	Key Highlights
Havells India	Strong revenue growth in ECD/cables; Lloyd turns EBIT positive
IOCL	Inventory loss and weak petchem lead to earnings miss
InterGlobe Aviation	All set to expand international operations
Other Updates	Indus Towers | P&G Hygiene and Healthcare | SONA BLW Precision Forging | Star Health | Vedant Fashions | Can Fin Homes | Indostar Capital | Automobiles | Ambuja Cements | Cholamandalam Inv. & Finance | Exide | Castrol India | EcoScope (Capex) | GST Update

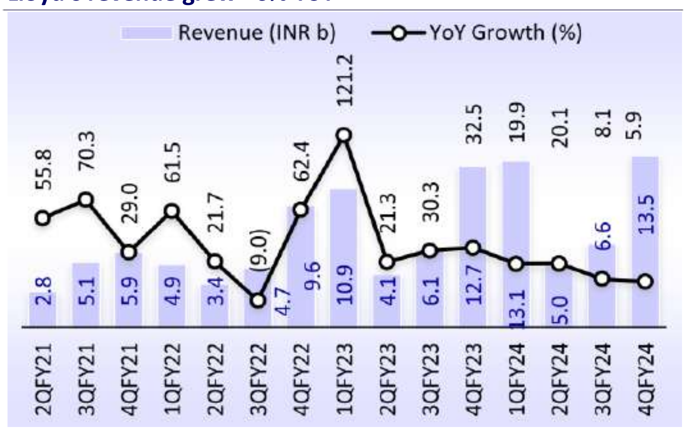
Chart of the Day: Havells India (Strong revenue growth in ECD/cables; Lloyd turns EBIT positive)

HAVL's (ex-Lloyd) revenue up 14% YoY



Source: MOFSL, Company

Lloyd's revenue grew ~6% YoY



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

US Fed holds rates steady, flags 'lack of further progress' on inflation

The Fed's latest policy statement, issued at the end of a two-day meeting, kept key elements of its economic assessment and policy guidance intact, noting that "inflation has eased" over the past year

2

Vedanta plans investments worth $20 bln in India over next 4 years: Chairman Anil Agarwal

The investments would be focused into the glass and semiconductors business, intensifying investments on the electronics side, among others, said Agarwal

3

DGCA deregisters most of Go First's 54 aircraft after Delhi HC order

On April 26, Delhi HC directed DGCA to process deregistration applications of aircraft leased by the airline within five working days

4

Maruti Suzuki expects revival of small car segment by 2026-end

"The SUV segment's contribution has gone up to 53.6 per cent of total (passenger vehicle) industry as a result of which the contribution of the small (car) segment has gone down a little bit further," MSIL India Senior Executive Officer, Marketing & Sales, Partho Banerjee said in a virtual interaction.

5

Jindal Stainless to invest ₹5,400 cr to expand

As part of the investment, JSL has formed a joint venture with a Singapore entity for developing and operating a stainless steel melt shop (SMS) in Indonesia with an annual production capacity of 1.2 million tonnes per annum.

6

Car sales & summer heat fuel petrol demand in April

Sales of petrol by state-run fuel retailers rose 12.3%, showed provisional data sourced from state-run companies. This is lower than the overall increase of 14% for the industry, indicating market share expansion for private players.

7

GST collection breaches Rs 2 lakh crore milestone; Mizoram top grosser but J&K, Arunachal Pradesh and few other NE states clock negative growth

The growth is a result of an increase in domestic transactions and imports

1 May 2024

4QFY24 Results Update | Sector: Cement

Havells India

Estimate change	↑
TP change	↑
Rating change	↓

Bloomberg	HAVL IN
Equity Shares (m)	625
M.Cap.(INRb)/(USDb)	1042.8 / 12.5
52-Week Range (INR)	1688 / 1211
1, 6, 12 Rel. Per (%)	9/13/10
12M Avg Val (INR M)	1306
Free float (%)	40.6

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	185.9	211.0	243.3
EBITDA	18.4	23.1	28.1
Adj. PAT	12.7	16.4	20.3
EBITA Margin (%)	9.9	10.9	11.5
Cons. Adj. EPS (INR)	20.3	26.2	32.4
EPS Gr. (%)	18.5	29.4	23.3
BV/Sh. (INR)	118.8	135.9	156.9
Ratios			
Net D:E	(0.4)	(0.4)	(0.4)
RoE (%)	17.1	19.3	20.6
RoCE (%)	16.7	18.8	20.1
Payout (%)	37.0	35.0	35.0
Valuations			
P/E (x)	82.0	63.4	51.4
P/BV (x)	14.0	12.2	10.6
EV/EBITDA (x)	54.9	43.6	35.6
Div Yield (%)	0.5	0.6	0.7
FCF Yield (%)	1.2	0.7	1.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	59.4	59.4	59.5
DII	9.9	10.1	10.4
FII	24.8	24.0	23.1
Others	5.9	6.5	7.1

FII Includes depository receipts

CMP: INR1,664 TP: INR1,780 (+7%) Downgrade to Neutral

Strong revenue growth in ECD/cables; Lloyd turns EBIT positive

Promising start of summer season driving revenue growth

- HAVL beat our estimates in 4QFY24, aided by better margins in all business segments, except ECD. Lloyd reported EBIT margin of 2.7% after losses in 10 consecutive quarters. Revenue growth of mere 6% YoY for Lloyd was disappointing, though FY24 revenue growth stood at 12.5% YoY. EBITDA for the company came in at INR6.3b vs. estimated INR5.7b and OPM was 11.7% vs. estimated 10.3%. Profit stood at INR4.5b vs. estimated INR3.9b.
- The management highlighted that primary sales have been strong for RACs, though the north region is yet to witness demand pick-up. The company is neither stocking too much nor facing stock-outs. Lloyd maintains its market share on a full-year basis and would maintain a balance between growth and profitability, though market share gains will always be preferred.
- We raise our EPS estimates for FY25/FY26 by 4%/5% to account for better margins in the cables and switchgear businesses. The stock has been up 25% since our initiation and currently trades at 63x/51x FY25E/FY26E EPS, reflecting the growth we anticipate. Given its expensive valuations, we are revising our rating to Neutral from BUY. We value the stock at 55x FY26E EPS to arrive at our TP of INR1,780 with a 7% potential upside.

Margin higher than estimate across segments, except ECD

- Consolidated revenue/EBITDA/PAT stood at INR54.4b/INR6.3b/INR4.5b (up 12%/20%/25% YoY and in line/up 13.5%/16% vs. our estimates). Gross margin grew 2.4pp YoY to 32.8%. OPM rose 81bp YoY to 11.7% (est. 10.3%).
- Ad spending stood at 2.4% of revenue vs. 2.3%/4.0% in 4QFY23/3QFY24. Depreciation/interest costs rose 21%/82% YoY, whereas 'Other income' grew 62% YoY.
- Segmental highlights: (a) Havells (ex-Lloyd) revenue grew 14% YoY to INR41b. **C&W** revenue rose 14% YoY to INR17.9b and EBIT margin was flat at 12%. **Switchgear** revenue was up 8% YoY at INR6.5b and EBIT margin declined 30bp to 28.2%. **Lighting** revenue was up 5% YoY at INR4.4b and EBIT margin improved to 18%. **ECD** revenue rose 21.5% YoY to INR9b and EBIT margin declined 1.5pp to 11.3%. (b) **Lloyd's** revenue grew 6% YoY to INR13.5b. Lloyd reported EBIT of INR360m in 4Q vs. a loss of INR234m in 4QFY23 (estimated EBIT loss of INR136m).
- In FY24, revenue increased 10% YoY, led by 13-14% growth in the Lloyd and cables segments, ~6% growth in the switchgear and ECD segments, and 2% growth in the lighting segment. EBIT of the cables and wires segment rose 37% YoY, while switchgear EBIT grew 8% YoY. ECD segment's EBIT declined 7% YoY, while it was a mere 1% growth for the lighting segment. EBIT loss of Lloyd narrowed to INR1.7b in FY24 from INR2.2b in FY23. EBITDA of the company increased by 15% YoY to INR18.4b, with a 40bp improvement in OPM to 9.9%. Profit was up 19% YoY at INR12.7b.

- In FY24, OCF surged 2.5x YoY, aided by profitability improvement and INR11.4b reduction in working capital. Working capital days improved to 37 from 44 in Mar’23. Net cash increased to INR30.4b vs. INR18.7b in FY23. RoE improved to 17.1% vs. 16.2% in FY23. RoCE improved to 23.6% vs. 19.6% in FY23.

Key highlights from the management commentary

- Continued industrial and infrastructure-led demand and the promising start of the summer season are driving revenue growth. HAVL is also witnessing an early sign of benefits from an uptick in real estate. The fans segment posted robust growth, albeit on a low base, as demand was impacted in past several quarters by the transition to new BEE norms.
- The cables & wires segment reported volume growth of 18% YoY in 4Q and ~15% YoY in FY24. The revenue mix stood at 60% from wires and 40% from cables. New capacity (25% incremental) is likely to be commissioned in Jun’24 and benefits of higher capacity utilization should be seen in 2HFY25.
- Lloyd over the last few years has grown strongly in the west and east regions, while it is already a strong player in the south (except Tamil Nadu) and north regions. Lloyd maintains its market share on a full-year basis. It will continue to invest in product, brand, channel and R&D and is on a journey of growth, profitability and market share gains.

Valuation and view

- We expect HAVL to report a CAGR of 14%/23%/26% in revenue/EBITDA/PAT over FY24-26. We have assumed a revenue CAGR of 20% for Lloyd, while other business segments should deliver a revenue CAGR of 11-14%. We have factored in Lloyd to break-even in FY25E and estimate EBIT margin of 2% in FY26. We believe that investments in strengthening the brand equity of Lloyd and increasing the distribution network would benefit the company in the long run.
- We estimate the company’s RoE/RoIC to improve to 20.6%/30.4% in FY26 vs. 17.1%/23.6% in FY24 (average RoE/RoCE of 18.3%/28.8% during FY15-24). HAVL has generated FCF in most of the years despite significant capex. Over FY15-23, it generated OCF of INR92.9b and spent INR47.2b in capex. Going forward, we expect it to generate OCF of INR34.7b over FY24-26, while capex will be INR15b. This will help improve net cash to INR43.6b vs. INR30.4b in Mar’24.
- We raise our EPS estimates for FY25/FY26 by 4%/5% to account for better margins in the cables and switchgear businesses. The stock has been up 25% since our initiation and currently trades at 63x/51x FY25E/FY26E EPS, reflecting the growth we anticipate. Given its expensive valuations, we are revising our rating to Neutral from BUY. We value the stock at 55x FY26E EPS to arrive at our TP of INR1,780 with a 7% potential upside.

Quarterly performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Sales	**42,445**	**36,689**	**41,197**	**48,592**	**48,338**	**39,003**	**44,139**	**54,420**	**1,68,923**	**1,85,900**	**54,526**	-0.2%
Change (%)	63.4	13.9	12.8	10.0	13.9	6.3	7.1	12.0	21.6	10.1	12.2	
Adj EBITDA	**3,615**	**2,871**	**4,237**	**5,271**	**4,020**	**3,734**	**4,327**	**6,346**	**15,995**	**18,426**	**5,590**	13.5%
Change (%)	2.4	-35.3	-3.8	1.3	11.2	30.1	2.1	20.4	(9.0)	15.2	6.0	
Adj EBITDA margin (%)	8.5	7.8	10.3	10.8	8.3	9.6	9.8	11.7	9.5	9.9	10.3	141
Depreciation	721	721	746	774	763	812	877	934	2,961	3,385	856	9.0%
Interest	98	68	73	98	85	93	102	177	336	457	90	96.8%
Other Income	476	433	399	467	648	525	559	758	1,775	2,490	595	27.3%
Extra-ordinary items	-	-	-	-	-	-	-	-	-	-	-	
PBT	**3,273**	**2,515**	**3,818**	**4,867**	**3,821**	**3,353**	**3,907**	**5,993**	**14,473**	**17,074**	**5,239**	**14.4%**
Tax	841	646	978	1,287	950	862	1,028	1,526	3,752	4,366	1,383	
Effective Tax Rate (%)	25.7	25.7	25.6	26.4	24.9	25.7	26.3	25.5	25.9	25.6	26.4	
Reported PAT	**2,432**	**1,869**	**2,839**	**3,580**	**2,871**	**2,491**	**2,879**	**4,467**	**10,720**	**12,708**	**3,856**	15.9%
Change (%)	3.8	(38.0)	(7.2)	1.4	18.1	33.3	1.4	24.8	(10.3)	18.5	7.7	
Adj PAT	**2,432**	**1,869**	**2,839**	**3,580**	**2,871**	**2,491**	**2,879**	**4,467**	**10,720**	**12,708**	**3,856**	15.9%
Change (%)	3.8	(38.0)	(7.2)	1.4	18.1	33.3	1.4	24.8	(10.3)	18.5	7.7	

Segmental Performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q		3Q	4Q			4QE	
Sales												
Switchgear	5,169	4,878	5,141	6,010	5,409	5,336	5,206	6,513	21,199	22,463	6,306	3.3%
Cables & Wires	11,929	13,594	14,121	15,682	14,852	14,702	15,727	17,896	55,326	63,176	16,962	5.5%
ECD	8,396	7,735	9,348	7,495	8,775	7,331	9,615	9,104	32,972	34,825	8,226	10.7%
Lighting & Fixtures	3,737	3,970	4,201	4,160	3,710	3,999	4,335	4,353	16,067	16,398	4,451	-2.2%
Lloyd	10,938	4,141	6,068	12,710	13,109	4,974	6,561	13,459	33,857	38,103	15,778	-14.7%
Profit Contribution												
Switchgear	1,354	1,220	1,270	1,712	1,499	1,409	1,244	1,836	5,556	5,988	1,734	5.8%
Cables & Wires	875	859	1,628	1,880	1,691	1,707	1,625	2,154	5,242	7,175	1,941	10.9%
ECD	1,100	901	1,228	954	957	848	1,062	1,025	4,184	3,892	1,128	-9.1%
Lighting & Fixtures	614	570	534	749	532	570	607	785	2,467	2,493	659	19.0%
Lloyd	(563)	(833)	(596)	(234)	(616)	(745)	(654)	360	(2,227)	(1,655)	(136)	n/m
Contribution Margin (%)												
Switchgear	26.2	25.0	24.7	28.5	27.7	26.4	23.9	28.2	26.2	26.7	27.5	68
Cables & Wires	7.3	6.3	11.5	12.0	11.4	11.6	10.3	12.0	9.5	11.4	11.4	59
ECD	13.1	11.6	13.1	12.7	10.9	11.6	11.0	11.3	12.7	11.2	13.7	(245)
Lighting & Fixtures	16.4	14.4	12.7	18.0	14.3	14.3	14.0	18.0	15.4	15.2	14.8	322
Lloyd	(5.1)	(20.1)	(9.8)	(1.8)	(4.7)	(15.0)	(10.0)	2.7	(6.6)	(4.3)	(0.9)	353

IOCL

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	IOCL IN
Equity Shares (m)	14121
M.Cap.(INRb)/(USDb)	2384.4 / 28.6
52-Week Range (INR)	197 / 81
1, 6, 12 Rel. Per (%)	-1/73/82
12M Avg Val (INR M)	3337

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	7,764	10,621	11,418
EBITDA	768	440	458
Adj. PAT	406	176	187
Adj. EPS (INR)	29.5	12.7	13.6
EPS Gr. (%)	344.7	-56.7	6.6
BV/Sh.(INR)	133.2	140.7	148.6
Ratios			
Net D:E	0.7	0.7	0.6
RoE (%)	25.1	9.3	9.4
RoCE (%)	16.6	7.6	7.2
Payout (%)	39.6	41.2	41.4
Valuations			
P/E (x)	5.7	13.3	12.4
P/B (x)	1.3	1.2	1.1
EV/EBITDA (x)	3.6	8.2	7.9
Div. Yield (%)	10.7	3.1	3.3
FCF Yield (%)	42.6	3.4	6.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	51.5	51.5	51.5
DII	29.8	29.5	31.5
FII	8.5	8.9	6.9
Others	10.2	10.1	10.1

FII Includes depository receipts

CMP: INR169 TP: INR195 (+15%) Buy

Inventory loss and weak petchem lead to earnings miss

- IOCL's 4QFY24 EBITDA of INR104b (down 27% YoY) was 26% below our estimate of INR141b due to weaker-than-estimated reported GRM (USD8.4/bbl in 4QFY24 vs. our estimate of USD15.0/bbl). The subdued result was also due to the continuing weak performance of the petrochemical division (EBIT loss of INR4b).
- Core GRM in 4QFY24 came in at USD10.6/bbl; for FY25-26, we are building in GRMs of USD9/bbl. As such, we believe the refining segment's performance will remain healthy given the robust oil demand.
- However, the petchem segment reported an operating loss for the second consecutive quarter amid weak petchem spreads (PE, PP) for key products. While we remain constructive on the petchem cycle turning around in 2HFY25, we believe the near-term earnings pressure may continue.
- OMCs are estimated to generate marketing margins of INR2.0/INR0.5 per lit on petrol/diesel in Apr'24 vs. our assumptions of INR3.3/lit for both products in FY25-26.
- Owing to the weak petchem performance recently, we cut our consolidated EBITDA/EPS estimates by 7%/21% for FY25 and by 3%/12% for FY26. We maintain our earnings assumptions for the refining and marketing segments. The stock trades at 12.4x consolidated FY26E EPS and 1.1x FY26E P/B. **We reiterate our BUY rating on the stock, valuing it at 1.3x FY26E P/B.**

Throughput and marketing sales volume in line

- Reported GRM came in below our est. at USD8.4/bbl (vs. our est. of USD15.0/bbl and USD13.5/bbl in 3QFY24). Core GRM stood at USD10.6/bbl (v/s USD20.1/bbl in 4QFY23 and USD10/bbl in 3QFY24), implying an inventory loss of USD2.2/bbl during the quarter.
  - Refining throughput came in line with our estimate at 18.3mmt (down 4% YoY). In the marketing segment, domestic sales volume was also in line with our estimate at 23.7mmt (up 3% YoY).
- Petchem sales volume rose 18% YoY to 0.80mmt (vs. 0.68mmt in 4QFY23). Petchem segment reported a loss of INR4b at the EBIT level. Petchem margins were also flat QoQ during 4QFY24.
- Marketing margin (including inv.) was above our est. at INR5.2/lit (est. INR3.8/lit and INR4.5/lit in 3QFY24). Marketing volume, excluding exports, was in line with our estimate at 23.7mmt (+3% YoY).
- EBITDA was below our est. at INR104.4b (our est. of INR140.7b, down 27% YoY). PAT came at INR48.4b (our est. of INR71.0b, down 52% YoY).
- **In FY24**, EBITDA was up ~2.4x YoY to INR694b, with a PAT of INR396b (vs. PAT of INR82b in FY23).
  - Refining throughput was up 1% YoY to 73.3mmt, with reported GRM at USD12.1/bbl (vs. USD19.8/bbl in FY23). Marketing margin stood at INR6/lit (vs. loss of INR1.1/lit in FY23).

