Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,512	-0.5	1.8
Nifty-50	22,303	-0.6	2.6
Nifty-M 100	49,674	-1.9	7.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,188	0.1	8.8
Nasdaq	16,333	-0.1	8.8
FTSE 100	8,314	1.2	7.5
DAX	18,430	1.4	10.0
Hang Seng	6,527	-0.7	13.1
Nikkei 225	38,835	1.6	16.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	82	-1.5	5.8
Gold ($/OZ)	2,314	-0.4	12.2
Cu (US$/MT)	9,894	1.1	16.9
Almn (US$/MT)	2,522	0.5	7.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.5	0.0	0.4
USD/EUR	1.1	-0.1	-2.6
USD/JPY	154.7	0.5	9.7
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	0.02	0.0
10 Yrs AAA Corp	7.5	0.01	-0.2
Flows (USD b)	**7-May**	**MTD**	**CYTD**
FIIs	-0.4	-0.92	-0.2
DIIs	0.28	0.61	18.7
Volumes (INRb)	**7-May**	**MTD***	**YTD***
Cash	1,158	1257	1185
F&O	4,34,980	3,16,006	3,85,427

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Godrej Consumer: Playbook remains unchanged; positive outcomes set to continue

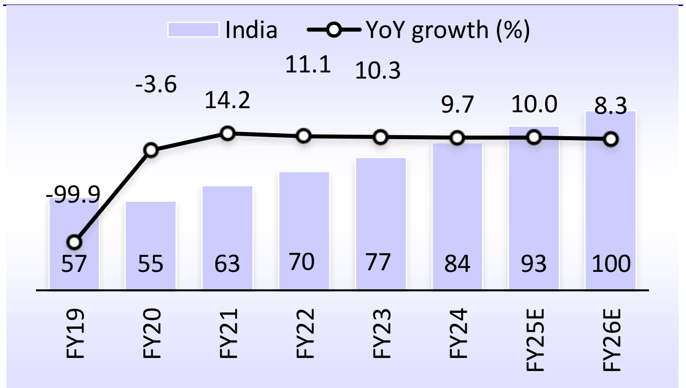
- Godrej Consumer (GCPL) achieved a 6% YoY consolidated net revenue growth to INR33.8b, with a 30% YoY growth in constant currency (CC) in 4QFY24. In India, the company recorded a healthy 12% YoY revenue growth (5% organic) and a notable 15% YoY volume growth (7% organic).
- Despite subdued conditions in certain segments, such as the HI category, personal wash maintained strong performance, while hair color saw impressive double-digit volume growth. However, international performance was impacted by forex challenges, with Indonesia showing resilience with a 15% YoY revenue increase (17% in CC).
- Looking ahead, GCPL aims for high single-digit volume growth in FY25, focusing on expanding its Total Addressable Market (TAM) and rural market penetration through Project Vistaara 2.0. We raise our EPS by 1%/3% for FY25/FY26. We reiterate our BUY rating with a TP of INR1,550 (based on 55x FY26E EPS).

Research covered

Cos/Sector	Key Highlights
Godrej Consumer	Playbook remains unchanged; positive outcomes set to continue
Dr Reddy's Labs	US/India drive earnings growth
Lupin	Niche product drives earnings growth
Other Updates	Phoenix Mills | IRB Infrastructure | MAX Financial Services | CreditAccess Grameen | Navin Fluorine International | Fusion Microfinance | Pidilite | SRF | United Breweries | Voltas | Indraprastha Gas | KEC International | Kajaria Ceramics | Expert Speak (Insurance)

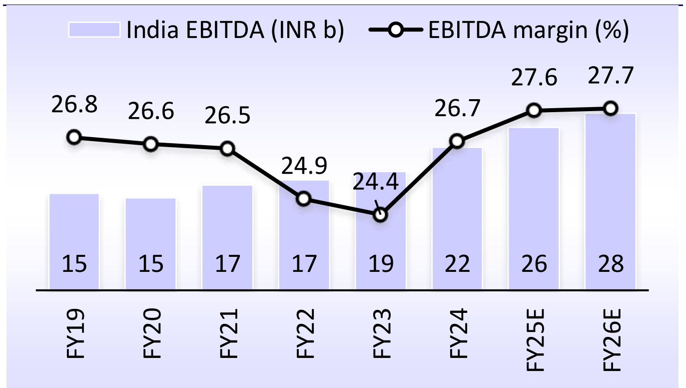
Chart of the Day: Godrej Consumer (Playbook remains unchanged)

Revenue to grow in high single digit



Source: MOFSL, Company

EBITDA margin recovery continues



Source: MOFSL, Company

In the news today

Kindly click on textbox for the detailed news link

1

Cheers for rural market as FMCG volume grows 6.5% in March quarter

The industry has seen 6.6 percent hike in terms of value, indicating a 6.5 percent growth in volume nationally.

2

Tesla pullback puts onus on others to build electric vehicle chargers

Musk's decision to lay off the 500-member team responsible for installing charging stations, and to sharply slow investment in new stations, baffled the industry and raised doubts about whether the number of public chargers would grow fast enough to keep pace with sales of battery…

3

Post Ukraine, India has been best in managing inflation: Marico MD Saugata Gupta

Marico saw its domestic volume rise 3% during the March quarter with flat revenue while gross margins expanded 417 basis points. The company said the market will be slightly inflationary, which could warrant a slight price increase. Last month, it hiked 6% in Parachute and said it will not dampen demand for the hair oil brand.

4

Adani Enterprises to invest Rs 80,000 crore in capex this fiscal

Adani Enterprises plans ₹80,000 crore capex, focusing on ANIL and airports. Ganga Expressway gets ₹12,000 crore. Shah mentions coal-to-PVC and data center. Debt rises 31%. ANIL includes green hydrogen, wind turbines, and large monocrystalline unit.

5

HP India in talks with Dixon Technologies, VVDN for laptop assembly

VVDN has already partnered with Hewlett Packard Enterprise (HPE) to assemble servers for the US company at its Manesar plant in Haryana

6

Govt should permit export of 20 lakh tonnes of sugar in current season, says ISMA as sugar output meets expectation

Taking into account an opening stock of approximately 56 lakh tonnes as of October 1st, 2023, and a forecasted domestic consumption of 285 lakh tonnes for the season, ISMA has projected a significantly higher closing stock of 91 lakh tonnes

7

Petro products exports fall 11% in April

Shipments Asia, Europe decline as domestic consumption grows

Godrej Consumer

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	GCPL IN
Equity Shares (m)	1023
M.Cap.(INRb)/(USDb)	1352.5 / 16.2
52-Week Range (INR)	1350 / 932
1, 6, 12 Rel. Per (%)	10/15/18
12M Avg Val (INR M)	1169

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	141.0	155.2	169.3
Sales Gr. (%)	5.9	10.1	9.1
EBITDA	30.7	34.3	38.2
EBITDA mrg. (%)	21.8	22.1	22.6
Adj. PAT	19.8	23.2	28.1
Adj. EPS (INR)	19.3	22.7	27.4
EPS Gr. (%)	13.2	17.6	20.8
BV/Sh.(INR)	123.3	138.0	155.5
Ratios			
RoE (%)	15.0	17.4	18.7
RoCE (%)	15.2	15.8	17.5
Payout (%)	31.1	35.2	36.4
Valuations			
P/E (x)	68.4	58.2	48.2
P/BV (x)	10.7	9.6	8.5
EV/EBITDA (x)	44.3	39.4	35.0
Div. Yield (%)	0.5	0.6	0.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	63.2	63.2	63.2
DII	8.9	8.4	7.1
FII	22.6	23.0	23.7
Others	5.3	5.5	5.9

FII Includes depository receipts

CMP: INR1,320 TP: INR1,550 (+17%) Buy

Playbook remains unchanged; positive outcomes set to continue

- Godrej Consumer (GCPL) reported a 6% YoY consolidated net revenue growth to INR33.8b (exactly in line); constant currency (CC) growth was 30% YoY in 4QFY24. The India business clocked 12% YoY revenue growth (5% organic) with a volume growth of 15% YoY (7% organic).
- In India, the home care and personal care segments registered 6% and 4% YoY growth, respectively. The HI category was hit by a subdued season, especially in the North and East. Personal wash clocked high single-digit volume growth, sustaining its market share gain. The hair color volume growth was in double digits. RCCL clocked a strong 22% YoY growth with a sales run rate of INR1.4b during the quarter.
- The international performance was hit by forex. Indonesia's revenue was up 15% YoY (17% in CC) with a healthy UVG of 12%. GUAM's revenue performance was hit by the devaluation of the naira; it posted +16% YoY growth in CC terms.
- GCPL clocked strong volume growth in FY24 and aims to deliver high single-digit volume growth in FY25. The company plans to keep expanding its TAM. It is also looking to gain share in rural markets by expanding its market reach. Under Project Vistaara 2.0, the company plans to double the outlet coverage and triple the village coverage. There are still various profitability levers (RCCL, Indonesia, and ROW) available for GCPL to further improve its margin metric.
- **We raise our EPS by 1%/3% for FY25/FY26. We reiterate our BUY rating with a TP of INR1,550 (based on 55x FY26E EPS).**

Strong volume-driven performance

Consolidated performance

- **Volume growth remains strong:** GCPL's 4QFY24 consolidated net sales grew 6% YoY to INR33.8b (exactly in line). Consolidated sales grew 30% YoY in CC. Consolidated volume grew 12% YoY, and organic volume rose 9% YoY.
- **Strong earnings growth led by margin expansion**: The gross margin expanded 320bp YoY to 56.1% (est. 56.0%). EBITDA grew 14% YoY to INR7.6b (est. INR7.7b), PBT rose 20% YoY to INR6.9b (est. INR7.1b), and adj. PAT increased 22% YoY to INR5.7b (est. INR5.3b). As a percentage of sales, higher ad spending (+200bp YoY to 9%), lower other expenses (-65bp YoY to 15.1%), and higher staff costs (+15bp YoY to 9.6%) led to an EBITDA margin expansion of 170bp YoY to 22.5% (est. 22.8%).
- **FY24 performance:** GCPL's net sales/EBITDA/adj. PAT grew 6%/26%/16% YoY. Consolidated sales grew 21% YoY in CC with volume growth of 10% YoY. The India business volume grew 13% YoY and Indonesia volume rose 11% YoY. The Board declared an interim dividend of INR10/share.

- **Exceptional items:** 1) stamp duty payment and other costs of INR878m for the acquisition of RCCL business and INR8m for other restructuring costs; 2) loss on sale of investment in Godrej East Africa Holdings of INR7,926m; 3) impairment provision for diminution in value of investment in Godrej Mauritius Africa Holdings of INR2,739m pursuant to changes in business model and long-term strategy refresh for Africa; and 4) gain of INR230m on account of the sale of its long-term investments.

Standalone performance

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

International performance

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

Other key highlights

- The home care business grew 6% YoY and personal care rose 4% YoY.
- Park Avenue and KamaSutra sales grew 15% YoY (17% in CC) and volume increased 12% YoY. EBITDA margin, at 25.2%, improved 360bp YoY.
- The household insecticide volume grew in double digits.

Highlights from the Investor Meet 2024

- GCPL plans to increase its market share in rural areas by doubling outlet coverage and tripling village coverage through Project Vistaara 2.0. Retailers now have direct access to products, reducing the need for personal visits to procure stocks.
- GCPL is on track to drive Park Avenue and KamaSutra by continuing to innovate the product and communication. The company expects high double-digit volume growth and EPS neutrality by the end of FY25.
- In Indonesia, management has increased its spending on A&P, it has reached 6% of sales by FY24 (earlier ~3%-4%). The company has managed to reduce its fixed overhead costs by 120bp, and cut down on the number of product variations by 25% over the last two years to simplify the business.
- The Southern Africa business has been performing well, with double-digit growth and a healthy EBITDA margin of 20%. The business, however, is facing some challenges in the US, Chile, Western Africa, and Argentina, but management sees potential for improvement in those areas.
- **Guidance**: In India, GCPL's medium-term aspiration includes achieving high single-digit volume growth and mid-to-high 20's EBITDA margin. For Indonesia, its medium-term aspiration is high single-digit volume growth with a mid-20's EBITDA margin. For ROW, management aspires to achieve mid-single digit volume growth with >15% EBITDA margin in the next two years.
- The ETR will be 28-29% for FY25 and 25% for FY26.

Valuation and view

- We raise our EPS estimates by 1/3% for FY25/FY26.
- GCPL has improved the India business sales growth in recent years. It has delivered industry-leading volume growth in the India business over 9MFY24, and is likely to record double-digit EPS growth over FY24-26E. The implementation of disruptive innovations, the introduction of access packs, expansion into new growth categories, and increased advertising expenditure are anticipated to contribute to a consistently robust growth trajectory in this high-margin and high-ROCE domestic business.
- The company is consistently working towards expanding TAM for the India business along with product innovation to drive frequency. Besides, there has been a consistent effort to fix the gaps in profitability/growth for its international business. **We reiterate our BUY rating with a TP of INR1,550 (based on 55x FY26E EPS).**

Quarterly Performance (Consolidated) **(INR m)**

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales (including OOI)	**31,250**	**33,919**	**35,989**	**32,002**	**34,489**	**36,020**	**36,596**	**33,856**	**1,33,160**	**1,40,961**	**33,838**	0.1
YoY change (%)	8.0	7.2	9.0	9.8	10.4	6.2	1.7	5.8	8.5	5.9	5.7	
Gross Profit	**14,558**	**16,238**	**18,408**	**16,928**	**18,534**	**19,771**	**20,454**	**18,999**	**66,132**	**77,758**	**18,954**	0.2
Margin (%)	46.6	47.9	51.1	52.9	53.7	54.9	55.9	56.1	49.7	55.2	56.0	
Other Operating Exp.	9,232	10,496	10,733	10,280	11,716	12,537	11,407	11,396	40,740	47,055	11,248	
EBITDA	5,326	5,742	7,675	6,648	6,818	7,234	9,048	7,604	25,392	30,704	7,706	-1.3
Margins (%)	17.0	16.9	21.3	20.8	19.8	20.1	24.7	22.5	19.1	21.8	22.8	
YoY growth (%)	-12.8	-15.4	9.8	32.3	28.0	26.0	17.9	14.4	1.9	20.9	15.9	
Depreciation	571	533	573	686	763	609	539	499	2,363	2,410	593	
Interest	351	483	399	525	740	773	666	785	1,757	2,964	621	
Other Income	275	399	432	579	691	659	701	638	1,684	2,690	628	
PBT	**4,562**	**4,804**	**6,725**	**5,777**	**5,617**	**6,319**	**7,904**	**6,912**	**22,955**	**26,751**	**7,120**	-2.9
Tax	1,093	989	1,188	1,034	1,611	1,866	2,024	2,087	4,303	7,588	1,780	
Rate (%)	23.9	20.6	17.7	17.9	28.7	29.5	25.6	30.2	18.7	28.4	25.0	
Adj PAT	**3,465**	**3,766**	**5,528**	**4,690**	**3,732**	**4,415**	**5,862**	**5,749**	**17,450**	**19,758**	**5,340**	7.7
YoY change (%)	-16.5	-21.5	10.7	22.6	7.7	17.2	6.0	22.6	-2.7	13.2	13.6	
Extraordinaries	-14	-178	-61	-169	-543	-88	-51	-24,681	-541	-24,769	0	
Reported PAT	**3,451**	**3,589**	**5,467**	**4,521**	**3,188**	**4,328**	**5,811**	**-18,932**	**17,028**	**-5,605**	**5,340**	

