Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,466	-0.1	1.7
Nifty-50	22,303	0.0	2.6
Nifty-M 100	50,036	0.7	8.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,188	0.0	8.8
Nasdaq	16,303	-0.2	8.6
FTSE 100	8,354	0.5	8.0
DAX	18,498	0.4	10.4
Hang Seng	6,457	-1.1	11.9
Nikkei 225	38,202	-1.6	14.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	83	1.3	7.1
Gold ($/OZ)	2,309	-0.2	11.9
Cu (US$/MT)	9,767	-1.3	15.4
Almn (US$/MT)	2,500	-0.9	6.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.5	0.0	0.4
USD/EUR	1.1	-0.1	-2.6
USD/JPY	155.5	0.5	10.3
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	0.01	0.0
10 Yrs AAA Corp	7.5	0.00	-0.2
Flows (USD b)	**8-May**	**MTD**	**CYTD**
FIIs	-0.8	-1.63	-0.6
DIIs	0.71	2.03	19.7
Volumes (INRb)	**8-May**	**MTD***	**YTD***
Cash	1,052	1216	1183
F&O	5,38,102	3,60,425	3,87,182

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Larsen & Toubro: Margin guidance cut dampens an overall good show

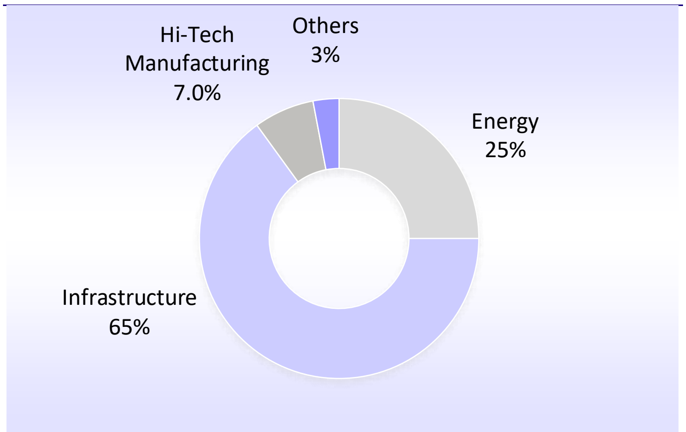
- L&T reported 15%/6%/8% YoY growth in revenue/EBITDA/PAT on a consolidated basis for 4QFY24. Core E&C revenue/EBITDA increased 18%/22% YoY for 4QFY24, with E&C margins at 9.5%. L&T ended the year on a strong note on inflows and revenue, with 39%/26% YoY growth for core E&C for FY24.
- The prospect pipeline has been up 24% YoY to INR12t, and the working capital cycle has declined to 12% of net sales. However, owing to a higher share of fixed-price contracts in the order book, supply chain issues, and global political uncertainties, the company has cut its margin guidance.
- We also reduce our earnings estimates to bake in lower margins for the core E&C segment and lower revenues for its subsidiaries. We arrive at our revised TP of INR4,000. Despite lower margin guidance, we expect L&T to benefit from an improving prospect pipeline and improvements in NWC and RoEs. Reiterate BUY.

Research covered

Cos/Sector	Key Highlights
Larsen & Toubro	Margin guidance cut dampens an overall good show
Pidilite Industries	Sustained robust volume growth; rich valuations
Canara Bank	Earnings in line; asset quality improves further
Other Updates	TVS Motor Company | Hero MotoCorp | Bharat Forge | United Breweries | Voltas | BSE | Gujarat Gas | Indraprastha Gas | Piramal Enterp. | KEC International | Kajaria Ceramics | Westlife Foodworld | Kalpataru Projects | Gujarat State Petronet | Kirloskar Oil Engine | Godrej Agrovet | HomeFirst Finance | THE CORNER OFFICE (CSB BANK)

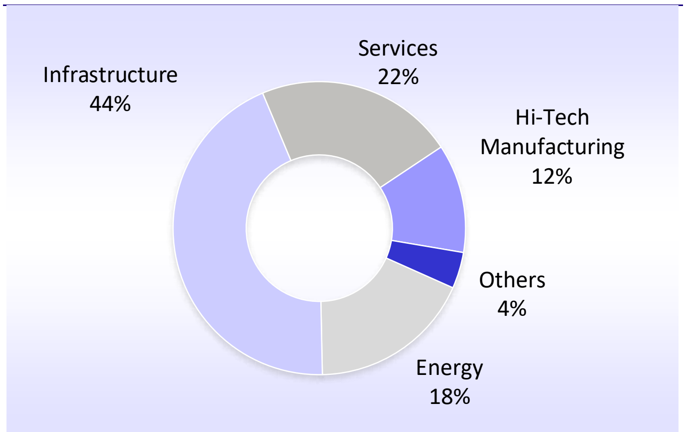
Chart of the Day: Larsen & Toubro (Margin guidance cut dampens an overall good show)

Segmental breakup of INR4.8t order book



Source: MOFSL, Company

Segmental breakup of INR721b order inflows



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

L&T plans to keep increasing workforce till FY26 to execute bigger orderbook: CFO R Shankar Raman

Since around 38 percent of L&T's order book is made up of orders from international clients, the company will continue expanding its international employee base, the official added

2

RBI directs NBFCs to adhere to cash disbursal limit of Rs 20,000 for loans: Reports

The letter has been sent in the aftermath of action against IIFL Finance, which was found to be in violation of several rules, said a report

3

UPI Service providers sought regulatory intervention to make transactions remunerative

The UPI payment ecosystem is currently under the sway of two major players – Google Pay, commanding a substantial 47% market share, and PhonePe, a Walmart subsidiary, holding a significant 37% share.

4

Air India Express to curtail flights over next few days amid crew crisis: CEO

Air India Express CEO also tells cabin crew that their concerns will be addressed in town hall tomorrow

5

RBI allows Bank of Baroda to onboard customers through BoB World app

Back in October 2023, the banking regulator had directed our BoB to suspend further onboarding of customers onto 'Bob World' mobile application, citing 'certain supervisory concerns'.

6

Bitumen sales hit 10-year high in FY24

"Road construction activity is in full swing. The Ministry of Road Transport and Highways (MoRTH) constructed 12,349 km of national highways in 2023-24, the second highest so far, compared to 10,331 km in 2022-23," the oil ministry said in its industry demand analysis.

7

Tata Power plans 66 pc higher capex at Rs 20,000 cr in FY25; to spend 50 pc on renewable energy projects

Tata Power plans a 66% higher capital expenditure of Rs 20,000 crore to focus on energy transition and net-zero emissions. The company aims for 70% capacity from non-fossil-based fuels by 2030.

Larsen & Toubro

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	LT IN
Equity Shares (m)	1375
M.Cap.(INRb)/(USDb)	4793.3 / 57.4
52-Week Range (INR)	3860 / 2164
1, 6, 12 Rel. Per (%)	-7/2/25
12M Avg Val (INR M)	6725

Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Sales	2,211.1	2,497.2	2,857.2
EBITDA	235	270	323
PAT	129.9	145.5	187.0
EPS (INR)	94.5	105.8	136.0
GR. (%)	28.3	13.3	27.6
BV/Sh (INR)	628.2	710.4	815.2
Ratios			
ROE (%)	14.8	16.0	17.9
RoCE (%)	8.8	9.2	10.2
Valuations			
P/E (X)	35.9	32.0	24.9
P/BV (X)	5.4	4.8	4.2
EV/EBITDA (X)	22.2	19.3	15.9
Div Yield (%)	2.6	2.3	2.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	0.0	0.0	0.0
DII	37.9	37.2	38.5
FII	25.4	26.5	25.4
Others	36.7	36.3	36.1

FII Includes depository receipts

CMP: INR3,485 TP: INR4,000 (+15%) Buy

Margin guidance cut dampens an overall good show

Lower guidance on margin to outweigh the good performance

Larsen & Toubro (L&T)'s 4QFY24 result was ahead of our estimates. The company reported 15%/6%/8% YoY growth in revenue/EBITDA/PAT on a consolidated basis. Core E&C revenue/EBITDA increased 18%/22% YoY, with E&C margins at 9.5% in 4QFY24. L&T ended the year on a strong note on inflows and revenue, with 39%/26% YoY growth for core E&C driven largely by a sharp uptick in inflows from international geographies. We see positives in the 24% YoY increase in the prospect pipeline to INR12t and a sharp reduction in the net working capital cycle to 12% of net sales. However, due to the higher share of fixed-price contracts in its order book, supply chain issues, and global political uncertainties, L&T has cut its margin guidance. We also reduce our earnings estimates by 12%/9% for FY25/26 to bake in lower margins for the core E&C segment, and lower revenues for its subsidiaries. We arrive at our revised TP of INR4,000 based on an SOTP methodology. Despite lower margin guidance, we expect L&T to benefit from an improving prospect pipeline and improvements in NWC and RoEs. Reiterate BUY.

Result ahead of our estimates

L&T's consolidated revenue grew 15% YoY to INR671b in 4QFY24, ahead of our estimate. EBITDA rose 6% YoY to INR72b and adj. PAT grew 8% YoY to INR43b. Core E&C revenue increased 18% YoY to INR509.8b, ahead of our expectations. Margin expanded ~20bp YoY to 9.5% vs. our expectation of 9%. Thus, core EBITDA grew 22% YoY to INR48.6b. Working capital improved further to 12% of sales for core E&C, and RoE inched up to 14.9% from 12.2% in FY23. The order inflow in 4Q stood at INR560.5b, down 8% YoY, led by a 25% decline in domestic orders owing to the ongoing elections. However, the order book stands at a record INR4.8t. For FY25, management has guided order inflow growth of 10%, revenue growth of 15%, NWC to sales of 15%, and a margin of 8.25%.

Prospect pipeline up 24% YoY; moderation visible in GCC prospects

L&T's order book grew 20% YoY to INR4.8t (3x TTM revenue). The international segment now forms 38% of the overall order book. Within international, 92% comes from the Middle-East due to an upswing in GCC capex. L&T's prospect pipeline rose 24% YoY to INR12t, owing to a sharp increase in infrastructure (at INR7.25t, up 12% YoY) and hydrocarbon (at INR3.9t, up 58% YoY) prospect pipeline. Within the domestic infrastructure pipeline, the company is eyeing large-sized projects in water, urban transportation, bridges, B&F, and renewables. With its strategy to focus on large-sized projects, L&T expects a hit rate of 20-25% in the domestic prospect pipeline of INR7.25t, which will drive growth in domestic order inflows. While the company continues to be bullish on GCC countries, the prospects have seen some moderation.

To take a calculated call on thermal opportunities

Given the rising demand for power and the need to have a base-load power source, there has been a renewed interest in thermal power in India. Notably, the government envisages an addition of ~80 GW of thermal capacity. However, despite the optimism and the fact that L&T has a demonstrated track record of setting up thermal plants and other allied capabilities, it has been avoiding participation in the ultra-mega power plants (UMPP) due to the unfavorable terms of bidding.

Lower margin guidance to bake in uncertain external environment

The company has reduced its future margin guidance to 8.2-8.3% for FY25 to bake in supply chain disruptions, an uncertain political environment, and ongoing conflicts across several areas. Beyond building a buffer in initial bids for fixed-price Middle East projects or domestic renewable projects, reduced margin guidance takes into account low margins in its key infrastructure segment. Green shoots for margin revival would come from improved margins in the infrastructure segment, improved inflows in the high-margin defense orders, and claim settlements from clients.

Focus remains on reducing working capital and improving the return profile

L&T has been focusing on reducing its working capital through improved collections and better customer advances. Despite lower margins seen in FY24, the company was able to improve RoE by 270bp YoY to 14.9% as it reduced working capital by 410bp to 12% of sales. We expect working capital to remain comfortable at around 15% of sales, as the overall project mix is changing in favor of projects that have low NWC, such as international, and mega & ultra-mega projects.

Valuation and view

We revise our TP to INR4,000 based on an SOTP methodology, valuing the core business at a P/E of 30x Mar'26E EPS and a 25% holding company discount for subsidiaries. **We reiterate our BUY rating on L&T.** Our multiple takes into account the continuously improving prospect pipeline and improvements in NWC and RoE, despite margins being lower than guidance.

Key risks and concerns

A slowdown in order inflows, delays in the completion of mega and ultra-mega projects, a sharp rise in commodity prices, an increase in working capital, and increased competition are a few downside risks to our estimates.

Consolidated – Quarterly Model												(INR b)
Y/E March - INR b	FY23				FY24				FY23	FY24	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var (%)
Net Sales	**359**	**428**	**464**	**583**	**479**	**510**	**551**	**671**	**1,833**	**2,211**	**650**	**3**
YoY Change (%)	22.2	23.0	17.3	10.4	33.6	19.3	18.8	15.0	17.1	20.6	11.4	
Total Expenditure	319	379	413	515	430	454	494	598	1,626	1,976	578	
Gross Profit	242	291	303	352	312	331	359	401	1,188	1,403	650	
EBITDA	**40**	**49**	**51**	**68**	**49**	**56**	**58**	**72**	**208**	**235**	**72**	**0**
Margins (%)	11.0	11.5	10.9	11.7	10.2	11.0	10.4	10.8	11.3	10.6	11.1	
Depreciation	10	9	8	9	8	9	9	10	35	37	10	3
Interest	8	8	8	8	9	9	9	9	32	35	8	13
Other Income	7	7	8	7	11	11	8	10	29	42	6	71
PBT before EO expense	**29**	**39**	**42**	**59**	**43**	**50**	**48**	**63**	**170**	**204**	**60**	**5**
Extra-Ord expense			-1			0	0	-1	-1	-1	0	
PBT	**29**	**39**	**43**	**59**	**43**	**50**	**48**	**64**	**171**	**205**	**60**	**7**
Tax	6	11	13	15	12	11	12	14	45	49	18	
Rate (%)	21.8	28.5	29.3	24.7	28.1	22.8	24.7	22.1	26.2	24.1	29.3	
MI & Profit/Loss of Asso. Cos.	6	6	5	5	6	6	6	6	22	25	6	
Reported PAT	**17**	**22**	**26**	**40**	**25**	**32**	**29**	**44**	**105**	**131**	**37**	**19**
Adj PAT	**17**	**22**	**25**	**40**	**25**	**32**	**29**	**43**	**104**	**130**	**37**	**17**
YoY Change (%)	44.9	27.4	19.6	10.1	46.5	44.6	20.0	8.4	19.6	49.8	-7.0	
Margins (%)	4.7	5.2	5.3	6.8	5.2	6.3	5.3	6.4	5.7	5.9	5.7	

Pidilite Industries

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	PIDI IN
Equity Shares (m)	509
M.Cap.(INRb)/(USDb)	1431.8 / 17.1
52-Week Range (INR)	3118 / 2293
1, 6, 12 Rel. Per (%)	-6/-1/-7
12M Avg Val (INR M)	1187

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	123.8	140.7	158.0
Sales Gr. (%)	4.9	13.7	12.3
EBITDA	27.1	31.0	35.5
EBITDA Margin (%)	21.9	22.0	22.5
Adj. PAT	18.2	21.7	25.1
Adj. EPS (INR)	35.9	42.7	49.4
EPS Gr. (%)	42.2	18.9	15.7
BV/Sh.(INR)	165.4	188.1	209.2
Ratios			
RoE (%)	23.3	24.1	24.9
RoCE (%)	21.2	22.2	23.0
Payout (%)	45.2	46.9	46.6
Valuations			
P/E (x)	78.5	66.0	57.0
P/BV (x)	17.0	15.0	13.5
EV/EBITDA (x)	52.0	45.1	39.1
Div. Yield (%)	0.6	0.7	0.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	69.8	69.8	69.9
DII	8.9	8.3	8.5
FII	11.3	11.5	10.6
Others	10.0	10.3	11.0

FII includes depository receipts

CMP: INR2,815 TP: INR2,800 (-1%) Neutral

Sustained robust volume growth; rich valuations

- Pidilite (PIDI) delivered 8% YoY revenue growth in 4QFY24, with healthy 15% volume growth. Consumer business saw volume growth of 13% and B2B business reported 25% volume growth. Price cuts continued to impact value growth. Urban and rural markets witnessed double-digit growth, with rural growth outpacing urban growth.
- GM expanded by 660bp YoY/50bp QoQ to 53.4%, owing to benign raw material prices. VAM dipped to ~USD925/t from USD1,300/t in 4QFY23.
- PIDI remains committed to stepping up investments in brand and customer engagement. Overhead expenses were higher than our expectation (A&P spending up 70%). As a result, EBITDA margin saw a limited expansion of 280bp YoY and declined 400bp QoQ to 19.9% (est. 23.5%).
- The management maintains its EBITDA margin guidance in the range of 20-24% for the medium term. The company also aims to grow faster than the market (8-9% volume growth). We believe overhead expenses will remain high as PIDI aims to boost penetration (rural reach), consumer acquisition and new launches. We model 22-22.5% EBITDA margin in FY25/FY26.
- Given rich valuations (66x/57x on FY25E/FY26E EPS), we reiterate our **Neutral** rating on the stock with a **TP of INR2,800 (55x FY26E EPS).**

Double-digit volume growth; miss on EBITDA margin

- **Volume growth remains strong:** 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 remained strong at 15% (10% in 3QFY24), with 13% growth in C&B businesses and 25% growth in B2B businesses.
- **Segmental performance**: Consumer & Bazaar (C&B) revenue grew 6% YoY to INR22.5b, EBIT increased 20% YoY to INR5.4b and EBIT margins rose 270bp YoY to 24.2%. B2B segment revenue grew 12% YoY to INR7.1b, EBIT increased 18% to INR835m and EBIT margins expanded 60bp to 11.8%.
- **EBITDA up 26% YoY:** 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%). Higher overhead expenses limited EBITDA margin expansion to 280bp YoY (down ~400bp QoQ) to 19.9% (est. 23.5). EBITDA grew 26% YoY to INR5.8b (est. INR6.6b). PBT grew 27% YoY to INR5.0b (est. INR6.0b). Adj. PAT increased 32% YoY to INR3.8b (est. INR4.5b).
- **FY24 performance:** Net sales/EBITDA/APAT grew 5%/36%/42% to INR123.8b/INR27.1b/INR18.2b.