- IOCL had a cumulative negative net buffer of INR10.2b as of 31st Mar'24 due to under-recovery on LPG cylinders (as the retail selling price was less than MDP). The total cumulative uncompensated loss stood at INR48b.
- IOCL announced a final dividend of INR7/share for FY24.

Valuation and View

- IOCL is set to commission various projects over the next two years, driving further growth. Refinery projects, currently under way, are expected to be completed as follows: Panipat refinery (25mmtpa) by Dec'25, Gujarat refinery (18mmtpa) by Oct'24, and Baruni refinery (9mmtpa) by Dec'24.
- SG GRM has declined to ~USD4.1/bbl in 1QFY25 to date (vs. USD7.3/bbl during 4QFY24). IOCL has the highest leverage in the refining segment among its peers and is most likely to be susceptible to changes in SG GRM.
- The stock trades at 12.4x consolidated FY26E EPS of INR13.6 and 1.1x FY26E P/B. **We reiterate our BUY rating on the stock, valuing it at 1.3x FY26E P/B to arrive at our TP of INR195.**

Standalone - Quarterly Earnings Model (INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**2242.5**	**2074.9**	**2047.4**	**2029.9**	**1975.3**	**1797.4**	**1991.0**	**1979.8**	**8394.7**	**7743.5**	**1966.9**	**1%**
YoY Change (%)	*89.0*	*53.2*	*22.8*	*14.5*	*-11.9*	*-13.4*	*-2.8*	*-2.5*	*40.3*	*-7.8*	*-3.1*	
EBITDA	**43.0**	**50.1**	**52.9**	**143.5**	**221.6**	**213.1**	**154.9**	**104.4**	**289.5**	**694.0**	**140.7**	**-26%**
Margin (%)	*1.9*	*2.4*	*2.6*	*7.1*	*11.2*	*11.9*	*7.8*	*5.3*	*3.4*	*9.0*	*7.2*	
Depreciation	28.5	29.6	31.0	29.5	31.5	32.8	43.4	37.4	118.6	145.1	42.7	
Forex loss	29.4	30.5	17.0	-9.9	0.0	0.0	0.0	0.0	67.0	0.0	0.0	
Interest	17.2	14.4	19.5	18.1	16.3	18.5	18.3	20.2	69.3	73.3	18.5	
Other Income	6.8	22.0	17.2	16.4	6.9	9.8	14.5	16.6	62.4	47.8	14.6	
PBT	**-25.3**	**-2.4**	**2.6**	**122.1**	**180.7**	**171.7**	**107.7**	**63.3**	**97.0**	**523.4**	**94.0**	**-33%**
Tax	-5.4	0.3	-1.9	21.6	43.2	42.0	27.0	14.9	14.6	127.3	23.0	-35%
Rate (%)	*21.2*	*-11.5*	*-74.6*	*17.7*	*23.9*	*24.5*	*25.1*	*23.6*	*15.0*	*24.3*	*24.5*	
Adj PAT	**-19.9**	**-2.7**	**4.5**	**100.6**	**137.5**	**129.7**	**80.6**	**48.4**	**82.4**	**396.2**	**71.0**	**-32%**
YoY Change (%)	*PL*	*PL*	*-92.4*	*67.0*	*LP*	*LP*	*1699.8*	*-51.9*	*-65.9*	*380.7*	*-29.4*	
Margin (%)	*-0.9*	*-0.1*	*0.2*	*5.0*	*7.0*	*7.2*	*4.0*	*2.4*	*1.0*	*5.1*	*3.6*	
Key Assumptions												
Refining throughput (mmt)	18.9	16.1	18.2	19.1	18.8	17.8	18.5	18.3	72.3	73.3	17.5	5%
Reported GRM	31.8	19.2	12.9	15.3	8.3	17.9	13.5	8.4	19.8	12.1	15.0	-44%
Domestic sale of refined products (mmt)	23.0	21.6	23.2	23.0	23.3	21.9	23.3	23.7	90.7	92.3	23.6	0%
Marketing GM incld. inv. per litre (INR/litre)	-7.2	-0.7	0.7	2.7	8.7	5.6	4.5	5.2	-1.1	6.0	3.8	36%

30 April 2024

Update | Sector: Aviation

InterGlobe Aviation

BSE SENSEX	S&P CNX
74,483	22,605

IndiGo

Stock Info

Bloomberg	INDIGO IN
Equity Shares (m)	385
52-Week Range (INR)	1537.1 / 18.4
1, 6, 12 Rel. Per (%)	11/42/72
M.Cap. (INR b)	1537.1
M.Cap. (USD b)	18.4
Avg Val, INRm	3280
Free float (%)	42.7

Financials Snapshot (INR b)

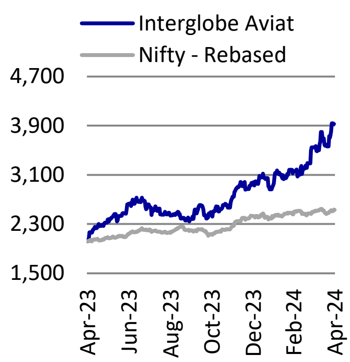
Y/E March	FY24E	FY25E	FY26E
Sales	676.0	721.2	798.8
EBITDAR	176.9	181.5	201.0
NP	86.4	72.1	72.3
EPS (INR)	224.1	187.1	187.5
Growth (%)	LP	-16.5	0.2
BV/Sh (INR)	60.8	248.5	436.6
Ratios			
Net D:E	7.0	1.3	0.4
RoE (%)	-436.0	121.3	54.9
RoCE (%)	39.3	32.5	29.1
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	17.8	21.3	21.3
P/BV (x)	65.5	16.0	9.1
Adj.EV/EBITDAR(x)	9.9	9.5	8.3
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	5.4	3.8	5.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	57.3	63.1	67.9
DII	15.1	14.7	10.5
FII	23.7	18.7	19.4
Others	4.0	3.5	2.2

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR3,982 TP: INR4,065 (+2%) Neutral

All set to expand international operations

- **INDIGO, in the last week of Apr'24, placed its first order for wide-body aircraft with the aim of expanding its long-haul international operations starting in CY27. The company has placed an order for 30 Firm Airbus A350-900 aircraft powered by Rolls Royce's Trent XWB engine.**
- **In a conference call held on 30th Apr'24, the management noted that this strategic order will help INDIGO enhance connectivity from India to Southern Europe and potentially to the US and EU, responding to the growing aspirations of Indian traveler**
- **The Indian aviation market is currently underpenetrated, offering substantial growth opportunities for domestic airlines. This potential will be supported by expanding airport infrastructure and significant aircraft orders, positioning India to become the third-largest aviation market globally.**
- **The stock is trading at ~21x FY26E EPS of INR188 and 8.3x FY26E EV/ EBITDAR. We reiterate our Neutral rating on the stock with a TP of INR4,065, valuing it at 8.5x FY26E EV/EBIDTAR.**

Wide-body aircraft would help to expand in international footprint

- Last week, INDIGO announced its plan to foray into the wide-body aircraft space by placing an order for 30 Firm Airbus A350-900 aircraft, along with the purchase rights of additional 70 A350 Family aircraft at its discretion for future needs under certain conditions. The aircraft will be powered by Rolls Royce's Trent XWB engine. The exact configuration of the aircraft will be decided at a later stage. The deliveries of the aircraft would start in CY27.
- The plan to induct wide-body aircraft was a well-thought-out decision. There are only ~70 wide-body aircraft in India and Indian carriers are under-represented in the nonstop long-haul international segment. During a conference call, INDIGO management highlighted that the company's expansion could help Indian travelers connect to southern parts of Europe. However, it reiterated that it would be too early to comment whether this would also enable the airline to operate along the EU and US routes.
- The rationale behind the order: 1) rapid economic development of the country, 2) aspirations and needs of Indian travelers to travel to global destinations, and 3) natural growth of INDIGO as an airline. The management said that INDIGO also plans to operate A321XLR aircraft, which were ordered last year and would be arriving in CY25, for international flights to strengthen its position in the international markets.

Indian aviation set for robust growth

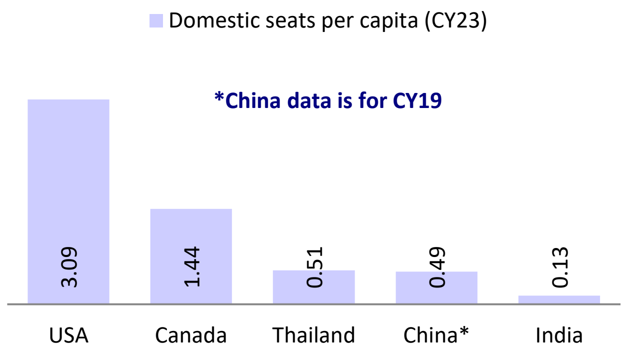
- The Indian aviation market is highly underpenetrated with one of the lowest domestic and international seats per capita in the world. This provides huge headroom for growth with only 6.5% Indians holding a valid passport. Aviation research firm CAPA estimates that the Indian aviation passenger traffic will increase from 225m in FY24 (70m international) to 510m by FY30 (160m int'l).

- This growth would be enabled by accelerated infrastructure expansions, with the number of airports likely to reach 220 from 140 in CY19. Various greenfield and brownfield airport expansions are underway. Jewar (Noida) and Navi Mumbai airports will be operational in CY24-end and CY25, respectively.
- Indian players also have robust aircraft addition plans, with domestic players accounting for ~32% of the total aircraft orders placed in CY23 (only for Boeing and Airbus). INDIGO, which aims to operate 550-600 aircraft by CY30, alone placed an order of 500 aircraft in CY23, accounting for ~44% of the 1,124 aircraft ordered by domestic airlines. India is expected to be the third-largest country in terms of fleet size by CY35.

Valuation and view

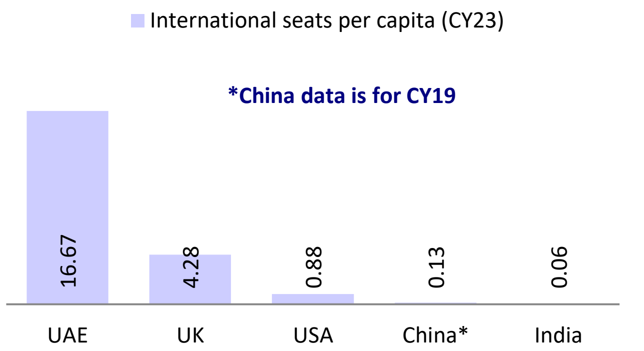
- INDIGO is working to increase its international presence through strategic partnerships and loyalty programs. The company added seven new destinations and 19 routes in FY24. It has eight strategic partners with 27% international share in terms of ASKs in FY24.
- The management has also been taking several pre-emptive measures to increase its global brand awareness, as it expects to capture a bigger share of growth from its international market in the coming years.
- However, competition in the sector is expected to intensify with the resurgence of Air India and the entry of a new player. The stock is trading at ~21x FY26E EPS of INR188 and 8.3x FY26E EV/ EBITDAR. We reiterate our Neutral rating on the stock with a TP of INR4,065, valuing it at 8.5x FY26E EV/EBIDTAR.

India remains one of the most underpenetrated markets…



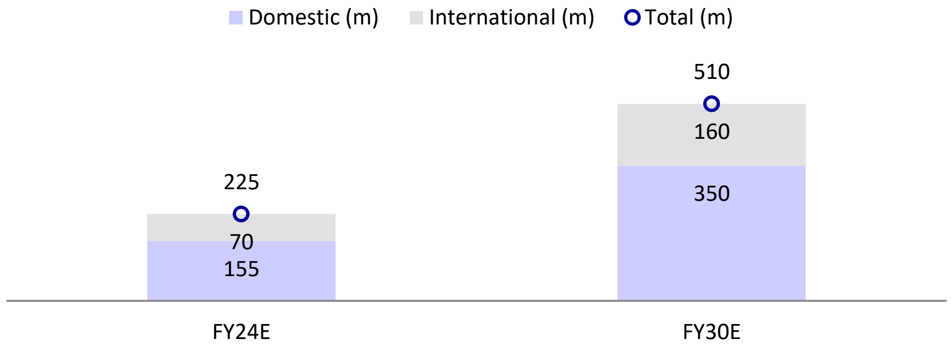
Source: Cirium and World Bank (CY22 population), MOSL

…both in terms of domestic and international travel



Source: Cirium and World Bank (CY22 population), MOSL

Indian passenger traffic estimated to double by FY30



Source: CAPA Research, MOSL

2 May 2024
4QFY24 Results Update | Sector: Telecom

Indus Towers

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	INDUSTOW IN
Equity Shares (m)	2695
M.Cap.(INRb)/(USDb)	956.2 / 11.5
52-Week Range (INR)	367 / 142
1, 6, 12 Rel. Per (%)	21/91/104
12M Avg Val (INR M)	3308

Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Net Sales	286.0	305.5	333.5
EBITDA	145.6	160.3	176.6
Adj. PAT	60.4	66.8	74.3
EBITDA Margin (%)	50.9	52.5	52.9
Adj. EPS (INR)	22.4	24.8	27.6
EPS Gr. (%)	151.1	10.7	11.1
BV/Sh. (INR)	100.3	125.1	152.7
Ratios			
Net D:E	0.2	0.0	-0.2
RoE (%)	25.1	22.0	19.8
RoCE (%)	23.0	21.2	19.6
Valuations			
EV/EBITDA (x)	6.9	5.9	5.0
P/E (x)	15.8	14.3	12.9
P/BV (x)	3.5	2.8	2.3
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	69.0	69.0	69.0
DII	9.9	7.1	2.5
FII	16.4	20.8	26.7
Others	4.7	3.2	1.9

FII Includes depository receipts

CMP: INR355 TP: INR340 (-4%) Neutral

Reversal in VIL provision improves EBITDA

- Indus Towers (Indus) reported a flat revenue QoQ, but provision write-offs and lower power costs led to 14%/20% QoQ growth in EBITDA/PAT (a beat of 12%/41%). The tower additions were led by only one operator, which moderated the ASF.
- VIL's fund raise and investments in the network will benefit Indus from towers and tenancy additions, and will also provide comfort in collections of past dues (INR54b). We raise our revenue/EBITDA for FY26E and factor in 8%/11% growth in revenue/PAT over FY24-26E. **Reiterate Neutral.**

Rental revenue picks up due to tower additions; ASF declines

- Revenue was flat QoQ to INR72b (in line), led by 2% QoQ growth in rental revenue to INR46b, while energy revenue continued to decline 4% QoQ to INR26b during the quarter.
- EBITDA was up 14% QoQ to INR41b (12% beat), due to: 1) a reversal in VIL provision of INR3.6b (after building in provisions for the last seven quarters), and 2) a reduction in power and fuel costs. **Adj. EBITDA rose 2% QoQ to INR37.1b, and margin expanded 90bp QoQ to 51.6% in 4QFY24.**
- Controlled depreciation/interest costs led to a 20% QoQ increase in PAT to INR18.5b for the quarter.
- FY24 revenue/EBITDA/PAT grew 1%/51%/3x YoY. High growth was due to the lower base of FY23, which was hit by VIL provisions.
- The company's OCF jumped 72% YoY to INR84b led by EBITDA growth. Capex surged 2.4x YoY to INR85b due to 27k tower additions in FY24 vs. only 7k in FY23. This led to a decline in FCF by 87% YoY to INR1.8b.
- Net debt declined INR1.7b in FY24 to INR42.5b.

Highlights from the management commentary

- **Elevated capex:** In FY25, capex may remain elevated due to rural expansion and the ongoing 5G rollout.
- **Stable ARPT:** The average revenue per tenant (ARPT) may remain stable for FY25 due to the mix of macro towers and the new leaning tower rollout. Management expects older towers' rent to jump ~2.5% YoY, with around 8-10% of the portfolio renewing every year.
- **VIL dues moderated:** Trade receivables increased INR4.3b QoQ due to the timing difference, as the collections against the past dues were made in Apr'24. The provision reversal led to a decline in dues to INR54b (from INR57b last quarter).
- **VIL rollout:** Indus expects steady collections and the recovery of past dues. However, the increase in towers for VIL will require more clarity. VIL may choose a combination of both macro and leaner towers, which is in line with the other operators.