E: MOFSL Estimate

Dr Reddy's Labs

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	DRRD IN
Equity Shares (m)	167
M.Cap.(INRb)/(USDb)	1043.8 / 12.5
52-Week Range (INR)	6506 / 4383
1, 6, 12 Rel. Per (%)	2/1/3
12M Avg Val (INR M)	2531

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	279.2	306.4	340.8
EBITDA	78.4	83.6	90.0
Adj. PAT	52.8	54.0	56.5
EBITDA Margin (%)	28.1	27.3	26.4
Cons. Adj. EPS (INR)	317.1	323.9	339.1
EPS Gr. (%)	29.6	2.1	4.7
BV/Sh. (INR)	1,684	1,983	2,297
Ratios			
Net D:E	-0.3	-0.5	-0.6
RoE (%)	20.7	17.7	15.9
RoCE (%)	18.3	16.5	15.5
Payout (%)	7.8	7.7	7.4
Valuations			
P/E (x)	19.7	19.3	18.5
EV/EBITDA (x)	12.4	11.0	9.9
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	1.8	4.8	4.6
EV/Sales (x)	3.5	3.0	2.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	26.7	26.7	26.7
DII	18.3	18.7	23.1
FII	44.7	44.1	38.8
Others	10.4	10.6	11.5

FII Includes depository receipts

CMP: INR6,258 TP: INR6,070 (-3%) Neutral

US/India drive earnings growth

Efforts underway to address regulatory concerns of BLA-Rituximab

- Dr. Reddy's Lab (DRRD) delivered 4QFY24 revenue in line with our estimate. However, EBITDA was lower than expected due to higher SGA expenses and R&D spending. In addition to US generics/branded generics segments, DRRD is enhancing its offering through JVs/partnerships/acquisitions in nutraceuticals, vaccine, women's health and dietary supplement space.
- We maintain our earnings estimates for FY25/FY26. We value DRRD on SOTP basis (22x 12M forward earnings for base business and INR90 per share for g-Revlimid) to arrive at a TP of INR6,070.
- After delivering 30% YoY earnings growth in FY24, we expect earnings growth to moderate to a 3.5% CAGR over FY24-26, partly due to a gradual build-up of market share of g-Revlimid. The investment in JV with Nestle and in biosimilar segment should give commercial benefits after FY26.
- We believe that the valuation adequately factors in the upside in earnings. Maintain Neutral rating on the stock.

Higher share of niche products improves margins on YoY basis

- 4QFY24 revenues grew 17.4% YoY to INR70.8b (est. INR70.6b). Sequentially, sales declined 2%.
- US sales grew 28.8% YoY to INR32.6b (~USD393m; 46% of sales). Europe sales rose 5% YoY to INR5.2b (7% of sales). India sales increased 10.5% YoY to INR11.3b (16% of Sales). Emerging markets sales grew 9% YoY to INR12b (17% of sales), led by new product launches, offset by unfavorable forex. PSAI sales grew 5.5% YoY to INR8.2b (12% of sales).
- Gross margin expanded by 330bp YoY to 58.6%. Global generics/PSAI gross margins expanded 60bp/130bp on YoY basis for 4QYF24.
- EBITDA margin expanded7 310bp YoY to 24.9% (our est: 27.4%). Lower SG&A (-60bp YoY as % of sales) was offset by higher R&D spend (+80bp YoY as % of sales).
- EBITDA grew by 34% YoY to INR17.7b (est. of INR19b). R&D expenses stood at INR6.9b (9.7% of sales).
- PAT of INR12.9b (our est. INR12.2b), up 60% YoY.
- In FY24, revenue/EBITDA/PAT grew 16%/26%/32% YoY to INR279b/INR78b/INR54b.

Highlights from the management commentary

- DRRD intends to launch 20+ products in the US generics segment in FY25.
- The meaningful benefit from the biosimilar segment will be seen in FY27, as DRRD will focus on products wherein it would be in the first wave of launches.
- DRRD received a complete response letter (CRL) for its biologic application related to Rituximab. DRRD expects to address the issues highlighted by USFDA and expects subsequent approval over the next 6-9 months.

Quarterly Performance - IFRS (INRb)

Y/E March	FY23				FY24				FY23	FY24	4QE	Est. %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				Var.
Sales	**49.9**	**63.1**	**67.7**	**60.3**	**67.4**	**68.8**	**72.1**	**70.8**	**240.9**	**279.2**	**70.5**	**0.4**
YoY Change (%)	1.3	9.4	27.3	15.6	35.2	9.1	6.6	17.4	13.5	15.9	16.9	
Total Expenditure	39.5	45.0	47.1	47.1	46.9	48.8	51.9	53.2	178.8	200.8	51.2	
EBITDA	**10.3**	**18.0**	**20.6**	**13.2**	**20.5**	**20.0**	**20.3**	**17.7**	**62.1**	**78.4**	**19.3**	**-8.6**
YoY Change (%)	14.5	35.0	71.1	25.4	97.8	10.7	-1.3	34.0	38.3	26.2	46.6	
Margins (%)	20.7	28.6	30.4	21.9	30.3	29.0	28.1	24.9	25.8	28.1	27.4	
Amortization	3.1	3.2	3.3	3.2	3.6	3.8	3.9	3.5	12.7	14.8	3.9	
EBIT	**7.3**	**14.9**	**17.3**	**10.0**	**16.9**	**16.1**	**16.4**	**14.1**	**49.5**	**63.5**	**15.4**	
YoY Change (%)	19.1	43.5	91.2	32.2	131.5	8.3	-5.1	41.3	49.4	28.5	54.4	
Margins (%)	14.6	23.6	25.5	16.6	25.0	23.4	22.7	19.9	20.5	22.8	21.9	
Other Income	2.8	0.3	0.2	1.2	1.1	1.6	2.0	1.7	4.5	6.4	1.3	
PBT before EO expenses	**10.1**	**15.2**	**17.5**	**11.2**	**18.0**	**17.7**	**18.4**	**15.8**	**53.9**	**69.9**	**16.7**	**-5.1**
One-off income/(expense)	4.5	0.9	-1.1	2.1	0.5	1.4	-0.1	0.2	6.4	2.0	0.0	
Profit before Tax	**14.7**	**16.1**	**16.3**	**13.3**	**18.5**	**19.1**	**18.3**	**16.0**	**60.4**	**71.9**	**16.7**	**-4.0**
PBT after EO Expenses	**14.6**	**16.1**	**16.3**	**13.3**	**18.5**	**19.1**	**18.3**	**16.0**	**60.4**	**71.9**	**16.7**	
Tax	2.8	5.0	3.9	3.7	4.4	4.3	4.5	2.9	15.3	16.2	4.4	
Rate (%)	19.0	30.9	23.7	27.6	24.0	22.7	24.5	18.4	25.3	22.5	26.6	
Reported Profit	**11.9**	**11.1**	**12.5**	**9.6**	**14.0**	**14.8**	**13.8**	**13.1**	**45.1**	**55.7**	**12.2**	**6.7**
Adjusted PAT	**8.2**	**11.4**	**13.1**	**8.1**	**13.7**	**13.3**	**13.8**	**12.1**	**40.8**	**52.8**	**12.2**	**-1.0**
YoY Change (%)	43.6	14.9	84.2	23.7	66.6	16.5	5.1	50.1	39.3	29.6	51.7	
Margins (%)	16.4	18.1	19.4	13.4	20.3	19.3	19.1	17.1	16.9	18.9	17.4	

E: MOFSL Estimates

Lupin

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	LPC IN
Equity Shares (m)	453
M.Cap.(INRb)/(USDb)	731.7 / 8.8
52-Week Range (INR)	1701 / 628
1, 6, 12 Rel. Per (%)	15/37/86
12M Avg Val (INR M)	1248

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	198.1	216.8	242.7
EBITDA	35.9	42.1	47.8
Adj. PAT	18.9	22.8	26.7
EBIT Margin (%)	13.1	14.7	15.4
Cons. Adj. EPS (INR)	41.5	50.2	58.7
EPS Gr. (%)	382.6	20.9	16.9
BV/Sh. (INR)	314.4	361.7	417.5
Ratios			
Net D:E	0.1	0.0	-0.1
RoE (%)	14.1	14.9	15.1
RoCE (%)	12.6	13.8	14.3
Payout (%)	6.9	5.8	5.0
Valuations			
P/E (x)	38.7	32.0	27.4
EV/EBITDA (x)	20.8	17.2	14.7
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	3.3	3.6	3.4
EV/Sales (x)	3.8	3.3	2.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	47.0	47.0	47.1
DII	27.8	29.7	29.2
FII	18.3	16.1	13.3
Others	6.9	7.1	10.4

FII Includes depository receipts

CMP: INR1,610 TP: INR1,550 (-4%) Neutral

Niche product drives earnings growth

Work-in-progress to further build product pipeline in key markets

- Lupin (LPC) delivered in-line operational performance in 4QFY24. LPC ended FY24 on a strong note, with INR198b in sales (up 19% YoY), EBITDA margin of 18% (up 750bp YoY) and PAT of INR19b (vs. INR4b YoY). LPC continues to implement efforts toward building a complex product pipeline in inhalation, injectables and ophthalmics.
- We raise our earnings estimates by 6% each for FY25/FY26, factoring in a) limited competition product launches in the US generics segment, b) industry outperformance in the domestic formulation (DF) segment and c) a scale-up in the diagnostic business. We value LPC at 25x 12M forward earnings to arrive at a TP of INR1,550.
- LPC remains in good stead to deliver a 19% earnings CAGR over FY24-26 on the back of an 11% sales CAGR in the US generics/DF segments and 160bp margin expansion. However, we maintain our Neutral rating on the stock as the valuation at 32x FY25E EPS of INR51 and 27x FY26E EPS of INR59 adequately factors in the upside.

Product mix benefits partly offset by higher R&D spending

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

Highlights from the management commentary

- LPC guides for 10% YoY growth in overall sales with 20% EBITDA margin in FY25. There can be further upside, subject to the outcome of litigation related to mirabegron.
- It aspires to reach the USD1b revenue mark in US generics by FY26.
- LPC expects to grow close to double digits YoY in the DF segment in FY25.
- The company would be filing 11-15 ANDAs in FY25.
- Competition impact would be visible in g-Suprep from 1QFY25 onward.
- It is working on response to CRL for g-Dulera and would submit the same in FY25.

Quarterly Performance (Consolidated) **(INR m)**

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

E: MOFSL estimates

Phoenix Mills

BSE SENSEX	S&P CNX
73,512	22,303

The Phoenix Mills Limited

Bloomberg	PHNX IN
Equity Shares (m)	179
M.Cap.(INRb)/(USDb)	531.6 / 6.4
52-Week Range (INR)	3266 / 1390
1, 6, 12 Rel. Per (%)	5/30/82
12M Avg Val (INR M)	885

Financials & Valuations (INR b)

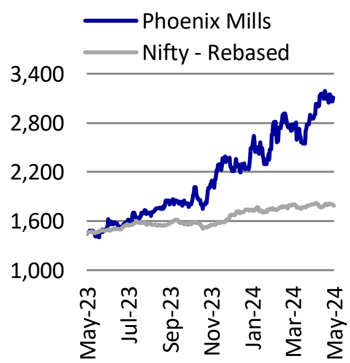
Y/E MARCH	FY24E	FY25E	FY26E
Sales	37.6	41.8	47.7
EBITDA	21.7	25.1	29.6
EBITDA Margin (%)	57.7	60.1	62.1
Adj PAT	11.0	12.4	16.0
Cons. EPS (INR)	61.5	69.6	89.4
EPS Growth (%)	50.5	13.0	28.4
BV/Share (INR)	528.2	594.8	681.2
Ratios			
Net D:E	0.3	0.1	-0.1
RoE (%)	12.3	12.4	14.0
RoCE (%)	12.5	12.4	14.1
Payout (%)	4.4	4.3	3.4
Valuations			
P/E (x)	47.9	42.3	33.0
P/BV (x)	5.6	5.0	4.3
EV/EBITDA (x)	25.4	21.4	17.5
Div. yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	47.3	47.3	47.3
DII	15.8	17.7	18.1
FII	32.8	30.8	30.4
Others	4.1	4.2	4.3

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR2,975 TP: INR3,220 (+8%) Neutral

Quality growth franchise priced to perfection

New malls to drive higher-than-historical growth

- During the 10-year period from FY14 to FY24, PHNX's retail portfolio reported a 12% CAGR in consumption, aided by ~8% like-for-like growth in existing malls and the launch of new malls in Lucknow, Indore, and Ahmedabad. Moreover, the company's retail rental income also witnessed 12% CAGR over the same period, aligning closely with the growth in consumption.
- We expect the healthy growth momentum to continue at least for a year, largely driven by ramp-up in new malls. As of Mar-24, the leased occupancy at PHNX's retail portfolio stood at 97%, while trading occupancy stood at 88% with new malls opened in the last 12 months trading at an occupancy of 71%.
- The company's recently opened malls, Phoenix Palassio (Lucknow) and Phoenix Citadel (Indore) have both achieved 90%+ trading occupancy within five quarters of operation. The company plans to replicate this success in its new malls at Ahmedabad (4QFY23), Pune (2QFY24), and Bengaluru (3QFY24) which will translate into 29% growth in retail rental income for FY25.
- However, with no new malls expected to become operational in FY25/FY26, a large portion of the growth will be driven by organic consumption growth and densification of ~0.5msf space at Palladium, Mumbai, and PMC Bengaluru. Thus, we expect the growth in retail rental income to decelerate to 18% over FY25-27.