Highlights from the management commentary

- Strong revenue growth was supported by a robust 15% volume increase, as the C&B and B2B segments posted 13%/25% growth.
- The two-year volume CAGR is 14%/ 16% for the C&B and B2B segments, with an overall CAGR of 15%. The four-year volume CAGR is 13%.
- Both urban and rural markets saw double-digit growth, with rural growth outpacing urban growth.
- VAM's consumption costs stood at USD925/t vs. USD1,300/t in 4QFY23.
- EBITDA margin would be in the range of 20-24% in the medium term.
- For PIDI, pioneer categories accounted for 45% of the business, while the remaining 55% was attributed to core categories.
- Near-term softness in demand can be attributed largely to ongoing elections, particularly affecting sectors like building materials due to a shortage of labor.

Valuations and view

- We broadly maintain our EPS estimates for FY25 and FY26.
- PIDI's core categories still enjoy GDP multiplier; advantage of penetration and distribution can help PIDI deliver healthy volume-led growth in the medium term. EBITDA margin is already at an elevated level (22% in FY24). We do not model much expansion as growth drivers (consumer acquisition, distribution expansion and brand investments) will require high opex. We build in a CAGR of 15%/17% in EBITDA/PAT during FY24-26E.
- PIDI stands out for its market-leading position in the adhesives market, along with a strong brand and a solid balance sheet. However, we believe the current valuation limits the upside potential. We **reiterate our Neutral rating** on the stock with a **TP of INR2,800 (premised on 55x FY26E EPS).**

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

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**31,011**	**30,112**	**29,976**	**26,893**	**32,751**	**30,760**	**31,300**	**29,019**	**1,17,991**	**1,23,830**	**28,211**	**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	**12,931**	**12,342**	**12,541**	**12,582**	**16,054**	**15,783**	**16,551**	**15,503**	**50,397**	**63,890**	**14,881**	**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	**5,295**	**4,999**	**4,959**	**4,592**	**7,070**	**6,797**	**7,425**	**5,769**	**19,844**	**27,073**	**6,626**	**-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	613	636	686	762	734	752	795	1,125	2,697	3,407	803	
Interest	90	117	151	118	119	131	128	134	476	512	138	
Other Income	107	110	51	228	234	316	370	489	496	1,397	328	
PBT	**4,698**	**4,355**	**4,173**	**3,940**	**6,451**	**6,230**	**6,872**	**4,999**	**17,166**	**24,551**	**6,014**	**-16.9**
Tax	1,157	1,098	1,052	1,038	1,704	1,631	1,765	1,219	4,344	6,319	1,547	
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	**3,541**	**3,347**	**3,061**	**2,873**	**4,746**	**4,599**	**5,107**	**3,779**	**12,822**	**18,231**	**4,467**	**-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

MOTILAL OSWAL | MORNING INDIA

8 May 2024

4QFY24 Results Update | Sector: Financials

Canara Bank

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	CBK IN
Equity Shares (m)	1814
M.Cap.(INRb)/(USDb)	1011.7 / 12.1
52-Week Range (INR)	633 / 291
1, 6, 12 Rel. Per (%)	-7/30/56
12M Avg Val (INR M)	3568

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	365.7	395.0	437.0
OP	294.1	333.0	372.9
NP	145.5	168.8	192.5
NIM (%)	2.7	2.6	2.6
EPS (INR)	80.2	93.0	106.1
EPS Gr. (%)	37.3	16.0	14.0
BV/Sh. (INR)	457	544	644
ABV/Sh. (INR)	404	494	594
RoE (%)	20.0	19.3	18.4
RoA (%)	1.0	1.1	1.1
Valuations			
P/E (x)	7.0	6.0	5.3
P/BV (x)	1.2	1.0	0.9
P/ABV (x)	1.4	1.1	0.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	62.9	62.9	62.9
DII	14.4	14.3	16.2
FII	10.6	11.2	9.0
Others	12.1	11.6	11.9

CMP: INR558 TP: INR650 (+17%) Buy

Earnings in line; asset quality improves further

Guides for RoA of ~1% in FY25

- Canara Bank (CBK) reported 4QFY24 standalone PAT of INR37.6b (up 18% YoY, in line), driven by higher other income. NII grew 11.2% YoY (in line), while margins improved 4bp QoQ to 3.07%.
- Other income grew 9.3% YoY to INR52.2b (up 21.5% QoQ, 14% beat). PPoP thus grew 2% YoY (5% beat).
- On the business front, loan book grew 12.2% YoY (1.2% QoQ), while deposits grew 11.3% YoY (3.9% QoQ) to INR13.1t. The CASA ratio, thus, expanded 64bp QoQ to 32.3%.
- GNPA/NNPA ratios improved 16bp/5bp QoQ to 4.23%/1.27%,. Fresh slippages increased to INR30.8b vs. INR26.9b in 3QFY24. RoA/RoE stood at 1.01%/22.1% as against the guidance of 1%/19.5% for FY24.
- We broadly maintain our estimates and expect CBK to deliver FY26 RoA/RoE of 1.1%/18.4%. Reiterate **BUY with a TP of INR650 (1x FY26E ABV).**

Revenue growth steady; margins improve 4bp QoQ

- CBK reported 4QFY24 standalone PAT of INR37.6b (up 18% YoY, in line), driven by higher other income. NII grew 11.2% YoY (in line), while margins improved 4bp QoQ to 3.07%. FY24 standalone PAT stood at INR145.5b.
- Other income grew 9.3% YoY to INR52.2b (14% beat). Total revenue, thus, grew 10.5% YoY (6% beat). Provisions stood at INR24.8b (up 31% QoQ, 11% higher than MOFSLe).
- Operating expenses grew 20.7% YoY to INR74.1b (7.3% QoQ growth, 7% higher than MOFSLe). PPoP, thus, grew 2% YoY (5% beat). Treasury income stood at INR8.65b in 4QFY24 vs. INR4.95b in 3QFY24.
- Loan book grew 12.2% YoY (up 1.2% QoQ), led by Agri segment, which grew 4.4% QoQ (up 18.7% YoY). Deposits grew 11.3% YoY (up 3.9% QoQ) and CASA deposits grew 6.2% QoQ (up 7.1% YoY), leading to an expansion in the CASA ratio by 64bp QoQ to 32.3%. Term deposits increased 18.2% YoY.
- GNPA/NNPA ratios improved by 16bp/5bp QoQ to 4.23%/1.27%. PCR stood at 71%. Fresh slippages stood at INR30.8b vs. INR26.9b in 3QFY24. Credit cost stood at 0.96% as against the guidance of 1.2% for FY24.
- Total SMA book moderated to 0.69% in 4QFY24 from 0.8% in 3QFY24.

Highlights from the management commentary

- CBK guides NIMs to be at ~2.95-3.0% in FY25.
- Under the bipartite settlement, the bank has allocated an additional INR3.5b for pension benefits. Staff cost is expected to stabilize at INR41b in 1QFY25.
- The bank added INR14b (included both AFS + HTM) to the reserves. The HTM portfolio is also giving ample scope for future profitability as the yields are coming down. CET-1, thus, improved by 21bp.
- **Slippages break up**: INR10.8b in Agri, INR12b in MSME, INR4b in retail, and INR4b from Mid corp.

Valuation and view

CBK reported healthy but in-line earnings in 4QFY24, led by higher other income, which was partially offset by higher-than-expected provisions. Healthy NII growth led to a 4bp QoQ margin expansion. However, the management expects NIMs at ~2.9-3% in FY25. Loan growth was led by the retail segment. Deposit growth has gained pace, driven by CASA deposits, and the outlook remains encouraging. Fresh slippages increased sequentially; however, overall asset quality ratios improved. We broadly maintain our earnings estimates and expect CBK to deliver FY26 RoA/RoE of 1.1%/18.4%. We reiterate our **BUY rating with a TP of INR650 (1x FY26E ABV).**

Quarterly performance **(INR b)**

	FY23				FY24				FY23	FY24	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est (%)
Net Interest Income	**67.8**	**74.3**	**86.0**	**86.2**	**86.7**	**89.0**	**94.2**	**95.8**	**314.4**	**365.7**	**93.9**	**2**
% Change (Y-o-Y)	10.2	18.5	23.8	23.0	27.7	19.8	9.5	11.2	19.1	16.3	8.9	
Other Income	51.8	48.3	39.9	47.8	48.2	46.3	43.0	52.2	187.6	189.7	45.6	14
Total Income	**119.6**	**122.6**	**125.9**	**133.9**	**134.8**	**135.4**	**137.1**	**148.0**	**502.0**	**555.3**	**139.5**	**6**
Operating Expenses	53.5	53.5	56.3	61.4	58.8	59.2	69.1	74.1	224.8	261.2	69.1	7
Operating Profit	**66.1**	**69.1**	**69.5**	**72.5**	**76.0**	**76.2**	**68.1**	**73.9**	**277.2**	**294.1**	**70.4**	**5**
% Change (Y-o-Y)	20.5	23.2	19.8	16.9	15.1	10.3	-2.1	1.9	13.4	6.1	-2.9	
Other Provisions	36.9	36.4	31.2	30.9	27.2	26.1	19.0	24.8	135.4	97.1	22.3	11
Profit before Tax	**29.2**	**32.7**	**38.3**	**41.6**	**48.9**	**50.1**	**49.1**	**49.1**	**141.7**	**197.0**	**48.1**	**2**
Tax	8.9	7.4	9.5	9.8	13.5	14.0	12.5	11.5	35.7	51.5	10.8	7
Net Profit	**20.2**	**25.3**	**28.8**	**31.7**	**35.3**	**36.1**	**36.6**	**37.6**	**106.0**	**145.5**	**37.3**	**1**
% Change (Y-o-Y)	71.7	89.5	91.8	90.5	74.8	42.8	26.9	18.3	86.7	37.3	17.6	
Operating Parameters												
Deposit (INR b)	11,181	11,340	11,635	11,792	11,925	12,322	12,629	13,124	11,792	13,124	12,818	
Loan ((INR b)	7,469	7,885	8,164	8,307	8,551	8,923	9,206	9,316	8,307	9,316	9,370	
Deposit Growth (%)	9.4	9.8	11.5	8.5	6.6	8.7	8.5	11.3	8.5	11.3	8.7	
Loan Growth (%)	15.2	21.4	18.0	18.1	14.5	13.2	12.8	12.2	18.1	12.2	12.8	
Asset Quality												
Gross NPA (%)	7.0	6.4	5.9	5.4	5.2	4.8	4.4	4.2	5.4	4.2	4.1	
Net NPA (%)	2.5	2.2	2.0	1.7	1.6	1.4	1.3	1.3	1.7	1.3	1.2	
PCR (%)	66.2	67.1	68.1	68.9	70.6	71.4	70.8	70.9	68.8	70.9	71.3	

E: MOFSL Estimates

- -

9 May 2024

4QFY24 Results Update | Sector: Automobile

TVS Motor Company

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	TVSL IN
Equity Shares (m)	475
M.Cap.(INRb)/(USDb)	948.6 / 11.4
52-Week Range (INR)	2314 / 1215
1, 6, 12 Rel. Per (%)	-5/7/40
12M Avg Val (INR M)	1749

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	317.8	364.3	412.5
EBITDA	35.1	42.8	49.3
Adj. PAT	20.8	26.3	30.9
EPS (INR)	43.8	55.3	65.1
EPS Gr. (%)	44.4	26.1	17.8
BV/Sh (INR)	162.7	210.0	265.6
Ratios			
RoE (%)	30.2	29.7	27.4
RoCE (%)	33.8	35.5	34.5
Payout (%)	18.2	14.5	14.6
Valuations			
P/E (x)	45.8	36.3	30.8
P/BV (x)	12.3	9.6	7.6
Div. Yield (%)	0.4	0.4	0.5
FCF Yield (%)	2.7	1.7	3.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	50.3	50.3	50.3
DII	20.3	21.8	24.4
FII	20.8	19.3	17.0
Others	8.7	8.7	8.3

FII Includes depository receipts

CMP: INR1,997 TP:INR1,930 (-3%) Neutral

Operationally in line; MTM loss drives PAT miss

FY25 likely to be an exciting launch year for TVSL

- TVS Motor (TVSL) posted an operationally in-line performance in 4QFY24. It was yet another quarter, where TVSL recorded the highest-ever EBITDA margin of 11.3% (est. 11.2%). We believe TVSL is well placed to outperform the 2W industry, led by new product launches.
- However, we believe strong earnings growth, driven by recovery in underlying segments and margin improvement, is fairly captured in the current valuations at ~36x/31x FY25E/FY26E EPS. We retain our FY25E/FY26E EPS. Reiterate **Neutral** with a TP of ~INR1,930 based on ~27x Mar'26E EPS and INR171/sh for NBFC.

EVs are contribution margin positive

- TVSL's revenue/EBITDA/adj. PAT grew 24%/36%/33% YoY in 4QFY24 to INR81.7b (in line)/INR9.3b/INR4.85b (est. INR5.2b). FY24 revenues/EBITDA/adj. PAT grew 20.5%/31%/44% YoY.
- Revenue growth was driven by ~22% YoY growth in volumes. ASP remained flat at INR76.9k per unit (in line).
- Gross margin expanded 260bp YoY to 27.2% (est. 26.4%), driven by stable RM costs. Further, despite high other expenses (+160bp YoY/+60bp QoQ as a % of sales) EBITDA margin expanded 100bp YoY to 11.3%. EBITDA grew ~36% YoY to INR9.3b (in line).
- Other income turned into a loss of INR287m as it included a fair valuation loss of INR470m in investments held by the company. As a result PAT stood at INR4.85b (est.INR5.2b).
- FCFF stood at INR25.6b (vs. INR10b in FY23) mainly due to better operating cash flow of INR36.2b (vs. INR19.9b in FY23). Capex for FY24 stood at INR10.5b (vs. INR10b in FY23).
- The board declared a final dividend of INR8/share for FY24 (vs. INR5/share in FY23).

Key takeaways from the management interaction

- The management has indicated that FY25 is likely to be an exciting year for new launches for TVSL. In EVs, it plan to launch multiple variants of iQube with various battery options to suit consumer needs. It also plans to launch other EV models, including its much awaited 3W EV.
- Key export market of **Africa** is expected to **recover in 2HFY25**.
- **Capex guidance for FY25 stands at INR10b** in ICE + EVs. Investment outflow in subsidiaries and associates from TVSL for FY25 is expected to be INR11-12b (TVS CS at INR4b, Norton INR4b and the balance in others).

Valuation and view

- Volume growth is likely to be driven by a recovery in the domestic 2W market, healthy demand for its products (Raider, 125CC scooters and iQube) and new product launches. We expect TVSL to continue to work on improving its profitability and factor in 90bp expansion in EBITDA margin over FY24-26E.
- Valuations at 36x/31x FY25E/FY26E EPS largely reflect its strong earnings growth potential. Reiterate **Neutral** with a TP of ~INR1,930 (premised on ~27x Mar'26E EPS + INR171/share for NBFC).