Valuation and view

- Indus could leverage the benefits of Bharti's aggressive network densification and the rollout of 5G services. The new leaner sites (small cells) with sharing alternatives could support business economics, while there is a churn in tenancies.
- VIL's fund raise and investments in the network will benefit Indus from towers and tenancy additions, and will also provide comfort in collections of past dues (INR54b). VIL's financial stability post-FY27 (after the end of the moratorium) would be the key for Indus.
- However, for FY24-27, the increase in tenancy and tower addition would result in the FCF generation from which the company will be able to deleverage the balance sheet and continue with dividend payouts.
- We raise our revenue/EBITDA for FY26E by 6%/10% and factor in 8%/11% growth in revenue/PAT over FY24-26E.
- We arrive at our TP of INR340, which implies an EV/tenancy ratio of INR2m and an EV/EBITDA ratio of 5x. The stock has been up 75% YTD, and we believe most of the benefits are priced in at this valuation. **Reiterate Neutral.**

Quarterly Performance **(INR b)**

Y/E March	FY23				FY24				FY23	FY24	FY24E	
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var (%)
Revenue from operations	69	80	68	68	71	71	72	72	284	286	73	-2.0
YoY Change (%)	1.5	15.9	-2.3	-5.1	2.6	-10.5	6.4	6.5	10.6	0.8	8.7	
Total Expenditure	46	52	56	33	36	37	36	31	187	140	37	-15.4
EBITDA	**23**	**28**	**12**	**34**	**35**	**34**	**36**	**41**	**97**	**146**	**37**	11.5
YoY Change (%)	-35.7	-22.4	-68.6	-15.5	53.8	21.7	208.3	18.6	-26.2	50.6	6.4	
Depreciation	13	13	14	13	14	15	16	16	53	61	17	-6.5
Interest	4	4	4	3	4	2	0	1	15	7	3	-50.2
Other Income	1	1	1	1	1	1	1	1	4	4	0	230.5
PBT before EO expense	**6**	**12**	**-5**	**19**	**18**	**17**	**21**	**25**	**33**	**81**	**18**	41.6
Extra-Ord expense	0	0	5	0	0	0	0	0	5	0	0	
PBT	**6**	**12**	**-10**	**19**	**18**	**17**	**21**	**25**	**28**	**81**	**18**	41.6
Tax	2	3	-2	5	5	5	5	6	7	21	4	
Rate (%)	25.8	25.8	25.6	26.1	25.5	25.9	25.8	25.5	26.1	25.7	25.2	
Reported PAT	**5**	**9**	**-7**	**14**	**13**	**13**	**15**	**19**	**20**	**60**	**13**	40.9
Adj PAT	**5**	**9**	**-3**	**14**	**13**	**13**	**15**	**19**	**24**	**60**	**13**	40.9
YoY Change (%)	-66.3	-44.1	-145.1	-23.5	182.4	48.5	-550.9	32.4	-51.7	151.1	-6.0	

E: MOFSL Estimates

P&G Hygiene and Healthcare

Estimate changes	↑
TP change	⟷
Rating change	⟷

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USDb)	521.6 / 6.3
52-Week Range (INR)	19180 / 13314
1, 6, 12 Rel. Per (%)	-6/-22/-10
12M Avg Val (INR M)	137

Financials & valuations (INR b)

Y/E June	FY24E	FY25E	FY26E
Sales	42.3	46.5	51.0
Sales Gr. (%)	8.2	10.0	9.6
EBITDA	11.2	12.5	13.8
Margin (%)	26.4	26.8	27.0
Adj. PAT	8.2	9.2	10.2
Adj. EPS (INR)	252.1	283.6	314.7
EPS Gr. (%)	31.8	12.5	11.0
BV/Sh.(INR)	307.1	363.9	426.9
Ratios			
RoE (%)	84.3	84.6	79.7
RoCE (%)	89.8	91.7	85.8
Valuations			
P/E (x)	63.7	56.6	51.0
P/BV (x)	52.3	44.1	37.6
EV/EBITDA (x)	46.0	41.0	36.9
Div. Yield (%)	1.4	1.4	1.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	70.6	70.6	70.6
DII	15.1	15.3	15.4
FII	1.6	1.5	1.1
Others	12.7	12.6	12.9

FII Includes depository receipts

CMP: INR16,059 TP: INR17,000 (+6%) Neutral

Better-than-expected print; but valuations expensive

- P&G Hygiene and Healthcare (PGHH) delivered healthy sales growth of 13.5% in 3QFY24 (FY ending June), which was better than our expectation. This growth was led by a combination of product-price mix, premiumization, and strong retail execution. The growth was much better than our expectation (of 6%) and PGHH's recent performance (+4% YoY in 1HFY24).
- GM expanded 980bp/600bp YoY/QoQ to 66%. Ad spending rose 26% YoY (13.4% of sales vs. 12.1% YoY). EBITDA margin improved 880bp YoY to 26%. EBITDA jumped 72% YoY on a favorable base of a 10% decline in 3QFY23.
- With a portfolio of essentials and healthcare, the company remained focused on product innovation-led customer acquisition. Penetration play would continue, but at a steady pace, despite the high scope of user additions. The stock trades at expensive valuations of 57x/51x FY25E/ FY26E P/E. **We reiterate Neutral rating on the stock.**

Sales and margins are above expectations

- **Three-year sales CAGR at 10%**: PGHH's sales rose 13.5% YoY to INR10.0b (est. INR9.4b). Strong retail execution and premiumization resulted in accelerated growth, with three-year sales CAGR of 10%.
- **Beat on margin**: Gross margin expanded 980bp YoY and 600bp QoQ to 66% (est. 59%). Employee, A&P, and other expenses rose 21%, 26%, and 10% YoY, respectively. As a percentage of sales, employee expenses increased 40bp YoY to 6.0%. Ad spending increased 130bp YoY to 13.4%, while other expenses declined 80bp YoY to 16.7% during the quarter.
- **Strong APAT growth**: EBITDA jumped 72% YoY to INR2.6b (est. INR2.0b) on a favorable base of last year (down 10% YoY in 3QFY23). EBITDA margin expanded 880bp YoY, but contracted 170bp QoQ to 25.7% (est. 21.5%). There was a prior period interest cost of INR193m and taxes of INR166m. Adjusting for these expenses, adj. PAT jumped 72% YoY to INR1.8b (est. INR1.5b).

Valuation and view

- We raise our EPS by 4%/4%/2% for FY24E/FY25E/FY26E owing to better-than-expected growth and margin delivery.
- Two factors make PGHH an attractive long-term core holding: 1) robust growth potential in the Feminine Hygiene segment (~68% of FY23 sales), coupled with the potential for market share gains aided by strategic initiatives, including the fortification of significant market advantages, and 2) potential for higher margin gains from the long-term trend of premiumization in the Feminine Hygiene segment.
- With a portfolio of essentials and healthcare, the company remained focused on product innovation-led customer acquisition. Penetration play would continue, but at a stable pace, despite the high scope of user additions. The stock trades at expensive valuations of 57x/51x FY25E/ FY26E P/E. Further, we do not see any medium-term trigger. **Our TP of INR17,000 is based on 55xMar'26E EPS; reiterate Neutral.**

Standalone - Quarterly Earnings (INR m)

Y/E June	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**10,428**	**11,374**	**8,831**	**8,491**	**11,384**	**11,334**	**10,022**	**9,576**	**39,123**	**42,315**	**9,361**	**7.1%**
YoY Change (%)	-1.5	4.1	-0.9	12.1	9.2	-0.3	13.5	12.8	3.0	8.2	6.0	
Gross profit	**6,116**	**6,513**	**4,992**	**4,893**	**6,932**	**6,825**	**6,644**	**6,257**	**22,549**	**26,659**	5,523	**20.3%**
Margin (%)	58.6	57.3	56.5	57.6	60.9	60.2	66.3	65.3	57.6	63.0	59.0	
EBITDA	**2,140**	**2,905**	**1,493**	**2,114**	**2,849**	**3,097**	**2,573**	**2,652**	**8,686**	**11,171**	**2,011**	**27.9%**
Growth	-29.0	-2.0	-9.5	215.1	33.1	6.6	72.4	25.4	4.7	28.6	34.7	
Margins (%)	20.5	25.5	16.9	24.9	25.0	27.3	25.7	27.7	22.2	26.4	21.5	
Depreciation	140	144	146	154	143	143	145	158	584	589	165	
Interest	10	39	36	30	19	26	224	44	114	313	36	
Other Income	67	93	144	101	158	156	136	146	406	595	150	
PBT	**2,058**	**2,815**	**1,456**	**2,031**	**2,845**	**3,085**	**2,339**	**2,595**	**8,395**	**10,864**	**1,960**	**19.4%**
Tax	514	737	380	553	738	796	796	651	2,184	2,981	506	
Rate (%)	25.0	26.2	18.7	27.2	25.9	25.8	34.0	25.1	24.4	27.4	25.8	
Reported PAT	**1,544**	**2,075**	**1,650**	**1,478**	**2,107**	**2,289**	**1,544**	**1,944**	**6,781**	**7,883**	**1,454**	
Adj PAT	**1,544**	**2,079**	**1,075**	**1,478**	**2,107**	**2,289**	**1,854**	**1,944**	**6,210**	**8,194**	**1,454**	**27.5%**
YoY Change (%)	-29.3	-2.0	-4.9	247.2	36.4	10.1	72.5	31.5	6.0	31.9	35.3	
Margins (%)	14.8	18.3	12.2	17.4	18.5	20.2	18.5	20.3	15.9	19.4	15.5	

E: MOFSL Estimates

Key Performance Indicators

Y/E June	FY23				FY24		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
2Y average growth (%)							
Sales	1.7	5.7	8.2	4.2	3.8	1.9	6.3
EBITDA	1.2	6.7	5.7	102.3	2.1	2.3	31.4
PAT	-1.0	7.2	1.8	117.0	3.6	4.1	33.8
% of Sales							
COGS	41.4	42.7	43.5	42.4	39.1	39.8	33.7
Employee Expenses	4.9	5.0	5.6	5.7	5.6	4.8	6.0
A&P Expenses	14.9	9.7	12.1	6.3	13.5	11.2	13.4
Other Expenses	18.3	17.0	22.0	20.8	16.8	16.9	21.2
Depreciation	1.3	1.3	1.7	1.8	1.3	1.3	1.5
YoY change (%)							
COGS	21.7	27.8	5.5	0.0	3.2	-7.2	-12.0
Employee Expenses	-8.7	-5.0	-11.5	13.7	24.3	-3.9	21.3
A&P Expenses	26.2	-20.1	-5.2	-44.8	-1.4	14.4	25.9
Other Expenses	-14.6	-11.3	-0.2	-7.8	0.3	-1.0	9.8
Other Income	16.0	35.7	139.5	79.4	134.3	67.3	-5.9
EBIT	-30.7	-2.6	-11.3	270.4	35.3	7.0	80.2

E: MOFSL estimates

SONA BLW Precision Forging

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SONACOMS IN
Equity Shares (m)	585
M.Cap.(INRb)/(USDb)	366.7 / 4.4
52-Week Range (INR)	719 / 480
1, 6, 12 Rel. Per (%)	-13/-4/5
12M Avg Val (INR M)	1313

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	31.8	40.8	48.2
EBITDA (%)	28.3	28.6	28.7
Adj. PAT	5.2	6.9	8.2
EPS (INR)	8.9	11.7	14.0
EPS Gr. (%)	31.6	30.6	19.6
BV/Sh. (INR)	47.7	55.8	65.3
Ratios			
Net D:E	0.1	0.1	0.0
RoE (%)	20.6	22.6	23.1
RoCE (%)	18.0	19.5	20.5
Payout (%)	33.4	31.4	31.5
Valuations			
P/E (x)	69.9	53.5	44.8
P/BV (x)	13.1	11.2	9.6
EV/EBITDA (x)	40.6	31.2	26.1
Div. Yield (%)	0.5	0.6	0.7
FCF Yield (%)	1.0	1.0	1.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	29.7	29.7	33.0
DII	28.8	27.9	31.3
FII	32.9	32.9	24.7
Others	8.6	9.5	11.0

FII Includes depository receipts

CMP:INR625 | **TP: INR630 (+1%)** | **Neutral**

Operational performance in line

Pure ICE segment's revenue contribution dropped to 10% vs. 15% in FY23

- SONA BLW Precision Forging (SONACOMS)'s 4QFY24 operational performance was in line, while lower tax led to a PAT beat. It continues to focus on reducing its dependence on the pure ICE segment, as it now contributes just ~10% of the revenue vs. ~25% in FY21. Further, management's guidance of an increase in R&D spending by 100bp in FY25 indicates its focus on product development and continuous innovation.
- We broadly retain our EPS estimates. The stock trades at ~54x/45x FY25E/26E EPS which we believe factors in its strong EV order book as well as its superior earnings and return profile. **We hence reiterate our Neutral rating on the stock with a TP of INR630 (based on ~45x Mar'26E consol. EPS).**

Adjusted EBITDA margin, at 28.9%, improves 180bp YoY

- SONACOMS' 4QFY24 revenue/EBITDA/adj. PAT grew ~19%/23%/20% YoY to INR8.8b/INR2.5b/INR1.5b. The BEV revenue rose 34% YoY to INR2.7b (32% of total revenue), whereas the ICE revenue grew 13% YoY. For FY24, the company's revenue/EBITDA/adj. PAT grew 19%/28%/29% YoY.
- Gross margin expanded 210bp YoY to 56.4% (est. 58.4%) due to a better mix and lower input costs.
- Higher-than-estimated employee expenses (+210bp YoY; as a % of sales) due to the ESOP scheme (INR80m impact) resulted in an EBITDA margin of 28% (+100bp YoY vs. est. 28.5%).Without the ESOP scheme impact, margin would have been 28.9%. There was also a 35-40bp impact due to higher freight costs. EBITDA grew 23% YoY to INR2.5b (est. INR2.4b).
- Further, lower tax led to a PAT beat, which stood at INR1.5b (vs. est. INR1.4b).
- The Board declared a final dividend of INR1.53/share for FY24 (total dividend of INR3.06/share in FY24 vs. INR1.53/share in FY23).
- The FCFF stood at INR3.7b in FY24 (vs. INR2.1b for FY23) aided by a better operating cash flow of INR6.9b (vs. INR5.3b in FY23). Capex for FY24 stood at INR3.2b, similar to the FY23 levels.

Highlights from the management commentary

- The company has added 12 new EV programs, taking the tally to 54 programs now; it has also added five new customers during the year. The revenue from pure ICE dependence continues to reduce steadily to 10% in FY24 from 25% in FY21.
- The BEV revenue for 4QFY24 was INR2.73b (+34% YoY), contributing 32% of the revenue. The BEV revenue for FY24 was INR8.9b, and the mix was ~29% in FY24 vs. 26%/14% in FY23/21.
- Management guided that it will increase its R&D spending by 100bp to expedite the existing projects and focus on new product development. It spent ~2.4% of its revenue towards R&D in FY24. Further, it is looking to spend 3.1%-3.4% in FY25.
- Capex for the next three years will be close to INR10-12b.

Valuation and view

- Despite the volatile geopolitical scenario impacting different key geographies globally, SONACOMS reported a PAT growth of 32% YoY in FY24, driven by healthy order execution and its focus on the growing EV segment. SONACOMS remains a good proxy play for the global electrification trend, with a ~29% revenue mix from EVs and a ~79% mix in the order book. Moreover, its focus on expanding the product portfolio, global scale, and customer base should translate into strong earnings growth and healthy capital efficiency.
- However, valuations at ~54x/45x FY25E/FY26E consol. EPS largely factor in these positives. **Reiterate Neutral with a TP of INR630 (based on ~45x Mar'26E consol. EPS).**

Consol. Quarterly Performance

Y/E March	FY23				FY24				FY23	FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Net operating revenues	**5,892**	**6,574**	**6,850**	**7,440**	**7,322**	**7,908**	**7,766**	**8,853**	**26,756**	**31,848**	**8,388**
Change (%)	17.7	12.2	38.6	35.3	24.3	20.3	13.4	19.0	25.6	19.0	12.7
EBITDA	**1,425**	**1,657**	**1,862**	**2,014**	**2,034**	**2,233**	**2,273**	**2,481**	**6,958**	**9,021**	**2,392**
EBITDA Margins (%)	24.2	25.2	27.2	27.1	27.8	28.2	29.3	28.0	26.0	28.3	28.5
Depreciation	400	429	470	481	511	534	559	598	1,780	2,202	562
EBIT	**1,025**	**1,228**	**1,392**	**1,533**	**1,523**	**1,699**	**1,714**	**1,883**	**5,178**	**6,819**	**1,830**
EBIT Margins (%)	17.4	18.7	20.3	20.6	20.8	21.5	22.1	21.3	19.4	21.4	21.8
Interest	29	43	51	46	53	60	73	71	169	258	59
Non-Operating Income	10	28	33	45	54	61	50	75	116	239	50
PBT	**1,006**	**1,213**	**1,373**	**1,498**	**1,495**	**1,641**	**1,690**	**1,886**	**5,091**	**6,713**	**1,822**
Effective Tax Rate (%)	24.6	23.7	22.0	20.0	25.1	24.4	21.0	21.5	22.4	22.9	25.6
Adjusted PAT	**758**	**925**	**1,071**	**1,232**	**1,142**	**1,286**	**1,336**	**1,481**	**3,979**	**5,242**	**1,356**
Change (%)	5.4	4.9	23.9	35.1	50.6	39.0	24.7	20.2	17.1	31.7	10.1
Cost Break-up											
RM Cost (% of sales)	45.5	47.0	44.2	45.7	43.1	44.9	40.9	43.6	45.6	43.1	41.6
Staff Cost (% of sales)	7.3	6.7	7.0	6.1	6.7	7.0	9.4	8.2	6.7	7.9	9.2
Other Cost (% of sales)	23.0	21.1	21.6	21.1	22.4	19.9	20.4	20.2	21.7	20.7	20.7
Gross Margins (%)	54.5	53.0	55.8	54.3	56.9	55.1	59.1	56.4	54.4	56.9	58.4
EBITDA Margins (%)	24.2	25.2	27.2	27.1	27.8	28.2	29.3	28.0	26.0	28.3	28.5
EBIT Margins (%)	17.4	18.7	20.3	20.6	20.8	21.5	22.1	21.3	19.4	21.4	21.8

E:MOFSL Estimates

30 April 2024

4QFY24 Results Update | Sector: Insurance

Star Health

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	STARHEAL IN
Equity Shares (m)	576
M.Cap.(INRb)/(USDb)	334.5 / 4
52-Week Range (INR)	675 / 455
1, 6, 12 Rel. Per (%)	4/-21/-28
12M Avg Val (INR M)	573

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
NEP	129.4	151.4	181.1
U/W Profit	0.9	3.0	5.2
PBT	11.3	14.9	18.9
PAT	8.5	11.2	14.1
Ratios (%)			
Claims	66.5	65.3	65.3
Commission	13.2	13.0	13.0
Expense	17.0	16.4	15.7
Combined	96.7	94.7	94.0
RoE	12.8	15.6	16.7
EPS (INR)	14.4	19.2	24.2
EPS Growth (%)	35.8	32.7	26.2
Valuations			
P/E (x)	39.6	29.9	23.7
P/BV (x)	5.1	4.3	3.7

Shareholding pattern (%)

Particulars	Mar-24	Dec-23	Mar-23
Promoter (%)	57.9	57.9	58.3
DII (%)	11.1	6.1	1.4
FII (%)	26.6	31.0	35.2
Others (%)	4.4	5.0	5.0

FII Includes depository receipts

CMP: INR572 TP: INR730 (+28%) Buy

In-line performance; combined ratio at 92.8%

- Profit jumped 40% YoY in 4QFY24 to INR1.4b, in line with our estimate.
- The incurred claims ratio came in at 64.1% (360bp YoY) vs. our estimate of 62.7% in 4Q. The expense ratio (including commission) stood at 28.6% vs. our estimate of 30%. Hence, the combined ratio came in at 92.8% (in line).
- For FY24, NEP/PAT grew 15%/37% YoY to INR129b/INR8.5b and the combined ratio was at 96.7% (vs. 95.3% in FY23).
- Star Health is expected to increase prices by 15-20% in 1QFY25 for senior citizen health insurance product and Young Star insurance product. Given the long-term growth potential for the industry, along with investments by Star Health in profitable channels and products, we reiterate our BUY rating on the stock with a TP of INR730 (based on 30x FY26E EPS).