Supply Consolidation: Handful of players pouring concrete

- The size of the retail industry stood at INR71t in FY23 and it is anticipated to witness a CAGR of 14%, leading to a projected value of INR121t by FY27, on the back of factors, such as expanding urbanization, rising household income, enhanced connectivity of rural consumers, and a surge in consumer spending.
- However, the supply of Grade A malls is primarily controlled by only 10-12 large developers. These developers possess the capability to build destination malls exceeding 0.8msf+, establish strategic brand partnerships, and have honed their mall management skills over the years. Such expertise is critical for the success of a mall.
- Cumulative annual supply among these developers is expected to increase to ~6-7msf (vs. 5msf in CY23) in line with the absorption. Thus, occupancies for large format malls are expected to remain intact at 90%+, driving rental growth.
- PHNX being the largest player will be among the key beneficiaries of the increasing adoption of organized retail. However, with a portfolio of 14 malls spanning across 10 cities (including upcoming malls), leading to a high base effect, we expect retail rental growth to plateau at 9-10% beyond FY26.

Office segment: 4x expansion on track

- Since the adoption of the "mall of the future" strategy, Fountainhead (0.8msf), Pune, became the first asset delivered in 4QFY22, contributing to an increase in office portfolio to 2msf. Since its completion, the asset has witnessed a gradual improvement in occupancy to 67%, despite initial concerns regarding office demand.
- The company continues to expand the office portfolio across its existing malls in Bengaluru (1.2msf), Chennai (0.4msf), and Palladium Mumbai (1.1msf) as well as in recently commenced malls in Pune (1.2msf) and Bengaluru (1.2msf). Post completion, by FY28 (in phases), PHNX's office portfolio is expected to rise about four-fold to 7msf and can generate a rental income of INR10b by FY28 (vs. INR1.7b expected in FY24).

Hotel Segment: Beneficiary of strong tailwind

- PHNX's flagship hotel - St. Regis - has witnessed a sharp improvement in operations, given the demand tailwind. In 9MFY24, the asset reported an ARR of ~INR17,200 (40% higher than pre-covid peak) and an improved EBITDA margin of ~45%.
- It is currently developing a 400-key premium hotel – Grand Hyatt – at its MarketCity mall in Bengaluru. This is expected to be completed in FY27/28 with an estimated capex of INR6b.
- The company has recently acquired a 11-acre land parcel in Thane and while the development mix is not finalized yet, the project is likely to have another premium hotel which will double the hospitality portfolio to over 1,200 keys (588 keys currently operational).

Valuation and view

- We believe the company's growth trajectory in the near term remains intact, given the ramp-up in new malls and expansion of office portfolio. But the current valuations indicate that near-term growth is priced in.
- Moreover, while the management's target of adding one new mall every year provides healthy growth visibility, we believe the pace of growth would taper off beyond FY26 as the base effect would kick in.
- We adopt a multiple-based approach, valuing the retail business at a blended EV/EBITDA of 21x (20x for matured malls and 25x for new malls), implying a value of INR513b for the mall portfolio. Our overall SoTP-based TP stands at INR3,220, which indicates 9% upside potential. We reiterate our Neutral rating on the stock.

IRB Infrastructure

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	IRB IN
Equity Shares (m)	6039
M.Cap.(INRb)/(USDb)	398.9 / 4.8
52-Week Range (INR)	73 / 25
1, 6, 12 Rel. Per (%)	-1/74/112
12M Avg Val (INR m)	1311

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	74.1	82.8	94.6
EBITDA	33.3	37.7	42.6
PAT	6.1	9.8	12.5
EBITDA (%)	45.0	45.6	45.0
EPS (INR)	1.0	1.6	2.1
EPS Gr. (%)	-15.9	61.2	27.6
BV/Sh. (INR)	22.8	24.0	25.7
Ratios			
Net D/E	1.2	1.1	1.0
RoE (%)	4.5	6.9	8.3
RoCE (%)	8.0	7.9	8.3
Payout (%)	27.4	22.3	17.5
Valuations			
P/E (x)	65.8	40.8	32.0
P/BV (x)	2.9	2.7	2.6
EV/EBITDA (x)	17.0	14.9	13.1
Div Yield (%)	0.5	0.5	0.5

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	34.4	34.4	34.2
DII	49.6	7.9	7.0
FII	5.4	47.2	48.5
Others	10.6	10.6	10.2

FII Includes depository receipts

CMP: INR66 TP: INR61 (-8%) Neutral

In-line performance; order pipeline remains robust

- IRB Infrastructure (IRB)'s revenue grew 27% YoY to INR20.6b in 4QFY24 (in line). EBITDA margin came in at 43.2% (down 370bp YoY, below our estimate of 45%). EBITDA grew 17% YoY to INR8.9b, in line with our estimate.
- Higher interest costs of INR2.4b were attributed to the notional interest accrued on the deferred payment of acquisition costs of concession arrangements in SPV. This increase was partly offset by higher other income. APAT grew 45% YoY to INR1.9b, in line.
- Construction revenue stood at INR14.4b, up 31% YoY during the quarter, while BOT revenue stood at INR6.2b (+18.7% YoY).
- **During FY24**, revenue was up 15.7% YoY to INR74.1b, EBITDA grew 3% YoY to INR33.3b, EBITDA margin was 45%, and APAT dipped ~16% YoY to INR6b.
- The order book stood at ~INR348b (excl. GST) at end-4Q. The O&M order book stood at INR291b, while the construction order book stood at INR57b.
- **IRB's performance was in line with our expectation. Given its strong order pipeline of INR2t and the company's track record of winning 25-30% of the project pipeline, we expect IRB's order inflows to pick up. With a strong order book of INR348b as of Mar'24 and a robust tender pipeline, driven by BOT projects, we expect a revenue CAGR of ~13% over FY24-26. We broadly retain our APAT estimates for FY25/FY26. Reiterate Neutral with a revised SoTP-based TP of INR61.**

Robust order pipeline along with a strong balance sheet

- Awarding by NHAI has been subdued in FY24, with only ~2,500km of projects awarded in FY24. Despite this, IRB's order book remains healthy. The tender pipeline remains robust at INR2t, of which IRB is targeting to win at least INR200-250b worth of orders in FY25. IRB's priority would be BOT toll projects, followed by TOT projects, and then HAM projects.
- As of Mar'24, the company's cash position stood at INR27b, with minimal equity commitments in FY25. This financial strength provides IRB with the flexibility to bid for the strong order pipeline of INR2t.

Key takeaways from the management commentary

- As of Mar'24, the company's order book stood at INR348b. Within this order book, the EPC segment accounted for INR57b, providing robust revenue visibility for IRB's construction segment for the next two to three years. The O&M order book has been close to INR291b.
- The financial closure for the TOT-12 and TOT-13 projects has been achieved, with upfront payments of INR44.3b and INR16.8b made to NHAI, respectively. Both TOT-12 and TOT-13 have received Appointed Dates (ADs) from NHAI, and accordingly tolling on both these projects commenced from Apr'24.
- IRB had a market share of over 25-30% in awarded BoT and ToT projects in the past and expects to maintain that share in the future as well.
- The construction vertical is likely to clock ~15% CAGR over the next two to three years with a stable EBITDA margin

Valuation and view

- Fueled by a robust order book and a strong tender pipeline, primarily due to the BOT projects, we expect IRB's execution to pick up, leading to ~13% CAGR in revenue and sustained margins. We broadly retain our APAT for FY25E/FY26E. **Reiterate Neutral with a revised SoTP-based TP of INR61.**

Quarterly performance **(INR m)**

Y/E March	FY23				FY24				FY23	FY24	FY24	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	%
Net Sales	**19,246**	**13,430**	**15,141**	**16,200**	**16,342**	**17,450**	**19,685**	**20,612**	**64,016**	**74,090**	**20,312**	**1**
YoY Change (%)	18.4	(8.3)	18.4	13.0	(15.1)	29.9	30.0	27.2	10.3	15.7	25.4	
EBITDA	**10,606**	**6,651**	**7,446**	**7,588**	**7,778**	**7,946**	**8,695**	**8,899**	**32,291**	**33,318**	**8,891**	**0**
Margins (%)	55.1	49.5	49.2	46.8	47.6	45.5	44.2	43.2	50.4	45.0	43.8	
Depreciation	2,031	1,919	2,150	2,221	2,367	2,327	2,513	2,742	8,321	9,949		
Interest	3,850	3,893	3,671	3,733	3,815	4,346	4,327	6,145	15,146	18,633		
Other Income	708	959	560	789	1,112	1,295	1,088	4,433	3,016	7,928		
PBT	**5,434**	**1,799**	**2,185**	**2,423**	**2,709**	**2,569**	**2,942**	**4,443**	**11,840**	**12,663**	**3,191**	
Tax	1,468	702	646	753	836	858	561	1,201	3,569	3,456		
Rate (%)	27.0	39.0	29.6	31.1	30.9	33.4	19.1	27.0	30.1	27.3		
Share of profit in Associates	(334)	(244)	(125)	(367)	(535)	(753)	(507)	(1,353)	(1,069)	(3,148)		
Reported PAT	**3,632**	**854**	**1,414**	**1,303**	**1,338**	**958**	**1,874**	**1,889**	**7,202**	**6,058**	**1,830**	
Adj PAT	**3,632**	**854**	**1,414**	**1,303**	**1,338**	**958**	**1,874**	**1,889**	**7,202**	**6,058**	**1,830**	**3**
YoY Change (%)	405.1	101.7	94.5	(25.3)	(63.2)	12.2	32.6	45.0	99.3	(15.9)	40.5	
Margins (%)	18.9	6.4	9.3	8.0	8.2	5.5	9.5	9.2	11.3	8.2	9.0	

MAX Financial Services

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	MAXF IN
Equity Shares (m)	345
M.Cap.(INRb)/(USDb)	334.6 / 4
52-Week Range (INR)	1093 / 634
1, 6, 12 Rel. Per (%)	-3/-9/29
12M Avg Val (INR m)	1008

Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Gross Premiums	295.3	341.4	394.6
Sh. PAT	6.9	9.3	11.4
NBP gr - unwtd (%)	20.0	16.0	16.0
NBP gr - APE (%)	14.0	16.0	16.0
Premium gr (%)	16.7	15.4	15.6
VNB margin (%)	26.5	26.4	26.7
Op. RoEV (%)	20.2	19.3	19.2
Total AUMs (INR b)	1,508	1,832	2,077
VNB (INR b)	19.7	21.7	25.4
EV per Share	452	539	641
Valuations			
P/EV (x)	2.7	2.2	1.9
P/EVOP (x)	15.8	13.8	11.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	6.5	6.5	10.2
DII	39.9	36.9	34.1
FII	47.7	50.9	47.7
Others	5.9	5.7	8.1

FII Includes depository receipts

CMP: INR970 TP: INR1040 (+7%) Neutral

Steady performance; VNB margin beats our estimate

Guides better-than-industry APE growth

- MAX Financial Services (MAXLIFE) reported a decent performance in 4QFY24. Total APE grew 13% YoY to INR28.7b (14% beat), while absolute VNB rose 7% YoY to INR8.2b (18% beat). VNB margin contracted 170bp YoY to 28.6% (vs. our estimate of 27.6%).
- **For FY24,** VNB stood at INR19.7b (flat YoY), whereas VNB margin came in at 26.5% (-470bp YoY).
- We prune our VNB margin estimates for FY25/FY26, in line with the management's guidance. **Reiterate Neutral with a TP of INR1,040, premised on 2.0x Mar'26E EV and a holding company discount of 20%.**

Margins contract due to the higher share of par products

- Gross written premium grew ~17.3% YoY (in line) in 4QFY24. The renewal premium grew 15% YoY (5% miss).
- In 4QFY24, total APE grew 13% YoY to INR28.7b (14% beat). The par products reported an exponential growth of 66% YoY. Retail protection jumped 60% YoY, whereas Group protection declined 42% YoY. Total protection increased 52% YoY, while ULIP business surged 87% YoY. Non-par savings declined 29% YoY, but grew 65% QoQ during the quarter.
- On a YoY basis, the business mix moved in favor of the par and ULIP products, with their share increasing to 15% (vs. 10% in 4QFY23) and 41% (vs. 25% in 4QFY23), respectively. The share of non-par savings declined to 36% in 4QFY24 from 57% in 4QFY23.
- Absolute VNB rose 7% YoY to INR8.2b (18% beat), with VNB margin contracting 170bp YoY to 28.6% (our est. of 27.6%). AUM grew ~23% YoY to INR1.5t.
- On the distribution side, **Banca APE/proprietary channels grew 11%/9% YoY.** Other channels surged 306% YoY in 4QFY24.
- On the cost front, the opex-to-GWP ratio was up 150bp YoY to 22% in FY24.
- The solvency ratio stood at 172% in 4QFY24. With the infusion of INR16.1b capital by Axis Bank into MAXLIFE, the solvency margin came in at 206%.

Highlights from the management commentary

- Product-level margins have been under some pressure for segments such as protection and annuity.
- Management guided a high-teen growth in premiums and lower/in-line growth in VNB.
- The online channel grew ~79% YoY in FY24. The growth was mainly fueled by web aggregators, wherein savings business accelerated markedly (market share improved to 22% from 10-12% YoY).
- The Banca channel's APE segment grew ~12% YoY, with wallet share being maintained with two main partners – Axis Bank at ~70% and Yes Bank at ~58%. While Axis Bank has partnered with Aditya Birla Life and Tata AIA (via Citibank acquisition), MAXLIFE still expects to retain 65-70% wallet share.