S/A Quarterly Performance

Y/E March (INR m)	FY23				FY24				FY23	FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Vols ('000 units)	**906.8**	**1,027.4**	**879.4**	**868.4**	**953.2**	**1,074.4**	**1,100.8**	**1,062.5**	**3,682**	**4,191**	**1,062.5**
Growth (%)	37.9	12.1	0.1	1.4	5.1	4.6	25.2	22.4	11.3	13.8	22.4
Realn (INR '000/unit)	**66.3**	**70.3**	**74.4**	**76.1**	**75.7**	**75.8**	**74.9**	**76.9**	**71.6**	**75.8**	**75.6**
Growth (%)	10.8	15.1	14.6	17.8	14.3	7.9	0.6	1.1	14.2	5.8	(0.6)
Net Sales	**60,087**	**72,192**	**65,454**	**66,048**	**72,179**	**81,446**	**82,450**	**81,688**	**2,63,781**	**3,17,764**	**80,313**
Growth (%)	52.7	29.0	14.7	19.4	20.1	12.8	26.0	23.7	27.0	20.5	21.6
RM (% of sales)	76.1	76.2	75.5	75.4	74.6	74.0	73.7	72.8	75.8	73.7	73.6
Emp cost (% of sales)	5.3	4.8	5.2	5.1	5.2	4.8	4.9	5.1	5.1	5.0	4.9
Other exp (% of sales)	8.6	8.9	9.2	9.2	9.6	10.1	10.2	10.8	9.0	10.2	10.2
EBITDA	**5,995**	**7,365**	**6,589**	**6,798**	**7,638**	**8,998**	**9,244**	**9,262**	**26,717**	**35,141**	**9,018**
EBITDA Margin(%)	10.0	10.2	10.1	10.3	10.6	11.0	11.2	11.3	10.1	11.1	11.2
Interest	376	352	316	363	474	523	448	372	1,407	1,816	486
Depreciation	1,520	1,535	1,583	1,674	1,636	1,701	1,781	1,887	6,312	7,004	1,725
Other Income	222	14	65	88	576	462	734	-287	389	1,485	128
PBT before EO Exp	**4,321**	**5,492**	**4,755**	**4,849**	**6,104**	**7,237**	**7,750**	**6,716**	**19,387**	**27,807**	**6,935**
EO Exp	0	0	0	-617	0	0	0	0	-617		0
PBT after EO Exp	**4,321**	**5,492**	**4,755**	**5,466**	**6,104**	**7,237**	**7,750**	**6,716**	**20,004**	**27,807**	**6,935**
Tax	1,115	1,418	1,227	1,364	1,427	1,871	1,817	1,862	5,123	6,977	1,780
Deferred Tax									0	0	
Total Tax	**1115**	**1418**	**1227**	**1364**	**1427**	**1871**	**1817**	**1862**	**5123**	**6977**	**1780**
Tax rate (%)	25.8	25.8	25.8	24.9	23.4	25.9	23.4	27.7	25.6	25.1	25.7
Reported PAT	**3,205**	**4,075**	**3,528**	**4,103**	**4,677**	**5,366**	**5,934**	**4,854**	**14,881**	**20,830**	**5,156**
Adjusted PAT	**3,205**	**4,075**	**3,527**	**3,640**	**4,677**	**5,366**	**5,934**	**4,854**	**14,422**	**20,830**	**5,156**
Growth (%)	325.3	56.1	22.4	32.6	45.9	31.7	68.2	33.4	60.4	44.4	41.7

MOTILAL OSWAL | MORNING INDIA

8 May 2024

4QFY24 Results Update | Sector: Automobile

Hero MotoCorp

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	HMCL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USDb)	922.4 / 11
52-Week Range (INR)	4953 / 2551
1, 6, 12 Rel. Per (%)	2/33/57
12M Avg Val (INR M)	2678

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	374.6	419.4	482.7
EBITDA	52.6	60.5	69.9
EBITDA margin %	14.0	14.4	14.5
Adj. PAT	40.9	47.7	56
Adj. EPS (INR)	204.6	238.3	279.8
EPS Gr. (%)	40.5	16.5	17.4
BV/Sh. (INR)	900	1,002	1,131
Ratios			
RoE (%)	23.6	25.1	26.2
RoCE (%)	23.1	24.6	25.8
Payout (%)	73.3	56.7	53.6
Valuations			
P/E (x)	22.6	19.4	16.5
P/BV (x)	5.1	4.6	4.1
Div. Yield (%)	3.2	2.9	3.2
FCF Yield (%)	4.7	4.0	5.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	34.8	34.8	34.8
DII	27.8	28.1	27.9
FII	28.9	28.3	27.0
Others	8.6	8.8	10.4

FII Includes depository receipts

CMP: INR4,624 TP: INR5,320 (+15%) Buy

In-line performance; demand outlook positive

Guides to double-digit revenue growth for industry in FY25

- Hero MotoCorp (HMCL) posted an in-line operating performance in 4QFY24. Led by a favorable mix and cost savings, gross margins came in better at 33.6% (-20bp QoQ, our est. 32.7%). However, higher other operating expenses, partially due to ~130bp negative impact of EV spending, led to in-line EBITDA margin of 14.3%, up 130bp YoY.
- We expect a CAGR of ~13.5%/15%/17% in revenue/EBITDA/PAT over FY24-26E. The stock currently trades at ~19.4x/16.5x FY25E/FY26E EPS. Reiterate our BUY rating on the stock with a TP of INR5,320 (18x FY26E EPS + INR137/INR132 for Hero FinCorp/Ather after 20% holding company discount).

EV spending dents EBITDA margin by 130bp in 4Q

- 4QFY24 revenue/EBITDA/Adj. PAT grew ~15%/26%/18% YoY to INR95.2b/INR13.6b/INR10.2b. FY24 revenue/EBITDA/adj. PAT grew ~11%/32%/41% YoY.
- Net realizations grew 5% YoY to INR68.4k (est. INR66.7k). Volumes grew 10% YoY. Parts and Accessories business (PAM) grew to INR13.8b in 4QFY24 (vs. INR12.7b in 4QFY23).
- Gross margins expanded 150bp YoY (down 20bp QoQ) to 33.6% (est. 32.7%), owing to lower commodity costs, cost savings and favorable mix.
- Led by better gross margins and operating leverage, EBITDA margins expanded 120bp YoY (-80bp QoQ) to 14.3% (est. 14%). EBITDA grew 25.5% YoY to INR13.6b (est. INR13b). The impact of EV spending on the overall margin was 130bp.
- Further, lower-than-estimated other income restricted adj. PAT growth at 18% YoY to INR10.2b (in line).
- FY24 CFO/FCF grew ~1.9x/2.2x YoY to INR49.1b/INR43.6b.
- The board declared a final dividend of INR50/share. The total dividend for FY24 stood at INR150/share vs. INR100/share in FY23.

Highlights from the management commentary

- **Outlook-** Expect double-digit revenue growth for the industry in FY25. Consumer sentiments were positive in Mar-Apr'24. Despite fewer wedding dates in May-Jun'24, overall sentiment remains positive across rural and urban areas.
- **Premium-** Aims to increase the capacity to 10k units per month for 440CC platform and Karizma put together in the next couple of months. HD has a 10% market share in the regions where it is present. Supply constraints are resolved now.
- **Xtreme 125CC-** It has been received well. Expects capacity to reach 25k units per month over the next 2-3 months from 10k units currently.
- **Scooters-** Model launches such as Xoom 125CC and 160CC are scheduled for 1HFY25. The management believes that most of the white spaces would be filled after these launches.

Valuation and view

- We expect HMCL to deliver a volume CAGR of 9% over FY24-26E, driven by 1) new launches in 125cc, scooters and premium segments, 2) a ramp-up in exports. HMCL will also benefit from a gradual rural recovery, given strong brand equity in the economy and executive segments.
- We expect a CAGR of ~13.5%/15%/17% in revenue/EBITDA/PAT over FY24-26E. The stock currently trades at ~19.4x/16.5x FY25E/FY26E EPS. Reiterate our BUY rating on the stock with a TP of INR5,320 (18x FY26E EPS + INR137/INR132 for Hero FinCorp/Ather after 20% holding company discount).

Quarterly Performance (S/A) **(INR b)**

Y/E March	FY23				FY24				FY23	FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q
Total Volumes ('000 nos)	1,390	1,428	1,240	1,270	1,353	1,417	1,460	1,392	5,329	5,621	1,392
Growth YoY (%)	35.7	-0.7	-4.1	6.9	-2.7	-0.8	12.3	9.6	7.8	5.5	9.6
Net Realization	60,370	63,545	64,782	65,382	64,819	66,680	66,604	68,373	63,443	66,632	66,733
Growth YoY (%)	12.7	8.1	6.2	4.7	7.4	4.9	5.5	4.6	7.3	5.0	2.1
Net Op Revenues	83.9	90.8	80.3	83.1	87.7	94.5	97.2	95.2	338.1	374.6	**92.9**
Growth YoY (%)	53.0	7.4	1.9	11.9	4.5	4.1	18.5	14.6	15.6	10.8	11.9
RM Cost (% sales)	72.8	72.0	69.4	68.0	69.4	68.6	66.2	66.4	70.6	67.6	67.3
Staff Cost (% sales)	6.4	6.0	6.8	6.7	6.6	6.1	6.2	6.8	6.5	6.4	6.5
Other Exp (% sales)	9.6	10.6	12.3	12.3	10.3	11.2	12.5	12.5	11.2	11.7	12.2
EBITDA	9.4	10.4	9.2	10.8	12.1	13.3	14.7	13.6	39.9	53.6	**13.0**
Growth YoY (%)	82.7	-2.6	-3.7	30.9	28.2	27.9	58.9	25.5	0.0	0.0	**20.4**
EBITDA Margins (%)	11.2	11.4	11.5	13.0	13.8	14.1	15.1	14.3	11.8	14.3	14.0
Other Income	0.5	0.9	1.8	2.4	2.2	2.5	2.4	1.8	5.7	8.9	2
Interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0
Depreciation	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.9	6.6	7.1	2
PBT before EO Exp/(Inc)	8.2	9.6	9.4	11.5	12.5	14.0	15.2	13.5	38.7	55.3	**13.6**
Effective Tax Rate (%)	24.2	25.7	24.4	25.1	24.7	24.6	22.6	24.7	24.9	24.1	25.2
Adj. PAT	6.2	7.2	7.1	8.6	9.5	10.5	11.8	10.2	29.1	42.0	**10.2**
Growth (%)	70.9	-9.9	3.6	37.0	51.5	47.2	42.9	18.3	17.7	44.2	18.8

Bharat Forge

Estimate changes	↔
TP change	↔
Rating change	↓

Bloomberg	BHFC IN
Equity Shares (m)	466
M.Cap.(INRb)/(USDb)	654.2 / 7.8
52-Week Range (INR)	1474 / 753
1, 6, 12 Rel. Per (%)	21/21/58
12M Avg Val (INR M)	1297

Consol. Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	156.8	175.8	195.5
EBITDA (%)	16.4	19.6	20.6
Adj. PAT	9.6	18.0	22.8
EPS (INR)	20.6	38.7	48.9
EPS Gr. (%)	72.3	88.1	26.3
BV/Sh. (INR)	154	181	217
Ratios			
RoE (%)	13.8	23.1	24.6
RoCE (%)	8.7	12.6	14.2
Payout (%)	45.9	30.4	27.1
Valuations			
P/E (x)	68.4	36.3	28.8
P/BV (x)	9.1	7.8	6.5
EV/EBITDA (x)	27.8	21.0	17.8
Div. Yield (%)	0.6	0.8	0.9
FCF Yield (%)	0.2	0.0	2.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	45.3	45.3	45.3
DII	28.3	27.9	27.9
FII	16.5	16.6	16.2
Others	10.0	10.2	10.7

FII Includes depository receipts

CMP: INR1,405 TP: INR1,370 (-3%) Downgrade to Neutral

Operating performance in line

Positives appear fully priced in

- Bharat Forge's (BHFC) 4QFY24 standalone performance was in line with our estimates. Management sounded quite positive about demand in FY25, led by the scaling up of defense orders, stable US Class 8 orders, and turnarounds in overseas subsidiaries.
- While the earnings outlook is positive, it seems fully priced in at valuations of 36x/29x FY25E/FY26E, after the recent sharp run up in the stock. **We hence downgrade the stock to Neutral with a TP of INR1,370 (based on 28x Mar'26E consolidated EPS).**

Losses in subsidiaries rise sequentially

- BHFC's 4QFY24 standalone revenue/EBITDA/adj. PAT grew 17%/25%/45% YoY to INR23.3b/INR6.5b/INR4.0b (vs. est. INR23.7b/INR6.8b/INR3.9b). FY24 revenue/EBITDA/adj. PAT grew 18%/28%/33.5% YoY.
- Tonnage grew 3% YoY to 66.6k tons (est. 69.5k tons). Net realizations improved 13% YoY to ~INR349.5k (est. INR340.9k), led by an improved mix.
- Overall revenue growth of 17% YoY was driven by execution on defense export orders and PV exports. Domestic/export revenue grew 38%/6% YoY. The auto segment grew 4.5% YoY, whereas non-autos grew 38% YoY.
- Gross margin improved 200bp YoY to 58.6% (vs. est. 58%).
- EBITDA margin improved 190bp YoY to 28.1% (est. 28.5%) due to an improved product mix.
- Further, lower interest costs coupled with FX gains led to an in-line adj. PAT of INR4b, reporting 45% YoY growth.
- The Board declared a final dividend of INR6.5/share (total INR9/share in FY24 vs. INR5.5/share in FY23).
- Foreign subsidiaries posted losses of INR1.3b in 4QFY24 (vs. INR1.1b loss in 3QFY24 and loss of INR1.3b in 4QFY23).
- Consolidated FCFF stood at INR1.1b in FY24 (vs. INR3.25b in FY23) despite generating a better operating cash flow of INR16.8b (vs. INR13.4b in FY23). Capex for FY24 stood at INR15.5b (vs. INR9.7b in FY23).

Highlights from the management interaction

- **Demand outlook:** There is an encouraging traction visible from global OEMs for moving supplies to India from other geographies, including China and Europe. The impact of the Red Sea crisis has reduced, and there is a stronger outlook from the customers than anticipated earlier. There is a stable demand commentary by OEMs for North America Class 8 trucks, while domestic CV volume is likely to be flattish YoY for FY25.
- **Defense: 80% of the order book of INR51.92b comes from exports.** Execution is expected to happen over the next 3-4 years. This does not include the domestic ATAG opportunity, which is likely to be awarded post-elections.

Valuation and view

- With an order book of INR51.9b to be executed over the next 3-4 years, BHFC's defense business is expected to be its key growth driver over FY24-26E. Further, strong traction in outsourcing opportunities from China and Europe to India, especially in the Industrials' segment, is likely to be the other key driver for BHFC going forward. It expects its aerospace business to double in the next 3-4 years. With the capacity ramp-up of overseas subsidiaries and new order wins with better pricing, its performance is likely to improve over FY24-26.
- On account of a better-than-expected scale up of defense orders, we raise our earnings estimates by 1-3% for FY25-26. We estimate a consolidated revenue/ EBITDA/PAT CAGR of 12%/25%/54% over FY24-26. After the recent sharp run up, the stock at 36x/29x FY25E/FY26E consolidated EPS appears fairly valued. **We hence downgrade the stock to Neutral with a TP of INR1,370 (based on 28x Mar'26E consolidated EPS).**

S/A Quarterly **(INR M)**

	FY23				FY24				FY23	FY24	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Tonnage	**57,915**	**61,149**	**62,755**	**64,648**	**67,780**	**70,316**	**67,477**	**66,619**	**2,46,467**	**2,72,631**	**69,483**
Change (%)	8.2	7.1	17.6	12.3	17.0	15.0	7.5	3.0	11.3	10.6	7.5
Realization (INR '000/ton)	**303.8**	**304.8**	**311.1**	**308.9**	**313.9**	**319.9**	**335.4**	**349.5**	**307.3**	**329.0**	**340.9**
Change (%)	18.5	9.1	3.6	6.2	3.3	4.9	7.8	13.1	9.0	7.1	10.4
Net operating income	**17,594**	**18,639**	**19,521**	**19,973**	**21,273**	**22,494**	**22,634**	**23,286**	**75,727**	**89,686**	**23,689**
Change (%)	28.2	16.8	21.8	19.3	20.9	20.7	15.9	16.6	21.3	18.4	18.6
EBITDA	**4,600**	**4,522**	**4,936**	**5,226**	**5,530**	**6,163**	**6,453**	**6,541**	**19,284**	**24,686**	**6,761**
EBITDA Margins (%)	26.1	24.3	25.3	26.2	26.0	27.4	28.5	28.1	25.5	27.5	28.5
Non-Operating Income	259	477	377	391	472	424	346	382	1,505	1,623	360
Interest	263	357	849	658	705	726	809	634	2,127	2,874	857
Depreciation	1064	1066	1079	1051	1089	1128	1124	1079	4,260	4,420	1132
Fx loss/(gain)	250	-8	-415	347	43	95	-179	-51	173	-92	0
PBT after EO items	**3,252**	**3,579**	**3,844**	**3,154**	**4,165**	**4,616**	**5,044**	**5,127**	**13,827**	**18,952**	**5,132**
Eff. Tax Rate (%)	25.1	25.1	24.8	22.5	25.2	25.0	25.1	24.0	24.4	24.8	24.1
Rep. PAT	**2,436**	**2,681**	**2,892**	**2,445**	**3,115**	**3,460**	**3,778**	**3,897**	**10,454**	**14,250**	**3,895**
Change (%)	46.2	-14.0	-14.3	-6.7	27.9	29.0	30.6	59.4	-3.0	36.3	59.3
Adj. PAT	**2,460**	**2,686**	**2,859**	**2,754**	**3,115**	**3,476**	**3,778**	**3,997**	**10,776**	**14,366**	**3,895**
Change (%)	14.8	-11.5	8.6	4.4	26.7	29.4	32.1	45.1	3.1	33.3	41.4

E: MOFSL Estimates

United Breweries

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	UBBL IN
Equity Shares (m)	264
M.Cap.(INRb)/(USDb)	533 / 6.4
52-Week Range (INR)	2107 / 1373
1, 6, 12 Rel. Per (%)	11/12/22
12M Avg Val (INR M)	480

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Net Sales	81.2	92.0	101.9
Sales Gr. (%)	8.3	13.3	10.7
EBITDA	7.0	10.4	13.0
Margin (%)	8.6	11.4	12.8
Adj. PAT	4.1	6.7	8.6
Adj. EPS (INR)	15.5	25.5	32.4
EPS Gr. (%)	24.7	63.9	27.1
BV/Sh. (INR)	158.0	171.7	189.0
Ratios			
RoE (%)	10.1	15.4	17.9
RoCE (%)	10.2	15.6	18.1
Valuations			
P/E (x)	128.7	78.5	61.8
P/BV (x)	12.7	11.6	10.6
EV/EBITDA (x)	75.6	49.2	40.5

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	70.8	70.8	72.7
DII	17.3	17.2	15.6
FII	6.6	6.7	6.4
Others	5.3	5.2	5.3

FII Includes depository receipts

CMP: INR2,016 TP: INR1,650 (-18%) Sell

Healthy volume growth; GM recovery below expectation

- United Breweries (UBBL) delivered better-than-expected sales in 4QFY24 but continued to fall short on our margin estimate. Revenue grew 21% YoY (est. +12%), fueled by a healthy 11% YoY volume growth. The premium portfolio clocked 21% YoY volume growth. Apart from strong summer-led demand, a part of higher volumes in 4Q would have also been for pre-election channel filling. Thereby, 1QFY25 volume growth will be critical to understanding underlying demand.
- The west region posted flat volume growth due to weak performance in Goa. Conversely, the south and east regions registered healthy volume growth of 21%, and 10%, respectively. Price hikes of 5% in Rajasthan, Karnataka and Andhra Pradesh were well accepted and supported UBBL's revenue growth in 4QFY24.
- GM was up 300bp YoY but down >200bp QoQ at 41.7% (FY24 margin at 43% vs. 52% in FY21). We expected a sequential improvement in margin after the softening of barley prices and a partial shift in the mix toward old and new glass bottles. However, consistent slippages in margin recovery and a higher mix of new bottles further impacted margin in 4Q. EBITDA margin at 6.7% was below our expectation of 8.9%, mainly due to lower-than-expected GM.
- We model margin (both GM and EBITDA) revival in FY25/FY26, but recovery uncertainty still hovers around earnings. Despite modeling healthy growth and margin recovery, the stock trades at ~62x FY26E EPS. **We maintain our Sell rating on the stock with a TP of INR1,650 (50x FY26E EPS)**.