Combined ratio in line with expectations

- Net earned premium stood at INR34b (up 17% YoY), broadly in line with our expectations. GDPI grew 18% YoY to INR50b.
- During the quarter, the net retention ratio (NWP/GWP) declined to 92% from 95% in 4QFY23 and 87% in 3QFY24 as the company entered into a reinsurance for health quota share treaty, with 50% share for its long-term retail health products, effective Apr’23.
- The incurred claims ratio came in at 64.1% (down 360bp YoY) in 4Q vs. our estimate of 62.7%.
- The commission ratio increased QoQ to 14.3% in 4Q. The expense ratio (incl commission) was at 28.6% vs. our estimate of 30%. Resultantly, the combined ratio came in at 92.8% (in line) vs. 91.4% in 4QFY23.
- Investment income in policyholders account stood at INR1.8b (in line), while shareholders’ investment income at INR 1.1b was 5.5% below our estimate.
- Profit jumped 40% YoY in 4Q to INR1.4b, in line with our estimate.
- For FY24, NEP/PAT grew 15%/37% YoY to INR129b/INR8.5b and the combined ratio was at 96.7% (vs. 95.3% in FY23).
- The solvency ratio stood at 2.21 in 4QFY24 vs. 2.14 in 4QFY23.

Key takeaways from the management commentary

- The digital channel accounts for ~6% of the total premium for Star Health (~75% from D2C channel and the remaining 25% from web aggregators & online channels). Fresh sales grew 36% in digital channels. In 4Q, fresh sales in the agency channel grew 41% QoQ and 21% YoY.
- In the group business, the focus is mainly on the employer-employee segment (SME & MSME). This book commands healthy profitability, mainly coming from the HDFC channel. Star Health is now opening up banca, broker and online channels to grow this segment faster.
- The price hike in the flagship product in FY24 led to value growth; however, policy growth is expected to pick up in the coming year.

Valuation and view: Maintain estimates with BUY

- Star Health has tightened its underwriting standards to focus on high-quality business. We remain optimistic about the overall prospects for Star Health, backed by: a) strong growth in retail health, given its under-penetration, b) strong push from the banca channel, c) sustained growth in specialized products, and d) deepening presence.
- Star Health is expected to increase prices by 15-20% in 1QFY25 for senior citizen health insurance product and Young Star insurance product. These products account for ~10% of the total premium.
- We believe that Star Health can deliver long-term growth with the investments made in profitable channels and products. We reiterate our BUY rating on the stock with a TP of INR730 (based on 30x FY26E EPS).

Quarterly Performance

Y/E March	FY23				FY24				FY23	FY24	4QFY24E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Gross premium	24,637	31,929	30,967	41,992	29,486	37,317	36,058	49,683	1,29,525	1,52,545	49,249	0.9
Net written premium	23,441	30,389	29,434	39,932	28,008	35,446	31,519	45,700	1,23,196	1,40,674	45,424	0.6
Net earned premium	26,871	27,948	28,672	29,125	30,438	32,056	32,936	33,953	1,12,616	1,29,383	33,736	0.6
Investment Income	1,220	1,233	1,157	1,405	1,460	1,510	1,626	1,810	5,014	6,407	1,827	-0.9
Total Income	**28,090**	**29,181**	**29,829**	**30,530**	**31,898**	**33,566**	**34,563**	**35,764**	**1,17,630**	**1,35,790**	**35,563**	**0.6**
Change YoY (%)	20.6	16.1	13.9	11.4	13.6	15.0	15.9	17.1	14.3	15.4	16.5	
Incurred claims	17,811	19,060	18,278	18,054	19,909	22,022	22,295	21,774	73,204	85,999	21,148	3.0
Net commission	3,220	3,964	4,026	5,618	3,668	4,854	3,499	6,516	16,828	18,537	6,266	4.0
Employee expense	2,774	3,590	3,805	4,368	3,577	3,952	3,861	4,732	14,537	16,122	5,037	-6.0
Other expenses	1,498	1,465	1,306	1,739	1,829	2,012	2,140	1,842	6,001	7,823	2,303	-20.0
Total Operating Expenses	25,303	28,079	27,415	29,780	28,983	32,839	31,794	34,864	1,10,570	1,28,480	34,754	0.3
Change YoY (%)	-4.8	-4.3	-20.3	4.9	14.5	17.0	16.0	17.1	-6.9	16.2	16.7	
Underwriting profit	1,568	-131	1,258	-654	1,454	-784	1,142	-911	2,046	903	-1,018	
Operating profit	2,788	1,102	2,415	751	2,915	726	2,769	900	7,060	7,309	809	11.2
Shareholder's P/L												
Transfer from Policyholder's	2,788	1,102	2,415	751	2,915	726	2,769	900	7,060	7,309	809	11.2
Investment income	838	846	914	790	1,040	1,066	1,223	1,146	3,388	4,475	1,212	-5.5
Total Income	3,626	1,948	3,329	1,541	3,954	1,792	3,992	2,046	10,449	11,784	2,022	
Other expenses	745	741	509	173	110	119	114	128	2,174	470	136	-5.8
Total Expenses	746	741	512	180	111	121	115	149	2,185	496	136	9.7
PBT	**2,880**	**1,207**	**2,817**	**1,361**	**3,844**	**1,671**	**3,877**	**1,897**	**8,264**	**11,289**	**1,886**	**0.6**
Change YoY (%)	-202.8	-151.9	-136.7	-217.5	33.5	38.5	37.6	39.5	-159.2	36.6	38.6	
Tax Provisions	747	276	713	343	965	418	981	474	2,078	2,838	452	4.9
Net Profit	**2,132**	**931**	**2,105**	**1,018**	**2,879**	**1,253**	**2,896**	**1,423**	**6,186**	**8,450**	**1,434**	**-0.8**
Key Parameters (%)												
Share in GWP												
Health-Retail	92.1	92.3	91.4	92.9	91.7	91.9	91.6	91.0	92.3	91.6		
Health-Group	6.4	6.2	7.0	5.6	6.9	6.6	7.0	7.6	6.2	6.6		
PA	1.5	1.5	1.6	1.5	1.4	1.5	1.4	1.4	1.5	1.5		
Claims ratio	66.3	68.2	63.7	62.0	65.4	68.7	67.7	64.1	65.0	66.5	62.7	1.4
Commission ratio	13.7	13.0	13.7	14.1	13.1	13.7	11.1	14.3	13.7	13.2	13.8	0.5
Expense ratio	18.2	16.6	17.4	15.3	19.3	16.8	19.0	14.4	16.7	17.0	16.2	-1.8
Combined ratio	98.2	97.9	94.8	91.4	97.8	99.2	97.8	92.8	95.3	96.7	92.6	0.1
Solvency	1.9	2.0	2.2	2.1	2.2	2.1	2.2	2.2	2.1	2.2		

Vedant Fashions

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	MANYAVAR IN
Equity Shares (m)	243
M.Cap.(INRb)/(USDb)	231.6 / 2.8
52-Week Range (INR)	1488 / 886
1, 6, 12 Rel. Per (%)	2/-44/-50
12M Avg Val (INR M)	312

Financials & Valuations Consol (INR b)

Y/E March	FY24	FY25E	FY25E
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

CMP: INR954 TP: INR1,010 (+6%) Neutral

Weak demand environment persists

- Vedant Fashions (Manyavar)'s EBITDA growth continued to remain muted at 4% YoY (in line) due to soft revenue growth of 6% YoY and operating deleverage. Footprint additions, however, were robust at 16% YoY, and we expect the same to continue.
- We broadly maintain our estimates given the weak outlook and factor in 18%/22% revenue/PAT CAGR over FY24-26E, mainly led by footprint expansion. The stock has corrected 35% from its 52-week high and is trading at 38x FY26E P/E. Demand revival in 2HFY25 would remain a key monitorable for any re-rating. **Reiterate Neutral with a TP of INR1,010, valuing the stock at 40x FY26E P/E.**

Revenue/EBITDA up 6%/4% YoY (in line)

- Consolidated revenue grew 6% YoY to INR3.6b (in line), mainly driven by 16% area expansion, while SSS declined 3.3% YoY (-10.3% YoY for FY24).
- Sales to customers also grew 6% YoY and stood at INR5.1b.
- Gross profit rose 7% YoY to INR2.6b (in line), while margin expanded 70bp to 72.5% during the quarter.
- Employee costs declined 10% YoY to INR134m, which could be due to the reduction in directors' remunerations, while other expenses jumped 20% YoY to INR747m.
- This led to an EBITDA growth of 4% YoY to INR1.8b (in line) offset by soft SSSG and higher other expenses that resulted in operating deleverage. EBITDA margin contracted 90bp YoY to 48.2% in 4QFY24.
- Consequently, PAT grew 6% YoY to INR1.2b (7% beat), led by a decline in taxes for the quarter.
- **For FY24,** revenue grew 1% YoY, while EBITDA/PAT declined 2%/3% YoY.
- EBITDA declined 2% YoY to INR6.6b, while lease liability payments rose 31% YoY to INR1.5b due to store expansions. This led to a decline in OCF/FCF by 7% YoY to INR3.4b. The company paid a dividend of INR2.2b, and the net cash increased by INR1.8b to INR9.8b.
- The Board announced a dividend of INR8.5/share (vs. INR9/share in FY23).

Highlights from the management commentary

- **Expect recovery in 2HFY25:** FY24 was a one-off year, which was severely impacted by significantly lower weddings, muted consumer sentiments, and the higher base effect of last year. Expect recovery from 2QFY25.
- **Unorganized players also struggled:** The top 30 companies and stores of unorganized players also reported weakness in FY24. Hence, management does not expect the unorganized players to gain market share.
- **Focusing on large-sized stores:** The company is consolidating the smaller stores and moving into larger store formats. It has added new stores with 3,500 sqft of size.
- **Higher mix of lease rentals:** The company is paying rent for around 67% of the total stores in FY24 vs. 65% in FY23. In FY24, 80% of the total area additions were on lease.

Valuation and view

- Manyavar has successfully achieved scale within the growing men's celebration and occasion wear market, which is difficult to replicate.
- While the company has a healthy runway for growth with footprint expansion in Manyavar, coupled with expansion in Mohey (women's celebration wear) and Twamev (premium celebration wear), weak consumption remains a concern in the next few quarters.
- The stock has corrected 35% from its 52-week high owing to a weaker revenue trajectory and is trading at 38x FY26E P/E. 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.
- We broadly maintain our estimates given the weak outlook and factor in 18%/22% revenue/PAT CAGR over FY24-26E, mainly led by footprint expansion.
- **Reiterate Neutral with a TP of INR1,010, valuing the stock at 40x FY26E P/E.**

Quarterly Earnings Snapshot **(INR m)**

Y/E March	FY23				FY24				FY23	FY24	FY24	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var (%)
Revenue	**3,250**	**2,469**	**4,414**	**3,416**	**3,116**	**2,183**	**4,745**	**3,632**	**13,549**	**13,675**	**3,561**	**2.0**
YoY Change (%)	103.1	23.5	14.7	15.3	-4.1	-11.6	7.5	6.3	30.2	0.9	4.2	
Total Expenditure	1,619	1,315	2,170	1,737	1,635	1,255	2,324	1,881	6,841	7,094	1,806	4.1
EBITDA	**1,631**	**1,154**	**2,245**	**1,679**	**1,482**	**928**	**2,420**	**1,751**	**6,708**	**6,581**	**1,754**	**-0.2**
EBITDA margins (%)	50.2	46.7	50.9	49.1	47.5	42.5	51.0	48.2	49.5	48.1	49.3	
Change YoY (%)	135.6	26.6	17.2	16.6	-9.1	-19.6	7.8	4.3	189.6	96.0	4.5	
Depreciation	264	249	251	274	299	325	344	381	1,038	1,349	351	8.3
Interest	78	77	75	84	94	107	112	132	315	445	114	15.8
Other Income	71	97	100	134	150	151	155	241	402	697	156	54.5
PBT before EO expense	**1,359**	**925**	**2,019**	**1,454**	**1,238**	**648**	**2,119**	**1,479**	**5,758**	**5,484**	**1,445**	**2.4**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
Tax	351	235	516	366	319	161	542	321	1,467	1,342	366	-12.2
Rate (%)	25.8	25.4	25.5	25.2	25.7	24.8	25.6	21.7	25.5	24.5	25.3	-14.2
Reported PAT	**1,009**	**690**	**1,504**	**1,089**	**919**	**487**	**1,577**	**1,158**	**4,291**	**4,142**	**1,079**	**7.3**
Adj PAT	**1,009**	**690**	**1,504**	**1,089**	**919**	**487**	**1,577**	**1,158**	**4,291**	**4,142**	**1,079**	**7.3**
YoY Change (%)	123	30	18	23	-9	-29	5	6	36	-3	-1	

E: MOFSL Estimates

Motilal Oswal | Morning India

2 May 2024

4QFY24 Result Update | Sector: NBFCs

Can Fin Homes

Estimate changes	↑
TP change	⟷
Rating change	⟷

Bloomberg	CANF IN
Equity Shares (m)	133
M.Cap.(INRb)/(USDb)	101.5 / 1.2
52-Week Range (INR)	910 / 617
1, 6, 12 Rel. Per (%)	0/-17/-1
12M Avg Val (INR M)	673

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
NII	12.6	13.8	15.6
PPP	10.8	11.6	13.4
PAT	7.5	8.6	9.8
EPS (INR)	56.4	64.3	73.3
EPS Gr (%)	21	14	14
BVPS (INR)	326	385	452
Ratios (%)			
NIM	3.8	3.7	3.6
C/I ratio	16.8	18.0	16.3
RoAA	2.2	2.2	2.1
RoE	18.8	18.1	17.5
Payout	10.6	9.3	8.2
Valuation			
P/E (x)	13.5	11.8	10.4
P/BV (x)	2.3	2.0	1.7
Div. Yield (%)	0.8	0.8	0.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	30.0	30.0	30.0
DII	27.9	28.5	25.0
FII	11.5	11.1	10.4
Others	30.6	30.5	34.7

FII Includes depository receipts

CMP: INR762 TP: INR820 (+8%) Neutral

In line earnings; Disbursements muted but picking up pace

Spread compression in 4Q; opex elevated, including a few one-offs

- CANF's 4QFY24 PAT grew ~26% YoY to ~INR2.1b (in line) and NII grew 25% YoY to ~INR3.3b (in line). FY24 PAT rose ~21% YoY to ~INR7.5b and the company reported FY24 RoA/RoE of 2.2%/18.8%.
- Opex grew ~39% YoY to INR720m (39% above MOFSLe). The cost-to-income ratio stood at ~21% (vs. ~19% in 4QFY23) primarily because of investments in technology, GST-related expenses and CSR. PPoP grew ~23% YoY but declined ~5% QoQ to INR2.7b (6% miss).
- The management guided for loan growth of ~15% in FY25 and ~18-20% from FY26 onward, aided by a) branch expansions and corresponding improvements in productivity, b) transition to higher ticket-size home loans, and c) investments in improving its APF offering to developers.
- We estimate a CAGR of 16%/14% in AUM/PAT over FY24-26, with RoA/RoE of 2.1%/~17.5% in FY26. CANF, in our view, is a robust franchise with strong moats on the liability side. However, we await 1) a recovery in disbursement momentum, 2) early signs of execution on loan growth guidance, and 3) clarity on margin trajectory in the current competitive landscape, before turning constructive on the stock. At 1.7x FY26E P/BV, we believe valuations largely price in the positive factors. Maintain Neutral with a TP of INR820 (1.8x FY26E P/BV).

Disbursements picking up momentum but still below par

- 4QFY24 disbursements declined ~9% YoY but rose ~23% QoQ to INR23.1b.
- Advances grew by 11% YoY to ~INR350b. An annualized run-off in advances stood at ~16% (~14.2% in 3QFY24 and ~14.5% in 4QFY23).

Margin improved but spreads declined QoQ; share of CP increased

- NIM (reported) improved ~5bp QoQ to ~3.95%. Reported spreads declined ~30bp QoQ owing to a ~10bp QoQ decline in yields and a ~15bp QoQ rise in CoB. We model NIMs of ~3.7%/~3.6% for FY25/FY26 (FY24: ~3.8%).
- Bank borrowings in the mix declined to 59% (~60% in 3Q). NHB borrowings declined to ~16% (~19% in 3Q). Proportion of CPs rose to 7% (~5% in 3Q).

Asset quality improves; stress from restructured pool now behind

- Asset quality improved, with GS3/NS3 declining by ~10bp/5bp QoQ to ~0.8%/0.4%. PCR on stage 3 loans rose ~280bp QoQ to ~49%. GS3 (excluding the restructured pool) stood at 0.55% (Mar'23: 0.55%). Annualized credit costs in 4QFY24 stood at ~2bp (~35bp in 3QFY24 and ~30bp in 4QFY23).
- The entire restructured pool exited restructuring in Nov'23 and there were closures of restructured loans, which led to a decline in provisions on the restructured pool. GNPA on the restructured pool has been declining and the asset quality stress from this pool is now over.

Continues to source higher-ticket home loans; DSA sourcing mix stable

- Average ticket size of incremental housing loans remained stable at INR2.5m.
- DSA channel in the sourcing mix stood at 80% (3Q: ~79% and 2Q: ~82%).