Valuation and view

MAXLIFE reported a better-than-expected performance in 4QFY24. Going forward, if surrender charges are altered by the regulator, margins would be under pressure. In terms of growth, agencies and online channels are expected to maintain their strong growth momentum. Axis Bank channel growth will be critical given the new partner tie-ups as well as the challenge to grow the deposit base. We prune our VNB margin estimates for FY25/FY26, in line with the management's guidance. **Reiterate Neutral with a TP of INR1,040, premised on 2.0x Mar'26E EV and a holding company discount of 20%.**

Quarterly performance **(INR m)**

Policy holder's A/c (INR b)	FY23				FY24				FY23	FY24	FY24E	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
First Year premium	9.2	11.1	14.6	24.1	9.9	15.3	17.6	26.8	59.0	69.6	23.8	12%
Growth (%)	*14.2%*	*-9.3%*	*-5.5%*	*38.3%*	*8.0%*	*37.7%*	*20.7%*	*11.0%*	*10.9%*	*18.0%*	*-1.2%*	
Renewal premium	26.2	39.1	40.2	58.3	30.1	42.0	46.1	66.8	163.8	185.1	70.0	-5%
Growth (%)	*16.7%*	*12.9%*	*17.5%*	*8.4%*	*15.1%*	*7.5%*	*14.6%*	*14.6%*	*12.9%*	*13.0%*	*20.1%*	
Single premium	5.7	7.8	8.0	9.1	8.7	8.9	9.3	13.8	30.6	40.6	14.0	-2%
Growth (%)	*30.1%*	*21.3%*	*26.9%*	*4.0%*	*52.8%*	*14.2%*	*15.5%*	*51.3%*	*18.3%*	*32.7%*	*53.9%*	
Gross premium income	**41.0**	**58.0**	**62.8**	**91.5**	**48.7**	**66.3**	**73.0**	**107.4**	**253.4**	**295.3**	107.8	0%
Growth (%)	*17.8%*	*8.8%*	*12.2%*	*14.4%*	*18.7%*	*14.2%*	*16.1%*	*17.3%*	*13.1%*	*16.5%*	*17.8%*	
Key metrics (INRb)												
New Business APE	10.1	11.9	15.1	25.4	11.1	16.5	18.0	28.7	62.0	74.3	25.1	14%
Growth (%)	15.3	-7.2	-5.2	38.2	10.3	38.8	18.9	13.2	11.3	19.8	-1.0	
VNB	2.1	3.7	5.9	7.7	2.5	4.2	4.9	8.2	19.5	19.7	6.9	18%
Growth (%)	23.8	-0.3	49.7	31.4	16.0	11.5	-17.5	6.6	27.6	1.2	-9.8	
AUM (INRb)	1,071	1,134	1,184	1,229	1,291	1,342	1,426	1,508	1,229	1,508	1,585	-5%
Growth (%)	14.3	13.3	15.5	14.3	20.5	18.4	20.5	22.8	14.3	22.8	29.0	
Key Ratios (%)												
VNB Margins (%)	21.1	31.3	39.3	30.3	22.2	25.2	27.2	28.6	31.2	26.5	27.6	95
Solvency ratio (%)	196.0	196.0	200.0	190.0	188.0	184.0	179.0	172.0	192.7	172.0	180.4	-841

CreditAccess Grameen

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	CREDAG IN
Equity Shares (m)	159
M.Cap.(INRb)/(USDb)	226.4 / 2.7
52-Week Range (INR)	1796 / 982
1, 6, 12 Rel. Per (%)	-3/-31/20
12M Avg Val (INR M)	530

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	31.7	39.4	47.8
Total Income	34.4	42.4	51.1
PPoP	23.9	29.5	35.4
PAT	14.5	16.8	20.7
EPS (INR)	91	106	130
EPS Gr. (%)	75	17	23
BV (INR)	412	508	638
Ratios (%)			
NIM	14.4	14.1	13.9
C/I ratio	30.5	30.6	30.7
Credit cost	2.0	2.4	2.2
RoA	5.7	5.3	5.3
RoE	24.8	23.0	22.6
Valuations			
P/E (x)	15.7	13.5	11.0
P/BV (x)	3.5	2.8	2.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	66.6	66.7	73.7
DII	15.8	15.8	12.3
FII	11.7	12.0	9.7
Others	6.0	5.6	4.4

FII Includes depository receipts

**Please refer our thematic report on MFI:
Unlocking growth; empowering lives!**

CMP: INR1,421 TP: INR1,725 (+21%) Buy

Healthy quarter with in-line earnings and stable NIM

Guidance on credit costs raised but can still deliver healthy RoA/RoE

- CreditAccess Grameen (CREDAG) delivered a healthy operational performance in 4QFY24, with 34% YoY growth in PAT to ~INR3.97b (inline). 4QFY24 NII grew ~42% YoY to ~INR8.8b and PPoP grew 36% YoY to ~INR6.8b. FY24 PAT grew ~31% YoY to ~INR5.1b.
- The cost-income ratio (CIR) was broadly stable QoQ and YoY at ~30%. Opex included ~INR260m toward long-term incentives and one-time special bonus to employees for commemorating the silver jubilee year. The management guides for CIR of ~30-31% in FY25.
- Reported yield was stable at ~21% and CoF was also stable QoQ at 9.8%, leading to sequentially stable NIM of ~13.1%. Average disbursement yields in 4QFY24 declined ~40bp QoQ and ~50bp YoY to 21.4%. The management guides for a ~20bp decline in portfolio yields because of a ~50bp reduction in lending rates implemented in Dec'23 on incremental disbursements. We model NIM (calc.) of ~14.1%/13.9% in FY25/FY26.
- 4QFY24 disbursements grew ~12% YoY to ~INR80.5b and AUM grew ~27% YoY to ~INR267b. The borrower base grew ~15% YoY to ~4.92m. CREDAG added ~86 branches in 4QFY24, taking the total to 1,967 branches.
- GNPA/NNPA deteriorated by ~20bp/6bp QoQ to ~1.2%/~0.35%. Stage 3 PCR rose ~40bp QoQ to ~70.8%. Annualized credit costs rose to ~2.4% (~2.2% in 4QFY23 and ~2.3% in 3QFY24) because of higher provisioning on standalone loans and higher write-offs.
- We cut our FY25 estimates by ~3% to factor in the high credit cost guidance. We estimate a CAGR of 24%/20% in AUM/PAT over FY24-26, leading to RoA/RoE of ~5.3%/22.6% in FY26. While the current valuation of 2.2x Mar'26E P/BV is not inexpensive, CREDAG will continue to deliver robust return ratios, aided by a strong underlying business model. **Reiterate our BUY rating with a revised TP of INR1,725 (based on 2.7x Mar'26E P/BV).**

Highlights from the management commentary

- **FY25 Guidance:** GLP growth of 23-24%; NIM of 12.8-12.9%; CIR of 30-31%; credit costs of 2.2-2.4%; RoA of 5.4-5.5% and RoE of 23-23.5%
- The management expects CoB in FY25 to remain stable as it continues to maintain a robust ALM position.

Valuation and view

- CREDAG is primed to dominate the segment by: a) providing the lowest-cost organized financing, b) improving operational efficiency through continuous technology enhancement, and c) integrating risk management in every process to drive superior asset quality and lower credit costs.
- CREDAG's robust execution has been vindicated by its resilience during various credit cycles and external disturbances. With a strong capital position (Tier-1 of ~22%), it can navigate any potential disruptions in future and also capitalize on the growth opportunity in the medium term. **Retain BUY on the stock with a TP of INR1,725 (based on 2.7x Mar'26 P/BV).**

CREDAG: Quarterly Performance (INR M)

Y/E March	FY23				FY24				FY23	FY24	4QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	7,363	7,713	8,548	9,648	11,052	11,874	12,444	13,632	33,271	49,001	13,368	2
Interest Expenses	2,798	2,732	3,142	3,456	3,849	4,239	4,415	4,822	12,129	17,324	4,809	0
Net Interest Income	**4,565**	**4,981**	**5,406**	**6,192**	**7,203**	**7,635**	**8,029**	**8,810**	**21,143**	**31,677**	**8,559**	**3**
YoY Growth (%)	35.1	35.1	31.2	34.2	57.8	53.3	48.5	42.3	33.5	49.8	38.2	
Other Income	233	434	540	1,015	656	602	509	959	2,237	2,725	935	3
Total Income	**4,798**	**5,415**	**5,946**	**7,206**	**7,858**	**8,237**	**8,537**	**9,770**	**23,379**	**34,402**	**9,493**	**3**
YoY Growth (%)	30.4	38.9	32.0	29.3	63.8	52.1	43.6	35.6	32.4	47.1	31.7	
Operating Expenses	1,909	2,067	2,160	2,177	2,420	2,611	2,520	2,942	8,315	10,493	2,673	10
Operating Profit	**2,889**	**3,348**	**3,785**	**5,029**	**5,438**	**5,626**	**6,018**	**6,828**	**15,064**	**23,910**	**6,821**	**0**
YoY Growth (%)	33.5	53	38	36	88	68	59	36	40	59	36	
Provisions & Loan Losses	1,009	1,054	894	1,053	764	959	1,262	1,533	4,010	4,518	1,524	1
Profit before Tax	**1,880**	**2,294**	**2,891**	**3,976**	**4,674**	**4,668**	**4,756**	**5,295**	**11,054**	**19,392**	**5,297**	**0**
Tax Provisions	493	529	733	1,010	1,189	1,197	1,222	1,324	2,794	4,933	1,337	-1
Net Profit	**1,387**	**1,766**	**2,158**	**2,966**	**3,485**	**3,470**	**3,533**	**3,971**	**8,261**	**14,459**	**3,960**	**0**
YoY Growth (%)	583.6	196.5	84.5	85.3	151.3	96.6	63.7	33.9	131.5	75.0	33.5	
AUM Growth (%)	23.3	24.0	21.9	26.7	39.7	36.0	31.5	27.0	29.0	31.8	26.2	
NIM (%)	11.3	12.4	12.6	12.8	13.4	13.8	14.0	14.1	12.5	14.4	13.7	
Cost to Income Ratio (%)	39.8	38.2	36.3	30.2	30.8	31.7	29.5	30.1	35.6	30.5	28.2	
Tax Rate (%)	26.2	23.0	25.3	25.4	25.4	25.7	25.7	25.0	25.3	25.4	25.2	
Key Parameters (%)												
Yield on loans	18.4	19.1	19.6	19.7	20.7	21.1	21.0	21.0	19.7	21.0		
Cost of funds	9.1	9.2	9.6	9.5	9.6	9.8	9.8	9.8	9.5	9.8		
Spread	9.3	9.9	10.0	10.2	11.1	11.3	11.2	11.2	10.2	11.2		
NIM	11.1	12.0	11.9	12.2	13.0	13.1	13.1	13.1	12.2	13.1		
Credit cost	2.5	2.6	2.1	2.2	1.4	1.7	2.2	2.4	2.2	2.4		
Cost to Income Ratio (%)	39.8	38.2	36.3	30.2	30.8	31.7	29.5	30.1	30.2	30.1		
Tax Rate (%)	26.2	23.0	25.3	25.4	25.4	25.7	25.7	25.0	25.4	25.0		
Performance ratios (%)												
GLP/Branch (INR m)	93	98	103	118	119	120	123	136				
GLP/Loan Officer (INR m)	14.8	15.3	15.0	18.3	18.1	16.9	17.9	20.3				
Borrowers/Branch	2,195	2,255	2,281	2,387	2,422	2,452	2,478	2,500				
Borrowers/Loan Officer	349	351	333	371	367	345	360	373				
Balance Sheet Parameters												
Gross loan portfolio (INR B)	**156.2**	**165.4**	**177.9**	**210.3**	**218.1**	**224.9**	**233.8**	**267.1**	**210.3**	**267.1**		
Change YoY (%)	23.3	24.0	21.9	26.7	39.7	36.0	31.5	27.0	26.7	27.0		
Disbursements (INR B)	**24.2**	**43.8**	**48.5**	**71.7**	**47.7**	**49.7**	**53.4**	**80.5**	**188.1**	**231.3**		
Change YoY (%)	126.9	12.5	2.7	23.8	97.5	13.5	10.3	12.3	21.6	23.0		
Borrowings (INR B)	**118.8**	**123.1**	**135.7**	**164.1**	**168.2**	**177.6**	**190.7**	**219.5**				
Change YoY (%)	21.5	22.4	18.5	27.0	41.6	44.3	40.5	33.7				
Borrowings/Loans (%)	84.0	81.0	82.8	86.2	84.9	85.0	86.3	87.4				
Debt/Equity (x)	2.9	2.8	3.0	3.2	3.1	3.1	3.1	3.3				
Asset Quality (%)												
GS 3 (INR M)	**4,584**	**3,400**	**2,887**	**2,368**	**1,817**	**1,657**	**2,197**	**3,037**	**2,368.0**	**3,037.0**		
G3 %	3.1	2.2	1.7	1.2	0.9	0.8	1.0	1.2	1.2	1.2		
NS 3 (INR M)	1,667	1,187	985	812	552	509	650	888	**812.2**	**888.0**		
NS3 %	1.2	0.8	0.6	0.4	0.3	0.2	0.3	0.4	0.4	0.3		
PCR (%)	**63.6**	**65.1**	**65.9**	**65.7**	**69.6**	**69.3**	**70.4**	**70.8**				
ECL (%)	3.0	2.3	1.9	0.0	1.6	1.6	1.8	2.0				
Return Ratios - YTD (%)												
ROA (Rep)	3.1	4.0	4.6	5.5	5.8	5.6	5.5	5.7	**5.5**	**5.7**		
ROE (Rep)	13.4	16.1	18.8	24.0	26.4	24.7	23.6	24.9	**24.0**	**24.9**		

E: MOFSL Estimates

Navin Fluorine International

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	NFIL IN
Equity Shares (m)	50
M.Cap.(INRb)/(USDb)	167.4 / 2
52-Week Range (INR)	4946 / 2899
1, 6, 12 Rel. Per (%)	8/-21/-53
12M Avg Val (INR M)	897

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	20.7	25.5	31.4
EBITDA	4.0	5.4	7.1
PAT	2.3	3.1	4.4
EPS (INR)	46.1	62.7	88.9
EPS Gr. (%)	-39.1	35.9	41.8
BV/Sh.(INR)	480.9	526.3	590.8
Ratios			
Net D:E	0.6	0.6	0.5
RoE (%)	10.0	12.4	15.9
RoCE (%)	8.4	9.2	11.5
Payout (%)	27.4	27.4	27.4
Valuations			
P/E (x)	73.1	53.8	37.9
P/BV (x)	7.0	6.4	5.7
EV/EBITDA (x)	45.2	34.0	25.4
Div. Yield (%)	0.4	0.5	0.7
FCF Yield (%)	0.4	-0.8	2.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	28.8	28.8	28.8
DII	28.6	28.9	24.8
FII	15.6	15.9	19.6
Others	27.0	26.4	26.8

FII Includes depository receipts

CMP: INR3,377 **TP: INR3,110 (-8%)** **Neutral**

Strong performance led by Specialty and HPP businesses

- Navin Fluorine's (NFIL) EBITDA/PAT grew 13%/42% YoY in 4QFY24, higher than our estimates. The beat was driven by a strong performance in the Specialty Chemicals business, which was well supported by growth in the HPP segment. Gross margin was 50%, while EBITDA margin dipped 10.7pp YoY to 18.3%.
- The Specialty Chemicals business posted strong revenue growth of 26% YoY, led by higher utilization at the Surat plant and the addition of new molecules (one in Dahej and two in Surat). Management highlighted that it is much better placed with long term take-or-pay contracts with its customers. Currently, 80% of the revenue is contributed by the agrochemicals sector. NFIL anticipates launching 3-4 new molecules every year in this space.
- The HPP business grew 3% YoY, led by R22 and R32 plants that are running at full capacity, with positive pricing trends being seen in the domestic market for R32. Management seeks to double the R32 capacity that is expected to be commissioned by Feb'25. The HFO plant has stabilized, and the volumes are higher than the previous three quarters. Management also highlighted that the Ref Gas market is showing signs of recovery.
- Navin Molecular continued its weak performance with a revenue decline of 76% YoY in 4Q, and some deferral in molecules while some molecules did not get timely approvals by the customers. Despite this, management mentioned that it has a strong late-stage pipeline/commercial opportunities in the business. The BoD has also approved a capex of INR2.9b for its cGMP-4 plant with Phase-1 outlay of INR1.6b that is likely to be commissioned by end-CY25.
- We have not made any material changes to our estimates as of now. Subsequently, **we expect a revenue/EBITDA/PAT CAGR of 23%/34%/39% over FY24-26.** The stock is trading at 38x FY26E EPS of INR89 and 25x FY26E EV/EBITDA. We value the company at 35x FY26E EPS to arrive at our TP of INR3,110. **We reiterate our Neutral rating on the stock.**

Beat led by lower-than-expected operating costs, EBITDAM improves sequentially

- NFIL reported a revenue of INR6b (est. INR5.3b, -14% YoY). EBITDAM came in at 18.3% (-10.7pp YoY), with EBITDA at INR1.1b (est. of INR976m, -45% YoY).
- Reported PAT stood at INR704m (est. of INR497m, -48% YoY). Other income was higher as it included INR12m of interest on the refund of income tax. Tax expenses also included a reversal of excess tax provisions for earlier years amounting to INR170m.
- **For FY24**, revenue stood at INR20.7b (-1% YoY), EBITDA was INR4b (-28% YoY), and reported PAT was INR2.7b (-28% YoY). Adjusted PAT came in at INR2.3b (-39% YoY), with EBITDAM at 19.3% (-720bp YoY).