Double-digit volume growth; miss on margins

- **Volume-driven sales growth:** UBBL's standalone net sales grew by 21% YoY to INR21.3b (est. INR19.7b), led by strong volume growth and strong pricing. In 4QFY24, volumes rose 11% YoY, with premium segment volume up 21% YoY, mainly driven by the south and east regions. Volume growth was 21% in the south region, 10% in the east, 3% in the north and flat in the west. We believe partial volume was to fill channel inventory ahead of election-led supply challenges.
- **Lower-than-expected margin expansion:** Gross margin improved 310bp YoY to 41.7% (est. 45%). As a percentage of sales, lower employee expenses (-80bp YoY to 8.2%) and higher other expenses (+30bp YoY to 26.9%) led to standalone EBITDA margin **expansion of 360bp YoY to 6.7%** (est. 8.9%).
- **Healthy growth on a favorable base:** EBITDA/PBT/APAT grew 166%/724%/731% to INR1.4b/INR1.1b/INR0.9b (est. INR1.8b/INR1.4b/INR1.1b). The growth trajectory saw a significant uptick due to a low base quarter.
- **FY24 performance:** Net sales/EBITDA/APAT grew by 8%/13%/25% YoY. Volume/Premium volume rose 2%/3% YoY.

Highlights from the management commentary

- Net sales increased 21%, driven by an 11% rise in volume across diverse markets, including Tamil Nadu, Telangana, Andhra Pradesh, Orissa and Uttar Pradesh, partially offset by a decline in Haryana.
- Premium volume remained strong, with a 21% surge, particularly driven by Kingfisher Ultra, Ultramax and Heineken.
- In 4Q, gross margin expansion was lower than expected due to a significant increase in the use of new bottles in the mix. Over the medium term, there will be an improvement in margins.
- Beer affordability is a concern due to high taxation in many markets, limiting availability to around 95,000 stores. Pricing controls also restrict premiumization opportunities.
- Beer industry to grow at 6-7%, and UBBL aims to grow volume at 8-9% on gaining market shares.
- UBBL has faced challenges due to extensive interstate exports, particularly in navigating the complex regulatory environment. This practice can introduce uncertainties, particularly during elections, potentially leading to logistical and regulatory issues.

Valuation and view

- We cut our FY25E EPS by 3% and keep FY26E EPS unchanged.
- UBBL posted 2% volume growth in FY24 after weak seasonal demand in 1QFY24. Though the company's premium portfolio has been growing strongly, the pace of growth was slower than that of the other premium brands for majority of FY24.
- GM recovery remained the key monitorable, as it was down 600-800bp vs. FY21-FY22 levels. The soft barley prices and the recent price hikes should bridge the gap in FY25E, but glass prices remained elevated. EBITDA margin of 8% was significantly low as compared to the mid-teens level margin prior to FY21.
- We model margin (both GM and EBITDA) revival in FY25/FY26, but recovery uncertainty still hovers around earnings and the stock. **We value UBBL at 50x FY26E EPS to arrive at our TP of INR1,650. We maintain our Sell rating on the stock**.

Standalone Quarterly Performance **(INR m)**

Y/E March	FY23				FY24				FY23	FY24	FY24	Variance
	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

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	VOLT IN
Equity Shares (m)	331
M.Cap.(INRb)/(USDb)	436.4 / 5.2
52-Week Range (INR)	1502 / 745
1, 6, 12 Rel. Per (%)	3/46/42
12M Avg Val (INR M)	1554
Free float (%)	69.7

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	124.8	140.6	158.2
EBITDA	4.7	9.0	12.9
Adj. PAT	2.4	7.0	10.5
EBITA Margin (%)	3.8	6.4	8.2
Cons. Adj. EPS (INR)	7.2	21.1	31.8
EPS Gr. (%)	(36.8)	191.7	50.9
BV/Sh. (INR)	176.0	194.9	221.4
Ratios			
Net D:E	(0.0)	(0.1)	(0.1)
RoE (%)	4.1	10.8	14.4
RoCE (%)	6.4	11.5	14.3
Payout (%)	30.0	25.0	25.0
Valuations			
P/E (x)	182.3	62.5	41.4
P/BV (x)	7.5	6.8	6.0
EV/EBITDA (x)	91.6	48.0	33.0
Div Yield (%)	0.2	0.4	0.6
FCF Yield (%)	1.1	0.8	2.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	30.3	30.3	30.3
DII	40.6	37.2	33.4
FII	14.7	17.2	20.6
Others	14.4	15.3	15.8

FII Includes depository receipts

CMP: INR1,319 TP: INR1,590 (+21%) BUY

RAC witnessing strong recovery; outlook positive

RAC's market share at 18.7% YTD; volumes rise ~35% YoY in FY24

- Voltas (VOLT)'s 4QFY24 performance was below estimate due to lower-than-estimated margins across segments. Revenue was up 42% YoY to INR42.0b (in line with est.). However, EBITDA declined 13% YoY to INR1.9b (est. INR2.9b). 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).
- The management highlighted the unprecedented ~72% YoY volume growth in RAC during 4QFY24. This has resulted in stock-outs from warehouses, prompting factories to boost their production capabilities. The primary focus is on driving growth to achieve higher profits in absolute terms, consequently boosting EPS. Further, provisioning for the Qatar projects has been completed, and the company anticipates no further setbacks from this region. It expects the international business to deliver positive results in FY25.
- We largely maintained our earnings estimate for FY25/FY26. In our recent note, we highlighted RAC is a long-term structural play and expect the RAC industry to register a CAGR of 15% over FY24-26. The company's RAC market share is estimated at ~22% over FY25-26. We maintain our BUY rating on the stock with a price target of INR1,590 (vs. INR1,650 earlier) based on 50x FY26E EPS for the UCP segment, 35x FY26E EPS for PES and EMPS segments, and INR38/share for Voltbek.

UCP margin declined 90bp YoY to 9.2% (est. 10.1%) in 4QFY24

- Consolidated revenue/EBITDA/Adj. PAT stood at INR42.0b/INR1.9b/INR1.0b (up 42%/down 13%/28% YoY and in line/down 34%/55% vs. our estimates). Gross margin declined 1.9pp YoY to 19.8%. OPM declined 2.8pp YoY to 4.5%.
- 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. a loss of INR140m in 4QFY23) due to higher provisioning in international projects. c) **PES** – revenue increased 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 grew 29% YoY to INR6.9b. EBIT margin expanded 20bp YoY to 8.5%.
- VOLT's CFO surged 4.8x YoY to INR7.6b, driven by profitability improvement reduction 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.

Key highlights from the management commentary

- Strong brand positioning and leveraging distribution reach within the supply chain have enabled the company to retain its leadership position for the year with a YTD Mar'24 market share of 18.7%. Having sold over 2m ACs in a market estimated at about 10m units, the company's primary market share is estimated to be ~20%.

- The expansion in Chennai is expected to become operational by May'24-end, adding a capacity of 2m units going forward. The company expects to achieve manufacturing of 1m units within the first year of operation.
- Voltbek has crossed cumulative sales volumes of 5m units since the launch of commercial sales. It has delivered volumes growth of 60% YoY in FY24. It targets to break-even in FY25 with a market share of 10%.

Valuation and view

- We expect VOLT's EBITDA/adjusted profit to report a CAGR of 65%/110% over FY24-26, partly due to a low base (in FY24, the company provided higher provisioning in the EMPS segment for losses in Qatar projects). RoE should be at 10.8%/14.4% in FY25E/ FY26E vs. 4.1% in FY24 (average of 12.3% over FY13-23).
- We expect the UCP margin to improve to 8.8%/9.3% for FY25/26E vs. 8.5% in FY24. We maintain our BUY rating on the stock with a revised price target of INR1,590 (vs. INR1,650 earlier) based on 50x FY26E EPS for the UCP segment, 35x FY26E EPS for PES and EMPS segments and INR38/share for Voltbek.

Quarterly performance (INR m)

Y/E March	FY23				FY24				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**	**94,988**	**1,24,812**	**42,901**	**(2)**
Change (%)	55.1	4.7	11.8	10.9	21.4	29.7	30.9	42.1	19.7	31.4	45.1	
Adj. EBITDA	**1,770**	**1,008**	**764**	**2,182**	**1,854**	**703**	**284**	**1,906**	**5,724**	**4,746**	**2,868**	**(34)**
Change (%)	30.4	(21.9)	(50.9)	(16.4)	4.7	(30.3)	(62.8)	(12.6)	-16.0	-17.1	31.5	
Adj. EBITDA margin (%)	6.4	5.7	3.8	7.4	5.5	3.1	1.1	4.5	6.0	3.8	6.7	(215)
Depreciation	85	97	111	104	113	117	128	118	396	476	138	**(14)**
Interest	40	67	64	124	101	115	135	208	296	559	139	**50**
Other Income	268	644	307	467	700	710	579	544	1,685	2,533	613	**(11)**
Extra-ordinary items	-	(1,064)	(1,374)	-	0	-	-	-	-2,438	0	0	
PBT	**1,913**	**423**	**(478)**	**2,420**	**2,339**	**1,181**	**599**	**2,124**	**4,278**	**6,244**	**3,204**	**(34)**
Tax	508	195	300	706	735	493	515	634	1,709	2,377	825	**(23)**
Effective Tax Rate (%)	26.6	13.1	33.5	29.2	31.4	41.7	85.9	29.9	25.4	38.1	25.8	
Share of profit of associates/JV's	(316)	(303)	(325)	(275)	(312)	(321)	(389)	(325)	(1,219)	(1,347)	(59)	
Reported PAT	**1,089**	**(74)**	**(1,104)**	**1,439**	**1,293**	**367**	**(304)**	**1,164**	**1,350**	**2,520**	**2,320**	**(50)**
Change (%)	(10.6)	(107.2)	(215.0)	(21.2)	18.7	NM	NM	(19.1)	-73.2	86.7	61.2	
Adj. PAT	**1,089**	**990**	**270**	**1,439**	**1,293**	**367**	**(304)**	**1,038**	**3,788**	**2,394**	**2,320**	**(55)**
Change (%)	(10.6)	(4.5)	(71.8)	(21.2)	18.7	(62.9)	NM	(27.9)	-24.8	-36.8	61.2	

Note: 4QFY24 and FY24 Adj. PAT is after adjusting tax related to earlier periods

BSE

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	BSE IN
Equity Shares (m)	135
M.Cap.(INRb)/(USDb)	381.7 / 4.6
52-Week Range (INR)	3265 / 511
1, 6, 12 Rel. Per (%)	2/21/404
12M Avg Val (INR m)	2652

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Net Sales	13.9	23.8	29.7
EBITDA	4.0	10.5	13.0
PAT	7.7	9.7	11.8
Adj. PAT	3.7	9.7	11.8
EPS (INR)	27.0	71.7	87.0
EPS Gr (%)	921.7	165.9	21.3
BV / Sh (INR)	244	265	292
Ratios (%)			
RoE	23.4	27.0	29.8
Payout ratio	26.3	70.0	70.0
Valuations			
P/E (x)	104.4	39.3	32.4
P / BV (x)	11.5	10.6	9.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	0.0	0.0	0.0
DII	12.7	11.3	0.6
FII	35.4	35.2	33.5
Others	51.9	53.6	65.9

FII Includes depository receipts

CMP: INR2,819 TP: INR3,000 (+6%) Neutral

Provision for SEBI regulatory fees mars profitability

- BSE reported a PAT of INR1.07b in 4QFY24, +21% YoY, and flat QoQ. PBT for the quarter rose 8% YoY to INR1.3b. Excluding provision for SEBI fees, PBT came in at INR3b, 26% higher than our estimate.
- After the re-launch, derivative contracts (Sensex and Bankex) are witnessing significant traction from market participants. BSE has increased derivatives transaction charges with effect from 13th May'24. Thus, the derivatives segment would see a strong revenue growth.
- We raise our EPS estimates by 6%/10% for FY25/FY26 to factor in: 1) a higher-than-expected growth in volumes; 2) a higher profitability in CDSL; and 3) a lower-than-expected clearing & settlement cost. **Reiterate Neutral with a one-year TP of INR3,000 (based on 35x FY26E EPS).**

Strong growth in transaction income

- Transaction charges surged 52% QoQ and 318% YoY to INR2.5b, while services to corporates increased 34% YoY.
- Transaction charges for the cash segment stood at INR905m (+171% YoY, 5% miss) and equity derivatives segment were INR1.13b (21% miss).
- Star MF recorded a jump of 55% YoY in the total number of transactions to 441m in FY24. Revenue from this segment grew 63% YoY to INR1.28b in FY24.
- Opex came in 22% higher than our estimates at INR3.9b. This was due to a provision for SEBI regulatory fees of INR1.7b. Hence, EBITDA margin declined to 20% vs. our expectations of 38% and 25.2% in 3QFY24.
- Excluding SEBI regulatory fees, overall opex came in 31% lower than our estimates as no contribution to SGF was made during the quarter.
- Investment income stood at INR600m, which increased 35% YoY (6% lower than our estimates)
- The holding company opted to shift to a new regime of taxation. Thus, the tax rate was higher in 4Q (adjustments of non-availability of accumulated MAT credit and deferred tax impact due to a change in tax rate)
- **For FY24,** revenue/PAT surged 70%/275% to INR14b/INR7.7b *(Note - gain on sale of CDSL stake recorded in 1QFY24).*

Key takeaways from the management commentary

- BSE to introduce a new fee structure on Sensex and Bankex derivatives from 13th May'24. BSE to launch new products to strengthen its offerings. Based on market demand, BSE would launch a stock derivatives product that shall have an expiry on second Thursday of the month.
- Institutional participants and high frequency traders typically trade longer-term contracts, as strategized by BSE. This should also improve the premium turnover-to-notional premium turnover ratio.
- Co-location services will play a major role in driving execution of longer tenure contracts. The initial 100 racks for co-location services have already been occupied and BSE has initiated the first phase of expansion (~100 new racks). These new racks are of 15kvp (first time introduced in India) and BSE shall only breakeven and recover both capex and opex from the same.

Valuation and view: Raise estimates, reiterate Neutral

- The re-launch of BSE derivatives products has proved to be a trend-changing measure. Increased member participation, new product launches (stock derivatives), rising awareness about products, and a shift in Bankex expiry would continue to drive market share gains for BSE. Currently, BSE has a ~18% market share in notional turnover and ~7% premium turnover market share in the equity derivatives segment. We expect BSE to scale up in these parameters going forward.
- Other levers that will support growth over the medium term include: 1) the repricing of derivatives contracts, 2) co-location revenues, 3) continued momentum in the Star MF business, 4) growth in cash segment, 5) possibility of levying a fee for listing of debt securities, 6) start of operations at its Power Exchange, and 7) the commencement of revenue from its Gold Spot exchange.
- We raise our EPS estimates by 6%/10% for FY25/FY26 to factor in: 1) a higher-than-expected growth in volumes; 2) a higher profitability in CDSL; and 3) a lower-than-expected clearing & settlement cost. **Reiterate Neutral with a one-year TP of INR3,000 (based on 35x FY26E EPS).**

Cons. quarterly performance (INR m)

Y/E March	FY23				FY24				FY24	Est. 4Q	Var. (%/bp)	YoY %	QoQ %
	1Q	2Q	3Q	4Q	1Q	2Q	3QF	4Q					
Revenue from operations	**1,869**	**1,977**	**2,040**	**2,270**	**2,153**	**3,144**	**3,717**	**4,884**	**13,898**	**5,203**	**-6.1**	**115%**	**31%**
YoY Change (%)	19.0	4.8	5.9	10.9	15.2	59.0	82.2	115.1	70.4	129			
Total Expenditure	1,256	1,386	1,392	1,234	1,437	1,716	2,780	3,906	9,839	3,208	21.8	217%	41%
EBITDA	**613**	**591**	**648**	**1,036**	**716**	**1,429**	**937**	**978**	**4,059**	**1,996**	**-51.0**	**-6%**	**4%**
Margins (%)	32.8	29.9	31.8	45.6	33.3	45.4	25.2	20.0	29.2	38			
Depreciation	104	122	170	207	214	227	249	265	954	249	6.3	28%	7%
Interest	76	74	65	60	65	85	0	0	151	1			
Investment income	109	421	410	445	556	525	598	600	2,279	638	-5.9	35%	0%
PBT before EO expense	**542**	**815**	**823**	**1,214**	**992**	**1,642**	**1,287**	**1,313**	**5,233**	**2,383**	**-44.9**	**8%**	**2%**
Exceptional items	-116	-457	-258	-84	4,048	-13	-16	-17	4,002	0			
PBT	**426**	**359**	**566**	**1,131**	**5,040**	**1,629**	**1,271**	**1,295**	**9,235**	**2,383**	**-45.7**	**15%**	**2%**
Tax	135	215	230	336	762	636	371	470	2,239	815	-42.3	40%	27%
Rate (%)	32	60	41	30	15	39	29	36	24	34			
P/L of Asso. Cos.	109	150	141	92	119	190	165	244	719	186	31.5	167%	48%
Reported PAT	**400**	**294**	**477**	**886**	**4,398**	**1,183**	**1,065**	**1,069**	**7,715**	**1,754**	**-39.0**	**21%**	**0%**
Adj PAT	**479**	**477**	**629**	**945**	**961**	**1,191**	**1,076**	**1,080**	**4,309**	**1,754**	**-38.4**	**14%**	**0%**
YoY Change (%)	-23	-48	-19	24	999	303	124	21	275	98			
Margins (%)	25.6	24.1	30.8	41.6	44.6	37.9	29.0	22.1	55.5	34			