Highlights from the management commentary

- Guided for ~15% AUM growth in FY25 and disbursements of ~INR110b. BT-OUT, pre-payments and amortization together result in a rundown of ~INR4b per month in the loan-book. This could increase to a monthly run rate of ~INR4.5b in FY25.
- Opex had a few one-offs, including GST review from 2017 onward, which resulted in expenses of ~INR65m and other CSR expenses. All these led to higher other opex of ~INR120m. It also guided that quarterly IT expenses will increase by ~INR30m on a recurring basis.

Valuation and view

- CANF has successfully demonstrated its ability to maintain its pristine asset quality for many years. Credit costs (including management overlay and provisions for Ambala fraud) remained elevated in FY24 at ~35bp. We expect credit costs to moderate to ~15bp/20bp in FY25/FY26. We estimate a CAGR of 11%/15%/14% in NII/PPOP/PAT over FY24-26, with RoA of 2.1% and RoE of ~17.5% in FY26.
- Maintain Neutral with a TP of INR820 (based on 1.8x FY26E BVPS).

Quarterly performance INR m

Y/E March	FY23				FY24				FY23	FY24	4QFY24E	Act vs est. (%)
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24				
Interest Income	6,065	6,522	7,046	7,521	8,181	8,652	8,948	9,117	27,154	34,899	9,155	0
Interest Expenses	3,561	4,010	4,529	4,908	5,330	5,484	5,660	5,839	17,009	22,314	5,845	0
Net Interest Income	**2,504**	**2,512**	**2,517**	**2,613**	**2,851**	**3,168**	**3,288**	**3,278**	**10,146**	**12,585**	**3,310**	-1
YoY Growth (%)	38.2	31.0	22.2	10.1	13.9	26.1	30.6	25.5	24.3	24.0	26.7	
Other income	51	54	51	122	60	58	71	159	277	348	109	46
Total Income	**2,555**	**2,566**	**2,568**	**2,735**	**2,911**	**3,226**	**3,359**	**3,437**	**10,423**	**12,933**	**3,419**	1
YoY Growth (%)	39.8	30.2	20.9	12.7	13.9	25.7	30.8	25.7	24.8	24.1	25.0	
Operating Expenses	405	405	438	517	435	524	494	720	1,765	2,173	519	39
YoY Growth (%)	33.8	18.3	8.7	7.3	7.4	29.5	12.7	39.3	15.3	23.1	0.5	
Operating Profits	**2,150**	**2,161**	**2,129**	**2,218**	**2,476**	**2,702**	**2,865**	**2,717**	**8,658**	**10,760**	**2,900**	**-6**
YoY Growth (%)	40.9	32.7	23.8	14.0	15.2	25.0	34.6	22.5	26.9	24.3	30.7	
Provisions	-37	132	84	238	137	722	308	18	418	1,185	13	42
Profit before Tax	**2,187**	**2,028**	**2,045**	**1,980**	**2,339**	**1,980**	**2,557**	**2,700**	**8,240**	**9,575**	**2,887**	-6
Tax Provisions	565	611	530	322	504	399	556	609	2,028	2,068	689	-12
Profit after tax	**1,622**	**1,417**	**1,515**	**1,658**	**1,835**	**1,581**	**2,001**	**2,090**	**6,212**	**7,507**	**2,198**	-5
YoY Growth (%)	49.0	14.6	30.9	34.9	13.1	11.5	32.1	26.1	31.9	20.8	32.6	
Key Parameters (%)												
Yield on loans	8.9	9.3	9.6	9.8	10.2	10.5	10.6	10.6				
Cost of funds	5.7	6.2	6.6	6.9	7.3	7.3	7.3	7.4				
Spread	3.3	3.1	2.9	2.9	3.0	3.2	3.3	3.2				
NIM	3.7	3.6	3.4	3.4	3.6	3.8	3.9	3.8				
Credit cost	-0.1	0.2	0.1	0.3	0.2	0.9	0.4	0.02				
Cost to Income Ratio (%)	15.8	15.8	17.1	18.9	14.9	16.2	14.7	20.9				
Tax Rate (%)	25.8	30.1	25.9	16.3	21.6	20.2	21.7	22.6				
Balance Sheet Parameters												
Loans (INR B)	**275.4**	**288.2**	**301.2**	**315.6**	**325.1**	**333.6**	**340.5**	**350.0**				
Growth (%)	23.9	22.2	20.0	18.2	18.0	15.7	13.1	10.9				
AUM mix (%)												
Home loans	89.6	89.5	89.2	89.1	89.1	89.1	89.1	88.9				
Non-housing loans	10.4	10.5	10.8	10.9	10.9	10.9	10.9	11.1				
Salaried customers	74.3	74.1	73.6	73.1	72.7	72.4	72.1	71.9				
Self-employed customers	25.7	25.9	26.3	26.9	27.2	27.5	27.8	28.0				
Disbursements (INR B)	**17.2**	**22.5**	**24.4**	**25.4**	**19.7**	**20.2**	**18.8**	**23.1**				
Change YoY (%)	92.6	1.7	-1.1	-6.2	14.2	-10.1	-23.1	-8.8				
Borrowing mix (%)												
Banks	54.0	54.0	51.0	53.9	54.0	57.0	60.0	59.0				
NHB	22.0	22.0	23.0	22.5	22.0	19.0	19.0	16.0				
Market borrowings	22.0	22.0	24.0	22.1	23.0	23.0	20.0	24.0				
Deposits	2.0	2.0	2.0	1.5	1.0	1.0	1.0	1.0				
Asset Quality												
GNPL (INR m)	1,798	1,787	1,811	1,738	2,052	2,540	3,088	2,860				
NNPL (INR m)	819	1,012	893	829	1,096	1,420	1,674	1,470				
GNPL ratio %	0.65	0.62	0.60	0.55	0.63	0.76	0.91	0.82				
GNPL ratio %	0.30	0.35	0.30	0.26	0.34	0.43	0.49	0.42				
PCR %	54	43	51	52	47	44	45.8	48.6				
Return Ratios (%)												
ROA (Rep)	2.4	2.1	2.2	2.3	2.2	1.9	2.3	2.5				
ROE (Rep)	20.0	16.8	17.3	18.2	19.2	16.0	19.4	19.3				

E: MOFSL Estimates

Shoppers Stop

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SHOP IN
Equity Shares (m)	109
M.Cap.(INRb)/(USDb)	78.8 / 0.9
52-Week Range (INR)	890 / 616
1, 6, 12 Rel. Per (%)	-6/-6/-17
12M Avg Val (INR M)	90

Financials & Valuations Stand (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	42.1	47.8	55.3
EBITDA	7.1	8.6	10.2
Adj. PAT	0.6	1.2	1.5
EBITDA Margin (%)	16.9	18.0	18.5
Adj. EPS (INR)	7.2	14.8	18.5
EPS Gr. (%)	-50.1	104.0	24.8
BV/Sh. (INR)	38.8	53.6	72.0
Ratios			
Net D:E	8.2	7.5	7.0
RoE (%)	21.8	32.0	29.4
RoCE (%)	8.6	8.4	7.3
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	99.2	48.6	39.0
EV/EBITDA (x)	14.9	13.1	11.9
EV/Sales (x)	2.5	2.4	2.2
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	65.5	65.6	65.5
DII	22.2	22.0	20.8
FII	7.4	6.9	6.8
Others	4.9	5.6	6.9

FII Includes depository receipts

CMP: INR719 TP: INR695 (-3%) Neutral

Soft earnings continues; focusing on Beauty and Intune

- Shoppers Stop (SHOP) reported 4% YoY growth in EBITDA (6% miss) in 4QFY24, as 9% YoY revenue growth was offset by inventory write-off and GM contraction of 270bp YoY. However, controlled costs supported EBITDA margin, which declined 70bp YoY.
- The management anticipates demand improvement in FY25, which, along with steady store additions, particularly in the Intune and beauty segments, could drive growth in the coming period. We expect a CAGR of 15%/20% in revenue/EBITDA over FY24-26. We value SHOP at 10x FY26E EV/EBITDA to arrive at our TP of INR695. **Reiterate Neutral**.

EBITDA rises 4% YoY (6% miss) due to GM contraction

- SHOP's standalone revenue grew 9% YoY to INR10b (in line) in 4Q, mainly driven by footprint addition. LFL is estimated to be flat (~-1% YoY).
- SHOP added net 7 new department stores, 12 Intune stores, and 3 beauty stores during 4Q.
- Gross profit grew 2% YoY and margins contracted 270bp YoY to 40.5% due to inventory write-off of INR90m, a decline in the share of private labels, and the impact of EOSS.
- EBITDA rose 4% YoY to INR1.6b (6% miss) and margins contracted 70bp YoY to 16.4%, dragged down by a contraction in gross margins.
- Other income of INR346m included INR240m of the reversal of ROU liability due to store closure. Adjusting the reversal, PAT stood at INR46m (est. INR120m).
- FY24 revenue/EBITDA grew 5%/2% YoY, while PAT declined 50% YoY.
- OCF declined 2% YoY to INR3.3b, led by lease liability (due to store adds), partly offset by the release of working capital. Capex increased 19% YoY to INR1.7b, and interest costs of INR2.2b led to cash outflow of INR600m.
- Net debt increased by INR780m to INR1.1b.

Highlights from the management commentary

- **FY25 strategy** will focus on investments in new stores from internal accruals (INR2.75b for 100 store addition), higher capital allocation to beauty and Intune businesses, and premiumization (expect mid-single digit growth in ASP/ATV).
- **Beauty:** Expects the beauty distribution sales run rate to double to INR2.5b (vs. INR1.2b in FY24) with positive EBITDA. In the next 3-5 years, the run rate could go up to INR4b-5.5b. Margins currently at ~7-9%.
- **Intune:** Expects 60 store addition in FY25 with a payback period of 2-2.5 years. Intune is currently clocking revenue per sqft of INR12k. Store EBITDA margin continues to be positive in the first year of operations.
- **Inventory optimization:** For Intune, SHOP has reduced inventory days from 180 to 60. With additional stores, inventory days could be 12-14 weeks. For private labels, inventory days reduced to 17-18 weeks and may further decline to 14-16 weeks.

Valuation and view

- SHOP aims to boost growth by focusing on: 1) opening smaller stores (30k sqft vs. existing average of 50k sqft) to improve store efficiency; 2) reviving the private label mix; and 3) high-growth and margin-accretive Beauty segment. It plans to step up the pace of store additions, with 12/15 additions annually in the beauty /departmental segments.
- Its recent foray into the value category through Intune has witnessed healthy traction and good EBITDA margin. The aggressive expansion plan of increasing the store count to 164 by FY26E from 22 currently could be the key lever for growth and re-rating going forward. However, it will be crucial to expand design and private label merchandising capabilities to enhance the value proposition.
- Persistent weakness in discretionary demand hinders revenue growth, with weak SSSG. Sustaining high single-digit SSSG will be crucial for driving overall growth and re-rating potential of the company.
- The stock is currently trading at a valuation of 12x/27x post/pre EV/EBITDA on FY26E. We broadly kept our estimates unchanged and factored in a CAGR of 15%/20% in revenue/EBITDA over FY24-26.
- We value SHOP at 10x FY26E EV/EBITDA to arrive at our TP of INR695. **Reiterate Neutral**.

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

Y/E March	FY23				FY24				FY23	FY24	FY24	Est. Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Total Revenue from Operations	**9,419**	**10,082**	**11,317**	**9,165**	**9,816**	**10,252**	**12,068**	**9,997**	**39,984**	**42,132**	**9,696**	**3**
YoY Change (%)	368.4	59.6	19.0	29.1	4.2	1.7	6.6	9.1	60.3	5.4		
Total Expenditure	7,795	8,411	9,196	7,594	8,093	8,654	9,914	8,356	32,996	35,016	7,955	5
EBITDA	**1,624**	**1,672**	**2,121**	**1,571**	**1,723**	**1,598**	**2,154**	**1,641**	**6,988**	**7,116**	**1,741**	**-6**
EBITDA Margin (%)	17.2	16.6	18.7	17.1	17.6	15.6	17.8	16.4	17.5	16.9	18.0	
Depreciation	846	927	999	1,044	1,050	1,081	1,112	1,118	3,816	4,361	1,188	-6
Interest	511	514	515	551	541	548	579	568	2,092	2,236	585	-3
Other Income	56	39	244	222	73	105	33	346	561	557	181	91
PBT before EO expense	**323**	**270**	**851**	**197**	**204**	**74**	**496**	**301**	**1,641**	**1,076**	**149**	**102**
Extra-Ord expense	0	20	0	0	0	-49	0	-16	20	-65	0	
PBT	**323**	**250**	**851**	**197**	**204**	**25**	**496**	**285**	**1,621**	**1,011**	**149**	**91**
Tax	95	68	230	35	55	8	141	69	429	272	30	
Rate (%)	29.5	27.3	27.1	17.6	26.9	29.9	28.3	24.2	26.4	26.9	19.9	
Reported PAT	**228**	**181**	**621**	**163**	**149**	**18**	**356**	**216**	**1,192**	**739**	**120**	**81**
Adj PAT	**228**	**201**	**621**	**163**	**149**	**52**	**356**	**48**	**1,212**	**605**	**120**	**-60**
YoY Change (%)	-122.2	-766.9	23.7	-200.9	-34.4	-74.1	-42.7	-70.5	-269.1	-50.1	-80.7	

E: MOFSL Estimates

Indostar Capital Finance

Bloomberg	INDOSTAR IN
Equity Shares (m)	123
M.Cap.(INRb)/(USDb)	30.2 / 0.4
52-Week Range (INR)	280 / 111
1, 6, 12 Rel. Per (%)	27/32/73
12M Avg Val (INR M)	37

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	4.6	6.3	8.8
PPP	2.2	3.2	5.3
PAT	1.2	1.8	2.9
EPS (INR)	8.5	13.2	21.1
EPS Gr. (%)	-49	55	60
BV (INR)	238	251	272
Ratios			
NIM (%)	6.4	6.7	7.2
C/I ratio (%)	69.3	63.6	54.6
RoA (%)	1.1	1.4	1.9
RoE (%)	3.7	5.4	8.1
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	28.7	18.5	11.6
P/BV (x)	1.0	1.0	0.9
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	75.0	75.0	89.2
DII	1.8	1.8	1.6
FII	1.5	1.3	1.2
Others	21.7	21.8	8.1

FII Includes depository receipts

CMP: INR244 TP: INR280 (+15%) Buy

Turnaround in motion; access to liabilities a key monitorable

Improvements in disbursement momentum and asset quality continue

Indostar Capital Finance (Indostar) reported an improvement in business momentum during the quarter. The key highlights are: 1) 4QFY24 disbursements rose ~31% QoQ to ~INR17.7b; 2) it invested in human capital (added 302 employees in 4Q, taking the total count to ~4,000); 3) the CV segment contributed ~83% to the retail disbursement mix; and 4) asset quality improved with GS3 declining ~120bp QoQ (including sell-downs).

Financial highlights:

- Indostar reported a 4QFY24 PAT of INR353m, which rose 109% QoQ (PQ: INR169m). NII grew ~11% YoY to INR1.2b.
- Opex, in 4QFY24, jumped ~110% YoY to INR1.4b. This increase is not representative since the base quarter of 4QFY23 had a reversal of ~INR500m of ESOP expenses. PPOP grew ~97% YoY to INR1.4b.
- Provisions stood at INR1b, translating into annualized credit costs of ~5% in 4QFY24. Up-fronted assignment income during the quarter was utilized for strengthening the balance sheet and for increasing the provision coverage on the SRs and the wholesale loans.
- Total AUM stood at ~INR87.6b and grew ~9% QoQ. Retail AUM grew 9% QoQ/27% YoY to INR83.7b and contributed ~96% to the AUM mix.
- Asset quality improved significantly with GNPA/NNPA declining 120bp/60bp QoQ to 4.1%/1.8%.
- Bolstered by a credit rating upgrade from CARE to AA-/Stable, along with plans to monetize SRs and expectations of sanctions from the banks as early as the current quarter, the company is well poised to demonstrate a consistent improvement in its RoA profile.
- With better visibility on disbursement momentum, we estimate 37%/57% AUM/PAT CAGR over FY24-26, aided by a healthy NIM of 7.2% and benign credit costs of ~1.2%/1.3% in FY25/26. Indostar has announced a preferential equity raise of ~INR4.6b through the allotment of warrants to its promoter Brookfield and another investor Florintree. We will build this in our estimates after the completion of the equity raise. **Reiterate BUY with a TP of INR280 (premised on 1.0x FY26E BVPS).**

Disbursements improved in CV and Housing; looking to restart MSME

- Disbursements were healthy across all product segments. CV Finance disbursements for 4QFY24 stood at INR14.2b (PQ: INR10.7b).
- Management shared that it is working on its business model to restart the SME segment with small-ticket LAP in Tier 3-4 cities.

Key highlights from the management commentary

- In FY24, the new management executed the retailization plan by selling the corporate portfolio to ARC; consequently, the corporate portfolio declined to ~INR3.8b. Management also reduced the high-ticket SME portfolio to INR4.9b through the sale to ARC and direct assignments.
- It has guided for an RoA of ~1.3%-1.6% in FY25.

Valuation and view

- Indostar has strategically prioritized the expansion of its loan book in the used CV and affordable housing finance segments. It anticipates that a reinforced management team, enhanced processes, and a favorable economic climate will serve as catalysts for growth in these segments.
- With the sell-downs of stressed corporate and SME loans to ARC, both of these segments now contribute only ~10% of the total AUM mix. It has made conservative provisions on stressed loans, and we expect the benign credit costs to continue in the near future.
- Over the last one year, Indostar has made some sound business decisions, which can help this franchise make a turnaround. The risk-reward is favorable at 0.9x FY26E P/BV. We have a **BUY** rating on the stock with a TP of INR280 (based on 1.0x FY26E BVPS).