- The Board declared a final dividend of INR7/sh (350% of FV) for FY24. An interim dividend of INR5/sh plus a one-time special dividend of INR3/sh were also announced during the year.

Segmental highlights

- The **HPP business** posted revenue of INR3b (+3% YoY). The business saw increased sales from R32 capacity, which was offset by lower export realization and reduced HFO. The HFO sales were significantly higher than 9MFY24.
- The **Specialty Chemicals business** posted revenue of INR2.6b (+26% YoY). Utilization at the Surat plant was higher with the addition of new molecules. One molecule was added at Dahej and two in Surat. Chemical charge was initiated from the Agro specialty molecule with firm orders for FY25 in place.
- **Navin Molecular** reported a revenue of INR480m (-76% YoY). Deferral of molecules in 4Q led to weak business performance. There was an order visibility from existing MSA, with a European CDMO major for FY25. The company has a strong late-stage pipeline/commercial opportunities. cGMP capex of INR2.9b was approved by the BoD with Phase-I outlay of INR1.6b (to be commissioned by end-CY25).
- **The revenue mix in 4QFY24 was 49% for HPP business (42% in 4QFY23), 8% for Navin Molecular (29%), and 43% for Specialty Chemicals business (29%)**
- Domestic sales were 34% of the total revenues in 4QFY24, while 66% was exports (78% in 4QFY23). Domestic sales from the HPP business stood at 42% and sales from the Specialty Chemicals business was 24%. The same for Navin Molecular was at 41%.

Valuation and View

- The Specialty Chemicals and Navin Molecular businesses should drive robust CAGR at 29% and 45%, respectively, over FY24-26, with increasing use of fluorine in the Pharma and Agro space, battery chemicals, and performance materials (Solar grid HF, Semiconductor grade HF, et al).
- The company has already identified various opportunities, such as 1) a capability capex in Specialty Chemicals with INR450m in revenue expected every year starting FY25, 2) Fermion contract with value of USD40m over three years (starting CY24), and 3) an additional R32 capacity to be commissioned by Feb’25, among others.
- **We expect a revenue/EBITDA/PAT CAGR of 23%/34%/39% over FY24-26.** The stock is trading at 38x FY26E EPS of INR89 and 25x FY26E EV/EBITDA. We value the company at 35x FY26E EPS to arrive at our TP of INR3,110. **We reiterate our Neutral rating on the stock.**

Consolidated - Quarterly Snapshot (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Gross Sales	**3,975**	**4,192**	**5,636**	**6,971**	**4,912**	**4,718**	**5,001**	**6,020**	**20,774**	**20,650**	**5,322**	**13%**
YoY Change (%)	21.7	23.7	48.7	70.5	23.6	12.5	-11.3	-13.6	42.9	-0.6	-23.7	
Gross Margin (%)	54.1%	56.2%	56.3%	59.3%	58.7%	57.2%	54.1%	50.0%	56.9%	54.7%	58.2%	-8.2%
EBITDA	**991**	**938**	**1,556**	**2,018**	**1,142**	**983**	**757**	**1,101**	**5,503**	**3,983**	**976**	**13%**
Margin (%)	24.9	22.4	27.6	28.9	23.3	20.8	15.1	18.3	26.5	19.3	18.3	-0.1
Depreciation	124	177	250	76	213	243	249	257	626	962	260	
Interest	3	40	92	140	194	200	177	174	275	746	181	
Other Income	109	109	99	40	83	231	119	125	357	559	86	
PBT before EO expense	**974**	**831**	**1,313**	**1,842**	**818**	**772**	**450**	**794**	**4,959**	**2,834**	**621**	**28%**
Extra-Ord. expense	0	0	0	0	0	0	521	0	0	521	0	
PBT	**974**	**831**	**1,313**	**1,842**	**818**	**772**	**972**	**794**	**4,959**	**3,355**	**621**	**28%**
Tax	229	252	247	478	202	166	191	90	1,207	650	124	
Rate (%)	23.5	30.4	18.8	26.0	24.8	21.5	19.7	11.4	24.3	19.4	20.0	
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**745**	**578**	**1,066**	**1,364**	**615**	**606**	**780**	**704**	**3,752**	**2,705**	**497**	**42%**
Adj. PAT	**745**	**578**	**1,066**	**1,364**	**615**	**606**	**362**	**704**	**3,752**	**2,285**	**497**	**42%**
YoY Change (%)	33.2	-8.6	54.9	81.5	-17.4	4.8	-66.1	-48.4	42.6	-39.1	-63.6	
Margin (%)	18.7	13.8	18.9	19.6	12.5	12.8	7.2	11.7	18.1	11.1	9.3	2.4
Segmental Revenue (INR m)												
High Performance Products (HPP)	1,520	2,110	2,530	2,890	1,690	2,381	2,510	2,970	9,050	9,551	2,682	11%
Specialty Chemicals	1,760	1,770	1,860	2,040	2,300	1,855	1,770	2,570	7,430	8,495	1,898	35%
Navin Molecular	700	390	1,250	2,030	930	482	730	480	4,370	2,622	742	-35%

Fusion Microfinance

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	FUSION IN
Equity Shares (m)	101
M.Cap.(INRb)/(USDb)	49.3 / 0.6
52-Week Range (INR)	691 / 419
1, 6, 12 Rel. Per (%)	0/-29/-13
12M Avg Val (INR M)	218

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Total Income	16.2	19.4	23.3
PPP	10.3	12.2	14.8
PAT	5.1	6.7	8.3
EPS (INR)	50.2	66.3	82.8
EPS Gr. (%)	30	32	25
BV (INR)	283	349	432
Valuations			
NIM (%)	14.1	14.0	13.9
C/I ratio (%)	36.6	37.1	36.5
RoAA (%)	4.8	5.1	5.3
RoE (%)	19.5	21.0	21.2
Valuations			
P/E (x)	9.7	7.4	5.9
P/BV (x)	1.7	1.4	1.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	57.7	57.7	68.2
DII	23.3	22.8	13.6
FIIFIIFII	6.4	7.2	6.3
Others	12.6	12.3	12.0

FII Includes depository receipts

CMP: INR488 TP: INR605 (+24%) Buy

Earnings miss due to elevated credit costs; NIM rose ~5bp QoQ

Guidance for FY25 net credit costs revised upwards to ~3%

- Fusion's 4QFY24 PAT grew 16% YoY to ~INR1.33b (9% miss) because of elevated credit costs. NII grew 31% YoY to ~INR3.6b, while PPoP also grew 31% YoY to ~INR2.9b (7% beat). FY24 PAT grew 31% YoY to INR5.1b.
- Cost-income ratio stood at ~37% (PY: ~36%). Credit costs stood at INR1.2b (~50% higher than estimates) and annualized credit costs rose ~75bp QoQ to 4.8%. This included management overlay of ~INR180m in 4QFY24.
- Disbursements grew 24% YoY/9% QoQ to INR29.5b despite calibrating its growth in a few geographies and halting disbursements in Punjab since Dec'23. AUM grew 23% YoY/7% QoQ to ~INR114.8b.
- We cut our FY25/FY26 EPS estimates by ~3% each to account for higher credit costs. We model an AUM CAGR of ~24% and PAT CAGR of ~28% over FY24-FY26E, driven by strong borrower additions, operating leverage, and higher other income. We estimate RoA/RoE of ~5.3%/21% in FY26. Fusion currently trades at 1.1x FY26E P/BV and we believe its valuation re-rating will depend on its ability to demonstrate predictability around credit costs. We reiterate our **BUY rating on the stock with a TP of INR605 (based on 1.4x FY26E P/BV).**
- **Key risks include:** a) credit costs higher than guidance of ~3% in FY25, and b) increase in competitive intensity leading to NIM compression.

Spreads rose ~10bp QoQ despite decline in yields

- Yields declined ~10bp QoQ to ~21.8%, while CoF declined ~20bp QoQ to ~10.2%, leading to ~10bp increase in spreads to ~11.6%. Reported NIM rose ~5bp QoQ to 11.6%.
- The share of foreign borrowings in the borrowing mix dropped ~30bp to ~14.4% in 4QFY24 (PQ: 14.7%), while the share of private sector banks increased ~5pp QoQ to ~42%. The company aims to diversify its liability mix to reduce dependence on bank term loans.
- Marginal CoB declined ~20bp QoQ to ~10.25%. Fusion has well-established risk-based pricing and is very transparent in pricing disclosures. Further, there are no plans to reduce the lending rate in the immediate future. We model NIMs of 14.0%/13.9% in FY25/FY26.

Asset quality improved; collection efficiency stabilized in Punjab

- GS3/NS3 improved ~15bp/~20bp QoQ to 2.9%/0.6%. Stage 3 PCR rose ~5pp QoQ to ~80%.
- Stage 2 rose ~35bp QoQ to 1.2%. The company increased the PCR across all Stage 1, 2, and 3 loans, resulting in ECL/EAD (incl. management overlay of ~INR595m) of ~3.5% (PQ: 3.2%). The company added management overlay of INR180m in 4QFY24.

- Write-offs for the quarter stood at ~INR750m. Collection efficiency (including arrears) declined to ~97.3% (PQ: 97.9%). Ex-Punjab, CE stood at 98.3% (PQ: 98.4%).
- Going forward, management expects minimum slippages from Punjab portfolio, subject to the collection efficiency holding up. Further, it expects net credit cost below ~3% and it will continue to create management overlay in FY25 as well. We model credit costs of 3.0%/2.7% for FY25 and FY26.

Adding strength to distribution through branch expansion

- The company's borrower base rose to 3.86m as on Mar'24 (up from 3.8m as on Dec'23).
- Fusion added 55 branches in the quarter and now has presence across 22 States (including 3 UT). With a branch count of ~1,300, Fusion remains committed to diversification and its entry into AP/Telangana will help it expand its presence in South India.
- Capital Adequacy stood at ~27.5% as on Mar'24.

Update on the developments in Punjab

- Punjab AUM stood at INR3.2b (~2.8% of the total AUM) as on Mar'24 and collection efficiency in the month of March stood at ~75%. Collection efficiency has stabilized at these levels in Apr'24 as well.
- PAR 60+ in Punjab stood at ~36% (PQ: ~13%).
- No new business was sourced in Punjab since Dec'23. Management shared that it will decide upon disbursing fresh loans in Punjab post elections.

Highlights from the management commentary

- Management remains confident of growing the AUM in the mid-20s in FY25 and guides C/I ratio of ~36-38% in FY25.
- Branch expansion pace will remain similar in FY25 as well. The company will be front-loading branch expansions in 1H. ~60% of the newer branches will come from outside the Top 5 states of Fusion.

Valuation and view

- Fusion has a stable and experienced management team. The company's digital orientation through its 'touch and tech' strategy has positioned it well to deliver a strong operating performance. It enjoys a strong rural presence with its portfolio comprising ~94% of rural AUM.
- Fusion, in our view, can deliver a calibrated CAGR of 24% in AUM and 28% in PAT over FY24-FY26E. It is also poised to deliver RoA/RoE of 5.3%/21% in FY26, aided by scale and productivity benefits, leading to a decline in the cost ratios. This is despite the guidance of higher net credit costs of ~3% in FY25. We reiterate our **BUY** rating on the stock **with a TP of INR605 (based on 1.4x FY26E P/BV).**

Fusion: Quarterly Performance (INR M)

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

E: MOFSL Estimates

Pidilite

BSE SENSEX	S&P CNX
73,512	22,303

Conference Call Details

Date: 8th May 2024

Time: 4:00pm IST

Dial-in details:

Diamond pass

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	123.8	136.9	155.0
Sales Gr. (%)	4.9	10.6	13.2
EBITDA	27.1	31.3	35.9
EBITDA Margin (%)	21.9	22.9	23.2
Adj. PAT	18.2	21.7	25.2
Adj. EPS (INR)	35.9	42.6	49.6
EPS Gr. (%)	42.2	18.9	16.3
BV/Sh.(INR)	159.9	182.6	209.5
Ratios			
RoE (%)	23.8	24.9	25.3
RoCE (%)	21.5	22.9	23.4
Payout (%)	45.2	46.9	46.4
Valuations			
P/E (x)	82.3	69.2	59.5
P/BV (x)	18.5	16.2	14.1
EV/EBITDA (x)	54.8	47.1	40.7
Div. Yield (%)	0.5	0.7	0.8

CMP: INR2,950 — Neutral

Double-digit volume growth; miss on EBITDA margin

Consolidated performance

- 4QFY24 net sales grew 8% YoY to INR29.0b (est. INR28.2b), with healthy volume growth across categories and geographies along with mix improvement.
- Underlying volume growth (UVG) remained strong at 15% (10% in 3Q), with 13% in C&B businesses and 25% in B2B businesses.
- **Consumer & Bazaar (C&B) segment** revenue grew 6% YoY to INR22.5b, EBIT increased 20% YoY to INR5.4b, and EBIT margins expanded by 270bp YoY to 24.2%.
- **B2B segment** revenue rose 12% YoY to INR7.1b, EBIT increased 18% to INR835m, and EBIT margins expanded 60bp to 11.8%.
- Gross margins expanded ~660bp YoY to 53.4% (est. 52.7%).
- As a percentage of sales, higher employee expenses (+110bp YoY to 12.9%), and other expenses (+280bp YoY to 20.7%) limited EBITDA margin expansion at 280bp YoY (down ~400bp QoQ) to **19.9% (est. 23.5%).**
- EBITDA grew 26% YoY to INR5.8b (est. INR6.6b).
- PBT was up 27% YoY at INR5.0b (est. INR6.0b).
- Adj. PAT increased 32% YoY to INR3.8b (est. INR4.5b).
- 4QFY24 included an exceptional item of INR716.7m related to a loss on the divestment of its Brazil subsidiary.
- In FY24, net sales/EBITDA/APAT grew 5%/36%/42% to INR123.8b/ INR27.1b/INR18.2b.