08 May 2024
4QFY24 Results Update | Sector: Oil & Gas

Gujarat Gas

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	GUJGA IN
Equity Shares (m)	688
M.Cap.(INRb)/(USDb)	376 / 4.5
52-Week Range (INR)	621 / 397
1, 6, 12 Rel. Per (%)	-2/16/-3
12M Avg Val (INR M)	754

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Net Sales	156.9	169.9	186.0
EBITDA	18.8	23.7	26.0
PAT	11.4	14.4	16.0
EPS (INR)	16.0	20.9	23.3
EPS Gr. (%)	-27.8	30.7	11.3
BV/Sh (INR)	111.7	125.5	140.8
P/E (x)	34.2	26.1	23.5
P/BV (x)	4.9	4.4	3.9
Net D:E	-0.1	-0.2	-0.2
RoE (%)	15.0	17.6	17.5
RoCE (%)	20.6	23.9	23.7
EV/EBITDA (x)	19.6	15.3	13.6
Div. Yield (%)	1.0	1.3	1.5
FCF Yield (%)	2.0	2.6	3.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	60.9	60.9	60.9
DII	22.1	21.0	20.3
FII	3.7	3.3	4.7
Others	13.3	14.8	14.2

FII Includes depository receipts

CMP: INR546 TP: INR650 (+19%) Buy

Volume outlook stays positive

- Gujarat Gas's (GUJGA's) EBITDA was above our estimate at INR5.9b as both margins and volumes were on the higher side. EBITDA/scm for the quarter stood at INR6.7/scm. Total volumes stood at 9.7mmscmd.
- Management emphasized its confidence in achieving an annualized volume CAGR of ~10% p.a., despite experiencing a recent shortfall in APM allocation of 20-30%. Its optimism stems from 1) positive response received to the new pricing scheme aimed at reducing gas volatility, as evidenced by expressions of interest (EOI) from customers in Morbi and Surendranagar, 2) signing of an MoU with OMCs offers a new avenue for growth, 3) sustained robust growth momentum in CNG as evident in 4QFY24 results.
- Other key takeaways from the conference call included: 1) FY25 capex was guided at INR100b vs. ~INR84b in FY24, 2) overall APM shortfall in FY24 averaged 16%, but has risen to 28% in 4QFY24, 3) GUJGA could look to offer similar EoI schemes to industrial customers outside of Morbi as well in a bid to protect market share.
- We decrease our EBITDA/PAT estimates by 2%/5% and 2%/6% for FY25 and FY26 as we revise our margin assumption downwards to INR6.2/scm for FY25/26.
- GUJGA's long-term volume growth prospects remain robust, with the addition of new industrial units, and expansion of existing units. Hence, we reiterate our BUY rating on the stock with a TP of INR650 (at 28x FY26 EPS).

EBITDA beat as margin and volume strong

- GUJGA reported robust results with EBITDA and PAT exceeding our estimates by 27%/54%. This outperformance can be attributed to several factors: 1) Overall volumes in 4QFY24 exceeded our estimates by 4%, 2) EBITDA/scm margin surpassed our estimates by 22% 3) results were boosted by INR557m due to provisions written back related to previous quarters, specifically for trade margin on CNG sales, following a settlement with oil marketing companies.
- Adjusted for provisions written back, PAT was 38% above our estimate.
- Total volumes were 9.7mmscmd (in line with our estimate of 9.4mmscmd).
- **CNG volumes** at 2.9mmscmd (+14% YoY) continue to witness strong momentum and have steadily climbed up from 2.5 mmscmd in 4QFY23.
- **PNG I/C volumes** reached 6mmscmd (our est. 5.7mmscmd, +8% YoY). GUJGA added 271 commercial and 76 new industrial customers during the quarter. Additionally, the commissioning of new industrial customers added a volume of 2,79,000scmd. GUJGA has also secured a signed volume of 7,70,000scmd, scheduled for commissioning in the coming days.
- **PNG domestic volumes** stood at 0.9mmscmd (our est. 0.8mmscmd, +2% YoY). The company added ~50.8k new domestic customers during the quarter.

- EBITDA/scm came in at INR6.7 (est. of INR5.5/scm). Gross margin stood at INR10.8/scm (up from INR10.6 in 4QFY23). Thus, EBITDA stood at INR5.9b (est. of INR4.7b, 5% YoY).
- PAT was at INR4.1b (est. of INR2.7b, 11% YoY).
- We have a BUY rating on GUJGA with a target price of INR650.

Valuation and view

- The company's long-term volume growth prospects remain robust, with the addition of new industrial units, and expansion of existing units. It is aggressively investing in infrastructure to push industrial gas adoption in Thane rural, Ahmedabad rural, and newly acquired areas in Rajasthan.
- The stock is trading at P/E of 23.5x FY26E and EV/EBITDA of 13.6x for FY26E. **We reiterate our BUY rating on the stock with a TP of INR650, valuing it at 28x FY26E EPS.**

Standalone - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**51,701**	**39,765**	**36,843**	**39,286**	**37,815**	**38,454**	**39,291**	**41,342**	**1,67,594**	**1,56,902**	**40,133**	**3%**
YoY Change (%)	71.7	9.7	-28.4	-15.9	-26.9	-3.3	6.6	5.2	1.8	-6.4	2.2	
EBITDA	**6,066**	**6,427**	**5,823**	**5,603**	**3,880**	**4,966**	**4,007**	**5,911**	**23,920**	**18,764**	**4,664**	**27%**
Margin (%)	11.7	16.2	15.8	14.3	10.3	12.9	10.2	14.3	14.3	12.0	11.6	
Depreciation	1,032	1,064	1,093	1,094	1,151	1,179	1,201	1,212	4,283	4,743	1,256	
Interest	136	131	76	61	74	78	72	69	404	293	66	
Other Income	190	185	320	318	239	298	230	311	1,013	1,078	243	
PBT	**5,089**	**5,418**	**4,974**	**4,766**	**2,894**	**4,007**	**2,964**	**5,497**	**20,247**	**15,362**	**3,586**	**53%**
Tax	1,278	1,379	1,261	1,074	743	1,029	761	1,402	4,992	3,934	921	
Rate (%)	25.1	25.4	25.4	22.5	25.7	25.7	25.7	25.5	24.7	25.6	25.7	
Reported PAT	**3,811**	**4,039**	**3,713**	**3,692**	**2,151**	**2,978**	**2,203**	**4,095**	**15,255**	**11,428**	**2,665**	**54%**
Adj. PAT	**3,811**	**4,039**	**3,713**	**3,692**	**2,151**	**2,978**	**2,203**	**3,681**	**15,255**	**11,013**	**2,665**	**38%**
YoY Change (%)	-20.0	64.6	204.5	-18.5	-43.6	-26.3	-40.7	-0.3	17.8	-27.8	-27.8	
Total volume (mmscmd)	**9.8**	**7.6**	**7.3**	**8.9**	**9.2**	**9.3**	**9.2**	**9.7**	**8.4**	**9.3**	**9.4**	**4%**
CNG	2.4	2.3	2.4	2.5	2.6	2.6	2.8	2.9	2.4	2.7	2.9	0%
PNG – Industrial/Commercial	6.8	4.6	4.2	5.5	6.0	6.0	5.7	6.0	5.3	5.9	5.7	4%
PNG – Households	0.6	0.7	0.7	0.8	0.6	0.7	0.7	0.9	0.7	0.7	0.8	12%
EBITDA (INR/scm)	**6.8**	**9.2**	**8.7**	**7.0**	**4.6**	**5.8**	**4.8**	**6.7**	**7.9**	**5.5**	**5.5**	**22%**

Indraprastha Gas

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	IGL IN
Equity Shares (m)	700
M.Cap.(INRb)/(USDb)	315.8 / 3.8
52-Week Range (INR)	516 / 376
1, 6, 12 Rel. Per (%)	-3/-1/-30
12M Avg Val (INR M)	1011

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	140.0	139.9	142.8
EBITDA	23.7	27.4	29.3
Adj. PAT	17.5	19.1	20.5
Adj. EPS (INR)	25.0	27.4	29.3
EPS Gr. (%)	21.0	9.5	7.2
BV/Sh.(INR)	122.2	141.3	161.8
Ratios			
Net D:E	-0.3	-0.2	-0.3
RoE (%)	22.4	20.8	19.3
RoCE (%)	21.5	20.0	18.7
Payout (%)	30.0	30.0	30.0
Valuation			
P/E (x)	18.1	16.5	15.4
P/BV (x)	3.7	3.2	2.8
EV/EBITDA (x)	12.5	10.7	9.8
Div. Yield (%)	1.7	1.8	1.9
FCF Yield (%)	1.1	2.8	3.5

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	45.0	45.0	45.0
DII	29.2	27.7	25.5
FII	16.8	17.9	21.3
Others	9.0	9.4	8.3

FII Includes depository receipts

CMP: INR451 TP: INR390 (-13%) Sell

Weaker-than-estimated margin leads to a miss on EBITDA

- Indraprastha Gas (IGL)'s EBITDA came in below our est. at INR5.2b in 4QFY24 due to a lower-than-expected EBITDA/scm of INR6.6 (vs. our est. of INR7.2). Volumes increased 6% YoY to 8.7mmscmd.
- Management guided a rise in volumes to 9.5 mmscmd in FY25 (FY24 average: 8.7 mmscmd) driven by: 1) robust growth (+15% YoY) at new geographic areas (GAs) outside of Delhi-NCR, and 2) a strong industrial and commercial volume growth momentum. EBITDA/scm guidance was retained at INR7.0-8.5. IGL guided FY25 capex at INR18b vs. ~INR12b in FY24.
- While management commentary turned bullish after several quarters, we believe FY25 volume guidance of 9.5 mmscmd might be hard to achieve given: 1) the continued retirement of DTC buses and replacement with an electric fleet, and 2) industrial volume growth, though healthy but may see continued competition from low propane prices. Further, continued APM gas shortfall may put pressure on margin guidance of INR7.0-8.5/scm.
- We expect IGL's volumes to report 7% CAGR in FY24-26, as against an 11% CAGR during FY16-23, owing to multiple headwinds. We value the stock at 12x FY26 adj. EPS and add the value of JV at 25% holding company discount to arrive at our TP of INR390. **We reiterate our Sell rating.**

Volumes in line

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

Valuation and view

- While IGL's volumes posted 9.7% CAGR over FY16-24, we are building in a 7% CAGR during FY24-26. Lastly, we believe EBITDA/scm may remain under pressure owing to a reduction in APM allocation.
- We value the stock at 12x FY26E adj. EPS and add value of JV at 25% holding company discount to arrive at our TP of INR391. **Reiterate Sell.**

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	**31,939**	**35,540**	**37,108**	**36,820**	**34,070**	**34,585**	**35,504**	**35,968**	**1,41,407**	**1,40,000**	**30,476**	**18%**
Change (%)	154.0	94.1	67.5	53.0	6.7	-2.7	-4.3	-2.3	83.4	-1.0	-17.3	
Raw Material Consumed	21,706	26,094	28,636	27,925	23,341	23,803	25,459	25,528	1,04,360	82,655	20,313	26%
Staff Cost	481	497	438	467	508	516	583	660	1,882	1,401	604	9%
Other Exp (incl Stock Adj)	3,577	3,675	3,750	3,820	3,797	3,697	3,881	4,555	14,821	11,244	3,780	20%
EBITDA	**6,175**	**5,275**	**4,285**	**4,608**	**6,424**	**6,569**	**5,582**	**5,225**	**20,343**	**23,669**	**5,779**	**-10%**
EBITDA (INR/scm)	8.6	7.1	5.7	6.2	8.6	8.6	7.2	6.6	6.9	7.7	7.2	-9%
Change (%)	62.1	-0.5	-8.8	-7.9	4.0	24.5	30.3	13.4	8.1	16.3	23.9	
Depreciation	857	914	925	938	989	1,022	1,018	1,108	3,634	4,138	1,092	1%
Interest	24	31	26	26	24	25	18	26	106	92	24	
Other Income	307	1,100	557	709	457	1,340	610	1,094	2,674	3,632	486	125%
PBT before EO	**5,602**	**5,430**	**3,891**	**4,354**	**5,867**	**6,862**	**5,155**	**5,187**	**19,277**	**23,072**	**5,149**	**1%**
Tax	1,394	1,269	1,109	1,056	1,483	1,514	1,235	1,359	4,827	5,591	1,364	0%
Rate (%)	24.9	23.4	28.5	24.3	25.3	22.1	23.9	26.2	25.0	24.2	26.5	
PAT	**4,209**	**4,162**	**2,783**	**3,298**	**4,384**	**5,348**	**3,921**	**3,828**	**14,451**	**17,481**	**3,785**	**1%**
PAT (INR/scm)	5.9	5.6	3.7	4.4	5.9	7.0	5.0	4.8	4.9	5.7	4.7	2%
Change (%)	72.3	3.9	-9.8	-8.8	4.2	28.5	40.9	16.1	9.9	21.0	14.8	
Gas volumes (mmscmd)												
CNG	5.93	6.09	6.07	6.11	6.17	6.25	6.33	6.37	6.05	6.28	6.49	-2%
PNG	1.96	2.00	2.05	2.14	2.03	2.06	2.15	2.35	2.04	2.15	2.27	4%
Total	**7.89**	**8.09**	**8.12**	**8.26**	**8.20**	**8.30**	**8.48**	**8.73**	**8.09**	**8.43**	**8.76**	**0%**

Piramal Enterprises

Bloomberg	PIEL IN
Equity Shares (m)	225
M.Cap.(INRb)/(USDb)	201.1 / 2.4
52-Week Range (INR)	1140 / 716
1, 6, 12 Rel. Per (%)	5/-24/-2
12M Avg Val (INR M)	1737

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
PPOP	12.0	19.4	24.6
PAT	-16.8	6.9	14.8
PAT (ex-exceptional)	-15.4	-5.1	9.8
EPS	-75	-	66
EPS Gr. (%)	-	-	113
BV/Sh. (INR)	1,182	1,203	1,256
RoA (%)	-2.0	0.8	1.5
RoE (%)	-5.8	2.6	5.3
Valuation			
P/E (x)	N/A	28.9	13.6
P/BV (x)	0.8	0.7	0.7
Dividend yield (%)	1.1	1.4	1.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	46.2	46.2	43.5
DII	13.2	13.0	9.6
FII	17.5	17.7	29.2
Others	23.2	23.1	17.8

FII Includes depository receipts

CMP: INR895 TP: INR925 (+3%) Downgrade to Neutral

More stress ahead from rundown of legacy AUM; downgrade to Neutral

4QFY24 credit costs of ~INR33.5b from rundown of wholesale 1.0

- PIEL reported 4QFY24 net profit of ~INR1.37b (loss of ~INR23.8b in 3QFY24). Reported PAT included net provision write-back on AIF investments of INR11.4b and stake sale in Shriram Investment Holdings resulting in one-off gain of INR8.7b. FY24 loss after tax stood at ~INR16.8b, impacted by net AIF provision of INR24.7b.
- NII declined 18% YoY and 10% QoQ to ~INR7.55b. PPOP at ~INR2.9b declined ~25% QoQ and ~37% YoY. Loan losses and provisions stood at ~INR33.5b, which included impairment on investment property of ~INR6.6b.
- Total AUM grew 8% YoY and declined 3% QoQ. Wholesale 2.0 AUM grew 14% QoQ to INR63.5b, while Wholesale 1.0 AUM declined 50% YoY/22% QoQ to INR146b. Retail AUM grew ~49% YoY to INR479b, with its share in the loan book increasing to ~70% (vs. 64% in 3Q).
- GS3 was stable at 2.4%, while NS3 improved by ~30bp QoQ to 0.8%. S3 PCR improved by ~10pp QoQ to ~65%. 90+ DPD delinquency was stable or down across retail products.
- Total SRs declined ~3% QoQ to INR48.5b. As the resolution processes continue, the SR portfolio will continue to fall in the subsequent quarters.
- PEL has also announced a corporate reorganization through a proposed merger of Piramal Enterprises (PEL) with its subsidiary Piramal Capital & Housing Finance (PCHFL). The merged entity will be renamed as Piramal Finance. For each equity share of PEL, a shareholder would receive one equity share of Piramal Finance and a non-convertible, non-redeemable preference share of INR67, subject to RBI approval. We believe that this merger is a step in the right direction to simplify the organization structure.
- The management shared that it targets to rundown the legacy wholesale 1.0 AUM to ~INR60-70b by Mar'25 from INR146b as of Mar'24. **We believe that this will entail elevated credit costs in FY25 as well.** The company pointed out that: a) it has provisions of ~INR25b on the legacy AUM, b) it expects gains of ~INR17b from AIF over FY25-FY26, c) it has residual stakes in Shriram Life and General Insurance, which will be monetized; and d) it has assessed carry forward losses of ~INR106b, which can be utilized from FY25 onward. It will look to take the credit cost impact of running down the legacy AUM on the P&L when there are such one-off gains from the pockets of opportunity in its legacy business.
- We estimate a ~24% CAGR in total AUM and a ~36% CAGR in Retail AUM over FY24-FY26. While its growth business (excluding one-off gains and exceptional items) is showing signs of improvement, it will still take at least 12-18 months to mitigate the earnings and credit cost impact of an accelerated decline in the legacy AUM.
- Pockets of opportunity, which we earlier thought would be utilized for some inorganic acquisition in retail businesses or for strengthening the balance sheet, are being utilized to rundown the stressed legacy AUM. We do not see catalysts for any meaningful improvement in the core earnings trajectory of the company. **Downgrade to Neutral with a revised TP of INR925 (based on Mar'26E SOTP).**

Highlights from the management commentary

- The management shared the split of credit costs during the quarter. It utilized ~INR14b of fair value markdown on receivables and non-earning assets. Some large and chunky assets which were in Stage 2 and 3 legacy book have been settled and closed, which resulted in credit costs of over ~INR10b. Additionally, ~INR7b of management overlay was created and was added to Stage 1 of the legacy AUM.
- Guided for AUM of ~INR800b (~15% YoY growth) by FY25. This is including the rundown in the legacy AUM to ~INR60-70b. Retail: Wholesale AUM mix to improve to 75:25 by Mar'24.
- Guided for RoA of 3.0-3.5% by FY25; Assessed carry forward tax losses of INR106b will now be available for many years and will provide upside potential to RoA and RoE.