Quarterly Performance (INR m)

Y/E March	FY23				FY24				FY23	FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	2,770	2,609	2,626	2,579	2,723	2,732	2,855	3,143	10,584	11,453
Interest Expenses	1,481	1,464	1,354	1,504	1,544	1,652	1,724	1,954	5,803	6,873
Net Interest Income	**1,289**	**1,145**	**1,272**	**1,075**	**1,179**	**1,081**	**1,131**	**1,189**	**4,782**	**4,580**
YoY Growth (%)	*25.3*	*6.3*	*-6.6*	*-40.5*	*-8.6*	*-5.6*	*-11.1*	*10.6*	*-9.4*	*-4.2*
Other Income	372	336	191	313	271	402	214	1,636	1,212	2,522
Total Income	**1,662**	**1,481**	**1,463**	**1,388**	**1,450**	**1,482**	**1,345**	**2,825**	**5,994**	**7,102**
YoY Growth (%)	*31.3*	*0.4*	*-10.3*	*-31.3*	*-12.7*	*0.1*	*-8.1*	*103.5*	*-5.6*	*18.5*
Operating Expenses	1,021	1,120	1,209	662	1,153	1,185	1,192	1,392	4,011	4,922
Operating Profit	**641**	**361**	**254**	**726**	**297**	**297**	**153**	**1,433**	**1,983**	**2,180**
YoY Growth (%)	*93.1*	*-33.9*	*-59.1*	*-37.7*	*-53.6*	*-17.7*	*-40.0*	*97.3*	*-24.4*	*10.0*
Provisions & Loan Losses	-23	-202	-132	-47	-119	1	-38	1,041	-404	884
Profit before Tax	**664**	**563**	**386**	**773**	**416**	**297**	**191**	**392**	**2,386**	**1,296**
Tax Provisions	55	47	20	13	27	49	22	40	135	138
Net Profit	**609**	**516**	**367**	**760**	**389**	**248**	**169**	**353**	**2,252**	**1,158**
YoY Growth (%)	*-265*	*31*	*152*	*-110*	*-36*	*-52*	*-54*	*-54*	*-130.6*	*-48.5*
Key Operating Parameters (%)										
Yield on loans (Cal)	15.4	16.0	16.6	16.1	16.3	16.2	16.7	17.0		
Cost of funds (Cal)	9.8	10.2	9.8	10.8	10.7	11.5	11.2	11.0		
Spreads (Cal)	5.6	5.8	6.8	5.3	5.6	4.7	5.6	6.0		
NIMs (Cal)	5.8	5.7	6.5	5.6	5.9	5.5	5.7	5.7		
Credit Cost (Cal)	-0.1	-1.0	-0.7	-0.2	-0.6	0.0	-0.2	5.0		
Cost to Income Ratio	61.4	75.6	82.6	47.7	79.5	79.9	88.7	49.3		
Tax Rate	8.3	8.3	5.1	1.7	6.5	16.6	11.6	10.1		
Balance Sheet Parameters										
AUM (INR B)	82.5	79.1	76.7	78.1	80.6	77.3	80.4	87.6		
Change YoY (%)	-2.2	-7.7	-17.0	-19.1	-2.2	-2.3	4.8	12.2		
AUM Mix (%)										
Vehicle	46.5	45.7	45.2	47.0	48.7	56.7	60.3	63.8		
Housing	17.8	19.5	19.9	20.8	21.6	24.5	25.5	25.9		
SME & Others	20.1	19.5	18.7	16.5	14.6	13.7	9.1	5.5		
Corporate	15.6	15.4	15.9	15.7	14.8	4.7	4.7	4.4		
Disbursements (INR B)	3.4	3.3	5.2	9.0	11.2	12.7	13.5	17.7		
Change YoY (%)	-45.2	-70.4	-64.7	-47.5	224.4	279.9	157.7	96.8		
Asset Quality Parameters (%)										
GS3 (INR b)	3.4	4.9	5.4	4.8	4.9	4.7	3.9	0.0		
Gross Stage 3 (% on Assets)	8.2	7.1	7.9	6.8	6.6	6.7	5.3	4.1		
Net Stage 3 (% on Assets)	3.6	2.9	3.6	3.2	3.1	3.3	2.4	1.8		

E: MOFSL estimates

Automobiles

Apr'24 sales update: Two wheelers surprise!

PV sales growth decelerates; tractor fails to revive

OEMs such as BJAUT, MM, and AL are yet to report their numbers. The overall dispatches for Apr'24 were a mixed bag, with 2W OEMs like HMCL, TVSL, and EIM clocking better-than-expected volumes while MSIL, TTMT PVs, and ESC reporting in line numbers. Strong 2W sales in Apr are likely to be a function of: 1) low base, and 2) normalization of inventory with dealers. We were surprised by the 2W growth in Apr'24 given that: 1) our channel checks did not allude to any such material revival in demand; 2) BJAUT, in its recent commentary, maintained a single-digit growth outlook for FY25 driven by the 125cc+ segment, and 3) continued weakness in tractor demand also highlights rural weakness. In CVs, while VECV sales were disappointing, TTMT CV sales surprised (due to the low base of last year).

- **2Ws:** Wholesale numbers for HMCL/TVSL/EIM grew 35%/27%/12% YoY and were above our estimates. For HMCL, while motorcycle sales were up 34.6% YoY, scooters rose 35.8% YoY. Domestic dispatches for TVSL grew 29% YoY, while those for RE grew 6% YoY. Exports for TVSL/RE jumped 18% YoY/1.1x YoY. EV volumes for TVSL surged 3x YoY to 17.4k units. Bajaj is yet to report its numbers. Strong 2W sales in Apr are likely to be a function of: 1) low base, and 2) normalization of inventory with dealers. We were surprised by the 2W growth in Apr'24 given that: 1) our channel checks did not allude to any such material revival in demand; 2) BJAUT, in its recent commentary, maintained a single-digit growth outlook for FY25 driven by the 125cc+ segment, and 3) continued weakness in tractor demand also highlights rural weakness.
- **PVs:** MSIL's volumes for Apr'24 came in at 168.1k units (grew 5% YoY) and were in line with our estimates. While domestic volumes for MSIL grew 2% YoY to 145.9k units, exports grew 31% YoY to 22.2k units (on a low base). Further, while UV volumes were up 54% YoY, growth was limited by the car segment, which declined 23% YoY. TTMT grew 2% YoY at ~48k units and was in line with our estimate. M&M is yet to report its numbers.
- **CVs:** Total CV sales for TTMT grew 31% YoY in Apr'24 (above our estimate) to 29.5k units. However, we highlight that this growth is driven largely by a low base of last year (TTMT's CV volumes declined 27% YoY in Apr'23, possibly due to sales push in Mar'23, ahead of BS6 Phase 2 transition). VECV's CV sales were down 18% YoY to 5,377 units.
- **Tractors:** ESC's Apr'24 sales were in line with our estimate at 7.5k units (flat YoY). As per the press release, "despite festive season shifting to April this year, the demand for tractors was impacted due to ongoing elections, low reservoir water levels, decreased haulage activities, and moderate rabi output. However, it expect sentiments to improve post-elections, especially with forecasts predicting a near to above-normal monsoon this year."

Surprise (Variance %)	In line (Variance %)	Disappointment (Variance %)
TTMT CVs (+29%)	MSIL (-2%)	EIM VECV (-18%)
TVSL (+14%)	TTMT PVs (-3%)	
EIM RE (+8%)	ESC (0%)	
HMCL (+19%)		

- **Valuation and view:** While the April 2W headline numbers are likely to drive positive investor sentiment towards 2W OEMs, we prefer to remain on the sidelines as we do not expect such high double-digit growth in 2W volumes to sustain in the coming months. We are positive on the PV segment, which is expected to see better earnings growth, led by an improved mix, which is in turn driven by outperformance in SUVs. While expected volume growth for the two-wheeler sector at high-single digits is likely to be better than other segments for FY24, most of it appears already priced in the recent run-up of stocks. Further, we expect CV demand to remain weak in the near term, closer to the Elections, and then pick up pace from 2HFY25. Within auto OEMs, we like MSIL, AL, and MM. Among auto component stocks, we prefer CRAFTSMA and Happy Forgings.

Snapshot of volumes for Apr-24

	YoY			MoM										
Company Sales	**Apr-24**	**Apr-23**	**YoY (%) chg**	**Mar-24**	**MoM (%) chg**	**FY25 YTD**	**FY24 YTD**	**(%) chg**	**FY25E**	**Gr. (%)**	**Residual Gr. (%)**	**Residual Monthly Run rate**	**FY24 YTD Monthly Run rate**	**Estimates Apr-24**
Maruti Suzuki	**1,68,089**	**1,60,529**	**4.7**	**1,87,196**	**-10.2**	**1,68,089**	**1,60,529**	**4.7**	**22,85,450**	**7.0**	**7.2**	**1,92,487**	**1,68,089**	**1,72,211**
LCVs	2,496	2,199	13.5	3,612	-30.9	2,496	2,199	13.5	36,464	8.0	7.6	3,088	2,496	2,375
Vans	12,060	10,504	14.8	12,018	0.3	12,060	10,504	14.8	1,41,253	3.0	2.0	11,745	12,060	9,454
Mini Segment	11,519	14,110	-18.4	11,829	-2.6	11,519	14,110	-18.4	1,46,357	3.0	5.4	12,258	11,519	12,276
Compact (incl Dzire Tour)	62,434	78,974	-20.9	74,817	-16.6	62,434	78,974	-20.9	9,33,253	5.3	7.8	79,165	62,434	68,707
Mid Size - CIAZ	867	1,017	-14.7	590	46.9	867	1,017	-14.7	10,337	0.0	1.6	861	867	509
UVs	56,553	36,754	53.9	58,437	-3.2	56,553	36,754	53.9	7,14,713	11.3	8.7	59,833	56,553	55,131
Domestic	1,45,929	1,43,558	1.7	1,61,304	-9.5	1,45,929	1,43,558	1.7	19,82,377	20.7	22.5	1,66,950	1,45,929	1,48,451
Export	22,160	16,971	30.6	25,892	-14.4	22,160	16,971	30.6	3,03,073	7.1	5.6	25,538	22,160	23,759
Tata Motors	**77,521**	**69,599**	**11.4**	**95,124**	**-18.5**	**77,521**	**69,599**	**11.4**	**10,23,217**	**5.3**	**4.8**	**85,972**	**77,521**	**72,423**
HCV's	13,218	9,515	38.9	20,400	-35.2	13,218	9,515	38.9	1,90,588	5.2	3.3	16,125	13,218	9,177
LCV's	16,320	12,977	25.8	24,427	-33.2	16,320	12,977	25.8	2,28,612	5.3	4.0	19,299	16,320	13,784
CV's	**29,538**	**22,492**	**31.3**	**44,827**	**-34.1**	**29,538**	**22,492**	**31.3**	**4,19,200**	**5.2**	**3.7**	**35,424**	**29,538**	**22,961**
PVs	47,983	47,107	1.9	50,297	-4.6	47,983	47,107	1.9	6,04,016	6.0	6.4	50,548	47,983	49,462
Hero MotoCorp	**5,33,585**	**3,96,107**	**34.7**	**4,90,415**	**8.8**	**5,33,585**	**3,96,107**	**34.7**	**59,78,413**	**6.3**	**4.2**	**4,94,984**	**5,33,585**	**4,50,057**
TVS Motor	**3,83,615**	**3,06,224**	**25.3**	**3,54,592**	**8.2**	**3,83,615**	**3,06,224**	**25.3**	**47,55,146**	**13.5**	**12.5**	**3,97,412**	**3,83,615**	**3,35,534**
Motorcycles	1,88,110	1,52,365	23.5	1,71,611	9.6	1,88,110	1,52,365	23.5	22,61,374	13.6	12.8	1,88,479	1,88,110	1,67,602
Scooters	1,44,126	1,07,496	34.1	1,31,472	9.6	1,44,126	1,07,496	34.1	18,28,155	15.3	13.9	1,53,094	1,44,126	1,20,396
Mopeds	42,356	34,925	21.3	41,363	2.4	42,356	34,925	21.3	4,93,341	5.4	4.1	40,999	42,356	36,671
Three-Wheelers	9,023	11,438	-21.1	10,146	-11.1	9,023	11,438	-21.1	1,72,275	17.9	21.2	14,841	9,023	10,866
Domestic	3,03,107	2,34,561	29.2	2,62,727	15.4	3,03,107	2,34,561	29.2	35,61,824	12.1	10.7	2,96,247	3,03,107	2,42,372
Exports	80,508	71,663	12.3	91,865	-12.4	80,508	71,663	12.3	11,93,322	17.8	18.2	1,01,165	80,508	93,162
Eicher Motors														
Royal Enfield	**81,870**	**73,136**	**11.9**	**75,551**	**8.4**	**81,870**	**73,136**	**11.9**	**9,97,216**	**9.3**	**9.0**	**83,213**	**81,870**	**76,061**
VECV	**5,377**	**6,567**	**-18.1**	**11,242**	**-52.2**	**5,377**	**6,567**	**-18.1**	**93,356**	**9.1**	**11.4**	**7,998**	**5,377**	**6,518**
Domestic LMD	2,264	3,011	-24.8	5,032	-55.0	2,264	3,011	-24.8	43,804	8.0	10.6	3,776	2,264	2,860
Domestic HD	1,263	1,590	-20.6	2,963	-57.4	1,263	1,590	-20.6	23,251	8.0	10.3	1,999	1,263	1,511
Domestic Buses	1,371	1,541	-11.0	2,530	-45.8	1,371	1,541	-11.0	19,352	12.0	14.3	1,635	1,371	1,695
VTI	123	168	-26.8	256	-52.0	123	168	-26.8	2,670	8.0	10.5	232	123	151
Domestic	**5,021**	**6,310**	**-20.4**	**10,781**	**-53.4**	**5,021**	**6,310**	**-20.4**	**89,077**	**8.8**	**11.3**	7,641	**5,021**	**6,217**
Exports	356	257	38.5	461	-22.8	356	257	38.5	4,279	15.0	13.3	357	356	301
Escorts Kubota	**7,515**	**7,565**	**-0.7**	**8,587**	**-12.5**	**7,515**	**7,565**	**-0.7**	**99,692**	**4.0**	**4.4**	**8,380**	**7,515**	**7,586**
Domestic	7,168	7,252	-1.2	8,054	-11.0	7,168	7,252	-1.2	94,039	4.2	4.7	7,897	7,168	7,179
Exports	347	313	10.9	533	-34.9	347	313	11	5,653	1	0.0	482	347	407
Const. Equipment	446	457	-2.4	785	-43.2	446	457	-2	7,203	10	10.9	614	446	

Ambuja Cements

BSE Sensex	S&P CNX
74,483	22,605

Conference Call Details

Date: 2 May 2024
Time: 14:00 IST
Dial-in details:
+91 22 6280 1143,
+91 22 7115 8044
Link for the call

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	179.2	198.2	220.0
EBITDA	33.7	44.2	51.2
Adj. PAT	23.5	28.0	32.7
EBITDA Margin (%)	18.8	22.3	23.3
Adj. EPS (INR)	11.8	11.4	13.3
EPS Gr. (%)	16.5	-7.3	16.5
BV/Sh. (INR)	153.3	190.6	199.3
Ratios			
Net D:E	-0.2	-0.4	-0.4
RoE (%)	13.2	10.4	9.0
RoCE (%)	13.8	10.9	9.3
Payout (%)	17.0	39.5	33.9
Valuations			
P/E (x)	42.2	44.0	37.8
P/BV (x)	3.3	2.6	2.5
EV/EBITDA(x)	27.9	18.6	16.1
EV/ton (USD)	288	269	247
Div. Yield (%)	0.3	0.7	0.7
FCF Yield (%)	-0.5	-0.7	0.7

CMP: INR620 **Neutral**

Weak realization leads to earnings miss

- Ambuja Cements (ACEM)'s 4QFY24 result was below estimates, primarily due to a lower-than-estimated realization. EBITDA stood at INR8.0b (vs. est. INR9.3b), while OPM came in at 16.7% (vs. est. 19.8%). PAT (adjusted for loss on sale of Sanghi's share in open market) was INR5.4b (vs. est. INR6.3b) during the quarter.
- The company aims to commission 4mtpa clinker and 4.8mtpa grinding capacity by 4QFY25. ACEM has a roadmap to reach 100mtpa/140mtpa by FY26E/FY28E, for which projects are under progress at various stages. The company's consol. cash and cash equivalent stood at INR243b (including the remaining capital infusion by the promoter of INR83.4b received in Apr'24). The Board recommended a dividend of INR2/share (~17% payout).
- **Reiterate Neutral**; we will review our assumptions after the conference call.

Volume up 18% YoY; realization declined 5%/7% YoY/QoQ

- ACEM's standalone revenue/EBITDA/Adj. PAT stood at INR47.8b/INR8.0b/INR5.4b (+12%/+1%/-3% YoY and +1%/-14%/-14% vs. our est.) in 4QFY24. Sales volume, at 9.5mt, grew 18% YoY (+6% vs. our est.). However, realization declined 5% YoY/7% QoQ to INR5,016/t (-4% vs. our est.).
- Opex/t declined 3% YoY and 5% QoQ (1% below our est.). Freight costs/other expenses/t declined 5% YoY each. However, variable cost/t was up 2% YoY (down 1% QoQ). Employee costs declined 21%/4% YoY/QoQ to INR1.3b. OPM contracted 1.8pp YoY to 16.7%. EBITDA/t declined 14% YoY to INR837.
- Consolidated volume grew 17% YoY to 16.6mt. Consol. EBITDA/t stood at INR1,026 vs. INR877/INR1,228 in 4QFY23/3QFY24.
- In FY24 (TTM), the company's standalone revenue grew 12% YoY led by 14% YoY growth in volume while realization declined 2% YoY. EBITDA grew 40% YoY to INR33.7b. EBITDA/t was up 23% YoY to INR980. Adj. PAT was up 16% YoY to INR23b.

Valuation and View

- The company set an ambitious capacity target of 140mtpa by FY28 vs. 79mtpa currently. Capital infusion (aggregate INR200b) by the promoter group would support the company's growth plan.
- We have a **Neutral** rating on the stock; however, we would like to review our assumptions after the conference call on 2nd May'24 at 2:00pm (**Link for the call**).