Other highlights

- As per the company, there may be short-term softness in the demand environment; however, the company remains optimistic about market demand in the medium term, with an overall increase in construction activities, government spending, and increasing prosperity.
- Both urban and rural markets grew, with rural markets outpacing urban growth.
- PIDI divested its Brazil business in Mar'24, marking its exit in the Americas.

Consolidated - Quarterly Earning Model (INR b)

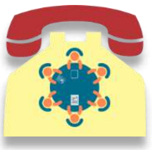
Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**31.0**	**30.1**	**30.0**	**26.9**	**32.8**	**30.8**	**31.3**	**29.0**	**118.0**	**123.8**	**28.2**	**2.9**
YoY change (%)	60.1	14.7	5.2	7.3	5.6	2.2	4.4	7.9	18.9	4.9	4.9	
Gross Profit	12.9	12.3	12.5	12.6	16.1	15.8	16.6	15.5	50.4	63.9	14.9	**4.2**
Margin (%)	41.7	41.0	41.8	46.8	49.0	51.3	52.9	53.4	42.7	51.6	52.7	
EBITDA	**5.3**	**5.0**	**5.0**	**4.6**	**7.1**	**6.8**	**7.4**	**5.8**	**19.8**	**27.1**	**6.6**	**-12.9**
YoY change (%)	52.3	(9.0)	(9.7)	14.5	33.5	36.0	49.7	25.6	7.4	36.4	44.3	
Margins (%)	17.1	16.6	16.5	17.1	21.6	22.1	23.7	19.9	16.8	21.9	23.5	
Depreciation	0.6	0.6	0.7	0.8	0.7	0.8	0.8	1.1	2.7	3.4	0.8	
Interest	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.5	0.5	0.1	
Other Income	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.5	0.5	1.4	0.3	
PBT	**4.7**	**4.4**	**4.2**	**3.9**	**6.5**	**6.2**	**6.9**	**5.0**	**17.2**	**24.6**	**6.0**	**-16.9**
Tax	1.2	1.1	1.1	1.0	1.7	1.6	1.8	1.2	4.3	6.3	1.5	
Rate (%)	24.6	25.2	25.2	26.3	26.4	26.2	25.7	24.4	25.3	26.5	25.7	
Adj PAT	**3.5**	**3.3**	**3.1**	**2.9**	**4.7**	**4.6**	**5.1**	**3.8**	**12.8**	**18.2**	**4.5**	**-15.4**
YoY change (%)	64.4	-10.7	-13.9	15.3	34.0	37.4	66.8	31.5	7.3	42.2	55.5	
Margins (%)	11.4	11.1	10.2	10.7	14.5	15.0	16.3	13.0	10.9	14.7	15.8	

E: MOFSL Estimates

SRF

BSE SENSEX	S&P CNX
73,512	22,303

Conference Call Details



Date: 9th May 2024
Time: 3:00pm IST
Dial-in details:
Click Here

CMP: INR2,417 — **Neutral**

Operating performance in line

- SRF reported overall revenue of INR35.7b (est. of INR34.8b) in 4QFY24, down ~6% YoY. The Chemical business revenue dipped 14% YoY to INR18.2b. Packaging Film/Technical Textile segments rose 3%/9% YoY to INR11.8b/INR4.7b.
- EBITDA margin contracted 550bp YoY to 19.9% (est. of 19.7%); RM costs as a % of sales stood at 51.4% in 4QFY24 (vs. 50% in 4QFY23); employee costs were at 6.9% (vs. 5.7%), power costs stood at 9.2% (vs. 9.1%), while the other expenses came in at 12.6% (vs. 9.8%) during the quarter.
- EBITDA stood at INR7.1b (est. of INR6.8b), down 26% YoY.
- EBIT margins in the Chemical/Packaging Film businesses contracted 780bp/ 80bp YoY to 27.4%/2.8%. The margin for the Technical Textile business expanded 370bp YoY to 14.9%
- Adjusted PAT declined 26% YoY to INR4.4b (est. of INR3.6b). Adjusted PAT was higher than estimated due to a lower effective tax rate of ~4.6% in 4QFY24 (vs. est. of 24.5%)
- **For FY24,** SRF's revenue/EBITDA/Adj. PAT declined 12%/27%/38% YoY to INR131.4b/INR26.6b/INR14.1b.

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	%
Net Sales	38,947	37,278	34,697	37,781	33,384	31,774	30,530	35,697	1,48,703	1,31,385	34,803	3
YoY Change (%)	44.3	31.3	3.7	6.4	-14.3	-14.8	-12.0	-5.5	19.6	-11.6	0.3	
Total Expenditure	28,749	29,226	26,211	28,185	26,184	25,320	24,691	28,581	1,12,371	1,04,777	27,959	
EBITDA	10,198	8,052	8,486	9,596	7,200	6,453	5,839	7,116	36,332	26,608	6,843	4
Margins (%)	26.2	21.6	24.5	25.4	21.6	20.3	19.1	19.9	24.4	20.3	19.7	
Depreciation	1,307	1,393	1,507	1,546	1,566	1,612	1,689	1,859	5,753	6,726	1,750	
Interest	325	445	620	659	656	793	674	900	2,048	3,023	670	
Other Income	99	327	100	223	118	291	188	234	749	830	310	
PBT before EO expense	8,665	6,542	6,460	7,614	5,095	4,339	3,664	4,591	29,280	17,689	4,733	
Extra-Ord expense & DO	249	361	150	280	237	191	181	158	1,040	767	0	
PBT	8,416	6,181	6,309	7,334	4,858	4,148	3,483	4,433	28,240	16,922	4,733	
Tax	2,336	1,371	1,200	1,709	1,265	1,140	949	211	6,617	3,565	1,159	
Rate (%)	27.0	21.0	18.6	22.5	24.8	26.3	25.9	4.6	22.6	20.2	24.5	
Reported PAT	6,080	4,810	5,109	5,625	3,593	3,008	2,534	4,222	21,623	13,357	3,574	
Adj PAT	6,329	5,171	5,259	5,905	3,830	3,199	2,715	4,380	22,663	14,124	3,574	23
YoY Change (%)	63.1	42.9	11.4	-0.6	-39.5	-38.1	-48.4	-25.8	24.8	-37.7	-32	
Margins (%)	16.2	13.9	15.2	15.6	11.5	10.1	8.9	12.3	15.2	10.8	10.3	

United Breweries

BSE SENSEX	S&P CNX
73,512	22,303

Conference Call Details

Date: 8 May 2024

Time: 3:00 PM

Dial-in details:

+9 1 22 6280 1245 /

+91 22 7115 8146

Diamond Pass

Financials & Valuations (INR b)

Y/E MAR	FY24	FY25E	FY26E
Net Sales	81.2	90.0	99.1
Sales Gr. (%)	8.3	10.8	10.2
EBITDA	7.0	10.3	12.5
Margin (%)	8.6	11.5	12.6
Adj. PAT	4.1	6.6	8.2
Adj. EPS (INR)	15.5	25.0	30.9
EPS Gr. (%)	24.7	60.7	23.9
BV/Sh. (INR)	158.3	171.7	188.3
Ratios			
RoE (%)	10.1	15.1	17.2
RoCE (%)	10.2	15.3	17.4
Valuations			
P/E (x)	130.0	80.9	65.3
P/BV (x)	12.8	11.8	10.7
EV/EBITDA (x)	75.4	51.2	41.8

CMP: INR2,005

Double-digit volume growth; miss on margins

- UBBL's standalone net sales grew 21% YoY to INR21.3b (est. INR19.7b) led by robust volume growth and strong pricing.
- In 4QFY24, volumes rose 11% YoY, with premium segment volume rising 21% YoY, primarily driven by the South and East regions.
- Volume growth in South was 21%, East at +10%, North at +3% and West was flat on a YoY basis.
- **In FY24,** volume/premium volume improved 2%/3% YoY.
- Gross margin improved 310bp YoY to 41.7%.
- As a percentage of sales, lower employee expenses (-80bp YoY to 8.2%) and an increase in other expenses (30bp YoY to 26.9%) led to a 360bp YoY expansion in standalone EBITDA margin **to 6.7%** (est. 8.9%).
- EBITDA/PBT/APAT surged 166%/724%/731% to INR1.4b/INR1.1b/ INR0.9b (est. INR1.8b/INR1.4b/INR1.1b).
- The growth trajectory saw a significant uptick driven by the impact of a low base quarter, compounded by the impact of state mix dynamics and, primarily, inflationary pressures.
- **In FY24,** net sales/EBITDA/APAT grew 8%/13%/25% YoY.

Other key highlights

- Net sales growth was led by volume growth, price increase, and a positive mix.
  - Volume growth was driven by Tamil Nadu, Telangana, Andhra Pradesh, Orissa, Rajasthan, Uttar Pradesh and Jharkhand, which was partially offset by a decline mainly in Haryana.
  - Price increases were taken in multiple markets including Rajasthan, Karnataka, and Andhra Pradesh.
  - To celebrate the International Women's day, the company introduced Queenfisher, an all-women initiative. The company also introduced London Pilsner Strong Beer in Karnataka, aimed to cater to the discerning taste of Karnataka's consumers.
  - Positive mix is driven by brand and state-mix and lower inter-state sales.

Standalone Quarterly Performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Net Sales	**24,367**	**16,796**	**16,110**	**17,645**	**22,732**	**18,880**	**18,227**	**21,315**	**74,999**	**81,227**	**19,721**	8.1%
YoY Change (%)	117.9	17.8	1.9	3.4	-6.7	12.4	13.1	20.8	28.5	8.3	11.8	
Gross Profit	**10,784**	**7,837**	**6,741**	**6,812**	**9,221**	**8,408**	**8,018**	**8,894**	**32,346**	**34,703**	8,961	-0.7%
Margin (%)	44.3	46.7	41.8	38.6	40.6	44.5	44.0	41.7	43.1	42.7	45.4	
EBITDA	**2,651**	**2,191**	**766**	**535**	**2,228**	**1,846**	**1,456**	**1,420**	**6,162**	**6,962**	1,763	-19.4%
YoY Change (%)	177.8	32.3	-63.4	-79.5	-15.9	-15.8	89.9	165.6	-11.5	13.0	229.8	
Margins (%)	10.9	13.0	4.8	3.0	9.8	9.8	8.0	6.7	8.2	8.6	8.9	
Depreciation	575	520	502	507	513	508	518	577	2,106	2,119	529	
Interest	8	10	16	12	17	14	21	18	46	69	28	
Other Income	104	143	130	116	103	122	241	263	494	737	234	
PBT	**2,170**	**1,805**	**131**	**132**	**1,801**	**1,446**	**1,158**	**1,088**	**4,257**	**5,511**	1,440	-24.4%
Tax	554	463	152	35	440	369	310	280	1,210	1,403	389	
Rate (%)	25.5	25.6	40.2	26.3	24.5	25.5	26.7	25.7	28.4	25.5	27.0	
Adj PAT	**1,617**	**1,342**	**226**	**97**	**1,361**	**1,076**	**849**	**808**	**3,295**	**4,109**	1,051	-23.1%
YoY Change (%)	424.3	66.4	-80.6	-94.0	-15.8	-19.8	274.9	730.8	-10.0	24.7	980.3	
Margins (%)	6.6	8.0	1.4	0.6	6.0	5.7	4.7	3.8	4.4	5.1	5.3	

E: MOFSL Estimates

Voltas

BSE SENSEX	S&P CNX
73,512	22,303

Conference Call Details

Date: 8 May 2024

Time: 15:30 IST

Dial-in details:

+ 91 22 6280 1384

+ 91 22 7115 8285

Link for the call

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	124.8	141.3	158.9
EBITDA	4.7	9.4	13.5
Adj. PAT	2.4	7.2	10.9
EBITDA Margin (%)	3.8	6.7	8.5
Adj. EPS (INR)	7.2	21.8	33.0
EPS Gr. (%)	(36.8)	96.2	51.6
BV/Sh. (INR)	176.0	190.1	217.7
Ratios			
Net D:E	(0.0)	0.0	(0.1)
RoE (%)	4.1	11.5	15.2
RoCE (%)	6.4	12.4	15.4
Payout (%)	30.0	25.0	25.0
Valuations			
P/E (x)	191.1	63.4	41.8
P/BV (x)	7.9	7.3	6.4
EV/EBITDA(x)	96.1	48.5	33.5
Div. Yield (%)	0.2	0.4	0.6
FCF Yield (%)	1.0	0.7	1.8

CMP: INR1,389 **Buy**

Miss estimates; high losses continue in EMPS segment

- Voltas (VOLT)'s 4QFY24 revenue stood at INR42.0b (in line with estimate); up 42% YoY, led by 47%/44%/10% growth in the EMPS/UCP/PES segments. However, EBITDA declined 13% YoY to INR1.9b (down 34% vs. our est.), due to continued higher losses in the EMPS segment. OPM contracted 2.8pp YoY to 4.5% (est. 6.7%). Adj. PAT (adjusted for prior period tax) declined 28% YoY to INR1.0b (est. INR2.3b).
- Volume growth in UCP was ~27% YoY (overall), while RAC volume grew 35% YoY. The company's YTD market share in RAC (both split and window AC) stood at 18.7% as of Mar'24 vs. 19% as of Dec'23.
- We have a BUY rating on the stock. However, we will review our assumptions after the concall on 8th May'24.

UCP revenue in line, but miss on margin

- VOLT's consolidated revenue was up 42% YoY at INR42.0b (in line with our estimates). However, EBITDA declined 13% YoY to INR1.9b, 34% below our estimate. EBITDA margin came in at 4.5% (est. 6.7%). Depreciation/interest costs grew 14%/67% YoY, whereas 'other income' grew 17% YoY.
- Segmental highlights: a) UCP – revenue was up 44% YoY at INR29.6b and EBIT rose 31% YoY to INR2.7b. EBIT margin declined 90bp YoY to 9.2%. b) EMPS – revenue grew 47% YoY to INR11.0b. The segment reported a loss before interest and tax of INR1.1b (vs. loss of INR140m in 4QFY23) due to higher provisioning in international projects. c) PES – revenue increased by 10% YoY to INR1.6b, while EBIT declined 14% YoY to INR478m. EBIT margin was down 8.7pp YoY at 31%.
- In FY24, revenue was up 31% YoY at INR125b, but EBITDA declined 17% YoY to INR4.7b. OPM contracted 2.2pp YoY to 3.8%. Adj. PAT declined 37% YoY to INR2.4b. The UCP segment's revenue was up 26% YoY at INR81.6b and EBIT margin expanded by 20bp YoY to 8.5% during the period.
- VOLT's CFO stood at INR7.6b vs. INR1.6b in FY23, driven by improvement in working capital. Capex stood at INR2.9b vs. INR1.8b in FY23. The company generated FCF of INR4.7b vs. FCF outflow of INR21m in FY23.