Valuation and view

- Our earnings estimate for FY25 and FY26 only factor in exceptional gains from the AIF exposures and no tax incidence in the foreseeable future. Because of the uncertainty and unpredictability around the timing of the monetization of the stake in Shriram Life and General insurance, we have not factored it in our estimates as well. It does, however, provide streams of one-off gains, which can help offset the credit costs required to dispose of the stressed legacy AUM.
- We expect PIEL to deliver ~1.5% RoA and 5% RoE in FY26. We value the lending business at 0.6x FY26E P/BV (earlier: 0.7x). **Downgrade to Neutral with a revised TP of INR925 (premised on Mar'26 SOTP).**

Piramal: Quarterly Performance

Y/E March	FY23				FY24			
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Interest Income	20,392	18,437	20,062	19,206	17,251	17,783	19,307	19,009
Interest Expenses	10,514	10,129	9,733	10,035	10,439	10,500	11,178	11,887
Net Interest Income	**9,878**	**8,307**	**10,329**	**9,171**	**6,812**	**7,283**	**8,129**	**7,121**
YoY Growth (%)	65.6	34.2	13.7	-17.9	-31.0	-12.3	-21.3	-22.3
Other operating income	585	500	12,254	-582	11,739	4,150	5,450	5,724
Other Income	231	625	555	113	208	119	706	549
Total Income	**10,694**	**9,433**	**23,138**	**8,702**	**18,759**	**11,552**	**14,284**	**13,394**
YoY Growth (%)	58.6	37.4	130.2	-31.1	75.4	22.5	-38.3	53.9
Operating Expenses	4,415	5,411	5,587	6,735	9,061	6,641	6,970	14,451
Operating Profit	**6,278**	**4,022**	**17,551**	**1,967**	**9,698**	**4,911**	**7,314**	**-1,057**
YoY Growth (%)	35.1	-15.7	152.4	-76.0	54.5	22.1	-58.3	-153.7
Provisions & Loan Losses	902	32,567	16,958	4,035	3,090	4,385	5,995	20,852
Profit before Tax	**5,376**	**-28,545**	**594**	**-2,068**	**6,609**	**526**	**1,319**	**-21,909**
Tax Provisions	1,454	-6,938	-34,319	22	1,732	107	-9,575	-8,212
PAT (before associate income)	**3,922**	**-21,608**	**34,913**	**-2,090**	**4,877**	**419**	**10,894**	**-13,696**
Associate Income	1,493	1,721	541	131	211	707	728	-108
PAT (before exceptional)	**5,415**	**-19,887**	**35,454**	**-1,959**	**5,088**	**1,125**	**11,622**	**-13,805**
Exceptional items	76,140	4,523	0	0	0	-643	-35,398	15,176
Profit from Discontinued operations								
PAT (after exceptional)	**81,555**	**-15,364**	**35,454**	**-1,959**	**5,088**	**482**	**-23,776**	**1,371**

KEC International

Estimate changes	↓
TP change	⟷
Rating change	⟷

Bloomberg	KECI IN
Equity Shares (m)	257
M.Cap.(INRb)/(USDb)	189.5 / 2.3
52-Week Range (INR)	839 / 444
1, 6, 12 Rel. Per (%)	-1/17/23
12M Avg Val (INR M)	476

Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Sales	199.1	225.2	251.0
EBITDA	12.1	16.4	21.4
PAT	3.5	6.3	10.1
EPS (INR)	13.5	24.5	39.2
GR. (%)	97.0	81.8	60.0
BV/Sh (INR)	159.3	176.6	204.2
Ratios			
ROE (%)	8.8	14.6	20.6
RoCE (%)	11.8	13.6	17.1
Valuations			
P/E (X)	55.4	30.5	19.0
P/BV (X)	4.7	4.2	3.7
EV/EBITDA (X)	17.9	13.1	10.0
Div Yield (%)	-	-	-

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	51.9	51.9	51.9
DII	25.8	27.0	25.8
FII	12.5	10.9	12.6
Others	9.8	10.3	9.7

FII Includes depository receipts

CMP: INR738 TP: INR710 (-5%) Neutral

In-line results

KEC International (KEC)'s results were largely in line with expectations on revenue/EBITDA/PAT for the quarter and full year FY24. Revenue worth INR4-5b was deferred due to supply chain disruptions involving transformers, conductors, and DI pipes, thereby adversely impacting revenues in the T&D and Civil segment. Net working capital cycle has come down for the company on better collections from projects stuck in Afghanistan. Net debt adjusted with acceptances as on Mar'24 stood stable YoY, after moving up higher during the year. Lower-than-expected order inflows due to selective bidding during FY24 led to miss in overall order inflow for the year. Overall, we continue to expect KEC to benefit from a strong T&D tendering pipeline. We cut our estimates by 13%/6% for FY25E/FY26E to bake in the impact of lower order inflow and slightly better margins. We maintain Neutral rating on the stock with a TP of INR710.

Results impacted by lower-than-expected order inflows

KEC's 4QFY24 result came largely in line with our expectations. Continued momentum in the T&D segment (+24% YoY) and Civil segment (+27% YoY) was offset to some extent by muted performance of the Railways segment, which saw a 27% YoY decline. Revenue grew 12% YoY to INR61.6b, largely in line with our estimate. EBITDA margin at 6.3% showed a ~20bp QoQ improvement. PAT growth of 110% YoY came on a low base. For FY24, revenue/EBITDA/PAT grew 15%/46%/97%. However, owing to poor OCF generation and higher capex, FCF saw a decline vs. FY23 levels. FY24 order inflow declined 19% YoY to INR181b, missing initial guidance, owing to a conscious decision to bid selectively, while the order book stood at INR296b. For FY25, management guided for order inflows of ~INR250b, revenue growth of ~15%, a margin of ~7.5%, and a capex of ~INR3.5b.

Prospect pipeline remains strong in transmission

Overall prospect pipeline for KEC stands strong at INR1.35t. Within this, the order pipeline continues to be buoyant for T&D (~INR600-700b) and Civil segments, while it remains weak for the Railways segment. Near-term pipeline of domestic T&D projects also remains strong along with HVDC projects. Despite KEC's order inflows totaling INR181b in FY24 missed the initial guidance due to its selective approach to railways projects and some T&D and civil orders below its margin threshold, we expect the finalization of domestic transmission tenders to benefit KEC in the near to medium term.

T&D and Civil segment revenue performance remains strong

T&D segment revenues were up 20% YoY and the company has an order book of INR145b, including L1 projects as of FY24. SAE has also remained PBT positive throughout the year. During FY24, the company also managed to improve collections from projects stuck in Afghanistan. Civil segment inflows declined 42% YoY for FY24 due to selective bidding from the company for metro projects and the lack of large water related projects. We expect Civil segment inflows to start ramping up from diverse sectors such as B&F from residential and industrial followed by private capex.

Railways segment to see another year of decline

Railways segment revenues declined 27% YoY due to lack of order inflows as well as slower execution due to working capital issues. The company installed Kavach systems on 70 route kilometers and plans to add it on another 100 route kilometer in the coming quarters. However, due to increased competition in the Railways segment as well as working capital challenges, the company is witnessing margin and revenue growth pressure and will be selective in pursuing order inflows from railways. Meanwhile, the company is also foraying into international geographies for railway-related orders. The company expects that post-election, higher allocation should be made toward signaling, track-laying, electrification, anti-collision, and station redevelopment that are the core competencies of KEC.

Financial outlook

We expect a revenue/EBITDA CAGR of 12%/33% over FY24-26 for KEC. This will be driven by: 1) order inflow growth of 29% over the same period, led by a strong prospect pipeline, 2) a gradual recovery in EBITDA margin to 7.3%/8.5% by FY25/26, and 3) control over working capital due to improved customer advances, improved debtor collections from railways and Afghanistan projects. With improvement in margins and stable working capital, we expect the RoE and RoCE to improve to 20.6% and 17.1% by FY26, respectively.

Key risks and concerns

Risks such as a slowdown in order inflows, higher commodity prices, an increase in receivables and working capital, and heightened competition pose potential challenges that could affect our estimates.

Valuation and recommendation

KEC is currently trading at 30.5x/19x on FY25E/26E earnings. We value the company at a slightly higher valuation multiple of 18x on two-year forward estimated earnings to take into account improved prospect pipeline from domestic transmission projects. Our estimates bake in a revenue CAGR of ~12% and EBITDA margins of 7.3%/8.5% for FY25-26. We maintain our **Neutral** rating with a target price of INR710.

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

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	KJC IN
Equity Shares (m)	159
M.Cap.(INRb)/(USDb)	184.1 / 2.2
52-Week Range (INR)	1524 / 1110
1, 6, 12 Rel. Per (%)	-6/-24/-21
12M Avg Val (INR M)	310
Free float (%)	52.5

Financial Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	45.8	50.8	57.2
EBITDA	7.0	8.4	9.5
Adj. PAT	4.2	5.2	6.0
EBITDA Margin (%)	15.3	16.5	16.6
Cons. Adj. EPS (INR)	27.2	33.4	38.2
EPS Gr. (%)	27.2	23.0	14.2
BV/Sh. (INR)	164	177	194
Ratios			
Net D:E	(0.5)	(0.5)	(0.6)
RoE (%)	17.1	19.2	20.1
RoCE (%)	19.7	22.5	23.9
Payout (%)	44.1	59.8	52.3
Valuations			
P/E (x)	42.7	34.8	30.4
P/BV (x)	7.1	6.6	6.0
EV/EBITDA(x)	25.9	21.6	18.9
EV/Sales (x)	4.0	3.6	3.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	47.5	47.5	47.5
DII	24.9	25.6	26.2
FII	19.2	18.3	16.9
Others	8.4	8.7	9.4

FII Includes depository receipts

CMP: INR1,156 TP: INR1,500 (+30%) Buy

Volume growth recovery likely in FY25

Outlines a three-year mission; aims for strong growth across key segments

- Kajaria Ceramics (KJC)'s consolidated revenue grew 3% YoY to INR12.4b (est. INR13.1b). EBITDA declined 2% YoY to INR1.7b (est. INR2.1b) due to weak realizations (declined 4.4% YoY). OPM stood at 14% (est. 16%). PAT came in at INR1.0b (vs. est. INR1.2b).
- Management shared a three-year strategy across key segments. KJC targets increasing its tiles volume to 150msm in the next three years vs. 108msm in FY24 (at ~12% CAGR). Tiles revenue is estimated at INR55b vs. 40.6b in FY24 (at ~11% CAGR). Other than the tiles segment, revenue is estimated at INR10b vs. 5.2b in FY24 (at ~24% CAGR, aided by low base). It guided the EBITDA margin to hover in the range of 15-17%.
- We cut our EPS estimates by 3%/6% for FY25/26. In our recent report, we highlighted that KJC should benefit from the expected recovery in demand in FY25 and a reduction in gas prices. **We reiterate our BUY rating on the stock with a TP of INR1,500 (earlier INR1,600) premised on 40x FY26E EPS.**

EBITDA margin contracts 74bp YoY to 14% (est. ~16%) in 4QFY24

- 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 to 14% during the quarter.
- **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 improvements in working capital. Capex stood at INR3.0b (vs. INR2.3b in FY23), and FCF stood at INR3b (vs. INR639m in FY23).

Highlights from the management commentary

- The industry is estimated to grow at 6-7% p.a. over FY24-27, and KJC would grow 5-6pp higher than the industry. It remains optimistic on the tiles industry's demand recovery in FY25.
- Gas prices, after witnessing a sharp increase in CY22, have been normalized in FY24, and the industry passed on this benefit. Now, realization across the Tiles categories is estimated to have bottomed out.
- In 4QFY24, Ceramics, PVT, and GVT contributed 38%, 26% and 36% to revenue and 43%, 26%, and 31% to sales volume, respectively.

View and valuation

- We estimate KJC's revenue/EBITDA/PAT CAGR at 12%/16%/18% over FY24-26. We estimate its ROE/ROCE to improve to 20%/24% by FY26 from 17%/ 20% in FY24.
- The stock is currently trading at an attractive valuation of 30x FY26E EPS (vs. 38x last five-year average one-year forward P/E). **We reiterate our BUY rating on the stock with a TP of INR1,500 (earlier INR1,600) premised on 40x FY26E EPS.**

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					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY (%)	QoQ (%)
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	1,023	13	11
Plywood	203	194	188	188	143	235	340	327	74	(4)
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%		

Westlife Foodworld

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	WESTLIFE IN
Equity Shares (m)	156
M.Cap.(INRb)/(USDb)	135.1 / 1.6
52-Week Range (INR)	1025 / 701
1, 6, 12 Rel. Per (%)	7/-8/-13
12M Avg Val (INR M)	159

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	23.9	27.2	31.5
Sales growth (%)	5.0	13.7	16.0
EBITDA	3.8	4.5	5.6
Margins (%)	15.8	16.6	17.7
Adj. PAT	0.7	1.2	1.9
Adj. EPS (INR)	4.4	7.7	12.2
EPS Growth (%)	-38.0	74.3	57.6
BV/Sh.(INR)	37.7	54.7	59.5
Ratios			
RoE (%)	12.0	16.7	21.3
RoCE (%)	8.0	9.8	12.1
Valuations			
P/E (x)	196.1	112.5	71.4
P/BV (x)	23.1	15.9	14.6
EV/EBITDA (x)	39.1	32.4	26.3
EV/Sales (x)	6.2	5.4	4.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	56.3	56.2	56.2
DII	23.0	24.0	24.2
FII	11.9	10.8	9.9
Others	8.8	9.0	9.7

FII Includes depository receipts

CMP: INR870 TP: INR775 (-11%) Neutral

Sluggish performance; not unwinding in near term

- Westlife Foodworld (WLDL)'s sales grew 1% YoY to INR5.6b in 4QFY24. Its sales were hit by a 5% decline in same-store sales (est. -6%). Off-premise business grew 8% YoY, led by delivery and drive-thrus, while on-premise dropped 2% YoY. Demand challenges and fast store additions by the industry over the last three years continued to hurt the growth metrics.
- WLDL added 17 new stores (+11% YoY) and entered two new cities in 4Q. Its store expansion spree will continue as management guides 45-50 new store additions in FY25, with a focus on South India, smaller towns, and drive-thru stores.
- Due to muted growth, the restaurant operating margin (ROM; post-IND-AS) contacted 510bp YoY and 310bp QoQ to 19.4%. Weak operating margin was further hit by higher depreciation (due to store additions). PBT plunged 93% YoY in 4QFY24.
- The QSR industry has been witnessing weakness in growth metrics, leading to a sharp deceleration in the margin profile (a typical trend in QSR during the downcycle). Demand recovery is still uncertain in the near term. PBT margin was 6.6%/4.0% for FY23/FY24; we model a gradual recovery in margin to 5.9%/8.0% in FY25/FY26. **Reiterate Neutral with a TP of INR775 (based on 60x FY26E EPS).**

Weak SSSG dents operating performance

- **Muted sales growth:** WLDL reported sales growth of 1% YoY (est. 4%) to INR5.6b led by 11% YoY store additions. Same-store sales declined 5% YoY in 4QFY24 (est. -6%). Average sales per store dipped 5% YoY to INR63m (annualized) in 4QFY24
- **Weakness in margin sustains:** GM contracted 180bp YoY to 70.2% (est. 70.6%). It was broadly stable sequentially (70.3% in 3QFY24). EBITDA margin (post-IND-AS) contracted 280bp YoY/230bp QoQ to 13.7%. (est. 15.0%). Similarly, ROM contracted 510bp/310bp YoY/QoQ to 19.4%.
- **Decline in EBITDA/PBT/APAT:** EBITDA declined 16% YoY to INR771m (est. INR867m) due to operating expenses. PBT dipped 93% YoY to INR20m (est.INR97m). PAT declined 96% YoY to INR8m (est. INR91m).
- **In FY24**, net sales grew 5% YoY, while EBITDA/PBT/PAT declined 4%/36%/38%. The **same-store sales declined 1.5% YoY in FY24**.

Key takeaways from the management commentary

- The guest count rose in FY24 due to effective consumer engagement strategies aligned with changing consumer preferences.
- WLDL's western stores are more affected due to the cheese issue. However, there is a marginal improvement in the stores, but the impact has not gone away completely.
- Currently, it has not taken any price increases due to softness in the market, but historically, it has taken 3-5% price hikes. Going forward, it will take annual price increases that will cover up the inflation.