Standalone quarterly performance **(INR b)**

Y/E December/March	FY23* 1Q	2Q	3Q	4Q	5Q	FY24 1Q	2Q	3Q	4Q	FY23*	FY24E	MOFSL 4QE	Var. (%)
Net Sales	**39.3**	**39.9**	**36.8**	**41.3**	**42.6**	**47.3**	**39.7**	**44.4**	**47.8**	**199.9**	**179.2**	**47.1**	(3)
Change (YoY %)	8.4	18.5	13.5	10.5	8.4	18.4	8.0	7.5	12.3	43.0	-10.3	10.7	
EBITDA	**7.9**	**6.8**	**3.1**	**6.3**	**7.9**	**9.5**	**7.7**	**8.5**	**8.0**	**32.2**	**33.7**	**9.3**	(14)
Margin (%)	20.2	17.1	8.5	15.2	18.5	20.1	19.5	19.2	16.7	16.1	18.8	19.8	(311)
Depreciation	1.5	1.5	1.6	1.6	2.0	2.3	2.3	2.3	2.4	8.3	9.4	2.4	2
Interest	0.2	0.3	0.2	0.3	0.3	0.4	0.4	0.5	0.3	1.3	1.6	0.3	7
Other Income	0.3	6.3	0.4	0.9	1.7	1.9	3.8	1.1	1.8	9.5	8.5	1.9	(5)
PBT before EO Item	**6.5**	**11.4**	**1.7**	**5.3**	**7.2**	**8.7**	**8.8**	**6.8**	**7.0**	**32.1**	**31.2**	**8.5**	(18)
Extraordinary Inc./(Exp.)	0.0	0.0	-0.2	-0.6	-0.8	0.0	0.0	0.0	-0.2	-1.6	-0.2	0.0	
PBT after EO Exp./(Inc.)	**6.5**	**11.4**	**1.6**	**4.6**	**6.4**	**8.7**	**8.8**	**6.8**	**6.8**	**30.6**	**31.1**	**8.5**	(20)
Tax	1.6	0.9	0.2	0.9	1.4	2.2	2.4	1.7	1.5	5.0	7.7	2.1	
Prior period tax adj and reversal	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.0	
Rate (%)	24.2	21.1	11.7	20.4	21.9	25.6	26.8	24.5	21.8	21.3	24.9	25.3	
Reported Profit	**4.9**	**10.5**	**1.4**	**3.7**	**5.0**	**6.4**	**6.4**	**5.1**	**5.3**	**25.5**	**23.3**	**6.3**	(16)
Adjusted PAT	**4.9**	**9.0**	**1.5**	**4.1**	**5.6**	**6.4**	**6.4**	**5.1**	**5.4**	**25.2**	**23.5**	**6.3**	(14)
Change (YoY %)	(25.6)	24.2	(65.9)	37.9	13.8	(28.2)	328.5	23.8	(3.3)	18.4	(6.9)	12.8	

Source: MOFSL, Company *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March; 2) Quarterly numbers of FY23 don't add up to full year numbers due to restatement of financials

Per tonne analysis

Y/E December/March	FY23* 1Q	2Q	3Q	4Q	5Q	FY24 1Q	2Q	3Q	4Q	FY23*	FY24E	MOFSL 3QE	Var. (%)
Volume	7.5	7.4	7.0	7.7	8.1	9.1	7.6	8.2	9.5	37.8	34.4	9.0	6
Change (YoY %)	3	15	14	8	8	23	8	6	18	12	14	11	
Blended Realization	**5,243**	**5,404**	**5,220**	**5,352**	**5,273**	**5,209**	**5,235**	**5,414**	**5,016**	**5,290**	**5,209**	**5,243**	(4)
Change (YoY %)	4.8	2.9	-0.1	2.6	0.6	-3.6	0.3	1.2	-4.9	2.2	-1.5	-0.6	
Raw Material	708	435	419	970	1,077	972	958	1,375	1,463	732	1,072	992	48
Staff Cost	205	221	219	207	208	187	196	167	138	212	171	163	(15)
Power and fuel	1,377	1,786	2,010	1,570	1,281	1,290	1,273	1,047	932	1,592	1,129	1,253	(26)
Freight	1,160	1,224	1,193	1,084	1,155	1,153	1,124	1,114	1,098	1,160	1,137	1,154	(5)
Other expenditure	732	810	934	710	574	563	663	673	548	750	629	643	(15)
Total cost	**4,183**	**4,478**	**4,775**	**4,540**	**4,296**	**4,164**	**4,215**	**4,376**	**4,179**	**4,445**	**4,138**	**4,205**	(1)
EBITDA	**1,059**	**926**	**445**	**812**	**977**	**1,045**	**1,020**	**1,038**	**837**	**845**	**1,072**	**1,038**	(19)

Source: MOFSL, Company *Note: 15-month period due to change in accounting year from December to March

Cholamandalam Inv. & Finance

BSE SENSEX	S&P CNX
74,483	22,605

Conference Call Details

Date: 2nd May 2024
Time: 10:00 AM IST
Dial-in details:
Link for the call

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Total Income	99.9	135.4	167.2
PPP	59.0	83.7	104.7
PAT	34.2	47.7	59.6
EPS (INR)	40.7	56.8	69.5
EPS Gr. (%)	26	39	22
BV (INR)	233	287	371
Valuations			
NIM (%)	6.7	7.1	7.1
C/I ratio (%)	40.9	38.1	37.3
RoAA (%)	2.5	2.7	2.8
RoE (%)	20.2	21.9	21.3
Payout (%)	6.1	4.4	4.3
Valuations			
P/E (x)	29.3	21.0	17.2
P/BV (x)	5.1	4.2	3.2
Div. Yield (%)	0.2	0.2	0.3

CMP: INR1,194 — Buy

Earnings beat aided by lower credit costs; NIM stable QoQ

AUM growth at ~37% YoY; opex elevated due to investments in newer businesses

- CIFC's 4QFY24 PAT grew ~24% YoY to INR10.6b (9% beat). NII grew ~33% YoY to ~INR23.5b (in line). Other income grew ~89% YoY to~INR5.6b (28% beat).
- Opex, in 4QFY24, rose ~63% YoY to ~INR12.85b (15% higher than est.), while cost-to-income ratio rose ~6pp YoY to ~44% (PY: ~38%). This was primarily due to higher employee expenses, which jumped ~102% YoY. PPoP grew ~28% YoY to INR16.3b (in line).
- NIM (calc.) remained stable QoQ, but core spreads (calc.) declined ~15bp to 6.2%, due to a decline in yields (calc.) by ~20bp QoQ.
- GS3/NS3 declined ~35bp/22bp QoQ to 2.5%/1.3%, while PCR on S3 rose ~130bp to ~46%. ECL/EAD declined to 1.72% (PQ: ~2%). 4QFY24 credit costs stood at ~INR1.9b. This translated into annualized credit costs of ~0.5% (PQ: ~1.1% and PY: 0.5%).
- CIFC is the best play among asset financiers. It has delivered healthy growth in disbursements and AUM by strategically going underweight/overweight across its diversified product segments. It has also managed to rein in the asset quality earlier seen in its CSEL business. CIFC would continue to deliver strong loan growth with benign credit costs. **We have a positive outlook on the stock.**

Business momentum healthy across all products

- Business AUM grew 37% YoY/9% QoQ, with newer businesses now forming ~12% of the AUM mix. Within vehicle finance, MUV/Cars/ 3W/CE registered sequential growth of 11%/ 6%/ 15%/7%.
- Disbursements were strong at ~INR248b (in-line) and grew 18% YoY. Newer lines of businesses contributed ~23% to the disbursement mix (same as the prior quarter).

Asset quality continues to improve across all products

- GS3 improved across Vehicle Finance, Home Loans, and LAP and remained stable in the (overall) newer business segments. GS3 in newer businesses was broadly stable QoQ at 1.12% (PQ: 1.08%) and the company has also increased the S3 PCR on newer businesses to ~46% (PQ: 45%).
- Stage 2 + Stage 3 (30+ dpd) improved ~120bp QoQ to ~4.7%.
- CAR stood at 18.6% (Tier 1: 15.1%) as of Mar'24. Tier 2 includes ~INR20b of CCD raised in Oct'23, which is compulsorily convertible into equity in Sep'26.

Valuation and view

The key monitorables are: 1) demand outlook for the vehicle financing segment, 2) growth outlook for personal loans (CSEL) and expectations on asset quality in this segment, and 3) the margin trajectory. It will also be important to understand the underlying reasons for elevated cost ratios and the operating cost outlook for the next year. We will revisit our estimates after the earnings call on 2nd May'24.

Quarterly Performance **(INR m)**

Y/E March	FY23				FY24E				FY23	FY24	4QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	26,123	28,293	31,416	34,991	38,492	42,205	46,099	49,341	1,20,822	1,76,137	49,844	-1
Interest Expenses	11,309	13,404	15,433	17,342	20,071	22,052	24,390	25,793	57,488	92,306	26,657	-3
Net Interest Income	**14,814**	**14,888**	**15,983**	**17,649**	**18,421**	**20,153**	**21,709**	**23,548**	**63,334**	**83,831**	**23,187**	2
YoY Growth (%)	*16.9*	*17.3*	*17.2*	*29.0*	*24.3*	*35.4*	*35.8*	*33.4*	*20.2*	*32.4*	*31.4*	
Other Income	1,587	2,085	2,334	2,952	2,845	3,514	4,088	5,580	8,958	16,026	4,373	28
Total Income	**16,401**	**16,974**	**18,317**	**20,601**	**21,265**	**23,667**	**25,797**	**29,127**	**72,292**	**99,857**	**27,560**	6
YoY Growth (%)	*20.3*	*21.9*	*23.4*	*32.0*	*29.7*	*39.4*	*40.8*	*41.4*	*23.8*	*38.1*	*33.8*	
Operating Expenses	5,797	6,611	7,520	7,870	7,867	9,461	10,640	12,850	27,799	40,818	11,195	15
Operating Profit	**10,604**	**10,363**	**10,797**	**12,731**	**13,399**	**14,206**	**15,157**	**16,278**	**44,494**	**59,039**	**16,365**	-1
YoY Growth (%)	*6.8*	*18.4*	*13.4*	*39.6*	*26.4*	*37.1*	*40.4*	*27.9*	*18.0*	*32.7*	*28.5*	
Provisions & Loan Losses	2,986	2,782	1,589	1,140	3,723	3,998	3,588	1,908	8,497	13,218	2,997	-36
Profit before Tax	**7,617**	**7,581**	**9,208**	**11,591**	**9,675**	**10,208**	**11,569**	**14,369**	**35,997**	**45,821**	**13,368**	7
Tax Provisions	1,961	1,947	2,365	3,063	2,415	2,583	2,807	3,788	9,335	11,593	3,624	5
Net Profit	**5,657**	**5,634**	**6,843**	**8,528**	**7,260**	**7,625**	**8,762**	**10,581**	**26,662**	**34,228**	**9,744**	9
YoY Growth (%)	*73.1*	*-7.1*	*30.6*	*23.7*	*28.3*	*35.3*	*28.0*	*24.1*	*24.2*	*28.4*	*14.3*	
Key Parameters (Calc., %)												
Yield on loans	13.6	13.7	14.1	14.1	14.1	14.3	14.4	14.3	13.2	14.1		
Cost of funds	6.3	7.0	7.3	7.4	7.8	7.8	8.0	8.0	6.9	8.0		
Spread	7.3	6.7	6.7	6.7	6.3	6.6	6.4	6.2	6.3	6.1		
NIM	7.5	7.0	7.0	7.0	6.7	6.7	6.7	6.7	7.1	6.7		
C/I ratio	35.3	38.9	41.1	38.2	37.0	40.0	41.2	44.1	38.5	40.9		
Credit cost	1.5	1.3	0.7	0.5	1.3	1.3	1.1	0.5	0.9	1.0		
Tax rate	25.7	25.7	25.7	26.4	25.0	25.3	24.3	26.4	25.9	25.3		
Balance Sheet Parameters												
Disbursements (INR b)	**133**	**146**	**176**	**210**	**200**	**215**	**224**	**248**	**665**	**886**		
Growth (%)	266.7	68.0	68.4	65.3	50.2	47.3	27.5	17.9	87.5	33.2		
AUM (INR b)	**819**	**877**	**955**	**1,065**	**1,148**	**1,242**	**1,338**	**1,456**	**1,065**	**1,456**		
Growth (%)	20.8	25.2	31.3	38.5	40.1	41.7	40.1	36.7	38.5	36.7		
AUM mix (%)												
Vehicle finance	67.6	65.7	64.2	62.9	61.9	60.7	59.5	58.0	62.9	58.0		
Home Equity	21.6	21.5	20.9	20.3	19.9	19.9	20.1	20.5	20.3	20.5		
Home loans & Others	10.8	12.8	14.9	16.9	18.2	19.4	20.4	21.4	8.9	12.2		
Borrowings (INR b)	**739**	**793**	**893**	**974**	**1,081**	**1,195**	**1,231**	**1,345**	**974**	**1,345**		
Growth (%)	17.0	27.3	35.7	40.7	46.3	50.6	37.8	38.1	40.7	38.1		
Asset Quality Parameters												
GS 3 (INR B)	34.1	33.8	33.7	32.2	35.5	37.2	38.1	36.5	32.2	36.5		
GS 3 (%)	4.2	3.8	3.5	3.0	3.1	3.0	2.8	2.5	3.0	2.5		
NS 3 (INR B)	20.2	19.8	19.9	17.4	19.4	19.6	20.9	19.5	17.4	19.5		
NS 3 (%)	2.5	2.3	2.1	1.7	1.7	1.6	1.6	1.4	1.7	1.4		
PCR (%)	40.7	41.5	41.0	46.0	45.4	47.3	45.1	46.4	46.0	46.4		
Vehicle finance AUM mix (%)												
LCV	21.0	21.4	20.9	21.0	20.8	20.7	19.9	19.7	21.0	19.7		
Cars & MUV	18.9	19.4	19.9	20.2	20.7	21.2	21.8	22.3	20.2	22.3		
3W & SCV	4.6	4.5	4.4	4.2	4.0	3.9	3.9	3.7	4.2	3.7		
Used CV	27.4	27.1	26.9	26.6	26.7	26.9	27.0	27.3	26.6	27.3		
Tractor	9.6	9.2	9.0	8.4	8.1	7.8	7.5	6.9	8.4	6.9		
HCV	7.2	7.0	6.7	7.1	6.9	6.7	6.6	6.7	7.1	6.7		
CE	6.4	6.4	6.5	6.7	6.6	6.5	6.5	6.6	6.7	6.6		
Two wheeler	4.9	5.2	5.7	5.8	6.1	6.4	6.8	6.7	5.8	6.7		

E: MOFSL estimates

Exide

BSE SENSEX	S&P CNX
74,483	22,605

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Sales	160.3	177.2	195.0
EBITDA	18.7	21.9	24.3
Adj. PAT	10.5	12.7	14.2
Adj. EPS (INR)	12.4	15.0	16.7
EPS Gr. (%)	16.5	20.8	11.8
BV/Sh. (INR)	154.6	166.3	179.8
Ratio			
RoE (%)	8.0	9.0	9.3
RoCE (%)	8.9	9.3	9.5
Payout (%)	16.1	21.4	19.1
Valuations			
P/E (x)	38.1	31.6	28.2
P/BV (x)	3.1	2.8	2.6
Div Yield (%)	0.4	0.7	0.7
FCF Yield (%)	3.8	2.3	3.4

CMP: INR472 — Neutral

Operating performance beat mainly due to lower RM costs

- 4QFY24 revenues grew 13%YoY to INR40.1b (vs. est INR40.7b).
- Gross margin expanded 320bp YoY (+150bp QoQ) to 33% (vs. est 31.8%) as lead prices declined 2% YoY.
- Further, despite higher other expenses (+80bp YoY/ +50bp QoQ; as a % of sales) EBITDA margin expanded 250bp YoY to 12.9%.
- EBITDA improved 41% YoY to INR5.2b (vs. est INR4.9b).
- Further, despite lower 'other income' adj PAT grew 36.5% YoY to ~INR2.8b (in line).
- FY24 revenues/EBITDA/adj.PAT grew 10%/19%/17% YoY.
- FY24 FCFF improved to INR15.1b (vs. INR5b in FY23) due to better CFO, which came in at INR20b (vs. INR8.5b in FY23) despite higher capex of INR4.8b (vs. INR3.5b in FY23).
- Board declared a final dividend of INR2/share, similar to that of FY23 levels.
- Mr. Avik Kumar Roy would be the new MD and CEO of the company, effective from May 01, 2024 for a period of three years. He has served as the president of the Industrial division since 2019.
- EXID would be hosting a concall to discuss 4Q results sometime in mid-May. We will keep investors posted about the same.
- Important points from the press release:
  - Automotive division volumes were supported by good traction in both OEMs and replacement categories. Exports recovery has been gradual.
  - Double-digit growth has been witnessed in most verticals of the industrial division, primarily driven by an increase in private/public capex and government thrust on infra building.
  - During the current quarter, EXID invested INR1.8b as equity in the wholly owned subsidiary, Exide Energy Solutions Limited (EESL). EXID's investment in EESL through equity amounts to INR23b as of Mar 2024.
  - It has signed a non-binding MoU with Hyundai/Kia for the development, production, and supply of battery cells for Hyundai's EV program for the domestic market. New Li-ion plant construction is progressing as per timelines.
- Commenting on the performance, Mr. Subir Chakraborthy, MD & CEO, said "We had one of the best quarterly performances, with sales and operating profits growing by 13% and 41%, respectively. Demand scenario was upbeat, and our diversified and technologically advanced product offerings helped us capture the opportunities across end customer markets. EBITDA margin increased to 12.9% during the quarter from 10.4% in the same quarter last year. For the full financial year, our performance was commendable with sales and operating profits growing by 10% and 19%, respectively. Outlook is positive both for the Automotive and Industrial verticals and we aim to deliver healthy sales

growth and increased profitability in the near-to medium term. Our lithium-ion cell manufacturing project is progressing well and is expected to be commissioned within defined timelines. We are positive about the future and are very well positioned to capitalize on opportunities both in the lead-acid as well as in the lithium-ion battery space."

- Valuation view: The stock trades at 32x/28x FY25E/FY26E consol. EPS. Maintain Neutral.