Valuation and view

- The company's UCP business seeing robust revenue growth supported by favorable weather conditions and its strong presence in this segment. However, margin missed our estimates. Further, continued higher losses in EMPS segment dragged down overall performance.
- **We have a BUY rating on the stock.** However, we will review our assumptions after the concall on 8th May'24 (Concall Link).

Quarterly performance (INR m)

Y/E March	FY23				FY24				MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4QE	
Sales	**27,680**	**17,684**	**20,056**	**29,568**	**33,599**	**22,928**	**26,257**	**42,029**	**42,901**	**(2)**
Change (%)	55.1	4.7	11.8	10.9	21.4	29.7	30.9	42.1	45.1	
Adj EBITDA	**1,770**	**1,008**	**764**	**2,182**	**1,854**	**703**	**284**	**1,906**	**2,868**	**(34)**
Change (%)	30.4	(21.9)	(50.9)	(16.4)	4.7	(30.3)	(62.8)	(12.6)	31.5	
Adj EBITDA margin (%)	6.4	5.7	3.8	7.4	5.5	3.1	1.1	4.5	6.7	(215)
Depreciation	85	97	111	104	113	117	128	118	138	**(14)**
Interest	40	67	64	124	101	115	135	208	139	**50**
Other Income	268	644	307	467	700	710	579	544	613	**(11)**
Extra-ordinary items	-	(1,064)	(1,374)	-	0	-	-	-	0	
PBT	**1,913**	**423**	**(478)**	**2,420**	**2,339**	**1,181**	**599**	**2,124**	**3,204**	**(34)**
Tax	508	195	300	706	735	493	515	634	825	**(23)**
Effective Tax Rate (%)	26.6	13.1	33.5	29.2	31.4	41.7	85.9	29.9	25.8	
Share of profit of associates/JV's	(316)	(303)	(325)	(275)	(312)	(321)	(389)	(325)	(59)	
Reported PAT	**1,089**	**(74)**	**(1,104)**	**1,439**	**1,293**	**367**	**(304)**	**1,164**	**2,320**	**(50)**
Change (%)	(10.6)	(107.2)	(215.0)	(21.2)	18.7	NM	NM	(19.1)	61.2	
Adj PAT	**1,089**	**990**	**270**	**1,439**	**1,293**	**367**	**(304)**	**1,038**	**2,320**	**(55)**
Change (%)	(10.6)	(4.5)	(71.8)	(21.2)	18.7	(62.9)	NM	(27.9)	61.2	

Segment Revenues (INR m)

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4QE	Var.
EMP & Services	4,547	5,540	6,484	7,458	6,791	9,242	9,819	10,979	10,613	3
Engineering products and services	1,243	1,374	1,179	1,424	1,423	1,344	1,548	1,564	1,687	(7)
Unitary cooling business	21,622	10,477	12,160	20,486	25,140	12,088	14,826	29,551	30,199	(2)
Others	268	292	233	200	245	253	65	-65	401	(116)
Total	**27,680**	**17,684**	**20,056**	**29,568**	**33,599**	**22,928**	**26,257**	**42,029**	**42,901**	**(2)**
Segment PBIT										
EMP & Services	(125)	143	(461)	(140)	(519)	(490)	(1,200)	(1,077)	-527	NA
Engineering products and services	509	480	460	559	541	539	499	478	582	(18)
Unitary cooling business	1,662	765	895	2,057	2,073	928	1,229	2,704	3,043	(11)
Total PBIT	**2,046**	**1,388**	**893**	**2,475**	**2,096**	**977**	**528**	**2,105**	**3,098**	**(32)**
Segment PBIT (%)										**bp**
EMP & Services (%)	(2.7)	2.6	(7.1)	(1.9)	(7.6)	(5.3)	(12.2)	(9.8)	(5.0)	(484)
Engineering products and services (%)	40.9	35.0	39.0	39.3	38.0	40.1	32.2	30.6	34.5	(392)
Unitary cooling business (%)	7.7	7.3	7.4	10.0	8.2	7.7	8.3	9.2	10.1	(92)
Total PBIT (%)	**7.4**	**7.9**	**4.5**	**8.4**	**6.2**	**4.3**	**2.0**	**5.0**	**7.2**	**(221)**

Indraprastha Gas

BSE SENSEX	S&P CNX
73,512	22,303

Conference Call Details

Date: 08 May 2024
Time: 5:00 PM IST
Dial in:
+91 22 6280 1342
+91 22 7115 8243

CMP: INR437 — Sell

Miss on EBITDA due to lower-than-expected margin; volumes and PAT in line

- **Total volumes were in line with our est. at 8.73mmscmd (+6% YoY)**
  - CNG volumes stood at 6.37mmscmd (+4% YoY), while PNG volumes were at 2.35mmscmd (+10% YoY) during the quarter.
- **EBITDA/scm came in below our est. at INR6.6 (vs. our est. of INR7.2).**
  - Gross margin stood at INR13.1/scm (vs. INR12.0/scm in 4QFY23). Opex came in at INR6.6/scm (vs. INR5.8 in 4QFY23).
- Resulting EBITDA was INR5.2b (our est. of INR5.8b, +13% YoY).
- PAT stood at INR3.8b (vs. our est. of INR3.8b, +16% YoY), supported by higher-than-estimated other income.
- **For FY24,** EBITDA was up 17% YoY to INR23.8b, with an **EBITDA/scm of INR7.7 (-28% YoY).** PAT rose 21% YoY to INR17.5b. Total volumes were up 4% YoY to 8.43mmscmd, with CNG volumes at 6.28mmscmd (+4% YoY) and PNG at 2.15mmscmd (+5% YoY).
- IGL invested INR189m for an allotment of 51% shares in the subsidiary during FY24.
- The company's share in the net loss of the subsidiary stood at INR17m during the year and INR5m during the quarter.
- The Board recommended a final dividend of 250% of FV i.e. INR5/share.

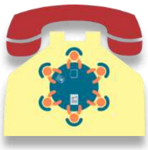
Standalone Quarterly performance (INR m)

Y/E March	FY23				FY24					Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	4QAct	(%)	(%)	(%)
Net Sales	**31,939**	**35,540**	**37,108**	**36,820**	**34,070**	**34,585**	**35,504**	**30,476**	**35,968**	**18%**	**-2%**	**1%**
Change (%)	*154.0*	*94.1*	*67.5*	*53.0*	*6.7*	*-2.7*	*-4.3*	*-17.3*	*-2.3*			
EBITDA	**6,175**	**5,275**	**4,285**	**4,608**	**6,424**	**6,569**	**5,582**	**5,779**	**5,225**	**-10%**	**13%**	**-6%**
EBITDA (INR/scm)	8.6	7.1	5.7	6.2	8.6	8.6	7.2	7.2	6.6	-9%	6%	-8%
% Change	*62.1*	*-0.5*	*-8.8*	*-7.9*	*4.0*	*24.5*	*30.3*	*23.9*	*13.4*			
Depreciation	857	914	925	938	989	1,022	1,018	1,092	1,108			
Interest	24	31	26	26	24	25	18	24	26			
Other Income	307	1,100	557	709	457	1,340	610	486	1,094			
PBT after EO	**5,602**	**5,430**	**3,891**	**4,354**	**5,867**	**6,862**	**5,155**	**5,149**	**5,187**	**1%**	**19%**	**1%**
Tax	1,394	1,269	1,109	1,056	1,483	1,514	1,235	1,364	1,359			
Rate (%)	*24.9*	*23.4*	*28.5*	*24.3*	*25.3*	*22.1*	*23.9*	*26.5*	*26.2*			
PAT	**4,209**	**4,162**	**2,783**	**3,298**	**4,384**	**5,348**	**3,921**	**3,785**	**3,828**	**1%**	**16%**	**-2%**
PAT (INR/scm)	5.9	5.6	3.7	4.4	5.9	7.0	5.0	4.7	4.8	2%	9%	-4%
Change (%)	*72.3*	*3.9*	*-9.8*	*-8.8*	*4.2*	*28.5*	*40.9*	*14.8*	*16.1*			
EPS (INR)	**6.0**	**5.9**	**4.0**	**4.7**	**6.3**	**7.6**	**5.6**	**5.4**	**5.5**	**1%**	**16%**	**-2%**
Gas Volumes (mmscmd)												
CNG	5.93	6.09	6.07	6.11	6.17	6.25	6.33	6.49	6.37	-2%	4%	1%
PNG	1.96	2.00	2.05	2.14	2.03	2.06	2.15	2.27	2.35	4%	10%	9%
Total	**7.89**	**8.09**	**8.12**	**8.26**	**8.20**	**8.30**	**8.48**	**8.76**	**8.73**	**0%**	**6%**	**3%**

KEC International

BSE SENSEX	S&P CNX
73,512	22,303

Conference Call Details



Date: 8th May 2024
Time: 10:00am IST
Dial-in details:
Diamond pass

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	199.1	234.7	269.1
Sales Gr. (%)	15.2	17.1	14.6
EBITDA	12.1	17.2	21.9
EBITDA Margin (%)	6.1	7.3	8.1
Adj. PAT	3.5	7.3	10.7
Adj. EPS (INR)	13.5	28.3	41.6
EPS Gr. (%)	97.0	105.8	46.9
BV/Sh.(INR)	159.3	184.2	221.3
Ratios			
RoE (%)	8.8	16.5	20.5
RoCE (%)	11.4	14.5	17.2
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	54.9	26.2	17.8
P/BV (x)	4.6	4.0	3.3
EV/EBITDA (x)	17.9	11.6	9.0
Div. Yield (%)	-	-	-

CMP: INR740 Neutral

Largely in-line numbers

- KEC International's 4QFY24 result was largely in line with our estimates. PAT growth stood at 110% YoY, a tad below our estimates.
- Revenue growth of 12% YoY was driven by a healthy order book of INR296.4b. T&D/non-T&D mix in the order book stood at 49%/51%.
- Gross margin was up ~20bp YoY but down ~120bp QoQ at 19.5%. Staff costs stood at 5.6% of sales vs. 6.2% in 4QFY23. Other expenses as a percentage of sales contracted ~40bp YoY but rose ~30bp QoQ.
- EBITDA margin stood at 6.3%, up ~120bp YoY/20bp QoQ. This was in line with the management guidance of a sequential improvement.
- Interest expenses as a percentage of sales eased to 2.5% vs. 2.9% in 4QFY23.
- PAT jumped 110% YoY on a low base, while it was up 57% QoQ.
- Order inflows declined 23% YoY to INR52.5b, likely due to the impact of the ongoing elections. The order book stood at INR296.4b, while the order book + L1 position stood at INR370b.
- For FY24, revenue/EBITDA/PAT grew by 15%/46%/97%. However, owing to poor OCF generation and higher capex, FCF declined 83% to INR737m.

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

Y/E March - INR m	FY23				FY24				FY23	FY24	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. (%)
Net Sales	**33,181**	**40,640**	**43,746**	**55,250**	**42,436**	**44,990**	**50,067**	**61,648**	**1,72,817**	**1,99,141**	**62,986**	**(2)**
YoY Change (%)	30.6	13.3	31.0	29.2	27.9	10.7	14.4	11.6	25.8	15.2	14.0	
Total Expenditure	31,497	38,861	41,747	52,415	39,992	42,247	46,988	57,768	1,64,520	1,86,996	58,900	
EBITDA	**1,684**	**1,779**	**1,999**	**2,835**	**2,444**	**2,743**	**3,079**	**3,880**	**8,298**	**12,146**	**4,086**	**(5)**
Margins (%)	5.1	4.4	4.6	5.1	5.8	6.1	6.1	6.3	4.8	6.1	6.5	
Depreciation	393	399	408	415	418	465	488	483	1,615	1,853	437	10
Interest	1,000	1,277	1,493	1,616	1,587	1,778	1,644	1,543	5,386	6,551	1,477	4
Other Income	80	161	17	55	28	158	260	78	313	524	144	(46)
PBT before EO expense	**371**	**266**	**115**	**859**	**467**	**658**	**1,207**	**1,933**	**1,610**	**4,265**	**2,316**	**(17)**
PBT	**371**	**266**	**115**	**859**	**467**	**658**	**1,207**	**1,933**	**1,610**	**4,265**	**2,316**	**(17)**
Tax	62	-287	-62	137	44	100	239	415	-151	798	733	
Rate (%)	16.6	-107.9	-53.8	15.9	9.4	15.2	19.8	21.5	-9.4	18.7	31.7	
Reported PAT	**309**	**552**	**176**	**722**	**423**	**558**	**969**	**1,517**	**1,761**	**3,467**	**1,583**	**(4)**
Adj PAT	**309**	**552**	**176**	**722**	**423**	**558**	**969**	**1,517**	**1,761**	**3,467**	**1,583**	**(4)**
YoY Change (%)	-32.9	-52.0	-81.2	-35.6	36.8	1.0	449.5	110.2	-53.1	96.9	119.3	
Margins (%)	0.9	1.4	0.4	1.3	1.0	1.2	1.9	2.5	1.0	1.7	2.5	

Kajaria Ceramics

BSE SENSEX	S&P CNX
73,512	22,303

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	45.8	51.1	57.3
EBITDA	7.0	8.6	10.1
Adj. PAT	4.2	5.4	6.4
EBITDA Margin (%)	15.3	16.9	17.6
Cons. Adj. EPS (INR)	27.2	34.8	41.2
EPS Gr. (%)	27.2	21.5	18.3
BV/Sh. (INR)	164	173	193
Ratios			
Net D:E	(0.5)	(0.4)	(0.4)
RoE (%)	17.1	20.4	22.0
RoCE (%)	19.7	24.0	26.0
Payout (%)	44.1	57.4	48.5
Valuations			
P/E (x)	45.0	34.0	28.7
P/BV (x)	7.5	6.8	6.1
EV/EBITDA(x)	27.4	21.5	18.3
EV/Sales (x)	4.2	3.6	3.2

CMP: INR1,188 **Buy**

Performance below estimate; volume grew 5.5% YoY

- Kajaria Ceramics (KJC)'s 4QFY24 performance was below our estimate due to lower-than-estimated realization and higher-than-estimated other expenses. Consolidated revenue increased 3% YoY to INR12.4b (-5% vs. estimate), while EBITDA declined 2% YoY to INR1.7b (-19% vs. estimate). OPM contracted 74bp YoY to 14% (est. 16%). PAT stood at INR1b (est. 1.2b).
- Sales volume grew 5.5% YoY to 29.6MSM in 4QFY24. The management is optimistic about the tile industry's demand in FY25, given the higher exports and strong real estate demand, which is likely to drive improvement in tiles volume off-take in FY25.
- **We have a BUY rating on the stock. We will review our assumptions after the analyst meeting on 8th May'24.**

EBITDA margin declined 74bp YoY to 14%

- KJC's consol. revenue/EBITDA/PAT stood at INR12.4b/INR1.7b/INR1.0b (+3% /-2%/-2% YoY and -5%/-19%/-17% vs. our est.). Tile sales volume rose 5.5% YoY to 29.6MSM, while realization dipped 4.4% YoY to INR374/sqm.
- Energy cost/scm of production declined 9% YoY, leading to a 94bp YoY improvement in gross margin to 36.4%. Employee costs increased 11% YoY (10.5% of revenue vs. 9.7% in 4QFY23). Other expenses rose 11% YoY (12.0% of revenue vs. 11.1% in 4QFY23). EBITDA declined 2% YoY and OPM was down 74bp YoY at 14% during the quarter.
- Interest costs declined 9% YoY, while deprecation increased 24%. 'Other income' rose 67% YoY in 4QFY24. Consolidated PAT (after MI) declined 2% YoY to INR1.0b in 4QFY24.
- In FY24, revenue/EBITDA grew 4.5%/18% YoY to INR45.8b/INR7.0b. EBITDA margin was up 1.8pp YoY to 15.3%. PAT (after MI) grew 25% YoY to INR4.2b. Tiles sales volume grew ~6% YoY to 108.1MSM, while realization declined 3% YoY to INR380/sqm.
- The company's OCF doubled YoY to INR6b, aided by improvement in working capital. Capex stood at INR3b vs. INR2.3b in FY23 and FCF stood at INR3b vs. INR639m in FY23.