- The company has guided 15-18% operating margin (Pre-Ind-AS) and 18-20% operating margin (Post-Ind-AS) in the medium term.
- WLDL aims a high single-digit SSSG growth by FY27. It targeted INR40-45b revenue by FY27.

Valuation and view

- We cut out EPS estimates by ~2-3% for FY25 and FY26.
- WLDL has been aggressive on store additions, which was not the case historically. The current demand environment is not conducive to aggressive expansion. Therefore, the benefits of the same will be back-ended.
- The QSR industry has been witnessing weakness in growth metrics, leading to a sharp deceleration in the margin profile (a typical trend in QSR during the downcycle). We do not see any near-term respite in demand.
- **Reiterate Neutral with a TP of INR775 (based on 60x FY26E EPS).**

Consolidated quarterly performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	(%)
SSSG %	97.1	40.2	20.0	14.0	7.0	1.0	(9.0)	(5.0)	36.0	-1.5	-6.0	
No. of McDonald's restaurants	331	337	341	357	361	370	380	397	357	397	397	
Net Sales	**5,379**	**5,724**	**6,115**	**5,564**	**6,145**	**6,147**	**6,003**	**5,623**	**22,782**	**23,918**	**5,765**	**-2.5**
YoY Change (%)	107.6	48.5	28.2	22.3	14.2	7.4	-1.8	1.1	44.5	5.0	3.6	
Gross profit	**3,659**	**3,968**	**4,290**	**4,002**	**4,337**	**4,310**	**4,219**	**3,945**	**15,922**	**16,811**	**4,073**	**-3.1**
Margin (%)	68.0	69.3	70.2	71.9	70.6	70.1	70.3	70.2	69.9	70.3	70.6	
EBITDA	**921**	**988**	**1,103**	**919**	**1,053**	**997**	**960**	**771**	**3,931**	**3,780**	**867**	**-11.1**
YoY Change (%)	1,705.3	116.1	32.2	26.1	14.3	0.9	-12.9	-16.1	89.8	-3.8	-5.7	
Margins (%)	17.1	17.3	18.0	16.5	17.1	16.2	16.0	13.7	17.3	15.8	15.0	
Depreciation	388	397	426	438	439	453	491	503	1,649	1,886	526	
Interest	215	226	234	253	260	274	282	283	928	1,099	279	
Other Income	0	54	36	49	52	32	44	35	140	162	35	
PBT	**318**	**420**	**480**	**277**	**406**	**302**	**231**	**20**	**1,494**	**958**	**97**	**-79.7**
Tax	82	104	116	76	118	78	59	12	379	266	6	
Rate (%)	25.7	24.8	24.3	27.5	29.0	26.0	25.3	60.6	25.3	27.8	6.4	
Adj PAT	**236**	**316**	**364**	**201**	**288**	**224**	**172**	**8**	**1,116**	**692**	**91**	**-91.5**
YoY Change (%)	L/P	L/P	74.7	31.2	22.0	-29.2	-52.6	-96.1	L/P	L/P	-54.8	
Margins (%)	4.4	5.5	5.9	3.6	4.7	3.6	2.9	0.1	4.9	2.9	1.6	

E: MOFSL Estimates

Kalpataru Projects

BSE SENSEX	S&P CNX
73,466	22,303

Conference Call Details

Date: 9th May 2024
Time: 09:00am IST
Dial-in details:
Diamond Pass

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	167.6	213.4	241.4
Sales Gr. (%)	16.9	20.4	13.1
EBITDA	13.7	19.0	21.5
EBITDA Margin (%)	8.2	8.9	8.9
Adj. PAT	5.3	9.1	10.8
Adj. EPS (INR)	32.6	55.8	65.8
EPS Gr. (%)	8.3	53.5	18.0
BV/Sh.(INR)	351.6	413.6	475.4
Ratios			
RoE (%)	9.6	14.4	14.8
RoCE (%)	9.0	12.3	12.8
Valuations			
P/E (x)	38.2	23.3	16.7
P/BV (x)	3.5	3.1	2.7
EV/EBITDA (x)	16.6	12.4	9.6
Div. Yield (%)	0.6	0.6	0.6

CMP: INR1,244 — Buy

Miss; strong order book to drive growth

- Kalpataru Projects (KPIL) reported 4QFY24 standalone revenue growth of 17% (6% miss), EBITDA growth of 29% (9% miss), and adjusted PAT growth of 53% (4% miss). Revenue came in at INR51.4b, up 17% YoY & 24% QoQ, led by healthy project execution across T&D, Water and civil construction.
- EBITDA grew 29% YoY and 16% QoQ with margin expansion of 70bp YoY to 7.8%, while margin contracted ~52bp QoQ, primarily due to a decline in gross margin. Adjusted PAT came in at INR1.7b (+53% YoY).
- FY24 revenue/EBITDA/adjusted PAT grew 17%/ 18%/13%. Net debt improved 29% QoQ to INR18.3b; Core EPC business recorded 99 NWC days in FY24 (112 days in 3QFY24).
- Order inflow was up 108% YoY (on a low base) to INR119.5b in 4Q, taking order book to record high INR584.1b (+19% YoY; three-year CAGR at 28%). The company is in L1 position in orders worth +INR50b and received new orders of INR8.4b in FY25 till date. The T&D segment dominates the order book with 35% share, followed by B&F (19%), Water (18%), Oil & Gas (16%), Railways (7%), and Urban infra (5%).
- KPIL proposed a final dividend of INR8/share and announced the retirement of Mr. Gyan Prakash (President-Oil & Gas). Additionally, the company has approved subscription to the rights issue of Shree Shubham Logistics Ltd (SSL), WOS of KPIL, for up to INR1b. This investment will be directed toward the repayment of loans granted by KPIL to SSL. Management remains optimistic about sustaining growth in FY25, citing a strong order book and a diversified business portfolio.

Standalone - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. (%)
Net Sales	**31,390**	**32,930**	**35,090**	**43,960**	**36,220**	**38,440**	**41,470**	**51,470**	**1,43,370**	**1,67,600**	**54,972**	**-6**
YoY Change (%)					15.4	16.7	18.2	17.1	15.6	16.9	25.1	
Total Expenditure	28,700	30,170	32,040	40,850	33,080	35,360	38,030	47,470	1,31,760	1,53,940	50,556	
EBITDA	**2,690**	**2,760**	**3,050**	**3,110**	**3,140**	**3,080**	**3,440**	**4,000**	**11,610**	**13,660**	**4,416**	**-9**
Margins (%)	8.6	8.4	8.7	7.1	8.7	8.0	8.3	7.8	8.1	8.2	8.0	
Depreciation	660	710	750	830	930	880	940	930	2,950	3,680	932	0
Interest	610	750	740	840	750	850	830	940	2,940	3,370	1,075	-13
Other Income	660	150	90	220	290	250	270	320	1,120	1,130	407	-21
PBT before EO expense	**2,080**	**1,450**	**1,650**	**1,660**	**1,750**	**1,600**	**1,940**	**2,450**	**6,840**	**7,740**	**2,815**	**-13**
Extra-Ord expense	0	0	0	-540	0	0	0	350	-540	350	0	
PBT	**2,080**	**1,450**	**1,650**	**2,200**	**1,750**	**1,600**	**1,940**	**2,100**	**7,380**	**7,390**	**2,815**	**-25**
Tax	440	410	540	680	490	470	500	600	2,070	2,060	993	
Rate (%)	21.2	28.3	32.7	30.9	28.0	29.4	25.8	28.6	28.0	27.9	35.3	
Reported PAT	**1,640**	**1,040**	**1,110**	**1,520**	**1,260**	**1,130**	**1,440**	**1,500**	**5,310**	**5,330**	**1,822**	**-18**
Adj PAT	**1,640**	**1,040**	**1,110**	**1,147**	**1,260**	**1,130**	**1,440**	**1,750**	**4,921**	**5,582**	**1,822**	**-4**
YoY Change (%)					-23.2	8.7	29.7	52.6	-7.3	19.1	58.9	
Margins (%)	5.2	3.2	3.2	2.6	3.5	2.9	3.5	3.4	3.4	3.3	3.3	

E: MOFSL Estimates

Gujarat State Petronet

BSE SENSEX	S&P CNX
73,466	22,303

CMP: INR294 **Buy**

Performance in line; volume momentum strong

- Total volumes were in line with our estimate at 33.4mmscmd (+33% YoY).
  - CGD volumes increased to 11.4mmscmd (+18% YoY).
  - Fertilizer volumes were at 4.6mmscmd (+58% YoY).
  - Power/ref-petchem volumes stood at 2.9/8.7mmscmd (+3x/+24% YoY).
  - Other volumes stood at 5.6mmscmd (+27% YoY).
- EBITDA was INR3.8b (our est. of INR3.8b, +28% YoY).
- PAT stood at INR2.6b (our est. of INR2.7b, +16% YoY) as the implied tariff was INR1,495/mscm (our est. of INR1,550/mscm, -4%YoY) and tax was higher than our estimate.
- **For FY24**, revenue stood at INR17.6b (+15% YoY), EBITDA was INR15b (+20% YoY), while PAT came in at INR12.8b (+36% YoY).
  - Volumes were 30.5mmscmd (+20% YoY), while implied tariff was INR1,536/mscm (-4% YoY).
- The Board declared a final dividend of INR5/share (50% of FV).

Standalone - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24					Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	4QAct	(%)	(%)	(%)
Net Sales	**4,200**	**3,850**	**3,484**	**3,740**	**3,937**	**4,533**	**4,555**	**4,622**	**4,547**	**-2%**	**22%**	**0%**
YoY Change (%)	-4.5	-13.9	-12.7	0.3	-6.3	17.7	30.7	23.6	21.6			
EBITDA	**3,602**	**3,338**	**2,699**	**2,947**	**3,364**	**4,103**	**3,795**	**3,820**	**3,780**	**-1%**	**28%**	**0%**
YoY Change (%)	-3.8	-12.3	-19.8	-3.7	-6.6	22.9	40.6	29.6	28.2			
Margin (%)	85.8	86.7	77.5	78.8	85.5	90.5	83.3	82.6	83.1	0.5	4.3	-0.2
Depreciation	479	488	489	483	468	477	488	482	486			
Interest	14	11	11	10	10	10	11	9	19			
Other Income	40	1,037	130	476	180	2,663	211	298	296			
PBT before EO expense	**3,149**	**3,877**	**2,329**	**2,931**	**3,066**	**6,278**	**3,506**	**3,627**	**3,571**	**-2%**	**22%**	**2%**
PBT	**3,149**	**3,877**	**2,329**	**2,931**	**3,066**	**6,278**	**3,506**	**3,627**	**3,571**	**-2%**	**22%**	**2%**
Tax	794	735	620	687	773	958	884	901	960	**7%**		
Rate (%)	25.2	18.9	26.6	23.5	25.2	15.3	25.2	24.8	26.9			
Reported PAT	**2,355**	**3,142**	**1,709**	**2,243**	**2,293**	**5,320**	**2,622**	**2,726**	**2,611**	**-4%**	**16%**	**0%**
YoY Change (%)	1.1	-4.9	-19.9	11.0	-2.6	69.3	53.4	21.5	16.4			
Margin (%)	56.1	81.6	49.1	60.0	58.2	117.4	57.6	59.0	57.4	-1.6	-2.6	-0.1
Key Operating Parameters												
Transmission Volume (mmscmd)	29.5	24.6	22.3	25.1	29.4	30.2	29.0	32.4	33.4	3%	33%	15%
Implied Tariff (INR/mmscm)	1,523	1,656	1,678	1,562	1,435	1,587	1,628	1,550	1,495	-4%	-4%	-8%

Kirloskar Oil Engine

BSE SENSEX	S&P CNX
73,466	22,303

Conference Call Details

Date: 9th May 2024
Time: 04:00pm IST
Dial-in details:
Diamond Pass

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	48.5	56.5	65.6
EBITDA	5.6	7.1	8.9
Adj. PAT	3.6	4.7	6.1
Adj. EPS (INR)	25.0	32.8	42.0
EPS Gr. (%)	33.8	32.7	28.1
BV/Sh.(INR)	181.2	203.2	233.9
Ratios			
RoE (%)	14.6	17.1	19.2
RoCE (%)	14.0	16.9	19.1
Valuations			
P/E (x)	41.4	31.6	24.6
P/BV (x)	5.7	5.1	4.4
EV/EBITDA (x)	26.7	20.6	16.0
Div. Yield (%)	0.6	0.8	1.1

CMP: INR1,034 — Buy

Robust growth across segments drives all-round beat

- KOEL reported 4QFY24 standalone revenue growth of 21% (3% beat), EBITDA growth of 80% (6% beat), and PAT growth of 81% YoY (8% beat).
- Revenue at INR13.9b was up 21% YoY/23% QoQ, led by robust demand across construction, infrastructure and railway in B2B segments and exports.
- EBITDA margin came in at 12.8% (our estimate 12.4%) vs. 8.6% in 4QFY23 and 11.7% in 3QFY24, led by higher gross margin and lower other expenses.
- PAT came in at INR1.2b, up 81% YoY on a low base and up 43% QoQ on account of improved B2C profitability and operating leverage.
- FY24 revenue/EBITDA/PAT grew by 18%/32%/34% YoY. Export revenue crossed the INR5b mark, and cash stood at INR2.6b (net of debt).
- During the quarter, KOEL saw positive traction in CPCB IV+ products and newly introduced Optiprime range, and the management is confident about the team's preparedness for the final year of 2X 3Y strategic journey.
- KOEL declared a final dividend of INR3.5/share for FY24. The company appointed Mr. Sachin Kejriwal as CFO w.e.f. 9th May'24. He is a CA and MBA with 19 years of experience in the finance industry. He previously worked at Cummins India, E&Y and IFB Industries.

Standalone - Quarterly performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. (%)
Net Sales	**9,530**	**10,104**	**10,001**	**11,526**	**12,647**	**10,590**	**11,352**	**13,917**	**41,161**	**48,505**	**13,561**	**3**
YoY Change (%)	NA	22.4	19.5	16.4	26.5	4.8	13.5	20.7	24.7	17.8	17.7	
Total Expenditure	8,496	8,950	8,913	10,534	11,102	9,603	10,023	12,135	36,892	42,864	11,884	
EBITDA	**1,034**	**1,154**	**1,089**	**992**	**1,545**	**986**	**1,329**	**1,782**	**4,269**	**5,642**	**1,677**	**6**
Margins (%)	10.8	11.4	10.9	8.6	12.2	9.3	11.7	12.8	10.4	11.6	12.4	
Depreciation	205	213	212	217	213	243	257	257	848	970	219	17
Interest	11	10	19	13	14	16	20	29	54	78	5	492
Other Income	54	47	60	114	70	64	57	85	273	274	75	13
PBT before EO expense	**871**	**978**	**917**	**875**	**1,388**	**791**	**1,109**	**1,581**	**3,641**	**4,868**	**1,528**	**3**
PBT	**871**	**978**	**917**	**875**	**1,388**	**791**	**1,109**	**1,581**	**3,641**	**4,868**	**1,528**	**3**
Tax	225	252	236	226	355	205	287	405	939	1,252	444	
Rate (%)	25.9	25.7	25.7	25.9	25.6	25.9	25.9	25.6	25.8	25.7	29.0	
Reported PAT	**646**	**726**	**682**	**649**	**1,032**	**586**	**822**	**1,176**	**2,703**	**3,616**	**1,085**	**8**
Adj PAT	**646**	**726**	**682**	**649**	**1,032**	**586**	**822**	**1,176**	**2,703**	**3,616**	**1,085**	**8**
YoY Change (%)	NA	80.3	169.8	-40.6	59.9	-19.3	20.5	81.3	29.9	33.8	67.2	
Margins (%)	6.8	7.2	6.8	5.6	8.2	5.5	7.2	8.5	6.6	7.5	8.0	

Godrej Agrovet

BSE SENSEX	S&P CNX
73,466	22,303

CMP: INR585 — Neutral

Operating performance above our estimates

Performance in 4QFY24

- Godrej Agrovet's consolidated revenue grew 2% YoY to INR21.3b (est. INR22.4b). EBITDA margins expanded 340bp YoY to 6.9% (est.5.1%), led by 580bp-YoY expansion in gross margins to 25.5%. EBITDA stood at INR1.5b, up 2x YoY (est. INR1.1b). Adj. PAT grew 84% YoY to INR571m (est. INR532m).
- For FY24, Revenue/EBIDTA/Adj. PAT grew 2%/34%/45% YoY to INR95.6b/INR7b/INR3.6b.

4QFY24 Segmental performance

- Animal feed (AF) biz revenue declined ~2% YoY to INR11.9b. EBIT margin expanded 2pp YoY to 5.7%. EBIT stood at INR679m, up 53% YoY.
- Palm oil biz revenue grew 28% YoY to INR1.9b. EBIT margin contracted 7.6pp YoY to 4.9%. EBIT stood at INR92m, down 50% YoY.
- Crop protection (CP) biz revenue grew ~5% YoY to INR2.5b. EBIT margins expanded 12.9pp YoY to 18.4%. EBIT stood at INR468m, up 3.5x YoY.
- Dairy biz revenue declined ~2% YoY to INR3.9b. Operating profit stood at INR203m in 4QFY24 vs. operating loss of INR83m in 4QFY23.
- Poultry and processed food biz declined 12% YoY to INR2.2b. Operating profit stood at INR119m in 4QFY24 vs. operating loss of INR32m in 4QFY23.

FY24 Segment performance:

- AF/ Palm Oil/ CP/ Dairy/ Poultry Revenue up 1%/ down 6%/ up 3%/ up 5%/ down 2% to INR50.1b/ INR12.2b/ INR12.4b/ INR15.7b/ INR9.9b.
- AF/ Palm Oil/ CP/ Poultry EBIT up 31%/ down 30%/ up 72%/ up 2.9x to INR2.3b/ INR1.7b/ INR2.2b/ INR464m. Dairy reported operating profit of INR310m vs. loss of INR439m in FY23.