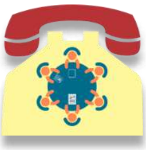
S/A Quarterly Performance (INR Million)

Y/E March	FY23				FY24				FY23	FY24	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Net Sales	**38,994**	**37,189**	**34,121**	**35,430**	**40,726**	**41,067**	**38,405**	**40,094**	**1,45,919**	**1,60,292**	**40,737**
Growth YoY (%)	56.8	13.0	6.7	3.7	4.4	10.4	12.6	13.2	17.6	9.8	15.0
Gross operating income	**38,994**	**37,189**	**34,121**	**35,430**	**40,726**	**41,067**	**38,405**	**40,094**	**1,45,919**	**1,60,292**	**40,737**
Growth YoY (%)	56.8	13.0	6.7	3.7	4.4	10.4	12.6	13.2	17.6	9.8	15
RM(%)	72.1	69.5	67.7	70.2	71.7	68.9	68.5	67.0	69.9	69.1	68.2
Employee cost (%)	5.5	5.9	6.3	6.2	5.8	6.2	6.4	6.1	6.0	6.1	6.3
Other Exp(%)	12.5	13.5	14.3	13.3	11.8	13.1	13.6	14.1	13.4	13.1	13.5
Total Cost	35,127	33,065	30,111	31,758	36,404	36,235	34,006	34,932	1,30,239	1,41,578	35,868
EBITDA	**3,866**	**4,124**	**4,010**	**3,672**	**4,322**	**4,831**	**4,399**	**5,162**	**15,680**	**18,714**	**4,869**
EBITDA Margin(%)	9.9	11.1	11.8	10.4	10.6	11.8	11.5	12.9	10.7	11.7	12.0
Change (%)	48.4	-0.2	7.6	4.9	11.8	17.1	9.7	40.6	12.1	19.3	33
Non-Operating Income	322	356	234	412	192	392	227	34	1,324	845	232
Interest	64	62	82	83	98	115	145	128	295	486	142
Depreciation	1,091	1,120	1,153	1,193	1,194	1,259	1,274	1,248	4,558	4,975	1,279
PBT after EO Exp	**3,034**	**3,298**	**3,009**	**2,808**	**3,222**	**3,849**	**3,208**	**3,819**	**12,151**	**14,099**	**3,679**
Effective Tax Rate (%)	25.4	25.3	25.8	26.0	24.9	25.4	25.1	25.7	25.6	25.3	24.9
Adj. PAT	**2,263**	**2,462**	**2,232**	**2,078**	**2,419**	**2,870**	**2,403**	**2,838**	**9,036**	**10,530**	**2,763**
Change (%)	80.5	5.1	9.4	-24.7	6.9	16.6	7.7	36.5	7.5	16.5	33.0

Castrol India

BSE SENSEX	S&P CNX
74,483	22,605

Conference Call Details



Date: 2nd May 2024
Time: 12:15pm IST
Dial-in details:
+91 22 6280 1164
+91 22 7115 8065

CMP: INR211 — Buy

Miss due to higher-than-expected RM cost and other expenses

- Revenue stood at INR13.3b (in line with our est., +2% YoY).
- EBITDA stood at INR2.9b (our est. at INR3.3b, flat YoY) due to higher-than-expected RM cost and other expenses
- ➢ EBITDA margin stood at 22.2% (vs. 22.8% in 1QCY23)
- PAT stood at INR2.2b (our est. of INR2.4b, +7% YoY)

Key highlights from the quarter:

- Empowered 12k truckers in 31 cities nationwide
- Castrol POWER1's 'India's Ultimate MotoStar' garnered over 10,000 registrations nationally, especially from tier II and III cities.
- Castrol has expanded its footprint to over 9k multi-brand passenger car workshops and close to 28k independent bike workshops.

Further details awaited.

Quarterly Performance (INR m)

Y/E December	CY23				CY24		Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1QE	1QAct	(%)	(%)	(%)
Net Sales	**12,939**	**13,338**	**11,829**	**12,640**	**13,276**	**13,252**	**0%**	**2%**	**5%**
YoY Change (%)	*4.7*	*7.4*	*5.5*	*7.5*	*2.6*	*2.4*			
EBITDA	**2,950**	**3,098**	**2,686**	**3,291**	**3,250**	**2,937**	**-10%**	**0%**	**-11%**
YoY Change (%)	*-7.0*	*8.3*	*4.4*	*31.3*	*4.9*	*-5.2*			
Margin (%)	*22.8*	*23.2*	*22.7*	*26.0*	*24.5*	*22.2*	*-2.3*	*-0.6*	*-3.9*
Depreciation	227	218	229	250	224	237			
Interest	17	15	24	20	9	21			
Other Income	176	186	202	223	188	241			
PBT	**2,883**	**3,050**	**2,635**	**3,243**	**3,205**	**2,921**	**-9%**	**1%**	**-10%**
Tax	858	797	691	824	808	758			
Rate (%)	*29.8*	*26.1*	*26.2*	*25.4*	*25.2*	*26.0*			
Adj. PAT	**2,025**	**2,253**	**1,944**	**2,419**	**2,398**	**2,162**	**-10%**	**7%**	**-11%**
YoY Change (%)	*-11.3*	*9.2*	*3.9*	*25.2*	*18.4*	*6.8*			

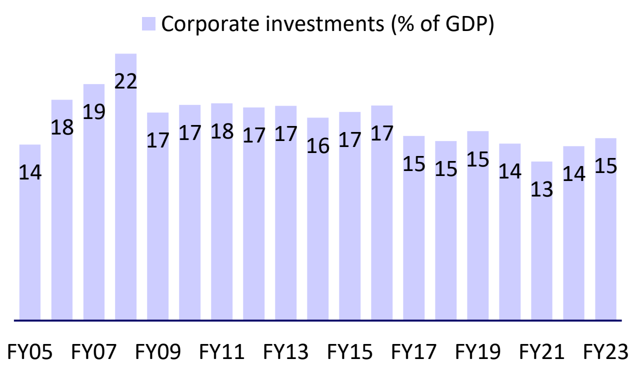
Will corporate capex pick up after elections?

May be, may be not

- **According to the official statistics, corporate (public + private financial and non-financial companies) capex in FY23 was 14.8% of GDP, better than its two-decade low of 12.9% of GDP in FY21, but the same as in the pre-pandemic years (FY17 to FY20) and much lower than its all-time peak of 21.6% of GDP in FY08. This single set of data holds the answers to two very important questions, which dominate the current economic discussions in India:**
  1. **Notwithstanding a four-decade low household net financial savings (HHNFS), why isn't India's current account deficit (CAD) wider?**
  2. **Will corporate capex pick up after 2024 general elections, assuming political stability prevails?**
- **The first question pertains to the present (and the recent past), while the second question is speculative regarding the future. Because of an absence of a widening in India's CAD, many analysts have dismissed the collapse in HHNFS. However, one must remember that CAD represents the entire economy's behavior, and household sector is only a subset of an economy. The answer to the first question lies in the sea change witnessed in the behavior of India's corporate sector post the great financial crisis (GFC) of 2008. Corporate investments in India took a sharp dip post-GFC, falling from its peak of 21.6% of GDP in FY08 to around 17% of GDP over the next few years (up to FY16), before it took another south bound move toward 15% of GDP in the run-up to the pandemic *(Exhibit 1)*.**
- **At the same time, corporate savings fell from 14% of GDP in FY08 to about 11% of GDP in the immediate years post-GFC, but has picked up back to 14% of GDP since FY15 (it averaged 13% of GDP between FY19 and FY21). In FY23, corporate savings are estimated at 14.1% of GDP, same as in FY22 *(Exhibit 2)*. It means that while corporate investments are way off their peak (or a decade ago) levels, corporate savings are almost the same as its pinnacle seen in FY08.**
- **Consequently, the corporate sector has turned from a huge net borrower (i.e., higher investments vis-à-vis savings) till early-2010s to a marginal borrower in recent years. At its peak, the net borrowings of the corporate sector amounted to 7.7% of GDP in FY08, which came down to 3% of GDP between FY14 and FY16 *(Exhibit 3)*. During the past seven years (including the pre- and post-pandemic years, i.e. FY17-FY23), its net borrowings have averaged only 0.8% of GDP, with 0.1% of GDP in FY22 and 0.7% of GDP in FY23. At one hand, lower net borrowings of the corporate sector reflects their muted confidence (or the need) to invest; on the other hand, it represents the space available with the corporate sector to push its capex, as and when they decide to.**
- **In any case, it's the weak corporate investments (or lower borrowings on their part) which is keeping India's CAD contained, despite a sharp decline in HHNFS. If HHNFS remains low (to which many commentators don't give too much importance right now) but the corporate investments pick up (as is almost unanimously believed), CAD will undoubtedly widen. This is exactly what happened in all three previous episodes of investment recovery in India in late 1980s, mid-2000s and early 2010s *(Exhibit 4)*. As India's investment rate (as % of GDP) increased to 26% in FY91 from 20% in FY87, CAD widened by 1.2 percentage points (pp) of GDP, contributing about 20% to the pick-up in investment. The contribution of foreign savings (or CAD) increased to 32% during the mid-2000s (as investment rate picked up to 38.1% of GDP in FY08 from 26.8% in FY04, CAD widened by 3.6pp of GDP) and further to 43% during the post-GFC episode (investment rate was 39% of GDP in FY12 from 34.3% in FY09, and CAD widened by 2pp of GDP during this period).**
- **This brings us to the second question: *Will corporate capex pick up strongly from FY25 onwards after the elections are over, and assuming political stability?* Like most of the times, we resort to historical data to answer this question and while it doesn't take our hopes away, it also certainly does not provide a lot of enthusiasm *(Exhibit 5)*. A look at the movements in corporate capex – in nominal terms – in the pre- and post-election two-year periods since 2004 confirms that while it picked up strongly in the post-election period vs. pre-election period in 2004 and 2009, the growth difference was not significant in the last two elections (i.e., 2014 and 2019).**

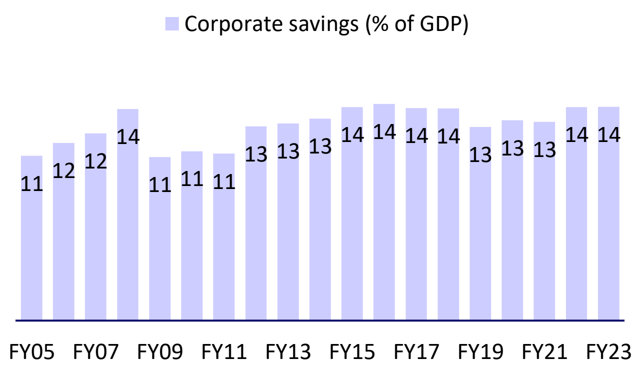
- One of the clear limitations of such analysis is that many election years in India coincided with other important developments, which, at least to some extent, cloud this analysis. 2004 was the inflection point for India (and the World), coming out from a slow-growth at the turn of the century to the best-ever growth period. 2009 was immediately after the GFC (FY09 was the pre-election year and FY10 was the post-election year for India). Again, 2014 was the year immediately after the 'Taper tantrum' and while pre-2019 was a more normal period, the post-2019 period was affected by the pandemic in early 2020 (that's why we have used FY20-FY23 average for post-2019 election period).
- Although this analysis of performance of corporate capex during the pre- and post-elections comes with major riders, there are two key takeaways: a) that post-election growth in corporate capex has been better than the pre-election growth in three of the last four elections, and b) that there was only a marginal pick-up in growth post-2014 elections, and corporate investments grew slowly after 2019 elections (based on FY20-FY23 average). The last two elections, I believe, hold more weight than 2004 and 2009 to understand the potential scenario post-2024 elections.
- Further details suggest that PSU investments exhibit greater volatility compared to those in the private corporate sector. In 2014, the recovery in corporate investments in the post-election period was largely driven by PSUs, while the same sector was responsible for the weak growth in the post-election period in 2019 ***(Exhibit 6)***. The average growth in private corporate investments during the pre- and post-election period in 2014 and 2019 was narrow-ranged, between 11% and 13%. However, the growth in PSUs capex moved wildly, as it picked up strongly in the post-election period in 2014 and weakened dramatically post-2019 election.
- Overall, thus, historical data (especially the last two elections) do not confirm any strong pick up in corporate capex in the post-election period. However, it could still happen if the central government decides to go back to pre-2021 arrangement; pushing the capex through PSEs, as it focuses on the fiscal deficit consolidation. If so, even though corporate capex improves, it will only offset lower government's capex. At the same time, if the private corporate capex also picks up after election, we must be well aware of the constraint posed by lower HHNFS, as a benign CAD could go out of hand very quickly.

Exhibit 1: Corporate capex in FY23 was similar to that in the pre-pandemic years, but lower than in FY08…



Including private and public financial and non-financial companies 2004-05 up to FY11; 2011-12 base since FY12

Exhibit 2: …however, corporate savings in the past many years are closer to FY08 peak



Source: Central Statistics Office (CSO), Reserve Bank of India (RBI), CEIC, MOFSL

GST Monitor: GST collections hit an all-time high...

...reaches INR2.1t in Apr'24

- **GST collections hit an all-time high of INR2.1t in Apr'24, reflecting year-end sales in Mar'24 (vs. INR1.78t in Mar'24 and INR1.87t in Apr'23). Collections grew 12.4% YoY in Apr'24 vs. a growth of 11.5% YoY in Mar'24 and 11.6% in FY24. The increase in Apr'24 GST collections YoY is mainly led by higher IGST collections *(Exhibit 1).***
- **In Apr'24, CGST collections amounted to INR438b (up 14.1% YoY in Apr'24 vs. 15.9% YoY in Apr'23) and SGST collections stood at INR535.4b (up 12.9% YoY in Apr'24 vs. 13.4% YoY in Apr'23). The IGST collections amounted to INR996b (up 11.7% YoY in Apr'24 vs. 8.8% YoY in Apr'23; *Exhibit 2).***
- **Robust receipts from domestic transactions along with a higher compliance in the backdrop of anti-evasion measures taken by authorities led increase in GST collections in Apr'24. GST collected on domestic activities grew 13.4% in Apr'24 vs. 16.2% in Apr'23. At the same time, GST collected on imports grew 8.2% YoY to INR388.3b in Apr'24 vs. a contraction of 4.7% YoY in Apr'23. GST collected on domestic transactions constitutes 82% of the total GST receipts in Apr'24 vs. 81.3% in Apr'23 and 78% in FY24 *(Exhibit 3).***
- **For FY25, the GoI has budgeted a growth of 11.6%, implying GST receipts of INR22.6t or monthly receipts of INR1.88t *(Exhibit 4)*. We believe the FY25BE target is achievable. We had mentioned in our last monthly update that we could achieve GST collections of INR2.0-2.1t in Apr'24. However, one must not get carried away by a new record-high monthly collection because GST collections in the month of April are usually the highest in a fiscal year. We believe that this number will moderate in the coming months; however, we can comfortably achieve the FY25 budgeted GST collection target (average monthly receipts of INR1.88t).**

Exhibit 1: GST collections stood at INR2.1t in Apr'24...

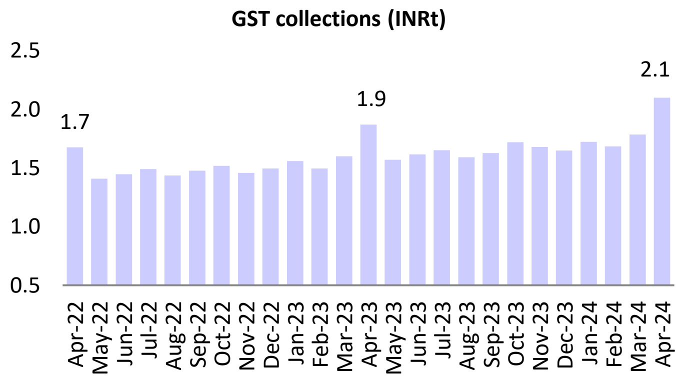


Exhibit 2: ...led by higher IGST collections

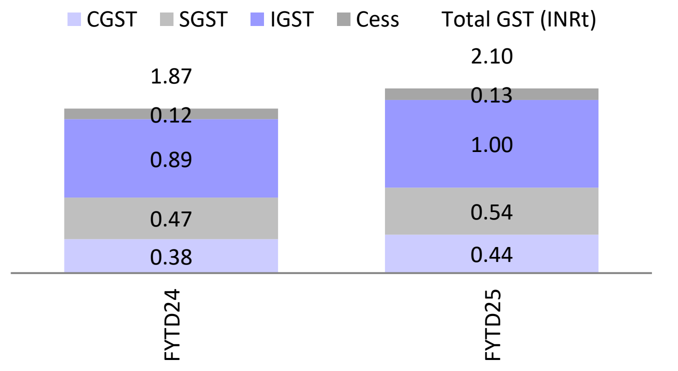


Exhibit 3: GST collected on domestic activities reached 82% in Apr'24

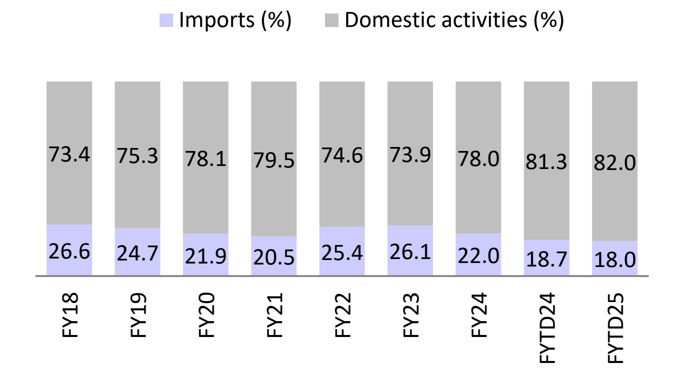
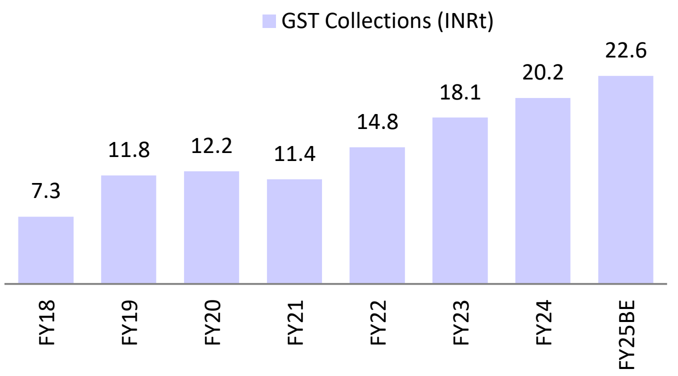


Exhibit 4: FY25 GST collections budgeted at INR22.6t, implying average monthly receipts of INR1.88t



Source: Finance Ministry, MOFSL

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