Valuation and view

- The company reported weak performance during the quarter due to lower realizations and higher other expenses. Further, the volume growth was in a mid-single digit (~1% below estimate) due to sustained weak demand in the domestic market.
- **We have a BUY rating on the stock.** We will review our assumptions after the analyst meeting on May 08, 2024.

Consolidated quarterly performance (INR m)

	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net sales	**10,082**	**10,778**	**10,911**	**12,048**	**10,642**	**11,216**	**11,518**	**12,408**	**43,819**	**45,784**	**13,118**	-5
YoY change (%)	79.5	10.7	2.1	9.4	5.6	4.1	5.6	3.0	18.3	4.5	8.9	
Total expenditure	8,546	9,484	9,581	10,289	8,950	9,419	9,730	10,688	37,899	38,787	11,004	-3
EBITDA	**1,536**	**1,294**	**1,331**	**1,759**	**1,692**	**1,797**	**1,788**	**1,720**	**5,920**	**6,997**	**2,114**	-19
Margin (%)	15.2	12.0	12.2	14.6	15.9	16.0	15.5	13.9	13.5	15.3	16.1	-225
Depreciation	324	337	325	343	305	361	389	425	1,329	1,480	405	5
Interest	36	32	83	72	53	43	50	66	223	211	74	-11
Other income	81	76	75	104	93	83	113	174	336	462	99	77
PBT before EO expense	**1,257**	**1,002**	**997**	**1,448**	**1,427**	**1,477**	**1,462**	**1,403**	**4,705**	**5,768**	**1,733**	-19
Extra-ord expenses	0	37	0	43	0	0	0	0	79	0	0	
PBT after EO Expense	**1,257**	**966**	**997**	**1,406**	**1,427**	**1,477**	**1,462**	**1,403**	**4,625**	**5,768**	**1,733**	-19
Tax	328	277	261	298	336	366	379	354	1,163	1,435	452	-22
Rate (%)	26.1	27.6	26.1	20.6	23.5	24.8	25.9	25.2	24.7	24.9	26.1	
Reported PAT	**930**	**661**	**737**	**1,076**	**1,091**	**1,110**	**1,083**	**1,050**	**3,404**	**4,334**	**1,281**	-18
Minority interest	7	-10	-7	28	16	31	41	25	18	113	49	
Adj. PAT	**923**	**671**	**743**	**1,048**	**1,075**	**1,080**	**1,042**	**1,024**	**3,386**	**4,221**	**1,233**	-17
YoY change (%)	114.4	-42.2	-39.1	9.5	16.5	60.8	40.2	-2.3	-10.2	24.7	17.6	
Margin (%)	9.2	6.2	6.8	8.7	10.1	9.6	9.0	8.3	7.7	9.2	9.4	

Quarterly Summary

	FY23				FY24				YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales Volumes-mn sqm:										
Own Manufacturing	13.4	14.8	14.0	15.2	13.8	14.8	15.3	16.1	6.1	5.4
JVs	4.2	4.2	5.0	6.1	4.8	4.8	5.3	6.1	0.7	14.8
Trading	5.7	6.0	6.5	6.8	6.4	6.9	6.5	7.4	8.5	13.4
Total sales volumes	**23.3**	**24.9**	**25.5**	**28.0**	**25.0**	**26.5**	**27.1**	**29.6**	**5.5**	**9.2**
Revenue Mix (INR m)										
Own Manufacturing	5,381	5,968	5,592	5,994	5,393	5,705	5,791	6,062	1	5
JVs	1,321	1,354	1,949	1,867	1,340	1,825	1,995	2,255	21	13
Trading	2,387	2,421	2,299	2,980	2,833	2,469	2,343	2,599	(13)	11
Sanitaryware / faucets	714	744	795	904	837	853	922	327	(64)	(65)
Plywood	203	194	188	188	143	235	340	1,023	444	201
Adhesives	77	97	90	115	96	130	128	143	24	12
Revenue	**10,082**	**10,778**	**10,911**	**12,048**	**10,642**	**11,216**	**11,518**	**12,408**	**3**	**8**
Realization / sqm (INR)										
Own Manufacturing	401	404	401	396	391	386	380	377	(5)	(1)
JVs	312	324	389	308	279	379	375	369	20	(2)
Trading	421	406	355	438	442	360	360	352	(20)	(2)
Blended Realization	**393**	**395**	**390**	**391**	**386**	**383**	**379**	**374**	**(4.4)**	**(1.2)**
Growth (% YoY)	*15.4%*	*10.9%*	*4.0%*	*1.6%*	*-1.7%*	*-3.1%*	*-2.9%*	*-4.4%*		
Growth (% QoQ)	*2.0%*	*0.5%*	*-1.2%*	*0.2%*	*-1.2%*	*-0.9%*	*-1.0%*	*-1.2%*		
Production Volumes-mn sqm:										
Own Manufacturing	14.7	15.0	15.5	14.7	14.1	14.9	16.4	14.5	(1)	(12)
JVs	5.1	3.9	5.0	5.9	4.7	5.1	5.5	5.4	(9)	(3)
Total Production volumes	**19.8**	**19.0**	**20.5**	**20.5**	**18.7**	**20.0**	**21.9**	**19.8**	**(3)**	**(10)**
Growth % YoY	41.2%	7.9%	10.3%	12.7%	-5.3%	5.5%	7.0%	-3.4%		
Growth % QoQ	8.3%	-4.1%	8.2%	0.2%	-9.0%	7.0%	9.7%	-9.5%		

Expert Speak

IFRS implementation to aid ROE improvement

Positive impact on multi-line insurance players

We hosted an expert session focusing on the impact of IFRS implementation on General Insurers with Mr. Sumedh Jog, the CFO at Tata AIG General Insurance. He has been working with the company for the last five years and prior to joining Tata AIG, he spent a decade at TPG, a Private Equity fund. He is a Chartered Accountant and holds PGDM from IIM Ahmedabad. He highlighted the impact of implementations of IFRS vs. the current IGAAP regulations on the financials of the general insurance companies. IFRS is a Principal-based Accounting Standard (companies have to take multiple decisions based on requirements of the Standard) and thus implementation shall bring greater consistency across general insurers.

IRDAI has proposed a phase-wise implementation approach for Ind AS in the insurance sector. In this approach, insurers were bucketed into three phases based on their listing status and size of AUM. The insurers who are listed or is in the process of listing or with AUM greater than INR 350b as of Mar'22 are proposed to be covered under phase 1.

IFRS Implementation

Mr. Sumedh Jog

Mr. Sumedh Jog is CFO at Tata AIG General Insurance and has been working with the company for the last five years. Prior to joining Tata AIG, he worked with Private Equity fund, TPG Capital, for 10 years. He also has three years of investment banking experience with DSP Merrill Lynch. He is a Chartered Accountant and holds PGDM from IIM Ahmedabad.

Key highlights of the discussion

Overview of measurement models

- There are three different ways to measure insurance contracts under IFRS 17: 1. Variable Fee Approach (not applicable to general insurance companies), 2. General Measurement Model (GMM) – it is a default model to measure insurance contract liabilities under IFRS 17; however, this model is complex to implement & understand. 3. Premium Allocation Approach (PAA) – this model is simpler and much easier to implement & understand.
- As general insurance contracts have lower duration (generally one year) and have a linear risk profile, most general insurance companies choose to account as per PAA.

Impact of IFRS implementation

Positives

- Under the current regime, claims processing is done on a nominal basis. However, under IFRS, claims will be discounted - particularly contracts with longer duration (Motor TP, Longer term Health) should benefit. Resultantly, loss ratios are expected to come down, adding to underwriting profit and improving combined ratio. The rate of discounting is linked to G-sec yield, but is nowhere close to targeted yields (targeted yields have a mix of non-G sec debt & equity investments).
- The acquisition cost of the general insurers is up-fronted under IGAAP. However, under IFRS, this direct cost will be amortized in line with revenue, which will increase the overall profitability; however, the combined ratio would remain the same.
- Overall, IFRS implementation is expected to be RoE accretive. A back of the envelope calculation, i.e., NWP – NEP can be multiplied by the expense ratio to yield the PBT gains on IFRS implementation.
- Companies with a higher mix of float products—such as Motor TP—stand to benefit the most from this transition. However, it should be noted that players currently employing a 50:50 accounting method for unexpired risk reserve may not experience significant gains, as the shift to a 1/365 model could offset the benefits of amortization of expenses.

Negatives

- Currently, the insurer has the flexibility to recognize reinsurance commission upfront, with some leeway in timing. Under IFRS, this commission will be amortized over the contract's duration. This change may impact the combined ratio and overall profitability.
- IGAAP does not distinguish between contracts that are onerous and those that are not. Under IFRS, if a contract is likely to be loss making, the expected losses have to be booked upfront (e.g.: insurers making losses under Group health insurance) which could have an adverse effect on profitability.

Improvement in solvency

- The implementation of IFRS will release long-term liability reserves, and thus, lead to improvement in opening net-worth. Standalone IFRS implementation will have a positive impact on profitability and net-worth thus improve solvency for the insurers.
- IRDAI plans to transition to risk-based capital (RBC) framework which will be beneficial for Indian insurance companies. The proposed framework will be a shift from the current factor-based solvency capital regime. RBC will lead to significant improvement in capital utilization efficiency.

Other points to be considered

- Under IFRS, there is a debate as to whether crop insurance would qualify as insurance contract as no direct loss can be attributed to a particular insurer in weather-based products. This shall require industry-level decision making and if not it shall be accounted as derivative contracts.
- In terms of investments, MTM on debt and equity portfolios is not routed in the P&L currently. While equity MTM is taken through the balance sheet, debt portfolio is on a discounted basis (unless there's an impairment). Under IFRS, MTM on debt can be taken either through fair value change through OCI or through P&L. For equity, MTM can come through OCI or through investment income in P&L.

Marico: Expect Double Digit Revenue Growth In FY25; Saugata Gupta, MD & CEO

- Strategy is to defend market share at lower end, while increasing market at premium end
- Expect FPC segment to grow at over 20%
- Expect FPC category to contribute 25% to revenue over medium term
- Expect double digit EBITDA in digital business over next few years
- Bangladesh has staged a smart recovery
- Expecting double digit growth in international biz as well
- Have started seeing greenshoots in rural demand in Q4
- Have visibility of double digit revenue growth in FY25
- Have lost market share in the bottom-range products due to increased competition
- Expect worst of pricing pressure to be over
- Expect FY25 to be inflationary rather than disinflationary for the products
- Gross margins might have peaked in FY24, will be happy to sustain margins

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Godrej Consumers: See rural demand picking up; Expect prices to inch up sequentially & vol growth to sustain in high-single digits; Aasif Aasif Malbari, CFO

- Will sustain high single-digit volume growth
- Will see sequential growth improving in detergents due to new launches
- Will sustain at least 2x growth in Raymond portfolio vs the rest of the company
- Won't see a huge step up in ad spends as % of sales now
- There is an opportunity to improve margin in our overseas geographies

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Info Edge: Overall job growth remains flat, consumer sectors like oil & gas, FMCG, hospitality, and auto show consistent growth. IT sector reports a small 2% YoY growth. Salary growth expected to remain in single digits; Dr. Pawan Goyal, CBO

- Overall job index in flattish on MoM
- FMCG, Tourism, Oil & Gas segment is doing well in hiring
- Can say the worst is behind for IT hiring
- Will wait for a few months to call out growth recovery in IT
- BFSI & Insurance hiring continues to be robust
- Salary hike expectations around 6-7%

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Lupin: Seasonal product sales impacted QoQ in US market. US quarterly sales ahead of our expectations. Aim double digit growth in Indian market in FY25; Vinita Gupta, CEO

- Aiming for double digit growth in Indian markets in FY25
- Big therapy areas have been doing well
- Expect diabetes portfolio to do better than IPM in FY25
- gSpiriiva market share stable
- No real change in competitive landscape when it comes to gSpiriva
- In diagnostics, aspiration is to be among top 5 players in next 5 yrs Feel confident on growing biz in double digits
- US and Indian markets should do well
- Aim to sustain 20%+ EBITDA margins in FY25
- Co will continue to invest on R&D front in complex generic platform
- Expect R&D Investment to go up in FY25
- See EBITDA margins headed to 22-23% in next 2-3 years
- Seasonal product sales were impacted QoQ in US market

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Birla Corporation: Demand is tepid, mainly affected by elections and heat waves; Aditya Saraogi, CFO

- Expect pick-up post elections but monsoons may have a short-term impact on demand
- 8-10% volume growth factors in softness in Q1 FY25
- EBITDA from Mukutban to be higher than the rest of the company
- Total incentives in FY25 will be ₹110 cr, and ₹100 cr from Mukutban
- In FY25 Mukutban volumes will be 2.7 mt

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

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