Conference Call Details

Date: 9th May'24
Time: 3:30pm IST
Dial-in details:
click here

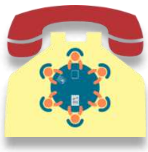
Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Gross Sales	**25,099**	**24,453**	**23,235**	**20,950**	**25,102**	**25,709**	**23,452**	**21,343**	**93,737**	**95,606**	**22,377**	**-5**
YoY Change (%)	25.9	13.5	11.8	0.7	0.0	5.1	0.9	1.9	12.9	2.0	6.8	
Total Expenditure	23,483	22,950	21,872	20,204	23,173	23,694	21,861	19,863	88,509	88,591	21,244	
EBITDA	**1,616**	**1,503**	**1,363**	**746**	**1,929**	**2,014**	**1,591**	**1,480**	**5,228**	**7,015**	**1,132**	**31**
Margins (%)	6.4	6.1	5.9	3.6	7.7	7.8	6.8	6.9	5.6	7.3	5.1	
Depreciation	449	461	469	476	528	529	530	556	1,855	2,143	535	
Interest	216	257	249	270	295	279	251	254	991	1,079	260	
Other Income	77	88	76	126	115	112	84	102	367	413	115	
PBT before EO expense	**1,028**	**873**	**721**	**127**	**1,222**	**1,318**	**894**	**772**	**2,749**	**4,206**	**453**	
Extra-Ord expense	0	0	-708	0	0	0	0	0	-708	0	0	
PBT	**1,028**	**873**	**1,429**	**127**	**1,222**	**1,318**	**894**	**772**	**3,457**	**4,206**	**453**	
Tax	279	219	334	-8	353	369	191	220	823	1,133	114	
Rate (%)	27.1	25.1	23.4	-6.6	28.9	28.0	21.3	28.5	23.8	26.9	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	-77	-64	-69	-175	-202	-104	-215	-19	-385	-540	-193	
Reported PAT	**827**	**718**	**1,164**	**310**	**1,071**	**1,053**	**918**	**571**	**3,019**	**3,613**	**532**	
Adj PAT	**827**	**718**	**640**	**310**	**1,071**	**1,053**	**918**	**571**	**2,495**	**3,613**	**532**	**7**
YoY Change (%)	-22.0	-34.3	-17.8	-74.6	29.5	46.7	43.5	84.2	-40.6	44.8	71.4	
Margins (%)	3.3	2.9	2.8	1.5	4.3	4.1	3.9	2.7	2.7	3.8	2.4	

HomeFirst Finance

BSE SENSEX	S&P CNX
73,466	22,303

Conference Call Details



Date: 9th May'24
Time: 11:00pm IST
Dial-in details:
+91 22 7115 8300
Link for the call

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	5.3	6.3	8.1
PPoP	4.3	5.1	6.6
PAT	3.1	3.5	4.7
EPS (INR)	34.5	39.3	52.3
EPS Gr. (%)	33.2	13.9	32.9
BV/Sh. (INR)	240	275	324
ABV/Sh (INR)	231	266	313
Ratios			
NIM (%)	6.2	5.6	5.6
C/I ratio (%)	35.2	36.2	33.6
RoAA (%)	3.8	3.3	3.5
RoAE (%)	15.5	15.3	17.5
Valuations			
P/E (x)	25.9	22.7	17.1
P/BV (x)	3.7	3.2	2.8
P/ABV (x)	3.9	3.4	2.9
Div. yield (%)	0.3	0.4	0.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	23.6	23.6	33.5
DII	11.9	11.7	8.4
FII	25.1	24.8	15.7
Others	39.5	39.8	42.4

FII Includes depository receipts

CMP: INR892 **Buy**

Earnings in line; NIM contracts ~40bp QoQ

BT-out rates elevated at 8.3%

- HomeFirst's 4QFY24 PAT grew 30% YoY to INR835m (in line). NII grew 22% YoY to INR1.37b (inline). Other income grew 32% YoY to INR351m (inline). FY24 PAT grew 34% YoY to INR3.1b.
- Opex (8% below MOFSLe) grew 23% YoY but declined 4% QoQ to INR584m. PPoP grew ~25% YoY to INR1.14b (in line).
- Credit costs at INR27m (55% below MOFSLe) translated into annualized credit cost of ~10bp (~30bp in 3QFY24 and ~40bp in 4QFY23).

Business momentum healthy; BT-out rates elevated at ~8.3%

- Disbursements grew 27% YoY to ~INR11b, leading to AUM growth of 35% YoY to ~INR97b.
- BT-OUT rate (annualized) in 4QFY24 increased to ~8.3% (~7.5% in 3QFY24 and ~6.1% in 4QFY23).

Spreads and NIM contract due to rise in CoF

- Reported yield remained stable at 13.5%, while CoB rose ~10bp QoQ to 8.3%. Reported spreads contracted ~10bp QoQ to 5.2%.
- Reported NIM declined ~40bp QoQ to 5.3%. Incremental CoF and origination yield in 4QFY24 stood at 8.7% and 13.4%, respectively.

Asset quality remains stable; bounce rate rises in 4QFY24/Apr'24

- GS3 and NS3 remained stable QoQ at 1.7% and 1.2%, respectively. PCR declined ~20bp QoQ to ~29.7%.
- 1+dpd declined ~30bp QoQ to 4.2%. Bounce rates declined to ~14.7% in 4QFY24 (vs. ~15% in 3QFY24) but increased to 15.3% for Apr'24.
- Capital adequacy stood at 39.5% (Tier 1: 39.1%).

Valuation and view

HomeFirst has made strategic investments in establishing a franchise, positioning the company effectively to capitalize on the strong growth potential of affordable housing finance. The company continues to expand its distribution network in a contiguous manner across Tier I, II, and III cities within its existing states. We estimate HomeFirst to deliver ~29% AUM CAGR over FY24-FY26, along with a NIM of 5.6% in FY25 & FY26. We expect cost efficiencies to kick in and drive a sustained improvement in its operating cost ratios over the medium term. HomeFirst's asset quality is expected to strengthen, and credit costs are likely to remain benign over FY25-FY26 as the company prioritizes early bucket collections, thereby driving improvement in asset quality. We might revise our estimates after the earnings call on 9th May'24.

Quarterly Performance

(INR m)

Y/E March	FY23				FY24E				FY23	FY24	4QFY24E	Act V/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	1,547	1,727	1,902	2,047	2,313	2,491	2,646	2,827	7,222	10,277	2,813	0
Interest expenses	607	712	796	929	1,068	1,170	1,302	1,459	3,043	4,999	1,403	4
Net Interest Income	**940**	**1,016**	**1,106**	**1,118**	**1,246**	**1,321**	**1,344**	**1,368**	**4,179**	**5,278**	**1,410**	-3
YoY Growth (%)	50.8	58.2	54.2	31.4	32.6	30.1	21.4	22.4	41.2	26.3	26.1	
Other Income	147	167	152	266	285	289	364	351	734	1,289	341	3
Net Income	**1,086**	**1,182**	**1,258**	**1,384**	**1,530**	**1,610**	**1,708**	**1,719**	**4,913**	**6,567**	**1,751**	**-2**
YoY Growth (%)	22.3	31.8	30.5	35.4	40.9	36.1	35.7	24.2	29.3	33.7	26.5	
Operating Expenses	387	441	443	475	553	565	611	584	1,746	2,313	636	-8
Operating Profit	**699**	**741**	**816**	**910**	**977**	**1,044**	**1,097**	**1,135**	**3,167**	**4,254**	**1,115**	2
YoY Growth (%)	15.3	24.3	25.3	38.1	39.8	40.9	34.5	24.8	24.8	34.3	22.6	
Provisions and Cont.	36	50	60	70	77	80	70	27	215	254	61	-55
Profit before Tax	**663**	**692**	**756**	**840**	**900**	**964**	**1,027**	**1,107**	**2,952**	**4,000**	**1,054**	5
Tax Provisions	151	149	170	200	209	221	239	273	669	942	226	21
Net Profit	**512**	**543**	**586**	**640**	**691**	**743**	**788**	**835**	**2,283**	**3,057**	**828**	1
YoY Growth (%)	46.0	20.9	27.6	6.4	34.9	36.9	34.5	30.4	21.1	33.9	29.4	
Key Operating Parameters (%)												
Other income to Net Income Ratio	13.5	14.1	12.1	19.2	18.6	17.9	21.3	20.4	14.9	19.6		
Credit Cost	0.26	0.33	0.37	0.40	0.41	0.40	0.32	0.12	1.67	1.4		
Cost to Income Ratio	35.7	37.3	35.2	34.3	36.1	35.1	35.7	34.0	35.5	35.2		
Tax Rate	22.7	21.5	22.5	23.8	23.2	23.0	23.3	24.6	22.7	23.6		
Balance Sheet Parameters												
AUM (INR m)	58,319	62,750	67,512	71,980	77,760	83,654	90,137	96,978	71,980	96,978		
Change YoY (%)	35.8	35.9	35.2	33.8	33.3	33.3	33.5	34.7	33.8	34.7		
Loans (INR m)	47,222	51,454	55,955	59,957	65,194	70,253	75,479	81,434	59,957	81,434		
Change YoY (%)	39.1	41.5	41.5	39.3	38.1	36.5	34.9	35.8	39.3	35.8		
Borrowings (INR m)	48,387	52,282	58,045	59,556	68,215	72,792	82,514	82,514	48,135	73,021		
Change YoY (%)	22.9	30.5	44.5	32.5	41.0	39.2	42.2	38.5	38.8	51.7		
Loans/Borrowings (%)	97.6	98.4	96.4	100.7	95.6	96.5	91.5	98.7	125	112		
Asset Quality Parameters (%)												
GS 3 (INR m)	1,020	1,001	1,008	974	1,077	1,233	1,295	1,393	974	1,393		
Gross Stage 3 (% on Assets)	2.1	1.9	1.8	1.6	1.6	1.7	1.7	1.7	1.6	1.70		
NS 3 (INR m)	791	737	715	643	743	859	908	979	643	979		
Net Stage 3 (% on Assets)	1.66	1.42	1.27	1.06	1.13	1.21	1.19	1.19	1.1	1.19		
PCR (%)	22.4	26.4	29.1	34.0	31.0	30.3	29.9	29.7	34.0	29.7		
ECL (%)	0.98	0.98	0.96	0.96	0.94	0.91	0.89	0.86	0.96	0.94		
Return Ratios (%)												
ROAA (Rep)	3.9	3.8	3.8	3.9	3.9	3.8	3.7	3.6	3.9	3.8		
ROAE (Rep)	12.8	13.1	13.7	14.4	15.0	15.6	15.8	16.1	13.5	15.5		

E: MOFSL Estimates

Building for the long-run

Business growth steady; operating leverage to improve gradually

We met with the top management team of CSB Bank, represented by Mr. Pralay Mondal, MD & CEO, and Mr. Satish Gundewar, CFO, to discuss the bank's growth outlook, performance of new businesses, profitability goals, and other key focus areas. Here are the key takeaways from the discussion:

CSB Bank

Mr. Pralay Mondal, MD & CEO

Mr. Mondal has three decades of rich banking experience. Prior to joining CSB, he was Head of Retail Banking at Axis Bank. He has also held senior positions at Yes Bank (Head of Commercial Business and Rural Banking) and HDFC Bank (Head of Retail Assets and Credit Cards). Mr. Mondal holds an Engineering degree from IIT Kharagpur and is a management graduate from IIM Calcutta.

Scale-up of businesses to drive healthy loan growth; asset mix to diversify

CSB is making steady investments in business as it aims to build a customer-centric franchise supporting customers at each stage of their journey by offering multiple products. The bank is making significant investments in technological upgrades to provide customers a superior experience while pursuing scalable growth. The bank aims to grow its advances at a healthy rate, led by broad-based growth in loan book, while the mix of gold loans moderates. By 2030, the management aims to reduce the mix of gold loans to 20% (vs. 48% currently), while retail, wholesale and SME will account for 30%, 30%, and 20% of the loan mix, respectively. The bank focuses more on scaling up the SME/mid-corporate business, where it envisages healthy 25-30% loan growth as those segments are witnessing strong activity and offer better risk-adjusted returns.

Technological upgrades to accelerate business growth

CSB is undertaking a comprehensive transformation of its core banking solution platform, including the loan origination system and loan management system across the retail, SME, and wholesale banking segments. The bank's commitment to enhancing its technology infrastructure will potentially improve operational efficiencies, reduce costs, and increase revenue generation by supporting business growth. Moreover, the bank's ability to leverage data-driven insights and digital capabilities could strengthen its market position and contribute to long-term growth. By FY25, with a major portion of the tech ramp-up completed and new products launched, CSB expects to realize tangible benefits in terms of operational efficiencies and faster revenue growth.

Branch expansion to continue; NIMs to sustain at 4.5%-5.0% levels

CSB has seen a 21% CAGR in deposits over the past two years. The bank's CD ratio is comfortable at 82% vs. 84% in 4Q. The bank has been making efforts to geographically diversify its deposit base as it is expanding its presence in other states, mainly in the northern and western regions (Delhi, Maharashtra, Rajasthan Gujarat, UP, Punjab) to boost overall deposit mobilization. Kerala currently accounts for 35% of the bank's branch network vs. 52% three years ago. CSB aims to open 60-75 branches in FY25 (current branch count: 779). The bank plans to cross-sell asset products to its customers, especially once the technology is upgraded. On margins, the management indicated that ~80% of deposits are already repriced, while the remaining will continue to get repriced over the coming quarters, which will keep margins under pressure at ~4.5-5%. CASA deposits have declined ~500bp over the past one year to 27.2% and are likely to remain under pressure in the near term until the technology stack is in place and the industry-wide trend starts reversing.

Cost ratios to stay elevated in near term; long-term C/I ratio to be <50%

CSB has made significant business investments to expand its retail product offerings and tighten its underwriting, risk-monitoring and digital capabilities. Its costs can be divided into three parts: 1) investing in technology, 2) opening new branches, and 3) increasing manpower. The bank's current employee base is ~7,700 and is expected to reach 9,000 by next year. The bank also aims to ramp up its branch network to geographically diversify its presence. The C/I ratio is currently high at ~63% and the management expects to sustain it above 60% until FY26 before it starts tapering off. By FY30, the management expects the C/I ratio to moderate to <50%.

Asset quality remains steady; GNPA/NNPA ratios to improve further

CSB has seen improvements in asset quality in the past few years as the GNPA ratio declined to 1.47% in 4QFY24 from the peak of 7.9% in FY18, . Asset quality improvement was driven by lower delinquencies, attributed to a larger share of gold loans. PCR (including TWO) stood at 86.4% in 4QFY24. Slippages were high in 4Q at INR1.2b due to one lumpy account of INR700m, which slipped due to some technical reasons, but the bank is confident that it will be able to pull it back. The bank has adequate cushion to maintain a low credit cost trajectory as it maintains healthy PCR with a high mix of gold loans, while it also holds a contingency buffer of INR1.1b.

Other highlights

Branch expansion to gather pace: Historically, the core states of Kerala, Tamil Nadu and Maharashtra have accounted for the majority of CSB's branch network. But with continued investments in technology and the vision to transform into a much stronger franchise, the bank aims to expand its presence in the northern and western regions. In the southern region, the bank is also trying to grow its business further in Karnataka and Telangana, where it does not have a sizeable presence.

Superior technology to drive up customer engagement and cross-selling: CSB focuses on offering high-quality customer experience as it steadily expands its customer base. The bank currently has 2.1m customers and is confident that once the improved technology stack is in place, customer engagement will improve significantly, which will improve cross-selling of its asset and third-party products.

Valuations and view

CSB reported FY24 RoA/RoE of 1.8%/17.4% (1.8%/17.6% in 4QFY24). The management expects the bank to report healthy return ratios with RoA of more than 1.5% and RoE of over 15%, driven by better operating performance, balance sheet growth and steady asset quality. The stock is currently trading at 1.2x FY26E P/BV (as per Bloomberg consensus).

Siemens: Looking at partnerships for entering the passenger EV market in India; Sunil Mathur, CEO

- Expect Siemens India's order book to double over the next 5 years
- Bidding for a lot of projects in FY25 on the railway sidce
- See a strong step in private capex in India over next 5 years
- India is the fastest growing market for Siemens globally

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Tata Communications: Orders were & are getting delayed even as funnel improves; Amur Lakshminarayanan, CEO

- Confident about FY25 barring the cautiousness we see in the international markets
- Ambition to double data revenue by FY27 is on track
- Will do a strategic review of our subsidiaries to improve margins
- Goal is to get back margin to 23-25%

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Indraprastha Gas: Looking at volumes of 9.5 mmscmd in FY25; Kamal Kishore Chatiwal, MD

- Vol. were impacted due to conversion to EVs in some segment
- Expect CNG conversions to pick up in FY25
- Delhi gov. wants to move more vehicles to EVs
- We have signed MoUs with 4 tech partners for Bio Gas Plant

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KEC International: FY25 may be soft for Railways, expect a sharp recovery and execution in FY26; Vimal Kejriwal, MD

- Targeting 7.5% EBITDAM for full FY25
- FY25 exit margin range to be closer to 9-10%
- Targeting 15% growth in FY25, projecting 23,000 crs. In FY25
- Have faced some setbacks in Railways that impacted margins

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Jupiter Wagons: Will see order inflows resume post elections; Vivek Lohia, MD

- Wheels & Braking business will start contributing to margin
- Growth in FY25 will be substantial
- Expect certification for EV any day, will launch by July
- Will maintain orderbook at over Rs. 7k cr.

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NOTES

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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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